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20th October 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18202.62	+0.22%	+4.46%
S&P 500	2144.29	+0.22%	+4.91%
Nasdaq	5246.41	+0.05%	+4.77%
Nikkei	17235.5	+1.39%	-10.69%
Stoxx 600	343.641	+0.34%	-6.06%
CAC 40	4520.3	+0.25%	-2.52%
Oil /Gold			
Crude WTI	50.29	0.00	+35.19%
Gold (once)	1272.15	+0.83%	+19.75%
Currencies/Rates			
EUR/USD	1.09675	-0.06%	+0.96%
EUR/CHF	1.08495	-0.26%	-0.23%
German 10 years	-0.048	+27.80%	-107.55%
French 10 years	0.258	-2.67%	-73.73%

Economic releases :

Date	
20th-Oct	08h00 DE - PPI Sep. (-1.2% E y/y) 13h45 ECB rate Decision (0.0% =) 14h30 US - Initial Jobless Claims Oct. (250K E) 14h30 US - continuing Claims. 14h30 US - Philadelphia Fed. Oct. (6 E) 16h00 US- Existing home Sales Sep. (0.4% E)

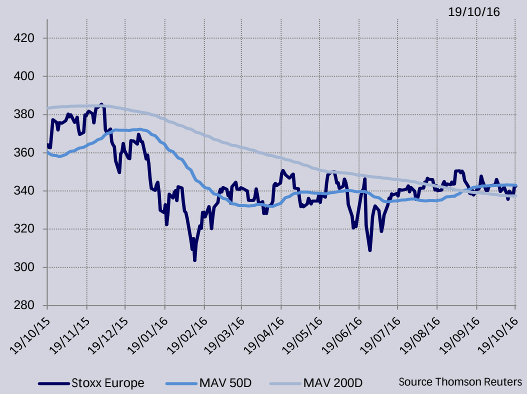
Upcoming BG events :

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	
19th-Oct	IPSEN Cabometyx AND Somatuline to transform Ipsen
19th-Oct	Back from ESMO 2016: What's hot in oncology
17th-Oct	Haemophilia: « Stemming the bleed »
13th-Oct	TEMENOS Success breeds success
12th-Oct	BOUYGUES Do not forget construction!
11th-Oct	A INBEV Fox in the Hen House

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



ACTELION — NEUTRAL, Fair Value CHF180 (+10%)

Third quarter in a row to show outstanding performance

ASML — SELL, Fair Value EUR81 (-15%)

EUV tools performances continue to improve but the real insertion timing remains a debate

ATOS — BUY, Fair Value EUR102 (+5%)

Q3 2016 sales in line, FY16 guidance reiterated

BIOMÉRIEUX — NEUTRAL, Fair Value EUR130 (-7%)

Good set of Q3 sales. Management mischievously raises sales' guidance

EDENRED — NEUTRAL, Fair Value EUR22 (+1%)

CMD feedback: Sustainable growth with "Fast Forward" but less predictable cash return

NESTLÉ — BUY, Fair Value CHF83 (+11%)

Full year guidance revised downwards

PERNOD RICARD — NEUTRAL, Fair Value EUR112 (+7%)

Good start to the year

PLASTIC OMNIUM — BUY-Top Picks, Fair Value EUR36 (+22%)

An impressive set of numbers

TEMENOS GROUP — BUY, Fair Value CHF77 (+16%)

Q3 2016 results above expectations; FY16 guidance raised, unsurprisingly

WORLDLINE — BUY, Fair Value EUR32 vs. EUR31 (+24%)

Positive momentum is just starting

In brief...

ABLYNX, *ABBVIE opts-out... best-in-class and free!*

ROCHE, *Q3 sales slightly below expectations*

SAINT GOBAIN, *Further gradual improvement in the craftsmen business performance in Q3 in France*

SOFTWARE AG, *Final Q3 2016 results fully in line with initial estimates and FY16 guidance confirmed*

SOITEC, FQ2 sales slightly lower and cautious FY17e guidance

TRANSGENE, Q3 16 revenues and announcement of a capital increase

LUXURY GOODS, *Swiss watch exports down 5.7% in September (-9% in August)*

Healthcare

Actelion

Price CHF163.80

Third quarter in a row to show outstanding performance

Fair Value CHF180 (+10%) **NEUTRAL**

Bloomberg	ATLN VX
Reuters	ATLN.VX
12-month High / Low (CHF)	173.8 / 122.5
Market Cap (CHFm)	17,651
Ev (BG Estimates) (CHFm)	16,733
Avg. 6m daily volume (000)	335.2
3y EPS CAGR	5.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.1%	-3.8%	5.7%	17.3%
Healthcare	-3.6%	-6.3%	-3.5%	-10.5%
DJ Stoxx 600	0.7%	1.9%	-1.6%	-6.1%

YEnd Dec. (CHFm)	2015	2016e	2017e	2018e
Sales	2,042	2,344	2,263	2,390
% change		*14.8%*	*-3.5%*	*5.6%*
EBITDA	769	908	766	835
EBIT	655.6	788.1	644.9	713.0
% change		*20.2%*	*-18.2%*	*10.6%*
Net income	693.5	832.1	708.2	772.6
% change		*20.0%*	*-14.9%*	*9.1%*

	2015	2016e	2017e	2018e
Operating margin	40.7	45.6	42.1	45.2
Net margin	34.0	35.5	31.3	32.3
ROE	52.6	45.1	31.4	28.2
ROCE	77.0	88.4	84.7	98.9
Gearing	-30.7	-49.7	-63.5	-72.0

(CHF)	2015	2016e	2017e	2018e
EPS	6.17	7.64	6.57	7.23
% change	*-*	*23.9%*	*-14.1%*	*10.1%*
P/E	26.6x	21.4x	24.9x	22.7x
FCF yield (%)	3.5%	4.1%	4.1%	4.2%
Dividends (CHF)	1.50	1.50	1.50	1.50
Div yield (%)	0.9%	0.9%	0.9%	0.9%
EV/Sales	8.4x	7.1x	7.2x	6.6x
EV/EBITDA	22.4x	18.4x	21.2x	18.8x
EV/EBIT	26.3x	21.2x	25.2x	22.0x

Actelion has reported very strong quarterly numbers driven once again by Opsumit and even more by Uptravi's good performance in the US. Even more surprisingly, the quarter was characterised by an impressive quality of results, reflecting good R&D and SG&A cost control. That said, revised guidance for core operating income growth in the mid-teens is already well captured by our FY numbers.

ANALYSIS

- This morning Actelion posted another outstanding performance for the third consecutive quarter in 2016 with revenues and profits both well above expectations.
- On the one hand, the performance was driven by the strong performance of PAH products, namely Opsumit and Uptravi, whereas the decline in Tracleer gained momentum. Taking each of the two drivers one by one, we would say that the main difference comes from Uptravi that had 1,800 patients on treatement at the end of the third quarter, meaning about 650 patients gained in three months, which leaves the drug on a very good trend (600 in Q1, 550 more in Q2, 650 more in Q3) and represents a very sizeable number considering the appeal from the PG class so far. No doubt that Uptravi is significantly enlarging the audience of this class among physicians. So far, the success mainly comes from the US and translates into CHF70m quarterly sales (o/w CHF166m in the US), all corresponding to underlying demand (no longer any inventory effect). In the US alone, Uptravi will have achieved CHF156m over its first 9 months in the market. Our CHF206m expectations for the full-year now appear light and will have to be upgraded. On the other hand, Opsumit did very well too but still with the caveat already stressed in the previous quarter i.e. a balanced performance across geographies, with stellar growth in the US but more mixed behaviour in Europe where competition with Tracleer generics makes business more difficult. Note also the very good reported growth in Japan, partially driven by currencies however. Considering how Europe is reacting to Tracleer generics and also bearing CVS's decision in mind for Opsumit as of January 2017, we are cautiously approaching next year with the perspective of having generics in the US too, which could not only have an impact on Tracleer's sales of course but could also slow Opsumit's growth too.
- Beyond PAH, there is nothing particular to report in terms of revenues for Q3.
- Moving to profits, we would say that this is where the good surprise was even more obvious because the beat at the sales level was in the end relatively modest. However, expenses were extremely well controlled during this last quarter with both R&D and S&M expenses at a much lower level than expected. R&D expenses were 11% lower sequentially (i.e. vs Q2) although yet another 17% above last year's level. SG&A costs were up by only 6% compared to 10% growth over the first half of the year. As such, Actelion is able to combine strong top-line growth with good cost control while still investing behind a maturing pipeline that includes two quite expensive phase III trials in MS. So, bottom-line, Actelion reported core operating income growth of 14% after 9 months and core EPS growth of 23%, including CHF2.06 for the third quarter whereas we had anticipated CHF1.97 i.e. a clear and meaningful beat. Here also, our estimates will have to be revised upwards.

VALUATION

- All in all, Actelion has posted a very strong quarterly performance. We will make some revisions. We need to understand however how much of avoided costs in Q3 will actually shift into Q4 because guidance for mid-teen growth in core operating income is already in our books. We are expecting 18% growth (including currencies however), which leaves minor upside at first glance.

