BRYAN, GARNIER & CO

DAILY EQUITY RESEARCH UPDATE

Wake-up Call

Dow Jones: 25,169.53 (7.9% ytd) | CAC40: 4985.56 (5.39% ytd) | Stoxx 600: 360.075(6.64% ytd)

8th February 2019

Please find our Research on Bloomberg BRYG <GO>)

PERNOD RICARD | BUY | EUR160 vs. EUR156

MT guidance is the big positive

An overall good performance in H1
H2 to be below H1 in terms of top and bottom line
Medium term outlook brighter than expected
EBIT forecasts over the next 3 years increased by 2%

CECONOMY | NEUTRAL | EUR5,6

Q1 above expectations but focus is on the new top management

Q1 sales 2% above expectations
Q1 EBIT margin 20bps ahead of expectations
2018/19 outlook reiterated…
…but the focus in on the new top management

CASSIOPEA | BUY | CHF 98.6

2018 Full-year financial results in line

Financial results for 2018: tightly-controlled spending
Operationally excellent year
Outlook for 2019

HERMÈS INTL. | BUY | EUR535

2018 sales up 10.4% FX-n, fairly in line with expectations

FY sales up 10.4% FX-n and 9.6% FX-n in Q4
Asia-Pacific increased 13.7% FX-n in Q4
Leather goods revenues grew 9.4% in 2018 and 9.8% in Q4
Buy recommendation confirmed

L'ORÉAL | BUY | EUR220

Very strong Q4 highlights the efficient business model!

FY 2018 sales up 7.1% organically, slight acceleration in Q4!
2018 sales growth driven by APAC and L'Oréal Luxe
2018 EBIT margin up 30bp to 18.3%
Buy recommendation reiterated

PIXIUM VISION | CORPORATE | EUR5,5

Expected impairment of IRIS. 2018YE cash position of EUR15.6m

Strong non-R&D cost management
Expected impairment of IRIS following the successes of PRIMA
EUR15.6m cash position offers visibility on 2019 activities
Reiterate FV or EUR5.5/share

SAP | BUY | EUR121

Capital Markets Day feedback: caring of "shareholder experience"

Operating margin levers remain basically unchanged
Free cash flow will reach a trough in 2019, then take off
Experience Management is expected to be the 'game changer'
Software licensing is a tale of two stories

SANOFI | BUY - Top Picks | EUR94

Our investment thesis is intact

No official "cost savings plan" but costs are under tight control
No change to the group's structure

TARKETT | NEUTRAL | EUR21

Challenging 2018 figures – cautious outlook

2018 revenues in line with expectations
EBITDA under pressure, as expected

Telecom |

Slowdown in French mobile market growth in Q4 2018

Slowdown of market, less prepaid to postpaid migrations at MNOs
The deceleration could show the first signs of a market change
Operators should be diversely impacted

Upcoming BG events :

Date	
8th-Feb	PERNOD RICARD |Paris Roadshow with CEO / CFO
12th-Feb	PIXIUM | Paris Roadshow with CEO/CFO
18th-Feb	KERING | Paris Roadshow with CFO
21st-Feb	FNAC | Paris roadshow with CEO/CFO
27th-Feb	L'OREAL | Luxembourg roadshow with IR
7th-Mar	AB inBev | Genève Roadshow with IR

Recent reports :

Date	
8th-Feb	Blossom in the USA
8th-Feb	Le plastique c'est fantastique !
5th-Feb	Sky High
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

Q1 2019 Top Picks

SANOFI (Buy, FV EUR94)
NOVARTIS (Buy, FV CHF96)
ROCHE HOLDING (Buy, FV CHF300)
GALAPAGOS (Buy, FV EUR125)

BRYAN, GARNIER & CO

PERNOD RICARD

Consumer, Brands & Retail
| Spirits

8th February 2019

BUY

Fair Value	EUR160 vs. EUR156 (+7%)
Share price	EUR149.45
EPS 3Y Cagr	6.5%

MT guidance is the big positive

An overall good performance in H1

In yesterday's release, the only negative surprise was that Q2 organic sales were only up 5.6% vs 6.5% expected by the consensus. This was due to Europe. Elsewhere, performance was very strong. In the US, the group continued to grow broadly in line with the market. The driver remained Jameson (27% of sales), up 12% in H1 (according to Nielsen), while Absolut remained in negative territory despite the successful launch of the grapefruit innovation. Surprisingly, China showed no sign of slowdown in Q2 vs Q1, with cognac, Chivas and the premium brands (particularly Absolut, the Glenlivet, Mumm, and Jacob's Creek) all growing double digit. India normalized in Q2 because of tougher comps. The company's H1 organic EBIT margin expansion was outstanding at +148bp. This was helped by the earlier timing of the CNY, A&P phasing and better pricing which offset the negative mix and rising COGS.

H2 to be below H1 in terms of top and bottom line

The top line slowdown should arise from: 1/ the earlier timing of the CNY which benefitted Q2 and should have a negative impact on Q3, 2/ Martell's sustainable growth management (volumes only expected to rise high single/low double digit, which should not be completely offset by price increases and notably the +5% taken in February in China), 3/ destocking in the US after some changes in the distribution network, 4/ a commercial dispute in France and Germany and 5/ tougher comps in India which should – according to the company- post low double digit growth in the second half of the year. EBIT margin in H2 should be below H1 due to 1/ a slowdown in the US and Martell and 2/ A&P phasing. Note the group said it will complete the EUR200m P&L savings by end-June 2019, a year ahead of plan.

Medium term outlook brighter than expected

The group indicated it should grow organic sales growth by 4-7% in 2019/2020/2021. This compares with previous guidance for 4-5% set at the CMD in June 2015. The increase stems from 1/ China, expected to grow high single to low double vs high single previously and 2/ the US, expected to grow mid-single digit vs close to mid single digit previously. EBIT margin should expand annually by 50-60bp over the same timeframe, partly driven by EUR100m in additional savings by 2021. They these stem from optimization of COGS and better efficiency of A&P and structure costs.

EBIT forecasts over the next 3 years increased by 2%

We expect 4.1% organic sales growth in H2 post +7.8% in H1 (pointing to +6.1% over the year vs+6.7% previously). EBIT should grow 8% in 2018/19, in the high end of the group's new guidance range. This compares with our previous forecast of +7.3% and implies organic EBIT margin expansion of 50bp (vs +20bp previously). Our forecasts for EBIT margin increases in 2019/20 and 2020/21 are also raised to 60bp from around 40bp. Our FV is adjusted to EUR160.

Market Data

Bloomberg / Reuters	RI FP/PERP.PA
Market Cap.	EUR39,667m
E.V.	EUR47,039m
Free Float	79.4
Avg. Daily volume (6m)	483.5
12m high / low	149.5 / 127.3
Ytd Perf.	4.3%

EURM	06/17	06/18	06/19e	06/20e
Sales	9,010	8,722	9,173	9,756
% Change		*-3.2%*	*5.2%*	*6.4%*
EBITDA	2,691	2,640	2,738	2,968
% Change		*-1.9%*	*3.7%*	*8.4%*
EBIT	2,394	2,358	2,509	2,724
% Change		*-1.5%*	*6.4%*	*8.6%*
Net Income	1,482	1,511	1,616	1,790
% Change		*2.0%*	*7.0%*	*10.8%*
ROE	0.10	0.11	0.10	0.11

	06/17	06/18	06/19e	06/20e
EV/Sales	5.3x	5.3x	5.0x	4.6x
EV/EBITDA	17.7x	17.7x	16.7x	15.1x
EV/EBIT	19.8x	19.8x	18.2x	16.5x
EPS	5.58	5.69	6.09	6.74
% change		*2.0%*	*7.0%*	*10.8%*
P/E	26.8x	26.3x	24.6x	22.2x
Div Yield	1.4%	1.6%	1.8%	2.3%

Next Catalyst: EMEA/LATAM conference call on 19th March

Last rating Change:
-

Last FV Change:
2018-10-19, Growth accelerating on the back of China and India

Last Reports:
2019-2-7, A lot of positives

Virginie Roumage, CFA
33(0) 1.56.68.75.22
vroumage@bryangarnier.com
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BRYAN, GARNIER & CO

PERNOD RICARD

BUY

Fair Value	EUR160 vs. EUR156 (+7%)
Share price	EUR149.45
Market Cap.	EUR39,667m
EPS 3Y CAGR	6.5%

