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22nd September 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18293.7	+0.90%	+4.99%
S&P 500	2163.12	+1.09%	+5.83%
Nasdaq	5295.18	+1.03%	+5.75%
Nikkei	16807.62	+1.91%	-11.70%
Stoxx 600	342.463	+0.43%	-6.38%
CAC 40	4409.55	+0.48%	-4.91%
Oil /Gold			
Crude WTI	45.14	+3.91%	+21.34%
Gold (once)	1325.9	+0.81%	+24.80%
Currencies/Rates			
EUR/USD	1.114	-0.27%	+2.55%
EUR/CHF	1.08815	-0.48%	+0.07%
German 10 years	-0.059	-29.17%	-109.31%
French 10 years	0.236	+10.10%	-75.94%
Euribor	-	+-%	+-%

Economic releases :

Date	
22nd-Sept	8h45 FR Business Climate 10h00 EUZ ECB publishes Eco Bulletin 14h30 US Intital Jobless claims (261K E) 14h30 Continuing Claims 15h00 US - Existing Home Sales 16h00 US - House price index

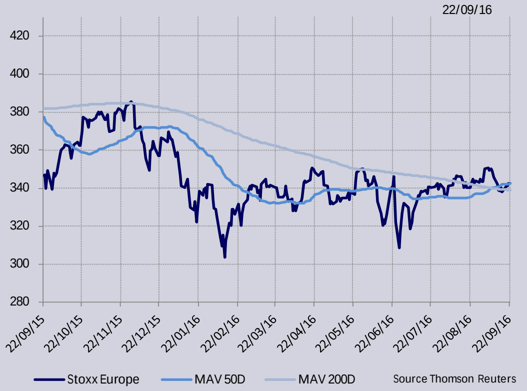
Upcoming BG events :

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



ALTEN — SELL, Fair Value EUR54 vs. EUR52 (-14%)

H1 2016 analysts' meeting feedback: fairly valued only if research tax credit status changes

We reiterate our Sell rating and raise our DCF-derived Fair Value to EUR54 from EUR52 on adjustments to our tax rate assumption (30% vs. 31%). In a scenario where Alten would drop its "research tax credit-approved" status for R&D work done on behalf of clients, we consider our Fair Value would gain EUR7-8 based on a 2ppt margin gain. The stock is, at best, fairly valued in our view.

COFACE — NEUTRAL, Fair Value UNDER REVIEW

3-year strategic plan: execution will be key

Coface is presenting today its 3-year "Fit to Win" strategic plan. No strategic surprises as the company plans to strengthen its underwriting processes and optimise its cost structure. Growth is not the key target, which is good news. Financial targets look aggressive to us at this stage, but the return to shareholders' policy is favourable. We place our fair value under review pending more details on the plan. Following a strong rally over the last few weeks, the stock is still 11 pts short of best-in-class Euler Hermes over 6 months. Yet we consider most of the outperformance is now behind us as the company will enter the most critical phase: execution.

EDF — BUY, Fair Value EUR13,6 vs. EUR13,8 (+26%)

2016 nuclear output and EBITDA guidance revised down

EDF announced yesterday after market that it was again lowering its 2016 nuclear output target from 395-400TWh to 380-390TWh, thereby prompting the group to update its 2016 EBITDA guidance from EUR16.3-16.8bn to EUR16.3-16.6bn. 2017 nuclear output is expected to be between 390-400TWh whereas we were initally expecting 415TWh. After factoring these new parameters into our model, we have lowered our 2016 and 2017 EBITDA estimates by 1.2% and 2.0% respectively, and adjusted our FV to EUR13.6 (vs. EUR13.8bn). Buy rating maintained.

EUROFINS SCIENTIFIC — SELL, Fair Value EUR400 vs. EUR340 (0%)

Here comes the "blue sky" scenario, but fully priced in

Following H1 results, two recent equity issues totalling around EUR500m and organic growth still above management's 5% forecast over the past two months (organic was over 11% in H1), management has raised its target for 2016, provided guidance for 2017 and confirmed its mid-term objective to deliver revenue of EUR4bn with adjusted EBITDA margin of 20% i.e. EUR800m. Our "blue sky" scenario clearly looks increasingly more attainable than our "base case". After adopting this scenario, our FV moves to EUR400.

HELLA — BUY, Fair Value EUR45 (+21%)

Solid Q1 2016 metrics expected, helped by a favourable base effect and market growth

Next week, German supplier Hella is set to post solid Q1 2016/17 sales and profit growth helped by positive market growth, an outperformance vs. auto production and favourable comparison with the poor operating performance seen in Q1 2015/16. We expect the group to reiterate its positive tone for the year making us comfortable with our 2016/17 estimates. Buy with FV @ EUR45.

UBISOFT — BUY, Fair Value EUR34 (-1%)

Success of convertible bond issue for c.EUR400m

Ubisoft has announced the success of convertible bond issue (OCEANEs) for c.EUR400m maturing in 2021. Conditions were extremely favourable with a high premium of 60% (strong investor appetite) and with no interest. The issue should enable the group to benefit from the very attractive current market conditions, to diversify its funding sources, extend its debt maturity, repurchase some stocks, and finance its possible future acquisitions. We maintain our Buy recommendation and FV of EUR34.

In brief...

