Please find our Research on Bloomberg BRYG <GO>)

25th July 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18570.85	+0.29%	+6.58%
S&P 500	2175.03	+0.46%	+6.41%
Nasdaq	5100.16	+0.52%	+1.85%
Nikkei	16627.25	-1.09%	-12.64%
Stoxx 600	340.33	-0.08%	-6.97%
CAC 40	4381.1	+0.11%	-5.52%
Oil /Gold			
Crude WTI	43.44	-1.27%	+16.77%
Gold (once)	1320.71	-0.14%	+24.32%
Currencies/Rates			
EUR/USD	1.09775	-0.19%	+1.05%
EUR/CHF	1.0851	-0.22%	-0.21%
German 10 years	-0.083	+26.79%	-113.15%
French 10 years	0.216	-4.23%	-78.01%
Euribor	-0.297	0.00	+126.72%

Economic releases :

Date	
25th-Jul	DE - IFO Current assessment Jul (114E) DE - IFO Expectations Jul (101.6E)

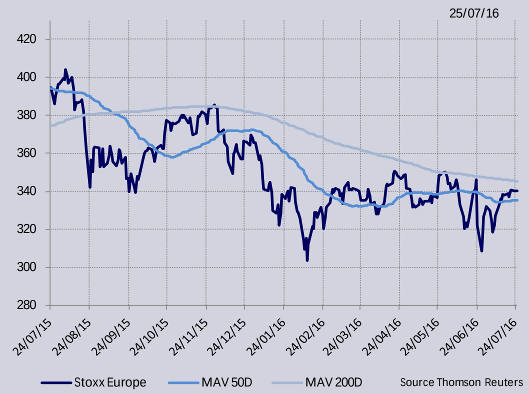
Upcoming BG events :

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	
21st-Jul	SEMICONDUCTORS : Looking for lost growth
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

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



AHOLD — BUY-Top Picks, Fair Value EUR25,8 vs. EUR22 (+19%)

Ahold Delhaize successfully completes merger (FV estimated at EUR25.8)

EDENRED — NEUTRAL, Fair Value EUR22 vs. EUR19 (+8%)

After H1 results, management's FY guidance looks conservative. FV upgraded to EUR22

ENGIE — BUY, Fair Value EUR16,8 (+12%)

H1 2016 preview: negative LfL EBITDA growth expected due to one-off items

GROUPE SEB — BUY, Fair Value EUR125 (+9%)

Q2 and H1 results above expectations, bright outlook!

QIAGEN — NEUTRAL, Fair Value EUR22 (+5%)

Q2 as a cornerstone of QIAGEN's "show-me story" (preview)

SUEZ — BUY, Fair Value EUR17.5 (+24%)

Preview H1 2016: key updates awaited on cost-savings and M&A

VEOLIA ENVIRONNEMENT — BUY-Top Picks, Fair Value EUR23 (+19%)

H1 2016 preview: cost-saving measures set to underpin medium-term EBITDA guidance

In brief...

IPSEN, *Cabometyx recommended by CHMP*

LAFARGEHOLCIM, *Agreement to dispose of Sri Lanka: expected but positive.*

L'ORÉAL, *Acquisition in the US*

LVMH, *LVMH sells Donna Karan!*

Food retailing

Ahold

Price EUR21.70

Ahold Delhaize successfully completes merger (FV estimated at EUR25.8)

Fair Value EUR25,8 vs. EUR22 (+19%) **BUY-Top Picks**

Bloomberg	AH NA
Reuters	AHLN.AS
12-month High / Low (EUR)	21.7 / 16.5
Market Cap (EURm)	17,037
Ev (BG Estimates) (EURm)	19,259
Avg. 6m daily volume (000)	3 042
3y EPS CAGR	11.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	11.4%	13.5%	9.1%	11.4%
Food Retailing	-0.5%	-5.3%	1.2%	-2.1%
DJ Stoxx 600	-0.3%	-2.3%	0.6%	-7.0%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	32,774	38,203	38,635	39,989
% change		*16.6%*	*1.1%*	*3.5%*
EBITDA	2,129	2,322	2,400	2,528
EBIT	1,250	1,318	1,385	1,477
% change		*5.5%*	*5.1%*	*6.6%*
Net income	790.7	849.0	920.7	988.8
% change		*7.4%*	*8.4%*	*7.4%*

	2014	2015e	2016e	2017e
Operating margin	3.9	3.8	3.7	3.7
Net margin	2.4	2.2	2.4	2.5
ROE	NM	NM	NM	NM
ROCE	15.3	16.1	15.9	16.8
Gearing	27.1	23.3	29.8	14.2

(EUR)	2014	2015e	2016e	2017e
EPS	0.86	0.99	1.11	1.19
% change	*-*	*15.8%*	*12.1%*	*7.4%*
P/E	25.4x	21.9x	19.5x	18.2x
FCF yield (%)	5.3%	7.0%	5.3%	6.4%
Dividends (EUR)	0.48	0.52	0.55	0.57
Div yield (%)	2.2%	2.4%	2.5%	2.6%
EV/Sales	0.6x	0.5x	0.5x	0.5x
EV/EBITDA	9.0x	8.3x	8.1x	7.4x
EV/EBIT	15.4x	14.6x	14.1x	12.7x

Ahold Delhaize successfully completed its merger over the week-end. 1/ Current momentum proves Ahold Delhaize's overall resilience, 2/ Ahold Delhaize has virtually no exposure to unwell emerging markets and hence 3/ offers better visibility on operating performances for 2016 than others; 4/ Ahold Delhaize enjoys one of the best FCF profiles in the sector; 5/ ultimately, via cost-sharing, the flirting between Ahold Delhaize offers an alternative within a sector that is suffering an obvious lack of growth. Major execution risks (which cannot be ruled out during a merger of this scale) could arise later notably when the company will have to integrate the US operations. We see no execution risk linked to the merger before 2017. Buy.

Ahold Delhaize has successfully completed its merger, forming one of the world's largest food retail groups. The new group starts trading today on Euronext Amsterdam and Brussels under ticker symbol AD.

Ahold Delhaize American Depositary Receipts (ADRs) will trade over-the-counter in the US and will be quoted on the OTCQX marketplace under the ticker symbol ADRND (ADRNY as of 9th August).

On 25th August, the company is to publish Q2 and H1 2016 results for Ahold and Delhaize on a standalone basis. First-take pro-forma accounts are available on page 2 of this report (the accounts on the left side of this report concern Ahold standalone).