Simplified Profit & Loss Account (EURm)	2015	2016	2017e	2018e	2019e
Revenues	8,682	9,010	8,722	9,173	9,756
Change (%)	1.4%	3.8%	-3.2%	5.2%	6.4%
Gross Profit	5,339	5,602	5,289	5,596	6,000
Contribution after A&P	3,364	3,912	3,860	4,082	4,439
Adjusted EBITDA	2,603	2,691	2,640	2,738	2,968
Recurring EBIT	2,277	2,394	2,358	2,509	2,724
Change (%)	1.7%	5.1%	-1.5%	6.4%	8.6%
Financial results	-432	-373	-302	-289	-270
Pre-Tax profits	1,663	1,858	1,994	2,150	2,454
Tax	-409	-438	-391	-595	-638
Minority interests / Discontinued operations	-20	-27	-26	-26	-26
Net profit group share	1,234	1,393	1,577	1,529	1,790
Restated net profit group share	1,380	1,482	1,511	1,616	1,790
Change (%)	3.8%	7.4%	2.0%	7.0%	10.8%
Cash Flow Statement (EURm)					
Operating cash flows	2,529	2,635	2,600	2,798	2,996
Change in working capital	211	65	141	127	116
Capex, net	337	357	362	321	341
Financial investments / tax paid	781	742	676	884	908
Dividends	497	511	551	627	727
Other(s)	-260	49	8	30	0
Net debt	8,715	7,850	6,962	6,093	5,189
Free Cash flow	1,200	1,471	1,422	1,466	1,631
Balance Sheet (EURm)					
Tangible fixed assets	3,233	3,028	3,322	3,414	3,511
Intangibles assets	17,572	17,152	16,858	17,027	17,197
Cash & equivalents	577	700	771	1,733	1,787
current assets	7,282	7,520	7,821	9,135	9,638
Other assets	2,511	2,387	1,556	1,509	1,464
Total assets	30,598	30,088	29,558	31,084	31,811
L & ST Debt	9,362	8,561	7,704	7,802	6,952
Others liabilities	7,730	7,641	6,877	7,220	7,678
Shareholders' funds	13,506	13,886	14,978	16,062	17,181
Total Liabilities	17092	16202	14581	15022	14630
Capital employed	26,056	25,493	25,594	25,210	25,593
Ratios					
Gross profit margin	61.1%	61.9%	62.1%	60.7%	61.5%
A&P as % of sales	19.0%	18.8%	16.4%	16.5%	16.0%
Contribution after A&P as % of sales	42.5%	43.4%	44.3%	44.5%	45.5%
Recurring operating margin	26.2%	26.6%	27.0%	27.4%	27.9%
Effective tax rate	24.6%	23.6%	19.6%	27.7%	26.0%
Underlying tax rate	24.5%	25.2%	25.0%	26.0%	26.0%
Net margin group share	14.2%	15.5%	18.1%	16.7%	18.3%
ROE (after tax)	9.3%	10.2%	10.7%	9.7%	10.6%
ROCE (after tax)	6.6%	7.0%	6.9%	7.4%	7.9%
Gearing	65%	57%	46%	38%	30%
Pay out ratio	36.2%	36.2%	41.5%	45.0%	50.0%
Number of shares, diluted	265,633	265,478	265,471	265,481	265,481
Data per Share (EUr)					
Restated basic EPS	5.20	5.61	5.72	6.09	6.74
Restated diluted EPS	5.20	5.58	5.69	6.09	6.74
% change	4.1%	7.5%	2.0%	7.0%	10.8%
BVPS	50.84	52.31	56.42	60.50	64.72
Operating cash flows	9.52	9.93	9.79	10.54	11.29
FCF	4.52	5.54	5.36	5.52	6.14
Net dividend	1.88	2.02	2.36	2.74	3.37

Source: Company Data; Bryan, Garnier & Co ests.

BRYAN, GARNIER & CO

CECONOMY

8th February 2019

NEUTRAL

Fair Value	EUR5,6(+37%)
Share price	EUR4.10
EPS 3Y Cagr	-12.1%

Consumer, Brands & Retail

| E-Commerce

Q1 above expectations but focus is on the new top management

Q1 sales 2% above expectations

Ceconomy reported a surprisingly good set of top line figures with EUR6,879m in group sales (2% above CS expectations), with a LfL growth of 2.4% showing a strong rebound vs last year (i.e. -0.7%). The outperformance stemmed mainly from DACH (+2.8% LfL) and Western & Southern Europe (+3.4% LfL) regions, both ahead of expectations, as the group probably preferred to remain cautious after the failure seen in Q1 last year due to poor management of Black Friday and its cannibalization of Christmas sales. However, the group managed the Black Friday period better this time (through bundling and dedicated offers to protect margins) and its potential cannibalization effect on the Christmas sales. More globally e-commerce sales were quite strong this quarter, up 28% while services remained more mixed at “only” +8%.

Q1 EBIT margin 20bps ahead of expectations

Despite continuous headwinds on gross margin (-60bp in Q1), cost savings in DACH, a recovery at the Italian business and positive non-recurring items in Poland and related to IFRS 15 helped to boost EBIT generation. Underlying EBIT, excl Fnac Darty contribution, came out at EUR269m, implying a 3.9% margin (>20bps above expectations). Globally, better management of Back Friday and Christmas offers also helped to protect margins relatively. However, note that EUR34m was spent on management changes and further restructuring costs should emerge along the year, thus impacting reported EBIT.

2018/19 outlook reiterated…

Ceconomy confirmed its FY 2018/19 guidance to generate a slight increase in total sales (at constant FX and scope) with a slight decline in underlying EBIT (excl restructuration costs and Fnac Darty contribution). The expansion pace should also be more limited with a low double-digit number of net openings (excl shop-in-shops which we expect to take a more prominent place in their strategy in the future).

…but the focus in on the new top management

Even though this publication highlights improvements in terms of operational execution, we believe investors will remain focused on the new top management. Both the CEO and CFO, whose profiles are not sufficiently tuned towards cost cutting somewhat disappointed the market, will arrive on 1st March and could present a wide strategic plan as soon as Q4 (along with the presentation of the FY 2018/19?). Indeed, huge upside remains in procurement centralization, streamlining of structures, store network rationalization, store downsizing, rents renegotiations, geographic portfolio rationalization, ERA partnership. Top line growth levers (i.e. catching up on e-commerce, services and adjusting the product mix) will only be addressed later and their impact on Ceconomy's figures will not be immediate.

Market Data

Bloomberg / Reuters	CEC GR/CECG.DE
Market Cap.	EUR1,463m
E.V.	EUR1.146m
Free Float	50,1
Avg. Daily volume (6m)	1 766
12m high / low	11.6 / 3.0
Ytd Perf.	30.3%

EURM	09/17	09/18e	09/19e	09/20e
Sales	22,156	21,418	21,433	21,544
% Change		*-3.3%*	*0.1%*	*0.5%*
EBITDA	1,458	1,378	1,356	1,354
% Change		*-5.5%*	*-1.6%*	*-0.2%*
EBIT	471.0	419.0	394.3	388.8
% Change		*-11.0%*	*-5.9%*	*-1.4%*
Net Income	202.7	55.8	151.6	149.2
% Change		*-72.4%*		*-1.6%*
ROE	NM	NM	NM	NM

	09/17	09/18e	09/19e	09/20e
EV/Sales	0.1x	0.0x	0.0x	0.0x
EV/EBITDA	0.8x	0.6x	0.5x	0.5x
EV/EBIT	2.4x	1.9x	1.8x	1.8x
EPS	0.62	0.29	0.43	0.42
% change		*-53.0%*	*47.1%*	*-1.6%*
P/E	6.6x	14.1x	9.6x	9.7x
Div Yield	6.3%	NM	4.5%	5.1%

Next Catalyst:

Conference call at 10:00am

Last FV Change:

2018-12-20, The short-term fog has not dissipated

Last Reports:

2018-6-25, Let the Storm Pass

Clément Genelot
33(0) 1 56 68 75 60
cgenelot@bryangarnier.com

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BRYAN, GARNIER & CO

CASSIOPEA

Healthcare

| Biotech

8th February 2019

BUY

Fair Value	CHF 98.6
Share price	CHF 38.6
EPS 3Y Cagr	NM

2018 Full-year financial results in line

Financial results for 2018: tightly-controlled spending

In a year which saw 2 pivotal phase III clinical trials delivered successfully for Winlevi® (1% clascoterone cream for acne) and further statistically significant phase 2 results for Breezula® (clascoterone solution for androgenic alopecia), Cassiopea's financial results were in-line with our expectations and demonstrated remarkably good value for the R&D investments made by the company. Operating expenses totalled EUR14.1m including EUR12.2m on R&D. The company ended the year with EUR 4.6m in cash and cash equivalents and an undrawn credit facility of EUR 10m (from its largest shareholder, Cosmo Pharmaceuticals which has indicated its willingness to increase this amount to EUR 20m).

