Please find our Research on Bloomberg BRYG <GO>)

28th September 2016

# BG's Wake Up Call

| | Last close | Daily chg (%) | Chg YTD (%) |
|---|---|---|---|
| **Indices** | | | |
| Dow Jones | 18228.3 | +0.74% | +4.61% |
| S&P 500 | 2159.93 | +0.64% | +5.67% |
| Nasdaq | 5305.71 | +0.92% | +5.96% |
| Nikkei | 16465.4 | -1.31% | -12.35% |
| Stoxx 600 | 340.192 | +0.06% | -7.00% |
| CAC 40 | 4398.68 | -0.21% | -5.14% |
| **Oil /Gold** | | | |
| Crude WTI | 44.67 | -2.74% | +20.08% |
| Gold (once) | 1327.15 | -1.05% | +24.92% |
| **Currencies/Rates** | | | |
| EUR/USD | 1.1197 | -0.63% | +3.07% |
| EUR/CHF | 1.0886 | -0.12% | +0.11% |
| German 10 years | -0.205 | +16.20% | -132.36% |
| French 10 years | 0.097 | -22.36% | -90.14% |

**Economic releases :**

| Date | |
|---|---|
| 28th-Sept | 7h00 JP Small Business Confidence (47.7A, 47 E)<br>9h00 CH - KOF Leading indicator Sep. (100.5E)<br>14h30 US - Durable Goods Orders Aug. (-1.5%E )<br>16h00 US -FED Yellen testifies before house panel<br>16h300 - US DoE Inventories |

**Upcoming BG events :**

| Date | |
|---|---|
| 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


## HELLA — BUY, Fair Value EUR45 (+26%)

*Q1-2016/17 fist take: a solid year start despite unfavourable FX effect*

Hella posted this morning solid Q1-2016/17 earnings this morning, despite unfavourable FX and disposal effects. All earnings metrics came out slightly above our expectations, with adjusted EBIT margin up 80bp to 7.6% (BG @ 7.2%). Full year objectives were reiterated with the group confirming both its market outlook for 2016 (+3% growth) and its internal sales and margin targets. We expect positive share price reaction this morning especially after the recent share price drop observed over past five days. Buy, FV @ EUR45.

## INFINEON — BUY, Fair Value EUR17.5 vs. EUR16 (+14%)

*Heading to the right direction - we are increasingly confident about the mid-term*

Today, we take advantage of a better visibility on FQ4 2016e/FY17e to adjust our mid-term estimates of model, and take into account the solid momentum on both Automotive and Industrial sector. Overall, we raise our top-line growth estimates which leads to FY17e and FY18e EPS estimates to increase by 2%. We continue to think that the profile of Infineon is slowly but continuously improving from an investor perspective while the valuation metrics remain attractive. Following adjustments to our model, we reiterate our Buy recommendation and raise our FV from EUR16 to EUR17.5.

## SAP — NEUTRAL, Fair Value EUR79 vs. EUR75 (-2%)

*Acquisition of Altiscale: enhancing Big Data capabilities*

We reiterate our Neutral rating and raise our DCF-derived Fair Value to EUR79 from EUR75 following the increase in our medium-term lfl revenue growth rate to +8% from +7%. Yesterday afternoon SAP announced it had completed the acquisition of Altiscale for an undisclosed sum. We estimate the deal has no material impact to our forecasts, but it will allow SAP to address Big Data infrastructure challenges faced by customers on its recently launched HANA Vora in-memory query engine.

## UBISOFT — BUY, Fair Value EUR35 vs. EUR34 (+4%)

*Acquisition of Ketchapp in mobile gaming*

Ubisoft yesterday announced the acquisition of the very profitable mobile game publisher and developer Ketchapp. This acquisition is accretive by +3% on average over the next two years. We estimate the price at less than 7x Ketchapp's EBIT. This acquisition gives Ubisoft the fourth leading mobile game publisher in terms of downloads, and reinforces its advertising capabilities in mobile gaming. We maintain our Buy recommendation and raise our FV from EUR34 to EUR35 (only based on fundamentals). We advise investors to play positive momentum on the stock.

## CONSUMER

*Q4 2016 Top Picks: we remove Ahold and add Moncler, Hermès, Carrefour and Remy Cointreau*

## INSURANCE

*No Q4 Top Pick as there are too many risk factors*

### In brief...

**FRESENIUS SE, *Fifth IV Gx approval is a prefilled syringe...which should help to maintain KABI's margins***

**GALAPAGOS, *Phase III program in IBD***

**GENMAB, *Positive read-across from AMGN's Kyprolis failure as a first-line option for myeloma***

**ILIAD, *Content war stepping up***

**INDRA SISTEMAS, *Launch of a EUR250m convertible bond issue***

**ORPEA, *First take H1 results: Positive trend continues***

**SHIRE PLC, *TNF biosimilars to be discontinued... another step towards a better capital allocation***

Automotive

# Hella

Price EUR35.79

## Q1-2016/17 fist take: a solid year start despite unfavourable FX effect

**Fair Value EUR45 (+26%)** **BUY**

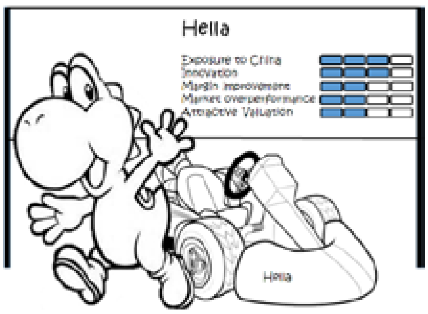
| | |
|---|---|
| Bloomberg | HLE GR |
| Reuters | HLE.DE |
| 12-month High / Low (EUR) | 39.3 / 27.7 |
| Market Cap (EURm) | 3,977 |
| Ev (BG Estimates) (EURm) | 4,001 |
| Avg. 6m daily volume (000) | 137.0 |
| 3y EPS CAGR | 17.5% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | -0.9% | 25.2% | -2.0% | -7.1% |
| Auto & Parts | -1.9% | 13.6% | -3.8% | -16.1% |
| DJ Stoxx 600 | -1.0% | 10.2% | 1.5% | -7.0% |

| 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 | 14.8x | 11.2x | 10.3x | 9.1x |
| FCF yield (%) | 1.0% | 3.3% | 4.6% | 5.7% |
| Dividends (EUR) | 0.77 | 0.96 | 1.04 | 1.18 |
| Div yield (%) | 2.2% | 2.7% | 2.9% | 3.3% |
| EV/Sales | 0.6x | 0.6x | 0.6x | 0.5x |
| EV/EBITDA | 5.0x | 4.6x | 4.1x | 3.6x |
| EV/EBIT | 11.2x | 9.0x | 8.1x | 7.0x |




**Hella posted this morning solid Q1-2016/17 earnings this morning, despite unfavourable FX and disposal effects. All earnings metrics came out slightly above our expectations, with adjusted EBIT margin up 80bp to 7.6% (BG @ 7.2%). Full year objectives were reiterated with the group confirming both its market outlook for 2016 (+3% growth) and its internal sales and margin targets. We expect positive share price reaction this morning especially after the recent share price drop observed over past five days. Buy, FV @ EUR45.**

### ANALYSIS

- **Main Q1-16/17 figures**: Total sales for first quarter are up **3.8%** YoY to **EUR1.55bn**, and up **5.2%** LfL when adjusted from FX and disposal effects. Automotive segment revenues are up **3.2%** to **EUR1.16bn** while sales from Aftermarket grew by **7.3%** to **EUR313m** due to positive wholese and strong workshop development. The growth in auto segment was driven particularly by innovative LED solutions and energy management products. Despite a **60bp rise in R&D expenses ratio** (*to 9.9%)* due to strong investments in new product generations in lighting and electrocnics, group's adjusted EBIT is strongly up, as expected, by **17%** to **EUR117m**, above BG and market expectations (*respectively EUR109m & EUR114m*), allowing Hella to improve its adjusted EBIT margin from **6.8%** to **7.6%.** As a reminder the group is benefiting over first quarter from **positive base effect** as last year margin in the Automotive segment was affected by the failure of a Chinese supplier that had caused high one-time expenses. On a LfL basis the group's adjusted EBIT then grew by **17%** to **EUR118m** (*BG @ EUR112m*) helped by improved earnings contribution from the JVs. Net Q1-16/17 earnings came out at **EUR83m**, and more than doubled compared with last year, slightly above our expectations (*BG @ EUR76.6m*). As anticipated group's adjusted operative CF decreased compared with last year, due to payment of trade liabilities after build-up at year-end. Net capex spent remained stable though, at **EUR106m**.
- **Elements to retain from this publication**: **1/**Earnings are strongly up compared with last year on a YoY basis, helped by favourable base comparison, **2/**Even adjusted from this, group's adjusted EBIT is **up 17%** while group's net profit is **up >29%** thanks to positive sales growth coming from both Automotive segment (*+3.2%)* and Aftermarket segment *(+7.3%)* despite unfavourable FX effect. **3/R&D expenses continued to surge**, yet this effect was more than offset by gross margin improvement (*higher capacity utilization*) and by lower SG&A expenses ratio allowing the group to generate higher profitability. **4/**Market assumptions for 2016 & for 2017 were reiterated despite more cautious comment on U.S. and on China. We hope to get more details during the conference call this afternoon given the uncertainties linked to these two markets for 2017.
- **Conclusions**: 2016/17 guidance was confirmed by the group. Hella still expects sales and adjusted EBIT to grow in **the middle single-digit % range** and **the adjusted EBIT margin** to be in line with 2015/16 (*around 7.5%).* We expect positive share price reaction this morning especially after the recent share price drop observed over past five days. **Buy, FV @ EUR45**

