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3rd November 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17959.64	-0.43%	+3.07%
S&P 500	2097.94	-0.65%	+2.64%
Nasdaq	5105.57	-0.93%	+1.96%
Nikkei	17134.68	-1.76%	-9.98%
Stoxx 600	331.552	-1.13%	-9.37%
CAC 40	4414.67	-1.24%	-4.80%
Oil /Gold			
Crude WTI	45.34	-2.85%	+21.88%
Gold (once)	1304.91	+1.25%	+22.83%
Currencies/Rates			
EUR/USD	1.1118	+0.67%	+2.35%
EUR/CHF	1.07875	-0.22%	-0.80%
German 10 years	0.052	-46.81%	-91.85%
French 10 years	0.445	-12.76%	-54.67%
Euribor	-	+-%	+-%

Economic releases :

Date	
3rd-Nov	11h00 GB High court rules on BREXIT trigger 11h00 EUZ Unemployment rate Sep. 13h00 BoE rate Decision (0.25%E =) 13h30 US - Initial Jobless Claims (255K E) 13h30 US - Conitnuing Claims 15h00 US - Factory orders Sep. (0.2%)

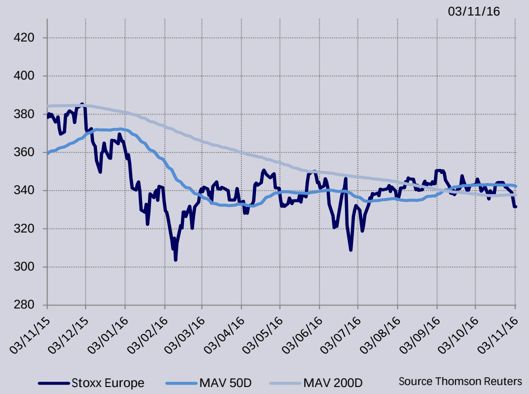
Upcoming BG events :

Date	
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)
14th-Nov/ 15th-Nov	4th Paris Healthcare Conference
18th-Nov	ENGIE (BG Luxembourg roadshow with IR)

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



CASINO GUICHARD — **BUY, Fair Value EUR57 (+26%)**

The fat Lady has not sung yet (Focus relased today)

ADIDAS GROUP — **NEUTRAL, Fair Value EUR136 (-7%)**

Q3 results in line with expectations but strong momentum continues

CAST — **NEUTRAL, Fair Value EUR3,3 vs. EUR3,6 (+1%)**

Disappointing Q3 2016 sales, FY16 guidance reiterated but at risk

DIALOG SEMICONDUCTOR — **BUY, Fair Value EUR37 (+6%)**

Dialog reports strong Q3 and announces a second tranche of share buyback programme

EDP RENOVAVEIS — **NEUTRAL, Fair Value EUR7,65 (+17%)**

9m metrics below market expectations due to lower average selling prices

FAURECIA — **BUY, Fair Value EUR47 (+45%)**

Poor visibility on 2017 market growth, but the group should outperform for sure

GENMAB — **BUY, Fair Value DKK1650 vs. DKK1600 (+55%)**

Q3 above estimates and FY guidance further improved… Dara did it again! FV revised up

HUGO BOSS — **NEUTRAL, Fair Value EUR74 (+25%)**

Higher savings help mitigate the margin decline pending the next sales rebound

ORPEA — **BUY, Fair Value EUR86 vs. EUR85 (+15%)**

Contact-Q3 Revenue: Acceleration of organic growth in Q3. FY results upgraded.

QIAGEN — **BUY-Top Picks, Fair Value EUR28 vs. EUR26 (+18%)**

Strong Q3 and increased visibility…rendez-vous in two weeks at the IR DAY!

SOPRA STERIA GROUP — **BUY, Fair Value EUR125 (+35%)**

Q3 2016 sales in line, FY16 guidance reiterated

VEOLIA ENVIRONNEMENT — **BUY, Fair Value EUR23,5 (+19%)**

9M 2016 results – first take: tepid performance, as expected

In brief...

ACTELION, *Acquisition of rights to in-license a DMD drug currently in phase II*

ASML, *ASML strengthens its partnership with Zeiss to accelerate EUV lithography development*

BEIERSDORF, *Q3 sales grew 2.9%, in line with H1. FY 2016 Margin guidance increased*

HERMÈS INTL., *Hermès sales up 7.7% over 9m of which +8.8% in Q3, above expectations*

SWISS RE, *Decent Q3 numbers*

Food retailing

Casino Guichard

Price EUR45.22

The fat Lady has not sung yet (Focus relased today)

Fair Value EUR57 (+26%) **BUY**

Bloomberg	CO FP
Reuters	CASP.PA
12-month High / Low (EUR)	56.5 / 35.2
Market Cap (EURm)	5,019
Ev (BG Estimates) (EURm)	9,550
Avg. 6m daily volume (000)	409.8
3y EPS CAGR	8.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.4%	0.9%	-12.3%	6.6%
Food Retailing	0.8%	3.1%	-2.2%	-2.2%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	46,145	41,860	45,300	47,261
% change		*-9.3%*	*8.2%*	*4.3%*
EBITDA	2,343	1,943	2,301	2,543
EBIT	968.0	596.8	1,362	1,503
% change		*-38.3%*	*128.3%*	*10.4%*
Net income	412.0	233.1	364.3	435.1
% change		*-43.4%*	*56.3%*	*19.4%*

	2015	2016e	2017e	2018e
Operating margin	3.1	2.7	3.0	3.2
Net margin	0.9	0.6	0.8	0.9
ROE	NM	NM	NM	NM
ROCE	5.2	4.9	6.0	6.5
Gearing	48.9	30.0	28.8	29.5

(EUR)	2015	2016e	2017e	2018e
EPS	2.80	1.65	2.94	3.58
% change	-	*-40.9%*	*78.0%*	*21.8%*
P/E	16.2x	27.4x	15.4x	12.6x
FCF yield (%)	NM	NM	14.8%	10.4%
Dividends (EUR)	3.12	3.12	3.12	3.12
Div yield (%)	6.9%	6.9%	6.9%	6.9%
EV/Sales	0.3x	0.2x	0.2x	0.2x
EV/EBITDA	5.5x	4.9x	4.4x	4.2x
EV/EBIT	13.4x	16.0x	7.5x	7.1x

Beyond the ongoing carve-out of Cnova, we are wondering whether there might be more on the cards (finally) involving a wider reorganization of the portfolio, the outcome of which could be decisive for the share price. However, this would have to include a deep simplification of the structure (i) along with a reduction of minority interests (ii) while increasing exposure to LatAm to benefit from the expected market recovery at a minimal net cost (iii).

We do believe that the market would only be favorable to such a reorganization if Casino complies with its commitment to retire EUR4bn worth of gross debt (iv) (wip /~50% already completed), made possible following the disposal of Asian Assets (a total of EUR4.2bn cashed-in between February and April 16). With these four conditions in mind, it is possible to imagine that Casino would pursue the logic started back in July 15 (first cash push-up) by transferring the rest of the shares (22.8% of the capital) still owned in GPA to Exito.

To ease the deal vis-à-vis heated shareholders of Exito, we believe that Casino needs to improve the risk profile of GPA and trigger a rerating of the share. GPA could thus trend towards the market value reached at the moment of the first cash push-up (i.e. BRL76 / excl. control premium). Hence, a solution to achieve the right conditions for a second cash push-up would involve selling Via Varejo (and Nova Pontocom included in VV post carve-out) prior to it, which doing so, would improve the risk profile of GPA (a pure food Brick & Mortar player is more valuable than a patchwork of food, electro domestic and e-commerce activities!).

The estimated potential cash-in (up to EUR1.3bn post rerating / i.e. 0.45x sales multiple for GPA Food vs 0.30x currently) would match the investment Casino would have to make in order to buy the minority interest of Exito with a 30% premium (i.e. EUR1.2bn). In the end, Casino would comply with its debt commitment (iv), the structure would be dramatically simplified (i), minority interests would decrease (the EI of Casino in GPA moving from 33.2%e to 41.6%e and Exito being 100% equity owned) (ii) while increasing the exposure to the market recovery in LatAm (iii).

VALUATION

- The MtM SOTP currently stands at EUR55 per share

NEXT CATALYSTS

- ID Monoprix on November 4th
- Casino beats its 2016 EBIT guidance in France
- Reoganization of LatAm activities

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Luxury & Consumer Goods

adidas Group

Price EUR146.55

Q3 results in line with expectations but strong momentum continues

Fair Value EUR136 (-7%) **NEUTRAL**

Bloomberg	ADS GY
Reuters	ADSG.F
12-month High / Low (EUR)	159.5 / 81.2
Market Cap (EURm)	30,661
Ev (BG Estimates) (EURm)	31,535
Avg. 6m daily volume (000)	835.4
3y EPS CAGR	24.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.1%	-1.1%	28.4%	63.0%
Consumer Gds	-4.9%	-4.3%	-1.8%	-6.2%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	16,915	19,168	20,504	22,051
% change		*13.3%*	*7.0%*	*7.5%*
EBITDA	1,442	1,854	2,188	2,441
EBIT	1,059	1,413	1,696	1,912
% change		*33.4%*	*20.0%*	*12.7%*
Net income	630.0	966.3	1,166	1,321
% change		*53.4%*	*20.7%*	*13.2%*

	2015	2016e	2017e	2018e
Operating margin	6.3	7.4	8.3	8.7
Net margin	3.7	5.0	5.7	6.0
ROE	11.1	16.9	18.0	18.0
ROCE	10.0	13.1	15.4	16.7
Gearing	8.1	15.4	5.7	-2.7

(EUR)	2015	2016e	2017e	2018e
EPS	3.32	4.74	5.69	6.44
% change	*-*	*42.7%*	*20.1%*	*13.2%*
P/E	44.1x	30.9x	25.7x	22.8x
FCF yield (%)	2.0%	1.7%	2.9%	3.3%
Dividends (EUR)	1.60	1.85	2.15	2.40
Div yield (%)	1.1%	1.3%	1.5%	1.6%
EV/Sales	1.8x	1.6x	1.5x	1.4x
EV/EBITDA	21.6x	17.0x	14.2x	12.5x
EV/EBIT	29.4x	22.3x	18.3x	15.9x

Sales unveiled this morning came in at EUR5,413m, up ~14% as reported and 17% FX-n in line with CS (EUR5,362m). We highlight the ongoing strong momentum of ADS brand (+20%), particularly in North America (+20%) and in Greater China (+25%). Operating margin was in line with expectations (at 10.4% despite a higher negative FX impact on the GM. The FY16 outlook is confirmed. It is worth noting that Mr Rorsted will host his first conference call today (3:00pm CET) since he has been at the helm of the Group.

