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4th November 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17930.67	-0.16%	+2.90%
S&P 500	2088.66	-0.44%	+2.19%
Nasdaq	5058.41	-0.92%	+1.02%
Nikkei	16905.36	-1.34%	-9.98%
Stoxx 600	331.557	0.00	-9.36%
CAC 40	4411.68	-0.07%	-4.86%
Oil /Gold			
Crude WTI	44.66	-1.50%	+20.05%
Gold (once)	1298.72	-0.47%	+22.25%
Currencies/Rates			
EUR/USD	1.10945	-0.21%	+2.13%
EUR/CHF	1.08125	+0.23%	-0.57%
German 10 years	0.08	+54.24%	-87.43%
French 10 years	0.48	+8.04%	-51.03%
Euribor	-	+-%	+-%

Economic releases :

Date	
4th-Nov	11h00 EUZ - PPI Sep. 13h0 US - Unemployment rate Oct. (4.9% E) 13h30 US - Change in non farms payrolls Oct. (175K e) 18h00 US - Baker Hughes U.S. Rig count

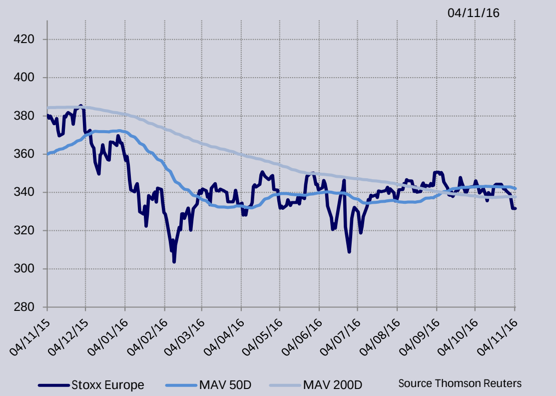
Upcoming BG events :

Date	
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)
24th-Nov	IMERYS (BG London roadshow with IR)

Recent reports :

Date	
3rd-Nov	Casino The fat Lady has not sung yet
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

List of our Reco & Fair Value : Please click here to download



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

Mr Rorsted's mandate is getting off to a strong start!

DIALOG SEMICONDUCTOR — BUY, Fair Value EUR40 vs. EUR37 (+13%)

No more juice, but buybacks and upcoming analyst day might provide a temporary refill

EDF — BUY, Fair Value Under Review

2016 nuclear output and EBITDA guidance revised down...once again

HERMÈS INTL. — BUY-Top Picks, Fair Value EUR410 (+11%)

Acceleration in September and encouraging October

LAFARGEHOLCIM — BUY-Top Picks, Fair Value CHF60 (+18%)

Another quarter of strong EBITDA

L'ORÉAL — BUY, Fair Value EUR177 (+10%)

Q3 sales rebound (+5.6% for Cosmetics branch) above expectations

RICHEMONT — BUY, Fair Value CHF73 (+17%)

Poor H1, globally in line with expectations

UBISOFT — BUY, Fair Value EUR35 (+21%)

No profit warning – quite the opposite, even by taking additional security

VICAT — NEUTRAL, Fair Value EUR61 vs. EUR56 (+9%)

Q3 revenues in line. Negative FX impact likely to continue next year with the EGP.

PHARMACEUTICALS

Safety issues arise from ACE910's trial... Do not rush to make a judgement

In brief...

AXA, *Decent Q3 sales numbers*

ERYTECH, *Q3 business update in line with expectations. FY guidance reiterated*

COFACE, *Poor Q3, limited short-term visibility*

Luxury & Consumer Goods

adidas Group

Price EUR146.55

Mr Rorsted's mandate is getting off to a strong start!

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

Barely one month since Mr Rorsted became CEO and after having travelled throughout the world to meet employees, partners and customers, he has already set some ST & MT priorities that will be presented in more detail during the Investor Day on 14th March: (i) restructuring and strengthening Reebok (hence the EUR30m in restructuring costs booked in H2), (ii) continuing the US turnaround and (iii) driving digital transformation and, of course, (iv) ensuring sustainable growth.

ANALYSIS

Muscling Reebok and its brand equity. Despite further positive FX-n growth since Q2 2013 (14 quarters in a row), CEO Kasper Rorsted believes that RBK must do more and better: **(i)** the brand is to be managed by a distinct Global Team, **(ii)** the organisation will be streamlined and most of teams will be relocated to new premises close to Boston, **(iii)** RBK is accelerating the distribution upgrade in the US by closing 20 factory outlets this year (more in 2017) to increase customer perception and the brand equity. These projects explain the EUR30m in restructuring costs booked in H2, o/w EUR20m in Q4.

Continuing the US turnaround. In our opinion, robust momentum in the US (ADS brand is up 29% FX-n over the first 9M) is one of the most impressive achievements of the "*Creating the New*" strategic plan. The group declared that it doubled its market share to 10% from 5% the previousyear as it reconnected the brand to US customers, helped by the increasing focus on US sports and an improved execution. Although it is not formal guidance, management wants to reach a market share position of "at least 15%". This turnaround will be reinforced with the opening of the NY flagship store on 1st December (the brand's largest store: 4,235 square meters) and the launch of products designed by the Brooklyn Design Studio.

Driving the digital transformation. Management was not very talkative about this priority that will be a hot topic during the next ID in March. We believe that it will not only concern the group's e-commerce business, which was up 42% in 2015 to over EUR600m, but also the "digitalisation" of stores ("click-and-collect", inventory sharing, etc.) and how to connect directly with consumers. Notethat "Open Source" is one of ADS' three strategic choices within "*Creating the New*".

Sustainable growth. For 2017, no guidance has been provided yet, but the CEO stated that sales and earnings momentum should be close to the MT guidance (i.e. high single-digit FX-n sales growth and net income rising by ~15% per year) as there are no major sporting events and comparison bases will be quite demanding. However, we do not rule out a sales guidance upgrade for the 2018-20 period (low-teen growth?). In our view, it is clearly margin improvement potential for which market expectations are the highest (*see valuation below*): there is room to improve efficiency and streamline the cost structure, but we believe that the biggest margin enhancer over the MT remains the operating leverage, i.e. expanding the business and gain market share. The US market is a good example: management has often repeated in the past that it could double sales with the same cost base. On top of strong momentum and market share gains (ADS has recently reclaimed the no2 position there), operating margin widened 360bp to 6.8% over 9M, but still far from the profitability level achieved in Europe (20.5%).

VALUATION

For the first time since Q4 2014, the publication was "only" in line with expectations and the minor disappointment on the FY2016 margin performance (i.e. FY op margin would have been higher without the one-off restructuring costs at RBK) in our view triggered yesterday's profit-taking moves following a 63% rally on the stock this year.

As highlighted in our comment post-H1 publication, the share price at that time implied an overly aggressive op. margin improvement by 2020 in our DCF model (~11%, *ceteris paribus*). Hence our reduced upside potential vs. our FV of EUR136 and our Neutral recommendation.

NEXT CATALYSTS

- FY17 Results on 8th March 2017 // Investor Day on 14th March. *Click here to download*

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Dialog Semiconductor

Price EUR35.36

No more juice, but buybacks and upcoming analyst day might provide a temporary refill

Fair Value EUR40 vs. EUR37 (+13%) **BUY**

Bloomberg	DLG GR
Reuters	DLGS.DE
12-month High / Low (EUR)	39.9 / 24.4
Market Cap (EURm)	2,706
Ev (BG Estimates) (EURm)	2,012
Avg. 6m daily volume (000)	5.40
3y EPS CAGR	9.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.1%	23.6%	17.8%	13.3%
Semiconductors	-3.1%	2.0%	31.4%	20.3%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	1,355	1,197	1,374	1,631
% change		*-11.7%*	*14.7%*	*18.7%*
EBITDA	360	285	366	455
EBIT	317.7	216.3	293.8	382.7
% change		*-31.9%*	*35.8%*	*30.3%*
Net income	238.4	163.0	228.2	305.6
% change		*-31.6%*	*40.0%*	*33.9%*

	2015	2016e	2017e	2018e
Operating margin	23.4	18.1	21.4	23.5
Net margin	17.6	13.6	16.6	18.7
ROE	17.3	20.3	12.9	14.6
ROCE	46.9	40.4	48.6	63.4
Gearing	-54.0	-62.6	-66.7	-70.8

(USD)	2015	2016e	2017e	2018e
EPS	3.02	2.09	2.94	3.94
% change	-	*-30.7%*	*40.5%*	*33.9%*
P/E	13.0x	18.8x	13.3x	10.0x
FCF yield (%)	7.9%	8.4%	5.7%	7.5%
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	6.8x	7.8x	5.6x	4.0x
EV/EBIT	7.7x	10.3x	7.0x	4.8x

Yesterday's conference call was the final confirmation of the scenario we first discussed in March. Very low expectations for the iPhone 7 provided an easy comparable base (helped by the group’s low guidance), leaving room for welcome news, such that the Dialog share enjoyed a +20% ride over the last three months. Nevertheless, we believe that the iPhone 7 source is drying up but the second tranche of the share buyback provides a temporary refill. We update our model and raise our FV to EUR40 vs. EUR37. Ahead of the analyst day scheduled next week (Friday 11 November) we maintain our Buy recommendation.

