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25th October 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18223.03	+0.43%	+4.58%
S&P 500	2151.33	+0.47%	+5.25%
Nasdaq	5309.83	+1.00%	+6.04%
Nikkei	17365.25	+0.76%	-9.45%
Stoxx 600	344.26	-0.01%	-5.89%
CAC 40	4552.58	+0.36%	-1.82%
Oil /Gold			
Crude WTI	50.17	-0.65%	+34.87%
Gold (once)	1261.59	-0.35%	+18.75%
Currencies/Rates			
EUR/USD	1.08845	+0.12%	+0.20%
EUR/CHF	1.0809	-0.12%	-0.60%
German 10 years	-0.05	-29.65%	-107.91%
French 10 years	0.24	+9.49%	-75.55%
Euribor	-	+-%	+-%

Economic releases :

Date	
25th-Oct	10h00 DE - IFO expectations Oct. (104.5 E) 10h00 DE - Business Climate Oct. (109.6 E) 15h00 US - House price index. Aug (0.5% E) 16h00 - US Consumer Confidence (101E) 17h30 EUZ - Draghi speaks in Berlin

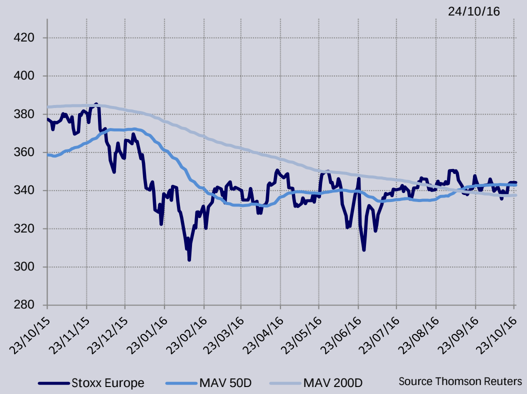
Upcoming BG events :

Date	
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)
28th-Nov/ 29th-Nov	2nd Paris Consumer Conference

Recent reports :

Date	
20th-Oct	Luxury goods :We bet on a rebound in Greater China in 2017
19th-Oct	Back from ESMO 2016: What's hot in oncology
19th-Oct	IPSEN Cabometyx AND Somatuline to transform Ipsen
17th-Oct	Haemophilia: « Stemming the bleed »
13th-Oct	TEMENOS Success breeds success
12th-Oct	BOUYGUES Do not forget construction!

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



AMS — NEUTRAL, Fair Value (Under Review) CHF29 (-4%)

Strong Q3, warning on Q4 and an acquisition likely not to be accretive before 2018e

DASSAULT SYSTÈMES — SELL, Fair Value EUR64 (-16%)

Q3 2016 results above consensus expectations, FY16 guidance updated from CST and fx

LUXOTTICA — NEUTRAL, Fair Value EUR52 (+22%)

Q3 sales in line with expectations, towards a more favourable momentum

DIA — BUY, Fair Value EUR6,5 (+19%)

Q3 (first take): in line / potential debate on the evolution of the wording of the FCF guidance

NOVARTIS — NEUTRAL, Fair Value CHF87 (+17%)

More-resilient-than-expected Gleevec drives Q3 slightly above expectations

ORANGE — BUY, Fair Value EUR17.1 (+21%)

Good Q3 results, slightly above expectations; back to revenue and EBITDA growth.

SWORD GROUP — BUY, Fair Value EUR32 vs. EUR31 (+19%)

Q3 2016 results still outperform full-year targets; FY16 guidance likely to be exceeded

TOD'S GROUP — SELL, Fair Value EUR53 vs. EUR55 (+4%)

Q3 sales declined 4.8% at same forex

UCB — NEUTRAL, Fair Value EUR80 (+19%)

9M sales

In brief...

ALTRAN TECHNOLOGIES, *Acquisition of Swell: strengthening automotive engineering capabilities in Eastern Europe*

DBV TECHNOLOGIES, *Encouraging 3years data for Viaskin*

GENEURO, *Can't wait to be in 2017 !*

VOLTALIA, *Exercise price of the warrants at EUR7.46 per share*

ams

Price CHF30.20

Strong Q3, warning on Q4 and an acquisition likely not to be accretive before 2018e

Fair Value (Under Review) CHF29 (-4%) **NEUTRAL**

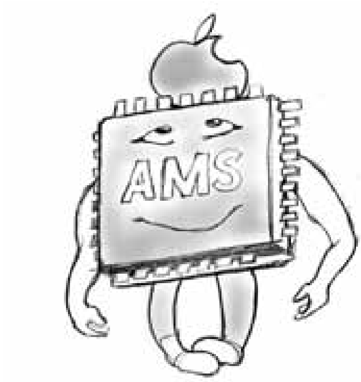
Bloomberg	AMS SW
Reuters	AMS.S
12-month High / Low (CHF)	39.3 / 23.0
Market Cap (CHFm)	2,217
Ev (BG Estimates) (CHFm)	2,401
Avg. 6m daily volume (000)	466.2
3y EPS CAGR	9.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-10.9%	8.4%	-1.3%	-10.0%
Semiconductors	0.3%	6.2%	30.8%	24.2%
DJ Stoxx 600	-0.3%	1.2%	-1.2%	-5.9%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	623.1	582.5	688.2	826.7
% change		*-6.5%*	*18.1%*	*20.1%*
EBITDA	195	146	213	276
EBIT	147.3	86.9	154.8	219.1
% change		*-41.0%*	*78.2%*	*41.5%*
Net income	148.7	83.6	142.3	200.1
% change		*-43.8%*	*70.2%*	*40.6%*

	2015	2016e	2017e	2018e
Operating margin	23.6	14.9	22.5	26.5
Net margin	23.9	14.4	20.7	24.2
ROE	21.8	12.2	17.1	19.4
ROCE	17.0	9.4	16.1	21.5
Gearing	19.3	26.8	1.8	-13.3

(EUR)	2015	2016e	2017e	2018e
EPS	2.08	1.14	1.94	2.73
% change	*-*	*-45.2%*	*70.2%*	*40.6%*
P/E	14.5x	26.5x	15.6x	11.1x
FCF yield (%)	3.3%	NM	7.0%	8.3%
Dividends (EUR)	0.31	0.47	0.26	0.44
Div yield (%)	1.0%	1.6%	0.9%	1.5%
EV/Sales	3.8x	4.1x	3.2x	2.5x
EV/EBITDA	12.0x	16.4x	10.5x	7.5x
EV/EBIT	15.9x	27.6x	14.4x	9.5x



Yesterday, ams reported Q3 revenue of EUR146.7m, with an adj. operating result of EUR28m (adj. op. margin of 19.1%), yielding EPS of EUR0.37, i.e. well above Street's expectations (at EUR0.29). However, the group sees a muted year-end, as such Q4 2016 adj. EBIT revenue and guidance came out well below consensus. But the most important part of the press release is the announcement of the acquisition of Heptagon in a deal worth USD570m (+ possible earn-out consideration of USD285m) that we believe will not be accretive before 2018e. A conference call is to be held today at 9:00am (CET). In the meantime, we set our FV Under Review vs. CHF29.

ANALYSIS

ams reported Q3 EPS well above the Street's expectations. For Q3, ams reported revenues of EUR146.7m, up 10.8% seq. (-4.1% yoy) compared with group's guidance for a revenue of about EUR149.5m (at mid-range, i.e. flat seq.), and consensus expectations for revenue of EUR149.7m or up 13.1% sequentially. Gross margin came in at 55.0%, about 100bps below company's guidance (56.0%) and broadly in line with the street's forecast of GM at 54.6% (BG ests. 55.5%). As a result, EBIT was well above expectations at EUR28m (cons. USD22m/BG ests. EUR27m) (IFRS EBIT of EUR49.7m or a 34% op. margin) and EPS came in at EUR0.37, i.e. well above the consensus (cons. EUR0.29/BG ests. EUR0.32). Finally, backlog on Q3 was EUR132.2m down from EUR146.6m at the end of Q2 2016.

A strong Q3 thanks to higher volume demand. The ams' consumer and communications business played a significant role in the good performance of Q3 with high volume thanks to new smartphone launches and a more attractive market environment driving strong momentum for products such as ambient light sensors. On the other hand, ams' industrial, medical and automotive performed in line with expectations.

