



8th November 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18259.6	+2.08%	+4.79%
S&P 500	2131.52	+2.22%	+4.28%
Nasdaq	5166.17	+2.37%	+3.17%
Nikkei	17171.38	-0.03%	-9.75%
Stoxx 600	333.84	+1.53%	-8.74%
CAC 40	4461.21	+1.91%	-3.79%
Oil /Gold			
Crude WTI	44.89	+1.86%	+20.67%
Gold (once)	1280.9	-1.76%	+20.57%
Currencies/Rates			
EUR/USD	1.10345	-0.80%	+1.58%
EUR/CHF	1.07835	+0.11%	-0.83%
German 10 years	0.073	+27.20%	-88.47%
French 10 years	0.459	+0.86%	-53.18%
Euribor	-	+-%	+-%

Economic releases :

Date	
8th-Nov	10h30 GB - Industrial production Sep. (+0.8% E y/y) 10h30 GB - Manufacturing Prod. Sep. (-1.0% E y/y)

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



EIFFAGE

BUY, Fair Value EUR78 (+18%)

Q3 revenues in line. Guidance reiterated.

Q3 revenues stood at EUR3.565bn, up 0.7% (+0.3%e on a like for like basis), in line with our expectations. Apart from construction, which was polluted by the usual volatility of the property development business, organic growth improved in all divisions in Q3. The order book totalled EUR11.9bn, slightly lower than on 1st July (EUR12.1bn) but y/y growth was a bit stronger (+4.8% vs +1.6%). 2016 guidance (slight sales decline, earnings growth) confirmed.

GRIFOLS

NEUTRAL, Fair Value EUR20 (+13%)

Q3 2016 operating results in line with expectations. Diagnostics back to growth

GFS' Q3 operating results are in line with expectations. Revenue growth remains solid regarding plasma-derived proteins (+4% cc vs +3.5%e) and Diagnostics have restored growth. However, margins remain under pressure due to the different factors we highlighted in our initiation report (suboptimal capacities, strengthening of sales & marketing teams in the US, etc.). Given how demanding the valuation is (P/E 2017e: 19x, hence a +10-15% premium vs European pharma peers), we continue to favour names like SHP or FRE SE.

INNATE PHARMA

BUY, Fair Value EUR21 vs. EUR20 (+90%)

Liri to shine at the upcoming SITC congress (focus released today)

We reiterate our BUY recommendation and have even raised our FV to EUR21 (vs EUR20) to include a risk-adjusted success rate for liriumab/nivolumab in treatment of head and neck cancer. Efficacy data is to be presented at the upcoming SITC congress (knowing that abstracts should be out today) and is likely to be strong in our view, otherwise it would not be involved in a late-breaking oral session (prompting us to further increase our FV if this proves to be the case).

WORLDLINE

BUY, Fair Value EUR32 (+32%)

Ambitious but realistic mid-term plan

Management has just provided its mid-term financial plan, which will be detailed today in Bezons. 2019 targets are: lfl revenue CAGR between 5% and 7%, EBITDA margin improvement of +350-400bp (compared to 2016 incl. Equens/Paysquare and KB as if they were consolidated as of 1st January 2016), and FCF between EUR210m and EUR230m. As we expected, the plan announced shows solid lfl revenue growth (we are at the low-end with our +4.8%) and a strong margin improvement as of 2018 thanks to synergies from the Equens/Paysquare/KB deals (the group could deliver more than that in our view). Management's strategic plan should reassure the market. We maintain our Buy recommendation and FV of EUR32.

In brief...

ACTELION, Interesting conference call that gives food for thought

ATOS, Capital Markets Day: FY19 targets

BONE THERAPEUTICS, Q3 business update, increasing the focus on ALLOB

DIALOG SEMICONDUCTOR, Dialog partners invests USD10m in Energous for wireless charging

MELIA HOTELS, First take 9m results: Sustained results but no surprise

Construction & Building Materials

Eiffage

Price EUR66.01

Q3 revenues in line. Guidance reiterated.

