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22nd August 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18552.57	-0.24%	+6.47%
S&P 500	2183.87	-0.14%	+6.85%
Nasdaq	5238.38	-0.03%	+4.61%
Nikkei	16598.19	+0.32%	-13.07%
Stoxx 600	340.138	-0.81%	-7.02%
CAC 40	4400.52	-0.82%	-5.10%
Oil /Gold			
Crude WTI	48.52	+0.62%	+30.43%
Gold (once)	1345.42	-0.32%	+26.64%
Currencies/Rates			
EUR/USD	1.13245	-0.03%	+4.25%
EUR/CHF	1.08655	+0.14%	-0.08%
German 10 years	-0.097	-31.93%	-115.28%
French 10 years	0.181	+26.64%	-81.56%
Euribor	-0.298	-0.33%	+127.48%

Economic releases :

Date	
22nd-Aug	FR - PMI Services Aug. DE - PMI Services Aug. US - Chicago Fed Nat Activity Index (0.2E)

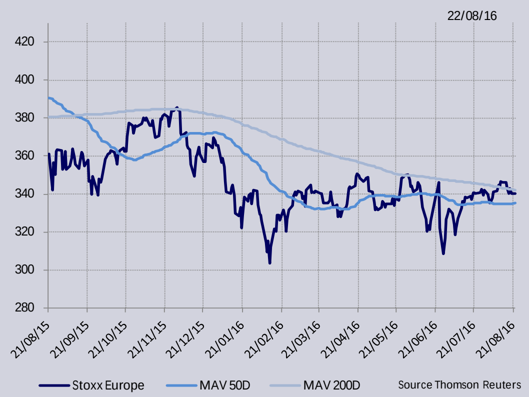
Upcoming BG events :

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



CARLSBERG — SELL, Fair Value DKK600 (-5%)

No Pernille

We are updating our estimates for the next three years and are mainly lowering our 2016 figure given higher than expected marketing costs for the Euro football championship.

OPTICAL & EYEWEAR SECTOR

H2 should be better for all our sample even if the macro scenario limits visibility somewhat

Although the Optical & Eyewear sector is very clearly enjoying structural catalysts and harbours significant growth potential over the MT-LT, sometimes our groups can be affected by temporary setbacks. In H1, the very poor performance in sunglasses (bad weather, slowdown in China) weighed on performances at both LUX and EI but we believe this was more temporary for the latter as the Italian group is also suffering from its "self-inflicted initiatives". Its main competitor SFL posted a very good Q2 but visibility remains limited ahead of the Gucci transition at the end of 2016. Last but not least, sales & earnings momentum at GVNV clearly improved in Q2 and the group was the only player not to be affected by internal or external headwinds. As such, we should remain picky within our sample over the remainder of the year.

SEMICONDUCTORS

Q2 mostly positive for the majority of European semi players and the way ahead is clear

With the Q2 2016 earnings season coming to an end, we note that 1/ a vast majority of players reported in-line or better-than-expected Q2 results (five out of six), 2/ players active in the automotive and industrial sectors remain particularly confident on short term growth, and 3/ Brexit is not an issue so far (the recent EUR/USD move is more of a tailwind). In this context, we recommend Dialog, Infineon and u-blox, which continue to offer an attractive entry point given their respective growth prospects.

In brief...

SANOFI, *iGlarLixi's potential US approval delayed by three months*

Food & Beverages

Carlsberg

Price DKK628.50

No Pernille

Fair Value DKK600 (-5%) **SELL**

Bloomberg	CARLB DC
Reuters	CARCb.CO
12-month High / Low (DKK)	679.0 / 490.6
Market Cap (DKKm)	96,270
Ev (BG Estimates) (DKKm)	141,335
Avg. 6m daily volume (000)	265.7
3y EPS CAGR	6.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.2%	1.8%	3.8%	2.6%
Food & Bev.	0.2%	5.4%	6.8%	0.5%
DJ Stoxx 600	0.8%	1.9%	4.2%	-7.0%

YEnd Dec. (DKKm)	2015	2016e	2017e	2018e
Sales	65,354	63,522	65,637	67,289
% change		*-2.8%*	*3.3%*	*2.5%*
EBITDA	12,614	12,276	12,879	13,392
EBIT	7,940	7,602	8,304	8,899
% change		*-4.3%*	*9.2%*	*7.2%*
Net income	4,557	4,439	5,108	5,561
% change		*-2.6%*	*15.1%*	*8.9%*

