BRYAN, GARNIER & CO

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9th June 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18005.05	+0.37%	+3.33%
S&P 500	2119.12	+0.33%	+3.68%
Nasdaq	4974.64	+0.26%	-0.65%
Nikkei	16668.41	-0.97%	-11.57%
Stoxx 600	344.559	-0.49%	-5.81%
CAC 40	4448.73	-0.61%	-4.06%
Oil /Gold			
Crude WTI	51.16	+1.35%	+37.53%
Gold (once)	1259.49	+1.46%	+18.55%
Currencies/Rates			
EUR/USD	1.13935	+0.34%	+4.88%
EUR/CHF	1.09325	-0.39%	+0.54%
German 10 years	0.059	+10.48%	-90.65%
French 10 years	0.418	+1.25%	-57.38%
Euribor	-	+-%	+-%

Economic releases :

Date	
9th-Jun	DE - Merchandise Trade
	GB - Merchandise Trade
	US - Initial Jobless Claims (270k E)
	US - Consumer Confidence index
	US- Wholesale Trade
	US - DoE inventories

Upcoming BG events :

Date	
13th-Jun	NOVARTIS (BG Paris roadshow with IR)
15th-Jun	GENMAB (BG Paris roadshow)
27th-Jun	IMERYS (BG Luxembourg with CFO)

Recent reports :

Date	
8th-Jun	IMERYS : Stronger than Kryptonite
7th-Jun	AB INBEV Already Gone
3rd-Jun	GENEURO : The GeNesis of a disruptive treatment for MS
3rd-Jun	GENEURO : The GeNesis of a disruptive treatment for MS
1st-Jun	Luxury goods Reduced visibility in the short term: be selective!
1st-Jun	Luxury goods Reduced visibility in the short term: be selective!

List of our Reco & Fair Value : Please click here to download

ADOCIA — BUY, Fair Value EUR93 (+60%)

Fifth BC-based platform initiated

Adocia has decided to initiate a new programme based on its BioChaperone technology with native glucagon. The aim is to develop a rescue pen for severe hypos and combinations to come closer to the concept of artificial pancreas. The group is late compared with other companies in the field but has a differentiated approach. While it is too early to put any value on it, the move makes sense.

GLAXOSMITHKLINE — BUY, Fair Value 1740p vs. 1700p (+20%)

ViiV likely to impact GSK beyond dolutegravir (full report released today)

Since we upgraded GSK to BUY in January, it has been the best performer in the large-cap pharmaceutical segment because its "self-help" profile fits well with what investors need in a more challenging environment. Now what is required for it to go further up is sustainability and visibility over this growth. We are starting with ViiV Healthcare here, which is one of the main drivers. A closer look into this has resulted in a FV upgrade to GBp1,740.

RÉMY COINTREAU — BUY, Fair Value EUR80 (+4%)

Organic EBIT growth of 6.1% in 2015/16, above market expectations

2015/16 EBIT rose 14.4% to EUR178.4m (+6.1% org), in line with the consensus in reported terms but 2.5% above in organic terms. This beat was driven by Cognac which posted 6.4% organic growth (consensus: +4.3% and our estimate: +4.9%), reflecting a favourable price/mix effect and work on optimising overheads. The dividend was a good surprise. The company is to propose EUR1.60 per share vs our forecast for EUR1.40. Guidance for next year is for EBIT growth at constant FX and scope.

In brief...

