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7th July 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17918.62	+0.44%	+2.83%
S&P 500	2099.73	+0.54%	+2.73%
Nasdaq	4859.16	+0.75%	-2.96%
Nikkei	15276.24	-0.67%	-19.20%
Stoxx 600	318.758	-1.67%	-12.86%
CAC 40	4085.3	-1.88%	-11.90%
Oil /Gold			
Crude WTI	47.43	+1.78%	+27.50%
Gold (once)	1368.74	+1.74%	+28.84%
Currencies/Rates			
EUR/USD	1.10715	-0.34%	+1.92%
EUR/CHF	1.0824	+0.03%	-0.46%
German 10 years	-0.179	-0.30%	-128.17%
French 10 years	0.136	-0.84%	-86.15%
Euribor	-	+-%	+-%

Economic releases :

Date	
7th-Jul	DE - Industrial production (1.5% E y/y)
	GB - Industrial production May (0.5% y/y)
	GB - Manufacturing prod. May (0.6% y/y)
	US - Initial jobless claims 267K E
	US - Continnuing claims (2110K E)
	US - Crude oil Inventories Data

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	
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

ABLYNX — BUY, Fair Value EUR18 (+56%)

A first taste of ALX-0061's best-in class profile

Ablynx released positive phase IIb results for ALX-0061 (vobarilizumab) monotherapy in severe RA patients with ACR20, 50 and 70 scores of up to 81%, 49% and 24% respectively and up to 41% of patients in clinical remission at 12 weeks. Safety profile is clean. Results from the second phase IIb trial (vobarilizumab + MTX) are expected in the upcoming weeks and should be followed by AbbVie's decision whether or not to in-license the product candidate. Vobarilizumab, which is key for Abbvie's post-Humira period in our view, is not taken into account in current share price.

ACTELION — BUY, Fair Value CHF173 (+5%)

First initiative to update pipeline adds phase II compound in insomnia

It was our understanding that Actelion was still working on the orexin pathway and would, one day or another, revive the antagonism approach to orexin receptors with one new compound going into the clinic, but we had not anticipated that it would be again in insomnia where almorexant still is in all memories. This is, however, what Actelion has announced today i.e. start of phase II with a new ORA in insomnia by year-end in a comparative study to zolpidem. We are not sure that investors will be ready to grant additional value to Actelion for this until they get clearer view on clinical results with the compound. Company confirms simultaneously that MERIT (macitentan in CTEPH), OPTIMUM (ponesimod in MS) and IMPACT (cadazolid in Cdiff) are all developing according to plans.

KERING — BUY, Fair Value EUR170 vs. EUR174 (+18%)

Gucci should reassure, but some disapointments for BV are likely!

Kering will report its H1 results on July 28th (after market closure). We expect sales to grow 3.9% organically, globally in line with H1 (+4%) despite some slowdown for Luxury division in Q2 vs Q1 (+0.7% vs +2.7%). Kering EBIT margin should be slightly down (-20bp to 13.8%). We adjust our 2016 EBIT estimates slightly (by 2-3%) and consequently we lower our Fair Value from EUR174 to EUR170, but remain at Buy as we are confident on the Gucci brand turnaround for the coming quarters.

DANONE — BUY, Fair Value UNDER REVIEW

Acquisition of WhiteWave

Danone has announced that it will acquire WhiteWave for USD12.5bn in an all-cash transaction. The group indicated total EPS accretion of 10%, based on expected synergies (USD300m by 2020). This transaction will increase the weight of the United States and strengthens its exposure to fast-growing categories. Fair Value under review before the conference call at 9am CEST.

INSURANCE

Top Picks Q3: Blind spot

LOOKING BACK ON Q2 2016

In brief...

ALTICE, ***Altice said to explore sale of SFR Belgium***

WORLDPAY, ***Payment processing issues with the Worldpay platform hit some Etsy sellers for days***

Healthcare

Ablynx

Price EUR11.51

A first taste of ALX-0061's best-in class profile

Fair Value EUR18 (+56%) **BUY**

Bloomberg	ABLX BB
Reuters	ABLX.BR
12-month High / Low (EUR)	16.1 / 10.4
Market Cap (EURm)	700
Ev (BG Estimates) (EURm)	852
Avg. 6m daily volume (000)	187.2
3y EPS CAGR	15.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-15.1%	-11.6%	-25.1%	-27.7%
Healthcare	1.4%	8.2%	-5.2%	-5.4%
DJ Stoxx 600	-5.0%	-1.2%	-9.7%	-11.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	77.5	81.6	39.6	54.2
% change		*5.2%*	*-51.4%*	*36.7%*
EBITDA	-15.6	-21.9	-64.3	-44.4
EBIT	-17.0	-23.3	-65.0	-45.4
% change		*-37.6%*	*NS*	*30.2%*
Net income	-54.5	-60.9	-102.6	-83.0
% change		*-11.7%*	*-68.4%*	*19.1%*

