



BRYAN, GARNIER & CO

DAILY EQUITY RESEARCH UPDATE

Wake-up Call

Dow Jones: 25,554.66 (9.55% ytd) | CAC40: 5270.25 (11.41% ytd) | Stoxx 600: 373.251(10.54% ytd)

13th March 2019

Please find our Research on Bloomberg BRYG <GO>

MAISONS DU MONDE | NEUTRAL | EUR32 vs. EUR34

Disappointing guidance for 2019 growth
2018 metrics in line with the latest trading statement
Disappointing guidance for 2019 growth
Fair Value lowered from EUR34 to EUR32
Neutral maintained pending clearer view on the CMD

ADIDAS GROUP | BUY | EUR220

adidas keeps reassuring on profitability despite weaker top line trends
Normalizing trends in North America and Greater China
Strong earnings momentum
Reassuring FY19 margin outlook despite sales headwind
Conference call today at 3pm (CET)

ADYEN | SELL | EUR490

Pre-IPO investors complete a placement of EUR1.5bn
PE funds complete a placement of ~2.5m shares at EUR600
We expected the placement
We maintain our Sell recommendation and FV of EUR490

INDITEX | BUY | EUR33

Soft points in Q4 but reassuring FY19 outlook
Q4 LFL (+4%): a touch softer but improved vs. Q3 (+2%)
Slight Q4 GM miss: FX was less supportive than expected
More favourable shareholder returns
FY19 outlook: ITX guides on +4-6% LFL

SAFECHARGE | BUY | 380p

FY 2018 earnings at the top of the latest guidance range
Strong FY 2018 earnings
Trends confirmed
Reassuring FY 2019 guidance
We maintain our Buy recommendation and FV of 380p

SALVATORE FERRAGAMO | NEUTRAL | EUR18

Significant communication investments in 2019
1.7% organic sales decline in 2018
FY 2018 EBIT down 20% to EUR150m
No profitability improvement expected in 2019
Neutral recommendation confirmed

TARKETT | NEUTRAL | EUR21

2020 guidance "no longer relevant"
New strategic plan to be presented on 19th June 2019
After a very difficult year in 2018
Midterm financial objectives are "no longer relevant by 2020"
No surprise but obviously not positive. Neutral maintained.

Upcoming BG events :

Date	
14th-Mar/ 15th-Mar	4th Annual Technology Conference
3rd-Apr	CAPGEMINI Luxembourg roadshow with CFO / IR
30th-Apr	BIOCARTIS London roadshow with CEO/IR

Recent reports :

Date	
12th-Mar	MEDINCELL Injecting more value
12th-Mar	BLUELINEA La Silver Economie : un marché en OR !
12th-Mar	BLUELINEA The Silver Economy: a golden opportunity!
6th-Mar	AB INBEV Battle for the Middle Kingdom
19th-Feb	SUMMIT THERAPEUTICS Superiority: The Right Drug for the Right Bug
12th-Feb	TRANSGENE The Platform Approach Is Worth Another Look

Q2 2019 Top Picks

SANOFI (Buy, FV EUR94)
NOVARTIS (Buy, FV CHF96)
ROCHE HOLDING (Buy, FV CHF315)
GALAPAGOS (Buy, FV EUR125)

MAISONS DU MONDE

Consumer, Brands & Retail
| E-Commerce

13th March 2019

NEUTRAL

Fair Value EUR32 vs. EUR34 (+43%)
Share price EUR22.30
EPS 3Y Cagr 10.8%

Disappointing guidance for 2019 growth

2018 metrics in line with the latest trading statement

Following its trading statement of January, Maisons du Monde reported 7.4% growth excl. Modani (vs. 7.2% initially expected by CS) in 2018 o/w 3.1% LfL and a 4.4% space effect. Growth incl. Modani came out at 10%. We estimate that France was down c.0.8% in LfL in Q4, due especially to the Yellow Vests. In the US, Modani continued to perform well with EUR26m of sales over 2018 (already generating >2% of sales). Regarding profitability, current EBITDA came out at EUR148m (slightly above CS initially at EUR146.6m) as the group's cost initiatives launched in H2 helped offset a higher share of the gross margin headwinds than anticipated.

Disappointing guidance for 2019 growth

Guidance for 2019 sounds disappointing with 10% growth (incl. Modani), which is below the CS figure of 11.9%. We could have hoped for a re-acceleration in growth in 2019 given: 1/ measures to boost purchasing power for more modest households in France, whose propensity to save is low; 2/ the full impact of the numerous store openings in Q4 2018 and the delayed opening of four stores in 2019; 3/ the more favorable comps; 4/ the group's commercial initiatives to further improve the renewal rate of its offer in 2019/20. Beyond a continued strong development of Modani and a stronger space contribution (20-25 net openings), such guidance implies a slightly lower LfL excl. Modani in 2019 vs 2018. On the margin side, the group expects a stable gross margin and a current EBITDA margin above 13%.