### VALUATION

- At current share price Hella is trading at **9.0x** its 2017e EBIT and **11.2x** its 2017e EPS
- **Buy**, FV @ **EUR45**

### NEXT CATALYSTS

- Conference call **@ 01.30pm CEST time**

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TMT

# Infineon

Price EUR15.34

## Heading to the right direction - we are increasingly confident about the mid-term

**Fair Value EUR17.5 vs. EUR16 (+14%)** **BUY**

| | |
|---|---|
| Bloomberg | IFX GY |
| Reuters | IFXGn.DE |
| 12-month High / Low (EUR) | 15.6 / 9.4 |
| Market Cap (EURm) | 17,366 |
| Ev (BG Estimates) (EURm) | 17,609 |
| Avg. 6m daily volume (000) | 4,455 |
| 3y EPS CAGR | 17.4% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 1.6% | 18.0% | 25.2% | 13.6% |
| Semiconductors | 3.2% | 26.3% | 27.1% | 22.6% |
| DJ Stoxx 600 | -1.1% | 5.6% | 1.5% | -7.1% |

| YEnd Sept. (EURm) | 09/15 | 09/16e | 09/17e | 09/18e |
|---|---|---|---|---|
| Sales | 5,795 | 6,496 | 7,045 | 7,622 |
| *% change* | | *12.1%* | *8.4%* | *8.2%* |
| EBITDA | 1,658 | 1,840 | 2,114 | 2,331 |
| EBIT | 898.0 | 995.4 | 1,199 | 1,341 |
| *% change* | | *10.8%* | *20.4%* | *11.9%* |
| Net income | 680.0 | 912.0 | 991.8 | 1,105 |
| *% change* | | *34.1%* | *8.7%* | *11.4%* |

| | 09/15 | 09/16e | 09/17e | 09/18e |
|---|---|---|---|---|
| Operating margin | 15.5 | 15.3 | 17.0 | 17.6 |
| Net margin | 11.7 | 14.0 | 14.1 | 14.5 |
| ROE | 13.3 | 14.1 | 14.1 | 14.7 |
| ROCE | 18.6 | 14.4 | 15.3 | 16.7 |
| Gearing | -4.7 | 4.8 | -4.6 | -14.2 |

| (EUR) | 09/15 | 09/16e | 09/17e | 09/18e |
|---|---|---|---|---|
| EPS | 0.60 | 0.81 | 0.88 | 0.98 |
| *% change* | *-* | *33.6%* | *8.8%* | *11.4%* |
| P/E | 25.4x | 19.0x | 17.5x | 15.7x |
| FCF yield (%) | 0.5% | 3.4% | 4.2% | 5.0% |
| Dividends (EUR) | 0.18 | 0.20 | 0.20 | 0.20 |
| Div yield (%) | 1.2% | 1.3% | 1.3% | 1.3% |
| EV/Sales | 3.0x | 2.7x | 2.4x | 2.2x |
| EV/EBITDA | 10.3x | 9.6x | 8.1x | 7.1x |
| EV/EBIT | 19.1x | 17.7x | 14.3x | 12.3x |


**Today, we take advantage of a better visibility on FQ4 2016e/FY17e to adjust our mid-term estimates of model, and take into account the solid momentum on both Automotive and Industrial sector. Overall, we raise our top-line growth estimates which leads to FY17e and FY18e EPS estimates to increase by 2%. We continue to think that the profile of Infineon is slowly but continuously improving from an investor perspective while the valuation metrics remain attractive. Following adjustments to our model, we reiterate our Buy recommendation and raise our FV from EUR16 to EUR17.5.**

### ANALYSIS

- **Fundamentals remain very supportive in Automotive. We raise our FY17e and FY18e estimates for the ATV division**. This branch represents about 40% of the overall business of Infineon. Despite automotive volumes might be seen as a concern by some investors in the short term, we remind that most of the growth in the automotive sector comes from content increase (more semiconductor devices per car) while higher volume of cars remain a small part of that. With the current visibility we have so far, we remain confident about a short term growth in this market segment while, on the longer term, we believe that 1/ the current footprint of Infineon in this segment, 2/ the strong and leading product portfolio in autonomous driving (ADAS) and Electric Vehicles (xEV), and 3/ the right R&D strategy with a solid IP portfolio in the next generation power semi materials of Gallium Nitride (GaN) and Silicon Carbide (SiC) that will be used in xEV, will help to consolidate a leading position and allow the group to gain market share. As such, we raise our FY17e and FY18e growth estimate for the Automotive division (~40% of sales) to +9.5% and +9% respectively (vs. previous conservative growth estimates of +5.3% and +4.3%), i.e. an outperformance of more than 2ppts compared to the automotive semiconductor market.

- **Industrial power control: Infineon is set to remains the leader. We also adjust higher our IPC growth estimates for FY17e and FY18e**. Following the acquisition of International Rectifier, Infineon is now a clear market leader in power semi-conductors. The group boasts a market share of almost 19.5% (in 2015) while the second player has only one-third of it. Again, the R&D effort in GaN and SiC will help the group to consolidate its leading position and be boosted by the strong momentum. As such, we also expect Infineon to gain market share in this segment. The acquisition of Wolfspeed during summer 2016 was also a sign that the group is actively investing in future technologies in order to maintain its competitive hedge. While we have a 2015/2018e CAGR of +7.3% for industrial sector market, we now apply a FY17e and FY18e growth of 8%/8.5% respectively (vs. +4.2%/+4.2% previously) for the IPC division (c. 18% of sales). We recall, that in Power semiconductor, Infineon is uninterruptedly gaining market share since 2006. At that time, the German group had a market share of 8.5% which increased to 12.3% before the acquisition of IRF, the one helping Infineon to achieve the 19.5% level today.

- **However, we adopt a slightly more cautious scenario regarding Power Management (PMM) and Chip Card & Security (CCS) divisions**. While we are convinced that the group will now be able to gain market share in Automotive and Industrial sector, we also believe Chip Card business (13% of sales) will slow down due to current high penetration rate of Chip Cards in the US and in China, two of the most dynamic regions so far. As such, we now apply a 6.0% and 5.0% growth for FY17e and FY18e for CCS division (vs. +6.9% and +6.2% previously). Similarly, we adopt a more cautious scenario for the PMM division (c. 31% of sales) which includes a "consumer" share of Infineon business as well as network infrastructure revenue and sales of power supply components for servers. We were previously using growth rate of +7.0% and +6.0% for FY17e/FY18e respectively, we now apply growth rate of 6.0% for both FY17e and FY18e.

- **A 2015/2018e CAGR of 9.6% on revenue and margin improvement to come**. Following the adjustments we detailed previously, our top-line estimates shows a growth pattern of +12.1%/+8.4%/+8.2% over FY16e/ FY17e/FY18e or an average growth rate of +9.6% over the period. Regarding margins, we continue to believe that there will be an improvement thanks to 1/ the Dresden 300mm fab reaching break-even during Q4 2017 (we estimates this should help to improve operating margin by about 100bp), 2/ the pruning of legacy IRF activity/assets (mainly the Wales fab to be sold in FY17, we estimates that it should help by at least 50bp), and 3/ the positive impacts of higher volumes since Infineon is an IDM (it owns the fabs) and is sensitive to volume variations (BG ests. c. +60bp on operating margin by 2018e). As such, our FY18e operating margin comes out at 17.6%, or 210bp higher than 15.5% achieved in FY15. Overall, our new EPS estimates are 2% higher on average compared to our previous estimates.

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As such, our model now points to a 17.4% EPS growth on average over FY16e to FY18e (vs. +16.8% previously).

