BRYAN, GARNIER & CO

Consumer, Brands & Retail

Dow Jones: 26,430.14 (13.3% ytd) | CAC40: 5586.41 (18.09% ytd) | Stoxx 600: 391.091(15.83% ytd)

2nd May 2019

Please find our Research on Bloomberg BRYG <GO>)

FRESENIUS MED. CARE | BUY | EUR81

Q1 EPS beat. FY19 guidance reiterated

- 6%CC growth in Q1
- EBIT margin 70bp ahead of expectations, driven by ex-US
- 2019 guidance reiterated

GLAXOSMITHKLINE | NEUTRAL | 1660p

Better-than-expected Q1 results helped by one-offs

- Inventory moves boosted Q1 2019 numbers
- Tougher times for mature respiratory products, as expected
- The HIV Franchise under pressure too
- Vaccines: Q1 boosted by inventories

MATERIALISE | BUY | USD19

Q1 2019 results slightly below estimates; FY19 guidance reiterated

- Q1 2019 results slightly below expectations
- The Medical division boosted its growth investments
- FY19 guidance reiterated, with a better performance for H2
- We reiterate our Buy rating and our Fair Value of USD19

MBWS | SELL | EUR2.5

Uncertainty remains

- EBITDA of -EUR28m in 2018, in line with guidance
- Q1 sales up 0.2% organically, driven by Branded Businesses
- Further uncertainty due to change in management in Poland

TRANSGENE | CORPORATE | EUR6.5

Transgene signs an agreement with AstraZeneca

- A landmark deal in oncolytic viruses
- A recognition for the Invir IO platform
- Transgene will get a USD10m upfront payment
- Cash visibility until Q4 2020 - Buy reiterated

ZALANDO | NEUTRAL | EUR34

Q1 sales in line, while strong EBIT performance remains to be proven over 2019

- Q1 growth in line with expectations
- Noticeable beat in adjusted EBIT
- Guidance confirmed for 2019
- Neutral confirmed, no FV change prior to the conference call

RECKITT BENCKISER | NEUTRAL | GBP6800

Q1 sales below market expectations due to OTC

- Q1 organic sales surprise negatively
- RB Health (62% of sales) flat vs +4% in Q4
- RB Hygiene Home +3% in Q1
- Guidance reiterated

FRESENIUS SE | NEUTRAL | EUR68

Q1 in line. First signs of stabilisation at HELIOS Germany

- In line from top to bottom
- KABI hit expected in the US
- HELIOS Germany stabilising
- FY19 guidance reiterated

CECONOMY | NEUTRAL | EUR6,9 vs. EUR6,2

Cost-savings plan is only a first step, but next step is distant

- The SG&A cost-savings programme is only the first step…
- …to strengthen the margin and have the resources to invest…
- …before a wider strategic plan
- Neutral, FV raised to EUR6.9

HUGO BOSS | NEUTRAL | EUR78

Q1 results: soft start to the year as expected

- Q1 sales of EUR664m with in-line FX-n growth (+1%)
- EBIT miss: EUR55m vs. CS of EUR65.5m
- FY19 outlook confirmed
- Neutral recommendation and FV of EUR78 confirmed

RESEARCH AS A SERVICE

Upcoming BG events :

Date	
23rd-Sept/ 24th-Sept	Annual Consumer Conference

Recent reports :

Date	
26th-Apr	EKINOPS | Au cœur des réseaux de nouvelle génération
26th-Apr	EKINOPS | Empowering next generation networks
24th-Apr	BONE THERAPEUTICS | Late stage asset overlooked!
18th-Apr	CASINO GUICHARD | Conquering Digital with Monoprix
18th-Apr	Distribution | 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	Distribution | E-commerce: le mal nécessaire de l'alimentaire

2Q 2019 Top Picks

BOUYGUES (Buy, FV EUR41)
EIFFAGE (Buy, FV EUR108)
SOITEC (Buy, FV EUR90)
ALLIANZ (Buy, FV EUR235)
WIRECARD (Buy, FV EUR240)
AB INBEV (Buy, FV EUR100)
SAP (Buy, FV EUR143)
UNILEVER (Buy, FV EUR57)
ROCHE HOLDING (Buy, FV CHF325)
KORIAN (Buy, FV EUR40)
INNATE PHARMA (Buy, FV EUR16.5)
IPSEN (Buy, FV EUR141)
EDENRED (Buy, FV EUR47)
FNAC DARTY (Buy, FV EUR94)

Last rating Change:

é 25/04/19, REMY COINTREAU

é 25/04/19, ASM INTERNATIONAL

ê 18/04/19, ASML

ê 15/04/19, AXWAY SOFTWARE

é 15/04/19, CAST

Last FV Change:

é 02/05/19, CECONOMY

é 02/05/19, CECONOMY

ê 30/04/19, TF1

ê 30/04/19, Biom'Up

é 30/04/19, BEIERSDORF

BRYAN, GARNIER & CO

FRESENIUS MED. CARE

2nd May 2019

BUY

Fair Value	**EUR81**
Share price	EUR74.96
EPS 3Y Cagr	4.2%

Healthcare

| MedTech

Q1 EPS beat. FY19 guidance reiterated

6%CC growth in Q1

FMC reported 6%CC growth in Q1, ahead of consensus expectations for 4.1%CC growth for the same period whereas adjusted for FX, sales of EUR4.1bn were in line with the consensus. The US drove growth delivering 6%CC growth in Q1 (EUR2.9bn) with both Dialysis Care revenues, up 6%CC and Care Coordination revenues which increased by 8%CC when adjusted for SIP. Despite the impact of one less dialysis day in the US, organic revenue per treatment increased by USD7 to USD355. Note that the number of clinics increased to 2,559 or +30 in Q1 as the pace of certification is picking up and should ensure long term growth. EMEA sales increased by 4%CC, APAC +6%CC and LatAm +14%CC.

EBIT margin 70bp ahead of expectations, driven by ex-US

The US margin was impacted by higher personnel expenses driving a 4% increase in the cost per treatment, up USD12 to USD301 as well as the inclusion of NxStage. Adjusted US EBIT margin stands at 13.6%, down 110bp vs Q1 2018.

