



7th December 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	19251.78	+0.18%	+10.48%
S&P 500	2212.23	+0.34%	+8.23%
Nasdaq	5333	+0.45%	+6.50%
Nikkei	18496.69	+0.74%	-3.54%
Stoxx 600	344.57	+0.97%	-5.81%
CAC 40	4631.94	+1.26%	-0.11%
Oil /Gold			
Crude WTI	50.93	-1.66%	+36.91%
Gold (once)	1171.23	+0.63%	+10.25%
Currencies/Rates			
EUR/USD	1.07335	+0.08%	-1.19%
EUR/CHF	1.08335	-0.09%	-0.37%
German 10 years	0.284	+13.95%	-55.31%
French 10 years	0.801	-1.39%	-18.39%

Economic releases :

Date	
7th-Dec	10h30 - GB Industrial prod. Oct. 0.5%E 16h00 - US Jolts Job openings Oct. 16h30 - DOE Inventories 21h00 - US Consumer Credit

Upcoming BG events :

Date	
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, Brewers
25th-Nov	
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



ASTRAZENECA

BUY, Fair Value 5100p (+26%)

Two good data sets presented at ASH

In the context of the ASH medical congress, investigators presented two AZN-sponsored studies on Tagrisso (in 2L EGFR+ NSCLC with T790 mutation) and acalabrutinib (in R/R CLL) that are very much supportive of the value of these two medicines. We would call the data confirmatory promises for the two drugs, and acalabrutinib reassuring in the context of recent doubts about the ability to differentiate it from ibrutinib. We view the data as positive for the call in general and the one relating to the Oncology franchise even more specifically.

FAURECIA

BUY, Fair Value EUR47 (+38%)

A technological deal in line with group's strategy on infotainment

Faurecia announced yesterday after market that it has entered into exclusive negotiations for a strategic partnership with Parrot Automotive, a French leading supplier of infotainment and connectivity solutions for the automotive industry. This deal which makes sense from a technological point of view, once fully completed, will have an 10bp accretive impact on Faurecia 's EBIT margin. We confirm our Buy rating with FV unchanged at EUR47/sh.

PERNOD RICARD

BUY, Fair Value EUR115 (+18%)

Feedback of the conference call on North America

Following the conference call on North America, we maintain our estimate for organic sales growth in the US (19% of the group's sales) in 2016/17 at +4%. The spirits market in the country is showing good momentum and the group is implementing strong measures to improve its performance, especially changes in the commercial model and the set up of New Brand Ventures which is an incubator for future growth stars.

VICAT

NEUTRAL, Fair Value EUR61 (+12%)

Reverse Roadshow feedback

We met with Vicat CFO Jean-Pierre Souchet last Monday on our reverse roadshow. While Mr Souchet seemed pretty confident overall (US is strong, competition is stabilizing in markets like Switzerland or Senegal, France is gradually recovering...), Vicat is dealing with numerous difficulties like currency devaluations (Turkey, Kazakhstan, Egypt), demonetisation in India (26% of cement capacities) or security woes (curfew in Egypt). Some positives then, but short-term uncertainties reinforce our Neutral view on the stock.

In brief...

ESSILOR, Essilor muscles up its executive management

GENEURO, GeNeuro and Servier put in place ANGEL-MS

MORPHOSYS, Feedback from R&D Day

ORANGE, Possible EUR1.9bn rebate from French tax authorities

SAGE GROUP, Exploring a disposal scenario for Sage Payments Solutions

Beverages Our takeaways from the Consumer Conference (document released today)

Healthcare

AstraZeneca

Price 4,034p

Two good data sets presented at ASH

Fair Value 5100p (+26%)

BUY

Bloomberg	AZN LN
Reuters	AZN.L
12-month High / Low (p)	5,220 / 3,774
Market Cap (GBPm)	51,026
Ev (BG Estimates) (GBPm)	63,087
Avg. 6m daily volume (000)	2 902
3y EPS CAGR	-8.3%

In the context of the ASH medical congress, investigators presented two AZN-sponsored studies on Tagrisso (in 2L EGFR+ NSCLC with T790 mutation) and acalabrutinib (in R/R CLL) that are very much supportive of the value of these two medicines. We would call the data confirmatory promises for the two drugs, and acalabrutinib reassuring in the context of recent doubts about the ability to differentiate it from ibrutinib. We view the data as positive for the call in general and the one relating to the Oncology franchise even more specifically.