NICOX, *H1 2016 results*

ROCHE, *Can phase II data for vanucizumab distract attention from APHINITY?*

SPIRITS, *MBWS: H1 2016 results*

TMT

Alten

Price EUR62.66

H1 2016 analysts' meeting feedback: fairly valued only if research tax credit status changes

Fair Value EUR54 vs. EUR52 (-14%) **SELL**

Bloomberg	ATE FP
Reuters	LTEN.PA
12-month High / Low (EUR)	63.8 / 44.3
Market Cap (EUR)	2,111
Ev (BG Estimates) (EUR)	2,072
Avg. 6m daily volume (000)	29.80
3y EPS CAGR	12.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.1%	14.1%	17.3%	17.3%
Softw.& Comp.	4.2%	11.4%	12.7%	8.1%
DJ Stoxx 600	0.7%	0.7%	0.5%	-6.4%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	1,541	1,723	1,853	1,985
% change		*11.8%*	*7.5%*	*7.1%*
EBITDA	164	187	205	226
EBIT	152.0	175.0	192.0	213.0
% change		*15.1%*	*9.7%*	*10.9%*
Net income	110.0	123.0	139.0	156.0
% change		*11.8%*	*13.0%*	*12.2%*

	2015	2016e	2017e	2018e
Operating margin	9.9	10.1	10.4	10.7
Net margin	6.8	6.8	7.2	7.5
ROE	16.3	16.7	16.6	16.2
ROCE	16.7	17.7	18.8	20.6
Gearing	-3.0	-5.0	-15.0	-25.0

(€)	2015	2016e	2017e	2018e
EPS	3.26	3.66	4.14	4.63
% change	-	*12.3%*	*13.1%*	*11.8%*
P/E	19.2x	17.1x	15.1x	13.5x
FCF yield (%)	4.7%	4.7%	6.1%	6.8%
Dividends (€)	1.00	1.00	1.00	1.00
Div yield (%)	1.6%	1.6%	1.6%	1.6%
EV/Sales	1.4x	1.2x	1.1x	0.9x
EV/EBITDA	12.8x	11.1x	9.7x	8.3x
EV/EBIT	13.8x	11.8x	10.3x	8.8x

We reiterate our Sell rating and raise our DCF-derived Fair Value to EUR54 from EUR52 on adjustments to our tax rate assumption (30% vs. 31%). In a scenario where Alten would drop its "research tax credit-approved" status for R&D work done on behalf of clients, we consider our Fair Value would gain EUR7-8 based on a 2ppt margin gain. The stock is, at best, fairly valued in our view.

ANALYSIS

- **Improving trends in market segments**. Lfl sales growth in H2 2016 is set to suffer from 2.4 fewer billable days than in H2 2015 (-2ppt). Automotive (20% of sales) offers strong visibility for the next 2-3 years with lots of projects concerning engines, connected vehicles and security. In Aerospace (16%), business is growing thanks to the ramp up of manufacturing engineering and Space. In Tertiary/Services (18%), growth is poised to accelerate, driven by Banking, Insurance and Retail. In Energy & Life Sciences (18%), the decline in Oil & Gas and Areva's turmoil are strong enough to offset the rise in Life sciences. In Telecoms, 2016 is likely to see modest growth after years of decline, and the best is yet to come from 2017-18 when 5G networks will start to be developed.

- **Ambitions remain intact, 2019 staff targets poised to be exceeded**. Alten remains confident with an operating margin of at least 10% for 2016 and beyond. H2 2016 is likely to be slightly below H1 (10.2%) due to a 1ppt dent from calendar effects, while acquisitions are dilutive (negative impact: -0.2ppt in H1). Management considers the end-2019 target announced in February (24,000 staff, o/w 21,000 engineers) should be reached ahead of schedule as Alten already employs 22,900 staff, o/w 20,250 engineers. The acquisitions policy is unchanged, with the goal to reach a critical size of 1,500 staff in every country Alten operates. The acquisition made in July and revealed yesterday (EUR13m revenues, 100 staff, margin at breakeven) is in North America with access to all the majors in Oil & Gas in the US, and we understand is has been paid at a very low price.

- **Germany in transformation**. In Germany, acquisitions took a 3ppt toll on lfl sales growth, which would have come in at +1% despite the transformation in progress in Automotive (40% of sales), moving away from staffing to project-based services. Whereas the H1 op. margin in Germany was below 5%, it is expected to increase in 2016 and reach 8-9% in 2017.

- **Free cash flow**. The 61% FCF fall in H1 2016 (to EUR11.1m from EUR28.6m) stemmed from a EUR56.8m WCR surge (vs. a EUR20.5m rise in H1 2015). The EUR36m WCR acceleration was driven by 2.5 more billable days (EUR14m), a EUR9m payment ahead of schedule from a client in Oil & Gas in H1 2015, and an unfavourable geographic mix regarding payment terms - Russia, China, Italy, Spain and Africa (EUR15m). DSOs were up one day to 98 days in H1 2016. Management anticipates that WCR will decline in 2016 vs. 2015 helped by 2.4 fewer billable days in H2.

- **The research tax credit equation**. Alten's French "research tax credit-approved" status for R&D work done on behalf of clients generates an est. 2ppt headwind for operating margin as it limits its ability to benefit from tax credit. The group is reviewing the opportunity of dropping this status like Altran did, but this depends on negotiations with customers and eligibility with the tax administration. As such, it is uncertain whether or not Alten will change its status next year. All other things remaining equal, we estimate abandoning this status could have a EUR7-8 positive impact on our DCF-derived Fair Value, which would then be in line with current share price levels.

VALUATION

- Alten's shares are trading at est. 11.8x 2016 and 10.3x 2017 EV/EBIT multiples.

