espresso

by country | by sector

Kepler Cheuvreux

15 May 2014

Europe Today

Amid booming M&A activity in France, the government has issued an unexpected decree forcing foreign investors looking to acquire assets in the energy, transport, water, health and telcom sectors to obtain government approval. This might change the Alstom case. Elsewhere, in a context where equity volumes have dried up and volatility is very low, corporate earnings continue to dominate the news flow. Today, **KBC** (Selected List) published a solid Q1, beating expectations by about 8%. Benoit Petrarque highlights the healthy improvement in net interest margin driven by the ongoing repricing of deposits as well as the reassuring numbers in the Czech republic. In consumer, our top Buy, **Richemont**, reported good numbers too: top line grew by 10% at constant currency and as much as 8% in April excluding Japan (a weak month, after the VAT increase). The operating margin is strong in the core watches and jewellery divisions. ASCO publishes abstracts of studies to be presented. Fabian Wenner takes a closer look at **Roche**, which we added to our Selected List last week. Fabian believes the response rate on the Phase I PDL1 compound is encouraging at 50%. Also included is feedback from a roadshow with **Rexel's** management in London.

Today's top research news

- **Ausy (Buy)** Difficult start to the year, cutting TP
- **Ekinops (Hold)** Initiating coverage: Smart positioning but risky play
- **Gategroup (Buy)** Q1 results: first take
- **KBC (Buy)** Strong Q1, higher AUM
- **Korian Medica (Buy)** Q1 sales in line, FY targets confirmed
- **Prisa (Buy)** Q1 in line - cooling down expectations?
- **Rexel (Reduce)** Limited downside, but lack of momentum
- **Richemont (Buy)** Dividend, Rupert, outlook offset average result
- **Salzgitter (Buy)** Q1 improvement from operations
- **Saras (Reduce)** Poor Q1, weak start to Q2: estimates and TP cut

Rating and target price changes

Company		Rating	Target Price
Brembo	**New**	**Buy**	**EUR33**
15/05/2014	Old	Buy	EUR30
Saras	**New**	**Reduce**	**EUR1**
15/05/2014	Old	Reduce	EUR1.05
Brembo	**New**	**Buy**	**EUR33**
15/05/2014	Old	Buy	EUR30
Saras	**New**	**Reduce**	**EUR1**
15/05/2014	Old	Reduce	EUR1.05
Ausy	**New**	**Buy**	**EUR33**
14/05/2014	Old	Buy	EUR33.5

Click here for full list of changes

Ratings info

Roadshow pipeline

16/05	**GfK - New York**	USA
16/05	**BAM - London**	NETHERLAND
16/05	**MARR - Amsterdam**	NETHERLAND
16/05	**BAM - London - CEO**	NETHERLAND
16/05	**Esprinet - New York**	USA
19/05	**Lenzing - Frankfurt**	AUSTRIA
19/05	**Investor - Zurich**	SWITZERLAND
19/05	**Eurofins - London**	UK
19/05	**Elisa - Chicago/Kansas**	USA
19/05	**DIC Asset - London**	GERMANY

Click here to attend roadshow

Booking online

Today's research by country

Austria

Conwert (Hold)
Weakish Q1 figures pre-announced

Lenzing (Buy)
Q1 results ahead of expectations

Belgium

KBC (Buy)
Strong Q1, higher AUM

Denmark

FLSmidth (Buy)
Is order improvement around the corner?

France

Aéroports de Paris (Buy)
Strong traffic performance

Ekinops (Hold)
Initiating coverage: Smart positioning but risky play

Korian Medica (Buy)
Q1 sales in line, FY targets confirmed

Ausy (Buy)
Difficult start to the year, cutting TP

Rexel (Reduce)
Limited downside, but lack of momentum

Vivendi (Buy)
Q1 earnings: first read

Germany

Allianz (Buy)
P&C technical margin still improving

Deutsche Post (Hold)
Q1 results slightly disappointing on EBIT, FCF

Deutsche Wohnen (Hold)
Fine-tuning of estimates after conference call

GfK (Buy)
Q1 first take: earnings in line, CC on track

HHLA (Hold)
Low visibility

LEG Immobilien (Hold)
Solid Q1 figures

Aurubis (Hold)
Q2 conference call feedback

Salzgitter (Buy)
Q1 improvement from operations

Italy

Astaldi (Buy)
Q1: sounder margins, higher debt

Brembo (Buy)
Stellar growth in Q1 – estimates and TP up

Cairo Communication (Buy)
Q1 results in line. Focus on efficiencies

Cattolica (Reduce)
Better Q1 results

Danieli (Buy)
Solid Q3 2013/14 results – Guidance confirmed

ERG (Buy)
Q1 results as expected, guidance confirmed

Falck Renewables (Buy)
Q1 results: a good start to the year

Generali (Hold)
Lower premiums but higher net profit in Q1

HERA (Buy)
Q1 diversification as key strength

Interpump Group (Buy)
Positive stance confirmed after Q1 in line

IREN (Reduce)
A weak quarter due to the climate

Mediolanum (Buy)
Net profit lower quality, stronger inflows in Q2

Maire Tecnimont (Hold)
Hold confirmed after weak Q1 results

RCS MediaGroup (Hold)
Better Q1 results, guidance confirmed

Saras (Reduce)
Poor Q1, weak start to Q2: estimates and TP cut

Trevi Group (Hold)
Net debt burdened by NWC, guidance in line

Tod's Group (Reduce)
Slightly lower Q1, worsening SSSG in Q2

Terna (Hold)
Good Q1 results, despite lower return on RAB

World Duty Free (Reduce)
Weak Q1, more details on guidance in Q2

Netherlands

BAM (Reduce)
Q1 results disappointing in size and quality

Portugal

EDP (Hold)
Comments on investor day

Spain

Amadeus (Under Review)
Partnership with BeNe Rail for railway platform

Acciona (Reduce)
Mixed Q1 results

Prisa (Buy)
Q1 in line - cooling down expectations?

Mediaset España (Buy)
Studying participating in the acquisition of D+

Tubacex (Buy)
Q1 numbers better than expected

Switzerland

Richemont (Buy)
Dividend, Rupert, outlook offset average result

Zurich Insurance Group (Buy)
Overall Q1 better than expected

Gategroup (Buy)
Q1 results: first take

United Kingdom

Compass (Hold)
H1 slightly weaker, special dividend benefit

Today's research by sector

Airlines & airports

Aéroports de Paris (Buy)
Strong traffic performance

Autos & parts

Brembo (Buy)
Stellar growth in Q1 – estimates and TP up

Banks

KBC (Buy)
Strong Q1, higher AUM

Capital goods

Danieli (Buy)
Solid Q3 2013/14 results – Guidance confirmed

Interpump Group (Buy)
Positive stance confirmed after Q1 in line

Trevi Group (Hold)
Net debt burdened by NWC, guidance in line

FLSmidth (Buy)
Is order improvement around the corner?

Rexel (Reduce)
Limited downside, but lack of momentum

Chemicals

Lenzing (Buy)
Q1 results ahead of expectations

Construction & materials

Astaldi (Buy)
Q1: sounder margins, higher debt

BAM (Reduce)
Q1 results disappointing in size and quality

Financial services

Mediolanum (Buy)
Net profit lower quality, stronger inflows in Q2

General retail

World Duty Free (Reduce)
Weak Q1, more details on guidance in Q2

IT hardware & telco eqpmt

Ekinops (Hold)
Initiating coverage: Smart positioning but risky play

IT software & services

Amadeus (Under Review)
Partnership with BeNe Rail for railway platform

Ausy (Buy)
Difficult start to the year, cutting TP

Insurance

Allianz (Buy)
P&C technical margin still improving

Cattolica (Reduce)
Better Q1 results

Generali (Hold)
Lower premiums but higher net profit in Q1

Zurich Insurance Group (Buy)
Overall Q1 better than expected

Luxury goods & cosmetics

Richemont (Buy)
Dividend, Rupert, outlook offset average result

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Media

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RCS MediaGroup (Hold)
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Mediaset España (Buy)
Studying participating in the acquisition of D+

Vivendi (Buy)
Q1 earnings: first read

Medtech & services

Korian Medica (Buy)
Q1 sales in line, FY targets confirmed

Metals & mining

Aurubis (Hold)
Q2 conference call feedback

Salzgitter (Buy)
Q1 improvement from operations

Tubacex (Buy)
Q1 numbers better than expected

Oil & gas

Saras (Reduce)
Poor Q1, weak start to Q2: estimates and TP cut

Oil services

Maire Tecnimont (Hold)
Hold confirmed after weak Q1 results

Property

Conwert (Hold)
Weakish Q1 figures pre-announced

Deutsche Wohnen (Hold)
Fine-tuning of estimates after conference call

LEG Immobilien (Hold)
Solid Q1 figures

Support services

Compass (Hold)
H1 slightly weaker, special dividend benefit

Transport

Deutsche Post (Hold)
Q1 results slightly disappointing on EBIT, FCF

HHLA (Hold)
Low visibility

Travel & leisure

Gategroup (Buy)
Q1 results: first take

Utilities

Acciona (Reduce)
Mixed Q1 results

EDP (Hold)
Comments on investor day

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IREN (Reduce)
A weak quarter due to the climate

Terna (Hold)
Good Q1 results, despite lower return on RAB

15 May 2014
Earnings review

Acciona

Spain | Utilities

Reduce (Reduce)

Target price **EUR 46.00**

Current price EUR 60.15

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Mixed Q1 results

- **EBITDA slightly below on worse-than-expected Infrastructure…**
- **… Energy in line (lower prices in Spain & abroad)**
- **Net debt down EUR71m versus FY 2013 (IFRS-adjusted)**
- **Reduce, TP EUR46**

Acciona: Summary of Q1 results

EURm	Q1-13	Q1-14	% chg	Q1-14 est	actual vs. est
EBITDA	**279**	**225**	**-19%**	**231**	**-3%**
Energy	237	187	-21%	190	-2%
WISE	35	28	-20%	33	-16%
o/w Infra	29	22	-24%	26	-15%
o/w Water	5	6	2%	6	nm
o/w Services	1	0	-32%	1	nm
Other	7	10	43%	8	21%
Gain on asset disposals	1	29	nm	27	7%
Depreciation	-170	-125	-26%	-130	-4%
EBIT	**110**	**129**	**17%**	**128**	**0%**
Net interest expenses	-100	-99	-1%	-100	-1%
Net FX	9	2	-77%	9	-78%
Equity earnings	22	8	-63%	15	-47%
Pre-tax	**40**	**40**	**-1%**	**52**	**-24%**
Taxes	-11	-4	-63%	-7	-43%
Minorities	4	-4	nm	-5	-23%
Net profit	**33**	**32**	**-5%**	**40**	**-21%**

Source: Kepler Cheuvreux

EBITDA a bit below on Infra still facing headwinds

EBITDA came in slightly below estimates on a worse-than-expected Infrastructure performance (still poor performance in Spain, delays in international), but EBIT was in line. Financial expenses were also in line; the bottom line deviation was related to forex and equity earnings.

Energy unit (83% of EBITDA) – flat volumes, lower prices

Output was flat (adjusted for IFRS 11), with Wind Spain (46% of the output) down 9% (tough comparable), Wind international (37% of the output) up 8%, Hydro (14% of the output) up 22%, and Solar & other down 21%. Prices were down 56% in Spain (regulation impact) and in most other markets with a c. 16.5% decline in Australia & India, 5%-6% declines in Canada and Italy, and 2%-3% declines in the US, Mexico and Poland.

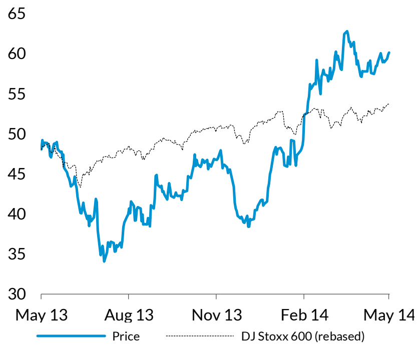
Net debt of EUR5.9bn

Net debt (post IFRS 11) of EUR5.9bn, was down EUR138m versus FY 2013 (also IFRS-adjusted) and down EUR71m adjusted for the equity value of the German wind farms' disposal (realised in Q1).

Front page

Reuters ANA.MC
Bloomberg ANA SM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	3,444
Free float	40%
No. of shares outstanding (m)	57
Avg. daily trading volume('000)	213
YTD abs performance	44.0%
52-week high (EUR)	62.84
52-week low (EUR)	34.06



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	6,298.2	6,469.9	6,696.5
EBITDA adj (m)	1,123.0	1,224.9	1,294.3
EBIT adj (m)	355.8	443.2	500.9
Net profit adj (m)	0.3	61.1	132.7
Net fin. debt (m)	6,677.3	6,134.6	5,462.5
FCF (m)	-74.8	530.7	688.7
EPS adj. and fully dil.	0.01	1.07	2.32
Consensus EPS	0.27	1.16	2.05
Net dividend	0.00	0.50	1.00

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	na	56.3	26.0
EV/EBITDA (x)	9.3	8.0	7.0
EV/EBIT (x)	29.3	22.2	18.2
FCF yield	-2.1%	15.5%	20.1%
Dividend yield	0.0%	0.8%	1.7%
Net debt/EBITDA (x)	5.9	5.0	4.2
Gearing	196.8 %	178.1%	154.3%
ROIC	2.5%	3.2%	3.8%
EV/IC (x)	1.0	1.0	1.0

14 May 2014
Company update

Aéroports de Paris

France | Airlines & airports

Buy (Buy)

Target price
EUR 102.00

Current price
EUR 92.07

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Strong traffic performance

- **Q1 group revenues below our expectations**
- **Passenger traffic very strong**
- **Good retail performance**
- **We expect good development of operating margins in 2014**

Q1 group revenues below our expectations

AdP published group Q1 revenues of EUR637m, which were below our expectations of EUR665m. However, looking at the divisions, revenues generated by de-icing fees were EUR14m (KECH: EUR10m) lower than last year (but we understand costs due to the severe weather conditions were higher than revenues in Q1 2013) and the company had EUR13m less revenues in the Retail & Services division due to the shutdown of a cogeneration plant in April 2013 (in our view, operating margins on these revenues were low-single digit). However, looking at the divisions, underlying trends continue to be solid.

Passenger traffic very strong

AdP registered YOY passenger growth of 4.4% between January and April, and the company mentioned airlines' plan to increase capacity by 5% during the summer flight schedule. We consider the company's passenger guidance of 2% overly conservative and believe it has not been lifted by the company for the moment because they would like to motivate employees to achieve the company's aggressive cost-savings targets. However, we now see passenger growth of 3% in our model and good chances of upgrading our expectations short-term.

Good retail revenue performance

The company registered a retail sales/pax growth of 1.1% in Q1, despite some retail space being shut down for renovation sin the very profitable 2E area and the current adverse currency impact. We believe they have succeeded in offsetting the negatives with improved offerings in the shops, which is definitely positive.

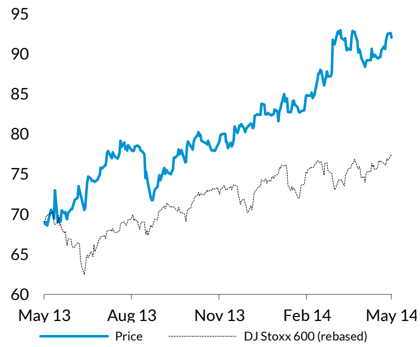
We expect a good development of operating margins in 2014

We understand AdP's management is very focused on delivering on cost targets, and we expect H1 to imply rather positive news with respect to operating margins. We believe future passenger traffic should continue to support the share price. The stock trades below its 2007 multiples. We reiterate our Buy rating and TP of EUR102.

Front page

Reuters ADP.PA
Bloomberg ADP FP
Index DJ Stoxx 600

Market data	
Market cap (EURm)	9,111
Free float	33%
No. of shares outstanding (m)	99
Avg. daily trading volume('000)	50
YTD abs performance	11.6%
52-week high (EUR)	93.00
52-week low (EUR)	68.56



FY to 31/12 (EUR)	2013	2014E	2015E
Sales (m)	2,754	2,873	3,018
EBITDA adj (m)	1,075	1,143	1,231
EBIT adj (m)	657	755	846
Net profit adj (m)	305	403	466
Net fin. debt (m)	3,121	2,913	2,659
FCF (m)	370	391	496
EPS adj. and fully dil.	3.08	4.07	4.71
Consensus EPS	3.3	3.9	4.5
Net dividend	1.85	2.44	2.82

FY to 31/12 (EUR)	2013	2014E	2015E
P/E (x) adj and ful. dil.	23.3	22.6	19.6
EV/EBITDA (x)	9.8	10.8	9.8
EV/EBIT (x)	16.1	16.4	14.3
FCF yield	5.2%	4.3%	5.4%
Dividend yield	2.6%	2.7%	3.1%
Net debt/EBITDA (x)	3.2	2.8	2.4
Gearing	81.6%	72.0%	62.3%
ROIC	6.7%	7.9%	8.9%
EV/IC (x)	1.8	2.1	2.1

15 May 2014
Company update

Allianz

Germany | Insurance

Buy (Buy)

Target price
EUR 143.0

Current price
EUR 122.7

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P&C technical margin still improving

- **AM outflows should continue to slow down in the months ahead**
- **P&C technical margin still improving, but yield to go down**
- **No EPS changes – We expect EUR10.3bn operating profit in 2014**
- **PIMCO bad news flow over penalized stock – Buy reiterated**

Allianz: Q1 2014 results and FY 2014 forecast

(EURm)	Q1-14	Q1-14E	Q1-13	YOY	FY-14E	FY-13A	YOY
Total revenues (EURbn)	34.0	32.6	32.0	6%	116.6	110.8	5%
- o/w P&C premiums (EURbn)	15.2	15.3	15.2	0%	47.7	46.6	2%
- o/w L/H premiums (EURbn)	17.2	15.1	14.8	16%	62.1	56.8	9%
Operating profit	2,774	2,585	2,797	-1%	10,308	10,066	2%
- o/w: P&C	1,490	1,355	1,319	13%	5,610	5,268	6%
- o/w: L/H	880	800	855	3%	3,241	2,709	20%
- o/w: AM	646	700	900	-28%	2,597	3,161	-18%
Net profit (after min.)	1,640	1,602	1,707	-4%	6,227	5,996	4%
Combined ratio	92.6%	94.0%	94.3%	-1.8%	93.3%	94.3%	-1.1%
AM net inflow (bn)	-20	-20	43	NM	-44	-12	NM

Source: Kepler Cheuvreux

AM outflows could improve progressively

After a -EUR20bn outflow in Q1, which was less severe than in previous quarters (-EUR31bn quarterly average), the CFO said that April was in line with previous months (hence ~ -EUR7bn). He expects the trend to improve in H2. We forecast –EUR44bn for FY 2014. We believe that the improvement in the performance (+1.8% in Q1, expected >2% in 4M) could help stabilise PIMCO's net inflows in the short term.

P&C combined still good, but yield to fall by ~16bps in FY 2014

The1.4% average increase in P&C pricing, although declining, is still good given the subdued inflation trend. Thus, the combined ratio should improve this year (we expect a -1.0% decline). However, the CFO said that the lower reinvestment yield should lead to about a 16bps decline in the net ordinary yield in P&C (we have 3.04% in FY 2014 vs. 3.20% in FY 2013).

No change to our EPS forecasts

We simply fine-tuned our EPS. Note that our +2% P&C premium increase should be driven by the acquisition in Italy (EUR1.1bn).

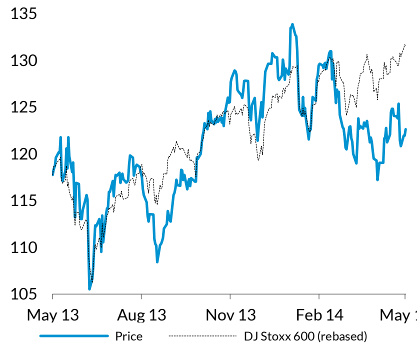
Positive stance confirmed

We remain positive on the stock, which was overly penalized in our view by the PIMCO outflows. Allianz trades at just 9x 2014 P/E, at a double digit discount versus the sector average.

Front page

Reuters ALVG.DE
Bloomberg ALV GY
Index DJ Stoxx 600

Market data	
Market cap (EURm)	55,990
Free float	100%
No. of shares outstanding (m)	457
Avg. daily trading volume('000)	1,804
YTD abs performance	-5.9%
52-week high (EUR)	133.90
52-week low (EUR)	105.50



FY to 31/12 (EUR)	2014E	2015E	2016E
Total premium (m)	80,384	82,678	84,496
Op. Profit (m)	9,850	10,098	10,517
Net profit adj. (m)	6,227	6,386	6,655
EPS adj.	13.7	14.1	14.7
EPS reported	13.6	14.0	14.6
Consensus EPS	13.5	13.9	14.1
Life NBV	253	247	239
Life APE growth	na	4.9%	3.9%
CoR insurance (%)	93.3%	93.5%	93.7%
CoR reinsurance (%)	na	na	na
ROE after tax (%)	12.0%	11.5%	11.2%
SH's equity	53,677	57,567	61,682

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x)	9.0	8.8	8.4
P/Emb. value	1.1	1.0	0.9
P/BV	1.0	1.0	0.9
P/NAV	1.9	1.7	1.5
DPS	5.5	5.6	5.8
Dividend yld (%)	4.5%	4.6%	4.7%
P/NEP	5.5%	5.2%	4.9%
PH adj. lvg	na	na	na

15 May 2014
Corporate action

Amadeus

Spain | IT software & services

Under Review (Under Review) | **Target price EUR** | Current price EUR 32.02

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Partnership with BeNe Rail for railway platform

- **Partnership with BeNe Rail for railway platform**
- **Another step in the diversification process**
- **Although impact will be limited, at least short term**
- **Stock remains Under Review**

Partnership with BeNe Rail for railway platform

Amadeus has announced a long-term strategic technology partnership with the Brussels-based BeNe Rail International to create a new community IT platform for the railway industry that will be rolled out in several phases in the coming years. Thus, BeNe becomes Amadeus launching partner in this business. BeNe is an international distribution IT JV between the Dutch and the Belgium railways, providing them with distribution technology and CFL as well as processing more than 10 million tickets per year. The platform, which is based on the community model concept, includes multichannel and multicarrier rail distribution offers to travel agencies, stations, railways contact centres, and corporations and also offers IT solutions to manage information on schedules, inventory, shopping, booking, ticketing, etc. According to Amadeus, the platform will bring several advantages, including enhanced flexibility and performance.

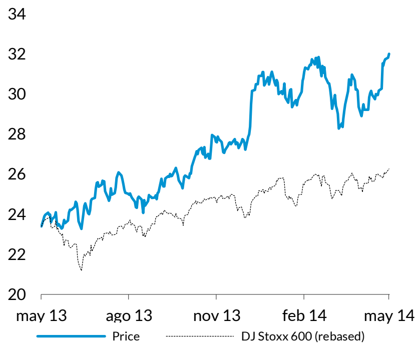
Another step in the diversification process, but limited impact

This is good news for Amadeus, which is moving forward in its diversification strategy and taking a first step in railway. However, we do not expect a visible impact, at least short term. On one hand, the development and implementation of the solution will take four years. On the other, the main target is to add new railway companies to the platform, and this could take time, as the sector needs a real revolution and railway companies are in very different situations in terms of IT development (BeNe is one of the most advanced). Finally, as far as we know, railways is one of the new business lines that Amadeus presented a year ago, with an addressable market of some EUR600m (thus, it is not very significant compared to other new initiatives).

Front page

Reuters AMA.MC
Bloomberg AMS SM
Index FTSE Euro First 300

Market data	
Market cap (EURm)	14,329
Free float	83%
No. of shares outstanding (m)	448
Avg. daily trading volume('000)	1,952
YTD abs performance	2.9%
52-week high (EUR)	32.02
52-week low (EUR)	23.27



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	3,237	3,334	na
EBITDA adj (m)	1,291	1,334	na
EBIT adj (m)	973	1,000	na
Net profit adj (m)	629	652	na
Net fin. debt (m)	998	820	na
FCF (m)	637	650	na
EPS adj. and fully dil.	1.40	1.46	na
Consensus EPS	1.5	1.7	1.8
Net dividend	0.82	0.91	na

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	22.8	22.0	na
EV/EBITDA (x)	11.9	11.4	na
EV/EBIT (x)	15.7	15.2	na
FCF yield	4.4%	4.5%	na
Dividend yield	2.6%	2.9%	na
Net debt/EBITDA (x)	0.8	0.6	na
Gearing	47.4%	34.9%	na
ROIC	37.2%	-16.2%	na
EV/IC (x)	8.3	8.2	na

15 May 2014
Earnings review

Astaldi

Italy | Construction & materials

Buy (Buy)

Target price
EUR 8.90

Current price
EUR 7.50

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Q1: sounder margins, higher debt

- **Stronger EBIT margin (10.5%), EBIT/net profit: 11/9% above**
- **Higher NWC and capex (concessions) drive worse net debt trend**
- **Top line acceleration ahead, 2014-15 EPS fine-tuned (+2/3%)**
- **Solid outlook not priced in, attractive multiples - Buy, TP EUR8.9**

Astaldi - Q1 results review

EURm	Q1 14A	Q1 14E	Q1 13	A vs E	YOY
Revenues	551.6	573.4	535.9	**-4%**	**4%**
EBITDA adj	73.4	68.2	59.6	**8%**	**23%**
Margin	13.3%	11.9%	11.1%		
EBIT	57.9	52.2	48.7	**11%**	**19%**
Margin	10.5%	9.1%	9.1%		
Net profit	19.2	17.6	18.3	**9%**	**5%**
Net debt	1,012	890	830	**14%**	**22%**

Source: Astaldi, Kepler Cheuvreux

Stronger EBIT margin (10.5%), EBIT/net profit: 11/9% above

While revenues (+4% YOY vs our +7%) were 4% softer than expected, margins were stronger. In particular, EBIT margin at 10.5% was 140bps above our 9.1% estimate, driven by outstanding execution of Turkish and Russian jobs. EBIT/net profit were 11/9% above our estimates.

