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3rd October 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18308.15	+0.91%	+5.07%
S&P 500	2168.27	+0.80%	+6.08%
Nasdaq	5312	+0.81%	+6.08%
Nikkei	16598.67	+0.9%	-13.58%
Stoxx 600	342.917	+0.06%	-6.26%
CAC 40	4448.26	+0.10%	-4.07%
Oil /Gold			
Crude WTI	48.24	+2.53%	+29.68%
Gold (once)	1321.51	+0.31%	+24.39%
Currencies/Rates			
EUR/USD	1.1238	+0.08%	+3.45%
EUR/CHF	1.0894	+0.29%	+0.18%
German 10 years	-0.191	+2.50%	-130.17%
French 10 years	0.119	-5.32%	-87.89%
Euribor	-0.301	0.00	+129.77%

Economic releases :

Date	
3rd-Oct	10h00 -EUZ PMI manufacturing Sep. (52.6 E) 10h30 GB - Markit PMI Manuf. (52.1E) 16h00 US - ISM Manufacturing Sep. (50.3 E) 16h00 US - ISM New Orders

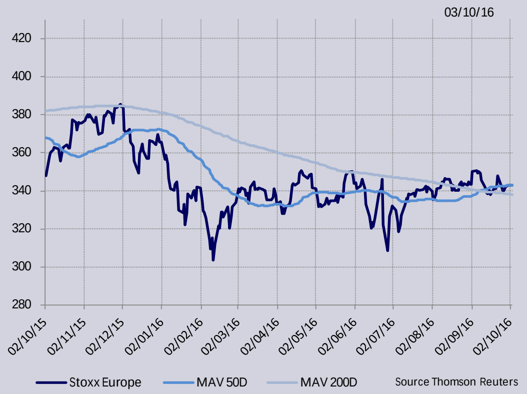
Upcoming BG events :

Date	
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



ESSILOR — BUY, Fair Value EUR130 (+13%)

In sun Essilor is replicating the successful recipe from the Rx lens business

The third and last day of this Field Trip took place at FGX headquarters (Smithfield, RI) to present more in details the Group's sun strategy in the US and worldwide. In a highly fragmented sun market expected to grow at a healthy 5-7% p.a., Essilor anticipates sales CAGR of ~9% over 2015-18, o/w 7% organically to reach a revenue of EUR1.1-1.2bn by 2018 (vs. ~EUR860m in 2015). This outperformance will be driven by: (i) increasing the quality of sun lenses and bringing innovation in all price points (premiumisation), (ii) expanding geographically its global brands (Foster Grand, Bolon, Costa, etc.) and (iii) M&A to enlarge the brand portfolio.

LAFARGEHOLCIM — BUY, Fair Value CHF60 vs. CHF50 (+14%)

This is still a Buy

We briefly revisit our investment case before the Capital Markets Day (18/11). LafargeHolcim is our preferred play in the cement sector: the improved macro sentiment in the Emerging Markets, the Q2 earnings trend reversal, and ongoing simplification will support the share price. Besides, while we start to question the strength of US construction trends, LafargeHolcim's diversification is a clear advantage.

MORPHOSYS — BUY, Fair Value EUR64 vs. EUR62 (+72%)

Guselkumab shows strong Phase III data in plaque psoriasis. FV lifted.

JNJ and MOR announced that the VOYAGE 1 study (Phase III evaluating guselkumab in plaque psoriasis vs both a placebo and adalimumab) met all its co-primary endpoints. Efficacy data (and notably the PASI 100 at week 48) were very competitive with Cosentyx's (NVS), therefor confirming our positive bias on this candidate. We have lifted our FV from EUR62 to EUR64 as we have slightly increased the associated PoS (70% vs 60%).

SANOFI — NEUTRAL, Fair Value EUR83 (+23%)

Dupixent: very good data, how fast can the take-off be?

Data from the two pivotal phase III studies SOLO 1 & 2 were presented at the largest European dermatology meeting in Vienna this week end, showing very good results from both an efficacy and a safety perspective. They confirm the high potential of Dupixent (dupilumab) at least in Atopic Dermatitis (AD) in adults for the time being.

TEMENOS GROUP — BUY vs. NEUTRAL, Fair Value CHF71 vs. CHF54 (+16%)

Large deal with a major European bank

We upgrade the stock to Buy from Neutral and increase our DCF-derived fair value to CHF71 from CHF54 as we reduce our company beta to 1.2 from 1.4 given the rise of the market cap year-to-date (+CHF13/share), a change in our medium-term tax rate to 18% from 22% (+CHF4). This morning Temenos announced that a major European bank has selected Temenos' front-to-back solution for commercial and corporate lending. We deem this "material transaction" will lead to a raise in company guidance after Q3 results.

CONSTRUCTION & MATERIALS

Top Picks: LafargeHolcim ahead of the capital market day, Imerys ahead of decent Q3.

BUSINESS SERVICES

Top picks: Elior maintained

CAR PART MANUFACTURERS

French auto market up 1.6% in September, diesel share continues to slide

According to CCFA figures, French automotive registrations (PC+LCV) were up 1.6% YoY in September, with PC sales up 2.5% and LCV down 2.1%. The share of diesel cars continued to fall (52.5% of YTD sales vs. 58% one year ago). Within French OEMs, Renault performed well (+3.6%) unlike PSA (-5.4%). The French market is still expected to rise by 4-5% over 2016.

In brief...

HEIDELBERGCEMENT, *Success of offer for Italcementi shares*

UCB, *phase III results in psoriasis*

WORLDLINE, *Completion of Equens/Paysquare and KB deals*

Luxury & Consumer Goods

Essilor

Price EUR114.80

In sun Essilor is replicating the successful recipe from the Rx lens business

Fair Value EUR130 (+13%) **BUY**

Bloomberg	EF FP
Reuters	ESSI.PA
12-month High / Low (EUR)	123.6 / 103.0
Market Cap (EURm)	25,037
Ev (BG Estimates) (EURm)	26,706
Avg. 6m daily volume (000)	447.1
3y EPS CAGR	10.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.8%	-3.4%	5.8%	-0.2%
Consumer Gds	0.2%	2.5%	2.5%	-1.4%
DJ Stoxx 600	-0.2%	4.0%	1.6%	-6.3%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	6,716	7,132	7,625	8,157
% change		*6.2%*	*6.9%*	*7.0%*
EBITDA	1,263	1,341	1,449	1,566
EBIT	1,183	1,271	1,379	1,501
% change		*7.5%*	*8.5%*	*8.9%*
Net income	757.1	846.6	923.3	1,017
% change		*11.8%*	*9.1%*	*10.1%*

	2015	2016e	2017e	2018e
Operating margin	17.6	17.8	18.1	18.4
Net margin	11.3	11.9	12.1	12.5
ROE	13.3	13.2	12.9	13.4
ROCE	20.0	20.1	20.9	21.5
Gearing	34.7	24.5	15.9	13.7

