Please find our Research on Bloomberg BRYG <GO>)

16th November 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18923.06	+0.29%	+8.60%
S&P 500	2180.39	+0.75%	+6.68%
Nasdaq	5275.62	+1.10%	+5.36%
Nikkei	17862.21	+1.1%	-7.17%
Stoxx 600	339.157	+0.27%	-7.29%
CAC 40	4536.53	+0.62%	-2.17%
Oil /Gold			
Crude WTI	45.81	+5.75%	+23.15%
Gold (once)	1225.29	+0.79%	+15.33%
Currencies/Rates			
EUR/USD	1.07285	+0.05%	-1.24%
EUR/CHF	1.07375	+0.28%	-1.26%
German 10 years	-	+-%	+-%
French 10 years	-	+-%	+-%
Euribor	-	+-%	+-%

Economic releases :

Date	
16th-Nov	10h3 UK - Jobless claims change Oct. 11h00 CH - Zew Survey 15h15 US - Industrial prod. Oct. (0.2% E) 15h15 US - Manufacturing Prod. Oct. (0.3% E) 16h30 US - DOE oil inventories

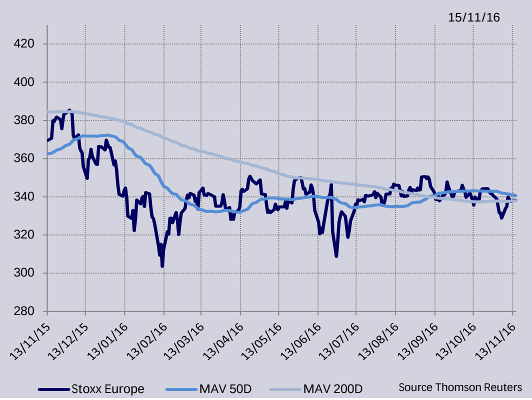
Upcoming BG events :

Date	
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
12th-Dec	Jean-Pierre Petit, Président des Cahiers Verts de l'Economie.

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



BOUYGUES — BUY, Fair Value EUR35 (+16%)

Solid profitability, outlook confirmed

Bouygues has published Q3 results this morning, with revenues slightly below expectations, but very solid current operating profit, 6% above consensus. Decent top line performance for construction activities in Q3, while profitability is improving. Bouygues Telecom's recovery is still on track with accelerating services revenue growth and EBITDA still growing almost 20% yoy, above consensus. All guidance is confirmed.

ILIAD — BUY, Fair Value EUR212 (+24%)

Accelerating growth, great performance in mobile.

This morning, Iliad published good Q3 2016 commercial results, above expectations. Growth accelerated to 6.5% yoy, thanks in particular to very good performances in mobile, combining high net adds and an ARPU increase. Results on the fixed side were less impressive, with ARPU still under significant pressure, but we expect an improving trend in Q4 thanks to the Canal+ deal.

VEOLIA ENVIRONNEMENT — BUY, Fair Value EUR22 vs. EUR23.5 (+34%)

EBITDA growth remains the key driver (report published today)

Following the tepid 9M-16 performance recently posted by Veolia, we reviewed our model in order to integrate the lower than expected growth in revenues. We, however, believe the market has negatively overreacted since the 9M-16 publication. The EBITDA generation remains strong and the valuation is attractive, in our view. Buy rating maintained with FV lowered to EUR22.0 (vs. EUR23.5).

QIAGEN — BUY-Top Picks, Fair Value EUR30 vs. EUR28 (+18%)

Aims to make life easier for labs

During its investor day, QIAGEN's management laid the base of its ambitious journey to become one of the only players in the MDx industry able to make life easier for labs. Three main points of focus were on the agenda 1/ 2020 detailled guidance 2/ the GeneReader and 2/ QuantiFERON-TB Progresses made to bring cost discipline into the company's DNA set a solid base to deliver 7-9%CER (BGe 7.8%) growth on the topline while EPS should grow by more than 12% CAGR by 2020 (BGe 12%). Our fair value is up to EUR30 vs. EUR28, we reiterate our BUY recommendation.

CONSTRUCTION & MATERIALS

US elections follow-up: LHN out of the Top Picks. CRH new FV at EUR34.8 (vs EUR30.0).

The initial reaction was positive for European players exposed to North America, like CRH or HEI, but we have identified two categories under pressure, penalised by fears of higher rates: infrastructure-related stocks and those exposed to emerging markets. In this context, CRH looks like a safe haven (valuation roll-over applied: new FV at EUR34.8 vs EUR30). On the contrary, it makes sense being cautious in the short term on DG and FGR, as well as LHN, that we have removed from our Top Picks list.

WIRECARD

Strong Q3, FY 2016 guidance confirmed and first guidance 2017

Wirecard just published its audited Q3 earnings results. Revenues (+33.2% Y/Y, +20% lfl) and EBITDA margin (30.5%) were already known thanks to preliminary figures on 26th October 2016. Over the first nine months, the group registered Y/Y growth of 36% and 30% lfl in transaction volumes processed (vs. +32.8% in H1). Management is expecting a positive business development in Q4 and confirmed its most recent FY 2016 guidance, i.e. EBITDA of between EUR298m and EUR312m (BG est. EUR306.8m; cons.: EUR303.6m). It also gave a first EBITDA guidance range for 2017, namely between EUR382 and EUR400m (vs. BG EUR406.5m and cons. EUR386.8m). We maintain our Buy rating and FV of EUR58. The stock is on our Q4 Top Pick List.

In brief...

