



23rd December 2016

## BG's Wake Up Call

### FOOD RETAILING

*Ahead of Q4, we would prefer Ahold Delhaize to Carrefour*

Ahold Delhaize and Carrefour are trading at rather attractive valuations (14.7x and 12.6x 2017 P/E respectively vs a 16.5x average for the panel) and we are at BUY on both. They should experience a rather smooth end to the year. However, Ahold Delhaize benefited from strong FCF generation, which Carrefour lacks. So at this stage, ahead of Q4, we prefer Ahold Delhaize (Buy, FV @EUR24).

*In brief...*

### ALTRAN TECHNOLOGIES, *Acquisition of Pricol Technologies*

Yesterday evening Altran announced the acquisition of Pricol Technologies, for an undisclosed sum. Pricol Technologies is an engineering solution provider with expertise in embedded systems, mechanical design, prototyping, testing support and contract manufacturing in automotive, medical, consumer and industrial products

	Last close	Daily chg (%)	Chg YTD (%)
<b>Indices</b>			
Dow Jones	19918.88	-0.12%	+14.31%
S&P 500	2260.96	-0.19%	+10.62%
Nasdaq	5447.42	-0.44%	+8.79%
Nikkei	19427.67	-0.09%	+2.07%
Stoxx 600	359.823	-0.20%	-1.64%
CAC 40	4834.63	+0.02%	+4.26%
<b>Oil /Gold</b>			
Crude WTI	51.95	+1.09%	+39.65%
Gold (once)	1132.5	+0.06%	+6.60%
<b>Currencies/Rates</b>			
EUR/USD	1.04565	+0.23%	-3.74%
EUR/CHF	1.07185	+0.12%	-1.43%
German 10 years	0.166	+6.81%	-73.82%
French 10 years	0.73	+4.18%	-25.60%
Euribor	-	+%	+%

#### Economic releases :

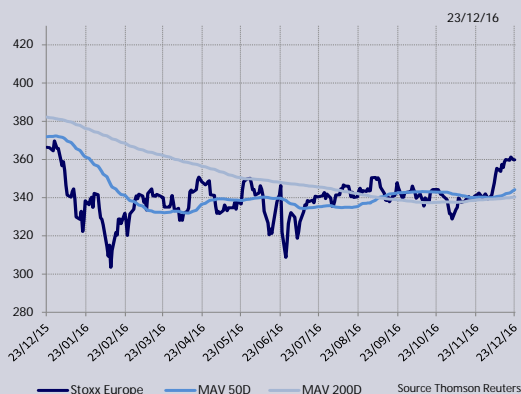
Date	
23rd-Dec	10H30 GB - GDP 3Q (2.3% E)
	16h00 US - New Home Sales Nov. (2.1% E)
	16h00 US - U. of Michigan Confidence (98 E)
	19h00 US - Baker Hughes rig Count

#### 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



# Happy Holidays

## Sector View

## Food retailing

Ahead of Q4, we would prefer Ahold Delhaize to Carrefour

	1 M	3 M	6 M	31/12/15
Food Retailing	0.9%	0.4%	1.2%	-0.6%
DJ Stoxx 600	5.5%	3.4%	5.4%	-1.6%

\*Stoxx Sector Indices

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## Companies covered

<b>AHOLD DELHAIZE</b>	<b>BUY</b>	<b>EUR24</b>
<i>Last Price</i>	EUR19,715 <i>Market</i>	EUR25,261m
<b>CARREFOUR</b>	<b>BUY</b>	<b>EUR30</b>
<i>Last Price</i>	EUR22,735 <i>Market</i>	EUR17,193m

**CARREFOUR (Buy, FV @EUR30):** on the one hand, we have adjusted down the associates line in our P&L, given significant one-offs in Turkey (EUR40m losses vs EUR45m revenues previously). Moreover, we have turned more cautious on France (price investments / -8bp e in 2016 margin), other Europe (weaker LFL / +15bp e in 2016 margin) and Asia (-100bp e in 2016 margin). On the other hand, we have updated our Forex which partly offsets the negative impact from the elements mentioned above. On the whole, we have lowered our 2016/18 EPS by 4.1% on average. We now expect the 2016 underlying operating income to reach EUR2.41bn (vs EUR2.46bn previously), given that the group stated during the latest publication that the EUR2.45bn consensus was reachable (vs comfortable with EUR2.47bn previously).

