



13th October 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18144.2	+0.09%	+4.13%
S&P 500	2139.18	+0.11%	+4.66%
Nasdaq	5239.02	-0.15%	+4.63%
Nikkei	16774.24	-0.39%	-11.53%
Stoxx 600	338.56	-0.47%	-7.45%
CAC 40	4452.24	-0.44%	-3.99%
Oil /Gold			
Crude WTI	50.18	-1.20%	+34.89%
Gold (once)	1251.91	-0.38%	+17.84%
Currencies/Rates			
EUR/USD	1.10125	-0.42%	+1.38%
EUR/CHF	1.09055	-0.20%	+0.29%
German 10 years	-0.009	-79.67%	-101.48%
French 10 years	0.304	+14.99%	-68.97%
Euribor	-	+-%	+-%

Economic releases :

Date	
13th-Oct	08h00 DE - CPI Sep. (+0.7% y/y E) 14h30 - US initial jobless claims 14h30 US - continuing Claims. 17h00 US - DoE U.S Crude Oil inventories

Upcoming BG events :

Date	
21st-Oct	KORIAN (BG Geneva roadshow with CFO)
28th-Oct	IMERYS (Paris roadshow)
8th-Nov	LVMH (BG Luxembourg roadshow with IR)
14th-Nov/ 15th-Nov	4th Paris Healthcare Conference
18th-Nov	ENGIE (BG Luxembourg roadshow with IR)
24th-Nov	IMERYS (BG London roadshow with IR)

Recent reports :

Date	
12th-Oct	BOUYGUES Do not forget construction!
11th-Oct	A INBEV Fox in the Hen House
7th-Oct	SAINT GOBAIN : Endless sluggishness is not our scenario (report released today)
7th-Oct	ALTICE Lower risk profile
7th-Oct	SAINT GOBAIN : Endless sluggishness is not our scenario (report released today)
7th-Oct	ALTICE Lower risk profile

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



AHOLD DELHAIZE

BUY, Fair Value EUR25 vs. EUR25,8 (+25%)

Pro-forma accounts

Following the recent accounting update by the group, we disclose today our new pro-forma accounts. At this stage, taking into account EUR500m net synergies by 2019, we conclude that the merger between Ahold and Delhaize could, on average, have a 16.1% positive impact on 2016/19 EPS (very much in line with our initial estimates of 15.2%). Our fine-tuned Fair Value works out at EUR25.

CASINO GUICHARD

BUY, Fair Value EUR57 (+34%)

Q3 trading statement (first take): as expected, France turned out to be under pressure

As expected (We are cautious ahead of Q3 figures as of October 3th) Q3 sales figures reflect a difficult environment in France, penalised by social tensions and unfavourable weather conditions. Group sales worked out at EUR10.4bn, up +2.9% on an organic basis (positive currency effect of +4.1% and a scope effect of -0.4%) vs EUR10.3bn est. Even if is somewhat "circumstantial", we have to admit that this trading statement brings the new impetus to a "halt" in France. We are looking forward to see a reorganisation in LatAm.

TEMENOS GROUP

BUY, Fair Value CHF77 vs. CHF71 (+14%)

Success breeds success (full report released today)

We are reiterating our Buy recommendation and have increased our DCF-derived Fair Value to CHF77 (vs. CHF71) after taking into account a more favourable scenario for margins. We estimate that Temenos' high valuation is justified by annual EPS growth of almost 20% driven for years by a wave of IT modernisation at banks. In our view, the share is a growth stock par excellence.

UBISOFT

BUY, Fair Value EUR35 (+9%)

Our comments following Stephane Roussel's interviews in the press

Following an event held yesterday by Gameloft regarding its strategy inside Vivendi, Stephane Roussel (COO of Vivendi and CEO of GFT) gave some interviews in the press. Here are our comments on Ubisoft. Fundamentals are not fully valued and speculation continues. We maintain our Buy recommendation and FV of EUR35 (only based on fundamentals over the current fiscal year).