MORPHOSYS, *Positive Phase II for guselkumab in psoriatic arthritis + EUR115m in a private placement*

TMT

Bouygues

Price EUR30.16

Solid profitability, outlook confirmed

Fair Value EUR35 (+16%) **BUY**

Bloomberg	EN FP
Reuters	BOUY.PA
12-month High / Low (EUR)	37.3 / 25.0
Market Cap (EURm)	10,470
Ev (BG Estimates) (EURm)	12,715
Avg. 6m daily volume (000)	840.7
3y EPS CAGR	27.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.2%	7.9%	1.8%	ns
Telecom	-4.1%	-9.9%	-14.5%	-21.0%
DJ Stoxx 600	-0.2%	-2.0%	1.3%	-7.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	32,428	31,906	32,822	34,018
% change		*-1.6%*	*2.9%*	*3.6%*
EBITDA	2,411	2,637	2,888	3,136
EBIT	0.0	0.0	0.0	0.0
% change		*NM*	*NM*	*NM*
Net income	480.0	400.6	741.8	913.0
% change		*-16.5%*	*85.2%*	*23.1%*

	2015	2016e	2017e	2018e
Operating margin	2.1	2.3	3.5	4.1
Net margin	1.5	1.3	2.3	2.7
ROE	5.1	4.8	8.8	10.8
ROCE	3.1	2.9	5.3	6.5
Gearing	81.4	87.7	86.7	84.2

(EUR)	2015	2016e	2017e	2018e
EPS	1.18	1.04	1.93	2.42
% change	*-*	*-11.7%*	*84.8%*	*25.8%*
P/E	25.6x	28.9x	15.7x	12.5x
FCF yield (%)	NM	4.4%	6.6%	7.6%
Dividends (EUR)	1.60	1.60	1.60	1.60
Div yield (%)	5.3%	5.3%	5.3%	5.3%
EV/Sales	0.4x	0.4x	0.4x	0.4x
EV/EBITDA	5.3x	4.8x	4.4x	4.1x
EV/EBIT	NS	NS	NS	NS

Bouygues has published Q3 results this morning, with revenues slightly below expectations, but very solid current operating profit, 6% above consensus. Decent top line performance for construction activities in Q3, while profitability is improving. Bouygues Telecom's recovery is still on track with accelerating services revenue growth and EBITDA still growing almost 20% yoy, above consensus. All guidance is confirmed.

ANALYSIS

- **Revenues slightly below expectations, but good current operating profit**. Total group revenues came out at **EUR8.444bn**, vs consensus at **EUR8.573bn**, down 3.2% vs -2.8% in Q2 2016. Current operating profit reached **EUR508m**, vs the consensus at EUR476m, up 6.3% yoy vs +10.5% in Q2 2016. Net income reached **EUR373m,** vs the consensus at EUR255m, down -**0.8%** yoy vs +32% in Q2 2016.
- **Bouygues Telecom revenues from network accelerating, fast EBITDA growth. The recovery plan is still fully on track.** Q3 revenues came out at **EUR1,212bn**, **up +4.2%** yoy (of which **+6.6%** on sales from network), compared with +6.1% yoy in Q2 (of which +5.5% on sales from network). Q2 EBITDA *reached* ***EUR289m****, up* ***19.4%*** *yoy vs +27.8% in Q2, and current operating profit was positive at* **EUR86m** vs EUR45m in 2015. **Mobile Services revenues are accelerating thanks to stabilizing ARPU**. Mobile sales from network are up **6.1%** in Q3, vs 4.1% in Q2. **Fixed commercial performance is very good, but ARPU is still under strong pressure**. Fixed sales from network are up **8.3%** in Q3, vs 9.4% in Q2.

Bouygues Telecom main financial data

EURm	Q1	Q2	Q3	Q1 y/y %	Q2 y/y %	Q3 y/y %
Sales from network	971	1004	1043	6,4%	6,1%	4,2%
ow Fixed	257	268	274	10,8%	9,4%	8,3%
ow Mobile	714	736	769	2,0%	4,1%	6,1%
EBITDA	146	262	289	23,7%	27,8%	19,4%

Source : Company Data

- Q3 revenues for **construction activities** are down -4.4% (up 6% on a l-f-l basis, according to our calculations) at EUR6836m (2% below zonefinance consensus) and current EBIT stands at EUR443m (6% above consensus), i.e. a 6.5% margin (+ 45bps y/y). By division, Bouygues Construction continue to be tepid (flat organic revenues in Q3 like in Q2 and Q1) but margin is stabilizing (flat at 2.9%). Roadworks subsidiary Colas profitability recovery continues, with a strong increase of the current EBIT margin (+106bps at 9.5%), while organic growth is improving (flat in Q3 vs -6% in H1). Finally, Bouygues Immobilier top line trends continue to be very well-oriented, with 18% organic growth in Q3 while margin are a bit down in Q3.
- **Outlook for the construction activities**. The backlog stood at EUR28bn at end September, slightly down by 3% but almost (-1%) flat on a like-for-like basis. Bouygues Construction backlog is down -7.5% in Q3 but doesn't include several large projects, yet. Colas Order Book is slightly up in Q3 (flat in France on a 9 month basis and up 6% l-f-l outside). Bouygues Immobilier reservations (residential) are up 24% in Q3 (+22% on 9M).

Key figures - construction

EURm	Q1	Q2	Q3	Q1 %y/y	Q2 %y/y	Q3 %y/y
Revenues construction	4937	6446	**6836**	-5,1	-4,9	**-4,4**
Current EBIT constr.	-116	241	**443**	ns	3,0	2,8
Current EBIT margin %	-2,3	3,7	**6,5**	46bps y/y	29bps y/y	**45bps y/y**
Backlog Constr.	19,5	18,7	18,2	-1,5	-3,1	-7,5
Backlog Colas	7,7	8,0	7,2	-1,6	-0,8	1,3
Reservations (res).	426	578	439	11,5	28,4	24,7

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

VALUATION

- We stick to our Buy recommendation and Fair Value of EUR35 derived from a SOTP.

NEXT CATALYSTS

- Bouygues is due to release its FY 2016 results on 23rd February 2017, before market.

