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27th October 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18199.33	+0.17%	+4.44%
S&P 500	2139.43	-0.17%	+4.67%
Nasdaq	5250.27	-0.63%	+4.85%
Nikkei	17336.42	-0.32%	-8.63%
Stoxx 600	341.757	-0.38%	-6.58%
CAC 40	4534.59	-0.14%	-2.21%
Oil /Gold			
Crude WTI	49.18	-0.77%	+32.20%
Gold (once)	1268.58	-0.31%	+19.41%
Currencies/Rates			
EUR/USD	1.09175	+0.53%	+0.50%
EUR/CHF	1.08415	+0.19%	-0.30%
German 10 years	0.013	-128.14%	-97.96%
French 10 years	0.325	+37.91%	-66.83%
Euribor	-	+-%	+-%

Economic releases :

Date	
27th-Oct	10h30 - GB GDP 3Q (0.3% q/q, 2.1% y/y E) 14h30 - US Durable Goods Orders (0.1% E) 14h30 - US initial jobless claims 16h00 - US Pending home Sales Sep.

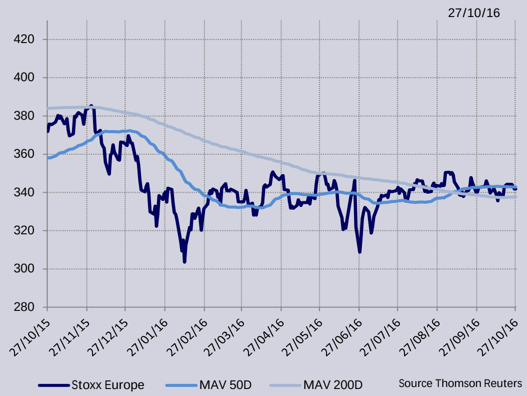
Upcoming BG events :

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



ALTRAN TECHNOLOGIES — **BUY, Fair Value EUR15 (+11%)**

Q3 2016 sales roughly in line with expectations; outlook reiterated

BIC — **NEUTRAL, Fair Value EUR124 vs. EUR123 (-2%)**

Ongoing market share gains in a more fiercely competitive environment

CAPGEMINI — **BUY, Fair Value EUR93 vs. EUR94 (+21%)**

Q3 2016 conference call feedback: "normative" growth remains decent

DIAGEO — **NEUTRAL, Fair Value 2200p vs. 2100p (0%)**

Stronger FX tailwinds

FRESENIUS MED. CARE — **BUY, Fair Value EUR94 (+26%)**

Good set of results; bottom line beat driven by tax rate.

FRESENIUS SE — **BUY-Top Picks, Fair Value EUR78 (+14%)**

KABI's guidance up again!

GLAXOSMITHKLINE — **BUY, Fair Value 1930p vs. 1810p (+19%)**

How attractive is GSK beyond 2016?

GRANDVISION — **BUY, Fair Value EUR28 (+16%)**

Lower-than-expected Q3 results but FY outlook confirmed

INGENICO GROUP — **BUY, Fair Value EUR112 (+49%)**

Good resilience in Q3 and momentum not very strong until H1 2017, but valuation too low

INNATE PHARMA — **BUY, Fair Value EUR20 vs. EUR18 (+86%)**

IPH4102: preliminary... but very promising efficacy data; FV raised

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

Q3 results and conference call confirmed our view

SOBI — **SELL, Fair Value DKK90 (-8%)**

Q3 16 above expectations. But FY Guidance raised in line with consensus. And a slight miss on Haemophilia

STMICROELECTRONICS — **NEUTRAL, Fair Value EUR6.5 (-10%)**

Q3 adjusted results a penny above expectations, while Q4 outlook is supportive

SUEZ — **BUY-Top Picks, Fair Value EUR17.5 (+24%)**

9M-16 results – first take: half-way to the full-year EBIT guidance

In brief...

RÉMY COINTREAU, ***Plan to acquire Domaine des Hautes Glaces***

SCOR , ***Very solid Q3 numbers***

KORIAN, ***Conference call Q3 revenue: Better lfl growth than expected. FY guidance confirmed.***

SAINT GOBAIN, ***Further steady growth for Sika in Q3***

CONSTRUCTION & MATERIALS, ***Nexity Q3 2016 sales: French new residential market still buoyant.***

TMT

Altran Technologies

Price EUR13.48

Q3 2016 sales roughly in line with expectations; outlook reiterated

Fair Value EUR15 (+11%) **BUY**

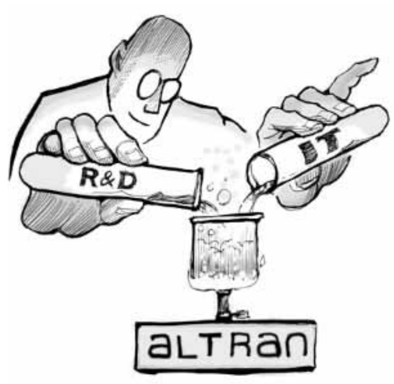
Bloomberg	ALT FP
Reuters	ALTR.PA
12-month High / Low (EUR)	13.7 / 9.9
Market Cap (EUR)	2,369
Ev (BG Estimates) (EUR)	2,531
Avg. 6m daily volume (000)	211.8
3y EPS CAGR	15.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.4%	5.6%	8.7%	9.2%
Softw.& Comp.	-2.4%	2.6%	9.5%	5.3%
DJ Stoxx 600	0.5%	0.1%	-1.6%	-6.6%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	1,945	2,125	2,307	2,468
% change		*9.3%*	*8.6%*	*7.0%*
EBITDA	208	237	273	316
EBIT	155.0	187.0	227.0	266.0
% change		*20.6%*	*21.4%*	*17.2%*
Net income	123.0	140.0	164.0	192.0
% change		*13.8%*	*17.1%*	*17.1%*

	2015	2016e	2017e	2018e
Operating margin	9.6	10.1	10.8	11.6
Net margin	5.2	5.7	6.4	7.1
ROE	12.6	13.9	15.3	16.1
ROCE	15.0	15.2	16.8	19.5
Gearing	18.0	19.0	8.0	-4.0

(€)	2015	2016e	2017e	2018e
EPS	0.70	0.80	0.93	1.09
% change	-	*14.3%*	*16.3%*	*17.2%*
P/E	19.3x	16.8x	14.5x	12.4x
FCF yield (%)	3.4%	4.7%	6.0%	7.0%
Dividends (€)	0.19	0.23	0.28	0.33
Div yield (%)	1.4%	1.7%	2.1%	2.4%
EV/Sales	1.3x	1.2x	1.1x	0.9x
EV/EBITDA	12.1x	10.7x	8.9x	7.4x
EV/EBIT	13.5x	11.8x	9.9x	8.1x



This morning, Altran reported Q3 2016 revenues 1% below our forecast and consensus, with growth momentum negatively impacted by calendar effects (1.4ppt headwind). Unsurprisingly, management considers 2016 will be another year of profitable growth. We expect the share price to show a slightly negative reaction in the short-term, given the slowdown of "economic growth" (+5.1% in Q3 vs. 6% in H1), which stems from a contextual business transition in Italy.

ANALYSIS

- **Q3 2016 sales roughly in line with expectations, Italy weighing on "economic growth"**. Q3 2016 sales were up 1% to EUR500.9m (+3.7% lfl) or 1% below our estimate (EUR504.2m, +4.9% lfl) and the consensus' average (EUR504m). Restated for calendar effects (1 billable day less), lfl revenue growth would have been at +5.1% ("economic growth"), which is below the numbers reported for Q1 and Q2 (+6.2% and +6% respectively) mainly due to a contextual business transition in Italy (11% of sales).
- **Q3 2016 details by geography**. France was up 4.6% lfl (+5.8% excluding calendar effects, driven by Automotive, Aerospace and Life Sciences), Southern Europe was up 5.9% lfl (+7.4% excluding calendar effects, driven by Spain & Portugal at +15.8% lfl, vs. Italy at +1.2% lfl), Northern Europe was up 0.6% lfl (+1.3% excluding calendar effects, with significant sequential improvement and turnaround on track in Germany, which is at -1.6% lfl, vs. Benelux at -7% lfl, the UK at +12.2% lfl, Scandinavia at +0.2% lfl and Switzerland at +1.3% lfl), and the Rest of World region (USA, India, China) was up 7.9% lfl (+8.8% excluding calendar effects, driven by India up 40.6% lfl, vs. the US at +5.1% lfl and China at +4.6% lfl).
- **Headcount increase impacted by acquisitions, improving invoicing rate**. On 30th September 2016, headcount was 28,467 up 1,317 vs. 30th June 2016. We estimate that, excluding the acquisitions made in Q3 2016 (Synapse and Lohika), net staff hiring reached c. 420, vs. 469 in Q2 and 746 in Q1. The "invoicing" (i.e. utilisation) rate excluding Cambridge Consultants, Foliage and Tessella was 87.5% in Q3 2016, up 0.3ppt vs. Q3 2015 and Q2 2016.
- **Outlook reiterated**. In its statement, management confirmed that 2016 will be another year of profitable growth for Altran. At this stage, we expect an operating margin of 10% for revenues up 6.3% lfl while our model has not included recent acquisitions yet (Benteler Engineering Services and Swell). Altran is just at the start of its "Altran 2020 Ignition" plan, which aims to generate at least EUR3bn in revenues (based on an average 4.5% lfl annual revenue growth and EUR500m revenues from acquisitions) and an operating margin of c. 13% in 2020. We estimate full-year sales from companies acquired since early 2016 (Synapse, Lohika, Benteler ES, Swell) at c. EUR150m.

VALUATION

- Altran's shares are trading at est. 11.8x 2016 and 9.9x 2017 EV/EBIT multiples.
- Net debt on 30th June 2016 was EUR217.2m (net gearing: 28%).

NEXT CATALYSTS

Conference call at 9am CET / 8am BST / 3am EDT (France: + 33 1 70 77 09 39; UK: + 44 20 33 67 94 61).

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Luxury & Consumer Goods

BIC

Price EUR126.80

Ongoing market share gains in a more fiercely competitive environment

Fair Value EUR124 vs. EUR123 (-2%) **NEUTRAL**

Bloomberg	BB FP
Reuters	BICP.PA
12-month High / Low (EUR)	156.4 / 114.4
Market Cap (EURm)	6,078
Ev (BG Estimates) (EURm)	5,717
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	2,274	2,387	2,495
% change		*1.5%*	*5.0%*	*4.5%*
NIFO	432	406.3	444.4	471.5
IFO	439.9	399.7	440.4	467.5
% change		*-9.1%*	*10.2%*	*6.2%*
Net income	325.1	289.1	318.5	340.4
% change		*-11.1%*	*10.2%*	*6.8%*

	2015	2016e	2017e	2018e
IFO margin	19.6	17.6	18.4	18.7
Net margin	14.5	12.7	13.3	13.6
ROE	17.3	15.0	14.5	13.7
ROCE	18.4	15.1	14.8	14.2
Gearing	-24.2	-18.5	-18.4	-19.2

(EUR)	2015	2016e	2017e	2018e
EPS	6.79	6.04	6.65	7.11
% change	-	*-11.1%*	*10.2%*	*6.8%*
P/E	18.7x	22.0x	20.0x	18.7x
FCF yield (%)	5.6%	3.7%	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	9.4x	11.7x	10.4x	9.7x
EV/EBIT	14.4x	15.3x	13.8x	12.8x

Although BIC is on track to reach its sales guidance ("mid single-digit growth"), it is striking to note the persistent outperformance of North America in Consumer Business (+1.8% LFL in 9M) vs. Europe (+7.7% LFL) and even Developing Markets (+7% LFL). Besides an unhelpful US final demand, BIC also reckoned that the competitive environment became harsher, especially in Shavers. We make minor adjustments within our FY16 assumptions leading to our new FV of EUR124 vs. EUR123, but we confirm our Neutral recommendation due to the stretched valuation.