- Net debt on 30th June 2016 was EUR61.8m (net gearing: 9%).

NEXT CATALYSTS

Q3 2016 sales on 27th October after markets close.

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Insurance

Coface

Price EUR6.14

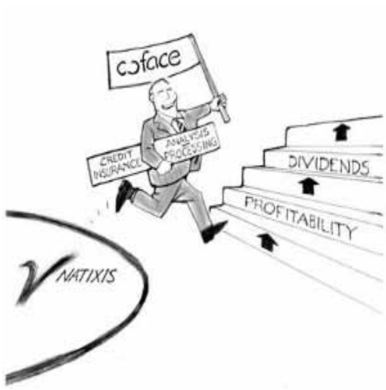
Bloomberg	COFA FP
Reuters	COFA.PA
12-month High / Low (EUR)	9.3 / 4.2
Market Cap (EUR)	966
Emb. Value (BG Est.) (EUR)	1,537
Avg. 6m daily volume ('000)	157.8
3y EPS CAGR	-0.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	37.0%	-10.2%	-15.5%	-34.2%
Insurance	5.2%	-2.0%	-7.1%	-17.0%
DJ Stoxx 600	0.7%	0.7%	0.5%	-6.4%

(EURm)	2015	2016e	2017e	2018e
Total gross prem.	1,269	1,192	1,215	1,244
% change		*-6.1%*	*1.9%*	*2.4%*
Insurance op. profit	194	91	126	192
Total operating profit	175	72	108	173
Underlying PTP	176.0	109.1	107.8	174.5
% change		*-38.0%*	*-1.2%*	*61.9%*
Net attributable profit	*126.2*	*71.7*	*76.4*	*123.6*
% Change		*-43.2%*	*6.5%*	*61.9%*

(EURm)	2015	2016e	2017e	2018e
Shareholders' equity	1,761	1,781	1,804	1,876
Technical reserves :				
-Life net (excl. UL)	NM	NM	NM	NM
-UL contracts	NM	NM	NM	NM
-P&C net	1,515	1,614	1,614	1,614
NAV net of intangibles	1,537	1,560	1,584	1,655
Embedded value	1,537	1,560	1,584	1,655

(EUR)	2015	2016e	2017e	2018e
EPS (€)	0.80	0.46	0.49	0.79
% change	-	*-43.2%*	*6.5%*	*61.9%*
P/E	7.6x	13.4x	12.6x	7.8x
P/NAV (%)	0.5x	0.5x	0.5x	0.5x
ROE	7.3	4.0	4.3	6.7
Dividends	0.5	0.3	0.3	0.5
Div yield (%)	7.8%	5.4%	5.4%	7.7%



3-year strategic plan: execution will be key

Fair Value UNDER REVIEW

NEUTRAL

Coface is presenting today its three-year "Fit to Win" strategic plan. No strategic surprises as the company plans to strengthen its underwriting processes and optimise its cost structure. Growth is not the key target, which is good news. Financial targets look aggressive to us at this stage, but the shareholder return policy is favourable. We place our Fair Value under review pending more details on the plan. Following a strong rally over the last few weeks, the stock is still 11 pts short of best-in-class Euler Hermes over six months. However, we consider most of the outperformance is now behind us as the company is set to enter the most critical phase: execution.

ANALYSIS

- Coface is presenting today its 3-year "Fit to Win" strategic plan, with 3 key priorities:
- 1/ Strengthen risk management and information. Coface will further invest in its information quality and data tools in order to improve its underwriting risk processes. The company plans to invest in technology, recruitment and training. This is probably a good idea, considering risk management and information is key in credit insurance and that Coface has been quite disappointing in this area over the last quarters.
- 2/ Improve operational efficiency and client service. Coface will streamline its organisation with better sourcing and real estate utilisation, improve service and productivity, simplify and automatise processes. The expected cost savings are EUR30m in 2018, which will fully offset the loss of the French state guarantees. 170 jobs or 4% of total staff should be made redundant. We continue to see this target as aggressive. Restructuring costs (EUR35m) and additional investments (EUR35m) will be funded by the severance costs to be paid by the French state (EUR70m) for the loss of the state guarantees business.
- 3/ Implement differentiated growth strategies. The company wants to focus on value creation over growth, which is good news. The growth strategy will be "adapted to the realities of each market".
- The company aims at generating an 83% combined ratio across the cycle, which is consistent with our numbers provided the EUR30m cost savings are there.
- Bottom line, the target for RoATE (return on tangible equity) is above 9% across the cycle, which looks optimistic to us as we currently plan a 7.6% RoATE (or 6.7% ROE) in 2018 assuming an 83% combined ratio.
- The company will continue to improve its capital efficiency, in particular through the increased use of reinsurance. The target for solvency ratio is 140-160% vs. 155% at end-June 2016. The pay-out ratio is set at 60% minimum, and any excess capital beyond the upper-end of the targeted solvency level (i.e. 160%) will be addressed with special dividends and share buybacks. We see the optimisation of the capital position as a way to manage the equity base in order to improve RoATE over time.

VALUATION

- We place our fair value under review pending further details on the plan.
- Following a strong rally over the last few weeks, the stock is still 11 pts short of best-in-class Euler Hermes over 6 months. Yet we consider most of the outperformance is now behind us as the company will enter the most critical phase: execution.

NEXT CATALYSTS

- Q3 2016 numbers on 3rd November.

