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27th July 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18473.75	-0.10%	+6.02%
S&P 500	2169.18	+0.03%	+6.13%
Nasdaq	5110.05	+0.24%	+2.05%
Nikkei	16664.82	+1.72%	-13.93%
Stoxx 600	341.256	+0.10%	-6.71%
CAC 40	4394.77	+0.15%	-5.23%
Oil /Gold			
Crude WTI	42.92	+1.15%	+15.38%
Gold (once)	1320.47	+0.20%	+24.29%
Currencies/Rates			
EUR/USD	1.09845	+0.10%	+1.12%
EUR/CHF	1.0902	+0.62%	+0.26%
German 10 years	-0.085	-10.83%	-113.39%
French 10 years	0.202	+6.07%	-79.45%
Euribor	-	+-%	+-%

Economic releases :

Date	
27th-Jul	JP - Small Business Confidence Jul (47.8A, 46.5P) GB - GDP 2Q (+2.1% y/y E) US- Durable Goods Ordes Jun. (-1.1% E) US -Pending Home Sales Jun (3% E) US - FOMC rate Decision (0.5%=E)

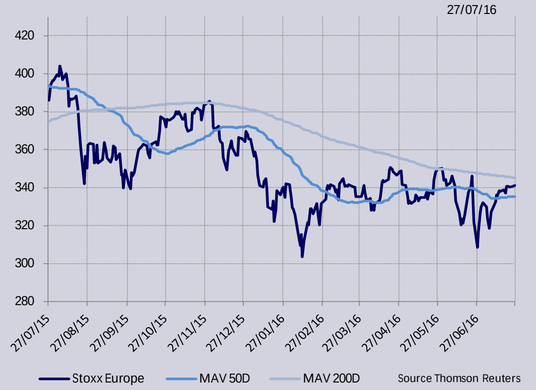
Upcoming BG events :

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	
26th-Jul	NICOX Don't turn a blind eye to opportunities
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.

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



ALBIOMA — **BUY, Fair Value EUR16 (+5%)**

A strong first semester, but that was anticipated. 2016 targets confirmed.

ARM HOLDINGS — **TENDER TO THE OFFER, Fair Value 1410p (-16%)**

Q2 2016 EPS came out 6% above consensus, no guidance given due to SoftBank acquisition

ATOS — **BUY, Fair Value EUR93 vs. EUR92 (+18%)**

H1 2016 results in line with our estimates, 2016 guidance raised

AXWAY SOFTWARE — **NEUTRAL, Fair Value EUR20 (-3%)**

H1 2016 results way above expectations, positive outlook reiterated

BAYER — **NEUTRAL, Fair Value Under Review**

Weak top-line, good margins, guidance raised

CAPGEMINI — **BUY, Fair Value EUR95 (+14%)**

H1 2016 results above expectations, 2016 guidance raised

DIA — **BUY, Fair Value EUR6,5 (+14%)**

Q2 results (in line): a much healthier top-line/bottom-line articulation

INGENICO GROUP — **BUY, Fair Value EUR130 vs. EUR144 (+18%)**

Still a Buy from a medium/long term horizon but some uncertainties in the very short term

LVMH — **BUY, Fair Value EUR171 (+19%)**

Reassuring H1 results

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

Q2 2016 results 7% below expectations, but hike in FY16 guidance anyway

ORANGE — **BUY, Fair Value EUR17,1 (+24%)**

Follow up on H1 results: good performance in a bad market.

SAGE GROUP — **SELL, Fair Value 600p vs. 575p (-15%)**

Q3 FY16 trading update in line; outlook reiterated

STMICROELECTRONICS — **NEUTRAL, Fair Value EUR6.5 (+10%)**

Q2 2016 results in line, outlook encouraging as the group sees healthy demand

SWORD GROUP — **BUY, Fair Value EUR25 vs. EUR26 (+7%)**

Preliminary H1 2016 results slightly above our estimates; 2016 guidance ex-fx confirmed

WORLDLINE — **BUY, Fair Value EUR31 vs. EUR29 (+15%)**

Strong H1 earnings and FY 2016 guidance slightly upgraded

In brief...

GENOMIC VISION, *H1 results in-line; looking forward to the results from the BRCA study*

MCPHY ENERGY, *H1 2016 sales up 25% with cost structure under control*

SCOR , *Broadly in line Q2 publication; solvency remains comfortable*

Utilities

Albioma

Price EUR15.24

A strong first semester, but that was anticipated. 2016 targets confirmed.

Fair Value EUR16 (+5%) **BUY**

Bloomberg	ABIO FP
Reuters	ABIO.PA
12-month High / Low (EUR)	15.7 / 11.9
Market Cap (EUR)	461
Ev (BG Estimates) (EUR)	1,100
Avg. 6m daily volume (000)	25.10
3y EPS CAGR	18.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.1%	11.2%	18.0%	1.9%
Utilities	11.4%	2.4%	3.2%	-0.5%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	354.0	376.0	427.3	484.4
% change		*6.2%*	*13.6%*	*13.4%*
EBITDA	120	127	147	176
EBIT	76.1	73.9	88.0	112.8
% change		*-2.9%*	*19.1%*	*28.2%*
Net income	30.2	25.9	33.6	50.1
% change		*-14.2%*	*29.8%*	*48.9%*

	2015	2016e	2017e	2018e
Operating margin	21.5	19.7	20.6	23.3
Net margin	8.5	6.9	7.9	10.3
ROE	7.4	6.3	8.0	11.3
ROCE	4.7	4.4	4.5	5.3
Gearing	131.6	155.5	192.2	201.7

(EUR)	2015	2016e	2017e	2018e
EPS	1.04	0.89	1.15	1.72
% change	-	*-14.2%*	*29.8%*	*48.9%*
P/E	14.7x	17.1x	13.2x	8.9x
FCF yield (%)	1.4%	NM	NM	NM
Dividends (EUR)	0.57	0.57	0.58	0.86
Div yield (%)	3.7%	3.7%	3.8%	5.6%
EV/Sales	2.8x	2.9x	3.0x	2.8x
EV/EBITDA	8.3x	8.7x	8.6x	7.7x
EV/EBIT	13.1x	14.9x	14.4x	12.0x

As expected, Albioma posted solid YoY Sales, EBITDA and net income growth for H1 2016 thanks to a positive scope effect in Brazil, a positive catch-up effect compared with H1 2015 when Le Moule and Le Gol plants were affected respectively by a strike and technical incidents, and thanks to a retrofit compensation effect concerning the Bois-Rouge power plant. 2016 targets were reiterated, while management's tone was quite positive and reassuring. Positive. Buy, FV @ EUR16.

ANALYSIS

- **Main H1 2016 metrics**: Total sales came out at **EUR177m**, up **8%** YoY thanks to solid growth in biomass thermal assets in France (a 7% pick up in production compared with last year when a strike affected Le Moule plant and when technical incidents stopped production at the Le Gol plant in H1 2015) and a recovery in sales generated by Brazilian activities (+72% following higher output from Rio Pardo and a positive scope effect with the integration of Codora Energia). Solar businesses only posted flat sales performance during the semester. Excluding the negative impact from the deterioration in commodities prices, YoY growth would have been close to **11.4%.** At the EBITDA level, the group benefited from these positive effects as well as from the positive retrofit effect at the Bois-Rouge power plant (for the extra costs of managing combustion by-products and processing liquid waste paid by the group since 2013). EBITDA therefore rose **30%** to **EUR65.4m** while net income was up **53%** to **EUR14.5m** in line with market expectations. The group's net debt remained almost unchanged at **EUR508m** despite an important rise in growth capex (dedicated to future assets, and as such generating no sales yet).
- **What to retain from this publication? 1/** Strategy in the anaerobic digestion business is still unclear, although the group will decide in H2 206 whether it continues or not within this business. We bet on an exit given the lack of synergies with other activities and given the difficulties the industry is facing to develop a franchise in France; **2/** strategy in Brazil very clear however. Management reiterated its aim to expand the group's capacities in the region further (every 12-18 months) and the group still has **EUR295m** to spend there. The recent deal signed with **Vale do Parana** is a perfect example of a low risk profile investment with best-in class sector players. Brazilian spot power prices remain low (BRL80/MWh), yet long term PPA prices remain quite attractive (minimum of BRL190/MWh). We expect a lot from this country given it will drive Albioma's mix toward its 2023 target to be renewable at **80%**. **3/** 2016 targets were reiterated despite this good set of numbers, especially since most of the performance was due to positive base comparison. The group is still targeting **EUR122-130m in EBITDA** *(+1.6%/+8%)* this year, and **EUR25-30m** in net profit *(-17%/0%)*. We currently stand respectively at **EUR127m** and **EUR27m**, in line with the consensus, implying a negative YoY EBITDA contribution for H2 2016 (-11.7%). It is important to keep in mind that the group **1/** will no longer benefit from a positive base effect as in H1, and **2/** will suffer from lower ARPU in Brazil compared with H2 2016.
- **Conclusion**: This good set of metrics is definitively positive for Albioma's investment case even if the base effect was favourable. We appreciated management's positive tone, especially on the outlook for Brazil. At this stage, we maintain our estimates and still value Albioma at **EUR16/share**.

VALUATION

- At the current share price Albioma is trading at 8.6x its 2016e EBITDA and offers a 3.8% yield
- Buy, FV @ 16

NEXT CATALYSTS

- Q3 2016 sales: 26th October 2016

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ARM Holdings

Price 1,676p

Q2 2016 EPS came out 6% above consensus, no guidance given due to SoftBank acquisition

Fair Value 1410p (-16%) **TENDER TO THE OFFER**

Bloomberg	ARM.LN
Reuters	ARM.L
12-month High / Low (p)	1,683 / 848.5
Market Cap (GBPm)	23,587
Ev (BG Estimates) (GBPm)	22,691
Avg. 6m daily volume (000)	5,037
3y EPS CAGR	17.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	55.2%	80.7%	65.1%	61.3%
Semiconductors	22.8%	26.1%	24.2%	19.2%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

YEnd Dec. (GBPm)	2015	2016e	2017e	2018e
Sales	968.3	1,179	1,385	1,541
% change		*21.7%*	*17.5%*	*11.3%*
EBITDA	542	646	782	882
EBIT	499.8	590.9	717.3	810.6
% change		*18.2%*	*21.4%*	*13.0%*
Net income	429.0	509.4	622.7	702.1
% change		*18.7%*	*22.2%*	*12.8%*

	2015	2016e	2017e	2018e
Operating margin	51.6	50.1	51.8	52.6
Net margin	44.3	43.2	45.0	45.6
ROE	18.9	18.6	19.4	18.4
ROCE	34.9	40.8	49.6	55.7
Gearing	-36.0	-45.7	-54.2	-61.4

(p)	2015	2016e	2017e	2018e
EPS	30.20	35.94	43.94	49.54
% change	-	*19.0%*	*22.2%*	*12.8%*
P/E	61.0x	51.2x	41.9x	37.2x
FCF yield (%)	0.0%	0.0%	0.0%	0.0%
Dividends (p)	7.60	11.24	13.94	14.49
Div yield (%)	0.4%	0.6%	0.8%	0.8%
EV/Sales	26.1x	21.1x	17.7x	15.6x
EV/EBITDA	46.6x	38.6x	31.4x	27.2x
EV/EBIT	50.5x	42.2x	34.2x	29.6x

ARM Holdings has reported Q2 2016 results above consensus expectations and company guidance. Q2 sales came in at USD388m or GBP268m, down 3.2% sequentially, with normalised operating margin at 47.6%, and EPS at 8.6p. The figures were a mixed bag with sales 3% below the consensus forecast at GBP275m but adjusted EPS 6% higher than the consensus at 8.6p (cs. ests. 8.1p/BG ests. 8.2p). Given the offer made by SoftBank to acquire ARM, the group does not provide guidance.

