Please find our Research on Bloomberg BRYG <GO>)

25th August 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18481.48	-0.35%	+6.06%
S&P 500	2175.44	-0.52%	+6.43%
Nasdaq	5217.69	-0.81%	+4.20%
Nikkei	16555.95	-0.25%	-12.80%
Stoxx 600	344.929	+0.39%	-5.71%
CAC 40	4435.47	+0.32%	-4.35%
Oil /Gold			
Crude WTI	47.65	0.00	+28.09%
Gold (once)	1327.49	-0.91%	+24.95%
Currencies/Rates			
EUR/USD	1.1249	-0.64%	+3.55%
EUR/CHF	1.08845	+0.03%	+0.10%
German 10 years	-0.151	-2.63%	-123.73%
French 10 years	0.15	+8.56%	-84.71%

Economic releases :

Date	
25th-Aug	CH - Industrial production 2Q
	DE - IFO Business climate Aug. (114.9 E)
	DE - IFO Expectations Aug. (102.4 E)
	US - Durable Goods orders (3.4%E)
	US - Initial Jobless claims (265K)
	US - Markit US composite PMI Aug.

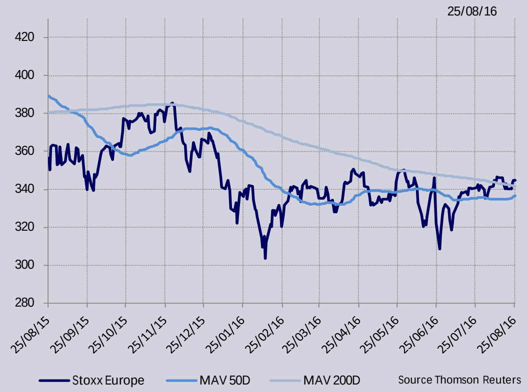
Upcoming BG events :

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	
24th-Aug	AMS Catching the ball when it bounces - all a question of timing
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?

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



AHOLD DELHAIZE — BUY-Top Picks, Fair Value EUR25,8 (+19%)

A solid set of results for Ahold standalone in Q2 2016 (first take)

In view of the merger with Delhaize, Ahold has released its standalone quarterly results for Q2 2016 for the last time (standalone accounts on the left side of the attached report). Total sales came in at EUR8,951m (vs EUR8,898m expected by the consensus), up 4.4% excluding fuel at cc. As a consequence, underlying operating profit increased 7.3% (+8.0% at cc) to EUR355m (vs EUR 336m e) and net profit stood at EUR209m (vs EUR209m). This solid set of results reinforces our Buy conviction (the main pillar of which is that, via cost-sharing, the merger with Delhaize offers an alternative within a sector that is suffering an obvious lack of growth).

ROYAL UNIBREW — BUY, Fair Value DKK325 (+4%)

Very much like Pernille

First half figures confirm the good performance of the company. The new extended agreement with PepsiCo, good weather in Northern Europe, the commercial efforts in Finland, increased expert of malt beverages to Africa, all helped lifting revenue 8% higher and EBIT 10%. Net profit was up 13% and with the continuous buy back of shares EPS was up 17%.

LUXURY GOODS

A soft H1 but not so disastrous!

In H1 2016, Luxury groups were clearly affected by a quite challenging environment (lower tourist flows in Europe and uncertain situation in the US) with an average 1% organic sales growth after +3% in FY 2015. Profitability was generally slightly under pressure following almost no sales growth (despite costs control), highlighting some deleverage impact. We still favour Moncler (Buy-FV: EUR17.5), LVMH (Buy-FV: EUR171) and Kering (Buy-FV: EUR175). Meanwhile, we remain very cautious short term on Tod's Group (Sell-FV: EUR53) and on The Swatch Group (Sell-FV: CHF270).

In brief...

