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10th June 2016

## BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
<b>Indices</b>			
Dow Jones	17985.19	-0.11%	+3.21%
S&P 500	2115.48	-0.17%	+3.50%
Nasdaq	4958.62	-0.32%	-0.97%
Nikkei	16668.41	-0.97%	-12.43%
Stoxx 600	341.252	-0.96%	-6.71%
CAC 40	4405.61	-0.97%	-4.99%
<b>Oil /Gold</b>			
Crude WTI	51.16	0.00	+37.53%
Gold (once)	1269.65	+0.81%	+19.51%
<b>Currencies/Rates</b>			
EUR/USD	1.13255	-0.60%	+4.26%
EUR/CHF	1.09225	-0.09%	+0.45%
German 10 years	0.039	-34.08%	-93.84%
French 10 years	0.388	-7.25%	-60.47%
Euribor	-	+-%	+-%

### Economic releases :

Date	
10th-Jun	DE - CPI May (0.1% E)
	US - U of Michigan Confidence Jun. (94.5E)
	US - Baker Huges rig Count Jun.
	US - Monthly budget statement

### Upcoming BG events :

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

### Recent reports :

Date	
8th-Jun	IMERYYS : 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



### UNILEVER

NEUTRAL

Coverage initiated, Fair Value EUR43 (+5%) UNILEVER PLC (3350p)

*Well priced quality (full report released today)*

While Unilever's organic sales growth remains modest, there is substantial room for margin improvement and its very healthy financial position enables the group to undertake acquisitions. However, we derive a Fair Value of EUR43, implying a limited upside of 5%. We are initiating coverage with a Neutral recommendation.

### RÉMY COINTREAU

BUY, Fair Value EUR80 (+8%)

*Confidence reiterated*

This release has confirmed our confidence in the company's recovery in 2016/17. Management reiterated that the performance in China should improve materially and should support margin expansion, as well as the increase in weight of exceptional spirits (>USD50). We think yesterday's share price reaction can be explained by profit taking moves ahead of a weak Q1. We maintain our Buy recommendation and our Fair Value of EUR80.

### In brief...

**DASSAULT SYSTÈMES, Capital Markets Day: reaffirming FY19 objectives, unsurprisingly**  
**UCB, Bimekizumab showed strong results in Psoriatic Arthritis**

10th June 2016

Food & Beverages

**Unilever**

Price EUR40.56

Well priced quality (full report released today)

Fair Value EUR43 (+6%) UNILEVER PLC (3350p)

**NEUTRAL**

While Unilever's organic sales growth remains modest, there is substantial room for margin improvement and its very healthy financial position enables the group to undertake acquisitions. However, we derive a Fair Value of EUR43, implying a limited upside of 5%. We are initiating coverage with a Neutral recommendation.

**ANALYSIS**

- **Organic sales growth of 4% in 2016.** The group's organic sales growth should remain modest this year. Like its peers, it is impacted by the weak pricing environment, resulting from low commodity prices and deflationary pressures in Europe. **The economic slowdown and geopolitical problems in the emerging countries** are also holding back sales. We expect organic sales to grow 4% this year, i.e. a performance identical to last year and in the middle of the company's guidance (3%-5%).
- **Unilever, a margin story.** The potential room for margin improvement is substantial, coming from a combination of several factors. The group is working on **improving the mix** of its Home Care and Refreshment divisions. It also has two programmes, the New Functional Models and Zero Based Budgeting, which should enable the achievement of **EUR1bn of cost savings by 2018**. Our estimate is for **the operating margin to increase by 40bps in 2016 and in 2017, beating last year's performance and in the high end of the group's model (+30/40bps)**.
- **An impending change in profile.** Its very healthy financial position should enable the group to undertake acquisitions and, in 2020, achieve its informal target of 70% of sales in HPC. The group's growth potential thus looks set to progress. Between 2010 and 2015, the growth in Personal Care and Home Care products was more than twice that of Foods/Refreshments.

