



18th July 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18516.55	+0.05%	+6.26%
S&P 500	2161.74	-0.09%	+5.76%
Nasdaq	5029.59	-0.09%	+0.44%
Nikkei	16497.85	+0.68%	-13.32%
Stoxx 600	337.915	-0.17%	-7.63%
CAC 40	4372.51	-0.30%	-5.71%
Oil /Gold			
Crude WTI	45.95	+0.59%	+23.52%
Gold (once)	1327.57	-0.14%	+24.96%
Currencies/Rates			
EUR/USD	1.10705	-0.31%	+1.91%
EUR/CHF	1.08835	-0.21%	+0.09%
German 10 years	-0.061	-39.97%	-109.58%
French 10 years	0.229	+25.20%	-76.62%
Euribor	-0.293	-0.68%	+123.66%

Economic releases :

Date	
18th-Jul	US - NAHB Housing market index.

Upcoming BG events :

Date	
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
28th-Oct	IMERYS (Paris roadshow)

Recent reports :

Date	
13th-Jul	Oncology is an increased focus
12th-Jul	DANONE No redemption
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	AXA Ready for the next run

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



ARM HOLDINGS

TENDER TO THE OFFER, Fair Value 1340p (+13%)

Softbank to acquire ARM Holding for GBP24.3bn or 1,700p per share

Today, ARM confirmed its acquisition by SoftBank in a deal worth GBP24.3bn. This represents a value per share of 1,700p, a premium of 43% compared to last ARM share closing price last Friday. Given SoftBank's track record, it is a credible buyer in our view. As a result, this target price implies very high multiples with 2016e EV/Sales of 20.0x and 2016e P/E ratio of 47.8x to be compared to historical P/E of about 40.0x on ARM. Finally, we note that the deal is not subject in to any anti-trust regulation.

BIOMÉRIEUX

BUY, Fair Value EUR122 (+2%)

Keeping up with a strong start to the year

BioMérieux released strong H1 results, 160bp ahead of consensus expectations in terms of CER growth (10.9% CER vs. 9.3% CER expected: EUR1bn). North American sales continues to drive the group's turnover (22.1% CER in H1), boosted by FilmArray and VIDAS BRAHMS sales. Note that BIM is securing market share of the latter instrument ahead of increased competitor in H2. APAC sales growth remains steady and could trigger upward revisions. 6-8% CER growth guidance for the year looks more than achievable. With BIM trading above EUR120/share, we do not rule out some profit taking.

ROCHE

BUY, Fair Value CHF293 (+15%)

GOYA misses its primary endpoint

The picture is now almost complete for Gazyva which will undoubtedly be an interesting line of defense for rituximab, although today's piece of news is that the phase III study GOYA missed its primary endpoint of improving PFS with Gazyva+CHOP vs Rituxan+CHOP in DLBCL. Our understanding from discussions with management at our BG Oncology Day in June was that the risk with GOYA was higher than with GALLIUM, as phase II work had been largely skipped with interim data limited to ORR. This is a missed opportunity, but not the end of the world. To defend itself against biosimilars, rituximab will play with the subcutaneous formulation, Gazyva and Venclexta.

In brief...

ASTRAZENECA, Tagrisso confirms in 2L EGFR T790m NSCLC

SGS SA, H1 results: Sustained top-line growth, but disappointed on margin

TMT

ARM Holdings

Price 1,189p

Softbank to acquire ARM Holding for GBP24.3bn or 1,700p per share

Fair Value 1340p (+13%)

TENDER TO THE OFFER

Bloomberg	ARM.LN
Reuters	ARM.L
12-month High / Low (p)	1,189 / 848.5
Market Cap (GBPm)	16,733
Ev (BG Estimates) (GBPm)	15,758
Avg. 6m daily volume (000)	4,085
3y EPS CAGR	15.2%

Today, ARM confirmed its acquisition by SoftBank in a deal worth GBP24.3bn. This represents a value per share of 1,700p, a premium of 43% compared to last ARM share closing price last Friday. Given SoftBank's track record, it is a credible buyer in our view. As a result, this target price implies very high multiples with 2016e EV/Sales of 20.0x and 2016e P/E ratio of 47.8x to be compared to historical P/E of about 40.0x on ARM. Finally, we note that the deal is not subject in to any anti-trust regulation.