ANALYSIS

- **Consumer Business: soft North America.** After a solid year in 2015 (+7.3% LFL), this region has been continuously underperforming Europe and the Developing Markets in all categories. The Group's management has already highlighted the difficult retail environment as well as weak sell-out trends (final demand) which have also impacted other Consumer groups. But at the conference call yesterday, BIC also admitted that it was operating in a more fiercely competitive environment in **Stationery** (LSD growth in 9M) and **Shavers** (stable sales in 9M), justifying the incremental brand support that helped to gain market share.
- **What's going on in the US Shavers market?** As of end September, the US shaver market was down 4.6% (vs. -4.3% end-June), o/w -5.8% for the "One piece" shavers (vs. -4.5% end-June). CEO Bruno Bich declared that the competitive pressure was the highest in years as: **(i)** some key retailers push their own private label products, **(ii)** Gillette and Schick-Wilkinson have decreased prices to regain some competitiveness after several years of market share losses and **(iii)** the increasing presence of the online shaving clubs, highlighted by the recent acquisition of Dollar Shave Club by Unilever for an estimated price of USD1bn (2016e EV/sales of ~5x), which are competing with BIC's notorious "value-for-money" positioning. Though, **BIC continued to gain market share** (+1.9pt to 28.6%) thanks to brand support and new product launches. The CFO said that **Q4 growth of the Shavers category should be close to the 9M performance** (+7.1%) after a weak Q3 (+1.4%).
- **FY16 sales outlook confirmed…** BIC still expects **mid-single-digit organic sales growth**, which implies ~+5% LFL in Q4 after +4.9% in 9M. According to BIC's management, this growth would be broad-based between the three categories, hence a top line acceleration is expected in **Shavers** (+6%e vs. +1.4% in Q3 and +7.1% in 9M) as well as in **Stationery** (+4%e vs. +2.4% in Q3 and +4.6% in 9M), driven by good back-to-school trends in Latin America and Australia. We expect 5% LFL growth 2016 (vs. 5.3% previously) following the lower-than-expected LFL performance in Q3.
- **… and margin target reiterated.** BIC guides for a 100-150bp decline of the normalised IFO margin, adjusted for the impact from the special employee bonus. This guidance could have appeared cautious in light of the Q3 margin development (-20bp to 18.8% vs. CS of 18%e), but it benefited from a very favourable GM headwind (FX impact) whose positive contribution would be lower in Q4. Moreover, we believe that BIC would continue its brand support and opex investments aimed at strengthening market share (particularly in Stationery and Shavers). We nudge up our NIFO margin forecast (18.4% vs. 18.2% previously => -90bp vs. 2015), which is a touch more optimistic than the FY target.

VALUATION

- Our new FV of EUR124 vs. EUR123 reflects our minor adjustments on our FY16 assumptions. At 13.8x 2017e EV/EBIT the stock trades at 33% premium vs. its 2004-16 historical average. We retain a CAGR of 3% for the NIFO over the 2015-18 period and the upside potential appears limited at this stage given the increasing competitive pressure (promotions, higher brand support). Neutral recommendation confirmed.

NEXT CATALYSTS

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

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Capgemini

Price EUR76.62

Q3 2016 conference call feedback: "normative" growth remains decent

Fair Value EUR93 vs. EUR94 (+21%) **BUY**

Bloomberg	CAP FP
Reuters	CAPP.PA
12-month High / Low (EUR)	89.1 / 69.0
Market Cap (EUR)	13,145
Ev (BG Estimates) (EUR)	14,502
Avg. 6m daily volume (000)	600.2
3y EPS CAGR	11.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-12.1%	-8.0%	-2.5%	-10.5%
Softw.& Comp.	-2.4%	2.6%	9.5%	5.3%
DJ Stoxx 600	0.5%	0.1%	-1.6%	-6.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	11,915	12,545	12,905	13,433
% change		*5.3%*	*2.9%*	*4.1%*
EBITDA	1,577	1,706	1,836	1,956
EBIT	1,022	1,185	1,374	1,494
% change		*15.9%*	*16.0%*	*8.7%*
Net income	796.9	953.0	1,031	1,116
% change		*19.6%*	*8.2%*	*8.2%*

	2015	2016e	2017e	2018e
Operating margin	10.6	11.4	12.1	12.5
Net margin	9.4	6.1	6.8	7.2
ROE	16.3	11.1	12.1	12.4
ROCE	17.2	13.6	14.5	15.9
Gearing	25.3	19.8	9.7	0.2

(EUR)	2015	2016e	2017e	2018e
EPS	4.64	5.52	5.89	6.38
% change	-	*19.0%*	*6.8%*	*8.2%*
P/E	16.5x	13.9x	13.0x	12.0x
FCF yield (%)	6.2%	6.6%	7.5%	8.0%
Dividends (EUR)	1.35	1.50	1.60	1.70
Div yield (%)	1.8%	2.0%	2.1%	2.2%
EV/Sales	1.2x	1.2x	1.1x	1.0x
EV/EBITDA	9.4x	8.5x	7.5x	6.7x
EV/EBIT	11.8x	10.1x	8.9x	7.8x

We reiterate our Buy rating and trim our DCF-derived fair value to EUR93 from EUR94 post the conference call held yesterday. Our lfl sales growth ests. are cut to +2.7% from +3.3% for 2016, are unchanged for 2017 (+2.9%) and raised to +4.1% from +3.9% for 2018. Ex-headwinds (Energy & Utilities, Brazil, Aspire), Q3 2016 "normative" growth was +4% lfl. As these elements will fade over time and market conditions remain buoyant with solid bookings, we believe that yesterday's share price fall was overdone.

ANALYSIS

Heading to the low-end of FY16 lfl growth guidance. Management now expects revenue growth at cc in H2 2016 to be similar to that of Q3 2016 (+2.2%), given expected headwinds - re-insourcing of Aspire (-0.4ppt in Q3 2016, est. -0.9ppt for Q4 2016, -1.3ppt for H1 2017 and -1.1ppt for H2 2017) - and unexpected ones - persistent weakness in Energy & Utilities in North America (-0.9ppt for Q3 2016, est. -1.1ppt for Q4 2016 and less in Q1 2017) and the fall in hardware reselling in Brazil (-0.6ppt in Q3 2016 and less in Q4 2016 and Q1 2017). This translates into lfl growth at the low-end of company guidance (+2.5%/+4.5% lfl), while in July management implied to be close to the mid-point. That said, restated for unexpected headwinds, lfl revenue growth would have been +3.6% in Q3 2016 and restated from unexpected headwinds and Aspire it would have been +4% - not very far from the low-end of the 5-7% medium-term growth guidance (2019). With strong momentum in Central Europe, Nordic countries, France, the commercial sector in the UK, and many areas in North America, there is no change in market conditions, which remain buoyant and driven by Digital and new projects. This is underpinned by bookings up 14% at cc in Q3 2016 (book-to-bill ratio: 0.92x vs. 0.82x in Q3 2015) and expected to be strong in Q4 2016 too.

No concern on the operating margin. Management estimates that, based on current rates, fx headwinds will dent revenue growth by c. 3ppt for 2016. Despite the depreciation of the British pound versus the Indian rupee, no significant fx headwind to the operating margin is expected as Capgemini has hedged the GBP for 2016-17 and is starting to do so for 2018-19. The absence of hardware reselling in Brazil benefits the margin as this is "pass-through" revenues. The persistent weakness of the business in Energy & Utilities is not expected to generate a material impact on Capgemini's profitability as, at the same time, countries like France and The Netherlands are significantly increasing their offshore exposure (offshore leverage has reached 30% in France, having stalled between 15 and 20% for a time), while group offshore headhount rose by 8%.

Acquisitions in the US becoming a top priority. Capgemini identified Digital & Cloud for Consumer & Retail as an area where it has to improve its competitiveness. As such, it is now in active search for acquisitions in this area in North America. It could translate into 2ppt of additional revenue growth per year in the coming 2-3 years, even though it could be more expensive than previous acquisitions while it looks necessary to accelerate the customer transition towards Digital & Cloud. On top of this, Capgemini continues to invest in Digital & Cloud and is reaping the benefits of this, with revenues up 33% in Cloud, new offers in Digital Manufacturing and vertical initiatives (SAP, Valeo...), and a lot of opportunities in North America. At the same time, Capgemini maintains its investment in service automation (3,900 experts globally with 200+ customers) leading to significant productivity gains, and the leverage of offshore production centres (55% of staff).

VALUATION

Capgemini's shares are trading at est. 10.1x 2016 and 8.9x 2017 EV/EBIT multiples.

Net debt on 30th June 2016 was EUR2,270m (net gearing: 36%).

NEXT CATALYSTS

FY16 results on 16th February 2017 before markets open.

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Food & Beverages

Diageo

Price 2,190p

Bloomberg	DGE LN
Reuters	DGE.L
12-month High / Low (p)	2,268 / 1,745
Market Cap (GBP)	55,099
Ev (BG Estimates) (GBP)	62,108
Avg. 6m daily volume (000)	4 616
3y EPS CAGR	11.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.9%	1.4%	16.5%	18.0%
Food & Bev.	-3.8%	-5.4%	-1.5%	-4.2%
DJ Stoxx 600	0.5%	0.1%	-1.6%	-6.6%

YEnd Jun. (GBPm)	06/16	06/17e	06/18e	06/19e
Sales	10,485	12,170	12,887	13,515
% change		*16.1%*	*5.9%*	*4.9%*
EBITDA	3,323	4,071	4,446	4,776
EBIT	3,008	3,645	3,931	4,168
% change		*21.2%*	*7.9%*	*6.0%*
Net income	2,242	2,673	2,922	3,137
% change		*19.2%*	*9.3%*	*7.4%*

	06/16	06/17e	06/18e	06/19e
Operating margin	28.7	29.9	30.5	30.8
Net margin	22.5	23.1	23.8	24.4
ROE	22.0	20.0	20.0	19.6
ROCE	12.1	14.0	14.8	15.5
Gearing	15.7	12.8	10.9	8.6

(p)	06/16	06/17e	06/18e	06/19e
EPS	89.04	106.16	116.04	124.59
% change	-	*19.2%*	*9.3%*	*7.4%*
P/E	24.6x	20.6x	18.9x	17.6x
FCF yield (%)	3.8%	4.6%	4.7%	5.2%
Dividends (p)	59.20	62.16	65.27	68.53
Div yield (%)	2.7%	2.8%	3.0%	3.1%
EV/Sales	6.1x	5.1x	4.7x	4.4x
EV/EBITDA	19.2x	15.3x	13.7x	12.5x
EV/EBIT	21.2x	17.0x	15.5x	14.4x

Stronger FX tailwinds

Fair Value 2200p vs. 2100p (0%) NEUTRAL

We raise our Fair Value from 2100p to 2200p to take into account more positive FX effects. We now expect the positive impact to be GBP1.6bn on sales and GBP540m on EBIT in 2016/17. Our previous forecasts called for GBP1.1bn on sales and GBP370m on EBIT, in line with the group's guidance communicated at the release of its 2015/16 results.

ANALYSIS

- We adjust upwards our FX tailwinds for 2016/17. We now expect them to reach GBP1.6bn on sales and GBP540m on EBIT. Our previous forecasts called for a GBP1.1bn positive impact on sales and GBP370m on EBIT, in line with the group's guidance communicated at the release of its 2015/16 results. Our reported sales and EBIT estimates have been revised upwards by 4% and 5% on average over the next three years, respectively.