NEXT CATALYSTS

- Today 1pm: Conference Call

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ASML

Price EUR94.87

EUV tools performances continue to improve but the real insertion timing remains a debate

Fair Value EUR81 (-15%) **SELL**

Bloomberg	ASML NA
Reuters	ASML.AS
12-month High / Low (EUR)	99.4 / 71.8
Market Cap (EURm)	41,110
Ev (BG Estimates) (EURm)	38,423
Avg. 6m daily volume (000)	1,104
3y EPS CAGR	20.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.4%	0.4%	7.5%	14.9%
Semiconductors	4.4%	6.9%	26.9%	23.6%
DJ Stoxx 600	0.7%	1.9%	-1.6%	-6.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	6,287	6,664	7,416	8,494
% change		*6.0%*	*11.3%*	*14.5%*
EBITDA	1,864	1,980	2,392	2,986
EBIT	1,565	1,625	2,017	2,591
% change		*3.8%*	*24.2%*	*28.4%*
Net income	1,387	1,364	1,756	2,283
% change		*-1.7%*	*28.7%*	*30.0%*

	2015	2016e	2017e	2018e
Operating margin	24.9	24.4	27.2	30.5
Net margin	22.1	20.5	23.7	26.9
ROE	16.5	15.4	19.3	22.6
ROCE	22.9	23.0	28.3	35.6
Gearing	-27.2	-30.4	-31.0	-35.8

(EUR)	2015	2016e	2017e	2018e
EPS	3.21	3.19	4.21	5.57
% change	-	*-0.6%*	*32.0%*	*32.4%*
P/E	29.6x	29.7x	22.5x	17.0x
FCF yield (%)	3.6%	3.3%	4.1%	5.3%
Dividends (EUR)	0.70	1.05	1.21	1.39
Div yield (%)	0.7%	1.1%	1.3%	1.5%
EV/Sales	6.2x	5.8x	5.2x	4.4x
EV/EBITDA	20.8x	19.4x	16.0x	12.6x
EV/EBIT	24.8x	23.6x	19.0x	14.5x

Yesterday morning, ASML reported mixed results with Q3 EPS below the street's anticipations but the December quarter outlook above. During the conference call held yesterday afternoon, our view was confirmed, EUV is on track but the real insertion timing remains a debate. We continue to see most of the positive news flow about EUV already priced in and we believe that investors would be better off focusing on other semiconductor stocks such as Infineon (Buy, FV EUR17.5) or u-blox (Buy, FV CHF255). We maintain our FV of EUR81 and our Sell rating on the stock.

ANALYSIS

- Beyond the Q3 results and Q4 outlook, what we learned during the conference call was limited to a qualitative view for 2017, an update regarding the group's expectations of EUV adoption for volume production and details on the evolution regarding the revenue recognition system for EUV tools.
- **First regarding 2017: the group provided a qualitative view of 2017 trends.** With its current visibility and in addition to Q4 guidance, ASML provided a brief outlook about 2017 trends per customer profile, namely Logic including IDMs and Foundries, and Memory customers. Management said that it anticipates a continuous supportive environement at Logic customers. We understand that management expects to see this part of the business growing. Note that sales of Lithography systems to Logic customers represents about 50% of total group sales in FY16e. This is due to a continuous demand for 10nm but also 7nm. In the Memory segment, representing about 18% of total sales in FY16e, momentum should also be positive but to a lesser extent, we understand that growth of this segment should come somewhere between 0% and 5%, but overall lower than Logic. Finally, regarding Service and field options sales, the growing trend should continue next year at a rate we see in the single digit range.
- **Regarding EUV, management was more talkative regarding the anticipation of the adoption for volume production : 2018-2019 timeframe.** This might be seen as negative by some who expected EUV insertion earlier but it was in line with our view. Regarding the improvement in Systems, efficiency continued as expected, legacy NXE:3330 tools reached a 90% availability while the latest NXE:3350 reached efficiency of 1,500 wafers per day. Overall, we remind that it should not change EUV estimates for 2017 since demand is capped by ASML production capacity at this stage. The group should be able to produce 12 systems over 2017, to which we must add the two systems produced in 2016 and that shipments are said to have been delayed to a late date in 2017. Overall, this falls perfectly in line with our estimates for revenue recognition of 14 systems during 2017. As long as production capacity of ASML is limited, we expect them to be filled.
- **The good news is that the delay between shipment and revenue recognition for EUV systems is normalising**… Going through 2017, we understand that the revenue recognition system will play positively. The delay, caused by the requirements of performance achievement at customer's sites should fade out as EUV tools continue to improve. As such, revenue from EUV shipments should be recognised closer to shipment which should lower bumpiness at the top-line and margin levels. However, this does not change our view since we also already factored it into our model.
- Overall, yesterday's publication was reassuring but we continue to see limited upside given that most of the upcoming positive news flow appears to be priced in. We have included Q3 data, Q4 guidance and fine tuned our model leading to limited impact with FY16e/FY17e/FY18e EPS impact of 0.9% on average over the period (no impact on our FV). We maintain our Sell rating on the stock and believe that investors should be better off focusing on other semiconductor stocks such as Infineon (Buy, FV EUR17.5) or u-blox (Buy, FV CHF255).

VALUATION

- Based on our estimates, ASML's shares trade at a 2016e P/E ratio of 29.7x and a 2016e PEG ratio of 1.4x.

NEXT CATALYSTS

- 31st October 2016: Investor day
- 17th January 2017: FY16 and Q4 2016 results.

Detailed P&L

[EURm]	1Q16	2Q16	3Q16	4Q16e	FY16e	FY17e	FY18e
Total Group	**1333**	**1740**	**1815**	**1777**	**6664**	**7416**	**8494**
Q/Q growth	*-7.0%*	*30.5%*	*4.3%*	*-2.1%*	*6.0%*	*11.3%*	*14.5%*
Y/Y growth	*-19.2%*	*5.2%*	*17.1%*	*23.9%*	*6.0%*	*11.3%*	*14.5%*
Cost of goods sold	-765	-998	-980	-922	-3665	-4005	-4485
Gross margin	**42.6%**	**42.6%**	**46.0%**	**48.1%**	**45.0%**	**46.0%**	**47.2%**
R&D	-275	-270	-273	-280	-1098	-1097	-1129
SG&A	-89	-90	-89	-102	-370	-371	-365
Other operating income	23	24	23	24	94	74	76
Adj. EBIT	**228**	**404**	**496**	**497**	**1625**	**2017**	**2591**
adj. operating margin	*17.1%*	*23.2%*	*27.3%*	*28.0%*	*24.4%*	*27.2%*	*30.5%*
Net financial result	-4	-4	-34	-19	-60	-22	-25
Income tax	-26	-47	-66	-62	-201	-239	-282
tax rate	*-11.8%*	*-11.7%*	*-14.3%*	*-13.0%*	*-12.9%*	*-12.0%*	*-11.0%*
Adj. Net income	**198**	**354**	**396**	**416**	**1364**	**1756**	**2283**
Adj. diluted EPS (in EUR)	**0.46**	**0.83**	**0.93**	**0.96**	**3.19**	**4.21**	**5.57**

Source: Bryan Garnier & Co. ests.

P&L changes highlights

[EURm]	Old			New			Old vs. New
	2016e	2017e	2018e	2016e	2017e	2018e	avg. Δ%
Net revenue	**6487**	**7415**	**8742**	**6664**	**7416**	**8494**	**0.0%**
% change	*3.2%*	*14.3%*	*17.9%*	*6.0%*	*11.3%*	*14.5%*	
Adj. EBIT	1469	2017	2666	1625	2017	2591	2.6%
Adj. operating margin	*22.7%*	*27.2%*	*30.5%*	*24.4%*	*27.2%*	*30.5%*	
Adj. EPS (in EUR)	**3.0**	**4.2**	**5.8**	**3.2**	**4.2**	**5.6**	**0.5%**

Source: Bryan Garnier & Co. ests.

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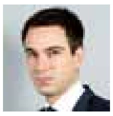

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Atos

Price EUR97.05

Q3 2016 sales in line, FY16 guidance reiterated

Fair Value EUR102 (+5%) **BUY**

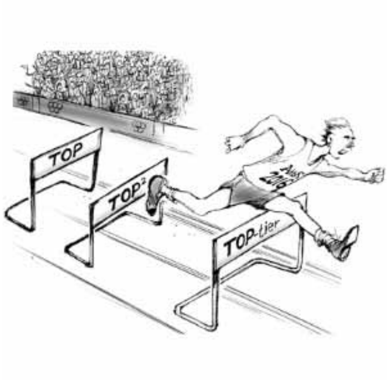
Bloomberg	ATO FP
Reuters	ATOS.PA
12-month High / Low (EUR)	97.8 / 62.7
Market Cap (EUR)	10,167
Ev (BG Estimates) (EUR)	9,438
Avg. 6m daily volume (000)	288.8
3y EPS CAGR	14.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.8%	27.5%	27.7%	25.3%
Softw.& Comp.	-0.8%	9.7%	8.7%	6.4%
DJ Stoxx 600	0.7%	1.9%	-1.6%	-6.1%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	10,686	11,715	12,256	12,550
% change		*9.6%*	*4.6%*	*2.4%*
EBITDA	1,334	1,534	1,720	1,798
EBIT	589.0	823.0	920.0	998.0
% change		*39.7%*	*11.8%*	*8.5%*
Net income	610.0	728.0	868.0	937.0
% change		*19.3%*	*19.2%*	*7.9%*

	2015	2016e	2017e	2018e
Operating margin	8.6	9.3	10.1	10.5
Net margin	4.0	5.1	5.7	6.2
ROE	9.9	13.2	13.4	13.1
ROCE	22.9	25.8	42.1	47.4
Gearing	-14.0	-17.0	-49.0	-58.0

(€)	2015	2016e	2017e	2018e
EPS	5.83	6.86	8.16	8.74
% change	-	*17.7%*	*19.0%*	*7.1%*
P/E	16.6x	14.1x	11.9x	11.1x
FCF yield (%)	3.9%	5.4%	6.2%	8.0%
Dividends (€)	0.90	1.10	1.40	1.55
Div yield (%)	0.9%	1.1%	1.4%	1.6%
EV/Sales	0.9x	0.8x	0.6x	0.6x
EV/EBITDA	7.2x	6.2x	4.5x	3.9x
EV/EBIT	10.4x	8.7x	6.3x	5.3x



This morning Atos has reported Q3 2016 sales in line with our forecasts and the consensus average, while FY16 guidance has been reiterated. With almost all geographies (except Benelux & The Nordics and the rest of World region) delivering positive organic growth, and all business lines growing as expected, we do not expect a significant share price reaction to this publication in the short term.

