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Technology

Dow Jones: 26,449.54 (13.38% ytd) | CAC40: 5563.09 (17.6% ytd) | Stoxx 600: 389.589(15.38% ytd)

18th April 2019

Please find our Research on Bloomberg BRYG <GO>)

ASML | NEUTRAL vs. BUY | EUR190 vs. EUR175
Limited upside with a less attractive risk-reward at present

DANONE | NEUTRAL | EUR70 vs. EUR71
The 2020 top-line guidance is at risk

KERING | BUY vs. BUY Top Picks | EUR600 vs. EUR590
Not better than expected!

ROCHE | BUY - Top Picks | CHF325 vs. CHF315
Post-Q1, our FV moves up to CHF325

SOITEC | BUY - Top Picks | EUR90 vs. EUR85
Very strong revenue growth; margin guidance upgraded

UNILEVER | | EUR57
Q1 better than expected due to Asia/AMET/RUB

SCHNEIDER ELECTRIC | BUY | EUR84
Strong start to the year for organic revenue growth

EDENRED | BUY - Top Picks | EUR47
Q1 Revenue: Strong positive trend continues

ESSILORLUXOTTICA | BUY | EUR128
Newsflow is improving

NESTLÉ | NEUTRAL | CHF88
Technicalities largely unseen in today's release

NICOX | BUY | EUR19,8
1Q update: well on-track to deliver key milestones by YE'19

PERNOD RICARD | NEUTRAL | EUR167
Disappointing Q3 organic sales growth

SECTOR | Retail & E.commerce | E-commerce: the Necessary Evil of Food
An e-commerce strategy focused on drive services. Aware of its past mistakes in the drive segment, Carrefour is moving to catch up in traditional drives and get ahead in pedestrian drive services. In our view, both of these segments will be the main contributors to growth in e-commerce in France out to 2020 and could generate sales of around EUR1.8bn.

RESEARCH AS A SERVICE

Upcoming BG events :

Date	
25th-Apr	BIOCARTIS | Paris roadshow with CEO and IR
30th-Apr	BIOCARTIS | London roadshow with CEO/IR
23rd-Sept/ 24th-Sept	Annual Consumer Conference

Recent reports :

Date	
18th-Apr	E-commerce: the Necessary Evil of Food
18th-Apr	CARREFOUR | Conquering Digital with Drive Services
18th-Apr	CASINO GUICHARD | A la conquête du digital avec Monoprix
18th-Apr	CARREFOUR | A la conquête du digital avec les drives
18th-Apr	E-commerce: le mal nécessaire de l'alimentaire
18th-Apr	CASINO GUICHARD | Conquering Digital with Monoprix

2Q 2019 Top Picks

BOUYGUES (Buy, FV EUR41)
EIFFAGE (Buy, FV EUR108)
KERING (Buy, FV EUR600)
REMY COINTREAU (Buy, FV EUR126)
SOITEC (Buy, FV EUR90)
ALLIANZ (Buy, FV EUR235)
WIRECARD (Buy, FV EUR240)
AB INBEV (Buy, FV EUR100)
SAP (Buy, FV EUR121)
UNILEVER (Buy, FV EUR57)
ROCHE HOLDING (Buy, FV CHF315)
KORIAN (Buy, FV EUR40)
INNATE PHARMA (Buy, FV EUR16.5)
IPSEN (Buy, FV EUR148)
EDENRED (Buy, FV EUR47)
FNAC DARTY (Buy, FV EUR94)

Last rating Change:

↓ 18/04/19, ASML
↑ 15/04/19, CAST
↓ 10/04/19, ALCON

Last FV Change:

↑ 18/04/19, KERING
↑ 18/04/19, SOITEC
↓ 18/04/19, DANONE
↑ 18/04/19, KERING
↑ 18/04/19, ASML

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ASML

Technology
| **Semiconductors**

	18th April 2019
	NEUTRAL vs. BUY
Fair Value	EUR190 vs. EUR175 (+6%)
Share price	EUR179.98
EPS 3Y Cagr	17.0%

Limited upside with a less attractive risk-reward at present

Market conditions remains the same

During the conference call yesterday, ASML stated that their **sentiment about the current wafer fab equipment market has not changed from a quarter ago**. There is still some volatility in the market especially from the memory segment, but **ASML still believes in a progressive improvement over the course of the year**. The main point of focus for us was to know whether the extent of the recovery anticipated by the company had changed during the quarter, and we understand that it is not the case. ASML still expects to grow this year, **mainly driven by Logic with net system sales that should be up by around 50% y/y, and memory-related system revenue to be down by 20% y/y**. Considering that memory system sales decreased by 45% y/y (-30% seq.) in Q1 2019 and based on the memory booking, **we estimate that memory system sales are expected to grow by around 50% seq. in H2**. We also understand that **around EUR500m revenue expected in memory in H2 actually depends on transition to new technologies such as the adoption of EUV and demand from greenfield fabs in China.**

ASML looked very confident on 2019 EUV shipments

ASML still expects to ship 30 EUV systems this year. The company looks very confident it will meet this guidance because all the orders have been booked by late last year and there is **small chance that customers will cancel them considering their roadmap and the lead time necessary to receive a new tool**. Indeed, the recent announcements from Samsung and TSMC indicate that both companies successfully completed their 5nm EUV development and are in line with their roadmap. **Nonetheless, we still see some risks in the number of EUV tools expected to come from memory.** Considering that around 80% of the tools will be Logic driven, it means that around 5 units out of the 30 should come from memory. The new EUV tool dubbed 3400C to be launched in H2 2019 should be attractive to memory applications due to its higher throughput at 170wph but in an uncertain environment there is no immunity to some push-outs in our view.

Margins still expected to gradually recover in H2 2019

In Q2, margins are expected at 41.5% at mid-range to be compared with 41.6% in the first quarter. **Despite revenue that should be up around 14% seq. at mid-range of the guidance, gross margin will stay muted due to higher contribution of EUV which bears less profitability today**. However, in **H2 ASML reiterates it expects gross margin to substantially improve** thanks to a higher manufacturing loading rate and a more favourable mix in DUV toward ArFi DUV tools and new 3400C EUV that will have higher margins than the previous model. In addition, **installed base service revenue should pick-up by around 25% sequentially in H2 as EUV service revenue starts and service costs to support initial customer ramp decreases.**

Market Data

Bloomberg / Reuters	ASML NA/ASML.AS
Market Cap.	EUR76,610m
E.V.	EUR75,945m
Free Float	70.3
Avg. Daily volume (6m)	1,466
12m high / low	188.5 / 130.9
Ytd Perf.	31.2%

EURM	12/18	12/19e	12/20e	12/21e
Sales	10,944	11,854	13,042	13,637
% Change		*8.3%*	*10.0%*	*4.6%*
EBITDA	3,403	3,259	4,537	5,051
% Change		*-4.2%*	*39.2%*	*11.3%*
EBIT	2,965	2,809	4,082	4,596
% Change		*-5.3%*	*45.3%*	*12.6%*
Net Income	2,592	2,474	3,488	3,929
% Change		*-4.5%*	*41.0%*	*12.6%*
ROE	0.22	0.21	0.27	0.27

	12/18	12/19e	12/20e	12/21e
EV/Sales	6.9x	6.4x	5.7x	5.4x
EV/EBITDA	22.2x	23.2x	16.5x	14.5x
EV/EBIT	25.5x	26.9x	18.3x	15.9x
EPS	6.06	5.91	8.47	9.70
% change		*-2.6%*	*43.4%*	*14.6%*
P/E	29.7x	30.5x	21.3x	18.6x
Div Yield	0.8%	1.2%	1.3%	1.5%

Next Catalyst:Q2 2019 results

Last rating Change:
2018-10-18, Memory fears fading, new Buy recommendation

Last FV Change:
2018-11-9, CMD feedback: New scenarios, same story

Last Reports:
2019-4-17, Solid Q1 2019 results, guidance in line with expectations

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We downgrade ASML to Neutral as risk-reward seems less attractive today

We have fine-tuned our model and slightly changed our expected margins and a lower tax rate expected this year, which increase by 6% our 2019 EPS. In addition, considering the recent announcements from TSMC and Samsung, both delivering according to their 5nm roadmap, we appreciate our momentum rating on Logic foundries from 3 to 4 which reduces ASML beta from 1.07 to 1.01. As a result, we increase our DCF valuation from EUR180 to EUR195. Our multiple valuation based on ASML 3-year average 12-month forward multiple stand at EUR180.

As a consequence, we raise our FV from EUR175 to EUR190. Considering ASML current share price, we see limited potential for upside and a less favorable risk-reward. We believe the current outlook for 2019 bears some risks of deception either from EUV or from memory revenue expected to jump around 50% seq in H2 2019, while the potential to beat this scenario looks small. We downgrade the stock to a Neutral rating.

