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26th October 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18169.27	-0.29%	+4.27%
S&P 500	2143.16	-0.38%	+4.85%
Nasdaq	5283.4	-0.50%	+5.51%
Nikkei	17391.84	+0.15%	-8.77%
Stoxx 600	343.065	-0.35%	-6.22%
CAC 40	4540.84	-0.26%	-2.07%
Oil /Gold			
Crude WTI	50.17	0.00	+34.87%
Gold (once)	1272.55	+0.87%	+19.78%
Currencies/Rates			
EUR/USD	1.08595	-0.23%	-0.03%
EUR/CHF	1.08205	+0.11%	-0.49%
German 10 years	-0.046	-8.18%	-107.27%
French 10 years	0.236	-1.63%	-75.95%

Economic releases :

Date	
26th-Oct	8h00 DE - GfK Consumer Confidence Survey 14h30 US - Advance goods trade Balance Sep. 15h45 US - Markit US composite PMI Oct. 16h00 - New Home Sales Sep. (-3.1% m/m) 16h30 - US DoE Crude Oil Inventories Oct.

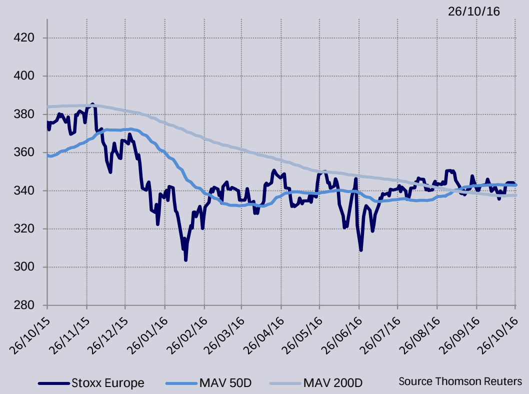
Upcoming BG events :

Date	
28th-Oct	IMERYS (Paris roadshow)
2nd-Nov	FAURECIA (BG Paris Breakfast with IR)
3rd-Nov	KORIAN (BG Luxembourg roadshow)
8th-Nov	LVMH (BG Luxembourg roadshow with IR)
9th-Nov	SEB (BG Geneva roadshow with CFO)
9th-Nov/ 10th-Nov	UBISOFT (BG London roadshow with CEO, CFO)

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



ALBIOMA — **BUY, Fair Value EUR16 (+6%)**

Q3-16 revenues up 1% yoy; full-year guidance confirmed

AMS — **NEUTRAL, Fair Value CHF27 vs. CHF29 (-11%)**

In the battle for Apple and ToF sensors, Heptagon deal is an expensive but necessary move

BIC — **NEUTRAL, Fair Value EUR123 (-3%)**

Good margin performance despite a softer LFL growth; FY outlook confirmed

CAPGEMINI — **BUY, Fair Value EUR94 (+14%)**

Q3 2016 sales slightly below our estimates; FY16 guidance confirmed

DASSAULT SYSTÈMES — **SELL, Fair Value EUR64 (-10%)**

Q3 2016 analysts' meeting and conference call feedback: the price of success

DIA — **NEUTRAL vs. BUY, Fair Value EUR6 vs. EUR6.5 (+17%)**

We wish management could maintain the good momentum initiated in Q2

HEINEKEN — **BUY, Fair Value EUR88 (+11%)**

Strong delivery in Q3

KERING — **BUY, Fair Value EUR218 vs. EUR211 (+16%)**

Stellar performance at Gucci in Q3 (+17%), with clear rebound in MC

MELEXIS — **SELL, Fair Value EUR48 (-23%)**

Q3 results came out with no major surprise; FY16 guidance confirmed.

NOVARTIS — **NEUTRAL, Fair Value CHF81 vs. CHF87 (+12%)**

If Novartis is a call for 2018-2020, then call me back in 2017!

GROUPE SEB — **BUY, Fair Value EUR140 vs. EUR132 (+6%)**

And the beat goes on!

TRANSGENE — **CORPORATE, Fair Value EUR5 (+85%)**

Strong newsflow ahead

VINCI — **BUY, Fair Value EUR74 vs. EUR72 (+10%)**

Poor performance of Vinci Energy. Tough comp. for order intake. Concessions still steady.

In brief...

ASTRAZENECA, *SOLO-2 reports positive headline data*

BAYER, *Decent quarter with focus on profitability*

IPSEN, *Third-quarter sales a bit light, but FY guidance raised*

WIRECARD, *Strong preliminary Q3 results; positive momentum and FY guidance maintained*

Utilities

Albioma

Price EUR15.05

Q3-16 revenues up 1% yoy; full-year guidance confirmed

Fair Value EUR16 (+6%) **BUY**

Bloomberg	ABIO FP
Reuters	ABIO.PA
12-month High / Low (EUR)	15.8 / 11.9
Market Cap (EURm)	455
Ev (BG Estimates) (EURm)	1,027
Avg. 6m daily volume (000)	23.70
3y EPS CAGR	14.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.8%	-0.3%	9.9%	0.7%
Utilities	-1.8%	-7.3%	-4.2%	-7.8%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	354.0	375.5	427.6	484.7
% change		*6.1%*	*13.8%*	*13.4%*
EBITDA	120	126	147	176
EBIT	76.1	73.6	88.2	113.0
% change		*-3.3%*	*19.8%*	*28.2%*
Net income	30.2	26.8	30.8	45.3
% change		*-11.4%*	*15.2%*	*46.7%*

	2015	2016e	2017e	2018e
Operating margin	21.5	19.6	20.6	23.3
Net margin	8.5	7.1	7.2	9.3
ROE	7.4	6.5	7.4	10.4
ROCE	4.7	4.5	4.7	5.5
Gearing	131.6	138.9	175.5	186.8

(EUR)	2015	2016e	2017e	2018e
EPS	1.04	0.92	1.06	1.55
% change	-	*-11.4%*	*15.2%*	*46.7%*
P/E	14.5x	16.4x	14.2x	9.7x
FCF yield (%)	5.9%	4.4%	NM	NM
Dividends (EUR)	0.57	0.57	0.57	0.78
Div yield (%)	3.8%	3.8%	3.8%	5.2%
EV/Sales	2.8x	2.7x	2.8x	2.6x
EV/EBITDA	8.3x	8.1x	8.1x	7.2x
EV/EBIT	13.1x	14.0x	13.5x	11.3x

Albioma released 9M-16 revenues up 4% yoy to EUR268m. Q3-16 revenues are broadly flat mainly due to a 1% decrease in its French biomass activities whose availability had been affected by a planned overhaul. The Group finally confirmed its FY16 guidance for both EBITDA and net income metrics. As Q4-16 Brazilian production should be negatively impacted by lower sugarcane volumes, we slightly lowered our FY16 EBITDA expectations to EUR126m (vs. EUR127m initially). Buy rating maintained with unchanged FV at EUR16.

ANALYSIS

- **Main 9M-16 metrics:** Albioma released this morning its 9M-16 revenues which amounted to **EUR267.6m** up 5% yoy. Q3-16 revenues reached **EUR90.5m** up 0.8% yoy. Q3-16 revenues from French biomass activities reached **EUR71.6m** down 1% yoy mainly due to the annual planned maintenance of the Gol power plant which affected the overall availability of the business. Revenues from Brazilian activities reached **EUR6.3m** over the quarter up 34% yoy due to the solid performance posted by the company's plants and to positive perimeter effect. **The lower than initially planned sugarcane crop in the area should negatively impact the Brazilian production in Q4-16**. Despite this likely production headwind, **the group confirmed its FY16 guidance** with EBITDA between **EUR122m** and **EUR130m** and net income between **EUR25m** and **EUR30m**.
- **What to retain from this publication ?** H1 revenues were strongly **up 8%** yoy but this was mainly due to a favourable comparable basis following last year's rather weak availability (strike on top of technical issues occurred in French overseas). **Q3-16 revenues came broadly flat and in line with our initial expectations**. In addition, the Group still expects the **Galion 2 biomass project** to be commisioned in Q2-2017 despite the recent Court judgment which cancelled the operating authorization granted to Albioma. The Group will appeal this Court judgement as it argued the cancellation is linked to a defect in form while all the complaints from the Assaupamar environmental association have been rejected by the Court.
- We lowered by around **10%** our production expectations for the company's Brazilian installations following the shortage in sugarcane crop. **This led to a slight adjustments in our FY16 EBITDA to EUR126m vs. EUR127m initially**.
- **Buy rating** maintained **and FV at EUR16** unchanged.

VALUATION

- **Buy, FV @ EUR16**
- At current share price, the stock trades at **8.6x** its 2016e EV/EBITDA multiple

NEXT CATALYSTS

- **1st March 2017:** FY16 results

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TMT

ams

Price CHF30.20

In the battle for Apple and ToF sensors, Heptagon deal is an expensive but necessary move

Fair Value CHF27 vs. CHF29 (-11%) **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)	2,469
Avg. 6m daily volume (000)	466.2
3y EPS CAGR	9.5%

	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	545.8	660.2	792.8
% change		*-12.4%*	*20.9%*	*20.1%*
EBITDA	195	152	194	253
EBIT	162.2	95.9	152.5	214.8
% change		*-40.9%*	*59.1%*	*40.9%*
Net income	148.7	94.9	116.2	168.1
% change		*-36.2%*	*22.5%*	*44.7%*

	2015	2016e	2017e	2018e
Operating margin	26.0	17.6	23.1	27.1
Net margin	23.9	17.4	17.6	21.2
ROE	21.8	14.9	16.8	19.6
ROCE	18.7	11.5	15.6	21.1
Gearing	19.3	35.7	12.4	-3.6

(EUR)	2015	2016e	2017e	2018e
EPS	2.08	1.05	1.86	2.73
% change	-	*-49.6%*	*77.1%*	*47.3%*
P/E	13.4x	26.7x	15.1x	10.2x
FCF yield (%)	3.6%	0.4%	6.6%	8.4%
Dividends (EUR)	0.32	0.49	0.33	0.42
Div yield (%)	1.1%	1.8%	1.2%	1.5%
EV/Sales	3.5x	4.2x	3.3x	2.5x
EV/EBITDA	11.2x	15.1x	11.0x	8.0x
EV/EBIT	13.5x	23.8x	14.1x	9.4x

Yesterday, ams gave more details regarding the acquisition of Heptagon during a conference call. Today, we are convinced that the acquisition was the only solution left to ams in order to maintain its slot in Apple's smartphones. With the future being sensor fusion, ams had to propose a truly innovative value-added solution to Apple, including a complete advanced integrated module embedding at least true-tone and ToF sensors. Stuck in this battle, competing with STMicroelectronics (Neutral, FV EUR6.5), we believe ams struck the decisive blow by acquiring Heptagon. The question is, was it worth taking such a scorched earth approach? We think so! Nevertheless, the acquisition impacts our near- and mid-views. As such, we trim our FV to CHF27 (vs. CHF29 previously) and keep our Neutral recommendation.

