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1st September 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18400.88	-0.29%	+5.60%
S&P 500	2170.95	-0.24%	+6.21%
Nasdaq	5213.22	-0.19%	+4.11%
Nikkei	16926.84	+0.23%	-11.28%
Stoxx 600	343.532	-0.35%	-6.09%
CAC 40	4438.22	-0.43%	-4.29%
Oil /Gold			
Crude WTI	44.7	-3.56%	+20.16%
Gold (once)	1307.93	-0.77%	+23.11%
Currencies/Rates			
EUR/USD	1.11375	-0.13%	+2.53%
EUR/CHF	1.09435	-0.04%	+0.64%
German 10 years	-0.127	-19.25%	-119.95%
French 10 years	0.162	+9.96%	-83.47%

Economic releases :

Date	
1st-Sept	CNY - Manuf PMI Aug. (50.4A, 49.9E, 49.9P) CNY - Non Manuf PMI Aug. (53.5A, 53.9P) FR - PMI Manuf Index DE - PMI Manuf Index US - Initial Jobless Claims US - DOE Oil Inventories

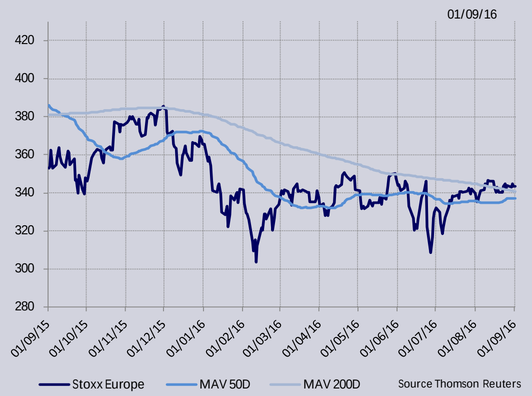
Upcoming BG events :

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



BIOMÉRIEUX — NEUTRAL, Fair Value EUR130 (-5%)

"At or above" already priced in, backing profit-taking moves

BIM's Q2 conference call focused on new guidance and profitability levels, both for FilmArray and at the group level. Sales guidance seems conservative in our view (BGe 9.4%CER growth for the year vs guidance "at or above 8%CER"). Despite FilmArray now being accretive to the group's EBIT margin, we do not see the latter progressing to the same extent as sales over the year (i.e. significantly above communicated guidance, BGe EUR291m vs guidance EUR265-290m). NEUTRAL rating reiterated but Fair Value increased however from EUR127 to EUR130.

EIFFAGE — BUY, Fair Value EUR77 vs. EUR73 (+10%)

Nice interim figures, decent outlook : difficult to be disappointed.

Difficult to be disappointed by the fine earnings at end-June, combined with confident comments from management on the group's outlook. H1 2016 current EBIT rose to EUR677m (3.5% above consensus*) representing a 10.4% margin, up 140bps y/y, with improvement in almost all businesses. The order book was solid, up 1.6% at more than EUR12bn. Guidance is positive, with margin improvement expected in most divisions, while the decline in financial charges should be higher than initially guided. Still a Buy.

PERNOD RICARD — NEUTRAL, Fair Value EUR107 (+4%)

2015/16 results: first take

Q4 organic sales fell 0.7%, below consensus (+0.7%) but globally in line with our estimate (-1%). This weak performance was due to tough comps in France and the reversal of shipment loading in the US in Q3. Full year EBIT rose 2.1% organically (consensus: +1.9% and our estimate: +1.7%), in the mid range of the guidance (+1/3%). Guidance for 2016/17 is for organic EBIT growth between 2% and 4%.

RÉMY COINTREAU — BUY, Fair Value EUR80 (+2%)

Some newsflows

Rémy Cointreau has launched a private placement of bonds convertible into new shares and/or exchangeable for existing shares due in 2026 for an amount of EUR275m. It has also entered into exclusive negotiations with Luca Bols to create a joint venture for the Passoã brand (passion fruit liqueur).

SOFTWARE AG — BUY, Fair Value EUR40 (+12%)

Announcing the Adabas & Natural 2050 agenda and acquisition of Connx Solutions

Yesterday Software AG made its Adabas & Natural (A&N) 2050 roadmap official, launching an extended services portfolio and the integration of Mobile, Big Data and DevOps capabilities. It also announced the acquisition of Connx Solutions, a software vendor specialised in data integration and replication, which has been a partner in A&N for over 10 years. While the contribution of both is difficult to quantify, we consider these two moves will help Software AG soften the decline in the A&N business (est. 27% of sales and a 68% margin) over the medium-term.

