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3rd August 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18313.77	-0.49%	+5.10%
S&P 500	2157.03	-0.64%	+5.53%
Nasdaq	5137.73	-0.90%	+2.60%
Nikkei	16083.11	-1.88%	-13.88%
Stoxx 600	335.467	-1.29%	-8.30%
CAC 40	4327.99	-1.84%	-6.67%
Oil /Gold			
Crude WTI	39.51	-1.37%	+6.21%
Gold (once)	1367.38	+1.29%	+28.71%
Currencies/Rates			
EUR/USD	1.1224	+0.47%	+3.32%
EUR/CHF	1.08215	+0.19%	-0.48%
German 10 years	-0.088	-41.00%	-113.91%
French 10 years	0.186	+44.76%	-81.07%

Economic releases :

Date	
3rd-Aug	FR - PMI composite (50 E)
	DE - PMI Composite (55.3 E)
	EUZ - retail sales Jun (1.8% E)
	US - ADP employment report
	US - PMI services
	US - ISM non Mfg (55.9 E)

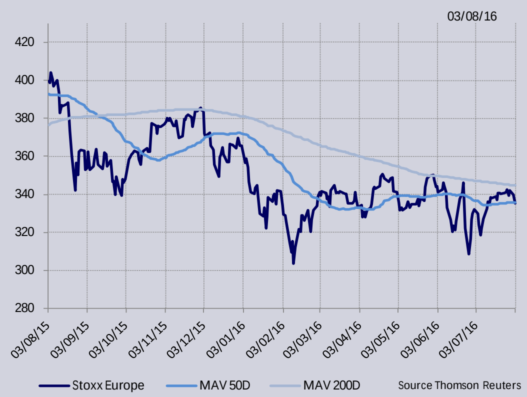
Upcoming BG events :

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



AXA — BUY, Fair Value EUR29 (+67%)

Solid H1 performance, current stock price makes no sense to us

H1 2016 numbers were above expectations (underlying earnings EUR3.06bn vs. consensus EUR2.91bn), mainly thanks to a higher positive tax one-off in the US. From a qualitative standpoint the figures were more in line and very solid given the current challenging environment. Solvency was strong at 197%. Buy rating maintained. The current stock price hardly makes sense to us.

CAMPARI — BUY, Fair Value EUR9.7 (0%)

A strong set of results

Yesterday Campari reported another strong set of results. Q2 sales rose 3.4% organically, ahead of expectations (consensus: +2.6% and our estimate: +2.7%). This was a satisfying performance considering the reversal of positive one-off events in Q1. H1 EBIT margin rose 140bp to 19.7% (consensus and our estimate: 19.4%) reflecting a favourable sales mix. Management said that going forward A&P expenditure and SG&A costs should increase but this should be mitigated by the positive mix and the cost synergies extracted fom the SPML acquisition. We think the overall impact is roughly neutral. We maintain our estimates and our Fair value of EUR9.7.

FRESENIUS SE — BUY-Top Picks, Fair Value EUR73 (+9%)

KABI weak NA sales surprised but margins are keeping-up

KABI sales surprised with a -6% organic deline in NA. However, increased sales and EBIT guidance highlighted management's ability to monitor an easing drug shortage situation. We remain at Buy and maintain our EUR73 target price.

MOLSON COORS — BUY, Fair Value USD110 (+9%)

Steady results

Molson Coors second quarter results were in line with expectations. For the first half, the company's volumes are unchanged with net sales up 1.2% constant currency while underlying after-tax income was flat yoy. With AB InBev scheduled to acquire SABMiller on 11th October, we expect that Molson Coors will be able to fully integrate MillerCoors from mid October.

SALVATORE FERRAGAMO — BUY, Fair Value EUR23 (+12%)

H1 results slightly below expectations but encouraging July

SFER H1 2016 results were slightly below investor expectations. Sales (EUR710m) fell 3.1% organically (consensus: -2.7%), while EBITDA reached EUR166m (cs: EUR169m) almost stable vs H1 2015 implying a 60bp margin gain to 23.4%. We remain at Buy on SFER with an unchanged EUR23 Fair Value.

SHIRE PLC — BUY-Top Picks, Fair Value 6900p vs. 6750p (+37%)

Q2 2016 above expectations and increased 3-year cost synergies target... What else?

In a nutshell, yesterday's publication provided three very positive newsitems: 1) Q2 2016 diluted earning per ADS was way above expectations; 2) updated full year guidance was a bit higher than previous estimates... and we wonder if the company is not too cautious regarding its future gross margin; and 3) three-year operating cost synergy expectations were raised by c. 40% to "at least USD700m", thereby prompting us to raise our FV to GBp6,900.

PHARMACEUTICALS

Express Scripts and CVS Caremark give a first idea about some drug coverage changes

Two of the largest US PBMs have issued their first preferred drug lists for 2017. They are still hunting for savings through higher rebates and cheaper alternatives. Basaglar looks like one solution.

In brief...

EUROFINS SCIENTIFIC, *Conference call feedback: Definitely a strong H1 but extrapolation would be excessive*

SFR, *To offer generous conditions in a massive voluntary redundancy plan*

EULER HERMES, *Solid Q2 numbers, technical beta adjustments drive FV downwards*

Return to front page

Insurance

AXA

Price EUR17.40

Solid H1 performance, current stock price makes no sense to us

Fair Value EUR29 (+67%) **BUY**

Bloomberg	CS FP
Reuters	AXAF.PA
12-month High / Low (EUR)	25.8 / 16.3
Market Cap (EURm)	42,169
Emb. Value (BG Est.)	51,218
Avg. 6m daily volume ('000)	7,690
3y EPS CAGR	2.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.6%	-22.1%	-20.8%	-31.1%
Insurance	-0.9%	-10.8%	-10.9%	-22.5%
DJ Stoxx 600	1.0%	-1.7%	0.3%	-8.3%

(EURm)	2015	2016e	2017e	2018e
Total gross prem.	91,938	93,823	95,748	97,713
% change		*2.1%*	*2.1%*	*2.1%*
Insurance op. profit	7,743	7,833	8,069	8,312
Total operating profit	7,880	8,027	8,316	8,603
Underlying PTP	8,314	8,362	8,651	8,938
% change		*0.6%*	*3.4%*	*3.3%*
Net attributable profit	*6,011*	*6,033*	*6,236*	*6,442*
% Change		*0.4%*	*3.4%*	*3.3%*

