BRYAN, GARNIER & CO

INDEPENDENT RESEARCH

23rd November 2016

Food & Beverages

MBWS

A change in the equity story

Fair Value EUR17.1 (price EUR15.69)

NEUTRAL
Coverage initiated

Bloomberg	MBWS FP
Reuters	MBWS.PA
12-month High / Low (EUR)	20.3 / 14.9
Market capitalisation (EURm)	444
Enterprise Value (BG estimates EURm)	-23,372
Avg. 6m daily volume ('000 shares)	56.10
Free Float	100%
3y EPS CAGR	94.3%
Gearing (12/15)	-35%
Dividend yields (12/16e)	NM

YE December	12/15	12/16e	12/17e	12/18e
Revenue (EURm)	451,050	441,262	458,404	479,628
EBIT(EURm)	5,093	11,649	27,229	51,512
Basic EPS (EUR)	0.22	-0.19	0.65	1.52
Diluted EPS (EUR)	0.21	-0.19	0.65	1.52
EV/Sales	NS	NS	NS	NS
EV/EBITDA	NS	NS	NS	NS
EV/EBIT	NS	NS	NS	NS
P/E	75.8x	NS	24.2x	10.3x
ROCE	6.9	-1.3	-1.5	-1.5

The restructuring of MBWS is now complete with the exit from the business continuation plan in July 2016. The company is henceforth embarking on a new chapter – one of growth – which promises to be more difficult. We are initiating coverage with a Neutral recommendation and a Fair Value of EUR17.1.

- An end to restructuring. The history of MBWS is marked by disagreements between shareholders, issues surrounding the level of indebtedness notably linked to the acquisition of Marie Brizard in 2006 and, lastly, a legal proceeding launched in 2012 which was to culminate in a EUR532m debt for equity swap. However, the normalisation process is now complete and, having been rebaptised Marie Brizard Wine & Spirits, the company has a new Executive Committee and Board of Directors. Its shareholder structure has stabilised and the continuation plan has been completed.

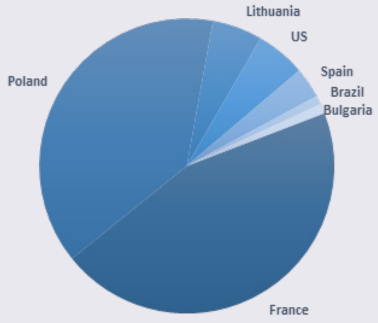
- The growth story is less convincing. We are forecasting 2018 sales of EUR480m, in line with the guidance (EUR450-EUR500m) but only thanks to the retention of the wholesale operations in Poland which had initially been slated for divestment. In our view, the organic performance for 2016-18 will not be enough for MBWS to achieve its objectives. The group is behind schedule in France and its targets in the United States, Spain and Poland are very ambitious. We are forecasting EBITDA of just EUR58m in 2018 versus the guidance of EUR67-EUR75m. We are confident on the rationalization and optimization components and their ability to generate a respective EUR3.5m and EUR25m but the weaker-than-expected growth is likely to represent an EBITDA shortfall of EUR9m.

- Limited upside. After a re-rating in 2014 and 2015, the shares have fallen by 22% in absolute terms since the beginning of the year due to the stock warrant exchange offer and uncertainties regarding the growth outlook. Our DCF-based valuation derives a Fair Value of EUR17.1, which points to 9% upside potential. We are initiating coverage with a Neutral recommendation

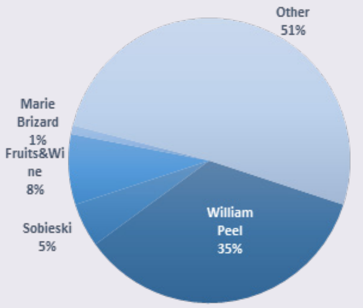
Analyst:
Virginie Roumage
33(0) 1.56.68.75.22
vroumage@bryangarnier.com

Sector Analyst Team:
Nikolaas Faes
Loïc Morvan
Antoine Parison
Cédric Rossi

Breakdown of group's sales by country



Breakdown of group's sales in France by brand



Company description

MBWS is a French wines and spirits group which is mainly exposed to France (45% of sales) and Poland (39% of sales). Its portfolio is made up of around thirty brands but four of them generate 46% of sales (Marie, Brizard, Sobieski, William Peel and Fruits & Wines)

Simplified Profit & Loss Account (EURm)	2013	2014	2015	2016e	2017e	2018e
Revenues	539,566	466,678	451,050	441,262	458,404	479,628
Change (%)	*-2.1%*	*-13.5%*	*-3.3%*	*-2.2%*	*3.9%*	*4.6%*
Adjusted EBITDA	0.0	5,146	11,219	18,224	33,555	58,179
Recurring EBIT	279	997	5,093	11,649	27,229	51,512
Change (%)	*-%*	*257%*	*411%*	*129%*	*134%*	*89.2%*
Financial results	226,170	(4,224)	(6,416)	(17,130)	(561)	(17,691)
Pre-Tax profits	190,432	(18,183)	(960)	(6,042)	19,539	44,127
Exceptionals	(36,017)	(14,956)	365	0.0	0.0	0.0
Tax	(272)	(44.0)	7,891	2,000	0.0	0.0
Minority interests	207	897	1,084	1,171	1,264	1,366
Net profit	190,467	(18,228)	6,931	(4,042)	19,539	44,127
Restated group net profit	226,277	(4,168)	5,484	(5,212)	18,274	42,761
Change (%)	*-%*	*-102%*	*-%*	*-195%*	*-%*	*134%*
Cash Flow Statement (EURm)						
NOPAT	279	999	(36,770)	7,793	27,229	51,512
Depreciation	NM	NM	NM	NM	NM	NM
Change in working capital	27,091	21,149	1,118	2,164	5,568	6,075
Capex, net	16,645	(4,370)	(9,017)	(8,825)	(9,168)	(9,593)
Dividends	106	0.0	0.0	0.0	0.0	0.0
Other	(57,148)	10,797	56,900	62,800	(6,000)	(22,000)
Net debt	(22,400)	(41,549)	(70,960)	(23,817)	(50,614)	(86,200)
Free Cash flow	64,032	30,153	(44,974)	9,957	32,797	57,587
Balance Sheet (EURm)						
Tangible fixed assets	51,653	42,922	51,929	56,137	55,333	54,152
Intangibles assets	141,886	140,832	135,198	137,902	138,513	139,136
Cash & equivalents	36,470	77,184	89,112	83,469	110,266	145,853
current assets	291,697	223,613	188,319	185,304	182,663	180,096
Other assets	11,353	4,844	2,410	5,770	5,885	6,003
Total assets	533,059	489,395	466,968	468,582	492,660	525,239
L & ST Debt	0.0	148,454	125,416	202,773	229,571	265,158
Others liabilities	311,674	142,544	146,551	34,505	11,958	(19,302)
Shareholders' funds	221,385	199,514	204,334	231,304	251,132	279,384
Total Liabilities	533,059	490,512	476,301	468,582	492,660	525,239
Capital employed	363,780	295,846	286,335	291,084	285,322	278,689
Ratios						
EBITDA margin	0.0	1.10	2.49	4.13	7.32	12.13
Recurring EBIT margin	0.17	0.68	3.20	2.64	5.94	10.74
Tax rate	0.0	0.0	0.0	0.0	0.0	0.0
Restated group net profit margin	41.94	(0.89)	1.22	(1.18)	3.99	8.92
ROE (after tax)	NM	NM	NM	NM	NM	NM
Net debt / EBITDA	NM	17.60	6.89	(1.31)	(1.51)	(1.48)
Gearing	(10.12)	(20.83)	(34.73)	(10.30)	(20.15)	(30.85)
Pay out ratio	0.0	0.0	0.0	0.0	0.0	0.0
Number of shares, diluted	25,027	32,429	26,506	27,739	28,187	28,187
Data per Share (EUR)						
Diluted EPS	7.60	(0.59)	0.22	(0.19)	0.65	1.52
Restated diluted EPS	9.04	(0.13)	0.21	(0.19)	0.65	1.52
% change	*-%*	*-101%*	*-%*	*-191%*	*-%*	*134%*
BVPS	8.45	5.82	7.26	7.98	8.55	9.56
FCF	2.56	0.93	(1.70)	0.36	1.16	2.04
Net dividend	0.0	0.0	0.0	0.0	0.0	0.0

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

Table of contents

1. Investment Case

Why the interest now?

The reason for writing now

The MBWS restructuring is now complete with the exit from the continuation plan in July 2016. The company is henceforth embarking on a new chapter – one of growth – which promises to be more difficult. France is behind schedule and our 2018 sales forecasts for the United States, Spain and Poland are below the guidance given for these three countries. Only the abandoned divestment plan for the Polish wholesale operations will enable MBWS to achieve its target of group's sales between EUR450m and EUR500m.

Cheap or Expensive?

Valuation

After a re-rating in 2014 and 2015, the shares have fallen by nigh-on 22% in absolute terms since the beginning of the year given the stock warrant exchange offer and uncertainties regarding the growth outlook. Despite this, our DCF-derived Fair Value of EUR17.1 points to 9% upside potential.

When will I start making money?

Catalysts

The update on the strategic plan on 12 December should be an opportunity to provide more detail on the growth component of the BIG 2.0 plan and to announce that the plan to divest the Polish wholesale operations has been abandoned.

What's the value added?

Difference from consensus

We are forecasting 2018 sales of EUR480m, 14% above the market consensus and in line with the company's guidance (EUR450-EUR500m). Our base case scenario is that the group will not divest its Polish wholesale operations, explaining this difference with the consensus. However, our EBITDA forecast is EUR58m, i.e. 10% below the consensus. We are confident in the rationalization and optimization components and their ability to generate a respective EUR3.5m and EUR25m but the weaker-than-expected growth is likely to represent an EBITDA shortfall of EUR9m.

Could I lose money?

Risks to our investment case

Governance issues are likely to emerge given the presence in the share capital of a number of industrial players (Diana Holding, Castel and La Martiniquaise) with potentially divergent interests. Inversely, our estimates could prove to be too cautious if the market conditions, particularly in France and Poland, were to show a material improvement.