Higher NWC and capex (concessions) drive worse net debt

Some disappointment from net debt, which suffered from working capital outflow plus EUR50m capex in the Turkish (Third Bosphorus bridge, Istanbul Izmir motorway) and Italian (Metro5 Milan) greenfield concession initiatives. At EUR1.01bn, it was 14% worse than expected.

Top line acceleration ahead, 2014-15 EPS fine-tuned (+2-3%)

The guidance for 10% top-line growth in FY 2014 has been confirmed, with acceleration already as of Q2 driven by faster backlog execution. The 10.5% EBIT margin has been defined sustainable over the medium term: we have raised our 2014-15 EBIT margin estimates by 20bps to 9.8/9.7%, still below this level. The company also guided for EUR4bn order intake (FY 2014), with a 60/40% construction/concession split. We expect a big intake in the short term (Russia, Chile). On NFP, we have raised our FY 2014 estimate to EUR908m (from EUR860m), in line with guidance.

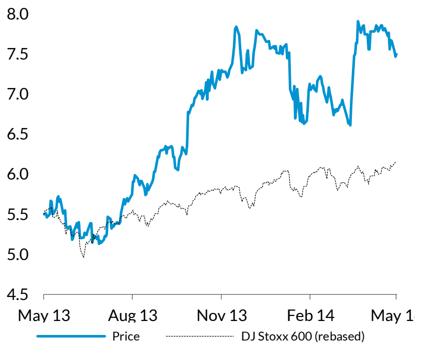
Solid outlook not priced in, attractive multiples, Buy, TP EUR8.9

We expect the business plan update (June) to target EUR200m net profit 2018, o/w half construction/half concessions, with focus on mature assets disposals and improving earning conversion into FCF. At 7.8/6.9x PE 2014-15 with solid growth, we remain buyers. TP EUR8.9 confirmed.

Front page

Reuters AST.MI
Bloomberg AST IM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	738
Free float	48%
No. of shares outstanding (m)	98
Avg. daily trading volume('000)	332
YTD abs performance	-2.0%
52-week high (EUR)	7.91
52-week low (EUR)	5.13



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	2,709.9	2,855.5	3,004.4
EBITDA adj (m)	332.9	345.8	366.5
EBIT adj (m)	266.7	275.9	292.6
Net profit adj (m)	94.5	106.4	136.3
Net fin. debt (m)	908.2	947.3	992.7
FCF (m)	-118.6	-20.7	6.0
EPS adj. and fully dil.	0.96	1.08	1.39
Consensus EPS	1.00	1.15	1.39
Net dividend	0.24	0.27	0.34

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	7.8	6.9	5.4
EV/EBITDA (x)	4.9	4.9	4.7
EV/EBIT (x)	6.2	6.1	5.9
FCF yield	-15.6%	-2.7%	0.3%
Dividend yield	3.2%	3.6%	4.6%
Net debt/EBITDA (x)	2.8	2.8	2.7
Gearing	133.0%	123.2%	112.6%
ROIC	12.8%	11.5%	11.0%
EV/IC (x)	1.2	1.1	na

15 May 2014
Company update

Aurubis

Germany | Metals & mining

Hold (Hold)

Target price
EUR 44.00

Current price
EUR 41.29

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Q2 conference call feedback

- **No recovery of Cu scrap and sulphuric acid markets**
- **TC/RCs and cathode premiums still firm**
- **Limited upside for 2013-14 earnings**
- **Hold, TP EUR44**

Sulphuric acid and Cu scrap market at a low point

Sulphuric acid markets have stabilised at a low level with spot prices down from USD150 to USD50-60/tonne YOY. Prices net of transportation cost are around zero at Pirdop, but better in Hamburg. NDA does not necessarily expect a pick-up of the market this year. Cu scrap markets continue to be tight due to reduced scrap generation in Europe, while demand is recovering. NDA expects no improvement in refining charges (RCs) in coming quarters with current RCs at EUR120/tonne (-50% YOY).

Positive outlook for TC/RCs and cathode premiums

Conversely, Cu concentrate availability and TC/RCs remain high (NDA: "TC/RCs look well supported"), the same is true for cathode premiums (>USD200/tonne in China) due to physical cathode shortage in the market. NDA sees Cu price moving sidewards with volatility due to nervousness about China's demand and the Indonesian situation.

Limited earnings upside

In our view, the equity story looks unchanged: copper smelters benefit from high TC/RCs and cathode premiums, but copper scrap and sulphuric acid markets are a burden. As NDA sees no upside from scrap and sulphuric acid markets, any short-term earnings surprise potential looks limited with TC/RCs and cathode premiums locked-in for 1Y; FY EBT consensus of some EUR150m is on the high side (KECH: c. EUR130m).

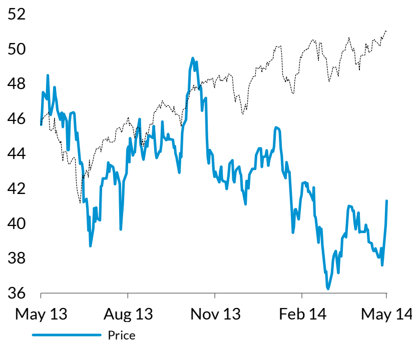
Hold, TP EUR44

Thus, it is difficult to see positive short-term triggers for the story, the copper scrap market could even have a temporary downside. On top comes potential Cu market volatility due to a bumpy Chinese outlook and uncertainty regarding Indonesia. With 2013-14 ROCE around WACC, a floor valuation of around EUR40 looks justified. However, NDA is still interesting for longer-term oriented (value) investors; considering that NDA structurally earns more than its cost of capital fair values of EUR50 or higher can be justified; Hold, TP EUR44.

Front page

Reuters NAFG
Bloomberg NDA GR
Index DJ Stoxx 600

Market data	
Market cap (EURm)	1,856
Free float	75%
No. of shares outstanding (m)	45
Avg. daily trading volume('000)	201
YTD abs performance	-6.8%
52-week high (EUR)	49.49
52-week low (EUR)	36.23



FY to 30/09 (EUR)	2014E	2015E	2016E
Sales (m)	11,457.7	11,224.9	11,439.6
EBITDA adj (m)	286.9	414.4	456.6
EBIT adj (m)	159.3	285.4	326.6
Net profit adj (m)	-13.4	174.9	204.5
Net fin. debt (m)	372.7	267.1	222.1
FCF (m)	170.5	167.0	127.9
EPS adj. and fully dil.	-0.30	3.89	4.55
Consensus EPS	2.31	3.93	4.38
Net dividend	1.10	1.10	1.20

FY to 30/09 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	na	10.6	9.1
EV/EBITDA (x)	8.4	5.5	4.9
EV/EBIT (x)	15.1	8.1	6.9
FCF yield	9.2%	9.0%	6.9%
Dividend yield	2.7%	2.9%	2.9%
Net debt/EBITDA (x)	1.9	1.1	0.9
Gearing	21.0%	13.8%	10.6%
ROIC	4.4%	-3.2%	-3.6%
EV/IC (x)	1.0	0.9	0.9

15 May 2014
Target price change

Ausy

France | IT software & services

Buy (Buy)

Target price EUR 33.00

Current price EUR 29.98

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Difficult start to the year, cutting TP

- **Business still under pressure in France**
- **Strong growth in Benelux**
- **But no catch-up effect in Germany after a difficult end-2013**
- **More conservative on 2014, TP cut from EUR35 to EUR33**

Reported sales by region vs estimate

EURm	Q1-13	Q2-13	Q3-13	Q4-13	2013	Q1-14E	Q1-14
France	61.5	57.4	53.5	58.0	230.4	61.5	60.3
Growth	-1.2%	0.9%	-2.1%	-5.1%	-1.9%	0.0%	-2.0%
Foreign countries	22.2	22.8	22.8	26.0	93.8	23.9	22.9
Growth	9.9%	15.9%	5.5%	3.8%	8.4%	7.7%	3.4%
Organic growth	8.4%	15.1%	5.5%	3.8%	8.0%	7.7%	3.4%
Total Sales	**83.7**	**80.2**	**76.3**	**84.0**	**324.2**	**85.4**	**83.2**
Growth	**1.5%**	**4.7%**	**0.1%**	**-2.6%**	**0.9%**	**2.1%**	**-0.6%**
Organic growth	**1.1%**	**4.6%**	**0.1%**	**-2.6%**	**0.7%**	**2.1%**	**-0.6%**

Source: Kepler Cheuvreux

Q1 sales -0.6% vs +2% expected

Q1 sales were EUR83.2m, -0.6% YOY, below our estimate of EUR85.4m (+2%) due to France and Germany. In a still tough context, we estimated that it will be difficult for Ausy to significantly grow in its domestic market (flat activity expected). Our intuition is confirmed, as Ausy posted a sales decline of 2% in France for Q1. Abroad, as expected, Ausy benefited from strong growth in Belgium (+20% vs. +8% exp.), notably thanks to the ramp-up of major contract with the European Commission. In Germany, we expected a catch-up effect after a difficult end to 2013 (-13% in sales in Q4), as announced contracts were postponed. New contracts did not offset decline in the aerospace sector. Sales in Germany were down by 18% for Q1, significantly below our estimate at +8%.

Sales forecasts cut but significant results growth likely for 2014

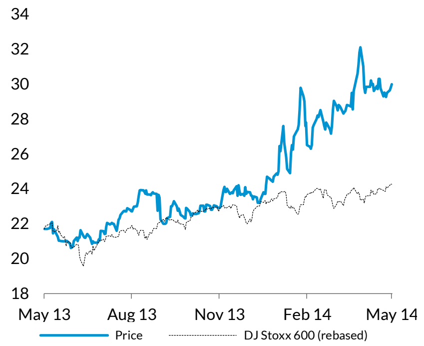
Even though we expect a sales rebound for H2 (lower base), in light of Q1 performance, we have cut our forecasts. We now estimate EUR330.6m in sales for 2014, +2% YOY vs. +4.4% expected before, o/w +1% is for France (vs. +3%) and +5% for foreign countries (vs+8%). All in all, we have cut our NP forecasts by 11%. TP cut from EUR33.5 to EUR33.0. Despite lower sales growth, we remain convinced that results will grow significantly in 2014, thanks to the CIR effect (at least +EUR2m on results), the full impact of CICE, and non-recurrence of restructuring charges (EUR3m). Even though the business rebound is more progressive than previously expected, due to margin improvement potential ,we reiterate our Buy rating.

Front page

Reuters OSI.PA
Bloomberg OSI FP
Index FTSE Euro First 300

Market data

Market cap (EURm)	135
Free float	53%
No. of shares outstanding (m)	4
Avg. daily trading volume('000)	5
YTD abs performance	26.5%
52-week high (EUR)	32.10
52-week low (EUR)	20.60



FY to 31/12 (EUR)	2013	2014E	2015E
Sales (m)	324.2	330.7	373.9
EBITDA adj (m)	19.1	24.4	30.2
EBIT adj (m)	17.6	23.1	28.7
Net profit adj (m)	8.5	12.1	15.3
Net fin. debt (m)	48.0	39.9	49.8
FCF (m)	3.7	10.9	9.2
EPS adj. and fully dil.	1.50	2.17	2.77
Consensus EPS	1.79	2.67	3.26
Net dividend	0.00	0.00	0.00

FY to 31/12 (EUR)	2013	2014 E	2015 E
P/E (x) adj and ful. dil.	14.5	13.8	10.8
EV/EBITDA (x)	7.1	6.7	6.1
EV/EBIT (x)	7.7	7.1	6.4
FCF yield	3.8%	8.1%	6.8%
Dividend yield	0.0%	0.0%	0.0%
Net debt/EBITDA (x)	2.6	1.7	1.7
Gearing	51.8 %	38.3%	41.7%
ROIC	8.2%	10.2%	11.0%
EV/IC (x)	1.1	1.3	1.1

15 May 2014
Earnings review

BAM

Netherlands | Construction & materials

Reduce (Reduce)

Target price
EUR 2.25

Current price
EUR 3.92

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Q1 results disappointing in size and quality

- **Sales and results mainly boosted by property sales**
- **Weak underlying margins for main divisions**
- **Book profits to the rescue**
- **Consensus numbers to be lowered**

Sales and results mainly boosted by property sales

BAM produced strong sales of EUR1,571m (+10%) versus our expectation of EUR1,365m and consensus of EUR1,407m. Pre-tax profits came in at EUR4.6m versus our and consensus expectation of EUR7.3m. Sales were positively impacted by the positive weather effect and sizeable property disposals with book profits in property and PFI. The backlog was stable at EUR10.0bn. Management still expects 2014 to be a transitional year, having to deal with a backlog of lower quality/margins. It repeated that especially margins in Building and Infra, the two biggest divisions, will remain under pressure. It added that some Dutch subsidiaries have not fully filled their order book for this year.

Weak underlying margins for main divisions

Divisional results were mixed. Lower results in Building and Infra related to old orders at low margins and a shortfall of overhead coverage in the Netherlands. Building made a loss of EUR8m versus a break-even result in 2013Q1. Infra was only at break-even versus a profit of EUR3m last year. We had expected some rebound from the low levels in 2013, but the opposite happened, with further margin erosion. The profit in property was due to disposals with a positive result of EUR11m versus a loss of EUR3m (no book profits) last year. The same would go for PFI: the overall result was EUR6m versus EUR9m; both results contained book profits.

Book profits to the rescue

If we strip out the combined book profits in both property and PFI, we estimate BAM made a EUR10m loss pre-tax versus minus EUR2m.

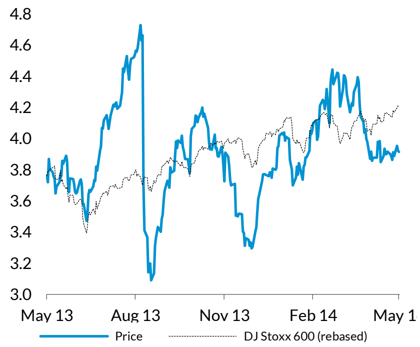
Consensus numbers to be lowered

Results were disappointing with lower income from the main divisions, showing ongoing margin pressure. The gap was only partly filled with book profits, so also quality was below expectations. This will likely lead to a reduction of consensus estimates (we are below consensus).

Front page

Reuters BAMN.AS
Bloomberg BAMNB NA
Index DJ Stoxx 600

Market data	
Market cap (EURm)	1,040
Free float	56%
No. of shares outstanding (m)	266
Avg. daily trading volume('000)	1,371
YTD abs performance	3.5%
52-week high (EUR)	4.73
52-week low (EUR)	3.09



FY to 31/12 (EUR)	2013E	2014E	2015E
Sales (m)	6,720.7	6,096.2	5,801.8
EBITDA adj (m)	173.5	181.7	206.2
EBIT adj (m)	93.5	91.7	106.2
Net profit adj (m)	102.3	83.4	92.8
Net fin. debt (m)	214.0	210.8	169.2
FCF (m)	14.7	39.1	81.5
EPS adj. and fully dil.	0.38	0.31	0.35
Consensus EPS	0.19	0.28	0.34
Net dividend	0.12	0.14	0.15

FY to 31/12 (EUR)	2013E	2014E	2015E
P/E (x) adj and ful. dil.	10.2	12.5	11.2
EV/EBITDA (x)	7.8	7.4	6.3
EV/EBIT (x)	14.5	14.7	12.3
FCF yield	1.4%	3.8%	7.8%
Dividend yield	3.1%	3.4%	3.8%
Net debt/EBITDA (x)	1.8	1.7	1.3
Gearing	24.9%	23.5%	18.0%
ROIC	8.2%	5.7%	6.2%
EV/IC (x)	0.9	0.9	0.9

15 May 2014
Target price change

Brembo

Italy | Autos & parts

Buy (Buy)

Target price EUR 33.00

Current price EUR 27.90

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Front page

Stellar growth in Q1 – estimates and TP up

- **Q1 sales up 20%, EBITDA +46% and EBIT+76%...**
- **...boosted by the premium/luxury car segment (on a global scale)**
- **EBIT and EPS 2014E lifted by 6%**
- **TP raised from EUR30 to EUR33 – Buy confirmed**

Brembo: Q1 results

EUR m	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14A	YOY	Q1-14E	A vs E
Sales	372	391	392	412	447	20%	444	1%
Passenger car	247	270	281	300	309	25%	295	5%
Motorbikes	42	40	35	33	47	13%	48	-2%
Commercial vehicles	45	49	47	51	50	11%	59	-15%
Racing	36	31	27	27	39	9%	39	-1%
EBITDA	47	52	51	62	69	46%	66	4%
Margin %	12.7%	13.3%	13.1%	14.9%	15.5%		14.9%	
EBIT	26	29	29	37	46	76%	41	11%
Margin %	7.0%	7.5%	7.4%	9.0%	10.3%		9.3%	
EBT	22	25	24	33	43	97%	37	18%
Net profit	21	23	20	26	36	74%	31	16%
Net debt	345	369	350	320	340	-1%	350	-3%

Source: Company data, Kepler Cheuvreux

A brakeless Q1, up 20% YOY in sales and 46% in EBITDA

It was a brakeless Q1. The stellar +20% YOY in sales (or +22.5% at constant forex) was mostly driven by volumes and the mix in the premium/luxury car segment. All other segments were positive as well. Margins followed, helped by the positive mix and stable prices, with EBITDA and EBIT up 46% and 76% (only the gross margin was down -90bp to 48.5%). Europe was +21% in sales, driven by Germany (+23%) and Italy (+12%), NAFTA +28% (+32% at constant forex), China +22% and Latam -10% (but +17% at constant forex).

EBIT and EPS 2014E lifted by 6%, new TP EUR33 (EUR30) – Buy

The 2014 guidance was lifted: from 8-10% to 10+% top line YOY growth, with an unchanged 14.0% EBITDA margin. Q2 was guided at 11-12% sales growth, implying an overly conservative +5.5% in H2, while the order intake is robust, price pressure is easing (also in mid-premium) and new capacity is fuelling volume growth. We move from 10% to 13% sales growth (+10.6% in H2), with an unchanged 14.1% margin. We raise our DCF-based TP from EUR30 to EUR33 (10x EV/EBITDA 2014E). Buy.

Brembo: KECH's new vs. old estimates

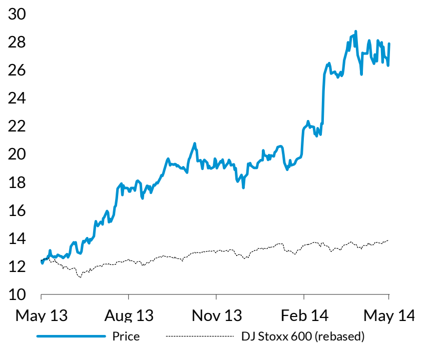
EUR m	2014E			2015E			2016E	
	old	new	chg	old	new	chg	old	new
Sales	1,723	1,771	3%	1,878	1,932	3%	NP	2,073
EBITDA	243	250	3%	271	277	2%	NP	301
EBIT	145	153	6%	166	174	5%	NP	191
EPS (EUR)	1.61	1.70	6%	1.78	1.84	3%	NP	2.04

Source: Company data, Kepler Cheuvreux

Reuters BRBI.MI
Bloomberg BRE IM
Index DJ Stoxx 600

Market data

Market cap (EURm)	1,863
Free float	43%
No. of shares outstanding (m)	67
Avg. daily trading volume('000)	284
YTD abs performance	42.5%
52-week high (EUR)	28.80
52-week low (EUR)	12.20



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	1,771.3	1,931.5	2,072.7
EBITDA adj (m)	249.8	276.8	300.5
EBIT adj (m)	152.9	174.0	191.1
Net profit adj (m)	110.7	119.6	132.4
Net fin. debt (m)	294.8	264.1	215.7
FCF (m)	58.2	71.1	92.1
EPS adj. and fully dil.	1.66	1.79	1.98
Consensus EPS	1.60	1.74	2.32
Net dividend	0.62	0.67	0.74

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	16.8	15.6	14.1
EV/EBITDA (x)	8.8	7.8	7.1
EV/EBIT (x)	14.4	12.5	11.1
FCF yield	3.2%	3.9%	5.0%
Dividend yield	2.2%	2.4%	2.7%
Net debt/EBITDA (x)	1.3	1.1	0.8
Gearing	58.1%	45.0%	31.9%
ROIC	14.6%	15.6%	16.2%
EV/IC (x)	2.7	2.5	2.3

15 May 2014
Company update

Cairo Communication

Italy | Media

Buy (Buy)

Target price
EUR 7.80

Current price
EUR 5.83

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Front page

Q1 results in line. Focus on efficiencies

- **Q1 results in line. TV advertising up 5%+ YOY**
- **... NFP at almost EUR180m (40% of current mkt cap)**
- **Focus on efficiencies**
- **Buy confirmed**

Q1 results in line. TV advertising up 5%+ YOY

Q1-14 results were broadly in line with our expectations at revenues, EBITDA, EBIT and net profit level. Revenues increased to EUR68.5m (+2% YOY) with advertising on LA7 and La7d up 5%+ YOY, offset by the negative trend of advertising on Magazines (-20% YOY). EBITDA fell to EUR5m (-24% YOY), including a EUR0.2m positive contribution from LA7, while the EBITDA of the publishing and concessionary division declined by around 26% YOY.

... NFP at almost EUR180m (40% of current mkt cap)

Net cash increased to EUR176m (+2% QOQ and +156% YOY) thanks to a positive contribution from operations.

Focus on efficiencies

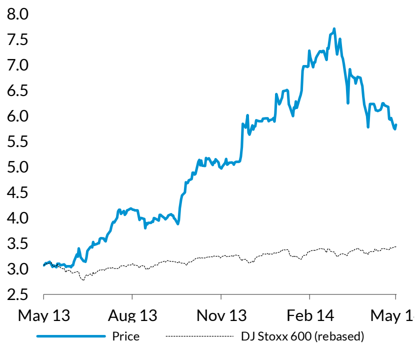
Efficiencies will be the main 2014 targets for traditional business and TV, in particular: 1) LA7 (40% contribution to 2013 sales) should maintain the current editorial line, curbing costs up to 10% of the cost base (after EUR100m savings achieved in 2013) but preserving the audience share (3.6% on average day and 4.2% on prime time); 2) publishing and concessionary division (60% contribution to 2013 sales) should maintain the current level of circulation, curbing production, publishing and distribution costs (EUR2.5/3m savings expected not considering 2013 launch costs). TV advertising should record a stable trend in April (due to bank holidays) and a positive one in May.

Buy confirmed

We confirm our estimates, which point to a FY 2014 EBITDA of EUR39m (+46% YOY), driven by cost cutting at Publishing (EUR2.5/3m) and by the higher EBITDA contribution of LA7 (EUR12m from EUR3.6m in 2013) achievable through: 1) revenue growth (we expect +7% YOY), driven by the increase of the power ratio (now at 110%); 2) cost cutting without affecting the quality of the programs and the audience share. We confirm our Buy rating, as the stock still trades at low multiples (14.5x P/E 2015E vs. 16.5x of peers), with an attractive and sustainable dividend yield (4%) and a soundly positive NFP (EUR176m at end-March).

Reuters CAI.MI
Bloomberg CAI IM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	457
Free float	27%
No. of shares outstanding (m)	78
Avg. daily trading volume('000)	208
YTD abs performance	-2.1%
52-week high (EUR)	7.72
52-week low (EUR)	3.03



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	302.0	321.7	333.0
EBITDA adj (m)	39.0	57.1	58.8
EBIT adj (m)	28.2	46.4	47.8
Net profit adj (m)	19.3	32.9	34.1
Net fin. debt (m)	-170.9	-179.5	-187.9
FCF (m)	19.7	29.7	35.8
EPS adj. and fully dil.	0.29	0.49	0.51
Consensus EPS	0.26	0.41	0.41
Net dividend	0.27	0.35	0.35

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	20.1	11.8	11.4
EV/EBITDA (x)	7.4	4.9	4.6
EV/EBIT (x)	10.3	6.1	5.7
FCF yield	4.3%	6.5%	7.8%
Dividend yield	4.6%	6.0%	6.0%
Net debt/EBITDA (x)	-4.3	-3.1	-3.1
Gearing	-154.0%	-146.3%	-145.3%
ROIC	70.5%	107.9%	106.0%
EV/IC (x)	11.1	9.4	9.5

15 May 2014
Company update

Cattolica

Italy | Insurance

Reduce (Reduce)

Target price
EUR 17.0

Current price
EUR 17.6

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Better Q1 results

- **Non-life premiums in line (flat), but higher life ones (+51%)**
- **Better combined ratio, but pressure on motor tariffs**
- **Net profit slightly better despite higher tax rate**
- **Estimates and rating confirmed, still a bit expensive**

Cattolica: Q1 results

(EURm)	Q1-14	Q1-14E	Q1-13	YOY	FY-14E	FY-13A	YOY
Non-life premiums	404	406	406	0%	1,964	1,715	14%
Life premiums	987	785	654	51%	2,674	2,477	8%
Total premiums	1,391	1,191	1,060	31%	4,637	4,193	11%
Net profit before minorities	25	22	24	4%	106	64	64%
Net profit	23	19	21	10%	83	44	88%
Combined ratio	92.5%	95.0%	94.5%	-2.1%	95.0%	93.5%	1.6%

Source: Kepler Cheuvreux

Non-life premiums in line

The non-life premiums edged down in Q1, -0.6% YOY to EUR404m, in line with our expectations. Life premiums came in at EUR987m, up 31% YOY, driven by all channels, stronger than expected.

