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14th December 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	19911.21	+0.58%	+14.27%
S&P 500	2271.72	+0.65%	+11.14%
Nasdaq	5463.83	+0.95%	+9.11%
Nikkei	19253.61	+0.02%	+1.14%
Stoxx 600	357.497	+1.06%	-2.27%
CAC 40	4803.87	+0.91%	+3.60%
Oil /Gold			
Crude WTI	52.98	+0.28%	+42.42%
Gold (once)	1159.75	+0.02%	+9.17%
Currencies/Rates			
EUR/USD	1.0641	+0.31%	-2.04%
EUR/CHF	1.07615	-0.17%	-1.03%
German 10 years	0.257	-16.97%	-59.48%
French 10 years	0.803	-9.07%	-18.12%
Euribor	-	+-%	+-%

Economic releases :

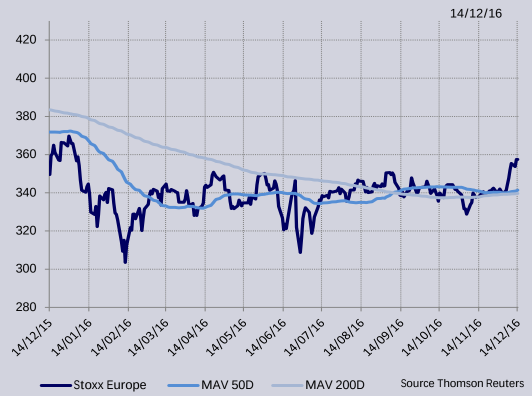
Date	
14th-Dec	9h00 FR - Pmi composite Flash 9h30 DE - PMI COMPOSITE FLASH 10h30 GB Labour market 14h30 US - Advance Retail Sales (0.3%E) 15h15 US- Industrial Production Nov. (-0.4%) 15h15 US - Business Inventories Oct. (-0.1% E)

Upcoming BG events :

Recent reports :

Date	
13th-Dec	Construction - Paris Reverse Roadshow feedback
7th-Dec	Brewers : Our takeaways from the Consumer Conference
5th-Dec	TAVI is VITAL
2nd-Dec	FD-SOI: forbidden fruit of the industry and market
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,

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



AB INBEV — BUY, Fair Value EUR107 vs. EUR109 (+8%)

Currencies continue to drag earnings estimates down

As the company's Q3 results suffered from the 35% lower BRL in Q3 2015 (hedged one year out), Q4 should suffer to the same extent. This was not properly reflected in our earnings forecasts (nor the consensus) and we have therefore lowered Q4 estimates by 8% and FY 2016 figures by 2%. We have also lowered our DCF based Fair Value by 2% to EUR107.

ENGIE — BUY, Fair Value EUR14,8 (+21%)

Improved visibility following nuclear provisions announcement

As expected, Engie announced yesterday the increase in its nuclear provisions by EUR1.8bn due to a 130bp decrease in the discount rate, which mechanically led us to adjust downward our FV to EUR14.8 per share. As a consequence, we have lowered our EPS forecasts as from 2017e by c. 5% in order to reflect higher dismantling provisions and higher financial charges. In all, we believe that this announcement was already priced-in by the market and that it paradoxically improves visibility on the stock. We now expect the company to keep delivering its transformation plan with new disposals awaited (E&P particularly). Buy recommendation maintained.

INDITEX — BUY, Fair Value EUR38 (+18%)

Solid Q3 results and current trading above expectations

This morning Inditex has reported 9M 2016 results: Q3 sales came in at EUR5,938m in line with CS expectations (EUR5,931m) up 12% FX-n (CS: ~13%) and reported. This performance implies LFL growth of approx. 6% vs. +11% in H1 due to a demanding comparison base. Below the top line, the EBIT margin improved sequentially (+10bp vs. -50bp in H1) despite the 140bp-decline in the GM. Current trading remains supportive with sales up 16% FX-n from 1st November to 12th December vs. ~12-13% expected by the CS. Conference call today at 9.00am CET.

METRO AG — SELL, Fair Value EUR26 (-15%)

FY (first take): not a beat! (revenues from real estate well above expectations notably)

FY EBIT before special items (BSI) worked out to EUR1,560m (vs EUR1,441m expected by the consensus). However this figure included income from real estate sales amounting to EUR162m vs guidance for EUR100m, as well as unexpected income from the dissolution of obligations from post-employment benefit plans of EUR42m. On the whole, based on the expected EUR100m figure for real estate and without taking into account the EUR42m, the EBIT BSI would have reached EUR1,456m vs EUR1,441m e (i.e. flat margin). Hence, this publication is not a beat but is just slightly above estimates. Sell maintained at this stage.

PLASTIC OMNIUM — BUY-Top Picks, Fair Value EUR36 (+19%)

Realistic 2020 targets

Yesterday morning during an investor day, the group's management reiterated its aim to strongly outperform the global automotive market between 2016 and 2020 despite fears linked to the diesel scandal and the potential rise of BEV within new registrations. While the 2020 sales target unveiled by the group was in line with our expectations (EUR8bn), we believe management was nevertheless quite conservative in its official target. Indeed, the global tone was definitively more than positive with the group indicating it is currently focusing its efforts on FAE integration and on developing fuel cell/PHEV tank systems as management believes most of the growth will come from these two technologies, and not so from BEV. Buy recommendation confirmed with FV and estimates unchanged as we remain more cautious than POM and the industry on future market growth.

