Please find our Research on Bloomberg BRYG <GO>)

17th November 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18868.14	-0.29%	+8.28%
S&P 500	2176.94	-0.16%	+6.51%
Nasdaq	5294.58	+0.36%	+5.73%
Nikkei	17862.63	+0.00%	-6.15%
Stoxx 600	338.471	-0.20%	-7.47%
CAC 40	4501.14	-0.78%	-2.93%
Oil /Gold			
Crude WTI	45.57	-0.52%	+22.50%
Gold (once)	1225.91	+0.05%	+15.39%
Currencies/Rates			
EUR/USD	1.06745	-0.50%	-1.74%
EUR/CHF	1.07265	-0.10%	-1.36%
German 10 years	0.221	-3.97%	-65.13%
French 10 years	0.756	+3.53%	-22.91%

Economic releases :

Date	
17th-Nov	10h30 GB - retail Sales oct. (5.4% E) 11h00 EUZ - CPI Oct. (E 0.3% m/m, 0.5% y/y) 11h00 EUZ - Core CPI Oct. (0.8% E) 14h30 US - Housing Starts Oct. (10.8% E) 14h30 US - Building permits Oct. (-2.5% E) 14h30 US - CPI Oct. (1.6% E y/y)

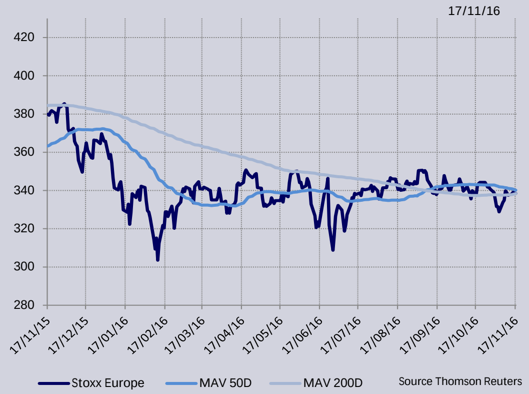
Upcoming BG events :

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	
16th-Nov	VEOLIA ENVIRONNEMENT EBITDA growth remains the key driver
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

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



AHOLD DELHAIZE — BUY, Fair Value EUR25 (+21%)

Q3 2016 (first take): in line but soft outlook

Consolidated figures worked out in line with expectations (EUR14.55 bn PF sales / +2.9% at cc) although this was mainly driven by the Netherlands (20% of sales) and Central & SEE (9%), whose commercial performances were higher than expected, while US sales (63%) turned out to be sluggish (~+0.7% LFL vs ~1.3% e). In fact, the US trading environment remains challenging with ongoing deflation and competitive pressure in the market. Management even indicated that the deflationary environment in relation to food sales in the United States should continue at current levels through the fourth quarter. We have to admit that the outlook is not very engaging.

CRH — BUY, Fair Value EUR34,8 (+10%)

CRH trading update: guidance reiterated.

CRH has reported its Q3 trading update this morning, with a 6% increase in 9M revenue (proforma) to end-September at EUR20.4bn. This shows a significant but expected slowdown in growth in Q3 (+2%) versus a very strong H1 (+8%), mostly explained by the Americas. We observed similar trends at the EBITDA level with +9% in Q3 after +20% in H1. FY16 EBITDA guidance confirmed (>EUR3bn). Our estimates, as well as the consensus, are not impacted. Conference call at 9.30 CET.

HUGO BOSS — NEUTRAL, Fair Value EUR70 vs. EUR74 (+28%)

CMD Feedback: first meaningful results to be seen in 2018

To cope with profound changes in the apparel industry and further to the immediate actions launched this year, Hugo Boss has announced four main initiatives, the two most important being: (i) the focus on two brands (BOSS and HUGO) and (ii) a global pricing harmonisation with a maximum 30% price difference between Europe and Asia by 2018. In view of lead time of up to 12 months, "2017 will be a year of transition" and the acceleration is expected for 2018. The market, which was expecting a faster turnaround, was disappointed but the correction yesterday (-10.2%), exaggerated in our view, should be seen in perspective, given the 25% rally since the 7th October. We revise down our FY17-18 assumptions by 4% on average, leading to a new FV of EUR70 vs. EUR74.

SODEXO — NEUTRAL, Fair Value EUR92 (-7%)

First take FY results: Disappointing top line growth but operating in line. New share buyback. Short term challenging.

Top line growth disappointed with organic growth at 2.5% vs around 3% guidance and expected by consensus i.e. broadly flat in Q4 alone. Nevertheless, underlying operating result was in line representing an operating margin of 5.9%, up 30bps a reflecting positive impact from the Adaptation and Simplification programme. With a still confortable balance sheet and cash flow generation, management will propose a new share buyback programme of EUR300m. The short-term outlook remains challenging but management is confident it can generate 3% organic revenue growth and 8-9% growth in underlying operating result. Medium term guidance confirmed (organic revenue growth between 4% and 7% with growth in underlying operating result of 8-10%. Neutral opinion confirmed.

CAR PART MANUFACTURERS

Flat demand in European passenger car registrations for October

ACEA reported this morning that European PC registrations were flat at -0.02% compared with last year, at 1.1m units, after rising 7.2% YoY in September. Growth was driven by Italy, Spain and the UK, while Germany and France posted negative sales performances due notably to an unfavourable base effect. The market is still up 7.2% since the beginning of the year, suggesting that the +4.5% growth we expect for the full year (PC+LCV) could be timid.

SOFTWARE AND IT SERVICES

Syntec Numérique analysts' meeting: still rosy prospects for French IT

Yesterday the French association of IT companies Syntec Numérique held an analysts' meeting in Paris. Market growth expectations for 2016 have been revised upwards slightly (+2.8% vs. +2.6%) essentially thanks to a better-than-expected upturn in High-tech Consulting. The forecast for 2017 confirms the improvement in market conditions but denotes no frank acceleration ahead (+3%). We expect a limited impact on our stocks under coverage.

In brief...