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Utilities

EDF

Price EUR10.78

2016 nuclear output and EBITDA guidance revised down

Fair Value EUR13,6 vs. EUR13,8 (+26%) **BUY**

Bloomberg	EDF FP
Reuters	EDF.PA
12-month High / Low (EUR)	17.1 / 9.2
Market Cap (EURm)	21,693
Ev (BG Estimates) (EURm)	84,786
Avg. 6m daily volume (000)	2 007
3y EPS CAGR	-25.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.4%	-6.3%	-0.2%	-20.6%
Utilities	-0.4%	-3.3%	-1.9%	-6.5%
DJ Stoxx 600	0.3%	1.0%	-0.2%	-6.8%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	75,006	75,527	76,716	77,948
% change		*0.7%*	*1.6%*	*1.6%*
EBITDA	17,601	15,977	15,502	16,349
EBIT	4,280	6,947	6,021	6,299
% change		*62.3%*	*-13.3%*	*4.6%*
Net income	4,231	2,312	1,704	1,903
% change		*-45.4%*	*-26.3%*	*11.7%*

	2015	2016e	2017e	2018e
Operating margin	5.7	9.2	7.8	8.1
Net margin	5.6	3.1	2.2	2.4
ROE	10.5	5.8	4.4	4.9
ROCE	2.0	2.8	2.5	2.6
Gearing	167.6	179.6	190.6	191.0

(EUR)	2015	2016e	2017e	2018e
EPS	2.27	1.15	0.85	0.95
% change	-	*-49.4%*	*-26.3%*	*11.7%*
P/E	4.7x	9.4x	12.7x	11.4x
FCF yield (%)	NM	NM	NM	11.6%
Dividends (EUR)	1.10	0.87	0.69	0.75
Div yield (%)	10.2%	8.1%	6.4%	6.9%
EV/Sales	1.1x	1.1x	1.1x	1.1x
EV/EBITDA	4.6x	5.3x	5.7x	5.4x
EV/EBIT	19.0x	12.2x	14.6x	13.9x

EDF announced yesterday after market that it was again lowering its 2016 nuclear output target from 395-400TWh to 380-390TWh, thereby prompting the group to update its 2016 EBITDA guidance from EUR16.3-16.8bn to EUR16.3-16.6bn. 2017 nuclear output is expected to be between 390-400TWh whereas we were initally expecting 415TWh. After factoring these new parameters into our model, we have lowered our 2016 and 2017 EBITDA estimates by 1.2% and 2.0% respectively, and adjusted our FV to EUR13.6 (vs. EUR13.8bn). Buy rating maintained.

ANALYSIS

- **2016 nuclear output targets revised down again**... EDF announced yesterday evening that it was **lowering its 2016 nuclear output target due to the additional safety control needed,** which will lead planned refuelling outages to be extended, notably for the Tricastin 1 and 3 reactors. Nuclear output is now expected to be between **380-390 TWh** vs. **395-400TWh** initially. As for **2017**, the group expects nuclear output to be in the range of **390-400TWh.**
- As a reminder, two months ago, the company already revised down this objective from **408-412TWh to 395-400TWh** still due to additional controls needed to demonstrate that some components, mainly steam generators can operate in a fully safe mode.
- **2016e EBITDA target also revised down**...Due to these extended outages, the group revised down its 2016e EBITDA target from EUR16.3-16.8bn to **EUR16.3-16.6bn**. Note that this objective includes the **retrospective tariffs** order, which should be published by the end of Q3 2016 following the decision by the State Council on 15th June 2016. We previously estimated that the tariff catch-up effect could boost the group's EBITDA by around **EUR800m**, assuming the impact is fully integrated into the group's 2016 accounts.
- **2016 and 2017 model adjustments:** We have factored in the new 2016 and 2017 nuclear output targets and now stand at **390TWh** for 2016 and **400TW**h for 2017. We have therefore notched down our 2016e and 2017e EBITDA expectations by **1.2%** and **2.0%** respectively and now stand at **EUR16bn** (vs. EUR16.2bn initially) and EUR15.5bn (vs. EUR15.8bn initally).
- **Conclusion**: The news is clearly **negative** as nuclear output forecasts have been revised down twice in about two months. The adjustments we have made to both nuclear output and EBITDA expectations – for 2016 and 2017 – lead us to slightly **decrease our FV to EUR13.6** (vs. EUR13.8 initally). **Buy recommendation maintained.**

VALUATION

- At the current share price, EDF is trading at **5.2x** its 2016e EBITDA and offers a 8.4% yield
- Buy, **FV @ EUR13.6**

NEXT CATALYSTS

- **8th November**: Q3 2016 results

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Business Services

Eurofins Scientific

Price EUR400.35

Here comes the "blue sky" scenario, but fully priced in

Fair Value EUR400 vs. EUR340 (0%) **SELL**

Bloomberg	ERF FP
Reuters	EUFI.PA
12-month High / Low (EUR)	400.4 / 268.8
Market Cap (EURm)	6,751
Ev (BG Estimates) (EURm)	7,447
Avg. 6m daily volume (000)	14.30
3y EPS CAGR	16.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.6%	23.1%	29.6%	24.4%
Inds Gds & Svs	0.7%	3.6%	5.4%	3.4%
DJ Stoxx 600	0.7%	0.7%	0.5%	-6.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,950	2,489	2,874	3,275
% change		*27.6%*	*15.5%*	*14.0%*
EBITDA	361	480	555	640
EBIT	264.3	347.3	398.6	457.3
% change		*31.4%*	*14.8%*	*14.7%*
Net income	167.1	207.9	248.6	289.1
% change		*24.5%*	*19.6%*	*16.3%*

