



8th December 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	19549.62	+1.55%	+12.19%
S&P 500	2241.35	+1.32%	+9.66%
Nasdaq	5393.76	+1.14%	+7.72%
Nikkei	18765.47	+1.45%	-2.82%
Stoxx 600	347.698	+0.91%	-4.95%
CAC 40	4694.72	+1.36%	+1.24%
Oil /Gold			
Crude WTI	49.77	-2.28%	+33.79%
Gold (once)	1176.94	+0.49%	+10.78%
Currencies/Rates			
EUR/USD	1.07655	+0.30%	-0.90%
EUR/CHF	1.08385	+0.05%	-0.33%
German 10 years	0.257	-9.49%	-59.55%
French 10 years	0.753	-5.91%	-23.21%
Euribor	-	+-%	+-%

Economic releases :

Date	
8th-Dec	13h45 ECB rate Decision (0.0%)
	14h30 US -Initial Jobless Claims (255K)

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,
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



IMERYS

BUY, Fair Value EUR72 (+4%)

Reverse roadshow feedback – out of the top pick list following very good performance.

We met with Imerys CEO Gilles Michel last Monday on our reverse roadshow. Mr Michel is still very prudent regarding markets trends, but there are several reasons to be slightly optimistic: the worst regarding steel markets looks to be behind us, French existing-homes transactions are well-oriented, proppants situation will not deteriorate more while there are some discussions at the OPEP levels and some markets are actually well oriented (autos, consumer goods, etc...). All in all, a decent support for our Buy rating, but due to the lack of upside, we remove NK from our top pick list.

SFR GROUP

NEUTRAL, Fair Value EUR29.7 (+27%)

Following sports and news, SFR developing premium entertainment content.

Altice/SFR is pursuing its aggressive premium pay TV content strategy, with two new partnerships (NBCUniversal and Discovery Communications), leading to the exclusive distribution and creation of new channels in the entertainment field. We believe the success of this premium-based strategy and related value creation remains questionable at this time, as priority in order to restore sustainable growth at SFR remains, in our view, fixing up quality of service concerns and customer satisfaction.

SOITEC

BUY, Fair Value EUR1.25 (+16%)

H1 results in line – FY17 EBITDA guidance raised to 16.5% vs. 15%

Today, Soitec reports H1-17 results in line with our expectations. Thanks to a gross margin improvement triggered by higher activity on 200mm business, EBITDA of continued operation came out at EUR18.5m or 16.5% of sales, vs 13.8% a year before. Current operating results also improved to EUR9.4m or 8.4% of sales, to be compared to H1 2016 current operating margin at EUR7.9m (margin of 7.3%). As such, the net result moved into positive territory at EUR3.1m. Finally, the group reiterates its previous guidance for FY17e growth, i.e. low-single-digit growth, but raises its EBITDA margin expectations from 15% previously to 16.5%.

In brief...

NOVARTIS, Ongoing review of options in CNS?

UCB, Cimzia lifecycle product management in a highly competitive space

PHARMACEUTICALS, Unexpected failure for veliparib in MBC

Construction & Building Materials

Imerys

Price EUR69.30

Reverse roadshow feedback – out of the top pick list following very good performance.

Fair Value EUR72 (+4%)

BUY

We met with Imerys CEO Gilles Michel last Monday on our reverse roadshow. Mr Michel is still very prudent regarding markets trends, but there are several reasons to be slightly optimistic: the worst regarding steel markets looks to be behind us, French existing-homes transactions are well-oriented, proppants situation will not deteriorate more while there are some discussions at the OPEP levels and some markets are actually well oriented (autos, consumer goods, etc...). All in all, a decent support for our Buy rating, but due to the lack of upside, we remove NK from our top pick list.

ANALYSIS

The question of volumes trends is more than ever a key theme for Imerys. Of course, Gilles Michel noted Imerys has several ways to mitigate a difficult environment: prices increases (Imerys' minerals represents a small part of its client product cost of production), price-mix improvement, notably through innovation (R&D weighed 1.6% of sales and new products represented 12% of sales last year) and acquisitions (4.4% positive impact in the first 9 months this year vs -2.3% organic decline and +0.7% FX). The question of volumes has still to be answered.

