



5th July 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17949.37	0.00	+3.01%
S&P 500	2102.95	0.00	+2.89%
Nasdaq	4862.57	0.00	-2.89%
Nikkei	15669.33	-0.67%	-17.12%
Stoxx 600	329.777	-0.74%	-9.85%
CAC 40	4234.86	-0.91%	-8.67%
Oil /Gold			
Crude WTI	48.76	-0.47%	+31.08%
Gold (once)	1351.1	+1.13%	+27.18%
Currencies/Rates			
EUR/USD	1.11375	+0.05%	+2.53%
EUR/CHF	1.08195	-0.20%	-0.50%
German 10 years	-0.135	+3.59%	-121.22%
French 10 years	0.177	+6.61%	-81.96%

Economic releases :

Date	
5th-Jul	FR - PMI Composite DE - PMI composite US - Factory orders May (-0.8%E) US - Gallup US Consumer Spending

Upcoming BG events :

Date	
5th-Jul	Zealand Pharma (BG Paris roadshow with CEO & CFO)
6th-Jul	Zealand Pharma (BG Zurich roadshow with CEO & 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	
1st-Jul	UBISOFT Same player shoot again?
29th-Jun	ORANGE : Lights are turning green.
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

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



ILIAD

BUY, Fair Value EUR212 (+16%)

Said to enter exclusive talks to buy Italian mobile assets

According to Bloomberg, Iliad has entered exclusive negotiations with Hutchison and Vimplecom to buy wireless assets from their merger deal in Italy. We believe entering the Italian market will be more challenging for Iliad in comparison with Free mobile's major breakthrough in France, but we see some real opportunities for the group in Italy. At this point we are sticking to our Fair Value of EUR212 with a Buy recommendation.

ORPEA

BUY, Fair Value EUR79 (+6%)

Further significant expansion in Spain and another Schuldschein

With the acquisition of the Sanyres group, Orpea has nearly doubled its size in Spain adding 3,300 beds in 18 facilities, most of all in fully-owned property. The deal represents an estimated amount of between EUR150m and EUR160m and has been entirely paid for in cash. In addition, Orpea announced a new successful Schuldschein (the eighth) for a total amount of EUR277m. Sanyres will be consolidated in H2 2016 and will be accretive (c.2%) on EPS as from 2016. Positive.

HEALTHCARE

Top Picks Q3 2016: Shire jumps in and takes Actelion's seat, others remain

LOOKING BACK ON Q2 2016

In brief...

ASML, As previously announced, ASML issues EUR1.5bn in bonds to finance the acquisition of HMI

COFACE, Profit warning on increased claims in emerging countries, question mark on FY dividend

NICOX, Transfer of European activities for a value of up to EUR26m

M2i Vers un monde sans pesticides (VE EUR53m-EUR66m, CORPORATE)

M2i propose des solutions durables, substitués aux insecticides et antibiotiques, répondant aux enjeux actuels d'accompagnement de la production alimentaire mondiale dans les domaines de l'agriculture et de la santé animale. Positionné sur le marché des phéromones, en croissance de +20% par an et qui s'élève à USD1bn, la société est à un point d'inflexion avec des lancements prometteurs dans l'agriculture et des partenariats majeurs traduisant un intérêt certain pour ses solutions. Nous valorisons M2i entre EUR53m et EUR66m.

M2i - Termes de l'Offre - IPO

M2i_CP_lancement-IPO_FR_def

M2i_Fiche Modalites_vdef

M2i Heading for a world without pesticides(EV EUR53m- EUR66m CORPORATE)

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. We value M2i at between EUR53m and EUR66m.

M2i - Offer terms - IPO

M2i_PR_IPO-launch_EN_def

M2i - Prospectus - IPO

TMT

Iliad

Price EUR182.15

Said to enter exclusive talks to buy Italian mobile assets

Fair Value EUR212 (+16%)

BUY

Bloomberg	ILD.FP
Reuters	ILD.PA
12-month High / Low (EUR)	236.3 / 170.2
Market Cap (EURm)	10,694
Ev (BG Estimates) (EURm)	12,253
Avg. 6m daily volume (000)	115.0
3y EPS CAGR	20.5%

According to Bloomberg, Iliad has entered exclusive negotiations with Hutchison and Vimpelcom to buy wireless assets from their merger deal in Italy. We believe entering the Italian market will be more challenging for Iliad in comparison with Free mobile's major breakthrough in France, but we see some real opportunities for the group in Italy. At this point we are sticking to our Fair Value of EUR212 with a Buy recommendation.

