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4th October 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18253.85	-0.30%	+4.76%
S&P 500	2161.2	-0.33%	+5.74%
Nasdaq	5300.87	-0.21%	+5.86%
Nikkei	16735.65	+0.83%	-12.79%
Stoxx 600	343.23	+0.09%	-6.17%
CAC 40	4453.56	+0.12%	-3.96%
Oil /Gold			
Crude WTI	48.81	+1.18%	+31.21%
Gold (once)	1311.74	-0.74%	+23.47%
Currencies/Rates			
EUR/USD	1.1218	-0.18%	+3.27%
EUR/CHF	1.0906	+0.11%	+0.29%
German 10 years	-0.168	-12.00%	-126.55%
French 10 years	0.15	+25.84%	-84.76%

Economic releases :

Date	
4th-Oct	7h00 JP - Consumer Confidence Index Sep. (43A, 41.5 E) 10h30 GB - UK construction PMI (49E) 15h45 US - ISM New York

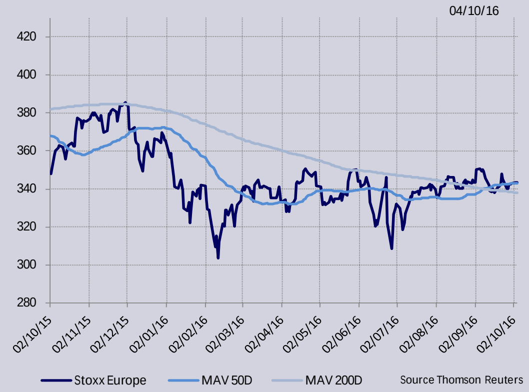
Upcoming BG events :

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	
4th-Oct	LAFARGE HOLCIM This is still a Buy
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

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



ACCORHOTELS — BUY, Fair Value EUR42 (+18%)

Valuation excessively penalised by current economic environment

On 5th October, AccorHotels is holding a capital market day in Paris, focusing particularly on asset valuation with the group's demerger underway and due to be finalised mid-2017, as well as digital developments. The group's strategy seems promising to us but the short-term environment weighs heavily and excessively on AccorHotels' valuation in our view. Indeed, we would highlight again that the group's assets (a new valuation will be given during the CMD) currently represent a floor of EUR7.0bn. At the current share price, this valuation implies c. EUR3.0bn for the asset-light business of HotelServices i.e. 2016e EV/EBITDA of less than 7.5x compared with over 12x for comparable hoteliers (IHG 12.8x, Marriott 14.3x). Finally, speculative appeal cannot be ignored regarding current shareholders.

CASINO GUICHARD — BUY, Fair Value EUR57 (+34%)

We are cautious ahead of Q3 (report to follow)

1/ Despite forex tailwinds, we have reduced our 2016/18 EPS estimates by 7,4% on average (we expect 2016 underlying operating profit to reach EUR1,130m vs EUR1,216 BBG consensus). 2/ Given the mitigated Q3 on the cards (October 13th), right now and as insurance, we would favour Carrefour (Buy / Q4 top-pick, FV @EUR30) vs Casino (Buy, FV @EUR57).

RICHEMONT — NEUTRAL, Fair Value CHF60 vs. CHF63 (+1%)

Still cautious on short term even if fundamentals remain healthy

We prefer to remain cautious ahead of H1 results due out on 4th November and have consequently adjusted our FY March 2017 estimates, cutting our 2016-17 EBIT estimate by 5%. Nevertheless, we argue that the group's fundamentals (brand strength, portfolio balance, strong net cash) remain healthy, hence our Neutral recommendation. Given our downward earnings revision, our FV has dropped from CHF63 to CHF60.

In brief...

ASTRAZENECA, *Brilinta fails in PAD, Toprol-XL US rights sold*

QIAGEN, *Surprising twist in Oxford Immunotec/QIAGEN lawsuit*

WIRECARD, *2016 EBITDA guidance increased from EUR290-310m to EUR298-312m*

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Hotels

AccorHotels

Price EUR35.52

Valuation excessively penalised by current economic environment

Fair Value EUR42 (+18%) **BUY**

Bloomberg	AC FP
Reuters	ACCP.PA
12-month High / Low (EUR)	46.1 / 30.0
Market Cap (EURm)	10,111
Ev (BG Estimates) (EURm)	9,916
Avg. 6m daily volume (000)	1 140
3y EPS CAGR	10.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.1%	-1.4%	-3.5%	-11.2%
Travel&Leisure	-3.1%	3.9%	-5.9%	-14.5%
DJ Stoxx 600	-2.1%	3.3%	3.0%	-6.2%