Regarding this issue, Gilles Michel doesn't promise the moon, but stressed that : 1) steel markets are still under pressure, but its looks like the worst is behind us. This sounds positive as about two thirds of the organic decline in 9M 2016 revenues was explained by the tepid dynamic of European steel markets. In October 2016, crude steel production was up 0.3% in the EU (down -4.2% YTD); 2) lead indicators are positive for renovation in France (existing-home transactions up 16% YTD at end August), while housing starts are up 6% on a 12-month basis at end October (Imerys is c75% exposed to revovation within the construction sector in France). However, renovation market is still tepid (CAPEB says +1% y/y in Q3 following +0.5% in H1 2016). The lack of confidence of the craftsmen may explain the reluctance to hire, despite a growing order book. The French presidential election probably reinforces the uncertain climate, too; 3) finally, this is not a surprise, but some markets are dynamic: talc for the auto industry, minerals for the lithium-ion batteries or to replace chemical additives in the cosmetic industry or in fertilizers in farming.

Proppants... with an oil price above USD60, the proppants market will make a comeback. Of course, Gilles Michel doesn't provide any guidance on the timing. We can note that there are some discussions about oil production at the OPEP level.

What about leverage ? We think operating leverage for Imerys probably stood around 30% since 2011 (1€ in the top line to be translated into 30 cents in the operating income – all based on organic variation). With the current Imerys margin, EBIT organic growth is also roughly equivalent to 2x the top line organic growth. Hence, any rebound of volumes will have a positive impact on margin. Still, the mix can be slightly penalised, depending of the nature of the volumes. A few bps of margin deterioration is not an issue for the Imerys management anyway, who remain primeraly focused on ROCE.

Last but not least, Imerys is well placed to benefit from a Donald Trump infrastructure plan, as 25% to 30% of the group sales generated in the US are exposed to infrastructures. At end September, 25% of Imerys 9M revenues is generated in the US and Canada.

The share price performance has been strong yesterday (+3.6%), probably underpinned by some asset rotation (in favour of Basics Resources) . Due to the lack of sufficient upside, we removed Imerys from our top pick list.

VALUATION

EUR72 of Fair Value, based on a combination of historical multiples (EUR68) and DCF (EUR74).

NEXT CATALYSTS

FY 2016 results to be released on 16th February 2017.

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Bloomberg	NK FP
Reuters	IMTP.PA
12-month High / Low (EUR)	69.3 / 51.6
Market Cap (EUR)	5,514
Ev (BG Estimates) (EUR)	7,207
Avg. 6m daily volume (000)	61.90
3y EPS CAGR	9.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.6%	6.1%	6.6%	7.6%
Cons & Mat	3.2%	-0.9%	4.9%	6.0%
DJ Stoxx 600	4.2%	-0.8%	0.4%	-5.0%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	4,087	4,141	4,233	4,317
% change		1.3%	2.2%	2.0%
EBITDA	745	791	848	875
EBIT	468.2	511.9	549.8	564.5
% change		9.3%	7.4%	2.7%
Net income	285.9	321.7	349.5	368.5
% change		12.5%	8.6%	5.4%

	2015	2016e	2017e	2018e
Operating margin	11.5	12.4	13.0	13.1
Net margin	1.7	7.0	8.3	8.6
ROE	12.9	13.6	13.4	13.2
ROCE	7.9	7.8	8.2	8.4
Gearing	55.4	53.7	47.6	41.1

(EUR)	2015	2016e	2017e	2018e
EPS	3.56	4.03	4.39	4.63
% change	-	13.2%	8.9%	5.4%
P/E	19.4x	17.2x	15.8x	15.0x
FCF yield (%)	5.1%	3.8%	4.5%	5.2%
Dividends (EUR)	1.75	1.89	2.00	2.10
Div yield (%)	2.5%	2.7%	2.9%	3.0%
EV/Sales	1.8x	1.7x	1.7x	1.6x
EV/EBITDA	9.8x	9.1x	8.4x	8.0x
EV/EBIT	15.5x	14.1x	12.9x	12.4x



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TMT

SFR Group

Price EUR23.47

Following sports and news, SFR developing premium entertainment content.

