Please find our Research on Bloomberg BRYG <GO>)

28th October 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18169.68	-0.16%	+4.27%
S&P 500	2133.04	-0.30%	+4.36%
Nasdaq	5215.97	-0.65%	+4.17%
Nikkei	17446.41	+0.63%	-8.92%
Stoxx 600	341.713	-0.01%	-6.59%
CAC 40	4533.57	-0.02%	-2.23%
Oil /Gold			
Crude WTI	49.72	+1.10%	+33.66%
Gold (once)	1268.47	-0.01%	+19.40%
Currencies/Rates			
EUR/USD	1.09185	+0.01%	+0.51%
EUR/CHF	1.08445	+0.03%	-0.27%
German 10 years	0.096	+641.91%	-84.83%
French 10 years	0.418	+28.34%	-57.43%
Euribor	-	+-%	+-%

Economic releases :

Date	
28th-Oct	7h30 FR- GDP 3Q (1.2%E) 11h00 EUZ - Eco confidence Oct. (104.9 E) 140h00 DE - CPI Oct. (0.8% m/m) 14h30 US - Employment cost index. 14h30 US -GDP Q3 (2.5% E annualized) 14h30 US -Personal consumption Q3

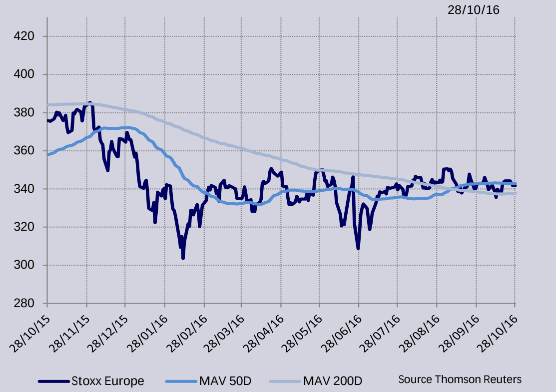
Upcoming BG events :

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



AB INBEV — **BUY, Fair Value EUR120 vs. EUR124 (+7%)**

Poor Q3 and full year outlook lowered

ALTEN — **NEUTRAL vs. SELL, Fair Value EUR57 vs. EUR54 (-3%)**

Q3 2016 sales slightly above expectations; FY16 revenue growth guidance raised

ALTRAN TECHNOLOGIES — **BUY, Fair Value EUR15 (+16%)**

Q3 2016 conference call feedback: on a winning streak, yet everything is not perfect

AXWAY SOFTWARE — **BUY, Fair Value EUR31 vs. EUR28 (+12%)**

Q3 2016 sales in line, confirmation that momentum is improving

ASTRAZENECA — **BUY, Fair Value 5220p (+13%)**

CONDOR and KESTREL: patient recruitment suspended

FRESENIUS SE — **BUY-Top Picks, Fair Value EUR78 (+12%)**

Good prospects across all divsions

GRANDVISION — **BUY, Fair Value EUR27 vs. EUR28 (+26%)**

ST drivers to hope for a rebound in Q4 within management's LT vision

GEMALTO — **SELL vs. NEUTRAL, Fair Value EUR50 vs. EUR60 (-11%)**

Profit warning both on FY 2016 and FY 2017 is greater than expected

HEINEKEN — **BUY, Fair Value EUR88 (+15%)**

Buy recommendation confirmed

IMERYS — **BUY-Top Picks, Fair Value EUR72 (+7%)**

Another strong operating margin increase, but still not top-line organic growth

SAINT GOBAIN — **BUY, Fair Value EUR46 (+19%)**

Q3 revenues in line...guidance unchanged : this is probably a non-event.

SANOFI — **NEUTRAL, Fair Value EUR83 (+21%)**

Better-than-expected Q3 numbers, largely driven by Vaccines and cost control

SGS SA — **BUY, Fair Value CHF2300 vs. CHF2360 (+14%)**

CMD feedback: When you need to be sure! FV trimmed

SOBI — **SELL, Fair Value SEK90 (-8%)**

Summertime is over... Winter is coming

STMICROELECTRONICS — **NEUTRAL, Fair Value EUR7.3 vs. EUR6.5 (-9%)**

Q3 came out with a compelling message; ST is heading to the right direction.

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

Slight positive adjustments following solid 9M-16 results

In brief...

ADOCIA, *Hinsbet delivers new phase I data and narrows its scope of opportunities*

AXA, *Back to AA-*

GALAPAGOS, *Q3 results and CF update*

NOVO NORDISK, *Tough Q3 sales number and revised guidances*

SAFILO, *Third new licensing agreement this year: Rag & Bone*

Food & Beverages

AB InBev

Price EUR112.10

Poor Q3 and full year outlook lowered

Fair Value EUR120 vs. EUR124 (+7%) **BUY**

Bloomberg	ABI BB
Reuters	ABI.BR
12-month High / Low (EUR)	123.3 / 100.6
Market Cap (EURm)	189,812
Ev (BG Estimates) (EURm)	271,706
Avg. 6m daily volume (000)	1 450
3y EPS CAGR	6.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.5%	-0.9%	-0.9%	-2.0%
Food & Bev.	-4.0%	-3.9%	-0.8%	-3.5%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	43,604	43,044	58,284	60,870
% change		*-1.3%*	*35.4%*	*4.4%*
EBITDA	16,921	16,643	23,847	25,688
EBIT	13,768	13,565	19,891	21,609
% change		*-1.5%*	*46.6%*	*8.6%*
Net income	8,513	7,532	11,123	12,210
% change		*-11.5%*	*47.7%*	*9.8%*

	2015	2016e	2017e	2018e
Operating margin	31.6	31.5	34.1	35.5
Net margin	19.5	17.5	19.1	20.1
ROE	20.2	17.5	12.9	13.5
ROCE	10.1	10.1	10.4	8.6
Gearing	98.7	101.7	97.0	89.5

(USD)	2015	2016e	2017e	2018e
EPS	5.10	4.52	5.58	6.12
% change	-	*-11.5%*	*23.5%*	*9.8%*
P/E	24.0x	27.1x	21.9x	20.0x
FCF yield (%)	3.8%	3.2%	5.7%	5.2%
Dividends (USD)	2.68	2.37	2.93	3.21
Div yield (%)	2.2%	1.9%	2.4%	2.6%
EV/Sales	6.7x	6.9x	5.8x	5.5x
EV/EBITDA	17.2x	17.8x	14.2x	13.0x
EV/EBIT	21.2x	21.9x	17.0x	15.4x

AB InBev published this morning underwhelming quarterly figures with organic volume decline of 0.9%, revenue growth of 2.8% and a 2% decline in EBITDA. The area of particular weakness is Brazil for which also the full year outlook has been lowered. Our initial reaction is that it will impact our earnings forecasts by about 3%, which will also be reflected in our fair price that we provisional lower to EUR120 from EUR124.

Organic volume decline for AB InBev at 0.9% in Q3 is well below the 2% growth that Heineken managed. Furthermore the SABMiller business that was retained (not yet consolidated) suffered a 3% organic volume decline.

ANALYSIS

- The area of particular weakness for AB InBev was Brazil where volumes fell organic by 5.1% in the quarter (in a market down 3%). The biggest disappointment here was that net revenue declined by 6.8% in the quarter, with net revenue per hl down 1.2% as the company is more price competitive to attract consumers (and to counter competitive price pressures). Also the move to returnable bottles (now 25% of volumes in supermarkets) did put additional pressure on revenue per hl although it is accretive for both EBITDA and margin. For the full year AB InBev do no longer expect to achieve flat net revenue in Brazil for the full year, given the environment of soft industry volumes and tough 4Q15 net revenue per hl comparable (i.e. 10.7%!)
- Furthermore, also the US market is an area of disappointment with organic volume decline of 2.5% in the quarter. AB InBev's sales to retailers were down 1.9% in the first 9 months compared to an industry decline of 0.8%. However pricing was healthy with US beer-only revenue per hl growing by 2.3% in the quarter and by 1.8% in 9M16. Despite the slight decline in overall revenue, EBITDA margin was up by 48 bps to 40.6% in 3Q16 and by 76 bps to 40.6% in 9M16, driven by favorable commodity prices and brewery efficiencies.
- In the other 3 areas (Europe, Asia and Mexico) operational performance was ok but not enough to offset the negative messages from Brazil and US. In Europe organic volume declined by 3.2%, but with very strong price/mix of 6.3% delivering organic growth in EBITDA of 2.5%. In Asia organic volumes were up 1.2% and with further price/mix increase of 3.8%, organic EBITDA growth was 16.8%. In Mexico organic volume growth was 9.6% in the quarter, and revenue per hl growth of 2.2%. This partially offset the increased A&P spend, and unfavorable foreign exchange transactional hedges affecting cost of sales. As a result EBITDA margin declined by 263 bps to 43.9%.
- For SABMiller, organic volumes declined by 3% in the quarter whith Asia (Australia) down 5%, Africa down 3% (mainly because of South Africa and Mozambique whereas Nigeria, Tanzania and Zambia delivered growth), Latam down 1% (earthquake in Ecuador and transport strike in Colombia).

VALUATION

- Our DCF based fair valuation of AB InBev is based on a risk free rate of 1.6% and equity risk premium of 7%. This result in a fair price of EUR124 which we lowered today to EUR120 anticipating that we will have to lowere our earnings forecasts given the persistent weakness in Brazil.

NEXT CATALYSTS

- 28 October 15.00 CET: Q3 call
- End of February: full year results

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Analyst :
Nikolaas Faes
33(0) 6 11 12 44 44
nfaes@bryangarnier.com

Sector Team :
Loïc Morvan
Antoine Parison
Cédric Rossi
Virginie Roumage

TMT

Alten

Price EUR58.62

Q3 2016 sales slightly above expectations; FY16 revenue growth guidance raised

Fair Value EUR57 vs. EUR54 (-3%) **NEUTRAL vs. SELL**

Bloomberg	ATE FP
Reuters	LTEN.PA
12-month High / Low (EUR)	63.8 / 44.6
Market Cap (EUR)	1,975
Ev (BG Estimates) (EUR)	1,936
Avg. 6m daily volume (000)	32.10
3y EPS CAGR	13.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.7%	-0.3%	7.7%	9.8%
Softw.& Comp.	-3.0%	1.3%	7.5%	4.8%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	1,541	1,729	1,897	2,035
% change		*12.2%*	*9.7%*	*7.3%*
EBITDA	164	189	212	232
EBIT	147.0	175.0	199.0	219.0
% change		*19.0%*	*13.7%*	*10.1%*
Net income	110.0	125.0	144.0	160.0
% change		*13.6%*	*15.2%*	*11.1%*

	2015	2016e	2017e	2018e
Operating margin	9.9	10.2	10.5	10.8
Net margin	6.8	6.9	7.3	7.5
ROE	16.3	16.9	17.0	16.5
ROCE	16.7	17.8	19.0	20.7
Gearing	-3.0	-5.0	-14.0	-24.0

(€)	2015	2016e	2017e	2018e
EPS	3.26	3.71	4.27	4.75
% change	-	*13.8%*	*15.1%*	*11.2%*
P/E	18.0x	15.8x	13.7x	12.3x
FCF yield (%)	5.0%	5.0%	6.4%	7.4%
Dividends (€)	1.00	1.00	1.00	1.00
Div yield (%)	1.7%	1.7%	1.7%	1.7%
EV/Sales	1.3x	1.1x	1.0x	0.9x
EV/EBITDA	11.9x	10.2x	8.8x	7.5x
EV/EBIT	12.9x	10.9x	9.3x	8.0x

We upgrade our rating to Neutral from Sell and raise our DCF-derived fair value to EUR57 from EUR54 as we increase our adj. EPS ests. by 1% for 2016 and 3% for 2017-18. Yesterday evening, Alten reported Q3 2016 sales 2% above consensus. With 7.7% year-to-date lfl growth, management raised FY16 lfl revenue growth guidance to above 5.5% from above 3.4% - we now forecast +6.8% vs. +6.3%. In a scenario where Alten would drop its "research tax credit-approved" status for R&D work done on behalf of clients, we consider our fair value would gain EUR7-8 based on a 2ppt margin gain.

ANALYSIS

- **Q3 2016 sales 2% above our estimates**. Q3 2016 sales were up 12.9% to EUR424.1m (+6.8% lfl), or 2% above our est. (EUR416.4m) and consensus (EUR417.7m). Excluding calendar effects (-1.2 day), they would have been up 8.3%. France was up 1.8% lfl to EUR197.2m (BG est.: EUR198.5m). International operations were up 24.7% (+12.2% lfl) to EUR226.8m (BG est.: EUR217.9m), with, on a lfl basis, +0.8% in Germany, +14.2% in North America, +9% in Scandinavia, +16.5% in Spain, +15.1% in the UK, +4.9% in Belgium, +2.2% in the Netherlands, +17.9% in Italy, and +64.3% in the Rest of World region. By industry, Automotive was at +7.5% (France +30%, Sweden and the UK +15%, Germany -11%), Aerospace +6%, Energy/Life Sciences -4% (Oil & Gas -10%, Nuclear down, Life Sciences +14%), Telecoms +3.6%, Finance/IT +15%, Defense flat, and Rail/Marine +5%.
- **Recruitment still at a sustained pace**. The utilisation rate in Q3 2016 was 92.2% (+0.1ppt vs. Q2 2016 and -0.2ppt vs. Q3 2015). On 30th September 2016, the headcount reached 23,600 (+700 in Q3), o/w 20,900 engineers (+650). Net staff hirings were 570, which is basically in line with the 607 recruited in Q2 2016 (392 in Q1). Confidence of managers is strong, as one-third of hirings are made ahead of projects while staff attrition remains high at 22-23%. The billable staff ratio is up 1.5ppt to 88.6% on a year-on-year basis.
- **Two new acquisitions**. Alten announced the acquisition in France of a company that specialises in Life Sciences with 190 engineers (EUR19m sales, 9% operating margin, to be paid at 6-7x EBIT or EUR10-12m), and in Romania of an IT services company with 185 engineers (EUR9m sales, operating profit at breakeven, to be paid at 0.3x sales or an est. EUR3m). Both companies will be consolidated in the P&L from January 2017. The 9 acquisitions made since early 2016 in aggregate represent revenues of EUR107m for 1,575 engineers. Alten is reviewing several other potential targets, and does not rule out closing at least one deal by the end of Q4.
- **FY16 revenue growth guidance raised**. While the economic climate is improving for Alten, management raises lfl sales growth guidance to above 5.5% from above 3.4%. With 7.7% year-to-date lfl revenue growth, a sustained pace of net staff hiring, and a positive pricing environment except in Germany in Automotive - some customers accept hikes of 3-4% -, we are confident that Alten can exceed 6% lfl revenue growth in 2016, but management considers 7% a bit bullish. It reiterates its non-IFRS operating margin outlook (above 10%), but now considers that despite an even distribution of billable days this year between the two semesters, H2 is likely to be at or above 10.2% reported for H1 - initially it expected to land slightly below.