UNILEVER

NEUTRAL, Fair Value EUR43 (+5%) (UNILEVER PLC 3590p)

Unsurprising slowdown

In brief...

ADOCIA, Good cash control despite increased development activities

Food retailing

Ahold Delhaize

Price EUR20.08

Pro-forma accounts

Fair Value EUR25 vs. EUR25,8 (+25%)

BUY

Bloomberg	AD NA
Reuters	AD.AS
12-month High / Low (EUR)	22.1 / 17.3
Market Cap (EURm)	25,728
Ev (BG Estimates) (EURm)	27,506
Avg. 6m daily volume (000)	3 808
3y EPS CAGR	ns

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.2%	-5.6%	-0.1%	3.1%
Food Retailing	1.1%	-1.7%	-6.9%	-3.3%
DJ Stoxx 600	-1.1%	0.7%	1.2%	-7.4%

YEnd Dec. (EURm)	2015e	2016e	2017e
Sales	60,881	62,936	64,176
% change	ns	3.4%	2.0%
EBITDA	3,862	4,196	4,473
EBIT	1,899	2,189	2,532
% change	ns	15.3%	15.6%
Net income	1,410	1,530	1,726
% change		8.5%	12.8%

	2015e	2016e	2017e
Operating margin	3.5	3.9	4.2
Net margin	2.3	2.4	2.7
ROE	NM	NM	NM
ROCE	8.0	9.1	10.1
Gearing	19.2	12.3	5.2

(EUR)	2015e	2016e	2017e
EPS	1.11	1.20	1.36
% change	ns	8.5%	12.8%
P/E	18.1x	16.7x	14.8x
FCF yield (%)	6.5%	5.4%	6.3%
Dividends (EUR)	NM	0.53	0.64
Div yield (%)	%	2.6%	3.2%
EV/Sales	0.5x	0.4x	0.4x
EV/EBITDA	7.1x	6.3x	5.7x
EV/EBIT	14.5x	12.2x	10.1x

Following the recent accounting update by the group, we disclose today our new pro-forma accounts. At this stage, taking into account EUR500m net synergies by 2019, we conclude that the merger between Ahold and Delhaize could, on average, have a 16.1% positive impact on 2016/19 EPS (very much in line with our initial estimates of 15.2%). Our fine-tuned Fair Value works out at EUR25.

Following the recent accounting update by the group, we disclose today our new pro-forma accounts. It goes without saying, the exhaustive data (notably regarding the balance sheet), which should allow us to finalise our estimates, won't be disclosed before the FY. Hence, our spreadsheet is likely to evolve in the coming months with, as a consequence, potentially significant adjustments to several key ratios. At this stage, taking into account EUR500m net synergies by 2019, we conclude that the merger between Ahold and Delhaize could, on average, have a 16.1% positive impact on 2016/19 EPS (very much in line with our initial estimates of 15.2%) when restating our underlying EBIT from both transaction costs and one-off charges linked to the merger (those latter are nonetheless deducted from our DCF).

ANALYSIS

- 1/ Current momentum proves Ahold/Delhaize's overall resilience, 2/ Ahold/Delhaize has virtually no exposure to ailing emerging markets and hence, 3/ offers better visibility on operating performances for 2016 than others, 4/ Ahold/Delhaize enjoys one of the best FCF profiles in the sector, 5/ ultimately, via cost-sharing, flirting by Ahold/Delhaize offers an alternative within a sector that is suffering an obvious lack of growth.
- As a reminder, we are witnessing a change of paradigm (Anorexic growth... the bigger the better!), which for a large number of retailers has meant that solid and recurring growth has sunk to a sinusoidal pace limited to just a few points (a disruptive factor in a fixed-cost industry). Against this backdrop, size is a key asset for large players who can dilute fixed costs over a far denser store network and obtain additional ammunition for nurturing their price and non-price competitiveness. Hence the flirting by Delhaize and Ahold!
- Major execution risks (which cannot be ruled out during a merger of this scale) may arise later, notably when the company has to integrate the US operations. We see no execution risk linked to the merger before 2017. Before that, we believe both Ahold and Delhaize provide a kind of "insurance" within a skittish sector with no clear direction. BUY.