Fair Value lowered from EUR34 to EUR32

Adj. EPS cut by c.6% on av. over 2019/21 in our model, and FV lowered to EUR32 from EUR34, as we are now taking into account a higher tax rate (37%) CAPEX (5.7% of sales) but are more cautious on our 2019/21 growth assumptions. 10.1% growth expected for 2019 with 3.1% LfL, 6.0% space contribution and 0.9% of the remaining perimeter effect related to Modani. Exc Modani, the LfL amounts to 3.0% (10bp below 2018). Our revision comes from France where we lowered both the space contribution (2.9% vs. 5%) and LfL (1.7% vs 3.5%). France is set to be affected by the phasing of store relocations in 2019 (nine closures in Q1 with openings to follow but throughout the year). In light of the cost initiatives implemented in H2 2018 and despite a lower boost from FX to gross margin (30-40bp offset by a negative mix), we are more optimistic on current EBITDA and now anticipate a broadly stable margin 13.3% (vs. 13.1%).

Neutral maintained pending clearer view on the CMD

The disappointing 2019 guidance, whether due to management's excessive caution or not, is unlikely to restore momentum for Maisons du Monde's and its growth stock status, especially after the 30% share rebound YTD. Q1 is also set to be weaker in light of the phasing of store relocations and the Easter shift. Despite noticeable upside, we are confirming our neutral stance while waiting to see what levers could be addressed at the CMD in June to reassure on growth and margin prospects beyond 2019.

Market Data

Bloomberg / Reuters	MDM FP/MDM.PA
Market Cap.	EUR1,009m
E.V.	EUR1.143m
Free Float	0
Avg. Daily volume (6m)	107.4
12m high / low	36.0 / 15.5
Ytd Perf.	33.5%

EURM	12/178	12/18e	12/19e	12/20e
Sales	1,111	1,224	1,345	1,474
% Change		10.1%	9.9%	9.6%
EBITDA	148.0	162.4	177.3	193.4
% Change		9.7%	9.2%	9.1%
EBIT	108.2	119.8	129.2	140.7
% Change		10.7%	7.8%	8.9%
Net Income	67.8	77.6	84.1	92.1
% Change		14.4%	8.4%	9.6%
ROE	NM	NM	NM	NM

	12/178	12/18e	12/19e	12/20e
EV/Sales	1.1x	0.9x	0.8x	0.7x
EV/EBITDA	8.1x	7.1x	6.3x	5.7x
EV/EBIT	11.0x	9.6x	8.7x	7.8x
EPS	1.42	1.63	1.76	1.93
% change		14.4%	8.4%	9.6%
P/E	15.7x	13.7x	12.6x	11.5x
Div Yield	2.1%	2.7%	2.9%	3.2%

Next Catalyst: Q1 19 sales on 9th May
Investor Day in June

Last rating Change:

2018-11-8, *Visibility on the timing of the rebound in consumption in France is deteriorating*

Last FV Change:

2019-1-23, *No warning for 2018, but an engaging outlook for 2019 will be needed*

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MAISONS MONDE

NEUTRAL

Fair Value	EUR34(+51%)
Share price	EUR22.30
Market Cap.	EUR1,009m
EPS 3Y	10.8%
CAGR	

DU Source:

Fiscal year end 31/12	2016	2017	2018e	2019e	2020e
Data per Share (EUR)					
EPS	1.39	1.26	1.41	1.53	1.67
Restated EPS	1.24	1.42	1.63	1.76	1.93
% change	-	14.3%	14.4%	8.4%	9.6%
Operating cash flows	2.80	2.88	2.71	2.96	3.23
FCF	2.21	-0.45	1.74	1.63	1.37
Net dividend	0.44	0.47	0.60	0.65	0.71
Average number shares	45	45	45	45	45
EV HISTO	1269	1732	1190	1158	1139
Simplified Profit & Loss Account (EURm)					
Revenues	1,011	1,111	1,224	1,345	1,474
Change (%)	-	10%	10%	10%	10%
Current EBITDA	139	148	162	177	193
Change (%)	-	7%	11%	8%	9%
EBIT	100	103	115	123	134
Financial results	(10)	(9)	(7)	(7)	(7)
Pre-Tax profits	88	94	108	117	128
Tax	(25)	(33)	(40)	(43)	(47)
Net profit - Group share	63	60	67	73	80
Restated net profit - Group share	57	68	78	84	92
Change (%)	-	20%	14%	8%	10%
Cash Flow Statement (EURm)					
Operating cash flows	127	130	122	134	146
Change in working capital	27	-76	26	14	-7
Capex, net	-54	-75	-70	-74	-77
Free Cash flow (MDM definition)	100	-20	79	74	62
Financial investments, net	0	0	0	0	0
Dividends	-14	-20	-21	-27	-29
Capital increase / buyback	0	-7	0	0	0
Other	15	-21	-14	-14	-14
Decrease / (Increase) in net debt	100	-60	44	33	18
Net debt	125	186	142	109	91
Balance Sheet (EURm)					
Tangible fixed assets	146	159	182	204	224
Intangibles assets	251	636	273	278	283
Cash & equivalents	100	57	89	122	140
Other assets	627	359	727	741	777
Total assets	1,124	1,211	1,271	1,345	1,425
L & ST Debt	226	243	231	231	231
Others liabilities	366	378	403	430	459
Total Liabilities	1,124	1,211	1,271	1,345	1,425
WCR	2	74	48	34	41
Capital employed	720	869	871	885	918
Ratios					
Normative tax rate	36.0%	28.0%	28.0%	28.0%	28.0%
Net margin	6.2%	5.5%	5.5%	5.5%	5.5%
ROCE (after tax)	9.0%	9.0%	9.9%	10.5%	11.0%
Gearing	24%	31%	22%	16%	12%

Company Data; Bryan, Garnier & Co ests.