ANALYSIS

- **1/** Current momentum proves Ahold/Delhaize's overall resilience, **2/** Ahold/Delhaize has virtually no exposure to unwell emerging markets and hence, **3/** offers better visibility on operating performances for 2016 than others, **4/** Ahold/Delhaize enjoys one of the best FCF profiles in the sector, **5/** ultimately, via cost-sharing, flirting between Ahold/Delhaize offers an alternative within a sector that 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!
- We estimate that Ahold Delhaize could be valued at around EUR25.8, given EUR500m in net synergies. On average between 2016 and 2019, we estimate 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 strong FCF (yield above 6% we believe) and solid debt profile (lease adjusted net debt / EBITDAR around 1.9x).
- Major execution risks (which cannot be ruled out during a merger of this scale) 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. Before then, we believe both Ahold and Delhaize provide a kind of "insurance" within a skittish sector with no clear direction. BUY.

VALUATION

- Ahold Delhaize could be valued at around EUR25.8 (vs EUR25.5 previously) once we have updated our estimates following Delhaize's Q2 statement.

NEXT CATALYSTS

- On 25th August, the company is to publish Q2 and H1 2016 results for Ahold and Delhaize on a standalone basis.

Simplified P&L (first take)

P&L Newco	2016 e	2017 e	2018 e	2019 e
Sales	63 799	65 848	67 478	68 992
% Growth	1,9%	3,2%	2,5%	2,2%
EBITDA (incl. Synergies)	4 203	4 550	4 827	4 996
- Depreciation & Amortization	(1 717)	(1 787)	(1 847)	(1 904)
= EBIT	2 486	2 763	2 980	3 092

Simplified balance sheet (first take)

Balance Sheet Newco	2016 e	2017 e	2018 e	2019 e
Fixed Assets	17 401	17 394	17 390	17 391
+ Working Capital Requirement	(2 826)	(2 929)	(3 011)	(3 087)
= Capital employed	14 575	14 464	14 379	14 304

Simplified FCF (first take)

FCF Newco	2016 e	2017 e	2018 e	2019 e
EBIT	2 486	2 763	2 980	3 092
- Corporate income tax	(668)	(742)	(801)	(831)
+ Depreciation and amortization	1 717	1 787	1 847	1 904
- Change in working capital	62	103	82	76
- Capital expenditures	(1 822)	(1 780)	(1 843)	(1 905)
Free cash flow	1 775	2 131	2 265	2 336

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Business Services

Edenred

Price EUR20.36

After H1 results, management's FY guidance looks conservative. FV upgraded to EUR22

Fair Value EUR22 vs. EUR19 (+8%) **NEUTRAL**

Bloomberg	EDEN FP
Reuters	EDEN.PA
12-month High / Low (EUR)	23.6 / 13.9
Market Cap (EUR)	4,757
Ev (BG Estimates) (EUR)	5,622
Avg. 6m daily volume (000)	952.0
3y EPS CAGR	10.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	18.1%	12.0%	22.9%	16.6%
Travel&Leisure	-7.2%	-5.1%	-7.6%	-15.6%
DJ Stoxx 600	-0.3%	-2.3%	0.6%	-7.0%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,069	1,128	1,234	1,308
% change		*5.5%*	*9.4%*	*6.0%*
EBITDA	388	421	482	521
EBIT	341.0	372.3	428.6	464.5
% change		*9.2%*	*15.1%*	*8.4%*
Net income	206.0	220.3	253.3	276.8
% change		*6.9%*	*15.0%*	*9.3%*

	2015	2016e	2017e	2018e
Operating margin	31.9	33.0	34.7	35.5
Net margin	16.6	19.1	20.0	20.7
ROE	-12.2	-12.2	-13.5	-14.7
ROCE	-44.8	-44.2	-46.9	-49.6
Gearing	NM	NM	NM	NM

(EUR)	2015	2016e	2017e	2018e
EPS	0.87	0.94	1.08	1.18
% change	*-*	*8.4%*	*15.0%*	*9.3%*
P/E	23.4x	21.6x	18.8x	17.2x
FCF yield (%)	6.1%	8.8%	10.2%	9.4%
Dividends (EUR)	0.84	0.90	1.03	1.13
Div yield (%)	4.1%	4.4%	5.1%	5.5%
EV/Sales	5.0x	5.0x	4.5x	4.3x
EV/EBITDA	13.9x	13.3x	11.6x	10.7x
EV/EBIT	15.8x	15.1x	13.1x	12.0x

All H1 trends should continue in H2 sustained by continuing innovation (digital solutions, Apple Pay offer) with further new significant clients wins, while management expects organic IV of over 8% and operating flow-through lower than in H1 but definitely over 50%. FY 2016 EBIT guidance is between EUR350m and EUR370m taking into account a EUR35m negative currency impact which looks conservative to us, notably on a BRL/EUR parity of 4.00 on average. In all, based on organic IV volume growth of 8.6% (vs. 8% previously) with flow-through of 60% and a currency negative impact of EUR25m, our EBIT reaches EUR372m. Based on our DCF, our FV moves to EUR22. Neutral opinion confirmed.

ANALYSIS

- **Higher lfl growth with sustained flow-through:** Despite further significant negative currency impacts, better trends in operating businesses in Q2 with an organic IV growth of 9.3% after 7.4% in Q1. This improvement stems mainly from **Europe** (31% on IV) excluding France, but also in **France** with Ticket Restaurant. In Latam (48% of IV), Expense Management development sustained top line growth (organic up +16.8% in Brazil and 19.1% in Hispanic Latam) while unemployment continued to weigh on organic growth in Employee Benefits. Note that **Embratec** (65% owned by Edenred) was finalised at the end of May contributing EUR2m in H1. Moreover, the H1 flow-through ratio reached 66% with strict cost control. All these trends should continue in H2 and management confirmed organic IV growth of over 8% (we move our estimate to 8.6% vs. 8% previously) with flow-through of over 50% (our estimate is 60%) after 66% in H1.

- **Results volatility set to remain due to currencies:** Management's FY EBIT guidance is between EUR350m and EUR370m taking into account a EUR35m negative currency impact. Based on FX sensitivity and using current parities until the end of the year, our estimate is -EUR25m. One of the main differences is on BRL/EUR with Edenred using 4.00 vs. 3.86 representing an impact of EUR5m on EBIT. Note that we have also taken into account the depreciation of the GBP/EUR exchange rate (the UK generates 5% of consolidated revenue) and the TRY (Turkey generates an estimated 2/3 of RoW representing 4% of consolidated IV).