VALUATION

- We derive our FV @EUR25 per share from a DCF

NEXT CATALYSTS

- Investor Day on December 7th

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Food retailing

Casino Guichard

Price EUR42.43

Q3 trading statement (first take): as expected, France turned out to be under pressure

Fair Value EUR57 (+34%)

BUY

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	56.5 / 35.2
Market Cap (EURm)	4,751
Ev (BG Estimates) (EURm)	9,282
Avg. 6m daily volume (000)	412.0
3y EPS CAGR	8.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.1%	-16.8%	-18.1%	0.0%
Food Retailing	0.2%	0.2%	-6.5%	-3.3%
DJ Stoxx 600	-1.5%	2.2%	2.2%	-7.0%

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	15.2x	25.7x	14.4x	11.8x
FCF yield (%)	NM	NM	15.8%	11.1%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	7.4%	7.4%	7.4%	7.4%
EV/Sales	0.3x	0.2x	0.2x	0.2x
EV/EBITDA	5.4x	4.8x	4.3x	4.1x
EV/EBIT	13.1x	15.6x	7.3x	6.9x

As expected (We are cautious ahead of Q3 figures as of October 3th) Q3 sales figures reflect a difficult environment in France, penalised by social tensions and unfavourable weather conditions. Group sales worked out at EUR10.4bn, up +2.9% on an organic basis (positive currency effect of +4.1% and a scope effect of -0.4%) vs EUR10.3bn est. Even if is somewhat "circumstantial", we have to admit that this trading statement brings the new impetus to a "halt" in France. We are looking forward to see a reorganisation in LatAm.

Generally in France (46% of sales), in addition to the social environment, Casino suffered unfavourable weather conditions in July the effects of which were partly offset by better conditions in August and September. As a consequence, given a certain mismatch between the weather and the assortments, non-food activities came under pressure in Q3 at both Monoprix (-2.3% vs -2.0%e LFL excl. fuel and calendar) and Géant (+0.2% vs +0.5%e / +1.8% in the food business). Supermarché Casino (+2.8% vs +1.2%e) proved to be fairly resilient and even beat our expectations.

We understand that FP/LP suffered upsets notably linked to assortment reviews. As a consequence, LFL work out at -1.5% vs -1.3%e (-0.1% and -2.7% LFL respectively for FP and LP vs 0% and -2.5%e). Moreover, the conversion of some stores under pressure as well as the closure of some unprofitable stores (282 loss-making stores) had a significant perimeter impact. Note, however, that the performance improved significantly at LP toward the end of the quarter (-+1.5%e LFL in September).

There is not that much to say about LatAm (37% of sales) where trends are pretty similar (with, we guess, a very good performance in Colombia) to those of Q2 (+8.2% LFL in Q3 vs +6.0%e) with flattering figures in the food business, while the non-food business (namely Via Varejo which accounts for 11% of Casino's sales) remains somewhat under pressure (+2.0% vs +2.5%e). Unfortunately, the situation remains extremely difficult at Cnova (6% of Casino's sales / -16.4% vs -18% LFL) because of Brazil.

In France, the Group confirms the following objectives:

- Trading profit of more than EUR500m
- FCF of more than EUR550m (before 2015 dividends, coupons awarded to holders of hybrid instruments in 2015 and payment of an interim dividend in respect of 2016).
- Net capital expenditure of c.EUR350m

LFL excl. fuel and calendar effect	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16p	Q3 16e
Géant	-1,5%	1,0%	3,5%	2,8%	3,8%	2,2%	0,2%	0,5%
Supermarchés Casino	-1,4%	-2,3%	0,7%	0,0%	0,2%	1,2%	2,8%	1,2%
FP/LP	-5,6%	-3,5%	1,7%	1,9%	2,7% e	-0,4%	-1,5%	-1,3%
Monoprix	0,3%	0,5%	2,2%	0,1%	-0,4%	-2,1%	-2,3%	-2,0%
LatAm retail	2,6%	2,40%	2,4%	1,3%	3,7%	7,1%	+8,2%	6,0%
LatAm electronics	-2,7%	-23,6%	-24,7%	-15,2%	-11,8%	2,6%	+2,0%	2,5%
Cnova	17,0%	15,7%	7,7%	-8,1%	-8,3%	-13,5%	-16,4%	-18%

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

ANALYSIS

- 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 of which could be the latest real estate operation (September 23th) in Colombia. This would dramatically simplify the structure, something the market has wanted for years.