ANALYSIS

- **Grabbing more market share in the iPhone.** Following our first take published yesterday morning (see here), we now have more details regarding the acquisition, but also on business momentum in the near term. First, regarding the deal: we learned that Heptagon's top customer represents about 80% of Heptagon's business. We have the strong conviction that this customer is Apple. Management also says that, on the basis of the combined revenue of 2017e, this customer would then represent about 30% of the business. Given that Apple represents about 20% of ams sales before the deal, this confirms our first thought regarding the name of the client. This customer is the one that provided a strong commitment which we believe is a multi-year commitment. After this deal, ams should be 3 to 4x larger than its main competitor (our investment strategy focuses on small but highly verticalised players in the semiconductor industry, see here).
- **Earn-out to be paid only if Heptagon delivers expected top-line growth.** Another clarification during the conference call: the USD270m earn-out payment is linked to top-line growth, not margins. In this payment, the portion of cash will be more important than stock part (incl. stock from treasury) and it is said to kick in at a USD200m level (however we have no detail regarding the expected performance level required to trigger the payment).
- **This confirms our view that the acquisition will not be accretive before 2018e at best.** During the conference call, the group said that Heptagon's margin should remain in negative territory during H1 2017, then possibly move to positive territory as of H2 2017. This make sense if we expect a design-in in the iPhone. As such, it is possible to see a (very limited) positive impact on EBIT as of FY17. However, we note the very cautious tone of management when making this comment. In our view, this confirms that the acquisition will not be accretive before 2018e at EPS level, at best (including all the impacts of the acquisition).
- **ams' standalone business and FY17e expectations are not impacted by the acquisition nor the short term slowdown.** According to the management, 2017 should be a strong year, this is not new but we had a confirmation that the deal will not impact the opportunities the next year. In addition, ams says to work hard on the yield issue impacting Q4 and expects it to be resolved by Q1 2017, i.e. it should have a limited impact on Q1 2017 and FY17e then. We understand it is due to problems linked to the rapid ramp up of an industrial product at a manufacturing partner's site. As such, neither the yield problem nor the Heptagon acquisition impacts our view on FY17e. Conversely, Heptagon adds new opportunities and the acquisition should not be seen as signalling a slowdown according to ams. Nevertheless, we now adopt a more cautious approach when modelling FY17e on a standalone basis (details given below).
- **To sum up, our view is that ams has been put under pressure by one of its largest customer** (we believe it is Apple) to offers a highly integrated solution including two very important technologies, namely ambient light sensors and Time of Flight (ToF), into a single package able to offer a bezel-free (no visible frame around the screen) smartphone. Currently, the iPhone 7 uses ToF components from STMicroelectronics (Neutral, FV EUR6.5) and an Ambient Light Sensor from ams. With the needs for more integrated sensors, a trend called Sensor Fusion (resulting in products named sensor hubs), we think that ams has no other choice than invest in a differentiating technology in order to offer higher value-added products than ST. The solution is the strategic acquisition of Heptagon, currently working with ST on Wafer-Level optic packaging to supply Apple.

VALUATION

- **Expensive for investors but necessary to support the LT development of ams.** We have tuned our model in order to include 1/ the impact of the stronger than expected Q3 2016, 2/ the impact of the lower-than-expected Q4 2016, 3/ a more cautious approach regarding FY17e and FY18e on a standalone basis. We move away from the FY19e group target of revenue close to EUR1bn but given latest update, we believe a more cautious approach is required when modelling FY17e and FY18e. The result is a negative impact of 3% on average on our 3Y EPS estimates (details are given in the table below). We also modelled the impact of the acquisition of Heptagon, but because the deal is not closed yet, we do not include these impacts in our estimates. However, it **is included in our new FV of CHF27 vs. CHF29**.
- **Given 1/ sales momentum heading to a muted quarter, 2/ the risks linked to the execution of the integration of Heptagon, 3/ a possible softer demand than expected in FY17e and FY18e leading to fall short of the FY19e plan and 4/ a limited upside, we reiterate our Neutral recommendation.**
- Based on our estimates, ams' shares are trading on 2017e P/E and PEG ratios of 15.1x and 1.5x respectively.

NEXT CATALYSTS

- Early February 2017: FY16 and Q4 results.

Our new estimates – P&L

[in EURm]	1Q16	2Q16	3Q16e	4Q16e	2016e	2017e	2018e
Sales	**137**	**132**	**147**	**130**	**546**	**660**	**793**
Seq. growth	-7%	-4%	11%	-12%	-12%	21%	20%
Gross profit (IFRS)	**74**	**71**	**78**	**63**	**286**	**366**	**452**
Gross margin	54%	53%	53%	49%	52%	56%	57%
R&D	-33	-32	-37	-35	-137	-135	-151
% of sales	-24%	-24%	-25%	-27%	-25%	-21%	-19%
G&A	-24	-25	-23	-23	-95	-99	-111
% of sales	-17%	-19%	-16%	-18%	-17%	-15%	-14%
Other op. income	2	2	32	2	38	7	8
% of sales	2%	2%	22%	2%	7%	1%	1%
EBIT (IFRS)	**20**	**17**	**50**	**7**	**94**	**139**	**198**
Operating margin	14%	13%	34%	6%	17%	21%	25%
Adjusted EBIT	**28**	**24**	**28**	**15**	**96**	**152**	**215**
Operating margin	21%	18%	19%	12%	18%	23%	27%
Financial result	-5	4	-2	-1	-4	-7	-7
% of sales	-4%	3%	-1%	-1%	-1%	-1%	-1%
Income Tax	-1	-1	8	0	5	-16	-23
Income tax rate	-5%	-6%	16%	-6%	6%	-12%	-12%
Net Profit (IFRS)	**14**	**20**	**56**	**6**	**95**	**116**	**168**
Net margin	10%	15%	38%	4%	17%	18%	21%
Adj. Dil. EPS	**0.21**	**0.28**	**0.37**	**0.19**	**1.05**	**1.86**	**2.73**
EPS seq. growth	-51%	33%	32%	-49%	-50%	77%	47%

Sources: Bryan, Garnier & Co ests.

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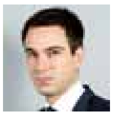

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Luxury & Consumer Goods

BIC

Price EUR126.80

Bloomberg	BB FP
Reuters	BICP.PA
12-month High / Low (EUR)	156.4 / 114.4
Market Cap (EURm)	6,078
Ev (BG Estimates) (EURm)	5,724
Avg. 6m daily volume (000)	57.40
3y EPS CAGR	1.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.8%	-4.4%	-6.9%	-16.4%
Consumer Gds	-2.4%	-2.3%	-0.4%	-3.5%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2,242	2,286	2,400	2,508
% change		*2.0%*	*5.0%*	*4.5%*
NIFO	432.0	404.9	445.9	473.1
IFO	439.9	398.2	441.9	469.1
% change		*-9.5%*	*11.0%*	*6.2%*
Net income	325.1	286.0	317.9	340.0
% change		*-12.0%*	*11.2%*	*6.9%*

	2015	2016e	2017e	2018e
IFO margin	19.6	17.4	18.4	18.7
Net margin	14.5	12.5	13.2	13.6
ROE	17.3	14.9	14.5	13.7
ROCE	18.4	14.9	14.7	14.2
Gearing	-24.2	-18.2	-18.1	-18.9

(EUR)	2015	2016e	2017e	2018e
EPS	6.79	5.97	6.64	7.10
% change	-	*-12.0%*	*11.2%*	*6.9%*
P/E	18.7x	21.2x	19.1x	17.9x
FCF yield (%)	5.6%	3.6%	4.0%	4.6%
Dividends (EUR)	5.90	3.45	3.70	3.95
Div yield (%)	4.7%	2.7%	2.9%	3.1%
EV/Sales	2.5x	2.5x	2.4x	2.2x
EV/EBITDA	13.0x	14.1x	12.7x	11.8x
EV/EBIT	12.8x	14.4x	12.8x	11.9x

Good margin performance despite a softer LFL growth; FY outlook confirmed

Fair Value EUR123 (-3%) **NEUTRAL**

Q3 sales came in at ~EUR560m (+2.1%), fairly in line with CS at EUR567m even if the LFL growth (+3.8%) was below expectations (+5%e) after +5.4% in H1. On the positive side, the Q3 normalised IFO margin only contracted 20bp to 18.8% (CS: -100bp to 18%) after -170bp in H1 excl. the impact of the special employee bonus. BIC reiterates FY16 outlook: mid-single-digit LFL growth and NIFO to decline between 100-150bp (excl. the impact the special employee bonus). Conference call today at 4pm Paris time.

ANALYSIS

- **Q3 16 sales of EUR560m, fairly in line with CS' estimates at EUR567m.** The organic growth decelerated in Q3 to 3.8% (CS: +5%) from +5.4% in H1 because of a more moderate performance from the Consumer business. The Group also enjoyed a less harmful FX impact (-1.7% vs. -5.5% in H1) mainly thanks to the rebound of the BRL (~10% of Q3 sales).
- **Consumer business only grew by 3.2% LFL (CS: +5.3%e) after +5.8% in H1. Stationery** was up 2.4% LFL (H1: +5.6%), fuelled by good back-to-school sell-in trends in Europe and Emerging Markets, but they slowed down in North America. Revenue in **Lighters** increased 6.5% LFL (H1: 5.4%) driven by a DD growth in Europe and by distribution gains in Emerging Markets, also helped by an easier comparison base (+9.5% in H1 15 vs. +5.2% in Q3 15). Sales in **Shavers** faced a sharp slowdown in Q3 with +1.4% vs. +9.9% in H1, due to weaker trends in North America.
- **Promotional Products: sales up 7.2% LFL after +2.3% in H1.** This performance topped expectations (+5.6%e), boosted by a favourable timing impact (earlier shipments as last year's shipments shifted to October instead of September).
- **Q3 Normalised IFO margin contraction limited to 20bp to 18.8% (CS: 18%e).** The main headwind was the GM expansion of 150bp 51.3% (H1: -90bp), driven by a positive fixed cost absorption and raw material impacts. It enabled BIC to increase further its brand support (+140bp vs. +80bp in H1). Whilst the profitability of Stationery dropped 650bp to 3.9%, the NIFO has clearly improved in Lighters (+190bp) and more surprisingly, in Shavers (+280bp after -790bp in H1). **Group net income** decreased 3.6% to EUR73.6m. **Net cash position** at end-September 2016 was approx. EUR208.1m (-42%).

BIC Q3 16 and 9M 16 results:

EURm	Q3 16	% change	9M 16	% change
Net sales	559.6	*2.1*	1,692.9	*0.6*
Normalised IFO	105.2	*0.9*	313.1	*-8.8*
in % of sales *	*18.8*	*-20bp*	*19.2*	*-120bp*
Reported IFO	104.0	*-0.2*	307.7	*-11.0*
in % of sales	*18.6*	*-40bp*	*18.2*	*-230bp*
Group Net Income	73.6	*-3.6*	213.7	*-15.5*

** = excluding the impact from the special employee bonus paid in Q1 16* *Source: Company Data*

- **FY16 sales and margin outlook confirmed.** BIC expects sales to grow revenue at mid-single-digit rate (BG ests: +5.3% / CS: +5%). BIC guides for a 100-150bp decline of the normalised IFO margin, adjusted for the impact from the special employee bonus. Prior to today's publication, the CS anticipates the lower end of the range, i.e. -100bp to 18.3% (BG: 18.2%e). Conference call scheduled today at 4pm (CET).

