



2nd December 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	19191.93	+0.36%	+10.14%
S&P 500	2191.08	-0.35%	+7.20%
Nasdaq	5251.11	-1.36%	+4.87%
Nikkei	18513.12	+1.12%	-2.74%
Stoxx 600	340.857	-0.33%	-6.82%
CAC 40	4560.61	-0.39%	-1.65%
Oil /Gold			
Crude WTI	51.06	+3.28%	+37.26%
Gold (once)	1167.89	-0.50%	+9.93%
Currencies/Rates			
EUR/USD	1.06115	+0.03%	-2.32%
EUR/CHF	1.07545	-0.48%	-1.10%
German 10 years	0.276	+40.45%	-56.47%
French 10 years	0.789	+7.29%	-19.57%
Euribor	-	+-%	+-%

Economic releases :

Date	
2nd-Dec	7h45 CH - GDP 3Q (1.8% E) 14h30 US - Unemployment rate (4.9% E) 14h30 US - Change in non farm payrolls Nov. (180K E) 19h00 US - Baker Hughes rig Count

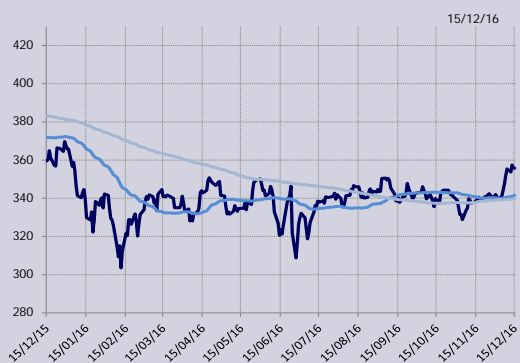
Upcoming BG events :

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



ACTELION

BUY, Fair Value CHF194 (-1%)

Is a split into two parts possible? Yes, we think it is!

We hear that Actelion has apparently rejected a first offer from J&J and more generally is against any offer for the whole company. We indeed give credit to the thesis suggesting a potential split and this could even be the best way to unlock pipeline value to the benefit of shareholders! BUY.

GRIFOLS

SELL vs. NEUTRAL, Fair Value EUR19 vs. EUR20 (+5%)

Mixed Phase III data for Pulmaquin. We downgrade to SELL

Pulmaquin's Phase III results were very mixed in our view, hence our decision to reduce the PoS we applied on the compound (20% vs 50% previously) and our new FV of EUR19. We also downgraded our recommendation to SELL given the demanding valuation, as well as the negative newsflow we anticipate in the very near term (1/ Phase III results of CSL's Hizentra in CIDP by year end; 2/ BIIB and SOBI initiating a trial to evaluate the potential of Elocate in Haemophilia A with inhibitors... that would ultimately lead to a steep decline in GFS' FVIII sales if positive).

ROYAL UNIBREW

NEUTRAL, Fair Value DKK306 (+21%)

Change of CEO

Royal Unibrew's CEO Henrik Brandt has decided to leave the company and is being replaced by Carlsberg veteran Jesper Jørgensen. Although Jesper seems to have the right credentials, investors have been dumping the shares in recognition that a) Henrik has been essential in the turnaround of the company and b) Royal Unibrew is no longer the sexy turnaround story but instead is a very efficient operator in mature markets, waiting for new turnaround opportunities (but without Henrik that might be less likely) or an approach from another brewer.

SOITEC

BUY vs. NEUTRAL, Fair Value EUR1.25 vs. EUR0.5 (+21%)

FD-SOI: forbidden fruit of the industry and market (report released today)

This study aims to review the entire Soitec investment case. While the company suffers from a complex history, the arrival of a new management team in 2015 and the work carried out since have clearly renewed the group's profile. Many investors are still very reticent at the idea of revisiting the Soitec share. However, we are convinced that the time is now right to have a closer look. We believe that current valuation levels offer an opportunity to take positions in order to benefit in full from the take-off of FD-SOI and are adopting a Buy recommendation with a Fair Value at EUR1.25.