**VALUATION**

- Unilever is trading at a 2016e P/E of 21.9x vs 21.1x for Danone and 21.2x for Nestlé. We have chosen to value the company using the DCF (50%) and sum of the parts (50%) methods, from which we derive a Fair Value of EUR43 per share (3,350p for PLC), implying a limited upside of 5%. We initiate the coverage with a Buy recommendation.

**NEXT CATALYSTS**

- The group should release its H1 results on July 21<sup>st</sup>.

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Bloomberg	UNA NA
Reuters	UNC.AS
12-month High / Low (EUR)	42.5 / 33.9
Market Cap (EURm)	116,009
Ev (BG Estimates) (EURm)	126,011
Avg. 6m daily volume (000)	4,474
3y EPS CAGR	6.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.4%	1.6%	2.2%	1.1%
Food & Bev.	1.9%	1.7%	-2.7%	-2.1%
DJ Stoxx 600	2.4%	0.6%	-6.3%	-6.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	53,272	52,966	55,431	58,309
% change		-0.6%	4.7%	5.2%
EBITDA	9,235	9,433	10,165	10,988
EBIT	7,865	8,056	8,668	9,355
% change		2.4%	7.6%	7.9%
Net income	5,210	5,330	5,790	6,289
% change		2.3%	8.6%	8.6%

	2015	2016e	2017e	2018e
Operating margin	14.8	15.2	15.6	16.0
Net margin	9.8	10.1	10.4	10.8
ROE	NM	NM	NM	NM
ROCE	18.9	19.0	20.7	22.3
Gearing	NM	NM	NM	NM

(EUR)	2015	2016e	2017e	2018e
EPS	1.82	1.87	2.03	2.20
% change	-	2.3%	8.6%	8.6%
P/E	22.2x	21.7x	20.0x	18.4x
FCF yield (%)	4.1%	4.0%	4.2%	4.4%
Dividends (EUR)	1.21	1.30	1.41	1.52
Div yield (%)	3.0%	3.2%	3.5%	3.8%
EV/Sales	2.4x	2.4x	2.3x	2.1x
EV/EBITDA	13.8x	13.4x	12.3x	11.3x
EV/EBIT	16.2x	15.6x	14.4x	13.2x



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Food & Beverages

**Rémy Cointreau**

Price EUR74.19

**Confidence reiterated**

**Fair Value EUR80 (+8%)**

**BUY**

This release has confirmed our confidence in the company's recovery in 2016/17. Management reiterated that the performance in China should improve materially and should support margin expansion, as well as the increase in weight of exceptional spirits (>USD50). We think yesterday's share price reaction can be explained by profit taking moves ahead of a weak Q1. We maintain our Buy recommendation and our Fair Value of EUR80.

Bloomberg	RCO FP
Reuters	RCOP.PA
12-month High / Low (EUR)	76.8 / 50.9
Market Cap (EUR)	3,616
Ev (BG Estimates) (EUR)	4,077
Avg. 6m daily volume (000)	107.4
3y EPS CAGR	14.6%

**ANALYSIS**

- **EBIT is set to rise 8% organically in 2016/17.** Guidance provided for next year was unsurprisingly vague. The group said it expects to deliver growth in EBIT at constant FX and scope in 2016/17, the same target given in June 2015. **But the recovery is ongoing. We maintain our estimate for 8% organic EBIT growth after +6.1% in 2015/16. This is in line with the consensus and the CEO said that she is comfortable with this level.** This growth is set to stem from an acceleration in organic sales growth in the US and China and the company's move upmarket.

- **The group's CEO reiterated her confidence in an improvement in China next year. This should be driven by a more favourable comparison base and a normalization of private consumption.** As a reminder, the group's depletions stabilised in value terms in 2015/16 and the group previously indicated that they should return to growth in the year to come. We expect organic sales in China to rise 3% in 2016/17. This should support further margin expansion. **During the analysts' meeting yesterday, the company confirmed that China should positively impact gross margin next year.** In 2015/16, the drag was 20bp in organic. Note that the Americas is now the leading market for cognac, having gained 400bp over the year to 42%.