Bryan Garnier new estimates

[in EURm]	1Q19	2Q19e	3Q19e	4Q19e	2019e	2020e	2021e	CAGR 18/21e
Sales	**2229**	**2579**	**3319**	**3726**	**11854**	**13042**	**13637**	**7.6%**
Seq. growth	-29%	16%	29%	12%	8%	10%	5%	
Adj. Gross profit	**928**	**1081**	**1444**	**1763**	**5216**	**6429**	**6996**	
Gross margin	42%	42%	44%	47%	44%	49%	51%	
R&D	-473	-482	-478	-476	-1908	-1826	-1868	
% of sales	-21%	-19%	-14%	-13%	-16%	-14%	-14%	
G&A	-121	-123	-126	-128	-498	-522	-532	
% of sales	-5%	-5%	-4%	-3%	-4%	-4%	-4%	
Other operating inc.	0	0	0	0	0	0	0	
% of sales	0%	0%	0%	0%	0%	0%	0%	
EBIT	**334**	**476**	**840**	**1160**	**2809**	**4082**	**4596**	**15.7%**
Operating margin	15%	18%	25%	31%	24%	31%	34%	
Financial result	-8	-6	-8	-7	-30	-26	-27	
% of sales	0%	0%	0%	0%	0%	0%	0%	
Adj. Income Tax	17	-61	-108	-154	-306	-568	-640	
Income tax rate	5%	-13%	-13%	-13%	-11%	-14%	-14%	
Net Profit	**355**	**408**	**723**	**999**	**2474**	**3488**	**3929**	**14.9%**
Net margin	16%	16%	22%	27%	21%	27%	29%	
Diluted EPS	**0.81**	**0.97**	**1.73**	**2.38**	**5.91**	**8.47**	**9.70**	**17.0%**
EPS seq. growth	-55%	19%	78%	38%	-3%	43%	15%	

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

ASML

NEUTRAL vs. BUY

Fair Value	EUR190 vs. EUR175 (+6%)
Share price	EUR179.98
Market Cap.	EUR76,610m
EPS 3Y CAGR	17.0%

Simplified Profit & Loss Account (EURm)	2017	2018	2019e	2020e	2021e
Revenues	9,053	10,944	11,854	13,042	13,637
Change (%)	33.2%	20.9%	8.3%	10.0%	4.6%
Gross profit	4.077	5.029	5.216	6.429	6.996
Adjusted EBITDA	2.923	3.403	3.259	4.537	5.051
Adjusted EBIT	2.496	2.965	2.809	4.082	4.596
EBIT	2.496	2.965	2.809	4.082	4.596
Change (%)	50.6%	18.8%	-5.3%	45.3%	12.6%
Financial results	-50	-28	-30	-26	-27
Pre-Tax profits	2.446	2.937	2.780	4.056	4.569
Tax	-311	-352	-306	-568	-640
Net profit	2.119	2.592	2.474	3.488	3.929
Adjusted net profit	2.119	2.592	2.474	3.488	3.929
Change (%)	43.9%	22.3%	-4.5%	41.0%	12.6%
Depreciation & amortisation					
Change in working capital	0	0	-196	-134	-40
Operating cash flows	1.799	3.073	2.728	3.809	4.344
Capex, net	-358	-610	-545	-522	-532
Free Cash flow	1.441	2.463	2.182	3.288	3.812
Financial investments, net	121	116	0	0	0
Dividends	-517	-597	-895	-1.012	-1.144
Issuance of shares	51	22	0	0	0
Issuance (repayment) of debt	-243	-3	0	0	0
Other	-500	-1.146	-1.354	-1.250	-1.250
Net debt	-39	-1.008	-941	-1.967	-3.385
Tangible fixed assets					
Intangibles assets & goodwill	6.310	6.451	6.441	6.436	6.431
Deferred tax assets	32	236	236	236	236
Other non-current assets	265	275	275	275	275
Cash & equivalents	3.288	4.034	3.968	4.994	6.412
Current assets	5.719	6.401	6.633	6.799	6.826
Total assets	18.196	20.137	20.398	21.657	23.178
Shareholders' equity	10.676	11.641	11.866	13.092	14.627
Provisions	23	29	29	29	29
Deferred tax liabilities	780	439	439	439	439
Current liabilities	3.468	2.048	2.084	2.116	2.103
L & ST Debt	3.249	3.027	3.027	3.027	3.027
Total Liabilities	18.196	20.137	20.398	21.657	23.178
Capital employed	10.637	10.633	10.925	11.125	11.242
Ratios					
Gross margin	45.0%	46.0%	44.0%	49.3%	51.3%
Operating margin	27.6%	27.1%	23.7%	31.3%	33.7%
Tax rate	13%	12%	11%	14%	14%
Net margin	23%	24%	21%	27%	29%
ROE (after tax)	19.8%	22.3%	20.8%	26.6%	26.9%
ROCE (after tax)	20.5%	24.5%	22.9%	31.6%	35.2%
Gearing	0%	-9%	-8%	-15%	-23%
Pay out ratio	24.3%	23.0%	35.4%	28.4%	28.5%
Number of shares, diluted	431.600	426.400	418.878	411.933	398.042
Data per Share (EUR)					
EPS	4.93	6.10	5.93	8.50	9.74
Restated EPS	4.95	6.06	5.91	8.47	9.70
% change	43.7%	22.6%	-2.6%	43.4%	14.6%
BVPS	24.74	27.30	28.33	31.78	36.75
Operating cash flows	4.17	7.21	6.51	9.25	10.91
FCF	3.34	5.78	5.21	7.98	9.58
Net dividend	1.20	1.40	2.10	2.42	2.78

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

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DANONE

18th April 2019

NEUTRAL

Consumer, Brands & Retail

| Food

Fair Value	EUR70 vs. EUR71 (+1%)
Share price	EUR69.60
EPS 3Y Cagr	8.5%

The 2020 top-line guidance is at risk

Q2 to show an acceleration

Group said Q2 should accelerate. This should be mainly due to EDP, which is expected to grow above 2% (+0.2% in Q1) notably thanks to 1/ the absence of one-off effects that impacted Q1 (one less trading day and the IT issue in Noram) and 2/ the annualization of the Moroccan boycott on April 20st (with the country expected to return to a double-digit growth rate afterwards). We do not see change in trends at Specialized Nutrition and Waters.

Reaching top-line guidance looks complicated

The group's guidance for 2019 is achievable, but not easy (growth of around 3%). It implies an acceleration in H2 which should arise from EDP and Specialized Nutrition. We make no change to our forecast of 2.9% organic sales growth in 2019 (with +4.1% in H2 post +1.5% in H1). Our view is the 2020 guidance is clearly the most at risk given deceleration of the Chinese infant nutrition business and the pace of recovery of EDP. We only expect 3.7% organic sales growth in 2020, with EDP +3% (guidance of 4-5%), Waters +5.3% (guidance >5%) and Specialized Nutrition +4% (guidance >5%).

Full-year EBIT margin expansion skewed towards H2

Company confirmed that EBIT margin should stand above 15% this year. This is feasible considering synergies related to Whitewave and savings (EUR350m expected in 2019). The sale of Earthbound Farm will also help the group meeting this objective. We keep unchanged our forecast of 15.1%, pointing to an increase of 60bp year-on-year, skewed towards H2 as a result of 1/ acceleration of top line, 2/ positive mix with the improvement of the Chinese infant nutrition business due to comps and 3/ the annualization of the implementation of IAS 29 in Argentina. H1 EBIT margin expansion should be only +35bp vs +110 in H2. In 2020, Danone targets an EBIT margin higher than 16% and our estimate calls for 16.1%.

Neutral recommendation reiterated

The group has an attractive portfolio in a food industry marked by rising competition from local players, deflationary pressure at retailers and channel shifts with the surge in e-commerce. However, in the short-term, its organic sales growth should stand badly vs peers. We maintain our Neutral recommendation. We trim our Fair Value from EUR71 to EUR70 due to the sale of Earthbound Farm. The stock is trading at a P/E of 18.2x in 2019, below Nestlé (21.2x) and Unilever (20.1x), but this seems to us justified given the doubts about the reach of the 2020 guidance.

Market Data

Bloomberg / Reuters	BN FP/DANO.PA
Market Cap.	EUR47,680m
E.V.	EUR60,478m
Free Float	98
Avg. Daily volume (6m)	1,603
12m high / low	70 / 60
Ytd Perf.	13.2%

EURM	12/18	12/19e	12/20e	12/21e
Sales	24,651	25,331	26,097	27,226
% Change		*2.8%*	*3.0%*	*4.3%*
EBITDA	NM	NM	NM	NM
% Change		*ns*	*ns*	*ns*
EBIT	3,562	3,840	4,189	4,419
% Change		*7.8%*	*9.1%*	*5.5%*
Net Income	2,304	2,466	2,736	2,923
% Change		*7.0%*	*10.9%*	*6.8%*
ROE	0.15	0.12	0.14	0.13

	12/18	12/19e	12/20e	12/21e
EV/Sales	2.5x	2.3x	2.2x	2.1x
EV/EBITDA	x	x	x	x
EV/EBIT	17.0x	15.4x	13.8x	12.7x
EPS	3.56	3.83	4.25	4.54
% change		*7.7%*	*10.9%*	*6.8%*
P/E	19.6x	18.2x	16.4x	15.3x
Div Yield	2.8%	3.0%	3.3%	3.6%

Next Catalyst : H1 2019 results on July 25th

Last rating Change:

2018-10-19, Deterioration in visibility

Last FV Change:

2019-2-21, 2019 to show no top line acceleration

Last Reports:

2019-4-17, All divisions decelerating

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- **Essential dairy and plant-based (EDP)**

The quarter was soft due one less trading day vs last year. Europe continued to be stable in Q1 2019, in line with Q4 2018, which is a very good news. This was helped by innovations, with for example the very successful launch of Activia shot (probiotics). But France was challenging. North America deteriorated this quarter due to intensifying competition, the discontinuation of some SKUs in premium dairy (10% of this segment's sales) and the one-off impact from IT integration. In yoghurts in North America, Danone continued to invest in growing segments such as plant-based, probiotics and low sugar products. Note that Europe and North America represent 2/3 of EDP sales. The rest of this division remained penalized by the boycott in Morocco (down 35% in Q1, in line with Q4) which compensated the return to growth of Brazil (for the second consecutive quarter). The performance of EDP was helped by plant-based, up mid to high single digit in the quarter. The European Alpro rose double digit thanks to innovations (group launched an ice cream last year that did very well) and geographic expansion towards South/Central Europe. Silk and So Delicious are expanding outside the US in Latin America. Note that on April 1st Danone has increased its ownership in Michel et Augustin which was the first investment of Danone Manifesto Ventures in 2016. As a result, from April 1st 2019, Danone will fully consolidate the results of the company.