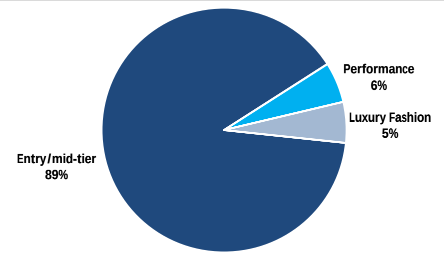
(€)	2015	2016e	2017e	2018e
EPS	3.57	3.96	4.32	4.76
% change	-	*11.0%*	*9.1%*	*10.1%*
P/E	32.2x	29.0x	26.6x	24.1x
FCF yield (%)	3.5%	3.7%	4.0%	4.3%
Dividends (€)	1.15	1.30	3.15	4.15
Div yield (%)	1.0%	1.1%	2.7%	3.6%
EV/Sales	4.0x	3.7x	3.4x	3.2x
EV/EBITDA	21.5x	19.9x	18.1x	16.7x
EV/EBIT	23.0x	21.0x	19.0x	17.4x

The third and last day of this Field Trip took place at FGX headquarters (Smithfield, RI) to present more in details the Group's sun strategy in the US and worldwide. In a highly fragmented sun market expected to grow at a healthy 5-7% p.a., Essilor anticipates sales CAGR of ~9% over 2015-18, o/w 7% organically to reach a revenue of EUR1.1-1.2bn by 2018 (vs. ~EUR860m in 2015). This outperformance will be driven by: (i) increasing the quality of sun lenses and bringing innovation in all price points (premiumisation), (ii) expanding geographically its global brands (Foster Grand, Bolon, Costa, etc.) and (iii) M&A to enlarge the brand portfolio.

ANALYSIS

- **Sunglasses industry harbours solid growth drivers. 1/ This category is quite under-penetrated:** just 30% of the world population and more importantly, only 10% of eyeglasses wearers are equipped with sunglasses (potential to reach 50% of eyeglasses wearers), **2/ Closing the technological gap:** in our view this gap is more significant than for Rx lenses as most of the eyewear manufacturers' R&D was spent on frames rather than sun lenses: as such polarized lenses only equip 30% of plano sunglasses, whilst there is a potential to 90%, **3/ Favorable demographic trends:** ageing population, growing awareness among the emerging middle-class and the fashion image that leads to shorter replacement rates (~12-18 months on average). Against these structural drivers, **Essilor expects this sunglass segment to grow at 5-7% p.a.**, the lower end of this bracket being within range even when adverse macro conditions, or unfavourable weather conditions occur like this year.
- **Essilor is already a key player in sunglasses.** Last year, EI reached sales of ~EUR860m in sun excl. Readers (~13% of total revenue) and sold 69m pairs of sunglasses, mostly below a retail price of USD30. As a comparison Luxottica produced more than 93m premium/luxury frames last year (Rx and sunglasses combined). As shown on the table next page, **EI owns 4 of the top 15 sun brands in volumes:** three of them belong to the entry/mid-tier price points (**Foster Grant**, **Bolon**, **Molsion**) and **Costa** which is part of the performance segment.

Global Plano sunglass market by segment (units):



Essilor Sun Sales Breakdown by segment:

Source: Essilor

- **Sun strategy: replicate a proven success recipe.** Indeed Essilor will use several levers to support its growth strategy: **(i) introducing higher quality** and innovative sun lenses to favour premiumisation (e.g.: Bolon average retail selling price increased by 20% over 2013-15), **(ii) encouraging sunwear prescription** to leverage its expertise from its core activity (+ positive impact on ASP and margins), **(iii) channel expansion** like online (~10% of EI sunwear sales), travel retail (Bolon, Costa) and independent opticians, **(iv) geographical expansion**, particularly for Bolon and Costa.
- **Foster Grant at the forefront in the segment >USD30.** FG (12m units) is US' largest sunglass brand and the No.2 in the world (after Ray-Ban), almost exclusively positioned within the price point >USD30. Yet, FGX continue to strengthen the brand equity by: **(i)** bringing unmatched innovations in this price point (e.g.: Eyezen, e.Reader with the anti-harmful blue light filter, etc.), **(ii)** increasing the shopping experience (merchandising and retail expertise). Thanks to these levers, FGX is now legitimate enough to start penetrating the USD30-50 price point.
- **Essilor's Chinese sun brands own 40% of the mid-tier segment in China.** The Chinese sunglass market is #1 in volume and #2 in value (~9% of global market). Essilor's PF encompasses **Bolon** (~70%), **Molsion** (~20%) and **Prosun** (~10%). Although Bolon was particularly affected by the implementation of the ARTEMIS inventory management system in H1, it growth in China relies on its strong brand equity and brand awareness (85% absolute awareness), not to forget a broad network of 30,000 retailers in Tier 2-4 cities. In parallel of an ongoing domestic development, Bolon is now rolled out internationally (Singapore, Malaysia, etc.) and in new channels such as travel retail and optical chains.
- **Costa is US' fastest-growing sun brand.** In 2015 the brand achieved sales over USD120m, leading to a sales CAGR of 20% over 2012-15. Under the new management of Holly Rush, former President of LUX's Wholesale North America, Costa on its unique positioning (seaside communities, fishermen) to maintain this robust pace of growth: **(i)** interestingly Costa has the

youngest customer base, especially the key "Millennial generation" (*see table 3 below*), **(ii)** expand the distribution in the US (Southeastern US: ~70% of sales) and enlarge its customer base to up to 150m consumers vs. 47m currently with a more lifestyle image, **(iii)** this rebalancing will also help Costa to expand internationally (Europe, Australia-NZ, Asia). Consequently, the product portfolio should be 50/50 between core and lifestyle in the MT vs. 80/20 today.

- **Will it increase the group's cyclicality? Not significantly in our view.** Admittedly the unhelpful H1 performance of the Sun & Readers division (-3.9% LFL) has not calmed some investors' fears about Essilor becoming more cyclical than previously. Yet, CEO Hubert Sagnières recalled that: **(i)** the poor performance was also due to a company-specific initiative (e.g. ARTEMIS in China), **(ii)** the global sunglasses market should slightly outgrow the lens segment this year despite unfavourable weather conditions and a more challenging macro environment, and **(ii)** the Group's exposure to sun in 2018 should amount to ~14-15% of total sales (EUR1.1-1.2bn vs. overall revenue target of EUR8.2bn), not materially higher than in 2015 (~13% of total sales).

VALUATION

- The stock trades at 26.6x 2017e P/E, implying a 11% premium to its 2004-16 historical average.

