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28th July 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18472.17	-0.01%	+6.01%
S&P 500	2166.58	-0.12%	+6.00%
Nasdaq	5139.81	+0.58%	+2.64%
Nikkei	16664.82	+1.72%	-12.45%
Stoxx 600	342.736	+0.43%	-6.31%
CAC 40	4446.96	+1.19%	-4.10%
Oil /Gold			
Crude WTI	41.92	-2.33%	+12.69%
Gold (once)	1328.07	+0.58%	+25.01%
Currencies/Rates			
EUR/USD	1.09895	+0.05%	+1.16%
EUR/CHF	1.09165	+0.13%	+0.39%
German 10 years	-0.139	+63.06%	-121.84%
French 10 years	0.141	-29.90%	-85.59%
Euribor	-	+-%	+-%

Economic releases :

Date	
28th-Jul	DE - Unemployment Rate Jul (6.1% E) EUZ - Eco Business climate (103.6E 104.4 P) DE - CPI Jul (0.3%y/y) US - Initial Jobless Claims Jul (263K E) US - Conitnuing Claims (2136K E)

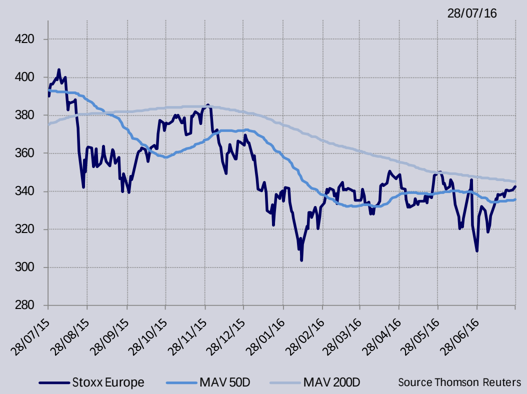
Upcoming BG events :

Date	
1st-Sept	L'OREAL (BG Paris roadshow with CFO)
8th-Sept	ACCOR (BG Roadshow with CFO)
13th-Sept	Thematic Breakfast with ARCEP
14th-Sept	SAINT GOBAIN (BG Luxembourg roadshow)
22nd-Sept	Thematic Lunch with HC specialist
30th-Sept	Thematic Breakfast with Vimpelcom

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



ACCORHOTELS — **BUY, Fair Value EUR45 (+21%)**

Lower EBIT despite top line resilience. Broad range FY EBITguidance to reflect uncertainties

ALTEN — **SELL, Fair Value EUR52 vs. EUR48 (-12%)**

Q2 2016 sales above our estimates; 2016 outlook reiterated

ALTRAN TECHNOLOGIES — **NEUTRAL, Fair Value EUR13 (+1%)**

Q2 2016 sales slightly above expectations; outlook reiterated

AXWAY SOFTWARE — **BUY vs. NEUTRAL, Fair Value EUR28 vs. EUR20 (+20%)**

H1 2016 analysts' meeting and conference call feedback: momentum is there now

CARREFOUR — **BUY, Fair Value EUR30 (+29%)**

Q2 sales and H1 results (first take): resilient margins despite pressured LFLs

CAPGEMINI — **BUY, Fair Value EUR93 vs. EUR95 (+13%)**

H1 2016 results conference call feedback: tempered optimism

COFACE — **NEUTRAL, Fair Value EUR5.4 vs. EUR10 (+15%)**

Uncertainty will take time to disappear

DANONE — **NEUTRAL, Fair Value EUR67 (+2%)**

A solid quarter

DIAGEO — **NEUTRAL, Fair Value UNDER REVIEW)**

2015/16 results: first take

DIALOG SEMICONDUCTOR — **BUY, Fair Value EUR37 (+19%)**

The "transition year" hits again despite Q2 2016 results coming out 6% above ests.

GLAXOSMITHKLINE — **BUY, Fair Value 1810p vs. 1740p (+7%)**

Q2 beat largely driven by FX although underlying performance was good too

IMERYS — **BUY-Top Picks, Fair Value EUR72 (+19%)**

Strong operating margin, modest top line growth in Q2. Cautious guidance.

IPSEN — **BUY-Top Picks, Fair Value EUR64 (+15%)**

A very solid set of quarterly numbers, upgrade to sales guidance

JERONIMO MARTINS — **NEUTRAL, Fair Value EUR13.5 (-7%)**

Q2 2016 results (first take): a tough price battle

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

A supportive momentum, but yield problems leads to cut in R&D investments

MONCLER — **BUY, Fair Value EUR17,5 vs. EUR17 (+9%)**

Solid H1 results highlighting the ongoing growth story

ROCHE — **BUY, Fair Value CHF293 (+18%)**

Follow-up data confirm the efficacy/safety profile of ACE910

SOPRA STERIA GROUP — **BUY, Fair Value EUR127 (+25%)**

H1 2016 operating margin slightly above expectations; 2016 guidance reiterated

STMICROELECTRONICS — **NEUTRAL, Fair Value EUR6.5 (0%)**

Business gains momentum, but don't forget the risks

SUEZ — **BUY, Fair Value EUR17.5 (+25%)**

H1-16 results – first take: 2016 guidance confirmed thanks to deeper cost cutting

UCB — **NEUTRAL, Fair Value EUR80 (+13%)**

Profitability above expectations in H1

VEOLIA ENVIRONNEMENT — **BUY-Top Picks, Fair Value EUR23 (+17%)**

EUR3.3bn contract concluded in industrial water in China

In brief...

ASTRAZENECA, *First read-out of Q2 suggest in-line numbers*

BUREAU VERITAS, *H1 first take: In line with expectations. FY guidance confirmed but at the low end of the bracket.*

CNP ASSURANCES, *Solid H1 results, slight disappointment on solvency*

DBV TECHNOLOGIES, *H1 2016 in-line, 3y OLFUS-VIPES data upcoming*

SFR, *Prospect of 5,000 job cuts in 2017*

WIRECARD, *Strong preliminary H1 results, positive momentum and FY guidance maintained*

ZEALAND, *Lixisenatide approved as Adlyxin in the US*

Hotels

AccorHotels

Price EUR37.32

Lower EBIT despite top line resilience. Broad range FY EBITguidance to reflect uncertainties

Fair Value EUR45 (+21%) **BUY**

Bloomberg	AC FP
Reuters	ACCP.PA
12-month High / Low (EUR)	46.1 / 30.0
Market Cap (EURm)	10,619
Ev (BG Estimates) (EURm)	10,424
Avg. 6m daily volume (000)	1 461
3y EPS CAGR	4.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	13.5%	-6.5%	9.9%	-6.7%
Travel&Leisure	10.5%	-6.3%	-7.6%	-14.8%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	5,454	5,581	6,063	6,616
% change		*2.3%*	*8.6%*	*9.1%*
EBITDA	923	986	1,079	1,261
EBIT	602.0	665.0	714.7	877.8
% change		*10.5%*	*7.5%*	*22.8%*
Net income	386.0	441.8	435.1	541.3
% change		*14.5%*	*-1.5%*	*24.4%*

	2014	2015e	2016e	2017e
Operating margin	11.0	11.9	11.8	13.3
Net margin	4.1	4.4	7.2	8.2
ROE	6.2	6.8	11.1	15.2
ROCE	12.4	14.5	11.4	15.4
Gearing	4.1	-4.9	18.7	18.5

(€)	2014	2015	2016e	2017e
EPS	1.68	1.88	1.69	1.93
% change	-	*12.4%*	*-10.4%*	*14.1%*
P/E	22.3x	19.8x	22.1x	19.4x
FCF yield (%)	6.9%	7.0%	7.3%	8.6%
Dividends (€)	0.95	1.00	1.10	1.25
Div yield (%)	2.5%	2.7%	2.9%	3.3%
EV/Sales	2.0x	1.9x	2.0x	1.7x
EV/EBITDA	11.7x	10.6x	11.5x	8.9x
EV/EBIT	17.9x	15.7x	17.3x	12.8x

Despite AccorHotels exposure to France (28% of total number of rooms) and Brazil (7%) largely hit by major events, consolidated H1 revenue reached EUR2,598m, in line with consensus at EUR2,611m, and was up 2.% on lfl vs.-0.2% from consensus. Nevertheless, EBIT at EUR239m was definitely lower than anticipated by the consensus (EUR260m) or our estimate of EUR266m with a margin lower 40bps vs last year at 9.2%. Beyond, AccorHotels expansion was really strong with the opening of over 19,000 rooms and H1 was marked by major transforming actions and deals for the coming years. For H2 2016, uncertainties remain, largely reflected in Management broad range EBIT guidance of between EUR670m and EUR720m (consensus at EUR716m).

ANALYSIS

- **Pretty resilient consolidated revenue despite major negative impacts:** Actually, with revenue at EUR2,598m, down 4.7% on reported but up 2% on lfl basis after 1.9% in Q1, this is definitely positive numbers taking into account the group exposure to **France** (revenue down 2.6% in H1 after -2.5% in Q1) where RevPAR was down -2.2% (market down 3.6%) o/w -12% in **Paris** (market down 14.2%) still affected by November events. Revenue in **Americas** (10% of total number of rooms) was up 1.7% (+3.1% in Q1) despite **Brazil** (70% of the group offer in that area) down 5.5%. Positive figure in **NCEE** (25% of rooms) which was up 4.1% on lfl basis, in **ASPAC** (26%) up 4.8% and in **MMEA** (11%) up 3.2% o/w 11.5% in the **Iberian Peninsula**. On reported revenue (-4.7%), development contributed 1.7% while disposals impacted revenue by 5.2% and currency effects by -3.2%.

- **But lower EBIT down 4% on lfl basis:** At EUR239m, EBIT was down 8.9% on reported with lfl down 4% (+1.4% anticipated by the consensus). By geography, strong lfl growth in **NCEE**, **MMEA** and **Asia-Pacific** up respectively 10.5%, 9.9% and 27.8% but more than offsetting by **France** down 4.2%, **Americas** down 54.5% and the impact of the digital plan and the acquisition & development of onefinestay and FastBooking.

- **Cash flow remains robust:** FFO amounted to EUR320m compared with EUR364m last year. Development expenditure was EUR135m up vs.EUR88m last year with maintenance capex of EUR84m (EUR64m in 2015). All in all recurring cash flow was just over EUR100m. Net debt is at EUR511m up EUR705m vs. end of December 2015 due to acquisitions. Cost of debt is again down to 2.85% (an all-time low) vs. 2.89% end of December.

- **Consensus on top of the FY 2016 EBIT guidance:** Taking into account the consolidation of Fairmont Raffles Hotels in H2, Management expects to generate an EBIT between EUR670m and EUR720m, a broad range reflecting current uncertainties which should weigh on attending major events scheduled i.e. OG in Brazil or Paris Motor Show. In fact, the consensus anticipates EUR716m with FRHI EBIT contribution for 6 months of EUR44m and compared to EUR661m last year.

VALUATION

- At the current share price, the stock is trading 11.5x EV/EBITDA 2016e and 8.9x 2017e compares with average European peer valuation of respectively 10.1x and 9.2x

- Remember that mid-July, the Board of Directors has given the go-ahead for the project to turn HotelInvest into a subsidiary. A new assets valuation will be given in September having in mind that HotelInvest assets were valued at c.EUR7bn at the end of December 2015 representing a cap rate of 6.2%.

NEXT CATALYSTS

- Conference call today at 8.30am CET

- Q3 revenue on 18th October + Capital market day in October (date to be defined)

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TMT

Alten

Price EUR58.82

Q2 2016 sales above our estimates; 2016 outlook reiterated

Fair Value EUR52 vs. EUR48 (-12%) **SELL**

Bloomberg	ATE FP
Reuters	LTEN.PA
12-month High / Low (EUR)	58.8 / 40.4
Market Cap (EUR)	1,981
Ev (BG Estimates) (EUR)	1,933
Avg. 6m daily volume (000)	38.50
3y EPS CAGR	10.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	19.5%	8.1%	8.0%	10.1%
Softw.& Comp.	17.6%	6.1%	5.8%	3.4%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	1,541	1,718	1,845	1,976
% change		*11.5%*	*7.4%*	*7.1%*
EBITDA	164	188	206	225
EBIT	147.0	175.0	193.0	212.0
% change		*19.0%*	*10.3%*	*9.8%*
Net income	110.0	121.0	133.0	147.0
% change		*10.0%*	*9.9%*	*10.5%*

	2015	2016e	2017e	2018e
Operating margin	9.9	10.2	10.5	10.7
Net margin	6.8	7.0	7.2	7.4
ROE	16.3	16.3	15.9	15.4
ROCE	16.7	17.8	19.1	20.9
Gearing	-3.0	-7.0	-16.0	-26.0

(€)	2015	2016e	2017e	2018e
EPS	3.27	3.60	3.98	4.38
% change	-	*10.1%*	*10.6%*	*10.1%*
P/E	18.0x	16.3x	14.8x	13.4x
FCF yield (%)	5.0%	5.1%	6.5%	7.2%
Dividends (€)	1.00	1.00	1.00	1.00
Div yield (%)	1.7%	1.7%	1.7%	1.7%
EV/Sales	1.3x	1.1x	1.0x	0.9x
EV/EBITDA	12.0x	10.3x	8.9x	7.7x
EV/EBIT	12.9x	11.0x	9.6x	8.2x

We reiterate our Sell rating, but raise our DCF-derived fair value to EUR52 from EUR48 as we increase our adj. EPS ests. by 3% for 2016, 5% for 2017 and 6% for 2018. Yesterday evening, Alten reported Q2 2016 sales 3% above our forecasts with 10.6% lfl growth (+6.1% restated from calendar effects). Management is more confident than ever that it can deliver lfl revenue growth above 3.4% in 2016, and we estimate it at +6.3% (vs. +4.5%). We expect the share price to react positively near term.

ANALYSIS

- **Q2 2016 sales above our estimates**. Q2 2016 sales were up 17.7% to EUR449.2m (+10.6% lfl), or 3% above our est. (EUR434.1m), helped by a 4.5ppt tailwind related to the number of billable days (+2.5 days). Restated from calendar effects, lfl sales growth would have been +6.1%. In France, sales were up 9.4% (+7.4% lfl) to EUR213.3m (BG est.: EUR211.2m), with H1 +30% in Automotive, +4% in Aerospace, +7% in Finance/IT, +3% in Telecoms, -8% in Oil & Gas, -5% in Nuclear, +5% in Life Sciences. International operations were up 26.2% (+13.9% lfl) to EUR235.9m (BG est.: EUR222.9m), with, on a lfl basis, +0.5% in Germany, +14.5% in North America, +6.7% in Scandinavia, +24.7% in Spain, +19.3% in the UK, +15.1% in Belgium, +6.5% in the Netherlands, and +17.3% in Italy. By industry, in H1 on a lfl basis, Automotive was at +17%, Aerospace +5.5%, Energy/Life Sciences -2.2% (Oil & Gas -10%, Nuclear -7%, Life Sciences +17%), Telecoms slightly up, Finance/IT +18.3%, Defense +4.7%, and Rail/Marine +4%.
- **Recruitment accelerating**. The utilisation rate in Q2 2016 was 92.1% (-0.2ppt vs. Q1 2016 and +0.1ppt vs. Q2 2015). On 30th June 2016, the headcount reached 22,900 (+1,600 in Q2), o/w 20,250 engineers (+1,500). Net staff hirings were 607 (100 in France, 507 abroad) which shows a clear acceleration compared to the 392 recruited in Q1 2016. what Alten expected and fully in line with net staff hiring of Q2 (250 engineers). Billable staff ratio is up 0.3ppt to 88.4% year-on-year.
- **Update on acquisitions**. Alten announced the acquisition in Canada (Ontario) of a company that specialises in Telecom/IT networks with 30 engineers (EUR5m sales, 10% operating margin). The company has made 6 acquisitions year-to-date: 2 in Germany and Italy) for EUR20m sales and 135 engineers, 4 in North America and India for EUR46m sales and 965 engineers. Alten is reviewing several other potential targets, and does not rule out closing at least one deal by the end of Q3.
- **2016 outlook reiterated**. While the economic climate is improving for Alten, management anticipates lfl sales growth will accelerate in 2016 compared to the +3.4% reported for 2015. The acceleration of net staff hiring in H1 and the more aggressiveness on it makes us confident that Alten can exceed 6% lfl revenue growth in 2016. Due to the distribution of billable days this year (+2.5 in H1, -2.5 in H2), the operating margin is likely to be similar between H1 and H2, which means H1 may be up 1-1.5ppt to 10-10.5% while H2 may be down 0.5ppt in our view. In France, Alten estimates growth restated from calendar effects will stay at c. +4%. Brexit had no impact so far on the business, and in the UK Alten is mainly exposed to Oil & Gas. Germany is likely to keep suffering from the termination/transformation of AÜG contracts in Automotive - still 70% of sales in that industry are in that mode for Alten in Germany. Finally, the double-digit lfl growth seen in H1 in North America is sustainable for H2, driven by Automotive and Telecoms/IT.

VALUATION

- Alten's shares are trading at est. 11.0x 2016 and 9.6x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR17m (net gearing: -3%).

NEXT CATALYSTS

H1 2016 results on 20th September after markets close.