**AHOLD DELHAIZE (Buy, FV @EUR24):** the share buyback programme (EUR1bn in 2017) and the strong appreciation of the USD against the euro were the main reasons why we increased our 2016/18 estimates by 3.8% on average. As a reminder, the trading environment remains challenging in the US with ongoing deflation (-0.8% and -1.6% respectively at Ahold USA and Delhaize USA in Q3) and competitive pressure in the market (especially when it comes to Food Lion, of which ~75% of the stores compete directly with Wal-Mart). Management even indicated that the deflationary environment in relation to food sales in the United States should continue at current levels through the fourth quarter. Moreover, it is worth remembering that, in Q4 2015, the closure of some A&P stores benefited to Ahold stores. This unfavorable comparison base should have a 90bps negative impact on Q4 LFL.

## ANALYSIS

At this stage, we expect a smooth end to the year at Carrefour. Following a strong promotional campaign in September, the market share momentum finally turned out to be difficult and hence, the direction of the share price is rather difficult to read. Moreover, there is noise around the succession of Georges Plassat which, at this stage, creates an uncomfortable zone of uncertainty ahead of Q4. The share remains attractive, but at this stage, we would favour Ahold Delhaize.

1/ Current momentum proves Ahold Delhaize's overall resilience, 2/ Ahold Delhaize has virtually no exposure to emerging markets and hence, 3/ offers better visibility on operating performances for 2017 than others, 4/ Ahold Delhaize enjoys one of the best FCF profiles in the sector (high single digit FCF yield), 5/ via cost-sharing, the merger between Ahold and Delhaize offers an alternative within a sector that is suffering an obvious lack of growth, 5/ ultimately, Ahold Delhaize share could be supported by the EUR1bn buyback programme scheduled for 2017.

## VALUATION

Carrefour is currently trading on a 12.6x 2017e P/E vs 16.5x on average for the sector

Ahold Delhaize is currently showing a 14.7x 2017e P/E vs 16.5x on average for the sector

## NEXT CATALYSTS

FY results

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TMT

**Altran Technologies**

Price EUR13.74

**Acquisition of Pricol Technologies**

Fair Value EUR15 (+9%)

BUY

Bloomberg	ALT FP
Reuters	ALTR.PA
12-month High / Low (EUR)	13.7 / 9.9
Market Cap (EURm)	2,415
Avg. 6m daily volume (000)	224.2

**ANALYSIS**

Yesterday evening Altran announced the **acquisition of Pricol Technologies**, for an undisclosed sum. Founded in 2006 as a division of Pricol Group and based in India (5 design offices in Coimbatore and Pune; 520 staff) with sales offices in Detroit, London and Japan, Pricol Technologies is an engineering solution provider with expertise in embedded systems, mechanical design, prototyping, testing support and contract manufacturing in automotive, medical, consumer and industrial products.

**Marginally accretive to EPS**, in our view. We estimate Pricol Technologies generates **EUR10-15m** revenues and, assuming it generates decent margins, we believe its accretion to EPS will be immaterial. From a strategic standpoint, this acquisition **completes Altran's geographic footprint** with US customers (Midwest) while the recent acquisitions of Synapse and Lohika were primarily on the West Coast. When the deal is completed in January 2017, Altran will generate more than **60pc** of its international revenues in the US, while its offshore delivery capabilities will reach 4,500 engineers.

**VALUATION**

Altran's shares are trading at est. 12.1x 2016 and 10x 2017 EV/EBIT multiples.

**NEXT CATALYSTS**

Q4 2016 revenues on 27th January 2017 before markets open.

[Click here to download](#)

	1 M	3 M	6 M	31/12/15
Absolute perf.	13.2%	0.8%	9.1%	11.3%
Softw. & Comp.				
SVS	2.6%	-3.5%	9.6%	6.0%
DJ Stoxx 600	5.5%	3.4%	5.4%	-1.6%
	2015	2016e	2017e	2018e
P/E	19.6x	17.2x	14.5x	12.4x
Div yield (%)	1.4%	1.7%	2.0%	2.4%

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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 54.3%

NEUTRAL ratings 35.8%

SELL ratings 9.9%

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