ANALYSIS

- According to Bloomberg, Iliad has been selected to buy wireless assets (towers and frequencies) in Italy from Hutchison and VimpelCom in Italy, as the two companies are seeking approval from the EU to merge their Italian operations. Hutchison and VimpelCom entered exclusive negotiations with Iliad, said people familiar with the matter.
- We view Iliad seizing external growth opportunities as positive, as organic French growth will eventually fade away. We estimate Iliad's total acquisition at EUR4.9bn. This amount should be enough to finance the buy-out of mobile towers and frequencies, as well as acquisition costs necessary for the launch of Iliad on the Italian market.
- If it enters the Italian market, Iliad faces several challenges that should make it more difficult than in France: First, Iliad would start from scratch, with no existing customer base for cross selling lever and no brand image in the country, leading to higher acquisition costs. Second, the mobile penetration rate is already very high (~140%) and decreasing, and mobile arpu is already very low (~EUR12), with limited economic space for a fall in prices.
- Nevertheless, the Italian market offers several opportunities: it is a large (85m lines) and mostly prepaid market, with growth opportunities from the development of unlimited calls, data usage 3P offers and fixed/mobile convergence. Iliad should be able to strike a roaming agreement on 4G with the newly merged entity, and deal fixed wholesale agreements with TI and Enel on DSL and Fiber to compete on emerging Triple Play offers and fixed/mobile convergence.
- In all cases, we believe one should not underestimate Iliad's pricing creativity, innovation capacity, and know-how in terms of direct distribution and viral marketing. As a reminder, no French operator had been able to anticipate Free Mobile's major breakthrough in 2012.
- Although no outcome is certain at this time, we believe an agreement from the EU is more likely than in the UK: there is no mobile network sharing agreement between the parties involved, and the creation of a 4th mobile operator could address EU's concerns about competition.

VALUATION

- At this point we are sticking to our Fair Value of EUR212 with a Buy recommendation.

NEXT CATALYSTS

- H1 results end of August

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	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.0%	-4.1%	-17.6%	-17.2%
Telecom	-6.0%	-5.1%	-11.0%	-13.3%
DJ Stoxx 600	-3.4%	-1.4%	-7.5%	-9.9%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	4,414	4,671	4,931	5,159
% change		5.8%	5.6%	4.6%
EBITDA	1,490	1,668	1,886	2,094
EBIT	0.0	0.0	0.0	0.0
% change		NM	NM	NM
Net income	335.0	358.3	456.7	587.2
% change		6.9%	27.4%	28.6%

	2015	2016e	2017e	2018e
Operating margin	15.1	15.3	18.0	20.9
Net margin	7.6	7.7	9.3	11.4
ROE	12.7	12.1	13.4	14.8
ROCE	9.8	9.5	10.9	12.8
Gearing	45.2	52.4	43.2	27.9

(EUR)	2015	2016e	2017e	2018e
EPS	5.58	5.95	7.59	9.76
% change	-	6.7%	27.5%	28.6%
P/E	32.7x	30.6x	24.0x	18.7x
FCF yield (%)	NM	NM	1.0%	3.6%
Dividends (EUR)	0.38	0.38	0.38	0.38
Div yield (%)	0.2%	0.2%	0.2%	0.2%
EV/Sales	2.7x	2.6x	2.5x	2.3x
EV/EBITDA	8.0x	7.3x	6.5x	5.6x
EV/EBIT	NS	NS	NS	NS



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Healthcare

Orpea

Price EUR74.46

Further significant expansion in Spain and another Schuldschein

Fair Value EUR79 (+6%)

BUY

Bloomberg	ORP.FP
Reuters	ORP.PA
12-month High / Low (EUR)	76.7 / 61.6
Market Cap (EURm)	4,472
Ev (BG Estimates) (EURm)	7,468
Avg. 6m daily volume (000)	116.4
3y EPS CAGR	14.6%

With the acquisition of the Sanyres group, Orpea has nearly doubled its size in Spain adding 3,300 beds in 18 facilities, most of all in fully-owned property. The deal represents an estimated amount of between EUR150m and EUR160m and has been entirely paid for in cash. In addition, Orpea announced a new successful Schuldschein (the eighth) for a total amount of EUR277m. Sanyres will be consolidated in H2 2016 and will be accretive (c.2%) on EPS as from 2016. Positive.