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Altran Technologies

Price EUR12.81

Q2 2016 sales slightly above expectations; outlook reiterated

Fair Value EUR13 (+1%) **NEUTRAL**

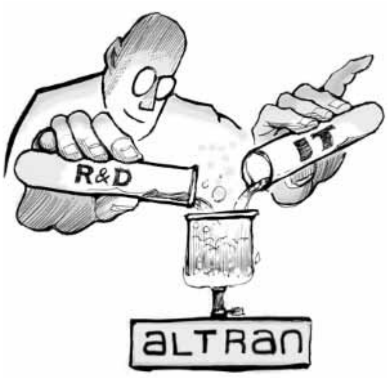
Bloomberg	ALT FP
Reuters	ALTR.PA
12-month High / Low (EUR)	13.4 / 9.6
Market Cap (EUR)	2,252
Ev (BG Estimates) (EUR)	2,406
Avg. 6m daily volume (000)	234.7
3y EPS CAGR	17.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	11.1%	0.2%	9.0%	3.8%
Softw.& Comp.	17.6%	6.1%	5.8%	3.4%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

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

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

(€)	2015	2016e	2017e	2018e
EPS	0.70	0.83	0.97	1.12
% change	*-*	*18.6%*	*16.9%*	*15.5%*
P/E	18.3x	15.4x	13.2x	11.4x
FCF yield (%)	3.6%	5.1%	6.6%	7.7%
Dividends (€)	0.20	0.25	0.30	0.30
Div yield (%)	1.6%	2.0%	2.3%	2.3%
EV/Sales	1.2x	1.1x	1.0x	0.9x
EV/EBITDA	11.5x	9.9x	8.3x	6.8x
EV/EBIT	12.9x	10.9x	9.1x	7.5x



This morning, Altran reported Q2 2016 revenues slightly above our forecast (2%) and consensus (1%), with positive growth momentum helped by calendar effects. Unsurprisingly, management considers 2016 will be another year of profitable growth. We expect the share price to show a slightly positive reaction in the short-term.

ANALYSIS

- **Q2 2016 sales slightly above expectations**. Q2 2016 sales were up 11.1% to EUR535.2m (+9.6% lfl) or 2% above our estimate (EUR527.1m, +8% lfl) and 1% ahead of the consensus average (EUR529m). By geography, over H1 16 France was up 8.7% lfl (+6.4% excluding calendar effects), Southern Europe was up 11.9% lfl (+10.8% excluding calendar effects), Northern Europe was up 2.5% lfl (+1.1% excluding calendar effects), and the Rest of World region (USA, India, China) was up 17.4% lfl (+16.4% excluding calendar effects).
- **Sustained headcount increase, increasing invoicing rate**. On 30th June 2016, headcount was 27,150, up 469 vs. 31st March 2016. The "invoicing" (i.e. utilisation) rate excluding Cambridge Consultants, Foliage and Tessella was 87.2% in Q2 2016, flat vs. Q2 2015 and up 0.5ppt compared to Q1 2016.
- **Outlook reiterated**. In its statement, management confirmed that 2016 will be another year of profitable growth for Altran. At this stage, and taking into account the two acquisitions recently announced (Synapse and Lohika), we expect an operating margin of 10.3% for revenues up 6.3% lfl. Altran is just at the start of its "Altran 2020 Ignition" plan, which aims to generate at least EUR3bn in revenues (based on an average 4.5% lfl annual revenue growth and EUR500m revenues from acquisitions) and an operating margin of c. 13% in 2020.

VALUATION

- Altran's shares are trading at est. 10.9x 2016 and 9.1x 2017 EV/EBIT multiples.
- Net debt on 31st December 2015 was EUR138.3m (net gearing: 19%).

NEXT CATALYSTS

Conference call today at 11.30am CET / 10.30am BST / 5.30am EDT (France: + 33 1 70 77 09 46; UK: + 44 20 33 67 94 59).

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Axway Software

Price EUR23.26

H1 2016 analysts' meeting and conference call feedback: momentum is there now

Fair Value EUR28 vs. EUR20 (+20%) **BUY vs. NEUTRAL**

Bloomberg	AXW FP
Reuters	AXW PA
12-month High / Low (EUR)	25.7 / 19.2
Market Cap (EUR)	484
Ev (BG Estimates) (EUR)	465
Avg. 6m daily volume (000)	8.70
3y EPS CAGR	5.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	15.1%	19.6%	-1.0%	-4.7%
Softw.& Comp.	17.6%	6.1%	5.8%	3.4%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	284.6	310.2	330.8	356.2
% change		*9.0%*	*6.7%*	*7.7%*
EBITDA	50.7	53.4	58.2	64.7
EBIT	27.4	37.0	45.7	52.2
% change		*35.2%*	*23.5%*	*14.2%*
Net income	41.0	40.2	44.3	49.3
% change		*-1.8%*	*10.0%*	*11.4%*

	2015	2016e	2017e	2018e
Operating margin	15.6	16.2	16.6	17.2
Net margin	9.8	9.3	10.7	11.4
ROE	8.2	8.0	9.1	9.6
ROCE	15.3	12.4	13.3	15.1
Gearing	-10.5	-5.2	-14.6	-23.8

(EUR)	2015	2016e	2017e	2018e
EPS	1.96	1.89	2.07	2.31
% change	-	*-3.6%*	*9.7%*	*11.4%*
P/E	11.9x	12.3x	11.2x	10.1x
FCF yield (%)	9.2%	7.3%	9.3%	10.5%
Dividends (EUR)	0.40	0.40	0.43	0.49
Div yield (%)	1.7%	1.7%	1.9%	2.1%
EV/Sales	1.6x	1.5x	1.3x	1.1x
EV/EBITDA	8.8x	8.7x	7.3x	5.9x
EV/EBIT	10.1x	9.3x	7.8x	6.3x

We upgrade our rating to Buy from Neutral, and raise our DCF-derived fair value to EUR28 from EUR20. We increase our adj. EPS ests. by 8-9% for 2016-18 (+EUR2/share) and reduce our company beta to 1.8x from 2.3x due to a change of stockmarket status of the company since the market cap is close to EUR500m (+EUR6/share). The sales transformation engaged since 2014 and accelerated since the arrival of the CEO Jean-Marc Lazzari one year ago is bearing fruit, while Axway's Digital software see strong growth momentum.

ANALYSIS

- **Sales transformation paying off**. We deem the H1 outperformance (EUR144.7m revenues vs. consensus at EUR140.7m and BG est. of EUR140m) was related to the signing of a multi-million licence deal in the US on Digital. Fannie Mae, which has been a Systar customer for a while, bought an enterprise licence on the Operational Intelligence (OI) offer, Decision Insights. We estimate deal size at EUR4-5m. This was the result of the sales force transformation put in place in the US since 2014 which is now bearing fruit (80-85% of the sales force changed), while the solution selling approach improved win rates. Axway's Digital solutions (API management, OI, etc.), which were initially bought by business line managers on limited scope, are increasingly at the CIOs' agenda for companywide deployments. This translates into an average deal size for Digital around EUR330k, vs. only EUR85k one year ago. The sales pipeline is strong for the rest of the year, while in France the goal is to stabilise revenues by Q4 2016 before growing again. In H1 2016, licence/cloud revenues in the US surged by 76%, and Ecosystem Engagement licence sales were up 68% (+50% excl. Fannie Mae). Digital licence sales now account for 50% of licence/cloud revenues (43% excl. Fannie Mae), vs. 35% last year. Cloud revenues account for 6% of total revenues.

- **Cost control and licence sales offset Appcelerator's margin dilution**. Despite Appcelerator, which was loss-making when it acquired the company, Axway has been able to increase its operating margin by 1.9ppt to 11.3% in H1 2016 thanks to strong licence sales - Fannie Mae was helpful - and strict cost control. The gross margin was up 2ppt thanks to a sharp improvement of the Services gross margin (+12.5ppt to 13.8%), while sales and marketing costs were flat. The CEO Jean-Marc Lazzari considers that, unlike initial assumptions in February, Axway may increase its non-IFRS operating margin in 2016 (from 15.6% in 2015) even though Appcelerator will be dilutive to it, and provided that cost control remains strict. As such, we raise our operating margin forecasts to 16.2% from 14.8% for 2016, to 16.6% from 15.3% for 2017, and to 17.2% from 16% for 2018.

- **M&A still on the agenda**. With net liquidity of EUR10.5m and a EUR125m revolving credit line which was utilised only at EUR20m for the acquisition of Appcelerator, Axway has the means to pursue its acquisition policy. The 'playbook' remains unchanged, with Axway intending to double revenues between 2014 and 2018 (base: EUR262m) with half of the growth to be done organically and half of it to be done by acquisitions. The company still has two kinds of targets: 1) technology add-ons, for instance on the Internet of Things, web-based file sharing (Dropbox-like software) or cloud; 2) installed bases of competitors in a specific country or area.

VALUATION

- Axway's shares are trading at est. 9.3x 2016 and 7.8x 2017 EV/EBIT multiples.
- Net cash position on 30th June 2016 was EUR6.9m (net gearing: -2%).

NEXT CATALYSTS

Q3 16 sales on 27th October after markets close.

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Food retailing

Carrefour

Price EUR23.26

Q2 sales and H1 results (first take): resilient margins despite pressured LFLs

Fair Value EUR30 (+29%) **BUY**

Bloomberg	CA FP
Reuters	CARR.PA
12-month High / Low (EUR)	32.0 / 21.3
Market Cap (EURm)	17,586
Ev (BG Estimates) (EURm)	23,799
Avg. 6m daily volume (000)	3 273
3y EPS CAGR	10.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.0%	-9.7%	-7.0%	-12.7%
Food Retailing	4.3%	-4.4%	1.0%	-2.1%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	76,945	75,732	79,736	82,927
% change		*-1.6%*	*5.3%*	*4.0%*
EBITDA	3,914	3,895	4,286	4,593
EBIT	2,187	2,449	2,764	3,010
% change		*12.0%*	*12.8%*	*8.9%*
Net income	1,113	1,162	1,370	1,536
% change		*4.4%*	*18.0%*	*12.1%*

	2015	2016e	2017e	2018e
Operating margin	3.2	3.2	3.5	3.6
Net margin	1.4	1.5	1.7	1.9
ROE	NM	NM	NM	NM
ROCE	9.6	8.8	9.7	10.2
Gearing	42.6	43.4	38.4	33.5

(EUR)	2015	2016e	2017e	2018e
EPS	1.54	1.58	1.87	2.09
% change	-	*2.9%*	*18.0%*	*12.1%*
P/E	15.1x	14.7x	12.4x	11.1x
FCF yield (%)	NM	0.3%	5.5%	6.4%
Dividends (EUR)	0.93	1.05	1.14	1.24
Div yield (%)	4.0%	4.5%	4.9%	5.3%
EV/Sales	0.3x	0.3x	0.3x	0.3x
EV/EBITDA	5.9x	6.1x	5.5x	5.1x
EV/EBIT	10.6x	9.7x	8.6x	7.8x

Carrefour's statement, following that of Casino, reflects a mitigated consumption environment both in France (poor weather and strike action) and Europe. In this context, Q2 gross sales increased 2.3% cc to EUR20,499m (+2.7% LFL excl. fuel and calendar), a performance very much in line with expectations. Margins turned out to be very resilient so that underlying operating profit reached EUR707m (vs EUR685m e) in H1. As was already the case in Q1, poor performances at French hypermarkets (-3.1% LFL in Q2) were offset by impressive ones in Brazil (+13.1% in Q2). Sometimes, we do not know who to turn to! In our view, the share price reaction will probably depend on management's upcoming message, following a difficult communication exercise during the latest FY.

France (47% of sales / 44% of EBIT excl. global function in H1): Q2 LFL sales excl. fuel and calendar work out at -3.1% at Carrefour hypers (vs -2.7% expected by the consensus). The momentum at Carrefour Supermarchés remains very solid (LFL growth reached +2.5% vs +1.4%e). Given these commercial performance, the resilience of margin (flat in H1 vs -6 bp e) is rather surprising.

Europe (26% of sales / 22% of EBIT excl. global function in H1): momentum remained decent in Europe but with a sequential deceleration. In detail, Q2 LFL excl. fuel and calendar increased +1.2% (vs +1.3% e). On the whole, Carrefour continued to tap into operating leverage with a 34 bp margin appreciation (vs +33bp e) in H1. This convincing operating leverage in Europe is one of the pillar of our Buy rating. This is a good news.

LatAm (18% of sales / 38% of EBIT excl. global function in H1): remains a subject of strong satisfaction given LFL rates, which reached +15.5% excl. calendar (vs +13,2%e) in Q2, supported by the acceleration in inflation over there. Unsurprisingly this triggered a 22bp increase in operating margin (vs +20 bp e) in H1 which. The performance remain supported by Atacadao the margin of which is the highedt among Carrefour's BU we believe (~7% e).

In Asia (9% of sales / -4% of EBIT excl. global function in H1): unsurprisingly, the momentum remained under pressure with Q2 LFL growth declining -6.0% excl. calendar (vs -5,5%e). Hence, the BU is still un negative territory in H1 (-EUR1m vs -EUR6m e) because of China (LFL down -9.3%). As a reminder, according to management, Asia may bottom out in 2016.

ANALYSIS

- As was already the case in Q1, poor performances at French hypermarkets (-3.1% LFL in Q2) were offset by impressive ones in Brazil (+13.1% in Q2). Sometimes, we do not know who to turn to! But the fact remains that Carrefour has been suffering a decline in market share at its French hypers (momentum at which remains key to the equity story…) for a while now, meaning the group was to be somewhat under pressure in Q2. And we believe the hyper issue could remain the focus of todays publication. In that respect, Carrefour will struggle to reassure. In the coming months, we believe the post-summer promotions compaign in France (which was not particularly successful in 2015) will be key for reassuring on Carrefour's ability to compete with Leclerc.
- Carrefour's equity story (12,4x 2017 P/E vs 16,5x for peers) may appear as an endless prelude and we are running out of patience. The share price direction is not clear because, at some point, one struggles to understand the post-turnaround commercial strategy. If investors are not supposed to focus on the "short-term market share monitoring", as the saying goes, then let's try to clarify the long-term aim (i.e. omnichannel and premiumisation). We do hope management will bring more insight in this respect at this morning's analyst meeting (09:30 AM CET). In the press release, we foresee the outlines of a more offensive speech, especially on the e-commerce issue. Stay tuned. In our view, the share price reaction will probably depend on management's upcoming message, following a difficult communication exercise in during the latest FY.

VALUATION

- Carrefour is showing a 12.4x 2017 P/E vs 16.5x for peers. Hence the stock turned out to be value.

NEXT CATALYSTS

- More offensive message from management on the e-commerce/omnichannel issue

Quarterly topline performance

LFL	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16e	Q2 16p
Total group	2.3%	1.7%	+3.5%	+2.1%	2.4%	+3.1%	+1.8%	2.7%
France	**+2.5%**	**+0.9%**	**+1.6%**	**+0.2%**	**+1.3%**	**+0.0%**	**-0.9%**	**-0.9%**
- ow Hypers	*+2.1%*	*+0.5%*	+0.7%	*-0.7%*	*+0.6%*	-0.6%	-2.7%	-3,1%
- ow Supers	*+2.5%*	*+1.2%*	+2.5%	*+1.5%*	*+1.9%*	+0.7%	+1,4%	+2,5%
Europe	**+0.9%**	**-0.4%**	**+4.2%**	**+2.2%**	**+1.8%**	**+3.2%**	**+1,3%**	**+1.2%**
- ow Spain	*+0.3%*	*+2.8%*	+4.6%	*+2.5%*	*+2.6%*	+3.4%	+1,0%	+0.7%
- ow Italy	*-1.0%*	*-5.0%*	+5.9%	*+3.5%*	*+0.8%*	+4.5%	+2,2%	+1.4%
- ow Belgium	*+2.1%*	*+0.0%*	+2.7%	*-0.4%*	*+1.0%*	+1.0%	+0,0%	-0.5%
LatAm	**+12.5%**	**+10.7%**	**+11.7%**	**+11.9%**	**+11.7%**	**+13.5%**	**+13.2%**	**+15.5%**
- ow Brazil	*+8.4%*	*+7.1%*	+7.4%	*+8.5%*	*+7.9%*	+9.9%	+9.6%	+13.1%
Asia	**-11.3%**	**-9.2%**	**-7.5%**	**-12.9%**	**-10.3%**	**-4.9%**	**-5,5%**	**-6.0%**
- ow China	*-14.0%*	*-12.3%*	-11.2%	*-16.7%*	*-13.5%*	-8.4%	-9,3%	-9.3%

Sources: Carrefour, Street account, Bryan Garnier estimates

Net sales	**Consensus**	**Released**	**Share of sales**	**Delta vs cons.**
- France	17 118	17 179	47%	0,4%
- Europe	9 386	9 428	26%	0,4%
- LatAm	6 391	6 453	18%	1,0%
- Asia	3 196	3 229	9%	1,0%
Total	**36 091**	**36 289**	**100%**	**0,5%**
AC	**Consensus**	**Released**	**Share of AC**	**Delta vs cons.**
- France	302	312	44%	3,3%
- Europe	154	155	22%	1,0%
- LatAm	269	273	39%	1,4%
- Asia	-5,8	-7,0	-1%	NM
- Central costs	-34	-26	-4%	NM
Total	685	707	100%	3,3%
Margin	**Consensus**	**Released**	**-**	**Delta vs cons.**
- France	1,8%	1,8%	-	5,2
- Europe	1,6%	1,6%	-	0,9
- LatAm	4,2%	4,2%	-	2,0
- Asia	-0,2%	-0,2%	-	-3,5
Total	**1,9%**	**1,9%**	**-**	**5,1**
Var. in margin	Consensus	Released	-	Delta vs cons.
- France	-6	-1	-	5,2
- Europe	33	34	-	0,9
- LatAm	20	22	-	2,0
- Asia	-159	-163	-	-3,5
Total	**-3**	**2**	**-**	**5,1**

Sources: Carrefour, Street account, Bryan Garnier estimates

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Capgemini

Price EUR82.65

H1 2016 results conference call feedback: tempered optimism

Fair Value EUR93 vs. EUR95 (+13%) **BUY**

Bloomberg	CAP FP
Reuters	CAPP.PA
12-month High / Low (EUR)	89.0 / 69.0
Market Cap (EUR)	14,231
Ev (BG Estimates) (EUR)	15,428
Avg. 6m daily volume (000)	692.4
3y EPS CAGR	11.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	11.1%	-1.2%	-1.7%	-3.4%
Softw.& Comp.	17.6%	6.1%	5.8%	3.4%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	11,915	12,655	13,028	13,534
% change		*6.2%*	*3.0%*	*3.9%*
EBITDA	1,577	1,723	1,857	1,971
EBIT	1,022	1,231	1,399	1,513
% change		*20.4%*	*13.7%*	*8.1%*
Net income	798.7	948.9	1,042	1,122
% change		*18.8%*	*9.8%*	*7.7%*

	2015	2016e	2017e	2018e
Operating margin	10.6	11.4	12.1	12.5
Net margin	9.4	6.1	6.8	7.1
ROE	16.3	11.2	11.8	11.8
ROCE	17.2	13.4	14.9	16.4
Gearing	25.3	17.3	4.4	-7.1

(EUR)	2015	2016e	2017e	2018e
EPS	4.66	5.49	5.98	6.44
% change	-	*18.0%*	*9.0%*	*7.7%*
P/E	17.8x	15.1x	13.8x	12.8x
FCF yield (%)	5.8%	6.4%	7.2%	7.5%
Dividends (EUR)	1.35	1.50	1.60	1.70
Div yield (%)	1.6%	1.8%	1.9%	2.1%
EV/Sales	1.3x	1.2x	1.1x	1.0x
EV/EBITDA	10.1x	9.0x	7.8x	6.9x
EV/EBIT	12.7x	10.7x	9.2x	8.0x

We reiterate our Buy rating, but reduce our DCF-derived fair value to EUR93 from EUR95 as we adopt a more cautious approach on the net pension provision - raising it by EUR330m due to fx and declining British interest rates. The op. margin guidance upgrade for 2016 (11.3-11.5% vs. 11.1-11.3%) reflects Capgemini's emphasis on industrialisation, innovation and offshoring, but this optimism is tempered by some caution on revenue growth in H2 from management amidst Brexit fears. As such, we shave our lfl revenue growth forecast for 2016 to 3.3% from 3.8%.