ADIDAS GROUP

Consumer, Brands & Retail
| E-Commerce

13th March 2019

BUY

Fair Value EUR220(+4%)
Share price EUR209.80
EPS 3Y Cagr 22.3%

adidas keeps reassuring on profitability despite weaker top line trends

Normalizing trends in North America and Greater China

This morning, ADS has reported sales of EUR21.92bn (CS: EUR21.87bn), up 3% reported and 8% FX-n, in line with the lower end of the guidance (+8-9% FX-n) and CS expectations (+8%).

In Q4 alone, FX-n sales growth of 5% was a touch softer than expected (CS: +6%), after +8% in Q3, due to a demanding comparison base (Q4 2017: +19%) and some first signs of the supply chain shortages that will affect H1, particularly in North America. Hence the ADS brand only grew by 5% FX-n (vs. +10% in Q3), the weakest performance in four years, whilst RBK sales declined by 1% vs. -5% in Q3.

By region, only Asia-Pacific maintained double-digit growth in Q4 with 11% FX-n (Q3: 15%), including +13% FX-n in Greater China (Q3: +26%) where normalizing trends materialise. North America decelerated to +9% (Q3: +18%) given very challenging comps (Q4 2017: +31%) and the first impacts of the above-mentioned supply chain shortages. Sales in Western Europe were down 6% FX-n (Q3: -1%).

Strong earnings momentum

The GM expanded 140bp to 51.8% (CS: 51.6%) as all elements of the mix were healthy (pricing, channel, product). Although marketing expenses increased faster than top-line (+10% to EUR3bn), other opex were tightly controlled, leading to an EBIT margin improvement of ~100bp to 10.8%, in line with CS expectations (10.8%). Stripping out the one-time tax impact recorded in 2017, net income from continuing operations rose 20% to EUR1,709m. Note also the inventory reduction of 5% FX-n.

Reassuring FY19 margin outlook despite sales headwind

ADS provided a fairly wide FY19 FX-n sales growth range (+5-8%) in view of the supply chain shortages (~1-2pp on FY growth), affecting North America in particular. As a consequence, ADS only expects 3-4% in H1 2019, followed by an acceleration in H2 once these disruptions are solved. We do not anticipate any material change with regard to CS expectations (+7%).

As for profitability, this above-mentioned headwind does not seem to affect earnings momentum: (i) GM should increase up to 20bp to 52% (CS: 51.9%), (ii) EBIT margin is expected to improve 50-70bp to 11.3-11.5% (CS: 11.4%) and (iii) net income from continuing operations to increase between 10-14% (CS: +12%).

Conference call today at 3pm (CET)

Pending the conference call, we leave our FY19 forecasts unchanged. Besides these supply chain shortages, ADS must also cope with an increasing competitive environment as NKE is making a strong comeback, particularly in North America (Q2 FY19: +9% FX-n) and in Greater China (+31%).

Market Data

	ADS GY/ADSG.F
Bloomberg / Reuters	EUR42 047
Market Cap.	EUR41 730
E.V.	100
Free Float	734.4
Avg. Daily volume (6m)	217.6 / 169.0
12m high / low	15.0%
Ytd Perf.	

EURm	12/17	12/18	12/19	12/20
Sales	21,218	21,888	23,621	25,736
% Change		3.2%	7.9%	9.0%
EBITDA	2,511	2,821	3,169	3,555
% Change		12.3%	12.3%	12.2%
EBIT	2,070	2,361	2,649	2,963
% Change		14.1%	12.2%	11.9%
Net Income	1,098	1,666	1,898	2,130
% Change		51.8%	13.9%	12.2%
ROE	0.17	0.22	0.22	0.21

	12/17	12/18	12/19	12/20
EV/Sales	2.0x	1.9x	1.7x	1.5x
EV/EBITDA	16.6x	14.5x	12.7x	11.1x
EV/EBIT	20.1x	17.3x	15.2x	13.3x
EPS	5.75	8.23	9.38	10.52
% change		43.1%	13.9%	12.2%
P/E	36.5x	25.5x	22.4x	19.9x
Div Yield	1.2%	1.6%	1.8%	2.0%

Next Catalyst: Conference call today at 3pm (CET) / Q1 2019 Results on 3rd May.

Last rating Change:

Race to 2020: one lap lead

Last Reports:

Race to 2020: one lap lead

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ADYEN

Technology
| Payments & Security

13th March 2019

SELL

Fair Value EUR490(-25%)
Share price EUR623.90
EPS 3Y Cagr 40.4%

Pre-IPO investors complete a placement of EUR1.5bn

PE funds complete a placement of ~2.5m shares at EUR600

Adyen said yesterday that pre-IPO investors (private equity funds) completed the sale of ~EUR1.5bn worth of Adyen shares, i.e. ~2.5m shares at EUR600 (an 8.6% discount to the closing price before the announcement). This equates to a package of c.8.5% of outstanding shares. These shareholders do not include any of Adyen's management board members or entities controlled or owned by them, Stichting Administratiekantoor Adyen or any of Adyen's employees. JP Morgan and Morgan Stanley were handling the sale. The bookrunner completed placement through an accelerated bookbuilding offering to institutional investors.