Main currency impacts

Exchange rates: +/-5%	Impact on EBIT	Implicit group EBIT contribution	Implicit LatAm EBIT
Brazil	7,6	44,6%	75,2%
Venezuela	0,4	2,3%	4,0%
Mexico	1,5	8,8%	14,9%

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

Main changes

	2016e			2017e			2018e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
SALES	1 117	1 128	1,0%	1 202	1 234	2,7%	1 272	1 308	2,8%
EBITDA	410	421	2,6%	457	482	5,5%	494	521	5,6%
	36,7%	37,3%	59 bp	38,0%	39,1%	103 bp	38,8%	39,9%	105 bp
EBIT	364	372	2,4%	406	429	5,4%	440	465	5,6%
	32,5%	33,0%	45 bp	33,8%	34,7%	91 bp	34,6%	35,5%	94 bp
EPS	0,92	0,94	2,7%	1,04	1,08	4,2%	1,13	1,18	4,5%

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

VALUATION

- Our DCF with WACC of 9.1%, long term growth of 2.5% after 2025 and operating EBIT margin of 30% (27.5% in 2015), prompts us to move our FV to EUR22.
- At the current share price, the stock is trading 15.1x EV/EBIT 2016e and 13.1x 2017e which compares with CAGR EBIT 2015-2018 of 10.9x.

NEXT CATALYSTS

- Q3 revenue on 13th October
- Capital market day on 19th October (London) Click here to download

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Utilities

Engie

Price EUR15.06

H1 2016 preview: negative LfL EBITDA growth expected due to one-off items

Fair Value EUR16,8 (+12%) **BUY**

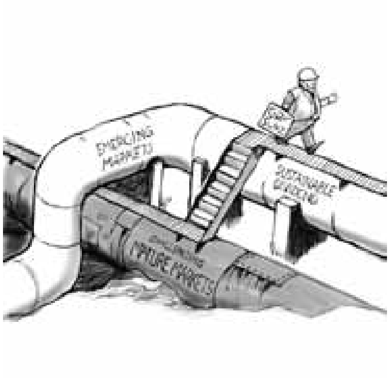
Bloomberg	GSZ FP
Reuters	GSZ.PA
12-month High / Low (EUR)	17.9 / 13.1
Market Cap (EUR)	36,675
Ev (BG Estimates) (EUR)	79,522
Avg. 6m daily volume (000)	6 223
3y EPS CAGR	-21.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.3%	5.6%	4.4%	-7.7%
Utilities	2.3%	2.8%	3.8%	-0.9%
DJ Stoxx 600	-0.3%	-2.3%	0.6%	-7.0%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	69,883	70,944	67,779	68,851
% change		*1.5%*	*-4.5%*	*1.6%*
EBITDA	11,261	10,806	10,235	10,575
EBIT	-3,243	6,315	5,768	6,063
% change		*NS*	*-8.7%*	*5.1%*
Net income	4,950	2,516	2,348	2,507
% change		*-49.2%*	*-6.6%*	*6.8%*

	2015	2016e	2017e	2018e
Operating margin	-4.6	8.9	8.5	8.8
Net margin	7.1	3.5	3.5	3.6
ROE	10.2	5.2	4.9	5.2
ROCE	6.8	4.4	4.0	4.2
Gearing	61.5	57.8	60.6	61.2

(EUR)	2015	2016e	2017e	2018e
EPS	2.04	1.01	0.93	1.00
% change	-	*-50.7%*	*-7.1%*	*7.2%*
P/E	7.4x	15.0x	16.1x	15.0x
FCF yield (%)	0.7%	5.3%	4.7%	7.1%
Dividends (EUR)	1.00	1.00	0.70	0.70
Div yield (%)	6.6%	6.6%	4.6%	4.6%
EV/Sales	1.1x	1.1x	1.2x	1.2x
EV/EBITDA	6.6x	7.4x	7.9x	7.7x
EV/EBIT	NS	12.6x	14.0x	13.4x



Engie is set to report its H1 2016 results on 28th July after trading. We expect the company to report a 2.8% lfl decline for the period, particularly since the Q2 2015 figure was positively impacted by long-term gas supply contract renegotiations for c. EUR300m. This is likley to be partly offset by the tailwind from Belgian nuclear volumes as well as by new commissioning and the ongoing Lean 2018 cost-savings programme. We expect the group to confirm guidance for the year including its EUR10.8bn-EUR11.4bn EBITDA target.

ANALYSIS

- **Our H1 2016 estimates:** We expect Engie to post H1 2016e EBITDA of **EUR5.748bn** implying a 6.1% decline year-on-year (from EUR6.122bn in H1 2015) and a **2.8% lfl decline**. This 2.8% decline is mainly explained by the positive EUR300m one-off impact reported in Q2 2015 linked to long-term gas supply contract renegotiations. Adjusted for this impact, H1 2016e EBITDA would have risen 2.1% lfl, according to our estimates. We expect EBITDA to be positively impacted by **Belgian nuclear volumes** (+EUR200m impact in H1 2016), **new commissioning** (+EUR80m), the **Lean cost-saving programme** (+EUR250) and a slightly positive weather impact (+EUR21m); these effects being partly offset by currency (Brazilian real mainly) and commodities prices headwinds. We nevertheless expect the negative impact from E&P volumes to be rather limited in H1 2016 (c. EUR-50m) as the planned shutdown in Norway will only occur in H2 2016 (EUR300m negative impact expected for the full-year). We expect **the group's EBIT and net income** (company definition) **to reach EUR3.5bn and EUR1.5bn respectively**. **Net debt should reach EUR27.3bn** (vs. EUR27bn in Q1 2016 and EUR26.8bn in H1 2015) in line with company's objective to maintain **net debt/EBITDA ratio below 2.5x. We expect disposals already closed** (US merchant hydro assets and 50% of TEN transmission line) **to reduce net debt by c. EUR1.4bn** over the period (EUR0.4bn in Q1 2016 and EUR1bn in Q2 2016).

- **What to expect from this publication ?** As a reminder, a month ago, Engie hosted an "Investor Workshop" where the company gave more details on its new strategic focus as well as on its asset rotation programme. As a consequence, **we do not expect any significant new announcements during H1 2016 results**. Some additional updates would be well-appreciated especially on the disposals programme (E&P, Australian assets) or on the LNG business (Cameroon project put on hold).