VALUATION

- Our recommendation and FV of EUR123 are still capped by demanding valuation multiples (2017e EV/EBIT of 13.8x), representing a 33% premium to the 2004-16 historical average for a CAGR 2015-18e of 3.1% for the IFO.

NEXT CATALYSTS

- BIC will release its FY16 Results on 15th February 2017.

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TMT

Capgemini

Price EUR82.64

Q3 2016 sales slightly below our estimates; FY16 guidance confirmed

Fair Value EUR94 (+14%) **BUY**

Bloomberg	CAP FP
Reuters	CAPP.PA
12-month High / Low (EUR)	89.1 / 69.0
Market Cap (EURm)	14,178
Ev (BG Estimates) (EURm)	15,528
Avg. 6m daily volume (000)	582.7
3y EPS CAGR	10.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.7%	-1.1%	5.0%	-3.5%
Softw.& Comp.	-2.4%	4.0%	9.9%	6.3%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	11,915	12,592	12,845	13,342
% change		*5.7%*	*2.0%*	*3.9%*
EBITDA	1,577	1,706	1,832	1,944
EBIT	1,022	1,185	1,370	1,482
% change		*15.9%*	*15.7%*	*8.1%*
Net income	797.5	967.6	1,022	1,100
% change		*21.3%*	*5.7%*	*7.6%*

	2015	2016e	2017e	2018e
Operating margin	10.6	11.4	12.1	12.5
Net margin	9.4	6.2	6.8	7.1
ROE	16.3	11.3	11.9	12.2
ROCE	17.2	13.6	14.4	15.9
Gearing	25.3	19.7	9.5	0.2

(EUR)	2015	2016e	2017e	2018e
EPS	4.62	5.58	5.82	6.26
% change	-	*20.8%*	*4.3%*	*7.6%*
P/E	17.9x	14.8x	14.2x	13.2x
FCF yield (%)	5.7%	6.2%	6.9%	7.3%
Dividends (EUR)	1.35	1.50	1.60	1.70
Div yield (%)	1.6%	1.8%	1.9%	2.1%
EV/Sales	1.3x	1.2x	1.2x	1.1x
EV/EBITDA	10.1x	9.1x	8.1x	7.3x
EV/EBIT	12.6x	10.9x	9.5x	8.5x

This morning Capgemini reported Q3 2016 sales slightly below our ests. and the consensus average, with more fx headwinds than we initially expected. Management reiterates FY16 guidance (revenue growth of 7.5-9.5% at cc or up 2.5-4.5% lfl, operating margin of 11.3-11.5%, free cash flow above EUR850m). We expect the share price to react a little negatively near term due to lfl revenue growth, but we estimate this was anticipated by investors as Indian IT services firms have already reported decelerating growth rates.

ANALYSIS

- **Q3 2016 sales slightly below our estimates**. Q3 2016 revenues were down 0.6% (+2.1% lfl) to EUR3,019m, or 1% below both our ests. (EUR3,053m, +3% lfl) and 2% behind the consensus average (EUR3,071m, +3% lfl), including a 2.8ppt fx headwind (essentially GBP) while we expected these headwinds at 2.4ppt. Digital & Cloud revenues were up 25% lfl, and now account for 29% of year-to-date revenues. Energy & Utilities in North America, hardware resale in Brazil and HMRC generated headwinds to lfl revenue growth of -0.9ppt, -0.6ppt and -0.4ppt, respectively.

- **Q3 2016 details**. **By service line**: 1) Application Services (systems integration + application management): +4.4% at cc with France, Central Europe and Nordic countries above +10%; 2) Other Managed Services (infrastructure management + BPO): -3.3% at cc due to the UK and LatAm; 3) Technology & Engineering Services: +1.3% at cc, driven by North America and Rest of Europe; 4) Consulting: +3.1% at cc, led by Digital. **By geography**, performances were as follows: 1) North America: +0.4% at cc, with significant headwinds in Energy & Utilities (+3.7% lfl excluding this vertical); 2) UK: -1.5% at cc with +10% in the commercial sector, some decline at HMRC as expected, and no change in market demand linked to Brexit; 3) France: +4.6% at cc; 4) Rest of Europe: +5.4% at cc with +10% in Central Europe and Nordic countries; 5) Asia-Pacific & LatAm: +1.2% at cc with strong double-digit growth in Asia-Pacific and LatAm shrinking due to resale in Brazil. **By industry**, growth was led by Manufacturing (+12.6% at cc), then Financial Services (+6.5% at cc), Consumer & Retail (+3.1% at cc), and Telecom & Media (+2% at cc), while Energy & Utilities and Government were respectively down 7.3% and 7.5% at cc.

- **FY16 guidance confirmed**. Management reiterates FY16 guidance, i.e. sales up 7.5-9.5% at cc, i.e. an est. +2.5%/+4.5% lfl (BG est.: +3.3% lfl; consensus: +3.4% lfl), an operating margin of 11.3-11.5% (BG est.: 11.4%; consensus: 11.5%), and a free cash flow above EUR850m (BG est.: EUR892m; consensus: EUR897m). Q3 2016 bookings amounted to EUR2,792m, up 14% at cc on a year-on-year basis. In Energy & Utilities in North America, after several quarters of sharp decline, the revenue run rate is expected to stabilise in Q4 2016, but will still face tough comps until Q1 2017. The re-insourcing of the Aspire contract with HMRC is occurring as planned, will be completed by July 2017, and will create negative base effect throughout 2017 (-0.9ppt for Q4 2016, -1.3ppt for H1 2017, -1.1ppt for H2 2017). Finally, headwinds from resale in Brazil are expected to be limited in Q4 2016 and Q1 2017.

VALUATION

- Capgemini's shares are trading at est. 10.9x 2016 and 9.5x 2017 EV/EBIT multiples.
- Net debt on 30th June 2016 was EUR2,270m (net gearing: 36%).

NEXT CATALYSTS

Conference call today at 8.30am CET / 7.30am BST / 2.30am EDT (France: +33 1 70 77 09 36; UK: +44 20 33 67 94 57; USA: +1 866 907 59 25)

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Dassault Systèmes

Price EUR71.28

Q3 2016 analysts' meeting and conference call feedback: the price of success

Fair Value EUR64 (-10%) **SELL**

Bloomberg	DSY FP
Reuters	DAST.PA
12-month High / Low (EUR)	78.8 / 64.4
Market Cap (EUR)	18,336
Ev (BG Estimates) (EUR)	16,659
Avg. 6m daily volume (000)	232.4
3y EPS CAGR	11.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.6%	-0.8%	1.6%	-3.4%
Softw.& Comp.	-2.4%	4.0%	9.9%	6.3%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	2,839	3,055	3,359	3,681
% change		*7.6%*	*10.0%*	*9.6%*
EBITDA	897	1,009	1,129	1,269
EBIT	633.2	693.9	824.4	960.5
% change		*9.6%*	*18.8%*	*16.5%*
Net income	617.4	709.9	778.2	870.5
% change		*15.0%*	*9.6%*	*11.9%*

	2015	2016e	2017e	2018e
Operating margin	29.8	31.2	31.9	32.8
Net margin	14.2	15.2	16.1	17.2
ROE	11.5	12.2	12.8	13.5
ROCE	28.9	34.3	41.4	52.9
Gearing	-38.7	-44.1	-55.2	-65.0

(€)	2015	2016e	2017e	2018e
EPS	2.37	2.71	2.97	3.30
% change	-	*14.4%*	*9.5%*	*11.2%*
P/E	30.1x	26.3x	24.0x	21.6x
FCF yield (%)	2.9%	4.0%	4.5%	5.0%
Dividends (€)	0.42	0.45	0.53	0.61
Div yield (%)	0.6%	0.6%	0.7%	0.9%
EV/Sales	6.0x	5.5x	4.8x	4.2x
EV/EBITDA	18.9x	16.5x	14.2x	12.1x
EV/EBIT	20.1x	17.5x	15.0x	12.7x

We reiterate our Sell rating following the analysts' meeting and the conference call held yesterday. Q3 2016 demonstrate that Dassault Systèmes' route to get an average 9% CAGR for lfl revenue growth for 2014-2019 may take a bit longer than initially expected in our view (BG est. +8% for 2017 and +7% for 2016 after +7% for 2015 and +5% for 2014) due to the success of the 3DExperience platform. This translate into bigger and more transformational deals which need the approval at the Board level and sometime slip.

ANALYSIS

- **The side effects of transformational deals**. EUR5m of strategic transactions were delayed in Q3 - primarily in North America and the UK -, as Dassault Systèmes faces the side effects of the success of the 3DExperience platform: deals in the pipeline become bigger and require the customers' Board approval, while competitors make some activism for not being displaced. In addition, the management has adopted a more cautious stance regarding the ability to deliver double-digit lfl new licence revenue growth in Q4. Company guidance for Q4 2016 implies total revenues up 7-9% at cc (o/w EUR10m from the CST acquisition, which implies +6%/+8% lfl), of which +8%/+12% at cc on new licence sales and +7%/+8% at cc on recurring revenues. The management, who mentioned the pipeline was still solid, considers this prepares future growth, but will not give any comment on DS' ability to deliver double-digit lfl new licence revenues in 2017. In addition, the indirect channel for medium-sized deals needs to be improved for 2017. Finally, the FY16 revenue guidance upgrade (EUR15-25m) is due to fx tailwinds (+EUR17m excluding a -EUR2m GBP headwind), CST (EUR10m), and the deals that slipped in Q3 (-EUR5m).
- **Hiring activity will cancel the positive effect of the strong Q3 margin in Q4**. The management sticks to a 0.5ppt improvement in the non-IFRS operating margin for 2016 at cc to c. 31%. Despite a strong level in Q3 2016 (32% or +1.9ppt ex-fx and Q3 2015 research tax credit reversal), the non-IFRS operating margin is expected to decline by c. 0.5ppt in Q4 2016 at the mid-point of the 33-35% guidance, as DS plans to accelerate recruitments in sales and marketing and R&D as well as boosting marketing programs. Approximately 300 staff is expected to be hired in Q4, or more or less the same amount as in Q3 - yet in Q3 the recruitment was pretty much back-end loaded, which means the full effect on opex will be seen in Q4. Taking into account heavy currency headwinds (-6ppt impact based on official assumptions of EUR/USD at 1.15 and of EUR/JPY at 120 for Q4), the management forecasts Q4 2016 non-IFRS EPS will be at -3%/+4%.
- **Other Q3 2016 takeaways**. The 3DExperience platform increased its new licence sales by 76% at cc year-to-date and now accounts for 33% of new licence revenues (+13ppt) on the V6 architecture. In Q3 2016, 3DExperience software revenues were up 40% at cc (+38% YTD). New licence sales in High-tech were up 36% lfl in Q3 (+30% YTD), with good traction in Electronics ans Semiconductors. The 2% rise in Other PLM software is not related to Simulia - which performed well as well as Quintiq and Exalead - but tough comps on Delmia and accounting changes on Biovia. Finally, the "weak" operating cash flow (EUR526m year-to-date vs. EUR530m as of 30th September 2015) was related to a EUR80m fall in tax down payments in Q3 2016 and the timing impact of tax refunds.

