



17th October 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18138.38	+0.22%	+4.09%
S&P 500	2132.98	+0.02%	+4.36%
Nasdaq	5214.16	+0.02%	+4.13%
Nikkei	16900.12	+0.26%	-11.44%
Stoxx 600	339.946	+1.29%	-7.07%
CAC 40	4470.92	+1.49%	-3.58%
Oil /Gold			
Crude WTI	50.35	-0.18%	+35.35%
Gold (once)	1253.45	-0.34%	+17.99%
Currencies/Rates			
EUR/USD	1.10035	-0.24%	+1.29%
EUR/CHF	1.08765	-0.21%	+0.02%
German 10 years	-0.018	-49.63%	-102.85%
French 10 years	0.277	+4.69%	-71.77%
Euribor	-0.311	0.00	+137.41%

Economic releases :

Date	
17th-Oct	11h00 EUZ - CPI (0.4% E)
	14h30 US - Empire Manuf. Oct. (1E)
	15h15 US - Industrial Prod. Sep. (0.2% E)
	15h15 US - Capacity Utilisation Sep. (0.2% E)

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	
13th-Oct	TEMENOS Success breeds success
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	ALTICE Lower risk profile

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



GRIFOLS

NEUTRAL Coverage initiated, Fair Value EUR20 (+6%)

¡El consenso al borde de un ataque! (full report released today)

We are initiating coverage of Grifols with a Neutral recommendation and a Fair Value of EUR21. The company is far from lacking in qualities but 1/ its valuation looks demanding (2017e P/E of 20x), and 2/ forthcoming newsflow is not particularly exciting (readout in Alzheimer's, clinical announcements by rivals in haemophilia and immunoglobulins). Hence our caution...

SHIRE PLC

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

Re-rating still underway! (full report released today)

We still consider that the market underestimates the resilience of Shire's haemophilia franchise, and consequently, its EPS growth in coming years (CAGR 2015-18 CAGR of +15%). We also reiterate our BUY recommendation as 1/ the share remains one of the cheapest in the sector in Europe (2017e P/E of 13x vs. 17x for peers) and that 2/ newsflow associated with Lifitegrast and DX2930 should reassure the market as to the group's ability to manage the decline in Feiba (Haemophilia A with inhibitors).

SOBI

SELL Coverage initiated, Fair Value SEK90 (-11%)

Brace yourselves... Winter is coming

We are initiating coverage of SOBI with a Sell recommendation and a FV of SEK90. Although our EPS estimates are generally positive, they are noticeably lower than the consensus figures, especially due to our caution concerning Elocate/Elocta... Or at least until its potential in "desensitisation" of patients with inhibiting antibodies has been confirmed. Pending this, we consider that forthcoming quarterly publications are likely to result in sharp cuts to earnings forecasts.

SOFTWARE AG

BUY, Fair Value EUR40 (+18%)

Q3 2016 conference call feedback: just a matter of days

We reiterate our Buy recommendation after the 9% share price fall following the slippage in strategic deals from late September to early October: 1) Software AG remains on the right trajectory to deliver FY16 guidance, probably at the top-end for non-IFRS operating margin; 2) the signing of a rising number of large strategic deals shows that the Digital Business Platform (DBP) is increasingly on the Boards of Directors' agenda; 3) execution is constantly improving in sales and Consulting.

VOLTALIA

BUY, Fair Value Under Review

Launch of a EUR170m capital increase

The haemophilia market has attracted particular investor attention in recent months. Our sector report aims notably to help investors better assess the challenges/issues in this very specific and ultimately fairly unknown market.

PHARMACEUTICALS

Haemophilia: « faut-il se faire du mauvais sang ? » (full report published today)

The haemophilia market has attracted particular investor attention in recent months. Our sector report aims notably to help investors better assess the challenges/issues in this very specific and ultimately fairly unknown market.

In brief...