Sales forecasts

	2016/17e	2017/18e	2018/19e
GROUP			
Sales (GBPm)	**12 170**	**12 887**	**13 515**
Reported variation	16.1%	5.9%	4.9%
Organic variation	**3.5%**	**4.2%**	**4.9%**
FX variation	15.2%	1.7%	0.0%
Perimeter variation	-2.7%	0.0%	0.0%
NORTH AMERICA			
Sales (GBPm)	**4 179**	**4 424**	**4 623**
Reported variation	17.2%	5.9%	4.5%
Organic variation	**3.5%**	**4.0%**	**4.5%**
EUROPE, RUSSIA, TURKEY			
Sales (GBPm)	**2 880**	**2 998**	**3 103**
Reported variation	13.2%	4.1%	3.5%
Organic variation	**2.8%**	**3.0%**	**3.5%**
AFRICA			
Sales (GBPm)	**1 534**	**1 637**	**1 735**
Reported variation	9.5%	6.7%	6.0%
Organic variation	**4.0%**	**5.0%**	**6.0%**
LATAM			
Sales (GBPm)	**1 002**	**1 074**	**1 138**
Reported variation	16.1%	7.2%	6.0%
Organic variation	**3.8%**	**5.0%**	**6.0%**
ASIA-PACIFIC			
Sales (GBPm)	**2 539**	**2 718**	**2 882**
Reported variation	22.3%	7.1%	6.0%
Organic variation	**4.0%**	**5.0%**	**6.0%**
CORPORATE			
Sales (GBPm)	**36**	**36**	**36**

(continued next page)

EBIT forecasts

	2016/17e	2017/18e	2018/19e
GROUP			
EBIT (GBPm)	**3645**	**3931**	**4168**
Reported variation	21.2%	7.9%	6.0%
Margin	**29.9%**	**30.5%**	**30.8%**
Reported variation in bp	126	55	33
NORTH AMERICA			
EBIT (GBPm)	**1894**	**2024**	**2136**
Reported variation	22.1%	6.9%	5.5%
Margin	**45.3%**	**45.8%**	**46.2%**
Reported variation in bp	180	44	44
EUROPE, RUSSIA, TURKEY			
EBIT (GBPm)	**937**	**985**	**1030**
Reported variation	17.0%	5.1%	4.5%
Margin	**32.6%**	**32.9%**	**33.2%**
Reported variation in bp	107	32	32
AFRICA			
EBIT (GBPm)	**235**	**253**	**271**
Reported variation	10.9%	7.7%	7.0%
Margin	**15.3%**	**15.5%**	**15.6%**
Variation in bp	19	15	15
LAC			
EBIT (GBPm)	**227**	**244**	**259**
Reported variation	14.2%	7.2%	6.5%
Margin	**22.7%**	**22.7%**	**22.8%**
Variation in bp	-38	1	11
ASIA-PACIFIC			
EBIT (GBPm)	**524**	**571**	**617**
Reported variation	32.6%	9.0%	8.0%
Margin	**20.6%**	**21.0%**	**21.4%**
Variation in bp	160	37	40
CORPORATE			
EBIT (GBPm)	**-173**	**-147**	**-147**

Source of all tabs: Diageo, Bryan, Garnier & Co

VALUATION

- We revise upwards our Fair Value from 2100p to 2200p.

NEXT CATALYSTS

- The group will hold a conference call about North America on December 1st

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Healthcare

Fresenius Med. Care

Price EUR74.35

Good set of results; bottom line beat driven by tax rate.

Fair Value EUR94 (+26%) **BUY**

Bloomberg	FME GR
Reuters	FMEG.DE
12-month High / Low (EUR)	85.7 / 71.6
Market Cap (EURm)	22,836
Ev (BG Estimates) (EURm)	30,137
Avg. 6m daily volume (000)	525.6
3y EPS CAGR	12.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.7%	-8.2%	-5.6%	-4.3%
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	16,736	17,905	19,233	20,769
% change		*7.0%*	*7.4%*	*8.0%*
EBITDA	3,044	3,428	3,714	4,035
EBIT	2,327	2,640	2,868	3,121
% change		*13.4%*	*8.6%*	*8.8%*
Net income	1,030	1,199	1,299	1,472
% change		*16.4%*	*8.3%*	*13.3%*

	2015	2016e	2017e	2018e
Operating margin	13.9	14.7	14.9	15.0
Net margin	6.2	6.7	6.8	7.1
ROE	10.4	10.8	10.5	10.6
ROCE	7.4	8.1	8.6	9.2
Gearing	79.9	71.4	60.4	49.5

(USD)	2015	2016e	2017e	2018e
EPS	3.38	3.94	4.27	4.83
% change	-	*16.4%*	*8.3%*	*13.3%*
P/E	23.9x	20.5x	18.9x	16.7x
FCF yield (%)	4.6%	5.7%	8.0%	7.9%
Dividends (USD)	1.06	1.15	1.30	1.42
Div yield (%)	1.3%	1.4%	1.6%	1.8%
EV/Sales	2.0x	1.8x	1.7x	1.5x
EV/EBITDA	10.7x	9.5x	8.7x	7.9x
EV/EBIT	14.1x	12.4x	11.3x	10.2x

Fresenius Medical Care reported Q3 revenues broadly in line with consensus on the top line up 9%CC to USD4.6bn (CSS USD4590bn), driven by HC revenues (higher commercial payer mix). EBIT increased 9.2% and came at USD670m vs USD683m, slightly below estimates as a result of high growth in (low margin) Care Coordination, as well as both unfavourable manufacturing costs and Q3 2015 sale of renal drugs in EMEA. Net income topped estimates as a results of 400bp decrease (one-time) in effective tax rate. This good set of results leads the management to confirm its FY2016 guidance i.e. Revenues and Net income expected to rise in the 7-10% and 15-20% range respectively.

FME (USDm exc PS)	Q3 2015	Q3 2016	YoY %	Q3 2016 CSS	Delta
FMC - Revenues	4 231	4 598	9%	4 560	0,8%
FMC - EBIT	614	670	9%	683	-1,9%
EBIT margin %	14,5%	14,6%		15,0%	
FMC - Net Income	262	333	27%	319	4,4%
FMC - EPS Adj.	0,86	1,09	27%	1,05	3,8%
NA CC - Revenues	480	618	29%	590	4,7%
o/w America CC - EBIT	33	31	-6%	29	6,9%
EBIT margin %	6,9%	5,0%		4,9%	
APAC - Revenues	378	427	13%	411	3,9%
APAC - EBIT	68	85	25%	75	13,3%
EBIT margin %	18,0%	19,9%		18,2%	
LatAm - Revenues	176	192	9%	182	5,5%
LatAm - EBIT	-8	20	-350%	17	17,6%
EBIT margin %	-4,5%	10,4%		9,3%	

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

ANALYSIS

- Group revenues increased 9.2%cc over the third quarter of the year to USD4.6bn driven by a strong performance in Healthcare services up 10.3%cc (81% of total group sales) thanks to higher dialysis treatment with commercial payers, leading to a revenue per treatment up USD3 to USD350.
- In the US, Dialysis service sales grew in line with estimates 5.8%cc. Care coordination sales developed well to USD618m up 29%cc so is the margin at the latter division which increased sequentially by 60bp, but came below Q3 2015 level. High growth at CC as well as higher personal expenses lead to a contraction of the EBIT in the region down from 17.1% to 16.2% of sales.
- Outside of the US, EMEA sales grew in line with estimates (4.1%cc) but Q3 2015 positive impact from the sales of renal drug as well as higher manufacturing costs impacted margin. Good margin sales and margin development in Latam and APAC were partially offset by this effect.
- Guidance for the year maintained: Revenue expected to rise in the 7-10% range at cc while Net Income should increase by 15-20%.

VALUATION

- We reiterate our BUY rating and EUR94 fair value

NEXT CATALYSTS

- Today 3.30pm conference call

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Healthcare

Fresenius SE

Price EUR68.44

KABI's guidance up again!

Fair Value EUR78 (+14%) **BUY-Top Picks**

Bloomberg	FRE GR
Reuters	FREG.DE
12-month High / Low (EUR)	72.9 / 53.1
Market Cap (EURm)	37,432
Ev (BG Estimates) (EURm)	52,681
Avg. 6m daily volume (000)	1 022
3y EPS CAGR	12.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.0%	2.0%	4.2%	3.7%
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	27,626	28,927	33,694	36,118
% change		*4.7%*	*16.5%*	*7.2%*
EBITDA	4,990	5,407	6,213	6,756
EBIT	3,875	4,250	4,865	5,311
% change		*9.7%*	*14.5%*	*9.2%*
Net income	1,358	1,623	1,864	2,064
% change		*19.5%*	*14.9%*	*10.7%*

	2015	2016e	2017e	2018e
Operating margin	14.0	14.7	14.4	14.7
Net margin	4.9	5.6	5.5	5.7
ROE	7.2	7.9	8.3	8.4
ROCE	3.8	4.3	4.8	5.1
Gearing	118.4	107.2	101.0	91.6

(EUR)	2015	2016e	2017e	2018e
EPS	2.62	2.97	3.38	3.74
% change	-	*13.6%*	*13.6%*	*10.7%*
P/E	26.2x	23.0x	20.3x	18.3x
FCF yield (%)	1.9%	4.2%	1.9%	4.6%
Dividends (EUR)	1.69	1.93	2.21	2.45
Div yield (%)	2.5%	2.8%	3.2%	3.6%
EV/Sales	1.8x	1.8x	1.7x	1.6x
EV/EBITDA	10.2x	9.7x	9.5x	8.8x
EV/EBIT	13.1x	12.4x	12.1x	11.1x

Fresenius SE revenues came in line top to bottom line. KABI is once again the focus of this publication as increased outlook for the year (sales and EBIT now expected to grow 4-6% vs 3-5% previously) is prompted by resilience of the US business and ability of the group to maintain its profitability in the region. Hence, lower end of the Group's earnings guidance is raised from 11% to 12% growth (now 12% to 14% to be expected; higher end not revised due to financing costs of Quironsalud). FY2017 guidance on FY2016 results should come along with "ambitious target for the coming years".

FRE (EURm exc PS)	Q3 2015	Q3 2016	YoY %	Q3 2016 CSS	Delta
FRE - Revenues	6 940	7 300	5%	7 353	-0,7%
FRE - EBIT	1 027	1082	5%	1 099	-1,5%
EBIT margin %	14,8%	14,8%		14,9%	
FRE - Net Income Adj.	367	399	9%	406	-1,7%
FRE - EPS Adj.	0,68	0,73	7%	0,74	-1,4%
KABI - Sales	1499	1511	1%	1520	-0,6%
KABI - EBIT	301	300	0%	302	-0,7%
EBIT margin %	20,1%	19,9%		19,9%	
HELIOS - Sales	1393	1470	6%	1472	-0,1%
HELIOS - EBIT	165	175	6%	176	-0,6%
EBIT margin %	11,8%	11,9%		12,0%	
VAMED - Sales	268	268	0%	289	-7,3%
VAMED - EBIT	14	15	7%	15	0,0%
EBIT margin %	5,2%	5,6%		5,2%	

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

ANALYSIS

- Q3 revenues are roughly in line with consensus estimates EUR7.3bn vs EUR7.4bn for CSS up 6% at CC, good performance across the board lead to EBIT increase in-line with sales and EPS up 7% to EUR0.73/share. FY 2016 sales' guidance maintained in the 6-8%cc range and low-end of the net income guidance up from 11% to 12% (now 12-14%)
- KABI topline and profitability bang in line with consensus. Sales are up 5%cc. Digging a bit more into the business, we found highly reassuring for short and medium term prospects that after a -6%cc drop in US sales in Q2, the group post a 2%cc increase in Q3 and continues to improve its margins in the region by +170bp y-o-y to 39.9%. Note that the IV business reported a 2% cc growth. Emerging markets are also benefiting to the division organic growth with sales up 8%cc in APAC (9%cc in China), however, FX and divestures resulted in a 5% reported decrease. FY guidance up from 3-5% for both sales and EBIT growth to 4-6%.
- Helios sales increase 4%cc and margins pregressed by 20bp, the group reiterates its guidance for the division (sales up 3.5% and EBIT in the EUR670-700m range)
- Turning to 2017, recall that Quironsalud and its expected EUR2.7bn revenues should be consolidated during Q1. Interestingly,management takes advantage of the opportunity of Q3 results to comment on itsq optimism for FY2017 and beyond : "ambitious taget for the upcoming years [to come along with] our forecast for 2017".