Combined ratio still good

Despite the pressure on motor tariffs (average premium -2.5% YOY), Cattolica still showed an improvement in the combined ratio, down 2.0% YOY, better than expected, thanks to a decline in motor claim frequency. However, the company said it expects the downward trend in motor tariffs to accelerate in H2.

Slightly better net profit

Despite the better combined ratio, net profit was marginally better, at EUR23m, +10% YOY, versus our EUR19m forecast, due to lower investment income and higher tax rate (48%).

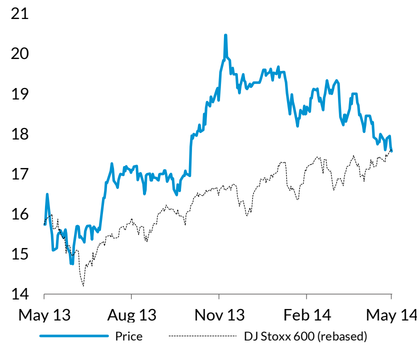
No change in our estimates, cautious stance

Given the expected deterioration in motor, we maintain our forecasts. Given still a slight premium compared to the insurance sector on 2014E P/E (12x vs. 11x on average), we see still some downside risk.

Front page

Reuters CASS.MI
Bloomberg CASS IM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	998
Free float	74%
No. of shares outstanding (m)	57
Avg. daily trading volume('000)	41
YTD abs performance	-10.4%
52-week high (EUR)	20.47
52-week low (EUR)	14.75



FY to 31/12 (EUR)	2014 E	2015 E	2016 E
Total premium (m)	4,458	4,640	4,756
Op. Profit (m)	204	185	188
Net profit adj. (m)	83	77	80
EPS adj.	1.5	1.4	1.4
EPS reported	1.5	1.4	1.4
Consensus EPS	1.5	1.7	2.0
Life NBV	3	3	3
Life APE growth	na	4.0%	4.0%
CoR insurance (%)	95.0%	95.9%	95.7%
CoR reinsurance (%)	na	na	na
ROE after tax (%)	6.0%	5.2%	5.3%
SH's equity	1,457	1,483	1,516

FY to 31/12 (EUR)	2014 E	2015 E	2016 E
P/E (x)	12.0	12.9	12.5
P/Emb. value	0.7	0.7	0.7
P/BV	0.7	0.7	0.7
P/NAV	0.9	0.9	0.8
DPS	0.9	0.9	0.9

14 May 2014
Earnings review

Compass

United Kingdom | Support services

Hold (Hold)

Target price 930p

Current price 981p

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H1 slightly weaker, special dividend benefit

- **H1 results slightly below expectations, good quality**
- **Special dividend of GBP1bn (6% yield) to raise leverage**
- **Outlook unchanged, we confirm our forecasts**
- **Upside of releverage already in the price, we stick to Hold**

H1 2014 results

(GPB m)	H1-12	H1-13	H1-14A	% change	H1-14E	Act/Exp
Sales	8,430	8,804	8,659	-1.6%	8,804	-1.6%
Adjusted EBIT	617	650	647	-0.5%	660	-1.9%
Net profit	424	450	454	0.9%	469	-3.2%

Source: Kepler Cheuvreux

H1 results slightly below expectations, good quality

H1 figures were marginally below our forecast, but this was due to a lower-than-expected M&A contribution as organic growth of 4.2% was bang in line (3.8% stripping out the benefit of Easter). Currencies had a 5.8% negative impact on the top line and 6.5% on EBIT. All in all, figures came in 2-3% short of our expectations at the EBIT and net profit levels. EBIT in North America (+3.5%) and Europe (flat) were bang in line, while the FG&E division was down 13%, falling short of our forecasts, accounting for the entire gap versus our forecasts. At end-March, net debt of GBP1.4bn factored in nearly GBP0.5bn of cash returned to shareholders.

Special dividend of GBP1bn (6% yield) to raise leverage

The low cost of marginal debt (4% fixed rate long term, with a 25% tax shield) and the lack of convincing M&A targets led Compass to announce a "re-set" of its target leverage from 1x to 1.5x debt/EBITDA, which led to the announcement of a GBP1bn special dividend (payment on 29 July).

Outlook unchanged, we confirm our forecasts

Given the positive outlook statement on the H2 performance (recovery of margins in the FG&E division, continuation of positive trends in North America), while H1 was a touch lower, we leave our estimates broadly unchanged. We factor in the GBP1bn extra dividend, which should lead to GBP2.4bn net debt (1.5x over EBITDA).

Upside of releverage already in the price, we stick to Hold

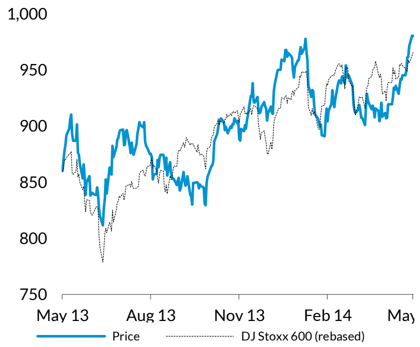
After the recent rerating, the stock trades at the peak historical valuation (11.5-12x EV/EBITDA and 20x P/E), with underlying operating growth of around 4% and EPS growth of 10%, helped by the friendly policy. While upside from strong execution in the medium term is warranted, we see the stock as fully valued in the short term.

Front page

Reuters CPG.L
Bloomberg CPG LN
Index DJ Stoxx 600

Market data

Market cap	17.3bnGBP
Free float	100%
No. of shares outstanding (m)	1,760
Avg. daily trading volume('000)	2,870
YTD abs performance	1.3%
52-week high (GBP)	981.00
52-week low (GBP)	811.50



FY to 30/09 (GBP)	2014E	2015E	2016E
Sales (m)	17,333	17,959	18,798
EBITDA adj (m)	1,582	1,679	1,796
EBIT adj (m)	1,263	1,330	1,417
Net profit adj (m)	862	911	974
Net fin. debt (m)	1,383	1,492	1,593
FCF (m)	773	836	909
EPS adj. and fully dil.	47.91	51.65	56.42
Consensus EPS	48.2	52.5	57.2
Net dividend	21.87	23.10	24.72

FY to 30/09 (GBP)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	20.5	19.0	17.4
EV/EBITDA (x)	11.9	11.0	10.2
EV/EBIT (x)	14.8	13.9	12.9
FCF yield	4.4%	4.9%	5.4%
Dividend yield	2.2%	2.4%	2.5%
Net debt/EBITDA (x)	1.0	1.0	1.0
Gearing	50.3%	55.1%	59.9%
ROIC	22.0%	22.6%	23.5%
EV/IC (x)	4.4	4.2	4.1

15 May 2014
Earnings review

Conwert

Austria | Property

Hold (Hold)

Target price
EUR 10.50

Current price
EUR 9.67

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Weakish Q1 figures pre-announced

- **FFO I down 7% to EUR8.4m on higher maintenance costs**
- **Non-cash losses on interest swaps of EUR18m in Q1**
- **Cost-cutting measures progressed well**
- **Final Q1 report out on 28 May**

Pre-announcing Q1 figures due to losses on swaps

Due to falling interest rates in Q1, Conwert incurred hefty non-cash losses of EUR18m on its interest rate swaps, which pushed the seasonally weaker Q1 into negative territory (preliminary loss of EUR5.9m). Also the FFO I came in below estimates (-7% to EUR8.4m), due to higher maintenance costs for the recently acquired portfolios in Germany. On the positive side, Conwert made good progress on the planned cost-cutting measures, with personnel and other operating expenses down 20% YOY.

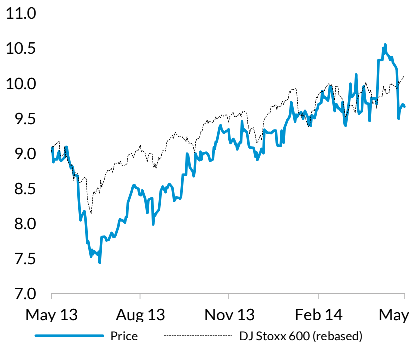
Details to follow on 28 May 2014

While the pre-announced figures look slightly weakish, we believe the key drivers for the stock remain: 1) the company's progress in disposing of its non-core assets; 2) the development of vacancy rates in core markets and 3) further efficiency gains in order to bring its profitability levels more in line with peers. Hold rating maintained.

Front page

Reuters CONW.VI
Bloomberg CWI AV
Index DJ Stoxx 600

Market data	
Market cap (EURm)	801
Free float	73%
No. of shares outstanding (m)	83
Avg. daily trading volume('000)	177
YTD abs performance	3.7%
52-week high (EUR)	10.56
52-week low (EUR)	7.44



FY to 31/12 (EUR)	2013	2014E	2015E
Net rent	141.4	147.5	155.4
EBITDA	116.8	115.6	122.2
DPS	0.10	0.25	0.35
FFO (recurring)	24.4	33.5	40.0
FFO (incl. trading)	40.3	51.1	57.9
Net profit	7.6	40.1	45.5
FFOps (recurring)	0.29	0.40	0.48
FFOps (incl. trading)	0.49	0.62	0.70
NAVps	14.98	15.21	15.41
NNNAVps	14.78	14.17	14.37

FY to 31/12 (EUR)	2013	2014E	2015E
P/FFO	30.0	23.9	20.0
P/FFO (incl. trading)	18.2	15.7	13.8
P/NAV -1	-40.9%	-36.4%	-37.3%
P/NNNAV -1	-40.1%	-31.7%	-32.7%
Dividend yield	1.1%	2.6%	3.6%
LTV	55.7%	57.1%	57.1%
Interest coverage	-1.5	-1.4	-1.5
FFO/NNAV	2.0%	2.9%	3.4%
EBITDA/Asset	3.8%	3.7%	3.9%

15 May 2014
Earnings review

Danieli

Italy | Capital goods

Buy (Buy)

Target price
EUR 30.50

Current price
EUR 23.90

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Solid Q3 2013/14 results – Guidance confirmed

- **Good Q3: EBITDA/net profit 16/6% above our ests. on easy comp.**
- **Acceleration in Plant making (easy comp.)**
- **Sound recovery continues in Steel making**
- **Resilient backlog – Guidance/ests. confirmed – Buy, TP EUR30.5**

DANIELI – Q3 2013/14 results review

	Q3 13/14A	Q3 13/14E	Q3 12/13A	A vs E	YOY	9M 13/14A	9M 13/14E	9M 12/13A	YOY
Revenues	761	640	607	19%	25%	2111	1989	1903	11%
- Plant making	550	421	426	31%	29%	1546	1417	1445	7%
- Steel making	211	218	182	-3%	16%	565	572	458	23%
EBITDA	69	59	36	16%	91%	216	207	187	15%
margin	9.0%	9.3%	5.9%			10.2%	10.4%	9.8%	
- Plant making	45	36	18	25%	145%	153	144	149	3%
margin	8.1%	8.5%	4.3%			9.9%	10.2%	10.3%	
- Steel making	24	24	18	2%	34%	63	62	39	63%
margin	11.4%	10.8%	9.9%			11.2%	10.9%	8.4%	
EBIT	45	36	14	23%	226%	146	138	123	19%
Net profit	31	29	28	6%	10%	94	92	106	-11%
Net cash	875	860	865	2%	1%				
Backlog	3145	3070	3144	2%	0%				

Source: Danieli, Kepler Cheuvreux

Good Q3: EBITDA/ net profit 16%/6% above ests. on easy comp.

Q3 2013/14 results were good and above expectations. In particular, revenues were 19% above (acceleration in Plant making), with EBITDA and net profit 16%/6% above. At EUR875m, net cash was a touch above our estimate. We flag that Plant making was very weak in Q3 2013 (easy comp.).

Acceleration in Plant making

Plant making revenues were up by 31% in Q3 and 7% in 9M. At 9.9%, the EBITDA margin remained at a good level in 9M in challenging reference market conditions (capex cut by clients, price pressure), thanks to the strength of Danieli's positioning (technology, execution) in this segment.

Sound recovery in steel making is continuing

In special Steel making (exposed to the European economic cycle), the recovery continues: revenues were up by 16% in Q3 and 23% in 9M, with EBITDA up 34% and 63% respectively.

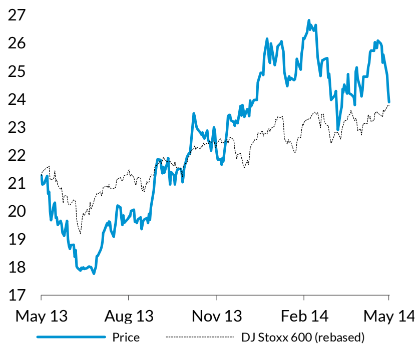
Resilient backlog – Guidance/ests. confirmed – Buy, TP EUR30.5

At EUR3.14bn (2% above ests.), the backlog remained at a good level. The EUR270/290m EBITDA guidance was confirmed: we believe the high end of this range is feasible. At 12/11x P/E14/15, <6x EV/EBITDA, we remain positive. Quality and delivery are not priced in. Buy, TP EUR30.5.

Front page

Reuters DANI.MI
Bloomberg DAN IM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	1,632
Free float	28%
No. of shares outstanding (m)	81
Avg. daily trading volume('000)	151
YTD abs performance	-4.2%
52-week high (EUR)	26.83
52-week low (EUR)	17.76



FY to 01/07 (EUR)	**2014E**	**2015E**	**2016E**
Sales (m)	2,961.7	3,151.7	3,318.3
EBITDA adj (m)	297.8	324.6	342.7
EBIT adj (m)	192.8	215.6	228.7
Net profit adj (m)	159.5	177.2	188.4
Net fin. debt (m)	-1,048.6	-1,165.0	-1,311.1
FCF (m)	185.3	152.7	186.4
EPS adj. and fully dil.	1.96	2.18	2.32
Consensus EPS	2.04	2.34	2.47
Net dividend	0.34	0.39	0.42

FY to 01/07 (EUR)	**2014E**	**2015E**	**2016E**
P/E (x) adj and ful. dil.	12.2	11.0	10.3
EV/EBITDA (x)	5.5	5.0	4.8
EV/EBIT (x)	8.5	7.6	7.1
FCF yield	11.2%	9.3%	11.3%
Dividend yield	1.4%	1.6%	1.7%
Net debt/EBITDA (x)	-3.4	-3.5	-3.7
Gearing	-62.8%	-64.3%	-66.8%
ROIC	15.8%	17.4%	17.9%
EV/IC (x)	1.9	1.8	1.8

15 May 2014
Earnings review

Deutsche Post

Germany | Transport

Hold (Hold)

Target price
EUR 25.00

Current price
EUR 27.65

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Q1 results slightly disappointing on EBIT, FCF

- **Sales in line, EBIT slightly below expectations**
- **Mixed divisional picture with Forwarding EBIT nearly halved**
- **Worse performance on OCF, FCF**
- **Consensus estimates likely to be lowered somewhat**

Sales in line, EBIT slightly below expectations
Q1 sales were in line at EUR13,569m versus our EUR13,534m and consensus of EUR13,725m. EBIT was a touch below expectations: EUR726m versus our EUR735m and consensus at EUR748m.

Mixed divisional picture with Forwarding EBIT nearly halved
Looking at the divisions, both Mail and Express turned in somewhat better results, but Supply chain and especially Forwarding disappointed. Mail produced EUR398m, better than we expected (EUR380m), but in line with consensus of EUR400m. At EUR275m, Express was a touch more than our and consensus expectations of EUR265m. Supply chain recorded EUR84m, 12% below our and consensus EUR95m. Slow growth in Europe and implementation costs for new contracts had an impact. Forwarding missed estimates by a wide margin. Management attributed this to a planned increase in costs for new infrastructure and a lower gross profit margin. EBIT recovered towards the end of the quarter. With EUR48m, EBIT only amounted to about half of both our and the consensus forecast of EUR90m.

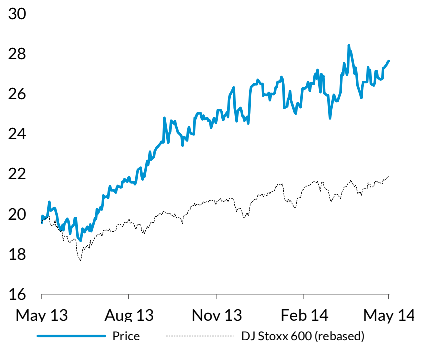
Worse performance on OCF, FCF
Operating cash flow amounted to a meagre EUR83m, below the EUR121m of last year. Free cash flow was a negative EUR349m, worse than the minus EUR136m of Q1, mainly due to increasing working capital.

Consensus estimates likely to be lowered somewhat
Results were a touch below expectations, which is not something that investors and analysts are used to seeing, with setbacks in Supply chain and especially in Forwarding. Second, the operating/free cash flow performance was also disappointing, although management maintained its FY expectation that FCF would cover the 2013 dividend. It had already flagged not much growth due to investment phasing, but a negative development was not on the cards. So, this is a slightly disappointing report we would argue. Consensus estimates are likely to be lowered somewhat. The unchanged guidance calls for EBIT of EUR2.9-3.1bn (vs. consensus/KECH at EUR3.1bn).

Front page

Reuters DPWGn.DE
Bloomberg DPW GY
Index DJ Stoxx 600

Market data	
Market cap (EURm)	33,422
Free float	74%
No. of shares outstanding (m)	1,209
Avg. daily trading volume('000)	4,134
YTD abs performance	4.3%
52-week high (EUR)	28.43
52-week low (EUR)	18.67



FY to 31/12 (EUR)	2013E	2014E	2015E
Sales (m)	54,947	56,874	60,765
EBITDA adj (m)	4,213	4,496	4,897
EBIT adj (m)	2,863	3,096	3,447
Net profit adj (m)	1,850	2,068	2,381
Net fin. debt (m)	2,086	1,246	126
FCF (m)	1,652	2,217	2,618
EPS adj. and fully dil.	1.53	1.71	1.97
Consensus EPS	1.7	1.7	1.9
Net dividend	0.75	0.80	0.90

FY to 31/12 (EUR)	2013E	2014E	2015E
P/E (x) adj and ful. dil.	18.1	16.2	14.0
EV/EBITDA (x)	9.7	9.0	8.1
EV/EBIT (x)	14.3	13.1	11.5
FCF yield	4.9%	6.6%	7.8%
Dividend yield	2.7%	2.9%	3.3%
Net debt/EBITDA (x)	1.8	1.6	1.3
Gearing	20.8%	11.2%	1.0%
ROIC	12.5%	13.2%	14.6%
EV/IC (x)	2.3	2.2	2.1

15 May 2014
Company update

Deutsche Wohnen

Germany | Property

Hold (Hold)

Target price
EUR 16.50

Current price
EUR 15.85

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Fine-tuning of estimates after conference call

- **Strong medium-term FFO growth prospects**
- **Key drivers: rental growth, synergies, lower interest expenses**
- **Increase in FFO I/share estimates of around 2%**
- **Hold rating and TP of EUR16.50 maintained**

Key Q1 and conference call highlights

Annual LFL rental growth amounted to 3.4%, reflecting the sound underlying development of the company's core markets, especially Greater Berlin. The positive market environment was also well reflected in the gross margin (49%) for the privatisation business. The integration of GSW is well on track with expected synergies of EUR15m in 2014. We believe an upgrade of the company's FFO guidance with Q2 results seems rather likely given the strong Q1 figures and positive market environment.

Strong FFO growth potential in the coming years

We see excellent FFO growth opportunities for Deutsche Wohnen in the coming years. The company features the highest positive rent reversion potential with new-letting rents currently 20-25% above in-place rents. In addition, it has around EUR1.5bn in debt with interest rates up to 200bps above current rates to refinance until 2017. This could lead to cash interest cost savings of EUR25m a year. Finally, it could realise synergies from the GSW merger of at least around EUR25m.

Fine-tuning of estimates

Following the better-than-expected Q1 figures we have slightly increased our FFO/share estimates by around 2% to EUR0.72 for 2014 and to EUR0.81 for 2015.

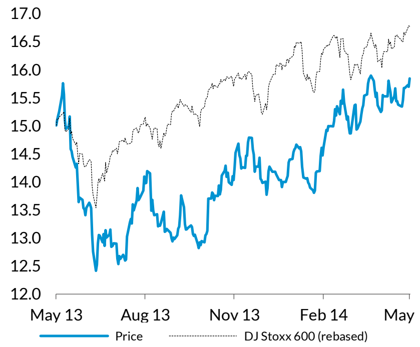
Hold rating maintained

Deutsche Wohnen exhibits many features which justify a valuation premium versus its peers. These include its strong exposure to the booming Berlin residential market, the biggest rents reversion potential in the sector, and by far, the highest free float market capitalisation in the sector. However, as the shares are currently trading close to our TP, we maintain our Hold rating.

Front page

Reuters DWNI.DE
Bloomberg DWNI GR
Index DJ Stoxx 600

Market data	
Market cap (EURm)	4,535
Free float	100%
No. of shares outstanding (m)	286
Avg. daily trading volume('000)	533
YTD abs performance	12.9%
52-week high (EUR)	15.90
52-week low (EUR)	12.42



FY to 31/12 (EUR)	2014E	2015E	2016E
Net rent	493.4	504.3	512.4
EBITDA	424.7	454.6	466.5
DPS	0.42	0.49	0.52
FFO (recurring)	207.1	232.4	247.5
FFO (incl. trading)	242.1	257.4	272.5
Net profit	294.1	324.2	345.4
FFOps (recurring)	0.72	0.81	0.86
FFOps (incl. trading)	0.85	0.90	0.95
NAVps	14.84	15.57	16.30
NNNAVps	14.03	14.74	15.45

FY to 31/12 (EUR)	2014E	2015E	2016E
P/FFO	21.9	19.5	18.3
P/FFO (incl. trading)	18.7	17.6	16.6
P/NAV -1	6.8%	1.7%	-2.8%
P/NNNAV -1	13.0%	7.5%	2.6%
Dividend yield	2.7%	3.1%	3.3%
LTV	57.2%	55.1%	53.1%
Interest coverage	-2.2	-2.4	-2.6
FFO/NNAV	5.0%	5.3%	5.4%
EBITDA/Asset value	4.3%	4.5%	4.6%

14 May 2014
Company update

EDP

Portugal | Utilities

Hold (Hold)

Target price **EUR 3.00**

Current price EUR 3.49

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Comments on investor day

- **EDP guides for 5% earnings growth to 2017E…**
- **…is confident on regulation and Tariff Deficit control…**
- **…and reiterates its 2014E guidance (EBITDA EUR3.5bn)**
- **We maintain our Hold recommendation**

Confident on the regulatory front: last deficit "flow" in 2015E

EDP estimates a zero tariff deficit (TD) "flow" in Spain in 2014-15E and a EUR500m TD "flow" in Portugal in 2014E, then zero in 2015E. The TD "stock" in Portugal is expected to move from EUR4.8bn in 2013 to EUR5.3bn in 2014-15E, then to drop to EUR500m in 2020E (on a CAGR of 1.5%-2% in real tariffs and of 0.9% in demand over 2013-17E). The company sees regulatory stability in Portugal and Spain.

Deleveraging path on course but debt/EBITDA target upped

EDP has increased its debt/EBITDA target for 2015E from 3x to 3.6x (ex-tariff deficit) on: 1) the adverse impact from regulatory changes in Iberia (c. EUR300m per year); 2) weaker-than-expected volumes; and 3) weaker-than-expected FX (2011-13 real depreciation of 26% and USD depreciation of 6%). Target leverage for 2017E is set at a debt/EBITDA of 3x. EDP expects average capex to decline from EUR1.6bn in 2014-15E to EUR1.2bn in 2016-17E, as pending CTG-related disposals amount to EUR0.6bn. FCF is expected to positive in 2015-17E.

Looking forward: 2014-17E guidance, 5% earnings CAGR

EDP is into "focused growth" via: 1) 2.5GW of new hydro capacity in Portugal (77% completed) to be commissioned between late 2014 and mid-2016 (FY EBITDA contribution of EUR125m); 2) three hydro projects in Brazil (2.7GW 2015-18); and 3) wind capacity additions (500MW/yr) driven by US adds (some 1100MWs with project IRRs above 10%), Brazil (236MW), and Mexico (180Mw). EDP estimates an EBITDA CAGR for 2014-17E of c. 5% (of which Iberia 1%, EDPR 9%, Brazil 5-8%). The average cost of debt is estimated at 4.7% in 2014E, and 4.4% in 2016-17E. Net profit CAGR 2014-17E is also estimated at c. 5%. For 2014, EDP guides for an EBITDA of EUR3.5bn and a net profit of EUR0.9bn (no change compared to previous guidance and in line with our estimates).