LVMH, ***Light share buy back (EUR300m)***

STMICROELECTRONICS, ***Bpifrance to raise its stake by 2.2%; no impact on the 50%/50% French/Italian equilibrum***

WIRECARD, ***Key points to take away from yesterday's conference call***

ZURICH INSURANCE GROUP, ***2019 targets: strong commitment on the dividend / payout ratio***

Food retailing

Ahold Delhaize

Price EUR20.60

Bloomberg	AD NA
Reuters	AD.AS
12-month High / Low (EUR)	22.1 / 18.4
Market Cap (EURm)	26,388
Ev (BG Estimates) (EURm)	28,166
Avg. 6m daily volume (000)	4 001
3y EPS CAGR	ns

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.7%	-5.4%	4.6%	5.8%
Food Retailing	1.6%	2.6%	0.5%	-0.7%
DJ Stoxx 600	-0.2%	-2.0%	1.3%	-7.3%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	NM	60,881	62,936	64,176
% change		*ns*	*3.4%*	*2.0%*
EBITDA	NM	3,862	4,196	4,473
EBIT	NM	1,899	2,189	2,532
% change		*ns*	*15.3%*	*15.6%*
Net income	0.0	1,410	1,530	1,726
% change		*NM*	*8.5%*	*12.8%*

	2014	2015e	2016e	2017e
Operating margin	NM	3.5	3.9	4.2
Net margin	NM	2.3	2.4	2.7
ROE	NM	NM	NM	NM
ROCE	NM	8.0	9.1	10.1
Gearing	NM	19.2	12.3	5.2

(EUR)	2014	2015e	2016e	2017e
EPS	NM	1.11	1.20	1.36
% change	-	*ns*	*8.5%*	*12.8%*
P/E	x	18.6x	17.1x	15.2x
FCF yield (%)	%	6.3%	5.3%	6.2%
Dividends (EUR)	NM	NM	0.53	0.64
Div yield (%)	%	%	2.6%	3.1%
EV/Sales	x	0.5x	0.4x	0.4x
EV/EBITDA	x	7.3x	6.5x	5.9x
EV/EBIT	x	14.8x	12.5x	10.4x

Q3 2016 (first take): in line but soft outlook

Fair Value EUR25 (+21%) **BUY**

Consolidated figures worked out in line with expectations (EUR14.55 bn PF sales / +2.9% at cc) although this was mainly driven by the Netherlands (20% of sales) and Central & SEE (9%), whose commercial performances were higher than expected, while US sales (63%) turned out to be sluggish (~+0.7% LFL vs ~1.3% e). In fact, the US trading environment remains challenging with ongoing deflation and competitive pressure in the market. Management even indicated that the deflationary environment in relation to food sales in the United States should continue at current levels through the fourth quarter. We have to admit that the outlook is not very engaging.

Main consolidated figures

1/ Pro forma net sales increased by 2.6% to EUR14.55bn (vs EUR14.55bn e) and +2.9% at cc

2/ Pro format underlying EBIT worked out at EUR513m (vs EUR516m e)

In detail

In the US (63% of PF sales and ~62% of profitability): LFL excl. gas increased **+0.3% (vs +0.9%** e) at Ahold US, supported by positive volume growth resulting from investements in the value proposition partly offset by deflation. The PF underlying operating margin worked out at **3.9% (vs 4.0%** e), down 20bp. LFL sales growth increased **+1.3% (vs 1.8% e)** at Delhaize USA with positive LFL and volumes at both Hannaford and FL. The PF underlying operating margin reached **3.5% (vs 3.7% e)**, down 30bp.

In the Netherlands (20% of PF sales and ~23% of profitability): LFL sales increased **3.3% (vs +2.6% e)**, supported by Albert Heijn (still positively impacted by innovations with, notably, a focus on health) and continued strong online sales growth (>30%). The underlying operating margin was **4.4% (vs 4.5% e)**, down 20bp (decline driven by a higher dilutive impact of Bol.com in line with investment plans to accelerate growth - as a reminder Amazon recently arrived in the Netherlands…).

In Belgium (8% of PF sales and ~4% of profitability): LFL sales increased **+1.3% (vs +1.6% e)**, driven by inflation and a good performance in the affiliated network (while volume growth remained negative at the integrated stores). Supported by the implementation of the Transformation Plan, underlying operating profit reached **+2.0% (vs +1.9% e)**, up +90bp.

In Central and South Eastern Europe (9% of PF sales and ~10% of profitability): LFL sales growth excl. gas increased **+6.0% (vs +4.3% e)**, a performance mainly driven by Greece and Romania, while growth was about flat in Czech Republic and Serbia. The underlying operating margin increased 60bp and reached **4.2% (vs 3.9% e)**.

ANALYSIS

- On the whole, consolidated figures worked out in line with expectations. Note however that this was mainly due to the Netherlands (20% of consolidated sales) and Central & SEE (9%), whose commercial performances were higher than expected (+0.6% and +1.5% above respectively), while the US turned out to be soft (~+0.7% LFL vs ~1.3% e).
- In fact, the trading environment remains challenging in the USA (63% of consolidated sales) with ongoing delation and competitive pressure in the market. Management even indicated that the deflationary environment in relation to food sales in the United States should continue at current levels through the fourth quarter. The outlook is not very engaging.
- For the full year, AD expects PF underlying operating profit margin for the group to be broadly in line with the YtD performance (i.e. 3.6% vs 3.7% e) and slightly ahead of last year. It continues to expect 2016 FCFto be EUR1.3bn (in line), including expected capital expenditure of EUR1.8bn.

VALUATION & NEST CATALYSTS

- 2017 P/E of 15x vs ~16.5x for peers
- CMD in London on 7th December 2016

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Construction & Building Materials

CRH

Price EUR31.50

CRH trading update: guidance reiterated.