ANALYSIS

- **Some caution on revenue growth over H2 due to Brexit**. Capgemini reiterated 2016 revenue growth guidance at cc (+7.5%/+9.5%, which implies +2.5%/+4.5% lfl) but does not anticipate at this stage an acceleration in lfl revenue growth for H2 compared to the +3.3% reported for H1, while consensus and our forecast was +3.8%. Management adopted a more cautious approach regarding Brexit. Although no slowdown has been noticed so far, it fears some customers in Financial Services in Europe - and particularly in the UK - decide to reduce discretionary spending in Q4 2016. Instead, it would have been more confident to deliver 0.5ppt additional growth over H2. In addition, growth in Q2 in North America has been hampered by almost a 40% revenue fall in Energy & Utilities (17-18% of US revenues), but it expects the situation will be back on track with Q4 regional revenues up mid-single digit lfl. France delivered outstanding growth in Q2 (+7.7% lfl) but has helped by calendar effects, so H2 is likely to be more in line with a low-to-mid single rate. In Q2 Asia Pacific, Germany and Nordic countries were up double-digit, but Germany, which has outperformed Europe for a while, is unlikely to sustain such a high growth rate going forward. NB. Digital & Cloud was up 32% in H1 and accounted for 28% of revenues.
- **Margin drivers delivering in an impressive way**. H1 2016 results clearly showed how impressive Capgemini's operating levers are. The operating margin guidance increase is due to the constant improvement of the offshore leverage (55% of headcount vs. 48% thanks to the integration of Igate) and significant progress in that area in continental Europe (+4ppt to 37% with 31% in France, 60% in Germany, 73% in North America and 80% in the commercial sector in the UK), the confirmation of synergies with Igate ahead of schedule, the acceleration of the services industrialisation (testing, business services, migrating the resources supply chain through artificial intelligence), and the expansion of innovative offers especially in Digital & Cloud. The gross margin grew by 1.4ppt in H1 2016 and this indicator will be key for reaching 12.5-13% operating margin by 2018 or 2019. As expected, Capgemini invested 0.2ppt of its revenues in additional innovative offers in H1, it still expected a 0.3ppt for the full-year and further investment is expected for 2017 and beyond. The French margin is likely to improve significantly over H2. In Brazil, recent staff cuts (-500 over H1) are likely to be beneficial for the operating margin in that country for 2017.
- **Other topics**. Fx in the UK and Canada impacted the net pension provision by EUR354m in H1, and further impact is likely for the full-year given Brexit and the long-term interest rate decline in the UK. In addition, M&A is still on the agenda, but as the management confirmed it during the capital markets day in June there will be small acquisitions essentially in Digital & Cloud. No bigger acquisition is projected before the integration of Igate will be completed, i.e. 2017-18.

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 EUR2,270m (net gearing: 36%).

NEXT CATALYSTS

Q3 16 sales on 26th october before markets open.

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Insurance

Coface

Price EUR4.68

Uncertainty will take time to disappear

Fair Value EUR5.4 vs. EUR10 (+15%)

NEUTRAL

Bloomberg	COFA FP
Reuters	COFA.PA
12-month High / Low (EUR)	11.7 / 4.2
Market Cap (EUR)	736
Emb. Value (BG Est.) (EUR)	1,537
Avg. 6m daily volume ('000)	167.6
3y EPS CAGR	-0.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-22.6%	-34.4%	-39.5%	-49.9%
Insurance	9.9%	-11.0%	-11.8%	-21.1%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

(EURm)	2015	2016e	2017e	2018e
Total gross prem.	1,269	1,192	1,215	1,244
% change		*-6.1%*	*1.9%*	*2.4%*
Insurance op. profit	194	91	126	192
Total operating profit	175	72	108	173
Underlying PTP	176.0	109.1	107.8	174.5
% change		*-38.0%*	*-1.2%*	*61.9%*
Net attributable profit	*126.2*	*71.7*	*76.4*	*123.6*
% Change		*-43.2%*	*6.5%*	*61.9%*

(EURm)	2015	2016e	2017e	2018e
Shareholders' equity	1,761	1,781	1,804	1,876
Technical reserves :				
-Life net (excl. UL)	NM	NM	NM	NM
-UL contracts	NM	NM	NM	NM
-P&C net	1,515	1,614	1,614	1,614
NAV net of intangibles	1,537	1,560	1,584	1,655
Embedded value	1,537	1,560	1,584	1,655

(EUR)	2015	2016e	2017e	2018e
EPS (€)	0.80	0.46	0.49	0.79
% change	-	*-43.2%*	*6.5%*	*61.9%*
P/E	5.8x	10.2x	9.6x	5.9x
P/NAV (%)	0.4x	0.4x	0.4x	0.4x
ROE	NM	NM	NM	NM
Dividends	0.5	0.3	0.3	0.5
Div yield (%)	10.3%	7.1%	7.1%	10.1%

Coface's terrible year in 2016 and the future loss of the state guarantees business have considerably disrupted short term earnings/dividends projections, causing a very high level of uncertainty. We believe it will take some time before this disappears, and hope that the investor day on 22nd September will help. 2017 is likely to be a transition year. 2018 is more likely to start showing what the new Coface can deliver going forward. Based on our new 2018 numbers, our new Fair Value is EUR5.4 but we are maintaining our Neutral recommendation in view of the still very high level of uncertainty. The ongoing management commitment to a high pay-out ratio is a positive message.

ANALYSIS

- Q2 2016 numbers were consistent with the 4th July pre-announcement and show a significant deterioration in claims development in emerging countries affecting the level of claims of exporting companies located in mature markets. The Q2 net loss ratio stood at 66.9% vs. 54.3% in Q2 2015 and 55.0% in Q1 2016, pushing the combined ratio to 97.7%. Short of underwriting contribution (EUR2m, down 91% yoy), the net income stood at EUR3m, down 87% yoy.
- For FY 2016, Coface confirms the need to move on with risk management actions and accounting reserving policy adjustments (development of loss ratio is longer than before and the reserving policy has to integrate this change in claims pattern), which should lead to a FY net loss ratio of around 63-66% vs. 52.5% in 2015. As a consequence, the FY combined ratio should be around 95%, jeopardising overall FY underlying profitability. We expect a gradual recovery starting in 2017 as we know credit insurance is a low duration cycle.
- The state export guarantees transfer has been postponed due to French state constraints, and is now planned for end-2016 / early-2017. The exceptional gain of EUR73m before tax will be recorded on the effective date of transfer.
- The restructuring plan due to be implemented should offset the entire shortfall linked to this loss, or c. EUR30m, via cost savings by 2018. A restructuring provision can be expected in Q4, and more details will be provided at the investor day on 22nd September.
- In all, we have very limited visibility on the P&L in the short term. By convention, our new numbers include both the exceptional gain and the restructuring provision in 2016, leading to a EUR72m reported net income, and the deconsolidation of the state guarantees business at year-end. Concerning 2017, our numbers are based on a 90% combined ratio including delivery of 40% of the cost savings plan, leading to EUR76m in net income. For 2018, we have an 83% combined ratio including the full cost savings, leading to a EUR124m net income and a 6.7% ROE. This net income level is consistent with what the company generated over the 2012-2015 period. We would like to highlight the very high level of uncertainty surrounding our numbers at this stage, pending more details at the 22nd September investor day.
- The solvency II ratio (standard formula) stood at 155% at end-June vs. 147% at end-2015, compared to the company's 140-160% target, allowing it to confirm its 60% pay-out ratio, and to announce an additional exceptional EUR0.06 distribution for 2016. At this stage, based on our 2016 reported numbers, we assume a EUR0.33 total dividend for 2016 (vs. EUR0.48 for 2015), but once again as visibility is poor on our numbers it is poor on dividends as well.

VALUATION

- We consider 2016/2017 numbers useless for valuing the company. As such, we have focused on our 2018 numbers (83% combined ratio and full cost savings), and discounted back the result, leading to a EUR5.4 Fair Value. But once again, uncertainty is high at this stage for both earnings and dividends projections, justifying a sustained Neutral recommendation.

NEXT CATALYSTS

- Investors' Day on 22nd September. Q3 numbers on 3rd November.

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Food & Beverages

Danone

Price EUR65.70

Bloomberg	BN FP
Reuters	DANO.PA
12-month High / Low (EUR)	66.3 / 53.1
Market Cap (EUR)	43,092
Ev (BG Estimates) (EUR)	61,507
Avg. 6m daily volume (000)	1 657
3y EPS CAGR	9.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.7%	4.5%	6.9%	5.5%
Food & Bev.	7.0%	3.2%	2.7%	0.4%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

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

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

(EUR)	2015	2016e	2017e	2018e
EPS	2.93	3.00	3.40	3.84
% change	-	*2.2%*	*13.6%*	*12.8%*
P/E	22.4x	21.9x	19.3x	17.1x
FCF yield (%)	3.8%	3.9%	3.6%	4.1%
Dividends (EUR)	1.60	1.64	1.86	2.10
Div yield (%)	2.4%	2.5%	2.8%	3.2%
EV/Sales	2.3x	2.8x	2.3x	2.2x
EV/EBITDA	x	x	x	x
EV/EBIT	17.6x	20.7x	16.5x	14.9x

A solid quarter

Fair Value EUR67 (+2%) **NEUTRAL**

This morning, Danone unveiled a good set of results. Q2 organic sales rose 4.1% (consensus: +3.7% and our estimate: +3.8%), above the Q1 trend (+3.5%) thanks to an acceleration in all divisions excluding Waters. First-half margin rose 125bps to 13.37% (+93bps in organic) helped by easy comps. A conference call will be held at 9am CET.

ANALYSIS

- **Q2 organic sales up 4.1% after +3.5% in Q1. Q2 sales amounted to EUR5,746m(consensus: EUR5,699m and our estimate: EUR5,720m), down 3% reportedly but up 4.1% on an organic basis (consensus: +3.7% and our estimate: +3.8%). This was slightly above the Q1 trend (organic sales up 3.5%) thanks to an acceleration in all divisions, excluding Waters**. Price/mix growth improved (+3.1% after +2.6% in Q1) while the volumes trend showed no change (+1% after +0.8% in Q1). **The EBIT margin increased 125bps in reported terms and 93bps organically to 13.37%. This was above forecasts (consensus: 12.92% and our estimate: 13.15%) thanks to easy comps** (a fire in a factory and the dumex adaptation costs in H1 2015) in the Early Life Nutrition division. EPS rose 11% to EUR1.52 (consensus: EUR1.46 and our estimate: EUR1.47). Free cash flow was up 29% to EUR742m due to the rise in sales and in operating margin and sound control of working capital. Net debt increased EUR497m to EUR8,296m.
- **Better performance in Fresh Dairy Products. This division posted 3% organic sales growth in Q2** (consensus: +2.7% and our estimate: +2.8%), above the Q1 trend (+2.3%). Volumes did not show any improvement (-2.2% after -2.1% in Q1). The group said that the relaunch of Actimel and Danonino is starting to pay off and reiterated its goal to stabilise Europe by the end of the year. Excluding Europe, all the regions were showed growth.
- **Slowdown in Waters. Q2 organic sales were up 2.7%** (consensus: +2.7% and our estimate: +3%), decelerating vs Q1 (+3.9%) due to tough comps (stocking ahead of the season in Q2 2015) and ongoing destocking at Mizone in China. Volumes rose 5.5% and the price/mix declined 2.8%. The group had previously indicated that destocking at Mizone should be over in the second half of the year and the brand should return to 5-10% sales growth in H2, in line with the non alcoholic beverages market in China.
- **Organic sales of Early life Nutrition accelerating. Organic sales growth stood at 7.2% over the second quarter of the year (+4.8% in Q1)**, above expectations (consensus and our estimate: +6%). Danone said that the trend in Europe deteriorated due to regulatory issues in China.
- **No change in trend for Medical nutrition.** Q2 organic sales were up 7.1% (consensus and our estimate: +6.5%). Europe grew 5% and ALMA was up high single digit.
- **Danone confirmed its annual guidance.** The group expects sales and EBIT margin to grow 3-5% and 50/60bps, respectively and on an organic basis. We maintain our 2016 estimates for 3.2% sales growth and a 52bp margin improvement before the conference call at 9am CET. We will pay attention to comments about 1/ the outlook for Waters and Early Life Nutrition in China, and 2/ the acquisition of WhiteWave.

VALUATION

- Our DCF points to a Fair Value of EUR67.

NEXT CATALYSTS

- Nestlé: H1 2016 results due on 18th August

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Food & Beverages

Diageo

Price 2,138p

Bloomberg	DGE LN
Reuters	DGE.L
12-month High / Low (p)	2,162 / 1,640
Market Cap (GBPm)	53,823
Ev (BG Estimates) (GBPm)	62,302
Avg. 6m daily volume (000)	4 580
3y EPS CAGR	3.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	11.7%	14.1%	14.5%	15.2%
Food & Bev.	7.0%	3.2%	2.7%	0.4%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

YEnd Jun. (GBPm)	06/15	06/16e	06/17e	06/18e
Sales	10,813	10,479	10,747	11,245
% change		*-3.1%*	*2.6%*	*4.6%*
EBITDA	3,390	3,322	3,541	3,795
EBIT	3,066	3,007	3,164	3,345
% change		*-1.9%*	*5.2%*	*5.7%*
Net income	2,225	2,201	2,331	2,500
% change		*-1.1%*	*5.9%*	*7.2%*

	06/15	06/16e	06/17e	06/18e
Operating margin	28.4	28.7	29.4	29.7
Net margin	23.8	22.0	23.6	23.3
ROE	24.0	21.1	20.9	20.8
ROCE	12.3	12.6	13.1	13.6
Gearing	102.9	81.2	71.7	61.2

(p)	06/15	06/16e	06/17e	06/18e
EPS	88.40	87.40	92.58	99.28
% change	-	*-1.1%*	*5.9%*	*7.2%*
P/E	24.2x	24.5x	23.1x	21.5x
FCF yield (%)	3.6%	2.8%	3.7%	4.1%
Dividends (p)	56.40	59.22	62.77	67.17
Div yield (%)	2.6%	2.8%	2.9%	3.1%
EV/Sales	5.9x	5.9x	5.8x	5.4x
EV/EBITDA	18.7x	18.8x	17.5x	16.1x
EV/EBIT	20.7x	20.7x	19.5x	18.3x

2015/16 results: first take

Fair Value UNDER REVIEW) NEUTRAL

2015/16 sales dropped 3% to GBP10,485m (consensus: GBP10,561m and our estimate: GBP10,479m), impacted by FX headwinds and disposals. The full year organic sales growth was strong at 2.8% (consensus: +2.8% and our estimate: +2.9%). This is an acceleration vs H1 (+1.8%) driven by North America, Europe/Russia/Turkey and Africa. Full year EBIT reached GBP3008m, down 2% on a reported basis, but 3% on an organic basis as the group benefited from a positive mix and procurement efficiencies.