Floor dividend per share reiterated

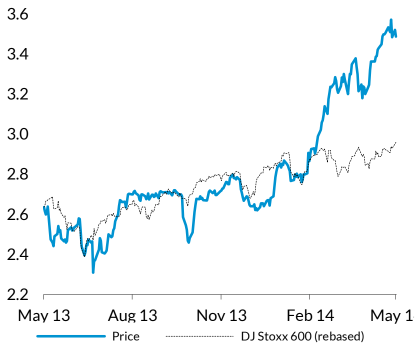
EDP reiterated its pledge to a EUR0.185 DPS floor policy (payout of 55-65%). Basically, EDP portrays itself as a company with a resilient business model (regulated EBITDA 73% of the total in 2017E vs. 85% currently), able to grow at by mid-single digits and to deliver a secure dividend.

Front page

Reuters EDP.LS
Bloomberg EDP PL
Index DJ Stoxx 600

Market data

Market cap (EURm)	12,754
Free float	54%
No. of shares outstanding (m)	3,657
Avg. daily trading volume('000)	6,320
YTD abs performance	30.6%
52-week high (EUR)	3.57
52-week low (EUR)	2.31



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	16,270	16,784	na
EBITDA adj (m)	3,540	3,823	na
EBIT adj (m)	1,986	2,219	na
Net profit adj (m)	885	1,005	na
Net fin. debt (m)	17,378	17,278	na
FCF (m)	1,009	1,273	na
EPS adj. and fully dil.	0.24	0.27	na
Consensus EPS	0.3	0.3	0.3
Net dividend	0.19	0.19	na

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	14.4	12.7	na
EV/EBITDA (x)	10.2	9.6	na
EV/EBIT (x)	18.3	16.5	na
FCF yield	7.1%	9.2%	na
Dividend yield	5.3%	5.3%	na
Net debt/EBITDA (x)	5.5	5.0	na
Gearing	145.3%	136.5%	na
ROIC	4.4%	4.8%	na
EV/IC (x)	1.1	1.1	na

15 May 2014
Initiation of coverage

Ekinops

France | IT hardware & telco eqpmt

Hold (None)

Target price
EUR 9.00

Current price
EUR 8.92

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Initiating coverage: Smart positioning but risky play

- **Very promising 100G network equipment market**
- **Smart but risky market positioning**
- **Larger clients to boost 100G sales**
- **Risky play: initiating with a Hold rating and a EUR9 TP**

Kepler Cheuvreux and the issuer have agreed that Kepler Cheuvreux will produce and disseminate investment research on the said issuer as a service to the issuer

Huge growth potential in 100G equipment

Current booming demand in data, driven by several factors (mobility, cloud and video data), will require telecom operators to upgrade their networks to 100G. The 100G equipment market is therefore expected to boom (2018E: 7x bigger than in 2012) and become the new market standard for many years.

Smart but risky market positioning

As an emerging player, Ekinops faces much larger rivals with stronger resources (R&D and Sales). Without patent protection, we think there is a risk to sales, even if the company's market positioning is smart (innovative products through embedded software technology) and provides key competitive assets: performance & flexibility at lower cost. Its customers are Tier 2&3 telecom operators, which are easier to target than Tier 1.

Tier 1 players to boost 100G sales

With 100G expected to see spectacular growth (mainly from 2015), Ekinops's market timing is good. Through its innovative 100G Backbone solution, it is confident it can generate strong 100G Metro product sales from both Tier 2&3 and subsequently Tier 1. These potential customers could help the company to: 1) boost 100G sales; and 2) reach a critical size of EUR50m of sales and positive profitability (both expected in 2016).

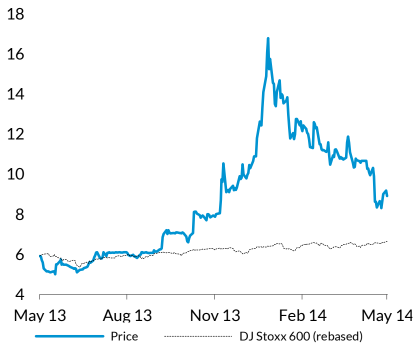
Initiating with a Hold rating and a EUR9 TP

Despite Ekinops's smart market positioning, its profile strikes us as too risky for the time being, given: 1) it is currently much smaller than its major competitors; 2) its profitability is negative (until 2016E in our forecasts); and 3) visibility on sales is low (compounded by client risk: 44% of 2013 sales were to one client). We therefore prefer to be cautious and initiate coverage with a Hold rating and a EUR9 TP. Our DCF forecasts are in line with market trends (high growth with conservative market share) but more cautious than management's long-term targets (gradual recovery to a 12% long-term EBIT margin vs. 15% guidance).

Front page

Reuters EKI.PA
Bloomberg EKI FP
Index DJ Stoxx 600

Market data	
Market cap (EURm)	46
Free float	29%
No. of shares outstanding (m)	5
Avg. daily trading volume('000)	19
YTD abs performance	-28.4%
52-week high (EUR)	16.80
52-week low (EUR)	5.00



FY to 31/12 (EUR)	2013	2014E	2015E
Sales (m)	18.3	20.0	32.6
EBITDA adj (m)	-0.3	-1.7	-0.7
EBIT adj (m)	-1.3	-3.0	-2.0
Net profit adj (m)	-1.3	-3.0	-2.0
Net fin. debt (m)	-6.4	-0.5	5.8
FCF (m)	-0.1	-5.9	-6.4
EPS adj. and fully dil.	-0.28	-0.58	-0.38
Consensus EPS	-0.25	-0.44	0.19
Net dividend	0.00	0.00	0.00

FY to 31/12 (EUR)	2013	2014E	2015E
P/E (x) adj and ful. dil.	na	na	na
EV/EBITDA (x)	na	na	na
EV/EBIT (x)	na	na	na
FCF yield	-0.3%	-12.7%	-13.8%
Dividend yield	0.0%	0.0%	0.0%
Net debt/EBITDA (x)	20.7	0.2	-9.2
Gearing	-58.2%	-6.8%	96.2%
ROIC	-26.0%	-48.3%	-20.0%
EV/IC (x)	6.2	6.1	4.4

15 May 2014
Earnings review

ERG

Italy | Utilities

Buy (Buy)

Target price EUR 13.00 | Current price EUR 12.36

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Q1 results as expected, guidance confirmed

- **Operating results affected by weak wind, as expected**
- **Net profit benefited from lower debt**
- **Guidance confirmed**
- **Conference call today at 4.30pm CET**

Quarterly results (EURm)

	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	YOY	QOQ	Q1 14E	Act/Est
Revenues adj	2,294	1,686	1,864	5,283	1,037	-54.8%	-80.4%	1,630	-36.4%
EBITDA adj	173	120	144	132	168	-2.9%	27.3%	168	0.0%
Margin	7.5%	7.1%	7.7%	2.5%	16.2%			10.3%	
EBIT adj	103	47	71	57	104	1.0%	82.5%	101	3.0%
Margin	4.5%	2.8%	3.8%	1.1%	10.0%			6.2%	
Net profit adj	25	-2	11	3	44	76.0%	nm	33	nm
Net Debt adj	1,799	1,462	1,565	1,015	1,048	-41.7%	3.3%	1,020	2.7%

Source: Kepler Cheuvreux

Operating results affected by weak wind, as expected

In Italy, Q1 wind production was down 8% YOY (we also highlight that Q1 2013 was an exceptionally positive quarter in terms of wind), and this is the main negative driver of ERG's Q1 2014 results. ERG Q1 EBITDA came out at EUR168m, down 2.9% YOY (in line with our estimate), split into: 1) power & gas: EUR84m (vs. our EUR85m), -7% YOY, due to lower electricity prices; 2) renewables: EUR86m (vs. our EUR83m), -6% YOY, due to lower wind; 3) oil downstream: EUR5m (vs. our EUR9m) vs. EUR2m in Q1 13; and 4) corporate costs: EUR7m (vs. our EUR9m).

Net profit benefited from lower debt

The net debt at end-March was stable QOQ at EUR1m (in line), down 41.7% YOY thanks to the exit from the oil upstream business. As a result, Q1 net profit came in at EUR44m, up 76% YOY, while we expected EUR33m.

Guidance confirmed

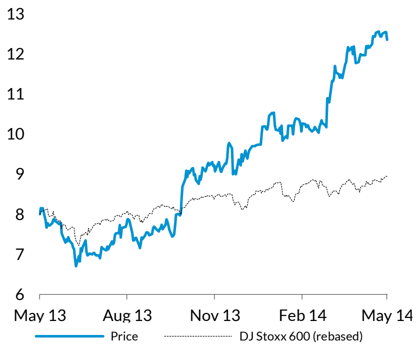
After the sale of the power plant in Sicily (Isab Energy) in 2014, EBITDA guidance stands at EUR470m, up 7.5% YOY LFL (our estimates are for EUR490m, and we have also deconsolidated Isab Energy in our numbers), and the net debt guidance is EUR800m (we estimate EUR805m). The next catalyst will be the business plan presentation in the late fall.

Front page

Reuters ERG.MI
Bloomberg ERG IM
Index DJ Stoxx 600

Market data

Market cap (EURm)	1,858
Free float	32%
No. of shares outstanding (m)	150
Avg. daily trading volume('000)	291
YTD abs performance	26.8%
52-week high (EUR)	12.57
52-week low (EUR)	6.71



FY to 31/12 (EUR)	2013	2014E	2015E
Sales (m)	7,051.0	1,850.9	1,618.3
EBITDA adj (m)	567.7	489.9	416.4
EBIT adj (m)	277.6	250.2	199.7
Net profit adj (m)	38.0	86.5	99.8
Net fin. debt (m)	808.6	575.4	444.0
FCF (m)	-43.9	464.6	266.1
EPS adj. and fully dil.	0.25	0.58	0.66
Consensus EPS	0.25	0.50	0.47
Net dividend	1.00	0.50	0.50

FY to 31/12 (EUR)	2013	2014E	2015E
P/E (x) adj and ful. dil.	30.8	21.5	18.6
EV/EBITDA (x)	2.3	3.2	3.4
EV/EBIT (x)	4.7	6.3	7.1
FCF yield	-3.0%	20.0%	11.5%
Dividend yield	12.8%	4.0%	4.0%
Net debt/EBITDA (x)	1.4	1.2	1.1
Gearing	51.3%	42.6%	33.0%
ROIC	6.8%	7.5%	7.2%
EV/IC (x)	0.7	1.0	1.0

15 May 2014
Earnings review

Falck Renewables

Italy | Utilities

Buy (Buy)

Target price	Current price
EUR 1.80	EUR 1.30

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Front page

Q1 results: a good start to the year

- **Stable wind, lower incentives, but results ahead of estimates**
- **Lower net debt thanks to new partnership**
- **Guidance confirmed, even if it appears cautious**
- **Buy, TP EUR1.8**

Quarterly results (EUR m)

	Q1 13 restated	Q2 13	Q3 13	Q4 13	Q1 14	YOY	QOQ	Q1 14E	Act/Est
Revenues	76	71	49	73	76	0.5%	4.0%	76	0.1%
EBITDA	48	43	18	44	46	-2.9%	6.0%	45	2.4%
Margin	62.7%	60.9%	37.2%	59.4%	60.6%			59.2%	
EBIT	33	23	1	18	33	-2.3%	80.8%	30	8.5%
Margin	44.0%	32.9%	2.6%	24.6%	42.8%			39.5%	
Net debt	742	692	753	701	573	-22.8%	-18.3%	593	-3.4%

Source: Kepler Cheuvreux

Stable wind, lower incentives, but results ahead of estimates

In Q1, the results from the wind business increased slightly YOY (we expected them to be stable), while the lower CIP6 incentive on the Trezzo waste-to-energy, together with the impact of the IFRS11 (Bologna waste to energy and La Muela wind farm in Spain from proportional to equity consolidation), led to lower EBITDA YOY. Thus, EBITDA came in at EUR46m in Q1 (we expected EUR45m), which however represents 33% of our yearly estimate (already revised to include IFRS11).

Lower net debt thanks to new partnership

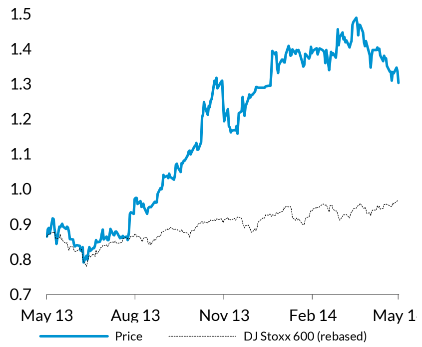
Thanks to the new partnership with CII (Pension Danmark), net debt improved by EUR136m (we included only EUR110m), while the IFRS11 had a further EUR30m positive impact. Net debt at end-March thus came in at EUR573m (better than our EUR593m estimate) of which EUR64.5m is from the derivatives' fair value. The guidance is for a net debt at end-2014 in line YOY, after increasing growth capex (new authorisations received), which we did not have included in our estimate.

Guidance confirmed, even if it appears cautious

The guidance of EUR130-135m in EBITDA was confirmed. Even if the results in Q1 were above the company's budget, we consider it cautious, and we confirm our EUR139m estimate. Management gave also us reassurance on a potential change in the Italian incentives: c. EUR1.6bn in incentives will be cut in order to decrease the electricity bill for SMEs by 10%, of which more than half could be taken from solar incentives.

Reuters AA4.MI
Bloomberg FKR IM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	380
Free float	37%
No. of shares outstanding (m)	291
Avg. daily trading volume('000)	1,015
YTD abs performance	0.6%
52-week high (EUR)	1.49
52-week low (EUR)	0.79



FY to 31/12 (EUR)	2013	2014E	2015E
Sales (m)	275.9	252.8	263.5
EBITDA adj (m)	157.0	137.8	150.1
EBIT adj (m)	79.3	74.4	86.6
Net profit adj (m)	15.0	14.2	20.7
Net fin. debt (m)	757.6	685.4	620.8
FCF (m)	72.4	-51.0	81.5
EPS adj. and fully dil.	0.05	0.05	0.07
Consensus EPS	0.05	0.04	0.07
Net dividend	0.03	0.03	0.03

FY to 31/12 (EUR)	2013	2014E	2015E
P/E (x) adj and ful. dil.	19.6	26.8	18.3
EV/EBITDA (x)	6.8	7.8	6.8
EV/EBIT (x)	13.4	14.5	11.7
FCF yield	21.0%	-11.4%	18.2%
Dividend yield	3.2%	2.5%	2.5%
Net debt/EBITDA (x)	4.9	5.0	4.2
Gearing	200.0%	174.5%	150.3%
ROIC	3.5%	3.8%	4.6%
EV/IC (x)	1.0	1.0	1.0

15 May 2014
Earnings review

FLSmidth

Denmark | Capital goods

Buy (Buy)

Target price
DKK 380.00

Current price
DKK 333.00

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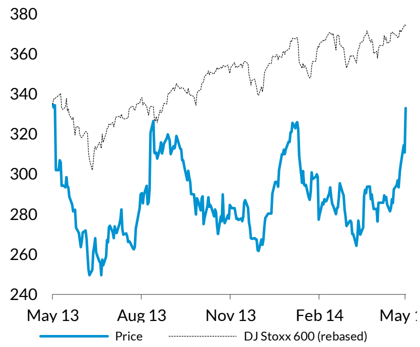
Front page

Is order improvement around the corner?

- **Good Q1 results**
- **Guidance reiterated but CEO sounds markedly more optimistic**
- **Only slight changes to our estimates**
- **Reiterate Buy with DKK380 TP**

Reuters FLS.CO
Bloomberg FLS DC
Index DJ Stoxx 600

Market data	
Market cap (DKKm)	16,471
Free float	100%
No. of shares outstanding (m)	49
Avg. daily trading volume('000)	334
YTD abs performance	12.5%
52-week high (DKK)	334.50
52-week low (DKK)	249.50



FY to 31/12 (DKK)	2013	2014E	2015E
Sales (m)	26,923.0	22,872.2	23,975.7
EBITDA adj (m)	2,550.0	2,243.7	2,716.8
EBIT adj (m)	2,124.0	1,850.7	2,313.8
Net profit adj (m)	-1,117.7	1,139.5	1,462.1
Net fin. debt (m)	4,479.0	3,404.3	1,034.4
FCF (m)	-854.0	1,173.7	2,815.1
EPS adj. and fully dil.	-21.37	22.20	28.54
Consensus EPS	-7.99	18.24	22.96
Net dividend	9.00	2.00	9.00

FY to 31/12 (DKK)	2013	2014E	2015E
P/E (x) adj and ful. dil.	na	15.0	11.7
EV/EBITDA (x)	7.8	8.9	6.5
EV/EBIT (x)	9.4	10.8	7.6
FCF yield	-5.6%	7.1%	17.1%
Dividend yield	2.9%	0.6%	2.7%
Net debt/EBITDA (x)	1.8	1.6	0.4
Gearing	64.7%	45.2%	12.5%
ROIC	10.8%	9.9%	13.7%
EV/IC (x)	1.5	1.6	1.6

Good Q1 results

FLS reported a good Q1 order intake, which was 15% ahead of our estimates, while revenues and EBITA margin were more in line with our expectations. Backlog was fell -22% YOY, but probably half of that was due to the accounting change for O&M orders. Divisionally it was good to note that the high margin CS was 6% ahead of our expectations on orders, slightly short on revenues but still 88bps ahead of KECH forecasts on margin. This is important, as CS represents 60% of earnings. During the call, the CEO highlighted that the huge Nigerian O&M order was contributing negatively during the earnings in the start-up phase, but that it will clearly shift over the coming 12 months, as they start to operate the cement lines. Cost cutting was a positive DKK100m in the quarter, and the company is on track to deliver DKK750m+ in improvements in 2015E.

Guidance reiterated but CEO sounds markedly more optimistic

FLS reiterates its full-year 2014 guidance of DKK21-24bn in revenues and margin of 7-9%, and we make no significant changes to our estimates currently, looking for DKK22.9bn in revenues and 7.5% reported EBITA margin, including DKK200m in exceptionals. However, during the call, the CEO indicated his local sales force after the Indian elections had significant hopes for a revival of the Indian cement equipment market, where FLS holds a very strong position seeing good chances of Indian cement orders already by H2 2014 turning into revenues by H2 2015E. Also in mining, his tone is becoming more positive, saying MP orders should stay flat YOY in 2014, despite being down 23% in Q1 indicating more large orders to come. When the new CEO came in a year ago, he clearly pushed down expectations for a demand recovery, and that was repeated when presenting the weak outlook for 2014 in conjunction with the Q4 2013 results, but now he seems to be clearly more positive, although the exact wording of the outlook remains the same.

Reiterate Buy with DKK380 TP

We make limited changes to our estimates and hence reiterate our DKK380 TP. If the CEO is right on order revival in H2 2014, there is significant upside to the share price, as FLS remains the cheapest stock in our Nordic capital goods universe at below 8x EBITA 2015E.

15 May 2014
Earnings review

Gategroup

Switzerland | Travel & leisure

Buy (Buy)

Target price **CHF 35.00**

Current price CHF 26.00

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Q1 results: first take

- **Sales up by 2.9% in local FX**
- **EBITDA margin remains broadly stable (excl. FX)**
- **Net profit down as expected due to non-cash items**
- **Outlook and target confirmed**

Q1 results review

	Q1 2013	Q1 2014E	Q1 2014
Sales	686	656	666.3
% change	4.5%	-4.4%	-2.9%
adj. EBITDA	21	16	18
Margin	3.1%	2.4%	2.7%
EBIT	3.1	-1.9	-0.4
Margin	0.50%	-0.3%	-0.1%
Net income	-5.0	-16.0	-16.7

Source: KECH

Sales and margins broadly in line with expectations

Sales and EBITDA came in broadly within expectations. Excluding FX, sales increased by 2.9% and the EBITDA margin remained broadly stable at 3% versus 3.1% in Q1 2013, despite the negative effects from severe weather conditions in the US in Q1 (highest number of flight cancellations in 25 years) and ongoing short-haul capacity management in Europe. Including FX effects, sales decreased by 2.9% to CHF666.3m (slightly better than our estimated CHF656m) and EBITDA reached CHF18m (vs. our estimate of CHF16m and consensus of CHF19.8m; remember that Q1 is generally the weakest for seasonal reasons). Mainly due to non-cash items, the group's net loss declined to -CHF16.7m (broadly in line with our expectations). Operating CF decreased from +1.1m in Q1 2013 to -CHF10.1m, due to lower EBITDA and higher NWC requirements.

Outlook and targets

The company reiterated its 2014 targets. i.e. a flat revenues development and an EBITDA margin of 5.6% to 6.2% (vs. our estimate of 6.1%).

We remain positive

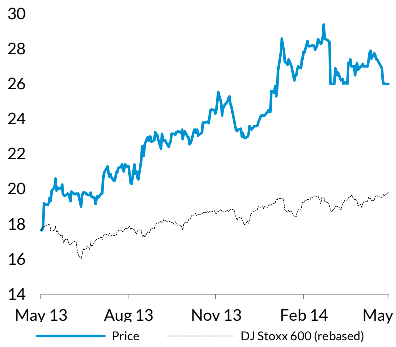
As outlined in our report *"A high flyer"* from 28 February, we see further upside potential for the shares, considering the improved outlook in the industry, positive effects from restructuring and valuation (EV/EBITDA 2015E of c. 4.9x). More to follow post the groups' conference call at 14:00 CET.

Front page

Reuters GATE.S
Bloomberg GATE SW
Index DJ Stoxx 600

Market data

Market cap (CHFm)	696
Free float	100%
No. of shares outstanding (m)	27
Avg. daily trading volume('000)	77
YTD abs performance	7.4%
52-week high (CHF)	29.40
52-week low (CHF)	17.65



FY to 31/12 (CHF)	2014E	2015E	2016E
Sales (m)	2,913.6	3,015.1	3,101.0
EBITDA adj (m)	178.2	201.4	224.4
EBIT adj (m)	139.3	162.2	179.4
Net profit adj (m)	44.3	72.2	93.1
Net fin. debt (m)	251.0	200.4	140.4
FCF (m)	15.7	61.9	82.2
EPS adj. and fully dil.	1.64	2.66	3.44
Consensus EPS	1.83	2.55	3.22
Net dividend	0.50	0.90	1.20

FY to 31/12 (CHF)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	15.9	9.8	7.6
EV/EBITDA (x)	5.9	4.9	4.1
EV/EBIT (x)	7.5	6.1	5.1
FCF yield	2.3%	8.9%	11.8%
Dividend yield	1.9%	3.5%	4.6%
Net debt/EBITDA (x)	2.0	1.5	1.0
Gearing	82.1%	56.3%	33.6%
ROIC	10.5%	12.2%	13.5%
EV/IC (x)	1.1	1.0	0.9

15 May 2014
Company update

Generali

Italy | Insurance

Hold (Hold)

Target price
EUR 15.7

Current price
EUR 16.5

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Lower premiums but higher net profit in Q1

- **Lower premiums, material decline in Italian and French PC**
- **Combined ratio still improving with resilient investment income**
- **Operating profit in line, higher net profit thanks to net gains**
- **S1 ratio marginally better, press reported close to selling BSI**

Generali: Q1 results

(EURm)	Q1-14	Q1-14E	Q1-13	YOY	FY-14E	FY-13A	YOY
- Life premiums	12,061	12,282	12,282	-2%	41,759	41,384	1%
- Non-life premiums	6,416	6,657	6,863	-7%	21,078	20,940	1%
Total premiums	18,477	18,939	19,145	-3%	62,837	62,324	1%
- Non-life op. profit	516	525	521	-1%	1,893	1,615	17%
- Life op. profit	779	765	797	-2%	2,832	2,646	7%
- Financial op. profit	144	115	119	21%	347	482	-28%
Operating profit	1,296	1,280	1,329	-2%	4,541	4,207	8%
Net profit	660	604	603	9%	1,591	1,916	-17%
Combined ratio	92.7%	93.3%	93.6%	-1%	94.3%	95.7%	-1%
Solvency 1	152%	150%	138%	10%	158%	141%	13%
Life APE	1,270	1,213	1,213	5%	4,534	4,470	1%

Source: Kepler Cheuvreux

Lower premiums, material decline in Italian and French PC

While life premiums are slightly lower, with a strong increase in Italy (+27%), the PC premiums were lower than expected with a material decline in Italy (-4%) and in France (-6%). Life net inflows remained solid, at +EUR2.9bn, flat YOY.

Slightly better combined ratio with resilient investment income

Combined ratio came in slightly better thanks to especially a still positive trend in Italy (-1.5% YOY to 90.6%). Thus, despite the lower premiums the PC op. profit was flat YOY (in line), thanks also to a resilient trend in the investment income. Also life result came in line with expectations.

Higher net profit boosted by larger net gains

A slightly better financial op. result drove the consolidated op. result to be just a touch better than our forecast. Larger than expected (non-operating) net gain boosted bottom line (EUR660m vs. our EUR604m exp.). Solvency ratio just marginal better (1.52x vs. our 1.50).