ANALYSIS

- **New expansion in Spain which significantly strengthens Orpea's network:** With Sanyres this is the acquisition of 18 facilities fully owned with 3,300 beds compared with the current Orpea network in Spain of 4,034 at the end of 2015 with 25 facilities. Sanyres seems to fit perfectly with Orpea's requirements i.e. with 67% of private beds, 60% of single rooms with around 150 beds by facility. In addition, Orpea has acquired most of the real estate which is recent (average age of 10 years) with facilities located in main cities.
- **Deal set to be accretive as of 2016...:** Sanyres' total revenue was around EUR55m in 2015 with EBITDAR and EBITDA of 21% (Orpea's EBITDAR margin in Spain was 23.8% in 2015). The transaction was mainly a real estate deal valuation (between 180,000m2 and 200,000m2) and we estimate the total amount paid at between EUR150m and EUR160m (12x EV/EBITDA). Entirely paid in cash, we estimate that Sanyres, which will be consolidated in H2 2016 will be accretive by c.2% on EPS.
- **... with upside in the near future:** In fact, with 80% of occupancy and 67% of private beds, the aim is clearly to optimise total revenue and margin and we can easily anticipate total revenue of at least EUR60m in the next three years with an EBITDA margin of 25% i.e. Orpea's expectation in Spain for the current network.
- **New Schuldschein:** Orpea issued a new Schuldschein for a total amount of EUR277m (initial size of EUR100m) with maturity between five and seven years and another low spread with for example, the five year maturity at 1.5%. Note that the deal was signed after Brexit.

VALUATION

- At the current share price, the stock is trading at 15.8x EV/EBITDA 2016e and 14.3x 2017e which compares with historical median 12FWD of 13.1x an EBITDA CAGR 2015-2018 of 11.4%.

NEXT CATALYSTS

- H1 results on 20th July (before market)

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Sector View

Healthcare

Top Picks Q3 2016: Shire jumps in and takes Actelion's seat, others remain

	1 M	3 M	6 M	31/12/15
Healthcare	1.3%	9.6%	-5.0%	-5.0%
DJ Stoxx 600	-3.5%	-0.3%	-9.2%	-9.2%

*Stoxx Sector Indices

Companies covered

ABLXN	BUY	EUR18
Last Price	EUR11,89	Market Cap. EUR724m
ACTELION	BUY	CHF173
Last Price	CHF165,5	Market Cap. CHF18,888m
ADOCIA	BUY	EUR100
Last Price	EUR46,16	Market Cap. EUR316m
ASTRAZENECA	BUY	5100p
Last Price	4502,5p	Market Cap. GBP56,939m
BAYER	NEUTRAL	U.R.
Last Price	EUR90,69	Market Cap. EUR74,996m
BIOMERIEUX	BUY	EUR122
Last Price	EUR122,25	Market Cap. EUR4,823m
BONE THERAPEUTICS	BUY	EUR30
Last Price	EUR16,745	Market Cap. EUR115m
CELLECTIS	BUY	EUR37
Last Price	EUR24,14	Market Cap. EUR853m
CELYAD	NEUTRAL	EUR20
Last Price	EUR21,79	Market Cap. EUR203m
DBV TECHNOLOGIES	BUY	EUR91
Last Price	EUR59,46	Market Cap. EUR1,433m
ERYTECH	BUY	EUR48
Last Price	EUR21,29	Market Cap. EUR169m
FRESENIUS MED.CARE	BUY	EUR94
Last Price	EUR78,16	Market Cap. EUR23,976m
FRESENIUS SE	BUY	EUR73
Last Price	EUR66,23	Market Cap. EUR36,170m
GALAPAGOS	BUY	EUR64
Last Price	EUR49,345	Market Cap. EUR2,275m
GENEURO	BUY	EUR18,2
Last Price	EUR8,8	Market Cap. EUR129m
GENMAB	BUY	DKK1600
Last Price	DKK1237	Market Cap. DKK74,015m
GLAXOSMITHKLINE	BUY	1740p
Last Price	1600p	Market Cap. GBP77,958m
INNATE PHARMA	BUY	EUR18
Last Price	EUR10,41	Market Cap. EUR560m
IPSEN	BUY	EUR63
Last Price	EUR56,06	Market Cap. EUR4,667m
KORIAN	NEUTRAL	EUR29
Last Price	EUR29,29	Market Cap. EUR2,328m
LDR HOLDING	Tender to the offer	
Last Price	USD36,99	Market Cap. USD1,081m
MORPHOSYS	BUY	EUR62
Last Price	EUR37,685	Market Cap. EUR1,000m
NICOX	CORPORATE	EUR14
Last Price	EUR12,19	Market Cap. EUR279m
NOVARTIS	NEUTRAL	CHF89
Last Price	CHF80,45	Market Cap. CHF211,351
NOVO NORDISK	NEUTRAL	DKK400
Last Price	DKK363,5	Market Cap. DKK731,567

