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27th June 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17400.75	-3.39%	-0.14%
S&P 500	2037.41	-3.59%	-0.32%
Nasdaq	4707.98	-4.12%	-5.98%
Nikkei	15309.21	+2.39%	-21.44%
Stoxx 600	321.977	-7.03%	-11.98%
CAC 40	4106.73	-8.04%	-11.44%
Oil /Gold			
Crude WTI	46.9	-4.69%	+26.08%
Gold (once)	1313.88	+3.97%	+23.67%
Currencies/Rates			
EUR/USD	1.11155	-2.07%	+2.32%
EUR/CHF	1.07515	-0.99%	-1.13%
German 10 years	-0.056	-156.09%	-108.75%
French 10 years	0.373	-14.05%	-62.01%
Euribor	-0.281	+4.46%	+114.50%

Economic releases :

Date	
27th-Jun	US - Markit US Services PMI Jun. (51.9 E) US- Markit U.S. Composite PMI Jun.

Upcoming BG events :

Date	
27th-Jun	IMERYS (BG Luxembourg with CFO)
13th-Jul	Galapagos (BG Paris Roadshow with CFO)
14th-Nov/ 15th-Nov	4th Paris Healthcare Conference
28th-Nov/ 29th-Nov	2nd Paris Consumer Conference

Recent reports :

Date	
24th-Jun	Back from ADA 2016: Update on T2D treatments
22nd-Jun	INFINEON Underestimated potential
22nd-Jun	ELIOR On track with 2020 Ambitions
22nd-Jun	AXA Ready for the next run
21st-Jun	GENMAB The saga goes on!
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List of our Reco & Fair Value : Please click here to download



ACCORHOTELS

BUY, Fair Value EUR45 vs. EUR48 (+24%)

RevPAR downgraded due to France.

Our new "base case" scenario and DCF valuation have prompted us to move our FV to EUR45 from EUR48. The main changes in our forecasts are due to France where we now anticipate flat RevPAR growth in 2016 compared to last year vs. +3% previously. Indeed, RevPAR was still negative at -4.3% at end-May, largely affected by Paris and Ile de France with RevPAR respectively at -13.6% and -7.7%. In all, 2016 RevPAR growth for the group is estimated at 3.5% vs. 4.4% and 4.5% in 2017 vs. 5.3%. On a "stress case" scenario, with flat RevPAR growth in 2016 and 2.9% in 2017, our DCF values the share at EUR38. Buy confirmed.

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WIRECARD

BUY, Fair Value EUR52 (+33%)

Wirecard is in strategic talks with various partners about entry into its share capital

The Bild am Sonntag weekly newspaper reported on Sunday that Wirecard was in confidential talks with Alipay about it taking a stake of up to 25%, and possibly more later. A Wirecard spokeswoman declined to comment on the specifics but confirmed that the company was in strategic talks with various partners. This partially confirms the rumour from betaville123.blogspot.fr a couple of weeks ago saying that a Chinese telecoms company had been talking to Wirecard about taking a significant stake (a 25% stake or even a move on the whole company). We maintain our Buy rating and FV of EUR52.

In brief...

FRESENIUS SE, CFO appointed as CEO following departure of Ulf Mark Schneider

BG CHART : CONSUMER GOODS #1

Post Brexit: focus on CASINO's sacrosanct spot SOTP

Hotels

AccorHotels

Price EUR36.25

RevPAR downgraded due to France.

Fair Value EUR45 vs. EUR48 (+24%)

BUY

Bloomberg	AC FP
Reuters	ACCP.PA
12-month High / Low (EUR)	48.3 / 30.0
Market Cap (EUR)	8,620
Ev (BG Estimates) (EUR)	8,425
Avg. 6m daily volume (000)	1 499
3y EPS CAGR	4.7%

Our new "base case" scenario and DCF valuation have prompted us to to move our FV to EUR45 from EUR48. The main changes in our forecasts are due to France where we now anticipate flat RevPAR growth in 2016 compared to last year vs. +3% previously. Indeed, RevPAR was still negative at -4.3% at end-May, largely affected by Paris and Ile de France with RevPAR respectively at -13.6% and -7.7%. In all, 2016 RevPAR growth for the group is estimated at 3.5% vs. 4.4% and 4.5% in 2017 vs. 5.3%. On a "stress case" scenario, with flat RevPAR growth in 2016 and 2.9% in 2017, our DCF values the share at EUR38. Buy confirmed.

