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11th November 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18807.88	+1.17%	+7.94%
S&P 500	2167.48	+0.20%	+6.04%
Nasdaq	5208.8	-0.80%	+4.02%
Nikkei	17374.79	+0.18%	-8.88%
Stoxx 600	338.885	-0.27%	-7.36%
CAC 40	4530.95	-0.28%	-2.29%
Oil /Gold			
Crude WTI	44.66	-1.35%	+20.05%
Gold (once)	1265.38	-1.82%	+19.11%
Currencies/Rates			
EUR/USD	1.0879	-0.62%	+0.15%
EUR/CHF	1.07465	-0.02%	-1.17%
German 10 years	0.202	+107.64%	-68.14%
French 10 years	0.69	+37.98%	-29.65%
Euribor	-	+-%	+-%

Economic releases :

Date	
11th-Nov	8h00 DE - CPI Oct. (0.7% y/y)
	16h00 US - U of Michignzn Confidence Nov. (87.9 E)
	19h00 US -Baker Hughes U.S. Rig Count

Upcoming BG events :

Date	
14th-Nov/ 15th-Nov	4th Paris Healthcare Conference
18th-Nov	ENGIE (BG Luxembourg roadshow with IR)
24th-Nov	IMERYs (BG London roadshow with IR)
28th-Nov/ 29th-Nov	2nd Paris Consumer Conference
5th-Dec/ 6th-Dec	ATOS (BG Paris Roadshow)
8th-Dec	Reversse roadshow Brewers Netherlands, Belgium

Recent reports :

Date	
9th-Nov	VOLTALIA Starting to play with the big boys
8th-Nov	FOCUS INNATE Liri to shine at the upcoming SITC congress
7th-Nov	FOCUS ACCORHOTELS On the right track
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	IPSEN Cabometyx AND Somatuline to transform Ipsen

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



ALTICE

BUY, Fair Value EUR19 (+17%)

Delivering simultaneous revenue and EBITDA growth with significant FCF generation.

Yesterday evening Altice published Q3 2016 results above expectations. The group generated significant FCF as well as a good topline trend, with revenues back to growth at the group level. EBITDA growth accelerated and deleveraging is really kicking off. The cash impact of heavy content acquisitions is not very clear at this time and further details are required. The US continued to perform well, achieving significant revenue and EBITDA growth at the same time, and the trend is improving as expected in France although the commercial turnaround is not there yet. All guidance is confirmed.

ASTRAZENECA

BUY, Fair Value 5100p vs. 5220p (+16%)

The call is intact but the margin of error has narrowed in our view

AstraZeneca very much remains a medium-term call based on the ability of the pipeline to transform the company and its business mix, mainly to the benefit of oncology. However, for investors to be comfortable that this scenario could happen, two upcoming catalysts in H1 2017 (filing of acalabrutinib based on a single phase II and PFS outcome in MYSTIC phase III trial) are key, but uncertain.

SFR GROUP

NEUTRAL, Fair Value EUR29,7 (+28%)

Improving topline trend and EBITDA back to growth, but turnaround not there yet.

Yesterday evening SFR published its Q3 2016 results. The revenue trend is clearly improving, especially on the BtoC side, driven by price increases, but the turnaround is not there yet with still unsatisfactory commercial performance. EBITDA is now back to growth, although below expectations. Heavy content costs which are necessary to deliver the group's strategy should weigh on the OPEX structure, but the full effect of on-going cost-cutting initiatives is still to come.

SHIRE PLC

BUY, Fair Value 6800p (+34%)

All eyes on Haemophilia/ACE910 (over and over again)

Shire yesterday hosted a CMD during which top management reviewed its commercial and development portfolio, as well as its strategy to reach c.USD20Bn sales by 2020 and a c.45% EBITDA margin. Numerous issues were addressed, but obviously most of the questions revolved around growth potential in the Hematology franchise (haemophilia + inhibitor, with Advate and Feiba as current flagship products). We leave our numbers unchanged, though we now wonder a bit more whether some of the thrombotic events observed in ACE910's trial are related to the compound...

