



20th September 2016

## BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
<b>Indices</b>			
Dow Jones	18120.17	-0.02%	+3.99%
S&P 500	2139.12	0.00	+4.66%
Nasdaq	5235.03	-0.18%	+4.55%
Nikkei	16492.15	-0.16%	-13.21%
Stoxx 600	341.272	+1.02%	-6.71%
CAC 40	4394.19	+1.43%	-5.24%
<b>Oil /Gold</b>			
Crude WTI	43.03	0.00	+15.67%
Gold (once)	1313.41	+0.17%	+23.63%
<b>Currencies/Rates</b>			
EUR/USD	1.1183	+0.18%	+2.95%
EUR/CHF	1.0956	+0.24%	+0.75%
German 10 years	-0.051	-19.68%	-108.00%
French 10 years	0.255	+6.29%	-74.05%

### Economic releases :

Date	
20th-Sept	08h00 DE - PPI Aug. (-1.6%e y/y) 14h30 Housing Starts Aug. (-1.7%e m/m) 14h30 Building permits aug. (1.8%e m/m)

### Upcoming BG events :

Date	
22nd-Sept	Thematic Lunch with HC specialist
30th-Sept	Thematic Breakfast with Vimpelcom
28th-Oct	IMERYS (Paris roadshow)
14th-Nov/ 15th-Nov	4th Paris Healthcare Conference
28th-Nov/ 29th-Nov	2nd Paris Consumer Conference

### Recent reports :

Date	
15th-Sept	Remy Cointreau : It keeps getting better
14th-Sept	Automotive Innovation: the only way to stand out!
9th-Sept	ENGIE The twelve labours of Engie
7th-Sept	FRESENIUS : ¡Salud!
6th-Sept	WIRECARD Ready to reconnect with the fundamentals
24th-Aug	AMS Catching the ball when it bounces - all a question of timing

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



### VOLTALIA

BUY, Fair Value Under Review

*The sky is the limit*

French renewables company Voltalia reported strong H1-16 results yesterday, with revenues up 82% yoy and EBITDA margin up 850bps. As expected, the company unveiled a brand new strategy following the recent acquisition of Martifer Solar. The new objectives announced for 2019 (1GW of installed capacities, 3GW to be operated, EBITDA to reach EUR180m and 30% payout ratio with initial dividends to be paid in 2018) strengthened our positive view on the company.

### In brief...

#### BAYER, Small preview of the IR day

Bayer issued a press release this morning prior to its "Meet the management" investor conference in which some updated medium-term guidance were given. And overall, we believe the market will positively react.

#### UNILEVER, Acquisition of Seventh Generation

Unilever has announced the acquisition of Seventh Generation, which specialises in "natural" home care and personal products in North America.

#### LUXURY GOODS, Swiss watch exports declined 9% in August

## Utilities

## Volitalia

Price EUR9.40

## The sky is the limit

Fair Value Under Review

BUY

Bloomberg	MLVLT.FP
Reuters	MLVLT.PA
12-month High / Low (EUR)	10.5 / 8.3
Market Cap (EURk)	246,393
Ev (BG Estimates) (EURk)	413,570
Avg. 6m daily volume (000)	2.80
3y EPS CAGR	14.0%

French renewables company Voltalia reported strong H1-16 results yesterday, with revenues up 82% yoy and EBITDA margin up 850bps. As expected, the company unveiled a brand new strategy following the recent acquisition of Martifer Solar. The new objectives announced for 2019 (1GW of installed capacities, 3GW to be operated, EBITDA to reach EUR180m and 30% payout ratio with initial dividends to be paid in 2018) strengthened our positive view on the company.