	2015	2016e	2017e	2018e
Operating margin	18.5	19.3	19.3	19.6
Net margin	8.6	8.4	8.7	8.8
ROE	15.5	11.7	12.3	12.5
ROCE	7.2	8.9	9.1	9.3
Gearing	84.8	39.1	45.1	45.7

(EUR)	2015	2016e	2017e	2018e
EPS	8.77	9.87	11.68	13.92
% change	-	*12.6%*	*18.3%*	*19.1%*
P/E	45.6x	40.6x	34.3x	28.8x
FCF yield (%)	1.6%	0.4%	2.1%	2.8%
Dividends (EUR)	1.45	1.63	1.92	2.29
Div yield (%)	0.4%	0.4%	0.5%	0.6%
EV/Sales	3.9x	3.0x	2.7x	2.4x
EV/EBITDA	21.2x	15.5x	13.8x	12.2x
EV/EBIT	29.0x	21.4x	19.2x	17.1x

Following H1 results, two recent equity issues totalling around EUR500m and organic growth still above management's 5% forecast over the past two months (organic was over 11% in H1), management has raised its target for 2016, provided guidance for 2017 and confirmed its mid-term objective to deliver revenue of EUR4bn with adjusted EBITDA margin of 20% i.e. EUR800m. Our "blue sky" scenario clearly looks increasingly more attainable than our "base case". After adopting this scenario, our FV moves to EUR400.

ANALYSIS

- **2016 guidance upgraded with first indication of 2017 expectations:**
    - Following the very strong H1 results (11% lfl growth with an adjusted EBITDA margin up 100bp to 17.9%) and organic growth still above the group's 5% objective in July and August, management now expects FY 2016 adjusted EBITDA of EUR480m vs. EUR460 (consensus was at EUR468m and BG "base" case at EUR458m) representing an adjusted EBITDA margin of 19.3% having confirmed consolidated revenue of EUR2.5bn. This is mainly thanks to more profitable acquisitions with companies generating profitability levels closer to Eurofins and start-ups reaching breakeven sooner than expected. We are confirming our top line growth with notably 8% organic and have lifted our adjusted EBITDA to EUR480m vs. EUR458m.
    - **Regarding 2017**, ahead of final objectives that should be set when the company reports FY2016 results, management estimates that with 5% organic growth plus a EUR200m revenue contribution from M&A, the group should be able to reach EUR2.9bn in consolidated revenue with adjusted EBITDA of EUR550m i.e. a forecast in line with our "blue sky" scenario.

Main changes

	2016e			2017e			2018e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
SALES	2 491	2 489	-0,1%	2 829	2 874	1,6%	3 171	3 275	3,3%
EBITDA	458	480	4,8%	521	555	6,5%	589	640	8,8%
	18,4%	19,3%	90 bp	18,4%	19,3%	89 bp	18,6%	19,6%	98 bp
EBIT	325	347	6,8%	367	399	8,5%	412	457	11,0%
	13,1%	14,0%	90 bp	13,0%	13,9%	89 bp	13,0%	14,0%	97 bp
EPS	8,98	9,87	10,0%	10,56	11,68	10,6%	12,27	13,92	13,4%

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

Finally, management confirmed that the group is "well on track" to deliver the 2020 target for consolidated revenue of EUR4bn, representing a 2016-2020 CACR of 12.6%, with adjusted EBITDA of EUR800m. Our "blue sky" forecasts are respectively EUR4.133bn and EUR833m based on lfl revenue growth of 7% between 2017/2020 (same pace as between 2011/2015) after 8% in 2016, with acquisition contribution to revenue of EUR200m in the next four years (no price inflation with acquisitions based on EV/sales of 1.2x). In 2020, we have an adjusted EBITDA margin of 20% with further improvement between 2020 and 2023 with the ramp-up at the latest companies acquired in 2019 and 2020. Long-term EBITDA margin is 20% beyond 2025.

- **The balance sheet can now comfortably shoulder the group's M&A strategy:** at the end of May (initial coverage) we highlighted the fact that Eurofin's business model is cash consuming and that free cash flow was not enough to cover both organic growth and M&A after 2018. After two equity issues in late June (private placement of EUR200m to La Caisse de dépôt et placement du Quebec) and early September (EUR296m to institutional investors), this is no longer a problem until 2020 at least. In fact, as confirmed by the group, we estimate net debt at the end of 2016 at lower than EUR700m with cash and cash equivalents of over EUR800m representing financial leverage of 1.4x (covenant <3.5x). Based on our forecast, net debt to adjusted EBITDA would be 1.6x assuming M&A contributes EUR200m to the revenue base on 1.2x EV/sales (leverage would be lower at 1.5x based on management's guidance of 1x EV/sales).

VALUATION

- Our FV is derived from a DCF using a WACC of 7.5% with a Beta of 1 corresponding to two-year historical adjusted vs. Stoxx600.
- At the current share price, in line with our new FV, the stock is valued at 21.4x 2016e EV/EBIT and 19.2x 2017e compared with the historical median of 19.9x.

