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21st July 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18595.03	+0.19%	+6.71%
S&P 500	2173.02	+0.43%	+6.32%
Nasdaq	5089.93	+1.06%	+1.65%
Nikkei	16810.22	+0.77%	-12.36%
Stoxx 600	340.812	+1.04%	-6.83%
CAC 40	4379.76	+1.15%	-5.55%
Oil /Gold			
Crude WTI	44.94	+0.65%	+20.81%
Gold (once)	1318.23	-0.94%	+24.08%
Currencies/Rates			
EUR/USD	1.10095	-0.02%	+1.35%
EUR/CHF	1.08565	+0.09%	-0.16%
German 10 years	-0.068	-22.17%	-110.66%
French 10 years	0.228	+4.15%	-76.80%
Euribor	-	+-%	+-%

Economic releases :

Date	
21st-Jul	GB - Retail sales Jun (+4.8% E y/y) GB - Public Finances ECB - Rate decision (0% unchanged) US - Initial Jobless claims 265K E Us -Continuing claims Jul. US Philadelphia FED Jul.

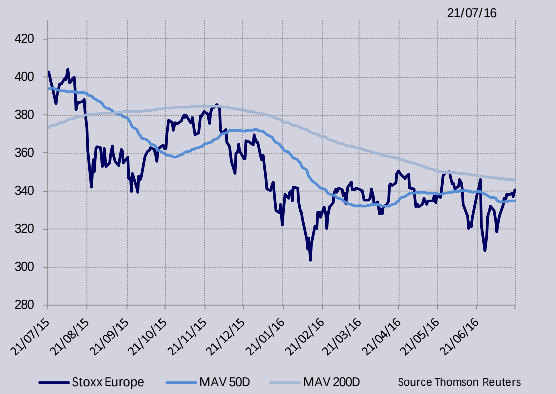
Upcoming BG events :

Date	
27th-Jul	LVMH (BG Paris Breakfast 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	
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



AB INBEV — **NEUTRAL, Fair Value EUR109 (-3%)**

DoJ gives clearance for the SABMiller acquisition

ACTELION — **BUY, Fair Value CHF173 (0%)**

Amazing performance by Uptravi in the US drives new guidance upgrade

ALTRAN TECHNOLOGIES — **NEUTRAL, Fair Value EUR13 (+3%)**

Acquisition of Lohika, strengthening US coverage and offshore services

DASSAULT SYSTÈMES — **SELL, Fair Value EUR64 (-12%)**

Q2 2016 results roughly in line, acquisition of CST in Germany, FY 2016 guidance fine-tuned

DELHAIZE — **BUY, Fair Value EUR104,5 (+2%)**

Strong Q2 2016 and upcoming merget with Ahold (first take comment)

LAFARGEHOLCIM — **BUY, Fair Value CHF50 (+15%)**

Follow-up on Syria, India and Africa

MELEXIS — **SELL Coverage initiated, Fair Value EUR48 (-20%)**

Even diamonds have a price (report released today)

RÉMY COINTREAU — **BUY, Fair Value EUR80 (+6%)**

A solid underlying trend masked by negative technical effects

ROCHE — **BUY, Fair Value CHF293 (+16%)**

Half-year results ahead of estimates but includes one-time non-cash gain

SABMILLER — **NEUTRAL, Fair Value 4400p (-1%)**

The last time the company is reporting

SAP — **NEUTRAL, Fair Value EUR75 vs. EUR74 (+5%)**

Q2 2016 conference call feedback: 2018 still the likely margin inflexion point

SUEZ — **BUY, Fair Value EUR17.5 (+24%)**

Early signs of strategic shift

THE SWATCH GROUP — **SELL, Fair Value CHF270 (+3%)**

870bp EBIT margin decline in H1

U-BLOX — **BUY Coverage initiated, Fair Value CHF265 (+13%)**

Not to miss the eCall (report released today)

UNILEVER — **NEUTRAL, Fair Value EUR43 (+2%)**

Solid margin delivery

TEMENOS GROUP — **NEUTRAL, Fair Value CHF54 vs. CHF52 (0%)**

Q2 2016 results above expectations, heading for the high-end of 2016 guidance

SEMICONDUCTORS

Looking for lost growth (report released today)

In brief...

HERMÈS INTL., *Very healthy Q2 (+8.1%)!*

KORIAN, *Q2 revenue in line with our estimate*

LAFARGEHOLCIM, *The approval to restructure India entities has been received*

SOITEC, *With FQ1 sales slightly above forecasts, the group is confident in achieving FY 2017 growth*

Food & Beverages

AB InBev

Price EUR112.95

DoJ gives clearance for the SABMiller acquisition

Fair Value EUR109 (-3%) **NEUTRAL**

Bloomberg	ABI BB
Reuters	ABI.BR
12-month High / Low (EUR)	123.3 / 91.3
Market Cap (EURm)	181,651
Ev (BG Estimates) (EURm)	259,605
Avg. 6m daily volume (000)	1,684
3y EPS CAGR	5.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.2%	-2.7%	7.3%	-1.3%
Food & Bev.	4.3%	1.0%	8.8%	0.8%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	43,604	43,076	56,939	59,623
% change		*-1.2%*	*32.2%*	*4.7%*
EBITDA	16,921	16,885	23,377	25,309
EBIT	13,768	13,842	19,510	21,327
% change		*0.5%*	*40.9%*	*9.3%*
Net income	8,513	7,712	10,875	11,992
% change		*-9.4%*	*41.0%*	*10.3%*

	2015	2016e	2017e	2018e
Operating margin	31.6	32.1	34.3	35.8
Net margin	19.5	17.9	19.1	20.1
ROE	20.2	17.9	12.6	13.3
ROCE	10.1	10.3	10.2	8.5
Gearing	98.7	101.3	97.2	91.2

(USD)	2015	2016e	2017e	2018e
EPS	5.10	4.62	5.45	6.01
% change	-	*-9.4%*	*18.0%*	*10.3%*
P/E	24.4x	26.9x	22.8x	20.7x
FCF yield (%)	3.7%	3.2%	5.5%	5.0%
Dividends (USD)	2.68	2.43	2.86	3.16
Div yield (%)	2.2%	2.0%	2.3%	2.5%
EV/Sales	6.5x	6.6x	5.7x	5.4x
EV/EBITDA	16.8x	16.9x	14.0x	12.8x
EV/EBIT	20.7x	20.6x	16.8x	15.2x

The closing of the SABMiller acquisition is approaching now that the US has joined Europe and South Africa in approving the deal. The companies are still awaiting the clearance from China, although believe that condition could be waived by the SABMiller board.

Overnight, the U.S. Department of Justice approved the acquisition by AB InBev of SABMiller. The deal has now obtained approval in 21 jurisdictions. Clearance decisions, with or without conditions, have now been obtained: in North America (US and Canada); Asia-Pacific (Australia, India, and South Korea); in Africa (Botswana, Kenya, Namibia, Swaziland, Zambia, Zimbabwe, and South Africa); in Europe (the EU, Albania, Moldova, Turkey and Ukraine); and in Latin America (Chile, Colombia, Mexico and Uruguay). Approval in Ecuador is subject to certain conditions.

ANALYSIS

- Because the acquisition was conditional on gaining approval from Europe, South Africa, the US and China, the companies are waiting for China to approve it although a proposed sale of SABMiller's stake in CR Snow was expected to lead to clearance. I believe that the SABMiller board is ready to wave the condition of gaining Chinese approval, although in early July a China Resources Beer executive said the country's regulator was set to approve the deal.
- There are three main conditions on the DoJ approval. The first is that AB InBev has to sell the 58% stake in MillerCoors. This condition is already met as the company has agreed to sell that to Molson Coors for USD12bn. The second condition is that the company need to curb its use of incentive programmes for the independent beer distributors (not the exclusive AB InBev distributors) as not to limit competition (so that small brewers can rely on their independent distributor partners to access the market). Thirdly, AB InBev will also be required to secure the DOJ's approval before acquiring any beer distributors or craft beer brands (luckily it amassed a 20% craft beer market share over the past two years as it was looking to benefit from a rapidly growing niche market in the slowing beer industry and curb its continuous loss in market share).

VALUATION

- DCF based fair value of EUR109 per share using a 1.6% risk free rate, a 7% equity risk premium and a long term growth rate of 3.7%

NEXT CATALYSTS

- SABMiller AGM of 21 July 2016
- AB InBev Q2 results 29 July 2016

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Healthcare

Actelion

Price CHF173.80

Amazing performance by Uptravi in the US drives new guidance upgrade

Fair Value CHF173 (0%) **BUY**

Bloomberg	ATLN VX
Reuters	ATLN.VX
12-month High / Low (CHF)	173.8 / 115.9
Market Cap (CHFm)	19,835
Ev (BG Estimates) (CHFm)	19,431
Avg. 6m daily volume (000)	384.7
3y EPS CAGR	7.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	11.8%	13.4%	35.4%	24.5%
Healthcare	7.8%	5.0%	7.3%	-3.1%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

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	31.2x	28.2x	23.5x	24.8x
FCF yield (%)	0.7%	3.3%	3.8%	4.1%
Dividends (CHF)	1.30	1.50	1.50	1.50
Div yield (%)	0.7%	0.9%	0.9%	0.9%
EV/Sales	9.6x	9.5x	8.4x	8.1x
EV/EBITDA	27.5x	25.3x	21.4x	22.2x
EV/EBIT	33.1x	29.6x	24.6x	25.9x

As expected, Actelion has again revised its full-year guidance upwards for core operating income growth from high-single digit to low double-digit. The consensus numbers are already in line with this new guidance provided positive currency impacts reduce by year-end to represent no more than 4pp (vs 7pp in H1). In any case, we see Uptravi's US performance as the key component of today's release as it came well ahead of estimates. This should drive some new upgrades.

ANALYSIS

- There is no doubt that the central component of today's release was the outstanding performance of Uptravi in the second quarter. Already in Q1, Uptravi exceeded expectations but Actelion warned at the time because sales figures included an inventory build-up effect of all formulations at the time of US launch (CHF15m of demand vs CHF20m of inventory) and a catch-up of available cohort of patients so that, despite strong underlying performance, numbers should not be extrapolated over the full-year. As a consequence, we and the consensus projected sales for Uptravi slightly below first-quarter numbers. But the actual sales were well above at CHF56m (o/w CHF55m in the US), compared to CHF35m in Q1 2016. In the second-quarter, inventories were only CHF10m implying underlying demand of CHF45m i.e. three times higher than in Q1. Despite the decent performance of Orenitram (United Therapeutics) and comments from physicians that growth in Uptravi may not come at the expense of Orenitram, the numbers confirm at first glance that the class is expanding with available oral drugs. The questions could be: are the drugs used earlier than before? This is likely. Are they used more in combinations? This is also likely but it remains to be known what it is then associated with. A combination with Opsumit would put Actelion in a win-win situation of course. We should also stress that no sales have yet been recorded ex-US, which leaves tremenduous potential for the drug going forward. The launch has now taken place in Germany, in France and in Canada.
- We see much less noticeable things beyond Uptravi in Actelion's report. Opsumit had another strong quarter. It was as strong as expected in the US (CHF126m vs CHF120m in Q1) but more interestingly it did better than expected in Japan and in the ROW region, while remaining lacklustre in Europe. Conversely, Tracleer was below expectations which is not bad considering upcoming competition from generics. The decline was particularly strong in the US and in Europe (where we know that recent generic entry in Spain hit the drug very hard) whereas Tracleer did well in Japan.
- Moving to the P&L, it is worth noting that Actelion may have used this strong top-line performance to invest a bit more in marketing and R&D expenses during the period. We note also a slight increase in the cost of sales which likely corresponds to first payments to Nippon Shinyaku on Uptravi's sales. That said, and as Actelion also booked positive financial profits in the quarter, core EPS came out above estimates at CHF1.68 (vs. CS CHF1.58).