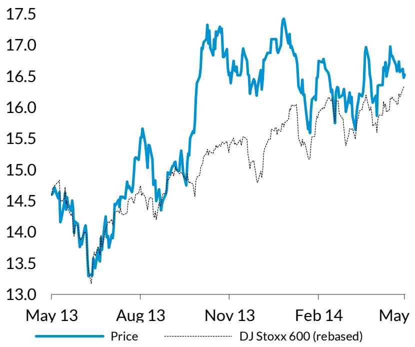
Overall Q1 quality in line, close to sellingBSI according to press

Overall better net profit but quality in line, given that lower volumes offset slightly better margin. Press reported Generali is an exclusive talks with BTG for BSI disposal; positive news, although press said that the price could be lower than our ~EUR1.4bn assumption.

Front page

Reuters GASI.MI
Bloomberg G IM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	25,735
Free float	80%
No. of shares outstanding (m)	1,557
Avg. daily trading volume('000)	7,801
YTD abs performance	-3.3%
52-week high (EUR)	17.43
52-week low (EUR)	13.29



FY to 31/12 (EUR)	2014E	2015E	2016E
Total premium (m)	62,800	63,634	64,896
Op. Profit (m)	4,587	4,964	5,049
Net profit adj. (m)	2,119	2,404	2,459
EPS adj.	1.4	1.5	1.6
EPS reported	1.0	1.5	1.6
Consensus EPS	1.4	1.6	1.7
Life NBV	1,020	1,063	1,116
Life APE growth	1.4%	2.3%	3.2%
CoR insurance (%)	94.3%	94.1%	94.3%
CoR reinsurance (%)	na	na	na
ROE after tax (%)	10.3%	10.8%	10.3%
SH's equity	21,523	23,086	24,596

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x)	16.1	10.7	10.5
P/Emb. value	0.8	0.8	0.7
P/BV	1.2	1.1	1.0
P/NAV	1.7	1.5	1.4
DPS	0.5	0.6	0.6
Dividend yld (%)	3.3%	3.7%	3.8%
P/NEP	42.5%	42.0%	41.2%
PH adj. lvg	na	na	na
G'will/Equity (%)	29.4%	27.6%	25.9%

15 May 2014
Company update

GfK

Germany | Media

Buy (Buy)

Target price
EUR 46.00

Current price
EUR 38.49

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Front page

Q1 first take: earnings in line, CC on track

- **Organic sales -0.7% but Consumer Choices +4.2%**
- **AOI in line, EPS higher, strong Op Cash Flow**
- **Guidance confirmed**
- **Transformation gradually progressing**

GfK Q1 headline results

EUR (m)	Q1-14R	Q1-13R	% YoY	Q1-14E	Q1-13R	% YoY	Consensus*
Sales	334.9	347.9	-3.7%	341.3	347.9	-1.9%	344.5
Organic	-0.7%	0.6%		1.2%	0.6%		
Adj Op Prft	23.6	23.0	2.5%	23.4	23.0	1.5%	23.8
Adj Op Prft %	7.0%	6.6%		6.8%	6.6%		6.9%
EPS (EUR)	0.19	0.17	10.7%	0.17	0.17	0.4%	0.20

Source: Company results, Kepler Cheuvreux

Organic sales -0.7% but Consumer Choices +4.2%

Organic sales declined by 0.7% (KECH +1.2%) led again by Consumer Experiences (CE), down 3.8%, in part due to phasing out of lower margin products. Consumer Choices (CC) reported 4.2% organic sales growth. Group sales were hit 3.1% by FX (KECH 2.7%).

AOI in line, EPS higher, Op Cash flow strong

Despite the sales decline the adjusted operating income (AOI) of EUR23.6m was in line with both divisions reporting margin increases. Central costs however nearly doubled to EUR4.7m. Group margin nevertheless up 40bps to 7%. Op Cash flow nearly doubled to EUR18.3m.

Guidance confirmed

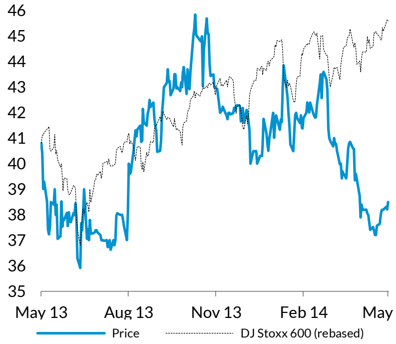
FY 2014 guidance for 1-2% organic growth and AOI margin of 12% to 12.5% confirmed. By the end of March 59% of sales guidance already booked (previously 56.6%). Conference call at 10:00 CET.

Transformation gradually progressing

In what has been a painstakingly slow process for investors, the strategic transformation of GfK is gradually progressing. The core earnings driver, the CC division, is generating again solid organic growth and post ramp-up of new audience measurement/M&L Insight contracts should accelerate further from 2015. Profitability in CE is seasonally very low in Q1 but at least was improved significantly from Q1 2013 and according to the report, order trends in all regions turned positive in Q1. Today's results are unlikely to serve as a major catalyst, but we believe value hunters should use current levels as a buying opportunity.

Reuters GFKG.DE
Bloomberg GFK GR
Index DJ Stoxx 600

Market data	
Market cap (EURm)	1,405
Free float	38%
No. of shares outstanding (m)	37
Avg. daily trading volume('000)	7
YTD abs performance	-4.5%
52-week high (EUR)	45.85
52-week low (EUR)	35.92



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	1,533.3	1,644.7	1,763.9
EBITDA adj (m)	243.4	291.0	316.7
EBIT adj (m)	192.1	219.0	250.0
Net profit adj (m)	96.0	120.8	137.2
Net fin. debt (m)	342.8	246.2	123.8
FCF (m)	58.9	125.6	158.7
EPS adj. and fully dil.	2.63	3.31	3.76
Consensus EPS	2.72	3.07	3.48
Net dividend	0.79	1.00	1.32

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	14.6	11.6	10.2
EV/EBITDA (x)	8.1	6.3	5.3
EV/EBIT (x)	10.3	8.3	6.7
FCF yield	3.9%	8.4%	10.7%
Dividend yield	2.1%	2.6%	3.4%
Net debt/EBITDA (x)	1.6	1.0	0.6
Gearing	46.1%	29.2%	13.0%
ROIC	15.6%	17.0%	19.4%
EV/IC (x)	2.2	2.0	1.9

15 May 2014
Earnings review

HERA

Italy | Utilities

Buy (Buy)

Target price
EUR 2.17

Current price
EUR 2.04

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Q1 diversification as key strength

- **Q1 operating performance nearly in line with estimates**
- **Q1 net profit above estimates thanks to lower tax rate**
- **Good debt control**
- **Estimates and valuation confirmed**

Quarterly results (EURm)

	Q1 13 restated	Q2 13	Q3 13	Q4 13	Q1 14	YOY	QOQ	Q1 14E	Act/Est
Revenues	1,442	979	946	1,476	1,293	-10.4%	-12.4%	1,556	-16.9%
EBITDA	271	164	152	234	276	1.7%	18.0%	279	-1.2%
Margin	18.8%	16.7%	16.1%	15.8%	21.3%			17.9%	
EBIT	173	65	48	121	173	0.2%	42.5%	174	-0.6%
Margin	12.0%	6.6%	5.1%	8.2%	13.4%			11.2%	
Net profit	124	11	-4	3	83	-32.6%	nm	71	17.4%
Net Debt	2,612	2,746	2,776	2,595	2,540	-2.7%	-2.1%	2,547	-0.3%

Source: Kepler Cheuvreux

Q1 operating performance almost in line with estimates

The main drivers of HERA's Q1 EBITDA were: 1) the warmer weather (weak gas sales and at lower prices) and the impact of the IFRS 11 (-EUR18m in 2014, no impact on net profit) on the negative side; and 2) higher special waste volumes, higher tariffs in water and higher electricity sales (thanks to the tenders in the "safeguarded" segment) on the positive side. All in all, the EBITDA came out at EUR276m, up 1.7% YOY, while we expected EUR279m. EBITDA was made up by waste for EUR69.8m (+8% YOY), water EUR48.5m (+10% YOY), gas EUR116.6m (-10.3% YOY) and electricity EUR36.2m (+36.2% YOY). Q1 EBITDA represents 32% of our 2014 estimate (in line with the usual seasonality) of EUR850m.

Net profit above estimates thanks to lower tax rate

Thanks to a very low tax rate (36.5% vs. our estimate of 44%) net profit came out at EUR83m, up 3% YOY LFL and above our EUR71m estimate.

Good control on net debt

Net debt at end-March stood at EUR5.24bn, down 2% QOQ, after EUR56m in quarterly capex and around EUR80m in negative seasonal working capital change (in line with our estimates).

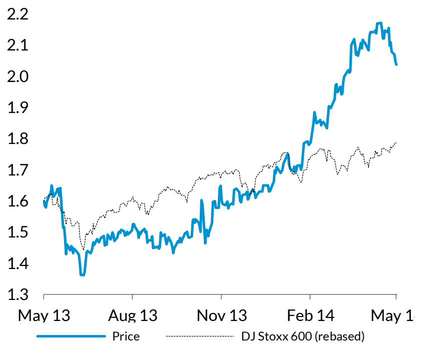
Estimates and valuation confirmed

We have already included the consolidation of Amga Udine from 1 July, and we expect a EUR850m in EBITDA in 2014 and a EUR2.6bn of net debt by year's end. We confirm our TP of EUR2.2.

Front page

Reuters HRA.MI
Bloomberg HER IM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	3,035
Free float	40%
No. of shares outstanding (m)	1,489
Avg. daily trading volume('000)	2,298
YTD abs performance	23.5%
52-week high (EUR)	2.17
52-week low (EUR)	1.36



FY to 31/12 (EUR)	2013	2014E	2015E
Sales (m)	4,851.3	5,019.3	5,160.6
EBITDA adj (m)	830.7	850.0	879.7
EBIT adj (m)	415.8	427.5	443.3
Net profit adj (m)	101.2	121.5	149.6
Net fin. debt (m)	2,594.6	2,619.1	2,610.0
FCF (m)	152.0	149.3	135.9
EPS adj. and fully dil.	0.07	0.08	0.10
Consensus EPS	0.09	0.10	0.11
Net dividend	0.09	0.09	0.09

FY to 31/12 (EUR)	2013	2014E	2015E
P/E (x) adj and ful. dil.	19.7	25.0	20.3
EV/EBITDA (x)	5.7	6.9	6.7
EV/EBIT (x)	11.4	13.7	13.2
FCF yield	6.1%	3.9%	3.6%
Dividend yield	6.1%	4.4%	4.4%
Net debt/EBITDA (x)	3.3	3.2	3.1
Gearing	134.5%	133.6%	130.7%
ROIC	6.7%	6.3%	6.4%
EV/IC (x)	1.3	1.5	1.5

15 May 2014
Company update

HHLA

Germany | Transport

Hold (Hold)

Target price **EUR 17.30**

Current price EUR 17.89

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Low visibility

- **Q1 results impacted by higher storage fees**
- **High exposure to Ukraine**
- **Low visibility**
- **Hold, TP EUR17.3**

Q1 results impacted by higher storage fees

HHLA reported Q1 revenues of EUR286.4m (KECH: EUR284.5m; consensus: EUR279.9m), 6.8% YOY growth, driven by 2.4% throughput growth and a significant impact from unusually long storage times for containers, which the company does not want to precisely quantify. EBIT of EUR35.5m was above consensus of EUR33.6m (KECH: EUR38m), but we do not know what was the exact impact from aforementioned container situation (management mentioned the stored containers caused significant additional costs, but we do not know to what extend the additional costs offset the additional revenues).

High exposure to Ukraine

HHLA operates a container terminal in Odessa. We estimate that volumes handled at this terminal represent around 5% of HHLA's overall volumes and generate 11% of the company's EBIT and 20% of the company's net income. Management mentioned that Q1 volumes in Ukraine were down by double digist because of currency issues and the political crisis. While management expects, given the current weak currency, exports to improve, we see a risk that the current political crisis could disrupt production chains and that in the short term volumes in Ukraine could be even weaker than in Q1.

Low visibility on future volumes in case P3 materialises

In case the P3 alliance receives the required approvals, it is likely that only three of the four services will call at the Port of Hamburg in the future, and it is not clear yet if one of HHLA or Eurogate's services will be impacted.

Low visibility on the Elbe dredging

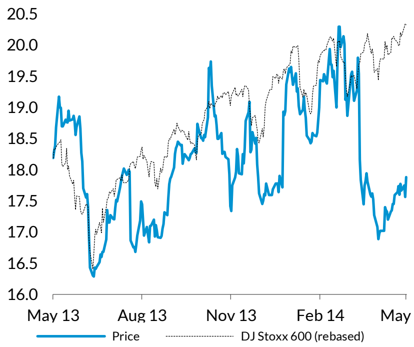
With respect to the Elbe dredging, the Federal Administrative Court has scheduled nine hearing days starting on 15 July. In our view, visibility on the court's decision is very low (worst case: final decision against dredging; unfavourable scenario: an opinion of the European Court of Justice is required, which implies significant postponements; best-case scenario: final positive decision for dredging in Q3 2014).

Stock trades at 2014E P/E multiples above 23x, Hold, TP EUR17.3

Front page

Reuters HHFGn.DE
Bloomberg HHFA GY
Index FTSE Euro First 300

Market data	
Market cap (EURm)	1,252
Free float	32%
No. of shares outstanding (m)	70
Avg. daily trading volume('000)	84
YTD abs performance	0.6%
52-week high (EUR)	20.30
52-week low (EUR)	16.29



FY to 31/12 (EUR)	2013E	2014E	2015E
Sales (m)	1,108.8	1,145.2	1,170.4
EBITDA adj (m)	267.9	270.6	288.0
EBIT adj (m)	146.9	148.6	166.0
Net profit adj (m)	53.1	53.6	62.1
Net fin. debt (m)	167.2	129.6	78.5
FCF (m)	66.9	68.6	82.1
EPS adj. and fully dil.	0.76	0.77	0.89
Consensus EPS	0.69	0.72	0.84
Net dividend	0.45	0.45	0.55

FY to 31/12 (EUR)	2013E	2014E	2015E
P/E (x) adj and ful. dil.	23.6	23.4	20.2
EV/EBITDA (x)	6.7	6.5	na
EV/EBIT (x)	12.2	11.8	na
FCF yield	6.9%	7.1%	na
Dividend yield	2.5%	2.5%	3.1%
Net debt/EBITDA (x)	2.0	1.9	1.6
Gearing	28.9%	20.4%	11.2%
ROIC	16.4%	16.3%	18.0%
EV/IC (x)	1.6	1.5	na

15 May 2014
Earnings review

Interpump Group

Italy | Capital goods

Buy (Buy)

Target price
EUR 12.30

Current price
EUR 9.55

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Front page

Positive stance confirmed after Q1 in line

- **Q1-14 in line, sales ex forex and acquisitions up 1% YOY**
- **Growth in hydraulics, weak water jetting (but backlog +18%)**
- **Estimates unchanged**
- **Upside from M&A strategy in hydraulics. Buy, TP EUR12.3**

Q1-14 in line, sales ex forex and acquisitions up 1% YOY

Q1-14 results came broadly in line with estimates: revenues up 21% YOY (1% below our estimate) or up 1% at constant perimeter and forex vs. +6% in Q4-13. The EBITDA margin was 20.0% vs. 19.2% in Q1-13 and our 19.0% estimate, which denotes no dilutive impact from acquisitions. Net profit was up 9% YOY to EUR15m (EUR14m expected). Net debt was EUR127m (EUR122m expected) at end March vs. EUR89m at end-December 2013, reflecting the cash-out for IMM (EUR22m). Net debt does not include commitments to acquire minority stakes in participated companies for EUR69m.

Growth in hydraulics, weak water jetting (but backlog +18%)

Sales were up 21% YOY in Q1-14, including a EUR30.3m contribution from the consolidation of Hydrocontrol and IMM and a EUR3.2m forex drag, implying a +1.0% YOY growth at constant perimeter and forex vs. +6% YOY in Q4-14. The growth slowdown vs. Q4-13 was driven by water jetting (-9% YOY), although management expressed confidence on the business outlook as the backlog at end-March was up 18% YOY. Hydraulics sales rose 8.5% YOY, showing an improvement in April.

Estimates unchanged

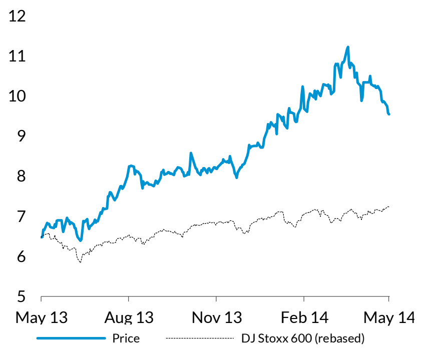
Management confirmed the guidance of FY 2014 sales at EUR660m (+20% YOY) plus/minus EUR10m, EBITDA at EUR126m (+20% YOY, flat margins reflect lower initial profitability of acquired assets) plus/minus EUR4m, and net debt at EUR100m plus/minus EUR10m. The sales guidance implies a 5% organic growth (consolidation of Hydroncontrol and IMM). Our estimates are unchanged at EUR675m sales (+21% YOY) and EUR131m EBITDA (+25%) in 2014.

Upside from M&A strategy in hydraulics. Buy, TP EUR12.3

Shares trade in line with the historical multiples (12-10x EV/EBITDA 2014-15E). We think the M&A strategy in hydraulics will pay off (distribution synergies), and in three-four years the company could reach EUR1bn in sales with 70% of growth coming from acquisitions and 30% financed through organic cash flows.

Reuters IP.MI
Bloomberg IP IM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	1,040
Free float	74%
No. of shares outstanding (m)	109
Avg. daily trading volume('000)	189
YTD abs performance	9.5%
52-week high (EUR)	11.23
52-week low (EUR)	6.39



FY to 31/12 (EUR)	2013E	2014E	2015E
Sales (m)	556.5	674.5	739.3
EBITDA adj (m)	105.2	131.5	150.8
EBIT adj (m)	79.3	105.3	124.1
Net profit adj (m)	44.2	61.5	74.2
Net fin. debt (m)	88.7	98.7	50.2
FCF (m)	39.0	42.1	64.4
EPS adj. and fully dil.	0.41	0.57	0.68
Consensus EPS	0.41	0.54	0.63
Net dividend	0.14	0.15	0.15

FY to 31/12 (EUR)	2013E	2014E	2015E
P/E (x) adj and ful. dil.	23.5	16.9	14.0
EV/EBITDA (x)	11.3	9.4	7.9
EV/EBIT (x)	15.0	11.7	9.6
FCF yield	3.7%	4.0%	6.0%
Dividend yield	1.5%	1.5%	1.6%
Net debt/EBITDA (x)	1.3	1.4	0.9
Gearing	20.8%	20.8%	9.4%
ROIC	21.9%	28.0%	31.1%
EV/IC (x)	4.5	4.3	4.0

15 May 2014
Earnings review

IREN

Italy | Utilities

Reduce (Reduce)

Target price
EUR 1.10

Current price
EUR 1.13

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A weak quarter due to the climate

- **Weak operating results, even weaker than expected**
- **Stable net debt, LFL**
- **Conference call today at 10.30 CET**
- **Reduce confirmed**

Quarterly results (EUR m)

	Q1 13 restated	Q2 13	Q3 13	Q4 13	Q1 14	YOY	QOQ	Q1 14E	Act/Est
Revenues	1,106	702	648	978	903	-18.3%	-7.6%	1,089	-17.1%
EBITDA	244	132	100	170	203	-16.6%	19.9%	206	-1.3%
Margin	22.0%	18.8%	15.5%	17.3%	22.5%			18.9%	
EBIT	173	67	18	55	129	-25.7%	136.1%	131	-1.8%
Margin	15.7%	9.5%	2.8%	5.6%	14.3%			12.0%	
Net profit	81	30	-17 -	13	51	-36.7%	-485.7%	59	-12.4%
Net Debt restated	2,171	2,134	2,187	2,192	2,175	0.2%	-0.8%	2,156	0.9%

Source: Kepler Cheuvreux

Weak operating results, even weaker than expected

Q1 EBITDA came in at EUR203m, down 16.6% YOY (we expected EUR206m) due to: the very mild climate in Italy in Q1 (affecting gas and heating sales), very low electricity prices (affecting electricity and heating sales) only partially offset by a good hydroelectric production and by a EUR12m positive one off. Q1 EBITDA represents 31% of our yearly estimate.

Stable net debt, LFL

Net debt at end March stood at EUR2.2bn, down 0.8% QOQ after EUR43m of quarterly capex and c. EUR75m of seasonal negative working capital change. This was in line with our estimate (after EUR333m of restatement following the IFRS 11 accounting principle).

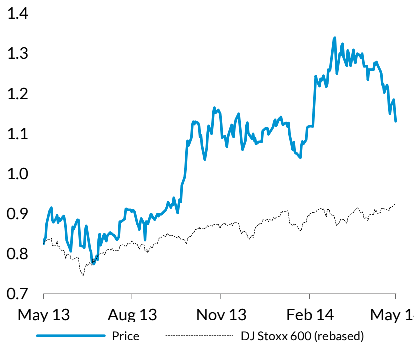
Guidance confirmed

The guidance for 2014, which came out in March and is now confirmed, in terms of operating results, indicated a stabilisation of EBITDA: the positive impact of the new plants from the Edipower demerger (mainly the hydroelectric plant) and the new Parma waste to energy will be almost completely offset by the lower prices and volumes expected. We should thus confirm our EUR654m estimate, +1.2% YOY, but we wait for today's conference call.

Front page

Reuters IREE.MI
Bloomberg IRE IM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	1,443
Free float	46%
No. of shares outstanding (m)	1,276
Avg. daily trading volume('000)	2,144
YTD abs performance	1.6%
52-week high (EUR)	1.34
52-week low (EUR)	0.77



FY to 31/12 (EUR)	2013	2014E	2015E
Sales (m)	3,448.0	3,629.3	3,708.3
EBITDA adj (m)	646.0	654.0	671.6
EBIT adj (m)	313.0	354.3	364.0
Net profit adj (m)	133.0	141.2	148.6
Net fin. debt (m)	2,525.4	2,472.7	2,314.9
FCF (m)	155.6	104.5	215.3
EPS adj. and fully dil.	0.10	0.11	0.12
Consensus EPS	0.10	0.11	0.12
Net dividend	0.05	0.06	0.06

FY to 31/12 (EUR)	2013	2014E	2015E
P/E (x) adj and ful. dil.	7.9	10.2	9.7
EV/EBITDA (x)	5.8	6.2	5.8
EV/EBIT (x)	12.0	11.5	10.8
FCF yield	12.5%	6.2%	12.7%
Dividend yield	6.3%	4.9%	5.1%
Net debt/EBITDA (x)	4.1	4.0	3.6
Gearing	127.	119.2	107.0

15 May 2014
Earnings review

KBC

Belgium | Banks

Buy (Buy)

Target price
EUR 57.00

Current price
EUR 44.95

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Strong Q1, higher AUM

- **Headline net profit 8% higher than consensus**
- **In line with our estimates adjusted for one offs**
- **AUM up 7% YOY**
- **Buy, TP EUR57.5**

Headline net profit 8% higher than consensus

Headline net profit at EUR397m, 8% better than cons. (vs KECH: EUR366m, consensus: EUR369m). KBC reported a net underlying profit at EUR387m 9% higher than our estimates (KECH: EUR356n). Pre-tax underlying profit at EUR518m includes 1) EUR-51m Hungarian tax, 2) EUR-83m fair value changes on derivatives, 3) EUR15m releases from LLP (mainly in the Czech Republic). So adjusted for these items and group centre pre-tax underlying profit at EUR747m, in line with than our estimates (EUR746m).

Good underlying trend

NII at EUR1,002m but includes reclassification due to application of IFRS 11 (circa EUR15m of NII reclassified in associates). NII in line with our estimates if we adjust for the reclassification (EUR1,017m vs EUR1020m estimated). NIM up to 2.0% (vs 1.92% in Q4 2013) with commercial margins and lower funding costs which offset the lower reinvestment yields in Q1. NII solid in Belgium at EUR696m (KECH: EUR691m), and Czech Republic (EUR219m up 5% QOQ and up 2% YOY excluding the FX effect). Net fee and commission income 2% better than consensus and in line with our estimates. Fee and commission flat YOY which is strong mainly thanks to higher entry fees on mutual funds and unit linked products. Total income at EUR1,584m but hit by -EUR20m linked to IFRS 11 so adjusted for it income at EUR1,604m (KECH: EUR1,613m). Operating expenses at EUR965m, 3% lower than consensus (despite positive IFRS 11 impact was EUR5m). Cost in line with our estimates (KECH: EUR967m). LLP low at EUR107m including EUR15m LLP releases in Czech Republic, slightly lower than our EUR131m on a clean basis.

AUM up 7% YOY, 2% QOQ

Very positive news on AUM, which reached EUR167bn, up 7% YOY (with effect of net new money at 3% and price effect at 4%). AUM up 2% QOQ (+1% net new money).