- **Specialized Nutrition**

This division proved to be better than expected. Medical Nutrition (25% of the division's sales) grew mid single digit driven by a double digit growth in China supported by the demographics (with the ageing population) but also a positive growth in Europe (with strong momentum in Poland and the Netherlands). Early Life Nutrition was in negative territory (75% of the division's sales) because of China (30% of ELN sales) which dropped 50% impacted by 1/ tough comps (Q1 2018 >50%), 2/ weak demographics, with a drop in the birth rate of 12% in 2018 (-4% in 2017), 3/ regulation, causing some disturbances in the cross border C2C channel (30% of sales at Early Life Nutrition) as it requires increased transparency from traders in terms of food safety, and 4/ lengthy procedures to approve innovations due to the reshuffling of the administration. The indirect channel proved to be more challenging than the direct. Excluding China, Early Life Nutrition grew mid single digit as the very strong performance in South East Asia compensated the negative impact from Aptamil in the UK (remind the new formulation of the product was accused of making babies sick).

- **Waters**

The deceleration vs Q4 stemmed from 1/ the Yellow vest movement in France, 2/ the destocking of Mizone in China and 3/ the exclusion of Argentina from Q1 organic sales growth due to the implementation of IAS29. In the US, Evian delivered strong growth on back of expanded distribution and market share gains in convenience stores. Asia and Latam posted solid growth. At the opposite, Europe proved to be more moderate, despite strong performances in Poland and Denmark.

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DANONE

NEUTRAL

Fair Value	EUR70 vs. EUR71 (+1%)
Share price	EUR69.60
Market Cap.	EUR47,680m
EPS 3Y CAGR	8.5%

Simplified Profit & Loss Account (EURm)	2017	2018	2019e	2020e	2021e
Sales	24,812	24,651	25,331	26,097	27,226
Change (%)	13.1%	-0.6%	2.8%	3.0%	4.3%
Like-for-like change (%)	2.5%	2.9%	2.9%	3.7%	4.3%
Trading operating profit	3.537	3.562	3.840	4.189	4.419
Change (%)	17.0%	0.7%	7.8%	9.1%	5.5%
Operating income	3.729	2.741	3.690	4.189	4.419
Total financial expenses	-438	-348	-365	-325	-285
Income before taxes	3.292	2.393	3.325	3.864	4.134
Reported income tax	-842	-716	-943	-1.054	-1.131
Share of profit of associates	109	762	79	81	82
Net profit	2.559	2.440	2.361	2.891	3.085
Non-controlling interests	110	90	105	115	122
Net profit Group share	2449	2349	2256	2776	2963
Underlying net income group share	2.186	2.304	2.466	2.736	2.923
Change (%)	14.4%	5.4%	7.0%	10.9%	6.8%
Cash Flow Statement (EURm)					
Cash flows from operating activities	3.086	3.918	3.759	4.074	4.324
Working capital variation	127	6	-40	-36	-29
Capex, net	-969	-986	-1.267	-1.305	-1.361
Other	95	0	0	0	0
Free cash flow excluding exceptional items	2.085	2.926	2.532	2.806	2.992
Exceptionals	-2	0	0	0	0
Free cash flow reported	2.083	2.232	2.532	2.806	2.992
M&A	-10.508	1.253	0	0	0
Dividends	-365	-510	-1.248	-1.347	-1.494
Other	889	-347	0	0	0
Net debt	15.372	12.744	11.460	10.001	8.502
Balance Sheet (EURm)					
Property, plant and equipment	6.005	5.390	5.390	5.390	5.390
Intangibles assets	24.945	25.194	25.446	25.701	25.958
Cash & equivalents	638	3.266	4.550	6.009	7.507
current assets	9.641	9.776	11.215	12.845	14.580
Total assets	44.267	44.064	45.783	47.696	49.719
L & ST Debt	19.508	17.889	17.076	17.076	17.076
Others liabilities	10.186	10.347	10.648	10.969	11.352
Shareholders' funds	14.502	16.156	18.140	20.314	22.601
Total Liabilities	29.694	28.236	27.724	28.045	28.428
Ratios					
Trading operating margin	14.3%	14.4%	15.2%	16.1%	16.2%
Reported tax rate	25.6%	29.9%	28.4%	27.3%	27.4%
Underlying net income group share	8.8%	9.3%	9.7%	10.5%	10.7%
ROE	16.9%	14.5%	12.4%	13.7%	13.1%
ROIC	10.3%	9.0%	9.6%	10.4%	10.9%
Gearing based on net debt	105%	79%	63%	49%	37%
Gearing based on net financial debt	101%	75%	63%	49%	37%
Pay out ratio	54.6%	54.6%	54.6%	54.6%	54.6%
Number of shares, diluted	627	643	643	643	643
Data per Share (EUR)					
Basic underlying EPS	3.48	3.56	3.84	4.26	4.55
Diluted underlying EPS	3.48	3.56	3.83	4.25	4.54
% change	12.4%	2.2%	7.7%	10.9%	6.8%
BVPS	23.12	25.11	28.19	31.57	35.12
Operating cash flows	4.92	6.09	5.84	6.33	6.72
FCF	3.32	4.55	3.94	4.36	4.65
Net dividend	1.90	1.94	2.09	2.32	2.48

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

KERING

Consumer, Brands & Retail
| Luxury Goods

18th April 2019

BUY vs. BUY Top Picks

Fair Value	EUR600 vs. EUR590 (+12%)
Share price	EUR537.50
EPS 3Y Cagr	11.8%

Not better than expected!

Q1 Kering sales up 17.5%

In Q1 2019, Kering sales grew 21.9% at EUR3.78bn (consensus: EUR3.73bn). Sales grew 17.5% at same FX (consensus: +17%) and FX added 4.4 points. Q1 2019 was, as expected, lower than Q4 18 performance (+24%). Therefore, if there is a slowdown vs Q4, we see it, as a much more gradual normalization, given very demanding comparison basis. All luxury houses combined, sales with Chinese clientele were up 25%. Only eight stores have been opened in Q1

Gucci momentum remained very dynamic (+20%), in line with CS

During the first quarter, **Gucci** sales increased 20% (almost in line with consensus) after +28% in Q4 18. The very positive Q1 momentum was driven by traffic, but also and even more, by higher conversion and retention rates. Gucci online sales grew significantly in Q1 after +70% in 2018. The stores renovation program was much more modest in Q1 (few stores adopted the new concept after +84 in 2018 on a total of 540 stores). The renovation program will be more aggressive in the coming quarters. All product categories were buoyant (leather goods account for 57% of Gucci sales) and the positive trend was well balanced between newness (30% of total sales) and carryover (70%). By region, **Gucci** achieved the best growth in **APAC** (35% of sales) thanks to 35% revenues increase (+45% in Q4 18), with Mainland China outperforming HK/Macau (repatriation trend). In Q1, business in **Japan** (+16%) was also well positive, while the situation was more mixed in **North America** (+5%) with a low traffic and in **Western Europe** (+12%), penalised by relatively poor activity with local clientele (business with tourists outperformed the one with local).

BV under pressure; Saint Laurent strong!

In Q1, **Bottega Veneta** performance was under pressure, sales were down 8.9% after -3.4% in 2018. The Italian brand is clearly in transition with renewal of leather goods offer. The first collection of Daniel Lee has been presented last February, but will be in the stores only in June/July 2019 with a gradual positive impact on sales in H2 19. Nevertheless, first Daniel Lee product introductions in handbags were well received. FY 19 EBIT margin will be under pressure. **Saint Laurent** achieved a strong quarter with a 17.5% sales increase, driven both by lfl performance and space contribution (four net openings). All regions enjoyed double-digit sales growth. **"Others luxury Houses"** sales grew 21.7% in Q1, once again driven by **Balenciaga** and **AMQ** while **Brioni** was impacted by retail network rationalization. Although **Boucheron** registered very good momentum, the situation is more mixed in watches, given a cautious sell-in strategy (in line with **Richemont**).

We remain Buy on the stock

We remain Buy on the stock with a EUR600 FV, marginally adjusted following Q1 sales and FX. Nevertheless, given that this release is only in line with estimates, share price should be today under pressure. We remove the stock from our top picks list.

Market Data

Bloomberg / Reuters	PP FP/PRTP.PA
Market Cap.	EUR67,875m
E.V.	EUR69.005m
Free Float	59,3
Avg. Daily volume (6m)	260.4
12m high / low	537.5 / 353.1
Ytd Perf.	30.6%

EURM	12/18	12/19e	12/20e	12/21e
Sales	13,665	15,800	16,835	17,960
% Change		*15.6%*	*6.6%*	*6.7%*
EBITDA	4,436	5,160	5,595	6,015
% Change		*16.3%*	*8.4%*	*7.5%*
EBIT	3,944	4,660	5,075	5,475
% Change		*18.2%*	*8.9%*	*7.9%*
Net Income	2,817	3,360	3,650	3,940
% Change		*19.3%*	*8.6%*	*7.9%*
ROE	0.28	0.27	0.30	0.26

	12/18	12/19e	12/20e	12/21e
EV/Sales	5.1x	4.3x	3.9x	3.5x
EV/EBITDA	15.7x	13.1x	11.7x	10.5x
EV/EBIT	17.6x	14.5x	12.9x	11.6x
EPS	22.36	26.67	28.97	31.27
% change		*19.3%*	*8.6%*	*7.9%*
P/E	24.0x	20.2x	18.6x	17.2x
Div Yield	2.0%	2.1%	2.4%	2.7%

Next Catalyst : H1 results to be reported on July 26th

Last rating Change:
2018-10-24, Kering enjoyed a very solid Q3, above expectations

Last FV Change:
2019-3-27, Kering Q1 should be again quite robust

Last Reports:
2019-3-27, Kering Q1 should be again quite robust

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Quarterly Kering organic sales growth by brands

in %	Q2 18	H1 18	Q3 18	9m 18	Q4 18	2018	Q1 19
Gucci	40.1	44.1	35.1	40.8	28.1	36.9	20.0
Bottega	-2.3	-0.9	-8.4	-3.5	-3.1	-3.4	-8.9
Saint	19.8	19.7	16.1	18.4	19.4	18.7	17.5
Others	34.7	36.5	32.2	35.0	25.5	32.1	21.7
Kering	**31.5**	**33.9**	**27.5**	**31.5**	**24.2**	**29.4**	17.5