LOOKING BACK ON Q2 2016

Q2 2016 was a strange quarter actually and if Healthcare performed very well in the end, this was largely because it appeared to be the safest heaven over the few days following the Brexit vote. UK healthcare stocks in particular skyrocketed by more than 10% in a single week. Before that, healthcare stocks did not show particularly strong momentum and simply showed signs of a stabilisation after a difficult start to the year.

So, thanks to the Brexit vote, Healthcare achieved an outstanding relative performance of more than 11% compared to the Stoxx Europe 600, meaning +8.7% in absolute terms. As always, some of the large cap pharmaceutical stocks were behind the performance considering their weight in the overall index but it was also supported by stellar performances from some small to mid-cap healthcare stocks this time. In the first category are the three UK names as previously highlighted (Shire +17.2%, AZN +14.5%, GSK +13.6%) but also Novartis, up 15%. Of course, when reported in EUR, the performances are not so good but nevertheless remain strong and positive. In the second category are Galapagos, Nicox and Genmab all up by more than 30% during the quarter. However, it is also worth mentioning that some small biotech companies did not fully recover from a difficult quarter which also includes one specific large cap name, Bayer, for obvious reasons (bid over Monsanto).

To note also in our coverage the bid over LDR by Zimmer Biomet at USD37 per share (+45% in Q2). Genmab (+33%) benefited from strong daratumumab data whereas Celyad (-43%) suffered from disappointingly negative results for its lead stem cell therapy product candidate, C-CURE, in CHF (CHART-1 trial). Lastly, Novo-Nordisk did not benefit from positive data for SUSTAIN-6 (to be presented at EASD) and LEADER (presented at ADA) and stock was flat over the quarter (+0.8%).

WHAT WE SEE FOR Q3 2016

Since inception of the Top Pick List in 2012, this is one of the toughest quarters to assess in our view because macro trends are quite difficult to handle and to predict for the coming weeks and months.

In particular, we are fundamentally positive on UK names but we do question how they are going to perform in the post-Brexit environment as we might finally see some cash-out from UK funds, impacting healthcare stocks in the end. We also see moving parts if not binary events for non-UK stocks which we are not fully comfortable with like the final outcome for Bayer in Monsanto's bid, for Roche with APHINITY's phase III results or for Novartis with Entresto and Alcon at mid-year. Obviously, PDUFA dates for both lixisenatide and iGlarLixi during the quarter will be key events for Sanofi but even more substantially for Zealand.

As such, we have tried to take reasonable risks while keeping our exposure to the healthcare sector unchanged i.e. with four stocks included in the List for the quarter to come. This results in one change with the inclusion of Shire and exit of Actelion.

CONCLUSIONS AND TOP PICKS

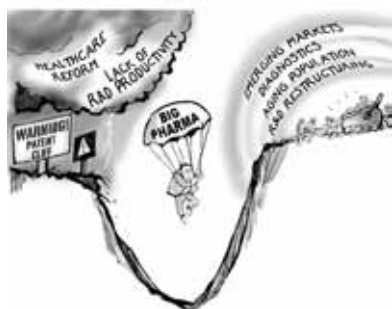
Here is the list of healthcare stocks included in BG's Top Pick List for Q3 2016: Ablynx, Fresenius SE, Ipsen and Shire.