YEnd Dec. (€m)	2014	2015	2016e	2017e
Sales	5,454	5,581	5,736	6,277
% change		*2.3%*	*2.8%*	*9.4%*
EBITDA	923	987	1,040	1,205
EBIT	602.0	665.0	695.5	828.1
% change		*10.5%*	*4.6%*	*19.1%*
Net income	386.0	441.8	441.2	514.2
% change		*14.5%*	*-0.1%*	*16.5%*

	2014	2015	2016e	2017e
Operating margin	11.0	11.9	12.1	13.2
Net margin	4.1	4.4	6.6	7.9
ROE	6.2	6.8	10.2	14.5
ROCE	12.4	14.5	11.5	15.1
Gearing	4.1	-4.9	20.0	19.7

(€)	2014	2015	2016e	2017e
EPS	1.52	1.59	1.70	2.03
% change	-	*4.6%*	*6.5%*	*19.4%*
P/E	23.3x	22.3x	20.9x	17.5x
FCF yield (%)	6.1%	6.1%	5.9%	7.4%
Dividends (€)	0.95	1.00	1.00	1.10
Div yield (%)	2.7%	2.8%	2.8%	3.1%
EV/Sales	1.9x	1.8x	1.9x	1.7x
EV/EBITDA	11.1x	10.0x	10.5x	9.0x
EV/EBIT	17.1x	14.9x	15.7x	13.1x

On 5th October, AccorHotels is holding a capital market day in Paris, focusing particularly on asset valuation with the group's demerger underway and due to be finalised mid-2017, as well as digital developments. The group's strategy seems promising to us but the short-term environment weighs heavily and excessively on AccorHotels' valuation in our view. Indeed, we would highlight again that the group's assets (a new valuation will be given during the CMD) currently represent a floor of EUR7.0bn. At the current share price, this valuation implies c. EUR3.0bn for the asset-light business of HotelServices i.e. 2016e EV/EBITDA of less than 7.5x compared with over 12x for comparable hoteliers (IHG 12.8x, Marriott 14.3x). Finally, speculative appeal cannot be ignored regarding current shareholders.

ANALYSIS

- **A challenging short term hotels environment…:** In terms of number of rooms, AccorHotels' offer reaches 28% in France and 7% in Brazil. Regarding **France**, RevPAR was down 13.4% in August after falling 6% in July and -5.3% over the first eight months and was harshly impacted by lower numbers of international travellers. By region, **Paris/Ile de France** was down 14.4% in the first eight months while the **Provinces** was up 3.1%. The upscale segment was the most affected (RevPAR down 21.7% in August) as it was in H1, while the midscale segment was down 10.3% and economy confirmed its resilience with RevPAR down 6.5% and -1.6% in budget. Nevertheless, as was the case in H1 with RevPAR down 2.2% in France compared with -3.6% for the hotels segment, AccorHotels should remain less affected than the sector given its lower exposure to the upscale segment representing less than 5% of the group's offer in France. AccorHotels' economy segment represents c.65% of the group's offer in France and the midscale segment 30%. Some rebound is expected in September and October which are less affected by tourism (c. 80% of Paris activity during July and August) and business back. Nevertheless, 2016 will remain negative.
- **The demerger process:** In all, the process should be finalised by mid-2017 with the aim of deconsolidating HotelInvest, with AccorHotels keeping a stake of between 10% and 50%. Like the new structure "Grape Hospitality" (85 hotels sold to a new structure 70% owned by Eurazeo and 30% by AccorHotels), the aim of opening the share capital to new outside long term investors, is to gain greater financial flexibility, taking advantage of the current financial environment to accelerate real estate expansion and asset rotation. The number of new owners will be limited (five to 12) investing between EUR300m and EUR1bn. Concerning the **tax situation**, confirmation that the cost should be less than 5% of GAV i.e. between EUR100m (best case) to EUR300m (bear case).
- **What about cash?** Assuming that AccorHotels will own 30% of HotelInvest and based on current GAV of EUR7bn, AccorHotels will receive c.EUR5bn. Without specific needs (HotelServices being an asset light business) except new investment in new businesses like Wipolo, Oasis Collections, SquareBreak, onefinestay or John Paul and/or new hotel concepts like Mama Shelter, we now understand that a significant sum could be returned to shareholders. We estimate that the group could return EUR3.0bn i.e. c. one third of the current market cap.