(EURm)	2015	2016e	2017e	2018e
Shareholders' equity	61,964	64,730	68,092	71,333
Technical reserves :				
-Life net (excl. UL)	361,513	368,743	376,118	383,640
-UL contracts	195,011	200,861	206,887	213,094
-P&C net	54,221	55,305	56,412	57,540
NAV net of intangibles	15,233	17,531	20,422	23,186
Embedded value	51,218	53,779	56,468	59,291

(EUR)	2015	2016e	2017e	2018e
EPS (€)	2.48	2.49	2.57	2.66
% change	-	*0.4%*	*3.4%*	*3.3%*
P/E	7.0x	7.0x	6.8x	6.5x
P/NAV (%)	0.7x	0.7x	0.6x	0.6x
ROE	10.0	9.5	9.4	9.2
Dividends	1.1	1.2	1.3	1.3
Div yield (%)	6.3%	6.9%	7.2%	7.5%

H1 2016 numbers were above expectations (underlying earnings EUR3.06bn vs. consensus EUR2.91bn), mainly thanks to a higher positive tax one-off in the US. From a qualitative standpoint the figures were more in line and very solid given the current challenging environment. Solvency was strong at 197%. Buy rating maintained. The current stock price hardly makes sense to us.

ANALYSIS

- H1 2016 group underlying earnings stood at EUR3.063bn, above consensus (EUR2.91bn), stable yoy (reported and at constant FX), mainly driven by the Life/Protection business (unexpected tax effect). Adjusted earnings (EUR3.364bn vs. consensus EUR3.15bn) were down 3% (down 2% at constant FX), due to higher impairments. Net income stood at EUR3.207bn, up 4% as the positive impact from the gain on the sale of two real estate properties in New York was partly offset by the net impact of the disposal of the UK Life & Savings and Portuguese operations, unfavourable changes in the fair value of financial assets and derivatives not eligible for hedge accounting, net of foreign exchange impacts.
- In Life, underlying earnings stood at EUR1.915bn, up 4% (up 4% at constant FX), mainly driven by a higher positive tax one-off in the US. Pre-tax earnings fell 4%, driven by Unit-Linked (down 11% because of lower management fees). The contribution of the GA savings is down 2%, mainly from lower investment margin in France and the US, partly offset by higher net technical margin in France and Italy. The contribution of protection/health is down 4% due to lower mortality margin in France (non-repeat of an exceptional positive reserve development in group protection) and the US, partly offset by higher mortality margin in Mexico and Japan and lower administrative expenses. The NBV margin is a strong 37% (consensus 33%), in line with H1 2015.
- In P&C, underlying earnings were down 9% to EUR1.176bn (down 7% at constant FX). The reported combined ratio rose 90bp to 96.0% (consensus 96.0%), including higher natcats (0.8 point vs. 0.1 point in H1 2015) and higher run-offs (2.2 points vs. 1.8 point). Excluding natcats and run-offs, the adjusted combined ratio is 97.4% vs. 96.8% in H1 2015, with higher prices (+4.9%) more than offset by higher claims severity. Investment income fell 3%.
- In Asset Management, underlying earnings stood at EUR213m, down 4% (down 3% at constant FX), of which +3% for AXA IM and -9% for AllianceBernstein. The company experienced EUR19bn in net inflows.
- Economic solvency ratio was 197% vs. 205% at end-2015 and 200% at end-March, as the impacts of adverse financial market conditions and estimated dividend accrual were partially offset by the operating return contribution and the issue of EUR1.5bn in dated subordinated notes.

VALUATION

- Based on our current estimates, our SOTP valuation is EUR29.

NEXT CATALYSTS

- Q3 2016 sales on 4th November.

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Food & Beverages

Campari

Price EUR9.68

Bloomberg	CPR IM
Reuters	CPR.MI
12-month High / Low (EUR)	9.7 / 6.4
Market Cap (EURm)	5,622
Ev (BG Estimates) (EURm)	6,846
Avg. 6m daily volume (000)	1,459
3y EPS CAGR	14.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.3%	15.2%	21.2%	21.0%
Food & Bev.	-0.1%	4.6%	0.5%	0.1%
DJ Stoxx 600	1.0%	-1.7%	0.3%	-8.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,657	1,697	1,859	1,967
% change		*2.4%*	*9.5%*	*5.8%*
EBITDA	380	414	473	514
EBIT	332.7	363.0	417.4	455.2
% change		*9.1%*	*15.0%*	*9.1%*
Net income	175.4	206.6	253.1	279.6
% change		*17.8%*	*22.5%*	*10.5%*

	2015	2016e	2017e	2018e
Operating margin	20.1	21.4	22.5	23.1
Net margin	10.6	12.2	13.6	14.2
ROE	10.1	11.1	12.5	12.6
ROCE	7.0	8.2	10.0	11.0
Gearing	47.3	65.5	52.4	38.5

(EUR)	2015	2016e	2017e	2018e
EPS	0.32	0.36	0.44	0.48
% change	-	*11.2%*	*22.5%*	*10.4%*
P/E	30.2x	27.2x	22.2x	20.1x
FCF yield (%)	3.6%	3.9%	4.7%	5.6%
Dividends (EUR)	0.09	0.09	0.10	0.10
Div yield (%)	0.9%	0.9%	1.0%	1.0%
EV/Sales	3.9x	4.0x	3.6x	3.3x
EV/EBITDA	17.0x	16.5x	14.1x	12.6x
EV/EBIT	19.4x	18.9x	16.0x	14.2x

A strong set of results

Fair Value EUR9.7 (0%) **BUY**

Yesterday Campari reported another strong set of results. Q2 sales rose 3.4% organically, ahead of expectations (consensus: +2.6% and our estimate: +2.7%). This was a satisfying performance considering the reversal of positive one-off events in Q1. H1 EBIT margin rose 140bp to 19.7% (consensus and our estimate: 19.4%) reflecting a favourable sales mix. Management said that going forward A&P expenditure and SG&A costs should increase but this should be mitigated by the positive mix and the cost synergies extracted fom the SPML acquisition. We think the overall impact is roughly neutral. We maintain our estimates and our Fair value of EUR9.7.

ANALYSIS

- **Strong organic sales growth despite the reversal of Q1 positive one-off events.** The group posted 3.4% organic sales growth in Q2, ahead of expectations (consensus: +2.6% and our estimate: +2.7%). This was a satisfying performance considering the reversal of the Q1 positive one-off events, especially the timing of Easter and shipment phasing in the US. On a reported basis, Q2 sales declined 3.2% to EUR416.5m (consensus: EUR415m and our estimate: EUR413m) due to FX headwinds, the disposal of non-core assets in Italy and Jamaica and the termination of some distribution agreements.