ANALYSIS

- **What happened?** Yesterday, Dialog reported particularly strong Q3 sales at USD346m thanks to a Q4 order pulled in Q3 in order to accommodate a customer regarding Chinese holidays (about USD20m) but this was not a surprise (unaudited sales had been published in early October). The good part of the publication concerned margins. Over Q3, opex rose slightly compared with Q2 (note that Q3 sales were up 41% seq.), as such the group reported adjusted EPS 11% above expectations. For Q4, the group is guiding for revenue in the range of USD345m to USD375m, i.e. up 4% seq. at mid-range and yielding FY16e sales of about USD1.19bn (down 12% yoy), well above the latest company guidance of FY16e down 15%.
- **Mobile Systems and BT to support Q4 growth**. In detail, we understand that Q4 should harbour strong momentum in BT. The target of 45/50m units was somewhat confirmed during the conference call leading us to believe that Q4 Connectivity sales (c. 11% of total sales) momentum will be stronger than in Q2 when this division showed sales up 38% seq (BG ests. +45% seq.). Overall, the pipeline is said to be very strong and note that the group had design wins in Q3, including Pokémon Go Plus tool and Tile products (which are proof of low energy consumption with battery life up to 1 year). As such, Q4 should also benefit from normal seasonality in the Mobile Systems division (c. 80% of sales). However, we believe that sequential growth will be impacted by the Q4 order (about USD20m) pulled in Q3 and, as such, result in sequential growth of 5%.
- **Normal seasonality likely for H1 2017 and a strong H2 2017.** Combining all impacts, we understand that Q1 2017 should be down sequentially at a normal rate (down 25/30%) but up yoy. As such, Q1 2016 should not be seen as a new model for seasonality pattern but as an artefact and the strong traction that we currently see in the iPhone 7 is expected to remain strong. As such, we understand that things will change during H2 2017. The group should benefit from market share gains in the iPhone (we expect a mixed-signal products, maybe related to the new iPhone screen) leading to higher content per Apple phone and higher ASP while volume increases are not included in management expectations for a rebound in 2017 (which is a good thing in our view). Also, BT should remain a strong contributor to growth as should some design wins in China (in Power Conv.), which offset the MediaTek partnership which is set to generate lower revenues from Q4 2016. We understand that Power conversion and especially Rapid Charge will also play a strong role as of 2017 (which is not surprising given Dialog's solid product portfolio and 70% market share here).
- **Overall, the 2017 outlook is unchanged**. To sum up, we see no major deviation in the actual management message and believe that it is also mostly in line with Street’s expectations so far. 2017 will be a year of significant market share gains in the iPhone while business in other divisions should remain strong especially BT Smart and rapid charge which should offset weakness in the MediaTek partnership in China.

VALUATION

- **So is the glass half full or half empty then?** Yesterday's publication and conference call confirmed our view that the group was overly cautious for the end of the year (we discussed this during Q2 publication). In addition to that, during the conference call, management reiterated its confidence regarding FY17 growth. So, everything confirms our scenario, nevertheless, the share's good ride in recent months (+20% over 3m) now limits upside potential. Hopefully, management will use its wildcard, the share buyback programme, to maintain positive momentum on the stock. The group plans to buy back about 2.1% to 2.8% of equity through a second tranche and we remind that the total allowance is for 10% (the first tranche was about 1.7%). In addition to the strong Q3 results, this provides some additional upside. **We update our model to take into account all these impacts and raise our FV to EUR40 from EUR37 which points to an upside potential of 13%. Ahead of the analyst day scheduled next week (Friday 11 November) we maintain our Buy recommendation.**

- Based on our estimates, Dialog' shares are trading on 2017e P/E and PEG ratios of 12.8x and 1.4x respectively.

NEXT CATALYSTS

- 11th November 2016: Analyst day
- Late February/Early March 2017: Q4 and FY16 results (not confirmed yet)

Our new P&L

[USDm]	1Q16	2Q16	3Q16	4Q16e	FY16e	FY17e	FY18e
Total Group	**241**	**246**	**346**	**364**	**1197**	**1374**	**1631**
Q/Q growth	*-39.2%*	*1.8%*	*40.7%*	*5.4%*	*-11.7%*	*14.7%*	*18.7%*
Y/Y growth	*-22.4%*	*-22.4%*	*4.6%*	*-8.3%*	*-11.7%*	*14.7%*	*18.7%*
Cost of goods sold	-134	-132	-187	-196	-649	-747	-887
Gross margin	**44.6%**	**46.3%**	**46.0%**	**46.1%**	**45.8%**	**45.6%**	**45.6%**
SG&A	-36	-31	-33	-49	-150	-143	-153
R&D	-58	-60	-64	-62	-244	-251	-292
Other operating income	16	9	10	4	40	55	51
Adj. EBIT	**30**	**33**	**73**	**80**	**216**	**294**	**383**
adj. operating margin	*12.4%*	*13.5%*	*21.2%*	*21.9%*	*18.1%*	*21.4%*	*23.5%*
EBIT	151	23	61	57	292	234	300
operating margin	*62.6%*	*9.3%*	*17.8%*	*15.6%*	*24.4%*	*17.0%*	*18.4%*
Net financial result	-2	1	0	1	0	1	2
Income tax	-4	-9	-15	-13	-41	-53	-62
tax rate	*-2.7%*	*-34.0%*	*-24.0%*	*-23.0%*	*-13.9%*	*-22.5%*	*-20.5%*
Adj. Net income (loss)	**22**	**27**	**55**	**59**	**163**	**228**	**306**
Net income (loss)	143	17	46	44	250	182	239
Dil. Adj. EPS (in USD)	**0.28**	**0.34**	**0.71**	**0.76**	**2.09**	**2.94**	**3.94**

Source: Bryan, Garnier & Co. ests.

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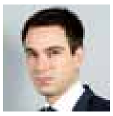

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Utilities

EDF

Price EUR10.11

2016 nuclear output and EBITDA guidance revised down...once again

Fair Value Under Review **BUY**

Bloomberg	EDF FP
Reuters	EDF.PA
12-month High / Low (EUR)	16.8 / 9.2
Market Cap (EURm)	21,323
Ev (BG Estimates) (EURm)	84,417
Avg. 6m daily volume (000)	1 766
3y EPS CAGR	-25.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.6%	-11.6%	-14.2%	-25.5%
Utilities	-4.9%	-7.0%	-6.8%	-10.3%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	75,006	75,527	76,716	77,948
% change		*0.7%*	*1.6%*	*1.6%*
EBITDA	17,601	15,977	15,502	16,349
EBIT	4,280	6,947	6,021	6,299
% change		*62.3%*	*-13.3%*	*4.6%*
Net income	4,231	2,312	1,704	1,903
% change		*-45.4%*	*-26.3%*	*11.7%*

	2015	2016e	2017e	2018e
Operating margin	5.7	9.2	7.8	8.1
Net margin	5.6	3.1	2.2	2.4
ROE	10.5	5.8	4.4	4.9
ROCE	2.0	2.8	2.5	2.6
Gearing	167.6	179.6	190.6	191.0

(EUR)	2015	2016e	2017e	2018e
EPS	2.27	1.15	0.85	0.95
% change	-	*-49.4%*	*-26.3%*	*11.7%*
P/E	4.4x	8.8x	11.9x	10.7x
FCF yield (%)	NM	NM	NM	12.3%
Dividends (EUR)	1.10	0.87	0.69	0.75
Div yield (%)	10.9%	8.6%	6.8%	7.4%
EV/Sales	1.1x	1.1x	1.1x	1.1x
EV/EBITDA	4.6x	5.3x	5.6x	5.3x
EV/EBIT	18.9x	12.2x	14.5x	13.9x

EDF announced yesterday evening that it has revised downwards both its 2016 nuclear output (from 380-390TWh to 378-385TWh) and its 2016 EBITDA guidance (from EUR16.3-16.6bn to EUR16.0-16.3bn) as a consequence of further delays in restarting five nuclear reactors. This is the third nuclear output cut in about three months. We put our FV under review pending a necessary update on both the company's nuclear output and the integration into our model of the recent increase in French forward power prices.