ANALYSIS

- **Q2 2016 top-line growth was below expectations but EPS came out 6% above consensus.** The company reported Q2 2016 revenues of USD388m, or GBP268m down 3.2% seq. (+17.1% yoy), 3% below consensus expectations. Gross margin came in at 96.2%, slightly down compared to Q1 2016 (at 96.7%), and operating expenses came out at GBP131m (up from GBP133m in Q1 2016). As a result, normalised EBIT was 3% below the consensus figure at GBP127m (cons. GBP131m/BG ests. GBP135m), nevertheless EPS was 6% above at 8.6p (cons. 8.1p / BG ests. 8.2p). Normalised cash generation increased significantly to GBP128m in Q2 2016, down from GBP81m in Q1 2016 and the net cash position at the end of Q2 2016 was GBP805m compared with GBP1,006m at the end of Q1 2016.
- **Licencing sales grew by 7% yoy in dollar terms in Q2 and royalties by 12% but showed a decrease of 9% sequentially.** Q2 licencing revenues accounted for USD161m (up 7% yoy, and 9% seq.) of which USD147.6m from the processors business and USD13.7m from the physical IP activity. Overall, the royalties business was the most dynamic with yoy growth of +12% in dollar terms (but down 9% seq.). Royalty revenues grew to USD197m, of which USD178m from the processors business and USD20m from physical IP. Software & tools and services revenues came out at USD15m and USD14m respectively, compared with USD20m and USD14m achieved in Q1 2016.
- **Given the offer by SoftBank to acquire ARM, the group has not provided any revenue guidance for full-year 2016.**

VALUATION

- We are making no change to our estimates at this point and will wait for further details from today's conference call (see details below).
- Based on our estimates, ARM's shares are trading on 2016e P/E of 51.2x. Note that SoftBank proposed 1,700p per share cash to acquire ARM Holdings.

NEXT CATALYSTS

- Today: Q2 results conference call (10:30am CET, +44 (1) 452 555 566, ID: 52814520).

Reported Q2 2016 vs. consensus

[GBPm]	BG ests. 2Q16	Consensus 2Q16	2Q16 Actual	Actual vs. Cons.
Net revenue	278	275	268	-2.6%
% change (seq)	*0.5%*	*-0.6%*	*-3.2%*	-257bp
% change (yoy)	*21.6%*	*20.2%*	*17.1%*	-311bp
Gross Margin	96.2%	96.4%	96.2%	-25bp
Adj. EBIT	135	131	127	-2.7%
% of revenue	*48.7%*	*47.6%*	*47.6%*	-4bp
Dil. EPS (in p.)	8.2	8.1	8.6	6.4%

Sources: Thomson Reuters I.B.E.S.; Bryan Garnier & Co. ests.

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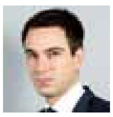

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Atos

Price EUR79.14

H1 2016 results in line with our estimates, 2016 guidance raised

Fair Value EUR93 vs. EUR92 (+18%) **BUY**

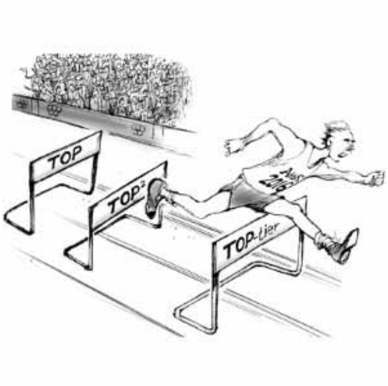
Bloomberg	ATO FP
Reuters	ATOS.PA
12-month High / Low (EUR)	83.1 / 62.7
Market Cap (EUR)	8,291
Ev (BG Estimates) (EUR)	7,424
Avg. 6m daily volume (000)	366.0
3y EPS CAGR	14.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.9%	1.5%	9.8%	2.2%
Softw.& Comp.	10.9%	6.6%	6.1%	2.6%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	10,686	11,776	12,200	12,478
% change		*10.2%*	*3.6%*	*2.3%*
EBITDA	1,334	1,537	1,684	1,767
EBIT	589.0	834.0	904.0	990.0
% change		*41.6%*	*8.4%*	*9.5%*
Net income	608.0	748.0	867.0	930.0
% change		*23.0%*	*15.9%*	*7.3%*

	2015	2016e	2017e	2018e
Operating margin	8.6	9.3	10.0	10.4
Net margin	4.0	5.2	5.7	6.2
ROE	9.9	13.3	13.2	12.9
ROCE	22.9	26.2	37.1	41.5
Gearing	-14.0	-20.0	-44.0	-53.0

(€)	2015	2016e	2017e	2018e
EPS	5.80	7.10	8.20	8.76
% change	-	*22.4%*	*15.5%*	*6.8%*
P/E	13.6x	11.1x	9.7x	9.0x
FCF yield (%)	4.8%	6.2%	7.4%	9.6%
Dividends (€)	0.90	1.10	1.40	1.55
Div yield (%)	1.1%	1.4%	1.8%	2.0%
EV/Sales	0.7x	0.6x	0.5x	0.4x
EV/EBITDA	5.8x	4.8x	3.6x	3.0x
EV/EBIT	8.4x	6.8x	5.0x	4.1x



We reiterate our Buy rating and have fine-tuned our DCF-derived fair value to EUR93 from EUR92 after lifting our adj. EPS ests. by 2% for 2016 and 1% for 2017. Yesterday evening, Atos reported H1 2016 results and free cash flow in line with our forecasts but slightly above the consensus average. 2016 guidance, which excludes Equens and KB SmartPay, is raised to revenues up 1.5-2% lfl and an op. margin of 9.2-9.5%. We expect the share price to react positively on the back of this publication.

ANALYSIS

- **H1 2016 results and free cash flow in line with our ests. but ahead of consensus**. For H1 2016, revenues were up 15.3% (+1.7% lfl) to EUR5.697bn or 1% above our forecast (EUR5,666m) and in line with consensus (EUR5,682m). Non-IFRS op. profit was up 23.1% to EUR444.4m or 7.8% of sales (+0.5ppt), or in line with our forecast (7.8%) and above the consensus (7.6%). Excluding the effect of pension plan optimisation in H1 2015, non-IFRS operating margin would have widened 1.3ppt. EBIT was up 64.2% to EUR324m (BG est.: EUR274.6m) after EUR97m restructuring costs (BG est.: EUR100m) and EUR51m of capital gains from the disposal of Visa Europe shares to Visa Inc, and attribuable net profit was up 69.8% to EUR234m (BG est.: EUR181.1m). For Q2 2016, sales were up 1.8% lfl to EUR2,939m. Free cash flow was up 74.2% to EUR181m (incl. EUR71m from Worldline), or in line with our forecast (EUR180m) and 26% above consensus (EUR144m).
- **H1 2016 details**. **By business unit**: 1) Managed Services: sales +0.6% lfl to EUR3.221bn and op. margin up 1.2ppt to 8.7% (cloud + service automation); 2) Consulting & Systems Integration: sales +0.5% lfl to EUR1.584bn and op. margin up 0.1ppt (+0.7ppt ex-effect of pension plan optimisation) to 4.9%; 3) Big Data & Cyber-security: sales +12.8% lfl to EUR302m and op. margin up 0.1ppt to 14%); 4) After elimination of EUR26m in interco transactions with Atos, Worldline's sales were up 5.9% lfl to EUR589m with an op. margin up 1.9ppt to 15.6%. **IT Services by geography**: 1) on sales, the biggest contributor to growth was Germany (+4.9% lfl), followed by North America (+4.4% lfl), France (+3.4% lfl) and Other BUs (+2.2% lfl), while the UK and Benelux/Nordics were down 4.6% lfl and 5.5%; 2) in terms of margin, the improvement stemmed from Germany (+3.3ppt to 8.7%), North America (+2.3ppt to 10.1%) and France (+1.9ppt to 5.6%), whereas it lost 1.4ppt to 7.8% in Benelux/Nordics, 0.6ppt to 9.7% in the UK, and 0.7ppt to 5.7% in Other BUs.
- **Update on Unify**. The integration of Unify is ahead of plan on restructuring (871 departures in H1 vs. a full-year target of 792) and non-personnel cost savings (initial target: EUR50m). In the Software & Platforms business, which is for sale, the number of indirect sales partners was up 22% to 2,376, the number of cloud-based communication users rose 9% to 221,000 vs. an annual target of +20%, and the number of Circuit users reached 26,000 (end 2016 target: c. 500,000). The net loss in Software & Platforms stood at EUR31m, on track for a EUR10m profit for 2016.
- **2016 guidance raised**. Encouraged by H1 figures and a book-to-bill ratio of 1.11x over the first half (1.2x in Q2), Atos has raised 2016 guidance (excluding Equens and KB SmartPay) and now expects revenues up 1.5-2% lfl (vs. above +0.4%) or up at least 11% at cc (vs. up above 8%), a non-IFRS operating margin of 9.2-9.5% (vs. 9-9.5%), and free cash flow above EUR550m (vs. c. EUR550m) including a EUR135-140m contribution from Worldline after EUR12m in transaction costs related to the acquisition of Equens. Management expects a strong H2 with a very limited impact from Brexit given Atos' low exposure to discretionary IT spending in Financial Services in the UK.

VALUATION

- Atos' shares are trading at est. 6.8x 2016 and 5.0x 2017 EV/EBIT multiples.
- Net cash position on 30th June 2016 was EUR412m (net gearing: -10%).

NEXT CATALYSTS

Q3 2016 sales on 20th October before markets open.

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Axway Software

Price EUR20.61

H1 2016 results way above expectations, positive outlook reiterated

Fair Value EUR20 (-3%) **NEUTRAL**

Bloomberg	AXW FP
Reuters	AXW PA
12-month High / Low (EUR)	25.7 / 19.2
Market Cap (EUR)	429
Ev (BG Estimates) (EUR)	413
Avg. 6m daily volume (000)	8.50
3y EPS CAGR	3.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.3%	6.0%	-11.5%	-15.5%
Softw.& Comp.	10.9%	6.6%	6.1%	2.6%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	284.6	305.2	325.3	350.0
% change		*7.2%*	*6.6%*	*7.6%*
EBITDA	50.7	48.4	53.1	59.5
EBIT	27.4	32.0	40.7	47.0
% change		*16.8%*	*27.0%*	*15.6%*
Net income	41.0	36.8	40.8	45.8
% change		*-10.1%*	*10.8%*	*12.2%*

	2015	2016e	2017e	2018e
Operating margin	15.6	14.8	15.3	16.0
Net margin	9.8	8.3	9.8	10.6
ROE	8.2	7.1	8.4	9.0
ROCE	15.3	11.4	12.3	14.0
Gearing	-10.5	-4.3	-13.1	-22.0

(EUR)	2015	2016e	2017e	2018e
EPS	1.96	1.73	1.91	2.14
% change	-	*-11.8%*	*10.5%*	*12.2%*
P/E	10.5x	11.9x	10.8x	9.6x
FCF yield (%)	10.4%	7.4%	9.7%	11.0%
Dividends (EUR)	0.40	0.40	0.39	0.45
Div yield (%)	1.9%	1.9%	1.9%	2.2%
EV/Sales	1.4x	1.4x	1.2x	1.0x
EV/EBITDA	7.7x	8.5x	7.1x	5.7x
EV/EBIT	8.8x	9.2x	7.6x	6.0x

This morning Axway reported H1 2016 results way above our ests. and the consensus' average, thanks to a surge in licence sales in the US. In addition, the management remains confident in Axway's ability to transform its business to Digital and reiterates positive outlook for 2016. We deem the share price will react positively in the short-term.