In brief...

ALLIANZ, Very solid Q3 numbers, FY guidance reiterated

DANONE, Bid target WhiteWave posts weaker-than-expected revenues

TMT

Altice

Price EUR16.25

Delivering simultaneous revenue and EBITDA growth with significant FCF generation.

Fair Value EUR19 (+17%)

BUY

Bloomberg	ATC NA
Reuters	ATCA.AS
12-month High / Low (EUR)	17.4 / 10.0
Market Cap (EUR)	17,782
Ev (BG Estimates) (EUR)	66,363
Avg. 6m daily volume (000)	1 570
3y EPS CAGR	

Yesterday evening Altice published Q3 2016 results above expectations. The group generated significant FCF as well as a good topline trend, with revenues back to growth at the group level. EBITDA growth accelerated and deleveraging is really kicking off. The cash impact of heavy content acquisitions is not very clear at this time and further details are required. The US continued to perform well, achieving significant revenue and EBITDA growth at the same time, and the trend is improving as expected in France although the commercial turnaround is not there yet. All guidance is confirmed.

ANALYSIS

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.3%	8.2%	22.5%	22.6%
Telecom	-3.6%	-9.2%	-12.9%	-20.4%
DJ Stoxx 600	-0.9%	-1.5%	0.8%	-7.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	14,550	20,417	23,344	23,592
% change		40.3%	14.3%	1.1%
EBITDA	5,494	8,139	9,577	9,960
EBIT	0.0	0.0	0.0	0.0
% change				
Net income	-219.7	-848.0	990.3	1,969
% change		NS	NS	98.8%

	2015	2016e	2017e	2018e
Operating margin	8.4	15.1	18.1	22.9
Net margin	-1.5	-4.2	4.2	8.3
ROE	-11.1	181.6	850.8	95.8
ROCE	2.1	3.3	4.6	6.0
Gearing	693.0	10,727	3,303	1,338

(EUR)	2015	2016e	2017e	2018e
EPS	-0.28	-0.78	0.49	1.29
% change		NS	NS	
P/E	NS	NS	33.4x	12.6x
FCF yield (%)	0.2%	1.9%	4.9%	11.0%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	3.7x	3.3x	2.8x	2.7x
EV/EBITDA	9.7x	8.2x	6.8x	6.4x
EV/EBIT	NS	NS	NS	NS

- **Revenue back to growth, EBITDA growth and deleveraging accelerating, but heavy content costs in CAPEX.** Total group revenues came out at **EUR5.889bn**, vs consensus at **EUR5.850bn**, stable yoy (+0.2% on cc basis) vs -2.6% in Q2 2016. Adjusted EBITDA reached **EUR2.326bn**, vs the consensus at EUR2.311bn, up **8.3% yoy** vs +2.7% in Q2 2016. Excluding capitalised content, EBITDA-CAPEX reached **EUR1.376.9bn**, up **13.9% yoy**, vs consensus at EUR1.235bn, driven by the USA, with Cablevision in particular up 135.1%, with lower than expected capex. In addition, **EUR408m** in content costs were recognised as capex, to be cashed out and amortised over several years, according to a schedule still to be provided by the company. If added back to EBITDA, the impact could be significant: only taking into account Premier League's agreement, the equivalent EBITDA impact could be -EUR25m par quarter.

- **France: as expected, results were mixed with EBITDA back to growth and ARPU trends improving thanks to price increases and probable VAT effects, but still low commercial performance.** Standalone revenues came out at **EUR2.802bn**, down -2.4% yoy, -2.6% excluding media assets vs -4.5% in Q2 2016, in line with the consensus. On a consolidated basis, adjusted EBITDA stood at **EUR1044m**, up **0.6% yoy**, vs -3.8% in Q2, -3.7% below consensus. More detailed information and analysis is provided in our SFR Q3 2016 results report published today.