	1 M	3 M	6 M	31/12/15
Absolute perf.	22.0%	20.1%	27.4%	14.4%
Semiconductors	9.9%	5.4%	19.9%	3.1%
DJ Stoxx 600	4.4%	-1.4%	2.4%	-7.6%

ANALYSIS

YEnd Dec. (GBPm)	2015	2016e	2017e	2018e
Sales	968.3	1,152	1,291	1,437
% change		18.9%	12.1%	11.3%
EBITDA	542	630	729	823
EBIT	499.8	576.9	668.9	756.1
% change		15.4%	15.9%	13.0%
Net income	429.0	497.3	580.6	654.9
% change		15.9%	16.8%	12.8%

- **Today, ARM announced that SoftBank will pay 1,700p per share to acquire the U.K. chip designer.** In our view, the Japanese telecom group is looking for a way to take benefit of the next wave of growth driven by the Internet of Things. The SoftBank offer of 1,700p value ARM Holding or GBP24.3bn, represents a premium of 43% compared to Friday closing price of 1,189p. As a result, this price implies very high multiples with 2016e EV/Sales of 20.0x and 2016e P/E ratio of 47.8x to be compared to historical P/E of about 40.0x on ARM. The deal is said to be financed through cash available and long-term loan facility between Softbank and Mizuho Bank.

	2015	2016e	2017e	2018e
Operating margin	51.6	50.1	51.8	52.6
Net margin	44.3	43.2	45.0	45.6
ROE	18.9	18.3	18.5	17.8
ROCE	34.9	39.9	46.6	52.4
Gearing	-36.0	-45.6	-53.6	-60.4

- **A credible buyer benefiting from low GDP.** This would not be the first big deal by Softbank and this is what makes this rumour credible. The Japanese group has been famous for its acquisition of the Japanese branch of Vodafone. This acquisition transformed SoftBank in a leader telecom operator in Japan (#3). Other notable operations were the USD20m investment in the Chinese ecommerce company, Alibaba or the small stakes in few start-up such as Didi Chuxing and Uber. Overall, the group acquisition amounted for more than USD80m according to Dealogic data.

(p)	2015	2016e	2017e	2018e
EPS	30.20	35.09	40.97	46.21
% change		16.2%	16.8%	12.8%
P/E	39.4x	33.9x	29.0x	25.7x
FCF yield (%)	0.0%	0.0%	0.0%	0.0%
Dividends (p)	7.60	11.24	13.94	14.49
Div yield (%)	0.6%	0.9%	1.2%	1.2%
EV/Sales	16.6x	13.7x	11.9x	10.4x
EV/EBITDA	29.7x	25.0x	21.1x	18.1x
EV/EBIT	32.2x	27.3x	23.0x	19.7x

- **ARM's management favourable and no major shareholder to stop the deal.** In the press release, the management of ARM said they will recommend that ARM shareholders vote to approve the deal. Currently, the main shareholders of ARM are Blackrock, Baillie Gifford, Thornburg Investment and Fidelity, holding about 5% of share each. Except few large institutional investors, ARM's shareholder structure is mainly free float. Overall, the acquisition seems to be in a good configuration. Finally, the Acquisition is said not to be subject to any anti-trust or regulatory conditions.

- **The impact on the Semiconductor industry should be limited as Softbank already confirmed it will keep ARM current structure.** We always said that it would not make sense for a Semiconductor player to acquire ARM as the group allows the industry to mutualise development cost of complex chip design and architecture. This is not what happened today, SoftBank must be seen more as an investor than an industry player. The Japanese group already confirmed that ARM will remain an independent business. In addition to that, SoftBank already said it will support the management team and it will also keep group's headquarter in the UK.



VALUATION

- Based on our estimates, ARM's shares are trading on 2016e P/E of 33.9x, well below its 5y historical average of 39.3x.

