BRYAN, GARNIER & CO

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22nd November 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	18956.69	+0.47%	+8.79%
S&P 500	2198.18	+0.75%	+7.55%
Nasdaq	5368.86	+0.89%	+7.22%
Nikkei	18162.94	+0.31%	-4.87%
Stoxx 600	340.235	+0.25%	-6.99%
CAC 40	4529.58	+0.56%	-2.32%
Oil /Gold			
Crude WTI	45.69	0.00	+22.82%
Gold (once)	1213.97	+0.53%	+14.27%
Currencies/Rates			
EUR/USD	1.06225	+0.45%	-2.21%
EUR/CHF	1.07195	+0.22%	-1.42%
German 10 years	0.2	-1.41%	-68.50%
French 10 years	0.741	-1.32%	-24.44%

Economic releases :

Date	
22nd-Nov	10h30 GB Public finances NCR Oct. 12h00 GB - CBI Industrials trends survey 16h00 US - Existing home sales 16h00 US - Richmond Fed Manuf. Index

Upcoming BG events :

Date	
24th-Nov	CAP GEMINI (BG Lunch with IR)
24th-Nov	IMERYS (BG London roadshow with IR)
24th-Nov	IMERYS (BG London roadshow with IR)
28th-Nov/ 29th-Nov	2nd Paris Consumer Conference
30th-Nov	VALEO (BG Lunch with IR)
5th-Dec	Reverse roadshow in Paris / Construction

Recent reports :

Date	
21st-Nov	Innate - Still time to jump on the bandwagon
21st-Nov	Car Parts -What if market went too far down on auto suppliers?
18th-Nov	FOCUS FRESENIUS Steady as she goes
18th-Nov	FOCUS ACTELION Several upsides to play in an exciting 2017 year
16th-Nov	VEOLIA ENVIRONNEMENT EBITDA growth remains the key driver
9th-Nov	VOLTALIA Starting to play with the big boys

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

GENMAB — BUY, Fair Value DKK1900 vs. DKK1650 (+53%)

And it did it again… Dara approved well before planned calendar! New FV of DKK1,900

And it did it again! Daratumumab has obtained its US label expansion (well before planned calendar) for 1/ patients with myeloma who received at least one prior line of therapy, and 2/ as part of a combination regimen with either CELG's Revlimid or JNJ's Velcade. And as some sales under this new label are likely to happen anytime soon, GEN now expects a USD65m milestone payment (hence the upward revision to its financial guidance). Our FV is raised from DKK1,650 to DKK1,900, as we notably retain both a higher PoS and a lower WACC for "dara" as a 2nd line option in MM.

ZEALAND — BUY, Fair Value DKK223 vs. DKK172 (+91%)

The approval of Soliqua in the US opens a new phase for Zealand

Yesterday the FDA approved both Sanofi's Soliqua and Novo's Xultophy for patients with type II diabetes uncontrolled with either a basal insulin or a GLP1 analogue. Soliqua has been approved with a unique strength and a unique pen which includes 100 units/mL and 33 mcg/mL of glargine and lixi respectively and can deliver 15-60 units of glargine and up to 20 mcg of lixi once-daily. Sanofi plans to launch Soliqua in the US in January 2017 wheras Novo expects to launch Xultophy in H1 2017. The approval triggers a payment of USD25m from Sanofi to Zealand that will reduce the size of the bond.

In brief...

ASTRAZENECA, ***FDA lifts partial hold on H&N trials with durvalumab***

COMPASS GROUP, ***First take FY results: slightly lower expectation after challenging Q4. Outlook positive even if H1 will remain tough.***

ESSILOR, ***FY 2016 outlook revised down again due to the US market***

NOVO NORDISK, ***Xultophy approved in the US***

SANOFI, ***Sanofi can try to defend its Diabetes franchise with Soliqua***

FOCUS Orpea More than ever a BUY (Fair Value EUR86 BUY)

For a while, despite strong results, the stock has been under pressure and is suffering in particular from the potential impact of an interest rate upturn following the US presidential election on asset valuations and/or debt. In our view, this is an irrational overreaction. Therefore, with top-line growth of at least 10% (o/w 5% organic) with margin improvements, we are confirming our recently upgraded FV