VALUATION

- Guidance for core operating income growth has been revised upwards again, from high-single digit to low double-digit, which may appear modest considering the strong underlying performance of Uptravi. Over the first half of the year, growth was 11%. It is worth noting that currencies added 7pp to the performance. Over the full-year, CS anticipates growth of 15% including currencies, which suggests it is more or less aligned with the bottom-end of the guidance (10-11%). We would expect Actelion to do a touch better than that should Tracleer remain generic-free and Uptravi remain on its existing strong momentum.

NEXT CATALYSTS

- Today 2pm: conference call

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Altran Technologies

Price EUR12.59

Acquisition of Lohika, strengthening US coverage and offshore services

Fair Value EUR13 (+3%) **NEUTRAL**

Bloomberg	ALT FP
Reuters	ALTR.PA
12-month High / Low (EUR)	13.4 / 9.6
Market Cap (EURm)	2,212
Ev (BG Estimates) (EURm)	2,366
Avg. 6m daily volume (000)	234.7
3y EPS CAGR	17.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.7%	1.7%	11.9%	2.0%
Softw.& Comp.	4.9%	3.5%	8.4%	0.9%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	1,945	2,129	2,315	2,462
% change		*9.5%*	*8.7%*	*6.3%*
EBITDA	208	242	280	321
EBIT	155.0	190.0	226.0	264.0
% change		*22.6%*	*18.9%*	*16.8%*
Net income	123.0	145.0	170.0	197.0
% change		*17.9%*	*17.2%*	*15.9%*

	2015	2016e	2017e	2018e
Operating margin	9.6	10.3	11.0	11.9
Net margin	5.2	5.7	6.4	7.0
ROE	12.6	13.9	15.2	16.1
ROCE	15.0	15.4	17.6	20.4
Gearing	18.0	18.0	7.0	-6.0

(€)	2015	2016e	2017e	2018e
EPS	0.70	0.83	0.97	1.12
% change	-	*18.6%*	*16.9%*	*15.5%*
P/E	18.0x	15.2x	13.0x	11.2x
FCF yield (%)	3.7%	5.2%	6.8%	7.9%
Dividends (€)	0.20	0.25	0.30	0.30
Div yield (%)	1.6%	2.0%	2.4%	2.4%
EV/Sales	1.2x	1.1x	1.0x	0.9x
EV/EBITDA	11.3x	9.8x	8.1x	6.7x
EV/EBIT	12.7x	10.8x	8.9x	7.3x

Yesterday evening Altran announced the acquisition of Lohika, an offshore software development company headquartered in the US but operating in Ukraine and Romania. We increase our adj. EPS ests. by 2% following the conference call held early this morning. We expect a modest positive reaction for the share price in the short-term.

ANALYSIS

- **Lohika: a software engineering team with an offshore model**. Founded in 2001 and headquartered in San Bruno, CA, Lohika is a software engineering firm whose engineering teams help accelerate the development of software and SaaS products from 'blue chip' companies such as Microsoft, Cisco and HP Enterprise, but also start-ups like AudienceScience, BuzzFeed, Twilio and Okta. We understand the company generates USD40m with double-digit growth, while its operating margin is at a 'comfortable' double-digit rate. HP Enterprise is still its largest customer with c. 25% of revenues, but its weight is declining year after year, while the company has made the choice to diversify its customer base towards the Silcon Valley-based and VC-funded startup companies. Lohika has 700 staff, essentially based in Ukraine in Kiev, Odesa and Lviv, but also in Romania (Cluj-Napoca).
- **Strategic benefit for Altran**. Thanks to this acquisition, on a strategic standpoint, Altran will benefit from 3 factors: 1) Lohika will grow Altran's revenues in North America by an est. 40-50% by the end of 2016, that will make the USA the second largest region for Altran on a pro forma revenue basis and combined with Cambridge Consultants and Synapse's business in the US; 2) The acquisition will enable Altran to reach a leadership position in software product development on the US West Coast, which is the most important engineering and R&D market in the world with good connections with the Silicon Valley high-tech ecosystem; 3) Lohika extends Altran's capabilities in mobile, enterprise systems, big data solutions and cloud computing, as well as Altran's offshore delivery capabilities with now Altran's Global Delivery Centers reaching 4,000 engineers.
- **Accretive to our adj. EPS ests**. We consider paying Lohika for an est. 10x EV/EBIT multiple would make sense. Based on this and an operating margin we estimate around 14%, we deem the acquisition is accretive by 2% to our adj. EPS ests.

VALUATION

- Altran's shares are trading at est. x 2016 and x 2017 EV/EBIT multiples.
- Net debt on 31st December 2015 was EUR138.3m (net gearing: 19%).

NEXT CATALYSTS

Q2 2016 sales on 28th July before markets open.

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Dassault Systèmes

Price EUR72.40

Q2 2016 results roughly in line, acquisition of CST in Germany, FY 2016 guidance fine-tuned

Fair Value EUR64 (-12%) **SELL**

Bloomberg	DSY FP
Reuters	DAST.PA
12-month High / Low (EUR)	76.1 / 59.9
Market Cap (EURm)	18,625
Ev (BG Estimates) (EURm)	16,696
Avg. 6m daily volume (000)	274.1
3y EPS CAGR	11.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.6%	-0.8%	10.0%	-1.9%
Softw.& Comp.	4.9%	3.5%	8.4%	0.9%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	2,839	3,099	3,401	3,720
% change		*9.1%*	*9.8%*	*9.4%*
EBITDA	897	1,013	1,136	1,276
EBIT	633.2	738.5	861.6	999.3
% change		*16.6%*	*16.7%*	*16.0%*
Net income	616.6	719.0	778.3	868.4
% change		*16.6%*	*8.3%*	*11.6%*

	2015	2016e	2017e	2018e
Operating margin	29.8	30.9	31.7	32.6
Net margin	14.2	16.3	16.7	17.7
ROE	11.5	13.2	13.3	13.8
ROCE	28.9	37.5	45.5	57.8
Gearing	-38.7	-50.3	-60.1	-68.6

(€)	2015	2016e	2017e	2018e
EPS	2.38	2.76	2.99	3.31
% change	-	*16.1%*	*8.1%*	*10.9%*
P/E	30.4x	26.2x	24.2x	21.9x
FCF yield (%)	2.9%	4.0%	4.3%	4.8%
Dividends (€)	0.43	0.49	0.56	0.64
Div yield (%)	0.6%	0.7%	0.8%	0.9%
EV/Sales	6.1x	5.4x	4.7x	4.1x
EV/EBITDA	19.3x	16.5x	14.1x	12.0x
EV/EBIT	20.4x	17.5x	14.9x	12.6x

This morning Dassault Systèmes has reported Q2 2016 results roughly in line with our expectations and the consensus average. The company also announced the acquisition of CST, a German software vendor specialised in electromagnetic and electronic simulation. FY 2016 company guidance has been fine-tuned. We expect no significant share price reaction in the short term.

ANALYSIS

- **Q2 2016 results roughly in line with expectations**. On a non-IFRS basis, Q2 revenues were up 4% (+6% non-IFRS at cc) to EUR754m, while operating margin stood at 30.4%, and EPS was up 8% to EUR0.57. These figures were roughly in line with of our estimates for revenues (EUR766.1m, +6% at cc), operating margin (30.2%) and EPS (EUR0.59), while the consensus average was for revenues of EUR752.4m, operating margin of 29.8%, and EPS of EUR0.57. The figures were at the low-end of the company's guidance for revenues (non-IFRS sales of EUR735-745m, up 6-7% cc), but above the high-end of the range for non-IFRS op. margin (29-30%), and non-IFRS EPS (EUR0.53-0.55), which was based on EUR/USD and EUR/JPY assumptions of 1.15 and 130, vs. actual rates of 1.13 and 122 and the consensus at 1.14 and 126.2.
- **Q2 2016 details**. On a non-IFRS basis, initial licence fees were up 6% lfl, recurring licence fees were up 8% lfl, and total software sales were up 7% lfl. Services were down 3% lfl. On the product side, sales were up 1% lfl for Catia, 13% lfl for Enovia, and 13% lfl for SolidWorks (driven by x), while other solutions were up 10% lfl. By geography, Europe was up 9% lfl (driven by North, South and France, double-digit growth for new licence sales), the Americas were up 8% lfl (double-digit growth for new licence sales) and Asia was up 4% lfl (mixed performance and tough comps).
- **Acquisition of CST - Computer Simulation Technology**. Dassault Systèmes has announced the acquisition of German group CST - Computer Simulation Technology, for EUR220m in cash. Based in Frankfurt, CST is a leader in electromagnetic and electronics simulation. With 2015 revenues at EUR47m, the acquisition price worked out at 4.7x 2015 sales. CST should complement DS' industry solution experiences for multiphysics simulation on the 3DExperience platform. CST Studio Suite is used by designers and engineers in high-tech, transportation, aerospace & defense, and energy with customers such as Airbus, Bosch, Frauscher and Sirona. Closing is expected for Q4.
- **FY16 guidance fine-tuned**. For 2016, based on the Q2 figures and updated fx assumptions for the full-year (EUR/USD 1.13 vs. 1.14, EUR/JPY 122.2 vs. 129.2), DS now expects: 1). Non-IFRS sales up 6-7% at cc to EUR2,990-3,015m (vs. EUR2,985-3,015m) while we expect EUR3,101m (consensus: EUR3,038m); 2). Non-IFRS op. margin of c. 31% (unchanged), while we expect 30.8% (consensus: 31.1%); 3). Non-IFRS EPS up 7% to EUR2.40 (unchanged), while we expect EUR2.45 (consensus: EUR2.45). For Q3 16, DS expects non-IFRS sales of EUR715-725m (BG est.: EUR738.9m; consensus: EUR733.5m), a non-IFRS op. margin of 30-30.5% (BG est.: 32.7%), and a non-IFRS EPS of EUR0.54-0.57 (consensus: EUR0.59). The company's guidance excludes CST.

VALUATION

- Dassault Systèmes' shares are trading at est. 17.5x 2016 and 14.9x 2017 EV/EBIT multiples.
- Net cash position on 30th June 2016 was EUR1,636.2m (net gearing: -46%).

NEXT CATALYSTS

Analysts' meeting at 10.30am CET / 9.30am BST / 4.30am EDT in Paris (Pavillon Gabriel, 5 avenue Gabriel, call +33 1 76 77 22 23 (France) or +44 20 34 27 19 00 (UK)). Conference call at 3pm CET / 2pm BST / 9am EDT (Europe: +44 14 52 55 55 66; USA: +1 631 510 74 98).