ANALYSIS

- **EDF announced yesterday evening that it had revised downwards its 2016 nuclear output** following the announcement earlier yesterday that the restart of five nuclear reactors (Bugey 4, Gravelines 2 and Tricastin 1, 3, and 4) would be delayed until the end of December (vs. end of November and mid-December initially). **The group therefore expects nuclear output to be between 378TWh and 385TWh vs. 380-390TWh initially**. As a reminder, back in September, nuclear output was already revised downwards from 395-400TWh to 380-390TWh on the back of additional safety control needed. No new information has been released regarding 2017 nuclear output which is still expected between 390TWh and 400TWh.
- As a consequence, **the company also revised down its 2016 EBITDA guidance from EUR16.3-16.6bn initially to EUR16.0-16.3bn**. Similarly, in September, the group already reduced its EBITDA guidance from EUR16.3-16.8bn to EUR16.3-16.6bn.
- As a reminder, in our model, **we stand at EUR16.0bn for 2016e EBITDA and at 390TWh for nuclear output**.
- **This news is clearly negative** as nuclear output forecasts have been revised down three times in about three months and a half.
- **We put our FV under review** pending a necessary update on both the company's nuclear output - for 2016 and beyond – and the integration into our model of the recent increase in French forward power prices.

VALUATION

- At the current share price, the stock trades at **5.3x** its 2016e EV/EBITDA multiple
- Buy, **FV under review**

NEXT CATALYSTS

- **8th November**: Q3 revenues

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Return to front page

Luxury & Consumer Goods

Hermès Intl.

Price EUR368.40

Acceleration in September and encouraging October

Fair Value EUR410 (+11%) **BUY-Top Picks**

Bloomberg	RMS FP
Reuters	HRMS.PA
12-month High / Low (EUR)	398.6 / 291.6
Market Cap (EUR)	38,892
Ev (BG Estimates) (EUR)	37,120
Avg. 6m daily volume (000)	56.40
3y EPS CAGR	13.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.0%	-3.7%	17.3%	18.2%
Pers & H/H Gds	-4.8%	-4.0%	-0.7%	-2.9%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	4,841	5,165	5,630	6,100
% change		*6.7%*	*9.0%*	*8.3%*
EBITDA	1,605	1,746	2,040	2,265
EBIT	1,541	1,683	1,880	2,095
% change		*9.2%*	*11.7%*	*11.4%*
Net income	973.0	1,106	1,255	1,418
% change		*13.7%*	*13.5%*	*13.0%*

	2015	2016e	2017e	2018e
Operating margin	31.8	32.6	33.4	34.3
Net margin	20.1	21.4	22.3	23.2
ROE	26.0	25.9	24.2	22.7
ROCE	43.8	43.4	43.0	43.2
Gearing	4.3	3.7	3.1	2.6

(EUR)	2015	2016e	2017e	2018e
EPS	9.26	10.52	11.94	13.49
% change	-	*13.7%*	*13.5%*	*13.0%*
P/E	39.8x	35.0x	30.9x	27.3x
FCF yield (%)	2.4%	2.3%	2.6%	2.9%
Dividends (EUR)	3.35	3.80	9.00	4.80
Div yield (%)	0.9%	1.0%	2.4%	1.3%
EV/Sales	7.7x	7.2x	6.5x	5.9x
EV/EBITDA	23.3x	21.3x	17.9x	15.8x
EV/EBIT	24.2x	22.1x	19.4x	17.1x

Hermès' Q3 sales were very well oriented with 8.8% organic sales growth. Sales in Asia-Pacific rebounded clearly in Q3 thanks to an acceleration in Mainland China, a trend also perceived by other luxury players such as Louis Vuitton and Gucci. We reiterate our Buy recommendation with an unchanged EUR410 FV.

ANALYSIS

Q3 sales were very well oriented with an 8.8% organic sales increase (above consensus of +7%) versus +7.2% in H1 and +8.1% in Q2. Retail sales were up 10% in Q3 (+9% on 9m) while wholesale sales were up no more than 2%. This positive trend was achieved without any pricing increase and with only one store opening, which implies a very healthy performance.

By geographical area, we would highlight the significant acceleration in momentum in **Asia-Pacific** (35% of sales), driven by **Mainland China** (close to 10% of sales) which enjoyed clearly better momentum explained by Hermès management as stemming from encouraging macro figures and more purchases at home vs overseas (more control at boundaries and higher taxes). Meanwhile, sales in Hong Kong rose slightly partly on the back of the new store at Hong Kong airport, although, excluding this opening, sales were stable. Macau was down mid single digit. All other Asian countries achieved positive trends, particularly Korea, Singapore and Tawian. On the other hand, revenues in **France** declined slightly in Q3 (-0.9%), due to the attacks in Nice on 14th July and lower tourists flows, particularly in July and August and also the demanding comparison basis (+11% in Q3 15).

The rebound in the **Rest of Europe** in Q3 (+9.8% of which +12% for retail) was driven by the UK (+20%) given strong tourists flows following GBP weakness, although Italy and even Russia were also well oriented. Only Switzerland was relatively weak. The positive surprise also came from **Japan** with a 5.6% revenue increase despite less tourists flows coming from China (JPY strength).

Quarterly organic sales growth by geographical area

Ifl chge (%)	2015	Q1 16	Q2 16	H1 16	Q3 16	9m 16
France	6,2	5,6	8,8	7,3	-0,9	4,5
Europe	10,8	11,6	6,7	9,1	9,8	9,3
Americas	6,8	4,4	12,1	8,3	7,3	8
Japan	18,3	12,6	7,3	10	5,6	8,5
Asia-Pacific	5,1	3,9	6,7	5,3	14,2	8,1
others	-2,2	-18,2	11,7	-4,9	13,8	0,6
Total Group	**8,1**	**6,2**	**8,1**	**7,2**	**8,8**	**7,7**

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

By business, the best performance was again achieved by the Leather goods business thanks to 16.3% revenue growth, with no slowdown vs H1. This was the consequence of a production capacity increase (around +8% per year on average) thanks to new sites in Charentes, Franche Comté and Isère, but also still very strong underlying final demand. All the bag lines (Kelly, Birkin, Constance, Lindy) enjoyed dynamic momentum.

We leave unchanged our 7.5% FY 2016 organic sales increase of which -2% for silk and +14% for Leather. Note also that September enjoyed an acceleration in momentum vs July and August in all regions but Japan and that the October trend was in line with the 9m performance. In Q4, we expect some slowdown for leather given demanding comps while momentum should accelerate for silk. And don't forget that Q4 comps in France are easy (+1.5%).

VALUATION

We reiterate our Buy recommendation with an unchanged EUR410 FV.

NEXT CATALYSTS

FY 2016 sales to be reported on 8th February.

