Please find our Research on Bloomberg BRYG <GO>)

22nd December 2016

BG's Wake Up Call

	Last close	Daily chg (%)	Chg YTD (%)
Indices			
Dow Jones	19941.96	-0.16%	+14.44%
S&P 500	2265.18	-0.25%	+10.82%
Nasdaq	5471.43	-0.23%	+9.27%
Nikkei	19444.49	-0.26%	+2.16%
Stoxx 600	360.556	-0.21%	-1.44%
CAC 40	4833.82	-0.33%	+4.24%
Oil /Gold			
Crude WTI	51.39	-1.74%	+38.15%
Gold (once)	1131.86	+0.39%	+6.54%
Currencies/Rates			
EUR/USD	1.0433	+0.53%	-3.96%
EUR/CHF	1.07055	+0.22%	-1.55%
German 10 years	0.156	-13.66%	-75.49%
French 10 years	0.701	-1.86%	-28.58%
Euribor	-	+-%	+-%

Economic releases :

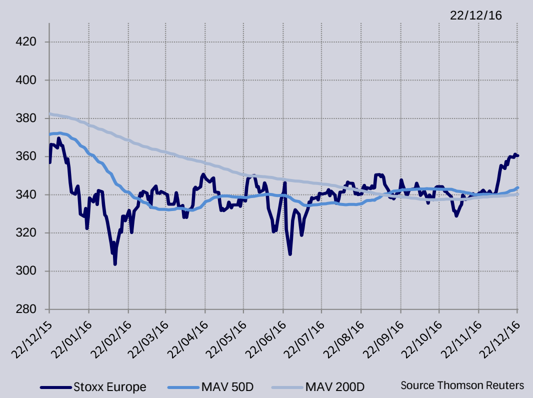
Date	
22nd-Dec	14h30 US Durable Goods Orders 14h30 US Initial Jobless Claims 16h00 US Personal Consumption Exp.

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



HEINEKEN — BUY, Fair Value EUR83 (+16%)

Recent trading in line with expectations

We believe that European operations were under slightly more pressure in Q4, but that should be offset by better African trends (easy comps), whereas the trends in both Americas and Asia Pacific remained strong. For 2016, we look for organic revenue growth of 2.3% and organic operating profit growth of 5.0%. This would be a marked slowdown on the 4.7% and 12.6% that the company delivered for H1 2016, due to tough comps in Europe in the second part of the year and increasing currency headwinds. For the full year, we look for a 40bps margin improvement to 17.2% from 16.8%.

PHARMACEUTICALS

ACE910's Phase III results are positive as expected, but more detail needed

As expected, ROG's Phase III evaluating ACE910 as a prophylaxis in haemophilia A with inhibitors met its primary endpoint (reduction in the number of bleeds over time); and so far, no additional thromboembolic events or thrombotic microangiopathies (TMA) have been reported… Having said that, we lack detailed data and especially when it comes to the reasons behind these TMAs. Consequently, we make no changes to our ratings/fair values on ROG, SHP, GFS, NOVO and SOBI.

In brief...

ACCORHOTELS, *New lease contract portfolio restructuring in Australia*

the agreement concerns a portfolio of 31 hotels (4 097 rooms), owned by a subsidiary of Abu Dhabi Investment Authority (ADIA) and managed by AccorHotels under lease contract.

ALTICE, *Altice sells its Belgium and Luxembourg business*

Altice announced today that it has reached an agreement with Telenet to sell its Belgium and Luxembourg business.

Food & Beverages

Heineken

Price EUR71.28

Recent trading in line with expectations

Fair Value EUR83 (+16%) **BUY**

Bloomberg	HEIA NA
Reuters	HEIN.AS
12-month High / Low (EUR)	84.4 / 68.0
Market Cap (EUR)	41,057
Ev (BG Estimates) (EUR)	54,601
Avg. 6m daily volume (000)	731.2
3y EPS CAGR	5.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.6%	-8.6%	-11.8%	-9.5%
Food & Bev.	4.0%	-5.7%	-3.8%	-6.0%
DJ Stoxx 600	6.0%	5.3%	6.0%	-1.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	20,511	20,579	21,019	21,581
% change		*0.3%*	*2.1%*	*2.7%*
EBITDA	4,975	5,054	5,331	5,645
EBIT	3,381	3,460	3,613	3,816
% change		*2.3%*	*4.4%*	*5.6%*
Net income	2,048	2,084	2,244	2,412
% change		*1.8%*	*7.7%*	*7.5%*