- **EBIT margin up 140bp, reflecting positive mix.** H1 2016 EBIT increased 5.6% to EUR146.4m (consensus: EUR143m and our estimate: EUR144m), implying a margin of 19.7%, up 140bp in reported terms and 50bp on an organic basis. The favourable sales mix prompted by stronger growth in higher margin brands (in H1: global priorities up 9.0% and regional priorities up 10.2%) and countries (strong growth in the US and Western Europe and decline in Brazil) more than offset increasing A&P expenditures and SG&A costs.

- **Trends by region.** In the **Americas** (40% of group's sales), organic sales rose 0.2% in Q2, strongly decelerating vs Q1 (+6.9%) due to the reversal of the Q1 positive shipment phasing effect in the US. Jamaica continued to drop due to the sugar business. **Southern Europe/Middle East/Africa (35% of group's sales)** also slowed, with organic sales up 2.7% in Q2 after +4.8% in Q1. The weakness of short aperitifs dragged down the performance of Italy. Momentum in the rest of the region remained sustained, driven by by France, Spain, and South Africa. The performance by **North, Central, and Eastern Europe** (19% of group's sales) was a positive surprise. Sales increased 12.7% in Q2 on an organic basis, roughly in line with Q1 (+13.3%). Growth in Germany remained strong thanks to an improvement by Aperol and Russia benefited from an easy comparison base. Finally, in **Asia Pacific** (6% of group's sales), Q2 organic sales were up 2.7% after +5.8% in Q1, reflecting the phasing of the co-packing business in Australia.

- **Outlook.** We make no change to our 2016 organic sales growth assumption (+5.3%). This takes into account a better outlook for Russia and Germany offset by a deterioration in Brazil. Management said that both A&P expenditure (especially for Wild Turkey) and SG&A costs (inflation in emerging countries and enhancement of the on-premise capabilities ahead of Grand Marnier) should increase going forward but this should be offset by the positive sales mix and the cost synergies extracted from the SPML acquisition. These cost synergies are not expected to materialise before H2 2017. Overall we think the impact should be broadly neutral at the EBIT level. We still expect EBIT margin to increase 140bp to 21.4%.

VALUATION

- Our DCF points to a Fair Value of EUR9.7.

NEXT CATALYST

- 9M 2016 results due on 8th November

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Healthcare

Fresenius SE

Price EUR67.05

KABI weak NA sales surprised but margins are keeping-up

Fair Value EUR73 (+9%) **BUY-Top Picks**

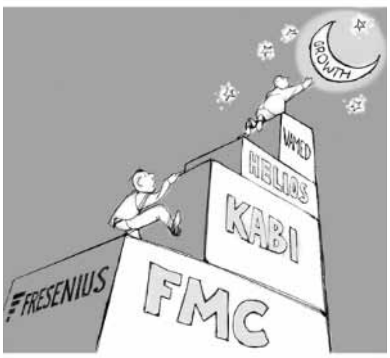
Bloomberg	FRE GR
Reuters	FREG.DE
12-month High / Low (EUR)	69.8 / 53.1
Market Cap (EURm)	36,633
Ev (BG Estimates) (EURm)	51,931
Avg. 6m daily volume (000)	1 204
3y EPS CAGR	9.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.2%	5.6%	10.4%	1.6%
Healthcare	2.2%	8.3%	3.7%	-2.9%
DJ Stoxx 600	2.3%	-0.5%	-0.5%	-7.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	27,626	29,070	30,963	33,250
% change		*5.2%*	*6.5%*	*7.4%*
EBITDA	4,990	5,432	5,799	6,287
EBIT	3,875	4,269	4,561	4,957
% change		*10.2%*	*6.8%*	*8.7%*
Net income	1,358	1,576	1,681	1,843
% change		*16.1%*	*6.6%*	*9.6%*

	2015	2016e	2017e	2018e
Operating margin	14.0	14.7	14.7	14.9
Net margin	4.9	5.4	5.4	5.5
ROE	7.2	7.6	7.5	7.6
ROCE	3.8	4.2	4.3	4.6
Gearing	118.4	107.5	99.2	90.1

(EUR)	2015	2016e	2017e	2018e
EPS	2.62	2.90	3.09	3.39
% change	-	*10.8%*	*6.6%*	*9.6%*
P/E	25.6x	23.1x	21.7x	19.8x
FCF yield (%)	2.0%	4.2%	4.2%	4.5%
Dividends (EUR)	1.69	1.87	2.00	2.19
Div yield (%)	2.5%	2.8%	3.0%	3.3%
EV/Sales	1.8x	1.8x	1.7x	1.6x
EV/EBITDA	10.1x	9.6x	9.0x	8.3x
EV/EBIT	12.9x	12.2x	11.4x	10.6x



KABI sales surprised with a -6% organic deline in NA. However, increased sales and EBIT guidance highlighted management's ability to monitor an easing drug shortage situation. We remain at Buy and maintain our EUR73 target price.

