Please find our Research on Bloomberg BRYG <GO>)

5th August 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18352.05	-0.02%	+5.32%
S&P 500	2164.25	+0.02%	+5.89%
Nasdaq	5166.25	+0.13%	+3.17%
Nikkei	16254.45	-0.00%	-14.60%
Stoxx 600	337.84	+0.67%	-7.65%
CAC 40	4345.63	+0.57%	-6.28%
Oil /Gold			
Crude WTI	41.93	+2.69%	+12.72%
Gold (once)	1363.4	+0.45%	+28.33%
Currencies/Rates			
EUR/USD	1.11385	-0.31%	+2.54%
EUR/CHF	1.0842	-0.12%	-0.29%
German 10 years	-0.158	+62.46%	-124.84%
French 10 years	0.128	-34.80%	-86.99%

Economic releases :

Date	
5th-Aug	JP - leading Index Jun (98.4A, 99.7E) JP - Coincident Index (110.5A 111.3E) DE - Factory Orders (-3.1%A -1.5% E) US - Unemployment rate Jul. (4.8%E) US - Baker Huges Rig count

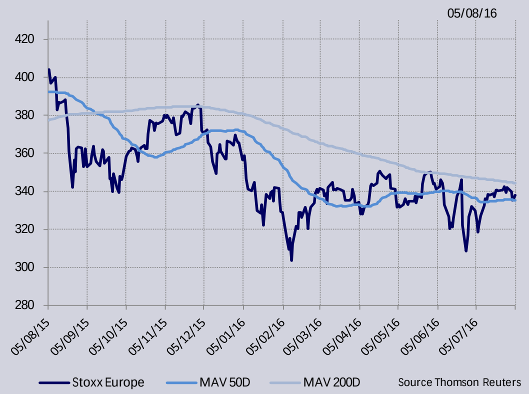
Upcoming BG events :

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



ADIDAS GROUP — NEUTRAL vs. BUY, Fair Value EUR136 vs. EUR124 (-6%)

All lights are green, except for our upside potential...

Whilst many consumer stocks are affected by a more challenging macro environment, ADS enjoyed impressive top-line and earnings momentum in H2. It is clearly not over according to management, who expressed confidence throughout the conference call yesterday. Following the definitive H1 results and the upgraded FY guidance, we have raised our estimates by 12% for 2016, leading to our new FV of EUR136 vs. EUR124. We believe that investors have mostly anticipated this amazing outlook in light of the breathtaking rally (+61.3% ytd, +69% vs. the DAX30 index!), but we see reduced upside potential at this stage. Hence our Neutral recommendation vs. Buy previously.

BIC — NEUTRAL, Fair Value EUR123 vs. EUR119 (-9%)

Reassuring H2 outlook, but fairly priced in

Although the NIFO margin topped expectations in Q2 (21.4% vs. CS of 19.3%), mainly driven by more favourable production costs, the Group's management maintained its cautious NIFO margin guidance given higher brand support and R&D expenses to sustain market share gains in all categories. We nudge up our FY16-17 estimates by 1% on average, leading to our new FV of EUR123 vs. EUR119, but we confirm our Neutral recommendation due to the stretched valuation.

BEIERSDORF — NEUTRAL, Fair Value EUR80 (-2%)

Uncertainties remain despite H1 almost in line!

H1 Beiersdorf results are in line with market expectations despite some slowdown in Q2 for Consumer and low quality in the P&L (hence yesterday's 3.5% share price decline). Management has reiterated its FY 2016 guidance for 3-4% organic sales growth with a "slight" EBIT margin improvement. We keep our Neutral recommendation with an unchanged EUR80 FV.

GRANDVISION — BUY, Fair Value EUR28 (+20%)

Q2 results slightly above expectations

This morning, GrandVision unveiled Q2 sales of EUR867m, a touch above CS forecast (EUR858m), with a comparable growth of 3.6% (CS: +2.3%) that accelerated vs. Q1 (+0.9%). The adj. EBITDA reached EUR150m (CS: EUR143m), implying a 80bp-margin improvement to 17.3% (CS: 16.7%). Conference call today at 9.00am CET. Buy recommendation and FV of EUR28 confirmed.

HUGO BOSS — NEUTRAL, Fair Value EUR77 (+45%)

Q2 results topped expectations, but FY guidance revised down slightly

In Q2 alone, sales reached EUR622m (CS: EUR612m), down 4% as reported and 1% FX-n (CS: -3%) after -3% FX-n in Q1, with a nice rebound in Europe (+7% vs. -1% in Q1). The adj. EBITDA dropped by 13% to EUR108m ahead of CS forecast (EUR87m), representing a 180bp-margin decline to 17.3% (Q1: -520bp). Given the lingering sluggish market conditions, Hugo Boss is revising down its FY16 targets but looking at the CS expectations for 2016, these downwards revisions were mostly anticipated by the market. Conference call today at 1:00pm (CET).

LAFARGEHOLCIM — BUY, Fair Value CHF50 (+9%)

Strong upturn of EBITDA margin in Q2

Revenues declined in Q2 (-2.1% l-f-l), but adjusted EBITDA stands at CHF1,705m (6% above consensus of CHF1,608m). This is a strong upturn: the EBITDA margin stands at 23.4% up 210 bps y/y after a difficult Q1 (EBITDA mg down -275bps), through a combination of cost control and a price sequential growth increase in Q2 (+2.2%). Guidance unchanged based on slightly less positive market assumptions. CHF3.5bn divestment program exceeded (and extended to CHF5bn in 2017).

NOVO NORDISK — NEUTRAL, Fair Value DKK400 (+9%)

Revised guidance reflects rising price pressure and stiffer competition

When was last time Novo-Nordisk revised both sales and operating income growth downwards? This is what the group is doing today for 2016 or, more precisely, it is narrowing the expected range closer to the lower end part in both cases. Sales are now expected to grow 5-7% (vs 5-9%) and EBIT 5-8% (vs 5-9%). With currencies having negative impacts respectively by 2 and 3pp on sales and EBIT, they should achieve levels that are now below consensus estimates for sales and in-line for EBIT. The group is globally giving a sense of increased price pressure and fierce competition. We keep our NEUTRAL rating on the stock.

In brief...

ALLIANZ, *Tricky Q2, but FY guidance still valid*

Luxury & Consumer Goods

adidas Group

Price EUR145.00

All lights are green, except for our upside potential...

