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1st December 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	19123.58	+0.01%	+9.75%
S&P 500	2198.81	-0.27%	+7.58%
Nasdaq	5323.68	-1.05%	+6.32%
Nikkei	18513.12	+1.12%	-3.81%
Stoxx 600	341.992	+0.31%	-6.51%
CAC 40	4578.34	+0.59%	-1.27%
Oil /Gold			
Crude WTI	49.44	+9.31%	+32.90%
Gold (once)	1173.76	-1.02%	+10.48%
Currencies/Rates			
EUR/USD	1.0608	-0.11%	-2.35%
EUR/CHF	1.0806	+0.35%	-0.63%
German 10 years	0.197	+34.51%	-69.01%
French 10 years	0.735	+3.35%	-25.03%

Economic releases :

Date	
1st-Dec	CNY - Manufacturing PMI Nov. (51.7 A vs. 51E) 10h00 DE - Manuf PMI Nov. (54.4 E) 11h00 IT - GDP 3Q 14h30 US - Initial jobless claims Nov. (253K E) 14h30 US - ISM Manufacturing Nov. (52.4E)

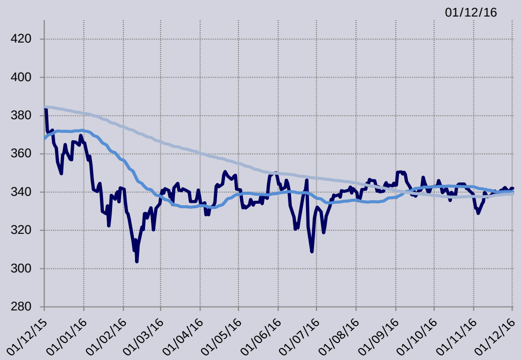
Upcoming BG events :

Date	
5th-Dec	Reverse roadshow in Paris / Construction
5th-Dec/ 6th-Dec	ATOS (BG Paris Roadshow CFO & IR)
8th-Dec	Reverse roadshow Brewers Netherlands, Belgium
12th-Dec	Jean-Pierre Petit, Président des Cahiers Verts de l'Economie.
13th-Dec	Jean-Pierre Petit, Président des Cahiers Verts de l'Economie.

Recent reports :

Date	
29th-Nov	Morphosys We want MORe! (Fair Value EUR65 BUY)
28th-Nov	Fashion E-Commerce: Serving Consumers not Uberising Them! Coverage initiation of ZALANDO, YOOX, H&M,
25th-Nov	Brewers
23rd-Nov	SPIRITS : Rising to the Generation Y challenge
22nd-Nov	ORPEA More than ever a BUY
21st-Nov	Innate - Still time to jump on the bandwagon

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



INNATE PHARMA — BUY, Fair Value EUR23 (+62%)

Single-agent monalizumab's data in ovarian cancer: do not draw hasty conclusions

Admittedly, monalizumab's Phase I data as a single agent in highly pre-treated patients with ovarian cancer were not that stellar. But one should not draw hasty conclusions, especially since this is a preliminary dataset with a small number of patients from a short dose-ranging study part. Also, we believe most of the value lies in the combination with AZN's durvalumab (and first efficacy data are likely to be published in H2 2017 in our view). We maintain our BUY recommendation with a FV of EUR23.

SAGE GROUP — NEUTRAL vs. SELL, Fair Value 645p vs. 690p (-2%)

FY16 results analysts' meeting feedback: keeping the direction, but paying the price for it

We have upgraded our rating to Neutral from Sell and cut our DCF-derived Fair Value to 645p from 690p as we have shaved our EPS ests. by 1% for FY17-18 and 2% for FY19 on updated fx (-10p/share), higher net debt due to restructuring cash-outs (-25p) and new WCR assumptions (-10p). The shares are now trading at more reasonable levels and Sage is maintaining the course of its transformation plan, but we do not expect a Ifl growth acceleration for FY17 due to the fall in perpetual licence sales. In addition, such a transformation will require further exceptional costs this year, up to GBP100m.

VALEO — NEUTRAL, Fair Value EUR49 (-7%)

Well equipped

Yesterday we hosted Valeo (Head of IR) during a lunch meeting organised with French investors. Most questions were related to the group's positioning vis-à-vis PHEV/BEV and self-driving vehicles market expansion over coming years. Thanks to its presence in four different businesses, Valeo should be able to easily adapt to the new world, allowing the group to be considered as a long term growth story by investors. We like the group but recommend playing it at a cheaper price. At this stage we confirm our Neutral recommendation with a FV unchanged at EUR49.