2. Atypical positioning

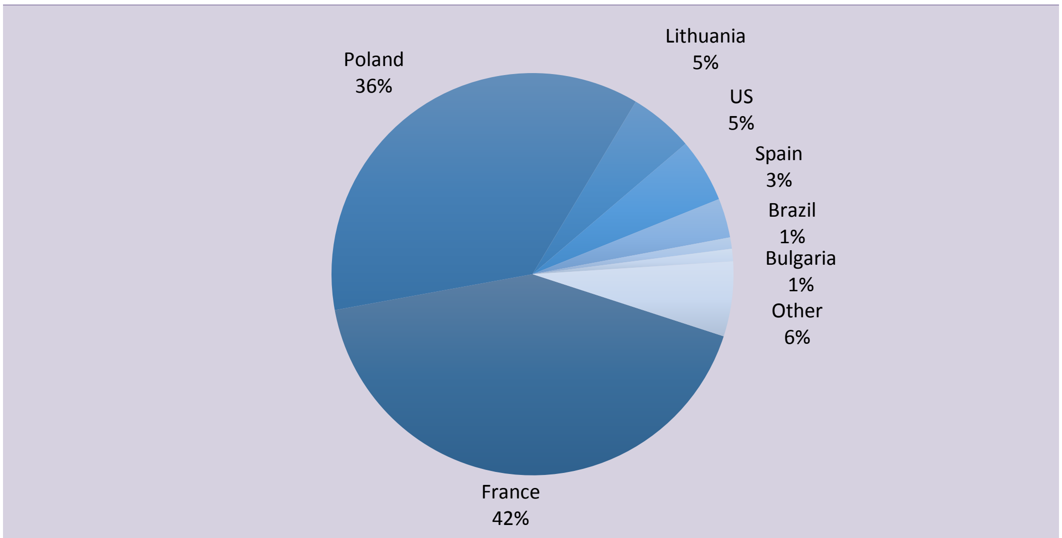
The group is a local player which is mainly exposed to France and Poland (2.1). Its portfolio is highly diversified in terms of categories and comprises some thirty brands, four of which contribute 46% of sales according to our estimates (2.2). The 'standard' price positioning is not shared by other listed companies (2.3).

2.1. A local player

France and Poland combined represent 78% of the group's sales

The group is mainly present in France (42% of sales) and Poland (36% of sales), the other geographical exposures being Lithuania (6%), the United States (5%), Spain (3%), Brazil (1%) and Bulgaria (1%).

Fig. 1: Breakdown of sales by country



Source: Marie Brizard Wine & Spirits

2.2. A highly-diversified portfolio

The four pillar brands: 46% of sales according to our estimates

The Marie Brizard portfolio comprises some thirty brands belonging to diverse categories: vodka, whiskey, port, pastis, gin, tequila, wines, liqueurs, absinthe, cachaça, etc. The company demarcates four pillar brands which represent 46% of sales according to our estimates.

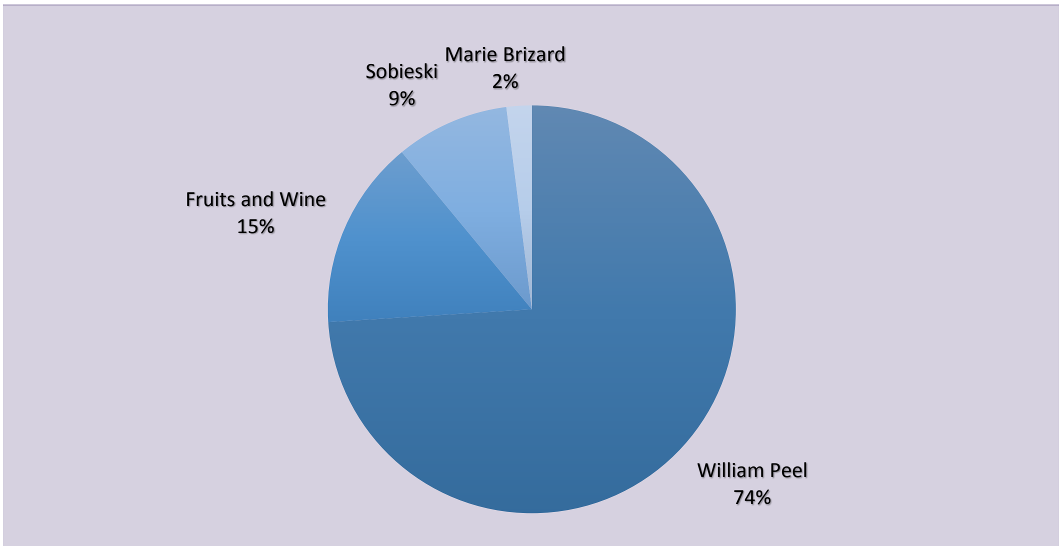
Fig. 2: The four pillar brands

Source: Marie Brizard Wine & Spirits

The blended scotch brand William Peel is the most important in terms of weight, accounting for 74% of pillar brand sales, followed by Fruits and Wine aromatised wines (15%), Sobieski vodka (9%) and Marie Brizard liqueurs (2%).

William Peel: 74% of pillar brand sales

Fig. 3: Breakdown of pillar brand sales, 2015



Source: Marie Brizard Wine & Spirits

The geographical diversification of pillar brand sales is low

The pillar brands are not present in all the group's key markets, with William Peel and Fruits and Wines mainly sold in France, the latter country representing a respective 95% and 98% of their sales. Sobieski is mainly exposed to the United States (45% of sales) and Marie Brizard to Spain (50% of sales).

Fig. 4: Breakdown of William Peel sales, 2015

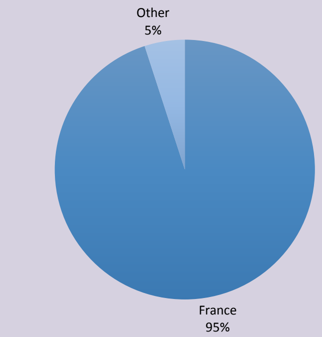


Fig. 5: Breakdown of Fruits and Wines sales, 2015

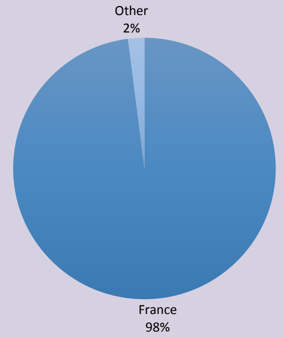


Fig. 6: Breakdown of Sobieski sales, 2015

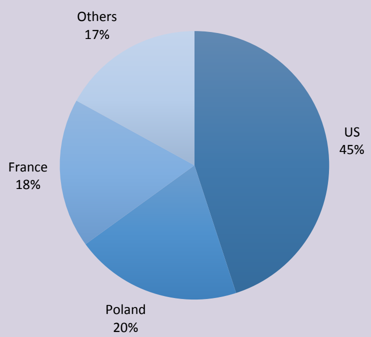
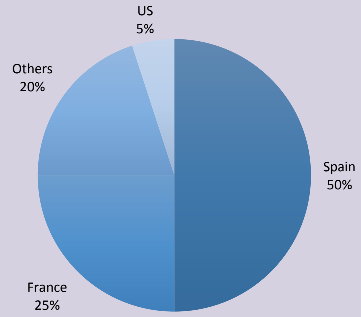


Fig. 7: Breakdown of Marie Brizard sales, 2015



Source: Marie Brizard Wine & Spirits, Bryan, Garnier & Co

Gautier cognac

Source: Marie Brizard Wine & Spirits

The expansion of the pillar brands into new geographies is a key objective of the strategic plan. William Peel has thus been launched in Lithuania, Bulgaria, Spain, Brazil and Poland. **Fruits & Wines** has been the subject of a successful launch in Canada, Poland and Spain and should now be rolled in the United States, Japan and the United Kingdom. The priority for **Marie Brizard** is expansion outside Spain with a focus on the United States, Asia-Pacific and Duty Free. The international diversification of the brand should be facilitated by the regrouping of the liqueur brands under one umbrella (e.g. Dubar by Marie Brizard and Marie Brizard by Dubar). The aim for **Sobieski** is to increase its weight in the United States, notably by concentrating the advertising spend on nine key States. The group is looking to achieve a market share of 10% in the imported vodka segment (i.e. its current market share in Michigan). **Gautier cognac,** which is destined to become the fifth pillar brand, was the subject of a global re-launch in 2016 and should now be rolled out in France, the United Kingdom, Canada, the United States and Duty Free. The brand should thus double its volumes and reach the million bottle mark, thereby becoming the 10th best-selling cognac worldwide compared with 20th position currently. In our view, the July 2015 sale by Suntory of the Royer cognac for a price approaching EUR100m has encouraged MBWS to develop Gautier which, despite suffering from a past lack of investment, has nonetheless twice been voted the 'World's Best Cognac'.

Fig. 8: Strategic plan objectives for the pillar brands

William Peel	Launch in Lithuania, Bulgaria, Spain, Brazil, Poland
Fruits and Wines	Launch in Canada, Poland, Spain, United States, Japan and the UK
Marie Brizard	Focus on the US, Asia Pacific and Duty Free
Sobieski	Increase the weight of the US as % of the brand's sales
Gautier	Launch in France, the UK, Canada, the US and Duty Free

Source: Marie Brizard Wine & Spirits

The remainder of the portfolio breaks down into branded wines (MonCigale, Eclat du Rhône, Domaine Menada, Tcherga, Bodega Marques del Puerto, etc.), **private labels** (vodka, wines) **and secondary spirits** (Old Lady's gin, Porto Pitters, Berger pastis, Gautier cognac, San José tequila, etc.).

2.3. Standard positioning

The low margins in 'standard' discourage the global leaders from positioning themselves in this segment

Marie Brizard is mainly positioned in the standard segment (91% of its sales and 87% of volumes), which is not common to the listed companies. This segment represents only 47% of Diageo and Pernod Ricard sales and 24% at Rémy Cointreau. These global leaders are very unlikely to increase their exposure to the standard segment in view of its low level of profitability, the EBITDA margin standing at around 15% versus 26% for premium.