NEXT CATALYSTS

- 27th July 2016: Q2 results

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Healthcare

bioMérieux

Price EUR120.00

Keeping up with a strong start to the year

Fair Value EUR122 (+2%)

BUY

Bloomberg	BIM FP
Reuters	BIOX.PA
12-month High / Low (EUR)	122.3 / 93.7
Market Cap (EUR)	4,734
Ev (BG Estimates) (EUR)	5,130
Avg. 6m daily volume (000)	47.80
3y EPS CAGR	27.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.3%	9.3%	16.2%	9.2%
Healthcare	8.6%	4.9%	5.1%	-4.3%
DJ Stoxx 600	4.4%	-1.4%	2.4%	-7.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,965	2,078	2,220	2,366
% change		5.8%	6.8%	6.6%
EBITDA	388	422	466	527
EBIT	260.0	286.8	321.9	372.7
% change		10.3%	12.3%	15.8%
Net income	110.3	163.5	194.4	230.0
% change		48.2%	18.9%	18.3%

	2015	2016e	2017e	2018e
Operating margin	13.2	13.8	14.5	15.8
Net margin	5.6	7.9	8.8	9.7
ROE	7.3	10.1	11.0	11.8
ROCE	8.2	8.5	9.2	10.4
Gearing	14.9	24.3	19.3	11.3

(EUR)	2015	2016e	2017e	2018e
EPS	2.80	4.14	4.93	5.83
% change	-	48.2%	18.9%	18.3%
P/E	42.9x	29.0x	24.4x	20.6x
FCF yield (%)	1.5%	NM	2.5%	4.1%
Dividends (EUR)	1.00	1.04	1.23	1.46
Div yield (%)	0.8%	0.9%	1.0%	1.2%
EV/Sales	2.5x	2.5x	2.3x	2.1x
EV/EBITDA	12.8x	12.2x	10.9x	9.4x
EV/EBIT	19.1x	17.9x	15.8x	13.3x

BioMérieux released strong H1 results, 160bp ahead of consensus expectations in terms of CER growth (10.9% CER vs. 9.3% CER expected: EUR1bn). North American sales continues to drive the group's turnover (22.1% CER in H1), boosted by FilmArray and VIDAS BRAHMS sales. Note that BIM is securing market share of the latter instrument ahead of increased competition in H2. APAC sales growth remains steady and could trigger upward revisions. 6-8% CER growth guidance for the year looks more than achievable. With BIM trading above EUR120/share, we do not rule out some profit taking.

BIM (in EURm)	H1 2015	H1 2016	YoY	H1 2016 cs	Delta
Sales	933	1 001	7,3%	1 002	-0,1%
% CER	8,1%	10,9%		9,3%	
% growth	19,5%	7,2%		7,4%	

Source : Company's internal consensus.

ANALYSIS

- **BioMérieux released H1 sales up 10.9% CER or 7.2% YoY (EUR1bn)** affected by -2.8% negative FX effect and -0.8% scope effect from the deconsolidation of biotheranostic and consolidation of Applied Math. Organic growth is 160bp ahead of consensus expectations, primarily driven by **North American sales, representing 36% of turnover, up 22.1% CER** (21.8% YoY, EUR355.4m). FilmArray and increasing ramp up of VIDAS BRAHMS PCT test boosted sales in the region. Note that we are pleased to see that BioMérieux is consolidating its market share with the latter instrument before competition kicks-in in H2. **APAC sales further accelerate on a sequential basis to end the first semester at 12.5% CER growth** (9.1% YoY; EUR162.4m; Q1 2016 10.7% CER, Q2 2016 13.9%). China growth remains steady and the uptake in reagent (utilisation rates) makes us think that this could be sustainable. Our 5.1% CER growth rate for the year in the region looks overly conservative and we would look forward to management's communication as it cautiously warned that a minimum of two years before normalization of the situation has to be expected. **European sales are mixed, up 2.1% CER** (+0.5% YoY; EUR417.1m). In western Europe, Strong comp basis affected Nordic sales while Germany regained momentum. Softening MEA (tender effect) lead to 1.9% YoY growth. Latin American sales are up 14%, helped by a strong FX effect (-5.8% YoY; EUR62.7m).
- Performance is obviously driven by Molecular Biology sales and **FilmArray wich totalled EUR113m in sales in H1 2016, up 69% YoY** (vs. EUR52m in vs EUR61m in Q1 2016, few flu sales and gradual ramp-up of the GI panel explained the sequential contraction). Molecular Biology sales are up 39.4% CER (38.5% YoY; EUR149.5m). We would highlight that 1/ BIM placed the first FilmArray Torch instrument, 2/ O-US are progressing and 3/ GI and M-E panels benefits fast-growing demand. Effect from dedicated sales force likely to be reinforced in the second half of the year. **Immunoassays sales are up 7.2% CER** (4.2%; EUR219m) with VIDAS BRAHMS as a support. Ahead of competitors entrance, BIM's ability to secure market shares and expanded instrument's use (please see [here](#)) is reassuring, in our view. Microbiology sales are up 5.7% CER (2.5% YoY; EUR426.7m) affected by instrument sales which offset >5% reagent sales. All in all, **Clinical App sales are up 10.6% CER** (7.8% YoY; EUR798.2m). **Industrial App sales are up 7.8% CER** (5% YoY; EUR181.5m), accelerating Q2 over Q1. BioFire Defense sales increased two-fold (EUR18 vs EUR8.7m YoY)