VALUATION

- Alten's shares are trading at est. 10.9x 2016 and 9.3x 2017 EV/EBIT multiples.
- Net debt on 30th June 2016 was EUR61.8m (net gearing: 9%).

NEXT CATALYSTS

Q4 2016 sales on 25th January 2017 after markets close.

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Analyst :
Gregory Ramirez
33(0) 1 56 68 75 91
gramirez@bryangarnier.com

Sector Team :
Richard-Maxime Beaudoux
Thomas Coudry
Dorian Terral

TMT

Altran Technologies

Price EUR12.94

Q3 2016 conference call feedback: on a winning streak, yet everything is not perfect

Fair Value EUR15 (+16%) **BUY**

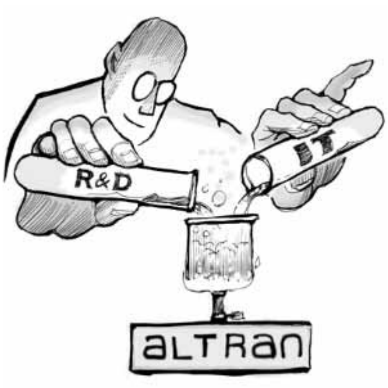
Bloomberg	ALT FP
Reuters	ALTR.PA
12-month High / Low (EUR)	13.7 / 9.9
Market Cap (EUR)	2,275
Ev (BG Estimates) (EUR)	2,454
Avg. 6m daily volume (000)	212.9
3y EPS CAGR	16.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.3%	1.0%	1.2%	4.9%
Softw.& Comp.	-3.0%	1.3%	7.5%	4.8%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	1,945	2,120	2,376	2,542
% change		*9.0%*	*12.1%*	*7.0%*
EBITDA	208	239	280	321
EBIT	155.0	189.0	233.0	270.0
% change		*21.9%*	*23.3%*	*15.9%*
Net income	123.0	141.0	168.0	195.0
% change		*14.6%*	*19.1%*	*16.1%*

	2015	2016e	2017e	2018e
Operating margin	9.6	10.2	10.7	11.5
Net margin	5.2	5.8	6.4	7.0
ROE	12.6	14.0	15.5	16.3
ROCE	15.0	14.9	16.4	18.7
Gearing	18.0	20.0	13.0	0.0

(€)	2015	2016e	2017e	2018e
EPS	0.70	0.80	0.95	1.11
% change	-	*14.3%*	*18.8%*	*16.8%*
P/E	18.5x	16.2x	13.6x	11.7x
FCF yield (%)	3.6%	4.9%	6.3%	7.4%
Dividends (€)	0.19	0.23	0.28	0.33
Div yield (%)	1.5%	1.8%	2.2%	2.6%
EV/Sales	1.2x	1.2x	1.0x	0.9x
EV/EBITDA	11.6x	10.3x	8.6x	7.1x
EV/EBIT	13.0x	11.4x	9.4x	7.8x



We reiterate our Buy rating following the conference call held yesterday. We increase our adj. EPS ests. by 2% for 2017-18, as we add the acquisitions of Benteler Engineering and Swell to our model. We shave our lfl sales growth ests. to 6% from 6.3% for 2016 and to 6.4% from 6.7% for 2017. Market conditions remain buoyant, the turnaround of Germany is in line, while the resolution of a few local short-term issues in Italy, The Netherlands and Scandinavia is in progress. As such, we consider yesterday's sanction on the share price was overdone.

ANALYSIS

- **Market conditions remain buoyant**. According to Altran, the addressable market is up c. 5%, and the company is gaining market share. Revenue momentum remains solid in Life Sciences and Electronics (>+20%) and Automotive, Aerospace and Energy (up 7-10%), and even sees a recovery in Telecoms (+3%). Sales are growing double-digit with Airbus in France, and now Altran is in its top suppliers' list for IT services on top of engineering and manufacturing. The revenues generated with the top 5 clients is up 15%, and Altran keeps signing significant deals like the one inked last week with a large French company in Portugal (600 staff to be hired). There is no noticeable pricing pressure, and some customers accept price increases.
- **Resolution of local short-term issues in progress**. The decline in Italy with -0.3% lfl in Q3 vs. +6.9% in Q2 and +8.9% in Q1 was due to the pre-electoral climate (referendum) and the transition of two customers including Fiat, while a gradual rebound is expected from Q4 2016. The negative situation in Benelux and Scandinavia is more related to management issues - lack of sales dynamism - that have been fixed between the summer and now. The 7% lfl decline in The Netherlands for Q3 is also the result of the phase-out of 38 unprofitable small accounts essentially inherited from the acquisition of Nspyre and of a short-term blip at ASML. In Germany, Altran is on track with the turnaround plan, and Q4 2016 revenues in that country are likely to be stable vs. Q3, yet the issue mentioned in July for Stuttgart - where is Daimler - has not been fully fixed yet.
- **Update on acquisitions, world class centres and offshoring**. Benteler Engineering generates sales of EUR60m+ with a high-single-digit operating margin with potential for double-digit especially as operations outside Germany (The Netherlands and Sweden = est. 35% of sales) lacked of critical size. On its side, Swell generates sales below EUR20m and is highly profitable. On world class centres, 5 of them are up and running - successful on Big Data analytics, IoT still at the 'proof-of-concept' stage, Networks small but very profitable -, and Altran will announce 3 new ones by the end of the year and other ones in H1 2017. On offshoring, Altran employs c. 4,000 staff, o/w 2,000 in India, 800 in Ukraine and Romania, more than 1,000 in Morocco and 300 in Portugal.
- **Update on staff**. In Q3 2016 net staff hiring was around 480-500, or more or less in line with the number reported for Q2, of which c. 100 in Spain and Portugal, c. 100 in India and c. 300 in Morocco, and other countries. In Portugal, where Altran employs 300 staff, the goal is to rise to 1,000 within the next quarters primarily through a nearshore contract signed last week with a French group. The rise in the invoicing rate in Q3 (85.2%, +0.3ppt vs. Q2) was primarily related to France thanks to better management at the operating level, and Germany.

VALUATION

- Altran's shares are trading at est. 11.4x 2016 and 9.4x 2017 EV/EBIT multiples.
- Net debt on 30th June 2016 was EUR217.2m (net gearing: 28%).

NEXT CATALYSTS

Q4 2016 sales on 27th January 2017 before markets open.

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Analyst :
Gregory Ramirez
33(0) 1 56 68 75 91
gramirez@bryangarnier.com

Sector Team :
Richard-Maxime Beaudoux
Thomas Coudry
Dorian Terral

TMT

Axway Software

Price EUR27.62

Q3 2016 sales in line, confirmation that momentum is improving

Fair Value EUR31 vs. EUR28 (+12%) **BUY**

Bloomberg	AXW FP
Reuters	AXW PA
12-month High / Low (EUR)	28.8 / 19.2
Market Cap (EUR)	574
Ev (BG Estimates) (EUR)	556
Avg. 6m daily volume (000)	7.60
3y EPS CAGR	5.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.4%	18.7%	42.0%	13.2%
Softw.& Comp.	-3.0%	1.3%	7.5%	4.8%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	284.6	308.4	331.8	359.5
% change		*8.4%*	*7.6%*	*8.3%*
EBITDA	50.7	53.2	58.4	65.3
EBIT	27.4	36.8	45.9	52.8
% change		*34.2%*	*24.8%*	*14.9%*
Net income	41.0	40.1	44.4	49.7
% change		*-2.2%*	*10.8%*	*12.0%*

	2015	2016e	2017e	2018e
Operating margin	15.6	16.2	16.6	17.2
Net margin	9.8	9.3	10.7	11.4
ROE	8.2	7.9	9.2	9.7
ROCE	15.3	12.3	13.3	15.3
Gearing	-10.5	-5.1	-14.6	-23.9

(EUR)	2015	2016e	2017e	2018e
EPS	1.94	1.87	2.06	2.30
% change	-	*-4.0%*	*10.4%*	*11.8%*
P/E	14.2x	14.8x	13.4x	12.0x
FCF yield (%)	7.7%	6.1%	7.8%	8.8%
Dividends (EUR)	0.40	0.40	0.43	0.49
Div yield (%)	1.4%	1.4%	1.5%	1.8%
EV/Sales	1.9x	1.8x	1.6x	1.3x
EV/EBITDA	10.6x	10.5x	8.9x	7.3x
EV/EBIT	12.1x	11.1x	9.4x	7.7x

We reiterate our Buy rating and raise our DCF-derived fair value to EUR31 from EUR28 as we increase our medium-term assumptions for adj. EBIT margin (to 19% from 18% = +EUR2/share) and lfl revenue growth (to 9% from 8% = +EUR1). Yesterday evening, Axway reported Q3 2016 sales fully in line with our expectations, and clearly driven by Digital solutions. Positive outlook confirms that momentum is improving, thus showing that the sales transformation is bearing fruit.

ANALYSIS

- **Q3 2016 sales fully in line with our forecasts**. Q3 2016 sales rose 9.2% (+7.6% lfl) to EUR71.9m or fully in line with our forecast, with Licences up 15.2% lfl to EUR16.8m (BG est.: EUR16.7m), Maintenance up 4.8% lfl to EUR35.7m (BG est.: EUR35.2m), and Services up 6.8% lfl to EUR19.4m (BG est.: EUR20m) including cloud subscriptions up 35%+. Sales of digital solutions (API Gateway, Operational Intelligence) were particularly strong, with growth exceeding 40%, and now account for c. 50% of licence sales. It is interesting to note that, contrary to Q2 2016 when Axway signed Fannie Mae (est. EUR4-5m), Q3 2016 licence revenue growth did not benefit from a deal above EUR1m, but rather a larger number of medium-sized transactions.
- **More details on revenues by geography**. 1). France was down 6.1% lfl to EUR19.3m, continues its transformation and expects its operations to stabilise during Q4 2016 both in terms of licence sales and total revenues; 2). The Rest of Europe was up 13.8% lfl to EUR17.6m, with still strong traction from the UK (est. 5% of sales) since the management switched the sales effort to Digital, while Germany performed well thanks to a EUR0.7-0.8m migration deal in B2B integration with an existing customer in Automotive; 3). America was up 14.5% lfl to EUR31.7m, driven by around 20 medium-sized deals; 4). Asia-Pacific was up 5% lfl to EUR3.3m with some deals that slipped to Q4.
- **Positive outlook confirms that momentum is improving**. Management considers the strong overall performance since the beginning of the year bears witness to the successful execution of Axway's strategy to support its customers in their digital transformation. Q4 remains very important in terms of Licenses. At this stage, current commercial portfolio activity is encouraging and allows a positive outlook. In addition, Axway forecasts a net cash position by end 2016 at EUR15-20m, excluding potential acquisitions.

VALUATION

- Axway's shares are trading at est. 11.1x 2016 and 9.4x 2017 EV/EBIT multiples.
- Net cash position on 30th June 2016 was EUR6.9m (net gearing: -2%).

NEXT CATALYSTS

FY16 results on 22nd February 2017 after markets close.

Click here to download

Analyst :
Gregory Ramirez
33(0) 1 56 68 75 91
gramirez@bryangarnier.com

Sector Team :
Richard-Maxime Beaudoux
Thomas Coudry
Dorian Terral

Healthcare

AstraZeneca

Price 4,615p

CONDOR and KESTREL: patient recruitment suspended

Fair Value 5220p (+13%) **BUY**

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	5,220 / 3,774
Market Cap (GBP)	58,374
Ev (BG Estimates) (GBP)	70,901
Avg. 6m daily volume (000)	2 744
3y EPS CAGR	-3.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.8%	-1.6%	15.5%	0.0%
Healthcare	-5.7%	-10.6%	-5.3%	-13.3%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	23,641	21,600	20,309	21,166
% change		*-8.6%*	*-6.0%*	*4.2%*
EBITDA	5,937	4,177	6,039	6,286
EBIT	4,114	3,150	5,386	5,214
% change		*-23.4%*	*71.0%*	*-3.2%*
Net income	5,390	5,031	4,965	4,835
% change		*-6.7%*	*-1.3%*	*-2.6%*

	2015	2016e	2017e	2018e
Operating margin	17.4	14.6	26.5	24.6
Net margin	6.8	1.0	9.3	10.1
ROE	8.6	1.4	13.4	16.8
ROCE	16.2	14.5	12.4	11.9
Gearing	47.7	100.3	128.5	163.5

(USD)	2015	2016e	2017e	2018e
EPS	4.26	3.98	3.93	3.82
% change	*-*	*-6.7%*	*-1.3%*	*-2.6%*
P/E	13.2x	14.1x	14.3x	14.7x
FCF yield (%)	NM	NM	2.9%	2.5%
Dividends (USD)	2.80	2.80	2.80	2.80
Div yield (%)	5.0%	5.0%	5.0%	5.0%
EV/Sales	3.4x	4.0x	4.4x	4.3x
EV/EBITDA	13.5x	20.7x	14.7x	14.5x
EV/EBIT	19.4x	27.4x	16.4x	17.5x

Observation of higher-than-expected incidence of bleeding in two phase III trials investigating the durva/treme combination in head and neck cancer (1L and 2L) has led to the decision to suspend patient recruitment. Until further assessment of the responsibility of the drugs, it is difficult to act on numbers (ours are reasonable and much lower than CS's), but it will not be easy for any investor to BUY until the topic gets more clarity and better understanding about underlying issues, if any.

