Please find our Research on Bloomberg BRYG <GO>)

18th November 2016

# BG's Wake Up Call

| | Last close | Daily chg (%) | Chg YTD (%) |
|---|---|---|---|
| **Indices** | | | |
| Dow Jones | 18903.82 | +0.19% | +8.49% |
| S&P 500 | 2187.12 | +0.47% | +7.01% |
| Nasdaq | 5333.97 | +0.74% | +6.52% |
| Nikkei | 17967.41 | +0.59% | -6.15% |
| Stoxx 600 | 340.599 | +0.63% | -6.89% |
| CAC 40 | 4527.77 | +0.59% | -2.36% |
| **Oil /Gold** | | | |
| Crude WTI | 45.42 | -0.33% | +22.10% |
| Gold (once) | 1228 | +0.17% | +15.59% |
| **Currencies/Rates** | | | |
| EUR/USD | 1.0674 | 0.00 | -1.74% |
| EUR/CHF | 1.07165 | -0.09% | -1.45% |
| German 10 years | 0.197 | -10.78% | -68.89% |
| French 10 years | 0.748 | -1.07% | -23.74% |
| Euribor | - | +-% | +-% |

**Economic releases :**

| Date | |
|---|---|
| 18th-Nov | 8h00 DE - PPI<br>16h00 US - leading indicators<br>19h00 US Baker Hughes Rig count |

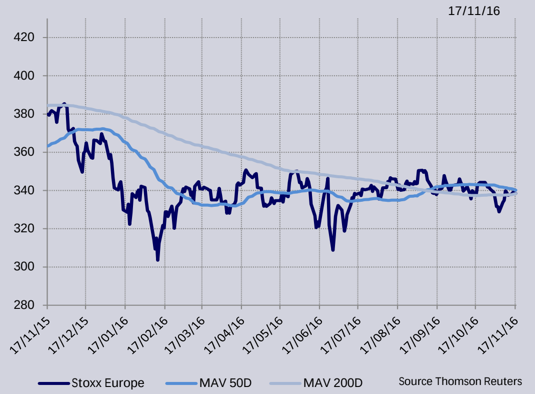
**Upcoming BG events :**

| 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 EUR24 vs. EUR25 (+21%)

*The outlook (deflation in the US) is not engaging*

We have to admit that the outlook provided by Ahold Delhaize (competitive environment and deflation in the US) during its Q3 2016 is not very engaging. Moreover, the consensus (and ourselves as we adjust downward our 2016/18 estimates by 6.7% on average) is struggling to adjust estimates following the merger. Hence, we are still in a period of latency during which we are adopting a more cautious stance. We are looking forward to more details regarding the merger and the strategic plan during the upcoming CMD (7th December).

## PERNOD RICARD — BUY vs. NEUTRAL, Fair Value EUR115 vs. EUR114 (+12%)

*Getting better!*

Organic sales should grow 2.7% in 2016/17, accelerating vs last year (+1.8%) thanks to a recovery in China and Europe while momentum in the United States should remain strong. We upgrade our recommendation to Buy and our Fair Value to EUR115 (full note to follow).

## SODEXO — NEUTRAL, Fair Value EUR92 (-6%)

*Feedback conf. call: Headwinds but margin improvement confirmed*

Q4 2015-16 was challenging especially in France, and the first part of FY 2016-17 should again face headwinds and Ifl revenue growth will be under pressure. Nevertheless, operating is well managed, margins should improve again and financial results should benefit from debt restructuration. In all, after some adjustments, results looks well valued at the current price. Neutral confirmed.

## VOLTALIA — BUY, Fair Value EUR15,5 (+90%)

*Solid Q3 2016 results and new partnership in Morocco unveiled*

Voltalia unveiled its Q3 2016 revenues yesterday. These amounted to EUR33.5m, 2.0x higher than Q3 2015 revenues thanks to new commissioning in Brazil and the first contribution from Martifer Solar. At the same time, the group announced the signature of a new strategic partnership with Green of Energy in Morocco in order to jointly develop 190MW in new solar and wind projects in Morocco and in other European countries. Positive. Buy recommendation and FV of EUR15.5 maintained.