VALUATION

- We reiterate our BUY rating and EUR78 fair value.

NEXT CATALYSTS

- Today 2.00pm: confcall on Q3 results

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Healthcare

GlaxoSmithKline

Price 1,627p

Bloomberg	GSK LN
Reuters	GSK.L
12-month High / Low (p)	1,723 / 1,280
Market Cap (GBP)	79,304
Ev (BG Estimates) (GBP)	110,226
Avg. 6m daily volume (000)	8 611
3y EPS CAGR	17.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.4%	-2.4%	11.5%	18.5%
Healthcare	-5.8%	-11.0%	-5.3%	-13.6%
DJ Stoxx 600	0.5%	0.1%	-1.6%	-6.6%

YEnd Dec. (GBPm)	2015	2016e	2017e	2018e
Sales	23,923	27,469	29,789	30,986
% change		*14.8%*	*8.4%*	*4.0%*
EBITDA	7,429	9,630	10,623	10,922
EBIT	5,729	7,930	8,923	9,222
% change		*38.4%*	*12.5%*	*3.4%*
Net income	3,658	4,960	5,726	5,959
% change		*35.6%*	*15.4%*	*4.1%*

	2015	2016e	2017e	2018e
Operating margin	23.9	28.9	30.0	29.8
Net margin	15.3	18.1	19.2	19.2
ROE	78.0	94.2	89.8	70.3
ROCE	14.7	18.7	20.3	20.6
Gearing	118.9	116.9	79.6	48.2

(p)	2015	2016e	2017e	2018e
EPS	75.71	101.85	117.58	122.37
% change	-	*34.5%*	*15.4%*	*4.1%*
P/E	21.5x	16.0x	13.8x	13.3x
FCF yield (%)	2.4%	5.7%	6.8%	8.0%
Dividends (p)	100.00	80.00	80.00	88.00
Div yield (%)	6.1%	4.9%	4.9%	5.4%
EV/Sales	4.6x	4.0x	3.7x	3.4x
EV/EBITDA	14.7x	11.4x	10.2x	9.7x
EV/EBIT	19.1x	13.9x	12.2x	11.5x

How attractive is GSK beyond 2016?

Fair Value 1930p vs. 1810p (+19%) BUY

GSK likely provided another illustration that through Q3 numbers, investors are now more interested in what is coming next. Q3 was indeed very good at GSK, which delivered figures well above CS estimates. Although the 2016 performance will be difficult to reiterate, we see another exciting year ahead for GSK and in light of what competition offers. Our new FV is GBP1,930 and we believe the stock still deserves a BUY rating.

ANALYSIS

- GSK's share price reaction was obviously surprising yesterday as it faced high volatility through the day and turned negative quickly after the conference call started, although it is fair to say that reported Q3 numbers were significantly above estimates and none of the comments could have suggested caution or warning.
- So what is behind this strange behaviour? It is likely the fact that currencies are strongly behind the Q3 beat and that strong double-digit core EPS growth will be difficult to reiterate in 2017 as the comp base is becoming higher, whereas Advair Gx might hit the US market sometime during the year and ViiV start to decelerate.
- First of all, we acknowledge that we have been among those who under-appreciated the Fx impact on Q3 sales and profit numbers. However, it would be wrong to say that Fx was solely behind Q3 outperformance, because Respiratory up 8% and Vaccines up 20% in CER terms were two obvious outperformers. And in the end, despite some one offs (catch-up rebate adjustment for Advair in the US, extra tenders in Vaccines), net impact from non-recurring items was negligeable. New products performed strongly which bodes well for the future, with the exception of Nucala but for which Andrew Witty had very positive comments, simply saying that it takes time from transform interest to treat into actual paying patient but "feedback is fantastic" and NBRx said to be 25%.
- Moreover, as we look into 2017, it is fair to say that Fx is likely to play an important role once again: annualising the positive impact of GBP weakness over the full year could have another circa 7-8% beneficial top-line effect and another double-digit impact on core EPS. This will help greatly to mitigate Advair's US decline. That said, of course, underlying performance will matter even more and from that perspective, ViiV, Vaccines and Consumer will remain growth drivers, especially at the profit/margin level. Ex-ViiV Pharmaceuticals will depend on when, how many and under which conditions Gx Advair hits the US market.
- Longer term, it is more difficult to assess how GSK might do because it will be pipeline-dependent and we would be less comfortable than Andrew Witty from that perspective about revenues to be expected from current pipeline (so is the market and so CS is conservative anyway). Long term is also dependent on new CEO's strategy and here we have to wait until early 2017 to see what Emma Walmsley will deliver in terms of first messages and main directions.

VALUATION

- So, after a terrific 2016 performance for the stock, it may be hard to see GSK doing as well in 2017 because all catalysts will not play in a similar way. However, for the time being, as we see peers starting to comment on their own perspectives for 2017, we see GSK still very well positioned.
- We have increased our estimates for Respiratory and Vaccines (mainly Meningitis but also Flu in the US and Synflorix) in 2016 and adjusted for higher Fx impacts (estimated 21% on core EPS), even more significantly for 2017 (so far minimally influenced). In the final analysis, if core EPS for 2016 is only revised by 1%, 2017 and 2018 have been both increased by 13%. Consequently, our FV has moved up to GBP1,930, strongly supporting an unchanged BUY rating.

NEXT CATALYSTS

- 3 November 2016: ex-dividend for Q3 dividend (GBP19/share)

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Luxury & Consumer Goods

Grandvision

Price EUR24.11

Bloomberg	GVNV NA
Reuters	GVNV AS
12-month High / Low (EUR)	27.7 / 22.7
Market Cap (EURm)	6,133
Ev (BG Estimates) (EURm)	6,898
Avg. 6m daily volume (000)	72.20
3y EPS CAGR	9.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.5%	-0.6%	-1.2%	-12.9%
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	3,205	3,387	3,544	3,708
% change		*5.7%*	*4.6%*	*4.6%*
EBITDA	512	548	588	629
EBIT	353.2	375.9	415.2	448.1
% change		*6.4%*	*10.4%*	*7.9%*
Net income	212.7	231.8	260.8	285.6
% change		*8.9%*	*12.5%*	*9.5%*

	2015	2016e	2017e	2018e
Operating margin	11.0	11.1	11.7	12.1
Net margin	6.6	6.8	7.4	7.7
ROE	27.3	24.2	23.6	22.6
ROCE	18.7	19.9	21.7	23.6
Gearing	112.9	75.8	53.6	34.1

(EUR)	2015	2016e	2017e	2018e
EPS	0.85	0.93	1.02	1.12
% change	-	*9.0%*	*10.5%*	*9.5%*
P/E	28.3x	26.0x	23.5x	21.5x
FCF yield (%)	3.8%	4.3%	4.7%	5.3%
Dividends (EUR)	0.14	0.35	0.39	0.45
Div yield (%)	0.6%	1.5%	1.6%	1.9%
EV/Sales	2.2x	2.0x	1.9x	1.8x
EV/EBITDA	13.8x	12.6x	11.5x	10.5x
EV/EBIT	20.0x	18.4x	16.3x	14.7x

Lower-than-expected Q3 results but FY outlook confirmed

Fair Value EUR28 (+16%) **BUY**

This morning GrandVision released Q3 sales up 2.2% to EUR825m, shy of the CS at EUR853m, mostly because of a weaker-than-expected comparable growth (+0.4% vs. CS: +3.5%) after +2.3% in H1. Following this weak top line performance, the adj. EBITDA reached EUR139m (CS: EUR151m), representing a 70bp-margin decline to 16.8%. Despite this disappointing quarter, GrandVision is confident to achieve this year its MT targets ("at least +5% FX-n" and high single-digit adj. EBITDA growth).

ANALYSIS

- **Q3 revenue up 2.2% to EUR825m (+4.9% FX-n).** The organic growth of 2.9% slowed down vs. the Q2 performance (+5.3%) since **comparable growth** had suddenly decelerated to 0.4% vs. +3.6% in Q2. The **perimeter impact** amounted to 3.4% this quarter after +3.2% in Q2 mostly thanks to the consolidation of *For Eyes* (US).

- **Adj. EBITDA of EUR139m (-1.9% and 0.2% FX-n) short of CS at EUR151m.** This performance implied a margin contraction of 70bp to 16.8% (CS: 17.6%) as the Group faced an operating deleverage because of the lower level of comparable growth. The profitability only improved in the G4 segment whilst it declined in the other regions ("Other Europe and "Americas & Asia"). Below the adj. EBITDA item, non-recurring charges remained at approx. EUR6m related to integration costs (*Randazzo* chain in Italy) and adjustments of inventory and insurance income.

GrandVision Q3 16 and 9M 16 results:

EURm	Q3 16	9M 16
Net sales	**825**	**2,495**
Reported growth (%)	*2.2*	*3.2*
Comparable growth (%)	*0.4*	*1.7*
Adj. EBITDA *	**139**	**411**
Adj. EBITDA margin (%)	16.8 (-70bp)	16.5 (=)

** After "Other reconciling items"* *Source: Company Data*

- By region and in Q3 alone: sales in the **G4** segment declined by 2.2% to EUR479m given a significant FX impact (-3.5pp) following the fall of the GBP. The organic growth amounted to 1% and SSSG was only up 0.8%. This represents a deceleration vs. Q2 (+4.8%), explained by high comps in France the prior year. Despite this low comparable growth, the adj. **EBITDA margin** improved 40bp to 21.1%, driven by a higher share of exclusive brands within the sales mix.

EURm – G4	Q3 16	9M 16
Net sales	**479**	**1,492**
Reported growth (%)	*-2.2*	*0.3*
Comparable growth (%)	*0.8*	*1.5*
Adj. EBITDA	**101**	**321**
Adj. EBITDA margin (%)	21.1 (+40bp)	21.5 (+70bp)

Source: Company Data

- Revenue in the **Other Europe** was almost stable at EUR235m (-0.3%) with a slight decline in organic terms (-0.9%) offset by a positive growth from acquisitions of 0.9%. The comparable growth was -1.9%, due to the re-branding of the two Italian businesses (=> ST sales disruptions) and the longer-than-expected integration process that is still ongoing. GV had also to cope with a challenging comparison base in Finland. The adj. **EBITDA margin** decreased 20bp to 18%.

EURm – Other Europe	Q3 16	9M 16
Net sales	**235**	**677**
Reported growth (%)	*-0.3*	*0.8*
Comparable growth (%)	*-1.9*	*-0.1*
Adj. EBITDA	**42**	**104**
Adj. EBITDA margin (%)	18.0 (-20bp)	15.3 (=)

Source: Company Data

- Sales in **LatAm & Asia** came in at EUR111m, representing a 35.3% increase and 12.5% organic growth. SSSG was 4.9% with Turkey coming back to more normalised levels (high single-digit growth) after several quarters above 20%. Mexico and Chile grew at the same pace of growth whilst Brazil and Russia were in low single-digits. The **adj. EBITDA margin** contracted 220bp to 3.1% following dilutive effects from the integration of *For Eyes* in the US.