In brief...

ALTICE, *Altice unveils FTTH investment plan in the USA*

Yesterday Altice announced "GENERATION GIGASPEED", a "full-scale" FTTH network investment plan to enable 10 gigabit broadband speeds in the US

GROUPE SEB, *WMF acquisition now finalised: Herzlich Willkommen bei Groupe SEB!*

Following the unconditional clearance delivered by the European Commission last week (22 November), Groupe SEB yesterday finalised the acquisition of German group WMF that was announced on 24th May.

WIRECARD, *Any consequences of the cash shortage in India?*

Note that during the first nine month of 2016 the acquired payment business of Great Indian Retail Group, India contributed for EUR53.8m in revenue (7% of group's revenue) and EUR10.9m in EBITDA (5% of group's EBITDA).

Healthcare

Innate Pharma

Price EUR14.20

Single-agent monalizumab's data in ovarian cancer: do not draw hasty conclusions

Fair Value EUR23 (+62%) **BUY**

Bloomberg	IPH FP
Reuters	IPH.PA
12-month High / Low (EUR)	14.8 / 9.5
Market Cap (EUR)	766
Ev (BG Estimates) (EUR)	562
Avg. 6m daily volume (000)	328.7
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	32.7%	37.7%	8.6%	4.9%
Healthcare	1.0%	-6.2%	-8.7%	-14.2%
DJ Stoxx 600	0.9%	-0.4%	-1.6%	-6.5%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	25.1	69.6	112.9	81.4
% change			*62.1%*	*-27.9%*
EBITDA	-8.1	24.3	53.4	6.9
EBIT	-10.8	21.3	49.9	2.9
% change		*NS*	*134.3%*	*-94.3%*
Net income	-6.7	26.3	53.9	5.9
% change		*NS*	*104.9%*	*-89.1%*

	2015	2016e	2017e	2018e
Operating margin	-42.8	30.6	44.2	3.5
Net margin	-26.7	37.7	47.7	7.2
ROE	-9.3	26.7	35.4	3.7
ROCE	4.2	-25.3	-185.9	6.5
Gearing	-322.1	-207.3	-120.2	-44.3

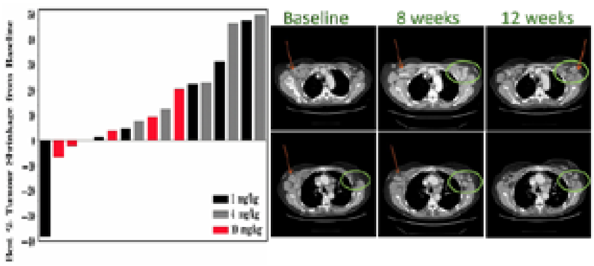
(EUR)	2015	2016e	2017e	2018e
EPS	-0.12	0.49	1.00	0.11
% change	-	*NS*	*105.0%*	*-89.1%*
P/E	NS	29.1x	14.2x	NS
FCF yield (%)	26.2%	NM	NM	NM
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	21.2x	8.1x	5.2x	8.5x
EV/EBITDA	NS	23.1x	10.9x	101.5x
EV/EBIT	NS	26.4x	11.7x	244.0x

Admittedly, monalizumab's Phase I data as a single agent in highly pre-treated patients with ovarian cancer were not that stellar. But one should not draw hasty conclusions, especially since this is a preliminary dataset with a small number of patients from a short dose-ranging study part. Also, we believe most of the value lies in the combination with AZN's durvalumab (and first efficacy data are likely to be published in H2 2017 in our view). We maintain our BUY recommendation with a FV of EUR23.

ANALYSIS

Innate Pharma yesterday presented preliminary data from the dose-escalation part of its Phase I/II evaluating monalizumab (anti-NKG2A) at the EORTC-NCI-AACR meeting in Germany. The compound was very well tolerated during the dose-escalation part of the study (as no severe treatment-related adverse events have been reported); but this was nothing surprising. Efficacy-wise, data showed short-term disease stabilisation in 41% of patients, including one patient with a mixed response/nearly partial… which admittedly is not outstanding.