### *In brief...*

**MORPHOSYS, *Guselkumab filed for US approval. FV slightly revised up.***

## FOCUS : Actelion Several upsides to play in an exciting 2017 year (Fair Value CHF194 vs. CHF180 BUY vs. NEUTRAL)

Our 4th annual Healthcare Conference made Actelion one of the most interesting companies to discuss with and we came out from the meetings with Jean-Paul Clozel (CEO) with fresh views on the case. Although 2017 will see bosentan sales collapsing in the US and in most of Europe, Opsumit and Uptravi should more or less balance the impact out at the top and bottom line levels. But it is the pipeline that is expected to make a difference and we see a huge upside here, hence our new FV and the return to a BUY recommendation on Actelion

## FOCUS Fresenius SE Steady as she goes (Fair Value EUR78 BUY-Top Picks)

We believe that Fresenius KABI is right positioned to leverage its US hospital channel with the ramp-up of clinical nutrition and strong launch pace in 2017 and 2018. US margins are resilient and negative impact from the normalisation of the US drug shortage situation appears to be a slow process with further delay towards it as an upside. Noise following US presidential elections does not impact the group. Helios evolves in a stable environment and we continue to believe that synergies with Quirónsalud could be higher than initially anticipated. We reiterate our BUY rating and EUR78 fair value.

Food retailing

# Ahold Delhaize

Price EUR19.87

## The outlook (deflation in the US) is not engaging

**Fair Value EUR24 vs. EUR25 (+21%)** **BUY**

| | |
|---|---|
| Bloomberg | AD NA |
| Reuters | AD.AS |
| 12-month High / Low (EUR) | 22.1 / 18.4 |
| Market Cap (EURm) | 25,459 |
| Ev (BG Estimates) (EURm) | 27,237 |
| Avg. 6m daily volume (000) | 4 061 |
| 3y EPS CAGR | ns |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | -2.2% | -7.1% | 3.8% | 2.0% |
| Food Retailing | 1.4% | 3.4% | 0.5% | -1.7% |
| DJ Stoxx 600 | 0.9% | 0.0% | 1.8% | -6.9% |

| YEnd Dec. (EURm) | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| Sales | NM | 60,881 | 62,225 | 63,649 |
| *% change* | | *ns* | *2.2%* | *2.3%* |
| EBITDA | NM | 3,862 | 4,020 | 4,305 |
| EBIT | NM | 1,899 | 2,057 | 2,401 |
| *% change* | | *ns* | *8.3%* | *16.7%* |
| Net income | 0.0 | 1,410 | 1,415 | 1,612 |
| *% change* | | | *0.3%* | *14.0%* |

| | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| Operating margin | NM | 3.5 | 3.7 | 4.0 |
| Net margin | NM | 2.3 | 2.3 | 2.5 |
| ROE | NM | NM | NM | NM |
| ROCE | NM | 8.0 | 8.5 | 9.5 |
| Gearing | NM | 19.2 | 13.3 | 6.3 |

| (EUR) | 2014 | 2015e | 2016e | 2017e |
|---|---|---|---|---|
| EPS | NM | 1.11 | 1.11 | 1.27 |
| *% change* | - | *ns* | *0.3%* | *14.0%* |
| P/E | x | 17.9x | 17.9x | 15.7x |
| FCF yield (%) | % | 6.5% | 5.0% | 6.0% |
| Dividends (EUR) | NM | NM | 0.49 | 0.60 |
| Div yield (%) | % | % | 2.5% | 3.0% |
| EV/Sales | x | 0.4x | 0.4x | 0.4x |
| EV/EBITDA | x | 7.1x | 6.6x | 5.9x |
| EV/EBIT | x | 14.3x | 12.9x | 10.6x |


**We have to admit that the outlook provided by Ahold Delhaize (competitive environment and deflation in the US) during its Q3 2016 is not very engaging. Moreover, the consensus (and ourselves as we adjust downward our 2016/18 estimates by 6.7% on average) is struggling to adjust estimates following the merger. Hence, we are still in a period of latency during which we are adopting a more cautious stance. We are looking forward to more details regarding the merger and the strategic plan during the upcoming CMD (7th December).**

As a reminder, Q3 2016 figures were in line with expectations. Note however that this was mainly due to the Netherlands (20% of PF sales / **+3.3% LFL vs +2.6% e** / **4.4% current margin vs 4.5% e**) and Central & SEE (9% / **+6.0% LFL vs 4.3% e** / **4.2% current margin vs 3.9% e**), where commercial performances were higher than expected (+0.6% and +1.5% above respectively), while the US (63% of PF sales) turned out to be soft (**~+0.7% LFL vs ~1.3% e** / **3.7% current margin vs 3.9% e**).