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Food retailing

Delhaize

Price EUR102.45

Strong Q2 2016 and upcoming merger with Ahold (first take comment)

Fair Value EUR104,5 (+2%) **BUY**

Bloomberg	DELB BB
Reuters	DELBt.BR
12-month High / Low (EUR)	102.5 / 74.3
Market Cap (EURm)	10,714
Ev (BG Estimates) (EURm)	11,495
Avg. 6m daily volume (000)	308.0
3y EPS CAGR	10.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	12.2%	11.1%	20.8%	14.1%
Food Retailing	0.9%	-5.1%	8.2%	-1.4%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	21,361	24,395	25,249	25,828
% change		*14.2%*	*3.5%*	*2.3%*
EBITDA	1,355	1,538	1,626	1,688
EBIT	424.1	696.0	922.1	952.5
% change		*64.1%*	*32.5%*	*3.3%*
Net income	445.5	474.7	571.4	616.1
% change		*6.6%*	*20.4%*	*7.8%*

	2014	2015e	2016e	2017e
Operating margin	3.6	3.6	3.7	3.7
Net margin	2.1	1.9	2.3	2.4
ROE	NM	NM	NM	NM
ROCE	7.5	7.9	8.3	8.5
Gearing	18.3	12.7	7.8	2.5

(EUR)	2014	2015e	2016e	2017e
EPS	4.37	4.58	5.51	5.94
% change	-	*4.8%*	*20.4%*	*7.8%*
P/E	23.4x	22.4x	18.6x	17.2x
FCF yield (%)	5.1%	4.7%	4.7%	5.3%
Dividends (EUR)	1.17	1.31	1.59	1.72
Div yield (%)	1.1%	1.3%	1.6%	1.7%
EV/Sales	0.5x	0.5x	0.4x	0.4x
EV/EBITDA	8.6x	7.5x	6.9x	6.4x
EV/EBIT	27.6x	16.5x	12.2x	11.4x

Delhaize has just released Q2 2016 sales (EUR6,286m vs EUR6,257m e) and results, which turned out to be very solid (underlying operating profit of EUR247m vs EUR231me). Delhaize also indicates that the closing of the merger between Delhaize Group and Royal Ahold expected on 23rd July 2016, subject to clearance from the US Federal Trade Commission. Our current valuation for newco stands at EUR25.5. Via cost-sharing, flirting with Ahold offers an alternative within a sector that is suffering an obvious lack of growth.

Total revenues rose 4.3% cc to EUR6.286bn (vs EUR6.257bn expected by the consensus). LFL sales growth worked out at 2.9% in the US (+3.9% real growth) to EUR4.060bn (vs EUR4.041bne). In Belgium, total sales reached EUR1.287bn (vs EUR1.291bn e), up +2.1% LFL. In SEE, revenues increased +8.7% LFL to EUR939m (vs EUR924me).

Group underlying operating profit reached EUR247m (vs EUR231m e), up +12.1% at cc, which translated into a 3.9% margin (vs 3.7% e). Underlying operating margin as 4.1% (vs 3.9% e and 3.7% in 2015) in the US, 3.3% in Belgium (vs 3.0% e and 3.2% in 2015) and 5.0% in SEE (vs 4.8% e and 4.5% in 2015).

For the full year and excluding the impact of the merger with Ahold, Delhaize is confident it can deliver approximately EUR400m in free cash flow excluding cash-outs related to the Transformation Plan and related to the merger. In addition, Delhaize expects underlying operating profit to be in line with current market expectations (i.e. EUR953m vs EUR922m in BG estimates).

ANALYSIS

- **1/** Q2 2016 again proved Delhaize's overall resilience; **2/** Delhaize has virtually no exposure to unwell emerging markets and hence **3/** offers better visibility on operating performances for 2016 than others; **4/** Delhaize enjoys one of the best FCF profiles in the sector; **5/** ultimately, via cost-sharing, flirting with Ahold offers an alternative within a sector which is suffering an obvious lack of growth.
- As a reminder, we are witnessing a change in paradigm (Anorexic growth... the bigger the better!), which for a large number of retailers has meant that solid and recurring growth has sunk to a sinusoidal pace limited to just a few points (a disruptive factor in a fixed-cost industry). In this backdrop, size provides a key asset for large players who can dilute fixed costs over a far denser store network and obtain additional ammunition for nurturing their price and non-price competitiveness. Hence the flirting between Delhaize and Ahold!
- Ex post, we estimate that Ahold Delhaize could be valued around EUR25.5, given EUR500m in net synergies. On average between 2016 and 2019, we estimated that the merger should enhance EPS by 14.5% (3% in 2016, 14% in 2017, 20% in 2018 and 22% in 2019). Newco should enjoy a very strong FCF (yield well above 5% we believe) and solid debt profile (lease adjusted Net Debt / EBITDAR around 1.9x).
- Major execution risks (which cannot be ruled out during such a merger) may arise later notably when the company will have to integrate the US operations. We see no execution risk linked to the merger before 2017. By then, we believe both Ahold and Delhaize are a kind of "insurance" within a skittish sector with no clear direction.

VALUATION

- Ex post, we estimate that Ahold Delhaize could be valued around EUR25.5

NEXT CATALYSTS

- Merger expected on 23rd July and Ahold's Q2 results on 25th August
-

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Construction & Building Materials

LafargeHolcim

Price CHF43.30

Follow-up on Syria, India and Africa

Fair Value CHF50 (+15%) BUY

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	69.9 / 34.1
Market Cap (CHFm)	26,279
Ev (BG Estimates) (CHFm)	44,644
Avg. 6m daily volume (000)	2,268
3y EPS CAGR	49.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.1%	-14.2%	6.3%	-13.9%
Cons & Mat	0.3%	-2.7%	9.9%	-1.5%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

YEnd Dec. (CHFm)	2015	2016e	2017e	2018e
Sales	29,483	29,993	31,809	33,231
% change		*1.7%*	*6.1%*	*4.5%*
EBITDA	5,751	6,017	6,954	7,421
EBIT	3,371	3,344	4,272	4,740
% change		*-0.8%*	*27.8%*	*10.9%*
Net income	787.5	1,452	2,209	2,608
% change		*84.3%*	*52.2%*	*18.1%*

	2015	2016e	2017e	2018e
Operating margin	11.4	11.1	13.4	14.3
Net margin	-6.9	4.5	7.3	8.7
ROE	2.5	4.6	6.8	7.7
ROCE	4.4	4.4	5.7	6.4
Gearing	48.3	46.1	39.5	31.9

(CHF)	2015	2016e	2017e	2018e
EPS	1.30	2.40	3.65	4.31
% change	-	*84.3%*	*52.2%*	*18.1%*
P/E	33.3x	18.1x	11.9x	10.1x
FCF yield (%)	0.5%	8.0%	12.8%	14.5%
Dividends (CHF)	1.50	1.65	1.80	1.95
Div yield (%)	3.5%	3.8%	4.2%	4.5%
EV/Sales	1.5x	1.5x	1.4x	1.2x
EV/EBITDA	7.8x	7.4x	6.2x	5.5x
EV/EBIT	13.4x	13.4x	10.1x	8.7x

A French parliament report has exonerated LafargeHolcim from financing the Islamic State in 2013 and 2014. In other news, Lafarge Africa reported NRN30bn (CHF100m) in losses for H1 2016 yesterday, due to an unrealised exchange-rate loss following the Naira devaluation. Finally, we review the Lafarge India disposal agreement, which means LHN has now completed approximately two thirds of its CHF3.5bn disposal target for 2016. Positive overall.

ANALYSIS

- Syria: last June, French daily Le Monde reported that Lafarge had tried to maintain activity in its plant in Jalabiya in Syria in 2013 and 2014 (the go-between would have been remunerated, raw materials and energy bought), hence indirectly financing the Islamic State. According to a report published by French members of parliament, Lafarge did not contribute to financing the Islamic State, directly or indirectly. While we struggle to measure the risks associated with this issue, the report is obvisouly a step in the right direction.
- Lafarge Africa (12 mt of cement capacities, i.e. c3% of LHN's total capacity and less than 5% of 2015 revenues), which houses the group's units in Nigeria and South Africa reported significant losses for H1 2016 yesterday. The net loss of NRN30,688m, ie approx. CHF100m, was mostly due to an unrealised exchange-rate loss in Q2, following the devaluation of the Naira (30% vs end 2015), while some of Lafarge Africa's debt is denominated in USD. This is a non cash item. However, revenues remain under significant pressure in H2 2016 (-30%, similar to Q1), as the group suffered from a gas supply shortage in Q2. Note that Q1 was impacted by softer prices in Nigeria. In any case, this is obvisouly not positive news.
- Review of the situation in India: LafargeHolcim last week signed an agreement to divest Lafarge India to Nirma for EV of approx. USD1.4bn, ie USD127 per ton. The assets sold concern three cement plants, as well as two grinding stations for a total capacity of 11 mt. Approval from the Competition Commission of India is needed but is very likely to be given, as discussions have already taken place with LafargeHolcim. LHN will remain a key player in the country with more than 60mt of capacity out of a total of c365mt. We would have expected a slightly better price since the market outlook is gradually improving, and Indian newspaper Business Standard mentioned a price of approx. USD1.65bn in EV on 22nd March (or USD150 per ton). Admittedly however, this is in line or better than the 2016 deals in India: last February, Birla Corp. paid USD129 /ton for 5.5mt from Reliance Infrastructures and Ultratech USD109 per ton for 22.4mt from Jaypey (notoriously under pressure to repay its debt). On the positive side, the deal is obviously a step in the right direction, as LHN initially planned to dispose of Indian assets a year ago. Besides, LafargeHolcim is now very close to its CHF3.5bn disposal target in 2016. Combined with deals signed in South Korea, Saudi Arabia and Morocco, two thirds of this objective is now reached.

VALUATION

- CHF50 FV derived from the application of historical ratios to our 2017 estimates, discounted back.

NEXT CATALYSTS

- Q2 2016 to be released on 5th August 2016

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TMT

Melexis

Price EUR60.17

Even diamonds have a price (report released today)

Fair Value EUR48 (-20%)

SELL

Coverage initiated

Bloomberg	MELE BB
Reuters	MLXS.BR
12-month High / Low (EUR)	61.0 / 37.7
Market Cap (EURm)	2,431
Ev (BG Estimates) (EURm)	2,372
Avg. 6m daily volume (000)	38.50
3y EPS CAGR	5.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.7%	27.8%	38.6%	19.9%
Semiconductors	20.8%	24.0%	31.8%	17.9%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	400.1	453.3	494.5	536.0
% change		*13.3%*	*9.1%*	*8.4%*
EBITDA	130	139	155	168
EBIT	107.6	111.4	123.1	133.5
% change		*3.5%*	*10.5%*	*8.4%*
Net income	99.1	95.6	106.8	115.7
% change		*-3.5%*	*11.7%*	*8.4%*

	2015	2016e	2017e	2018e
Operating margin	26.9	24.6	24.9	24.9
Net margin	24.8	21.1	21.6	21.6
ROE	40.9	36.2	34.2	31.8
ROCE	52.5	46.2	46.0	45.3
Gearing	-24.2	-22.5	-27.4	-31.5

(EUR)	2015	2016e	2017e	2018e
EPS	2.45	2.37	2.64	2.86
% change	*-*	*-3.5%*	*11.7%*	*8.4%*
P/E	24.5x	25.4x	22.8x	21.0x
FCF yield (%)	3.1%	2.9%	3.5%	3.8%
Dividends (EUR)	1.29	1.84	1.46	1.58
Div yield (%)	2.1%	3.1%	2.4%	2.6%
EV/Sales	5.9x	5.2x	4.7x	4.3x
EV/EBITDA	18.2x	17.0x	15.1x	13.8x
EV/EBIT	22.0x	21.3x	19.0x	17.4x

Melexis is a Belgian company specialised in the design of components for the automotive sector. Helped by a buoyant market, the group has a solid track record, managing to maintain average annual sales growth of 21% between 2009 and 2015. However, we believe this momentum will start to slow in coming years. With Melexis' share trading on 2016e P/E of 25.8x, our EPS estimate of 5.1% points to PEG of 5.0x. In this backdrop, we advise avoiding the share and have adopted a Sell recommendation.