ACTELION (BUY – FV CHF173): we have decided not to include the stock this quarter after a strong performance over the last two quarters although we expect another strong set of quarterly numbers to be released on 21st July with another highly likely increase in guidance for core EBIT in 2016. With Opsumit still performing very well (driven by the US), the increasing likelihood of not seeing US generic bosentan this year and a strong take-off of Upravi in the US, we believe that Actelion will upgrade its guidance to low-to-mid teen's growth. And we do not see this reflected yet into CS figures as Bloomberg suggests expectations are for a modest 11.4% core operating income growth in reported terms whereas we cautiously (in our view) expect Actelion to report 13.1%. As a reminder, in Q1, currencies played positively by 6pp (+8% underlying, +14% reported) with Upravi just starting. Although we expect the positive currency impact to reduce somewhat, we believe it will remain positive by at least 3-4%. Now, we also expect investors to pay increasing attention to the mid-term over the short-term and we do not see a lot coming through in Q3 to help from that perspective.

ORPEA	BUY	EUR79
Last Price	EUR74,49	Market Cap. EUR4,474m
QIAGEN	NEUTRAL	EUR22
Last Price	EUR19,845	Market Cap. EUR4,757m
ROCHE HOLDING	BUY	CHF293
Last Price	CHF256,7	Market Cap. CHF180,348
SANOFI	NEUTRAL	EUR83
Last Price	EUR75,02	Market Cap. EUR96,549m
SHIRE PLC	BUY	6500p
Last Price	4672p	Market Cap. GBP41,996m
TRANSGENE	CORPORATE	EUR12
Last Price	EUR2,54	Market Cap. EUR98m
UCB	NEUTRAL	EUR80
Last Price	EUR67,2	Market Cap. EUR13,071m
ZEALAND	BUY	DKK176
Last Price	DKK122,5	Market Cap. DKK3,005m

SHIRE (BUY – FV GBP6,500): We believe Shire displays an outstandingly attractive risk-reward as 1/ we expect an above-industry average EPS growth of 14% over the 2015-2020e period; 2/ nearly 85% of our 2020 sales estimate is derived from already commercialised products; 3/ at current levels, SHP trades on a 55% discount to CSL on 2017e P/E (30% compared with the European sector as a whole). In our view, this gap will be significantly reduced thanks to the very next catalysts... and namely (i) the approval of lifitegrast as a treatment for dry-eye disease on the 22nd July (impact on our FV: -GBP150 if negative / +GBP150 if positive); 2/ the (likely) increase in anticipated cost synergies with Baxalta on 2nd August (FV: +GBP200 assuming an updated guidance of USD750m vs USD500m previously).

IPSEN (BUY – FV EUR63): We still consider Ipsen well placed to take advantage of the next quarter to convince an increasing number of investors that it is worth looking at the ongoing deep change taking place within the group. Not only will second-quarter figures show an overall improvement in momentum vs the poor first-quarter impacted by tender phasing and wholesaler inventories with the exception of a solid continuing trend for Somatuline in the US but we also anticipate the quarter to result in two key triggering events: (i) CHMP positive opinion for cabozantinib in second-line renal cell carcinoma is expected in September whereas new data might be disclosed ahead of the ESMO meeting both in first and second line; (ii) arrival of new CEO by September is also likely. If Somatuline has the potential to surprise CS on the upside with its US peak sales and maybe more with its influence on profits, we think that cabozantinib is even less well captured by CS. Recently unveiled data in RCC carry strong potential for the drug and maybe stronger than initially thought although competition with IO (including Opdivo) is expected to be fierce. Last but not least, our understanding is that position of Marc de Garidel has clarified over the last few months and we expect his influence at the head of the Board, in close collaboration with Anne Beaufour and the new CEO, to help Ipsen's perspectives over the medium and long term.