	2015	2016e	2017e	2018e
Operating margin	-21.9	-28.6	-164.1	-83.8
Net margin	-70.3	-74.7	-258.9	-153.1
ROE	-195.4	184.5	75.7	38.0
ROCE	NM	NM	NM	NM
Gearing	NM	NM	NM	NM

(EUR)	2015	2016e	2017e	2018e
EPS	-1.01	-1.13	-1.90	-1.53
% change	-	*-11.7%*	*-68.4%*	*19.1%*
P/E	NS	NS	NS	NS
FCF yield (%)	NM	NM	NM	NM
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	8.0x	10.4x	21.3x	15.6x
EV/EBITDA	NS	NS	NS	NS
EV/EBIT	NS	NS	NS	NS

Ablynx released positive phase IIb results for ALX-0061 (vobarilizumab) monotherapy in severe RA patients with ACR20, 50 and 70 scores of up to 81%, 49% and 24% respectively and up to 41% of patients in clinical remission at 12 weeks. Safety profile is clean. Results from the second phase IIb trial (vobarilizumab + MTX) are expected in the upcoming weeks and should be followed by AbbVie's decision whether or not to in-license the product candidate. Vobarilizumab, which is key for Abbvie's post-Humira period in our view, is not taken into account in current share price.

ANALYSIS

- Results from this first phase IIb study are very encouraging with the highest ACR20, ACR50 and ACR70 responder rates of up to 81%, 49% and 24% respectively and up to 41% of patients in clinical remission at 12 weeks. The latter results were reached in the groups benefitting from the Q2W dosing (see detailed results below). It is hard to directly compare vobarilizumab (ALX-0061) to tocilizumab as the trial was not powered for it, however, we would note that 1/ the vobarilizumab Q4W dose group achieved results consistent with tocilizumab with an improved dosing regimen (once monthly vs. one a week) and that 2/ the vobarilizumab Q2W high dose group showed improved efficacy over tocilizumab, especially with 41% of patients in remission at 12 weeks vs 27%.
- Safety wise, vobarilizumab confirms its best-in-class profile, which we already had the opportunity to highlight in our report (please see here). 2.1% of vobarilizumab's patients discontinued treatment due to AEs vs 6.3% for the tocilizumab group. SAEs occurred in 0.5% of voba patients vs. 3.1% for tocilizumabwe would pay attention to neutrophil count (possibility of serious infections) whom led to discontinuations in both groups. Roll over rate in the open-label follow-up is high and stands at 91% of the eligible patients.
- These results from the first trial of vobarilizumab phase IIb program assessed safety and efficacy of SC IL-6R product candidate, vobarilizumab, as a monotherapy in 251 severe RA patients. The compound was tested at three different doses (150mg/Q4W, n=62; 150mg/Q2W, n=62; 225mg/Q2W, n=63) over a 12 week treatment course in either a 1L or 2L setting i.e. patients naïve to MTX or non-responder to MTX respectively. Note that the study was not powered to demonstrate any statistical significance over tocilizumab (Roche, Actemra; n=64) which constituted the fourth group of the trial.

	ALX-0061 150mg/Q4W (n=62)	**ALX-0061 150mg/Q2W (n=62)**	**ALX-0061 225mg/Q2W (n=63)**	***tocilizumab 162mg/Q1W (n=60) or /Q2W***
ACR20	73%	77%	81%	*78%*
ACR50	**44%**	**37%**	**49%**	***45%***
ACR70	**16%**	**24%**	**21%**	***23%***
improvement in HAQ-DI score	65%	68%	71%	*72%*
DAS28 remission	**26%**	**27%**	**41%**	***27%***
DAS28 low disease activity + remission	**42%**	**57%**	**60%**	***44%***

Source : Company Data.