ACCORHOTELS, *RevPAR in France in July: Poor H1 trend continues*

CRH, *Again, very strong H1 2016 interim figures*

IPSEN, *Key takeaways from discussion with new CEO*

NOVARTIS, *BAF312 successful in first SPMS phase III study*

ZEALAND, *Slight adjustment to our numbers, investment case unchanged*

Food retailing

Ahold Delhaize

Price EUR21.64

A solid set of results for Ahold standalone in Q2 2016 (first take)

Fair Value EUR25,8 (+19%) **BUY-Top Picks**

Bloomberg	AD NA
Reuters	AD.AS
12-month High / Low (EUR)	22.0 / 16.5
Market Cap (EURm)	27,727
Ev (BG Estimates) (EURm)	29,949
Avg. 6m daily volume (000)	2 986
3y EPS CAGR	11.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.3%	12.5%	8.2%	11.1%
Food Retailing	-0.1%	-0.6%	-0.2%	-2.3%
DJ Stoxx 600	1.0%	2.1%	4.8%	-6.1%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	32,774	38,203	38,635	39,989
% change		*16.6%*	*1.1%*	*3.5%*
EBITDA	2,129	2,322	2,400	2,528
EBIT	1,250	1,318	1,385	1,477
% change		*5.5%*	*5.1%*	*6.6%*
Net income	790.7	849.0	920.7	988.8
% change		*7.4%*	*8.4%*	*7.4%*

	2014	2015e	2016e	2017e
Operating margin	3.9	3.8	3.7	3.7
Net margin	2.4	2.2	2.4	2.5
ROE	NM	NM	NM	NM
ROCE	15.3	16.1	15.9	16.8
Gearing	27.1	23.3	29.8	14.2

(EUR)	2014	2015e	2016e	2017e
EPS	0.86	0.99	1.11	1.19
% change	-	*15.8%*	*12.1%*	*7.4%*

In view of the merger with Delhaize, Ahold has released its standalone quarterly results for Q2 2016 for the last time (standalone accounts on the left side of the attached report). Total sales came in at EUR8,951m (vs EUR8,898m expected by the consensus), up 4.4% excluding fuel at cc. As a consequence, underlying operating profit increased 7.3% (+8.0% at cc) to EUR355m (vs EUR 336m e) and net profit stood at EUR209m (vs EUR209m). This solid set of results reinforces our Buy conviction (the main pillar of which is that, via cost-sharing, the merger with Delhaize offers an alternative within a sector that is suffering an obvious lack of growth).

Total sales worked out at EUR8,951m (vs EUR8,898m expected by the consensus). In LFL terms, total growth reached +1.2% excl. fuel vs +0.8%e in the US (62% of total sales), +3.2% vs +2.4%e in the Netherlands (34% of total sales) and +1.3% vs -0.2%e in Czech Republic (4% of total sales).

In the US, lfl growth excluding fuel (+1.2%) was supported by volume growth, partly offset by price investments as part of the planned investments in customer propositions and deflation in meat and dairy categories. In the Netherlands, lfl sales grew (+3.2%) supported by strong online sales.

Bottom line, this solid set of commercial performances resulted in a flat underlying operating margin (in line with expectations) at 3.9% in the US (cost cuttings reinvested in the value proposition), +70bp (vs 9bp e) to 5.2% in the Netherlands (simplicity savings exceeded price investments, however the magnitude surprises us, notably given the dilutive impact of e-commerce business) and +74bp (vs 24bp e) to 1.7% in the Czech Republic.

Note that the transaction multiples for the divested US stores (86 units required by the antitrust authorities and with an average margin of 6.3%) seems very low to us (12% sales multiple).

ANALYSIS

- **1/** Current momentum proves Ahold Delhaize's overall resilience, **2/** Ahold Delhaize has virtually no exposure to unwell emerging markets and hence, **3/** offers better visibility on operating performances for 2016 than others, **4/** Ahold Delhaize enjoys one of the best FCF profiles in the sector, **5/** ultimately, via cost-sharing, the merger between Ahold and Delhaize offers an alternative within a sector that is suffering an obvious lack of growth (Anorexic growth... the bigger the better!).

- Major execution risks (which cannot be ruled out during a merger of this scale) may arise later notably when the company will have to integrate the US operations. We see no execution risk linked to the merger before 2017. Before then, we believe both Ahold and Delhaize provide a kind of "insurance" within a skittish sector with no clear direction. BUY.

VALUATION

- We value Ahold Delhaize at EUR25.8, given EUR500m in net synergies by mid 2019. On average between 2016 and 2019, we estimate that the merger should enhance EPS by 14.5% (3% in 2016, 14% in 2017, 20% in 2018 and 22% in 2019).

- Based on our preliminary pro forma accounts (based on EUR300m net synergies already extracted in 2017 out of EUR500m), the details of wich will be provided later (Ahold Delhaize will provide pro forma quarterly accounts on October 6th), we estimate that Ahold Delhaize is currently showing a 2017 P/E around 15x vs 16.5x on average for the sector.