- **Conclusion: We expect Engie to confirm its FY 2016e guidance** including full-year EBITDA before disposals of **between EUR10.8bn and EUR11.4bn**, recurring net income between EUR2.4bn and EUR2.7bn and a EUR1 dividend per share. **We are at the low-end of guidance** both for EBITDA (EUR10.8bn) and recurring net income (EUR2.5bn) **We are maintaining our Buy recommendation and our EUR16.8 Fair Value** since we assume, at the current share price, that Engie's investment case offers **very limited downside.**

- **Conference-call @ 6:00pm CET: +44 (0)20 3427 1918**

VALUATION

- At the current share price, Engie is trading at 7.4x its 2016e EV/EBITDA multiple and offers a 6.7% yield.
- Buy, FV @ EUR16.8

NEXT CATALYST:

28th July: H1 2016 results

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Luxury & Consumer Goods

Groupe SEB

Price EUR114.55

Q2 and H1 results above expectations, bright outlook!

Fair Value EUR125 (+9%) **BUY**

Bloomberg	SK FP
Reuters	SEBF.PA
12-month High / Low (EUR)	115.8 / 79.5
Market Cap (EURm)	5,747
Ev (BG Estimates) (EURm)	7,923
Avg. 6m daily volume (000)	52.90
3y EPS CAGR	25.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.9%	25.1%	28.9%	21.1%
Consumer Gds	1.6%	1.9%	4.6%	-1.6%
DJ Stoxx 600	-0.3%	-2.3%	0.6%	-7.0%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	4,770	5,333	6,414	6,729
% change		*11.8%*	*20.3%*	*4.9%*
EBITDA	428	509	664	713
EBIT	396.6	474.3	622.0	669.0
% change		*19.6%*	*31.1%*	*7.6%*
Net income	205.9	258.1	357.1	403.5
% change		*25.3%*	*38.4%*	*13.0%*

	2015	2016e	2017e	2018e
Operating margin	8.3	8.9	9.7	9.9
Net margin	4.3	4.8	5.6	6.0
ROE	13.2	17.6	20.5	19.7
ROCE	12.8	8.6	10.7	11.4
Gearing	16.5	120.7	100.4	75.4

(€)	2015	2016e	2017e	2018e
EPS	4.14	5.19	7.18	8.12
% change	*-*	*25.3%*	*38.4%*	*13.0%*
P/E	27.7x	22.1x	15.9x	14.1x
FCF yield (%)	5.5%	3.8%	4.5%	7.0%
Dividends (€)	1.54	1.65	1.80	2.00
Div yield (%)	1.3%	1.4%	1.6%	1.7%
EV/Sales	1.3x	1.5x	1.2x	1.1x
EV/EBITDA	14.2x	15.6x	11.7x	10.5x
EV/EBIT	15.3x	16.7x	12.5x	11.2x

Sales amounted to EUR1.049bn in Q2 alone, matching the CS of EUR1.045bn, while organic growth of 6.9% topped the CS (+5%) and accelerated vs Q1 (+5.1%). Momentum remained driven by EMEA (+6%) and Greater China (+23.5%) Adj. EBIT reached EUR79m, or ~30% above expectations (CS: EUR61m), implying a significant 220bp-margin improvement to 7.5% (H1: +100bp to 7.9%). Ahead of the analysts' meeting, the group has fine-tuned its optimistic FY16 targets in light of this quite volatile environment. Buy recommendation and FV of EUR125 confirmed.

ANALYSIS

- **Solid growth in EMEA (+6% LFL). Western Europe** was up 5%: SEB delivered its 12th consecutive quarter of growth in **France** (+6.3% LFL) in both SDA and cookware. Momentum remained strong in **Germany** and **Spain** and improved in the UK after a weak Q1. The contraction in **Italy** was mostly due to the end of a loyalty programme (LP). In **Other Countries** (+8.5% LFL), sales in **Russia** were amazingly up 30% LFL in Q2 and **Central Europe** was up in the double-digits. However, the **Middle-East** has slowed down in Q2 after a buoyant start to the year.
- **Sales in the Americas were down 6.9% LFL, with the gradual recovery in North America.** Following a Q1 marked by some destocking in cookware in the **U.S.**, trends have slightly improved in Q2 (almost flat LFL), as expected by the management. The activity was still subdued in **Canada** and the contraction in **Mexico** is explained by a LP that was not renewed. In **Latin America** (-3% LFL) the group faced deteriorating trends in **Brazil** (-15% LFL), mainly driven by the small electrical appliance category. Good performances were posted in other countries, especially in **Colombia**.
- **Double-digit growth in Asia-Pacific (+16.8% LFL).** This momentum was largely driven by **Greater China** were sales grew by 23.5%, with a balanced performance between SDA and cookware. Hence Supor has clearly gained market share over H1. **Japan** and **South Korea** also grew above 10% this quarter but on the opposite, sales in **Thailand** and **Vietnam** were down.
- **Adj. EBIT soared 46% to EUR79m, topping CS expectations by ~30% (EUR61m).** Hence the adj. EBIT margin improved 220bp to 7.5% (CS: 5.8%) after -10bp in Q1. Once again, the group benefited from a favourable price-mix effect, a positive sourcing impact and efficiency gains, which more than offset the negative FX impact of EUR16m (Q1: negative EUR45m). Note that the group is to maintain a negative forex impact over 2016 (EUR120m).
- **Upbeat FY16 outlook fine-tuned.** Against this reassuring first half of the year, management detailed its two main targets for 2016, which strip out any future contribution from EMSA and WMF: **(i)** LFL growth should be "above 5%" (BG: +5% / CS: +5.5%) and **(ii)** a reported increase in adj. EBIT both in organic and reported terms. The consensus and ourselves are expecting EUR479m (+12%), implying a 60bp margin improvement to 9.6%.
- **EMSA and WMF: a clearer view on the finalisation deadline?** Our estimates retain a consolidation of EMSA and WMF in Q3 and Q4 respectively. Of course all eyes will be on WMF, the largest acquisition in the group's history (EV: EUR1.710bn, sales of EUR1.061bn) enabling SEB to become the undisputed global leader in professional coffee machines (~28% market share). It has also strengthened its leadership in cookware, especially in German-speaking countries. Note that for 2017 we anticipate a positive scope effect of ~21% on the top line and an accretive impact of ~24% on adj. EBITDA and of ~20% on EPS.

VALUATION

- Following this better-than-expected H1 publication and upbeat FY16 targets, we expect a positive market reaction this morning. In view of sound fundamentals for SEB stand-alone and limited risks surrounding these above-mentioned deals (excellent track-record with M&A, low cost of financing), we are clearly confident in the group's outlook! Buy recommendation and FV of EUR125 confirmed.

NEXT CATALYSTS

- Analysts' Meeting today at 2.30pm (Paris time) // Analyst Day on 4th October.