AMOÉBA, *Provisional market authorisation schedule for France & Europe delayed by six months*

GLAXOSMITHKLINE, *Sirukumab at EULAR: positive but not impressive results*

M2i — CORPORATE

Heading for a world without pesticides

M2i offers lasting solutions in insecticide and antibiotic substitutes that are an answer to current challenges in accompanying global food production in the farming and animal health sectors. Positioned in the pheromones market that is growing by more than 20% a year and is valued at EUR1bn, the company is at a turning point with promising launches in farming and major partnerships reflecting a certain interest in its solutions.

contact our sales representative for full report

Healthcare

Adocia

Price EUR58.09

Fifth BC-based platform initiated

Fair Value EUR93 (+60%) **BUY**

Bloomberg	ADOC FP
Reuters	ADOC.FR
12-month High / Low (EUR)	93.7 / 44.4
Market Cap (EURk)	397,684
Ev (BG Estimates) (EURk)	374,544
Avg. 6m daily volume (000)	30.50
3y EPS CAGR	2.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.7%	3.4%	-22.7%	-20.7%
Healthcare	8.6%	5.3%	-5.4%	-5.8%
DJ Stoxx 600	4.4%	1.6%	-7.0%	-5.3%

YEnd Dec. (EURk)	2015	2016e	2017e	2018e
Sales	36,936	39,754	48,737	75,345
% change		*7.6%*	*22.6%*	*54.6%*
EBITDA	10,571	9,754	23,737	50,345
EBIT	10,103	9,254	23,237	49,845
% change		*-8.4%*	*NM*	*114.5%*
Net income	12,554	4,058	1,217	13,537
% change		*-67.7%*	*-70.0%*	*NM*

	2015	2016e	2017e	2018e
Operating margin	27.4	23.3	47.7	66.2
Net margin	34.0	10.2	2.5	18.0
ROE	30.4	8.9	2.6	22.5
ROCE	NM	NM	NM	NM
Gearing	-33.8	-51.0	-63.0	-263.3

(EUR)	2015	2016e	2017e	2018e
EPS	1.84	0.59	0.18	1.98
% change	-	*-67.7%*	*-70.0%*	*NM*
P/E	31.7x	97.9x	NS	29.4x
FCF yield (%)	NM	2.3%	1.6%	32.4%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	10.4x	9.4x	7.6x	3.2x
EV/EBITDA	36.3x	38.4x	15.5x	4.8x
EV/EBIT	38.0x	40.5x	15.9x	4.8x

Adocia has decided to initiate a new programme based on its BioChaperone technology with native glucagon. The aim is to develop a rescue pen for severe hypos and combinations to come closer to the concept of artificial pancreas. The group is late compared with other companies in the field but has a differentiated approach. While it is too early to put any value on it, the move makes sense.

ANALYSIS

- Adocia announced yesterday that it had decided to add a fifth programme to its BioChaperone platform, four of which are in the diabetes field, with this one set to be called BC Glucagon.
- The first programme is currently progressing under the leadership of Lilly that intends to move BC lispro into phase III trials by year-end. The objective is to bring innovative ultra-fast-acting insulin to market to compete with Novo's Fiasp and to have both more effective and more convenient short-acting insulin for patients that self-inject themselves and/or are pump users.
- The second programme is a BC Combo that has priority status for Adocia in 2016 and combines long-acting insulin glargine with short-acting lispro. This combination is of interest but the category is losing ground and so the future of BC Combo is unclear. Adocia remains fully committed to the project and convinced that the BC Combo has a central role to play, supported by strong data. As such, it is ready to take a bigger financial risk and to share the cost of phase III with a partner rather than simply licensing it out. In an attempt to protect its diabetes franchise, we still see Sanofi as the right partner, also to leverage the biosimilar lispro opportunity.
- Hinsbet and PDGF are smaller opportunities but very strong data was presented earlier this year on Hinsbet that could attract interest anyway. For PDGF, phase III results are expected mid-year and should tell if and how Adocia can move forward with it.
- Back to BC Glucagon, this is a fairly logical addition to the pipeline in fact. Several companies are developing glucagon-based products and it looks like Adocia has a similar approach to Zealand i.e. is interested in investigating both monotherapy to develop a self-injected glucagon formulation as a "rescue" pen for severe hypoglycaemias, and combinations with insulin or GLP1 analogue to work on the artificial pancreas. Where Adocia stands out is that it would work on the native form of glucagon unlike others that develop glucagon analogues. Using the native form of the hormone could have two main advantages: the first is development time and the second is potentially tolerance. This will have to be demonstrated in clinical trials (Adocia expects to start first trial in H1 2017) but so far, preclinical data on pigs has been encouraging enough to decide that this is going to be a new programme that will be allocated adequate resources.
- Note that as a consequence of this new opportunity in one of Adocia's fields of expertise, the company has decided to discontinue the Drive-In platform in oncology for which we had no value and were even slightly sceptical about probability of success.