VALUATION

- The SOTP (latest update on September 28th) currently stand at EUR54

NEXT CATALYSTS

- Reorganisation of LatAm activities



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TMT

Temenos Group

Price CHF67.25

Success breeds success (full report released today)

Fair Value CHF77 vs. CHF71 (+14%)

BUY

Bloomberg	TEMN SW
Reuters	TEMN.SW
12-month High / Low (CHF)	67.6 / 41.4
Market Cap (CHFm)	4,679
Ev (BG Estimates) (CHFm)	4,792
Avg. 6m daily volume (000)	210.0
3y EPS CAGR	19.0%

We are reiterating our Buy recommendation and have increased our DCF-derived Fair Value to CHF77 (vs. CHF71) after taking into account a more favourable scenario for margins. We estimate that Temenos' high valuation is justified by annual EPS growth of almost 20% driven for years by a wave of IT modernisation at banks. In our view, the share is a growth stock *par excellence*.

ANALYSIS

- **Market growing by 8% a year.** Faced with the boom in digital, the "client experience" trend and "uberisation" of the industry by the emergence of new rivals (fintech companies), banks are gradually starting to modernise their IT systems. These strategic plans are spread over four/five years on average, often implying the replacement of the core banking system by a vendor's software platform.
- **A spiral of success.** Since 2015, Temenos has restored double-digit organic growth, driven by business with tier 1 and tier 2 banks, in a logical follow-up to good architectural choices and partnerships to integrate and extend the product offer, carried out over the past 5/10 years. We believe this growth is sustainable thanks to Temenos' rising ability to win business contracts worth at least USD5m (Nordea, Standard Chartered, Bank of Ireland...).
- **Potential upgrade to guidance.** Following the signing with the Bank of Ireland, we expect Temenos to increase its 2016 estimates (sales up 7.5-11% lfl, non-IFRS EBIT margin of 30%). Beyond 2016, we estimate that profitability should benefit from the improvement in the services margin and a double-digit increase in software licencing sales.

	1 M	3 M	6 M	31/12/15
Absolute perf.	12.7%	29.6%	31.3%	29.5%
Softw. & Comp.	0.1%	12.2%	13.3%	6.7%
DJ Stoxx 600	-1.5%	2.2%	2.2%	-7.0%

YEnd Dec. (US\$m)	2015	2016e	2017e	2018e
Sales	542.5	620.5	684.1	757.3
% change		14.4%	10.3%	10.7%
EBITDA	212	253	283	316
EBIT	96.8	151.6	182.1	213.7
% change		56.7%	20.1%	17.4%
Net income	121.0	159.1	184.3	213.1
% change		31.5%	15.8%	15.6%

	2015	2016e	2017e	2018e
Operating margin	30.8	32.9	33.9	34.8
Net margin	12.2	18.3	20.5	22.3
ROE	17.7	24.8	24.9	23.1
ROCE	23.9	31.6	39.6	51.6
Gearing	71.2	24.9	-9.7	-39.8

(US\$)	2015	2016e	2017e	2018e
EPS	1.82	2.29	2.65	3.06
% change	-	26.0%	15.8%	15.6%
P/E	37.5x	29.8x	25.7x	22.2x
FCF yield (%)	3.5%	4.1%	4.5%	5.2%
Dividends (US\$)	0.45	0.50	0.55	0.60
Div yield (%)	0.7%	0.7%	0.8%	0.9%
EV/Sales	9.2x	7.8x	6.8x	5.9x
EV/EBITDA	23.6x	19.2x	16.6x	14.0x
EV/EBIT	30.0x	23.7x	20.2x	16.9x

VALUATION

- **A high but justified valuation.** The Temenos share is trading on 2016e and 2017e EV/EBIT multiples of 23.7x and 20.2x. This demanding valuation is justified in our view since we forecast average EPS growth of almost 20% a year, and this is likely to be upgraded.
- Net debt on 30th June 2016 was USD288.4m (net gearing: 78%).