• Figure 2. Best Tumour shrinkage from baseline (N=17); Mixed response



Neither positive nor negative. Inducing more confirmed partial responses would have been welcome, but bear in mind that that ovarian cancer is still a challenging indication for I-O agents as a monotherapy (MRK/PFE's avelumab for instance induced an ORR of 9.7% - Disis *et al*, 2016). Also, 1/ this is a preliminary dataset involving a small number of patients (n=17) from the dose-ranging part of the study; and 2/ most patients being heavily pre-treated ones (median of prior therapies: c.2), that received a median of solely 6 cycles of treatment with "mona" (while I-O is known to take a few months before showing some activity – Hoos *et al*, 2009; Wolchock *et al*, 2009).

Our eyes are more on combinations. Having said that, most of mona's value lies in combinations with PD-1/PD-L1 blockers. And hopefully 1/ monalizumab/durvalumab's Phase I/II results in ovarian and other solid tumours will probably be presented in H2 17 as well, or in 2018 at the latest; 2/ lirilumab/nivolumab's data in HNSCC did confirm that such NK/T-cells-oriented cocktails might be both potent and safe (and even in not-so inflamed cancer types). More to come at the 2017 ASCO Meeting…

VALUATION

We maintain our BUY recommendation with a FV of EUR23.

NEXT CATALYSTS

Q1 2017: Single-agent lirilumab for the maintenance treatment of acute myeloid leukemia – Phase IIb results.

Q2 2017: Follow-up from the Phase I/II of IPH4102 in cutaneous T-cell lymphomas + Q2 17: Further Phase I/II data for lirilumab/nivolumab in solid tumours.

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TMT

Sage Group

Price 657.50p

FY16 results analysts' meeting feedback: keeping the direction, but paying the price for it

Fair Value 645p vs. 690p (-2%) **NEUTRAL vs. SELL**

Bloomberg	SGE L
Reuters	SGE.LN
12-month High / Low (p)	756.0 / 544.5
Market Cap (GBPm)	7,101
Ev (BG Estimates) (GBPm)	7,223
Avg. 6m daily volume (000)	2 638
3y EPS CAGR	13.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.9%	-9.3%	7.3%	8.9%
Softw.& Comp.	-0.9%	-2.6%	2.8%	2.6%
DJ Stoxx 600	0.9%	-0.4%	-1.6%	-6.5%

YEnd Sept. (£m)	09/16	09/17e	09/18e	09/19e
Sales	1,569	1,847	1,978	2,136
% change		*17.7%*	*7.1%*	*8.0%*
EBITDA	468	552	601	661
EBIT	300.4	393.5	541.5	600.6
% change		*31.0%*	*37.6%*	*10.9%*
Net income	313.6	380.8	419.7	457.6
% change		*21.4%*	*10.2%*	*9.0%*

	09/16	09/17e	09/18e	09/19e
Operating margin	27.9	28.2	28.8	29.4
Net margin	13.2	15.2	19.8	20.1
ROE	19.7	26.5	31.8	29.4
ROCE	26.9	35.6	37.3	42.5
Gearing	29.7	11.4	-6.7	-25.0

(p)	09/16	09/17e	09/18e	09/19e
EPS	27.84	33.63	36.89	40.21
% change	-	*20.8%*	*9.7%*	*9.0%*
P/E	23.6x	19.5x	17.8x	16.4x
FCF yield (%)	3.4%	4.5%	5.2%	6.4%
Dividends (p)	14.15	15.28	16.50	17.82
Div yield (%)	2.2%	2.3%	2.5%	2.7%
EV/Sales	4.7x	3.9x	3.5x	3.2x
EV/EBITDA	15.8x	13.1x	11.7x	10.2x
EV/EBIT	16.9x	13.9x	12.3x	10.7x

We have upgraded our rating to Neutral from Sell and cut our DCF-derived Fair Value to 645p from 690p as we have shaved our EPS ests. by 1% for FY17-18 and 2% for FY19 on updated fx (-10p/share), higher net debt due to restructuring cash-outs (-25p) and new WCR assumptions (-10p). The shares are now trading at more reasonable levels and Sage is maintaining the course of its transformation plan, but we do not expect a lfl growth acceleration for FY17 due to the fall in perpetual licence sales. In addition, such a transformation will require further exceptional costs this year, up to GBP100m.