EURm – LatAm & Asia	Q3 16	9M 16
Net sales	**111**	**326**
Reported growth (%)	*35.3*	*25.6*
Comparable growth (%)	*4.9*	*7.8*
Adj. EBITDA	**3**	**12**
Adj. EBITDA margin (%)	3.1 (-220bp)	3.8 (-40bp)

Source: Company Data

- **Improving Financial Position.** Over the first 9M capex amounted to EUR104m (+6%), explained by store openings (344 ytd to 6,454) and refurbishments. The net debt declined by ~8% to EUR841m, consequently the 12-month rolling net debt/EBITDA ratio decreased to 1.6x from 1.7x at the end of June 2015.

VALUATION

- We expect the stock to be under pressure following these lower-than-expected Q3 results.
- Despite this weak Q3 performance, the Group should be able to reach again this year its MT guidance: **(i)** achieve a top line growth of "at least 5% FX-n" (9M: +6.1%) and **(ii)** an adj. EBITDA growth in the high single-digits (9M: +4.3% FX-n), implying an acceleration in the adj. EBITDA growth in Q4.
- GrandVision's 2017e PEG of (2.1x) offers a significant discount relative to its most direct peer, Fielmann (3.1x).

NEXT CATALYSTS

- FY16 Results will be reported on 20th February 2017.

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Ingenico Group

Price EUR75.17

Good resilience in Q3 and momentum not very strong until H1 2017, but valuation too low

Fair Value EUR112 (+49%) **BUY**

Bloomberg	ING FP
Reuters	INGC.PA
12-month High / Low (EUR)	121.3 / 70.1
Market Cap (EUR)	4,622
Ev (BG Estimates) (EUR)	4,706
Avg. 6m daily volume (000)	304.0
3y EPS CAGR	7.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.6%	-31.6%	-24.8%	-35.5%
Softw.& Comp.	-2.4%	2.6%	9.5%	5.3%
DJ Stoxx 600	0.5%	0.1%	-1.6%	-6.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2,197	2,278	2,474	2,694
% change		*3.7%*	*8.6%*	*8.9%*
EBITDA	508	456	520	593
EBIT	436.5	387.3	445.4	511.9
% change		*-11.3%*	*15.0%*	*14.9%*
Net income	273.7	251.1	294.8	344.3
% change		*-8.3%*	*17.4%*	*16.8%*

	2015	2016e	2017e	2018e
Operating margin	19.9	17.0	18.0	19.0
Net margin	10.8	10.0	10.8	11.9
ROE	15.2	13.0	13.4	14.1
ROCE	16.5	14.5	17.0	19.9
Gearing	16.7	4.9	-9.2	-22.1

(EUR)	2015	2016e	2017e	2018e
EPS	4.47	4.09	4.80	5.61
% change	-	*-8.5%*	*17.4%*	*16.8%*
P/E	16.8x	18.4x	15.7x	13.4x
FCF yield (%)	6.0%	5.9%	6.8%	7.8%
Dividends (EUR)	1.30	1.27	1.49	1.79
Div yield (%)	1.7%	1.7%	2.0%	2.4%
EV/Sales	2.2x	2.1x	1.8x	1.5x
EV/EBITDA	9.6x	10.3x	8.6x	7.0x
EV/EBIT	11.2x	12.2x	10.0x	8.1x

ING posted a better-than expected set of Q3 sales (+7% lfl vs. cons. +3% and BG est. +2.5%), reflecting good resilience. Situation is mixed for payment terminals (strong in EMEA and APAC i.e. 85% of sales, but difficult and with high comps in the US and Brazil i.e. 15% of sales) and very good for payment services (both for in-store and ePayments). The group maintained its 2016 guidance, namely >=7% in lfl sales growth and >=20% in EBITDA margin. Even if the momentum is not very attractive until H1 2017, the EBITDA margin hypothesis we have to put into a reverse DCF to justify the current price is excessively low and illogical. Buy recommendation and FV of EUR112 maintained.

ANALYSIS

- **Better-than-expected Q3 sales: revenue came in at EUR570m**, up 4% Y/Y and **+7% lfl** (9 months: +10% lfl) vs. consensus of EUR551m up 3% lfl and BG ests. EUR546.5m up 2.5% lfl. **1) The situation is mixed for Payment Terminals at EUR384m up 2% lfl** (9 months: +10% lfl): strong in Europe & Africa +22% (replacement cycle for PCI V1 terminals was still strong) and APAC & Middle East +12% (mainly thanks to China and Telium Tetra deployment in Australia), but difficult and with high comps both in North America -31% (because of the US i.e. 10% of sales: change in EMV rules during the summer has masked the market share gains in some verticals and the solid perf. in Canada) and in Latam -24% lfl (because of Brazil i.e. 5% of sales: difficult macroreconomic conditions). **2) Payment Services outperformed at EUR186m up 18% lfl** (9 months: +9% lfl) thanks to in-store payments but above all e-Payments +22% (high flows from certain key customers, it benefitted from some outage at Worldpay's platform, and a favourable comparison basis).

- **FY16 guidance reiterated:** organic revenue growth >= 7% and EBITDA margin >=20% (vs. cons. 20.1%; BG est. 20.0%). Management foresees the following trends for the coming quarters. **1) By main geography:** a) after several quarters of exceptional growth in Europe-Africa, ING anticipates a slowdown in the PCI V1 replacement cycle; b) APAC & Middle East should continue to grow thanks to countries where ING has recently entered; c) sales declines in Latam should progressively stabilise; d) activity in North America should be further affected by unfavorable comps in Q4 and at the start of 2017. However, market share gains are expected in new segments in the US. **2) In ePayments:** ING expects a good level of growth (two thirds of the Payment Services division). **We maintain our 2016 forecasts**, namely revenue of EUR2,278.2m (+3.7% Y/Y and +7.1% lfl; consensus +7%) and EBITDA of EUR455.6m (margin of 20%; consensus 20.1%).

- **A 2017 guidance should be given at FY 2016 earnings release.** The management gave no guidance for FY 2017 as it is working on its budget. However, we know that **1)** the comparison basis will be unfavourable until the end of H1 2017 in the US and Brazil, but that H2 should benefit from better comps, the pick up of the EMV migration in the US (BG est. +5% for FY 2017), a stabilization in Brazil, the start of EMV in Japan and ramp-up in new markets (Thaïland, Vietnam, Indonesia…); **2)** ePayments should deliver a solid growth in line with the market over the FY (BG est. +15%). **As a result, we maintain our 2017 forecasts for the whole group:** lfl revenue growth of 8% with an Ebitda margin of 21.0% (+100bp Y/Y). The group should give its first guidance for FY 2016 results (23rd February).

VALUATION

- **To justify Ingenico's current share price in a reverse DCF over 10 years, we would have to assume a 7% top-line organic growth with an EBITDA margin of only 14.5%** (vs. FY16 guidance of >=7% and >=20% respectively). Such a top-line growth is cautious but not improbable, however the 14.5% is completely illogical as we know that 2016 EBITDA margin (20%) will be a floor in its mid-term plan (given the specific efforts made in 2016 to develop and bring to market its offerings in ePayments and to roll out its new terminal products).

- **We maintain our Buy recommendation and FV of EUR112**. The share is trading at **undemanding multiples**: EV/EBITDA of 10.2x in 2016e and 8.5x in 2017e, and P/E of 18.4x and 15.7x respectively.

NEXT CATALYSTS

- **FY16 earnings results:** on 23rd February, 2017 (after markets).

Return to front page

Main P&L items over 2015-2017e

EURm	2015	BG 2016e	Consensus 2016	Guidance 2016	BG 2017e
Sales	**2,197.3**	**2,278.2**	**2,285**		**2,474.5**
Y/Y change	*36.7%*	*3.7%*	*4%*		*8.6%*
Lfl change	*13.9%*	*7.1%*	*7%*	*>=7%*	*8.0%*
EBITDA	**508.0**	**455.6**	**462**		**519.6**
Margin	*23.1%*	*20.0%*	*20.1%*	*>=20%*	*21.0%*
EBIT	**380.8**	**345.3**	**-**		**404.4**
Margin	*17.3%*	*15.2%*	*-*		*16.3%*
Restated EBIT	**436.5**	**387.3**	**-**		**445.4**
Margin	*19.9%*	*17.0%*	*-*		*18.0%*
Net profit	**234.7**	**225.1**	**-**		**263.4**
Margin	*10.7%*	*9.9%*	*-*		*10.6%*
Adj. net profit	**273.7**	**251.1**	**-**		**294.8**
Margin	*12.5%*	*11.0%*	*-*		*11.9%*

Sources: Company consensus (from 23 analysts, 17/10/16); Bryan Garnier & Co. ests.

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Healthcare

Innate Pharma

Price EUR10.74

IPH4102: preliminary... but very promising efficacy data; FV raised

Fair Value EUR20 vs. EUR18 (+86%) **BUY**

Bloomberg	IPH FP
Reuters	IPH.PA
12-month High / Low (EUR)	14.5 / 9.5
Market Cap (EURm)	579
Ev (BG Estimates) (EURm)	375
Avg. 6m daily volume (000)	260.0
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.7%	1.8%	-18.2%	-20.7%
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	25.1	69.6	112.9	81.4
% change		*NM*	*62.1%*	*-27.9%*
EBITDA	-8.1	24.3	53.4	6.9
EBIT	-10.8	21.3	49.9	2.9
% change		*NS*	*134.3%*	*-94.3%*
Net income	-6.7	26.3	53.9	5.9
% change		*NS*	*104.9%*	*-89.1%*

	2015	2016e	2017e	2018e
Operating margin	-42.8	30.6	44.2	3.5
Net margin	-26.7	37.7	47.7	7.2
ROE	-9.3	26.7	35.4	3.7
ROCE	4.2	-25.3	-185.9	6.5
Gearing	-322.1	-207.3	-120.2	-44.3

(EUR)	2015	2016e	2017e	2018e
EPS	-0.12	0.49	1.00	0.11
% change	-	*NS*	*104.9%*	*-89.1%*
P/E	NS	22.0x	10.7x	98.8x
FCF yield (%)	34.7%	NM	NM	NM
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	13.8x	5.4x	3.5x	6.3x
EV/EBITDA	NS	15.5x	7.4x	74.3x
EV/EBIT	NS	17.6x	7.9x	178.6x

We were very positively surprised by IPH4102's preliminary efficacy data in CTCL (ORR: 38%) especially since 1/ most patients suffered from Sezary Syndromes (and thus with the poorer prognosis), and were heavily pre-treated; 2/ the dose escalation part is far from finished. As they already compare (very) favourably with approved products or candidates under development, we have decided to include this early-stage compound in our SOTP... Hence a new FV of EUR20 (vs EUR18).

ANALYSIS

- **Innate published some preliminary, but still very promising efficacy and safety data for IPH4102** (anti-KIR3DL2) in 16 patients with relapsed/refractory cutaneous T-cell lymphomas (CTCL). As of September 10, the best overall response rate (ORR) was 38% across all dosage levels... knowing that 1/ some complete responses in skin and blood appeared with increasing doses and/or duration of treatment; 2/ such tumor regression was induced with low/medium doses (escalation from 0.0001 to 1.5 mg/kg), and after a median duration of treatment of 126 days (min-max: 41-298 days).
- **Such efficacy rates already compare very favourably with other promising drugs,** including MRK's vorinostat (FDA-approved, HDAC inhibitor), and mogamulizumab (anti-CCR4, Phase III) although 1/ IPH's trial mostly included heavily pre-treated patients (2-8 prior lines) with Stage III/IV Sezary Syndrome; while 2/ "vori" and "moga" were tested in other subtypes of CTCL with an overall better prognosis (much fewer SS patients being enrolled).

