



Please find our Research on Bloomberg BRYG <GO>)

6th October 2016

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18281.03	+0.62%	+4.91%
S&P 500	2159.73	+0.43%	+5.67%
Nasdaq	5316.02	+0.50%	+6.16%
Nikkei	16899.1	+0.47%	-11.63%
Stoxx 600	344.197	-0.55%	-5.91%
CAC 40	4489.95	-0.29%	-3.17%
Oil /Gold			
Crude WTI	49.83	+2.34%	+33.95%
Gold (once)	1269.72	-1.08%	+19.52%
Currencies/Rates			
EUR/USD	1.12	+0.38%	+3.10%
EUR/CHF	1.09435	-0.01%	+0.64%
German 10 years	-0.079	-51.16%	-112.48%
French 10 years	0.263	+56.39%	-73.23%

Economic releases :

Date	
6th-Oct	

08h00 DE Factory orders (+1.6% y/y E)
09h15 CH - CPI EU harmonized Sep. (0.0%
y/yE)
10h10 EUZ retail PMI Sep.
14h30 US Initial Jobless claims Oct.
14h30 US - continuing Claims.
14h45 EIA Natural Gas report

Upcoming BG ev	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
4th-Oct	CASINO We are cautious ahead of Q3 figures
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!

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



BG's Wake Up Call

ACCORHOTELS

BUY, Fair Value EUR42 (+22%)

CMD feedback: Booster project on track with tools for growth acceleration

First of all, the booster project i.e. the HotelInvest demerger, is definitely well on track with the creation of an independent legal entity and opening of the structure to investors. The project is due to be completed by mid-2017. In this context, management has updated HotelInvest GAV with the value increased to EUR7.3bn vs. EUR6.9bn at the end of 2015. Secondly, AccorHotels' mid-term expansion has been significantly increased based on the current pipeline and tools put in place under the digital plan and AccorHotels' developments in disruptive businesses. In an uncertain environment, but with no-profit warning on FY2016 results, the group's huge transformation should deliver results. We are confirming our positive viex on the stock, notably with a current standalone valuation of the asset light business significantly lower than comparable peers.

KERING

BUY, Fair Value EUR193 vs. EUR185 (+4%)

Gucci momentum should accelerate in Q3

Kering is due to release Q3 sales on 25th October (after market closure). Revenues should grow 7% organically of which +6.6% for the luxury division, highlighting an acceleration versus Q2 (+5.2%) and H1 (+4%). Gucci momentum should again accelerate in Q3. Ahead of this publication, we revise up our EBIT estimates by almost 3% and consequently our Fair Value from EUR185 to EUR193.

TESCO

SELL, Fair Value 170p vs. 166p (-18%)

Guidance already looks priced in

We were impressed by Tesco's management whose strategic options were fully validated in H1, judging from operating results (+104bp improvment in the UK&ROI margin!). This performance deserves applause! However, until the upcoming investor day (16th November), when the plan will be detailed, it is difficult to form a solid opinion on Tesco's ability to deliver a 3.5-4% group margin by 2019/20. And at this stage, with all due respect, we can only conclude that promises only bind those who believe in them.

CAR PART MANUFACTURERS

Limited Brexit impact on auto demand in UK with registrations up 1.6% in September

UK auto association SMMT has unveiled reassuring statistics for UK auto demand in September. The global market was up 1.6% YoY to 470k vehicles driven primarily by commercial fleets (+7.3%) while demand from private households declined by 1.7%. On an YTD basis the market was still up 2.6% making us confident with our 3.5% growth estimate for 2016. Comparison bases in October and November should be more favourable.

In brief...

ALTICE, Exchange offer on SFR too imprecise according to AMF DIALOG SEMICONDUCTOR, Preliminary Q3 revenue well above the Street's expectations SPIRITS, Constellation acquires High West Distillery

Return to front page

AccorHotels Price EUR34.46

Hotels

Bloomberg Reuters 12-month High / I Market Cap (EUR) Ev (BG Estimates) Avg. 6m daily volu 3y EPS CAGR	(EUR)			AC FP ACCP.PA 1 / 30.0 9,809 9,614 1 143 10.0%
	1 M	3 M	6 M 31	/12/15
Absolute perf.	-4.0%	-0.8%	-5.3%	-13.9%
Travel&Leisure	-4.7%	5.5%	-6.1%	-15.9%
DJ Stoxx 600	-1.8%	6.2%	4.9%	-5.9%
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	22.6x	21.6x	20.3x	17.0x
FCF yield (%)	6.3%	6.3%	6.1%	7.6%
Dividends (€)	0.95	1.00	1.00	1.10
Div yield (%)	2.8%	2.9%	2.9%	3.2%
EV/Sales	1.8x	1.7x	1.8x	1.7x
EV/EBITDA	10.8x	9.7x	10.2x	8.7x
EV/EBIT	16.6x	14.5x	15.3x	12.7x



CMD feedback: Booster project on track with tools for growth acceleration Fair Value EUR42 (+22%)

BUY

<u>First of all</u>, the booster project i.e. the HotelInvest demerger, is definitely well on track with the creation of an independent legal entity and opening of the structure to investors. The project is due to be completed by mid-2017. In this context, management has updated HotelInvest GAV with the value increased to EUR7.3bn vs. EUR6.9bn at the end of 2015. <u>Secondly</u>, AccorHotels' mid-term expansion has been significantly increased based on the current pipeline and tools put in place under the digital plan and AccorHotels' developments in disruptive businesses. In an uncertain environment, but with no-profit warning on FY2016 results, the group's huge transformation should deliver results. We are confirming our positive viex on the stock, notably with a current standalone valuation of the asset light business significantly lower than comparable peers.