ANALYSIS

- Tagrisso: Back in October when we held a breakfast meeting with Pascal Soriot in Paris, we found him very bullish about the drug. At ASH were presented the detailed results of the AURA-3 phase III study that was investigating the compound at an earlier stage of the disease compared to its current indication i.e. in 2L of EGFR+ NSCLC with T790 mutation in comparison with a platinum-based doublet CT. And the results are indeed supportive of the group's enthusiasm for the drug since PFS (primary endpoint) was improved from 4.4 to 10.1 months (HR=0.30). Moreover the benefit was seen across all subgroups irrespectively of the age groups, ethnicity and the presence or not of CNS metastases (associated with poor prognosis, presence of CNS metastases translated into a median PFS jumping from 4.2 to 8.5 months). Other efficacy endpoints were also meaningfully in favour of Tagrisso with ORR of 71% (vs 31%) and duration of response of 9.7 months (vs 4.1 months). Last but not least, safety was also in favour of Tagrisso as only 23% in this arm developed adverse events of grade 3 or more compared to 47% in the CT arm. 7% had AEs leading to discontinuation of treatment vs 10% with CT.
- Acalabrutinib (1): BTK inhibitor's Phase I/II data in ibrutinib-intolerant patients with CLL were highly encouraging, in our view. ORR stood at 79% with most of the responses being partial, knowing that patients' baseline characteristics were challenging (median of 4 prior lines of therapy, ibrutinib being the last prior one in 91% of cases, 38% with a del17p, etc.). Moreover, the agent was well-tolerated since the majority of adverse events were Grade 1-2, and discontinuation rate due to AE was 9% (plus, 36% of patients had a recurrence of a side effect that they experienced during previous treatments with "ibru", most of which being of decreased or similar severity). So here again, the dataset looks superior to JNJ/ABBV's Imbruvica in slightly less pre-treated patients with CLL (Byrd *et al*, 2014). Besides, time will tell but induced responses with "aca" are likely to deepen over time, as seen in previous trials.
- Acalabrutinib (2): Data in patients with Richter's transformation were promising too and compare more than favorably with historical controls (Tsimberidou *et al*, 2006) with an 38% ORR in heavily pre-treated patients (median of 4 prior lines). Not too surprisingly, most of them are "secondary" DLBCL, but we lack details regarding their phenotypes, keeping in mind that the first generation of BTKi is much less potent in GBC subtypes compared to ABC ones (Wilson *et al*, 2015). So the higher the rate of GBC patients, the more impressive the data.

VALUATION

- Tagrisso sales are progressing steadily despite narrowed label so far and totalled USD276m over the first 9 months of the year. Not only are fresh data supporting an expansion of the label but T790M testing is also making progress and data presented at ASH suggested that about 50% of patients could be detected through simple plasma ctDNA testing while others should, if possible, perform tissue testing. Of course, it is worth keeping in mind that FLAURA phase III trial is still ongoing and compares Tagrisso to Tarceva in 1L. Data are expected in 2017. So far, we are not factoring in use of Tagrisso in 1L, therefore our conservative PS of USD1.6bn.
- On "aca", we are slightly adjusting our sales estimates by increasing our PoS in R/R CLL from 70% to 80%, translating into a PS of USD2.2bn (vs. USD2.1bn) in 2026. PoS in other indications remain unchanged (30% in DLBCL, FL, MM and WM, 40% in MCL).

NEXT CATALYSTS

- 2 February 2017: Full-year results - [Click here to download](#)

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.7%	-17.7%	-0.1%	-12.6%
Healthcare	2.4%	-8.4%	-9.2%	-15.3%
DJ Stoxx 600	3.8%	-2.7%	0.0%	-6.7%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	23,641	21,375	19,695	20,463
% change		-9.6%	-7.9%	3.9%
EBITDA	5,937	4,232	5,493	5,633
EBIT	4,114	3,168	4,529	4,491
% change		-23.0%	43.0%	-0.8%
Net income	5,390	5,337	4,185	4,165
% change		-1.0%	-21.6%	-0.5%

	2015	2016e	2017e	2018e
Operating margin	17.4	14.8	23.0	21.9
Net margin	6.8	0.8	7.0	7.4
ROE	8.6	1.2	9.9	12.9
ROCE	16.2	14.5	10.8	10.6
Gearing	47.7	101.1	139.1	192.8