VALUATION

- BC Glucagon is still in the preclinical phase and so, in spite of a clear view over the opportunity that it may represent – if only in reference to Zealand that we cover too –, we have decided not to factor it into our sales model yet and to wait at least for the first clinical data as we always do.

NEXT CATALYSTS

- Over the next couple of months: PDGF Indian phase III results

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Healthcare

GlaxoSmithKline

Price 1,450p

ViiV likely to impact GSK beyond dolutegravir (full report released today)

Fair Value 1740p vs. 1700p (+20%) **BUY**

Bloomberg	GSK LN
Reuters	GSK.L
12-month High / Low (p)	1,510 / 1,238
Market Cap (GBPm)	70,642
Ev (BG Estimates) (GBPm)	97,360
Avg. 6m daily volume (000)	8 387
3y EPS CAGR	10.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.7%	3.6%	10.4%	5.6%
Healthcare	7.7%	4.6%	-5.0%	-6.5%
DJ Stoxx 600	3.9%	2.1%	-5.8%	-5.8%

YEnd Dec. (GBPm)	2015	2016e	2017e	2018e
Sales	23,923	25,847	26,528	27,223
% change		*8.0%*	*2.6%*	*2.6%*
EBITDA	7,429	8,751	9,363	9,515
EBIT	5,729	7,051	7,663	7,815
% change		*23.1%*	*8.7%*	*2.0%*
Net income	3,658	4,320	4,724	4,975
% change		*18.1%*	*9.3%*	*5.3%*

	2015	2016e	2017e	2018e
Operating margin	23.9	27.3	28.9	28.7
Net margin	15.3	16.7	17.8	18.3
ROE	78.0	87.5	89.3	76.7
ROCE	14.7	17.3	18.4	18.7
Gearing	118.9	125.1	96.9	67.5

(p)	2015	2016e	2017e	2018e
EPS	75.71	89.13	94.27	102.65
% change	-	*17.7%*	*5.8%*	*8.9%*
P/E	19.2x	16.3x	15.4x	14.1x
FCF yield (%)	2.7%	5.5%	6.8%	8.1%
Dividends (p)	100.00	80.00	80.00	88.00
Div yield (%)	6.9%	5.5%	5.5%	6.1%
EV/Sales	4.0x	3.8x	3.6x	3.5x
EV/EBITDA	13.0x	11.1x	10.3x	10.0x
EV/EBIT	16.8x	13.8x	12.6x	12.1x

Since we upgraded GSK to BUY in January, it has been the best performer in the large-cap pharmaceutical segment because its "self-help" profile fits well with what investors need in a more challenging environment. Now what is required for it to go further up is sustainability and visibility over this growth. We are starting with ViiV Healthcare here, which is one of the main drivers. A closer look into this has resulted in a FV upgrade to GBp1,740.