- Management commented on a guidance for newco 2016 FCF which is for EUR1,3bn (vs EUR1,4bn in our current preliminary estimates). Newco should enjoy a strong FCF (yield above 6% going forward we believe, twice as much as the average of the sector) and solid debt profile (lease adjusted net debt / EBITDAR around 1.9x).

NEXT CATALYSTS

- Capital Market Day on 7th December in London

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Food & Beverages

Royal Unibrew

Price DKK314.00

Very much like Pernille

Fair Value DKK325 (+4%) **BUY**

Bloomberg	RBREW DC
Reuters	RBREW.CO
12-month High / Low (DKK)	318.7 / 218.0
Market Cap (DKKm)	16,987
Ev (BG Estimates) (DKKm)	17,054
Avg. 6m daily volume (000)	75.10
3y EPS CAGR	8.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.9%	8.2%	12.3%	12.1%
Food & Bev.	-0.8%	2.4%	6.7%	0.2%
DJ Stoxx 600	1.4%	0.2%	7.7%	-5.7%

YEnd Dec. (DKKm)	2015	2016e	2017e	2018e
Sales	6,032	6,328	6,341	6,455
% change		*4.9%*	*0.2%*	*1.8%*
EBITDA	1,225	1,295	1,320	1,360
EBIT	917.0	984.4	1,010	1,050
% change		*7.4%*	*2.6%*	*3.9%*
Net income	711.4	778.1	799.3	830.5
% change		*9.4%*	*2.7%*	*3.9%*

	2015	2016e	2017e	2018e
Operating margin	15.2	15.6	15.9	16.3
Net margin	11.8	12.3	12.6	12.9
ROE	24.2	27.5	29.7	32.4
ROCE	20.2	23.0	24.2	25.7
Gearing	40.3	39.4	43.9	47.7

(DKK)	2015	2016e	2017e	2018e
EPS	12.93	14.55	15.43	16.58
% change	-	*12.5%*	*6.1%*	*7.4%*
P/E	24.3x	21.6x	20.3x	18.9x
FCF yield (%)	6.0%	5.6%	5.4%	5.8%
Dividends (DKK)	1.80	1.80	1.80	1.80
Div yield (%)	0.6%	0.6%	0.6%	0.6%
EV/Sales	2.9x	2.7x	2.7x	2.6x
EV/EBITDA	14.2x	13.2x	12.8x	12.5x
EV/EBIT	18.9x	17.3x	16.8x	16.1x

First half figures confirm a good performance by the company. The new extended agreement with PepsiCo, good weather in Northern Europe, commercial efforts in Finland, higher exports of malt beverages to Africa, all helped lift revenue 8% higher and EBIT 10%. Net profit was up 13% and with the continuous buy back of shares, EPS was up 17%

Royal Unibrew has reported Q2 figures ahead of consensus this morning. Net revenue grew by 10.8% (expected 7%), EBIT by 11.9% (expected 8%) and net profit by 16.1% (expected 10%). As such six month net revenue was up 8.2%, EBIT up 10.1% and net profit up 13.0%. With the company buying back shares, EPS was up 17% for the six months (DKK6.8 v SKK5.8) and 22% for Q2 (DKK5.0 v DKK4.1).

ANALYSIS

- The expanded cooperation with PepsiCo in Denmark (snacks) and the Baltic countries (soft drinks) resulted in a net revenue increase of approx 2%.
- Furthermore, the good performance of the company was driven by continued strong Danish consumer sentiment, which is increasing the sale of branded beers (compared to white label or supermarket label) and the good weather in Northern Europe in Q2 (however Q3 has started pretty poor in the region). In Italy, the weather was normal (compared to very good last year). As a result revenues in H1 are up 7% in Denmark and down 1% in Italy.
- Much better weather in Finland but especially, the exclusivity agreement with the biggest Finnish retailer (SOK) to promote its flagship Karjala brand boosted H1 volumes by 26% and revenue by 10% (significant decline in revenue per hl because of the campaign).
- Sales of malt beverages for H1 2016 showed a 3% increase in volumes and a 7% increase in net revenue, driven by the African markets.
- H1 operating margin for the company was 14.8% and 17.5% in their Western European division. That compares with Heineken's operating margin of 16.9% of which 11.8% in the Western European operations and Carlsberg's group margin of 11% and 12.1% in their Western European division.
- The previous guidance range is narrowed. The company is now guiding for net revenue of DKK 6,275-6,450 million (previously: DKK 6,150-6,400 million) and EBIT of DKK 935-985 million (previously: DKK 885-985 million). These figures compare to a 2015 net revenue of DKK6,032m and EBIT of DKK917m.