ANALYSIS

- **A robust Q3 (+17% FX-n vs. +21% in H1).** By brand, **adidas** sales soared 20% FX-n (H1: +25% FX-n) boosted by double-digit growth in all regions except Russia/CIS. All divisions performed well: Performance (Training, Running, Football, etc.) and of course Lifestyle (Originals, NEO). **Reebok** sales increased by 7% FX-n growth (H1: +7%), the group mentions growth across all regions, meaning that the streamlining of the US outlet store network is now complete. Trends at **TMaG** remained positive with 6% (H1: +2%), driven by double-digit growth in metalwoods and putters.

- By region, sales in **Western Europe** increased 15% FX-n thanks to a solid performance in all key markets (France, UK, Germany, etc.) Activity in **North America** continued to **enjoy** buoyant momentum (+20% vs. +24% in H1), well ahead of Nike (Q1 FY17 ended on 31st August: +6% FX-n), with certainly a balanced performance between Lifestyle and Performance. Revenues in **Greater China** expanded 25% FX-n after +30% in H1. There were no signs of a slowdown in **Latin America** with 16% growth in Q3 (H1: +19% FX-n), driven by double-digit increases in Argentina or Colombia and high single-digit growth in Mexico, Brazil might have been weak this quarter in our view. After having returned to growth in Q2 (+2%) **Russia/CIS** confirmed its good trend with +7%. Last but not least, **MEAA** grew 19% boosted by markets like South Korea, Australia and India.

- **Q3 op. margin matched expectations (at 10.4%) despite the FX headwind.** Indeed, the GM came in below consensus' estimates (-90bp to 47.6% vs. CS of 47.9%), with the deviation stemming from the significant FX impact as this quarter compared to a challenging comparison base with regard to hedging rates. Nevertheless, the strong organic growth has led to another operating leverage, opex decreasing by 80bp to 38% this quarter. As a consequence, the op. margin decline was limited to 20bp to 10.4% (CS: 10.4%). **Net income from continuing operations** increased 15% to EUR387m.

Q3 and 9M Adjusted results (excl. GW impairment):

EURm	Q3 16	*% change*	9M 16	*% change*
Sales	5,413	*13.8*	14,604	*14.6*
Gross profit	2,574	*11.7*	7,091	*14.3*
% of sales	47.6	*-90bp*	48.6	=
Operating profit	563	*11.5*	1,468	*33.3*
% of sales	10.4	*-20bp*	10.0	*140bp*
Net income from continuing operations	387	*14.7*	1,028	*39.3*

Source: Company Data

- **FY16 targets are confirmed.** Management reiterated its FY16 outlook: **(i)** sales are expected to increase at a high-teens rate (CS and BG: +18%e), **(ii)** GM to be at a level between 48-48.3% vs. 48.3% in 2015 (BG: 48% / CS: 48.2%), **(iii)** Op margin to be "around 7.5%" (BG: 7.4% / CS: 7.6%) as the Group increased investments and registered one-off costs of EUR30m (o/w EUR20m will impact Q4) concerning restructuring measures at Reebok, and **(iv)** net income to increase to a level between EUR975-1,000m (+35-39%, BG: +36%e / CS: +39%e).

VALUATION

- Although this publication is in line with expectations, it naturally confirms adidas' strong momentum in almost all regions, particularly in Greater China and in North America. Our Neutral recommendation is justified by our FV of EUR136 that implies a downside potential (-8%).

(To be continued on next page)

Table 1: adidas Group quarterly FX-neutral growth:

% change	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16
Western Europe	11	12	18	30	25	29	15
North America	7	0	3	8	22	26	20
Greater China	21	19	15	16	30	30	25
Russia/CIS	-3	-14	-7	-16	2	7	7
Latin America	6	9	20	12	19	8	16
Japan	6	-6	6	-4	44	21	21
MEAA	10	16	13	17	17	14	19
Total	**9**	**5**	**13**	**12**	**22**	**21**	**17**

Source: Company Data

Table 2: quarterly FX-neutral growth for the adidas Group's three main brands:

% change	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16
adidas	11	10	14	16	26	25	20
Reebok	9	6	3	5	6	7	7
Other businesses	-1	-14	10	-3	6	6	7
o/w TMaG	*-9*	*-26*	*7*	*-15*	*-1*	*7*	*6*

Source: Company Data

NEXT CATALYSTS

- Conference call today at 3:00pm (CET) // FY16 Results on 8th March 2017.

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Cast

Price EUR3.27

Disappointing Q3 2016 sales, FY16 guidance reiterated but at risk

Fair Value EUR3,3 vs. EUR3,6 (+1%) **NEUTRAL**

Bloomberg	CAS.PA
Reuters	CAS FP
12-month High / Low (EUR)	3.6 / 3.0
Market Cap (EUR)	53
Ev (BG Estimates) (EUR)	38
Avg. 6m daily volume (000)	7.20
3y EPS CAGR	ns

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.8%	-5.2%	-3.3%	8.3%
Softw.& Comp.	-7.0%	-1.8%	5.6%	0.8%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	36.3	38.7	43.1	47.4
% change		*6.5%*	*11.2%*	*10.0%*
EBITDA	1.3	1.6	2.8	4.2
EBIT	0.8	0.9	2.0	3.3
% change		*17.1%*	*130.6%*	*60.1%*
Net income	0.1	0.8	1.6	2.4
% change			*105.2%*	*57.2%*

	2015	2016e	2017e	2018e
Operating margin	2.4	2.5	5.0	7.1
Net margin	0.1	1.9	3.6	5.1
ROE	0.4	5.4	10.0	13.7
ROCE	139.6	-48.6	-59.9	-64.1
Gearing	-99.3	-110.5	-116.0	-120.2

(EUR)	2015	2016e	2017e	2018e
EPS	0.00	0.05	0.10	0.16
% change	-		*105.1%*	*57.2%*
P/E	NS	66.3x	32.3x	20.6x
FCF yield (%)	0.8%	4.5%	5.1%	7.1%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	1.1x	1.0x	0.8x	0.7x
EV/EBITDA	30.3x	23.7x	12.4x	7.6x
EV/EBIT	46.4x	38.2x	16.4x	9.4x

We are reiterating our Neutral recommendation and reducing our DCF-derived Fair Value to EUR3.3 from EUR3.6 as we have cut our adj. EPS for 2018 by 11%. Yesterday evening, Cast reported Q3 2016 sales way below our forecast, due to longer sales cycles and the slicing of a large deal with a US bank into two tranches. Management is aware that its goal for at least 10% sales growth in 2016 is at risk, but has reiterated it anyway based on the sales pipeline, while costs are below budget. We expect a negative share price reaction in the short-term.

ANALYSIS

- **Q3 2016 way below expectations**. For Q3 2016, Cast reported sales down 2.4% to EUR8m, or 27% below our EUR10.9m estimate. Excluding fx headwinds of EUR0.1m, we estimate the fall at -1.2%. The gap between actual sales and our forecast stems from longer-than-expected sales cycles and phased transactions. For instance, the large deal which was delayed in Q2 with a major US bank due to Brexit was actually signed in Q3, but for a bit less than one-third (est. USD1m) of its initially estimated value, which was supposed to be booked as a "one-off". The bank has an option to sign the remaining USD2m+ in Q4 2016 (with no firm commitment), otherwise this could be done in H1 2017. In July, Cast also signed a sizeable deal with the US Department of State. Finally, the first enterprise SaaS contracts signed in 2012-13 are starting to be renewed.
- **2016 guidance reiterated, despite uncertainties**. Management has reiterated 2016 guidance, i.e. sales above 10% and a positive operating profit - in line with the trends of the last 3 years. However, as for 2009 and 2011, this means for Cast a more pronounced revenue seasonality than usual with c. 45% of full-year revenues to be made in Q4. Management is aware of the risk of further deal slippages as procurement departments usually try to bargain at the end of quarters. However, the situation in 2016 is different from 2009 and 2011 as: 1) Cast has a more significant share of revenues which are recurring than before; 2) the sales pipeline remains strong and a number of significant deals are in the final stages of negotiation at procurement departments. On the cost side, the good news is that, due to the difficulty to recruit, operating costs for 2016 are EUR1.5-2m below the initial budget - notwithstanding Cast has flexibility on sales commissions.
- **Revising our forecasts.** Due to the risk of further slippages, we prefer to adopt a more cautious approach. We now expect Cast to post 6.5% growth in 2016 (EUR1.3m below EUR40m) instead of +10%, vs. +10% in 2017-18 instead of +12%. However, this does not have a material impact to our adj. EPS ests. (except for 2018: -11%) as opex are below the initial budget. As an illustration, while for EUR40m revenues we previously forecasted an operating margin of 1.9%, reaching that level of sales would now imply an operating margin of 5-5.5% in our view. Taking into account our new EUR38.7m revenue forecast, we consider Cast could be able to deliver a margin of 2.5%.
- **Update on partnerships.** 1) In India, the sales dynamic looks promising with IT Services firms like Infosys and Cognizant and may lead to a stronger contribution to revenues in this country within the next 3 years; 2) talks have been engaged with a major software vendor for the utilisation of Cast's technology for "cloud readiness"; 3) discussions are ongoing for a partnership with a leader in artificial intelligence for "intelligent Application Development & Maintenance".

VALUATION

- Cast's shares are trading at est. 38.2x 2016 and 16.4x 2017 EV/EBIT multiples.
- Net cash position on 30th June 2016 was EUR12.9m (net gearing: -149%)

NEXT CATALYSTS

Q4 2016 sales on 1st February 2017.