Fig. 9: Breakdown of sales (in value) by price segment

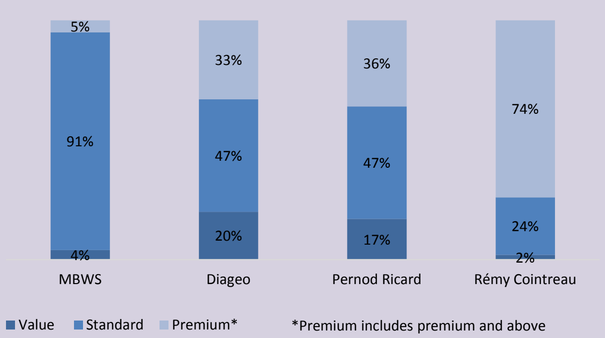
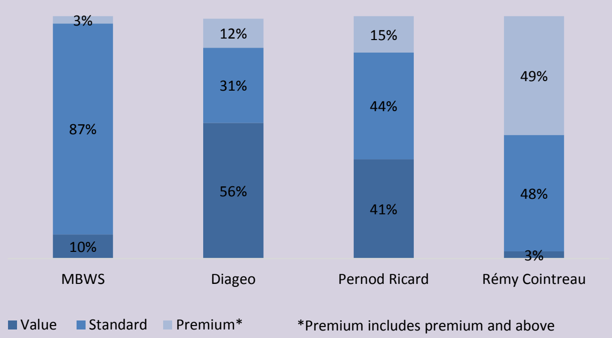


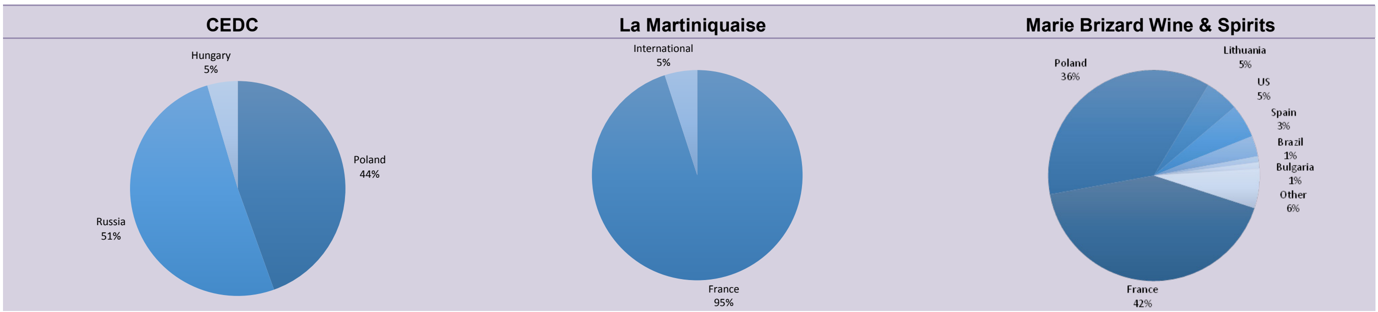
Fig. 10: Breakdown of sales (in volume) by price segment



Source: IWSR

The geographical diversification of the other standard segment players is lower than that of MBWS. CEDC operates only in Russia (51% of sales), Poland (44%) and Hungary (5%). Based on our estimates, La Martiniquaise is unlikely to generate more than 5% of its sales outside France.

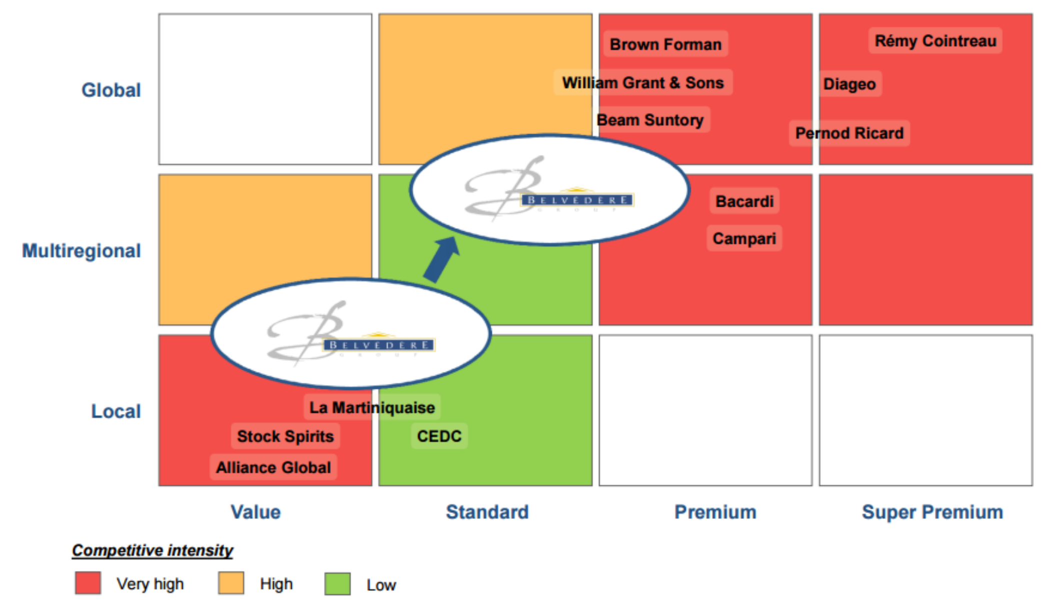
Fig. 11: Geographical sales breakdown for the groups with standard exposure



Source: Companies, Bryan, Garnier & Co

MBWS is not aiming to become a 'premium' player, this segment being considered too competitive and too costly. **Something resembling a move up market is nonetheless under way via** 1/ the launch of premium formats of existing brands (notably Sobieski and William Peel), 2/ an increase in exposure to the more profitable on-trade channel (cafés, hotels and restaurants) channel and 3/ a growth acceleration for the higher-margin pillar brands.

Fig. 12: Positioning of Marie Brizard (ex-Belvédère)



Source: Marie Brizard Wine & Spirits

3. The normalisation process now over

The company has had a troubled history (3.1), marked by disagreements between shareholders, issues surrounding the high level of indebtedness linked to the Marie Brizard acquisition in 2006 and, lastly, a legal proceeding launched in 2012 which was to culminate in a EUR532m debt for equity swap. However, the normalisation process is now over (3.2) and, having been rebaptised Marie Brizard Wine & Spirits, the company has a new Executive Committee and Board of Directors. Its shareholder structure has been stabilised and the business continuation plan completed.

3.1. A turbulent history

In 1991 in Beaune, Mssrs. Jacques Rouvroy and Krzystof Trylinski founded Euro Agro, a company specialised in the design and manufacturing of high-end bottles for vodka. Having been renamed Belvédère, the company was listed for trading on the stock market in 1997. **As of the 2000s, the two founders modified the strategy to include alcoholic beverage manufacturing in order to secure the end-to-end value chain. A number of acquisitions then ensued (wines and spirits) in Poland, Bulgaria and Lithuania.** Belvédère vodka was subsequently sold to LVMH in 2001.

The company Belvédère then embarked on a quest for a partner willing to back its external growth strategy. **Thus, in 2003, a conglomerate based in Trinidad & Togabo, CL Finance, entered the Belvédère share capital** by acquiring a 21% stake then continuing to add to its shareholding in the ensuing years. In 2005, CL Finance announced plans to bid for Belvédère, only to change its mind when **Mssrs. Jacques Rouvroy and Krzystof Trylinski opted to purchase Marie Brizard**, their aim being to diversify the categories in their portfolio (brands: Marie Brizard, William Peel whisky, Gautier cognac Moncigale wines), expand into Western Europe and distribute Marie Brizard products in Eastern Europe.

The acquisition of Marie Brizard in 2006 saw Belvédère's net debt/EBITDA ratio soar to 11x

After the acquisition of Marie Brizard, the net debt/EBITDA ratio soared to 11x. **CL Finance supported the transaction but finally proceeded to launch a bid, culminating in ownership of 68% of the Belvédère share capital.** The separation of the conglomerate and its historic shareholders, Mssrs. Jacques Rouvroy and Krzystof Trylinski, then become effective, the two men terminating their shareholder pact in early 2007.

In June 2007, CL Finance agreed to sell its shareholding in return for EUR345m, 4.8% of the share capital then being transferred to Orangina (purchaser of the Pulco and Sirop Sport brands) which agreed to hold the shares for a three-month period. Since it had not found another investor at the end of this period, Belvédère was obliged to buy back these shares. The group also had to undertake the purchase of the shares owned by V&S since the purchase of the Florida Distillers Company.

In 2012 a legal proceeding was launched, culminating in a EUR532m debt for equity swap

The company then owned more than 10% of its own share capital, contravening one of the clauses in the agreement with the OBSAR (bonds with redeemable warrants) and FRN debt holders who had helped finance the Marie Brizard acquisition in 2006. The latter then demanded the reimbursement of EUR473m, a sum that Belvédère was unable to pay. In 2008, the senior executives launched a business continuation plan scheduling the reimbursement of the debt over a ten-year period but Belvédère suspended its payments to creditors. **In 2013, agreement was reached on a EUR532m debt for equity swap.**

3.2. Significant progress

Having been rebaptised Marie Brizard Wine & Spirits, the company appointed a new Executive Committee and Board of Directors. The shareholder register has been stabilised and the business continuation plan is complete.

3.2.1. A new Executive Committee and Board of Directors

A Board of Directors chaired by an independent director

Five of the 11 members of the Board of Directors are independent: Mr Herault, Ms. Benqué, Ms. Mondollot, Mr. Ghiot and Mr. de Belair. **The Board of Directors has made a commitment to the Board remaining chaired by an independent director and this post has been occupied by Mr. Benoit Hérault since 2014.** He contributed to the appointment of **Mr. Jean-Noël Reynaud** in April 2014.

Mr. Raynaud was previously Deputy Managing Director of Lactalis Europe. He has experience of Eastern Europe (Coca-Cola beverages Ukraine, Lorenz Bahlsen Snack world) and of the spirits industry (14 years at Rémy Cointreau). **He has a solid restructuring track record, having headed up Rémy Cointreau's operations in Latin America/Central Europe and Bahlsen in Central Europe.** In 2014, Mr, Reynaud notably focused on establishing a new management team including professionals with strong industry or organisational reputations. Financial control and human resources have been completely reorganised.

Jean-Noël Reynaud: a CEO recognised for his restructuring skills

Senior executive remuneration is mostly tied to the success of the strategic plan, with 480,000 stock options having been distributed to 26 senior executives, of which 110,000 to Mr. Reynaud. Each stock option confers the right to purchase one share at a price of EUR10.64. Most of the stock options may not be exercised before 2018 and a number of performance criteria must be met.

The founders no longer occupy functions within the company, Mr. Trylinksi having stepped down as Chairman of the Board of Directors in September 2014.

3.2.2. A stabilised shareholder structure

In September 2014, Diana Holding acquired 5.8% of the Marie Brizard share capital. Diana Holding is the leading wine producer and the seventh-largest industrial company in Morocco, realising 3 billion dirhams of sales (EUR280m) and, since April 2014, headed by Ms. Rita Maria Zniber, the wife of the founded Brahim Zniber.

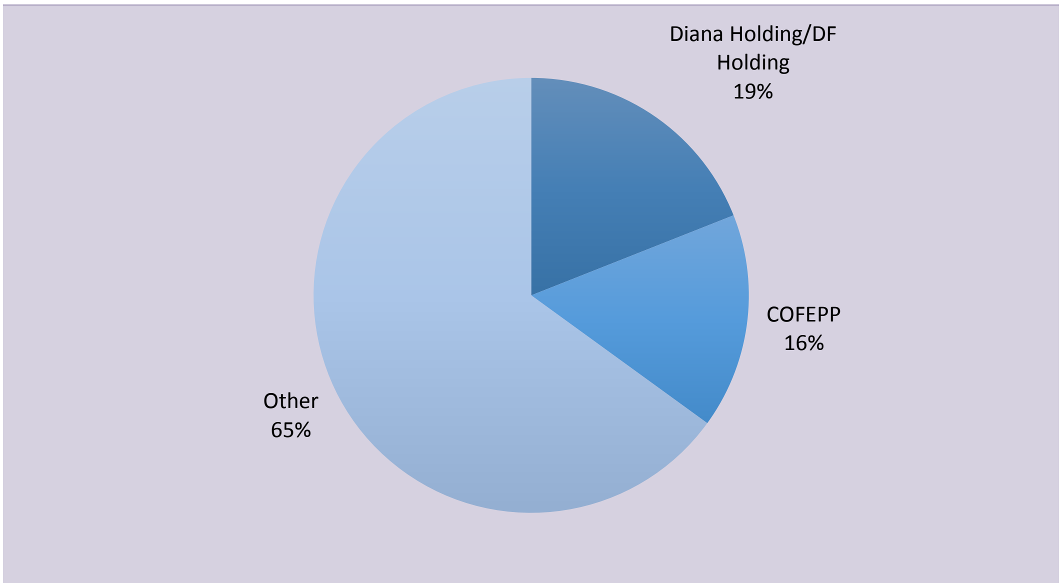
A shareholder structure comprising three wine and spirits industry players

In May 2015, the company DF Holding controlled by the Castel family acquired a 5.7% stake in Marie Brizard before declaring that it was acting in concert with Diana Holding. In our view, the arrival of DF Holding in the MBWS share capital was mainly motivated by a wish to assist Diana Holding, the Castel and Zniber families maintaining close relations.