ANALYSIS

- **A rare and attractive profile.** Melexis is among the groups that seem to have an ideal profile at first sight. It is fabless and specialises in automotive sensors, the most buoyant segment at the moment. It has a solid track record with few disappointments and an impressive growth history. As such, it seems to tick all the right boxes for becoming one of our top picks.
- **Nevertheless, a slower momentum limits EPS growth to 5.1% on average over the next three years.** This is primarily due to a less dynamic top line than in the past with the longer maturity of products sold by Melexis (2015-2018e CAGR in sales of 10%), but also due to a margin slightly under pressure in view of increased R&D capex requirements. In all, we expect average EPS growth of 5.1% between 2015 and 2018e. In addition, we expect a downward revision to consensus estimates. Indeed, our estimates are around 3% lower than those of the market, which is currently forecasting EPS growth of 5.9%, adding a weight to the share's upside.

VALUATION

- **Our model points to downside potential of 21%.** Despite the group's attractive track record and profile, the recent share price performance to reach peaks levels over one year prompts us to avoid the share. With low EPS growth and a share trading on 25.8x 2016e net earnings, Melexis' PEG works out to 5.0x, or the highest among the semiconductor stocks we cover. Moreover, our valuation of EUR48 per share points to downside potential of 21%. As such, we believe there is nothing left to play on the share and advise avoiding it, hence our Sell recommendation.

NEXT CATALYSTS

- 27th July 2016: Q2 2016 results

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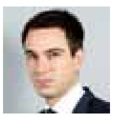

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Food & Beverages

Rémy Cointreau

Price EUR75.79

Bloomberg	RCO FP
Reuters	RCOP.PA
12-month High / Low (EUR)	78.5 / 50.9
Market Cap (EUR)	3,694
Ev (BG Estimates) (EUR)	4,138
Avg. 6m daily volume (000)	101.5
3y EPS CAGR	13.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.4%	1.4%	26.4%	14.8%
Food & Bev.	4.3%	1.0%	8.8%	0.8%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

YEnd Mar. (EURm)	03/16	03/17e	03/18e	03/19e
Sales	1,051	1,069	1,133	1,214
% change		*1.7%*	*6.1%*	*7.1%*
EBITDA	200	220	244	270
EBIT	178.4	199.3	221.0	244.9
% change		*11.7%*	*10.9%*	*10.8%*
Net income	110.4	124.5	142.8	160.0
% change		*12.8%*	*14.7%*	*12.1%*

	03/16	03/17e	03/18e	03/19e
Operating margin	17.0	18.7	19.5	20.2
Net margin	10.5	11.6	12.6	13.2
ROE	9.9	11.5	13.5	14.6
ROCE	16.5	17.3	18.0	18.3
Gearing	41.2	41.1	38.1	31.6

(EUR)	03/16	03/17e	03/18e	03/19e
EPS	2.27	2.56	2.93	3.29
% change	-	*12.8%*	*14.7%*	*12.1%*
P/E	33.4x	29.6x	25.8x	23.1x
FCF yield (%)	2.0%	2.8%	3.2%	3.7%
Dividends (EUR)	1.60	1.60	1.60	1.60
Div yield (%)	2.1%	2.1%	2.1%	2.1%
EV/Sales	4.0x	3.9x	3.6x	3.3x
EV/EBITDA	20.8x	18.8x	16.8x	14.9x
EV/EBIT	23.3x	20.8x	18.5x	16.5x

A solid underlying trend masked by negative technical effects

Fair Value EUR80 (+6%) **BUY**

Yesterday's release confirms that the group is headed in the right direction. The United States continued to grow strongly and Greater China showed further improvement, with value depletions up mid single digit in Q1, while they were flat in 2015/16. We maintain our Buy recommendation and Fair Value of EUR80.

ANALYSIS

- **Double-digit growth in the US. Value depletions accelerated, rising 18% in Q1 2016/17 after +15% in 2015/16**. The group said it is taking advantage of the change in its distribution network. It now has a bigger position than its distribution partners, which was not the case within the alliance it formed with Bacardi and Brown-Forman. Cointreau is benefitting from Cointreau Fizz activation programmes and lower competitive pressure following the acquisition of Grand Marnier by Campari. New listings are driving Bruichladdich's performance. Growth Rémy Martin also remained outstanding. We estimate that the brand's value depletions were running at +20% in Q1, ahead of the 2015/16 trend of 18%. The competitive environment in cognac does not seem to have deteriorated for Rémy Cointreau.

- **A better than expected improvement in China.** Although the Q1 sales decline was significant (double digit) it does not reflect the trading environment and was due to stock loading moves ahead of price increases and the Chinese New Year. **The improvement in underlying consumption was strong and surprised us positively. Value depletions were up mid single digit in Q1 whereas they were flat last year.** The price/mix is now neutral (around -5% in 2015/16). Mainland China and Taiwan posted double-digit growth in value depletions while Hong Kong and Macau remained soft.

- **Loss of the EPI champagne distribution contract in France, Benelux and Travel Retail. During the conference call, the group announced that it will stop distributing Charles Heidsieck and Piper Heidsieck in a number of a markets ie France, Benelux and Travel Retail.** Management said this is set to decrease 2016/17 net sales by EUR20/25m (-2%). But the impact on EBIT should be very limited (-EUR1/2m) as these contracts have a very low profitability. This follows the terminations of the Edrington (2014/15) and EPI (2015/16) contracts in the US and is not a surprise. Partner brands are not core to the group's strategy and there is no penalty in spirits if a distribution contract is ended. We think the remaining distribution contracts (that could potentially be terminated in coming years to come) are of limited size.

- **Change in estimates. We now expect 3.1% organic sales growth in 2016/17 vs +5% previously. This is the result of the loss of the distribution contract.** We maintain our estimates for the Cognac and the Liqueurs&Spirits divisions. Organic sales growth should accelerate over the remainder of the year due to the lack of negative technical effects that weighed on Q1 performance: timing of Easter, some destocking in China post the Chinese New Year and shipments ahead of global price hikes. **We have cut our forecast for full year EBIT by just 1%.**

VALUATION

- Our DCF still points to a Fair Value of EUR80. At yesterday's share price, the stock is trading at 20.8x EV/EBIT 2016/17e and 18.5x EV/EBIT 2017/18e, 14% and 11% above the peer average.

NEXT CATALYSTS

- 26th July: Shareholders' meeting of Rémy Cointreau and LVMH H1 2016 results
- 1st September: Pernod Ricard 2015/16 results

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Healthcare

Roche

Price CHF253.00

Half-year results ahead of estimates but include one-time non-cash gain

Fair Value CHF293 (+16%) **BUY**

Bloomberg	ROG VX
Reuters	ROG.VX
12-month High / Low (CHF)	281.0 / 233.2
Market Cap (CHFm)	177,748
Ev (BG Estimates) (CHFm)	190,191
Avg. 6m daily volume (000)	1 477
3y EPS CAGR	6.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.9%	-0.2%	-0.1%	-8.5%
Healthcare	7.8%	5.0%	7.3%	-3.1%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

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	18.8x	17.2x	15.9x	15.6x
FCF yield (%)	5.4%	4.5%	5.4%	6.0%
Dividends (CHF)	8.10	8.83	9.56	9.72
Div yield (%)	3.2%	3.5%	3.8%	3.8%
EV/Sales	4.0x	3.7x	3.6x	3.4x
EV/EBITDA	9.9x	9.3x	8.7x	8.4x
EV/EBIT	13.9x	11.1x	10.0x	9.4x

Both divisions participated in the second-quarter to beat analysts' estimates for the period with sales 1% higher than expected. In Pharmaceuticals, the performance of Rituxan, of the HER2 franchise and of new products like Tecentriq and Alecensa deserves a mention. Diagnostics, up 8%, delivered the strongest growth over a two-year period. This also resulted in higher-than-expected earnings in absolute terms although leverage may disappoint as the difference between sales and EPS growth is only 1%. This is even more the case considering the CHF426m one-time gain from changes in pension plans. However, Roche confirmed full-year targets, suggesting higher leverage in H2.

ANALYSIS

- There are two ways of reading the half-year numbers released by Roche this morning. The first one consists of comparing the numbers to consensus figures and the result can only be positive since revenues were 1% ahead of estimates (about 2% when considering that only Q2 numbers were missing), while core EPS came out at CHF7.74 when CHF7.47 were anticipated.
- Indeed, sales performance during the quarter was good with sales up 5% in Pharma and 8% in Diagnostics, the strongest quarter since Q2 2014. The consensus beat in the second quarter was evenly split between the two divisions. Diagnostics performed very well in Professional Diags (+9% vs +7% in Q1) but also less bad in Diabetes Care where the decline was 4% (vs -11% in Q1). In Pharmaceuticals, there are always ups and downs but it is worth mentioning Rituxan, the HER2 franchise, Actemra and Tecentriq as the good surprises in the quarter while Esbriet and Avastin were slightly disappointing. In all, the top-line performance was good.
- Here comes the second reading: whereas core operating income was also ahead of estimates by the same magnitude as sales, the numbers included a CHF426m one-time non-cash gain from Swiss pension plans changes. Stripping this gain out of the half-year figures would make core operating income appear fully in line with consensus estimates. However, considering the level of revenues, this resembles a disappointing leverage and margin level, that corresponds to higher investments in manufacturing reflecting higher COGS and lower royalties received. That said, Roche has reiterated its full-year guidance to grow earnings ahead of sales, which clearly states that leverage in H2 will be higher than in H1. In order to be fully balanced as long as one-offs are concerned, we note that H1 included a CHF94m one-off charge for the early redemption of a bond.

VALUATION

- In the end, with higher-than-expected sales figures and lower-than-expected restated leverage on margins, we expect a mixed and fairly neutral share price reaction. Note that core EPS came out at CHF7.74 whereas the consensus was expecting CHF7.47 but the 5% difference was entirely the reflection of the net positive impact of the two above-mentioned one-offs.
- That said, we know that this is not where the investment case currently stands. Roche's share price performance is set to be highly dependent on what the APHINITY phase III study says. This is likely several months ahead of us and by then, the stock is unlikely to perform one way or the other in a meaningful way.