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Construction & Building Materials

LafargeHolcim

Price CHF50.75

Another quarter of strong EBITDA

Fair Value CHF60 (+18%)

BUY-Top Picks

Bloomberg	LHN VX
Reuters	LHN.VX
12-month High / Low (CHF)	57.7 / 34.1
Market Cap (CHF)	30,801
Ev (BG Estimates) (CHF)	45,813
Avg. 6m daily volume (000)	1,656
3y EPS CAGR	52.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.3%	13.7%	13.6%	0.9%
Cons & Mat	-4.1%	2.7%	2.8%	1.3%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

YEnd Dec. (CHFm)	2015	2016e	2017e	2018e
Sales	29,483	28,501	28,623	30,365
% change		*-3.3%*	*0.4%*	*6.1%*
EBITDA	5,751	5,681	6,315	7,403
EBIT	3,371	3,181	3,815	4,903
% change		*-5.6%*	*19.9%*	*28.5%*
Net income	787.5	1,407	2,002	2,766
% change		*78.7%*	*42.2%*	*38.2%*

	2015	2016e	2017e	2018e
Operating margin	11.4	11.2	13.3	16.1
Net margin	-6.9	4.3	7.1	9.8
ROE	2.5	4.5	6.2	8.2
ROCE	4.4	4.3	5.3	6.8
Gearing	48.3	37.2	32.2	25.6

(CHF)	2015	2016e	2017e	2018e
EPS	1.30	2.32	3.30	4.57
% change	-	*78.7%*	*42.2%*	*38.2%*
P/E	39.0x	21.8x	15.4x	11.1x
FCF yield (%)	0.4%	6.0%	9.4%	11.4%
Dividends (CHF)	1.50	1.65	1.80	1.95
Div yield (%)	3.0%	3.3%	3.5%	3.8%
EV/Sales	1.7x	1.6x	1.6x	1.4x
EV/EBITDA	8.6x	8.1x	7.1x	5.8x
EV/EBIT	14.7x	14.4x	11.7x	8.7x

LHN has reported strong adj. EBITDA for Q3, up 10.5% on a l-f-l basis at CHF1685m (vs CHF1662m for the consensus), after -17% in Q1 and +6% in Q2. Adj. EBITDA margin stood at 23.9% in Q3, up 290 bps y/y, after -280bps in Q1 and +210bps in Q2. This was due to a combination of price increases (+2.1% y/y in Q3) , synergies (annual target already achieved, additional CHF100m scheduled for 2016), cost control, despite lower-than-expected revenues in Q3 (-3.1%). Guidance reiterated.

Q3 figures

	- REVENUES -				*- EBITDA -*		
CHFm	**Sales Q3**	**vs cons.%**	**EBITDA Q3**	**vs cons.%**	**Q3 lfl**	***Q1 lfl***	***Q2 lfl***
Asia Pacific	1894	-4	338	-6	6.7%	*-15.5%*	*18.4%*
Europe	1890	1	418	6	16.3%	*-28.0%*	*8.3%*
LatAm	716	-15	234	-2	7.5%	*-9.2%*	*16.6%*
M.E. Africa	882	-5	240	-1	-5.1%	*-25.6%*	*-17.6%*
NAM	1801	-5	574	3	9.2%	-	*6.6%*
Elim.	-147	-	-119	-	-	*17.4%*	*6.6%*
Group	**7036**	**-4**	**1685**	**1**	**10.5%**	***-17.0%***	***6.0%***

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

ANALYSIS

- Q3 revenues fell 3.1% on a like-for-like basis to CHF7036m, penalised by various difficult markets like Brazil, Indonesia and Malaysia. We suspect India was penalised by a very good monsoon, which is usually negative for the business in the short term. On the contrary, the US, the Philippines, Algeria and Egypt were dynamic. Group cement volumes were actually down by 4% in Q3 (+1.4% in Q1 and -3% in Q2).
- EBITDA improvement was steady in Q3. The CHF450m synergies target for 2016 has been achieved already and a further CHF100m should be generated this year. The gradual improvement in prices was confirmed, with a 2.1% y/y increase in Q3 and 0.3% sequentially. Nigeria remained impacted by some supply issues and the measures put in place only had an impact at the end of the quarter. Without Nigeria, EBITDA would have increased by 15%.
- Outlook is unchanged. EBITDA is likely to increase by "at least a high single digit growth". Some key markets should continue to gradually recover in our view: China showed further signs of recovery, India will benefit from the monsoon and measures will be taken to manage problems in difficult markets like Indonesia, Malaysia and Brazil. Finally, the negative impact from Nigeria should ease.
- Cement demand in LHN markets is expected to grow between 1% and 3%, unchanged.

VALUATION

- CHF60 derived from the application of historical multiples to our 2018 estimates, discounted back.

NEXT CATALYSTS

- Capital Market Day on 18th November 2016, London.

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Luxury & Consumer Goods

L'Oréal

Price EUR161.60

Q3 sales rebound (+5.6% for Cosmetics branch) above expectations

Fair Value EUR177 (+10%) **BUY**

Bloomberg	OR FP
Reuters	OREP.PA
12-month High / Low (EUR)	176.2 / 144.3
Market Cap (EUR)	90,496
Ev (BG Estimates) (EUR)	88,836
Avg. 6m daily volume (000)	520.9
3y EPS CAGR	6.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.0%	-4.6%	2.4%	4.1%
Pers & H/H Gds	-4.8%	-4.0%	-0.7%	-2.9%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	25,257	26,030	27,332	28,561
% change		*3.1%*	*5.0%*	*4.5%*
EBITDA	5,248	5,490	5,782	6,141
EBIT	4,388	4,610	4,882	5,211
% change		*5.1%*	*5.9%*	*6.8%*
Net income	3,491	3,665	3,889	4,156
% change		*5.0%*	*6.1%*	*6.9%*

	2015	2016e	2017e	2018e
Operating margin	17.4	17.7	17.9	18.2
Net margin	13.8	14.1	14.2	14.6
ROE	13.7	14.2	13.9	13.8
ROCE	22.4	22.6	22.9	23.3
Gearing	-2.3	-6.7	-10.5	-13.6

(EUR)	2015	2016e	2017e	2018e
EPS	6.18	6.49	6.88	7.36
% change	-	*5.0%*	*6.1%*	*6.9%*
P/E	26.1x	24.9x	23.5x	22.0x
FCF yield (%)	3.2%	3.3%	3.5%	3.7%
Dividends (EUR)	3.10	3.35	3.60	3.90
Div yield (%)	1.9%	2.1%	2.2%	2.4%
EV/Sales	3.6x	3.4x	3.2x	3.0x
EV/EBITDA	17.1x	16.2x	15.2x	14.1x
EV/EBIT	20.5x	19.3x	18.0x	16.6x

L'Oréal 9m sales increased 4.7% organically to EUR19.05bn (consensus: EUR19bn). In Q3 alone, revenues were up 5.6% organically (consensus:+4.7%) versus +4.2% in H1. The Cosmetics branch achieved a dynamic performance with a 5.6% sales increase in Q3 (cs:+4.8%) alone following +4.6% in Q2. We reiterate our Buy recommendation with a EUR177 FV.

ANALYSIS

- **9m L'Oréal group sales rose 4.7% to EUR19.05bn (consensus: EUR19bn).** In Q3 alone, L'Oréal achieved a 5.6% revenue increase of which +5.6% for the Cosmetics branch (consensus: +4.8%). The Body Shop activity was still poor over 9m (+0.5%), despite a clear improvement in Q3 (+2.8%) versus Q2 (-3.2%). Q4 should also confirm the Q3 positive trend. Furing the conference call yesterday, L'Oréal's CEO confirmed that the global market should grow close to 4% in 2016 instead of between 3 and 4% as initially expected.
- By geographical area and for the Cosmetics branch, note the strong sales rebound **in North America** (27% of cosmetics sales) in Q3 thanks to growth of 7.5% versus +4.6% in H1. This positive move was mainly driven by i/Consumer Products where L'Oréal is gaining some market share and ii/L'Oréal Luxe where the group again outperformed its market. Meanwhile, in **Western Europe**, revenues were up 2.2 % in Q3 after +1.7% in H1 and +1.4% in Q2, implying market share for WE. This performance was again driven by the UK (dd increase) and Germany while France remained a tough market (market decline in all channels, mainly in mass market and luxury, while Pharmacies were better). The decline in France was especially the consequence of a price war between mass retailers. For **New Markets,** momentum was again strong (+7.1% following +7.4% in Q2 and +6.8% in H1). Among these, we would highlight the slight slowdown in **Asia** in Q3 (+3.2% vs+4.6% in H1). On the other hand, in LATAM, sales were up 15% in Q3 vs +13.3% in Q2 and +10.8% in H1. Brazil was better oriented while other LATAM countries enjoyed further dynamic momentum.
- By division, the Q3 Cosmetics branch sales performance was driven by **Luxury Products** (+9.3% in Q3 vs +5.6% in Q2) in particular with a strong performance in the US and in China, with market share gains in these two areas. Note also the confirmation of the recovery in the **Consumer Products** division (50% of Cosmetics sales) which outperformed its market thanks to a 4.7% increase, in line with the Q2 performance, driven by North America and New Markets.