## VALUATION

- **In our view, the profile of Infineon is slowly but continuously improving from an investor perspective.** The group is now mainly focused on the two most growing market segments among a sluggish semiconductor industry: Automotive and Industrial sector. It owns strong footprint in these segments and outpaces competitors thanks to a clear strategy and rigorously selected investments in technology development. As such, the group is now a clear leader in Power Semiconductor and perfectly positionned to respond to the high demand of Electric vehicle and robotization of the industrial sector with investments in next generation power semi materials of GaN and SiC. In addition, the group also re-engineered some of its Cellular Infrastructure technology (77 GHz P2P connection) to accelerate the development of radars for ADAS, as such it is also a leader in ADAS components, another strong catalyst of automotive market. While an exposition to the Automotive market might be seen as a sign of cyclicality on the top line, we think that with most of the growth coming from content increase (vs. car production) makes it more stable than before. Finally, the group also managed to afford operational leverage with the continuous development of the 300mm fab which will be soon at breakeven.
- **And yet, with this improving profile and strong momentum, Infineon's share performance remains below SOX Index' performance over a 6 months period (25.2% vs. 27.1% respectively) leading to current attractive valuation.** Based on our estimates, Infineon's shares trade at a 2016e/2017e P/E ratios of 19.0x/18.3x respectively and a **2016e/2017e PEG ratios of 1.1x/1.1x**.
- **Following the previously mentioned adjustments in our model and updates of our valuation methods (we uses both a DCF and SOTP based on peer ratios), we raise our FV from EUR16 to EUR17.5.**

## NEXT CATALYSTS

- 23 November 2016: FY16 results

**New detailed P&L**

| [EURm] | 1Q16 | 2Q16 | 3Q16 | 4Q16e | FY16e | FY17e | FY18e | CAGR |
|---|---|---|---|---|---|---|---|---|
| **Total Group** | **1556** | **1611** | **1632** | **1697** | **6496** | **7045** | **7622** | **+9.6%** |
| *Seq. growth* | *-2.6%* | *+3.5%* | *+1.3%* | *+4.0%* | *+12.1%* | *+8.4%* | *+8.2%* | |
| *Y/Y growth* | *+15.4%* | *+8.6%* | *+2.9%* | *+6.2%* | *+12.1%* | *+8.4%* | *+8.2%* | |
| Cost of goods sold | -998 | -1045 | -1034 | -1048 | -4125 | -4318 | -4619 | |
| **Gross margin** | **35.9%** | **35.1%** | **36.6%** | **38.2%** | **36.5%** | **38.7%** | **39.4%** | |
| SG&A | -200 | -195 | -200 | -204 | -799 | -888 | -938 | |
| R&D | -198 | -195 | -197 | -203 | -793 | -866 | -930 | |
| Other operating income* | 60 | 52 | 53 | 51 | 216 | 226 | 205 | |
| **Adj. EBIT** | **220** | **228** | **254** | **293** | **995** | **1199** | **1341** | **+14.3%** |
| *adj. operating margin* | *14.1%* | *14.2%* | *15.6%* | *17.3%* | *15.3%* | *17.0%* | *17.6%* | |
| EBIT | 166 | 174 | 193 | 257 | 790 | 969 | 1133 | |
| *operating margin* | *10.7%* | *10.8%* | *11.8%* | *15.1%* | *12.2%* | *13.8%* | *14.9%* | |
| Net financial result | -12 | -18 | -12 | -25 | -67 | -58 | -56 | |
| Income tax | -2 | 21 | 3 | -35 | -13 | -118 | -151 | |
| *tax rate* | *-1.3%* | *13.5%* | *1.7%* | *-15.0%* | *-1.8%* | *-13.0%* | *-14.0%* | |
| Net income (loss) | 153 | 180 | 186 | 191 | 710 | 792 | 926 | |
| Adj. Net income (loss) | 194 | 207 | 246 | 265 | 912 | 992 | 1105 | |
| **Adj. Dil. EPS (in EUR)** | **0.17** | **0.18** | **0.19** | **0.23** | **0.81** | **0.88** | **0.98** | **+17.4%** |

*Source: Bryan Garnier & Co. ests. * Reintegration of IRF acquisition related D&A and other income & expenses*

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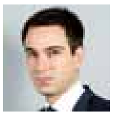

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TMT

# SAP

Price EUR80.85

## Acquisition of Altiscale: enhancing Big Data capabilities

**Fair Value EUR79 vs. EUR75 (-2%)** **NEUTRAL**

| | |
|---|---|
| Bloomberg | SAP GR |
| Reuters | SAPG.DE |
| 12-month High / Low (EUR) | 82.4 / 56.8 |
| Market Cap (EURm) | 99,325 |
| Ev (BG Estimates) (EURm) | 102,444 |
| Avg. 6m daily volume (000) | 2 400 |
| 3y EPS CAGR | 7.6% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 3.5% | 24.0% | 14.1% | 10.2% |
| Softw.& Comp. | 2.9% | 22.8% | 11.7% | 8.0% |
| DJ Stoxx 600 | -1.0% | 10.2% | 1.5% | -7.0% |

| YEnd Dec. (€m) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Sales | 20,798 | 21,861 | 23,305 | 24,920 |
| *% change* | | *5.1%* | *6.6%* | *6.9%* |
| EBITDA | 6,884 | 7,210 | 7,695 | 8,286 |
| EBIT | 4,251 | 5,336 | 5,879 | 6,430 |
| *% change* | | *25.5%* | *10.2%* | *9.4%* |
| Net income | 4,639 | 4,758 | 5,420 | 5,773 |
| *% change* | | *2.6%* | *13.9%* | *6.5%* |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Operating margin | 30.5 | 30.4 | 30.4 | 30.7 |
| Net margin | 14.8 | 16.9 | 18.9 | 19.0 |
| ROE | 13.2 | 14.4 | 15.4 | 15.0 |
| ROCE | 18.5 | 18.1 | 20.0 | 21.6 |
| Gearing | 24.7 | 12.2 | -1.1 | -12.6 |

| (€) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| EPS | 3.78 | 3.87 | 4.41 | 4.70 |
| *% change* | - | *2.6%* | *13.9%* | *6.5%* |
| P/E | 21.4x | 20.9x | 18.3x | 17.2x |
| FCF yield (%) | 3.1% | 4.6% | 5.2% | 5.6% |
| Dividends (€) | 1.15 | 1.20 | 1.30 | 1.40 |
| Div yield (%) | 1.4% | 1.5% | 1.6% | 1.7% |
| EV/Sales | 5.1x | 4.7x | 4.2x | 3.8x |
| EV/EBITDA | 15.3x | 14.2x | 12.9x | 11.5x |
| EV/EBIT | 16.6x | 15.4x | 14.0x | 12.5x |


**We reiterate our Neutral rating and raise our DCF-derived Fair Value to EUR79 from EUR75 following the increase in our medium-term lfl revenue growth rate to +8% from +7%. Yesterday afternoon SAP announced it had completed the acquisition of Altiscale for an undisclosed sum. We estimate the deal has no material impact to our forecasts, but it will allow SAP to address Big Data infrastructure challenges faced by customers on its recently launched HANA Vora in-memory query engine.**

### ANALYSIS

- **A "Big data-as-a-Service" provider**. Founded in 2012, funded by several VCs, and based in Palo Alto, California, Altiscale is a provider of "Big Data-as-a-service" (BDaaS) solutions based on the Hadoop open source software for storing, processing and analysing large amounts of data. It also provides a cloud version of Apache Spark, a faster alternative to Hadoop, as well as Business Intelligence tools - Insight Cloud - to access data from Hadoop and Spark clusters. It competes with Amazon Web Services (Elastic MapReduce), Microsoft (HDInsight), Google (Cloud Dataproc), Databricks and Qubole. Its customer base includes financial services, telecoms, media, ad tech and marketing analytics firms. Altiscale's solutions can be used in many use cases: IoT, fraud detection, cyber-security, advertising optimisation, recommendation engines, advertising attribution, drug research, telecom billing...
- **Rationale of the deal: adding data cloud infrastructure to HANA Vora**. Altiscale, with its Data Cloud offering, has focused on cloud and data infrastructure, which complements the approach SAP has taken so far, i.e. building its distributed computing solution for Big data (SAP HANA Vora) based on a deep understanding of the requirements coming from enterprise applications, analytics, data platform, data warehousing and cloud platform. As such, SAP's offering will cover the full stack of Big data: technology, data platform, PaaS, analytics and applications. HANA Vora, which has been made generally available in March 2016, is an in-memory query engine which brings contextual analytics across all data stored on Hadoop, enterprise systems and other distributed data sources. It extends Spark's execution engine to address some key inefficiencies in processing Big Data for business use. However, customers using HANA Vora faced challenges in provisioning, scaling and operating Hadoop in a production environment. According to SAP, Altiscale addresses these challenges with a 'full-service' Hadoop and Spark in the cloud, while reducing the need for customers to seek out third-party vendors.
- **No material impact for our forecasts**. The terms of the deal have not been disclosed, but on 25th August the website VentureBeat mentioned that SAP would acquire Altiscale for USD125m. As such, this is exactly the kind of 'tuck-in' acquisition that SAP intends to make during the next 18 months in our view. According to data found on the web, the company employs more than 100 staff. Based on this, we estimate Altiscale's revenues around EUR20m, but it is unclear whether or not the company is profitable. Whatever the case, we consider Altiscale will have no material impact to our forecasts (revenues, EPS, and net debt).

### VALUATION

- SAP's shares are trading at est. 15.4x 2016 and 14.0x 2017 EV/EBIT multiples.
- Net debt on 30th June 2016 was EUR4,436m (net gearing: 19%).

### NEXT CATALYSTS

Q3 2016 results on 21st October before markets open.