Ex. US drove profitability in the first quarter. EBIT in EMEA grew to 21.1% of sales vs 17.1% in Q1 2018. APAC margin increased to 22.1% vs 19% in Q1 2018. EMEA and APAC clearly drove margin gains in Q1 2018, but failed to completely offset the slight decrease seen in the US. In all, adj. EBIT margin at the group level stood at 13.4% (EUR551m) vs 13.6% in Q1 2018, this was nonetheless c.70bp ahead of consensus expectations. EPS of EUR1.04 is 7% ahead of expectations for EUR0.97

2019 guidance reiterated

FMC has reiterated FY'19 guidance with topline and net income growth in CC expected in the 3-7% and -2-2% ranges respectively. 2020 guidance is also reiterated with sales and adjusted net income expected to grow at mid- to high single digit. Note that the 2019 and 2020 targets exclude the impact from NxStage.

Market Data

Bloomberg / Reuters	FME GR/FMEG.DE
Market Cap.	EUR23,081m
E.V.	EUR18,586m
Free Float	59.1
Avg. Daily volume (6m)	987.4
12m high / low	91.4 / 55.6
Ytd Perf.	32.3%

USDM	12/	12/	12/	12/
Sales	17,784	16,503	16,492	17,251
% Change		*-7.2%*	*-0.1%*	*4.6%*
EBITDA	3,097	3,768	2,993	3,183
% Change		*21.7%*	*-20.6%*	*6.3%*
EBIT	2,362	3,086	2,312	2,470
% Change		*30.6%*	*-25.1%*	*6.8%*
Net Income	1,280	1,940	1,344	1,450
% Change		*51.6%*	*-30.8%*	*7.9%*
ROE	0.12	0.16	0.10	0.10

	12/	12/	12/	12/
EV/Sales	1.1x	1.2x	1.2x	1.2x
EV/EBITDA	6.1x	5.1x	6.5x	6.3x
EV/EBIT	8.0x	6.2x	8.4x	8.1x
EPS	NM	NM	NM	NM
% change				
P/E	NM	NM	NM	NM
Div Yield	1.3%	1.9%	1.3%	1.4%

Next Catalyst : Today 3.30pmCET confcall

Last rating Change:

2019-2-20, Good set of FY18 numbers, back to bottom-line growth in 2020

Last FV Change:

2017-5-16, Fair to say CMD (June 8th) will be crucial

Last Reports:

2019-2-20, Good set of FY18 numbers, back to bottom-line growth in 2020

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BRYAN, GARNIER & CO

GLAXOSMITHKLINE

2nd May 2019

NEUTRAL

Healthcare

| Pharmaceuticals

Fair Value	1660p(+6%)
Share price	1.56p
EPS 3Y Cagr	3.7%

Better-than-expected Q1 results helped by one-offs

Inventory moves boosted Q1 2019 numbers

Q1 2019 sales were up 5% (CER) to GBP7,661m vs GBP7,561m i.e. 1% ahead of CS. Core operating profit was also higher than expected at GBP2,163m and operating margin widened 160bp to 28.2%. However, while costs were well under control, Q1 2019 also benefited from favourable inventory movements (particularly in Vaccines). Finally, EPS came in at GBp30.1 compared with GBp26.1 for the CS benefiting from a positive one-off of GBP51m in the associate line (non-recurring income tax benefit) and GBP70m in Vaccines. FY 2019 EPS guidance remains unchanged with an expected decline in core EPS between 5% and 9% (CER). In summary, nothing new in the GSK story after restating Q1 2019 figures for exceptional items.

Tougher times for mature respiratory products, as expected

Advair has now moved from the respiratory franchise to established products. Despite generic competition in the US (Mylan launched its generic in the US on 12th Feb. at a discount list price of 70%), Advair declined less than expected in the country (-27% vs -31% in 2018), which seems to be the result of some inventory build-ups with the authorised generic sales of which are booked on the same line. The same happened to Ventolin in the quarter. Revlar/Breo was down 27% in the US in Q1 vs -1% in 2018 impacted by price pressure due to Advair generics. However, no impact was seen on Trelegy (Q1 sales up >100 % at GBP87m) since it is more differentiated. Finally, unlike anticipations, Nucala (Q1 2019 sales: GBP152m; +41%, CER) did not see its sales growth decelerate as a result of the increased competitive pressure from Dupixent (Sanofi). GSK explained that Dupixent was taking market share from Xolair more than the IL-5 class while GSK was closing the gap with its closest competitor Fasenra (AZ).

The HIV Franchise under pressure too

The second biggest franchise at GSK is HIV (2018 sales of GBP4.7bn) and it is clear that competition from Gilead has increased significantly. A chart in the slide deck explains well how competition is impacting GSK's dolutegravir franchise which represents about 95% of the entire group's HIV business and 26% of Pharmaceuticals sales: in about a year, Gilead took 17.5% share of the market.

From now on, GSK clearly stated that growth in HIV will mainly stem from its 2DRs (two-drug regimens) i.e. Juluca and above all recently-approved Dovato. GSK also recognised that 2DRs will cannibalize somewhat the rest of the HIV portfolio and more particularly Triumeq (FY 2019e sales: GBP2.8bn).

Vaccines: Q1 boosted by inventories

Although Shingrix again delivered a very good performance with sales of GBP357m (vs GBP249 for the CS), the Vaccines division as a whole benefited from a positive inventory effect which added about 5ppt to operating margin (GBP70m additional profit). Things should normalise over the rest of the year and operating margins should return close to 30%, also with a difference in the mix product as flu contributes in H2.