NEXT CATALYSTS

Q3 2016 results on 19th October after markets close.

[Click here to download](#)



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TMT

Ubisoft

Price EUR32.10

Our comments following Stephane Roussel's interviews in the press

Fair Value EUR35 (+9%)

BUY

Bloomberg	UBI.FP
Reuters	UBIP.PA
12-month High / Low (EUR)	38.3 / 19.0
Market Cap (EUR)	3,608
Ev (BG Estimates) (EUR)	3,521
Avg. 6m daily volume (000)	254.5
3y EPS CAGR	37.0%

Following an event held yesterday by Gameloft regarding its strategy inside Vivendi, Stephane Roussel (COO of Vivendi and CEO of GFT) gave some interviews in the press. Here are our comments on Ubisoft. Fundamentals are not fully valued and speculation continues. We maintain our Buy recommendation and FV of EUR35 (only based on fundamentals over the current fiscal year).

FACTS

- Yesterday, following Vivendi COO and Gameloft CEO Stephane Roussel's remarks during a Gameloft press conference on its strategy after its acquisition by Vivendi, Reuters posted a headline saying "Vivendi rules out hostile bid for Ubisoft". Mr Roussel also added "We have time; we have choice". In newspaper *Le Monde* he stated "For Gameloft, we were in a hurry. For Ubisoft, we have time. It's longer term". And in Challenges "We do not want to enter by force".

ANALYSIS

- 1) We agree with Stephane Roussel's remarks. As a reminder, in the console gaming segment, a takeover bid has to be "friendly" to succeed. Our win/win speculative scenario remains the same: it would be that Vivendi offers a huge premium to shareholders (BG est: in the range EUR45-51 per share) and names Yves Guillemot as head of Vivendi's gaming division (i.e. UBI + GFT). Otherwise, it would be very risky (we see the risk of buying an empty shell). We believe that Vivendi is well aware of what's at stake, especially in a sector where the corporate culture is very strong. Vivendi has no choice in our view, especially after the support the current management received at Ubisoft's AGM. It has to calm down the situation if it really wants a potential collaboration with Ubisoft. 2) We believe this kind of communication from Vivendi is also intended to relieve the buying pressure on the UBI share price in order that Vivendi can continue to increase its stake at a good price (remember Vivendi has increased its position by 5.07% since Mr Bolloré's interview in *The Financial Times* on 2nd June 2016 saying "we don't need to make any big acquisitions; if you look at the plan, we already have all the parts we need"). 3) Don't forget that the Guillemot family holds 13.22% of UBI's share capital and 19.16% of the voting rights. This compares to Vivendi's 22.8% and 20.2% respectively.

- Note that Vivendi's double voting rights won't be available at the next AGM (in September 2017). Vivendi registered the equivalent of 11.42% of the capital on 19th November 2015. On 20th November 2017, they will represent a theoretical 18.34% of the voting rights, based on the number of outstanding UBI shares and the total number of voting rights as published on the company's website on 31st August, 2016 (i.e. far below the 30% threshold). On 20th November 2017, the theoretical percentage of voting rights for the entire stake held by Vivendi as of today would be 27.5%. We believe Vivendi has a strong appetite for the video games sector and obviously for Ubisoft. The speculation surrounding UBI stock remains intact (we consider Vivendi as the most motivated player since the acquisition of Gameloft). As Vivendi has currently no entry into UBI's board, it will have to make a formal and correct takeover bid if it really wants to take the control of the company.