UNILEVER

NEUTRAL, Fair Value EUR44 (+20%) UNILEVER PLC FV (3990p)

Back from Port Sunlight

On 30th November, Unilever held its Investor seminar in Port Sunlight in the UK. This provided a great opportunity to deepen our knowledge of one of the group's historical sites. The company announced an upgrade to mid-term EBIT margin guidance: it now targets an expansion of +40-80bps a year vs +20-40bps previously. Nevertheless we maintain our Neutral recommendation. We think demonetisation in India could penalise the company's performance in the short term. Our Fair Value of EUR44 remains unchanged.

In brief...

BOUYGUES, Sale of an additional 270 towers to Cellnex.

PERNOD RICARD, Sale of the Domecq brandies and wines

RÉMY COINTREAU, Acquisition of Westland American single malt whiskey

Healthcare

Actelion

Price CHF195.50

Is a split into two parts possible? Yes, we think it is!

Fair Value CHF194 (-1%)

BUY

We hear that Actelion has apparently rejected a first offer from J&J and more generally is against any offer for the whole company. We indeed give credit to the thesis suggesting a potential split and this could even be the best way to unlock pipeline value to the benefit of shareholders! BUY.

ANALYSIS

From one day to the next, Actelion is trading up and down depending on what rumours say about its discussions with J&J. The most recent one suggested that a first offer of CHF246/share was rejected by the Board. J&J is apparently ready to pay more. But Actelion's CEO is determined to keep the company independent and more than just trying to get the highest possible price would like to work on a more complex deal that could please both parties. J&J would be open to such discussions too, although the acquisition of the whole group was its preferred option.

Before even considering rival propositions, the two companies are thought to be discussing a split of Actelion into two businesses. Although extracting a piece of the PAH franchise (like Opsumit) would make no sense at all, we do believe that a split between the whole franchise (i.e. almost the full existing portfolio) with the related assets (mainly regulatory, commercial and marketing) and the rest of the company, is a viable option. J&J is looking for growth drivers and that is what the PAH franchise is offering over the next decade with Opsumit and Upravi totalling less than USD1bn in 2016 but cumulatively USD4bn+ at peak. Moreover, if it can get most of the revenues with a limited portion of Actelion's total costs, then J&J could be ready to pay more than our calculation of the current value of the PAH franchise. From a legal point of view, it may be needed to form a separate Swiss company, if only to keep the tax rate unchanged. In general terms, it is not always easy to separate one franchise from the rest of the company but in this case it might not be too complex considering that it is the whole commercial and marketing infrastructure, limited support functions (could be discussed whether some should be transferred) whereas ongoing work on Opsumit and Upravi (new indications) could either be part of the transaction or kept within Actelion until their end, under a specific collaborative agreement.

The stand-alone Actelion going forward would therefore consist of a pipeline company with limited or no revenues, depending on whether small drugs like Valchor are part of the deal or not. We can imagine that the spirit of what JP Clozel wanted to achieve since the beginning is somewhat broken if the company is split because the idea was to create a diversified European Specialty Care champion. But, if at some point, independence is no longer possible, then the least bad option will have to be favoured. And our guess is that JP Clozel is more excited by the challenge of delivering a pipeline (all the more so that the market gives no value to it!) than the one of driving the PAH franchise. Actelion is first about discovering and developing medicines. And so we would not rule out at all the idea that he might re-start from the beginning and drive a new Actelion that would essentially be a pure R&D engine but with six molecules in phase III in 2017. It could be that, in the context of the overall deal with J&J, the group could get rights (at least in the US) for ACT-132577 in resistant hypertension because it would be great for its CV franchise and would also help Actelion finance its R&D expenses and would give credibility to the project.

VALUATION

So, now, from a valuation standpoint, what could that mean? Well, it's very difficult to put numbers on what is currently pure speculation because this scenario could actually cover a lot of different situations. One of the key questions to be answered is obviously what exactly goes with PAH and what is left within Actelion? We assume that a light PAH franchise (i.e. with a limited portion of structure costs) could be valued at at least CHF200 per share, depending also on what is left with Tracleer. This would be paid in cash to each Actelion shareholder. As long as the value of the new Actelion share, it will require in-depth analysis of the pipeline and more extensive disclosure of data, trial designs and market opportunities from the company but it remains pure upside to the current market valuation. Hence our reiterated BUY.