SFR GROUP, Still improving debt profile

17th October 2016 Healthcare

Grifols

Price EUR18.84

¡El consenso al borde de un ataque! (full report released today)

Fair Value EUR20 (+6%)

NEUTRAL

Coverage initiated

Bloomberg	GRF.SM
Reuters	GRF.MC
12-month High / Low (EUR)	22.7 / 18.0
Market Cap (EURm)	11,629
Ev (BG Estimates) (EURm)	15,203
Avg. 6m daily volume (000)	793.4
3y EPS CAGR	8.5%

We are initiating coverage of Grifols with a Neutral recommendation and a Fair Value of EUR21. The company is far from lacking in qualities but 1/ its valuation looks demanding (2017e P/E of 20x), and 2/ forthcoming newsflow is not particularly exciting (readout in Alzheimer's, clinical announcements by rivals in haemophilia and immunoglobulins). Hence our caution...

ANALYSIS

An under-estimated risk of deceleration. Although our forecasts are generally in line with those of the consensus for the current year, we are nevertheless far more cautious on growth prospects as of 2017e. In addition to the fact that we are probably more cautious on the recovery in the diagnostics segment, we believe that the market under-estimates 1/ the impact of the label extension in subcutaneous immunoglobulins for the treatment of chronic inflammatory demyelinating polyneuropathy or CIDP (to which GFS is significantly exposed), and especially as of 2018e, and 2/ the risk of market share losses for Alphanate and other plasma-derived FVllls in favour of ROG's ACE910 (and eventually Elocate/Elocta by SOBI/BIIB).

Operating leverage will have to wait. While the outlook is generally positive, we believe EBITDA margin should remain under pressure (around 29-30% in 2017e vs. 31-33% in normal average terms) given 1/ the expansion in the group's activities, and 2/ persistent pressure on US revenues in the diagnostics business.

VALUATION

Neutral with a FV of EUR20. With 2017e P/E of 20x, GFS is trading on a premium of 10% relative to the European pharma segment. This leaves little room for an eventual disappointment. In addition, given the news flow we anticipate (Phase III for Hizentra in CIDP and ACE910 in haemophilia with inhibitors in Q4 2016, readout of Albutein in Alzheimer's, etc.), we prefer to take a cautious stance on the share.

NEXT CATALYSTS

November 8th: Q3 16 results.

[Click here to download](#)

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.8%	-5.0%	-3.2%	-11.6%
Healthcare	-2.4%	-6.6%	-2.5%	-10.8%
DJ Stoxx 600	0.5%	0.4%	-1.2%	-7.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	3,935	4,033	4,250	4,447
% change		2.5%	5.4%	4.6%
EBITDA	1,163	1,178	1,258	1,356
EBIT	970.3	976.0	1,041	1,125
% change		0.6%	6.7%	8.0%
Net income	532.1	591.8	623.1	681.6
% change		11.2%	5.3%	9.4%

	2015	2016e	2017e	2018e
Operating margin	24.7	24.2	24.5	25.3
Net margin	13.5	14.7	14.7	15.3
ROE	16.1	16.1	15.3	15.1
ROCE	6.9	7.5	7.8	8.4
Gearing	112.6	97.1	81.5	66.7

(EUR)	2015	2016e	2017e	2018e
EPS	0.78	0.86	0.91	0.99
% change	-	10.9%	5.3%	9.4%
P/E	24.3x	21.9x	20.8x	19.0x
FCF yield (%)	3.7%	4.9%	4.1%	4.6%
Dividends (EUR)	0.32	0.31	0.34	0.36
Div yield (%)	1.7%	1.6%	1.8%	1.9%
EV/Sales	3.9x	3.8x	3.5x	3.3x
EV/EBITDA	13.2x	12.9x	11.9x	10.8x
EV/EBIT	15.8x	15.6x	14.4x	13.0x



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Healthcare

Shire PLC

Price 5,147p

Re-rating still underway! (full report released today)

Fair Value 6900p (+34%)

BUY-Top Picks

Bloomberg	SHP LN
Reuters	SHP.L
12-month High / Low (p)	5,323 / 3,480
Market Cap (GBPm)	46,476
Ev (BG Estimates) (GBPm)	61,444
Avg. 6m daily volume (000)	2,534
3y EPS CAGR	14.8%

We still consider that the market underestimates the resilience of Shire's haemophilia franchise, and consequently, its EPS growth in coming years (CAGR 2015-18 CAGR of +15%). We also reiterate our BUY recommendation as 1/ the share remains one of the cheapest in the sector in Europe (2017e P/E of 13x vs. 17x for peers) and that 2/ newsflow associated with Lifitegrast and DX2930 should reassure the market as to the group's ability to manage the decline in Feiba (Haemophilia A with inhibitors).