ANALYSIS

- Uncertain RevPAR rebound in France...**: Even if the contribution is decreasing and will continue to decrease due to the group's new expansion, France generated c.25% of consolidated EBIT in 2015 o/w about 60% from Paris/Ile de France. The current economic environment in France still looks challenging and RevPAR remains really volatile. In fact, YTD at the end of May, RevPAR was still negative at -4.3% after -1.6% in May, -9.4% in April, +2.1% in March, -3.6% in February and -5.1% in January. Negative RevPAR is mainly due to Paris where it was down 13.6% and Ile de France (down 7.7%) while RevPAR in provinces is largely positive (c.+5% since the beginning of the year). Looking ahead, RevPAR in France should benefit from the EURO 2016 football tournament in June and July, the motor show in Paris in October and better comps. In all, after taking into account of all these elements, we have decide dto reduce our estimate for AccorHotels in France with RevPAR flat in 2016 vs. 2015 and compared to 3% previously. Remember that AccorHotels reported RevPAR down 2.5% in Q1 2016 in France (-2% for the market)

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.4%	-1.8%	-9.3%	-9.4%
Travel&Leisure	-9.4%	-5.7%	-15.2%	-15.8%
DJ Stoxx 600	-6.4%	-3.9%	-12.1%	-12.0%

YEnd Dec. (€m)	2014	2015	2016e	2017e
Sales	5,454	5,581	6,063	6,616
% change		2.3%	8.6%	9.1%
EBITDA	923	986	1,079	1,261
EBIT	602.0	665.0	714.7	877.8
% change		10.5%	7.5%	22.8%
Net income	386.0	441.8	435.1	541.3
% change		14.5%	-1.5%	24.4%

	2014	2015	2016e	2017e
Operating margin	11.0	11.9	11.8	13.3
Net margin	4.1	4.4	7.2	8.2
ROE	6.2	6.8	11.1	15.2
ROCE	12.4	14.5	11.4	15.4
Gearing	4.1	-4.9	18.7	18.5

(€)	2014	2015	2016e	2017e
EPS	1.68	1.88	1.69	1.93
% change		12.4%	-10.4%	14.1%
P/E	21.6x	19.2x	21.5x	18.8x
FCF yield (%)	7.1%	7.2%	7.5%	8.9%
Dividends (€)	0.95	1.00	1.10	1.25
Div yield (%)	2.6%	2.8%	3.0%	3.4%
EV/Sales	1.6x	1.5x	1.7x	1.4x
EV/EBITDA	9.5x	8.5x	9.6x	7.3x
EV/EBIT	14.6x	12.7x	14.5x	10.5x

- Our new "Base case" and "Stress case" scenario:** All other things remaining equal in other geographies, our 2016e RevPAR growth in our new "Base case" scenario is reduced to +3.5% vs. 4.4% previously and to +4.5% in 2017e vs. 5.2%. Based on EBIT sensitivity to RevPAR (1% increase generates EUR15m), our EBIT 2016e and 2017e move respectively to EUR715m vs. EUR726m and EUR878m vs. EUR901m. Note that our estimates take into account FRHI consolidation for six months in 2016 (closing schedule early July), which will negatively impact 2016e EBIT by EUR10m. Positive impact estimated at EUR80m on 2017e. **On our "Stress case" scenario** with RevPAR broadly flat in 2016e vs. 2015 and 2.9% growth in 2017e, EBIT 2016e is EUR666m and EUR790m in 2017e.

- Other things:** On **currencies**, Brexit will have a negative impact on consolidation bearing in mind that AccorHotels generates about 15% of total EBIT in the UK (+/-10% GBP/EUR impacts EBIT by EUR10m) and on revenue due to less British citizens traveling abroad. The **FRHI** deal (155 hotels o/w 40 under construction with over 56,000 rooms) is due to close in early July and should be positive, strengthening AccorHotels portfolio in the luxury segment, in the US market with 42 more hotels in gateway cities and the high-end client databases mostly in the US. **Speculative** appeal remains with **Jin Jiang** having crossed the threshold of 15% (12.6% after FRHI) of AccorHotels' capital, **Colony Capital+Eurazeo** controlling 11.1% (9.3% after FRHI). After FRHI, **Qatar Investment Authority (QIA)** and **Kingdom Holding Company (KHC)** will become together the main shareholders with 16.4% of AccorHotels capital.

VALUATION

- Based on a DCF using a WACC of 9.1%, our "base case" scenario values the share at EUR45. In our "stress case" the valuation is EUR38.
- At the current share price in our "base case" scenario, the stock is valued at 9.63x EV/EBITDA 2016e and 7.3x 2017e.

NEXT CATALYSTS

- H1 results on 28th July 2016

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TMT

Wirecard

Price EUR39.22

Wirecard is in strategic talks with various partners about entry into its share capital

Fair Value EUR52 (+33%)

BUY

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 31.2
Market Cap (EUR)	4,846
Ev (BG Estimates) (EUR)	4,149
Avg. 6m daily volume (000)	901.3
3y EPS CAGR	28.8%

The Bild am Sonntag weekly newspaper reported on Sunday that Wirecard was in confidential talks with Alipay about it taking a stake of up to 25%, and possibly more later. A Wirecard spokeswoman declined to comment on the specifics but confirmed that the company was in strategic talks with various partners. This partially confirms the rumour from betaville123.blogspot.fr a couple of weeks ago saying that a Chinese telecoms company had been talking to Wirecard about taking a significant stake (a 25% stake or even a move on the whole company). We maintain our Buy rating and FV of EUR52.

