Please find our Research on Bloomberg BRYG <GO>)

29th June 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17409.72	+1.57%	-0.09%
S&P 500	2036.09	+1.78%	-0.38%
Nasdaq	4691.87	+2.12%	-6.30%
Nikkei	15566.83	+1.59%	-19.49%
Stoxx 600	316.704	+2.58%	-13.43%
CAC 40	4088.85	+2.61%	-11.82%
Oil /Gold			
Crude WTI	47.85	+3.08%	+28.63%
Gold (once)	1311.84	-0.89%	+23.48%
Currencies/Rates			
EUR/USD	1.10505	+0.68%	+1.73%
EUR/CHF	1.08355	+0.65%	-0.35%
German 10 years	-0.117	+6.52%	-118.47%
French 10 years	0.254	-15.99%	-74.11%
Euribor	-	+-%	+-%

Economic releases :

Date	
29th-Jun	DE - GfK consumer Confidence Survey Jul. (10.1A 9.8E) GB - Nationwide House Prices Jun (5.1%A 4.9%E) DE - CPI Jun (+0.3% y/y E) US - Personal Income May (0.4% E) US - Personal Consumption Exp. Core May (1.6%E) US- Pending Home Sales May (4.6% E)

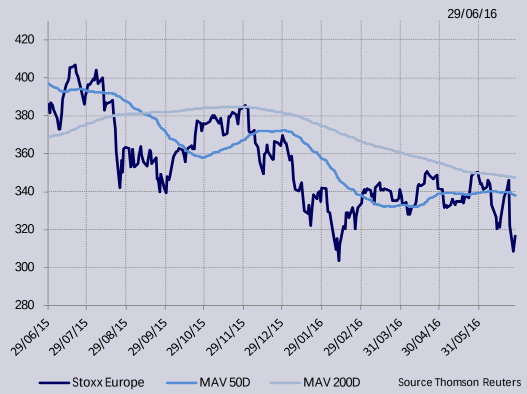
Upcoming BG events :

Date	
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!

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



CELYAD — NEUTRAL vs. BUY, Fair Value EUR20 vs. EUR77

No bone to chew until ESC congress in late August

European phase III results (CHART-1) evaluating C-CURE in Chronic Heart Failure did not reach statistical significance. We would note that a subgroup identified according to end-diastolic volume at baseline and representing 60% of the patients responded (p=0.015), which does not rule out a partnership opportunity. Unfortunately and in accordance with the ESC congress' embargo rules, few additional details could be disclosed during the conference call which leaves us in limbo for the next two months at least. We move our rating from BUY to NEUTRAL and decrease our fair value from EUR77 to EUR20 (see details below).

ENGIE — BUY, Fair Value EUR16,8 (+24%)

There is only upside left

Engie invited analysts and investors for a "workshop" cession yesterday during which the management team presented us more details of its transformation plan already unveiled in February 2016. On top of numerous data unveiled during the presentation, we were positively surprised by the very confident tone coming from management. The group seems well on track to implement this plan thanks notably to its new organisation. At the current share price we only see upside, even if the group is unable to fully adapt to the new energy world. Buy, with FV @ EUR16.8.

ORANGE — BUY
Coverage initiated, Fair Value EUR17,1 (+21%)

Lights are turning green (report released today)

We are initiating coverage of Orange with a Buy rating and a fair value of €17.1. We believe that Orange is currently trading at an unjustified discount. Orange is efficiently managing its national business model while the French market is getting back on track. Its healthier balance sheet makes it possible to seize external growth opportunities, especially on an international scale, and we consider a dividend increase to be likely by 2017.

CONSUMER DURABLES

Nike: Soft Q4 and orders in North America

Yesterday evening Nike reported Q4 2016 earnings (ended May): sales increased 6% as reported and 9% FX-n to USD8.24bn, fairly in line with CS at USD8.28bn, while EPS came in at 49¢ slightly ahead of expectations (48¢). However, global futures orders (from Jun to Nov 2016) rose 11% FX-n or 1pp shy of the market estimates at 12% FX-n, highlighting an increasing competitive environment for Nike, especially in the U.S.