Fair Value EUR34,8 (+10%) **BUY**

Bloomberg	CRH.ID
Reuters	CRH.I
12-month High / Low (EUR)	32.5 / 21.0
Market Cap (EURm)	26,198
Ev (BG Estimates) (EURm)	31,833
Avg. 6m daily volume (000)	1 609
3y EPS CAGR	36.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.1%	8.4%	22.0%	17.4%
Cons & Mat	-0.8%	-0.4%	6.0%	4.1%
DJ Stoxx 600	-0.4%	-1.4%	1.1%	-7.5%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	23,635	27,956	28,925	30,521
% change		*18.3%*	*3.5%*	*5.5%*
EBITDA	2,416	3,117	3,336	3,667
EBIT	1,321	2,116	2,335	2,666
% change		*60.2%*	*10.3%*	*14.2%*
Net income	684.5	1,281	1,495	1,739
% change		*87.2%*	*16.7%*	*16.3%*

	2015	2016e	2017e	2018e
Operating margin	5.6	7.6	8.1	8.7
Net margin	3.1	4.7	5.4	6.0
ROE	5.4	9.1	10.1	10.8
ROCE	4.1	6.4	7.1	8.2
Gearing	48.9	41.1	30.5	19.5

(EUR)	2015	2016e	2017e	2018e
EPS	0.84	1.56	1.82	2.11
% change	-	*85.4%*	*16.7%*	*16.3%*
P/E	37.5x	20.3x	17.4x	14.9x
FCF yield (%)	5.5%	2.9%	4.8%	5.8%
Dividends (EUR)	0.63	0.63	0.63	0.63
Div yield (%)	2.0%	2.0%	2.0%	2.0%
EV/Sales	1.4x	1.1x	1.1x	1.0x
EV/EBITDA	13.4x	10.2x	9.2x	8.0x
EV/EBIT	24.6x	15.0x	13.2x	11.0x

CRH has reported its Q3 trading update this morning, with a 6% increase in 9M revenue (proforma) to end-September at EUR20.4bn. This shows a significant but expected slowdown in growth in Q3 (+2%) versus a very strong H1 (+8%), mostly explained by the Americas. We observed similar trends at the EBITDA level with +9% in Q3 after +20% in H1. FY16 EBITDA guidance confirmed (>EUR3bn). Our estimates, as well as the consensus, are not impacted. Conference call at 9.30 CET.

ANALYSIS

- Proforma revenues rose 2% in Q3 and 6% over 9M (vs our FY estimates of 3%). 9M sales stood at EUR20.4bn. The Americas were slightly less dynamic than in H1, which benefited from a very good weather impact. For Europe, CRH underlined some recovery in some markets, while the impact of Brexit on trading appears to be limited so far (on the heavy-side).
- Proforma EBITDA rose 9% in Q3 and 14% over 9M (vs 11% estimated for the FY). Margins continued to improve in all regions.
- CRH has confirmed its guidance for FY 2016 EBITDA above EUR3bn.

Key figures

Proforma basis	REVENUES			EBITDA		
%	H1 y/y PF	Q3 y/y	9M	H1 y/y PF	Q3 y/y	9M
EUROPE	3	4	4	5	5	5
AMERICA	13	1	8	39	11	21
ASIA	4	3	4	7	8	7
Total	**8**	**2**	**6**	**20**	**9**	**14**

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

VALUATION

- Fair Value of EUR34.8 derived from the application of 10x to our 2018 estimates, discounted back

NEXT CATALYSTS

- FY 2016 results to be released on 2nd March 2017

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Return to front page

Hugo Boss

Price EUR54.75

CMD Feedback: first meaningful results to be seen in 2018

Fair Value EUR70 vs. EUR74 (+28%) **NEUTRAL**

Bloomberg	BOSS GR
Reuters	BOSG_p.DE
12-month High / Low (EUR)	87.0 / 46.4
Market Cap (EUR)	3,854
Ev (BG Estimates) (EUR)	4,002
Avg. 6m daily volume (000)	424.2
3y EPS CAGR	-5.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.6%	-5.5%	-1.7%	-28.5%
Pers & H/H Gds	-5.1%	-7.8%	-3.9%	-4.6%
DJ Stoxx 600	-0.4%	-1.4%	1.1%	-7.5%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2,809	2,700	2,752	2,862
% change		*-3.9%*	*1.9%*	*4.0%*
EBITDA (rep.)	590	416	489	520
EBIT (rep.)	447.7	262.6	330.3	355.1
% change		*-41.3%*	*25.8%*	*7.5%*
Net income	319.3	193.5	245.7	267.6
% change		*-39.4%*	*27.0%*	*8.9%*

	2015	2016e	2017e	2018e
EBIT margin	15.9	9.7	12.0	12.4
Net margin	11.4	7.2	8.9	9.3
ROE	33.4	20.8	24.7	26.0
ROCE	29.6	16.9	21.1	22.1
Gearing	9.9	15.9	9.9	8.9

(EUR)	2015	2016e	2017e	2018e
EPS	4.67	3.51	3.61	3.93
% change	-	*-25.0%*	*3.1%*	*8.8%*
P/E	11.7x	15.6x	15.1x	13.9x
FCF yield (%)	7.4%	5.6%	5.8%	5.8%
Dividends (EUR)	3.62	2.24	2.85	3.10
Div yield (%)	6.6%	4.1%	5.2%	5.7%
EV/Sales	1.4x	1.5x	1.4x	1.4x
EV/EBITDA	6.7x	9.6x	8.1x	7.6x
EV/EBIT	8.8x	15.2x	12.0x	11.1x

To cope with profound changes in the apparel industry and further to the immediate actions launched this year, Hugo Boss has announced four main initiatives, the two most important being: (i) the focus on two brands (BOSS and HUGO) and (ii) a global pricing harmonisation with a maximum 30% price difference between Europe and Asia by 2018. In view of lead time of up to 12 months, "2017 will be a year of transition" and the acceleration is expected for 2018. The market, which was expecting a faster turnaround, was disappointed but the correction yesterday (-10.2%), exaggerated in our view, should be seen in perspective, given the 25% rally since the 7th October. We revise down our FY17-18 assumptions by 4% on average, leading to a new FV of EUR70 vs. EUR74.