NEXT CATALYSTS

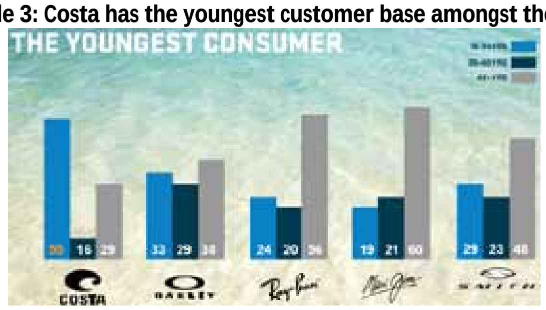
- Essilor will release its Q3 sales on 21st October. *Click here to download*

Table 1: Breakdown of total sun revenues of Essilor (2015):

Table 2: Essilor leads the sunglasses industry in volumes

We own 4 of the top 15 sun brands worldwide	Volume	Global/ Regional/ Local
Ray-Ban	>25	G
Foster Grant	>12	R
Oakley	~10	G
Maui Jim	~4	R/G
Bolon, Armani	≈2.5	L/R
Chili Beans	~2.5	L
Polaroid, Gucci, Carrera, Dolce & Gabbana, Prada, Police, Dior, Costa, Molsion	1 to 2	G/L
Small selective/Small local/Fast-growing brands		G/L/R
TOTAL	~[illegible]	

Table 3: Costa has the youngest customer base amongst the premium/performance sun brands:



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Construction & Building Materials

LafargeHolcim

Price CHF52.50

This is still a Buy

Fair Value CHF60 vs. CHF50 (+14%)

BUY

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	57.7 / 34.1
Market Cap (CHFm)	31,863
Ev (BG Estimates) (CHFm)	46,875
Avg. 6m daily volume (000)	1,805
3y EPS CAGR	52.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.7%	29.5%	16.1%	4.4%
Cons & Mat	0.6%	12.3%	6.8%	5.7%
DJ Stoxx 600	-0.2%	4.0%	1.6%	-6.3%

YEnd Dec. (CHFm)	2015	2016e	2017e	2018e
Sales	29,483	28,501	28,623	30,365
% change		*-3.3%*	*0.4%*	*6.1%*
EBITDA	5,751	5,681	6,315	7,403
EBIT	3,371	3,181	3,815	4,903
% change		*-5.6%*	*19.9%*	*28.5%*
Net income	787.5	1,407	2,002	2,766
% change		*78.7%*	*42.2%*	*38.2%*

	2015	2016e	2017e	2018e
Operating margin	11.4	11.2	13.3	16.1
Net margin	-6.9	4.3	7.1	9.8
ROE	2.5	4.5	6.2	8.2
ROCE	4.4	4.3	5.3	6.8
Gearing	48.3	37.2	32.2	25.6

(CHF)	2015	2016e	2017e	2018e
EPS	1.30	2.32	3.30	4.57
% change	-	*78.7%*	*42.2%*	*38.2%*
P/E	40.4x	22.6x	15.9x	11.5x
FCF yield (%)	0.4%	5.8%	9.1%	11.0%
Dividends (CHF)	1.50	1.65	1.80	1.95
Div yield (%)	2.9%	3.1%	3.4%	3.7%
EV/Sales	1.7x	1.6x	1.6x	1.4x
EV/EBITDA	8.8x	8.3x	7.2x	5.9x
EV/EBIT	15.0x	14.7x	11.9x	8.9x

We briefly revisit our investment case before the Capital Markets Day (18/11). LafargeHolcim is our preferred play in the cement sector: the improved macro sentiment in the Emerging Markets, the Q2 earnings trend reversal, and ongoing simplification will support the share price. Besides, while we start to question the strength of US construction trends, LafargeHolcim's diversification is a clear advantage.

ANALYSIS

- The Emerging Markets outlook is improving and confidence is gradually coming back. Since last February, USD25bn has been invested in the Emerging Markets' equities markets, compared with a USD150bn outflow between October 2013 and February 2016. This is of course positive for LafargeHolcim, which is the European cement player most exposed to the Emerging Markets today. Confidence is driven by a slightly better macro sentiment. OECD has maintained its 2016 and 2017 GDP growth for China or India and improved by 1% its forecasts for Brazil, while it has downgraded them for most of the key mature countries.
- LHN has been busy this year. The Q2 results are much better than in Q1 (and Nigeria's negative impact is likely to lessen from now on); the group has dramatically accelerated its divestments, with more than CHF3.5bn achieved and a new target of CHF5bn by December 2017 – and synergies generated are in line with guidance. Sequential prices are up, too.
- While there might be some question marks regarding US construction dynamism, LafargeHolcim is much less exposed to North America than CRH or to a lesser extent HeidelbergCement. In this context, some investors might be tempted to prefer LafargeHolcim.

VALUATION

- New Fair Value at CHF60 (vs CHF50), thanks to the roll-over to 2018 and more optimistic assumptions on synergies and new figures. Our new estimates include the announced recent disposals, pending further details at the Capital Markets Day on 18 November.
- 2017e EV/EBITDA at 7.2x vs 6.8x for HeidelbergCement (Buy, FV EUR86), 8.7x CRH (Buy, FV EUR30) and Vicat at 6.9x (Neutral, FV EUR56).

NEXT CATALYSTS

- Q3 results on 4 November 2016. Capital Market Day on 18 November 2016

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Healthcare

Morphosys

Price EUR37.23

Guselkumab shows strong Phase III data in plaque psoriasis. FV lifted.

Fair Value EUR64 vs. EUR62 (+72%) **BUY**

Bloomberg	MOR GR
Reuters	MORG.DE
12-month High / Low (EUR)	61.8 / 33.2
Market Cap (EUR)	988
Ev (BG Estimates) (EUR)	749
Avg. 6m daily volume (000)	111.6
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.7%	-0.3%	-12.2%	-35.4%
Healthcare	-0.8%	-4.3%	4.1%	-9.3%
DJ Stoxx 600	-0.2%	4.0%	1.6%	-6.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	106.2	52.0	79.6	15.3
% change		*-51.1%*	*53.3%*	*-80.8%*
EBITDA	20.6	-63.2	-56.2	-141.2
EBIT	17.2	-67.2	-60.2	-145.2
% change			*10.5%*	*-141.3%*
Net income	14.8	-47.1	-42.1	-101.6
% change			*10.5%*	*-141.3%*

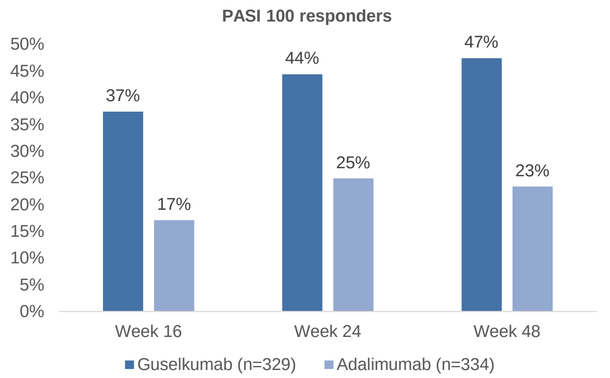
	2015	2016e	2017e	2018e
Operating margin	16.2	-129.4	-75.6	-951.0
Net margin	14.0	-90.6	-52.9	-665.7
ROE	4.1	-14.9	-15.4	-59.1
ROCE	16.0	-52.7	-44.2	-100.3
Gearing	-77.9	-75.7	-69.8	-48.5

(EUR)	2015	2016e	2017e	2018e
EPS	0.57	-1.78	-1.59	-3.83
% change	-		*10.9%*	*-141.3%*
P/E	65.3x	NS	NS	NS
FCF yield (%)	NM	NM	NM	NM
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	6.6x	14.4x	10.0x	59.3x
EV/EBITDA	34.2x	NS	NS	NS
EV/EBIT	41.1x	NS	NS	NS

JNJ and MOR announced that the VOYAGE 1 study (Phase III evaluating guselkumab in plaque psoriasis vs both a placebo and adalimumab) met all its co-primary endpoints. Efficacy data (and notably the PASI 100 at week 48) were very competitive with Cosentyx's (NVS), therefor confirming our positive bias on this candidate. We have lifted our FV from EUR62 to EUR64 as we have slightly increased the associated PoS (70% vs 60%).