(USD)	2015	2016e	2017e	2018e
EPS	4.26	4.22	3.31	3.29
% change	-	-1.1%	-21.6%	-0.5%
P/E	12.0x	12.1x	15.5x	15.6x
FCF yield (%)	NM	NM	2.3%	1.8%
Dividends (USD)	2.80	2.80	2.80	2.80
Div yield (%)	5.5%	5.5%	5.5%	5.5%
EV/Sales	3.1x	3.7x	4.2x	4.2x
EV/EBITDA	12.4x	18.9x	15.1x	15.3x
EV/EBIT	17.9x	25.3x	18.3x	19.2x



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Automotive

Faurecia

Price EUR34.02

A technological deal in line with group's strategy on infotainment

Fair Value EUR47 (+38%)

BUY

Bloomberg	EO FP
Reuters	EPED.PA
12-month High / Low (EUR)	37.3 / 27.2
Market Cap (EURm)	4,691
Ev (BG Estimates) (EURm)	5,499
Avg. 6m daily volume (000)	542.0
3y EPS CAGR	20.2%

Faurecia announced yesterday after market that it has entered into exclusive negotiations for a strategic partnership with Parrot Automotive, a French leading supplier of infotainment and connectivity solutions for the automotive industry. This deal which makes sense from a technological point of view, once fully completed, will have an 10bp accretive impact on Faurecia's EBIT margin. We confirm our Buy rating with FV unchanged at EUR47/sh.

ANALYSIS

	1 M	3 M	6 M	31/12/15
Absolute perf.	10.3%	-6.1%	-2.9%	-4.9%
Auto & Parts	5.3%	1.9%	5.0%	-11.3%
DJ Stoxx 600	3.8%	-2.7%	0.0%	-6.7%

A quick word on Parrot Automotive: Representing more than one third of Parrot SA sales, Parrot Automotive is a French tech company that designs, develops and markets infotainment products for PC and commercial trucks. Firstly, present on the aftermarket automotive market through Bluetooth hands free car kits and car radios the group is now focusing its R&D and commercial efforts to address OEM market by providing carmakers infotainment platforms and connectivity modules. OEM segment now represents around 60% of group's sales. This entity is generating around **8-9% EBIT margin**.

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	18,770	18,804	19,591	20,433
% change		0.2%	4.2%	4.3%
EBITDA	1,442	1,547	1,588	1,769
EBIT	830.0	928.7	1,034	1,146
% change		11.9%	11.4%	10.9%
Net income	371.8	497.2	536.2	623.6
% change		33.7%	7.8%	16.3%

A deal in three steps: The first step would be an initiation participation of **20%** in Parrot Automotive through a reserved capital increase based on an EV of 100% of Parrot Automotive. At the same time the group would subscribe to a convertible bond issued by Parrot SA which would allow Faurecia to increase its shareholding in Parrot Automotive to **50.01%** from 2019. By 2022 Faurecia would also be in a position to own all the shares in Parrot Automotive. We assume the first step implies a cash out of **EUR25m** for Faurecia to get **20%** of Parrot Automotive. The deal is subject to consultation with the employee representatives of Parrot Group (Q1-17).

	2015	2016e	2017e	2018e
Operating margin	4.4	4.9	5.3	5.6
Net margin	2.0	2.6	2.7	3.1
ROE	14.2	23.1	15.7	16.0
ROCE	12.6	16.6	17.0	17.5
Gearing	36.2	4.2	1.5	-3.5

Innovation or nothing else: This strategic partnership will give Faurecia a solid base in electroic applications and infotainment for connected vehicles. Combined with group's interior and HMI expertise, this deal would definitively reinforce group's position on connected vehicle market.

(EUR)	2015	2016e	2017e	2018e
EPS	2.60	3.60	3.88	4.52
% change	-	38.4%	7.8%	16.3%
P/E	13.1x	9.4x	8.8x	7.5x
FCF yield (%)	4.5%	5.3%	4.6%	7.2%
Dividends (EUR)	0.65	1.01	1.09	1.27
Div yield (%)	1.9%	3.0%	3.2%	3.7%
EV/Sales	0.4x	0.3x	0.3x	0.2x
EV/EBITDA	4.6x	3.6x	3.4x	2.9x
EV/EBIT	7.9x	5.9x	5.2x	4.5x

Accretive on margin once fully consolidated: While this deal implies a very limited potential impact on group's EPS assuming the group gets full control of Parrot Automotive, it is worth mentioning it will have a **10bp potential accretive impact** on group's EBIT margin, making us more comfortable with group's mid term target to raise EBIT margin close to **6%**.