Market Data

Bloomberg / Reuters	GSK LN/GSK.L
Market Cap.	GBP77 799m
E.V.	GBP99,420m
Free Float	0%
Avg. Daily volume (6m)	8,129
12m high / low	1.622p / 1.418p
Ytd Perf.	4.6%

GBPM	12/18	12/19e	12/20e	12/21e
Sales	30,821	31,216	35,266	35,947
% Change		*1.3%*	*13.0%*	*1.9%*
EBITDA	10,645	10,330	12,280	12,660
% Change		*-3.0%*	*18.9%*	*3.1%*
EBIT	8,745	8,330	10,180	10,510
% Change		*-4.7%*	*22.2%*	*3.2%*
Net Income	5,869	5,467	6,368	6,546
% Change		*-6.8%*	*16.5%*	*2.8%*
ROE	1.35	0.84	0.63	0.47

	12/18	12/19e	12/20e	12/21e
EV/Sales	3.2x	3.3x	2.9x	2.8x
EV/EBITDA	9.3x	10.0x	8.3x	7.9x
EV/EBIT	11.4x	12.4x	10.0x	9.5x
EPS	119.43	111.26	129.58	133.22
% change		*-6.8%*	*16.5%*	*2.8%*
P/E	13.1x	14.0x	12.0x	11.7x
Div Yield	5.1%	5.1%	5.3%	5.4%

Next Catalyst: 16/05/2019 - ex-Q1 dividend date

Last rating Change:

2017-7-27, Realignment of the group very much as expected

Last FV Change:

2018-12-20, GSK makes long-awaited move to split the group in two parts

Last Reports:

2019-2-7, 2019 will see more competition for the two

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BRYAN, GARNIER & CO

MATERIALISE

Technology
| Software & IT services

2nd May 2019

BUY

Fair Value	**USD19**
Share price	USD16.24
EPS 3Y Cagr	31.5%

Q1 2019 results slightly below estimates; FY19 guidance reiterated

Q1 2019 results slightly below expectations

On Tuesday this week Materialise reported Q1 2019 revenues up 7.3% to EUR47.1m, adj. EBITDA up 11.5% to EUR5.8m (12.4% of sales / +0.5ppt), non-IFRS operating profit down 5.1% to EUR2.4m (5.1% of sales, -0.7ppt), EBIT up 30.6% to EUR1.5m, and a net loss of EUR0.3m (vs. a net loss of EUR0.2m). Excluding IFRS 16, adj. EBITDA would risen 0.1% to EUR5.2m or 11.1% of sales (-0.8ppt). These figures were slightly below our expectations both for revenues (48, vs. consensus at 47.4) and adj. EBITDA (6.5/13.5%, vs. consensus at 6.6/13.9%). The increase in adj. EBITDA margin stemmed from opex (up 8.5%, or +11.1% excl. IFRS 16), while gross margin was down 0.3ppt to 54.3%. Free cash flow was down 48% to EUR0.9m after EUR2.7m capex (down from 4.3) and a EUR1.3m WCR increase, while operating cash flow grew by 4.1% to EUR5.4m. Net cash position on 31st March 2019 was EUR1.9m (net gearing: -1%).

The Medical division boosted its growth investments

In Software, revenues were up 12.3% to EUR9.4m – with recurring up 28% and non-recurring down 1% - with segment EBITDA margin up 3.8ppt to 31.7% and opex up 6.4%. In Medical, revenues were up 13.6% to EUR13.6m - including +9.4% for medical software (+23% including deferred revenues) and +15.8% for medical devices and services driven by CMF planning, with a segment EBITDA margin down 4.1ppt to 13.1% and opex up 19.3% amidst additional investments in R&D, sales capacity, partnerships and regulatory, in new areas such as mitral valve planning tools in cardiology and a collaboration with Fluidda – in which Materialise invested EUR2.5m in Q1 - in pulmonology. In Manufacturing, revenues were up 2.3% (+6% ex-ACTech and an est. -1% for ACTech) to EUR24.2m, with a segment EBITDA margin up 2ppt to 15.3% thanks to positive mix effects as end-part manufacturing (with higher margins) was up strong double-digit while prototyping (with lower margins) was flat.

FY19 guidance reiterated, with a better performance for H2

For 2019, keeping its cautious stance on the economic environment - some innovative projects with partners in Automotive have been put on hold -, management still forecasts revenues up 6-10% to EUR196-204m and an adj. EBITDA up 23-40% to EUR29-33m including a EUR3m IFRS 16 tailwind. Reflecting the usual seasonality of the business, Materialise expects its financial performance to be weighted towards H2, with some acceleration in Software. In Medical, the segment EBITDA margin will be burdened by investments in regulatory to be compliant with the EU Medical

Market Data

Bloomberg / Reuters	MTLS US/MTLS.O
Market Cap.	USD851m
E.V.	USD841m
Free Float	33.5%
Avg. Daily volume (6m)	193.3
12m high / low	USD21.9 / USD11.4
Ytd Perf.	-18.9%

EURM	12/18	12/19e	12/20e	12/21e
Sales	184.7	201.3	228.8	264.9
% Change		*9.0%*	*13.6%*	*15.8%*
EBITDA	23.5	31.2	39.5	50.3
% Change		*32.5%*	*26.7%*	*27.5%*
EBIT	11.3	14.3	18.9	25.3
% Change		*26.4%*	*32.6%*	*33.4%*
Net Income	9.0	10.8	15.0	20.7
% Change		*20.6%*	*39.1%*	*38.1%*
ROE	0.02	0.04	0.06	0.09

	12/18	12/19e	12/20e	12/21e
EV/Sales	4.6x	4.2x	3.7x	3.1x
EV/EBITDA	35.8x	27.1x	21.2x	16.3x
EV/EBIT	74.4x	59.1x	44.2x	32.5x
EPS	0.17	0.20	0.28	0.38
% change		*19.9%*	*38.4%*	*37.0%*
P/E	96.1x	80.2x	57.9x	42.3x
Div Yield	NM	NM	NM	NM

Next Catalyst: AGM in early June. Q2 2019 results in early August.

