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Dow Jones: 24,528.22 ( 5.15% ytd) | CAC40: 4888.58 (3.34% ytd) | Stoxx 600: 354.381(4.96% ytd)

29th January 2019

Please find our Research on Bloomberg BRYG <GO>)

## INTERPARFUMS | NEUTRAL | EUR39 vs. EUR37

Healthy EBIT margin in 2018!

**FY 2018 sales gained 11% at same FX**
**Coach drove growth**
**2018 EBIT margin slightly above 14%**
**2019 should be a dynamic year in terms of launches**
**EUR39 FV versus EUR37**

## GRANDVISION | BUY | EUR26

GrandVision strengthens its omnichannel approach with the acquisition of Charlie Temple

**Charlie Temple is a small digital-native brand**
**Omnichannel approach in Benelux countries**
**GVNV's 2023 digital target: 10% of total sales from eCommerce**

## SAP | BUY | EUR121

FY18 profit and FY19 guidance in line, setting ambitions for 2023

**FY18 operating profit was in line with expectations**
**Q4 licence sales were up 8% at cc, driven by America**
**FY19 guidance in line with consensus, with new restructurings**
**SAP updates targets for 2020 and sets up ambitions for 2023**

## BIOCARTIS |Coverage Initiated | report out today

**Fully Automated Workflow Driving Double-Digit Growth**

**Biocartis is a pure-play molecular diagnostic company focused on oncology testing in the clinical setting and positioned on the fast growing EUR6.8bn cancer biomarker testing market (+12% p.a.). The company has developed a fully automated innovative proprietary platform, Idylla, which delivers unmatched time-to-results reducing time to treatment initiation from weeks to 1-2 days. Alongside an improved ease-of-use taking away the human error from the workflow and increasing cost-efficiency for labs, we anticipate a strong adoption of the platform.**

## Upcoming BG events :

| Date | |
|---|---|
| 7th-Mar | AB inBev \| Genève Roadshow with IR |
| 14th-Mar / 15th-Mar | 4th Annual Technology Conference |

## Recent reports :

| Date | |
|---|---|
| 29th-Jan | BIOCARTIS \| Fully Automated Workflow Driving Double-Digit Growth |
| 17th-Jan | SemiConductors \| Favour Infineon, STM, and Soitec in early 2019 |
| 9th-Jan | MEDIGENE \| Targeting Cancer: Therapeutic TCR-T-cells |
| 7th-Dec | Bottlers \| Canadian Cannabis : Online Retail Survey |
| 6th-Dec | L'OREAL \| China is L'Oréal's future! |
| 3rd-Dec | HEXO \| High Demand |

## Q1 2019 Top Picks

SANOFI (Buy, FV EUR94)
NOVARTIS (Buy, FV CHF100)
GALAPAGOS (Buy, FV EUR125)

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# INTERPARFUMS

**Consumer, Brands & Retail**

| HPC

**29th January 2019**

**NEUTRAL**

| | |
|---|---|
| **Fair Value** | EUR39 vs. EUR37 (-9%) |
| Share price | EUR42.85 |
| EPS 3Y Cagr | 10.8% |

## Healthy EBIT margin in 2018!

### FY 2018 sales gained 11% at same FX

Interparfums' 2018 sales finally came out at EUR455m, up 8% or 11% at same-FX, whereas the company was still expecting a level of around EUR450m on 15th January and EUR430m in November 2018. Note that this performance was achieved with no major launches and implies an increase of 20% in Q4 alone. By region, 2018 sales were strong in Asia-Pacific (+7%) and in North America (+18% of which +25% at same FX). North America accounts for 30% of total IP 2018 sales. Sales in Western Europe were down a slight 2%, despite a 3% revenue increase in France (in a market down 2%).

### Coach drove growth

The main contributor to the 2018 sales increase was the **Coach** brand whose sales reached EUR84m, up 66%, thanks to sharp growth in the US, driven by both the men's and women's lines. Coach accounts for 20% of total 2018 IP sales after only two and a half years of activity. **Jimmy Choo** sales increased 4% to EUR100m, despite demanding comparison with 17% growth in 2017, but thanks to the success of *Jimmy Choo Fever* launched during the summer and *Jimmy Choo Man Blue*. Montblanc revenues were down slightly in 2018 (-3%) due to poor launches last year. **Lanvin** sales remained almost unchanged in 2018.

### 2018 EBIT margin slightly above 14%

2018 EBIT margin could exceed 14% whereas 15 days ago, management was expecting profitability between 13.5% and 14% (and 13.5% anticipated last November). The 2018 profitability improvement versus initial expectations was probably driven by gross margin given higher than expected sales, while communication costs were under control as the group had no major launches last year.