SOPRA STERIA GROUP — BUY, Fair Value EUR125 (+23%)

Don't be afraid of the United Kingdom (full report released today)

We reiterate our Buy recommendation and our DCF-derived fair value of EUR125, leaving upside potential of 23%. While the shares have suffered from the company's exposure to the United Kingdom, we expect Sopra Steria to benefit from: 1) an improvement in organic growth; 2) over-estimated 'Brexit' risks; 3) capacity for future acquisitions; and 4) an attractive valuation.

In brief...

ALTICE, ***Further increase in stake at SFR***

ACTELION, ***JNJ has left the bidding process. SAN still in play***

SWORD GROUP, ***Disposal of Simalaya France***

Food & Beverages

AB InBev

Price EUR99.08

Currencies continue to drag earnings estimates down

Fair Value EUR107 vs. EUR109 (+8%) **BUY**

Bloomberg	ABI BB
Reuters	ABI.BR
12-month High / Low (EUR)	118.8 / 93.8
Market Cap (EUR)	167,766
Ev (BG Estimates) (EUR)	248,287
Avg. 6m daily volume (000)	1 705
3y EPS CAGR	3.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.1%	-9.3%	-9.7%	-13.4%
Food & Bev.	4.1%	-4.3%	-0.9%	-6.1%
DJ Stoxx 600	5.9%	5.5%	9.4%	-2.3%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	43,604	41,960	55,279	57,526
% change		*-3.8%*	*31.7%*	*4.1%*
EBITDA	16,921	15,616	21,871	24,273
EBIT	13,768	12,538	17,920	20,200
% change		*-8.9%*	*42.9%*	*12.7%*
Net income	8,513	6,933	9,785	11,313
% change		*-18.6%*	*41.1%*	*15.6%*

	2015	2016e	2017e	2018e
Operating margin	31.6	29.9	32.4	35.1
Net margin	19.5	16.5	17.7	19.7
ROE	20.2	16.6	11.5	12.8
ROCE	10.1	9.4	9.4	8.1
Gearing	98.7	109.1	101.9	96.3

(USD)	2015	2016e	2017e	2018e
EPS	5.10	4.16	4.91	5.67
% change	*-*	*-18.6%*	*18.1%*	*15.6%*
P/E	20.7x	25.4x	21.5x	18.6x
FCF yield (%)	4.4%	3.2%	5.8%	5.4%
Dividends (USD)	2.68	2.68	2.58	2.98
Div yield (%)	2.5%	2.5%	2.4%	2.8%
EV/Sales	6.0x	6.3x	5.5x	5.3x
EV/EBITDA	15.5x	16.9x	14.0x	12.5x
EV/EBIT	19.1x	21.1x	17.1x	15.0x

As the company's Q3 results suffered from the 35% lower BRL in Q3 2015 (hedged one year out), Q4 should suffer to the same extent. This was not properly reflected in our earnings forecasts (nor the consensus) and we have therefore lowered Q4 estimates by 8% and FY 2016 figures by 2%. We have also lowered our DCF based Fair Value by 2% to EUR107.

Last week we went on a reverse roadshow and visited amongst others AB InBev. The company highlighted the fact that Q4 numbers will be negatively impacted by hedges on BRL (currency hedged one year out), which already caused the earnings miss in Q3. But for the rest we found a lot of optimisme around the Trump election (good for construction workers drinking beer) and the opportunities for beer consumption growth in Africa.

ANALYSIS

Q4 consensus too optimistic: The Q3 earnings miss (EBITDA came in at USD4.03bn vs. consensus of USD4.43bn (9% miss) was for 80% due to underestimates of the transactional impact of the BRL devaluation. Because AmBev (the Brazilian subsidiary) hedges their USD input costs (40% of the total cost base) 12 months in advance, the margin pressure came from the 35% decline in the BRL in Q3 2015 and not from the 9% increase in the BRL in Q3 2016. As the BRL declined by a similar 35% in Q4 2015, the margin pressure will continue into Q4 2016 and consensus forecasts do not seem to take this into account. We have updated our model to properly include this margin pressure and as a consequence have downgraded Q4 group operating profit by 8% and full year figures by 2%. Our Q4 2016 figures including SABMiller is now USD5,040m which is 6.5% below IBES consensus USD5,394m.

Bud Light is the biggest challenge in the US. Donald Trump's win could spell good news for US beer consumption as, according to the company, there is a strong link with jobs in the construction sector. With AB InBev well-positioned in the premium segment and gaining share (Stella Artois and the craft beer portfolio), and in the value segment, all market share losses that the company is suffering come from Budweiser and Bud Light's positions in the mainstream. With Budweiser's decline in market share now down to 20 bps, Bud Light remains the challenge. The company will try another new positioning of Bud Light, associating it with edgy humour, sport, music and heritage. By the end of 2017, one could hope for the first results.

Diverse sources of growth: There is still decades of growth in Africa left. In Africa, 80 percent of alcohol consumption is illicit alcohol, so as the market formalises and becomes more brand driven, there is plenty of growth that can come from switching from illicit to branded beer (x5). Other volume opportunities are in Latin America (beer consumption in San Paolo is 100l per head but only 40l in the north of Brazil), in Asia (still volume opportunity in China, although price opportunity is bigger – an additional 1 l consumption from the current 3l pcc would add 1 bn litres of beer). In mature markets, the company is looking to enhance its portfolio of alcohol-free or low alcohol beers (less than 3.5degr.), which currently are 6% of the portfolio but could increase to 20% by 2025.