ANALYSIS

- **Q3 2016 sales in line with expectations**. Q3 2016 sales rose 2.5% (+1.8% lfl) to EUR2,777m or fully in line with our forecast (EUR2,778m or +1.8% lfl) and marginally above the consensus average (EUR2,769m or +1.5% lfl). Sales in the IT Services business were up 3.3% (+2% lfl) to EUR2,494m (BG est.: EUR2,497m) with Managed Services up 1.2% lfl to EUR1,603m, Consulting & Systems Integration up 1% lfl to EUR757m, and Big Data & Cyber-security up an impressive 19.1% lfl to EUR134m. After the elimination of EUR11m intercompany transactions with Atos, Worldline posted revenues flat at EUR283m (BG est.: EUR280m).
- **Q3 2016 details**. **By geography, for IT Services only**: 1) North America: +5.2% lfl to EUR501m; 2) UK: +4.2% lfl to EUR426m; 3) Germany: +3.7% lfl to EUR491m; 4) France: +2.4% lfl to EUR373m; 5) Benelux & The Nordics: -6.2% lfl to EUR239m; 6) Other BUs: -0.9% lfl to EUR464m. In total, lfl revenue growth in Q3 2016 was driven by almost all geographies, especially North America (increased volumes and new contracts with private cloud components and a strong start for Big Data & Cybersecurity), but also the UK (strong activity with the government and the Teco & Media sector), Germany (nice recovery in Consulting & Systems Integration and additional business in Managed Services), and even France (Strong Big Data & Cybersecurity, recovery in Managed Services).
- **FY16 guidance reiterated**. For 2016, taking into account the acquisitions of Equens/PaySquare, KB SmartPay and (Anthelio Healthcare Solutions) from 1st October 2016, management has increased ccrevenue growth guidance to at least +12% from at least +11%. However, it reiterates the other elements of company guidance, i.e. lfl revenue growth of 1.5-2%, a non-IFRS operating margin of 9.2-9.5% and a free cash flow above EUR550m (including a EUR135-140m contribution from Worldline). The Q3 book-to-bill ratio was good, with bookings up 12.4% to EUR2,845m, representing a ratio of 1.02 (0.95x for Consulting & Systems Integration, 1.07x for Big data & Cyber-security, 1.12x for Managed Services), vs. 0.93 in Q3 2015. The full qualified pipeline at the end of September 2016 represented EUR6.4bn or 6.7 months of sales. The backlog was EUR19.3bn or 1.7 year of sales. We forecast revenues up 1.7% lfl (consensus: +1.7% lfl) with a non-IFRS operating margin of 9.3% (consensus: 9.3%).

VALUATION

- Atos' shares are trading at est. 8.7x 2016 and 6.3x 2017x EV/EBIT multiples.
- Net cash position on 30th June 2016 was EUR412.3m (net gearing: -10%).

NEXT CATALYSTS

Conference call today at 8am CET / 7am BST / 2am EDT (France: +33 1 76 77 22 30; UK: +44 20 34 27 19 16; USA: +1 646 254 33 6512).

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Healthcare

bioMérieux

Price EUR139.55

Good set of Q3 sales. Management mischievously raises sales' guidance

Fair Value EUR130 (-7%) **NEUTRAL**

Bloomberg	BIM FP
Reuters	BIOX.PA
12-month High / Low (EUR)	140.5 / 98.0
Market Cap (EURm)	5,506
Ev (BG Estimates) (EURm)	5,906
Avg. 6m daily volume (000)	31.80
3y EPS CAGR	29.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.9%	11.9%	27.0%	27.0%
Healthcare	-2.8%	-6.6%	-2.7%	-10.5%
DJ Stoxx 600	1.4%	1.1%	-0.5%	-6.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,965	2,096	2,259	2,420
% change		*6.7%*	*7.8%*	*7.1%*
EBITDA	380	427	469	545
EBIT	260.0	290.3	321.9	387.2
% change		*11.7%*	*10.9%*	*20.3%*
Net income	110.3	164.3	194.4	239.9
% change		*49.0%*	*18.3%*	*23.4%*

	2015	2016e	2017e	2018e
Operating margin	13.2	13.9	14.3	16.0
Net margin	5.6	7.8	8.6	9.9
ROE	7.3	10.1	11.0	12.3
ROCE	8.2	8.5	9.2	10.8
Gearing	14.9	24.6	19.0	10.8

(EUR)	2015	2016e	2017e	2018e
EPS	2.80	4.16	4.93	6.08
% change	-	*49.0%*	*18.3%*	*23.4%*
P/E	49.9x	33.5x	28.3x	23.0x
FCF yield (%)	1.3%	NM	2.3%	3.6%
Dividends (EUR)	1.00	1.04	1.23	1.52
Div yield (%)	0.7%	0.7%	0.9%	1.1%
EV/Sales	2.9x	2.8x	2.6x	2.4x
EV/EBITDA	15.1x	13.8x	12.5x	10.5x
EV/EBIT	22.0x	20.3x	18.1x	14.8x

BIM has released Q3 sales 180bp above consensus, up 9.1%CER to EUR510.8m vs 7.2%CER or EUR504.1m as anticipated. Growth was driven by the US with FilmArray and Immunoassays sales, as well as a better than anticipated performance in APAC. From "at or above the high-end of 6-8% organic growth" FY2016 sales guidance has been raised to "above 8% organic growth". Confcall this afternoon at 3.00pm.

BIM (in EURm) Q3	Q3 2015	Q3 2016	Q3 2016 CSS	Delta
Sales	478,3	510,8	504,1	1,3%
% CER	*8,8%*	*9,1%*	*7,2%*	*180bp*
% growth	*16,1%*	*6,8%*	*5,4%*	
BIM (in EURm) 9M	**9M 2015**	**9M 2016**	**9M 2016 CSS**	**Delta**
Sales	1 411,5	1 512	1 505,0	0,5%
% CER	*8,3%*	*10,3%*	*9,7%*	*60bp*
% growth	*18,3%*	*7,1%*	*6,6%*	

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

ANALYSIS

- BIM has released Q3 sales up 9.1%CER to EUR510.8m vs 7.2%CER or EUR504.1m as anticipated by the consensus. **North America and the US especially drove growth with sales up 18.4% organic** q-o-q to EUR179.1m. FilmArray instrument sales surged 78% and the sales push in Immunoassays enabled the company to boost VIDAS reagent sales. No comments on the instrument sales trend as Roche entered the market. **APAC grew 11.6% organic over the quarter**, (EUR91m) keeping up with a strong H1. Increased reagents in the sales mix pointed towards a stabilisation, however, management's comments regarding what happened last year (deceleration in H2) call for caution. Note that China, India and Korea together grew over 15% in the quarter driven by increased sales of immunoassays and microbiology. Management stated that it expects a slowdown in the fourth quarter. The European picture is mixed with western European sales growth almost flat at 0.7% organic, driven down by France. Eastern European sales are up 2.7% organic. In all, **European sales increased 1.7% to EUR619m in Q3.**
- By application, **Molecular biology sales are leading the trend with sales up 48% to EUR73.5m.** The installed based is now close to 3,500 units (+200 in Q1, +400 in Q2 and +400 in Q3). A share of the GI panel is starting to take-off. Note that while the respiratory panel represents +/-80% of FilmArray reagent sales, it only represents 10% of the market vs 30% for the GI panel. **Immunoassays sales are up 4.4% driven by VIDAS** sales growing 6.7% while **Microbiology and Industrial Applications are up 4.2% and 8.7% respectively.**
- After narrowing its FY2016 sales and EBIT guidance to "at or above 8% organic growth" for sales and the "high end of the EUR265-290m" for EBIT, sales guidance has been raised again and FY2016 sales are now expected to exceed 8%. Our 2016 ests. points to 9.4% organic growth.