VALUATION

- We derive our standalone fair value of DKK325 from a risk free rate of 1.7%, a risk premium of 7%, a beta of 0.85 and a long term growth rate of 2.5.

NEXT CATALYSTS

- Q3 figures on 23 November 2016

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Luxury Goods

A soft H1 but not so disastrous!

	1 M	3 M	6 M	31/12/15
Pers & H/H Gds	1.4%	2.0%	8.9%	3.4%
DJ Stoxx 600	1.4%	0.2%	7.7%	-5.7%

*Stoxx Sector Indices

Companies covered

BURBERRY		**NEUTRAL**	**1200p**
Last Price	1353p	*Market Cap.*	GBP6,004m
CHRISTIAN DIOR		**BUY**	**EUR175**
Last Price	EUR161,2	*Market Cap.*	*EUR29,294m*
HERMES Intl		**BUY**	**EUR370**
Last Price	EUR389,95	*Market Cap.*	*EUR41,167m*
HUGO BOSS		**NEUTRAL**	**EUR74**
Last Price	EUR57,53	*Market Cap.*	*EUR4,050m*
KERING		**BUY**	**EUR175**
Last Price	EUR172,15	*Market Cap.*	*EUR21,737m*
LVMH		**BUY**	**EUR171**
Last Price	EUR157,3	*Market Cap.*	*EUR79,867m*
MONCLER		**BUY**	**EUR17,5**
Last Price	EUR15,59	*Market Cap.*	*EUR3,900m*
PRADA		**NEUTRAL**	**HKD35**
Last Price	EUR21,2	*Market Cap.*	*EUR54,247m*
RICHEMONT		**NEUTRAL**	**CHF63**
Last Price	CHF59,2	*Market Cap.*	*CHF33,152m*
SALVATORE FERRAGAMO		**BUY**	**EUR23**
Last Price	EUR20,95	*Market Cap.*	*EUR3,536m*
THE SWATCH GROUP		**SELL**	**CHF270**
Last Price	CHF262,7	*Market Cap.*	*CHF14,552m*
TOD'S GROUP		**SELL**	**EUR53**
Last Price	EUR54,3	*Market Cap.*	*EUR1,797m*

In H1 2016, Luxury groups were clearly affected by a quite challenging environment (lower tourist flows in Europe and uncertain situation in the US) with an average 1% organic sales growth after +3% in FY 2015. Profitability was generally slightly under pressure following almost no sales growth (despite costs control), highlighting some deleverage impact. We still favour Moncler (Buy-FV: EUR17.5), LVMH (Buy-FV: EUR171) and Kering (Buy-FV: EUR175). Meanwhile, we remain very cautious short term on Tod's Group (Sell-FV: EUR53) and on The Swatch Group (Sell-FV: CHF270).

ANALYSIS

- As expected, H1 Luxury Goods results were mixed with some reassuring publications like Moncler (Buy-FV: EUR17.5), Hermès (Buy-FV: EUR370), LVMH (Buy-FV: EUR171) and Kering (Buy-FV: EUR175), but some others were quite disappointing such as The Swatch Group (Sell-FV: CHF270) and Tod's (Sell-FV: EUR53). Globally, H1 sales grew 1% organically following +3% in FY 2015. In Q2 alone, sales were slightly above 1% while in Q1, they was slightly below 1%, with the deviation coming from Hermes. Nevertheless, if we exclude Moncler, revenues were down 1% in both quarters highlighting a challenging environment.

- By geographical area, we would highlight the clear slowdown in **Europe** with for instance 3% revenue growth in Q2 at LVMH vs +7% in Q1 and for Kering from +10% in Q1 to +5% in Q2. Nevertheless, Hermès reported a very high sales increase in Q2 too. Unsurprisingly, tourist flows have significantly decreased following the terror attacks across Europe and the state of emergency in France. For instance, Japanese tourists were 47% lower than in H1 2015 to visit Paris and Americans were also 6% lower than in H1 2015, Chinese 20% lower and Russian 35% lower.