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Dialog Semiconductor

Price EUR35.00

Dialog reports strong Q3 and announces a second tranche of share buyback programme

Fair Value EUR37 (+6%) **BUY**

Bloomberg	DLG GR
Reuters	DLGS.DE
12-month High / Low (EUR)	39.9 / 24.4
Market Cap (EURm)	2,679
Ev (BG Estimates) (EURm)	1,982
Avg. 6m daily volume (000)	5.40
3y EPS CAGR	10.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.0%	19.5%	14.2%	12.1%
Semiconductors	-1.1%	3.1%	30.9%	23.0%
DJ Stoxx 600	-2.2%	-1.3%	-1.8%	-8.3%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	1,355	1,153	1,382	1,642
% change		*-14.9%*	*19.8%*	*18.9%*
EBITDA	360	276	373	457
EBIT	317.7	207.0	301.0	385.5
% change		*-34.8%*	*45.4%*	*28.1%*
Net income	238.4	162.0	234.7	309.0
% change		*-32.0%*	*44.8%*	*31.7%*

	2015	2016e	2017e	2018e
Operating margin	23.4	18.0	21.8	23.5
Net margin	17.6	14.0	17.0	18.8
ROE	17.3	21.1	13.0	14.7
ROCE	46.9	38.7	49.8	63.8
Gearing	-54.0	-62.6	-66.7	-70.8

(USD)	2015	2016e	2017e	2018e
EPS	3.02	2.08	3.06	4.03
% change	-	*-31.2%*	*47.2%*	*31.7%*
P/E	12.8x	18.6x	12.6x	9.6x
FCF yield (%)	8.1%	9.0%	5.9%	7.8%
Dividends (USD)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	1.8x	1.9x	1.5x	1.1x
EV/EBITDA	6.7x	7.9x	5.4x	3.9x
EV/EBIT	7.6x	10.6x	6.7x	4.7x

Today, Dialog has reported Q3 revenue of USD346m and underlying EBIT of USD73.4m (EBIT margin of 21.2%), yielding adjusted EPS of USD0.71, i.e. well above the Street's expectations (at USD0.64). However, for Q4 2016 the group sees revenue in the range of USD345-375m, broadly in line with consensus at mid-point, i.e. sales forecast by management to increase sequentially by 4.0% to USD360m (vs. cs at USD368m). As such, FY16 should be close to USD1,193m while GM is expected to remain at the current level (around 46.5%). In addition, the group also announced a second tranche of its share buyback programme for a total amount between EUR56.25 and EUR75m (or 2.1%/2.8% of capital).

ANALYSIS

- **Dialog has reported Q3 2016 EPS 11% above the expectations.** For Q3 2016, Dialog reported sales of USD346m, up 41% seq. (+4.7% yoy). Note that this data is not a surprise as the group had already reported unaudited Q3 sales in an ad-hoc announcement earlier in October. In addition, underlying gross margin came out at 46.6%, broadly in line with the company's guidance (marginally above H1 at 46.1%) and slightly above the street's forecasts of GM at 46.1% (BG ests. 46.5%). As such, underlying EBIT was well above expectations at USD73.4m (cons. USD65m/BG ests. USD69m) and underlying diluted EPS came out at USD0.71, also significantly above (11%) street's estimates at USD0.64 (BG ests. USD0.70). Free cash flow generation was USD40m during Q3 2016 and the gross cash position stood at USD649m, up compared to USD591m at the end of the previous quarter.
- **Setting up basis to generate FY17 growth.** Thanks to stronger than expected demand for the iPhone 7, the group sees better momentum than what was described in July this year. The group continues to see strong traction for its rapid charge technology for China smartphone power adapters, a market segment for which the group also announced new GaN products. In addition, its BT LE business is dynamic thanks to new design in (Tile, Pokémon Go Plus…)
- **Q4 2016 revenue guidance came out broadly in line with expectations.** Dialog sees Q4 2016 sales in the range of USD345-375m, i.e. to increase sequentially by 4.0% to about USD360m at the mid-range of the guidance. This is USD8m below the consensus forecasts for revenue of USD368m (BG ests. USD321m). As such, FY16e sales should be close to USD1,193m, down 12% compared to FY15 but 3% above the last group guidance for FY16 sales down 15%. Regarding gross margin, the group sees a stable level comparable to what has been achieved so far for the fourth quarter.
- **Finally, Dialog also announced a second tranche of its share buyback programme.** To stay in the programme range, share buybacks are said to amount to between EUR56.25 and EUR75m (USD61.9m and USD82.5m). At the current share price, this represents about 2.1% and 2.8% of outstanding shares. The programme must be finished between the 18th January and 6th February 2017. Note that the first tranche had a range of EUR37.5m to EUR50m (with a maturity date between 15th July 2016 and 15th September 2016).

VALUATION

- Based on our estimates, Dialog' shares are trading on 2017e P/E and PEG ratios of 12.7x and 1.3x respectively.

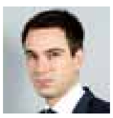
NEXT CATALYSTS

- Today: Q3 results Conference call (10:00 CET)
- Late February/Early March 2017: Q4 and FY16 results (not confirmed yet)

Q3 Actual vs. consensus.

[USDm]	BG ests. 3Q16e	Consensus 3Q16e	3Q16 Actual	Actual vs. cons.
Net revenue	345	345	346	0.3%
% change (seq.)	*40.5%*	*40.4%*	*40.8%*	41bp
% change (yoy)	*4.5%*	*4.4%*	*4.7%*	30bp
Adj. Gross Margin	46.5%	46.1%	46.6%	50bp
Adj. EBIT	69.1	65.4	73.4	12.2%
% of revenue	*20.0%*	*19.0%*	*21.2%*	226bp
Dil. Adj. EPS (in USD)	0.70	0.64	0.71	10.9%

Source: Thomson Reuters I.B.E.S.; Bryan, Garnier & Co. ests. *Click here to download*



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Utilities

Edp Renovaveis

Price EUR6.57

9m metrics below market expectations due to lower average selling prices

Fair Value EUR7,65 (+17%) **NEUTRAL**

Bloomberg	EDPR LI
Reuters	EDPR.LS
12-month High / Low (EUR)	7.3 / 6.1
Market Cap (EURm)	5,728
Ev (BG Estimates) (EURm)	11,152
Avg. 6m daily volume (000)	317.9
3y EPS CAGR	13.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.1%	-7.2%	-4.2%	-9.4%
Utilities	-5.5%	-7.4%	-8.1%	-10.4%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,549	1,794	1,973	2,085
% change		*15.9%*	*10.0%*	*5.7%*
EBITDA	1,142	1,252	1,440	1,622
EBIT	577.8	631.8	728.2	808.1
% change		*9.3%*	*15.3%*	*11.0%*
Net income	166.6	156.8	192.6	241.7
% change		*-5.9%*	*22.8%*	*25.5%*

	2015	2016e	2017e	2018e
Operating margin	37.3	35.2	36.9	38.8
Net margin	10.8	8.7	9.8	11.6
ROE	2.4	2.3	2.7	3.4
ROCE	4.4	4.7	5.1	5.5
Gearing	72.4	72.0	73.6	74.3

(EUR)	2015	2016e	2017e	2018e
EPS	0.19	0.18	0.22	0.28
% change	-	*-5.9%*	*22.8%*	*25.5%*
P/E	34.4x	36.5x	29.7x	23.7x
FCF yield (%)	NM	NM	NM	NM
Dividends (EUR)	0.00	0.06	0.08	0.10
Div yield (%)	NM	1.0%	1.2%	1.5%
EV/Sales	7.2x	6.2x	5.7x	5.5x
EV/EBITDA	9.8x	8.9x	7.8x	7.0x
EV/EBIT	19.3x	17.7x	15.5x	14.1x

EDPR posted solid EBITDA and EBIT growth this morning helped by a positive scope effect (additional capacities) and by a higher load factor, offsetting the decline in average selling prices that affected all regions where the group is present. Yet on EBITDA and Net profit, the consensus was respectively 1% and 24% above reported figures. Neutral rating confirmed.

ANALYSIS

- **Main metrics :** 9M 2016 revenues totalled **EUR1.21bn** reflecting **12% YoY growth** compared with last year with the group benefitting from higher capacity in operations, and a higher load factor. These two positive elements offsett the negative impact from lower average prices. EBITDA was up **8%** to **EUR847m** while EBIT also rose by **8%** to **EUR404m**. Net profit totalled **EUR29m** (*vs. EUR100m in the 9M15)* and Adjusted Net Profit increased **2%** YoY to **EUR63m** (*one-offs: 9M15 +EUR38m; 9M16 mins EUR34m*). Net Financial Debt reached EUR3.4bn (-*EUR300m vs. Dec-15*). At end Sept. 2016 the group manages a global portfolio of **9.7GW** spread over 10 countries, with **9.4GW** fully consolidated and **356MW** equity consolidate. Over the last 12 months EDPR added **504MW** to its installed capacity, o/w **299MW** in the U.S.
- **What to retain from this publication? 1/**Sales and EBITDA were in line with the consensus, yet net profit was strongly down compared with market expectations. **2/**EBITDA and EBIT increased by **8%** YoY reflecting the positive impact from top-line and the **5%** decrease in core opex per average MW in operation. **3/**Load factors continued to increase at 29% (+1pp), in all three regions allowing the group to increase its outputs. **4/**Average selling prices were down **7**% YoY as a result of capacity additions and lower YoY prices in some countries. In Europe, the realised price decreased 5% YoY mainly due to lower prices in Spain and in Portugal. In North America, selling prices decreased by 10% due to lower REC sales and due to the expiry of a PPA.
- **Conclusion:** The group's operating performances are solid, but only reflect additional capacities. During the conference call, we hope to obtain more details on the difference on net profit vs. consensus. At this stage we confirm our Neutral recommendation with FV @ EUR7.65 and continus to believe that if Trump wins in the US, EDPR could be potentially at risk in the region.