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TMT

# Ubisoft

Price EUR33.60

## Acquisition of Ketchapp in mobile gaming

## Fair Value EUR35 vs. EUR34 (+4%) BUY

| | |
|---|---|
| Bloomberg | UBI.FP |
| Reuters | UBIP.PA |
| 12-month High / Low (EUR) | 38.3 / 18.0 |
| Market Cap (EUR) | 3,776 |
| Ev (BG Estimates) (EUR) | 3,690 |
| Avg. 6m daily volume (000) | 250.5 |
| 3y EPS CAGR | 37.0% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | -4.5% | 8.8% | 23.5% | 26.0% |
| Softw.& Comp. | 2.9% | 22.8% | 11.7% | 8.0% |
| DJ Stoxx 600 | -1.0% | 10.2% | 1.5% | -7.0% |

| YEnd Mar. (EURm) | 03/16 | 03/17e | 03/18e | 03/19e |
|---|---|---|---|---|
| Sales | 1,394 | 1,719 | 1,970 | 2,228 |
| *% change* | | *23.3%* | *14.6%* | *13.1%* |
| EBITDA | 600 | 731 | 911 | 1,100 |
| EBIT | 156.1 | 215.0 | 320.0 | 431.3 |
| *% change* | | *37.7%* | *48.8%* | *34.8%* |
| Net income | 116.0 | 143.5 | 219.8 | 300.7 |
| *% change* | | *23.7%* | *53.2%* | *36.8%* |

| | 03/16 | 03/17e | 03/18e | 03/19e |
|---|---|---|---|---|
| Operating margin | 11.2 | 12.5 | 16.2 | 19.4 |
| Net margin | 6.7 | 8.3 | 11.2 | 13.5 |
| ROE | 9.2 | 12.3 | 15.9 | 17.9 |
| ROCE | 11.0 | 13.6 | 20.8 | 28.6 |
| Gearing | 4.3 | -7.5 | -23.1 | -37.6 |

| (EUR) | 03/16 | 03/17e | 03/18e | 03/19e |
|---|---|---|---|---|
| EPS | 1.02 | 1.25 | 1.91 | 2.61 |
| *% change* | - | *22.6%* | *53.2%* | *36.8%* |
| P/E | 33.1x | 27.0x | 17.6x | 12.9x |
| FCF yield (%) | NM | 4.7% | 6.0% | 8.1% |
| Dividends (EUR) | 0.00 | 0.00 | 0.00 | 0.00 |
| Div yield (%) | NM | NM | NM | NM |
| EV/Sales | 2.7x | 2.1x | 1.8x | 1.4x |
| EV/EBITDA | 6.4x | 5.0x | 3.8x | 2.9x |
| EV/EBIT | 24.5x | 17.2x | 10.8x | 7.3x |


**Ubisoft yesterday announced the acquisition of the very profitable mobile game publisher and developer Ketchapp. This acquisition is accretive by +3% on average over the next two years. We estimate the price at less than 7x Ketchapp's EBIT. This acquisition gives Ubisoft the fourth leading mobile game publisher in terms of downloads, and reinforces its advertising capabilities in mobile gaming. We maintain our Buy recommendation and raise our FV from EUR34 to EUR35 (only based on fundamentals). We advise investors to play positive momentum on the stock.**

### ANALYSIS

- Yesterday after trading, Ubisoft announced the **acquisition of Paris-based mobile game publisher and developer Ketchapp**. According to AppAnnie, this latter is the **fourth-largest mobile game publisher in terms of downloads** (**c.700m downloads for iOS and Android**, with an average of more than 23m per month), after Activision Blizzard (via King Digital), EA (via EA Mobile) and Vivendi (via Gameloft). The company was **created in January 2014** by Antoine and Michel Morcos, **but it has released many successful titles** such as *2048*, *ZigZag*, *Stack*, *Stick Hero*, *Twist*, and *Jelly Jump.* **Ketchapp focuses on snack gaming** (2-3 minutes play time) **with a free-to-play model** (the vast majority of revenue stems from advertising, and to a lesser extent from micro-transactions).
- **On a 12-month basis, we see Ketchapp generating revenue of EUR25m with an operating margin of over 40%.** The multiple paid by Ubisoft should be **less than what Activision Blizzard paid for King Digital, namely less than 7-8x EBIT (<EUR70m).** As Ubisoft has never made big acquisitions, this is the largest in its history. Note that the transaction is subject to customary closing conditions and is **expected to be consolidated in fiscal Q3 2016-17** (an impact of about 6-months on the current FY).
- **After integrating this deal, we now see EUR1,718.8m in sales** (vs. our EUR1,706.3m before; guidance of EUR1,700m) **and EUR240m in non-IFRS EBIT** (vs. our EUR235m before; guidance of c.EUR230m) **and strong FCF generation** (BG est. EUR183m). **This acquisition is accretive to our EPS sequence, by +3% on average over the next two years** (+2.6% in FY2016-17 and +3.4% in FY2017-18).
- Note that **in our paper on the issue of convertible bonds** (maturity 2021 for c. EUR400m), **we pointed out that the issue could be used for possible M&A moves (mentioning that the group was probably looking for unlisted mobile game companies)**, stock repurchases and refinancing of existing debts. However, we maintain that **Ubisoft did not need this financing in the short term** (it was an opportunistic operation).

### VALUATION

- **The acquisition of Ketchapp is accretive to our EPS sequence, by +3% on average over the next two years** (+2.6% in FY2016-17 and +3.4% in FY2017-18). **We maintain our Buy recommendation and raise our FV from EUR34 to EUR35** (only based on fundamentals). **In the event of a takeover bid, we estimate a valuation between EUR41** (the very minimum, and EUR46 if Vivendi wants to avoid counterbids as far as possible) **and EUR51** (maximum).

### NEXT CATALYSTS

- **Ubisoft's AGM:** tomorrow.

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Sector View

# Consumer

## Q4 2016 Top Picks: we remove Ahold and add Moncler, Hermès, Carrefour and Remy Cointreau

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Pers & H/H Gds | -1.3% | 7.7% | 4.1% | 1.8% |
| DJ Stoxx 600 | -1.0% | 10.2% | 1.5% | -7.0% |

*Stoxx Sector Indices

**Companies covered**

| | | | |
|---|---|---|---|
| **ADIDAS GROUP** | | **NEUTRAL** | **EUR136** |
| *Last Price* | EUR152,3 | *Market Cap.* | *EUR31,864m* |
| **BEIERSDORF** | | **NEUTRAL** | **EUR80** |
| *Last Price* | EUR84,143 | *Market Cap.* | *EUR19,084m* |
| **BIC** | | **NEUTRAL** | **EUR123** |
| *Last Price* | EUR130,75 | *Market Cap.* | *EUR6,267m* |
| **BURBERRY** | | **NEUTRAL** | **1200p** |
| *Last Price* | 1403p | *Market Cap.* | *GBP6,211m* |
| **CHRISTIAN DIOR** | | **BUY** | **EUR175** |
| *Last Price* | EUR158,9 | *Market Cap.* | *EUR28,876m* |
| **ESSILOR** | | **BUY** | **EUR130** |
| *Last Price* | EUR116,55 | *Market Cap.* | *EUR25,419m* |
| **GRANDVISION** | | **BUY** | **EUR28** |
| *Last Price* | EUR25,065 | *Market Cap.* | *EUR6,378m* |
| **GROUPE SEB** | | **BUY** | **EUR132** |
| *Last Price* | EUR124,4 | *Market Cap.* | *EUR6,241m* |
| **HERMES Intl** | | **BUY** | **EUR370** |
| *Last Price* | EUR362,1499 | *Market Cap.* | *EUR38,232m* |
| **HUGO BOSS** | | **NEUTRAL** | **EUR74** |
| *Last Price* | EUR49,18 | *Market Cap.* | *EUR3,462m* |
| **KERING** | | **BUY** | **EUR185** |
| *Last Price* | EUR178,95 | *Market Cap.* | *EUR22,596m* |
| **L'OREAL** | | **BUY** | **EUR177** |
| *Last Price* | EUR167,55 | *Market Cap.* | *EUR93,828m* |
| **LUXOTTICA** | | **NEUTRAL** | **EUR54** |
| *Last Price* | EUR44,39 | *Market Cap.* | *EUR21,480m* |
| **LVMH** | | **BUY** | **EUR171** |
| *Last Price* | EUR151,85 | *Market Cap.* | *EUR77,100m* |
| **MONCLER** | | **BUY** | **EUR17,5** |
| *Last Price* | EUR14,98 | *Market Cap.* | *EUR3,748m* |
| **PRADA** | | **NEUTRAL** | **HKD31** |
| *Last Price* | EUR26,6 | *Market Cap.* | *EUR68,065m* |
| **RICHEMONT** | | **NEUTRAL** | **CHF63** |
| *Last Price* | CHF58,75 | *Market Cap.* | *CHF32,900m* |
| **SAFILO** | | **NEUTRAL** | **EUR11** |
| *Last Price* | EUR8,54 | *Market Cap.* | *EUR535m* |
| **SALVATORE FERRAGAMO** | | **BUY** | **EUR23** |
| *Last Price* | EUR22,59 | *Market Cap.* | *EUR3,813m* |
| **THE SWATCH GROUP** | | **SELL** | **CHF270** |
| *Last Price* | CHF272,4 | *Market Cap.* | *CHF15,068m* |
| **TOD'S GROUP** | | **SELL** | **EUR53** |
| *Last Price* | EUR46,62 | *Market Cap.* | *EUR1,543m* |