	2015	2016e	2017e	2018e
Operating margin	12.1	12.0	12.7	13.2
Net margin	7.0	7.0	7.8	8.3
ROE	10.5	9.4	10.1	10.1
ROCE	5.5	5.3	6.3	6.8
Gearing	79.9	62.1	47.9	36.0

(DKK)	2015	2016e	2017e	2018e
EPS	29.87	29.10	33.49	36.45
% change	*-*	*-2.6%*	*15.1%*	*8.9%*
P/E	21.0x	21.6x	18.8x	17.2x
FCF yield (%)	7.7%	5.0%	6.7%	6.3%
Dividends (DKK)	6.48	6.48	6.80	7.14
Div yield (%)	1.0%	1.0%	1.1%	1.1%
EV/Sales	2.2x	2.2x	2.1x	1.9x
EV/EBITDA	11.5x	11.5x	10.6x	9.8x
EV/EBIT	18.2x	18.6x	16.4x	14.7x

We are updating our estimates for the next three years and are mainly lowering our 2016 figure given higher than expected marketing costs for the Euro football championship.

Last week, Carlsberg published slightly disappointing results disconnected from the recent share price increase, therefore prompting us to downgrade the stock to Sell (from Neutral). Today we are fine-tuning our model to take into account these recent results and trends. We are lowering our operating profit forecast for this year by 2%, mainly because of higher marketing costs linked to the Euro football championship. However for 2017 and 2018, our forecasts remain unchanged.

ANALYSIS

- **Margins are down, not up.** While the company had been showing off with significant margin expansion in each of the regions (Western Europe +70bp, Eastern Europe +100bp, Asia +60bp), the reality is slightly different. Marketing costs for the Euro football championship and costs for the strategic development and efficiency programmes are accounted for under non-allocated central costs (whereas their benefits are booked under regional profits). Overall group operating margin declined by 10bp to 11.0% from 11.1%.

- **Savings? What savings?** As the company is embarking on its efficiency improvement programme with a total budgeted DKK1.5 to DKK2.0bn efficiency improvements by 2018, a quarter of these improvements should be generated in 2016 and would be mainly savings (as opposed to investments), but with first half operating margin narrowing by 10bp and also by 10bp for the full year on our estimates, the savings are nowhere in sight. This is no genuine surprise. Indeed, we note that brewers (not just Carlsberg) need to save about 50-80bp of revenues p.a. to fund normal sales efforts (price or marketing). However, next year, we are looking for the company to step up its efficiency improvements to 160bp of revenue (vs 80bp this year) and would expect some of that to be visible in profit growth (assuming no currency drag).

- **Russian pain not over.** From 1st July, urban retailers need to connect to UFAIS (Unified Federal Automated Information System) and Carlsberg assumes that some of these retailers will not want to make the investment (on 1st July 2017, retailers in rural areas will also need to connect) and that volumes might be impacted. Moreover, as of 1st January 2017, brewers will no longer sell beer in PET bottles of more than 1.5l (around a quarter of total beer consumption) and this is expected to impact beer volumes by about 10%. Since brewers (and also Carlsberg) are likely to stop producing these bottles in Q4, Carlsberg is expecting its Russian beer volumes to decline by 5% in H2 2016 (after a flat H1 2016). But with the full impact of the PET 1.5l+ ban to come in 2017, Russian beer volumes are likely to decline by a further 5% in 2017 (according to our estimates).

- **Quick de-levering will lead to new acquisitions.** Over the last 12 months plenty has been done to clean up assets with 11 breweries already sold/closed in China and more to come with the sales of a Danish malting business, a Vietnamese greenfield and the Malawi operations. Furthermore, capex has been reined in and trade working capital was already -7.5% of revenues by the end of the first half of 2016. As such, we expect the company to close 2016 with a net debt/EBITDA of 2.1 vs 2.5 at the end of 2015 and believe that an improvement to 1.6x by the end of 2017 is possible. We believe this could trigger renewed interest in acquiring assets.