ANALYSIS

- **No acceleration due to the fall in perpetual licence revenues**. Revenue growth in FY16 (+6.1% lfl) was led by subscriptions (+32.3% lfl), but SSRS revenues (-8.5% lfl, o/w -15% lfl on perpetual licences) are dragged down by the switch to subscriptions. Subscription revenues were up 28% in Europe (o/w +39% in the UK, +14% in France, +52% in Spain and +48% in Germany), up 84% (from a low base) in North America, and up 32% in Africa. Sage One subscription revenue growth (+54%) was 41% in Europe (o/w +66% in the UK), 86% in North America, and took off in the International region (+71% in Africa). That said, Sage's GBP130m annualised subscription base surge was driven by other brands like Sage 50 Accounting (35% of the surge) and Payroll (12%), Sage 200 (23%) and Accountants Suite (13%). Sage X3, dedicated to multinational mid-market businesses, saw revenues up 18%, o/w +12% in Europe (+17% in the UK), +7% in North America (+18% in H2), and +74% in the International region (+77% in Africa), and remains led by perpetual licences.
- **Trying to solve inefficiencies**. The focus is now on: 1) new customer acquisitions in Europe and North America as most of the growth in subscriptions comes from the installed base; 2) new product launches; 3) the US Payments business, as progress in marketing and the partner channel is slow; 4) growth in Asia; 5) the low contract renewal rate in the International region (78% vs. 89% in Europe and North America) due to high bankruptcy rates, which needs more subscriptions.
- **Entering phase 2 of transformation**. The 0.7ppt op. margin increase to 27.2% in FY16 was achieved thanks to G&A cost savings (+2.2ppt) and other items (+0.9ppt) and despite reinvestment in marketing (-1.2ppt) and sales (-1.2ppt). The GBP51m in annualised savings generated in FY16 (o/w GBP35m delivered in the year) allowed for a 3ppt cut in the G&A costs ratio, while marketing costs have been reallocated towards digital marketing at the expense of staff. The next stage of transformation will be keeping the G&A cost ratio down and raising sales and marketing productivity, which implies changes in the skills required. The appointment in August 2016 of Blair Crump (ex-leader of Salesforce's Global Enterprise business and ex-President Worldwide Sales & Consulting at Verizon) as President of Sales & Customer Services, will help the sales and services transformation accelerate going forward, especially towards new customer acquisition.
- **The cost of growth...again**. A further GBP50m cost savings are expected to occur in FY17. As management mentioned a two-year payback, this means Sage will incur up to GBP100m in restructuring and transformation costs this year - which we did not anticipate in our model - vs. GBP110m for FY16. As for last year, the operating margin in FY17 is expected to be below 27% in H1 while H2 is deemed to be higher thanks to the benefit of the transformation programme. Operating margin is set to increase and accelerate beyond FY17, but the timing remains unclear as it will depend on how Sage will modulate its digital marketing and new sales investments.

VALUATION

- Sage's shares are trading at est. 13.9x FY17 and 12.3x FY18 EV/EBIT multiples.
- Net debt on 30th September 2016 was GBP397m (net gearing: 38%).

NEXT CATALYSTS

Q1 FY17 trading update on end January 2017.

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Automotive

Valeo

Price EUR52.61

Well equipped

Fair Value EUR49 (-7%) **NEUTRAL**

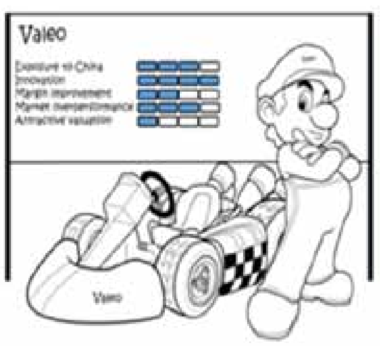
Bloomberg	FR FP
Reuters	VLOF.PA
12-month High / Low (EUR)	54.4 / 34.9
Market Cap (EUR)	12,581
Ev (BG Estimates) (EUR)	13,872
Avg. 6m daily volume (000)	786.9
3y EPS CAGR	14.4%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.2%	13.4%	16.4%	10.7%
Auto & Parts	-1.0%	1.9%	0.7%	-12.6%
DJ Stoxx 600	0.9%	-0.4%	-1.6%	-6.5%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	14,544	16,372	18,469	20,049
% change		*12.6%*	*12.8%*	*8.6%*
EBITDA	1,847	2,071	2,221	2,605
EBIT	1,060	1,260	1,414	1,556
% change		*18.8%*	*12.2%*	*10.0%*
Net income	729.0	883.7	985.5	1,098
% change		*21.2%*	*11.5%*	*11.4%*