ANALYSIS

- **H1 2016 results way above expectations**. For H1 2016 Axway reported revenues up 7.1% (+5.7% lfl) to EUR144.7m, licence sales up 10.3% lfl to EUR37.4m, an operating margin up 28.3% to EUR16.3m or 11.3% of sales (+1.9ppt), an EBIT up 723% to EUR10.7m with virtually no restructuring costs, and a net profit up 378% to EUR11m. These results were way above our forecasts (sales of EUR140m, operating margin of 7.8%) and the consensus' average (sales of EUR140.7m, operating margin of 8%). Maintenance and Services were up 4% lfl and 4.4% lfl, respectively. In Q2 2016, sales were up 9.5% (+8.6% lfl) to EUR79.4m, with licence sales up 22.9% lfl to EUR25.1m, maintenance up 4.5% lfl and services up 0.5% lfl.
- **Q2 2016 details: licence sales surge in the US**. On a lfl basis, sales in Q2 2016 were down 6.1% in France, up 23.8% in America, up 1.9% in the rest of Europe, and up 28.2% in Asia Pacific. In France, Axway is under way to stabilise revenues after a strong year in 2015 in the Banking sector. In America, licence sales surged by an impressive 50% lfl thanks to a strong pipeline and a better win rate. Growth in Q2 was driven by the increasing success of Digital offerings, while cloud revenues surged by 30%. The integration of Appcelerator, which was acquired in January 2016, is according to plan with revenue synergies starting to materialise and expected to be amplified in the years ahead.
- **Positive outlook reiterated**. H1 results were in line with the transformation plan (clear move to Digital, "digitising" the product portfolio, streamlining R&D centres, sales focus on America and Digital). The good performance of licence sales is considered by management as an encouraging sign of the relevance of Axway's new strategic positioning. According to management, H1 2016 does not provide any particular indication of the performance for the full-year, but H2 2016 looks encouraging with a promising sales pipeline. At this stage, we expect for 2016 revenues up 6% lfl to EUR305.2m and a non-IFRS operating margin down 0.8ppt to 14.8% (consensus: revenues of EUR307.9m and a non-IFRS operating margin of 14.9%).

VALUATION

- Axway's shares are trading at est. 9.2x 2016 and 7.6x 2017 EV/EBIT multiples.
- Net cash position on 30th June 2016 was EUR10.5m (net gearing: -3%).

NEXT CATALYSTS

Analysts' meeting today at 11am CET / 10am BST / 5am EDT in Paris (Pavillon Kléber, 7 rue Cimarosa). Conference call at 5.30pm CET / 4.30pm BST / 11.30am EDT (France: +33 1 76 77 22 30; UK: +44 203 427 1915; USA: +1 646 254 3360; Switzerland: +41 22 592 7953; Luxembourg: +352 20 88 03 59).

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Healthcare

Bayer

Price EUR93.57

Weak top-line, good margins, guidance raised

Fair Value Under Review **NEUTRAL**

Bloomberg	BAY GY
Reuters	BAYG.F
12-month High / Low (EUR)	137.4 / 84.4
Market Cap (EURm)	77,378
Ev (BG Estimates) (EURm)	94,498
Avg. 6m daily volume (000)	2 865
3y EPS CAGR	6.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.8%	-13.7%	-11.2%	-19.2%
Healthcare	8.4%	6.4%	2.5%	-2.9%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	46,325	45,939	47,665	49,233
% change		*-0.8%*	*3.8%*	*3.3%*
EBITDA	10,275	10,661	11,211	11,801
EBIT	8,851	9,294	9,787	10,330
% change		*5.0%*	*5.3%*	*5.5%*
Net income	5,687	5,842	6,425	6,881
% change		*2.7%*	*10.0%*	*7.1%*

	2015	2016e	2017e	2018e
Operating margin	19.1	20.2	20.5	21.0
Net margin	12.3	12.7	13.5	14.0
ROE	25.6	22.9	22.8	21.8
ROCE	11.6	12.4	13.2	14.0
Gearing	71.0	51.7	35.4	20.6

(EUR)	2015	2016e	2017e	2018e
EPS	6.88	7.06	7.77	8.32
% change	*-*	*2.7%*	*10.0%*	*7.1%*
P/E	13.6x	13.2x	12.0x	11.2x
FCF yield (%)	5.6%	7.7%	8.4%	8.9%
Dividends (EUR)	2.50	2.60	2.70	2.80
Div yield (%)	2.7%	2.8%	2.9%	3.0%
EV/Sales	2.1x	2.1x	1.9x	1.8x
EV/EBITDA	9.5x	8.9x	8.1x	7.4x
EV/EBIT	11.1x	10.2x	9.3x	8.4x

Bayer today released second-quarter earnings. Although sales came out below estimates with marked disappointments in Consumer Health and in Crop Science, margins were very strong and driven by Pharmaceuticals but also by Covestro. Same recipes within Pharma where Xarelto and Eylea performed strongly and exceeded expectations. The outlook for the year has been revised upwards for EBITDA growth and margins thanks to Pharmaceuticals and Covestro, while Consumer and Crop are cut. This should be marginally positive for the stock but the outcome of Monsanto's bid remains the focus.

ANALYSIS

- Overall, Bayer released a good quarter this morning with Q2 figures although in detail, it is rather mixed as the top-line missed estimates with disappointing growth of 2.3%, including a particularly poor performance for CropScience.
- Pharmaceuticals were up 8.4%, largely driven by Xarelto as always (up 30.1% to EUR703m, vs BGe EUR672m) and Eylea (up 40.9% to EUR418m, vs BGe EUR394m). Note also that Betaferon was still highly resilient in the US (+3%) where prices offset volume declines and although Europe weighs on the drug, its decline remains manageable (-8.7% overall). Aspirin Cardio, up 16.4%, also performed strongly in the quarter. On a less positive tone, Stivarga was still down significantly (by 25%) but could be expected to turnaround shortly on the back of recent good data released in HCC.
- In CropSciences, we do not necessarily find the same ingredients as in Syngenta's release where the climate affected a lot of performances in Europe and in Asia. Actually, Bayer did well in Asia-Pacific (+8.4%) and suffered more in the Americas, particularly in seeds. In the end, sales came out about EUR200m below estimates, with growth of just 0.4% in the quarter compared to 1.2% in Q1. So the situation is not improving (yet) and Bayer has revised its annual top-line guidance from low single-digit growth to flat.
- Moving to EBITDA and margins, the picture looks much healthier for the quarter and makes the quarterly set of numbers rather good overall. With two noticeable exceptions but that luckily correspond to the two smallest businesses, namely Consumer Health and Animal Health, where margins were down sharply (170bp and 450bp respectively), all big divisions reported in line (Crop) and above anticipated margin growth. This was particularly true for Pharmaceuticals where EBITDA margin advanced 220bp to 32.9%, very likely driven by the strong performance of Xarelto and despite high investments in R&D expenses (up 17% in Q2). Bayer has revised its guidance upwards here and now expects growth in the high single digits for the full year.
- In all, the main take-away message investors are likely to have from this quarterly release is the upward revision in EBITDA and core EPS growth perspectives for the group. It is worth noting that both Consumer Health and CropScience are revised downwards but the impact is more than offset by trends in the opposite direction in Pharmaceuticals but also at Covestro.

VALUATION

- Sales will have to be revised downwards by about EUR1bn by the consensus. So, EBITDA margin growth will act on lower sales figures and together with currency impacts, we believe that changes at the earnings level are likely to be very limited in the end.
- Moreover, of course, it is obvious that Bayer's case is not really dependent on marginal changes in numbers but rather on Monsanto's bid. From that perspective, the conference call should be interesting.

NEXT CATALYSTS

- Today 2pm: Conference Call Click here to download

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Capgemini

Price EUR83.32

H1 2016 results above expectations, 2016 guidance raised

Fair Value EUR95 (+14%) **BUY**

Bloomberg	CAP FP
Reuters	CAPP.PA
12-month High / Low (EUR)	89.0 / 69.0
Market Cap (EURm)	14,346
Ev (BG Estimates) (EURm)	15,384
Avg. 6m daily volume (000)	686.7
3y EPS CAGR	11.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.0%	6.0%	-1.4%	-2.7%
Softw.& Comp.	10.9%	6.6%	6.1%	2.6%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	11,915	12,708	13,150	13,658
% change		*6.7%*	*3.5%*	*3.9%*
EBITDA	1,577	1,711	1,852	1,965
EBIT	1,022	1,221	1,372	1,485
% change		*19.5%*	*12.3%*	*8.3%*
Net income	798.4	933.7	1,031	1,113
% change		*16.9%*	*10.5%*	*7.9%*

	2015	2016e	2017e	2018e
Operating margin	10.6	11.3	12.0	12.4
Net margin	9.4	5.9	6.5	6.9
ROE	16.3	10.2	10.7	10.9
ROCE	17.2	12.8	14.3	15.8
Gearing	25.3	14.0	2.3	-8.3

(EUR)	2015	2016e	2017e	2018e
EPS	4.65	5.40	5.92	6.39
% change	-	*16.1%*	*9.6%*	*7.9%*
P/E	17.9x	15.4x	14.1x	13.0x
FCF yield (%)	5.7%	6.2%	7.0%	7.3%
Dividends (EUR)	1.35	1.50	1.60	1.70
Div yield (%)	1.6%	1.8%	1.9%	2.0%
EV/Sales	1.4x	1.2x	1.1x	1.0x
EV/EBITDA	10.2x	9.0x	7.8x	6.9x
EV/EBIT	12.8x	10.7x	9.2x	8.1x

This morning Capgemini reported H1 2016 results and free cash flow above expectations (op. margin was up 1.5ppt to 10.2%, vs. consensus at 9.8%), while organic free cash flow was positive. Given the H1 2016 performance, 2016 operating margin guidance is lifted to 11.3-11.5% from 11.1-11.3%. We expect the share price to react positively near term.

ANALYSIS

- **H1 2016 results and free cash flow above expectations**. H1 2016 revenues rose 11.6% (+3.3% lfl) to EUR6,257m (BG est.: EUR6,269m or +3.4% lfl, consensus: EUR6,274m or +3.3% lfl), operating margin was up 31% to EUR638m (10.2% of sales, +1.5ppt) or 7% above our estimates (EUR597m/9.5%) and 3% ahead of the consensus (EUR615m/9.8%). EBIT was up 14% to EUR447m (BG est.: EUR482m; consensus: EUR492m) after EUR69m in restructuring and acquisition/integration costs (BG est. EUR60m) and EUR35min amortisation of acquired intangibles, while net profit was up 26% to EUR366m (BG est.: EUR284m; consensus: EUR300m). In Q2 2016, Capgemini delivered sales up 3.8% lfl to EUR3,165m. Organic free cash flow improved by EUR117m to a positive EUR31m (vs. -EUR86m in H1 2015), whereas we were forecasting -EUR125m and the consensus was at -EUR36m.
- **H1 2016 details**. **By service line**: 1) Other Managed Services (infrastructure management + BPO): sales +9.3% cc, op. margin 9.2% (+1ppt), 2) Application Services: sales +17.2% cc, op. margin 11.4% (+1.4ppt); 3) Technology & Engineering Services: sales +13.1% cc, op. margin 11.3% (+2.6ppt); 4) Consulting: sales +8.1% cc, op. margin 10.4% (+2.3ppt). **By geography**, performances were as follows: 1) France: sales +4.8% cc, op. margin 6.6% (+0.4ppt); 2) UK: sales +8.6% cc, op. margin 14.5% (+1.8ppt); 3) North America: sales +36.2% cc, op. margin 15.1% (+1.8ppt); 4). Rest of Europe: sales +6.9% cc, op. margin 8.9% (+1.1ppt); 5) APAC & LatAm: sales +10.3% cc, op. margin 3.8% (+0.6ppt). **By industry**, growth was led by Financial Services (+30.5% at cc due to the integration of Igate), then Manufacturing (+19.8% at cc), Telecom, Media & Entertainment (+17.1% at cc), and Consumer, Retail, Distribution & Transport (+14% at cc), while Government and Energy, Utilities & Chemicals were respectively up 1.7% and down 2.4% at cc.
- **2016 operating margin guidance raised**. For 2016, management has reiterated its goal to generate sales up 7.5-9.5% cc or an est. +2.5%/+4.5% lfl (BG est. and consensus: +3.8% lfl) and free cash flow above EUR850m (BG est.: EUR896m; consensus: EUR878m). However, it has raised non-IFRS operating margin guidance to 11.3-11.5% from 11.1-11.3% (BG est. and consensus: 11.3%). H1 2016 bookings amounted to EUR6,341m, up 21% cc. The utilisation rate was flat in Application Services (81%), up 1ppt in Technology & Engineering Services (83%) and flat in Consulting (71%). Finally, Capgemini's offshore staff now represents 55% of the total headcount.

VALUATION

- Capgemini's shares are trading at est. 10.7x 2016 and 9.2x 2017 EV/EBIT multiples.
- Net debt on 30th June 2016 was EUR2,278m (net gearing: 36%).

