Please find our Research on Bloomberg BRYG <GO>)

23rd November 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	19023.87	+0.35%	+9.18%
S&P 500	2202.94	+0.22%	+7.78%
Nasdaq	5386.35	+0.33%	+7.57%
Nikkei	18162.94	+0.31%	-4.57%
Stoxx 600	341.017	+0.23%	-6.78%
CAC 40	4548.35	+0.41%	-1.91%
Oil /Gold			
Crude WTI	46.73	-1.60%	+25.62%
Gold (once)	1209.69	-0.35%	+13.87%
Currencies/Rates			
EUR/USD	1.059	-0.31%	-2.51%
EUR/CHF	1.0724	+0.04%	-1.38%
German 10 years	0.148	-25.95%	-76.67%
French 10 years	0.719	-3.06%	-26.75%
Euribor	-	+-%	+-%

Economic releases :

Date	
23rd-Nov	9h00 FR - Pmi composite Flash 9h20 DE - PMI composite Flash 13h30 GB - Autumn Budget statement 14h30 US - Durable Goods Orders Oct. (1.7% E) 14h30 US - Initial Jobless claims (250K E) 14h30 US - New Home Sales Oct. (-0.5% E)

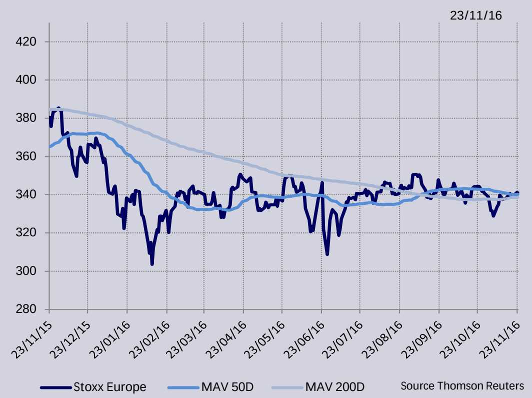
Upcoming BG events :

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	
22nd-Nov	ORPEA More than ever a BUY
21st-Nov	Car Parts -What if market went too far down on auto suppliers?
21st-Nov	Innate - Still time to jump on the bandwagon
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

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



COMPASS GROUP — NEUTRAL, Fair Value 1430p vs. 1450p (+8%)

Feedback: Headwinds remain. FV lowered

H2 was definitely lower than anticipated especially after a challenging Q4 in Europe and in the Offshore & Remote businesses. The first part of FY 2016-17 should remain on the same trend in these two segments, with management expecting a rebound in H2 with positive comps. In all, FY2016-17 Ifl revenue growth should be at the bottom of the medium term target range i.e. 4-6% with limited margin improvement. Note that at the current exchange rate, forex will have a positive impact on the P&L account. After adjustments, our FV moves to 1430p. Neutral confirmed.

ESSILOR — BUY, Fair Value EUR123 vs. EUR128 (+29%)

American Vertigo: US market slowdown in the ST but attractive MT call

In our view, the significant share price correction (-6%) stems more from the negative sentiment implied by this new profit warning one month after the Q3 publication, rather than the downward revision in estimates (only -2.5% on average over 2016-18). Given this unexplained slowdown in the US optical market (~44% of L&OI sales) we have adopted a cautious stance on this region in Q4 2016 and 2017. Hence, our new FV of EUR123 vs. EUR128 but Buy recommendation reiterated.

INFINEON — BUY, Fair Value EUR17.5 (+7%)

FQ4 2016 results in line but FY17 sales guidance disappoints

Today, Infineon reports FQ4 2016 EPS in line with expectations but FY17 guidance came out below estimates. The company reported FQ4 sales of EUR1,675m, up 2.6% seq., broadly in line with the company's guidance of a sequential growth of +3.0% (+/-2%) and slightly below consensus expectations at EUR1,680m (BG ests. EUR1,697m) yielding FQ4 adjusted EPS of EUR0.21, a penny above street's expectations. On behalf of the FY16 results, the group posted disappointing FY17 guidance. For FY17, the group anticipates revenue growth of 6% (+/-2%) and a 16% segment result margin (vs. the Street's expectations of rev. growth at +8.3% and a segment result margin of 15.2%). In our view, the stock is poised to react negatively, offsetting a part of the 6m performance of +31.4%.

MBWS — NEUTRAL Coverage initiated, Fair Value EUR17,1 (+9%)

A change in the equity story

The restructuring of MBWS is now complete with the exit from the business continuation plan in July 2016. The company is henceforth embarking on a new chapter – one of growth – which promises to be more difficult. We are initiating coverage with a Neutral recommendation and a Fair Value of EUR17.1.

MONCLER — BUY-Top Picks, Fair Value EUR17,5 (+15%)

As winter rolls around it's time to review Moncler

The Q3 publication on 9th November showed that Moncler maintained best-in-class execution, as shown by 10% FX-n top-line growth and signs of an acceleration at the beginning of this fourth quarter. This favourable momentum was not reflected in the recent share price performance (1M: -3.7%). We believe this was caused by: (i) a rotation within the luxury sector, (ii) mild weather across Europe and the US recently and (iii) some concerns ahead of the Italian constitutional referendum on 4th December. Notwithstanding these ST headwinds, we recommend taking advantage of the current attractive valuation (11.3x 2017e EV/EBIT, 12% discount vs. luxury sample excl. Hermès) to play significant MT growth opportunities. Buy recommendation and FV of EUR17.5 confirmed.

VALEO — NEUTRAL, Fair Value EUR49 (-6%)

A deal that makes sense

Yesterday morning the group unveiled it had launched a takeover bid for the shares of Ichikoh, the Japanese automotive lighting specialist, to raise its current 31.58% stake to a maximum of 55.08%. The group believes it can restructure the entity as it did with Sylvania, by progressively improving industrial efficiency and gross margin to the profit of EBIT margin. Dilutive on Valeo's margin in the short term, this deal therefore makes sense in our view yet could be a risky challenge assuming margin improvement takes longer than anticipated, putting at risk the group's 2020 EBIT margin target (8-9%). Positive.

SPIRITS

Rising to the Generation Y challenge

TELECOM SERVICES

Cdiscount launching an MVNO on the French market.

Casino Group's e-commerce site Cdiscount is launching an MVNO offer, competing with Iliad in a EUR2 offer. Despite its strong asset in the online distribution of mobile handsets, we believe Cdiscount is facing many challenges, and its impact should not be major on the traditional players in a very competitive market.

In brief...

ABLYNX, *Re-partnership process initiated*

CELLECTIS, *Q3 results and confirmation that first clinical data will be presented next year*

VINCI, *Good entry point following yesterday's volatility*

LUXURY GOODS, *Improvement in tax free shopping in October*

Business Services

Compass Group

Price 1,326p

Feedback: Headwinds remain. FV lowered

Fair Value 1430p vs. 1450p (+8%) **NEUTRAL**

Bloomberg	CPG LN
Reuters	CPG.L
12-month High / Low (p)	1,548 / 1,077
Market Cap (GBPm)	21,779
Ev (BG Estimates) (GBPm)	24,653
Avg. 6m daily volume (000)	3 659
3y EPS CAGR	12.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-10.7%	-11.3%	3.6%	12.9%
Travel&Leisure	2.2%	-2.2%	-6.9%	-15.6%
DJ Stoxx 600	-1.0%	0.2%	0.9%	-6.8%

YEnd Sept. (GBPm)	09/15	09/16	09/17e	09/18e
Sales	17,843	19,871	22,943	24,068
% change		*11.4%*	*15.5%*	*4.9%*
EBITDA	1,636	1,835	2,144	2,269
EBIT	1,287	1,435	1,674	1,776
% change		*11.5%*	*16.6%*	*6.1%*
Net income	878.0	1,002	1,162	1,245
% change		*14.1%*	*15.9%*	*7.2%*