NEXT CATALYSTS

- Today 2pm: Conference Call

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Food & Beverages

SABMiller

Price 4,425p

The last time the company is reporting

Fair Value 4400p (-1%) **NEUTRAL**

Bloomberg	SAB LN
Reuters	SAB.L
12-month High / Low (p)	4,429 / 2,878
Market Cap (GBPm)	71,804
Ev (BG Estimates) (GBPm)	69,644
Avg. 6m daily volume (000)	2,621
3y EPS CAGR	1.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.1%	3.9%	7.3%	8.7%
Food & Bev.	4.3%	1.0%	8.8%	0.8%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

YEnd Mar. (USDm)	03/15	03/16e	03/17e	03/18e
Sales	22,130	20,335	21,101	22,371
% change		*-8.1%*	*3.8%*	*6.0%*
EBITDA	5,690	5,150	5,413	5,826
EBIT	4,459	3,994	4,227	4,592
% change		*-10.4%*	*5.8%*	*8.6%*
Net income	3,835	3,433	3,692	4,061
% change		*-10.5%*	*7.5%*	*10.0%*

	03/15	03/16e	03/17e	03/18e
Operating margin	27.0	26.2	26.7	27.3
Net margin	23.2	22.5	23.3	24.1
ROE	16.6	14.1	14.4	15.0
ROCE	7.4	6.5	6.8	7.3
Gearing	48.3	41.6	34.6	26.2

(USD)	03/15	03/16e	03/17e	03/18e
EPS	2.37	2.12	2.28	2.51
% change	-	*-10.5%*	*7.5%*	*10.0%*
P/E	24.6x	27.5x	25.6x	23.3x
FCF yield (%)	3.6%	3.2%	3.7%	4.5%
Dividends (USD)	1.13	1.19	1.31	1.44
Div yield (%)	1.9%	2.0%	2.2%	2.5%
EV/Sales	4.2x	4.5x	4.3x	4.0x
EV/EBITDA	16.4x	17.8x	16.7x	15.2x
EV/EBIT	20.9x	23.0x	21.4x	19.3x

Q1 2016/17 revenue growth of 2% is weaker than the expected 4.6%, creating easy comparabiles for AB InBev next year. However, there was very solid growth in most countries with disappointments driven by affiliates Castel (Angola), CRB (China), Anadolu Efes (Turkey) and also by the largest than expected impact of the earthquakes in Ecuador (volumes down 20%). In key subsidiaries of South Africa (organic revenue growth of 6%), rest of Africa (+9%), Colombia (+7%), Peru (+6%), business is strong.

SABMiller reported this morning light Q1 revenue figures with flat volume growth and organic net revenue growth of 2% compared to a consensus of 4.6%.

ANALYSIS

- The only region that did better than consensus was Europe where 6% revenue growth was ahead of the 4% expected. Organic revenue growth of 6% was on the back of 8% volume growth, driven by a 9% increase in lager volumes, cycling the last quarter of a weak comparative period, and with soft drinks volumes up 3% on the prior year. The contraction in revenue per hl of 2% reflected the deliberate pricing strategy implemented in Poland in the prior year and the resulting volume growth. Strong subsidiary top-line growth was partially offset by the continuing weakness in the key lager markets of its associate, Anadolu Efes.
- The region where the disappointment was the largest is Asia Pacific as revenue declined organic by 2% compared to an expected consensus growth of 4%. In Australia business was booming with organic revenue growth of 7% underpinned by volume growth of 4%. However in China, volumes were down 4% and organic revenue growth was down 7%, owing to the challenging industry and macro-economic conditions, although CR Snow outperformed the market.
- Other regions came in slightly weaker than expect with Africa growing organic 6% compared to a consensus of 9.5%(the weakness was in the Castel business where revenue grew organic only 1% and beverages volumes were down 4%, constrained by weak economic fundamentals in Angola where Castel has scaled back activity significantly) , Latin America growing 5% compared to a consensus of 6.5% (good volume and pricing growth across the region but Ecuador volumes down 20% as a result of the earthquakes in April) and North America declining 3% compared to an expected decline of 1% (sales to wholesalers at MillerCoors down 4% compared to sales to retailers down only 2%).

VALUATION

- AB InBev has agreed to offer GBP44 per share

NEXT CATALYSTS

- Acquisition has gained regulatory approval in 21 regions/coutnries, including Europe, South Africa, US. For the acquisition to go ahead the Chinese regulatory authroities should still give their blessing although it is a condition that could be waved by the SABMiller board.

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TMT

SAP

Price EUR71.65

Q2 2016 conference call feedback: 2018 still the likely margin inflexion point

Fair Value EUR75 vs. EUR74 (+5%) **NEUTRAL**

Bloomberg	SAP GR
Reuters	SAPG.DE
12-month High / Low (EUR)	74.9 / 55.9
Market Cap (EUR)	88,022
Ev (BG Estimates) (EUR)	90,991
Avg. 6m daily volume (000)	2 767
3y EPS CAGR	7.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.7%	0.9%	-0.9%	-2.4%
Softw.& Comp.	4.3%	-0.9%	1.8%	-3.0%
DJ Stoxx 600	3.5%	-3.4%	1.3%	-7.8%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	20,798	21,979	23,601	25,239
% change		*5.7%*	*7.4%*	*6.9%*
EBITDA	6,884	7,222	7,708	8,302
EBIT	4,251	5,348	5,892	6,446
% change		*25.8%*	*10.2%*	*9.4%*
Net income	4,660	4,788	5,451	5,806
% change		*2.7%*	*13.8%*	*6.5%*

	2015	2016e	2017e	2018e
Operating margin	30.5	30.3	30.1	30.4
Net margin	14.8	16.8	18.7	18.9
ROE	13.2	14.4	15.4	15.0
ROCE	18.5	18.2	20.1	21.7
Gearing	24.7	11.6	-1.6	-13.1

(€)	2015	2016e	2017e	2018e
EPS	3.69	3.80	4.32	4.60
% change	-	*2.7%*	*13.8%*	*6.5%*
P/E	19.4x	18.9x	16.6x	15.6x
FCF yield (%)	3.4%	5.0%	5.8%	6.2%
Dividends (€)	1.15	1.20	1.30	1.40
Div yield (%)	1.6%	1.7%	1.8%	2.0%
EV/Sales	4.5x	4.1x	3.7x	3.3x
EV/EBITDA	13.6x	12.6x	11.4x	10.1x
EV/EBIT	14.8x	13.7x	12.3x	10.9x

We reiterate our Neutral rating but have raised our DCF-derived Fair Value to EUR75 from EUR74. We have cut out adj. EPS ests. by 5% for 2016 on Venezuela and tax issues but increased them by 2% for 2017-18, as we have raised our operating margin forecasts (30.3% vs. 30% for 2016, 30.1% vs. 29.7% for 2017, 30.4% vs. 30% for 2018). Despite the likelihood that SAP can reach the top-end of FY2016 non-IFRS operating profit guidance (EUR6.4-6.7bn, BG est. EUR6.66bn), we consider 2018 should still be the inflexion point for the margin.

ANALYSIS

- **S/4HANA pace of adoption ahead of expectations**. With +8.4% for H1 2016, lfl Cloud & Software revenue growth was ahead of FY16 company guidance (+6-8% lfl) and makes management quite confident it can achieve it. Licence revenue growth was up 1.6% lfl over H1, ahead of the target for a slight decline implied for the year. Customer adoption of S/4HANA is ahead of expectations and benefits from cross-selling with other products. 40% of the 500 S/4HANA deals signed in Q2 stemmed from new customers and more than 10% of SAP's ERP installed base has signed on S/4HANA. In cloud apps, SAP recently signed Accenture as a customer on SuccessFactors (cloud HR) for its 375k staff, Fieldglass generated triple-digit growth, and Customer Engagement & Commerce generates strong double-digit growth for cloud and on-premise. The HANA Cloud Platform generated triple-digit growth. The number of 'go-lives' for S/4HANA was around 220 (vs. 146 at the end of Q1) and management considers reaching a high triple-digit number by end 2016 - which is less than the 1,000 mentioned at Sapphire Now in May however.
- **Quite confident on non-IFRS operating margin**. With 11% cc growth for H1 2016, non-IFRS operating profit is well ahead of the 1-6% cc growth implied in company guidance (EUR6.4-6.7bn at cc). Clearly the Q2 figure benefited from both licence sales and the success of the transformation programme started mid-2015, which generated mid-triple digit cost savings. H2 2016 is unlikely to benefit from such a positive trend as most of the benefit from restructuring, which started to be visible in H2, is set to fade. That said, management considers that, with now an optimised structure, SAP can continue to invest in high-growth areas while still expanding operating profit - which makes the company's guidance look conservative. In addition, management is a bit more conservative on cloud gross margin, as it expects it to be flat instead of flat or slightly increasing in 2016. This is not only due to a mix effect - SaaS applications up 50% with with a 51.5% margin vs. Business Network up 21% with a 76.3% margin -, but also due to the breakeven target for the private cloud business (HANA Enterprise Cloud) which is now expected to be reached by end-2016 instead of mid-year given the accelerated growth rate. Finally, SAP is still investing in staff and moving cloud applications onto HANA, thus replacing third-party databases.
- **Tax rate guidance increased**. SAP increased FY16 tax rate guidance to 27-28% from 22.5-23.5% for two reasons: 1) The write-off of deferred tax assets in Venezuela due to the disastrous economic and political situation in the country, 2) The intellectual property consolidation process for Hybris which is postponed to 2017 as SAP was not able to finalise it in time. In addition, SAP incurred EUR70m of fx losses on the Venezuelan bolivar fuerte (EUR100m loss over H1).

VALUATION

- SAP's shares are trading at est. 13.7x 2016 and 12.3x 2017 EV/EBIT multiples.
- Net debt on 30th June 2016 was EUR4,436m (net gearing: 19%).

NEXT CATALYSTS

Q3 2016 results on 21st October before markets open.

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Utilities

Suez

Price EUR14.15

Early signs of strategic shift

Fair Value EUR17.5 (+24%) **BUY**

Bloomberg	SEV FP
Reuters	SEVI.PA
12-month High / Low (EUR)	18.3 / 12.9
Market Cap (EUR)	7,703
Ev (BG Estimates) (EUR)	18,788
Avg. 6m daily volume (000)	1,274
3y EPS CAGR	-2.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.3%	-14.3%	-11.6%	-18.0%
Utilities	2.2%	1.3%	7.7%	-1.1%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	15,135	15,456	16,066	16,557
% change		*2.1%*	*3.9%*	*3.1%*
EBITDA	2,751	2,653	2,791	2,932
EBIT	1,381	1,287	1,355	1,459
% change		*-6.8%*	*5.3%*	*7.7%*
Net income	559.8	402.8	463.9	527.1
% change		*-28.1%*	*15.2%*	*13.6%*

	2015	2016e	2017e	2018e
Operating margin	9.1	8.3	8.4	8.8
Net margin	3.7	2.6	2.9	3.2
ROE	8.2	5.9	6.8	7.7
ROCE	8.0	7.3	7.5	8.0
Gearing	121.6	124.2	129.0	132.0

(EUR)	2015	2016e	2017e	2018e
EPS	1.04	0.75	0.86	0.98
% change	-	*-28.0%*	*15.2%*	*13.6%*
P/E	13.6x	18.9x	16.4x	14.5x
FCF yield (%)	3.3%	5.6%	4.5%	5.2%
Dividends (EUR)	0.65	0.65	0.65	0.66
Div yield (%)	4.6%	4.6%	4.6%	4.7%
EV/Sales	1.2x	1.2x	1.2x	1.2x
EV/EBITDA	6.9x	7.1x	6.9x	6.6x
EV/EBIT	13.6x	14.6x	14.1x	13.3x

Suez announced yesterday both the sale of its 18.55% stake in Spanish water company Aguas de Valencia (for c. EUR40m) and the creation of a new joint-venture in hazardous waste in China. More than the financial impact, both t these ransactions are early signs of a strategic shift: from Southern Europe to Asia, notably China, and from traditional environmental services activities to more value-added businesses, such as hazardous waste.