- **US still achieving revenues and EBITDA improvement simultaneously, well above expectations.** US revenues came out at **EUR2.020bn**, up **3.3% yoy**, vs stable in Q2 and consensus at EUR1.991bn, with Suddenlink revenues up **6.3%** and Optimum up **2.2%**. Adjusted EBITDA reached **EUR786m**, vs consensus at EUR731m, up **28.2% yoy**, with Suddenlink up **20.4%** and Optimum up **32.6%**. USA capex was well under expectations, **down 38% yoy**. This is probably due to the handover to Altice, and we believe it cannot to be extrapolated over time.

- **Other international subsidiary still performing well.** In Portugal, revenues came out at **EUR578m**, down **-0.8% yoy** (up 1.2% excl. regulatory impacts, for the first time in 8 years) vs -4.4% in Q2 2016, vs consensus at EUR563m. Adjusted EBITDA reached **EUR266m**, up **0.5% yoy**, vs consensus at EUR272m. Overall Altice international adjusted EBITDA is up **1.2%**, to **EUR508m**, negatively impacted by upfront costs related to the content division.

- **As a consequence of these good results, leverage was reduced from 6.0x to 5.4x for Net Debt/EBITDA** (on a the last two quarters basis). **All guidance has been confirmed.**

- Altice said it had **nothing specific in the radar as of today regarding possible acquisitions in the US**. Nevertheless, the group said it was looking at ways to **unlock potential value at the US level**, with possible changes in the capital structure. We believe an IPO of the US activities could be a way to achieve such a value externalisation.

VALUATION

- We stick to our Fair Value of EUR19, with a Buy recommendation.

NEXT CATALYSTS

- Full year 2016 results expected mid March 2017.

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Healthcare

AstraZeneca

Price 4,405p

The call is intact but the margin of error has narrowed in our view

Fair Value 5100p vs. 5220p (+16%)

BUY

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	5,220 / 3,774
Market Cap (GBPm)	55,719
Ev (BG Estimates) (GBPm)	67,994
Avg. 6m daily volume (000)	2 786
3y EPS CAGR	-8.3%

AstraZeneca very much remains a medium-term call based on the ability of the pipeline to transform the company and its business mix, mainly to the benefit of oncology. However, for investors to be comfortable that this scenario could happen, two upcoming catalysts in H1 2017 (filing of acalabrutinib based on a single phase II and PFS outcome in MYSTIC phase III trial) are key, but uncertain.

ANALYSIS

	1 M	3 M	6 M	31/12/15
Absolute perf.	-13.6%	-14.6%	12.1%	-4.6%
Healthcare	-3.4%	-7.5%	-2.0%	-12.6%
DJ Stoxx 600	-0.9%	-1.5%	0.8%	-7.4%

First of all, we would like to take another look at third-quarter results and more specifically the underlying message behind the unchanged core EPS guidance, despite an unexpected tax settlement benefit of USD453m booked in Q3. CFO Marc Dunoyer explained that this positive one-off was offset by several negative ones, which in the end resulted in an unchanged guidance. Among the negatives were emerging market one-offs in LatAm and Saudi Arabia, the Flumist setback in the US and the true-up of rebate reversals for Symbicort. But, Flumist was in Q2 (and guidance was confirmed at the time) while other elements are "business as usual" and must be included in guidance. Pricing pressure and increased rebates should not result in guidance changes for any pharma company. This leads us to more relevant explanations in our view. Without this one-time tax effect, core EPS would have been tough to reach or no better than its bottom-end. But we think also that it has given AstraZeneca an opportunity to increase R&D spending (now R&D expenses are expected to be above last year's level vs previous guidance of flat costs) and also to be less aggressive in terms of other operating income (now flat vs 2015 compared to a previous increase). There is no pressure left on AstraZeneca to divest or out-license any additional non-core assets by year-end and anything new can therefore benefit 2017 from now on.