ANALYSIS

- **Booster project well engaged...:** Launched mid-July, management has confirmed the target of mid-2017 for completion of the demerger with a next update due on 22nd February 2017 (FY 2016 results). In terms of financial implementation, assets have been revalued with a GAV of EUR7.3bn as of 30th June 2016 vs. EUR6.9bn at the end of 2015 with an overall limited tax friction estimated below 5% of GAV transferred to the new HotelInvest structure. In fact, the new structure will receive around 90% of current GAV i.e. c.EUR6.5bn, with 10% remaining in AccorHotels and linked to Orbis (53% stake). The GAV fully reflects market reality, with management confirming that with the repositioning of HotelInvest's portfolio, all hotels were sold in a range of 95% to 110% of GAV.
- ...with a positive financial impact on AccorHotels: Assuming that Accorhotels sells off 70% of HotelInvest for EUR6.5bn in GAV (management's guidance is between 50% and 80%), AccorHotels will receive EUR4.5bn. Taking into account current net debt amounting to EUR1.4bn (gross debt of EUR3bn with cash of EUR1.6bn), this should represent financial leverage of 2.8x based on an EBITDA 2017e of c. EUR500m. As such, most of the cash received from the disposal will be free to use. Management is not ruling out any options (organic growth, return to shareholders, selective M&A, balance sheet optimisation).
- New mid-term expansion objective with a significant change in revenue and profit mix: As seen in H1, AccorHotels' expansion accelerated. Confirming a pipeline stronger than ever, management announced that potential for growth is sustainable over the long term with a new mid-term annual guidance of between 40-45krooms compared with 30-35krooms between 2010-2015. Moreover, and following the FRHI acquisition, new openings will concern 25% luxury segment (vs.20%), 30% midscale and 45% economy (vs.50%), which will increase part of the fees generated by the luxury segment to around 50% vs. 30% today. As a reminder, AccorHotels+FRHI is now no. 2 in terms of the number of hotels in luxury (193 vs. 227 for Marriott-Starwood and 183 for IHG).
- Digital plan which continues to deliver results: Launched in October 2014 with total investment of EUR250m (55% capex and 45% opex) including Fastbooking MarketPlace, the digital plan is delivering clearly concrete results notably with an increase of 68% in properties distributed with the market place (6,300 hotels vs. 3,717 in 2014), of 60% in rooms booked via AccorHotels central reservation system (TARS) or today, Le Club AccorHotels totalling 28m members ticking 9 boxes out of 14 att he Freddie awards in 2015 and 2016. To sum-up, the plan is bearing fruit with technology foundation fully in place.

VALUATION

- FY 2016 guidance implicitly confirmed: Without any news during yesterday's capital market day, management implicitly confirmed FY guidance ahead of the Q3 revenue release on 18th October i.e. EBIT between EUR670m/EUR720m. Our forecast is EUR695m vs. consensus at EUR684m.
- At the current share price, the stock is trading on EV/EBITDA multiples of 10.2x for 2016e and 8.7x for 2017e. Assuming a HotelInvest valuation of EUR7.3bn, the <u>implied valuation of</u> <u>HotelServices is c. EUR3.9bn i.e. 2017e EV/EBITDA of 7.8x vs. an asset-light comparable</u> <u>valuation of c.12x for IHG or Marriott/Starwood.</u>

NEXT CATALYSTS

Q3 revenue on 18th October 2016

Analyst :

FY results on 22nd February 2017 Click here to download



Bruno de La Rochebrochard 33(0) 1 56 68 75 88 bdelarochebrochard@bryangarnier.com

Luxury & Consumer Goods

Kering Price EUR185.90

Dissuelana				00.50
Bloomberg Reuters				PP FP PRTP.PA
12-month High / L		186	5 / 138.6	
Market Cap (EUR)			100.	23,473
Ev (BG Estimates)	(EUR)			26,273
Avg. 6m daily volu	• •			231.7
3y EPS CAGR				14.1%
	1 M	3 M	6 M 3	1/12/15
Absolute perf.	6.3%	28.9%	22.5%	17.7%
•		28.9% 0.6%	3.7%	1.3%
Pers & H/H Gds	-3.1%			
DJ Stoxx 600	-1.8%	6.2%	4.9%	-5.9%
YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	11,584	12,160	12,955	13,630
% change		5.0%	6.5%	5.2%
EBITDA	2,056	2,270	2,530	2,710
EBIT	1,646	1,850	2,090	2,270
% change		12.4%	13.0%	8.6%
Net income	1,017	1,183	1,383	1,534
% change		16.3%	16.9%	10.9%
	2015	2016 e	2017e	2018e
Operating margin	14.2	15.2	16.1	16.7
Net margin	8.8	9.7	10.7	11.3
ROE	8.7	9.2	10.1	10.8
ROCE	5.8	6.6	7.3	7.9
Gearing	37.7	27.1	21.9	21.2
(EUR)	2015	2016e	2017e	2018e
EPS	8.05	9.36	10.86	11.95
% change	-	16.3%	16.0%	10.1%
P/E	23.1x	19.9x	17.1x	15.6x
FCF yield (%)	1.2%	2.8%	3.7%	4.3%
Dividends (EUR)	4.00	4.30	4.70	5.20
Div yield (%)	2.2%	2.3%	2.5%	2.8%