ANALYSIS

- **JNJ and MOR announced some very positive data from the VOYAGE 1 Phase III study involving Guselkumab (anti-IL23p19) as a treatment for patients with plaque psoriasis**. All co-primary endpoints were met as a larger proportion of patients receiving the compound achieved higher PASI 90 (85.1% vs 6.9%, p<0.001) and IGA scores (73.3% vs 2.9%, p<0.001) at week 16 vs placebo…
- **Guselkumab also proved to be superior to adalimumab (anti-TNF-α) across all major endpoints through 48 weeks of treatment**. Among others, we would note that 47.4% of patients receiving guselkumab were considered as PASI 100 responders (i.e. achieved a complete response skin clearance) at week 48… vs 23.4% for adalimumab (p<0.001). We believe this data is very competitive with the ones from NVS' Cosentyx in a similar setting (PASI 100 of 45.9% at 52 week).



- **Safetywise, we would say that adverse events were very similar within the guselkumab and adalimumab arms**… Whether for opportunist infections, cancer cases or cardiovascular events.

	Placebo	Guselkumab	Adalimumab
Treated patients, n	174	329	333
≥1 AE	49.4%	51.7%	51.1%
≥1 SAE	1.7%	2.4%	1.8%
Discontinued to ≥1 AE	1.1%	1.2%	0.9%
Infections	25.3%	25.8%	25.5%
Infections treated with antibiotics	7.5%	6.1%	7.2%
Serious infections	0.0%	0.0%	0.6%
MACE	0.0%	0.3%	0.3%
Non-melanoma skin cancer (NMSC)	0.0%	0.3%	0.0%
Malignancy other than NMSC	0.0%	0.0%	0.0%
≥1 Injection site reaction (ISR)	0.0%	2.4%	7.5%
Total number of injections	0	975	3,262
Injections with ISR	0.0%	1.1%	1.6%

- **As a reminder, guselkumab's main competitive advantage vs IL-17 inhibitors (e.g. NVS's Cosentyx or LLY's Taltz) shoud be its administration schedule** (knowing that this study assessed its ability to administered once every two months, while its different competitors are known to be given on a once-a-month basis at best).

VALUATION

- We have raised our PoS assumption for guselkumab (70% vs 60% previously) thereby prompting us to lift our FV from EUR62 to EUR64 . Note that we might further increase our PoS to 80% should the VOYAGE 2 study be positive (another Phase III study evaluating the compound in plaque psoriasis). BUY reiterated.

NEXT CATALYSTS

- H2 2016/H1 2017: Results from the VOYAGE 2 Phase III study (guselkumab in plaque psoriasis).

H2 2016/H1 2017: Read-across from Lilly's solanezumab (anti-β-amyloid mAb) in prodromal Alzheimer's disease *Click here to download*

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Hugo Solvet

Healthcare

Sanofi

Price EUR67.64

Dupixent: very good data, how fast can the take-off be?

Fair Value EUR83 (+23%) **NEUTRAL**

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	93.3 / 67.3
Market Cap (EURm)	87,191
Ev (BG Estimates) (EURm)	94,586
Avg. 6m daily volume (000)	2 540
3y EPS CAGR	2.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.1%	-9.7%	-4.5%	-13.9%
Healthcare	-0.8%	-4.3%	4.1%	-9.3%
DJ Stoxx 600	-0.2%	4.0%	1.6%	-6.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	36,575	35,970	36,779	38,358
% change		*-1.7%*	*2.2%*	*4.3%*
EBITDA	11,237	10,722	10,472	10,731
EBIT	9,948	9,595	9,620	9,942
% change		*-3.5%*	*0.3%*	*3.3%*
Net income	7,371	6,995	7,080	7,796
% change		*-5.1%*	*1.2%*	*10.1%*

	2015	2016e	2017e	2018e
Operating margin	27.2	26.7	26.2	25.9
Net margin	20.2	19.4	19.3	20.3
ROE	12.9	12.0	11.9	12.6
ROCE	11.9	11.2	11.0	11.2
Gearing	12.7	12.7	9.8	6.1

(EUR)	2015	2016e	2017e	2018e
EPS	5.64	5.47	5.54	6.10
% change	-	*-3.0%*	*1.2%*	*10.1%*
P/E	12.0x	12.4x	12.2x	11.1x
FCF yield (%)	5.1%	6.8%	6.2%	7.2%
Dividends (EUR)	2.93	3.00	3.15	3.50
Div yield (%)	4.3%	4.4%	4.7%	5.2%
EV/Sales	2.6x	2.6x	2.5x	2.4x
EV/EBITDA	8.4x	8.8x	8.9x	8.5x
EV/EBIT	9.5x	9.9x	9.7x	9.2x

Data from the two pivotal phase III studies SOLO 1 & 2 were presented at the largest European dermatology meeting in Vienna this week end, showing very good results from both an efficacy and a safety perspective. They confirm the high potential of Dupixent (dupilumab) at least in Atopic Dermatitis (AD) in adults for the time being.

ANALYSIS

- As very much expected since IL-4 and IL-13 were established as key messengers in AD (atopic dermatitis), their blockade by dupilumab translated into a sound efficacy. This was illustrated by a clear benefit on all efficacy endpoints, starting with IGA of 0 or 1 at week 16 which was 36-37% (vs 9-10% with placebo) or with EASI 75 which also compares very favourably (44-52% vs 12-15%). Interestingly, the curves usually separate very quickly i.e. as early as week two. Because AD has sound consequences on the patient's quality of life, QoL scores were also used and also showed a clear improvement, or instance on sleep, anxiety and depression. Safety-wise, dupilumab looks safe and well tolerated although a simple warning might be posted to signal potential mild ophthalmologic side effects.
- As such, there is no doubt that dupilumab, which will be marketed as Dupixent, is going to be a key and successful product to treat this high unmet medical need represented by severe AD, so far in adults. The doctor who presented the data during the call showed pictures and explained how invalidating AD can be for patients when more than 80% of the body is covered and pain and severe itching make life awful: for him, dupilumab is a transforming drug for patents, "it is life-changing".
- Then the question is very much that of the target and the take-off of such a medicine rather than anything else because in the end it is going to be a meaningful drug in our opinion. It was said that Sanofi and Regeneron would first start targeting dermatologists that already prescribe biologics for other conditions and severely ill patients that have failed all existing therapeutic options or are intolerant to some of them. Based on the 1.6 million Americans that have moderate to severe AD, it remains to be seen how large this subset of population really is. As a reminder, in severe psoriasis, after years and with a variety of options, biologics only represent about a quarter of prescription shares. So, although data is compelling and although the existence of an immediately available cohort of patients is likely, it might take some time before it becomes a sizeable market.
- The filing has already taken place in the US and the PFUDA date is scheduled for 29th March 2017 for moderate to severe AD whereas another set of data is expected before a filing in Europe can take place. Further studies in adolescents and infants will also start as of Q1 2017. Obviously, a significant part of the AD market is in children but this one will not be addressable before the very end of the decade. As far as future indications are concerned, asthma is scheduled to be second with the key QUEST phase III due to report at the very end of 2017.