Positive: We expect positive share price reaction today. We confirm the Buy rating with FV unchanged at EUR47/sh.

VALUATION

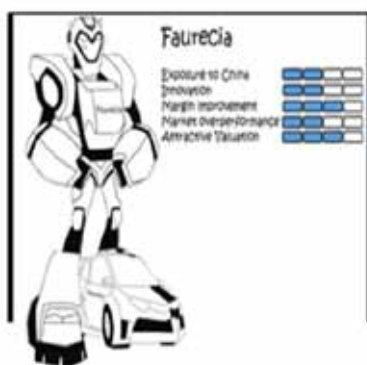
At current share price Faurecia is trading at **5.2x** its 2017e sales and at **8.8x** its 2017e EPS

Buy, with FV at EUR47/sh

NEXT CATALYSTS

9th February 2017: 2016 results

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Food & Beverages

Pernod Ricard

Price EUR97.32

Feedback of the conference call on North America

Fair Value EUR115 (+18%)

BUY

Following the conference call on North America, we maintain our estimate for organic sales growth in the US (19% of the group's sales) in 2016/17 at +4%. The spirits market in the country is showing good momentum and the group is implementing strong measures to improve its performance, especially changes in the commercial model and the set up of New Brand Ventures which is an incubator for future growth stars.

ANALYSIS

- Dynamism of the US spirits market.** Pernod Ricard indicated that the growth of the US spirits market has slightly decelerated recently, but remains very strong at +4% - close to its long term trend. Remember that part of the attractiveness of this market is explained by rising market share in beer (+200bps over 2010-15). **Unsurprisingly, the best performing categories are cognac (+18.2% in the 52 weeks to November 5th according to Nielsen), tequila (+10.1%) and whiskey (+7.5%).** In our spirits report dated November 23rd, we analyzed the link between the success of these products and the desire of the Millennials generation for authenticity. Pernod Ricard cited the overall market premiumisation which is driven by mix rather than prices. The standard (USD10-16) and the value (<USD10) segments are underperforming, respectively up 0.8% and down 1.8% in the 52 weeks to November 5th according to Nielsen. Innovations are of utmost importance but it should be noted that less than 5% of launches achieve meaningful growth within the first three years.
- No underperformance in 2016/17.** Pernod Ricard has indicated that it expects to grow in line with the market in the US (19% of total sales) this year. This confirms our estimate which calls for +4%. In the medium term, the goal is to outperform. The main growth driver remains Jameson, accounting for 25% of group sales in the country and increasing 20.6% in the 12 weeks ending November 5th (Nielsen). The group has launched a number of innovations (Jameson Caskmate and Jameson Black Barrel) in order to expand its shelf presence, but it still refuses to launch any favours to protect the brand equity. Also on the rise were The Glenlivet (+7%), Malibu (+1.8%), Altos Tequila (+39.5%) and Martell Cognac (+18.1%). Absolut is showing signs of improvement, but remains in negative territory (-3.8%). Of note, the trend on Absolut Blue (without flavour) is better. The group has drastically reduced its number of SKUs from 17 to 11. It has also changed the packaging, decreased prices, launched a new marketing campaign (since May 2016) and developed the Absolut Elyx franchise (doubled in past year). The stabilization of the Absolut brand is a medium term objective. We think that Pernod Ricard considers Martell, the tequila Avion/Altos and Absolut Elyx as the next growth drivers when Jameson slows down. In July 2016, the group changed its commercial model, notably by reducing layers and expanding in-market resourcing by 50+employees. The marketing approach was also modified in order to put a greater emphasis on digital (>50% of media is digital) and enable more effective innovations. Finally, the group has set up New Brand Ventures in order to incubate future growth stars.