We expected the placement

We had already pointed out on several occasions that stakes owned by PE funds were subject to a six-month lock-up period post-IPO, which ended on 12th December 2018. As such, we were expecting a placement soon. The selling shareholders are now subject to a lock-up commitment on their remaining Adyen shares for a period of 60 days from the closing of the placement, subject to certain customary exceptions and waiver by the joint bookrunners. Note that the free float should now be slightly above 30% (BG est. 30.4%) vs. prior c.22% (BG est. 21.9%).

We maintain our Sell recommendation and FV of EUR490

We maintain our Sell recommendation and FV of EUR490. Even our optimistic forecasts are largely priced in and we consider that the deal with eBay clearly favours the latter (Adyen will take time to make its extensive efforts profitable). On our estimates, Adyen is trading on an average premium of 170% vs. its most comparable listed peer Wirecard over 12 rolling months (EV/sales of 6.7x vs. 5.1x, EV/adjusted EBITDA of 58.3x vs. 17.3x and P/E of 91.4x vs. 26.9x).

Market Data

Bloomberg / Reuters	ADYEN NA/ADYEN.AS
Market Cap.	EUR18,454m
E.V.	EUR18,178m
Free Float	30.4
Avg. Daily volume (6m)	84.70
12m high / low	738.2 / 411.0
Ytd Perf.	31.3%

EURM	12/18	12/19e	12/20e	12/21e
Sales	1,653	2,314	3,078	4,001
% Change		40.0%	33.0%	30.0%
EBITDA	185.3	265.2	366.8	498.1
% Change		43.1%	38.3%	35.8%
EBIT	173.1	252.9	350.5	476.9
% Change		46.1%	38.6%	36.0%
Net Income	133.8	194.2	271.1	370.4
% Change		45.1%	39.6%	36.6%
ROE	0.23	0.25	0.26	0.26

	12/18	12/19e	12/20e	12/21e
EV/Sales	10.4x	7.2x	5.3x	3.9x
EV/EBITDA	92.9x	63.3x	44.2x	31.1x
EV/EBIT	99.5x	66.3x	46.3x	32.5x
EPS	4.37	6.34	8.86	12.10
% change		45.1%	39.6%	36.6%
P/E	NS	98.3x	70.4x	51.5x
Div Yield	NM	NM	NM	NM

Next Catalyst : 12th April: Capital Markets Day in Amsterdam

Last rating Change:

2018-11-8, *Attractive... but pricey!*

Last FV Change:

2018-11-8, *Attractive... but pricey!*

Last Reports:

2019-2-28, *Move along, there is nothing to see at current price*

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INDITEX

Consumer, Brands & Retail
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13th March 2019

BUY

Fair Value EUR33(+25%)
Share price EUR26.27
EPS 3Y Cagr 7.4%

Soft points in Q4 but reassuring FY19 outlook

Q4 LFL (+4%): a touch softer but improved vs. Q3 (+2%)

ITX unveiled this morning FY18 sales of EUR26.14bn (+7% FX-n and +4% LFL) cs. CS of EUR26.4bn. In Q4 alone, sales came in at EUR7.71bn, up 5% reported and ~9% FX-n, a touch below expectations (CS: EUR7.94bn) due to a more negative FX headwind and LFL (-4%), which was a bit softer than expected (-5%). Even if this quarterly performance marks a rebound vs. Q3 (+2%e) which was affected by a tough month of September, we recall that sales over the months of October and November were up 5% LFL. Hence, Q4 LFL performance leads to +3% in H2 (vs. +4% in H1), slightly shy of the H2 guidance (+4-6% lfl).

FY online sales soared 27% to EUR3.2%, now representing 12% of sales vs. 10% at end-2017. As a reminder, Zara launched online sales in 106 new countries last November.

Slight Q4 GM miss: FX was less supportive than expected

In Q4, GM remained flat at 53.5% (CS: 54%e) as the FX headwind seemed to be more harmful than anticipated, and despite easy comps (higher share of clearance sales in January '18). Given the anniversary effect of the gains from property disposals in Q4 (D&A), EBITDA increased by 5% (margin stable at 19.8%) whilst EBIT contracted by 2.5% (margin: -120bp to 16.7%).

For the first time since 2011, FY GM improved 40bp to 56.7% (CS: 56.8%e) as the Spanish fashion group maintained a tight discipline to pricing, certainly at the expense of some revenue growth in H2, and a less harmful transactional FX. FY EBITDA expanded 10bp to 20.9% (first rebound since 2013) and FY EBIT margin narrowed moderately (-30bp to 16.7%).

More favourable shareholder returns

Inventories continued to be tightly managed as they decreased 20bp to 10.4% of sales rolling 12M. As guided by management, FY capex amounted to EUR1.5bn.

Given the higher net cash position (+5% to EUR6.7bn) and a sound balance sheet, ITX decided to enhance its shareholders return policy: (i) the ordinary dividend payout ratio will be increased to 60% vs. 50% previously and (ii) a bonus dividend of EUR1 per share to be paid in relation for FY18-20. As a consequence, FY18 dividend will increase by 17% to EUR0.88 (EUR0.66 ordinary dividend + EUR0.22 bonus dividend).

