



8th July 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17895.88	-0.13%	+2.70%
S&P 500	2097.9	-0.09%	+2.64%
Nasdaq	4876.81	+0.36%	-2.61%
Nikkei	15106.98	-1.11%	-19.74%
Stoxx 600	322.118	+1.05%	-11.95%
CAC 40	4117.85	+0.80%	-11.20%
Oil /Gold			
Crude WTI	45.14	-4.83%	+21.34%
Gold (once)	1356.83	-0.87%	+27.72%
Currencies/Rates			
EUR/USD	1.10725	+0.01%	+1.93%
EUR/CHF	1.0821	-0.03%	-0.49%
German 10 years	-0.165	-7.48%	-126.06%
French 10 years	0.147	+8.14%	-85.02%
Euribor	-	+-%	+-%

Economic releases :

Date	
8th-Jul	DE- Trade Balance May US - Unemployment rate Jun (4.8%) US - Baker Hughes rg count

Upcoming BG events :

Date	
13th-Jul	Galapagos (BG Paris Roadshow with CFO)
1st-Sept	L'OREAL (BG Paris roadshow with CFO)
8th-Sept	ACCOR (BG Roadshow with CFO)
13th-Sept	Thematic Breakfast with ARCEP
14th-Sept	SAINT GOBAIN (BG Luxembourg roadshow)
22nd-Sept	Thematic Lunch with HC specialist

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



MOLSON COORS

BUY vs. NEUTRAL, Fair Value USD110 vs. USD97 (+10%)

Good Call (full report published today)

As the acquisition of the remaining 58% of MillerCoors becomes more likely and its earnings enhancement becomes more clear, coupled with the continued strong price inflation for beer in the US and Canada, we are increasing our fair value of the company to USD110 and move our recommendation to Buy

In brief...

ABLYNX, Conf call on voba's phase IIb: this is just the beginning

Main point of concern following the issuance of first phase IIb data was the high score of tocilizumab, Roche's IL-6 (brand name Actemra)

SODEXO, 9m revenue: In line on Ifl and FY guidance confirmed

Organic growth in line with expectation

No major change by segment or geography in On-site Services

...and disappointed on Benefits and Rewards:

FY guidance confirmed

Food & Beverages

Molson Coors

Price USD99.85

Good Call (full report published today)

Fair Value USD110 vs. USD97 (+10%)

BUY vs. NEUTRAL

Bloomberg	TAP US
Reuters	TAP.N
12-month High / Low (USD)	103.7 / 65.2
Market Cap (USDm)	21,435
Ev (BG Estimates) (USDm)	15,470
Avg. 6m daily volume (000)	1,856
3y EPS CAGR	16.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.8%	8.2%	10.5%	6.3%
Food & Bev.	0.6%	3.8%	3.5%	-0.4%
DJ Stoxx 600	-7.0%	-1.8%	-7.0%	-11.9%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	3,568	3,248	11,503	11,675
% change		-9.0%	NM	1.5%
EBITDA	651	659	2,569	2,714
EBIT	352.2	356.4	1,914	2,059
% change		1.2%	NM	7.6%
Net income	700.4	708.5	1,180	1,290
% change		1.2%	66.5%	9.4%

	2015	2016e	2017e	2018e
Operating margin	9.9	11.0	16.6	17.6
Net margin	19.6	21.8	10.3	11.1
ROE	9.9	7.2	10.9	10.8
ROCE	2.7	2.7	8.9	7.1
Gearing	38.3	-1.9	90.4	72.0

(USD)	2015	2016e	2017e	2018e
EPS	3.76	3.28	5.45	5.97
% change	-	-12.8%	66.5%	9.4%
P/E	26.6x	30.5x	18.3x	16.7x
FCF yield (%)	2.2%	3.4%	6.3%	7.2%
Dividends (USD)	1.64	1.80	1.98	2.18
Div yield (%)	1.6%	1.8%	2.0%	2.2%
EV/Sales	5.3x	4.8x	2.7x	2.6x
EV/EBITDA	29.2x	23.5x	12.2x	11.1x
EV/EBIT	53.9x	43.4x	16.3x	14.6x

As the acquisition of the remaining 58% of MillerCoors becomes more likely and its earnings enhancement becomes more clear, coupled with the continued strong price inflation for beer in the US and Canada, we are increasing our fair value of the company to USD110 and move our recommendation to Buy

- The USD12bn acquisition to gain full control of MillerCoors is a game changer for Molson Coors. Not only is there the immediate EPS accretion with 2017 EPS of USD5.45, which is an increase of 43% from a stand-alone EPS of USD3.81 in 2016e. But the strategic impact is likely to be even bigger. With the acquisition, the company is gaining a fully-integrated stable number two position in the North American market. As a result, the company's free cash flow profile is changing dramatically from on average USD800m p.a. over the past five years (2012-2016e) to nearly USD2bn p.a. from 2017 onwards. This should provide the company with the ammunition to accelerate acquisition-driven growth.
- Existing efficiency plans at MillerCoors and Molson Coors, together with the synergy estimates from the acquisition, should combine into an annual USD150-200m of efficiency improvements (1.3% to 1.7% of net revenue) for the coming 3-4 years. We would expect the company to keep most of these savings in its North American operations helped by the quasi-duopoly shared between Molson Coors and AB InBev. Indeed, despite the global commodity price deflation, beer price inflation in both the US and Canada is currently over 2%.
- The high-end beer segments are highly profitable and growing. However, in the US, MillerCoors's high-end brands are only 10% of its total volumes, whereas it is 1/3rd of the market. Getting full control of the profits generated by import brands Peroni, Pilsner Urquell and Foster's (more money available to motivate distributors) will help and add to the investments behind Blue Moon, Leinenkugel, Redd's, Henry's hard soda and, the recently acquired, Saint Archer craft brewer. On top of this, the company has been rejuvenating its mainstream Miller Lite and Coors Light brands.NEXT

VALUATION

- Our fair value of USD110 for Molson Coors is based on a DCF analysis. We employ a consistent method to value the shares of our beverages universe and our fair values are generated using a standardised DCF model. Following this, our valuations are compared against a peer group in order to formulate our final investment view.