Company sees a muted year-end, as such Q4 2016 revenue and operating result guidance came out well below expectations. For Q4, the group sees a muted environment due to a negative impact at a specific customer (i.e. Samsung Galaxy Note7), but especially a production yield issue in an industrial product line which is not expected to be resolved before early 2017. As such, ams expects Q4 2016 sales to decrease sequentially by 11.0% to about EUR130m (at the mid-range of EUR127m to EUR134m), well below (c. 17%) the consensus forecasts for revenue of EUR157.2m (BG ests. EUR160.8m). Margins should also be impacted by the production yield issue. As such, the adjusted operating margin for Q4 2016 is forecast to be around 12% at mid-range (+/-100bp), yielding Adj. EBIT of EUR16m, well below (about 45%) consensus forecasting Adj. EBIT of EUR28m.

ams also announces the acquisition of Heptagon for about EUR520m (USD570m) upfront and earn-out consideration of EUR260m (USD285m) maximum. Heptagon is focusing on optical packaging of components designed for consumer applications. ams sees an opportunity to expand its know-how in optical design and manufacturing while accelerating ams' mid-term growth in optical sensing. We understand that Heptagon won an important design-in lately in the smartphone space (possibly Apple or Samsung). As such, based on the current pipeline and customers engagements, ams forecasts Heptagon revenue to increase significantly (2015/19e CAGR > 30%). The current revenue run rate of Heptagon is about EUR80m (USD90m), but is said to be below the break-even at EBIT level. We understand that ams targets revenue of about EUR180m as of 2019e with EBIT margin of about 30% or 2019e EBIT slightly below EUR54m. The acquisition is said to be financed through 1/ a cash consideration of USD64m (c. EUR59m; note that the group had a net debt position of EUR280m at the end of Q2 2016), 2/ a capital increase of 15% of outstanding shares, and 3/ shares from currently held treasury shares for a deal worth USD570m or EUR520m pointing to deal value to TTM (trailing twelve months) sales ratio of 6.3x. In addition to this upfront transaction, ams might pay an earn-out of maximum EUR260m or USD285m depending on Heptagon performance over FY17. The transaction is expected to close within the next three months.

An acquisition likely not accretive before 2018e. Given the details shared by the group, we estimate that the acquisition has high chance to be accretive from 2018e only. Currently, Heptagon is below break-even at operating result level. Including the impact of the acquisition (mainly the capital increase), we estimate at first take that Heptagon business would require an operating margin of 12% in 2017e to be accretive (implying a 30% revenue growth in 2017e based on current 12m run rate). Given the cautious wording of ams regarding the ramp up of Heptagon revenue, we estimate that 2018e will be the year when this acquisition will finally be accretive (requires an operating margin of 13% minimum to be accretive, based on similar assumptions).

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VALUATION

Before the conference call to be held today at 9:00am, we set our FV Under Review (vs. EUR29).

Based on our estimates, ams' shares are trading on 2017e P/E and PEG ratios of 15.3x and 1.6x respectively.

NEXT CATALYSTS

25 October 2016: Q3 results Conference call (9 am CET: +44 20 3059 5862)

Early February 2017: FY16 and Q4 results

Fig. 1: Reported Q3 2016 vs. estimates

[EURm]	BG ests. 3Q16e	Consensus 3Q16e	3Q16 Actual	Actual vs. Cons.
Net revenue	152.6	149.7	146.7	-2.0%
% change (seq)	*15.3%*	*13.1%*	*10.8%*	-227bp
% change (yoy)	*-0.3%*	*-2.2%*	*-4.1%*	-196bp
Adj. Gross Margin	55.5%	54.6%	55.0%	40bp
Adj. EBIT	26.9	21.7	28.0	29.0%
% of revenue	*17.6%*	*14.5%*	*19.1%*	459bp
EPS (in EUR)	0.32	0.29	0.37	27.6%

Fig. 2: Sources: ams; Thomson Reuters I.B.E.S; Bryan, Garnier & Co ests.

Fig. 3:

Fig. 4: Guidance Q4 2016 vs. estimates

[EURm]	BG ests. 4Q16e	Consensus 4Q16e	4Q16 Guidance	Guid. vs. Cons.
Net revenue	161.7	157.2	130.5	-17.0%
% change	*5.9%*	*5.0%*	*-11.0%*	-1604bp
Gross Margin	56.5%	54.7%	54.7%	0bp
Adj. EBIT	32.4	28.4	15.7	-44.9%
% of revenue	*20.1%*	*18.1%*	*12.0%*	-607bp
EPS (in EUR)	0.39	0.36		

Fig. 5: Sources: ams; Thomson Reuters I.B.E.S; Bryan, Garnier & Co ests.

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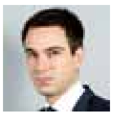

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TMT

Dassault Systèmes

Price EUR76.60

Q3 2016 results above consensus expectations, FY16 guidance updated from CST and fx

Fair Value EUR64 (-16%) **SELL**

Bloomberg	DSY FP
Reuters	DAST.PA
12-month High / Low (EUR)	78.8 / 64.4
Market Cap (EUR)	19,705
Ev (BG Estimates) (EUR)	17,778
Avg. 6m daily volume (000)	228.2
3y EPS CAGR	11.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.8%	8.1%	9.3%	3.8%
Softw.& Comp.	-1.5%	5.9%	10.7%	7.3%
DJ Stoxx 600	-0.3%	1.2%	-1.2%	-5.9%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	2,839	3,086	3,388	3,706
% change		*8.7%*	*9.8%*	*9.4%*
EBITDA	897	1,019	1,139	1,280
EBIT	633.2	745.3	865.2	1,003
% change		*17.7%*	*16.1%*	*15.9%*
Net income	617.2	724.0	781.1	871.2
% change		*17.3%*	*7.9%*	*11.5%*

	2015	2016e	2017e	2018e
Operating margin	29.8	31.2	31.9	32.9
Net margin	14.2	16.5	16.8	17.8
ROE	11.5	13.3	13.3	13.8
ROCE	28.9	37.7	45.5	57.8
Gearing	-38.7	-50.2	-60.0	-68.6

(€)	2015	2016e	2017e	2018e
EPS	2.37	2.77	2.98	3.30
% change	*-*	*16.7%*	*7.7%*	*10.9%*
P/E	32.3x	27.7x	25.7x	23.2x
FCF yield (%)	2.7%	3.8%	4.1%	4.5%
Dividends (€)	0.42	0.50	0.55	0.64
Div yield (%)	0.6%	0.6%	0.7%	0.8%
EV/Sales	6.5x	5.8x	5.1x	4.4x
EV/EBITDA	20.5x	17.4x	15.0x	12.8x
EV/EBIT	21.7x	18.5x	15.9x	13.5x

This morning Dassault Systèmes has reported Q3 2016 results above consensus expectations, yet revenues restated from fx are at the mid-point of the company's quarterly guidance as some 3DExperience deals slipped at the end of the quarter. FY16 company guidance is upped, in order to take into account fx changes and the acquisition of CST. We expect a positive share price reaction in the short term. However, with an absence of lfl revenue growth acceleration in 2016, we consider the 2014-19 CAGR target (+9% lfl) looks a bit challenging.