Fair Value EUR78 (+18%)

BUY

Bloomberg	FGR FP
Reuters	FOUG.PA
12-month High / Low (EUR)	71.8 / 54.7
Market Cap (EUR)	6,474
Ev (BG Estimates) (EUR)	20,813
Avg. 6m daily volume (000)	329.7
3y EPS CAGR	19.1%

	1 M	3 M	6 M	31/12/15e
Absolute perf.	-0.9%	-3.3%	-3.1%	10.9%
Cons & Mat	-1.1%	2.1%	6.1%	2.7%
DJ Stoxx 600	-1.7%	-2.2%	0.7%	-8.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	13,909	13,835	14,091	14,448
% change		-0.5%	1.9%	2.5%
EBITDA	2,074	2,149	2,227	2,348
EBIT	1,431	1,564	1,637	1,753
% change		9.3%	4.7%	7.1%
Net income	312.0	407.1	453.0	551.3
% change		30.5%	11.3%	21.7%

	2015	2016e	2017e	2018e
Operating margin	10.3	11.3	11.6	12.1
Net margin	3.3	4.3	4.7	5.6
ROE	13.2	14.8	14.6	15.5
ROCE	5.1	5.5	5.8	6.3
Gearing	351.2	291.4	249.9	207.2

(EUR)	2015	2016e	2017e	2018e
EPS	3.37	4.24	4.72	5.69
% change		25.9%	11.3%	20.5%
P/E	19.6x	15.6x	14.0x	11.6x
FCF yield (%)	7.9%	6.7%	8.4%	11.4%
Dividends (EUR)	1.50	1.50	1.50	1.50
Div yield (%)	2.3%	2.3%	2.3%	2.3%
EV/Sales	1.5x	1.5x	1.5x	1.4x
EV/EBITDA	10.2x	9.7x	9.2x	8.5x
EV/EBIT	14.8x	13.3x	12.5x	11.4x

Q3 revenues stood at EUR3.565bn, up 0.7% (+0.3% on a like for like basis), in line with our expectations. Apart from construction, which was polluted by the usual volatility of the property development business, organic growth improved in all divisions in Q3. The order book totalled EUR11.9bn, slightly lower than on 1st July (EUR12.1bn) but y/y growth was a bit stronger (+4.8% vs +1.6%). 2016 guidance (slight sales decline, earnings growth) confirmed.

Nine-month revenues totalled EUR10.062m, down -0.8% (-1.2% on a like-for-like basis).

By division, Q3 construction revenues fell 2.4% on a reported basis, lower than H1 growth (+4.8%) due to the decline in property development (-25% in Q3 vs +8.5% in H1, on a reported basis). For Construction excluding property, Q3 growth was 3.4%, not far from the 3.9% in H1. Trends for infrastructure (civil, road works) as well as Energy are gradually improving. APRR top line was already reported and was strong, with a 3.8% traffic increase for the first nine months. Total APRR revenues were up 5.3% at end September.

By zone, Q3 revenues were flat in France at -0.3%, vs -3.0% in H1, while trends outside France were similar at +4.9%. France represents more than 80% of total sales.

Organic growth in revenues

%	Q1 2016	Q2 2016*	Q3 2016*	H1 2016	9M 2016	Q3 EURm	Split%
Construction/Property	3.2	6.6	-2.3	5.1	2.6	825	23
Infra.	-4.5	-5.7	1.6	-5.3	-2.8	1176	33
Energy	-9.6	-10.6	-2.7	-9.6	-7.4	832	23
Contracting	-3.8	-3.7	-0.9	-3.5	-2.6	2833	79
Concessions (reported y/y)	6.5	4.1	4.3	5.4	4.9	732	21
Total	-1.9	-2.1	0.3	-2.0	-1.2	3565	100

* according to our calculation

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

ANALYSIS

- Property development revenues fell 25% but this was due to the usual volatility of this kind of business. Commercial momentum remained steady, with a 17% y/y increase in reservations in France (in volume) at end-September 2016 (+22% in H1). This should translate into stronger sales next year.
- 9M infrastructure revenues were down 5% in France, but Q3 was good for roadworks, confirming that this business, which has been under strong pressure in the last couple of years, is "on a stabilisation path". We think the trough might be behind us now.
- In any case, Q3 revenues were in line and should not be a surprise for the market. Changes to the consensus are unlikely following this publication.

VALUATION

- EUR78 FV derived from an SOTP.

NEXT CATALYSTS

- Eiffage is due to release its FY 2016 results on 24th February 2016, after market.

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Healthcare

Grifols

Price EUR17.76

Q3 2016 operating results in line with expectations. Diagnostics back to growth

Fair Value EUR20 (+13%)

NEUTRAL

GFS' Q3 operating results are in line with expectations. Revenue growth remains solid regarding plasma-derived proteins (+4% cc vs +3.5%e) and Diagnostics have restored growth. However, margins remain under pressure due to the different factors we highlighted in our initiation report (suboptimal capacities, strengthening of sales & marketing teams in the US, etc.). Given how demanding the valuation is (P/E 2017e: 19x, hence a +10-15% premium vs European pharma peers), we continue to favour names like SHP or FRE SE.