VALUATION

- Dassault Systèmes' shares are trading at est. 17.5x 2016 and 15.0x 2017 EV/EBIT multiples.
- Net cash position on 30th September 2016 was EUR1,502.4m (net gearing: -41%).

NEXT CATALYSTS

FY16 results in February 2017.

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Food retailing

DIA

Price EUR5.11

Bloomberg	DIA.SM
Reuters	DIA MC
12-month High / Low (EUR)	6.2 / 4.4
Market Cap (EURm)	3,181
Ev (BG Estimates) (EURm)	4,185
Avg. 6m daily volume (000)	3 159
3y EPS CAGR	3.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-9.7%	-10.6%	2.7%	-6.1%
Food Retailing	0.8%	0.8%	-3.0%	-0.5%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	8,926	9,001	9,472	9,937
% change		*0.8%*	*5.2%*	*4.9%*
EBITDA	610	615	646	682
EBIT	274.1	312.6	366.5	403.5
% change		*14.0%*	*17.3%*	*10.1%*
Net income	254.1	246.5	273.0	283.8
% change		*-3.0%*	*10.7%*	*4.0%*

	2015	2016e	2017e	2018e
Operating margin	4.4	4.4	4.5	4.6
Net margin	2.8	2.7	2.9	2.9
ROE	NM	NM	NM	NM
ROCE	22.5	22.5	22.6	22.6
Gearing	361.8	224.3	153.4	122.7

(EUR)	2015	2016e	2017e	2018e
EPS	0.42	0.41	0.45	0.47
% change	*-*	*-2.7%*	*10.8%*	*4.0%*
P/E	12.2x	12.5x	11.3x	10.8x
FCF yield (%)	NM	10.7%	8.3%	7.1%
Dividends (EUR)	0.19	0.20	0.21	0.22
Div yield (%)	3.7%	3.9%	4.1%	4.3%
EV/Sales	0.5x	0.5x	0.4x	0.4x
EV/EBITDA	7.1x	6.8x	6.4x	6.0x
EV/EBIT	15.7x	13.4x	11.2x	10.1x

We wish management could maintain the good momentum initiated in Q2

Fair Value EUR6 vs. EUR6.5 (+17%) **NEUTRAL vs. BUY**

Dia is a value play (2017 P/E of 11.3x vs 17x on average for the sector). But we believe that the content of the financial information and the visibility on FCF (especially with regard to LFL acceleration in Spain) may prevent investors from expecting any reward from the optionality embedded in the value case. Unfortunately, despite the current upside (+17%), we suspect that the stock could be dead-money until FY. Hence, to avoid any opportunity cost, we downgrade our rating to Neutral (vs Buy). We prefer Carrefour (Buy, top-pick, FV @EUR30).

We have adjusted down our 2016/18 EPS by 5.1% on average (a move we did not anticipate at first sight yesterday). As mentioned in the outlook, **1/** EBITDA margin should be stable in 2016 while **2/** adjusted EBITDA is expected to grow from 4 to 5% ex-currency (which has disappointed the market). Hence, we now expect FY adjusted EBITDA to reach EUR615m (vs EUR627m). Moreover, we model more aggressive price investments in Iberia (as management indicated, during the call, that the priority was the topline growth and that it would be ready to invest further to ensure positive LFL). In a first time, these potential investments could offset the positive impact from format mix (franchise) and the margin uptake from recent acquisitions. On the whole, we now expect 2017 group EBITDA to reach EUR646 vs EUR685. As a consequence, we have updated our FV to EUR6 (vs EUR6.5), which implies 17% upside potential. Nevertheless, despite this upside, we suspect that the stock could be dead-money until FY. To avoid any opportunity cost, we downgrade our rating to Neutral (vs Buy).

ANALYSIS

- Remember that over the past year, the relationship between the top line (declining LFL rates) and the bottom line (growing underlying margin) in Iberia has appeared unhealthy. This observation comes after Tesco's nightmare, which resulted in violent and unprecedented margin restatement in order to attract clients back to its stores. Hence, the market became convinced that, at some point, Dia would have no choice but to do the same. But from Q1 2016, the relationship between the topline and the bottom-line became healthier (its is worth noting that it was still the case in Q3) while the communication by the group turned out to be more precise and engaging (at this moment, we had decided to upgrade our recommendation to Buy; May 13th). Hopefully, the market is now convinced that Dia is not Tesco (hence the relief of the stock since Q2). This question mark behind us, today's focus is regarding FCF.
- Yet, when the Q3 numbers were published yesterday, we suspected that there was going to be a debate on the FCF (Q3 (first take): in line / potential debate on the evolution of the wording of the FCF guidance). As a reminder, in the first half of 2016, management pointed out that the cash-flow generated from operations was on track to meet the ambitious cash-flow generation targets the company has set for the 2016-18 period (namely EUR750m of Cash from Operation / i.e. adjusted EBITDA - capex - non recurring cash items). This wording disappeared in the press release (instantaneously, this creates a doubt…) while management indicated that the 2016 Net Financial Debt (NFD) should reach EUR950/1,000m (vs EUR1,311m in 2015).
- We would have appreciated signs of confidence on the ongoing business (we understand that LFL performances by format are very disparate in Iberia and could imply further unexpected capex to bring new impetus to Dia Market notably) and hence certitudes with regards the FCF guidance (PS: we understand EUR750m of Cash from Operation guidance for 2016/18 is still in place), in order to maintain the positive momentum initiated in Q2. But it has not been thus. Today, we believe that the content of the financial information and the visibility on FCF (at this stage, we do not forecast a strong decrease in the NFD / i.e. NFD of EUR932m in 2017 and EUR892m in 2018) can prevent investors from expecting any reward from the optionality embedded in the value case.

VALUATION

- 2017 P/E of 11.3 (consensus at 11.8x) vs 17x on average for peers

NEXT CATALYSTS

- Acceleration of LFL in Iberia (the main factor behind FCF)

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Food & Beverages

Heineken

Price EUR79.00

Strong delivery in Q3

Fair Value EUR88 (+11%) **BUY**

Bloomberg	HEIA NA
Reuters	HEIN.AS
12-month High / Low (EUR)	85.2 / 71.1
Market Cap (EURm)	45,504
Ev (BG Estimates) (EURm)	59,355
Avg. 6m daily volume (000)	641.3
3y EPS CAGR	8.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.2%	-6.0%	-2.7%	0.3%
Food & Bev.	-3.8%	-4.5%	-1.1%	-3.5%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	20,511	20,530	21,033	21,595
% change		*0.1%*	*2.4%*	*2.7%*
EBITDA	4,975	5,080	5,412	5,760
EBIT	3,381	3,486	3,694	3,932
% change		*3.1%*	*6.0%*	*6.4%*
Net income	2,048	2,158	2,385	2,586
% change		*5.4%*	*10.5%*	*8.4%*

	2015	2016e	2017e	2018e
Operating margin	16.5	17.0	17.6	18.2
Net margin	10.0	10.5	11.3	12.0
ROE	15.1	14.7	15.0	14.9
ROCE	8.2	8.3	8.8	9.4
Gearing	86.0	74.8	61.9	49.4

(EUR)	2015	2016e	2017e	2018e
EPS	3.57	3.77	4.16	4.51
% change	-	*5.4%*	*10.5%*	*8.4%*
P/E	22.1x	21.0x	19.0x	17.5x
FCF yield (%)	3.7%	3.8%	5.1%	5.8%
Dividends (EUR)	1.11	1.12	1.24	1.34
Div yield (%)	1.4%	1.4%	1.6%	1.7%
EV/Sales	2.9x	2.9x	2.7x	2.6x
EV/EBITDA	12.1x	11.7x	10.6x	9.7x
EV/EBIT	17.7x	17.0x	15.5x	14.2x

Heineken reported this morning organic volume growth of 2% (5.4% reported), which was well ahead of our expectation of 0.1% and Bloomberg consensus that seems to have ticked up in the last couple of days to 1.6% (helped by positive reports on the weather in Europe in September). The recent stock underperformance mostly due to concerns over tough y/y comps, especially in Europe and the weakness in Nigeria are in our view overdone and miss the strong geographic diversification and gearing towards the higher growth premium beer category (about 60% of operating profit).

In Q3, the positive momentum continued in Mexico and Vietnam while the warm weather September helped the performance in Western Europe in the quarter (despite +7% volume growth comps in Q3 2015).

ANALYSIS

- The region with the strongest growth was Asia Pacific with 15.1% (Q3 consensus of 11.6% vs 19.4% in H1 and 16% in Q2) organic volume growth as the underlying momentum continued to be strong in Vietnam, Cambodia, China and in Indonesia (comps were weaker in H1 when the impact of the minimart regulation change (no alcohol sale in minimarts) was bigger).
- The weakest region was Africa Middle East and Eastern Europe with organic volume decline of 3.6% (Q3 consensus of -2.7% vs -1.2% in H1 and -5.9% in Q2) where weak macro-economics (Nigeria, DRC, Russia) and tourism (Egypt) continue to impact beer consumption.
- In the Americas organic volume growth of 3% (Q3 consensus of 3.4% vs 4.7% in H1 and 1.6% in Q2) were driven by high single digit volume growth in Mexico but also in the US depletions were positive (slightly for Heineken and Dos Equis but double digit for Tecate Light). The Heineken brand continues to do grow double digit in Brazil (although total volumes declined mid-single digit).
- In Europe organic volume growth of 0.6%, (Q3 consensus of -0.4% vs 2.3% in H1 and 2.4% in Q2) was much better than I anticipated (-5%) as good September weather and improved macro economics (tourism) in Spain and Italy mitigated the high comparables of Q3 2015 (+7%). For me the biggest surprise was the flat volumes in Poland which seem to indicate that market is turning the corner.
- Despite its good performance figures over the past 3 quarters, Heineken leaves its 2016 outlook unchanged, which is that it expects to deliver further organic revenue and profit growth, with margin expansion in line with the medium term margin guidance of a year on year improvement in operating profit (beia) margin of around 40bps. However, already in H1, Heineken delivered 4.7% organic revenue growth (4.1% organic volume growth) and 12.6% organic operating profit growth. That was implying a margin expansion of 124bps. Nevertheless the company is holding its full year forecast of 40bps margin expansion which was indicative of tougher comparables and currency headwinds.