Fair Value EUR136 vs. EUR124 (-6%) **NEUTRAL vs. BUY**

Bloomberg	ADS GY
Reuters	ADSG.F
12-month High / Low (EUR)	148.8 / 63.7
Market Cap (EURm)	30,336
Ev (BG Estimates) (EURm)	31,211
Avg. 6m daily volume (000)	874.0
3y EPS CAGR	24.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	13.8%	28.9%	56.1%	61.3%
Consumer Gds	1.6%	4.6%	4.8%	-2.0%
DJ Stoxx 600	2.4%	1.8%	2.8%	-7.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	16,915	19,168	20,504	22,051
% change		*13.3%*	*7.0%*	*7.5%*
EBITDA	1,442	1,854	2,188	2,441
Rep. EBIT	1,059	1,413	1,696	1,912
% change		*33.4%*	*20.0%*	*12.7%*
Net income	630.0	966.3	1,166	1,321
% change		*53.4%*	*20.7%*	*13.2%*

	2015	2016e	2017e	2018e
Rep. EBIT margin	6.3	7.4	8.3	8.7
Net margin	3.7	5.0	5.7	6.0
ROE	11.1	16.9	18.0	18.0
ROCE	10.0	13.1	15.4	16.7
Gearing	8.1	15.4	5.7	-2.7

(EUR)	2015	2016e	2017e	2018e
EPS	3.32	4.74	5.69	6.44
% change	-	*42.7%*	*20.1%*	*13.2%*
P/E	43.7x	30.6x	25.5x	22.5x
FCF yield (%)	2.0%	1.7%	2.9%	3.3%
Dividends (EUR)	1.60	1.85	2.15	2.40
Div yield (%)	1.1%	1.3%	1.5%	1.7%
EV/Sales	1.8x	1.6x	1.5x	1.4x
EV/EBITDA	21.4x	16.8x	14.0x	12.3x
EV/EBIT	29.1x	22.1x	18.1x	15.8x

Whilst many consumer stocks are affected by a more challenging macro environment, ADS enjoyed impressive top-line and earnings momentum in H2. It is clearly not over according to management, who expressed confidence throughout the conference call yesterday. Following the definitive H1 results and the upgraded FY guidance, we have raised our estimates by 12% for 2016, leading to our new FV of EUR136 vs. EUR124. We believe that investors have mostly anticipated this amazing outlook in light of the breathtaking rally (+61.3% ytd, +69% vs. the DAX30 index!), but we see reduced upside potential at this stage. Hence our Neutral recommendation vs. Buy previously.

ANALYSIS

- **Robust operating performance in North America over H1.** Having been of the sources of the group's turmoil in 2014, this region is now at the forefront of ADS' successful turnaround: sales soared 24% in H1 (+32% for **ADS brand**) with a balanced performance between Lifestyle and Performance, such as Running which grew by 60% in Q2! In this category, the brand is simultaneously pushing the high end of the footwear market (e.g. *Ultra Boost Uncaged* sold at USD180) and the mid-tier segment with the new AlphaBOUNCE franchise (retail price: USD100), which has already sold-out. As for **RBK** (-8% FX-n), the rationalization of the distribution network is almost complete and a return to growth is expected as early as H2 16. This solid top-line development and the favourable product/price-mix had a positive impact on the region's profitability (GM: +160bp to 38.2% and EBIT margin: +560bp to 6.2%)

- **Originals or how to sustain the MT growth (+50% FX-n in Q2).** Indeed in order to avoid any risk of over-distribution and brand dilution, Originals carefully manages its portfolio of six footwear franchises (*Stan Smith*, *Superstar*, *ZX Flux*, *Tubular*, *NMD* and *Yeezy Boost*) and monitors the volumes introduced into the market. The objective is also to maintain balanced growth. As an example, *NMD* and *Yeezy Boost* were the best-performing franchises in Q2 16, whilst the *Superstar* franchise led the pack in Q2 15. Growth in H2 will be partly fuelled by the relaunch of the iconic *Gazelle* model and the openings of Yeezy stores to better showcase this brand.

- **TMaG: signs of improvement ahead of the sale.** While the sale process of TM, Adams Golf and Ashworth is underway, the 7% FX-n recorded in Q2 was clearly driven by TM (+24% FX-n), whose GM has significantly improved in Q2 (Other businesses' GM was up 860bp). Management has confirmed it had received several expressions of interest although the environment surrounding this sport remains fragile, as highlighted by Nike's decision to also exit the golf equipment business (i.e. clubs, balls, bags) while remaining in footwear and apparel (as a reminder, ADS will keep its adidas-Golf brand).

- **Third sales and earnings guidance upgrade this year.** Besides the sales target upgrade in February ("double-digit growth vs. "high single digit"), the Group has increased its sales and earnings guidance three times in a row, as highlighted in the table below. ADS now expects top line growth in the high teens and considering the above-mentioned margin tailwinds, ADS is targeting a 35-39% increase in net income from continuing operations to EUR975-1,000m.

Main FY16 guidance:

	March '16	April '16	May '16	July '16
Sales FX-n growth	+10-12%	"Around 15%"	"Around 15%"	"High teens"
Operating margin	6.5%	6.6-7%	"Around 7%"	"Up to 7.5%"
Net income ***** growth	+10-12%	+15-18%	"Around +25%"	+35-39%

** Net income from continuing operations* *Source: Company Data*

- **We increase our FY16 assumptions by 12%.** We now expect a FX-n sales growth of 18% (vs. 15% previously), which implies a 15% FX-n increase over H2, but note that the comparison base will be higher (+12% in H2 15 vs. +7% in H1 15). We have also increased our EBIT margin assumption (7.4% vs. 7.1%) to reflect the one-off gain (early termination of the Chelsea contract: ~EUR70m) and the group's capacity to almost entirely offset the FX headwind (~400bp in Q2, higher impact expected in H2) and achieve positive operating leverage.

(continued next page)

VALUATION

- Our new FV of EUR136 vs. EUR124 reflects our higher FY16 assumptions. Despite this significant upwards revision, we must downgrade our recommendation to Neutral vs. Buy as we have a downside potential of 6%.
- **Why this downgrade when the momentum is so strong?** Note that the share price has soared 61% ytd after +56% in 2015. We see three main reasons this explain this amazing rally: **(i)** the German Group has achieved an abrupt and successful turnaround over the past 18 months, **(ii)** the share price has certainly benefited from a "fly-to-quality" move, as some many stocks within our consumer sample were affected by subdued organic growth rates and weak operating performances and **(iii)** the market might have already anticipated an ambitious margin expansion over 2017-2020.
- Indeed, *ceteris paribus*, **the current share price would require us to retain a margin improvement of 450bp vs. 2015 to 11% in 2020 (vs. our current assumption of 9%), this level becoming our new normative margin level as of 2020 (vs. our current normative EBIT margin of 10% from 2022).**
- Mr Kasper Rorsted (who takes the helm of ADS on 1st October) and the Executive Team may revise up the 2020 targets next year, but at this stage we feel comfortable with our current EBIT margin forecasts: +250bps vs. 2015 to 9%e in 2020, a level the Group has not reached since 2008 (9.9%).