2.4x

13.3x

16.6x

2.2x

11.6x

14.2x

2.0x

10.2x

12.3x

1.9x

9.5x

11.4x

Gucci momentum should accelerate in Q3

Fair Value EUR193 vs. EUR185 (+4%)

Kering is due to release Q3 sales on 25th October (after market closure). Revenues should grow 7% organically of which +6.6% for the luxury division, highlighting an acceleration versus Q2 (+5.2%) and H1 (+4%). Gucci momentum should again accelerate in Q3. Ahead of this publication, we revise up our EBIT estimates by almost 3% and consequently our Fair Value from EUR185 to EUR193.

ANALYSIS

- Kering is due to report its Q3 and 9m sales on 25th October (after market closure). For Q3, we expect sales to reach EUR3.09bn, up 6.7% and +7% organically. For Kering Luxury alone, we expect sales to accelerate slightly at +6.6% vs +5.2% in Q2 and +4% in H1, while Puma revenues are expected to show further strong gains (+10.3%).
- Encouraging growth at Kering Luxury is set to be driven by the revival of the Gucci brand (60% of Kering EBIT) that should confirm and even amplify the trend seen since Q1 2016. For Q3 2016, we argue that new collections from Alessandro Michele have accounted for around 80% of the brand's sales versus 70% in Q2. Momentum remained very well oriented for shoes and ready to wear but also for leather goods, which was not so much the case in H1. The impact of the new Gucci handbag, Marmont, sold for close to EUR1,400 has had a positive impact in Q3 as it was launched during the summer. Gucci retail sales (82% of Gucci sales) should clearly accelerate after +7% in Q2 while wholesale sales momentum would remain strong despite some slowdown vs +15% in Q2.
- On the other hand, Bottega Veneta (17% of Kering EBIT) revenues are still expected to be down after -9.8% in Q2, and could even shown a deterioration. At this point, we would underscore the appointment of Claus Dietrich Lars as the brand's new CEO. YSL sales momentum is expected to remain very strong after a robust H1 (+24.2%) and Q2 (+22%). We also expect a very dynamic Q3 at Puma, albeit probably slightly lower than the terrific Q2 (+13.2%) helped by the positive impact of the EURO 2016 football tournament.

Quarterly organic sales growth						
in %	FY 15	Q1 16	Q2 16	H1 16	Q3 16e	9M 16e
Gucci	0.4	3.1	7.4	5.4	10.0	7.0
Bottega Veneta	3.2	-8.3	-9.8	-9.1	-10.3	-9.5
YSL	25.8	26.5	22.0	24.2	20.9	23.0
Others	3.1	-3.3	2.9	0.0	3.0	1.0
Total Luxury	4.1	2.7	5.2	4.0	6.6	5.0
PUMA	6.8	8.1	13.2	10.6	10.3	10.5
Kering Group	4.6	4.0	3.7	3.9	7.3	6.3

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

- In Western Europe (33% Kering Luxury sales), we estimate that Q3 momentum should globally . remain the same as in Q2 (+5%), with a soft French market (7% of sales) but other European countries are well oriented. On the other hand, we could expect momentum to improve in North America (20% of Kering Luxury sales) and in APAC (30% of Kering Luxury revenues). In NA, the acceleration should be driven by better tourist flows from Japan to Hawaii (stronger JPY) and from Brazil to Florida (stronger BRL). Nevertheless, activity in Japan (10% of sales) is likely to remain under pressure (less Chinese tourists and less purchases from locals as they travel more).
- Ahead of Q3 sales release, we revise up our FY 2016 estimates by almost 3% with sales up 6% organically vs +5.4% previously and EBIT margin up 100bp to 15.2% (14.9% previously).

VALUATION

The Kering share has been one of the best performers YTD (+18%) and over 3m (+28%). The stock is trading on a limited 2% premium vs the luxury goods sector average.

NEXT CATALYSTS

• Q3 sales to be reported on 25th October.

Analyst :



Loïc Morvan 33(0) 1 70 36 57 24 Imorvan@bryangarnier.com Sector Team : Nikolaas Faes Antoine Parison Cédric Rossi Virginie Roumage