Operationally excellent year

The company successfully concluded clinical trials on three of its pipeline programmes during 2018, most notably the phase III clinical development of Winlevi in acne which included 2 pivotal phase III clinical trials conducted in both the USA and Europe. The full results from these trials demonstrated that Winlevi successfully treated severe acne (highly statistically significant results on all primary and secondary endpoints) with negligible side effects and excellent tolerability. The company also achieved strong results with Breezula in its phase II trial in androgenic alopecia (male-pattern baldness) demonstrating a statistically significant improvement in Target Area Hair Count and improvements in Hair Growth Assessment. Finally, Cassiopea also obtained positive proof-of-concept results in the treatment of genital warts with CB-06-02.

Outlook for 2019

The company is preparing for substantial further development activities this year including the submission in Q2 of its NDA for Winlevi for the treatment of acne to the FDA and the progression of Breezula into phase III clinical development in androgenic alopecia following positive results in its phase II trial in 2018. Additional long-term safety data for Winlevi are expected later in Q1. Alongside these developments the company is preparing the ground for the ultimate commercialisation of Winlevi following the anticipated approval from the FDA.

The company has stated that it will need to access additional capital to fund these preparatory commercialisation and further clinical development activities but on the basis of the achievement to date, we believe the markets would be supportive. Additionally, we also believe that late stage assets such as Winlevi are likely to be seen as highly attractive to potential partners.

We reiterate our FV of CHF 98.6.

Market Data

Bloomberg / Reuters	SKIN SW/SKIN.S
Market Cap.	CHF 386m
E.V.	CHF 381m
Free Float	-
Avg. Daily volume	6k
12m high / low	30.2 / 60.2
Ytd Perf.	5.5%

EUR M	12/17	12/18	12/19e	12/20e
Sales	0.0	0.0	0.0	0.0
% Change				
EBITDA	-10.7	-13.2	-13	-7
% Change		*-23.2%*	*-3.9%*	*-42.3%*
EBIT	-10.7	-13.2	-13	-7
% Change		*-23.2%*	*-3.9%*	*-42.3%*
Net Income	-13.7	-12.7	-14	-9
% Change		*NS*	*NS*	*NS*

Next Catalyst :

Winlevi NDA submission

Breezula advances into phase III development

Last rating Change:

Last FV Change:

Last Reports:

Gary Waanders, PhD
44 207 332 25 45
gwaanders@bryangarnier.com

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BRYAN, GARNIER & CO

HERMÈS INTL.

7th February 2019

BUY

Fair Value	EUR535(+1%)
Share price	EUR529.60
EPS 3Y Cagr	10.9%

Consumer, Brands & Retail

| Luxury Goods

2018 sales up 10.4% FX-n, fairly in line with expectations

FY sales up 10.4% FX-n and 9.6% FX-n in Q4

In 2018, Hermès revenues grew 6.3% to EUR5.97bn (consensus: EUR5.96bn) and 10.4% at same FX. In Q4 alone, sales grew 9.6% at same FX, bang in line with Q3 (+9.6%). **Retail** sales increased by 11% over the FY. Note also that the comparison base was quite undemanding since sales were only up 4.5% in Q4 2017. Last but not least, note that the vast majority of sales growth stemmed from volume growth, as price and perimeter impacts were marginal in 2018.

Asia-Pacific increased 13.7% FX-n in Q4

By region, sales growth was driven by **Asia Pacific** (36% of total sales) in 2018 with a 13.1% increase of which +13.7% in Q4 (Q3: +11.7%). Momentum was robust both in Mainland China (openings of new store in Xi'an in September and in Changsha in May) and in H-K (opening of the Landmark in January). In October, Hermès launched its new eCommerce website in China. **France** revenues (13% of revenues) grew 6.3% over the FY o/w +4.8% in Q4, which confirmed that Hermès was relatively unharmed by the Yellow Vests movement, as: **1/** stores remained exceptionally open on Sundays and **2/** the George V store (Paris) reopened mid-November after extension and renovation and **3/** the comparison base was relatively easy (+3.9% in Q4 2017). The **Americas** (18% of sales) soared by 11.5% in 2018, despite a slight deceleration in Q4 (+7.9% vs. +14% in Q3). **Japan** sales (12% of revenues) remained well-oriented with 8.1% in Q4 (FY: 7.5%), helped by a good retail execution after a rationalization phase.

Leather goods revenues grew 9.4% in 2018 and 9.8% in Q4

In 2018, **Leather Goods** sales increased by 9.4% (+9.8% in Q4 alone). It is worth adding that this growth was mainly driven by volumes. Each year, the production capacity increases by ~8% thanks to new plant openings (e.g.: last year in L'Allan in Franche-Comté). Two new workshops should be opened by 2020. Iconic lines and other models such as the *Lindy* contributed to the positive momentum. Sales in **Ready-to-wear** were once again quite robust with 14.1% FX-n on FY and 11.7% in Q4, likewise for **Watches** which jumped by 13.9% in Q4 (FY: +9.9%).

Buy recommendation confirmed

Pending the conference call at 9am this morning, we maintain our FY18 margin assumptions unchanged. Indeed, in today's press release, Hermès guides for operating margin "close to 34%" (BG ests: -50bp to 34.1%), due to a demanding comparison base, boosted by a FX tailwind. Note that Hermès will release its FY18 results on 20th March.

Market Data

Bloomberg / Reuters	RMS FP/HRMS.PA
Market Cap.	EUR55,909m
E.V.	EUR53.026m
Free Float	100
Avg. Daily volume (6m)	67.90
12m high / low	612.4 / 422.6
Ytd Perf.	9.2%

EURM	12/17	12/18e	12/19e	12/20e
Sales	5,549	5,944	6,460	6,990
% Change		*7.1%*	*8.7%*	*8.2%*
EBITDA	2,089	2,200	2,420	2,645
% Change		*5.3%*	*10.0%*	*9.3%*
EBIT	1,922	2,030	2,250	2,460
% Change		*5.6%*	*10.8%*	*9.3%*
Net Income	1,222	1,356	1,519	1,666
% Change		*11.0%*	*12.0%*	*9.7%*
ROE	0.24	0.25	0.22	0.20

	12/17	12/18e	12/19e	12/20e
EV/Sales	9.6x	8.9x	8.0x	7.2x
EV/EBITDA	25.4x	24.0x	21.4x	19.1x
EV/EBIT	27.6x	26.0x	23.0x	20.6x
EPS	11.63	12.90	14.45	15.85
% change		*11.0%*	*12.0%*	*9.7%*
P/E	45.5x	41.0x	36.6x	33.4x
Div Yield	1.7%	0.9%	1.0%	1.1%

Next Catalyst: conference call at 9am (CET)

Last FV Change:
2018-7-23, Prospects remain buoyant

Last Reports:
2018-11-7, Again a strong quarter despite challenging comps

Loïc Morvan
33(0) 1 70 36 57 24
lmorvan@bryangarnier.com

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BRYAN, GARNIER & CO

L'ORÉAL

Consumer, Brands & Retail
| HPC

8th February 2019

BUY

Fair Value	EUR220(+1%)
Share price	EUR216.10
EPS 3Y Cagr	7.2%

Very strong Q4 highlights the efficient business model!

FY 2018 sales up 7.1% organically, slight acceleration in Q4!

L'Oréal 2018 sales grew 3.5% to EUR26.94bn (consensus: EUR26.74bn). **Organically, FY revenues grew 7.1% (consensus: +6.7%) of which +7.7% in Q4** alone after having increased by 7.5% in Q3 and 6.8% on 9m. FX had a negative 4.5% impact on FY. We assume that the global beauty market increased by slightly more than 5.5%, which implies **clear new market share gains** and an outperformance of 1.2x. 2018 was the best year for L'Oréal since 2007. E-commerce sales jumped 41% in 2018 and now account for 11% of sales vs 7% in 2016. Furthermore, the sales increase was achieved on a strong performance by the star brands.