NEXT CATALYSTS

Update on discussions with J&J at anytime - [Click here to download](#)

Bloomberg	ATLN.VX
Reuters	ATLN.VX
12-month High / Low (CHF)	209.0 / 122.5
Market Cap (CHFm)	21,067
Ev (BG Estimates) (CHFm)	20,105
Avg. 6m daily volume (000)	553.7
3y EPS CAGR	9.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	38.7%	20.1%	20.1%	40.0%
Healthcare	0.9%	-6.3%	-9.7%	-15.3%
DJ Stoxx 600	1.6%	-0.8%	-0.9%	-6.8%

YEnd Dec. (CHFm)	2015	2016e	2017e	2018e
Sales	2,042	2,396	2,326	2,438
% change		17.4%	-2.9%	4.8%
EBITDA	769	958	852	909
EBIT	655.6	838.6	731.8	787.7
% change		27.9%	-12.7%	7.6%
Net income	693.5	880.6	791.3	844.9
% change		27.0%	-10.1%	6.8%

	2015	2016e	2017e	2018e
Operating margin	40.7	46.3	43.4	46.1
Net margin	34.0	36.7	34.0	34.7
ROE	52.6	46.3	33.1	28.8
ROCE	77.0	91.8	91.9	105.4
Gearing	-30.7	-50.6	-64.7	-73.4

(CHF)	2015	2016e	2017e	2018e
EPS	6.17	8.16	7.41	7.99
% change	-	32.4%	-9.3%	7.8%
P/E	31.7x	23.9x	26.4x	24.5x
FCF yield (%)	2.9%	3.6%	3.8%	3.9%
Dividends (CHF)	1.50	1.50	1.50	1.50
Div yield (%)	0.8%	0.8%	0.8%	0.8%
EV/Sales	10.1x	8.4x	8.4x	7.8x
EV/EBITDA	26.9x	21.0x	22.9x	20.8x
EV/EBIT	31.5x	24.0x	26.7x	24.0x



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Healthcare

Grifols

Price EUR18.10

Mixed Phase III data for Pulmaquin. We downgrade to SELL

Fair Value EUR19 vs. EUR20 (+5%)

SELL vs. NEUTRAL

Bloomberg	GRF.SM
Reuters	GRF.MC
12-month High / Low (EUR)	22.7 / 17.4
Market Cap (EUR)	11,568
Ev (BG Estimates) (EUR)	15,125
Avg. 6m daily volume (000)	768.1
3y EPS CAGR	8.4%

Pulmaquin's Phase III results were very mixed in our view, hence our decision to reduce the PoS we applied on the compound (20% vs 50% previously) and our new FV of EUR19. We also downgraded our recommendation to SELL given the demanding valuation, as well as the negative newsflow we anticipate in the very near term (1/ Phase III results of CSL's Hizentra in CIDP by year end; 2/ BIIB and SOBI initiating a trial to evaluate the potential of Eloctate in Haemophilia A with inhibitors... that would ultimately lead to a steep decline in GFS' FVIII sales if positive).

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.5%	-3.4%	-11.2%	-15.1%
Healthcare	0.9%	-6.3%	-9.7%	-15.3%
DJ Stoxx 600	1.6%	-0.8%	-0.9%	-6.8%

ANALYSIS

- Aradigm yesterday published top-line results from two Phase III trials, with broadly similar designs, evaluating Pulmaquin (inhaled liposomal ciprofloxacin) in patients non-cystic fibrosis bronchiectasis with chronic Pseudomonas infections.

- Mixed Phase III results.** We saw the dataset as pretty mixed as the primary endpoint of the ORBIT-4 study (median time to first mild, moderate or severe pulmonary exacerbation vs placebo) was met, though the benefit was far from outstanding (p=0.0462). On the other hand, a completely different trend was shown in ORBIT-3, as the improvement was not statistically significant (p=0.8488)... and even key secondary endpoints such as the reduction in the frequency of pulmonary exacerbation showed no substantial improvement (HR: 0.87, p=0.3125).

- Uncertain prospects.** There is a risk the product is simply not approved with such a clinical package... which would be all the more detrimental that 1/ we saw peak sales of EUR500m by 2026 (on which we applied a 50% PoS); 2/ Pulmaquin was one of the short term assets that we considered attractive. In a less bearish scenario, the different regulators might ask for a third pivotal trial to support a conditional approval... But the commercial ramp-up is likely to be restrained with the current evidence efficacy-wise, especially when compared with those we got from macrolides for example (Wong *et al*, 2012).