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	23,641	21,375	19,695	20,463
% change		-9.6%	-7.9%	3.9%
EBITDA	5,937	4,232	5,493	5,633
EBIT	4,114	3,168	4,529	4,491
% change		-23.0%	43.0%	-0.8%
Net income	5,390	5,337	4,185	4,165
% change		-1.0%	-21.6%	-0.5%

Considering extra costs incurred in 2016 as a consequence of the tax benefit, our overall comment about Q3 is that it simply shows that AstraZeneca has limited margin to keep earnings relatively flat in 2016-2017. We do not expect Respiratory to be in a better shape in 2017 considering first Gx Advair entry in the US. The same goes for Diabetes, where pressure on prices is at a peak. Oncology is clearly endorsing a major part of the investment case on its own.

	2015	2016e	2017e	2018e
Operating margin	17.4	14.8	23.0	21.9
Net margin	6.8	0.8	7.0	7.4
ROE	8.6	1.2	9.9	12.9
ROCE	16.2	14.5	10.8	10.6
Gearing	47.7	101.1	139.1	192.8

And our feeling at the end of yesterday's conference call was that the scenario that actually has a reasonable chance of prevailing is not positive for the stock's performance in coming weeks and months. This is the scenario that would see two of the most important oncology assets in AstraZeneca's pipeline not fully delivering the expected data in H1 2017. On the one hand, acalabrutinib, whose data read-out has shifted from end-2016 to early-2017, which is not very material. However, we found AstraZeneca much more cautious than it has been so far in its wording about the likelihood of a filing on the basis of this data. It has now reported on slides that a short-term filing is a "fast-to-market opportunity ahead of randomised, controlled trials" which, in other words means that it is uncertain whether a filing will be possible. On the other hand, of course, still durvalumab and another check that in H1 2017 only PFS will be available which is a much weaker and uncertain endpoint than OS for immune-oncology drugs, as already demonstrated and evidenced in many other trials. And so, what if acalabrutinib does not deliver outstanding enough data to be filed on a single non-randomised phase II trial and if MYSTIC does not deliver positive PFS data in H1 2017? Well, let's say that without changing that much the picture for 2020 or 2023, it would delay major triggers until 2018, which could result in an underperforming stock.

(USD)	2015	2016e	2017e	2018e
EPS	4.26	4.22	3.31	3.29
% change	-	-1.1%	-21.6%	-0.5%
P/E	12.9x	13.0x	16.6x	16.7x
FCF yield (%)	NM	NM	2.1%	1.7%
Dividends (USD)	2.80	2.80	2.80	2.80
Div yield (%)	5.1%	5.1%	5.1%	5.1%
EV/Sales	3.3x	4.0x	4.5x	4.4x
EV/EBITDA	13.2x	20.1x	16.0x	16.1x
EV/EBIT	19.1x	26.8x	19.4x	20.2x

We are eagerly awaiting our Conference next week to discuss some of the points with the company that will be represented by its EVP Global Product & Portfolio Strategy, Mark Mallon.

VALUATION

We have pushed first revenues for aca and durva by 12 months to H2 2018 and slightly adjusted Symbicort sales as well. This results into a minor FV adjustment to GBP5,100.

NEXT CATALYSTS

14 November 2016: 4th BG Healthcare Conference - [Click here to download](#)



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SFR Group

Price EUR23.16

Improving topline trend and EBITDA back to growth, but turnaround not there yet.

Fair Value EUR29,7 (+28%)

NEUTRAL

Bloomberg	NUM FP
Reuters	SFRGR.PA
12-month High / Low (EUR)	38.1 / 20.0
Market Cap (EUR)	10,150
Ev (BG Estimates) (EUR)	24,517
Avg. 6m daily volume (000)	375.8
3y EPS CAGR	18.5%

Yesterday evening SFR published its Q3 2016 results. The revenue trend is clearly improving, especially on the BtoC side, driven by price increases, but the turnaround is not there yet with still unsatisfactory commercial performance. EBITDA is now back to growth, although below expectations. Heavy content costs which are necessary to deliver the group's strategy should weigh on the OPEX structure, but the full effect of on-going cost-cutting initiatives is still to come.