VALUATION

- **FY 2016 guidance:** Mid-september, management confirmed that FY guidance was still valid i.e. EBIT between EUR670m/EUR720m, but the low end is not far and could even be at risk without better RevPAR trends in September and October. Our forecast is EUR695m vs. consensus at EUR684m.
- At the current share price, the stock is trading on EV/EBITDA multiples of 10.5x for 2016e and 9.0x for 2017e. Assume a HotelInvest valuation of EUR7.0bn, the implied valuation of HotelServices is c. EUR3.0bn i.e. 2016e EV/EBITDA of less than 7.5x vs. an asset-light comparable valuation of 12.8x for IHG or 14.3x for Marriott/Starwood.

NEXT CATALYSTS

- Capital Market Day (Paris) on 5th October 2016.
- Q3 revenue on 18th October

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Food retailing

Casino Guichard

Price EUR42.68

We are cautious ahead of Q3 (report to follow)

Fair Value EUR57 (+34%) **BUY**

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	56.5 / 35.2
Market Cap (EURm)	4,778
Ev (BG Estimates) (EURm)	9,309
Avg. 6m daily volume (000)	423.5
3y EPS CAGR	8.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.9%	-15.5%	-13.7%	0.6%
Food Retailing	-2.8%	0.0%	-4.2%	-2.9%
DJ Stoxx 600	-2.1%	3.3%	3.0%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	46,145	41,860	45,300	47,261
% change		*-9.3%*	*8.2%*	*4.3%*
EBITDA	2,343	1,943	2,301	2,543
EBIT	968.0	596.8	1,362	1,503
% change		*-38.3%*	*128.3%*	*10.4%*
Net income	412.0	233.1	364.3	435.1
% change		*-43.4%*	*56.3%*	*19.4%*

	2015	2016e	2017e	2018e
Operating margin	3.1	2.7	3.0	3.2
Net margin	0.9	0.6	0.8	0.9
ROE	NM	NM	NM	NM
ROCE	5.2	4.9	6.0	6.5
Gearing	48.9	30.0	28.8	29.5

(EUR)	2015	2016e	2017e	2018e
EPS	2.80	1.65	2.94	3.58
% change	*-*	*-40.9%*	*78.0%*	*21.8%*
P/E	15.3x	25.8x	14.5x	11.9x
FCF yield (%)	NM	NM	15.7%	11.0%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	7.3%	7.3%	7.3%	7.3%
EV/Sales	0.3x	0.2x	0.2x	0.2x
EV/EBITDA	5.4x	4.8x	4.3x	4.1x
EV/EBIT	13.2x	15.6x	7.3x	6.9x

1/ Despite forex tailwinds, we have reduced our 2016/18 EPS estimates by 7,4% on average (we expect 2016 underlying operating profit to reach EUR1,130m vs EUR1,216 BBG consensus). 2/ Given the mitigated Q3 on the cards (October 13th), right now and as insurance, we would favour Carrefour (Buy / Q4 top-pick, FV @EUR30) vs Casino (Buy, FV @EUR57).

ANALYSIS

- **We believe there is no point when it comes to franchises.** Some operators unconsciously started carrying out a short read-across between Dia and Casino, arguing that the transfer of 200 FP/LP stores to franchise has no other aim than to boost margin at the expense of pressured franchises. We question this because franchisors are master franchisors who know the risks and already benefit from critical mass.
- **At first sight, the group's valuation is attractive.** The SOTP stands at EUR54 (NB: for a Rallye share price at EUR14.6 as of 30th September, Casino is implicitly valued at EUR60.5 / i.e. reversed NAV) when taking into account 2016 holding company net debt of EUR3.011bn, an amount that does not include the non-cash items to which Casino refers in its latest corporate presentation (link).
- **Short-term question marks...** Casino's share price on 30th September shows a 20% discount to the EUR54 SOTP (vs. a 5-year average of 15%). This discount could be reduced to 10% if non-cash items (neither defined nor quantified by the group at this stage) reach EUR500m. Admittedly, this may create a zone of doubt.
- **... but longer term incentives.** We believe short-term uncertainties should not wipe out longer-term incentives linked to a potential reorganisation of LatAm (i.e. buyback of minorities - see: "With hindsight: a real Catch-22!"), a premise for which could be the recent real estate operation in Colombia (23rd September).