VALUATION

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

NEXT CATALYST

- H1 2016/17 results on February 9th

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Bloomberg	RI FP
Reuters	PERP.PA
12-month High / Low (EUR)	110.3 / 91.6
Market Cap (EURm)	25,831
Ev (BG Estimates) (EURm)	34,115
Avg. 6m daily volume (000)	486.4
3y EPS CAGR	7.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.9%	-8.9%	-0.7%	-7.5%
Food & Bev.	-3.4%	-12.5%	-8.8%	-10.8%
DJ Stoxx 600	3.8%	-2.7%	0.0%	-6.7%

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

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

(EUR)	06/16	06/17e	06/18e	06/19e
EPS	5.20	5.60	6.05	6.49
% change	-	7.7%	8.2%	7.1%
P/E	18.7x	17.4x	16.1x	15.0x
FCF yield (%)	4.6%	5.0%	5.5%	5.8%
Dividends (EUR)	1.88	2.03	2.18	2.33
Div yield (%)	1.9%	2.1%	2.2%	2.3%
EV/Sales	4.0x	3.8x	3.6x	3.4x
EV/EBITDA	13.9x	13.1x	12.2x	11.4x
EV/EBIT	15.2x	14.3x	13.4x	12.5x



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Construction & Building Materials

Vicat

Price EUR54.69

Reverse Roadshow feedback

Fair Value EUR61 (+12%)

NEUTRAL

Bloomberg	VCT.FP
Reuters	VCT.PA
12-month High / Low (EUR)	61.1 / 46.2
Market Cap (EUR)	2,456
Ev (BG Estimates) (EUR)	3,578
Avg. 6m daily volume (000)	29.30
3y EPS CAGR	17.4%

We met with Vicat CFO Jean-Pierre Souchet last Monday on our reverse roadshow. While Mr Souchet seemed pretty confident overall (US is strong, competition is stabilizing in markets like Switzerland or Senegal, France is gradually recovering...), Vicat is dealing with numerous difficulties like currency devaluations (Turkey, Kazakhstan, Egypt), demonetisation in India (26% of cement capacities) or security woes (curfew in Egypt). Some positives then, but short-term uncertainties reinforce our Neutral view on the stock.

ANALYSIS

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.2%	-5.7%	-2.4%	-1.2%
Cons & Mat	4.2%	-1.4%	5.2%	4.9%
DJ Stoxx 600	4.8%	-1.4%	0.6%	-5.8%

India is a key country for Vicat. In 2015, this country weighed 11% of Vicat consolidated sales and 14% of EBITDA. 26% of Vicat cement capacities are located in India (17% excluded minorities). On 8th November 2016, President Modi has announced the demonetisation of INR500 and INR1000 notes, which represented more than 85% of cash in circulation. This might impact the economy and the cement market, but it is too early to quantify it. Besides, this demonetisation will mostly impact the cement market exposed to the private residential segment, which equals to 60% to 65% of the cement market as a whole. With roughly one third of the transactions in cash (totally or partially), this means 20% of the cement market might be directly impacted. Plus, the very good volume performance for Vicat in the first 9 months (+21%) was underpinned by infrastructure-related projects (irrigation, sanitary networks...), which are not directly affected by the demonetisation. Finally, the negative impact of demonetisation is not supposed to stay for very long. Eventually, the outcome is supposed to be positive, with less black market activity.

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	2,458	2,446	2,526	2,664
% change		-0.5%	3.3%	5.5%
EBITDA	448	454	493	543
EBIT	250.5	265.6	307.1	357.1
% change		6.0%	15.6%	16.3%
Net income	122.0	138.0	165.3	197.5
% change		13.1%	19.8%	19.5%

Some others countries face some uncertainties too. Egypt (5% of 2015 sales) is still dependant on the level of security (the curfew is still in place and obviously this is not favourable for day-to-day business); Turkey (10% of sales) recent political turmoil doesn't help. Currency devaluations (Egypt, Turkey, Kazakhstan) don't help, either. Some other countries have benefited from a slightly better competition landscape though, like Switzerland for instance (c16% of sales), where competition pressure should ease; or Senegal (9% of sales including Mali and Mauritanie), where market share is stabilizing. France (32% of sales) is better oriented. Ready-mix concrete, where prices have been under strong pressure, should start to benefit from a better environment. RMX prices should recover and positively impact cement prices. Finally, the US (14% of sales) is very well oriented (9M revenues up 6% on a like-for-like basis at end September).