VALUATION

- At the current share price the stock is trading at 7.8x its 2017e EBITDA and at 29.7x its EPS
- **Neutral**, FV @ **EUR7.65**

NEXT CATALYSTS

- Conference call @ 15.00 CET (*UK +44 (0)20 7162 0077*)

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Automotive

Faurecia

Price EUR32.50

Poor visibility on 2017 market growth, but the group should outperform for sure

Fair Value EUR47 (+45%) **BUY**

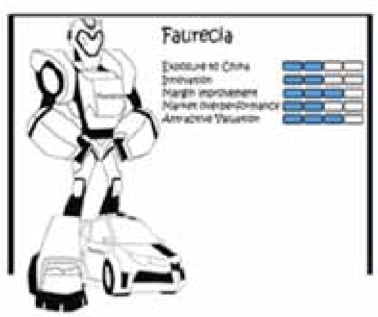
Bloomberg	EO FP
Reuters	EPED.PA
12-month High / Low (EUR)	37.3 / 27.2
Market Cap (EURm)	4,481
Ev (BG Estimates) (EURm)	5,288
Avg. 6m daily volume (000)	537.6
3y EPS CAGR	20.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.9%	-7.6%	-9.9%	-9.2%
Auto & Parts	1.6%	2.9%	0.4%	-12.8%
DJ Stoxx 600	-2.2%	-1.3%	-1.8%	-8.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	18,770	18,804	19,591	20,433
% change		*0.2%*	*4.2%*	*4.3%*
EBITDA	1,442	1,547	1,588	1,769
EBIT	830.0	928.7	1,034	1,146
% change		*11.9%*	*11.4%*	*10.9%*
Net income	371.8	497.2	536.2	623.6
% change		*33.7%*	*7.8%*	*16.3%*

	2015	2016e	2017e	2018e
Operating margin	4.4	4.9	5.3	5.6
Net margin	2.0	2.6	2.7	3.1
ROE	14.2	23.1	15.7	16.0
ROCE	12.6	16.6	17.0	17.5
Gearing	36.2	4.2	1.5	-3.5

(EUR)	2015	2016e	2017e	2018e
EPS	2.60	3.60	3.88	4.52
% change	*-*	*38.4%*	*7.8%*	*16.3%*
P/E	12.5x	9.0x	8.4x	7.2x
FCF yield (%)	4.7%	5.5%	4.8%	7.5%
Dividends (EUR)	0.65	1.01	1.09	1.27
Div yield (%)	2.0%	3.1%	3.3%	3.9%
EV/Sales	0.3x	0.3x	0.3x	0.2x
EV/EBITDA	4.4x	3.4x	3.3x	2.8x
EV/EBIT	7.7x	5.7x	5.0x	4.3x



Yesterday we hosted Faurecia (*Head of IR*) during a breakfast meeting organised with French investors. The global tone for the short term was not alarming, but not bullish either, with the group noting production cuts in Europe and in North America as most OEMs have started to optimise their year-end stocks. Visibility on 2017 market growth remains poor at this stage but the group should outperform for sure thanks to new contracts and a positive scope effect. The group's 6% EBIT margin target for 2018 does not seem at risk so far despite market fears. In the sector, Faurecia is among the stocks offering the highest EPS CAGR despite trading at a discount compared with peers and hist. multiples.

ANALYSIS

- **2017 sales growth should come from Interior Sytems:** While this segment (*28% of the group's sales and 26% of EBIT*) suffers in 2016 from production cuts for the **Ford F-150** in the US, from the timid success of the **Mercedes S Class** in Europe as well as from poor orders in 2012-13 (*back then the group entered a more selective mode when looking at future contracts, with managers deciding to protect margins to the detriment of future growth*), it should strongly contribute to 2017 sales growth at the group level thanks notably to a sales acceleration driven by **Chinese JVs** (*DongFeng and ChangAng*) as well as from the launch of **Jeep Renegade in Brazil** and the new **Peugeot 3008 and 5008 models** in Europe in 2017. In our model, we estimate the segment should grow by **5%** in 2017 and by **6%** in 2018 ahead of our group sales estimates of **4.2%** and **4.3%.**

- **M&A remains a priority, with a group active but not too hasty**: With a net debt/EBITDA ratio close to zero following the disposal of FAE to Plastic Omnium, there is no secret that the group is clearly active in the M&A area. Its top priority is still to acquire technological companies in the **Interior System** field (*EUR200-400m of sales*) to gain value added within the HMI interface. Acquisitions dedicated to consolidation processes are not excluded yet and will mainly focus on expanding the group's presence outside of Europe, and if possible with Japanese OEMs. **So far in our model we do not include any M&A deals**.

- **A lower diesel share within new car production is unavoidable but represents only 6% of EBIT:** Market concerns about a lower diesel share in new car production are rational, especially when looking at recent statistics in Europe. However, we consider recent short-term pressure on the Faurecia share is overdone as diesel in light vehicles only represents **6%** of group's EBIT. Besides this, it is important to bear in mind that despite a lower share of diesel within new registrations, the share of **SCR systems** in remaining future diesel engines is set to surge to comply with stricter regulations (*Euro 6d in 2020*). At BG we assume the diesel share will fall from **19%** of 2015 registrations to **10%** by 2026 and assume SCR technology will equip **>70%** of new diesel by 2026 vs. only **21%** today, softening the EBIT drop due to a lower diesel share within new registrations. In addition, note that Faurecia should benefit from its partnership with Cummins in trucks and from stricter regulations for off-road vehicles in mature markets in China.

- **No change to our 2016-17 estimates:** We remain confident that the group can deliver its 2016 sales and EBIT targets and believe investors should now start to focus on 2017 and beyond. In our model we assume Faurecia will be able to generate **>4%** of sales growth for 2017, which combined with self-help measures would allow the group to raise its EBIT margin to **5.3%.** Fears linked to Chinese and US markets are in our view already priced in by the market. We confirm our Buy recommendation with FV unchanged at **EUR47.**

VALUATION

- At the current share price Faurecia trades at **5x** its 2017e EBIT and at **8.4x** its 2017e EPS
- **Buy**, FV @ **EUR47**

NEXT CATALYSTS

- 9th February 2017: 2016 earnings

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Price DKK1,067

Q3 above estimates and FY guidance further improved... Dara did it again! FV revised up

Fair Value DKK1650 vs. DKK1600 (+55%) **BUY**

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	1,266 / 638.0
Market Cap (DKK)	64,286
Ev (BG Estimates) (DKK)	60,546
Avg. 6m daily volume (000)	366.1
3y EPS CAGR	25.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.6%	-10.9%	10.8%	16.3%
Healthcare	-7.6%	-12.8%	-6.4%	-16.2%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

YEnd Dec. (DKKm)	2015	2016e	2017e	2018e
Sales	1,133	1,256	1,502	2,503
% change		*10.8%*	*19.6%*	*66.6%*
EBITDA	554	420	431	1,277
EBIT	730.4	419.5	430.5	1,277
% change		*-42.6%*	*2.6%*	
Net income	587.3	444.5	423.5	1,190
% change		*-24.3%*	*-4.7%*	

	2015	2016e	2017e	2018e
Operating margin	64.5	33.4	28.7	51.0
Net margin	67.4	35.4	28.2	47.5
ROE	21.9	11.3	9.7	21.5
ROCE	-15,400	230.5	109.9	207.9
Gearing	-100.2	-95.1	-91.2	-89.7

(DKK)	2015	2016e	2017e	2018e
EPS	9.71	7.21	6.78	19.05
% change	-	*-25.8%*	*-5.9%*	
P/E	NS	NS	NS	56.0x
FCF yield (%)	NM	NM	NM	NM
Dividends (DKK)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	53.7x	48.2x	40.2x	23.7x
EV/EBITDA	109.7x	144.3x	140.1x	46.5x
EV/EBIT	83.2x	144.3x	140.1x	46.5x

Genmab has (once again) published much better than expected results and lifted its FY guidance as it now expects daratumumab to generate USD500-550m in sales. And because "dara" will go beyond this USD500m threshold, GEN is set to receive a USD25m (DKK170m) milestone payment that we and the CS did not anticipate. GEN is of these rare must-haves within the biotech field in our view, that's why we stick to our BUY recommendation... Especially in light of the catalysts we foresee in the very near term (CMD next week, R&D Day in December, dara's label expansion to 2L MM in Q1 17, etc.). Our FV is revised up to DKK1,650.

ANALYSIS

- **GEN's Q3 net profit was way above estimates** (DKK189m vs BG: DKK96m, CS: DKK116m), 1/ once again thanks to daratumuab and its USD163m of sales over the quarter (vs BG: USD135m), but also 2/ due to better than expected control of the cost structure (OPEX: DKK178m vs CS: DKK217m).
- **FY guidance (once again) improved.** Given dara's strong performance in Q3 along with the recent trends in terms of prescriptions, GEN now believes that the compound should generate between USD500 and USD550m this year. And because the USD500m threshold will be exceeded, a USD25m (DKK170m) milestone is to be triggered (which we and the consensus did not include in our forecasts before the publication). Admittedly, our sales estimates for "dara" are already at the high end of the new guidance, but note that the rest of the consensus was closer to USD500m on average.

(in DKKm)	Q3 16	BG	CS	Published vs CS
Revenues	367	303	326	12%
Royalties from Darzalex	163	120	110	48%
Operating income	187	86	107	75%
Net income	189	96	116	63%

	Consensus	New guidance	Former guidance
GEN Revenues (DKKm)	1,090	1,200-1,250	975-1,025
Darzalex JNJ's sales (USDm)	c.500	500-550	450-500
Darzalex royalties to GEN (DKKm)	420	400-450	350-400
Operating income (DKKm)	264	375-425	150-200
Cash position at year end (DKKm)	c.3,600	3,650-3,750	3,550-3,650

- **Tisotumab vedotin (ADC anti-TF) 's data to be presented at the Capital Market Day**. The product is so far quite ignored by the consensus, and probably due to the lack of clinical data... But nothing is set in stone, and this upcoming presentation might lead to some upward revision depending on the magnitude of the response rates generated in solid tumours (for our part, "tiso" accounts for c.DKK100 within our FV). Note by the way that GEN will either fully develop this compound, or co-develop/commercialise with Seattle Genetics depending on the latter's decision to opt-in or not.
- **And much more to come...** Obviously, the focus won't be restricted to "tiso", and many other candidates. We expect management to present some of the novel indications (e.g. NK B-cell lymphoma) in which dara will be developed, whether as a single-agent or as part of a combination (and we still believe ibrutinib/dara would makes sense due to their respective immuno-modulatory effects). At best, we might have more details on the solid tumour that ROG selected to evaluate its PD-L1 blocker along with dara (lung cancer?), as well as the related rationale.