Bouygues Telecom main financial operational KPIs

	Q1	Q2	Q3	Q1 y/y %	Q2 y/y %	Q3 y/y %
Fixed Net adds (k)	71	51	93	-26,0%	-34,6%	-1,1%
Fixed ARPU	27,7	28,3	28,1	-3,1%	-3,4%	-4,4%
Mob. postpaid Net adds	151	171	129	3,4%	16,3%	-13,4%
Mobile ARPU	22,4	22,4	23	-1,3%	-1,8%	-1,3%

Source : Company Data (excl. M2M in Mobile)

Construction activities : performance by division

EURm	Q1	Q2	Q3	Q1 %y/y	Q2 %y/y	Q3 %y/y
Revenues construction	**4937**	**6446**	**6836**	**-5,1**	**-4,9**	**-4,4**
o/w B. Constr.	*2771*	*3029*	*2898*	*-0,3*	*-1,4*	*-2,6*
o/w Colas	*1754*	*2924*	*3437*	*-11,4*	*-9,3*	*-7,8*
o/w B. Immo.	*475*	*572*	*579*	*-7,4*	*5,0*	*13,3*

EURm	Q1	Q2	Q3	Q1 %y/y	Q2 %y/y	Q3 %y/y
Current EBIT constr.	**-116**	**241**	**443**	**-20,5**	**3,0**	**2,8**
o/w B. Constr.	*82*	*69*	*84*	*15*	*-10*	*-3*
o/w Colas	*-223*	*138*	*326*	*ns*	*10*	*4*
o/w B. Immo.	*25*	*34*	*33*	*-7*	*6*	*10*

%	Q1	Q2	Q3	Q1 y/y	Q2 y/y	Q3 y/y
Total Constr. margin %	**-2,3**	**3,7**	**6,5**	**46bps**	**29bps**	**45bps**
o/w B. Constr. margin %	3,0	2,3	2,9	40bps	-23bps	-2bps
o/w Colas margin %	-12,7	4,7	9,5	-38bps	84bps	106bps
o/w B. Immo. margin %	5,3	5,9	5,7	0bps	7bps	-17bps

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

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TMT

Iliad

Price EUR171.55

Accelerating growth, great performance in mobile.

Fair Value EUR212 (+24%) **BUY**

Bloomberg	ILD FP
Reuters	ILD.PA
12-month High / Low (EUR)	236.3 / 168.4
Market Cap (EUR)	10,075
Ev (BG Estimates) (EUR)	11,634
Avg. 6m daily volume (000)	90.80
3y EPS CAGR	20.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.1%	-0.8%	-10.7%	-22.0%
Telecom	-4.1%	-9.9%	-14.5%	-21.0%
DJ Stoxx 600	-0.2%	-2.0%	1.3%	-7.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	4,414	4,671	4,931	5,159
% change		*5.8%*	*5.6%*	*4.6%*
EBITDA	1,490	1,668	1,886	2,094
EBIT	0.0	0.0	0.0	0.0
% change				
Net income	335.0	358.3	456.7	587.2
% change		*6.9%*	*27.4%*	*28.6%*

	2015	2016e	2017e	2018e
Operating margin	15.1	15.3	18.0	20.9
Net margin	7.6	7.7	9.3	11.4
ROE	12.7	12.1	13.4	14.8
ROCE	9.8	9.5	10.9	12.8
Gearing	45.2	52.4	43.2	27.9

(EUR)	2015	2016e	2017e	2018e
EPS	5.58	5.95	7.59	9.76
% change	-	*6.7%*	*27.5%*	*28.6%*
P/E	30.8x	28.8x	22.6x	17.6x
FCF yield (%)	NM	NM	1.1%	3.8%
Dividends (EUR)	0.38	0.38	0.38	0.38
Div yield (%)	0.2%	0.2%	0.2%	0.2%
EV/Sales	2.6x	2.5x	2.3x	2.2x
EV/EBITDA	7.6x	7.0x	6.1x	5.3x
EV/EBIT	NS	NS	NS	NS

This morning, Iliad published good Q3 2016 commercial results, above expectations. Growth accelerated to 6.5% yoy, thanks in particular to very good performances in mobile, combining high net adds and an ARPU increase. Results on the fixed side were less impressive, with ARPU still under significant pressure, but we expect an improving trend in Q4 thanks to the Canal+ deal.

ANALYSIS

- **Revenues above expectations, accelerating growth thanks to mobile performance**. Q3 revenues came out at **EUR1.183bn** (vs. consensus: EUR1,169bn), **up 6.5%** yoy vs +6.1% in Q2. Fixed sales reached **EUR665m** (vs. consensus: EUR669m), **up 2.1%** yoy vs +2.9% in Q2. Mobile sales reached **EUR522m** (vs. consensus: EUR504m), **up 12.7%** yoy vs +10.7% in Q2. Mobile services revenues rose **12%** yoy, vs +13.2% in Q2.
- **Mobile net adds were greatly above expectations, and ARPU continued to grow.** Mobile Net adds reached **305k** in Q3, vs 180k in Q2 and 390k in Q3 2015. Our estimate for mobile services ARPU is **up +1.8%** yoy vs +1.3% in Q2.
- **Fixed net adds a little above consensus, but ARPU still significantly down.** Broadband net adds reached **66k** in Q3 vs 45k in Q2 and 91k in Q3 2015. Broadband ARPU was EUR33.5 in Q3, down -2.9% yoy vs -1.7% in Q2.
- **As a reminder,** Orange SFR and Bouygues posted mobile postpaid net adds of resp. +187k, -94k and +129k. Orange, SFR and Bouygues posted fixed net adds of resp. +133k, -75k and 93k.

Iliad main financial data

EURm	Q1	Q2	Q3	Q1 y/y %	Q2 y/y %	Q3 y/y %
Total revenues	1 145	1 151	1 183	6,5%	6,1%	6,5%
ow Fixed	665	665	665	3,9%	2,9%	2,1%
ow Mobile	484	490	522	10,4%	10,7%	12,7%

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

Iliad commercial KPIs

	Q1	Q2	Q3	Q1 y/y %	Q2 y/y %	Q3 y/y %
Fixed Net adds	78	45	66	1,3%	-2,2%	-27,5%
Fixed ARPU	34,4	33,9	33,5	-0,9%	-1,7%	-2,9%
Mob. postpaid	215	180	305	-48,8%	-55,0%	-21,8%
Mobile	12,43728	12,3	12,5	-0,3%	1,3%	1,8%

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

VALUATION

- We stick to our Buy recommendation, with FV of EUR212.