VALUATION

- Our fair value of EUR90 is based on a risk free rate of 1.6% and an equity risk premium of 7%. In our model we have for the full year 2.1% organic revenue growth (of which 1.5% volume growth) and 5.8% organic operating profit growth, which might seem conservative given the YTD 3.3% organic volume growth. The company updated the negative currency impact for the full year to EUR215m, which is close to our estimate of EUR198m

NEXT CATALYSTS

- 25 November: seminar
- 14 February: full year results

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Luxury & Consumer Goods

Kering

Price EUR188.40

Stellar performance at Gucci in Q3 (+17%), with clear rebound in MC

Fair Value EUR218 vs. EUR211 (+16%) **BUY**

Bloomberg	PP FP
Reuters	PRTP.PA
12-month High / Low (EUR)	192.5 / 138.6
Market Cap (EUR)	23,789
Ev (BG Estimates) (EUR)	26,589
Avg. 6m daily volume (000)	221.9
3y EPS CAGR	15.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.4%	20.5%	24.9%	19.3%
Pers & H/H Gds	-2.6%	-2.6%	0.0%	-0.3%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	11,584	12,280	13,085	13,775
% change		*6.0%*	*6.6%*	*5.3%*
EBITDA	2,056	2,320	2,600	2,800
EBIT	1,646	1,900	2,160	2,360
% change		*15.4%*	*13.7%*	*9.3%*
Net income	1,017	1,223	1,433	1,594
% change		*20.3%*	*17.2%*	*11.2%*

	2015	2016e	2017e	2018e
Operating margin	14.2	15.5	16.5	17.1
Net margin	8.8	10.0	11.0	11.6
ROE	8.7	9.5	10.5	11.3
ROCE	5.8	6.8	7.5	8.2
Gearing	37.7	27.1	21.9	21.2

(EUR)	2015	2016e	2017e	2018e
EPS	8.05	9.68	11.25	12.41
% change	-	*20.3%*	*16.3%*	*10.4%*
P/E	23.4x	19.5x	16.7x	15.2x
FCF yield (%)	1.2%	2.9%	3.9%	4.5%
Dividends (EUR)	4.00	4.30	4.70	5.20
Div yield (%)	2.1%	2.3%	2.5%	2.8%
EV/Sales	2.4x	2.2x	2.0x	1.9x
EV/EBITDA	13.4x	11.5x	10.0x	9.3x
EV/EBIT	16.8x	14.0x	12.1x	11.1x

Kering reported Q3 sales at EUR3.19bn (consensus: EUR3.10bn), up 10% and 10.5 % organically (consensus: +7.1%). This follows 6.9% organic sales growth in Q2 and 5.5% in H1. Gucci brand registered a stellar performance (+17% in Q3). We reiterate our Buy recommendation and we lift our FV to EUR218 vs EUR211 FV previously.

ANALYSIS

- **Kering Group Q3 sales grew 10.5% organically to EUR3.19bn (consensus: EUR3.10bn)** and 7.3% on 9m to EUR8.88bn (consensus: EUR8.79bn). Kering Luxury revenues enjoyed 11.3% organic growth in Q3 (cs:+6.3%). **Puma** registered 10.8% organic sales growth in Q3 (consensus: +10.1%), in line with Q2 and H1 performance. The German brand successful relaunch is succeeding quarter after quarter.

- Among **Kering Luxury**, we want to highlight the strong recovery of **Gucci** brand (34% of Group sales) with a 17% sales increase in Q3 (cs:+9.5%), implying a clear rebound versus Q2 (+7.4%) and H1 (+5.4%). This is the consequence of the successful brand repositioning initiated by Alessandro Michele since the end of 2015 and the higher weight of Alessandro collections (close above 80% vs 70% in Q2). It is also worth noting the good performance in Asia-Pacific (+31% vs +3% in Q2). On the other hand, **Bottega Veneta still suffered in Q3** (-10.9%), globally in line with Q2 (-9.8%), as the brand is very exposed to Asian clientele, including Japanese, (70% of brand's sales) and it is also in a transition phase. **YSL** enjoyed again a very dynamic quarter with a 33.9% organic sales increase, a clear acceleration versus Q2 (+22%). And the positive momentum was true for all the regions, including +33% in Europe. Lastly, the soft luxury brands registered strong positive performance, nevertheless offset by watches brands, hence the 2.5% of the "**others brands**".

Quarterly organic sales growth by main activities

in %	FY 15	Q1 16	Q2 16	H1 16	Q3 16	9M 16
Gucci	0,4	3,1	7,4	5,4	17.0	9.3
Bottega Veneta	3,2	-8,3	-9,8	-9,1	-10.9	-9.7
YSL	25,8	26,5	22,0	24,2	33.9	27.7
Autres	3,1	-3,3	2,9	0,0	2.5	0.8
Total Luxe	**4,1**	**2,7**	**5,2**	**4.0**	**11.3**	**6.5**
PUMA	6,8	8,1	10.0	9.0	10.8	10.6
Kering Group	**4,6**	**4,0**	**6.9**	**5.5**	**10.5**	**7.3**

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

- Among **Kering Luxury**, it is worth noting the healthy momentum in **Europe** (33% of Kering Luxury sales) with 12% sales gowth in Q3 alone (versus +5% in Q2), driven by a +22% for Gucci brand despite -17% for BV. In **Asia-Pacific** (30% of Kering Luxury), sales accelerated in Q3 with organic sales +24%, following +6% in Q2. This regular recovery in APAC is mainly coming from **Mainland China** (around 10% of Kering Luxury sales), while **Hong Kong** remains volatile and contrasted with a better trend at Macau. Others Asian (exc Japan) countries are also very well oriented, including in Korea and Singapore. Gucci brand did also very well in APAC in Q3 (+31%). On the other hand, **Japan** (10% of Luxury sales) is disappointing with a 7% sales decline revenues, on very demamnding comps. Lastly, sales in **North America** (20% of Luxury sales), momentum improved with a 17% growth vs -3% in H1, with locals clientele again well oriented.

- **Given Q3 sales figures, we revise up our 2016 EBIT by 3%**, mainly driven by Gucci whose margin should improve by at least 110bp, o/w +150bp in H2 after +80 in H1.

VALUATION

- **We reiterate our Buy recommendation with a new EUR218 FV vs previously EUR211 previously**. The stock (+20% on 3m) is trading with a 7% discount vs peers average on 2016 EV/EBIT.

NEXT CATALYSTS

- FY 2016 results to be reported mid February 2017

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TMT 26th October 2016

Melexis

Price EUR62.60

Q3 results came out with no major surprise; FY16 guidance confirmed.

Fair Value EUR48 (-23%) **SELL**

Bloomberg	MELE BB
Reuters	MLXS.BR
12-month High / Low (EUR)	65.9 / 40.9
Market Cap (EURm)	2,529
Ev (BG Estimates) (EURm)	2,457
Avg. 6m daily volume (000)	38.00
3y EPS CAGR	5.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.7%	6.9%	33.4%	24.8%
Semiconductors	-0.6%	4.3%	29.8%	23.1%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	400.1	452.2	492.1	533.3
% change		*13.0%*	*8.8%*	*8.4%*
EBITDA	130	139	155	167
EBIT	107.6	112.2	122.5	132.8
% change		*4.3%*	*9.2%*	*8.4%*
Net income	99.1	95.3	106.2	115.1
% change		*-3.8%*	*11.4%*	*8.4%*

	2015	2016e	2017e	2018e
Operating margin	26.9	24.8	24.9	24.9
Net margin	24.8	21.1	21.6	21.6
ROE	40.9	36.1	34.1	31.7
ROCE	52.5	49.4	48.7	47.8
Gearing	-24.2	-27.4	-31.7	-35.3

(EUR)	2015	2016e	2017e	2018e
EPS	2.45	2.36	2.63	2.85
% change	-	*-3.8%*	*11.4%*	*8.4%*
P/E	25.5x	26.5x	23.8x	22.0x
FCF yield (%)	3.0%	3.4%	3.4%	3.7%
Dividends (EUR)	1.29	1.84	1.45	1.57
Div yield (%)	2.1%	2.9%	2.3%	2.5%
EV/Sales	6.2x	5.4x	4.9x	4.5x
EV/EBITDA	18.9x	17.7x	15.7x	14.3x
EV/EBIT	23.0x	21.9x	19.8x	18.1x

Today, Melexis' announcements brings with no major surprise. The group reports Q3 revenue of EUR114.5m, EBIT of EUR29.7m (EBIT margin of 25.9%), yielding EPS of EUR0.62, i.e. a penny below Street's expecations (at EUR0.63). However, Melexis confirms its FY16 guidance for a top-line growth in the range of 13% to 14% and EBIT margin of 25%. This implies Q4 2016 revenue to increase sequentially by 3.0% to EUR118m (at mid-range of the guidance), slightly above consensus but EBIT at around EUR28m, slightly below consensus forecasting EBIT of EUR29m. The group will host a conference call later today (17:00 CET). Due to high valuation metrics, we reiterate our Sell recommendation and our FV of EUR48.

ANALYSIS

- **Melexis reported Q3 EPS slightly below the Street's expectations.** For Q3, Melexis reported revenues of EUR114.5m, up 1.9% seq. (+12.7% yoy) compared with group's guidance for revenue of about EUR116m (at mid-range, i.e. up 4.2% seq. (+/- 350bp)), and consensus expectations for revenue of EUR116m. Gross margin came in at 46.5%, about 150bps above company's guidance (45.0%) and about 90bps above the street's forecasts of GM at 45.6% (BG ests. 45.5%). As a result, EBIT was in line with expectations at EUR29.7m (cons. USD29.6m) and EPS came in at EUR0.62, i.e. 2% below the consensus (cons. EUR0.63/BG ests. EUR0.61). During the quarter, the group generated cash flow of EUR14m in Q3 to be compared with EUR30m in the previous quarter.
- **Overall, Q3 created with no major surprise.** Most of the Melexis' Application Specific Special Products (ASSP) core product lines, representing about 62% of sales in Q3, are said to be growing in Q3 including sensors, fan drivers and Local Interconnect Networking (LIN). Geographically, EMEA was particularly strong in Q3. In addition, we note that inventory levels were up EUR73.0m vs. EUR65.8m at the end of Q2 2016, implying a significant increase of 11%.
- **The group confirms FY16 guidance implying Q4 operating result to be slightly below expectations.** In the press release, Melexis confirms FY16 guidance for a top-line growth of 13% to 14%, gross margin of 45% and operating margin of 25%. As such, Melexis expects Q4 2016 sales to increase sequentially by 3.0% to about EUR118m, a penny above the consensus forecasts for revenue of EUR116.0m (BG ests. EUR115.2m). The gross margin is forecasted to be at a level of about 45%, i.e. down 150bps compared to Q3 2016 and about 100bps below Street's expectations. As such, EBIT margin for Q4 2016 is forecasted to be around 24%, yielding EBIT of EUR28m, also slightly below consensus forecasting EBIT of EUR29m.

VALUATION

- **Due to high valuation metrics, we reiterate our Sell recommendation and our FV of EUR48.** Based on our estimates, Melexis' shares are trading on 2017e P/E and PEG ratios of 23.8x and 4.7x respectively.