- On the other hand, momentum clearly improved in **Asia-Pacific**, particularly in Q2 thanks to a slight increase in Mainland China while trends remained negative in H-K/Macau (in the double-digits). In Mainland China, activity was better since the Chinese clientele bought more at home, as a consequence of tightened custom controls, unfavourable currency moves (higher JPY) and safety concerns in Europe. Actually LVMH APAC sales declined 3% in Q1 but grew 3% in Q2 and Kering revenues there were respectively stable and up 6%.

Quarterly organic sales growth

in %	**Q1 16**	**Q2 16**	**H1 16**
Burberry	-2	-3	-4
Ferragamo	-2	-3	-3
Hermès	6	8	7
Hugo Boss	-3	-1	-2
Kering	4	7	6
o/w Kering Luxury	*3*	*5*	*4*
LVMH	3	4	4
o/w F&L division	*0*	*1*	*4*
Moncler	17	17	17
The Swatch Group	-12	-12	-12
Tod's group	-4	-4	-4
Average	**1**	**1**	**1**

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

- Unsurprisingly, **Hermès** was amongst the best-performers in H1 with 7.2% organic sales growth (of which +8.1% in Q2 after +6% in Q1), driven by Leather goods (+16.3% and +17.1% in Q2), partly thanks to additional production capacities. Sales were up 8% in Europe during the half year, of which +7.3% in France with even an acceleration in Q2. Hermès' performance has to be compared with average Luxury goods industry revenues up 1%. Again **Hermès** clearly outperformed peers. And RMS H1 EBIT margin should be up around 100bp. **Kering** reported higher sales growth than expected by investors (+5.5% vs +4% expected), particularly for the luxury division. In Q2, **Gucci** brand performance was much stronger (+7.4%) than anticipated (+2%) and highlights the fact that brand renovation is underway with 70% of sales achieved with the Alessandro Michele collection. Nevertheless, **Bottega Veneta** revenues were down 9%, as the brand is over-exposed to Asian clients (70% of sales). **Kering's** profitability improved 20bp to 14.2% in H1 thanks to an 80bp gain to 27.6% for Gucci given a slight operating leverage and a less negative FX impact.

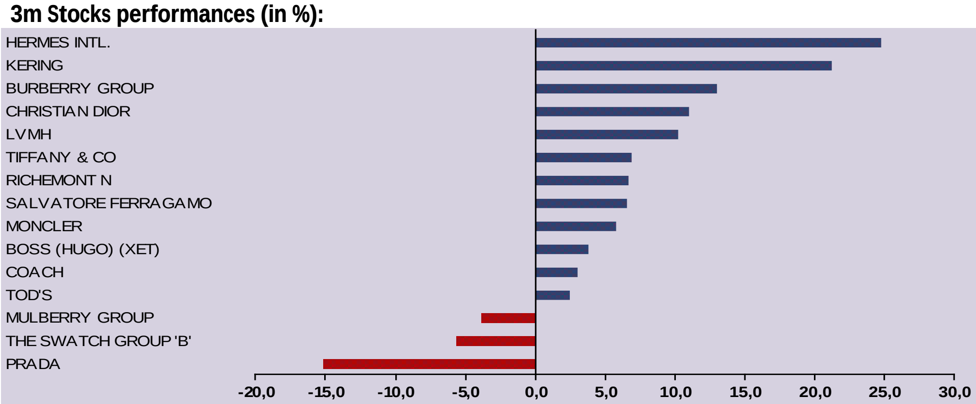
(To be continued next page)