NEXT CATALYSTS

Conference call today at 8.30am CET / 7.30am BST / 2.30am EDT (France: +33 1 70 77 09 35; UK: +44 20 33 67 94 61; USA: +1 855 402 77 63).

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Food retailing

DIA

Price EUR5.71

Q2 results (in line): a much healthier top-line/bottom-line articulation

Fair Value EUR6,5 (+14%) **BUY**

Bloomberg	DIA.SM
Reuters	DIA MC
12-month High / Low (EUR)	6.5 / 4.4
Market Cap (EURm)	3,557
Ev (BG Estimates) (EURm)	4,655
Avg. 6m daily volume (000)	4 173
3y EPS CAGR	6.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	18.6%	14.8%	17.5%	5.0%
Food Retailing	5.1%	-3.7%	2.9%	-1.3%
DJ Stoxx 600	5.9%	-1.7%	1.4%	-6.8%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	8,926	9,024	9,533	10,025
% change		*1.1%*	*5.6%*	*5.2%*
EBITDA	610	627	685	724
EBIT	274.1	349.5	407.8	437.6
% change		*27.5%*	*16.7%*	*7.3%*
Net income	254.1	249.1	295.7	307.7
% change		*-2.0%*	*18.7%*	*4.1%*

	2015	2016e	2017e	2018e
Operating margin	4.4	4.4	4.8	4.9
Net margin	2.8	2.8	3.1	3.1
ROE	NM	NM	NM	NM
ROCE	22.5	20.6	22.1	22.2
Gearing	361.8	228.4	149.7	116.5

(EUR)	2015	2016e	2017e	2018e
EPS	0.42	0.41	0.49	0.51
% change	-	*-1.6%*	*18.7%*	*4.1%*
P/E	13.6x	13.8x	11.6x	11.2x
FCF yield (%)	NM	6.1%	7.8%	6.8%
Dividends (EUR)	0.19	0.20	0.21	0.22
Div yield (%)	3.3%	3.5%	3.6%	3.8%
EV/Sales	0.5x	0.5x	0.5x	0.4x
EV/EBITDA	7.7x	7.4x	6.7x	6.2x
EV/EBIT	17.1x	13.3x	11.2x	10.3x

Once again following Q1, we believe that the ~30bp estimated decline in Q2 underlying margin in Iberia (~35 bp decrease in Q1) cannot be interpreted as a margin restatement, while the relationship between the top line (+2.90%% LFL) and the bottom line (the decline in margin implies healthy investment, we believe) should look healthy to the market. Buy.

Top line (group sales flat at the group level / +12.4% at cc / +9.7% LFL): 1/ In Iberia (66% of sales), LFL sales increase 1.70% excluding the calendar effect and 2.90% including it (vs +2.0%e). This LFL rate, at last positive (!), is showing an obvious sequential improvement vs Q1 16 (-0.3% excl. calendar) and Q4 15 (-1.40%). **2/** In emerging markets (34% of sales), given the difficult macro-economic context in LatAm, Dia's performances turned out to be very resilient (+20.1% LFL vs +17.6%e). From Q1, LFL figures moved from 9% to twenty due to inflation acceleration in LatAm (especially in Argentina).

Bottom line: once again this quarter, the forex impact was hugely negative (sales down -5.5% in emerging markets on account of a 34% negative forex impact). The margin mix was therefore favourable since the relative weight of emerging markets (2.9% EBITDA margin / up +12bp vs +6bp e) which are far less profitable than Iberia (8.7% / down -11bp vs -4bp e), has decreased vs Q2 15. As a consequence, the group's EBITDA margin was slightly up +9.2bp (vs +11bp e) to 6.8% despite the margin in Iberia being down and that of emerging margin slightly up.

Outlook: 1/ cash generation was rather strong in H1 (EUR65.5m vs EUR -248.5 in 2015) and management estimates that the group is well on track to achieve its 2016/18 target which is for EUR750m FCF (i.e. EUR250 per anum). **1/** in 2016, Dia still expects high-single-digit growth in gross sales at CC; **3/** the consolidated EBITDA margin is expected to be stable in 2016.

ANALYSIS

- Remember that over the past year, the relationship between the top line (declining LFL rates) and the bottom line (growing underlying margin rate) in Iberia has appeared unhealthy in the market's eyes. This observation comes after Tesco's nightmare, which resulted in violent and unprecedented margin restatement in order to attract clients back to its stores. Hence, the market became convinced that, at some point, Dia would have no choice but to do the same.
- In that context, ahead of Q4 2015 results, the guidance provided by management for the FY implied a 190bp (-130 bp finally released) decline in the underlying margin (i.e. excl. El Arbol and Eroski) in Q4 in Iberia. At that time, while we considered this anticipated narrowing as a temporary factor prompted in particular by the dilution of upfront synergies on the acquisitions, we also considered that it was going to be interpreted as the pre-cursor to a margin restatement. This fear prompted us to look for cover (28th October).
- Once again following Q1, we believe that the ~30bp estimated decline in Q2 underlying margin (~35 bp decline in Q1) in Iberia cannot be interpreted as a margin restatement, while the relationship between the top line (+2.90%% LFL) and the bottom line (the decline in margin implies healthy investment we believe) should appear healthy to the market. From Q1 16, the relationship top line/bottom line has become much more appropriate (we thus upgraded on May 13th).

IBERIA Margin estimates (Bryan Garnier)	Q1	Q2	Q3	Q4	2015	Q1 16	Q2 16
LFL sales gowth	-4,50%	-5,20%	-2,30%	-1,40%	-3,30%	-1,30%	+2,90%
Excl. calendar	na	na	na	na	-0.9%	-0.3%	+1,70%
Est. underlying margin var.	83bp	109bp	12bp	-129bp	19bp	-35bp	-30bp

VALUATION

- Dia is showing a 11.6x 2017 P/E vs 16.5x on average for the sector.

NEXT CATALYSTS

- Acceleration of LFL in Iberia

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TMT

Ingenico Group

Price EUR109.85

Still a Buy from a medium/long term horizon but some uncertainties in the very short term

Fair Value EUR130 vs. EUR144 (+18%) **BUY**

Bloomberg	ING FP
Reuters	INGC.PA
12-month High / Low (EUR)	127.6 / 87.9
Market Cap (EURm)	6,755
Ev (BG Estimates) (EURm)	6,737
Avg. 6m daily volume (000)	277.7
3y EPS CAGR	14.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.4%	9.9%	2.8%	-5.7%
Softw.& Comp.	10.9%	6.6%	6.1%	2.6%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2,197	2,388	2,649	2,883
% change		*8.7%*	*10.9%*	*8.8%*
EBITDA	508	525	609	692
EBIT	436.5	453.7	529.9	605.5
% change		*3.9%*	*16.8%*	*14.3%*
Net income	273.7	297.1	353.3	409.2
% change		*8.5%*	*18.9%*	*15.8%*

	2015	2016e	2017e	2018e
Operating margin	19.9	19.0	20.0	21.0
Net margin	10.8	11.2	12.3	13.4
ROE	15.2	14.9	15.6	15.8
ROCE	16.5	17.6	20.9	24.4
Gearing	16.7	-1.0	-16.8	-30.2

(EUR)	2015	2016e	2017e	2018e
EPS	4.47	4.84	5.76	6.67
% change	-	*8.3%*	*18.9%*	*15.8%*
P/E	24.6x	22.7x	19.1x	16.5x
FCF yield (%)	4.1%	4.7%	5.5%	6.3%
Dividends (EUR)	1.30	1.49	1.81	2.15
Div yield (%)	1.2%	1.4%	1.7%	2.0%
EV/Sales	3.2x	2.8x	2.4x	2.1x
EV/EBITDA	13.8x	12.8x	10.5x	8.7x
EV/EBIT	16.1x	14.8x	12.1x	10.0x

ING has posted mixed H1 2016 earnings (revenue below our forecasts, EBITDA margin slightly below and attrib. net profit in line). The group has maintained its FY 2016 targets (sales of >=+10%, EBITDA margin of ~21% and FCF/EBITDA of ~45%), notably because of Brazil (economic situation and high comps). We have cut our 2016-18 EPS sequence by 7.4% on average to be more conservative. As we were the highest of the consensus, our revision is more aggressive than the consensus is likely to be. We remain convinced that Ingenico is a Buy from a mid/long-term perspective (its 2020 strategic plan is achievable and it is one of the few players to have an omnichannel offer, which is the future of the payment industry), but we have to integrate a bit of uncertainty in the very short term (2016 should be a transition year). We maintain our Buy rating but lower our FV from EUR144 to EUR130.

ANALYSIS

- **H1 revenue came out at EUR1,133m, up +7% Y/Y and +12% lfl** (BG EUR1,159.8m with +14% lfl; consensus EUR1,159.8m with +12.6% lfl). Excluding Brazil, organic growth would have been +15%. **Lfl breakdown by geographies:** Europe-Africa +15%, APAC & ME +32%, Latam -14% (Brazil impact), North America +14% (US +20%), ePayments +1%. **Lfl breakdown by business:** Payment Terminals +15% (gross margin of 46.7%, -110bp: unfavourable product mix), and Payment Services +5% (gross margin of 35.3%, -290bp: consumer mix and rising expenditure to enhance its ePayments platforms) incl. a return to growth for ePayments in Q2. Regarding profitability, ING delivered **EBITDA of EUR244m i.e. margin down 210bp at 21.5%** (BG 22%; cons. 21.5%), adjusted EBIT of EUR184.4m i.e. margin down 230bp at 16.3% and **attrib. net profit stable Y/Y at EUR122.1m** (BG: EUR123m; cons.: EUR124m). **The financial position was sound** with FCF of EUR64m, net debt of EUR232m (gearing of 15%) and a net debt/EBITDA multiple of 0.5x.
- **Management has reiterated its FY 2016 guidance** for organic revenue growth above or equal to 10%, EBITDA margin of ~21% and FCF/EBITDA of ~45%. **It confirmed that: 1/** the ePayments division should return to double-digit growth in H2; **2/** it still expects double digit growth in the US over FY16 (i.e. ~+10%); **3/** it continues to gain market share with US largest retailers and tackle new verticals, the mPOS offer is ramping up; **4/** business should remain robust in Europe and Asia (notably in China); **5/** the potential slowdown at US distributors (they ordered strongly in Q3, Q4 and Q1) was already anticipated in FY guidance; and **6/** a worst-case scenario was already integrated for Brazil.
- **Although ING outperformed its FY guidance in its first half-year period despite a tough comparison base** (loss of volumes from GlobalCollect's 1st client weighing on topline services growth until H1)**, we acknowledge that our FY assumptions are now too bullish in view of current uncertainties** (we were not betting on a worst-case scenario in Brazil, no real bottleneck in EMV certification in the US for Ingenico and were expecting some M&A deals by the end of this year). As a result, **we prefer to cut our estimates to feel more comfortable and integrate some lack of visibility on these latter topics, especially in the short term.** We now see lfl 2016 revenue growth of +12.1% (vs. +14.3% before, cons. 12%) and EBITDA margin of 22% (vs. 23.5% before, cons. 21.5%), i.e. close to the current consensus.

VALUATION

- **Overall, we have cut our 2016-2018e EPS sequence by 7.4% on average** (-8.6% in 2016e, -6.2% in 2017e, and -3.2% over 2018e). **As we were the highest of the consensus, our revision is obviously more aggressive than the consensus is likely to be**.
- **The share price is likely to come under pressure today but could offer a good entry point from a mid/long-term horizon perspective.** We maintain our **Buy rating** and lower our **Fair Value from EUR144 to EUR130** (average of a DCF valuation and peer comparison).

