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14th June 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17732.48	-0.74%	+1.76%
S&P 500	2079.06	-0.81%	+1.72%
Nasdaq	4848.44	-0.94%	-3.17%
Nikkei	15859	-1%	-15.84%
Stoxx 600	326.803	-1.84%	-10.66%
CAC 40	4227.02	-1.85%	-8.84%
Oil /Gold			
Crude WTI	48.79	-0.57%	+31.16%
Gold (once)	1282.07	+0.67%	+20.68%
Currencies/Rates			
EUR/USD	1.13005	+0.03%	+4.03%
EUR/CHF	1.0917	+0.37%	+0.40%
German 10 years	0.028	+33.18%	-95.66%
French 10 years	0.418	+7.67%	-57.44%
Euribor	-	+%	+%

Economic releases :

Date	
14th-Jun	GB - CPI May (0.4% E) GB - Core CPI MY (+1.3% E) US - Advance Retail Sales (0.3% E) US - Business Inv. Apr. (0.2% E)

Upcoming BG events :

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

Recent reports :

Date	
13th-Jun	MORPHOSYS Back for MORE
10th-Jun	UNILEVER Well priced Quality
9th-Jun	GLAXOSMITHKLINE : ViiV likely to impact GSK beyond dolutegravir
8th-Jun	IMERYS : Stronger than Kryptonite
7th-Jun	AB INBEV Already Gone
3rd-Jun	GENEURO : The GeNesis of a disruptive treatment for MS

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



NOVO NORDISK

NEUTRAL, Fair Value DKK400 (+10%)

LEADER is a quite good name for lira CV outcome study

2016 ADA congress almost concluded yesterday with the presentation of detailed results from the cv outcomes study of liraglutide LEADER. Although 3-point MACE was reduced by only 13% (low end of expectations), data are good because each of the underlying criteria was improved, cv death risk reduced by 22% and safety was good. We expect Novo to benefit from the data today, although estimates changes should be limited.

SAINT GOBAIN

BUY, Fair Value EUR46 (+23%)

Feedback from dinner with management; Guidance reiterated.

Saint-Gobain organised a dinner for the sell-side analysts community in London last night. Basically, management reiterated its view on main markets, roughly unchanged since the last communication (Q1 sales). Guidance for improving operating income on a l-f-l basis in 2016 was confirmed. We see no reason to change our estimates and we suspect consensus will remain exactly the same. Comments remains frustrating for France, but we stick with our positive stance.

UBISOFT

BUY, Fair Value EUR34 (+5%)

The most convincing Ubisoft press conference we have ever seen at E3

The group strengthened our confidence on its two majors games (Watch_Dogs 2 and Ghost Recon Wildlands), managed to convinced us about its new IP (For Honor), finally unveiled its secret new AAA IP (an open-world action sports game, named Steep), and revealed more details about the South Park game (we have still difficulties to call it a "AAA"). So, there will be 3 games in FQ3 (Watch Dogs 2 on 15th Nov., South Park on 6th Dec. and Steep in Dec.) and 2 games in FQ4 (and For Honor on 14th Feb. and Ghost Recon on 7th March 2017). This line-up justifies the annual guidance (EUR1.7bn in sales and non-IFRS EBIT of -EUR230m) and, since Vivendi's entry into the share capital, we see no risk of game delays (UBI needs to prove it can remain independent). We maintain our Buy rating and FV of EUR34 (only based on fundamentals) and still believe in the speculation surrounding the stock.

In brief...

DANONE, Danone has revised up its 2016 EBIT guidance

HUGO BOSS, Back to the future? The Marzotto family has lifted its stake to 10% from 7%

SHIRE PLC, Two breakthrough therapy designations granted and read-across from Spark Therapeutics

Healthcare

Novo Nordisk

Price DKK363.20

LEADER is a quite good name for lira CV outcome study

Fair Value DKK400 (+10%)

NEUTRAL

Bloomberg	NOVOB DC
Reuters	NOVOB.CO
12-month High / Low (DKK)	410.7 / 306.4
Market Cap (DKKm)	730,963
Ev (BG Estimates) (DKKm)	706,151
Avg. 6m daily volume (000)	2,641
3y EPS CAGR	9.0%

2016 ADA congress almost concluded yesterday with the presentation of detailed results from the cv outcomes study of liraglutide LEADER. Although 3-point MACE was reduced by only 13% (low end of expectations), data are good because each of the underlying criteria was improved, cv death risk reduced by 22% and safety was good. We expect Novo to benefit from the data today, although estimates changes should be limited.