VALUATION

- We maintain our Buy rating and FV of EUR35 (based on its fundamentals). The current share price does not fully value the group's earnings results over the current fiscal year i.e. at end-March 2017 (upside of 9%). As a reminder, we estimate a valuation between EUR41 (the very minimum, and EUR45 if Vivendi wants to avoid counterbids as far as possible: in 2017?) and EUR51 (maximum) in the event of a correct takeover bid. We still consider UBI to be a "safe haven stock".

NEXT CATALYSTS

H1 earnings results: on 3rd November (after trading). [Click here to download](#)

	1 M	3 M	6 M	31/12/15
Absolute perf.	-10.1%	-5.5%	18.6%	20.4%
Softw. & Comp.	-0.3%	11.0%	11.5%	5.7%
DJ Stoxx 600	-1.1%	0.7%	1.2%	-7.4%

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

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

(EUR)	03/16	03/17e	03/18e	03/19e
EPS	1.02	1.25	1.91	2.61
% change	-	22.6%	53.2%	36.8%
P/E	31.6x	25.8x	16.8x	12.3x
FCF yield (%)	NM	5.0%	6.3%	8.5%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	2.6x	2.0x	1.7x	1.3x
EV/EBITDA	6.1x	4.8x	3.6x	2.7x
EV/EBIT	23.4x	16.4x	10.3x	6.9x



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Food & Beverages

Unilever

Price EUR40.77

Unsurprising slowdown

Fair Value EUR43 (+5%) (UNILEVER PLC 3590p)

NEUTRAL

Bloomberg	UNA NA
Reuters	UNC.AS
12-month High / Low (EUR)	42.9 / 36.7
Market Cap (EURm)	107,232
EV (BG Estimates) (EURm)	96,162
Avg. 6m daily volume (000)	3 862
3y EPS CAGR	6.7%

Q3 sales decreased 0.1% to EUR13.4bn, globally in line with expectations (consensus and our estimate: EUR13.5bn). Organic sales growth stood at +3.2% (consensus: +2.8% and our estimate: +3.2%), with price +3.6% and volume/mix -0.4%. The deceleration vs the first half of the year (+4.7%) had been flagged by the group at the release of its H1 2016 results but, surprisingly, it was due to the Home Care and Personal Care divisions while Refreshments, which was expected to be weak, displayed good momentum. We think that China is mainly responsible for HPC slowing down. The country is currently impacted by intense price competition from local brands and destocking related to the continued rapid shift to e-commerce.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.6%	-3.1%	3.1%	1.6%
Food & Bev.	-1.3%	-2.3%	3.6%	-1.7%
DJ Stoxx 600	-1.5%	2.2%	2.2%	-7.0%

ANALYSIS

Q3 sales decreased 0.1% to EUR13.4bn, globally in line with expectations (consensus and our estimate: EUR13.5bn). The organic sales growth stood at +3.2% (consensus: +2.8% and our estimate: +3.2%), with price +3.6% and volume/mix -0.4%. The deceleration vs the first half of the year (+4.7%) had been flagged by the group at the release of its H1 2016 results but, surprisingly, it was due to the Home Care and Personal Care divisions while Refreshments, which was expected to be weak, displayed good momentum. We think that China is mainly responsible for HPC slowing down. The country is currently impacted by intense price competition from local brands and destocking related to the continued rapid shift to e-commerce. By division:

- **Personal Care (37% of group sales):** This division posted 3.1% organic sales growth (consensus: +4% and our estimate: +4.5%). This is a slowdown vs the first half of the year (+5.7%) which is reported to come from an unfavourable comparison base (+6.1% in Q3 2015) and a deterioration of the competitive environment in many markets.
- **Foods (23% of group sales):** Organic sales rose 1.7% in Q3 (consensus: +1.8% and our estimate: +2%). The growth of dressings and savoury is offset by a decline of spreads in developed countries. The group indicated that the trend of spreads in North America is better, while in Europe there is no sign of improvement
- **Home Care (19% of group sales):** Sales were up 3.9% on an organic basis in Q3, which is below expectations (consensus: +5% and our estimate: +5.5%) and a clear deterioration vs the first half of the year (+6.5%).
- **Refreshment (20% of group sales):** Q3 organic sales increased 4.5%. This is a positive surprise as we were expecting a deceleration (consensus: -0.8% and our estimate: 0%) on the back of tough comps (+8.5% in Q3 2015). Unilever indicated that its performance was helped by the good European weather and strong innovations behind its core brands.