In brief...

BUREAU VERITAS, ***New opportunist bond issue***

ROCHE, ***Positive Phase III study for Tecentriq in NSCLC***

Healthcare

bioMérieux

Price EUR136.35

"At or above" already priced in, backing profit-taking moves

Fair Value EUR130 (-5%) **NEUTRAL**

Bloomberg	BIM FP
Reuters	BIOX.PA
12-month High / Low (EUR)	136.4 / 93.7
Market Cap (EUR)	5,380
Ev (BG Estimates) (EUR)	5,779
Avg. 6m daily volume (000)	41.60
3y EPS CAGR	29.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	10.3%	16.2%	16.3%	24.1%
Healthcare	-5.6%	-2.6%	2.0%	-8.5%
DJ Stoxx 600	0.5%	-1.1%	2.9%	-6.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,965	2,096	2,259	2,420
% change		*6.7%*	*7.8%*	*7.1%*
EBITDA	380	427	469	545
EBIT	260.0	290.3	321.9	387.2
% change		*11.7%*	*10.9%*	*20.3%*
Net income	110.3	164.3	194.4	239.9
% change		*49.0%*	*18.3%*	*23.4%*

	2015	2016e	2017e	2018e
Operating margin	13.2	13.9	14.3	16.0
Net margin	5.6	7.8	8.6	9.9
ROE	7.3	10.1	11.0	12.3
ROCE	8.2	8.5	9.2	10.8
Gearing	14.9	24.6	19.0	10.8

(EUR)	2015	2016e	2017e	2018e
EPS	2.80	4.16	4.93	6.08
% change	-	*49.0%*	*18.3%*	*23.4%*
P/E	48.8x	32.7x	27.7x	22.4x
FCF yield (%)	1.3%	NM	2.3%	3.7%
Dividends (EUR)	1.00	1.04	1.23	1.52
Div yield (%)	0.7%	0.8%	0.9%	1.1%
EV/Sales	2.9x	2.8x	2.5x	2.3x
EV/EBITDA	14.7x	13.5x	12.2x	10.3x
EV/EBIT	21.6x	19.9x	17.8x	14.4x

BIM's Q2 conference call focused on new guidance and profitability levels, both for FilmArray and at the group level. Sales guidance seems conservative in our view (BGe 9.4%CER growth for the year vs guidance "at or above 8%CER"). Despite FilmArray now being accretive to the group's EBIT margin, we do not see the latter progressing to the same extent as sales over the year (i.e. significantly above communicated guidance, BGe EUR291m vs guidance EUR265-290m). NEUTRAL rating reiterated but Fair Value increased however from EUR127 to EUR130.

ANALYSIS

- BIM's refined sales guidance (at or above the high range of 6-8%CER vs. 6-8%CER) implies a 5%-6%CER growth in H2 2016, which compares with a strong 10.9%CER in H1 2016. Although translating improving trends across the board, driven by FilmArray, this adjustment is not a significant shift as we would have expected for a +/-150bp upgrade. Indeed, it carries numerous unknowns, clouding the visibility we had in H1 2016 which might impact performance in the second half of 2016. **1)** some Western European countries such as France and Italy, which together represent more than 10% of sales, are under continuous pressure. Note that EMEA grew 2.1%CER in H1 (42% of sales). **2)** volatility around APAC performance, notably in China which represents 8% to 10% of sales. **3)** Roche's PCT test was approved in July in the US and is a direct competitor to VIDAS BRAHMS PCT test (6% of sales).

  In light of this, we prefer to be somewhat reassuring and would point out that **1)** during previous conference calls, management mentioned that the shift in the French lab market to become more automated was being addressed, **2)** APAC performance, driven by reagent sales, was an early sign of stabilisation in the region and **3)** that long-term contracts in the US are in place for VIDAS BRAHMS.