NEXT CATALYSTS

- Today: Q3 results Conference call (17:00 CET)
- 8 February 2017: FY17 and Q4 2016 results

Reported Q3 2016 vs. estimates

[EURm]	BG ests. 3Q16e	Consensus 3Q16e	3Q16 Actual	Actual vs. Cons.
Net revenue	114.5	116.0	114.5	-1.3%
% change (seq)	*1.9%*	*3.3%*	*1.9%*	-134bp
% change (yoy)	*12.7%*	*14.2%*	*12.7%*	-148bp
Gross Margin	46.5%	45.6%	46.5%	86bp
Adj. EBIT	29.3	29.6	29.7	0.4%
% of revenue	*25.6%*	*25.5%*	*25.9%*	44bp
Dil. EPS (in EUR)	0.63	0.63	0.62	-1.6%

Sources: Melexis; Bryan, Garnier & Co ests.

Guidance Q4 2016 vs. estimates

[EURm]	BG ests. 4Q16e	Consensus 4Q16e	4Q16 Guidance	Guid. vs. Cons.
Net revenue	115.1	116.0	117.9	1.6%
% change (seq)	*+0.5%*	*+0.0%*	*+3.0%*	297bp
Gross Margin	44.5%	46.0%	45.0%	-100bp
Adj. EBIT	27.5	28.8	28.3	-1.6%
% of revenue	*23.9%*	*24.8%*	*24.0%*	-80bp
EPS (in EUR)	0.59	0.67		

Sources: Melexis; Bryan, Garnier & Co ests.

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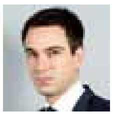

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Healthcare

Novartis

Price CHF72.55

If Novartis is a call for 2018-2020, then call me back in 2017!

Fair Value CHF81 vs. CHF87 (+12%) **NEUTRAL**

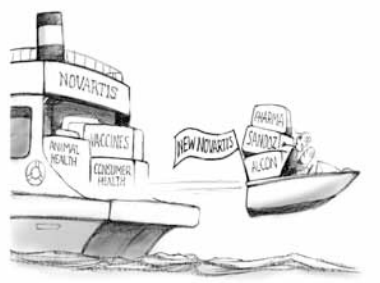
Bloomberg	NOVN VX
Reuters	NOVN.VX
12-month High / Low (CHF)	90.6 / 68.5
Market Cap (CHF)	190,597
Ev (BG Estimates) (CHF)	182,706
Avg. 6m daily volume (000)	4,336
3y EPS CAGR	41.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.3%	-11.7%	-2.9%	-16.4%
Healthcare	-6.4%	-9.9%	-5.6%	-12.9%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	49,414	48,572	49,355	52,335
% change		*-1.7%*	*1.6%*	*6.0%*
EBITDA	6,634	13,813	14,271	15,513
EBIT	1,059	8,313	8,771	10,013
% change			*5.5%*	*14.2%*
Net income	-463.4	7,123	7,794	9,023
% change		*NS*	*9.4%*	*15.8%*

	2015	2016e	2017e	2018e
Operating margin	2.1	17.1	17.8	19.1
Net margin	-0.9	14.7	15.8	17.2
ROE	-0.6	9.2	10.0	11.4
ROCE	-5.5	13.8	14.5	16.4
Gearing	21.4	21.5	18.4	12.4

(USD)	2015	2016e	2017e	2018e
EPS	1.92	4.78	4.92	5.44
% change	-	*149.0%*	*3.0%*	*10.4%*
P/E	37.9x	15.2x	14.8x	13.4x
FCF yield (%)	0.6%	3.8%	5.5%	5.8%
Dividends (USD)	2.75	3.00	2.46	2.72
Div yield (%)	3.8%	4.1%	3.4%	3.7%
EV/Sales	3.7x	3.8x	3.7x	3.4x
EV/EBITDA	27.6x	13.3x	12.7x	11.4x
EV/EBIT	173.0x	22.1x	20.6x	17.6x



Asked to comment on a very first look into 2017, CEO answered that Novartis was not so much about next year as about 2018 onwards, as the group will then exit the Gleevec patent cliff period. Although it makes sense, it also suggests that CS is likely too high on 2017 numbers and needs to be adjusted. As we do so, our FV comes down from CHF87 to CHF81. NEUTRAL reiterated.

ANALYSIS

- Obviously, we are here to anticipate upcoming trends and to try to move before the turnaround takes place, but in saying that Novartis was not a call for 2017 (as Gleevec is likely to weigh even more than previously thought, because competition in the US has been less intense so far, thus creating a higher-than-expected comparison base), but more a 2018-2020 call. The CEO has thus offered an easy argument to "wait and watchers".
- Beyond Gleevec, which will have about USD3bn of sales exposed to generics next year, arguments in favour of a wait-and-see strategy very much relate to the yet-to-come turnaround in Alcon and Entresto cases, both of which performed poorly again in Q3. However, on these two fronts, Novartis comments have been encouraging, suggesting progress: (i) for Alcon, it comes faster in Consumer than in Surgical obviously but in Europe, where initial DTC campaigns have taken place, some market share gains have started to be seen, whereas new PanOptix IOL and new Daily Total1 are expected to drive growth further out. Last but not least, Alcon's management is very happy about its global level of service and supply, which has not been as good for two years; (ii) as long as Entresto, TRx and NRx are starting to reflect progress on coverage and inclusion in guidelines.
- Of course, Novartis did not commit to any form of guidance for 2017, but our understanding is that 2017 might pretty much look like 2016 initially i.e. "flat to slightly declining year" overall. However, comparing that to consensus numbers, this could come as a disappointment as the market expects core EPS to jump from CHF4.74 to CHF5.05 (+6.5%). As there is no forex impact to anticipate, this could prove optimistic.

VALUATION

- We have cut our estimates for 2017 significantly from CHF5.25 to CHF4.93 in light of the above-mentioned comments from management, but also because it is now clear that we were too high with Alcon (we have cut our operating margin by 100bp) and also with several products in Pharmaceuticals including Entresto (from CHF900m down to CHF700m) and in oncology (Zykadia, Tafinlar US, Tasigna US). We have also slightly reduced our expectations on LEE011 on the back of cautious comments about requirements for cv and hepatic monitoring and until new data emerge.
- Obviously, we have also noticed some interesting comments about M&A strategy that largely contradict recent press rumours. It looks like there is no change in terms of prioritizing bolt-on acquisitions (USD2-5bn) over large-scale deals, except if "attractive opportunities" arise. The Roche stake is also still very much for sale, simply waiting for the right time (and price). Together with Alcon (once restructured) and the minority stake in JV with GSK, they represent cash pockets to be reallocated and redeployed, if necessary, into more strategic opportunities. Commenting on Lilly's and GSK's transactions, the CEO said that one lesson is that "focus is good!".

NEXT CATALYSTS

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

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Luxury & Consumer Goods

Groupe SEB

Price EUR132.50

Bloomberg	SK FP
Reuters	SEBF.PA
12-month High / Low (EUR)	132.5 / 81.9
Market Cap (EUR)	6,647
Ev (BG Estimates) (EUR)	8,817
Avg. 6m daily volume (000)	52.70
3y EPS CAGR	25.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.6%	8.0%	49.7%	40.1%
Consumer Gds	-2.4%	-2.3%	-0.4%	-3.5%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	4,770	5,337	6,420	6,737
% change		*11.9%*	*20.3%*	*4.9%*
Adj. EBIT	428	517.7	664.9	717.4
EBIT	396.6	482.6	622.6	673.1
% change		*21.7%*	*29.0%*	*8.1%*
Net income	205.9	265.4	357.5	406.5
% change		*28.9%*	*34.7%*	*13.7%*

	2015	2016e	2017e	2018e
EBIT margin	8.3	9.0	9.7	10.0
Net margin	4.3	5.0	5.6	6.0
ROE	13.2	18.1	20.4	19.8
ROCE	12.8	8.9	10.7	11.5
Gearing	16.5	119.9	99.7	74.9

(€)	2015	2016e	2017e	2018e
EPS	4.14	5.34	7.19	8.18
% change	-	*28.9%*	*34.7%*	*13.7%*
P/E	32.0x	24.8x	18.4x	16.2x
FCF yield (%)	4.8%	3.4%	3.9%	6.1%
Dividends (€)	1.54	1.65	1.85	2.05
Div yield (%)	1.2%	1.2%	1.4%	1.5%
EV/Sales	1.5x	1.7x	1.4x	1.2x
EV/EBITDA	16.3x	17.0x	13.0x	11.7x
EV/EBIT	17.6x	18.1x	13.8x	12.4x

And the beat goes on!

Fair Value EUR140 vs. EUR132 (+6%) **BUY**

Yesterday Groupe SEB unveiled Q3 sales of EUR1,204m (CS: EUR1,195m), up 6.8% reported on better-than expected LFL growth (+6.5% vs. CS of 5.4%e). The adj. EBIT reached EUR140m and topped expectations by 8%, representing 130bp-margin improvement to 11.6%. Against this favourable momentum, the Group raises its FY sales and adj. EBIT targets. We raise our FY16 estimates on SEB stand-alone (acquisition of WMF should be completed by the end of November), leading to our new FV of EUR140 vs EUR132 initially. Buy recommendation confirmed.

ANALYSIS

- **Q3 sales up 6.8% to EUR1,204m.** Although sales were in line with the CS (1,195m), the **LFL growth** beat expectations (+6.5% vs. +5.4%e), showing a consistent performance over the first 9M (+6.2%). The **scope effect** amounted to 2% (OBH Nordica and EMSA) whilst the FX headwind eased off (-1.7% vs. -4.3% in H1).
- **Solid growth in EMEA (+6.9% LFL). Western Europe** was up 4.6%, again driven by **France** (+4.6%) which achieved its 13th consecutive quarter of growth in both SDA and cookware. Sales grew in double-digits in **Germany** and in **Italy,** whilst trends were softer in **Spain** (LP activity last year) and in the UK. In **Other Countries** (+13.1% LFL), sales in **Russia** continued to be robust (helped by a LP), as well as in the Middle-East.
- **Gradual recovery in the Americas (+2% vs. -5.4% in H1).** This improvement occurred in both regions: in **North America** (+1.4% vs. -9.5%), the US activity recovers from the destocking phase that affected H1 and the sales decline in **Canada** was reversed thanks to aggressive initiatives (marketing, promotional activity). In **Latin America** (+3% vs. +0.4%), trends in **Brazil** have relatively improved (slight decline vs. -15% in Q2) in challenging market conditions, but the Group was affected by transportation strikes in **Colombia**.
- **Strong momentum in Asia-Pacific (+9.5% LFL).** As announced at H1 results, the 23.5% uplift in **China** over Q2 was partly driven by early shipments to anticipate the temporary closure of one of Supor's plants. Hence the sales "only" grew by 10.2% in Q3, but the 9M performance (+15%) gives a reliable picture of SEB's underlying trends in this market. Sales in **Japan** and **South Korea** continued to enjoy a solid development.
- **Adj. EBIT (EUR140m) topped expectations by 8% (CS: EUR130m).** As a consequence, the adj. margin expanded 130bp to 11.6% thanks to a positive price-mix that more than offset the FX headwind (EUR43m). The step up in marketing expenses was also offset by other tailwinds (sourcing, efficiency gains).
- **Groupe SEB raises FY16 outlook: (i)** LFL growth of 6% after 6.2% in 9M (previous guidance: "exceed 5%") and **(ii)** the adj. EBIT is expected to increase by 15% reported after +19% in 9M (previous target: "above 10%"). We consider this guidance to be a bit conservative as it would only imply +9% growth over Q4. Even if SEB accelerates further marketing expenses in Q4, we believe that the Group could keep a faster pace of growth. Groupe SEB still guides on a negative FX impact of EUR120m for this year. Prior to yesterday's publication, the CS was anticipating LFL growth of 5.8% and 13% growth of the adj. EBIT.
- **We raise our FY16 assumptions by ~3%.** We nudge up **our LFL growth forecast** to 6.1% vs. 5.6%, implying +6% in Q4. As for our **adj. EBIT estimate**, we increase it by ~2.5% to reflect the revised guidance as well as the better-than-expected 9M performance.
- **WMF acquisition expected to be completed by the end of November.** CFO Vincent Leonard confirmed that the operation is currently reviewed by the European Commission and its approval might be announced before the end of November. Hence WMF should be consolidated from December 2016. It is worth noting that our current FY16-17 assumptions are based on a consolidation starting in October, which would require some adjustments from our side in the coming weeks, but with no material impact on our valuation.