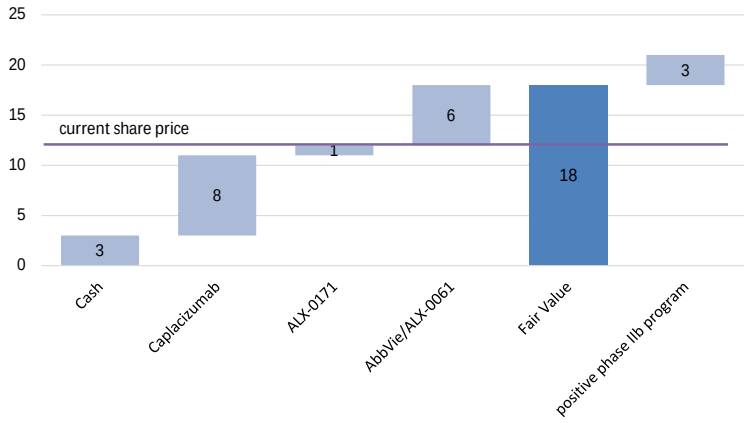
- We have a good taste of Ablynx' IL-6R best-in-class profile, ahead of the readout of the second phase IIb trial which compares vobarilizumab as an add-on to MTX vs. placebo. Results from this study are expected in the coming weeks and should trigger the beginning of Abbvie's opt-in period. Should the big pharma decides to opt-in, Ablynx would be eligible for a USD75m milestone payment.

To be continued next page

- While vobarilizumab would not be the first IL-6 to reach the market, we believe that 1/ its best-in class safety profile and 2/ AbbVie's strong commercial capabilities should be decisive in making it a blockbuster. Our non-risk adjusted peak sales stands at EUR1.5bn. We see vobarilizumab as key in the durability of AbbVie's RA franchise, with Humira coming off patent in 2018. As a reminder, Ablynx' partner has no IL-6 developed in-house and our research showed that AbbVie might have already started to work on the autoinjector for vobarlizumab.

VALUATION

- We reiterate our BUY rating and EUR18 fair value.
- ABLYNX is in our Top Pick list for Q3.
- **Vobarilizumab is not taken into account in the current share price!** While we do not move our PoS yet as we prefer to wait for complete results from the phase IIb program expected in the upcoming weeks, note that increasing our PoS from 40% to 60% would add EUR3 to our(which would add EUR3 to our fair value).



NEXT CATALYSTS

- **Today 4:00pm CET/10:00am EDT: Conference call on trial's results (+32 2 402 30 92; access code 6440754).**
- Q3 2016: results of ALX-0061's placebo controlled phase IIb trial.
- August 25th: H1 results

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Healthcare

Actelion

Price CHF164.80

First initiative to update pipeline adds phase II compound in insomnia

Fair Value CHF173 (+5%) **BUY**

Bloomberg	ATLN VX
Reuters	ATLN.VX
12-month High / Low (CHF)	166.5 / 115.9
Market Cap (CHFm)	18,808
Ev (BG Estimates) (CHFm)	18,403
Avg. 6m daily volume (000)	396.8
3y EPS CAGR	7.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.0%	12.0%	20.6%	18.1%
Healthcare	0.4%	5.0%	-4.9%	-6.1%
DJ Stoxx 600	-6.9%	-3.6%	-10.0%	-12.9%

YEnd Dec. (CHFm)	2014	2015e	2016e	2017e
Sales	1,956	2,042	2,263	2,274
% change		*4.3%*	*10.8%*	*0.5%*
EBITDA	687	769	886	827
EBIT	570.1	655.6	768.6	708.1
% change		*15.0%*	*17.2%*	*-7.9%*
Net income	648.2	693.5	806.1	755.1
% change		*7.0%*	*16.2%*	*-6.3%*

	2014	2015e	2016e	2017e
Operating margin	40.1	40.7	44.2	42.3
Net margin	33.1	34.0	35.6	33.2
ROE	33.8	52.6	44.0	32.8
ROCE	70.4	77.0	86.0	88.8
Gearing	-50.5	-30.7	-49.6	-63.6

(CHF)	2014	2015e	2016e	2017e
EPS	5.58	6.17	7.40	7.00
% change	-	*10.6%*	*20.0%*	*-5.4%*
P/E	29.6x	26.7x	22.3x	23.5x
FCF yield (%)	0.7%	3.5%	4.0%	4.3%
Dividends (CHF)	1.30	1.50	1.50	1.50
Div yield (%)	0.8%	0.9%	0.9%	0.9%
EV/Sales	9.1x	9.0x	7.9x	7.6x
EV/EBITDA	26.0x	23.9x	20.2x	21.0x
EV/EBIT	31.3x	28.1x	23.3x	24.5x

It was our understanding that Actelion was still working on the orexin pathway and would, one day or another, revive the antagonism approach to orexin receptors with one new compound going into the clinic, but we had not anticipated that it would be again in insomnia where almorexant still is in all memories. This is, however, what Actelion has announced today i.e. start of phase II with a new ORA in insomnia by year-end in a comparative study to zolpidem. We are not sure that investors will be ready to grant additional value to Actelion for this until they get clearer view on clinical results with the compound. Company confirms simultaneously that MERIT (macitentan in CTEPH), OPTIMUM (ponesimod in MS) and IMPACT (cadazolid in Cdiff) are all developing according to plans.