VALUATION

- **We have lifted our FV to DKK1,650 (vs DKK1,600)** following the inclusion of the USD25m milestone payment as well as a higher payment associated with dara's regulatory / commercial successes next year.
- The stock is very likely to react positively this morning, but we see many significant catalysts in the near term for which we are quite optimistic. Tisotumab should be one of them in the very near term... And thereafter we anticipate 1/ some follow-up data from the CASTOR and POLLUX studies at the ASH meeting; 2/ dara's label expansion to the second-line of myeloma early next year. Please see our recent note here for further details).

NEXT CATALYSTS

- 10th November: Capital Market Day.

  5th December: R&D Day. *Click here to download*

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Hugo Boss

Price EUR59.08

Higher savings help mitigate the margin decline pending the next sales rebound

Fair Value EUR74 (+25%) **NEUTRAL**

Bloomberg	BOSS GR
Reuters	BOSG_p.DE
12-month High / Low (EUR)	93.5 / 46.4
Market Cap (EUR)	4,159
Ev (BG Estimates) (EUR)	4,307
Avg. 6m daily volume (000)	409.8
3y EPS CAGR	-5.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	20.0%	12.1%	5.3%	-22.9%
Pers & H/H Gds	-4.6%	-4.6%	-1.5%	-2.7%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2,809	2,700	2,756	2,866
% change		*-3.9%*	*2.1%*	*4.0%*
EBITDA (rep.)	590	416	511	534
EBIT	447.7	262.6	339.8	361.9
% change		*-41.3%*	*29.4%*	*6.5%*
Net income	319.3	193.5	252.9	272.8
% change		*-39.4%*	*30.7%*	*7.8%*

	2015	2016e	2017e	2018e
EBIT margin	15.9	9.7	12.3	12.6
Net margin	11.4	7.2	9.2	9.5
ROE	33.4	20.8	25.3	26.4
ROCE	29.6	16.9	21.9	22.9
Gearing	9.9	15.9	8.1	6.6

(EUR)	2015	2016e	2017e	2018e
EPS	4.67	3.51	3.72	4.01
% change	*-*	*-25.0%*	*6.1%*	*7.7%*
P/E	12.6x	16.9x	15.9x	14.7x
FCF yield (%)	6.9%	5.2%	5.8%	5.6%
Dividends (EUR)	3.62	2.24	2.93	3.16
Div yield (%)	6.1%	3.8%	5.0%	5.4%
EV/Sales	1.5x	1.6x	1.5x	1.5x
EV/EBITDA	7.2x	10.3x	8.3x	7.9x
EV/EBIT	9.5x	16.4x	12.5x	11.7x

As expected, the market welcomed positively the better-than-expected adj. EBITDA performance (thanks to a higher cost savings target) and the gradual improvement in China, which was also shared by other luxury groups. Now that Hugo Boss has managed to consolidate the business, the second step would be to restore traction at the top line level and recover part of the lost profitability. The group's management will certainly spend some time presenting these initiatives at the Investor Day on 16th November.

ANALYSIS

Cost-cutting initiatives deliver more than expected. The higher cost savings target announced yesterday (EUR65m instead of EUR50m) stemmed from a more effective streamlining of the cost structure: **(i)** renegotiation of rental contracts across the globe, **(ii)** a tight opex cost management and **(iii)** lower marketing expenses as a % of sales (CEO guided for a stability over 2016). At this stage, the group has closed three stores out of the 20 unprofitable DOS that are expected to close by the end of 2017.

Sequential improvements in China (8% of sales) … After five consecutive quarters in negative territory, trends in these two regions have gradually improved over Q3. As expected, the recovery was faster in **China** despite an ongoing double-digit decline in HK/Macau, helped by a more favourable market environment highlighted by other luxury peers, but also thanks to own initiatives (i.e. price cuts of 20%, improved merchandise planning, new digital approach). It is worth noting that comparable growth in Mainland China was even positive in Q3 (vs. -6% for the Group).

… and in the US (19% of sales). The situation has improved slightly (Q3: -14% vs. -19% in H1) but remains volatile: while half of the sales decline was due to the group's distribution upgrade in wholesale, the other half is explained by lingering poor footfall, as LFL sales figures were still below the group's average. Once the distribution upgrade in the wholesale channel and the category migration are completed, Hugo Boss expects that in-store traffic would improve and return to positive territory. This recovery would be a catalyst for 2017 in our view.

Let's hope Hugo Boss stems the decline in Europe (60% of sales). Although Europe was the only region showing positive growth over 9M (+1% FX-n), trends worsened in Q3 (-2% FX-n vs. +3% in H1) in a context of an overall market deterioration in key countries such as Germany, France or Spain. Although the brand has increased prices in Germany (e.g. which is now 20% cheaper than France vs. 30% previously), it did not underperform the (weak) German market. If the market is not better oriented in Q4, we hope that Hugo Boss will implement measures to restore momentum as the comparison base is quite challenging (Q4 2015: +10% FX-n vs. +5% in 9M).

We leave our FY16 assumptions unchanged. We anticipate a 2% FX-n sales decline for 2016 (guidance: 0 to -3%), implying a flat performance over Q4. As for adj. EBITDA, we expect a 19% contraction for the year. The group has not revised up its FY target (decrease between 17% to 23%) despite higher cost savings but CEO Mark Langer confirmed that Hugo Boss would not be in the lower end of the guidance even if comparable store sales performance does not improve vs 9M (-7%). Interestingly, he also specified that the bar for operating leverage was lowered (mid single-digit LFL growth previously) thanks to savings and tight cost management.

All eyes on the Investor Day. Now that Hugo Boss has shown that its initiatives have started to pay off in some markets and in profitability, the market now wants to have a detailed roadmap for the MT-LT, particularly with regard to brand positioning, the online channel (-15% in Q3) and upside potential to profitability over the MT.

VALUATION

At 12.2x 2017e EV/EBIT, the stock trades at 4% discount to our luxury sample excl. Hermès.

NEXT CATALYSTS

Investor Day on 16th November.

Click here to download

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Virginie Roumage

Healthcare

Orpea

Price EUR74.70

Contact-Q3 Revenue: Acceleration of organic growth in Q3. FY results upgraded.

Fair Value EUR86 vs. EUR85 (+15%) BUY

Bloomberg	ORP FP
Reuters	ORP.PA
12-month High / Low (EUR)	80.6 / 65.8
Market Cap (EURm)	4,487
Ev (BG Estimates) (EURm)	7,776
Avg. 6m daily volume (000)	88.90
3y EPS CAGR	21.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.3%	-5.8%	2.6%	1.2%
Healthcare	-7.6%	-12.8%	-6.4%	-16.2%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2,392	2,841	3,041	3,172
% change		*18.8%*	*7.0%*	*4.3%*
EBITDA	400	468	528	568
EBIT	303.3	368.3	418.1	454.1
% change		*21.4%*	*13.5%*	*8.6%*
Net income	153.3	173.8	206.0	236.9
% change		*13.4%*	*18.5%*	*15.0%*

	2015	2016e	2017e	2018e
Operating margin	12.7	13.0	13.8	14.3
Net margin	6.4	6.1	6.8	7.5
ROE	8.5	10.3	12.2	14.1
ROCE	3.5	4.1	4.6	5.0
Gearing	170.5	195.4	189.6	181.8

(EUR)	2015	2016e	2017e	2018e
EPS	2.12	2.84	3.34	3.82
% change	*-*	*33.8%*	*17.6%*	*14.4%*
P/E	35.2x	26.3x	22.4x	19.6x
FCF yield (%)	NM	0.5%	6.7%	7.2%
Dividends (EUR)	0.90	0.99	1.17	1.34
Div yield (%)	1.2%	1.3%	1.6%	1.8%
EV/Sales	3.2x	2.7x	2.5x	2.4x
EV/EBITDA	18.9x	16.6x	14.6x	13.3x
EV/EBIT	25.0x	21.1x	18.4x	16.6x

Another strong quarter with Q3 total revenue up 16.8% ahead of the consensus particularly on lfl growth up 6.3% vs. 5.4% anticipated. After the first 9m, with total revenue up 20.8% and 5.9% on lfl basis (+5.7% after 6 months), we slightly revise our forecasts and upgrade our FV to EUR86. Buy opinion confirmed.

ANALYSIS

- **A strong quarter with sustained lfl growth:** Q3 total revenue reached EUR725m (consensus at EU722m as our forecast) up 16.8% with sustained lfl growth of 6.3%.
    - As previously, **on reported basis**, Q3 revenue benefited from the consolidation of companies acquired in the course of 2015 bringing EUR65m after EUR78m in Q2 and EUR110m in Q1.
    - **On a lfl basis**, all regions registered strong lfl growth, notably with an acceleration in **France** (59% consolidated revenue) up 5.3% after 5% in Q2 and 4.1% in Q1 and **International** up 8.2% after 9% in Q2 and 6.2% in Q1. No major surprises by country excepted in **Belgium** (5.6% of consolidated revenue) with lfl remaining volatile (+4.8% in Q3, 8.2% in Q2 and 1.2% in Q1) due notably to the ramp up of new facilities. **Germany** (17.5% of revenue) was up 9.6% (+7.8% in Q2, 9.4% in Q1), **Switzerland** (5%) up 10.4% (+14% in Q2, +12.7% in Q1).
- **FY results upgraded:** Following 9m revenue, we revise our FY estimates with total revenue of EUR2,841m vs. EUR2,814m (w/o any improvement in Q4 vs. Q3 consolidated revenue would be EUR2,830m). Remember that management upgraded its forecast after H1 results to EUR2,810m notably taking into account the acquisition of Sanyres in Spain which has been consolidated since Q3 2016.

Main changes

	2016e			2017e			2018e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
SALES	2 814	2 841	1,0%	2 999	3 041	1,4%	3 141	3 172	1,0%
EBITDA	463	468	1,0%	516	528	2,2%	560	568	1,5%
	16,5%	16,5%	-0 bp	17,2%	17,4%	14 bp	17,8%	17,9%	10 bp
EBIT	365	368	1,0%	408	418	2,4%	447	454	1,7%
	13,0%	13,0%	-0 bp	13,6%	13,8%	14 bp	14,2%	14,3%	10 bp
EPS	2,80	2,84	1,3%	3,24	3,34	3,1%	3,74	3,82	2,1%

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

VALUATION

- Based on our new estimates and using a DCF with a WACC of 5.9% and long-term growth of 2.5%, our FV moves to EUR86 from EUR85.
- At the current share price, the stock is trading at 16.6x EV/EBITDA 2016e and 14.6x 2017e which compares with an historical average of 13.1x and an EBITDA CAGR 2015-2018 of 12.4%.