ABLYNX (BUY – FV EUR18): We maintain Ablynx in our top pick list as Q2 should be a turning point with the publication results from the two trials evaluating ALX-0061 in rheumatoid arthritis' patients. While results from the first trial expected in July, should give a good trend of the product's efficacy, we would not look at statistical significance (no placebo arm). The second however should provide us with data enabling us to better assess the company's IL-6, hence its potential in the RA space. As a reminder, we have assumed EUR1.5bn in peak sales for the product candidate. We believe that interactions with AbbVie have been reinforced over the past weeks and should the latter decide to opt-in, Ablynx would be eligible for a USD75m milestone payment. Positive results would add EUR3 to our Fair Value.

FRESENIUS SE (BUY – FV EUR73): Fresenius SE also stays in. While comps should be stronger in Q2 for Fresenius SE, we see no short term threat to the company's ability to maintain 1/ top line trends and 2/ profitability, mainly for KABI in the US. Monitoring of the US drug shortages situation show us that although the number of shortages shrank in the US since June 2015 (50 to 44), KABI still benefits from more than 20 of them, which should enable the division keep up with strong growth margins in Q2. The recent appreciation in the USD against the EUR should also benefit KABI which generates 56% of its EBIT in the US compared with around 1/3rd of sales. The promotion of Stephan Sturm to CEO following Ulf Mark Schneider's departure does not change the equity story and we expect the transition to be seamless with no operative shake-up. Our numbers for the year are within the high end of the company's guidance which we view as conservative (organic topline growth BGe7.4% vs. guidance 6-8%, Net Income growth BGe 12.3% vs guidance 8-12%).

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TMT

ASML

Price EUR87.29

As previously announced, ASML issues EUR1.5bn in bonds to finance the acquisition of HMI

Fair Value EUR81 (-7%)

SELL

Bloomberg	ASML NA
Reuters	ASML.AS
12-month High / Low (EUR)	98.3 / 71.8
Market Cap (EURm)	37,826
Avg. 6m daily volume (000)	1,304

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.6%	-2.5%	9.0%	5.7%
Semiconductors	-0.7%	-1.7%	1.0%	-2.1%
DJ Stoxx 600	-3.4%	-1.4%	-7.5%	-9.9%
	2015	2016e	2017e	2018e
P/E	27.2x	28.9x	20.5x	15.0x
Div yield (%)	0.8%	1.2%	1.4%	1.6%

ANALYSIS

- **Yesterday, ASML announced the success of the two Eurobond offerings for an aggregate amount of EUR1.5bn.** The transaction is expected to settle on 7th July 2016 and, as previously announced, ASML will use the net proceeds to fund the acquisition of Hermes Microvision (HMI). The bonds split into two tranches, consisting of EUR500m due 2022 and EUR1.0bn due 2026. Following the issuance of bonds, ASML's net cash position will remain positive and at close to EUR500m.
- **Note that on 16th June 2016, ASML announced the acquisition of Hermes Microvision for EUR2.75bn.** ASML said it would issue 1/ around 5.9m shares or a limited dilution of about 1.4% of currently outstanding shares at a price of EUR85.24 for a total issue of EUR500m, 2/ EUR1.5bn of debt (today's issue) and 3/ add the remainder of EUR750m from available cash (net cash of EUR2.0bn by the end of Q1-16).
- **This operation does not change our view on the case** and we continue to consider risk-reward on ASML as attractive given risks concerning 1/ the timing of adoption of the EUV Technology and 2/ demand for DUV systems as the current market environment remains generally unsupportive. In addition, the demanding high valuation (2016e P/E of 28.9x) offers no room for disappointment.

VALUATION

- Based on our estimates, ASML's shares trade at a 2016e P/E ratio of 28.9x and a 2016e PEG ratio of 1.3x.

NEXT CATALYSTS

- 20th July 2016: FQ2-16 results.