- **2015/16 was a successful first step in a five year plan. Exceptional spirits (>USD50) in 2015/16 accounted for 49% of group's sales, up 400bp vs 2014/15.** According to the group, we cannot assume the same kind of growth for 2016/17. Guidance is still for a weight of 60-65% by 2019/20. Rémy Cointreau continues to target EBIT margin of 18-20% by that date. The CEO stated that her goal is to return to a level of 20%, which can be seen as the norm in the industry, as soon as possible.

- **The investment case remains intact.** Next year Rémy Cointreau should post one of the strongest organic sales growth levels within the spirits sector. Our estimate calls for +5.1%. The recovery is ongoing, with an improvement in China and an acceleration in the US (success of the cognac category and lack of the negative technical effects that impacted 2015/16). We think yesterday's share price reaction can be explained by profit taking moves before a weak Q1. The company confirmed that this quarter should be impacted by the advanced shipments made in Q4 2015/16 before the global hike in prices at the beginning of fiscal 2016/17. It also said that H2 should be stronger than H1.

**VALUATION**

- Our DCF points to a Fair Value of EUR80. At yesterday's share price, the stock is trading at 20.1x EV/EBIT 2016/17e and 17.9x EV/EBIT 2017/18e, 14% and 11% above the peer average.

**NEXT CATALYSTS**

- Q1 2016/17 sales on 20th July

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	1 M	3 M	6 M	31/12/15
Absolute perf.	1.4%	15.9%	12.0%	12.4%
Food & Bev.	1.9%	1.7%	-2.7%	-2.1%
DJ Stoxx 600	2.4%	0.6%	-6.3%	-6.7%

YEnd Mar. (EURm)	03/15	03/16	03/17e	03/18e
Sales	965.1	1,051	1,101	1,167
% change		8.9%	4.8%	6.0%
EBITDA	178	196	220	243
EBIT	156.0	178.4	201.4	223.1
% change		14.4%	12.9%	10.8%
Net income	94.6	110.4	123.1	142.4
% change		16.7%	11.5%	15.6%

	03/15	03/16	03/17e	03/18e
Operating margin	16.2	17.0	18.3	19.1
Net margin	18.0	10.5	11.2	12.2
ROE	8.8	9.9	12.0	14.1
ROCE	15.6	16.5	17.3	18.0
Gearing	43.4	41.2	40.3	35.8

(EUR)	03/15	03/16	03/17e	03/18e
EPS	1.95	2.28	2.54	2.94
% change	-	16.8%	11.5%	15.6%
P/E	38.0x	32.6x	29.2x	25.3x
FCF yield (%)	0.2%	3.0%	2.8%	3.3%
Dividends (EUR)	1.53	1.40	1.40	1.40
Div yield (%)	2.1%	1.9%	1.9%	1.9%
EV/Sales	4.2x	3.9x	3.7x	3.4x
EV/EBITDA	22.9x	20.8x	18.4x	16.4x
EV/EBIT	26.2x	22.9x	20.1x	17.9x



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TMT

**Dassault Systèmes**

Price EUR68.77

**Capital Markets Day: reaffirming FY19 objectives, unsurprisingly****Fair Value EUR62 (-10%)****SELL**

Bloomberg	DSY FP
Reuters	DAST.PA
12-month High / Low (EUR)	76.1 / 59.9
Market Cap (EURm)	17,671
Avg. 6m daily volume (000)	265.8

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.1%	1.9%	-8.1%	-6.8%
Softw.& Comp.				
SVS	5.3%	5.0%	-1.1%	-1.5%
DJ Stoxx 600	3.9%	2.1%	-5.8%	-5.8%
	2015	2016e	2017e	2018e
P/E	28.9x	25.1x	23.4x	21.1x
Div yield (%)	0.6%	0.7%	0.8%	0.9%