VALUATION

- Our fair value of DKK600 is based on a risk free rate of 1.6%, a risk premium of 7%, a beta of 0.95 and a long term growth rate of 3.5%

NEXT CATALYSTS

- 9th November 2016: Q3 trading statement

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Analyst :
Nikolaas Faes
33(0) 6 11 12 44 44
nfaes@bryangarnier.com

Sector Team :
Loïc Morvan
Antoine Parison
Cédric Rossi
Virginie Roumage

Sector View

Optical & Eyewear Sector

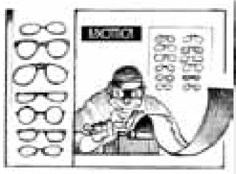
H2 should be better for all our sample even if the macro scenario limits visibility somewhat

	1 M	3 M	6 M	31/12/15
Consumer Gds	1.8%	4.2%	7.9%	-0.3%
DJ Stoxx 600	1.6%	2.6%	7.2%	-6.1%

*Stoxx Sector Indices

Companies covered

ESSILOR		**BUY**	**EUR130**
Last Price	EUR114,35	*Market Cap.*	EUR24,939m
GRANDVISION		**BUY**	**EUR28**
Last Price	EUR26	*Market Cap.*	*EUR6,616m*
LUXOTTICA		**NEUTRAL**	**EUR54**
Last Price	EUR43,46	*Market Cap.*	*EUR21,030m*
SAFILO		**NEUTRAL**	**EUR11**
Last Price	EUR7,985	*Market Cap.*	*EUR500m*


Although the Optical & Eyewear sector is very clearly enjoying structural catalysts and harbours significant growth potential over the MT-LT, sometimes our groups can be affected by temporary setbacks. In H1, the very poor performance in sunglasses (bad weather, slowdown in China) weighed on performances at both LUX and EI but we believe this was more temporary for the latter as the Italian group is also suffering from its "self-inflicted initiatives". Its main competitor SFL posted a very good Q2 but visibility remains limited ahead of the Gucci transition at the end of 2016. Last but not least, sales & earnings momentum at GVNV clearly improved in Q2 and the group was the only player not to be affected by internal or external headwinds. As such, we should remain picky within our sample over the remainder of the year.

ANALYSIS

- **Where the sun did not shine in Q2: North America...** The sunglass category was hit particularly harshly by adverse weather conditions, affecting **EI's** own brand portfolio (FGX and Costa that was still positive) and sales of sun lenses. **LUX** was also naturally impacted by the poor sun peak season, especially since the Group implemented painful initiatives that have hampered growth (*see next page*). In this difficult context it is interesting to note that **SFL's** wholesale business performed quite well with 7.6% adj. FX-n, notably driven by a robust growth with department stores. The **sport sunglass brands** (Oakley, Costa and Smith) had a difficult time with sporting goods retailers, as highlighted by the bankruptcy of Sports Authority (450 stores). Besides this weather effect, the **sun specialty retail chains** faced a lack of traction in tourist areas but **Sunglass Hut** (LUX) managed to rebound slightly in Q2 with SSSG of 0.5% vs. -1.3% in Q1, whilst **Solstice** (SFL) declined 18.2% as 11 stores were closed (to a total of 118 DOS).

- **... and Greater China (particularly H-K/Macau).** After a difficult start to the year, with sales down 33% due to implementation of the ARTEMIS inventory management, **Bolon** (**EI**) achieved a lower-than-expected rebound in Q2 given a softer Chinese sunglass market. **LUX** revenue decelerated in China vs. Q1 but remained in positive territory thanks to the price adjustments implemented in Q3 2015. This slowdown was mainly caused by a shift in the distribution model (i.e. from independent distributors to own distribution), causing some sales disruption. On the positive side, the optical business was well-oriented for both **EI** and **LUX** in Mainland China, but was still down in double-digits for the Italian group in H-K/Macau, which was also a drag on **SFL's** performance in the region (-27.3% FX-n).

