Please find our Research on Bloomberg BRYG <GO>)

7th November 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	17888.28	-0.24%	+2.66%
S&P 500	2085.18	-0.17%	+2.02%
Nasdaq	5046.37	-0.24%	+0.78%
Nikkei	17177.21	+1.61%	-11.18%
Stoxx 600	328.803	-0.83%	-10.12%
CAC 40	4377.46	-0.78%	-5.60%
Oil /Gold			
Crude WTI	44.07	-1.32%	+18.47%
Gold (once)	1303.82	+0.39%	+22.73%
Currencies/Rates			
EUR/USD	1.1123	+0.26%	+2.39%
EUR/CHF	1.07715	-0.38%	-0.94%
German 10 years	0.058	-27.87%	-90.94%
French 10 years	0.455	-5.22%	-53.58%
Euribor	-0.312	-0.32%	+138.17%

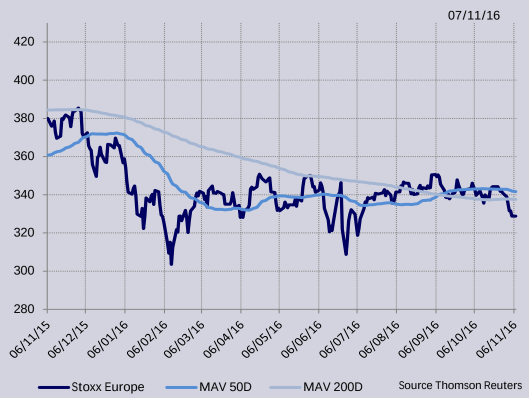
Upcoming BG events :

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



ACCORHOTELS — BUY, Fair Value EUR42 (+29%)

On the right track (-focus released today)

The booster project i.e. the deconsolidation of HotelInvest, is definitely well on track with the creation of an independent legal entity and opening of the structure to investors. As such, taking into account the updated HotelInvest GAV (EUR7.3bn), the implied valuation of HotelServices looks really attractive compared with peer asset-light models.

ACTELION — NEUTRAL, Fair Value CHF180 (+31%)

Macitentan successful in MERIT phase II trial in CTEPH

This morning, Actelion has reported positive phase II data for the MERIT study which was investigating macitentan in CTEPH. This is obviously good news to help Opsumit exceed Tracleer's peak sales at some point although potential in this single indication is likely limited to USD100-200m, except if macitentan beats riociguat in phase III. But we are not sure that Actelion will take the risk of a head-to-head study against Bayer's drug. Conference call at 2pm today.

EDF — BUY, Fair Value EUR14,6 vs. EUR13,6 (+49%)

Positive adjustments following recent hike in power prices

Following EDF's downward revision to its 2016 nuclear output last week and the recent increase in French power prices (French 1Y forward prices reached their highest level since January 2013), we have reviewed our model for EDF. We now assume a price of EUR37 per MWh for 2017 and beyond (vs. EUR30 before). To be on the safe side and integrate recent developments in the company's nuclear fleet, we have also reduced our 2016 and 2017 nuclear output forecasts from 390TWh to 380TWh and from 400TWh to 390TWh respectively and slightly increased our beta. These adjustments prompt us to increase our FV by c. 7% to EUR14.6. Buy recommendation maintained.

ENGIE — BUY, Fair Value EUR17 vs. 16.5 (+33%)

Positive estimates' adjustments for 2017 & beyond before 9M 2016 publication

Engie is set to report Q3 2016 results on 10th November. We expect 9M EBITDA to reach EUR7,645m down 5.7% yoy, which would imply a slightly positive performance in Q3 (+0.8% at the EBITDA level). Following the recent increase in French power prices, we are now forecasting a price of EUR37 per MWh for 2017 and beyond. Combined with a similar update for Brent prices (we now take into account USD45/b for 2017 and beyond vs. USD41 initally), this prompts us to slightly increase our estimates (+1.1% for 2017e and 2018e at the EBITDA level) and our FV. We now stand at EUR17.0 per share (vs. EUR16.5) implying a c. 30% theoretical upside. Buy recommendation maintained.

MOLSON COORS — BUY, Fair Value USD112 vs. USD110 (+9%)

New savings targets in line with expectations

Q3 results showed that the trading environment in Canada is not getting easier, but that the US business is gaining traction. The newly published all-in efficiency target of USD550m is in line with what we were expecting (USD600 over 3 to 4 years), but most of that will be reinvested to make sure the company does reach its target for flat US volumes in 2018 and growing in 2019.

RICHEMONT — BUY, Fair Value CHF73 (+10%)

Growth in October sales including in Greater China

Richemont management hosted a conference call last Friday and the most significant information from it was, in our view, that group sales in October enjoyed positive momentum (without quantifying it), including also in Greater China (24% of Group sales), which confirms our view and our bet for 2017 of a gradual improvement in the country. Buy recommendation reiterated with an unchanged CHF73 FV.

SEMICONDUCTORS

September sales update: solid fundamentals and M&A remain tailwinds for valuation

Worldwide semiconductor sales growth for September came out below the usual seasonal average growth. According to SIA, unadjusted global semiconductor sales stood at USD32.7bn, up 14.9% on a sequential basis and up 5.4% on a yearly basis. This was 160ppts below our 5-y historical benchmark pointing to a sequential uptick of 16.4% in September. Nevertheless, almost all market segments provided tailwinds in September. Overall, 9-month aggregated sales are down 2.6% yoy so far in 2017 highlighting a continuous improvement in H2 2016 (H1 sales were down 6.0% yoy). This is mainly due to an easier comparable base and weak but improving momentum in both the PC and Smartphones markets.

In brief...

MORPHOSYS, ***Q3 in line and FY guidance confirmed. Current share levels offer an attractive opportunity***

VOLTALIA, ***Success of the EUR170m capital increase***

CONSTRUCTION-INFRASTRUCTURES, ***Agreement on the A41 North French toll roads shareholding structure***

Hotels

AccorHotels

Price EUR32.66

On the right track (-focus released today)

Fair Value EUR42 (+29%) **BUY**

Bloomberg	AC FP
Reuters	ACCP.PA
12-month High / Low (EUR)	44.4 / 30.0
Market Cap (EURm)	9,297
Ev (BG Estimates) (EURm)	10,215
Avg. 6m daily volume (000)	1,151
3y EPS CAGR	13.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.8%	-7.8%	-14.8%	-18.4%
Travel&Leisure	-5.9%	-3.9%	-6.7%	-19.0%
DJ Stoxx 600	-5.0%	-2.7%	-0.9%	-10.1%

YEnd Dec. (€m)	2015	2016	2017e	2018e
Sales	5,581	5,719	6,205	6,378
% change		*2.5%*	*8.5%*	*2.8%*
EBITDA	987	1,020	1,173	1,250
EBIT	665.0	684.3	837.7	932.2
% change		*2.9%*	*22.4%*	*11.3%*
Net income	441.8	433.5	521.9	591.7
% change		*-1.9%*	*20.4%*	*13.4%*

	2015	2016	2017e	2018e
Operating margin	11.9	12.0	13.5	14.6
Net margin	4.4	6.5	8.1	9.3
ROE	6.8	10.1	14.9	19.1
ROCE	14.5	11.1	14.9	17.9
Gearing	-4.9	23.2	24.2	25.5

(€)	2015	2016	2017e	2018e
EPS	1.59	1.67	2.05	2.34
% change	-	*4.7%*	*23.2%*	*14.0%*
P/E	20.5x	19.6x	15.9x	13.9x
FCF yield (%)	6.6%	6.2%	7.6%	7.6%
Dividends (€)	1.00	1.00	1.10	1.15
Div yield (%)	3.1%	3.1%	3.4%	3.5%
EV/Sales	1.6x	1.8x	1.6x	1.6x
EV/EBITDA	9.2x	10.0x	8.7x	8.1x
EV/EBIT	13.7x	14.9x	12.1x	10.9x

The booster project i.e. the deconsolidation of HotelInvest, is definitely well on track with the creation of an independent legal entity and opening of the structure to investors. As such, taking into account the updated HotelInvest GAV (EUR7.3bn), the implied valuation of HotelServices looks really attractive compared with peer asset-light models.