VALUATION

- We reiterate our EUR122 fair value and BUY rating.
- FY 6-8% CER guidance looks somewhat conservative and would imply significant deceleration in APAC or underestimated impact from competition in the US (VIDAS BRAHMS, 6% of sales). We are confident in our 8.0% CER growth rate for the year. **Good set of results and limited upside potential on consensus numbers might trigger profit taking above EUR120/share.**

NEXT CATALYSTS

- Today 3.00pmCET: conference call on H1 sales (FR +33 1 76 77 22 44, UK +44 20 3427 1932, US +1 646 254 3387; access code 412 2114
- August 31st : HY results [Click here to download](#)



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Healthcare

Roche

Price CHF255.60

GOYA misses its primary endpoint

Fair Value CHF293 (+15%)

BUY

Bloomberg	ROG.VX
Reuters	ROG.VX
12-month High / Low (CHF)	282.5 / 233.2
Market Cap (CHFm)	179,575
Ev (BG Estimates) (CHFm)	192,018
Avg. 6m daily volume (000)	1,491
3y EPS CAGR	6.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.1%	3.0%	-0.4%	-7.5%
Healthcare	8.6%	4.9%	5.1%	-4.3%
DJ Stoxx 600	4.4%	-1.4%	2.4%	-7.6%

YEnd Dec. (CHFm)	2015	2016e	2017e	2018e
Sales	48,145	50,762	51,908	53,128
% change		5.4%	2.3%	2.4%
EBITDA	19,430	20,345	21,444	21,699
EBIT	13,821	17,114	18,644	19,499
% change		23.8%	8.9%	4.6%
Net income	11,626	12,677	13,722	13,947
% change		9.0%	8.2%	1.6%

	2015	2016e	2017e	2018e
Operating margin	28.7	33.7	35.9	36.7
Net margin	24.1	25.0	26.4	26.3
ROE	43.7	50.4	45.8	40.7
ROCE	28.1	27.9	28.7	28.6
Gearing	60.4	44.1	27.6	13.8

(CHF)	2015	2016e	2017e	2018e
EPS	13.49	14.71	15.92	16.18
% change	-	9.0%	8.2%	1.6%
P/E	19.0x	17.4x	16.1x	15.8x
FCF yield (%)	5.3%	4.5%	5.3%	5.9%
Dividends (CHF)	8.10	8.83	9.56	9.72
Div yield (%)	3.2%	3.5%	3.7%	3.8%
EV/Sales	4.0x	3.8x	3.6x	3.5x
EV/EBITDA	10.0x	9.4x	8.8x	8.5x
EV/EBIT	14.0x	11.2x	10.1x	9.5x

The picture is now almost complete for Gazyva which will undoubtedly be an interesting line of defense for rituximab, although today's piece of news is that the phase III study GOYA missed its primary endpoint of improving PFS with Gazyva+CHOP vs Rituxan+CHOP in DLBCL. Our understanding from discussions with management at our BG Oncology Day in June was that the risk with GOYA was higher than with GALLIUM, as phase II work had been largely skipped with interim data limited to ORR. This is a missed opportunity, but not the end of the world. To defend itself against biosimilars, rituximab will play with the subcutaneous formulation, Gazyva and Venclexta.