In brief...

DANONE, *In negotiations to acquire an interest in Michel and Augustin*

Healthcare

Celyad

Price EUR39.48

Bloomberg	CARD.BB
Reuters	CARD BB
12-month High / Low (EUR)	57.0 / 29.5
Market Cap (EURm)	368
Ev (BG Estimates) (EURm)	291
Avg. 6m daily volume (000)	26.00
3y EPS CAGR	ns

	1 M	3 M	6 M	31/12/15
Absolute perf.	-14.6%	-0.6%	-14.2%	-18.4%
Healthcare	-6.0%	2.1%	-10.5%	-11.3%
DJ Stoxx 600	-11.7%	-7.9%	-15.7%	-15.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	0.0	0.0	22.5	21.2
% change		*-100.0%*	*NM*	*-5.8%*
EBITDA	-28.8	-29.8	-8.3	-13.3
EBIT	-29.7	-30.7	-9.2	-14.2
% change		*-3.3%*	*70.1%*	*-55.1%*
Net income	-29.1	-30.2	-8.7	-13.7
% change		*-3.6%*	*71.3%*	*-58.3%*

	2015	2016e	2017e	2018e
Operating margin	NM	NM	NM	NM
Net margin	NM	NM	NM	NM
ROE	NM	NM	NM	NM
ROCE	NM	NM	NM	NM
Gearing	NM	NM	NM	NM

(EUR)	2015	2016e	2017e	2018e
EPS	NM	NM	NM	NM
% change	-	*ns*	*ns*	*ns*
P/E	x	x	x	x
FCF yield (%)	%	%	%	%
Dividends (EUR)	NM	NM	NM	NM
Div yield (%)	%	%	%	%
EV/Sales	86868.9x	NS	13.3x	14.7x
EV/EBITDA	NS	NS	NS	NS
EV/EBIT	NS	NS	NS	NS

No bone to chew until ESC congress in late August

Fair Value EUR20 vs. EUR77 **NEUTRAL vs. BUY**

European phase III results (CHART-1) evaluating C-CURE in Chronic Heart Failure did not reach statistical significance. We would note that a subgroup identified according to end-diastolic volume at baseline and representing 60% of the patients responded (p=0.015), which does not rule out a partnership opportunity. Unfortunately and in accordance with the ESC congress' embargo rules, few additional details could be disclosed during the conference call which leaves us in limbo for the next two months at least. We move our rating from BUY to NEUTRAL and decrease our fair value from EUR77 to EUR20 (see details below).

ANALYSIS

- **The CHART-1 phase III trial did not reach statistical significance. However, 60% of patients responded with statistical significance overall (p=0.015) and an encouraging trend observed across all six criteria making up the composite endpoint.** The sub-population was easily identified according to end diastolic volume segmentation at baseline, measured mainly by echocardiography. As a reminder CHART-1 recruited 271 patients across 12 countries and measured efficacy of the company's lead stem cell product candidate in Chronic Heart Failure at 39 weeks. Primary endpoint was a six-level hierarchical composite endpoint considering Mortality, Cardiac Adverse Events, 6MWT, QoL, Change in LVEF and change in left ventricular end-systolic volume.
- **These results, which are still being processed by the company, have prompted management to reiterate its strategy to refocus on the oncology platform and partner C-CURE for further development and commercialisation**. A standalone strategy is now excluded and discussions with potential partners should accelerate with a dataroom to be opened shortly. However, it is unlikely in our view that this could occur before late Q3 at least. Indeed, a full set of data should be presented at the ESC congress on 28th August and EMA should give its feedback on whether or not a conditional could be given withouth a confirmatory trial in the identified subpopulation. Note that management was "hopeful" regarding the latter opportunity and that we would favour a scenario under which the EMA requires a confirmatory study, delaying by one year in a best case potential EU approval. Although results exhibit a sub-group of responders, finding a partner should not be easy considering that **1/** Celyad's management made it clear that it will not finance further studies, **2/** the p-value of the subgroup identified as responder (p=0.015) leave little margin for error in further studies despite being statistically significant and **3/** evolution of the treatment paradigm with recently issued guidelines might cloud the future of stem cell therapy in CHF. Turning to the US trial, CHART-2, phase III design needs to be amended to refine inclusion criteria (measure of end-diastolic volume) and a partner will be seek too.