Table 1: adidas Group quarterly FX-neutral growth:

% change	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16
Western Europe	11	12	18	30	25	29
North America	7	0	3	8	22	26
Greater China	21	19	15	16	30	30
Russia/CIS	-3	-14	-7	-16	2	7
Latin America	6	9	20	12	19	8
Japan	6	-6	6	-4	44	21
MEAA	10	16	13	17	17	14
Total	**9**	**5**	**13**	**12**	**22**	**21**

Source: Company Data

Table 2: quarterly FX-neutral growth for the adidas Group's three main brands:

% change	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16
adidas	11	10	14	16	26	25
Reebok	9	6	3	5	6	7
Other businesses	-1	-14	10	-3	6	6
o/w TaylorMade-adidas Golf	*-9*	*-26*	*7*	*-15*	*-1*	*7*

Source: Company Data

NEXT CATALYSTS

- adidas Group will report its Q3 16 Results on 3th November 2016.

Click here to download

Analyst:
Cédric Rossi
33(0) 1 70 36 57 25
crossi@bryangarnier.com

Consumer Analyst Team:
Nikolaas Faes
Loïc Morvan
Antoine Parison
Virginie Roumage

Luxury & Consumer Goods

BIC

Price EUR135.45

Reassuring H2 outlook, but fairly priced in

Fair Value EUR123 vs. EUR119 (-9%) **NEUTRAL**

Bloomberg	BB FP
Reuters	BICP.PA
12-month High / Low (EUR)	159.3 / 114.4
Market Cap (EUR)	6,493
Ev (BG Estimates) (EUR)	6,128
Avg. 6m daily volume (000)	69.40
3y EPS CAGR	1.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.4%	9.0%	-6.6%	-10.7%
Consumer Gds	1.6%	4.6%	4.8%	-2.0%
DJ Stoxx 600	2.4%	1.8%	2.8%	-7.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2,242	2,300	2,414	2,523
% change		*2.6%*	*5.0%*	*4.5%*
NIFO	432	425	451	477
IFO	439.9	420.8	446.2	472.9
% change		*-4.3%*	*6.1%*	*6.0%*
Net income	325.1	300.7	320.0	340.1
% change		*-7.5%*	*6.4%*	*6.3%*

	2015	2016e	2017e	2018e
IFO margin	19.6	18.3	18.5	18.7
Net margin	14.5	13.1	13.3	13.5
ROE	17.3	15.4	14.5	13.6
ROCE	18.4	15.5	14.7	14.1
Gearing	-24.2	-18.5	-18.4	-19.1

(EUR)	2015	2016e	2017e	2018e
EPS	6.79	6.28	6.68	7.10
% change	-	*-7.5%*	*6.4%*	*6.3%*
P/E	20.0x	21.6x	20.3x	19.1x
FCF yield (%)	5.2%	3.5%	3.8%	4.3%
Dividends (EUR)	5.90	3.50	3.70	3.95
Div yield (%)	4.4%	2.6%	2.7%	2.9%
EV/Sales	2.7x	2.7x	2.5x	2.4x
EV/EBITDA	14.0x	14.4x	13.5x	12.6x
EV/EBIT	13.7x	14.6x	13.6x	12.7x

Although the NIFO margin topped expectations in Q2 (21.4% vs. CS of 19.3%), mainly driven by more favourable production costs, the Group's management maintained its cautious NIFO margin guidance given higher brand support and R&D expenses to sustain market share gains in all categories. We nudge up our FY16-17 estimates by 1% on average, leading to our new FV of EUR123 vs. EUR119, but we confirm our Neutral recommendation due to the stretched valuation.

ANALYSIS

- **Consumer Business: robust Europe, but soft North America.** The activity in the latter grew by 4.1% in Q1 and 3.4% in Q2 vs. (+10.1% and 9.8% respectively for Europe). While the difficult retail environment might be an initial explanation of this softness, we recall that the comparison bases in H1 for **Lighters** (HSD growth ahead of price hikes) and **Shavers** (DD growth) were quite challenging, which explains why the revenue in these two categories only increased LSD and MSD respectively. BIC must also deal with a tough US shavers market (H1: -4.3% in value terms), but the brand increased its market share (+2.2p in value share to 29% with regards to the one-piece shaver category), helped by incremental brand support and promotions (Shavers' NIFO margin was down 680bp to 13.4 excl. the impact of the special employee bonus).
- **BIC does not feel threatened by the ramp up in the online shaving business.** Over the past years, BIC has continuously gained market share vs. Gillette and Schick thanks to its notorious "value-for-money" image, even in value-added products (*BIC Soleil*, *Hybrid* range, etc.) which benefitted from trading-down. However, last month Unilever acquired fast-growing US online player Dollar Shave Club (for an estimated price of USD1bn => 2016e EV/sales of ~5x) which offers cheap razor blades that are directly shipped to consumers for a monthly fee. Whilst the management admits that competition is stiffer (=> higher brand support), it does not believe that online players could have a disruptive impact on the "traditional" business in the ST/MT.
- **BIC Graphic: operating improvements while the strategic review is underway.** Indeed this division has achieved its best H1 performance with 2.3% FX-n growth and despite its seasonality (H2: >60% of FY sales), BIC Graphic returned to profitability in Q2 (NIFO margin of 2.5% vs. -3% in Q2 15) thanks to a lower costs of production and a decrease in opex costs. Management confirmed that the strategic review was progressing according to plan.
- **FY16 outlook confirmed.** BIC still expects **mid-single-digit organic sales growth**, which implies market share gains in all categories and all markets. Our assumption for 2016 is at 5.4%, hence the same pace of growth as in H1 (+5.4%); note that the comparison base in H2 is consistent with H1. Despite a better-than-expected margin performance in Q2 (21.4% vs. CS of 19.3%e), **BIC maintains its relatively cautious NIFO margin guidance (i.e. -100 to -150bp vs. 19.3% in 2015)** to reflect the ramp up in R&D investments and brand support, aimed at strengthening market share (particularly in Stationery and Shavers). <u>We nudge up our NIFO margin forecast (18.5% vs. 18.3% previously => -80bp vs. 2015)</u> to reflect the sequential improvement in Q2.

VALUATION

- The positive market reaction yesterday was explained by the positive surprise at the NIFO margin level. Even if some consider that the FY outlook is cautious, the stock might attract investors willing to play its good fundamentals and a proven-business model within the challenging macro environment. Despite a slight increase in our FV to EUR123, we remain capped by the high valuation (13.6x 2017e EV/EBIT => 43% premium to 2004-16 historical average).

NEXT CATALYSTS

- Conference call today at 4:00pm (CET) // Q3 16 Results on 26th October 2016.

Click here to download

Analyst :
Cédric Rossi
33(0) 1 70 36 57 25
crossi@bryangarnier.com

Consumer Analyst Team:
Nikolaas Faes
Loïc Morvan
Antoine Parison
Virginie Roumage

Luxury & Consumer Goods

Beiersdorf

Price EUR81.92

Uncertainties remain despite H1 almost in line!