ANALYSIS

- **No surprises on top line growth.** Group sales reached EUR1,000m (+3.0%, +4.0% cc vs BG: +3.5% cc), with Bioscience up by 5.6%, still driven primarily by IV immunoglobulins, Alpha-1 and albumins. Plasma-derived FVIII (e.g. Alphanate) continued to grow and was probably in line with previous quarters thereby confirming our view that the results from the SIPPET study are unlikely to be game-changing in the very near term.
- Apart from plasma therapies, we noted that Diagnostics had returned to growth (+2.8% cc in Q3 vs -7.9% in H1; BG: -2%e). A part of the turnaround stemmed from easier comps as well as the implementation of the new Abbott contract. But more importantly, the NAT business seems to have improved even in the US (but given the wording, there is no certainty that growth is back in positive territory).

(in EURm)	Q3 15	Q3 16	BG	CS	CS vs pub.
Sales	971	1,000	1,002	999	0%
% growth y-o-y		3%	3%	3%	
EBITDA	296	289	290	290	0%
% growth y-o-y		-2%	-2%	-2%	
EBIT	247	239	237	240	0%
% growth y-o-y		-3%	-4%	-3%	
Net income	140	142	139	137	3%
% growth y-o-y		1.6%	-0.8%	-1.8%	

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

- **Margins still impacted.** EBITDA was also very much in line with expectations (-2% to EUR289m vs BG/CS: EUR290m), but note that the Bloomberg consensus has significantly revised down its estimates in the past few days... Overall, margins were still impacted by 1/ the ongoing expansion of the manufacturing network (fractionation plants, donor centers) and thus their temporary suboptimal use; 2/ reduced royalties related to the transfusion diagnostic unit; and 3/ the strengthening of sales & marketing teams in the US. Net income on the other hand remained squeezed by higher D&A.
- Net income was a bit higher than anticipated due to a slight improvement in the financial result (favourable impact of FX) as well as a lower than expected tax rate (20% vs BG: 24%e).

VALUATION

- **NEUTRAL recommendation reiterated with FV of EUR20.** Our preference still goes to SHP despite its recent lacklustre Q3 2016 results, or FRE SE within the Medtech field.
- Despite the recent share price correction (-9% over the past month), the valuation is still unattractive in our view with a c.10-15% premium relative to the STOXX Europe 600 Healthcare (which admittedly has been under pressure lately).

NEXT CATALYSTS

- Q4 2016: Phase III results of CSL's Hizentra for the treatment of CIDP.
- Q4 2016: Phase III results of ROG's ACE910 for the treatment of Haemophilia A with inhibitors.

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Bloomberg	GRF SM
Reuters	GRF.MC
12-month High / Low (EUR)	22.7 / 17.4
Market Cap (EURm)	11,091
Ev (BG Estimates) (EURm)	14,685
Avg. 6m daily volume (000)	759.5
3y EPS CAGR	8.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.6%	-8.6%	-2.6%	-16.7%
Healthcare	-6.8%	-12.7%	-3.4%	-16.2%
DJ Stoxx 600	-1.7%	-2.2%	0.7%	-8.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	3,935	4,032	4,249	4,445
% change		2.5%	5.4%	4.6%
EBITDA	1,163	1,157	1,258	1,356
EBIT	970.3	955.7	1,041	1,125
% change		-1.5%	8.9%	8.0%
Net income	532.1	572.3	622.9	681.3
% change		7.5%	8.8%	9.4%

	2015	2016e	2017e	2018e
Operating margin	24.7	23.7	24.5	25.3
Net margin	13.5	14.2	14.7	15.3
ROE	16.1	15.6	15.4	15.2
ROCE	6.9	7.2	7.8	8.4
Gearing	112.6	98.2	82.0	67.1

(EUR)	2015	2016e	2017e	2018e
EPS	0.78	0.83	0.91	0.99
% change		7.2%	8.9%	9.4%
P/E	22.9x	21.3x	19.6x	17.9x
FCF yield (%)	3.9%	5.0%	4.3%	4.9%
Dividends (EUR)	0.32	0.31	0.33	0.36
Div yield (%)	1.8%	1.7%	1.9%	2.0%
EV/Sales	3.8x	3.6x	3.4x	3.2x
EV/EBITDA	12.7x	12.7x	11.5x	10.4x
EV/EBIT	15.3x	15.4x	13.8x	12.5x



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Healthcare

Innate Pharma

Price EUR11.08

Liri to shine at the upcoming SITC congress (focus released today)

Fair Value EUR21 vs. EUR20 (+90%)

BUY

Bloomberg	IPH.FP
Reuters	IPH.PA
12-month High / Low (EUR)	14.5 / 9.5
Market Cap (EURm)	597
Ev (BG Estimates) (EURm)	394
Avg. 6m daily volume (000)	269.4
3y EPS CAGR	

We reiterate our BUY recommendation and have even raised our FV to EUR21 (vs EUR20) to include a risk-adjusted success rate for lirilumab/nivolumab in treatment of head and neck cancer. Efficacy data is to be presented at the upcoming SITC congress (knowing that abstracts should be out today) and is likely to be strong in our view, otherwise it would not be involved in a late-breaking oral session (prompting us to further increase our FV if this proves to be the case).