ANALYSIS

- Not so long ago, GSK was close to exiting the HIV space after several failures and, even quite recently, some were asking the group to spin-off the joint-venture and sell part of its stake in it to extract more value. This was without clearly understanding the intrinsic value of the asset and its strong dynamic.
- Dolutegravir has become the best-in-class integrase inhibitor and is now part of several HIV treatment guidelines. In just a few years, it has become one of the biggest drugs for HIV by sales when Tivicay and Triumeq are combined. And two other fixed-dose combinations are currently in late-stage development (with rilpivirine in collaboration with Janssen and 3TC), which should further expand the dolutegravir-based portfolio.
- But the quality of ViiV's pipeline is not limited to new FDC with dolutegravir but it also includes an interesting long-acting integrase inhibitor for maintenance therapy and/or prophylaxis, as well as two innovative compounds acquired from BMS.
- So, in the end, we see ViiV Healthcare surging from slightly more than USD3bn in sales in 2015 to close to USD6bn in 2022, i.e. from less than 10% to 14% of group's total sales. Considering that ViiV Healthcare has a core EBIT margin of around 70%, i.e. well above average (although it excludes royalty payments to Shionogi), high growth at the top-line level (8.8% on average by 2022) will also impact margins and the bottom-line. We have also calculated that GSK's stake in ViiV Healthcare could be valued by DCF at around 430 pence per share or a quarter of our FV while it represents much less of the group's sales or profits. We will try to do the same calculation with CHC and vaccines to see how much the pharmaceutical part left is worth, by difference.

VALUATION

- We are introducing for the first time the risk-adjusted pipeline of ViiV (USD870m in 2022 in total which are well balanced between DTG/rilpivirine, DTG/3TC and the two former BMS drugs while we are more cautious for the time being with cabotegravir) to our sales forecasts. Note that we have probability-adjusted our numbers using PoS between 30% and 55% although most of the projects are already in phase III trials and sometimes include existing products that are "just" combined. Our FV goes up by GBp40 to GBp1,740.

NEXT CATALYSTS

- 27 July 2016: Q2 results

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Food & Beverages

Rémy Cointreau

Price EUR76.75

Bloomberg	RCO FP
Reuters	RCOP.PA
12-month High / Low (EUR)	76.8 / 50.9
Market Cap (EUR)	3,740
Ev (BG Estimates) (EUR)	4,231
Avg. 6m daily volume (000)	107.6
3y EPS CAGR	15.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.3%	21.7%	15.1%	16.3%
Food & Bev.	3.7%	3.1%	-2.8%	-1.5%
DJ Stoxx 600	3.9%	2.1%	-5.8%	-5.8%

YEnd Mar. (EURm)	03/15	03/16e	03/17e	03/18e
Sales	965.1	1,051	1,136	1,204
% change		*8.9%*	*8.1%*	*6.0%*
EBITDA	175	194	221	244
EBIT	156.0	176.2	202.1	223.9
% change		*13.0%*	*14.7%*	*10.8%*
Net income	94.6	106.1	125.4	144.9
% change		*12.2%*	*18.1%*	*15.6%*

	03/15	03/16e	03/17e	03/18e
Operating margin	16.2	16.8	17.8	18.6
Net margin	18.0	10.1	11.0	12.0
ROE	8.8	10.8	12.9	15.1
ROCE	15.6	16.5	17.3	18.0
Gearing	43.4	50.1	46.8	42.1

(EUR)	03/15	03/16e	03/17e	03/18e
EPS	1.95	2.19	2.59	2.99
% change	*-*	*12.2%*	*18.2%*	*15.6%*
P/E	39.4x	35.1x	29.7x	25.7x
FCF yield (%)	0.2%	2.2%	2.8%	3.2%
Dividends (EUR)	1.53	1.40	1.40	1.40
Div yield (%)	2.0%	1.8%	1.8%	1.8%
EV/Sales	4.4x	4.0x	3.7x	3.4x
EV/EBITDA	24.1x	21.8x	18.9x	17.0x
EV/EBIT	27.0x	24.0x	20.8x	18.5x

Organic EBIT growth of 6.1% in 2015/16, above market expectations

Fair Value EUR80 (+4%) **BUY**

2015/16 EBIT rose 14.4% to EUR178.4m (+6.1% org), in line with the consensus in reported terms but 2.5% above in organic terms. This beat was driven by Cognac which posted 6.4% organic growth (consensus: +4.3% and our estimate: +4.9%), reflecting a favourable price/mix effect and work on optimising overheads. The dividend was a good surprise. The company is to propose EUR1.60 per share vs our forecast for EUR1.40. Guidance for next year is for EBIT growth at constant FX and scope.