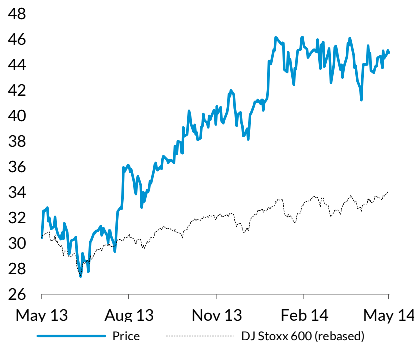
Buy confirmed

Buy, TP EUR57.5. We value KBC on a SOP at 10.2x 2015 earnings and add EUR1.3bn excess capital vs 10%. The stock trades at 1.4x 2015 TBV for 17% RoTBV, 8.3x PE 2015. We are 14% higher than consensus for 2014 and 10% higher for 2015.

Front page

Reuters KBKBT.BR
Bloomberg KBC BB
Index DJ Stoxx 600

Market data	
Market cap (EURm)	18,738
Free float	45%
No. of shares outstanding (m)	417
Avg. daily trading volume('000)	863
YTD abs performance	9.0%
52-week high (EUR)	46.19
52-week low (EUR)	27.37



FY to 31/12 (EUR)	2013	2014E	2015E
Total revenues (m)	7,195	6,873	7,214
Pre-prov. profit (m)	3,371	3,138	3,519
Pre-tax profit (m)	1,869	2,626	3,107
Net profit adj. (m)	961	1,869	2,254
RWAs (bn)	91	97	101
Sh.'s equity (m)	11,398	12,110	13,530
Tangible equity (m)	10,482	11,194	12,614
Tangible BVPS	26.09	27.80	31.21
EPS Adj	2.31	4.48	5.41
Consensus EPS		4.03	4.58
Dividend per share	0.00	2.00	0.00

FY to 31/12 (EUR)	2013	2014E	2015E
P/E (x)	14.2	10.0	8.3
P/BV (x)	1.20	1.55	1.38
P/TBV	na	na	na
P/PPI (x)	4.1	6.0	5.3
Dividend yield	0.0%	4.5%	0.0%
ROTE after tax	9.4%	18.0%	19.6%
ROE after tax	8.3%	15.9%	17.6%
RoRWAs	0.99%	1.98%	2.28%
Common Eq Ratio	9.0%	9.3%	11.3%
Cost income ratio	53.1%	54.3%	51.2%
NPL ratio (on loans)	7.3%	7.1%	6.9%

15 May 2014
Earnings review

Korian Medica

France | Medtech & services

Buy (Buy)

Target price
EUR 34.00

Current price
EUR 28.65

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Q1 sales in line, FY targets confirmed

- **Q1 revenues bang in line with our expectations**
- **FY targets maintained, growth rather back-end loaded**
- **Integration well underway**
- **Top pick in nursing home sector**

Q1 revenues bang in line with our expectations

Proforma revenues (fully accounting for Medica, i.e. the most relevant number) went up 4.3% to EUR602m, bang in line with our EUR600m. Reported revenues (excluding Medica) were a touch above ours. The entire difference came from better LFL growth (+4.4% vs. +3.1% expected). Occupancy rates remained very solid at 95.1% for mature beds.

Q1 revenues review

EUR m	Q1-14	Q1-13	% chg.	% LFL	KECH	% dev.	% LFLe
France	187	193	-3.1%	4.1%	187	0%	4.0%
Germany	115	65	76.7%	5.6%	113	2%	1.0%
Italy	49	46	5.4%	3.6%	47	3%	2.0%
Reported revenues	**351**	**304**	**15.3%**	**4.4%**	**347**	**1%**	**3.1%**
France	367	350	4.9%		368	0%	
Germany	115	113	2.5%		113	2%	
Belgium	51	49	3.9%		52	-2%	
Italy	69	66	4.3%		67	2%	
Proforma revenues	**602**	**577**	**4.3%**		**600**	**0%**	

Source: Korian Medica, Kepler Cheuvreux

FY targets maintained, growth rather back-end loaded

Management looked very confident that the FY target of EUR2.5bn proforma revenues (+5.5%) will be met. The relatively slow start to the year (in particular vs. Orpea's +6.7% organic growth in Q1) was expected and is primarily due to management's focus on properly integrating Medica (deal closed in March). This implies an acceleration in organic growth during the rest of the year, as development projects gradually kick in.

Integration well underway, top pick in nursing home sector

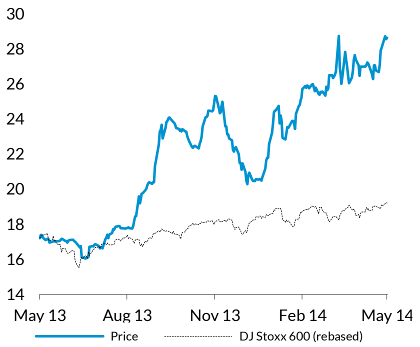
We still believe Korian was quick to adapt its organisation and the platform is in place to extract synergies. All in all, we leave our forecasts unchanged and reiterate our Buy rating on a stock that combines 1) exposure to a secularly growing sector; 2) European expansion already progressing well; 3) hidden synergy potential; 4) a compelling valuation, relative to peers (10-15% discount to Orpea's multiples).

Front page

Reuters KORI.PA
Bloomberg KORI FP
Index DJ Stoxx 600

Market data

Market cap (EURm)	998
Free float	40%
No. of shares outstanding (m)	35
Avg. daily trading volume('000)	92
YTD abs performance	39.1%
52-week high (EUR)	28.76
52-week low (EUR)	16.04



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	2,249.7	2,612.2	2,687.0
EBITDA adj (m)	318.0	396.3	419.9
EBIT adj (m)	211.6	284.2	304.5
Net profit adj (m)	86.4	129.3	145.5
Net fin. debt (m)	1,326.1	1,145.8	1,002.9
FCF (m)	-13.7	97.0	109.8
EPS adj. and fully dil.	1.10	1.62	1.81
Consensus EPS	1.23	1.61	1.80
Net dividend	0.60	0.60	0.60

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	26.0	17.7	15.8
EV/EBITDA (x)	11.5	8.8	8.0
EV/EBIT (x)	17.3	12.3	11.1
FCF yield	-0.6%	4.2%	4.8%
Dividend yield	2.1%	2.1%	2.1%
Net debt/EBITDA (x)	4.3	3.0	2.5
Gearing	68.6%	54.2%	44.8%
ROIC	7.3%	7.2%	7.7%
EV/IC (x)	1.5	1.5	1.4

15 May 2014
Earnings review

LEG Immobilien

Germany | Property

Hold (Hold)

Target price EUR 51.00

Current price EUR 49.41

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Front page

Solid Q1 figures

- **LFL rental growth accelerated to 2.9%**
- **Sound balance sheet (LTV of 47%) allows for further acquisitions**
- **(Conservative) FFO 2014 guidance of EUR155-159m confirmed**
- **Hold rating maintained**

Q1 2014 review

(EURm)	Q1 2013	Q1 2014	Change (%)	Q1 2014E	Delta (%)
Net rental income	59.5	70.5	18%	70.8	0%
Disposal profit/loss	-1.1	-0.9	-18%	-0.3	200%
Administrative expenses	-11.4	-8.8	-23%	-11.8	-25%
Other income	1.4	0.2	-86%	1.6	-88%
EBITDA	50.5	63.2	25%	60.3	5%
Adjusted EBITDA	54.2	64.7	19%	61.3	6%
Depreciation	-2.1	-3.6	71%	-2.2	64%
EBIT	48.4	61.1	26%	58.1	5%
Financial result	-36.5	-32.2	-12%	-32.0	1%
PBT	11.9	28.9	143%	26.1	11%
Taxes	-0.6	-6.5	983%	-5.22	25%
Net profit	11.3	22.4	98%	20.88	7%
FFO I	33.8	41.0	21%	40.2	2%
FFO II	33.6	41.0	22%	39.9	3%

Source: Kepler Cheuvreux

Solid Q1 2014 figures

LEG reported an increase in net rental income of 18% to EUR71m. The key drivers were the first-time consolidation of acquisitions and lower maintenance expenses (down from EUR12.2m in Q1 2013 to EUR8.3m). However, the underlying business performance was also strong, with LFL rental growth of 2.9% and a slightly lower LFL vacancy rate of 3.1%. Rental growth in Q1 was helped by the 2.2% adjustment of cost rents in January (for around 35,000 units). Rental growth for free financed units amounted to a strong 3.2%. Administrative costs were clearly better than expected on lower non-cash expenses for the company's long-term incentive plan. FFO I increased by 21% to EUR41m. The NAV increased to EUR49.23. Key balance sheet metrics have remained very solid with the LTV slightly declining to 47.3% and the equity ratio reaching 41.7%.

Unchanged guidance

LEG confirmed its FFO I 2014 guidance of EUR155-159m. The guidance looks conservative, as it does not include positive effects from the recently issued convertible bond and potential future acquisitions.

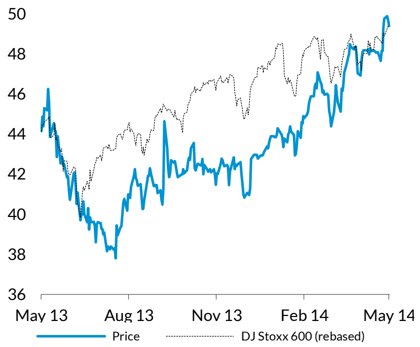
Hold maintained

The shares are trading close to our target price. Hold maintained.

Reuters LEGn.DE
Bloomberg LEG GR
Index DJ Stoxx 600

Market data

Market cap (EURm)	2,617
Free float	50%
No. of shares outstanding (m)	53
Avg. daily trading volume('000)	125
YTD abs performance	15.1%
52-week high (EUR)	49.90
52-week low (EUR)	37.80



FY to 31/12 (EUR)	2013	2014E	2015E
Net rent	257.7	288.8	296.7
EBITDA	208.0	247.2	254.9
DPS	1.73	1.95	2.09
FFO (recurring)	141.2	158.9	168.3
FFO (incl. trading)	139.5	158.2	167.7
Net profit	130.6	204.9	214.8
FFOps (recurring)	2.67	3.00	3.18
FFOps (incl. trading)	2.63	2.99	3.17
NAVps	48.56	50.57	52.56
NNNAVps	44.42	46.44	48.43

FY to 31/12 (EUR)	2013	2014E	2015E
P/FFO	18.5	16.5	15.5
P/FFO (incl. trading)	18.8	16.5	15.6
P/NAV -1	1.8%	-2.3%	-6.0%
P/NNNAV -1	11.2%	6.4%	2.0%
Dividend yield	3.5%	3.9%	4.2%
LTV	47.8%	45.2%	44.0%
Interest coverage	-1.6	-2.4	-2.4
FFO/NNAV	6.1%	6.6%	6.7%
EBITDA/Asset value	3.9%	4.4%	4.4%

15 May 2014
Earnings review

Lenzing

Austria | Chemicals

Buy (Buy)

Target price
EUR 52.00

Current price
EUR 43.70

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Q1 results ahead of expectations

- **Sales and earnings above our and consensus forecast**
- **Earnings beat on accelerated cost savings**
- **Solid cash conversion triggers decline in net debt**
- **Outlook unchanged; Buy and EUR52 TP reiterated**

Lenzing: Q1 2014 results review

	Q1 2013	Q1 2014	YOY (%)	Q1 2014E	Delta	Cons.	Delta
Volume (000 t)	177	235	33%	222	6%		
Avg. price	2.15	1.56	-27%	1.56	0%		
Sales	497	451.7	-9%	439	3%	447	1%
EBITDA	64.6	46.3	-28%	38.1	22%	42.1	10%
EBIT	35.1	16.7	-52%	10.1	65%	12.8	30%
EBT	28.9	11.2	-61%	6.1	84%		
Net profit	20.1	7.5	-63%	4.6	63%	6.7	12%
EPS	0.76	0.28	-63%	0.17	66%	0.25	10%
EBITDA %	13.0%	10.3%		8.7%		9.4%	
EBIT %	7.1%	3.7%		2.3%		2.9%	
EBT %	5.8%	2.5%		1.4%		0.0%	
Net %	4.0%	1.7%		1.0%		1.5%	

Source: Kepler Cheuvreux

Sales and earnings above our and consensus forecast

The company reported, based on a selling volume of 235,000 tonnes (+33% YOY, KECH: 222,000) and an average price of EUR1.56kg (-27% YOY), Q1 sales of EUR452m (-9% YOY, KECH: EUR439m), an EBITDA of EUR46.3m (-28% YOY, 10.3% margin, KECH: EUR38m, consensus: EUR42m), an EBIT of EUR16.7m (consensus: EUR12.8m) and net profit of EUR7.5m (EPS EUR0.28, KECH: EUR0.17, consensus: EUR0.25).

Earnings beat on accelerated cost savings, solid cash conversion

The company's launched cost optimization programme contributed strongly to the Q1 earnings beat, driven by lower personnel (-9.5% YOY) and material costs (-2.6% YOY despite 9% higher output). Also its cash conversion was solid (positive WC swing), with operating cash at EUR43m (vs. –EUR2m in Q1 2013) and Q1 2014 FCF at EUR6m (vs. -EUR56m in Q1 2013). Hence, net debt fell slightly to EUR500m, with net gearing at 45%.

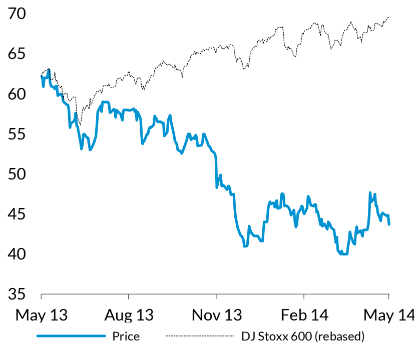
Outlook unchanged, Buy and EUR52 TP reiterated

Management maintains its guidance (year-end net debt at c. EUR500m). As expected, it refrained from providing a detailed FY guidance, but mentioned that viscose prices have stabilized since April. We reiterate our Buy and EUR52 TP. We expect a positive share price reaction today. The conference call starts at 15:00 CET.

Front page

Reuters LNZ.VI
Bloomberg LNZ AV
Index DJ Stoxx 600

Market data	
Market cap (EURm)	1,160
Free float	35%
No. of shares outstanding (m)	27
Avg. daily trading volume('000)	31
YTD abs performance	5.0%
52-week high (EUR)	63.00
52-week low (EUR)	39.99



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	1,786.2	1,910.6	1,965.0
EBITDA adj (m)	161.7	266.7	325.3
EBIT adj (m)	45.0	147.0	209.1
Net profit adj (m)	20.4	95.8	141.8
Net fin. debt (m)	521.8	514.8	506.8
FCF (m)	37.5	40.1	47.8
EPS adj. and fully dil.	0.77	3.61	5.34
Consensus EPS	1.52	3.00	4.10
Net dividend	1.25	1.50	1.75

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	57.0	12.1	8.2
EV/EBITDA (x)	10.6	6.4	5.2
EV/EBIT (x)	38.0	11.6	8.1
FCF yield	3.2%	3.5%	4.1%
Dividend yield	2.9%	3.4%	4.0%
Net debt/EBITDA (x)	3.8	2.3	1.9
Gearing	49.1%	45.7%	41.3%
ROIC	2.0%	6.4%	8.7%
EV/IC (x)	1.0	1.0	0.9

15 May 2014
Earnings review

Maire Tecnimont

Italy | Oil services

Hold (Hold)

Target price **EUR 3.10**

Current price EUR 2.52

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Hold confirmed after weak Q1 results

- **Q1 sales trend below estimates**
- **Profitability holding up, good order intake**
- **FY 2014 EBITDA estimate of EUR132m now more challenging**
- **Hold rating confirmed**

Q1 sales trend below estimates

Q1-14 results were a bit weaker than expected, with sales down 10% YOY (6% below our estimate) at EUR372m and EBITDA up 40% YOY (3% below our estimate) at EUR26m. Net profit of EUR10m (we expected EUR11m) increased by 79% YOY. Net debt was up EUR57m vs. end-December at EUR362m (EUR324m expected) due to working capital absorption.

Profitability holding up, good order intake

Q1-14 positives were profitability (7.0% EBITDA margin vs. 4.5% in Q1-13 denotes no backlog issues) and order intake of EUR600m (EUR1.5bn estimated in 2014E). Backlog at end-March was worth EUR3.72bn, up EUR240m vs. end-December, and 37% of it consists of E and EP projects in line with the new strategy based on a de-risked business model aimed at avoiding construction risk.

FY 2014 EBITDA estimate of EUR132m now more challenging

During the call, management confirmed the outlook provided during the March call on Q4, although no quantitative guidance is available. In the light of Q1 trend (EUR26m EBITDA), we think that our FY 2014 estimate of EUR132m EBITDA (consensus in line) is a bit more challenging. Maire sold some assets of Sofregaz for EUR5m. Management expects to close the disposal of the biomass plant of Olevano (c. EUR80m) before the approval of H1-14 results.

Hold rating confirmed

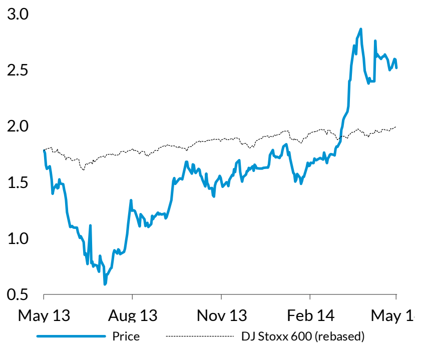
We confirm our Hold rating and TP of EUR3.1. Although a repaired financial base is increasingly supporting the group's commercial success, we think the potential for margin expansion is limited, as the contribution of high-margin engineering services was already significant in FY 2013 (>EUR300m revenues vs. c. EUR100m intake YTD in 2014). FCF generation should mainly improve in 2015 (working capital increase in 2014) with limited organic deleveraging in 2014.

Front page

Reuters MTCM.MI
Bloomberg MT IM
Index DJ Stoxx 600

Market data

Market cap (EURm)	771
Free float	35%
No. of shares outstanding (m)	306
Avg. daily trading volume('000)	3,222
YTD abs performance	54.7%
52-week high (EUR)	2.87
52-week low (EUR)	0.59



FY to 31/12 (EUR)	2013	2014E	2015E
Sales (m)	1,656.2	1,827.0	2,203.0
EBITDA adj (m)	99.1	131.5	173.2
EBIT adj (m)	73.0	115.8	159.7
Net profit adj (m)	17.0	50.3	78.3
Net fin. debt (m)	305.0	194.0	110.2
FCF (m)	-222.3	26.0	83.8
EPS adj. and fully dil.	0.06	0.16	0.26
Consensus EPS	0.06	0.17	0.23
Net dividend	0.00	0.00	0.00

FY to 31/12 (EUR)	2013	2014E	2015E
P/E (x) adj and ful. dil.	21.5	15.3	9.8
EV/EBITDA (x)	8.0	8.2	5.8
EV/EBIT (x)	10.8	9.3	6.3
FCF yield	-60.7%	3.4%	10.9%
Dividend yield	0.0%	0.0%	0.0%
Net debt/EBITDA (x)	3.3	1.6	0.8
Gearing	756.1%	214.0%	65.2%
ROIC	37.1%	28.6%	37.8%
EV/IC (x)	2.9	3.6	3.4

15 May 2014
Company update

Mediaset España

Spain | Media

Buy (Buy)

Target price	Current price
EUR 9.00	EUR 7.59

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Studying participating in the acquisition of D+

- **Mediaset España is trying to obtain financing from banks**
- **MEspaña has 15 days once Prisa officially accepts TEF's bid**
- **First right of refusal: buy more, stay or sell its 22% stake to TEF**
- **We recently upgraded the stock to Buy**

Mediaset España is trying to obtain financing from banks

According to the Spanish daily *Expansión*, Mediaset España is trying to obtain financing from the banks in order to reinforce its position in Digital+. The company has 22% stake in D+ (TEF has another 22%), and it is still studying its different alternatives following TEF's bid for the 56% of Digital Plus in the hands of Prisa for EUR725m (100% of Digital Plus valued at EUR1.3bn). Mediaset's strategy of creating a pay-TV newco including Italian and Spanish pay-TV assets (third parties such as Al Jazeera are studying injecting capital in the newco) could take on a relevant role.

15 days once Prisa accepts TEF's bid (30 days as of 7 May)

Mediaset España has a right of first refusal and tag-along (15 natural days following Prisa's signing of Telefónica's offer for 56% of Digital Plus). Prisa has 30 days to study and sign Telefónica's offer as of 7 May.

First right of refusal: buy more, stay or sell its 22% stake to TEF

The final outcome of the D+ deal is not necessarily bad news, as the asset (in which TL5 already owns 22%, for which it paid EUR488m or EUR2bn implied EV for 100%, TEF's offer that M Esp could join now values D+ at EUR1.3bn...) will be worth more in the hands of TEF. The most likely scenario is for Mediaset España to retain its 22% stake in D+. In any case, the company might put some more money into it (participating with TEF in the full acquisition of D+). But we wonder what would it get in exchange (in our view the game between Mediaset España and TEF currently revolves around how much TEF would give TL5 in exchange for TL5 being the deal's "regulatory shield"). That would also limit TL5's firepower to offset overhang risk. Prisa owns 13.6% of TL5, it is a seller (it sold 3.5% stake mid-April and now has a 90-day lock-up), but TL5 could buy most of this stake (EUR100m cash position, and leverage potential). Should TL5 buy more of D+ that is less clear.

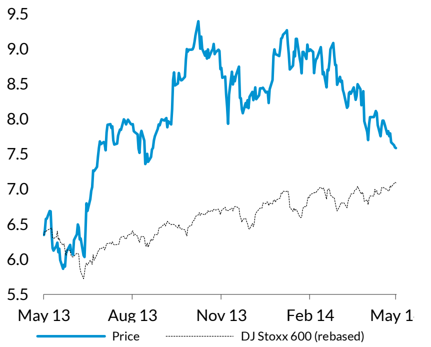
We recently upgraded the stock to Buy

The stock has come down from highs of as much as EUR9.50 to current levels of EUR7. 5. We keep our estimates unchanged (TV ad market +7% YOY in 2014E, +10% in 2015E), as well as our TP of EUR9. We see decent upside (>20%) for the first time in many months.

Front page

Reuters TL5.MC
Bloomberg TL5 SM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	3,088
Free float	41%
No. of shares outstanding (m)	407
Avg. daily trading volume('000)	2,249
YTD abs performance	-9.5%
52-week high (EUR)	9.40
52-week low (EUR)	5.87



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	890.6	1,003.3	1,064.3
EBITDA adj (m)	131.5	265.5	324.8
EBIT adj (m)	114.3	247.6	306.8
Net profit adj (m)	88.0	189.5	230.8
Net fin. debt (m)	-144.8	-181.7	-150.9
FCF (m)	33.7	133.8	167.7
EPS adj. and fully dil.	0.22	0.47	0.57
Consensus EPS	0.24	0.39	0.47
Net dividend	0.24	0.49	0.59

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	35.1	16.3	13.4
EV/EBITDA (x)	20.4	10.0	8.2
EV/EBIT (x)	23.4	10.7	8.7
FCF yield	1.1%	4.3%	5.4%
Dividend yield	3.1%	6.4%	7.7%
Net debt/EBITDA (x)	-1.1	-0.7	-0.5
Gearing	-9.2%	-10.3%	-7.9%
ROIC	23.7%	34.1%	41.1%
EV/IC (x)	4.9	5.7	4.6

15 May 2014
Earnings review

Mediolanum

Italy | Financial services

Buy (Buy)

Target price EUR 7.80

Current price EUR 6.28

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Net profit lower quality, stronger inflows in Q2

- **Q1 net profit in line, but slightly lower quality**
- **Good indications on Q2 inflows, but weak trend for perf. fees**
- **We trim our 2014 EPS (-4%), while lifting 2015-16E by 1%**
- **Attractive valuation for a growth story: Buy reiterated**

Mediolanum; Q1 preview

(EURm, bps)	Q1 2014	Q1 2014E	Q1 2013	YOY	FY 2014E	FY 2013A	YOY
Management fees	148	150	124	20%	631	541	17%
Performance fees	30	30	57	-47%	130	174	-25%
Net Interest income	55	61	70	-21%	235	264	-11%
EBT (domestic core business)	98	111	164	-40%	430	531	-19%
EBT	106	113	177	-40%	448	544	-18%
Net profit	81	82	137	-41%	341	337	1%
Management fee margin	203	205	204	-1%	202	207	-2%

Source: Kepler Cheuvreux

Net profit in line, but quality slightly worse

The domestic core business EBT was lower than expected, at EUR98m, versus our EUR111m because of: 1) lower entry fees (-EUR5m, but offset by lower commission expenses); 2) lower NII (-EUR6m); and 3) lower trading profit (-EUR7m). Management & performance fees were in line, as well as G&A costs. A higher EBT from non-core activities and a lower tax rate (23.5% vs. 27.0% exp.) resulted in net profit in line with expectations.

Good inflows in Q2 but likely weak performance fees

Management said it realised some gains on bonds, reinvesting the proceeds in longer duration securities. Thus, despite the lower figure in Q1, it expects the 2014 NII to be roughly just EUR30m lower than 2013's (in line with our est.). They expect also some recovery in the entry fees, thanks also to an acceleration in net inflows (EUR1,479m YTD). Performance fees were also weak in April (EUR7m), while the tax rate is seen at 24% in 2014, and remaining roughly stable in the following years.

EPS fine-tuning, 2014 EPS trimmed, but 2015-16 slightly higher

We just fine-tune our EPS estimates; lower entry & performance fees in 2014E are partially offset by a lower tax rate. Overall our 2014E EPS is trimmed (-4%), but remains unchanged for 2015-16E (+1%).