- **Europe and LatAm were robust for all our sample.** Indeed, **EI** achieved 4.5% LFL growth in Europe, representing the fifth consecutive quarter of growth above 4% (vs. MT target: 0-1%). This sound performance was a clear illustration of the successful combination of incremental marketing expense and innovation (*Eyezen* had a strong launch). **GrandVision**, which has the highest exposure to Europe within our sample (~89% of sales) posted SSSG of 3.6% vs. 0.9% in Q1, largely driven by an acceleration in Western Europe ("G4": +3.2% vs. 0.3%) and in Northern/Central Europe ("Other Europe": +2.1% vs. -0.5%). **LUX** achieved 5% FX-n with double-digit growth in Spain, Italy and Turkey, while **SFL** recorded an impressive 13.2% FX-n driven by increases above 10% in key markets such as Italy, Germany, France and the UK.

- **Latin America: EI** (+11.4% LFL) even accelerated in Brazil, sales were up mid single-digit (vs. low single-digit in Q1) thanks to its multi-channel strategy (successful roll-out of mid-tier Kodak brand) and media push. Revenue in Argentina, Colombia and Mexico soared above 20%. **GVNV** also experienced robust trends in the region, with comparable growth in double digits, driven by Mexico. **LUX** posted 12.9% FX-n growth in the region with increases above 20% in Brazil and Mexico, while comps at **GMO** (optical retailer owned by LUX) increased high single-digit. **SFL** also returned to positive territory in Latin America.

Organic growth by region (GrandVision: comparable growth):

LFL growth (%)	North America		Europe		Asia-Pacific		Latin America		ROW / Other	
	Q2	H1	Q2	H1	Q2	H1	Q2	H1	Q2	H1
Essilor *(Lenses only)*	1.5	3.1	4.5	4.6	8.5	8.7	11.4	10.3	-1.5 *	-5.8 *
GrandVision **	n/a	n/a	3.2/2.1	1.8/0.8	Americas & Asia: 9.7 and 9.2				n/a	n/a
Luxottica	-0.3	0.5	5.0	4.7	0.5	-0.7	12.9	13.0	-7.0	-7.6
Safilo	-1.2	-3.4	13.2	6.1	-27.3	-27.8	ROW incl. LatAm: 9.5 and 2.0			

** = Readers & Sun / ** Europe= G4 and Other Europe respectively* *Source: Company Data, BG*

- **H1: margin contraction for everyone, GrandVision excepted. EI's** contribution margin narrowed 20bp to 18.9% as efficiency gains and a positive product-mix were offset by the poor performance of Transitions in the US, higher marketing expenses and M&A, but remains in line with the FY target ("at least 18.8%" vs. 18.8% achieved in 2015). **GVNV** benefited from a better

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SSSG (op. leverage) and a positive product-mix, driven by a higher share of exclusive brand frames (+10pp to ~70%) and fewer sunglass sales (less profitable). Hence adj. EBITDA margin improved 20bp to 16.3% (+60bp to 16.7% excl. M&A). **LUX's** adj. EBIT margin narrowed 30bp to 18.2%, which was quite satisfactory in our view given the poor sun season and weak FX-n growth in H1 (+1.6% vs. 3% required for a positive op. leverage) and the numerous self-inflicted initiatives. These headwinds were partly offset by efficiency gains and tight cost control (opex: -100bp). **SFL's** adj. EBITDA margin was only down 40bp to 8.9% thanks to a 90bp-improvement in Q2. This rebound was entirely derived from cost-cutting measures and positive operating leverage (opex costs: -160bp), offsetting the negative product-mix implied by the Gucci transition.

VALUATION

- As most of the groups in our sample were affected by a more difficult macro environment as well as "company-specific" setbacks, it is important that we try to assess the tipping point towards more favourable sales/earnings momentum:

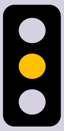
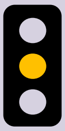
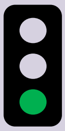
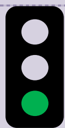
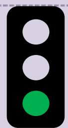
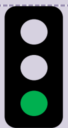
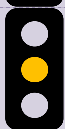
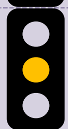
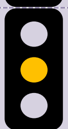
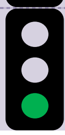
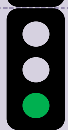
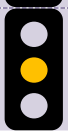
1/ GrandVision was the only group to post better-than-expected H1 results thanks a strong second quarter, fuelled by the group's growth pillars (exclusive brand portfolio, competitive offering, store openings) whilst the profitability continued to improve despite the dilutive impact from M&A. This favourable momentum bodes well for H2, especially since comparison bases will become easier (SSSG of 2.9% in H2 15 vs. +5.2% in H1). **Hence GVNV would be our safest choice at this stage.**