NEXT CATALYSTS

- FY 2016 revenue on 8th February (before market)

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Healthcare

QIAGEN

Price EUR22.06

Strong Q3 and increased visibility...*rendez-vous* in two weeks at the IR DAY!

Fair Value EUR28 vs. EUR26 (+18%) **BUY-Top Picks**

Bloomberg	QIA GR
Reuters	QGEN.DE
12-month High / Low (EUR)	25.3 / 17.8
Market Cap (EURm)	5,287
Ev (BG Estimates) (EURm)	5,862
Avg. 6m daily volume (000)	391.0
3y EPS CAGR	9.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-10.0%	-8.1%	12.7%	-12.2%
Healthcare	-7.5%	-13.5%	-6.3%	-16.1%
DJ Stoxx 600	-2.2%	-1.3%	-1.8%	-8.3%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	1,281	1,347	1,433	1,535
% change		*5.1%*	*6.4%*	*7.1%*
EBITDA	438	442	492	531
EBIT	314.5	318.7	369.2	407.9
% change		*1.3%*	*15.9%*	*10.5%*
Net income	249.3	257.2	295.5	325.5
% change		*3.2%*	*14.9%*	*10.2%*

	2015	2016e	2017e	2018e
Operating margin	24.6	23.7	25.8	26.6
Net margin	19.5	19.1	20.6	21.2
ROE	5.0	4.5	5.5	6.1
ROCE	23.0	19.6	19.1	24.7
Gearing	38.8	22.3	15.4	8.4

(USD)	2015	2016e	2017e	2018e
EPS	1.05	1.09	1.25	1.39
% change	-	*3.4%*	*15.3%*	*10.6%*
P/E	23.2x	22.4x	19.4x	17.6x
FCF yield (%)	6.8%	6.8%	6.3%	6.8%
Dividends (USD)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	5.3x	4.8x	4.4x	4.0x
EV/EBITDA	15.6x	14.7x	12.8x	11.5x
EV/EBIT	21.7x	20.3x	17.1x	15.0x

QIAGEN has released a strong set of results for Q3. As well as confirming both the inflexion point seen in Q2 and the growth trajectory for the year with maintained sales guidance (6-7% CER and adjusted EPS exc one-off restructuring charges), management offered a reassuring 2017 outlook. Following a heavy investment period, QIAGEN has reshaped itself succesfully. Our Fair Value is up EUR2 to EUR28.

QIA (USDm)	Q3 15 act	Q3 2016 act	Q3 2016 CSS	delta	FY 2016 Co	FY 2016 CSS	delta
Revenue	314,6	339	337	1%	1348	1345,0	0%
% growth		8%	7%				
Operating	78,3	87	82	6%		318,6	
% margin	24,9%	25,6%	24,3%				
EPS	0,27	0,29	0,28	4%	1,08-1,13	1,09	
% growth		7%					

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

ANALYSIS

- **Q3 sales came in at USD338.7m, up 9%CER,** in line with both the consensus (EUR337m) and the group's guidance (8-9%CER growth). Excluding US-HPV which represented 2% of total group sales, net sales would have risen 10%CER. MDx sales, which account for 50% of QIA's turnover continued to accelerate over the quarter with sales up 9%CER (12%CER exc. US-HPV). Growth in the business segment was driven by strong **QuantiFERON-TB sales delivering a more than 25%CER growth rate, which we expect to be maintained in coming quarters with the US grade-B recommendation** that the product should now benefit from. In 2016, our model points to >250bp contribution from QuantiFERON-TB to total group sales growth which we expect to land at 6.5%CER. Applied Testing (9% of sales) grew 12%CER driven by both consummables and instruments with strong contribution from the APAC region. Pharma (20% of sales) grew at 8%CER in the quarter helped by recognition of revenues from CDx. Academia (21% of sales) up 7%CER is keeping up with good momentum in 2016.
- On a geographical basis, **APAC (21% of sales) growing 21%CER** drove growth over the quarter with a strong China and a manangement shake-up in Japan in late 2015 bearing fruits. **America (49% of sales) grew 11%CER...14%CER exc. US-HPV.** We noted a more **mixed picture in Europe up 1%CER** where weak sales in Acamedia offset gains in other businesses despite a good start to the year (7% and 13% CER growth in Q1 and Q2 respectively).
- From a profitability standpoint, **adj. operating margin came in at 130bp or 6% ahead of consensus estimates at 25.6% of sales** (USD87m) with increased S&M and R&D efforts fading in H2 2016. Note that adj. operating margin was 17.9% and 20.7% of sales in Q1 and Q2 respectively. **EPS stands at USD0.29/share for the quarter** which was ahead of the consensus and the group's guidance (EPS of USD0.28 exc. USD0.01 of negative FX impact).
- Q4 2016 sales guidance confirmed the FY 2016 outlook which was reiterated i.e. 6-7%CER growth (exc. negative 1-2pp FX impact). Adjusted EPS for the year was also reiterated and expected to total USD1.10-1.11 per share (exc. negative USD0.01-0.02 FX impact). Note that the latter does not take into account the effect of a USD75m one-time restructuring charge to be booked in Q4, otherwise it would have been USD0.87-0.88. The remaining USD10m of the plan is to be booked in Q1 2017. Q4 sales guidance is for 8%CER growth and EPS USD0.38 per share (USD0.15-0.16 per share including the impact of restructuring plan; no currency impact expected in Q4).
- **Bottom line, a USD85m pre-tax restructuring charge is to be booked.** The bulk part being in Q4 this year. This plans aims at 1/ closing two sites, one in California, and spinning off activities at an engineering site in Switzerland before closing it. 2/ Streamlining the organisational structure and marketing activities to better include digitalisation while 3/ optimising sales channels and looking for economies of scale.
- **Confidence in resuming GeneReader sales in the US in 2017**. The company is moving "full speed" according to management and is already providing updates to customers outside of the US. We believe that what management mentionned as small delays in the development of applications for the GeneReader was prompted by the acceleration of R&D activities on the chemistry, not to potentially infringe Illumina's patent anymore.

- **Reassuring FY 2017 guidance.** Initial 2017 sales guidance fell within consensus expectations. Following a strong FY 2016, management expects to deliver **6-7%CER growth in 2017 (BGe6.5%CER**). QuantiFERON-TB is likely to be the main driver of this growth, primarily boosted by grade B in the US, but also by the ability of the group to open new markets for the product e.g. monitoring of the conversion risk from latent to active TB. As a reminder, commercial activities have been stepped-up for the product in H1 2016 and sales are likely to be fully efficient in 2018, which bodes well with our next scenario for a growth rate at or above 20% until 2018 for the product.
- **What's left for the remainder of the quarter?** The next catalyst should be the AMP meeting to be held in Charlotte on 10-12th November. The latter should provide positive insight and feedback with regards to QIAGEN's new end-to-end solutions for labs. The IR Day on 15th November should offer: **1/ an in-depth review of the GeneReader** as well as more colour on the chemistry update for the instrument. **2/ Details on the share repurchase program** expected to be completed for its biggest portion on January 2017 (synthetic share repurchase), **3/ additional comments on 2017 guidance**. **4/** Our tough is that the management could also share **visibility beyond 2017** at the IR Day with a long term growth trajectory (2020 sales target?).

VALUATION

- We reiterate our BUY recommendation. QIAGEN is in our top pick list for Q4 2016. We expect the share price to react positively to these results (QIAGEN was up >7% in after market yesterday in the US)
- Adjustments to our model includes a lower than anticipated impact of FX for the year (+EUR1) as well as LT growth revision for QuantiFEON-TB which we see able to deliver over 20% growth rate until 2018 (+EUR1).
- Our Fair Value is up from EUR26 to EUR28.

NEXT CATALYSTS

- 10-12 November: AMP meeting (Association for Molecular Pathology)
- 15 November, 2016: IR DAY

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Sopra Steria Group

Price EUR92.58

Q3 2016 sales in line, FY16 guidance reiterated

Fair Value EUR125 (+35%) **BUY**

Bloomberg	SOP FP
Reuters	SOPR.PA
12-month High / Low (EUR)	119.0 / 84.5
Market Cap (EURm)	1,897
Ev (BG Estimates) (EURm)	2,464
Avg. 6m daily volume (000)	26.80
3y EPS CAGR	14.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-11.4%	-10.1%	-9.2%	-14.5%
Softw.& Comp.	-7.0%	-1.8%	5.6%	0.8%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	3,584	3,736	3,852	4,051
% change		*4.2%*	*3.1%*	*5.2%*
EBITDA	304	343	380	411
EBIT	152.6	243.0	279.9	310.5
% change		*59.3%*	*15.2%*	*10.9%*
Net income	151.0	183.1	209.7	230.3
% change		*21.3%*	*14.6%*	*9.8%*

	2015	2016e	2017e	2018e
Operating margin	6.8	7.8	8.5	8.9
Net margin	2.4	4.0	4.6	4.9
ROE	6.8	12.4	13.1	13.1
ROCE	11.0	11.7	12.8	13.8
Gearing	43.0	46.9	33.7	21.5

(€)	2015	2016e	2017e	2018e
EPS	7.38	8.93	10.22	11.22
% change	-	*20.9%*	*14.5%*	*9.8%*
P/E	12.5x	10.4x	9.1x	8.3x
FCF yield (%)	3.0%	5.4%	7.3%	9.7%
Dividends (€)	1.70	1.90	2.10	2.30
Div yield (%)	1.8%	2.1%	2.3%	2.5%
EV/Sales	0.7x	0.7x	0.6x	0.5x
EV/EBITDA	8.0x	7.2x	6.2x	5.4x
EV/EBIT	9.9x	8.4x	7.2x	6.2x

This morning Sopra Steria has reported Q3 2016 sales in line with our forecast and the consensus average, driven by the French Consulting & Systems Integration business, Italy, Benelux and Sopra Banking Software. FY16 lfl revenue growth guidance is reiterated, management being confident the group will reach the top end of 3-5% lfl revenue growth range. While the poor year-to-date share price performance stemmed from fx headwinds (GBP vs. EUR), we expect the share price to react positively short term.