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

Quarterly Luxury Houses organic retail sales growth by region

in %	Q2 18	Q3 18	Q4 18	Q1 19
West Europe	23	19	18	14
North America	45	36	26	7
Japan	33	22	21	12
APAC	38	33	37	30
Others	32	24	11	14

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

BRYAN, GARNIER & CO

KERING

BUY vs. BUY Top Picks

Fair Value	EUR600 vs. EUR590 (+12%)
Share price	EUR537.50
Market Cap.	EUR67,875m
EPS 3Y CAGR	11.8%

Income Statement (EURm)	2017	2018	2019e	2020e	2021e
Revenues	15,478	13,665	15,800	16,835	17,960
Change (%)	25.0%	-11.7%	15.6%	6.6%	6.7%
Gross margin	10.133	10.198	11.825	12.555	13.410
Change (%)	30.1%	0.6%	16.0%	6.2%	6.8%
Adjusted EBITDA	3.465	4.436	5.160	5.595	6.015
EBIT	2.948	3.944	4.660	5.075	5.475
Change (%)	56.3%	33.8%	18.2%	8.9%	7.9%
Financial results	-243	-207	-200	-180	-180
Pre-Tax profits	2.705	3.737	4.460	4.895	5.295
Exceptionals	-242	-222	-200	-149	-100
Tax	-591	-868	-1.080	-1.200	-1.310
Profits from associates	-2	12	10	1	2
Minority interests	79	28	30	46	47
Net profit	1.792	2.631	3.160	3.501	3.840
Restated net profit	2.002	2.817	3.360	3.650	3.940
Change (%)	50.4%	40.7%	19.3%	8.6%	7.9%
Cash Flow Statement (EURm)					
Operating cash flows	2.459	3.144	3.660	4.021	4.380
Change in working capital	94	52	161	249	273
Capex, net	752	839	750	770	771
Financial investments, net	0	53	0	0	0
Dividends	625	758	833	917	1.008
Other	-353	-280	0	0	0
Net debt	3.048	1.711	-204	-2.290	-4.618
Free Cash flow	1.613	2.253	2.749	3.002	3.336
Balance Sheet (EURm)					
Tangible fixed assets	2.267	2.399	2.649	2.899	3.130
Intangibles assets	14.580	9.622	9.622	9.950	9.950
Cash & equivalents	2.137	2.217	4.132	6.217	8.545
current assets	5.180	4.315	4.544	4.866	5.218
Other assets	1.413	2.814	2.814	1.999	1.999
Total assets	25.577	21.367	23.760	25.931	28.843
L & ST Debt	5.185	3.928	3.928	5.156	5.157
Others liabilities	7.766	7.378	7.445	8.737	8.817
Shareholders' funds	12.626	10.061	12.388	12.038	14.869
Total Liabilities	25.577	21.367	23.760	25.931	28.843
Capital employed	19.671	14.539	14.951	15.778	16.281
Financial Ratios					
Gross margin (% of sales)	65.5%	74.6%	74.8%	74.6%	74.7%
Operating margin	19.0%	28.9%	29.5%	30.1%	30.5%
Tax rate	24.0%	24.7%	25.4%	25.3%	25.2%
Net margin	12.9%	20.6%	21.3%	21.7%	21.9%
ROE (after tax)	15.9%	28.0%	27.1%	30.3%	26.5%
ROCE (after tax)	11.4%	20.4%	23.3%	24.0%	25.1%
Gearing	24%	17%	-2%	-9%	-23%
Pay out ratio	37.8%	47.0%	43.1%	44.9%	45.7%
Number of shares, diluted	126.000	126.000	126.000	126.000	126.000
Data per Share (EUR)					
EPS	14.22	20.88	25.08	27.79	30.48
Restated EPS	15.89	22.36	26.67	28.97	31.27
% change	50.9%	40.7%	19.3%	8.6%	7.9%
BVPS	100.21	79.85	98.31	95.54	118.01
Operating cash flows	19.52	24.95	29.05	31.91	34.76
FCF	12.80	17.88	21.81	23.83	26.48
Net dividend	6.00	10.50	11.50	13.00	14.30

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

BRYAN, GARNIER & CO

ROCHE

Healthcare

| Pharmaceuticals

18th April 2019

BUY - Top Picks

Fair Value	CHF325 vs. CHF315 (+22%)
Share price	CHF266.3
EPS 3Y Cagr	4.7%

Post-Q1, our FV moves up to CHF325

An outstanding 8% CER sales growth reported in Q1 2019

Yesterday, Roche reported 8% top-line growth in CER terms for the first-quarter, well above CS estimates, prompting the company to increase its full-year guidance to a mid-single digit number. Although the second part of the year will be characterised by the entry of first biosimilars for all three oncology drugs (Rituxan, Herceptin, Avastin) in the US, it is unlikely now that the impact can offset the strong momentum seen both with new drugs mainly in the US and in the International region with the whole portfolio (including China).

On the first side, all growth drivers are here to stay and should even accelerate somewhat further as we move into the year, as new geographies are adding to the US. This is true for Ocrevus which has so far been an outstanding success in the US (now capturing 37% and new and switching patients), for Hemlibra which has just been approved in HemA patients without inhibitors in Europe in March, for Tecentriq which label is not reflecting data in SCLC and in TNBC in all regions and even for Perjeta with a benefit from APHINITY still to fully deploy.

On the other hand i.e. in the International region, Roche said that there was no reason to expect a meaningful slowdown in growth not only in the coming quarters but also by 2021, with China driving the volume growth.

It is worth noting some reassuring comments from the Diagnostics division CEO, who said that two of the negative exceptional items seen in Q1 were fixed: there is already a return to a normal situation with inventories in China in Centralised Diagnostics whereas delays due to supply chain constraints in Tissue Diagnostics in the US are expected to normalise overt the next few months.

The pipeline is expected to deliver additional drugs shortly

As the profile of 2019 clarifies with the updated guidance, we expect eyes to turn progressively to 2020 when most of the biosimilar US impact is anticipated to play out. First of all, talking to the biosimilar players themselves, the conditions for a massive negative impact are not met since incentives are still in favour of expensive injectable oncology products. Moreover, the defence strategy is well in place notably for Rituxan (restricted label) and Herceptin (sc formulations). Anyway, what matters the most is to see Roche continuing to bring new drugs to the market to increase the number of references able to more than offset this impact. From that perspective, polatuzumab and entrectinib are both expected to be approved sometimes in H2 2019 and lots of questions were asked about RG6042 in Huntington’s disease and the likelihood of a filing based on phase II data. Roche answered that it had promising discussions with authorities, but that it was too early to speculated on an early filing (efficacy data which are key to do a filing will not be available at AAN).

A new FV of CHF325

Based on updated figures, core EPS CAGR for [2018-2023] has moved up from 4% to 5% and the gap with peers (except AZ) is closing. We still see Roche as the top pick in the large cap pharma universe with the greatest upside to CS numbers.

Market Data

Bloomberg / Reuters	ROG VX/ROG.VX
Market Cap.	CHF187,093m
E.V.	CHF192,745m
Free Float	91.5%
Avg. Daily volume (6m)	1,436
12m high / low	CHF280.6 / CHF207.7
Ytd Perf.	9.4%

CHFM	12/18	12/19e	12/20e	12/21e
Sales	56,846	59,696	60,802	61,441
% Change		*5.0%*	*1.9%*	*1.1%*
EBITDA	22,105	22,874	23,786	24,516
% Change		*3.5%*	*4.0%*	*3.1%*
EBIT	14,769	18,378	19,266	19,996
% Change		*24.4%*	*4.8%*	*3.8%*
Net Income	15,593	16,518	17,254	17,904
% Change		*5.9%*	*4.5%*	*3.8%*
ROE	0.39	0.46	0.41	0.38

	12/18	12/19e	12/20e	12/21e
EV/Sales	3.4x	3.2x	3.1x	3.0x
EV/EBITDA	8.7x	8.3x	7.9x	7.5x
EV/EBIT	13.1x	10.4x	9.7x	9.1x
EPS	18.14	19.21	20.07	20.82
% change		*5.9%*	*4.5%*	*3.8%*
P/E	14.7x	13.9x	13.3x	12.8x
Div Yield	3.8%	4.1%	4.3%	4.4%

Next Catalyst : 13/05/2019 - AAN congress

Last rating Change:

2019-1-31, Roche is one year ahead of CS estimates

Last FV Change:

2019-2-20, A feeling of strong confidence after RS with the company

Last Reports:

2019-4-17, Roche reports an explosive first-quarter top-line performance

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BRYAN, GARNIER & CO

SOITEC

Technology
| Semiconductors

17th April 2019

BUY - Top Picks

Fair Value	EUR90 vs. EUR85 (+8%)
Share price	EUR83.00
EPS 3Y Cagr	27.0%

Very strong revenue growth; margin guidance upgraded

Sales well above expectations, EBITDA margin guidance raised

Yesterday, Soitec reported FQ4 2019 sales at EUR140.3m, up 53% y/y (+45% lfl) and +20% seq. (+19% lfl), which is well above the consensus at EUR116.7m (flat seq). This includes EUR60.2m in sales from 200mm (+23% y/y, +2.5% seq.), EUR72.3m (+98% y/y, +37% seq.) and EUR7.8m in royalties and other revenues (+28% y/y, +48% seq.). **Given the solid growth registered in Q4, Soitec upgraded its FY 2019 EBITDA margin guidance from "around 30%" to around 33%".**