Last FV Change:
2019-3-7, FY18 results in line, cautious stance for 2019 on growth

Last Reports:
2019-3-7, FY18 results in line, cautious stance for 2019 on growth

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BRYAN, GARNIER & CO

MATERIALISE

BUY

Fair Value	USD19
Share price	USD16.24
Market Cap.	USD851m
EPS 3Y CAGR	31.5%

Income Statement (€m)	2017	2018	2019e	2020e	2021e
Revenues	143	185	201	229	265
Change (%)	24.5%	29.6%	9.0%	13.6%	15.8%
Ifl change (%)	16.0%	6.6%	9.0%	13.6%	15.8%
Adjusted EBITDA	15	24	31	39	50
Adjusted EBIT	6	11	14	19	25
EBIT	1	5	9	14	20
Change (%)	708.4%	497.0%	71.9%	52.4%	46.8%
Financial results	-2	-1	-2	-1	-1
Pre-Tax profits	-1	4	7	12	19
Exceptionals	0	0	0	0	0
Tax	-1	0	-2	-3	-4
Profits from associates	0	0	0	0	1
Minority interests	0	0	0	0	0
Net profit	-2	3	6	10	15
Restated net profit	3	9	11	15	21
Change (%)	-1545.4%	167.4%	20.6%	39.1%	38.1%
Cash Flow Statement (€m)					
Operating cash flows	14	23	32	40	45
Change in working capital	-4	5	1	2	3
Capex, net	-32	-20	-28	-30	-31
Financial investments, net	0	-2	-2	0	0
Dividends	0	0	0	0	0
Other	37	10	-6	-6	-1
Net debt	51	-9	-6	-13	-30
Free Cash flow	-22	8	5	13	18
Balance Sheet (€m)					
Tangible fixed assets	87	93	118	139	160
Intangibles assets & goodwill	47	44	30	14	-6
Investments	4	7	10	10	11
Current assets	56	54	59	67	77
Cash & equivalents	43	116	116	123	139
Total assets	238	313	333	353	382
Shareholders' equity	78	136	142	151	167
L & ST Debt	95	106	109	109	109
Total Liabilities	238	313	333	353	382
Capital employed	129	127	135	138	136
Ratios					
Operating margin	4.3%	6.1%	7.1%	8.3%	9.5%
Tax rate	-81.8%	10.8%	27.1%	24.4%	21.2%
Net margin	-1.2%	1.6%	2.8%	4.2%	5.8%
ROE (after tax)	-2.1%	2.2%	3.9%	6.4%	9.2%
ROCE (after tax)	4.2%	8.6%	8.9%	11.4%	15.5%
Gearing	66%	-7%	-5%	-9%	-18%
Pay out ratio	-	0.0%	0.0%	0.0%	0.0%
Number of shares, diluted	47.3	53.0	53.3	53.6	54.0
Data per Share (€)					
EPS	-0.03	0.06	0.11	0.18	0.29
Restated EPS	0.07	0.17	0.20	0.28	0.38
% change	-	138.8%	19.9%	38.4%	37.0%
EPS bef. GDW	0.07	0.17	0.20	0.28	0.38
BVPS	1.64	2.57	2.65	2.82	3.08
Operating cash flows	0.29	0.44	0.61	0.75	0.83
FCF	-0.46	0.16	0.09	0.24	0.32
Net dividend	0.00	0.00	0.00	0.00	0.00

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

BRYAN, GARNIER & CO

MBWS

2nd May 2019

SELL

Fair Value	EUR2.5(-16%)
Share price	EUR2.99
EPS 3Y Cagr	NM

Consumer, Brands & Retail

Spirits

Uncertainty remains

EBITDA of -EUR28m in 2018, in line with guidance

On Tuesday, MBWS announced its 2018 results with full-year EBITDA at -EUR28m, compared with -EUR11.9m in 2017 and -EUR21.1m in H1 2018. This stemmed from a decrease in gross profit due to top line weakness and a negative mix (with the greater weight of Other Businesses vs Branded Businesses). It was not offset by a decrease in operating expenses. Attributable net loss was -EUR61.9m in 2018.

Q1 sales up 0.2% organically, driven by Branded Businesses

This was a significant improvement vs Q4 2018 (-6.2%). The **Branded Businesses** which generated 50.5% of total sales posted 12.8% organic sales growth in the first quarter of the year. This was driven by Central & Eastern Europe, up 48% in organic terms in Q1, benefitting from 1/ healthy momentum in Poland due to the expansion of distribution and improving mix (with the launch of La Polonaise) and 2/ strong sales growth in Lithuania in advance of an excise duty that went into effect in early March. Americas and Asia Pacific were also very dynamic, respectively up 53.6% and 23.7% in organic terms over the quarter. Note the destocking of Sobieski in the US is over. Western Europe, Middle East and Africa dropped 3.6% organically in Q1 as France suffered from the suspension of promotional activity. **Other Businesses** declined 10% in Q1 on an organic basis because of both Sobieski Trade (reflecting new distribution agreements and the decision to focus on better margin products) and private labels (reflecting fewer contracts).

Further uncertainty due to change in management in Poland

The company reported that the Lancut distillery has been operational since February 2019 and is now in a ramp-up phase. It will produce distillate for vodka production and, in particular, the Krupnik and Sobieski brands. It was also reported that Mr Robert Cooper who worked with CEO Mr Andrew Highcock at SAB Miller in Poland will replace Ms Ania Jakubowski who “left the company to pursue other interests”. The short-term Stock Warrant programme was finalised on Monday. Shareholders collectively subscribed to 15.4m of the issued warrants (COFEPP subscribed 11.5m), yielding the group EUR20.1m in new funds that will be used to execute the strategic plan. Note that as part of this strategic plan, the group aims to generate EBITDA of EUR13-19m in 2022. COFEPP has proposed a new financing arrangement: any amount of financing provided by COFEPP should be reduced in relation to the level of funds generated via the subscription to short-term and long-term stock warrants that have been or will be received by the company on and after 23rd April 2019 (at present around EUR5m).