ANALYSIS

- **Q3 2016 sales in line with expectations**. Q3 2016 sales rose 3.5% (+4.7% lfl) to EUR875m or 1% above our EUR869.6m estimate and in line with the consensus' average (EUR879.2m). Growth was negatively impacted by 1 billable day less compared to Q3 2015. All the divisions were pretty much in line with our forecasts, except the Other Europe region, which posted more than 20% growth in Italy and Benelux. Compared to the consensus, France, Sopra Banking Software and Other Solutions were in line, the UK was 3% below (an underestimation of fx headwinds in our view), and the Other Europe region was 2% above. Headcount as of 30th September 2016 was 38,397 (o/w 17.9% 'x-shore'), up 197 vs. 30th June 2016. On a year-on-year basis, 'x-shore' headcount was up 6% (+410 vs. Q2 2016), while onshore headcount was up 6% (-213 vs. Q2 2016).
- **Q3 2016 details**. 1). France was up 5.4% lfl to EUR356.9m (BG est.: EUR358m, consensus: EUR358.4m), with Consulting & Systems Integration up 6.6% lfl to EUR309.5m with +7% on strategic customers, +12% in Consulting, and solid growth in Defence, Aerospace and Transport, and Infrastructure & Security Services (I2S) down 1.5% to EUR47.5m with Cybersecurity (10% of I2S) up 13.2% lfl and Infrastructure Management down 2.1% lfl; 2). The UK was up 1.1% lfl to EUR217.4m (BG est.: EUR214.6m, consensus: EUR223.2m) with Government (67% of the UK) up 0.5% lfl and commercial sectors up 2.4% lfl; 3). Other Europe was up 6.4% lfl to EUR172m (BG est.: EUR165.7m, consensus: EUR169m) with Germany up 2.2% lfl and Italy and Benelux up above 20%; 4). Sopra Banking Software was up 8.9% lfl to EUR80.7m (BG est.: EUR81.9m, consensus: EUR80.4m) primarily driven by Services in France, Benelux and Middle East & Africa; 5). Other Solutions were up 4.3% lfl to EUR48m (BG est.: EUR49.4m, consensus: EUR48m).
- **FY16 guidance reiterated**. With year-to-date lfl revenue growth of 5.2% (as of 30th September), management reiterated its confidence in reaching the top-end of FY16 lfl revenue growth guidance of +3%/+5% (BG est.: +4.6%), with an operating margin above 7.5% (BG est. and consensus: 7.8%), and a strong cash flow increase (BG est.: EUR102m). As for Q3, Q4 will be negatively impacted by 1 billable day less, which makes us comfortable with our forecasts. NB. Sopra Steria made two tiny acquisitions in Q3/Q4 2016: Active 3D (France, technical and energy management solutions for buildings, EUR1m revenues in 2015) and Solid (Norway, SAP integration, EUR1m revenues in 2015).

VALUATION

- Sopra Steria's shares are trading at est. 8.4x 2016 and 7.2x 2017 EV/EBIT multiples.
- Net debt on 30th June 2016 was EUR719.6m (net gearing: 69%).

NEXT CATALYSTS

FY16 results on 27th February 2017 before markets open.

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Utilities

Veolia Environnement

Price EUR19.72

9M 2016 results – first take: tepid performance, as expected

Fair Value EUR23,5 (+19%) **BUY**

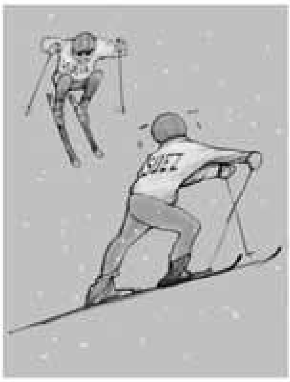
Bloomberg	VIE FP
Reuters	VIE.PA
12-month High / Low (EUR)	22.9 / 18.1
Market Cap (EURm)	11,107
Ev (BG Estimates) (EURm)	18,527
Avg. 6m daily volume (000)	1 783
3y EPS CAGR	27.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.8%	-0.9%	-8.1%	-9.8%
Utilities	-3.7%	-6.8%	-6.5%	-8.7%
DJ Stoxx 600	-2.2%	-1.3%	-1.8%	-8.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	24,965	25,080	26,116	26,801
% change		*0.5%*	*4.1%*	*2.6%*
EBITDA	2,997	3,147	3,386	3,554
EBIT	1,060	1,404	1,584	1,713
% change		*32.5%*	*12.8%*	*8.1%*
Net income	378.7	528.1	696.1	784.9
% change		*39.4%*	*31.8%*	*12.8%*

	2015	2016e	2017e	2018e
Operating margin	4.5	5.6	6.1	6.4
Net margin	1.8	2.4	2.9	3.2
ROE	4.0	6.3	7.1	7.8
ROCE	6.4	6.4	7.0	7.4
Gearing	82.6	79.8	77.8	74.0

(EUR)	2015	2016e	2017e	2018e
EPS	0.68	0.93	1.23	1.39
% change	*-*	*37.9%*	*31.8%*	*12.8%*
P/E	29.2x	21.1x	16.0x	14.2x
FCF yield (%)	9.6%	1.8%	7.8%	9.0%
Dividends (EUR)	0.73	0.85	0.84	0.97
Div yield (%)	3.7%	4.3%	4.3%	4.9%
EV/Sales	0.7x	0.7x	0.7x	0.7x
EV/EBITDA	6.0x	5.9x	5.4x	5.1x
EV/EBIT	17.0x	13.2x	11.5x	10.6x



Veolia unveiled its 9M 2016 results this morning. Revenues of EUR17,708m were down 3% yoy while EBITDA reached EUR2,206m, slightly below the consensus figure, up 5.1% at constant FX with strong cost-savings more than offsetting the expected adverse impact in the company's French water business. Veolia adjusted downward its full-year guidance at the revenue level (stable vs. growth) while the rest of the guidance was unchanged. Buy rating and FV at EUR23.5 confirmed, pending more information during the conference call @ 8:30am.

ANALYSIS

- **Main 9M 2016 metrics:** 9M 2016 revenues reached **EUR17,708**m, down **3%** yoy as the company bore the brunt of the adverse FX impact, unsupportive energy prices, the fall in industrial services revenues in the US and the expected downsizing of construction activities (SADE and Veolia Water Technologies). **9M-16 EBITDA reached EUR2,206m** (+5.1% at constant exchange rate vs. +5.6% in H1-16) slightly below consensus expectations (at EUR2,219m). The group was notably penalised by impairment of receivables in the water business (Brottes law impact) and an adverse price impact. As expected, the main EBITDA growth driver was the company's cost-savings programme with a **EUR175m** contribution over the first nine months of the year. Veolia expects the 2016 contribution of the programme to reach between **EUR220m** and **EUR240m** and therefore to confirm its advance vs. initial savings target (EUR600m over a 3-year period hence EUR200m per year). Current EBIT reached **EUR979m** (up 4% yoy and 7.3% at constant exchange rates) in line with expectations (at EUR976m) and current net income stood at **EUR421m**, slighty above consensus expectations (at EUR414m), on the back of a lower cost of debt. Excluding capital gains, current net income reached **EUR388m** up 21.5% at constant exchange rates. As a reminder, **the contribution from Transdev is not included in the company's current net income as is the expected capital gain** related to the 20% disposal announced during H1 2016 results.
- **Momentum appears to be more favourable in the waste business** with Q3 2016 Waste EBITDA in France slightly improving and resilient volumes (+0.8% YTD). **The water business is however still challenging** with unfavorable weather conditions, notably in France, which negatively impacted volumes (-1.7%). At a constant exchange rate, the Rest of World division was up 1.9% mainly due to strong growth in Asia (increase in energy volumes, new incinerators volumes and cost-savings).
- **The group slightly adjusted downwards its full-year guidance at the revenues level**. Revenues, at constant exchange rates, are now expected to be stable overall (vs. growth before). The rest of the guidance was unchanged with **1/**EBITDA growth (at constant FX); **2/**at least EUR650m of FCF (before divestments and acquisitions) **and 3/**current net income of at least **EUR600m.**
- **Additionally, Veolia confirmed its outlook for the 2016-2018 period** previously unveiled at the 2015 Investor Day. The group expects a progressive increase in revenue growth to achieve average annual revenue growth between 2% and 3%. **Average annual EBITDA growth is expected at around 5% per year and current net income is expected to be greater than EUR800m in 2018.** Cost-savings are expected to reached **more than EUR600m** over the period (vs. EUR600m initially) while net free cash flow is expected to reach EUR1bn in 2018.

VALUATION

- At the current share price, the company trades at **5.9x** its 2016e EV/EBITDA multiple
- **Buy, FV @ EUR23.5**

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Healthcare

Actelion

Price CHF137.40

Acquisition of rights to in-license a DMD drug currently in phase II

Fair Value CHF180 (+31%) **NEUTRAL**

Bloomberg	ATLN VX
Reuters	ATLN.VX
12-month High / Low (CHF)	173.8 / 122.5
Market Cap (CHFm)	14,806
Avg. 6m daily volume (000)	361.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	-18.3%	-17.6%	-11.1%	-1.6%
Healthcare	-7.6%	-12.8%	-6.4%	-16.2%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

	2015	2016e	2017e	2018e
P/E	22.3x	18.0x	20.9x	19.0x
Div yield (%)	1.1%	1.1%	1.1%	1.1%

ANALYSIS

Actelion has acquired an option to in-license vamorolone, a steroid-like compound that is currently in phase IIa in 4-7 year-old steroid-naïve boys suffering from Duchenne Muscular Dystrophy (DMD), a genetic disorder that destroys muscles and leads to early death. The phase IIa study (VISION-DMD) was initiated in last August in 48 children and compares four different doses ranging from 0.25 mg/kg/day up to 6 mg/kg/day with safety as the primary endpoint. An extension to the study also assesses muscle function and body mass.