## ANALYSIS

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.3%	7.2%	11.6%	-7.2%
Utilities	0.0%	0.4%	-1.5%	-6.1%
DJ Stoxx 600	0.3%	4.8%	-0.1%	-6.7%

YEnd Dec. (EURk)	2014	2015e	2016e	2017e
Sales	27,609	59,455	98,246	133,664
% change		115.3%	65.2%	36.0%
EBITDA	12,536	37,158	59,509	85,702
EBIT	6,736	17,979	31,642	51,553
% change		NM	76.0%	62.9%
Net income	4,495	6,934	4,368	9,531
% change		54.3%	-37.0%	118.2%

	2014	2015e	2016e	2017e
Operating margin	45.4	62.5	60.6	64.1
Net margin	NM	NM	NM	NM
ROE	NM	NM	NM	NM
ROCE	NM	NM	NM	NM
Gearing	NM	NM	NM	NM

(EUR)	2014	2015e	2016e	2017e
EPS	0.25	0.26	0.17	0.36
% change	-	7.7%	-37.0%	118.2%
P/E	38.2x	35.5x	56.4x	25.8x
FCF yield (%)	NM	NM	NM	36.0%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	15.7x	7.0x	6.4x	4.1x
EV/EBITDA	34.5x	11.1x	10.5x	6.5x
EV/EBIT	64.2x	23.0x	19.8x	10.7x

French renewables company Voltalia posted strong H1-16 results yesterday. The company reported revenues of EUR44.7m up 82% yoy, mainly spurred by the commissioning of 213MW in Brazil (Sao Miguel do Gostoso, Oiapoque and Vamcruz). At constant FX, revenues have doubled year-on-year. Group EBITDA reached EUR24m, with the EBITDA margin up 850bps to 53.7%. Net income reached EUR3.7m vs. EUR3.2m in H1-15 as the increase in financial expenses (due to new commissioning in Brazil) partly offset the increase in EBITDA

The company's installed capacities amount now to 451MW notably following the earlier than expected commissioning of part of the Vila Para plant (25 turbines out of 33 i.e. 75MW of new installed capacities out of the overall 99MW to be commissioned). Installed capacities are up 20% year-on-year. In addition, the company has c.3GW under development with a 215MW backlog (to be built by 2019) and 2.8GW of other projects in 23 countries to be built later.

As expected, the company provided some additional colour regarding the evolution of its strategy following the recent acquisition of Martifer Solar. Voltalia announced the implementation of an "M3" strategy: multi-energy (wind and solar), multi-country (29 countries) and multi-business models (with third-party services).

In addition, the company has announced ambitious objectives for 2019 with 1/installed capacities to reach 1GW by 2019 (vs. initial objective of 2022); 2/operation of 3GW by 2019 (vs. 1GW as of today) inc. 2GW for third-party clients; 3/ 2019 EBITDA at EUR180m spurred by both new commissioning and development of third-party services and 4/ a minimum payout ratio of 30% with initial dividends to be paid in 2018 (for FY-17).

**Positive.** In our model our 2019 EBITDA estimate currently stands at EUR103m given we did not assume additional capacity increases on top of the 508MW capacities historically forecast by the group. Assuming the group achieves 1GW of installed capacities by 2019, we could raise our EBITDA into the EUR150-180m range (depending on the assumptions taking on the region the group will invest in, the capex/MW, the technology and the inflation rate). This 2019 target officially implies Voltalia will need >EUR150m of new cash to finance the cash part of its growth capex program (BGe of >EUR500m). At this stage, we confirm our Buy rating yet put our FV under review as we need more details to fully apprehend the potential new structure of the group.

## VALUATION

- Buy, FV Under Review
- At current share price, the company trades at 6.5x its 2017e EV/EBITDA multiple

## NEXT CATALYSTS

- 27<sup>th</sup> October 2016: Q3-16 revenues

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Analyst :  
Xavier Caroen  
33(0) 1.56.68.75.18  
xcaroen@bryangarnier.com

Sector Team :  
Pierre-Antoine Chazal

Healthcare

**Bayer**

Price EUR91.60

First take from Meet the Management Meeting

Fair Value EUR98 (+7%)