ANALYSIS

- 2015/16 sales dropped 3% to GBP10,485m (consensus: GBP10,561m and our estimate: GBP10,479m), impacted by FX headwinds and disposals. The full year organic sales growth was strong at 2.8% (consensus: +2.8% and our estimate: +2.9%). This is an acceleration vs H1 (+1.8%) driven by North America, Europe/Russia/Turkey and Africa. Volumes and price/mix were up respectively 1.3% and 1.5% in 2015/16, both improving vs H1. The full year EBIT amounted to GBP3008m (consensus: GBP3,008m and our estimate: GBP3,007m), down 2% reportedly and up only 3% on an organic basis. The group was impacted by the weak pricing environment an increase in marketing expenses in H2 as the group benefitted from a positive mix with the return to growth in North America and procurement efficiencies. The margin rose 123bps (+19bps in organic) to 27.10%. Adjusted EPS increased 1% to 89.4p.
- Analysis by region:
  - **North America**: Organic sales were up 3% over the year (consensus: +2.2% and our estimate: +2.8%), implying a strong acceleration vs H1 (-1.7%) driven by the innovation pipeline (Ciroc Apple) and strong performance of North American whiskeys (Crown Royal and Bulleit).
  - **Europe**: The organic sales growth stood at 4% in 2015/16 (consensus: +2.6% and our estimate: +2.9%), which implies an improvement vs H1 (+2.9%) on the back of price increases in Russia and improved momentum in Western Europe.
  - **Africa**: The region slightly improved in the second half of the year, with organic sales up 3% in 2015/16 (consensus and our estimate: +3.2%) after +2.5% in H1. This reflects an acceleration in South Africa, Africa Regional markets and East Africa, while the trend in Nigeria deteriorated.
  - **LAC**: Organic sales were up 1% in 2015/16 (consensus: +3.9% and our estimate: +1.5%), strongly decelerating vs H1 (+6.5%). This is not a surprise as the group had indicated it wrongly classified some Don Julio intercompany sales as external sales.
  - **Asia Pacific**: 2015/16 sales only increased 2% organically (consensus: +3.1% and our estimate: +3.5%), despite easy comps in Indonesia and South East Asia.
- Net debt decreased EUR892m to GBP8,635m. Free cash flow rose 7% to GBP2097m mainly due to by lower capex, increased operating profit before exchange, and lower interest payments. The group announced a 5% increase to its dividend per share to 59.2p, slightly below its usual policy of high single digit growth.

VALUATION

- Our Fair Value is under review until we factor into our estimates the last FX changes and today's financial results.

NEXT CATALYSTS

- A conference call will be held at 9am CET and followed by a Q&A session at 10h30.
- Diageo will hold a conference call at 9am CET, followed by a Q&A session at 10h30am CET
- Campari will publish its H1 2016 results on August 2nd

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Dialog Semiconductor

Price EUR31.20

The "transition year" hits again despite Q2 2016 results coming out 6% above ests.

Fair Value EUR37 (+19%) **BUY**

Bloomberg	DLG GR
Reuters	DLGS.DE
12-month High / Low (EUR)	49.0 / 24.4
Market Cap (EURm)	2,429
Ev (BG Estimates) (EURm)	1,675
Avg. 6m daily volume (000)	6.70
3y EPS CAGR	9.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	23.0%	-0.6%	10.6%	-0.1%
Semiconductors	30.2%	25.9%	26.7%	21.1%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	1,355	1,250	1,467	1,754
% change		*-7.8%*	*17.4%*	*19.6%*
EBITDA	360	312	386	456
EBIT	317.7	243.0	313.9	384.5
% change		*-23.5%*	*29.1%*	*22.5%*
Net income	238.4	185.4	239.5	304.1
% change		*-22.2%*	*29.2%*	*27.0%*

	2015	2016e	2017e	2018e
Operating margin	23.4	19.5	21.4	21.9
Net margin	17.6	14.8	16.3	17.3
ROE	17.3	20.3	13.5	15.3
ROCE	46.9	39.2	51.7	63.3
Gearing	-54.0	-62.0	-66.3	-70.6

(USD)	2015	2016e	2017e	2018e
EPS	3.02	2.38	3.12	3.96
% change	-	*-21.3%*	*31.3%*	*27.0%*
P/E	10.3x	13.1x	10.0x	7.9x
FCF yield (%)	10.0%	10.5%	7.5%	10.0%
Dividends (USD)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	1.4x	1.3x	1.0x	0.7x
EV/EBITDA	5.2x	5.4x	3.9x	2.8x
EV/EBIT	5.9x	6.9x	4.8x	3.3x

Today, Dialog announced a downward revision to its FY16 guidance. The group now expects a 15% decrease in FY16 sales compared to a high single digit decline previously (cs ests. -8.9%). In addition, the group has reported Q2 results above consensus estimates. Q2 sales increased by 1.8% sequentially to USD246m (down 22.4% yoy). Q2 underlying EBIT was at USD33.2m and EPS came out at USD0.34, i.e. 6.4% above consensus expectations for EPS at USD0.32. For Q3, the company sees revenue in the range of USD290m to USD320m, which at the mid-point is in line with the current street expectation of USD303m and our estimate at USD304m.

ANALYSIS

- **This morning, Dialog Semiconductor announced a downward revision to its FY16 guidance. The group now expects to full year 2016 sales to drop 15% (vs. "high single digit" previously) due to a sluggish smartphone market** and despite strong momentum in the Connectivity and Power conversion businesses. In addition, the group expects gross margin to narrow slightly compared with last year (vs. flat previously). For the full year, the consensus is forecasting sales down 8.9% to USD1.235bn and gross margin of 46.2% (vs. 46.7% in 2015). Given that Q3 2016 guidance is in line with the street's expectations, we understand that the group expects a disappointing end of year. Finally, note that the group continues to sees stronger momentum in 2017 and 2018 thanks to R&D investments that should generate new opportunities with Tier 1 OEMs and an increase in share of content in smartphones which confirms that 2016 is a transition year for the group.
- **Dialog Semiconductor also reported Q2 2016 results 6% above expectations**. The group reported sales of USD246m, up +1.9% seq. (-22.3% yoy), 2% below consensus estimates at USD251m. In addition, the group also reported a strong increase in its underlying gross margin of 47.1% and underlying EBIT of USD33.2m, which appears to be 4.4% above the street's expectations at USD31.8m (BG ests. USD32.4m). Finally, underlying diluted EPS came out at USD0.34, 6.3% above the street's estimates at USD0.32 (BG ests. USD0.32). At end Q2 2016, the gross cash position stood at USD660m or an increase of USD212m compared to a year ago.
- **In Q2 2016, the situation and momentum in the group's division remained the same as in Q1 with the mobile business still impacted by the smartphone slowdown, whereas power conversion and Bluetooth continued to perform strongly.** While the mobile systems segment was impacted by the general slowdown in the smartphone market and showed a sequential decline of -5.7% (-31.4% yoy) in Q2 2016, power conversion was up +19.1% seq. (+46.1% yoy) thanks to the ramp-up of Dialog's rapid charge solution. The connectivity segment, including bluetooth and DECT products, was also up by 38.2% seq. (-0.6% yoy).
- **Q3 2016 revenue guidance in line with consensus expectations.** For Q3 2016, the company sees revenue in the range of USD290m to USD320m, which, at the mid-point (USD305m) points to a 22% sequential increase in sales and in line with the street's and our expectation of USD303m and USD304m respectively. The gross margin guidance of a marginally GM above than what has been achieved in H1 2016 (GM 46.3%) slightly below Street's expectations.

VALUATION

- We have applied no changes to our model so far, pending further details from the conference call to be held later today (see details below).
- Dialog's shares trade at a 2016e EV/Sales ratio of 1.3x and a 2016e P/E ratio of 13.1x.

NEXT CATALYSTS

- Today: Q2 2016 results conference call (at 10:30am CET, attendants must register for the call using this link, the presentation will be available at this link from 10:00am).
- 3rd November 2016: Q3 2016 results

Q2 2016 Actual vs. Cons.

[USDm]	BG ests. 2Q16e	Consensus 2Q16e	2Q16 Actual	Actual vs. cons.
Net revenue	246	251	246	-2.0%
% change (seq.)	*1.8%*	*3.9%*	*1.8%*	-209bp
% change (yoy)	*-22.4%*	*-20.8%*	*-22.4%*	-160bp
Adj. Gross Margin	47.1%	45.7%	47.1%	140bp
Adj. EBIT	35.7	31.8	33.2	4.4%
% of revenue	*14.5%*	*12.7%*	*13.5%*	83bp
Dil. Adj. EPS (in USD)	0.35	0.32	0.34	6.3%

Sources: Company data; Bryan, Garnier & Co ests.

Q3 2016 guidance vs. estimates

[USDm]	BG ests. 3Q16e	Consensus 3Q16e	3Q16e Guidance	Guid. vs. cons.
Net revenue (mid-pt)	300	303	305	0.7%
% change (seq.)	*22.0%*	*20.8%*	*24.1%*	330bp
% change (yoy)	*-9.3%*	*-4.3%*	*-3.6%*	63bp
Gross margin	46.0%	46.3%	47.1%	80bp
Dil. Adj. EPS (in USD)	0.55	0.53	-	-

Sources: Company data; Bryan, Garnier & Co ests.

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Healthcare

GlaxoSmithKline

Price 1,697p

Q2 beat largely driven by FX although underlying performance was good too

Fair Value 1810p vs. 1740p (+7%) **BUY**

Bloomberg	GSK LN
Reuters	GSK.L
12-month High / Low (p)	1,697 / 1,238
Market Cap (GBP)	82,659
Ev (BG Estimates) (GBP)	109,547
Avg. 6m daily volume (000)	9,036
3y EPS CAGR	12.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	14.0%	14.0%	18.1%	23.6%
Healthcare	9.3%	6.0%	2.5%	-3.0%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

YEnd Dec. (GBPm)	2015	2016e	2017e	2018e
Sales	23,923	26,825	27,175	27,993
% change		*12.1%*	*1.3%*	*3.0%*
EBITDA	7,429	9,439	9,587	9,768
EBIT	5,729	7,739	7,887	8,068
% change		*35.1%*	*1.9%*	*2.3%*
Net income	3,658	4,873	5,073	5,245
% change		*33.2%*	*4.1%*	*3.4%*

	2015	2016e	2017e	2018e
Operating margin	23.9	28.9	29.0	28.8
Net margin	15.3	18.2	18.7	18.7
ROE	78.0	93.6	85.5	71.3
ROCE	14.7	18.8	18.9	19.4
Gearing	118.9	115.5	85.2	56.7

(p)	2015	2016e	2017e	2018e
EPS	75.71	100.27	104.39	107.91
% change	-	*32.4%*	*4.1%*	*3.4%*
P/E	22.4x	16.9x	16.3x	15.7x
FCF yield (%)	2.3%	5.1%	6.3%	7.2%
Dividends (p)	100.00	80.00	80.00	88.00
Div yield (%)	5.9%	4.7%	4.7%	5.2%
EV/Sales	4.6x	4.1x	4.0x	3.8x
EV/EBITDA	14.7x	11.6x	11.3x	10.9x
EV/EBIT	19.0x	14.2x	13.7x	13.2x

GSK yesterday reported very strong Q2 figures that reflect a good underlying performance but even more meaningfully, incredibly high positive currency effects. The same ingredients impact FV too.

ANALYSIS

- GSK's performance in the second-quarter was good but Q2 numbers were obviously inflated by currency impacts that were significantly under-estimated and resulted in a positive impact of 21bp on core EBIT and 26bp core EPS growth rates.
- Starting with the underlying performance, it is fair to say that ViiV Healthcare and Vaccines were again the growth engines during the quarter with respective growth rates of 44% and 11%. ViiV Healthcare is still and only driven by the outstanding performance and ongoing penetration of dolutegravir-based regimen in the treatment paradigm of HIV. One in five HIV patients now receives dolutegravir in the US. Although concerns should increase over the coming year about upcoming competition from a similar drug from Gilead to be filed next year, GSK has a meaningful head start the group will try to build upon with new combinations that will be tough to disrupt without a clear advantage. As such, ViiV's trend is very much as expected i.e. dependent only on dolutegravir although this drug is even performing better than expected. ViiV margins are no longer disclosed but we assume they are stronger than ever.
- Moving to Vaccines, the performance (+11%) was very good for the second consecutive quarter but there were some seasonal and non-recurring elements in it because of the timing of tenders (as in Mexico) or shipments (as with Bexsero in the US) favouring Q2 and set to impact coming quarters. That said, it is also fair to say that GSK has resolved some of its manufacturing issues earlier than expected and was also first to ship flu vaccines in the US for the upcoming season, which should be good for the Q3 peerformance. Margin for the division was steady at around 28%, which is more than 6% above last year's level. As flu drove margins up in H2 vs H1 traditionally, we expect margins to reach 29% this year (vs 26.4% in 2015).
- These two engines are therefore very much in place and delivering on schedule. Consumer Healthcare delivered another strong quarter in Q2 (+7%) but this resulted in less robust margins than in Q1 because GSK invested more significantly in products including new launches and because of mix effects too. This had been anticipated at the time of the Q1 call.
- Ending with Pharmaceuticals, it is fair to stress that Advair's performance in the US in the quarter was somewhat helped by rebate reversals but the net impact for the group was negligeable as it is more or less offset by an opposite impact on Flovent. All in all, the Respiratory franchise's performance in the quarter (flat) is representative of the underlying truth and is in line with the group's target for 2016. Breo has confirmed hopes in Q2 and Nucala progressed despite a long lasting process with payers.
- Now, while GSK's core EPS for Q2 came out at GBp24.5 whereas the CS was expecting only GBp21.0, the difference mainly stemmed from currencies to be honest. And similarly, the CS will have to adjust full-year numbers to currencies too. GSK suggested a 19% positive currency impact on core EPS should FX rates stay at their end-June levels. Together with a Ifl growth 11-12%, this makes core EPS growth on a reported basis for 2016 be around 30%, resulting in core EPS of about GBp100. So far, the CS was around GBp93 for the current year, requiring about a 7% upward revision.

VALUATION

- Our call is very much intact. As we move towards the end of the year, we will pay increasing attention to the CAGR for 2017-2020, excluding 2020, which represents a risk of significantly less appealing relative comparison to peers. Here is where we expect the new CEO to help.
- Our FV is revised upwards, mainly by changes to dolutegravir sales and FX asumptions.

NEXT CATALYSTS

- 11 August 2016: GSK trades ex-dividend (GBp19) - *Click here to download*

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Construction & Building Materials

Imerys

Price EUR60.63

Strong operating margin, modest top line growth in Q2. Cautious guidance.

Fair Value EUR72 (+19%) **BUY-Top Picks**

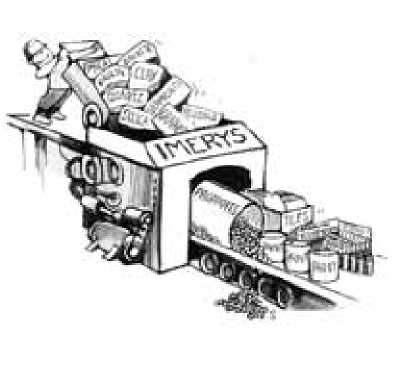
Bloomberg	NK FP
Reuters	IMTP.PA
12-month High / Low (EUR)	69.4 / 51.6
Market Cap (EUR)	4,824
Ev (BG Estimates) (EUR)	6,532
Avg. 6m daily volume (000)	85.40
3y EPS CAGR	9.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	10.3%	-4.6%	6.4%	-5.9%
Cons & Mat	14.2%	-1.2%	4.6%	0.2%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	4,087	4,181	4,221	4,305
% change		*2.3%*	*1.0%*	*2.0%*
EBITDA	745	792	846	873
EBIT	468.2	513.4	547.1	565.8
% change		*9.7%*	*6.6%*	*3.4%*
Net income	285.9	316.1	347.3	369.2
% change		*10.6%*	*9.9%*	*6.3%*

	2015	2016e	2017e	2018e
Operating margin	11.5	12.3	13.0	13.1
Net margin	1.7	7.6	8.2	8.6
ROE	12.9	13.2	13.2	13.1
ROCE	7.9	7.8	8.2	8.4
Gearing	55.4	53.8	47.4	40.8

(EUR)	2015	2016e	2017e	2018e
EPS	3.56	3.96	4.37	4.64
% change	-	*11.3%*	*10.1%*	*6.3%*
P/E	17.0x	15.3x	13.9x	13.1x
FCF yield (%)	5.8%	4.0%	5.4%	6.0%
Dividends (EUR)	1.75	1.86	1.98	2.11
Div yield (%)	2.9%	3.1%	3.3%	3.5%
EV/Sales	1.6x	1.6x	1.5x	1.5x
EV/EBITDA	8.8x	8.2x	7.6x	7.2x
EV/EBIT	14.1x	12.7x	11.7x	11.1x



Top line momentum remained modest, with a 2.6% sales decline in Q2 on an organic basis (-1.8% in Q1) penalised by difficult markets while the comparison basis didn't help. However the run-rate suggests the trough has been hit. Current operating margins are very strong with a 70bps improvement in H1 (+100bps in Q2), thanks to synergies, innovation and usual cost control. The increase in 2016 current net income should be comparable to the H1 level (i.e. 5.2%) vs 7% for our estimates.