ANALYSIS

- **Q3 2016 results above consensus expectations**. On a non-IFRS basis, Q3 2016 revenues were up 7.2% (+7% at cc) to EUR735.5m, while operating margin stood at 32% (+0.8ppt, taking into account a 0.1ppt fx headwind), and EPS was up 9% to EUR0.63. Revenues were 3% below our estimates (EUR756m, +8% at cc) but 1% above the consensus average (EUR726.9m), while the operating margin and EPS are way above our forecasts (30.8% and EUR0.59) and consensus expectations (30.8% and EUR0.58). The figures were at the mid-point of the company's guidance for revenues restated from fx (non-IFRS sales of EUR715-725m, up 6-8% cc), and way above the high-end of the range for non-IFRS op. margin (30-30.5%), and non-IFRS EPS (EUR0.54-0.57), which was based on EUR/USD and EUR/JPY assumptions of 1.15 and 120, vs. actual rates of 1.12 and 114 and the consensus at 1.11 and 118.
- **Q3 2016 details**. On a non-IFRS basis, initial licence fees were up 6% lfl (slightly below company expectations with some 3DExperience deal slippages at the end of the quarter), recurring licence fees were up 8% lfl, and total software sales were up 7% lfl. Services were up 6% lfl - boosted by 3DExperience-related services. On the product side, sales were up 7% lfl for Catia (driven by China), up 9% lfl for Enovia, and up 14% lfl for SolidWorks, while other solutions were up only 2% lfl amidst tough comps (+24% at cc in Q3 2015). By geography, Europe was up 4% lfl (driven by France and Southern Europe), the Americas were up 3% lfl (positive in North America, but weak in Latin America) and Asia was up 17% lfl (driven by China and Korea). Both America and Europe had tough comps on a year-on-year basis (+12% and +17% at cc, respectively).
- **FY16 guidance updated from CST and fx**. For 2016, based on the Q3 figures, the acquisition of CST announced in July, and updated fx assumptions for the full-year (EUR/USD 1.12 vs. 1.13, EUR/JPY 120 vs. 122.2), DS now expects: 1). Non-IFRS sales up 6-7% at cc to EUR3,015-3,030m (vs. EUR2,990-3,015m) while we expect EUR3,088m (consensus: EUR3,032m); 2). Non-IFRS op. margin of c. 31% (unchanged), while we expect 31.3% (consensus: 31.2%); 3). Non-IFRS EPS up 7-9% to EUR2.40-2.45 (vs. EUR2.40), while we expect EUR2.60 (consensus: EUR2.44). For Q4 2016, DS expects non-IFRS sales of EUR832-847m (BG est.: EUR884.4m; consensus: EUR857.4m), a non-IFRS op. margin of 33-35% (BG est.: 36.4%), and a non-IFRS EPS of EUR0.69-0.74.

VALUATION

- Dassault Systèmes' shares are trading at est. 18.5x 2016 and 15.9x 2017 EV/EBIT multiples.
- Net cash position on 30th September 2016 was EUR1,502.4m (net gearing: -41%).

NEXT CATALYSTS

Analysts' meeting today at 8.30am BST / 9.30am CET / 3.30am EDT in London (200 Aldersgate, Aldersgate street). Conference call at 3pm CET / 2pm BST / 9am EDT (Europe: +44 14 52 55 55 66; USA: +1 866 966 94 39).

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Luxottica

Price EUR42.62

Q3 sales in line with expectations, towards a more favourable momentum

Fair Value EUR52 (+22%) **NEUTRAL**

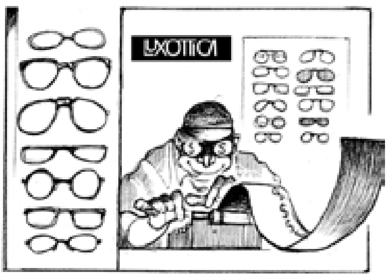
Bloomberg	LUX IM
Reuters	LUX.MI
12-month High / Low (EUR)	65.6 / 40.6
Market Cap (EUR)	20,631
Ev (BG Estimates) (EUR)	21,398
Avg. 6m daily volume (000)	858.9
3y EPS CAGR	7.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.2%	-4.5%	-11.6%	-29.4%
Consumer Gds	-2.1%	-1.6%	0.3%	-3.2%
DJ Stoxx 600	-0.3%	1.2%	-1.2%	-5.9%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	8,837	9,087	9,495	9,970
% change		*2.8%*	*4.5%*	*5.0%*
EBITDA	1,853	1,882	2,062	2,191
EBIT	1,376	1,376	1,534	1,637
% change		*0.0%*	*11.5%*	*6.7%*
Net income	804.1	819.1	935.8	1,008
% change		*1.9%*	*14.3%*	*7.7%*

	2015	2016e	2017e	2018e
Operating margin	15.6	15.1	16.2	16.4
Net margin	9.1	9.0	9.9	10.1
ROE	14.6	14.0	14.9	15.1
ROCE	12.0	11.9	13.3	14.4
Gearing	18.2	13.1	6.2	-1.9

(€)	2015	2016e	2017e	2018e
EPS	1.68	1.70	1.95	2.10
% change	-	*1.7%*	*14.3%*	*7.7%*
P/E	25.4x	25.0x	21.9x	20.3x
FCF yield (%)	3.6%	3.9%	4.8%	5.8%
Dividends (€)	0.89	0.95	1.07	1.15
Div yield (%)	2.1%	2.2%	2.5%	2.7%
EV/Sales	2.4x	2.4x	2.2x	2.1x
EV/EBITDA	11.7x	11.4x	10.2x	9.4x
EV/EBIT	15.7x	15.5x	13.6x	12.5x



Q3 sales reached EUR2,225m (+1.2%) with a FX-n growth of 1.4%, in line with CS expectations (1.3%). As expected, there was a dichotomy between Retail (+4.5% vs. 1.9% in H1) where trends have accelerated and Wholesale (-3.6% vs. +1.1%) which suffered from the MAP in the US and the distribution reorganization in China, but these headwinds should gradually ease. Hence LUX confirms FY16 outlook, implying a sharp acceleration in Q4 (+3.8%e). The Group's management was even comfortable with the current CS forecast for 2017 (mid-single-digit FX-n sales growth, op margin to improve by 20bp).

ANALYSIS

Wholesale division impacted by three headwinds (Q3: -3.6% FX-n): The first two issues are in the US, as highlighted by the 11.2% drop in US Wholesale sales: **1/** since the implementation of the "**Minimum Advertised Price**" (MAP) policy for Ray-Ban was completed in July, it had a higher negative impact in Q3 vs. Q2, but the Group may have experienced the tipping point in October (*see above*), **2/ Oakley Sport Channel** continued to struggle given the poor retail environment. Last but not least **3/ the change in the distribution model in Mainland China** with a direct go-to-market approach for its Wholesale business, also impacted by performance of Asia-Pacific (-0.2% FX-n).

Retail Division: first signs of acceleration (+4.5% adj. FX-n). The division started enjoying some levers in Q3: **(i)** more favourable weather conditions which were particularly positive for **SGH US** (+2.9% LFL vs. +0.5% in Q2), **(ii)** the US calendar realignment (+1 day in Q3) accounted for one third of the growth and **(iii) LensCrafters** opened 47 stores @ Macy's ytd and **Target Optical** added 54 stores in Q3 to a total of 444, representing a positive space growth when the Rx market was softer this quarter (LC: -1.6% LFL, licensed brands: -1.4% LFL). It is worth noting that **E-commerce sales** (Sunglasshut.com/Ray-ban.com/Oakley.com) were up 18 FX-n, o/w +30% for Sunglasshut.com.

Adj. FX-n by division:

%	Q1 16	Q2 16	H1 16	Q3 16	9M 16
Wholesale	2.1	0.2	*1.1*	*-3.6*	*-0.3*
Retail	1.6	2.3	*1.9*	*4.5*	*2.8*
Total Luxottica	**1.8**	**1.4**	***1.6***	***1.4***	***1.5***

Source: Company Data

Enforcement of MAP is painful, but initial results are promising! Indeed, this MAP is a major headwind for the Wholesale Division, as highlighted by the 60% drop in sales with third-party websites in Q3, but it helped the brand to retain a **more selective distribution network** (thanks to "Authorized Retailers Agreements") and more importantly**, the average discount on Amazon marketplace was reduced to 6% vs. 37% in April.** Should this promising trend continue, it would confirm that Ray-Ban managed to clean most of the "grey market", which bodes well for the coming quarters.

FY16 outlook confirmed... In **Wholesale**, the Group's management confirmed that the MAP headwind is expected to be lower than in Q3. Trends in the **Retail Division** should accelerate further thanks to three main catalysts: **(i)** a higher contribution from optical store openings (LC @ Macy's, Target Optical), **(ii)** the US calendar realignment will play a more significant role in Q4 (+3 days vs. +1 in Q3) and **(iii)** easier comparison bases. Consequently, LUX reiterated its FY16 outlook: **1/ 2-3% FX-n sales growth**, implying at least, 3.8% growth in Q4 (BG: +3%e in Q4 / +1.8%e in FY16) and **2/ adj. EBIT and income** to grow in line with sales (BG: flat op margin at 16%).

... and Management is confident LUX can accelerate in 2017. MM. Massimo Vian and Stefano Grassi were comfortable with the current CS expectations that had already anticipated more cautious targets than initial rules-of-thumb delivered in March: **1/** mid-single-digit FX-n sales growth (BG: +4.5%e) vs. mid-to-high single-digit initially and **2/** an op margin improvement of approx. 20bp (BG: +20bp to 16.2% **=>** 1.3x FX-n top line growth) vs. >1.5x faster previously. In addition to the above-mentioned catalysts, LUX can count on the launch of the new **Valentino** license on January 1st, for which we estimate a sales potential of ~EUR40-50m at this stage.