Quarterly organic Cosmetics sales growth by division and region

Chge in %	2015	Q1 16	Q2 16	H1 16	Q3 16	9m 16
Western Europe	2.3	2.0	1.4	1.3	2.2	1.7
North America	3.5	4.3	4.9	4.6	7.5	5.6
New markets	6.0	6.1	7.4	6.8	7.1	7.0
Professionnal Products	3.4	2.5	1.8	2.2	0.9	1.8
Consumer Products	2.5	3.9	4.7	4.3	4.7	4.4
Luxury Products	6.1	5.5	5.6	5.6	9.3	6.8
Active Cosmetics	7.8	4.5	5.7	5.0	6.5	5.4
Cosmetics branch	**4.1**	**4.2**	**4.6**	**4.4**	**5.6**	**4.8**

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

- We are making no change to our global FY estimates as stronger organic sales growth (+5% vs +4.6% initially expected) with a clear acceleration in H2 vs H1 is likely to be offset by a deeper negative impact from currencies(-3.3%). Furthemore, we expect a 30bp margin gain to 17.7%, driven by gross margin.

VALUATION

- We reiterate our Buy recommendation with a EUR177 FV.

NEXT CATALYSTS

- FY 2016 results to be reported mid-February 2017.

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Luxury & Consumer Goods

Richemont

Price CHF62.65

Poor H1, globally in line with expectations

Fair Value CHF73 (+17%)

BUY

Bloomberg	CFR VX
Reuters	CFR.VX
12-month High / Low (CHF)	86.6 / 53.5
Market Cap (CHFm)	35,084
Ev (BG Estimates) (CHFm)	28,109
Avg. 6m daily volume (000)	1 985
3y EPS CAGR	5.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.8%	11.1%	-3.0%	-13.1%
Pers & H/H Gds	-4.6%	-4.6%	-1.5%	-2.7%
DJ Stoxx 600	-3.3%	-1.2%	-2.8%	-9.4%

YEnd Mar. (EURm)	03/16	03/17e	03/18e	03/19e
Sales	11,076	10,290	10,860	11,575
% change		*-7.1%*	*5.5%*	*6.6%*
EBITDA	2,471	1,880	2,390	2,775
EBIT	2,061	1,470	1,990	2,370
% change		*-28.7%*	*35.4%*	*19.1%*
Net income	1,688	1,210	1,640	1,965
% change		*-28.3%*	*35.5%*	*19.8%*

	03/16	03/17e	03/18e	03/19e
Operating margin	18.6	14.3	18.3	20.5
Net margin	15.2	11.8	15.1	17.0
ROE	11.2	7.1	8.7	9.4
ROCE	21.1	13.5	16.5	18.3
Gearing	-36.7	-38.1	-39.5	-40.8

(EUR)	03/16	03/17e	03/18e	03/19e
EPS	3.01	2.16	2.93	3.51
% change	-	*-28.3%*	*35.5%*	*19.8%*
P/E	19.3x	26.9x	19.8x	16.6x
FCF yield (%)	6.1%	6.6%	6.9%	7.8%
Dividends (EUR)	1.85	1.55	1.90	2.00
Div yield (%)	3.2%	2.7%	3.3%	3.4%
EV/Sales	2.4x	2.5x	2.3x	2.1x
EV/EBITDA	10.9x	13.9x	10.5x	8.6x
EV/EBIT	13.1x	17.7x	12.6x	10.1x

Richemont sales fell 12% in H1 at same forex vs -13% over 5m. Excludin, inventory buy-backs, sales would have dropped 8%. No figures were given on the October trend. H1 EBIT was down 43%, in line with initial guidance, to EUR798m. Excluding exceptional EUR249m one-time charges, EBIT should have fallen 25%. Furthermore, management is also ready to adapt over-capacity to final demand. Buy recommendation reiterated to play gradual improvement in coming quarters. FV unchanged at CHF73.

ANALYSIS

- Richemont sales fell 13% to EUR5.09bn in H1 (consensus: EUR5.0bn). At same forex, sales were down 12% versus -13% for 5m (April to August) which on our calculations implies -5-6% in September alone. Excluding exceptional inventory buy-backs, sales declined by 8% at same forex. **Europe** revenues (31% of total sales) were down 17% as revenues were below last year in most European countries and particularly in France while the trend was positive in the UK (double digit increase) given GBP weakness. In **Americas** (16% of sales), revenues were well oriented in jewelry and in accessories and nevertheless down in watches. **Japan** sales were clearly down due to very demanding comps (+44% in H1 16). In **Asia-Pacific** (35% of sales) revenues are down 8% despite growth in Korea and in Mainland China (9% of sales) but due to weakness in Hong Kong (13% of sales) and Macau. The policy of buying back inventory to assist multi-brand retail partners concerned mainly HK and a significant negative impact on sales decline

Organic sales growth by geographical area

Ifl chge %	H1 16	Q3 16	Q4 16	5m 17	6m 17
Europe	24	-3	-8	-18	-17
Middle East	4	0	2	-10	-10
Asia Pacific	-17	-9	-7	-9	-8
Americas	1	-3	-1	-6	-5
Japan	44	9	-8	-25	-22
Group	**3**	**-4**	**-6**	**-13**	**-12**

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

- While retail sales (58% of sales) declined 5%, wholesale sales were down 20%. The retail sales decline in H1 was mainly due to Europe and Japan. Retail sales in APAC were up. We argue also that performance of jewelry was resilient.
- **H1 EBIT is down 43% to EUR798m, implying 820bp decline to 15.7%.** This includes one-off charges at EUR249m concerning inventory buy-backs and distribution optimisation (stores closure). Ecluding, these one-off charges, EBIT would have been down 25%. Gross margin lost 150bp to 64%, mainly due to inventory buy-backs, partly offset by growing proportion of retail sales and positive FX impact. Furthermore, it seems that management is ready to deal with overcapacity issues and therefore adapting manufacturing structures to the level of final demand, particularly in watches industry in our view.
- Mr. Richard Lepeu, current CEO, will retire from March 2017 and CFO, Mr. Gary Saage, will leave the company in July 2017, he will be replaced by the current Deputy CFO. Mr Johann Rupert will remain Executive Chairman of the Group.

VALUATION

- We leave unchanged our Buy recommendation with a CHF73 FV. Despite a 13% rally over the last three months, the CFR share price has still lost 13% YTD. We expect some gradual momentum improvement in coming quarters, combined with adapting manufacturing structures to final demand hence our Buy recommendation.

NEXT CATALYSTS

- Q3 sales to be reported mid January 2017.