Selling assets at 22x EBITDA: Yesterday, AB InBev announced it is selling the Central and Eastern European businesses (Poland, the Czech Republic, Slovakia, Hungary and Romania) formerly owned by SABMiller to Asahi. The agreed price of USD7.76bn is an estimated 22x trailing EBITDA which is fully in line with the multiple that Asahi paid for the PMG (Pernoni, Meantime and Grolsch) business also from SABMiller.

VALUATION

Our Fair Value is based on a DCF using a risk free rate of 1.6% and a risk premium of 7%.

NEXT CATALYSTS

In the coming days we expect the company to publish a new reference base including SABMiller.

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Return to front page

Utilities

ENGIE

Price EUR12.20

Improved visibility following nuclear provisions announcement

Fair Value EUR14,8 (+21%) **BUY**

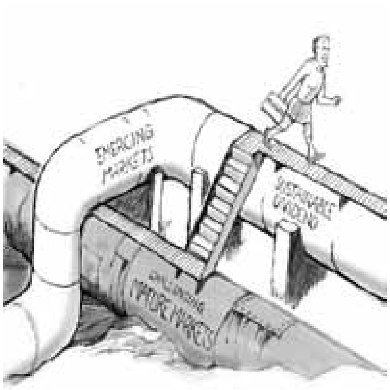
Bloomberg	ENGI FP
Reuters	ENGIE.PA
12-month High / Low (EUR)	16.5 / 11.3
Market Cap (EUR)	29,710
Ev (BG Estimates) (EUR)	70,164
Avg. 6m daily volume (000)	5 804
3y EPS CAGR	-20.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.1%	-13.2%	-11.9%	-25.3%
Utilities	4.4%	-4.5%	-4.3%	-10.6%
DJ Stoxx 600	5.9%	5.5%	9.4%	-2.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	69,883	65,666	64,457	65,535
% change		*-6.0%*	*-1.8%*	*1.7%*
EBITDA	11,261	10,794	10,593	10,881
EBIT	-3,243	6,182	5,900	6,095
% change		*NS*	*-4.6%*	*3.3%*
Net income	2,589	2,409	2,204	2,313
% change		*-6.9%*	*-8.5%*	*5.0%*

	2015	2016e	2017e	2018e
Operating margin	-4.6	9.4	9.2	9.3
Net margin	3.7	3.7	3.6	3.7
ROE	10.2	5.0	4.6	4.8
ROCE	6.8	4.3	4.1	4.2
Gearing	61.5	55.5	60.0	60.2

(EUR)	2015	2016e	2017e	2018e
EPS	2.04	1.01	0.97	1.02
% change	-	*-50.7%*	*-3.1%*	*4.7%*
P/E	6.0x	12.1x	12.5x	12.0x
FCF yield (%)	0.8%	27.7%	10.7%	13.3%
Dividends (EUR)	1.00	1.00	0.70	0.70
Div yield (%)	8.2%	8.2%	5.7%	5.7%
EV/Sales	1.1x	1.1x	1.1x	1.1x
EV/EBITDA	6.6x	6.5x	6.6x	6.4x
EV/EBIT	NS	11.4x	11.9x	11.5x



As expected, Engie announced yesterday the increase in its nuclear provisions by EUR1.8bn due to a 130bp decrease in the discount rate, which mechanically led us to adjust downward our FV to EUR14.8 per share. As a consequence, we have lowered our EPS forecasts as from 2017e by c. 5% in order to reflect higher dismantling provisions and higher financial charges. In all, we believe that this announcement was already priced-in by the market and that it paradoxically improves visibility on the stock. We now expect the company to keep delivering its transformation plan with new disposals awaited (E&P particularly). Buy recommendation maintained.

ANALYSIS

- Yesterday morning, a few minutes before the market opened, **Engie announced that it had received the opinion of the Commission for Nuclear Provisions** (CNP) **regarding the revaluation of the company's nuclear provisions for its Belgian nuclear fleet.**
- As expected, **the discount rate used for these provisions has been lowered by 130bps to 3.5%** (inflation rate unchanged at 2.0% and real interest rate at 1.5% vs. 3.8% before). As a consequence, **nuclear provisions have been increased by EUR1.8bn**. This led us to mechanically **lower our FV to EUR14.8 per share yesterday morning.** This still implies **theoretical upside** of c. **20%** vs. the current company share price.
- Note that the EUR1.8bn increase implies higher sensitivity than that initially announced by Engie (EUR1.1bn change in nuclear provisions for a 100bp change in the discount rate) mainly due to undisclosed new industrial assumptions and despite the fact that **the CNP report takes into account the 10-year extension of Doel 1 and Doel 2.**
- At the P&L level, **we lower our recurring EPS forecasts as from FY 2017 (by 5.6% and 5.3% in 2017e and 2018e notably)** due to higher dismantling provisions leading to higher financial charges (due to the negative impact of unwinding the discount on provisions), and based on the sensitivity provided by Engie during Q3 2016 results: **a EUR100m negative impact for a 100bp decrease in the nuclear provisions discount rate**. Our recurring EPS expectations now stand at EUR1.01 per share/EUR0.92 per share/EUR0.97 per share for 2016e/2017e/2018e respectively.
- **We believe this announcement was already priced-in by the market** – as shown by yesterday's stock performance (+1.9% vs. CAC40 at +0.9%). In all, **it paradoxically improves the visibility we have on the stock as the two previous short-term negative catalysts are now behind us** (update on nuclear provisions and downward revisions to consensus estimates). **We now expect the company to keep delivering its transformation plan with new disposals awaited** (particularly the exploration & production assets for which Neptune Oil & Gas Ltd' interest has recently been reported). **Buy recommendation maintained**.