VALUATION

For the first time since Q3 15, sales matched CS (conservative) assumptions, but we believe that investors' attention will mainly focus on the improving trends and the long-awaited first positive results from the Group's painful initiatives, especially the MAP for Ray-Ban. Therefore, we expect a positive reaction from the market today. ***(continued next page)***

At 13.6x 2017e EV/EBIT, the stock trades at 16% discount to its 2004-16 historical average.

Table 1: adj. FX-n by region:

EURm	Q3 16	FX-n growth	9M 16	FX-n growth
Wholesale	234	-11.2	788	-4.8
Retail	1,113	2.4	3,297	1.5
North America	**1,347**	**-0.3**	**4,085**	**0.2**
Europe	386	8.3	1,368	5.7
Asia-Pacific	283	-0.2	873	-0.6
Latin America	134	6.8	382	11.0
ROW	75	-5.0	237	-6.0
Total Luxottica	**2,225**	**1.4**	**6,944**	**1.5**

Source: Company Data

Table 2: Revenue roadmap by region:

Source: Company Data

NEXT CATALYSTS

FY16 Sales to be released by the end of January 2017.

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Food retailing

DIA

Price EUR5.48

Q3 (first take): in line / potential debate on the evolution of the wording of the FCF guidance

Fair Value EUR6,5 (+19%) **BUY**

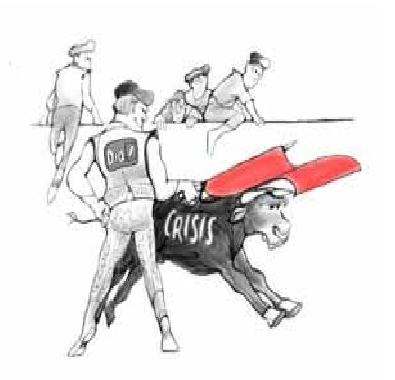
Bloomberg	DIA.SM
Reuters	DIA MC
12-month High / Low (EUR)	6.2 / 4.4
Market Cap (EURm)	3,408
Ev (BG Estimates) (EURm)	4,506
Avg. 6m daily volume (000)	3 042
3y EPS CAGR	6.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.3%	-4.9%	8.1%	0.6%
Food Retailing	1.8%	2.6%	-2.8%	0.4%
DJ Stoxx 600	-0.3%	1.2%	-1.2%	-5.9%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	8,926	9,024	9,533	10,025
% change		*1.1%*	*5.6%*	*5.2%*
EBITDA	610	627	685	724
EBIT	274.1	349.5	407.8	437.6
% change		*27.5%*	*16.7%*	*7.3%*
Net income	254.1	249.1	295.7	307.7
% change		*-2.0%*	*18.7%*	*4.1%*

	2015	2016e	2017e	2018e
Operating margin	4.4	4.4	4.8	4.9
Net margin	2.8	2.8	3.1	3.1
ROE	NM	NM	NM	NM
ROCE	22.5	20.6	22.1	22.2
Gearing	361.8	228.4	149.7	116.5

(EUR)	2015	2016e	2017e	2018e
EPS	0.42	0.41	0.49	0.51
% change	*-*	*-1.6%*	*18.7%*	*4.1%*
P/E	13.0x	13.2x	11.2x	10.7x
FCF yield (%)	NM	6.4%	8.1%	7.1%
Dividends (EUR)	0.19	0.20	0.21	0.22
Div yield (%)	3.5%	3.6%	3.8%	4.0%
EV/Sales	0.5x	0.5x	0.5x	0.4x
EV/EBITDA	7.4x	7.2x	6.4x	6.0x
EV/EBIT	16.6x	12.9x	10.8x	10.0x



1/ Publication very much in line with estimates (sales up +10% LFL to EUR2,320m) and, at this stage, we do not expect major adjustments by the market. 2/ Once again following Q1 and Q2, we believe that the ~30bp estimated decline in Q3 underlying margin in Iberia (in line with H1) cannot be interpreted as a margin restatement, while the relationship between the top line (+1.3% LFL) and the bottom line (+14bp) should look more healthy to the market than in the past. 3/ There is an evolution in the wording of the FCF guidance which, for sure, will be a source of debates, notably for the pessimists.

Top line (net sales are down -8.0% to EUR2,320m, in line with expectations / +8.7% at cc / +10% LFL, which is the highest ever): 1/ In Iberia (64% of sales), LFL sales increase +1.3% excluding the -0.1% calendar effect (vs +1.7% in Q2, -0.3% in Q1 and -1.4% in Q4 15). 2/ In emerging markets (36% of sales), given the difficult macro-economic context in LatAm, Dia's performances turned out to be again resilient (+22.5% LFL vs +19.8%e / during Q3 2016, sales growth accelerated in Brazil). From Q1, LFL figures moved from 9% to twenty due to inflation acceleration in LatAm (especially in Argentina). Note that the currency effect on gross sales growth declined significantly in Q3 (from the negative effects of 38.7% and 34.5% seen in Q1 and Q2 respectively, it declined to 23.9% in Q3).

Bottom line (group EBITDA reached EUR162m vs EUR161m e / margin down 3 bp): the strong sales growth in emerging market (margin down 9 bp to 3.7%), along with a softening of the negative currency resulted in a less favourable margin mix and explain why, despite a significant increase in margin in Iberia (+14 bp to 8.9%), the consolidated margin slightly decrease (-3bp). Once again following Q1 and Q2, we believe that the ~30bp estimated decline in Q3 underlying margin in Iberia (in line with H1) cannot be interpreted as a margin restatement, while the relationship between the top line (+1.3% LFL) and the bottom line should look more healthy to the market than in the past.

Outlook: 1/ Around 10% gross sales under banner growth (in local currency) in 2016, **2/** Stable adjusted EBITDA margin for full-year 2016, **3/** adjusted EBITDA expected to grow from 4% to 5% in 2016 (ex-currency). **4/** As far as the FCF guidance is concerned, note that previously (notably in Q2), management said the group was well on track to achieve its 2016/18 target which is for EUR750m FCF (i.e. EUR250 per anum). Today, management is expecting a strong cash generation in full-year 2016 (EUR109m FCF in 9M). There is an evolution in the wording which, for sure, will be source of debates, notably for the pessimists.

IBERIA Margin estimates (Bryan Garnier)	Q1	Q2	Q3	Q4	2015	Q1 16	Q2 16	Q3 16
LFL sales gowth	-4,5%	-5,2%	-2,3%	-1,4%	-3,3%	-1,3%	+2,9%	+1.2%
Excl. calendar	na	na	na	na	-0.9%	-0.3%	+1,7%	+1.3%
Est. underlying margin var.	83bp	109bp	12bp	-129bp	19bp	-35bp	-30bp	~-30bp

ANALYSIS

- Remember that over the past year, the relationship between the top line (declining LFL rates) and the bottom line (growing underlying margin rate) in Iberia has appeared unhealthy in the market's eyes. Hence, the market became convinced that, at some point, Dia would have no choice but to do a "margin restatement".
- Once again following Q1 and Q2, we believe that the ~30bp estimated decline in Q3 underlying margin in Iberia cannot be interpreted as a margin restatement, while the relationship between the top line (+1.3%% LFL) and the bottom line should appear rather healthy to the market.