ANALYSIS

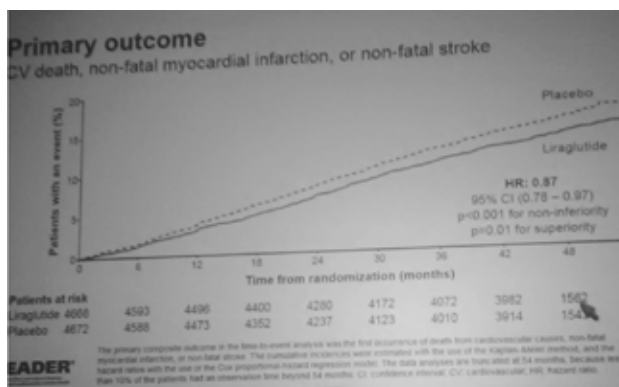
Several investigators of the LEADER cv outcomes study presented the results yesterday in New Orleans. And the overall impression is good although it is fair to say that risk reduction in 3-point MACE (primary endpoint) only hit the low-end of the expected range with HR of 0.87. However, the result is very consistent across each of the three points i.e. non-fatal stroke (HR:0.89), non-fatal MI (HR:0.88) and more importantly cv death whose risk was reduced by a remarkable 22%. This comes in contrast with EMPA-REG OUTCOMES results where empagliflozin did not show benefit on stroke. When a 6-component endpoint is considered, the statement is the same and the results are actually very consistent over all the sub-group and liraglutide also beat placebo on renal microvascular event (not on eye-related events).

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.7%	-4.2%	-3.9%	-9.2%
Healthcare	0.3%	0.0%	-7.0%	-10.6%
DJ Stoxx 600	-2.4%	-4.5%	-8.1%	-10.7%

YEnd Dec. (DKKm)	2015	2016e	2017e	2018e
Sales	107,915	114,249	120,921	124,688
% change		5.9%	5.8%	3.1%
EBITDA	52,391	52,668	56,724	59,362
EBIT	49,432	48,868	52,924	55,562
% change		-1.1%	8.3%	5.0%
Net income	34,848	37,579	41,099	43,499
% change		7.8%	9.4%	5.8%

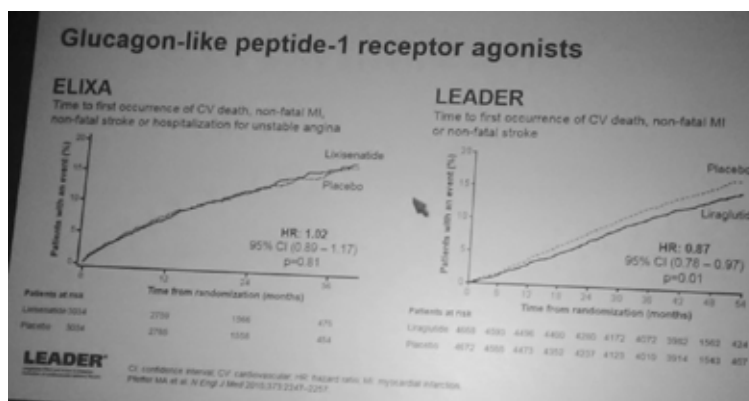
	2015	2016e	2017e	2018e
Operating margin	45.8	42.8	43.8	44.6
Net margin	32.3	32.9	34.0	34.9
ROE	74.2	69.5	52.8	42.6
ROCE	82.0	76.7	97.8	78.6
Gearing	-41.9	-45.9	-57.5	-65.9