VALUATION

- In light of this solid performance and revised guidance, we expect a positive market reaction today even if the stock has already rallied ~40% ytd. Besides the solid underlying trends, we believe that investors' attention will now mainly be on the successful integration of WMF, which will be a key catalyst for next year.

(To be continued next page)

NEXT CATALYSTS

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

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Q1 sales by region (new reporting):

EURm	Q3 16	*LFL growth (%)*	9M 16	*LFL growth (%)*
EMEA – Western	416	*4.6*	1,148	*4.7*
EMEA – Others	154	*13.1*	438	*9.6*
Total EMEA	**570**	***6.9***	**1,586**	***6.1***
North America	160	*1.4*	374	*-5.3*
South America	105	*3.0*	243	*1.4*
Americas	**265**	***2.0***	**617**	***-2.6***
China	259	*10.2*	844	*14.9*
Rest of Asia	110	*7.6*	321	*4.3*
Asia-Pacific	**369**	***9.5***	**1,165**	***11.9***
Total Groupe SEB	**1,204**	***6.5***	**3,368**	***6.2***

Source: Company Data

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Healthcare

Transgene

Price EUR2.71

Strong newsflow ahead

Fair Value EUR5 (+85%) **CORPORATE**

Bloomberg	TNG.FP
Reuters	TRNG PA
12-month High / Low (EUR)	3.8 / 2.3
Market Cap (EUR)	156
Ev (BG Estimates) (EUR)	213
Avg. 6m daily volume (000)	81.80
3y EPS CAGR	-8.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.8%	1.8%	-6.8%	7.1%
Healthcare	-6.4%	-9.9%	-5.6%	-12.9%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	0.0	0.0	0.0	0.0
% change				
EBITDA	-33.2	-25.8	-23.8	-26.0
EBIT	-35.8	-35.1	-26.0	-28.1
% change		*2.1%*	*25.8%*	*-8.2%*
Net income	-37.9	-36.1	-27.0	-29.1
% change		*4.9%*	*25.1%*	*-7.9%*

	2015	2016e	2017e	2018e
Operating margin	NM	NM	NM	NM
Net margin	NM	NM	NM	NM
ROE	-142.8	379.2	74.0	44.4
ROCE	-73.1	-70.5	-53.5	-58.6
Gearing	83.4	-604.3	-229.4	-170.9

(EUR)	2015	2016e	2017e	2018e
EPS	-0.98	-0.94	-0.70	-0.76
% change	-	*4.9%*	*25.1%*	*-7.9%*
P/E	NS	NS	NS	NS
FCF yield (%)	NM	NM	NM	NM
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	NS	NS	NS	NS
EV/EBITDA	NS	NS	NS	NS
EV/EBIT	NS	NS	NS	NS

Now that the company is on the verge of securing a capital increase of c.EUR48m (of which 75% is garanteed by the Mérieux Institute), we would like to come back on some key short-term catalysts that are likely to support the stock in the coming months. We also stick to our FV of EUR5.0 since the risk-reward profile is attractive, in our view.

ANALYSIS

- **PexaVEC: an improving momentum**. The oncolytic virus class has benefited from various positive read-across analyses over the past few months. First, Amgen's Imlygic (talimogene laherparepvec) got approved both in the US and Europe for the treatment of adults with advanced melanoma. Second, some quite promising data in combination with ipilimumab have been published (ORR: c.50% in previously untreated patients with melanoma). Third, apart from Amgen and Merck, BMS and AstraZeneca also got their hands on molecules from this therapeutic family through acquisitions or collaboration agreements.
- **Sillajen to be listed in Asia: a potential positive read-across in H2 16.** Sillajen is said to consider an IPO on the KOSDAQ, and rumors say that the pre-money valuation could exceed USD1Bn (!). Such figure is too optimistic in our view, especially since the company retains solely a part of PexaVEC's rights… But there is a chance that the final number will be much higher than what the street currently retains for TNG's rights (BG EV: c.EUR150m).
- **CSF1/CSF1R is one of the most attractive targets in the I-O field in our view**. Its blockade is indeed thought to induce a strong modulation of the tumor microenvironment, and thus improve the reponse to PD-1/PD-L1 blockers (upregulation of PD-L1 and even CTLA-4, depletion of immune suppressive cells and notably TAMs, reprogramming of macrophage populations to support anti-tumor immunity). No doubt that this is one of the very reasons why BMS inked such a lucrative deal with Five Prime (up to USD1.74Bn payments, including an upfront amounted to USD350m) to get its hands on FPA008 (an anti-CSF1R mAb).
- **TG3003 (anti-CSF1R) is another asset to be reckon with**. We believe that big/mid pharmas lacking this type of molecule (e.g. Merck KGaA) could be interested in inking a licensing deal with TNG to improve/distinguish themselvesfrom the crowd… Especially since TG3003 might benefit from a differentiated mechanism of action (skewing of monocyte differentiation from M2-TAM towards dendritic cells, decreased production of IL-6, no blockade of ligand binding / non-cytotoxic). Further preclinical testing is to be done, but a licensing deal could be inked in the coming months should these preliminary data confirm TG3003's MoA.
- **And of course don't forget TG4010.** As stated in our previous comments, there is a strong rationale behind the combination of a cancer vaccine like TG4010 and an anti-PD-1 (the first one boosting the anti-cancer response, while the latter disinhibits it + potential upregulation of PD-L1 associated with an increased release of IFN-gamma). And should the future efficacy data confirm these synergies (BG: 2017e), the inking of a licensing deal would be more likely, in our view.

VALUATION

- **We reiterate our FV of EUR5.0**. The risk-reward profile is attractive in our view, especially since 1/ our valuation (which is c.75% above the current share price) could be significantly increased if key upside scenarios play out; 2/ the downside will be limited by the raised cash along with the diversity of the pipeline.

NEXT CATALYSTS

- H2 16: IPO of Sillajen, positive read-across for PexaVEC + Potential ou-licensing of TG3003.

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Construction & Building Materials

VINCI

Price EUR67.48

Poor performance of Vinci Energy. Tough comp. for order intake. Concessions still steady.

Fair Value EUR74 vs. EUR72 (+10%) **BUY**

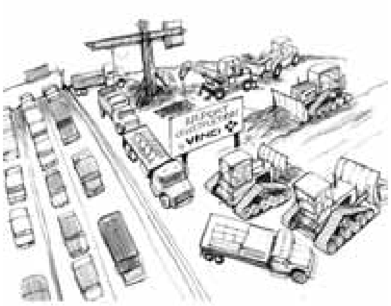
Bloomberg	DG FP
Reuters	SGEF.PA
12-month High / Low (EUR)	69.7 / 56.9
Market Cap (EUR)	40,292
Ev (BG Estimates) (EUR)	51,035
Avg. 6m daily volume (000)	1,471
3y EPS CAGR	7.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.8%	0.4%	3.1%	14.1%
Cons & Mat	-0.8%	6.6%	5.2%	5.5%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	38,518	37,930	38,844	40,218
% change		*-1.5%*	*2.4%*	*3.5%*
EBITDA	5,664	5,836	6,145	6,369
EBIT	3,758	4,036	4,344	4,582
% change		*7.4%*	*7.6%*	*5.5%*
Net income	2,109	2,299	2,516	2,655
% change		*9.0%*	*9.4%*	*5.5%*

	2015	2016e	2017e	2018e
Operating margin	9.8	10.6	11.2	11.4
Net margin	5.4	6.2	6.6	6.7
ROE	13.9	14.5	14.9	14.8
ROCE	7.4	7.9	8.6	9.0
Gearing	81.5	71.9	59.0	46.8

(EUR)	2015	2016e	2017e	2018e
EPS	3.58	3.90	4.27	4.50
% change	-	*8.8%*	*9.4%*	*5.5%*
P/E	18.8x	17.3x	15.8x	15.0x
FCF yield (%)	7.5%	7.1%	7.5%	8.1%
Dividends (EUR)	1.84	2.07	2.27	2.39
Div yield (%)	2.7%	3.1%	3.4%	3.5%
EV/Sales	1.4x	1.3x	1.3x	1.2x
EV/EBITDA	9.2x	8.7x	8.1x	7.5x
EV/EBIT	13.9x	12.6x	11.4x	10.5x



Q3 revenues are down -3.4% l-f-l at EUR10bn, c2% below consensus. Concessions sales are up 6.6% l-f-l (c2% above consensus), but Contracting is down -5.4% l-f-l (c3% below consensus). Vinci Energy performance was disappointing in Q3, with a -5.4% l-f-l decline, but margins are not at risk. Order book is fine, but tough comparison base impacted order intake in Q3 (-18%). Guidance roughly unchanged. Share price likely to be under pressure today, as the Energy weakness was unexpected.

Q3 2016 and 9M 2016 revenues by business lines (growth is like-for-like)

EURm	Q3 16	y/y %	vs cons.	9M16	y/y %	H1 16 y/y
Concessions	**1,908**	**6.6**	**2**	**4,790**	**6.1**	**5.8**
Vinci Autoroutes	1,568	4.6	1	3,933	4.8	4.9
Vinci Airports	309	15.4	3	764	12.9	11.4
Others Concessions	32	42.7	-	94	12.4	1.3
Contracting	**8,038**	**-5.4**	**-3**	**22,733**	**-5.0**	**-4.7**
Vinci Energies	2,446	-5.4	-5	7,406	-1.6	0.4
Eurovia	2,268	-1.4	-1	5,551	-2.8	-3.8
Vinci Construction	3,324	-8.1	-2	9,776	-8.4	-8.6
Revenues*	**10,008**	**-3.4**	**-2**	**27,628**	**-2.9**	**-2.6**

Source : Vinci (reported figures and consensus); Bryan Garnier & Co. ests. includes property and others*

ANALYSIS

On the positive, traffic figures remains steady, both for toll roads (+2.9% in Q3) than for Airports (11.9% in Q3 on a comparable basis). Vinci guidance for the full year performance is actually slightly better for toll roads with revenues growth expected "in excess of" 2015 performance (vs "slightly higher rate" previously). Roadworks dynamics are better too in Q3 in France (-1.1% in France vs -7% in H1 2016), which confirms we are now at the trough of the cycle. Construction remains difficult, which is not exciting - but not a surprise either.