ANALYSIS

- **Booster project well engaged…:** Launched mid-July, the project is well on track with the preparation phase finished and the execution phase engaged. Management has therefore confirmed the target of mid-2017 for HotelInvest's deconsolidation with an intermediate update due on 22nd February 2017 when FY2016 results are presented. The booster project will concern most of HI's GAV i.e. EUR6.5bn excluding mainly Orbis (52.7% owned by AccorHotels) with an overall tax friction estimated below 5% of the GAV transferred.
- **…with a positive financial impact:** Assuming that AccorHotels sells off 70% of HotelInvest to be deconsolidated (management's guidance is between 50% and 80%), AccorHotels will receive EUR4.5bn. We are convinced that some cash should be retained for organic growth (brand investments, digital services) or selective bolt-on M&A, but also that a significant part could be returned to shareholders i.e. EUR3bn.
- **Attractive valuation…:** Based on HotelInvest's valuation of EUR7.3bn (EUR7bn net or c. EUR25 per share), the implied valuation of HotelServices is EUR4.4bn EV representing an EV/EBITDA 2017e of 6.9x which looks relatively inexpensive. In fact, even if a discount has been observed with comparable US asset-light business models, it seems somewhat excessive (IHG or Marriott/Starwood are currently valued over 11x).
- **…which excessively reflects the short term environment:** The short term remains challenging, but Q3 revenue released on 19th October was reassuring with positive RevPAR up 1.1% despite the 5.8% decline in France (25.5% of total number of rooms). More importantly, management confirmed FY 2016 guidance at the low end of the bracket i.e. EBIT expected between EUR670-EUR690m.

VALUATION

- Confirming our estimate, at the current share price, the stock is trading 10.2x EV/EBITDA 2016e and 8.9x 2017e.
- Assuming a HotelInvest valuation of EUR7.3bn, the implied valuation of Hotelservices is EUR4.4bn in EV representing an EV/EBITDA 2017e of 6.9x vs. an asset-light comparable valuation of over 11x.

NEXT CATALYSTS

- FY2016 results on 22nd February 2017

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Healthcare

Actelion

Price CHF137.10

Bloomberg	ATLN VX
Reuters	ATLN.VX
12-month High / Low (CHF)	173.8 / 122.5
Market Cap (CHFm)	14,774
Ev (BG Estimates) (CHFm)	13,856
Avg. 6m daily volume (000)	365.0
3y EPS CAGR	5.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-18.4%	-16.8%	-11.0%	-1.8%
Healthcare	-7.9%	-12.6%	-5.9%	-16.3%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

YEnd Dec. (CHFm)	2015	2016e	2017e	2018e
Sales	2,042	2,344	2,263	2,390
% change		*14.8%*	*-3.5%*	*5.6%*
EBITDA	769	908	766	835
EBIT	655.6	788.1	644.9	713.0
% change		*20.2%*	*-18.2%*	*10.6%*
Net income	693.5	832.1	708.2	772.6
% change		*20.0%*	*-14.9%*	*9.1%*

	2015	2016e	2017e	2018e
Operating margin	40.7	45.6	42.1	45.2
Net margin	34.0	35.5	31.3	32.3
ROE	52.6	45.1	31.4	28.2
ROCE	77.0	88.4	84.7	98.9
Gearing	-30.7	-49.7	-63.5	-72.0

(CHF)	2015	2016e	2017e	2018e
EPS	6.17	7.64	6.57	7.23
% change	*-*	*23.9%*	*-14.1%*	*10.1%*
P/E	22.2x	17.9x	20.9x	19.0x
FCF yield (%)	4.2%	4.9%	4.9%	5.1%
Dividends (CHF)	1.50	1.50	1.50	1.50
Div yield (%)	1.1%	1.1%	1.1%	1.1%
EV/Sales	7.0x	5.9x	5.9x	5.4x
EV/EBITDA	18.7x	15.3x	17.4x	15.3x
EV/EBIT	21.9x	17.6x	20.7x	18.0x

Macitentan successful in MERIT phase II trial in CTEPH

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

This morning, Actelion has reported positive phase II data for the MERIT study which was investigating macitentan in CTEPH. This is obviously good news to help Opsumit exceed Tracleer's peak sales at some point although potential in this single indication is likely limited to USD100-200m, except if macitentan beats riociguat in phase III. But we are not sure that Actelion will take the risk of a head-to-head study against Bayer's drug. Conference call at 2pm today.

ANALYSIS

- CTEPH (Chronic thromboembolic PH, phase II) is usually defined as WHO Group 4 PH i.e. one among other forms of PH but not PAH. On top of high blood pressure in pulmonary arteries and low blood pressure in pulmonary capillaries, it is characterised by occlusive thrombi/emboli in the arteries. As such and unlike PAH, it is offered surgery as a therapeutic option (called pulmonary endarterectomy). Like PH in general, CTEPH is difficult to diagnose although it has often been associated with a history of acute pulmonary embolism that may somewhat help diagnosis. However, reports say that about 60% of CTEPH patients have not had any episode of acute PE. Echocardiogram, V/Q scan and MRA are often used to confirm diagnosis.
- Now, because PTE (pulmonary thromboendarterectomy) is potentially curative, it is the preferred treatment for patients with CTEPH. However, it is estimated that about one third at least are inoperable. For those, other options are required. In 2014, riociguat (Adempas), first-in-class soluble guanylate cyclase stimulator (sGC), has been made available by Bayer, achieved EUR182m in annual sales in 2015 and is growing 45% in 2016 (estimated EUR263m).
- In 2007 and 2008, the results of the phase III trial BENEFIT investigating bosentan in CTEPH were published at the ESC meeting and in the JACC. They were mixed as the drug showed benefits on PVR but no improvement in exercise capacity (6-minute walk test). One of the hypotheses formed to explain the failure of the drug to show superior efficacy was the too limited length of the trial (16 months).
- On top of being a different and potentially superior drug, macitentan has been included in a 24-week phase II trial called MERIT whose results are reported today. At this stage, Actelion has only considered inoperable patients (80 patients in MERIT) where Bayer studied riociguat both in inoperable and postoperative patients (about one third of patients who go surgery do not see their disease controlled). On average, riociguat showed a 39-meter improvement in the 6-minute walk test when recalculated (by the FDA) median difference vs placebo is considered, after 16 weeks. Actelion is reporting today a 34-meter difference for macitentan after 24 weeks (with only 1 meter in the placebo arm). As long as the effect on pulmonary vascular resistance (PVR), the reduction provided by macitentan after 16 weeks is statistically significant (-16%, p=0.04) but does not appear as high as it could have been hoped.