NEXT CATALYSTS

- **Q3 revenue:** 26th October 2016. Click here to download

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Luxury & Consumer Goods

LVMH

Price EUR143.70

Reassuring H1 results

Fair Value EUR171 (+19%) **BUY**

Bloomberg	MC FP
Reuters	LVMH.PA
12-month High / Low (EUR)	175.6 / 131.4
Market Cap (EUR)	72,952
Ev (BG Estimates) (EUR)	76,072
Avg. 6m daily volume (000)	911.4
3y EPS CAGR	11.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.3%	-2.6%	-0.8%	-0.8%
Pers & H/H Gds	5.4%	2.7%	6.2%	2.2%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	35,664	36,960	39,070	41,380
% change		*3.6%*	*5.7%*	*5.9%*
EBITDA	7,505	7,800	8,530	9,260
EBIT	6,605	6,850	7,530	8,210
% change		*3.7%*	*9.9%*	*9.0%*
Net income	3,573	4,010	4,470	4,912
% change		*12.2%*	*11.5%*	*9.9%*

	2015	2016e	2017e	2018e
Operating margin	18.5	18.5	19.3	19.8
Net margin	10.0	10.8	11.4	11.9
ROE	12.7	13.1	13.4	13.4
ROCE	10.1	10.0	10.6	11.0
Gearing	13.4	10.2	6.5	3.6

(EUR)	2015	2016e	2017e	2018e
EPS	7.11	7.98	8.90	9.78
% change	-	*12.2%*	*11.5%*	*9.9%*
P/E	20.2x	18.0x	16.1x	14.7x
FCF yield (%)	3.1%	3.5%	4.2%	4.4%
Dividends (EUR)	3.55	3.90	4.30	4.70
Div yield (%)	2.5%	2.7%	3.0%	3.3%
EV/Sales	2.2x	2.1x	1.9x	1.8x
EV/EBITDA	10.2x	9.8x	8.8x	8.0x
EV/EBIT	11.6x	11.1x	10.0x	9.0x

LVMH's H1 2016 results are globally in line with investors' expectations. Sales grew 4% organically in H1 (+4% in Q2 vs +3% in Q1) while consensus was expecting +3%. H1 EBIT remained almost stable at EUR2.95bn (consensus: EUR2.94bn), so H1 margin was down 50bp to 17.2%. We remain at Buy on the stock with an unchanged EUR171 FV. LVMH is one of our favourite stocks in our luxury sample.

ANALYSIS

- **LVMH reported H1 2016 sales at EUR17.18bn (consensus: EUR17.03bn), up 3% and 4% organically (consensus: +3%).** This implies a slight acceleration versus Q1 (+3%). We want to highlight the sales stability in H1 and +1% in Q2 for the **Fashion & Leather division following stability in Q1**. **Louis Vuitton** revenues were likely up around 2% in H1, in line with the Q1 performance. While **Fendi** and **Céline** revenues performed well with clear growth (particularly at Fendi), Donna Karan and Marc Jacobs sales were significantly down. On the other hand, **Wines & Spirits** business performance was very positive (+9% in H1 and +13% in Q2 alone). Q2 momentum was driven by Hennessy (+16%) but also by Champagne (+9%). In Mainland China, Hennessy sales recovered particularly for XO, it is true on an easy comparison basis. In H1, Champagne volumes were up 3% (solid performance in Europe and in US) and Cognac volumes were up 13% also partly thanks to a strong performance in US (mainly VS market). It is worth noting also that **Selective Retail** was quite resilient (+5% in H1 and above all +7% in Q2) thanks to Sephora, for instance, which posted double-digit sales growth at comparable stores in US and Middle East. As expected, DFS was affected by Hong Kong's double-digit decrease (despite traffic up). Lastly, **Perfumes & Cosmetics** and **Watches & Jewelry** were both buoyant in H1 with respective 8% and 4% organic sales growth, despite some slowdown in Q2 for watches, and very encouraging performance at Tag Heuer and Bulgari (albeit at a less extend).
- **By geographical area**, we want to highlight the better trend in **Asia-Pacific** in Q2 (+3% vs -2% in Q1). This was thanks to a clear improvement in Mainland China, particularly at Hennessy and Louis Vuitton (mid single digit growth), and despite the still-very-tough situation in Hong Kong. In addition, there was also a clear deceleration in **Europe** (+3% vs +7% in Q1) which is not very surprising given fewer tourists, particularly in France, but business remained satisfactory with locals clientele. In **Japan** too, sales growth slowed down in Q2 (-5% vs +6% in Q1), there also due to lower Chinese Tourists following stronger JPY. In Americas, sales increased 7% in H1 and in Q2, implying some slight acceleration vs Q1 (+6%) thanks to Sephora and Hennessy.
- **H1 EBIT remained almost stable at EUR2.95bn (consensus: EUR2.94bn), implying some profitability erosion (-50bp to 17.2%).** The slight margin decline is the consequence of deterioration at the Fashion & Leather division (-30bp to 27.7%), but LV profitability remained almost the same and US brands Marc Jacobs and Donna Karan still registered losses (higher than in H1 15). Selective Retail also registered a significant profitability decline (-60bp to 7.5%), mainly driven (unsurprisingly) by DFS. On the other hand, EBIT margin improved at W&S division (+250bp to 27.5%) thanks to Hennessy sales strong performance (Cognac margin gained around 400bp). Perfumes & Cosmetics profitability remained unchanged and Watches & Jewelry's declined slightly (-50bp to 7.5%).
- **We leave unchanged our FY 2016 expectations with 4% organic sales growth,** including +1% for Fashion & Leather division**.** FY EBIT margin should be down 10bp on FY at 18.4%. Furthermore, management does not rule out implementing a share buyback in H2, even if no decision has been taken at this stage.

VALUATION

- **We remain at Buy on the stock with an unchanged EUR171 FV**. LVMH remains one of our favourite stocks (alongside Hermès and Kering) in our luxury sample. H1 LVMH results highlight again the group's resilient status, as it is very well balanced both by geographical area and by business activity. Furthermore, despite an increasingly challenging environment, Louis Vuitton resisted well. The stock is trading with a 7% discount vs peers average.

NEXT CATALYSTS

- Q3 sales to be reported mid October.

Quarterly organic sales growth by division

in %	Q4 15	2015	Q1 16	Q2 16	H1 16
Wines & Spirits	4	6	6	13	9
Fashion & Leather	3	4	0	1	0
Perfumes & Cosmetics	7	7	9	6	8
Watches & Jewelry	3	8	7	2	4
Selective Retail	5	5	4	7	5
Group	**5**	**6**	**3**	**4**	**4**

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

Quarterly organic sales growth by geographical area

lfl chge (%)	Q3 15	Q4 15	Q1 16	Q2 16	H1 16
US	12	5	6	7	7
Japan	24	12	6	-5	0
Asia Pacific	-8	-2	-2	3	0
Europe	12	6	7	3	5
Group	**7**	**5**	**3**	**4**	**4**

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

EBIT margin by division

%	H1 2015	H1 2016	chge (bp)
Wines & Spirits	25,0	27,5	250
Fashion & Leather	28,0	27,7	-30
Perfumes & Cosmetics	11,5	11,6	10
Watches & Jewelry	13,2	12,7	-50
Selective Retail	8,1	7,5	-60
Group	**17,7**	**17,2**	**-50**

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

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Melexis

Price EUR59.89

Q2 2016 results 7% below expectations, but hike in FY16 guidance anyway

Fair Value EUR48 (-20%) **SELL**

Bloomberg	MELE BB
Reuters	MLXS.BR
12-month High / Low (EUR)	61.0 / 37.7
Market Cap (EURm)	2,420
Ev (BG Estimates) (EURm)	2,366
Avg. 6m daily volume (000)	38.10
3y EPS CAGR	5.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.9%	28.5%	27.3%	19.4%
Semiconductors	22.8%	26.1%	24.2%	19.2%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

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	26.8x	27.8x	24.9x	23.0x
FCF yield (%)	2.8%	2.6%	3.2%	3.5%
Dividends (EUR)	1.29	1.84	1.46	1.58
Div yield (%)	2.0%	2.8%	2.2%	2.4%
EV/Sales	6.5x	5.7x	5.2x	4.7x
EV/EBITDA	19.9x	18.7x	16.6x	15.1x
EV/EBIT	24.2x	23.3x	20.9x	19.1x

Melexis has reported Q2 2016 sales in line with expectations at EUR112m, up 2.6% seq. and 10.4% yoy. However, Q2 2016 EPS came out 7% below forecast at EUR0.57. Nevertheless, in view of good top-line momentum, the group has increased its FY16 guidance and now expects sales growth of 13-14% vs. 8-12% before but has lowered its GM guidance to 45% from 47% (EBIT margin guidance confirmed at 25%). As a result, the new FY16 guidance confirms our view and is in line with our expectations (BG ests. FY16 sales +13%) but 250bp (at mid-range) above the consensus at 11%.

ANALYSIS

- **Q2 2016 EPS was below the street's expectations.** Melexis posted Q2 revenues of EUR112m, up 2.6% seq. and up 10.4% yoy., i.e. in line with guidance for EUR112m and consensus expectations (BG ests. EUR114m). However, gross margin came in at 45.3%, below the street's forecast as for EBIT reported at EUR27.7m while the consensus was forecasting EUR29.0m (BG ests. EUR29.4m). As a result, EPS came in at EUR0.04, 7% below the consensus estimate of EUR0.61 and 10% below our own estimate for Q2 2016 EPS of EUR0.63.
- **The group has nevertheless raised its FY16 guidance.** Previously, the group's guidance was for FY16 growth of 8-12% (i.e. sales of EUR432m to EUR448m) but in view of good top-line momentum during the first part of the year, the group has increased its FY16 guidance and now expects sales growth of 13-14%. As a result, the new FY16 guidance is in line with our expectations (BG ests. FY16 sales +13%) but above the consensus at 11%. In addition, the group has lowered its gross margin guidance to 45% from 47% but has not changed its operating margin of around 25%. Note that Melexis' guidance is valid for a EUR/USD exchange rate of 1.10. For Q3 2016, the group anticipates sales of EUR116m (up 3% seq.), 3% above cs. estimates of EUR113m and also our own estimates of EUR114m.
- **Overall, the new group guidance confirms our view** that top-line momentum remains healthy but that operating margin remains capped at 25%. We continue to think that the consensus is conservative on top-line but optimistic regarding EPS. We believe that the group will need to continue to invest in R&D and, as a result, will voluntarily cap operating margin. Our EPS estimate for FY16 is currently 3% below consensus.

VALUATION

- We are making no change to our estimates at this point and will wait for further details from today's conference call (see details below).
- Based on our estimates, Melexis' shares are trading on 2016e P/E ratio of 27.8x and 2016e PEG of 4.8x.

NEXT CATALYSTS

- Today: Q2 results conference call (5:00pm CET, you have to register for this conference call in advance – please use this link).
- 26th October 2016: Q3 results

Actual Q2-16 vs. Estimates

[EURm]	BG ests. 2Q16e	Consensus 2Q16e	2Q16 Actual	Actual vs. Cons.
Net revenue	114	112	112	0.0%
% change (seq)	*3.8%*	*2.6%*	*2.6%*	0bp
% change (yoy)	*11.6%*	*10.4%*	*10.4%*	0bp
Gross Margin	47.2%	46.8%	45.3%	-147bp
Adj. EBIT	29.4	29.0	27.7	-4.4%
% of revenue	*25.9%*	*25.8%*	*24.7%*	-113bp
Dil. EPS (in EUR)	0.63	0.61	0.57	-7.3%

Sources: Company data; Thomson Reuters I.B.E.S; Bryan, Garnier & Co ests.

Guidance Q3-16 vs. Estimates

[EURm]	BG ests. 3Q16e	Consensus 3Q16e	3Q16 Guidance	Guid. vs. Cons.
Net revenue	114	113	116	2.7%
% change (seq)	*+0.1%*	*+0.6%*	*+3.3%*	267bp

Sources: Company data; Thomson Reuters I.B.E.S; Bryan, Garnier & Co ests.

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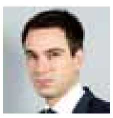

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Orange

Price EUR13.82

Follow up on H1 results: good performance in a bad market.