2018 sales growth driven by APAC and L'Oréal Luxe

By region, it is worth noting that new markets achieved a tremendous sales increase (+16.1% on FY), implying +16.5% in Q4 vs +17.5% in Q3 and +15.9% on 9m. Among these **new markets**, sales in **Asia-Pacific** sky-rocketed with a 24.1% revenue increase (+26.2% in Q4) making it the second largest region for the group (27.5% of total sales) behind **Western Europe** (30% of sales) but ahead of **North America.** Sales in **APAC** were boosted by L'Oréal Luxe but Consumer Products were also robust with market share gains in all divisions**. Western Europe** had a disappointing performance with sales declining by 0.3% over the FY despite an improvement in Q4 (+0.9%), especially affected by poor markets in France and the UK. **North America** was positive last year (+2.7%), mainly driven by L'Oréal Luxe but also by market share gains in the mass market. By division, **L'Oréal Luxe** (35% of sales) was the most significant catalyst over the year thanks to a 14.4% sales increase with strong performance both in North America and in Asia. L'Oréal Luxe gained market shares last year. **Active Cosmetics** division revenues increased 11.9% last year and outperformed its market. On the other hand, the **Consumer Products** business (44% of sales) was under pressure with a soft 2.5% sales growth despite some slight improvement in Q4. The division was affected by Western Europe whereas in Asia, momentum was far more dynamic.

2018 EBIT margin up 30bp to 18.3%

2018 EBIT margin gained 30bp to 18.3%. As expected, this improvement was mainly driven by gross margin (+110bp to 72.8%), thanks to better production efficiency and product premiumisation, despite raw material price increases and higher logistics costs in the US. Meanwhile, **L'Oréal** continued to invest in A&P (+80bp as % of sales) in order to still gain market share in coming years. Net cash amounted to EUR2.75bn at the end of 2018 vs EUR1.8bn in 2017 while the dividend stood at EUR3.85 (+8.5%).

Buy recommendation reiterated

We remain at Buy on the stock, following strong 2018 results. We are convinced that L'Oréal will again outperform the beauty market in 2019 with a further profitability improvement. 2019 also seems to have started quite well with no significant slowdown, either in China, or elsewhere.

Market Data

Bloomberg / Reuters	OR FP/OREP.PA
Market Cap.	EUR121,016m
E.V.	EUR119.787m
Free Float	0
Avg. Daily volume (6m)	517.6
12m high / low	219.9 / 171.1
Ytd Perf.	7.4%

EURM	12/17	12/18e	12/19e	12/20e
Sales	26,024	26,937	27,950	29,250
% Change		*3.5%*	*3.8%*	*4.7%*
EBITDA	5,576	5,853	6,220	6,594
% Change		*5.0%*	*6.3%*	*6.0%*
EBIT	4,676	4,923	5,260	5,635
% Change		*5.3%*	*6.8%*	*7.1%*
Net Income	3,753	3,992	4,304	4,620
% Change		*6.4%*	*7.8%*	*7.3%*
ROE	0.15	0.14	0.14	0.14

	12/17	12/18e	12/19e	12/20e
EV/Sales	4.6x	4.4x	4.2x	3.9x
EV/EBITDA	21.4x	20.1x	18.7x	17.5x
EV/EBIT	25.5x	23.9x	22.2x	20.4x
EPS	6.66	7.09	7.64	8.21
% change		*6.5%*	*7.8%*	*7.3%*
P/E	32.4x	30.5x	28.3x	26.3x
Div Yield	1.6%	1.8%	1.9%	2.1%

Next Catalyst: Analysts' meeting at 9am

Last rating Change:
2018-5-3, L'Oréal acquires Korean brand Stylenanda

Last FV Change:
2018-12-6, China is L'Oréal's future!

Last Reports:
2018-12-6, China is L'Oréal's future!

Loïc Morvan
33(0) 1 70 36 57 24
lmorvan@bryangarnier.com
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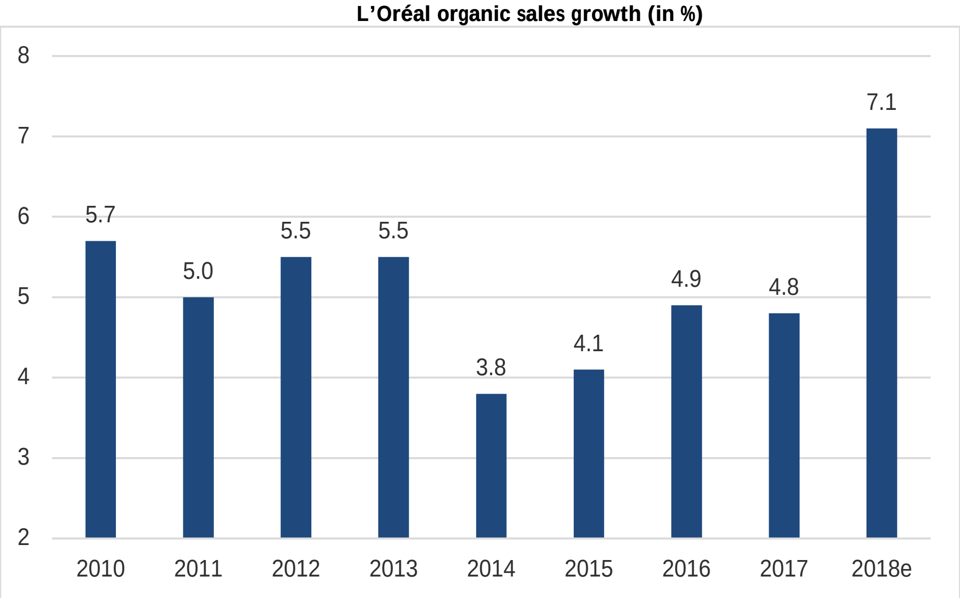
BRYAN, GARNIER & CO

Quarterly organic sales growth by division and region

Lfl chge in %	Q1 18	Q2 18	H1 18	Q3 18	9m 18	Q4 18	2018
Western Europe	0,4	-2,0	-0,8	-0,7	-0,8	0,9	-0,3
North America	2,5	3,5	3	2,7	2,9	2,2	2,7
New markets	14,9	15,4	15,2	17,1	15,9	16,5	16,1
Profess Prod	1,9	1,4	1,6	1,5	1,6	3,5	2
Consumer Prod	2,6	2,3	2,5	2,3	2,4	2,8	2,5
Luxury Products	14	13	13,5	15,6	14,2	14,7	14,4
Active	10,2	12,9	11,4	13,1	11,9	11,9	11,9
Total sales	6,7	6,3	6,6	7,5	6,8	7,7	7,1

L'Oréal organic sales growth (in %)



BRYAN, GARNIER & CO

L'ORÉAL

BUY

Fair Value	EUR220(+1%)
Share price	EUR216.10
Market Cap.	EUR121,016m
EPS 3Y CAGR	7.2%