	2015	2016e	2017e	2018e
Operating margin	10.2	10.9	12.2	13.4
Net margin	5.8	6.6	7.7	8.7
ROE	5.4	6.0	6.9	7.8
ROCE	5.1	5.6	6.5	7.6
Gearing	40.0	34.2	28.3	21.9

Vicat is guiding for gearing around 35% to 40% (34% estimated) and leverage at 2.0x (similar) for 2016e. The target is a 35% gearing and 1.5x leverage (we got 28% and 1.6x in 2017e). In that context, Vicat will start to be in a position to make some acquisitions again - nothing is expected in the short term (i.e. in the next couple of years) however. Anyway, the group is keen to reinforce its geographical diversification and is not interested in greenfield projects any more (at least in the near future). The group has strongly invested in greenfield projects since 2006 to reach 30mt of capacity (vs 14 mt) but it was justified by excessive M&A prices. Before 2006, Vicat actually used to make significant deals every 3-4 years. In future, as it takes up to 4 years to generate sufficient CF with a greenfield, acquisitions should be the preferred way to grow again.

(EUR)	2015	2016e	2017e	2018e
EPS	2.78	3.14	3.76	4.49
% change	-	13.1%	19.8%	19.5%
P/E	19.7x	17.4x	14.5x	12.2x
FCF yield (%)	5.5%	8.3%	8.4%	9.1%
Dividends (EUR)	1.50	1.50	1.50	1.50
Div yield (%)	2.7%	2.7%	2.7%	2.7%
EV/Sales	1.5x	1.5x	1.4x	1.3x
EV/EBITDA	8.2x	7.9x	7.0x	6.2x
EV/EBIT	14.7x	13.5x	11.3x	9.4x

As far as we are concerned, we can see some reasons to be more positive on the share price here (Jean-Pierre Souchet seemed pretty confident on the future on various key markets, some M&A deals are possible in the mid term) but timing doesn't look good in the short term (currencies devaluation, India demonetisation). Our Neutral rating seems to us pretty well balanced then.

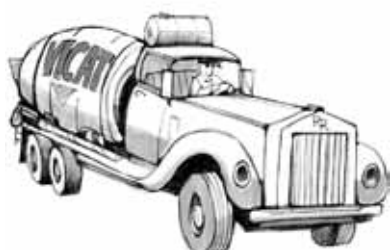
VALUATION

EUR61 FV is derived from the application of historical multiples to our 2018 estimates, disc. back.

NEXT CATALYSTS

FY 2016 results due to be released on 27th February 2017.

[Click here to download](#)



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Luxury & Consumer Goods

Essilor

Price EUR100.15

Essilor muscles up its executive management

Fair Value EUR123 (+23%)

BUY

Bloomberg	EF FP
Reuters	ESSI.PA
12-month High / Low (EUR)	123.5 / 95.6
Market Cap (EURm)	21,842
Avg. 6m daily volume (000)	505.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.8%	-14.4%	-15.7%	-13.0%
Consumer Gds	0.1%	-7.4%	-4.2%	-6.9%
DJ Stoxx 600	4.8%	-1.4%	0.6%	-5.8%

	2015	2016e	2017e	2018e
P/E	28.1x	25.9x	23.8x	21.7x
Div yield (%)	1.1%	1.3%	1.4%	1.5%

ANALYSIS

- In light of a weaker LFL growth this year and tougher market conditions in some countries (US, Brazil, China), Essilor has decided to strengthen its executive management by announcing this morning the appointment of Laurent Vacherot as President and COO.
- From now on, Hubert Sagnières (Chairman and CEO) and Laurent Vacherot will share the Group's Functions: the former will take charge of "Central Functions" (i.e.: Human Resources, Finance, etc.) whilst the latter will oversee the "Market Functions" since all operational executives will directly report to Laurent Vacherot.
- Since August 2014, Essilor's top management team was composed of Hubert Sagnières and three co-COOs who were overseeing Central and Market Functions at the same time: **(i)** Laurent Vacherot (Corporate Finance, IT and Latin America), **(ii)** Paul du Saillant (Global Operations, Europe) and **(iii)** Jean Carrier (R&D, Strategic Marketing and North America). Paul du Saillant and Jean Carrier remain co-COOs.

VALUATION

- At 17x 2017e EV/EBIT the stock trades fairly in line with its 2004-16 historical average.

NEXT CATALYSTS

- Essilor will report its FY16 Results on 17th February 2017.