VALUATION

- While management already communicated on its intention to refocus CELYAD on its oncology platform, it is still too early in our view to plug-in any sales of the later (see newsflow). On the back of these results, we have modified our estimates as follows: 1/ 60% of responders out of the initially targeted population (peak sales down from EUR2.5bn to EUR1.5bn), 2/ one year delay in Europe (2018 vs. 2017), 3/ partnership vs standalone strategy (royalty rate of 15% and EUR200m deal value with back-end loaded milestones). C-CURE now accounts for EUR12 of our fair value cash per share is EUR8.
- We downgrade CELYAD to NEUTRAL vs. BUY. According to changes mentionned above, our fair value is down from EUR77 to EUR20.

NEXT CATALYSTS

- Upcoming weeks : Interim phase I data for CAR-NKG2D platform
- 28th August: ESC congress complete CHART-1 phase III data
- Late 2016: phase Ib readout for CAR-NKG2D platform

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Utilities

Engie

Price EUR13.52

There is only upside left

Fair Value EUR16,8 (+24%) **BUY**

Bloomberg	GSZ FP
Reuters	GSZ.PA
12-month High / Low (EUR)	17.9 / 13.1
Market Cap (EURm)	32,913
Ev (BG Estimates) (EURm)	76,704
Avg. 6m daily volume (000)	6 274
3y EPS CAGR	-21.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.7%	0.6%	-17.1%	-17.2%
Utilities	-7.2%	-3.1%	-8.4%	-8.9%
DJ Stoxx 600	-9.4%	-5.5%	-13.1%	-13.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	69,883	70,944	67,779	68,851
% change		*1.5%*	*-4.5%*	*1.6%*
EBITDA	11,261	10,806	10,235	10,575
EBIT	-3,243	6,315	5,768	6,063
% change		*NS*	*-8.7%*	*5.1%*
Net income	4,950	2,516	2,348	2,507
% change		*-49.2%*	*-6.6%*	*6.8%*

	2015	2016e	2017e	2018e
Operating margin	-4.6	8.9	8.5	8.8
Net margin	7.1	3.5	3.5	3.6
ROE	10.2	5.2	4.9	5.2
ROCE	6.8	4.4	4.0	4.2
Gearing	61.5	57.8	60.6	61.2

(EUR)	2015	2016e	2017e	2018e
EPS	2.04	1.01	0.93	1.00
% change	-	*-50.7%*	*-7.1%*	*7.2%*
P/E	6.6x	13.4x	14.5x	13.5x
FCF yield (%)	0.7%	5.9%	5.3%	7.9%
Dividends (EUR)	1.00	1.00	0.70	0.70
Div yield (%)	7.4%	7.4%	5.2%	5.2%
EV/Sales	1.0x	1.1x	1.1x	1.1x
EV/EBITDA	6.3x	7.1x	7.6x	7.4x
EV/EBIT	NS	12.1x	13.5x	12.9x

Engie invited analysts and investors for a "workshop" cession yesterday during which the management team presented us more details of its transformation plan already unveiled in February 2016. On top of numerous data unveiled during the presentation, we were positively surprised by the very confident tone coming from management. The group seems well on track to implement this plan thanks notably to its new organisation. At the current share price we only see upside, even if the group is unable to fully adapt to the new energy world. Buy, with FV @ EUR16.8.