In June 2015, the two shareholders called for the resignation of four independent Board directors, a proposal that was rejected by the shareholders at the General Shareholders' Meeting. The meeting was held after the acquisition of **5.1% of the capital of MBWS by the company COFEPP, controlled by the Cayard family. The latter heads up La Martiniquaise**, the number two player in the French spirits industry whose sales are estimated at EUR1bn. Its key products are the Scotch whisky Label 5, a competitor to William Peel in France with an 11% market share, and Poliakov vodka, the leader in France with a market share of 37%. The group is also present in the rum market with its Old Nick and Saint James brands given the merger with Bardinet in 2009. Mr. Jean-Pierre Cayard has said that he has no plans to take control of Marie Brizard but rather to work on potential partnerships in terms of procurement and industrial processes.

Diana Holding and DF Holding currently own 19% of the share capital and COFEPP 16%.

Fig. 13: Shareholder breakdown



Source: Marie Brizard Wine & Spirits

Over the long-term, development in Africa and in specialised retail chains in France (Nicolas, Le Repaire de Bacchus)

The development of MBWS in Africa should be facilitated by the presence of Diana Holding and Castel in the share capital. In France, the group could gain access to the specialised retail chains, Nicolas and Le Repaire de Bacchus. Nicolas, which numbers some 500 stores in France, is owned by the Castel group. It is difficult to envisage brands like Sobieski and William Peel, which are not difficult to find in supermarkets, being sold in this specialised, premium network but the positioning of the Marie Brizard liqueur and Gautier cognac could be a good fit. La Martiniquaise owns the La Repaire de Bacchus chain (around 30 stores in France) through which MBWS could market its wines.

3.2.3. Exiting the business continuation plan

The business continuation plan had been expected to be concluded in 2020 once MBWS had finished reimbursing its creditors. It did not prevent the development of the company but did constitute **a brake on the day-to-day management** since numerous decisions needed to be approved by the Dijon Commercial Court. Furthermore, it made it **impossible to distribute dividends or make acquisitions, while damaging MBWS's reputation** with banking institutions, suppliers and local authorities.

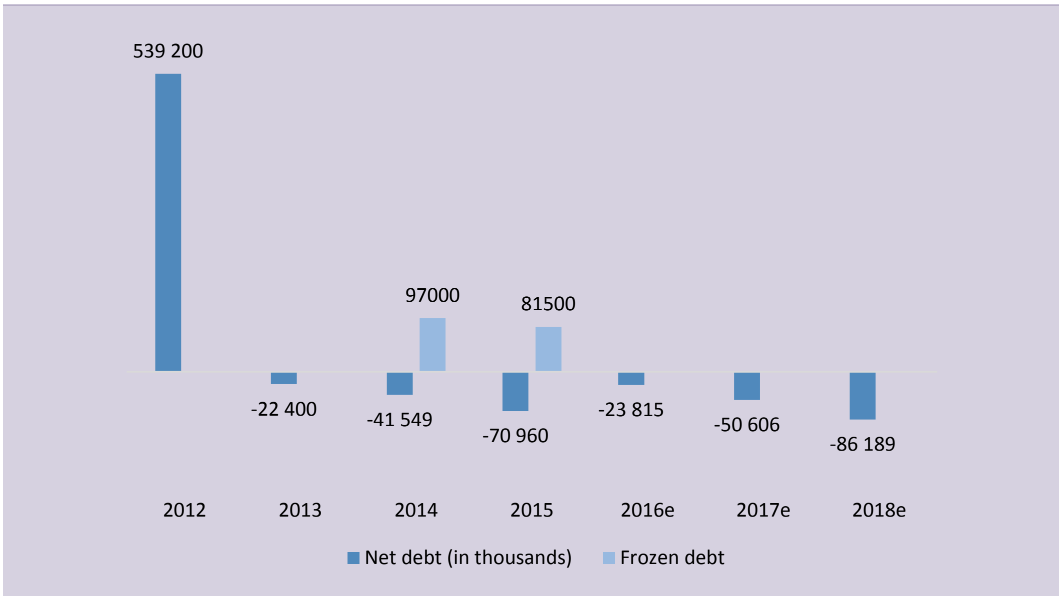
The normalisation of the group was concluded with the exit from the business continuation plan in July 2016

In October 2015, an agreement was reached ending the dispute between MBWS and the French tax authorities concerning the deductibility of the interest charge on the FRN debt. By virtue of this agreement, the group obtained tax relief of EUR20.4m and, in return, agreed to **begin the process of early exit from the business continuation plan of its French subsidiary Marie Brizard Wine & Spirits France. This exit was confirmed in March 2016, preceeding the group's full exit from the continuation plan in July of the same year,** enabled by the settlement of the last significant dispute (between MBWS and the company Chamarré) and the reimbursement of the frozen debt, i.e. EUR81.5m at the end of 2015. **The last stage in the normalisation of the group had been concluded.**

To finance the reimbursement of the frozen debt, Marie Brizard contracted a bank loan for the sum of EUR62.5m in May 2015 and launched a stock warrant exchange offer. Concretely, the bank issued BSA 2016s to replace the BSA 2004s, BSA 2006s, BSA Actionnaires 1, BSA Actionnaires 2 and BSA OS previously in issue. The holders had until the end of March 2016 to exercise their BSA 2016s at a price of EUR20 and obtain, in exchange, one new Marie Brizard Wine & Spirits share with a BSAR 2023 attached whose exercise price is EUR25. After 31 March 2016, they reserved the right to subscribe for one Marie Brizard Wine & Spirits share at EUR20 until the end of 2016, but without the option of obtaining a BSA 2023. **This transaction led to the issuance of 1.8m new shares (i.e. dilution of 6.8% and a 70% success rate) and cash proceeds of EUR36m. 1.6 million BSAR 2023s were issued,** potentially leading to 5.8% dilution in future.

The group is now in a much stronger financial position. At the end of 2016, the group should have EUR24m of cash following the reimbursement of the EUR81.5m of frozen debt, the EUR36m of cash proceeds from the stock warrant exchange offer (BSAs) and the proceeds on real estate sales in Poland (estimated at EUR12m) which should be received in H2 2016.

Fig. 14: Trend in net debt



Source: MBWS, Bryan, Garnier & Co

Acquiring exposure to rum is a priority objective

MBWS thus has the financial resources to make acquisitions, which it is prioritising over dividends. We understand that the group would like to acquire the rum brand it currently lacks in that rum is the number three category after whisk(e)y and pastis in its leading market, France. The attraction would also be to dispose of as comprehensive an offer as possible for distributors at global level. **A rum from the French overseas territories would be the option of choice,** in terms of both taste (French consumers are familiar with it) and fiscal advantage. Since rums from the French overseas territories benefit from a 50% exemption from excise duties, their price is very competitive.

The group envisages adopting an asset light model and thus does not consider the need for a distillery to be attached to the brand as a condition precedent to the negotiations.

3.2.4. Other aspects of the normalisation process

- In July 2014, Marie Brizard Wine & Spirits exited the Euronext Paris Special Compartment and returned to Compartment B. The stock was included in the EnterNext PEA-PME 150 index.

- The 2014 accounts were approved without qualification for the first time in six years by Mazars and Renart Guion et Associés.

- The group implemented a process involving the daily tracking of sales, WCR, financial liquidity and a quarterly budget review.

- The accounting policy is now conservative. Taxes are currently included in sales (in line with industry practice) and are now based on volumes sold as opposed to volumes produced. Sales in the United States are net of commercial discounts and other benefits.

- In June 2015, the group changed its name to Marie Brizard Wine & Spirits in order mark a break with Belvédère's troubled history and avoid any confusion with the vodka now owned by LVMH.

- The financial disclosure is more detailed and easier to read. MBWS now supplies the breakdown of its organic growth by country.

4. Sluggish growth

We are forecasting 2018 sales of EUR480m which is in line with the guidance (EUR450m-EUR500m) but only thanks to the retention of the wholesale operations in Poland. In our view, the organic performance over 2016-18 will not enable MBWS to reach its objectives. The group is behind schedule in France and its targets in the United States, Spain and Poland are very ambitious (4.1). We expect EBITDA of only EUR58m in 2018 versus the guidance of EUR67m-EUR75m. We are confident of the rationalization and optimization components and their ability to generate a respective EUR3.5m and EUR25m but the weaker-than-expected growth is likely to represent an EBITDA shortfall of EUR9m (4.2).

4.1. Sales of EUR480m in 2018

In November 2015, Marie Brizard Wine & Spirits gave an update on its strategic plan for the 2015-18 period, originally unveiled in December 2014. All the financial targets were revised upwards. In terms of sales, the group is currently targeting between EUR450m and EUR500m, compared with between EUR420m and EUR460m previously. A breakdown by country was disclosed.