ANALYSIS

- While KABI sales appeared mixed and notably in NA affected by IV Gx, they were clearly above management's conservative estimates as organic sales guidance has been raised from roughly flat to low single-digit. Indeed, while KABI North America performed well in H1 with a 6% organic increase, Q2 numbers reflected a settling of dust with 1/ organic growth down -6% QoQ to EUR510m (35% of sales) after 2/ 20% organic growth in Q1 2016. While this might be seen as a U-turn in the group's ability to generate growth at divisional level as neither we nor the consensus were expecting organic growth to be in negative territory for the region, it was the result of an underperformance by the IV Gx business. We believe that this weak NA performance over the quarter should be put in the context of 1/ high comparison basis with organic growth of 24% in Q2 2015 2/ three IV generic drugs launched in Q1, none in Q2 and 3/ Neostigmine's (IV Gx) sales decrease with competition entrance over the first half of the year. Entering H2, both back-end loaded drug launches (at least three expected; 6-10 drugs launches guidance reiterated by management) and stabilisation of Neostigmine sales should act as a support to organic sales growth, which we would expect in the 1-3% range (both in Q2 and Q4). This bodes well with updated FY2016 sales guidance for low single-digit organic sales growth (vs roughly flat) and our estimates of 4% organic growth for the year. Management commented on conservative internal estimates, which might well be a sign of confidence in reaching this new guidance without concerns.
- In Europe, the low-end of guidance should be targeted now (i.e. low single-digit) while a dynamic trend in emerging markets should enable the group to deliver low double-digit organic sales growth (vs. mid/high single-digit). Note that in emerging markets, price reductions should be offset by a strong volume increase. Moreover, we see the infusion therapy business (up 8% organic in Q2), helped by the recently penned 10-year contract with Becton Dickinson as further supporting sales in NA and EM for the remainder of the year. Note that overall sales performance and growth prospects triggered a sales guidance increase for KABI i.e. 3-5% organic growth vs. low single-digit.
- Margin-wise, we were pleased to see an improvement in Fresenius KABI margins in North America (up 210bp to 43.1%) despite an easing of the drug shortage situation. KABI has a strong comp basis for the remainder of the year. However, we believe that management's ability to keep-up with high margins in the US which triggered an increase in guidance (3-5% vs roughly flat) is reassuring as it should be done in the context of higher R&D expenditures in H2 (incurred from investment in the recently acquired BD plant).
- Note that HELIOS progressed well in H1 with a 4.5% organic growth and that this is already in the high range of the 3-5% anticipated organic growth rate for the year while HELIOS historically performed better in H2.
- On the M&A front, the CEO mentioned that a few strategic blanks might be filed overtime. We do not rule out that this might concern the infusion device space as competition intensifies and there is a need for a differenciated offer.

VALUATION

- We reiterate our BUY recommendation and EUR79 Fair Value

NEXT CATALYSTS

- H2 2016 : ≥3 injectable product launches at KABI / Q3 results on 27th October

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Food & Beverages

Molson Coors

Price USD100.79

Steady results

Fair Value USD110 (+9%) **BUY**

Bloomberg	TAP US
Reuters	TAP.N
12-month High / Low (USD)	103.7 / 65.2
Market Cap (USDm)	21,647
Ev (BG Estimates) (USDm)	15,682
Avg. 6m daily volume (000)	1,890
3y EPS CAGR	16.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.0%	4.2%	10.1%	7.3%
Food & Bev.	-0.1%	4.6%	0.5%	0.1%
DJ Stoxx 600	1.0%	-1.7%	0.3%	-8.3%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	3,568	3,248	11,503	11,675
% change		*-9.0%*	*NM*	*1.5%*
EBITDA	651	659	2,569	2,714
EBIT	352.2	356.4	1,914	2,059
% change		*1.2%*	*NM*	*7.6%*
Net income	700.4	708.5	1,180	1,290
% change		*1.2%*	*66.5%*	*9.4%*

	2015	2016e	2017e	2018e
Operating margin	9.9	11.0	16.6	17.6
Net margin	19.6	21.8	10.3	11.1
ROE	9.9	7.2	10.9	10.8
ROCE	2.7	2.7	8.9	7.1
Gearing	38.3	-1.9	90.4	72.0

(USD)	2015	2016e	2017e	2018e
EPS	3.76	3.28	5.45	5.97
% change	*-*	*-12.8%*	*66.5%*	*9.4%*
P/E	26.8x	30.8x	18.5x	16.9x
FCF yield (%)	2.2%	3.4%	6.3%	7.1%
Dividends (USD)	1.64	1.80	1.98	2.18
Div yield (%)	1.6%	1.8%	2.0%	2.2%
EV/Sales	5.4x	4.8x	2.7x	2.6x
EV/EBITDA	29.5x	23.8x	12.3x	11.2x
EV/EBIT	54.6x	44.0x	16.5x	14.7x

Molson Coors second quarter results were in line with expectations. For the first half, the company's volumes are unchanged with net sales up 1.2% constant currency while underlying after-tax income was flat yoy. With AB InBev scheduled to acquire SABMiller on 11th October, we expect that Molson Coors will be able to fully integrate MillerCoors from mid October.

For the quarter, Molson Coors reported figures very much in line with expectations with worldwide beer volumes decreasing by 0.8%, net sales up 1.9% constant currency and (mainly due to significant advertising investments across all regions) underlying after-tax income down 9.2% to USD239.5m. For the first half, volumes were unchanged, net sales were up 1.2% constant currency and underlying after-tax income was flat yoy.

ANALYSIS

- In the second quarter of the year, MillerCoors (US subsidiary 42% owned) domestic sales-to-wholesalers volume (STWs) decreased 4.4% and the price/mix went up by 0.7%. Negative operating leverage from the decline in volumes more than offset the impact from cost savings programmes resulting in an underlying operating profit decline of 3.8%. However, with the domestic sales-to-retailers volume (STRs) declining only 1.7% the underlying trend is much better.
- In Canada, Molson Coors Canada sales volume decreased 0.8% in the second quarter (STRs decreased by only 0.1%). Net sales per hectolitre increased 1.2% in local currency, driven primarily by positive pricing. However because of significantly higher brand investments (and some input cost inflation, partially offset by the results of cost savings initiatives), underlying pre-tax income decreased 21.3% in the quarter.
- Europe sales volume increased 1.6%, driven by the addition of the Staropramen and Rekorderlig brands in the UK this year. Europe net sales per hectolitre increased 1.3% in local currency, on the back of a positive brand and geographic mix, partially offset by negative net pricing in the quarter. Europe underlying pre-tax income decreased 10.0% in the quarter, due higher brand investments and amortisation expenses, lower net pension benefit, the termination of the Heineken contract brewing arrangement in the UK, and unfavourable foreign currency movements, partially offset by higher sales volume and cost savings.
- The International underlying pre-tax loss improved due to volume growth in Latin America and Japan and a favourable sales mix, as well as lower price promotions and overhead expenses due to the substantial restructuring of our China business last year, which resulted in a $3.6 million price promotion expense a year ago. Foreign currency movements negatively impacted underlying pre-tax results by $0.3 million in the second quarter. Total International sales volume, decreased 9.3%, driven by the enactment of total alcohol prohibition in Bihar, India, the transfer of Staropramen in the UK to the Europe segment, along with the volume impact of the China restructuring.

VALUATION

- Our Fair Value of USD110 is based on a risk-free rate of 1.6%, a risk premium of 7% and a beta of 0.95
- At 18.5x 2017e EPS (i.e. after the full integration of MillerCoors), the stock is one of the cheapest brewers.