Market Data

Bloomberg / Reuters	MBWS FP/MBWS.PA
Market Cap.	EUR113m
E.V.	4m
Free Float	100%
Avg. Daily volume (6m)	53.20
12m high / low	8.5 / 2.4
Ytd Perf.	13.5%

EURM	12/17	12/18	12/19e	12/020
Sales	423.3	388.7	388.1	395.3
% Change		*-8.2%*	*-0.2%*	*1.9%*
EBITDA	-11.9	-28.4	-15.9	-8.4
% Change		*NS*	*44.1%*	*47.2%*
EBIT	-26.8	-38.3	-25.8	-18.0
% Change		*-42.8%*	*32.6%*	*30.3%*
	-0.42	-0.59	-0.34	-0.36

	12/17	12/18	12/19e	12/020
EV/Sales	0.0x	0.1x	0.2x	0.2x
EV/EBITDA	NS	NS	NS	NS
EV/EBIT	NS	NS	NS	NS
EPS	-0.77	-1.62	-0.49	-0.37
% change		*NS*	*70.0%*	*24.7%*
P/E	NM	NM	NM	NM

Next Catalyst: H1 sales on 25th July

Last rating Change:

2018-7-10, Consensus for EBITDA in 2018 is overly optimistic

Last FV Change:

2019-1-10, Possible dilution up to 60%

Last Reports:

2019-3-26, Strategic plan unveiled – details are scarce

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BRYAN, GARNIER & CO

TRANSGENE

Healthcare
| Biotech

2nd May 2019
CORPORATE

Fair Value	EUR6.5(+117%)
Share price	EUR3
EPS 3Y Cagr	NM

Transgene signs an agreement with AstraZeneca

A landmark deal in oncolytic viruses

Transgene today announces an agreement with AstraZeneca to design and develop oncolytic viruses including its novel and improved Vaccinia Virus. Oncolytic viruses are viruses designed to specifically target cancer. When inside the cancer cells they kill them by the multiplication and the release of new viruses that are able to infect other cancer cells and kill them. In addition, Transgene is able to arm its viruses so that they can produce inside the tumour micro-environment either a chemotherapy agent or a protein to stimulate the immune system ("armed viruses").

A recognition for the Invir IO platform

In our latest report on Transgene dated 12th February 2019, we highlighted the potential of the two technological platforms developed by Transgene: Invir IO and myvac. The first one develops oncolytic viruses and the approach has already attracted some large pharmaceutical companies like Merck & Co, which bought Viralytics for USD394m, J&J which acquired Benevir for a total consideration of USD1bn and Boehringer Ingelheim which acquired ViraTherapeutics for EUR210m.

Transgene will get a USD10m upfront payment

The financial metrics of this agreement are: an upfront payment of USD10m and pre-clinical success milestones of up to USD3m. In addition, Transgene is eligible to receive an option exercise payment on each candidate in the event AstraZeneca exercises its license option, as well as development and commercial milestones and royalties.

Cash visibility until Q4 2020 - Buy reiterated

At the end of 2018, Transgene had EUR16.9m in cash and cash equivalents. However, the company has secured a EUR20m loan using its Tasly shares as a collateral, and with the AZN agreement, Transgene has now cash visibility until Q4 2020.
This new agreement reinforces our positive view on the company and particularly the value of the two technological platforms and that is why we reiterate our Buy rating.

Market Data

Bloomberg / Reuters	TNG.FP/TRNG PA
Market Cap.	EUR187m
E.V.	EUR190m
Free Float	87.6%
Avg. Daily volume (6m)	37.50
12m high / low	EUR3.3 / EUR2.6
Ytd Perf.	9.9%

EURM	12/18	12/19e	12/20e	12/21e
Sales	42.9	7.1	67.7	21.3
% Change		*-83.5%*		*-68.5%*
EBITDA	9.5	-33.9	22.5	-27.2
% Change			*NS*	
EBIT	7.4	-36.0	20.4	-29.3
% Change			*NS*	
Net Income	8.0	-38.1	18.4	-31.3
% Change			*NS*	
ROE	0.22	27.91	1.08	2.19

	12/18	12/19e	12/20e	12/21e
EV/Sales	4.4x	26.4x	2.4x	8.6x
EV/EBITDA	20.1x	NS	7.1x	NS
EV/EBIT	25.8x	NS	7.8x	NS
EPS	0.13	-0.61	0.30	-0.50
% change			*NS*	
P/E	23.2x	NM	10.1x	NM
Div Yield	NM	NM	NM	NM

Next Catalyst: 13/05/2019 - Q1 2019 results

Last rating Change:
2019-2-12, The Platform Approach Is Worth Another Look

Last FV Change:
2017-11-10, Successful capital increase, EUR14.4m raised

Last Reports:
2019-3-21, FY 2018 results in line with expectation

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BRYAN, GARNIER & CO

ZALANDO

Consumer, Brands & Retail
| E-Commerce

2nd May 2019
NEUTRAL

Fair Value	EUR34(-19%)
Share price	EUR41.94
EPS 3Y Cagr	16.9%

Q1 sales in line, while strong EBIT performance remains to be proven over 2019

Q1 growth in line with expectations

Zalando has reported Q1 results, highlighting 15.2% growth in net sales (vs. c.+15% expected by the CS) and 23.1% growth in GMV (vs. c.+23% expected by the CS). Such a large gap between net sales and GMV was already flagged by Zalando in March and is due to the time recognition of some marketplace fees within net sales. The figures were also in line with recent indications given by the company on 14th April. Globally, net sales growth at the group level and at the fashion store level continued to decelerate as: 1/ the rising marketplace dilutes net sales growth; 2/ the European market is becoming far more competitive with the awakening of brick & mortar players; 3/ the trend towards internalization of e-commerce business among brands.

Noticeable beat in adjusted EBIT

As already flagged by Zalando on 14th April when it announced it would generate adjusted EBIT in the "single-digit millions" (vs. CS at -EUR10m at the time), the group generated EUR6.4m in adj EBIT, implying a 0.5% margin. At first sight, the beat came from the wholesale business in DACH where the margin reached 4.2%, which is well above our initial expectations of 1.5%. We suspect that this performance was due to a less promotional environment and thus echoes H&M's Q1 2019 publication, which positively surprised on the gross margin. While we expected a 40bp decline in the gross margin in Q1, Zalando finally generated a 100bp improvement. However, fulfilment costs continued to increase, driven by ongoing investments in the warehouse network and higher carrier costs (the truckers shortage is finally materialising in Europe).

Guidance confirmed for 2019

Zalando confirmed its 2019 guidance for GMV growth (i.e. in the 20-25% range), net sales growth (i.e. at the low end of the 20-25% range) and adj EBIT (i.e. between EUR175 and EUR225m). Once again, management highlighted in the press release that the group will continue to invest in the customer proposition, which notably concerns the expansion of the fulfilment network, upgrade of delivery services and the roll-out of Zalando Plus (now available across Germany, in pilot stage in Switzerland while France and Italy are to follow in the coming months). CAPEX should thus amount to around EUR300m (i.e. c.4.5% of sales).