ANALYSIS

Very encouraging indicators have surfaced in the past few days. We noted two subtle/positive factors in the BMS press release highlighting the different presentations they will make at the upcoming SITC congress (November 9-13th). Firstly, the liri/nivo combination was mentioned in the very first headline. Secondly, there will be a late-breaking oral presentation, meaning they are likely to highlight "novel and practice-changing" data (like INCY did last year with epacadostat/pembrolizumab in different solid tumours), and we were surprised that the stock did not react more positively following the announcement.

A strong near-term catalyst. So far, we were cautious on the potential of lirilumab in solid tumours as we saw some tumour microenvironments (TME) as too challenging, especially in low-inflamed ones. So strong data in head & neck cancer would make us more bullish as it would confirm the theory that NK cells could reverse an anti-inflammatory TME apart from simply augmenting adaptive immune responses. This would prompt us to revise upward our probability of success rates in solid tumours.

VALUATION

BUY reiterated with a FV of EUR21 vs EUR20 as we now include the head & neck indication in our projections with a peak sales estimate of EUR500m in the refractory/relapsing setting along with a 20% probability of success. We see IPH as a deeply undervalued stock due to its implicit enterprise value of c.EUR300m, whereas two licensing deals have been inked involving leading big pharmas (namely BMS and AZN), and might potentially yield more than EUR1bn in milestone payments as well as double-digit royalties on two blockbusters-to-be. Note also that our FV could be further revised up to EUR24 should liri/nivo yield some strong data in SCCHN in the coming days.

NEXT CATALYSTS

November 8th: Release of SITC abstracts.

November 12th: Late-breaking oral presentation of liri/nivo in head & neck cancer.

Q4 16: Phase II results of lirilumab as a single agent for the maintenance treatment of acute myeloid leukemia.

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	1 M	3 M	6 M	31/12/15
Absolute perf.	0.6%	0.7%	-6.1%	-18.2%
Healthcare	-6.8%	-12.7%	-3.4%	-16.2%
DJ Stoxx 600	-1.7%	-2.2%	0.7%	-8.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	25.1	69.6	112.9	81.4
% change			62.1%	-27.9%
EBITDA	-8.1	24.3	53.4	6.9
EBIT	-10.8	21.3	49.9	2.9
% change		NS	134.3%	-94.3%
Net income	-6.7	26.3	53.9	5.9
% change		NS	104.9%	-89.1%

	2015	2016e	2017e	2018e
Operating margin	-42.8	30.6	44.2	3.5
Net margin	-26.7	37.7	47.7	7.2
ROE	-9.3	26.7	35.4	3.7
ROCE	4.2	-25.3	-185.9	6.5
Gearing	-322.1	-207.3	-120.2	-44.3

(EUR)	2015	2016e	2017e	2018e
EPS	-0.12	0.49	1.00	0.11
% change	-	NS	105.0%	-89.1%
P/E	NS	22.7x	11.1x	NS
FCF yield (%)	33.6%	NM	NM	NM
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	14.5x	5.7x	3.7x	6.5x
EV/EBITDA	NS	16.2x	7.8x	77.0x
EV/EBIT	NS	18.5x	8.3x	185.0x



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Worldline

Price EUR24.29

Ambitious but realistic mid-term plan

Fair Value EUR32 (+32%)

BUY

Bloomberg	WLN.FP
Reuters	WLN.PA
12-month High / Low (EUR)	29.1 / 19.0
Market Cap (EUR)	3,210
Ev (BG Estimates) (EUR)	2,840
Avg. 6m daily volume (000)	81.40
3y EPS CAGR	15.6%

Management has just provided its mid-term financial plan, which will be detailed today in Bezons. 2019 targets are: lfl revenue CAGR between 5% and 7%, EBITDA margin improvement of +350-400bp (compared to 2016 incl. Equens/Paysquare and KB as if they were consolidated as of 1st January 2016), and FCF between EUR210m and EUR230m. As we expected, the plan announced shows solid lfl revenue growth (we are at the low-end with our +4.8%) and a strong margin improvement as of 2018 thanks to synergies from the Equens/Paysquare/KB deals (the group could deliver more than that in our view). Management's strategic plan should reassure the market. We maintain our Buy recommendation and FV of EUR32.