NEXT CATALYSTS

- Expected integration of MillerCoors from 11th October 2016 onwards

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Luxury & Consumer Goods

Salvatore Ferragamo

Price EUR20.57

H1 results slightly below expectations but encouraging July

Fair Value EUR23 (+12%) **BUY**

Bloomberg	SFER IM
Reuters	SFER MI
12-month High / Low (EUR)	30.3 / 17.5
Market Cap (EUR)	3,472
Ev (BG Estimates) (EUR)	3,465
Avg. 6m daily volume (000)	681.0
3y EPS CAGR	7.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	12.2%	1.1%	1.3%	-5.4%
Pers & H/H Gds	0.1%	3.3%	3.3%	2.0%
DJ Stoxx 600	1.0%	-1.7%	0.3%	-8.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,430	1,445	1,515	1,600
% change		*1.0%*	*4.8%*	*5.6%*
EBITDA	324	330	350	377
EBIT	264.7	273.0	295.0	322.0
% change		*3.1%*	*8.1%*	*9.2%*
Net income	172.6	178.0	194.0	216.0
% change		*3.1%*	*9.0%*	*11.3%*

	2015	2016e	2017e	2018e
Operating margin	18.5	18.9	19.5	20.1
Net margin	12.1	12.3	12.8	13.5
ROE	30.0	27.7	26.8	26.8
ROCE	26.2	24.3	24.3	24.8
Gearing	0.8	-1.1	-2.3	-3.6

(EUR)	2015	2016e	2017e	2018e
EPS	1.02	1.06	1.15	1.28
% change	-	*3.1%*	*9.0%*	*11.3%*
P/E	20.1x	19.5x	17.9x	16.0x
FCF yield (%)	3.0%	2.7%	3.0%	3.5%
Dividends (EUR)	0.47	0.53	0.60	0.68
Div yield (%)	2.3%	2.6%	2.9%	3.3%
EV/Sales	2.4x	2.4x	2.3x	2.2x
EV/EBITDA	10.7x	10.5x	9.9x	9.1x
EV/EBIT	13.1x	12.7x	11.7x	10.7x

SFER H1 2016 results were slightly below investor expectations. Sales (EUR710m) fell 3.1% organically (consensus: -2.7%), while EBITDA reached EUR166m (cs: EUR169m) almost stable vs H1 2015 implying a 60bp margin gain to 23.4%. We remain at Buy on SFER with an unchanged EUR23 Fair Value.

ANALYSIS

- **Yesterday, Salvatore Ferragamo reported H1 2016 results slightly below expectations. Sales declined 3.1% organically** (consensus:-2.7%), implying -3.7% in Q2 alone, following -2.3% in Q1. By geographical area, we would highlight the slight improvement in trends in **Europe** (27% of sales), despite a tough comparison basis (thanks to Italy), where revenues were down 3.1% in H1 of which -2.2% in Q2 alone. In **Asia-Pacific** (36% of sales), momentum even deteriorated with a 6% decline in Q2 vs -2% in Q1, despite a return to growth in Mainland China (11% of sales) particularly in retail but due to a still very challenging situation in Hong-Kong and Macau (10% of sales). Other Asian countries enjoyed a sales increase especially Korea. In **North America** (23% of sales), the situation did not improve in H1 with a 2.6% decline in revenues of which -1.6% in Q2. In US, momentum remained penalised by a subdued consumption environment (mainly in Department stores) and by lower tourist flows given the strength of the USD. In **Japan**, the very poor H1 performance (-5.2% of which -11% in Q2 alone) was penalised by the strength of the currency, implying far fewer Chinese tourists and by a tough comparison basis. **Nevertheless, note that group sales momentum was much better in July with an increase in retail sales**.

- **Retail sales (62% of sales) down 3.1% in H1 of which -2.2% for Q2 alone** after -4.2% in Q1. Same-store retail sales declined mid single digit in Q2 after around -8-9% in Q1. Wholesale sales momentum decelerated in Q2 with -5.6% (stable in Q1) due to the late delivery of new Men fragrance (positive impact to be felt in Q3), lower Travel Retail (less tourist flows in Europe) and management's cautiousness on deliveries to retailers particularly in the US to avoid some discounts. **Footwear revenues** (42% of sales) were slightly down (-0.8% in H1 of which -0.7% in Q2 alone) while **Leather Goods** sales declined much more significantly (-4%) during the period (partly explained by tough comps) while some other brands such as LV, Gucci and Hermès did better.

- **SFER was able to increase its profitability in H1 (+30bp to 19.1%) despite the poor sales performance**. H1 EBIT margin grew 30bp to 19.1% implying a slight decline (-20bp) in Q2 alone after +80bp in Q1. This positive HY performance was driven by gross margin which gained 120bp to 67% (but stable in Q2) thanks to **i/** a less negative hedging impact, **ii/** the lower weight of discount sales following classic products, which also helps to enhance brand positioning, **iii/** better production capacity efficiency and **iv/** a positive distribution mix (retail outperformed wholesale). Total OPEX remained unchanged (despite the higher weight as a % of sales of "sales & distribution costs") and accounted for 47.9% of sales versus 47% in H1 2015. However, the Q2 performance was much better than in Q1 with stability as a % of sales whereas in Q1 it was up 170bp.

Half year results

EURm	H1 15	H1 16	chge (%)
Sales	**722**	**710**	**-1.7**
Gross margin	475	475	0.0
as % of sales	*65.8*	*67.0*	*120bp*
EBIT	**135.6**	**135.5**	**0.0**
as % of sales	*18.8*	*19.1*	*30bp*

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

VALUATION

- The stock has gained 2% over the past 3m (+12% over the past month) vs 2% for our luxury goods sample. Its is trading at 12.7x on 2016 EV/EBIT implying a 4% premium vs average.

NEXT CATALYSTS

- Q3 results to be reported on 14th of November. *Click here to download*

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Healthcare

Shire PLC

Price 5,045p

Q2 2016 above expectations and increased 3-year cost synergies target... What else?