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(see tables next page)

Q2 and H1 2016 sales by region (new reporting):

% LFL growth	Q1 16	Q2 16	H1 16
EMEA – Western Europe	4.3	5.0	*4.7*
EMEA – Others	7.4	8.5	*7.9*
Total EMEA	**5.3**	**6.0**	***5.6***
North America	-12.4	-6.9	*-9.5*
South America	4.3	-3.0	*0.4*
Americas	**-5.5**	**-5.3**	***-5.4***
China	12.5	23.5	*17.2*
Rest of Asia	3.1	2.4	*2.7*
Asia-Pacific	**10.1**	**16.8**	***13.1***
Total Groupe SEB	**5.1**	**6.9**	***6.0***

Source: Company Data

Groupe SEB H1 2016 results:

EURm	H1 15	H1 16	% change
Sales	2,113	2,164	*2.4*
Recurring EBIT	146	172	*17.7*
In % of sales	*6.9*	*7.9*	*+100bp*
Group net income	54	62	*15.0*

Source: Company Data

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Healthcare

QIAGEN

Price EUR20.98

Q2 as a cornerstone of QIAGEN's "show-me story" (preview)

Fair Value EUR22 (+5%) **NEUTRAL**

Bloomberg	QIA GR
Reuters	QGEN.DE
12-month High / Low (EUR)	26.0 / 17.8
Market Cap (EURm)	5,028
Ev (BG Estimates) (EURm)	5,597
Avg. 6m daily volume (000)	428.6
3y EPS CAGR	7.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.6%	-1.0%	0.5%	-16.5%
Healthcare	6.2%	4.5%	2.7%	-3.2%
DJ Stoxx 600	-0.3%	-2.3%	0.6%	-7.0%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	1,281	1,324	1,404	1,509
% change		*3.3%*	*6.0%*	*7.5%*
EBITDA	438	446	472	511
EBIT	314.5	322.6	349.3	387.6
% change		*2.6%*	*8.3%*	*11.0%*
Net income	249.3	258.5	276.7	306.0
% change		*3.7%*	*7.1%*	*10.6%*

	2015	2016e	2017e	2018e
Operating margin	24.6	24.4	24.9	25.7
Net margin	19.5	19.5	19.7	20.3
ROE	5.0	4.8	5.1	5.7
ROCE	23.0	19.5	18.0	23.6
Gearing	38.8	21.9	15.5	8.9

(USD)	2015	2016e	2017e	2018e
EPS	1.05	1.09	1.18	1.31
% change	-	*4.1%*	*7.5%*	*11.1%*
P/E	21.9x	21.1x	19.6x	17.6x
FCF yield (%)	7.2%	7.3%	6.3%	6.8%
Dividends (USD)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	5.1x	4.6x	4.3x	3.8x
EV/EBITDA	14.9x	13.8x	12.7x	11.4x
EV/EBIT	20.7x	19.0x	17.1x	15.0x

QIAGEN is due to report Q2 earnings on July 28th 2016. Recall that Q1 publication was underlined by a somewhat disappointing Q2 guidance with a margin ramp-up back-end loaded towards the end of the year (please see *here*). Following significant downward adjustments in the consensus estimates, we would welcome results in-line with estimates as they should be a first positive sign of the group's ability to accelerate top-line growth and deliver operating leverage, with the aim of meeting its FY 2016 guidance (6%CER topline growth, EPS USD1.08-1.09 range inc. USD0.02 negative FX effect).

ANALYSIS

- For Q2, our estimates are pretty much aligned with the consensus as we expect a 4.3% CER topline growth rate at USD327m (consensus 3.9%CER at USD327m difference in FX ests. filing the gap). Note that group's guidance is 4%CER topline growth and EPS of USD0.22 (exc. USD0.01 r ... test sales and continued ... ests sold). MDx BGe 6%CE ... ER), affected by instrumen ... o mid- to high-single digi ... uld materialize into QIA's ... expect NA and APAC sale ... ired by strong Selling & ... FERON TB test productio...

Vara consensus as of 22/07/2016	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016
Consensus - SALES		*327*	*334*	*374*	*1 333*
BGe - SALES	**298**	**328**	**333**	**373**	**1 333**
% diff		***0,3%***	***-0,2%***	***-0,1%***	***0,0%***
Consensus - Op Income		*67*	*87*	*110*	*316*
Consensus - % margin		*20,4%*	*25,9%*	*29,4%*	*23,7%*
BGe - Op Income	**53**	**64**	**86**	**114**	**318**
BGe - % margin	**17,9%**	**19,6%**	**25,9%**	**30,5%**	**23,8%**
% diff		***-3,3%***	***-0,4%***	***3,6%***	***0,4%***
EPS		*0,22*	*0,29*	*0,38*	*1,08*
BGe	**0,19**	**0,22**	**0,29**	**0,39**	**1,08**
% diff		***-1,5%***	***0,2%***	***2,1%***	***0,6%***

- Turning to Q3, good macro trends pinpointed in the publications of other Dx companies should also benefit to QIAGEN and support top-line acceleration throughout the end of the year, eased by HPV headwinds fading away (BGe -0.4pp impact on topline growth). Group's Q3 guidance that would point to 6%CER revenue growth and EPS at around USD0.29 per share should reinforce investors' sentiment on the group's ability to meet its FY2016 guidance. Note that although they appear challenging in CER terms, our numbers implies USD8m USD18m and USD24m sales progression in absolute terms for Q2, Q3 and Q4 respectively. Regarding profitability and considering that all significant investments would be behind in H2 we would expect adj. EBIT to rise sharply to around 26% and 30% of sales in Q3 and Q4 respectively.

VALUATION

- Our view is that results that would come in-line with consensus should be welcomed by investors as they might restore confidence towards the ability of the group to meet its FY 2016 guidance (sales growing 6% at CER, EPS in the EUR1.08-1.09 range inc. USD0.02 negative FX effect).