Suez announced yesterday evening both **the sale of its 18.55% stake in Spanish water company Aguas de Valencia** and the **creation of a joint-venture in hazardous waste in China.**

ANALYSIS

- **Stake sale in Aguas de Valencia: Suez sold its 18.55% stake in Aguas de Valencia** to Fomento Urbano de Castellon, which is also buying the 14.5% stake owned by Criteria (which previously bought it from Suez) and now owns 97.35% of Aguas de Valencia. **The overall amount of the transaction is EUR70m inc. EUR39m for Suez**. Suez bought a 33.05% stake in Aguas de Valencia from Saur back in 2008 for EUR135m but has failed to obtain full control of the company since then. **The operation by itself is fairly neutral for Suez** as Aguas de Valencia was only consolidated at the financial income level with a low single-digit contribution.
- **JV in hazardous waste in China**: in the meantime, **Suez announced the creation of a joint-venture** with Chinese Fulong Environmental Company and Wall-Mark **that will focus on the development of industrial hazardous waste treatment in China**. The JV will develop a waste treatment plant with an overall capacity of 30,000 tons per year in Foshan, China. According to the agreement, capital investment reaches EUR68m with a 50% share for Suez.
- **Conclusion: more than the financial impact, both these transactions highlight the early signs of a strategic shift for Suez as the company appears to be focusing** (like Veolia), **on more value-added businesses** (such as hazardous waste which represented around EUR550m of revenues for Suez in 2015) **in fast-growing areas** (Suez's target includes 6-8% average annual growth in its international business between 2016 and 2018), **while struggling to expand its activities in Southern Europe** such as Spanish Aguas de Valencia and Italian ACEA. Suez has a 12.4% stake in environmental company ACEA, which is also 51%-owned by the city of Rome. Over the past few months, it has been said that the new mayor of Rome, Virginia Raggi, could install new management within the Italian utility and could ask ACEA to invest more to improve services rather than being profit-driven, which could potentially infringe on Suez's future net margins (in 2015, ACEA had a positive EUR22m contribution).

VALUATION

- At the current share price, Suez is trading on 2016e EV/EBITDA of 7.1x.
- Buy, FV of EUR17.5

NEXT CATALYSTS

- 28th July: H1 2016 results

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Luxury & Consumer Goods

The Swatch Group

Price CHF261.30

870bp EBIT margin decline in H1

Fair Value CHF270 (+3%) **SELL**

Bloomberg	UHR VX
Reuters	UHR.VX
12-month High / Low (CHF)	432.9 / 261.3
Market Cap (CHF)	14,416
Ev (BG Estimates) (CHF)	12,931
Avg. 6m daily volume (000)	266.8
3y EPS CAGR	-5.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-9.0%	-23.4%	-19.8%	-25.4%
Pers & H/H Gds	4.6%	-0.4%	7.6%	1.2%
DJ Stoxx 600	3.5%	-3.4%	1.3%	-7.8%

YEnd Dec. (CHFm)	2015	2016e	2017e	2018e
Sales	8,451	7,760	7,860	8,080
% change		*-8.2%*	*1.3%*	*2.8%*
EBITDA	1,817	1,410	1,510	1,680
EBIT	1,451	1,035	1,130	1,301
% change		*-28.7%*	*9.2%*	*15.1%*
Net income	1,089	790.0	850.0	993.0
% change		*-27.5%*	*7.6%*	*16.8%*

	2015	2016e	2017e	2018e
Operating margin	17.2	13.3	14.4	16.1
Net margin	12.9	10.2	10.8	12.3
ROE	10.0	7.0	7.4	8.1
ROCE	12.2	8.1	8.3	8.8
Gearing	-14.4	-12.6	-10.8	-8.2

(CHF)	2015	2016e	2017e	2018e
EPS	20.11	13.34	14.35	16.76
% change	*-*	*-33.7%*	*7.6%*	*16.8%*
P/E	13.0x	19.6x	18.2x	15.6x
FCF yield (%)	4.5%	2.3%	2.3%	2.3%
Dividends (CHF)	7.50	7.88	8.27	8.68
Div yield (%)	2.9%	3.0%	3.2%	3.3%
EV/Sales	1.5x	1.7x	1.7x	1.7x
EV/EBITDA	7.0x	9.2x	8.7x	8.0x
EV/EBIT	8.8x	12.5x	11.6x	10.3x

After last Friday' release, The Swatch Group has reported its final H1 2016 results this morning. As pre-announced, net sales declined 11.4% to CHF3.71bn and fell 12.5% at same forex. H1 2016 EBIT was down 54% to CHF353m, implying a 9.5% EBIT margin, down 870bp to 9.5%. We remain at SELL on the stock with a FV at CHF270.

ANALYSIS

- **The Swatch Group has issued poor H1 2016 results this morning, harbouring no real surprise**, following last Friday's pre-annoucement. Sales fell 11.4% to CHF3.71bn and 12.5% at same forex. Watches & Jewelry sales were down 12.4% at same forex. Sales were fairly resilient in Mainland China (around 15% of sales) with double-digit growth in retail sales and the same trend for Southeast Asian countries. However, they were down significantly (close to -20%) in Hong Kong and Macau (together 14% of sales), where retailers were more than cautious in their orders. According to management, the downturn in retail sales has bottomed out. In Mainland China, the situation has improved for the high-end segment.
- Revenues were also down double digit in Europe, including in Switzerland and particularly in France, as tourists (mainly from Asia and the US) were lacking, due to the terrorists attacks in Paris and in Brussels. Furthermore, we guess that production sales fell sharply as some third parties cancelled or reduced orders.
- **H1 2016 EBIT was down 53% to CHF353m. This implies EBIT margin at 9.5%, down 870bp vs H1 2015**. The margin in Watches & Jewelry narrowed 880bp to 11.2%. The EBIT margin decline was due to lower sales, the negative geographical and product mix, lower production capacity utilisation due to lower orders from third parties, a long-term industrial strategy of continued investment in employees, and lastly, investments in new products and marketing. Furthermore, some costs concerning the Olympic Games in Rio were already booked in H1. Globally, the Rio games could prove costly for The Swatch Group. Inventories were increased at end of June (+2% at CHF6.3bn), accounting for 86% of FY 2016 expected sales. The increase was due to further investments for Harry Winston.

Half year results

CHFm	H1 2015	H1 2016	chge %
Net sales	4,192	3,713	-11.4
o/w Watches & Production	4,045	3,586	-11.2
EBIT	**761**	**353**	**-53.6**
o/w Watches & Production	**807**	**402**	**-50.0**
EBIT margin %	*18.2*	*9.5*	*-870bp*

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

- At this point, management anticipates a better situation in H2, even with the prospect of a sales increase, which should lead to a limited sales decline for the FY. For FY 2016 sales, we expect an 8% decline that should lead to a 4% decrease in H2 alone. In the first days of July, the group reported a clear sales increase in Mainland China especially in the very high-end segment (Blancpain, Breguet, Omega...). Management remains cautious on some countries in Europe and HK (particularly for the wholesale business). Long-term marketing investments will continue in H2 and the period will also shoulder the costs of the Rio OG.

VALUATION

- We remain at Sell on The Swatch Group with a CHF270 FV.

NEXT CATALYSTS

- Conference call at 2pm.

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ain

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u-blox

Price CHF234.00

Not to miss the eCall (report released today)

Fair Value CHF265 (+13%)

BUY

Coverage initiated

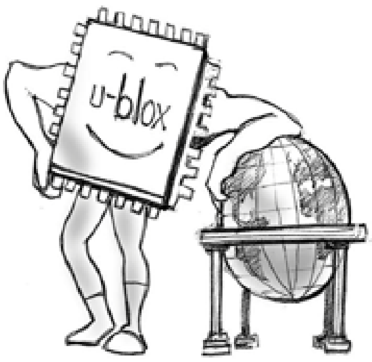
Bloomberg	UBXN SW
Reuters	UBXN.S
12-month High / Low (CHF)	234.0 / 164.0
Market Cap (CHFm)	1,592
Ev (BG Estimates) (CHFm)	1,522
Avg. 6m daily volume (000)	22.60
3y EPS CAGR	29.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	14.5%	17.8%	24.1%	9.1%
Semiconductors	20.8%	24.0%	31.8%	17.9%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

YEnd Dec. (CHFm)	2015	2016e	2017e	2018e
Sales	338.3	404.5	500.6	635.1
% change		*19.6%*	*23.8%*	*26.9%*
EBITDA	76.0	89.0	110	138
EBIT	51.3	59.9	73.1	98.4
% change		*16.7%*	*22.1%*	*34.7%*
Net income	37.1	46.7	58.6	80.5
% change		*25.9%*	*25.4%*	*37.5%*

	2015	2016e	2017e	2018e
Operating margin	15.2	14.8	14.6	15.5
Net margin	11.0	11.5	11.7	12.7
ROE	14.9	16.5	18.0	21.1
ROCE	21.8	21.8	23.0	25.3
Gearing	-26.1	-24.9	-23.2	-20.0

(CHF)	2015	2016e	2017e	2018e
EPS	5.45	6.86	8.60	11.82
% change	-	*25.9%*	*25.4%*	*37.5%*
P/E	43.0x	34.1x	27.2x	19.8x
FCF yield (%)	2.0%	1.1%	1.3%	1.3%
Dividends (CHF)	1.57	1.71	2.15	2.96
Div yield (%)	0.7%	0.7%	0.9%	1.3%
EV/Sales	4.5x	3.8x	3.0x	2.4x
EV/EBITDA	20.1x	17.1x	13.8x	11.0x
EV/EBIT	29.8x	25.4x	20.8x	15.4x



u blox is a Swiss company specialised in signal receivers for global navigation satellite systems and wireless connectivity chips for the automotive and industrial sectors. This niche market positioning enables the group to maintain a technological edge, market share gains and a robust growth. In view of management's execution history and the group's buoyant positioning, we are forecasting average EPS growth of 30% over the next three years, pointing to a PEG of 1.1x. Our valuation of CHF265 per share yields an upside potential of 16% and therefore we adopted a Buy recommendation.

ANALYSIS

- **A technological lead of more than one year over rivals.** The group has been specialised niche segment of positioning and communication chips for automotive for more than a decade and maintains a technological lead of more than a year relative to its rivals. This is reflected in both constant innovations within the product portfolio and advanced integration of the various chips within modules, as well as faultless execution in production, enabling the group to benefit from an excellent reputation in the automotive sector, which is one of the hardest to penetrate.

- **Robust growth on the cards and high quality accounts.** Thanks to its specialisation and the quality of its products, u-blox is continuing to win market share. As such, we expect sales growth of 23% on average over the next three years, in line with the group's historical growth (2012-15 CAGR of +23%). In addition, the fabless model adopted by the group enables it to benefit from good control on operating expenses and optimise its cash generation profile with FCF equivalent to 9.4% of sales and 85.6% of net profit. In all, the balance sheet is also solid with a net cash position of EUR70m.