NEXT CATALYSTS

- Capital Market Day on 20th October (Hamburg)
- IMS 9m on 2nd November

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Automotive

Hella

Price EUR37.15

Solid Q1 2016 metrics expected, helped by a favourable base effect and market growth

Fair Value EUR45 (+21%) **BUY**

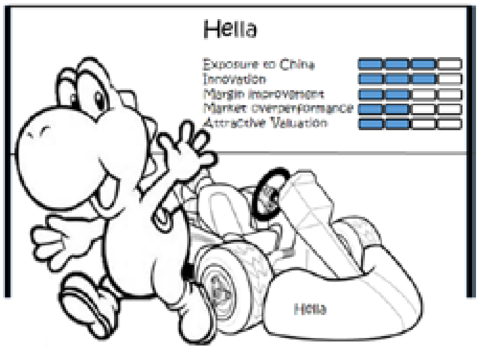
Bloomberg	HLE GR
Reuters	HLE.DE
12-month High / Low (EUR)	39.3 / 27.7
Market Cap (EURm)	4,128
Ev (BG Estimates) (EURm)	4,152
Avg. 6m daily volume (000)	132.0
3y EPS CAGR	17.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.9%	10.1%	-0.5%	-3.6%
Auto & Parts	-0.1%	1.6%	-4.2%	-15.2%
DJ Stoxx 600	0.7%	0.7%	0.5%	-6.4%

YEnd May (EURm)	05/16	05/17e	05/18e	05/19e
Sales	6,352	6,611	6,940	7,288
% change		*4.1%*	*5.0%*	*5.0%*
EBITDA	816	875	944	1,037
EBIT	366.5	446.7	479.6	538.3
% change		*21.9%*	*7.4%*	*12.2%*
Net income	268.5	355.7	385.6	436.1
% change		*32.5%*	*8.4%*	*13.1%*

	05/16	05/17e	05/18e	05/19e
Operating margin	5.8	6.8	6.9	7.4
Net margin	4.2	5.4	5.6	6.0
ROE	13.6	15.9	15.3	15.3
ROCE	8.5	9.6	9.8	10.4
Gearing	28.6	23.0	17.4	11.5

(EUR)	05/16	05/17e	05/18e	05/19e
EPS	2.42	3.20	3.47	3.93
% change	-	*32.5%*	*8.4%*	*13.1%*
P/E	15.4x	11.6x	10.7x	9.5x
FCF yield (%)	1.0%	3.2%	4.4%	5.5%
Dividends (EUR)	0.77	0.96	1.04	1.18
Div yield (%)	2.1%	2.6%	2.8%	3.2%
EV/Sales	0.7x	0.6x	0.6x	0.5x
EV/EBITDA	5.2x	4.7x	4.3x	3.8x
EV/EBIT	11.6x	9.3x	8.4x	7.2x



Next week, German supplier Hella is set to post solid Q1 2016/17 sales and profit growth helped by positive market growth, an outperformance vs. auto production and favourable comparison with the poor operating performance seen in Q1 2015/16. We expect the group to reiterate its positive tone for the year making us comfortable with our 2016/17 estimates. Buy with FV @ EUR45.

ANALYSIS

- **Solid quarterly growth on the cards**: We expect the group to post total sales growth of **3.4%,** penalised by a negative **1.3%** forex effect, implying organic sales growth of **4.7%** over Q1 2016/17, to **EUR1.55bn** (*consensus @ EUR1.56bn, up 4.3%*). Thanks to favourable comparison with the year-earlier period (*Q1 2015/16 margin and earnings were penalized by negative one-off elements linked to supplier failure*), we anticipate impressive YoY growth in reported EBIT and net profit for the quarter (*respectively +59% and +80%*). EBIT margin should then improve by **250bp** to **7.1%** while the group's net margin should rise by **210bp to 5%**. On a LfL basis (*after restating Q1 2015/16 metrics*) we still expect double digit growth in reported EBIT *(+11.4%)* and net profit *(+19%)* to respectively **EUR109m** and **EUR77.6m** (*consensus @ EUR112m for reported EBIT).*
- **We are comfortable with our 2016/17 estimates...** At this stage we remain confident in our full year estimates and still expect solid earnings growth compared with last year thanks notably to robust sales growth (*helped by market outperformance*) in both Europe and Asia. The group's profitability should then move back towards the 2015 level at **7.6%,** which should drive ROCE closer to **10%**.
- **...and with our Buy recommendation**: We recently initated coverage of Hella with a Buy recommendation and a FV of EUR45 (In the headlights – Buy FV @ EUR45 – Coverage initiation) and still see **>20%** upside vs. the latest share price. Hella is currently trading on a discount of >**15%** relative to historical multiples and **10%** relative to rivals, offering an excellent entry point to play long-term growth themes in the sector with the group being present in both the automotive lighting and electronics markets.

VALUATION

- At the current share price Hella is trading at **9.3x** its 2016/17 EBIT and **11.6x** its 2016/17 EPS
- **Buy, FV @ EUR45**

NEXT CATALYSTS

- Q1 2016/17 earnings: 28th September

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TMT

Ubisoft

Price EUR34.36

Success of convertible bond issue for c.EUR400m

Fair Value EUR34 (-1%) **BUY**

Bloomberg	UBI.FP
Reuters	UBIP.PA
12-month High / Low (EUR)	38.3 / 18.0
Market Cap (EURm)	3,861
Ev (BG Estimates) (EURm)	3,655
Avg. 6m daily volume (000)	248.3
3y EPS CAGR	35.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.4%	3.8%	27.8%	28.8%
Softw.& Comp.	4.2%	11.4%	12.7%	8.1%
DJ Stoxx 600	0.7%	0.7%	0.5%	-6.4%