Healthcare

Genmab

Price DKK1,245

And it did it again... Dara approved well before planned calendar! New FV of DKK1,900

Fair Value DKK1900 vs. DKK1650 (+53%) BUY

Bloomberg	GEN DC
Reuters	GEN.CO
12-month High / Low (DKK)	1,266 / 638.0
Market Cap (DKKm)	75,136
Ev (BG Estimates) (DKKm)	71,397
Avg. 6m daily volume (000)	372.4
3y EPS CAGR	54.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.7%	12.3%	10.2%	35.7%
Healthcare	-3.5%	-6.8%	-4.7%	-13.9%
DJ Stoxx 600	-1.2%	0.0%	0.7%	-7.0%

YEnd Dec. (DKKm)	2015	2016e	2017e	2018e
Sales	1,133	1,715	2,204	3,497
% change		*51.3%*	*28.5%*	*58.7%*
EBITDA	554	878	1,247	2,445
EBIT	730.4	878.4	1,247	2,445
% change		*20.3%*	*42.0%*	*96.0%*
Net income	587.3	883.4	1,131	2,214
% change		*50.4%*	*28.1%*	*95.7%*

	2015	2016e	2017e	2018e
Operating margin	64.5	51.2	56.6	69.9
Net margin	67.4	51.5	51.3	63.3
ROE	21.9	22.5	20.6	28.7
ROCE	-15,400	458.1	293.6	386.9
Gearing	-100.2	-95.1	-93.0	-92.6

(DKK)	2015	2016e	2017e	2018e
EPS	9.71	14.32	18.12	35.45
% change	-	*47.4%*	*26.5%*	*95.7%*
P/E	NS	86.9x	68.7x	35.1x
FCF yield (%)	NM	NM	NM	NM
Dividends (DKK)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	63.2x	41.6x	31.8x	19.4x
EV/EBITDA	129.3x	81.3x	56.1x	27.8x
EV/EBIT	98.1x	81.3x	56.1x	27.8x

And it did it again! Daratumumab has obtained its US label expansion (well before planned calendar) for 1/ patients with myeloma who received at least one prior line of therapy, and 2/ as part of a combination regimen with either CELG's Revlimid or JNJ's Velcade. And as some sales under this new label are likely to happen anytime soon, GEN now expects a USD65m milestone payment (hence the upward revision to its financial guidance). Our FV is raised from DKK1,650 to DKK1,900, as we notably retain both a higher PoS and a lower WACC for "dara" as a 2nd line option in MM.

ANALYSIS

- **FDA approval c.1 month after the granting of a priority review.** In the end, "dara" has obtained its US label expansion for 1/ patients with myeloma who received at least one prior therapy, and 2/ as part of a combination regimen with either lenalidomide/dexamethasone or bortezomib/dexamethasone. And cherry on the cake, the approval was given well before planned calendar (as the PDUFA date was previously set for 17th February 2017).
- **Financial targets further revised up.** As some sales under this new label are likely to happen anytime soon, GEN now expects a USD65m milestone payment this year. But as this event was obviously not anticipated, guidance has been updated to include it (see table below – and note that the cash position is left unchanged as the payment should be received shortly after year-end).
- **We have lifted our 2016 sales estimates slightly**. Note that the company is also sticking to its target of DKK400-450m of royalties from Janssen associated with the commercialisation of "dara" (implying WW sales of USD500-550m), which could prove to be conservative given 1/ the depth of the 2L myeloma market; 2/ the added therapeutic benefit that dara could bring, whether in terms of safety or efficacy; and 3/ the already very positive feedback from physicians (and we believe the follow-up data to be presented at the upcoming ASH will further sustain this momentum). For our part, we have moved up our 2016 sales estimates for the compound by +USD20m to USD570m, and it goes without saying that we have also made a few changes to our 2017 figures (but nothing very significant).