ANALYSIS

- In our report dated 13 July 2016 summarizing what we learnt from our Oncology Day, we wrote on page 23: "Although Gazyva proved superior in CLL and in indolent NHL (GALLIUM), Roche considers that the history of the drug in this disease is such that the risk of failure is largely carried from phase I/II into phase III, because only ORR has been clearly assessed so far". As such, the risk of failure was considered to be higher than 50%. Actually GOYA used to be a major triggering event for Gazyva and Roche more generally, but since GALLIUM unveiled positive top-line data, it was more like a free option, although it would have been a clear plus to have it positive too in the race against biosimilars, the first of which should be approved by the end of 2017.
- It is worth keeping in mind that rituximab is Roche's leading product by sales and should reach about CHF7.3bn this year, which is likely to be the year when sales peak. More than half is generated in the US, about a quarter in Europe. This is in Europe where first biosimilars should be approved next year. That said, it is unlikely that all Europe will adopt first biosimilars at the same speed, if only for reimbursement reasons.
- Rituxan's sales are split in four main approved indications (although it is used in many others because of off-label use, for instance in primary progressive multiple sclerosis). It is estimated that about a quarter of sales are generated in rheumatology i.e. in rheumatoid arthritis (RA) and here, there will not be any second-generation compound from Roche, so that biosimilar should fairly easily take a meaningful part of the segment if physicians feel comfortable with it. We assume this slice of the pie should go. The remaining three quarters are made of sales in haematology and here Gazyva proved superior to Rituxan in about two-thirds of the total (GADOLIN, CLL11, GALLIUM).
- So, we expect Gazyva to target a market that currently represents about half of Rituxan's revenues and should take only part of it in volumes, it is worth having in mind that Gazyva's price is much higher than Rituxan's with a premium around 80% in Europe and 25% in the US. So it is fair to expect Gazyva to generate about 40-50% of what Rituxan achieved i.e. CHF3-3.5bn. So far, we have factored in only CHF2bn at peak in 2024, waiting for the full GALLIUM data to be presented at a medical congress. 2018 onwards in Europe, we see Rituxan declining at a rate of 20% p.a., mainly thanks to the subcutaneous formulation of the drug to which about 35-40% of patients have been switched.

VALUATION

- We make no change to our numbers. Roche will release H1 figures on Thursday. Sales are expected to reach CHF24.8bn and core EPS is anticipated at CHF7.47. We are in line with sales and slightly lower on core EPS (CHF7.39).

NEXT CATALYSTS

- 21 July 2016: First-half results

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Healthcare

AstraZeneca

Price 4,502p

Tagrisso confirms in 2L EGFR T790m NSCLC

Fair Value 5370p (+19%)

BUY

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	4,628 / 3,774
Market Cap (GBPm)	56,933
Avg. 6m daily volume (000)	2 879

	1 M	3 M	6 M	31/12/15
Absolute perf.	18.1%	8.6%	6.4%	-2.5%
Healthcare	8.6%	4.9%	5.1%	-4.3%
DJ Stoxx 600	4.4%	-1.4%	2.4%	-7.6%

	2015	2016e	2017e	2018e
P/E	14.0x	16.4x	15.6x	15.4x
Div yield (%)	4.7%	4.7%	4.7%	4.7%