	09/15	09/16	09/17e	09/18e
Operating margin	7.2	7.2	7.3	7.4
Net margin	4.9	5.0	5.1	5.2
ROE	45.0	39.8	34.0	27.6
ROCE	19.7	18.7	18.9	18.2
Gearing	133.5	114.0	87.7	58.3

(p)	09/15	09/16	09/17e	09/18e
EPS	52.83	60.29	69.90	74.93
% change	-	*14.1%*	*15.9%*	*7.2%*
P/E	25.1x	22.0x	19.0x	17.7x
FCF yield (%)	4.4%	5.6%	4.8%	5.1%
Dividends (p)	29.40	31.70	34.95	41.21
Div yield (%)	2.2%	2.4%	2.6%	3.1%
EV/Sales	1.4x	1.2x	1.1x	1.0x
EV/EBITDA	14.9x	13.4x	11.6x	10.8x
EV/EBIT	18.9x	17.2x	14.8x	13.7x

H2 was definitely lower than anticipated especially after a challenging Q4 in Europe and in the Offshore & Remote businesses. The first part of FY 2016-17 should remain on the same trend in these two segments, with management expecting a rebound in H2 with positive comps. In all, FY2016-17 lfl revenue growth should be at the bottom of the medium term target range i.e. 4-6% with limited margin improvement. Note that at the current exchange rate, forex will have a positive impact on the P&L account. After adjustments, our FV moves to 1430p. Neutral confirmed.

ANALYSIS

- **Lower lfl revenue growth guided for FY 2016-17:** In fact, management guided on around 4% lfl revenue growth i.e. at the bottom of the medium term target 4-6% (our forecast was at 5.3%) after 5% in 2015-16. Moreover, Q1 will be on the same trend than Q4 2015-16 i.e. with lfl growth below 3% o/w around 0% in **Europe** (28% of consolidated revenue) and negative at around 5% in the **RoW** (16% of revenue). **North America** (56%) should remain robust, more or less on the same trend than last year.
- **Strong currency effect on EBIT but limited EBIT margin improvement**: Having completed restructuring mesures for a total amount of £51m over the two year programme, margin should improve slightly vs. last year (we are expecting 5bps to 7.3% vs. 15bps previously). Note that the P&L account should largely benefit from the plunge in sterling against most of main currencies with an impact on EBIT of c.£200m (only translation effect).

Main changes

	2016			2017e			2018e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
SALES	19 600	19 871	1,4%	22 487	22 943	2,0%	23 739	24 068	1,4%
EBITDA	1 807	1 835	1,6%	2 119	2 144	1,2%	2 251	2 269	0,8%
	9,2%	9,2%	2 bp	9,4%	9,3%	-7 bp	9,5%	9,4%	-6 bp
EBIT	1 424	1 435	0,8%	1 656	1 674	1,0%	1 765	1 776	0,7%
	7,3%	7,2%	-5 bp	7,4%	7,3%	-7 bp	7,4%	7,4%	-5 bp
EPS	58,82	60,29	2,5%	70,81	69,90	-1,3%	75,94	74,93	-1,3%

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

- No new cash returned to shareholders can be anticipated: In fact, with net debt at c.£2.9bn notably impacted by forex of £395m, net debt to EBITDA reached 1.6x and no significant improvement can be anticipated in 2016-17 with net debt to EBITDA around 1.5x as announced by management (net debt should be slightly above £3bn at the end of 2016-17).

VALUATION

- At the current share price, the stock is trading at 14.8x EV/EBIT 2016-17e and 13.7x 2017-18e vs. median historical of 12.5x and CAGR EBIT 2015-18e of 11%.
- Remember that our FV is derived from the average between a DCF and historical median multiple as the exit multiple on FY+3 (DCF=1,665 and exit multiple=1,192p)

NEXT CATALYSTS

- AGM + IMS on 2nd February 2017

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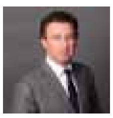

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Luxury & Consumer Goods

Essilor

Price EUR95.63

Bloomberg	EF FP
Reuters	ESSI.PA
12-month High / Low (EUR)	123.6 / 95.6
Market Cap (EUR)	20,857
Ev (BG Estimates) (EUR)	22,538
Avg. 6m daily volume (000)	487.1
3y EPS CAGR	9.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.8%	-14.7%	-16.5%	-16.9%
Consumer Gds	-4.4%	-5.9%	-2.6%	-7.1%
DJ Stoxx 600	-1.0%	0.2%	0.9%	-6.8%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	6,716	7,092	7,536	8,024
% change		*5.6%*	*6.3%*	*6.5%*
EBITDA	1,263	1,313	1,409	1,516
EBIT	1,183	1,243	1,339	1,451
% change		*5.1%*	*7.8%*	*8.4%*
Net income	757.1	826.1	901.1	987.9
% change		*9.1%*	*9.1%*	*9.6%*

	2015	2016e	2017e	2018e
Operating margin	17.6	17.5	17.8	18.1
Net margin	11.3	11.6	12.0	12.3
ROE	13.3	12.9	12.6	12.5
ROCE	20.0	19.7	20.3	20.8
Gearing	34.7	24.8	16.3	9.2

(€)	2015	2016e	2017e	2018e
EPS	3.57	3.86	4.21	4.62
% change	-	*8.3%*	*9.1%*	*9.6%*
P/E	26.8x	24.8x	22.7x	20.7x
FCF yield (%)	4.2%	4.4%	4.8%	5.0%
Dividends (€)	1.15	1.30	1.40	1.55
Div yield (%)	1.2%	1.4%	1.5%	1.6%
EV/Sales	3.4x	3.2x	2.9x	2.7x
EV/EBITDA	18.2x	17.2x	15.7x	14.3x
EV/EBIT	19.4x	18.1x	16.5x	14.9x

American Vertigo: US market slowdown in the ST but attractive MT call

Fair Value EUR123 vs. EUR128 (+29%) BUY

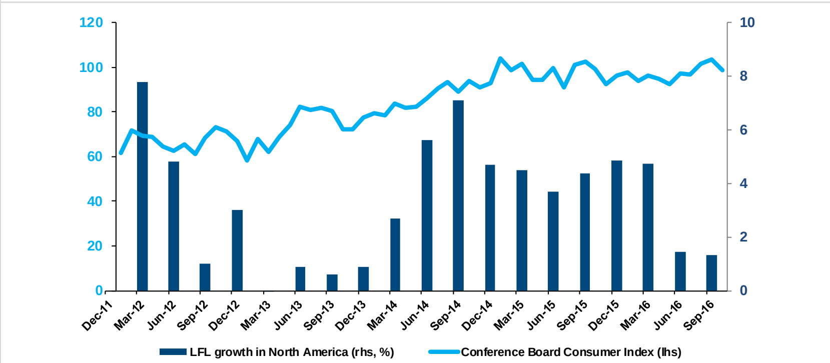
In our view, the significant share price correction (-6%) stems more from the negative sentiment implied by this new profit warning one month after the Q3 publication, rather than the downward revision in estimates (only -2.5% on average over 2016-18). Given this unexplained slowdown in the US optical market (~44% of L&OI sales) we have adopted a cautious stance on this region in Q4 2016 and 2017. Hence, our new FV of EUR123 vs. EUR128 but Buy recommendation reiterated.

ANALYSIS

- **Unexplained slowdown in the US optical market.** Historically, the US optical market is influenced by macro indicators such as GDP growth, consumer confidence and the unemployment rate. As shown in the chart below, this correlation was also true when comparing US consumer confidence and the LFL growth performance of Essilor. Surprisingly, since Q2 2016 optical players (incl. EI and LUX) have been witnessing a sharp slowdown in the optical market whilst the macro environment has remained well-oriented. Hence a vague communication from Essilor since the top management and US teams struggle to explain why this market decelerates.