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.6%	6.4%	20.4%	9.6%
Healthcare	-2.4%	-6.6%	-2.5%	-10.8%
DJ Stoxx 600	0.5%	0.4%	-1.2%	-7.1%

ANALYSIS

Decline in Inhibitors: a manageable risk. We fully admit that ACE910 is likely to have a substantial impact on sales in the inhibitors franchise, and the fact that Feiba is a high-margin product has caused a considerable amount of concern for investors. However, we should not under-estimate the diversity of the group's pipeline, its positioning in niche markets and/or rare diseases and the reactive nature of its management. More precisely, we consider that 1/ forthcoming newsflow on Lifitegrast (sales ramp-up), and DX2930 (Phase III results) should reassure the market in terms of Shire's ability to manage the decline in Feiba, 2/ the company could surprise the consensus positively in terms of its ability to rapidly implement its cost-cutting plan.

An attractive risk-reward profile. We reiterate our positive view on the share despite its clear outperformance since we initiated coverage (+21% vs. -2% for the STOXX 600 Euro Healthcare). Shire's valuation looks just as attractive in that 1/ it is still trading on a 20% discount to European peers, and even 40-45% relative to CSL, 2/ to justify a FV of GBP5,000, we would have to assume that the haemophilia and inhibitors franchises disappear entirely by 2018 (i.e. the first year ACE910 is on the market)... And it goes without saying that such scenario has never been observed throughout the long history of the pharma industry.

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	6,100	11,278	15,272	16,259
% change		84.9%	35.4%	6.5%
EBITDA	2,924	4,815	6,746	7,456
EBIT	2,785	4,408	6,287	6,919
% change		58.2%	42.6%	10.0%
Net income	2,310	3,279	4,668	5,337
% change		42.0%	42.4%	14.3%

VALUATION

BUY reiterated with a FV of GBp6,900.

	2015	2016e	2017e	2018e
Operating margin	45.7	39.1	41.2	42.6
Net margin	37.9	29.1	30.6	32.8
ROE	23.5	10.9	13.8	13.8
ROCE	16.3	6.4	9.1	10.4
Gearing	13.8	60.7	42.5	24.7

(USD)	2015	2016e	2017e	2018e
EPS	3.89	4.21	5.15	5.89
% change	-	8.2%	22.2%	14.3%
P/E	16.1x	14.9x	12.2x	10.7x
FCF yield (%)	6.0%	4.0%	7.1%	9.1%
Dividends (USD)	0.23	0.20	0.22	0.31
Div yield (%)	0.4%	0.3%	0.3%	0.5%
EV/Sales	9.5x	6.6x	4.7x	4.1x
EV/EBITDA	19.9x	15.6x	10.5x	8.9x
EV/EBIT	20.8x	17.0x	11.3x	9.6x

NEXT CATALYSTS

- November 1st: Q3 16 results.
- November 10th: Capital market day.

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17th October 2016 **Healthcare**

SOBI

Price SEK101.40

Brace yourselves... Winter is coming

Fair Value SEK90 (-11%)

SELL

Coverage initiated

Bloomberg	SOBI SS
Reuters	SOBIV.ST
12-month High / Low (SEK)	139.3 / 95.9
Market Cap (SEKm)	27,418
Ev (BG Estimates) (SEKm)	28,584
Avg. 6m daily volume (000)	1,231
3y EPS CAGR	ns

We are initiating coverage of SOBI with a Sell recommendation and a FV of SEK90. Although our EPS estimates are generally positive, they are noticeably lower than the consensus figures, especially due to our caution concerning Eloctate/Elocta... Or at least until its potential in "desensitisation" of patients with inhibiting antibodies has been confirmed. Pending this, we consider that forthcoming quarterly publications are likely to result in sharp cuts to earnings forecasts.