VALUATION

- We stick to our NEUTRAL rating

NEXT CATALYSTS

- Today 3.00pm: conference call on Q3 sales

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Business Services

Edenred

Price EUR21.77

CMD feedback: Sustainable growth with "Fast Forward" but less predictable cash return

Fair Value EUR22 (+1%) **NEUTRAL**

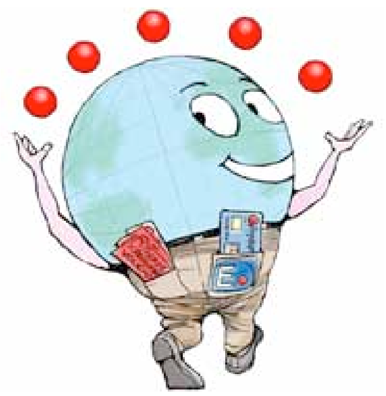
Bloomberg	EDEN FP
Reuters	EDEN.PA
12-month High / Low (EUR)	21.8 / 13.9
Market Cap (EUR)	5,089
Ev (BG Estimates) (EUR)	5,954
Avg. 6m daily volume (000)	741.9
3y EPS CAGR	11.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.0%	10.4%	15.3%	24.8%
Travel&Leisure	-4.1%	-2.2%	-9.2%	-17.4%
DJ Stoxx 600	0.7%	1.9%	-1.6%	-6.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,069	1,129	1,242	1,317
% change		*5.6%*	*10.1%*	*6.0%*
EBITDA	388	421	488	527
EBIT	341.0	372.5	433.8	470.2
% change		*9.2%*	*16.5%*	*8.4%*
Net income	206.0	220.4	256.9	280.6
% change		*7.0%*	*16.5%*	*9.2%*

	2015	2016e	2017e	2018e
Operating margin	31.9	33.0	34.9	35.7
Net margin	16.6	18.0	20.2	20.8
ROE	-12.2	-11.5	-13.6	-14.8
ROCE	-44.8	-44.2	-46.6	-49.3
Gearing	NM	NM	NM	NM

(EUR)	2015	2016e	2017e	2018e
EPS	0.87	0.94	1.10	1.20
% change	-	*8.4%*	*16.5%*	*9.2%*
P/E	25.0x	23.1x	19.8x	18.1x
FCF yield (%)	5.7%	8.3%	10.0%	8.9%
Dividends (EUR)	0.84	0.84	0.86	0.94
Div yield (%)	3.9%	3.9%	3.9%	4.3%
EV/Sales	5.4x	5.3x	4.8x	4.5x
EV/EBITDA	14.8x	14.1x	12.2x	11.2x
EV/EBIT	16.8x	16.0x	13.7x	12.6x



The 2016-2019 "Fast Forward" strategic plan has put in place actions to pursue the acceleration of the group's transformation. Under a new simplified organisation and capitalising on Edenred's expertise, the plan is to leverage growth opportunities resulting from higher digitalisation of Employee benefit, to become a leader in Expense management and develop solutions for new B2B transactional ecosystems such as Corporate payments. On financials, new metrics better reflect the product mix on a consolidated base with at least 7% lfl operating revenue growth, 9% lfl operating EBIT growth and above 10% lfl FFO growth to maintain a strong investment grade rating. The main changes concern capital allocation with a new objective for cash, which should be returned to shareholders to preserve the group's financial flexibility to seize growth opportunities. In fact, dividends will be based on a P/O ratio of at least 80% of reported net profit (less predictable) vs. a dividend based on at least 90% of net current profit previously.

ANALYSIS

Leveraging growth opportunities in Employee benefits from increased digitalisation: Management confirmed that the business representing 79% of Issue Volume in 2015 but less than 70% by 2020, should continue to deliver mid-single digit lfl revenue growth. In fact, the market is still underpenetrated and digitalisation (digital solutions will move to over 80% of IV vs. 60% today) should provide new solutions and opportunities notably to further penetrate SMEs.

Increase Expense Management contribution…: Expense Management is the second engine for the group and the aim is still to become a global leader. In Latam, the group now has solid positions notably in Brazil after the acquisition of Embratec in 2016 or in Mexico. In Europe, with the acquisition of a 34% srake in Germany-based UTA in 2015, the group entered the fuel card market. The target is to generate double digit growth with a contribution of over 25%.

…and leverage technological expertise in particular Corporate Payments: With PrePay Solutions (PPS), the jointly-owned subsidiary with MasterCard, Edenred operates payment systems using virtual card technology in the hotel industry and in the e-commerce segment. During the CMD, the group announced that it had won a major tender to set up and manage a global prepaid private network in the travel industry. The contract will be signed in early 2017 and will represent a transaction volume of over USD20bn.

Cash returns to shareholders less predictable than before but the right decision to preserve growth opportunities: Cash flow allocation is the main change decided by management on financials. In fact, after the takeover of 65% of **Embratec** equity capital and the group's decision to exercise its call option as of 2017 on an additional 17% in **UTA** (cash out of EUR70m plus UTA net debt which should be consolidated on Edenred balance sheet), a strong investment grade rating will be maintained (at least BBB vs. BBB+,) but with no further room for growth opportunities. As such, management's decision to rebase the dividend on reported net earnings rather than net current earnings is a way of preserving flexibility for growth opportunities but definitely reduces visibility on cash that could be returned to shareholders.

VALUATION

At the current share price, the stock is trading at 16x EV/EBIT 2016e and 13.7x 2017e which compares with a 2015-2018 CAGR in EBIT of 11.3%.

For dividends, we have reduced our estimate, anticipating that at the best the group would maintain the same level as last year, representing a payout ratio of 97% of net profit (vs. 108% in 2015 on the same metric and 115% in 2014). For 2017e, using a payout ratio of 80%, dividend per share moves to EUR0.86.

NEXT CATALYSTS

FY results on 23rd February 2017

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Food & Beverages

Nestlé

Price CHF74.65

Bloomberg	NESN VX
Reuters	NESZn.VX
12-month High / Low (CHF)	79.9 / 69.4
Market Cap (CHF)	232,323
Ev (BG Estimates) (CHF)	243,573
Avg. 6m daily volume (000)	4 959
3y EPS CAGR	7.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.2%	-4.0%	0.9%	0.1%
Food & Bev.	-0.6%	-1.8%	-1.3%	-1.6%
DJ Stoxx 600	0.7%	1.9%	-1.6%	-6.1%

YEnd Dec. (CHFm)	2015	2016e	2017e	2018e
Sales	88,785	89,833	93,168	98,419
% change		*1.2%*	*3.7%*	*5.6%*
EBITDA	17,210	17,765	18,889	20,501
EBIT	13,382	13,916	14,958	16,302
% change		*4.0%*	*7.5%*	*9.0%*
Net income	10,353	10,839	11,669	12,815
% change		*4.7%*	*7.7%*	*9.8%*

	2015	2016e	2017e	2018e
Operating margin	15.1	15.5	16.1	16.6
Net margin	11.7	12.1	12.5	13.0
ROE	16.6	16.7	17.4	18.1
ROCE	12.5	12.9	14.3	15.8
Gearing	0.9	0.6	0.3	0.0

(CHF)	2015	2016e	2017e	2018e
EPS	3.30	3.51	3.77	4.14
% change	-	*6.2%*	*7.7%*	*9.8%*
P/E	22.6x	21.3x	19.8x	18.0x
FCF yield (%)	4.3%	4.3%	5.1%	5.6%
Dividends (CHF)	2.25	2.30	2.35	3.35
Div yield (%)	3.0%	3.1%	3.1%	4.5%
EV/Sales	2.8x	2.7x	2.6x	2.4x
EV/EBITDA	14.4x	13.7x	12.6x	11.4x
EV/EBIT	18.5x	17.5x	16.0x	14.3x

Full year guidance revised downwards

Fair Value CHF83 (+11%) **BUY**

This morning, Nestlé reported Q3 2016 sales of CHF22,359m up 1.5% YoY (consensus: CHF22,645m and our estimate: CHF22,492m). Organic sales grew 2.9%, with volumes/mix +1.9% and price +1% . This is below expectations (consensus: +3.7% and our estimate: +3.5%) due to all divisons excluding Waters and Nestlé Nutrition. The slowdown vs H1 (+3.5%) is significant. The group has revised its FY guidance: it aims to achieve 3.5% organic sales growth in 2016 vs +4.2% previously.

ANALYSIS

- Q3 2016 sales increased 1.5% to CHF22,359m (consensus: CHF22,645m and our estimate: CHF22,492m). Sales grew 2.9% organically, with volumes/mix +1.9% and price +1.0%. This was a disappointment (consensus: +3.7% and our estimate: +3.5%) and was also below the H1 trend (+3.5%) contrary to what was indicated at the H1 release. Nestlé had indicated that organic sales growth should accelerate over the rest of the year, supposedly driven by a 1/ favourable comparison base as H2 2015 was affected by a rebate adjustment on skin health products in the US and the Maggi noodles recall, and 2/ a recovery in the pricing effect due to price increases made to offset currency depreciation. By division:
- Americas (28% of group's sales): This division posted 3.4% organic sales growth (consensus and our estimate: +4%), decelerating strongly vs H1 (+5.1%). This is due to Brazil where volumes dropped significantly as a result of price increases in a tough macroeconomic environment.
- Europe/Middle East/North Africa (19% of group's sales): Organic sales increased 1.4% in Q3 (consensus: +2.3% and our estimate: +2.5%) after +2.6% in H1. This was driven by double digit growth in Russia which were offset by the deflationary environment in Western Europe (pressure from the retailers and low commodity prices on coffee and dairy) and instability in the Middle East and North Africa.
- Asia/Oceania/sub-Saharan Africa (16% of group's sales): Sales were up 3.8% organically (consensus: +4.1%), accelerating vs H1 (+2.3%). The region benefitted from easy comps, especially in India.
- Other divisions . Sales of Nestlé Nutrition (12% of groups's sales) grew 1.3% organically (consensus: +0.4% and our estimate: -1.5%) The Chinese infant nutrition market has been disrupted by new regulations, which are inducing tough price competition, mainly in the mainstream and premium segments. Waters (9% of group's sales) continued to show good momentum, with organic sales up 4.2% (consensus: +3.9% and our estimate: +4.5%). Finally, sales of Other Businesses (16% of group's sales) rose 5.4% on an organic basis (consensus: +5.7%) as Nestlé Health Science and Nestlé Skin Health continued to enjoy good growth and the trend remained solid for Nespresso.
- 2016 guidance revised downwards. The group aims to achieve organic sales growth in 2016 of 3.5% vs 4.2% previously. Our current estimate calls for +3.7%. We are making no change to our forecasts before the conference call at 8h30am CET.