(DKK)	2015	2016e	2017e	2018e
EPS	13.56	15.00	16.57	17.54
% change		10.7%	10.5%	5.8%
P/E	26.8x	24.2x	21.9x	20.7x
FCF yield (%)	3.5%	3.9%	4.1%	4.6%
Dividends (DKK)	6.40	6.75	7.46	7.89
Div yield (%)	1.8%	1.9%	2.1%	2.2%
EV/Sales	6.6x	6.2x	5.7x	5.3x
EV/EBITDA	13.6x	13.4x	12.1x	11.2x
EV/EBIT	14.4x	14.5x	13.0x	11.9x



- At least as impressive were the safety results because liraglutide beat placebo on serious and severe adverse events and also presented less hypos. This has to do with the protocol that allowed for use of other antidiabetics to achieve glycemic control. In the placebo arm, people used more insulins and SU, hence the hypos. Nausea and vomiting were reported in less than 2% of the patients which is likely due to the duration of the trial. This is all the more surprising that average dose of Lira was 1.78 mg. In any case, there were very few discontinuations thus making the trial very robust.
- Actually the least impressive number was the reduction in HbA1c which was "only" 0.40% at month 36 out of a baseline of 8.7%. However the two arms were not comparable in terms of concomitant drug use. At month 36, 1336 patients used insulin in the Lira arm vs 2018 in the placebo arm whereas the percentage was similar at baseline.
- As long as neoplasms, there is nothing significant to report (no difference by tissue) and same for pancreatitis (including acute ones).
- Lastly, conclusion by principal investigator compared the results with those of ELIXA and EMPA-REG OUTCOMES after calling for cautious when comparing non head to head trials. Despite some protocol differences, putting ELIXA and LEADER on the same slide (see our picture) was not kind for Sanofi and Zealand and obviously helps Victoza. When trying to explain the difference, he suggested that half lifes and overall profiles, as well as Molecular specificities might be behind. When comparing the results to empagliflozin's, he mainly raised that effects were of various natures, benefit coming faster with empa (diuretic ?) vs longer but more consistent effect with lira (anti thrombotic ?). The difference was also reflected in the influence on strokes.





- So, overall, we deem the results as good; not outstanding, but solid. They should help Novo Nordisk build its leadership in the GLP1 market further. Because GLP1s are good for the margin mix, we expect the market to react positively today. That said, we are not sure how much it can impact and expand the market vs CS expectations. Obviously, what is good for Victoza is also good for Xultophy which is another strategic brand for the group.

VALUATION

- No changes to our fair value and rating.
- As a reminder, Novo Nordisk's GLP-1 franchise amounted to 17% of total turnover in 2015 (DKK18.6bn) and we estimate its contribution to reach 36% towards 2021e (BGe) or DKK47bn.

NEXT CATALYSTS

- August 5th: H1 results

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Construction & Building Materials

Saint Gobain

Price EUR37.46

Feedback from dinner with management; Guidance reiterated.

Fair Value EUR46 (+23%)

BUY

Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	44.5 / 32.1
Market Cap (EUR)	20,785
Ev (BG Estimates) (EUR)	27,099
Avg. 6m daily volume (000)	1,901
3y EPS CAGR	16.8%

Saint-Gobain organised a dinner for the sell-side analysts community in London last night. Basically, management reiterated its view on main markets, roughly unchanged since the last communication (Q1 sales). Guidance for improving operating income on a I-f-I basis in 2016 was confirmed. We see no reason to change our estimates and we suspect consensus will remain exactly the same. Comments remains frustrating for France, but we stick with our positive stance.

ANALYSIS

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.7%	-1.1%	-2.8%	-6.0%
Cons & Mat	-2.7%	-2.4%	-2.4%	-4.7%
DJ Stoxx 600	-2.4%	-4.5%	-8.1%	-10.7%

- By geographical zones, previous comments were basically reiterated. 1) The momentum is good in the Nordics, Germany is improving steadily and the UK is positive. Other European countries are strong, like Spain, Netherlands or Italy. The situation however is unchanged in France. The CEO continues to talk about a stabilization for the full year. Of course, indicators are upbeat, but there is no sign of that in the Saint-Gobain numbers. The company can see positive trends in distribution sales regarding products related to foundation works, which are the first step in residential construction, but renovation is still not good in France. It is probably due to a lack of confidence, including at the craftsmen level. There is presumably not enough hiring to meet demand, which basically extends delays. It is worth highlighting that the CEO considers analysts are more optimistic than himself on the France outlook, but less than himself for Europe outside France. 2) Saint-Gobain's US Construction business is very strong, the industrial businesses is satisfactory, even if trends are volatile on a monthly basis. 3) Emerging markets are globally good except Brazil.