ANALYSIS

- This is a come-back and some will think it is not the one we would have expected or wished from Actelion, because it is not a way to remember good old news: the revival of the orexin receptor antagonist pathway in the form of the initiation of a phase II clinical trial with new compound in insomnia by year-end. The study is expected to recruit about 300 individuals suffering from insomnia from Q4 2016 and to randomize them in six arms including placebo, four doses of zolpidem (Stilnox/Ambien) and investigational drug. Duration of treatment is four weeks (with five cross-over periods) and primary endpoint will be WASO at day 1 and 2. Other endpoints will include time to persistent sleep and to sleep onset.
- Actelion has scheduled a conference call for this afternoon (2pm) to provide background information about the drug, the programme and rationale for investing (again) in this field. In the press release, the company reports fast onset of CNS effects and natural physiologic sleep architecture in animal models, together with good PD/PK profile for a medication and good safety. This is suggestive of the fact that almorexant was not perfect in its structure, but that the mechanism of action of DORA (dual orexin receptor antagonism) still looks very valid and promising to address insomnia. To some extent, this is further validated by the fact that one compound in the class did come through to the market: under the brand name Belsomra, Merck reached FDA acceptance for suvorexant and hit the US market in February 2015 for the "treatment of insomnia in adults who have difficulty falling asleep and staying asleep". Note that the drug is Schedule IV controlled. It looks, however, that it is too small to be reported by Merck as an individual product in its quarterly releases.
- So, at this point, we cannot say much more than 'let's see what the drug delivers in phase II' before we factor it into our sales model. Of course we can imagine that the long experience acquired with almorexant has made Actelion very wary about deciding to move the drug in phase II and probably with good reasons, but the history is such that CS cannot do differently in our view.
- Actelion is also taking the opportunity of the press release to update on the clinical development status of other drugs simply to say that they are developing on track. Cadazolid and ponesimod are progressing on target to complete recruitment of IMPACT and OPTIMUM respectively by year-end. As long as MERIT, the phase II investigating macitentan in CTEPH, it is still expected to deliver results by year-end. As a reminder, no ERA is currently approved in this indication and Tracleer failed to show a benefit. Only approved drug in CTEPH is Bayer's Adempas. It achieved EUR182m in sales in 2015 and was progressing again by 47% in Q1 2016 and we expect the drug to exceed EUR250m in 2016, with a meaningful portion of sales coming from the differentiating indication of CTEPH. Should it represent USD200-300m and this would be welcome addition to help Opsumit reach peak sales of close to USD2bn.

VALUATION

- No change to our FV

NEXT CATALYSTS

- Today 2pm: Conference Call – New DORA moving in phase II

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Luxury & Consumer Goods

Kering

Price EUR143.65

Gucci should reassure, but some disapointments for BV are likely!

Fair Value EUR170 vs. EUR174 (+18%) **BUY**

Bloomberg	PP FP
Reuters	PRTP.PA
12-month High / Low (EUR)	181.5 / 138.6
Market Cap (EUR)	18,138
Ev (BG Estimates) (EUR)	20,938
Avg. 6m daily volume (000)	289.0
3y EPS CAGR	12.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.1%	-6.3%	-4.4%	-9.1%
Pers & H/H Gds	-2.5%	0.7%	2.1%	-1.2%
DJ Stoxx 600	-6.9%	-3.6%	-10.0%	-12.9%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	11,584	12,000	12,620	13,500
% change		*3.6%*	*5.2%*	*7.0%*
EBITDA	2,056	2,185	2,440	2,640
EBIT	1,646	1,765	2,000	2,200
% change		*7.2%*	*13.3%*	*10.0%*
Net income	1,017	1,098	1,293	1,464
% change		*8.0%*	*17.8%*	*13.2%*