- **Reasons: what we know and don't know: 1/ is declining traffic in optical stores due to online retailers** like in apparel? **In our view, no:** the online channel (~4% of total market) continued to achieve 10-13% growth ytd but neither the latest market data, nor Essilor's own websites have posted higher growth rates driven by consumers shifting from offline to online; **2/ Is the US market impacted by trading down? No:** the slowdown was caused by softer volume growth in all price points (=less demand), but value growth remained in positive territory, meaning no deflationary trends; **3/ Have consumers demonstrated a wait-and-see behaviour? Yes:** our answer is supported by the deceleration in the number of eye exams (rolling 12m: 0-1% at end-September vs. +1.2% at end-June, +2.1% at end-March and +3% at end-December 2015), proving that consumers do not intend to renew or replace their lenses in the ST. Yet, like LUX and EI, **we can hardly explain the reasons of this "wait-and-see" attitude but the US elections?** A possible pick up in November and December might confirm this scenario.

US Consumer confidence and quarterly LFL growth development of Essilor North America:



Source: Company Data, Conference Board, BG ests

- **North America: what to expect for Q4 and onwards?** In its recent history, Essilor has already coped with these US consumers' "wait-and-see" attitudes that last approx. four quarters: over **2008-09** (Q4 2008 => Q3 2009) because of the crisis and in **2013** (Q1 13 => Q4 13) due to the Sequester/Shutdown impacts, as well as the painful launch of the Varilux S series progressive lens, as only 10% of the US Rx labs were equipped with the required technology to produced it.

- In light of the revised outlook announced yesterday, **we now anticipate 0.5% growth in Q4 2016 vs. 1.8% initially**, after +1.3% in Q3 and +2.5% in 9M. Essilor controls to some extent three key levers to regain some momentum but obviously a >3-4% would be difficult to achieve if the US market does not rebound:
  - o **Step up in marketing expenses** to encourage consumers to replace their lenses and revitalise traffic, this strategy being successful in Europe against a fragile macro environment,
  - o **Further integration of the dynamic alliance group channel** (Vision Source, PERC/IVA and Opti-Port) that will positively impact LFL growth next year
  - o **The revamped website for Coastal** and its new commercial proposition should help regain some traction, but not before Q1 17 in our view.

For 2017 & 2018: we have voluntarily adopted a conservative assumption for North America with +2.5%e vs. +4%e initially. We remind that Q1 is set to face a challenging comparison base (Q1 17: +4.7%) and the anniversary effect of the "Transitions headwind" will only occur in Q2. Consequently, the FY LFL growth performance should be back-end loaded (H2 2017 >H1 2017). **For 2018:** we have retained +3.5% for North America vs. +4% previously.

VALUATION

- This new announcement of a weak US optical market in October (one of the lowest months in the year) casts some doubts on Essilor's growth profile in the ST. Despite this headwind, the group has demonstrated its capacity to gain market share in North America (adjusted for one-offs: ~+2.5%e in Q2 and ~+3%e in a flat market) thanks to its execution and strategy.
- Following this correction, the stock returned to more attractive levels to play the group's sound fundamentals over the MT but admittedly, we do not believe the share price would rerate in the ST unless there are early signs of acceleration in the US optical market.
- We have cut our EPS forecasts by 2.5% on average over 2016-18 in light of more conservative forecasts on the US market and the revised CM guidance. It is worth noting that the stronger USD (~48% of total sales) is a tailwind for 2017, not yet factored into our estimates. Consequently, we are revising down our FV to EUR123 vs. EUR128 initially but are confirming our Buy recommendation as the US market harbours significant growth opportunities over the MT-LT (*see our feedback from the US Field Trip*).

NEXT CATALYSTS

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

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Infineon

Price EUR16.41

FQ4 2016 results in line but FY17 sales guidance disappoints

Fair Value EUR17.5 (+7%) **BUY**

Bloomberg	IFX GY
Reuters	IFXGn.DE
12-month High / Low (EUR)	16.4 / 10.5
Market Cap (EURm)	18,583
Ev (BG Estimates) (EURm)	18,826
Avg. 6m daily volume (000)	4,203
3y EPS CAGR	17.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.4%	7.1%	31.4%	21.5%
Semiconductors	3.8%	8.8%	37.1%	29.2%
DJ Stoxx 600	-1.0%	0.2%	0.9%	-6.8%

YEnd Sept. (EURm)	09/15	09/16e	09/17e	09/18e
Sales	5,795	6,496	7,045	7,622
% change		*12.1%*	*8.4%*	*8.2%*
EBITDA	1,658	1,840	2,114	2,331
EBIT	898.0	995.4	1,199	1,341
% change		*10.8%*	*20.4%*	*11.9%*
Net income	680.0	912.0	991.8	1,105
% change		*34.1%*	*8.7%*	*11.4%*

	09/15	09/16e	09/17e	09/18e
Operating margin	15.5	15.3	17.0	17.6
Net margin	11.7	14.0	14.1	14.5
ROE	13.3	14.1	14.1	14.7
ROCE	18.6	14.4	15.3	16.7
Gearing	-4.7	4.8	-4.6	-14.2

(EUR)	09/15	09/16e	09/17e	09/18e
EPS	0.60	0.81	0.88	0.98
% change	-	*33.6%*	*8.8%*	*11.4%*
P/E	27.1x	20.3x	18.7x	16.8x
FCF yield (%)	0.5%	3.1%	3.9%	4.6%
Dividends (EUR)	0.18	0.20	0.20	0.20
Div yield (%)	1.1%	1.2%	1.2%	1.2%
EV/Sales	3.2x	2.9x	2.6x	2.3x
EV/EBITDA	11.1x	10.2x	8.7x	7.6x
EV/EBIT	20.4x	18.9x	15.3x	13.2x

Today, Infineon reports FQ4 2016 EPS in line with expectations but FY17 guidance came out below estimates. The company reported FQ4 sales of EUR1,675m, up 2.6% seq., broadly in line with the company's guidance of a sequential growth of +3.0% (+/-2%) and slightly below consensus expectations at EUR1,680m (BG ests. EUR1,697m) yielding FQ4 adjusted EPS of EUR0.21, a penny above street's expectations. On behalf of the FY16 results, the group posted disappointing FY17 guidance. For FY17, the group anticipates revenue growth of 6% (+/-2%) and a 16% segment result margin (vs. the Street's expectations of rev. growth at +8.3% and a segment result margin of 15.2%). In our view, the stock is poised to react negatively, offsetting a part of the 6m performance of +31.4%.

ANALYSIS

- **Infineon's FQ4 sales and EPS came out broadly in line with expectations.** The company reported FQ4 sales of EUR1,675m, up 2.6% seq., broadly in line with the company's guidance of a sequential growth of +3.0% (+/-2%) and slightly below consensus expectations at EUR1,680m (BG ests. EUR1,697m). FQ4 2016 segment result came at EUR280m, a 16.7% margin, slightly below the company's guidance at 17% and our expectations at 17.3%. However, Adjusted FQ4 EPS is EUR0.21, a penny above expectations at EUR0.20 (BG ests. EUR0.23). FY16 sales came out at EUR6,473m, up 11.7% yoy, in line with the company's guidance (+11/12%) but slightly below the Street's expectations at EUR6,489m (BG ests. EUR6,496m). FY16 segment result at EUR982m or a 15.2% segment result margin, in the low end of company guidance (15% to 16%) broadly in line with of 15.3%, yielding adjusted FY16 EPS of EUR0.66. The net cash situation at the end of the fourth quarter was a positive EUR471m vs. EUR229m at the end of the FQ3.