VALUATION

- 2017 P/E of 11.2x vs 16.5x on average for the market

NEXT CATALYSTS

- Acceleration of LFL in Iberia

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Healthcare

Novartis

Price CHF74.60

More-resilient-than-expected Gleevec drives Q3 slightly above expectations

Fair Value CHF87 (+17%)

NEUTRAL

Bloomberg	NOVN VX
Reuters	NOVN.VX
12-month High / Low (CHF)	90.6 / 68.5
Market Cap (CHFm)	195,983
Ev (BG Estimates) (CHFm)	188,930
Avg. 6m daily volume (000)	4 321
3y EPS CAGR	5.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.7%	-9.4%	0.1%	-14.1%
Healthcare	-4.8%	-8.4%	-4.3%	-11.4%
DJ Stoxx 600	-0.3%	1.2%	-1.2%	-5.9%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	49,414	48,381	50,435	53,536
% change		*-2.1%*	*4.2%*	*6.1%*
EBITDA	13,119	12,183	13,441	14,892
EBIT	7,544	6,683	7,941	9,392
% change		*-11.4%*	*18.8%*	*18.3%*
Net income	6,017	6,077	7,492	8,929
% change		*1.0%*	*23.3%*	*19.2%*

	2015	2016e	2017e	2018e
Operating margin	15.3	13.8	15.7	17.5
Net margin	12.2	12.6	14.9	16.7
ROE	8.1	7.9	9.8	11.5
ROCE	14.4	12.6	14.2	16.4
Gearing	21.4	23.4	21.7	17.2

(USD)	2015	2016e	2017e	2018e
EPS	5.01	4.79	5.25	5.85
% change	-	*-4.4%*	*9.5%*	*11.4%*
P/E	15.0x	15.7x	14.3x	12.8x
FCF yield (%)	0.6%	3.0%	4.7%	5.2%
Dividends (USD)	2.75	3.00	2.62	2.92
Div yield (%)	3.7%	4.0%	3.5%	3.9%
EV/Sales	3.8x	3.9x	3.7x	3.5x
EV/EBITDA	14.4x	15.6x	14.1x	12.5x
EV/EBIT	25.0x	28.5x	23.8x	19.8x

Third-quarter numbers at Novartis came out slightly above estimates, but almost entirely driven by a lower-than-expected decline in Gleevec's sales in the US, where only two generics have reached the market so far. The difference is about USD100m in sales and USD 0.03 on core EPS i.e. exactly the spread vs consensus expectations. Alcon is still weak. Limited positive share price reaction expected.

ANALYSIS

This morning Novartis came out with third-quarter numbers slightly above estimates for the group and entirely driven by Innovative Medicines as the other two business units (Sandoz and Alcon) were in-line or slightly below. All in all, sales are more or less in line with consensus estimates, but Innovative Medicines beat expectations by close to USD100m, which corresponds to the better resilience of Gleevec in the US, where only two generics so far have reached the market, resulting in much lower-than-expected pressure on prices and loss of volumes. Gleevec in the US is down only 30% and achieved USD834m in total for the quarter where consensus was USD738m.

Considering the profitability of the drug, this spread also makes a huge difference at the operating income level for the whole division which performed in line on sales during Q3, maintaining the operating margin almost flat at 32.7% (vs 33%). Other significant products within Innovative Medicines were roughly as expected, with ups and downs from one product to another (Afinitor did slightly better where Cosentyx did a touch less than anticipated).

Margin-wise, the performance of the other two divisions diverged. Sandoz's advanced slightly to 21.1%, likely driven by the increased proportion of complex generics and biosimilars and despite some price pressures, but also in the absence of a major launch during the quarter. Alcon has not yet reached a plateau and is still on a downward trend, still suffering from competitive pressures in the lenses market and from a loss of market shares while also suffering from a slowdown in equipment sales. Core operating margin came out at 14.3% where we had expected 16.2%, which is another low point compared to previous quarters, as Alcon is still investing heavily.

There is no update on R&D (meetings with regulatory authorities about BAF312 in SPMS are scheduled towards the turn of the year, new data comparing Ultribon to Anoro are also expected later this year to help decide what to do in Respiratory in the US).

It looks like yesterday's press rumours about Roche and potential big acquisitions are pure speculation and are not the result of any interaction with the company.

The outlook for the year is confirmed (flat to slightly declining core operating income, compared to -4% after 9 months). We note that without clear explanations, free cash-flow was down 7% in Q3 when net income was up 7%.

VALUATION

We do not expect to make major changes to our numbers following this quarterly release.

This quarterly set of results is not bad in absolute terms, but considering where the beat is coming from (i.e. from patent-expiring Gleevec), there is unfortunately little to extrapolate. It has to be considered also that neither Alcon nor Entresto are really showing meaningful turnarounds. So, all in all, we do expect a limited share price reaction to the Q3 numbers.

NEXT CATALYSTS

Today 2pm : Conference Call on Q3 numbers

25 Janurary 2017: Full-year results and R&D update (Basel)

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Orange

Price EUR14.09

Good Q3 results, slightly above expectations; back to revenue and EBITDA growth.

Fair Value EUR17.1 (+21%) **BUY**

Bloomberg	ORA FP
Reuters	ORAN.PA
12-month High / Low (EUR)	16.9 / 13.1
Market Cap (EUR)	37,467
Ev (BG Estimates) (EUR)	60,650
Avg. 6m daily volume (000)	6 089
3y EPS CAGR	2.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.5%	-2.6%	-5.8%	-9.0%
Telecom	-2.6%	-4.2%	-10.5%	-16.2%
DJ Stoxx 600	-0.3%	1.2%	-1.2%	-5.9%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	40,236	41,220	41,684	41,977
% change		*2.4%*	*1.1%*	*0.7%*
EBITDA	12,426	12,772	12,962	13,197
EBIT	0.0	0.0	0.0	0.0
% change				
Net income	2,958	2,894	3,122	3,172
% change		*-2.1%*	*7.9%*	*1.6%*

	2015	2016e	2017e	2018e
Operating margin	11.8	11.8	12.2	12.5
Net margin	7.4	7.0	7.5	7.6
ROE	8.6	7.8	8.3	8.3
ROCE	4.3	4.1	4.4	4.4
Gearing	110.2	105.5	102.6	100.5

(EUR)	2015	2016e	2017e	2018e
EPS	0.98	0.96	1.04	1.06
% change	-	*-2.4%*	*8.8%*	*1.8%*
P/E	14.3x	14.7x	13.5x	13.3x
FCF yield (%)	8.1%	4.4%	6.9%	6.9%
Dividends (EUR)	0.59	0.60	0.70	0.80
Div yield (%)	4.2%	4.3%	5.0%	5.7%
EV/Sales	1.6x	1.5x	1.4x	1.4x
EV/EBITDA	5.2x	4.7x	4.6x	4.5x
EV/EBIT	NS	NS	NS	NS

This morning, Orange SA has published good Q3 2016 results, slightly above consensus. Revenues and EBITDA have returned to growth. Commercial performance in France is still very good. While mobile ARPU is still struggling, Fixed ARPU is now back to growth in France. And revenue growth is accelerating this quarter in Spain. Orange confirms its guidance for 2016 EBITDA above 2015, and a ratio of net debt/EBITDA of around 2x.The group plans to pay a dividend of EUR0.6 per share for 2016, as expected.

ANALYSIS

- **Global results: Q3 revenues came out at EUR10.323bn** (vs consensus: EUR10.271bn) **up 0.8% yoy,** compared with stable yoy in Q2. **Q3 restated EBITDA came out at EUR3.597bn** (vs consensus: EUR3.576bn) **up 1.6% yoy,** compared with 0.1% yoy in Q2. **Q3 operating cash flow came out at EUR2.052bn** (vs consensus: EUR1.976bn) **up +3.6% yoy,** with **CAPEX up 0.5% yoy**.
- **France Q3 revenues came out at EUR4.768bn** (vs consensus: EUR4.721bn) **down -0.6% yoy**, compared with -1.7% yoy in Q2.
- On the mobile side, service revenues are down 3.8% yoy in Q3 vs -5.2% in Q2. Trend is improving thanks to good commercial performance over the last quarters, but ARPU is still under pressure, with roaming effects in Q3. Mobile postpaid net adds reached **187k in Q3**, vs 152k in Q2, and **234k in Q3 2015**. Sosh net adds reached **73k in Q2**, vs 114k in Q2, and 95k in Q3 2015. Postpaid ARPU was EUR25.5 in Q2, down **5.2%** yoy vs **-4.4%** in Q2.
- On the fixed side, retail service revenues were stable in Q3 vs -1.4% in Q2. Commercial performance is still very high, while ARPU is growing yoy for the first time in years. Broadband net adds reached **133k in Q3**, vs 93k in Q2, and **116k in Q3 2015**. FTTH net adds reached **127k in Q3**, vs 106k in Q2, and **107k in Q3 2015**. Broadband ARPU was EUR33.2 in Q2, up **0.3%** yoy vs **stable** in Q2.
- **In Spain, Q3 revenues came out at EUR1.288bn** (vs consensus: EUR1.274bn) **up +7.8% yoy**. Growth is still accelerating vs Q2 at **+6.2%** yoy. **In AMEA, Q3 revenues came out at EUR1.371bn** (vs consensus: EUR1.368bn) **up +2.5% yoy**, a little lower than expected.
- **Orange confirms** its guidance for 2016 EBITDA above the 2015 level, and net debt/EBITDA of around 2x. The group plans to pay a dividend of EUR0.6 per share for 2016, as expected.