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	3,935	4,032	4,251	4,434
% change		2.5%	5.4%	4.3%
EBITDA	1,163	1,155	1,258	1,352
EBIT	970.3	953.5	1,042	1,122
% change		-1.7%	9.2%	7.7%
Net income	532.1	563.8	623.4	679.1
% change		6.0%	10.6%	8.9%

	2015	2016e	2017e	2018e
Operating margin	24.7	23.6	24.5	25.3
Net margin	13.5	14.0	14.7	15.3
ROE	16.1	15.4	15.4	15.2
ROCE	6.9	7.2	7.8	8.4
Gearing	112.6	97.4	81.2	66.4

(EUR)	2015	2016e	2017e	2018e
EPS	0.78	0.82	0.91	0.99
% change	-	5.7%	10.6%	8.9%
P/E	23.3x	22.1x	20.0x	18.3x
FCF yield (%)	3.8%	4.9%	4.2%	4.8%
Dividends (EUR)	0.32	0.31	0.33	0.36
Div yield (%)	1.7%	1.7%	1.8%	2.0%
EV/Sales	3.9x	3.8x	3.5x	3.3x
EV/EBITDA	13.1x	13.1x	11.8x	10.8x
EV/EBIT	15.8x	15.9x	14.3x	13.0x

VALUATION

- Our FV is trimmed from EUR20 to EUR19** after having reduced our PoS from 50% to 20%.

- We also downgrade the stock to SELL vs NEUTRAL** as 1/ we see A shares' current valuation as highly demanding (20-25% premium vs the European Pharma sector); 2/ we anticipate fairly negative news flow in the next few months (pivotal results for CSL's Hizentra in CIDP that might confirm our scenario for increased competition by 2018, BIIB/SOBI announcing a new trial to evaluate Eloctate in Hemophilia A with inhibitors). See our initiation report [here](#) for further details.

- Where could we be wrong?** Phase III data are expected for Albutein in Alzheimer's disease in the next few months, and it goes without saying that the stock will react very positively should the primary endpoint be achieved. Having said that, 1/ solanezumab's recent failure proved (once again) that targeting β -amyloid might not be the right strategy; 2/ we ask ourselves whether the trial design really is satisfactory (solely 350 patients being enrolled whereas AD affects millions of people worldwide). So we remain cautious about this study's outcome.

NEXT CATALYSTS

- Q4 2016: Phase III results of CSL's Hizentra (SC IG) in CIDP) + Phase III results of ROG's ACE910 in Hemophilia A with inhibitors.

[Click here to download](#)



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Food & Beverages

Royal Unibrew

Price DKK252.40

Change of CEO

Fair Value DKK306 (+21%)

NEUTRAL

Bloomberg	RBREW DC
Reuters	RBREW.CO
12-month High / Low (DKK)	334.0 / 252.4
Market Cap (DKKm)	13,655
Ev (BG Estimates) (DKKm)	13,724
Avg. 6m daily volume (000)	83.60
3y EPS CAGR	8.5%

Royal Unibrew's CEO Henrik Brandt has decided to leave the company and is being replaced by Carlsberg veteran Jesper Jørgensen. Although Jesper seems to have the right credentials, investors have been dumping the shares in recognition that a) Henrik has been essential in the turnaround of the company and b) Royal Unibrew is no longer the sexy turnaround story but instead is a very efficient operator in mature markets, waiting for new turnaround opportunities (but without Henrik that might be less likely) or an approach from another brewer.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-19.1%	-23.7%	-17.7%	-9.9%
Food & Bev.	-5.5%	-11.1%	-9.7%	-11.2%
DJ Stoxx 600	1.6%	-0.8%	-0.9%	-6.8%

Royal Unibrew shares sank by 8% yesterday as the company announced that its serving CEO Henrik Brandt has decided to step down as CEO.