- **During FQ4, Automotive showed a significant margin improvement over the year (+200bps).** Automotive (ATV), Industrial Power Control (IPC), Power Management and Multimarket (PMM) and Chip Card & Security (CCS) revenues moved respectively by +2%, 0%, +5% and +1% on a sequential basis. The automotive division (Q4 sales: EUR690m, segment result: EUR118m or 17.1%) benefited from high demand in premium cars and high global vehicule production. IPC (Q4 sales: EUR279m, segment result: EUR36m or 12.9%) performed in line with seasonal factors. Demand in PMM (Q4 sales: EUR535m, segment result: EUR95m or 17.8%) increased mostly due to the seasonal increase in demand for mobile communications components. Finally, CCS (Q2 sales: EUR173m, segment result: EUR33m or 19.1%).

- **Margin improves but FY17 sales guidance disappoints due to weak prospect in Chip Card & Security and Power Management & Multimarket.** For FY17, the group expects an increase in sales of 6% (+/- 2%) based on a EUR/USD exchange rate of 1.10. As a result, FY17 sales guidance is below the Street's and BG's expectations of +8.3% and +8.4% respectively. However, guidance for the segment result margin of 16% is above Street's forecasts at 15.2% (BG ests. 17%). **As such, the higher than expected margin offsets disappointment on growth and FY 2017 segment result come out 3% above consensus**. Finally, Capex are foressen in the region of EUR950m for the 2017 fiscal year. For FQ1, the group expect to start the year with a sequential decrease of -4.0% over FQ1 2017 (+/- 2%) due to seasonal patterns, which is above consensus' expectations at -5.6% (BG ests. -5.1%). The group expects this level of activity to yield a segment result margin of 14%, i.e. below consensus expectations at 15.2%. Nevertheless, **the group raises its through-cycle target for segment result margin from 15% to 17%**, this confirms our view that the group might generates higher margins thanks to the ramp and higher utilization of the 300mm plant and efficiency from integrating International Rectifier's manufacturing landscape.

- **Dividend to increase by EUR0.02 to EUR0.22 per share for FY16**. Finally, the group also announced that the management resolved to propose a dividend of EUR.22 for FY16, up from EUR0.20 for FY15. We remind that dividend increased significantly over the last few years as it was at a level of EUR0.12 for FY13.

VALUATION

- We are making no change in our estimates at this point. We are waiting for details to be given during today's conference call (9:30am CET; +44 20 7026 5967). In our view, the stock is poised to react negatively, offsetting a part of the 6m performance of +31.4%.

- Infineon's shares trade at a 2017e P/E ratio of 18.7x and a 2017e PEG ratio of 1.1x.

NEXT CATALYSTS

- Conference call to be hold at 9:30 today : +44 20 7026 5967.

- February 2nd 2017, FQ1 2017 results (preliminary date).
- February 16th 2017, Annual General Meeting.

FQ4-16 Actual vs. estimates

[EURm]	BG ests. 4Q16	Consensus 4Q16	4Q16 Actual	Actual vs. cons.
Net revenue	1675	1680	1675	-0.3%
% change (seq)	*+2.6%*	*+2.9%*	*+2.6%*	-31bp
% change (yoy)	*+4.8%*	*+5.1%*	*+4.8%*	-31bp
Gross Margin	37.4%	38.5%	37.7%	-80bp
Adj. EBIT	293	286	280	-2.1%
% of revenue	*17.5%*	*17.0%*	*16.7%*	-31bp
Adj. EPS (in EUR)	0.24	0.20	0.21	5.0%

Sources: Company data; Thomson Reuters I.B.E.S; Bryan, Garnier & Co ests.

FQ1-17 Guidance vs. estimates

[EURm]	BG ests. 1Q17	Consensus 1Q17	1Q17 Guidance	Guid. vs. cons.
Net revenue	1596	1595	1608	0.8%
% change (seq)	*-4.7%*	*-5.1%*	*-4.0%*	107bp
% change (yoy)	*+2.6%*	*+0.6%*	*+1.4%*	83bp
Adj. EBIT			225	n.s.
% of revenue			*14.0%*	n.s.

Sources: Company data; Thomson Reuters I.B.E.S; Bryan, Garnier & Co ests.

FY17 Guidance vs. estimates

[EURm]	BG ests. FY17	Consensus FY17	FY17 Guidance	Guid. vs. cons.
Net revenue	7045	7026	6886	-12.6%
% change (seq)	*+8.4%*	*+8.3%*	*+6.0%*	-228bp
Adj. EBIT	1199	1,067	1102	+3.3%
% of revenue	*17.0%*	*15.2%*	*16.0%*	82bp

Sources: Company data; Thomson Reuters I.B.E.S; Bryan, Garnier & Co ests.

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23rd November 2016 Food & Beverages

MBWS

Price EUR15.69

Bloomberg	MBWS FP
Reuters	MBWS.PA
12-month High / Low (EUR)	20.3 / 14.9
Market Cap (EURm)	444
Ev (BG Estimates) (EURm)	-23,372
Avg. 6m daily volume (000)	56.20
3y EPS CAGR	94.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.2%	-2.4%	-2.8%	-22.3%
Food & Bev.	-8.1%	-10.0%	-6.4%	-10.0%
DJ Stoxx 600	-1.0%	0.2%	0.9%	-6.8%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	451,050	441,262	458,404	479,628
% change		*-2.2%*	*3.9%*	*4.6%*
EBITDA	11,219	18,224	33,555	58,179
EBIT	5,093	11,649	27,229	51,512
% change		*128.7%*	*133.7%*	*89.2%*
Net income	5,484	-5,212	18,274	42,761
% change		*NM*	*NS*	*134.0%*

	2015	2016e	2017e	2018e
Operating margin	3.2	2.6	5.9	10.7
Net margin	1.2	-1.2	4.0	8.9
ROE	NM	NM	NM	NM
ROCE	6.9	-1.3	-1.5	-1.5
Gearing	-34.7	-10.3	-20.2	-30.9

(EUR)	2015	2016e	2017e	2018e
EPS	0.21	-0.19	0.65	1.52
% change	*-*	*NM*	*NS*	*134.0%*
P/E	75.8x	NS	24.2x	10.3x
FCF yield (%)	NM	2.3%	7.4%	13.0%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	NS	NS	NS	NS
EV/EBITDA	NS	NS	NS	NS
EV/EBIT	NS	NS	NS	NS

A change in the equity story

Fair Value EUR17,1 (+9%)

NEUTRAL

Coverage initiated

The restructuring of MBWS is now complete with the exit from the business continuation plan in July 2016. The company is henceforth embarking on a new chapter – one of growth – which promises to be more difficult. We are initiating coverage with a Neutral recommendation and a Fair Value of EUR17.1.

ANALYSIS

- An end to restructuring. The history of MBWS is marked by disagreements between shareholders, issues surrounding the level of indebtedness notably linked to the acquisition of Marie Brizard in 2006 and, lastly, a legal proceeding launched in 2012 which was to culminate in a EUR532m debt for equity swap. However, the normalisation process is now complete and, having been rebaptised Marie Brizard Wine & Spirits, the company has a new Executive Committee and Board of Directors. Its shareholder structure has stabilised and the continuation plan has been completed.
- The growth story is less convincing. We are forecasting 2018 sales of EUR480m, in line with the guidance (EUR450-EUR500m) but only thanks to the retention of the wholesale operations in Poland which had initially been slated for divestment. In our view, the organic performance for 2016-18 will not be enough for MBWS to achieve its objectives. The group is behind schedule in France and its targets in the United States, Spain and Poland are very ambitious. We are forecasting EBITDA of just EUR58m in 2018 versus the guidance of EUR67-EUR75m. We are confident on the rationalization and optimization components and their ability to generate a respective EUR3.5m and EUR25m but the weaker-than-expected growth is likely to represent an EBITDA shortfall of EUR9m.

VALUATION

- After a re-rating in 2014 and 2015, the shares have fallen by 22% in absolute terms since the beginning of the year due to the stock warrant exchange offer and uncertainties regarding the growth outlook. Our DCF-based valuation derives a Fair Value of EUR17.1, which points to 9% upside potential. We are initiating coverage with a Neutral recommendation.