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Cédric Rossi, rossi@bryangarnier.com

Healthcare

GENEURO

Price EUR8.29

GeNeuro and Servier put in place ANGEL-MS

Fair Value EUR18,2 (+120%)

BUY

Bloomberg	GNRO.FP
Reuters	GNRO.PA
12-month High / Low (EUR)	13.0 / 4.6
Market Cap (EURm)	122
Avg. 6m daily volume (000)	5.20

	1 M	3 M	6 M	31/12/15
Absolute perf.	56.1%	13.1%	-15.4%	-36.2%
Healthcare	2.6%	-8.3%	-9.3%	-15.2%
DJ Stoxx 600	4.8%	-1.4%	0.6%	-5.8%

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

ANALYSIS

- GeNeuro and Servier have announced today that they have reached an agreement to launch an extension study to the ongoing phase II trial called CHANGE-MS for those of the 260 patients who are candidates to go on with an additional two years of treatment with GNBAC1 to treat and control their RRMS. This new trial will start in April 2017 when the first patient recruited in CHANGE-MS will have ended its 12-month treatment period in CHANGE-MS. Although it was not formally announced before, this news makes full sense in the context of RRMS which is a chronic and slowly progressing disease because this is with time that one better measures the impact of a drug in terms of efficacy and in particular in terms of disease progression towards disability. It makes all the more sense that GNBAC1 is testing the hypothesis of targeting the disease more upfront than other existing therapies and so relapse rates are not necessarily the best measures of efficacy and time will permit to see if the drug has an influence on remyelination. Last but not least, we have seen in real life that recent and innovative drugs in MS have penetrated nicely but have not fully replaced old Copaxone and interferons and that's mainly because the latter are safe and have demonstrated efficacy over long periods of time. So, accumulation of long-term data is key to gain traction in the market and this would influence payers too.
- Like CHANGE-MS, ANGEL-MS will be fully paid by Servier under the terms of the agreement between the two companies.

VALUATION

- No change.

NEXT CATALYSTS

- By year-end 2016: IND to start small phase II in SPMS in the US - [Click here to download](#)

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Healthcare

Morphosys

Price EUR41.82

Feedback from R&D Day

Fair Value EUR65 (+55%)

BUY

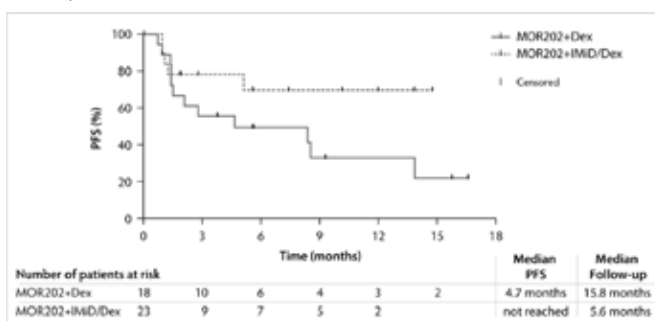
Bloomberg	MOR GR
Reuters	MORG.DE
12-month High / Low (EUR)	60.8 / 33.2
Market Cap (EURm)	1,219
Avg. 6m daily volume (000)	128.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.9%	7.4%	-15.6%	-27.5%
Healthcare	2.4%	-8.4%	-9.2%	-15.3%
DJ Stoxx 600	3.8%	-2.7%	0.0%	-6.7%

	2015	2016e	2017e	2018e
P/E	73.4x	NS	NS	NS
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- **MOR yesterday held an R&D Day, during which they presented the updated data for MOR202 and MOR208 that were presented at the ASH congress.**
- **MOR202: increasingly encouraging data, but a tough context.** The ORR stood at 78% (of which 61% were partial) 1/ when combined with an IMiD (lenalidomide or pomalidomide) and dexamethasone, and 2/ irrespectively of the MOR202's dose (8 or 16 mg/kg). But remember that responses obtained tend to deepen over time, while being durable... So the updated dataset is quite competitive with other anti-CD38 antibodies, and PFS curves look promising as well (median not reached). Having said that, we remain cautious about the potential of this candidate, and even believe a licensing deal is increasingly unlikely as 1/ GEN/JNJ's daratumumab is likely to address an increasingly large part of the myeloma market, thanks to its recent label expansion (and its SC form is likely to be approved in 2019/2020); 2/ SAN is sprinting for second place with isatuximab.



- **MOR208: nothing material.** Presented data from the ongoing Phase II trial evaluating the compound as a single-agent in pre-treated NHL (26% ORR in DLBCL and 29% in iNHL, 12-month PFS of 39% for both) were not significantly different from the ones we saw at the ASCO Congress. Also, we expected some detailed preliminary efficacy results in CLL or Richter's transformation, including ibrutinib-resistant patients... Unfortunately, this was not the case.