  Hence, we believe that despite management's refined sales guidance (increased from 6%-8%CER growth to "at or above the high end of the 6-8%CER range"), the FY2016 CER sales growth rate could stand +/- 150bp above 8%CER growth rate (BGe 9.4%CER). Although it is too early to be integrated into our estimates, it is worth noting that a low/mid-flu season is factored into guidance, which could represent further upside potential for BIM if the flu season proves to be of higher intensity (~80% of FilmArray sales relies on the respiratory panel).
- Turning to profitability, we welcome management's indication on profitability levels for FilmArray, which is accretive to both gross and EBIT margin i.e. above group level. This is a clear positive as it is fair to think that FilmArray could reach a ~25% EBIT margin towards 2020e, representing 22% of the group's contributive EBIT margin (vs. 12% in 2016e, BGe). Alongside an improving gross margin in H1 2016, this favours an adjustment in the company's contributive EBIT margin guidance to the high end of the previously communicated EUR265-290m range. Our old numbers were already pretty much aligned with this new guidance so are the new ones (BGe EUR291m vs EUR284m). 1) increased commercial costs should weigh on margins in H2 as they will be booked over the full semester (vs. 1½ in H1), and 2) higher instrument sales expected in H2 (integrated by CSS already) should not give the group the opportunity to increase its EBIT to the same extent as sales. Note that the new facility for FilmArray should not have a positive impact in 2016.

VALUATION

- While sales guidance seems conservative in our view (BGe 9.4%CER growth for the year), we do not see the contributive EBIT margin progressing to the same extent (i.e. significantly above communicated guidance). We reiterate our NEUTRAL rating but increase however our Fair Value from EUR127 to EUR130. Despite BIM offering a safe heaven compared to other segments in the HC industry, we consider the share is fully valued and would take some profits at these levels.

NEXT CATALYSTS

- 20th October: Q3 sales

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Construction & Building Materials

Eiffage

Price EUR70.20

Nice interim figures, decent outlook : difficult to be disappointed.

Fair Value EUR77 vs. EUR73 (+10%) **BUY**

Bloomberg	FGR FP
Reuters	FOUG.PA
12-month High / Low (EUR)	71.2 / 54.3
Market Cap (EUR)	6,885
Ev (BG Estimates) (EUR)	21,176
Avg. 6m daily volume (000)	352.5
3y EPS CAGR	18.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.1%	5.9%	7.5%	17.9%
Cons & Mat	4.2%	3.5%	10.6%	5.2%
DJ Stoxx 600	0.5%	-1.1%	2.9%	-6.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	13,909	13,810	14,066	14,341
% change		*-0.7%*	*1.8%*	*2.0%*
EBITDA	2,074	2,132	2,209	2,326
EBIT	1,431	1,547	1,619	1,731
% change		*8.1%*	*4.7%*	*6.9%*
Net income	312.0	399.2	444.9	541.5
% change		*27.9%*	*11.4%*	*21.7%*

	2015	2016e	2017e	2018e
Operating margin	10.3	11.2	11.5	12.1
Net margin	3.3	4.2	4.6	5.5
ROE	13.2	14.5	14.4	15.3
ROCE	5.1	5.4	5.7	6.2
Gearing	351.2	292.5	251.7	209.3

(EUR)	2015	2016e	2017e	2018e
EPS	3.37	4.16	4.64	5.59
% change	*-*	*23.5%*	*11.5%*	*20.5%*
P/E	20.8x	16.9x	15.1x	12.6x
FCF yield (%)	7.4%	6.2%	7.7%	10.5%
Dividends (EUR)	1.50	1.50	1.50	1.50
Div yield (%)	2.1%	2.1%	2.1%	2.1%
EV/Sales	1.5x	1.5x	1.5x	1.4x
EV/EBITDA	10.4x	9.9x	9.4x	8.7x
EV/EBIT	15.0x	13.7x	12.9x	11.7x

Difficult to be disappointed by the fine earnings at end-June, combined with confident comments from management on the group's outlook. H1 2016 current EBIT rose to EUR677m (3.5% above consensus*) representing a 10.4% margin, up 140bps y/y, with improvement in almost all businesses. The order book was solid, up 1.6% at more than EUR12bn. Guidance is positive, with margin improvement expected in most divisions, while the decline in financial charges should be higher than initially guided. Still a Buy.