ANALYSIS

- **EBIT rose 6.1% organically over the year, above the consensus (+3.6%) and our estimate (+4.5%). This is in line with the target set by the group in June 2015 (growth at constant FX and scope) and is driven by Cognac**. On a reported basis, 2015/16 EBIT increased 14.4% to EUR178.4m (consensus: EUR178m and our estimate: EUR176m) helped by FX tailwinds. This implies a margin of 17%, up 80bps. By division, **Cognac posted 6.4% organic growth in EBIT (consensus: +4.3% and our estimate: +4.9%), reflecting a favourable price/mix effect and work on optimising overheads**. The division's margin widened by 80bp to 21.6%. Liqueurs & Spirits EBIT was down 2.8% org (consensus: +1.1% and our estimate: +1.6%) as the group increased communication spending, implying a 210bp drop in margin to 17.6%. The Partner Brands margin narrowed 60bp to 4.7%. Finally, adjusted net profit increased 16.7% (+5% org) to EUR110.4m (consensus: EUR107.6m and our estimate: EUR106.1m).
- **Net debt/EBITDA ratio of 2.3x in 2015/16**. Over the year, net debt was down EUR9m to EUR458m (consensus: EUR484m and our estimate: EUR490m). **The group indicated that it will propose a dividend of EUR1.60 per share**, up 5% vs last year and 14% vs its "normalised" level of 1.40.
- **2016/17 guidance is for growth in EBIT at constant FX and scope**. Note that, the company has previously flagged that Q1 2016/17 should be soft as Q4 2015/16 benefitted from advance shipments before a global hike in prices. **Guidance for 2019/20 was reiterated**: 1/ exceptional spirits (>USD50) should account for 60-65% of sales vs 49% currently and 45% last year and 2/ EBIT margin should rise to 18-20% at the 2014/15 exchange rate and like-for-like consolidation scope.
- **Released on 19th April, Q4 sales were up 9.8% on an organic basis.** 2015/16 net sales amounted to EUR1,050.7m, up 8.9% on a reported basis and 0.3% organically. Q4 showed a very nice acceleration, with organic sales up 9.8% after a drop of 2.6% in 9M. This was driven by all divisions: 1/ Cognac rose 12.3% organically in Q4 (+0.2% in 9M) as the group reported excellent momentum in the US and an improving environment in Greater China (value depletions stabilised over the year), 2/ Liqueurs & Spirits grew 6.9% on an organic basis in Q4 (-4% in 9M) driven by solid trends at Cointreau, Mount Gay, the Botanist and Bruichladdich and an improvement at Metaxa with the launch of Metaxa Honey Shot and 3/ Partner Brands increased 2.9% organically (-10.5% in 9M) as the last quarter of the year was less impacted by the end of champagne distribution contracts in the US.

VALUATION

- Our DCF points to a Fair Value of EUR80. At yesterday's share price, the stock is trading at 20.8x EV/EBIT 2016/17e and 18.5x EV/EBIT 2017/18e, 15% and 12% above the peer average.

NEXT CATALYSTS

- Q1 2016/17 sales on 20th July

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Utilities

Amoéba

Price EUR30.50

Bloomberg	AMEBA.FP
Reuters	AMEBA.PA
12-month High / Low (EUR)	38.2 / 8.3
Market Cap (EURm)	183
Avg. 6m daily volume (000)	15.60

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.5%	11.3%	9.7%	-11.8%
Utilities	2.7%	6.2%	-0.8%	-2.3%
DJ Stoxx 600	3.9%	2.1%	-5.8%	-5.8%

	2015	2016e	2017e	2018e
P/E	NS	NS	79.5x	13.2x
Div yield (%)	NM	NM	NM	NM

Provisional market authorisation schedule for France & Europe delayed by six months