VALUATION

- We are maintaining our BUY recommendation with a Fair Value of EUR17.1.

NEXT CATALYSTS

- Annual 2016 results expected by end February 2017.

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TMT

Sword Group

Price EUR26.90

Q3 2016 results still outperform full-year targets; FY16 guidance likely to be exceeded

Fair Value EUR32 vs. EUR31 (+19%) **BUY**

Bloomberg	SWP FP
Reuters	SWP.PA
12-month High / Low (EUR)	28.0 / 22.0
Market Cap (EUR)	254
Ev (BG Estimates) (EUR)	216
Avg. 6m daily volume (000)	8.40
3y EPS CAGR	12.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.0%	12.1%	14.3%	10.7%
Softw.& Comp.	-1.5%	5.9%	10.7%	7.3%
DJ Stoxx 600	-0.3%	1.2%	-1.2%	-5.9%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	138.0	161.0	183.0	209.0
% change		*16.7%*	*13.7%*	*14.2%*
EBITDA	22.0	25.0	29.0	34.0
EBIT	11.0	17.0	23.0	28.0
% change		*54.5%*	*35.3%*	*21.7%*
Net income	16.0	17.0	20.0	23.0
% change		*6.3%*	*17.6%*	*15.0%*

	2015	2016e	2017e	2018e
Operating margin	13.8	13.4	14.0	14.6
Net margin	7.2	8.1	9.3	10.0
ROE	6.2	8.0	10.0	11.7
ROCE	13.8	13.0	14.6	16.3
Gearing	-26.0	-23.0	-21.0	-23.0

(€)	2015	2016e	2017e	2018e
EPS	1.72	1.76	2.08	2.45
% change	-	*2.3%*	*18.2%*	*17.8%*
P/E	15.6x	15.3x	12.9x	11.0x
FCF yield (%)	3.2%	3.6%	4.3%	7.4%
Dividends (€)	1.20	1.20	1.20	1.20
Div yield (%)	4.5%	4.5%	4.5%	4.5%
EV/Sales	1.5x	1.3x	1.2x	1.0x
EV/EBITDA	9.6x	8.6x	7.5x	6.2x
EV/EBIT	11.1x	10.3x	8.4x	7.1x

We reiterate our Buy rating and raise our DCF-derived fair value to EUR32 from EUR31 as we increase our adj. EPS ests. by 1% for 2016 and 2% for 2017-18. Yesterday evening Sword reported Q3 2016 results above full-year targets. FY16 guidance (sales +15% lfl, EBITDA margin of 15%) has been reiterated, but management is confident it will be exceeded despite the weakness of the British pound against the euro. We expect the share price to react positively in the short-term.

ANALYSIS

- **Q3 2016 results outperform full-year targets**. Q3 2016 sales rose 17.6% (+17.2% lfl) to EUR39.7m or 2% above our EUR38.8m estimate, with EBITDA up 15.4% to EUR6m or 15.2% of sales (-0.3ppt) while we had expected EUR6m or 15.5% of sales. By division, Software posted sales of EUR11.9m (+14.5% lfl) and an EBITDA margin of 27.9% (+1.5ppt), while Services posted sales of EUR27.8m (+18.5% lfl) and an EBITDA margin of 9.9% (-0.2ppt).
- **More details on Q3 2016 figures**. 1) in IT Services, Sword posted an EBITDA margin of 13.7% for France (12.5% YTD) as the result of specialisation and initiatives in Healthcare and Investigation, 6.1% for Benelux (6% YTD), 11.7% for Switzerland (11.6% YTD), 4.7% for the UK (4.7% YTD), and 11% for other countries (11.5% YTD); 2) in Software, the AFS (Asset Finance Solutions) division has an EBITDA margin of 32.8% (33.5% YTD), while the GRC (Governance Risk Compliance) division had an EBITDA margin of 21.9% (22.6% YTD), and IP-based solutions posted an EBITDA margin of 21.7% (23.2% YTD). Finally, capitalised R&D amounted EUR0.9m in Q3 2016 (vs. EUR0.9m in H1), and the cumulated amount of capitalised R&D since the launch of the programme has reached EUR3m.
- **FY16 guidance likely to be exceeded**. With year-to-date (as of 30th September) lfl revenue growth of 17.8% and EBITDA margin of 15.4%, Sword outperforms FY16 guidance, which was for sales up 15% lfl and an EBITDA margin of 15%. Despite strong fx headwinds due to the fall of the British pound (33% of sales) against the euro, management is confident that Q4 2016 lfl revenue growth will be above +15% and FY16 revenues will exceed EUR160m. As such, we have increased our lfl revenue growth assumptions to +17% from +16.3% for 2016 and to +15.5% from +14.5% for 2017, and we now assume for 2016 an EBITDA margin of 15.5% (vs. 15.4% previously).
- **Horizon 2020 strategic plan reiterated**. Sword reiterates its targets for 2020, i.e. revenues around EUR300m with an EBITDA margin above or equal to 14.5%. This still implies the acquisition of EUR40m revenues. Management reiterated that Sword will not acquire anything at any price, which explains why there hasn't been any acquisition since AAA in late 2015 in the UK.

VALUATION

- Sword's shares are trading at est. 10.3x 2016 and 8.4x 2017 EV/EBIT multiples.
- Net cash position on 30th June 2016 was EUR27.9m (net gearing: -19%).

NEXT CATALYSTS

Q4 2016 sales on 24th January 2017 after markets close.

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Luxury & Consumer Goods

Tod's Group

Price EUR50.80

Q3 sales declined 4.8% at same forex

Fair Value EUR53 vs. EUR55 (+4%) **SELL**

Bloomberg	TOD IM
Reuters	TOD.MI
12-month High / Low (EUR)	80.7 / 46.0
Market Cap (EUR)	1,681
Ev (BG Estimates) (EUR)	1,698
Avg. 6m daily volume (000)	65.60
3y EPS CAGR	4.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.2%	4.3%	-17.4%	-30.5%
Pers & H/H Gds	-2.3%	-2.0%	1.0%	0.0%
DJ Stoxx 600	-0.3%	1.2%	-1.2%	-5.9%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,037	1,008	1,070	1,120
% change		*-2.8%*	*6.2%*	*4.7%*
EBITDA	203	178	205	225
EBIT	148.7	123.0	148.0	168.0
% change		*-17.3%*	*20.3%*	*13.5%*
Net income	92.8	75.0	100.0	114.0
% change		*-19.2%*	*33.3%*	*14.0%*

	2015	2016e	2017e	2018e
Operating margin	14.3	12.2	13.8	15.0
Net margin	8.9	7.4	9.3	10.2
ROE	13.6	11.2	13.8	15.7
ROCE	17.9	14.9	18.3	20.7
Gearing	-15.2	2.3	-0.2	-4.3

(EUR)	2015	2016e	2017e	2018e
EPS	3.03	2.27	3.03	3.45
% change	-	*-25.0%*	*33.3%*	*14.0%*
P/E	16.8x	22.4x	16.8x	14.7x
FCF yield (%)	3.0%	5.6%	5.5%	6.6%
Dividends (EUR)	2.00	2.20	2.30	3.30
Div yield (%)	3.9%	4.3%	4.5%	6.5%
EV/Sales	1.5x	1.7x	1.6x	1.5x
EV/EBITDA	7.6x	9.5x	8.2x	7.3x
EV/EBIT	10.4x	13.8x	11.4x	9.8x

9m revenues (EUR757m) were down 4.4%, implying -4.8% in Q3 alone, following -4.3% in H1. Same stores sales declined 14.6% on 9m, implying -15.5% in Q3 alone, that highlights some deterioration vs H1 (-14.3%), and almost no improvement vs Q2 (-16.2%). We reiterate our Sell recommendation. New FV at EUR53 vs EUR55 previously.