ANALYSIS

- WLN has just announced its strategic plan and will detail it today in Bezons. **2019 targets are: 1) organic revenue CAGR between +5% and +7%** (vs. BG est. +4.8%). **2) EBITDA percentage improvement between +350bp and +400bp in 2019**, compared with 2016 as if Equens/Paysquare/KB were consolidated from 1st January 2016 (vs. BG +390bps compared to Equens/Paysquare and KB consolidated from 1st October 2016). **3) FCF of between EUR210m and EUR230m in 2019** (i.e. over +50% increase compared with 2016 objective).

- By business unit: 1) Financial Processing & Software Licensing** revenue is expected to grow organically close to mid-single digit, and EBITDA margin is expected to strongly improve over the 2017 to 2019 period from a low-twenties in 2016 to a high-twenties rate in 2019 (via the delivery at equensWorldline of c. EUR40m synergies in 2018, of which 50% are expected in 2017). **2) Merchant Services & Terminal** revenue is expected to grow organically at mid- to high- single digit (remaining the leading growth engine), and EBITDA margin is expected to reach a low-twenties OMDA percentage (the margins of Paysquare and KB are expected to gradually reach the rest of the BU's profitability levels, thanks to synergies starting in 2017). **3) Mobility & e-Transactional Services** is expected to grow organically within the average of the group over the 2017-2019 period, and EBITDA margin is expected at mid-teens levels (improving over the 2017-2019 period, thanks to gradual volume growth on maturing platforms).

- Note that all these targets are based on organic figures** (no new M&A deals). However, Worldline reaffirms its aim to constantly be and act as a strategic consolidator in the European payments industry. We estimate that the group has maximum fire-power of EUR1.5bn to make acquisitions. **As we expected, the plan announced shows solid lfl revenue growth** (we are at the low-end with our +4.8%) **and a strong margin improvement as of 2018 thanks to significant synergies from the Equens/Paysquare/KB deals** (WLN could deliver more than that in our view).

- Momentum should improve: 1) Q3 revenue** was the lowest growth of the year (+0.2% lfl), so we expect Q4 with lfl growth of 2-3% (the end of the VOSA loss impact was in Q3 2016); **2) now that Worldline's management** has given its mid-term guidance (2019), analysts will at last integrate it into their models.

- What is not factored into the current share price in our view? 1) the strong EBITDA margin improvement** we expect in 2018 and 2019 linked to synergies from the Equens deal; **2) the next M&A deal** (probably a platform from a bank subsidiary in Central or Eastern Europe).

VALUATION

- We maintain our Buy recommendation and our FV of EUR32.
- Over 12 rolling months (3 months of 2016 and 9 months of 2017e), EV/EBITDA is at only 8.6x. And, of course, it is even more attractive in 2017e at 7.9x.
- Worldline could step up M&A activity again. This could offer higher leverage on EV/EBITDA.

NEXT CATALYSTS

- Atos 2016 investor day: today in Bezons (company's headquarters).

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.2%	-11.4%	-4.1%	1.7%
Softw. & Comp.	-5.1%	-2.3%	8.3%	1.2%
DJ Stoxx 600	-1.7%	-2.2%	0.7%	-8.7%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,227	1,312	1,608	1,686
% change		6.9%	22.6%	4.8%
EBITDA	235	262	341	388
EBIT	174.9	197.0	251.7	295.1
% change		12.6%	27.8%	17.2%
Net income	122.9	133.7	163.4	189.6
% change		8.8%	22.2%	16.0%

	2015	2016e	2017e	2018e
Operating margin	14.3	15.0	15.7	17.5
Net margin	8.4	11.5	9.5	11.3
ROE	13.1	16.1	13.9	14.8
ROCE	29.0	24.3	36.5	44.3
Gearing	-41.0	-42.0	-51.8	-60.1

(EUR)	2015	2016e	2017e	2018e
EPS	0.91	0.99	1.21	1.40
% change	-	8.8%	22.2%	16.0%
P/E	26.7x	24.5x	20.1x	17.3x
FCF yield (%)	4.0%	4.3%	6.1%	7.3%
Dividends (EUR)	0.00	0.29	0.28	0.34
Div yield (%)	NM	1.2%	1.1%	1.4%
EV/Sales	2.4x	2.2x	1.7x	1.5x
EV/EBITDA	12.3x	10.8x	7.9x	6.5x
EV/EBIT	16.5x	14.4x	10.7x	8.5x