### 2019 should be a dynamic year in terms of launches

This year in Q1, **Montblanc** is due to launch a new line throughout the world (the third one after *Montblanc Legend* and *Montblanc Emblem*) called *Montblanc Explorer*. A second men's line will also be launched at **Jimmy Choo**. **Rochas** is also expected to launch a new women's line in Q4 2019 after *Mademoiselle* (launched in 2017). We expect FY 2019 sales to reach EUR495m (company guidance EUR470m), up 9% with EBIT margin close to 14%.

### EUR39 FV versus EUR37

Following higher than expected 2018 sales and 2018 EBIT margin above 14%, we raise our earnings by almost 3%, hence our new Fair Value (EUR39 vs EUR37). We remain at Neutral on the stock.

## Market Data

| | |
|---|---|
| Bloomberg / Reuters | ITP FP/IPAR.PA |
| Market Cap. | EUR1,841m |
| E.V. | EUR1.670m |
| Free Float | 27 |
| Avg. Daily volume (6m) | 21.10 |
| 12m high / low | 45.3 / 31.0 |
| Ytd Perf. | 27.0% |

| EURM | 12/17 | 12/18e | 12/19e | 12/20e |
|---|---|---|---|---|
| Sales | 422.0 | 455.0 | 495.0 | 540.0 |
| *% Change* | | *7.8%* | *8.8%* | *9.1%* |
| EBITDA | 65.0 | 70.0 | 75.0 | 79.0 |
| *% Change* | | *7.7%* | *7.1%* | *5.3%* |
| EBIT | 60.1 | 65.0 | 70.0 | 75.0 |
| *% Change* | | *8.2%* | *7.7%* | *7.1%* |
| Net Income | 40.0 | 47.0 | 50.0 | 54.0 |
| *% Change* | | *17.5%* | *6.4%* | *8.0%* |
| ROE | 0.09 | 0.10 | 0.10 | 0.10 |

| | 12/17 | 12/18e | 12/19e | 12/20e |
|---|---|---|---|---|
| EV/Sales | 4.0x | 3.6x | 3.3x | 2.9x |
| EV/EBITDA | 25.7x | 23.5x | 21.5x | 20.1x |
| EV/EBIT | 27.8x | 25.3x | 23.1x | 21.2x |
| EPS | 0.92 | 1.09 | 1.16 | 1.26 |
| % change | | *18.4%* | *6.4%* | *8.0%* |
| P/E | 46.4x | 39.2x | 36.9x | 34.1x |
| Div Yield | 1.4% | 1.5% | 1.8% | 4.1% |

**Next Catalyst: Analyst meeting at 9am**

**Last rating Change:**
*2018-9-7, Valuation is too demanding!*

**Last FV Change:**
*2019-1-15, Higher 2018 sales than expected*

**Last Reports:**
*2019-1-15, Higher 2018 sales than expected*

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# GRANDVISION

**Consumer, Brands & Retail**
| Optical & Eyewear

**29th January 2019**

**BUY**

| | |
|---|---|
| **Fair Value** | EUR26(+33%) |
| Share price | EUR19.27 |
| EPS 3Y Cagr | 7.3% |

## GrandVision strengthens its omnichannel approach with the acquisition of Charlie Temple

### Charlie Temple is a small digital-native brand

Yesterday evening, GVNV announced it had acquired the leading online retailer in Benelux, Charlie Temple, which was only founded in 2016. Although details of the transaction were undisclosed, we estimate that CT generates sales of up to EUR10m. CT belongs to "digital native brands" (DNVB) such as Warby Parker (US), Ace & Tate (NL), Jimmy Fairly (F) or Mr Spex (D) which are starting to disrupt optical retailing and forcing legacy retailers (i.e. optical chains but also independent opticians) to accelerate their digital transformation.

The success of those disruptive eyewear brands relies on:

**(i) a vertically-integrated supply chain** that enables total control by cutting out intermediaries (i.e. no wholesalers, no royalties contribution) and therefore, offers high-quality products (at Charlie Temple, frames are "Made in Italy" by Mazzuchelli and lenses are by Essilor) at very attractive prices.

**(ii) a direct-to-consumer business:** with the exception of Mr Spex that is a multi-brand retailer, CT and the other DNVB have a monobrand retail model, i.e. they only sell their products in their own stores (offline and online), which enhances the customer experience.

**(iii) a fashion positioning:** DNVBs clearly put fashion first (e.g.: CT does not propose eye exams) to stand out from traditional optical retailers and this leads to a proactive marketing strategy on social media

### Omnichannel approach in Benelux countries

Note that **GVNV is already the No.1 optical retailer in the Netherlands and Belgium (~12% of total sales) with 845 stores**. Unlike its Dutch peer Ace & Tate, CT does not run physical stores, nor offer eye exams. Although CT will still operate as an independent brand, we assume eye tests could be proposed in GVNV's own stores, calling for an enhanced omnichannel experience which proved to be quite successful in Germany and led to significant market share gains vs. Fielmann which is late in its digitalisation strategy.