VALUATION

- Casino's SOTP currently stand at EUR54 per share

NEXT CATALYSTS

- Q3 sales figures on October 13th

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Luxury & Consumer Goods

Richemont

Price CHF59.30

Bloomberg	CFR VX
Reuters	CFR.VX
12-month High / Low (CHF)	86.6 / 53.5
Market Cap (CHF)	33,208
Ev (BG Estimates) (CHF)	23,243
Avg. 6m daily volume (000)	1 902
3y EPS CAGR	0.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.3%	3.4%	-4.8%	-17.8%
Pers & H/H Gds	-2.8%	0.2%	4.2%	2.0%
DJ Stoxx 600	-2.1%	3.3%	3.0%	-6.2%

YEnd Mar. (EURm)	03/16	03/17e	03/18e	03/19e
Sales	11,076	10,290	10,830	11,500
% change		*-7.1%*	*5.2%*	*6.2%*
EBITDA	2,471	1,880	2,190	2,520
EBIT	2,061	1,470	1,840	2,190
% change		*-28.7%*	*25.2%*	*19.0%*
Net income	1,688	1,210	1,440	1,710
% change		*-28.3%*	*19.0%*	*18.8%*

	03/16	03/17e	03/18e	03/19e
Operating margin	18.6	14.3	17.0	19.0
Net margin	15.2	11.8	13.3	14.9
ROE	9.8	6.1	6.3	6.6
ROCE	18.6	11.9	12.8	14.2
Gearing	-42.6	-45.8	-48.6	-51.0

(EUR)	03/16	03/17e	03/18e	03/19e
EPS	3.01	2.16	2.57	3.05
% change	*-*	*-28.3%*	*19.0%*	*18.8%*
P/E	18.0x	25.2x	21.1x	17.8x
FCF yield (%)	8.1%	8.9%	10.1%	11.4%
Dividends (EUR)	1.85	1.55	1.90	2.00
Div yield (%)	3.4%	2.9%	3.5%	3.7%
EV/Sales	2.1x	2.1x	1.8x	1.5x
EV/EBITDA	9.4x	11.3x	8.8x	6.8x
EV/EBIT	11.2x	14.5x	10.5x	7.8x

Still cautious on short term even if fundamentals remain healthy

Fair Value CHF60 vs. CHF63 (+1%) **NEUTRAL**

We prefer to remain cautious ahead of H1 results due out on 4th November and have consequently adjusted our FY March 2017 estimates, cutting our 2016-17 EBIT estimate by 5%. Nevertheless, we argue that the group's fundamentals (brand strength, portfolio balance, strong net cash) remain healthy, hence our Neutral recommendation. Given our downward earnings revision, our FV has dropped from CHF63 to CHF60.

ANALYSIS

- H1 2016-17 sales (April to September) are set to fall by around 12% in organic terms (-13% over 5m) including -18% for watchmakers and -15% for Jewellery Maisons (Cartier and VCA). A negative FX impact is expected to account for almost one point. Company management added that high-end watches (particularly jewellery lines) inventories buy backs (mainly at Cartier and also at Piaget) from multi-brand retailers in the US, Europe (particularly in France and the UK) and Hong Kong/Macau should have a negative impact of around 3% on sales, implying an underlying sales organic 10% decline. By region, the H1 sales decline is set to be driven by Europe (-17%) while in APAC, revenues are expected to fall 9%. Europe was affected by the lack of tourists due to attacks in France in November 2015 and July 2016, while the expected 25% revenue decline in Japan is the consequence of very demanding comps and also lower tourist flows in Japan given the strong JPY.
- H1 EBIT should be down 45% to EUR765m, implying an 870bp margin decline to 15.2%. Nevertheless, the move is partly due to a one-off restructuring charge of approximatly EUR65m for Fashion and Leather goods brands, namely Dunhill and particularly Lancel. The French leather goods brand is, among others issues, clearly the most affected by lower tourist flows in France YTD. This means that H1 recurring EBIT should be down 40% to EUR830m, implying a 16.5% EBIT margin, down 740bp.
- For FY March 2017, we prefer to remain cautious and have reduced our EBIT estimate by 5%. We expect FY sales to fall 7% in organic terms (-5.5% previously), implying near-stability in H2 (-2%) as H2 will no longer be penalised by Cartier watch buy-backs (the brand buy-back is completed) and will face a far less demanding comparison base (-5% in H2 March 2016 vs +3% in H1). Management's initial guidance for gross margin of around 65% is no longer valid in our view and is likely to be revised down by management during the analysts meeting following the H1 results publication. Actually, the slow-moving watch buy backs are set to have a clearly negative impact on gross margin. For this reason, we now expect gross margin to be close to 66% versus 64.3% in FY March 2015. March 2017 recurring EBIT is therefore expected to fall 29% to EUR1,535m (reported EUR1,470m), implying a recurring EBIT margin at 14.9%, down 460bp. This move is expected to be particularly strong for Watchmakers (-640bp to 10.5%), as the activity is particularly dependant on wholesalers destocking.
- Nevertheless, Richemont group's fundamentals remain very healthy with very strong brands both in jewellery and watches, which together account for 80% of group sales. Furthermore, jewellery sales which account for 35% of group March 2016 sales (27% in March 2013) were still well oriented (or at least better oriented than watches) despite some slowdown in H1 (due to a significant sales decline in Japan and in France). Lastly, we would again highlight the very healthy financial situation with a EUR5.3bn net cash pile at end of March 2016.