	2015	2016e	2017e	2018e
Operating margin	14.2	14.7	15.8	16.3
Net margin	8.8	9.2	10.2	10.8
ROE	8.7	8.5	9.4	10.3
ROCE	5.8	6.1	6.8	7.5
Gearing	37.7	27.1	21.9	21.2

(EUR)	2015	2016e	2017e	2018e
EPS	8.05	8.69	10.15	11.40
% change	-	*8.0%*	*16.8%*	*12.3%*
P/E	17.9x	16.5x	14.2x	12.6x
FCF yield (%)	1.6%	3.1%	4.3%	5.2%
Dividends (EUR)	4.00	4.30	4.70	5.20
Div yield (%)	2.8%	3.0%	3.3%	3.6%
EV/Sales	1.9x	1.7x	1.6x	1.5x
EV/EBITDA	10.7x	9.6x	8.4x	7.7x
EV/EBIT	13.3x	11.9x	10.2x	9.3x

Kering will report its H1 results on July 28th (after market closure). We expect sales to grow 3.9% organically, globally in line with H1 (+4%) despite some slowdown for Luxury division in Q2 vs Q1 (+0.7% vs +2.7%). Kering EBIT margin should be slightly down (-20bp to 13.8%). We adjust our 2016 EBIT estimates slightly (by 2-3%) and consequently we lower our Fair Value from EUR174 to EUR170, but remain at Buy as we are confident on the Gucci brand turnaround for the coming quarters.

ANALYSIS

- **Kering will report its H1 sales and results on Thursday July 28th after market closure. We anticipate Q2 sales to be up 3.7% organically, slightly lower than Q1 (+4%).** The main driver for this slowdown is the Luxury division, with a 0.7% increase in Q2 vs +2.7% in Q1, which implies +1.6% in H1. First of all, **Gucci** (almost 60% of Group EBIT) should report a slight slowdown in Q2 (+1.3% vs +3.1% in Q1), due to much more demanding comp (-8% in Q1 15 but +4.6% in Q2 15) and this is particularly true for Retail (-4% vs +10% respectively). Nevertheless, Q2 sales momentum illustrates that **Gucci** brand transformation is underway and in line with management expectations and Q3 comp will much less demanding. On the other hand, the situation is more complex for **Bottega Veneta** (20% of Kering EBIT) as we expect sales to be down 11% in Q2 following -8.3% in Q1. The Italian high-end brand is particularly affected by current market conditions (much less tourists as around 75% of brand sales are from Asian clients). Hopefully, **YSL** is in a far better shape with again expectations of very positive sales momentum (we anticipate 22% sales growth). Lastly **Puma**, we guess that this quarter has been again very well oriented given the brand recovery and the EURO football positive impact. Therefore, we factor in Q2 a slight acceleration vs Q1 (+10% vs +8.1%) with likely a softer trend in Q3.

Quaterly organic sales growth

in %	Q4 15	FY 15	Q1 16	Q2 16e	H1 16e
Gucci	4.8	0.4	3.1	1.3	2.2
Bottega Veneta	-3.1	3.2	-8.3	-11.0	-9.6
YSL	27.5	25.8	26.5	21.7	24.0
Autres	10.6	3.1	-3.3	-4.6	-4.0
Total Luxe	**7.2**	**4.1**	**2.7**	**0.7**	**1.6**
PUMA	11.5	6.8	8.1	10.0	9.0
Kering Group	**8.0**	**4.6**	**4.0**	**3.7**	**3.9**

Source : Company Data; Bryan Garnier & Co. ests.

- **Kering's H1 profitability should come under slight pressure, with an EBIT margin at 13.8%, implying a 20bp decline vs H1 15**. This is the consequence of margin erosion for the Luxury division of 50bp (20.9%), but +40bp for Puma (2.8%). The slight deterioration in Luxury's profitability should mainly come Bottega Veneta with an expected 270bp decline to 25.4% (operating deleverage given sales decline and higher costs) while Gucci brand should report 70bp margin gain to 27.2% (mainly due to less negative FX impact). YSL is expected to achieve a significant margin improvement (+150bp to 15%) thanks to operating leverage. For FY 16, we slightly lower our EBIT expectations (-2/3%) mainly due to BV profitability deterioration. This implies a 40bp margin gain vs +70bp previously expected.

VALUATION

- **Following our estimates adjustments, we lower our Fair Value from EUR174 to EUR170**. Nevertheless, we reiterate our Buy recommendation as we are convinced that the Gucci brand's turnaround is underway that should be more obvious in coming quarters. At 11.9x 2016 EV/EBIT, the stock is trading in line with our luxury stocks sample. The share price is down 6% on 3m (-9% for our luxury sample).