Fair Value 6900p vs. 6750p (+37%) **BUY-Top Picks**

Bloomberg	SHP LN
Reuters	SHP.L
12-month High / Low (p)	5,730 / 3,480
Market Cap (GBP)	45,415
Ev (BG Estimates) (GBP)	57,424
Avg. 6m daily volume (000)	2,661
3y EPS CAGR	16.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.0%	18.4%	29.9%	7.4%
Healthcare	1.1%	7.3%	3.8%	-3.9%
DJ Stoxx 600	1.0%	-1.7%	0.3%	-8.3%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	6,100	11,275	15,389	16,652
% change		*84.8%*	*36.5%*	*8.2%*
EBITDA	2,924	4,780	6,691	7,732
EBIT	2,785	4,483	6,229	7,149
% change		*61.0%*	*38.9%*	*14.8%*
Net income	2,310	3,383	4,546	5,541
% change		*46.5%*	*34.4%*	*21.9%*

	2015	2016e	2017e	2018e
Operating margin	45.7	39.8	40.5	42.9
Net margin	37.9	30.0	29.5	33.3
ROE	23.5	11.8	13.5	13.9
ROCE	16.3	5.9	7.8	9.3
Gearing	13.8	55.8	35.2	16.7

(USD)	2015	2016e	2017e	2018e
EPS	3.89	4.35	5.01	6.11
% change	-	*11.6%*	*15.3%*	*21.9%*
P/E	17.2x	15.4x	13.4x	11.0x
FCF yield (%)	5.6%	NM	7.1%	9.0%
Dividends (USD)	0.23	0.20	0.22	0.30
Div yield (%)	0.3%	0.3%	0.3%	0.4%
EV/Sales	10.1x	6.8x	4.7x	4.0x
EV/EBITDA	21.1x	16.0x	10.8x	8.7x
EV/EBIT	22.2x	17.1x	11.6x	9.4x

In a nutshell, yesterday's publication provided three very positive newsitems: 1) Q2 2016 diluted earning per ADS was way above expectations; 2) updated full year guidance was a bit higher than previous estimates... and we wonder if the company is not too cautious regarding its future gross margin; and 3) three-year operating cost synergy expectations were raised by c. 40% to "at least USD700m", thereby prompting us to raise our FV to GBp6,900.

ANALYSIS

- **Q2 2016 non-GAAP earnings per ADS grew by +29% to USD3.38m, and were way above expectations** (BG: 3.07 and consensus: 3.12) thanks to a much higher-than-anticipated product sales (+57% vs +49%e both BG and the consensus).... Knowing that **Shire ex-Baxalta's sales performance was stellar (+19% vs +12%e),** while BXLT's was broadly in line (USD559m vs BG: 547m – and which by the way grew by +12% on a pro-forma basis). Vyvanse (c.20% of sales) remained a strong contributor with 22% growth over the period (vs +21%e), but the outperformance was more due to the HAE franchise along with Lialda… for which we clearly under-estimated the capacity to grab new patients along with the impact of recent price increases.

Fig. 1: Q2 2016 results – Published vs BG & consensus estimates

(in USDm)	Q2 16	BG	BG vs published	Cons.	Cons. vs published
Product sales	2,322	2,201	-5%	2,195	-5%
% growth y-o-y	57%	49%	8 pts	49%	8 pts
- Vyvanse	518	512	-1%	498	-4%
- Firazyr	137	125	-8%	129	-6%
- Cinryze	173	160	-7%	162	-6%
- Lialda	194	175	-10%	172	-11%
- Baxalta (one month)	559	546	-2%	573	2%
Non GAAP net income	773	696	-10%	703	-9%
% growth y-o-y	48%	34%	14 pts	35%	13 pts
Non GAAP diluted earnings per ADS	3.38	3.07	-9%	3.12	-8%
% growth y-o-y	29%	17%	12 pts	19%	10 pts

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

- **Non-GAAP earnings per ADS are now expected to be in a range of 12.7-13.1**, which is slightly better than what we and the consensus anticipated before the publication. Still, **this new guidance might be quite conservative in our view**… Especially when it comes to the expected 77-79% gross margin for the whole year. Even assuming Shire stand-alone's COGS over sales increases to 16-18% (e.g. because of the launch of lifitegrast or some more significant changes in the product mix we haven't captured), this expectation would imply a ratio of roughly 40-42% for BXLT ex-Shire based on our estimates (which would be at the very high-end of BXLT's previous publications). Nevertheless, we stick to a 80% assumption pending further details…

Fig. 2: Shire's new FY 2016 guidance

Full year 2016	Non GAAP outlook	BG new est.
Total product sales	USD10.8-11.0Bn	USD11.3Bn
Gross margin	77%-79%	80%
Combined R&D and SG&A	USD4.1-4.4Bn	USD4.2Bn
Net interest / other	USD400-450m	USD413m
Effective tax rate	16%-18%	17%
Diluted earnings per ADS	USD12.70-13.10	13.05

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

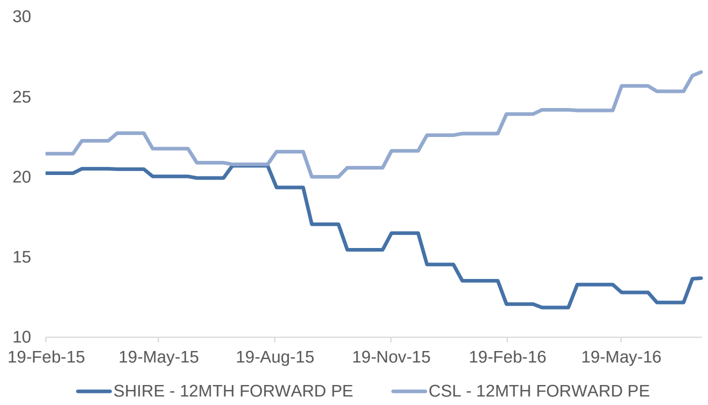
- Lastly, **three-year operating cost synergy are set to rise by c.40% to "at least USD700m" (vs BG: USD500m previously)**… which by the way 1/ is slightly above pre-publication consensus estimates (c. USD600-650m), and 2/ looks largely attainable in our view, especially since SHP's management expects to cut the overall SG&A line by USD350m, while BXLT's G&A expenses roughly amount to USD500m. Apart from that, we have the feeling that some savings could quickly extracted, especially regarding the R&D part.
- **The company has already completed a "major pipeline prioritisation"** and therefore decided to discontinue the development of eight programmes, of which BAX335, a gene therapy for the treatment of haemophilia B, as Shire's management was not satisfied with its efficacy profile

and would prefer to place the emphasis on a preclinical candidate. Note that this decision has no impact on our valuation as we (cautiously) did not include it in our estimates. Admittedly, the therapeutic option would be a complete breakthrough as it could virtually cure patients with the disease contrary to current therapies (i.e. plasma-derived and recombinant FVIII) and even more innovative ones (e.g. Roche's ACE910 and Alnylam's fitusiran)… However, we think there is still a long way to go as numerous issues need to be addressed: pre-existing/apparition of neutralising antibodies, delayed cellular immune response reducing FVIII expression, genotoxicity, risks of liver cancer following mutation of the genome, lack of sustainability of the effect, etc.