Fair Value EUR80 (-2%) **NEUTRAL**

Bloomberg	BEI GY
Reuters	BEIG.DE
12-month High / Low (EUR)	90.0 / 71.1
Market Cap (EURm)	18,579
Ev (BG Estimates) (EURm)	16,830
Avg. 6m daily volume (000)	0.80
3y EPS CAGR	5.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.3%	3.9%	-0.5%	-3.3%
Pers & H/H Gds	0.3%	4.5%	5.5%	1.6%
DJ Stoxx 600	2.4%	1.8%	2.8%	-7.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	6,686	6,715	7,020	7,350
% change		*0.4%*	*4.5%*	*4.7%*
EBITDA	1,132	1,164	1,235	1,328
EBIT	962.0	995.0	1,060	1,145
% change		*3.4%*	*6.5%*	*8.0%*
Net income	659.0	679.0	728.0	777.0
% change		*3.0%*	*7.2%*	*6.7%*

	2015	2016e	2017e	2018e
Operating margin	14.4	14.8	15.1	15.6
Net margin	9.9	10.1	10.4	10.6
ROE	16.7	15.8	15.4	15.0
ROCE	26.9	26.0	25.8	25.9
Gearing	-49.1	-38.7	-39.5	-40.6

(EUR)	2015	2016e	2017e	2018e
EPS	2.91	2.99	3.21	3.41
% change	-	*3.0%*	*7.1%*	*6.3%*
P/E	28.2x	27.4x	25.5x	24.0x
FCF yield (%)	1.8%	2.1%	2.3%	2.6%
Dividends (EUR)	0.70	0.75	0.75	0.75
Div yield (%)	0.9%	0.9%	0.9%	0.9%
EV/Sales	2.5x	2.5x	2.4x	2.2x
EV/EBITDA	15.0x	14.5x	13.4x	12.3x
EV/EBIT	17.7x	16.9x	15.7x	14.3x

H1 Beiersdorf results are in line with market expectations despite some slowdown in Q2 for Consumer and low quality in the P&L (hence yesterday's 3.5% share price decline). Management has reiterated its FY 2016 guidance for 3-4% organic sales growth with a "slight" EBIT margin improvement. We keep our Neutral recommendation with an unchanged EUR80 FV.

ANALYSIS

- **In H1, sales came at EUR3.36bn, up 2.8% organically, implying +3.3% in Q2 alone** following +2.4% in Q1. The Q2 acceleration was driven by Tesa (+3.8% in Q2 vs -3.2% in Q1) while the Consumer division slowed during the last quarter (+3% vs +3.6% in Q1). **Nivea** sales remained buoyant in H1 with 4.2% growth (no slowdown in Q2), but **La Prairie** did particularly well (+6.2% in H1 vs +6.9% in Q1). At this point, we recall L'Oréal's 4% organic sales increase in Q2 in the consumer Products division which seems to us the most comparable figure. The higher increase for the French group is, in our view, partly attributable to a more diversified portfolio and especially to make-up which accounts for more than 20% of L'Oréal's sales and enjoyed double-digit growth.
- **This move is due to Europe, with sales up no more than 1.5% in Q2 after +3.2% in Q1** and particularly in Western Europe (respectively +0.7% and +2%). This poor Q2 performance in WE is due to negative weather conditions (which hit sun products), price wars at retailers notably in France and globally poor macro conditions aggravated by terrorists attacks. Even if East European sales remained dynamic in Q2 (+5.4%), they nevertheless slowed vs Q1 (+8.5% due to Russia market, despite market share gains). In **Americas**, revenues increased 1.5% in H1 of which +4.4% in Q2 thanks to a rebound in Latin America (+6.2%). L'Oréal also registered an acceleration there during this last quarter. Lastly, in Asia, sales grew 6.3% in H1 despite a slight slowdown in Q2.
- **H1 EBIT reached EUR513m, implying a 15.3% EBIT margin (+40bp).** Profitability improvement comes from Consumer division with a 70bp gain to 15.2% while Tesa margin declined 110bp to 15.9%, consequence of sales stability and a very challenging environment in China for electronics. It is worth noting also that Group H1 Gross margin declined 30bp to 59.1% (despite lower input costs), but mainly due to negative forex impact (despite some hedging) while the weight of marketing & selling expenses fell 40bp to 36.2% of sales. Such investments have been adapted to a less dynamic environment, but shares of voice were up over the half-year.
- Beyond H1 results, during yesterday's call**, the German group's management reiterated its FY 2016 guidance** and does not expect major market trend in H2. Group and Consumer sales should grow by 3 to 4% (consensus is at 3.1%) and EBIT margin is expected to improve "slightly". Consensus and ourselves anticipate an EBIT margin at 14.8% (+40bp vs 2015).

VALUATION

- **BDF share price has been down 5% YTD vs +10% for L'Oréal**. We maintain our Neutral recommendation with a EUR80 FV. We still favour L'Oréal given its more diversified brand portfolio involved in many segments (skin care but also make-p, perfumes, hair colour…) and in many distribution networks (mass, prestige, hair salon…) and not mostly only on skin care (body and face) and on mass market as it is the case of Beiersdorf.

NEXT CATALYSTS

- Q3 sales to be reported

Click here to download

Analyst :
Loïc Morvan
33(0) 1 70 36 57 24
lmorvan@bryangarnier.com

Sector Team :
Nikolaas Faes
Antoine Parison
Cédric Rossi
Virginie Roumage

Luxury & Consumer Goods

Grandvision

Price EUR23.42

Q2 results slightly above expectations

Fair Value EUR28 (+20%) **BUY**

Bloomberg	GVNV NA
Reuters	GVNV AS
12-month High / Low (EUR)	27.7 / 21.9
Market Cap (EURm)	5,959
Ev (BG Estimates) (EURm)	6,716
Avg. 6m daily volume (000)	91.70
3y EPS CAGR	10.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.8%	0.1%	-10.8%	-15.3%
Consumer Gds	1.6%	4.6%	4.8%	-2.0%
DJ Stoxx 600	2.4%	1.8%	2.8%	-7.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	3,205	3,444	3,605	3,775
% change		*7.5%*	*4.7%*	*4.7%*
EBITDA	512	557	599	641
EBIT	353.2	387.8	422.3	456.0
% change		*9.8%*	*8.9%*	*8.0%*
Net income	212.7	237.3	263.1	288.5
% change		*11.5%*	*10.9%*	*9.7%*

	2015	2016e	2017e	2018e
Operating margin	11.0	11.3	11.7	12.1
Net margin	6.6	6.9	7.3	7.6
ROE	27.3	24.6	23.6	22.6
ROCE	18.7	20.3	22.0	24.0
Gearing	112.9	74.4	52.0	32.4

(EUR)	2015	2016e	2017e	2018e
EPS	0.85	0.93	1.03	1.13
% change	-	*9.6%*	*10.9%*	*9.7%*
P/E	27.5x	25.1x	22.7x	20.7x
FCF yield (%)	3.9%	4.5%	4.9%	5.6%
Dividends (EUR)	0.14	0.35	0.39	0.45
Div yield (%)	0.6%	1.5%	1.7%	1.9%
EV/Sales	2.2x	1.9x	1.8x	1.7x
EV/EBITDA	13.5x	12.1x	11.0x	10.0x
EV/EBIT	19.5x	17.3x	15.6x	14.0x

This morning, GrandVision unveiled Q2 sales of EUR867m, a touch above CS forecast (EUR858m), with a comparable growth of 3.6% (CS: +2.3%) that accelerated vs. Q1 (+0.9%). The adj. EBITDA reached EUR150m (CS: EUR143m), implying a 80bp-margin improvement to 17.3% (CS: 16.7%). Conference call today at 9.00am CET. Buy recommendation and FV of EUR28 confirmed.