Fair Value EUR29.7 (+27%)

NEUTRAL

Bloomberg	NUM FP
Reuters	SFRGR.PA
12-month High / Low (EUR)	38.1 / 20.0
Market Cap (EURm)	10,286
Ev (BG Estimates) (EURm)	24,653
Avg. 6m daily volume (000)	390.2
3y EPS CAGR	18.5%

Altice/SFR is pursuing its aggressive premium pay TV content strategy, with two new partnerships (NBCUniversal and Discovery Communications), leading to the exclusive distribution and creation of new channels in the entertainment field. We believe the success of this premium-based strategy and related value creation remains questionable at this time, as priority in order to restore sustainable growth at SFR remains, in our view, fixing up quality of service concerns and customer satisfaction.

ANALYSIS

- Following previous moves in sports and news, Altice/SFR is strengthening its pay TV premium content portfolio in the **entertainment** field with partnerships with **NBCUniversal** and **Discovery Communications**. The agreement with NBCUniversal will give SFR **exclusive distribution** of 13th Street, Syfy and E!, and access to a portfolio of films produced by NBCUniversal, to be offered through a **new Pay-TV channel**. The agreement with Discovery will give SFR **exclusive distribution** of Investigation Discovery, Discovery Family, Discovery Channel, and Discovery Science. Thanks to these agreements, SFR will expand its line up to a **total of 20 channels**.
- SFR is pursuing its **aggressive premium pay TV content strategy**. So far, it has not allowed to erode customer losses, with fixed customer base down almost **-200k** in 2016 and fiber net adds **below expectations**, but ARPU was up **+4.3% yoy** in Q3 thanks to content bundling. More tangible impacts might kick in later when quality of service fundamentals are restored.
- Besides possible positive side effects on the telco business, we question the value which can be created on the pay TV market in France, where Canal+ and BeinSports are already **struggling to make money**. In addition, we believe a fight with Canal+ for the NBCUniversal and Discovery rights might have **pushed the prices up**. As a reminder, Bertrand Meheut, former Canal+ CEO has recently joined the board of SFR group.
- Thus, the **return on these investments remains questionable** in our view, at this time. It will also depend on SFR's commercialisation strategy. We believe that, as has done before, SFR will **bundle in the new premium channels in its high end offers**, imposing **price increases** to the customer base while **inducing additional churn**. And will SFR try to **wholesale** its own entertainment offer, as Orange is doing with OCS, and as SFR is supposedly trying to do with SFR sports, with not much success so far?

VALUATION

- We stick to our Neutral recommendation, with a Fair Value of EUR29.7.

NEXT CATALYSTS

- Full year 2016 results expected mi-March 2017.

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.8%	-8.3%	-18.6%	-29.9%
Telecom	-2.2%	-8.5%	-14.2%	-20.4%
DJ Stoxx 600	4.2%	-0.8%	0.4%	-5.0%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	11,039	10,904	11,122	11,247
% change		-1.2%	2.0%	1.1%
EBITDA	3,860	4,028	4,399	4,633
EBIT	937	1433	1338	2351
% change		53%	-6.7%	75.7%
Net income	682.0	198.9	405.8	1,131
% change		-70.8%	104.0%	NM

	2015	2016e	2017e	2018e
Operating margin	11.7	13.1	12.0	20.9
Net margin	6.2	1.8	3.6	10.1
ROE	15.9	4.4	8.4	19.1
ROCE	2.8	4.2	3.5	6.7
Gearing	337.5	327.7	300.4	227.1

(EUR)	2015	2016e	2017e	2018e
EPS	1.45	0.41	0.85	2.41
% change	-	-72.0%	110.5%	NM
P/E	16.2x	57.9x	27.5x	9.7x
FCF yield (%)	7.3%	NM	NM	8.6%
Dividends (EUR)	5.40	0.00	0.00	0.00
Div yield (%)	23.0%	NM	NM	NM
EV/Sales	2.2x	2.3x	2.2x	2.1x
EV/EBITDA	6.4x	6.1x	5.6x	5.1x
EV/EBIT	NS	NS	NS	NS