NEXT CATALYST

- The update on the strategic plan on 12 December should be an opportunity to provide more detail on the growth component of the BIG 2.0 plan and to announce that the plan to divest the Polish wholesale operations has been abandoned.

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Moncler

Price EUR15.25

As winter rolls around it's time to review Moncler

Fair Value EUR17,5 (+15%) **BUY-Top Picks**

Bloomberg	MONC IM
Reuters	MONC.MI
12-month High / Low (EUR)	16.0 / 12.2
Market Cap (EURm)	3,815
Ev (BG Estimates) (EURm)	3,773
Avg. 6m daily volume (000)	898.5
3y EPS CAGR	10.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.3%	-1.0%	1.7%	18.0%
Pers & H/H Gds	-3.5%	-5.8%	-2.9%	-3.3%
DJ Stoxx 600	-1.0%	0.2%	0.9%	-6.8%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	880.4	1,004	1,110	1,212
% change		*14.1%*	*10.6%*	*9.2%*
EBITDA	300	337	370	406
EBIT	252.7	284.4	314.7	346.6
% change		*12.6%*	*10.7%*	*10.1%*
Net income	163.8	185.7	207.7	230.1
% change		*13.4%*	*11.8%*	*10.8%*

	2015	2016e	2017e	2018e
Operating margin	28.7	28.3	28.3	28.6
Net margin	18.6	18.5	18.7	19.0
ROE	30.0	27.6	25.6	23.9
ROCE	40.9	43.1	45.3	48.2
Gearing	9.1	-6.3	-18.7	-28.8

(EUR)	2015	2016e	2017e	2018e
EPS	0.69	0.76	0.84	0.93
% change	*-*	*11.5%*	*10.5%*	*10.6%*
P/E	22.3x	20.0x	18.1x	16.3x
FCF yield (%)	3.4%	4.0%	4.7%	5.3%
Dividends (EUR)	0.14	0.17	0.21	0.23
Div yield (%)	0.9%	1.1%	1.4%	1.5%
EV/Sales	4.4x	3.8x	3.3x	2.9x
EV/EBITDA	12.9x	11.0x	9.8x	8.6x
EV/EBIT	15.3x	13.3x	11.3x	9.9x

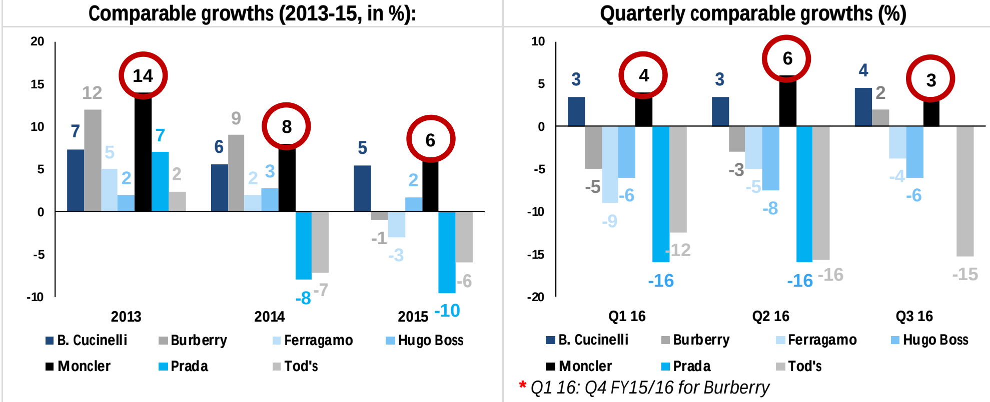
The Q3 publication on 9th November showed that Moncler maintained best-in-class execution, as shown by 10% FX-n top-line growth and signs of an acceleration at the beginning of this fourth quarter. This favourable momentum was not reflected in the recent share price performance (1M: -3.7%). We believe this was caused by: (i) a rotation within the luxury sector, (ii) mild weather across Europe and the US recently and (iii) some concerns ahead of the Italian constitutional referendum on 4th December. Notwithstanding these ST headwinds, we recommend taking advantage of the current attractive valuation (11.3x 2017e EV/EBIT, 12% discount vs. luxury sample excl. Hermès) to play significant MT growth opportunities. Buy recommendation and FV of EUR17.5 confirmed.

ANALYSIS

Q3 growth was in line with expectations but still strong (+10%). First of all, the performance in **wholesale** (+4% FX-n) is managed by the Group, which sends a limited number of products ahead of the winter peak season, and continues to reduce the number of wholesale doors (esp. in Italy). Sales in the **retail channel** increased 16% FX-n and the slowdown vs. H1 (+22%) was mainly explained by a lower contribution from new space (9M 2016: 20 net openings vs. 9M 2015 / H1 2016: +26 net openings vs. H1 2015) and more moderate LFL growth (+3%e vs. +5% in H1) given more challenging conditions in markets such as France, Belgium and Japan (slowdown in tourist flows).

However the right-hand chart below shows that in Q3 **Moncler achieved the second-highest LFL growth performance** (BG ests: +3%e), after Brunello Cucinelli (+4%) but ahead of Burberry, Hugo Boss and its other Italian peers (Ferragamo, Tod's and certainly Prada, which no longer reports quarterly growth). Management confirmed that the best-performing market was again Mainland China, followed by HK, SK, Europe (UK, Germany) and the Americas.

Comparable growth in October and November has accelerated. Indeed, Moncler had a robust start to Q4 on top of mild temperatures across North America and Europe but hopefully the cold weather is rolling into the north-eastern US. These strong trends bode well for Moncler as Q4 historically accounts for 34-35% of FY sales. We anticipate 4% LFL growth for 2016, implying +4-5% for Q4 alone.



Source: Company Data, Bryan, Garnier & Co ests

Retail Excellence delivers positive results. While Moncler is opening two flagship stores this quarter (Seoul and Madison Ave in NY), reassuringly there is no cannibalisation from new stores and the group maintained the same sales density (~EUR30k/sqm) despite bigger stores and a growing presence of "new categories" (knitwear, shoes and accessories). As explained in our feedback from the London flagship store visit, these initiatives strengthen Moncler's legitimacy in the high-end segment and also play positively on retail KPIs (comparable growth, profitability).

Selective retail expansion. Management confirmed that 12 new locations were secured for next year and some strategic stores will be either extended (e.g.: Via Montenapoleone, Milan) or relocated (H-K: Harbour City in H-K that will be 3x bigger). Moncler remains upbeat about the **US wholesale channel** as it plans to open around 10 additional shop-in-shops in 2017. At this stage, the brand does not plan to increase further its number of flagship stores after three openings this year (London, Seoul and NYC) to a total of five flagship stores.