	2015	2016e	2017e	2018e
Operating margin	16.5	16.8	17.2	17.7
Net margin	10.0	10.1	10.7	11.2
ROE	15.1	14.3	14.2	14.1
ROCE	8.2	8.0	8.4	8.9
Gearing	86.0	75.3	62.8	50.6

(EUR)	2015	2016e	2017e	2018e
EPS	3.57	3.64	3.92	4.21
% change	-	*1.8%*	*7.7%*	*7.5%*
P/E	19.9x	19.6x	18.2x	16.9x
FCF yield (%)	4.1%	4.0%	5.3%	6.0%
Dividends (EUR)	1.11	1.08	1.17	1.25
Div yield (%)	1.6%	1.5%	1.6%	1.8%
EV/Sales	2.7x	2.7x	2.5x	2.4x
EV/EBITDA	11.2x	10.8x	9.9x	9.1x
EV/EBIT	16.4x	15.8x	14.6x	13.4x

We believe that European operations were under slightly more pressure in Q4, but that should be offset by better African trends (easy comps), whereas the trends in both Americas and Asia Pacific remained strong. For 2016, we look for organic revenue growth of 2.3% and organic operating profit growth of 5.0%. This would be a marked slowdown on the 4.7% and 12.6% that the company delivered for H1 2016, due to tough comps in Europe in the second part of the year and increasing currency headwinds. For the full year, we look for a 40bps margin improvement to 17.2% from 16.8%.

We had a pre-close call with Heineken which, on the basis of the recent October and November figures, confirmed that for 2016 the company expects to deliver organic revenue and profit growth. Margin expansion should be in line with the medium-term margin guidance of a year-on-year improvement in operating profit margin of around 40bps. This takes into account the tough comparatives and increasing currency headwinds in the second half of the year.

ANALYSIS

We believe that European operations were under slightly more pressure in Q4, but that should be offset by better African trends (easy comps), whereas the trends in both Americas and Asia Pacific remained strong. For 2016, we look for organic revenue growth of 2.3% and organic operating profit growth of 5.0%.

After Heineken surprised in Q3 with a strong 0.6% organic volume growth in Europe, Q4 seems set to come in weaker (even in negative territory) with soft demand in the UK, Poland and the Netherlands. For the full year, we estimate the company can achieve organic volume growth of 1.5% and deflation pressures to balance the ongoing premiumisation delivering very weak price/mix.

In Africa, the company enjoys easy comps, but the underlying conditions in Nigeria, DRC, and Egypt remain challenging. A price increase in Nigeria in September was immediately followed by ABI/SABMiller and Diageo who do not have the same scale as Heineken (and should be close to loss making). For 2016, we expect flattish organic revenue growth but because most of the imported costs are in USD (about 60% of COS), we look for a significant 470bps margin pressure.

In Americas and Asia, the positive trends from first half and Q3 seem to continue. In Asia the momentum is strongly driven by Vietnam and Cambodia, with Indonesia and China a little softer. Overall we expect organic volume growth in Asia Pacific of 14% which should create leverage for operating profit growth and we look for margin expansion of 180bps. In the Americas the slightly disappointing message keeps coming from the US where volumes were down as the growth in Tecate did not offset the decline in Heineken Light volumes. But in Mexico volume growth seems to continue at high single digit and the Heineken brand continued to grow double digit in Brazil (although total volumes declined mid-single digit). On Brazil, Heineken does warn for unseasonable cold weather on top of the tough trading conditions.

VALUATION

We leave our DCF based fair value of EUR88 unchanged and base it on a risk free rate of 1.6% and a risk premium of 7%.