VALUATION

- The key question now is how well the data compares to what has been previously disclosed by Bayer with riociguat in this indication, bearing in mind once again that riociguat was investigated in both inoperable and post-operative CTEPH. A very first look at the numbers suggest it is not obvious. Therefore, it could be interesting to hear what Actelion's plans might be. We assume that a phase III trial will be initiated with macitentan in both inoperable and post-operative CTEPH patients. Using riociguat as a comparator could be risky however. Could macitentan be added to it? This afternoon's conference call is likely to tell us more about Actelion's strategy in this respect.

NEXT CATALYSTS

- Today 2pm: Update on the cardiovascular pipeline

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Utilities

EDF

Price EUR9.78

Positive adjustments following recent hike in power prices

Fair Value EUR14,6 vs. EUR13,6 (+49%) **BUY**

Bloomberg	EDF FP
Reuters	EDF.PA
12-month High / Low (EUR)	15.5 / 9.2
Market Cap (EUR)	20,632
Ev (BG Estimates) (EUR)	83,851
Avg. 6m daily volume (000)	1 772
3y EPS CAGR	-15.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-10.1%	-15.5%	-14.8%	-27.9%
Utilities	-4.9%	-7.8%	-6.1%	-10.6%
DJ Stoxx 600	-5.0%	-2.7%	-0.9%	-10.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	75,006	75,527	77,629	79,506
% change		*0.7%*	*2.8%*	*2.4%*
EBITDA	17,601	15,789	16,548	17,611
EBIT	4,280	6,759	7,067	7,561
% change		*57.9%*	*4.6%*	*7.0%*
Net income	4,231	2,186	2,405	2,749
% change		*-48.3%*	*10.0%*	*14.3%*

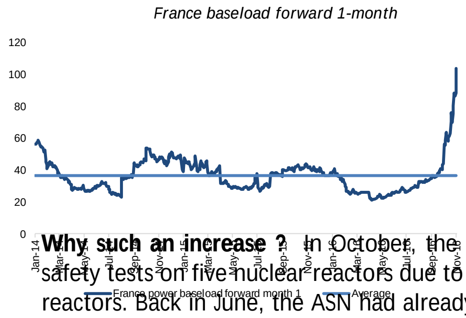
	2015	2016e	2017e	2018e
Operating margin	5.7	8.9	9.1	9.5
Net margin	5.6	2.9	3.1	3.5
ROE	10.5	5.5	6.1	6.9
ROCE	2.0	2.8	2.8	3.0
Gearing	167.6	180.5	185.5	182.5

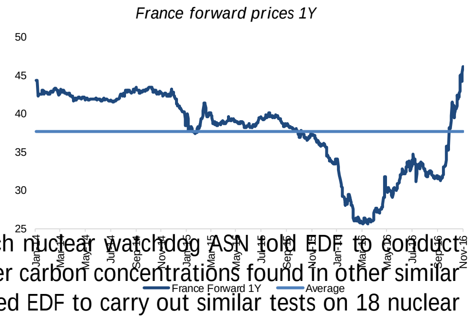
(EUR)	2015	2016e	2017e	2018e
EPS	2.27	1.09	1.20	1.37
% change	*-*	*-52.1%*	*10.0%*	*14.3%*
P/E	4.3x	9.0x	8.2x	7.1x
FCF yield (%)	NM	NM	2.9%	17.6%
Dividends (EUR)	1.10	0.83	0.90	1.00
Div yield (%)	11.2%	8.5%	9.2%	10.2%
EV/Sales	1.1x	1.1x	1.1x	1.1x
EV/EBITDA	4.6x	5.3x	5.2x	4.8x
EV/EBIT	18.8x	12.4x	12.2x	11.3x

Following EDF's downward revision to its 2016 nuclear output last week and the recent increase in French power prices (French 1Y forward prices reached their highest level since January 2013), we have reviewed our model for EDF. We now assume a price of EUR37 per MWh for 2017 and beyond (vs. EUR30 before). To be on the safe side and integrate recent developments in the company's nuclear fleet, we have also reduced our 2016 and 2017 nuclear output forecasts from 390TWh to 380TWh and from 400TWh to 390TWh respectively and slightly increased our beta. These adjustments prompt us to increase our FV by c. 7% to EUR14.6. Buy recommendation maintained.

ANALYSIS

- **French power prices have increased sharply over the past few weeks**. France power baseload forward 1-month notably crossed the EUR100 per MWh level while **France forward prices 1-year ahead reached EUR49.2 per MWh, the highest level since November 2012**.





- **Why such an increase ?** In October, the French nuclear watchdog ASN told EDF to conduct safety tests on five nuclear reactors due to higher carbon concentrations found in other similar reactors. Back in June, the ASN had already asked EDF to carry out similar tests on 18 nuclear reactors. **Combining these tests to be carried out on top of planned maintenance, we found that 19 reactors out of 58 are currently unavailable,** i.e. about **30%** of EDF's nuclear capacities (**20GW** out of 63GW) and **15%** of French overall installed capacities (c. **130GW**).

Table 1: 19 reactors currently unavailable

Reactor	Unavailability start	Unavailability end	Capacities (MW)
CATTENOM 4	31/10/2016	06/11/2016	1,300
PENLY 2	27/08/2016	10/11/2016	1,330
CHINON 3	08/10/2016	11/11/2016	905
ST LAURENT 2	03/09/2016	12/11/2016	915
PALUEL 1	09/04/2016	13/11/2016	1,330
CRUAS 2	15/10/2016	14/11/2016	915
GRAVELINES 1	20/08/2016	19/11/2016	910
CIVAUX 2	10/09/2016	30/11/2016	1,495
DAMPIERRE 3	24/09/2016	30/11/2016	890
CATTENOM 3	24/09/2016	20/12/2016	1,300
BUGEY 4	27/08/2016	31/12/2016	880
GRAVELINES 2	17/09/2016	31/12/2016	910
TRICASTIN 4	22/10/2016	31/12/2016	915
TRICASTIN 3	07/05/2016	31/12/2016	915
TRICASTIN 1	13/08/2016	31/12/2016	915
FESSENHEIM 2	13/06/2016	31/03/2017	880
GRAVELINES 5	09/04/2016	31/03/2017	910
BUGEY 5	27/08/2015	31/05/2017	880
PALUEL 2	16/05/2015	31/08/2017	1,330

Source : EDF; Bryan Garnier & Co. ests.

- **Concerns have therefore been raised over France's ability to match power demand during the winter** - as nuclear still represents about 75% of the country's power generation – **pushing up forward prices**. As shown in the table above, 15 reactors are however expected to be available before the end of December 2016 and therefore be ready for the winter season. **The sudden hike in 1-month forward** (from EUR75.6 per MWh one week ago to c. EUR120 per MWh today) **has also been driven by lower than average temperature forecasts for this week with concerns over the ability to match the expected immediate increase in power demand.**

Table 2: Temperatures set to drop more than 5°C below usual seasonal levels

Day	05/11/2016	06/11/2016	07/11/2016	08/11/2016	09/11/2016	10/11/2016	11/11/2016
Reference temperatures	10,1	10	9,8	9,7	9,5	9,4	9.3
Forecast deviations	(0,7)	(2,9)	**(4,7)**	**(5,3)**	**(4,9)**	(3,6)	(2,6)

Source : RTE, as of 04/11/2016

- **Impact on EDF?** We have integrated the recent increase in French power prices by plugging an **EUR37/MWh** price - for 2017 and beyond - reflecting current forward prices 2-year's ahead. In our view: **1/this better reflects the current market trend** as forward prices 1-year ahead appear to be highly impacted by the very short-term issues described above; and **2/**this therefore appears to be **less volatile when determining our FV**.