Selected candidates in CTCL

Company	Compounds	Stage	Efficacy data	Patients
Merck & Co	Vorinostat (HDACi)	FDA approved	ORR: 24%	CTCL Stage IIb or higher, 40%
Celgene	Romidepsin (HDACi)	FDA approved	ORR: 34-35%	CTCL, 30% SS
Kyowa Hakko	Mogamulizumab (anti-CCR4)	Phase III	ORR: 38%	CTCL Stage Ib to IVa
Seattle Genetics	Brentuximab vendotin (ADC anti-CD30)	Phase III	ORR: 70%	CD30+ MF and LDP

SS: Sezary Syndrome, MF: Mycosis Fungoids, LDP: Lymphoproliferative Disorders

- **There is a chance that the ORR will improve over time, and/or with the three remaining/higher doses** (i.e. 3, 6 and 10 mg/kg)... But we will also pay a particular attention to the average duration of response as this aspect is the Achille's heel of all the other candidates under development (< 12 months in most cases).
- **Safety-wise, the compound appears to be well-tolerated**. And without going into too much details, we note that 1/ very few severe adverse events were observed (1 Grade III, 1 Grade IV); 2/ none of them led to treatment discontinuation. There was one death in the study, but the cause was not related to IPH4102.

VALUATION

- **We lift our FV from EUR18 to EUR20 as we have decided to include IPH4102 in our SOTP** following these very positive preliminary data. Among others, we notably assume 1/ a peak sales of EUR400m, 2/ a probability of success of 35% (as we believe that a Phase III could be initiated right after this Phase I/II), and 3/ a development and commercialization driven by IPH.
- **We also stick to our BUY rating** 1/ given the upside we currently see on the stock (c.+85%), and 2/ because our FV could be further increased if key short-term catalysts were to play out (especially positive efficacy data for lirilumab/nivolumab at the upcoming SITC congress).

NEXT CATALYSTS

- November 8th: Publication of SITC abstracts / Phase Ib data of lirilumab/nivolumab in solid tumours.

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Melexis

Price EUR62.60

Q3 results and conference call have confirmed our view

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

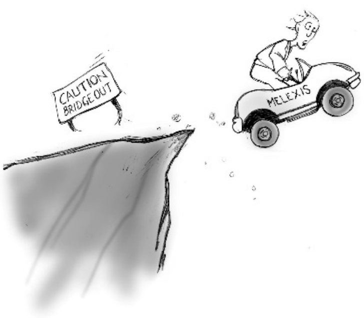
Bloomberg	MELE BB
Reuters	MLXS.BR
12-month High / Low (EUR)	65.9 / 40.9
Market Cap (EURm)	2,529
Ev (BG Estimates) (EURm)	2,466
Avg. 6m daily volume (000)	38.00
3y EPS CAGR	5.6%

	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	452.9	499.3	541.1
% change		*13.2%*	*10.2%*	*8.4%*
EBITDA	130	139	157	170
EBIT	107.6	112.7	124.3	134.7
% change		*4.8%*	*10.3%*	*8.4%*
Net income	99.1	95.3	107.8	116.8
% change		*-3.8%*	*13.2%*	*8.4%*

	2015	2016e	2017e	2018e
Operating margin	26.9	24.9	24.9	24.9
Net margin	24.8	21.0	21.6	21.6
ROE	40.9	36.1	34.6	32.1
ROCE	52.5	47.8	46.8	45.8
Gearing	-24.2	-24.0	-27.8	-31.5

(EUR)	2015	2016e	2017e	2018e
EPS	2.45	2.36	2.67	2.89
% change	-	*-3.8%*	*13.2%*	*8.4%*
P/E	25.5x	26.5x	23.5x	21.6x
FCF yield (%)	3.0%	3.0%	3.3%	3.7%
Dividends (EUR)	1.29	1.84	1.48	1.61
Div yield (%)	2.1%	2.9%	2.4%	2.6%
EV/Sales	6.2x	5.4x	4.9x	4.5x
EV/EBITDA	18.9x	17.7x	15.6x	14.2x
EV/EBIT	23.0x	21.9x	19.6x	17.9x



Only a little more information was provided yesterday during the conference call. Melexis confirmed that R&D investments will increase from Q4 and also in FY17, adding pressure to the operating margin as we expected. Overall, our investment case does not change following this call. We are convinced that, despite the company continues to deliver, Melexis' valuation metrics are too high. We reiterate our Sell recommendation and our FV of EUR48.

ANALYSIS

- **Margins in Q3 were boosted by improvements in yields and product mix.** In Q3, we have seen a strong improvement in gross margin (from 45.3% in Q2 to 46.4% in Q3), mainly thanks to the resolution of the problem causing low yield at manufacturing level and also due to positive effect of product mix and higher volumes (sales in Q3 were EUR114.5m vs. EUR112.3m in Q2). We believe that most of the positive impact of the improving yield has been passed and we expect to see lower gross margin in Q4. Nevertheless, our expectations are slightly higher than Melexis' guidance for a FY16 GM at 45%. Indeed, including a GM of 45.0% in Q4, our FY16e expectations is close to 45.4%.
- **R&D efforts to be accelerated from Q4.** As expected, the group announced that R&D efforts will be accelerated as of Q4. Indeed, the current low level of R&D of about 13.9% of sales is far from Melexis' target of 15%. However, during the call, it was clearly stated that the R&D level would increase, both in absolute and relative terms. As such, we expect R&D expenses to represent 14.8% of sales in Q4e (also taking into account seasonality), then 15% from FY17e. In our view, this is due to the need to strengthen the expertise of Melexis and accelerate innovation in a rapidly moving market. Note that the group's product portfolio is particularly strong in Body and Transmission, but we also believe it need innovation to better fit needs for electric vehicule and autonomous cars.
- **Inventory level up 11% in Q3, but we are told not to worry about it...** According to management, the significant increase in inventory (+11% seq.) that we highlighted in our first take yesterday was due to 1/ a catch up following the yielding problem at manufacturing lines and 2/ the preparation for a stronger demand Q4. Following the conference call, it looks like there is nothing to worry about at this point, but we will keep a close eye on inventory level during coming publications.

VALUATION

- **Overall, Q3 publication and conference call did not changed our view.** The group continues to perform as expected at top-line level and will have some pressure from opex due to the requirement to invest more heavily in R&D. We fine-tuned our model, with very limited impact on our estimates (1% at EPS level on average) and no impact on our FV. **We reiterate our Sell recommendation given the very high valuation metrics.**
- Based on our estimates, Melexis' shares are trading on 2017e P/E and PEG ratios of 23.9x and 4.2x respectively.

NEXT CATALYSTS

- 8th February 2017: FY16 and Q4 results

Our new estimates – P&L

[in EURm]	2015	1Q16	2Q16	3Q16	4Q16e	2016e	2017e	2018e
Sales	**400**	**109**	**112**	**115**	**117**	**453**	**499**	**541**
Seq. growth	20%	7%	3%	2%	2%	13%	10%	8%
Gross profit	**192**	**49**	**51**	**53**	**53**	**206**	**234**	**254**
Gross margin	48%	45%	45%	46%	45%	45%	47%	47%
R&D	-57	-15	-16	-16	-17	-64	-75	-81
% of sales	-14%	-13%	-14%	-14%	-15%	-14%	-15%	-15%
G&A	-19	-5	-5	-5	-5	-20	-23	-26
% of sales	-5%	-4%	-5%	-5%	-4%	-4%	-5%	-5%
S&M	-9	-2	-2	-2	-2	-9	-11	-12
% of sales	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%
EBIT	**108**	**28**	**28**	**30**	**28**	**113**	**124**	**135**
Operating margin	27%	25%	25%	26%	24%	25%	25%	25%
Financial result	2	-1	0	-1	1	-1	2	3
% of sales	0%	-1%	0%	-1%	1%	0%	1%	1%
Income Tax	-10	-4	-5	-4	-4	-16	-19	-21
Income tax rate	-10%	-14%	-16%	-13%	-15%	-15%	-15%	-15%
Net Profit	**99**	**23**	**23**	**25**	**24**	**95**	**108**	**117**
Net margin	25%	21%	21%	22%	21%	21%	22%	22%
Dil. EPS	**2.45**	**0.57**	**0.57**	**0.62**	**0.60**	**2.36**	**2.67**	**2.89**
EPS seq. growth	17%	4%	1%	9%	-4%	-4%	13%	8%

Sources: Bryan, Garnier & Co. ests.

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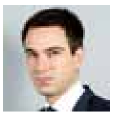

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Healthcare

SOBI

Price CHF97.60

Q3 16 above expectations, but FY guidance raised in line with consensus; a slight miss in Haemophilia

Fair Value SEK90 (-8%) **SELL**

Bloomberg	SOBI SS
Reuters	SOBIV.ST
12-month High / Low (CHF)	139.3 / 95.9
Market Cap (CHFm)	26,390
Ev (BG Estimates) (CHFm)	27,386
Avg. 6m daily volume (000)	1,187
3y EPS CAGR	ns

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.6%	-10.0%	-18.7%	-27.5%
Healthcare	-5.8%	-11.0%	-5.3%	-13.6%
DJ Stoxx 600	0.5%	0.1%	-1.6%	-6.6%

YEnd Dec. (SEKm)	2015	2016e	2017e	2018e
Sales	3,228	5,143	6,163	7,555
% change		*59.3%*	*19.8%*	*22.6%*
EBITDA	465	1,560	1,997	2,705
EBIT	146.0	1,093	1,473	2,101
% change		*NM*	*34.8%*	*42.6%*
Net income	68.4	702.6	1,023	1,493
% change		*NM*	*45.5%*	*46.0%*

	2015	2016e	2017e	2018e
Operating margin	4.5	21.2	23.9	27.8
Net margin	2.1	13.7	16.6	19.8
ROE	1.5	13.0	15.9	18.9
ROCE	1.0	10.5	15.8	23.1
Gearing	35.2	18.5	-4.1	-22.2

(SEK)	2015	2016e	2017e	2018e
EPS	0.25	2.60	3.78	5.52
% change	-	*NM*	*45.5%*	*46.0%*
P/E	NS	37.6x	25.8x	17.7x
FCF yield (%)	1.4%	2.5%	4.8%	5.7%
Dividends (SEK)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	8.7x	5.3x	4.2x	3.3x
EV/EBITDA	60.3x	17.6x	13.1x	9.1x
EV/EBIT	192.0x	25.1x	17.7x	11.7x

Q3 16 results are admittedly above estimates (EBITA: SEK282m vs BG: SEK215m and CS: SEK186m). Plus, the EBITA guidance for the whole year has been increased... But we cannot ignore that 1/ the new targets are in line with consensus' estimates before this publication; 2/ haemophilia products (the main drivers of the valuation in our view) fell short of expectations. Overall, this does not change our bearish call that the overall consensus for the Haemophilia franchise is likely to be adjusted downward.

ANALYSIS

- **Both revenues and net income are above expectations** (BG and consensus, see Fig. below for further details)... But looking into the details, we note that 1/ most of the beat is due to higher manufacturing revenues and royalties from ReFacto (a recombinant FVIII, +15% vs BG: -12%) as well as lower than anticipated R&D; 2/ Eloctate and Alprolix are rather below estimates due to "a slower conversion over the summer period".
- **Importantly, the company raised its FY EBITA guidance to a level in line with consensus' expectations** before this publication (SEK1,475m-1,525m vs SEK 1,200-1,300m previously)....

(in SEKm)	Q3 15	Q3 16	BG	CS
Revenues	**786**	**1,171**	**1,120**	**1,136**
- Eloctate	0	57	95	97
- Alprolix	0	16	20	24
- Others	786	1,098	1,005	1,015
EBITA	**97**	**282**	**215**	**186**
% var y-o-y		191%	122%	92%
Net income	**5**	**143**	**62**	**58**

(in SEKm)	FY guidance (old)	FY guidance (new)	BG (before Q3)	CS (before Q3)
Revenues	4,800-5,000	5,130-5,200	5,144	5,183
Gross margin	68-70%	70%	70%	70%
EBITA	1,200-1,300	1,475-1,525	1,480	1,509

- **These figures strengthen us in the idea that the overall consensus for the Haemophilia franchise is likely to be adjusted downward**. First in the US (knowing that SOBI receives a royalty rate of 12% on sales there)... And then in Europe where they have been marketed for a few months. Looking at BIIB's Q3 publication, we noted that Eloctate's sales were flat on a sequential basis (USD110m) while Alprolix's growth was quite limited (+6% to USD67m).
- As a reminder, we believe that 1/ Alprolix's European ramp-up will be hampered by the competition of CSL's Idelvion (which was also approved in May 16); 2/ Eloctate is likely to suffer from the recent arrival of BAY's Kovaltry, as well as a lower appetite for recombinant FVIII.