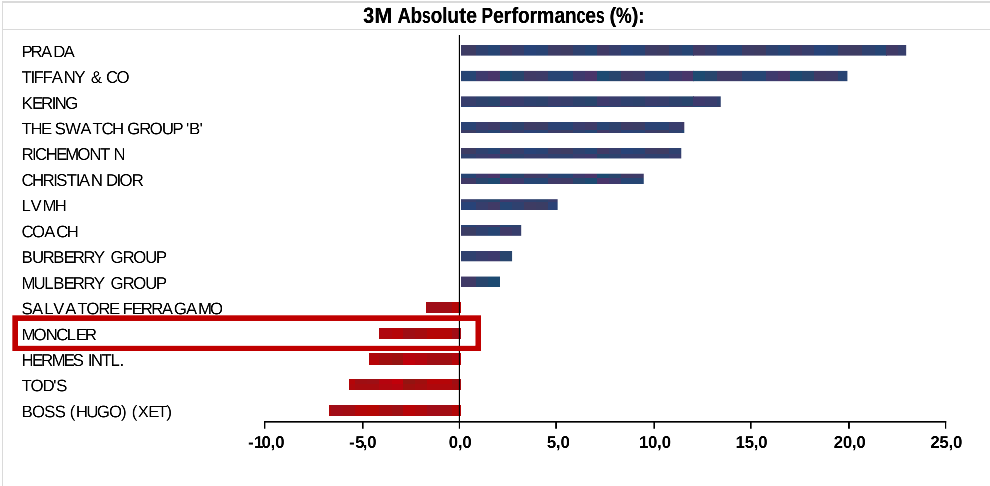
(To be continued next page)

VALUATION

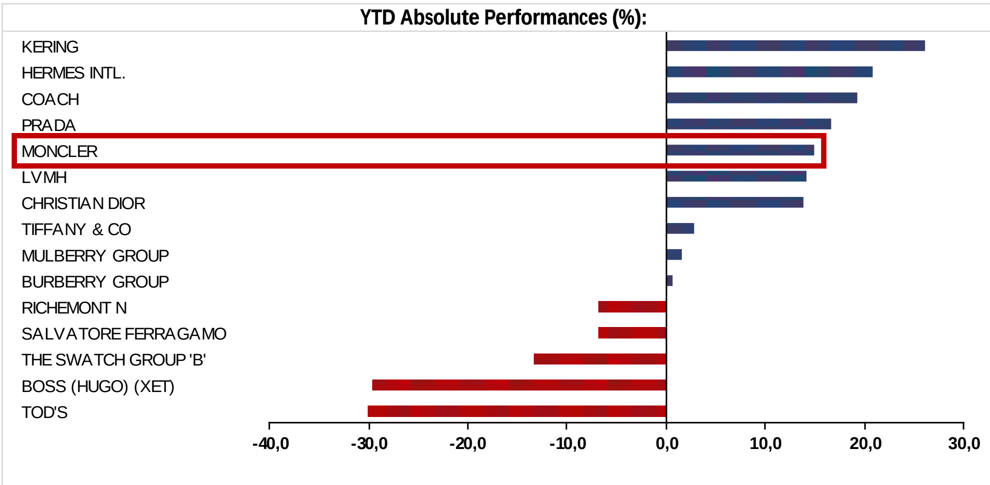
Admittedly, some investors fear a negative outcome at the upcoming **Italian referendum** (4th December) given Moncler's exposure to Italy (~14% of total sales) and its listing on Milan's Stock Exchange. In our view, the risk of a slowdown in its domestic market is limited if momentum in key regions such as Asia-Pacific (38% of sales) or Americas (16% of sales) remains buoyant. Moreover, our growth assumption for Italy over 2017-18 is modest (+2%e and +1%e respectively).

Despite Eurazeo's partial exit in September (~15m shares or ~6% stake), Moncler was the best-performing stock in our luxury sample, as investors were reassured by its strong momentum compared with the other luxury groups. Following reassuring Q3 publications (LVMH, Kering) and current trading (Richemont, rebound in Greater China), we believe that Moncler shares suffered from a **rotation** within the sector, as highlighted by the 3M absolute performances below.

At 11.3x 2017e EV/EBIT the stock trades at an attractive 12% discount to our luxury sample excl. Hermès, which is unmerited given stronger sales and earnings momentum over 2016-18.



Source: Datastream



Source: Datastream

NEXT CATALYSTS

Moncler will report FY16 Results on 28th February 2017.

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Automotive

Valeo

Price EUR52.38

A deal that makes sense

Fair Value EUR49 (-6%) **NEUTRAL**

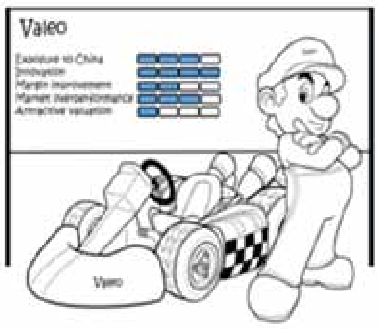
Bloomberg	FR FP
Reuters	VLOF.PA
12-month High / Low (EUR)	54.4 / 34.9
Market Cap (EURm)	12,526
Ev (BG Estimates) (EURm)	14,609
Avg. 6m daily volume (000)	788.1
3y EPS CAGR	14.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.4%	14.1%	19.1%	-62.7%
Auto & Parts	1.1%	4.1%	6.5%	-11.7%
DJ Stoxx 600	-1.2%	0.0%	0.7%	-7.0%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	14,544	16,372	17,942	19,045
% change		*12.6%*	*9.6%*	*6.2%*
EBITDA	1,847	2,071	2,364	2,523
EBIT	1,060	1,260	1,421	1,532
% change		*18.8%*	*12.8%*	*7.8%*
Net income	729.0	880.4	1,011	1,102
% change		*20.8%*	*14.9%*	*8.9%*

	2015	2016e	2017e	2018e
Operating margin	7.3	7.7	7.9	8.0
Net margin	5.0	5.4	5.6	5.8
ROE	21.0	21.7	21.3	20.1
ROCE	23.7	20.1	21.0	21.2
Gearing	0.5	27.0	17.4	8.6

(EUR)	2015	2016e	2017e	2018e
EPS	3.11	3.74	4.29	4.68
% change	-	*20.1%*	*14.9%*	*8.9%*
P/E	16.8x	14.0x	12.2x	11.2x
FCF yield (%)	4.4%	4.0%	4.3%	5.2%
Dividends (EUR)	1.00	1.12	1.29	1.40
Div yield (%)	1.9%	2.1%	2.5%	2.7%
EV/Sales	0.9x	0.9x	0.8x	0.7x
EV/EBITDA	7.3x	7.1x	6.0x	5.5x
EV/EBIT	12.7x	11.6x	10.1x	9.1x



Yesterday morning the group unveiled it had launched a takeover bid for the shares of Ichikoh, the Japanese automotive lighting specialist, to raise its current 31.58% stake to a maximum of 55.08%. The group believes it can restructure the entity as it did with Sylvania, by progressively improving industrial efficiency and gross margin to the profit of EBIT margin. Dilutive on Valeo's margin in the short term, this deal therefore makes sense in our view yet could be a risky challenge assuming margin improvement takes longer than anticipated, putting at risk the group's 2020 EBIT margin target (8-9%). Positive.

ANALYSIS

A deal that makes sense? Valeo currently holds **31.58%** of the capital of Ichikoh, a Japanese automotive lighting specialist and aims to increase its stake to at least **50.09%** and to a maximum of **55.08%** (*in order to maintain the liquidity of the Ichikoh share which will continue to be listed on the Tokyo Stock Exchange*), to get control of this Japanese group. With an offer at **JPY408/sh**, Valeo is offering a **25% premium to Ichikoh's shareholders**, valuing the Japanese automotive supplier at around **EUR340m** (*market cap*). Based on 2017 net debt estimates, and on Valeo's price offer, this deal values Ichikoh at **44% its N+1 sales** and at at **18x its N+1 EBIT** (*and at 9x its N+2 EBIT*). Getting control of a well-known industrial partner is not new for Valeo which made a similar deal in 2014 with the purchasing of a **50% stake in Sylvania** (*back then the group already owned 50% of the entity*). Valeo's good track record in this type of operation combined with the low impact on group's net debt (*less than EUR200m, or 15% of Valeo BG estimated net debt*) makes this deal credible in our view. By acquiring Ichikoh Valeo it will then reinforce its presence in Japan, (*7% of group's sales*) with Japanese carmakers.