ANALYSIS

- **Q2 revenue increased 4.8% to EUR867m (+8.4% FX-n). Comparable growth** accelerated to 3.6% vs. 0.9% in Q1, driven by Western Europe (=G4) and the emerging markets, especially Russia which returned to growth in Q2. As such, **organic growth** reflected the same trend with +5.3% vs. +1.7% in Q1, whilst the **perimeter impact** amounted to 3.2% (Q1: +3.2%) given the consolidation of US chain *For Eyes*.

- **Adj. EBITDA came in at EUR150m (+9.8% and +10.7% in organic terms) vs. CS of EUR143m.** The margin improved 80bp to 17.3% (CS: 16.7%e) since the weight of own brand frames increased in the sales mix, but also thanks to efficiency gains. These tailwinds were partly dented by another dilutive impact from *For Eyes*. It is worth noting that in H1 GrandVision registered non-recurring charges of EUR6m related to integration costs (*Randazzo* chain in Italy) and adjustments of inventory and insurance income.

GrandVision Q2 and H1 15 results:

EURm	Q2 16	H1 16
Net sales	**867**	**1,670**
Reported growth (%)	*4.8*	*3.7*
Comparable growth (%)	*4.8*	*2.3*
Adj. EBITDA *	**150**	**272**
Adj. EBITDA margin (%)	17.3 (+80bp)	16.3 (+20bp)

** After "Other reconciling items"* *Source: Company Data*

- By region: sales in the **G4** segment were up 2.5% to EUR519m. Organic growth of 4.1% was notably driven by comparable growth of 3.2%, representing a sharp acceleration vs. Q1 (+0.3%). As for the **adj. EBITDA** margin, it expanded 180bp to 23% thanks a higher share of prescription glasses and brand frames in the sales mix, as well as efficiency gains.

EURm – G4	Q2 16	H1 16
Net sales	**519**	**1,013**
Reported growth (%)	*2.5*	*1.6*
Comparable growth (%)	*3.2*	*1.8*
Adj. EBITDA	**119**	**220**
Adj. EBITDA margin (%)	23.0 (+180bp)	21.7 (+80bp)

Source: Company Data

- Revenue in the **Other Europe** segment amounted to EUR234m, up 2.6% reported and 3.2% in organic terms, while comparable growth returned to positive territory with 2.1% following a 0.5% decline in Q1, thanks to good momentum in Eastern Europe as well as Northern Europe which benefited from additional selling days (this region was soft in Q1). The **adj. EBITDA** margin remained stable this quarter to 14.9%.

EURm – Other Europe	Q2 16	H1 16
Net sales	**234**	**442**
Reported growth (%)	*2.6*	*1.3*
Comparable growth (%)	*2.1*	*0.8*
Adj. EBITDA	**35**	**61**
Adj. EBITDA margin (%)	14.9 (=)	13.9 (+10bp)

Source: Company Data

(continued next page)

- Sales in **Americas & Asia** increased 22.8% to EUR113m, including comparable growth of 9.7% (Q1: +8.5%). Momentum remained strong in Mexico and Brazil but, as stated earlier, Russia rebounded to mid-single-digit, same-store growth vs. A mid single digit decline the previous quarters. The adj. EBITDA did not change at 5%, but this is only due to the dilutive impact from

Return to front page

the integration of *For Eyes*, as profitability would have been 150bp excluding M&A over the H1.

EURm – Americas & Asia	Q2 16	H1 16
Net sales	**113**	**215**
Reported growth (%)	*22.8*	*21.1*
Comparable growth (%)	*9.7*	*9.2*
Adj. EBITDA	**6**	**9**
Adj. EBITDA margin (%)	5.0 (=)	4.2 (+50bp)

Source: Company Data

- **Improving Financial Position.** Although FCF was lower in H1 (EUR92 vs. EUR124m the prior year) due to the implementation of the ERP system (= impact on WC levels) and a negative phasing effect on tax payments, the Group lowered its net debt to EUR911m vs. EUR941m in H1 15, hence a leverage ratio of 1.7x vs. 1.8x the prior year.

VALUATION

- Following these reassuring Q2 results that mark an improvement vs. the first quarter, we expect a positive market reaction this morning. At 15.6x 2017e EV/EBIT, the stock trades at 21% discount vs. Fielmann, its most direct peer within the Optical & Eyewear sector. Buy recommendation and FV of EUR28 confirmed.

NEXT CATALYSTS

- Conference call today at 9.00am (Paris time) // Q3 16 Trading Update on 27th October.

Click here to download

Analyst:
Cédric Rossi
33(0) 1 70 36 57 25
crossi@bryangarnier.com

Consumer Analyst Team:
Nikolaas Faes
Loïc Morvan
Antoine Parison
Virginie Roumage

Luxury & Consumer Goods

Hugo Boss

Price EUR53.14

Bloomberg	BOSS GR
Reuters	BOSG_p.DE
12-month High / Low (EUR)	113.8 / 46.4
Market Cap (EURm)	3,741
Ev (BG Estimates) (EURm)	3,824
Avg. 6m daily volume (000)	459.0
3y EPS CAGR	-5.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.8%	-7.8%	-24.6%	-30.6%
Pers & H/H Gds	-0.6%	3.5%	3.2%	1.2%
DJ Stoxx 600	1.0%	0.0%	1.9%	-8.3%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	2,572	2,809	2,803	2,956
% change		*9.2%*	*-0.2%*	*5.5%*
EBITDA	571	590	495	544
EBIT	448.7	447.7	349.8	393.3
% change		*-0.2%*	*-21.9%*	*12.5%*
Net income	333.3	319.3	257.5	295.4
% change		*-4.2%*	*-19.4%*	*14.7%*

	2014	2015e	2016e	2017e
Operating margin	17.4	15.9	12.5	13.3
Net margin	13.0	11.4	9.2	10.0
ROE	39.5	34.0	25.4	25.4
ROCE	33.2	29.1	22.3	23.9
Gearing	5.1	8.8	4.2	-4.2