NEXT CATALYSTS

- July 28th: Q2 results (post-market)

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Utilities

Suez

Price EUR14.12

Preview H1 2016: key updates awaited on cost-savings and M&A

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

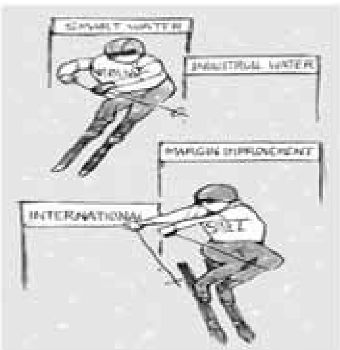
Bloomberg	SEV FP
Reuters	SEVI.PA
12-month High / Low (EUR)	18.3 / 12.9
Market Cap (EUR)	7,684
Ev (BG Estimates) (EUR)	18,769
Avg. 6m daily volume (000)	1,268
3y EPS CAGR	-2.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.3%	-12.1%	-15.4%	-18.2%
Utilities	2.3%	2.8%	3.8%	-0.9%
DJ Stoxx 600	-0.3%	-2.3%	0.6%	-7.0%

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	14.4x
FCF yield (%)	3.4%	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	6.8x	7.1x	6.9x	6.6x
EV/EBIT	13.6x	14.6x	14.1x	13.3x



Suez is set to report its H1 2016 results on 28th July in the morning. As the macro environment remains challenging for the environmental services company, we do not expect any significant change in Suez's H1 2016 performance. We expect sales to rise slightly in organic terms thanks to a strong performance in the company's international activities, and H1 2016 EBITDA to drop slightly YoY, notably bearing the brunt of a challenging comparable basis and an unfavorable climate which should more than offset cost-savings achieved over the half-year period. We expect the company to give two important updates on its cost-cutting targets (likely to be upgraded, in our view) as well as on its M&A strategy and, a fortiori, on its 2017 EBITDA 'ambition' of EUR3bn, unlikely to be reached as the timing appears too short now for Suez to fully integrate any potential acquisition by 2017. Since we have not included any acquisitions or additional cost-saving measures as yet, we are sticking to our Buy recommendation and maintain our FV at EUR17.5.

ANALYSIS

- **What to expect from Suez' H1 2016 publication?** As the **global macro environment remains challenging** (no significant industrial recovery in Europe, low inflation environment in mature markets), **we do not expect any significant inflexion in Suez's Q2 2016 results compared to the company's first quarter performance. We expect H1 2016 revenues to reach EUR7,340m, slightly up 0.6% YoY** - despite a 1.3% FX headwind – spurred by a strong performance in Suez's international business division (8.6% organic growth) which should more than offset **poor performance in both the Water Europe and Waste Europe segments** (+0.3% and -0.8% organically YoY, respectively). On top of a **challenging H1 2015 comparable base**, we expect Water Europe to bear the brunt of 1) the low inflation environment in Europe; 2) loss of the Lille contract; 3) the unfavorable climate in Chile on top of a flood in one of the company's plants, which should have a negative impact on volumes and the division's EBITDA (low single digit negative impact). **As for the waste business, we expect sales to be penalised by the drop in raw materials prices** as well as by flattish volumes due to still spluttering industrial production in Europe. **We expect the division's H1 2016 EBITDA to drop 0.8% YoY in organic terms,** notably due to a EUR19m headwind attributable to the drop in electricity prices (EUR11m in Q1 2016 and EUR8m in Q2 2016). **In all, after a 0.1% organic decline in Q1 2016, we expect the company's EBITDA to reach EUR1.263bn in H1 2016** (-0.6% organically YoY) implying a **17.2% EBITDA margin** over the half-year period, 50bp below last year's performance. **We expect H1 2016 EBIT to reach EUR571m** (vs. EUR604m in H1 2015) **and net income of EUR147m** (vs. EUR141m last year) as we expect a lower minorities impact (EUR95m vs. EUR111m).

- **Updates awaited on M&A and cost-reductions**: During the H1 2016 results presentation, **we expect Suez to give an update on its M&A strategy as well on its initial EUR3bn EBITDA 'ambition' for FY 2017e**. **As the timing now looks too short for Suez to fully integrate any potential acquisition, we think the company is unlikely to reach this target, which was to be delivered through both organic growth and M&A** (c. EUR200m each). **As we believe this is already well priced-in** (Suez's share price is down c. 18% YTD – vs. -2.6% for the Stoxx 600 Utilities and -11% for Veolia Environnement - while the consensus currently stands at EUR2,769 vs. EUR2,791m for BG, both well below EUR3bn), **we do not expect any significant derating in case of a downgrade to this target.** However, **we believe any indication below EUR2.800bn would be negatively received by the market** as this would imply an organic contribution lower than the c. EUR200m currently anticipated. Despite the still spluttering macro environment, **we believe Suez is likely to guide over EUR2.800bn for FY 2017e as we expect the company to announce additional cost-saving measures during its H1 2016 results**. Since 2010, Suez has a solid track record in delivering cost-savings. For each of the last five years, the company has upgraded its initial cost-savings target and/or has exceeded it. **We believe Suez is likely to upgrade its target this year again**. In our recent report (Haste makes waste, it's upside time !), **we estimate that additional EUR90m-EUR100m procurement savings** – spread over 2016/2017/2018 - **would increase our FV by EUR0.3.**

VALUATION

- At the current share price, Suez is trading at 7.1x its 2016e EBITDA
- Buy, FV @ 17.5

Table 1: H1 2016 key metrics

Suez - Preview	H1 2016e	H1 2015
Revenues	**7,340**	**7,295**
YoY change	*0.6%*	-
o/w organic	*1.9%*	-
o/w FX	*-1.3%*	-
o/w Water	**2226**	**2261**
YoY change	*-1.5%*	-
o/w organic	*0.3%*	-
o/w Waste	**3,120**	**3,167**
YoY change	*-1.5%*	-
o/w organic	*-0.8%*	-
o/w International	**1,942**	**1,815**
YoY change	*7.0%*	-
o/w organic	*8.6%*	-
EBITDA	**1,263**	**1,293**
EBITDA margin	17.2%	17.7%
o/w organic	*-0.6%*	-
o/w FX	*-1.7%*	-
o/w Water	622	662
o/w Waste	362	368
o/w International	317	303

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

Table 2: Summarised P&L

P&L -Suez	H1-16e	H1-15
Revenues	**7,340**	**7,295**
EBITDA	**1,263**	**1,293**
D&A	(557)	(556)
Concessions charges	(132)	(137)
Others	(3)	4
EBIT	**571**	**604**
Rebranding costs	(18)	(18)
Restructuring costs	(25)	(28)
Others	(40)	(56)
Income from. Op Activities	**489**	**502**
Cost of net debt	(197)	(200)
Taxes	(50)	(50)
Minorities	(95)	(111)
Net income, Group share	**147**	**141**

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

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Utilities

Veolia Environnement

Price EUR19.39

H1 2016 preview: cost-saving measures set to underpin medium-term EBITDA guidance