VALUATION

- **We stick to our SELL rating with a FV of SEK90**.

NEXT CATALYSTS

- February 16th 2017: Q4 16 results.

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STMicroelectronics

Price EUR7.22

Q3 adjusted results a penny above expectations, while Q4 outlook is supportive

Fair Value EUR6.5 (-10%) **NEUTRAL**

Bloomberg	STM FP
Reuters	STM.FR
12-month High / Low (EUR)	7.5 / 4.6
Market Cap (EUR)	6,581
Ev (BG Estimates) (EUR)	5,928
Avg. 6m daily volume (000)	2,315
3y EPS CAGR	33.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.1%	22.7%	38.8%	16.9%
Semiconductors	0.1%	3.0%	29.9%	22.8%
DJ Stoxx 600	0.5%	0.1%	-1.6%	-6.6%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	6,897	6,977	7,102	7,261
% change		*1.2%*	*1.8%*	*2.2%*
EBITDA	910	977	1,143	1,286
EBIT	174.0	251.0	404.1	531.3
% change		*44.3%*	*61.0%*	*31.5%*
Net income	175.0	178.8	303.8	411.6
% change		*2.2%*	*69.9%*	*35.5%*

	2015	2016e	2017e	2018e
Operating margin	2.5	3.6	5.7	7.3
Net margin	2.5	3.1	4.3	5.7
ROE	2.2	3.8	6.5	8.6
ROCE	5.1	4.7	8.2	11.5
Gearing	-10.5	-14.0	-18.4	-23.0

(USD)	2015	2016e	2017e	2018e
EPS	0.20	0.20	0.34	0.47
% change	-	*2.4%*	*68.9%*	*37.1%*
P/E	36.4x	35.5x	21.0x	15.3x
FCF yield (%)	4.1%	5.8%	7.5%	9.1%
Dividends (USD)	0.40	0.24	0.30	0.39
Div yield (%)	5.5%	3.3%	4.2%	5.5%
EV/Sales	0.9x	0.8x	0.8x	0.8x
EV/EBITDA	6.7x	6.1x	5.0x	4.3x
EV/EBIT	35.0x	23.6x	14.1x	10.3x

Q3 sales came out at USD1.797bn, up 5.5% seq., in line with company guidance and broadly in line with expectations. The gross margin improved from 33.9% in Q2 to 35.5% in Q3, yielding Adjusted EBIT of USD119m and adjusted EPS of USD0.11, i.e. a penny above expectations for Adjusted EPS of 0.10 (BG ests. USD0.08). In addition, the group continues to enjoy healthy demand in the market it serves and Q4 2016 revenue guidance is ahead of the street's estimates with revenues set to grow 3.2% (+/- 350bp) sequentially, i.e. sales slightly above USD1.850bn, while current forecasts were for USD1.802bn (BG ests. USD1,868m) and GM is expected to be close to 37.0% vs. cons. at 36.1%.

ANALYSIS

- **ST reported Q3 adjusted results in line with the street's expectations.** The company reported Q3 revenues of USD1.797bn, up 5.5% seq. (+1.9% yoy or +3.4% excluding businesses undergoing a phase-out) compared with group's guidance for a revenue up 5.5% sequentially (+/- 350bp) to about USD1.800bn, and consensus expectations at USD1.804bn or revenue up 5.9% sequentially. Gross margin came in at 35.8%, about 30bps above company's guidance (35.5%) and the street's forecasts of GM at 35.5% (BG ests. 35.4%). Combined R&D and SG&A (net of grants) in Q3 decreased slightly to USD524m vs. USD537m in Q2 2016. As a result, adjusted EBIT was above expectations at USD119m (cons. USD103m/BG ests. USD97m) (non-adjusted EBIT of USD90m) and **Adjusted EPS came in at USD0.11 (non-adjusted EPS of USD0.08)**, **i.e. a penny above the consensus** (cons. USD0.10/BG ests. USD0.08). Finally, the group generated positive cash flow of USD100m in Q3 compared with USD47m in the previous quarter. Inventory levels were down -2% to USD1.238bn vs. USD1.266bn at the end of Q2 2016.
- **Almost all of ST's business enjoyed strong momentum in Q3.** The group says that it has been helped by a continuous pervasiveness of its products in flagship smartphones, especially Time-of-Flight technology. Also, the STM32 family of microcontroller is said to have a continuous strong traction in Internet of Things applications. Finally, the automotive products sales is growing yoy and the industrial sector remains supportive. The Automotive and Discrete group (ADG) revenue in Q3 stood at USD704m (flat yoy and down 2.4% seq.). The Analog & MEMS Group (AMG) revenue stood at USD403m (down 2% yoy but up 7.2% compared to Q2 2016). The Microcontrollers & Digital ICs Group (MDG) revenue came out at USD587m (flat compared to Q3 2015 but up 5.6% seq.). And revenue from other products (mainly imaging was up significantly in Q3 to USD103 compared to USD50m in Q2 2016 and USD57m in Q3 2015. The group also reiterated that, during the quarter, the acquisition of NFC and RFID reader assets from ams (Neutral, FV CHF27) has been completed.
- **Q4 2016 revenue guidance also came out above expectations.** The demand in smartphone market is said to be strong and we believe this is mainly due to a design in of Time-of-Flight product in the Apple iPhone 7. The industrial and automotive market are also said to have sustained strong momentum. As such, STMicroelectronics expects Q4 2016 sales to increase sequentially by 3.2% (+/-350bp) to about USD1.855bn, above the consensus forecast for revenue of USD1.802bn (BG ests. USD1.868bn). Regarding the gross margin, it is expected to come out at a level of about 37.0%, up 120bps compared to Q3 2016 and 90bps above Street's expectations. As such, for the FY16, ST should see a 1% growth of its top-line and improving margin as we expected.

VALUATION

- Based on our estimates, STMicroelectronics' shares are trading on 2017e EV/Sales and EV/EBIT ratios of 0.6x and 21.0x respectively.

NEXT CATALYSTS

- Today: Q3 results conference call (9:30am, CET)
- Late January 2017: FY16 and Q4 results.

Reported Q3 2016 vs. estimates

[USDm]	BG ests. 3Q16e	Consensus 3Q16e	3Q16 Actual	Actual vs. Cons.
Net revenue	1,794	1804	1797	-0.4%
% change (seq)	*5.3%*	*5.9%*	*5.5%*	-40bp
% change (yoy)	*1.7%*	*2.3%*	*1.9%*	-39bp
Gross Margin	35.4%	35.5%	35.8%	30bp
SG&A + R&D (net)	-537	-	-524	-
Adj. EBIT (Non-GAAP)	97	103	119	16.1%
% of revenue	*5.4%*	*5.7%*	*6.6%*	94bp
Adj. EPS (in USD)	0.08	0.10	0.11	10.0%

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

Guidance Q4 2016 vs. estimates

[USDm]	BG ests. 4Q16e	Consensus 4Q16e	4Q16 Guidance	Guid. vs. Cons.
Net revenue	1868	1802	1855	2.9%
% change	*4.1%*	*-0.1%*	*3.2%*	328bp
Gross Margin	37.8%	36.1%	37.0%	90bp
Adj. EPS (in USD)	0.14	0.10		

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

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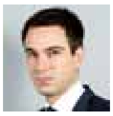

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Utilities

Suez

Price EUR14.08

9M-16 results – first take: half-way to the full-year EBIT guidance

Fair Value EUR17.5 (+24%) **BUY-Top Picks**

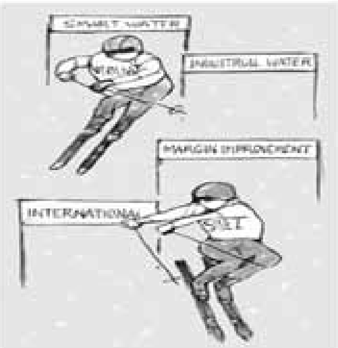
Bloomberg	SEV FP
Reuters	SEVI.PA
12-month High / Low (EUR)	18.0 / 12.9
Market Cap (EURm)	7,944
Ev (BG Estimates) (EURm)	19,007
Avg. 6m daily volume (000)	1 136
3y EPS CAGR	-0.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.7%	-0.6%	-12.8%	-18.5%
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	15,135	15,550	16,191	16,685
% change		*2.7%*	*4.1%*	*3.0%*
EBITDA	2,751	2,681	2,848	2,977
EBIT	1,381	1,286	1,380	1,471
% change		*-6.9%*	*7.3%*	*6.6%*
Net income	559.8	431.0	513.1	567.0
% change		*-23.0%*	*19.0%*	*10.5%*

	2015	2016e	2017e	2018e
Operating margin	9.1	8.3	8.5	8.8
Net margin	3.7	2.8	3.2	3.4
ROE	8.2	6.1	7.3	8.0
ROCE	8.0	7.2	7.6	8.0
Gearing	121.6	118.1	122.4	125.4

(EUR)	2015	2016e	2017e	2018e
EPS	1.04	0.77	0.92	1.02
% change	-	*-25.8%*	*19.1%*	*10.5%*
P/E	13.5x	18.2x	15.3x	13.9x
FCF yield (%)	3.4%	4.9%	4.6%	5.1%
Dividends (EUR)	0.65	0.65	0.65	0.68
Div yield (%)	4.6%	4.6%	4.6%	4.9%
EV/Sales	1.3x	1.2x	1.2x	1.2x
EV/EBITDA	7.0x	7.1x	6.8x	6.6x
EV/EBIT	13.9x	14.8x	14.0x	13.4x



Suez unveiled its 9M-16 results this morning. EBITDA and EBIT were EUR1,957m and EUR932m respectively, both above consensus' expectations. EUR40m of additional savings from 2017 have been announced with the company aiming to speed-up its transformation plan, as expected. Suez confirmed its FY16 guidance thanks to a solid performance in Q3-16 (+5.7% organic growth). We estimated a 5.1%+ organic growth needs to be reached in Q4-16 to achieve the 2%+ guidance level. Positive. Buy rating confirmed and FV unchanged at EUR17.5. Conference call @ 8:30am.

ANALYSIS

- **Main 9M-16 metrics**: Suez reported this morning its 9M-16 results. Revenues amounted to **EUR11,225m** up **1.4%** on an organic basis still driven by the international division up 6.3% organically over the period. Performance in water **(-0.8%** organic growth for 9M revenues) and waste **(+0.1%** organic growth for 9M revenues) divisions is still being impacted by an unsupportive macro environment with low volumes and no inflation in the water business and negative price effects on secondary price materials in the waste business. **EBITDA reached EUR1,957m** down 0.6% organically, about 1% above consensus' estimates (EUR1,931m) and BG estimates (EUR1,933m). EBIT reached **EUR932m** up 0.4% organically (vs. BG and consensus estimates at EUR915m and EUR907m respectively). The main driver remains the company's Compass programme with cost-savings amounting to **EUR123m** over the first nine months of the year. While initially expected in Q4-16, the commissioning of three new waste-to-energy units came into operation in Q3-16 which positively impacted the company's key metrics. **Suez confirmed its 2016 guidance,** which implies a 2.0%+ organic growth at the revenues level and an EBIT organic growth higher than that of revenues.