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.0%	-4.3%	-17.8%	-24.7%
Healthcare	-2.4%	-6.6%	-2.5%	-10.8%
DJ Stoxx 600	0.5%	0.4%	-1.2%	-7.1%

ANALYSIS

- **Overly optimistic in the haemophilia franchise?** We clearly agree that Elocta and Alprolix are attractive sales successes in the US and it is undoubtedly for this reason that consensus estimates are as high as they are for SOBI's territories (combined peak sales of between USD700m and USD1bn, vs. BG at USD500m). However, this should not mask the fact that 1/ these two BIIB molecules had no direct rivals in the US for more than a year, 2/ other geographical regions have historically preferred plasma options, 3/ in contrast, the competitive backdrop is already far less beneficial in Europe.
- **Elocta in ITI: significant potential.** Still uncertain. Note nevertheless that Elocta could potentially stand out from other long-acting FVIIIs by showing a benefit in immune tolerance induction (potential impact on our peak sales of USD400m). While initial data looks fairly promising, we would nevertheless underscore the fact that 1/ this proof of concept was only obtained on a small number of patients (n=3); 2/ for the moment, no clinical study has been initiated in order to confirm this positioning.

YEnd Dec. (SEKm)	2015	2016e	2017e	2018e
Sales	3,228	5,066	5,966	7,243
% change		57.0%	17.8%	21.4%
EBITDA	465	1,194	1,666	2,394
EBIT	146.0	860.0	1,290	1,995
% change		NM	50.0%	54.7%
Net income	68.4	642.3	977.9	1,529
% change		NM	52.3%	56.3%

	2015	2016e	2017e	2018e
Operating margin	4.5	17.0	21.6	27.6
Net margin	2.1	12.7	16.4	21.1
ROE	1.5	12.0	15.5	19.5
ROCE	1.0	9.4	14.6	22.2
Gearing	35.2	21.9	1.2	-16.4

VALUATION

- **Initiation at Sell with a FV of SEK90.** Earnings momentum should be generally positive in coming years, but estimates look slightly too high especially for 2017e and in view of the lack of confirmation of Eloctate's potential in immune tolerance induction.

(SEK)	2015	2016e	2017e	2018e
EPS	0.25	2.38	3.62	5.65
% change		-	NM	52.3%
P/E	NS	42.7x	28.0x	17.9x
FCF yield (%)	1.3%	1.8%	4.0%	5.0%
Dividends (SEK)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	9.0x	5.6x	4.6x	3.6x
EV/EBITDA	62.5x	23.9x	16.5x	10.9x
EV/EBIT	199.0x	33.2x	21.3x	13.1x

NEXT CATALYSTS

- October 27th: Q3 16 results.

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Software AG

Price EUR33.80

Q3 2016 conference call feedback: just a matter of days

Fair Value EUR40 (+18%)

BUY

Bloomberg	SOW GR
Reuters	SOWG.DE
12-month High / Low (EUR)	38.9 / 24.2
Market Cap (EURm)	2,670
Ev (BG Estimates) (EURm)	2,543
Avg. 6m daily volume (000)	190.6
3y EPS CAGR	5.3%

We reiterate our Buy recommendation after the 9% share price fall following the slippage in strategic deals from late September to early October: 1) Software AG remains on the right trajectory to deliver FY16 guidance, probably at the top-end for non-IFRS operating margin; 2) the signing of a rising number of large strategic deals shows that the Digital Business Platform (DBP) is increasingly on the Boards of Directors' agenda; 3) execution is constantly improving in sales and Consulting.

ANALYSIS

Ammunition for reaching FY16 guidance. Despite the sales shortfall in Q3 2016, management is confident it can reach FY16 guidance: at the low-to-mid point of the +5-10% cc range for DBP revenues, at the mid-to-high point of the -6/-2% cc range for A&N (Adabas & Natural) revenues, and at the mid-to-high point of the 30.5-31.5% range for non-IFRS operating margin (BG est.: 31.6%) while it was up 2.8ppt year-to-date vs. a full-year target of +0.8ppt/+1.8ppt. The DBP licence pipeline for Q4 2016 is growing, with the number of deals of EUR1m+ up 77% (+56% in value). In A&N, seasonality was disturbed as one large deal in South Africa (EUR3m) was signed in Q1 instead of Q3, but Q4 is expected to return to a normal seasonal pattern. Finally, in Consulting, management considers the shift to strategic profitable services related to topics like IoT from product-related low-margin projects will continue to translate into higher margins in the future. As such, the 16.9% Consulting margin reported for Q3 2016 was not a one-time peak.