YEnd Mar. (EURm)	03/16	03/17e	03/18e	03/19e
Sales	1,394	1,706	1,945	2,200
% change		*22.4%*	*14.0%*	*13.1%*
EBITDA	600	722	894	1,080
EBIT	156.1	210.0	310.0	420.0
% change		*34.5%*	*47.6%*	*35.5%*
Net income	116.0	139.9	212.6	292.5
% change		*20.6%*	*52.0%*	*37.6%*

	03/16	03/17e	03/18e	03/19e
Operating margin	11.2	12.3	15.9	19.1
Net margin	6.7	8.2	10.9	13.3
ROE	9.2	12.1	15.5	17.6
ROCE	11.0	14.9	22.7	31.5
Gearing	4.3	-17.8	-31.5	-44.3

(EUR)	03/16	03/17e	03/18e	03/19e
EPS	1.02	1.21	1.85	2.54
% change	-	*19.5%*	*52.0%*	*37.6%*
P/E	33.8x	28.3x	18.6x	13.5x
FCF yield (%)	NM	6.3%	5.7%	7.7%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	2.8x	2.1x	1.8x	1.4x
EV/EBITDA	6.5x	5.1x	3.8x	2.9x
EV/EBIT	25.0x	17.4x	11.1x	7.4x

Ubisoft has announced the success of convertible bond issue (OCEANEs) for c.EUR400m maturing in 2021. Conditions were extremely favourable with a high premium of 60% (strong investor appetite) and with no interest. The issue should enable the group to benefit from the very attractive current market conditions, to diversify its funding sources, extend its debt maturity, repurchase some stocks, and finance its possible future acquisitions. We maintain our Buy recommendation and FV of EUR34.

ANALYSIS

- **As expected, the final terms of the bonds were determined yesterday after market.** Ubisoft has announced **the success of its issue of 7,307,270 convertible bonds** (OCEANEs will be issued at par on 27th September 2016) **for c.EUR400m due in 2021** (with a maximum dilution of 6.5% if Ubisoft decides to only deliver new shares upon conversion to maturity). **Conditions were extremely favourable with the bond's nominal value set at EUR54.74, i.e. a high premium of 60%** compared to the reference share price (vs. 50-60% initially expected) and **with no interest**. The ratio is one share for one bond. The company noted a 90-day lock-up period.
- **The issue at a 60% premium shows strong investor appetite for the stock and confidence in the company's future** (long-term value creation for shareholders).
- **Ubisoft does not need it in the short term, so this was an opportunistic operation.** The net proceeds will enable the group to benefit from very attractive current market conditions, to diversify its funding sources, extend its debt maturity, repurchase some stocks, and finance its growth (possible future M&A operations, such as unlisted mobile game companies).
- The maturity date, namely 2021, clearly shows that the potential new shares will not be available for voting at the AGM next week (29th September). So, **there is no direct link between this issue of convertible bonds and Ubisoft's attempt to remain independent. However, these new dilutive instruments would increase UBI's EV in the case of a takeover bid** (from Vivendi, for example).

VALUATION

- **We maintain our Buy recommendation and FV of EUR34** (only based on its fundamentals). The share price fully values the group's earnings over the current fiscal year (at end-March 2017). As a reminder, in our recent report *"Same player shoot again"?*, we estimated a **valuation between EUR40 (the very minimum**, and EUR45 if Vivendi wants to avoid counterbids as far as possible) **and EUR51 (maximum) in the event of a takeover bid.**

NEXT CATALYSTS

- **Ubisoft's AGM:** on Thursday 29th September.

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Healthcare

Nicox

Price EUR9.70

Bloomberg	COX FP
Reuters	NCOX.LN
12-month High / Low (EUR)	13.4 / 6.0
Market Cap (EURm)	242
Avg. 6m daily volume (000)	260.5

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.1%	-9.8%	40.0%	6.3%
Healthcare	1.0%	3.8%	7.5%	-6.7%
DJ Stoxx 600	0.3%	1.0%	-0.2%	-6.8%

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

H1 2016 results

Fair Value EUR14 (+44%)

CORPORATE

ANALYSIS

- Cash and cash equivalents came in at EUR12.3m at the end of June (vs EUR29m at the end of last year). However, the **company's cash position was estimated at EUR34.1m at the end of August** as it 1/ received a cash payment of EUR8.9m following the transfer its European commercial operations to VISUfarma; and 2/ raised EUR18m in July to finance its development pipeline.
- Looking at the P&L, we note that **the operating loss from continuing operations was EUR12.7m** (vs –EUR10.8m a year ago) bearing in mind that 1/ G&A expenses were down by 8% to EUR4.4m; while 2/ R&D costs nearly tripled from EUR2.3m to EUR6.6m (the increase was mainly due to costs related to the submission of the AC-170 NDA and as such, we believe the cost structure should decrease on a sequential basis). In addition, an EUR11.3m loss from discontinuing operations means the net loss therefore worked out to EUR24.2m for the period.
- Here is a recap of our estimates:

EURm	2016e	2017e	2018e	2019e	2020e
(+) Revenues and other incomes	11.5	1.7	14.2	31.6	41.5
(-) R&D expenses	9.5	11.9	13.1	15.7	17.3
(-) G&A expenses	8.9	8.4	8.9	9.2	9.5
(+/-) Others	-0.7	0.0	0.0	0.0	0.0
= EBIT	-7.6	-18.6	-7.8	6.6	14.6
Net result	-19.1	-18.6	-7.8	5.0	11.0
Net result from discontinuing opera	-12.0	0.0	0.0	0.0	0.0
Cash & cash equivalents	24.1	4.5	-4.4	-0.6	9.0

VALUATION

- We reiterate our FV of EUR14.0.