Fair Value EUR17,1 (+24%) **BUY**

Bloomberg	ORA FP
Reuters	ORAN.PA
12-month High / Low (EUR)	16.9 / 12.9
Market Cap (EUR)	36,762
Ev (BG Estimates) (EUR)	59,945
Avg. 6m daily volume (000)	7 600
3y EPS CAGR	2.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.1%	-7.7%	-12.9%	-10.8%
Telecom	5.1%	-6.8%	-9.0%	-12.9%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	40,236	41,220	41,684	41,977
% change		*2.4%*	*1.1%*	*0.7%*
EBITDA	12,426	12,772	12,962	13,197
EBIT	0.0	0.0	0.0	0.0
% change				
Net income	2,958	2,894	3,122	3,172
% change		*-2.1%*	*7.9%*	*1.6%*

	2015	2016e	2017e	2018e
Operating margin	11.8	11.8	12.2	12.5
Net margin	7.4	7.0	7.5	7.6
ROE	8.6	7.8	8.3	8.3
ROCE	4.3	4.1	4.4	4.4
Gearing	110.2	105.5	102.6	100.5

(EUR)	2015	2016e	2017e	2018e
EPS	0.98	0.96	1.04	1.06
% change	-	*-2.4%*	*8.8%*	*1.8%*
P/E	14.1x	14.4x	13.3x	13.0x
FCF yield (%)	8.3%	4.5%	7.0%	7.0%
Dividends (EUR)	0.59	0.60	0.70	0.80
Div yield (%)	4.3%	4.3%	5.1%	5.8%
EV/Sales	1.6x	1.5x	1.4x	1.4x
EV/EBITDA	5.1x	4.7x	4.6x	4.5x
EV/EBIT	NS	NS	NS	NS

Looking back at H1 results, we believe that although mobile services revenues in France were disappointing mostly due to regulatory factors, the publication confirms Orange's strong position on the French market. Other reassuring comments from Orange during the H1 results conference call make us confident in the ability of the company to manage the French challenge and achieve its targets. We consider yesterday's share price decline following the H1 publication overdone, driving the stock down to a low 4.7x EV/EBITDA 2016e. It reinforces our Buy recommendation and provides an attractive entry point. We stick to our Fair Value of EUR17.1.

ANALYSIS

- French mobile service revenues were **disappointing**, down **5.2% yoy in Q2, vs -2.4% in Q1**, mostly due to the impact of **roaming regulation**, and a still **highly competitive market**. Nevertheless Orange posted an **outstanding commercial performance**, with **152k** postpaid net adds (of which **38k** net adds on the high-end segment) compared with **41k** in Q1 and **76k** in Q2 2015. Moreover, during the conference call, Orange highlighted that mobile ARPU would be **have grown slightly** excluding the impact of international roaming. Thanks to its unique position, Orange managed to **achieve a high performance although market conditions are still difficult**. Rival publications in August should help highlight Orange's strong position on the market.
- Management added that **H2 should be commercially favorable** to Orange, with the expected lauch of **iphone 7** in September and the **X-mas market** in December, traditionally benefiting high-end mobile offers. The impact of roaming should be visible for three more quarters, and we believe promotional intensity should gradually fade, but not until SFR fixes a number of quality of service issues, that is not until H1 2017 in our opinion.
- We believe the good performance of Orange in fixed in France should **partially offset the disappointment in mobile**: the revenue trend is improving, **up 0.7% in Q2 vs 0.1% in Q1**, and commercial performance was **excellent**, with **93k net adds**, of which **+106k in Fiber**. These results highlight Orange's **unique position on the fixed market**, but also a **better market outlook**, following recent price increases by Orange, Bouygues Telecom and SFR. In the conference call, Orange stated that more than 50% of its fiber customers choose high end offers. The impact of the new premium 4k box should be more material in Q3 and beyond. Orange said that it was **not worried by ARCEP's consultation** on the fiber regulatory framework, that it expects **no revolution** from it, and that it would firmly **oppose any asymmetrical regulation**.
- Spain posted a very good performance, with **H1 EBITDA up 15.4% yoy**. According to Orange, the result was driven by **good market conditions** as well as the company's **intrinsic performance** since the acquisition of Jazztel. Orange noted that the on-going merger betwwen Yoigo and Mas Movil was **not a major threat**, with limited customer reach, in line with the management expectations.
- The slowdown in AMEA revenue growth **to +2.4% in Q2 vs +4.4% in Q1**, was mostly explained by **strengthened requirements to verify customer identity**, particularly in DRC. Orange said the impact was now **behind us**, with customer net adds **rising again** in June.
- Regarding Italy, Stéphane Richard very clearly said the company "was **not working on anything** in Italy", neither with Telecom Italia nor with Vivendi (which Vivendi's CEO Arnaud de Puyfontaine later confirmed). Stephane Richard said Orange has "**no project, no agenda**" regarding this country. He added the Italian situation was "rather **complicated**".

VALUATION

- Orange is now trading at 4.7x EV/EBITDA 2016e, we stick to our Buy recommendation with a Fair Value of EUR17.1

NEXT CATALYSTS

- SFR publication on 9th August, Iliad and Bouygues Telecom publication on 31st August.

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Sage Group

Price 702.50p

Q3 FY16 trading update in line; outlook reiterated

Fair Value 600p vs. 575p (-15%) **SELL**

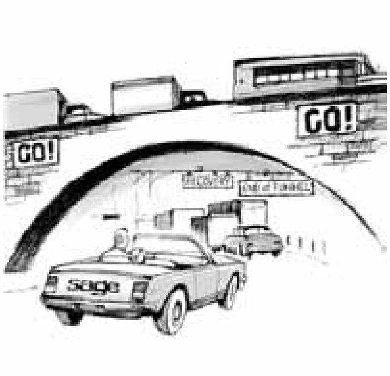
Bloomberg	SGE L
Reuters	SGE.LN
12-month High / Low (p)	702.5 / 489.7
Market Cap (GBP)	7,583
Ev (BG Estimates) (GBP)	7,714
Avg. 6m daily volume (000)	3 036
3y EPS CAGR	11.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	16.4%	18.1%	23.8%	16.4%
Softw.& Comp.	10.9%	6.6%	6.1%	2.6%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

YEnd Sept. (£m)	09/15	09/16e	09/17e	09/18e
Sales	1,436	1,574	1,792	1,922
% change		*9.7%*	*13.8%*	*7.3%*
EBITDA	418	460	528	575
EBIT	297.2	314.2	477.3	524.4
% change		*5.7%*	*51.9%*	*9.9%*
Net income	283.9	307.4	361.3	397.8
% change		*8.3%*	*17.5%*	*10.1%*

	09/15	09/16e	09/17e	09/18e
Operating margin	27.1	27.8	28.1	28.7
Net margin	13.5	13.7	18.8	19.4
ROE	22.5	23.4	31.1	29.3
ROCE	25.2	33.7	39.1	45.5
Gearing	39.6	14.2	-11.4	-29.3

(p)	09/15	09/16e	09/17e	09/18e
EPS	25.29	27.40	32.19	35.45
% change	-	*8.4%*	*17.5%*	*10.1%*
P/E	27.8x	25.6x	21.8x	19.8x
FCF yield (%)	3.7%	4.4%	5.4%	5.5%
Dividends (p)	13.10	14.15	15.28	16.50
Div yield (%)	1.9%	2.0%	2.2%	2.3%
EV/Sales	5.5x	4.9x	4.2x	3.8x
EV/EBITDA	19.0x	16.8x	14.1x	12.5x
EV/EBIT	20.4x	17.7x	14.8x	13.1x



We reiterate our Sell rating, but raise our DCF-derived fair value to 600p from 575p on updates to our fx rate assumptions. Yesterday evening, Sage issued a trading update for the quarter ending 30th June 2016, announcing Q3 FY16 sales up 6% lfl, in line with company guidance for FY16. While recurring revenues continued to grow double-digit, driven by subscriptions up above 30%, SSRS (software and related services) continued to be penalised by the planned transition to subscriptions. We expect no significant share price reaction in the near term.

ANALYSIS

- **Q3 FY16 lfl revenue growth in line with full-year guidance**. Management reported Q3 FY16 (quarter ending 30th June 2016) sales up 6% lfl, or in line with company guidance for FY16 (at least +6% lfl). Year-to-date, total revenues are up 6.1% lfl. Recurring revenues were up 10.1% lfl year-to-date driven by subscriptions up 33.2% lfl, while Processing was in line with internal expectations - Payroll continuing to be stronger than Payments - and SSRS (Software/software-realted services) dragged down by new upfront licence revenues down - reflecting the planned transition to subscription relationships. Geographically, Sage's performance was driven by continuous momentum in Europe and North America, supported by an imporved performance from the International region. In addition, during the conference call, the CFO Steve Hare mentioned that Sage ERP X3 was still growing double-digit.
- **No change in outlook; CFO watchful of sales cycles on new licence sales**. Management is confident that the business remains on course to deliver FY16 guidance for revenues up at least 6% lfl and an organic operating margin of at least 27%. In addition, it considers Sage's business transformation remains on track and the management is focused on its execution in order to deliver "sustainable and high-quality growth". During the conference call, Steve Hare mentioned that Brexit has had no impact on the business so far, but he remains watchful on potentially longer sales cycles which could lead to deferred purchasing decisions, for instance in the mid-market on Sage ERP X3 licence sales. In case of a slowdown, he considers Sage has the ability to reallocate investment priorities accordingly. In the longer term, if Brexit materialises, Sage may benefit from regulatory changes in accounting and payroll rules for the UK and EU countries.
- **Increased net debt due to fx**. Sage had net debt of GBP442m on 30th June 2016, up GBP38m from GBP404m on 31st March 2016, and down GBP25m from the GBP467m reported on 30th June 2015. Such an increase in net debt on a quarterly basis is essentially due to fx movements (GBP and USD vs. EUR) at the end of Q3. We forecast a net debt position for 30th September 2016 of GBP137.4m (net gearing: 15%).

VALUATION

Sage's shares are trading at est. 17.7x FY16 and 14.8x FY17 EV/EBIT multiples.

NEXT CATALYSTS

- Sage Summit 2016 users' conference on 25th-28th July in Chicago.
- FY16 results on 30th November before markets open.

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STMicroelectronics

Price EUR5.89

Q2 2016 results in line, outlook encouraging as the group sees healthy demand

Fair Value EUR6.5 (+10%) **NEUTRAL**

Bloomberg	STM FP
Reuters	STM.FR
12-month High / Low (EUR)	7.1 / 4.6
Market Cap (EURm)	5,365
Ev (BG Estimates) (EURm)	4,744
Avg. 6m daily volume (000)	2,558
3y EPS CAGR	31.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	14.9%	13.1%	-2.1%	-4.7%
Semiconductors	22.8%	26.1%	24.2%	19.2%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	6,897	6,882	6,998	7,151
% change		*-0.2%*	*1.7%*	*2.2%*
EBITDA	910	980	1,133	1,257
EBIT	174.0	264.1	405.2	513.3
% change		*51.8%*	*53.4%*	*26.7%*
Net income	175.0	184.4	304.9	396.5
% change		*5.4%*	*65.3%*	*30.1%*

	2015	2016e	2017e	2018e
Operating margin	2.5	3.8	5.8	7.2
Net margin	2.5	2.7	4.4	5.5
ROE	2.2	4.0	6.5	8.3
ROCE	5.1	4.9	8.3	11.2
Gearing	-10.5	-14.6	-19.0	-23.4

(USD)	2015	2016e	2017e	2018e
EPS	0.20	0.21	0.35	0.45
% change	-	*5.6%*	*64.4%*	*31.6%*
P/E	32.6x	30.8x	18.8x	14.2x
FCF yield (%)	4.5%	7.0%	8.4%	9.9%
Dividends (USD)	0.40	0.24	0.30	0.39
Div yield (%)	6.1%	3.7%	4.7%	6.1%
EV/Sales	0.8x	0.8x	0.7x	0.7x
EV/EBITDA	5.9x	5.3x	4.4x	3.8x
EV/EBIT	31.0x	19.7x	12.3x	9.3x

STMicroelectronics has reported Q2 2016 EPS in line with consensus estimates. Q2 sales came out at USD1.703bn, up 5.6% seq., with a gross margin improving slightly to 33.9% and EPS of USD0.03, i.e. in line with the consensus at USD0.03 (BG ests. USD0.01). However, the group sees healthy demand in the market it serves and Q3 2016 guidance is 1% ahead of the street's estimates with revenues set to grow 5.5% (+/- 350bp) sequentially, i.e. sales close to USD1.797bn, while current forecasts were for USD1.783bn (BG ests. USD1,767m) and GM is expected to be close to 35.5%, i.e. 70bp higher than expectations at 34.8% (BG ests. 35.9%).