Fair Value EUR35 (+15%) **CORPORATE**

ANALYSIS

- The French natural biocide producer **Amoeba** has announced a revised schedule for its acquisition of provisional market authorisation for France and Europe. The assessment report required to obtain this MA **was initially scheduled to be delivered in May 2016 and during the first semester, but is now expected to be obtained during the second half of 2016**. As a reminder, the group needs this MA in order to officially sell its natural biocide solution either to its current final end customers (*Dalkia, Arcelor…*) for whom R&D/testing contracts already exist, or to its recently acquired customers (*not yet supplied with the product*).
- As a consequence, the company has indicated that its **projected sales for France and Europe should be delayed by six months relative to the first schedule announced**. The first official sales under the provisional MA are therefore expected at the start of 2017 (*Q1 2017*), whereas we initially anticipated a start in Q4 2016. In our model, we assumed the group would have been able to generate **EUR3m** in total revenues for 2016 (*o/w EUR0.5m from subventions*) vs. **EUR0.6m** in 2015, thanks to its deployment in France and in Europe and also thanks to its commercial ramp-up in Turkey where MA is not needed. We may have to reduce our estimates for 2016 with no impact at all on 2017-24 metrics. The group will take advantage of this delay to continue optimising its industrial yields, to the profit of operating margin.

VALUATION

- At the current share price, the stock is trading at 13x its 2018e earnings
- Corporate, FV @ EUR35

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Healthcare

GlaxoSmithKline

Price 1,462p

Bloomberg	GSK LN
Reuters	GSK.L
12-month High / Low (p)	1,510 / 1,238
Market Cap (GBPm)	71,226
Avg. 6m daily volume (000)	8 366

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.5%	6.3%	10.5%	6.5%
Healthcare	8.6%	5.3%	-5.4%	-5.8%
DJ Stoxx 600	4.4%	1.6%	-7.0%	-5.3%

	2015	2016e	2017e	2018e
P/E	19.3x	16.4x	15.5x	14.2x
Div yield (%)	6.8%	5.5%	5.5%	6.0%

Sirukumab at EULAR: positive but not impressive results

Fair Value 1740p vs. 1700p (+19%) **BUY**

ANALYSIS

- The first detailed results of the SIRROUND-D phase IIII study were presented yesterday at the EULAR 2016 congress in London and although the trial met its primary and secondary endpoints as previously announced, we do not see them as outstanding. We hoped they would be strong enough to make sirukumab different from the other members of the Il-6 class considering that it is third to market. The rate of ACR20 at week 16 was 54.8% and 53.5% with doses of 50 mg every two weeks and 100 mg every four weeks respectively, which is not impressive in absolute terms compared to previously disclosed data with Actemra or sarilumab. Same with placebo-restated numbers.
- We have tried to get hold of other results like ACR50 or DAS28 but unsuccessfully so far. As such, we are left with mixed data considering that bi-monthly to monthly subcutaneous formulations do not make the product very different from others either.
- Moving to the safety side, we are not sure how to interpret the higher incidence of serious side effects in the sirukumab group compared to placebo (9.8-11% vs 6.8% in the run-in phase) and also the 11 deaths reported over the course of the study, although well balanced across the various groups (but with all patients receiving sirukumab after week 18 by study design).

VALUATION

- Not only will several anti-IL-6 compete within the RA market, including well established Actemra, but they will have to compete against JAK inhibitors too. In this context, we do not see sirukumab particularly well positioned to be highly successful and we simply see it as a marginal drug. In non-adjusted terms, we believe it can achieve USD450m at peak in 2022 (filing in Q3 2016) thus translating into less than GBP200m once the 60% PoS is applied.

NEXT CATALYSTS

- 27th July 2016: Q2 results

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Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 56.2% NEUTRAL ratings 34% SELL ratings 9.7%

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