In fact, the trading environment remains challenging in the US with ongoing deflation (-0.8% and -1.6% respectively at Ahold USA and Delhaize USA) and competitive pressure in the market (especially when it comes to Food Lion, of which ~75% of the stores compete directly with Wal-Mart). 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.

In the Netherlands, e-commerce (>30% growth) had a strong positive impact on LFL (+3.3% released, including +1.3% for supermarkets, +0.7% for online and +1.3% for Bol.com). Bottom line, the decline in margin (-20bp) is driven by a higher dilutive impact of Bol.com (70bp) in line with investment plans to accelerate growth. However , it is worth remembering that Amazon recently arrived in the Netherlands and hence we suspect that the dilutive impact of Bol.com could widen over coming quarters.

On the whole, 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% estimated by the consensus) and slightly ahead of last year. It continues to expect 2016 FCF to be EUR1.3bn (in line), including expected capital expenditure of EUR1.8bn. We are looking forward for more details regarding the merger and the strategic plan during the upcoming CMD (7th December).

### ANALYSIS

We have lowered our 2016/18 estimates by 6.7% on average. We have notably adjusted the phasing of synergies (EUR30m expected in 2016 out of the EUR500m final target)

### VALUATION

The company is currently showing a 16x 2017 P/E vs 16.5x on average for the panel

### NEXT CATALYSTS

CMD in London on 7th December 2016

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Food & Beverages

# Pernod Ricard

Price EUR102.75

| | |
|---|---|
| Bloomberg | RI FP |
| Reuters | PERP.PA |
| 12-month High / Low (EUR) | 110.3 / 91.6 |
| Market Cap (EUR) | 27,272 |
| Ev (BG Estimates) (EUR) | 35,556 |
| Avg. 6m daily volume (000) | 457.3 |
| 3y EPS CAGR | 7.7% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | -1.8% | -2.1% | 8.2% | -2.3% |
| Food & Bev. | -6.9% | -9.6% | -5.5% | -9.2% |
| DJ Stoxx 600 | 0.9% | 0.0% | 1.8% | -6.9% |

| YEnd Jun. (EURm) | 06/16 | 06/17e | 06/18e | 06/19e |
|---|---|---|---|---|
| Sales | 8,682 | 8,899 | 9,253 | 9,673 |
| *% change* | | *2.5%* | *4.0%* | *4.5%* |
| EBITDA | 2,494 | 2,612 | 2,748 | 2,897 |
| EBIT | 2,277 | 2,390 | 2,517 | 2,655 |
| *% change* | | *5.0%* | *5.3%* | *5.5%* |
| Net income | 1,380 | 1,486 | 1,608 | 1,723 |
| *% change* | | *7.7%* | *8.2%* | *7.1%* |

| | 06/16 | 06/17e | 06/18e | 06/19e |
|---|---|---|---|---|
| Operating margin | 26.2 | 26.9 | 27.2 | 27.5 |
| Net margin | 14.2 | 16.0 | 16.7 | 17.1 |
| ROE | 9.3 | 10.1 | 10.3 | 10.3 |
| ROCE | 6.7 | 11.5 | 11.8 | 12.1 |
| Gearing | 64.5 | 59.3 | 52.4 | 45.8 |

| (EUR) | 06/16 | 06/17e | 06/18e | 06/19e |
|---|---|---|---|---|
| EPS | 5.20 | 5.60 | 6.05 | 6.49 |
| *% change* | *-* | *7.7%* | *8.2%* | *7.1%* |
| P/E | 19.8x | 18.4x | 17.0x | 15.8x |
| FCF yield (%) | 4.4% | 4.8% | 5.2% | 5.4% |
| Dividends (EUR) | 1.88 | 2.03 | 2.18 | 8.83 |
| Div yield (%) | 1.8% | 2.0% | 2.1% | 8.6% |
| EV/Sales | 4.1x | 4.0x | 3.8x | 3.6x |
| EV/EBITDA | 14.4x | 13.6x | 12.8x | 11.9x |
| EV/EBIT | 15.8x | 14.9x | 13.9x | 13.0x |