ANALYSIS

- **Engie gave more colour to its "3D" strategy** *(Decarbonisation, Decentralisation, Digitalisation)*, along with its transformation plan, already unveiled in February 2016. **More than 80% of the company's current installed capacity stems from low CO2 energies**, **21%** of which renewables. Through strong investments *(EUR2.8bn of capex will be dedicated to these energies by 2018, around 25% of the overall capex envelop)* and the current pipeline out to 2021 *(11GW of renewables and 7GW of gas)*, **Engie aims to increase the share of its low CO2 power generation businesses to more than 90% of its 2018 EBITDA**. Through B2T *(Business-to-Territories)* and B2B micro grids and B2C off-grid solutions, **Engie is betting on decentralised energy generation**, with long-term growth – after 2018 – to be potentially driven by autonomous micro-grids and low-cost energy storage. **Customer solutions** *(which includes B2B/B2C/B2T solutions)* should represent **43%** of Engie's capital expenditure by 2018 while a mid-to-high single digit CAGR in EBITDA is expected by 2018. **As for digitalisation, various initiatives have been launched** through the company's different businesses. In the B2C segment, the share of digital sales has notably been increased by 50% over the past 18 months. **Three pillars** should support this new digital focus (***mobility, big data and Internet of Things***) while **Engie Tech** aims at creating **a new innovative ecosystem** notably through the EUR115m Engie new ventures fund.
- **No change in the group's 2016-18 financial targets**: The main short to mid term targets were reiterated: **1/** for 2016, the group's target is still to generate between **EUR10.8 and EUR11.4bn** of EBITDA while distributing **EUR1/share dividend** and while maintening a net debt/EBITDA ratio ≥ **2.5x**; **2/** for 2017 and 2018, the group's target is still to distribute a **EUR0.7/share** dividend in cash (*5.3% dividend yield implied)* while generating **85%** of its EBITDA from contracted/regulated activities vs. **70%** in 2015 and while disposing of around **EUR15bn** in assets (*o/w EUR5.8bn already closed or about to be closed*). The **EUR1bn Lean 2018 costs saving target** for 2016-18, o/w **45%** to stem from procurement, was also reiterated. As a reminder this plan is based on the current Engie perimeter and implies a **+50%** increase on a yearly basis compared with Perform 2015.
- **We find no downside even if the transformation is not fully completed**: As of now we keep our model unchanged and still value Engie at **EUR16.8/share**. As a reminder in our recent report on Engie (*Rise of the phoenix? – 08/03/2016*) we estimated Engie could be worth **EUR18/share** assuming the full transformation is completed (*EUR15bn in disposals, 85% EBITDA from regulated, net debt reduction – DCF valuation),* implying **36%** upside, whereas it could only be worth **EUR13/share** assuming no more transformations (*on top of existing assets disposals*) are implemented. We therefore assume at the current share price, that Engie's investment case offers very limited downside making us confortable with our Buy rating.

VALUATION

- At the current share price Engie is trading at 7.1x its 2016e EBITDA and offers a 7.4% 2016e yield
- Buy, FV @ EUR16

NEXT CATALYSTS

- 28th July 2016: H1 2016 earnings

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TMT

Orange

Price EUR14.08

Lights are turning green (report released today)

Fair Value EUR17,1 (+21%)

BUY

Coverage initiated

Bloomberg	ORA FP
Reuters	ORAN.PA
12-month High / Low (EUR)	16.9 / 12.9
Market Cap (EURm)	37,440
Ev (BG Estimates) (EURm)	60,623
Avg. 6m daily volume (000)	7 862
3y EPS CAGR	2.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-9.0%	-8.7%	-8.1%	-9.1%
Telecom	-12.9%	-10.7%	-16.3%	-17.1%
DJ Stoxx 600	-9.4%	-5.5%	-13.1%	-13.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	40,236	41,220	41,684	41,977
% change		*2.4%*	*1.1%*	*0.7%*
EBITDA	12,426	12,772	12,962	13,197
EBIT	0.0	0.0	0.0	0.0
% change		*NM*	*NM*	*NM*
Net income	2,958	2,894	3,122	3,172
% change		*-2.1%*	*7.9%*	*1.6%*