ANALYSIS

- At the very end of the trading session yesterday, news came out that patient recruitment has been suspended for two important phase III trials investigating the combination of PD-L1 antibody durvalumab with CTLA-4 inhibitor tremelimumab in head in neck cancer. AstraZeneca has been informed by investigators about a high incidence of bleeding events in the trials and has decided, after discussions with healthcare authorities, to suspend the recruitment until further evaluation (the FDA has suggested a 30-day review).
- The two trials are KESTREL (first-line) and EAGLE (second-line) and unlike HAWK and CONDOR, also in Head and Neck (but two phase II trials), were still recruiting patients. It is not known whether an imbalance across arms has been identified, although it could be assumed that the combination arm durva/treme carries more risk than others. The company is indeed rightfully stressing that the condition of H&N cancer by itself carries a higher risk of bleeding because the cancer is often located close to large blood vessels. However, KESTREL is first-line and started recruiting only one year ago: high incidence of bleeding events is more likely to be drug-related than not, although it is premature to say. Regulators should now take the entire spectrum of studies in H&N to assess the responsibility of any of the treatments investigated either in monotherapy or in combination and decide whether risks outweigh benefits in any of them.
- Although not perceived to be as central to durvalumab's case as lung cancer, H&N is clearly the second biggest indication the drug is looking after. And because Opdivo already delivered strong OS data in 2L, KESTREL is key to potentially open 1L H&N to the durva/treme combination. It is worth noting that both Merck and BMS are investigating their PD-1 compounds in 1L H&N, first in KEYNOTE 048 (pembro alone or pembro+CT) and the second one in CHECKMATE-651 (nivo in combination with ipilimumab, i.e. a very similar design to KESTREL). Could we reasonably think that durva/treme can have a higher haematological toxicity than nivo/ipi? How should we assess the probability of the combination to develop unacceptable haematological toxicity leading to permanent discontinuation of the combination? Would it extend to lung cancer?

VALUATION

- It is very difficult to say what the implications of the suspension of recruitment for KESTREL and EAGLE ultimately will be for durva/treme in H&N because it could prove balanced across the arms in the end. With USD2.4bn in sales in 2022 for durva and treme combined, we are well below consensus (around USD4bn) and at this stage we do not want to cut this number, considering that H&N is about 20%-25% of the total vs lung cancer.
- That said, an investor cannot ignore the piece of news and raised concern around the durva/treme combination is obviously very bad news for sentiment and will not make easy a BUY call on AZN until uncertainties are lifted. It is likely to play an APHINITY-like type of reaction in most of investors' minds i.e. prevents them from investing short-term because the key take-away message from our recent meeting with Pascal Soriot is that Oncology is key to reach mid-term targets.

NEXT CATALYSTS

- 10 November 2016: Third-quarter results

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Analyst :
Eric Le Berrigaud
33(0) 1 56 68 75 33
eleberrigaud@bryangarnier.com

Sector Team :
Mickael Chane Du
Hugo Solvet
Marion Levi

Healthcare

Fresenius SE

Price EUR69.81

Good prospects across all divsions

Fair Value EUR78 (+12%) **BUY-Top Picks**

Bloomberg	FRE GR
Reuters	FREG.DE
12-month High / Low (EUR)	72.9 / 53.1
Market Cap (EURm)	38,181
Ev (BG Estimates) (EURm)	53,375
Avg. 6m daily volume (000)	1 027
3y EPS CAGR	13.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.5%	3.0%	7.4%	5.8%
Healthcare	-5.7%	-10.6%	-5.3%	-13.3%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	27,626	29,010	33,926	36,260
% change		*5.0%*	*16.9%*	*6.9%*
EBITDA	4,990	5,457	6,355	6,887
EBIT	3,875	4,297	4,998	5,437
% change		*10.9%*	*16.3%*	*8.8%*
Net income	1,358	1,639	1,926	2,115
% change		*20.7%*	*17.5%*	*9.8%*

	2015	2016e	2017e	2018e
Operating margin	14.0	14.8	14.7	15.0
Net margin	4.9	5.6	5.7	5.8
ROE	7.2	7.9	8.5	8.5
ROCE	3.8	4.4	4.9	5.2
Gearing	118.4	107.0	100.4	90.9

(EUR)	2015	2016e	2017e	2018e
EPS	2.62	3.00	3.49	3.83
% change	-	*14.7%*	*16.2%*	*9.8%*
P/E	26.7x	23.3x	20.0x	18.2x
FCF yield (%)	1.9%	4.0%	1.8%	4.7%
Dividends (EUR)	1.69	1.95	2.29	2.51
Div yield (%)	2.4%	2.8%	3.3%	3.6%
EV/Sales	1.9x	1.8x	1.7x	1.6x
EV/EBITDA	10.4x	9.8x	9.3x	8.7x
EV/EBIT	13.3x	12.4x	11.9x	11.0x

The tone was very positive during yesterday's Q3 call. Management sees no incapacitating pricing pressure in the US and should reach the high end of the 6-10 drug launches per year. Slowdown in Q4 should be expected (investment in plants and high comp basis). On the M&A front, management feels it has has time, but gave an initial indication of its goal to rebalance contributions from different geographies to group's sales while staying within the existing businesses.

ANALYSIS

- We were pleased by management's comments on KABI outlook. Not only because no incapacitating pricing pressure has been seen in the US so far, but also because management mentioned that even when competitors come back to the market, it continues to see some positive effect, capitalizing on its former monopoly situation. Six IV generic drugs have been launched at KABI year to date which bodes well with the ability of the group to reach the high-end of the 6-10 product launches. Good developpemnt in Q3 should enable KABI to report FY2016 growth in the updated 4-6% corridor (vs. 3-5% previously). This triggers a narrowing of the group's Net Income income guidance. The latter is now expected to growth within the 12-14% range vs. 11-14% previsouly. Without the financing costs of Quironsalud, we do not rule out that the upper range would have been revised up as well.
- Despite these positive comments, we cannot but acknowledge that a slowdown should be expected in Q4. The latter has for main sources: 1/ a longer than usual stop in late Q4 at US plants to ramp-up production, 2/ high comp basis (8%cc growth in Q4 2015) and 3/ benefit from a small medical devices shortage in Q2 and Q3 expected to fade away. Note that investments to be done at US IV generic drug plants in late Q4 are likely to enable Fresenius to bring differentiated IV Gx drugs with even higher margins (like the one acquired from the BD plant, Simplist range).
- Management eager to growth KABI bigger? It might be too early considering that Fresenius has to swallow the EUR5.76bn Quironsalud pill. However, whether it would be organically or externally, management's next move would be to reabalance geographies.. within the existing businesses (Med devices, clinical nutrition, IV Drugs or Infusion therapy). Our guess would be that it is likely that we would see de velopement in the Emerging markets front, be it APAC or LatAm. While KABI's business in APAC is mainly a clinical nutrition one, IV push should not be ruled out. Indeed, APAC represents <20% of sales and harbor nice growth of 8%cc (vs 4%cc growth for the division in Q3). First step could be a positive impact from tenders in China as 21 provinces representing 60% of population have not yet finalized their tender processes. Note that the impact from tender is likely to be low single digit price reduction vs. double digit volume growth which would be accretive to the division growth.
- Turning to HELIOS, "no skeletons have been discovered at Quironsalud" and the management of the Spanish company is on track to meet its FY2016 objectives. At the moment, SCEO would expect Quironsalud to be integrated as of Feb 1st 2017.
- Lastly, CFO search is well on track and we would expect more details (potentially nomination) in late 2016/Q1 2017.

VALUATION

- We reiterate our BUY rating and EUR78 fair value. A few changes to our estimates lead to a 1% increase in our EPS estimates up from EUR2.97 to EUR3/share.
- Overall, the tone was really positive during the call. With regards to new guidance whether at KABI (sales and EBIT 4%-6% growth vs. 3%-5%) or at a group level (Net income growth 12%-14% vs. 11%-14%), CEO stated that "the group will not end the year at the bottom end of FY2016 guidance".

NEXT CATALYSTS

- Late Feb. 2017: FY2016 results and mid-term guidance *Click here to download*

Analyst :
Hugo Solvet
33(0) 1 56 68 75 57
hsolvet@bryangarnier.com

Sector Team :
Mickael Chane Du
Eric Le Berrigaud

Luxury & Consumer Goods

Grandvision

Price EUR21.43

ST drivers to hope for a rebound in Q4 within management's LT vision

Fair Value EUR27 vs. EUR28 (+26%) **BUY**

Bloomberg	GVNV NA
Reuters	GVNV AS
12-month High / Low (EUR)	27.7 / 21.4
Market Cap (EUR)	5,451
Ev (BG Estimates) (EUR)	6,225
Avg. 6m daily volume (000)	79.30
3y EPS CAGR	8.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-14.5%	-11.4%	-10.7%	-22.5%
Consumer Gds	-2.1%	-2.8%	-0.7%	-3.7%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	3,205	3,321	3,489	3,657
% change		*3.6%*	*5.1%*	*4.8%*
EBITDA	512	533	573	613
EBIT	353.2	367.9	404.4	435.9
% change		*4.2%*	*9.9%*	*7.8%*
Net income	212.7	227.9	254.8	278.5
% change		*7.1%*	*11.8%*	*9.3%*

	2015	2016e	2017e	2018e
Operating margin	11.0	11.1	11.6	11.9
Net margin	6.6	6.9	7.3	7.6
ROE	27.3	24.0	22.7	21.8
ROCE	18.7	19.4	21.1	22.9
Gearing	112.9	77.0	51.7	32.9

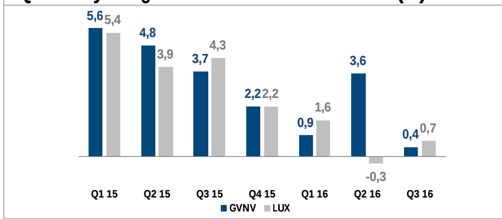
(EUR)	2015	2016e	2017e	2018e
EPS	0.85	0.91	1.00	1.09
% change	-	*7.2%*	*9.8%*	*9.3%*
P/E	25.2x	23.5x	21.4x	19.6x
FCF yield (%)	4.3%	4.6%	5.1%	5.8%
Dividends (EUR)	0.14	0.23	0.36	0.45
Div yield (%)	0.7%	1.1%	1.7%	2.1%
EV/Sales	2.0x	1.9x	1.7x	1.6x
EV/EBITDA	12.5x	11.7x	10.6x	9.6x
EV/EBIT	18.1x	16.9x	15.0x	13.5x

In our view, yesterday's miss on Q3 results alone does not justify the significant correction of the share price yesterday. We believe it was exacerbated by the tiny free float (20% for a market cap of EUR6.1bn prior to publication) and by current question marks about the ST momentum in the optical industry, as highlighted by Essilor post-Q3 and by Luxottica earlier this year until its more reassuring Q3 publication. We nudge down our FY16 estimates by ~4% (=> new FV of EUR27 vs. EUR28), but Buy recommendation maintained as GV can rely on self-help drivers to regain traction as early as Q4.

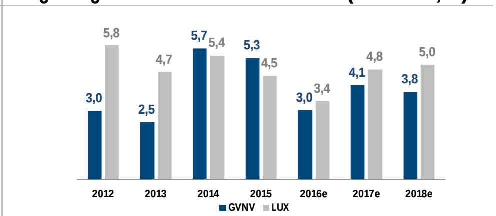
ANALYSIS

- **Q3: Why this sudden slowdown in Europe?** Like in the US, Europe's optical market decelerated over the summer (~0-1% on average), but the Group reckoned that its weak LFL growth (+0.4% vs. +2.3% in H1) was mostly due company-specific headwinds (technical and timing factors) rather than more adverse market conditions: **(i)** challenging comps in key markets such as **France**, the **UK** (respectively ~20% and ~12% of total sales, they both grew in the mid single-digits last year) or **Finland** (~3% of total sales) and **(ii)** a difficult integration process in **Italy** ("*Avanzi*" and"*Optissimo*") that took longer-than-expected where much energy and resources were spent on rebranding the stores, building the new management team and revamping the commercial proposition.
- **Self-help measures to regain traction as early as Q4.** Indeed, even if the optical market does not rebound by the end of the year, GrandVision can count on three drivers: **(i) step-up promotional activity** in key markets (France, Benelux, Germany, etc...) to drive traffic **(ii) the integration of the Italian business** (~5% of total sales) is now completed, the new management team is in place and an gradual recovery is expected and **(iii)** the Group's **comparison base is easier** (+2.2% LFL in Q4 15 vs. +3.7% in Q3 and +4.7% in 9M).
- **We reduce our FY16 estimates by 4%.** Following the weaker-than-expected comparable growth in Q3 and to take into account more adverse market conditions across Europe, we are adjusting our FY16 **comparable growth** to 1.8% from 3% previously, implying +2.3% in Q4. As for the **adj. EBITDA**, the disappointing Q3 performance as well as a lower-than-expected operating leverage, we nudge down our FY16 estimates by 4%. On our estimates, the margin should improve 10bp to 16.1% (vs. flat margin at 16% in 9M).
- For **2017 & 2018**, we leave our assumptions unchanged as we are already in the lower end of the MT guidance that was reiterated yesterday: FX-n growth of 5.1% and 4.8% respectively (target: "at least +5%") and adj. EBITDA increase of 7.5% and 7% respectively (objective: high single-digit adj. EBITDA growth). Although LUX Retail and GV have different geographical footprints, it is interesting to note that the timing of the slowdown was similar (*see lhs graph*), but we anticipate an acceleration for both groups (LUX Retail benefiting from a higher space growth and a higher exposure to the sun specialty channel). Both have a proven MT growth strategy in our view.

