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11th July 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18146.74	+1.40%	+4.14%
S&P 500	2129.9	+1.53%	+4.21%
Nasdaq	4956.76	+1.64%	-1.01%
Nikkei	15708.82	+3.98	-20.63%
Stoxx 600	327.35	+1.62%	-10.51%
CAC 40	4190.68	+1.77%	-9.63%
Oil /Gold			
Crude WTI	45.41	+0.60%	+22.07%
Gold (once)	1355.69	-0.08%	+27.61%
Currencies/Rates			
EUR/USD	1.10345	-0.34%	+1.58%
EUR/CHF	1.0857	+0.33%	-0.16%
German 10 years	-0.182	+10.07%	-128.68%
French 10 years	0.108	-26.61%	-89.01%
Euribor	-0.293	0.00	+123.66%

Economic releases :

Date	
11th-Jul	JP - Machine Orders May (-11.7A -8.7E) Us - Labor market conditions June

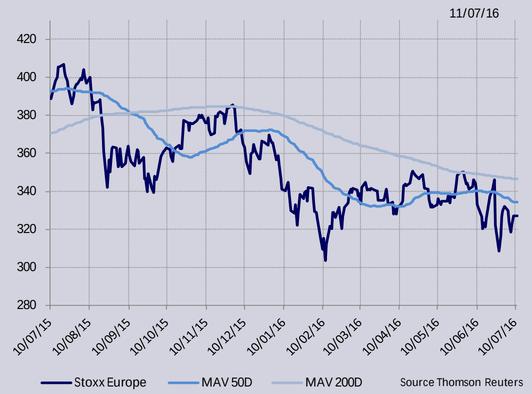
Upcoming BG events :

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



DANONE — NEUTRAL vs. BUY, Fair Value EUR67 vs. EUR71 (+5%)

No redemption (full report published today)

Our view is that the acquisition of WhiteWave is value destructive for shareholders and will prevent Danone from focusing on the improvement of its organic performance. We downgrade our recommendation to Neutral and our Fair Value to EUR67.

SALVATORE FERRAGAMO — BUY, Fair Value EUR23 vs. EUR25 (+27%)

Some cautiousness ahead of H1 results

Ahead of the H1 results publication (2nd August), we are more cautious for the short term even if we remain confident in medium-long term expectations. As for some others peers, we expect Q2 2016 to mark a slowdown versus Q1 2016 and are forecasting a 3% organic decline in sales after -2.4% in Q1. Nevertheless, H1 EBIT margin should grow 60bp to 19.4%. For 2016, we have lowered our sales expectations (from +2% to no growth) and our 2016-2017 EBIT by 5% and, consequently, our Fair Value from EUR25 to EUR23.

In brief...

IPSEN, *Ipsen appoints former Head of Oncology at Baxalta as new CEO*

Food & Beverages

Danone

Price EUR64.04

Bloomberg	BN FP
Reuters	DANO.PA
12-month High / Low (EUR)	66.3 / 53.1
Market Cap (EURm)	42,003
Ev (BG Estimates) (EURm)	60,418
Avg. 6m daily volume (000)	1,689
3y EPS CAGR	9.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.4%	4.5%	7.2%	2.8%
Food & Bev.	1.5%	4.0%	5.2%	0.0%
DJ Stoxx 600	-5.0%	-1.4%	-4.1%	-10.5%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	22,412	21,785	26,621	28,000
% change		*-2.8%*	*22.2%*	*5.2%*
EBIT	2,892	2,978	3,698	4,056
% change		*3.0%*	*24.2%*	*9.7%*
Net income	1,791	1,828	2,077	2,343
% change		*2.1%*	*13.6%*	*12.8%*

	2015	2016e	2017e	2018e
Operating margin	12.9	13.7	13.9	14.5
Net margin	8.0	8.4	7.8	8.4
ROE	10.2	15.3	16.0	16.6
ROCE	10.7	10.8	13.1	14.1
Gearing	61.6	141.9	128.8	116.0

(EUR)	2015	2016e	2017e	2018e
EPS	2.93	3.00	3.40	3.84
% change	-	*2.2%*	*13.6%*	*12.8%*
P/E	21.9x	21.4x	18.8x	16.7x
FCF yield (%)	3.9%	4.0%	3.7%	4.2%
Dividends (EUR)	1.60	1.64	1.86	2.10
Div yield (%)	2.5%	2.6%	2.9%	3.3%
EV/Sales	2.2x	2.8x	2.3x	2.1x
EV/EBITDA	x	x	x	x
EV/EBIT	17.2x	20.3x	16.2x	14.7x

No redemption (full report published today)

Fair Value EUR67 vs. EUR71 (+5%) **NEUTRAL vs. BUY**

Our view is that the acquisition of WhiteWave is value destructive for shareholders and will prevent Danone from focusing on the improvement of its organic performance. We downgrade our recommendation to Neutral and our Fair Value to EUR67.