Fig. 15: 2018 par pays

	Guidance	BG estimate
Group	EUR450-500	480
France	>EUR200m	196
Poland_core	>EUR100m	84
United States	>EUR50m	30
Lithuania	>EUR25m	24
Spain	>EUR25m	18

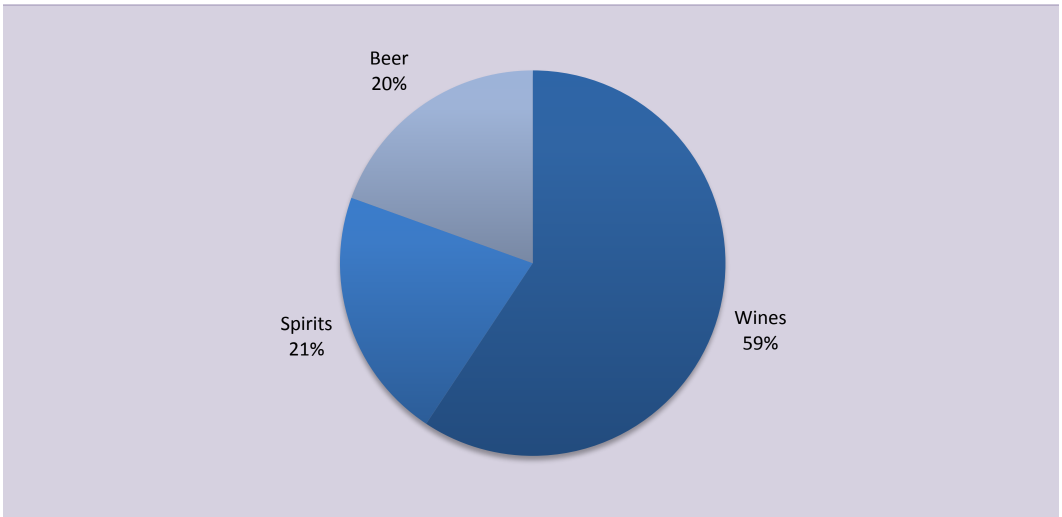
Source: Marie Brizard Wine & Spirits

Our sales forecast for 2018 is EUR480m. This is in line with the guidance (EUR450m-EUR500m) but only thanks to the conservation of the wholesale operations in Poland. In our view, the organic performance over 2015-18 is unlikely to enable MBWS to achieve its objectives. The group is behind schedule in France and its targets in the United States, Spain and Poland are very ambitious.

4.1.1. A disappointing performance in France

MBWS's sales in France are equally split between spirits and wines. The latter represent 59% of the market (in volume) ahead of spirits and (21%) beer (20%).

Fig. 16: Breakdown of alcoholic beverage consumption in France in volume, 2015



Source: French Spirits Federation

The number one brand in France is William Peel (35% of sales)

France is the leading whisk(e)y market in the world. The catetory represents 39% of alcoholic beverage volumes consumed in the country. **35% of MBWS sales in France is generated by its whiskey William Peel.** Fruits and Wines and Sobieski represent a respective 8% and 5% of French sales.

Fig. 17: Breakdown of spirits consumption in France in volume, 2015

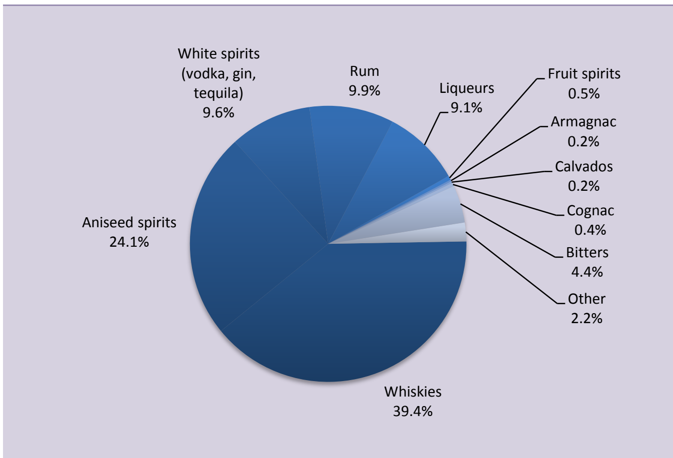
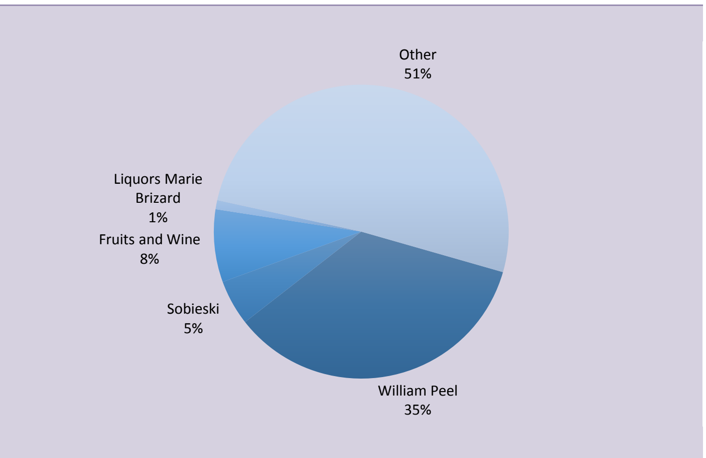


Fig. 18: Breakdown of MBWS sales in France by brand, 2015



Source: French Spirits Federation Marie Brizard Wine & Spirits

The French market is characterised by significant price elasticity, explained by the fact that it is dominated by the standard segment (42% of the market). In the update to its strategic plan in December 2015, the company indicated that the latter should realise 57% of the market growth (in volume) over the next four years. **The group is thus rather well positioned,** enabling it to acquire a dominant position despite the low level of past investment. **It is number three in wines and spirits** behind **Pernod Ricard and La Martiniquaise.** In whisk(e)y, it is number one with William Peel which has a 24.5% market share in volume and is considered as a flagship product by the large retailers. Fruits & Wines is also the number one in aromatised wines, its market share standing at 29.6%. The brand was launched in 2010 to meet the demand for inexpensive ready-to-drink beverages with a low alcohol content. The deceleration in the aromatised wines market is partially offset by automatic distribution gains (ending of the distribution of small brands). Sobieski has reached second position in the French vodka market (market share: 14.7%) behind Poliakov, which was one of the objectives of the BIG 2018 plan unveiled in December 2014. The group has also inherited powerful niche brands in France. It is thus number one in tequila with San José (market share: 42%) and the number three in gin with Old Lady's (market share: 5%). The group continues to outperform relative to competitors with its brands William Peel and Sobieski making market share gains of 90bps and 310bps respectively in the first nine months of the year.

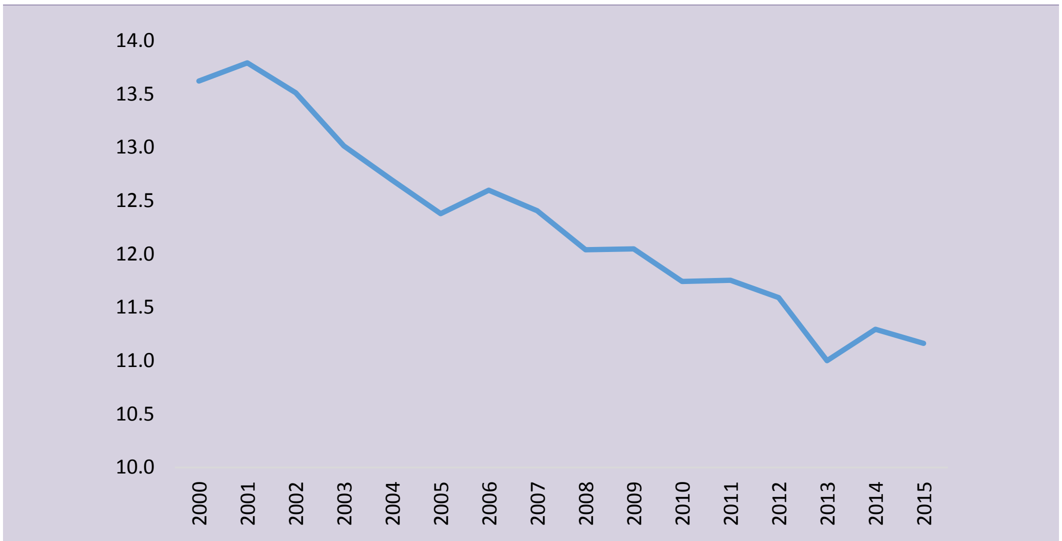
MBWS is n°1 in whiskey, flavoured wines and tequila, and n°2 in vodka

The aim is to generate sales of EUR200m in France by 2018, driven by 1/ **a 50% increase in advertising expenditure** between 2015 and 2018, and particularly advertising dedicated to the strategic brands, 2/ **innovation** notably via the launch of premium formats of William Peel (William Peel Double Maturation) and Sobieski (Sobieski Estate), 3/ **the progressive revitalisation of second-line brands** like San José (creation of a premix, etc.) and Old Lady's and 4/ **the development of the CHR** (cafés, hotels, restaurants) channel with Marie Brizard, Sobieski and Gautier.

However, the group delivered a disappointing performance in 2015 and 9M 2016 in a difficult market. Since the early 2000s, alcohol sales in France have fallen by 18% to 11.2 litres of pure alcohol per capita in 2015.

An 18% fall in alcohol volumes between 2000 and 2015

Fig. 19: Alcohol sales (in volume) per capita in France in 2015

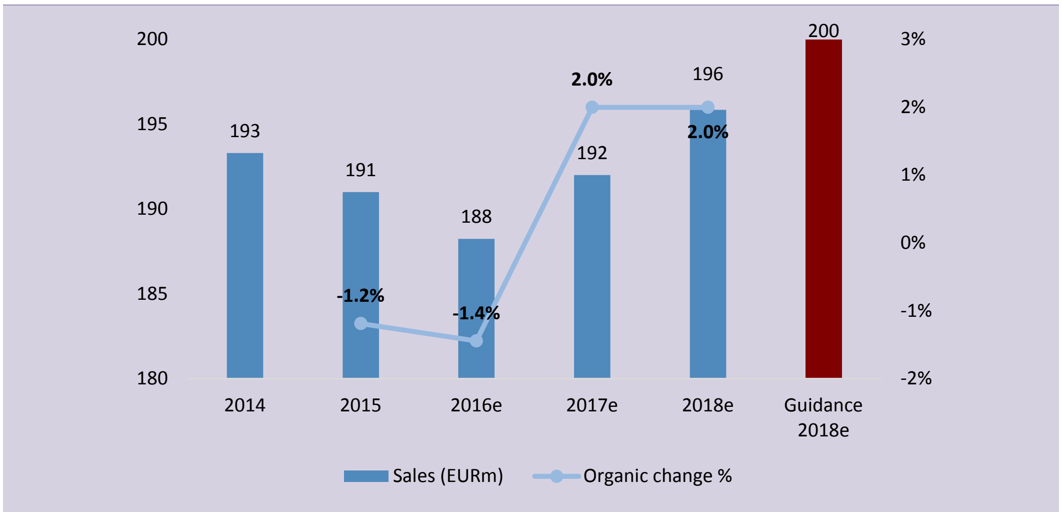


Source: INSEE

The power gained by the large retailers is having a very negative impact on the activity of spirits companies. Three mergers between purchasing groups took place in 2014: Système U and Auchan in September, Intermarché and Casino in October, and Carrefour and Cora/Match in December. According to Kantar Worldpanel, 92% of the sales of mass market and self-service chilled products now come from the four leading French purchasing groups. **In addition to these difficult market conditions, in 2015 the group fell behind schedule on the implementation of the strategic plan.** The new commercial structure for the on-trade channel only become effective as of Q1 2016 given the significant slowdown in this channel in the wake of the November 2015 terrorist attacks. In the second quarter, sales were penalised by unfavourable weather conditions which had a material impact on the sale of Fruits and Wines rosé wines and private labels (the latter accounting for 38% of sales in the country).