ANALYSIS

Profound changes in the industry and HB weaknesses. Besides challenging apparel market conditions, the group's management also admitted that **(i)** current brand positioning was unclear to consumers because of an overly aggressive premiumisation strategy and a lack of differentiation (identity, pricing, distribution) between BOSS, Green, Orange and HUGO, **(ii)** distribution and pricing strategies did not fit with the new industry's paradigm, **(iii)** it neglected the digital revolution and **(iv)** complex internal decision-making processes led to organizational inertia.

Refocus on two brands and Menswear. In challenging times, groups refocus on their core brands/categories where their legitimacy is the strongest and Hugo Boss is no exception to this trend. Marketing and human resources will be rebalanced to **Menswear** (~89% of sales). From now on, HB will concentrate on its BOSS core brand that will absorb Green and Orange and HUGO (10% of sales). The latter will be at the forefront of the group's strategy to rejuvenate its customer base and expand presence in casual wear. Although HUGO's price positioning will be 30% lower than BOSS, management emphasized several times that HUGO would not be a BOSS' accessible sub-brand, but will be independent with a distinctive positioning (premium), customer target and communication channels. It is worth saying that BOSS and HUGO will be present in retail and wholesale channels, meaning the **end of the category migration** implemented over the past two years.

Price harmonisation to reduce harmful imbalances. A growing presence online goes along with a transparent and coherent global pricing architecture. Hence, prices in some European markets were increased such as Germany in Q3 (DD increase) that was 30% below France, and prices in Asia will be further reduced (mid-teens %). By the end of 2018, compared to Europe, prices in Americas should not be higher than 20% and the maximum price difference with Asia should be 30%. While this future price architecture would be better perceived by consumers, also helped by the refocusing on two brands, the DD increase in Germany (17% of sales) is not without risk in light of a challenging apparel market (-3% ytd) with value-driven consumers

How this strategic plan will be implemented in the US (19% of sales) and China (8%). Despite tough market conditions, the newly-appointed CEO for the **US** also acknowledged that mistakes had been made such as overly ambitious brand elevation, neglecting the Millennial generation and the online channel. As such, the group has decided: **(i)** to restore entry-level price points in the upper premium segment (=> reconquer its core customer base), **(ii)** to decrease the share of the off-price wholesale channel to less than 10% from 22% in 2015 (=> low DD decline in wholesale expected in 2017) and **(iii)** expand the online channel with the help of Mr Lloyd-Williams, Director of Digital Transformation since September 2016. In **China**, brand equity remained strong and the weak performance was mostly due to the adverse market conditions. The first price adjustment already showed promising results this year, the group will focus on enhancing the brand communication and of course, the digital platform.

Putting some figures in front of these initiatives. According to CEO Mark Langer, the four fields of action will imply a lead time of up to 12 months, this is why 2017 will be a "year of transition". The global price harmonisation will have a neutral impact at the group level but the US distribution upgrade will hamper sales growth and limits any margin upside potential in 2017. Consequently we are reducing our FY17 adj. EBITDA assumptions by 4%. As a reminder, the 20 unprofitable stores should be all closed by the end of 2017, implying a full positive impact in 2018.

(To be continued next page)

VALUATION

The FCF generation is expected to remain stable this year as the fall in EBITDA will be offset by the decline in capex investments (EUR160-180m vs. EUR220m in 2015). The historical 60-80% dividend policy was reconfirmed but the group's management did not communicate any precise range for 2016 as he is currently assessing the FCF needed to finance these initiatives (BG ests: 80%)

In light of the roadmap communicated by the Group yesterday (2017: "year of transition" / 2018: "return to growth and acceleration"), we believe that CS numbers should be revised down by no more than 3-4%, in the same range than our adjustments. Hence, we believe that the correction yesterday was quite exaggerated.

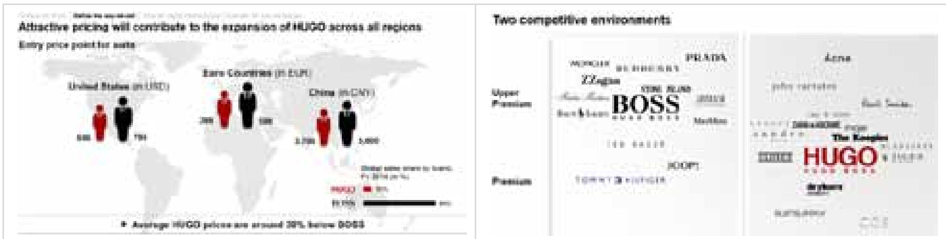
Our new FV of EUR70 vs. EUR74 reflects our new estimates. Neutral recommendation confirmed as we believe it is too soon to play the successful turnaround (as highlighted by the company's roadmap) and the visibility remains limited.

NEXT CATALYSTS

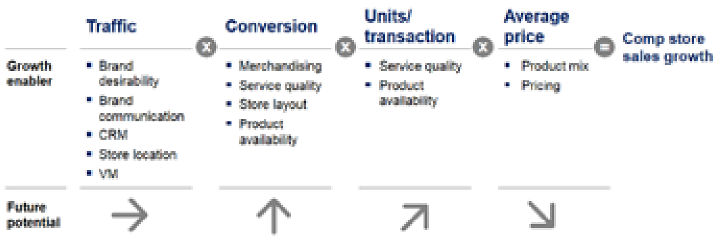
FY16 Sales to be reported in February 2017.

Strategic Plan: Four field of action with a lead time of up to 12 months:

Pricing strategy: HUGO brand will be positioned around 30% below BOSS



Hugo Boss' equation to restore comparable growth with the new brand and merchandising strategy:



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Business Services

Sodexo

Price EUR98.81

First take FY results: Disappointing top line growth but operating in line. New share buyback. Short term challenging.