Return to front page

BUY

EV/Sales

EV/EBIT

EV/EBITDA

Food retailing

Tesco Price 207.10p

Bloomberg		TSCO LN		
Reuters		TSCO.L		
12-month High / L	ow (p)		207.1	/ 139.2
Market Cap (GBP)				16,929
Ev (BG Estimates)	• •			28,741
Avg. 6m daily volu	me (000)			28 924
3y EPS CAGR				103.6%
	1 M	3 M	6 M 31	l/12/15
Absolute perf.	22.2%	17.8%	10.4%	38.5%
Food Retailing	0.1%	4.6%	-1.0%	-0.1%
DJ Stoxx 600	-1.8%	6.2%	4.9%	-5.9%
VEnd Eak (CDDm)	02/110	02/17-	02/10-	02/10-
YEnd Feb. (GBPm)	02/ 16	02/ 17e	02/ 18e	02/ 19e
Sales	54,433	55,871	57,023	58,259
% change		2.6%	2.1%	2.2%
EBITDA	2,278	2,378	2,592	2,876
EBIT	1,046	1,140	1,412	1,669
% change		8.9%	23.9%	18.3%
Net income	103.5	550.6	667.5	868.9
% change			21.2%	30.2%
	02/110	02/17-	02/10-	02/10-
Operating margin	02/ 16	02/17e 2.2	02/18e	02/19e
Operating margin			2.5	2.9
Net margin	0.2	1.0	1.2	1.5
ROE	NM	NM	NM	NM

ROCE	4.5	5.9	6.8	8.0
Gearing	59.3	111.8	102.3	90.8
(p)	02/ 16	02/ 17e	02/ 18e	02/ 19e
EPS	1.27	6.79	8.23	10.72
% change	-		21.2%	30.2%
P/E	NS	30.5x	25.2x	19.3x
FCF yield (%)	0.1%	0.0%	0.0%	0.0%
Dividends (p)	0.00	0.00	2.47	4.29
Div yield (%)	NM	NM	1.2%	2.1%
EV/Sales	0.5x	0.5x	0.5x	0.5x
EV/EBITDA	11.3x	12.1x	11.0x	9.8x
EV/EBIT	24.6x	25.2x	20.2x	16.9x



Return to front page

SELL

Guidance already looks priced in

Fair Value 170p vs. 166p (-18%)

We were impressed by Tesco's management whose strategic options were fully validated in H1, judging from operating results (+104bp improvment in the UK&ROI margin!). This performance deserves applause! However, until the upcoming investor day (16th November), when the plan will be detailed, it is difficult to form a solid opinion on Tesco's ability to deliver a 3.5-4% group margin by 2019/20. And at this stage, with all due respect, we can only conclude that promises only bind those who believe in them.

There is no denying that Tesco's management was rather impressive in explaining its mid-term ambitions yesterday. As a reminder, it expects to deliver a group operating margin of between 3.5% and 4.0% by 2019/20, which is a very encouraging assumption when looking at the current consensus level (+2.8% for 2018/19). The guidance is all the more appealing in that it does not seem to take into account any return to inflation in the UK. Hence the very positive share price reaction yesterday (+10%), unhampered by the GBP3bn increase in the pension deficit.

The group's ambition is underpinned by drivers including GBP1.5bn in operating cost reductions to further invest in the offer, offset natural cost inflation and enhance profitability. Alongside these cost reductions, Tesco will be looking to further differentiate its brand, focus on cash generation, optimise the margin mix and maximise the value of property. Some of these initiatives will require investment and hence Tesco expects capex to average GBP1.4bn per annum out to 2019/20.

Management notably expects to reduce operating costs by a further GBP1.5bn through 1/ operational improvements (change in trading hours, single customer service desks, replenishment savings, scan as you shop services...), 2/ logistics and distribution (sales forecasting and lower stock holding, lower fulfilment costs, integration of supply and logistical systems, common international systems...) and 3/ scale (single procurement policy, IT systems...).

ANALYSIS

- We have to admit that we were impressed by Tesco's management whose strategic options (notably in favour of fresh products) were fully validated in H1, judging from operating results (+104bp improvment in the UK&ROI margin!). This performance deserves applause!
- That said, in view of the share price reaction, it seems that the market is also betting on an
 acceleration in the recovery in a context that remains highly uncertain, especially as regards
 how competitors (notably discounters and Asda) will behave going forward.
- Whatever the case, management will have to be more specific about the levers set to make its
 guidance feasible at the analysts' day scheduled for 16th November. Until then, it is difficult to
 form a solid opinion and we would almost conclude that promises only bind those who believe
 in them.
- At this stage, we can only assess what a margin ranging from 3.5% to 4.0% implies in terms of valuation (with a 100bp margin gap in favour of international business vs the UK). We base our DCF on a 7.22% WACC (risk free rate of 1.6% and risk premium of 7.0%), growth to infinity of 1.2%, while restating our EV for the pension deficit.
- By doing so, we conclude that a valuation for Tesco could range from 170p per share to 210p per share, which is actually the current share price. Hence we struggle to buy into news which, at this stage, could be considered pretty much as wishful thinking.

VALUATION

• We base our Fair Value (170p) on a DCF with a 3.5% normative margin rate at the low end of the mid-term guidance range.

NEXT CATALYSTS

Investor day on 16th November.

Click here to download Analyst :



Antoine Parison 33(0) 1 70 36 57 03 aparison@bryangarnier.com Sector Team : Nikolaas Faes Loïc Morvan Cédric Rossi Virginie Roumage Sector View

Car Part Manufacturers

	1 M	3 M	6 M	31/12/15
Auto & Parts	1.1%	19.5%	6.3%	-12.09
DJ Stoxx 600	-1.8%	6.2%	4.9%	-5.9%
*Stoxx Sector Indices				

Companies cov	vered		
FAURECIA		BUY	EUR47
Last Price	EUR35.33	Market Cap.	EUR4,871m
HELLA		BUY	EUR45
Last Price	EUR35.45	Market Cap.	EUR3,939m
PLASTIC OMNI	UM	BUY	EUR36
Last Price	EUR29.88	Market Cap.	EUR4,556m
VALEO		NEUTRAL	EUR49
Last Price	EUR52.44	Market Cap.	EUR12,501m



Limited Brexit impact on auto demand in UK with registrations up 1.6% in September

UK auto association SMMT has unveiled reassuring statistics for UK auto demand in September. The global market was up 1.6% YoY to 470k vehicles driven primarily by commercial fleets (+7.3%) while demand from private households declined by 1.7%. On an YTD basis the market was still up 2.6% making us confident with our 3.5% growth estimate for 2016. Comparison bases in October and November should be more favourable.