- Following EDF's announcement last Friday related to lower than expected nuclear output for 2016, **we have cut our output expectations from 390TWh to 380TWh** and are now at the low-end of the new guidance (378-385TWh). **To be on the safe side and in order to integrate recent developments over the company's nuclear fleet** (five more reactors to be halted in December 2016 due to safety checks and to restart by mid January 2017, as announced by the company in October), **we have also reduced our 2017 nuclear output forecasts from 400TWh to 390TWh**. We similarly stand at the low-end of the guidance provided by the company last September (390-400TWh).

- All in all, **we decrease our 2016e estimates by 1.1% at the EBITDA level and by c. 5% at the EPS level**. We are now below EDF's new guidance for 2016 (EUR16.0-16.3bn at the EBITDA level). We have however increased our **EBITDA** expectations by **6.7%** and **7.7%** for 2017e and 2018e respectively. Our **EPS** expectations are increased by **30.7%** and **33.9%** - for 2017e and 2018e respectively – as our assumptions for D&A and financial results remain unchanged.

Table 3: Change in our estimates (EURm)

Estimates	New			Old			Var (%)		
	2016e	2017e	2018e	2016e	2017e	2018e	2016e	2017e	2018e
EBITDA	**15,789**	**16,548**	**17,611**	**15,977**	**15,502**	**16,349**	**(1.2%)**	**6.7%**	**7.7%**
EBIT	6,759	7,067	7,561	6,947	6,021	6,299	(2.7%)	17.4%	20.0%
EPS	1.38	1.49	1.66	1.45	1.14	1.24	(4.8%)	30.7%	33.9%

Source : Bryan Garnier & Co. ests.

VALUATION

- We have also slightly **adjusted our beta for EDF's French nuclear business** (from 1.05 to 1.15) in order to highlight the **operational and financial risks** inherent to the unavailability of various nuclear reactors as well as the **weak visibility** provided by the company and **ongoing uncertainties** over the overall political context in France and over the ARENH mechanism.

- All these adjustments have prompted us to increase our **FV from EUR13.6 to EUR14.6** per share implying a c. **49% theoretical upside**. Note the **high sensitivity of our theoretical FV to the power price plugged for 2017 and beyond.** At constant 2017 nuclear output, an EUR50 per MWh price would imply an EUR22 per share theoretical FV vs. a c. EUR5 per share theoretical FV for an EUR20 per MWh price.

Table 4: FV sensitivity to 2017e nuclear output and French power prices for 2017 & beyond

FV sensitivity	EUR20/MWh	EUR30/MWh	EUR35/MWh	EUR37/MWh	EUR40/MWh	EUR45/MWh	EUR50/MWh
370TWh	4,1	10,0	12,9	14,0	15,7	18,6	21,4
380TWh	4,4	10,3	13,2	14,3	16,0	18,9	21,7
390TWh	4,7	10,6	13,5	**14,6**	16,3	19,2	22,0
400TWh	5,0	10,9	13,8	14,9	16,6	19,5	22,3
410TWh	5,3	11,2	14,1	15,2	16,9	19,8	22,6

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

- At the current share price, the stock is trading on 2016e EV/EBITDA of **5.3x**

NEXT CATALYSTS

- **8th November:** Q3 2016 revenues Click here to download

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ENGIE

Price EUR12.75

Positive estimates' adjustments for 2017 & beyond before 9M 2016 publication

Fair Value EUR17 vs. 16.5 (+33%) **BUY**

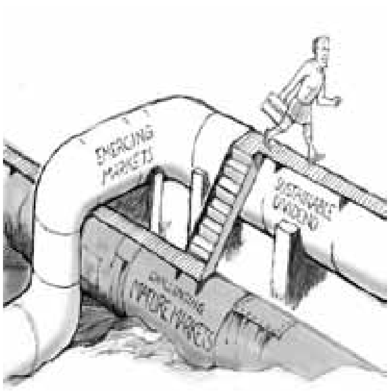
Bloomberg	ENGI FP
Reuters	ENGIE.PA
12-month High / Low (EUR)	16.6 / 12.7
Market Cap (EURm)	31,038
Ev (BG Estimates) (EURm)	69,653
Avg. 6m daily volume (000)	5 251
3y EPS CAGR	-17.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.3%	-11.6%	-7.7%	-21.9%
Utilities	-4.9%	-7.8%	-6.1%	-10.6%
DJ Stoxx 600	-5.0%	-2.7%	-0.9%	-10.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	69,883	65,523	64,302	65,321
% change		*-6.2%*	*-1.9%*	*1.6%*
EBITDA	11,261	10,852	10,716	11,065
EBIT	-3,243	6,238	6,094	6,362
% change		*NS*	*-2.3%*	*4.4%*
Net income	4,950	3,175	3,215	3,395
% change		*-35.9%*	*1.2%*	*5.6%*

	2015	2016e	2017e	2018e
Operating margin	-4.6	9.5	9.5	9.7
Net margin	7.1	3.9	4.1	4.3
ROE	10.2	5.3	5.5	5.8
ROCE	6.8	4.4	4.4	4.5
Gearing	61.5	55.1	58.8	58.2

(EUR)	2015	2016e	2017e	2018e
EPS	2.04	1.08	1.09	1.16
% change	-	*-47.3%*	*1.3%*	*6.7%*
P/E	6.3x	11.9x	11.7x	11.0x
FCF yield (%)	0.8%	27.0%	10.9%	13.5%
Dividends (EUR)	1.00	1.00	0.70	0.70
Div yield (%)	7.8%	7.8%	5.5%	5.5%
EV/Sales	1.1x	1.1x	1.1x	1.1x
EV/EBITDA	6.6x	6.4x	6.5x	6.3x
EV/EBIT	NS	11.2x	11.4x	10.9x



Engie is set to report Q3 2016 results on 10th November. We expect 9M EBITDA to reach EUR7,645m down 5.7% yoy, which would imply a slightly positive performance in Q3 (+0.8% at the EBITDA level). Following the recent increase in French power prices, we are now forecasting a price of EUR37 per MWh for 2017 and beyond. Combined with a similar update for Brent prices (we now take into account USD45/b for 2017 and beyond vs. USD41 initally), this prompts us to slightly increase our estimates (+1.1% for 2017e and 2018e at the EBITDA level) and our FV. We now stand at EUR17.0 per share (vs. EUR16.5) implying a c. 30% theoretical upside. Buy recommendation maintained.