Fair Value EUR92 (-7%) **NEUTRAL**

Bloomberg	SW FP
Reuters	EXHO.PA
12-month High / Low (EUR)	107.7 / 79.9
Market Cap (EUR)	15,191
Ev (BG Estimates) (EUR)	15,916
Avg. 6m daily volume (000)	199.7
3y EPS CAGR	7.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.1%	-5.5%	10.3%	9.6%
Travel&Leisure	2.4%	-2.5%	-6.2%	-16.8%
DJ Stoxx 600	-0.4%	-1.4%	1.1%	-7.5%

YEnd Aug. (EURm)	08/15	08/16e	08/17e	08/18e
Sales	19,815	20,386	21,481	22,305
% change		*2.9%*	*5.4%*	*3.8%*
EBITDA	1,396	1,470	1,589	1,685
EBIT	1,143	1,205	1,309	1,396
% change		*5.5%*	*8.6%*	*6.6%*
Net income	700.0	707.6	776.0	850.6
% change		*1.1%*	*9.7%*	*9.6%*

	08/15	08/16e	08/17e	08/18e
Operating margin	5.8	5.9	6.1	6.3
Net margin	3.5	3.5	3.6	3.8
ROE	19.5	23.3	18.4	19.1
ROCE	28.6	29.6	31.7	33.0
Gearing	10.2	23.0	-5.9	-11.2

(EUR)	08/15	08/16e	08/17e	08/18e
EPS	4.60	4.75	5.21	5.71
% change	-	*3.2%*	*9.7%*	*9.6%*
P/E	21.5x	20.8x	19.0x	17.3x
FCF yield (%)	4.5%	4.2%	4.8%	5.8%
Dividends (EUR)	2.20	2.37	2.60	2.85
Div yield (%)	2.2%	2.4%	2.6%	2.9%
EV/Sales	0.8x	0.8x	0.7x	0.7x
EV/EBITDA	11.2x	10.8x	9.4x	8.7x
EV/EBIT	13.6x	13.2x	11.4x	10.5x

Top line growth disappointed with organic growth at 2.5% vs around 3% guidance and expected by consensus i.e. broadly flat in Q4 alone. Nevertheless, underlying operating result was in line representing an operating margin of 5.9%, up 30bps a reflecting positive impact from the Adaptation and Simplification programme. With a still confortable balance sheet and cash flow generation, management will propose a new share buyback programme of EUR300m. The short-term outlook remains challenging but management is confident it can generate 3% organic revenue growth and 8-9% growth in underlying operating result. Medium term guidance confirmed (organic revenue growth between 4% and 7% with growth in underlying operating result of 8-10%. Neutral opinion confirmed.

ANALYSIS

- **Disappointing top line growth**: With FY revenue of EUR20,245m up 2.2% in reported terms with organic growth of 2.5%, this is definitely lower than management's guidance for organic growth of around 3% provided after 9m revenue in early July (the consensus was at 3% with consolidated revenue of EUR20,386m). This result implies a significant slowdown in Q4 with organic growth of -0.1% after 2.6% in Q3 and Q2 after 4.7% in Q1 with a positive impact from RWC (positive impact of 0.6% on FY growth). By business, FY organic growth for the **OSS** reached 2.4% i.e. down 0.2% in Q4 alone and up 4.7% in **Benefits & Rewards Services** i.e.1.4% in Q4.
- **An adaptation and simplification programme that delivers results:** In fact, despite lower revenue growth, underlying operating result amounted to EUR1,203m up 8.2% in line with expectations (consensus at EUR1,193m and BG at EUR1,206m) representing an operating margin of 5.9% up 30bps. In fact, the Adaptation and Simplification plan is paying off having delivered EUR32m in savings in its first year. Note that the plan is being implemented over the period from September 2015 to February 2017 at a total cost of EUR200m with 100% annual payback in FY2018.
- **Strong cash flow generation**: Despite the share buyback programme of EUR300m announced last year and completed at the end of 9m 2016 and investments, the group's financial leverage is broadly stable at 0.3x (0.2x in 2015). As such, management will propose a new share buyback programme of EUR300m.
- **Outlook challenging especially in H1**: Following the disappointing Q4 and comps, H1 2016-17 is set to be challenging. Nevertheless, management is guiding for organic growth of around 3% for FY (BG at 3.3% as consensus). Regarding underlying operating profit, growth is expected between 8% to 9% i.e. around EUR1.300m (BG at EUR1,297m and consensus at EUR1,285m).

VALUATION

- At the current share price, the stock is trading on 2017e and 2018e EV/EBIT multiples of 11.4x and 10.5x compared with a median historical level of 10.9x and 2016-18 CAGR of EBIT of 7.6%. 2017e and 2018e EPS capitalise at respectively 19x and 17.3x compared with 2016-18 CAGR of EPS of 9.6%.
- Having announced that the share buyback programme launched in November 2015 for EUR300m was completed in Q3 2016, management will propose a new one of the same amount of EUR300m (1.9% on current market capitalisation) for cancellation purposes. With financial leverage of 0.3x and debt coverage of 2.5years, the group would have room to return more cash.

NEXT CATALYSTS

- Conference call at 9.00am (Paris time)
- Q1 2016-17 revenue on 12th January 2017

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Sector View

Car Part Manufacturers

Flat demand in European passenger car registrations for October

	1 M	3 M	6 M	31/12/15
Auto & Parts	0.7%	0.8%	2.9%	-13.0%
DJ Stoxx 600	-0.4%	-1.4%	1.1%	-7.5%

*Stoxx Sector Indices

Companies covered

FAURECIA		**BUY**		**EUR47**
Last Price	EUR31.545	*Market Cap.*		EUR4,350m
HELLA		**BUY**		**EUR45**
Last Price	EUR34.05	*Market Cap.*		*EUR3,783m*
PLASTIC OMNIUM		**BUY**		**EUR36**
Last Price	EUR27.805	*Market Cap.*		*EUR4,240m*
VALEO		**NEUTRAL**		**EUR49**
Last Price	EUR49.95	*Market Cap.*		*EUR11,907m*

ACEA reported this morning that European PC registrations were flat at -0.02% compared with last year, at 1.1m units, after rising 7.2% YoY in September. Growth was driven by Italy, Spain and the UK, while Germany and France posted negative sales performances due notably to an unfavourable base effect. The market is still up 7.2% since the beginning of the year, suggesting that the +4.5% growth we expect for the full year (PC+LCV) could be timid.