2/ Essilor: we believe that the **factors behind weak LFL growth in Q2 were temporary** and expect actions within Transitions and the R&S division (Bolon and Costa: geographical expansion, travel retail) to drive the rebound in H2. The further integration of the alliance groups (fast-growing channel), should also fuel LFL growth in North America from Q3. The lower FY sales target still implies 5% growth over H2, **confirming that a rebound could take place as early as Q3.**

3/ Luxottica: we feel that **LUX suffered particularly from its initiatives** (MAP, Oakley integration, etc.) as the group performed quite well in Europe/LatAm where no actions were initiated. These initiatives were eventually more painful and complicated to implement given more challenging business and macro conditions. Even if the new FY sales guidance implies a slight acceleration in H2 (~+3%e adj. FX-n vs. +1.6% in H1), **visibility is limited in the ST.**

4/ Safilo: The **first positive results** of the longstanding actions implemented over the last two years are emerging, as highlighted by the Q2 performance. However, the **Gucci transition** remains a key issue for H2 (~16-17% of sales), as well as the **underperformance of its own brands**. If SFL handles the transition as efficiently as Georgio Armani in H2 2012, it could reassure investors and provide a key catalyst for the stock. In the meantime, **visibility is also limited in the ST.**

Our general overview for our Optical & Eyewear sample:

Company	(i) Q2 Organic Growth	(ii) H1Results Performance	(iii) FY16 Outlook	Comments
Essilor				**(i):** 3.2% LFL growth miss (CS: +5%) vs. +5% in Q1 due to a poor performance in photochromic (Transitions) and sun lenses **(ii):** CM: -20bp to 18.9% (CS: 19%) but it is consistent with FY guidance ("at least 18.8%" vs. 18.8% achieved in 2015). **(iii):** FY16 LFL growth target was slightly revised down to "~4.5%" vs. "~5%" because of the Q2 miss, it does not imply any slowdown in H2 (+5%), FY CM target was maintained.
GrandVision				**(i):** Comparable growth of 3.6% (CS: +2.3%) vs. 0.9% in Q1, all three regions have accelerated **(ii):** Adj. EBITDA margin up 20bp to 16.3% (+60bp excl. M&A), driven by a favourable product-mix, efficiency gains and a positive op. leverage **(iii):** No FY guidance but MT targets were confirmed (sales up >+5% FX- and adj. EBITDA growth in the high single-digits)
Luxottica				**(i):** Adj. FX-n sales growth slightly decelerated to 1.4% vs. 1.8%, dented by Group's own initiatives and the weak sun peak season **(ii):** Adj. EBIT margin down 30bp to 18.2% as efficiency gains and a tigh cost control have partly offset the margin headwinds **(iii):** Lowered FY16 targets: FX-n growth of 2-3% (% (=> +3%e in H2) vs. +5-6 previously and adj. EBIT growth: 1x sales growth vs. 1.5x initially)
Safilo				**(i):** Sharp acceleration of the "going-forward PF" with +9% vs. +1% in Q that was affected by production bottlenecks **(ii):** Adj. EBITDA margin down 40bp to 8.9%, the Gucci transition was almost offset by cost-cutting measures and a positive op. leverage **(iii):** No FY targets but management is "reasonably optimistic" about H even if the Gucci transition limits the visibility

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

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

Sector View

Semiconductors

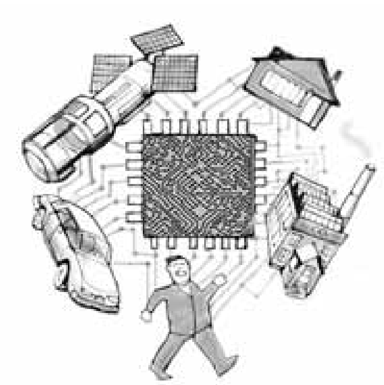
Q2 mostly positive for the majority of European semi players and the way ahead is clear