Strategic deals: one week can make all the difference in a given quarter. The revenue shortfall in Q3 2016 stemmed from the slippage in early October of three deals for a total value of EUR7.3m, related to the Internet of Things (IoT) and Industry 4.0. Management mentioned that these deals (which were signed at the Board level including the CEO, and thus implied a complex and lengthy decision process) took several quarters and were too important to be exposed to procurement tactics just before the quarter closed. One of these strategic deals was signed with Bosch, which will use Software AG's DBP to build the foundation of its own IoT platform (Bosch IoT Cloud). The other was with the Italian company Octo Telematics, which will use Software AG's device management technology on top of its IoT foundation platform for a connected car use case. Three additional strategic partnerships with customers are to be announced in coming months.

Further DBP metrics. On a pro forma basis including the business until 11/10/2016, DBP licence sales in Q3 2016 were up 26% in the US with an 8-digit licence and maintenance deal with 3M, Asia Pacific was up 93% driven by Australia, Latin America was up 96% driven by noticeable deals in Brazil and Mexico, and in EMEA France and Nordic countries were up 54% and 42%, respectively. Including Bosch signed early Q4, Germany would be up 36%. Finally, the conversion rate for deals above EUR1m is 36% (28% for deals below EUR1m).

Pursuing sales efficiency. The 20% decline in sales and marketing costs in Q3 2016 was related to the reorganisation of sales operations in Q4 2015 and Q1 2016, usual seasonality (the vacation period), the fall in sales commissions (which will actually be paid in Q4), and the release of bad debt provisions in Brazil as customers start to pay their bills again, by instalments. NB. No noticeable impact from Brexit has been seen, even with banks in the UK.

VALUATION

Software AG's shares are trading at est. 9.1x 2016 and 8.2x 2017 EV/EBIT multiples.

Net cash position on 30th June 2016 was EUR65.8m (net gearing: -6%).

NEXT CATALYSTS

Final Q3 2016 results on 20th October before markets open.

[Click here to download](#)

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.8%	1.3%	0.9%	27.9%
Softw. & Comp.	-0.7%	8.9%	9.0%	5.5%
DJ Stoxx 600	0.5%	0.4%	-1.2%	-7.1%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	873.1	881.7	912.8	955.3
% change		1.0%	3.5%	4.7%
EBITDA	278	295	307	329
EBIT	209.4	234.9	256.7	278.9
% change		12.1%	9.3%	8.6%
Net income	188.0	195.4	203.6	219.7
% change		3.9%	4.2%	7.9%

	2015	2016e	2017e	2018e
Operating margin	30.2	31.8	32.0	32.9
Net margin	16.0	17.6	18.8	19.7
ROE	12.8	12.9	12.9	12.8
ROCE	17.7	19.0	20.0	22.1
Gearing	1.3	-10.6	-21.2	-30.8

(€)	2015	2016e	2017e	2018e
EPS	2.33	2.42	2.52	2.72
% change	-	3.9%	4.2%	7.9%
P/E	14.5x	14.0x	13.4x	12.4x
FCF yield (%)	6.4%	7.3%	7.7%	8.5%
Dividends (€)	0.55	0.60	0.65	0.70
Div yield (%)	1.6%	1.8%	1.9%	2.1%
EV/Sales	3.1x	2.9x	2.6x	2.3x
EV/EBITDA	9.7x	8.6x	7.8x	6.7x
EV/EBIT	10.2x	9.1x	8.2x	7.1x



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Utilities

Volitalia

Price EUR9.30

Launch of a EUR170m capital increase

Fair Value Under Review

BUY

Bloomberg	MLVLT.FP
Reuters	MLVLT.PA
12-month High / Low (EUR)	10.5 / 8.3
Market Cap (EURk)	243,772
Ev (BG Estimates) (EURk)	678,749
Avg. 6m daily volume (000)	3.00
3y EPS CAGR	41.2%

French renewable energies company Volitalia announced this morning that it is launching a EUR170m capital increase to help fund its ambitious growth strategy, which should enable the company to reach 1GW of installed capacity by 2019. Another key objective of the rights issue will be to enlarge the company's free-float, which is still fairly limited for now (about 7%). Volitalia Investissement (owned by the Mulliez family) is expected to see its stake fall from 85% to about 70%, which should lead to a 22% free-float.