FY19 outlook: ITX guides on +4-6% LFL

Ahead of today's conference call (9am CET), ITX has unveiled LFL guidance of +4-6% (CS: +4.3%e); which could reassure investors and confirm that ITX continues to outperform its peers in a still challenging fashion market. ITX also expects gross space growth to be around +5-6% after +8% in FY18, confirming the group's ongoing store network optimisation.

Market Data

Bloomberg / Reuters	ITX SM/ITX.MC
Market Cap.	EUR81 874
E.V.	EUR75 924
Free Float	40,8
Avg. Daily volume (6m)	2 915
12m high / low	30.0 / 22.1
Ytd Perf.	17.5%

EURm	01/18	01/19	01/20	01/21
Sales	25,336	26,450	28,433	30,708
% Change		4.4%	7.5%	8.0%
EBITDA	5,278	5,530	5,952	6,458
% Change		4.8%	7.6%	8.5%
EBIT	4,314	4,514	4,871	5,291
% Change		4.6%	7.9%	8.6%
Net Income	3,368	3,575	3,838	4,172
% Change		6.1%	7.3%	8.7%
ROE	0.25	0.24	0.24	0.24

	01/18	01/19	01/20	01/21
EV/Sales	3.0x	2.8x	2.6x	2.4x
EV/EBITDA	14.3x	13.5x	12.4x	11.3x
EV/EBIT	17.5x	16.6x	15.2x	13.8x
EPS	1.08	1.15	1.23	1.34
% change		6.1%	7.3%	8.7%
P/E	24.3x	22.9x	21.3x	19.6x
Div Yield	2.9%	3.1%	3.4%	3.8%

Next Catalyst: Conference call today at 9am (CET) / Q1 2018 Results in June 2019

Last FV Change:

The Leader is Fashionable Again (Note Out)

Last Reports:

The Leader is Fashionable Again (Note Out)

Cédric Rossi

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Inditex Q4 2018 and 2018 results

<i>EURm</i>	Q4 2018	<i>% change</i>	2018	<i>% change</i>
Sales	7,708	5	26,145	3
Gross Profit	4,122	5	14,816	4
Gross Margin (%)	53.5	=	56.7	+40bp
EBIT	1,288	-2.5	4,357	1
EBIT margin (%)	16.7	-120bp	16.7	-30bp
Net income	1,006	-2	3,444	2

Source: Company Data

SAFECHARGE

Technology
| Payments & Security

13th March 2019

BUY

Fair Value 380p(+37%)
Share price 297.00p
EPS 3Y Cagr 11.0%

FY 2018 earnings at the top of the latest guidance range

Strong FY 2018 earnings

Revenues came out at USD138.5m i.e. +24% Y/Y and +22% lfl (cons. USD135.5m; BG USD138.5m; latest guidance "at the top-end of its expectations of USD137.5-138.5m), driven by new customer wins and an expanded relationship with existing customers. In view of the transaction volumes processed (USD13.9bn, +45% Y/Y), the average commission fee received was 1.00% (vs. 1.16% in 2017). Note that SafeCharge's directly-operated acquiring accounted for almost 29% of the total transaction volumes processed (27% in H1 and 30% in H2 2018 vs. 22% in 2017), which is a great achievement. Adjusted EBITDA was USD37.3m (cons. USD37.3m; BG USD37.5m; latest guidance: "in the range of USD36.5-37.5m") i.e. a margin of 26.9%, and net profit of USD24.8m i.e. margin of 17.9% (BG. USD27.1m). FCF of USD23.0m (BG. USD26.4m) i.e. a robust cash conversion of 84% (vs. 83% in 2017), and a net cash position of USD93.1m (vs. BG USD91.3m) and USD85.2m once adjusted (i.e. the funds held by SafeCharge before being paid into the merchant's bank account). The Board will propose a total dividend of 18.31c\$/share at this year's AGM (16.89c\$ the year before) i.e. 75% of adjusted EBITDA (in line with its usual policy).

Trends confirmed

We note that the majority of processed volume growth stems from new clients. SafeCharge continues its platform development and investment in sales & marketing to support future growth and accelerate its diversification (new verticals and geographies). The group continues to progress with its strategy of winning clients within both traditional and new target markets and verticals (recent wins incl. Gett, The Level Group, Danske Spil and Snai).

Reassuring FY 2019 guidance

With robust current trading, a strong sales pipeline (in both existing and new verticals) and new clients set to join the platform, management is confident in FY 2019. The company gave its first guidance for the year, namely for revenues in the range of USD155-165m (vs. cons. USD152.9m and BG USD155.1m) and restated EBITDA between USD40m and USD42m (cons. USD41.7m and BG USD42.3m). This will be driven by continued growth from its existing client base and new customers due to start processing in 2019.

We maintain our Buy recommendation and FV of 380p

Management showed its confidence in the business. The diversification into new verticals makes its activity more predictable than before. The share is trading on EV/EBITDA of only 11.9x over 12 rolling months whereas an online PSP such as this deserves at least 17x and increasingly 20x.