ANALYSIS

- According to Bild am Sonntag (BamS is the largest-selling German national Sunday newspaper published in Berlin), Wirecard is in confidential talks with representatives of Alipay for the acquisition of a stake of up to 25% in the German FinTech company and possibly more later. As a reminder, Alipay is China's leading internet payment solution with 400m active users (over 50% of the market share in online payment and 80% in mobile payment) and is an affiliate company of the Chinese group Alibaba. Interestingly, a Wirecard spokeswoman declined to comment on the specifics of the report but confirmed to the newspaper that the company was in strategic talks with various partners. A source familiar with the matter said Ant Financial, which operates the Alipay platform, was not talking to Wirecard about an investment. The newspaper said that the Chinese group would like access to German expertise, while Wirecard would like to have a large shareholder, because its share price has come under pressure from short-sellers (~22-23% of short interest on the stock, according to 3 different lending desks).
- As a reminder, Wirecard and Alipay recently signed two deals: 1/ mid-December 2015, they agreed to provide mobile phone payment services for Chinese tourists visiting Europe; 2/ mid-June 2016, Wirecard announced that from mid-July 2016, Chinese tourists will be able to pay for any shopping at participating retailers in Munich Airport via their mobile Alipay App. As a result, Wirecard is one of Alipay's first partners for POS acceptance in Europe.
- This partially confirms the rumour from betaville123.blogspot.fr a couple of weeks ago. On 8th June, this blog reported that a Chinese company was in relatively advanced talks with Wirecard about a deal to buy a significant stake in the business or even purchase the group. It said that, according to well-placed sources, a Chinese telecoms company has been talking to Wirecard, for quite some time about a partnership and a potential deal. One potential transaction could see the Chinese company (thought to be China Mobile) take a significant stake in the business, possibly as much as 25%. There have also been conversations with Wirecard about the Chinese group buying a stake of more than 30%, meaning it would have to make an offer for the whole company. According to well-placed sources, the Chinese company has indicated it would be willing to pay between EUR53 and EUR55 per Wirecard share.
- In our initiation report of 1st September 2015, we underlined that Wirecard boasted clear speculative appeal. Its value lies above all in its positioning, since it is active in the entire online payment value chain. Wirecard has a capital structure that makes it a takeover target since its free float stood at 93% (management only owns 7%). This combination of factors makes it an unusual player and consequently an ideal prey. We cited the following potential buyers incl. Alipay:

Potential acquirers of a group like Wirecard

Who?	Direct competitors, or from in-store physical payment	Card network or issuing banks	Ad platforms/Social networks	e-wallet providers	Private equity firms
Why?		Increase digital mix (offense) and defend turf (defense)	Improve conversion	Add scale and global acceptance	
Examples	Worldpay, Worldline, Ingenico Group...	Global banks, Visa, MasterCard, Discover...	Facebook, Google, Microsoft...	PayPal, Alipay, Apple, Amazon, Google, Microsoft, Samsung...	Bain Capital, Advent, Blackstone...

Source: Bryan, Garnier & Co.



VALUATION

- With our 2016 estimates that we consider conservative (yet 8.5% above the consensus on the EPS level), **the stock is trading on P/E of 21.4x vs. a rest. EPS growth of +37.9%**.
- **We maintain our Buy rating and FV of EUR52.** Note that amount of EUR53-55 per Wirecard share that sources indicated the Chinese telecoms company could be willing to pay is just above our FV.

NEXT CATALYSTS

- **H1 earnings results:** 11st August (before trading).

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Healthcare

Fresenius SE

Price EUR63.64

CFO appointed as CEO following departure of Ulf Mark Schneider**Fair Value EUR73 (+15%)****BUY-Top Picks**

Bloomberg	FRE GR
Reuters	FREG.DE
12-month High / Low (EUR)	69.8 / 53.1
Market Cap (EURm)	34,756
Avg. 6m daily volume (000)	1 265

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.7%	3.0%	-1.8%	-3.5%
Healthcare	-2.9%	3.1%	-9.5%	-10.4%
DJ Stoxx 600	-6.4%	-3.9%	-12.1%	-12.0%

	2015	2016e	2017e	2018e
P/E	24.3x	22.0x	20.6x	18.8x
Div yield (%)	2.7%	2.9%	3.1%	3.4%

ANALYSIS

- Stephan Sturm (CFO) will succeed to Ulf Mark Schneider (CEO) who is to leave the company to "pursue another opportunity" effective on 30th June. While this comes as a surprise since Ulf Mark Schneider was CEO of the company since 2003, we would highlight that the change does not cloud the company's visibility and strategy in our view. Note that Stephan Sturm was appointed CFO of Fresenius SE in January 2005 and was key in the transformation of Fresenius over recent years with the acquisition of Helios Kliniken (2005), APP pharma (2008) and Rhoen Klinikum (2013). Hence we would expect the transition to be seamless with no operative shake-up.
- All short and midterm targets are reiterated. Constant currency growth of 6-8% in sales and 8-12% in net income for 2016. EUR36-40bn in sales by 2019.

VALUATION

- We reiterate our BUY rating and EUR73 Fair Value. Fresenius SE is in our Top Pick list and any weakness at opening would be an opportunity to add. Fundamentals intact.

NEXT CATALYSTS

- 27th July: H1 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 56.5%

NEUTRAL ratings 34%

SELL ratings 9.5%

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