Worldline including the acquisitions of Equens/Paysquare and KB from 2016e to 2019e

EURm	BG 2016e	Cons. 2016	BG 2017e	BG 2018e	BG 2019e
Revenue	1,311.9	1,315	1,607.7	1,685.6	1,767.2
<i>Lfl growth</i>	3.5%	3.5%	4.5%	4.8%	4.8%
Synergies	0	-	20.0	40.0	45.0
EBITDA after synergies	261.8	261	340.6	388.0	419.0
<i>Margin</i>	20.0%	19.8%	21.2%	23.0%	23.7%
Current EBIT	197.0		251.7	295.1	335.6
<i>Margin</i>	15.3%		15.7%	17.5%	19.0%
Synergy Implementation costs	-8		-20	-12	-5
EBIT	221.2		228.7	280.1	327.6
<i>Margin</i>	16.9%		14.2%	16.6%	18.5%
Restated attrib. net income	133.7		163.4	189.6	213.7

Sources: Bryan, Garnier & Co ests; company consensus based on analysts' simulations (14/10/16).

Worth noting regarding our estimates:

- EUR40m run-rate OMDA savings from 2018 (50% in 2017 and 100% in 2018). Synergy implementation costs c. EUR40m from 2016 to 2018 (20% in 2016, 50% in 2017 and 30% in 2018).
- Additional run-rate savings from 2021 through application platforms convergence for c. EUR15m p.a. (33% in 2019, 67% in 2020 and 100% in 2021). Synergy implementation costs c. EUR25m over 5 years (EUR5m p.a).

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Healthcare

Actelion

Price CHF137.10

Interesting conference call that gives food for thought

Fair Value CHF180 (+31%)

NEUTRAL

Bloomberg	ATLN VX
Reuters	ATLN.VX
12-month High / Low (CHF)	173.8 / 122.5
Market Cap (CHFm)	14,774
Avg. 6m daily volume (000)	369.2

ANALYSIS

On the back of positive MERIT headline data, Actelion held a conference call yesterday aimed at providing an update on its so-called cardiovascular pipeline. Three key messages to have in mind in our view:

Firstly, as we have already highlighted in the past, Actelion's pipeline can be divided into two parts with one aiming to create new growth platforms outside PH whereas the other one is less ambitious but maybe easier to reach and aims at expanding the current use of Opsumit and Uptravi. And yesterday's call reminded everybody that Actelion can still do a lot to drive growth for the two drugs to higher stages through new populations, new indications and new formulations.

Secondly and more specifically, about CETPH, we would note convincing arguments against the need for a head-to-head phase III trial including a major difference in the ability to combine with PDE-5 inhibitors. The trial was well conducted, the results are clear-cut and so a phase III might not be required. That said, without postoperative CETPH (not studied in MERIT), we consider the drug's potential as rather limited. Note however that it is through this type of result that the situation in France might evolve over time and ultimately result in a launch with a decent price.

Thirdly, the call was also an opportunity to provide details on the "endothelin receptor antagonist in specialty cv disorders" compound as it has been described so far. Actually it is a dual ERA that has a long lasting effect on blood pressure and could be an option for so-called resistant hypertension. These are forms of HBP with high levels of ET and low levels of renin for which current drugs are not very effective. Actelion notes that this is more prevalent in African-Americans. Phase II lisinopril and a placebo-controlled study is underway whose results will be very interesting.

VALUATION

Considering CS peak sales for Opsumit and Uptravi, extensions of indications for both drugs are partially factored in already in our view whereas anything else outside PH is not or very modestly included. When it is far from Actelion's core competencies like inflammation or CNS, it is a cautious approach but if it comes closer (like with HBP drugs), this might have to be adjusted. In any case, it is a fact now that Actelion's pipeline is building up strongly. At some point, it will no longer be possible to ignore it. We will wait for our meetings with management at our Conference next week to assess how far we may be from another turning point.