300mm has become the largest source of revenue for Soitec

300mm sales increased by 95% y/y at constant exchange rates in FQ4 2019 and for the first time represented more revenue than 200mm at 52% of total revenue. The **strong trend registered by Soitec continues to be driven by FD-SOI and RF-SOI** 300mm. The FD-SOI adoption accelerates significantly during the quarter as one of Soitec's main clients, likely GlobalFoundries, entered in high-volume manufacturing which results in a **twofold increase in FD-SOI sales compared to the previous quarter and 3 times higher than Q4 2018. Regarding RF-SOI 300mm, sales were flat sequentially but increase more than threefold compared to the same period last year**. During the quarter, there have been many announcements that show that these two technologies are gaining momentum such as the expansion of the collaboration with Samsung on FD-SOI or the fact that Soitec was the first materials supplier to join China Mobile 5G international alliance. Note the imaging business increased substantially on a sequential basis and was above the level of last year indicating that **Apple's 3D sensing technology should not change in 2019 and will still use Soitec's substrate.**

200mm keeps delivering strong growth as RF content increases

RF-SOI remains the main source of growth for Soitec's 200mm, while Power SOI registered a slight increase both on a sequential basis and on a y/y basis. As a reminder, RF-SOI content keeps increasing RF applications, especially in smartphones, for most advanced 4G LTE as well as first 5G devices that started to roll out in some countries such as Korea and soon in the US. **New capacities installed at Bernin 1 are already used at full capacity and Simgui represents 15% of the total 200mm wafers sold by the company.**

We reiterate our Buy-Top Picks rating and raise our FV to EUR90

While H2 results should provide important information about the ramp up at Singapore and the impact on margins going forward, **Soitec will hold a capital market the day as a part of the presentation of its results on the 13th June and we expect the company to give further information on its future POI business** for filters that will enter in HVM at the end of the calendar year. **This opportunity is not captured yet in our model** as we lack information but we believe this should be incremental to Soitec earnings. **We fined-tune our estimates based on the results and guidance and raise our FV from EUR85 to EUR90. We maintain our rating.**

Market Data

Bloomberg / Reuters	SOI FP/SOIT.PA
Market Cap.	EUR2,604m
E.V.	EUR2,549m
Free Float	100
Avg. Daily volume (6m)	137.4
12m high / low	83.0 / 46.6
Ytd Perf.	64.0%

EURM	03/18	03/19e	03/20e	03/21e
Sales	310.6	443.9	572.0	721.3
% Change		*42.9%*	*28.9%*	*26.1%*
EBITDA	80.2	143.8	161.3	205.6
% Change		*79.3%*	*12.2%*	*27.4%*
EBIT	71.5	121.6	127.0	151.5
% Change		*70.0%*	*4.4%*	*19.3%*
Net Income	82.2	103.0	108.9	133.1
% Change		*25.3%*	*5.7%*	*22.3%*
ROE	0.31	0.26	0.22	0.21

	03/18	03/19e	03/20e	03/21e
EV/Sales	8.2x	5.8x	4.5x	3.6x
EV/EBITDA	31.8x	17.9x	16.1x	12.6x
EV/EBIT	35.6x	21.2x	20.4x	17.1x
EPS	2.05	3.26	3.44	4.21
% change		*58.5%*	*5.7%*	*22.3%*
P/E	40.4x	25.5x	24.1x	19.7x
Div Yield	NM	NM	NM	NM

Next Catalyst:

12 June 2019: Q4 2019 results

13 June 2019: Capital Market Day

Last rating Change:

2017-7-25, New status, new beta

Last FV Change:

2018-6-14, Good FY18 results with positive signs of LT growth as Soitec gears up for the future

Last Reports:

2019-3-20, New production partnership with Simgui

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BRYAN, GARNIER & CO

UNILEVER

18th April 2019

Consumer, Brands & Retail
| Food

Fair Value	EUR57(+12%)
Share price	EUR50.91
EPS 3Y Cagr	7.7%

Q1 better than expected due to Asia/AMET/RUB

3.1% organic sales growth in Q1

Q3 sales dropped 1.6% to EUR12,416m (consensus: EUR12,328m and our estimate: EUR12,240m) due to the disposal of the spreads business. Organic sales grew 3.1% over the quarter (consensus: +2.8% and our estimate: +2.7%), implying an acceleration vs Q4 2018 (+2.9%). Volume/mix rose 1.2% in Q1 (+0.8% in Q4 2018) while pricing was up 1.9% (+2.1% in Q4 2018).

Americas improved

Sales at Americas (31% of total sales) only rose 0.4% in organic terms over the quarter (consensus: +0.8%), slightly improving vs Q4 (flat performance). Brazil grew mid-single-digit, but this was compensated by declining volumes in Argentina and Mexico.

Unchanged trend in Asia/AMET/RUB

This division (45% of total sales) posted 6% organic sales growth (consensus: +5.5%), in line with Q4 2018. India proved to be slightly less dynamic, but South East Asia and North Asia improved.

…and Europe

Sales in Europe (24% of total sakes) were up 0.7% (consensus: +0.6%) on an organic basis (vs +0.8% in Q4 2018). Central, Eastern Europe, the UK and Italy grew well.

Outlook

The company continues to expect organic sales growth between 3% and 4%. Our estimate calls for +3.6% (consensus: +3.4%). No EBIT margin has been provided by Unilever. We currently anticipate an increase of 80bp to 19.3% (consensus: 19.1%). We make no change before the conference call at 9am CET. We maintain our Buy recommendation and our Fair Value of EUR57.

Market Data

Bloomberg / Reuters	UNA NA/UNc.AS
Market Cap.	EUR146,346m
E.V.	EUR167,127m
Free Float	100
Avg. Daily volume (6m)	3,940
12m high / low	51.9 / 45.1
Ytd Perf.	7.4%

EURM	12/18	12/19e	12/20e	12/21e
Sales	50,982	52,721	55,546	58,346
% Change		*3.4%*	*5.4%*	*5.0%*
EBITDA	10,898	12,345	13,436	14,337
% Change		*13.3%*	*8.8%*	*6.7%*
EBIT	9,359	10,182	11,103	11,837
% Change		*8.8%*	*9.1%*	*6.6%*
Net Income	6,379	6,777	7,437	7,957
% Change		*6.2%*	*9.7%*	*7.0%*
ROE	0.34	0.33	0.33	0.33

	12/18	12/19e	12/20e	12/21e
EV/Sales	3.3x	3.2x	3.0x	2.9x
EV/EBITDA	15.3x	13.6x	12.6x	11.9x
EV/EBIT	17.9x	16.5x	15.2x	14.4x
EPS	2.37	2.52	2.76	2.96
% change		*6.5%*	*9.5%*	*7.0%*
P/E	21.5x	20.2x	18.4x	17.2x
Div Yield	3.0%	3.3%	3.6%	3.8%

Next Catalyst : Conference call at 9am CET

Last rating Change:
2018-10-19, The performance should compare well to peers in 2019

Last FV Change:
2019-4-5, Our favourite!

Last Reports:
2019-4-5, Notre préférée dans l'échantillon!

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BRYAN, GARNIER & CO

SCHNEIDER ELECTRIC

18th April 2019

BUY

Technology

| Smart Industries

Fair Value	EUR84(+15%)
Share price	EUR74.96
EPS 3Y Cagr	6.3%

Strong start to the year for organic revenue growth

Q1 2019 revenues up 5.9% vs 2.8% expected by the consensus

Schneider Electric reported solid Q1 revenues at EUR6,307m (approx. 3% above the consensus gathered by the company), with steady organic growth at 5.9%, clearly above both consensus expectations (2.8%) and our estimates (3.9%). This strong performance is explained by a good performance in Energy Management, with a 7.1% growth, while Industrial Automation organic growth stood at 2.3%. Both lfl growth rates were above consensus anyway. FX impact stood at EUR116m (2%, with notably the USD) and scope effect at EUR44) (0.8%, with in particular AVEVA) both in line.

Quarterly revenues

y/y	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19e
Energy Management	5.2%	6.9%	7.4%	5.8%	**7.1%**
Industrial Automation	9.2%	10.7%	6.6%	4.0%	**2.3%**
Total Consolidated Revenues	6.1%	7.7%	7.2%	5.5%	**5.9%**

Source: Schneider Electric; Bryan, Garnier & co

Double-digit growth in Systems, Services and Software

By type of revenues, products organic growth was decent at 3%, but other business lines report double-digit growth: 10% for systems (projects and equipment), 11% for Services and double-digit for Softwares.

By geographic zone, the growth was supported by North America (8.7%) and Asia Pacific (6.8%) despite challenging comparison basis (5% and 14%, respectively).

By end-markets, note than Energy Management benefited from positive trends in the building industry, as well as data centers. Industry Automation benefited from a strong growth from process industries while discrete industry growth was only “slightly” up. Obviously, everything was not rosy, as North America Industrial Automation was penalized by “the phase down of the non-core margin panel offer”.

Outlook

We have not notice any significant changes regarding the comments by key geographic zones: high base of comparison is expected in China, but the country remains a growth market (but Schneider mentions a possible moderation in construction end-markets in coming quarters), continuing favourable environment expected in North America, good momentum in the rest of Asia-Pacific and moderate pace in Western Europe. The group confirms its guidance for 2019: a revenues growth of 3% to 5% organic and an adjusted EBITA margin up +20 to +50bps organic, leading to a 4% to 7% organic growth in adjusted EBITA. Buy maintained.