NEXT CATALYSTS

14 February 2017: full year results

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Sector View

Pharmaceuticals

ACE910's Phase III results are positive as expected, but more detail needed

	1 M	3 M	6 M	31/12/15
Healthcare	3.3%	-4.4%	-1.9%	-11.1%
DJ Stoxx 600	6.0%	5.3%	6.0%	-1.4%

*Stoxx Sector Indices

Companies covered

ACTELION		**BUY**	**CHF194**
Last Price	CHF215	*Market Cap.*	*CHF23,169m*
ASTRAZENECA		**BUY**	**5100p**
Last Price	4312.5p	*Market Cap.*	*GBP54,555m*
BAYER		**NEUTRAL**	**EUR98**
Last Price	EUR98.7	*Market Cap.*	*EUR81,620m*
GLAXOSMITHKLINE		**BUY**	**1930p**
Last Price	1528p	*Market Cap.*	*GBP75,025m*
GRIFOLS		**NEUTRAL**	**EUR21**
Last Price	EUR18.46	*Market Cap.*	*EUR11,789m*
IPSEN		**BUY**	**EUR72**
Last Price	EUR68.17	*Market Cap.*	*EUR5,684m*
NOVARTIS		**NEUTRAL**	**CHF81**
Last Price	CHF73.7	*Market Cap.*	*CHF193,618m*
NOVO NORDISK		**NEUTRAL**	**DKK270**
Last Price	DKK253.5	*Market Cap.*	*DKK510,185m*
ROCHE HOLDING		**BUY**	**CHF285**
Last Price	CHF233.2	*Market Cap.*	*CHF163,838m*
SANOFI		**NEUTRAL**	**EUR83**
Last Price	EUR75.2	*Market Cap.*	*EUR97,072m*
SHIRE PLC		**BUY**	**6800p**
Last Price	4558p	*Market Cap.*	*GBP41,205m*
SOBI		**SELL**	**SEK90**
Last Price	SEK104.8	*Market Cap.*	*SEK28,337m*
UCB		**NEUTRAL**	**EUR80**
Last Price	EUR60.15	*Market Cap.*	*EUR11,700m*

As expected, ROG's Phase III evaluating ACE910 as a prophylaxis in haemophilia A with inhibitors met its primary endpoint (reduction in the number of bleeds over time); and so far, no additional thromboembolic events or thrombotic microangiopathies (TMA) have been reported... Having said that, we lack detailed data and especially when it comes to the reasons behind these TMAs. Consequently, we make no changes to our ratings/fair values on ROG, SHP, GFS, NOVO and SOBI.

ANALYSIS

- **ROG's ACE910: successful first Phase III**. As we expected, ROG's Phase III study evaluating ACE910/Emicizumab in Haemophilia A with inhibitors met its primary endpoint (statistically significant reduction in the number of bleeds over time in people treated with ACE910 prophylaxis compared to those receiving no prophylactic treatment) along with different key secondary ones. Safety-wise, the compound was generally well-tolerated and no additional thromboembolic events or thrombotic microangiopathies (TMA) have been reported.
- **But more detail needed to fully appreciate its potential**. Unfortunately, we lack details about 1/ the exact reduction in the number of bleeding events (knowing that the Phase I showed an impressive decrease in median ABR compared to baseline, irrespectively of the inhibitor status – see Fig. below for further details); 2/ the mechanistic reasons behind the two TMA. The latter point is of essence in our view (is it related to the monoclonal antibody nature of the compound and a complement hyperactivation, for example?); 3/ the eventual incidence of neutralizing/non-neutralizing antibodies against ACE910.

ACE910's Efficacy profile in a small Phase I – Haemophilia A with and without inhibitors

Treatment Arm	Bleeding events	Median ABR Baseline	Median ABR 12 week follow-up	Median ABR LT follow-up
0.3 mg/kg emicizumab (n=6)	All bleeds	32.5	4.4	1.4
	Joint bleeds	27.4	4.3	1.1
1 mg/kg emicizumab (n=6)	All bleeds	18.3	0	0.2
	Joint bleeds	15.2	0	0.2
3 mg/kg emicizumab (n=6)	All bleeds	15.2	0	0
	Joint bleeds	9.1	0	0

- **We do not expect substantial stock reactions this morning**. This is obviously good news for ROG as ACE910 is one of these key growth drivers/lines of defence against biosimilars' advent in the next few years... but the stock is very unlikely to strongly outperform before the readout of APPHINITY. On the other hand, we lack materials to draw form conclusions regarding its potential impact on the different companies exposed to the inhibitor segment (and especially on SHP).