VALUATION

- We have already included all indications for dupilumab in our sales model, including nasal polyps where a phase III trial is due to start in early 2017. AD should contribute to around 45% (or EUR2bn) of dupilumab's EUR4.4bn peak sales. We are making no change to our 80% PoS related to this indication. Dupilumab (all indications accounts) for ~EUR3.5/share.
- Sanofi and Regeneron will co-promote Dupixent in the US and will therefore share the cost for its launch, as well as profits ultimately. Outside the US, Regeneron representatives said that their decision had not been made yet.

NEXT CATALYSTS

- 2!th October 2016: Q3 results

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TMT

Temenos Group

Price CHF61.20

Large deal with a major European bank

Fair Value CHF71 vs. CHF54 (+16%) **BUY vs. NEUTRAL**

Bloomberg	TEMN SW
Reuters	TEMN.SW
12-month High / Low (CHF)	62.2 / 40.8
Market Cap (CHFm)	4,257
Ev (BG Estimates) (CHFm)	4,389
Avg. 6m daily volume (000)	205.9
3y EPS CAGR	19.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.1%	26.2%	16.3%	17.8%
Softw.& Comp.	2.8%	17.2%	10.8%	8.3%
DJ Stoxx 600	-0.2%	4.0%	1.6%	-6.3%

YEnd Dec. (US$m)	2015	2016e	2017e	2018e
Sales	542.5	616.7	679.4	749.2
% change		*13.7%*	*10.2%*	*10.3%*
EBITDA	212	249	279	310
EBIT	96.8	147.1	178.2	207.7
% change		*52.0%*	*21.2%*	*16.6%*
Net income	121.0	155.3	180.3	207.1
% change		*28.3%*	*16.1%*	*14.9%*

	2015	2016e	2017e	2018e
Operating margin	30.8	32.4	33.5	34.3
Net margin	12.2	17.8	20.1	21.8
ROE	17.7	24.1	24.4	22.6
ROCE	23.9	29.9	36.7	46.2
Gearing	71.2	29.9	-3.6	-33.6

(US$)	2015	2016e	2017e	2018e
EPS	1.82	2.33	2.70	3.11
% change	-	*28.3%*	*16.1%*	*14.9%*
P/E	34.8x	27.1x	23.3x	20.3x
FCF yield (%)	3.8%	4.1%	4.7%	5.5%
Dividends (US$)	0.45	0.50	0.55	0.60
Div yield (%)	0.7%	0.8%	0.9%	1.0%
EV/Sales	8.6x	7.3x	6.4x	5.5x
EV/EBITDA	22.0x	18.2x	15.7x	13.4x
EV/EBIT	27.9x	22.7x	19.2x	16.1x

We upgrade the stock to Buy from Neutral and increase our DCF-derived fair value to CHF71 from CHF54 as we reduce our company beta to 1.2 from 1.4 given the rise of the market cap year-to-date (+CHF13/share), a change in our medium-term tax rate to 18% from 22% (+CHF4). This morning Temenos announced that a major European bank has selected Temenos' front-to-back solution for commercial and corporate lending. We deem this "material transaction" will lead to a raise in company guidance after Q3 results.

ANALYSIS

- **A material transaction**. This morning Temenos announced that a major European bank has selected UniversalSuite, its front-to-back solution for retail, commercial and corporate banking. According to the management, this is a "material transaction", about which Temenos will provide more details in due course, i.e. within the next few weeks or at the time of the publication of Q3 2016 results on 19th October. At this stage, neither the name of the bank nor the amount of the deal can be mentioned as part of the non-disclosure agreement that Temenos has with the bank. That said, as the transaction is said to be material, we understand it is a licence deal above USD5m. In addition, we understand the bank has chosen Temenos for its domestic operations, and for undertaking its digital transformation.
- **Room for upgrading company guidance after Q3 results?** Following recent agreements with institutions such as Nordea Bank, signed in September 2015, and Standard Chartered Bank, signed in July 2016, this new deal demonstrates that Temenos is seen by banks as their major transformation partner, driven by the digitalisation of the banking industry. The deals with Standard Chartered and BIL announced in July have led the management to consider reaching the high-end of company guidance (USD593-612m for revenues and USD180-185m for the non-IFRS operating margin). With a new deal supposed to reach at least USD5m - yet at this stage it is unclear whether it will bring revenues in Q3 or Q4 -, we consider company guidance will be raised. Consequently, we raise our 2016 revenue forecast to USD617 from USD614m.
- **Temenos is the choice for "growth stocks" in the IT universe in Europe**. Our upgrade to Buy is justified by the fact that, although the stock is expensive, it is one of the rare companies in Software & IT Services in Europe which is capable to deliver a 20% EPS CAGR over 2015-2018e in our view. Temenos looks to be in a spiral of success, driven by the digital transformation of banks as the latter want to reduce IT costs and make their core banking systems more flexible in a low ROE environment since 2008 (ROE below 10%). As Temenos has made the right IT architectural and technology choices and has built a compelling ecosystem of partners over time (Accenture, Cagemini, Deloitte, Cognizant…), bank have little choice when they decide to change.

VALUATION

- Temenos' shares are trading at est. 22.7x 2016 and 19.2x 2017 EV/EBIT multiples.
- Net debt on 30th June 2016 was USD288.4m (net gearing: 78%).

NEXT CATALYSTS

Q3 2016 results on 19th October after markets close.

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Sector View

Construction & Materials

Top Picks: LafargeHolcim ahead of the capital market day, Imerys ahead of decent Q3.