Income Statement (EURm)	**2016**	**2017**	**2018e**	**2019e**	**2020e**
Revenues	25,837	26,024	26,937	27,950	29,250
Change (%)	2,3%	0,7%	3,5%	3,8%	4,7%
Gross margin	18,496	18,665	19,606	20,325	21,275
Change (%)	2,9%	0,9%	5,0%	3,7%	4,7%
EBITDA	5,420	5,576	5,853	6,220	6,594
EBIT	4,540	4,676	4,923	5,260	5,635
Change (%)	3,5%	3,0%	5,3%	6,8%	7,1%
Financial results	327	327	356	359	395
Pre-Tax profits	4,867	5,003	5,279	5,619	6,030
Exceptionals	-	-	-	-	-
Tax	1,217	1,250	1,287	1,315	1,410
Profits from associates	3	4	5	6	7
Minority interests	0	0	0	0	0
Net profit	3,650	3,753	3,992	4,304	4,620
Restated net profit	3,650	3,753	3,992	4,304	4,620
Change (%)	4,6%	2,8%	6,4%	7,8%	7,3%
Cash Flow Statement (EURm)					
Operating cash flows	4,717	4,972	4,922	5,264	5,579
Change in working capital	-13	-261	217	235	254
Capex, net	1,386	1,263	1,330	1,451	1,452
Financial investments, net	1,252	237	0	0	0
Dividends	1,832	1,871	2,058	2,264	2,490
Other	407	488	0	0	0
Net debt	-471	-1,845	-3,162	-4,476	-5,858
Free Cash flow	3,344	3,970	3,375	3,578	3,872
Balance Sheet (EURm)					
Tangible fixed assets	3,757	3,571	3,971	4,462	4,955
Intangibles assets	11,972	11,451	11,451	11,451	11,451
Cash & equivalents	1,746	3,047	4,364	5,677	7,060
current assets	8,300	7,973	8,397	8,850	9,332
Other assets	9,855	9,297	9,297	9,297	9,297
Total assets	35,630	35,339	37,480	39,737	42,095
L & ST Debt	1,275	1,202	1,202	1,202	1,202
Others liabilities	9,553	9,593	9,801	10,019	10,249
Shareholders' funds	24,802	24,544	26,477	28,516	30,644
Total Liabilities	35,630	35,339	37,480	39,737	42,095
Capital employed	15,990	14,980	15,597	16,323	17,071
Financial Ratios					
Gross margin (% of sales)	71,6%	71,7%	72,8%	72,7%	72,7%
Operating margin	17,6%	18,0%	18,3%	18,8%	19,3%
Tax rate	25,0%	25,0%	24,4%	23,4%	23,4%
Net margin	14,1%	14,4%	14,8%	15,4%	15,8%
ROE (after tax)	14,1%	14,9%	14,2%	14,0%	14,0%
ROCE (after tax)	20,4%	22,5%	22,7%	23,2%	23,8%
Gearing	-2%	-8%	-12%	-16%	-19%
Pay out ratio	51,0%	53,3%	54,3%	54,3%	54,8%
Number of shares, diluted	564,000	563,500	563,000	563,000	563,000
Data per Share (EUR)					
EPS	6,47	6,66	7,09	7,64	8,21
Restated EPS	6,47	6,66	7,09	7,64	8,21
% change	4,72	2,91	6,47	7,81	7,34
BVPS	43,98	43,56	47,03	50,65	54,43
Operating cash flows	8,36	8,82	8,74	9,35	9,91
FCF	5,93	7,05	5,99	6,35	6,88
Net dividend	3,30	3,55	3,85	4,15	4,50

Source: Company Data; Bryan, Garnier & Co ests.

BRYAN, GARNIER & CO

PIXIUM VISION

8th February 2019

CORPORATE

Healthcare

| MedTech

Fair Value	EUR5,5(+235%)
Share price	EUR1.64
EPS 3Y Cagr	NM

Expected impairment of IRIS. 2018YE cash position of EUR15.6m

Strong non-R&D cost management

Pixium reported FY18 results with total revenues of EUR1.6m primarily derived from the research tax credit (CIR). Combined COGS, G&A and S&M expenses amounted to EUR2.9m in 2018, compared with EUR5.8m in 2019, primarily driven by a cost-cutting/restructuring plan directed towards G&A expenses which fell EUR1.3m or 32%. This enabled the group to carry out its R&D activities without limitations. R&D costs amounted to EUR6.2m in 2018, down by EUR1.6m as the company fully refocused its R&D activities on PRIMA over the course of 2018. In all, operating expenses amounted to EUR9.1m, a EUR4.5m decline (-33%) vs last year (EUR13.6m). Adjusted operating results stood at EUR7.5m vs EUR11.1m in 2017. Accounting for 1/ the impairment of IRIS (EUR5.5m, see below) and 2/ an interest payment (EUR1.3m), net loss and net loss per share amounted to EUR13.6m and 73cts respectively (vs EUR1.02 in 2017).

Expected impairment of IRIS following the successes of PRIMA

In 2018, PIXIUM decided to fully refocus on PRIMA. This strategy was found to be the right choice following the successful progress made with the implant in the clinical setting and confirmed by the positive interim results released earlier this year (see our note here). As a result, Pixium decided to book a EUR5.5m impairment charge for IRIS, an earlier generation of visual implant. Despite encouraging results, IRIS had a limited in-vivo lifespan which would have required hefty investments to be fixed. The discontinuation of IRIS does not change our Fair Value as we only included PRIMA in our model.

EUR15.6m cash position offers visibility on 2019 activities

Pixium ends the year with a cash position of EUR15.6m, higher than our ests of EUR12.6m and offering enough visibility to carry out operations throughout 2019. Assuming a cash burn of EUR11.2m (including debt repayment), we estimate financial visibility towards early 2020. In 2019, we would expect the company to 1/ conduct discussions with the European regulatory authorities enabling the initiation of a pivotal trial for PRIMA in dry-AMD before year end, 2/ begin the implantation of PRIMA in patients enrolled in the US feasibility study in H1 2019.

Reiterate FV or EUR5.5/share

We reiterate our Fair Value of EUR5.5/share. The non-cash impairment of IRIS does not change our estimates as our valuation and investment case were already fully focused on PRIMA.

Market Data

Bloomberg / Reuters	PIX FP/PIX.PA
Market Cap.	EUR34m
E.V.	EUR29m
Free Float	-
Avg. Daily volume (6m)	100.1
12m high / low	3.0 / 1.5
Ytd Perf.	-2.0%

EURM	12/18	12/19e	12/20e	12/21e
Sales	1.8	1.7	1.7	1.7
% Change		*-5.9%*	*0.0%*	*0.0%*
EBITDA	-6.9	-8.1	-11.4	-12.9
% Change		*-18.6%*	*-40.5%*	*-13.4%*
EBIT	-7.7	-9.0	-12.4	-13.9
% Change		*-17.1%*	*-36.9%*	*-12.7%*
Net Income	-7.1	-9.4	-12.7	-13.9
% Change		*-32.4%*	*-35.2%*	*-10.1%*
ROE	NM	NM	NM	NM

	12/18	12/19e	12/20e	12/21e
EV/Sales	15.7x	21.5x	29.3x	37.7x
EV/EBITDA	NS	NS	NS	NS
EV/EBIT	NS	NS	NS	NS
EPS	-0.33	-0.43	-0.59	-0.65
% change		*-32.4%*	*-35.2%*	*-10.1%*
P/E	NS	NS	NS	NS
Div Yield	NM	NM	NM	NM

Next Catalyst: H1 2019 first implantation of PRIMA as part of the US feasibility study

Last rating Change:

-

Last FV Change:

2019-1-8, Starting 2019 by clearing a significant milestone

Last Reports:

2019-1-8, Starting 2019 by clearing a significant milestone

Hugo Solvet
33(0) 1 56 68 75 57
hsolvet@bryangarnier.com

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BRYAN, GARNIER & CO

SAP

Technology

Software & IT services

8th February 2019

BUY

Fair Value	EUR121
Share price	EUR90.96
EPS 3Y Cagr	11.5%

Capital Markets Day feedback: caring of "shareholder experience"

Operating margin levers remain basically unchanged

Yesterday SAP held a Capital Markets Day in New York. SAP expects 2020 revenues of EUR28.6-29.2bn – o/w EUR8.6-9.1bn from cloud subscriptions - and an operating profit of EUR8.5-9bn. For 2023, it aims to deliver EUR35bn+ in revenues (CAGR: 2018-2023: +7%+), more than triple cloud subscriptions to EUR15bn+ (CAGR: +25%+), raise the share of recurring sales to 80% from 65%, and raise operating profit by 7.5-10%/year. Within the next 2 years, Services growth (+12% at cc in 2018), is set to slow as SAP is to place the emphasis on high-margin services. Thanks to the mix, the Cloud gross margin goal for 2020 remains unchanged (71%, vs. 63% in 2018), but management now expects 30-35% (vs. 40% previously, and 13% in 2018) for IaaS, vs. still 80%+ (vs. 78% in 2018) for Business Networks and 70% (vs. 60% in 2018) for SaaS/PaaS. Other levers for an operating margin rise from 2019 are G&A costs – process automation thanks to artificial intelligence - and sales & marketing - increased productivity.