ANALYSIS

- **Main figures to retain:** ACEA reported this morning that European PC registrations were flat **at -0.02%** compared with last year totalling **1.1m units**. Results were diverse among the major markets, with **Italy** *(+9.7%)*, **Spain** *(+4.0%)* and the **United Kingdom** *(+1.4%)* posting growth, while **Germany** *(-5.6%)* and **France** *(-4.0%)* performing less well than one year ago due notably to an unfavourable comparison basis and negative calendar effect. The market is still up 7.2% YTD at 11.5m units with all EU countries posting growth except the Netherlands. This performance in October reflects a slowdown compared with September when PC registrations rose **7.2% YoY**.
- **FCA, Daimler & Kia were the best performers:** the top 4 carmakers (VW, PSA group, Renault Group and Ford) lost market share in October, with **PSA group** suffering from the lack of interest from customers for its Citroën and DS models (*volumes down respectively 8.9% and 28.5%)*. **FCA group** gained **50pp** of market share (*from 6.2% to 6.7%)* thanks to solid growth from **Lancia/Chrysler** *(+24%)* and from **Alfa Romeo** *(+20%),* while **Daimler** gained **30bp** thanks to **Mercedes,** and **Kia** gained **20bp**. On a YTD basis, the top winner remains Renault with total volumes up **11.5%** thanks to a solid product mix effect (*new Espace, Kadjar and Megane models*) and FCA (+15%).
- **The market is still up 7.2% since the beginning of the year suggesting that the 4.5% growth we expect for the full year (PC+LCV) for Europe as a whole could be timid. Note nevertheless that comparison with the year-earlier period is set to be less favourable in November and December compared with August, September and October.**

VALUATION

- At the current share price, the automotive sector trades at **7.1x** its 2017e EBIT and at **9.9x** its 2017e EPS

NEXT CATALYSTS

- **30th November – Valeo – Lunch with IR @ Bryan Garnier Paris**
- 14th December – Plastivaloire // 2015/16 results
- 11th January – Continental // 2016 preliminary results

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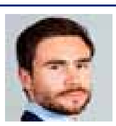

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Sector View

Software and IT Services

Syntec Numérique analysts' meeting: still rosy prospects for French IT

	1 M	3 M	6 M	31/12/15
Softw.& Comp. SVS	-5.4%	-4.1%	5.3%	-0.2%
DJ Stoxx 600	-0.4%	-1.4%	1.1%	-7.5%

*Stoxx Sector Indices

Companies covered

ALTEN		**NEUTRAL**	**EUR57**
Last Price	EUR62,7	*Market Cap.*	*EUR2,112m*
ALTRAN TECHNOLOGIES		**BUY**	**EUR15**
Last Price	EUR12,19	*Market Cap.*	*EUR2,143m*
ATOS		**BUY**	**EUR114**
Last Price	EUR94,06	*Market Cap.*	*EUR9,854m*
AXWAY SOFTWARE		**BUY**	**EUR31**
Last Price	EUR27,5	*Market Cap.*	*EUR572m*
CAPGEMINI		**BUY**	**EUR93**
Last Price	EUR74,41	*Market Cap.*	*EUR12,766m*
CAST		**NEUTRAL**	**EUR3,3**
Last Price	EUR3,37	*Market Cap.*	*EUR54m*
DASSAULT SYSTEMES		**SELL**	**EUR64**
Last Price	EUR69,64	*Market Cap.*	*EUR17,915m*
INDRA SISTEMAS		**NEUTRAL**	**EUR12**
Last Price	EUR9,573	*Market Cap.*	*EUR1,571m*
SAGE GROUP		**SELL**	**690p**
Last Price	660,5p	*Market Cap.*	*GBP7,134m*
SAP		**NEUTRAL**	**EUR82**
Last Price	EUR76,76	*Market Cap.*	*EUR94,300m*
SOFTWARE AG		**BUY**	**EUR40**
Last Price	EUR32,75	*Market Cap.*	*EUR2,587m*
SOPRA STERIA GROUP		**BUY**	**EUR125**
Last Price	EUR95,09	*Market Cap.*	*EUR1,948m*
SWORD GROUP		**BUY**	**EUR32**
Last Price	EUR26,94	*Market Cap.*	*EUR254m*
TEMENOS GROUP		**BUY**	**CHF77**
Last Price	CHF64,4	*Market Cap.*	*CHF4,481m*

Yesterday the French association of IT companies Syntec Numérique held an analysts' meeting in Paris. Market growth expectations for 2016 have been revised upwards slightly (+2.8% vs. +2.6%) essentially thanks to a better-than-expected upturn in High-tech Consulting. The forecast for 2017 confirms the improvement in market conditions but denotes no frank acceleration ahead (+3%). We expect a limited impact on our stocks under coverage.

ANALYSIS

- **2016 slightly above estimates thanks to High-tech Consulting**. Syntec/IDC has upped 2016 forecasts for the French IT market to +2.8% from +2.6% in April, with +2.5% (unchanged) for IT Services, +3.5% (vs. +3.6%) for B2B Software, and +2.8% (vs. +2%) in High-tech Consulting. Improvement was confirmed versus 2015 (+2.1%, with +2% in IT Services, +3.4% in B2B Software and +1% in High-tech Consulting), even though France is still lagging compared to major geographies (US +5.3%, Western Europe +2.8%, Asia Pacific +5.3% - source IDC). In IT Services, the improvement was driven by digital transformation, offshoring (+15.7%, vs. +14% in 2014) and, Systems Integration (+3.7%), Consulting (+3.9%) and Application Outsourcing (+3.7%) - while Application Development & Staffing and Infrastructure Outsourcing are expected to be up 1.5% and 0.5%, respectively. In Software, Applications and Infrastructure are expected to rise 4% and 2.9%, respectively. In High-tech consulting, the forecast was upped thanks to better market conditions in Aerospace.