**ANALYSIS**

- **2019 objectives reaffirmed.** Today Dassault Systèmes will host a Capital Markets Day at its head office in Vélizy-Villacoublay (France). As we expected, the company is re-affirming its 2019 non-IFRS EPS target of about EUR3.50 (split adjusted) as initially outlined on 13th June 2014 at its prior CMD. At the time, it was based on average cc revenue growth in software (new licences + recurring revenues) of 14%, o/w a 9% CAGR on a lfl basis, over 2014-2019.
- **Well engaged to achieve targets, but still a long way to go.** Management considers DS is well engaged to reach its 2019 objectives, as the company has already doubled its addressable market thanks to a combination of acquisitions and organic developments. On top of this, the group's industry diversification has already hit the targeted mix (31%, i.e. above 30%) and the group expects to exceed this level. That said, although software revenue growth is trending to gain momentum (+11% at cc in 2014 and +13% at cc in 2015), it is still below the 14% average targeted for the period.

**VALUATION**

- Dassault Systèmes' shares are trading at est. 16.6 2016 and 14.2 2017 EV/EBIT multiples.
- Net cash position on 31st March 2016 was EUR2,590.2m (net gearing: -46%).

**NEXT CATALYSTS**

Capital Markets Day today from 8.30am CET / 7.30am BST / 2.30am EDT in Vélizy-Villacoublay.

[Click here to download](#)Gregory Ramirez, [gramirez@bryangarnier.com](mailto:gramirez@bryangarnier.com)

## Healthcare

## UCB

Price EUR67.67

## Bimekizumab showed strong results in Psoriatic Arthritis

Fair Value EUR80 (+18%)

NEUTRAL

Bloomberg	UCB BB
Reuters	UCBBt.BR
12-month High / Low (EUR)	85.6 / 62.3
Market Cap (EURm)	13,162
Avg. 6m daily volume (000)	350.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.4%	-3.5%	-17.1%	-18.7%
Healthcare	4.8%	4.1%	-4.6%	-7.0%
DJ Stoxx 600	2.4%	0.6%	-6.3%	-6.7%

	2014	2015e	2016e	2017e
P/E	40.1x	31.2x	21.6x	15.4x
Div yield (%)	1.3%	1.6%	2.4%	3.4%

## ANALYSIS

- UCB presented bimekizumab's () phase Ib results in Psoriatic Arthritis (PsA) at EULAR 2016. Results of UCB's bispecific IL-17 A/F drug candidate showed fast onset of action in patients non-responding to at least 1 DMARD and/or biologic. 52 patients were randomised in the trial and treated for eight weeks. The ACR20 responder rate stood at 80% in the 30 patients included in the top three doses vs. 17% (n=12%). Turning to PASI90, results were also encouraging with bimekizumab showing a 90% responder rate (top three doses) vs. 0% for placebo. The molecule's safety profile showed no concerns (no treatment-related AEs nor any discontinuations). Although these results need to be confirmed in the long run (24w, 52w and 104w), they compare favourably to results for Novartis' Cosentyx in the same indication. Bimekizumab dose ranging phase IIb trial in PsA should be initiated in 2017 (results potentially available in late 2018).
- With fierce competition in psoriatic arthritis, UCB could potentially develop bimekizumab in Ulcerative Colitis and Crohn's disease, indications in which 1/ promising products are at an earlier stage and 2/ the IL-17 pathway has already been validated.
- This is good news for UCB's early stage pipeline and we are not ruling out the prospect of the share trading higher at opening. However, we do not think these results are enough to offset medium concerns on 1/ Vimpat's patent estate, 2/ romosozumab's market penetration should the product be approved in the light of recent mixed phase III results and 3/ JAK and IL-6 inhibitors triggering increase interest in rheumatoid arthritis, potentially putting UCB's Cimzia use as a 2<sup>nd</sup>/3<sup>rd</sup> line anti-TNF at risk. All in all, the latter concerns are directly linked to the group's ability to reach its 30% recEBITDA guidance towards 2018..

## VALUATION

- We reiterate our NEUTRAL rating and EUR80 Fair Value

## NEXT CATALYSTS

- 28th July: 2016 half-year results

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## BG's Wake Up Call

# 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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## BRYAN, GARNIER & Co

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