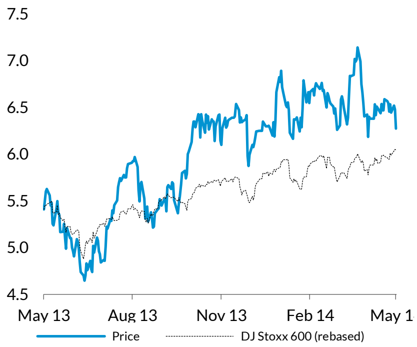
Positive stance confirmed

We continue to like the stock: reasonable P/E (13x) for a growth story (9% long-term AUM CAGR), and improving quality of earnings (larger management fees, lower performance fees & carry trade). Buy reiterated.

Front page

Reuters MED.MI
Bloomberg MED IM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	4,608
Free float	24%
No. of shares outstanding (m)	734
Avg. daily trading volume('000)	2,704
YTD abs performance	-0.4%
52-week high (EUR)	7.15
52-week low (EUR)	4.65



FY to 31/12 (EUR)	2014E	2015E	2016E
Total revenues (m)	846.0	941.4	999.9
Pre-prov. profit (m)	430.3	505.5	543.2
Pre-tax profit (m)	448.3	523.5	561.2
Net profit adj. (m)	340.7	392.6	420.9
RWAs (bn)	na	na	na
Sh.'s equity (m)	1,766.1	2,041.4	2,336.9
Tangible equity (m)	1,714.3	1,990.4	2,286.5
Tangible BVPS	2.33	2.71	3.11
EPS Adj	0.46	0.53	0.57
Consensus EPS	0.45	0.48	0.54
Dividend per share	0.27	0.29	0.32

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x)	13.5	11.7	10.9
P/BV (x)	2.61	2.26	1.97
P/TBV	na	na	na
P/PPI (x)	10.7	9.1	8.5
Dividend yield	4.3%	4.6%	5.1%
ROTE after tax	na	na	na
ROE after tax	20.5%	20.6%	19.2%
RoRWAs	na	na	na
Common Eq Ratio	na	na	na
Cost income ratio	na	na	na
NPL ratio (on loans)	na	na	na

15 May 2014
Company update

Prisa

Spain | Media

Buy (Buy)

Target price
EUR 0.55

Current price
EUR 0.38

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Q1 in line - cooling down expectations?

- **Q1 adjusted EBITDA EUR58m, roughly in line**
- **Pay-TV in line, Santillana affected by seasonality, currencies**
- **Focused on debt reduction but cooling down expectations?**
- **Buy: 7x EV/EBITDA after selling D+, Mediaset and M Capital**

Q1 adjusted EBITDA EUR58m, roughly in line

Revenues -7 % in Q1 (adv rev -7.7% in Q1 with M Capital adv rev and radio adv rev, outperforming +5.3% YOY and -2.9% respectively. Spanish adv market fell by 1.3% in Q1-14) and adj EBITDA of EUR58m (-29.4% YOY, versus our EUR60m). Net losses were EUR47m in Q1. Digital adv growing by 7% YOY and representing 29% of press adv revenues. Excluding currencies/Canal +, EBITDA grew by 10% YOY.

Pay-TV in line, Santillana affected by seasonality & currencies

Prisa TV's EBITDA was EUR1.31m. Net adds in Q1 (+11k), + considering Movistar TV aggressive campaigns, while ARPU increased (EUR43.5) but opex was higher. The churn rate, at 16% in Q1 (18% in 2013). Santillana's EBITDA of EUR46m (-26% YOY EBITDA, or -2.6% YOY excluding exchange rates) weak as expected by the seasonality of educational campaigns (Spain in Q2/Q3) and currencies (EUR15m lower EBITDA). Media Capital posted strong numbers (rev +1.5%, EBITDA by 40% YOY.

Focused on debt reduction but cooling down expectations

1) Sale of general publishing business, 2) Sale of 3.69% stake in Mediaset España and debt buyback action in progress (mid May) and 3) Acceptance of TEF offer for the purchase of Prisa's 56% stake in Canal+ (EUR725m). 30-day maximum period starting on 7 May to finalise negotiations. Mediaset España has a right of first refusal and tag along and (15 natural days following the signing). Antitrust authorities expected to last a minimum of 12 months from signing and the transaction also needs non-opposition from a group of core lenders (20 institutions). Prisa said that of the proceeds, EUR400m to pay down institutional investors debt, and the remaining, 50% to buy back debt and 50% would depend on the banks, cooling down expectations on the debt buyback process (to get a better discount in our view?). Not in a hurry to sell the rest of TL5 and M Capital.

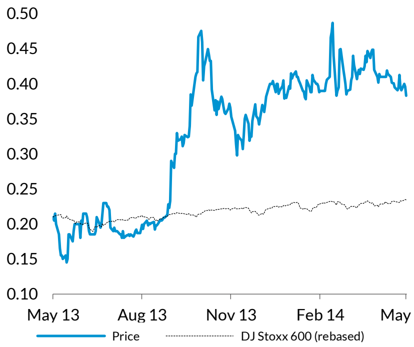
Buy: 7x EV/EBITDA after selling D+, Mediaset and M Capital

Our TP is EUR0.55. If Prisa partly uses disposal proceeds (56% of Prisa TV, 17.3% of Mediaset España and Media Capital) to buy back debt at a 20-25% discount, our TP could move to c. EUR0.70 (c. 40% upside).

Front page

Reuters PRS.MC
Bloomberg PRS SM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	845
Free float	82%
No. of shares outstanding (m)	1,991
Avg. daily trading volume('000)	12,500
YTD abs performance	-4.3%
52-week high (EUR)	0.49
52-week low (EUR)	0.15



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	2,871.7	2,958.3	3,034.0
EBITDA adj (m)	323.3	385.2	486.8
EBIT adj (m)	61.5	113.3	205.9
Net profit adj (m)	-60.2	-15.1	51.4
Net fin. debt (m)	3,021.9	2,872.1	2,792.3
FCF (m)	255.1	164.8	102.6
EPS adj. and fully dil.	-0.04	-0.01	0.03
Consensus EPS	-0.02	0.01	0.04
Net dividend	0.00	0.00	0.00

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	na	na	11.8
EV/EBITDA (x)	12.5	10.4	7.8
EV/EBIT (x)	65.8	35.3	18.4
FCF yield	30.2%	19.5%	16.9%
Dividend yield	0.0%	0.0%	0.0%
Net debt/EBITDA (x)	9.9	8.2	6.5
Gearing	207.	205.4	195.6

15 May 2014
Earnings review

RCS MediaGroup

Italy | Media

Hold (Hold)

Target price
EUR 1.55

Current price
EUR 1.42

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Better Q1 results, guidance confirmed

- **Q1 results above expectations thanks to cost cutting**
- **Advertising and circulation remain weak in Italy**
- **Guidance confirmed, voluntary conversion period from 19 May**
- **Hold confirmed**

Q1 results above expectations thanks to cost cutting

Q1 results were above expectations in terms of EBITDA and net loss, with revenues broadly in line. EBITDA came in at -EUR46m and net loss at EUR54m (better than we expected), showing an improvement on Q1 2013 despite the weak top-line evolution, mainly thanks to cost cutting.

Advertising and circulation remain weak in Italy

Q1 results highlighted the weak performance of Media Italy, which posted revenue of EUR123m (-9.1% YOY) due to: 1) the disposal of magazines; 2) the decline in advertising (-14% YOY) and circulation revenue, partially offset by growth in the digital segment. Advertising revenue in Spain totalled EUR31m (-4% YOY), benefiting from the positive performance of on-line media, (25.3% of total net advertising revenue).

Guidance confirmed, voluntary conversion period from 19 May

Advertising revenue is forecast to increase in Q2 due to the positive effect of: 1) two special initiatives, Il Corriere della Sera and La Gazzetta, which will be distributed for free to 20m households in Italy in May and June respectively; 2) the football World Cup; and 3) the increase in digital advertising revenue. EBITDA before non-recurring expense is expected to grow, with the goal of tripling the 2013 result to EUR80-85m, mainly thanks to the acceleration of the efficiency plan implemented in 2013, confirming previous guidance. The period for voluntary conversion of class A and class B saving shares into RCS ordinary shares starts on 19 May and ends on 6 June.

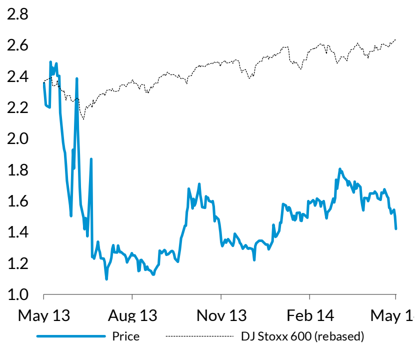
Hold confirmed

We maintain our 2014-15 EPS unchanged (in line with guidance). We also confirm our target price of EUR1.55 and Hold rating, as the stock is fairly valued, trading at 8x EV/EBITDA FY 2015E, in line with Italian peers. Although the speculative appeal is still there, the top-line evolution remains uncertain, while we believe that some of RCS's shareholders, which were previously involved in the syndicate pact (dissolved last October), might decide to further decrease or exit from the investment in order to focus more on the core business, putting some pressure on the stock short-term.

Front page

Reuters RCSM.MI
Bloomberg RCS IM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	649
Free float	21%
No. of shares outstanding (m)	463
Avg. daily trading volume('000)	3,322
YTD abs performance	7.6%
52-week high (EUR)	2.49
52-week low (EUR)	1.10



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	1,393.3	1,449.0	1,492.5
EBITDA adj (m)	84.5	149.5	158.8
EBIT adj (m)	11.9	83.5	96.7
Net profit adj (m)	-14.6	38.4	44.6
Net fin. debt (m)	457.1	403.9	366.2
FCF (m)	-24.4	53.2	45.3
EPS adj. and fully dil.	-0.03	0.08	0.09
Consensus EPS	-0.06	0.07	0.08
Net dividend	0.00	0.01	0.01

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	na	17.1	14.7
EV/EBITDA (x)	14.8	8.0	7.3
EV/EBIT (x)	na	14.4	12.0
FCF yield	-3.8%	8.2%	7.3%
Dividend yield	0.0%	0.7%	0.8%
Net debt/EBITDA (x)	8.6	4.5	4.0
Gearing	99.3%	81.0%	68.0%
ROIC	na	na	na
EV/IC (x)	na	na	na

15 May 2014
Company update

Rexel

France | Capital goods

Reduce (Reduce)

Target price
EUR 19.00

Current price
EUR 17.90

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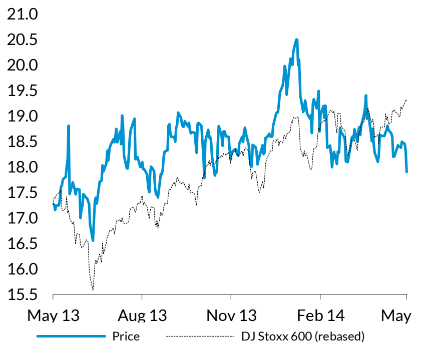
Limited downside, but lack of momentum

- **Feedback from roadshow with management in London**
- **Lack of momentum in North America**
- **Improving situation in Europe**
- **We keep our TP at EUR19**

Front page

Reuters RXL.PA
Bloomberg RXL FP
Index DJ Stoxx 600

Market data	
Market cap (EURm)	5,071
Free float	91%
No. of shares outstanding (m)	283
Avg. daily trading volume('000)	606
YTD abs performance	-6.2%
52-week high (EUR)	20.51
52-week low (EUR)	16.55



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	12,926.3	13,506.4	14,221.3
EBITDA adj (m)	772.7	852.1	952.8
EBIT adj (m)	694.7	772.1	869.6
Net profit adj (m)	355.5	418.5	493.8
Net fin. debt (m)	2,027.0	1,872.0	1,669.1
FCF (m)	358.3	356.7	418.5
EPS adj. and fully dil.	1.25	1.48	1.74
Consensus EPS	1.29	1.45	1.60
Net dividend	0.69	0.74	0.78

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	14.3	12.1	10.3
EV/EBITDA (x)	9.1	8.1	7.0
EV/EBIT (x)	10.1	8.9	7.7
FCF yield	7.1%	7.0%	8.3%
Dividend yield	3.9%	4.1%	4.4%
Net debt/EBITDA (x)	2.8	2.4	1.9
Gearing	46.5%	40.9%	34.3%
ROIC	8.4%	9.4%	10.5%
EV/IC (x)	1.2	1.2	1.2

Feedback from roadshow with management in London

We organised over the last two days a roadshow with Rexel's management in London. Investors focused their questions on the group's performance in North America, sometimes seen as disappointing, and the limited deterioration in gross margin (-20bps to 25.0%) seen in Q1. Regarding this last point, management explained that it was largely triggered by its policy to push the business on large projects as in the UK or to a lesser extent in France. At EBITA level, given the lower cost of distribution on these projects (vs. the small size business), it didn't hit the operating margin.

Lack of momentum in North America

In North America, management highlighted the mix of exposure by end-market to explain the lack of momentum we have seen in this region for a few months. With only 5% of its business generated in the Resi segment (Commercial: 55% - Industry: 40%), Rexel has marginally benefitted from the recovery of this market in the US, while the commercial segment is still flattish. On the top of that, Canada (25% of the region's sales, with higher margins than in the US) continues to suffer from the exposure to mining. North America will concentrate the bulk of the restructurings made by Rexel this year (in the range of EUR50m), and management indicated that the extra logistics costs arising from the reorganisation of the operations in the US (with in particular a reduction in the number of distribution centres), which weighed 60bps on the margin in Q1, might continue in Q2-Q3.

Improving situation in Europe

The situation is improving in Europe (Q1: +1.6% organic). No new information was provided by management about Europe in the roadshow,

We keep our TP at EUR19

We have cut our estimates by 4% at EPS level to take in account higher-than-expected restructuring costs (EUR50m in 2015-16 instead of EUR15-20m. Limited downside for the share price, but lack of short term momentum.

15 May 2014
Company update

Richemont

Switzerland | Luxury goods & cosmetics

Buy (Buy)

Target price
CHF 110.00

Current price
CHF 87.25

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Dividend, Rupert, outlook offset average result

- **Fiscal-year results a bit light on EPS, margin but sales accelerating**
- **Dividend of CHF1.40 proposed, +40% YOY, cash flow strong**
- **April +6% constant currency (+8% ex-Japan)**
- **Overall quality result, case intact, reiterate Buy**

Richemont fiscal-year 2014 results

EURm	FY 2014A	FY 2013	change	cons FY14	FY 2014 KCE
Sales	10,649	10,150	4.9%	10,565	10,573
EBIT	2,419	2,426	-0.3%	2,443	2,446
Net profit	2,067	2,005	3.1%	2,096	2,088
EPS	3.68	3.58	2.8%	3.78	3.73

Source: Kepler Cheuvreux

Results a shade light on Montblanc, others margin pressure

Richemont's EPS results came in a shade light of expectations (EUR3.68 vs EUR3.78 consensus), as margin weakness at Montblanc and others businesses offset slightly better-than-expected sales. Overall, we were impressed with the quality of the result, given decent margin development at its biggest jewellery and specialist watch divisions. Richemont said constant currency sales in April were 6% higher than a year ago and 8% higher excluding Japan (amid VAT rise).

Strong cash flow statement, jump in dividend

Net cash flow generated from operating activities at EUR2.5bn was better than we anticipated (EUR2.2bn), amid solid work on working capital. The company proposed a CHF1.40 dividend, +40%, and better than expected.

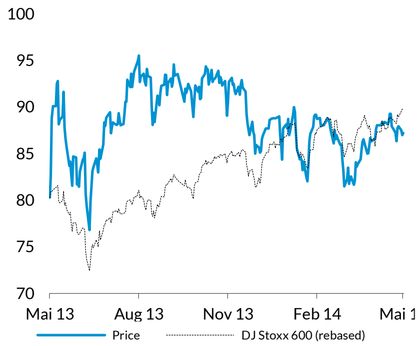
Rupert to return, case intact, reiterate Buy

Richemont said controlling shareholder Johann Rupert will return from his sabbatical as chairman starting at the AGM on 17 September with no end date disclosed. Overall, sales appeared to have accelerated in Q4 (with Asia appearing to accelerate to 9% in Q4, the highest level since H1 fiscal-year 2013), which is a positive. We presume that estimates can more or less hold, despite there being plenty of jitters before the release, given the fragile situation in Chinese Asia. We reiterate our Buy rating and its position on our European Selected List as our top pick in the luxury space. 09:00 CET call on +41 58 310 5000.

Front page

Reuters CFR.VX
Bloomberg CFR VX
Index DJ Stoxx 600

Market data	
Market cap (CHFm)	50,099
Free float	100%
No. of shares outstanding (m)	574
Avg. daily trading volume('000)	1,228
YTD abs performance	-1.7%
52-week high (CHF)	95.55
52-week low (CHF)	76.80



FY to 31/03 (EUR)	2013E	2014E	2015E
Sales (m)	10,573	11,352	12,602
EBITDA adj (m)	2,796	3,138	3,589
EBIT adj (m)	2,446	2,778	3,219
Net profit adj (m)	2,088	2,353	2,717
Net fin. debt (m)	-4,350	-5,745	-7,316
FCF (m)	1,513	1,809	2,078
EPS adj. and fully dil.	3.73	4.20	4.85
Consensus EPS	3.7	4.0	4.5
Net dividend	0.90	1.10	1.22

FY to 31/03 (EUR)	2013E	2014E	2015E
P/E (x) adj and ful. dil.	19.2	17.0	14.7
EV/EBITDA (x)	13.0	11.1	9.3
EV/EBIT (x)	14.9	12.6	10.4
FCF yield	3.7%	4.4%	5.1%
Dividend yield	1.3%	1.5%	1.7%
Net debt/EBITDA (x)	-1.6	-1.8	-2.0
Gearing	-37.5%	-42.6%	-47.0%
ROIC	31.9%	34.3%	37.0%
EV/IC (x)	5.6	5.0	4.4

15 May 2014
Company update

Salzgitter

Germany | Metals & mining

Buy (Buy)

Target price
EUR 35.00

Current price
EUR 33.17

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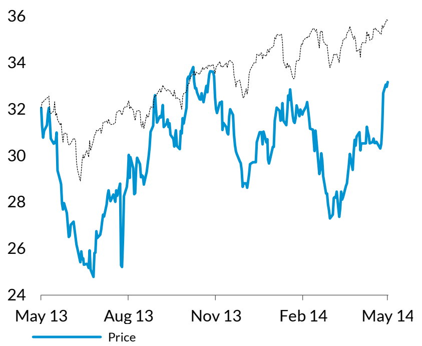
Q1 improvement from operations

- **Q1 EBT of minus EUR8.7m already pre-released**
- **QOQ improvement mainly from operations**
- **Net cash decline to EUR0.1bn due to NWC build**
- **Buy, EUR35 TP; turnaround story intact**

Front page

Reuters SZGG.DE
Bloomberg SZG GR
Index DJ Stoxx 600

Market data	
Market cap (EURm)	1,993
Free float	64%
No. of shares outstanding (m)	60
Avg. daily trading volume('000)	283
YTD abs performance	7.0%
52-week high (EUR)	33.82
52-week low (EUR)	24.78



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	9,881.3	10,027.8	10,077.4
EBITDA adj (m)	442.7	561.6	646.4
EBIT adj (m)	101.7	219.6	304.4
Net profit adj (m)	-10.2	70.5	132.2
Net fin. debt (m)	-50.2	-74.1	-235.5
FCF (m)	2.8	96.9	234.5
EPS adj. and fully dil.	-0.18	1.22	2.29
Consensus EPS	-0.02	2.05	2.79
Net dividend	0.30	0.30	0.30

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	na	27.1	14.5
EV/EBITDA (x)	7.9	6.2	5.1
EV/EBIT (x)	34.3	15.8	10.9
FCF yield	0.1%	4.9%	11.8%
Dividend yield	0.9%	0.9%	0.9%
Net debt/EBITDA (x)	4.3	3.4	2.7
Gearing	-1.6%	-2.3%	-7.1%
ROIC	1.6%	3.4%	4.7%
EV/IC (x)	0.8	0.8	0.7

Q1 EBT pre-released; Q1 FCF below expectation

Salzgitter reported Q1 sales of EUR2.3bn (-6% YOY). Due to consolidation changes, the figure was not comparable with the preceding quarter. As pre-released, EBT rebounded from -EUR60.1m in Q4 to -EUR8.7m. As a negative point, Q1 FCF was negative at –EUR0.3bn below our breakeven estimate due to a significantly higher NWC build-up (~EUR250m). Net cash declined to EUR104m, partially due to consolidation changes.

Q1 improvement mainly from operations

Q1 was by far less impacted by positive valuation effects related to the 25% holding in Aurubis. EBT at Strip Steel (-EUR2.2m vs. –EUR22.0m est.), Energy (-EUR12.3m vs. –EUR23.1m est.) and Technology (EUR9.2m vs. EUR4.1m est.) was much better than expected. Furthermore, with a breakeven result at PTG and precision tubes, the Salzgitter 2015 restructuring programme is showing the first significant effects.

FY guidance confirmed

The full-year guidance was confirmed with group sales of close to EUR10bn, a significant improvement in EBT results approximating breakeven and a moderately positive ROCE in 2014. Within the business units, SZG has significantly raised its guidance for Technology, while moderately lowering the outlook for Trading.

Buy, EUR35 TP; restructuring story on track

Salzgitter remains a key restructuring story within our EU steel coverage universe. Q1 results confirm that the turnaround case is on track. We expect further positive momentum in Q2, with the return of the LD-pipe/MGB business towards breakeven. Cost savings of over EUR200m in the next three years will be the key driver for earnings growth. The award of 60% of the pipe volumes for the first string of the South Stream pipeline project in January is a major catalyst to get the tubes division back towards breakeven, on which the market remained sceptical. We stick to our Buy rating and EUR35 TP.

15 May 2014
Target price change

Saras

Italy | Oil & gas

Reduce (Reduce)

Target price
EUR 1.00

Current price
EUR 1.20

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Poor Q1, weak start to Q2: estimates and TP cut

- **Poor Q1 figures (in line) penalised by Refining**
- **Margins still weak in Q2TD (EMC: -USD0.5/bl)**
- **We cut 2014-15 EBITDA by 8/9%. We are 20% below consensus**
- **Unattractive fundamentals. Reduce, TP down to EUR1 (vs. 1.05)**

SARAS – FY 2014-15 estimates revision

EURm	2014E			2015E		
	New	Old	chg	New	Old	chg
EBITDA adj.	179	197	-9%	204	221	-8%
EBIT adj.	(14)	4	n.m.	11	28	n.m.
Net income adj.	(27)	(16)	n.m.	(11)	1	n.m.

Source: Kepler Cheuvreux

Poor Q1 figures (in line), penalised by Refining

Q1 14 results were overall aligned to estimates. EBITDA adj.: EUR7m, in line with our estimate (EUR6m) and 85% below the EUR48m of Q1-13. EBIT adj.: -EUR41m vs. our -EUR43m estimate. Net Loss adj.: -EUR40m, worse than our –EUR33m estimate and the –EUR11m of Q1-13. By division: Refining was a drag with a EUR51m EBITDA loss (our est.: -EUR50m), penalised by EMC benchmark at -USD1.9/bl (vs. +USD0.2/bl in Q1-13). Saras's premium above EMC margin was USD2.4/bl, declining sequentially vs. the very strong +USD5.1/bl posted in Q4-13. Power was slightly better, with a EUR52m EBITDA vs. our EUR48m estimate. Poor Marketing with a EUR1m EBITDA loss (our est.: +EUR1m), still penalised by oil products consumption decline in Italy and Spain.

Margins still weak in Q2TD (EMC: -USD0.5/bl)

The outlook for refining is not improving. EMC Q2 TD was –USD0.5/bl and the company expects the continuation of weak outlook. We flag that H2-14 will be also penalized by maintenance (USD80/90m vs. USD39m in 2013).

We cut 2014-15 EBITDA by 8/9%. We are 20% below consensus

We are incorporating a lower EMC in 2014-15 (zero/+USD0.2/bl from previous +USD0.2/0.5/bl), weaker USD/EUR and weaker Marketing, partly offset by better Power. Overall, we are cutting our FY 14-15 EBITDA by 8/9%. We stand 14/27% below EBITDA consensus.

Unattractive fundamentals. Reduce, TP down to EUR1 (vs. 1.05)

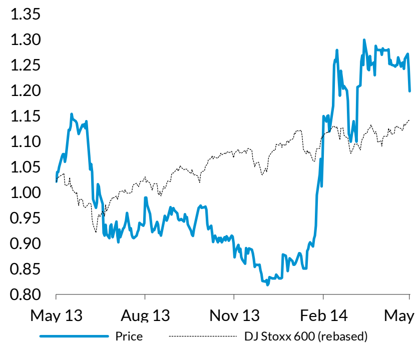
We confirm our cautious view, as we expect fundamentals to remain under pressure, partly offset by some speculative support (Rosneft). Lower estimates drove a cut of our SOP-based TP to EUR1 (vs EUR1.05).