NEXT CATALYSTS

- 2016 full year results expected mid March 2017.

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Utilities

Veolia Environnement

Price EUR16.39

EBITDA growth remains the key driver (report published today)

Fair Value EUR22 vs. EUR23.5 (+34%) **BUY**

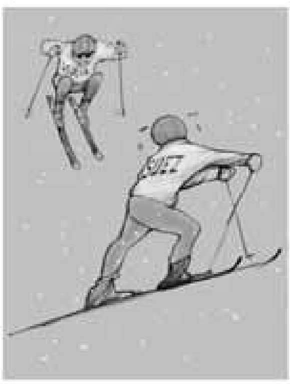
Bloomberg	VIE FP
Reuters	VIE.PA
12-month High / Low (EUR)	22.9 / 16.2
Market Cap (EUR)	9,234
Ev (BG Estimates) (EUR)	16,654
Avg. 6m daily volume (000)	1 986
3y EPS CAGR	10.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-16.7%	-18.1%	-18.0%	-25.0%
Utilities	-7.4%	-12.9%	-11.6%	-15.5%
DJ Stoxx 600	-0.2%	-2.0%	1.3%	-7.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	24,965	24,578	25,587	26,185
% change		*-1.5%*	*4.1%*	*2.3%*
EBITDA	2,997	3,086	3,293	3,452
EBIT	1,315	1,364	1,521	1,646
% change		*3.7%*	*11.5%*	*8.2%*
Net income	580.0	606.0	692.4	777.0
% change		*4.5%*	*14.3%*	*12.2%*

	2015	2016e	2017e	2018e
Operating margin	4.5	5.5	5.9	6.3
Net margin	1.8	2.1	3.0	3.2
ROE	4.0	6.1	6.8	7.4
ROCE	6.4	6.3	6.7	7.1
Gearing	82.6	81.1	79.4	76.6

(EUR)	2015	2016e	2017e	2018e
EPS	1.03	1.07	1.22	1.37
% change	-	*4.0%*	*14.3%*	*12.2%*
P/E	15.9x	15.3x	13.4x	11.9x
FCF yield (%)	11.5%	2.4%	8.7%	10.2%
Dividends (EUR)	0.73	0.81	0.89	0.97
Div yield (%)	4.5%	5.0%	5.4%	5.9%
EV/Sales	0.6x	0.7x	0.6x	0.6x
EV/EBITDA	5.4x	5.4x	5.0x	4.8x
EV/EBIT	12.3x	12.2x	10.8x	10.0x



Following the tepid 9M-16 performance recently posted by Veolia, we reviewed our model in order to integrate the lower than expected growth in revenues. We, however, believe the market has negatively overreacted since the 9M-16 publication. The EBITDA generation remains strong and the valuation is attractive, in our view. Buy rating maintained with FV lowered to EUR22.0 (vs. EUR23.5).

ANALYSIS

Veolia posted a **tepid Q3-16 performance** with revenues down 3.2% yoy. This led the group to **revise downward its full-year revenue guidance** (*from growth to stable*) which drove the poor performance of the stock since the 9M-16publication (**-16%** vs. -6% for the Stoxx 600 Utilities).

Undeniably, growth has been weak over the past couple of years. **Revenues have grown only once over the past seven quarters** on the back of, notably, a challenging environment in the French water business, unsupportive energy prices and difficulties in selected end-markets (Oil & Gas, Mining) and geographies (the USA, Australia).

We, however, believe the market has negatively overreacted. Despite the unsupportive macro environment, **the EBITDA generation remains resilient** and should continue with its 4% to 5% organic cruising speed in the next couple of years. **Self-help measures are still being implemented with a quicker path than initially expected** and should remain the main EBITDA and EPS drivers by 2018.

Despite the negative adjustments we made to our estimates (-1.9%/-2.7%/-2.9% at the EBITDA level for 2016e, 2017e and 2018e respectively) in order to reflect this lower-than-expected growth, **we maintain our buy rating with a lowered FV at EUR22.0 per share** (vs. EUR23.5 before). We still appreciate the attractive dividend yield as well as the **strong EBITDA growth potential**, spurred on by the savings implemented, and believe the recent derating implies a rather **attractive valuation** (22% discount vs. historical FY2 EV/EBITDA multiple).

VALUATION

At current share price, Veolia trades at **5.4x** its 2016e EV/EBITDA multiple and at **5.0x** its 2017e EV/EBITDA multiple.

Following the recent derating of the stock (-16% since the company's 9M-16 publication), we believe Veolia's current implied **valuation is attractive** with a c**. 22% discount** vs. the company's historical EV/EBITDA multiple and a c. **18% discount** vs. the company's historical FY2 P/E multiple.

At current share price, the company's dividend yield reached **5.0%/5.4%/6.0%** for 2016e/2017e/2018e respectively vs. **3.9%/4.0%/4.2%** on average for the environmental services sub-sector.

Buy, **FV @ EUR22.0** (vs. EUR23.5 previously), implying a c. **34% theoretical upside** vs. company current share price.