Market Data

Bloomberg / Reuters	SU FP/SCHN.PA
Market Cap.	EUR43,399m
E.V.	EUR48.968m
Free Float	77,9
Avg. Daily volume (6m)	1 584
12m high / low	78.1 / 57.6
Ytd Perf.	25.5%

EURM	12/18	12/19e	12/20e	12/21e
Sales	25,720	27,343	28,435	29,288
% Change		*6.3%*	*4.0%*	*3.0%*
EBITDA	4,698	5,054	5,357	5,666
% Change		*7.6%*	*6.0%*	*5.8%*
EBIT	3,874	4,230	4,533	4,842
% Change		*9.2%*	*7.2%*	*6.8%*
Net Income	2,560	2,675	2,924	3,179
% Change		*4.5%*	*9.3%*	*8.7%*
ROE	0.12	0.12	0.12	0.13

	12/18	12/19e	12/20e	12/21e
EV/Sales	1.9x	1.8x	1.7x	1.6x
EV/EBITDA	10.6x	9.7x	8.9x	8.2x
EV/EBIT	12.9x	11.6x	10.5x	9.5x
EPS	4.62	4.74	5.14	5.54
% change		*2.5%*	*8.5%*	*7.9%*
P/E	16.2x	15.8x	14.6x	13.5x
Div Yield	3.1%	3.5%	3.8%	4.1%

Next Catalyst :

H1 2019 results on 25th july

Last Reports:

2019-4-4, Better standing on its two own feet

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BRYAN, GARNIER & CO

SCHNEIDER ELECTRIC

BUY

Fair Value	EUR84(+15%)
Share price	EUR74.96
Market Cap.	EUR43,399m
EPS 3Y CAGR	6.3%

Fiscal year end 31/12	2017	2018	2019e	2020e	2021e
Financial Summary					
EPS (EUR)	3,81	4,16	4,74	5,14	5,54
Restated EPS (EUR)	4.26	4.62	4.74	5.14	5.54
% change	13.0%	8.5%	2.5%	8.5%	7.9%
FCF (EUR)	3.99	3.75	4.29	4.70	5.27
Net dividend (EUR)	2.20	2.35	2.61	2.85	3.10
Average yearly Price	69.38	-	-	-	-
Avg. Number of shares, diluted (m)	564.37	560.59	564.84	569.09	573.34
Historical Entreprise value (EURm)	46.002	46.821	46.020	45.027	43.838
Valuation (x)					
EV/Sales	1.86	1.82	1.74x	1.63x	1.53x
EV/EBITDA	11.12	10.40	9.41x	8.65x	7.93x
EV/EBIT	13.67	12.74	11.24x	10.22x	9.28x
P/E	17.72	15.70	15.83x	14.59x	13.52x
FCF yield (%)	5.5%	5.1%	17.48x	15.95x	14.21x
Net dividend yield (%)	2.95%	3.28%	3.5%	3.8%	4.1%
Profit & Loss Account (EURm)					
Revenues	24.743	25.720	27.343	28.435	29.288
Change (%)	0.2%	3.9%	6.3%	4.0%	3.0%
Organic change (%)	3.2%	6.6%	5.0%	4.0%	3.0%
R&D	-883	-984	-1.046	-1.088	-1.120
Adjusted EBITDA	4.422	4.698	5.054	5.357	5.666
EBIT	3.651	3.874	4.230	4.533	4.842
Change (%)	4.9%	6.1%	9.2%	7.2%	6.8%
Financial results	-367	-310	-297	-277	-235
Pre-Tax profits	2.843	3.086	3.543	3.885	4.231
Exceptionals	-94	-23	-23	-23	-23
Tax	-600	-693	-796	-873	-950
Profits from associates	61	61	61	61	61
Minority interests	60	97	111	127	140
Net profit	2.150	2.334	2.675	2.924	3.179
Restated net profit	2.378	2.560	2.675	2.924	3.179
Change (%)	12.3%	7.7%	4.5%	9.3%	8.7%
Cash Flow Statement (EURm)					
Operating cash flows	3.020	3.405	3.796	4.071	4.349
Change in working capital	-79	-533	-555	-545	-448
Capex, net	-688	-770	-819	-851	-877
Free Cash flow	2.253	2.102	2.423	2.675	3.024
Financial investments, net	-557	-730	0	0	0
Dividends	-1.197	-1.303	-1.324	-1.482	-1.631
Capital increase	-10	-665	0	0	0
Other	39	-244	0	0	0
Change in net debt	528	-840	1.098	1.193	1.393
Net debt (+)/cash (-)	4.296	5.136	4.135	2.942	1.548
Balance Sheet (EURm)					
Tangible fixed assets	2.490	2.521	2.594	2.686	2.792
Intangibles assets	20.758	23.247	23.103	22.974	22.856
Cash & equivalents	3.045	2.361	2.361	2.361	2.361
current assets	10.300	10.805	12.189	13.180	13.997
Other assets	3.256	3.325	3.204	3.072	2.931
Total assets	39.849	42.259	43.451	44.274	44.936
L & ST Debt	7.341	7.497	6.496	5.303	3.909
Provisions	4.056	3.689	3.689	3.689	3.689
Others liabilities	8.510	8.809	9.638	10.085	10.453
Minority interests	145	1.482	1.571	1.673	1.785
Shareholders' funds	19.797	20.782	22.058	23.524	25.100
Total Liabilities	39.849	42.259	43.451	44.274	44.936
Ratios					
Gross margin	38.4%	39.0%	39.1%	39.5%	39.9%
EBITDA margin	17.9%	18.3%	18.5%	18.8%	19.3%
Net debt/EBITDA (x)	104.2%	116.8%	85.0%	56.7%	28.2%
Operating margin	14.8%	15.1%	15.5%	15.9%	16.5%
Tax rate	21.1%	22.5%	22.5%	22.5%	22.5%
Net margin	8.9%	9.5%	10.2%	10.7%	11.3%
ROE	12.0%	12.3%	12.1%	12.4%	12.7%
ROCE	9.4%	9.9%	10.3%	10.9%	11.5%
Gearing	21.5%	23.1%	17.5%	11.7%	5.8%
FCF/EBIT	0.0	0.0	0.0	0.0	0.0
Dividend payout	-53%	-52%	-49%	-50%	-50%

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

BRYAN, GARNIER & CO

EDENRED

Business Services
| Food Services

18th April 2019
BUY - Top Picks

Fair Value	EUR47(+11%)
Share price	EUR41.29
EPS 3Y Cagr	21.4%

Q1 Revenue: Strong positive trend continues

Q1 organic revenue ahead of expectation

Consolidated revenue during Q1 reached EUR383m, up 15.3% in reported terms with organic growth of 14.1%. All those numbers are ahead of consensus, which notably expected an organic of 12.1%. Operation revenue at EUR369m was up 15.6% with an organic of 14.2% (consensus at 12% with BG & Co.at 12.1%) while other revenue reached EUR14m up 7.9% in reported terms with organic of 12%. Scope effect contributed 4.1% and currency impacted revenue by 2.7%. So the positive trend continues despite high comps, bearing in mind that organic operating revenue growth in Q1 2018 was up 13.8%.

All business lines and all regions contributing to performance

In fact, all the three business lines and all geographies contributed to the positive growth with double digit numbers.
By business, Employee Benefit (64% of consolidated operating revenue) was up 14.5% in organic, Fleet & Mobility (25%) was up 13.7% and Complementary Solutions (11%) improved by 13.5% which illustrated the positive impact from the growth strategy to expand digital tools with multi-channel sales focused on SMEs and new solutions notably in business expense management.
By geography, organic operating revenue growth reached 13.8% in Europe (58% of consolidated operating revenue) despite still lower performance in France (32% of Europe revenue) up 9% which shows nevertheless an improvement compared with previous quarters, 13.9% in Latin America (35%) with Brazil up 11.7% and 20.9% in the RoW

FY 2019 guidance confirmed, as expected

Following such results, Management confirmed its guidance for organic operating revenue growth of at least 7% (our estimate is 11.2%), organic operating EBIT growth of 9% minimum (our estimate is 18%) and organic FFO growth of at least 10% (our estimate is 17%).

Market Data

Bloomberg / Reuters	EDEN FP/EDEN.PA
Market Cap.	EUR9,879m
E.V.	EUR10,778m
Free Float	100
Avg. Daily volume (6m)	511.4
12m high / low	42.4 / 25.9
Ytd Perf.	28.6%

EURM	12/18	12/19e	12/20e	12/21e
Sales	1,378	1,595	1,757	1,938
% Change		*15.8%*	*10.1%*	*10.3%*
EBITDA	536.0	673.5	762.5	871.9
% Change		*25.6%*	*13.2%*	*14.3%*
EBIT	461.0	555.5	632.4	728.3
% Change		*20.5%*	*13.8%*	*15.2%*
Net Income	254.0	329.2	388.9	454.5
% Change		*29.6%*	*18.1%*	*16.9%*
ROE	-0.16	-0.21	-0.24	-0.28

	12/18	12/19e	12/20e	12/21e
EV/Sales	7.6x	6.9x	6.3x	5.6x
EV/EBITDA	19.7x	16.4x	14.5x	12.3x
EV/EBIT	22.9x	19.9x	17.4x	14.8x
EPS	1.07	1.39	1.64	1.92
% change		*29.6%*	*18.1%*	*16.9%*
P/E	38.4x	29.7x	25.1x	21.5x
Div Yield	2.1%	2.7%	3.2%	3.7%

Next Catalyst :

Conference call at 8:20am
H1 Results on 23rd July

Last rating Change:

2018-7-25, Feedback CC: A growth story which sounds far from complete

Last FV Change:

2019-4-3, More bullish scenario in Digital & Payments

Last Reports:

2019-4-3, More bullish scenario in Digital & Payments

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ESSILORLUXOTTICA

Consumer, Brands & Retail

| Optical & Eyewear

18th April 2019

BUY

Fair Value	EUR128(+20%)
Share price	EUR107.10
EPS 3Y Cagr	8.1%

Newsflow is improving

Second positive sign that tensions are easing

Yesterday EL announced that its Nomination and Compensation Committee initiated the search of a future CEO, with the support of two executive search firms, namely Russell Reynolds Associates and Eric Salmon & Partners. This is all the more a positive signal since we recall that this search process was blocked because of the governance crisis that shook the holding in March.

In our view, a longer crisis would have led to a loss of attractiveness vis-à-vis high-profile external candidates, whereas both parties agreed on the urgency to clarify its governance with one CEO.

Yesterday's announcement also comes after both parties agreed to wait for the future arbitration of the International Chamber of Commerce (ICC), which was the first positive signal towards a possible way out of the current deadlock.

This CEO search process remains governed by existing agreements

Further to the review of internal and external candidates, the Nomination and Compensation Committee will recommend the future CEO, who will be agreed and proposed to the Board of Directors by both the Executive Chairman (Leonardo Del Vecchio) and the Executive Vice-Chairman (Hubert Sagnières) by the end of 2020.