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TMT

Soitec

Price EUR1.08

H1 results in line – FY17 EBITDA guidance raised to 16.5% vs. 15%

Fair Value EUR1.25 (+16%)

BUY

Bloomberg	SOI.FP
Reuters	SOIT.PA
12-month High / Low (EUR)	1.1 / 0.4
Market Cap (EURm)	655
Ev (BG Estimates) (EURm)	668
Avg. 6m daily volume (000)	1,791
3y EPS CAGR	

Today, Soitec reports H1-17 results in line with our expectations. Thanks to a gross margin improvement triggered by higher activity on 200mm business, EBITDA of continued operation came out at EUR18.5m or 16.5% of sales, vs 13.8% a year before. Current operating results also improved to EUR9.4m or 8.4% of sales, to be compared to H1 2016 current operating margin at EUR7.9m (margin of 7.3%). As such, the net result moved into positive territory at EUR3.1m. Finally, the group reiterates its previous guidance for FY17e growth, i.e. low-single-digit growth, but raises its EBITDA margin expectations from 15% previously to 16.5%.

	1 M	3 M	6 M	31/12/15
Absolute perf.	18.7%	35.0%	111.8%	68.8%
Semiconductors	2.8%	5.2%	26.9%	26.6%
DJ Stoxx 600	4.2%	-0.8%	0.4%	-5.0%

ANALYSIS

- H1 results in line with our expectations.** Remember that H1 sales of EUR112.1m (+3% yoy) have already been published. Due to high utilisation rate at Bernin 1 fab and despite low utilisation at Bernin 2 fab, the group reported gross profit of EUR32.0m or a gross margin of 28.6%, i.e. a significant improvement compared to 24.9% achieved in H1-16. H1 17 EBITDA of continued operation came out at EUR18.5m or 16.5% of sales, above initial target of 15% and H1 16 EBITDA margin of 13.8%. H1 17 current operating results came in at EUR9.4m pointing to a current operating margin of 8.4%. Again, this is an improvement compared to adjusted H1 16 current operating result of EUR7.9m (margin of 7.3%). As such, the net result moved into positive territory at EUR3.1m. Don't forget that following the exit of Solar and Lighting activities, the group includes net profit from discontinued activities which stood at EUR1.1m (vs. -EUR42.8m in H1 16).

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%

- The improvement of the balance sheet is clearly visible.** By the end of March 2016, the group had a gross cash position of EUR49.1m and a gross debt position of EUR218.9m, ie net debt of EUR170m. Again, we recall that during the first half of FY17e, the group raised a total of EUR151.9m through two successive capital increases. As such, including the net cash generation by operating activities of -EUR2.3m, the cash situation is now significantly improved and the net debt now stands at EUR35m by the end of H1-17e.

	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

- Demand for RF-SOI remains solid and 300mm show signs of rebound.** Regarding 200mm sales, the group sees a continuous strong demand for mobile (RF-SOI) and Automotive (Power-SOI), but note that Bernin 1 is currently running at full capacity. The ramp up of Soitec's industrial partner has been qualified (October 2016) and will ramp up production to support strong demand. Regarding 300mm, the development of RF-300mm production lines at foundries and IDMs is moving forward as expected and volume ramp-up is now expected in calendar year 2017 (in line with our expectations). In the meantime, the FD-SOI momentum and ecosystem is said to strengthen as expected.

(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	49.5x	27.8x	15.2x
FCF yield (%)	NM	0.5%	2.4%	6.2%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	3.5x	2.8x	2.2x	1.4x
EV/EBITDA	22.7x	18.6x	10.9x	5.8x
EV/EBIT	36.8x	30.8x	18.2x	9.8x

- For the second part of the FY17e, Soitec confirms its expectations of a moderate growth and raises its margin expectations.** Pending the growing demand for FD-SOI (that we expect to see in FY18e), Soitec sees moderate growth leading to a low-single-digit growth over FY17e. Regarding FY17e EBITDA margin, the group also raises its guidance from 15% to 16.5% (BG ests. 15.6%) on the back of solid demand for 200mm. Beyond FY17, Soitec sees a continuous and gradual improvement of its EBITDA margin.