NEXT CATALYSTS

February 2017: FY16 results

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Healthcare

QIAGEN

Price EUR25.48

Bloomberg	QIA GR
Reuters	QGEN.DE
12-month High / Low (EUR)	25.9 / 17.8
Market Cap (EUR)	6,108
Ev (BG Estimates) (EUR)	6,643
Avg. 6m daily volume (000)	414.4
3y EPS CAGR	10.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.0%	3.5%	33.2%	1.5%
Healthcare	-3.1%	-8.7%	-3.2%	-13.6%
DJ Stoxx 600	-0.2%	-2.0%	1.3%	-7.3%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	1,281	1,347	1,445	1,557
% change		*5.1%*	*7.3%*	*7.8%*
EBITDA	438	443	490	518
EBIT	314.5	322.6	379.5	427.7
% change		*2.6%*	*17.7%*	*12.7%*
Net income	249.3	261.0	302.8	339.1
% change		*4.7%*	*16.0%*	*12.0%*

	2015	2016e	2017e	2018e
Operating margin	24.6	24.0	26.3	27.5
Net margin	19.5	19.4	21.0	21.8
ROE	5.0	4.6	5.9	6.8
ROCE	23.0	19.4	18.9	24.0
Gearing	38.8	20.2	11.2	1.9

(USD)	2015	2016e	2017e	2018e
EPS	1.05	1.10	1.27	1.43
% change	-	*4.3%*	*16.4%*	*12.4%*
P/E	26.0x	25.0x	21.4x	19.1x
FCF yield (%)	6.0%	6.9%	6.7%	7.3%
Dividends (USD)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	5.9x	5.3x	4.8x	4.2x
EV/EBITDA	17.2x	16.1x	14.1x	12.8x
EV/EBIT	24.0x	22.1x	18.2x	15.5x

Aims to make life easier for labs

Fair Value EUR30 vs. EUR28 (+18%) **BUY-Top Picks**

During its investor day, QIAGEN's management laid the base of its ambitious journey to become one of the only players in the MDx industry able to make life easier for labs. Three main points of focus were on the agenda 1/ 2020 detailled guidance 2/ the GeneReader and 2/ QuantiFERON-TB Progresses made to bring cost discipline into the company's DNA set a solid base to deliver 7-9%CER (BGe 7.8%) growth on the topline while EPS should grow by more than 12% CAGR by 2020 (BGe 12%). Our fair value is up to EUR30 vs. EUR28, we reiterate our BUY recommendation.

ANALYSIS

- Concerning the GeneReader, the impressive number of placements noted over the first nine months of sales with 55-60 placements targeted for 2016 (BGe 20 placements) bodes well with positive feedback received from professionals. Note that most of these placements were made in Europe and that the 2016 target represents a 10% market share of the ~500 annual placements for NGS oncology benchtop solutions. With the preliminary injunction hangover now behind in our view, the company should fully benefit from the growth reservoir of US clinical labs that have been either under-addressed by NGS companies so far or reluctant to adopt the technology because of 1/ complexity of the workflow 2/ hard interpretation of the results and 3/ high cost. In the long run, QIAGEN aims to capture a >20% market share in this highly dynamic market (which we estimate is growing at around 30% p.a.). As a reminder, QIAGEN has introduced a new chemistry for its GeneReader and performance results compare well with the PCR test (already on the market) as well as another NGS solution. Looking at the structure of R&D expenses, broadening the number of panels should now have a central place in the group's strategy since management's mention of R&D expenses related to "content" represents close to 50% of R&D. We are not ruling out that towards the end of the 2016-2020 period, the GeneReader should enable the group to outstrip its sales growth guidance. In our 2020-2025 model, NGS sales should still grow above 20%pa with a contribution to sales jumping from 11% to 20% of the company's sales. QIAGEN sees 150-200k pullthrough as well as 500 runs to be done on average per instrument per annum. The capacity of the QIAsymphony (> to QIAcube) that could be used upstream in the sample processing could open the door to higher throughput labs (>1,000 runs p.a.).
- Turning to QuantiFERON-TB, which should represent over 15% of the group's total sales in 2020, conversion from the TST to IGRA based platforms (i.e. QIA's QuantiFERON-TB of TSpot from Oxford Immunotec) is rapid. In an environment where overcharging for a "commodity test" might be a sensitive issue, we do not see Q-TB's price (which we estimate at USD18/test decreasing 2%p.a.) as a concern. Note that the TST price of USD8 does not include physician's labour (two visits). With the US now on track to deliver 25% growth (50% of Q-TB sales), we estimate that less than USD5m of the product sales are streamed from China which has been mentioned by the group as the next "case study". QIAGEN has doubled commercial operations in the country.
- Going digital is important for clinical labs which increasingly order via a push platform. Qiagen has developed internet/application based approaches and aims to stream 50% of its sales via the e-commerce platform.

VALUATION

- Our Fair value is up to EUR30 vs EUR28 previously which leaves 18% upside. QIAGEN is in our Q4 top pick list.
- While our numbers were already in-line with both the company's 2016-20 sales and EPS CAGR (BGe sales growth 7.8%CER and EPS growth 12.1%CER over the period), detailed indications and hence adjustments to CAPEX and D&A expenditurs going forward leads to a EUR2 upward revision to our Fair Value.
- In terms of operating cash flow, the group aims to reach USD600m towards 2020, which leaves place for 1/ opportunistic M&A albeit not on the agenda at the moment or 2/ further SBB not included in the 2020 guidance.

NEXT CATALYSTS

- Q4 2016/early 2017: GeneReader sales to be resumed in the US
- Feb 1st 2017. Q4/FY 2016 results Click here to download

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Sector View

Construction & Materials

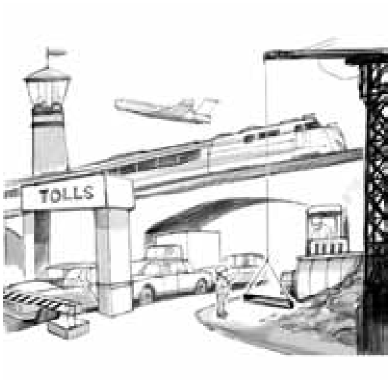
US elections follow-up: LHN out of the Top Picks. CRH new FV at EUR34.8 (vs EUR30.0).