VALUATION

- Our DCF still points to a Fair Value of CH83.

NEXT CATALYSTS

- Nestlé: 2016 results on 16th February

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Food & Beverages

Pernod Ricard

Price EUR104.40

Bloomberg	RI FP
Reuters	PERP.PA
12-month High / Low (EUR)	108.9 / 91.6
Market Cap (EURm)	27,710
Ev (BG Estimates) (EURm)	36,021
Avg. 6m daily volume (000)	476.0
3y EPS CAGR	6.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.3%	4.8%	4.6%	-0.8%
Food & Bev.	0.2%	-2.3%	0.9%	-1.7%
DJ Stoxx 600	0.5%	0.4%	-1.2%	-7.1%

YEnd Jun. (EURm)	06/16	06/17e	06/18e	06/19e
Sales	8,682	8,855	9,168	9,556
% change		*2.0%*	*3.5%*	*4.2%*
EBITDA	2,494	2,571	2,680	2,823
EBIT	2,277	2,350	2,451	2,584
% change		*3.2%*	*4.3%*	*5.4%*
Net income	1,380	1,444	1,537	1,642
% change		*4.6%*	*6.4%*	*6.8%*

	06/16	06/17e	06/18e	06/19e
Operating margin	26.2	26.5	26.7	27.0
Net margin	14.2	15.6	16.1	16.5
ROE	9.3	9.7	9.8	9.8
ROCE	6.7	11.3	11.5	11.8
Gearing	64.5	57.8	51.6	45.5

(EUR)	06/16	06/17e	06/18e	06/19e
EPS	5.20	5.44	5.79	6.18
% change	-	*4.6%*	*6.4%*	*6.8%*
P/E	20.1x	19.2x	18.0x	16.9x
FCF yield (%)	4.3%	4.7%	4.8%	4.9%
Dividends (EUR)	1.88	1.97	2.08	8.41
Div yield (%)	1.8%	1.9%	2.0%	8.1%
EV/Sales	4.2x	4.1x	3.9x	3.7x
EV/EBITDA	14.6x	14.0x	13.3x	12.5x
EV/EBIT	16.0x	15.3x	14.5x	13.6x

Good start to the year

Fair Value EUR112 (+7%) **NEUTRAL**

Sales rose 1% to EUR2248m (consensus: EUR2,240m and our estimate: EUR2,221m) in Q1 2016/17. Organic sales growth stood at 4% (consensus: +2.7% and our estimate: +2%), implying a strong improvement vs Q4 2015/16 (-0.7%) which was driven by Americas and Europe. The group reiterated its objective for organic EBIT growth of 2-4% in 2016/17.

ANALYSIS

- The group's sales rose 1% to EUR2248m (consensus: EUR2240m and our estimate: EUR2221m) in Q1 2016/17. Organic sales growth stood at 4% (consensus: +2.7% and our estimate: +2%), implying an improving trend vs Q4 2015/16 which was driven by Americas and Europe. By region:
  - **Asia/ROW (40% of group's sales)**: Organic sales grew 1% (consensus: +2.5%), accelerating vs Q4 2015/16 (-1.9%) mainly due to an improvement in China.
  - **Americas (28% of group's sales)**: Organic sales only increased 8% (consensus: +2.8%) thanks to a good performance in the US, which was not completely offset by tough comps in Brazil.
  - **Europe (32% of group's sales)**: The region posted 6% organic sales growth (consensus: +2%), which was a strong acceleration vs Q4 2015/16 (+1.1%). This mainly reflected a positive technical effect in France (12 weeks of sales vs 10 in Q1 2015/16).
- The group reiterated its target for organic EBIT growth of 2-4% in 2016/17. Our estimate calls for +3.2%. We maintain our estimates before the conference call at 9am CET.

VALUATION

- Our DCF still points to a Fair Value of EUR112.

NEXT CATALYSTS

- 8th November : 9M 2016 sales of Campari, Q3 2016 sales of MBWS
- 17th November: Shareholders' meeting of Pernod Ricard

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Automotive

Plastic Omnium

Price EUR29.57

An impressive set of numbers

Fair Value EUR36 (+22%) **BUY-Top Picks**

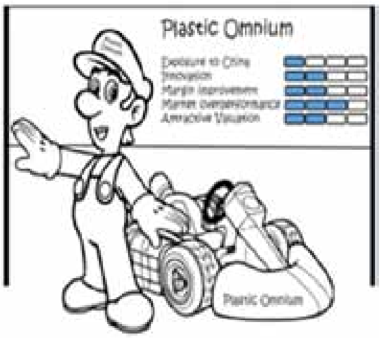
Bloomberg	POM FP
Reuters	PLOF.PA
12-month High / Low (EUR)	31.2 / 23.7
Market Cap (EURm)	4,508
Ev (BG Estimates) (EURm)	4,986
Avg. 6m daily volume (000)	185.6
3y EPS CAGR	20.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.4%	9.4%	-1.6%	2.9%
Auto & Parts	3.0%	8.3%	-2.3%	-12.9%
DJ Stoxx 600	0.7%	1.9%	-1.6%	-6.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	5,010	5,813	6,878	7,310
% change		*16.0%*	*18.3%*	*6.3%*
EBITDA	691	774	982	1,057
EBIT	470.0	533.3	630.6	701.6
% change		*13.5%*	*18.3%*	*11.2%*
Net income	258.7	323.8	400.7	453.8
% change		*25.2%*	*23.8%*	*13.2%*

	2015	2016e	2017e	2018e
Operating margin	9.4	9.2	9.2	9.6
Net margin	5.2	5.6	5.8	6.2
ROE	20.4	21.4	22.0	21.0
ROCE	20.0	15.7	19.0	20.0
Gearing	20.8	54.8	24.7	12.2

(EUR)	2015	2016e	2017e	2018e
EPS	1.68	2.12	2.62	2.97
% change	-	*25.7%*	*23.8%*	*13.2%*
P/E	17.6x	14.0x	11.3x	10.0x
FCF yield (%)	4.6%	2.7%	6.0%	6.5%
Dividends (EUR)	0.41	0.53	0.65	0.74
Div yield (%)	1.4%	1.8%	2.2%	2.5%
EV/Sales	0.9x	0.9x	0.7x	0.6x
EV/EBITDA	6.4x	6.4x	4.7x	4.2x
EV/EBIT	9.5x	9.3x	7.3x	6.3x



Plastic Omnium has posted a solid Q3 sales performance, with total consolidated sales up 22.2% YoY and 12.6% on a LfL basis, reflecting an acceleration compared with Q1 and H1 (respectively +9% and +11.9%). As in the first quarters, the group continued to outperform market growth in Q3, thanks to solid performances in all regions (even in Europe), helped by impressive sales growth in the SCR segment. All 2016 targets were reiterated. Buy, with FV unchanged at EUR36/share.

ANALYSIS

- **Main Q3 2016 metrics**: consolidated sales for Q3 2016 came out at **EUR1.456m**, up **22.2%** YoY and **12.6%** on a LfL basis, in line with our expectations (*BGe @ EUR1.461m*). The group consolidated **FAE** for the first time, explaining the strong positive perimeter effect. More importantly, we noted that the group was able to strongly outpace global automotive production in Q3, as in Q1 and Q2, thanks to a solid performance in all regions (*even in Europe*), but also thanks to impressive sales growth in the **SCR segment** *(+37% YoY over first nine months, reaching EUR200m of sales, o/w two-thirds achieved in Europe*). The group's outperformance was close to **8%** in Q3, compared with **7.8%** in Q1 and **12%** (*BGe*) in Q2 despite less favourable country mix compared with first quarters (*auto production is up 5% in Q3 mainly thanks to Asia, which represent around 30% of market vs. only 19% for Plastic Omnium while in H1 production was up +2.2% with Europe being a strong contributor were Plastic Omnium is strong*).

- **What to retain from this publication? 1/** All Q3 metrics were strong and in line with our expectations. **2/** The group continued to strongly outpace global automotive production in Q3 thanks to higher business from JLR and the SCR segment. **3/** 2016 sales guidance was confirmed (*pro-forma economic sales of around EUR7.5bn). **4/*** The group indicated it continued its ongoing effort to optimise its industrial footprint with the closing of its exterior body parts production site in Norcross *(Georgia, U.S.)* with transfer of production to the Chattanooga and Anderson sites. **5/** The **EUR70m in potential synergies** coming from the FAE integration were confirmed, while the group indicated that the disposal process for the French sites and a Spanish site for the bumper business and of the front-end assembly business in Germany is ongoing (*representing in total around EUR700m of sales*).