VALUATION

- Soitec shares are trading on FY17e EV/Sales of 2.8x and FY17e EV/EBIT of 30.8x.

NEXT CATALYSTS

- Today at 3:00pm: H1 2017 Conference call (+33 1 76 77 22 75 / code: 2967964#)
- Late January 2017: Q3 sales (not confirmed yet)

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Healthcare

Novartis

Price CHF68.75

Ongoing review of options in CNS?

Fair Value CHF81 (+18%)

NEUTRAL

Bloomberg	NOVN.VX
Reuters	NOVN.VX
12-month High / Low (CHF)	87.5 / 68.2
Market Cap (CHFm)	180,614
Avg. 6m daily volume (000)	4 694

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.8%	-12.0%	-13.2%	-20.8%
Healthcare	0.1%	-9.3%	-10.9%	-16.1%
DJ Stoxx 600	4.2%	-0.8%	0.4%	-5.0%

	2015	2016e	2017e	2018e
P/E	35.6x	14.3x	13.9x	12.6x
Div yield (%)	4.0%	4.4%	3.6%	4.0%

ANALYSIS

- Reuters reported yesterday that Novartis is considering an asset-sale and is in talks to divest "some of its older CNS drugs, including Ritalin for ADHD and Exelon patch for Alzheimer's" while mentioning parties interested like Endo or Mallinckrodt.
- In principle, we think that new Head of Innovative Medicines, Paul Hudson who came from AstraZeneca at mid-year, is probably finalising a portfolio review. We know that the future of the Respiratory franchise is the subject of discussions and that relative strengths are weighed up before deciding to invest behind it in the US. But the review is undoubtedly broader. And even more for somebody coming from AstraZeneca, where focusing the portfolio is central to the strategy. So we can easily imagine that the future of parts of the so-called tail products might be called into question. Should Novartis keep them, partner them or sell them? Who is the best owner?
- That said, mention of a portfolio that "could bring in as much as USD496m" is less clear and suggests caution. Exelon and Ritalin together do more. Would some geographies stay within Novartis like emerging markets? Are the two products really included in the discussion?

VALUATION

- What is probably true is that Novartis is reviewing its operations and the scope of its portfolio under a new leadership. It is premature to say what can come out of the discussions, but it would make sense to imagine a bit of focus - even more so if ambitions in Respiratory get bigger. Positive headlines from the CRYSTAL study assessing the benefit of a switch from various standard drugs in COPD to Ultibro or Seebri might support this thesis.

NEXT CATALYSTS

- 25 January 2017: Full-year results - [Click here to download](#)

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Healthcare

UCB

Price EUR59.06

Cimzia lifecycle product management in a highly competitive space

Fair Value EUR80 (+35%)

NEUTRAL

Bloomberg	UCB BB
Reuters	UCBBt.BR
12-month High / Low (EUR)	85.6 / 58.8
Market Cap (EURm)	11,488
Avg. 6m daily volume (000)	280.1

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.5%	-19.8%	-12.4%	-29.0%
Healthcare	0.1%	-9.3%	-10.9%	-16.1%
DJ Stoxx 600	4.2%	-0.8%	0.4%	-5.0%

	2014	2015e	2016e	2017e
P/E	35.0x	27.2x	18.8x	13.4x
Div yield (%)	1.5%	1.9%	2.8%	3.9%