- The other good surprise in the H1 release was **LVMH** which reported a 4% organic sales increase of which +1% for the Leather Goods & Fashion division vs 0% in Q1. We assume that Louis Vuitton sales were up around 2% in Q2. On the other hand, Wines & Spirits and Perfumes & Cosmetics activities were very well oriented with respectively 13% and 6% increases in Q2. These figures highlight the clear strength of the French group given the current challenging environment: it is the most diversified group among our luxury sample. Nevertheless, H1 EBIT margin was down 50bp to 17.2%, including -30bp for the Fashion & Leather business despite almost stable profitability for **Louis Vuitton**.
- The first half was quite heterogeneous for two groups exposed to the apparel category: **Moncler** achieved the highest growth in the sector (+17% FX-n o/w SSSG of +5%) as it outperforms a healthy outerwear segment (+5%/year) thanks to its heritage, strong legitimacy and luxury positioning. As such, Moncler has posted strong performances in two challenging regions: +30% in Asia-Pacific and +20% in the Americas. On the other hand, **Hugo Boss** (-2% FX-n o/w SSSG of -7%) faced very challenging apparel market conditions (declining footfall, deflationary trends, competition from "fast-fashion" brands), especially in the US (-19% FX-n). The group has implemented a few initiatives to restore momentum and streamline the cost structure, which should gradually bear fruits throughout H2 2016 and onwards.
- On the other hand, **Swatch Group** was the worst performer. H1 sales were down 12.5% at same forex. Over the first six months, Swiss watch exports declined 11% including -27% in Hong Kong This clearly negative trend was driven by Switzerland, Hong Kong and France that together account for 30% of group sales and we assume a 20% sales decline for these three areas. Beyond the watch brand sales decline, the movements production business was penalised by order cancellations. Only Harry Winston revenues were up in H1. The Swatch Group profitability declined severely in H1 at -870bp to 9.5% as Nick Hayek, Group CEO, did not want to adjust costs and particularly by cutting jobs, hence a very strong deleverage impact. It is worth noting that between 2013 and 2016, the group's margin lost almost 1,300bp from 24.5% to 11.5%!!

VALUATION

- Over the last 3m, among our luxury sample, the best performer was **Hermès** with a 25% hike vs a 6% increase on average. But **Kering** and **LVMH** also performed quite well. Nevertheless, YTD, luxury stock share prices have fallen 2% on average (+3% vs DJ Stoxx), with again **Moncler**, **Hermès**, **Kering** and **LVMH** as the best performers.
- Despite these performances, we continue to favour these four stocks with around 12% upside for **Moncler** and **LVMH**.

3m Stocks performances (in %):



Source: Datastream

NEXT CATALYSTS

- Hermès and Tod's will report their H1 results mid-September.

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Hotels

AccorHotels

Price EUR34.28

Bloomberg	AC FP
Reuters	ACCP.PA
12-month High / Low (EUR)	46.1 / 30.0
Market Cap (EURm)	9,758
Avg. 6m daily volume (000)	1 225

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.2%	-13.4%	-2.9%	-14.3%
Travel&Leisure	3.6%	-6.0%	-2.0%	-12.5%
DJ Stoxx 600	1.4%	0.2%	7.7%	-5.7%

	2014	2015e	2016e	2017e
P/E	20.4x	18.2x	20.3x	17.8x
Div yield (%)	2.8%	2.9%	3.2%	3.6%

RevPAR in France in July: Poor H1 trend continues

Fair Value EUR45 (+31%) **BUY**

ANALYSIS

- As anticipated, RevPARs in July in France were highly impacted by the current environment, falling 6% after -1.3% in June and -3.6% over the first six months. By segment, the H1 trend continued with the upscale segment down 11% and still the most harshly impacted by lower numbers of international travellers, while the midscale segment was down 5.8% and economy confirmed its resilience with RevPAR down only 1.4%.
- With c. 28% of the group's total number of rooms in France, AccorHotels continues to be the most impacted by that situation. Nevertheless, as was the case in H1 with RevPAR down 2.2% in France compared with -3.6% for the hotel sector, AccorHotels should remain less affected than the sector given its lower exposure to the upscale segment representing less than 5% of the group's offer in France. AccorHotels economy segment represents c.65% of the group's offer in France and the midscale segment 30%.

VALUATION

- After H1 results, management guided on FY 2016 EBIT between EUR670m and EUR720m, which compares with our current forecast of EUR715m ("base case" using RevPAR growth of 3.5%) and consensus of EUR689m. As confirmed by management, top end of the range implies RevPAR growth of about 3%. The low range of the bracket, which looks more and more realistic, **will imply flat RevPAR vs. last year and is also perfectly in line with our "stress case" scenario (EBIT of EUR663m with flat RevPAR). In this scenario, the valuation would be EUR38.**

NEXT CATALYSTS

- Capital market day on 5th October
- Q3 revenue on 18th October

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Construction & Building Materials

CRH

Price EUR29.05

Bloomberg	CRH.ID
Reuters	CRH.I
12-month High / Low (EUR)	29.4 / 21.0
Market Cap (EURm)	24,104
Avg. 6m daily volume (000)	1,125

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.2%	8.0%	29.6%	8.3%
Cons & Mat	6.8%	3.8%	15.2%	4.9%
DJ Stoxx 600	1.4%	0.2%	7.7%	-5.7%