- **Conclusion**: Given the quality of this publication and the recent pressure that affected the entire automotive sector in recent days, we expect a positive share price reaction this morning. We confirm our **Buy recommendation with FV and estimates unchanged at EUR36/share.**

VALUATION

- At current share price the stock is trading at **4.7x** its 2017e EBITDA & at **11.3x** its 2017e earnings

- **Buy**, FV @ **EUR36**

NEXT CATALYSTS

- **21st October** – Breakfast with IR & Executive Vice President of Communications @ Bryan Garnier

- **23rd February 2017** – 2016 annual results

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TMT

Temenos Group

Price CHF66.10

Q3 2016 results above expectations; FY16 guidance raised, unsurprisingly

Fair Value CHF77 (+16%) **BUY**

Bloomberg	TEMN SW
Reuters	TEMN.SW
12-month High / Low (CHF)	68.2 / 41.9
Market Cap (CHF)	4,599
Ev (BG Estimates) (CHF)	4,709
Avg. 6m daily volume (000)	210.4
3y EPS CAGR	19.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.4%	29.6%	24.7%	27.2%
Softw.& Comp.	-0.8%	9.7%	8.7%	6.4%
DJ Stoxx 600	0.7%	1.9%	-1.6%	-6.1%

YEnd Dec. (US$m)	2015	2016e	2017e	2018e
Sales	542.5	629.2	689.0	762.2
% change		*16.0%*	*9.5%*	*10.6%*
EBITDA	212	259	286	321
EBIT	96.8	152.6	182.0	214.8
% change		*57.7%*	*19.3%*	*18.0%*
Net income	121.0	162.9	185.4	215.1
% change		*34.6%*	*13.8%*	*16.0%*

	2015	2016e	2017e	2018e
Operating margin	30.8	33.3	34.1	35.1
Net margin	12.2	18.3	20.4	22.3
ROE	17.7	25.1	24.8	23.1
ROCE	23.9	32.9	40.1	52.0
Gearing	71.2	24.1	-9.6	-39.4

(US$)	2015	2016e	2017e	2018e
EPS	1.82	2.34	2.66	3.09
% change	-	*29.0%*	*13.8%*	*16.0%*
P/E	36.8x	28.5x	25.1x	21.6x
FCF yield (%)	3.6%	4.3%	4.6%	5.4%
Dividends (US$)	0.45	0.50	0.55	0.60
Div yield (%)	0.7%	0.7%	0.8%	0.9%
EV/Sales	9.1x	7.6x	6.7x	5.7x
EV/EBITDA	23.2x	18.4x	16.1x	13.6x
EV/EBIT	29.5x	22.7x	19.5x	16.3x

Yesterday evening Temenos reported Q3 2016 results above expectations, thanks to an outstanding performance in Asia Pacific driven by several deals including Standard Chartered Bank. Unsurprisingly, management raised full-year guidance in view of the deal announced early October with the Bank of Ireland. With no impact from Brexit since core banking system renovation is strategic, and management is very confident in the pipeline, we expect a positive share price reaction short-term.

ANALYSIS

- **Q3 2016 results above expectations**. On a non-IFRS basis, Q3 2016 sales were up 8% (+10% lfl) to USD160.8m, with total software licensing revenues up 6% lfl to USD51.7m (+3.9% lfl for licences, +12.2% lfl for SaaS and subscriptions), maintenance up 11% lfl, and services up 21% lfl following the number of software implementations gone live (18 vs. 10 in Q3 2015). Non-IFRS operating profit was up 16.3% to USD50.8m or 31.6% of sales (+2.3ppt), and non-IFRS EPS was up 18% to USD0.59. These figures were above our forecasts (sales of USD153.4m, non-IFRS op. profit of USD47.5m or 31% of sales) and the consensus average (sales of USD154.5m, non-IFRS op. profit of USD48.5m or 31.4% of sales). Non-IFRS opex was up 7% lfl, while gross margin in services was up 3.9ppt to 9.6%. On a LTM basis, operating cash conversion remained very strong, at 125% of EBITDA (target >100%), with DSOs down 40 days (vs. a full-year target of 10-15 days) to 129.
- **Other Q3 details**. 1) Total licensing revenue momentum was strongly positive in Asia Pacific (est. +225%) thanks to several deals including Standard Chartered Bank, followed by America (est. +11%), Middle East & Africa (est. -18%) and Europe (est. -29%, due to tough comps related to the Nordea deal); 2) New wins stood at 14, down from 19 in Q3 2015, but sales execution remained strong across all client tiers and segments; 3) the US pipeline is healthy and should lead to a growth acceleration in the coming quarter, yet Temenos still cannot mention the name of the US top 20 bank gone live in Q2 as a reference; 4) The services gross margin was up 3.9ppt thanks to a higher share of "premium" services (21% vs. 19% in Q3 2015); 5) DSOs are expected to decline further in Q4 vs. Q3, but probably not at the same extent as in Q4 2015 vs. Q3 (-15 days).
- **2016 guidance raised, as expected**. Given the Bank of Ireland deal, Temenos has raised FY16 guidance and now expects non-IFRS revenues up 12.5-14.5% at cc (vs. up 7.5-11% at cc), total software licensing up 15-20% at cc (vs. up 10-15% at cc), and an operating margin of USD184-186m at cc (vs. USD180-185m at cc) still implying an operating margin up c. 2ppt to c. 30%. Adjusted for fx, this translates into total revenues of USD621-632m (vs. USD593-612m) and total software licensing of USD245-256m (vs. USD233-244m). Management considers revenue visibility is at a record level – driven by Bank of Ireland, for which we consider licence revenues for Q4 2016 are around USD12m -, the sales pipeline for 2017 is very strong in all geographies and segments, and no slowdown in decision making has been seen since the Brexit referendum. Finally, it is confident it can deliver a gross margin in services for 2016 similar to that of 2015 (8.5%) as the governance team ramps up over H2.

VALUATION

- Temenos' shares are trading at est. 22.7x 2016 and 19.5x 2017 EV/EBIT multiples.
- Net debt on 30th September 2016 was USD273.1m (net gearing: 67%).

NEXT CATALYSTS

FY16 results on 14th February 2017 after markets close.

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TMT

Worldline

Price EUR25.89

Positive momentum is just starting

Fair Value EUR32 vs. EUR31 (+24%) **BUY**

Bloomberg	WLN FP
Reuters	WLN.PA
12-month High / Low (EUR)	29.1 / 19.0
Market Cap (EURm)	3,422
Ev (BG Estimates) (EURm)	3,052
Avg. 6m daily volume (000)	75.70
3y EPS CAGR	15.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.0%	-0.3%	14.0%	8.5%
Softw.& Comp.	-0.8%	9.7%	8.7%	6.4%
DJ Stoxx 600	0.7%	1.9%	-1.6%	-6.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,227	1,312	1,608	1,686
% change		*6.9%*	*22.6%*	*4.8%*
EBITDA	235	262	341	388
EBIT	174.9	197.0	251.7	295.1
% change		*12.6%*	*27.8%*	*17.2%*
Net income	122.9	133.7	163.4	189.6
% change		*8.8%*	*22.2%*	*16.0%*

	2015	2016e	2017e	2018e
Operating margin	14.3	15.0	15.7	17.5
Net margin	8.4	11.5	9.5	11.3
ROE	13.1	16.1	13.9	14.8
ROCE	29.0	24.3	36.5	44.3
Gearing	-41.0	-39.4	-49.4	-58.0

(EUR)	2015	2016e	2017e	2018e
EPS	0.91	0.99	1.21	1.40
% change	*-*	*8.8%*	*22.2%*	*16.0%*
P/E	28.4x	26.1x	21.4x	18.4x
FCF yield (%)	3.8%	4.1%	5.7%	6.8%
Dividends (EUR)	0.00	0.29	0.28	0.34
Div yield (%)	NM	1.1%	1.1%	1.3%
EV/Sales	2.5x	2.3x	1.8x	1.6x
EV/EBITDA	13.2x	11.6x	8.5x	7.0x
EV/EBIT	17.7x	15.5x	11.5x	9.2x

WLN has posted Q3 sales at the high-end of our estimated range (between -1% and 0% lfl: we were at the bottom and the consensus at the top). Management gave the first contribution of Equens/Paysquare/KB for Q4, which was in line with the consensus simulation. We see positive momentum: Q3 revenue growth will be the lowest lfl performance of FY16, the consensus is at last set to integrate the latest acquisitions into its model and valuation, the 3-year plan for Worldline will be given at the Atos investor day (8th November), the Equens integration has started (synergies of EUR40m), and we see potential new M&A deals offering further upside to EV/EBITDA. Buy rating – FV raised from EUR31 to EUR32.

ANALYSIS

Q3 sales were at the high-end of our estimated range of -1/0% lfl: revenue came out at EUR294.3m i.e. up 0.2% lfl (+4.1% lfl over the first 9 months) vs our est. of EUR290.9m (-0.9% lfl) and consensus of EUR294.2m (+0.2% lfl). Q3 revenue growth is the lowest of the year because of two cumulated impacts (VOSA contract loss -3%, and radar contract loss -5%). **By division: 1)** Merchants services & Terminals up 5% lfl at EUR101.6m (+7.9% for the first 9 months); **2)** Financing processing & Software licensing up 4.4% lfl at EUR107.6m (+4.5% lfl for the first 9 months); **3)** Mobility & e-transactional services down 9.3% lfl at EUR85.1Xm (-0.4% for the first 9 months), impacted by the termination of both the radar contract and by the VOSA contract. **The FCF was at EUR111.3m** (incl. EUR40.1m in Q3), **and the backlog totalled EUR1.7bn** (i.e. 1.4 years of revenue). **In all, Q3 was in line with expectations and Worldline's standalone FY 2016 targets**, namely >3% in lfl sales growth, +80bp in EBITDA margin and EUR135m-140m in FCF. **The first estimated contribution from acquisitions in Q4 2016 are in line with expectations:** c. EUR80m in revenue (vs. BG simulation EUR83m and cons. simulation EUR82m), c. EUR10m in EBITDA (vs. BG and cons. EUR12m), with a positive net contribution to the FCF.