**Companies covered**

| | | | |
|---|---|---|---|
| **AB INBEV** | | **NEUTRAL** | **EUR109** |
| *Last Price* | EUR116.15 | *Market Cap.* | EUR186,797 |
| **CAMPARI** | | **BUY** | **EUR10,5** |
| *Last Price* | EUR9.92 | *Market Cap.* | *EUR5,762m* |

### LOOKING BACK ON Q3 2016

Our **Consumer** "Top Picks" encompass all our global consumer franchises: **Luxury**, **Consumer goods**, **Retail**, **Spirits** & **Brewers** and **Food**. In Q3, our global consumer sample was up slightly (+5%) but again with a mixed situation with +4% for our luxury goods sample while the HPC and consumer goods segments were better oriented (respectively +7% and +8%) as was food-beverages (+5%). In all, retail stocks were also well oriented (+4%).

**Luxury goods** stocks rebounded by 4% (-11% in Q2) on top of challenging market trends (fewer tourist flows in Europe, softness in the US and Japan, weak performance in H-K), only partly offset by a sequential improvement in MC. This performance highlights the fact that investors are more and more mature. Among our sample, the best performer was **Kering** (+18%) thanks to the rebound of **Gucci** (sales up 7.4% in Q2) despite demanding comps. The rejuvenation of the brand is clearly a success (new collections accounted for 70% of Gucci sales in Q2). **Hermès** also fared well (+9%) despite withdrawing its 8% MT sales growth target. **Swatch group** (-6%) and **Tod's** (-12%) were again, but unsurprisingly, the worst luxury sector performers. Meanwhile, the **Moncler** share price increased by 4% in Q3 (+18% ytd) on the back of solid top line momentum in H1 (+17% FX-n), especially in difficult markets such as Asia-Pacific (+30%) and North America (+20%), which account respectively for 34% and 15% of group sales.

With a 26% rally over Q3, **Safilo** was the best-performing stock in our **Optical & Eyewear sample** thanks to better-than-expected Q2 results and positive recent newsflow (early renewal of Max Mara, new licensing agreement with Moschino). Our cautiousness is explained by the lack of traction by the proprietary brand portfolio and the Gucci transition. **GrandVision** was up a slight 4% despite solid Q2 results, but we still consider it as the safest choice within the sector combined with attractive upside potential. After two successive quarters of outperformance, the **Essilor** share remained flat, offsetting some profit-taking moves after the LFL growth miss in Q2 (+3.2% vs. +5%e). Momentum should pick up again in H2 and any share price weakness should be viewed as a good entry point for a MT-LT investment horizon. Last but not least, **Luxottica** lost 6% as the group continued to suffer from its initiatives, but H2 should be marked by a gradual acceleration, as highlighted by the current trading.

Among the **HPC/Consumer goods** stocks, we highlight the amazing performance by **adidas Group** (+25%, +72% ytd!) and **Groupe SEB** (+12%, +33% ytd), the latter being supported by the largest acquisition in its history (WMF) and H1 results that topped expectations. **BIC** increased by 4%, driven by a better-than-expected margin performance in Q2.

**Food & Beverages:** Spirits posted a good performance. Campari was the winner, up 8.4%. The group continued to benefit from its good portfolio positioning and, at the beginning of August, published H1 results which were pretty solid and above market expectations. Food stocks were sluggish as the sector is affected by continued pressure on prices and the deterioration in China. All the main brewers were weak during the third quarter with AB InBev and Carlsberg down 1% and Heineken down 6%. Not only were they fully valued at the start of the quarter, but also the trends that the companies have been highlighting suggest a difficult Q3 results season, driven by tough comparables in WE. At Carlsberg, WE represents about half of operating profits and at Heineken one quarter (and at AB InBev it is less than 5%). But Heineken not only has tough comps in WE. In Q3 2015, the group delivered organic sales growth of 7.5%, driven by levels of 7% in WE, 7.5% in Africa and 12% in Americas. Against such a tough comps, Q3 of this year has to disappoint, especially in WE, where the weather has been far less good than last year.

**Food Retail:** Dia (+17%) was the best performer in the food retail segment and Casino the worst (-9%). The relationship between the top line (declining LFL rates) and the bottom line (growing margin rate) of Dia in Iberia has long appeared unhealthy. But finally, the ~30bp estimated decline in Q2 underlying margin in Iberia was not interpreted as a margin restatement, while the relationship between the top line (+2.9% LFL) and the bottom line looked much healthier to the market. Hence the relief… As far as Casino is concerned, some operators started undertaking a short read-across between Dia and Casino, arguing that the transfer of FP/LP stores to franchise has no other goal than to boost margin at the expense of pressured franchises. The same catchphrase was used by short sellers against Dia…

### WHAT WE SEE FOR Q4 2016

**Luxury goods:** We do not expect any recovery in the Q3 performance versus Q2 (around 0% organic growth), given tough conditions in Europe and especially in France, due to significantly lower tourist flows following the Nice attacks last July (occupancy rate for Paris Hotels was 30% lower and even worse for 4 and 5* hotels), despite some clear improvement in Mainland China even if the situation remains quite tough in Hong Kong and in Macau. We think that in Q3 and in Q4, **Hermès** (success of leather goods collection and lower weight of tourists than peers on France sales) and **Gucci**

Return to front page

| | | | |
|---|---|---|---|
| **CARLSBERG** | | **SELL** | **DKK600** |
| *Last Price* | DKK628.5 | *Market Cap.* | *DKK96,084m* |
| **DANONE** | | **NEUTRAL** | **EUR65** |
| *Last Price* | EUR65.55 | *Market Cap.* | *EUR42,994m* |
| **DIAGEO** | | **NEUTRAL** | **2100p** |
| *Last Price* | 2211p | *Market Cap.* | *GBP55,639m* |
| **HEINEKEN** | | **BUY** | **EUR88** |
| *Last Price* | EUR77.89 | *Market Cap.* | *EUR44,865m* |
| **MOLSON COORS** | | **BUY** | |
| *Last Price* | USD104.26 | *Market Cap.* | *USD22,393m* |
| **NESTLE** | | **BUY** | **CHF83** |
| *Last Price* | CHF76.1 | *Market Cap.* | *CHF236,835* |
| **PERNOD RICARD** | | **NEUTRAL** | **EUR112** |
| *Last Price* | EUR105.8 | *Market Cap.* | *EUR28,082m* |
| **REMY COINTREAU** | | **BUY** | **EUR84** |
| *Last Price* | EUR76.43 | *Market Cap.* | *EUR3,725m* |
| **ROYAL UNIBREW** | | **BUY** | **DKK325** |
| *Last Price* | DKK321.3 | *Market Cap.* | *DKK17,382m* |
| **SABMILLER** | | **NEUTRAL** | **4400p** |
| *Last Price* | 4439p | *Market Cap.* | *GBP72,106m* |
| **UNILEVER** | | **NEUTRAL** | **EUR43** |
| *Last Price* | EUR40.6 | *Market Cap.* | *EUR116,595* |
| **UNILEVER Plc** | | **NEUTRAL** | **3590p** |
| *Last Price* | 3599.5p | *Market Cap.* | *GBP46,198m* |

**Companies covered**

| | | | |
|---|---|---|---|
| **AHOLD DELHAIZE** | | **BUY** | **EUR25,8** |
| *Last Price* | EUR20.52 | *Market Cap.* | EUR26,292m |
| **CARREFOUR** | | **BUY** | **EUR30** |
| *Last Price* | EUR23.015 | *Market Cap.* | *EUR17,405m* |
| **CASINO GUICHARD** | | **BUY** | **EUR57** |
| *Last Price* | EUR43.265 | *Market Cap.* | *EUR4,845m* |
| **DELHAIZE** | | **BUY** | **EUR104,5** |
| *Last Price* | EUR102.8 | *Market Cap.* | *EUR10,751m* |
| **DIA** | | **BUY** | **EUR6,5** |
| *Last Price* | EUR5.621 | *Market Cap.* | *EUR3,499m* |
| **JERONIMO MARTINS** | | **NEUTRAL** | **EUR13,5** |
| *Last Price* | EUR15.33 | *Market Cap.* | *EUR9,647m* |
| **METRO AG** | | **SELL** | **EUR26** |
| *Last Price* | EUR26.59 | *Market Cap.* | *EUR8,618m* |
| **RALLYE** | | **BUY** | **EUR18,5** |
| *Last Price* | EUR14.62 | *Market Cap.* | *EUR713m* |
| **TESCO** | | **SELL** | **166p** |
| *Last Price* | 176.45p | *Market Cap.* | *GBP14,423m* |

(undemanding comps and higher weight of new Alessandro collections) should be able to outperform its main peers. We are more cautious on Louis Vuitton which is highly dependent of tourists flows for its French business that explains a double digit sales decline in Paris in Q2 and +1/2% organic sales growth in Q2.