ANALYSIS

What to expect from Engie's 9M publication. We expect Engie to report a **9M 2016 EBITDA** of **EUR7,645m** down 5.7% vs. last year's figure which would imply a slightly positive performance in Q3 2016 (**+0.8%** at the EBITDA level). We expect the company's Q3 EBITDA to be negatively impacted by **1/** a decrease in E&P volumes (from 59Mboe in FY 2015 to 56Mboe in FY 2016); **2/** adverse weather conditions (EUR40m negative impact expected over the quarter) and **3/** further price headwinds (Brent & power prices). In our view, this should be offset by **1/** new plant commissionings (EUR50m positive impact expected over the quarter); **2/** the increase in nuclear volumes yoy (c. EUR80m positive impact expected over the quarter) and **3/**t he Lean 2018 cost-savings programme (EUR150m positive impact expected over the quarter). Finally, we expect Engie's **9M current operating income** to reach **EUR4,321m** down 1.4% yoy.

In all, we expect Engie to **confirm its FY16e guidance** including full-year EBITDA before disposals of between **EUR10.8bn** and **EUR11.4bn**, recurring net income between EUR2.4bn and EUR2.7bn and a EUR1 dividend per share. Considering our EUR7,645m figure for the 9M-16 EBITDA, **this would imply Q4 EBITDA growth of 0.1% to reach the low-end of EBITDA guidance and of 19.1% to reach the high-end of guidance**. While the high-end of guidance clearly appears out of reach, **we remain confident in the company's ability to reach the low-end**. As a reminder, our FY16e EBITDA expectation stands at **EUR10,852m** implying therefore **1.7% EBITDA growth in Q4 2016.**

Updating our assumptions for 2017 & beyond: we have integrated the recent increase in French power prices into our model by plugging an **EUR37/MWh price** (vs. EUR33.5 per MWh before) – for 2017 and beyond – reflecting current forward prices 2-year's ahead. We believe this better reflects the current market trend and therefore appears to be **less volatile when determining our FV**. We have also integrated the increase in Brent prices with a **USD45/b** assumption vs. USD41 before. This leads to a slight increase in our estimates with a **1.1% positive impact** on our 2017e and 2018e EBITDA metrics and a **2.8%** and **2.7% positive impact** on our EPS estimates for 2017e and 2018e respectively. As a reminder, **Engie's exposure to direct power price variations is fairly limited** as the company is 96% hedged for 2016 (at EUR40 per MWh) and 84% hedged for 2017 and 2018 (at EUR36 and EUR34 per MWh, respectively).

Table 3: Change in our estimates (EURm)

	New			Old			Var (%)		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
EBITDA	**10,852**	**10,716**	**11,065**	**10,852**	**10,597**	**10,946**	**0.0%**	**1.1%**	**1.1%**
Current Operating	6,237	6,094	6,362	6,237	6,018	6,287	0.0%	1.3%	1.2%
Recurring EPS	1.08	1.09	1.16	1.08	1.06	1.13	0.0%	2.8%	2.7%

Source : Bryan Garnier & Co. ests.

VALUATION

FV increased to EUR17.0 per share: In all, these changes in estimates drove an EUR0.5 per share increase in our FV to **EUR17.0** per share implying a c. **31% theoretical upside** vs. the company's current share price. **Buy rating maintained.**

At the current share price, the stock is trading on 2016e EV/EBITDA of **6.3x**

Buy, FV @ EUR17.0 vs. EUR16.5

NEXT CATALYSTS

10th November: Q3-16 results

Click here to download

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Food & Beverages

Molson Coors

Price USD103.02

New savings targets in line with expectations

Fair Value USD112 vs. USD110 (+9%) **BUY**

Bloomberg	TAP US
Reuters	TAP.N
12-month High / Low (USD)	111.3 / 83.6
Market Cap (USDm)	22,136
Ev (BG Estimates) (USDm)	16,081
Avg. 6m daily volume (000)	1,934
3y EPS CAGR	16.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.2%	3.4%	4.8%	9.7%
Food & Bev.	-7.9%	-7.3%	-2.6%	-7.4%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	3,568	3,352	11,556	11,759
% change		*-6.0%*	*NM*	*1.8%*
EBITDA	651	634	2,565	2,717
EBIT	352.2	331.5	1,910	2,062
% change		*-5.9%*	*NM*	*8.0%*
Net income	700.4	648.7	1,177	1,292
% change		*-7.4%*	*81.4%*	*9.8%*

	2015	2016e	2017e	2018e
Operating margin	9.9	9.9	16.5	17.5
Net margin	19.6	19.4	10.2	11.0
ROE	9.9	6.6	10.8	10.8
ROCE	2.7	2.5	8.9	7.1
Gearing	38.3	-1.8	90.2	72.0

(USD)	2015	2016e	2017e	2018e
EPS	3.76	3.00	5.44	5.97
% change	-	*-20.2%*	*81.4%*	*9.8%*
P/E	27.4x	34.4x	18.9x	17.2x
FCF yield (%)	2.1%	3.3%	6.2%	6.7%
Dividends (USD)	1.64	1.64	1.80	1.98
Div yield (%)	1.6%	1.6%	1.8%	1.9%
EV/Sales	5.5x	4.8x	2.8x	2.6x
EV/EBITDA	30.3x	25.3x	12.5x	11.3x
EV/EBIT	55.9x	48.5x	16.7x	14.9x

Q3 results showed that the trading environment in Canada is not getting easier, but that the US business is gaining traction. The newly published all-in efficiency target of USD550m is in line with what we were expecting (USD600 over 3 to 4 years), but most of that will be reinvested to make sure the company does reach its target for flat US volumes in 2018 and growing in 2019.

Last week, Molson Coors reported results after Q3. YTD worldwide beer volumes declined 1.4%, net revenue was down 0.1% in constant currency (a reported 4.9% decline) and underlying EBITDA fell by 0.8%. Following these figures we have updated our model and lowered our forecasts for Canada and to a lesser extent for the European segment. However, we have increased forecasts for the MillerCoors business. Overall we lowered our EPS forecast for 2016 by 8% to USD3.00 from USD3.28 but left 2017 unchanged (rather by accident as the improved US performance compensates the worser than expected Canadian and European business).

ANALYSIS

- **All-in efficiency target of USD550m in line with expectations**: In the Q3 2016 release, Molson Coors also updates investors on expected cost savings and synergies after the MillerCoors transaction. It now expects to improve efficiency by USD550m over the next three years (all-in target but it comments that half is cost savings and half synergies). This is very much in line with our previous forecast of USD600 over three/four years and its previous guidance of USD80m in cost savings p.a. for at least two years and USD200m synergies over four years, (which adds up to about USD520m over four years assuming that the costs savings continued), although the delivery is probably on the faster side. But of course there is no hint on how the efficiency improvement is going to be reinvested or flow trough to the bottom line. In the past only about 1/3 of Molson Coors's savings went through the bottom line. We assume this will repeat itself and look for about two percentage points operating margin improvement over the next three years. Indeed, with the company continue to target flat volumes in the US by 2018 and growth by 2019, it will have to cranck up investments behind its brands.