ANALYSIS

- A market up in September, driven by solid demand from professionals: According to the SMMT figures unveiled yesterday, British automotive registrations (*PC+LCV*) were up 1.6% YoY in September with 469.7k registered vehicles on an already tough comparable basis. This growth was mainly driven by commercial fleets, as has been the case since Q2 2016, for which demand rose by 7.3% YoY this month while demand from private households declined by 1.7%. On a YTD basis, the UK market (*PC+LCV*) was still up 2.6% with LCV (commercial fleets and business vehicles) up 4.5% as the sole driver and demand for PC stabilising at +0.4%. As a reminder, the UK market is historically turned towards the professionals segment representing around 55% of registrations (with commercial fleets representing 50-52% of British registrations).
- More demand for greener vehicles: The share of diesel engines continued to decline among new registrations but in line with the fall in demand for petrol heat engines. Since January, diesel motorisations have represented **47.6%** of new sold cars (*vs. 48% on the same period in 2015 and 50% in 2014*) while petrol heat engines represented **49.1%** vs. **49.4%** a year ago. These motorisation changeovers were made to the benefit of hybrid/EV models (*3.3% market share since January 2016 vs. 2.7% for similar period in 2015*).
- Strong demand for premium models: The top three leading OEMs in the market strongly outperformed global demand in September with Volkswagen (-4% YoY), Ford (-11% YoY) and GM (-5% YoY) the worst performers. On the contrary, premium brands performed well with Daimler (+17% YoY) and BMW (+12% YoY) gaining market share. Even Audi (+9% YoY) does not seem to have suffered from the VW emissions scandal. The situation is more mixed among French OEMs, as observed in other European markets. Thanks to a more favourable product mix (*new Scenic, new Megane...*), Renault performed impressively compared with its main French peer PSA (+15% vs. -13% in September YoY, +12% vs. -4% YTD). Citroën is trimming PSA's growth while Dacia is driving Renault's.
- **Conclusion:** We still expect the UK market (*PC+LCV*) to gain **3.5%** in 2016 despite a tough summer and the weak growth rate observed in September. The low growth noted during the month proves that at this stage the impact of Brexit remains limited (+1.6% vs. high single to double-digit percentage decline estimated by business intelligences), or at least contained to individual buyers. Moreover, the recent removal of some uncertainties linked to Brexit (activation of EU Article 50 by UK by March 2017, the UK Prime Minister's aim for a maximum trade freedom post-Brexit imply low or no import duties) should encourage OEMs to maintain their commercial efforts and British consumers not to postpone their vehicle purchases.

VALUATION

- At the current share price, the automotive sector is trading at **12x** 2017e EBIT and at **14x** 2017 earnings
- BG Auto Top pick: Faurecia (Buy, FV @ EUR47) and BG Q4 Top pick: Plastic Omnium (Buy, FV @ EUR36)

NEXT CATALYSTS

- 13rd October Faurecia // Q3-16 sales
- 20th October Plastic Omnium // Q3-16 sales
- 20th October Valeo // Q3-16 sales

5

Return to front page

BG's Wake Up Call

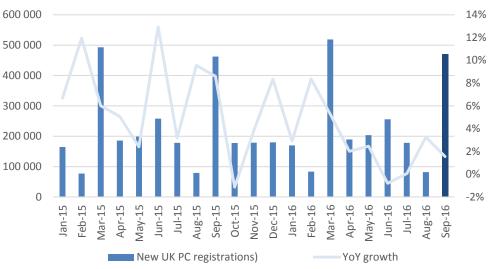


Chart1: British PC+LCV monthly market evolution

Click here to download



Analyst : Xavier Caroen 33(0) 1.56.68.75.18 xcaroen@bryangarnier.com Research Assistant : Clément Genelot

Price EUR16.38

Market Cap (EURm)

12-month High / Low (EUR)

Avg. 6m daily volume (000)

1 M

6.1%

-3.6%

-1.8%

2015

NS

NM

3 M

23.3%

-1.5%

6.2%

2016e

NS

NM

Bloomberg

Absolute perf.