Free cash flow will reach a trough in 2019, then take off

Free cash flow, which was down 26% in 2018 to EUR2.8bn, is expected to be in moderate decline in 2019. DSO improvement by 4 days from 70 is planned to be offset by rises in cash-settled share-based compensation related to Qualtrics (0.3bn more), restructurings (0.55-0.75bn), tax (EUR0.7bn) and interest, while capex will stabilise at EUR1.5bn after having more than doubled over 2015-2018. It is planned to grow again in 2020 thanks to a fall in restructuring pay-outs. Management mentioned no structuring acquisition will be made until the debt related to Qualtrics is not retired.

Experience Management is expected to be the 'game changer'

While investors remain sceptical on the 'game changing' aspect of the EUR7bn Qualtrics acquisition, SAP contends Qualtrics will allow SAP customers to achieve the vision of an integrated enterprise combining experience data with operational data, and then breaking siloed views and processes. By attempting to break the rules of Salesforce or Workday, SAP ambitions for 2023 to be the leader in cloud ERP, cloud workforce management (SuccessFactors + Fieldglass) and experience management, while staying the fastest growing SaaS vendor in customer experience (the 'next gen' CRM through C/4HANA + S/4HANA) and the global standard in business networks.

Software licensing is a tale of two stories

Despite 10,500+ S/4HANA customers, management is not concerned by the 2025 due date for discontinuing support for the 30,000 SAP ERP customers nor a migration rate to S/4HANA of 50% by 2020. The partnerships with 'hyperscale' cloud infrastructure providers (Microsoft Azure, Google, AWS, and Alibaba Cloud) will offer a choice for clients and convince them to go to the public cloud. By 2023, licence sales on S/4HANA and the Digital Supply Chain – c. 50% of licence sales) are expected to grow, while other on-premise software (23,000 BI/analytics customers, 4,000 CRM customers…) will finish its transition to the cloud thanks to 'Move' migration programmes.

Market Data

Bloomberg / Reuters	SAP GR/SAPG.DE
Market Cap.	EUR111,745m
E.V.	EUR116.743m
Free Float	82,2
Avg. Daily volume (6m)	2 555
12m high / low	107.8 / 82.5
Ytd Perf.	4.6%

EURM	12/18	12/19e	12/20e	12/21e
Sales	24,707	27,329	29,772	32,532
% Change		*10.6%*	*8.9%*	*9.3%*
EBITDA	7,930	8,837	9,763	10,800
% Change		*11.4%*	*10.5%*	*10.6%*
EBIT	7,150	7,952	8,778	9,760
% Change		*11.2%*	*10.4%*	*11.2%*
Net Income	5,293	5,981	6,618	7,345
% Change		*13.0%*	*10.6%*	*11.0%*
ROE	0.14	0.12	0.14	0.15

	12/18	12/19e	12/20e	12/21e
EV/Sales	4.6x	4.4x	3.9x	3.5x
EV/EBITDA	14.4x	13.6x	12.0x	10.5x
EV/EBIT	16.0x	15.1x	13.3x	11.6x
EPS	4.31	4.87	5.39	5.98
% change		*13.0%*	*10.6%*	*11.0%*
P/E	21.1x	18.7x	16.9x	15.2x
Div Yield	1.6%	1.8%	2.0%	2.2%

Next Catalyst: Q1 2019 revenues on 24th April before markets open.

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:
2019-1-30, FY18 call feedback: cloud gross margin growth to accelerate

Gregory Ramirez
33(0) 1 56 68 75 91
gramirez@bryangarnier.com

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BRYAN, GARNIER & CO

SANOFI

7th February 2019

BUY - Top Picks

Fair Value	EUR94(+24%)
Share price	EUR76.04
EPS 3Y Cagr	9.1%

Healthcare

| Pharmaceuticals

Our investment thesis is intact

No official "cost savings plan" but costs are under tight control

One of the recurring questions during yesterday's post FY-18 results conference call was to understand whether Sanofi would start a restructuring/cost savings plan. The answer was clearly "no". Nevertheless, management said that operating expenses (i.e. R&D+SG&A) would grow by only 1% p.a. over the next couple of years compared with an increase of 2% p.a. on average between 2019 and 2022 for the CS. We were already expecting this low level of growth and that is why our EPS forecasts are currently between 3% and 5% ahead of the consensus. However, Sanofi does not anticipate any share buy-backs (beyond the annualized impact from last year's) whereas the CS does. In the end, the two items taken together should not lead to meaningful EPS changes. Note also that 2019 gross margin will be negatively impacted by continuous insulin price declines in the US and by the increased contribution from the industry to the coverage gap ("donut hole") which will cost Sanofi EUR250m.

No change to the group's structure

Following recent moves by Pfizer and GSK with their Consumer Health business, the obvious question for Sanofi was whether it is thinking in a similar way i.e. towards an increasingly focused company. The answer was clear again: "no". It is fair to say that Sanofi's CHC is faring much better than competitors with sales growth close to 4% and operating margin of 33% in 2018 (vs 31% in 2017). This is certainly because Sanofi's portfolio is mainly made of OTC drugs with a low level of "consumer" products (like tooth pastes or energized drinks). Finally, since most of the phase I and II assets in diabetes were stopped, the question was raised about the future of Sanofi in this disease area. Sanofi intends to stay in it. We believe that Sanofi will simply manage the decline of this business over the next 2 to 3 years at the lowest possible cost.

R&D reshape in progress

Unsurprisingly, the new head of R&D clearly set the priority for an increase in the number of drugs coming from internal research. The target is to have two-thirds of the pipeline internal compared with 50% last year. The focus will be on oncology and immunology. No new major drug was presented but some focus was made on key drugs in development like isatuximab, sutimlimab and venglustat which are already included in our model. We think that those of particular interest (with significant peak sales potential) are isatuximab (MM), the anti-IL33 (atopic dermatitis-asthma) and fitusiran (haemophilia). Regarding M&A, the priority is to successfully integrate Ablynx and Bioverativ with no further large transaction on the agenda in the short term. For BD, one focus for the group is to replace Aubagio in MS which will lose its patent in 2023.

We remain confident in the rerating

The two key fundamental factors that ought to prompt an upward EPS revision by the CS over the next couple of years are the the cost containment plan that is not yet fully priced in and the fact that the "mabs alliance" with Regeneron is expected to breakeven in 2020. A Meet-The-Management meeting now scheduled for June should also give more granularity to the new growth phase which is just starting.

Market Data

Bloomberg / Reuters	SAN FP/SASY.PA
Market Cap.	EUR94 830
E.V.	EUR100 116
Free Float	91%
Avg. Daily volume (6m)	2 417
12m high / low	80.2 / 63.2
Ytd Perf.	0.5%

EURm	12/18	12/19	12/20	12/21
Sales	34,463	35,300	37,148	39,249
% Change		*2.4%*	*5.2%*	*5.7%*
EBITDA	10,064	10,163	10,492	10,627
% Change		*1.0%*	*3.2%*	*1.3%*
EBIT	8,926	9,522	10,284	10,883
% Change		*6.7%*	*8.0%*	*5.8%*
Net Income	6,819	7,170	8,044	8,863
% Change		*5.2%*	*12.2%*	*10.2%*
ROE	0.12	0.12	0.13	0.14

	12/18	12/19	12/20	12/21
EV/Sales	3.3x	3.1x	2.9x	2.7x
EV/EBITDA	11.2x	10.9x	10.3x	9.8x
EV/EBIT	12.6x	11.6x	10.5x	9.6x
EPS	5.47	5.75	6.45	7.11
% change		*5.2%*	*12.2%*	*10.2%*
P/E	13.9x	13.2x	11.8x	10.7x
Div Yield	4.1%	4.3%	4.6%	4.9%

Next Catalyst :

22/03/2019 - FDA's decision on Zynquista

Last rating Change:

Top Picks A refocused list to start 2019

Last FV Change:

Top Picks A refocused list to start 2019

Last Reports:

A mixed bag of numbers but the case remains valid

Jean-Jacques Le Fur, PharmD

33(0) 70.36.57.45

jjlefur@bryangarnier.com

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BRYAN, GARNIER & CO

TARKETT

Smart Industries

| Innovative Materials & Construction

8th February 2019

NEUTRAL

Fair Value	EUR21(+13%)
Share price	EUR18.65
EPS 3Y Cagr	-5.6%

Challenging 2018 figures – cautious outlook

2018 revenues in line with expectations

2018 revenues were down 0.2% to EUR2836m, with +2.1% of organic growth, a 3.6% negative forex impact and +1.3% from scope, with the integration of Grassman (EUR10m of annual sales) early 2018 and of Lexmark (USD120m annual sales) in Q4. In Q4 2018, organic growth deteriorated to -1.3% (vs 3.2% for the first 9 months), penalised by a difficult environment in Russia, notably with a negative mix-product, a difficult market for commercial carpet in North America, combined with some industrial difficulties there.