- **SMACS nurture growth**. Syntec's survey confirms a significant improvement in pipelines, even though there has been a slight downturn in bookings since March 2016, and the executive confidence index in October 2016 was close to its highest levels since March 2011 (vs. 122 in March 2016, 113 in October 2015 and 105 in October 2014). In addition, 84% of CIOs (vs. 79% one year ago) anticipate an increase in external IT spending, while 67% of CIOs see an acceleration in transformation projects (57% for IT infrastructure modernisation). Revenues related to SMACS (Social, Mobility, Analytics, Cloud, Security) are expected to rise 15% and account for 19% of the IT market. In IT Services, growth was led by volumes and offshoring now accounts for 8.4% of the market. In High-tech Consulting, offshoring now accounts for 3% of the market (vs. 2.4% in 2015).

- **Slight acceleration expected for 2017**. For 2017, Syntec/IDC is banking on a market up 3%, with +2.6% in IT Services, +4% in Software, and +3.2% in High-tech Consulting. Software (+3.9% on Applications, +4.1% on Infrastructure) is likely to continue to benefit from SaaS (revenues projected up 21.6%), IT Services (+4.2% in Consulting, +3.8% in Integration, +1.4% in Staffing, +3.5% on Application Outsourcing, +0.3% in Infrastructure Outsourcing) are likely to benefit from SMACS (est. +15% to reach 14.5% of the IT Services market), and High-tech Consulting still sees improving market conditions and significantly improving backlogs.

- **Reminder of our forecasts by company**. In IT Services, on a lfl basis, we cautiously forecast for 2017e for France: +3.4% (vs. +4.5% for 2016e) for Capgemini, +2.5% (vs. +3%) for Atos ex-Worldline, and +6.2% (vs. +7.4%) for Sopra Steria ex-Solutions. In High-tech Consulting, we expect +5% (vs. +6%) for Altran and +4.3% (vs. +3.4%) for Alten.

VALUATION

- European IT Services stocks: est. 10.3x 2016 and 9.4x 2017 EV/EBIT multiples.
- European Software stocks: est. 16.3x 2016 and 14.3x 2017 EV/EBIT multiples.

NEXT CATALYSTS

Sage's FY16 results on 30th November. Accenture's Q1 FY17 results on 21st December.

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Luxury & Consumer Goods

LVMH

Price EUR162.50

Light share buy back (EUR300m)

Fair Value EUR194 (+19%)

BUY

Bloomberg	MC FP
Reuters	LVMH.PA
12-month High / Low (EUR)	168.1 / 131.4
Market Cap (EURm)	82,392
Avg. 6m daily volume (000)	752.8

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.6%	3.4%	12.0%	12.1%
Pers & H/H Gds	-5.1%	-7.8%	-3.9%	-4.6%
DJ Stoxx 600	-0.4%	-1.4%	1.1%	-7.5%

	2015	2016e	2017e	2018e
P/E	22.8x	19.9x	17.9x	16.2x
Div yield (%)	2.2%	2.4%	2.6%	2.9%

ANALYSIS

- LVMH announced yesterday (after market closure) a very light share buyback programme of EUR300m (0.3% of market cap) that begins today until 30th December 2016. We are surprised by this share buyback programme given its small size (0.3%of market cap) and to be honest, consider it almost useless! Each year, LVMH generates around EUR3bn in FCF and distributes close to EUR2bn in dividends, meaning debt reduction is potentially close to EUR1bn each year. In 2015, LVMH net debt was around EUR3bn and management's target was to maintain this level of debt, without ruling out mid-size acquisitions such as Rimowa with a very opportunistic strategy.
- Nevertheless, we and investors are much more focused on group organic growth and the rebound in Q3 (+6% vs +4% in Q2). LV sales grew 7% in Q3 vs +2% in H1. In Q3, LV sales with Chinese clientele was up double digit versus a mid-single digit increase in H1. This rebound stemmed from both Mainland China (+15% in Q3 vs +5% in H1) and HK (down 5% in Q3 vs -15% in H1). We are also quite confident that in Q4 2016, sales momentum should remain positive and we expect sales to grow 5%, in line with the 9m performance.

VALUATION

- The stock is trading on a 10% discount vs the peer average on 2017 EV/EBIT; Buy recommendation and EUR194 FV reiterated.

NEXT CATALYSTS

- FY 2016 results to be reported end January 2017

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TMT

STMicroelectronics

Price EUR8.59

Bpifrance to raise its stake by 2.2%; no impact on the 50%/50% French/Italian equilibrum

Fair Value EUR7.3 (-15%) **NEUTRAL**

Bloomberg	STM FP
Reuters	STM.FR
12-month High / Low (EUR)	8.7 / 4.6
Market Cap (EURm)	7,821
Avg. 6m daily volume (000)	2,314

	1 M	3 M	6 M	31/12/15
Absolute perf.	18.6%	29.3%	81.7%	38.9%
Semiconductors	1.5%	2.6%	33.9%	23.0%
DJ Stoxx 600	-0.4%	-1.4%	1.1%	-7.5%

	2015	2016e	2017e	2018e
P/E	49.2x	34.2x	21.9x	15.8x
Div yield (%)	4.4%	3.2%	3.3%	4.4%

ANALYSIS

- **French public investment bank Bpifrance announced yesterday the acquisition of 2.2% of STMicrorelectronics' capital** (or an investment of about EUR172m at current share price). As such, its individual interest will rise to 13.1%. Note that, until now, the indirect interest of the French state and the Italian state in ST, representing 27.53% of total shares, was split on a 50%-50% basis through an entity named ST Holdings. As such, the French shareholder, representing both Bpifrance and CEA, held 13.8% of ST's shares (of which Bpifrance 10.9% and CEA 2.9%). According to Le Figaro, this would be the results of a repurchase of shares currently held by CEA. As such, it is not supposed to break the 50%-50% equilibrium between the Italian and French shareholders.
- **Bpifrance shows higher interest in the semiconductor industry in 2016.** Bpifrance's interest in STMicroelectronics is the second time the French public investment bank invested in a listed semiconductor company in 2016. Earlier this year, Bpifrance invested EUR36.4m to acquire 14.5% of Soitec's (Neutral, FV EUR0.50) capital.