VALUATION

- At the current share price, the stock trades at **6.4x its 2016e EV/EBITDA** multiple.
- **Buy, FV @ EUR14.8**

NEXT CATALYSTS

- **Further disposals** including notably the exploration & production (E&P) assets, the Polaniec power plant in Poland, the remaining thermal assets in Australia (notably the Loy Yang B and the Kwinana power plants) or the port project in northern Chile and the IEM2 power plant project, also in Chile
- **2nd March 2017:** FY 2016 results

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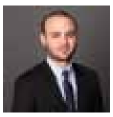

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Luxury & Consumer Goods

Inditex

Price EUR32.24

Solid Q3 results and current trading above expectations

Fair Value EUR38 (+18%) **BUY**

Bloomberg	ITX SM
Reuters	ITX.MC
12-month High / Low (EUR)	33.4 / 26.8
Market Cap (EURm)	100,465
Ev (BG Estimates) (EURm)	94,122
Avg. 6m daily volume (000)	2 406
3y EPS CAGR	12.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.7%	0.8%	11.5%	1.7%
Consumer Gds	4.0%	-2.2%	0.5%	-4.4%
DJ Stoxx 600	4.8%	3.4%	6.3%	-3.3%

YEnd Jan. (EURm)	01/16	01/17e	01/18e	01/19e
Sales	20,900	23,166	25,724	28,393
% change		*10.8%*	*11.0%*	*10.4%*
EBITDA	4,699	5,231	5,937	6,554
EBIT	3,677	4,119	4,728	5,219
% change		*12.0%*	*14.8%*	*10.4%*
Net income	2,875	3,204	3,685	4,072
% change		*11.5%*	*15.0%*	*10.5%*

	01/16	01/17e	01/18e	01/19e
Operating margin	17.6	17.8	18.4	18.4
Net margin	13.8	13.8	14.3	14.3
ROE	25.3	25.2	25.7	25.5
ROCE	31.0	32.9	36.0	37.9
Gearing	-46.3	-49.7	-53.8	-57.0

(EUR)	01/16	01/17e	01/18e	01/19e
EPS	0.92	1.03	1.18	1.31
% change	-	*11.4%*	*15.0%*	*10.5%*
P/E	34.9x	31.3x	27.2x	24.6x
FCF yield (%)	3.0%	2.9%	3.5%	3.8%
Dividends (EUR)	0.60	0.67	0.77	0.85
Div yield (%)	1.9%	2.1%	2.4%	2.6%
EV/Sales	4.6x	4.1x	3.6x	3.2x
EV/EBITDA	20.3x	18.0x	15.6x	13.9x
EV/EBIT	25.9x	22.9x	19.6x	17.5x

This morning Inditex has reported 9M 2016 results: Q3 sales came in at EUR5,938m in line with CS expectations (EUR5,931m) up 12% FX-n (CS: ~13%) and reported. This performance implies LFL growth of approx. 6% vs. +11% in H1 due to a demanding comparison base. Below the top line, the EBIT margin improved sequentially (+10bp vs. -50bp in H1) despite the 140bp-decline in the GM. Current trading remains supportive with sales up 16% FX-n from 1st November to 12th December vs. ~12-13% expected by the CS. Conference call today at 9.00am CET.

ANALYSIS

- **9M sales (EUR16,403m) up 14.5% FX-n and 11% reported.** In Q3 alone, net sales increased ~12% FX-n and reported to EUR5,938m, bang in line with CS expectations (EUR5,931m). This was therefore a touch below the 13% FX-n increase to mid-September (1st August -> 18th September: 13% FX-n) on top of more challenging comps through Q3, since sales were up 17% FX-n in Q3 15 after +15% from 1st August '15 to 10th September '15. This tougher base effect explains the slowdown in LFL growth over Q3 to approx. 6% vs. +11% in H1 but the Spanish Group continues to clearly outperform its peers.

- **9M EBIT of EUR2,822m (+9%), representing a margin contraction of 30bp to 17.2%.** In Q3 alone, GM only declined by 40bp to 59.7% (CS: 59.8%) after -130bp in H1 thanks to the easing in the FX headwind. Whilst we were expecting a slight acceleration of opex growth due to the retail expansion and space growth, the total opex costs remained flat at 34.5% (H1: -60bp). As a consequence, the EBIT margin rebounded 10bp to 20.6% vs. forecasts of a stable margin at 20.5%.

Q3 and 9M results:

EURm	Q3 16	*% change*	9M 16	*% change*
Sales	5,938	*11.6*	16,403	*11.3*
Gross profit	3,547	*10.9*	9,492	*9.5*
% of sales	59.7	*-40bp*	57.9	*-90bp*
EBIT	1,220	*11.6*	2,822	*9.2*
% of sales	20.6	*+10bp*	17.2	*-30bp*
EPS – in EUR per share	0.302	*10.2*	0.708	*9.2*

Source: Company Data

- **Start of Q4 16 tops expectations: +16% FX-n from 1st November to 12th December.** This better-than-expected increase (CS: ~12-13% FX-n) marks an acceleration vs Q3 trends, partly helped by comps that are a bit less demanding in Q4 (Q4 15: +15% FX-n vs 17% in Q3), with again a strong contribution from LFL growth. At this stage, we believe that weather conditions are more favourable than the prior year.