Fig.1: GEN – BG estimates vs updated financial guidance

	BG	New guidance	Former guidance
GEN Revenues (DKKm)	1,715	1,650-1,700	1,200-1,250
"Dara" royalties (DKKm)	466	400-450	400-450
Operating expenses (DKKm)	836	800-850	800-850
Operating income (DKKm)	878	825-8753	375-425
Cash position at year end (DKKm)	3,739	3,650-3,750	3,650-3,750

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

VALUATION

- **We have raised our FV from DKK1,650 to DKK1,900** to take account of both 1/ a higher probability of success (100% vs 80% previously), and a slightly lower WACC (8.0% vs 9.0% - as commercial risks are carried by GEN's partner, i.e. JNJ) for "dara" as a second-line option for myeloma. We also stick to our Buy recommendation, especially since we continue to see pretty dense newsflow in the coming weeks/months.

NEXT CATALYSTS

- **5th December**: R&D Day/ASH update.
- **H1 2017**: Phase IIb results for daratumumab in NHL (monotherapy) + Phase III as a 1L option in myeloma (in combination with melaphalan, bortezomib and dexamethasone).

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Healthcare

Zealand

Price DKK117.00

The approval of Soliqua in the US opens a new phase for Zealand

Fair Value DKK223 vs. DKK172 (+91%) **BUY**

Bloomberg	ZEAL DC
Reuters	22Z.F
12-month High / Low (DKK)	155.0 / 87.0
Market Cap (DKK)	3,050
Ev (BG Estimates) (DKK)	2,862
Avg. 6m daily volume (000)	123.6
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	17.0%	-3.7%	5.4%	-22.8%
Healthcare	-3.5%	-6.8%	-4.7%	-13.9%
DJ Stoxx 600	-1.2%	0.0%	0.7%	-7.0%

YEnd Dec. (DKKm)	2015	2016e	2017e	2018e
Sales	165.4	255.9	320.4	510.4
% change		*54.7%*	*25.2%*	*59.3%*
EBITDA	-75.3	6.4	22.2	168
EBIT	-81.3	0.4	16.2	161.3
% change		*NS*		
Net income	-114.0	-83.9	-42.8	12.0
% change		*26.4%*	*49.0%*	*NS*

	2015	2016e	2017e	2018e
Operating margin	NM	NM	NM	NM
Net margin	NM	NM	NM	NM
ROE	NM	NM	NM	NM
ROCE	NM	NM	NM	NM
Gearing	-50.4	-80.5	-59.1	-44.2

(DKK)	2015	2016e	2017e	2018e
EPS	-4.82	-0.82	-0.22	5.13
% change	-	*83.0%*	*73.4%*	*NS*
P/E	NS	NS	NS	22.8x
FCF yield (%)	NM	NM	NM	NM
Dividends (DKK)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	17.7x	11.2x	9.1x	5.6x
EV/EBITDA	NS	449.9x	131.1x	17.0x
EV/EBIT	NS	7942.7x	179.8x	17.7x

Yesterday the FDA approved both Sanofi's Soliqua and Novo's Xultophy for patients with type II diabetes uncontrolled with either a basal insulin or a GLP1 analogue. Soliqua has been approved with a unique strength and a unique pen which includes 100 units/mL and 33 mcg/mL of glargine and lixi respectively and can deliver 15-60 units of glargine and up to 20 mcg of lixi once-daily. Sanofi plans to launch Soliqua in the US in January 2017 wheras Novo expects to launch Xultophy in H1 2017. The approval triggers a payment of USD25m from Sanofi to Zealand that will reduce the size of the bond.

ANALYSIS

Soliqua has been approved by the FDA in a unique pen device containing 100 units/mL of glargine and 33 mcg/mL of lixisenatide.

Of course, not everything is fixed with the approval of the drug and the period of negociations with payers about the right level of discount and rebate to offer to gain access to the reimbursement list in the US is no just beginning. With the simultaneous approval of Novo's Xultophy, it is fair to assume that Sanofi and Novo-Nordisk will together discuss with payers at the same time. And we know that the equation is markedly different for the two players. On one hand, Novo-Nordisk has a strong GLP1 franchise in place that is estimated to generate higher margins than insulins and that Novo has to protect, if only because semaglutide will come next. With a list price of USD16-18 per day in the US for Victoza alone and a list price of USD10-12 for Tresiba, it is difficult to imagine a price for Xultophy that is below USD20 per day. On the other hand, Sanofi has of course a strong Lantus franchise but it is no longer a growth driver since prices have started going down whereas first biosimilar (Lilly's Basaglar) is expected mid-December. Lantus is about USD10 per day but discount rate is probably close to 30%. So a price for Soliqua between USD12 and Victoza's USD16-18 would be beneficial for the mix product and margins at Sanofi while offering an attractive proposition to payers. Because Sanofi is under pressure to save as much as possible from its diabetes franchise and because Xultophy is a better product, price is key to the success of Soliqua in our view. And the objective is to take market share as quickly as possible. It is estimated that about 1 million of basal insulin takers (mainly Lantus ones) are not controlled and candidates for a fixed-dose combination. Using a net daily price of USD12, this would create a market of at least USD4bn.