NEXT CATALYSTS

- H1 results to be reported on July 28th (after market closure).

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Food & Beverages

Danone

Price EUR63.31

Bloomberg	BN FP
Reuters	DANO.PA
12-month High / Low (EUR)	66.3 / 53.1
Market Cap (EUR)	41,525
Ev (BG Estimates) (EUR)	48,722
Avg. 6m daily volume (000)	1,648
3y EPS CAGR	6.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.8%	2.8%	4.3%	1.7%
Food & Bev.	0.3%	2.3%	0.0%	-1.6%
DJ Stoxx 600	-6.9%	-3.6%	-10.0%	-12.9%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	22,412	21,785	22,722	23,792
% change		*-2.8%*	*4.3%*	*4.7%*
EBITDA	NM	NM	NM	NM
EBIT	2,892	2,978	3,183	3,388
% change		*3.0%*	*6.9%*	*6.4%*
Net income	1,791	1,844	1,988	2,144
% change		*3.0%*	*7.8%*	*7.9%*

	2015	2016e	2017e	2018e
Operating margin	12.9	13.7	14.0	14.2
Net margin	8.0	8.5	8.7	9.0
ROE	10.2	15.4	15.4	15.3
ROCE	10.7	10.8	11.4	11.9
Gearing	61.6	55.8	47.3	39.5

(EUR)	2015	2016e	2017e	2018e
EPS	2.93	3.02	3.26	3.51
% change	-	*3.1%*	*7.8%*	*7.9%*
P/E	21.6x	20.9x	19.4x	18.0x
FCF yield (%)	4.0%	4.1%	4.3%	4.5%
Dividends (EUR)	1.60	1.65	1.78	1.92
Div yield (%)	2.5%	2.6%	2.8%	3.0%
EV/Sales	2.2x	2.2x	2.1x	2.0x
EV/EBITDA	x	x	x	x
EV/EBIT	17.1x	16.4x	15.1x	14.0x

Acquisition of WhiteWave

Fair Value UNDER REVIEW

BUY

Danone has announced that it will acquire WhiteWave for USD12.5bn in an all-cash transaction. The group indicated total EPS accretion of 10%, based on expected synergies (USD300m by 2020). This transaction will increase the weight of the United States and strengthens its exposure to fast-growing categories. Fair Value under review before the conference call at 9am CEST.

ANALYSIS

- This morning, Danone has announced that it will acquire WhiteWave for USD56.25 per share in cash, ie a premium of around 24% over the 30-day average closing trading price. This represents an EV of USD12.5bn and a multiple of EV/EBITDA of 15.2x after synergies. The transaction has been approved by both board of directors and is expected to close by the end of the year. It will be fully financed with debt. Danone says it expects to maintain its investment grade rating.
- WhiteWave generates USD4bn of sales. Danone indicated it will be able to realize synergies of USD300m by 2020, representing 8% of WhiteWave 2015 sales and 80% of WhiteWave 2015 EBIT. It expects total EPS accretion of 10% based on expected synergies. We should see some accretion in the first year after closing.
- This transaction will increase the weight of the United States as percentage of group's sales, from 12% to 22%, and create a leading US dairy refrigerated player. It will also improve the adequation between consumer trends (towards healthier and sustainable drinking options) and Danone's portfolio.
- WhiteWave is a global company with platforms in North America and Europe and a portfolio of high-growth food and beverage categories which focus on premium organic dairy, non-GMO, plant-based alternatives to milk & yogurt, fresh foods, and coffee creamers. Its leading brands are Silk, So Delicious, Vega, Alpro, Provamel, Horizon Organic, Wallaby Organic, Earthbound Farm and International Delight. Since it went public in 2012, it has reported average sales growth of 19% and a doubling of its operating income.

VALUATION

- Fair Value under review.