**Consumer: The "feel good" factor still sought by investors.** There is almost no rotation within this sector, as investors continue to favour groups with solid momentum/limited risks such as **adidas Group**, **Groupe SEB**, **Essilor** or **L'Oréal**. At this stage, the market is not willing to anticipate possible improvements at groups that struggled in H1 (i.e. **Hugo Boss**, **Luxottica**) although it fuelled the significant rebound of **Safilo** following the first positive results of painful actions implemented last year.

**Food & Beverages:** Food companies should be impacted by a strong deceleration in China. The slowdown in the food & beverage sector is significant and is a result of economic issues, reverse migration, change in channel dynamics and tough competition from local players. The Chinese infant nutrition market has been disrupted by new regulations which are inducing tough price competition, mainly in the mainstream and premium segments. In contrast, we expect spirits companies to post a solid set of results driven by continued good dynamism in the US and improving trends in China.

**Food Retail:** The food retail sector remains penalised by deflation. This trend exacerbates a fundamental issue which is the dilution of growth in a fixed costs industry (sluggish demography, deflation and high penetration rate of modern food retail). We do not foresee any reversing trend: **1/** deflation is still there in several major markets while **2/** there is no obvious thinning on the horizon in emerging markets. In this context, positions could be set in favour of "safe heavens" (i.e. Ahold Delhaize), which could trigger an opportunity cost.

## CONCLUSIONS AND TOP PICKS

**Let's try again with Moncler (Buy – FV: EUR17.5).** We had removed Moncler following the Nice terror attacks (July 14th) but admittedly the share performed quite well over the summer. As stated above, one of the main downside risks for Q4 would be the slowdown in tourist flows to Europe and Japan (safety issues, less favourable FX rates). Note that management specified that activity with local customers was robust, offsetting lower tourist flows in France and these positive trends should continue in H2. We continue to appreciate the Italian brand's strong momentum (+17% FX-n in H1), driven by its strong brand equity and legitimacy to grow market share in a dynamic outerwear segment. We expect a CAGR in 2015-18e sales of 10.6% and the group should maintain its high margin level (33.5% adj. EBITDA margin in 2016e) thanks to its "Retail Excellence" (one of the highest sales/m² ratio in the sector with EUR30k/m², focus on SSSG). H2 accounts for ~66% of FY sales and ~80% of FY adj. EBITDA.

We remove **Ahold Delhaize (Buy-FV: EUR25.8)** since we believe that the group could face issues in Q3, bearing in mind the profit warning from Supervalu beginning of September and the upcoming teach-in (beginning of October) during which management will present pro-forma accounts (we fear this kind of exercise as 1+1 does not always equal 2!).

We add **Carrefour (Buy-FV: EUR30)**, which could positively surprise. As a reminder, the French hypermarket's market share was down 20bp in August (a performance sanctioned by the market). We believe that future market shares could be better thanks to a very aggressive promotional campaign undertaken by Carrefour in September, which left Leclerc without obvious reaction. Admittedly, this is a bet, but we were definitely impressed by the magnitude of promotions. Given the valuation (2017 P/E of 12,5x), we believe Carrefour deserves to replace Ahold as a Top Pick.

We add **Rémy Cointreau (Buy-FV: EUR84).** We expect sales to rise 3% in Q2 16/17, strongly improving vs Q1 (flat). China should return to positive territory driven by a normalisation of private consumption and the lack of negative technical effect (destocking last quarter). The US should continue to grow strongly on the back of the success of brown spirits. In addition, the group's premiumisation strategy is working so far as the weight of exceptional spirits (retail price higher than USD50) rose 400bps to 49% in 2015/16.

We add **Hermès (Buy-FV: EUR370).** We take the opportunity of the recent share price decline to add RMS as we are convinced that the group will continue to outperform its luxury peers, including in Q3, as it is least affected by lower tourist's flows. Furthermore, management has maintained its MT target of 8% sales growth on internal purpose. It has lost 10% from the highest summer share price.

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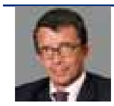

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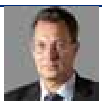

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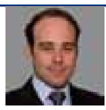

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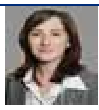

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Sector View

# Insurance

## No Q4 Top Pick as there are too many risk factors

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Insurance | 2.1% | 13.1% | -6.0% | -18.8% |
| DJ Stoxx 600 | -1.0% | 10.2% | 1.5% | -7.0% |

*Stoxx Sector Indices

**Companies covered**

| | | | |
|---|---|---|---|
| **AEGON** | | **NEUTRAL** | **EUR6** |
| *Last Price* | EUR3.362 | *Market Cap.* | EUR7,254m |
| **ALLIANZ** | | **BUY** | **EUR180** |
| *Last Price* | EUR130.2 | *Market Cap.* | EUR59,501m |
| **AXA** | | **BUY** | **EUR29** |
| *Last Price* | EUR18.64 | *Market Cap.* | EUR45,188m |
| **CNP ASSURANCES** | | **NEUTRAL** | **EUR15** |
| *Last Price* | EUR14.76 | *Market Cap.* | EUR10,134m |
| **COFACE** | | **NEUTRAL** | **U.R.** |
| *Last Price* | EUR6.301 | *Market Cap.* | EUR991m |
| **EULER HERMES** | | **BUY** | **EUR89** |
| *Last Price* | EUR75.73 | *Market Cap.* | EUR3,229m |
| **HANNOVER RE** | | **SELL** | **EUR110** |
| *Last Price* | EUR94.76 | *Market Cap.* | EUR11,428m |
| **MUNICH RE** | | **SELL** | **EUR185** |
| *Last Price* | EUR165.85 | *Market Cap.* | EUR26,711m |
| **SCOR** | | **BUY** | **EUR35** |
| *Last Price* | EUR27.485 | *Market Cap.* | EUR5,277m |
| **SWISS RE** | | **NEUTRAL** | **CHF100** |
| *Last Price* | CHF87.15 | *Market Cap.* | CHF31,380m |
| **ZURICH INSURANCE GROUP** | | **NEUTRAL** | **CHF270** |
| *Last Price* | CHF248.8 | *Market Cap.* | CHF37,452m |

### LOOKING BACK ON Q3 2016

The insurance sector slightly outperformed the market in Q3 after a terrible Q2. Yet only three companies we cover outperformed the sector in Q3: CNP (+4% vs. sector, partially driven by BRL), Munich Re (+2% vs. sector, as it partially recovered from a poor Q2 following a profit warning in May) and AXA (terrible performance post Brexit vote). Aegon was by far the worst performer (down 16% vs. sector).

Fears associated with Brexit did not materialise in Q3, because so far i/ there has been no Brexit!, and ii/ political management has been pretty satisfactory. Yet the hard work will come in due time…

H1 2016 insurance numbers were pretty much in line with expectations, down 6% on average for primary insurers (lower investment income, some pressure on underwriting results) and down 18% on average for reinsurers (lower investment income, higher natcats). FY guidance has been reaffirmed. As expected, and despite the negative impact of end-Q2 flight to quality, solvency margins remained very comfortable across the board. Investors should expect 2016 dividends (due spring 2017) to be stable in most cases.

The European bond market performed well in Q3, with rates and spreads going down (8bps for the 10Y Euro, 18bps for the iTraxx Main, 54bps for the iTraxx Xover, 25bps for the iTraxx Senior Financials, 26bps for the iTraxx Sub. Financials). The European equity market also rose slightly (3%). US rates have notched up (10bps) as most players expect the FED to raise interest rates in December. Bottom line, we can expect insurers' NAVs to be slightly higher at end-September vs. their June level.

### WHAT WE SEE FOR Q4 2016

We expect a volatile market environment in Q4, as illustrated by the rise of volatility indexes in recent days. More specifically, we will deal with some critical events that may have major impacts on financial markets. For a start, Portugal on 21st October when rating agency DBRS will state whether Portugal is still Investment Grade, i.e. eligible for ECB refinancing, the US presidential elections on 8th November and the Italian referendum on 4th December. Current uncertainties in the banking sector (i.e. NPL issue in Italy + Deutsche Bank and Italian banks' weak capital positions) are also a concern as banking debt represents c. 12.5% of insurers' total investment portfolios.

Higher volatility and potential flight to quality due to these economic/political issues represent concrete risks for the insurance sector in the short term. Remember stress scenarios such as the Chinese crash at the beginning of the year and Brexit vote at end-June have had major negative impacts on the sector.

We do not expect Q3 results (due beginning of November) to provide any specific trigger for the sector, with ongoing pressure on investment income, lower commissions on asset management and unit-linked products (Stoxx50 down 12% yoy on average) as well as potential hedging losses.