ANALYSIS

- **Q2 top-line was slightly below forecast but EPS was in line with the street's expectations.** The company reported Q2 revenues of USD1.703bn up 5.6% seq. (-3.2% yoy), very close to the guidance range (revenues 5.5% (+/- 350bp) sequentially), but slightly below consensus expectations at USD1.720bn or an increase of 6.6%. Gross margin came in with no surprise at 33.9%, also in line with guidance (about 34.0%), the street's forecasts and our expectations of 33.8%. Combined R&D and SG&A (net of grants) in the second quarter decreased slightly to USD537m vs. USD543m in Q1 2016. As a result, EBIT was 6% above expectations at USD28m (cons. USD26m/BG ests. USD22m). Finally, EPS moved into positive territory at USD0.03 and was in line with the consensus (cons. USD0.03/BG ests. USD0.01). Finally, the group said it generated positive cash flow of USD47m in Q2 2016 compared with USD31m in the previous quarter. Inventories were down 3% to USD1.266bn vs. USD1.302bn at the end of Q1 2016.
- **The automotive and power sectors supportive while MCUs continued to show strong sales.** During Q2, the group benefited from a strong recovery in demand for power discrete products and ongoing strength in automotive markets driving sales in Automotive and Discrete Group (ADG) up by 7.5% sequentially. The Microcontrollers and Digital ICs Group (MDG) increased by 4.6%. Analog and MEMS Group (AMS) revenue increased sequentially by 1.8% thanks to healthy momentum in analog products which offset lower sales of MEMS products.
- **The group said it sees healthy demand in the markets it serves and, as a result, Q3 2016 guidance came out slightly above the consensus and our expectations.** STMicroelectronics expects Q3 sales to increase sequentially by 5.6% (+/-350bp) to about USD1.797bn, 0.7% above the consensus forecast for a sequential increase of +3.8% to USD1.783bn. Once again, the short term environment is said to be improving across all regions and the strongest drivers remain the automotive and industrial sectors. Welcome news came from gross margin which is expected to increase sequentially by about 160bp to 35.5% (+/-200bp) according to management, above the street's estimates (cons. 34.8%, BG ests. 35.9%). For H2 2016, the group expects to see revenue growth thanks to a supportive environment. ST believes that power discrete and the Analog and MEMS Group will restart yoy growth while automotive and MCUs will continue to enjoy positive revenue momentum.

VALUATION

- We are making no change to our estimates at this point and will wait for further details from today's conference call (see details below).
- Based on our estimates, STMicroelectronics' shares are trading on 2016e EV/Sales and EV/EBIT ratios of 0.8x and 19.7x respectively.

NEXT CATALYSTS

- Today: Q2 results conference call (9:30am CET, +44 (0)20 3059 5862).
- Late in October 2016: Q3 results

Reported Q2 2016 vs. estimates

[USDm]	BG ests. 2Q16e	Consensus 2Q16e	2Q16 Actual	Actual vs. Cons.
Net revenue	1,702	1720	1703	-1.0%
% change (seq)	*5.5%*	*6.6%*	*5.6%*	-103bp
% change (yoy)	*-3.3%*	*-2.3%*	*-3.2%*	-94bp
Gross Margin	33.8%	33.9%	33.9%	0bp
SG&A + R&D (net)	-538	-	-537	-
Adj. EBIT	21.7	26	28	6.1%
% of revenue	*1.3%*	*1.5%*	*1.6%*	11bp
Adj. EPS (in USD)	0.01	0.03	0.03	0.0%

Sources: Thomson Reuters I.B.E.S; Bryan, Garnier & Co ests.

Guidance Q3 2016 vs. estimates

[USDm]	BG ests. 3Q16e	Consensus 3Q16e	3Q16 Guidance	Guid. vs. Cons.
Net revenue	1767	1783	1797	0.7%
% change	*3.8%*	*3.7%*	*5.5%*	179bp
Gross Margin	35.9%	34.8%	35.5%	70bp
Adj. EPS (in USD)	0.07	0.08		

Sources: Thomson Reuters I.B.E.S; Bryan, Garnier & Co ests.

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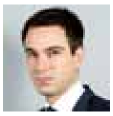

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Sword Group

Price EUR23.37

Bloomberg	SWP FP
Reuters	SWP.PA
12-month High / Low (EUR)	25.3 / 21.1
Market Cap (EUR)	220
Ev (BG Estimates) (EUR)	182
Avg. 6m daily volume (000)	9.10
3y EPS CAGR	9.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.1%	-1.1%	-5.4%	-3.8%
Softw.& Comp.	10.9%	6.6%	6.1%	2.6%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	138.0	158.0	177.0	202.0
% change		*14.5%*	*12.0%*	*14.1%*
EBITDA	22.0	24.0	28.0	33.0
EBIT	11.0	19.0	23.0	28.0
% change		*72.7%*	*21.1%*	*21.7%*
Net income	16.0	16.0	18.0	21.0
% change		*0.0%*	*12.5%*	*16.7%*

	2015	2016e	2017e	2018e
Operating margin	13.8	13.2	14.0	14.5
Net margin	7.2	8.9	9.6	9.9
ROE	6.2	8.5	9.9	11.0
ROCE	13.8	12.0	13.6	15.3
Gearing	-26.0	-23.0	-21.0	-23.0

(€)	2015	2016e	2017e	2018e
EPS	1.72	1.67	1.93	2.23
% change	-	*-2.9%*	*15.6%*	*15.5%*
P/E	13.6x	14.0x	12.1x	10.5x
FCF yield (%)	3.6%	4.1%	4.5%	8.1%
Dividends (€)	1.20	1.20	1.20	1.20
Div yield (%)	5.1%	5.1%	5.1%	5.1%
EV/Sales	1.3x	1.2x	1.0x	0.9x
EV/EBITDA	8.1x	7.6x	6.6x	5.4x
EV/EBIT	9.4x	8.7x	7.4x	6.2x

Preliminary H1 2016 results slightly above our estimates; 2016 guidance ex-fx confirmed

Fair Value EUR25 vs. EUR26 (+7%) **BUY**

We reiterate our Buy rating, but trim our DCF-derived fair value to EUR25 from EUR26 as we reduce our adj. EPS ests. by 1% for 2016 and 3% for 2017-18. Yesterday evening, Sword reported Q2 2016 results slightly above our estimates. 2016 guidance ex-fx is confirmed, but the weaker British pound against the euro generates an est. 3% headwind to revenues. We expect the share price reaction to be mixed in the short-term.

ANALYSIS

- **Q2 2016 results slightly above our expectations**. Q2 2016 sees sales up 14.7% (+14% lfl) to EUR40.3m (in line with our EUR40.8m estimate), and EBITDA up 15.4% to EUR6.4m or 16% of sales (+0.1ppt) while we expected EUR6.2m or 15.3% of sales. For H1 2016, sales were up 18.2% (+17.1% lfl) to EUR80.1m, while EBITDA was up 18.3% lfl to EUR12.4m or 15.5% of sales (flat). This performance was in line with the company's internal budget. The non-IFRS EBIT is at EUR10.9m or 13.6% of sales, and net profit was up 40% to EUR6.8m. By division, for H1 2016, Software posted sales of EUR23.9m (+15.7% lfl) and an EBITDA margin of 29.4%, while Services posted sales of EUR56.2m (+17.8% lfl) and an EBITDA margin of 9.6%. The fx headwinds to revenue growth in H1 amounted to 4.1ppt, o/w 4.1ppt in Software and 4.2ppt in Services.
- **More details on H1 2016 figures**. 1) in Services, Sword posted an EBITDA margin of 11.9% for France, 6% for Benelux, 4.7% for the UK and 12% for other countries; 2) in Software, the WFS division (Wholesale Finance) posted an EBITDA margin of 33.8% - which could land at 28-29% at the end of the year given the usual seasonal discounts, while the GRC division (Governance Risk Compliance) had an EBITDA margin of 23%, and IP-based solutions posted an EBITDA margin of 23.9%. Finally, capitalised R&D amounted only EUR0.9m in H1 2016, and the cumulated amount of capitalised R&D since the launch of the programme has reached EUR2.2m.
- **Net cash position down due to earn-out payments**. The net cash position on 30th June 2016 was EUR28.1m, down from EUR39.8m on 31st March after the payment of dividends (EUR11.3m or EUR1.20/share) and EUR7.3m utilised for share buy-backs and earn-out payments (Simalaya). Excluding these elements, the net cash position would have improved by EUR9.4m in H1 2016.
- **2016 guidance reiterated; Horizon 2020 in sight**. While Brexit has had no impact on the business except a strong fx headwind due to the British pound (33% of revenues), Sword reiterates 2016 guidance, i.e. sales up 15% lfl, and an EBITDA margin of 15%. Such a lfl growth rate is underpinned by a backlog of 23.7 months of sales (vs. 24.8 months end 2015 and 22.5 months in June 2015). With current fx assumptions, 2016 revenues would reach EUR157m (2015 pro forma base of EUR135m), down from EUR161m (2015 pro forma base of EUR140.2m) at the end of April, due to the weaker British pound against the euro. At the analysts' meeting on 6th September, management plans to introduce a business plan named Horizon 2020 with "ambitious" growth rates and driven by R&D. This plan may include acquisitions, and the weaker British pound provides, according to CEO Jacques Mottard, opportunities to buy companies in the UK.

VALUATION

- Sword's shares are trading at est. 8.7x 2016 and 7.4x 2017 EV/EBIT multiples.
- Net cash position on 30th June 2016 was EUR28.1m.

NEXT CATALYSTS

Analysts' meeting on 6th September at 10am CET / 9am BST / 4am EDT in Paris (Centre de conference Paris-Trocadéro, 112 avenue Kléber).

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TMT

Worldline

Price EUR26.97

Strong H1 earnings and FY 2016 guidance slightly upgraded

Fair Value EUR31 vs. EUR29 (+15%) BUY

Bloomberg	WLN FP
Reuters	WLN.PA
12-month High / Low (EUR)	27.6 / 19.0
Market Cap (EURm)	3,564
Ev (BG Estimates) (EURm)	3,105
Avg. 6m daily volume (000)	87.10
3y EPS CAGR	11.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.6%	12.3%	23.0%	13.0%
Softw.& Comp.	10.9%	6.6%	6.1%	2.6%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,227	1,286	1,350	1,418
% change		*4.8%*	*5.0%*	*5.0%*
EBITDA	235	257	277	301
EBIT	174.9	200.6	217.4	238.2
% change		*14.7%*	*8.4%*	*9.6%*
Net income	122.9	141.7	154.4	169.1
% change		*15.3%*	*8.9%*	*9.6%*

	2015	2016e	2017e	2018e
Operating margin	14.3	15.6	16.1	16.8
Net margin	8.4	10.3	11.3	11.8
ROE	13.1	14.4	14.6	14.3
ROCE	29.0	31.7	35.8	41.6
Gearing	-41.0	-49.8	-58.3	-65.1

(EUR)	2015	2016e	2017e	2018e
EPS	0.91	1.05	1.14	1.25
% change	-	*15.3%*	*8.9%*	*9.6%*
P/E	29.6x	25.7x	23.6x	21.5x
FCF yield (%)	3.6%	3.2%	4.7%	5.1%
Dividends (EUR)	0.00	0.25	0.29	0.32
Div yield (%)	NM	0.9%	1.1%	1.2%
EV/Sales	2.6x	2.4x	2.2x	2.0x
EV/EBITDA	13.8x	12.1x	10.7x	9.3x
EV/EBIT	18.5x	15.5x	13.6x	11.8x

WLN has posted strong H1 organic revenue growth (+6% lfl), from its three BUs. The group has upgraded its lfl guidance slightly from ~+3% to >3%, and still expects an 80bp improvement in EBITDA margin (both excl. Equens and KB acquisitions). Recent acquisitions required very little cash since they took the form of a JV, so the group's financial flexibility remains intact to undertake other operations. We consider that any additional M&A deal would offer further upside to the EV/EBITDA multiple (10.5x over 12 rolling months). We maintain our Buy recommendation and raise our FV from EUR29 to EUR31. At our new FV, the stock would be trading at 12x, i.e. perfectly consistent with its positioning (physical PSP). We advise investor to play this positive momentum.