What about the rest of 2016e? Q4: 7-8% in underlying revenue growth and -5% from the radar contract = 2-3% lfl growth. This means 8% in underlying revenue growth over FY 2016 = +3.5% lfl over FY 2016. So, Worldline is able to generate 7-8% underlying revenue growth. We do not expect any disappointment on margins (management has an excellent track record on the operating level, and is good at cutting costs). **What about 2017e?** H1: 7% underlying revenue growth and -5% from the radar contract = +2% lfl. H2: 7% underlying revenue growth (end of contract losses) = +7% lfl. This points to 7% underlying revenue growth over the full year 2017, i.e. +4.5% lfl. As this is a fixed cost business, there should be operating leverage. **We have upgraded our EPS sequence by +4.1% on average (-5.7% in 2016, +5.9% in 2017 and +12.1% in 2018).**

Momentum is positive: 1) Q3 revenue will be the lowest growth of the year, so we expect Q4 to resume growth with lfl growth of 2-3% (the end of the VOSA loss impact was in Q3 2016); **2)** now that Worldline's management has given its FY guidance including Equens/Paysquare/KB, analysts will at last integrate them in their models. As a result, this should drive their EPS estimates upwards and of course their target prices (our FV already integrated these three deals); **3)** Atos will hold an investor day on 8th November. to give its mid-term guidance (2019), which will include a part for Worldline. It should show lfl revenue growth of 5-7% (BG. +4.8%) and a strong margin improvement (significant synergies from the Equens deal as of 2018: EUR40m).

What is not integrated into the current share price in our view? 1) the next M&A deal (probably a platform from a bank subsidiary in Central or Eastern Europe); **2)** the strong EBITDA margin improvement we expect in 2018 and 2019 we be linked to the synergies from the Equens deal (Worldline will provide the first answer during Atos investor day by giving 2019 targets).

VALUATION

We have adjusted upwards our FV from EUR31 to EUR32. Our new FV is based on our official figures (vs. previously based on our simulation with Equens/Paysquare/KB).

Over 2016 the share is almost fully valued at 11.6x EV/EBITDA (i.e. not far from being consistent with its positioning as a physical PSP), **however over 12 rolling months it is at only 9.3x (we advise investors to target 12x).** And, of course, **it is even more attractive in 2017e at 8.5x.**

Worldline could step up M&A activity again. This could offer higher leverage on EV/EBITDA.

NEXT CATALYSTS

Atos 2016 investor day: 8th November 2016.

Worldline including the acquisitions of Equens/Paysquare and KB from 2016e to 2019e

Fig. 1:	EURm	BG 2016e	Cons. 2016	BG 2017e	BG 2018e	BG 2019e
Fig. 2:	**Revenue**	**1,311.9**	**1,315**	**1,607.7**	**1,685.6**	**1,767.2**
Fig. 3:	*Lfl growth*	*3.5%*	*3.5%*	*4.5%*	*4.8%*	*4.8%*
Fig. 4:	Synergies	0	-	20.0	40.0	45.0
Fig. 5:	**EBITDA after synergies**	**261.8**	**261**	**340.6**	**388.0**	**419.0**
Fig. 6:	*Margin*	*20.0%*	*19.8%*	*21.2%*	*23.0%*	*23.7%*
Fig. 7:	**Current EBIT**	**197.0**		**251.7**	**295.1**	**335.6**
Fig. 8:	*Margin*	*15.3%*		*15.7%*	*17.5%*	*19.0%*
Fig. 9:	Synergy Implementation costs	-8		-20	-12	-5
Fig. 10:	**EBIT**	**221.2**		**228.7**	**280.1**	**327.6**
Fig. 11:	*Margin*	*16.9%*		*14.2%*	*16.6%*	*18.5%*
Fig. 12:	**Restated attrib. net income**	**133.7**		**163.4**	**189.6**	**213.7**

Sources: Bryan, Garnier & Co ests; company consensus based on analysts' simulations (14/10/16).

Worth noting regarding our estimates:

EUR40m run-rate OMDA savings from 2018 (50% in 2017 and 100% in 2018). Synergy implementation costs c. EUR40m from 2016 to 2018 (20% in 2016, 50% in 2017 and 30% in 2018).

Additional run-rate savings from 2021 through application platforms convergence for c. EUR15m p.a. (33% in 2019, 67% in 2020 and 100% in 2021). **Synergy implementation costs** c. EUR25m over 5 years (EUR5m p.a).

We have revised our EPS sequence by -5.7% in 2016e, +5.9% in 2017e +12.1% in 2018e and +16.9% in 2019e.

Worldline's multiples including the acquisitions of Equens/Paysquare and KB over 2016-2018e

Fig. 13:	**x**	**2016e**	**2017e**	**201**
Fig. 14:	EV/Sales	2.3	1.8	1
Fig. 15:	**EV/EBITDA**	**11.6**	**8.5**	**7**
Fig. 16:	EV/current EBIT	15.5	11.5	9
Fig. 17:	P/E	26.1	21.4	18

Source: Bryan, Garnier & Co ests.

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Healthcare

Ablynx

Price EUR10.91

Bloomberg	ABLX BB
Reuters	ABLX.BR
12-month High / Low (EUR)	16.1 / 10.4
Market Cap (EURm)	665
Avg. 6m daily volume (000)	187.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.3%	-12.6%	-18.5%	-31.4%
Healthcare	-3.6%	-6.3%	-3.5%	-10.5%
DJ Stoxx 600	0.7%	1.9%	-1.6%	-6.1%

	2015	2016e	2017e	2018e
P/E	NS	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

ABBVIE opts-out... best-in-class and free!

Fair Value EUR18 (+65%) **BUY**

ANALYSIS

- Abbvie has decided to opt out of the deal inked with Ablynx on vobarilizumab, following what we considered as a good set of phase IIb results, clouded however by a high placebo rate. Hence, Ablynx is not eligible for a USD75m milestone payment.
- Additional data provided this morning bodes well with our view on the best-in-class profile of vobarilizumab and its differentiation in both dosing and efficacy. The company should now engage in re-partnership discussions. We believe that a new partner could be found within 12 to 18 months. This timeframe could be explained by 1/ no partnership discussions already engaged and 2/ a separate licensing option based on a trial in SLE due to read out in 2018, hence a potential partner might want to wait for these results.

VALUATION

- We reiterate our BUY rating and EUR18 Fair Value.
- While the share price is likely to be under pressure at opening, additional data communicated by the company increases our confidence on the best-in-class profile of vobarilizuamab.
- We consider the share price does not take into account vobarilizumab, hence, the news should provide an attractive entry point. However, a share price recovery is likely to depend on the granularity given by management on the next steps for both phase III and discussions with potential partners.

NEXT CATALYSTS

- Today 4.00pm: conference call on opt out decision and next steps

Click here to download

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Healthcare

Roche

Price CHF233.80

Q3 sales slightly below expectations

Fair Value CHF293 (+25%) **BUY**

Bloomberg	ROG VX
Reuters	ROG.VX
12-month High / Low (CHF)	279.3 / 232.7
Market Cap (CHFm)	164,259
Avg. 6m daily volume (000)	1 195

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.6%	-6.7%	-8.1%	-15.4%
Healthcare	-3.6%	-6.3%	-3.5%	-10.5%
DJ Stoxx 600	0.7%	1.9%	-1.6%	-6.1%

	2015	2016e	2017e	2018e
P/E	17.3x	14.8x	14.1x	13.9x
Div yield (%)	3.5%	4.1%	4.3%	4.3%

ANALYSIS

- Roche has reported sales figures for the third quarter slightly below estimates, reflecting a slowdown in the group's (and mainly its pharma division) sequential quarterly growth since the Q3 performance was modest overall. Q3 sales advanced 3% (including only 2% for Pharma), reflecting a poor performance in Japan (-3%) and a marked slow-down in the US (+1%).
- It will be interesting to hear whether this performance is suggestive of increased competition that could heighten pressure on Rituxan and Avastin as these were the two main products to disappoint over the quarter, notably in the US where they were respectively down by 3% and 9%, representing a marked break in the trend. New options in CLL and solid tumours respectively could have had an impact and if this was the case, then the sequence for upcoming quarters might have to be revisited (Avastin was flat in our model for 2017, rather than declining).
- Moving to new products, Esbriet is still doing well in the US, Alecensa is progressing well too, Tecentriq had a good third quarter (with its bladder indication) whereas Cotellic was still modest despite good results.

VALUATION

- The margin for disappointment is not huge but the performancs by Rituxan and Avastin could obviously ask questions and does not come at the right time. Let's simply say that it puts even more pressure (if possible) on APHINITY to post positive results.

NEXT CATALYSTS

- Today 2pm: Conference Call

Click here to download

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Construction & Building Materials

Saint Gobain

Price EUR38.86

Further gradual improvement in the craftsmen business performance in Q3 in France

Fair Value EUR46 (+18%) **BUY**

Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	41.8 / 32.1
Market Cap (EURm)	21,563
Avg. 6m daily volume (000)	1,649

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.8%	7.5%	-3.8%	-2.5%
Cons & Mat	2.0%	8.1%	5.0%	6.0%
DJ Stoxx 600	0.7%	1.9%	-1.6%	-6.1%

	2015	2016e	2017e	2018e
P/E	18.9x	18.2x	14.2x	11.8x
Div yield (%)	3.2%	3.3%	3.3%	3.3%

ANALYSIS

- Craftsmen are the main customers of SGO Building Distribution. They generate approximately two thirds (cEUR80bn) of the building segment in France, mostly in renovation (c60% of their sales).
- In Q3 2016, the Craftsmen association CAPEB confirmed the gradual improvement in activity in France. Business increased by 2% y/y in Q3, after 1% in Q1 and Q2, mostly thanks to new-built (+3%), but also to a lesser extent, to a slight improvement in renovation (+1% versus +0.5% only in Q1 and Q2). There are not massive figures of course, but they are another step in the right direction. Actually, for the first time since 2011, craftsmen revenues are likely to grow on a yearly basis.
- The CAPEB confirmed that the craftsmen's order book is improving (+9 days since January) and that, in July, the number of craft businesses willing to hire was higher than those wanting to reduce their staff. However, this is not new as the CAPEB already mentioned it last summer (see our Focus on Saint-Gobain on 7th October 2016).