Key figures in H1 2016

EURm	Q115	Q215	Q315	Q415	Q116	Q216 est	Q216 rep
Revenues	974	1084	1027	1002	1038	1100	1059
Volumes (y/y%)	-5.9	-4.8	-6.5	-6.2	-2.6	-2.5	-3.3
Price/mix (y/y%)	1.3	1.5	0.9	1.1	0.8	1.0	0.8
Organic (y/y%)	-4.5	-3.3	-5.6	-5.1	-1.8	-1.5	-2.6
Total growth (y/y%)	7.7	16.1	8.8	10.6	6.6	1.5	-2.3
Current Op. income	123	151	135	129	135	158	158
Current Op. margin (%)	12.7	13.9	13.1	12.9	13.0	14.3	14.9
Margin y/y change (bps)	-32	-5	-31	-33	30	43	98

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

ANALYSIS

- Imerys reported H1 2016 results yesterday after market close. Revenues rose 1.9% to EUR2097m, but were down 2.2% on an organic basis and 2% below our estimates. By quarter, the like-for-like decline worsened, with -2.6% in Q2 following -1.8% in Q1. The comparison basis part explained this poor performance (for some divisions in particular) but some end-markets remain difficult, in particular steel and paper. Note that 12-month organic growth clearly reflected a modest but regular improvement in the trend (-4.6% in Q4 2015, -3.9% in Q1 2016, -3.7% in Q2 2016). In addition, comparison definitely becomes easier as of Q3.
- On the contrary, operating margins are strong in almost every division. Current operating income rose by 6.9% in H1 2016 to EUR293m, in line with our estimates, implying a margin of 14%, up 70bps in H1 showing a fine acceleration in Q2 (+100bps) , following an already decent (+30bps) Q1. Filtration & Performance Additives current operating margins benefited in benefit from the integration of S&B (no details disclosed).
- Imerys expects current net income growth in 2016 to be comparable to the increase in H1, i.e. around 5.2%. We are at 7% (restated in order to be comparable with reported figures). In any case, management confirmed half of the EUR25m of synergies from S&B should be generated this year.
- Top line growth was not impressive. We expected slightly better organic growth. However, management considers the economic environement is a bit brighter, and, combined with a further easier comparison basis in Q3 and Q4, the organic decline should be more limited from now on and consensus is not a risk.
- In contrast, profitability is very strong and slightly better than our estimates in H1. This is positive of course and should underpin the share price. But guidance is not aggressive. In our view, this is partly due to some seasonality in the business, with usually lower margins in H2. This prevents us from being more optimistic here.

VALUATION

- We have made virtually no changes to our estimates, apart from very light fine-tuning. Hence our FV is unchanged at EUR72, which is the average of a DCF and the application of recent EBIT and EBITDA multiples to our 2018 estimates, then discounted back (EUR68).

NEXT CATALYSTS

- Q3 2016 results: 28th October 2016 *Click here to download*

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Healthcare

Ipsen

Price EUR55.72

Bloomberg	IPN FP
Reuters	IPN.PA
12-month High / Low (EUR)	62.0 / 47.1
Market Cap (EURm)	4,644
Ev (BG Estimates) (EURm)	4,732
Avg. 6m daily volume (000)	89.00
3y EPS CAGR	13.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.4%	4.0%	2.4%	-8.7%
Healthcare	9.3%	6.0%	2.5%	-3.0%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	1,444	1,568	1,715	1,865
% change		*8.6%*	*9.4%*	*8.7%*
EBITDA	366	408	463	544
EBIT	322.5	341.9	390.5	465.6
% change		*6.0%*	*14.2%*	*19.2%*
Net income	228.0	238.1	278.4	335.1
% change		*4.4%*	*16.9%*	*20.4%*

	2015	2016e	2017e	2018e
Operating margin	22.3	21.8	22.8	25.0
Net margin	12.5	14.0	14.1	15.8
ROE	15.5	16.9	16.7	17.8
ROCE	22.6	17.7	19.6	22.8
Gearing	-8.3	6.4	-0.2	-9.2

(€)	2015	2016e	2017e	2018e
EPS	2.78	2.90	3.40	4.09
% change	-	*4.4%*	*16.9%*	*20.4%*
P/E	20.0x	19.2x	16.4x	13.6x
FCF yield (%)	3.8%	4.2%	5.1%	6.3%
Dividends (€)	0.85	0.85	1.10	1.20
Div yield (%)	1.5%	1.5%	2.0%	2.1%
EV/Sales	3.1x	3.0x	2.7x	2.4x
EV/EBITDA	12.4x	11.6x	10.0x	8.2x
EV/EBIT	14.1x	13.8x	11.9x	9.6x

A very solid set of quarterly numbers, upgrade to sales guidance

Fair Value EUR64 (+15%) **BUY-Top Picks**

Largely driven by Somatuline, Specialty Care advanced 18.6% in Q2 and made Ipsen comfortable enough to raise its FY objective, now expecting growth above 12% (vs >10%). Operating margin is still at 21% for FY (although it reached 24.7% in H1) because investments in cabozantinib are set to grow substantially in the second part of the year. Our BUY rating is reinforced.

ANALYSIS

- Ipsen has reported first-half results that topped estimates by a significant margin from the top to the bottom-line.
- In the second quarter, sales were EUR402m i.e. about EUR11m higher than CS, largely driven by Specialty Care products Somatuline (up 37% to EUR133m), Dysport (up 12% to EUR76m) and Decapeptyl (up 7% to EUR89m). In all, Specialty Care was up 18.6% in Q2, also resulting in a far higher profit contribution with operating margin of 47% compared to 43.5% in the same period last year, despite ongoing investments to launch Somatuline and new indications of Dysport.
- Following this strong quarter, Ipsen is comfortable enough to raise its full-year guidance for sales growth in the Specialty Care division from "above 10%" to "above 12%", after 14% growth in the first half of the year.
- More quickly, the performance in Primary Care was still a bit below estimates (-7% in H1) but guidance is reiterated for the full-year i.e. flat sales as business is improving and comparison easing in H2, admittedly at the price of lower margins as it requires extra investments to launch new formulations and to adjust for new commercial models in China.
- In the end, the very good performance and guidance upgrade for Specialty Care could have induced a margin upgrade for the group too but Ipsen is keeping its target of 21% for core operating margin for the year (although it is 24.7% in H1) because it expects investments to prepare for the cabozantinib launch in Europe to increase sharply in H2 vs H1 and maybe even more than initially expected to capture as much market share as possible in the competitive RCC market. Ipsen wants to be as close as possible to BMS's efforts with Opdivo in territories where it is in charge and we can't blame the company for this since cabozantinib is key for the mid-term.
- H1 results were generally far higher than the market (and BG) anticipated but cannot be extrapolated to the full-year as operating expenses are set to be much higher in H2 compared to H1. That said, 2016 sales should be higher and therefore a small increase in numbers is likely. Note also that the H1 tax rate was 23% but is still expected to be 25-26% over the full-year so that the tax rate in H2 will be much higher too. As such, core EPS was up 16% in H1 to EUR1.74 while we were forecasting a fairly flat number vs H1 2015 but the phasing of operating expenses together with the difference in tax rate between H1 and H2 explain why it should play out differently.

VALUATION

- So in summary, H1 numbers were pleasant ones for Ipsen but do not tell the full truth about underlying trends in 2016. The mix effect from the very good performance by Specialty Care drugs (seen for instance at the COGS level) was nevertheless noticeable and would have impacted earnings growth too if Ipsen had not decided to invest even more in cabozantinib. We could also consider profit guidance conservative. From a communication perspective, it may be good to upgrade sales now while keeping a margin surprise for a later stage.
- We will wait for this afternoon's meeting before assessing our numbers. Slight upward changes are likely anyway but note that our estimate for FY Specialty Care growth was already at 13%.

NEXT CATALYSTS

- Today 2.30pm: Meeting in Boulogne-Billancourt

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Price EUR14.56

Q2 2016 results (first take): a tough price battle

Fair Value EUR13.5 (-7%) **NEUTRAL**

Bloomberg	JMT PL
Reuters	JMT.LS
12-month High / Low (EUR)	14.9 / 10.9
Market Cap (EURm)	9,163
Ev (BG Estimates) (EURm)	9,561
Avg. 6m daily volume (000)	1 032
3y EPS CAGR	7.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.1%	1.4%	18.1%	21.4%
Food Retailing	9.4%	-3.6%	0.6%	-1.7%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	13,726	14,570	15,597	16,510
% change		*6.1%*	*7.0%*	*5.9%*
EBITDA	799	868	974	1,038
EBIT	485.0	495.5	563.1	590.1
% change		*2.2%*	*13.6%*	*4.8%*
Net income	354.0	358.8	413.2	437.0
% change		*1.4%*	*15.2%*	*5.8%*

	2015	2016e	2017e	2018e
Operating margin	3.7	3.5	3.8	3.7
Net margin	2.6	2.5	2.6	2.6
ROE	NM	NM	NM	NM
ROCE	22.0	21.4	24.6	26.5
Gearing	13.6	7.0	-5.9	-17.1

(EUR)	2015	2016e	2017e	2018e
EPS	0.56	0.57	0.66	0.69
% change	-	*1.4%*	*15.2%*	*5.8%*
P/E	25.9x	25.5x	22.2x	21.0x
FCF yield (%)	5.1%	2.8%	4.6%	5.2%
Dividends (EUR)	0.27	0.00	0.33	0.35
Div yield (%)	1.8%	NM	2.3%	2.4%
EV/Sales	0.7x	0.7x	0.6x	0.5x
EV/EBITDA	12.1x	11.0x	9.6x	8.7x
EV/EBIT	19.9x	19.3x	16.5x	15.3x

Q2 sales (EUR3,583m vs EUR3,530m e) and H1 EBITDA (EUR387m vs EUR386m e) are in line with consensus estimates. 1/ On the one hand, we remain impressed by the topline momentum in Poland (+9,9% LFL in Q2 vs +5,0% e), with a healthy focus on cash margin (i.e. modest +13bp increase in Q2 margin). On the other hand, 2/ PD bears the scars of a price war (-1.5% LFL in Q2 and estimated 30bp decline in Q2 margin), while 3/ the wording of the guidance for FY losses at Ara and Hebe is evolving ("are expected not to surpass their 2015 level" at cc vs "are expected to be below the 2015 level" excl F/X previously mentioned in Q1 press release). Anyway, given a very demanding valuation (2017 PE of 24x vs 16.5 for the sector), we keep our Neutral rating.

Topline in Q2: 1/ Overall commercial performance was again driven by very strong LFL rates at Biedronka (67% of quarterly sales/+9,9% LFL vs +5,0 e) in Poland. The recent increase in disposable income has supported the positive trend in food consumption. That said, the operating environment continued to be dominated by promotional campaigns. **2/** Against the backdrop of a deceleration in consumption (still negative basket inflation), Pingo Doce (24% of quarterly sales /-1,5% LFL vs -0,9% e, penalised by a negative calendar effect) published a sequential deceleration (+1.9% LFL in Q1) while that of Recheio (6% of quarterly sales /+3,4% LFL vs +1,5%e) remained very decent.

Bottom line in H1: 1/ management remains focused on the topline (healthy cash margin approach to the business) which constrained the operating leverage in Poland. This is the reason why a +8.8% LFL rate in H1 (+9,9% in Q2) resulted in a modest 20bp increase in EBITDA margin (+13bp in Q2). **2/** At Pingo Doce, we can foresee the scars of a price war (-6bp decline in margin in H1, estimated 30bp decline in Q2…). Not that much to comment on Recheio (+20bp in H1) whose momentum remains solid.

In terms of the outlook: 1/ management is unsurprisingly cautious (as usual) both for Portugal ("food inflation is also very low and the market remains promotionally driven. Pingo Doce's priority is to consolidate its competitive positioning whilst improving shopping experience") and Poland ("In Poland, growth in consumption demand is still expected. However, in an environment of low food inflation, competition will remain fierce"). **2/** Losses at Ara and Hebe, at the EBITDA level, are expected not to surpass their 2015 level at cc. The Group expects to invest EUR550/650m, with Biedronka absorbing around 45% of this amount.

ANALYSIS

- **1/** On the one hand, we remain impressed by the topline momentum in Poland (+9,9% LFL in Q2 vs +5,0% e), with a clear focus on cash margin (modest +13bp increase in quarterly margin). **2/** On the other hand, PD seems to be bearing the scars of a price war (-1.5% LFL in Q2 and estimated 30bp decline in Q2 margin) while **3/** the wording of the guidance for FY losses at Ara and Hebe ("losses in Ara and Hebe, at the EBIDA level, are expected not to surpass their 2015 level" at cc vs "are expected to be below the 2015 level" excl F/X previsouly mentioned in Q1). Stay tuned… Given a very demanding valuation (2017 PE of 24x vs 16,5 for the sector), we keep our Neutral rating.

VALUATION

- Forex was the main reason why we adjusted our EPS by 3,4% on average between 2016 and 2018
- Given a demanding valuation (2017 PE of 22x vs 16.5 for the sector), we keep our Neutral rating

NEXT CATALYSTS

- Q3 results on November 24th

Topline

	Total sales growth			LFL Sales growth		
	Q1 16	Q2 16	**H1 16**	Q1 16	Q2 16	**H1 16**
Biedronka (67% of sales)						
EURO	5,1%	3,0%	**4,0%**			
PLN	9,3%	10,2%	**9,8%**	7,6%	9,9%	**8,8%**
Pingo Doce (24% of sales)	5,8%	2,2%	**3,9%**	1,9%	-1,5%	**0,1%**
Recheio (6% of sales)	4,4%	4,1%	**4,2%**	3,8%	3,4%	**3,6%**

Sources: Jeronimo Martins, Bryan Garnier estimates

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TMT

Melexis

Price EUR59.89

A supportive momentum, but yield problems leads to cut in R&D investments

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

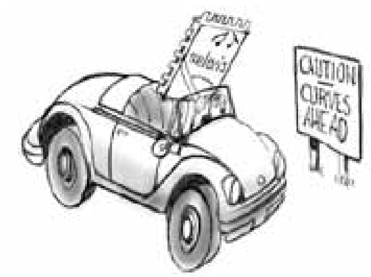
Bloomberg	MELE BB
Reuters	MLXS.BR
12-month High / Low (EUR)	61.0 / 37.7
Market Cap (EURm)	2,420
Ev (BG Estimates) (EURm)	2,360
Avg. 6m daily volume (000)	38.10
3y EPS CAGR	5.3%

	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	24.4x	25.3x	22.7x	20.9x
FCF yield (%)	3.1%	2.9%	3.5%	3.8%
Dividends (EUR)	1.29	1.84	1.46	1.58
Div yield (%)	2.2%	3.1%	2.4%	2.6%
EV/Sales	5.9x	5.2x	4.7x	4.3x
EV/EBITDA	18.1x	17.0x	15.0x	13.7x
EV/EBIT	21.9x	21.2x	19.0x	17.3x



During the conference call held yesterday by Melexis, the group said that improving momentum has allowed higher expectations and a guidance revision for 2016 (FY16 rev. growth 13-14% vs. 8-12% before). Nevertheless, we note that the group is experiencing low yield on some product lines, leading to the downward revision of the gross margin (45% vs. 47%) and lower investment in R&D in order to maintain EBIT margin guidance at 25%. Finally, despite Melexis revising its FY16 guidance, it only comes into line with our estimates. As a result, we are making no change to our model for now.

ANALYSIS

- **Yesterday, during the conference call following the Q2 2016 results, the group gave details regarding the guidance adjustment.** First regarding the top line, we remind that the group increased its guidance for the full year 2016 from growth of 8%-12% to 13%-14%. Management said that momentum continoues to improve, mainly thanks to good traction in China and also in Europe. The positive impact from a higher market dynamic in Europe is that the cars usually produced in this area tend to embed a higher level of content than in the rest of the world. As a result, management said that both volume and content are expected to increase and to contribute to the upward adjustment of the full year guidance. The strong momentum is said not to be related to any restocking impact, but rather to end-market demand which is far healthier. Looking at applications, fuel reduction remains a strong driver and sensors are progressing well. Nevertheless, we note that sensor market in automotive is growing at a slower pace than the overall semiconductor market for automotive (6.7% vs. 7.5% respectively according to the data quoted by the group from ABI Research).

- **Regarding the gross margin downward adjustment, the group said that it is mainly due to low yield on some product line**, especially (but not only) actuators which is not offset by the success of magnetic sensors. The group did not provide any timing regarding the resolution of this problem.

- **This leads us to question about the way Melexis keeps its guidance of EBIT margin, the answer is the R&D...** Indeed, as we highlighted in our paper yesterday, the group continues to guide to an EBIT margin of 25% for the full year, while lowering gross margin guidance by 200bp. During the conference call, the group said that the target of 15% of sales invested in R&D wont be achieved in 2016 in order to maintain the 25% EBIT margin guidance. This comes in the context of increasing competition on Melexis product portfolio (although limited thanks to high entry barrier in the segment), especially from STMicroelectronics and Micronas. Also, looking at the bottom of the P&L, we highlight that the group now guides to a tax rate of 15% for full year 2016 (vs. 9.5% in 2015) which appears to be significantly higher than consensus expectations. As a result, despite top line higher guidance, estimates on EPS could be cut by few percentage points. We note that we already highlighted this point in our initiation report published on 21st July.

- **No sign of a negative impact from Brexit so far.** Finally, the management commented on Brexit and said that there was no discussion about any negative impact of the Brexit with customers. This is reassuring given the noise about Brexit and its impact on the automotive market recently. We add that Melexis comment is much in line with market comments made by ST earlier yesterday.

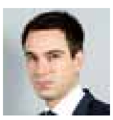
VALUATION

- **Despite Melexis upward revision of its FY16 guidance, it only comes into line with our estimates. As a result, we are making no change to our model for now. We continue to think that Melexis could tick all the right boxes to be one of our favorite plays, but the valuation metrics remains too high, with a PEG of 5.1x.**

- Based on our estimates, Melexis' shares are trading on a 2016e P/E ratio of 26.3x.