## Getting better!

**Fair Value EUR115 vs. EUR114 (+12%)** **BUY vs. NEUTRAL**

**Organic sales should grow 2.7% in 2016/17, accelerating vs last year (+1.8%) thanks to a recovery in China and Europe while momentum in the United States should remain strong. We upgrade our recommendation to Buy and our Fair Value to EUR115 (full note to follow).**

### ANALYSIS

- **A solid performance in the United States**. Sales in the US were up by 4% in 2015/16, having been flat in 2014/15. This growth rate is expected to continue in 2016/17. Irish whiskey Jameson and the single-malt scotch Glenlivet, accounting for 25% and 7% of sales in the United States respectively, remain the main growth drivers. These two brands saw their sell-outs increase by 23% and 9% last year. Although remaining in negative territory, the Absolut brand is showing signs of an improvement, depletions having declined by only 2% in 2015/16 following a 4% fall in 2014/15. This was the result of measures taken by the group: renegotiation of two distribution contracts, packaging changes, refocusing of the advertising campaigns around the notion of authenticity, reduction in the number of flavours, increased advertising expenditure, price reductions and expansion into super premium via Absolut Elyx. Pernod Ricard has reiterated its goal of stabilising Absolut in the medium term.
- **A recovery in China not offset by a slowdown in India**. Chinese sales were down by only 2% in 2014/15 before posting a 9% decline in 2015/16. This deterioration was mainly due to whisk(e)ys which posted double-digit falls while Martell cognac was just slightly negative thanks to a normalisation in private consumption, before returning to positive territory in Q1 2016/17 (+3%). At present, the performance remains driven by Noblige although Cordon Bleu is showing signs of an improvement. In our view, Pernod Ricard should manage to stabilise its sales in China this year. The pick-up in China should offset the slowdown in India. Sales in the country are expected to grow by only 8% in 2016/17, decelerating vs 2015/16 (+12%), as the group missed some sales during the Divaly celebration. The group should return to double digit growth in India in 2017/18.
- **Europe is also showing signs of an improvement.** We are forecasting organic sales growth of 2% in 2016/17 in the region, an acceleration relative to 2015/16 (+1.1%), driven by Russia and France. Destocking came to an end in Russia last year and spirits consumption is now showing signs of a recovery. France should also be better due to the end to the negative technical effect that impacted last year's performance. Spain is expected to continue to grow strongly. The intelligence of the company's strategy during the crisis with, notably, the maintenance of advertising expenditure, enabled it to become the leader in Spain with market share of 24%.

### VALUATION

- We have upgraded our recommendation to Buy and our Fair Value to EUR115. At yesterday's close, the share is trading at 14.9x 2016/17e EV/EBIT vs 16.6x for the peer group average and 15.9x for Diageo.

### NEXT CATALYSTS

- The group should publish its H1 2016/17 results on 9th February

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Business Services

# Sodexo

Price EUR97.70

## Feedback conf. call: Headwinds but margin improvement confirmed

**Fair Value EUR92 (-6%)** **NEUTRAL**

| | |
|---|---|
| Bloomberg | SW FP |
| Reuters | EXHO.PA |
| 12-month High / Low (EUR) | 107.7 / 80.3 |
| Market Cap (EUR) | 15,020 |
| Ev (BG Estimates) (EUR) | 15,433 |
| Avg. 6m daily volume (000) | 203.5 |
| 3y EPS CAGR | 7.0% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | -4.9% | -6.8% | 8.8% | 8.4% |
| Travel&Leisure | 4.2% | -1.9% | -6.0% | -16.3% |
| DJ Stoxx 600 | 0.9% | 0.0% | 1.8% | -6.9% |

| YEnd Aug. (EURm) | 08/15 | 08/16 | 08/17e | 08/18e |
|---|---|---|---|---|
| Sales | 19,815 | 20,245 | 21,225 | 22,031 |
| *% change* | | *2.2%* | *4.8%* | *3.8%* |
| EBITDA | 1,396 | 1,466 | 1,568 | 1,678 |
| EBIT | 1,143 | 1,203 | 1,292 | 1,391 |
| *% change* | | *5.2%* | *7.4%* | *7.7%* |
| Net income | 700.0 | 721.2 | 787.5 | 853.8 |
| *% change* | | *3.0%* | *9.2%* | *8.4%* |