ANALYSIS

French renewable energies company Volitalia has announced the launch of a EUR170m capital increase through a free allotment of warrants to its shareholders. Proceeds are expected to be used to fund the company's expansion as Volitalia aims to reach 1GW in installed capacity by 2019 vs. 477MW today. The price range of the capital increase is EUR7.46-8.60 per share which implies a 7.5% to 20% discount vs. Volitalia's recent share price (EUR9.30). New shares issued are expected to trade on the market on 8th November.

As the 477MW includes 7MW of UK solar assets expected to be sold by the company, the EUR170m rights issue is expected to help fund about 530MW in new capacity. Assuming a 75/25 debt/equity funding scheme, the capital increase implies EUR1.3m per new MW installed, in line with sector standards.

Development Financial Institution PROPARGO (subsidiary of French Development Agency) is expected to take a c. 4% stake in Volitalia via the capital increase. This should particularly help Volitalia to speed-up its development in Africa where the company has strong ambitions, notably in Morocco.

Other key objectives of this rights issue will be to enlarge the company free-float, which is fairly low for now (c. 7%). Following the operation, Volitalia Investissement (owned by the Mulliez family) should therefore see its stake decreasing from 85% to about 70%. Volitalia's free-float should therefore reach 22% following the operation.

As a reminder, following strong H1 2016 results, Volitalia announced new operational and financial ambitions for 2019 including 1/installed capacity of 1GW by 2019 (vs. initial objective for 2022); 2/the operation of 3GW by 2019 (vs. 1GW as of today) inc. 2GW for third-party clients; 3/2019 EBITDA at EUR180m spurred by both new commissioning and development of third-party services and 4/a payout ratio target of 30% with the first dividends to be paid in 2018 (for FY-17). The company currently pays no dividend.

VALUATION

At the current share price, Volitalia is trading at 12.0x its 2016e EV/EBITDA multiple

Buy, FV Under Review

NEXT CATALYSTS

17th November: Q3 2016 results

[Click here to download](#)

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.2%	-1.6%	3.1%	-8.2%
Utilities	-2.3%	-6.8%	-4.7%	-8.7%
DJ Stoxx 600	0.5%	0.4%	-1.2%	-7.1%

YEnd Dec. (EURk)	2015	2016e	2017e	2018e
Sales	58,482	129,160	280,304	291,137
% change		120.9%	117.0%	3.9%
EBITDA	30,042	55,229	87,574	95,953
EBIT	22,629	28,948	53,425	59,804
% change		27.9%	84.6%	11.9%
Net income	3,889	1,874	9,933	10,948
% change		-51.8%		10.2%

	2015	2016e	2017e	2018e
Operating margin	51.4	42.8	31.2	33.0
Net margin	NM	NM	NM	NM
ROE	NM	NM	NM	NM
ROCE	NM	NM	NM	NM
Gearing	NM	NM	NM	NM

(EUR)	2015	2016e	2017e	2018e
EPS	0.15	0.07	0.38	0.42
% change	-	-51.8%		10.2%
P/E	62.7x	NS	24.5x	22.3x
FCF yield (%)	NM	NM	25.2%	11.3%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	8.5x	5.3x	2.4x	2.3x
EV/EBITDA	16.6x	12.3x	7.7x	7.1x
EV/EBIT	22.0x	23.4x	12.6x	11.4x



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Sector View

Pharmaceuticals

Haemophilia: « faut-il se faire du mauvais sang ? » (full report published today)

	1 M	3 M	6 M	31/12/15
Healthcare	-2.4%	-6.6%	-2.5%	-10.8%
DJ Stoxx 600	0.5%	0.4%	-1.2%	-7.1%

*Stoxx Sector Indices

The haemophilia market has attracted particular investor attention in recent months. Our sector report aims notably to help investors better assess the challenges/issues in this very specific and ultimately fairly unknown market.