ANALYSIS

- UCB and Dermira reported positive results from CIMPASI-1, the second (out of three) phase III trial for Cimzia in moderate chronic plaque psoriasis. The study which enrolled 234 patients evaluated the efficacy of 16 weeks of treatment with SC certolizumab pegol at either 1/ the 400mgQ2W dose (n=88; arm 1) or 2/ the 400mg at week 0, 2 and 4 followed by 200mgQ2W (n=95; arm 2) against placebo. Both co-primary endpoint have been met at the end of the period. 75.8% and 66.5% of patients achieved PASI75 in arm 1 and 2 respectively vs 6.5% for placebo. 57.9% and 47% of patients in both active arms had an improvement of at least 2 points on the PGA scale (five-point scale representing clear or almost clear skin) vs. 4.2% for the placebo group. On the safety side, the profile of Cimzia was in-line with the one observed in already approved indications. Note that result from a first trial with a similar design, CIMPASI-2, have already been communicated in Q3 and that the results from a third one, CIMPACT (NCT02346240) carried out in 559 patients against Amgen's Enbrel (etanercept) should read out in Q1 2017. We would expect filing by Dermira in H2 2017 and potential approval in H2 2018.
- These results are a good news for Cimzia's lifecycle management and does not cast doubt on the ability of the product to continue to grow towards 2020. However, they should be put in the context of 1/ a highly competitive field with Cosentyx (Novartis) mainly and brodalumab (Valeant /LEO Pharma) to a lesser extent, both having reported higher responder rate and rapid onset of action; 2/ economics that may not fully benefit to UCB as Dermira retains exclusive US and Canadian commercialisation rights to dermatologists.

VALUATION

- We reiterate our NEUTRAL rating

NEXT CATALYSTS

- Q1 2017: results from the third study of Cimzia in Psoriasis (CIMPACT)
- Feb. 23rd, 2017: FY2016 results

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Sector View

Pharmaceuticals

Unexpected failure for veliparib in MBC

	1 M	3 M	6 M	31/12/15
Healthcare	2.6%	-8.3%	-9.3%	-15.2%
DJ Stoxx 600	4.8%	-1.4%	0.6%	-5.8%

*Stoxx Sector Indices

Companies covered

ACTELION	BUY	CHF194
ASTRAZENECA	BUY	5100p
BAYER	NEUTRAL	EUR98
GLAXOSMITHKLINE	BUY	1930p
GRIFOLS	NEUTRAL	EUR20
IPSEN	BUY	EUR72
NOVARTIS	NEUTRAL	CHF81
NOVO NORDISK	NEUTRAL	DKK270
ROCHE HOLDING	BUY	CHF285
SANOFI	NEUTRAL	EUR83
SHIRE PLC	BUY	6800p
SOBI	SELL	SEK90
UCB	NEUTRAL	EUR80

With the outstanding results of niraparib in ovarian cancer and the pricey acquisition of Medivation by Pfizer, 2016 has been an exciting and promising year for PARP inhibitors. This is when AbbVie comes with disappointing results for its own PARP inhibitor veliparib, in breast cancer this time. Compared to the massive improvement reported by niraparib and olaparib in ovarian, the very modest and non-significant benefit of veliparib raises questions.

ANALYSIS

AbbVie yesterday reported disappointing results for its PARP inhibitor veliparib in locally recurrent or metastatic breast cancer with BRCA1 or BRCA2 mutations. Indeed it was a 290-patient phase II trial with three arms (+/- CT) and so not fully powered to detect a major statistically significant survival benefit (Tesar's trial in ovarian cancer that reported stellar results back in July was twice as big). That said, median PFS was only brought from 12.3 to 14.1 months whereas median OS improved from 25.9 to 28.3 months. AbbVie sees in the results enough promise to move into phase III. We would be more balanced and would try to understand what could be behind the results in order to detect what could be drug-related, trial design-related or anything else. This may start by reading the results on a group by group basis and despite limited sample sizes try to identify higher response rates in some populations. The combination with either temozolomide or CarboTax is another sub-analysis to make to detect potential differences. Last but not least, 40% of patients recruited were having triple-negative breast cancer, which also requires a specific look.

VALUATION

In our coverage universe, only AstraZeneca is exposed to the class. However, we have so far cautiously approached Lynparza in BC and so there is limited downside whatever happens, except for sentiment because the Oncology franchise must perform to make the call work.

NEXT CATALYSTS

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

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BG's Wake Up Call

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 33.5%

SELL ratings 10.8%

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