Quarterly LFL growth of GV and LUX Retail (%):



Organic growth of GV and LUX Retail (2012-18e, %):



VALUATION

- Whilst GV's growth strategy is not called into question, the Q3 miss led to a significant correction amid market nervousness. The above-mentioned self-help measures should ease some of the concerns about the ST momentum. Our new FV is EUR27 vs. EUR28 but Buy recommendation confirmed. At 15x 2017e EV/EBIT, the stock now trades at a 2017e PEG of 2.2x.

NEXT CATALYSTS

- FY16 Results will be reported on 20th February 2017. Click here to download

Analyst:
Cédric Rossi
33(0) 1 70 36 57 25
crossi@bryangarnier.com

Consumer Analyst Team:
Nikolaas Faes
Loïc Morvan
Antoine Parison
Virginie Roumage

TMT

Gemalto

Price EUR56.34

Profit warning both on FY 2016 and FY 2017 is greater than expected

Fair Value EUR50 vs. EUR60 (-11%) **SELL vs. NEUTRAL**

Bloomberg	GTO FP
Reuters	GTO.PA
12-month High / Low (EUR)	65.5 / 49.8
Market Cap (EUR)	5,065
Ev (BG Estimates) (EUR)	5,221
Avg. 6m daily volume (000)	361.9
3y EPS CAGR	16.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.6%	-3.3%	-4.3%	1.9%
Softw.& Comp.	-3.0%	1.3%	7.5%	4.8%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	3,122	3,127	3,221	3,350
% change		*0.2%*	*3.0%*	*4.0%*
EBITDA	345	488	530	578
EBIT	313.3	420.6	454.1	495.7
% change		*34.3%*	*8.0%*	*9.2%*
Net income	226.3	300.5	326.4	356.5
% change		*32.8%*	*8.6%*	*9.2%*

	2015	2016e	2017e	2018e
Operating margin	10.0	13.5	14.1	14.8
Net margin	4.2	8.2	8.5	9.4
ROE	5.4	9.5	9.3	9.8
ROCE	7.1	9.5	10.3	11.2
Gearing	13.4	5.8	-2.8	-10.9

(EUR)	2015	2016e	2017e	2018e
EPS	2.53	3.34	3.62	3.96
% change	-	*31.8%*	*8.6%*	*9.3%*
P/E	22.2x	16.9x	15.5x	14.2x
FCF yield (%)	3.4%	4.4%	5.7%	6.9%
Dividends (EUR)	0.47	0.51	0.55	0.59
Div yield (%)	0.8%	0.9%	1.0%	1.0%
EV/Sales	1.7x	1.7x	1.5x	1.4x
EV/EBITDA	15.6x	10.7x	9.4x	8.2x
EV/EBIT	17.2x	12.4x	11.0x	9.5x

Q3 sales fell short of expectations (-5% vs. consensus and -4% vs. BG est.). Management warned both on FY 2016 and FY 2017, because of a very adverse mobile environment and slower than anticipated migration of payment cards. Moreover, it will increase investments to capture growth beyond 2017. GTO now targets a PFO between EUR500m and EUR520m vs. over EUR660m previously (i.e. a miss between of over 21% and 24%). The only hope was if Gemalto guided in line with our last downward revision, but it's much worse than our EUR565m and consensus est. of EUR563m (the new guidance is between 8% and 12% below expectations). This confirms that the stock is often a "value trap". We once again cut our 2016-18 EPS sequence, by 9.3% on average this time. We downgrade our rating from Neutral to Sell and our FV from EUR60 to EUR50.

ANALYSIS

- **Q3 sales fell short of expectations: revenue came out at EUR753m, i.e. -2% Y/Y and -1% lfl** (flat lfl over the first 9 months) compared to consensus of EUR793m (+4% lfl) and our estimate of EUR787.1m (+3% lfl). This miss is mainly due to **lower sales of secure software to mobile network operators and to financial institutions**, but also **to client delays in project commencements for Platform and Services** (in Mobile, eGovernment services and Enterprise cybersecurity solutions).

- **By business unit: 1) Mobile was down 5% lfl at EUR285m** (cons. at EUR291m; BG est. EUR291.2m) with **a)** SIM business -11% (better conditions in Latam and Asia but some African countries started stricter subscription registration processes similar to China with lower demand), **b)** M2M +11% (growing global demand for conected devices and e-SE for IOT) and **c)** -9% for Platforms & Services (slower project commencements due to longer client decision processes). **2) Payment & Identity** was up 1% lfl at EUR467m (cons. EUR497m ; BG est. EUR493.9m) with **a)** flat for ES&P (payments -3% lfl impacted by a soft market environment in Brazil and high comps in the US related to the EMV liability shift in Oct 2015; e-Government +9% thanks to the deliveries of previously won projects; Enterprise +4% with a ramp-up in authentication and Cybersecurity), and **b)** +2% for P&S. **3) Patents & Others** was up 2% lfl at EUR1m (cons. EUR5m; BG est. EUR2m) with traditional irregularity. **By region:** -1% in EMEA (44% of sales), -10% in Americas (38% of sales) and +16% in Asia (19% of sales).

- **New guidance: For 2016**, Gemalto maintains that it expects to generate a 1.5% gross margin increase, adding through an acceleration of revenue growth in Q4 (lower comps) but no longer give indication on the PFO. **For 2017**, from its current planning processes, 2017 PFO is now expected to be between EUR500m and EUR520m (+10% CAGR since 2013) vs. over EUR660m before. This reflects a very adverse mobile environment and slower than anticipated migration of payment cards in 2017. It plans to invest more to capture growth beyond 2017 in Mobile P&S, Enterprise and Government Programs. Platforms & Services revenue of EUR1bn in 2017 is unchanged.

- **We expected the company to warn sooner or later, both on FY 2016e and FY 2017e.** It's now reality, but the revision is **much more severe than expected by the market** (we were at EUR565m and cons. at EUR563m). The new guidance of EUR500m-EUR520m (vs. over EUR660m previously) is even far short of the initial guidance of >EUR600m before the acquisition of SafeNet. The appointment of the new CEO as of 1st Sept. (Philippe Vallée, former COO) has with no doubt prompt GTO to slash its guidance with the reality of the business (SIM and payments businesses).

- **We revised once again our FY 2016 and FY 2017 estimates. 1) 2016e:** revenue from EUR3,184m to EUR3,127m (+0.2% Y/Y and +0.8% lfl), PFO from EUR475.2m to EUR465m (i.e. +10% Y/Y, margin of 14.9%; no guidance vs. previous vague guidance of "accelerating its PFO expansion towards its 2017 objectives"; cons. EUR477m), underlying EBIT from EUR430.7m to EUR420.6m i.e. a margin of 13.5%; and net profit fromEUR264.9m to EUR257.4m i.e. a margin of 8.2%). **2) 2017e:** revenue from EUR3,311.3m to EUR3,220.8m (+3.0%% lfl), PFO from EUR565.3m to EUR505.2m (+8.6% Y/Y and margin of 15.7%; cons. EUR563m) i.e. over 23% below the previous guidance and in the low-end of the new one, underlying EBIT from EUR514.3m to EUR454.1m i.e. a margin of 14.1%, and net profit from EUR333.6m to EUR273.3m i.e. a net margin of 8.5%. *See table p2 for more details.*

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VALUATION

- **We once again cut our 2016-18 EPS sequence, by 9.3% on average this time:** -2.6% in 2016e, -12.4% in 2017e and -13.0% in 2018e**.**
- **We downgrade our recommendation from Neutral to Sell and FV from EUR60 to EUR50.** We now only retain our SOTP which seems to be the most reliable method to value Gemalto (vs. DCF, SOTP and 2-year historical multiples previously).
- **The stock is often a "value trap".** The **company warned both regarding FY 2016e and FY 2017e, to a greater extent than expected**. Finally, **short positions have been reduced** (~6% declared but probably ~8% of the capital incl. all positions under 0.5%) since a peak in October 2014 (21-22% of the capital incl. all positions under 0.5%) **but without a rally in the share price**. As such, we believe **this new disappointment could lead short-sellers to attack the stock again**.

NEXT CATALYSTS

- **Conference call:** today at 3pm.
- **FY 2016 sales and earnings:** on 3rd March, 2017 (before trading).

Consensus and BG estimates (old and new) from 2015 to 2017e

EURm	2015 (reported)	BG 2016e (old)	BG 2016e (new)	Cons. 2016e	BG 2017e (old)	BG 2017e (new)	Cons. 2017e
Sales	**3,121.6**	**3,184.0**	**3,127.0**	**3,199**	**3,311.3**	**3,220.8**	**3,406**
Y/Y change	*26.6%*	*2.0%*	*0.2%*	*2.5%*	*4.0%*	*3.0%*	*6.5%*
Y/Y change (lfl)	*4.0%*	*2.5%*	*0.8%*		*4.0%*	*3.0%*	
PFO[1]	**422.6**	**475.2**	**465.0**	**477**	**565.3**	**505.2**	**563**
Margin	*13.5%*	*14.9%*	*14.9%*	*14.9%*	*17.1%*	*15.7%*	*16.5%*
EBIT	**203.3**	**379.4**	**365.9**	**-**	**463.2**	**384.9**	**-**
Margin	*6.5%*	*11.9%*	*11.7%*		*14.0%*	*12.0%*	
Current EBIT	**313.3**	**430.8**	**420.6**	**438**	**514.3**	**454.1**	**525**
Margin	*10.0%*	*13.5%*	*13.5%*	*13.7%*	*15.5%*	*14.1%*	*15.4%*
Net profit	**136.9**	**264.9**	**257.4**	**-**	**333.6**	**273.3**	**-**
Margin	*4.4%*	*8.3%*	*8.2%*		*10.1%*	*8.5%*	
Rest. attrib. net	**226.3**	**308.5**	**300.5**	**340.5**	**372.6**	**326.3**	**404**
Margin	*7.3%*	*9.7%*	*9.6%*	*10.7%*	*11.3%*	*10.1%*	*11.9%*
Net debt	**334.7**	**140.8**	**156.3**	**153**	**-151.0**	**-81.3**	**-22**
Gearing	*13.4%*	*5.2%*	*5.8%*		*-5.0%*	*-2.8%*	

[1]PFO (Profit From Operations) is an underlying EBIT before stock options
Sources: Bryan, Garnier & Co ests; Thomson Reuters consensus.

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Analyst :
Richard-Maxime Beaudoux
33(0) 1.56.68.75.61
rmbeaudoux@bryangarnier.com

Sector Team :
Thomas Coudry
Gregory Ramirez
Dorian Terral

Food & Beverages

Heineken

Price EUR76.27

Buy recommendation confirmed

Fair Value EUR88 (+15%) **BUY**

Bloomberg	HEIA NA
Reuters	HEIN.AS
12-month High / Low (EUR)	85.2 / 71.1
Market Cap (EUR)	43,932
Ev (BG Estimates) (EUR)	58,247
Avg. 6m daily volume (000)	654.3
3y EPS CAGR	6.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.2%	-9.0%	-6.7%	-3.2%
Food & Bev.	-4.0%	-3.9%	-0.8%	-3.5%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

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	2,103	2,302	2,494
% change		*2.7%*	*9.5%*	*8.4%*

	2015	2016e	2017e	2018e
Operating margin	16.5	17.0	17.6	18.2
Net margin	10.0	10.2	10.9	11.6
ROE	15.1	14.4	14.5	14.5
ROCE	8.2	8.1	8.6	9.1
Gearing	86.0	75.2	62.6	50.4

(EUR)	2015	2016e	2017e	2018e
EPS	3.57	3.67	4.02	4.35
% change	-	*2.7%*	*9.5%*	*8.4%*
P/E	21.3x	20.8x	19.0x	17.5x
FCF yield (%)	3.9%	3.8%	5.1%	5.8%
Dividends (EUR)	1.11	1.09	1.20	1.30
Div yield (%)	1.4%	1.4%	1.6%	1.7%
EV/Sales	2.8x	2.8x	2.7x	2.5x
EV/EBITDA	11.7x	11.5x	10.4x	9.5x
EV/EBIT	17.3x	16.7x	15.3x	13.9x

Despite a good trading update for Q3 2016, the shares fell by nearly 4%, which we believe is unjustified. The shares are now roughly unchanged over the past 12 months despite positive surprises on the 2015 numbers, Q1 2016 trading update, H1 2016 results and Q3 2016 trading update.

Disappointment on an unchanged outlook of operating margin expansion of 40bps (after 124bps margin growth at the half year and good volume growth in Q3), caused some weakness in the Heineken shares after the Q3 trading statement. The shares are now roughly unchanged over the past 12 months despite positive surprises on the 2015 numbers, Q1 2016 trading update, H1 2016 results and Q3 2016 trading update.

ANALYSIS

- We believe that the drop in the shares after the Q3 trading statement is unjustified. Organic volume growth of 2% (5.4% reported), was well ahead of our expectation of 0.1% and Bloomberg consensus which 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 regions that showed the strongest growth were Asia-Pacific with 15.1% and the Americas with 3%. In Asia-Pacific, the underlying momentum remained 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). In the Americas, the slightly disappointing message came from the US where volumes were down as the growth in Tecate did not offset the decline in Heineken Light volumes. But in Mexico volume growth was in the high single digits and the Heineken brand continued to enjoy double-digit growth in Brazil (although total volumes declined mid-single digits).
- Probably the most surprising number was from Europe where volume of 0.6% came on top of high comparables of 7% in Q3 2015, driven by good September weather and an improved macro environment (tourism) in Spain and Italy mitigated declines in Romania, Austria and the UK. In Africa, Middle East and Eastern Europe, organic consolidated beer volume declined 3.6% as weak volume trends in Russia, Egypt and the DRC, more than offset growth in Nigeria, Ethiopia and Algeria.
- Following on from the company's Q3 number, we leave our revenue and operating profit expectations unchanged and look for organic revenue growth of 2.1% (of which organic volume growth of 1.5%) and organic operating profit growth of 5.8%. We believe these numbers to be conservative in the light of the year to date organic volume growth of 3.3%. Below the operating profit line, we our lowering financial expenses but increasing the tax rate that we apply to 28% from 27%. The net result is a 2% lower adjusted EPS at EUR3.67 to EUR3.77.