Neutral confirmed, no FV change prior to the conference call

We are, however, waiting for more explanations regarding the origin and the durability of this beat in adjusted EBIT before being able to say whether all our estimates for 2019 are now outdated or if it is only the sequence over 2019. No change to our estimates prior to the conference call.

Market Data

Bloomberg / Reuters	ZAL GR/ZALG.DE
Market Cap.	EUR10,529m
E.V.	EUR9.582m
Free Float	0
Avg. Daily volume (6m)	701.9
12m high / low	49.9 / 22.4
Ytd Perf.	86.9%

EURM	12/18	12/19e	12/20e	12/21e
Sales	5,388	6,495	7,697	9,005
% Change		*20.5%*	*18.5%*	*17.0%*
EBITDA	261.0	302.0	377.5	445.7
% Change		*15.7%*	*25.0%*	*18.1%*
EBIT	110.9	121.4	155.8	186.4
% Change		*9.5%*	*28.3%*	*19.6%*
Net Income	115.6	122.6	154.7	184.8
% Change		*6.1%*	*26.2%*	*19.5%*
ROE	NM	NM	NM	NM

	12/18	12/19e	12/20e	12/21e
EV/Sales	1.8x	1.5x	1.2x	1.1x
EV/EBITDA	36.7x	31.8x	25.5x	21.6x
EV/EBIT	86.4x	79.1x	61.7x	51.6x
EPS	0.45	0.47	0.60	0.72
% change		*6.1%*	*26.2%*	*19.5%*
P/E	93.7x	88.3x	70.0x	58.6x
Div Yield	NM	NM	NM	NM

Next Catalyst:
Conference call at 09:30am CET
H1 19 results on 1st August

Last FV Change:
2019-3-1, CMD points to an unattractive 3-year transition period

Last Reports:
2019-4-16, Q1 adj EBIT to beat CS

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BRYAN, GARNIER & CO

RECKITT BENCKISER

Consumer, Brands & Retail
| HPC

2nd May 2019
NEUTRAL

Fair Value	GBP6800(+13%)
Share price	GBP6,041
EPS 3Y Cagr	4.9%

Q1 sales below market expectations due to OTC

Q1 organic sales surprise negatively

Q1 sales rose 1% to GBP3,157m vs the consensus forecast of EUR3,188m and our EUR3,158m estimate. FX was neutral over the quarter. In organic terms, sales grew 1% over the quarter, below consensus (+1.8%), while our estimate was for +0.8%. This was a pretty significant deceleration vs Q4 2018 (+4%) which was driven by both divisions.

RB Health (62% of sales) flat vs +4% in Q4

Infant Nutrition (37% of sales at RB Health) posted 5% organic sales growth in the first quarter (consensus: +1.3%), in line with Q4 2018, thanks to the positive impact of innovations in the US, and despite a tight supply in China (after the manufacturing disruption in Q3 2018). **The Rest of Health** was down 9% in organic terms in Q1 (consensus: +1.2%), slowing down vs Q4 2018 (+3%), due to lower levels of flu noted in the northern hemisphere, and some destocking by retailers. **Other Health** was stable over the quarter because of some weakness at VMS brands and Scholl.

RB Hygiene Home +3% in Q1

Sales rose 3% organically in Q1 (consensus: +2.7%), decelerating vs Q4 2018 (+4%) because of tough comps for Lysol in the US (which benefitted from the significant flu epidemic in Q1 2018).

Guidance reiterated

In 2019, we expect a 3% organic increase in sales, at the low-end of the 3-4% guidance range. Health and home activities should both grow by 3%. Note that the company mentioned growth should be H2-weighted. In 2019, Reckitt Benckiser should unlock the majority of the remaining synergies related to the acquisition of Mead Johnson, namely GBP45m (GBP158m in 2018). But there will be an increase in operating expenses, and more specifically, staff costs associated with the implementation of the new organisation (separation of Health and Home-Hygiene into two separate entities). As such, we expect a stable EBIT margin over the year, which is fully in line with the target set by the group.

Market Data

Bloomberg / Reuters	RB LN/RB.L
Market Cap.	GBP4,275,880m
E.V.	GBP4,286,286m
Free Float	-
Avg. Daily volume (6m)	1,391
12m high / low	7,155 / 5,494
Ytd Perf.	0.5%

GBPM	12/18	12/19e	12/20e	12/21e
Sales	12,597	12,894	13,331	13,852
% Change		*2.4%*	*3.4%*	*3.9%*
EBITDA	3,708	3,797	3,958	4,151
% Change		*2.4%*	*4.2%*	*4.9%*
EBIT	3,358	3,439	3,587	3,767
% Change		*2.4%*	*4.3%*	*5.0%*
Net Income	2,410	2,471	2,640	2,785
% Change		*2.5%*	*6.8%*	*5.5%*
ROE	0.16	0.15	0.15	0.14

	12/18	12/19e	12/20e	12/21e
EV/Sales	340.3x	332.4x	321.4x	309.2x
EV/EBITDA	1156.0	1128.7	1082.5	1031.8
EV/EBIT	1276.4	1246.3	1194.3	1137.2
EPS	339.90	348.51	372.29	392.83
% change		*2.5%*	*6.8%*	*5.5%*
P/E	17.8x	17.3x	16.2x	15.4x
Div Yield	2.8%	2.9%	3.1%	3.3%

Next Catalyst: H1 2019 results on 30th July

Last Reports:
2019-4-5, A long way to go!

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BRYAN, GARNIER & CO

FRESENIUS SE

Healthcare
| MedTech

2nd May 2019
NEUTRAL

Fair Value	EUR68(+32%)
Share price	EUR51.56
EPS 3Y Cagr	2.0%

Q1 in line. First signs of stabilisation at HELIOS Germany

In line from top to bottom

Fresenius SE has reported Q1 2018 results with sales up 5%CC to EUR8.5bn, in line with consensus expectations. Sales were driven by FMC primarily. EBIT came out slightly ahead of forecasts at EUR1.1bn or 13% of sales (consensus 1.07bn). This drove EPS to EUR0.84, in line with estimates.