VALUATION

- This reassuring publication and the solid start of the quarter confirm our positive view on Inditex. Indeed, as highlighted in our recent initiation report, Inditex is, in our view, the best equipped to thrive in this environment: its 'pull' strategy (= collection design based on customer purchasing decisions) and ability to launch a new collection within just two weeks (vs. 6 months for the industry) thanks to centralised, vertical integration, enable Inditex to enjoy mark-down and unsold inventory rates amongst the lowest in the industry.

- Furthermore, its new strategy combining flagship stores (= fewer DOS openings) and online offer (c.5.5% of 2016e sales) minimise the risks to earnings growth (EBIT CAGR 2016-19e: +12%).

NEXT CATALYSTS

- Conference call today at 9.00am (CET) // FY 2016 results to be released on 15th March 2017.

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Return to front page

Food retailing

Metro AG

Price EUR30.48

FY (first take): not a beat! (revenues from real estate well above expectations notably)

Fair Value EUR26 (-15%) **SELL**

Bloomberg	MEO GY
Reuters	MEOG.DE
12-month High / Low (EUR)	30.5 / 21.9
Market Cap (EURm)	9,877
Ev (BG Estimates) (EURm)	12,755
Avg. 6m daily volume (000)	819.5
3y EPS CAGR	12.3%

	1 M	3 M	6 M	31/12/15
Absolute perf.	10.7%	16.8%	6.8%	3.1%
Food Retailing	3.2%	4.2%	3.5%	-0.3%
DJ Stoxx 600	4.8%	3.4%	6.3%	-3.3%

YEnd Sept. (EURm)	09/15	09/16e	09/17e	09/18e
Sales	59,220	58,320	59,835	61,396
% change		*-1.5%*	*2.6%*	*2.6%*
EBITDA	2,457	2,460	2,544	2,631
EBIT	711.0	1,497	1,557	1,618
% change		*110.6%*	*4.0%*	*3.9%*
Net income	502.3	597.5	652.5	711.0
% change		*18.9%*	*9.2%*	*9.0%*

	09/15	09/16e	09/17e	09/18e
Operating margin	2.6	2.6	2.6	2.6
Net margin	0.8	1.0	1.1	1.2
ROE	NM	NM	NM	NM
ROCE	10.5	10.2	9.8	9.6
Gearing	48.9	44.4	45.9	46.4

(EUR)	09/15	09/16e	09/17e	09/18e
EPS	1.54	1.83	2.00	2.18
% change	-	*18.9%*	*9.2%*	*9.0%*
P/E	19.8x	16.7x	15.3x	14.0x
FCF yield (%)	NM	NM	NM	NM
Dividends (EUR)	1.00	0.98	1.02	1.05
Div yield (%)	3.3%	3.2%	3.3%	3.4%
EV/Sales	0.2x	0.2x	0.2x	0.2x
EV/EBITDA	5.2x	5.2x	5.1x	5.1x
EV/EBIT	18.0x	8.5x	8.4x	8.2x

FY EBIT before special items (BSI) worked out to EUR1,560m (vs EUR1,441m expected by the consensus). However this figure included income from real estate sales amounting to EUR162m vs guidance for EUR100m, as well as unexpected income from the dissolution of obligations from post-employment benefit plans of EUR42m. <u>On the whole, based on the expected EUR100m figure for real estate and without taking into account the EUR42m, the EBIT BSI would have reached EUR1,456m vs EUR1,441m e (i.e. flat margin).</u> Hence, this publication is not a beat but is just slightly above estimates. Sell maintained at this stage.

As a reminder in terms of the topline (release on 19/10/2016), the negative and salient point of the publication was the poor performance of MMS (-2.0% LFL vs +0.4%e), notably penalised by difficult momentum at Redcoon (over recent months, it seems that the e-commerce activity as been under pressure in Europe, judging from the poor performances of both Redcoon and Cdiscount notably). As far as EBIT BSI is concerned, see detail below.

EBIT Before Special Items (BSI) and margin rate

EBIT BSI released vs cons.	Q4 15/16	Var. vs cons	FY 15/16	Var. vs cons
Cash & Carry	306	14,2%	1 043	3,8%
Media-Saturn	179	15,5%	454	5,6%
Real	27	-10,0%	100	-2,9%

Margin rate	Q4 15/16	Var.	FY 15/16	Var.
Cash & Carry	4,2%	50 bp	3,6%	6 bp
Media-Saturn	3,5%	93 bp	2,1%	4 bp
Real	1,5%	-42 bp	1,3%	20 bp

Source: Metro, Inquiry Financial, BG estimates

The outlook is based on the current group structure and adjusted for currency effects. For the FY 2016/17, management expects to see a slight rise in overall sales despite persistently challenging economic environement (continuously complex geopolitical situation). In LFL terms, the group foresees another slight increase (+0,2% this year). It also expects the EBIT BSI to rise slightly above the EUR1,560 released this year (with income from real estate expected to be slightly lower).

ANALYSIS & REMINDER OF OUR INVESTMENT CASE

- The group's advantageous tax lever (shifting costs out of Germany in a bid to boost domestic operating result at Metro C&C and thus activate tax loss carry forwards) should not eclipse soft commercial trends. LFL performances (+0.1% in Q4 - below normative natural cost inflation) remain soft and prevent us from talking about a commercial recovery.
- Until september, management had refused to answer the question of whether we can rule out a rights issue in order to address the capital structure problem ahead of the spin-off. We believe that this latency period (five months!), during which management finally managed to find a solution, reflects what remains a precarious credit situation.
- Whether the optimists admit it or not, the precedent of Casino (which has proved that beyond the ratio, a diversified profile is key to maintaining a rating) leads us to believe that the situation at MMS (undiversifed cyclical profile and in the front row concerning the ramp-up of e-commerce) remains very stretched. More detail to come during the upcoming CMD.