According to our forecasts and on an organic basis, sales are likely to decline by 1.4% in 2016 before increasing by 2% in 2017 and 2018. This is relatively optimistic considering the past performance (-1.2% in 2015 and -2.8% in 9M 2016) and the market trends and, despite this, we derive a sales figure of EUR196m in 2018, slightly below the group's guidance (>EUR200m).

Fig. 20: France: sales (EURm)



Source: Marie Brizard Wine & Spirits

Krupnik

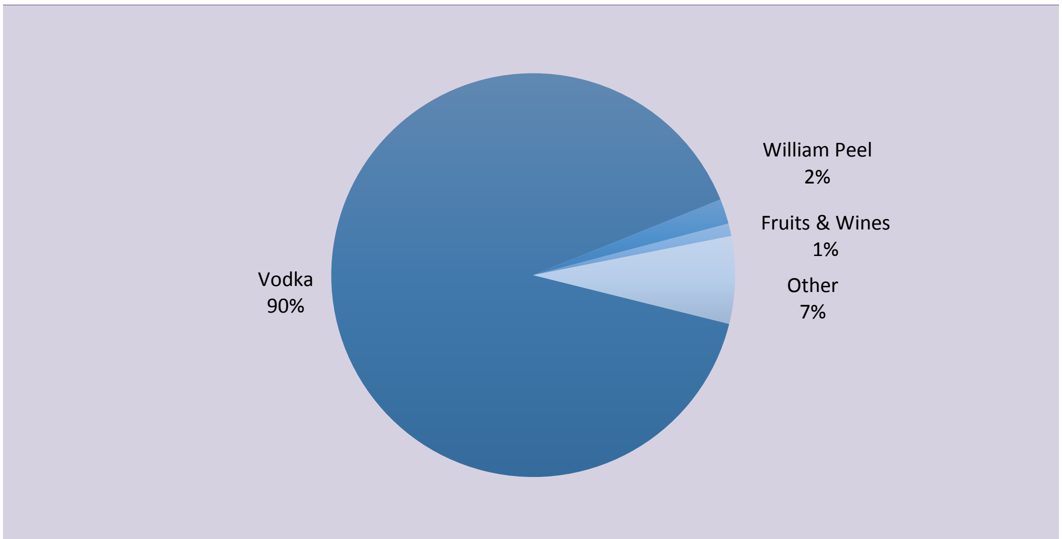
Source: Marie Brizard Wine & Spirits

4.1.2. Very ambitious guidance for Poland, Spain and the United States

In 2015, the non-core activities contributed 60% of sales in Poland. They currently comprise only wholesale activities, the retail operations having been sold to Carrefour in May 2015. They generate sales of under EUR10m but a zero operating result.

In Poland, vodka ranks number two in terms of alcoholic beverage consumption after beer and is the leader in the spirits segment, accounting for 73% of the spirits market in value (78% of volumes). **MBWS generates 90% of its Polish sales from vodka, most of which from Krupnik (75% of sales).** The remainder comes from Sobieski, Biala Dama, and Starogardzka. This portfolio enables the company to cover all the price segments (value, standard, premium, super premium).

Fig. 21: Breakdown of MBWS sales in Poland, 2015

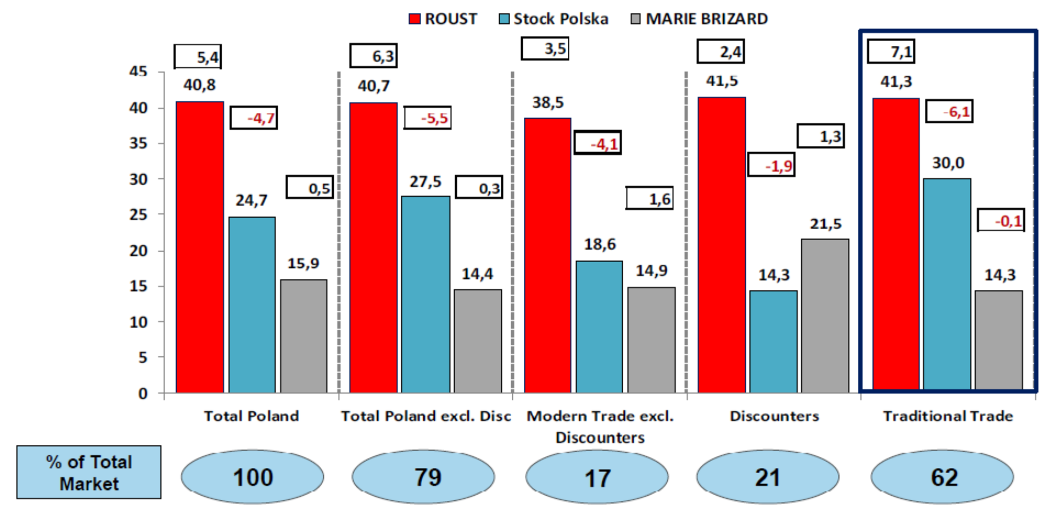


Source: Marie Brizard Wine & Spirits

Krupnik is the number three vodka in the Polish market

The standard segment represents 29% of the Polish market and should generate 76% of the volume growth there over the next four years. **The positioning of the group is thus well adapted in Poland and the group is number three in the market.** Its market share in value terms is 16% behind CEDC (41%) and Stock Spirits (25%). Having briefly regained the number two position, the Krupnik vodka brand currently ranks number three behind Zubrowka and GZ Czysta De Luxe. One of the objectives of the strategic plan is to make it the number two vodka brand in Poland.

Fig. 22: Market share of the main players in the Polish market at end June 2016

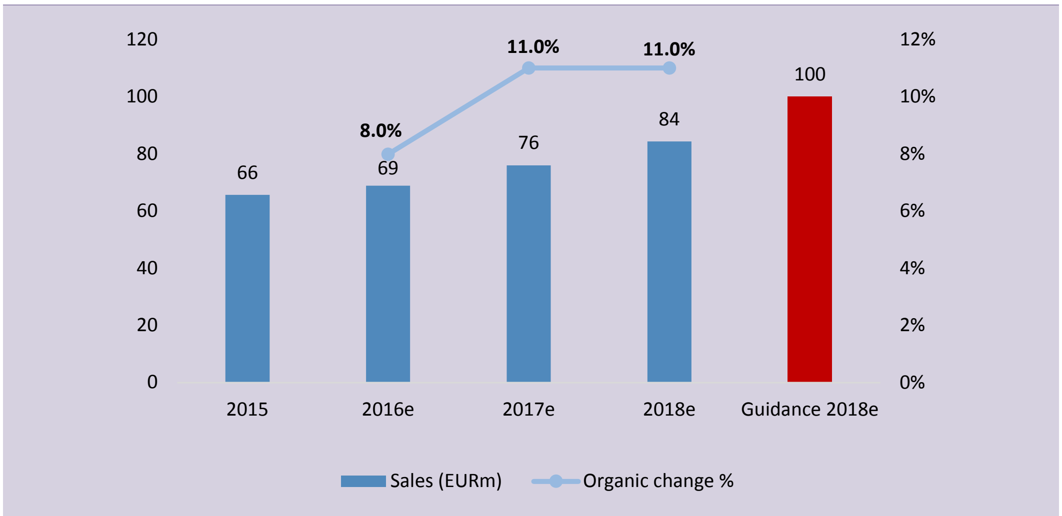


Source: Roust

In Poland, the group is currently targeting more than EUR100m of sales from its core businesses (>EUR80m previously), i.e. growth of 52% between 2015 and 2018. This performance should be achieved thanks to: **1/ a 50% increase in advertising expenditure between 2015 and 2018**. **2/ the reinforcement of Krupnik distribution and an increase in the proportion of aromatised spirits,** the latter representing 20% of the total vodka volumes sold in Poland but only 7.7% of Krupnik volumes. At present the brand has a 4.5% market share in the aromatised segment. Note that they are accretive for margins given their around 20% lower alcohol content. **3/ the deployment of Fruits and Wines but also of William Peel,** targeting a 10% market share in scotch whisky in 2018 (1.7% currently in volume terms). This is in line with the recent consumption trends marked by a steady decline in vodka sales and growth in those of whiskey and drinks with lower alcohol content like wines, beer and RTDs. **4/ the relaunch of Sobieski in early 2017** with a new bottle design and increased advertising support.

In Poland, the core business activities posted a 9.7% organic increase in sales for 2015 and 6.1% over the first nine months of 2016, underpinned by the increased momentum for the pillar brands William Peel and Fruits & Wines and the spectacular growth of aromatised Krupnik. **Assuming that this strong trend continues (+11% in Q4 2016 and in 2017 and 2018), our forecasts show sales for these core business activities reaching EUR84m in 2018, below the group's guidance.**

FIG. 23: Poland: sales (EURm)



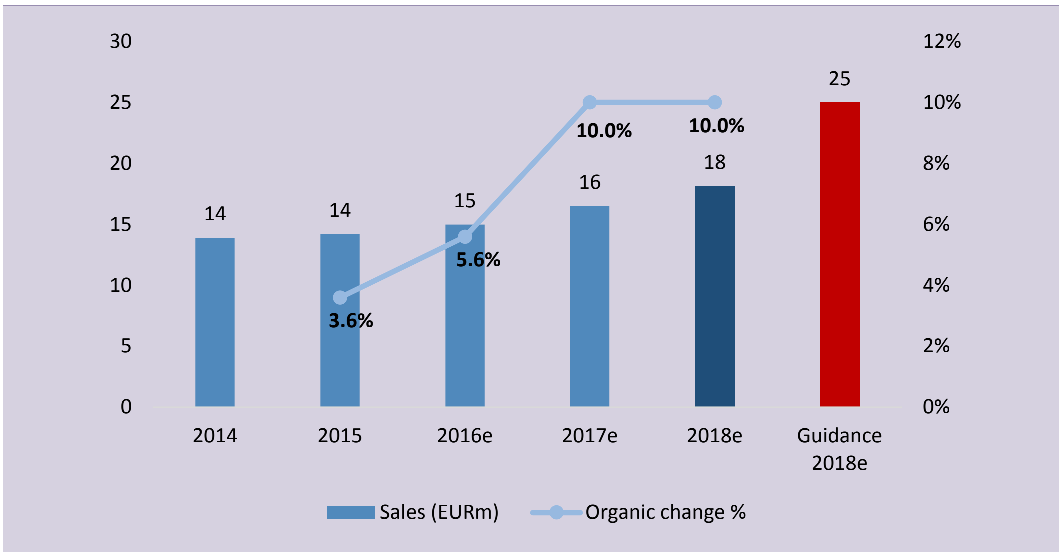
Source: Marie Brizard Wine & Spirits, Bryan, Garnier & Co

In Spain, the aim is to generate 2018 sales of above EUR25m via 1/ a 200% increase in advertising expenditure between 2015 and 2018, in particular on Marie Brizard, 2/ the development of Shotka and Fruits and Wines, 3/ strengthening relationships with the leading retailers and notably with Mercadona, by the supply of private label 4/ the rejuvenation of the Marques del Puerto brand and 5/ growth in cross-border sales. **In the United States, the group has identified three levers which should enable it to generate sales higher than EUR50m in 2018**: 1/ an 150% increase in advertising expenditure between 2015 and 2018, 2/ repositioning for the Sobieski vodka, notably by developing its Polish image/'craft' credentials, 3/ the launch of a premium format (Sobieski Estate) and of Fruits and Wines, Shotka and Marie Brizard.

