



Consumer, Brands & Retail

Dow Jones: 25,502.32 (9.32% ytd) | CAC40: 5269.92 (11.4% ytd) | Stoxx 600: 376.029(11.37% ytd)

25th March 2019

Please find our Research on Bloomberg BRYG <GO>

FNAC DARTY | BUY | EUR94

Fnac Darty is said to be eyeing Nature et Découvertes
Imminent negotiations to acquire Nature et Découvertes
An integration that would make sense
Sales synergies to expect from e-commerce and shop-in-shops
Potentially accretive for growth and EBIT
Another step towards sales mix adjustment

GENEURO | BUY | EUR10.6

It is now all about signing a deal
Since it was IPOed, GeNeuro has been very disappointing from an investor perspective. Nevertheless, nothing that happened is deadly for its key asset temelimab and the time has come to see how much value is there.

Upcoming BG events :

Date

3rd-Apr CAPGEMINI | Luxembourg roadshow with CFO / IR
30th-Apr BIOCARTIS | London roadshow with CEO/IR

Recent reports :

Date

25th-Mar GENEURO | It is now all about signing a deal
19th-Mar SemiConductors | @BG Technology Conference 2019
18th-Mar ONCODESIGN | Planets are aligning
12th-Mar BLUELINEA | The Silver Economy: a golden opportunity!
12th-Mar MEDINCELL | Injecting more value
12th-Mar BLUELINEA | La Silver Economie : un marché en OR !

Q1 2019 Top Picks

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

FNAC DARTY

Consumer, Brands & Retail
| Retail & E.commerce

25th March 2019

BUY

Fair Value	EUR94(+37%)
Share price	EUR68.40
EPS 3Y Cagr	9.8%

Fnac Darty is said to be eyeing Nature et Découvertes

Imminent negotiations to acquire Nature et Découvertes

According to Le Figaro, Fnac Darty is about to enter exclusive negotiations with the family owner of Nature et Découvertes to acquire the retailer. According to the accounts filed with the court registry, Natures et Découvertes generated c.EUR207m of sales in 2017 through 95 stores (o/w 81 in France) with a 6.0% EBIT margin (without any franchisee) and 4.4% net margin. With almost no debt, we believe the company could be valued at EUR115-160m (by applying a 0.5-0.7 EV/Sales multiple), which compares with Fnac Darty's EUR919m cash in hand in December 2018.

An integration that would make sense

Nature et Découvertes' offer is complementary to Darty's (i.e. decoration and cooking that can be related to home appliances) and also to Fnac's (i.e. books, CDs and DVDs addressing the well-being theme + toys) with, we assume, a common customer base. Regarding the store network, Nature et Découvertes has strong French city-centre compact locations (330sqm in av.), in line with Fnac Darty's strategy.

Sales synergies to expect from e-commerce and shop-in-shops

Beyond the fact that Nature et Découvertes has already been selling a part of its product range on Fnac's marketplace for more than 2 years, further sales synergies can be expected. Nature et Découvertes shop-in-shops within some Fnac and Darty stores (especially the smaller French cities that Nature et Découvertes wants to enter) as well as Click & Collect points of each banner across the group's network would make sense. Fnac Darty could also leverage its digital know-how to further drive Nature et Découvertes' home delivery sales (c.8% of sales) and above all Click & Collect (only c.3% of sales).

Potentially accretive for growth and EBIT

It is difficult to assess the potential financial impact at such a preliminary stage. The integration could add 10bp to LfL growth and EUR14-15m of EBIT per annum on a full year basis. These metrics take into account cautious assumptions for Nature et Découvertes: no sales or cost synergies, a continued 5% growth pace p.a. (a slightly lower growth level than observed since 2014), stable EBIT margin at 6.0%.