(EUR)	2014	2015e	2016e	2017e
EPS	5.04	4.67	3.82	4.32
% change	-	*-7.3%*	*-18.3%*	*13.2%*
P/E	10.5x	11.4x	13.9x	12.3x
FCF yield (%)	7.6%	7.8%	8.3%	8.9%
Dividends (EUR)	3.62	3.62	3.20	3.65
Div yield (%)	6.8%	6.8%	6.0%	6.9%
EV/Sales	1.5x	1.4x	1.4x	1.2x
EV/EBITDA	6.6x	6.5x	7.6x	6.8x
EV/EBIT	8.4x	8.5x	10.8x	9.4x

Q2 results topped expectations, but FY guidance revised down slightly

Fair Value EUR77 (+45%) **NEUTRAL**

In Q2 alone, sales reached EUR622m (CS: EUR612m), down 4% as reported and 1% FX-n (CS: -3%) after -3% FX-n in Q1, with a nice rebound in Europe (+7% vs. -1% in Q1). The adj. EBITDA dropped by 13% to EUR108m ahead of CS forecast (EUR87m), representing a 180bp-margin decline to 17.3% (Q1: -520bp). Given the lingering sluggish market conditions, Hugo Boss is revising down its FY16 targets but looking at the CS expectations for 2016, these downwards revisions were mostly anticipated by the market. Conference call today at 1:00pm (CET).

ANALYSIS

- **Q2 sales contracted 1% FX-n, Retail was flat (Q1: +1%).** This channel suffered from a slowdown in Europe given fewer tourists (terror attacks, reduction in the price gap) over the quarter. Consequently, the **SSSG** declined 8% (Q1: -6%) offset by a positive contribution from new space of 8pp (vs. ~7pp in Q1). The **wholesale** channel only declined by 1% (Q1: -9%) as it benefited from a positive timing of deliveries in Europe but it declined significantly in the US market (category migration underway).
- By region and in Q2 alone, **Europe** rebounded to 7% vs. -1% in Q1, but it is mostly driven by the positive timing of wholesale deliveries mentioned above. Sales in the UK grew in the double-digits but the lack of traction from tourists and local customers weighed on the performance in France and the Benelux countries. Unsurprisingly the performance in the **Americas** remained quite weak (-14% FX-n vs. -8% in Q1), mostly due to the US (-21%), which is explained by negative underlying trends (deflationary trends, declines in traffic, lack of tourists) and the category migration strategy. Last but not least, the business in **Asia-Pacific** declined by 6% after -5% in Q1, largely caused by Greater China (-16%) while S-K, Singapore or Australia performed well.
- **Limited decline in the adj. EBITDA: -180bp to 17.3% (CS: 14.3%) after -520bp in Q1.** This performance was mainly driven by the 110bp expansion in the GM to 67.6% (Q1: -140bp) since the negative impact from markdowns and inventory write-downs has eased off. Moreover, the tight opex cost management enabled Hugo Boss to partly offset the inflation in costs related to retail expansion and the operating deleverage given the same-store decline of 8%. Hence the adj. EBITDA margin fell 180bp to 17.3% (CS: 14.3%) after -520bp in Q1.

Hugo Boss Q2 and H1 16 Results:

EURm	Q2 16	*% change*	H1 16	*% change*
Sales	622.1	*-4*	1,264.7	*-4*
Gross Profit	420.3	*-2*	832.2	*-4*
Gross Margin (%)	67.6	*+110bp*	65.8	*-20bp*
Adjusted EBITDA	107.7	*-13*	201.2	*-21*
Adjusted EBITDA margin (%)	17.3	*-180bp*	15.9	*-350bp*
EBIT	15.4	*-84*	69.1	*-65*
EBIT margin (%)	2.5	*ns*	5.5	*-950bp*

Source: Company Data

- **FY16 outlook revised down.** Hugo Boss now expects: **(i)** sales to decrease between 0 and 3% after -2% in H1 (BG and CS: ~0%e) and **(ii)** adj. EBITDA to decline between 17% and 23% after -21% in H1, the CS and ourselves were already expecting a 18% drop prior to the publication. In our view, the market had already anticipated this lowered guidance, but it proves that the visibility is clearly blurred.

VALUATION

- These better-than-expected Q2 results show that some initiatives implemented by the Group are starting to pay off, but the turnaround also relies largely on improving market trends, which have not materialized yet. Hence we remain Neutral with a FV of EUR77.

NEXT CATALYSTS

- Conference call today at 1.00pm (CET) / Q3 16 Results on 2nd November.

Click here to download

Analyst:
Cédric Rossi
33(0) 1 70 36 57 25
crossi@bryangarnier.com

Consumer Analyst Team:
Nikolaas Faes
Loïc Morvan
Antoine Parison
Virginie Roumage

Return to front page

Construction & Building Materials

LafargeHolcim

Price CHF45.69

Strong upturn of EBITDA margin in Q2

Fair Value CHF50 (+9%) **BUY**

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	66.3 / 34.1
Market Cap (CHF)	27,730
Ev (BG Estimates) (CHF)	46,095
Avg. 6m daily volume (000)	2,220
3y EPS CAGR	49.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	12.6%	2.9%	18.4%	-9.2%
Cons & Mat	5.8%	2.1%	8.1%	-0.4%
DJ Stoxx 600	2.4%	1.8%	2.8%	-7.6%

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

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

(CHF)	2015	2016e	2017e	2018e
EPS	1.30	2.40	3.65	4.31
% change	*-*	*84.3%*	*52.2%*	*18.1%*
P/E	35.1x	19.1x	12.5x	10.6x
FCF yield (%)	0.5%	7.6%	12.1%	13.7%
Dividends (CHF)	1.50	1.65	1.80	1.95
Div yield (%)	3.3%	3.6%	3.9%	4.3%
EV/Sales	1.6x	1.5x	1.4x	1.3x
EV/EBITDA	8.1x	7.7x	6.4x	5.7x
EV/EBIT	13.8x	13.8x	10.4x	9.0x

Revenues declined in Q2 (-2.1% l-f-l), but adjusted EBITDA stands at CHF1,705m (6% above consensus of CHF1,608m). This is a strong upturn: the EBITDA margin stands at 23.4% up 210 bps y/y after a difficult Q1 (EBITDA mg down -275bps), through a combination of cost control and a price sequential growth increase in Q2 (+2.2%). Guidance unchanged based on slightly less positive market assumptions. CHF3.5bn divestment program exceeded (and extended to CHF5bn in 2017).