VALUATION

- We stick to our respective ratings/fair values on ROG, SHP, NOVO, GFS and SOBI pending more details from this Phase III.
- As a reminder, 1/ we see a peak sales of c.USD1.5Bn for ACE910 in the inhibitor segment (vs USD0.6Bn when it comes to the non-inhibitor one, given our uncertainties on its LT safety profile); 2/ we expect a steep decline in both SHP's Feiba and NOVO's NovoSeven sales from 2018.

NEXT CATALYSTS

2017: presentation of detailed data at a scientific congress.

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Hotels

AccorHotels

Price EUR35.89

Bloomberg	AC FP
Reuters	ACCP.PA
12-month High / Low (EUR)	41.0 / 30.0
Market Cap (EURm)	10,218
Avg. 6m daily volume (000)	1 152

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.8%	2.1%	-6.1%	-10.3%
Travel&Leisure	3.6%	3.3%	-3.0%	-11.9%
DJ Stoxx 600	6.0%	5.3%	6.0%	-1.4%

	2015	2016e	2017e	2018e
P/E	22.5x	21.5x	17.5x	15.3x
Div yield (%)	2.8%	2.8%	3.1%	3.2%

New lease contract portfolio restructuring in Australia

Fair Value EUR42 (+17%) **BUY**

ANALYSIS

- Management announced yesterday evening a new restructuring of lease contract in Australia. In fact, the agreement concerns a portfolio of 31 hotels (4 097 rooms), owned by a subsidiary of Abu Dhabi Investment Authority (ADIA) and managed by AccorHotels under lease contract.
- Under the restructuring, AccorHotels will convert 15 lease contracts (triple-net) into 50-year management contracts, extend the management term of 1 hotel also to 50 years and will acquire the remaining 15 hotels for a total of AUD$200m (EUR137m).
- Management announced that the deal will be accretive to group 2017 EBIT, but provided no detail or precise numbers. As of 30th June 2016 (before FRHI deal) AccorHotels operated 207 hotels in Australia with a total of 27 355 rooms representing 5.2% of the group total.

VALUATION

- At the current share price, the stock is trading 9.9x EV/EBITDA 2016e and 8.5x 2017e.

NEXT CATALYSTS

- FY results on 22nd February

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TMT

Altice

Price EUR18.83

Altice sells its Belgium and Luxembourg business

Fair Value EUR19 (+1%) **BUY**

Bloomberg	ATC NA
Reuters	ATCA.AS
12-month High / Low (EUR)	18.9 / 11.2
Market Cap (EURm)	23,159
Avg. 6m daily volume (000)	1 673

	1 M	3 M	6 M	31/12/15
Absolute perf.	19.6%	14.1%	33.7%	42.1%
Telecom	6.2%	-1.6%	-4.8%	-15.9%
DJ Stoxx 600	6.0%	5.3%	6.0%	-1.4%

	2015	2016e	2017e	2018e
P/E	NS	NS	38.7x	14.6x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- Altice announced today that it has reached an agreement with **Telenet** to sell its **Belgium and Luxembourg business**. The transaction values the business at an enterprise value of **EUR400m**, ie at **8.8x 2016e adjusted EBITDA**, and at **6.5x** 2016e EBITDA when adjusted for Telenet's projected annual run-rate synergies of **EUR16m** by 2021.
- We think the **price is very good** for Altice, showing Patrick Drahi's **know-how** not only in buying companies, but also in selling them. Besides the valuation, as we had already mentioned, we think selling **non-strategic assets** to help **deleverage and focus** on major activities in the group is an **appropriate strategy**. As a reminder, Belgium and Luxembourg are about **0.5%** of Altice Group total adjusted 2016e EBITDA. Thanks to this transaction, we believe Altice net debt as end of 2016 should be around **EUR48bn**.
- The transaction will be subject to **regulatory review** by the Belgian authorities. Telenet says it is **confident** it should receive approval within a few months. We believe there should not be any major regulatory issues in this deal which will mainly reinforce Telenet's position in Brussels.

VALUATION

- We stick to our Fair Value of EUR 19, with a Buy recommendation.

NEXT CATALYSTS

- Full year 2016 results expected mid-march 2017.

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Bryan Garnier stock rating system

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

Stock rating

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

Distribution of stock ratings

BUY ratings 54.3% NEUTRAL ratings 35.8% SELL ratings 9.9%

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