ANALYSIS

- AstraZeneca announced earlier today that the AURA3 phase III trial met its primary endpoint demonstrating improved PFS compared to standard platinum-based doublet chemotherapy in second-line EGFR T790m NSCLC after progression with first-line EGFR Tki therapy like Iressa or Tarceva. This is already an approved indication for Tagrisso in most markets including the US, Europe, Japan (where the incidence of T790 mutations is high like in all Asia) or Canada, based on phase II data. AURA3 (400 patients) is a confirmatory study for Tagrisso that will give even more confidence in the drug but that is not really adding to previously disclosed data, although it will give OS data at a later stage.
- Obviously, from now on, what can really make Tagrisso a greater opportunity for AstraZeneca is if it proves superior to existing products in first-line treatment and this is what the FLAURA phase III trial is trying to assess as we speak. 720 patients have been recruited and last patient entered the study at the beginning of 2016. Unlike AURA trials, FLAURA is not testing patients for T790 mutation as inclusion criteria and will therefore compete in the overall first-line EGFRm NSCLC market at the 80 mg dose vs either Tarceva 150 mg or Iressa 500 mg. Primary endpoint is PFS. Results are expected sometimes in 2017.

VALUATION

- AURA3 is not impacting our numbers at all. We had already taken the 2L EGFR T790m NSCLC opportunity fully and even part of the 1L setting as we carry peak sales of USD1.5bn for Tagrisso in 2022. However, should FLAURA be positive and Tagrisso might reach USD2.5-3bn in our view.

NEXT CATALYSTS

- 29 July 2016 - First half results - [Click here to download](#)

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Business Services

SGS SA

Price CHF2,314

H1 results: Sustained top-line growth, but disappointed on margin

Fair Value CHF2400 (+4%)

BUY

Bloomberg	SGS VX
Reuters	SGS.VX
12-month High / Low (CHF)	2,314 / 1,626
Market Cap (CHF)	18,100
Avg. 6m daily volume (000)	22.30

	1 M	3 M	6 M	31/12/15
Absolute perf.	12.1%	10.3%	30.7%	21.1%
Insd Gds & Svs	3.3%	-0.2%	9.4%	-1.5%
DJ Stoxx 600	4.4%	-1.4%	2.4%	-7.6%

	2015	2016e	2017e	2018e
P/E	28.2x	25.9x	23.9x	22.4x
Div yield (%)	2.9%	2.9%	3.1%	3.4%

ANALYSIS

- **Sustained top-line despite trading conditions remaining challenging....:** Total revenue reached CHF2,901m, in line with consensus (CHF2,896m) and slightly lower than our estimate of CHF2,927m, up 7% on a pro-forma basis with strong organic of 3.4% vs. 2.6% anticipated; organic growth particularly sustained despite trading conditions that remain challenging in the energy and mining industries due to reduced and delayed expenditure by clients. In fact, organic in **Mineral** (10.5% of consolidated revenue) was down 0.3%, -2.1% in **Oil, Gas and Chemicals** (18.9%) and -0.1% in **Industrial** (15%). On the other hand, sustained organic in **Certification** (5.4%) up 10.9%, in **Environment, Health & Safety** (7.8%) up 9.6% or in **Agriculture Food and Life** (15.3%) up 6.5%.
- **But disappointed on margin:** With an adjusted operating margin of EUR411m, this is clearly lower than our anticipation (consensus CHF435m and BG estimate of CHF439m). Actually adjusted operating margin was down 60bps at 14.2% vs. 14.8% last year. According to management, the decline was mainly attributable to the impact of investments in IT systems governing both laboratory operations and human resource management and the build-out of shared services infrastructure. Acquisitions as anticipated weighed on margins too. Nevertheless, **operating cash flow** was strong up CHF70m vs last year at CHF366m and net debt was down CHF179m vs. last year at CHF990m.
- **Management remains confident for the rest of the year:** For the FY, Management expects to deliver organic revenue growth of between 2.5% and 3.5% (our estimate is 3.3%). Regarding adjusted operating result, management announced that margin will be impacted "temporarily" as it was the case in H1 by additional corporate costs (our current estimate on adjusted operating margin 2016e is flat vs. last year at 16%).

VALUATION

- At the current share price, the stock is trading at 18.9x EV/EBIT 2016e and 17.9x 2017e which compares with a median historic multiple of 14.8x and CAGR 2015-2018 of 6.2%.

NEXT CATALYSTS

- Meeting/Conference call at 2.00pm (Geneva)
- Capital market days on 27th & 28th October (Krakow-Poland)

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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.

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