VALUATION

- EUR46 FV derived from the application of historical EV/EBIT to our 2018 forecast, discounted back.

NEXT CATALYSTS

- Q3 2016 revenues will be released on 27th October, post market. We expect EUR9.8bn.

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TMT

Software AG

Price EUR33.84

Bloomberg	SOW GR
Reuters	SOWG.DE
12-month High / Low (EUR)	38.9 / 24.3
Market Cap (EURm)	2,673
Avg. 6m daily volume (000)	192.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.9%	1.7%	0.0%	28.1%
Softw.& Comp. SVS	-0.8%	9.7%	8.7%	6.4%
DJ Stoxx 600	0.7%	1.9%	-1.6%	-6.1%

	2015	2016e	2017e	2018e
P/E	14.5x	14.0x	13.4x	12.4x
Div yield (%)	1.6%	1.8%	1.9%	2.1%

Final Q3 2016 results fully in line with initial estimates and FY16 guidance confirmed

Fair Value EUR40 (+18%) **BUY**

ANALYSIS

- **Software AG has confirmed the preliminary Q3 results announced on 14th October**. The figures are in line with those pre-announced: sales -8.1% to EUR198.3m (-7.1% lfl), a non-IFRS op. margin of 33.7% (+1.2ppt), and EBIT down 25% to EUR50.1m. By division, figures were also confirmed, with DBP (Digital Business Platform) sales up 1% cc, A&N (Adabas & Natural) sales down 26% lfl, and Consulting up 5% lfl. The new figures announced today were net profit down 27% to EUR32.4m, and free cash flow, which was up 13% year-to-date to EUR145.4m (23.9% of sales, +3ppt).
- **FY16 guidance confirmed**. Software AG confirmed the FY16 guidance raised on 14th July, i.e. DBP product sales up 5-10% lfl, A&N product sales down 2-6% lfl, and a non-IFRS operating margin of 30.5-31.5%. We expect 2.7% lfl sales growth and a non-IFRS operating margin of 31.6% - which implies that the margin should widen by only 0.4ppt (vs. +3.9ppt for H1 16) over H2 16.

VALUATION

- Software AG's shares are trading at est. 9.1x 2016 and 8.2x 2017 EV/EBIT multiples.
- Net cash position on 30th September 2016 was EUR93.4m (net gearing: -8%).

NEXT CATALYSTS

FY16 results on 26th January before markets open.

Click here to download

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TMT

Soitec

Price EUR0.96

FQ2 sales slightly lower and cautious FY17e guidance

Fair Value EUR0.5 (-48%) **NEUTRAL**

Bloomberg	SOI FP
Reuters	SOIT.PA
12-month High / Low (EUR)	1.0 / 0.4
Market Cap (EURm)	582
Avg. 6m daily volume (000)	1,548

	1 M	3 M	6 M	31/12/15
Absolute perf.	14.3%	28.0%	103.5%	50.0%
Semiconductors	4.4%	6.9%	26.9%	23.6%
DJ Stoxx 600	0.7%	1.9%	-1.6%	-6.1%

	03/16	03/17e	03/18e	03/19e
P/E	NS	20.0x	23.8x	21.3x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

Yesterday, Soitec published Q2 sales slightly below our estimates. The group posted FQ2-17 sales of EUR56.7m, up 4% (at constant exchange rate) from EUR54.7m in FQ2-16 but slightly below our estimates of EUR58.5m. As such, FH1-17 sales came out at EUR112.1m, also up 4% (at constant exchange rate) compared to FH1-16.

300mm business is said to be at the bottom. During the conference call, management said that the PD-SOI wind-down was faster than expected during the first half of the fiscal year, resulting in lower second quarter sales than we forecast. However, the 300mm is said to have reached a bottom as management now expects to see the ramp up of new digital applications to offset the declining momentum of PD-SOI. Regarding new applications, we remind that Sony's FD-SOI based GPS chip will be used for a Huami (Xiaomi) smartwatch. To our knowledge, this is the first time an FD-SOI based chip will be used in a consumer product. We do not expect significant FD-SOI volume increase for Soitec due to this product but it highlights the advantage of such a technology for higher volume products. Indeed, Sony's chip allows the smartwatch to double battery life while using GPS on the watch. Note that power saving is one of the key advantages of FD-SOI.

Full year revenue guidance also refined to a level lower than our estimates. During the conference call, management also provided a refined guidance for FY17e, which changed from "single digit growth" to "low single digit growth". This was below our own estimates and the street's expectations for FY17e sales growth of +9% leading to FY17e sales of EUR254m. FY17e EBITDA margin guidance remains around 15%.

VALUATION

Based on our current estimates, Soitec's shares trade at a 2017e P/E ratio of 20.0x.

NEXT CATALYSTS

8th December 2016: FH1-2017e results

Dorian Terral, dterral@bryangarnier.com

Healthcare

Transgene

Price EUR3.17

Q3 2016 revenues and announcement of a capital increase

Fair Value EUR5 (+58%) **CORPORATE**

Bloomberg	TNG.FP
Reuters	TRNG PA
12-month High / Low (EUR)	4.0 / 2.4
Market Cap (EURm)	122
Avg. 6m daily volume (000)	81.30

	1 M	3 M	6 M	31/12/15
Absolute perf.	14.5%	14.9%	-4.9%	25.5%
Healthcare	-3.6%	-6.3%	-3.5%	-10.5%
DJ Stoxx 600	0.7%	1.9%	-1.6%	-6.1%

	2015	2016e	2017e	2018e
P/E	NS	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- Transgene has published its Q3 2016 revenues (EURm1.5m vs 2.3m a year ago), but as always in the biotech field, the most important piece of information was the net cash position, which stood at EUR25.4m (vs EUR31.7m). Cash burn was thus EUR16.3m over the first nine months (EUR8.2m during the third quarter), bearing in mind that outflow associated with the restructuring plan amounted to EUR4.2m. And so far, financial guidance is for EUR35m in cash burn over the full year.
- More importantly, the company announced the launch of a capital increase of c.EUR48m, the objective being obviously to fund its different trials (e.g. TG4010 in combination with nivolumab for the treatment of non-small cell lung cancer, PexaVEC with sorafenib or "nivo" in liver cancer, etc.). We believe this would cover slightly less than two years of operations.
- Looking at the main terms of the transaction, note that 1/ between 18,501,780 and 18,878,952 new shares at a price of EUR2.60 (implying a discount of 15.6% based on the last closing share price) are expected to be issued; 2/ each shareholder will receive one preferential subscription right for every retained share. 25 rights would allow subscription to 12 new shares on an "*irreductible*" basis.
- Note also that the Institut Mérieux (51.9% of the capital) promised to subscribe to up to 75% of the new shares.

VALUATION

We stick to our FV of EUR5.0.

NEXT CATALYSTS

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Sector View

Luxury Goods

Swiss watch exports down 5.7% in September (-9% in August)

	1 M	3 M	6 M	31/12/15
Pers & H/H Gds	-0.4%	-0.8%	-1.2%	0.4%
DJ Stoxx 600	0.7%	1.9%	-1.6%	-6.1%

*Stoxx Sector Indices

Companies covered

BURBERRY	NEUTRAL	1260p
CHRISTIAN DIOR	BUY	EUR175
HERMES Intl	BUY	EUR370
HUGO BOSS	NEUTRAL	EUR74
KERING	BUY	EUR193
LVMH	BUY	EUR180
MONCLER	BUY	EUR17,5
PRADA	NEUTRAL	HKD31
RICHEMONT	NEUTRAL	CHF60
SALVATORE	BUY	EUR23
THE SWATCH GROUP	SELL	CHF270
TOD'S GROUP	SELL	EUR53

After a 9% decline in August, Swiss watch exports fell 5.7% in September, implying -10% over 9m. In September, exports to Mainland China and to HK were down respectively 1% and 40%. On the other hand, exports to the US were up 4.7% and those to the UK enjoyed a 32% increase. The situation remains very tough in HK but a regular improvement is confirmed in our view in Mainland China.

ANALYSIS

- **Swiss watch exports declined 5.7% in September to CHF1.7bn, implying -10.2% over 9m, this follows a 9% decrease in August and -14% in July**. By region, it is worth noting the **40% decline in Hong Kong (12% of total exports) following -30% in July and in August. In Mainland China (6% of total Swiss watch market), exports were almost stable**. Over the first nine months, exports to Hong Kong and to Mainland China are down respectively 29% and 8.6%. Together, Mainland China and HK accounted for 19% of total Swiss watch exports for the first nine months (29% in 2013) and were down 23%! Together, exports to HK and MC were down 25% in September. On the other hand, exports to the US bounced back 4.7% after -12% in August and -14% in July. In Europe, the situation was mixed in September with a 22% decrease in France but a 32% increase to UK.
- The high-end segment (above CHF3,000 export price or above CHF9,000 selling price) was down 7%. The mid-range segment (CHF500 to CHF3,000 export price) was better (+1% growth), while the entry price (CHF200 to CHF500) was down 11.6%.

NEXT CATALYSTS

- October Swiss watch exports to be released on 22nd November.

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Bryan Garnier stock rating system

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

Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 56.7% NEUTRAL ratings 31.2% SELL ratings 12.1%

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