ANALYSIS

- Tod's Group reported yesterday 9M sales at EUR758m (consensus:EUR761m), down 4.4% organically and -4.9% in Q3 alone, versus consensus at-2.6%. This follows a 4.2% revenue decline in Q2 and -4.3% in H1. Retail sales (63% of group sales) were down 6.8% on 9m (-9% in Q3 alone vs -5.7% in H1). Same stores sales growth declined 14.6% on 9m versus -14.3% in H1, which highlights again the challenging situation of the brand, with a new deterioration in Q3 (-15.5%). Nevertheless, Group management highlighted that September and even October saw a better trend, but obviously still negative. We can argue at this point that Tod's Group is the worst performer among Soft Luxury groups.
- Tod's Group has opened 9 DOS over the last 12 months. Tod's brand sales (58% of sales) declined 8.4% on 9m versus -8.1%, implying a 9% decrease in Q3 alone. Hogan brand achieved a slightly better trend with a 2.9% decline in Q3 alone. If the shoes business (78% of sales) is down 3.5% on 9m, almost in line with H1 performance, Leather Goods (15% of sales) is still significantly down (-11.8% on 9m, here too, in line with H1 decline. This highlights, in our view, that Tod's brand LG lines are losing market share vs competitors.
- By region, it is worth noting the 4% decline in Italy in 9m (-6% in Q3), due to a demanding comparison base (Milan expo). Nevertheless, the Rest of Europe grew 2% in Q3, despite some demand weakness in the third quarter (-% on 9m). In Greater China (20% of group sales), Tod's Group activity was still very poor on 9M with a 10.4% decline, implying nevertheless a slight improvement in Q3 alone with a 7% decrease. Group saw some improvement in Greater China in recent weeks, coming mainly from Mainland China (11% of group sales), as Chinese clients buy more at home than last year given currency issues (stronger JPY).

Quarterly organic sales growth by region

same forex (%)	Q4 15	2015	Q1 16	Q2 16	H1 16	Q3 16	9M 16
Italy	11,0	3,7	-3,0	-2,3	-2,7	-6.0	-4.0
Europe	11,4	9,4	0,3	-4,1	-2,0	2.5	-0.4
Americas	10,9	5,3	-8,7	-8,5	-8,6	-6.6	-8.0
Greater China	-5,9	-12,0	-12,0	-11,4	-11,7	-7.3	-10.4
RoW	3,6	6,3	1,2	6,5	3,9	-11.0	-0.7
Total	**5,9**	**1,8**	**-4,2**	**-4,2**	**-4,3**	**-4.8**	**-4.4**

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

- Tod's Group CFO confirmed yesterday during the conference call that current sales consensus (-1.7%) is still "feasible even if challenging" as it implies a rebound in Q4 (sales need to be up 4% in Q4 to achieve sales consensus). Concerning 2016 EBITDA margin market expectations (18.1%), CFO added also that it should be "challenging but feasible"!
- We prefer to be cautious and we revise downward our 2016 EBIT assumptions by 3% as, in our view, the best scenario should be stable sales in Q4, implying a 3% sales decline. EBITDA margin should be no more than 17.7% (-200bp).

VALUATION

- Given our new earnings expectations, we leave unchanged our sell recommendation and we downgrade our FV from EUR55 to EUR53.

NEXT CATALYSTS

- FY 2016 sales to be reported end of January 2017.

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Healthcare

UCB

Price EUR67.02

9M sales

Fair Value EUR80 (+19%) **NEUTRAL**

Bloomberg	UCB BB
Reuters	UCBBt.BR
12-month High / Low (EUR)	85.6 / 62.3
Market Cap (EURm)	13,036
Ev (BG Estimates) (EURm)	12,619
Avg. 6m daily volume (000)	276.1
3y EPS CAGR	37.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.7%	-2.4%	-4.6%	-19.5%
Healthcare	-4.0%	-7.3%	-3.8%	-10.8%
DJ Stoxx 600	0.5%	1.1%	-1.5%	-5.9%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	3,344	3,876	4,117	4,689
% change		*15.9%*	*6.2%*	*13.9%*
EBITDA	609	821	982	1,248
EBIT	379.0	577.0	720.7	947.0
% change		*52.2%*	*24.9%*	*31.4%*
Net income	229.0	322.0	417.0	589.2
% change		*40.6%*	*29.5%*	*41.3%*

	2014	2015e	2016e	2017e
Operating margin	11.3	14.9	17.5	20.2
Net margin	6.8	8.3	10.1	12.6
ROE	4.1	12.2	7.9	11.0
ROCE	5.3	6.2	7.4	9.9
Gearing	33.3	7.5	7.2	8.1

(EUR)	2014	2015e	2016e	2017e
EPS	1.69	2.17	3.13	4.40
% change	-	*28.8%*	*44.3%*	*40.4%*
P/E	39.8x	30.9x	21.4x	15.2x
FCF yield (%)	3.3%	1.4%	3.1%	3.2%
Dividends (EUR)	0.91	1.10	1.63	2.29
Div yield (%)	1.4%	1.6%	2.4%	3.4%
EV/Sales	3.4x	3.3x	3.1x	2.7x
EV/EBITDA	18.8x	15.4x	12.8x	10.1x
EV/EBIT	30.1x	21.9x	17.5x	13.3x

UCB has reported 9M revenues slightly ahead of CSS estimates. CVN sales rose 18% yoy to EUR1.735bn, in line with consensus expectations of EUR1.727bn. The gap between Briviact estimates and reported sales comes from the delayed period in between FDA approval (Feb. 2016) and DEA classification in Q2. FY2016 revenue adjusted towards the upper range of the EUR4-4.1bn guidance. With CSS already above this range, we do not anticipate any major upward revision in estimates.

EURm	9M 2015	9M 2016	y/y rep.	CS 9M 2016	Delta	FY Guidance	FY 2016 CS
Cimzia	775	933	20%	930	0,3%		1273
Vimpat	495	583	18%	579	0,7%		806
Neupro	199	219	10%	218	0,5%		299
Total CVN	**1469**	**1735**	**18%**	**1727**	**0,5%**		**2378**
Keppra	565	541	-4%	525	3,0%		680
Revenue	**2864**	**3075**	**7%**	**3026**	**1,6%**	**upper range 4000-4100**	**4116**

Source : Company Data; Ellinghorst Consensus.

ANALYSIS

- **Cimzia grew 21%CER** over the first nine months of the year to EUR933m (30% of total group sales). US and European sales continued to growth steadily (15% and 24%CER respectively), in line with performances in past quarters. We believe that the trend should be maintained at least in Europe where the EMA approved the prefilled pen which features a certain ease of use. **In Japan, sales rose to EUR25m from EUR5m reflecting a normalisation in the order pattern**. **Vimpat sales were up 19%CER** (19% of total group sales) to EUR583m. Available since August in Japan in partial onset seizures, EUR3m in sales were derived from the country. **Neupro sales grew 11%CER to EUR219m** (7% of total group sales), boosted by an acceleration in Europe. **In all, CVN sales rose 18% yoy to EUR1.735bn, in line with consensus expectations of EUR1.727bn**. Briviact, approved at the beginning of the year (Feb 2016) as an adjunctive therapy in the treatment of partial onset seizure reported sales for the first 9M of EUR11m while the consensus was expecting EUR18. Following approval in Europe in January, the main reason was the **delayed period between FDA approval (Feb. 2016) and DEA classification** (+/-90 days after) which enabled UCB to effectively launch its product in the US by mid-year (only one quarter of sales). We would highlight the good resilience of Keppra sales over the third quarter enabling the group to report 9M revenues of EUR3.075bn, up 7%CER, slightly above CSS estimates at EUR3.026bn.
- On the back of these results, revenue guidance for the year is now expected at the upper end of the EUR4-4.1bn range. We believe that this adjustment, which was largely anticipated by the consensus is not likely to trigger any major revision in estimates.
- R&D developments in Q3 includes FDA's BLA acceptation for romosozumab (FRAME study results). Note that the PDUFA action date has been set for 17th July 2017. Initiation of phase IIb for bimekizumab in psoriasis and that in the same indication, Cimzia is evaluated in three phase III out of which one has reported results. Dermira is financing the trials.