VALUATION

- Even if the CFR share price has been strongly penalised YTD (-18%), in the more recent period, it has been better oriented and even gained 3% over 3m but remains one of the worst performers in our luxury stocks sample over the period. We are making no change to our Neutral recommendation with a new CHF60 Fair Value versus CHF63 previously in view of our downward revision to estimates.

NEXT CATALYSTS

- H1 March 2017 results to be reported on 4th November.

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Healthcare

AstraZeneca

Price 5,041p

Brilinta fails in PAD, Toprol-XL US rights sold

Fair Value 5220p vs 5400p (+4%) **BUY**

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	5,220 / 3,774
Market Cap (GBPm)	63,770
Avg. 6m daily volume (000)	2 694

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.1%	12.0%	28.2%	9.2%
Healthcare	-1.7%	-4.3%	4.9%	-9.1%
DJ Stoxx 600	-2.1%	3.3%	3.0%	-6.2%

	2015	2016e	2017e	2018e
P/E	15.2x	16.8x	16.7x	16.7x
Div yield (%)	4.3%	4.3%	4.3%	4.3%

ANALYSIS

- Two pieces of news for AstraZeneca this morning of which the most significant is the announcement of the failure of the phase III trial EUCLID to reach its primary endpoint. It was evaluating Brilinta 90 mg bid in patients with symptomatic PAD (peripheral arterial disease) to prevent atherothrombotic events in comparison with clopidrogrel 75 mg od. The primary endpoint was the time to the first occurrence of an event.
- Unlike SOCRATES (post-stroke) where expectations were low because the risk of failure was perceived as high, we had hopes about EUCLID which explains also why we've been consistently above consensus on this specific drug. Now as AstraZeneca suggests, it looks like Brilinta works better in acute settings than in chronic settings, which is unfortunate from a market perspective.

VALUATION

- EUCLID is removing the most significant opportunity of extension of indication for Brilinta as only THEMIS (in diabetics) can offer an upside to the existing label still. We are cutting our estimates from USD3.1bn to USD1.9bn as a first move until further investigations. AstraZeneca recognizes also that it won't be a USD3.5bn drug as it was hoping when sharing some 2023 targets. CS had around USD2bn and so will not cut estimates as much as we do. Our FV is cut by GBp180 to GBp5,220.
- Besides this news, AstraZeneca also announces that it has reached an agreement with Aralez to sell US rights for Toprol-XL (and its authorised generic) in the US for USD175 upfront, USD48m in future milestones and mid-teen royalties on sales.

NEXT CATALYSTS

- 10 November 2016: Q3 results

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Healthcare

QIAGEN

Price EUR24.51

Bloomberg	QIA GR
Reuters	QGEN.DE
12-month High / Low (EUR)	25.3 / 17.8
Market Cap (EURm)	5,874
Avg. 6m daily volume (000)	395.7

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.1%	23.5%	22.6%	-2.4%
Healthcare	-1.7%	-4.3%	4.9%	-9.1%
DJ Stoxx 600	-2.1%	3.3%	3.0%	-6.2%