Another step towards sales mix adjustment

This announcement is further proof that management is now focusing on relaunching growth and fuelling operating margin through an adjustment in the sales mix. The adjustment is gradual but the directions are clear: 1/ small home appliances (expansion of store network led by Darty & roll-out of Darty corners in Fnac); 2/ kitchen (ongoing roll-out of Darty Kitchen corners within French Darty stores); 3/ toys (Fnac Darty's rejected takeover offer on La Grande Récréée will not prevent Fnac from pushing the toy segment in its stores by itself); 4/ second-hand market (acquisition of a majority stake in WeFix); 5/ ticketing (acquisition of BilletReduc); 6/ well-being.

Market Data

Bloomberg / Reuters	FNAC FP/FNAC.PA
Market Cap.	EUR1,817m
E.V.	EUR1,810m
Free Float	65
Avg. Daily volume (6m)	61.50
12m high / low	96.4 / 47.8
Ytd Perf.	19.8%

EURM	12/18	12/19e	12/20e	12/21e
Sales	7,475	7,618	7,704	7,795
% Change		1.9%	1.1%	1.2%
EBITDA	609.0	649.3	672.8	692.4
% Change		6.6%	3.6%	2.9%
EBIT	296.0	330.2	350.1	365.9
% Change		11.6%	6.0%	4.5%
Net Income	169.1	194.8	210.6	223.6
% Change		15.2%	8.1%	6.2%
ROE	NM	NM	NM	NM

	12/18	12/19e	12/20e	12/21e
EV/Sales	0.2x	0.2x	0.2x	0.2x
EV/EBITDA	3.0x	2.5x	2.3x	2.1x
EV/EBIT	6.1x	5.0x	4.4x	3.9x
EPS	6.44	7.43	8.03	8.52
% change		15.3%	8.1%	6.2%
P/E	10.6x	9.2x	8.5x	8.0x
Div Yield	NM	3.1%	3.9%	4.7%

Next Catalyst: Q1 2019 sales in April

Last rating Change:

2018-4-27, *The Contract of Confidence*

Last FV Change:

2019-2-25, *Feedback from roadshow with management*

Clément Genelot

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

[Click here to download](#)

Bryan Garnier stock rating system

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

Stock rating

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

Distribution of stock ratings

BUY ratings 54.2%

NEUTRAL ratings 39%

SELL ratings 6.8%

Bryan Garnier Research Team

Healthcare	Pharmaceuticals	Eric Le Berrigaud <i>(Head of Equities)</i>	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, PhD	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
	Biotech	Ross Blair, MbChB	44 207 332 25 05	rblair@bryangarnier.com
Technology	Payments, Security & Video games	Richard-Maxime Beaudoux	33 (0) 1 56 68 75 61	rmbeaudoux@bryangarnier.com
	Telecom & Media	Thomas Coudry	33 (0) 1 70 36 57 04	tcoudry@bryangarnier.com
	Lodging & Business services	Bruno de La Rochebrochard	33 (0) 1 56 68 75 88	bdelarochebrochard@bryangarnier.com
	Innovative materials & Construction	Eric Lemarié	33 (0) 1 70 36 57 17	elemarie@bryangarnier.com
	Insurance & Fintech	Olivier Pauchaut <i>(Head of Research)</i>	33 (0) 1 56 68 75 49	opauchaut@bryangarnier.com
	Software & IT services	Gregory Ramirez	33 (0) 1 56 68 75 91	gramirez@bryangarnier.com
	Industrial software	David Vignon	33 (0) 1 56 68 75 92	dvignon@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 & Cosmetics	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
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	

A copy of the Bryan Garnier & Co Limited conflicts policy in relation to the production of research is available at www.bryangarnier.com

DAILY EQUITY RESEARCH UPDATE
Wake-up Call

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

IMPORTANT INFORMATION

This document is classified under the FCA Handbook as being investment research (independent research). Bryan, Garnier & Co Limited has in place the measures and arrangements required for investment research as set out in the FCA's Conduct of Business Sourcebook.