ANALYSIS

- Henrik leaving Royal Unibrew is a loss for the company as he has been instrumental in taking the company out of its financially difficult situation. In 2008, the company had an EBIT margin of 3.2% and net debt/EBITDA of 8.7x. Henrik was brought in and he turned the company around with 50% more sales in 2015 than in 2008, an EBIT margin of 15.2% and net debt/EBITDA of 1.0. The company's valuation went from on average DKK1.4bn in 2009 to DKK14bn in 2015. But now with all restructurings done and the company sitting and waiting for new acquisition opportunities (or being bought itself), his leaving seems well timed. At 60, Henrik is looking forward to build on his track record as CEO, in taking up non-executive roles in a variety of businesses.
- Henrik is replaced by Jesper Jørgensen who amongst his credentials is that he has been running Carlsberg Denmark for about five years. He must have impressed Henrik, who was his competitor for a long period so clearly there must have been some respect. Jesper comes from a time at Carlsberg when logistics/supply/commercial were very much integrated (like it is currently the case at Royal Unibrew). Jesper will take up his post no later than 1 June 2017 and Henrik will make sure there is a smooth transition.

YEnd Dec. (DKKm)	2015	2016e	2017e	2018e
Sales	6,032	6,386	6,395	6,508
% change		5.9%	0.1%	1.8%
EBITDA	1,225	1,285	1,311	1,348
EBIT	917.0	974.7	1,000	1,038
% change		6.3%	2.6%	3.8%
Net income	711.4	770.5	791.7	821.2
% change		8.3%	2.8%	3.7%

	2015	2016e	2017e	2018e
Operating margin	15.2	15.3	15.6	15.9
Net margin	11.8	12.1	12.4	12.6
ROE	24.2	27.2	29.5	32.2
ROCE	20.2	22.7	24.0	25.4
Gearing	40.3	39.4	44.2	48.3

(DKK)	2015	2016e	2017e	2018e
EPS	12.93	14.44	15.36	16.52
% change		11.6%	6.4%	7.5%
P/E	19.5x	17.5x	16.4x	15.3x
FCF yield (%)	7.4%	7.0%	6.7%	7.2%
Dividends (DKK)	5.18	5.77	6.14	6.61
Div yield (%)	2.1%	2.3%	2.4%	2.6%
EV/Sales	2.3x	2.1x	2.1x	2.1x
EV/EBITDA	11.5x	10.7x	10.4x	10.1x
EV/EBIT	15.3x	14.1x	13.6x	13.1x

VALUATION

- Our fair value of DKK306 is derived using a risk free rate of 1.6%, a risk premium of 7% and a beta of 1.0
- At 16.5x 2017 earnings, the stock has the cheapest PE amongst the brewers. Heineken and Carlsberg are at 17.0x, Molson Coors at 17.4x and AB InBev at 18.7x

NEXT CATALYSTS

- 8 March 2017: full year results

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Soitec

Price EUR1.03

FD-SOI: forbidden fruit of the industry and market (report released today)

Fair Value EUR1.25 vs. EUR0.5 (+21%)

BUY vs. NEUTRAL

Bloomberg	SOI.FP
Reuters	SOIT.PA
12-month High / Low (EUR)	1.0 / 0.4
Market Cap (EURm)	624
Ev (BG Estimates) (EURm)	638
Avg. 6m daily volume (000)	1,723
3y EPS CAGR	

This study aims to review the entire Soitec investment case. While the company suffers from a complex history, the arrival of a new management team in 2015 and the work carried out since have clearly renewed the group's profile. Many investors are still very reticent at the idea of revisiting the Soitec share. However, we are convinced that the time is now right to have a closer look. We believe that current valuation levels offer an opportunity to take positions in order to benefit in full from the take-off of FD-SOI and are adopting a Buy recommendation with a Fair Value at EUR1.25.

	1 M	3 M	6 M	31/12/15
Absolute perf.	17.0%	28.8%	94.3%	60.9%
Semiconductors	1.2%	3.8%	26.6%	24.6%
DJ Stoxx 600	1.6%	-0.8%	-0.9%	-6.8%

ANALYSIS

- **A new profile but FD-SOI remains key.** Now that Soitec has cleaned out the costly solar and lighting activities and is strengthened financially by the two capital increases, we believe an investment opportunity is taking shape with the start-up in FD-SOI sales, which would enable the group to change dimension.
- **Proof that FD-SOI is taking-off is accumulating.** Although FD-SOI has always been viewed as a promising technology, an ingredient was missing from the cocktail that could drive sales and remove the investment case from the speculative category. So far, we were not prepared to validate this scenario. However, we believe the recent introduction of 12FDX by GlobalFoundries provides the key factor for a genuine take-off in the technology. We have updated our model to include these changes in the backdrop. It now shows average growth in sales of 22% over the next three years and operating leverage enabling average annual growth of 43% in the group's EBITDA.
- **Currently valued on a pessimistic scenario.** Our work on scenarios for the development and valuation of FD-SOI, now leads us to consider that the share offers an attractive risk/reward profile. The current valuation reflects a pessimistic scenario whereas the targets of the incentive plan would value Soitec at EUR1.59 or upside potential of 60%. Our base case suggests upside of 25%. In this context of a gradual improvement in the group's profile and attractive valuation, we are adopting a Buy recommendation on the share.