	2015	2016e	2017e	2018e
P/E	34.6x	18.7x	16.0x	13.8x
Div yield (%)	2.2%	2.2%	2.2%	2.2%

Again, very strong H1 2016 interim figures

Fair Value EUR30 (+3%) **BUY**

ANALYSIS

- H1 2016 sales came in at EUR12.7bn (2% vs consensus), up 8% on a pro-forma basis while H1 2016 EBITDA totalled EUR1120m (7% vs consensus), up 20% on a pro-forma basis, vs recent guidance for EUR1.1bn. The margin stood at 8.8% (9% and up 90bps y/y on a pro-forma basis).
- By zone, the Americas performance was very strong with EBITDA up 39% (PF), while Europe and Asia reported a decent increase (+5% and +7%, respectively). CRH is talking about a "continued positive momentum" in the Americas (particularly in res. and non-res.), which is of course not surprising. In Europe, CRH mentioned the "modest impact of early-stage economic recovery".
- Outlook: EBITDA guidance is for above EUR3bn this year (IBES is EUR3.1bn). Comparison for the Americas is likely to be tougher, while Europe should continue on the same trend. The impact of Brexit remains unclear, CRH says. Slight increase in dividend per share at EUR18.8cent.

Key figures in H1 2016

EURm	H1 15	H1 15PF	H116e cons.	H116 rep	Δ% vs cons	PF y/y
Sales	12348	11740	12424	12693	2%	8.0%
EBITDA	934	956	1049	1120	7%	20.0%
EBITDA margin	7.6%	8.1%	8.4%	8.8%	-	90bps

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

VALUATION

- FV EUR30 derived from the application of 10x EV/EBITDA on our 2017 figures, discounted back.

NEXT CATALYSTS

- Interim Management Statement in November

Eric Lemarié, elemarie@bryangarnier.com

Healthcare

Ipsen

Price EUR59.17

Bloomberg	IPN FP
Reuters	IPN.PA
12-month High / Low (EUR)	61.9 / 47.1
Market Cap (EURm)	4,927
Avg. 6m daily volume (000)	87.80

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.9%	5.4%	13.9%	-3.0%
Healthcare	-3.8%	0.8%	6.7%	-6.9%
DJ Stoxx 600	1.4%	0.2%	7.7%	-5.7%

	2015	2016e	2017e	2018e
P/E	21.3x	20.4x	17.5x	14.5x
Div yield (%)	1.4%	1.4%	1.9%	2.0%

Key takeaways from discussion with new CEO

Fair Value EUR66 (+12%) **BUY-Top Picks**

ANALYSIS

- In order to introduce its new CEO to the sell-side community, Ipsen organised an informal meeting yesterday.
- Although it is still very early days since David Meek has only been in place for a few weeks, we consider that he is determined to build on the existing strong foundations but at the same time to add fresh impetus and if possible, introduce some changes and improvements to the organisation that is described as complex. Mr Meek is to continue visiting subsidiaries around the globe and is soon to head to China and Russia with the CFO, with the aim of trying to simplify the organisation.
- Nothing is set in stone and while Ipsen preferred not to support the thesis of an ongoing strategic review, nothing has been ruled out for instance in terms of how to do research at Ipsen or what Primary Care to keep within the group over the long term. One of the objectives is to boost the group's operating profitability and close the gap vs competition in specialty care on that front.
- What is very clear is the personal implication of the new CEO in BD and M&A. He is convinced that results can be obtained only if the CEO himself is closely involved in the process and he has had several personal interactions with other CEOs recently to discuss partnerships or acquisitions. One of the key objectives here is to leverage existing infrastructure and try to maximise synergies with existing products. It was interesting to hear that being a family-owned company could help by ensuring continuity in the strategy and providing stability to a potential partner. We would be surprised if efforts in terms of BD/M&A do not translate into a deal over the next few months. However, short-term accretion is less clear than we previously understood.