This report is prepared by Bryan, Garnier & Co Limited, registered in England Number 03034095 and its MIFID branch registered in France Number 452 605 512. Bryan, Garnier & Co Limited is authorized and regulated by the Financial Conduct Authority (Firm Reference Number 178733) and is a member of the London Stock Exchange. Registered address: Beaufort House 15 St. Botolph Street, London EC3A 7BB, United Kingdom.

This Report is provided for information purposes only and does not constitute an offer, or a solicitation of an offer, to buy or sell relevant securities, including securities mentioned in this Report and options, warrants or rights to or interests in any such securities. This Report is for general circulation to clients of the Firm and as such is not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person.

The information and opinions contained in this Report have been compiled from and are based upon generally available information which the Firm believes to be reliable but the accuracy of which cannot be guaranteed. All components and estimates given are statements of the Firm, or an associated company's, opinion only and no express representation or warranty is given or should be implied from such statements. All opinions expressed in this Report are subject to change without notice. To the fullest extent permitted by law neither the Firm nor any associated company accept any liability whatsoever for any direct or consequential loss arising from the use of this Report. Information may be available to the Firm and/or associated companies which are not reflected in this Report. The Firm or an associated company may have a consulting relationship with a company which is the subject of this Report.

This Report may not be reproduced, distributed or published by you for any purpose except with the Firm's prior written permission. The Firm reserves all rights in relation to this Report.

Past performance information contained in this Report is not an indication of future performance. The information in this report has not been audited or verified by an independent party and should not be seen as an indication of returns which might be received by investors. Similarly, where projections, forecasts, targeted or illustrative returns or related statements or expressions of opinion are given ("Forward Looking Information") they should not be regarded as a guarantee, prediction or definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. A number of factors, in addition to the risk factors stated in this Report, could cause actual results to differ materially from those in any Forward Looking Information.

Disclosures specific to clients in the United Kingdom This Report has not been approved by Bryan, Garnier & Co Limited for the purposes of section 21 of the Financial Services and Markets Act 2000 because it is being distributed in the United Kingdom only to persons who have been classified by Bryan, Garnier & Co Limited as professional clients or eligible counterparties. Any recipient who is not such a person should return the Report to Bryan Garnier & Co Limited immediately and should not rely on it for any purposes whatsoever.

This Report is based on information obtained from sources that Bryan, Garnier & Co Limited believes to be reliable and, to the best of its knowledge, contains no misleading, untrue or false statements but which it has not independently verified. Neither Bryan, Garnier & Co Limited and/or Bryan Garnier Securities LLC make no guarantee, representation or warranty as to its

accuracy or completeness. Expressions of opinion herein are subject to change without notice. This Report is not an offer to buy or sell any security.

Bryan Garnier Securities, LLC and/or its affiliate, Bryan Garnier & Co Limited may own more than 1% of the securities of the company(ies) which is (are) the subject matter of this Report, may act as a market maker in the securities of the company(ies) discussed herein, may manage or co-manage a public offering of securities for the subject company(ies), may sell such securities to or buy them from customers on a principal basis and may also perform or seek to perform investment banking services for the company(ies).

Bryan Garnier Securities, LLC and/or Bryan, Garnier & Co Limited are unaware of any actual, material conflict of interest of the research analyst who prepared this Report and are also not aware that the research analyst knew or had reason to know of any actual, material conflict of interest at the time this Report is distributed or made available.

Notice to US investors

This research report (the "Report") was prepared by Bryan Garnier & Co Limited for information purposes only. The Report is intended for distribution in the United States to "Major US Institutional Investors" as defined in SEC Rule 15a-6 and may not be furnished to any other person in the United States. Each Major US Institutional Investor which receives a copy of this Report by its acceptance hereof represents and agrees that it shall not distribute or provide this Report to any other person. Any US person that desires to effect transactions in any security discussed in this Report should call or write to our US affiliated broker, Bryan Garnier Securities, LLC, 750 Lexington Avenue, New York NY 10022. Telephone: 1-212-337-7000.