Market Data

Bloomberg / Reuters	SCH LN/SCHS.L
Market Cap.	GBP455m
E.V.	GBP315m
Free Float	29.6
Avg. Daily volume (6m)	164.4
12m high / low	355.0 / 225.0
Ytd Perf.	26.4%

USDM	12/17	12/18e	12/19e	12/20e
Sales	111.7	138.5	155.1	173.7
% Change		24.0%	12.0%	12.0%
EBITDA	29.8	35.4	40.3	45.7
% Change		18.7%	13.8%	13.5%
EBIT	24.6	29.2	33.3	37.9
% Change		18.3%	14.1%	13.8%
Net Income	26.3	28.5	32.0	36.0
% Change		8.2%	12.3%	12.5%
ROE	0.15	0.09	0.10	0.11

	12/17	12/18e	12/19e	12/20e
EV/Sales	3.1x	3.58	3.19	2.85
EV/EBITDA	11.6x	14.0	12.3	10.8
EV/EBIT	14.1x	16.1	14.2	12.5
EPS	0.17	0.19	0.21	0.24
% change		8.2%	12.3%	12.5%
P/E	NS	20.6	18.3	16.3

Next Catalyst: FY results presentation: today in London (9:30am)

Last Reports:

2019-1-10, Strong 2018 year-end confirmed

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SALVATORE FERRAGAMO

Consumer, Brands & Retail
| Luxury Goods

13th March 2019

NEUTRAL

Fair Value EUR18(-2%)
Share price EUR18.00
EPS 3Y Cagr 1.0%

Significant communication investments in 2019

1.7% organic sales decline in 2018

On 29th January, Salvatore Ferragamo reported 2018 FY sales of EUR1.35bn. FY sales were down 1.7% same-FX implying -1.8% in Q4 vs +3% in Q3. Europe (24% of sales) was especially poor (-6% of which -8% in Q4), affected by both Italy (close to 10% of sales on our estimates), which remains a very tough market, the Middle East, and France (4% of sales), which suffered from the Yellow Vests protests. The UK was also under pressure given the Brexit situation. Asia-Pacific (38% of sales) revenues remained almost unchanged last year (+0.8% o/w +2.9% in Q4), with a more positive trend in Mainland China while momentum was more negative in other Asian locations (namely Hong Kong) as Chinese clientele bought more at home than overseas following the RMB weakness. In Q4, retail China grew 10% same FX. North America achieved a poor performance (-2.4% and -5% in Q4), penalised by wholesale and department stores. Retail sales were down 1.1% in 2018 (-1.3% at same store and -1% in Q4) with a positive performance by the primary channel in Q4, while wholesale sales declined 2.7% (-5.7% in Q4 alone after -1.6% on 9m), partly due to Italy, strategic streamlining and issues with a partner in the Middle East.

FY 2018 EBIT down 20% to EUR150m

FY 2018 EBIT declined 20% to EUR150m (consensus: EUR151m), implying a 230bp EBIT margin erosion after -500bp in 2017. In Q4 alone, EBIT was down 32%. FY 2018 profitability narrowed (gross margin down 50bp, affected by the negative FX impact) due to i/ the sales decline (see above) and ii/ higher operating costs (namely styling, selling and communication expenses) that are more long-term oriented and that were not cancelled out during the quarter despite the sales decline in Q4. Styling costs grew 40bp to 3.6% as a percentage of sales versus 3.2% in 2017 while communication & marketing costs reached 5.4% of sales last year versus 5.1% in 2017. Clearly, management decided to invest significantly in the brand in order to catch new consumers, especially millennials.

No profitability improvement expected in 2019

For 2019, we expect sales to grow 2.5% to EUR1.39m with a slight wholesale sales decrease (affected by a double digit decline in H1) and a better trend in retail, mainly thanks to the primary channel which seems to be strong over the first months of the year, but with a still-tough secondary channel performance. Given the still significant investments in the brand (digital, communication, distribution), we do not expect a profitability improvement in 2019 (hence almost EBIT margin stability at 11.3%), despite a likely GM gain (better retail mix).

Neutral recommendation confirmed

We reiterate our neutral recommendation on the stock with an unchanged EUR18 FV.

Market Data

Bloomberg / Reuters	SFER IM/SFER MI
Market Cap.	EUR3,038m
E.V.	EUR2,954m
Free Float	25
Avg. Daily volume (6m)	529.6
12m high / low	25.3 / 17.2
Ytd Perf.	2.0%

EURM	12/17	12/18e	12/19e	12/20e
Sales	1,394	1,347	1,385	1,440
% Change		-3.4%	2.8%	4.0%
EBITDA	248.5	214.3	223.0	239.0
% Change		-13.8%	4.1%	7.2%
EBIT	186.1	149.8	158.0	184.0
% Change		-19.5%	5.5%	16.5%
Net Income	119.3	89.4	105.0	123.0
% Change		-25.1%	17.4%	17.1%
ROE	0.17	0.13	0.16	-0.03

	12/17	12/18e	12/19e	12/20e
EV/Sales	2.1x	2.2x	2.2x	2.1x
EV/EBITDA	11.6x	13.7x	13.5x	12.8x
EV/EBIT	15.5x	19.6x	19.0x	16.7x
EPS	0.71	0.53	0.62	0.73
% change		-25.1%	17.4%	17.1%
P/E	25.4x	33.9x	28.9x	24.6x
Div Yield	2.1%	1.9%	2.1%	2.4%

Next Catalyst: Q1 results to be reported on May 14th

Last rating Change:

2017-6-23, *Some fears on H1 earnings...* Last FV Change:

2019-1-21, *Challenging Q4 2018 and cautiousness for 2019*

Last Reports:

2019-1-30, *As expected, a poor Q4*

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SALVATORE FERRAGAMO

NEUTRAL

Fair Value EUR18(-2%)
Share price EUR18.00
Market Cap. EUR3,038m
EPS 3Y 1.0%
CAGR

Income Statement (EURm)	2016	2017	2018e	2019e	2020e
Revenues	1,438	1,394	1,347	1,385	1,440
Change (%)	0,6%	-3,1%	-3,4%	2,8%	4,0%
Gross margin	965	899	862	889	923
Change (%)	1,8%	-6,9%	-4,1%	3,1%	3,8%
Adjusted EBITDA	324	249	214	223	239
EBIT	261	186	150	158	184
Change (%)	-1,5%	-28,6%	-19,5%	5,5%	16,5%
Financial results	-15	-13	-14	-13	-12
Pre-Tax profits	246	173	136	145	172
Exceptionals	2	3	4	5	6
Tax	-47	-59	-46	-41	-50
Profits from associates	0	1	1	1	1
Minority interests	-4	-4	2	0	0
Net profit	202	119	89	105	123
Restated net profit	202	119	89	105	123
Change (%)	17,0%	-40,9%	-25,1%	17,4%	17,1%
Cash Flow Statement (EURm)					
Operating cash flows	230	147	117	133	151
Change in working capital	58	-105	6	19	21
Capex, net	68	79	70	70	70
Financial investments, net	0	0	0	0	0
Dividends	79	78	90	103	119
Other	22	-55	2	3	4
Net debt	3	-147	-97	-34	28
Free Cash flow	104	173	41	44	60
Balance Sheet (EURm)					
Tangible fixed assets	251	256	276	296	316
Intangibles assets	38	44	44	44	44
Cash & equivalents	117	212	162	99	37
current assets	555	474	488	516	545
Other assets	234	197	197	197	197
Total assets	1,195	1,182	1,166	1,151	1,138
L & ST Debt	121	67	67	67	67
Others liabilities	350	367	375	384	392
Shareholders' funds	724	749	724	701	679
Total Liabilities	1195	1182	1166	1151	1138
Capital employed	774	649	675	715	755
Financial Ratios					
Operating margin	18,1%	13,4%	11,1%	11,4%	12,8%
Tax rate	19,3%	34,0%	33,6%	28,3%	29,1%
Net margin	14,0%	8,6%	6,6%	7,6%	8,5%
ROE (after tax)	29,1%	16,5%	12,8%	15,6%	-3,0%
ROCE (after tax)	27,2%	18,9%	14,7%	15,9%	-2,0%
Gearing	1%	-19%	-13%	-5%	4%
Pay out ratio	38,4%	53,6%	64,0%	60,9%	58,9%
Number of shares, diluted	168,410	168,410	168,410	168,410	168,410
Data per Share (EUR)					
EPS	1,20	0,71	0,53	0,62	0,73
Restated EPS	1,20	0,71	0,53	0,62	0,73
% change	17,0%	-40,9%	-25,1%	17,4%	17,1%
BVPS	4,30	4,44	4,30	4,16	4,03
Operating cash flows	1,37	0,87	0,70	0,79	0,90
FCF	0,62	1,03	0,25	0,26	0,36
Net dividend	0,46	0,38	0,34	0,38	0,43

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

TARKETT

Smart Industries

| Innovative Materials & Construction

13th March 2019

NEUTRAL

Fair Value EUR21(+20%)
 Share price EUR18.54
 EPS 3Y Cagr -8.1%

2020 guidance “no longer relevant”

New strategic plan to be presented on 19th June 2019

As previously announced, the new strategic plan which aims “to structurally improve profitability and organizational agility, to capture the opportunities offered by digital and to increase the Group's leadership in the circular economy”, will be presented to the financial market at an Investor Day on 19th June 2019. As stated previously, the group has already launched a “review of its strategic priorities and industrial set-up”. Basically, this plan is no surprise, neither is the timing in June.

After a very difficult year in 2018

Note that 2018 was challenging. Revenues were down 0.2% to EUR2836m, with 2.1% organic growth, a 3.6% negative forex impact and a 1.3% boost from scope. Q4 2018 actually worsened, with IFl growth falling to 1.3% (vs 3.2% at end September). EBITDA came in at EUR249m, down 21% y/y, yielding an 8.8% margin, down from 11.1% in 2017, down -232bps (vs -210bps at end September).

Midterm financial objectives are “no longer relevant by 2020”

Early February with the release of annual results, the group already mentioned a further negative impact from input costs (raw materials, energy and transport) although to a far lesser extent than 2018 (EUR48m) with EUR15m guided for 2019. However, new CEO Fabrice Barthélemy preferred not to review the 2020 targets (which include adjusted EBITDA margin above 12%, net sales around EUR3.5bn, along with other objectives) and said in particular the 12% EBITDA margin midterm target remains “valid”, “relevant”, although he admitted these guidance were “challenging”. Finally, simultaneously to the announcement of the investor day in June, Tarkett explains: “Given the significant increase in raw material prices over the past two years, the medium-term financial objectives communicated in 2016 are no longer relevant by 2020. New objectives will also be announced as part of this plan”. While this clearly comes as no surprise, it could have been communicated already, although admittedly the oil price has further increased since February. Our 2020 adjusted EBITDA margin stands at 10.4%, in line with the consensus (IBES).