As a first step, the selected candidate will be appointed as "Directeur Général Délégué" and will be in charge of coordinating the activities of EL and facilitating the integration of EI and LUX

Q1 2019 Sales (7th May): towards a good quarter

As highlighted in our recent comment, we anticipate Q1 FX-n sales growth trends (BG ests: +3.8% FX-n) to be roughly in line with Q4, on top of a more favourable FX tailwind (~4pp).

By region, **North America** could be a bit softer in Q1, mainly due timing factors (i.e. the Essilor's successful Ultimate Lens Package was replaced by another initiative during the quarter, one less business day vs. Q1 2018) and poor trends amid sport specialty retailers which will partly affect Oakley (LUX) and Costa (EI). Yet, LensCrafters should confirm its recovery with a third consecutive quarter of positive LFL. **Europe** is expected to be quite robust for both groups, driven by the online channel, supportive underlying market trends (even in France) and some easy comps for LUX as stricter commercial policies introduced in Q1 2018 will anniversary. Last but not least, we do not expect any major moderation in growth in **emerging markets**, China should be strong in Q1.

Key milestones ahead: AGM (16th May) and CMD (18th Sep)

The share price rebounded by ~9% over the past week, supported by a more favourable newsflow and positive anticipations with regard to the Q1 publication. The AGM on 16th May which will be crucial in the investors' perception that tensions are easing off, pending the CMD on 18th September.

Market Data

Bloomberg / Reuters	EF FP/ESSI.PA
Market Cap.	EUR46,699m
E.V.	EUR48.637m
Free Float	90,4
Avg. Daily volume (6m)	944.0
12m high / low	129.0 / 96.0
Ytd Perf.	-3.0%

EURM	12/18	12/19e	12/20e	12/21e
Sales	16,160	17,162	18,105	19,364
% Change		*6.2%*	*5.5%*	*7.0%*
EBITDA	3,517	3,690	3,915	4,338
% Change		*4.9%*	*6.1%*	*10.8%*
EBIT	2,572	2,731	2,909	3,173
% Change		*6.2%*	*6.5%*	*9.1%*
Net Income	1,778	1,889	2,035	2,247
% Change		*6.2%*	*7.7%*	*10.5%*
ROE	0.05	0.05	0.06	0.06

	12/18	12/19e	12/20e	12/21e
EV/Sales	3.0x	2.8x	2.6x	2.4x
EV/EBITDA	13.8x	13.0x	12.1x	10.8x
EV/EBIT	18.9x	17.6x	16.3x	14.7x
EPS	4.09	4.34	4.68	5.17
% change		*6.2%*	*7.7%*	*10.5%*
P/E	26.2x	24.7x	22.9x	20.7x
Div Yield	1.9%	2.0%	2.2%	2.4%

Next Catalyst: Q1 2019 Sales on 7th May / AGM on 16th May

Last FV Change:
2019-3-11, A little bit more patience until September...

Last Reports:
2019-3-11, A little bit more patience until September...

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ESSILORLUXOTTICA

BUY

Fair Value	EUR128(+20%)
Share price	EUR107.10
Market Cap.	EUR46,699m
EPS 3Y CAGR	8.1%

Income Statement (EURm)	2017	2018	2019e	2020e	2021e
Revenue	16,349	16,160	17,162	18,105	19,364
Change (%)	3.1%	-1.2%	6.2%	5.5%	7.0%
Gross Profit	10,314	10,172	10,839	11,467	12,303
EBITDA	3,792	3,517	3,690	3,915	4,338
Contribution from operations	2,703	2,572	2,731	2,909	3,173
EBIT	2,703	2,572	2,731	2,909	3,173
Change (%)	15.1%	-4.8%	6.2%	6.5%	9.1%
Financial results	-121	-106	-79	-60	-40
Profits from associates	0	0	0	0	0
Pre-Tax profits	2,581	2,466	2,652	2,849	3,133
Tax	-678	-595	-663	-712	-783
Minority interests	-91	-94	-100	-102	-102
Net profit	1,813	1,778	1,889	2,035	2,247
Change (%)	22.0%	-1.9%	6.2%	7.7%	10.5%
Cash Flow Statement (EURm)					
Operating cash flows	2,993	2,816	2,948	3,143	3,514
Change in working capital	-38	259	165	155	207
Capex, net	874	789	858	905	968
Financial investments, net	444	395	515	543	581
Dividends	806	814	887	944	1,017
Other	0	0	0	0	0
Net debt	2,446	1,938	1,415	820	79
Free Cash flow	2,158	1,767	1,925	2,083	2,339
Balance sheet (EURm)					
Cash & liquid assets	1,643	1,829	2,351	2,947	3,688
Other current assets	5,061	5,211	5,484	5,740	6,083
Tangible fixed assets	2,925	3,368	4,226	5,131	6,100
Intangible assets	33,806	35,114	35,114	35,114	35,114
Other assets	645	748	748	748	748
Total assets	44,080	46,269	47,923	49,680	51,733
LT & ST debt	4,064	3,767	3,767	3,767	3,767
Other liabilities	7,350	9,241	9,380	9,772	10,295
Shareholders' funds	32,666	33,262	34,777	36,142	37,671
Total liabilities	44,080	46,269	47,923	49,680	51,733
Capital employed	39,060	39,254	40,546	41,963	43,561
Financial Ratios					
Contribution margin (% of sales)	63.1%	62.9%	63.2%	63.3%	63.5%
EBIT margin (% of sales)	16.5%	15.9%	15.9%	16.1%	16.4%
Tax rate	26.3%	24.1%	25.0%	25.0%	25.0%
Net margin	11.1%	11.0%	11.0%	11.2%	11.6%
ROE (after tax)	5.6%	5.4%	5.5%	5.7%	6.0%
ROCE (after tax)	8.7%	8.1%	8.4%	8.7%	9.1%
Gearing	7%	6%	4%	2%	0%
Pay out ratio	-	49.9%	50.0%	50.0%	50.0%
Number of shares, diluted	442	442	442	442	442
Per share data (EUR)					
EPS	4.10	4.02	4.27	4.60	5.08
Restated EPS	4.17	4.09	4.34	4.68	5.17
% change	22%	-2%	6%	8%	10%
BVPS	73.9	75.3	78.7	81.8	85.2
Operating cash flows	007	006	007	007	008
FCF	005	004	004	005	005
Net dividend	1.53	2.04	2.17	2.34	2.58

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

BRYAN, GARNIER & CO

NESTLÉ

Consumer, Brands & Retail

| Food

18th April 2019

NEUTRAL

Fair Value	CHF88(-7%)
Share price	CHF94.36
EPS 3Y Cagr	8.4%

Technicalities largely unseen in today's release

Q1 organic sales growth surprised positively...

Q1 sales rose 4.3% to CHF22,183m, above forecasts (consensus: CHF22,005m and our estimate: CHF21,968m). FX headwinds and disposals (US confectionary and Gerber Life Insurance) were more than compensated by the consolidation of the Atrium acquisition and the Starbucks license. **In organic terms, sales grew 3.4% over the quarter (consensus and our estimate: +2.8%)**, with RIG +2.2% and price +1.2% (vs +0.9% in Q4 2018 thanks to increases in Brazil and the US). The Q1 performance implies a slight deceleration vs Q4 2018 (+3.7%). **Note that growth would have been 3.2% excluding the businesses under strategic review. This is also interesting to see that technicalities (one less trading day, the early Chinese New Year, late Easter) that were supposed to weigh on Q1 are largely unseen in today's release.**

...due to Americas, EMENA and Other Businesses

Americas (34% of total sales) posted 3.4% organic sales growth in Q1, far better than expected (consensus: +2.4%) and only a touch below Q4 (+3.6%). This was driven by pricing in the US and Brazil. **EMENA** was also better than expected, with organic sales up 2.1% compared to consensus: +1.7% and Q4 2018: +2.9%. The pricing pressure in Western Europe continued to be penalizing for this division which represents 21% of the group's total sales, but this was offset by mid-single-digit growth in Central and Eastern Europe and Africa/Middle East. **Asia/Oceania and Sub-Saharan Africa** (23% of total sales) posted 3.3% organic sales growth over the quarter vs consensus: +3.8%. The deceleration vs Q4 (+4.4%) was due to Japan and Oceania. The trend at **Waters** (9% of total sales) was unchanged vs Q4, with organics sales 2% in Q1. This compares to consensus: +2.4%. The pricing component in the US was very beneficial for Waters as the group passed on to consumers the increase in distribution costs. But this was compensated by a decline in Europe due to the UK and Germany. Finally, sales at **Other Businesses** (13% of total sales) rose 6.8% organically in the first quarter of the year (consensus: +5.6%), ie a strong acceleration vs Q4 (+5.1%) due to Nestlé Skin Health (up double digit) the group is considering to sell.

No change to our forecasts before the call at 2pm CET

At the release of 2018 results, Nestlé said organic sales growth should grow above 3%. Our estimate currently calls for 3.3%, with Americas +2.5%, EMENA +1.9%, AOA +4.3%, Waters +2.6% and Other Businesses +6.2%. In terms of 2019 EBIT margin, we expect an expansion of 60bp, largely due to cost savings. Note the group indicated that, at end 2018, it had delivered half of the CHF2/CHF2.5bn cost savings programme (over the four years ending 2020). We make no change to our estimates before the call at 2pm CET.