- **Surprisingly, the company has decided to keep BXLT's oncology assets (at least for now)**, though some of them do not target rare diseases (e.g. Onivyde). While this might not be a bad thing, we still see this franchise is far from matching that of major labs in the field. And given the speed with which rivals are developing their pipelines, we believe that some licensing deals will have to be made if they really want to be competitive.

VALUATION

- **We have lifted our FV from GBp6,750 to GBp6,900** notably after having taken into account higher than previously discounted cost synergies with Baxalta (USD700m vs USD500m).
- **Buy rating reiterated. We still believe that Shire displays a very attractive risk-reward** as 1/ we anticipate a +15% EPS CAGR over the 2015-2020 period; 2/ the stock is trading on a 30% discount vs European peers (and even 45-50% should we compare it to CSL limited…).



NEXT CATALYSTS

- 28th October: Q3 2016 results.
- 10th November: Investor day.

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Sector View

Pharmaceuticals

Express Scripts and CVS Caremark give a first idea about some drug coverage changes

	1 M	3 M	6 M	31/12/15
Healthcare	1.1%	7.3%	3.8%	-3.9%
DJ Stoxx 600	1.0%	-1.7%	0.3%	-8.3%

*Stoxx Sector Indices

Companies covered

ACTELION		**NEUTRAL**	**CHF180**
Last Price	CHF166,8	*Market Cap.*	CHF19,037m
ASTRAZENECA		**BUY**	**5400p**
Last Price	5002p	*Market Cap.*	*GBP63,265m*
BAYER		**NEUTRAL**	**U.R.**
Last Price	EUR94,2	*Market Cap.*	*EUR77,899m*
GLAXOSMITHKLINE		**BUY**	**1810p**
Last Price	1690p	*Market Cap.*	*GBP82,384m*
IPSEN		**BUY**	**EUR66**
Last Price	EUR59,07	*Market Cap.*	*EUR4,923m*
NOVARTIS		**NEUTRAL**	**CHF87**
Last Price	CHF79,65	*Market Cap.*	*CHF209,250*
NOVO NORDISK		**NEUTRAL**	**DKK400**
Last Price	DKK370,5	*Market Cap.*	*DKK745,655*
ROCHE HOLDING		**BUY**	**CHF293**
Last Price	CHF245,4	*Market Cap.*	*CHF172,409*
SANOFI		**NEUTRAL**	**EUR83**
Last Price	EUR73,91	*Market Cap.*	*EUR95,263m*
SHIRE PLC		**BUY**	**6900p vs**
Last Price	5045p	*Market Cap.*	*GBP45,415m*
UCB		**NEUTRAL**	**EUR80**
Last Price	EUR69,05	*Market Cap.*	*EUR13,431m*

Two of the largest US PBMs have issued their first preferred drug lists for 2017. They are still hunting for savings through higher rebates and cheaper alternatives. Basaglar looks like one solution.

ANALYSIS

- Two out of the three largest and best ranked US PBMs, namely Express Scripts and CVS Caremark, issued their first Preferred Drug Lists for 2017 and there are significant differences in their respective strategies towards big drug classes for the coming year.
- Before we compare, it is fair to say that maybe ES was already more restrictive than CVS in covering some drugs, hence the relatively limited number of changes implemented for 2017 when comparing with 2016.
- Actually, in the diabetes field, where both Victoza and Jardiance may have been expected to enter ES's preferred drug list in 2017 following positive data in outcome trials, it is not the case and comes as a disappointment for Novo-Nordisk and Lilly respectively. Novo's diabetes products, in the GLP1 class as well as in the insulin field, are still excluded medications from ES list.
- At first glance, Sanofi is not directly impacted by a change in the list as Lantus was already not a preferred brand but a short note nevertheless mentions that "the basal insulins category may be reassessed later this year to reflect anticipated product launches", which clearly reflects the upcoming launch of Basaglar (Lilly) in December. This will not affect Lantus but is an illustration that payers are willing to use this opportunity to use a cheaper drug in a popular category. On this same topic, CVS Caremark makes it clearer and says it wants to embrace the future with biosimilars and follow-on biologics, which includes Zarxio (replacing Neupogen) and Basaglar (replacing Lantus). As such, in this specific case, Sanofi is set to incur a material loss, even more so because Toujeo is removed too. This could illustrate a much more severe shift towards Basaglar than the one seen in Europe and the one that is so far expected by consensus. We have assumed a 30% decline for Lantus in the US for each of the coming two years but this could be conservative if the switches directed by payers are so massive. This puts even more pressure on LixiLan to be approved by the FDA in late August as the rescue product for Sanofi Diabetes without which it may prove difficult to be in the -4 to -8% guidance for 2017.
- It is also interesting to read in CVS Caremark's release that the company intends to save about USD9bn for its customers through a more rigorous approach to formularies which includes an indication-based strategy in some cases including categories like psoriasis.
- Lastly, still with CVS Caremark that has decided to exclude 35 drugs from January 2017, we note beyond drugs that now have generics, the presence of Tasigna (that goes alongside Gleevec now generic), Opsumit (to favour Letairis or in anticipation of Tracleer going generic) and Xtandi.
- At ES, we see no major new exclusion but noticeable inclusions for our European companies with Actemra in RA (however subject to reassessment when sarilumab will be launched) and Arnuity and Flovent in the field of asthma, both from GSK that is likely that have agreed some extra rebates.

VALUATION

- We are making no change to our numbers based on these new assumptions for 2017 PBM plans but Sanofi's Diabetes franchise clearly needs to be carefully watched for next year.