EBITDA under pressure, as expected

EBITDA came in at EUR249m, down 21% y/y, slightly below the IBES consensus (EUR255m) and 5% below our expectations (EUR261m), yielding an 8.8% margin, down from 11.1% in 2017, down -232bps (vs -210bps at end September). A poor top line did not help (especially the modest performance of the commercial carpet, which generates superior margins) but obviously the key headwind was the negative impact of input costs (raw materials, energy and transport), with a negative EUR48m impact (vs EUR55m expected), only partly compensated by limited pricing (EUR22m, in line). Productivity is not impressive at EUR19m roughly in line. Acquisitions generated a very strong EBITDA of EUR8m, equivalent to a 22% margin (we knew Lexmark was very profitable though).

Net profit lower than expected

Group share net profit totalled EUR49.3m, lower than our forecast. Apart from lower EBITDA, this was explained by higher restructuring costs of EUR25m (EUR10m above our forecast) and a higher financial result at -EUR30m (EUR5m above our estimates). EUR0.60 dividend proposal, stable y/y, with an option in shares.

Cautious view on 2019. New strategic review.

The group pointed out that new construction markets in Europe and new and renovation residential markets in the US “are showing signs of slowing”, while in “the CIS countries, the situation in early 2019 is more uncertain”. Basically, visibility is poor for volumes this year. Moreover, Tarkett expects a further negative impact from input costs (raw materials, energy and transport) although to a far lesser extent than 2018 with EUR15m guided (vs -EUR24m estimated) and with the same objective to offset inflation cost by pricing (which is the case in our forecasts). In addition, the group wants to focus on manufacturing performance, cost and debt reduction. The group has actually launched a “review of its strategic priorities and industrial set-up”, in order to make the group “more agile and capture new opportunities offered by digital”. A Capital Markets Day will be organised in June 2019 to present a new strategy. We doubt this news will be sufficient in the eyes of the market, at least in the short term, to offste the poor 2018 performance and the rather cautious view on 2019. Neutral maintained.

Market Data

Bloomberg / Reuters	TKTT FP/TKTT.PA
Market Cap.	EUR1,188m
E.V.	EUR1.779m
Free Float	49,2
Avg. Daily volume (6m)	105.1
12m high / low	31.2 / 16.9
Ytd Perf.	6.4%

EURM	12/17	12/18e	12/19e	12/20e
Sales	2,841	2,851	3,050	3,124
% Change		*0.3%*	*7.0%*	*2.4%*
EBITDA	315.1	260.9	293.6	322.0
% Change		*-17.2%*	*12.6%*	*9.7%*
EBIT	196.3	134.9	157.3	181.8
% Change		*-31.3%*	*16.6%*	*15.6%*
Net Income	127.4	70.9	85.5	107.0
% Change		*-44.3%*	*20.5%*	*25.2%*
ROE	0.16	0.09	0.10	0.12

	12/17	12/18e	12/19e	12/20e
EV/Sales	0.6x	0.7x	0.7x	0.6x
EV/EBITDA	5.6x	7.8x	6.8x	6.0x
EV/EBIT	9.1x	15.0x	12.7x	10.6x
EPS	2.01	1.12	1.35	1.69
% change		*-44.3%*	*20.5%*	*25.2%*
P/E	9.3x	16.7x	13.8x	11.0x
Div Yield	3.2%	3.2%	3.9%	4.9%

Next Catalyst:

Q1 2018 results on 24th April. CMD in June 2019.

Last rating Change:

2018-4-25, Very poor Q1. Cannot remain positive given current uncertainty

Last FV Change:

2018-12-3, Further decline of our valuation

Last Reports:

Eric Lemarié
33(0) 1.70.36.57.17
elemarie@bryangarnier.com

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EBITDA bridge

EURm	**2015**	**2016**	**2017**	**2018e**	***2018 reported***	**2019e**	**2020e**
Adjusted EBITDA n-1	**275**	**285**	**334**	**315**	***315***	**261**	**294**
Currencies (ex-CIS)	16.1	-5.3	-12.0	-12.0	*-8.0*	4.1	0.0
Price lag in CIS	-48.8	-1.0	-4.0	0.0	*2.9*	0.6	0.0
Volumes/Mix	-14.0	28.5	10.0	-7.9	*-20.0*	4.6	8.9
Prices	1.1	-11.8	-1.0	22.7	*22.3*	22.8	0.0
Purchase pricing | Raw materials increase	41.0	19.0	-34.0	-55.0	*-47.6*	-23.7	0.0
Productivity [target > 2% of COGS]	2.7	46.1	30.0	20.5	*18.8*	27.4	28.0
Scope	39.2	0.0	0.4	8.0	*8.1*	15.8	0.0
SG&A, wages & other	-27.0	-26.4	-9.0	-30.5	*-42.8*	-18.3	-8.8
Others / check	0.0	0.0	0.2	0.1	-	-0.5	0.3
Adjusted EBITDA n	**285**	**334**	**315**	**261**	***249***	**294**	**322**

Source: Tarkett; Bryan, Garnier & co

Net sales by segment

EURm	**2018**	**2017**	**% change**	**o/w organic growth**
EMEA	908.4	926.4	-1.9%	-0.1%
North America	783.6	783.4	0.0%	+1.3%
CIS, APAC & Latin America	580.5	619.0	-6.2%	-1.5%
Sports	563.6	512.3	+10.0%	+11.7%
Group total	**2,836.1**	**2,841.1**	**-0.2%**	**+2.1%**

Source: Tarkett; Bryan, Garnier & co

Adjusted EBITDA by segment

EURm	**2018**	**2017**	**2018 margin**	**2017 margin**
EMEA	97.3	126.8	10.7%	13.7%
North America	70.2	95.0	9.0%	12.1%
CIS, APAC & Latin America	74.1	88.5	12.8%	14.3%
Sports	52.8	51,5[3]	9.4%	10.1%
Central costs not allocated	(45.6)	(46.7)	-	-
Group total	**248.7**	**315.1**	**8.8%**	**11.1%**

Source: Tarkett

BRYAN, GARNIER & CO

TARKETT

NEUTRAL

Fair Value	EUR21(+13%)
Share price	EUR18.65
Market Cap.	EUR1,188m
EPS 3Y CAGR	-5.6%

Simplified Profit & Loss Account (EURm)	**2016**	**2017**	**2018e**	**2019e**	**2020e**
Revenues	2,739	2,841	2,851	3,050	3,124
Change (%)	0.9%	3.7%	0.3%	7.0%	2.4%
Adjusted EBITDA	334	315	261	294	322
EBIT	214	196	135	157	182
Change (%)	32.4%	-8.1%	-31.3%	16.6%	15.6%
Financial results	-21	-23	-25	-27	-21
Pre-Tax profits	193	173	110	130	161
Exceptionals					
Tax	-53	-30	-29	-35	-44
Profits from associates	3	3	3	3	3
Minority interests	1	1	-1	-2	-2
Net profit	119	-39	71	85	107
Restated net profit	119	127	71	85	107
Change (%)	42.4%	7.4%	-44.3%	20.5%	25.2%
Cash Flow Statement (EURm)					
Operating cash flows	256	78	201	227	249
Change in working capital	-17	-37	-63	-32	-15
Capex, net	-91	-111	-142	-137	-125
Financial investments, net	0	0	-202	0	0
Dividends	-33	-38	-38	-38	-46
Other	-13	-7	0	0	0
Net debt	387	492	740	721	657
Free Cash flow	148	-70	-4	57	109
Balance Sheet (EURm)					
Tangible fixed assets	489	467	487	485	466
Intangibles assets	659	602	612	612	612
Cash & equivalents	93	115	-47	-128	-264
current assets	799	837	921	985	1,009
Other assets	129	112	107	103	99
Total assets	2,168	2,133	2,080	2,058	1,923
L & ST Debt	480	606	693	593	393
Others liabilities	289	260	290	290	290
Shareholders' funds	935	781	783	829	885
Total Liabilities	2168	2,133	2,272	2,250	2,115
Capital employed	1,482	1,420	1,514	1,544	1,541
Ratios					
Operating margin	7.8%	6.9%	4.7%	5.2%	5.8%
Tax rate	31.2%	-283.2%	30.0%	30.0%	30.0%
Net margin	4.4%	-1.3%	2.4%	2.8%	3.4%
ROE (after tax)	12.7%	16.4%	9.1%	10.3%	12.1%
ROCE (after tax)	9.3%	9.4%	6.2%	7.1%	8.2%
Gearing	41%	63%	94%	87%	74%
Pay out ratio	32.1%	29.9%	53.6%	53.6%	53.6%
Number of shares, diluted	63.40	63.40	63.40	63.40	63.40
Data per Share (EUR)					
EPS	1.87	-0.61	1.12	1.35	1.69
Restated EPS	1.87	2.01	1.12	1.35	1.69
% change	42.8%	7.4%	-44.3%	20.5%	25.2%
EPS bef. GDW					
BVPS	14.64	12.22	12.28	13.02	13.93
Operating cash flows	3.77	0.65	2.18	3.07	3.69
FCF	2.33	-1.11	-0.06	0.90	1.72
Net dividend	0.60	0.60	0.60	0.72	0.91