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TMT

Ubisoft

Price EUR29.03

No profit warning – quite the opposite, even by taking additional security

Fair Value EUR35 (+21%) **BUY**

Bloomberg	UBI.FP
Reuters	UBIP.PA
12-month High / Low (EUR)	38.3 / 19.0
Market Cap (EUR)	3,296
Ev (BG Estimates) (EUR)	3,308
Avg. 6m daily volume (000)	250.9
3y EPS CAGR	34.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-15.5%	-18.9%	9.9%	8.8%
Softw.& Comp.	-7.7%	-1.9%	6.1%	0.4%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

YEnd Mar. (EURm)	03/16	03/17e	03/18e	03/19e
Sales	1,394	1,638	1,878	2,124
% change		*17.5%*	*14.7%*	*13.1%*
EBITDA	600	688	876	1,060
EBIT	156.1	200.0	313.0	423.0
% change		*28.1%*	*56.5%*	*35.1%*
Net income	116.0	131.1	214.2	294.1
% change		*13.0%*	*63.4%*	*37.3%*

	03/16	03/17e	03/18e	03/19e
Operating margin	11.2	12.2	16.7	19.9
Net margin	6.7	7.7	11.4	13.8
ROE	9.2	11.0	15.8	17.8
ROCE	11.0	11.3	18.9	26.1
Gearing	4.3	1.1	-16.0	-31.9

(EUR)	03/16	03/17e	03/18e	03/19e
EPS	1.02	1.11	1.82	2.49
% change	-	*9.3%*	*63.4%*	*37.3%*
P/E	28.6x	26.1x	16.0x	11.6x
FCF yield (%)	NM	2.5%	6.7%	9.0%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	2.4x	2.0x	1.6x	1.3x
EV/EBITDA	5.6x	4.8x	3.5x	2.6x
EV/EBIT	21.4x	16.5x	9.8x	6.5x

UBI has posted better-than expected H1 earnings (much more revenue and much lower losses than last year). And even by taking more cautious assumptions for the fiscal H2 titles (and in particular *Watch Dogs 2*), the group has finally upgraded its non-IFRS operating income for the FY (from ~EUR230m to EUR230m-EUR250m; the consensus was at EUR236.4m and we were at EUR240m) thanks to very robust momentum for the digital segment and back-catalogue combined with tight cost control. While investors expected a profit warning (the stock was down 17% from September to date), we believe this reliable guidance should reassure the market on the current FY and UBI's mid-term plan (2018-19). We revised hardly anything on the operational level. Buy and FV maintained.

ANALYSIS

- **Better-than-expected fiscal Q2 sales: Revenue came out at EUR142.2m (+28.5% Y/Y, +28.8% at cc)**, i.e. well above our EUR106m figure (no consensus; guidance of ~EUR100m). **We expected the group to beat our expectations** (given the cautious guidance) **but not by this magnitude**.

- **Fiscal H1 earnings pack: Sales reached EUR281.4m (+35.7% Y/Y, +37.1% at cc)**, i.e. much higher than our EUR245m estimate (guidance of ~EUR239m), with a **gross margin of 80.5%** vs. 74.4% last year (positive digital impact). Note that there were no major game releases, i.e. the same configuration as last year. However, the **non-IFRS operating loss was much lower than last year at -EUR61.8m** vs. our -EUR90m, **thanks to a strong back-catalogue** (EUR256.4m, +45.5%) **and more digital revenues** (EUR202.6m i.e. 72.0% of total sales, +102.6% Y/Y: incl. higher recurring player investment of EUR95.4m, +132.1% Y/Y) coming from *The Division* and *Rainbow Six Siege*. After EUR24.9m of stock options (incl. -EUR13m from free share plans) and EUR3.6m of non-current charges (brand depreciations), the loss was of -EUR90.3m i.e. lower than our -EUR102.5m. **Non-IFRS net loss reached -EUR35.9m** vs. our -EUR67.0m, **and IFRS net loss -EUR66.1m** vs our -EUR79.5m. **The FCF was negative but less than expected at -EUR17.7m** (-EUR358.9m in H1 2015-16) and the group finally posted a **net cash position of EUR37.7m**.

- **Management's guidance: UBI has revised downwards its sales over the FY from ~EUR1,700m to EUR1,610m-EUR1,670m** (more conservatism on projections for H2 games and negative forex impact), **but upgraded its non-IFRS operating income target from ~EUR230m to EUR230m-EUR250m i.e. a margin from 13.5% to ~15%** (better-than-expected H1, very robust momentum for the digital segment and back-catalog combined with tight costs control). **It expects a positive FCF generation** (and a "strong FCF" before change in WCR). Note that it now sees **digital sales representing 40% of its FY sales** (vs. over 35% before) **and back-catalog 35%** (vs. 30% before).

- **A reassuring message:** As H1 is not representative in this industry and as UBI will release five AAA games in fiscal H2 (two of which in Q3), it was essential to pay close attention to Q3 guidance, and to the Q4 release slate. **1) Management said it expects ~EUR560m in fiscal Q3, stable Y/Y** (vs. our EUR650m), which includes mainly more conservatism on *Watch Dogs 2*. It is a wise decision given the current low pre-orders on this game in the US, even if the quality of the game is a much better indicator for final sales cf. *Far Cry 3* (in that respect, pre-tests are really positive on *WD2*). **2) The group confirmed all games for the last quarter** which was very reassuring (*For Honor, South Park and Ghost Recon: Wildlands;* this latter title received excellent feedbacks) meaning it expects sales of ~EUR768m-EUR829m in fiscal Q4 (in line with our EUR800m). **Whereas investors expected a profit warning** (the stock has lost 17% since the beginning of September)**, the updated guidance should reassure the market. Indeed, we consider it as very consistent and achievable** (the FY will be less back-end loaded, and with a stronger-than-expected profitability thanks to higher extra content and back-catalog sales), **and it even demonstrates that the group is accelerating towards its 20% op. margin objective in FY 2018-19** (i.e. EUR440m).

Ubisoft's line-up on fiscal year 2016-17

Games	Launch date	Target audience	Our impression at E3
Watch Dogs 2	15/11/16	Core gamers	PPP
Steep	Dec. 2016	Mostly core gamers	P
For Honor	14/02/17	Mostly core gamers	PP
Ghost Recon: Wildlands	07/03/17	Core gamers	PPP
South Park : The Fractured But Whole	Calendar Q1 17, i.e. fiscal Q4	Core/casual gamers	PP

Source: Bryan, Garnier & Co (P Weak; PP Good; PPP Excellent).

- Note that during the critical Chistmas quarter, **the two AAA games from Ubisoft won't directly compete with *Titanfall 2*** (EA), ***Battlefield 1*** (EA) **and *Call of Duty Infinite Warfare*** *(Activision Blizzard)*. Indeed, *Watch Dogs 2* is an adventure/action game and *Steep* an extreme-sports game.
- **Our forecasts:** we now see FY 2016-17 sales of EUR1,637.9m i.e. +17% Y/Y lfl (vs. EUR1,718.8m before) but we maintain our non-IFRS operating income of EUR240.0m (margin of 14.7%, +260bp). **Note that we have revised our EPS sequence over the next three fiscal years by -6.7% on average** (-10.8%, -4.9% and -4.5% respectively) **but hardly anything on the operational level** (it's mainly stock-based compensation, number of fully diluted shares…).
- **Speculation surrounding UBI stock remains intact** (we do not see it before April 2017 at the earliest). Bear in mind that the Guillemot family holds 13.22% of UBI's share capital and 19.16% of the voting rights. This compares to Vivendi's 22.8% and 20.2% respectively. We consider this latter as the most motivated player since the acquisition of Gameloft). **As Vivendi has currently no entry into UBI's board, it will have to make a formal and correct takeover bid if it really wants to take the control of the company.**

VALUATION

- **We maintain our Buy recommendation and FV of EUR35** (only based on fundamentals). The UBI share has lost 17% since the beginning of September and 24% since its peak in July. **As investors expected a profit warning, we believe the upgraded non-IFRS operating income target of EUR230m-EUR250m for FY 2016-17** (vs. around EUR230m before) **should reassure the market and make even more credible UBI's mid-term plan** (FY 2018-19 targets).
- **In the event of a takeover bid, we estimate a valuation between EUR41** (the very minimum, and EUR46 if Vivendi wants to avoid counterbids as far as possible) **and EUR51** (maximum).

NEXT CATALYSTS

- **Q3 sales:** February 2017.

BG estimates for the next two fiscal years

EURm	Sales	Y/Y growth	Non-IFRS op. income	Non-IFRS op. margin	Non-IFRS net income	IFRS net income	Non-IFRS EPS	IFRS EPS	Fully diluted shares
2016/17e	1,637.9	17.5%	240.0	14.7%	171.1	125.9	1.45	1.07	118.0
2017/18e	1,878.0	13.9%	340.0	18.1%	241.2	214.2	2.04	1.82	118.0

Source: Bryan, Garnier & Co ests.

For 2016-17e, the lastconsensus from the company (13/09/16) was at EUR236.4m.

For 2017-18e, the last consensus from the company (13/09/16) was at EUR304.8m.

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Construction & Building Materials

Vicat

Price EUR56.05

Q3 revenues in line. Negative FX impact likely to continue next year with the EGP.