YEnd Mar. (EURm)	03/16	03/17e	03/18e	03/19e
Sales	233.2	238.9	303.3	428.0
% change		2.4%	27.0%	41.1%
EBITDA	36.3	36.0	60.1	105
EBIT	22.4	21.7	35.8	62.5
% change		-3.0%	65.0%	74.6%
Net income	-3.9	13.2	23.6	43.2
% change		NS	78.5%	83.0%

	03/16	03/17e	03/18e	03/19e
Operating margin	9.6	9.1	11.8	14.6
Net margin	-1.7	5.5	7.8	10.1
ROE	54.5	8.4	13.0	19.2
ROCE	292.8	10.6	16.7	28.6
Gearing	-2,369	8.6	-1.1	-19.0

(EUR)	03/16	03/17e	03/18e	03/19e
EPS	-0.01	0.02	0.04	0.07
% change		NS	78.4%	83.0%
P/E	NS	47.2x	26.5x	14.5x
FCF yield (%)	NM	0.5%	2.5%	6.5%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	3.4x	2.7x	2.1x	1.4x
EV/EBITDA	21.8x	17.7x	10.4x	5.5x
EV/EBIT	35.4x	29.4x	17.4x	9.3x

VALUATION

- **Soitec is reaching a key point.** We believe the take-off in FD-SOI, the group's latest technology, is imminent. Forthcoming announcements of new products developed in FD-SOI should provide additional proof of this positive momentum. In addition, growth in the group's 300mm sales would materialise in a lift of margin levels. At present, the consensus is forecasting a slower development of FD-SOI than our central scenario, estimating average growth over three years at 19.4% whereas our FY16/FY19e CAGR stands at 22.4%. Given our higher forecasts for volumes, our margin improvement estimates are also more optimistic at 14.6% for FY19e vs. 14.4% for the consensus.
- Our Fair Value of EUR1.25 stems from a DCF valuation (WACC of 13.0%) in our base case. We have also drawn up a bear case and a bull case, which value the share at EUR0.94 and EUR1.59 respectively.

NEXT CATALYSTS

- 8 December 2016: H1 results

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Food & Beverages

Unilever

Price EUR36.80

Back from Port Sunlight

Fair Value EUR44 (+20%) UNILEVER PLC FV (3990p)

NEUTRAL

On 30th November, Unilever held its Investor seminar in Port Sunlight in the UK. This provided a great opportunity to deepen our knowledge of one of the group's historical sites. The company announced an upgrade to mid-term EBIT margin guidance: it now targets an expansion of +40-80bps a year vs +20-40bps previously. Nevertheless we maintain our Neutral recommendation. We think demonetisation in India could penalise the company's performance in the short term. Our Fair Value of EUR44 remains unchanged.

Bloomberg	UNA NA
Reuters	UNC.AS
12-month High / Low (EUR)	42.9 / 36.4
Market Cap (EURm)	90,891
Ev (BG Estimates) (EURm)	79,072
Avg. 6m daily volume (000)	4 086
3y EPS CAGR	6.7%

ANALYSIS

Mid-term (2017-2019) guidance for EBIT margin growth has been upgraded. The company now aims to grow the margin by +40-80bps a year, vs +20-40bps previously. This shows its confidence in cost savings. Management said this will be at the low end in 2017 due to restructuring costs. Most of the margin expansion should be driven by homecare and refreshment by category and North America by geography. We have changed our forecasts slightly and now expect the group's margin to rise 40bps in 2017 (in line with 2016) before accelerating in 2018 and 2019 with a +60bps improvement a year. Note also that Unilever indicated that cash conversion should increase to 90% from 80%.