VALUATION

With the final approval now, we move our PoS from 90% to 100% (considering also the positive opinion received from the CHMP). To sit on the safe side, we have however decided to fine-tune our estimates for Lyxumia and Soliqua to factor in the tough market conditions for drugs addressing chronic diseases in general and diabetes in particular. We have lowered Soliqua's peak sales to USD1.8bn (vs USD2bn) and have included a softer ramp-up.

However, our major influencial decision has been to align the WACC used to discount mainstream cash-flows from lixisenatide-derived products at Sanofi with that used to discount royalties (low double-digit) paid by Sanofi to Zealand, which not only makes sense but now that the drug is approved cannot be done in a different way as we are talking about a single and unique product. NPV of Soliqua with 100% PoS would therefore move up from DKK99 (with WACC of 15.6%) to DKK152 (with WACC of 6.88% i.e. Sanofi's WACC).

All included [PS: -DKK21 – PoS: +DKK10 – WACC: +DKK62], our new FV is DKK223. We reaffirm a strong BUY on Zealand that can now safely think about how to best manage its proprietary pipeline and create value with no need to make overly difficult arbitrages.

NEXT CATALYSTS

Today 4pm: Conference Call on the US approval of Soliqua

January 2017: EMA decision and US launch of Soliqua

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Healthcare

AstraZeneca

Price 4,326p

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	5,220 / 3,774
Market Cap (GBPm)	54,719
Avg. 6m daily volume (000)	2 843

	1 M	3 M	6 M	31/12/15
Absolute perf.	-12.7%	-14.5%	11.1%	-6.3%
Healthcare	-3.5%	-6.8%	-4.7%	-13.9%
DJ Stoxx 600	-1.2%	0.0%	0.7%	-7.0%

	2015	2016e	2017e	2018e
P/E	12.7x	12.8x	16.3x	16.4x
Div yield (%)	5.2%	5.2%	5.2%	5.2%

FDA lifts partial hold on H&N trials with durvalumab

Fair Value 5100p (+18%) **BUY**

ANALYSIS

- AstraZeneca has announced today that the FDA has lifted the partial clinical hold put on patient recruitment in head and neck squamous cell carcinoma (H&N) trials involving durvalumab in monotherapy or in combination with tremelimumab. Late last month, EAGLE and KESTREL phase III trials saw patient recruitment suspended after the report by AstraZeneca to the FDA of a higher-than-expected incidence of bleeding events. Although patients with H&N cancer are more likely to have bleeds, this may have been drug-related, hence the decision to stop including new patients.
- After careful consideration, the agency has lifted the partial clinical hold, suggesting that no correlation between extra bleedings and the drug can be established. As a consequence, AstraZeneca mentioned that it has already re-opened KESTREL to recruitment whereas EAGLE will soon be re-opened too.
- This is good news for AstraZeneca's PD-L1 franchise because head & neck was the second most important indication for durvalumab-based treatments after lung cancer and a setback would have caused a meaningful sales cut (probably by about one-fifth).

VALUATION

- Considering the weight of oncology in AstraZeneca's future sales, as well as its influence on the profit margin and profit growth, everything has to work well to support an investment case that is heavily dependent on the pipeline.