KABI hit expected in the US

KABI sales were in line with consensus expectations at EUR1.7bn growing 4%CC despite the tough prior-year comp in the US as well the easing of the drug shortage situation which led to a 2% organic decline to EUR623 and IV drug sales to a 1% organic decline. The latter impact was anticipated and we would expect the trend to remain throughout the year. Clinical nutrition remained dynamic with 8% organic growth.

HELIOS Germany stabilising

The hiring of c.600 nurses in Q1 2019 for Helios Germany helped to deliver 2% organic growth in Q1 2019, the first sign of stabilisation which will need to be sustained. EBIT margin improved sequentially by 50bp to 10%. We believe investors should welcome this first positive signs. Helios Spain continues to deliver with 9% organic growth and EBIT improving by 80bp to 14.4%

FY19 guidance reiterated

FRE management has reiterated all FY 19 guidance, as follows:

€m (except otherwise stated)		FY/18 Base	FY/19e[1]
FRESENIUS KABI	**Sales growth** (org)	6,544	3% - 6%
	EBIT growth (cc)	1,139[2]	3% - 6%
FRESENIUS HELIOS	**Sales growth** (org)	8,993	2% - 5%
	EBIT growth	1,052	-5% to -2%
FRESENIUS VAMED	**Sales growth** (org)	1,688	~10%
	EBIT growth	110	15% - 20%

Market Data

Bloomberg / Reuters	FRE GR/FREG.DE
Market Cap.	EUR28,609m
E.V.	EUR46,015m
Free Float	59.1
Avg. Daily volume (6m)	2,043
12m high / low	70.9 / 39.0
Ytd Perf.	21.7%

EURM	12/	12/	12/	12/
Sales	33,886	33,420	34,387	36,052
% Change		*-1.4%*	*2.9%*	*4.8%*
EBITDA	6,024	4,983	5,775	6,160
% Change		*-17.3%*	*15.9%*	*6.7%*
EBIT	4,589	4,430	4,361	4,689
% Change		*-3.5%*	*-1.6%*	*7.5%*
Net Income	1,820	1,189	1,772	1,926
% Change		*-34.7%*	*49.0%*	*8.7%*
ROE	0.13	0.08	0.10	0.10

	12/	12/	12/	12/
EV/Sales	1.4x	1.2x	1.2x	1.1x
EV/EBITDA	7.6x	8.2x	7.3x	6.5x
EV/EBIT	10.0x	9.2x	9.6x	8.5x
EPS	NM	NM	NM	NM
% change				
P/E	NM	NM	NM	NM
Div Yield	1.4%	0.9%	1.3%	1.5%

Next Catalyst : today 1.30pmCET confcall

Last rating Change:
2019-2-20, Long-term growth guidance below estimates

Last FV Change:
2018-12-11, Fully rebased and extremely cheap despite lack of ST catalysts

Last Reports:
2019-2-20, Long-term growth guidance below estimates

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BRYAN, GARNIER & CO

CECONOMY

Consumer, Brands & Retail
| E-Commerce

2nd May 2019

NEUTRAL

Fair Value	EUR6,9 vs. EUR6,2 (+15%)
Share price	EUR5.98
EPS 3Y Cagr	24.2%

Cost-savings plan is only a first step, but next step is distant

The SG&A cost-savings programme is only the first step…

Ceconomy has presented an SG&A cost-savings programme, which should generate EUR110-130m in gross savings by 2020/21 through: 1/ reorganising central and administrative functions at the Ceconomy, MediaMarktSaturn and Germany national organisation levels (c.85% of the savings) and 2/ a review of non-core businesses and associates (c.15% of the savings). The materialization of these gross savings should only be really visible from 2019/20 as it will require several months before reaching an agreement with employee representatives to cut c.500 jobs. Around EUR214m in one-offs should impact the 2018/19 reported EBIT (o/w EUR34 related to the departure of several managers in Q1, EUR160m from the reorganisation of central and administrative functions and EUR20m of impairment on non-core businesses) and such cash outflows (split between 2018/19 and 2019/20) will be fully self-financed.

…to strengthen the margin and have the resources to invest…

Management stated that the ongoing transformation will require new investments, notably further OPEX to build-up new personnel (especially in supply chain and digital we believe). These new skills should weigh in the "low double-digit" millions but we prefer to remain more cautious and assume a 70% drop-through to underlying EBIT. Out of the c.EUR120m in gross savings to be expected by 2020/21, we have factored EUR85m into our model and raised our 2019/20 underlying EBIT estimates from EUR405m to EUR475m and our 2020/21 estimates from EUR410m to EUR497m. Regarding 2018/19, we continue to comply with the guidance (i.e. a slight decline of underlying EBIT excl Fnac Darty) and expect EUR406m in underlying EBIT, o/w EUR373m excl. Fnac Darty (down 6% YoY).

…before a wider strategic plan

The SG&A efficiency programme is only the first step in restructuring the group and improving profitability. We still believe that a strategic plan could be presented to address still unanswered matters at this stage: procurement centralisation (which has especially fallen behind in Germany), store closures (especially in Germany), store downsizing, rent renegotiations, geographic portfolio rationalisation (likely Sweden and Greece), ERA partnership with Fnac Darty and fiscal reorganisation post-exit of Kellerhals. Several months will be needed to prepare this strategic plan, especially as it implies negotiations with unions, store owners and the Kellerhals family to ensure their full support in the upcoming reorganisation of the business and suggests that a presentation in Q4 2019, potentially along with the presentation of the FY 2018/19 results of Ceconomy in December, sounds reasonable.

Neutral, FV raised to EUR6.9

FV raised from EUR6.2 to EUR6.9 as we have revised up our adj EPS by c.15% on average over 2018/19-2020/21. Neutral confirmed as we expect no strong catalyst for the share price before the presentation of the strategic plan in December (BGe).