Key figures in Q2

CHFm	Sales	vs cons.%	Q1 lfl%	Q2 lfl%	EBITDA	vs cons.%	Margin%	Δbps Q1	Δbps Q2
Europe	1968	-2	-3.5	-3.1	458	+9	23.3	-242	235
NAM	1538	-5	10.1	0.7	393	-8	25.6	370	149
LatAm	684	-4	-1.7	-5.0	211	+15	30.8	-73	659
Africa ME	1081	-4	-4.4	-7.0	329	0	30.4	-687	-352
Asia-Pac.	2194	-3	0.9	-0.1	438	+16	20.0	-313	300
Adjust	-185	-	-		-124	-	-	-	-
Total	7280	-4	0.1	-2.1	1705	+6	23.4	-275	209

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

ANALYSIS

- Volumes of cement were down in Q2 (-3.0% vs +1.4% in Q1), but up for aggregates (+3% vs +1%). Q2 sales organic growth is thus rather modest (-2.1% vs +0.1% in Q1) and Q2 revenues are 5% below consensus at CHF7,280m.
- But price trends are improving, with +2.2% sequential growth in Q2 vs +1.2% in Q1. Combined with a cost improvement through synergies (CHF273m YTD vs a FY target of EUR450m), fixed cost reduction (eg Brazil), best practive (LatAm) and energy mix improvement (China, India), explain the rebound of the EBITDA margin in Q2 for every region except Africa-Middle East.
- In particular, LHN is mentioning "good earnings growth" in the Philippines, Mexico, US; Algeria and Lebanon; "signs of recovery" in China and "strong progress" in India.
- The negative effect in Africa is explained by Nigeria, despite a growing market. The business has been impacted by gas shortages and the naira devaluation. The equipment will be adapted to use other fuels (positive effect expected at end 2016) and a new kiln will come into service this year. Adj. EBITDA would have risen by +13% in Q2 without Nigeria's negative effect (-CHF96m).
- With numerous deals/divestments announced (India, China, Saudi Arabia, Morocco, South Korea, Sri Lanka and - at USD140m/t – Vietnam) the objective for CHF3.5bn of disposals this year has been exceeded and LHN announced its extension to CHF5bn at end 2017. This will further streamline the organisation.
- 2016 guidance is unchanged, in particular "at least a high-single-digit like-for-like increase in adjusted operating EBITDA" (we got 7% today and we think the consensus is lower). The environment is not improving, however: LHN's market demand is expected to be up 1% to 3% in 2016 (vs 2% to 4% previously), according to LafargeHolcim.
- LafargeHolcim has also announced some changes to the Executive Committee this morning.

VALUATION

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

NEXT CATALYSTS

- Q3 results reporting date: not disclosed yet

Click here to download

Analyst :
Eric Lemarié
33(0) 1.70.36.57.17
elemarie@bryangarnier.com

Healthcare

Novo Nordisk

Price DKK367.00

Revised guidance reflects rising price pressure and stiffer competition

Fair Value DKK400 (+9%) **NEUTRAL**

Bloomberg	NOVOB DC
Reuters	NOVOB.CO
12-month High / Low (DKK)	410.7 / 306.4
Market Cap (DKKm)	738,611
Ev (BG Estimates) (DKKm)	713,460
Avg. 6m daily volume (000)	2 577
3y EPS CAGR	8.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.2%	5.0%	10.4%	-8.2%
Healthcare	1.0%	10.0%	9.3%	-3.8%
DJ Stoxx 600	2.4%	1.8%	2.8%	-7.6%

YEnd Dec. (DKKm)	2015	2016e	2017e	2018e
Sales	107,927	115,283	120,757	124,474
% change		*6.8%*	*4.7%*	*3.1%*
EBITDA	52,403	53,251	56,643	59,252
EBIT	49,444	49,451	52,843	55,452
% change		*0.0%*	*6.9%*	*4.9%*
Net income	34,860	38,040	41,035	43,412
% change		*9.1%*	*7.9%*	*5.8%*

	2015	2016e	2017e	2018e
Operating margin	45.8	42.9	43.8	44.5
Net margin	32.3	33.0	34.0	34.9
ROE	74.2	69.7	52.6	42.4
ROCE	82.0	77.4	97.7	78.4
Gearing	-41.9	-46.1	-57.6	-66.0

(DKK)	2015	2016e	2017e	2018e
EPS	13.56	15.19	16.55	17.51
% change	-	*12.0%*	*9.0%*	*5.8%*
P/E	27.1x	24.2x	22.2x	21.0x
FCF yield (%)	3.5%	3.9%	4.1%	4.6%
Dividends (DKK)	6.40	6.83	7.45	7.88
Div yield (%)	1.7%	1.9%	2.0%	2.1%
EV/Sales	6.7x	6.2x	5.7x	5.4x
EV/EBITDA	13.7x	13.4x	12.2x	11.3x
EV/EBIT	14.5x	14.4x	13.1x	12.1x

When was last time Novo-Nordisk revised both sales and operating income growth downwards? This is what the group is doing today for 2016 or, more precisely, it is narrowing the expected range closer to the lower end part in both cases. Sales are now expected to grow 5-7% (vs 5-9%) and EBIT 5-8% (vs 5-9%). With currencies having negative impacts respectively by 2 and 3pp on sales and EBIT, they should achieve levels that are now below consensus estimates for sales and in-line for EBIT. The group is globally giving a sense of increased price pressure and fierce competition. We keep our NEUTRAL rating on the stock.

ANALYSIS

- Novo-Nordisk today reported Q2 numbers that were a touch short of estimates. Actually top-line is where the difference lies vs expectations, since it was almost DKK1bn below consensus figures.
- The difference was spread across different drugs including NovoRapid (down 3%, with mention of a NovoLog contract loss in the US that was already mentioned in Q1 – refers to United Healthcare – but had actually a greater-than-anticipated impact, the decline was 10% in the quarter in the US), NovoMix (down 1% but here also heavily impacted by the US where the drug was down 28%, company mentioning price cuts and segment overall decline) and Haemophilia, down 1% but 10% in the US, driven by lower NovoSeven sales. Here the group says that it is experiencing tougher competition from both Feiba and from drugs currently in development trials (less patients available for NovoSeven).
- Same factors led Novo-Nordisk to narrow the range of sales growth for the year closer to the lower end of the previous one (NovoLog contract loss impact and NovoSeven mainly), adding macroeconomic conditions in some International regions and generic competition in HRT.
- Novo-Nordisk also issued an initial comment about price negociations with payers about formulary positions for 2017 and anticipates average net prices to be "moderately lower compared to 2016". This includes the two recently published exclusion lists from ESI and CVS. Actually Novo's drugs were already excluded from ESI and so there is no change here. As long as CVS, the impact is mainly on Sanofi but, interestingly, what Novo suggests is that Lantus will be globally excluded from CVS formularies in 2017 i.e. not only the pen formulation and so as Basaglar is only available in pens, Levemir might become the one option for patients that use vials.
- Moving to operating profits, we note an operating cost base that was well under control in Q2 with commercial and R&D expenses growing only 5-6% excluding currencies, with favourable currency impacts coming on top. In the end, the miss in sales growth is offset by this lower cost base so that operating income is almost in line with expectations and core EPS fully in line.
- There are two final elements in the press release that we would note: (i) in the R&D update section, two projects are discontinued, one being an oral insulin as selection favours OI338GT over OI320GT. The other is the GLP-1/GIP dual-agonist NN9709 that met its primary endpoint in trial but actually had results almost on par with semaglutide and therefore did not deserve further investments. It is also worth noting that Novo-Nordisk has decided to initiate a head-to-head phase III trial to compare Tresiba to Toujeo in T2D in 2017. (ii) FCF for the year has been revised upwards at the opposite of the other changes, but this is because Novo-Nordisk anticipates one-offs related to tax settlements of about DKK3bn.