	2015	2016e	2017e	2018e
Operating margin	11.8	11.8	12.2	12.5
Net margin	7.4	7.0	7.5	7.6
ROE	8.6	7.8	8.3	8.3
ROCE	4.3	4.1	4.4	4.4
Gearing	110.2	105.5	102.6	100.5

(EUR)	2015	2016e	2017e	2018e
EPS	0.98	0.96	1.04	1.06
% change	*-*	*-2.4%*	*8.8%*	*1.8%*
P/E	14.3x	14.7x	13.5x	13.3x
FCF yield (%)	8.1%	4.4%	6.9%	6.9%
Dividends (EUR)	0.59	0.60	0.70	0.80
Div yield (%)	4.2%	4.3%	5.0%	5.7%
EV/Sales	1.6x	1.5x	1.4x	1.4x
EV/EBITDA	5.1x	4.7x	4.6x	4.5x
EV/EBIT	NS	NS	NS	NS

We are initiating coverage of Orange with a Buy rating and a fair value of €17.1. We believe that Orange is currently trading at an unjustified discount. Orange is efficiently managing its national business model while the French market is getting back on track. Its healthier balance sheet makes it possible to seize external growth opportunities, especially on an international scale, and we consider a dividend increase to be likely by 2017.

ANALYSIS

- Thanks to a **French market showing signs of recovery** and to its **unique premium positioning**, Orange France appears to be in a position to make up for the **revenue losses** related to the **roaming agreement with Free** and to **DSL unbundling**. We anticipate a revenue decline of **0.6%** in 2016, vs. **-0.8%** in 2015, with a stabilization expected by 2017. **EBITDA should stabilise in 2016**, before going slightly up in 2017 and 2018.
- **International markets are expected to fuel the Group's growth** in the coming years. After **+5.2%** in 2015, we anticipate a further revenue increase of **3.6%** over the period 2016-2018 in the **AMEA area**, while the Spanish division, invigorated by the acquisition of Jazztel, should help Orange achieve **+2.6%** growth by 2018 in Europe. Furthermore, a **debt ratio below 2x** should enable the Group to carry out new selective **external growth** transactions.
- We forecast an **EBITDA increase of 2.8% in 2016**, to **€12.77bn,** and then **+1.7%** over 2017-2018. In our opinion, **capex will raise to €6.9bn** in 2016, then to **€7.1bn** in 2017 and 2018 as the company will invest massively in its French and Portuguese fibre networks.
- We consider a **dividend increase** from **€0.6 to €0.8** per share in 2017 to be conceivable, as this would bring the **dividend yield closer to that of market comparables, i.e. 5.6%**.

VALUATION

- Orange is now trading at 4.7x EV/EBITDA 2016, implying a 30% discount to its peers.
- We initiate Orange with a BUY rating and a fair value of EUR17.1, ie 21% premium vs current price.

NEXT CATALYSTS

- Orange H1 results on July 27th.

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Sector View

Consumer durables

	1 M	3 M	6 M	31/12/15
Consumer Gds	-5.7%	-2.5%	-6.8%	-7.3%
DJ Stoxx 600	-9.4%	-5.5%	-13.1%	-13.4%

*Stoxx Sector Indices

Companies covered

ADIDAS GROUP		**BUY**	**EUR124**
Last Price	EUR122,65	*Market Cap.*	EUR25,660m

Nike: Soft Q4 and orders in North America

Yesterday evening Nike reported Q4 2016 earnings (ended May): sales increased 6% as reported and 9% FX-n to USD8.24bn, fairly in line with CS at USD8.28bn, while EPS came in at 49¢ slightly ahead of expectations (48¢). However, global futures orders (from Jun to Nov 2016) rose 11% FX-n or 1pp shy of the market estimates at 12% FX-n, highlighting an increasing competitive environment for Nike, especially in the U.S.