DJ Stoxx 600

Div yield (%)

Telecom

P/E

Reuters

TMT Altice

Exchange offer on SFR too imprecise according to AMF

ATC NA ATCA.AS 20.3 / 10.0 17,924 Fair Value EUR16,5 (+1%) ANALYSIS • After blocking Altice' blocked the operatio

1 495

23.6%

-15.9%

-5.9%

2018e

13.2x

NM

6 M 31/12/15

19.9%

-5.7%

4.9%

2017e

19.5x

NM

- After blocking Altice's exchange offer on SFR on Tuesday, AMF said on Wednesday it had blocked the operation because it **lacked information** for minority shareholders to make an appropriate and informed judgment.
- The AMF pointed out that the parity was at a **low point**, but **did not reject the offer for that reason**. It said that Altice had provided "**imprecise**" information about the planned remuneration model between SFR and Altice, it could not be taken into account in the analysis of the proposed parity and minority shareholders **needed more information** to analyse the offer.
- "In this context, it is therefore not possible to consider that the information provided to the minority shareholders, including the basis of the selected exchange ratio, is **complete**, **intelligible and consistent**" the AMF said.
- We indeed believe the planned remuneration model, which could represent between 2% and 3% of SFR revenues, could have a negative impact on SFR, benefiting Altice, and therefore influencing decisions by SFR's minority shareholders.

VALUATION

• We stick to our Fair Value of EUR16.5 with a Buy recommendation.

NEXT CATALYSTS

• Q3 results on 10th November

Click here to download

Thomas Coudry, tcoudry@bryangarnier.com



Return to front page

BUY

TMT

Return to front page

Dialog Semiconductor Price EUR34.36

Bloomberg				DLG GR	
Reuters	DLGS.DE				
12-month High / Low (EUR)			40.7 / 24.4		
Market Cap (EURm)			2,630		
Avg. 6m daily volume (000)				5.50	
	1 M	3 M	6 M 3	1/12/15	
Absolute perf.	11.9%	33.2%	-1.8%	10.1%	
Semiconductors	4.1%	28.8%	28.1%	24.6%	
DJ Stoxx 600	-1.8%	6.2%	4.9%	-5.9%	
	2015	2016e	2017e	2018e	
P/E	12.7x	18.5x	12.6x	9.6x	
Div yield (%)	NM	NM	NM	NM	

Preliminary Q3 revenue well above the Street's expectations Fair Value EUR37 (+8%)

BUY

ANALYSIS

- Late yesterday, Dialog published a short press release to announce preliminary Q3 2016 revenue of USD345m, i.e. 13% above consensus expectations at USD305m (BG ests. Q3 2016 revenue of USD304.7m). This revenue level is also 13% above the mid-range of Dialog's July guidance for Q3 revenue in the range of USD290m and USD320m, and represents a sequential revenue increase of 40.5% (+4.5% yoy). The group explained that the higher than expected revenue in Q3 was partially the result of a delivery date pulled forward to Q3 but originally expected to be shipped in Q4. This was to accommodate a customer ordering Mobile Systems (we immediately think "Apple") as there is a public holiday in China during the first week of October.
- The group adds it will review its Q4 2016 and full year guidance (Dialog expects FY16 revenue to be down 15% compared to FY15) during the coming weeks. With no further details, we understand that Q4 expectations (BG ests. Q4 2016 revenue of USD361.4m) should be adjusted lower to take into account the order that moved into Q3. As a result, there should be no impact on FY16 expectations, nevertheless a positive surprise might come given the supportive environment. Better than expected iPhone 7 traction (note that Apple represents about 80% of Dialog's revenue) and the cautious approach adopted by management during the Q2 results conference call lead us to believe that FY16 results could be higher than the latest July guidance for FY revenue down about 15% (i.e. about USD1,150m).

VALUATION

 We believe the stock is poised to react positively today. However, note also that over a 3month period, the stock performance was up 33% leading us to believe that part of the positive newsflow has been priced in already. Based on our estimates, Dialog's shares trade at 2016e/2017e P/E ratios of 18.5x/12.6x respectively and 2016e/2017e PEG ratios of 1.8x/1.2x.

NEXT CATALYSTS

3rd November 2016: Q3 2016 results

Click here to download

Dorian Terral, dterral@bryangarnier.com

Return to front page

Sector View Spirits

	1 M	3 M	6 M	31/12/15
Food & Bev.	-1.1%	1.1%	4.8%	0.9%
DJ Stoxx 600	-1.2%	4.9%	3.5%	-5.4%
*Stoxx Sector Indices				

Companies covered		
CAMPARI	BUY	EUR10,5
DIAGEO	NEUTRAL	2100p
PERNOD RICARD	NEUTRAL	EUR112
REMY COINTREAU	BUY	EUR84

Constellation acquires High West Distillery

ANALYSIS

- Yesterday Constellation announced it had agreed to purchase Utah craft whiskey producer High West Distillery, beating rivals such as Moet Hennessy and Pernod Ricard. The price was not disclosed but was rumoured to be around USD150m. Constellation has been an aggressive acquirer over the past 18 months, adding nearly USD2bn worth of new business.
- High West Distillery has shown double digit volume growth year on year for the past three years. It currently sells around 70,000 cases a year, across a portfolio including four core products: American Prairie Bourbon, Double Rye!, Rendezvous Rye and Campfire. The company was founded in 2004 by David and Jane Perkins and now has four locations. In 2015, it opened its own distillery, which strengthened its craft credentials.
- Craft spirits launches increased by 265% between 2011 and 2015, according to Mintel. Today, one in seven launches is positioned as craft. Faced with this phenomenon, spirits groups are revamping their communication, creating limited editions/new brands and trying to acquire some of these craft brands. The last deals were Angel's Envy by Bacardi in 2015 and Monkey 47 by Pernod Ricard at the beginning of 2016. They have also created corporate venture capital firms to identify the opportunities (Distill Ventures of Diageo or Constellation Ventures)