ANALYSIS

No obvious commercial turnaround yet, but the revenue trend is improving, and EBITDA is back to growth. Total SFR revenues came out at **EUR2.802bn, down -2.4% yoy**. Excluding media assets revenue declined **-2.6%** to **EUR2.700bn** vs the consensus at EUR2.694bn, and vs -4.5% in Q2 2016. **Adjusted EBITDA reached EUR1041m up 0.7% yoy**, vs consensus at EUR1066m and vs -6.8% in Q2 2016.

Significant improvement in BtoC, BtoB and wholesale still under pressure. BtoC revenues are down **-2.2%** yoy vs -5.2% in Q2 2016. BtoB revenues are falling **-4.1%** yoy vs -4.5% in Q2 2016. Wholesale revenues fell **-3.3%** yoy vs -0.9% in Q2 2016.

On the mobile BtoC side, commercial performance was still low, but the trend is improving in ARPU thanks to content bundling and probable positive VAT effects. Q3 BtoC postpaid net adds worked out to **-73k**, vs -199k in Q2 2016 and -82k in Q3 2015. Mobile ARPU is up **0.9%** YoY vs -1.6% in Q2, up **4.9%** on a sequential basis due to strong seasonality. Postpaid ARPU is down **-1.6%** yoy vs -4.3% in Q2. As a result, Mobile BtoC revenues are down **-4.2%** vs -7.1% in 2017.

On the fixed BtoC side, fiber performance is still disappointing, not offsetting DSL losses, but ARPU is up thanks to price increases and probable VAT effects. Q2 net adds stood at **-75k**, vs -57k in Q2 2016 and -42k in Q3 2015. Fiber net adds reached **44k**, vs 44k in Q2 2016 and 72k in Q3 2015. ARPU is up **4.3%** yoy vs 0.7% in Q2. As a result, Fixed BtoC revenues rose **1.3%** vs -2% in 2017.

VALUATION

We stick to our Fair Value of EUR29.7 with a Neutral recommendation.

NEXT CATALYSTS

Full year 2016 results expected mid March 2017.

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	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.1%	3.9%	-16.8%	-30.9%
Telecom	-3.6%	-9.2%	-12.9%	-20.4%
DJ Stoxx 600	-0.9%	-1.5%	0.8%	-7.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	11,039	10,904	11,122	11,247
% change		-1.2%	2.0%	1.1%
EBITDA	3,860	4,028	4,399	4,633
EBIT	0.0	0.0	0.0	0.0
% change				
Net income	682.0	198.9	405.8	1,131
% change		-70.8%	104.0%	

	2015	2016e	2017e	2018e
Operating margin	11.7	13.1	12.0	20.9
Net margin	6.2	1.8	3.6	10.1
ROE	15.9	4.4	8.4	19.1
ROCE	2.8	4.2	3.5	6.7
Gearing	337.5	327.7	300.4	227.1

(EUR)	2015	2016e	2017e	2018e
EPS	1.45	0.41	0.85	2.41
% change	-	-72.0%	110.5%	
P/E	16.0x	57.1x	27.1x	9.6x
FCF yield (%)	7.4%	NM	NM	8.8%
Dividends (EUR)	5.40	0.00	0.00	0.00
Div yield (%)	23.3%	NM	NM	NM
EV/Sales	2.2x	2.2x	2.2x	2.1x
EV/EBITDA	6.4x	6.1x	5.6x	5.1x
EV/EBIT	NS	NS	NS	NS



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Shire PLC

Price 5,083p

All eyes on Haemophilia/ACE910 (over and over again)

Fair Value 6800p (+34%)