On the negative side, Vinci Energy performance in Q3 was disappointing, with a -5.4% organic decline, mostly explained by a lower telecom contribution in France plus difficulties in the oil & gas market and in Germany too, the latter being unexpected. Vinci doesn't say whether the Germany counterperformance is explained by a market slowdown or a change in the selectivity policy – some delayed invoices might have impacted the business in Q3 too. Vinci doesn't see any risk to margins. In 2015, Vinci Energy generated EUR1.9bn of sales in this country.

Order book is fine: EUR28bn, down -2% y/y (-1% excl. SEA) but up +1% YTD (+2% excl. SEA). However order intake is very poor in Q3 (-18%) due to tough comparison basis (+16% in Q3 15, with EUR1.7bn of large projects vs EUR200m this year). Although this is a severe decline, quarterly analysis of order intake are often biaised as they can be very volatile. Actually, 9M intake are up +1% y/y. Besides, based on projects below EUR50m, they are up by 1% in Q3.

Guidance reiterated. Revenue expected to be slightly down, operating and net income up.

Share price reaction likely to be negative today, as Vinci Energy weakness was unexpected. This is frustrating and not the best case scenario for Q3, but we remain positive : Concessions remain strong (80% of the EV est., 69% of EBIT) and some catalysts should help: Grand Paris announcements, better roadworks in France, improving margins in contracting this year.

VALUATION

We have lifted our toll roads traffic forecast from 2% to 3.5% in 2016E and from 2% to 2.4% in 2017e, with long term unchanged at 1% This is a mere catch-up, as our previous figures were too conservative. Impact is roughly EUR2 our our SOTP, which now stands at EUR74 (vs EUR72).

NEXT CATALYSTS

Vinci 2016 Investor Day (dedicated to Vinci Energy) on 2nd December. Bryan Garnier Reverse Roadshow on 5th December 2016.

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Healthcare

AstraZeneca

Price 4,812p

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	5,220 / 3,774
Market Cap (GBPm)	60,866
Avg. 6m daily volume (000)	2 718

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.9%	3.4%	17.8%	4.2%
Healthcare	-6.4%	-9.9%	-5.6%	-12.9%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

	2015	2016e	2017e	2018e
P/E	13.7x	14.7x	14.9x	15.3x
Div yield (%)	4.8%	4.8%	4.8%	4.8%

SOLO-2 reports positive headline data

Fair Value 5220p (+8%) **BUY**

ANALYSIS

- In a very short press release this morning, AstraZeneca announced that SOLO-2 phase III trial achieved its primary endpoint and significantly improved PFS in women with maintenance therapy for advanced BRCA-mutated ovarian cancer. Full data will be presented in an upcoming medical congress.
- Lynparza was administered as a monotherapy at a twice-daily of 300 mg in patients that had completed two or more lines of previous platinum-based chemotherapy where the disease has come back. AstraZeneca interestingly mentions that the median PFS in the Lynparza arm exceeded that observed in the study 19 phase II trial which was 11.2 months. Although both germline and somatic BRCAm status were allowed at enrolment, germline BRCAm looks in majority. In those, Tesaro's PARP inhibitor showed median PFS improvement from 5.5 months to 21 months (HR=0.27) i.e. high bar now for new comers in the field (NOVA trial presented at ESMO). It could prove difficult to compare apples to apples between the two drugs across the studies. SOLO-1 looks even closer to NOVA and is expected to report results in Q1 2017. Together with SOLO-2, it should form the base of a new filing for Lynparza in ovarian cancer.

VALUATION

- SOLO-1 and 2 are anticipated positive by the Street already and Lynparza will only a major drug for AstraZeneca if it succeeds in demonstrating that it progresses in earlier lines of treatment in ovarian cancer and if it also does well in breast cancer. However, competition is fierce in the field with Tesaro's and Medivation's PARP inhibitors more particularly to watch.

NEXT CATALYSTS

- 10 November 2016: Third-quarter results - Click here to download

Eric Le Berrigaud, eleberrigaud@bryangarnier.com

Healthcare

Bayer

Price EUR91.50

Bloomberg	BAY GY
Reuters	BAYG.F
12-month High / Low (EUR)	126.9 / 84.4
Market Cap (EURm)	75,666
Avg. 6m daily volume (000)	2 571

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.0%	-1.2%	-16.6%	-21.0%
Healthcare	-6.4%	-9.9%	-5.6%	-12.9%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

	2015	2016e	2017e	2018e
P/E	13.3x	12.4x	11.7x	10.9x
Div yield (%)	2.7%	2.8%	3.0%	3.1%

Decent quarter with focus on profitability

Fair Value EUR98 (+7%) **NEUTRAL**

ANALYSIS

- Third-quarter numbers released this morning are bang in line with estimates at the top-line level but above estimates at the profit and margin level.
- Sales for the quarter were EUR12.3bn, as expected and we see no major differences across divisions compared to expectations. Within Pharmaceuticals, there are a few swings to point out although in the end ups and downs are balancing each other out: on the positive side, clearly Xarelto posted another very strong quarter with sales up 34% (i.e. above two previous quarters in terms of annual growth rate) and Mirena; with a negative tone, Eylea (with a slow-down in growth), Betaferon (whose decline is accelerating) or Stivarga (still disappointing).
- Like in Q2, Crop Science and Consumer Healthcare were a touch below estimates. However, they are diverging in terms of operating margin because Crop Science was very resilient (margin slightly up to 15.5% when CS was expecting 14%) whereas Consumer Care saw a 90bp decline, again. Since Pharmaceuticals saw a gain in margin of 180bp in the quarter, the group posted higher-than-expected EBITDA and EBITDA margin (EUR2,682m vs EUR2,532m estimated).

VALUATION

- Third-quarter numbers are solid although they should not influence the consensus very much. The only change in the guidance relates to core EPS that is expected to grow high-single digit. We had 8% to EUR7.42 while consensus is expecting EUR7.38 for the full-year (+7.1% after 9 months). If anything, it could be revised upwards by 1-2pp. Obviously, this is not what matters with Bayer.

NEXT CATALYSTS

- Today 2pm: Conference Call - Click here to download

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Healthcare

Ipsen

Price EUR62.21

Bloomberg	IPN FP
Reuters	IPN.PA
12-month High / Low (EUR)	63.6 / 47.1
Market Cap (EURm)	5,180
Avg. 6m daily volume (000)	75.10

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.3%	12.1%	18.2%	2.0%
Healthcare	-6.4%	-9.9%	-5.6%	-12.9%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

	2015	2016e	2017e	2018e
P/E	22.4x	20.4x	17.3x	14.5x
Div yield (%)	1.4%	1.4%	1.9%	2.0%

Third-quarter sales a bit light, but FY guidance raised

Fair Value EUR72 (+16%) **BUY-Top Picks**

ANALYSIS

- This morning, Ipsen released mixed numbers for its third-quarter report, still characterised by the divergence of its two business units: on one hand, Specialty Care is growing well into the double-digit area (+17.8%), driven by Somatuline which is not slowing-down (+34.1%) and despite a weak Dysport (tough in Russia + importation issues in Brazil); on the other hand, Primary Care is suffering more than expected and the trend is worsening as the situation in emerging markets is not improving while the new commercial strategy in China is taking more time to pay off than anticipated.
- This translates into an adjustment for the FY guidance, upwards in Specialty Care (from >12% to >15% growth) and downwards in Primary Care (from flat to -3%/-5%). We had anticipated those differences vs initial guidance with respectively +15.5% and -11% in reported terms i.e. including negative Fx impacts. All in all, considering the weight of each of the two business units, the new guidance suggests total sales for the group in 2016 close to EUR1.6bn (about EUR20m above current consensus estimates). Moreover, and with no surprise, the anticipated product mix is also resulting in an operating margin favourable mix effect and the guidance is now 22% (vs 21%). We were already above 22% in 2016 but the consensus had 21.6%.

VALUATION

- In the final analysis, although Q3 numbers are a touch below estimates, the fact that this comes primarily from Primary Care which is poised to decline over time, while Specialty Care still performs strongly, with unchanged to slightly improved perspectives for the full year, makes us believe that share price reaction should not be too bad. With Cabometyx launch coming, Ipsen is still a BUY.

NEXT CATALYSTS

- In the coming weeks: Cabometyx launch in first EU markets - Click here to download

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TMT

Wirecard

Price EUR43.62

Strong preliminary Q3 results; positive momentum and FY guidance maintained

Fair Value EUR58 (+33%) **BUY-Top Picks**

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 31.2
Market Cap (EURm)	5,390
Avg. 6m daily volume (000)	510.0

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.7%	4.3%	23.1%	-6.2%
Softw.& Comp. SVS	-2.4%	4.0%	9.9%	6.3%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

	2015	2016e	2017e	2018e
P/E	32.9x	23.8x	18.2x	14.9x
Div yield (%)	0.3%	0.3%	0.3%	0.4%

ANALYSIS

Preliminary figures: Q3 revenues of EUR268.0m, up 33.4% Y/Y i.e. organic growth over 20%e (BG est.: EUR263.1m i.e. +31%), and EBITDA of EUR81.4m i.e. margin up 50bp to 30.4% (BG est.: 79.7m, margin of 30.3%). This implies 9-month revenues at EUR719.8m +33.0% Y/Y and EBITDA at EUR213.8m i.e. margin up 40bp to 29.7%.

FY16 guidance: Management expects a positive business development in Q4 2016 and confirmed its most recent FY 2016 guidance, namely for EBITDA of between EUR298m and EUR312m (the midpoint of EUR305m compares with BG previous est. of EUR306.3m and Thomson Reuters consensus of EUR303.5m).

We are slightly upgrading our estimates, which were already at the high-end of the guidance range and above consensus: we have FY16e revenue of EUR1,025.2m i.e. +32.9% Y/Y and +20.9% lfl (vs. EUR1.015.9bn before), EBITDA of EUR306.8m i.e. margin of 29.9% +40bp (vs. EUR306.3m before; cons.: EUR303.5m) and restated net income of EUR226.1m i.e. margin of 22.1%, +90bp (vs. EUR225.9m before). Since the recent acquisition of Citi Prepaid Card Services in the US, Wirecard is now formally a global issuing and acquiring payment services provider. A number of US investors are rumoured to be looking at the stock simply because it recently acquired this business from Citi (add weight to the quality of Wirecard). By increasing its size, Wirecard should mechanically improve its margins (fixed cost structure business)

VALUATION

We maintain our **Buy recommendation** and **FV of EUR58**. The stock is on our **Q4 Top Pick list**.

Wirecard's PEG is very appealing, with a **P/E of 19.6x compared with restated EPS growth of +31% over 12 rolling months.**

NEXT CATALYSTS

Audited Q3 financial statements: on 16th November 2016 (before trading).

Click here to download

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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 57.3%   NEUTRAL ratings 31.2%   SELL ratings 11.5%

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