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	53,272	52,919	55,876	58,781
% change		-0.7%	5.6%	5.2%
EBITDA	9,235	9,418	10,227	11,055
EBIT	7,865	8,042	8,718	9,409
% change		2.3%	8.4%	7.9%
Net income	5,210	5,320	5,827	6,329
% change		2.1%	9.5%	8.6%

	2015	2016e	2017e	2018e
Operating margin	14.8	15.2	15.6	16.0
Net margin	9.8	10.1	10.4	10.8
ROCE	18.9	19.0	20.8	22.5

(EUR)	2015	2016e	2017e	2018e
EPS	1.82	1.86	2.04	2.22
% change	-	2.1%	9.5%	8.6%
P/E	22.3x	21.9x	20.0x	18.4x
FCF yield (%)	4.1%	3.8%	4.3%	4.4%
Dividends (EUR)	1.21	1.30	1.41	1.52
Div yield (%)	3.0%	3.2%	3.5%	3.7%
EV/Sales	1.8x	1.8x	1.7x	1.7x
EV/EBITDA	10.4x	10.2x	9.5x	8.9x
EV/EBIT	12.2x	12.0x	11.2x	10.5x

VALUATION

- Our DCF points to a Fair Value of EUR43. At yesterday's share price, the stock is trading at 21.9x P/E 2016e and 20.0x P/E 2017e, globally in line with the peer average.

NEXT CATALYSTS

- Unilever will hold a conference call at 9am CET
- Q3 2016 sales: Danone on October 18th and Nestlé on October 20th

[Click here to download](#)



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Healthcare

Adocia

Price EUR52.10

Good cash control despite increased development activities

Fair Value EUR90 (+73%)

BUY

Bloomberg	ADOC.FP
Reuters	ADOC.FR
12-month High / Low (EUR)	82.6 / 44.4
Market Cap (EURK)	356,677
Avg. 6m daily volume (000)	22.40

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.3%	-0.2%	-16.2%	-28.8%
Healthcare	-2.5%	-7.1%	-1.1%	-11.3%
DJ Stoxx 600	-1.1%	0.7%	1.2%	-7.4%

	2015	2016e	2017e	2018e
P/E	28.4x	68.7x	NS	30.4x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

Adocia issued yesterday a press release to present its numbers for the third quarter of 2016. The revenue line contains no surprise, as licensing revenues are comprised of very linear upfront payment recognition over the duration of the deal with Lilly, whereas expenses invoiced to Lilly and corresponding to the R&D spending during the quarter were slightly below usual at EUR3.8m (so far in 2016, it was more like EUR5-6m per quarter).

After a first quarter that was characterised by a significant increase in cash burn, we have seen cash burn ease in the past two quarters and cash at the end of September was EUR57.5m compared to EUR60.9m at the end of June. And this is without the tax credit whose reimbursement occurred on October 3. At that date, the cash position is therefore EUR64.3m, i.e. more or less the same as at the end of March 2016.

There is no meaningful update contained in the press release about business development or R&D.

VALUATION

In conclusion, we would say that Adocia is developing its portfolio while consuming a very reasonable amount of cash, which is reassuring for shareholders because no capital increase is needed to progress to the next stage.

Now, the company will have to demonstrate that BC Combo can be partnered in good conditions, which looks increasingly challenging in the current diabetes market and although innovative solutions at an affordable price are exactly what payers are looking for.

NEXT CATALYSTS

In the next few weeks: new phase Ib data with Hinsbet - [Click here to download](#)

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BG's Wake Up Call

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 57.4%

NEUTRAL ratings 31%

SELL ratings 11.6%

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