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	39,623	39,369	40,821	42,285
% change		-0.6%	3.7%	3.6%
EBITDA	3,844	4,054	4,586	5,030
EBIT	2,636	2,854	3,336	3,780
% change		8.3%	16.9%	13.3%
Net income	1,165	1,200	1,530	1,840
% change		3.0%	27.5%	20.2%

- No real changes by businesses either, except the roofing business in the US where there was a favourable storm season this year. Flat glass business is still well oriented (in particular thanks to autos) and Pipes is still under pressure (although the CEO hopes than some export contracts can bolster activity some time next year). No concerns regarding prices, down in Q1 by -0.5% due to lower costs (roofing or distribution).

	2015	2016e	2017e	2018e
Operating margin	6.7	7.2	8.2	8.9
Net margin	1.1	3.2	3.9	4.5
ROE	6.1	6.2	7.6	8.6
ROCE	5.9	6.7	7.7	8.5
Gearing	24.8	22.6	18.8	14.0

- Guidance for a positive €100m impact this year from lower energy/raw materials confirmed. However, forex negative effect has been stronger in the last two months. Calendar effect was positive in May in France, although the negative impact from strikes/flooding has not been disclosed. No real news on SIKA, except that the management clearly said it is not time consumnig at all today. Still some bolt-on acquisitions in the pipeline.

(EUR)	2015	2016e	2017e	2018e
EPS	2.06	2.14	2.73	3.28
% change	-	3.9%	27.5%	20.2%
P/E	18.2x	17.5x	13.7x	11.4x
FCF yield (%)	5.8%	5.6%	7.2%	8.4%
Dividends (EUR)	1.24	1.30	1.30	1.30
Div yield (%)	3.3%	3.5%	3.5%	3.5%
EV/Sales	0.7x	0.7x	0.7x	0.6x
EV/EBITDA	7.1x	6.7x	5.8x	5.1x
EV/EBIT	10.4x	9.5x	8.0x	6.8x

- All in all, the CEO has confirmed the key trends by zone and business. We continue to believe it is a matter of time before the very positive indicators in the French residential sector (housing starts, existing-home transaction, household confidence index), will be reflected in Saint-Gobain sales. Besides, key risks (Brazil in particular) have been clearly identified by the market and presumably partly priced in today.

VALUATION

- EUR46 derived from the application of historical EV/EBIT of 10x to our 2018 estimates, then discounted back. Significant upside now that the share price stands below EUR40.

NEXT CATALYSTS

- Interim results on 28th July

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TMT

Ubisoft

Price EUR32.46

The most convincing Ubisoft press conference we have ever seen at E3

Fair Value EUR34 (+5%)

BUY

Bloomberg	UBI.FP
Reuters	UBIP.PA
12-month High / Low (EUR)	33.6 / 14.9
Market Cap (EURm)	3,610
Ev (BG Estimates) (EURm)	3,404
Avg. 6m daily volume (000)	311.9
3y EPS CAGR	37.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.1%	21.8%	21.7%	21.7%
Softw. & Comp.	-0.6%	-1.0%	-3.3%	-5.7%
DJ Stoxx 600	-2.4%	-4.5%	-8.1%	-10.7%

YEnd Mar. (EURm)	03/16	03/17e	03/18e	03/19e
Sales	1,394	1,706	1,945	2,200
% change		22.4%	14.0%	13.1%
EBITDA	600	731	903	1,089
EBIT	156.1	219.0	319.0	429.0
% change		40.3%	45.7%	34.5%
Net income	116.0	148.9	221.6	301.5
% change		28.3%	48.8%	36.1%