Fair Value EUR23 (+19%) **BUY-Top Picks**

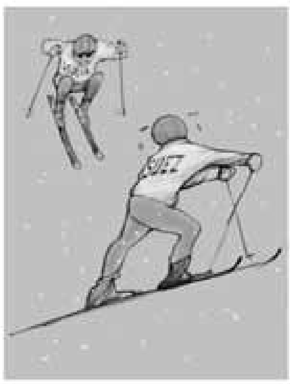
Bloomberg	VIE FP
Reuters	VIE.PA
12-month High / Low (EUR)	22.9 / 18.1
Market Cap (EURm)	10,924
Ev (BG Estimates) (EURm)	18,635
Avg. 6m daily volume (000)	1,936
3y EPS CAGR	27.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.7%	-7.9%	-8.8%	-11.3%
Utilities	2.3%	2.8%	3.8%	-0.9%
DJ Stoxx 600	-0.3%	-2.3%	0.6%	-7.0%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	24,965	24,927	25,821	26,471
% change		*-0.2%*	*3.6%*	*2.5%*
EBITDA	2,997	3,135	3,336	3,516
EBIT	1,060	1,419	1,551	1,685
% change		*33.9%*	*9.3%*	*8.7%*
Net income	380.2	559.3	679.6	786.7
% change		*47.1%*	*21.5%*	*15.8%*

	2015	2016e	2017e	2018e
Operating margin	4.5	5.7	6.0	6.4
Net margin	1.8	2.5	2.9	3.2
ROE	4.0	5.7	6.8	7.7
ROCE	6.4	8.2	8.7	9.2
Gearing	82.6	83.2	82.5	79.7

(EUR)	2015	2016e	2017e	2018e
EPS	0.68	0.99	1.21	1.40
% change	*-*	*47.1%*	*21.5%*	*15.8%*
P/E	28.7x	19.5x	16.0x	13.9x
FCF yield (%)	9.7%	NM	6.1%	7.2%
Dividends (EUR)	0.73	0.85	0.87	0.99
Div yield (%)	3.8%	4.4%	4.5%	5.1%
EV/Sales	0.7x	0.7x	0.7x	0.7x
EV/EBITDA	5.9x	5.9x	5.6x	5.3x
EV/EBIT	16.8x	13.1x	12.0x	11.0x



Veolia Environnement is due to report H1 2016 results next week on 1st August before trading. We expect a poor sales performance in H1, in line with the Q1 perfomance, as the company is set to have suffered from unfavorable weather in the US, FX headwinds and (like Suez), a still challenging market environment (no recovery in European industrial production and low inflation in mature markets). However, we expect Veolia to post 4.9% organic growth in H1 2016 EBITDA, in line with its 5% medium-term objective. The main driver for the company's margin resilience remains its 'Convergence' cost-saving programme (EUR600m forecasted over 2016-2018). We maintain our Buy recommendation and our FV of EUR23.

ANALYSIS

- **What to expect from Veolia Environnement's H1 2016 publication? We expect Veolia to report a poor sales performance for H1 2016 at EUR11.922bn** down 3.2% on the H1 2015 figure at EUR12.318bn. This **3.2% decrease** should be **attributed equally to FX headwinds and an organic decline** notably due to an unfavorable weather effect in the US (weighing on the company's energy business), a weak performance in industrial waste in the US and the previously announced downsizing of Veolia Water Technologies (EUR125m negative impact over the semester). **Like Suez, Veolia is still suffering from a rather challenging macro environment** with low inflation in mature markets (negatively impacting the water business) and flattish industrial production in Europe (negatively impacting the waste business). We expect revenues in France to be broadly flat over the period, in line with the Q1 2016 performance. **However, we expect Veolia's H1 2016 EBITDA to reach EUR1.574bn**, up 2.8% YoY (EUR1,531m posted in H1 2015) notably **thanks to a EUR100m positive contribution from the Convergence cost-savings programme**. **We believe Veolia will be on track to achieve its objective of 5% annual organic growth in EBITDA** between 2016 and 2018 (we estimate H1 2016 organic growth of 4.9%). We expect the company's current EBIT to decrease year-on-year to EUR700m (from EUR712m) as the H1 2015 figure included an EUR38m provision reversal. **Finally, we expect the bottom line to be negatively impacted, on a reported basis,** by 1) a c.EUR65m capital gain realised in H1 2015; 2) a mid-single digit decline in financial income due to reimbursement of the EUR345m shareholder loan to Transdev. **Adjusted net income** (only adjusted for the EUR65m capital gain, not for the EUR38m provision reversal) **should therefore reach EUR282m (vs. EUR256m in H1 2015).**

- **Targets expected to be confirmed**. Finally, we expect Veolia's 2016 targets to generate organic growth (for both revenues and EBITDA), to reach EUR650m of FCF and to post current net income of at least EUR600m to be confirmed (we stand at EUR620m).

- **Conference call @ 8.30 am CET: +44 (0)2033679454**

VALUATION

- At the current share price, Veolia Environnement is trading at 5.9x its 2016e EBITDA

- Buy, FV @ 23

NEXT CATALYSTS

- 3rd November 2016: Q3 2016 results

Table 1: Veolia's H1-16 key metrics

Veolia - P&L summarized	H1-16e	H1-15
Revenues	**11,922**	**12,318**
EBITDA	**1,574**	**1,531**
EBITDA margin	13.2%	12.4%
Renewal expenses	(142)	(141)
OFA reimbursement	(82)	(82)
D&A	(698)	(686)
Associates	47	53
Others	0	38
Current EBIT	**700**	**712**
Financial results	(252)	(184)
Taxes	(114)	(125)
Minorities	(52)	(82)
Current net income, Group share	**282**	**321**
Adjusted net income, Group share	**282**	**256**

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

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Healthcare

Ipsen

Price EUR55.37

Bloomberg	IPN FP
Reuters	IPN.PA
12-month High / Low (EUR)	62.0 / 47.1
Market Cap (EUR)	4,615
Avg. 6m daily volume (000)	89.20

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.5%	5.8%	2.5%	-9.2%
Healthcare	6.2%	4.5%	2.7%	-3.2%
DJ Stoxx 600	-0.3%	-2.3%	0.6%	-7.0%

	2015	2016e	2017e	2018e
P/E	19.9x	19.1x	16.3x	13.6x
Div yield (%)	1.5%	1.5%	2.0%	2.2%

Cabometyx recommended by CHMP

Fair Value EUR64 (+16%) **BUY-Top Picks**

ANALYSIS

- Last Friday, the CHMP sent its monthly report with recommendations on drug filings and it was good to see Cabometyx (cabozantinib) in the list with a positive recommendation for approval in the treatment of advanced renal cell carcinoma (RCC) in monotherapy, with three dosages to be available (20, 40 and 60 mg tablets).
- This is very much in line with the expected agenda as it has always been communicated that under an accelerated approval process granted by the EMA when the filing took place at the beginning of the year, an approval would then be expected in September. As there are usually about two months between the CHMP recommendations and the EMA's final decisions, it is fair to expect Cabometyx to be approved by the end of September.
- That said, Ipsen also mentioned when it bought ex-US drug rights that a launch would likely take place at the beginning of 2017 in order to recruit and train the sales force. Our understanding is that recruitment is progressing on track, with interesting talents excited by the challenge of launching cabo in Europe. That said, it is competitive and requires time so that we are not sure that Ipsen will be able to bring the date forward, even in markets where there is no pricing discussions to have before launching, like Germany.