- **Irritated management**: During the call on the results, one participant asked CEO Mark Hunter what his track record is, and why investors should be comfortable that the right management team is on board to execute the significant plans. Answer: "I'm not going to conduct a performance review over our quarterly earnings call or get into detail as to why our board believes that I am the right leader for this business and why I believe Gavin is the right leader for this business." Nevertheless the question is timely: both Mark Hunter and Gavin Hattersley have been around in the group for a long time and today, the company is still only making the same operating profit than years ago (adjusted operating profit incl. MillerCoors of USD869 in 2015 v USD886 in 2010). Mark Hunter has been at Molson Coors since 1989 and has worked his way up first in the European division then in Canada and Asia before becoming CEO of Molson Coors on 1st January 2015. Indeed, on the face of it there does not seem to be much of a track record in moving topline or cutting costs. Gavin Hattersley started at SABMiller in 1998 in South Africa before moving to Miller in 2002 and since 2008 at MillerCoors (via Molson Coors back to MillerCoors in 2015). Also, here there is not the obvious track record in creating value for shareholders. However, Gavin's role in the past has been very much restricted to a pure finance role, whereas, according to insiders, his interest covers both finance and commercial (and in the past with two different shareholders at MillerCoors each having their own agenda and competing in Europe, there were many issues to take into account). But one thing that has coloured Gavin is his resolve to get on with things. On his second day in the job he replaced MillerCoor's chief marketing officer England (with Kroll) and the sales chief McBrien (with Doyle). Nevertheless, however we look at it, the jury is still out for both Mark and Gavin.

- **Saved by Cocaine?**: Canada's government has plans to decriminalise and regulate recreational marijuana in spring 2017. Although recreational drugs and alcohol might seem in competition, the experience of Colorado and Washington, is that liberalisation of drug use does improve alchol consumption (and tourism!). Maybe that is exactly what the Canadian beer industry needs.

- Although the company is trying to put a brave face on it, Molson Coors is havig a **tough time in Canada and Europe**. In Canada, declining volumes (ytd, volumes are down by 2.6%, 2.9% in Q3), and increased marketing spend (without significant improvement in price mix) have caused negative operational leverage and have driven operating margins down by 1.6% so far this year. According to the company, its cost savings programme has offset inflation, forex and other cost increases (i.e. more expensive raw materials because the increase in premium brands). Underlying operating profit was down by 13.4% after 9 months. These figures are significantly worse than those published by Labatt with ytd volumes down 0.6% organic (but

+7.2% including acquisitions in craft, RTD and cider), net revenue growth of 1.2% organic and an EBIT decline of 2.9% organic. In Europe, year-to-date the benefit of higher net sales and net selling prices per hectoliter in local currency (premiumisation with Coors Light, Staropramen outside of the Czech Republic, and their craft portfolio including Blue Moon, Doom Bar, and other the Sharps brands, as well as Rekorderlig cider), volume and market share in Europe were more than offset by unfavorable foreign currency movements, higher brand amortisation expense, lower pension benefits and the termination of the Heineken contract arrangement in the UK. As a result underlying recorded operating profit for 9 months was down by 14.6% and operating profit margin after 9 months stood at 10.1% v 11.4% 9m 2015.

- However, the **US operations improved**. Overall sales to retail volume decreased 2.5% year-to-date on a trading day adjusted basis driven primarily by value and mainstream light brands, reflecting industry trends (although Coors Light and Miller Lite gained segment market share). However, Coors Banquet and the premium products (including the craft business) imcreased in volume. Domestic net sales revenue per hectoliter grew 1.2% year-to-date as a result of favorable net pricing and positive sales mix. On the bottom line, U.S. segment underlying equity income increased 9.3% in the 9 months driven primarily by lower cost of goods sold, higher net pricing and positive sales mix.

VALUATION

- DCF based Fair Value of USD112 assuming a risk free rate of 1.7% and a risk premium of 7%. The slight increase from our previous USD110 Fair Value comes on the back of an increased tax advantage from the MillerCoors acquisition (USD275m v USD250m).

NEXT CATALYSTS

- Mid February 2017: 2016 earnings

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Luxury & Consumer Goods

Richemont

Price CHF66.35

Growth in October sales including in Greater China

Fair Value CHF73 (+10%) **BUY**

Bloomberg	CFR VX
Reuters	CFR.VX
12-month High / Low (CHF)	86.6 / 53.5
Market Cap (CHF)	37,156
Ev (BG Estimates) (CHF)	30,192
Avg. 6m daily volume (000)	2 039
3y EPS CAGR	5.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.5%	16.4%	7.2%	-8.0%
Pers & H/H Gds	-6.5%	-4.8%	-0.5%	-3.3%
DJ Stoxx 600	-5.0%	-2.7%	-0.9%	-10.1%

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	20.4x	28.5x	21.0x	17.6x
FCF yield (%)	5.7%	6.2%	6.5%	7.4%
Dividends (EUR)	1.85	1.55	1.90	2.00
Div yield (%)	3.0%	2.5%	3.1%	3.2%
EV/Sales	2.6x	2.7x	2.5x	2.2x
EV/EBITDA	11.7x	14.9x	11.3x	9.4x
EV/EBIT	14.1x	19.1x	13.6x	11.0x

Richemont management hosted a conference call last Friday and the most significant information from it was, in our view, that group sales in October enjoyed positive momentum (without quantifying it), including also in Greater China (24% of Group sales), which confirms our view and our bet for 2017 of a gradual improvement in the country. Buy recommendation reiterated with an unchanged CHF73 FV.

ANALYSIS

In H1 2016/17, the 12% same-forex sales decline was "driven" by the **Watches business** (41% of total sales) with a 24% decrease, particularly affectected by inventory buy-backs concerning mainly the Cartier brand. **Jewellery** (39% of total sales) was more resilient with stable revenues. This performance could seem somewhat disappointing given previous more positive momentum, but was mainly due to France and Japan in our view as both suffered from lower tourists flows with even a decline in Japan. Nevertheless, management is quite confident in this segment and particularly concerning high jewellery. On the other hand, **Leather goods** and **writing instruments** were both very well oriented with a 9% and 8% revenues increase respectively. Together, these two activities account for 11% of total sales.

In our view, the most important information given by management, including by Mr Rupert, the current Executive Chairman, is that **Richemont group revenues were again up in October** and this was even the case for **Greater China** (Mainland China, Hong Kong and Macau together) which was not the case in previous quarters. **Greater China** accounts for around 22% of group sales. This positive move was not quantified during the call, but was partly the consequence of the end to buy backs at Cartier at the end of September and also an undemanding comparison basis (sales in October 2015 were down 6%). In MC, sales were up double digit in H1, including for watches. UK was up double digit following Brexit. The reopening of the Cartier flagships in NY and in Tokyo last September also helped slightly perhaps. Furthermore, VCA sales rose slightly in H1.

The 150bp decline in H1 gross margin to 63.5% was the consequence of negative effects, of which -150bp due to inventory buy-backs, mainly at Cartier, and positive things like the distribution mix (outperformance of retail vs wholesale) and FX (+40bp positive impact). Among the EUR249m one-off charges in H1, EUR67m concerned Dunhill and Lancel with massive restructuring including numerous store closures particularly at Dunhill (with 25 DOS closures in H1 and 25 more will be closed in H2) and five Lancel DOS closures including the Opéra flagship one in Paris. The closed Dunhill stores were not profitable. On the other hand, in H1, Cartier opened six DOS. Globally, Richemont Group closed 12 stores (DOS and franchisees combined) in H1 to reach 1,154 boutiques. In the Friday press release, management added also that it was ready to deal with overcapacity issues and adapting manufacturing structures to the level of final demand. Nevertheless, the group's Executive chairman added during the call that the focus is clearly on sales momentum improvement and not only on cost-cutting and that the final target was to be more flexible.