NEXT CATALYSTS

- 2nd February 2017: Full-year 2016 results

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Business Services

Compass Group

Price 1,381p

Bloomberg	CPG LN
Reuters	CPG.L
12-month High / Low (p)	1,548 / 1,073
Market Cap (GBPm)	22,683
Avg. 6m daily volume (000)	3 606

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.6%	-7.9%	8.2%	17.5%
Travel&Leisure	3.3%	-1.7%	-6.6%	-15.2%
DJ Stoxx 600	-0.9%	-1.0%	0.5%	-7.2%

	09/15	09/16e	09/17e	09/18e
P/E	26.1x	23.5x	19.5x	18.2x
Div yield (%)	2.1%	2.3%	2.8%	3.0%

First take FY results: slightly lower expectation after challenging Q4. Outlook positive even if H1 will remain tough.

Fair Value 1450p (+5%) **NEUTRAL**

ANALYSIS

- **Consolidated revenue** reached £19,605m up 11.5% on reported with lfl growth of 5% compared with 5.2% anticipated, after continue slowdown in Q4 (Q3 was up 5.2% with 9m up 5.6%). By geography, NA continues to drive revenue lfl growth up 8.1% (8% estimated after +8.3% after 9m) while Continental Europe was up 2.8% after challenging Q4 (Q3 was up 3.7% as 9m) and RoW was down 1.2% still impacted by offshore and remote business (9m was slightly positive of 0.2%).
- **Operating profit** was also a bit disappointed at £1,409m up 11.7% on reported with flat margin vs. 15bps anticipated.
- **2017 outlook:** Management expectations remain positive with nevertheless growth weighted to the second part of the year.

VALUATION

- At the current share price, the stock is trading at 14.7x EV/EBIT 2016-17e and 13.6x 2017-18e vs. median historical of 12.4x and CAGR EBIT 2015-2018e of 12x.

NEXT CATALYSTS

- Conference call at 9:30am (UK time)
- AGM + IMS on 2nd February 2017

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Luxury & Consumer Goods

Essilor

Price EUR101.80

FY 2016 outlook revised down again due to the US market

Fair Value Under Review **BUY**

Bloomberg	EF FP
Reuters	ESSI.PA
12-month High / Low (EUR)	123.6 / 100.3
Market Cap (EURm)	22,202
Avg. 6m daily volume (000)	471.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.0%	-9.2%	-11.1%	-11.5%
Consumer Gds	-4.3%	-6.0%	-2.5%	-7.0%
DJ Stoxx 600	-1.2%	0.0%	0.7%	-7.0%

	2015	2016e	2017e	2018e
P/E	28.5x	25.9x	23.7x	21.5x
Div yield (%)	1.1%	1.3%	3.1%	4.1%

ANALYSIS

This morning, Essilor has again revised down its FY LFL growth guidance, **which is now expected to be "around 3.5%" vs. our estimate for 3.8%,** and we assume that the CS expectations were also close to our forecast.

According to the group, this third downward revision is again **due to lingering weakness in the US optical market (~44% of Lenses & Optical Instrument sales)** that has been negatively affecting Essilor since Q2 and irrespective of some one-off headwinds (Transitions, loss of two specific contracts). We understand that poor trends continued in October.

> As a reminder, during the Q3 sales conference call, Essilor's management struggled to explain this unexpected slowdown in the prescription lens market ("wait-and-see" attitudes by consumers before the US elections?), on top of rather favourable macro indicators. Like other players in this industry, Essilor was caught by surprise as historically, there is a close correlation between macro and optical market trends.

In a backdrop of weaker-than-expected LFL growth and the dilutive impact from M&A, **the contribution margin target was also adjusted to "around 18.5%" vs. "around 18.8%",** implying a 30bp decline vs. 2018.

VALUATION

Although Essilor continues to gain market share (even in the US: +1.3% LFL in Q3, +3% adjusted for Transitions and the loss of two very specific contracts vs. market slightly negative), its growth is mainly affected by an unexpected deceleration in the US market which should be flat this year after +3.5-4% last year.

Pending our new forecasts to reflect this new FY outlook, we have put our FV "under review".

NEXT CATALYSTS

Essilor will report its FY 2016 results on 17th February 2017.