VALUATION

- We reiterate our NEUTRAL recommendation and EUR80 Fair Value

NEXT CATALYSTS

- 27th February 2017: FY2016 results

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TMT

Altran Technologies

Price EUR13.58

Acquisition of Swell: strengthening automotive engineering capabilities in Eastern Europe

Fair Value EUR15 (+10%) **BUY**

Bloomberg	ALT FP
Reuters	ALTR.PA
12-month High / Low (EUR)	13.7 / 9.9
Market Cap (EURm)	2,387
Avg. 6m daily volume (000)	211.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.1%	7.1%	11.4%	10.0%
Softw.& Comp. SVS	-1.5%	5.9%	10.7%	7.3%
DJ Stoxx 600	-0.3%	1.2%	-1.2%	-5.9%

	2015	2016e	2017e	2018e
P/E	19.4x	17.0x	14.6x	12.5x
Div yield (%)	1.4%	1.7%	2.1%	2.4%

ANALYSIS

- **This morning, Altran announced the acquisition of Swell**. Founded in 1993 and based in The Czech Republic (Hořice and Mladá Boleslav) with c. 160 staff, Swell provides product engineering, development, prototyping and testing services in the automotive sector, with Škoda Auto, Bosch, Continental, Magna and Honeywell as customers. Its core capabilities, which are complemented by prototyping skills and CAE know-how, will become part of Altran's Body-in-White offer. The deal is expected to be finalised by end 2016.
- **Very modest impact to our estimates**. Like the Benteler Engineering deal announced one week ago, the rationale of the acquisition of Swell is to rebuild Altran's capacity and capabilities for Germany, which is a strategic country within the "Altran 2020 Ignition" plan and struggles to turn around in the short term. In addition, Swell adds a nearshore platform for its automotive customers, which looks to be indispensable for being competitive. We estimate sales at c. EUR10m and the impact to our adj. EPS forecasts is likely to be very modest.

VALUATION

- Altran's shares are trading at est. 11.9x 2016 and 9.9x 2017 EV/EBIT multiples.
- Net debt on 30th June 2016 was EUR217.2m (net gearing: 27%).

NEXT CATALYSTS

Q3 2016 sales on 27th October before markets open.

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Healthcare

DBV Technologies

Price EUR64.59

Bloomberg	DBV FP
Reuters	DBV.PA
12-month High / Low (EUR)	68.7 / 40.6
Market Cap (EURm)	1,557
Avg. 6m daily volume (000)	36.10

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.9%	3.4%	3.4%	-2.8%
Healthcare	-4.8%	-8.4%	-4.3%	-11.4%
DJ Stoxx 600	-0.3%	1.2%	-1.2%	-5.9%

	2014	2015e	2016e	2017e
P/E	NS	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

Encouraging 3-year data for Viaskin

Fair Value EUR91 (+41%) **BUY**

ANALYSIS

- DBV reported results from the two-year OLFUS-VIPES trial (3 years of treatment under Viaskin) showing sustained response for up to 36 months and excellent safety profile. More importantly, durability of the response was demonstrated following 3 months without treatment.
- At 36 months, use of Viaskin did not trigger any epinephrine use, nor did it trigger any SAEs. While drop-out rate increased to 14% (vs 7.2% at 2 years) with no drop-out due to the use of Viaskin, compliance rate remains high at 95.5% and consistent with previous observations. We would highlight that an increase in the drop-out rate was largely anticipated, as the control over growing children tends to disappear over time (evolution of lifestyle).
- On the efficacy side, treatment benefit is sustained with 83% of patients at the 250µg continuing to respond vs. 80% at two years. Interestingly, tolerating dose is increased compared to baseline and 1 years OLFUS-VIPES results. The latter progress to 2,454mg (1,440mg median) from 1,884mg (1,440mg median) at 1 year and from 1,068mg (444mg median) at baseline (12 months i.e. VIPES results).
- While the results from the phase III trial are expected in H2 2017, we would expect these results to be an important part of the filing dossier as they confirm the long-term safety profile and three year hypothesis for recommended treatment duration.

VALUATION

- We reiterate our BUY rating and EUR91 fair value
- Dense newsflow over the next 12 months.

NEXT CATALYSTS

- Q1 2017: sustained unresponsiveness data
- Mid-2017: viaskin egg IND
- **H2 2017: Phase III Viaskin Peanut (PEPITES)**
- H2 2017: Phase III Viaskin Peanut (REALISE) safety trial
- H2 2017: Phase I/II Part-B (MILES). Note that recruitment was slightly longer than expected due to an increased focus of the organization on the recruitment of the Viaskin Peanut phase III trial over the past months.

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Healthcare

GENEURO

Price EUR5.19

Can't wait to be in 2017 !

Fair Value EUR18,2 (+251%) **BUY**

Bloomberg	GNRO FP
Reuters	GNRO.PA
12-month High / Low (EUR)	13.0 / 5.2
Market Cap (EURm)	76
Avg. 6m daily volume (000)	3.60

	1 M	3 M	6 M	31/12/15
Absolute perf.	-30.1%	-39.2%	-54.9%	-60.1%
Healthcare	-4.8%	-8.4%	-4.3%	-11.4%
DJ Stoxx 600	-0.3%	1.2%	-1.2%	-5.9%

ANALYSIS

- Yesterday after market close, GeNeuro released third-quarter revenues and cash position. Cash and cash equivalents stood at EUR37.4m at the end of the period, knowing that the operating cash burn amounted to EUR13.1m (of which EUR4.5m has to be considered as non-recurring, e.g. IPO-related costs). As a result, the "core" operating burn rate was EUR8.6m over the first 9 months of the year and as illustrated below did not increase sequentially compared to Q2.

(in EURm)	Q1 16	Q2 16	Q3 16
Cash	15.5	42.4	37.4
Operating burn rate (excluding non-recurring costs*)	-3.6	-2.6	-2.4
* e.g. IPO-related costs, milestone payment to BioMérieux			

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

- It is now fair to expect the burn rate to increase quarter after quarter as the phase IIb trial is recruiting fast, but also because GeNeuro is expected to finalise an IND to start recruiting in SPMS in the US at the beginning of 2017 when it is also expected that phase II starts in type 1 diabetes.
- So the business is developing well in line with the original expectations, although thee next key event remains at the end of 2017 with the end of the first part of the phase IIb study in MS.

VALUATION

- In the absence of newsflow, it has proven difficult to support the share price of GeNeuro but we expect the IND in the US and the good developments of GnbAC1 to act as catalysts. We believe also that the upcoming approval of Ocrevus in December 2016 and discussions around potential filing of BAF312 in SPMS should shed new light on the MS market in the coming months.
- We take also the opportunity of this short update to stress that the current valuation of GeNeuro suggests no more than 10% probability of success of GNbAC1 in MS (still no value to the rest). Our FV gives 30% to the drug in Servier's territories and 25% in the US. Even a much more conservative approach with 15% PoS in the US would leave FV above EUR10. BUY reiterated.

NEXT CATALYSTS

- Q4 2016: IND in the US for GNbAC1 in MS

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Utilities

Voltalia

Price EUR9.98

Bloomberg	MLVLT FP
Reuters	MLVLT.PA
12-month High / Low (EUR)	10.5 / 8.3
Market Cap (EURk)	261,596
Avg. 6m daily volume (000)	3.40

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.6%	2.9%	15.4%	-1.5%
Utilities	-1.8%	-6.9%	-4.3%	-7.7%
DJ Stoxx 600	-0.3%	1.2%	-1.2%	-5.9%

	2015	2016e	2017e	2018e
P/E	67.3x	NS	26.3x	23.9x
Div yield (%)	NM	NM	NM	NM

Exercise price of the warrants at EUR7.46 per share

Fair Value Under Review

BUY

ANALYSIS

- French renewables company **Voltalia** announced yesterday evening the exercise price and the exercise parity of the warrants in the context of its c. **EUR170m capital increase**.
- **The exercise price of the warrants is EUR7.46 per share** (vs. initial range of EUR7.46-8.60 per share) which implies a c. **20% discount** vs. last closing before the launch of the operation (EUR9.29 per share). The exercise parity of the warrants is 15 warrants for 13 new shares which implies **up to 22.7m of new shares to be created.**
- Fixing of the offer price will be published on November 4th.
- As a reminder, **Voltalia Investissement** (owned by the Mulliez family) **should see its stake decreasing from 85% to c.70% following the operation**. **Proparco**, a subsidiary of the French Development Agency, will exercise warrants sold by Voltalia Investissement up to EUR15m and therefore **take a c.4% stake** in Voltalia via the capital increase.
- All in all, this should **enlarge the company's free-float** from c. 7% today **to c. 22%** following the operation.

VALUATION

- Buy, FV Under Review

NEXT CATALYSTS

- **17th November 2016:** Q3-16 revenues

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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.
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BUY ratings 57.3% NEUTRAL ratings 31.2% SELL ratings 11.5%

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