NEXT CATALYSTS

- Conference call at 9am CEST

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Sector View

Insurance

Top Picks Q3: Blind spot

	1 M	3 M	6 M	31/12/15
Insurance	-17.2%	-14.5%	-25.4%	-28.4%
DJ Stoxx 600	-6.9%	-3.6%	-10.0%	-12.9%

*Stoxx Sector Indices

Companies covered

AEGON		**NEUTRAL**	**EUR6**
Last Price	EUR3.036	*Market Cap.*	EUR6,546m
ALLIANZ		**BUY**	**EUR180**
Last Price	EUR119.2	*Market Cap.*	*EUR54,474m*
AXA		**BUY**	**EUR29**
Last Price	EUR16.305	*Market Cap.*	*EUR39,527m*
CNP ASSURANCES		**NEUTRAL**	**EUR15**
Last Price	EUR12.375	*Market Cap.*	*EUR8,497m*
COFACE		**NEUTRAL**	**U.R.**
Last Price	EUR4.336	*Market Cap.*	*EUR682m*
EULER HERMES		**BUY**	**EUR99**
Last Price	EUR70.6	*Market Cap.*	*EUR3,011m*
HANNOVER RE		**SELL**	**EUR110**
Last Price	EUR89.35	*Market Cap.*	*EUR10,775m*
MUNICH RE		**SELL**	**EUR185**
Last Price	EUR141.2	*Market Cap.*	*EUR22,741m*
SCOR		**BUY**	**EUR38**
Last Price	EUR25.365	*Market Cap.*	*EUR4,870m*
SWISS RE		**NEUTRAL**	**CHF100**
Last Price	CHF80.55	*Market Cap.*	*CHF29,860m*
ZURICH INSURANCE GROUP		**NEUTRAL**	**CHF270**
Last Price	CHF226.6	*Market Cap.*	*CHF34,110m*

LOOKING BACK ON Q2 2016

The DJ Stoxx Insurance lost 11% over the quarter, underperforming the market by more than 800bps (DJ Stoxx600 down 2.3%). Companies we cover have lost 10% on average, and 5% including dividends. The top performers were Zurich, CNP, Swiss Re and Euler Hermes whereas the worst performers were Aegon, Munich Re, Coface and Scor.

Of course the major event of Q2 was market turbulence associated with Brexit, which overnight disrupted most financial markets around the world and created a massive flight to quality (lower rates on major benchmarks, stress on credit spreads and equities, higher volatility).

The strong market reaction by insurance stocks we cover was not based primarily on potential operating issues (UK is not a central part of the business of the companies we cover, basically between 5% and 10% of operating profit), nor due to FX (in most cases the potential negative impact of the drop in the GBP was more than offset by the rise in the USD, where the share of business is much higher, up to 45%), nor earnings (potential losses on assets are minimal at this stage), but due to solvency.

Indeed, flight to quality and stress on more risky assets represent a major stress scenario for solvency margins in a Solvency II environment, which only came into force a few months ago (i.e. still a limited market education and back-testing). And of course potential pressure on solvency margins means potential pressure on dividend prospects, which have acted as a powerful catalyst for the sector in the last years. Remember most insurance companies gave precise dividend guidance as long as their solvency margin remains in a comfort area. Should they break it, dividends might be at risk.

Considering Q1 solvency margins levels and Q2 market events, our view is that the impact on solvency margins is only limited, at this stage. But the more rates go down, the higher the pressure will be…

WHAT WE SEE FOR Q3 2016

Please tell me about financial markets… Q3 2016 is a particularly tough call in general, and more particularly for insurance, as it remains very sensitive to very nervous financial markets.

Since Brexit, we experienced a few days of intense market stress, followed by some relief (screaming buys, hope of central bank interventions…), and then another round of market pressure. In this context, the insurance sector should remain very volatile, which is consistent with the mountain of uncertainties we are currently facing. And we all know how scary financial markets could be during the summer …

On top of that, Q2 2016 results should come under pressure across the board. Underwriting results should suffer from i/ higher claims experience, mainly driven by higher natcats, with significant earthquakes in Japan and Ecuador, a devastating fire in Canada, and major flooding in western Europe and ii/ lower commissions on asset management and unit-linked products (S&P500 down only 1% yoy on average but Stoxx50 down 18% yoy on average). We may also see lower capital gains and some equity impairments.

CONCLUSIONS AND TOP PICKS

Considering poor short-term visibility, at least until companies report their Q2 numbers (starting end-July), we believe it is wise to restrain from any insurance companies in our quarterly Top Pick list.

For longer term investors, and provided the stress on financial markets does not increase too much, we believe current prices offer very attractive (re)entry points, especially for AXA and Allianz. On the other side, if the markets remain bumpy during the summer, reinsurers, Zurich and Allianz offer more defensive profiles than average.