Source: Company Data; Bryan, Garnier & Co ests.

BRYAN, GARNIER & CO

8th February 2019

Telecom

Technology

Slowdown in French mobile market growth in Q4 2018

Slowdown of market, less prepaid to postpaid migrations at MNOs

The number of SIM cards in service in France (excluding MtoM cards) stood at 75.6 million at 31 December 2018, representing an increase of 120,000 during the quarter. This was the smallest increase recorded in a fourth quarter, and was divided by three compared to the fourth quarter of 2017. In total, the increase in the customer base in mainland France (+105,000 cards compared to +400,000 a year earlier) was entirely due to the increase at MNOs, which recorded 135,000 additional cards, a level that was 100,000 lower than in the fourth quarter of 2017. This lower performance was linked to a quarterly growth in the post-paid customer base that is half as low (+365,000 compared to +750,000 at the end of 2017), partly offset by a much smaller decline in the number of prepaid cards in service (-225,000, after -510,000 at the end of 2017). The corporate market is not affected by this deceleration. Annual growth in the number of SIM cards remains high, above 3% for the past year and a half (compared to +1.2% in the residential segment).

The deceleration could show the first signs of a market change

In metropolitan France, market dynamics are weakening, for both gross adds and number portability. The deceleration seen in Q4 2018 might be related to low promotional activity on the market, which we believe fueled Q4 2017 growth. Overall, should promotional activity level off, market growth (in volumes) could stabilize at around 1%, but the arpu upside could then be very positive. Indeed, note that promotions do not only impact the value of gross adds, but they have a collateral impact on the whole customer base through a proactive and reactive retention mechanism. Together with the latest premium initiatives on the fixed side, we might be seeing the early signs of a progressive switch of focus from volume to value.

Operators should be diversely impacted

In Q4 2017, Orange, SFR, Bouygues and Free posted postpaid net adds of 212k, 80k, 150k and 305k respectively. Assuming Iliad's performance remains under 0 as in Q2 and Q3 (which is a likely scenario given in particular that Q4 is not the strongest quarter for SIM only offers), and assuming SFR achieves a better performance than last year (in line with the strong Q2 and Q3 2018 net adds), we believe Orange and Bouygues should post postpaid net adds down vs last year.

BG Coverage

BOUYGUES	BUY	EUR41
ILIAD	BUY	EUR170
ORANGE	BUY	EUR17.5
ALTICE	NEUTRAL	EUR2
TELECOM ITALIA	NEUTRAL	EUR0.7

Last rating Change:

TELECOM ITALIA - 07/03/18
The new strategic plan should help offset Iliad's potential impact

BOUYGUES - 22/02/18
Strong FY results; Upgrade to Buy.

ALTICE - 16/11/17
Patrick Drahi said exactly what needed to be said.

ALTICE - 10/11/17
Michel Combes resigns, Altice's governance evolves : for good or bad ?

Last FV Change:

BOUYGUES - 18/01/19
2019 outlook for telecoms in France: key factors to watch

ILIAD - 18/01/19
2019 outlook for telecoms in France: key factors to watch

BOUYGUES - 30/11/18
5G: Reality beyond the hype

ALTICE - 30/11/18
5G: Reality beyond the hype

ILIAD - 30/11/18
5G: Reality beyond the hype

ORANGE - 30/11/18
5G: Reality beyond the hype

Thomas Coudry
33(0) 1 70 36 57 04
tcoudry@bryangarnier.com
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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.

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Distribution of stock ratings

BUY ratings 54.3% NEUTRAL ratings 38.9% SELL ratings 6.9%

Bryan Garnier Research Team

Healthcare	**Pharmaceuticals**	**Eric Le Berrigaud** ***(Head of Equities)***	33 (0) 1 56 68 75 33	eleberrigaud@bryangarnier.com
	Pharmaceuticals	**Jean-Jacques Le Fur, PharmD**	33(0) 1 70 36 57 45	jjlefur@bryangarnier.com
	Biotech	**Gary Waanders**	44 207 332 25 45	gwaanders@bryangarnier.com
	Medtech/Biotech	**Hugo Solvet**	33 (0) 1 56 68 75 57	hsolvet@bryangarnier.com
	Biotech/Medtech	**Victor Floc'h**	33 (0) 1 70 36 57 01	vfloch@bryangarnier.com
Technology	**Video Games / Payments**	**Richard-Maxime Beaudoux**	33 (0) 1 56 68 75 61	rmbeaudoux@bryangarnier.com
	Telecoms & Media	**Thomas Coudry**	33(0) 1 70 36 57 04	tcoudry@bryangarnier.com
	Software & IT Services	**Gregory Ramirez**	33 (0) 1 56 68 75 91	gramirez@bryangarnier.com
	Semiconductors	**Frédéric Yoboué**	33 (0) 1 56 68 75 64	fyoboue@bryangarnier.com
Consumer, Brands & Retail	**Beverages & Cannabis**	**Nikolaas Faes**	33 (0) 1 56 68 75 72	nfaes@bryangarnier.com
	Retail & e-commerce	**Clément Genelot**	33 (0) 1 56 68 75 60	cgenelot@bryangarnier.com
	Luxury/Cosmectics	**Loïc Morvan**	33 (0) 1 70 36 57 24	lmorvan@bryangarnier.com
	HPC & e-commerce	**Cedric Rossi**	33 (0) 1 70 36 57 25	crossi@bryangarnier.com
	Food & Beverages	**Virginie Roumage**	33 (0) 1 56 68 75 22	vroumage@bryangarnier.com
Smart Industries	**Insurance**	**Olivier Pauchaut (Head of Research)**	33 (0) 1 56 68 75 49	opauchaut@bryangarnier.com
	Utilities & Renewables	**Pierre-Antoine Chazal**	33 (0) 1 56 68 75 06	pachazal@bryangarnier.com
	Lodging & Business services	**Bruno de La Rochebrochard**	33 (0) 1 56 68 75 88	bdelarochebrochard@bryangarnier.com
	Construction & Building materials	**Eric Lemarié**	33 (0) 1 70 36 57 17	elemarie@bryangarnier.com
Corporate Event Manager		**Julie Montel**	33(0) 1 56 68 75 46	jmontel@bryangarnier.com
Market Data & Information Systems Manager		**Eric Monnier**	33(0) 1 56 68 75 63	emonnier@bryangarnier.com

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DAILY EQUITY RESEARCH UPDATE

Wake-up Call

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Bryan, Garnier & Co Ltd	Bryan, Garnier & Co Ltd	Bryan, Garnier & Co. GmbH	Bryan, Garnier & Co	Bryan Garnier Securities
Beaufort House	26 Avenue des Champs-Elysées	Widenmayerstrasse 29	Theaterstrasse 4	750 Lexington Avenue
15 St. Botolph Street	75008 Paris	80538 Munich	8001 Zurich	16th floor
London EC3A 7BB	France	Germany	Switzerland	New York, NY 10022
United Kingdom				United States
+44 207 332 2500	+33 1 56 68 75 20	+49 89 2422 62 11	+41 44 991 3300	+1 212 337 7000

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