	1 M	3 M	6 M	31/12/15
Cons & Mat	-0.3%	0.0%	6.9%	4.6
DJ Stoxx 600	-0.5%	-2.3%	1.1%	-7.5

*Stoxx Sector Indices

Companies covered

CRH		**BUY**	**EUR34.8 vs. 30**
Last Price	EUR32,5	*Market Cap.*	EUR27,030m
EIFFAGE		**BUY**	**EUR78**
Last Price	EUR61,14	*Market Cap.*	*EUR5,997m*
HEIDELBERGCEMENT		**BUY**	**EUR95**
Last Price	EUR86,95	*Market Cap.*	*EUR17,252m*
IMERYS		**BUY**	**EUR72**
Last Price	EUR65,84	*Market Cap.*	*EUR5,239m*
LAFARGEHOLCIM		**BUY**	**CHF60**
Last Price	CHF56,05	*Market Cap.*	*CHF34,017m*
SAINT GOBAIN		**BUY**	**EUR46**
Last Price	EUR41,215	*Market Cap.*	*EUR22,874m*
VICAT		**NEUTRAL**	**EUR61**
Last Price	EUR55,6	*Market Cap.*	*EUR2,496m*
VINCI		**BUY**	**EUR74**
Last Price	EUR60,03	*Market Cap.*	*EUR35,850m*



The initial reaction was positive for European players exposed to North America, like CRH or HEI, but we have identified two categories under pressure, penalised by fears of higher rates: infrastructure-related stocks and those exposed to emerging markets. In this context, CRH looks like a safe haven (valuation roll-over applied: new FV at EUR34.8 vs EUR30). On the contrary, it makes sense being cautious in the short term on DG and FGR, as well as LHN, that we have removed from our Top Picks list.

Share price performance between 08/11/16 and 14/11/16

Contractors		Build. Mat.		EM players	
BOUYGUES	4,2%	CRH	5,8%	INDOCEMENT*	**-7,8%**
VINCI	**-5,6%**	LHN	3,5%	ACC**	**-7,1%**
EIFFAGE	**-7,8%**	HEIDELBERG	**-1,5%**	AMBUJA**	**-10,3%**
FERROVIAL	**-4,6%**	VICAT	1,9%	CEMEX	**-16.7%**

** HeidelbergCement got 51% in Indocement and LafargeHolcim got 63% in Ambuja, while ACC is a subsidiary of Ambuja.*

Source : IBES; Bryan Garnier & Co. ests.

ANALYSIS

- **There is some correlation (albeit not perfect) between infrastructure stock performances and long term rates.** This is true for pure players, but also to some extent for diversified contractors like Vinci and Eiffage. Indeed, any 10bp move in the risk-free rate increase implies a ~EUR0.45 and ~EUR0.40 per share negative impact on the SOTP of Vinci and Eiffage, respectively. Besides, for convenience purposes, our model only assesses the impact on large toll roads and airports, while the valuations of mid and small concessions or PPPs remain unchanged.
- However, the negative impact caused by higher rates on our DCF valuations is likely to be offset - eventually - by higher inflation. Vinci and Eiffage concession asset contracts, in particular French toll roads, include an inflation-based formula for tariffs. But while the market tends to quickly apply risks related to rates, it needs more time to consider a higher inflation environment. This can place some short-term pressure on infrastructure stocks - and might provide some buy opportunities.
- Among the French contractors, Bouygues, with a very modest concessions portfolio, will be less impacted by higher rates - but not totally immune due to its property development business. Note that Vinci and Eiffage's gross debt has limited exposure to variable rates. 61% of Vinci's gross debt was fixed at end June 2016, while Eiffage gross debt is mostly fixed, too (90% in FY15).
- **The negative impact on emerging markets players is indirect**. Higher US rates means cash is likely to return to the US. Hence, EM currencies might decline (at least vs the USD), with anpossible impact on debt (if denominated in USD for instance), operating costs (for any portion in USD) and of course on dividend repatriation. This is potentially negative for the EM macro environment and hence for European players with significant EM exposure, like LHN and to a lesser extent HEI or Vicat. Of course, this could be mitigated by a lower EUR/USD or lower CHF/USD, but not totally balanced as some costs are in USD anyway (about 20% of costs in Egypt for LHN for instance).

Exposure to North America and Emerging markets (% before elimination and trading if necessary)

%	Exposure to NAM		Exposure to EM	
2015	**Revenues**	**EBITDA**	**Revenues**	**EBITDA**
LHN*	19	21	56	61
HEI (pro forma)**	25	26	45	52
CRH***	52	59	2	4
VCT	14	9	37	43
2015	**Revenues**	**EBIT**	**Revenues**	**EBIT**
SGO	13	19	20	33
NK	24	-	27	-

**EM : the world excluding Europe and NAM*

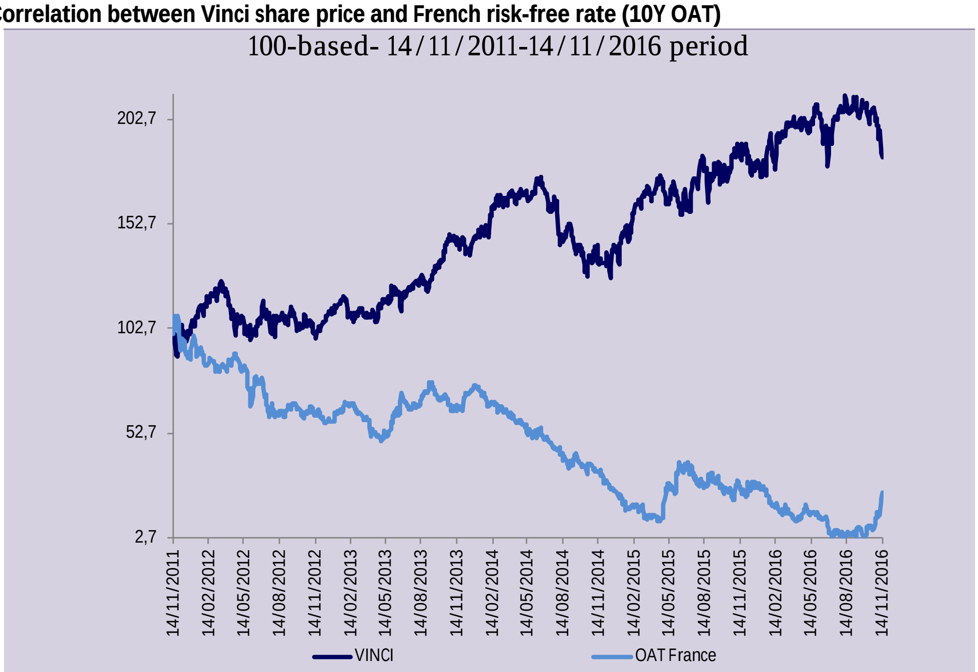
*** EM : Northern & Eastern Europe, Central Asia, Asia-Pacific, Africa, Eastern Mediterranean basin*