VALUATION

- We leave our DCF based fair value of EUR88 unchanged and base it on a risk free rate of 1.6% and a risk premium of 7%.

NEXT CATALYSTS

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

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Analyst :
Nikolaas Faes
33(0) 6 11 12 44 44
nfaes@bryangarnier.com

Sector Team :
Loïc Morvan
Antoine Parison
Cédric Rossi
Virginie Roumage

Construction & Building Materials

Imerys

Price EUR67.43

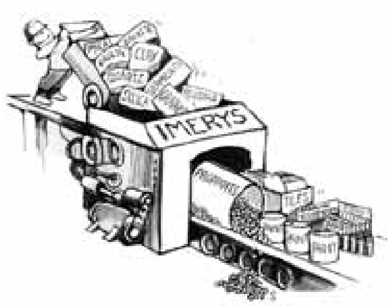
Bloomberg	NK FP
Reuters	IMTP.PA
12-month High / Low (EUR)	68.0 / 51.6
Market Cap (EURm)	5,366
Ev (BG Estimates) (EURm)	7,073
Avg. 6m daily volume (000)	61.80
3y EPS CAGR	9.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.8%	11.2%	6.1%	4.7%
Cons & Mat	-0.7%	3.6%	2.4%	3.9%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	4,087	4,181	4,221	4,305
% change		*2.3%*	*1.0%*	*2.0%*
EBITDA	745	792	846	873
EBIT	468.2	513.4	547.1	565.8
% change		*9.7%*	*6.6%*	*3.4%*
Net income	285.9	316.1	347.3	369.2
% change		*10.6%*	*9.9%*	*6.3%*

	2015	2016e	2017e	2018e
Operating margin	11.5	12.3	13.0	13.1
Net margin	1.7	7.6	8.2	8.6
ROE	12.9	13.2	13.2	13.1
ROCE	7.9	7.8	8.2	8.4
Gearing	55.4	53.8	47.4	40.8

(EUR)	2015	2016e	2017e	2018e
EPS	3.56	3.96	4.37	4.64
% change	-	*11.3%*	*10.1%*	*6.3%*
P/E	18.9x	17.0x	15.4x	14.5x
FCF yield (%)	5.2%	3.6%	4.8%	5.4%
Dividends (EUR)	1.75	1.86	1.98	2.11
Div yield (%)	2.6%	2.8%	2.9%	3.1%
EV/Sales	1.7x	1.7x	1.6x	1.6x
EV/EBITDA	9.6x	8.9x	8.2x	7.8x
EV/EBIT	15.2x	13.8x	12.7x	12.1x



Another strong operating margin increase, but still not top-line organic growth

Fair Value EUR72 (+7%) **BUY-Top Picks**

Q3 revenues are down -2.5 % on a like-for-like basis at EUR1030m. Volumes (-3.2%) have been penalised by the usual weak markets, steel and papers, while mix-price is still positive (+0.7%), notably thanks to new products. The good news is that the current EBIT is up 10% at EUR149m. This is another steady improvement of margin: +130 bps at 14.4% in Q3, following +30bps in Q1 and +100bps in Q2. Hence we expect a positive market reaction today. Conference call at 10am.

Quarterly trends

EURm	Q115	Q215	Q315	Q415	Q116	Q216	Q316 rep.	*Q316 est.*
Revenues	974	1084	1027	1002	1038	1059	1030	*1062*
Volumes (y/y%)	-5.9	-4.8	-6.5	-6.2	-2.6	-3.3	-3.2	*0.0*
Price/mix (y/y%)	1.3	1.5	0.9	1.1	0.8	0.8	0.7	*0.0*
Organic (y/y%)	**-4.5**	**-3.3**	**-5.6**	**-5.1**	**-1.8**	**-2.6**	**-2.5**	***-0.7***
Total growth (y/y%)	7.7	16.1	8.8	10.6	6.6	-2.3	0.3	*3.4*
Current Op. income	123	151	135	129	135	158	149	*145*
Current Op. margin (%)	**12.7**	**13.9**	**13.1**	**12.9**	**13.0**	**14.9**	**14.4**	***13.6***

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

Q3 revenues increase by 0.3% in Q3 at EUR1.03bn, a combination of 3.2% volume decline, 0.7% positive price/mix effect (leading to a -2.5% organic change), a limited 0.4% forex effect and a 2.3% scope effect. In term of current operating margin, it is worth underlying the quarterly y/y improvement acceleration.

By division, we don't see any obvious change of trends compare to Q2. **Energy Solutions & Specialties** remain under pressure (Q3 sales down -3.2% l-f-l) penalised by lower maintenance operation in the European steel business, impacting refractories sales, while proppant market is still weak. **High Resistance Materials** are weak too (Q3 sales down -5.5% l-f-l), penalised by a poor refractories markets. On contrary, **Filtration & Performance Additives** continue to report flat growth (-0.5% l-f-l in Q3), thanks to the new products contribution; while sales decline for Ceramic Materials is limited to -2.1% l-f-l in Q3. The tile market remains tepid in france (-0.5% for the first 9M according to the French Federation), while the division is penalised by the paper market lack of dynamism.

Despite negative organic growth, Imerys continue to report strong operating margin (14.1% at end September). Actually, the increase of profitability is strengthening : +30bps in Q1, +100bps in Q2 and +130bps in Q3. Part of this good performance is explained by the BRL weakness, but of course this is likely to be less the case in Q3. Besides, the inflation in Brazil takes its toll too (-EUR13.4m in the first 9 months, while forex positive impact was +EUR29.8m, mostly due to the Real).

ANALYSIS

- Top-line organic growth is still negative despite easier comparison basis. The pace of decline is clearly reducing compare with 2015 though, but of course it remains very sluggish overall.
- On the positive, profitability improvement continue to be impressive, new products contribute to the top line and S&B integration is going well. Besides, Imerys confirms 2015 pre-tax losses in the proppants business (-EUR27m) should not be exceeded this year.
- Guidance of an increase of the 2016 current net profit similar to H1 reiterated (ie approx. 6.2%). At end September, the trends are actually bang in line, with a recurring net profit, group share, at EUR275m, up 6.2% exactly. All in all, we suspect share price reaction to be positive today.

VALUATION

- Our FV is unchanged at EUR72, which is the average of a DCF and the application of recent EBIT and EBITDA multiples to our 2018 estimates, then discounted back.

NEXT CATALYSTS

- Conference call today at 10am.

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Analyst :
Eric Lemarié
33(0) 1.70.36.57.17
elemarie@bryangarnier.com

Construction & Building Materials

Saint Gobain

Price EUR38.64

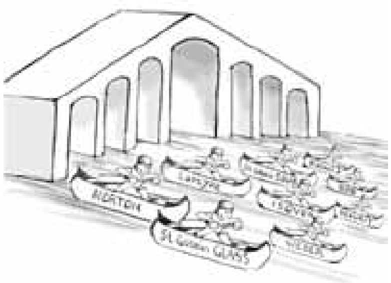
Bloomberg	SGO FP
Reuters	SGOB.PA
12-month High / Low (EUR)	41.8 / 32.1
Market Cap (EUR)	21,444
Ev (BG Estimates) (EUR)	27,781
Avg. 6m daily volume (000)	1,645
3y EPS CAGR	16.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.7%	3.1%	-5.9%	-3.0%
Cons & Mat	-0.7%	3.6%	2.4%	3.9%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	39,623	39,343	40,661	42,120
% change		*-0.7%*	*3.4%*	*3.6%*
EBITDA	3,844	4,027	4,533	4,959
EBIT	2,636	2,827	3,283	3,709
% change		*7.2%*	*16.2%*	*13.0%*
Net income	1,165	1,189	1,520	1,817
% change		*2.0%*	*27.9%*	*19.5%*

	2015	2016e	2017e	2018e
Operating margin	6.7	7.2	8.1	8.8
Net margin	1.1	3.2	3.9	4.5
ROE	6.1	6.2	7.6	8.7
ROCE	5.9	6.7	7.6	8.4
Gearing	24.8	24.7	21.7	17.6

(EUR)	2015	2016e	2017e	2018e
EPS	2.06	2.13	2.75	3.28
% change	-	*3.7%*	*28.6%*	*19.5%*
P/E	18.8x	18.1x	14.1x	11.8x
FCF yield (%)	5.7%	4.9%	6.1%	7.2%
Dividends (EUR)	1.24	1.30	1.30	1.30
Div yield (%)	3.2%	3.4%	3.4%	3.4%
EV/Sales	0.7x	0.7x	0.7x	0.6x
EV/EBITDA	7.3x	6.9x	6.0x	5.3x
EV/EBIT	10.6x	9.8x	8.3x	7.1x



Q3 revenues in line...guidance unchanged : this is probably a non-event.

Fair Value EUR46 (+19%) **BUY**

Q3 revenues is up 2.1% on a like-for-like basis at EUR9,757m, close to expectations. Price effect is positive (+0.5%) for the first time in 2016, France organic growth is almost at breakeven (-0.5%), despite unfavourable calendar effect, volumes are down in the US Industry segment while Asia/EMs organic growth is accelerating. Outlook is unchanged, as well as guidance. The comments regarding renovation in France are still cautious, but look to us *very slightly* more positive.

Q3 revenues by division and geographical zone

EURm	Q1 y/y%*	Q2 y/y%*	Q3 y/y%*	Q3 cons	Q3 BG	Q3 rep.	vs cons.%	vs BG %
Flat Glass	4.9	8.0	5.9	1325	1309	1331	0.5	1.7
HPM	3.6	0.0	2.2	1105	1057	1111	0.5	5.1
Interior solutions	5.8	4.8	2.5	1655	1657	1640	-0.9	-1.0
Exterior solutions	-4.4	0.1	0.6	1415	1372	1407	-0.6	2.5
Distribution	1.4	4.6	1.6	4555	4654	4519	-0.8	-2.9
Total	**1.8**	**3.8**	**2.1**	**9790**	**9818**	**9757**	**-0.3**	**-0.6**
France	-0.2	1.3	-0.5	-	-	2390	-	-
Western Europe	2.0	6.3	3.2	-	-	4392	-	-
North America	3.2	4.3	-1.0	-	-	1300	-	-
EM/Asia	4.5	3.9	6.1	-	-	2135	-	-

*Source : Company Data; Bryan Garnier & Co. ests. * on a like-for-like basis*

Q3 revenues stand at EUR9,757m, very close to consensus (EUR9,790m) and not far from our own estimate (EUR9,818m). Organic growth stands at 2.1% (2.9% in H1), with volume effect at +1.6%, lower than H1 (3.5%), but calendar effect was not favourable in Q3 (slightly less than -1%) - and with better price dynamics (+0.5% vs -0.6% in H1). Forex effect is negative -2.6% and scope effect stands at -1.1%. Flat Glass is strong, with very positive prices effect (+4.4% in Q3 after +2.9% in H1), in particular thanks to a good mix, but not only. HPM are still growing despite difficult US industrials markets. Roofing in the US has not benefited from similar weather effects that in Q2 actually and the footprint of SGO has not been an advantage in Q3, which is a disappointment in our view. Volumes in distribution are quite good, considering the unfavourable calendar effect. France is actually slightly positive in distribution in Q3 adjusted from the calendar effect (thanks in particular to the new-built), there is no sign of deterioration in the UK and Nordics are still well oriented. Asia and EM trends are overall positive, with Brazil still difficult, but China better in Q3. North America reports a poor performance in Q3.

ANALYSIS

- Better trends in prices are good news, but is not really a surprise and one third of the pricing turnaround is explained by distribution where price is essentially a pass-through. Saint-Gobain roofing performance has been apparently positive, but less dynamic than some peers, due to a less favourable footprint, but actually prices increase sequentially. Emerging markets and Asia performance is still very impressive, but North America's was not.
- We can't say that Saint-Gobain is *significantly* more optimistic regarding renovation market in France ("renovation is not yet showing any signs of improvement"). Besides, while October is likely to be better, the end of 2016 will depend on weather conditions. But the CEO said during the call : "*Trading in France will continue to benefit from the rally in new-build, while renovation is very progressively showing some signs of improvement*". This sounds *very slightly* more optimistic to us.
- We would not expect a strong price reaction today, as revenues were very close to market expectations. Guidance absolutely unchanged (l-f-l growth in op. income in H2 y/y). Some specific trends might have been a bit surprising for the market (US) but overall it is in line.

VALUATION

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

NEXT CATALYSTS

- FY 2016 revenues on 29 February after closing

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Analyst :
Eric Lemarié
33(0) 1.70.36.57.17
elemarie@bryangarnier.com

Healthcare

Sanofi

Price EUR68.86

Better-than-expected Q3 numbers, largely driven by Vaccines and cost control

Fair Value EUR83 (+21%) **NEUTRAL**

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	93.3 / 67.3
Market Cap (EURm)	88,769
Ev (BG Estimates) (EURm)	96,165
Avg. 6m daily volume (000)	2 431
3y EPS CAGR	2.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.4%	-10.2%	-10.6%	-12.4%
Healthcare	-5.7%	-10.6%	-5.3%	-13.3%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	36,575	35,970	36,779	38,358
% change		*-1.7%*	*2.2%*	*4.3%*
EBITDA	11,237	10,722	10,472	10,731
EBIT	9,948	9,595	9,620	9,942
% change		*-3.5%*	*0.3%*	*3.3%*
Net income	7,371	6,995	7,080	7,796
% change		*-5.1%*	*1.2%*	*10.1%*

	2015	2016e	2017e	2018e
Operating margin	27.2	26.7	26.2	25.9
Net margin	20.2	19.4	19.3	20.3
ROE	12.9	12.0	11.9	12.6
ROCE	11.9	11.2	11.0	11.2
Gearing	12.7	12.7	9.8	6.1

(EUR)	2015	2016e	2017e	2018e
EPS	5.64	5.47	5.54	6.10
% change	-	*-3.0%*	*1.2%*	*10.1%*
P/E	12.2x	12.6x	12.4x	11.3x
FCF yield (%)	5.0%	6.6%	6.1%	7.0%
Dividends (EUR)	2.93	3.00	3.15	3.50
Div yield (%)	4.3%	4.4%	4.6%	5.1%
EV/Sales	2.6x	2.7x	2.6x	2.4x
EV/EBITDA	8.6x	9.0x	9.0x	8.6x
EV/EBIT	9.7x	10.0x	9.8x	9.3x

Sanofi has reported third-quarter numbers well above estimates, reflecting good Sanofi Pasteur sales figures (same impact as with GSK in flu vaccines in the US) but also very good management of operating costs. Sanofi now expects savings to exceed EUR1.5bn by 2018. Core EPS guidance is raised to 3-4% growth vs flat for the year. No mention of mid-term guidance. Consensus shoud revise core EPS for 2016 up by about 3%, but following years might remain unchanged. Issue with facility inspection might translate into a delay in sarilumab approval by the FDA. Positive reaction expected.