Mid-term top-line guidance remains unchanged. The group still expects to outperform the market in what appears to be a much more difficult environment. Competition from local competitors in emerging markets is tougher than before. This has triggered organisational changes at Unilever which aim to get closer to consumers, better understand their needs and deliver a stronger performance in the mid term. In the short term, we think the company will suffer from the demonetisation in India (8% of total sales). The sales slowdown in the group's number two market is significant and is driven by: 1/ lower consumer spending due to limited cash availability and some downtrading and 2/ trade disruption, particularly in wholesale where lack of cash may lead to defaults on payments. We have cut our forecast from +4% to +3.6% (assuming a 20% decline in sales in India in Q4). This is still within the 2016 guidance range (3-5%), which was reiterated by the company during the Investor Day.

VALUATION

Over the past three months, Unilever has underperformed the market by 10%, in line with the food and beverage sector. Nevertheless, at yesterday's share price, the stock is still at a 6% premium vs its 10-year historical average in terms of P/E. We maintain our Neutral recommendation (Fair Value unchanged at EUR44). The group has very strong fundamentals and the upgrade to mid-term guidance for EBIT is good news but the demonetisation in India should drag its performance in the short term.

NEXT CATALYST

The group will release its 2016 results on 26th January

Danone and Nestlé will publish their earnings on 15th February and 16th February respectively

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	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.9%	-10.9%	-9.1%	-8.3%
Food & Bev.	-5.5%	-11.1%	-9.7%	-11.2%
DJ Stoxx 600	1.6%	-0.8%	-0.9%	-6.8%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	53,272	52,653	55,211	57,693
% change		-1.2%	4.9%	4.5%
EBITDA	9,235	9,334	10,081	10,943
EBIT	7,865	7,965	8,591	9,327
% change		1.3%	7.8%	8.6%
Net income	5,210	5,320	5,785	6,332
% change		2.1%	8.7%	9.5%

	2015	2016e	2017e	2018e
Operating margin	14.8	15.1	15.6	16.2
Net margin	9.8	10.1	10.5	11.0
ROCE	18.9	18.8	20.5	22.2

(EUR)	2015	2016e	2017e	2018e
EPS	1.82	1.86	2.03	2.22
% change	-	2.1%	8.7%	9.5%
P/E	20.2x	19.8x	18.2x	16.6x
FCF yield (%)	4.6%	4.1%	4.6%	4.8%
Dividends (EUR)	1.21	1.30	1.41	1.52
Div yield (%)	3.3%	3.5%	3.8%	4.1%
EV/Sales	1.5x	1.5x	1.5x	1.4x
EV/EBITDA	8.6x	8.5x	8.0x	7.4x
EV/EBIT	10.1x	9.9x	9.3x	8.7x



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TMT

Bouygues

Price EUR32.20

Sale of an additional 270 towers to Cellnex.**Fair Value EUR35 (+9%)****BUY**

Bloomberg	EN FP
Reuters	BOUY.PA
12-month High / Low (EUR)	37.3 / 25.0
Market Cap (EUR)	11,177
Avg. 6m daily volume (000)	865.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.6%	13.2%	11.0%	ns
Telecom	-5.0%	-8.4%	-15.6%	-21.6%
DJ Stoxx 600	1.6%	-0.8%	-0.9%	-6.8%

	2015	2016e	2017e	2018e
P/E	27.3x	30.9x	16.7x	13.3x
Div yield (%)	5.0%	5.0%	5.0%	5.0%

ANALYSIS

- As expected, Cellnex Telecom and Bouygues Telecom have closed the **second phase** of the agreement announced last July. Following the first phase ended on 16th September 2016, which included the sale of 230 towers to Cellnex France for EUR80m, Cellnex will now acquire an **additional 270 towers for EUR67m**. The price per tower is 30% below the first phase, depending mostly on the location of the towers.
- Mobile telephony towers are **not seen as a strategic asset** by Bouygues Telecom. As a reminder, back in 2012, Bouygues Telecom already sold more than 2000 towers to FPS. Many other operators such as T-Mobile in the US, KPN or Telecom Italia in Europe, have done the same type of transaction. Selling out towers is a way for the group to **raise cash to help finance investment**, in particular in **fibre infrastructures**. We believe more sales could follow, possibly in 2017, allowing Bouygues Telecom to raise another ~EUR60m with 200 towers.
- The proceeds from the sale will be **reinvested in gross CAPEX spending**, and will **not impact the net CAPEX target of EUR800m** over 2016. But the transaction will weigh on the cost structure. Expected run-rate annual "lease back" OPEX for the 500 towers sold to Cellnex should amount to **EUR13m**. Contract duration between Cellnex and Bouygues Telecom is **20 years**.