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Healthcare

Novo Nordisk

Price DKK227.30

Bloomberg	NOVOB DC
Reuters	NOVOB.CO
12-month High / Low (DKK)	404.2 / 225.3
Market Cap (DKKm)	457,456
Avg. 6m daily volume (000)	3 611

	1 M	3 M	6 M	31/12/15
Absolute perf.	-19.9%	-26.4%	-36.7%	-43.2%
Healthcare	-3.5%	-6.8%	-4.7%	-13.9%
DJ Stoxx 600	-1.2%	0.0%	0.7%	-7.0%

	2015	2016e	2017e	2018e
P/E	16.8x	15.0x	14.7x	14.1x
Div yield (%)	2.8%	3.0%	3.1%	3.2%

Xultophy approved in the US

Fair Value DKK270 (+19%) **NEUTRAL**

ANALYSIS

- Together with Sanofi's Soliqua, Novo's Xultophy was approved yesterday by the US FDA as a treatment for type II diabetics whose disease remains uncontrolled despite use of either basal insulin or GL1 analogue. The label is very much as expected. It is good surprise for Novo to be approved one month ahead of schedule and simultaneously to Sanofi's Soliqua. However, it will not change much in terms of commercial capabilities and it looks like Sanofi will be first to launch, mentioning January 2017 when Novo-Nordisk talks about H1 2017.
- It's good to see that the agency did not require any further work before approving the two products but now another tough part of the job is starting with the discussions with payers to have Soliqua and Xultophy on the lists. Of course, an estimated 2 million of basal insulin takers are uncontrolled in the US and probably half of them are candidates to take a fixed-dose combination. But payers are in a good shape to ask for deep discounts and from that perspective, although Xultophy might be seen as a superior product to Soliqua, Sanofi has a significantly greater latitude to offer attractive pricing than Novo-Nordisk which has to protect the profitability of its GLP1 franchise. It will be interesting to see how Sanofi prices Soliqua in January compared to Victoza alone.

VALUATION

- Because Xultophy had already been approved in the EU, we had a 100% PoS for the drug and our PS is USD2.5bn in 2022. There is no reason at this stage to make any change to the numbers.

NEXT CATALYSTS

- January 2017: US launch of Soliqua (including pricing elements)

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Healthcare

Sanofi

Price EUR75.70

Sanofi can try to defend its Diabetes franchise with Soliqua

Fair Value EUR84 (+11%) **NEUTRAL**

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	84.4 / 67.3
Market Cap (EURm)	97,610
Avg. 6m daily volume (000)	2 589

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.4%	8.6%	6.4%	-3.7%
Healthcare	-3.5%	-6.8%	-4.7%	-13.9%
DJ Stoxx 600	-1.2%	0.0%	0.7%	-7.0%

	2015	2016e	2017e	2018e
P/E	13.5x	13.5x	13.8x	12.5x
Div yield (%)	3.9%	4.0%	4.2%	4.6%

ANALYSIS

Yesterday Soliqua obtained approval from the FDA for marketing in the US under an unexpected strength and a unique pen device containing 100 units/mL of glargine and 33 mcg/mL of lixisenatide, which is very likely the answer provided by Sanofi to the questions raised by the AdCom panel and probably by the FDA too about the risk of misuse with the initial two pens. The new offer is no longer differentiated from Novo's but is much easier for the patient. The range of daily units that can be delivered by the pen is unchanged.

As far as we can see, the label is not surprising and makes Soliqua (as well as Xultophy) the treatment of choice for people with type II diabetes that are not controlled with either a basal insulin like Lantus or a GLP1 analogue. For Sanofi clearly, the target population is Lantus users not at goal (i.e. with A1c>7%). This represents a population of about 2m people and our estimate is that half of them might migrate to a fixed-dose combination. As a consequence, this market could reach USD4-5bn in value.

Price negotiations will start shortly with payers. We have assumed that Lyxumia would be priced at a 40% discount to Victoza and would carry a mandatory rebate of 20% on average whereas Soliqua would be priced at a 40% premium to Lyxumia i.e. around or slightly below Victoza alone.

VALUATION

We are making no change to our estimates so far and will wait until January and the first indicators on pricing to fine-tune our numbers. This is good news for Sanofi's Diabetes franchise because Soliqua should help mitigate the decline in the glargine product line.

NEXT CATALYSTS

January 2017: EU decision on Suliqua and US launch of Soliqua

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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 56.1% NEUTRAL ratings 32.5% SELL ratings 11.5%

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