	1 M	3 M	6 M	31/12/15
Semiconductors	2.5%	28.3%	32.2%	18.6%
DJ Stoxx 600	0.8%	1.9%	4.2%	-7.0%

*Stoxx Sector Indices

Companies covered

ARM HOLDINGS		**Tender to the offer**	**1410p**
Last Price	1688p	*Market Cap.*	GBP23,771m
ASML		**SELL**	**EUR81**
Last Price	EUR94.51	*Market Cap.*	*EUR40,954m*
DIALOG SEMICONDUCTOR		**BUY**	**EUR37**
Last Price	EUR32.29	*Market Cap.*	*EUR2,514m*
INFINEON		**BUY**	**EUR16**
Last Price	EUR15.325	*Market Cap.*	*EUR17,350m*
MELEXIS		**SELL**	**EUR48**
Last Price	EUR58.44	*Market Cap.*	*EUR2,361m*
SOITEC		**NEUTRAL**	**EUR0.5**
Last Price	EUR0.78	*Market Cap.*	*EUR473m*
STMICROELECTRONICS		**NEUTRAL**	**EUR6.5**
Last Price	EUR6.733	*Market Cap.*	*EUR6,134m*
u-blox		**BUY**	**CHF265**
Last Price	CHF239.8	*Market Cap.*	*CHF1,632m*



With the Q2 2016 earnings season coming to an end, we note that 1/ a vast majority of players reported in-line or better-than-expected Q2 results (five out of six), 2/ players active in the automotive and industrial sectors remain particularly confident on short term growth, and 3/ Brexit is not an issue so far (the recent EUR/USD move is more of a tailwind). In this context, we recommend Dialog, Infineon and u-blox, which continue to offer an attractive entry point given their respective growth prospects.

ANALYSIS

- **Overall, Q2 2016 results were better than expected…** During the Q2 2016 earnings season, the majority of the stocks we cover reported strong earnings momentum. Indeed, out the six Semiconductors stocks we cover and that have already reported calendar Q2 2016 results, five came out with better than expected data (4-6% above consensus expectations) or in line, namely ARM Holdings, ASML, Dialog, Infineon and STMicroelectronics. Melexis was the only group to report Q2 results below expectations despite being in a similar market segment to Infineon and STMicroelectronics.
- **… and Q3 is set to show sequential growth, as expected.** In addition to Q2 2016 results, most of the groups shared positive momentum for Q3 with forecasts for sequential growth. The expected growth range spans from 22% for Dialog (helped by a usual strong seasonal effect) to a potential decrease for ASML. Note that ASML is an equipment manufacturer and has different market momentum to other players, plus it currently suffers from an unfavourable comparison basis due to a strong Q2 with the beginning of the 10nm production ramp. Note also that ARM did not provide guidance for Q3 due to the tender offer underway.

Q2/Q3 surprise and Q3 anticipated growth among BG coverage

BG Coverage (8)	CQ2 results vs. cs.	CQ3 Sales guidance	CQ3 guidance vs. cs.
ARM Holdings	6% above	n.c.	n.s.
ASML	4% above	slow decrease	below
Dialog Semiconductor	6% above	+22% seq.	in line
Infineon	6% above	+3% seq.	in line
Melexis	7% below	+3% seq.	3% above
Soitec	n.c.	n.c.	n.s.
STMicroelectronics	in line	+5.5% seq.	1% above
u-blox	n.c.	n.c.	n.s.

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

- **Overall, semiconductor players remain confident regarding automotive and industrial sectors**. Frome the various conference calls and contacts with management we have had recently, we understand that there is no fear of a Brexit impact. STMicroelectronics made it clear, the group "does not have material operations in the UK and has not experienced any material impact from Brexit on [the] underlying business to date". A similar statement was also found in other groups' comments including Infineon and Melexis, which nevertheless raised its FY16 guidance in view of the supportive environment in the automotive sector. However, the tone was more cautious in the consumer market, especially PCs and smartphones. Dialog, which derives 80% of sales from Apple, again lowered its FY16 guidance and now expects a 15% decline in volumes yoy (stable price).
- **In this context, we continue to favour Dialog, Infineon and u-blox.** These groups boast strong positions in their respective markets and offer growth prospects over the next three years (including Dialog which should benefit from better momentum from 2017). In addition, valuations for these groups remain attractive with PEG levels of respectively 1.7x, 1.1x and 1.2x. Conversely, we recommend staying away from Melexis, due to high valuation metrics (PEG of 4.9x) and ASML due to an unattractive risk/reward profile.