	2015	2016e	2017e	2018e
Operating margin	7.3	7.7	7.7	7.8
Net margin	5.0	5.4	5.3	5.5
ROE	21.0	21.8	20.9	20.2
ROCE	23.7	22.9	19.7	20.3
Gearing	0.5	7.9	25.0	15.2

(EUR)	2015	2016e	2017e	2018e
EPS	3.11	3.75	4.18	4.66
% change	-	*20.6%*	*11.5%*	*11.4%*
P/E	16.9x	14.0x	12.6x	11.3x
FCF yield (%)	4.4%	4.0%	2.8%	5.2%
Dividends (EUR)	1.00	1.20	1.34	1.49
Div yield (%)	1.9%	2.3%	2.5%	2.8%
EV/Sales	0.9x	0.8x	0.8x	0.7x
EV/EBITDA	7.3x	6.7x	6.7x	5.6x
EV/EBIT	12.8x	11.0x	10.6x	9.4x



Yesterday we hosted Valeo (*Head of IR*) during a lunch meeting organised with French investors. Most questions were related to the group's positioning vis-à-vis PHEV/BEV and self-driving vehicles market expansion over coming years. Thanks to its presence in four different businesses, Valeo should be able to easily adapt to the new world, allowing the group to be considered as a long term growth story by investors. We like the group but recommend playing it at a cheaper price. At this stage we confirm our Neutral recommendation with a FV unchanged at EUR49.

ANALYSIS

- **Welcome to the new world**: The automotive sector is today facing massive changes imposed by strict regulations on CO_2 / NOx emissions and by a race for innovation. While it is hard at this stage to precisely forecast the share of new registrations that PHEV/BEV and semi-autonomous/full autonomous vehicles will represent over coming years, we believe Valeo is well equipped to easily adapt to this world.

- **Focus on Comfort & Driving Assistance business**: Thanks to its presence in this business, Valeo should benefit from the gradual development of self-driving vehicles within new registrations thanks to its expertise in sensors. The group indicated it delivered **560m ADAS sensors** (*ultrasonic systems, rain sensor, front camera, laser scanners…*) between 1990 and 2015 (*implying an average of >22m per year*) and unveiled it will deliver **140m in 2016**. With a **45%** market share (*MS*) in the ultrasonic systems market last year and a **30%** MS in the viewing camera market, Valeo is clearly well established in this market. Its partnerships with **Safran**, **Mobileye** and **IAV**, combined its internal expertise on this market should allow Valeo to benefit over coming years from the rise in **content per car value** linked to the deployment of **Level 2/Level 3** and **Level 4/5 self-driving car equipment** within new vehicles. According to the group, **Level 4/5 ADAS** equipment could represent up to **EUR5k** vs. only **EUR0.5k** for **Level 2 vehicles** (*for Valeo*). As a reminder, for its CDU business (*18% of group's sales and 26% of group's EBITDA*) the group is targeting a sales CAGR of **8%** leading **to EUR4bn**, and growth in **EBITDA margin of 300bp to 17.5%**.

- **Focus on Powertrain Systems business**: The group elaborated on the growth potential this business unit that should benefit from a **higher penetration rate of electrification** within new car registrations (*trend driven by stricter regulations on CO_2 / NOx emissions but also the VW scandal*). First, Valeo through its historical presence in transmissions components for ICE should continue to benefit from higher ICE vehicle demand (*notably for automatic transmission where value is twice more important compared with manual transmission*) while its expertise on **12V** and **48V** and now on **60V** electrical systems (*through its new JV with Siemens*) would allow it to enjoy the rising share of **BEV** (*Battery Electric Vehicle*) and **PHEV** (*Plug-in Hybrid Vehicle)* with new car demand. The group's current base scenario implies that by 2026 **conventional ICE vehicles** (*including Stop & Start*) will still represent **57%** of car production, while **Mild Hybrid** (*equipped with 12V & 48V electrical systems*) will represent roughly **20%** of the market and full hybrid/PHEV and HP BEV will represent respectively **18%** and **4%** of the market. Given the higher average content per car for Valeo between PHEV/BEV vehicles and traditional ICE vehicles in electronics and transmission components the group expects to easily outperform global automotive production over coming years in this business unit. As a reminder Valeo is targeting a **40%** MS in 2020 on **48V Mild Hybrids** vehicles market thanks notably to its **25 contracts signed** in China and in Europe, and a **60%** MS when including superchargers. On this business which represents **26%** of group's sales and **26%** of group's EBITDA, Valeo aims to post a **sales CAGR of 9.5%** while boosting its EBITDA margin by **70bp** to **13.5%. R&D and capex will continue to grow on short term**:

- **A group well positioned but which could miss its 2020 EBIT margin target**: Valeo is clearly one of the most innovative companies within the automotive sector with **Continental, Bosh** or **Delphi**, and is definitively the most innovative stock in our coverage. We appreciate the group's positioning as well as its strategy, but see very limited upside for group's margin in the short term, putting the group's 2020 EBIT guidance potentially at risk. To generate a **5pp sales outperformance vs the market every year** the group has no choice but to innovate and to develop new products as well as to spend more capex, to the detriment of both margin and CF evolution. We believe the group will have difficulties in maintaining R&D expenses at **5.5%** and capex expenses at **5% of sales** in the short term. The group could also suffer from the full consolidation of Ichikoh once the acquisition deal is finalised in Q1 2017 as the entity will have a dilutive impact on Valeo's EBIT margin by around **20-30bp**. The margin improvement at Ichikoh (*from 2-3% today to potentially 7-8% like Valeo*) could take longer than expected while altering the group's mid term organic sales growth target.

- **Neutral rating confirmed with FV unchanged at EUR49/sh**: We integrate into our model the full consolidation of Ichikoh for 2017 while delayed the integration of FTE in group’s P&L and CFS by more than six months following yesterday’s group announcement to withdraw its merger notification to address the European Commission’s concerns about this acquisition. All in all we lifted up our 2017 and 2018 sales and EBIT assumption by 4% but cut our 2017-18 EPS by 1.5% on average. **We now expect the group to generate an EBIT margin (Valeo def) of 8.1% by 2018 vs. 8.4% previously expected.**

VALUATION

- At the current share price Valeo trades at **10.1x** its 2017e EBIT and at **12.3x** its 2017e EPS
- **Neutral**, FV @ **EUR49/sh**

NEXT CATALYSTS

- **16th February** - 2016 results

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Altice

Price EUR16.25

Altice unveils FTTH investment plan in the USA

Fair Value EUR19 (+17%) **BUY**

Bloomberg	ATC NA
Reuters	ATCA.AS
12-month High / Low (EUR)	17.4 / 10.0
Market Cap (EUR)	17,782
Avg. 6m daily volume (000)	1 603

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.3%	8.9%	4.9%	22.6%
Telecom	-5.5%	-8.1%	-16.1%	-20.9%
DJ Stoxx 600	0.9%	-0.4%	-1.6%	-6.5%

	2015	2016e	2017e	2018e
P/E	NS	NS	33.4x	12.6x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

Yesterday Altice announced "**GENERATION GIGASPEED**", a "full-scale" FTTH network investment plan to enable **10 gigabit broadband speeds in the US**. Altice USA says it will extend fibre deeper into its existing hybrid fibre coax (HFC) network and leverage proprietary technologies developed by Altice Labs. The company's **five-year deployment schedule** will begin in 2017, and the company expects to reach **all of its Optimum footprint and most of its Suddenlink footprint** during that timeframe.

From what we understand, the technology should rely on **wireless gateways** between the buildings and the home. The same choices should be applied **in France and Portugal** rather than upgrading HFC networks to docsis 3.1. The aim is to **lower maintenance opex** by rolling out an all IP passive fibre infrastructure.

This plan highlights Altice USA's **strategic focus** on investing in networks to enhance speed. The goal is to **maximise broadband access monetisation** in order to **counterbalance the threat from OTT** streaming players on the Pay TV side. It should also help Altice fight against Verizon's FiOS offer.

Our 2017 and 2018 CAPEX forecast for Altice USA is **USD1.3bn**, in line with last year's investment at Suddenlink and Cablevision. We think Altice should **not reinvest 100% of the cost savings** achieved in the new investment plan, and therefore consider our forecast to be **quite cautious**.

VALUATION

We stick to our Fair Value of EUR19 with a BUY recommendation.

NEXT CATALYSTS

FY 2016 results expected mid march 2017.

Thomas Coudry, tcoudry@bryangarnier.com

Luxury & Consumer Goods

Groupe SEB

Price EUR129.85

WMF acquisition now finalised: Herzlich Willkommen bei Groupe SEB!