Given the depature of Richard Lepeu as CEO, he will not be replaced in his position. Mr Lambert, current Montblanc CEO, will become Head of Opeations and all Maisons other than Jewellery and Watchmaking and Mr Kern, current IWC CEO, will become Head of Watchmaking, Marketing and Digital.

VALUATION

The stock has gained 16% over the last three months. We reiterate our Buy recommendation with an unchanged CHF73 Fair Value. Furthermore, Mr Rupert also added that his goal is to increase dividends by about 10 to 15% per year on average medium term.

NEXT CATALYSTS

Q3 sales trading to be reported on 12th January.

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Sector View

Semiconductors

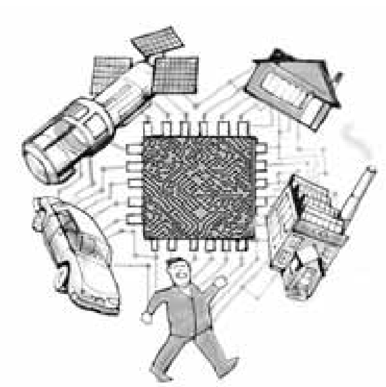
September sales update: solid fundamentals and M&A remain tailwinds for valuation

	1 M	3 M	6 M	31/12/15
Semiconductors	-3.1%	2.0%	31.4%	20.3%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

*Stoxx Sector Indices

Companies covered

ams		**NEUTRAL**	**U.R.**
Last Price	CHF26.5	*Market Cap.*	CHF1,945m
ASML		**SELL**	**EUR83**
Last Price	EUR92.38	*Market Cap.*	EUR40,031m
DIALOG SEMICONDUCTOR		**BUY**	**EUR40**
Last Price	EUR35.363	*Market Cap.*	EUR2,706m
INFINEON		**BUY**	**EUR17.5**
Last Price	EUR15.505	*Market Cap.*	EUR17,562m
MELEXIS		**SELL**	**EUR48**
Last Price	EUR56.8	*Market Cap.*	EUR2,295m
SOITEC		**NEUTRAL**	**EUR0.5**
Last Price	EUR0.89	*Market Cap.*	EUR540m
STMICROELECTRONICS		**NEUTRAL**	**EUR7.3**
Last Price	EUR8.11	*Market Cap.*	EUR7,388m
u-blox		**BUY**	**CHF255**
Last Price	CHF183	*Market Cap.*	CHF1,248m



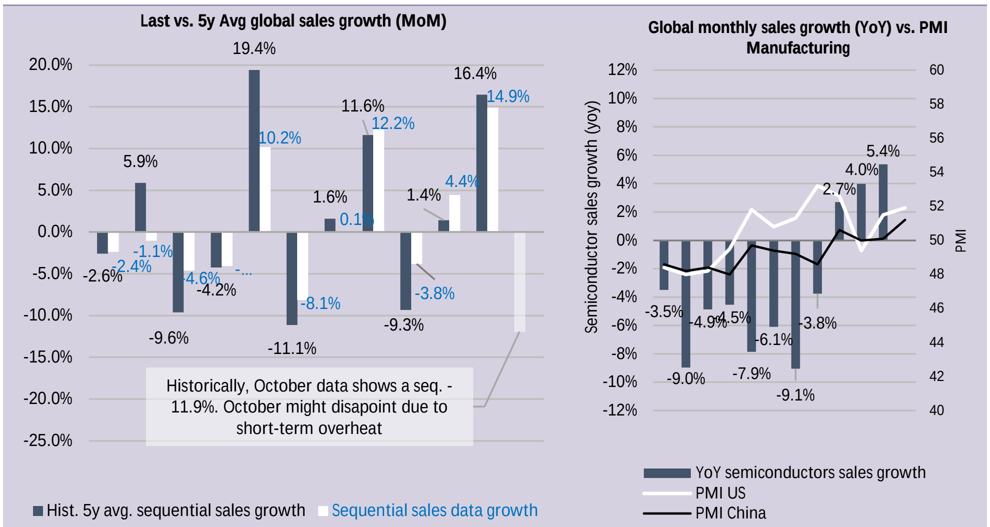
Worldwide semiconductor sales growth for September came out below the usual seasonal average growth. According to SIA, unadjusted global semiconductor sales stood at USD32.7bn, up 14.9% on a sequential basis and up 5.4% on a yearly basis. This was 160ppts below our 5-y historical benchmark pointing to a sequential uptick of 16.4% in September. Nevertheless, almost all market segments provided tailwinds in September. Overall, 9-month aggregated sales are down 2.6% yoy so far in 2017 highlighting a continuous improvement in H2 2016 (H1 sales were down 6.0% yoy). This is mainly due to an easier comparable base and weak but improving momentum in both the PC and Smartphones markets.

ANALYSIS

- **Despite being below seasonal, September showed a continuous improvement in semiconductor market momentum**. Unadjusted global semiconductor sales increased by 5.4% on a yearly basis to USD32.7bn in September. On a sequential basis, September sales were up 14.9% compared to August. This was slightly below our 5-y historical benchmark showing an historical seasonal uptick of 16.4% in September compared to August. As a result, 2017 9-month sales declined by 2.6% compared to 2016. Due to the particularly weak H1 and despite a rebound in H2, we continue to expect worldwide semiconductor sales to fall slightly in 2016 (in the range of -2% to 0%). Fundamentals remain strong in Automotive and Industrial sectors while we see sign of slightly improving momentum in PC and Smartphone markets. Nevertheless, we would adopt a more defensive track for Q4, especially in Smartphone segment.

- **October and beyond: October might disappoint due to the short-term overheat.** September sales growth came out below the usual seasonal average growth, but was in line with our expectations (yoy growth). In view of current visibility, we expect October sales momentum to be in line or lower than historical seasonality (i.e. a sequential decline of 11.9%, +/-300bp). Most end-markets remain strong but we are cautious about a possible temporary overheat causing a short term slowdown (Q3 2016 was particularly strong with a >4% yoy increase). In the automotive segment, nine-month vehicle production continues to provide a tailwind, with production of light vehicles up 10.3% yoy (of which down 4.1% in China, up 9.4% in Europe and up 37.7% in the U.S.). Smartphone supply chain benefited strongly from the better than expected start of the iPhone 7. However, we are cautious regarding the tailing potential of this success while Note7 also impacts some players (such as ams (Neutral, FV EUR27)). Regarding PMI Manufacturing, note that the US ISM data set was supportive in October and headed in the right direction with the US PMI Manufacturing index at 51.9 compared with 51.5 in September. Finally, Chinese and Eurozone PMI Manufacturing data were up 0.1ppt and up 0.9ppt respectively in October (to 51.2 and 53.5) while the German Industrial production (IFO) index increased by 1.0ppt to 110.5.

October semiconductor sales might disappoint due to short-term overheat



Sources: WSTS; ISM; Markit; Bryan, Garnier & Co ests.