	1 M	3 M	6 M	31/12/15
Cons & Mat	0.6%	12.3%	6.8%	5.7%
DJ Stoxx 600	-0.2%	4.0%	1.6%	-6.3%

*Stoxx Sector Indices

Companies covered

CRH		**BUY**	**EUR30**
Last Price	EUR29.76	*Market Cap.*	EUR24,709m
EIFFAGE		**BUY**	**EUR77**
Last Price	EUR69.16	*Market Cap.*	*EUR6,783m*
HEIDELBERGCEMENT		**BUY**	**EUR86**
Last Price	EUR84.09	*Market Cap.*	*EUR16,685m*
IMERYS		**BUY**	**EUR72**
Last Price	EUR64.29	*Market Cap.*	*EUR5,116m*
LAFARGEHOLCIM		**BUY**	**CHF60 vs. 50**
Last Price	CHF52.5	*Market Cap.*	*CHF31,863m*
SAINT GOBAIN		**BUY**	**EUR46**
Last Price	EUR38.47	*Market Cap.*	*EUR21,349m*
VICAT		**NEUTRAL**	**EUR56**
Last Price	EUR57.48	*Market Cap.*	*EUR2,581m*
VINCI		**BUY**	**EUR72**
Last Price	EUR68.12	*Market Cap.*	*EUR40,650m*

LOOKING BACK ON Q3 2016

The third quarter was a very good one for cyclical, risky, large cap heavy materials stocks, LafargeHolcim leading the herd with an impressive +30% performance, followed by Heidelberg (+24%) and CRH (+17%). Other building materials stocks also performed well though, with a double-digit performance for Vicat (13%), Saint-Gobain (+12%) and Imerys (+12%), all in line with the sector. Vinci and Eiffage share prices made positive absolute gains (+6% and 8%, resp.) but underperformed versus the sector. The US Construction market has been very strong so far this year and combined with better sentiment towards Emerging Markets, probably explain theses Q3 performances.

WHAT WE SEE FOR Q4 2016

We are not especially worried regarding Q4. Toll roads traffic in France is likely to be healthy, in line with the H1 performance, while French Construction should be fairly good, with some positive news on the roadworks side (the sector reported a 15% increase of revenues in August), strong new residential and positive momentum (Grand Paris). Public infrastructure investment should start to strengthen in Indonesia, while India has benefited from a very good Monsoon apparently. Of course, everything is not rosy. LatAM is still complicated.

Besides, corporates will be busy this Q3. HeidelbergCement organises it Capital Market day on 10th November and LafargeHolcim on 18th November.

CONCLUSIONS AND TOP PICKS

We have selected two cyclical stocks for our top picks in Q4. Imerys as in Q3 and LafargeHolcim.

We believe Imerys will continue to benefit from decent positive momentum. Q3 results, expected on 28th October, are likely to be satisfactory again. Reported Q1 EBIT margin improved by 30bps and by 70bps in H1. Additionally, comparison bases should improve a lot, with top line organic growth starting to deteriorate beyond -5% in Q3 and Q4 last year (-5.6% and -5.1%, resp.). In addition, proppant sales in 2015 were mostly generated in Q1 and losses were mostly reported as of Q2 last year. Finally, we might get some positive news on the oil price side – maybe – although we don't include any improvement in our Imerys forecast and valuation model.

LafargeHolcim is our second top pick. Contrary to last year, we think the Capital day is likely to be a positive catalyst. However, management's guidance is not expected to change a lot, but the macro background has changed. First, Emerging Markets macro sentiment has improved a lot (it is worth underlying that flows invested in the EM Equities have returned since last February). The outlook for India is solid (the good monsoon impact will be positive but more in 2017 though), China's hard landing doesn't seem to be a hot subject anymore, even if the cement market still needs to be downsized and Indonesia investments into public infrastructures might kick-off eventually. Of course, not all macro situations in EM are rosy, but at least LHN provides the highest degree of geographical diversification in the sector. The risk is still there, but diluted. Secondly, the group has been particularly busy: efforts on prices, costs and synergies were reflected in stronger Q2 earnings (Adj. EBITDA margin +210 bps); multiple divestments deals have been secured, which will lower debt and the influence of China (a complicated cement market) and streamline the organisation. The group has set up a new CHF5bn target by end 2017 (CHF3.5bn 2016 target exceeded). Last but not least, the group has received the green light to restructure its Indian operations. This means additional synergies, which has prompted us to fully take into account the CHF1.1bn synergies target (vs 88% previously). Finally, helped by a more promising outlook on EM, combined with intense reorganisation at the moment, we consider confidence is likely to return on the stock. In this context, we have decided to be more aggressive in our valuation approach with a roll-over to 2018. Our new FV stands at CHF60 Vs CHF50. See our note issued today for additional details.

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Sector View

Business services

Top picks: Elior maintained

	1 M	3 M	6 M	31/12/15
Inds Gds & Svs	-1.4%	8.2%	6.0%	2.8%
DJ Stoxx 600	-1.1%	5.6%	1.5%	-7.1%

*Stoxx Sector Indices

Companies covered

BUREAU VERITAS		**NEUTRAL**	**EUR21**
Last Price	19.10	*Market*	*EUR8,440m*
EUROFINS SCIENTIFIC		**SELL**	**EUR400**
Last Price	404.35	*Market*	*EUR6,818m*
SGS SA		**BUY**	**CHF2360**
Last Price	2,275	*Market*	*CHF17,014m*

Companies covered

COMPASS GROUP		**NEUTRAL**	**1450p vs.1200p**
Last Price	1,495p	*Market*	*GBP24,592m*
EDENRED		**NEUTRAL**	**EUR22**
Last Price	EUR20.81	*Market*	*EUR4,866m*
ELIOR		**BUY**	**EUR24 vs.EUR23**
Last Price	EUR20.38	*Market*	*EUR3,514m*
SODEXO		**NEUTRAL**	**EUR92 vs.EUR88**
Last Price	EUR106	*Market*	*EUR16,297m*

LOOKING BACK ON Q3 2016

In the TIC sector, **Eurofins Scientific** reported the best performance in Q3, up 20.5% in absolute terms (after 0.2% in Q1 and 3.5% in Q2) and 17% vs. the DJ Stoxx. At the same time, **Bureau Veritas** was again down 0.2% in absolute terms (after -2.9% in Q2 and -0.7% in Q1) and 3.2% vs. the DJ Stoxx and **SGS** consolidated down 3.5% in Q3 (after 9.5% in Q2 and 6.3% in Q1 6.3%).

In Foodservices, **Compass Group** was the only group to report a negative performance, down 1% in Q3 and -4% vs. the DJ Stoxx, after one of the best performances in H1 (+7.3% in absolute terms and 19% vs. DJ Stoxx). **Elior**, our Q3 top pick was up 4.5% in absolute terms and slightly positive vs. the DJ Stoxx (+1.4%). **Edenred**, as in Q2, continued to benefit from the re-appreciation in the BRL/EUR exchange rate and was up 5.1% and 2% vs. the DJ Stoxx during Q3. **Sodexo** reported the best performance in Q3 up 7.2% in absolute terms and 4% vs. the DJ Stoxx.

WHAT WE SEE FOR Q4 2016

For **Foodservices**, we have upgraded our FV on **Sodexo**, **Elior** and **Compass Group** due to the roll-over to 2017 numbers with **Sodexo's** FV moved to EUR92 vs. EUR88 and **Elior** to EUR24 from EUR23.