VALUATION

- 2017 P/E of 15,3x vs 16,8x on average for the panel

NEXT CATALYSTS

- CMD tomorrow (15th December) during which management should provide more insight into the post spin-off strategy for both separated entities (i.e. Food and Consumer Electronics)

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Automotive

Plastic Omnium

Price EUR30.19

Realistic 2020 targets

Fair Value EUR36 (+19%) **BUY-Top Picks**

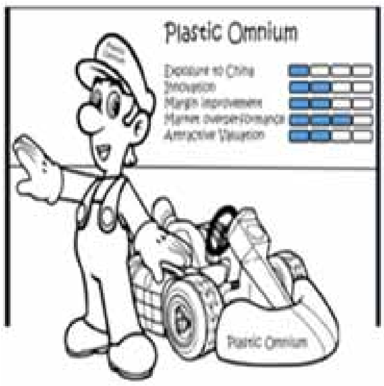
Bloomberg	POM FP
Reuters	PLOF.PA
12-month High / Low (EUR)	31.2 / 24.5
Market Cap (EUR)	4,603
Ev (BG Estimates) (EUR)	5,080
Avg. 6m daily volume (000)	190.7
3y EPS CAGR	20.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.6%	6.4%	6.2%	5.1%
Auto & Parts	9.3%	10.9%	17.3%	-5.7%
DJ Stoxx 600	5.9%	5.5%	9.4%	-2.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	5,010	5,813	6,720	7,113
% change		*16.0%*	*15.6%*	*5.9%*
EBITDA	691	774	977	1,046
EBIT	470.0	533.3	626.0	694.8
% change		*13.5%*	*17.4%*	*11.0%*
Net income	258.7	323.8	399.7	451.9
% change		*25.2%*	*23.5%*	*13.1%*

	2015	2016e	2017e	2018e
Operating margin	9.4	9.2	9.3	9.8
Net margin	5.2	5.6	5.9	6.4
ROE	20.4	21.4	22.0	21.0
ROCE	20.0	15.7	19.2	20.2
Gearing	20.8	54.8	22.6	10.0

(EUR)	2015	2016e	2017e	2018e
EPS	1.68	2.12	2.61	2.95
% change	-	*25.7%*	*23.5%*	*13.1%*
P/E	17.9x	14.3x	11.6x	10.2x
FCF yield (%)	4.5%	2.6%	6.2%	6.6%
Dividends (EUR)	0.41	0.53	0.65	0.74
Div yield (%)	1.4%	1.8%	2.2%	2.4%
EV/Sales	0.9x	0.9x	0.7x	0.6x
EV/EBITDA	6.6x	6.6x	4.8x	4.3x
EV/EBIT	9.7x	9.5x	7.4x	6.4x



Yesterday morning during an investor day, the group's management reiterated its aim to strongly outperform the global automotive market between 2016 and 2020 despite fears linked to the diesel scandal and the potential rise of BEV within new registrations. While the 2020 sales target unveiled by the group was in line with our expectations (EUR8bn), we believe management was nevertheless quite conservative in its official target. Indeed, the global tone was definitively more than positive with the group indicating it is currently focusing its efforts on FAE integration and on developing fuel cell/PHEV tank systems as management believes most of the growth will come from these two technologies, and not so from BEV. Buy recommendation confirmed with FV and estimates unchanged as we remain more cautious than POM and the industry on future market growth.

ANALYSIS

Main metrics unveiled by the group yesterday: **1/**The group believes it could easily reach **EUR8bn** in consolidated sales by 2020, vs. **EUR6.4bn** in 2016 (pro forma will FAE fully integrated), in line with our estimates. **2/**This strong sales growth is set to stem from market share gains in both the bumpers (*19% vs. 15%)* and fuel systems (*25% vs. 21%*) markets as well as from the strong development of innovative product lines (*tailgates, fenders, spoilers, composite structural parts, SCR systems, fuel tank for PHEV…*) with management targeting total sales of **EUR1.4bn** in 2020 in these products. **3/** To achieve this sales growth, the group indicated it will invest around **EUR2.5bn** in capex and capitalised R&D over the period, reflecting annual spending of around **7%** of sales, in line with our expectations. Industry 4.0 target through digitalisation should help the group to be more efficient in terms of production. **4/**Without giving precise metrics on margin changes, we understood from management that the main target is to continue to place the group's profitability among the best in the auto supplier industry (*close to 10%),* in line with our expectations.

So far we keep our estimates unchanged: While we believe the group's 2020 sales target is quite conservative (the family group always adopts a more cautious tone than average) we have decided to keep our 2016-20 sales estimates unchanged. Indeed, although management indicated yesterday that the group will still be able to generate **4-5pp** of outperformance annually vs. market growth, we calculate that the group's guidance based on IHS production estimates for 2016-2020 (11% volume growth during the period, leading to global 2020 auto production of 98.5m units) only implies a **3pp** annual outperformance. We only arrive at similar 2020 sales estimates than the group as we assume a **5pp** outperformance versus more cautious market growth (1.7% CAGR vs. 2.7% estimated by POM through IHS estimates). Assuming **2.7%** annual market growth and 5**pp** annual market overperformance could lead, per our calculation, to 2020 sales of **EUR8.5-8.6bn** (7% positive sales adjustment vs. current estimates). Given that we are more cautious than Plastic Omnium and the industry on future market growth, we have decided to leave our current estimates unchanged yet assume the consensus for 2020 will potentially be revised up, above the **EUR8bn** guidance.