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VALUATION

- Semiconductor average valuation metrics decreased in October. Our semiconductor valuation table shows that the overall valuation of the six main sub-sectors decreased in October. As of today, Intellectual Property & EDA and Fabless groups have the highest valuation metrics with average 2017e P/E ratios of 19.5x (down from 19.9x a month ago) and 17.7x (down from 18.2x a month ago) respectively. Conversely, Memory IDM and Foundry groups have the lowest valuation metrics with average 2017e P/E ratio of 10.5x (down from 11.0x a month ago) and 12.3x (down from 12.8x a month ago) respectively. Currently, Logic & Analog IDM and Semi Equipmt & Materials shows P/E ratios of 15.2x (down from 15.7x a month ago) and 14.5x (down from 15.0x a month ago) respectively.

BG semiconductor sub-sector valuation table

	YTD price return		2016e			
Subsector average (# of comp.)	Avg. / Median	High / Low	EV/Sales	EV/EBITDA	EV/EBIT	P/E
Fabless (14)	22.5% / 11.7%	115.9% / -25.2%	2.5x	9.4x	11.5x	17.7x
Logic & Analog IDM (16)	17.1% / 18.0%	73.0% / -17.3%	3.2x	8.9x	11.3x	15.2x
Memory IDM (4)	34.3% / 31.7%	52.5% / 21.2%	0.9x	3.5x	6.9x	10.5x
Foundry (5)	16.8% / 19.0%	36.7% / -2.9%	1.5x	3.9x	11.2x	12.3x
Semi Equipmt & Materials (11)	17.8% / 13.5%	55.8% / -2.3%	2.1x	8.3x	10.4x	14.5x
Intellectual Property & EDA (9)	44.3% / 41.4%	82.2% / 22.9%	3.5x	12.1x	15.8x	19.5x

Numbers between brackets represent the number of companies in each category; green/red numbers are higher/lower per group.

Sources: valuation metrics based on consensus ests from Thomson Reuters; updated on 06/11/16

NEXT CATALYSTS

- October 2016 WSTS global billing reports, expected for early December.

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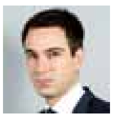

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Healthcare

Morphosys

Price EUR39.37

Q3 in line and FY guidance confirmed. Current share levels offer an attractive opportunity

Fair Value EUR64 (+63%) **BUY**

Bloomberg	MOR GR
Reuters	MORG.DE
12-month High / Low (EUR)	60.8 / 33.2
Market Cap (EURm)	1,045
Avg. 6m daily volume (000)	106.5

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.7%	2.5%	-8.8%	-31.7%
Healthcare	-7.9%	-12.6%	-5.9%	-16.3%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

	2015	2016e	2017e	2018e
P/E	69.0x	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- **MOR's Q3 2016 results in line with our expectations**. Q3 2016 EBIT amounted to -EUR13.1m (vs BG: -EUR12.3m), hence a total of –EUR32.3m over the first nine months. Group revenues increased by 10% to EUR12.4m (vs BG: 12.0m, most of it stemming from the discovery platform); while OPEX grew by +12% to EUR25.6m. Unsurprisingly, R&D costs were the main driver behind this surge, as the company has since started new trials to evaluate the potential of MOR208 in DLBCL (one being a Phase III involving a combination with lenalidomide; while the other one is a Phase II/III in combo with bendamustine vs rituximab/bendamustine).
- **FY guidance reiterated**. Importantly, management has confirmed its target of FY EBIT between –EUR58m and –EUR68m; thus implying a loss ranging from –EUR26m and –EUR36m in Q4 (don't forget that R&D expenses tend to be much higher in the very last quarter). And as such, we leave our figures unchanged (BG FY EBIT: -EUR67m).

VALUATION

- **We stick to our BUY recommendation with a EUR64 FV**. Two key positive events have significantly de-risked our base-case scenario since our initiation (strong Phase III data for guselkumab in plaque psoriasis, BAY presenting anetumab ravtansine as a multibillion blockbuster during its R&D Day). And yet, the stock's performance is far from satisfying.
- **Current share levels offer an attractive risk-reward opportunity in our view**, especially since we anticipate quite dense newsflow by year end (another Phase III implying guselkumab in plaque psoriasis + JNJ asking for an FDA regulatory approval).

NEXT CATALYSTS

- Conference call at 2.00pm CET.
- Q4 2016: Results from the VOYAGE2 study (Phase III evaluating guselkumab in plaque psoriasis) + Filing for FDA approval.

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Utilities

Voltalia

Price EUR7.99

Success of the EUR170m capital increase

Fair Value Under Review

BUY

Bloomberg	MLVLT FP
Reuters	MLVLT.PA
12-month High / Low (EUR)	10.5 / 8.0
Market Cap (EURk)	209,434
Avg. 6m daily volume (000)	4.40

	1 M	3 M	6 M	31/12/15
Absolute perf.	-13.7%	-16.4%	-8.3%	-21.1%
Utilities	-4.9%	-7.0%	-6.8%	-10.3%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

	2014	2015e	2016e	2017e
P/E	32.5x	53.8x	NS	21.1x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- French renewables company Voltalia announced on Friday **the success of its share capital increase** launched on 7th October. The capital increase amounts to **EUR170m** with the creation of about **22.7m new shares**. The operation was subscribed for **65%** through the exercise of warrants and oversubscribed by **191%** through the OPO and the Global Placement.
- 14.7m shares were issued on exercise of 17m warrants by Voltalia's shareholders. Non-exercised warrants were offered as a part of a public offering. The offering price was set at **EUR8 per share.**
- As expected, **Voltalia Investissement** (owned by the Mulliez family) **sees its stake fall from 85% to 70%. Proparco**, a subsidiary of the French Development Agency, takes a 4% stake in Voltalia. **Following the capital increase, the company's free float now amounts to 21%, vs. about 7% before the operation, which could boost the stock's liquidity.**

VALUATION

- Buy, FV Under Review

NEXT CATALYSTS

- **17th November:** Q3 2016 revenues

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Sector View

Construction-Infrastructures

Agreement on the *A41 North* French toll roads shareholding structure

	1 M	3 M	6 M	31/12/15
Cons & Mat	-4.1%	2.7%	2.8%	1.3%
DJ Stoxx 600	-3.4%	-1.2%	-1.2%	-9.4%

*Stoxx Sector Indices

Companies covered		
EIFFAGE	BUY	EUR78
BOUYGUES	BUY	EUR35
VINCI	BUY	EUR74

Eiffage's 50%-owned subsidiary APRR (through its own subsidiary AREA) has signed an agreement to acquire from the Bouygues group 46.1% of the capital of ADELAC, which is a 19.6km toll road concession between Annecy in eastern France and Geneva (in service since 2008, expiring in 2060), for EUR130m. AREA, which already owned 49.9% of ADELAC, will then sell this 46.1% stake to Eiffage and Macquarie. The deal is modest in size, but reflects the strategy of each player in concessions.

ANALYSIS

AREA has used its pre-emption right to acquire this 46.1% stake from the Bouygues Group. No less than five Bouygues entities were shareholders of ADELAC.

Although the size of the deal is modest, it underlines Bouygues' relative lack of interest towards toll roads concessions. Among the three French majors in construction, Bouygues is the only one with a very modest portfolio of concessions.

On the contrary, this is a way for Eiffage to strengthen its concession business somewhat, although eventually Eiffage's (indirect) stake will be limited to 48% and ADELAC still accounted for as an associate.

NEXT CATALYSTS

Eiffage is due to release its Q3 revenues today after market close, Bouygues' Q3 results are to be published on 16th November and Vinci Energy Investor Day is scheduled for 2nd December 2016.

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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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