BUY

Bloomberg	SHP LN
Reuters	SHP.L
12-month High / Low (p)	5,323 / 3,480
Market Cap (GBP)	45,925
Ev (BG Estimates) (GBP)	63,118
Avg. 6m daily volume (000)	2,736
3y EPS CAGR	14.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.5%	0.2%	23.9%	8.2%
Healthcare	-3.4%	-7.5%	-2.0%	-12.6%
DJ Stoxx 600	-0.9%	-1.5%	0.8%	-7.4%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	6,100	10,953	14,821	15,765
% change		79.6%	35.3%	6.4%
EBITDA	2,924	4,609	6,695	7,371
EBIT	2,785	4,334	6,250	6,851
% change		55.6%	44.2%	9.6%
Net income	2,310	3,305	4,646	5,321
% change		43.1%	40.6%	14.5%

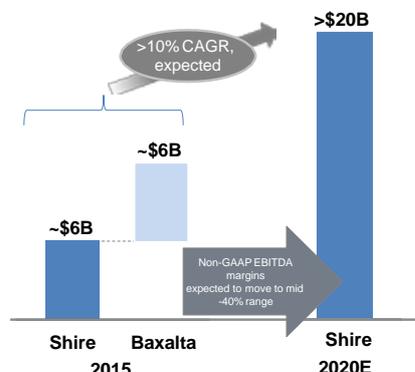
	2015	2016e	2017e	2018e
Operating margin	45.7	39.6	42.2	43.5
Net margin	37.9	30.2	31.4	33.8
ROE	23.5	11.0	14.0	14.3
ROCE	16.2	5.1	7.2	8.2
Gearing	14.7	71.6	55.1	37.6

(USD)	2015	2016e	2017e	2018e
EPS	3.89	4.25	5.04	5.77
% change		9.0%	18.7%	14.5%
P/E	16.3x	14.9x	12.6x	11.0x
FCF yield (%)	5.9%	NM	5.7%	7.8%
Dividends (USD)	0.23	0.20	0.22	0.30
Div yield (%)	0.4%	0.3%	0.3%	0.5%
EV/Sales	9.6x	7.2x	5.1x	4.5x
EV/EBITDA	20.1x	17.1x	11.3x	9.7x
EV/EBIT	21.1x	18.2x	12.1x	10.4x

Shire yesterday hosted a CMD during which top management reviewed its commercial and development portfolio, as well as its strategy to reach c.USD20Bn sales by 2020 and a c.45% EBITDA margin. Numerous issues were addressed, but obviously most of the questions revolved around growth potential in the Hematology franchise (haemophilia + inhibitor, with Advate and Feiba as current flagship products). We leave our numbers unchanged, though we now wonder a bit more whether some of the thrombotic events observed in ACE910's trial are related to the compound...

ANALYSIS

Shire yesterday hosted a Capital Market Day during which top management reviewed its commercial and development portfolio, as well as its strategy to reach c.USD20Bn sales by 2020 as well as a c.45% EBITDA margin. Numerous issues were addressed, but obviously most of the questions revolved around growth potential of in Hematology franchise (haemophilia + inhibitor, with Advate and Feiba as the current flagship products). And overall our base-case scenario is unchanged (which is good news in itself in the current context).



Hematology: the main source of disagreement. SHP's management expects this franchise to grow on average by +3-5% between 2015 and 2020 (in line with BXLT management prior to its acquisition). Obviously, we are much more cautious (BG: +0% with Feiba significantly declining from 2018e), as we believe ROG's ACE910 and eventually BIIB/SOBI's Eloctate are potentially practice-changing options for inhibitor patients...

ACE910: what if the recent SAE were related to the compound? ACE910's upcoming Phase III results remain the most important near-term catalyst in our view. As said in our previous comments, we'll pay a particular attention to the safety profile of this promising compound. Interestingly, one of the speaker put an emphasis on the long-term hindsight physicians have on Feiba, and noted that one of the two severe adverse events seen in ACE910's ongoing trial (thrombotic microangiopathy) has never been observed with Feiba; and apparently the same is true for NOVO's NovoSeven. Still, there is no certainty that such AE is related to ROG's candidate or due to some the interactions with bypassing agents... So we continue to urge cautious optimism pending the presentation of detailed data (see our previous comment [here](#)).