ANALYSIS

- **What we liked about Danone was the redemption case.** The group was operating a culture shift by **focusing on the improvement in the organic performance** rather than carrying out expensive and value destructive acquisitions. There was finally no redemption and history seems to be repeating itself.

- **The financial rationale is not compelling. The return on invested capital is just over 4% in 2017 while the WACC of Danone is around 7%.** During the conference call, the group said that this acquisition will decrease its ROIC by 200bps in 2017. It had previously committed itself to gradually improving the ROIC which tumbled following the acquisition of Numico in 2007. **It also goes without saying that the M&A track record of Danone is poor.** We have already mentioned Numico but there was also the Wahaha case. **But the main reason why we are negative on this acquisition is that Danone will have too much work.** We do not believe the group will be able to integrate WhiteWave's operations while in the same time improving the performance of yoghurts and handling the shrinkage of the grey market in China.

- The transaction is accretive on EPS (2016-2018 estimates revised upwards by 4% on average), which is not a surprise given the low interest rates. But the financial situation of Danone has deteriorated strongly. The net debt of the company will reach EUR18bn, implying a net debt/EBITDA ratio of 4.0x in 2017.

VALUATION

- Our beta rises from 0.82 to 0.95. **We downgrade our Fair Value to EUR67 and our recommendation to Neutral.**

NEXT CATALYSTS

- H1 results due on July 28th

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Luxury & Consumer Goods

Salvatore Ferragamo

Price EUR18.07

Some cautiousness ahead of H1 results

Fair Value EUR23 vs. EUR25 (+27%) — BUY

Bloomberg	SFER IM
Reuters	SFER MI
12-month High / Low (EUR)	30.3 / 17.5
Market Cap (EURm)	3,050
Ev (BG Estimates) (EURm)	3,043
Avg. 6m daily volume (000)	724.1
3y EPS CAGR	7.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.8%	-15.6%	-9.6%	-16.9%
Pers & H/H Gds	-1.8%	2.6%	6.8%	0.3%
DJ Stoxx 600	-5.0%	-1.4%	-4.1%	-10.5%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,430	1,445	1,515	1,600
% change		*1.0%*	*4.8%*	*5.6%*
EBITDA	324	330	350	377
EBIT	264.7	273.0	295.0	322.0
% change		*3.1%*	*8.1%*	*9.2%*
Net income	172.6	178.0	194.0	216.0
% change		*3.1%*	*9.0%*	*11.3%*

	2015	2016e	2017e	2018e
Operating margin	18.5	18.9	19.5	20.1
Net margin	12.1	12.3	12.8	13.5
ROE	30.0	27.7	26.8	26.8
ROCE	26.2	24.3	24.3	24.8
Gearing	0.8	-1.1	-2.3	-3.6

(EUR)	2015	2016e	2017e	2018e
EPS	1.02	1.06	1.15	1.28
% change	-	*3.1%*	*9.0%*	*11.3%*
P/E	17.6x	17.1x	15.7x	14.1x
FCF yield (%)	3.5%	3.1%	3.5%	4.0%
Dividends (EUR)	0.47	0.53	0.60	0.68
Div yield (%)	2.6%	2.9%	3.3%	3.8%
EV/Sales	2.1x	2.1x	2.0x	1.9x
EV/EBITDA	9.4x	9.2x	8.7x	8.0x
EV/EBIT	11.5x	11.1x	10.3x	9.4x

Ahead of the H1 results publication (2nd August), we are more cautious for the short term even if we remain confident in medium-long term expectations. As for some others peers, we expect Q2 2016 to mark a slowdown versus Q1 2016 and are forecasting a 3% organic decline in sales after -2.4% in Q1. Nevertheless, H1 EBIT margin should grow 60bp to 19.4%. For 2016, we have lowered our sales expectations (from +2% to no growth) and our 2016-2017 EBIT by 5% and, consequently, our Fair Value from EUR25 to EUR23.