NEXT CATALYSTS

15th November 2016: 4th Bryan Garnier Healthcare Conference

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	1 M	3 M	6 M	31/12/15
Absolute perf.	-18.1%	-17.1%	-10.6%	-1.8%
Healthcare	-6.8%	-12.7%	-3.4%	-16.2%
DJ Stoxx 600	-1.7%	-2.2%	0.7%	-8.7%

	2015	2016e	2017e	2018e
P/E	22.2x	17.9x	20.9x	19.0x
Div yield (%)	1.1%	1.1%	1.1%	1.1%

Eric Le Berrigaud, eleberrigaud@bryangarnier.com

TMT

Atos

Price EUR94.00

Capital Markets Day: FY19 targets

Fair Value EUR104 (+11%)

BUY

Bloomberg	ATO FP
Reuters	ATOS.PA
12-month High / Low (EUR)	97.8 / 62.7
Market Cap (EURm)	9,847
Avg. 6m daily volume (000)	280.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.9%	8.5%	20.3%	21.4%
Softw. & Comp.				
SVS	-8.3%	-2.5%	6.8%	0.2%
DJ Stoxx 600	-5.0%	-2.7%	-0.9%	-10.1%

	2015	2016e	2017e	2018e
P/E	16.1x	13.6x	11.5x	10.6x
Div yield (%)	1.0%	1.2%	1.5%	1.6%

ANALYSIS

- This morning Atos has presented its 2019 ambitions, which are the following: 1) a revenue CAGR of 2-3% for 2017-2019; 2) a non-IFRS operating margin of 10.5-11%; 3) an operating free cash flow conversion of c. 65%. The main levers should be: 1) Managed Services with a 2017-2019 CAGR of 0-1% with a margin up 0.5-1ppt; 2) Consulting and Systems Integration with a 3-4% CAGR and a margin up 2-2.5ppt; 3) Worldline.
- We consider these targets cautious and pretty much in line with our expectations. They imply for 2019 mid-range revenues of EUR12.9bn, an operating margin of 10.75% and free cash flow of around EUR900m (vs. more than EUR550m for 2016). Further details will be provided today during presentations to investors.

VALUATION

- Atos' shares are trading at est. 8.3x 2016 and 6.0x 2017 EV/EBIT multiples.
- Net cash position on 30th June 2016 was EUR412.3m (net gearing: -10%).

NEXT CATALYSTS

Capital Markets Day today from 8am CET / 7am BST / 2am EDT in Bezons (France).

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Gregory Ramirez, gramirez@bryangarnier.com

Healthcare

Bone Therapeutics

Price EUR7.92

Q3 business update, increasing the focus on ALLOB

Fair Value EUR30 (+279%)

BUY

Bloomberg	BONE.FP
Reuters	BONE.PA
12-month High / Low (EUR)	20.5 / 6.9
Market Cap (EURk)	54,252
Avg. 6m daily volume (000)	8.90

	1 M	3 M	6 M	31/12/15
Absolute perf.	-24.9%	-52.1%	-53.4%	-59.4%
Healthcare	-6.8%	-12.7%	-3.4%	-16.2%
DJ Stoxx 600	-1.7%	-2.2%	0.7%	-8.7%

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

ANALYSIS

- Bone therapeutics has released its Q3 business update. Following the recent CEO change, the new management team has reiterated its commitment to focus efforts on the development of the allogeneic platform (ALLOB). Over the next six/nine months, interim results from the delayed-union phase I/IIa trial and complete results from the phase IIa trial in Spinal Fusion should be communicated. As a reminder, interim results from the first 50% of patients included in the study showed complete fusion at six months while the fusion process usually takes up to 24 months (please see our note [here](#)). Note also that, transitioning of the osteoporosis trial to the ALLOB platform is ongoing.
- As a consequence of refocusing on the allogeneic platform, the management team has decided not to initiate a US trial in Osteonecrosis (PREOB platform). However, preparation of the US trial with the allogeneic platform should be initiated shortly. Deciding to go to the US with the allogeneic platform could significantly increase the value of a potential deal as the indication targeted here could be much broader.
- Management has reiterated its EUR12-14m cash burn guidance for FY 2016. By September-end, the company had EUR22.5m in cash, enabling it to carry out its activities until Q2 2018 according to the current business plan.

VALUATION

- We reiterate our BUY recommendation.

NEXT CATALYSTS

- Today 11.00am: Presentation of Q3 business update (@NewCap, 75008)
- Today 2.00pm: conference call on Q3 business update (FR +33 1 72 00 15 10, US +1 8778 874 163, UK +44 2030 432 440; ID: 92901655#)

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Hugo Solvet, hsolvet@bryangarnier.com

TMT

Dialog Semiconductor

Price EUR36.26

Dialog partners invests USD10m in Energous for wireless charging

Fair Value EUR40 (+10%)

BUY

Bloomberg	DLG.GR
Reuters	DLGS.DE
12-month High / Low (EUR)	39.9 / 24.4
Market Cap (EURm)	2,775
Avg. 6m daily volume (000)	5.30

ANALYSIS

Yesterday, Dialog announced an investment of USD10m in Energous, a company specialised in **Wireless charging**. Energous has developed a technology which aims to provide an innovative wireless charging feature with an extended range of up to 4.5 meters. Energous is a listed company (IPO March 2014) with a market capitalisation of c. USD270m operating under a Licensing/Fabless Semiconductor revenue business model.