| | 08/15 | 08/16 | 08/17e | 08/18e |
|---|---|---|---|---|
| Operating margin | 5.8 | 5.9 | 6.1 | 6.3 |
| Net margin | 3.5 | 3.6 | 3.7 | 3.9 |
| ROE | 19.5 | 20.3 | 21.5 | 21.9 |
| ROCE | 28.6 | 29.8 | 30.9 | 31.9 |
| Gearing | 10.2 | 11.2 | 9.3 | 3.4 |

| (EUR) | 08/15 | 08/16 | 08/17e | 08/18e |
|---|---|---|---|---|
| EPS | 4.60 | 4.77 | 5.21 | 5.64 |
| *% change* | - | *3.6%* | *9.2%* | *8.4%* |
| P/E | 21.2x | 20.5x | 18.8x | 17.3x |
| FCF yield (%) | 4.6% | 3.3% | 4.7% | 5.4% |
| Dividends (EUR) | 2.20 | 2.40 | 2.60 | 2.82 |
| Div yield (%) | 2.3% | 2.5% | 2.7% | 2.9% |
| EV/Sales | 0.8x | 0.8x | 0.7x | 0.7x |
| EV/EBITDA | 11.0x | 10.5x | 9.8x | 9.0x |
| EV/EBIT | 13.5x | 12.8x | 11.9x | 10.9x |


**Q4 2015-16 was challenging especially in France, and the first part of FY 2016-17 should again face headwinds and lfl revenue growth will be under pressure. Nevertheless, operating is well managed, margins should improve again and financial results should benefit from debt restructuration. In all, after some adjustments, results looks well valued at the current price. Neutral confirmed.**

### ANALYSIS

**2016-17 top line growth will remain under pressure...:** Following organic growth of 2.5% for FY 2015-16 including a positive effect from RWC of 0.6%, management guided on around 3% for FY 2016-17 which seems a bit aggressive to us taking into account current challenges. In fact, even if thet number includes positive calendar effects of 0.5-0.6% from a 53-week fiscal year in NA, comps will be hard in the first half bearing in mind notably that **RWC** contributed 2.4%pt to Q1 organic growth up 4.7% or business in **France,** which remains under pressure driven by Continental Europe organic growth in negative territory in Q4 (-1.6%). Moreover, the impact of Brexit on the **United Kingdom** (10% consolidated revenue) remains to be seen with growth depending on GDP growth and employment. As such, we have moved our forecast to 2.9% from 3.3% previously. Note that forex to date has a positive impact of c.2% on our forecast.

**....but operating margin will continue to improve:** As in 2015-16, the Adaptation and simplification plan should continue to pay off. In fact, management is confident it can deliver operating profit growth of 8-9% i.e. a margin improvement of 20-30bps. This improvement should also be delivered in 2017-18. We are in line with this improvement.

**Main changes to our forecasts**

| | 2016 | | | 2017e | | | 2018e | | |
|---|---|---|---|---|---|---|---|---|---|
| | Old | New | Change % | Old | New | Change % | Old | New | Change % |
| SALES | 20 386 | 20 245 | -0,7% | 21 481 | 21 225 | -1,2% | 22 305 | 22 031 | -1,2% |
| EBITDA | 1 470 | 1 466 | -0,3% | 1 589 | 1 568 | -1,3% | 1 685 | 1 678 | -0,5% |
| | 7,2% | 7,2% | 3 bp | 7,4% | 7,4% | -1 bp | 7,6% | 7,6% | 6 bp |
| EBIT | 1 205 | 1 203 | -0,2% | 1 309 | 1 292 | -1,3% | 1 396 | 1 391 | -0,3% |
| | 5,9% | 5,9% | 3 bp | 6,1% | 6,1% | -1 bp | 6,3% | 6,3% | 6 bp |
| EPS | 4,75 | 4,77 | 0,4% | 5,21 | 5,21 | 0,0% | 5,71 | 5,64 | -1,1% |

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

**Largely restructured debt will significantly lower finance costs as expected:** With the early redemption of USD316m at 5% and the recent bond issue of EUR600m with a coupon of 0.88%, the group has increased its debt maturity by c. one year to 7.5 and significantly reduced its average interest rate to 2.7% on pro forma FY 2016 (3.3% reported) from 3.8% in FY 2015. As such, taking into account a USD12m early redemption indemnity due in 2017 after USD23m in 2016, we estimate that finance costs could be reduced by EUR40m to EUR70m vs. EUR111m in 2016.