NEXT CATALYSTS

- 26th October 2016: Q3 2016 results (before market opening) *Click here to download*



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Luxury & Consumer Goods

Moncler

Price EUR16.00

Bloomberg	MONC IM
Reuters	MONC.MI
12-month High / Low (EUR)	18.9 / 12.2
Market Cap (EURm)	4,003
Ev (BG Estimates) (EURm)	3,961
Avg. 6m daily volume (000)	1 071
3y EPS CAGR	10.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	16.8%	12.2%	17.6%	23.8%
Pers & H/H Gds	8.6%	2.9%	5.7%	2.7%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	880.4	986.0	1,090	1,191
% change		*12.0%*	*10.6%*	*9.2%*
Adj. EBITDA	300.0	330.5	363.0	398.8
Rep. EBIT	252.7	279.1	309.0	340.3
% change		*10.5%*	*10.7%*	*10.1%*
Net income	163.8	182.2	203.9	225.9
% change		*11.3%*	*11.9%*	*10.8%*

	2015	2016e	2017e	2018e
Operating margin	28.7	28.3	28.3	28.6
Net margin	18.6	18.5	18.7	19.0
ROE	30.0	27.2	25.3	23.7
ROCE	40.9	42.5	44.7	47.6
Gearing	9.1	-6.2	-18.5	-28.5

(EUR)	2015	2016e	2017e	2018e
EPS	0.69	0.75	0.83	0.92
% change	-	*9.5%*	*10.5%*	*10.6%*
P/E	23.3x	21.3x	19.3x	17.5x
FCF yield (%)	3.3%	3.8%	4.4%	5.0%
Dividends (EUR)	0.14	0.17	0.20	0.23
Div yield (%)	0.9%	1.0%	1.3%	1.4%
EV/Sales	4.6x	4.0x	3.5x	3.1x
EV/EBITDA	13.5x	12.0x	10.6x	9.4x
EV/EBIT	16.0x	14.2x	12.5x	11.0x

Solid H1 results highlighting the ongoing growth story

Fair Value EUR17,5 vs. EUR17 (+9%) BUY

In Q2 alone, sales came in at EUR109m (CS: EUR107m), representing 17% FX-n growth (CS: +15% FX-n) as in Q1. Momentum continued to be fuelled by Asia-Pacific (+30% FX-n) and the Americas (+17% FX-n). Adjusted EBITDA reached EUR78.3m (CS: EUR79m) after a net negative impact of EUR3m related to upfront rent payments. Against this very dynamic H1, the group's management remains confident on the H2 outlook. Buy recommendation and FV nudged up to EUR17.5 vs. EUR17 following a slight revision to our FY estimates.

ANALYSIS

- **Q2: the Retail and Wholesale channels topped our forecasts.** The **retail channel soared 21%** FX-n (Q1: +22%) despite a demanding comparison base (Q2 15: 43%). This increase included **comparable growth of 5% in H1 with Asia again the best-performing region**, although the three others were also in positive territory. **Wholesale sales increased 9% FX-n** (Q1: 5%), driven by good sell-through numbers, especially with US wholesale accounts (double-digit growth), which is a key differentiating factor compared to other groups exposed to the apparel category.
- By region and in Q2, sales picked up in both **Italy** (+6% vs. +5% in Q1) and in the **rest of Europe** (+13% vs. +5%), with excellent performances in the UK, Germany and Switzerland. Interestingly, the Italian brand experienced buoyant activity with the local clientele, which more than offset declining tourist flows (Asian travellers mainly).
- **Double-digit growth in Asia-Pacific (+30%) and in North America (+17%).** Moncler's key Asian markets have all performed strongly, notably **Mainland China** and **Japan** where the Italian brand still enjoyed the positive impact from the opening of the flagship store in Ginza last October. **South Korea**, **Taiwan**, **Macau** and **Singapore** were strong and sales in HK were growing. Moncler maintained robust growth in **North America** (+17%) with a balanced performance between retail and wholesale (growth >10%) thanks to a selective distribution approach and its upscale positioning (no discounts).
- **As expected, retail expansion weighed on H1 margins. Gross margin widened** an impressive 140bp to 74.1%, driven by the positive channel-mix. **Selling expenses** were up 260bp given the retail expansion (DOS: +26 vs. H1 15 to 179) but note that the group sustained a **net impact of EUR3m (H1 16: EUR4m vs. EUR1m in H1 15), or -90bp, related to rent payments for stores not yet opened**, especially the two flagship stores in NYC and Seoul. Consequently, adj. EBITDA margin dropped by 140bp to 22.6% but the decline would only have amounted to 50bp (= in line with CS) excluding this EUR3m impact.
- **First positive FCF generation in H1.** Indeed, FCF generation is traditionally negative in H1 given the group's seasonal business (H1: ~20% of FY adj. EBITDA) but this year, the Group generated FCF of EUR13.2m vs. -EUR15.1m last year. As a consequence, **net debt decreased significantly to EUR84.9m vs. EUR175.3m the prior year!**
- **Solid current trading and upbeat outlook.** Moncler's management is pleased with current trends, and activity in the UK has even accelerated following Brexit, fuelled by both tourists and local customers. **Store openings:** after six openings in H1, Moncler plans to open nine DOS (o/w the two flagship stores) and five wholesale monobrand stores in H2, mainly s-i-s in US department stores. For 2017, not more than 10-11 DOS should be opened. **Capex:** Moncler expects to spend EUR60-65m this year vs. EUR55-60m announced at the CMD last December but it remains under control (~6%e of FY16 sales vs. ~8% in H1).

VALUATION

- Admittedly Q2 was the smallest quarter of the year accounting for ~10% of FY revenues, but it showed again that Moncler delivered organic growth that should outpace its luxury peers. These robust trends bode well for H2, which represents ~68% of FY sales and ~80% of FY adj. EBITDA. Hence, we still favour Moncler for its heritage and strong legitimacy that enables the brand to outperform the highly fragmented and dynamic outerwear segment (~+5%/year). The growth story is about top line (~10% CAGR during 2015-18), driven by the group's excellent control of the retail channel, as highlighted by the kick-off of the "Retail Excellence" project in Q2.
- Our new FV of EUR17.5 vs. EUR17 reflects minor adjustments to our FY16 estimates. After gaining 24% ytd, Moncler is the best-performing stock ahead of Hermès (+23%) and remains one of our favourite stocks in the luxury sector. Buy recommendation confirmed.

Moncler's organic growth by region (%):

FX-n growth	Q1 2015	Q2 2015	Q1 2016	Q2 2016
Italy	7	11	5	6
EMEA excl. Italy	19	15	5	13
Asia & RoW	48	10	30	30
Americas	61	83	21	17
Total Revenues	**30**	**20**	**17**	**17**

Source: Company Data

Moncler's organic growth by channel (%):

FX-n growth	Q1 2015	Q2 2015	Q1 2016	Q2 2016
Retail	54	43	22	21
Wholesale	-2	-9	5	9
Total Revenues	**30**	**20**	**17**	**17**

Source: Company Data

Moncler H1 2016 results:

EURm	H1 2015	H1 2016	*% change*
Sales	295.8	346.5	*17.1*
Gross Profit	215.0	256.8	*19.4*
% margin	72.7	74.1	*+140bp*
Adj. EBITDA	70.9	78.3	*10.5*
% margin	24.0	22.6	*-140bp*
Adj. EBIT	53.8	59.0	*9.7*
% margin	18.2	17.0	*-120bp*
Net income	34.1	33.6	*-1.3*

Source: Company Data

NEXT CATALYSTS

- Q3 2016 sales on 8th November 2016.

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Healthcare

Roche

Price CHF249.30

Follow-up data confirm the efficacy/safety profile of ACE910

Fair Value CHF293 (+18%) **BUY**

Bloomberg	ROG VX
Reuters	ROG.VX
12-month High / Low (CHF)	281.0 / 233.2
Market Cap (CHFm)	175,149
Ev (BG Estimates) (CHFm)	187,592
Avg. 6m daily volume (000)	1,452
3y EPS CAGR	6.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.5%	0.3%	-7.1%	-9.8%
Healthcare	9.3%	6.0%	2.5%	-3.0%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

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

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

(CHF)	2015	2016e	2017e	2018e
EPS	13.49	14.71	15.92	16.18
% change	-	*9.0%*	*8.2%*	*1.6%*
P/E	18.5x	17.0x	15.7x	15.4x
FCF yield (%)	5.5%	4.6%	5.5%	6.1%
Dividends (CHF)	8.10	8.83	9.56	9.72
Div yield (%)	3.2%	3.5%	3.8%	3.9%
EV/Sales	3.9x	3.7x	3.6x	3.4x
EV/EBITDA	9.7x	9.2x	8.6x	8.3x
EV/EBIT	13.7x	11.0x	9.9x	9.3x

Updated data from a Phase I study evaluating ACE910/emicizumab hemophilia A (with and without inhibitors) were presented at the World Federation of Haemophilia 2016 Congress. Overall, the efficacy and safety profile of the compound was very consistent with previous data which confirms in our view its attractiveness, especially in patients who developed inhibitors.

ANALYSIS

- Roche presented the long-term follow-up data from its Phase I study evaluating ACE910/Emicizumab in Haemophilia A at the World Federation of Haemophilia 2016 Congress (median follow-up: 32.6, 27.0 and 21.4 months with weekly doses of 0.3, 1.0 and 3.0 mg/kg respectively).
- The efficacy profile of ACE910 is very consistent with previous data. And we even note that patients experienced a continued decrease in the ABR (annualized bleeding rate), irrespective of their inhibitor status and previous treatment regimen (see table below for more details).

Treatment Arm	Bleeding events	Median ABR	Median ABR	Median ABR
(n=6 per arm)		Baseline (as previously reported)	12 week follow-up (as previously reported)	Long-term follow-up
Cohort-1 0.3 mg/kg emicizumab	All bleeds	32.5	4.4	1.4
	Joint bleeds	27.4	4.3	1.1
Cohort-2 1 mg/kg emicizumab	All bleeds	18.3	0	0.2
	Joint bleed	15.2	0	0.2
Cohort-3 3 mg/kg emicizumab	All bleeds	15.2	0	0
	Joint bleeds	9.1	0	0

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

- The same goes for the safety part, knowing that 1/ most adverse events were of mild or moderate intensity, with nonetheless the exception of 2 severe AE (appendicitis, mesenteric hematoma);2/ no thromboembolic adverse events were observed; 3/ some anti-ACE910 antibodies were developed in 3 patients, but it apparently did not affect its performance.
- What's next? Phase III results in haemophilia A patients who developed inhibitors (20% of the overall population) are still expected by year end, or in H1 17 at the latest... And we understand that Roche is planning to commence a Phase III trials to evaluate the compound 1/ in patients without inhibitors, including paediatric ones, and 2/ different doses/administration schedule (e.g. weekly, every 4 weeks).
- We reiterate our view that ACE910 is a very promising candidate, and especially when it comes to the patients with inhibitors (for whom there is an increased mortality risk). Conversely, we find it hard to predict how ACE910 could address the non-inhibtor market, as Roche's management is struggling with its pricing in two sub-indications with very different prices... The annual cost per patient with inhibitors being in a USD500k-1m range vs USD3-400k for the others. Plus, as stated in our Shire's initiation report (here), we believe it will be extremely difficult to rapidly dislodge recombinant and plasma-derived FVIII (for which we have a pretty good view on their LT efficacy/safety profile), especially when the patient is well-controlled.

VALUATION

- BUY rating with a FV of CHF293.

NEXT CATALYSTS

- 7-11 October : Presentation of data from the GALLIUM study. *Click here to download*

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Sopra Steria Group

Price EUR101.40

H1 2016 operating margin slightly above expectations; 2016 guidance reiterated

Fair Value EUR127 (+25%) **BUY**

Bloomberg	SOP FP
Reuters	SOPR.PA
12-month High / Low (EUR)	119.0 / 84.5
Market Cap (EURm)	2,076
Ev (BG Estimates) (EURm)	2,568
Avg. 6m daily volume (000)	28.00
3y EPS CAGR	14.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	10.7%	-1.6%	-0.9%	-6.4%
Softw.& Comp.	17.6%	6.1%	5.8%	3.4%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	3,584	3,733	3,896	4,070
% change		*4.2%*	*4.3%*	*4.5%*
EBITDA	295	340	382	412
EBIT	152.6	249.3	288.7	318.0
% change		*63.4%*	*15.8%*	*10.1%*
Net income	150.9	180.0	207.6	225.6
% change		*19.3%*	*15.4%*	*8.7%*

	2015	2016e	2017e	2018e
Operating margin	6.8	7.8	8.5	8.9
Net margin	2.4	4.0	4.5	4.7
ROE	6.8	11.0	11.8	11.7
ROCE	11.0	11.2	12.6	13.4
Gearing	43.0	36.4	24.3	14.4

(€)	2015	2016e	2017e	2018e
EPS	7.38	8.78	10.13	11.01
% change	-	*19.1%*	*15.4%*	*8.7%*
P/E	13.7x	11.5x	10.0x	9.2x
FCF yield (%)	2.4%	5.1%	7.9%	8.8%
Dividends (€)	1.70	1.90	2.10	2.30
Div yield (%)	1.7%	1.9%	2.1%	2.3%
EV/Sales	0.7x	0.7x	0.6x	0.6x
EV/EBITDA	8.8x	7.6x	6.4x	5.6x
EV/EBIT	10.6x	8.9x	7.4x	6.4x

This morning, Sopra Steria reported H1 2016 results slightly ahead of expectations with an operating margin of 7.1%. Net debt, at EUR720m or 2.2x EBITDA, is above our forecast and consensus, due to acquisitions, WCR change and cash taxes. 2016 company guidance is reiterated, as well as 2017 objectives. We do not expect significant share price reaction in the short term.

ANALYSIS

- **H1 2016 operating margin slightly above expectations**. For H1 2016, sales were up 6.3% (+5.4% lfl) to EUR1,878.8m, or 1% above our forecast (EUR1,853m) but in line with consensus (EUR1,870m). The operating margin was up 25% to EUR134.2m or 7.1% of sales (+1ppt), while we expected EUR129.3m or 7% of sales (consensus: EUR131.4m or 7% of sales). EBIT was up 56.1% to EUR103.2m (BG est. EUR108.1m; consensus: EUR104.2m) after EUR7.9m restructuring costs (vs. EUR30.4m in H1 2015), and net profit was up 100.7% to EUR54m (BG est.: EUR60.3m; consensus: EUR56m). Q2 2016 sales were up 7.4% (+7.8% lfl) to EUR965.6m.
- **Net debt above expectations**. Net debt on 30th June 2016 was EUR719.6m, above our estimate (EUR650m) and consensus (EUR636m), given a free cash flow of -EUR100.6m or -5.3% of sales due to WCR change (EUR172.8m), acquisitions (EUR104.7m vs. BG est. EUR84m) and cash taxes (EUR33m, vs. EUR6.1m in H1 2015). The net debt/EBITDA ratio stands at 2.2x, up from 1.8x end 2015 but below the limit fixed by covenants (3x).
- **H1 2016 details by Business Unit**. 1). France: sales EUR778.8m (+9.5% lfl, with Q2 +11.4% lfl), op. margin 8.6% (+0.6ppt), with Consulting & Systems Integration EUR677.6m (+11.5% lfl – strategic accounts up 13%, Consulting up 22%, high utilisation rate) and 9.8% (+0.2ppt), and Infrastructure & Security Services (I2S) EUR101.2m (-2.1% lfl, with -1.3% lfl in Q2) and 0.5% (+1ppt); 2). UK : sales EUR483.4m (-0.9% lfl, with Q2 +0.6% lfl), op. margin 7.3% (+0.9ppt) with Government (68% of UK sales) up 0.8% lfl and the commercial sector down 4% lfl,; 3). Other Europe: sales EUR355.6m (+5.7% lfl, with Q2 +7.7% lfl), op. margin 4.4% (+3.8ppt), with Spain, Italy and Benelux up 10%+ lfl and Germany significantly improving its profitability (3.4%, vs. -4.5% in H1 2015); 4). Sopra Banking Software: sales EUR160.2m (+7.4% lfl, with Q2 +13.7% lfl), op. margin 4.3% (-2.9ppt) given strong investments in R&D (+EUR6m); 5). Other Solutions: sales EUR100.7m (+1.7% lfl, with Q2 +2% lfl), op. margin 9.2% (+0.4ppt), with some deals postponed to H2.
- **2016 guidance reiterated**. For 2016, management still anticipates +3%/+5% lfl revenue growth (BG est. +4.4%, consensus +3.7%) with an operating margin above 7.5% (BG est. 7.8%; consensus: 7.7%) and strong free cash flow improvement (BG est. EUR100m, vs. EUR49.3m in 2015). 2017 objective have been reiterated as well, i.e. revenues of EUR3.8-4bn and an operating margin of 8-9%. In France, the I2S business is expected to return to positive organic growth in 2017. On its side, Sopra Banking Software remains managed for delivering 10% operating margin for 2017.

VALUATION

- Sopra Steria's shares are trading at est. 8.9x 2016 and 7.4x 2017 EV/EBIT multiples.
- Net debt on 30th June 2016 was EUR719.6m (net gearing: 69%).

NEXT CATALYSTS

Analysts' meeting today at 9am CET / 8am BST / 3am EDT in Paris (Shangri-La Hotel - 10 avenue d'Iena).