There has been some noise around DMD in recent months since results from a drug called eteplirsen were highly debated. Data obtained in a 12-patient large clinical trial were not crystal-clear and a panel of experts voted against the approval of the drug. But vocal and influential communities of parents advocated in favour of the drug, desperately waiting for any hope to address this devastating disease. Under the condition to conduct another 2-year long clinical study, Exondys 51 from Sarepta Therapeutics was approved in September by the FDA for patients with a confirmed mutation of the dystrophin gene to exon 51 skipping (about 13% of DMD pts).

VALUATION

There is limited information in the press release about conditions and terms of the licensing deal. Actelion can exercise its right to in-license the drug based on phase IIa results that are expected in H2 2017 and no later than following the receipt of phase IIb data. The phase IIb is already in the planning stage. If the results are very good then a filing based on a well-conducted phase II programme might be feasible. The compound has already received orphan drug designation of course. However, two other drugs are currently running phase III trials in DMD: ataluren and idebenone but with different targets and mechanisms of action.

We will wait until phase II data are disclosed before eventually taking the drug into our sales model. Actelion has already paid USD10m to ReveraGen. If the option is exercised, Actelion would pay up to USD165m in development and regulatory milestones (+ USD190m in further indications) and tiered single to low double-digit royalties on net sales.

NEXT CATALYSTS

15th November 2016: Actelion's CEO at Bryan Garnier Healthcare Conference

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TMT

ASML

Price EUR93.76

Bloomberg	ASML NA
Reuters	ASML.AS
12-month High / Low (EUR)	99.4 / 71.8
Market Cap (EURm)	40,629
Avg. 6m daily volume (000)	1,078

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.0%	-3.7%	10.5%	13.6%
Semiconductors	-2.4%	3.4%	28.5%	21.5%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

	2015	2016e	2017e	2018e
P/E	29.2x	29.1x	21.5x	16.5x
Div yield (%)	0.7%	1.1%	1.3%	1.5%

ASML strengthens its partnership with Zeiss to accelerate EUV lithography development

Fair Value EUR83 (-11%) **SELL**

ANALYSIS

- **Today, ASML announced that it is in the process of buying 24.9% of Zeiss subsidiary Carl Zeiss SMT for a total amount of EUR1bn**. Note that ASML uses high performance optics from Zeiss for the production of its lithography tools. With the laser currently manufactured by Trumpf, optic elements are crucial and major components of ASML's systems. The two firms have been working together for more than 30 years. Prior to this deal, ASML's net cash position stood at EUR1.92bn.
- **With this partnership, ASML is targeting high NA**. In our view, this investment is driven by the requirement of high numerical aperture to improve efficiency and performance in EUV tools. As such, the group said that the next EUV system generations will offer a higher numerical aperture and allow improvements to further reduce critical dimensions in the lithography process. Note that the current EUV systems (NXE:3350B) have a numerical aperture of 0.33 which is expected to be improved to >0.5 for next generation systems.
- **ASML will also support Zeiss R&D efforts.** In addition to the EUR1bn investment in Carl Zeiss SMT, ASML agreed to support Carl Zeiss SMT's R&D for a total amount of approximately EUR220m and capex of EUR540m over the next six years. Nevertheless, with an annual dividend to be paid by Carl Zeiss SMT to ASML, the group expects that the minority share transaction will be accretive to its adjusted earnings.
- **Overall, we note that ASML continues to invest in its own supply chain in order to support the development of EUV systems.** ASML already acquired Cymer in 2012 in order to accelerate the development of the EUV technology in a deal worth EUR1.95bn.

VALUATION

- Based on our estimates, ASML's shares are trading on 2017e P/E ratios of 21.5x, i.e. a premium vs. peers at an average 2017e P/E ratio of 16.2x.

NEXT CATALYSTS

- 1th7 January 2016: Q4 and FY16 results

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Luxury & Consumer Goods

Beiersdorf

Price EUR78.50

Bloomberg	BEI GY
Reuters	BEIG.DE
12-month High / Low (EUR)	90.0 / 76.6
Market Cap (EURm)	17,804
Avg. 6m daily volume (000)	0.60

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.0%	-7.4%	0.0%	-7.4%
Pers & H/H Gds	-4.6%	-4.6%	-1.5%	-2.7%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

	2015	2016e	2017e	2018e
P/E	27.0x	26.2x	24.5x	23.0x
Div yield (%)	0.9%	1.0%	1.0%	1.0%

Q3 sales grew 2.9%, in line with H1. FY 2016 Margin guidance increased

Fair Value EUR80 (+2%) **NEUTRAL**

ANALYSIS

- Over 9m, the German group reported a 2.9% organic revenue increase to EUR5.03bn (consensus: EUR5bn). This implies a 2.9% organic sales increase in Q3 alone (consensus: +2.5%), following +3.3% in Q2 and +2.8% in H1. Consumer branch business (82% of group sales) achieved a 2.8% organic sales increase after +3.3% in Q2. In **Europe**, Consumer sales grew 1.6% over 9m (+2.4% in H1), implying a slowdown in Q3 (stability), partly due to tough comps and in the **Americas**, momentum remained well oriented and even accelerated with a 3.0% increase over 9m (+1.5% in H1). Lastly, in **Asia**, revenues increased 6.1% over 9m in line with the +6.3% in H1. Nivea sales grew 3.6% on 9m. Tesa sales grew 1.2% over 9m, implying a 3.2% growth in Q3 alone.
- Management's guidance for 2016 remains unchanged for sales performance and still anticipates a 3-4% organic sales increase both for the Consumer branch and the group. On the other hand, management now expects a “significant” EBIT margin increase for both the group and the Consumer branch vs “slight” previously. The consensus expects a 50bp profitability improvement at 14.9% versus 14.4% in 2015.

VALUATION

- We are making no change to our Neutral recommendation with a EUR80 Fair Value.

NEXT CATALYSTS

- FY 2016 sales to be reported mid-January 2017.

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Luxury & Consumer Goods

Hermès Intl.

Price EUR366.95

Bloomberg	RMS FP
Reuters	HRMS.PA
12-month High / Low (EUR)	398.6 / 291.6
Market Cap (EUR)	38,739
Avg. 6m daily volume (000)	56.30

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.3%	-4.5%	15.5%	17.7%
Pers & H/H Gds	-4.6%	-4.6%	-1.5%	-2.7%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

	2015	2016e	2017e	2018e
P/E	39.6x	34.9x	30.7x	27.2x
Div yield (%)	0.9%	1.0%	2.5%	1.3%

Hermès sales up 7.7% over 9m of which +8.8% in Q3, above expectations

Fair Value EUR410 (+12%) **BUY-Top Picks**

ANALYSIS

- **Hermès** 9M sales grew 7.7% organically to EUR3.7bn, implying +8.8% in Q3 alone (consensus: +7%), following +8.1% in Q2 and +7.2% in H1. Retail sales were up 9% over 9m vs +8% in H1. The Q3 sales increase was again driven by the **Leather Goods** business (47% of sales) thanks to a 16.3% increase following +17% in Q2. The **Silk** business declined 4% in Q3, in line with the Q2 performance. Ready to wear revenues remained stable in Q3, showing a clear improvement vs H1 (-2%), while others Hermès activities such as tableware grew 4.4% in Q3 vs -1%.
- **By geographical area**, we would highlight the 14% Q3 sales increase in **Asia-Pacific** (35% of Group sales) after +5.3% in H1. This positive move was mainly due to **Mainland China** which was clearly better oriented while other Asian countries (excluding HK) were very dynamic. In Hong Kong and Macau, the situation remains mixed. **France** (14% of sales) suffered in Q3 with almost a stability versus +7.3% in H1. The rest of **Europe** fared quite well with a 10% revenue increase in Q3. The **Americas** (18% of sales) enjoyed 7.3% sales growth in Q3, almost in line with H1 (+8.3%). In **Japan** (12% of sales), revenues grew in Q3 (+5.6%).

VALUATION

- **RMS share price gained 18.4% over the last six months**, the second-best performance among our luxury groups sample. We remain at Buy on the stock with an unchanged EUR410 FV.

NEXT CATALYSTS

- FY 2016 sales to be reported on 7th February 2017.

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Insurance

Swiss Re

Price CHF90.00

Decent Q3 numbers

Fair Value CHF100 (+11%) **NEUTRAL**

Bloomberg	SREN VX
Reuters	SREN.VX
12-month High / Low (CHF)	99.7 / 79.1
Market Cap (CHF)	32,406
Avg. 6m daily volume (000)	1,186

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.7%	10.5%	5.4%	-8.3%
Insurance	0.1%	5.7%	-5.8%	-18.1%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

	2015	2016e	2017e	2018e
P/E	7.1x	10.6x	10.3x	
Div yield (%)	5.0%	5.0%	5.0%	

ANALYSIS

- Q3 2016 net income totalled USD1,175m, down 16% yoy but way above consensus (USD961m), mainly thanks to investment results and favourable PYD.
- In P&C, Q3 net income came in at USD678m (consensus USD589m). The reported combined ratio is 87.9% (vs. 77.7% in Q3 2015 and consensus 89.5%), including a low natcat burden (930bps below budget) and run-offs (5.9pts). Excluding natcats and run-offs, the adjusted combined ratio stood at 91.8% vs. 86.3% in Q3 2015, which is consistent with the softening of the market.
- In Life, Q3 net income is USD218m (consensus USD191m), driven by investment results. Net income at Corporate Solutions is USD95m (consensus USD58m), with low natcats and favourable PYD. At Life Capital, net income is USD157m (consensus USD121m), with a USD248m cash generation (consensus USD124m).
- Q3 ROI is 3.5% (annualised) vs. 3.2% last year, mainly driven by realised gains (running yield is down 20bps to 2.8%).
- -> Decent overall Q3 numbers and the start of the CHF1bn share buy-buy programme on 4th November should go down well with investors, but we remain cautious on short-term prospects for reinsurers (ongoing softening in the P&C Re market).

VALUATION

- Based on our current estimates, our SOTP valuation is CHF100.

NEXT CATALYSTS

- Investor Day on 2nd December. FY 2016 numbers on 23rd February 2017.

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Bryan Garnier stock rating system

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

Stock rating

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

Distribution of stock ratings

BUY ratings 56.7% NEUTRAL ratings 31.2% SELL ratings 12.1%

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