### VALUATION

At the current share price, the stock is trading on 2017e and 2018e EV/EBIT multiples of 11.9x and 10.9x compared with a median historical level of 10.9% and 2016-18 CAGR of EBIT of 7.2%.

Management will propose a new share buyback programme of EUR300m. In view of this second programme in two years mainly due to limited cash allocated to M&A, with a larger pipeline today than for several years and two acquisitions closed since the beginning of the year, no exceptional returns should be anticipated next year.

### NEXT CATALYSTS

Q1 2016-17 revenue on 12th January 2017

AGM on 24th January 2017

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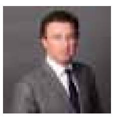

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Utilities

# Voltalia

Price EUR8.15

## Solid Q3 2016 results and new partnership in Morocco unveiled

**Fair Value EUR15,5 (+90%)** **BUY**

| | |
|---|---|
| Bloomberg | MLVLT FP |
| Reuters | MLVLT.PA |
| 12-month High / Low (EUR) | 10.3 / 8.0 |
| Market Cap (EURk) | 398,885 |
| Ev (BG Estimates) (EURk) | 715,590 |
| Avg. 6m daily volume (000) | 7.30 |
| 3y EPS CAGR | 85.6% |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | -12.4% | -14.2% | -5.2% | -19.5% |
| Utilities | -7.5% | -11.6% | -11.3% | -15.6% |
| DJ Stoxx 600 | -0.4% | -1.4% | 1.1% | -7.5% |

| YEnd Dec. (EURk) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Sales | 58,482 | 158,938 | 298,500 | 354,762 |
| *% change* | | *NM* | *87.8%* | *18.8%* |
| EBITDA | 30,042 | 62,038 | 84,928 | 119,545 |
| EBIT | 22,629 | 36,608 | 43,138 | 69,879 |
| *% change* | | *61.8%* | *17.8%* | *62.0%* |
| Net income | 3,889 | 5,088 | 5,950 | 24,861 |
| *% change* | | *30.8%* | *16.9%* | *NM* |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| Operating margin | 51.4 | 39.0 | 28.5 | 33.7 |
| Net margin | NM | NM | NM | NM |
| ROE | NM | NM | NM | NM |
| ROCE | NM | NM | NM | NM |
| Gearing | NM | NM | NM | NM |

| (EUR) | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| EPS | 0.08 | 0.10 | 0.12 | 0.51 |
| *% change* | - | *30.8%* | *16.9%* | *NM* |
| P/E | NS | 78.4x | 67.0x | 16.0x |
| FCF yield (%) | NM | NM | NM | NM |
| Dividends (EUR) | 0.00 | 0.00 | 0.02 | 0.08 |
| Div yield (%) | NM | NM | 0.2% | 0.9% |
| EV/Sales | 12.4x | 4.5x | 2.9x | 2.7x |
| EV/EBITDA | 24.0x | 11.5x | 10.1x | 7.9x |
| EV/EBIT | 31.9x | 19.5x | 19.9x | 13.5x |

**Voltalia unveiled its Q3 2016 revenues yesterday. These amounted to EUR33.5m, 2.0x higher than Q3 2015 revenues thanks to new commissioning in Brazil and the first contribution from Martifer Solar. At the same time, the group announced the signature of a new strategic partnership with Green of Energy in Morocco in order to jointly develop 190MW in new solar and wind projects in Morocco and in other European countries. Positive. Buy recommendation and FV of EUR15.5 maintained.**

### ANALYSIS

French renewable energies company **Voltalia** unveiled yesterday its Q3 2016 revenues, which amounted to **EUR33.5m**, 2.0x higher than Q3 2015 revenues (at EUR16.4m). 9M 2016 revenues reached **EUR79.7m** vs. EUR40.2m over the same period last year. Voltalia particularly benefited from 1/**new commissioning in Brazil** (Vila Para, Vamcruz and SMG wind farms and Oiapoque hybrid power plant) and **2/**the first contribution from Martifer Solar, recently acquired by Voltalia, with around **EUR9.5m** of revenues generated in the third quarter and linked with development, construction and operation & maintenance activities. Regarding the integration of Martifer Solar, the group confirmed that **cost and revenue synergies** are likely to be achieved but no financial details have been unveiled.