Market Data

Bloomberg / Reuters	CEC GR/CECG.DE
Market Cap.	EUR2,133m
E.V.	EUR1.234m
Free Float	100
Avg. Daily volume (6m)	1 497
12m high / low	9.5 / 3.0
Ytd Perf.	90.1%

EURM	09/18	09/19e	09/20e	09/21e
Sales	21,418	21,694	21,795	22,007
% Change		*1.3%*	*0.5%*	*1.0%*
EBITDA	1,378	1,415	1,451	1,505
% Change		*2.7%*	*2.6%*	*3.7%*
EBIT	419.0	406.4	475.3	497.0
% Change		*-3.0%*	*16.9%*	*4.6%*
Net Income	55.8	157.0	187.6	197.2
% Change			*19.5%*	*5.1%*
ROE	NM	NM	NM	NM

	09/18	09/19e	09/20e	09/21e
EV/Sales	0.1x	0.1x	0.1x	0.1x
EV/EBITDA	1.1x	1.0x	0.9x	0.8x
EV/EBIT	3.5x	3.7x	2.9x	2.5x
EPS	0.29	0.44	0.53	0.56
% change		*52.5%*	*19.5%*	*5.1%*
P/E	20.6x	13.5x	11.3x	10.7x
Div Yield	NM	1.3%	3.6%	4.1%

Next Catalyst:
H1 2019 results on 21st May

Last FV Change:
2019-2-11, Better execution but patience before the next strategic plan!

Last Reports:
2019-4-30, EUR110-130m of SG&A cost-savings programme by 2020/21

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BRYAN, GARNIER & CO

HUGO BOSS

Consumer, Brands & Retail
| Luxury Goods

2nd May 2019

NEUTRAL

Fair Value	EUR78(+25%)
Share price	EUR62.16
EPS 3Y Cagr	9.5%

Q1 results: soft start to the year as expected

Q1 sales of EUR664m with in-line FX-n growth (+1%)

Q1 sales increased by 2% as reported and 1% FX-n to EUR664m, roughly in line with CS expectations (EUR667m). The sequential slowdown in organic growth (+2% FX-n vs. +6% in Q4) was well-flagged by investors given a negative phasing effect in the wholesale channel and a demanding comparison base in North America (*see below*).

As such, sales in the **wholesale channel** declined by 4% FX-n (vs. +15% FX-n in Q1), those delivery shifts were particularly impactful in North America (-15%) and were more modest in Europe (-1%). Sales in the **retail channel** grew by 3% FX-n, driven by **comparable growth** of 4% (in line with forecasts and Q4) and a 26% surge in online sales. Asia-Pacific grew at a HSD rate (DD in Mainland China), Europe was in the MSD and the Americas declined in the LSD due to that demanding comparison base.

By region, trends are similar to those in the retail channel: **Asia-Pacific** was the best-performing region (+4% FX-n) with a good momentum in all key markets except H-K and Macau. As expected, **Europe** (+2% FX-n) was affected by those delivery shifts in the wholesale business, particularly in France (-7%) whilst Germany was stable and the UK was up 5%. The **Americas** declined by 8% due to a 10% drop in the US (retail: demanding comps challenging environment / wholesale: delivery shifts).

EBIT miss: EUR55m vs. CS of EUR65.5m

No surprise at the **GM** level, which eroded slightly by 20bp to 63.8% (CS: 63.8%e) given the stronger USD (~30% of sourcing), which was only partially offset by a positive channel-mix. However, opex costs (excl. IFRS 16) soared by 230bp following the intensification of digital marketing activities, as well as a FX headwind. Consequently, the **EBIT margin** contracted by 250bp to 8.2%, well below CS expectations of 9.8%.

FY19 outlook confirmed

Ahead of today's conference call (2pm CET), the German Group reiterates FY19 targets: **(i)** mid-single-digit FX-n sales growth and **(ii)** EBIT should increase in the high single-digits, mainly driven by a ~50bp expansion in the GM. We recall that in Q1 2019, Hugo Boss faced a negative timing impact since Q1 2018 was characterized by a low level of opex investments (marketing in particular), which explains why that opex cost inflation would decelerate throughout the remainder of the year.

Neutral recommendation and FV of EUR78 confirmed

Arguably, at 11.7x 2019e EV/EBIT the stock trades at 27% discount vs. our luxury sample average (excl. Hermès) but we believe that it also reflects the lower sales and earnings momentum vs. fastest-growing groups such as LVMH, Kering, Moncler or Hermès. At this stage, we leave our Neutral recommendation and FV of EUR78 unchanged.

Market Data

Bloomberg / Reuters	BOSS GR/BOSG_p.DE
Market Cap.	EUR4,376m
E.V.	EUR4.405m
Free Float	90,3
Avg. Daily volume (6m)	318.9
12m high / low	80.0 / 53.0
Ytd Perf.	15.3%

EURM	12/17	12/18	12/19e	12/20e
Sales	2,733	2,796	2,935	3,082
% Change		*2.3%*	*5.0%*	*5.0%*
EBITDA	499.9	476.5	510.1	551.7
% Change		*-4.7%*	*7.1%*	*8.1%*
EBIT	341.1	346.8	375.1	409.9
% Change		*1.7%*	*8.2%*	*9.3%*
Net Income	231.1	236.2	259.5	295.6
% Change		*2.2%*	*9.9%*	*13.9%*
ROE	0.25	0.24	0.25	0.27

	12/17	12/18	12/19e	12/20e
EV/Sales	1.6x	1.6x	1.5x	1.4x
EV/EBITDA	8.8x	9.2x	8.6x	7.9x
EV/EBIT	12.9x	12.7x	11.6x	10.6x
EPS	3.26	3.55	3.76	4.28
% change		*8.9%*	*5.8%*	*13.9%*
P/E	19.0x	17.5x	16.5x	14.5x
Div Yield	4.3%	4.3%	4.5%	5.2%

Next Catalyst: Conference call today at 2pm (CET) / AGM on 16th May.

Last Reports:
2019-3-8, Tempered optimism as volatility continues

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BRYAN, GARNIER & CO

Bryan Garnier stock rating system

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

Stock rating

BUY Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

NEUTRAL Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

SELL Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 50% NEUTRAL ratings 42.8% SELL ratings 7.2%

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IMPORTANT INFORMATION