Dialog will be an exclusive component supplier of the WattUp IC. Under the terms of the agreement, Dialog is to invest USD10m in Energous and become the exclusive component supplier of ICs for Energous' technology WattUp. In addition, Energous will be able to use Dialog's sales and distribution channels to accelerate market adoption.

Dialog has chosen sides and goes serious with RF-based wireless charging. During the latest conference call, Dialog's management said that Wireless technology was still a domain where many different technologies were fighting and where there was no undisputed champion. Dialog's CEO added that the group would not go further until it had more confidence in a particular wireless charging technology. With this investment, Dialog indicates a certain confidence in RF-based technology compared with other methods such as magnetic resonance and inductive. In our view, the main advantage of Energous technology is that it is uncoupled (so any devices in the active field of the transmitter can benefit from wireless charging without any configuration/connection/pairing) and it works in a significantly longer range than competitive technology (4.5m vs. 0.2m at best). Both of these features make it a viable technology for top-up charging in consumer market applications.

VALUATION

Based on our estimates, Dialog' shares are trading on 2017e P/E and PEG ratios of 13.7x and 1.4x respectively.

NEXT CATALYSTS

11th November 2016: Analyst day

Late February/Early March 2017: Q4 and FY16 results (not confirmed yet)

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Dorian Terral, dterral@bryangarnier.com

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.4%	21.3%	32.9%	16.1%
Semiconductors	-3.8%	0.9%	32.8%	20.3%
DJ Stoxx 600	-5.0%	-2.7%	-0.9%	-10.1%

	2015	2016e	2017e	2018e
P/E	13.4x	19.3x	13.7x	10.2x
Div yield (%)	NM	NM	NM	NM

Hotels

Melia Hotels

Price EUR11.16

First take 9m results: Sustained results but no surprise

Fair Value EUR15 (+34%)

BUY-Top Picks

Bloomberg	MEL SM
Reuters	MELL.MC
12-month High / Low (EUR)	12.9 / 8.4
Market Cap (EURm)	2,562
Avg. 6m daily volume (000)	524.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.9%	2.3%	4.4%	-8.4%
Travel&Leisure	1.4%	-4.2%	-5.4%	-17.8%
DJ Stoxx 600	-1.7%	-2.2%	0.7%	-8.7%

	2015	2016e	2017e	2018e
P/E	57.6x	34.6x	23.2x	19.4x
Div yield (%)	0.3%	0.5%	0.5%	0.5%

ANALYSIS

- **9m results in line with expectations:** After total revenue of EUR1,388m, up 2.6% in reported terms and 6.6% excluding capital gains, EBITDA reached EUR238.3m reported and EUR233.4m excluding capital gains, up 8.2% and representing an EBITDA margin of 16.8% vs. 16.6% last year. As expected, the summer season was pretty good with RevPAR growth of 15.1% in the first 9m (+14.2% after 6 months) mainly driven by ADR up 12%. Note that RevPAR in the Mediterranean was up 42.7% o/w 24.5% from ADR.
- **Financial structure continues to strengthen:** Net debt fell to EUR529m at the end of September, down EUR240m from December 2015 (EUR556m at the end of June) with the average interest rate down 70bps to 3.6% vs. 4.3% at the end of 2015. In all, financial costs were reduced by over EUR20m to EUR27.5m. Management confirmed its medium term guidance for leverage between 2.5x and 3x excluding capital gains. Our 2016e estimate is for net debt of EUR484m with net debt/EBITDA of 1.8x.
- **FY guidance confirmed:** After these 9m results and the "positive evolution" of the hotel business in October and current bookings for Q4, management confirmed its guidance for mid-to-high single digit RevPAR growth over the FY, o/w 80% explained by ADR. We have based our forecast on 5.9% RevPAR growth.

VALUATION

- At the current share price, the stock is trading on 2016e and 2017e EV/EBITDA multiples of 11.1x and 9.8x respectively compared with an EBITDA CAGR of 12.5%

NEXT CATALYSTS

- FY 2016 results at the end of February 2017

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BG's Wake Up Call

Bryan Garnier stock rating system

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Stock rating

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

Distribution of stock ratings

BUY ratings 56.7%

NEUTRAL ratings 31.8%

SELL ratings 11.5%

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