NEUTRAL

Bloomberg	BAY.GY
Reuters	BAYG.F
12-month High / Low (EUR)	126.9 / 84.4
Market Cap (EURm)	75,748
Avg. 6m daily volume (000)	2,607

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.9%	4.0%	-7.7%	-20.9%
Healthcare	0.4%	5.6%	6.9%	-7.2%
DJ Stoxx 600	0.3%	4.8%	-0.1%	-6.7%

	2015	2016e	2017e	2018e
P/E	13.3x	12.4x	11.7x	10.9x
Div yield (%)	2.7%	2.8%	2.9%	3.1%

**ANALYSIS**

- Bayer issued a press release this morning prior to its "Meet the management" investor conference in which some updated medium-term guidance were given.
- Looking at the top line of the Pharmaceuticals franchise, we would note that 1/ the group has raised its peak sales estimates for five recently launched Pharma product (namely Xarelto, Eylea, Xofigo, Adempas and Stivarga) from EUR7.5Bn to EUR10.0Bn... But we would say the overall number is not too far away from ours (BG: EUR9.4Bn); 2/ the highest leverage on estimates comes from pipeline aspirations but we need more inside into data and timings during the day. BAY put forward six candidates under development, for which it expects a combined sales of at least EUR6.0Bn (that said no precise timing was given)... And among them, anetumab ravtansine would be the most promising one with an estimated peak sales of more than EUR2.0Bn (whereas we currently forecast a EUR500-600m in 2L mesothelioma – see our Morphosys initiation report for further details). Having said that the Pharma division's EBITDA margin will probably in a 32-34% range (vs BG: 32.4%) and no more given its lack of exposure to the US market. We see little to no news about consumer healthcare.
- We summarized all the given numbers in the following table:

Product	Stage	Previous Co. est. (USDBn)	New
<b>Existing products</b>			
Xarelto	Marketed	7.5	10.0
Eylea	Marketed	3.5	5.0
Xofigo	Marketed	1.5	2.5
Adempas	Marketed	"At least USD1.0Bn"	"More than USD1.0Bn"
Stivarga	Marketed	0.5	0.5
		1.0	1.0
<b>Under development</b>			
Vericiguat	Phase II	None	0.5
Finerenone	Phase III	None	> 1.0
Vilaprisan	Phase II	None	> 1.0
ODM-201	Phase III	None	> 1.0
Anetumab ravtansine	Phase II	None	> 2.0
Copanlisib	Phase III	None	> 0.5

**Pharmaceuticals incl. Radiology**

Sales CAGR +6% by 2018  
 EBITDA margin before special items 32-34% in 2018

**Animal Health**

sales CAGR +4-5% by 2018  
 EBITDA margin 23-24%

**Consumer Health**

sales CAGR +3-4%  
 EBITDA margin 25%

**VALUATION**

- In the end we expect a positive short term share price reaction but the context of merger with Monsanto is likely to prevent a marked performance over the coming 12 months, hence our NEUTRAL rating.

**NEXT CATALYSTS**

- Meet the management investor conference today.

[Click here to download](#)

## Food &amp; Beverages

**Unilever**

Price EUR40.81

**Acquisition of Seventh Generation**

Fair Value EUR43 (+5%) UNILEVER PLC 3590p

NEUTRAL

Bloomberg	UNA NA
Reuters	UNc.AS
12-month High / Low (EUR)	42.9 / 33.9
Market Cap (EUR)	103,110
Avg. 6m daily volume (000)	3 975

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.7%	7.0%	3.0%	1.7%
Food & Bev.	-1.5%	5.2%	2.6%	-1.0%
DJ Stoxx 600	0.3%	4.8%	-0.1%	-6.7%

	2015	2016e	2017e	2018e
P/E	22.4x	21.9x	20.0x	18.4x
Div yield (%)	3.0%	3.2%	3.5%	3.7%