Fair Value EUR140 (+8%) **BUY**

Bloomberg	SK FP
Reuters	SEBF.PA
12-month High / Low (EUR)	134.1 / 81.9
Market Cap (EURm)	6,514
Avg. 6m daily volume (000)	54.50

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.8%	9.1%	17.8%	37.3%
Consumer Gds	-2.8%	-5.6%	-5.0%	-6.6%
DJ Stoxx 600	0.0%	-0.7%	-2.5%	-6.8%

	2015	2016e	2017e	2018e
P/E	31.3x	24.3x	18.1x	15.9x
Div yield (%)	1.2%	1.3%	1.4%	1.6%

ANALYSIS

Following the unconditional clearance delivered by the European Commission last week (22 November), Groupe SEB yesterday finalised the acquisition of German group WMF that was announced on 24th May.

The total amount spent for this operation is EUR1,585m (o/w EUR125m in pension liabilities) but there is also an additional payment of EUR70m to KKR in compensation for Groupe SEB retaining WMF's results from 1st January 2016. The Group specifies that its 2016 pro forma sales will be approximately EUR6bn (vs. ~EUR5bn stand-alone), implying a fairly stable sales performance (on a reported basis) from WMF this year after sales of EUR1,061m in 2015.

This operation is 100% financed by debt. The French Group had already obtained a EUR1.3bn bridge loan and its refinancing is at an advanced stage. In May, management confirmed that the cost of financing was below 2%, hence, very limited financing risks in our view.

As a reminder, Groupe SEB sees significant potential for synergies, particularly in costs (sourcing, improve manufacturing best practices in cookware, distribution) but also in sales (cross-selling opportunities in Germany and abroad). Though, we feel that the EUR40m synergy plan by 2020 is cautious given the group's proven track record in terms of integration acquisitions, but admittedly, the Group had no access to WMF's P&L prior to the finalisation of the acquisition.

VALUATION

The successful integration of WMF will clearly be one of the major catalysts for 2017 in order to achieve the significant accretive impact (BG ests: +23% on 2017 EPS).

NEXT CATALYSTS

Groupe SEB will report its FY17 Sales and Results on 21st February 2017.

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TMT

Wirecard

Price EUR42.10

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 31.2
Market Cap (EURm)	5,202
Avg. 6m daily volume (000)	479.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.6%	-5.1%	5.3%	-9.5%
Softw.& Comp. SVS	-0.9%	-2.6%	2.8%	2.6%
DJ Stoxx 600	0.9%	-0.4%	-1.6%	-6.5%

	2015	2016e	2017e	2018e
P/E	31.7x	23.0x	17.6x	14.4x
Div yield (%)	0.3%	0.3%	0.4%	0.4%

Any consequences of the cash shortage in India?

Fair Value EUR58 (+38%) **BUY-Top Picks**

ANALYSIS

- Note that during the first nine month of 2016 the acquired payment business of Great Indian Retail Group, India contributed for EUR53.8m in revenue (7% of group's revenue) and EUR10.9m in EBITDA (5% of group's EBITDA). For FY16, the management expects a revenue contribution of >EUR75m i.e. +67% Y/Y (BG est.: EUR75m) and EBITDA contribution of between EUR15m and EUR18m i.e. between +114% and +157% Y/Y (BG est.: EUR16.5m). Also for FY17, Wirecard expects top- and bottom-line growth of more than 50% (BG est.: +35% and +53% respectively). The Indian business at Wirecard is based on retail assisted e-commerce and remittance services. Note that while historically the retail assisted e-commerce business had a dominant portion of the transaction volume, the growth of the remittance business is outperforming even the strong growth of retail-assisted e-commerce.
- The positive effects from digitalization outweigh by far the effects from cash availability in the market. Therefore, the group fully sticks to its targets for the Indian business. The current developments in India show that the Indian government will eventually promote electronic payments and it also feels that it has the right solutions in place (Icashcard, mPOS-solutions…) to support the Indian society with its move to a cashless society.

VALUATION

- Buy rating and FV of EUR58 maintained (Q4 Top Pick). the stock is only trading at 12.3x its EV/EBITDA over 12 rolling months. And P/E of 18.9x vs. EPS growth of +32.7% over the same period.

NEXT CATALYSTS

- The closing of the Citi Prepaid Card Services deal: expected in December 2016/January 2017.

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Bryan Garnier stock rating system

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

Stock rating

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

Distribution of stock ratings

BUY ratings 55.7% NEUTRAL ratings 32.9% SELL ratings 11.4%

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