**** NAM corresponds to "Americas", which includes LatAm (modest figures). EM is Asia only,*

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

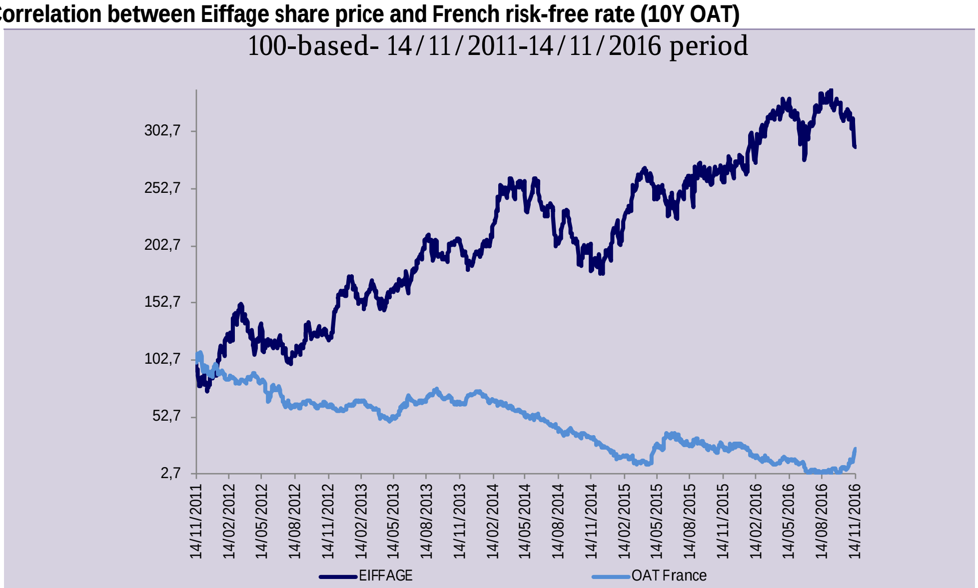
- In this new context, and considering the very good share price performance in Q4 so far (+7% in CHF, +9% in EUR), we have decided to remove LafargeHolcim from our Top Picks list. We are sticking to our Buy recommendation ahead of the Capital Market Day, organised on Friday 18th November.
- On the contrary, within the building materials universe, the safest player seems to be CRH, with limited exposure to EM and high exposure to NAM infrastructure. Hence, we take the opportunity to update our FV. We have applied an EV/EBITDA multiple of 10x to our 2018 estimates (vs 2017 previously), and discounted it back. We have now implemented the roll-over for all building materials stocks under our coverage.

Correlation between Vinci share price and French risk-free rate (10Y OAT)



Sources: Bryan, Garnier & co

Correlation between Eiffage share price and French risk-free rate (10Y OAT)



Sources: Bryan, Garnier & co

NEXT CATALYSTS

- CRH trading update tomorrow before market opened. Conference call at 9h30 CET.
- LHN Capital Market Day on 18th November 2016.

Click here to download

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Return to front page

TMT

Wirecard

Price EUR41.36

Strong Q3, FY 2016 guidance confirmed and first guidance 2017

Fair Value EUR58 (+40%) **BUY-Top Picks**

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 31.2
Market Cap (EUR)	5,111
Ev (BG Estimates) (EUR)	4,592
Avg. 6m daily volume (000)	479.0
3y EPS CAGR	30.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.7%	0.8%	1.1%	-11.1%
Softw.& Comp.	-6.3%	-5.8%	4.2%	-1.1%
DJ Stoxx 600	-0.2%	-2.0%	1.3%	-7.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	771.3	1,025	1,356	1,612
% change		*32.9%*	*32.2%*	*18.9%*
EBITDA	227	307	406	492
EBIT	197.4	271.0	359.0	435.6
% change		*37.3%*	*32.5%*	*21.3%*
Net income	163.8	226.1	296.1	361.7
% change		*38.0%*	*31.0%*	*22.2%*

	2015	2016e	2017e	2018e
Operating margin	25.6	26.4	26.5	27.0
Net margin	18.5	26.6	19.4	20.0
ROE	11.1	18.5	15.3	16.0
ROCE	29.5	25.6	28.4	31.1
Gearing	-54.1	-35.6	-36.7	-40.5

(EUR)	2015	2016e	2017e	2018e
EPS	1.33	1.83	2.40	2.93
% change	-	*38.0%*	*31.0%*	*22.2%*
P/E	31.2x	22.6x	17.3x	14.1x
FCF yield (%)	2.6%	3.7%	3.2%	4.8%
Dividends (EUR)	0.13	0.14	0.15	0.16
Div yield (%)	0.3%	0.3%	0.4%	0.4%
EV/Sales	5.7x	4.5x	3.3x	2.7x
EV/EBITDA	19.4x	15.0x	11.0x	8.7x
EV/EBIT	22.4x	16.9x	12.5x	9.9x

Wirecard just published its audited Q3 earnings results. Revenues (+33.2% Y/Y, +20% lfl) and EBITDA margin (30.5%) were already known thanks to preliminary figures on 26th October 2016. Over the first nine months, the group registered Y/Y growth of 36% and 30% lfl in transaction volumes processed (vs. +32.8% in H1). Management is expecting a positive business development in Q4 and confirmed its most recent FY 2016 guidance, i.e. EBITDA of between EUR298m and EUR312m (BG est. EUR306.8m; cons.: EUR303.6m). It also gave a first EBITDA guidance range for 2017, namely between EUR382 and EUR400m (vs. BG EUR406.5m and cons. EUR386.8m). We maintain our Buy rating and FV of EUR58. The stock is on our Q4 Top Pick List.