ANALYSIS

- Earlier this morning, Sanofi reported better-than-expected third-quarter numbers, characterised by figures above consensus estimates both at the top and the bottom line levels. Revenues came out about EUR150m above expectations and this is fully attributable to Sanofi Pasteur which benefitted from the same phenomenon as GSK's i.e. early shipment of flu vaccines in the US compared to last year while we had expected GSL to have taken the lead. Out of an already pretty high basis, flu vaccines are nevertheless again growing by 35% in the quarter to EUR989m, which together with a contribution of DengVaxia of EUR30m, drove total Sanofi Pasteur up by 14.4% in the quarter. Of course, this has also a positive impact on the division margins.
- Looking quickly into the other products and divisions, we see limited spreads vs expectations although it is fair to say that once again Genzyme strongly participated to the growth in the quarter with a 17% increase for the whole division, largely driven by MS (+53%) and more particularly by Aubagio, up 48% to EUR326m. We would also note the good contribution of Diabetes and Specialty Care in emerging markets, respectively up 14% and 26.5%. If there is a disappointment in this good set of revenue numbers, this is certainly with Merial (which reported a growth of only 4% in the quarter) but which can easily be attributed to the upcoming swap with Boehringer Ingelheim and is therefore of little significance.
- Moving now to earnings, Sanofi reported core EPS of EUR1.79 for the quarter when CS was EUR1.54 and BG EUR1.55, so this is a major beat. This partially comes from Sanofi Pasteur of course, as explained above, but not only and Sanofi is right in pointing out that operating expenses have been managed very well and the company is adding that it is now expecting savings to reach or exceed EUR1.5bn by 2018. R&D and SG&A expenses were all above estimates in the quarter. We note also that VaxServe other revenues and share of profits from associates (Regeneron stake) were both above estimates. So, better-than-expected earnings are reflecting a series of good underlying trends and contributions at different levels. In the end, core EPS came out well above expectations at EUR1.79 (vs EUR1.54) and guidance for the year is increased from flat to 3-4% growth. Together with a currency impact of -4% (exp.), this means flat core EPS in reported terms vs 2015 i.e. a 3% beat over estimates (only 1% for our own assumptions).
- Besides numbers, note that observations after an FDA inspection to a facility in Ireland might translate into a delay with the approval of sarilumab which was expected tomorrow.

VALUATION

- We expect some revisions upwards for 2016 numbers by about 3%, as we said above. However, core EPS for 2017 is unlikely to be massively modified except to reflect the impact from a share buy-back now announced to be EUR3.5bn by the end of 2017. However, at the time of the announcement of the asset swap with B.I., Sanofi had suggested that part of the EUR4bn cash to be received would be returned to shareholders to balance dilution. We had calaculated at the time that about EUR3bn would have to be returned. This is therefore confirmation. Not sure however that everything was already computed into the models. It is not in ours.
- We do of course anticipate u positive share price reaction today. However, beyond 2016, numbers are unlikely to be impacted meaningfully and uncertainties about Diabetes, LixiLan and Praluent patent litigation are still playing as brakes to the stock performance.

NEXT CATALYSTS

- Today 2.30pm: Conference Call - *Click here to download*

Analyst :
Eric Le Berrigaud
33(0) 1 56 68 75 33
eleberrigaud@bryangarnier.com

Sector Team :
Mickael Chane Du
Hugo Solvet
Marion Levi

Business Services

SGS SA

Price CHF2,023

CMD feedback: When you need to be sure! FV trimmed

Fair Value CHF2300 vs. CHF2360 (+14%) **BUY**

Bloomberg	SGS VX
Reuters	SGS.VX
12-month High / Low (CHF)	2,314 / 1,755
Market Cap (CHF)	15,824
Ev (BG Estimates) (CHF)	16,365
Avg. 6m daily volume (000)	16.20
3y EPS CAGR	6.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.2%	-6.9%	-6.2%	5.9%
Inds Gds & Svs	-1.5%	0.3%	0.1%	1.1%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

YEnd Dec. (CHFm)	2015	2016e	2017e	2018e
Sales	5,712	6,052	6,268	6,563
% change		*5.9%*	*3.6%*	*4.7%*
EBITDA	1,144	1,248	1,310	1,388
EBIT	916.9	943.9	1,000	1,062
% change		*2.9%*	*6.0%*	*6.2%*
Net income	625.4	647.9	691.8	736.3
% change		*3.6%*	*6.8%*	*6.4%*

	2015	2016e	2017e	2018e
Operating margin	16.1	15.6	16.0	16.2
Net margin	10.9	10.7	11.0	11.2
ROE	32.8	33.7	34.9	35.7
ROCE	20.9	20.7	21.4	22.0
Gearing	24.2	27.0	26.0	24.6

(CHF)	2015	2016e	2017e	2018e
EPS	82.01	85.48	93.65	99.68
% change	-	*4.2%*	*9.6%*	*6.4%*
P/E	24.7x	23.7x	21.6x	20.3x
FCF yield (%)	4.4%	4.2%	4.6%	4.9%
Dividends (CHF)	68.00	68.00	69.02	75.86
Div yield (%)	3.4%	3.4%	3.4%	3.8%
EV/Sales	2.9x	2.7x	2.6x	2.5x
EV/EBITDA	14.3x	13.1x	12.5x	11.8x
EV/EBIT	17.8x	17.3x	16.4x	15.4x

During CMD in Poland, management adjusted its FY 2016 lfl revenue growth to approximately 2.5% vs. 2.5%-3.5% guided at the end of H1. Adjustment was due to OGC, MIN and IND still under pressure due to current market conditions. So 2016 and 2017 are expected to be softer than initial planning. We reduce our 2016 top-line growth to 2.5% vs. 3.1% previously and 2017 to 2.6% vs. 3.4%. Based on our new estimates, our FV moves to CHF2,300 from CHF2,360.

ANALYSIS

Short-term top-line growth lowered…: After stronger than anticipated H1 lfl revenue growth up 3.4%, management downgraded its FY 2016 guidance to approximately 2.5% vs. between 2.5%-3.5% previously which implies a significant slowdown in H2 to around 1.6% compared with H1. The main reason was again energy related business lines i.e. **OGC** (20% consolidated revenue), **MIN** (11%) and **IND** (15%) under pressure and 2016, 2017 are expected to be softer than the initial expectation. We decided to reduce our lfl revenue growth to 2.5% in line with management new guidance in 2016e and to 2.6% from 3.4% in 2017e.

…with improved adjusted operating income: Regarding adjusted operating result, management confirmed higher result in 2016 vs. last year. Our forecast is EUR944m i.e. an improvement of EUR27m, representing an operating margin of 15.6% (maintained) down 40bps vs. 2015 after our downgrade at the end of H1.

Main adjustments on our estimates

	2016e			2017e			2018e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
SALES	6 082	6 052	-0,5%	6 351	6 268	-1,3%	6 669	6 563	-1,6%
EBITDA	1 254	1 248	-0,5%	1 327	1 310	-1,3%	1 411	1 388	-1,6%
	20,6%	20,6%	-0 bp	20,9%	20,9%	-0 bp	21,1%	21,2%	0 bp
Adjusted EBIT	949	944	-0,5%	1 013	1 000	-1,3%	1 079	1 062	-1,5%
	15,6%	15,6%	0 bp	16,0%	16,0%	1 bp	16,2%	16,2%	1 bp
EPS	85,86	85,48	-0,4%	94,57	93,65	-1,0%	100,96	99,68	-1,3%

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

Nevertheless, management remains confident about its medium-term targets (2016-2020): Despite that adjustment on 2016e lfl revenue growth (which follows the downward revision of the adjusted operating margin after H1 2016), management remains committed and confident that it can deliver on its medium numbers with notably mid-single-digit organic growth on average, contribution from acquisitions to revenue of EUR1bn during the period and adjusted operating margin of at least 18%.

VALUATION

Based on average valuation between a DCF and the 10-year historical EV/EBIT multiple used as the exit multiple FY+3, our FV moves to CHF2,300. Note that our estimates are based on lower numbers than guided by the management notably on adjusted operating margin using a long-term target of 17%.

At the current share price, the stock is trading at 17.3x EV/EBIT 2016e and 16.4x 2017e which compares with a median historic multiple of 14.8x and CAGR 2015-2018 of 5%.

NEXT CATALYSTS

CMD on 27th & 28th October (Krakow, Poland)

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Analyst :
Bruno de La Rochebrochard
33(0) 1 56 68 75 88
bdelarochebrochard@bryangarnier.com

Healthcare

SOBI

Price SEK97.60

Summertime is over... Winter is coming

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

Bloomberg	SOBI SS
Reuters	SOBIV.ST
12-month High / Low (SEK)	139.3 / 95.9
Market Cap (SEKm)	26,390
Ev (BG Estimates) (SEKm)	27,342
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	5,180	5,920	7,092
% change		*60.5%*	*14.3%*	*19.8%*
EBITDA	465	1,593	1,882	2,493
EBIT	146.0	1,131	1,379	1,925
% change		*NM*	*21.9%*	*39.6%*
Net income	68.4	762.3	951.6	1,362
% change		*NM*	*24.8%*	*43.1%*

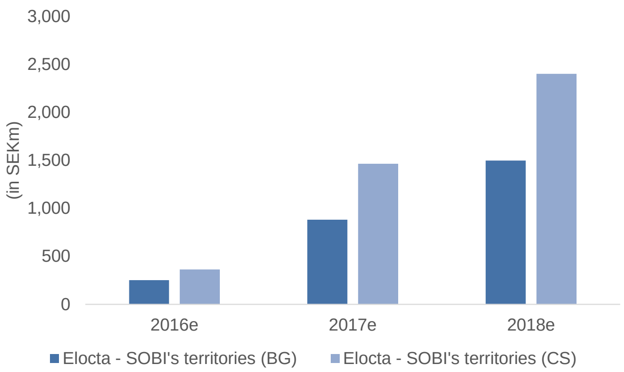
	2015	2016e	2017e	2018e
Operating margin	4.5	21.8	23.3	27.1
Net margin	2.1	14.7	16.1	19.2
ROE	1.5	14.0	14.9	17.5
ROCE	1.0	11.3	14.8	21.2
Gearing	35.2	17.5	-4.4	-21.5

(SEK)	2015	2016e	2017e	2018e
EPS	0.25	2.82	3.52	5.04
% change	-	*NM*	*24.8%*	*43.1%*
P/E	NS	34.6x	27.7x	19.4x
FCF yield (%)	1.4%	2.6%	4.7%	5.3%
Dividends (SEK)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	8.7x	5.3x	4.4x	3.5x
EV/EBITDA	60.3x	17.2x	13.9x	9.9x
EV/EBIT	192.0x	24.2x	18.9x	12.8x

At the end of the day, the stock fell by c.2% and this is probably due to the disappointing sales from Elocta. Summer/vacation time and a quite gradual granting of reimbursements in different European countries played a role here... But going forward, we stick to our cautious stance especially in light of 1/ the recent comments from Bayer (which confirmed our view that the switch to the first-gen of long-acting FVIII is likely to be slow/low), and 2/ the lacklustre Q3 performance of Eloctate in the US

ANALYSIS

- **The end of the year should be brighter.** As said yesterday, Elocta and Alprolix's revenues fell short of expectations. Summer/vacation time, as well as late granting of reimbursement in key countries like Germany, obviously played a role in the poor performance of the overall Haemophilia franchise in Europe. The end of the year is fortunately expected to be brighter now that Elocta is reimbursed in many different countries (knowing that France, Spain and Italy are still in process).
- **Plasma-derived FVIII: still the preferred option in EU**. SOBI's management stated that most of the already-treated patients switching to Elocta used to be treated with recombinant FVIII (e.g. Advate, Kogenate)... All this remains quite early, but such trend confirms our view that 1/ European countries are likely to remain fond of (less expensive) plasma-derived therapies; 2/ GFS' FVIII franchise is not at risk, at least in the short term.
- **Stickiness is the word.** On Wednesday, BAY stated that Haemophilia A is "a slow-moving market towards longer-acting products such as Eloctate"... Which confirms the previous comments from Shire/Baxalta and CSL regarding the stickiness of the haemophilia A market. Note also that Kogenate/Kovatrly's Q3 revenues were down by -2% (vs +1% over the first nine months), but that performance was due to fluctuations in order volumes rather than a low acceptance, a potential preference for Elocta, or price decreases...
- Eloctate's flatness in the US underpin our belief that 1/ US sales have nearly reached a plateau following the arrival of competitors (CSL, SHP, BAY) and due to a lack of clear competitive advantages in terms of efficacy or safety (at least for now); and thus 2/ the current consensus is a bit too optimistic for 2017e (most analysts are expecting a y-o-y growth of +20-30%e for this product in the US, vs BG: +10%e). Obviously, this would be quite negative for SOBI as it receives c.12% of royalties on BIIB's US sales...



VALUATION

SELL reiterated with a FV of SEK90.

NEXT CATALYSTS

- February 16th 2017: Q4 16 results.