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Insurance

Coface

Price EUR5.99

Profit warning on increased claims in emerging countries, question mark on FY dividend**Fair Value under review****NEUTRAL**

Bloomberg	COFA.FP
Reuters	COFA.PA
12-month High / Low (EUR)	11.7 / 6.0
Market Cap (EURm)	941
Avg. 6m daily volume (000)	135.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	-13.1%	-17.3%	-34.3%	-35.9%
Insurance	-10.8%	-9.4%	-20.2%	-23.0%
DJ Stoxx 600	-3.4%	-1.4%	-7.5%	-9.9%

	2015	2016e	2017e	2018e
P/E	7.4x	7.2x	6.6x	5.7x
Div yield (%)	8.0%	8.0%	9.1%	10.5%

ANALYSIS

- In Q2 2016, Coface experienced a far higher than expected increase in claims in emerging countries, affecting the level of claims of exporting companies located in mature markets, and an increased average cost of claim combined with longer collection times in these emerging regions. As a consequence, the net loss ratio should be in the 67% area, compared to 52.5% in FY 2015 and 55.0% in Q1 2016. Assuming a 32% net cost ratio (as in Q1), the Q2 combined ratio should be very close to 100%.
- For FY 2016, the company expects the net loss ratio to be in the 63-66% area as it has to take into account this situation in its risk management and accounting reserving policies. This means that underwriting result should be barely positive for the FY, with net income (excluding one-off items due to the loss of public guarantees business) at around EUR50m (vs. EUR126m in FY 2015).
- This is bad news for dividend prospects. Remember that credit insurers generate the bulk of their profits from underwriting earnings (investment income is minimum) and that Coface plans a 60% payout ratio. Pending further comments from the company, our view is that the dividend could fall to EURO.2 (vs. EURO.48 last year), i.e. a below sector average 3.2% yield, especially as solvency margin (147% at end-2015) could be under pressure (macro sensitive).

VALUATION

- Our valuation remains under review pending further details on the restructuring plan (27/7).
- No doubt the stock will come under further pressure today. But at some point we also expect some deep value investors to start looking at the longer term story.

NEXT CATALYSTS

- Detailed Q2 numbers on 27th July. Investors Day on 22nd September.

[Click here to download](#)Olivier Pauchaut, opauchaut@bryangarnier.com

Healthcare

Nicox

Price EUR13.29

Transfer of European activities for a value of up to EUR26m

Fair Value EUR14 (+5%)

CORPORATE

Bloomberg	COX FP
Reuters	NCOX.LN
12-month High / Low (EUR)	13.3 / 6.0
Market Cap (EURm)	304
Avg. 6m daily volume (000)	159.0

	1 M	3 M	6 M	31/12/15
Absolute perf.	12.5%	87.0%	45.5%	45.6%
Healthcare	2.1%	7.9%	-3.1%	-4.8%
DJ Stoxx 600	-3.4%	-1.4%	-7.5%	-9.9%

	2014	2015e	2016e	2017e
P/E	NS	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- **Nicox announced the inking of an agreement with GHO Capital to transfer its European ophthalmology activities** (mainly commercial ones + some late-stage candidates) **for a potential value of up to EUR26m**. More precisely, Nicox will receive 1/ an upfront payment of EUR9m in cash, 2/ a combination of ordinary shares and interest-bearing loan notes (EUR12m), and 3/ an additional EUR5m in loans, should some commercial milestones be attained.
- Nicox will be responsible for completing, at its own cost, the development and regulatory approval in Europe of some candidates transferred to the new company... But some costs could be reimbursed depending on the achievement of certain regulatory/commercial milestones.
- Importantly, the NewCo will notably include Nicox Pharma (France, Spain, and UK), Nicox GmbH (Germany), Laboratoires Nicox (France) and Nicox Farma (Italy)... and **we understand that GHO Capital is planning to acquire/in-license additional assets**.
- **We believe the deal is quite positive from a financial standpoint** as 1/ Nicox would then significantly reduce its cash burn, while keeping a minority stake in NewCo; 2/ we gave no value to this activity in our sum of the parts (SOTP).

VALUATION

- **We reiterate our FV of EUR14.0** pending 1/ the closing of the deal; 2/ the potential marketing approval of latanoprostene bunod (bearing in mind that our valuation could be increased to EUR20 in case of a green light in a positive scenario).

NEXT CATALYSTS

- **21st July 2016**: Potential US approval of latanoprostene bunod as treatment for open-angle glaucoma or ocular hypertension.

[Click here to download](#)Mickael Chane Du, mchanedu@bryangarnier.com

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 56.8%

NEUTRAL ratings 33.8%

SELL ratings 9.5%

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