**ANALYSIS**

- **Unilever has announced the acquisition of Seventh Generation, which specialises in “natural” home care and personal products in North America.** Seventh Generation's turnover exceeded USD200m in 2015 (ie 0.3% of Unilever's sales) and have grown >10% over the last ten years. The terms of the deal were not disclosed, but a price of USD700m has been mentioned.
- **This acquisition is in line with the group's informal objective to reduce its exposure to Foods/Refreshments and generate 70% of sales in Personal Care and Home Care products by 2020.** These two categories currently contribute 57% of the group's sales against 49% in 2010. Between 2010 and 2015, growth in Personal Care and Home Care products was more than twice that of Foods/Refreshments. **Over the past few months, Unilever has announced the acquisition of Dollar Shave Club (male grooming) and Blueair (air purifier).**
- This deal comes just days after Unilever was rumoured to be in talks with the rival of Seventh Generation, The Honest Co, which was founded by Mrs Jessica Alba. It is still unclear if the group would like to continue the negotiations with the intention to corner the market.

**VALUATION**

- At yesterday's share price, the stock is trading at 21.9x P/E 2016e and 20.0x P/E 2017e, respectively +1% and -1% vs the peer average.

**NEXT CATALYSTS**

- Unilever will publish its Q3 sales on October 13<sup>th</sup>

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Virginie Roumage, vroumage@bryangarnier.com

## Sector View

## Luxury Goods

## Swiss watch exports declined 9% in August

	1 M	3 M	6 M	31/12/15
Pers & H/H Gds	-3.5%	3.8%	0.8%	-0.1%
DJ Stoxx 600	-1.6%	5.1%	-0.9%	-7.7%

\*Stoxx Sector Indices

Swiss watch exports declined 9% in August to CHF1.35bn, implying a 10.9% decrease for the first eight months (-11.1% on 7m). The August performance follows -14% in July, when there were two opening days less than in 2015.

## Companies covered

BURBERRY	NEUTRAL	1200p
CHRISTIAN DIOR	BUY	EUR175
HERMES Intl	BUY	EUR370
HUGO BOSS	NEUTRAL	EUR74
KERING	BUY	EUR185
LVMH	BUY	EUR171
MONCLER	BUY	EUR17,5
PRADA	NEUTRAL	HKD31
RICHEMONT	NEUTRAL	CHF63
SALVATORE	BUY	EUR23
THE SWATCH GROUP	SELL	CHF270
TOD'S GROUP	SELL	EUR53

## ANALYSIS

- By geographical area, we want to highlight the 29% fall in exports to Hong Kong, but a 29% increase in Mainland China versus respectively -33% and -6% in July. Together, Mainland China and HK accounted for 19% of total Swiss watches exports for the first eight months versus 29% in 2013! Together, exports to HK and MC were down 13% in August. Over the first eight months, exports to Hong Kong and to Mainland China are down respectively 27.5% and 7.5%. In Europe, it is worth noting the poor performance of France in August (-24%) following -21% in June and -27% in July. Other European countries were also under pressure (France: -24% and Germany: -15%), but the UK (+23%) was an exception thanks to increased tourist's flows following the Brexit and GBP weakness. In the US, exports were also under pressure with a 12% decrease, as was the case in Japan (-27%).
- By segment, the high end one (above CHF3,000 export price or above CHF9,000 selling price) was the most affected with a 14% decrease. The mid-range segment (CHF500 to CHF3,000 export price) was better (+5% growth).

## NEXT CATALYSTS

- September Swiss watches exports to be released on October 20<sup>th</sup>.

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Loic Morvan, [lmorvan@bryangarnier.com](mailto:lmorvan@bryangarnier.com)

## BG's Wake Up Call

# 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 55.8%

NEUTRAL ratings 33.1%

SELL ratings 11%

## Bryan Garnier Research Team

Healthcare Team	Pharmaceuticals	Eric Le Berrigaud <i>(Head of Equities)</i>	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 <i>(Head of Research)</i>	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
Automotive & Parts		Xavier Caroen	33 (0) 1 56 68 75 18	xcaroen@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	Paris	New York	Munich
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