ANALYSIS

- **Q3 earnings results (audited): 1)** revenue came in at EUR267.6m i.e. +33.2% Y/Y and +20% lfl (vs. our EUR263.1m); **2)** transaction volumes processed were at EUR16.2bn (+37% Y/Y, +31% lfl), breaking down into 68% Europe and 32% outside Europe; **3)** EBITDA of EUR81.5m i.e. a margin of 30.5%, +60bp (vs. our EUR79.7m, margin of 30.3%); **4)** adjusted EBIT of EUR70.7m i.e. a margin of 26.4%, +30bp; and **5)** EPS of EUR0.40, i.e. +29% Y/Y.

- **As a result, over the first nine months of 2016**: revenues grew by 33.0% Y/Y and by 20% lfl to EUR719.4m, with an EBITDA of EUR213.9m (margin of 29.7%, +40bp), an EBIT of EUR162.0m (margin of 22.5%, +50bp), an adjusted EBIT of EUR184.7m (margin of 25.7%, +40bp) and EPS of EUR1.75 (vs. EUR0.80 last year). Adjusted cash flow from operating activities stood at EUR179.2m (+34.4% Y/Y). Over this nine-month period, the group registered Y/Y growth of 36.2% and +30% lfl in transaction volumes processed to EUR43.6bn, including +69% outside Europe (representing 31% of the volume processed). As a reminder, this was a very good indication of the health of its top-line and, consequently, of its profitability as it is a fixed-cost structure business (~55%e, which corresponds to its cost of sales).

- **FY16 guidance:** Management expects a positive business development in Q4 and confirmed its most recent guidance, namely for EBITDA of between EUR298m and EUR312m. The midpoint of EUR305m compares with our est. of EUR306.8m and Thomson Reuters consensus of EUR303.6m.

- **First FY17 EBITDA guidance:** Wirecard's management gave its a range of EUR382-400m (midpoint of EUR291m) vs. cons. of EUR386.8m and BG est. of EUR406.5m. The EBITDA midpoint is based on an organic growth of 24% and >EUR13.0m contribution from Citi prepaid (USD20m and integration costs of USD5m). As usual, at this early stage, Wirecard is very cautious. In recent years, the group has regularly raised its EBITDA guidance (several times during the year) and for two years now it has published EBITDA above its initial guidance range. As a result, we are confident in our forecast.

- **We maintain our last upgraded estimates:** We have FY16e revenue of EUR1,025.2m i.e. +32.9% Y/Y and +20.3% lfl (cons. EUR1,018.4m, +32.0% Y/Y), EBITDA of EUR306.8m i.e. margin of 29.9% +40bp (cons.: EUR303.6m) and restated net income of EUR226.1m i.e. margin of 22.1%, +90bp. Since the recent acquisition of Citi Prepaid Card Services in the US (to be consolidated in Q4), Wirecard is now formally a global issuing and acquiring payment services provider. A number of US investors are rumoured to be looking at the stock simply because it recently acquired this business from Citi (add weight to the quality of Wirecard). By increasing its size, Wirecard should mechanically improve its margins.

VALUATION

- We maintain our **Buy recommendation** and **FV of EUR58**. The stock is on our **Q4 Top Pick list**.

- Wirecard's EV/EBITDA over 12 rolling months is at only 12.0x. Over the same period, its **P/E is also very appealing at 18.6x compared with restated EPS growth of +32.7%.**

NEXT CATALYSTS

- **Q3 conference call:** today at 1:00pm.

. *Click here to download*

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Healthcare

Morphosys

Price EUR48.24

Positive Phase II for guselkumab in psoriatic arthritis + EUR115m in a private placement

Fair Value EUR64 (+33%) **BUY**

Bloomberg	MOR GR
Reuters	MORG.DE
12-month High / Low (EUR)	60.8 / 33.2
Market Cap (EURm)	1,280
Avg. 6m daily volume (000)	113.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	16.7%	20.0%	6.6%	-16.3%
Healthcare	-3.1%	-8.7%	-3.2%	-13.6%
DJ Stoxx 600	-0.2%	-2.0%	1.3%	-7.3%

	2015	2016e	2017e	2018e
P/E	84.6x	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

ANALYSIS

Janssen yesterday presented some very positive Phase IIa data regarding guselkumab (an anti-IL23p19) in psoriatic arthritis (n=149 patients). The efficacy data are very encouraging, and appear to be very competitive with some of the most recent mechanisms of action (i.e. NVS' Cosentyx) in this disease (1/ ACR20 of 58% vs 18.4% for the placebo (p<0.001); 2/ PASI100 of 39.8% vs 6.3% (p<0.001)). We will see how the pivotal studies will perform, but overall these data tend to confirm that guselkumab could be as potent and safe as IL-17 blockers while benefitting from a more flexible administration schedule (once every two months) in a range of auto-immune diseases.

The company also announced they raised EUR115m in a private placement last night (via an accelerated book building; 2.6m of new shares issued at a price of EUR44, implying a 9% discount compared to yesterday's closing). The proceeds are to be used to fund the advancement of its proprietary pipeline (e.g. MOR202, MOR208 and MOR209)… But also some potential in-licensing of acquisitions of product candidates. Note that 1/ BFV Partners was said to have placed an order of 1.2m shares (EUR52.8m) in the very first press release; 2/ the new shares will be subject to a customary lock-up of up to 90 days.

VALUATION

BUY reiterated with a FV of EUR64 knowing that 1/ we have raised our PoS for guselkumab in psoriatic arthritis (50% vs 35%); and 2/ included the discounted new shares in our SOTP.

NEXT CATALYSTS

Q4 2016: Janssen to submit a BLA for guselkumab in plaque psoriasis.

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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 55.4% NEUTRAL ratings 33.1% SELL ratings 11.5%

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