VALUATION

- **Still attractively valued.** The share is currently trading at 33.3x prospective 2016e earnings, which should be seen in the light of average EPS growth of 30% over the next three years, or PEG of 1.1x. In addition, our DCF-derived FV of CHF265 points to upside potential of 16%. In this context, we have adopted a Buy recommendation on u-blox.

NEXT CATALYSTS

- 26th July 2016: H1 2016 results

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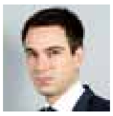

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Food & Beverages

Unilever

Price EUR41.98

Bloomberg	UNA NA
Reuters	UNc.AS
12-month High / Low (EUR)	42.5 / 33.9
Market Cap (EURm)	103,811
Ev (BG Estimates) (EURm)	113,812
Avg. 6m daily volume (000)	4 614
3y EPS CAGR	6.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	10.0%	3.8%	12.0%	4.7%
Food & Bev.	6.9%	2.8%	7.6%	0.6%
DJ Stoxx 600	4.0%	-1.6%	3.1%	-7.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	53,272	52,966	55,431	58,309
% change		*-0.6%*	*4.7%*	*5.2%*
EBITDA	9,235	9,433	10,165	10,988
EBIT	7,865	8,056	8,668	9,355
% change		*2.4%*	*7.6%*	*7.9%*
Net income	5,210	5,330	5,790	6,289
% change		*2.3%*	*8.6%*	*8.6%*

	2015	2016e	2017e	2018e
Operating margin	14.8	15.2	15.6	16.0
Net margin	9.8	10.1	10.4	10.8
ROCE	18.9	19.0	20.7	22.3

(EUR)	2015	2016e	2017e	2018e
EPS	1.82	1.87	2.03	2.20
% change	-	*2.3%*	*8.6%*	*8.6%*
P/E	23.0x	22.5x	20.7x	19.1x
FCF yield (%)	4.0%	3.8%	4.1%	4.2%
Dividends (EUR)	1.21	1.30	1.41	1.52
Div yield (%)	2.9%	3.1%	3.4%	3.6%
EV/Sales	2.2x	2.1x	2.0x	1.9x
EV/EBITDA	12.5x	12.1x	11.1x	10.2x
EV/EBIT	14.7x	14.1x	13.0x	11.9x

Solid margin delivery

Fair Value EUR43 (+2%) **NEUTRAL**

In Q2, sales declined 3.4% to EUR13.7m (consensus and our estimate: EUR14.0bn). The organic sales growth stood at +4.7%, slightly ahead of expectations (consensus and our estimate: +4.4%). H1 EBIT amounted to EUR3.9m, implying a margin of 15%, up 50bps YoY. This is above consensus (+30bps) and our forecast (+40bps) and is due to margin-accretive innovations and acquisitions and sales leverage and cost efficiencies in marketing investment.

ANALYSIS

- In Q2, sales declined 3.4% to EUR13.7m (consensus and our estimate: EUR14.0bn). The organic sales growth stood at +4.7%, ahead of expectations (consensus and our estimate: +4.4%). Q2 volume/mix were up 1.8%, decelerating vs Q1 (+2.6%). Pricing picked up, at +2.8% vs +2% in Q1. This is a satisfactory performance given: 1/the timing of Easter (Q1 in 2016 vs Q2 in 2015), and 2/ poor weather conditions in Western Europe. H1 EBIT amounted to EUR3.9m, implying a margin of 15%, up 50bps YoY. This is ahead of consensus (+30bps) and our forecast (+40bps) and is due to margin-accretive innovations and acquisitions and sales leverage and cost efficiencies in marketing investment. By division:
- Personal Care (38% of group's sales): Organic sales rose 5.6% in Q2, in line with the Q1 trend (+5.8%). This growth was fuelled by innovations, especially in the more premium segments.
- Foods (24% of group's s sales): This division posted 2.7% organic sales growth, accelerating vs the Q1 trend (+1.9%). Dressings and savoury are growing but spreads are still declining as a result of market contraction in developed countries.
- Home Care (19% of group's sales): Sales were up 6% on an organic basis in Q2 (+7% in Q1), driven by innovations in higher margin segments and the continued roll-out of the new Omo. The group reported double digit growth in fabric conditioners.
- Refreshment (19% of group's sales): Q2 organic sales rose 4.2% after +3.8% in Q1. Sales were driven by margin-accretive innovations such as Magnum Double Range and the Ben&Jerry's Wich sandwich…The group continues to extend in the faster-growing green and specialty teas segment.

VALUATION

- Our DCF points to a Fair Value of EUR43. At yesterday's share price, the stock is trading at 22.5x P/E 2016e vs 23.1x for Nestlé and 21.8x for Danone.

NEXT CATALYSTS

- Danone: H1 results on July 28th
- Nestlé: H1 results on August 18th

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TMT

Temenos Group

Price CHF53.80

Q2 2016 results above expectations, heading for the high-end of 2016 guidance

Fair Value CHF54 vs. CHF52 (0%) **NEUTRAL**

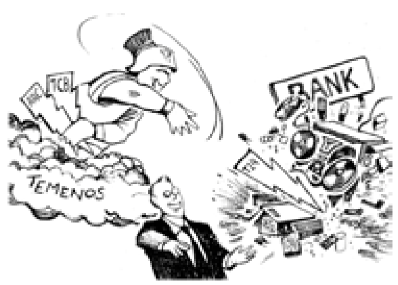
Bloomberg	TEMN SW
Reuters	TEMN.SW
12-month High / Low (CHF)	57.6 / 31.9
Market Cap (CHF)	3,741
Ev (BG Estimates) (CHF)	3,876
Avg. 6m daily volume (000)	236.4
3y EPS CAGR	19.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.2%	4.6%	13.9%	3.6%
Softw.& Comp.	4.9%	3.5%	8.4%	0.9%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

YEnd Dec. (US$m)	2015	2016e	2017e	2018e
Sales	542.5	615.1	677.6	747.1
% change		*13.4%*	*10.2%*	*10.3%*
EBITDA	212	248	278	309
EBIT	96.8	146.3	177.3	206.7
% change		*51.2%*	*21.2%*	*16.6%*
Net income	121.0	154.6	179.5	206.2
% change		*27.8%*	*16.1%*	*14.9%*

	2015	2016e	2017e	2018e
Operating margin	30.8	32.3	33.5	34.3
Net margin	12.2	17.7	20.0	21.7
ROE	17.7	24.0	24.4	22.6
ROCE	23.9	29.8	36.5	46.0
Gearing	71.2	30.2	-3.3	-33.3

(US$)	2015	2016e	2017e	2018e
EPS	1.82	2.32	2.69	3.09
% change	-	*27.8%*	*16.1%*	*14.9%*
P/E	30.0x	23.5x	20.3x	17.6x
FCF yield (%)	4.4%	4.7%	5.4%	6.3%
Dividends (US$)	0.45	0.50	0.55	0.60
Div yield (%)	0.8%	0.9%	1.0%	1.1%
EV/Sales	7.5x	6.4x	5.6x	4.8x
EV/EBITDA	19.1x	15.9x	13.6x	11.5x
EV/EBIT	24.3x	19.8x	16.6x	13.9x



We reiterate our Neutral recommendation, but have raised our DCF-derived Fair Value to CHF54 from CHF52 on recent CHF/USD fx rate moves. Yesterday evening Temenos reported Q2 2016 results above expectations. Management is now confident Temenos can reach the high-end of full-year guidance in view of deals recently signed in Wealth and Retail (BIL, Standard Chartered, Laurentian, BMO), while Brexit has no impact so far. We expect a positive share price reaction short-term.

ANALYSIS

- **Q2 2016 results way above expectations**. On a non-IFRS basis, Q2 2016 sales were up 16.1% (+17% lfl) to USD153.8m, with total software licensing revenues up 24.9% lfl to USD60.4m (+30.9% lfl for licences, +6.7% lfl for SaaS and subscriptions), maintenance up 6.5% lfl, and services up 25.4% lfl following the number of software implementations gone live (24 vs. 13 in Q2 2015). Non-IFRS operating profit was up 22.3% to USD38.7m or 25.2% of sales (+1.3ppt), and non-IFRS EPS was up 16.7% to USD0.42. These figures were way above our forecasts (sales of USD139.8m, non-IFRS op. profit of USD33.4m or 23.9% of sales) and the consensus average (sales of USD142m, non-IFRS op. profit of USD35.6m or 25.1% of sales). Non-IFRS opex were up 17% lfl, while gross margin in services was down 3pp to 2.7%. On a LTM basis, operating cash conversion remained strong, at 130% of EBITDA (target >100%), with DSOs down 46 days (vs. a full-year target of 10-15 days).

- **Other Q2 details**. 1) Q2 reflected excellent momentum - new wins stood at 21, up from 13 in Q2 2015 - with strong growth in almost all regions (est. +35% in Europe with strong growth in all segments and BIL as a key win, +25% in America with the signing of Laurentian Bank, and +60% in Asia with Standard Chartered Bank and Bank of Montreal, but an est. -42% in Middle East & Africa); 2) The win rate continued to increase, reaching close to 100% in Wealth with Standard Chartered Bank to deploy WealthSuite in 30+ countries, BIL in Europe, Bank of Montreal in Asia, and being strong in Retail with the two largest deals in the market won in H1 16; 3) The services gross margin was down 3pp due, as in Q1, to a lower share of "premium" services (18% vs. 24% in Q2 2015) as Temenos was involved in 'go live' implementations for some clients, and due to investments in project governance teams in order to ensure large deployments are successful.

- **2016 guidance: confidence for reaching the high-end**. On a non-IFRS basis, Temenos is now confident in reaching the high-end of 2016 guidance, i.e. revenues up 7.5-11% at cc, total software licensing up 10-15% at cc, and an operating margin of USD180-185m at cc (implying an operating margin up c. 2ppt to c. 30%). Adjusted for fx, this translates into total revenues of USD593-612m (vs. USD594-614m) and total software licensing of USD233-244m (vs. USD234-245m). Such optimism is driven by recent key wins - BIL and Standard Chartered Bank will start to generate revenues in Q3 - and "record levels" of revenue visibility for Q3 and the full-year. Since the Brexit referendum, all planned deals have closed with no delays or change in scope, and key accounts in the pipeline reconfirmed their need to invest in IT renovation. For Q3, including BIL and Standard Chartered and taking into account a cautious approach for H2, Temenos anticipates total software licensing up low single-digit (vs. a drop) against tough comps (Nordea). Finally, despite a decline over the last two quarters, it is confident it can deliver a gross margin in services for 2016 similar to that of 2015 (8.5%) as the governance team will ramp up over H2.

VALUATION

- Temenos' shares are trading at est. 19.8x 2016 and 16.6x 2017 EV/EBIT multiples.
- Net debt on 30th June 2016 was USD288.4m (net gearing: 78%).

NEXT CATALYSTS

Q3 16 results on 19th October after markets close.