H1 2016 performance

EURm	Sales	y/y %	EBIT	EBIT mrg	Δbps
Constr. ex-property development	1400	4.1	40	2.9	11
Property development	329	7.7	24	7.3	42
Infra	1925	-3.8	-40	-2.1	7
Energy	1623	-9.5	49	3.0	23
APRR	1116	5.6	537	48.1	396
Others concessions/PPP	104	1.9	79	75.9	-94
Revenues	**6497**	**-1.6**	**677**	**10.4**	**140**

Source : Company Data; Bryan Garnier & Co. ests.
**Consensus figures from Financial Inquiry*

ANALYSIS

- H1 2016 revenues were down 2% lfl at EUR6497m. The decline was mostly due to a poor comparison basis, with the high-speed rail line BPL contribution (infrastructure division) down cEUR120m Y/Y, since the project is almost completed. Besides, Eiffage Energy benefited last year from EUR170m in revenues from the Cestas solar plant. Otherwise, sales would have been slightly up by approx. 3% according to our calculation. **Outlook is fine**: management reiterated its guidance for a "slight decline in activity" in 2016 but the order book is fine, up 1.6% (4.7% excluding BPL), which means 2017 should definitely be a year of top-line growth in our view. In addition, Eiffage mentioned the "ongoing stabilisation of volumes" in the French roadworks business, while construction is doing good, especially property development (reservations up 14%). Summer APRR traffic trends are similar than H1 volumes (adjusted from various non-recurrent effects though).
- Current operating margins improved in almost every business in H1. Infrastructure profitability was flat though, as the metal and roadworks environments were still difficult in France in H1, while APRR benefited from EUR35m less depreciation. **Outlook is positive**: Construction, Energy and Infrastructure should report better operating margins for the full year, to the same extent as H1 for the first two divisions. Infrastructure should benefit from the improvement in profitability in Metal (positive contribution expected vs breakeven previously). We have upgraded our current EBIT estimates by approx. 3% in 2016.
- The decline in financial charges was impressive in H1 (-EUR67m) but most of it stemmed from APRR/Eiffarie. As the refinancing started in H2 last year, Eiffage has made only minor changes to its FY guidance with a EUR60m fall in financial charges expected versus EUR50m previously. We have upgraded our EPS estimates by approx. 4% for 2016 with a fairly similar impact on our valuation.

VALUATION

- EUR77 vs EUR73 FV derived from an updated SOTP, based on our new forecasts.

NEXT CATALYSTS

- Q3 sales of APRR on 20 October 2016; Q3 sales of Eiffage on 7th November 2016.

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Food & Beverages

Pernod Ricard

Price EUR102.90

Bloomberg	RI FP
Reuters	PERP.PA
12-month High / Low (EUR)	108.9 / 88.3
Market Cap (EUR)	27,312
Ev (BG Estimates) (EUR)	35,866
Avg. 6m daily volume (000)	493.5
3y EPS CAGR	2.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.7%	5.1%	4.9%	-2.2%
Food & Bev.	-1.4%	1.5%	4.9%	0.0%
DJ Stoxx 600	0.5%	-1.1%	2.9%	-6.1%

YEnd Jun. (EURm)	06/15	06/16e	06/17e	06/18e
Sales	8,558	8,693	8,797	9,089
% change		*1.6%*	*1.2%*	*3.3%*
EBITDA	2,456	2,595	2,583	2,663
EBIT	2,238	2,247	2,249	2,336
% change		*0.4%*	*0.1%*	*3.9%*
Net income	1,329	1,343	1,365	1,443
% change		*1.0%*	*1.6%*	*5.7%*

	06/15	06/16e	06/17e	06/18e
Operating margin	26.2	25.8	25.6	25.7
Net margin	10.1	14.7	14.8	15.2
ROE	6.6	9.1	9.0	9.1
ROCE	8.8	10.9	10.7	10.9
Gearing	67.9	60.0	55.1	50.0

(EUR)	06/15	06/16e	06/17e	06/18e
EPS	4.99	5.04	5.13	5.42
% change	-	*1.1%*	*1.6%*	*5.7%*
P/E	20.6x	20.4x	20.1x	19.0x
FCF yield (%)	4.2%	4.2%	4.1%	4.3%
Dividends (EUR)	1.80	1.83	1.86	1.97
Div yield (%)	1.7%	1.8%	1.8%	1.9%
EV/Sales	4.2x	4.1x	4.0x	3.9x
EV/EBITDA	14.8x	13.8x	13.7x	13.2x
EV/EBIT	16.2x	16.0x	15.7x	15.0x

2015/16 results: first take

Fair Value EUR107 (+4%) **NEUTRAL**

Q4 organic sales fell 0.7%, below consensus (+0.7%) but globally in line with our estimate (-1%). This weak performance was due to tough comps in France and the reversal of shipment loading in the US in Q3. Full year EBIT rose 2.1% organically (consensus: +1.9% and our estimate: +1.7%), in the mid range of the guidance (+1/3%). Guidance for 2016/17 is for organic EBIT growth between 2% and 4%.