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STMicroelectronics

Price EUR6.51

Business gains momentum, but don't forget the risks

Fair Value EUR6.5 (0%) **NEUTRAL**

Bloomberg	STM FP
Reuters	STM.FR
12-month High / Low (EUR)	7.1 / 4.6
Market Cap (EURm)	5,934
Ev (BG Estimates) (EURm)	5,281
Avg. 6m daily volume (000)	2,592
3y EPS CAGR	33.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	30.6%	14.2%	3.8%	5.4%
Semiconductors	30.2%	25.9%	26.7%	21.1%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	6,897	6,977	7,102	7,261
% change		*1.2%*	*1.8%*	*2.2%*
EBITDA	910	977	1,143	1,286
EBIT	174.0	251.0	404.1	531.3
% change		*44.3%*	*61.0%*	*31.5%*
Net income	175.0	178.8	303.8	411.6
% change		*2.2%*	*69.9%*	*35.5%*

	2015	2016e	2017e	2018e
Operating margin	2.5	3.6	5.7	7.3
Net margin	2.5	3.1	4.3	5.7
ROE	2.2	3.8	6.5	8.6
ROCE	5.1	4.7	8.2	11.5
Gearing	-10.5	-14.0	-18.4	-23.0

(USD)	2015	2016e	2017e	2018e
EPS	0.20	0.20	0.34	0.47
% change	-	*2.4%*	*68.9%*	*37.1%*
P/E	32.8x	32.0x	19.0x	13.8x
FCF yield (%)	4.5%	6.5%	8.3%	10.1%
Dividends (USD)	0.40	0.24	0.30	0.39
Div yield (%)	6.1%	3.7%	4.6%	6.1%
EV/Sales	0.8x	0.8x	0.7x	0.7x
EV/EBITDA	6.0x	5.4x	4.4x	3.8x
EV/EBIT	31.3x	21.0x	12.5x	9.1x

Overall, yesterday's publication and conference call were positive. During the conference call, management was particularly confident regarding the second part of the year and admitedly made more positive comments about the automotive and industrial semiconductor markets. Nevertheless, despite being attractive at first-take in view of improving momentum, we would point out that ST is not a risk-free investment given the approaching change in CEO and the ongoing restructurating plan.

ANALYSIS

- **Regarding momentum, management appeared to be very confident regarding the booking trend in Q2 and during the first weeks of July.** Indeed, management said that the positive booking trend has continued during July while the backlog remains solid. In addition, ST said it should benefit from its broad customer base and innovation in its broad product portfolio. Unsurprisingly, traction is said to be particularly strong in the automotive division this should start a new trend of continuous yoy growth. Also in Q3, MCUs should continue to sell particularly well. Finally we note that the group expects to see a recovery in MEMS driving the AMG division to sequential growth. An additional comment was made concerning EMV, which is said to be decreasing but ST also added that its implication in EMV is limited and that it is not a main driver. Finally, regarding Imaging, the group stated that Time of flight technology showed strong momentum with design-in in several smartphones. As a result, the imaging business, which was loss making, could be above break even this year. Overall, management expects higher growth at ST than the overall business and since forecasts for the semiconductor industry point to a decrease in the range of 0% to -2% for 2016, we understand that management expects slight growth.
- **For Q3, the group expects to see an improvement in gross margin to 35.5% despite higher unused capacity charges.** Unused capacity could provide a headwind of 65bp, compared with 45bp in Q2. This is due to seasonal production activity for the Crolles 300mm, which is always lower in Q3. Nevertheless, it should be offset by an overall positive change in the mix making up for price pressure and manufacturing efficiencies.
- **The group also said it is in line with its plan and continues to see cost reductions of about USD100m by the end of 2016.** Management added that about 35% of this had already been achieved by the end of Q2, but there is still more to come.
- **We are trimming our estimates with an average cut to EPS of 1%.** Following the conference call, we applied changes in our model. Given supportive momentum in both the automotive and industrial sectors, we now expect a slight revenue increase of 1% over 2016 (vs. -0.2% before), however our margin expectations are negatively impacted by the new guidance regarding grants. Indeed, management now expects that level of grants during the current and the next quarter are more in the range of USD20m as opposed to about the USD28m in the first half, in each quarter of the first half of the year.
- **Finally, the group said that small M&A deals are possible but nothing is on the table.** The group would then focus on IP in order to strengthen key activities. In addition, management stated that ST already has the means to compete in terms of R&D.

VALUATION

- Overall, Q2 results and the conference call comments were positive and encouraging. The group should benefit from a supportive environment while the restructurating plan seems to bear fruits. Nevertheless, we continue to see risks on valuation given 1/ the pending CEO transition next year and 2/ the restructuring plan given the group's historical track record.
- Based on our estimates, STMicroelectronics' shares are trading on 2016e P/E and PEG ratios of 30.8x and 0.9x respectively.

NEXT CATALYSTS

- Late in October 2016: Q3 results

Detailed P&L

[USDm]	Q1 16	Q2 16	Q3 16	Q4 16e	2016e	2017e	2017e
Net revenue	**1613**	**1703**	**1794**	**1868**	**6977**	**7102**	**7261**
% change	*-3.3%*	*5.6%*	*5.3%*	*4.1%*	*1.2%*	*1.8%*	*2.2%*
COGS	-1075	-1126	-1158	-1162	-4522	-4506	-4596
Gross Margin	***33.4%***	***33.9%***	***35.4%***	***37.8%***	***35.2%***	***36.5%***	***36.7%***
SG&A	-229	-229	-219	-223	-900	-937	-951
R&D	-342	-336	-326	-326	-1330	-1279	-1282
Other exceptional gains	0	16	7	2	25	25	100
Adjusted EBIT	**-33**	**28**	**97**	**159**	**251**	**404**	**531**
% of revenue	*-2.0%*	*1.6%*	*5.4%*	*8.5%*	*3.6%*	*5.7%*	*7.3%*
D&A	-184	-179	-180	-183	-726	-739	-755
EBITDA	151	207	277	342	977	1143	1286
Cost of net debt	-5	-6	-5	-1	-17	-17	-17
Profit from associates	0	9	0	-6	3	3	3
Gain from investments	0	0	0	0	0	0	0
Profit before tax	-38	31	92	152	237	390	517
Income taxes	-2	-6	-21	-30	-59	-87	-106
Tax rate	5%	-19%	-23%	-20%	-25%	-22%	-20%
Consolidated net profit	**-40**	**25**	**71**	**123**	**179**	**304**	**412**
% of revenue	*-2.5%*	*1.5%*	*4.0%*	*6.6%*	*2.6%*	*4.3%*	*5.7%*
Adjusted EPS (in USD)	**-0.05**	**0.03**	**0.08**	**0.14**	**0.20**	**0.34**	**0.47**

Source: Bryan Garnier & Co. ests.

P&L changes highlights

[USDm]	Old			New			Old vs. New
	2016e	**2017e**	**2018e**	**2016e**	**2017e**	**2018e**	**avg. Δ%**
Net revenue	**6882**	**6998**	**7151**	**6977**	**7102**	**7261**	**1%**
% change	*-0.2%*	*1.7%*	*2.2%*	*1.2%*	*1.8%*	*2.2%*	
EBIT	264	405	513	251	404	531	-1%
Operating margin	*3.8%*	*5.8%*	*7.2%*	*3.6%*	*5.7%*	*7.3%*	
Adj. EPS	**0.21**	**0.35**	**0.45**	**0.20**	**0.34**	**0.47**	**-1%**

Source: Bryan Garnier & Co. ests.

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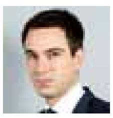

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Utilities

Suez

Price EUR14.01

H1-16 results – first take: 2016 guidance confirmed thanks to deeper cost cutting

Fair Value EUR17.5 (+25%) **BUY**

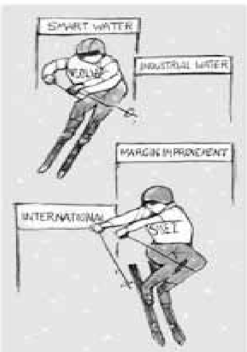
Bloomberg	SEV FP
Reuters	SEVI.PA
12-month High / Low (EUR)	18.0 / 12.9
Market Cap (EURm)	7,627
Ev (BG Estimates) (EURm)	18,712
Avg. 6m daily volume (000)	1 252
3y EPS CAGR	-2.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.6%	-11.4%	-17.1%	-18.8%
Utilities	12.8%	1.0%	1.8%	-0.6%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

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	13.5x	18.7x	16.3x	14.3x
FCF yield (%)	3.4%	5.7%	4.6%	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	6.8x	6.6x
EV/EBIT	13.6x	14.5x	14.1x	13.3x



This morning, Suez posted H1-16 metrics that came in slightly above market expectations. EBITDA is down 1.9% LfL to EUR1.27bn vs. EUR1.26bn expected by market, while net income came in at EUR174m, up 24% thanks to a provision reversal and lower minorities. 2016 targets are confirmed thanks to a deeper costs cutting program (+EUR30m), but 2017 EBITDA "ambition" was not reiterated. The macro environment in Europe remains difficult. This is not new, but it has obliged the group to adapt its costs cutting program, which we believe the market should appreciate. Positive.

ANALYSIS

- **Main H1-16 metrics**: H1-16 sales are up **2.2%** YoY to **EUR7.45bn** and up **2.7%** on a LfL basis, thanks only to the strong growth generated by International division *(+11.6% LfL*). Both Water Europe and Waste Europe businesses posted flat LfL sales performance. As a reminder, the group's Q1-16 sales were up **1.8%** organically, with sales International division being up **10%**, implying an acceleration in Q2 vs Q1. EBITDA is down **1.9%** organically to **EUR1.27bn** and comes in slightly ahead of market expectations (*EUR1.26bn*) due - as expected - to a significant margin decline at the Water Europe division (*EBITDA down 4.6% LfL*) which was affected by unfavourable weather conditions as well as by the adverse impact of the lower inflation environment. Waste Europe division's performance declined by **4%** organically, due mainly to the negative electricity price effect while the International division reported **12.8%** LfL growth over the period. When excluding the **EUR36m** provision reversal for risk related to the 2015 revaluation of the Chongqing Water stake, the group's EBITDA is down **4.5%** YoY and not down **1.7%.** EBIT cames out at **EUR598m**, representing an **8%** margin and a **30bp** margin decline compared with last year and declined **2.3%** organically compared with last year. Net income is, however, up strongly, by **23.7%** to **EUR174m** ahead of both market and BG estimates (*EUR147m expected*), helped by the provision reversal and also by a decline in minorities following the buyout of the Sembita minority. Net debt is up **EUR682m** vs end 2015 to **EUR8.76bn** due to dividend payment and a negative change in WCR. **Net debt/EBITDA ratio is 3.2x, slightly ahead of the group's 3x target.**
- **What to retain from this publication**: **1/**Compass cost reduction program is lifted by **EUR30m** in 2016 to **EUR180m** in response notably to the sluggish macroeconomic environment in Europe, allowing the group to confirm its 2016 targets. Without this lift, Suez admitted it would have missed its 2016 targets. **2/**The group indicated that it intends to increase its stake in ACEA to **23.3%** from **12.5%** by acquiring ACEA shares from the Caltagirone Group. This transaction is expected to be carried out through a **3.5%** capital increase at Suez (*representing EUR265m*). This is in line with group's ambition to expand within water sector in Southern Europe. **We estimate higher costs cutting for 2016 combined with capital increase to finance higher stake in ACEA have a -0.4% impact on our 2016e EPS and a +0.4% impact on our 2017e EPS.**
- **First conclusion**: **H1-16 metrics are poor as expected**, reflecting the poor macro environment in Europe affecting both water and waste business. Yet this is not new. **The EUR30m additional costs-savings measures should be well-appreciated** as well as the stronger than expected performance in the international division. **We still expect the company to give an update on its M&A strategy as well as on its 2017 ambition**.

VALUATION

- At the current share price, the stock is trading at **7.1x** its 2016e EBITDA and offers a **4.6%** yield
- Buy, FV @ EUR17.5

NEXT CATALYSTS

- 27th October 2016: Q3-16 results

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Healthcare

UCB

Price EUR71.00

Profitability above expectations in H1

Fair Value EUR80 (+13%) **NEUTRAL**

Bloomberg	UCB BB
Reuters	UCBBt.BR
12-month High / Low (EUR)	85.6 / 62.3
Market Cap (EURm)	13,810
Ev (BG Estimates) (EURm)	13,393
Avg. 6m daily volume (000)	359.0
3y EPS CAGR	37.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.7%	5.2%	-16.5%	-14.7%
Healthcare	8.4%	6.4%	2.5%	-2.9%
DJ Stoxx 600	6.0%	-1.7%	0.6%	-6.7%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	3,344	3,876	4,117	4,689
% change		*15.9%*	*6.2%*	*13.9%*
EBITDA	609	821	982	1,248
EBIT	379.0	577.0	720.7	947.0
% change		*52.2%*	*24.9%*	*31.4%*
Net income	229.0	322.0	417.0	589.2
% change		*40.6%*	*29.5%*	*41.3%*

	2014	2015e	2016e	2017e
Operating margin	11.3	14.9	17.5	20.2
Net margin	6.8	8.3	10.1	12.6
ROE	4.1	12.2	7.9	11.0
ROCE	5.3	6.2	7.4	9.9
Gearing	33.3	7.5	7.2	8.1

(EUR)	2014	2015e	2016e	2017e
EPS	1.69	2.17	3.13	4.40
% change	-	*28.8%*	*44.3%*	*40.4%*
P/E	42.1x	32.7x	22.7x	16.1x
FCF yield (%)	3.1%	1.3%	2.9%	3.0%
Dividends (EUR)	0.91	1.10	1.63	2.29
Div yield (%)	1.3%	1.5%	2.3%	3.2%
EV/Sales	3.6x	3.5x	3.3x	2.8x
EV/EBITDA	20.0x	16.3x	13.6x	10.7x
EV/EBIT	32.2x	23.2x	18.6x	14.1x

UCB has released a good set of results for the first-half of 2016. Topline was in-line with estimates growing 5%CER to EUR2bn (+5% reported) with all core products contributing to growth. RecEBITDA came in 7% above consensus expectations at EUR549m (27.2% of revenues) boosted by a drop in operating expenses. Profitability has kicked in faster than expected and does not seems to put at risk the 2018 target of 30% recEBITDA margin for now. FY2016 guidance reiterated.

UCB (EURm exc. PS data)	H1 2015	H1 2016	y/y	H1 2016 cs	Delta	FY16	FY16 cs
Cimzia	490	602	22,9%	583	3,3%		
Vimpat	323	379	17,3%	391	-3,1%		
Neupro	129	143	10,9%	145	-1,4%		
Total CVN	**942**	**1124**	**19,3%**	**1119**	**0,4%**		
Keppra	385	354	-8,1%	349	1,4%		
Revenue	**1917**	**2019**	**5,3%**	**2018**	**0,0%**	**4000-4100**	**4123**
Rec. EBITDA	**464**	**549**	**18,3%**	**513**	**7,0%**	**970-1010**	**989**
Margin %	*24,2%*	*27,2%*		*25,4%*			*24,0%*
Core EPS	1,18	1,72	45,8%	1,56	10,3%	2,90-3,20	3,01

Source : Company Data; Ellinghorst IR.

ANALYSIS

- **Revenues rose 5%CER in H1 2016 driven by CVN sales, which now account for 56% of revenues vs. 49% in H1 2015 up 19.3% YoY. Cimzia sales increased 24%CER** (23% reported, 30% of UCB's revenues) reflecting broader use of the product, which now benefits from five indications both in the US and in Europe. Europe was the main contributor to growth with sales up 25%CER. Total **Vimpat sales rose 18%CER to EUR379m** (18% reported; 18% of UCB revenues). The US remains the main market for the drug (75% of sales) and benefited from an 18%CER increase in the country. Going forward, we would expect **Vimpat's ramp-up in Japan to boost the product's sales** (commercialisation by partner Daiichi Sankyo) following approval in the country in early July 2016. Neupro sales increased 12%CER (11% reported; 7% of UCB's revenues). Note that sales from the neurology franchise recorded the **first sales of BRIVIACT in epilepsy (EUR7m** vs consensus EUR8m). **Keppra sales decreased 7%CER as H1 2015 sales offered a challenging comparison basis** with a stocking effect from distributors that did not reoccur. Royalty income and Other revenues had a negative impact on sales.
- Looking at profitability, gross margin improved (product mix). Significant decrease in G&A expenses of -12% and a -3% drop in R&D expenses with two romosozumab's phase III tria,l which ended in Q1 enabled the group to **report a 27.2% recEBITDA margin (EUR549m). This compare to 24.2% YoY and consensus expectations of 25.4% margin**. A lower than expected tax rate further benefited net profit and EPS, the latter standing at EUR1.72/share, 10% ahead of consensus.
- This good set of results should positively impact share price today. Turning to H2 2016, 1) the expected outcome of the patent judge on Vimpat, 2) concerns regarding mixed safety results of romosozumab and 3) weak pipeline newsflow are not likely to benefit to the share price in our view. R&D expenses should rebound with Bimekizumab phase IIb trial to be initiated.

VALUATION

- We reiterate our NEUTRAL recommendation.
- UCB reiterates its FY 2016 guidance: Sales EUR4.0-4.1bn vs BGe EUR4.1bn, recEBITDA EUR970-1,010m vs. BGe , EPS EUR2.9-3.2/share vs. BGe EUR3.13/share.