Market Data

Bloomberg / Reuters	NESN VX/NESZn.VX
Market Cap.	CHF289,025m
E.V.	CHF319,355m
Free Float	100
Avg. Daily volume (6m)	5,017
12m high / low	97.1 / 73.5
Ytd Perf.	18.2%

CHFM	12/18	12/19e	12/20e	12/21e
Sales	91,439	95,308	98,902	103,066
% Change		*4.2%*	*3.8%*	*4.2%*
EBITDA	19,445	20,873	22,055	23,313
% Change		*7.3%*	*5.7%*	*5.7%*
EBIT	15,521	16,775	17,802	18,881
% Change		*8.1%*	*6.1%*	*6.1%*
Net Income	12,103	12,969	13,767	14,604
% Change		*7.2%*	*6.2%*	*6.1%*
ROE	0.21	0.23	0.22	0.21

	12/18	12/19e	12/20e	12/21e
EV/Sales	3.5x	3.4x	3.2x	3.0x
EV/EBITDA	16.4x	15.5x	14.5x	13.5x
EV/EBIT	20.6x	19.3x	18.0x	16.6x
EPS	4.01	4.44	4.81	5.11
% change		*10.8%*	*8.4%*	*6.1%*
P/E	23.5x	21.2x	19.6x	18.5x
Div Yield	2.6%	2.7%	2.8%	3.0%

Next Catalyst : Conference call at 2pm CET

Last rating Change:
2016-4-15, The momentum is improving

Last FV Change:
2019-2-15, The path to the 2020 top line target remains unclear

Last Reports:
2019-2-15, The path to the 2020 top line target remains

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NICOX

Healthcare
| Biotech

18th April 2019

BUY

Fair Value	**EUR19,8**
Share price	EUR5.61
EPS 3Y Cagr	NM

1Q update: well on-track to deliver key milestones by YE'19

EUR23.5m in cash (BGe 2Q'20 financial runway)

Nicox released its Q1 business update. Cash situation stands at EUR23.5m. Including the bond financing agreement inked in Jan. 2019 for a total amount of EUR20m out of which EUR8m has been drawn, we estimate Nicox has financial runway until 2Q'19. Nicox has visibility well beyond the read-out of its phase II trials for NCX-470 and NCX-4251 in glaucoma and blepharitis respectively, both expected in 4Q'19.

We do not rule out that the company's visibility might be strengthened by royalty inflows from the continuous uptake of Vyzulta's sales by B+L. In 1Q'19, Nicox revenues which consist primarily of royalties amounted to EUR430k, suggesting Vyzulta's sales up to c.EUR7m (6% royalty rate). Development milestones and Licensing deals might as well boost the company's financial visibility (see below).

Zerviate launch confirmed for 3Q'19… after a first false start

Nicox' manufacturing issues with Akorn lead to a change of manufacturer and Renaissance Lakewood is now in charge of it. Emancipating from Akorn's recent chequered history is a small positive, in our view. However, this triggered some delays in the manufacturing and supply of the first batches to commercial partner, Eyevance. First batches are expected to be shipped in the upcoming months and commercial roll-out in 3Q'19 for the second - yet of lower intensity - conjunctivitis allergic season. As a result of the above, Nicox is no longer eligible for the first USD2m milestone payment, but remains eligible for a USD3m payment, expected to be received ahead of the launch (regulatory/manufacturing).

Nicox continues to build on strong interest for the product outside of the US. After a USD17m deal inked with Ocumension Therapeutics for the Chinese market, discussions are ongoing for the licensing of Zerviate in other geographies.

NCX-470 Ph II trial recruiting at a strong pace (readout 4Q'19)

The recruitment of the phase II trial evaluating NCX-470 in glaucoma c.420 patients over a 4w treatment course is advancing fast. >85% of patients are now recruited vs 50% as of 8th January 2019. Should centres keep-up with this fast recruitment pace, it would suggest 1/ a last patient in around mid-2019 and 2/ a read-out in early Q4 vs company guidance Q4. As a reminder, the phase II is powered for both non-inferiority and superiority vs latanoprost 0.005%.

NCX-4251 Ph II ongoing (readout 4Q'19)

At the beginning of the year, the FDA accepted the IND for the phase II trial of NCX-4251 in blepharitis. Recruitment will begin shortly in slightly less than 10 US centres – to be co-monitored by Nicox - which will be in charge of the recruitment of c.30 patients. Considering that the FDA accepted the IND ahead of schedule, the read-out of the trial is expected in 4Q'19, making this quarter newsflow rich for Nicox.

Early stage pipeline to be unveiled at ARVO in late April

Lastly, Nicox is set to unveil first pre-clinical results for its future generation NO-Donors classes at the ARVO congress (April 28 – May 2).

Market Data

Bloomberg / Reuters	COX FP/NCOX.LN
Market Cap.	EUR168m
E.V.	EUR167m
Free Float	98,9
Avg. Daily volume (6m)	110.5
12m high / low	9.2 / 4.5
Ytd Perf.	12.0%

EURM	12/16	12/17e	12/18e	12/19e
Sales	0.0	0.0	5.2	13.7
% Change				
EBITDA	-10.6	-19.3	-17.8	-7.3
% Change		*-81.8%*	*7.7%*	*59.0%*
EBIT	-10.6	-19.3	-17.8	-7.3
% Change		*-81.8%*	*7.7%*	*59.0%*
Net Income	-22.1	-19.3	-17.8	-7.3
% Change		*12.8%*	*7.7%*	*59.0%*
ROE	-23.22	-17.69	-19.51	-8.68

	12/16	12/17e	12/18e	12/19e
EV/Sales	18610.	5970.1	33.5x	13.3x
EV/EBITDA	NS	NS	NS	NS
EV/EBIT	NS	NS	NS	NS
EPS	-0.86	-0.75	-0.69	-0.28
% change		*12.8%*	*7.7%*	*59.0%*
P/E	NM	NM	NM	NM
Div Yield	NM	NM	NM	NM

Next Catalyst : ARVO congress (April 28 – May 2)

Last rating Change:
2018-1-8, Clearing major milestones (full report published today)

Last FV Change:
2018-8-2, NCX-470 phase II trial initiated ahead of schedule

Last Reports:
2019-2-21, Read-through from Bausch Health FY18 results

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BRYAN, GARNIER & CO

PERNOD RICARD

Consumer, Brands & Retail
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18th April 2019

NEUTRAL

Fair Value	EUR167(+5%)
Share price	EUR158.80
EPS 3Y Cagr	9.3%

Disappointing Q3 organic sales growth

2.5% organic sales growth in Q3

Q3 sales rose 4.5% to EUR2,003m, in line with expectations (our estimate: EUR2,000m and consensus: EUR2,005m). FX turned positive, impacting sales by +2.4%. **In organic terms, sales proved to be disappointing, with an increase of only 2.5% over the quarter vs consensus: +3.1% and our estimate: +3.3%. The miss was driven by Asia-ROW. The deceleration vs H1 (+7.8%) and Q2 (+5.6%) proved significant due to Americas and Asia-ROW (Europe improved).**

Asia-ROW: timing of the CNY hurting Q3 sales in China

Asia-ROW (41% of total sales) posted 3.1% organic sales growth in Q3 (consensus: +5.3%), slowing down significantly vs H1 (+16%) due to China (10% of total sales) which suffered from the earlier timing of the Chinese New Year (+21% in 9M vs +28% in H1), **2/ India** (10% of total sales), impacted by tougher comps (+19% in 9M vs +24% in H1) and **3/ Korea**, down double digit due to some destocking before distribution changes.

Americas: penalized by the US

Sales only increased 2.1% organically (consensus: +2%) over the quarter in Americas (28% of total sales). This is a significant slowdown vs H1 (+3.7%). This mainly arises from the US (19% of total sales), where the company optimized inventories at the wholesalers' level in order to 1/ bring savings that will be reinvested in brand activation and 2/ be faster to market (e.g. getting innovation and pricing through to the end shelf faster). The country saw 2% organic sales growth in 9M vs +4% in H1. **This was not fully offset by an improvement of Latin America, notably due to Mexico** (which suffered from tough comps in H1).

Europe: penalized by the delisting in France and Germany

Sales were 2.2% organically in Q3 (+0.3% in H1) in Europe (31% of total sales). Consensus was expecting +0.6%. There was an improvement in 1/ Russia (3% of total sales) after a Q2 performance below the underlying trend and **2/ the UK** (3% of total sales) driven by easy comps on Campo Viejo (country was down low single digit in H1. France, Germany and Spain were in negative territory.

Unchanged estimates for the full year

The group revised upwards its 2018/19 guidance from 6-8% organic EBIT growth to around 8%. We and consensus are already expecting +8%. We make no change to our forecasts before the call at 9am CET.

Market Data

Bloomberg / Reuters	RI FP/PERP.PA
Market Cap.	EUR42,149m
E.V.	EUR49,111m
Free Float	79.4
Avg. Daily volume (6m)	448.5
12m high / low	160.8 / 129.4
Ytd Perf.	10.8%

EURM	06/18	06/19e	06/20e	06/21e
Sales	8,722	9,164	9,762	10,341
% Change		*5.1%*	*6.5%*	*5.9%*
EBITDA	2,640	2,741	2,975	3,213
% Change		*3.8%*	*8.5%*	*8.0%*
EBIT	2,358	2,512	2,730	2,954
% Change		*6.5%*	*8.7%*	*8.2%*
Net Income	1,511	1,618	1,795	1,975
% Change		*7.1%*	*10.9%*	*10.0%*
ROE	0.11	0.10	0.11	0.11

	06/18	06/19e	06/20e	06/21e
EV/Sales	5.6x	5.3x	4.8x	4.5x
EV/EBITDA	18.6x	17.6x	15.9x	14.5x
EV/EBIT	20.8x	19.2x	17.3x	15.7x
EPS	5.69	6.09	6.76	7.44
% change		*7.1%*	*10.9%*	*10.0%*
P/E	27.9x	26.1x	23.5x	21.4x
Div Yield	1.5%	1.7%	2.1%	2.4%

Next Catalyst : Conference call at 9am CET

Last rating Change:
2019-3-29, Soft Q3 ahead of us…after a strong share performance

Last FV Change:
2019-3-29, Soft Q3 ahead of us…after a strong share performance

Last Reports:
2019-3-29, Soft Q3 ahead of us…after a strong share

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Stock rating

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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 49.1%   NEUTRAL ratings 43.6%   SELL ratings 7.3%

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DAILY EQUITY RESEARCH UPDATE

Wake-up Call

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