SHP621: an underestimated asset? A focus was made on six candidates during the second part of the CMD, and SHP621 (oral budesonide in eosinophilic esophagitis) was perchance the molecule for which our expectations diverged the most from management's (peak sales of USD200m). In short, 1/ there is a strong rationale (corticosteroids are known to be effective and somewhat safe off-label options but a topical/adapted formulation may improve the outcomes), 2/ a strong dataset, and 3/ the significance of the addressable market (150,000 cases in the US). However, we remain quite pessimistic on its potential pricing due to the existence of low-cost alternatives (though non-FDA approved).

Lanadelumab (DX2930) in Hereditary angioedema was one of the projects under the spotlights and we could not agree more on the potential of this candidate for which Phase III results are expected in Q2 2017... But as we undertook a fairly ind-depth analysis of it in our previous reports, we won't discuss this again here. Apart from that, we stick to our cautious stance regarding SHP467 due to potential competition from oral JAK inhibitors in inflammatory bowel diseases; despite the very encouraging clinical package (especially on the safety side).



VALUATION

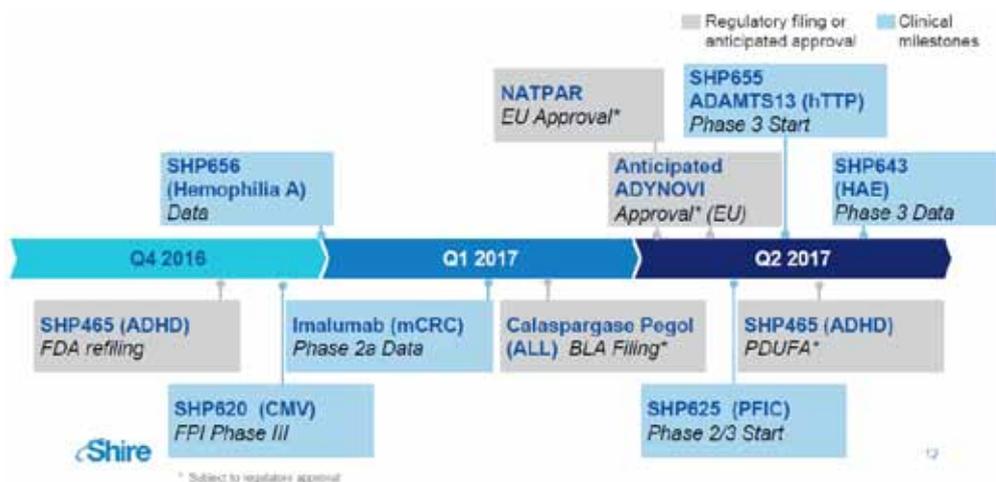
This Capital Market Day admittedly brought nothing material to the table, but we remain buyers of the stock with a FV of GBP6,800 despite the recent rally.

SHP is still one of the cheapest names within the European Pharma field (c.20% discount vs STOXX 600 Euro Healthcare). Q4 2016 results, Phase III results from lanadelumab are likely to be strong catalysts, but all eyes will be on the end of the year and ACE910's clinical data.

NEXT CATALYSTS

Q4 2016: ROG's ACE910 Phase III results for the treatment of patients.

End of January 2017: Q4 2016 results.