ANALYSIS

- Given the tough current environment**, we have adopted a cautious view on Salvatore Ferragamo** and expect a poor Q2 with sales down 3% organically following -2.4% in Q1. The reasons for this slowdown are i/ lower sales in **Europe** (27% of sales): after a 4.2% revenue decline in Q1, we expect sales to decrease 6% in Q2 as tourists (mainly from China) were lacking during the quarter and as locals did not compensate; and ii/ a slowdown in **North America** (23% of sales), due to soft local consumption (negative impact from elections) and fewer tourists from Europe (strong USD). Q2 sales are expected to be down 4.7% versus -3.8% in Q1. On the other hand, we cannot rule out a positive surprise coming from **Asia-Pacific** (36% of sales), mainly driven by **Mainland China** and by **Korea** but still a negative trend in **Hong Kong** (down close to double digit even if at a lower pace than in Q1) and Macau. For this reason, we anticipate a flattish performance in APAC after -2% in Q1. Moreover, momentum in Japan (9% of sales) should also deteriorate as there were less Chinese tourists in the country due to the strenght of the JPY.
- **In Q2, Retail should outperform wholesale** sales as wholesale will be penalised by two factors: i/ the new Men fragrances will have a positive impact in Q3 but not yet in Q2 and ii/management has been very cautious in deliveries to retailers particularly in the US to avoid some discounts. On the other hand, we assume some improvements for Retail sales in Q2 which should nevertheless be down (-2.5%) but at a lower pace than in Q1 (-4.2%).
- **After an improvement of 90bp in Q1, EBIT margin should again show some positive signs in Q2.** Once again, gross margin is set to be the main driver behind this profitability gain as in Q1 (+250bp). Nevertheless, for H1, we anticipate a lower EBIT margin improvement than in Q1 (+60bp in H1 to 19.4% implying +40 in Q2 alone) given the deterioration in sales momentum.
- **Consequently, given the current fairly challenging environment for the Luxury goods industry, we prefer to be cautious on FY 2016 and now expect no organic sales growth vs +2% previously and therefore, we lower our 2016-2017** EBIT expectations by 5%. 2016 EBIT margin could nevertheless gain 40bp to 18.9% thanks to gross margin improvement, whereas we were previoulsy factoring in a 90bp gain.

Earnings adjustments

	2016e old	2016e new	2017e old	2017e new
Sales (EURm)	**1,475**	**1,445**	**1,585**	**1,530**
org growth (%)	2.5	0	5	5
EBIT (EURm)	283	273	312	295
As % of sales (%)	*19.2*	*19.0*	*19.7*	*19.5*

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

VALUATION

- The SFER share price has fallen 7% over the last month, and the stock is trading on a 4% discount versus peers. Following earnings adjustments, we lower our Fair Favue from EUR25 to EUR23.

NEXT CATALYSTS

- H1 figures on 2nd August

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Healthcare

Ipsen

Price EUR52.29

Bloomberg	IPN FP
Reuters	IPN.PA
12-month High / Low (EUR)	62.0 / 47.1
Market Cap (EUR)	4,353
Avg. 6m daily volume (000)	87.00

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.4%	0.3%	-10.3%	-14.3%
Healthcare	1.8%	5.9%	0.3%	-4.8%
DJ Stoxx 600	-5.0%	-1.4%	-4.1%	-10.5%

	2015	2016e	2017e	2018e
P/E	18.8x	18.0x	15.5x	12.8x
Div yield (%)	1.6%	1.6%	2.1%	2.3%

Ipsen appoints former Head of Oncology at Baxalta as new CEO

Fair Value EUR63 (+20%) **BUY-Top Picks**

ANALYSIS

- Earlier today Ipsen announced that it has appointed David Meek as the company's new CEO. Ipsen was looking for an experienced Senior Executive with background in commercial operations in the US and experience in Specialty Care areas and in business development. This is the case with David Meek who is American by citizenship, worked for J&J in the US for 15 years and then moved to Novartis where he headed several businesses in Basel, was head of Pharma in Canada and then head of Oncology in Northern, Central and Eastern Europe. He was then chief commercial officer at Endocyte and lastly head of Oncology at Baxalta until the company was acquired by Shire.
- We do not know David Meek but he looks highly qualified for the job and fits with Ipsen's criteria including a deep understanding of the oncology business across several geographies, drugs and companies. At Baxalta, he was the architect of the oncology franchise that was created after the spin-off from Baxter through the acquisition of Oncaspar (from Sigma Tau, for USD900m) and licensing-in of ex-US rights of Onyvide from Merrimack (USD100m upfront). David Meek has expertise in M&A deals in oncology although it could also be debated whether these drugs are strategic to Shire or could be discussed for another transaction with Ipsen, especially since Shire is considering divestitures to reduce its debt while staying very much focused. Of course, the new CFO will be instrumental in coordinating Cabometyx and telotristat launches outside the US too.
- David Meek will join Ipsen in about a week and should therefore be present for the first half results to be disclosed on 28th July 2016.

VALUATION

- No change but PEG ratio still looks very attractive to us (1.2x based on P/E 2017).

NEXT CATALYSTS

- 28th July 2016: First-half results

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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 57.4% NEUTRAL ratings 33.1% SELL ratings 9.5%

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