### GVNV's 2023 digital target: 10% of total sales from eCommerce

As announced at its CMD last September, **eCom sales are expected to account for 10% of total revenue by 2023 (vs. 2-3% today)**, through organic growth and M&A, as highlighted by the acquisition of CT.

We recall that GVNV's key competitive advantage vs. pure online players is its retail network of 7,000+ stores, which are crucial for the omnichannel implementation, especially since consumers are still reluctant to buy Rx glasses online, considering its current penetration rate of 2-4% (vs. >20% in the fashion industry).

**Market Data**

| | |
|---|---|
| Bloomberg / Reuters | GVNV NA/GVNV AS |
| Market Cap. | EUR4 903 |
| E.V. | EUR5 792 |
| Free Float | 22,5 |
| Avg. Daily volume (6m) | 87.20 |
| 12m high / low | 22.8 / 17.9 |
| Ytd Perf. | 0.7% |

| EURm | 12/17 | 12/18 | 12/19 | 12/20 |
|---|---|---|---|---|
| Sales | 3,450 | 3,721 | 3,889 | 4,075 |
| *% Change* | | *7.9%* | *4.5%* | *4.8%* |
| EBITDA | 551.5 | 583.6 | 623.4 | 666.9 |
| *% Change* | | *5.8%* | *6.8%* | *7.0%* |
| EBIT | 326.8 | 358.2 | 402.3 | 435.9 |
| *% Change* | | *9.6%* | *12.3%* | *8.4%* |
| Net Income | 227.9 | 228.2 | 261.5 | 286.8 |
| *% Change* | | *0.1%* | *14.6%* | *9.7%* |
| ROE | 0.22 | 0.20 | 0.20 | 0.19 |

| | 12/17 | 12/18 | 12/19 | 12/20 |
|---|---|---|---|---|
| EV/Sales | 1.7x | 1.5x | 1.4x | 1.3x |
| EV/EBITDA | 10.4x | 9.6x | 8.7x | 7.9x |
| EV/EBIT | 17.5x | 15.6x | 13.5x | 12.1x |
| EPS | 0.95 | 0.95 | 1.07 | 1.17 |
| % change | | *-0.2%* | *13.3%* | *9.3%* |
| P/E | 20.3x | 20.3x | 18.0x | 16.4x |
| Div Yield | 1.7% | 1.7% | 1.9% | 2.1% |

**Next Catalyst:** FY18 Results on 27th February (before market)

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BRYAN, GARNIER & CO

# SAP

29th January 2019

**BUY**

| | |
|---|---|
| **Fair Value** | EUR121 |
| Share price | EUR92.36 |
| EPS 3Y Cagr | 5.6% |

**Technology**

Software & IT services

## FY18 profit and FY19 guidance in line, setting ambitions for 2023

### FY18 operating profit was in line with expectations

For FY18, non-IFRS, SAP reported revenues up 11% at cc to EUR24,741m (BG est.: 24,594 or +9.2%; consensus: 24,542; guidance: +7.5%/+8.5%) - o/w Cloud & Software up 10% at cc to EUR20,655m (BG est.: 20,544 or +8.7%; consensus: 20,518; guidance: +8%/+9%), cloud subscriptions up 38% at cc to EUR5,027m (BG est.: 5,004 or +37.8%; consensus: 5,016; guidance: +36.5%/+39%) and licence sales flat at cc to EUR4,647m (BG est.: 4,504; consensus: 4,490) - and operating profit up 6% to EUR7,165m (29% of sales, +0.2ppt) vs. BG est. of EUR7,189m (29.2%) and consensus of EUR7,165bn (29.2%). At cc, non-IFRS op. profit was up 10% at EUR7,480m, or at the mid-point of the guidance (7,425-7,525). Free cash flow was down 25% to EUR2,843m or 12% of sales (vs. 16%). Net debt at end 2018 was EUR2,603m (net gearing: 9%).

### Q4 licence sales were up 8% at cc, driven by America

1) at cc, Q4 2018 sales growth was driven by America excluding the US (+52%), the US (+15%) and Japan (+14%); 2) at cc, cloud subscriptions were up 28% for Business Network, up 36% in Public Cloud (SaaS/PaaS), up 47% in Private Cloud (IaaS), and above 100% in Customer Experience; 4) S/4HANA customers reached 10,500 (+1,000 in Q4); 5) Customer Experience posted sales up 50% at cc (>+100% on cloud subscriptions, +14% on licence sales; 6) 35% of the on-premise licence deals were above EUR5m (+5ppt), and this ratio is at 33% for cloud orders (+2ppt); 7) Cloud subscription gross margin was up 1.2ppt to 62.2% (Business Network +1ppt to 78%, SaaS/PaaS +3ppt to 58% including Customer Experience, IaaS +4ppt to 12%).