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Insurance

Allianz

Price EUR148.75

Very solid Q3 numbers, FY guidance reiterated

Fair Value EUR180 (+21%)

BUY

Bloomberg	ALV GR
Reuters	ALVG.DE
12-month High / Low (EUR)	168.0 / 119.2
Market Cap (EUR)	67,979
Avg. 6m daily volume (000)	1 593

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.4%	9.5%	5.0%	-9.0%
Insurance	6.5%	8.2%	4.9%	-11.3%
DJ Stoxx 600	-0.9%	-1.5%	0.8%	-7.4%
	2015	2016e	2017e	2018e
P/E	10.2x	10.5x	10.0x	
Div yield (%)	4.9%	4.9%	5.0%	

ANALYSIS

- Q3 2016 net income came in at EUR1855m, up 37% yoy, way above consensus (EUR1580m), mainly driven by operating profit (up 18% yoy to EUR2898m vs. consensus EUR2605m).
- In P&C, operating profit was EUR1410m (consensus EUR1329m), up 4% yoy. Reported combined ratio stood at 93.5% vs. 94.1% in Q3 2015. Excluding natcats (0.2 point vs. 1.2 point) and run-offs (3.0 points vs. 4.4 points), the adjusted combined ratio worked out to 96.3% vs. 97.3% in Q3 2015. Internal growth stood at 3.1%, of which a price effect of 1.6%.
- In Life, operating profit rose 53% to EUR1129m (consensus EUR910m), mainly driven by the investment margin and the non-recurrence of losses in Korea (sold to Anbang). NBV fell 1% to EUR318m and the new business margin was down 30bps to 2.8% (based on the present value of new business premiums, not APE).
- Operating profit in Asset Management was pretty stable at EUR604m, with PIMCO down 9% and Allianz Global Investors up 39%. The cost/income ratio improved slightly (60.8% vs. 63.3%). PIMCO saw quarterly net inflows (EUR4.7bn) for the first time since Q2 2013.
- Economic solvency margin is 186% (stable vs. end-June).
- FY guidance (operating profit EUR10-11bn) has been confirmed.

VALUATION

- Based on our current estimates, our SOTP valuation is EUR180.

NEXT CATALYSTS

- Investor Day on 30th November. FY 2016 numbers on 17th February 2017.

Olivier Pauchaut, opauchaut@bryangarnier.com

Food & Beverages

Danone

Price EUR58.00

Bid target WhiteWave posts weaker-than-expected revenues

Fair Value EUR71 (+22%)

NEUTRAL

Bloomberg	BN FP
Reuters	DANO.PA
12-month High / Low (EUR)	70.3 / 58.0
Market Cap (EUR)	38,042
Avg. 6m daily volume (000)	1 605

	1 M	3 M	6 M	31/12/15
Absolute perf.	-11.0%	-15.6%	-4.9%	-6.9%
Food & Bev.	-8.3%	-10.1%	-6.8%	-10.0%
DJ Stoxx 600	-0.9%	-1.5%	0.8%	-7.4%

	2015	2016e	2017e	2018e
P/E	19.8x	18.9x	16.9x	15.4x
Div yield (%)	2.8%	2.9%	3.2%	3.6%

ANALYSIS

- Q3 revenues amounted to USD1.05bn vs consensus USD1.10bn. This was due to SAP implementation, supply chain related constraints and the change of packaging of Silk. WhiteWave now expects its net sales to be between 8.5% and 9.5% vs prior guidance of 10.5%-11.5%. Its adjusted EPS should stand at USD1.36-1.38 vs prior guidance of USD1.38-1.41 and consensus of USD1.41.
- This announcement does nothing to allay our concerns over the acquisition. In our downgrade note, we highlighted that Danone had probably purchased WhiteWave at a peak. The US group delivered 19% sales CAGR between 2012 and 2015 while the consensus sales estimate for 2016 was +11% (before the warning). The other reasons for our cautiousness were the bad track record of Danone and the expensive price. The company has offered USD56.25 per share in cash, implying an EV of USD12.5bn or an EV/EBITDA of 21.3x without the synergies. The two companies continue to work with the US Department of Justice and the European Commission to obtain regulatory approval. They now expect closing to occur in Q1 2017 vs by the end of 2016 previously.

VALUATION

- Our Neutral recommendation remains unchanged. Danone has lost its organic growth engines (Chinese water and baby food) while the rationale of the WhiteWave acquisition is not compelling.

NEXT CATALYST

- Danone will release its 2016 results on 15th February

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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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