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Healthcare

Ablynx

Price EUR12.95

Conf call on voba's phase IIb: this is just the beginning

Fair Value EUR18 (+39%)

BUY

Bloomberg	ABLX.BB
Reuters	ABLX.BR
12-month High / Low (EUR)	16.1 / 10.4
Market Cap (EURm)	788
Avg. 6m daily volume (000)	191.1

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.4%	-5.2%	-11.8%	-18.6%
Healthcare	0.5%	5.3%	-1.8%	-5.3%
DJ Stoxx 600	-7.0%	-1.8%	-7.0%	-11.9%

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

ANALYSIS

- Main point of concern following the issuance of first phase IIb data was the high score of tocilizumab, Roche's IL-6 (brand name Actemra). Recall that the tocilizumab group was an open-label one which might have positively influenced results. Indeed, no such scores have already been observed for the product so far in the same patient population (*study I* and *II* which supported filing of the drug). Management mentioned that plateau effect was not reached yet. This bodes well with the efficacy trend observed in phase IIa with plateau reached at 24w instead of 12w (30-50% improvement in ACR50 responder rate seen in phase II from 12 to 24w).
- Safety profile is good, better than other IL-6 compounds, either in development or commercialized, in our view. Decrease in Neutrophil counts (which can trigger serious infection) happened after the first SC injections and stabilized over time. Hence, we would not expect a worsening of the condition at 24w. Let's not forget that Roche's Actemra carries a black box warning for decrease in neutrophil count. Elevation in liver enzyme in a patient in the vobarilizumab group was not linked to the treatment administered for RA condition. Out of the 187 patients randomized in the three different voba dose groups, one TEAE (0.5%) was recorded (skin infection leading to hospitalisation).

VALUATION

- We reiterate our BUY rating and EUR18 fair value
- Following yesterday's share price reaction, we would highlight that the latter still does not take into account the full value of vobarilizumab.

NEXT CATALYSTS

- Q3 2016: vobarilizumab 24w placebo controlled phase IIb data. These results should kick off AbbVie's opt-in period. We would expect potential opt-in before year-end.
- August 25th: H1 results

[Click here to download](#)[Hugo Solvet, hsolvet@bryangarnier.com](mailto:hsolvet@bryangarnier.com)

Business Services

Sodexo

Price EUR97.37

9m revenue: In line on lfl and FY guidance confirmed**Fair Value EUR88 (-10%)****NEUTRAL**

Bloomberg	SW FP
Reuters	EXHO.PA
12-month High / Low (EUR)	97.5 / 71.0
Market Cap (EUR)	14,970
Avg. 6m daily volume (000)	304.3

ANALYSIS

- **Organic growth in line with expectation:** total 9M revenue reached EUR15,709m (consensus EUR15,767m) up 3.7% on reported with lfl growth of 3.3% (2.5% excluding RWC) vs. 3.2% according to consensus after Q3 lfl revenue growth of 2.2% (2.7% in Q2 and 4.7% in Q1 including the contribution from the RWC).
- **No major change by segment or geography in On-site Services...:** OSS 9m revenue was EUR15,137m (consensus EUR15,161m) up 4.3% on reported with 3.2% on lfl (consensus 3.1%) i.e. 2.1% in Q3 after 2.5% in Q2 and 4.7% in Q1 (including RWC). By geography, no specific change on trends compared with previous quarter, with growth continuing to improve in NA (40% of OSS consolidated revenue) with lfl up 4% after 3.6% in H1, slight improvement in CE (29%) with lfl up 1.8% after 1.6% in H1, still negative trend in RoW (18%) down 3.9% (-4.4% in H1) largely impacted by remote sites which seems nevertheless to be stabilized. UK was up 18.1% after 27% in H1 with the impact of RWC.
- **...and disappointed on Benefits and Rewards:** With revenue of EUR576m, down 9.4% on reported after negative currency impacts of -15.3% but also lower lfl revenue growth up 5.7% in 9m after 6.3% in H1 i.e. which implies 4.1% in Q3. Consensus anticipation was 6.3% lfl revenue growth for 9m.
- **FY guidance confirmed:** Management confirmed its FY 2016 guidance i.e. lfl revenue growth of around 3% (our estimate is 2.9% and 3% from consensus) with around 8% growth in operating profit before forex and exceptional expenses related to the adaptation program (EUR100m) i.e. a margin improvement of 20bps.

VALUATION

- At the current share price, the stock is trading on 2016e and 2017e EV/EBIT multiples of 13x and 11.1x compared with a median historical level of 10.9x and 2015-18 CAGR EBIT of 7.9%. 2016e and 2017e EPS capitalise at respectively 20.5x and 18.4x compared with a 2015-18 CAGR EPS of 8.5x.
- Share buyback program announced in November 2015 for EUR300m was completed in Q3.

NEXT CATALYSTS

- 9m revenue conference call at 8:30 am (Paris time)

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BG's Wake Up Call

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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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