Regarding **Compass Group**, our FV moves to 1,450p mainly boosted by positive currency impacts after Brexit, ahead of a slightly positive impact from roll-over, bearing in mind that revenue outside the UK represents c.90% of consolidated revenue. At the end of July (Q3 IMS), management announced that if current spot rates continue for the remainder of the year, foreign exchange translation is expected to benefit 2015 reported revenue and underlying EBIT by around GBP700m (4% of consolidated revenue) and GBP60m (4.5%) respectively. But, the main positive effect will be on 2016-17 numbers, with a boost of around GBP1,800m (9.2%) to revenue and GBP140m (9.5%) to underlying EBIT at the current spot rate.

Finally, remember that our FVs for **Sodexo** and **Compass Group** are derived from the average between a DCF and historical median multiples as the exit multiple on FY+3 (Sodexo: DCF=EUR102 & exit multiple=EUR82; Compass Group: DCF=1,700p & exit multiple=1,205p).

For **Edenred**, we are confirming our FV upgrade after better than anticipated H1 results, with a positive trend, which should continue in H2 and management's guidance for FY, which should be exceeded (our forecast is for EUR372m compared with management's guidance for between EUR350m/EUR370m and consensus at EUR364m). Moreover, newsflow in October should be sustained with the capital market day scheduled for 19th October (London) after Q3 revenue on 13th October.

In the **TIC** sector, newsflow will be limited on **SGS** and **Bureau Veritas** as for **Eurofins**, having recently increased its FY 2016 guidance with the first indications for 2017 expectations. Nevertheless, Eurofins is to hold an investor day in Hamburg on 20th October and in Lancaster on 7th November.

CONCLUSIONS AND TOP PICKS

We are maintaining **Elior** as our top pick.

After 9m results (29th July), slightly above expectations, management confirmed its FY guidance anticipating organic growth at or above 3%, excluding the impact of voluntary contract exits which is expected to be less than 200bps. EBITDA margin should improve by 20bp or more to 8.6%. With the consolidation of Preferred meals in Q4, adding a USD50m contribution to revenue with no contribution to EBITDA due to the seasonal nature of the business in the education segment, the integration will be slightly negative by 10bp on margin.
In all, a significant rise is still expected in reported and adjusted EPS (we expect an improvement of respectively c.35% and 27%).
After 2015-16, we remain confident that at least the mid-range of management's 2020 targets could be reached i.e. total revenue of EUR7.5bn with an EBITDA margin of 9.4%, bearing in mind that the group confirmed its expectation of 9% by the end of 2016-17. For EPS, our forecasts point to a 3y CAGR of c.25% compared with the current P/E of 16.7x 2016-17e and 14.5x 2017-18e.

NEXT CATALYSTS

Edenred: Q3 Revenue on 13th October 2016; Capital Market Day on 19th October 2016 (London)

Eurofins: Capital Market Day on 20th October (Hamburg) and on 7th November (Lancaster)

SGS: Investor days on 27th & 28th October 2016 (Poland)

Bureau Veritas: Q3 Trading update on 4th November 2016

Sodexo: FY 2015-16 Results on 17th November 2016

Compass Group: FY 2015-16 Results on 24th November 2016

Elior: FY 2015-16 Results on 9th December

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Sector View

Car Part Manufacturers

French auto market up 1.6% in September, diesel share continues to slide

	1 M	3 M	6 M	31/12/15
Auto & Parts	0.0%	14.3%	-3.4%	-14.2%
DJ Stoxx 600	-0.2%	4.0%	1.6%	-6.3%

*Stoxx Sector Indices

Companies covered

FAURECIA		**BUY**	**EUR47**
Last Price	EUR34.9	*Market Cap.*	EUR4,812m
HELLA		**BUY**	**EUR45**
Last Price	EUR35.26	*Market Cap.*	*EUR3,918m*
PLASTIC OMNIUM		**BUY**	**EUR36**
Last Price	EUR29.52	*Market Cap.*	*EUR4,501m*
VALEO		**NEUTRAL**	**EUR49**
Last Price	EUR51.93	*Market Cap.*	*EUR12,379m*

According to CCFA figures, French automotive registrations (PC+LCV) were up 1.6% YoY in September, with PC sales up 2.5% and LCV down 2.1%. The share of diesel cars continued to fall (52.5% of YTD sales vs. 58% one year ago). Within French OEMs, Renault performed well (+3.6%) unlike PSA (-5.4%). The French market is still expected to rise by 4-5% over 2016.

ANALYSIS

- **A market up 1.6% in September, and 6.3% since January**: According to CCFA figures, French automotive registrations (PC+LCV) were up **1.6% YoY in September** (same number of days compared with last year), after rising **3.4%** LfL in August (+8.3% YoY). PC registrations were up 2.5% while LCV registrations declined by 2.1%. On a YTD basis, the French market (PC+LCV) has risen **6.3%** YoY but only **5.2%** on a LfL basis.
- **Renault group performed well, unlike PSA**: French OEMs represented **55.8%** of September registrations (PC+LCV) vs. **57.3%** in September 2015, with **Renault group** performing well thanks to **Dacia** (+12.7%), unlike **PSA group** for which registrations collapsed by **5.4%** notably due to bad figures from the **Citroen** brand (-10%). Among foreign OEMs, only **Ford** (-5.9%) and **Nissan** (-5%) performed negatively, while **VW group** (+7.6%), **FCA group** (+10%), Toyota (+8.7%), **GM** (+8.7%) and **Hyundai** (+15.4%) performed strongly. BMW sales remained flat while **Daimler** posted a **4.2%** sales increase. Within the PC market (83% of market), the **Renault Clio** remained the favourite vehicle (9.2% market share), followed by the **Peugeot 208** (8.9%) and **Renault Captur** (6.8%).
- **Diesel share continued to fall**: As expected, the share of Diesel within new registrations continued to fall. Since January, diesel represented **53%** of September PC registrations, vs. **58%** one year ago, and vs. **64%** in 2014. This shift benefited petrol vehicles (44% vs. 38%) and electrical vehicles (1.1% vs. 0.8%) confirming the positive trend already observed last year on this market.
- **We still expect the French market to rise by 4-5% over 2016**: Despite this slowdown in the market compared with August 2016 we confirm our growth expectations (4-5%) for 2016. The more favourable base effect for October should help positively, yet this favourable effect should disappear for October and December.