Dilutive margin impact in the short term: This deal will however have a **20-30bp negative impact** on Valeo's EBIT margin in the short term (*2017*) as Ichikoh is at this stage still generating poor operating margin (*2-3%), far from Valeo's margin on the lighting business (7-8%).* To progressively improve Ichikoh's gross margin and EBIT margin (*close to the groups' lighting business profitability*), Valeo and Ichikoh will be leveraging **1/**sales synergies that could develop out of a worldwide product offering (*by notably raising the share of LED within Ichikoh product mix*) , will **2/**optimise manufacturing footprint, will generate **3/**R&D synergies as well as **4/**purchasing synergies, in particular for electronics, which represent a growing proportion of the value of innovative lighting products, and **5/** administrative synergies. We estimated the integration of Ichikoh (*not before February 2017*) could have an accretive impact on group's EPS close to **1%** while raising group's sales by around **5%**.

This deal therefore makes sense in our view yet could be a risky challenge assuming margin improvement takes longer than anticipated, putting at risk the group's 2020 EBIT margin target (8-9%).

At this stage we still do not integrate this deal into our model: As this transaction is still subject to approval by the relevant anti-trust authorities and as the takeover bid will run until 12th January 2017, we have decided not to integrate it into our model yet.

VALUATION

At the current share price the stock is trading at **10x** its 2017e EBITDA and at **12.2x** its 2017e EPS

Neutral, FV @ **EUR49/sh**

NEXT CATALYSTS

30th November - Lunch with IR @ Bryan Garnier Paris

16th February - 2016 results

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Sector View

Spirits

Rising to the Generation Y challenge

	1 M	3 M	6 M	31/12/15
Food & Bev.	-8.1%	-10.0%	-6.4%	-10.0%
DJ Stoxx 600	-1.0%	0.2%	0.9%	-6.8%

*Stoxx Sector Indices

Companies covered

CAMPARI		**BUY**	**EUR10,7**
Last Price	EUR8,87	*Market Cap.*	EUR5,166m
DIAGEO		**NEUTRAL**	**2200p**
Last Price	2005p	*Market Cap.*	*GBP50,385m*
MBWS		**NEUTRAL**	**EUR17.1**
Last Price	EUR15,69	*Market Cap.*	*EUR444m*
PERNOD RICARD		**BUY**	**EUR115**
Last Price	EUR101,8	*Market Cap.*	*EUR26,900m*
REMY COINTREAU		**BUY**	**EUR84**
Last Price	EUR74,67	*Market Cap.*	*EUR3,699m*

ANALYSIS

- Millennials: the priority target. This generation has become the major obsession for the spirits industry which is engaged in a ferocious battle to conquer its heart and wallet. The representatives of this age bracket represent the driving force in consumption, regrouping more than 385m individuals in China (c.28% of the total population), 122m in the EU (c.24%) and 92m in the United States (c.29%). Beyond this demographic influence, in 2020 this generation will represent more than one third of retail sales in the United States and 53% of Chinese domestic consumption (BCG).
- Authenticity and experimentation. While brands are very important to Generation X, Millennials prioritise products which have a story to tell. This is why the notion of authenticity has become key, explaining both the craft trend and the success of certain categories like whisk(e)y, cognac, Latin American spirits (tequila/mezcal) and bitters. Experimentation has also acquired a predominant role. These days we do not just consume a product but all that its universe can offer. The implications are numerous: marketing changes, the emergence of mixology, the importance of new technologies and ethical considerations. The product itself is increasingly specifically designed to create an experience, hence the success of aromatised spirits, the abolition of frontiers between categories, etc.
- Rémy Cointreau: the best positioned. The company generates 64% of its sales in categories in phase with the Millennial generation, i.e. mainly cognac but also, to a lesser extent, single-malt scotch. The Campari portfolio, with its high proportion of bitters and bourbon, is also attractive. We calculate that 39% of the Italian company's sales are generated in products that are popular with Generation Y. In the case of diversified groups like Pernod Ricard and Diageo, this percentage falls to a respective 21% and 11%. Lastly, we estimate that only 3% of MBWS sales are aligned with Generation Y tastes.

VALUATION

- This analysis reinforces our positive conviction on Rémy Cointreau (Fair Value: EUR84), Campari (Fair Value: EUR10.7) and Pernod Ricard (Fair Value: EUR115). We maintain our Neutral recommendation on Diageo (Fair Value: 2,150p) and we initiate coverage of MBWS with a Neutral opinion and a Fair Value of EUR17.1.

NEXT CATALYSTS

- Rémy Cointreau: H1 2016/17 results

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Sector View

Telecom services

Cdiscount launching an MVNO on the French market.

	1 M	3 M	6 M	31/12/15
Telecom	-4.6%	-7.0%	-14.1%	-20.0%
DJ Stoxx 600	-1.0%	0.2%	0.9%	-6.8%

*Stoxx Sector Indices

Companies covered

ALTICE		**BUY**	**EUR19**
Last Price	EUR15,85	*Market Cap.*	EUR17,345m
BOUYGUES		**BUY**	**EUR35**
Last Price	EUR32,4	*Market Cap.*	*EUR11,248m*
ILIAD		**BUY**	**EUR212**
Last Price	EUR179,8	*Market Cap.*	*EUR10,560m*
ORANGE		**BUY**	**EUR17,1**
Last Price	EUR13,815	*Market Cap.*	*EUR36,749m*
SFR Group		**NEUTRAL**	**EUR29,7**
Last Price	EUR23,17	*Market Cap.*	*EUR10,154m*

Casino Group's e-commerce site Cdiscount is launching an MVNO offer, competing with Iliad in a EUR2 offer. Despite its strong asset in the online distribution of mobile handsets, we believe Cdiscount is facing many challenges, and its impact should not be major on the traditional players in a very competitive market.

ANALYSIS

- **Casino Group's e-commerce site Cdiscount is about to launch its own mobile telephony offer, through an MVNO agreement with EI Telecom.** Cdiscount is to launch a EUR2 monthly offer with 3h20min of voice, 200Mb of data and 200 sms. For the same price, Free is offering 2h of voice, 50mb of data and unlimited SMS. Other operators do not have EUR2 offers. Cdiscount customers will have the possibility to pay an additional EUR7 for unlimited sms, and an additional EUR7 for 5Gb of data.
- Distribution will be exclusively **online** at first, Cdiscount is counting on its **1 million annual mobile handset sales** to cross sell the telephony offer. Assuming Cdiscount manages to convert **10%** of its mobile handset sales into telephony offers, this would represent only about **5%** of the total net adds of the four main operators in the last twelve months. Although Iliad appears as the main target, because of Cdiscount's pricing and distribution model, we believe web-only offers such as Red or Sosh might also be hit, as they are more expensive.
- **The challenge will not be easy for CDiscount:** firstly, the French market is very **competitive**, with MVNOs struggling to take a significant market share, capped at 11%, La Poste Mobile being the largest thanks to its extensive physical distribution network. Secondly, **fixed/mobile convergence** is now key in terms of recruitment and customer loyalty; despite its aggressive pricing, this will be a headwind for Cdiscount. Thirdly, not offering **unlimited SMS** below EUR5, which is now a standard on the market, could be a drawback for the young, although OTT services such as Whatsapp can take over, thanks to the 200Mb of data available.

VALUATION

- Although slightly negative, we do not believe the impact of CDiscount should be major for traditional players.
- We stick to our current fair values and recommendations on the sector.

NEXT CATALYSTS

- Full year 2016 results in February and March 2017.