### FY19 guidance in line with consensus, with new restructurings

For 2019, SAP anticipates, non-IFRS and with Qualtrics, revenues up at a rate slightly lower than operating profit, Cloud & Software up 8.5-10% at cc to EUR22.4-22.7bn, Cloud subscriptions up 33-39% at cc to EUR6.7-7bn, and a non-IFRS op. profit up 7.5-11.5% at cc to EUR7.7-8bn. The consensus is for revenues up 8-9% to 26,603 (BG est.: +10.2% at cc to 27,501), Cloud & Software up 9-10% at cc to EUR22,449m (BG est.: +10.7% at cc to 23,065), cloud subscriptions up 31-32% at cc to EUR6,609m (BG est.: +38.8% at cc to 7,066), and a non-IFRS op. profit of 7,905 or 29.7% of sales (BG est.: 8,030 or 29.2%). SAP will implement a restructuring programme with costs estimated at EUR800-950m, the majority of which to be recognised in Q1 2019, with est. EUR750-850m costs savings expected as of 2020 (minor impact in 2019).

### SAP updates targets for 2020 and sets up ambitions for 2023

Non-IFRS and with Qualtrics, SAP now expects 2020 revenues of EUR28.6-29.2bn (vs. 28-29 previously), of which EUR8.6-9.1bn (vs. 8.2-8.7) from cloud subscriptions, and EUR8.5-9bn operating profit (unchanged). For 2023, SAP ambitions to post EUR35bn+ revenues (CAGR 2018-2023: 7%+), more than triple cloud subscriptions (CAGR: 25%+), and increase operating by 7.5-10% per annum. Finally, the share of recurring revenues is anticipated to be at 80% (vs. 70-75% for 2020 and 65% in 2018).

### Market Data

| | |
|---|---|
| Bloomberg / Reuters | SAP GR/SAPG.DE |
| Market Cap. | EUR113,465m |
| E.V. | EUR114.125m |
| Free Float | 78,8% |
| Avg. Daily volume (6m) | 2 504 |
| 12m high / low | 107.8 / 82.5 |
| Ytd Perf. | 6.2% |

| EURM | 12/17 | 12/18e | 12/19e | 12/20e |
|---|---|---|---|---|
| Sales | 23,460 | 24,549 | 27,451 | 30,088 |
| *% Change* | | *4.6%* | *11.8%* | *9.6%* |
| EBITDA | 7,455 | 7,918 | 8,895 | 10,030 |
| *% Change* | | *6.2%* | *12.3%* | *12.8%* |
| EBIT | 6,765 | 7,138 | 8,010 | 9,045 |
| *% Change* | | *5.5%* | *12.2%* | *12.9%* |
| Net Income | 5,655 | 5,273 | 5,884 | 6,665 |
| *% Change* | | *-6.8%* | *11.6%* | *13.3%* |
| ROE | 0.16 | 0.14 | 0.15 | 0.15 |

| | 12/17 | 12/18e | 12/19e | 12/20e |
|---|---|---|---|---|
| EV/Sales | 4.9x | 4.7x | 4.3x | 3.9x |
| EV/EBITDA | 15.4x | 14.5x | 13.4x | 11.6x |
| EV/EBIT | 17.0x | 16.1x | 14.9x | 12.8x |
| EPS | 4.60 | 4.29 | 4.79 | 5.43 |
| % change | | *-6.8%* | *11.6%* | *13.3%* |
| P/E | 20.1x | 21.5x | 19.3x | 17.0x |
| Div Yield | 1.5% | 1.6% | 1.7% | 1.9% |

**Next Catalyst: Conference call today at 2pm CET (France: +33 1 76 77 22 88; UK: +44 33 03 36 91 26; USA: +1 929 477 04 48).**

**Last rating Change:**
*2017-6-19, Avec Leonardo, la croissance a son « joker »*
**Last FV Change:**
*2019-1-24, Acquisition of Qualtrics successfully closed*
**Last Reports:**
*2019-1-24, Acquisition of Qualtrics successfully closed*

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BRYAN, GARNIER & CO

# 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 54.9% NEUTRAL ratings 38.5% SELL ratings 6.6%

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DAILY EQUITY RESEARCH UPDATE

Wake-up Call

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## IMPORTANT INFORMATION