Companies covered

Company	Recommendation	Market Cap.
ACTELION	NEUTRAL	CHF180
Last Price	CHF159.9	Market Cap. CHF17,231m
ASTRAZENECA	BUY	5220p
Last Price	4947p	Market Cap. GBP62,581m
BAYER	NEUTRAL	EUR98
Last Price	EUR90.54	Market Cap. EUR74,872m
GLAXOSMITHKLINE	BUY	1810p
Last Price	1691p	Market Cap. GBP82,449m
GRIFOLS	end of	EUR0
Last Price	EUR18.835	Market Cap. EUR11,629m
IPSEN	BUY	EUR67
Last Price	EUR63.24	Market Cap. EUR5,266m
NOVARTIS	NEUTRAL	CHF87
Last Price	CHF75.4	Market Cap. CHF198,084
NOVO NORDISK	NEUTRAL	DKK355
Last Price	DKK270.5	Market Cap. DKK544,399
ROCHE HOLDING	BUY	CHF293
Last Price	CHF235.8	Market Cap. CHF165,664
SANOFI	NEUTRAL	EUR83
Last Price	EUR68.5	Market Cap. EUR88,305m
SHIRE PLC	BUY	6900p
Last Price	5147p	Market Cap. GBP46,476m
SOBI		
Last Price	CHF101.4	Market Cap. CHF27,418m
UCB	NEUTRAL	EUR80
Last Price	EUR66.38	Market Cap. EUR12,911m

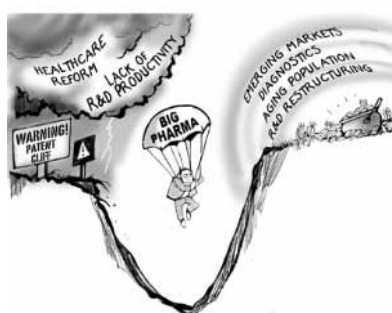
ANALYSIS

- We estimate that the majority of the haemophilia market, and more precisely, patients without inhibiting antibodies, will remain widely addressed by substitution therapies based on coagulation factors. On the other hand, Approaches such as ACE910 and Fitusiran are clearly set to provide an advantage. However, we believe they are primarily set to address haemophilia A patients with inhibiting antibodies, for whom the medical need is the most important.
- Shire is still one of our top picks** as we believe that 1/ its commercial and clinical portfolio should help it continue to outperform peers (Grifols, SOBI or even CSL) in haemophilia A; and 2/ we estimate that the group should be capable of maintaining growth momentum following the arrival of Roche's ACE910 and Alnylam's Fitusiran.
- Roche is the second name that stands out on our radar.** Admittedly, the share's performance remains above all dependent on the results of the APHINITY study. However, we estimate the group's portfolio includes a number of projects for which revenues could easily approach the USD2bn mark and ACE910 is clearly one of them in our view.
- Whereas the consensus has more than factored in the pressure caused by the arrival of ACE910 on Feiba's sales at Shire, we estimate that **forecasts are overly optimistic for NovoSeven by Novo Nordisk.**
- We are initiating coverage of Grifols with a Neutral recommendation and a FV of EUR20, and coverage of SOBI with a Sell recommendation and a FV of SEK90.**

NEXT CATALYSTS

- Q4 16: Phase III results of ROG's ACE910.

[Click here to download](#)



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TMT

SFR Group

Price EUR23.69

Still improving debt profile

Fair Value EUR29.7 (+25%)

NEUTRAL

Bloomberg	SFR FP
Reuters	SFRGP.PA
12-month High / Low (EUR)	38.1 / 20.0
Market Cap (EURm)	10,382
Avg. 6m daily volume (000)	366.2

ANALYSIS

- Altice today announced it has successfully **refinanced existing debt** of its SFR credit pool, pricing the equivalent of **EUR2.3bn** in term loans maturing in **2025**. Altice has priced term loans for SFR Group of USD1.79bn and a EUR700m with institutional investors. The proceeds will be used to repay the entire amount of existing term loans due June 2022 and January 2023, priced at a higher cost, as well as the aggregate principal amount outstanding under the RCF.
- As a result, the transaction will both **improve the maturity profile of SFR's debt** (from 7.3 to 7.6 years, pro forma as of September 2016), and **reduce the weighted average cost of debt** (from 5.3% to 5.2%). Our estimate for SFR's net debt by year-end 2016 is EUR14.4bn.
- As a reminder, this latest refinancing at SFR brings the total amount of debt refinanced across the Altice Group in 2016 to over **EUR20bn** (including extensions of RCF commitments). Although operational concerns still need to be addressed at SFR, this operation confirms the continuous **optimisation of the financial risk profile** at both SFR and Altice, as highlighted in our latest report.

VALUATION

- We stick to our neutral recommendation with Fair Value of EUR29.7

NEXT CATALYSTS

- Q3 results on 10th November.

[Click here to download](#)Thomas Coudry, tcoudry@bryangarnier.com

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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