NEXT CATALYSTS

- Early October: ESMO meeting – new data on cabozantinib (including CABOSUN phase II data in 1L)

Click here to download

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Healthcare

Novartis

Price CHF78.45

Bloomberg	NOVN VX
Reuters	NOVN.VX
12-month High / Low (CHF)	94.8 / 68.5
Market Cap (CHFm)	206,097
Avg. 6m daily volume (000)	4 982

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.7%	0.8%	8.6%	-9.6%
Healthcare	-3.8%	0.8%	6.7%	-6.9%
DJ Stoxx 600	1.4%	0.2%	7.7%	-5.7%

	2015	2016e	2017e	2018e
P/E	16.2x	16.9x	15.5x	13.9x
Div yield (%)	3.4%	3.7%	3.2%	3.6%

BAF312 successful in first SPMS phase III study

Fair Value CHF87 (+11%) **NEUTRAL**

ANALYSIS

- Did we look at BAF312 closely enough? How big can this opportunity be? As we focused a lot on Gilenya and the potential end of exclusivity in the US in 2019, we may not have paid enough attention to the rest of Novartis' pipeline in MS. In the context of Genmab coverage, we did mention how significant the opportunity of ofumatumab was but maybe we were too shy about BAF312. Novartis itself was conservative on that front and did not even include the drug in the newsflow chart for H2 for instance.
- As such, achieving positive results with BAF312 in SPMS comes as a surprise and the market opportunity could be significant as about 500,000 patients worldwide could suffer from the disease with no drug having been studied specifically in this setting. So, EXPAND reached its primary endpoint which was reduction in disability progression compared to placebo. Its profile is slightly different from Gilenya's, is not targeting the same S1P subgroups and has a much shorter half-life. It looks closer to Actelion's ponesimod for which the success is mixed news (another S1P makes the class more popular but increases competition although SPMS and RRMS are not exactly the same markets).
- Now, it remains to be seen whether Novartis will require a confirmation study to file BAF312 or considering EXPAND was quite large already (with a 2:1 ratio meaning that about 1,000 patients received the drug) and that no comparative study can be run, maybe it can be sufficient at least in some geographies. If so, this would give Novartis' MS franchise a boost and earlier than expected as it was originally expected to be filed in 2019. With Gilenya, ofamutumab, biosimilars from Betaseron and Copaxone and now BAF312, Novartis has a great and maybe under-appreciated MS franchise for the years to come.

VALUATION

- BAF312 was not included at all in our sales model and we may have to see how we could introduce it with a reasonable PoS. Although it is not expected to make a major difference to the FV, this is a clear positive for the stock, that may participate in its revival.

NEXT CATALYSTS

- Early October – ESMO meeting with LEE011 data presentation

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Healthcare

Zealand

Price DKK110.00

Bloomberg	ZEAL DC
Reuters	22Z.F
12-month High / Low (DKK)	168.5 / 92.5
Market Cap (DKKm)	2,699
Avg. 6m daily volume (000)	119.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.2%	-6.4%	-7.6%	-27.4%
Healthcare	-3.8%	0.8%	6.7%	-6.9%
DJ Stoxx 600	1.4%	0.2%	7.7%	-5.7%

	2015	2016e	2017e	2018e
P/E	NS	NS	NS	8.4x
Div yield (%)	NM	NM	NM	NM

Slight adjustment to our numbers, investment case unchanged

Fair Value DKK172 vs. DKK176 (+56%) **BUY**

ANALYSIS

- Until iGlarLixi gets approved, launched and reflects in milestones and royalties for Zealand, numbers will not matter that much although increasing maturity of the pipeline translates into gradually improving operating costs for the company.
- That said, since our FV takes into account non-restricted cash at the end of each half-year, the situation at the end of June shows a reduction by about DKK130m compared to end of 2015 i.e. DKK5 on the FV. R&D and administrative expenses clearly accelerated in Q2 compared to Q1. Moreover, where we expected the approval of lixisenatide in the US to trigger a payment of USD10m to Zealand from Sanofi, it was only USD5m. Lastly, considering the poor performance of lixisenatide in its existing markets, we have removed the only commercial milestone we had on the drug later in the decade. In the opposite direction, the comments from Sanofi about interactions with the FDA about iGlarLixi suggest likely approval in November and so we have increased our PoS from 85% to 90%.

VALUATION

- All in all, our we have slightly adjusted downwards our FV (considering the above-mentioned elements) but it is fair to say that the investment case is intact. Zealand should be increasingly appreciated for its pipeline whereas iGlarlixi is the way to finance it. That said, iGlarLixi alone represents DKK112m i.e. the current share price, hence giving no value to R&D.

NEXT CATALYSTS

- Today 2pm: Conference Call

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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 55.3% NEUTRAL ratings 33.3% SELL ratings 11.3%

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