	2015	2016e	2017e	2018e
P/E	26.2x	25.3x	22.0x	19.8x
Div yield (%)	NM	NM	NM	NM

Surprising twist in Oxford Immunotec/QIAGEN lawsuit

Fair Value EUR26 (+6%) **BUY-Top Picks**

ANALYSIS

- Yesterday evening, Oxford Immunotec (OXFD) which appealed the recent motion to dismiss allowed to QIAGEN in the context of the QuantiFERON-TB lawsuit, announced that **the US district court reinstated the kit claims.** As a reminder, in August, Oxford Immunotec filed a patent infringement lawsuit against QIAGEN asserting that the QuantiFERON-TB test infringes six OXFD patents (in-vitro method of diagnosing TB). In September, QIAGEN filed a motion to dismiss in front of the US District court of Massachusetts based on the argument that OXFD patents are drawn to laws of nature. This motion to dismiss has been allowed with regards to the kit claims (description of a panel peptide not involving an "innovative concept") but denied in other aspects (methods claims, patents '211, '902 and '821) as they are potentially drawn to patentable subject matter. The latter decision was appealed by OXFD which announced yesterday evening that the US district court reinstated the kit claims.
- This is a surprising twist in a surprising lawsuit as both companies have been selling their products for more than nine years. We would now expect a trial date to be announced. Regarding the recent preliminary injunction issued against QIAGEN in its lawsuit against Illumina, we would highlight that a preliminary injunction cannot be issued against QIAGEN in this specific lawsuit as the company has been selling its product for over nine years on the US market. Ultimately, if the trial judge holds in favour of the plaintiff (OXFD), we do not believe that this would translate into a withdrawal of the product from the market but more likely into potential royalties to be paid.

VALUATION

- The QIAGEN share price could well be down on opening following this decision from the US District Court.
- We reiterate our BUY rating and EUR26 fair value.

NEXT CATALYSTS

- 2nd November 2016: Q3 results
- 15th November 2016: IR DAY

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TMT

Wirecard

Price EUR46.25

2016 EBITDA guidance increased from EUR290-310m to EUR298-312m

Fair Value EUR58 (+25%) **BUY-Top Picks**

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 31.2
Market Cap (EURm)	5,715
Avg. 6m daily volume (000)	562.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.9%	16.3%	33.2%	-0.5%
Softw.& Comp. SVS	1.1%	17.3%	12.3%	8.8%
DJ Stoxx 600	-2.1%	3.3%	3.0%	-6.2%

	2015	2016e	2017e	2018e
P/E	34.9x	25.3x	19.5x	15.9x
Div yield (%)	0.3%	0.3%	0.3%	0.3%

ANALYSIS

- **Wirecard has just increased its EBITDA guidance of EUR290-310m to a bandwidth of between EUR298m and EUR312m** in view of the positive business development. **This new midpoint of EUR305m (vs. EUR300m previously) compares with BG est. of EUR306.3m and Thomson Reuters consensus of EUR303.4m.** This confirms and pinpoints what Markus Braun said on 26th September during the opening of Wirecard's analyst day in Munich. The meeting had a mainly technical and business model focus. However, during the introduction, the CEO said that after a strong H1, the group's EBITDA could reach the higher half of its guidance range of EUR290-310m.
- **Note also that short interest on the stock is now close to 15% of the share capital (vs. ~25% earlier this year after the Zatarra affair).** As we wrote in our research report in early September, US investors (a category accounting for a significant proportion of short positions) are revisiting the investment case. **The announcement of the acquisition of one of the Citi subsidiaries appears to be the proof that they were lacking conviction over the group's quality.**
- **We are maintaining our estimates, which are at the high-end of the guidance range and above consensus:** we have FY16e revenue of EUR1.015.9bn i.e. +31.7% and +20.3% lfl, EBITDA of EUR306.3m i.e. margin of 30.1% +60bp (cons.: EUR303.4m) and restated net income of EUR225.9m i.e. margin of 22.2%, +100bp. **Since the recent acquisition of Citi Prepaid Card Services in the US, Wirecard is now formally a global issuing and acquiring payment services provider**. A number of US investors are rumoured to be looking at the stock simply because it recently acquired this business from Citi (add weight to the quality of Wirecard). **By increasing its size, Wirecard should mechanically improve its margins** (fixed cost structure business).

VALUATION

- We maintain our **Buy recommendation and FV of EUR58**. The stock is **on our Q4 Top Pick list**.
- **Wirecard's PEG is still very appealing**, with a **P/E of 25x vs. EPS growth of 38% in 2016e**.

NEXT CATALYSTS

- **Q3 release:** 16th November 2016. 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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