### CONCLUSIONS AND TOP PICKS

Considering that visibility remains poor in the short-term, we believe it is wise to again restrain from placing insurance companies in our quarterly Top Pick list.

For longer term investors, and provided the stress on financial markets remains under control, we believe current prices offer attractive entry points, especially for AXA. On the other hand, should markets be bumpy by year end, reinsurers, Zurich and Allianz offer more defensive profiles than average.

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Healthcare

# Fresenius SE

Price EUR70.78

## Fifth IV Gx approval is a prefilled syringe...which should help to maintain KABI's margins

**Fair Value EUR78 (+10%)** **BUY-Top Picks**

| | |
|---|---|
| Bloomberg | FRE GR |
| Reuters | FREG.DE |
| 12-month High / Low (EUR) | 72.9 / 53.1 |
| Market Cap (EURm) | 38,671 |
| Avg. 6m daily volume (000) | 1 036 |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 8.1% | 11.2% | 14.6% | 7.3% |
| Healthcare | 0.0% | 2.4% | 5.6% | -8.3% |
| DJ Stoxx 600 | -1.1% | 5.6% | 1.5% | -7.1% |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| P/E | 27.1x | 23.8x | 21.0x | 18.9x |
| Div yield (%) | 2.4% | 2.7% | 3.1% | 3.5% |

### ANALYSIS

- Fresenius SE announced yesterday the US launch of Ketorolac Tromethamine, a nonsteroidal anti-inflammatory drug indicated in patients with moderate to acute pain whom require short term analgesia, typically following surgery. This approval marks the fifth US launch of an IV Generic (Gx), putting KABI one approval away from reaching the lower end of its annual drug launch guidance (6-10 products). With back-end loaded launch expected towards the end of the year, KABI guidance should be reached.
- Interestingly, this drug should be made available through the company's Simplist platform i.e. as a prefilled syringe. As a reminder, the Simplist platform has been acquired through the acquisition of Becton Dickinson's IV Gx plant on January 8th, 2016 (amount not disclosed). Concomitantly, a 10 years supply agreement has been signed with BD. While Fresenius SE's management mentioned at the time of the acquisition that no revenues should be derived from this plant before the necessary investments would have been made, we are pleased to see that the 8th product has been approved (7th commercialised prefilled syringe IV Gx acquired at the time of the acquisition at the beginning of the year). Hence, we do not rule out that this should make Fresenius SE more willing to discuss about this plant for which BD commented in 2013 that it could make it a USD100-200m business towards 2018 (not reiterated by FRE's management). However, it should be noted that this long term target obviously excludes the synergies from the integration into KABI's business as BD was creating this business before deciding to deprioritize it.
- We estimate the US market for IV Ketorolac Tromethamine at around 1m TRxs or around USD20-25m per year, growing on the back of opioids. This should not make Fresenius SE's new product a significant contributor to KABI's turnover. However, we would highlight that: 1/ prefilled syringe product features higher margins; 2/ FRE's product should benefit from shortages at competitors with Hospira not being able to supply the market continuously because of delays in quality improvement activities and increased demand for the drug. Also to note is that KABI's syringes relying on the Simplist technology feature less steps than Hospira Carpuject and iSecure syringes.
- As discussed in our previous note (please see here), this launch reassures us with regards to KABI's margins in the US. Despite easing of the US drug shortage, KABI still offers short term visibility.

### VALUATION

- We reiterate our BUY rating and EUR78 fair value. Fresenius SE is our Medtech top-pick

### NEXT CATALYSTS

- Oct. 27th: Q3 results

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Healthcare

## Galapagos

Price EUR60.64

| | |
|---|---|
| Bloomberg | GLPG BB |
| Reuters | GLPG.BR |
| 12-month High / Low (EUR) | 63.8 / 32.7 |
| Market Cap (EURm) | 2,800 |
| Avg. 6m daily volume (000) | 242.5 |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 26.3% | 34.6% | 62.5% | 6.8% |
| Healthcare | 0.2% | 3.6% | 5.8% | -8.1% |
| DJ Stoxx 600 | -1.0% | 10.2% | 1.5% | -7.0% |

| | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| P/E | NS | NS | NS | 96.7x |
| Div yield (%) | NM | NM | NM | NM |

### Phase III program in IBD

**Fair Value EUR64 (+6%)** **BUY**

### ANALYSIS

- Galapagos announced the completion of consultations with regulators for filgotinib in IBD. Hence the biotech's partner, GILEAD, should initiate shortly a phase III in Crohn's Disease (DIVERSITY; NCT02914561) and a phase IIb/III in Ulcerative Colitis (SELECTION) respectively. First patient-in expected in Q4 2016.
- While each study is expected to recruit about 1,300 patients, the SELECTION trial should include a futility analysis to comply with requirements to integrate a phase IIb as part of the program. Both the 100mg/QD and 200mg/QD will be evaluated in men and women with moderate to severe disease as a 2L treatment (after immunomodulator or anti-TNF or vedolizumab) over a 10 week treatment course with the possibility to enter a long-term extension study. We believe that the sweet spot for filgotinib in IBD would be for newly diagnosed patient's right after corticosteroids i.e. before anti-TNF.
- Note that in the US, the FDA requested that male may receive 200mgQD dose only if they failed at least one anti-TNF and vedolizumab. While we do not consider the toxicity in male reproductive organs as being an issue, a dedicated male testicular safety study will be included as part of the phase III program. We would not expect this safety trial to slow enrolment rate in the US as 1/ a large proportion of patients are women and 2/ the narrowed enrolment criteria it imply for the 200mgQD dose should be lifted at the end of the safety trial. Recall that GLPG already conducted extensive pre-clinical studies and met the safety margin requested by the FDA.

### VALUATION

- We reiterate our BUY rating and EUR64 fair value

### NEXT CATALYSTS

- Q4 2016
  - Cystic Fibrosis program: GLPG1837 phase II results, GLPG2451 phase I results
  - Filgotinib phase II program: first patient-in in the DIVERSITY (CD) and SELECTION (UC) trials

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Healthcare

# Genmab

Price DKK1,128

| | |
|---|---|
| Bloomberg | GEN DC |
| Reuters | GEN.CO |
| 12-month High / Low (DKK) | 1,266 / 593.5 |
| Market Cap (DKKm) | 67,885 |
| Avg. 6m daily volume (000) | 400.8 |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 3.1% | 4.6% | 31.8% | 22.9% |
| Healthcare | 0.2% | 3.6% | 5.8% | -8.1% |
| DJ Stoxx 600 | -1.0% | 10.2% | 1.5% | -7.0% |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| P/E | NS | NS | NS | 54.6x |
| Div yield (%) | NM | NM | NM | NM |

## Positive read-across from AMGN's Kyprolis failure as a first-line option for myeloma

**Fair Value DKK1600 (+42%)** **BUY**

### ANALYSIS

- **Amgen yesterday announced that its lead compound in multiple myeloma, Kyprolis failed as a first line option in combination with melphalan and prednisone** (vs JNJ's Velcade along with the same chemo regimen). More precisely, the Phase III CLARION trial failed to meet its primary endpoint of improving progression free survival, as the median stood at 22.3 months in the active arm vs 22.1 months for the control one (HR: 0.91). Looking at the key secondary endpoints, we note that the hazard ratio associated with overall survival (while not mature) was 1.21, meaning that there was no decrease in the risk of death, but rather an increase.
- **We see a positive read-across for GEN's daratumumab** as Kyprolis was basically one of its toughest late-stage competitors. With this failure the 1L segment of the myeloma market is a bit less crowded (although the largest part of it admittedly are patients treated with lenalidomide-based regimens).
- Some Phase III data involving Kyprolis in combination with len/dex in this setting should be published, and the outcome might be quite different. However 1/ it might take years before they are available with overall survival as a primary endpoint, 2/ we believe dara/len/dex will yield better efficacy/safety data, especially in light of the stronger synergies between an IMiD and a cytotoxic mAb with the ability to modulate the tumour microenvironment (see our previous reports for further details on this point). We expect a readout in 2018/19e.
- **Note that the very first Phase III data involving "dara" as a first line option for multiple myeloma is expected in H1 2017**. Contrary to Amgen's, here Dara will be tested as an add-on to Velcade/melphalan/prednisone vs Velcade/Melphalan/Prednisone. In our view this design 1/ might have the chance of showing a benefit from an efficacy standpoint; and 2/ is allowed by the relatively benign safety profile of CD38 mAbs.

### VALUATION

- BUY reiterated with a FV of DKK1,600.

### NEXT CATALYSTS

- Capital Market Day: 10th November.