VALUATION

- We stick to our Fair Value of **EUR35** with a **BUY** recommendation.

NEXT CATALYSTS

- Bouygues 2016 full year results expected end of February.

[Click here to download](#)Thomas Coudry, tcoudry@bryangarnier.com

Food & Beverages

Pernod Ricard

Price EUR96.56

Sale of the Domecq brandies and wines

Fair Value EUR115 (+19%)

BUY

Bloomberg	RI FP
Reuters	PERP.PA
12-month High / Low (EUR)	110.3 / 91.6
Market Cap (EURm)	25,629
Avg. 6m daily volume (000)	480.6

	1 M	3 M	6 M	31/12/15
Absolute perf.	-10.4%	-8.3%	-1.3%	-8.2%
Food & Bev.	-5.5%	-11.1%	-9.7%	-11.2%
DJ Stoxx 600	1.6%	-0.8%	-0.9%	-6.8%

	06/16	06/17e	06/18e	06/19e
P/E	18.6x	17.3x	16.0x	14.9x
Div yield (%)	1.9%	2.1%	2.3%	9.1%

ANALYSIS

- Yesterday Pernod Ricard announced the sale of the Domecq brandies and wines to Bodega Las Copas, a joint-venture held by Grupo Emperador and Gonzalez Byass. The sum was undisclosed but the closing was reported to take place before the end of 2016/17. This disposal follows the ones of Fris Vodka in September and Irish whiskey Paddy in May. The French company wants to simplify its portfolio and focus on its priority spirits and wines.

VALUATION

- We maintain our Buy recommendation and our Fair Value of EUR115.

NEXT CATALYSTS

- Pernod Ricard will hold a conference call on the Americas on 6th December

[Click here to download](#)Virginie Roumage, vroumage@bryangarnier.com

Food & Beverages

Rémy Cointreau

Price EUR77.31

Acquisition of Westland American single malt whiskey

Fair Value EUR85 (+10%)

BUY-Top Picks

Bloomberg	RCO FP
Reuters	RCOP.PA
12-month High / Low (EUR)	80.4 / 58.1
Market Cap (EURm)	3,842
Avg. 6m daily volume (000)	96.50

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.4%	-0.5%	1.4%	17.1%
Food & Bev.	-5.5%	-11.1%	-9.7%	-11.2%
DJ Stoxx 600	1.6%	-0.8%	-0.9%	-6.8%

	03/16	03/17e	03/18e	03/19e
P/E	34.1x	31.6x	27.3x	23.5x
Div yield (%)	2.1%	2.1%	2.1%	2.1%

ANALYSIS

- Yesterday Rémy Cointreau announced the acquisition of Westland American Single Malt Whiskey for an undisclosed sum. This craft company produces high-end single malt whiskey, in a price range of between USD70 and USD125. The three flagship products are American Single Malt Whiskey, Peated American Single Malt Whiskey and Sherry Wood American Single Malt Whiskey. The transaction is expected to close before the end of the year.
- We see this acquisition as further proof that Rémy Cointreau is completely committed to reaching its 2019/20 strategic objective, which is for exceptional spirits (retail price per bottle higher than USD50) to represent 60-65% of its total sales (49% in 2015/16). The group's portfolio has evolved quickly over the past few months, with the decisions to form a joint-venture for the Passoa brand with Luca Bols and to acquire Domaine des Hautes Glaces (craft whisky based in the Alps). We have always seen whiskies as one of the favourite group's targets, along with champagne and tequila/mezcal. The acquisition of Westland enables the company to strengthen its exposure to the fast-growing single malt segment.

VALUATION

- We maintain our Buy recommendation and our Fair Value of EUR85.

NEXT CATALYSTS

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Virginie Roumage, vroumage@bryangarnier.com

BG's Wake Up Call

Bryan Garnier stock rating system

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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 55.1%

NEUTRAL ratings 34.2%

SELL ratings 10.8%

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