NEXT CATALYSTS

- 18th October: Approval of AC-170 for the treatment of allergic conjunctivitis. Of note: should the candidate be approved prior to the 1st of December, Nicox would have to pay a USD35m milestone payment. After this date, the payment would be reduced to EUR10m.
- H2 2016: Valeant addressing the issues raised in LBN's complete response letter.

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Healthcare

Roche

Price CHF243.60

Can phase II data for vanucizumab distract attention from APHINITY?

Fair Value CHF293 (+20%) BUY

Bloomberg	ROG VX
Reuters	ROG.VX
12-month High / Low (CHF)	279.3 / 233.2
Market Cap (CHFm)	171,144
Avg. 6m daily volume (000)	1,219

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.5%	-1.0%	2.9%	-11.9%
Healthcare	0.7%	2.7%	6.6%	-7.0%
DJ Stoxx 600	0.7%	0.7%	0.5%	-6.4%

	2015	2016e	2017e	2018e
P/E	18.1x	15.4x	14.7x	14.5x
Div yield (%)	3.3%	3.9%	4.1%	4.1%

ANALYSIS

- From a meeting with Roche's management in London yesterday, we bring home the idea that APHINITY phase III results are no less central to the investment case than before and that confidence in the results is not diminishing as the finish line is approaching. And as Alan Hippe highlighted, this is what makes generalists in the asset management community reluctant to take the risk beforehand.
- Although it is not first and foremost dedicated to generalists, the upcoming release of first phase II data for vanucizumab might nevertheless be a distracting factor from this single focus in investors' mind. Vanucizumab is Roche's novel bispecific antibody using the so-called CrossMab technology and engineered as a dual-targeting inhibitor of two angiogenic factors i.e. VEGF-A (like Avastin) and Ang-2 that is perceived as a key regulator for angiogenesis escape. First-in-man results were published back in 2014 and were very encouraging. Xenograft house models validated the superiority of the bispecific vs each of the two in inhibiting tumour growth while phase I data showed a good PK/PD profile, encouraging DFS survival and an acceptable safety profile with an administration schedule of every two weeks. Roche is now expected to report the first phase II data with vanucizumab in combination with chemotherapy in metastatic colorectal cancer by year-end. Depending on the strength of the data, the development of the drug could be fast-tracked and offer Roche a true alternative and succession plan to Avastin whose patents expire towards the turn of the decade. We have no value at all for vanucizumab as of today.
- Beyond this product, we would report as a feedback from yesterday's meeting the increased confidence in Tecentriq to be a success in 2L/3L lung after BMS failed in 1L in monotherapy. Roche is similarly highly confident in Ocrevus in MS for which it is preparing a strong launch.
- Last but not least, we would bear in mind this sentence from Alan Hippe concerning a scenario whereby APHINITY fails: "we would have to answer, react and adjust". First and foremost, this refers to cost adjustments but may also include accelerated BD initiatives.

VALUATION

- Although APHINITY is still a few months ahead, we would consider taking that risk now (at least partially) because the share's valuation is not very demanding and because what matters above all is the result whatever it is, in that it will remove the uncertainty that has played as an overhang over the stock in 2016.

NEXT CATALYSTS

- 7-13th October 2016: ESMO meeting in Copenhagen

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Sector View

Spirits

	1 M	3 M	6 M	31/12/15
Food & Bev.	-1.0%	3.0%	3.1%	-0.5%
DJ Stoxx 600	0.3%	1.0%	-0.2%	-6.8%

*Stoxx Sector Indices

Companies covered		
CAMPARI	BUY	EUR9,7
DIAGEO	NEUTRAL	2100p
PERNOD RICARD	NEUTRAL	EUR112
REMY COINTREAU	BUY	EUR84

MBWS: H1 2016 results

Yesterday, MBWS published EBITDA of EUR0.5m in H1, down 72% YoY. When it released its Q2 sales, the group had guided for a decline in EBITDA, but this was below market expectations (EUR1.5m). It reflects higher investments in pillar brands (William Peel, Sobieski and Fruits & Wines) and an increase in salary expenses with several recruitments in the course of 2015. MBWS indicated it expects to generate EBITDA of around EUR20m in 2016 (consensus: EUR20.6m).

ANALYSIS

- Yesterday, MBWS published EBITDA of EUR0.5m in H1, down 72% YoY. When it released its Q2 sales, the group had guided for a decline in EBITDA, but this was below market expectations (EUR1.5m). It reflects higher investments in pillar brands (William Peel, Sobieski and Fruits & Wines) and an increase in salary expenses with several recruitments in the course of 2015. Q2 sales declined 4.5% in organic terms, penalised by non-core activities in Poland and the French private label wine business.
- The company indicated it expects to generate EBITDA of around EUR20m in 2016. This compares to previous guidance for significant growth in EBITDA (consensus: EUR20.6m) and should be driven by the relaunch of Marie Brizard, accelerating growth in pillar brands and gains from the rationalisation and optimisation programmes. MBWS also confirmed its 2018 targets for sales between EUR450-500m and EBITDA margin of 15%.

NEXT CATALYSTS

- Meeting at 8h30am CET / Q3 sales on 8th November

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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 55.8% NEUTRAL ratings 33.1% SELL ratings 11%

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