VALUATION

- At the current share price the automotive sector is trading at 12.2x its 2017x & its 14x its EPS
- **BG Auto Top pick**: **Faurecia** (Buy, FV @ EUR47) & **BG Q4 Top pick**: **Plastic Omnium** (Buy, FV @ EUR36)

NEXT CATALYSTS

- 13th October – Faurecia // Q3 2016 sales
- 20th October – Plastic Omnium // Q3 2016 sales
- 20th October – Valeo // Q3 2016 sales

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Construction & Building Materials

Heidelbergcement

Price EUR84.09

Success of offer for Italcementi shares

Fair Value EUR86 (+2%) **BUY**

Bloomberg	HEI GY
Reuters	HEIG.F
12-month High / Low (EUR)	84.7 / 60.1
Market Cap (EURm)	16,685
Avg. 6m daily volume (000)	558.8

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.0%	24.6%	11.7%	11.2%
Cons & Mat	0.6%	12.3%	6.8%	5.7%
DJ Stoxx 600	-0.2%	4.0%	1.6%	-6.3%

	2015	2016e	2017e	2018e
P/E	19.7x	17.9x	11.2x	9.4x
Div yield (%)	1.5%	2.0%	3.6%	4.8%

ANALYSIS

- HeidelbergCement announced yesterday that it has acquired a total of 96.356% of the share capital and voting rights of Italcementi (349 millions for 100%). Because HeidelbergCement holds more than 95%, it has the right to launch a mandatory offer on the remaining shares, on the same conditions (EUR10.6 per cash). The transaction should be completed in October 2016.
- Note that Heidelberg firstly acquired 45% from Italmobiliare for EUR1.7bn, then launched an offer at EUR10.6 for the shares listed. The German group also bought 14 million shares directly on the market (outside this offer). This EUR4.8bn deal is mostly financed by debt (3bn) and disposals (EUR1bn, fully completed today). Finally, Italmobiliare has subscribed to a EUR790m reserved capital increase by HeidelbergCement, representing 5.3% of the capital of the German group.
- This is clearly another step in the right direction, although the success of the offer was expected. Further details regarding the integration of Italcementi will be provided at the next Capital Market Day, on 10th November.

VALUATION

- EUR86 derived from the application of historical multiples to our 2017 forecast, discounted back.

NEXT CATALYSTS

- Q3 2016 to be reported on 9th November and Capital Market Day on 10th November.

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Healthcare

UCB

Price EUR68.83

Bloomberg	UCB BB
Reuters	UCBBt.BR
12-month High / Low (EUR)	85.6 / 62.3
Market Cap (EURm)	13,388
Avg. 6m daily volume (000)	286.7

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.5%	2.4%	2.4%	-17.3%
Healthcare	-0.8%	-4.3%	4.1%	-9.3%
DJ Stoxx 600	-0.2%	4.0%	1.6%	-6.3%

	2014	2015e	2016e	2017e
P/E	40.8x	31.7x	22.0x	15.6x
Div yield (%)	1.3%	1.6%	2.4%	3.3%

phase III results in psoriasis

Fair Value EUR80 (+16%) **NEUTRAL**

ANALYSIS

- UCB and Dermira reported results from the first out of three clinical trial evaluating Cimzia in 227 moderate to severe plaque psoriasis patients, CIMPASI-2, over a 16 week period. Note that patients were randomized to either **1)** Cimzia 400mg Q2W, **2)** 400mg at week 0, 2 and 4 followed by 200mg Q2W or **3)** placebo Q2W. Co-primary endpoints were PASI-75 and the percentage of patients achieving ≥2pt improvement on PGA scale (5 points).
- At week 16, 82.6% and 81.4% of patients in the 400mg and 200mg dose active arms achieved PASI-75 vs 11.6% for the placebo group. Also, 71.6% and 66.8% of patients achieved 2 points improvement on the PGA scale in the 400mg dose and 200mg dose groups which compares to 2% for the patients in the placebo group.
- Note that CIMPASI-1 and CIMPACT trials, led by Dermira, should readout in late Q1 2017. While the design of CIMPASI-1 is similar to the one of CIMPASI-2 which just reported results, CIMPACT phase III trial should focus on the onset of action by measuring PASI-75 at week 12 in 559 patients. And includes one arm of patients under Enbrel (secondary endpoint)
- We believe that Cimzia compares well with results achieved by current SoC, Stelara (anti IL-12/IL-23), within the same timeframe. While this should enable Cimzia to broaden its patient's base, it is important to note that any sales from this indication would come on top of the company's EUR1.5bn sales guidance for the product. However, we would remain cautious as **1)** these first results might be too low to threaten Cosentyx' ramp-up. Note that in the CLEAR trial evaluating Cosentyx head-to-head against Stelara, Cosentyx achieved a 79% (vs. 57.6%) PASI-90 response as well a 44.3% PASI-100 response (vs. 28.4%) at week 16; **2)** Dermira as a limited negotiating clout and retains the exclusive marketing rights to dermatologists in the US and Canada.

VALUATION

- We do not move our fair value and would wait for the results from the CIMPASI-1 and CIMPACT trials in late Q1 2017.

NEXT CATALYSTS

- October, 25th : Q3 results

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TMT

Worldline

Price EUR26.95

Completion of Equens/Paysquare and KB deals

Fair Value EUR31 (+15%) BUY

Bloomberg	WLN FP
Reuters	WLN.PA
12-month High / Low (EUR)	29.1 / 19.0
Market Cap (EURm)	3,561
Avg. 6m daily volume (000)	71.10

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.7%	2.5%	19.1%	12.9%
Softw.& Comp. SVS	2.8%	17.2%	10.8%	8.3%
DJ Stoxx 600	-0.2%	4.0%	1.6%	-6.3%

	2015	2016e	2017e	2018e
P/E	29.6x	25.7x	23.6x	21.5x
Div yield (%)	NM	0.9%	1.1%	1.2%

ANALYSIS

- **Friday after trading, Worldline announced the completion of: 1)** the transaction that was presented on 3rd November 2015 with Equens and Paysquare (a PSP in the Netherlands). **1) a)** the Financial Processing businesses of Worldline have been merged with Equens. This resulted in the creation of equensWorldline, owned by Worldline at 63.6% and by the former shareholders of Equens at 36.4%. **1) b)** in Merchant Services, Worldline has acquired from Equens its commercial acquiring subsidiary Paysquare for an EV of EUR72m in cash. **2)** the agreement with Komercni banka (KB), subsidiary of Société Générale and one of the leading banks in the Czech Republic. Under the terms of the agreement, Worldline has acquired, as a first stage, 80% of Cataps (a subsidiary of KB), based on an EV of EUR34m for 100%. Cataps was established in 2014 and has assumed activities of KB in credit and debit card payment processing services. Worldline and KB have in addition signed a 10 year commercial alliance for the development and the growth of these activities in the Czech Republic.
- Equens, Paysquare and KB will be fully **consolidated from 1st October.** Wordline's updated **FY 2016 guidance** (revenue, OMDA and FCF) **will be presented during its Q3 revenue on 19th October.** And finally, **Atos and Worldline will hold an investor day on 8th November to give their 2020 targets.**

VALUATION

- **We maintain our Buy recommendation and our FV of EUR31** (Equens/Paysquare, KB and the end of the French radar contract are integrated into our valuation).
- **Worldline is currently trading at 2016e EV/EBITDA of 11.8x and at 2017e EV/EBITDA of 9.1x.** At our FV, the share would be exactly at 12x over 12 rolling months (6 months of 2016e and 6 months of 2017e), which is perfectly consistent with its positioning (physical PSP). As such, **any additional M&A deal would offer further upside on this particular multiple.**

NEXT CATALYSTS

- **Q3 revenue:** on 19th October. Click here to download

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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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