VALUATION

- We stick to our BUY rating with a FV of EUR65.

NEXT CATALYSTS

- February 2017: Q4 16 results.

[Click here to download](#)

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TMT

Orange

Price EUR13.43

Possible EUR1.9bn rebate from French tax authorities**Fair Value EUR17.1 (+27%)****BUY**

Bloomberg	ORA FP
Reuters	ORAN.PA
12-month High / Low (EUR)	16.4 / 13.1
Market Cap (EURm)	35,711
Avg. 6m daily volume (000)	6 264

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.7%	-1.3%	-12.7%	-13.3%
Telecom	-2.5%	-9.6%	-14.6%	-21.3%
DJ Stoxx 600	4.8%	-1.4%	0.6%	-5.8%

	2015	2016e	2017e	2018e
P/E	13.7x	14.0x	12.9x	12.7x
Div yield (%)	4.4%	4.5%	5.2%	6.0%

ANALYSIS

- Orange just **won an appeal** at the Council of State (*Conseil d'Etat*) on a **EUR1.9bn euro tax dispute** with French authorities.
- After Orange integrated Cogecom, ex France Telecom's holding, in 2005, it booked EUR11.5bn depreciation losses which it offset against profits in subsequent years. The French tax authorities then said Orange must pay EUR1.9bn in back taxes, which the company disputed in court. In a first ruling in 2013, Orange was ordered to pay the tax in full, which it did that year. Orange appealed against the 2013 ruling at the Versailles appeals court but lost again in February 2016. The company then lodged another appeal with the Council of State.
- The case will now be **sent back to the Versailles court** with a request for it to reconsider it, but the **outcome is still uncertain** at this stage. "We are happy with the Council of State's decision. The case continues," an Orange spokesman said. The EUR1.9bn possible tax refund represents about **70%** of net earnings expected by the consensus this year, and **5%** of the group's current market cap.

VALUATION

- At this point we do not price in potential positive tax impact, we stick to our FV of EUR17 with a Buy recommendation.

NEXT CATALYSTS

- Orange 2016 full year results expected end of February 2017.

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

TMT

Sage Group

Price 619.50p

Exploring a disposal scenario for Sage Payments Solutions

Fair Value 645p (+4%)

NEUTRAL

Bloomberg	SGE.L
Reuters	SGE.LN
12-month High / Low (p)	756.0 / 544.5
Market Cap (GBPm)	6,691
Avg. 6m daily volume (000)	2,658

	1 M	3 M	6 M	31/12/15
Absolute perf.	-9.4%	-15.4%	-1.0%	2.7%
Softw. & Comp.				
SVS	0.2%	-6.4%	2.2%	0.5%
DJ Stoxx 600	4.8%	-1.4%	0.6%	-5.8%
	09/16	09/17e	09/18e	09/19e
P/E	22.3x	18.4x	16.8x	15.4x
Div yield (%)	2.3%	2.5%	2.7%	2.9%

ANALYSIS

- **Yesterday evening, Bloomberg reported that Sage was exploring a sale of its US payments unit**, which could fetch at least USD500m, according to people familiar with the matter. This morning Sage confirmed in a press release that it is evaluating potential strategic options for its North American payments business, including a sale. Sage Payment Solutions is the US's 25th largest merchant acquirer in 2015, processing more than USD17bn in transactions, according to the Nilson Report. Sage acquired the unit (Verus Financial Management) for GBP164m in 2006.
- **Selling for up to 5x sales?** In our view, the rationale of such a scenario is to exit from a business which is quite different from business management software. During the past 2 years, Sage Payment Solutions suffered from issues with its partner channel. In addition, the turnaround takes long and cross-selling with accounting software was still pretty weak. Finally, the Payments industry in the US has been consolidating and left smaller players with a lack of critical size. We estimate Sage Payment Solutions sales at USD100-120m. As such, the price mentioned by Bloomberg would mean Sage would sell the business for up to 5x sales.

VALUATION

- Sage's shares are trading at est. 13.1x FY17 and 11.6x FY18 EV/EBIT multiples.
- Net debt on 30th September 2016 was GBP397m (net gearing: 38%).

NEXT CATALYSTS

Q1 FY17 trading update in late January 2017.

[Click here to download](#)

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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 55.7%

NEUTRAL ratings 33.5%

SELL ratings 10.8%

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