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TMT

Altice

Price EUR12.75

Bloomberg	ATC NA
Reuters	ATCA.AS
12-month High / Low (EUR)	31.3 / 10.0
Market Cap (EURm)	13,952
Avg. 6m daily volume (000)	1 912

	1 M	3 M	6 M	31/12/15
Absolute perf.	-16.7%	-6.1%	-11.6%	-3.8%
Telecom	-10.1%	-7.9%	-15.5%	-17.1%
DJ Stoxx 600	-6.9%	-3.6%	-10.0%	-12.9%

	2015	2016e	2017e	2018e
P/E	NS	NS	17.2x	11.2x
Div yield (%)	NM	NM	NM	NM

Altice said to explore sale of SFR Belgium

Fair Value EUR16.3 (+28%) — BUY

ANALYSIS

- According to *The Financial Times*, Altice is **exploring a sale of its Belgian unit "SFR Belgium"**. The deal could value the unit at as much as much as €500m, people informed about the process said. We think it is a maximum, as the unit makes an **EBITDA of EUR50m**, and this would value the company at 10x EBITDA. SFR Belgium has about **110k customers** and **more than 200k cable sockets**.
- We believe **most likely buyers include Telenet or Mobistar (Orange).** Mobistar could enjoy having some cable infrastructures, rather than relying solely on expensive wholesale agreements. And Telenet could find in SFR Belgium a nice complement to its infrastructures.
- We view this operation, if confirmed, as **positive** as it allows Altice to **raise cash** by divesting small activities and **focus on major countries of operation** where it aims to be number 1 or 2. We believe proceeds from the sale could be used by Altice to **deleverage** or **acquire companies**, in the media or telecom field to **reinforce its position** in countries where the group is already present.

VALUATION

- We stick to our Fair Value of EUR16.3 with BUY recommendation.

NEXT CATALYSTS

- H1 results on August 9th.

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TMT

Worldpay

Price 262.70p

Bloomberg	WPG LN
Reuters	WPG.L
12-month High / Low (p)	316.8 / 240.0
Market Cap (GBPm)	5,254
Avg. 6m daily volume (000)	7,389

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.1%	-7.1%	-15.2%	-14.5%
Softw.& Comp. SVS	-8.3%	-5.6%	-7.5%	-9.8%
DJ Stoxx 600	-6.9%	-3.6%	-10.0%	-12.9%

	2015	2016e	2017e	2018e
P/E	38.0x	23.2x	19.7x	16.3x
Div yield (%)	NM	0.7%	1.0%	1.4%

Payment processing issues with the Worldpay platform hit some Etsy sellers for days

Fair Value 278p (+6%) **NEUTRAL**

FACTS

- Since 1st July, many users of the Etsy Inc. online marketplace have been hit by lingering transactional problems. What Etsy has described it as a "third-party payments processing issue" has left thousands of purchases in limbo. A thread in the "Bugs" section of the Etsy online community forum has registered more than 4,000 complaints from buyers and sellers who cannot complete transactions. Etsy began posting official updates about the issue in the Bugs forum thread on 1st July: "One of our partners is having a technical issue that is delaying the last step of payment processing. We're working with them to help resolve the issue. Once it is cleared up on their end, all the payments that currently say 'processing' will be able to finalize."
- According to Tech Crunch, the outage does not appear to be affecting any Etsy transactions conducted with PayPal. Some Etsy users have posted that they are having processing issues with the Worldpay platform. Worldpay has come forward after 6 days of silence, acknowledging that it is experiencing a service disruption (delay in settling some deposits and refunds, affecting a certain number of customers). The group has just issued a press release saying: "Worldpay is aware of an isolated issue impacting one of our gateways, resulting in a delay to settlement for a small number of our customers. We are working to resolve this issue urgently and we have proactively communicated with all affected customers".

ANALYSIS

- These kind of glitches afflicting payments can happen, but of course they have to be resolved very quickly in order not to impact the business and the reputation of the company. For Worldpay, it is all the more disappointing as this PSP has invested a lot in its proprietary payment platform in recent years (total investment plan from 2012 to 2017e at around GBP500m) to be fully independent from Royal Bank of Scotland (the group remains currently dependent on RBS for the clearing & settlement components).

VALUATION

- **We maintain our Neutral rating and our FV of 278p.** Despite our far-from-pessimistic estimates, the share is not cheap, even taking into account only EV/EBITDA (it trades at 16.7x in FY16e whereas in our SOTP it deserves 16.1x, taking into account a 12.5% premium on the UK).

NEXT CATALYSTS

- **H1 earnings results:** 9 August (before trading).

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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 56.8% NEUTRAL ratings 33.8% SELL ratings 9.5%

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