	03/16	03/17e	03/18e	03/19e
Operating margin	11.2	12.8	16.4	19.5
Net margin	6.7	8.7	11.4	13.7
ROE	9.2	12.8	16.0	17.8
ROCE	11.0	15.7	23.3	31.6
Gearing	4.3	-17.7	-31.1	-43.6

(EUR)	03/16	03/17e	03/18e	03/19e
EPS	1.02	1.29	1.92	2.62
% change	-	27.2%	48.8%	36.1%
P/E	32.0x	25.1x	16.9x	12.4x
FCF yield (%)	NM	6.7%	6.0%	8.2%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	2.6x	2.0x	1.6x	1.3x
EV/EBITDA	6.1x	4.7x	3.5x	2.6x
EV/EBIT	23.4x	15.5x	10.0x	6.7x

The group strengthened our confidence on its two majors games (*Watch_Dogs 2* and *Ghost Recon Wildlands*), managed to convince us about its new IP (*For Honor*), finally unveiled its secret new AAA IP (an open-world action sports game, named *Steep*), and revealed more details about the *South Park* game (we have still difficulties to call it a "AAA"). So, there will be 3 AAA games in FQ3 (*Watch Dogs 2* on 15th Nov., *South Park* on 6th Dec. and *Steep* in Dec.) and 2 in FQ4 (*For Honor* on 14th Feb. and *Ghost Recon* on 7th March 2017). This line-up justifies the annual guidance (EUR1.7bn in sales and non-IFRS EBIT of -EUR230m) and, since Vivendi's entry into the share capital, we see no risk of game delays (UBI needs to prove it can remain independent). We maintain our Buy rating and FV of EUR34 (only based on fundamentals) and still believe in the speculation surrounding the stock.

ANALYSIS

- Convincing lineup:** Ubisoft began its conference with *Just Dance 2017* (available this Oct. on all major platforms and next year on the NX), followed by presentations of *Tom Clancy's Ghost Recon Wildlands* (UBI's largest action adventure open world game, on 7th March for PS4, Xbox One and PC), *South Park The Fractured But Whole* (a follow-up to *The Stick of Truth*, we don't see it as a AAA, on 6th Dec. for PC, PS4, and Xbox One), *The Division expansion packs* (three paid expansions incl. *Underground* out first on 28th June for Xbox One and PC and on 2nd Aug. for PS4; and the free *Incursions* and *Conflict* updates), **two virtual reality games** (*Eagle Flight* and *Star Trek: Bridge Crew*; we do not expect virtual reality and augmented to take-off before next year), *For Honor* (the solo campaign is convincing and completes last year's multiplayer mode; on 14th Feb. for PS4, Xbox One and PC), *Grow Up* (a sequel to last year's small platform game *Grow Home*, expected in August), *Trials of the Blood Dragon* (*Trials* and *Far Cry: Blood Dragon* combining in this new title, available now), *Watch Dogs 2* (the game has the potential to sell 15m units on its first FY; on 15th Nov. for PS4, Xbox One and PC; the PS4 players will receive all DLC 30 days before everyone else), and *Steep* (new AAA IP revealed, this is an open-world action sports game developed by Ubisoft's Annelly; available this December; it originally starting as a demo for *Wildlands*).

- FY16/17 guidance validated:** In our view, the line-up presented by Ubisoft totally validates its guidance for revenue of -EUR1,700m i.e. +22% Y/Y (BG est. EUR1706.3m), non-IFRS EBIT of -EUR230m i.e. margin up 140bp to 13.5% (BG est. EUR235m) and a strong FCF generation (BG est.: EUR250.4m). **This could be specifically achieved thanks to 1/ 5 AAAs vs. 4 last year, 2/ another sharp increase in highly profitable recurring revenues from the digital segment (over 35% of FY sales), and 3/ further strong growth for the back catalogue (~30% of total sales via *The Division*, *Far Cry Primal* and to a lesser extent *Rainbow Six Siege*).** And as a reminder, the *Assassin's Creed* movie is due to hit theatres on 21st Dec. (the video game will take a breather, in our view this is a good decision for the franchise in the long run).