**Voltalia confirmed its targets for 2019** (unveiled during H1 2016 results) which include **1/**1GW of installed capacities by 2019 (vs. 2022 initially); **2/**operation of 3GW by 2019 (vs. 1GW as of today) including 2GW for third-party clients notably thanks to the acquisition of Martifer Solar **and 3/** 2019 EBITDA at **EUR180m** spurred by both new commissioning and development of third-party services. As a reminder, we stand slightly below, at **EUR178.5m,** but only due to a small discrepancy in the "others/corporate" contribution. As for the energy sales business, our estimates were above Voltalia's guidance at **EUR168m** (vs. EUR165m).

At the same time, Voltalia announced the **signature of a new strategic partnership with Green of Africa in Morocco** with the aim of jointly developing wind and solar projects in Morocco and in other African countries. **140MW of wind projects** will be developed in Morocco with a first **14MW** project (for which long-term sales' contract is already secured) and a second **126MW** project with long-term sales having started to being secured. The partnership also includes **50MW of solar projects** to be developed in Morocco and in other African countries.

**Conclusion:** Q3 2016 revenues were strongly up yoy, as expected, and confirmed that the development in Brazil was a well thought move**. The new partnership in Morocco unveiled is clearly a positive** in our view as we believe Voltalia could find the same opportunities in the country that it has found in Brazil with 1/**rising electricity demand** from both retail and business; 2/ **a supportive climate** for both wind and solar energies (wind and solar load factors to potentially reach 50-55% and 25%, respectively) and **3/ambitious government policies** with existing stable regulatory framework.

**Buy** recommendation and FV at **EUR15.5** per share maintained.

### VALUATION

At current share price, the stock trades at **11.5x** its 2016e EV/EBITDA multiple.

**Buy, FV @ EUR15.5**

### NEXT CATALYSTS

**February/March 2017**: FY16 results

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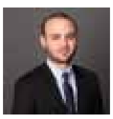

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Healthcare

# Morphosys

Price EUR44.85

| | |
|---|---|
| Bloomberg | MOR GR |
| Reuters | MORG.DE |
| 12-month High / Low (EUR) | 60.8 / 33.2 |
| Market Cap (EUR) | 1,190 |
| Avg. 6m daily volume (000) | 119.6 |

| | 1 M | 3 M | 6 M | 31/12/15 |
|---|---|---|---|---|
| Absolute perf. | 8.7% | 15.8% | 1.0% | -22.2% |
| Healthcare | -1.3% | -6.2% | -2.2% | -12.9% |
| DJ Stoxx 600 | 0.9% | 0.0% | 1.8% | -6.9% |

| | 2015 | 2016e | 2017e | 2018e |
|---|---|---|---|---|
| P/E | 78.7x | NS | NS | NS |
| Div yield (%) | NM | NM | NM | NM |

## Guselkumab filed for US approval. FV slightly revised up.

## Fair Value EUR65 vs. EUR64 (+45%) BUY

### ANALYSIS

- **Guselkumab filed for approval.** MOR yesterday announced that Janssen has submitted a BLA to the FDA for guselkumab (anti-IL23p19) as a treatment for plaque psoriasis. The event has triggered a milestone payment that should amount to c.EUR5m in our view. Having said that, both MOR and Janssen have previously stated that a filing was scheduled by year end, so the news was widely expected.
- **Likely approval in late 2017.** Given the timing and the absence of a Priority Review (not specified in the press releases at any rate), an approval is therefore very likely in Q4 2017 or in Q1 2018 at the latest.
- **Diving into the details: all the other Phase III studies are probably positive**. Janssen's press release clearly stated that the dossier included the VOYAGE 1 study (see our previous comment here for further details) as well as other Phase III studies (VOYAGE 2, NAVIGATE), meaning the latter were arguably positive. And given data consistency from previous trials (VOYAGE 1 and XPLORE), we believe they are probably in line with what we saw earlier.

### VALUATION

- **We stick to our BUY rating with a FV of EUR65 vs EUR64** (our PoS for guselkumab in plaque psoriasis being revised up from 70% to 80% to reflect 1/ the likely positive results from VOYAGE 2 and NAVIGATE; 2/ its filing for approval in the US).

### NEXT CATALYSTS

- 2016 ASH meeting (3-6th December): Follow-up data for MOR202 in myeloma + MOR208 in DLBCL.
- Q4 2016: Read-across from Lilly's solanezumab for the treatment of Mild Alzheimer's Dementia (but note that we are cautious on this one, see our initiation report for additional details).

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Mickael Chane Du, mchanedu@bryangarnier.com

# 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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