VALUATION

- What Novo-Nordisk already describes should not improve if basal/GLP1 combo class opens new war against Sanofi and if ACE910 reaches the market. Short-term, we expect some minor adjustment to consensus numbers. We were already at the bottom-end of it.

NEXT CATALYSTS

- Today 1pm: Conference Call

Click here to download

Analyst :
Eric Le Berrigaud
33(0) 1 56 68 75 33
eleberrigaud@bryangarnier.com

Sector Team :
Mickael Chane Du
Hugo Solvet
Marion Levi (research associate)

Insurance

Allianz

Price EUR128.20

Tricky Q2, but FY guidance still valid

Fair Value EUR180 (+40%) **BUY**

Bloomberg	ALV GR
Reuters	ALVG.DE
12-month High / Low (EUR)	168.0 / 119.2
Market Cap (EURm)	58,587
Avg. 6m daily volume (000)	1,709

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.6%	-14.4%	-8.8%	-21.6%
Insurance	1.6%	-8.2%	-8.1%	-21.8%
DJ Stoxx 600	2.4%	1.8%	2.8%	-7.6%

	2015	2016e	2017e	2018e
P/E	8.8x	9.0x	8.6x	
Div yield (%)	5.7%	5.7%	5.8%	

ANALYSIS

- Q2 2016 net income is EUR1.09bn, down 46% yoy, below consensus (EUR1.55bn), mainly driven by operating profit (down 17% yoy to EUR2.35bn vs. consensus EUR2.47bn) and the accounting impact of the sale of Korea (EUR352m loss).
- In P&C, Q2 operating profit is EUR1.1bn, down 37% yoy, driven by the underwriting performance. The reported combined ratio is 96.4% vs. 93.5% last year. Excluding natcats (4.4 pts vs. 1.1 pt) and run-offs (6.5 pts vs. 3.4 pts), the adjusted combined ratio is 98.5% vs. 95.8%. The cost ratio is up 60bps, mainly driven by higher acquisition expenses. Internal growth is +3.7%, o/w price +0.7%.
- In Life, Q2 operating profit is up 18% to EUR1.0bn, mainly driven by the deconsolidation of the Korean loss-making business (up 7% excluding it). NBV margin is up 100bps to 2.6% (based on the present value of new business premiums, not APE).
- Q2 operating profit in Asset Management is down 1% yoy to EUR498m, with cost management measures compensating for lower revenues. Net outflows are EUR19.1bn, o/w 18.0bn at PIMCO.
- Solvency II margin at end-June is 186% vs. 186% at end-March and 200% at end-2015.
- FY guidance (operating profit EUR10.0-11.0bn vs. EUR10.7bn in 2015) has been confirmed (H1: EUR5.1bn, down 10% yoy).

VALUATION

- Based on our current estimates, our SOTP valuation is EUR180.

NEXT CATALYSTS

- Q3 2016 numbers on 11th November.

Click here to download

Olivier Pauchaut, opauchaut@bryangarnier.com

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%

Bryan Garnier Research Team

Healthcare Team	Pharmaceuticals	Eric Le Berrigaud *(Head of Equities)*	33 (0) 1 56 68 75 33	eleberrigaud@bryangarnier.com
	Biotech/Medtech	Mickael Chane-Du	33 (0) 1 70 36 57 45	mchanedu@bryangarnier.com
	Medtech/Biotech	Hugo Solvet	33 (0) 1 56 68 75 57	hsolvet@bryangarnier.com
Consumer Team	Luxury/Consumer Goods	Loïc Morvan	33 (0) 1 70 36 57 24	lmorvan@bryangarnier.com
	Beverages	Nikolaas Faes	33 (0) 1 56 68 75 72	nfaes@bryangarnier.com
	Retailing	Antoine Parison	33 (0) 1 70 36 57 03	aparison@bryangarnier.com
	Luxury /Consumer Goods	Cedric Rossi	33 (0) 1 70 36 57 25	crossi@bryangarnier.com
	Food & Beverages	Virginie Roumage	33 (0) 1 56 68 75 22	vroumage@bryangarnier.com
TMT	Video Games / Payments	Richard-Maxime Beaudoux	33 (0) 1 56 68 75 61	rmbeaudoux@bryangarnier.com
	Telecom	Thomas Coudry	33(0) 1 70 36 57 04	tcoudry@bryangarnier.com
	Software & IT Services	Gregory Ramirez	33 (0) 1 56 68 75 91	gramirez@bryangarnier.com
	Semiconductor	Dorian Terral	33 (0) 1 56 68 75 92	dterral@bryangarnier.com
Utilities		Xavier Caroen	33 (0) 1 56 68 75 18	xcaroen@bryangarnier.com
		Pierre-Antoine Chazal	33 (0) 1 56 68 75 06	pachazal@bryangarnier.com
Insurance		Olivier Pauchaut *(Head of Research)*	33 (0) 1 56 68 75 49	opauchaut@bryangarnier.com
Hotels/Business Services		Bruno de La Rochebrochard	33 (0) 1 56 68 75 88	bdelarochebrochard@bryangarnier.com
Construction/ Infrastructures Building Materials		Eric Lemarié	33 (0) 1 70 36 57 17	elemarie@bryangarnier.com
Marketing		Sophie Braincourt	33(0) 1 56 68 75 36	sbraincourt@bryangarnier.com
Market Data & Information Systems Manager		Eric Monnier	33(0) 1 56 68 75 63	emonnier@bryangarnier.com

A copy of the Bryan Garnier & Co Limited conflicts policy in relation to the production of research is available at www.bryangarnier.com

London
Beaufort House
15 St. Botolph Street
London EC3A 7BB
Tel: +44 (0) 207 332 2500
Fax: +44 (0) 207 332 2559
Authorised and regulated by the Financial Conduct Authority (FCA)

Paris
26 Avenue des Champs Elysées
75008 Paris
Tel: +33 (0) 1 56 68 75 00
Fax: +33 (0) 1 56 68 75 01
Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudential et de resolution (ACPR)

New York
750 Lexington Avenue
New York, NY 10022
Tel: +1 (0) 212 337 7000
Fax: +1 (0) 212 337 7002
FINRA and SIPC member

Munich
Widenmayerstrasse 29
80538 Munich
Germany
+49 89 2422 62 11

New Delhi
The Imperial Hotel Janpath
New Delhi 110 001
Tel +91 11 4132 6062
+91 98 1111 5119
Fax +91 11 2621 9062

Geneva
rue de Grenus 7
CP 2113
Genève 1, CH 1211
Tel +4122 731 3263
Fax+4122731 3243
Regulated by the FINMA

BRYAN, GARNIER & CO