NEXT CATALYSTS

- Rémy Cointreau: Q2 2016/17 sales on 18th October
- Pernod Ricard: Q1 2016/17 sales on 20th October

Click here to download

Virginie Roumage, vroumage@bryangarnier.com

Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

	Stock futing
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.
	win readure an introduction outning the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 56.5%

NEUTRAL ratings 31.8%

SELL ratings 11.7%

Bryan Garnier Research Team

Healthcare Team	Pharmaceuticals	Eric Le Berrigaud (Head of Equities)	33 (0) 1 56 68 75 33	eleberrigaud@bryangarnier.com
	Biotech/Medtech	Mickael Chane-Du	33 (0) 1 70 36 57 45	mchanedu@bryangarnier.com
	Medtech/Biotech	Hugo Solvet	33 (0) 1 56 68 75 57	hsolvet@bryangarnier.com
Consumer Team	Luxury/Consumer Goods	Loïc Morvan	33 (0) 1 70 36 57 24	lmorvan@bryangarnier.com
	Beverages	Nikolaas Faes	33 (0) 1 56 68 75 72	nfaes@bryangarnier.com
	Retailing	Antoine Parison	33 (0) 1 70 36 57 03	aparison@bryangarnier.com
	Luxu r y /Consumer Goods	Cedric Rossi	33 (0) 1 70 36 57 25	crossi@bryangarnier.com
	Food & Beverages	Virginie Roumage	33 (0) 1 56 68 75 22	vroumage@bryangarnier.com
ТМТ	Video Games / Payments	Richard-Maxime Beaudoux	33 (0) 1 56 68 75 61	rmbeaudoux@bryangarnier.com
	Telecom	Thomas Coudry	33(0) 1 70 36 57 04	tcoudry@bryangarnier.com
	Software & IT Services	Gregory Ramirez	33 (0) 1 56 68 75 91	gramirez@bryangarnier.com
	Semiconductor	Dorian Terral	33 (0) 1 56 68 75 92	dterral@bryangarnier.com
Utilities		Xavier Caroen	33 (0) 1 56 68 75 18	xcaroen@bryangarnier.com
		Pierre-Antoine Chazal	33 (0) 1 56 68 75 06	pachazal@bryangarnier.com
Insurance		Olivier Pauchaut (Head of Research)	33 (0) 1 56 68 75 49	opauchaut@bryangarnier.com
Hotels/Business Services		Bruno de La Rochebrochard	33 (0) 1 56 68 75 88	bdelarochebrochard@bryangarnier.com
Construction/Infrastructures/Building Materials		Eric Lemarié	33 (0) 1 70 36 57 17	elemarie@bryangarnier.com
Automotive & Parts		Xavier Caroen	33 (0) 1 56 68 75 18	xcaroen@bryangarnier.com
Marketing		Sophie Braincourt	33(0) 1 56 68 75 36	sbraincourt@bryangarnier.com
Market Data & Information Systems Manager		Eric Monnier	33(0) 1 56 68 75 63	emonnier@bryangarnier.com

A copy of the Bryan Garnier & Co Limited conflicts policy in relation to the production of research is available at www.bryangarnier.com

London

Beaufort House 15 St. Botolph Street London EC3A 7BB Tel: +44 (0) 207 332 2500 Fax: +44 (0) 207 332 2559 Authorised and regulated by the Financial Conduct Authority (FCA)



Paris

26 Avenue des Champs Elysées 75008 Paris Tel: +33 (0) 1 56 68 75 00 Fax: +33 (0) 1 56 68 75 01 Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudential et de resolution (ACPR)

New York 750 Lexington Avenue New York, NY 10022 Tel: +1 (0) 212 337 7000 Fax: +1 (0) 212 337 7002 FINRA and SIPC member

Munich

Widenmayerstrasse 29 80538 Munich Germany +49 89 2422 62 11

Disclaimer:

Bryan Garnier & Co Limited, registered in England Number 03034095 with registered office : Beaufort House 15 St Botolph Street, London EC3A 7BB, United Kingdom and its MIFID branch registered in France Number 452 605 512 with registered office : 26, Avenue des Champs Elysées 75008 Paris, France. Bryan Garnier & Co Limited is authorised and regulated by the Financial Conduct Authority (Firm Reference Number 178733) and is a member of the London Stock Exchange.

This Report may not be reproduced, distributed or published by you for any purpose except with the Firms' prior written permission. The Firm reserves all rights in relation to this Report.

Past performance information contained in this Report is not an indication of future performance. The information in this report has not been audited or verified by an independent party and should not be seen as an indication of returns which might be received by investors. Similarly, where projections, forecasts, targeted or illustrative returns or related statements or expressions of opinion are given ("Forward Looking Information") they should not be regarded as a guarantee, prediction or definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. A number of factors, in addition to the risk factors stated in this Report, could cause actual results to differ materially from those in any Forward Looking Information.

Important information - This report may contain "Independent" and "Corporate/Non-independent" research reports.

Unless stated otherwise, documents in this report are classified under the FCA Handbook as being investment research (independent research). Bryan Garnier & Co Limited has in place the measures and arrangements required for investment research as set out in the FCA's Conduct of Business Sourcebook.