VALUATION

- We already had 2L RCC with a 100% PoS with cabo (while everything else is a free option) and are therefore making no change to our numbers. We assume a launch in RCC in the first markets in Q1 2017.

NEXT CATALYSTS

- 28th July 2017 : First-half results - Click here to download

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Construction & Building Materials

LafargeHolcim

Price CHF43.85

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	68.7 / 34.1
Market Cap (CHFm)	26,613
Avg. 6m daily volume (000)	2,250

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.3%	-10.0%	-0.6%	-12.8%
Cons & Mat	-0.3%	-1.9%	4.2%	-1.8%
DJ Stoxx 600	-0.3%	-2.3%	0.6%	-7.0%

	2015	2016e	2017e	2018e
P/E	33.7x	18.3x	12.0x	10.2x
Div yield (%)	3.4%	3.8%	4.1%	4.4%

Agreement to dispose of Sri Lanka: expected but positive.

Fair Value CHF50 (+14%) **BUY**

ANALYSIS

- An agreement has been signed with Thailand Cement company Siam City for the sale of Holcim Lanka for EV of USD400m, LafargeHolcim said this morning.
- The price is attractive for the seller at USD175m per tonne, based on 2.3mt in cement capacity. Admittedly, Sri Lanka is an attractive market, with volume growth underpinned by the housing market and a favourable demand/offer balance so far. Imports place some pressure on the market though, especially as the local government controls prices.
- In any case, the news is not a surprise, as LHN said early June that it was planning to leave the Sri Lanka market. It has attracted numerous buyers according to the press, hence the price. In any case, this is a step in the right direction: LHN has now secured three-quarters of its CHF3.5bn divestment target for 2016. Note that the group announced an agreement for Lafarge India at the beginning of July (USD1.4bn), while some deals were announced earlier this year for South Korea, Saudi Arabia and Morocco.

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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Luxury & Consumer Goods

L'Oréal

Price EUR174.55

Bloomberg	OR FP
Reuters	OREP.PA
12-month High / Low (EUR)	178.2 / 143.9
Market Cap (EURm)	97,748
Avg. 6m daily volume (000)	683.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.6%	6.8%	16.0%	12.4%
Pers & H/H Gds	0.3%	3.1%	7.2%	2.1%
DJ Stoxx 600	-0.3%	-2.3%	0.6%	-7.0%

	2015	2016e	2017e	2018e
P/E	28.2x	26.9x	25.4x	23.7x
Div yield (%)	1.8%	1.9%	2.1%	2.2%

Acquisition in the US

Fair Value EUR177 (+1%) **BUY**

ANALYSIS

- L'Oréal has announced the acquisition of IT Cosmetics, one of the fastest growing prestige beauty brands in US. The brand focuses on skin care and also, not to say mainly, colour cosmetics (a fast growing segment with growth of around 10% in 2015) and is distributed through its own web site, select television shopping channels like QVC and TSC, and speciality stores including ULTA and Sephora. FY sales reached EUR170m in the last 12 months and more importantly, grew 56%! This is a "marginal" acquisition as additional sales account for 0.6% of FY 2016 group sales. The French group has been particularly active in acquisitions in the colour segment in the US over the past four years (Urban Decay in 2012 and Nyx in 2014).
- L'Oréal paid EUR1bn in cash for the company and has the financial means to carry out this deal. Indeed, net cash at end 2015 was EUR540m while 2015 FCF was close to EUR2.9bn. Moreover, given the brand's estimated profitability (close to group average of 17.5%), we assume this acquisition should be slightly accretive in Year 1.
- L'Oréal is also due to release HY results on Thursday. We expect sales to increase 4.3% organically thanks to a slightly less demanding comparison basis, but affected by a slowdown in travel retail in Europe and by poor weather conditions (sun products will likely be penalised).

VALUATION

- We remain at Buy on the stock with an unchanged EUR177 FV.

NEXT CATALYSTS

- HY results to be reported on the 28th July.

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Luxury & Consumer Goods

LVMH

Price EUR142.30

LVMH sells Donna Karan!

Fair Value EUR171 (+20%) BUY

Bloomberg	MC FP
Reuters	LVMH.PA
12-month High / Low (EUR)	175.6 / 131.4
Market Cap (EURm)	72,241
Avg. 6m daily volume (000)	915.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.3%	-5.0%	-0.6%	-1.8%
Pers & H/H Gds	0.3%	3.1%	7.2%	2.1%
DJ Stoxx 600	-0.3%	-2.3%	0.6%	-7.0%

	2015	2016e	2017e	2018e
P/E	20.0x	17.8x	16.0x	14.5x
Div yield (%)	2.5%	2.7%	3.0%	3.3%

ANALYSIS

- LVMH has just announced an agreement by which LVMH is to sell Donna Karan International, Inc (parent company of the Donna Karan and DKNY brands) to G-III Apparel Group (a leading US designer, manufacturer and marketer of branded apparel & accessories).
- G-III Apparel Group will buy Donna Karan for enterprise value of around USD650m. We estimate DK sales of around EUR450m with losses at the EBIT level of close to EUR30/40m. More importantly, DK sales have been down for several quarters. G-III Apparel Group added that this acquisition, that should be finalised in late 2016 and will have a dilutive impact on FY 2018 earnings.
- We see the deal as good news for LVMH as DK was a burden for the group's growth (see negative impact on Q1 organic sales growth for F&L division of around 1 point) and profitability. The positive impact should be felt in 2017.

VALUATION

- We reiterate our Buy recommendation with a EUR171 FV.

NEXT CATALYSTS

- H1 2016 results to be reported tomorrow after market closure.

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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% NEUTRAL ratings 34.2% SELL ratings 10.7%

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