VALUATION

- Based on our estimates, STMicroelectronics' shares are trading on 2017e EV/Sales and EV/EBIT ratios of 1.2x and 19.2x respectively.

NEXT CATALYSTS

- Late January 2017: FY16 and Q4 results.

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GBP

TMT

Wirecard

Price EUR44.47

Key points to take away from yesterday's conference call

Fair Value EUR58 (+30%) **BUY-Top Picks**

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 31.2
Market Cap (EURm)	5,495
Avg. 6m daily volume (000)	483.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.4%	8.7%	8.7%	-4.4%
Softw.& Comp. SVS	-5.4%	-4.1%	5.3%	-0.2%
DJ Stoxx 600	-0.4%	-1.4%	1.1%	-7.5%

	2015	2016e	2017e	2018e
P/E	33.5x	24.3x	18.5x	15.2x
Div yield (%)	0.3%	0.3%	0.3%	0.4%

ANALYSIS

The interchange impact in 2016 was reiterated: note that this has a negative impact on revenue of ~EUR30m in 2016 (it is exactly what we have in our model) but neutral on COGS and EBITDA, even with a small windfall profit of ~EUR0.5m-1m per quarter.

Wirecard's 2017 EBITDA guidance range is described as a "conservative" outlook (guidance of EUR382m-EUR400m vs. cons. of EUR386.8m and BG est. of EUR406.5m). The midpoint of EUR391m is based on organic growth of 24%, >EUR13.0m contribution from Citi prepaid, and EUR6.2m derived from mobile (vs. EUR5m expected in 2016) which is also conservative.

The profitability expansion in the next few years is set to be driven by growth in the European e-commerce market and additional global growth drivers, the increase in processed transaction volumes with existing/new clients, economies of scale and the contribution from recent acquisitions.

Wirecard has slightly updated its strategic plan (2020 targets), so it now takes into account Citi Prepaid Card (acquisition unveiled after the announcement of its mid-term plan): **1)** transaction volumes would increase from EUR45.2bn to over EUR170bn i.e. CAGR 2015-2020 >+30.3% (vs. over EUR160bn before i.e. CAGR >+28.8%; BG est.: EUR165bn, +29.6%), breaking down into +25% in Europe, +25% in the US, and +40% outside Europe (notably India); **2)** revenues of over EUR2.3bn i.e. CAGR 2015/20 of over +24.4% (vs. over EUR2.1bn before only in organic terms, i.e. CAGR 2015-20 of over +22,2%; BG est.: EUR2.2bn and +23.5% respectively); **3)** EBITDA margin maintained between 30-35% (BG est.: 31.6%); **4)** EBITDA to FCF conversion rate maintained to over 65%, limiting Capex to 7-8% of revenue over the period (BG est.: EUR56.3% and 7.8% respectively) with neutral to negative WCR in the near term. **Management described this 2020 projection as "conservative" on the revenue side and "realistic" on the transaction volume side**.

The next 12 to 18 months are expected to be driven by further dynamics of the digitalisation in several verticals (consumer goods, travel & mobility, digital goods). As a pure online PSP, Wirecard is the prime beneficiary of the global trend of digitalization. And it is also benefiting from the mobile trend at the POS (Apple Pay, Alipay, Orange Cash…) and data driven services (expansion of the payment value chain thanks to these value added services for merchants).

VALUATION

Buy rating and FV of EUR58 maintained (Q4 Top Pick). Even after taking into account yesterday's +7.5% increase in the share price, the stock is only trading at 13.0x its EV/EBITDA over 12 rolling months. And P/E of 20x vs. EPS growth of +32.7% over the same period.

NEXT CATALYSTS

The closing of the Citi Prepaid Card Services deal: expected in December 2016/January 2017 (we have consolidated it as of 1st January 2017 in our model).

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Insurance

Zurich Insurance Group

Price CHF262.60

2019 targets: strong commitment on the dividend / payout ratio

Fair Value CHF270 (+3%) **NEUTRAL**

Bloomberg	ZURN VX
Reuters	ZURN.VX
12-month High / Low (CHF)	272.1 / 196.0
Market Cap (CHFm)	39,530
Avg. 6m daily volume (000)	569.1

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.4%	5.2%	13.4%	1.6%
Insurance	7.2%	9.9%	6.6%	-11.2%
DJ Stoxx 600	-0.4%	-1.4%	1.1%	-7.5%

	2015	2016e	2017e	2018e
P/E	19.8x	10.9x	10.3x	
Div yield (%)	6.5%	6.5%	6.5%	

ANALYSIS

Zurich has just unveiled its 2017-2019 plan. Unsurprisingly we see no strategic breakthrough, as the plan is mainly based on expense savings (USD1.5bn net savings by 2019 compared to 2015 baseline) and technical excellence in both P&C and Life.

The main financial targets are:

1/ An operating ROE in excess of 12% from 2017 (vs. 11.9% for 9M 2016 and a 12-14% target for the previous plan) and growing over the period, with market pressure and lower investment income more than compensated for by technical excellence (1.5-2% expected positive impact) and expense savings (2.5-3% expected positive impact).

2/ Cash remittances in excess of USD9.5bn (vs. >USD10bn expected for the 2014-2016 period) and a solvency ratio (Z-ECM internal model) in the 100-120% range (same as the target of the previous plan and compared to 113% at end-September), leading to a 75% payout ratio target with a CHF17 (= current level) floor.

The commitment on the dividend / payout ratio is positive as there has been a recurring question on Zurich's ability to deliver on its higher-than-average payout ratio. Other announcements are not surprising. We continue to prefer stocks like AXA (Buy, FV EUR29) and Scor (Buy, FV EUR35) to play the current trends on rates and USD.

VALUATION

Based on our current estimates, our SOTP valuation is CHF270.

NEXT CATALYSTS

FY 2016 numbers on 9th February 2017.

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Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

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

Distribution of stock ratings

BUY ratings 55.4% NEUTRAL ratings 33.1% SELL ratings 11.5%

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