Buy recommendation confirmed, with FV maintained at @ EUR36: Thanks to the integration of **FAE** and thanks to its innovative solutions, we believe the group will be able to generate a **21% EPS CAGR over 2016-18** ahead of most of its European peers. With a pay-out ratio unchanged at **25%,** dividends distributed by the group could rise by **40%** over 2016-18 (*from EUR0.53/sh in 2016e to EUR0.74/sh*) ahead of **Valeo** (*25%*), **Faurecia** (*25%)* and **Hella** (*23%*). Buy, FV @ **EUR36**.

VALUATION

At the current share price Plastic Omnium trades at **0.7x** its 2017e sales and at **7.4x** its 2017e EBIT

Buy, FV @ **EUR36**

NEXT CATALYSTS

23rd Feb: 2016 POM results

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TMT

Sopra Steria Group

Price EUR101.70

Don't be afraid of the United Kingdom (full report released today)

Fair Value EUR125 (+23%) **BUY**

Bloomberg	SOP FP
Reuters	SOPR.PA
12-month High / Low (EUR)	119.0 / 84.5
Market Cap (EURm)	2,083
Ev (BG Estimates) (EURm)	2,663
Avg. 6m daily volume (000)	28.60
3y EPS CAGR	15.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	10.4%	-3.5%	-7.9%	-6.1%
Softw.& Comp.	4.6%	-2.0%	10.0%	3.8%
DJ Stoxx 600	5.9%	5.5%	9.4%	-2.3%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	3,584	3,743	3,861	4,042
% change		*4.4%*	*3.2%*	*4.7%*
EBITDA	304	339	380	411
EBIT	152.6	238.5	279.7	310.2
% change		*56.3%*	*17.3%*	*10.9%*
Net income	151.0	180.1	209.7	231.8
% change		*19.3%*	*16.4%*	*10.6%*

	2015	2016e	2017e	2018e
Operating margin	6.8	7.7	8.5	8.9
Net margin	2.4	3.9	4.6	4.9
ROE	6.8	12.2	13.1	13.2
ROCE	11.0	11.4	12.8	14.0
Gearing	43.0	48.0	34.3	20.0

(€)	2015	2016e	2017e	2018e
EPS	7.39	8.78	10.21	11.29
% change	-	*18.8%*	*16.3%*	*10.6%*
P/E	13.8x	11.6x	10.0x	9.0x
FCF yield (%)	2.4%	4.8%	7.2%	9.5%
Dividends (€)	1.70	1.90	2.10	2.30
Div yield (%)	1.7%	1.9%	2.1%	2.3%
EV/Sales	0.7x	0.7x	0.7x	0.6x
EV/EBITDA	8.6x	7.9x	6.7x	5.8x
EV/EBIT	10.6x	9.2x	7.8x	6.6x

We reiterate our Buy recommendation and our DCF-derived fair value of EUR125, leaving upside potential of 23%. While the shares have suffered from the company's exposure to the United Kingdom, we expect Sopra Steria to benefit from: 1) an improvement in organic growth; 2) over-estimated 'Brexit' risks; 3) capacity for future acquisitions; and 4) an attractive valuation.

ANALYSIS

- **Improving trends**. While the cost synergies linked to the acquisition of Steria are mostly behind us, in our view Sopra Steria's investment appeal now resides in its ability to maintain above-market growth. Whereas consulting and systems integration, banking software and the other solutions are driving growth, Germany and infrastructure services in France and the United Kingdom are seeing an improvement.

- **Risks over-estimated in the United Kingdom**. We expect Brexit to have limited impact on Sopra Steria in the United Kingdom since 78% of sales there are recurring and 68% is generated with the government. We expect flat sales given stable government activity, a return to growth in banking and the business reconstruction under way in the rest of the commercial sector. Lastly, rising interest rates point to an eventual stablisation, or even decline, in the pension fund liabilities.

- **Significant capacity to reduce debt to finance acquisitions**. On our numbers, with the achievement of the synergies linked to Steria, free cash flow should reach an annual EUR150m by 2018, enabling Sopra Steria to reduce its gearing to zero by 2020. We have no concerns about the financing of future acquisitions (up to EUR100-150m per year), with EUR1bn of undrawn credit lines.

VALUATION

- **An attractive valuation**. Despite our projected EPS CAGR of 15% for 2015-18e, the shares are trading at EV/EBIT multiples of 9.2x 2016e and 7.8x 2017e, i.e. a 10% discount relative to the IT Services average in Europe

- Net debt on 30th June 2016 was EUR719.6m (net gearing: 69%).

NEXT CATALYSTS

FY16 results on 27th February 2017 before markets open.