- As expected, the company is **strengthening its transformation plan**. From 2017, the plan is expected to generate **EUR40m of additional savings** on a full-year basis. Assuming the EUR40m saving is achieved in 2017, **this would have a 1.1% and a 4.3% positive impact on our 2017e EBITDA and EPS estimates respectively**. We expect more information to be unveiled regarding this transformation plan during the conference call.

- **What to retain from this publication? 1/**Adjusted from the EUR20m negative one-offs due to more favourable climate in Q3-2015, **Q3-16 EBIT organic growth reached 5.7%.** According to our estimates, the 2.0%+ EBIT organic growth target for FY-16e **implies a 5.1% organic growth in Q4-16.** This should be reachable given the still strong contribution from the company's Compass programme (EUR180m expected for the full-year) and the positive impact from the commissioning of new waste plants over the quarter; **2/ More information are awaited regarding the speeding-up of the company's transformation plan.** As a reminder, following recent speculation over the 600 potential job cuts in the company's support functions (not mentioned in Suez's press release today), we estimate this could save additional EUR30m; **3/ Suez's international business** posted a 6.3% organic growth in revenues over the period, which is bang in line with the company's guidance (6-8%), but which implies **a substantial organic decrease in Q3-16** as H1-16 organic growth was at 11.6%. **We expect more information to be unveiled** regarding this unexpected decrease.

- **Conference call @ 8:30am**

VALUATION

- At current share price, the stock is trading at **7.1x** its 2016e EV/EBITDA multiple

NEXT CATALYSTS

- March 1st 2017 : FY16 results

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Price EUR27.91

Conference call Q3 revenue: Better lfl growth than expected. FY guidance confirmed.

Fair Value EUR28 (0%) **NEUTRAL**

Bloomberg	KORI FP
Reuters	KORI.PA
12-month High / Low (EUR)	36.3 / 23.2
Market Cap (EURm)	2,238
Avg. 6m daily volume (000)	106.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.2%	-13.1%	-1.3%	-17.1%
Healthcare	-5.8%	-11.0%	-5.3%	-13.6%
DJ Stoxx 600	0.5%	0.1%	-1.6%	-6.6%

	2015	2016e	2017e	2018e
P/E	26.3x	20.9x	18.7x	17.2x
Div yield (%)	2.1%	2.1%	2.1%	2.1%

ANALYSIS

Slightly better Q3 lfl revenue growth: Total revenue in Q3 reached EUR754m slightly below our forecast of EUR759m. Nevertheless lfl growth was better at 4.1% vs. 3% estimated. On reported the spread was due to the integration of *Foyer de Lork* not in full Q3, but only since 1st September (contribution of EUR3m). On a lfl basis, Q3 posted a slight improvement compared to Q2 up 3.9% and Q1 up 3% excluding 2016 leap year effect. This improvement was notably due to the ramping up of beds recently added in Belgium (lfl growth of 11.1% after 6.4% in Q2 and 5.5% in Q1).

FY guidance confirmed as expected: After 9m consolidated revenue of EUR2,224m up 15.9% on reported with lfl growth of 4%, Management has reiterated its FY 2016 guidance with total revenue of around EUR3bn. Our forecast is EUR3,011m, up 16.8% on reported and 3.8% on lfl. Consensus is at EUR2,990m.

Completion of Group Management Board: As announced during CMD mid-September, management confirmed the appointment of **Frédéric Durrousseau** as Chief real estate and development (previously with Pierre & Vacances Group in charge of real estate management of Center Parc/Sunparks), **Charles-Antoine Pinel** responsible for long-term care nursing homes for France and **Nicolas Mérigot** as responsible for the Healthcare division in France (clinics).

VALUATION

At the current share price, the stock is trading at 10.9x EV/EBITDA 2016e and 10.2x 2017e which compares with historical average of 9.3x and an EBITDA CAGR 2015-2018 of 10.6%

NEXT CATALYSTS

FY 2016 revenue on 8th February 2017

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Food & Beverages

Rémy Cointreau

Price EUR74.40

Bloomberg	RCO FP
Reuters	RCOP.PA
12-month High / Low (EUR)	80.4 / 58.1
Market Cap (EURm)	3,697
Avg. 6m daily volume (000)	88.80

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.7%	-3.0%	0.3%	12.7%
Food & Bev.	-3.8%	-5.4%	-1.5%	-4.2%
DJ Stoxx 600	0.5%	0.1%	-1.6%	-6.6%

	03/16	03/17e	03/18e	03/19e
P/E	32.8x	30.0x	25.5x	22.4x
Div yield (%)	2.2%	2.2%	2.2%	2.2%

Plan to acquire *Domaine des Hautes Glaces*

Fair Value EUR84 (+13%) **BUY-Top Picks**

ANALYSIS

- This morning Rémy Cointreau has announced it has entered into exclusive negotiations to acquire the *Domaine des Hautes Glaces* distillery. This company was created in 2009 and produces organic single malt whiskies using renewable and local energy. The price per bottle is between EUR65 and EUR150, in line with the group's strategy.
- This strategy is for exceptional spirits (> USD50) to account for 60-65% of the total sales in 2019/20 vs 49% currently. Consequently, the portfolio is evolving. In October 2015, Rémy Cointreau offloaded the Izarra brand (Basque liqueur) and in October 2016 it formed a joint-venture for Passoa with Luca Bols. Regarding acquisitions, the group has set several criteria: 1/ a retail price higher than USD50 per bottle, 2/ a strong heritage, 3/ a wide distribution network, and 4/ a transaction price lower than EUR60m.

VALUATION

- Our DCF points to a Fair Value of EUR84.

NEXT CATALYSTS

- The group will release its H1 2016/17 results on November 24th

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Virginie Roumage, vroumage@bryangarnier.com

Insurance

Scor

Price EUR29.77

Very solid Q3 numbers

Fair Value EUR35 (+18%) **BUY**

Bloomberg	SCR FP
Reuters	SCOR.PA
12-month High / Low (EUR)	37.2 / 24.9
Market Cap (EUR)	5,715
Avg. 6m daily volume (000)	405.0

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.5%	14.0%	-9.0%	-13.7%
Insurance	3.7%	9.2%	-5.3%	-15.1%
DJ Stoxx 600	0.5%	0.1%	-1.6%	-6.6%

	2015	2016e	2017e	2018e
P/E	8.6x	10.6x	11.2x	10.7x
Div yield (%)	5.0%	5.0%	5.0%	5.0%

ANALYSIS

Q3 2016 net income came to EUR163m, down 1% yoy, in line with consensus (EUR161m).

In P&C, the combined ratio stands at 91.4% (consensus 91.1%) vs. 90.6% in Q3 2015, including 3.4 points related to natcats (vs. 1.2 point last year). The normalised combined ratio (assuming natcats at budget level) is a pretty satisfactory 94.0% (vs. 96.4% in Q3 2015 and 94.6% in Q2 2016). Remember the 2016-2019 guidance is 95-96%. 9M GWP are stable (-2.8% at constant FX).

In Life, the technical margin stands at 7.1% (cons. 7.0%) vs. 7.2% in Q3 2015, in line with the plan.

Annualised Q3 ROI is 2.3% vs. 2.2% in Q3 2015 and 2.6% for H1 2016. Cash/liquidity positions have started to decrease (10% of assets vs. 14% at end-June) and duration of the fixed income portfolio has increased (4.5 years vs. 4.0 years at end-June), as planned.

NAV stands at EUR33.3 at end-September vs. EUR32.5 at end-June.

The Solvency II margin is 212% at end-September vs. 210% at end-June, fully consistent with the company's optimal range 185-220%.

-> A very solid publication. Buy maintained.

VALUATION

Based on our current estimates, our SOTP valuation is EUR35.

NEXT CATALYSTS

FY 2016 numbers on 22nd February 2017.

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Construction & Building Materials

Saint Gobain

Price EUR38.84

Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	41.8 / 32.1
Market Cap (EURm)	21,555
Avg. 6m daily volume (000)	1,643

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.2%	5.2%	-4.0%	-2.5%
Cons & Mat	0.2%	5.6%	4.6%	4.9%
DJ Stoxx 600	0.5%	0.1%	-1.6%	-6.6%

	2015	2016e	2017e	2018e
P/E	18.9x	18.2x	14.1x	11.8x
Div yield (%)	3.2%	3.3%	3.3%	3.3%

Further steady growth for Sika in Q3

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

ANALYSIS

- 9-month sales of Sika are up 6.3% in local currencies at end September at CHF4.3bn. This is still steady, although a bit less strong than in H1 (+7.6% in local currencies). 9-month EBIT increases by 21% at CHF291m, i.e. 13.6% of margin vs 12% in 9M 2015. The profitability in Q3 has been particularly good, with a 15.6% EBIT margin (+190bps y/y).
- By geographical zone, the trends have been very strong in North America (+9.9% in local currencies). Every zone has reported positive sales growth in local currencies.
- It is worth noting Sika continues to be dynamic on the growth capex side, with four additional national subsidiaries and eight new factories implemented in 2016.
- Outlook is confirmed, with sales expected at approx. CHF5.8bn (IBES consensus at CHF5.85bn) and EBIT between CHF780m and CHF800m (vs consensus at CHF778m).
- Regarding the Saint-Gobain acquisition project of the Burkard family SWH, the next step is the decision of the Zug Court regarding the limitation to 5% of the SWH voting rights at the last general meetings. This decision, which is a first instance, is expected in Q4 2016.

VALUATION

- EUR46 FV with the application of historical multiples to our 2018 forecast, discounted back.

NEXT CATALYSTS

Saint-Gobain 9-month sales today after market close. Click here to download

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Sector View

Construction & Materials

Nexity Q3 2016 sales: French new residential market still buoyant.

	1 M	3 M	6 M	31/12/15
Cons & Mat	0.2%	5.6%	4.6%	4.9%
DJ Stoxx 600	0.5%	0.1%	-1.6%	-6.6%

*Stoxx Sector Indices

Companies covered

BOUYGUES	BUY	EUR35
CRH	BUY	EUR30
EIFFAGE	BUY	EUR78
HEIDELBERGCEMENT	BUY	EUR86
IMERYS	BUY	EUR72
LAFARGEHOLCIM	BUY	CHF60
SAINT GOBAIN	BUY	EUR46
VICAT	NEUTRAL	EUR56
VINCI	BUY	EUR74

The French New residential market remains buoyant. Nexity has reported 41% y/y l-f-l growth of reservations in Q3, compared to 38% in H1. The growth is not fading then and the outlook is still promising according to the French property developer leader, with market growth guidance (15-20% in volume for 2016) confirmed. Positive read across for Bouygues, Saint-Gobain, Eiffage and Vinci.

ANALYSIS

- On a like-for-like basis, new home reservations in France are up 39% y/y in volume for the first 9 months at end September (30% in value). The growth is a bit stronger in Q3, with a 41% increase.
- While individual investors continue to represent a large part of Nexity reservations (45% at end September), home buyers' reservations, in particular first-time buyers', are more dynamic, with a 43.6% and 44.1% y/y increase, respectively, at end September (vs +34% for individual investors)
- This very good performance is explained by the combination of a low level of interest rates, the success of the new zero-rate loan with more attractive conditions as from 1st January 2016 (63% of the first-time buyers at Nexity have benefited from it in 2016) and the Pinel buy-to-let scheme.
- This very healthy new residential market is positive for various players. In particular for Bouygues (Bouygues Immobilier represents 7% of Bouygues revenues and 14% of current EBIT. Exposure to new residential segment is higher including works), Saint-Gobain (6% or consolidated sales exposed), Eiffage (~10%, including works) and to a lesser extent Vinci (4%, including works).

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Stock rating

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

Distribution of stock ratings

BUY ratings 56.7% NEUTRAL ratings 31.8% SELL ratings 11.5%

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