NEXT CATALYSTS

- 5th August 2016: Novo-Nordisk half-year results
- Late August: PDUFA date iGlarLixi (Sanofi/Zealand)

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Business Services

Eurofins Scientific

Price EUR374.80

Bloomberg	ERF FP
Reuters	EUFI.PA
12-month High / Low (EUR)	374.8 / 268.8
Market Cap (EUR)	5,995
Avg. 6m daily volume (000)	15.50

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.7%	16.0%	23.1%	16.5%
Inds Gds & Svs	3.1%	0.5%	8.0%	-0.8%
DJ Stoxx 600	1.0%	-1.7%	0.3%	-8.3%

	2015	2016e	2017e	2018e
P/E	42.7x	41.7x	35.5x	30.5x
Div yield (%)	0.4%	0.4%	0.5%	0.5%

Conference call feedback: Definitely a strong H1 but extrapolation would be excessive

Fair Value EUR340 (-9%) **SELL**

ANALYSIS

- **Solid operating performance:** Following the very strong H1 results released yesterday before market (in terms of growth and margin generation), Eurofins held a conference call with analysts. As a reminder, the group unveiled 11% lfl growth for H1 2016 (the highest growth generated organically since 2008) with revenues reaching EUR1,208m (vs. EUR842m in H1 2015) while improving adjusted EBITDA margins by 103 bp to 17.9% with adjusted EBITDA at EUR217m (vs. EUR142m in H1 2015) mainly thanks to more profitable acquisitions with companies generating profitability levels closer to Eurofins and start-ups, which breakeven sooner than expected.

- **What to expect for H2 2016:** During the conference call management warned several times that H1 growth should not be extrapolated to the second part of the year or coming years, and confirmed its FY guidance (5% lfl growth vs. BG ests 8% and consensus at 6.8%). Admittedly, after this strong H1 Eurofins target in terms of adjusted EBITDA margin (20% in 2020) has gained credibility, but we are sticking to our "Base case" scenario: 8% lfl growth in 2016 and 5% until 2020 with 19.1% EBITDA margin in 2020 and long-term assumptions based on 19.5% EBITDA margin taking into account the fact that acquisitions, as part of the group's strategy, will continue to weigh on margins. Our FV remains at EUR340. Please bear in mind that H2 2016 should be more difficult, especially in France, and should suffer from an unfavourable comparison base (+9% lfl growth in H2 2015).

VALUATION

- At the current share price, the stock is valued at 15.3x EV/EBITDA 2016e and 13.9x 2017e compared with CAGR EBIT 2015-2018 of 19.4%.

NEXT CATALYSTS

- Date to be scheduled around the end of September – European Investor Day (London)
- 2nd November 2016 – Q3 earnings
- 8 November 2016 – US Investor Day (Lancaster)

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TMT

SFR

Price EUR21.15

To offer generous conditions in a massive voluntary redundancy plan

Fair Value EUR28,7 (+36%) **NEUTRAL**

Bloomberg	SFR FP
Reuters	SFRGR.PA
12-month High / Low (EUR)	43.8 / 20.3
Market Cap (EURm)	9,269
Avg. 6m daily volume (000)	287.7

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.0%	-26.0%	-41.7%	-36.9%
Telecom	-1.0%	-5.4%	-11.2%	-13.4%
DJ Stoxx 600	2.3%	-0.5%	-0.5%	-7.1%

	2015	2016e	2017e	2018e
P/E	14.6x	23.2x	12.4x	9.2x
Div yield (%)	25.5%	NM	NM	NM

ANALYSIS

- Management yesterday confirmed its objective of **5,000 job cuts**, ie ~30% of the total internal workforce at SFR Group. Departures will be on a **voluntary basis**, and **spread between 2017 and 2019.** The proposed plan, which is **still in negotiations** with trade unions, is said to offer the same conditions as the one launched in 2013, i.e. **2.5 months of gross salary par year of seniority** in the firm.
- If the above conditions are confirmed, we believe the plan should be **widely subscribed to**. According to our estimates, run rate OPEX savings should exceed **EUR200m**, with a **payback of approximatively two years** of the departure allowances. **Several hundred million euros in provisions** should be accounted for in 2016 and 2017, with most cash payments in 2017 and 2018.
- In the medium term, we believe the plan should **help eliminate redundancy and streamline the organisation**, for more **cost and operational efficiency**. Nevertheless, we are questioning the **short term operational impact** of these announcements and reorganisations at a time when SFR needs to regain momentum and focus on commercial efficiency. We are also questioning whether such a massive plan is **compatible with the company's premium ambitions**, and we believe **incremental external workforce** and subcontracting as well as **investment in the simplification of information systems** and process might be necessary.

VALUATION

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

NEXT CATALYSTS

- H1 results on 9th August.

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Insurance

Euler Hermes

Price EUR73.24

Solid Q2 numbers, technical beta adjustments drive FV downwards

Fair Value EUR89 vs. EUR99 (+22%) **BUY**

Bloomberg	ELE FP
Reuters	ELER.PA
12-month High / Low (EUR)	95.6 / 70.3
Market Cap (EURm)	3,123
Avg. 6m daily volume (000)	21.30

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.1%	-12.5%	-5.8%	-17.3%
Insurance	-0.9%	-10.8%	-10.9%	-22.5%
DJ Stoxx 600	1.0%	-1.7%	0.3%	-8.3%

	2015	2016e	2017e	2018e
P/E	10.7x	10.0x	10.1x	9.4x
Div yield (%)	6.4%	6.4%	6.4%	6.8%

ANALYSIS

- In the current challenging macro environment, Euler Hermes continues to deliver solid quarterly numbers, far better than those of Coface. Action plans initiated in 2015 continue to deliver. Total group exposure was reduced for the fourth quarter in a row (down 4.5% since June 2015), especially on lower-quality risks, while new claims arrivals have started to decline.
- The Q2 net loss ratio was 52.6% vs. 53.9% in Q1 2016 and 58.8% in H2 2015, including an improved current-year net loss ratio at 60.6% vs. 61.5% in Q1 2016 and 67.8% in H2 2015. The cost ratio was up slightly, pushing the combined ratio 100bp above its Q1 level (80.3% vs. 79.3%) but way below the H2 2015 level (85.3%). Q2 underwriting result came in at EUR74m, down 5% qoq but up 36% vs. Q3/Q4 2015. Q2 net income was EUR69m (including EUR6m pre-tax restructuring charge).

VALUATION

- We have fine-tuned our 2016-2018 estimates with an average downward revision of 1%. We are sticking to our 2016e combined ratio of 79.5% (vs. 79.8% in H1 2016), pretty much in line with the company's guidance ("slightly below 80%").
- Underwriting profitability is set to improve on a yearly basis as of Q3 and gradually expand in 2017.
- Our Fair Value is adjusted to EUR89 to take into consideration the small changes made to our estimates and some beta adjustments (lower grades mainly for industry appeal and potential shareholder returns).
- The dividend yield is attractive and secure.

NEXT CATALYSTS

- Q3 2016 numbers on 8th November.

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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 56.4% NEUTRAL ratings 32.9% SELL ratings 10.7%

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