The group's overall performance in these countries is satisfactory. In **Spain**, the group posted a 3.6% increase in sales for 2015 and 4.3% over the first nine months of 2016, notably thanks to the remodelling of the commercial strategy. **The United States** were impacted by destocking in 2015 and distribution changes (wholesaler mergers) in H1 2016. But sales (on a constant scope and currency basis) increased 3.6% in 9M 2016 after a 3.5% drop last year.

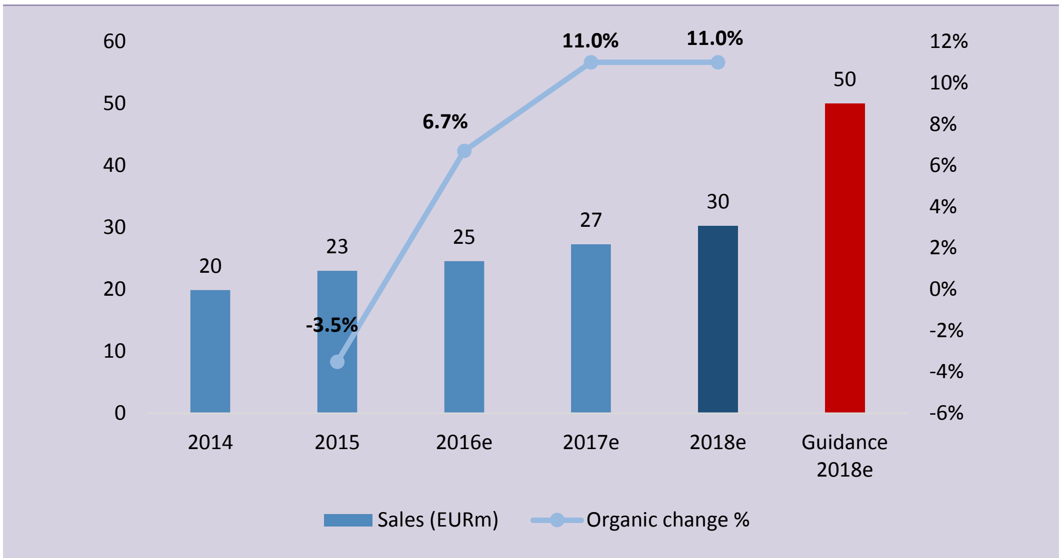
The group's guidance is, however, overly ambitious. In 2017 and 2018, we are forecasting annual growth of 10% in Spain and 11% in the United States. This is already relatively optimistic considering that the US and Spanish markets are expected to grow by a respective 4% and 5% and, despite this fact, we arrive at sales of only EUR18m in Spain and EUR30m in the United States, well below the targets set by MBWS.

Fig. 24: Spain: sales (EURm)



Source: Marie Brizard Wine & Spirits

Fig. 25: United States: sales (EURm)



Source: Marie Brizard Wine & Spirits

4.1.3. Sales forecasts

We expect MBWS sales to decline by 0.2% over the year (on a constant currency and scope basis), mainly due to a 6.3% fall in the non-core activities which are in the restructuring process. **The group seems to have abandoned plans to divest the Polish wholesale operations.** The group's profitability is not impacted since they will no longer be loss-making by the end of 2016. The preservation of these operations is mainly for defensive reasons: Mr. Luis Amaral who entered the Stock Spirits share register in May 2016 is the owner of Eurocash, the leading Polish wholesaler. It also facilitates the deployment by MBWS of William Peel and Fruits and Wines in Poland.

Our 2018 sales forecast stands at EUR480m. This is in line with the guidance (EUR450m-EUR500m) thanks to the retention of the wholesale activities in Poland. In our view, the organic performance in 2016-18 is unlikely to enable MBWS to achieve its objectives. The group has fallen behind schedule in France and its targets in the United States, Spain and Poland are very ambitious.

Fig. 26: Sales by division

	2015	2016e	2017e	2018e
Group				
Sales (EURm)	**451**	**441**	**458**	**480**
% reported	-3.3%	-2.2%	3.9%	4.6%
% perimeter	-3.0%	-0.8%	0.0%	0.0%
% FX	0.7%	-1.3%	-0.2%	0.0%
% organic	**-1.0%**	**-0.2%**	**2.4%**	**4.6%**
France				
Sales (EURm)	**191**	**188**	**192**	**196**
% reported	-1.2%	-1.4%	2.0%	2.0%
% perimeter	0.0%	-0.1%	0.0%	0.0%
% organic	**-1.2%**	**-1.4%**	**2.0%**	**2.0%**
Poland				
Sales (EURm)	**66**	**69**	**76**	**84**
% reported		4.8%	10.4%	11.0%
% perimeter		0.0%	0.0%	0.0%
% FX		-3.2%	-0.6%	0.0%
% organic		**8.0%**	**11.0%**	**11.0%**
Lithuania				
Sales (EURm)	**23**	**23**	**23**	**24**
% reported	5.2%	5.2%	5.0%	4.9%
% perimeter	-2.4%	-1.3%	0.0%	3.0%
% organic	**6.9%**	**-0.4%**	**0.0%**	**3.0%**
US				
Sales (EURm)	**23**	**25**	**27**	**30**

% reported	15.6%	6.3%	11.2%	11.0%
% perimeter	0.0%	-0.4%	0.0%	0.0%
% FX	19.1%	-0.4%	0.2%	0.0%
% organic	**-3.5%**	**6.2%**	**11.0%**	**11.0%**
Spain				
Sales (EURm)	**14**	**15**	**16**	**18**
% reported	2.2%	5.6%	10.0%	10.0%
% perimeter	-1.4%	0.0%	0.0%	0.0%
% organic	**3.6%**	**5.6%**	**10.0%**	**10.0%**
Brazil				
Sales (EURm)	**4**	**4**	**4**	**4**
% reported	-19.6%	1.8%	2.0%	4.0%
% perimeter	0.0%	0.0%	0.0%	0.0%
% FX	-13.7%	-9.7%	0.0%	0.0%
% organic	**-6%**	**9%**	**2%**	**4%**
Others				
Sales (EURm)	**32**	**32**	**33**	**36**
% reported	-6.5%	0.4%	5.0%	8.0%
% perimeter	-8.3%	-0.3%	0.0%	0.0%
% FX	0.0%	-0.3%	0.0%	0.0%
% organic	**1.8%**	**1.0%**	**5.0%**	**8.0%**
Non-core activities				
Sales (EURm)	**98**	**86**	**86**	**87**

Source: Marie Brizard Wine & Spirits, Bryan, Garnier & Co

4.2. EBITDA of EUR58m in 2018

During the update to its strategic plan, MBWS revised up its EBITDA guidance for 2018, and is now targeting EUR67m-EUR75m compared with EUR50m-EUR70m previously. The margin is expected to stand at 15% (vs 12%-15%). The group continues to leverage the three components of the plan, namely growth, optimization and rationalization. Whereas it currently foresees only a EUR3.5m gain from the rationalization of non-strategic assets (EUR6.5m has already been saved), it has upgrded its targets in terms of growth. The resulting additional EBITDA amounts to EUR28m-EUR36m versus EUR20m-EUR30m previously. Optimization efforts should contribute EUR25m.

Fig. 27: EBITDA targets

	BIG 2018	BIG 2.0
EBITDA	**50-70**	**67-75**
Constituents:		
Growth	*20-30*	*28-36*
Optimization	*20-30*	*25*
Rationalization	*10*	*3.5*

Source: Marie Brizard Wine & Spirits

The EUR3.5m increase in EBITDA due to rationalization comes mainly from the restructuring of the wholesale activities in Poland which should materialise in H2 2016. The group has already abandoned unprofitable contracts and regrouped a number of functions (notably the back office operations). **In terms of optimization, five levers should enable the generation of the additional EUR20m of EBITDA:**

- **Modernisation of the industrial sites**. In 2015, Marie Brizard thus reconfigured the Moncigale logistics networks, modernised the Beaucaire industrial site, transferred part of its liqueurs manufacturing from Bordeaux to Zizurkil and finished adapting the industrial equipment in Lithuania. There had effectively been a real shortfall in efficiency in vodka manufacturing in Eastern Europe, the vodka having been distilled in Lithuania before being rectified in Poland then bottled in Lithuania.

- **A reduction in direct procurement costs.** The procurement contracts for dry and liquid products have been the subject of a first wave of renegotiations. MBWS has also reached an agreement with La Martiniquaise whereby 50% of their scotch procurement will be realised with their shareholder as of 2019 (contracts still apply for 2016-18). Previously the company had secured its procurement of three-year-old whisky (required to obtain the appellation) from brokers. The company does not wish to exceed 50% to be able to preserve the taste of the products and to avoid being too dependent on just one supplier. More savings are possible thanks to the presence of industrial shareholders in the share capital: implementation of a common procurement strategy, concessions on bottling contracts and the securing of port procurement from La Martiniquaise, etc.

- **An improvement in the distribution network.** A reorganization of the export markets is under way, involving a review of distributors, the alignment of practices in key markets and the appointment of senior executives in Asia and in Duty Free. The United States are a priority. MBWS has decided to concentrate its advertising spending on nine key States which account for 50% of its sales while maintaining a distribution network at national level. The company is also seeking to optimize the fixed costs structure via the distribution of third-party brands. A new commercial director has been appointed.

- **Streamlining the operations.** A rationalization of references is under way for all product categories and has already been completed for the Marie Brizard liqueur in France. At present, 1% of this brand's sales is generated by 20% of the references, in line with industry practices, whereas previously this percentage had reached 50%. Since the beginning of the year, some number of recipes have been in the reformulation process, notably for vodka.

- **An improvement in the commercial and industrial strategy.** MBWS has deployed category management tools and commercial and industrial planning in France and Poland. The company also normalised its relationship with the leading retailers in 2015 in France and installed a new inter-cluster transport network in January 2016.