ANALYSIS

- Full year net sales amounted to EUR8,682m (consensus: EUR8,770m and our estimate: EUR8,693m), up 1.4% on a reported basis and 1.8% organically (CS: +2.1% and our estimate: +1.7%). Q4 organic net sales dropped 0.7%, decelerating vs Q3 (+0.8%). Full year EBIT increased 1.7% to EUR2,277m (consensus: EUR2,280m and our estimate: EUR2,247m). Organic EBIT growth was 2.1%, in the mid range of the group's guidance (+1/3%), and slightly above expectations (consensus: +1.9% and our estimate: +1.7%). This was due to cost containment and improving pricing. The EBIT margin was stable at 26.2%. EPS was up 4% to 5.20EUR.
- In **Asia-ROW** (42% of group's sales), Q4 organic net sales decreased 1.9% (consensus: +2% and our estimate: +1.5%) after -5.4% in Q3. This reflects a destocking in South East Asia, a challenging environment for the Travel Retail and a decline in China. The Chinese performance was roughly in line with what was indicated at the Q3 sales release (organic sales down 9% over the year). FY EBIT margin in Asia-ROW decreased 90bp to 28.1%, driven by negative geographical mix. In the **Americas** (28% of group's sales), net sales dropped 1.3% (consensus: -2% and our estimate: -4%) organically in Q4 (+11.1% in Q3) because of the reversal of shipment loading in Q3 in the US. FY EBIT margin in the region increased 200bp to 28.5% thanks to FX. **Europe** (30% of group's sales) posted a 1.1% increase in organic net sales last quarter (consensus: +1% and our estimate: -1%) after +1.6% in Q3. This was mainly due to the very tough comparison base in France where the group overshipped in Q4 2014/15 before the merger of Pernod's and Ricard's IT systems. FY EBIT margin dropped 50bps to 21.7% driven by FX.
- Guidance for 2016/17 is for organic EBIT growth between 2% and 4% (consensus: +3.8%). The group also expects a, improvement of China and Absolut in the US. 2015/16 net debt amounted to EUR8,716m at end-June 2016, down EUR305m, mainly thanks to improved free cash flow (+4% in reported and on a recurring basis. The reported net debt/EBITDA ratio improved from 3.6x to 3.4x. A dividend of EUR1.88 (+4% vs last year) is to be proposed in respect of 2015/16, in line with the customary payout policy of approximately 1/3rd of net profit from recurring operations.

VALUATION

- Our DCF points to a Fair Value of EUR106.

NEXT CATALYSTS

- The group will hold its shareholders'meeting on 17th November

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Food & Beverages

Rémy Cointreau

Price EUR78.23

Bloomberg	RCO FP
Reuters	RCOP.PA
12-month High / Low (EUR)	80.4 / 50.9
Market Cap (EURm)	3,813
Ev (BG Estimates) (EURm)	4,257
Avg. 6m daily volume (000)	90.20
3y EPS CAGR	13.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.0%	4.8%	22.8%	18.5%
Food & Bev.	-1.4%	1.5%	4.9%	0.0%
DJ Stoxx 600	0.5%	-1.1%	2.9%	-6.1%

YEnd Mar. (EURm)	03/16	03/17e	03/18e	03/19e
Sales	1,051	1,069	1,133	1,214
% change		*1.7%*	*6.1%*	*7.1%*
EBITDA	200	220	244	270
EBIT	178.4	199.3	221.0	244.9
% change		*11.7%*	*10.9%*	*10.8%*
Net income	110.4	124.5	142.8	160.0
% change		*12.8%*	*14.7%*	*12.1%*