ANALYSIS

- **H1 2016 results give more confidence for the FY.** Worldline has reported H1 sales of EUR614.8m, +3.3% Y/Y and +6% lfl (BG +5.7% and consensus of +5.5% lfl), namely underlying business growth of +9% and -3% from major e-government contract ends in 2016. The order book stood at EUR1.8bn, i.e. 1.5 years of sales (vs. EUR1.7bn at end-March) and EUR26m was billed to end clients via Atos (4.2% of its FY revenue). **EBITDA came in at EUR117.2m, pointing to a margin of 19.1% (+80bp Y/Y**, perfectly in line with FY guidance) vs. consensus of 19.2%. After depreciation and amortisation, **adjusted EBIT stood at EU91.5m, implying a margin of 14.9% (+180bp)** vs. our 14.7%. After non-recurring costs (EUR36.3m: staff reorganisation, rationalisation and associated costs, integration and acquisition costs, PPA and others, and EUR51.2m for the gain on VISA), EBIT totalled EUR127.8m, with a margin at 20.8%. As such, **attrib. net profit came in at EUR92.1m and restated attrib. net profit to EUR62m** (vs. our EUR59m, no consensus), **FCF at EUR71.2m** (consensus EUR66.8m) i.e. FCF/EBITDA of 60.8%, **and the net cash position at EUR435m**.

- **The 6% lfl sales growth in Q2 showed that Worldline is more than well on track to reach its initial FY16 guidance** (constant consolidation scope and exchange rates, i.e. excl. Equens and KB)**.** Indeed, we estimated that H1 had to be in the 4-6% range for the FY target of ~+3% and Ebitda margin improvement of +80bp to be consistent. The management now expects topline lfl growth to be at >=+3% (vs. +3% initially, BG + 2.7% and consensus +3.2%) and reiterated an 80bp improvement in EBITDA margin to 20% (BG 20.0%, and consensus 20.2%) and a FCF of EUR135/140m (incl. the exceptional cash-out linked to the ~EUR12m acquisition costs of Equens).

- **As a reminder, Q3 should be the lowest quarter this year.** We now expect topline lfl growth of 1% in Q3 and +4% in Q4 (vs. respectively -1.5% and +0.5% before). As a result we have lifted our organic sales growth from 2.7% to 4.0% and maintain our EBITDA margin of 20% (+80bp).

- **Whereas the group was not really viewed as a payments player, the acquisition of Equens has now hoisted it to the no. 1 position among PSPs in Europe** (77% of its pro-forma sales derived from payments with a scale effect, 78% of recurring revenues). In addition, recent M&A operations (Equens and KB) required very little cash since they took the form of a joint venture and the group's financial flexibility remains intact to undertake other acquisitions. **We consider that any additional deal should help the group to better value its payments exposure.**

VALUATION

- **We maintain our Buy recommendation and raise our FV from EUR29 to EUR31** (Equens, KB and the end of the French radar contract are integrated into our valuation).

- **Based on our simulation** (including Equens, KB and the loss of the radar contract: see page 2), **we calculate that the share is trading on EV/EBITDA of 10.5 vs 12x for a physical PSP** (i.e. Worldline's positioning). **At our new FV, the share would be exactly at 12x over 12 rollling months** (6 months of 2016e and 6 months of 2017e), which is perfectly consistent with its positioning. **As such, any additional M&A deal would offer further upside on this particular multiple.**

NEXT CATALYSTS

- **The consolidation dates of Equens** (closing expected before the end of the summer of 2016) **and KB** (closing expected during end-Q3) should be known in September.

- **Q3 revenue:** 19th October 2016.

Return to front page

H1 2016 sales and Ebitda breakdown by BU

EURm	Revenue	Y/Y lfl growth	EBITDA	Y/Y (lfl)
Merchant Services & Terminals	210.1	9.4%	21.5%	380bp
Financial Processing & Software	208.1	4.6%	24.4%	10bp
Mobility & e-Transactional	196.6	4.1%	15.7%	-160bp
Corporate costs			-1.6%	0bp
Group	**614.8**	**6.0%**	**19.1%**	**80bp**

Source : Company.

Simulation: Worldline with consolidation of Equens, KB and the end of the French radar contract

EURm	2016e	2017e	2018e	2019e
Revenue	1,395.1	1,607.7	1,685.6	1,767.2
EBITDA	272.4	320.6	348.0	374.0
Margin	*19.5%*	*19.9%*	*20.6%*	*21.2%*
Synergies	4.0	20.0	40.0	45.0
EBITDA after synergies	276.4	340.6	388.0	419.0
Margin	*19.8%*	*21.2%*	*23.0%*	*23.7%*
Implementation costs of	-16.0	-13.0	-11.0	-5.0
Reorganisation costs	-6.0	0	0	0
Current EBIT	203.6	251.7	295.1	335.6
Margin	*14.6%*	*15.7%*	*17.5%*	*19.0%*
EBIT	168.4	235.8	281.3	327.7
Margin	*12.1%*	*14.7%*	*16.7%*	*18.5%*
Restated attrib. net income	143.1	163.7	188.1	211.4

Source : Bryan Garnier & Co. ests.

The impact of our simulation on our current EPS sequence would be: +0.9% in 2016e, +6.1% in 2017e, +11.2% in 2018e and +15.6% in 2019e. **Our FV of EUR31 is based on this simulation.**

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Healthcare

Genomic Vision

Price EUR5.08

H1 results in-line; looking forward to the results from the BRCA study

Fair Value EUR23

CORPORATE

Bloomberg	GV FP
Reuters	GV.PA
12-month High / Low (EUR)	14.6 / 5.0
Market Cap (EURm)	23
Avg. 6m daily volume (000)	3.90

	1 M	3 M	6 M	31/12/15
Absolute perf.	-17.4%	-39.0%	-22.4%	-42.2%
Healthcare	8.4%	6.4%	2.5%	-2.9%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

	2014	2015e	2016e	2017e
P/E	x	x	x	x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- Genomic Vision reported H1 2016 revenues from activity of EUR1.273m (vs. EUR1.436m in H1 2015) with a strong increase in product sales and other revenues, which did not offset R&D collaboration revenues drop. Product Sales are up 55% from EUR176k to EUR273k with growth in Genomic Vision's two main markets being the IVD (+40%; CombHelix FSHD sales and Royalties from Quest) and the Life Science Research Tools ones (+59%; consumables and instruments to research labs mainly). With the company's technology gaining recognition and a new strategy focused on these two markets, we do not rule out that the positive momentum seen on Product Sales in H1 should be confirmed throughout H2. We would highlight that research labs benefitted from a budget increase in 2016 and should have cash in hand in H2 which might benefit GV. Other Revenues, which consist of tax credit and R&D subsidies, stand at EUR847k vs EUR745k. Note that the recognition of milestone payments from Quest was front-end loaded in 2015, setting a challenging comparison basis for H1 2016 and explaining the expected 70% drop in R&D Collaboration Revenues (EUR154k vs. EUR515k).
- Turning to OPEX, they grew at a slower pace than Product Sales to EUR5.293m (+44%) driven by a two-fold increase in S&M expenses to EUR1,078m. This bodes well with GV's strategy of inking partnership in its addressed markets. R&D cost of EUR2.876m reflect the ongoing SMA and BRCA studies. G&A stands at EUR1.339m. Bottom line, operating loss is EUR4.020 which compares to EUR2.240m in H1 2015.
- With EUR11m in Cash at the end of H1 2016, Genomic Vision has around one year of financial visibility. Results from the BRCA trial conducted with Quest to support the launch of the test in the US should be the next important milestone.

NEXT CATALYSTS

- H2 2016: Results from the BRCA trial to support test's launch in the US by Quest.

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Utilities

McPhy Energy

Price EUR4.65

Bloomberg	MCPHY FP
Reuters	MCPHY.PA
12-month High / Low (EUR)	6.5 / 4.1
Market Cap (EURk)	43,910
Avg. 6m daily volume (000)	9.40

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.0%	-10.6%	-10.2%	-15.5%
Utilities	11.3%	3.4%	4.5%	-0.5%
DJ Stoxx 600	5.9%	-1.7%	1.4%	-6.8%

H1 2016 sales up 25% with cost structure under control

Fair Value EUR100m

CORPORATE

ANALYSIS

- **Mixed commercial performances:** Revenues rose by **25%** to **EUR2.2m**, mainly driven by hydrogen charging station deliveries in Lyon and Valence-Romans. This increase was wiped out by a **69%** drop in other activities revenues (EUR0.5m), generated by great demonstration projects financed by the EU, and planned by the authorities. This decline was anticipated given that the group has withdrawn from demonstration projects.
- **Unsurprising metrics:** Cost control set up this year in personnel and other operational costs was not entirely responsible for the revenue decrease, and EBITDA came out at -**EUR4.1m**, flat compared with last year. Following this trend, net income was -**EUR5.2m** (vs -EUR5.3m in H1 2015). We appreciate the control of the cost structure, despite the decline in total revenues.
- **What we retain for the future:** However, sales generated within the hydrogen business still need monitoring as management expects strong growth for H2 2016 on a market that is being restructured. Management indicated the group had won several contracts in China (**EUR6.4m** contract with a public player for a 4MW hydrogen production machine and a storage unit, which should contribute to H2 2016 revenue) and in France (1MW hydrogen production equipments related to Jupiter 1000 project whose commissioning is planned for 2018, and a **EUR1m** contract in a power-to-gas solution for an industrial client). An additional **EUR1m** should also be granted for Mcphy's participation in the US competition "H-Prize" in October 2016 where the group is the only participant still in the game.
- **Conclusion:** Despite the revenue growth generated by the group, margin operating margin remained negative. The good news concerned the commercial pipeline which looks well filled at least for the short-term. **Positive.**

VALUATION

- FV @EUR100m

NEXT CATALYSTS

- FY-2016 revenue – January 17th 2017 post-market

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Xavier Caroen, xcaroen@bryangarnier.com

Insurance

Scor

Price EUR26.11

Broadly in line Q2 publication; solvency remains comfortable

Fair Value EUR38 (+46%) **BUY**

Bloomberg	SCR FP
Reuters	SCOR.PA
12-month High / Low (EUR)	37.2 / 25.3
Market Cap (EUR)	5,013
Avg. 6m daily volume (000)	470.1

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.5%	-20.2%	-17.2%	-24.3%
Insurance	0.5%	-13.3%	-12.8%	-22.2%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

	2015	2016e	2017e
P/E	7.6x	9.0x	8.6x
Div yield (%)	5.7%	5.7%	5.8%

ANALYSIS

- Q2 2016 net income stood at EUR105m, down 31% yoy, in line with consensus (EUR104m).
- In P&C, the reported combined ratio stood at 97.5% (consensus 97.3%) vs. 92.6% last year, including 12.0 points related to natcats (vs. 2.0 points last year) and 3.1% of reserve releases. The normalised Q4 combined ratio (assuming natcats at budget level and without reserve releases) was 94.6% vs. 97.6% in Q2 2015 and 94.3% in Q1 2016, pretty much in line with previous guidance, but slightly ahead of MT targets. H1 GWP was up 0.6% (down 2.0% at constant FX). Strong June-July renewals (premiums up 14% with -0.2% price impact).
- In Life, the technical margin was 7.0% (consensus 7.1%) vs. 7.2% last year, in line with the plan.
- Annualised Q2 ROI was 2.5% vs. 2.9% last year, mainly driven by lower recurring yield as group remains cautious on asset allocation (liquidity at 14% of invested assets).
- NAV came in at EUR32.5 at end-June vs. EUR32.8 at end-March.
- Solvency II margin totalled 210% at end-June vs. 202% at end-March, in the upper-end of the company's optimal range of 185-220%.
- No material consequence (financial or operational) expected from Brexit, as planned.
- -> This is a solid set of numbers considering the more challenging Q2 environment, yet no breakthrough. Solvency remains comfortable, which is good news for dividend prospects.

VALUATION

- Based on our current 2016 estimates, our SOTP valuation is EUR38.

NEXT CATALYSTS

- Investors' Day on 7th September. Q3 numbers on 27th October. Click here to download

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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 54.4% NEUTRAL ratings 34.9% SELL ratings 10.7%

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