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Sector View

Semiconductors

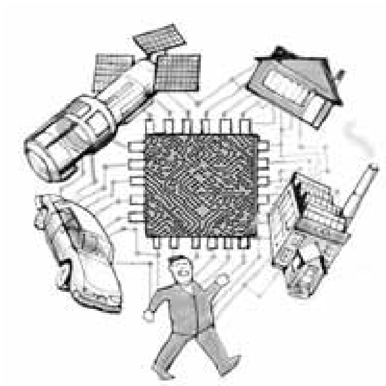
Looking for lost growth (report released today)

	1 M	3 M	6 M	31/12/15
Semiconductors	20.8%	24.0%	31.8%	17.9%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

*Stoxx Sector Indices

Companies covered

ARM HOLDINGS		**Tender to the offer**	**1410p vs. 1340p**
Last Price	1672p	*Market Cap.*	GBP23,531m
ASML		**SELL**	**EUR81**
Last Price	EUR97.31	*Market Cap.*	*EUR42,168m*
DIALOG SEMICONDUCTOR		**BUY**	**EUR37 vs.35**
Last Price	EUR29.742	*Market Cap.*	*EUR2,316m*
INFINEON		**BUY**	**EUR16 vs.15**
Last Price	EUR14.155	*Market Cap.*	*EUR16,025m*
MELEXIS		**SELL**	**EUR48**
Last Price	EUR60.17	*Market Cap.*	*EUR2,431m*
SOITEC		**NEUTRAL**	**EUR0.50 vs. 0.45**
Last Price	EUR0.72	*Market Cap.*	*EUR436m*
STMICROELECTRONICS		**NEUTRAL**	**EUR6.5 vs. 6.3**
Last Price	EUR5.664	*Market Cap.*	*EUR5,160m*
u-blox		**BUY**	**CHF265**
Last Price	CHF234	*Market Cap.*	*CHF1,592m*



For the semiconductors industry, 2015 and the first half of 2016 probably marked the start of a sluggish cycle. This market context has led to a radical change in the industry. A number of players are focusing on M&A while others are refocusing on their core business. The result is that yesterday's leaders are not necessarily tomorrow's leaders. In this backdrop, we recommend that investors favour specialists (or ultra-specialists) irrespective of their size.

ANALYSIS

- **Average growth of 0.6% for the next three years.** Whereas the industry has been growing by more than 9% on average over the past 30 years, coming years are set to be sluggish. Growth has evaporated given the lack of momentum in the PC market and with a smartphone market no longer playing the role of catalyst in a sluggish economic backdrop.
- **The search for critical mass leading nowhere.** While many observers consider that the record number of M&A operations seen in 2015 reflect a search for critical mass (and hence operating leverage), we are convinced that in the majority of cases, acquisitions are above all motivated by an aim to deliver short-term growth forecasts. We believe that, for the semiconductors industry, the preconceived idea that size is a success factor is no longer true. In contrast, we are convinced that in today's market focusing on unique expertise and a strong positioning in a small number of verticals is preferable.
- **In this changing environment, we believe that stock-picking is more essential than ever.** We continue to favour players with strong positions in the automotive and industrial sectors. The two segments remain among the most dynamic with average 2015-18e growth rates of 6.8% and 7.5% respectively.
- **As such, we are initiating coverage of two medium-sized companies that are highly specialised: Melexis (Sell, FV EUR48) specialised in car components and u blox (Buy, FV CHF265) specialised in positioning chips and connectivity for the automotive and industrial sectors.**
- **In addition, we have also updated our models, especially for forex, and consequently increased our FV from 1,340p to 1,410p on ARM Holdings, from EUR35 to EUR37 on Dialog, from EUR15 to EUR16 on Infineon, from EUR0.45 to EUR0.50 on Soitec and from EUR6.3 to EUR6.5 on STMicroelectronics.**

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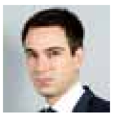

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Luxury & Consumer Goods

Hermès Intl.

Price EUR349.65

Bloomberg	RMS FP
Reuters	HRMS.PA
12-month High / Low (EUR)	355.6 / 291.6
Market Cap (EURm)	36,912
Avg. 6m daily volume (000)	55.00

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.8%	13.5%	18.9%	12.2%
Pers & H/H Gds	5.4%	1.9%	10.0%	2.0%
DJ Stoxx 600	4.0%	-1.6%	3.1%	-7.4%

	2015	2016e	2017e	2018e
P/E	37.8x	33.2x	29.4x	26.2x
Div yield (%)	1.0%	1.1%	1.2%	1.4%

Very healthy Q2 (+8.1%)!

Fair Value EUR355 (+2%) BUY

ANALYSIS

- H1 2016 sales were up 6.1% to EUR2.44bn (consensus: EUR2.42bn) and 7.2% at same forex. This implies a n8.1% sales increase in Q2 alone after +6.2% in Q1. Strong momentum in revenues wsa driven by the leather goods division (45% of group sales) with 16.3% growth, implying an even stronger Q2 (+17%) than Q1 (+15%) while silk sales (11% of group sales) were again under pressure with a 6.9% decline during the first half, as this business was the most penalised by lower tourist flows, but implying a less negative trend in Q2 (-4.2%). Furthermore, retail sales (82% of sales) outperformed thanks to an 8% increase.
- By geographical area, we would highlight the very good resilience in France (14% of sales) thanks to a 7.3% sales increase in H1 and +8.9% in Q2 alone and despite lower tourist flows in the country. Europe (19% of sales) was also strong with 9.1% revenue growth. Asia-Pacific (35% of sales) achieved a strong performance both in Q2 (+6.7%) and in H1 (+5.3%).
- H1 2016 EBIT margin should be up 100bp to 33.5%, partly thanks to positive forex but also thanks to positive product and distribution mix. Currently, we expect a 70bp gain for FY 2016.

VALUATION

- The Hermès share price has gained 12% YTD and was the best performance among our luxury stock sample (-1% on average). We reiterate our Buy recommendation, as we see Hermès as the most resilient group in the current challenging environment.

NEXT CATALYSTS

- Conference call at 9am.

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Healthcare

Korian

Price EUR29.67

Q2 revenue in line with our estimate

Fair Value EUR29 (-2%) **NEUTRAL**

Bloomberg	KORI FP
Reuters	KORI.PA
12-month High / Low (EUR)	36.3 / 23.2
Market Cap (EURm)	2,357
Avg. 6m daily volume (000)	114.1

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.2%	7.1%	-1.1%	-11.9%
Healthcare	7.8%	5.0%	7.3%	-3.1%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

	2014	2015e	2016e	2017e
P/E	20.9x	27.7x	21.2x	18.4x
Div yield (%)	2.0%	2.0%	2.0%	2.0%

ANALYSIS

- **Better organic growth in Q2 than in Q1, in line with our estimate:** Total revenue reached EUR740.1m more or less in line with anticipations (consensus at EUR734m and our forecast of EUR744m), up 16.4% in reported terms with organic of c.4% after 3.1% in Q1 excluding the 1.1% positive impact of the 2016 leap year. As such, H1 revenue was EUR1,470.4m, up 16.3%, driven by acquisitions with organic growth of 3.5% excluding the H1 2016 calendar effect of 0.5% on H1.
- **Most geographies contributed to the organic improvement in Q2:** organic growth in **France** (52.9% of consolidated revenue in H1) stood at 2.8% in Q2 vs. 2.5% in Q1 excluding calendar effects, mainly driven by better prices in post-acute business, **Germany** (28.5%) was up 8.8% in Q2 after 8.5% in Q1, while **Italy** (10.6%) posted organic growth of 2.3% after 1.8% in Q1. The slight slowdown in **Belgium** (7.9%) reflected organic growth of 5.5% in Q2 after 6.4% in Q1.
- **FY guidance confirmed:** Management has reiterated its FY 2016 guidance with total revenue of around EUR3bn (our forecast is EUR2,994m compared with a consensus at EUR2,974m) up 16% vs. 2015. Management confirmed FY 2016 organic growth of 3-4% (our estimate is 3.7%).

VALUATION

- At the current share price, the stock is trading at 11.4x 2016e EV/EBITDA and 10.1x 2017e, which compares with an historical average of 9.3x and a 2015-2016 EBITDA CAGR of 12.2%.

NEXT CATALYSTS

- H1 results on 14th September (after market)
- Capital Market day on 15th September (Paris)

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Construction & Building Materials

LafargeHolcim

Price CHF43.30

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	69.9 / 34.1
Market Cap (CHFm)	26,279
Avg. 6m daily volume (000)	2,268

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.1%	-14.2%	6.3%	-13.9%
Cons & Mat	0.3%	-2.7%	9.9%	-1.5%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

	2015	2016e	2017e	2018e
P/E	33.3x	18.1x	11.9x	10.1x
Div yield (%)	3.5%	3.8%	4.2%	4.5%

The approval to restructure India entities has been received

Fair Value CHF50 (+15%) **BUY**

ANALYSIS

- LHN "has received the approval of the Cabinet Committee On Economic Affairs for the streamlining" of its operations in India. However, LafargeHolcim has still to wait for the Foreign Investment Promotion Board before to close the transaction.
- With the closing, LafargeHolcim will increase its stake in its subsidiary Ambuja from 50% to 61%, while Ambuja will acquire 50% of ACC, the second entity of LHN in India.
- Once finalized, this operation means that ACC and Ambuja will be managed as single economic entity, which should be translated in synergies.

VALUATION

- CHF50 FV derived from the application of historical ratios to our 2017 estimates, discounted back

NEXT CATALYSTS

- Q2 2016 to be released on 5th August 2016

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TMT

Soitec

Price EUR0.75

With FQ1 sales slightly above forecasts, the group is confident in achieving FY 2017 growth

Fair Value EUR0.5 vs. EUR0.45 (-33%) **NEUTRAL**

Bloomberg	SOI FP
Reuters	SOIT.PA
12-month High / Low	0.8 / 0.4
Market Cap (EURm)	455
Avg. 6m daily volume	1,342

	1 M	3 M	6 M	31/12/15
Absolute perf.	50.0	59.0%	70.5%	17.2%
Semiconductors	23.0%	18.7%	30.5%	15.7%
DJ Stoxx 600	3.5%	-3.4%	1.3%	-7.8%

	03/16	03/17e	03/18e	03/19e
P/E	NS	15.7x	18.6x	16.7x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- **Yesterday, Soitec announced fiscal Q1 2017 sales of EUR55.4m, slightly above company guidance and expectations.** At constant change, fiscal Q1 2017 sales were up 4% (+3% unadjusted) compared to a year ago. As expected, this performance was mainly driven by 200mm wafer sales, which rose 7% at constant change (+5% unadjusted). Note that the contribution from Chinese partner Simgui remains limited at present, but is expected to be fully contributive as of fiscal Q4 2016/Q1 2017.
- **The group reiterated FY17 guidance for single digit growth and also expects fiscal Q2 2017 to be slightly up.** We understand that the group remains very confident in achieving a higher level of sales in FY17 than in FY16 and the seasonal pattern should be similar to last year, i.e. a fiscal year back-end loaded with slight growth in fiscal Q2 and stronger growth momentum during fiscal H2. We understand that the second part of the fiscal year should benefit from the progressive ramp-up of 300mm RF-SOI and also some orders for FD-SOI, compensating the downwind from PD-SOI products.

VALUATION

- We are making no change to our estimates, on the basis of which Soitec shares trade at a 2017e P/E ratio of 15.7x.

NEXT CATALYSTS

- By October 2016: Fiscal Q2 2017 sales

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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 55.8% NEUTRAL ratings 34% SELL ratings 10.2%

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