Independent investment research reports:

Independent investment research reports are prepared by Bryan Garnier & Co Limited and are distributed only to clients of Bryan Garnier & Co Limited (the "Firm"). Bryan Garnier & Co Limited is authorised and regulated by the Financial Conduct Authority ("FCA") and is a member of the London Stock Exchange.

These reports are provided for information purposes only and do not constitute an offer, or a solicitation of an offer, to buy or sell relevant securities, including securities mentioned in this Report and options, warrants or rights to or interests in any such securities. These reports are for general circulation to clients of the Firm and as such are not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person. The information and opinions contained in these reports have been compiled from and are based upon generally available information which the Firm believes to be reliable but the accuracy of which cannot be guaranteed. All components and estimates given are statements of the Firm, or an associated company's, opinion only and no express representation or warranty is given or should be implied from such statements. All opinions expressed in these reports are subject to change without notice. To the fullest extent permitted by law neither the Firm and associated company accept any liability whatsoever for any direct or consequential loss arising from the use of these reports. Information may be available to the Firm and/or associated companies which is not reflected in these reports. The Firm or an associated company may have a consulting relationship with a company which is the subject of these reports.

Corporate or Non-Independent investment research reports:

Non-independent research reports are prepared by Bryan Garnier & Co Limited and are being distributed only to clients of Bryan Garnier & Co Limited (the "Firm"). Bryan Garnier & Co Limited is authorised and regulated by the Financial Conduct Authority ("FCA") and is a member of the London Stock Exchange.

These reports have been sent to you for marketing purposes only and are non-independent research within the meaning of the FCA rules. These reports are not being held out as an objective or independent explanation of the matters contained in them and should not be treated as such. These reports have not been prepared in accordance with the legal requirements designed to promote the independence of investment research. The Firm is not subject to any prohibition on dealing ahead of the dissemination of investment research. These reports usually focus on emerging European growth companies. The contents of these reports as well as the other research documents on emerging growth stocks do not contain the Firm's usual stock ratings. The intrinsic value analysis is presented to provide a framework for stock valuation and discussion, and represents an estimated value on the date of publishing, which may be subject to change without notice.

The Firm's rationale for not having ratings on the stock includes the fact that such stock may have limited market capitalisation and liquidity and while the Firm may express an opinion on the near-term movement of the stock, what action investors should take depends on many factors, including liquidity/risk tolerance, holdings timeframe and investment philosophy. Emerging companies evolve rapidly with a continuous flow of information that can significantly impact the company and in the Firm's opinion this cannot be reflected by a periodic rating. Additionally, the Firm may have an advisory relationship with the company which is the subject of these reports, including for the production of sponsored research, and may expect to receive or intend to seek compensation for investment banking services from that company in the six months following the date of these reports.

To the fullest extent permitted by law, the Firm does not accept any liability whatsoever for any direct or consequential loss arising from any use of the information contained in these reports. Information may be available to the Firm which is not reflected in these reports. They are provided for information purposes only and do not constitute an offer or solicitation to buy or sell any of the securities discussed in them. These reports are for general circulation to clients of the Firm and as such are not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person.

Disclosures specific to clients in the United Kingdom

This Report has not been approved by Bryan Garnier & Co Limited for the purposes of section 21 of the Financial Services and Markets Act 2000 because it is being distributed in the United Kingdom only to persons who have been classified by Bryan Garnier & Co Limited as professional clients or eligible counterparties. Any recipient who is not such a person should return the Report to Bryan Garnier & Co Limited inducted and should not rely on it for any purposes whatsoever.

Notice to US investors

This research report (the "Report") was prepared by Bryan Garnier & Co Limited for information purposes only. The Report is intended for distribution in the United States to "Major US Institutional Investors" as defined in SEC Rule 15a-6 and may not be furnished to any other person in the United States. Each Major US Institutional Investor which receives a copy of this Report by its acceptance hereof represents and agrees that it shall not distribute or provide this Report to any other person. Any US person that desires to effect transactions in any security discussed in this Report should call or write to our US affiliated broker, Bryan Garnier Securities, LLC. 750 Lexington Avenue, New York NY 10022. Telephone: 1-212-337-7000.

This Report is based on information obtained from sources that Bryan Garnier & Co. Ltd. believes to be reliable and, to the best of its knowledge, contains no misleading, untrue or false statements but which it has not independently verified. Neither Bryan Garnier & Co. Ltd. and/or Bryan Garnier Securities LLC make no guarantee, representation or warranty as to its accuracy or completeness. Expressions of opinion herein are subject to change without notice. This Report is not an offer to buy or sell any security.

Bryan Garnier Securities, LLC and/or its affiliate, Bryan Garnier & Co Limited may own more than 1% of the securities of the company(ies) which is (are) the subject matter of this Report, may act as a market maker in the securities of the company(ies) discussed herein, may manage or co-manage a public offering of securities for the subject company(ies), may sell such securities to or buy them from customers on a principal basis and may also perform or seek to perform investment banking services for the company(ies).

Bryan Garnier Securities, LLC and/or Bryan Garnier & Co Limited are unaware of any actual, material conflict of interest of the research analyst who prepared this Report and are also not aware that the research analyst knew or had reason to know of any actual, material conflict of interest at the time this Report is distributed or made available....