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Analyst :
Mickael Chane Du
33(0) 1 70 36 57 45
mchanedu@bryangarnier.com

Sector Team :
Eric Le Berrigaud
Hugo Solvet

TMT

STMicroelectronics

Price EUR7.98

Q3 came out with a compelling message; ST is heading to the right direction.

Fair Value EUR7.3 vs. EUR6.5 (-9%) **NEUTRAL**

Bloomberg	STM FP
Reuters	STM.FR
12-month High / Low (EUR)	8.0 / 4.6
Market Cap (EURm)	7,274
Ev (BG Estimates) (EURm)	6,853
Avg. 6m daily volume (000)	2,342
3y EPS CAGR	46.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	11.7%	22.6%	40.0%	29.2%
Semiconductors	1.5%	3.0%	29.6%	24.7%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	6,897	6,974	7,291	7,572
% change		*1.1%*	*4.6%*	*3.8%*
EBITDA	910	1,025	1,232	1,424
EBIT	174.0	300.0	474.1	636.6
% change		*72.4%*	*58.0%*	*34.3%*
Net income	164.0	235.5	369.9	507.6
% change		*43.6%*	*57.1%*	*37.2%*

	2015	2016e	2017e	2018e
Operating margin	2.5	4.3	6.5	8.4
Net margin	2.4	3.4	5.1	6.7
ROE	2.2	3.3	6.3	10.6
ROCE	4.9	5.3	8.7	12.6
Gearing	-10.5	-9.7	-12.0	-16.4

(USD)	2015	2016e	2017e	2018e
EPS	0.19	0.27	0.42	0.58
% change	-	*43.9%*	*56.2%*	*38.9%*
P/E	46.8x	32.5x	20.8x	15.0x
FCF yield (%)	4.9%	3.8%	4.9%	7.7%
Dividends (USD)	0.40	0.30	0.30	0.40
Div yield (%)	4.6%	3.4%	3.4%	4.6%
EV/Sales	1.1x	1.1x	1.0x	0.9x
EV/EBITDA	8.2x	7.3x	6.0x	5.0x
EV/EBIT	42.8x	24.9x	15.6x	11.2x

Yesterday, STMicroelectronics hosted a conference call to comment Q3 results. In our view, there were several compelling messages. Following the conference call and discussions with ST, it looks like FY17 opportunities are promising in multiple markets and applications while margin improvement will continue in FY17. We already expected a positive evolution, but it looks like FY17e and FY18e might be better than we anticipated. On the back of a supportive environment and additional proofs that the Set-Top Box exit is on track, we adopted a more aggressive margin scenario. Our FV is up to EUR7.3 from EUR6.5.

ANALYSIS

- **STMicroelectronics is working hard to be able to fire on all cylinders.** We often highlighted the complexity for STMicroelectronics to achieve growth on all of its divisions due to its very broad and diversified product portfolio and customer base. However, it looks like most of the elements are now aligned (at least on the NT), to generate growth on all divisions. Visibility is better than it was in Q2 2016 and, on the short term, the outlook is strong in almost all segments. Note also that the strong booking trend observed during Q3 (+15%) remained strong in October: while the smartphone market is seen to be particularly strong by ST, the good point that has been mentioned during the conference call is that it is not only due to one specific customer demand (i.e. Apple and the design-win in the iPhone 7) but rather a broad customer panel from Korea, China and the US. As such, it appears that ST is gaining market share in this segment and we are now seeing a real traction for ST's Time-Of-Flight sensors. Then, in automotive, the demand from German and Chinese OEMs is said to remain strong and there is no sign of a slow-down due to weaker end-market demand. Finally, the industrial has been said to be healthy, a message in line with other comments from competitors.

- **ToF is a competitive field but ST keeps the lead.** In the smartphone space, Time of Flight technology is under spotlight right now. This technology allows fast focus for camera and/or proximity sensing (e.g. used to shut-down the touch screen during a phone call). ams' (Neutral, FV EUR27) recent move to buy Heptagon (see our Morning Mail – ams, 26/10/2016) is a proof that ams is a serious competitor but we understand that ST is confident regarding other applications. Indeed, ST sees strong opportunities in full camera assist modules from 2017. On a shorter term, design-wins in about 13 smartphones so far are proof of ST's technology edge.

- **The group keeps fighting hard in the automotive space:** regarding the autonomous driving opportunity, ST says that its current portfolio of 24Ghz and 77Ghz is well positioned and the group has some design-ins recently (77Ghz radars at ST are based on 28nm FD-SOI which adds differentiation). Shipments are expected to start in the course of 2017. In the electrification of cars, ST benefits from the current technological advantages of its SiC products and expects to see a good traction from the next quarters (already some design-ins with Asian OEMs). While it still represents a very small portion of revenue today (BG ests. USD50-100m) it should be an important contributor to growth next year. As such, the automotive product line is now expected to growth at a rate >5%. While we see Infineon (Buy, FV EUR17.5) as better positioned in car electrification (GaN technology + clear leading position in Power Semiconductor used in Electric Vehicle (EV)), it is worth to remind that ST's portfolio has also interesting and differentiating technologies.

- **The margin pressure due to low utilization rate of fabs to reduce:** Currently, the utilization rate of ST's fab is above 85% for 200mm (8-inches) fabs and below 70% in Crolles 300mm fab. This is seen to move to 90% for 200mm fabs and above 80% in Crolles 300mm in Q4. As such, the 60bp weight, from underutilization, impacting Q3 gross margin will decrease to 20bp in Q4. In addition, the problems linked to unused capacity are expected to be over after 2017, especially because Crolles 2 utilization rate should improve. Using 20bp of unused charges for Q4e leads to a negative impact of 50bp on GM on average for FY16. On the OPEX side then, we must keep in mind that seasonality of OPEX will play negatively in Q4 (Net OPEX should be about USD550m in Q4 vs. USD525m in Q3). Again, we expected to see improving margin in FY17e since we have now more proofs that the exit of STB business is on track. As such, including positive impact from higher expectations on the top-line and lower than expected OPEX, we tuned our model and now have higher margin profile.

VALUATION

- **In our view, Yesterday's publication and conference call were convincing.** We update our model in order to adopt a more aggressive scenario implying a 5% growth in FY17e and 4% in FY18e. Additionally, we also tuned our expectations of gross margin (lower unused charges) and lower OPEX. As such, we now expect FY17e/FY18e adjusted operating margin of 6.5% and 8.4% respectively vs. 5.7% and 7.3% previously. **As such, our FV is up to EUR7.3 vs. EUR6.5 previously.**
- **However, given the risks about management transition and unattractive valuation metrics (most of the improvements is already priced in), we keep our Neutral recommendation.** Based on our estimates, STMicroelectronics' shares are trading on 2017e EV/EBIT and P/E ratios of 15.6x and 20.8x respectively.

NEXT CATALYSTS

- Late January 2017: FY16 and Q4 results. (not confirmed yet)

Our new estimates – P&L

[in USDm]	2015	1Q16	2Q16	3Q16	4Q16e	2016e	2017e	2018e
Sales	**6897**	**1613**	**1703**	**1797**	**1861**	**6974**	**7291**	**7572**
Seq. growth	-6.8%	-3.3%	5.6%	5.5%	3.5%	1.1%	4.6%	3.8%
Gross profit	**2332**	**538**	**577**	**643**	**695**	**2453**	**2619**	**2877**
Gross margin	33.8%	33.4%	33.9%	35.3%	37.4%	35.2%	35.9%	38.0%
SG&A	-897	-229	-229	-224	-233	-915	-916	-962
R&D	-1425	-342	-336	-318	-335	-1331	-1303	-1355
Other exceptional gains	164	28	28	18	19	93	74	76
Adjusted EBIT	**174**	**-5**	**40**	**119**	**146**	**300**	**474**	**637**
EBIT magin	2.5%	-0.3%	2.3%	6.6%	7.8%	4.3%	6.5%	8.4%
D&A	-736	-184	-179	-172	-190	-725	-758	-787
EBITDA	910	179	219	291	336	1025	1232	1424
Cost of net debt	-22	-5	-6	-5	-5	-21	-22	-23
Profit from associates	2	0	9	-1	-2	6	7	7
Gain from investments	0	0	0	0	0	0	0	0
Adj. pre-tax profit	**154**	**-10**	**43**	**113**	**139**	**285**	**459**	**621**
Adjusted tax	16	-5	-8	-12	-21	-46	-89	-113
Tax rate	10.4%	0.0%	-18.6%	-10.6%	-15.0%	-16.1%	-19.4%	-18.2%
Non-control. interest	-6	-1	-2	-1	0	-4	0	0
Adj. net profit	**164**	**-16**	**33**	**100**	**118**	**235**	**370**	**508**
% of revenue	2.4%	-1.0%	1.9%	5.6%	6.4%	3.4%	5.1%	6.7%
Adj. EPS (in USD)	**0.19**	**-0.02**	**0.04**	**0.11**	**0.13**	**0.27**	**0.42**	**0.58**
Seq. growth	-23.9%	n.s.	n.s.	+202.6%	+19.6%	44%	56%	39%

Sources: Bryan, Garnier & Co ests.

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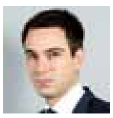

Analyst :
Dorian Terral
33(0) 1.56.68.75.92
dterral@bryangarnier.com

Sector Team :
Richard-Maxime Beaudoux
Thomas Coudry
Gregory Ramirez

Utilities

Suez

Price EUR14.15

Bloomberg	SEV FP
Reuters	SEVI.PA
12-month High / Low (EUR)	18.0 / 12.9
Market Cap (EURm)	7,983
Ev (BG Estimates) (EURm)	19,047
Avg. 6m daily volume (000)	1 139
3y EPS CAGR	-0.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.9%	0.5%	-12.1%	-18.0%
Utilities	-0.8%	-7.0%	-4.7%	-7.4%
DJ Stoxx 600	0.5%	0.1%	-1.6%	-6.6%

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	13.6x	18.3x	15.4x	13.9x
FCF yield (%)	3.3%	4.9%	4.6%	5.1%
Dividends (EUR)	0.65	0.65	0.65	0.68
Div yield (%)	4.6%	4.6%	4.6%	4.8%
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	14.1x	13.4x

Slight positive adjustments following solid 9M-16 results

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

Following the company's solid 9M-16 results reported yesterday, we made slight adjustments to our estimates for 2016 and beyond. We have increased our 2016 and 2017 EBIT forecasts by respectively 0.5% and 1.2%, notably to reflect the EUR40m additional savings to be implemented. These are offset by the slightly lower growth we expect in the international division and by a different phasing in waste-to-energy facilities' commissioning we modelised. All in all, we remain confident in the company's ability to reach its FY16e guidance as our 2016e revenues and EBIT organic growth stands at 2.3% and 2.4% respectively (vs. guidance at 2.0%+ for revenues and higher than revenues' growth for EBIT). Buy rating confirmed and FV at EUR17.5 reiterated.

ANALYSIS

- Following the company's **solid 9M-16 results** yesterday, we have made slight adjustments to our forecasts for 2016 and beyond. We now expect **FY16e revenues** to reach **EUR15,427m** down **0.8%** vs. our initial estimates as we expect lower growth in the international division – following the end of a construction contract in Asia which negatively impacted the business in Q3-16 – partly offset a lower CLP headwind (but a higher GBP one) and stronger than expected growth in new water services. Our **2016e EBITDA and EBIT** estimates are almost unchanged at **EUR2,676m** (down **0.2%** vs. our previous estimates) and **EUR1,292m** (up **0.5%)** respectively. We assumed lower than expected concession charges in the water business (due to the end of Lille contract) and revised upward the contribution from new waste facilities in 2016 as commissioning occurred in Q3-16 vs. Q4-16 in our initial forecasts.
- We have also integrated the **EUR40m additional savings** unveiled by the company. We assumed a 80%/20% breakdown over 2017 and 2018**. Our 2017e EBITDA estimates came at EUR2,866m up 0.6%** vs. our previous expectations as new savings implemented would notably be offset by lower growth expected in the Europe/Latam subdivision following recent losses in contracts which have not been replaced since then and lower 2017 contribution, **on a year-on-year basis**, from waste-to-energy commissioning in the UK.
- All in all, **we remain confident in the company's ability to reach its FY16e guidance** which includes a 2% organic growth in revenues and an organic growth in EBIT higher than the one in revenues (i.e. at least 2%). Following our adjustments, **our organic growth estimates for full-year revenues and EBIT stand at 2.3% and 2.4% respectively.**
- **Buy** rating confirmed and **FV at EUR17.5** maintained.

Table 1: change in estimates 2016e-2018e (BG estimates)

	New			Old		
	2016e	**2017e**	**2018e**	**2016e**	**2017e**	**2018e**
Revenues	**15 427**	**16 064**	**16 535**	**15550**	**16191**	**16685**
o/w Water	4772	4875	4986	4720	4825	4960
o/w Waste	6241	6444	6529	6345	6552	6638
o/w International	4311	4641	4916	4382	4711	4984
EBITDA	**2 676**	**2 866**	**2 994**	**2681**	**2848**	**2977**
o/w Water	1288	1344	1374	1290	1338	1373
o/w Waste	768	824	860	771	819	854
o/w International	751	829	891	751	822	881
EBITDA margin	**17,3%**	**17,8%**	**18,1%**	**17,2%**	**17,6%**	**17,8%**
o/w Water	27,0%	27,6%	27,6%	27,3%	27,7%	27,7%
o/w Waste	12,3%	12,8%	13,2%	12,2%	12,5%	12,9%
o/w International	17,4%	17,9%	18,1%	17,1%	17,4%	17,7%
EBIT	**1292**	**1396**	**1489**	**1286**	**1380**	**1471**
EBIT margin	8,4%	8,7%	9,0%	8,3%	8,5%	8,8%

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

VALUATION

- At current share price, the stock trades at **7.1x** its 2016e EV/EBITDA multiple
- **Buy, FV @ EUR17.5**
- **Risks to our rating: 1/**stronger regulatory headwind in the French water business (inherent to the Brottes law); **2/**strong dependence to climate in the water business; **3/**further decrease in raw materials and power prices which would negatively impacted the waste business **and 4/**no significant recovery in the European industrial production hence in waste volumes treated.