In H1 2016, the group reported a 70% decline in EBITDA given the increase in payroll costs (full effect of the 2015 recruitment) and advertising expenditure, particularly in France (William Peel and Sobieski) but also in Brazil, the EU, Lithuania and Denmark. It has indicated that, over the full year, it expects EBITDA of EUR20m but excluding the impact of IFRS 2 which could reach EUR2m (our forecast: EUR18m). **We are forecasting EBITDA of EUR58m in 2018, below the group's guidance (EUR67m-EUR75m).**

Fig. 28: EBITDA forecasts

	2014	2015	2016e	2017e	2018e	Guidance for 2018
EBITDA	**5**	**11**	**18**	**34**	**58**	**67-75**
% reported	0%	118%	62%	84%	73%	
Margin	**1.1%**	**2.5%**	**4.1%**	**7.3%**	**12.1%**	**15%**
Variation in bps		138	164	319	481	

Source: Bryan, Garnier & Co

Since our base case scenario is that the group will not divest its wholesale operations in Poland, we are forecasting 2018 sales some 14% above the market expectations. We derive an EBITDA forecast of EUR58m, i.e. 10% below consensus. We are confident on the rationalization and optimization components and on their ability to generate a respective EUR3.5m and EUR25m but the weaker-than-expected growth should represent an EBITDA shortfall of EUR9m. Note that the consensus comprises three contributors.

Fig. 29: Forecasts versus market consensus

	2016e		2017e		2018e	
	BG	**CS**	**BG**	**CS**	**BG**	**CS**
Sales	441	438	458	388	480	422
Difference	*+0.7%*		*+18.0%*		*+13.7%*	
EBITDA	18	19	34	37	58	64
Difference	*-5.3%*		*-8.1%*		*-9.4%*	

Source: Thomson Reuters, Bryan, Garnier & Co

5. Share price performance and valuation

After a re-rating in 2014 and 2015, the shares have fallen by 22% in absolute terms due to the stock warrant exchange offer and uncertainties regarding the growth outlook (5.1). Our DCF-based valuation derives a Fair Value of EUR17.1, which points to 9% upside potential.

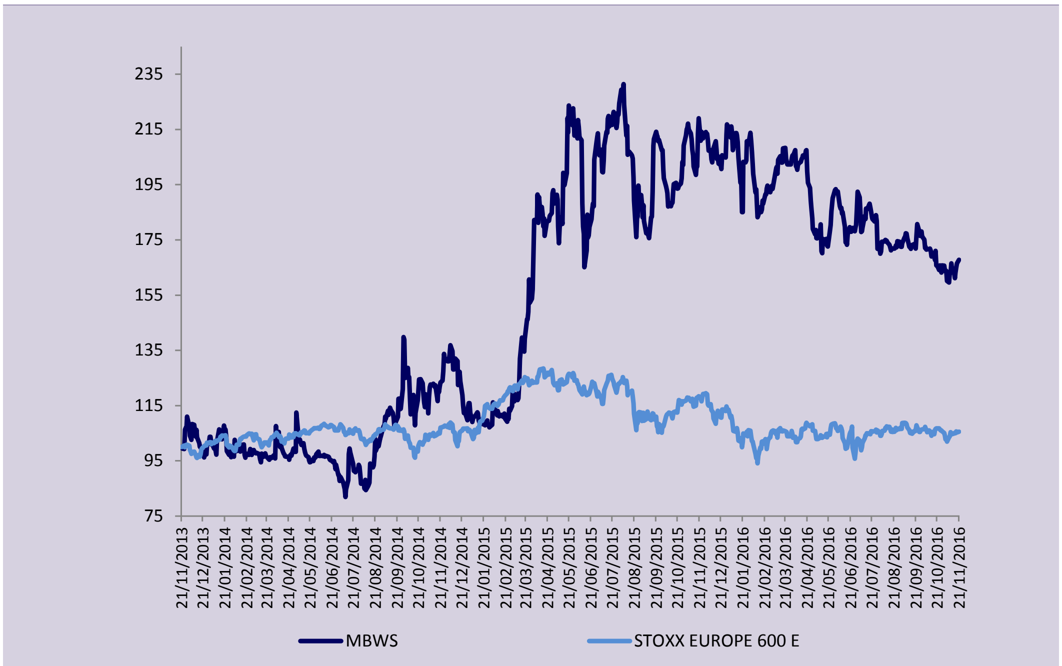
5.1. Share price performance

The re-rating of the shares began in September 2014 with the arrival of the new Chief Executive Officer Mr. Reynaud, the unveiling of the first version of the strategic plan in December 2014, the first roadshows with the management and the acquisition of stakes by Diana Holding and Castel which sent a positive signal as to the company's potential value creation. However, since the beginning of 2016, the shares have fallen by 22% in absolute terms. The stock warrant exchange offer in April 2016 led to the issuance of 1.8 million new shares, i.e. dilution of 6.8%. Furthermore, the Q1 and Q2 2016 results were disappointing, prompting uncertainty as to the growth outlook.

Fig. 30: Absolute performance over the last three years

Source: Thomson Reuters

Fig. 31: Relative performance over the last three years



Source: Thomson Reuters

5.2. Neutral, Fair Value: EUR17.1

Peer group multiples are not relevant in the case of MBWS in that its results over the next few years do not reflect the value of the company. Our DCF-based valuation derives a Fair Value of EUR17.1, based on the following assumptions:

- A WACC of 11.6% resulting from a 11% cost of equity with a risk free rate of 1.6%, a market risk premium of 7% and a beta of 1.3
- A growth rate to perpetuity of 2% as of 2026
- A growth rate of 4.9% and an EBITDA margin of 13.3% in 2021

Fig. 32: DCF (1/2)

EURm	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	TV
Sales	458 372	479 594	502 278	526 537	552 494	576 526	598 260	617 343	633 455	646 313	659 239
% change	3.9%	4.6%	4.7%	4.8%	4.9%	4.3%	3.8%	3.2%	2.6%	2.0%	2.0%
EBITDA	33 553	58 175	62 935	68 081	73 647	78 581	83 338	87 848	92 041	95 848	99 743
Depreciation	-6 417	-6 714	-7 383	-8 109	-8 895	-9 686	-10 470	-11 236	-11 972	-12 668	-13 383
Recurring EBIT	27 227	51 508	55 552	59 973	64 752	68 895	72 868	76 612	80 069	83 180	86 360
-Taxes	0	0	0	0	0	0	0	0	0	0	-22 454
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-28.5%
NOPAT	**27 227**	**51 508**	**55 552**	**59 973**	**64 752**	**68 895**	**72 868**	**76 612**	**80 069**	**83 180**	**63 907**
Depreciation	6 417	6 714	7 383	8 109	8 895	9 686	10 470	11 236	11 972	12 668	13 383
+Change in WC	5 563	6 075	0	-2 633	-5 525	-8 648	-11 965	-12 347	-12 669	-12 926	-13 185
-Capex	-9 167	-9 592	-10 046	-10 531	-11 050	-11 531	-11 965	-12 347	-12 669	-12 926	-13 185
FCF	**30 040**	**54 705**	**52 890**	**54 918**	**57 073**	**58 402**	**59 407**	**63 154**	**66 703**	**69 996**	**50 920**
Discount coefficient	0.90	0.80	0.72	0.64	0.58	0.52	0.46	0.42	0.37	0.33	
Discounted FCF	**26 915**	**43 916**	**38 041**	**35 391**	**32 953**	**30 213**	**27 536**	**26 228**	**24 820**	**23 335**	

Fig. 33: DCF (2/2)

Sum of discounted FCF	309 347
+Terminal value	161 425
+Net cash	23 815
-Minorities	-10 030
-Provisions & Pensions	-14 650
+Financial assets	5 370
Equity value	**475 278**
Number of shares (m)	27 739
Fair Value (EUR)	**17.1**

Source: Bryan, Garnier & Co

Bryan Garnier stock rating system

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

Stock rating

BUY — Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

NEUTRAL — Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

SELL — Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 00%   NEUTRAL ratings 0%   SELL ratings 00%

Research Disclosure Legend

1	Bryan Garnier shareholding in Issuer	Bryan Garnier & Co Limited or another company in its group (together, the "Bryan Garnier Group") has a shareholding that, individually or combined, exceeds 5% of the paid up and issued share capital of a company that is the subject of this Report (the "Issuer").	No
2	Issuer shareholding in Bryan Garnier	The Issuer has a shareholding that exceeds 5% of the paid up and issued share capital of one or more members of the Bryan Garnier Group.	No
3	Financial interest	A member of the Bryan Garnier Group holds one or more financial interests in relation to the Issuer which are significant in relation to this report	No
4	Market maker or liquidity provider	A member of the Bryan Garnier Group is a market maker or liquidity provider in the securities of the Issuer or in any related derivatives.	No
5	Lead/co-lead manager	In the past twelve months, a member of the Bryan Garnier Group has been lead manager or co-lead manager of one or more publicly disclosed offers of securities of the Issuer or in any related derivatives.	No
6	Investment banking agreement	A member of the Bryan Garnier Group is or has in the past twelve months been party to an agreement with the Issuer relating to the provision of investment banking services, or has in that period received payment or been promised payment in respect of such services.	No
7	Research agreement	A member of the Bryan Garnier Group is party to an agreement with the Issuer relating to the production of this Report.	No
8	Analyst receipt or purchase of shares in Issuer	The investment analyst or another person involved in the preparation of this Report has received or purchased shares of the Issuer prior to a public offering of those shares.	No
9	Remuneration of analyst	The remuneration of the investment analyst or other persons involved in the preparation of this Report is tied to investment banking transactions performed by the Bryan Garnier Group.	No
10	Corporate finance client	In the past twelve months a member of the Bryan Garnier Group has been remunerated for providing corporate finance services to the issuer or may expect to receive or intend to seek remuneration for corporate finance services from the Issuer in the next six months.	No
11	Analyst has short position	The investment analyst or another person involved in the preparation of this Report has a short position in the securities or derivatives of the Issuer.	No
12	Analyst has long position	The investment analyst or another person involved in the preparation of this Report has a long position in the securities or derivatives of the Issuer.	No
13	Bryan Garnier executive is an officer	A partner, director, officer, employee or agent of the Bryan Garnier Group, or a member of such person's household, is a partner, director, officer or an employee of, or adviser to, the Issuer or one of its parents or subsidiaries. The name of such person or persons is disclosed above.	No
14	Analyst disclosure	The analyst hereby certifies that neither the views expressed in the research, nor the timing of the publication of the research has been influenced by any knowledge of clients positions and that the views expressed in the report accurately reflect his/her personal views about the investment and issuer to which the report relates and that no part of his/her remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.	Yes
15	Other disclosures	Other specific disclosures: Report sent to Issuer to verify factual accuracy (with the recommendation/rating, price target/spread and summary of conclusions removed).	No

A copy of the Bryan Garnier & Co Limited conflicts policy in relation to the production of research is available at www.bryangarnier.com

Please see the section headed "Important information" on the back page of this report.

BRYAN, GARNIER & CO

London	Paris	New York	Munich
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)	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)	750 Lexington Avenue New York, NY 10022 Tel: +1 (0) 212 337 7000 Fax: +1 (0) 212 337 7002 FINRA and SIPC member	Widenmayerstrasse 29 80538 Munich Germany **+49 89 2422 62 11**