	03/16	03/17e	03/18e	03/19e
Operating margin	17.0	18.7	19.5	20.2
Net margin	10.5	11.6	12.6	13.2
ROE	9.9	11.5	13.5	14.6
ROCE	16.5	17.3	18.0	18.3
Gearing	41.2	41.1	38.1	31.6

(EUR)	03/16	03/17e	03/18e	03/19e
EPS	2.27	2.56	2.93	3.29
% change	-	*12.8%*	*14.7%*	*12.1%*
P/E	34.5x	30.6x	26.7x	23.8x
FCF yield (%)	2.0%	2.7%	3.1%	3.5%
Dividends (EUR)	1.60	1.60	1.60	1.60
Div yield (%)	2.0%	2.0%	2.0%	2.0%
EV/Sales	4.1x	4.0x	3.7x	3.4x
EV/EBITDA	21.4x	19.4x	17.3x	15.4x
EV/EBIT	23.9x	21.4x	19.1x	17.0x

Some newsflows

Fair Value EUR80 (+2%) **BUY**

Rémy Cointreau has launched a private placement of bonds convertible into new shares and/or exchangeable for existing shares due in 2026 for an amount of EUR275m. It has also entered into exclusive negotiations with Luca Bols to create a joint venture for the Passoã brand (passion fruit liqueur).

ANALYSIS

- **Rémy Cointreau has launched a private placement of bonds convertible into new shares and/or exchangeable for existing shares** due in 2026 for an amount of EUR275m. This aims at 1/ refinancing EUR205m in bonds maturing in December 2016 and with a coupon of 5.18%, and 2/ serving the general financing purposes of the company. The conversion ratio is one share per OCEANE and the issue premium is 40%. The OCEANEs may be redeemed early at the option of the company from September 2021 if the average share price exceeds 130% of the nominal value of the OCEANEs (EUR110.70). They enable Rémy Cointreau to benefit from very low interest rates (0.125%). As a reminder, the group does not have investment grade rating (BB+). The decrease in finance costs would increase our net result estimate by 6%. But the impact on our EPS forecast would be roughly neutral (+0.5%) due to the increase in the number of diluted shares (+2 484 191)

- **The group has also entered into exclusive negotiations with Luca Bols to create a joint venture, for the Passoã brand** (passion fruit liqueur). Under the proposed agreement, Rémy Cointreau would contribute all Passoã operations, including trademarks and inventory, while Lucas Bols would contribute both its know-how and expertise in the liqueur and cocktail business, as well as working capital. Lucas Bols would assume operational and financial control of the joint venture. This project forms part of Rémy Cointreau's strategy to premiumise its portfolio. It aims to generate 60-65% of its sales from exceptional spirits by 2019/20 (49% in 2015/16). The transaction is expected to close before the end of 2016.

VALUATION

- We maintain unchanged our estimates pending discussions with the company. Our DCF currently points to a Fair Value of EUR80.

NEXT CATALYSTS

- The group will release its Q2 sales on 18th October

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TMT

Software AG

Price EUR35.62

Announcing the Adabas & Natural 2050 agenda and acquisition of Connx Solutions

Fair Value EUR40 (+12%) **BUY**

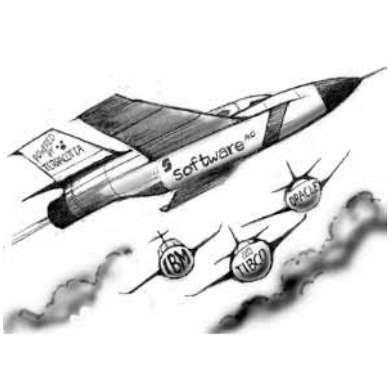
Bloomberg	SOW GR
Reuters	SOWG.DE
12-month High / Low (EUR)	36.7 / 23.8
Market Cap (EURm)	2,814
Ev (BG Estimates) (EURm)	2,682
Avg. 6m daily volume (000)	201.8
3y EPS CAGR	5.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.2%	2.1%	9.4%	34.8%
Softw.& Comp.	1.0%	5.5%	11.4%	5.3%
DJ Stoxx 600	0.5%	-1.1%	2.9%	-6.1%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	873.1	889.8	922.4	964.7
% change		*1.9%*	*3.7%*	*4.6%*
EBITDA	278	291	307	328
EBIT	209.4	239.1	261.5	283.2
% change		*14.2%*	*9.3%*	*8.3%*
Net income	188.0	192.7	203.7	218.9
% change		*2.5%*	*5.7%*	*7.5%*