NEXT CATALYSTS

- Today 8.00amEDT/2.00pmCET: Conference call on HY2015 results (FR +33 1 72 04 00 33, UK +44 20 77 50 99 26, US +1 866 676 58 66; PIN 13465364#)

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Utilities

Veolia Environnement

Price EUR19.58

EUR3.3bn contract concluded in industrial water in China

Fair Value EUR23 (+17%) **BUY-Top Picks**

Bloomberg	VIE FP
Reuters	VIE.PA
12-month High / Low (EUR)	22.9 / 18.1
Market Cap (EURm)	11,028
Ev (BG Estimates) (EURm)	18,739
Avg. 6m daily volume (000)	1,918
3y EPS CAGR	27.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.4%	-7.9%	-10.1%	-10.5%
Utilities	12.8%	1.0%	1.8%	-0.6%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

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	28.9x	19.7x	16.2x	14.0x
FCF yield (%)	9.6%	NM	6.0%	7.2%
Dividends (EUR)	0.73	0.85	0.87	0.99
Div yield (%)	3.7%	4.3%	4.4%	5.1%
EV/Sales	0.7x	0.8x	0.7x	0.7x
EV/EBITDA	6.0x	6.0x	5.6x	5.3x
EV/EBIT	16.9x	13.2x	12.1x	11.1x

Veolia announced this morning that it has concluded a EUR3.3bn contract with China's largest refiner for management of the entire water cycle for its Yanshan petrochemical complex. The contract could represent a c. 10% increase in the company's industrial water segment revenues, according to our estimates. Positive.

ANALYSIS

- **Veolia announced this morning it has been chosen by Sinopec**, Asia's largest refiner, **to operate the entire water cycle for its Yanshan petrochemical complex**. Veolia will work at optimising water consumption at the site and then increasing the water recycling rate. **The contract is worth c. EUR3.3bn over its 25-year duration (c. EUR130m per year, representing a c.10% increase in the industrial water segment revenues).** The contract will be completed by a dedicated joint-venture between Veolia and Yanshan Petrochemical, which will employ more than 800 people, and **will be consolidated** by the French company.
- **This confirms and even strengthens Veolia's strategy to increase the share of industrial customers in its portfolio** (*44% as of 2015*) **notably in the Oil & Gas segment** (10% CAGR in the segment expected between 2015 and 2018 for overall revenues of c. EUR2bn). This also significantly reinforces Veolia's presence and ambition in Asia and notably in China. **In 2015, Veolia posted consolidated revenues in China for c. EUR500m, out of which c. EUR195m came from water activities and c. EUR140m came from Oil & Gas customers.** We expect Veolia (as well as Suez) to continue to expand their respective footprints in this area as **regulations are becoming more and more draconian**, especially regarding industrial water discharge, which should prevent both companies from any potential short-term macro downturn.
- **Positive.**

VALUATION

- At the current share price, Veolia is trading at **6.0x its 2016e EV/EBITDA multiple**.
- **Buy, FV @ EUR23**

NEXT CATALYSTS

- 1st August: H1 2016 results

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Healthcare

AstraZeneca

Price 4,690p

First read-out of Q2 suggest in-line numbers

Fair Value 5370p (+14%) **BUY**

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	4,690 / 3,774
Market Cap (GBPm)	59,310
Avg. 6m daily volume (000)	2 863

	1 M	3 M	6 M	31/12/15
Absolute perf.	13.7%	17.4%	4.9%	1.6%
Healthcare	9.3%	6.0%	2.5%	-3.0%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

	2015	2016e	2017e	2018e
P/E	14.4x	17.0x	16.1x	15.9x
Div yield (%)	4.6%	4.6%	4.6%	4.6%

ANALYSIS

- We see no major beat or miss to CS numbers in what AstraZeneca released earlier this morning. Sales and earnings were both very much in line with expectations.
- Sales-wise, Nexium was slightly above and Crestor slightly below estimates but we would note more importantly for the future the good performance of Faslodex, Farxiga, Brilinta, Tagrisso and Lynparza, all significant growth drivers for the years to come in their respective franchises.
- Moving to earnings, they are marginally above estimates as Flumist write-downs were lower than initially expected as some inventories were reoriented in other geographies ex-US, whereas in the low part of the P&L we note that tax rate is 1% lower than expected (at 17%) while minority interests also impact EPS more positively. USD89m generic Crestor royalties were booked in other income. Overall core EPS came out at USD0.83 when CS was expecting USD0.82.

VALUATION

- This is all what we can expect from quarters in 2016 i.e. to show resilience in the context of generic erosion for Nexium and Crestor and in the preparation phase for the delivery of new drugs that will be growth drivers in the future. From that perspective, AstraZeneca confirms refiling of saxa-dapa in the US (done) and of ZS-9 (to come in H2).
- FY guidance is unchanged.

NEXT CATALYSTS

- Today 1pm: Conference Call

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Business Services

Bureau Veritas

Price EUR19.69

Bloomberg	BVI FP
Reuters	BVI.PA
12-month High / Low (EUR)	21.8 / 16.1
Market Cap (EURm)	8,703
Avg. 6m daily volume (000)	774.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.8%	-6.1%	11.8%	7.1%
Inds Gds & Svs	12.8%	-0.2%	7.8%	0.8%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

	2015	2016e	2017e	2018e
P/E	20.5x	19.8x	18.7x	17.7x
Div yield (%)	2.6%	2.7%	2.8%	3.0%

H1 first take: In line with expectations. FY guidance confirmed but at the low end of the bracket.

Fair Value EUR21 (+7%) **NEUTRAL**

ANALYSIS

- **No surprises: Total revenue** reached EUR2.221bn perfectly in line with our forecast (consensus at EUR2.226bn and our estimate of EUR2.219bn), down 4.2% in reported terms with organic growth down 0.6% with Q2 in line with Q1. **Adjusted EBIT** was EUR350.5m (consensus at EUR351m and our estimate of EUR352m), down 5.3% in reported terms representing an adjusted operating margin of 15.8% down 20bps. **Operating cash flow** stood at EUR161m vs. EUR216m last year and free cash flow totalled EUR44m vs. EUR74m in H1 2015. At the end of June, adjusted net debt was EUR2.184bn representing a net debt to EBITDA multiple of 2.44x vs.2.31x in H1 2015.
- **FY guidance confirmed but at the low end of the indicative bracket:** Management still expects a "progressive rebound" in organic growth in H2, which will also benefit from favourable comps and confirmed its FY guidance of between 1% to 3% but at the low end of that bracket (consensus at 0.7% and our estimate of 0.9%). Adjusted operating margin should be between 16.5% and 17% compared with consensus at 16.6% like our estimate, and 16.7% in 2015

VALUATION

- At the current share price, the stock is trading at 2016e and 2017e EV/EBIT of 13.7x and 12.8x respectively, compared with an historical median of 14.3x and CAGR EBIT 2015-2018 of 3.1%

NEXT CATALYSTS

- Conference call today at 2.00pm (CET)
- Q3 trading update on 7th November

Bruno de La Rochebrochard, bdelarochebrochard@bryangarnier.com

Insurance

CNP Assurances

Price EUR14.46

Bloomberg	CNP FP
Reuters	CNPP.PA
12-month High / Low (EUR)	15.6 / 10.5
Market Cap (EURm)	9,928
Avg. 6m daily volume (000)	571.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	15.2%	-3.8%	26.3%	16.2%
Insurance	9.9%	-11.0%	-11.8%	-21.1%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

	2015	2016e	2017e	2018e
P/E	8.8x	8.3x	7.9x	
Div yield (%)	5.3%	5.3%	5.5%	

Solid H1 results, slight disappointment on solvency

Fair Value EUR15 (+4%) **NEUTRAL**

ANALYSIS

- H1 2016 premiums rose 6.4% to EUR17.3bn (up 10.2% on a comparable basis), mainly driven by France (up 9.7%) and Latam (up 11.6% on a comparable basis). In France, the NBV margin was under pressure (down 290bps to 8.5%) due to lower interest rates.
- Average technical reserves (excluding deferred participation) rose 0.4% to EUR306.6bn.
- Revenues increased by 2.5% (up 12.1% on a comparable basis), driven by France (lower strengthening of technical reserves compared to previous periods) and Latam (protection and pension businesses).
- H1 EBIT rose 3.6% to EUR1.280bn (up 14.9% on a comparable basis), slightly above the consensus (EUR1.230bn), and the company has confirmed its 5%+ EBIT growth estimate for the 2016-2018 period. H1 net income stood at EUR620m (up 8.7% on a comparable basis), slightly above consensus (EUR587m).
- Solvency II margin (standard formula) at end-June stood at 165% (consensus 169%) vs. 175% at end-March and 192% at end-2015.

VALUATION

- Based on our current estimates, our SOTP valuation is EUR15.

NEXT CATALYSTS

- Q3 numbers on 9th November.

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Healthcare

DBV Technologies

Price EUR63.80

H1 2016 in-line, 3y OLFUS-VIPES data upcoming

Fair Value EUR91 (+43%) **BUY**

Bloomberg	DBV FP
Reuters	DBV.PA
12-month High / Low (EUR)	81.0 / 40.6
Market Cap (EURm)	1,538
Avg. 6m daily volume (000)	43.30

	1 M	3 M	6 M	31/12/15
Absolute perf.	27.6%	2.7%	28.1%	-4.0%
Healthcare	9.3%	6.0%	2.5%	-3.0%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

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

ANALYSIS

- H1 top-line results came in at EUR4.8m derived essentially from research tax credits. R&D expenses increased from EUR12.5m in H1 2015 to EUR32.9m in H1 2016 (+163%). This subsequent raise in R&D expenses is explained by an intensification in R&D activities, including 1) patient recruitment for the PEPITES phase III trial (Viaskin Peanut); 2) SMILEE phase IIa trial initiation (Viaskin Milk); 3) MILES Phase I/II follow-up (Viaskin Milk), as well as strategy to increase R&D dedicated FTEs. S&M increased compared to H1 2015 (since there were not any such expense last year) to reach EUR5.5m in H1 2016. The latter increase starts to reflect DBV's standalone strategy with regards to US commercialisation. G&A are up from EUR5.5m to EUR15.8m in H1 2016. Operating loss stands at -49.4m.
- Cash position at the end of July stood at EUR289m (vs. EUR105m in H1 2015). Note that overnight, the company filed a F-3 Form at the SEC i.e. equity shelf of indeterminate amount.
- As a reminder, PEPITES phase III trial ended and we do not rule out that results might came in July/August next year.

VALUATION

- We reiterate our BUY rating and 91 fair value.

NEXT CATALYSTS

- H2 2016:
  - Results from phase I feasibility study in Pertussis boost vaccine
  - OLFUS-VIPES 3-year study results

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Hugo Solvet, hsolvet@bryangarnier.com

TMT

SFR

Price EUR20.97

Bloomberg	SFR FP
Reuters	SFRGR.PA
12-month High / Low (EUR)	43.8 / 20.3
Market Cap (EURm)	9,190
Avg. 6m daily volume (000)	285.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.4%	-27.3%	-40.9%	-37.4%
Telecom	9.4%	-6.4%	-9.7%	-12.5%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

	2015	2016e	2017e	2018e
P/E	14.5x	23.0x	12.3x	9.1x
Div yield (%)	25.8%	NM	NM	NM

Prospect of 5,000 job cuts in 2017

Fair Value EUR28,7 (+37%) **NEUTRAL**

ANALYSIS

- French daily Le Monde reports that the company intends to **cut 5,000 jobs** in a social plan in **2017** according to SFR unions. Out of 16,000 employees (end-2015, excluding the media branch), this represents about **a third of its headcount**. That SFR would reduce headcount in 2017 is **not a surprise**: Patrick Drahi and Michel Paulin have already clearly stated that the **workforce at SFR was too large**, and the company's **commitment to not cutting jobs expires in July 2017**. Note also that some plans are already ongoing at SFR's distribution subsidiaries, which might contribute to the 5,000 figure.
- Nevertheless, we believe the **final headcount reduction might be lower**. First, the number of 5,000 might only be a **starting point in the negotiations** with unions. Second, such a cut would bring the revenue per employee ratio to about **EUR1,000** based on 2015 results. As a comparison, Iliad which is very cost effective, achieved **EUR550** revenues per employee, and both companies have limited external workforces. As such, we are **not convinced** that cutting 5,000 jobs at SFR is **fully compatible with the company's premium ambitions,** or it should be compensated, to a certain extent, by the **external workforce**. Lastly, the timing will coincide with the French presidential elections, making the plan **visible and political**, but this impact should be **limited**.
- According to our estimates, total full-year OPEX savings, excluding one-off restructuring charges, could amount to **EUR200m** if job cuts reach 5,000. Here again, in this case the net financial impact might be **lower** if partially compensated by **external workforce and subcontracting**.

VALUATION

- We are sticking to our Fair Value of EUR28.7, with a Neutral recommendation.

NEXT CATALYSTS

- H1 results on 9th August.

Thomas Coudry, tcoudry@bryangarnier.com

TMT

Wirecard

Price EUR42.71

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 31.2
Market Cap (EURm)	5,277
Avg. 6m daily volume (000)	877.5

	1 M	3 M	6 M	31/12/15
Absolute perf.	13.2%	13.5%	-8.6%	-8.2%
Softw.& Comp. SVS	17.6%	6.1%	5.8%	3.4%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

	2015	2016e	2017e	2018e
P/E	32.2x	23.4x	18.0x	14.7x
Div yield (%)	0.3%	0.3%	0.4%	0.4%

Strong preliminary H1 results, positive momentum and FY guidance maintained

Fair Value EUR54 (+26%) **BUY-Top Picks**

ANALYSIS

- **Preliminary figures: H1 revenues of EUR450.6m, +32.5% Y/Y** (BG est.: EUR448.4m i.e. +31.9%) **and EBITDA of EUR132.2m i.e. margin up 40bp to 29.3%** (BG est.: 131.9m). This implies Q2 revenues at EUR240.2m +32.9% Y/Y (BG est.: EUR237.9m, +31.7% Y/Y) and EBITDA at EUR70.2m (vs. BG EUR70m). **The audited financial statements will be published on 17th August 2016.**

- **FY16 guidance:** Management expects a **further positive business performance in H2 and confirmed its most recent FY 2016 guidance, namely for EBITDA of between EUR290m and EUR310m**. As a reminder, the mid-point of this range is based on organic growth of 23% (seen as conservative by management), an expected EBITDA contribution from mobile payments of EUR5.0m (vs. BG est. 5.5m), a EUR16.0m EBITDA contribution from the payment business of GI Retail (BG est.: EUR16.5m), and a EUR4.0m combined EBITDA contribution from Provus Group and MoIP (BG est.: EUR5.2m).

- **We are maintaining our estimates, which are at the high-end of the guidance range and above consensus:** we have FY16e revenue of EUR1.016.3bn i.e. +31.7% and +20.3% lfl (cons.: EUR1,009.4m), EBITDA of EUR306.3m i.e. margin of 30.1% +60bp (cons.: EUR301.7m) and restated net income of EUR225.9m i.e. margin of 22.2%, +100bp (cons.: EUR212.2m). **Since the recent acquisition of Citi Prepaid Card Services in the US, Wirecard is now formally a global issuing and acquiring payment services provider**. A number of US investors are rumoured to be looking at the stock just because it has recently acquired this business from Citi (giving consistency to the quality of Wirecard). **By increasing its size, Wirecard should mechanically improve its margins** (fixed cost structure business).

VALUATION

- We **maintain our Buy recommendation** and **FV of EUR54**.

- **Note that short interest positions on the stock have fallen since May** (difficult to give a precise number as we do not see positions below 0.5%...), and are certainly well below 20% of the capital right now (vs. 23% at the peak). As a result, **there is still huge room for a further strong share price outperformance.**

- Wirecard's PEG is still very appealing, with a **P/E of 20.7x compared with restated EPS growth of +33.9% over 12 month yoy. The stock is on our Q3 Top Pick list**.

NEXT CATALYSTS

- **H1 earnings results (audited):** 17th August (before trading).

- **Wirecard is in strategic talks with various partners** about entry into its share capital.

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Healthcare

Zealand

Price DKK119.00

Lixisenatide approved as Adlyxin in the US

Fair Value DKK176 (+48%) **BUY**

Bloomberg	ZEAL DC
Reuters	22Z.F
12-month High / Low (DKK)	168.5 / 92.5
Market Cap (DKKm)	2,920
Avg. 6m daily volume (000)	114.1

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.3%	-8.5%	-6.7%	-21.5%
Healthcare	9.3%	6.0%	2.5%	-3.0%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

	2015	2016e	2017e	2018e
P/E	NS	NS	NS	8.3x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- One significant step is now behind for Zealand as FDA approved lixisenatide in monotherapy under the brand name Adlyxin.
- The big step is the next one i.e. assessment by the US agency of fixed-dose combination of lixisenatide with basal insulin glargine (iGlarLixi), because that's where Sanofi can be differentiated in the market place and use its long history and experience with Lantus and work together with Novo-Nordisk to create a new market insulin in the field of diabetes. However, we raised concerns after the Advisory Committee that took place in May because of allergic reactions with lixisenatide and more importantly serious antibody drug formation whose level impacted the efficacy of the drug. Actually, the two observations are reproduced within the warning section of the prescribing information under "anaphylaxis and serious hypersensitivity reactions" and 'immunogenicity" chapters, but with no black box around. So we do not expect these mentions in the P.I. to impact meaningfully the commercial and marketing activities deployed by Sanofi in support of the drug. As a reminder, class leader Victoza does not carry similar warnings, but has different ones and also a mention of increased risk of thyroid c-cell tumors under a black box section.

VALUATION

- In summary, the news is great for Sanofi and Zealand. From a valuation standpoint, because Lyxumia is already approved in Europe and Japan, we have a 100% PoS and we are not making any change to our numbers. But it is good for the confidence in iGlarLixi to be approved too although other questions are raised, notably around the pen device.

NEXT CATALYSTS

- End of August: PDUFA date for iGlarLixi

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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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