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TMT

# Iliad

Price EUR185.30

## Content war stepping up

## Fair Value EUR212 (+14%) BUY

| | |
|---|---|
| Bloomberg | ILD FP |
| Reuters | ILD.PA |
| 12-month High / Low (EUR) | 236.3 / 168.4 |
| Market Cap (EURm) | 10,883 |
| Avg. 6m daily volume (000) | 106.6 |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 5.0% | 8.9% | -20.6% | -15.8% |
| Telecom | -1.9% | 6.1% | -8.6% | -15.1% |
| DJ Stoxx 600 | -1.0% | 10.2% | 1.5% | -7.0% |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| P/E | 33.2x | 31.1x | 24.4x | 19.0x |
| Div yield (%) | 0.2% | 0.2% | 0.2% | 0.2% |

### ANALYSIS

- Iliad yesterday announced the launch of a new triple play offer bundling **50 new channels from the CanalSat Panorama offer**. The new offer is priced at EUR39.99, ie only **EUR2 more than the standard Revolution offer**. CanalSat Panorama is also available on a standalone basis at EUR24.90.
- This offer would not have been possible without a **major change in CanalSat's distribution strategy**. Other **similar partnerships** with other operators such as Orange should follow. This offer is a way for Iliad to **fight back against growing content-oriented value propositions** on the market, and **make up for a deficit in fibre coverage** by increased competitiveness on the content side. **SFR** in particular should be hurt.
- This move highlights how **partnership-based strategies** can fight against vertical integration ones, and confirms the **global trend of increasing prices** in the fixed market. The impact on Iliad revenues should be **significant**, as the entire Revolution customer base should be migrated to this offer, with the possibility to opt out. Net adds impact will much **depend on the reaction of competitors**.
- The impact on **Iliad's profitability is unclear** at this stage, given the lack of information on the contract's structure, but we believe the good value proposition should allow Iliad to **reach breakeven** quite rapidly. Also we believe opportunities might lie in reduced TV VAT handling.

### VALUATION

- We stick to our Fair Value of EUR212 with a Buy recommendation.

### NEXT CATALYSTS

- Q3 results in November.

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TMT

# Indra Sistemas

Price EUR12.00

## Launch of a EUR250m convertible bond issue

**Fair Value EUR11 (-8%)** **NEUTRAL**

| | |
|---|---|
| Bloomberg | IDR SM |
| Reuters | IDR.MC |
| 12-month High / Low (EUR) | 12.3 / 7.7 |
| Market Cap (EURm) | 1,970 |
| Avg. 6m daily volume (000) | 695.3 |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 2.6% | 38.7% | 15.6% | 38.4% |
| Softw.& Comp. SVS | 2.9% | 22.8% | 11.7% | 8.0% |
| DJ Stoxx 600 | -1.0% | 10.2% | 1.5% | -7.0% |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| P/E | NS | 25.0x | 14.6x | 11.3x |
| Div yield (%) | NM | NM | NM | NM |

### ANALYSIS

- **This morning Indra announced the launch of the issuing of bonds convertible into and/or exchangeable for ordinary shares**, for a nominal amount of EUR250m, subject to an increase option of up to EUR50m. The bonds, which will be issued at 100% of their nominal value, will accrue fixed interest, payable every 6 months in arrears, at a yearly rate expected to be between 0.5% and 1.25%, and will mature on the 7th anniversary of the issue date. In addition, the bonds will be convertible or exchangeable into shares with a conversion premium of 25-30%.
- **Financing the purchase of convertible bonds maturing in 2018**. Indra intends to use a portion of the proceeds of the new issue, up to EUR100m, to finance the repurchase of part of its outstanding 2018 convertible bonds issued in October 2013 for EUR250m and bearing an annual coupon of 1.75%, through a reverse book building process and it is expected that will range between 104% and 105% of the principal amount on the 2018 bonds. The purchased 2018 bonds will be cancelled by Indra. We estimate that, from 2018 onwards, the new bond issue will reduce Indra's annual interest charge between EUR1.3m and up to EUR3.1m.

### VALUATION

- Indra's shares are trading at est. 16.6x 2016 and 10.5x 2017 EV/EBVIT multiples.
- Net debt on 30th June 2016 was EUR659.4m (net gearing: 199%).

### NEXT CATALYSTS

Q3 2016 results in November.

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Healthcare

# Orpea

Price EUR78.66

| | |
|---|---|
| Bloomberg | ORP FP |
| Reuters | ORP.PA |
| 12-month High / Low (EUR) | 80.6 / 65.8 |
| Market Cap (EUR) | 4,725 |
| Avg. 6m daily volume (000) | 89.00 |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 1.6% | 11.9% | 10.3% | 6.6% |
| Healthcare | 0.2% | 3.6% | 5.8% | -8.1% |
| DJ Stoxx 600 | -1.0% | 10.2% | 1.5% | -7.0% |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| P/E | 37.1x | 29.4x | 25.3x | 22.6x |
| Div yield (%) | 1.1% | 1.2% | 1.4% | 1.5% |

## First take H1 results: Positive trend continues

**Fair Value EUR85 (+8%)** **BUY**

### ANALYSIS

- **Integration of recent acquisitions well managed:** After consolidated revenue up 23% on a reported basis at EUR1.381bn with organic growth of 5.7%, the main results were the following:
  - EBITDAR reached EUR368.5m (consensus at EUR367m like our forecast), up 21.4% compared with last year, impacted for the first time by IFRIC 21 (EUR6.4m) representing an **EBITDAR margin of 26.7% i.e. down 30bp vs. last year after IFRIC 21**. As expected, recent acquisitions mainly in Germany (Celenus, Vitalis, RGB) and to a lesser extent in Poland (Medi-System) weighed on the margin. Excluding this, EBITDAR margin would have been flat.
  - After rental expenses, EBITDA grew by 19.5% to EUR220.5m (consensus and our forecast at EUR223m) representing an EBITDA margin of 16% down 40bp. Excluding acquisitions mainly under asset light, EBITDA margin would have widened 60bp to 17%.
- **Real estate and financial flexibility reinforced:** During H1 and only due to acquisitions, real estate now represents a total amount of EUR3.7bn up EUR227m net of asset sales bearing in mind that real estate valuation is based on a cap rate of 6.3%. Real estate debt amounted to EUR2.6bn. Restated for real estate, financial leverage decreased to 2.5x from 2.9x at the end of 2015 vs. a covenant of <5.5x. In all, net debt stood at EUR3.226bn vs. EUR3.087bn in December 2015 with an average cost of debt of 3.4% down 40bps from 3.8%
- **Confident in FY results:** Management confirmed its FY revenue guidance of EUR2.810bn upgraded after H1 revenue mid-July with solid profitability. We are confirming our revenue forecast of EUR2.814bn but our EBITDAR and EBITDA could be a bit conservative today at respectively EUR755m and EUR458m representing an EBITDAR margin of 26.8% down 50bp and an EBITDA margin of 16.3% down 40bps.

### VALUATION

- We are confirming our recommendation. At the current share price, the stock is trading at 17.5x EV/EBITDA 2016e and 15.5x 2017e which compares with an historical average of 13.1x and an EBITDA CAGR 2015-2018 of 11.2%.

### NEXT CATALYSTS

- Today 10.00am: Analyst's meeting
- Q3 revenue on 3rd November 2016
- Capital Market Days on 6-7th December 2016 (Geneva)

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Healthcare

## Shire PLC

Price 5,143p

| | |
|---|---|
| Bloomberg | SHP LN |
| Reuters | SHP.L |
| 12-month High / Low (p) | 5,315 / 3,480 |
| Market Cap (GBPm) | 46,391 |
| Avg. 6m daily volume (000) | 2,558 |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 6.0% | 23.9% | 32.4% | 9.5% |
| Healthcare | 0.2% | 3.6% | 5.8% | -8.1% |
| DJ Stoxx 600 | -1.0% | 10.2% | 1.5% | -7.0% |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| P/E | 17.1x | 15.8x | 13.5x | 11.6x |
| Div yield (%) | 0.3% | 0.3% | 0.3% | 0.4% |

### TNF biosimilars to be discontinued… another step towards a better capital allocation

**Fair Value 6900p (+34%)** **BUY-Top Picks**

### ANALYSIS

- Coherus and Momenta announced they had regained (or will regain) all rights on their TNF-α biosimilars from SHP – respectively CHS-0214 (etanercept) and M923 (adalimumab), two candidates for which we had very low expectations (2020e sales: USD100m for the whole franchise, with revenue anticipations starting from 2017e).
- We expected this news as we saw these BXLT's legacy assets as 1/ non-core, and 2/ low ROI. A such, we see this as positive from a capital reallocation / cost savings point of view. Remember that 1/ we (and probably the consensus) included low cost synergies from the acquisition of BXLT for this year; 2/ in light of management's track-record, we believe the street could be positively surprised by the speed with which the cost cutting plan is implemented.
- Note that Shire will continue to fund the development of the Momenta compound until the termination of the agreement (in 12 months). But the potential costs associated are likely to be limited as M923 is a Phase III compound for which the top-line results are to be published by year end. The press release gave no details about a potential one-shot payment to Momenta. On the other hand, we understand that Coherus will recognise USD162.6m in revenue for this year as a result of the termination agreement.

### VALUATION

- BUY reiterated with a FV of GBp6,900.

### NEXT CATALYSTS

- 28th October: Q3 2016 results.
- 10th November: Capital Market Day.

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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 32.5%    SELL ratings 11.7%

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