- All scenarios favour an increase in the share price:** 1/ Vivendi maintains or increases its stake, giving substance to the speculation; 2/ Vivendi launches a takeover bid (in 2017?); 3/ the Guillemot family increases its stake in a defensive move (notably by investing the EUR151m that it will obtain from its current stake in Gameloft) or finds a white knight (a financial partner); 4/ the best way currently for UBI to protect itself from a raider is to communicate more and deliver strong fundamentals (no game delays...) in order to show that it can remain independent. Whichever is the case, this justifies an increase in the share price in the coming months (good momentum and speculation). Lastly, we totally exclude creeping control from Vivendi without paying a premium to shareholders. In our view, **if Vivendi intends to acquire Ubisoft it will be through a proper public offer. And if it wants to really succeed in the video game business beyond a possible operation (that cannot happen before the end of October), it could only be through a friendly deal (to avoid losing key star developers/creators).**

VALUATION

- We maintain our Buy rating.** We expect positive newsflow in the coming weeks and months. Our FV of EUR34 is derived from UBI's 12m fwd average multiples over the past two console cycles applied to our FY16/17e estimates (unreliability of a longer horizon guidance in this industry), to which we have added a 15% premium (digital sales and other entertainment revenues). **Our valuation does not include any speculative premium.**

NEXT CATALYSTS

- UBI's investor meeting: today at 8:00am in LA (local time).

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Food & Beverages

Danone

Price EUR60.47

Danone has revised up its 2016 EBIT guidance

Fair Value EUR70 (+16%)

BUY

Bloomberg	BN FP
Reuters	DANO.PA
12-month High / Low (EUR)	66.3 / 53.1
Market Cap (EURm)	39,662
Avg. 6m daily volume (000)	1 541

ANALYSIS

- This morning, Danone says it now targets 50/60bps LFL improvement in EBIT margin in 2016. Previously, its guidance was for a "solid" improvement, with "solid" meaning higher than in 2015 (+17bps). Our current estimate is for +30bps. The FY objective of organic sales growth between 3% and 5% is unchanged. The group said that given the fast evolving dynamics in some emerging markets, especially China, it is adjusting its pace of line and its investments in these geographies.

VALUATION

- At yesterday's share price, the stock is trading at 20.1x P/E 2016e vs 20.3x for Nestlé and 20.8x for Unilever.

NEXT CATALYSTS

- Conference call at 8h15am CEST
- H1 2016 results due on July 28th

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	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.3%	-5.3%	-1.5%	-2.9%
Food & Bev.	-2.2%	-1.7%	-3.9%	-5.3%
DJ Stoxx 600	-2.4%	-4.5%	-8.1%	-10.7%
	2015	2016e	2017e	2018e
P/E	20.6x	20.1x	18.4x	16.7x
Div yield (%)	2.6%	2.7%	3.0%	3.3%

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Luxury & Consumer Goods

Hugo Boss

Price EUR53.25

Back to the future? The Marzotto family has lifted its stake to 10% from 7%**Fair Value EUR77 (+45%)****NEUTRAL**

Bloomberg	BOSS GR
Reuters	BOSG_p.DE
12-month High / Low (EUR)	113.8 / 51.3
Market Cap (EUR)	3,749
Avg. 6m daily volume (000)	440.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.4%	-5.9%	-29.3%	-30.5%
Pers & H/H Gds	-1.8%	-1.8%	0.0%	-2.6%
DJ Stoxx 600	-2.4%	-4.5%	-8.1%	-10.7%

	2014	2015e	2016e	2017e
P/E	10.6x	11.4x	13.9x	12.3x
Div yield (%)	6.8%	6.8%	6.0%	6.9%