NEXT CATALYSTS

- **March 1st 2017**: FY-16 results

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Analyst :
Pierre-Antoine Chazal
33(0) 1.56.68.75.06
pachazal@bryangarnier.com

Sector Team :
Xavier Caroen

Healthcare

Adocia

Price EUR50.08

Hinsbet delivers new phase I data and narrows its scope of opportunities

Fair Value EUR82 vs. EUR90 (+64%) BUY

Bloomberg	ADOC FP
Reuters	ADOC.FR
12-month High / Low (EUR)	82.6 / 44.4
Market Cap (EURm)	343
Avg. 6m daily volume (000)	21.50

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.2%	-0.8%	-19.3%	-31.6%
Healthcare	-5.7%	-10.6%	-5.3%	-13.3%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

	2015	2016e	2017e	2018e
P/E	27.3x	66.0x	NS	26.4x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- Adocia yesterday announced new positive phase I data for its engineered human insulin drug HinsBet U100, a short-acting formulation of human insulin, compared to Lilly's human insulin Humulin (showing superiority in glycemic control and in postprandial incursions) while achieving non-inferiority against insulin analogue Humalog.
- It is worth noting that Humulin delivered USD1bn in sales over the first 9 months of 2016, up 2% while Humalog decreased 5%, reflecting the current difficult environment in the US for branded insulins, notably in terms of net pricing. It is fair to imagine that Humulin U500 is behind the very good resilience of Humulin as a whole.
- While we had so far anticipated that HinsBet could be a dual project with emerging markets on one side where it can offer a very efficient drug at a very affordable price and the US on the other side with the perspective of highly concentrated formulation well designed for overweight and obese patients, it looks like EM is option number 1 now.

VALUATION

- We are adjusting our FV downwards to reflect: (i) cautiously, we are taking out of our model U500 opportunity for HinsBet for the time being until we know how discussions develop (-EUR5); (ii) in light of the increasing difficulty in switching insulin patients to new treatments (seen by payers as poor innovations), we have decreased the size of the target market from 80% of the existing one to 70% for new ultra-fast acting insulins (-EUR3). Fiasp CRL can be seen as good news as it narrows the gap between Novo-Nordisk and Lilly but it also takes Fiasp's launch closer to lispro biosimilars entry.

NEXT CATALYSTS

- Today: Novo clarifies next step with Fiasp's regulatory process in the US?

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Eric Le Berrigaud, eleberrigaud@bryangarnier.com

Insurance

AXA

Price EUR20.83

Bloomberg	CS FP
Reuters	AXAF.PA
12-month High / Low (EUR)	25.8 / 16.3
Market Cap (EUR)	50,487
Avg. 6m daily volume (000)	7,335

	1 M	3 M	6 M	31/12/15
Absolute perf.	11.7%	14.5%	-8.4%	-17.5%
Insurance	4.6%	7.7%	-4.1%	-15.0%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

	2015	2016e	2017e	2018e
P/E	8.4x	8.4x	8.1x	7.8x
Div yield (%)	5.3%	5.8%	6.0%	6.2%

Back to AA-

Fair Value EUR29 (+39%) BUY

ANALYSIS

- S&P has just upgraded the group's insurer financial strength to AA- with stable outlook. Remember the rating was cut to A+ in December 2012.
- AXA's rating with S&P in now on a par with Zurich and one notch below Allianz (AA with stable outlook). One notch also below the French state.
- In its statement, S&P highlighted the strengthening of the company's risk profile thanks to an improved capital adequacy, the solid results despite lower investment returns, the broad geographical and product diversification, the focus of the company on efficiency gains and products that are lower risk and less capital-intensive, the strong risk control particularly on market and underwriting risks, and its confidence on solid retained earnings for 2016-2018.
- We agree with all these items as they support our Buy recommendation on the stock.

VALUATION

- Based on our current numbers, our SOTP stands at EUR29.
- Despite its strong rebound over the last weeks, AXA's performance ytd remains disappointing and the stock is currently trading with a c. 15% discount to peers like Allianz and Zurich.

NEXT CATALYSTS

- FY 2016 numbers on 23rd February 2017.

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Olivier Pauchaut, opauchaut@bryangarnier.com

Healthcare

Galapagos

Price EUR58.86

Bloomberg	GLPG BB
Reuters	GLPG.BR
12-month High / Low (EUR)	63.8 / 32.7
Market Cap (EURm)	2,718
Avg. 6m daily volume (000)	262.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.9%	20.1%	47.1%	3.7%
Healthcare	-5.7%	-10.6%	-5.3%	-13.3%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

	2014	2015e	2016e	2017e
P/E	NS	NS	NS	93.9x
Div yield (%)	NM	NM	NM	NM

Q3 results and CF update

Fair Value EUR64 (+9%) **BUY**

ANALYSIS

- Galapagos released 9M results with sales standing at EUR65m vs EUR47.2m last year. Increase is primarily driven by increased milestones recognition as well as reimbursed costs (charged to partnered programs). R&D and SG&A expenditures are roughly stable. Positive impact from the fair value adjustment of Gilead Share (EUR57.5m), Galapagos reports net income of EUR8.1m for the first nine months of 2016. Cash situation stands at EUR930.8m (exc EUR8.8m of restricted cash). Cash burn guidance of EUR100-120m for FY2016 is confirmed. The latter excludes any milestones to be recognized by Gilead for filgotinib (initiation of IBD phase III trials).
- Poster from the SAPHIRA phase II trial presented at the NFCFC show the activity of GLPG1837 in subjects either naïve or previously treated with Kalydeco. Initial efficacy showed at the 125 BID dose (study went up to 800mgBID). GLPG1837 which at least stabilised lung function in pre-treated patients can be seen as a therapeutic alternative to Kalydeco in patients harbouring the Q1251N mutation in our view. More details should be given during the call this afternoon. Note that management reiterated its ambition to have the triple combination in phase II by mid-2017, while Vertex announced alongside its Q3 publication that it is initiating phase II.

VALUATION

- We reiterate our BUY rating and EUR64 Fair Value.

NEXT CATALYSTS

- Today 2.00pmCET: confcall on Q3 results (US +1 719 325 2213; UK +44 20 7026 5967; FR +33 1 76 77 22 57)

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Hugo Solvet, hsolvet@bryangarnier.com

Healthcare

Novo Nordisk

Price DKK279.30

Bloomberg	NOVOB DC
Reuters	NOVOB.CO
12-month High / Low (DKK)	404.2 / 265.7
Market Cap (DKKm)	562,109
Avg. 6m daily volume (000)	3 168

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.3%	-26.1%	-23.0%	-30.2%
Healthcare	-5.7%	-10.6%	-5.3%	-13.3%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

	2015	2016e	2017e	2018e
P/E	20.6x	18.0x	16.7x	15.9x
Div yield (%)	2.3%	2.5%	2.7%	2.8%

Tough Q3 sales number and revised guidances

Fair Value Under Review **NEUTRAL**

ANALYSIS

- What really matters today in Novo Nordisk's report is everything about guidances. Several ones are changed starting with sales and operating profit for 2016, whose ranges once again are revised on the downside by 1%, which should not be surprising to anybody. Looking into 2017 now, first guidance is to expect low single-digit growth in revenues and flat to low-single digit growth for operating profit i.e. no leverage to a slight decline in margins. Although the second part of the equation is not surprising, we think the market was expected mid-single rather than low-single digit growth (BG: +6%). Looking at how modern insulins behaved in Q3 2016 (down for the first time, mainly because Levemir came down from double-digit growth to single-digit decline), we would expect some downward revisions here. We will do with our own numbers.
- Last but not least, Novo Nordisk is also revising the long-term financial targets in terms of operating profit growth from 10% to 5%. Obviously this is the worst piece of news in today's press release but it suggests that Novo Nordisk might become a company like any other in the healthcare space, losing its specificity. Although it might have been expected, not sure that the magnitude of the correction was anticipated.
- We would also note that Novo Nordisk is not committing itself to any timing about Fiasp, simply saying that it would work closely with the FDA. The company is also discontinuing oral insulin NN1953 in phase II.

VALUATION

- Novo Nordisk's status is changing. We would wait a bit longer before assessing how the company could do over the coming few years. NEUTRAL is maintained.

NEXT CATALYSTS

- Today 1pm: Conference Call - Click here to download

Eric Le Berrigaud, eleberrigaud@bryangarnier.com

Luxury & Consumer Goods

Safilo

Price EUR9.67

Third new licensing agreement this year: Rag & Bone

Fair Value EUR11 (+14%) **NEUTRAL**

Bloomberg	SFL IM
Reuters	SFLG.MI
12-month High / Low	11.6 / 6.3
Market Cap (EUR)	606
Avg. 6m daily volume	114.9

	1 M	3 M	6 M	31/12/15
Absolute	13.2%	34.0%	19.8%	-9.8%
Consumer Gds	-2.1%	-2.8%	-0.7%	-3.7%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

	2015	2016e	2017e	2018e
P/E	87.2x	22.9x	48.9x	26.2x
Div yield (%)	NM	1.0%	1.6%	2.1%

ANALYSIS

Yesterday evening, Safilo announced having signed a new licensing agreement with the US label Rag & Bone. The contract will run for five years starting from January 2018 until December 31, 2022. This agreement will cover sunglasses and optical frames for both men's and women's ranges.

This is the third new licensing agreement announced this year after Swatch (February) and Moschino (September), confirming that Safilo is on the offensive mode to: **(i)** diversify the risk in order not to rely only on a few key licenses, **(ii)** bring brands with a strong brand awareness into eyewear like Swatch, Havaianas or Rag & Bone and **(iii)** have a complementary brand portfolio in terms of customer base, price positioning and nationality (UK-US brands to touch US consumers more easily).

Founded in New York in 2002 by Marcus Wainwright and David Neville, the US fashion label is projected to generate more than USD300m in revenue in 2016, representing a 20% growth vs. 2015. The label is available in 53 countries worldwide, international sales represent 20% of the business and sales in owned stores account for approx. 30% of total sales. In the past, the brand has partnered with several eyewear brands (Oakley, Vuarnet, etc.) to launch limited eyewear collections. Next month, Rag & Bone and Vuarnet are launching four cobranded sunglass designs at a retail price from USD225 to USD600.

VALUATION

This positive announcement should continue to support the recent rally of the stock (+34% in 3M) that has started after the better-than-expected results. We remain cautious in the ST because of the Gucci transition at the end of this year coupled with the ongoing underperformance of proprietary brands, but the actions implemented over the past two years are starting to bear fruits.

NEXT CATALYSTS

Safilo will report its Q3 Trading Update on 9th November 2016.

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Cédric Rossi, crossi@bryangarnier.com

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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%

Bryan Garnier Research Team

Healthcare Team	Pharmaceuticals	Eric Le Berrigaud *(Head of Equities)*	33 (0) 1 56 68 75 33	eleberrigaud@bryangarnier.com
	Biotech/Medtech	Mickael Chane-Du	33 (0) 1 70 36 57 45	mchanedu@bryangarnier.com
	Medtech/Biotech	Hugo Solvet	33 (0) 1 56 68 75 57	hsolvet@bryangarnier.com
Consumer Team	Luxury/Consumer Goods	Loïc Morvan	33 (0) 1 70 36 57 24	lmorvan@bryangarnier.com
	Beverages	Nikolaas Faes	33 (0) 1 56 68 75 72	nfaes@bryangarnier.com
	Retailing	Antoine Parison	33 (0) 1 70 36 57 03	aparison@bryangarnier.com
	Luxury /Consumer Goods	Cedric Rossi	33 (0) 1 70 36 57 25	crossi@bryangarnier.com
	Food & Beverages	Virginie Roumage	33 (0) 1 56 68 75 22	vroumage@bryangarnier.com
TMT	Video Games / Payments	Richard-Maxime Beaudoux	33 (0) 1 56 68 75 61	rmbeaudoux@bryangarnier.com
	Telecom	Thomas Coudry	33(0) 1 70 36 57 04	tcoudry@bryangarnier.com
	Software & IT Services	Gregory Ramirez	33 (0) 1 56 68 75 91	gramirez@bryangarnier.com
	Semiconductor	Dorian Terral	33 (0) 1 56 68 75 92	dterral@bryangarnier.com
Utilities		Xavier Caroen	33 (0) 1 56 68 75 18	xcaroen@bryangarnier.com
		Pierre-Antoine Chazal	33 (0) 1 56 68 75 06	pachazal@bryangarnier.com
Insurance		Olivier Pauchaut *(Head of Research)*	33 (0) 1 56 68 75 49	opauchaut@bryangarnier.com
Hotels/Business Services		Bruno de La Rochebrochard	33 (0) 1 56 68 75 88	bdelarochebrochard@bryangarnier.com
Construction/Infrastructures/Building Materials		Eric Lemarié	33 (0) 1 70 36 57 17	elemarie@bryangarnier.com
Automotive & Parts		Xavier Caroen	33 (0) 1 56 68 75 18	xcaroen@bryangarnier.com
Marketing		Sophie Braincourt	33(0) 1 56 68 75 36	sbraincourt@bryangarnier.com
Market Data & Information Systems Manager		Eric Monnier	33(0) 1 56 68 75 63	emonnier@bryangarnier.com

London
Beaufort House
15 St. Botolph Street
London EC3A 7BB
Tel: +44 (0) 207 332 2500
Fax: +44 (0) 207 332 2559
Authorised and regulated by the Financial Conduct Authority (FCA)

Paris
26 Avenue des Champs Elysées
75008 Paris
Tel: +33 (0) 1 56 68 75 00
Fax: +33 (0) 1 56 68 75 01
Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudential et de resolution (ACPR)

New York
750 Lexington Avenue
New York, NY 10022
Tel: +1 (0) 212 337 7000
Fax: +1 (0) 212 337 7002
FINRA and SIPC member

Munich
Widenmayerstrasse 29
80538 Munich
Germany
+49 89 2422 62 11

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