Fair Value EUR61 vs. EUR56 (+9%) **NEUTRAL**

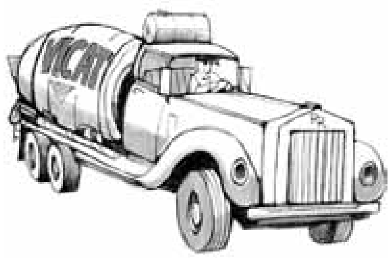
Bloomberg	VCT FP
Reuters	VCT.PA
12-month High / Low (EUR)	61.1 / 46.2
Market Cap (EUR)	2,517
Ev (BG Estimates) (EUR)	3,639
Avg. 6m daily volume (000)	29.50
3y EPS CAGR	17.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.3%	6.2%	-5.4%	1.3%
Cons & Mat	-4.1%	2.7%	2.8%	1.3%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2,458	2,446	2,526	2,664
% change		*-0.5%*	*3.3%*	*5.5%*
EBITDA	448	454	493	543
EBIT	250.5	265.6	307.1	357.1
% change		*6.0%*	*15.6%*	*16.3%*
Net income	122.0	138.0	165.3	197.5
% change		*13.1%*	*19.8%*	*19.5%*

	2015	2016e	2017e	2018e
Operating margin	10.2	10.9	12.2	13.4
Net margin	5.8	6.6	7.7	8.7
ROE	5.4	6.0	6.9	7.8
ROCE	5.1	5.6	6.5	7.6
Gearing	40.0	34.2	28.3	21.9

(EUR)	2015	2016e	2017e	2018e
EPS	2.78	3.14	3.76	4.49
% change	-	*13.1%*	*19.8%*	*19.5%*
P/E	20.2x	17.9x	14.9x	12.5x
FCF yield (%)	5.4%	8.1%	8.2%	8.9%
Dividends (EUR)	1.50	1.50	1.50	1.50
Div yield (%)	2.7%	2.7%	2.7%	2.7%
EV/Sales	1.5x	1.5x	1.4x	1.3x
EV/EBITDA	8.4x	8.0x	7.2x	6.3x
EV/EBIT	14.9x	13.7x	11.5x	9.5x



Reported last night, Q3 revenues were in line with our forecast, up 1.7% on a l-f-l basis at EUR629m but down 1.7% (reported) due to a negative forex effect. Switzerland was tepid but Egypt strong. Guidance would have been attractive without the negative FX impact this year, in particular the Egyptian pound, devalued by -c48% yesterday. New FV at EUR61 (EUR56). Some upside, but short-term momentum is not that great, although some markets are more promising over the mid-term. Neutral rating.

Vicat's 9M revenues rose 3.4% on a like-for-like basis to EUR1867m, down 0.9% on a reported basis, due to negative forex effects (Kazakh tengue, Turskish pound and Egyptian pound). By region, note the decent performance for France (cement volumes up by 5% in Q3, with some from exports) and the steady performance of Egypt (sales up +36% lfl in Q3, with volumes up +27%) and West Africa (sales +6.3% lfl). Switzerland was penalised by the end of deliveries of large projects (sales down -6.4% lfl in Q3), Turkey was penalised by political events (sales down -6.9%) and India was still impacted by pricing pressure (sales down -1.9% lfl in Q3), although sequential prices are increasing. In the US, trends were still well-oriented (sales at +3.1% lfl in Q3), but less dynamic than in H1, due to some negative weather impact.

Guidance is for a “tangible improvement in EBITDA” in 2016 at constant FX rate. On reported basis, EBITDA “should improve slightly”.

Revenue quarterly trends

EURm	Q1	Q2 y/y*	Q3 y/y*	9M y/y *	Q3 rep.	Q3 est.	vs est.	Split
France	8.9	0.9	3.1	4.0	199	195	2	32%
Europe (Italy, Suisse)	3.6	-3.3	-6.5	-2.8	112	120	-7	18%
US	7.1	8.1	3.1	6.0	100	104	-4	16%
Turkey, India & Kazakhstan	10.8	7.1	-1.4	5.1	139	141	-1	22%
Africa & Middle-East	-0.7	1.2	16.7	4.6	80	72	11	13%
Total	**6.5**	**2.6**	**1.7**	**3.4**	**629**	**632**	**-1**	**100%**

**like-for-like y/y growth (%)*

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

ANALYSIS

- Q3 revenues were roughly in line with our expectations, with better trends in Africa and the Middle East but worse in Switzerland and the US. We are positive on mid-term trends in France, India (good Mooson impact in Q4 2016 and 2017) and West Africa (presumably less pressure from Dangote).
- But there are some *short-term* uncertainties, in particular Turkey (further impact from political turmoil?), Egypt (what impact of the devaluation on the day to day business ?) and India (prices are probably more under pressure where Vicat is located, although we are optimistic on volumes) but, apart from the EGP devaluation, we think it is well priced-in and known by the market.
- At 7.2x EV/EBITDA 2017e, we don't see the current share price as a very attractive opportunity and stick with our Neutral rating.

VALUATION

- FV EUR61 (vs EUR56) derived from the application of historical multiples (EV/EBITDA at 7.5x) to our new 2018 (vs 2017) estimates, discounted back. The roll-over adds ~EUR10 per share, but our new estimates are more conservative (-5% on average on EBITDA in the 2016-2018 period).

NEXT CATALYSTS

- FY 2016 results to be published on 27th February 2017, after market.

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Sector View

Pharmaceuticals

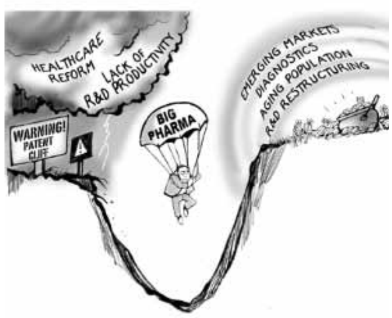
Safety issues arise from ACE910's trial... Do not rush to make a judgement

	1 M	3 M	6 M	31/12/15
Healthcare	-7.9%	-12.6%	-5.9%	-16.3%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

*Stoxx Sector Indices

Companies covered

ACTELION		**NEUTRAL**	**CHF180**
Last Price	CHF137,1	*Market Cap.*	CHF14,774m
ASTRAZENECA		**BUY**	**5220p**
Last Price	4434,5p	*Market Cap.*	*GBP56,098m*
BAYER		**NEUTRAL**	**EUR98**
Last Price	EUR88,75	*Market Cap.*	*EUR73,392m*
GLAXOSMITHKLINE		**BUY**	**1930p**
Last Price	1554p	*Market Cap.*	*GBP75,775m*
GRIFOLS		**NEUTRAL**	**EUR20**
Last Price	EUR17,655	*Market Cap.*	*EUR10,974m*
IPSEN		**BUY**	**EUR72**
Last Price	EUR61,32	*Market Cap.*	*EUR5,113m*
NOVARTIS		**NEUTRAL**	**CHF81**
Last Price	CHF68,95	*Market Cap.*	*CHF181,140*
NOVO NORDISK		**NEUTRAL**	**DKK270**
Last Price	DKK236,8	*Market Cap.*	*DKK476,575*
ROCHE HOLDING		**BUY**	**CHF285**
Last Price	CHF222,7	*Market Cap.*	*CHF156,461*
SANOFI		**NEUTRAL**	**EUR84**
Last Price	EUR72,29	*Market Cap.*	*EUR93,191m*
SHIRE PLC		**BUY**	**6800p**
Last Price	4539p	*Market Cap.*	*GBP41,010m*
SOBI		**SELL**	**SEK90**
Last Price	EUR98,2	*Market Cap.*	*EUR26,552m*
UCB		**NEUTRAL**	**EUR80**
Last Price	EUR59,78	*Market Cap.*	*EUR11,628m*



Some patients in ROG's trial evaluating ACE910 have experienced severe thrombotic events. Given yesterday's share price reactions, the Street seems to have taken for granted that such side effects could be associated to the compound. However, it is worth mentioning that these patients were previously treated with bypassing therapies that are known to increase thrombotic risks. We believe the phase III results expected by year-end are likely to bring some answers and as a consequence we reiterate our hierarchy for the haemophilia field.