ANALYSIS

- Yesterday, the Marzotto family (the main Hugo Boss shareholder since the exit of Permira last year), said that its two holding companies, Zignago and PFC, increased their stake in the German group to 10.1% from 7.1% before June 3.
- We recall that the Marzotto family was the previous owner of Hugo Boss (bought in 1991) along with Valentino (since 2003). In 2007 Permira acquired a controlling stake in Valentino Fashion Group that also implied a majority holding in Hugo Boss. Valentino was then sold to the Qatar's royal family in 2012 for approx. EUR600m.
- In our view, this announcement proves the Marzotto family, which knows the group pretty well (Gaetano and Luca Marzotto are member of the Supervisory Board), fully supports Hugo Boss' senior management and its turnaround strategy. We continue to believe that the appointment of Mark Langer as Chairman and CEO (16 May) was the right choice to ensure the continuity in swift execution of the "reset plan" aimed to relaunch the growth in the U.S. (category migration, distribution upgrade in the wholesale channel) and in Greater China (price adjustments, digital strategy).

VALUATION

- We maintain our Neutral recommendation and our FV of EUR77, as we think it is too early to play the positive results from the "turnaround strategy" given a challenging market environment. Indeed, these sluggish trends were highlighted during the Ralph Lauren Investor Day last week (7 June), as both players are facing declining in-store traffic and heavy discounting, particularly at U.S. department stores.

NEXT CATALYSTS

- Hugo Boss will release its H1 16 results on 5 August.

[Click here to download](#)Cédric Rossi, crossi@bryangarnier.com

Healthcare

Shire PLC

Price 4,088p

Two breakthrough therapy designations granted and read-across from Spark Therapeutics

Fair Value 6500p (+59%)

BUY

Bloomberg	SHP.LN
Reuters	SHP.L
12-month High / Low (p)	5,730 / 3,480
Market Cap (GBPm)	36,734
Avg. 6m daily volume (000)	2,514

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.1%	8.2%	-4.9%	-13.0%
Healthcare	0.3%	0.0%	-7.0%	-10.6%
DJ Stoxx 600	-2.4%	-4.5%	-8.1%	-10.7%

	2015	2016e	2017e	2018e
P/E	15.0x	16.4x	12.0x	10.1x
Div yield (%)	0.4%	0.3%	0.4%	0.6%

ANALYSIS

- **Shire has announced the granting of a Breakthrough Therapy Designation to two of its candidates:** 1/ SHP621, an oral formulation of budesonide (an anti-inflammatory corticosteroid) developed as a treatment for eosinophilic esophagitis (EoE), and 2/ SHP625 or maralixibat, for progressive familial intrahepatic cholestasis Type 2.
- **Of course, this does not mean the two compounds are certain to be approved... But it does confirm our positive view on SHP621** (BG peak sales: USD500m). As a reminder, 1/ the underlying active ingredient is known to be an effective drug for EoE; 2/ a previous Phase II showed that Shire's project might be more potent than a nebulized and then swallowed preparation of budesonide (reduced symptoms, higher proportion of responders, etc.), while exhibiting a similar safety profile. On the other hand, we gave no value to SHP625 as it failed to meet the primary endpoint of several mid-stage studies which evaluated it in different liver disorders (including PFIC2, primary biliary cholangitis and Alagille Syndrome).
- In addition, **Spark Therapeutics yesterday published updated results from its ongoing Phase I/II evaluating SPK-9001**, a gene therapy designed to treat patients with haemophilia B and currently developed in collaboration with Pfizer. FIX activity levels (26-41%) have been observed in 4 patients, knowing that 1/ two of them had a history of liver disease; 2/ to date, none of these subjects have received regular infusions of FIX concentrates to prevent bleeding events; 3/ no "sustained" elevation in liver enzyme levels were witnessed. Overall, this is quite encouraging for this potentially game-changing therapeutic class (don't forget that Shire/Baxalta is developing a similar approach)... But we retain a cautious stance as significant obstacles still need to be overcome (potentially pre-existing neutralizing antibodies, delayed cellular immune response diminishing FIX expression, genotoxicity, etc.).

VALUATION

- **BUY reiterated with a FV of GBp6,500.**

NEXT CATALYSTS

- July, 22 2016: Potential US approval of lifitegrast as a treatment for dry eye disease.

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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 55.8%

NEUTRAL ratings 34.7%

SELL ratings 9.5%

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