ANALYSIS

- **Q4 revenue matched market expectations despite a soft quarter in the US.** Global sales at the NIKE brand were up 6% on a reported basis and 9% FX-n to USD7.7bn after +15% FX-n in Q3. This sequential slowdown was particularly significant in **North America** (~50% of Q4 sales) where sales remained stable following a 14% FX-n increase over Q3, which confirmed some analysts' fears pointing out fiercer competitive pressure from Under Armour and adidas (+31% FX-n in Q1 16). On the positive side, momentum remained strong in **Western Europe** (~17% of sales) with a 19% increase. The brand also posted double-digit growth in **Greater China** (~11% of sales) and in **Emerging Markets** (~13% of sales) with 23% FX-n and 12% FX-n respectively.
- **Q4 FY16 EPS unchanged at 49¢ (CS: 48¢).** As announced during previous earnings calls, the brand was confronted with excess inventory that had to be cleared in North America. Moreover higher product costs also negatively impacted the gross margin which declined 30bp to 45.9% (CS: 46.8%). Thanks to a lower amount of demand creation spending as a % of sales (~10.5% vs. CS of ~11.3%), EBIT margin reached 13.1% (-50bp), topping the CS forecast at 12.4%.
- **Future orders from June to November 2016 up 11% FX-n vs. CS of +12%.** This slight miss was clearly explained by a softer order backlog in **North America** (+6% FX-n vs. CS of 7.5%) and in **Western Europe** (+11% FX-n vs. CS of 16%), whilst the momentum should remain robust in **Greater China** with futures up 24% (vs. CS of ~25%).

READ-ACROSS TO ADIDAS GROUP

- Prior to yesterday's publication, the stock was down 15% ytd (vs. +36% for adidas) and we believe that this US sales and orders miss should be negatively welcomed by investors.
- In our opinion this negative publication should not affect adidas Group which is indeed regaining some traction in the US (Q1 2016: +31% FX-n) and in Western Europe (+25% FX-n) where it had lost market share vs. Nike over the recent years. Another illustration of this more favourable momentum: sales of the German group in its football category increased by 17% FX-n in 2015 and should reach at least EUR2.5bn this year (~+15% on a reported basis), but Nike's revenue in this sport has only rose 7% FX-n (to USD2.1bn) during FY16.

NEXT CATALYSTS

- adidas Group is due to report H1 2016 results on 4th August.

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Food & Beverages

Danone

Price EUR60.91

Bloomberg	BN FP
Reuters	DANO.PA
12-month High / Low (EUR)	66.3 / 53.1
Market Cap (EUR)	39,950
Avg. 6m daily volume (000)	1 605

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.5%	-1.8%	-2.2%	-2.2%
Food & Bev.	-3.7%	-0.3%	-4.1%	-4.5%
DJ Stoxx 600	-9.4%	-5.5%	-13.1%	-13.4%

	2015	2016e	2017e	2018e
P/E	20.8x	20.1x	18.3x	16.6x
Div yield (%)	2.6%	2.7%	3.0%	3.3%

In negotiations to acquire an interest in Michel and Augustin

Fair Value EUR71 (+17%) **BUY**

ANALYSIS

- Yesterday Danone announced it had entered exclusive negotiations to acquire a minority interest in Michel and Augustin. The project, which remains subject to the consultation of Michel and Augustin's employee representative bodies anticipates a gradual increase in Danone's stake.
- Michel et Augustin generated sales of EUR40m in 2015. The impact at Danone's level would be almost neutral. The company is nevertheless a very interesting target since Michel et Augustin have managed to carve out a solid position in France in just a few years, with a premium portfolio of biscuits, dairy products, fresh desserts and beverages. We assume this has not come without a price. The press release gives no indication on this.

VALUATION

- At yesterday's share price, the stock is trading at 20.1x P/E 2016e vs 21.0 for Nestlé and 21.3x for Unilever.

NEXT CATALYSTS

- H1 2016 results due on 28th July

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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 57.1% NEUTRAL ratings 33.3% SELL ratings 9.5%

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