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Dorian Terral

Healthcare

Ablynx

Price EUR8.97

Re-partnership process initiated

Fair Value EUR16 (+78%) **BUY**

Bloomberg	ABLX BB
Reuters	ABLX.BR
12-month High / Low (EUR)	16.1 / 8.4
Market Cap (EURm)	546
Avg. 6m daily volume (000)	217.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	-10.2%	-24.2%	-36.8%	-43.6%
Healthcare	-5.6%	-9.3%	-6.7%	-15.7%
DJ Stoxx 600	-1.0%	0.2%	0.9%	-6.8%

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

ANALYSIS

- Ablynx released Q3 2016 results with revenues standing at EUR68.9m vs EUR53.6m in Q3 2015 mainly due to the recognition of milestones from new partnerships (i.e. Novo Nordisk and expansion of the Merck & Co partnership) and a milestone from BI. R&D expenses are up from EUR58.5m to EUR72.8m as the pipeline is evolving towards a late stage which also triggered an increase in external development costs (EUR9.8m vs EUR8.4m). Financial results stand at EUR24.5m positively impacted by the fair value adjustment of convertible bonds. Net result stood at EUR10.9m.
- The company has EUR263.6m in cash and equivalents. FY cash burn guidance of EUR64-75m reiterated.
- Following the recent decision of AbbVie to opt-out from vobarilizumab, Ablynx has started identifying a partner and remains well on track for its end-of-phase II meeting with both the EMA and the FDA in H1 2017. We do not believe that the SLE trial, for which recruitment should be completed in late 2016, would delay the re-partnership of vobarilizumab until readout in 2018. While AbbVie has the right to take back the rights upon encouraging results in SLE, such a decision would force the US pharma **1/** to pay the USD75m milestone payment, **2/** reimburse two-times the costs incurred by Ablynx (inc. potential costs linked to the initiation of a phase III program to be started by ABLX) and **3/** move the product development forward in RA. As such, there is an incentive in our view for AbbVie to amend the partnership so that Ablynx could take back the rights on the product candidate.

VALUATION

- We reiterate our Buy recommendation and EUR16 Fair Value

NEXT CATALYSTS

- Early 2017: first INDs from the Merck & Co partnership in IO

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Healthcare

Cellectis

Price EUR16.80

Bloomberg	ALCLS FP
Reuters	ALCLS.PA
12-month High / Low (EUR)	32.0 / 15.0
Market Cap (EURm)	594
Avg. 6m daily volume (000)	69.50

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.5%	-28.8%	-37.8%	-39.8%
Healthcare	-5.6%	-9.3%	-6.7%	-15.7%
DJ Stoxx 600	-1.0%	0.2%	0.9%	-6.8%

	2014	2015e	2016e	2017e
P/E	NS	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

Q3 results and confirmation that first clinical data will be presented next year

Fair Value EUR37 (+120%) **BUY**

ANALYSIS

- **Q3 2016 results: so far so good.** Looking at the P&L account, net income amounted to –EUR12.6m (vs EUR12.8m a year earlier) as 1/ revenues rose slightly (EUR10.1m vs EUR7.6m) thanks to an increase of EUR2.5m in collaboration revenues (raw materials and batches of UCART19 provided to Servier); 2/ OPEX – and notably R&D expenses – were down on a year-on-year basis, but that was notably due to a EUR2.5m decrease in social charges on stock options and fee share grants. Cash & cash equivalents stood at EUR264m (vs EUR269.7m at the end of June) but note that EUR9.2m was received in connection with the achievement of two milestone payments under the collaboration agreement with Servier.
- **First clinical data to be presented soon**. More importantly, the company mentioned that some interim data for UCART19 in ALL /CLL will be presented at an upcoming scientific congress in H1 2017 (so ASCO at the latest). This is good news per se, as we so far lacked clinical data confirming that 1/ knocking out the TCRα gene would significantly reduce the risks of graft-versus-host disease (GvHD); 2/ allogeneic CAR-T cells could be as potent as autologous ones.

VALUATION

- **BUY reiterated with a FV of EUR37**. Momentum was quite challenging for the whole field (clinical hold on one of Juno's candidates raising fears that neurologic side-effects were related to the CAR-T rather the pre-conditioning regimen, NVS being less and less bullish about its autologous construct, etc.). But as a first-in-class / allogeneic CAR-T, we believe that Cellectis should progressively stand out from the crowd… And obviously, the publication of clinical data plays a key role in that.

NEXT CATALYSTS

- H1 2017: Interim data for UCART19 in ALL / CLL.

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Construction & Building Materials

VINCI

Price EUR58.80

Good entry point following yesterday's volatility

Fair Value EUR74 (+26%) **BUY**

Bloomberg	DG FP
Reuters	SGEF.PA
12-month High / Low (EUR)	69.7 / 56.9
Market Cap (EURm)	35,116
Avg. 6m daily volume (000)	1 518

	1 M	3 M	6 M	31/12/15
Absolute perf.	-12.7%	-12.1%	-10.9%	-0.6%
Cons & Mat	-1.3%	0.5%	5.2%	4.3%
DJ Stoxx 600	-1.0%	0.2%	0.9%	-6.8%

	2015	2016e	2017e	2018e
P/E	16.4x	15.1x	13.8x	13.1x
Div yield (%)	3.1%	3.5%	3.9%	4.1%

ANALYSIS

- The Vinci share price was dramatically under pressure for a short period yesterday, penalised by a fake press release. The share price plunged 19% (at around 4pm) from EUR61.5 to less than EUR50, before picking up to finally close at EUR58.8, still down 3.76%, however.
- The fake press release (published on screens at around 4pm) included false information. It had all the appearance of a valid one, hence the strong impact on the share price.
- At around 5pm, Vinci published a clear denial ("*VINCI denies formally all the information contained in this fake press release and is investigating all legal actions in furtherance thereof*"). We have not yet spoken to the company.
- Below EUR60, Vinci seems a good buy opportunity to us. The clear reaction by Vinci also seems looks unambiguous. Still, we cannot rule out short term volatility, considering the magnitude of the share price reaction yesterday.

VALUATION

- FV EUR74 derived from a SOTP

NEXT CATALYSTS

- Investor Day on 2nd December, with a focus on Vinci Energies.

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Sector View

Luxury Goods

Improvement in tax free shopping in October

	1 M	3 M	6 M	31/12/15
Pers & H/H Gds	-3.5%	-5.8%	-2.9%	-3.3%
DJ Stoxx 600	-1.0%	0.2%	0.9%	-6.8%

*Stoxx Sector Indices

Companies covered

BURBERRY	NEUTRAL	1350p
CHRISTIAN DIOR	BUY	EUR190
HERMES Intl	BUY	EUR410
HUGO BOSS	NEUTRAL	EUR70
KERING	BUY	EUR218
LVMH	BUY	EUR194
MONCLER	BUY	EUR17,5
PRADA	NEUTRAL	HKD31
RICHEMONT	BUY	CHF73
SALVATORE	NEUTRAL	EUR23,8
THE SWATCH GROUP	NEUTRAL	CHF320
TOD'S GROUP	SELL	EUR53

Global Blue has provided some encouraging figures on tax-free purchases with a 2.3% decline in October versus -5.6% in September and better trends with both Russian and Chinese clientele.

ANALYSIS

- According to Global Blue, worldwide tax free purchases were down 2.3% in October versus a decline of 5.9% in September, showing some improvement albeit still negative. Among the positive news, we would highlight that tax-free purchases by Chinese customers dropped 7.6% during the month whereas the decline stood at 14% both in September and in August. Furthermore, Russian shoppers were more dynamic with 2.9% growth in October, the first positive month since 2013. Russian clientele accounts for 3-4% of the worldwide luxury market while Chinese customers account for one third of the market. Tax-free purchases in France were still down in October (-10.8%), but showed some improvement versus -22% in September and in August, and -8.7% in Italy while in the UK, purchases were up 35%.
- Most luxury groups registered some improvement in Q3 vs H1, particularly with Chinese clientele. For instance, Louis Vuitton sales with Chinese shoppers were up double-digit in Q3 while they were only up mid-single digit overall, and total LV sales in Paris even rose slightly in September. Gucci also enjoyed a double digit sales increase with Chinese customers in October. Lastly, Richemont highlighted that its October sales were up slightly versus -6-7% in September!

NEXT CATALYSTS

- Richemont will release its Q3 2016 sales trading statement mid-January 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 56.7%   NEUTRAL ratings 31.8%   SELL ratings 11.5%

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