ANALYSIS

- **Severe thrombotic AE seen in ACE910's trial**. Roche revealed that four patients from one of its trial evaluating ACE910 experienced severe thrombotic adverse events (two thromboembolic events and two cases of thrombotic microangiopathy). As a result, the company has issued dear investigator letters (DILs) 1/ to better monitor thrombotic markers, and 2/ to implement further safety measures. As the patients included were said to be previously treated with bypassing therapies (Feiba, NovoSeven), we understand that the trial is the one involving patients who developed inhibitors.
- **Do not rush to make judgement.** Given yesterday's share price reactions, the Street seems to have taken for granted that these side effects are ACE910-related, and especially since the trial involves four active arms testing different doses of this drug without comparative arm. But there is no certainty here in our view as the patients used to be treated with either SHP's Feiba or Novo's NovoSeven, and both of them are known to increase thrombotic risks (Diringer et al, 2008; Aledort et al, 2004).
- **But we still believe ACE910 is unlikely to fully address the whole Haemophilia A market.** Although we would not suddenly bark with the hounds and suggest that ACE910 carries high risk of failure, we remain cautious about the overall safety profile of the drug (severe AEs like appendicitis and mesenteric hematoma being observed in a small phase I; and although they apparently non-neutralizing ones, some patients developed antibodies against the molecule). No more, no less than we were before and as described in our recent report about Haemophilia. So far, we can just reiterate our belief that FVIII will remain the SOC despite ACE910's competition and thus will remain the standard of care for patients with no inhibitors.
- **First phase III results with ACE910 in patients with inhibitors are expected by year end and are likely to give some answers… As a consequence, we stick to our hierarchy in the haemophilia field**. As a reminder, we foresee peak sales of USD2.0bn for ACE910 (of which USD1.5Bn should stem from patients with inhibitors) although we have so far applied a 40% probability of success, which is severe for a drug in phase III but reflects the risk associated with a mechanism of action. As soon as the first results are out and we will balance PoS and PS accordingly. Compared to our recent report and following disappointing third-quarter figures, note that we have adjusted downwards our numbers on Novo's Haemophilia franchise (DKK2,285m in Q3 vs DKK2,530m in Q2 and DKK2,836m in Q1). We remain more pessimistic than CS about NovoSeven that we see sales halved between 2015 and 2020.

NEXT CATALYSTS

- Q4 16: phase III results of ROG's ACE910 for the treatment of haemophilia A patients with inhibitors.

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Insurance

AXA

Price EUR19.98

Decent Q3 sales numbers

Fair Value EUR29 (+45%) **BUY**

Bloomberg	CS FP
Reuters	AXAF.PA
12-month High / Low (EUR)	25.8 / 16.3
Market Cap (EUR)	48,430
Avg. 6m daily volume (000)	7,353

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.6%	17.2%	-9.4%	-20.8%
Insurance	1.1%	6.9%	-3.6%	-17.3%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

	2015	2016e	2017e	2018e
P/E	8.1x	8.0x	7.8x	7.5x
Div yield (%)	5.5%	6.0%	6.3%	6.5%

ANALYSIS

- Reported 9M 2016 revenues stood at EUR75.7bn, up 0.1% (up 0.4% on a comparable basis), slightly above consensus (EUR75.2bn). Q3 trends showed a slight acceleration (remember H1 up 0.2% on a comparable basis).
- 9M P&C premiums rose 3.4% on a comparable basis to EUR25.4bn (H1 up 4%), slightly above the consensus (EUR25.3bn), still driven by prices (up 3.4%).
- In Life/Protection, 9M APE premiums were down 1.0% on a comparable basis (H1 -1.9%) to EUR44.2bn (consensus EUR43.7bn), with Protection/Health +4% (H1 +6%), Unit-Linked -15% (H1 -18%) and GA Savings +23% (H1 +22%) driven by capital-light products. NBV margin was a very solid 38% (consensus 37%), pretty stable yoy but up vs. 37% in H1.
- Economic solvency was c. 191% (consensus 192%) vs. 197% at end-June, mainly driven by the 6-point negative impact of a change in EIOPA's reference portfolio (lower weight of government and corporate bonds).
- -> A pretty solid set of numbers, even if we continue to think AXA's Q1/9M focus on top-line items offers an overly-limited insight from an investment case perspective. The stock performance is currently driven by interest rate expectations anyway, so watch out for the US elections and potential moves by central banks in December.

VALUATION

- Based on our current estimates, our SOTP valuation is EUR29.

NEXT CATALYSTS

- FY 2016 numbers on 23rd February 2017.

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Healthcare

ERYTech

Price EUR17.00

Q3 business update in line with expectations. FY guidance reiterated

Fair Value EUR47 (+176%) **BUY**

Bloomberg	ERYP FP
Reuters	ERYP.PA
12-month High / Low (EUR)	29.6 / 16.1
Market Cap (EURm)	135
Avg. 6m daily volume (000)	15.10

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.9%	-15.0%	-31.7%	-33.6%
Healthcare	-7.9%	-12.6%	-5.9%	-16.3%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

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

ANALYSIS

- Erytech's Q3 results were very much in line with expectations. Net loss stood at –EUR16.1m over the nine first months (Q3 16: -EUR5.8m vs BG: -5.1m) whereas cash & cash equivalents amounted to EUR30.4m (vs EUR36.5m at the end of June). Importantly, the company reiterated its financial guidance for cash burn of EUR18-20m over the full year (vs 15.2m on 9M 16).
- On the clinical side, note that the timing of all the major catalysts has been reiterated (see Fig. below for further details). Given that the very next clinical catalyst should be the Phase IIb results of GRASPA in pancreatic cancer, we stick to a quite cautious stance for the near term. As a reminder, we see this indication as a very challenging one 1/ because we lack some strong evidence of the potential efficacy of asparaginase outside haematological malignancies, but also 2/ due to the complexity of a continuously evolving pancreatic tumour microenvironment.
- Apart from that, the company still expects a CHMP opinion for GRASPA in ALL in the course of 2017 as they are working to address the Day 180 List of outstanding issues.

Date	Compound	Indication	Catalysts
H1 17	GRASPA with gemcitabine or FOLFOX)	2L Pancreatic cancer	Phase IIb
H2 17	GRASPA with low-dose cytarabine	Acute myeloid leukemia	Phase IIb
2017	GRASPA with standard chemo	Acute lymphoblastic leukemia	EU approval

VALUATION

- We stick to our BUY recommendation with a FV of EUR47.

NEXT CATALYSTS

- Q1 2017: Phase IIb results of GRASPA in 2L pancreatic cancer.

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Insurance

Coface

Price EUR5.54

Bloomberg	COFA FP
Reuters	COFA.PA
12-month High / Low (EUR)	9.3 / 4.2
Market Cap (EURm)	871
Avg. 6m daily volume (000)	168.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	-13.0%	25.1%	-21.3%	-40.7%
Insurance	1.1%	6.9%	-3.6%	-17.3%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

	2015	2016e	2017e	2018e
P/E	6.9x	12.1x	11.4x	7.0x
Div yield (%)	8.7%	6.0%	6.0%	8.5%

Poor Q3, limited short-term visibility

Fair Value Under Review **NEUTRAL**

ANALYSIS

- Coface has reported an EUR11m net loss for Q3 2016 (consensus -EUR3m), driven by a one-off item (fraud at minority-held Cofacrédit) and a poor overall business performance. Q3 underwriting result was -EUR14m (consensus -4m), with a 72.4% net loss ratio (105.4% combined ratio), with losses from Latam and Asia at high levels. Yet this is still consistent with FY guidance for a 63-66% net loss ratio (64.6% for 9M).
- Nothing new on the transfer of the public guarantees activities to Bpifrance, which is still scheduled for late 2016 or early 2017. The company also reiterated the main measures of its 2019 "Fit to Win" plan presented on 22nd September (3-year strategic plan: execution will be key)
- Discussions on the restructuring have just started. Even if credit insurance is a low duration business, we continue to believe that the recovery is likely to be gradual, and 2016-2017 numbers are of little help to try and assess the company's earnings power and valuation. And 2018-2019 are still very far off…

VALUATION

- We keep our FV under review at this stage, pending a new dive in our 2018-2019 numbers.
- Short-term visibility remains poor, even on the dividend (EUR0.06 minimum).

NEXT CATALYSTS

- FY 2016 numbers on 8th 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 31.8% SELL ratings 11.5%

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