To be continued next page

VALUATION

- Valuations in the semiconductor industry have enjoyed a positive impact from by the healthy set of results and the EUR/USD move, as well as supportive news flow. Indeed, the acquisition of ARM Holdings by Soft Bank announced in July fuelled hopes of M&A deals in the industry. As a result, most of the stocks show a positive YTD performance (50 out of the 60 companies we monitor actively). Foundry group was the worst performer with an average YTD average performance of 10%. Among our coverage, ARM Holdings' has the best YTD performance (+62.4%) while Dialog's has the worst (+1.3%).

BG semiconductor sub-sector valuation table

	YTD stocks perf.		2016e			
Subsector	Avg. / Median	Higher / Lower	EV/Sales	EV/EBITDA	EV/EBIT	P/E
Fabless (14)	20.1% / 12.7%	91.1% / -18.2%	2.7x	10.8x	14.4x	22.8x
Logic & Analog IDM (16)	11.8% / 12.4%	38.9% / -20.9%	3.2x	9.5x	12.4x	16.7x
Memory IDM (4)	15.1% / 14.1%	22.6% / 9.7%	0.9x	3.7x	7.3x	15.2x
Foundry (5)	10.2% / 1.3%	29.2% / -2.1%	1.6x	4.3x	13.5x	12.6x
Semi Equipmt & Materials (11)	12.2% / 10.5%	47.1% / -6.6%	2.3x	8.9x	9.9x	15.8x
Intellectual Property & EDA (10)	36.4% / 36.4%	62.4% / 9.1%	5.5x	16.1x	20.7x	23.3x

Numbers between brackets represent the # of companies in each group; green/red numbers are higher/lower value per data point.

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

NEXT CATALYSTS

- 26th August 2016: u-blox H1 2016 results

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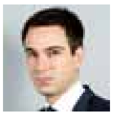

Analyst :
Dorian Terral
33(0) 1.56.68.75.92
dterral@bryangarnier.com

Sector Team :
Richard-Maxime Beaudoux
Thomas Coudry
Gregory Ramirez

Healthcare

Sanofi

Price EUR69.71

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	93.3 / 67.3
Market Cap (EUR)	89,857
Avg. 6m daily volume (000)	2,661

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.7%	1.0%	-0.9%	-11.3%
Healthcare	-3.3%	4.0%	5.0%	-7.6%
DJ Stoxx 600	0.8%	1.9%	4.2%	-7.0%

	2015	2016e	2017e	2018e
P/E	12.4x	12.7x	12.6x	11.4x
Div yield (%)	4.2%	4.3%	4.5%	5.0%

iGlarLixi's potential US approval delayed by three months

Fair Value EUR83 (+19%) **NEUTRAL**

ANALYSIS

- Following a request from the FDA, Sanofi has submitted updated information regarding the pen delivery device used for its combination of a basal insulin glargine and a GLP-1 analogue for the treatment of adults with Type 2 Diabetes (T2D). Since this is a major amendment to the NDA, the concrete result is an extension of the PDUFA date by three months (therefore taking us to November).
- The sentence about adult convenience of use may suggest that trouble with the two pens could have been the reason for concern from the FDA. As such, Novo might not face the same issue and finally get Xultophy approved ahead of iGlarLixi. From a pricing and reimbursement perspective however, we do not believe this will make a huge difference as we expect payers to ask for both prices in order to compare and make choices.
- Whatever the case, Sanofi is losing three months, which is detrimental regarding the voucher acquired and even more the timing for the Basaglar launch in mid-December.
- Of course this is also bad news for Zealand. It is unlikely to impact peak sales but could make take-off and competition against Novo and Lilly a touch more difficult.

VALUATION

- We are still in a "wait and see" mode with Sanofi, preferring to wait for answers to many key questions (lixi, PCSK9, Medivation etc...) before eventually becoming more positive, later in the year.

NEXT CATALYSTS

- 23rd October: Q3 2016 results.

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Eric Le Berrigaud, eleberrigaud@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 55.7% NEUTRAL ratings 32.9% SELL ratings 11.4%

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

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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