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Altice

Price EUR18.28

Further increase in stake at SFR

Fair Value EUR19 (+4%) BUY

Bloomberg	ATC NA
Reuters	ATCA.AS
12-month High / Low (EUR)	18.3 / 10.0
Market Cap (EUR)	20,004
Avg. 6m daily volume (000)	1 668

	1 M	3 M	6 M	31/12/15
Absolute perf.	12.9%	19.0%	26.6%	38.0%
Telecom	4.3%	-1.0%	-3.8%	-16.9%
DJ Stoxx 600	5.9%	5.5%	9.4%	-2.3%

	2015	2016e	2017e	2018e
P/E	NS	NS	37.6x	14.1x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- According to a regulatory statement by AMF, Altice now holds **84%** of SFR Group, vs 82.94% previously, and **90.3%** of the voting rights. The statement says the increase results from **off-market** transactions and attribution of **double voting rights**. It is not said whether the transaction was an exchange with Altice shares or not.
- On 14th October, Altice already increased its stake in SFR Group from 77.75% to about 83%, exchanging in an off-market transaction give SFR shares for eight Altice A shares, i.e. the parity of the initial exchange from Altice which was rejected by the AMF on 4th October.
- Since the exchange offer was rejected on 4th October, Altice has gained **11.6%**, while SFR has **lost 0.6%**, trading **16% below** the initial exchange offer parity (as of yesterday's closing price).
- Besides **speculation** we see no obvious reason to favour SFR over Altice. In any case, we do not expect a major premium for the progressive buy out of SFR minority shareholders as Altice now holds more than 90% of voting rights and 84% of share capital with minimum minority leakage. Besides, we believe the **remuneration agreement,** which could be put in place between Altice and SFR could be **detrimental** to the interests of SFR shareholders. Note that this is not included in our SFR Fair Value at this point. On the contrary, good operating news at the SFR level would directly impact Altice's share as well.

VALUATION

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

NEXT CATALYSTS

- Full year 2016 results expected mid March 2017.

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Healthcare

Actelion

Price CHF208.50

JNJ has left the bidding process. SAN still in play

Fair Value CHF194 (-7%) BUY

Bloomberg	ATLN VX
Reuters	ATLN.VX
12-month High / Low (CHF)	210.4 / 122.5
Market Cap (CHFm)	22,468
Avg. 6m daily volume (000)	596.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	47.1%	27.6%	33.5%	49.4%
Healthcare	1.3%	-3.2%	-1.8%	-12.2%
DJ Stoxx 600	5.9%	5.5%	9.4%	-2.3%

	2015	2016e	2017e	2018e
P/E	33.8x	25.5x	28.1x	26.1x
Div yield (%)	0.7%	0.7%	0.7%	0.7%

ANALYSIS

- JNJ has decided to stop te discussions with ATLN due to conditions that could not be values creative for its shareholders. ATLN takes notice and reports that it is now in discussions with another party. The WSJ is quite unambiguous to say SAN is currently in talks with ATLN, and even an USD30Bn figure is said to be on the table (and that would be much higher than the previous one they got from JNJ)… which is also unexpected given SAN's conservative reputation when it comes to M&A pricing.
- **ATLN: a nice fit within SAN's portfolio.** We believe ATLN would be a very good fit within the French pharma's portfolio as it 1/ would speed up its recovery from 2018 onwards; and 2/ helps its transition phase with a greater specialty care profile, while reinforcing its rare disease franchise with the current PAH portfolio as well as more early-stage assets (e.g. lucerastat in Fabry disease).
- **But talks are likely to be more challenging**. Admittedly, 1/ JP Clozel has never seen SAN as an ideal partner; and 2/ we lack details regarding the eventual structure of the deal (split into two parts? Whole acquisition?). But ATLN's board cannot ignore an offer that would be much superior to JNJ's… so we believe a deal is still likely at a price of c.CHF250, though with a slightly lower PoS.

VALUATION

- We stick to our BUY rating.

NEXT CATALYSTS

- Update on discussions with SAN or another big pharma at any time.

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TMT

Sword Group

Price EUR28.18

Bloomberg	SWP FP
Reuters	SWP.PA
12-month High / Low (EUR)	28.6 / 22.0
Market Cap (EURm)	266
Avg. 6m daily volume (000)	6.50

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.5%	1.5%	23.1%	16.0%
Softw.& Comp. SVS	4.6%	-2.0%	10.0%	3.8%
DJ Stoxx 600	5.9%	5.5%	9.4%	-2.3%

	2015	2016e	2017e	2018e
P/E	16.4x	16.1x	13.7x	11.7x
Div yield (%)	4.3%	4.3%	4.3%	4.3%

Disposal of Simalaya France

Fair Value EUR32 (+14%) BUY

ANALYSIS

- **Yesterday evening Sword announced the disposal of Simalaya France to Colombus**, for an undisclosed sum. The disposal was done on 7th December 2016. Sword increased its stake in the Swiss consulting company Simalaya from 40% to 100% in June 2015. 2016 has been dedicated to its integration and reorganisation for Simalaya, which also had a very small subsidiary in France dedicated to the consultancy business.
- **No significant impact to our forecasts**. Simalaya France generates revenues of EUR2.3m and, at first glance, its profitability was below Sword's standards. This disposal will not have any tangible effect on the "Horizon 2020" expansion plan presented to investors in September 2016 (EUR300m revenues with an EBITDA margin of 14-15%).

VALUATION

- Sword's shares are trading at est. 10.9x 2016 and 9.2x 2017 EV/EBIT multiples.
- Net cash position on 30th June 2016 was EUR27.9m (net gearing: -19%).

NEXT CATALYSTS

Q4 2016 sales on 24th January 2017 after markets close.

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Bryan Garnier stock rating system

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

Stock rating

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

Distribution of stock ratings

BUY ratings 55.6% NEUTRAL ratings 34% SELL ratings 10.5%

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