No surprise but obviously not positive. Neutral maintained.

Initially, we were not sure we understood the timing of the communication on 2020 financial guidance, especially as we noted the main explanation was raw material prices over the past two years, not since early February. Moreover, management said in early February that it will be “more specific about financial targets for the next 3 to 5 years” in the strategic plan to be presented to the markets. But after a contact with the company, we understand it was mostly a legal constraint, as the company is currently working on its strategic plan and notes midterm objectives are very difficult to reach by 2020. In any case, we suspect the share price is unlikely to react positively to this newsflow (especially since it was up 5.8% yesterday), although neither us nor the consensus expects EBITDA margin in line with the guidance.

Market Data

Bloomberg / Reuters	TKTT FP/TKTT.PA
Market Cap.	EUR1,181m
E.V.	EUR1,707m
Free Float	49,2
Avg. Daily volume (6m)	111.5
12m high / low	29.1 / 16.8
Ytd Perf.	5.8%

EURM	12/17	12/18e	12/19e	12/20e
Sales	2,841	2,836	3,023	3,095
% Change		-0.2%	6.6%	2.4%
EBITDA	315.1	248.7	292.5	321.0
% Change		-21.1%	17.6%	9.7%
EBIT	196.3	131.2	162.5	182.7
% Change		-33.2%	23.9%	12.4%
Net Income	127.4	49.3	80.4	98.9
% Change		-61.3%	63.1%	23.0%
ROE	0.16	0.06	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	8.2x	6.9x	6.2x
EV/EBIT	9.0x	15.6x	12.5x	11.0x
EPS	2.01	0.78	1.27	1.56
% change		-61.3%	63.1%	23.0%
P/E	9.2x	23.8x	14.6x	11.9x
Div Yield	3.2%	3.2%	5.3%	6.5%

Next Catalyst: Q1 2018 on 14th April 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:

2019-2-8, Challenging 2018 figures - cautious outlook

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TARKETT

NEUTRAL

Fair Value	EUR21(+20%)
Share price	EUR18.54
Market Cap.	EUR1,181m
EPS	3Y -8.1%
CAGR	

Simplified Profit & Loss Account (EURm)	2016	2017	2018e	2019e	2020e
Revenues	2,739	2,841	2,836	3,023	3,095
Change (%)	0,9%	3,7%	-0,2%	6,6%	2,4%
Adjusted EBITDA	334	315	249	293	321
EBIT	214	196	131	163	183
Change (%)	32,4%	-8,1%	-33,2%	23,9%	12,4%
Financial results	-21	-23	-30	-31	-25
Pre-Tax profits	193	173	101	131	158
Exceptionals					
Tax	-53	-30	-19	-35	-43
Profits from associates	3	3	-8	0	0
Minority interests	1	1	1	1	2
Net profit	119	-39	49	80	99
Restated net profit	119	127	49	80	99
Change (%)	42,4%	7,4%	-61,3%	63,1%	23,0%
Cash Flow Statement (EURm)					
Operating cash flows	256	78	175	208	230
Change in working capital	-17	-37	-12	-33	-15
Capex, net	-91	-107	-127	-121	-124
Financial investments, net	0	0	-202	0	0
Dividends	-33	-38	-38	-38	-62
Other	-13	-7	-3	0	0
Net debt	387	492	754	737	708
Free Cash flow	148	-66	36	55	91
Balance Sheet (EURm)					
Tangible fixed assets	489	467	671	658	640
Intangibles assets	659	602	612	612	612
Cash & equivalents	93	115	-61	-144	-315
current assets	799	837	921	982	1,005
Other assets	129	112	109	116	126
Total assets	2,168	2,133	2,252	2,224	2,067
L & ST Debt	480	606	693	593	393
Others liabilities	289	260	290	290	290
Shareholders' funds	935	781	764	807	842
Total Liabilities	2168	2,133	2,252	2,224	2,067
Capital employed	1,482	1,420	1,698	1,718	1,714
Ratios					
Operating margin	7,8%	6,9%	4,6%	5,4%	5,9%
Tax rate	31,2%	-283,2%	24,2%	30,0%	30,0%
Net margin	4,4%	-1,3%	1,8%	2,7%	3,2%
ROE (after tax)	12,7%	16,4%	6,5%	10,0%	11,8%
ROCE (after tax)	9,3%	9,4%	5,4%	6,6%	7,4%
Gearing	41%	63%	99%	91%	84%
Pay out ratio	32,1%	29,9%	77,2%	77,2%	77,2%
Number of shares, diluted	63,40	63,40	63,40	63,40	63,40
Data per Share (EUR)					
EPS	1,87	-0,61	0,78	1,27	1,56
Restated EPS	1,87	2,01	0,78	1,27	1,56
% change	42,8%	7,4%	-61,3%	63,1%	23,0%
EPS bef. GDW					
BVPS	14,64	12,22	11,94	12,60	13,12
Operating cash flows	3,77	0,65	2,57	2,77	3,39
FCF	2,33	-1,03	0,57	0,86	1,44
Net dividend	0,60	0,60	0,60	0,98	1,20

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

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Stock rating

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

Distribution of stock ratings

BUY ratings 55.1%

NEUTRAL ratings 38.1%

SELL ratings 6.8%

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