	2015	2016e	2017e	2018e
Operating margin	30.2	31.0	31.7	32.5
Net margin	16.0	17.7	19.0	19.8
ROE	12.8	13.1	13.1	13.0
ROCE	17.7	18.5	20.0	22.0
Gearing	1.3	-11.0	-22.0	-31.7

(€)	2015	2016e	2017e	2018e
EPS	2.33	2.39	2.53	2.71
% change	-	*2.5%*	*5.8%*	*7.5%*
P/E	15.3x	14.9x	14.1x	13.1x
FCF yield (%)	6.1%	6.8%	7.4%	8.0%
Dividends (€)	0.55	0.60	0.65	0.70
Div yield (%)	1.5%	1.7%	1.8%	2.0%
EV/Sales	3.2x	3.0x	2.7x	2.4x
EV/EBITDA	10.2x	9.2x	8.2x	7.2x
EV/EBIT	10.7x	9.7x	8.6x	7.5x



Yesterday Software AG made its Adabas & Natural (A&N) 2050 roadmap official, launching an extended services portfolio and the integration of Mobile, Big Data and DevOps capabilities. It also announced the acquisition of Connx Solutions, a software vendor specialised in data integration and replication, which has been a partner in A&N for over 10 years. While the contribution of both is difficult to quantify, we consider these two moves will help Software AG soften the decline in the A&N business (est. 27% of sales and a 68% margin) over the medium-term.

ANALYSIS

- **Announcing the Adabas & Natural roadmap**. Software AG yesterday released details of its agenda to support and further develop its Adabas & Natural product portfolio until beyond 2050. In order to leverage its digitisation capabilities to Adabas & Natural enterprise applications, Software AG is launching an extended services portfolio named "A&N Managed Services", which provides staff training, and application modernisation, management and operations to protect the investments made by customers and extend the life-cycle of their mission-critical applications. New A&N product releases and capabilities, as underlined in a recent statement of direction for 2015-2020, include: 1) Mobile, by adding capabilities to develop mobile-optimised applications with Natural; 2) Big Data, by replicating Adabas data in real-time into Terracotta In-memory to enable internet scale applications and services, and through the integration with Apama Streaming Analytics to develop analytic solutions with real-time insights and decisions; 3) DevOps, by extending capabilities to improve DevOps tasks in the Eclipse-based NaturalOne (support, profiling, testing).

- **Acquisition of Connx Solutions**. Founded in 1989 and based in Redmond (USA), Connx Solutions provides API-based data integration/replication technology for Adabas & Natural customers. The company has been an OEM partner of Software AG for over 10 years with broad adoption within the Adabas & Natural customer base. The rationale of the acquisition for Software AG is to secure access to this technology in the light of the 2050 agenda. In addition, Software AG customers gain access to the full range of Connx Solutions technologies (SQL data access, ETL, data sync, desktop query and reporting, cloud integration, integration with Excel…). The acquisition closed on 31st July. We have no details regarding the acquisition price and the revenues Connx generates, but at first glance we doubt the company will have a significant contribution to Software AG's P&L.

- **Efforts to soften the decline in A&N revenues**. We estimate that Adabas & Natural products, before the contribution of Connx Solutions, will account for 27% of revenues to EUR240m (-3% vs. 2015) vs. company guidance of -6%/-2% at cc) with a margin of 68% (70% in 2015) before G&A and central costs. For H1 2016, the A&N division was up 7% lfl with +20% lfl in Q1 especially on the back of a large deal which was booked ahead of schedule. While the impact of the roadmap and Connx are challenging to evaluate, we expect A&N revenues to fall 6-7% lfl by 2019-2020, but we cannot rule out the prospect of this decline being softened in the medium-term by a sustained software renewal rate (currently 98%) and Connx products. In addition, the addition of A&N Managed Services could enhance services revenue growth (est. +4.5% for 2020).

VALUATION

- Software AG's shares are trading at est. 9.7x 2016 and 8.6x 2017 EV/EBIT multiples.
- Net cash position on 30th June 2016 was EUR65.8m (net gearing: -6%).

NEXT CATALYSTS

Q3 2016 results on 20th October before markets open.

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Business Services

Bureau Veritas

Price EUR19.22

New opportunist bond issue

Fair Value EUR21 (+9%) **NEUTRAL**

Bloomberg	BVI FP
Reuters	BVI.PA
12-month High / Low (EUR)	21.0 / 16.1
Market Cap (EURm)	8,495
Avg. 6m daily volume (000)	676.7

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.1%	-0.5%	4.6%	4.5%
Inds Gds & Svs	2.8%	2.1%	9.6%	3.6%
DJ Stoxx 600	0.5%	-1.1%	2.9%	-6.1%

	2015	2016e	2017e	2018e
P/E	20.0x	19.7x	18.8x	17.5x
Div yield (%)	2.7%	2.7%	2.8%	3.0%

ANALYSIS

- In view of beneficial financial market conditions and strong demand, BVI has launched a new bond issue for a total amount of EUR700m. The issue is split between two components i.e. EUR500m with a 7-year maturity with a coupon of 1.25% and EUR200m with a 10-year maturity and a coupon of 2%. Note that the issue was respectively oversubscribed 8 times and 2.5 times.
- First of all, the new issue will refinance the EUR500m bond maturing in May 2017 with a coupon of 3.75% and will lengthen and increase group resources to pursue its M&A strategy.
- At the end of June, BVI's adjusted net debt reached EUR2,184m (gross debt of EUR2,391) vs. EUR1,863m (gross debt of EUR2,390m) at the end of December 2015, representing financial leverage of 2.4x and 2x respectively for a covenant of 3.25x. The average cost of debt was 3.5% at the end of 2015 (3.7% at the end of 2014). In all, taking into account that issue and after May 2017, the cost of debt will be reduced by EUR8m compared with net finance costs of EUR89m in 2015.

VALUATION

- At the current share price, the stock is trading on 2016e and 2017e EV/EBIT multiples of 13.7x and 13x respectively, compared with an historical median of 14.3x and CAGR in 2015-2018 EBIT of less than 3%.

NEXT CATALYSTS

- Q3 trading update on 7th November

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Healthcare

Roche

Price CHF239.80

Positive Phase III study for Tecentriq in NSCLC

Fair Value CHF293 (+22%) **BUY**

Bloomberg	ROG VX
Reuters	ROG.VX
12-month High / Low (CHF)	279.3 / 233.2
Market Cap (CHFm)	168,475
Avg. 6m daily volume (000)	1,298

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.1%	-8.1%	-6.7%	-13.2%
Healthcare	-5.6%	-2.6%	2.0%	-8.5%
DJ Stoxx 600	0.5%	-1.1%	2.9%	-6.1%

	2015	2016e	2017e	2018e
P/E	17.8x	16.3x	15.1x	14.8x
Div yield (%)	3.4%	3.7%	4.0%	4.1%

ANALYSIS

- Roche announces that OAK, a Phase III evaluating Tecentriq (atezolizumab, anti-PD-L1) as a monotherapy in patients 1) with advanced non-small cell lung cancer (NSCLC), 2) whose disease progressed on/after treatment with platinum-based chemo, met its co-primary endpoints (i.e. improvement in overall survival and progression-free survival).
- Obviously, this is good news but we assume this was widely expected given the track-record of the therapeutic class in this very indication. We got no details regarding the degree of improvement, be it in all-comers or depending on the level of expression of PD-L, but let's keep in mind that 1) BMS' Opdivo (nivolumab) improved the median OS by respectively +2.8 and +3.0 months vs docetaxel (HR: 0.73 and 0.59) in non-squamous and squamous platinum-refractory NSCLC; 2) in the POPLAR Phase II study, atezolizumab yielded very similar data in the 2L setting of NSCLC (median OS: 12.6 vs 9.7 months, HR: 0.73).

VALUATION

- BUY reiterated with a FV of CHF293. Now that we know that 1) GOYA unfortunately missed its primary endpoint (see our comment here), and 2) OAK is positive, all eyes will be on APHINITY which is in our view the most significant cancer-related catalyst (please see our feedback from the BG Oncology Day here for further details).

NEXT CATALYSTS

- 7-11 October: Data presentation from the GALLIUM study.
- 19th October: Potential approval of Tecentriq in 2L PD-L1+ NSCLC based on the BIRCH Phase II study.

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Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 55.3% NEUTRAL ratings 33.3% SELL ratings 11.3%

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