Front page

Reuters SRS.MI
Bloomberg SRS IM
Index DJ Stoxx 600

Market data

Market cap (EURm)	1,140
Free float	29%
No. of shares outstanding (m)	951
Avg. daily trading volume('000)	2,898
YTD abs performance	44.3%
52-week high (EUR)	1.30
52-week low (EUR)	0.82



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	11,104.5	11,239.4	11,576.6
EBITDA adj (m)	179.4	203.8	205.9
EBIT adj (m)	-13.8	10.5	8.7
Net profit adj (m)	-26.7	-10.6	-10.0
Net fin. debt (m)	294.3	259.2	255.7
FCF (m)	-286.2	35.1	3.5
EPS adj. and fully dil.	-0.03	-0.01	-0.01
Consensus EPS	-0.03	0.01	0.04
Net dividend	0.00	0.00	0.00

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	na	na	na
EV/EBITDA (x)	8.1	7.0	6.9
EV/EBIT (x)	na	na	na
FCF yield	-25.1%	3.1%	0.3%
Dividend yield	0.0%	0.0%	0.0%
Net debt/EBITDA (x)	1.8	1.4	1.4
Gearing	32.7%	29.2%	29.1%
ROIC	-1.2%	0.7%	0.6%
EV/IC (x)	1.6	1.6	1.6

15 May 2014
Earnings review

Terna

Italy | Utilities

Hold (Hold)

Target price
EUR 4.00

Current price
EUR 3.98

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Good Q1 results, despite lower return on RAB

- **Growing operating performance (we expected stable)**
- **Stable net debt (in line)**
- **Strategy confirmed by new designated CEO**
- **EUR4 TP and Hold rating confirmed**

Quarterly results (EURm)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	YOY	QOQ	Q1 2014E	Act/Est
Revenues	470	449	482	495	478	1.7%	-3.4%	472	1.3%
EBITDA	381	351	401	348	390	2.4%	12.0%	382	2.1%
Margin	81.1%	78.2%	83.1%	70.4%	81.6%			80.9%	
EBIT	275	244	292	227	277	0.8%	22.0%	272	1.9%
Margin	58.5%	54.3%	60.6%	45.9%	58.0%			57.6%	
Net profit	142	122	148	102	145	2.3%	41.8%	141	3.0%
Net Debt	5,924	6,575	6,340	6,625	6,629	11.9%	0.1%	6,639	-0.2%

Source: Kepler Cheuvreux

Good Q1 results

Terna released Q1 operating results slightly ahead of our expectations. Q1 revenues came in at EUR478m, up 1.7% YOY, while we expected stable revenues despite the decrease in regulated return from 7.4% to 6.3% after the interim review. The difference versus our expectations came from the non-traditional activities. EBITDA came out at EUR390m, which represents 27% of our yearly estimate. The EBITDA margin stood at 81.6%, above our 80.9% estimate. Net profit came in at EUR145m, up only 2.3% YOY, mainly due to higher financial charges versus Q1 2013 (EUR31m in Q1 2014 vs. the extraordinarily low EUR18m in Q1 2013) and despite the lower tax rate (41% in Q1 2014 vs. 45% in Q1 2014) thanks to the lower "Robin Hood" tax rate (from 10.5% to 6.5%). Net debt at the end of March stood at EUR6.6bn, stable QOQ, in line with our estimates, after EUR164m of quarterly capex and the (seasonal) negative working capital variation.

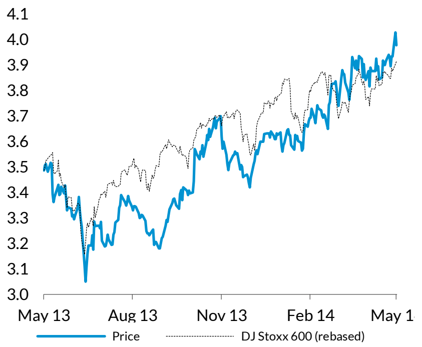
EUR4 TP and Hold rating confirmed

We confirm our estimates (aligned with the plan) and EUR4 TP on Terna. The new designated CEO, Del Fante, confirmed the current strategy, both in regulated and non-traditional activities, during yesterday's conference call, and we believe that this is positive news. The company is working on non-traditional activities, building its pipeline in LatAm (photovoltaic and grids) as well as Greece (expression of interest in the privatisation of the grid), while continuing to be committed to the Italian grids.

Front page

Reuters TRN.MI
Bloomberg TRN IM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	7,996
Free float	70%
No. of shares outstanding (m)	2,010
Avg. daily trading volume('000)	7,816
YTD abs performance	9.5%
52-week high (EUR)	4.03
52-week low (EUR)	3.05



FY to 31/12 (EUR)	2013	2014E	2015E
Sales (m)	1,896	1,873	1,951
EBITDA adj (m)	1,481	1,460	1,522
EBIT adj (m)	1,037	1,006	1,045
Net profit adj (m)	513	502	515
Net fin. debt (m)	6,625	7,073	7,335
FCF (m)	-345	-45	140
EPS adj. and fully dil.	0.26	0.25	0.26
Consensus EPS	0.3	0.3	0.3
Net dividend	0.20	0.20	0.20

FY to 31/12 (EUR)	2013	2014E	2015E
P/E (x) adj and ful. dil.	13.1	15.9	15.5
EV/EBITDA (x)	9.0	10.4	10.1
EV/EBIT (x)	12.9	15.0	14.7
FCF yield	-5.1%	-0.6%	1.8%
Dividend yield	6.0%	5.0%	5.0%
Net debt/EBITDA (x)	4.6	4.9	4.9
Gearing	226.6%	233.8%	233.7%
ROIC	6.1%	5.9%	5.8%
EV/IC (x)	1.4	1.5	1.4

15 May 2014
Earnings review

Kepler Cheuvreux

Tod's Group

Italy | Luxury goods & cosmetics

Reduce (Reduce)

Target price
EUR 95.00

Current price
EUR 100.90

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Slightly lower Q1, worsening SSSG in Q2

- **Slightly lower than expected Q1 due to margins**
- **SSSG worsening to -6.7% YTD 19 weeks vs. -5.4% 10 weeks**
- **Our estimates and consensus might still be slightly high**
- **A tough Q2 ahead, improvements expected in H2, low visibility**

Q1 14 results

(EUR m)	Q1-13	Q1-14E	YOY	Q1-14E	Act/Est
Sales	254	254	0.1%	248	2.1%
EBITDA	64	57	-10.7%	58	-2.7%
Margin (%)	25.1%	22.4%		23.5%	
EBIT	53	46	-13.2%	47	-1.8%
Margin (%)	21.1%	18.2%		19.0%	

Source: Kepler Cheuvreux

Slightly lower than expected Q1 due to margins

Q1 sales were flat compared to our 2% expected decline, but were offset by lower margins, partly due to different timing of advertising costs (80bps impact). Tod's brand was flat in Q1, with Hogan and Fay still down 6-7% and Roger Vivier up 20%. Net cash decline sharply compared to year-end, from EUR181m to EUR145m. Cash generation over the last 12 months was EUR96m, when factoring in dividend payment.

SSSG worsening to -6.7% YTD 19 weeks vs. -5.4% 10 weeks

The current trading worsened in April and the beginning of May in terms of retail sales, while the company is anticipating a slightly less negative trend of the wholesale business for the S/S collection.

Our estimates and consensus might still be slightly high

Even if the company does not provide guidance for the year, it stated that 2014 sales expectations of +3.3% are feasible and maybe cautious (we have +3.6%), while a margin forecast of 23.7-23.8% is challenging (we are at 24.1%) as, in order to remain flat, margin sales would have to grow by 5-7% (it was 5% before). All in all these statements, combined with the worsening SSSG sales trend, lead us to believe that our forecasts might have a slight (albeit not massive) downside risk.

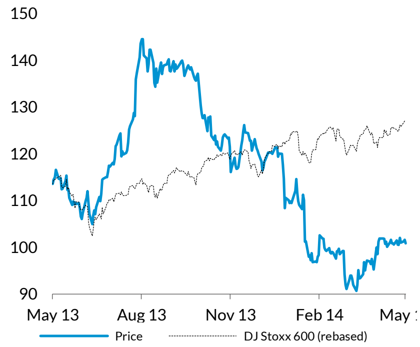
A tough Q2 ahead, improvements expected in H2, low visibility

Q1 is weaker than expected but consensus is now more aligned with Tod's view (although a better H2 is factored in this assumption) and Q2 should be the last very negative quarter. As such, despite negative figures, we do not change our forecasts and TP, although we continue to believe that the stock is not appealing at the current price (over 20x P&E 2014/15).

Front page

Reuters TOD.MI
Bloomberg TOD IM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	3,090
Free float	40%
No. of shares outstanding (m)	31
Avg. daily trading volume('000)	140
YTD abs performance	-16.9%
52-week high (EUR)	144.60
52-week low (EUR)	90.70



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	1,002.5	1,053.4	1,111.3
EBITDA adj (m)	241.6	258.1	274.5
EBIT adj (m)	197.2	210.7	223.1
Net profit adj (m)	138.1	151.1	159.8
Net fin. debt (m)	-193.0	-227.0	-247.2
FCF (m)	94.6	116.6	112.1
EPS adj. and fully dil.	4.51	4.93	5.22
Consensus EPS	4.50	5.01	5.53
Net dividend	2.70	3.00	3.20

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	22.4	20.5	19.3
EV/EBITDA (x)	12.1	11.2	10.4
EV/EBIT (x)	14.8	13.7	12.8
FCF yield	3.1%	3.8%	3.6%
Dividend yield	2.7%	3.0%	3.2%
Net debt/EBITDA (x)	-0.8	-0.8	-0.9
Gearing	-22.5	-24.5%	-24.8%

15 May 2014
Earnings review

Trevi Group

Italy | Capital goods

Hold (Hold)

Target price **EUR 7.90**

Current price EUR 8.14

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Net debt burdened by NWC, guidance in line

- **Weak Q1, EBITDA and net profit below expectations**
- **Higher debt, driven by NWC absorption. Backlog recovery**
- **FY 2014 guidance: a flattish year in sight, in line with estimates**
- **Estimate fine tuning post conf. call 16:00 CET. Hold, TP EUR7.9**

TREVI GROUP – Q1 2014 results review

	Q1 14A	Q1 14E	Q1 13 restated (IFRS10/11/12)	Q1 13 reported	YOY on restated	A vs E
Revenues	265.7	311.6	308.5	299.7	-14%	-15%
EBITDA adj	31.1	33.0	38.7	32.7	-20%	-6%
Margin		10.6%	12.5%	10.9%		
EBIT	17.0	16.2	23.1	17.4	-26%	5%
Margin		5.2%	7.5%	5.8%		
Net profit	-0.3	3.0	3.3	2.7	n.m.	n.m.
Net debt	574	500	445	467	23%	15%

Source: Trevi Group, Kepler Cheuvreux

Weak Q1, EBITDA and net profit below expectations

Penalised by declining order backlog at YE 13 (-19% YOY to EUR877, down notably at Drillmec), Trevi posted a weak Q1: revenues -14%, EBITDA -20% vs. Q1 13 figures restated for IFRS 10/11/12 and a small net loss. Overall P&L was below our expectations.

Higher debt, driven by NWC absorption. Backlog recovery

At EUR573m (4.2x LTM EBITDA), Net debt was up 23% YOY and well above both our EUR500m estimate and EUR443m at YE 2013, driven by working capital absorption. On the positive side, after strong intake announced in Q1 13, backlog recovered to EUR1.09bn, which we expect to drive acceleration, particularly as of H2 14.

FY 2014 guidance: a flattish year in sight, in line with estimates

The company provided guidance for EUR1.3bn revenues and EUR80m EBIT in FY 2014: a flat year in sight, with a decline in H1 followed by recovery in H2. While we are aligned (EUR1.28bn revenues, EUR76m EBIT), this might disappoint consensus (EUR91m EBIT in FY 2014).

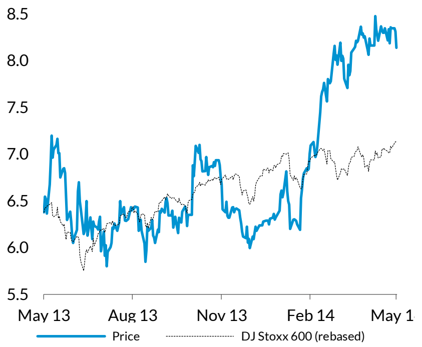
Estimate fine tuning post conf. call 16:00 CET. Hold, TP EUR7.9

We are going to fine tune our estimates post conference call today at 16:00 CET. While we felt comfortable with our P&L estimates, we might slightly worsen our Net Debt, as our EUR408m estimate YE 14 compares with guidance of flat debt (EUR443m). While the outlook in reference markets is gradually improving and Trevi's positioning is good, we see the stock fairly priced (no room for consensus upgrade, rich multiples, low FCF).

Front page

Reuters TFI.MI
Bloomberg TFI IM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	571
Free float	51%
No. of shares outstanding (m)	70
Avg. daily trading volume('000)	109
YTD abs performance	29.4%
52-week high (EUR)	8.48
52-week low (EUR)	5.80



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	1,283.3	1,359.1	1,440.7
EBITDA adj (m)	143.3	156.0	170.0
EBIT adj (m)	76.1	84.9	97.7
Net profit adj (m)	15.9	22.2	28.0
Net fin. debt (m)	408.4	405.4	405.8
FCF (m)	18.4	20.0	14.1
EPS adj. and fully dil.	0.23	0.32	0.40
Consensus EPS	0.41	0.56	0.75
Net dividend	0.13	0.16	0.18

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	36.0	25.7	20.4
EV/EBITDA (x)	7.5	6.9	6.5
EV/EBIT (x)	14.1	12.8	1.4
FCF yield	3.2%	3.5%	2.9%
Dividend yield	1.6%	2.0%	2.2%
Net debt/EBITDA (x)	3.0	2.7	2.5
Gearing	86.2%	81.4%	77.1%
ROIC	5.6%	6.2%	6.9%
EV/IC (x)	1.3	1.3	na

15 May 2014
Company update

Tubacex

Spain | Metals & mining

Buy (Buy)

Target price
EUR 3.90

Current price
EUR 3.44

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Q1 numbers better than expected

- **Q1 numbers were a bit better than expected at the EBITDA level**
- **WC and net debt also improve**
- **LT story makes sense**
- **Buy rating**

Q1 numbers slightly better than expected at the EBITDA level

Tubacex published Q1 numbers that are slightly better than expected at the EBITDA level. Sales reached EUR140.3m (-3.6% YOY), EBITDA was EUR16.5m (+15.1% YOY) and EBITDA margin hit 11.8%, versus 9.9% in Q1 2013, thanks to the improvement in the product portfolio, a higher weight of projects, and cost control. The fall in sales is explained by the QOQ fall in nickel prices (-15%), but it should be corrected throughout the year (nickel prices are up 45% YTD, which is good for sales and EBITDA). Consensus was expecting sales of EUR143m, EBITDA of EUR15.5m (+10% YOY) with EBITDA margin of 10.8% versus 9.9% in Q1 2013. We were expecting EBITDA of EUR16m and EBITDA margin of 11% in Q1.

WC and net debt also improve

WC and net debt also improved despite Q1 seasonality (Q1 & Q2 strongest). Net debt was EUR176.7m versus EUR195m in December 2013. In volumes, the mix was a clear earnings driver. In the projects market, Tubacex is starting to get new orders in OCTGs, and the company is on track to deliver 5,500 tonnes in full-year 2014, excluding the potential reactivation of Petrobras auctions in H2 2014 (Vallourec, Tubacex partner, is quite optimistic on this front). In umbilical, it is on track to deliver 700-800t in 2014. In the distribution market (50% of total volumes), restocking is starting now (as of March), given the nickel price rally. This is positive for Q2 partly offsetting the negative calendar (Easter break).

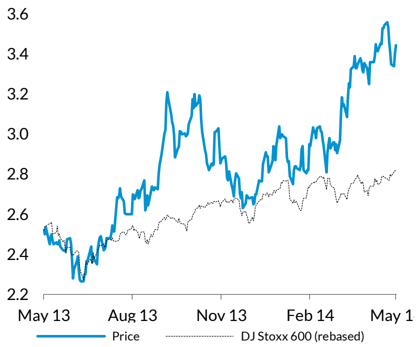
Long-term story makes sense. Buy

As a reminder, the long-term equity story is based on achieving higher margins and returns (15% EBITDA margin/ROCE), as the company is increasing its exposure to value-added products (umbilical and OCTGs for the energy business have 2-3x the company's average EBITDA margin), representing 50% of total sales, while keeping a reasonable financial position (2-3x net debt EBITDA), after having invested EUR155m since 2008 in upgrading industrial facilities. We reiterate our Buy rating.

Front page

Reuters TUB.MC
Bloomberg TUB SM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	458
Free float	67%
No. of shares outstanding (m)	133
Avg. daily trading volume('000)	498
YTD abs performance	19.2%
52-week high (EUR)	3.56
52-week low (EUR)	2.27



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	600.4	650.0	693.7
EBITDA adj (m)	68.2	83.7	98.2
EBIT adj (m)	45.1	61.2	77.8
Net profit adj (m)	30.4	40.3	53.7
Net fin. debt (m)	165.4	139.0	102.5
FCF (m)	35.3	38.5	52.7
EPS adj. and fully dil.	0.23	0.30	0.40
Consensus EPS	0.20	0.29	0.40
Net dividend	0.05	0.09	0.12

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	15.1	11.4	8.5
EV/EBITDA (x)	9.1	7.1	5.7
EV/EBIT (x)	13.8	9.8	7.2
FCF yield	7.7%	8.4%	11.5%
Dividend yield	1.3%	2.7%	3.5%
Net debt/EBITDA (x)	2.4	1.7	1.0
Gearing	57.5%	50.4%	39.4%
ROIC	6.4%	8.8%	11.5%
EV/IC (x)	1.3	1.2	1.2

15 May 2014
Earnings review

Vivendi

France | Media

Buy (Buy)

Target price
EUR 23.00

Current price
EUR 18.93

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Q1 earnings: first read

- **EBITA slightly above our forecast, but below consensus**
- **UMG better than expected, Canal margins slip 100bp YOY**
- **EPS up 20% as interest costs fall sharply on SFR deconsolidation**
- **No full-year guidance, only for return to growth and net cash**

EBITA slightly above our forecast, but below consensus

Q1 recurrent EBITA came in at EUR268m, down 11% YOY, slightly ahead of our forecast of EUR259m, but below consensus (EUR287m).

UMG better than expected, Canal margins slip 100bp YOY

Compared with our forecast, profitability at UMG (EUR56m EBITA) was higher than expected (EUR40m) in a seasonally light quarter thanks to a sharp fall in restructuring costs (down EUR21m YOY). Excluding the disposal of Parlophone, Vivendi says that UMG EBIOTA was up by 72% YOY at constant currency. GVT was in line and revenues are still growing by 12.6% constant currency. Canal Plus profitability (EUR175m EBITA) though was lower than forecast (EUR185m KC, EUR188m consensus). Canal Plus' margins are down 100bp YOY, reflecting perhaps growing pressure in terms of content costs in domestic pay-TV, though Vivendi says there was an unfavourable calendar effect (one extra league game, though this already seemed to be the case in Q1 2013 and Studio Canal (where revenues were up by 33%, seemed to benefit from positive phasing). Revenue declines in domestic pay-TV accelerated from -1% in 2013 to -2.5% in Q1 2014, mainly due to the increase in VAT.

EPS up 20% as interest costs fall sharply on SFR deconsolidation

With SFR deconsolidated (meaning the 11% decline in EBITA and interest costs associated with its debt are in discontinued activities) adjusted EPS actually rose by 18% YOY, above our forecast flat (pro-forma).

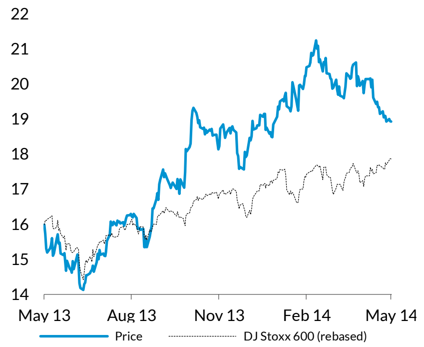
No full-year guidance, only for return to growth and net cash

There is no earnings guidance beyond being poised for a return to growth in the future and guiding for EUR5bn net cash balance post the completion of the SFR sale, of which EUR3.5bn is to be returned to investors in the form of buybacks or dividends (the proportion is yet to be decided). This 20% total return (including the EUR1 dividend to be paid in 2014), though appealing, will not be enough to drive the share price higher short-term in our view. For that to happen, the market needs to be comfortable with the M&A strategy and we may have to wait until the AGM (25 June) for the new CEO to be forthcoming on that. More after the call (09.30 CET).

Front page

Reuters VIV.PA
Bloomberg VIV FP
Index DJ Stoxx 600

Market data	
Market cap (EURm)	25,161
Free float	100%
No. of shares outstanding (m)	1,329
Avg. daily trading volume('000)	5,955
YTD abs performance	-1.1%
52-week high (EUR)	21.25
52-week low (EUR)	14.13



FY to 31/12 (EUR)	2013	2014E	2015E
Sales (m)	22,137	21,702	21,772
EBITDA adj (m)	5,025	4,659	4,750
EBIT adj (m)	2,433	2,159	2,254
Net profit adj (m)	1,546	1,246	1,385
Net fin. debt (m)	11,937	4,394	2,934
FCF (m)	1,730	3,260	1,443
EPS adj. and fully dil.	1.16	0.93	1.04
Consensus EPS	1.2	1.0	1.1
Net dividend	0.58	0.46	0.51

FY to 31/12 (EUR)	2013	2014E	2015E
P/E (x) adj and ful. dil.	14.3	20.3	18.3
EV/EBITDA (x)	6.5	5.9	5.4
EV/EBIT (x)	13.4	12.8	11.3
FCF yield	7.3%	12.4%	5.5%
Dividend yield	3.5%	2.5%	2.7%
Net debt/EBITDA (x)	2.4	0.9	0.6
Gearing	62.7%	22.3%	14.3%
ROIC	6.5%	5.8%	7.0%
EV/IC (x)	1.0	1.1	1.1

15 May 2014
Company update

World Duty Free

Italy | General retail

Reduce (Reduce)

Target price EUR 9.50 | Current price EUR 9.45

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Weak Q1, more details on guidance in Q2

- **Poor Q1, even adjusting for Easter impact (-1.6%)**
- **Org. growth of 3.1% vs. 3.8% expected, moving to 4.7% YTD in April**
- **New locations, Spanish renewal and US put pressure on margins**
- **Guidance in July, we stick to our cautious stance on the stock**

Q1 results

(EURm)	Q1 2013	Q1 2014	YOY	Q1 2014E	Act/Est
Sales	398	439	10.2%	450	-2.6%
Gross profit	241	268	11.1%	271	-1.1%
Margin %	60.6%	61.1%		60.2%	
EBITDA	40	35	-11.5%	40	-11.7%
Margin %	10.1%	8.1%		8.9%	
EBIT	18	13	-27.8%	17	-25.7%
Net profit	12	1	-88.0%	5	-73.8%
Net debt	(819)	(1,063)		(1,019)	

Source: Kepler Cheuvreux

Poor Q1 figures, even adjusting for Easter impact (-1.6%)

Q1 was partially affected by the timing of Easter, which had an estimated c. 1.6% impact on organic growth (3% vs. 4% expected, with January-April showing +4.7% performance). Even after adjusting for this, Q1 was weak. We estimate that the missing EUR6m of sales could have had an impact of max EUR2m, while EBITDA was EUR5m short of our forecast. Net profit was at breakeven, also due to higher minorities. M&A contributed 8% (9.3% expected) of the top line, while currencies were negative by 1%. Net debt of EUR1063m was above our forecast, primarily due to working capital (EUR38m in Q1), which we assume will reverse (WDF is in its first Q1 as a standalone company).

Refurbishment of Spanish locations continues, rents up 180bps

The refurbishment of Spanish locations is 52% complete. In addition, WDF started operations in Helsinki and Dusseldorf. Heathrow business was weakening (-3%). The impact of these changes is an improvement of 90bps in the gross margin but a worsening of the EBITDA margin by 80bps, due to higher G&A and rents (+180bps before US retail consolidation).

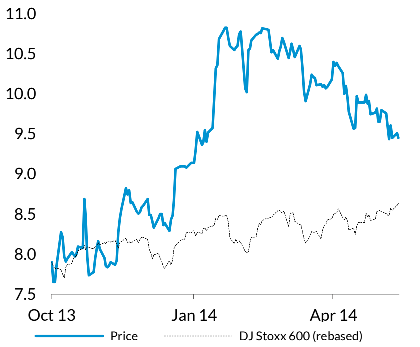
Guidance in July, we stick to our cautious stance on the stock

We feel that our estimates, pointing to a +10% sales increase before M&A and currencies, might be aggressive, while our assumption of a 70-80bps margin dilution looks consistent with Q1 evidence. Pending more details, we keep our estimates unchanged. The stock trades at 10x 2015E EV/EBITDA, compared to 11x for Dufry. We stick to our cautious stance.

Front page

Reuters WDF.MI
Bloomberg WDF IM
Index DJ Stoxx 600

Market data	
Market cap (EURm)	2,404
Free float	50%
No. of shares outstanding (m)	254
Avg. daily trading volume('000)	646
YTD abs performance	3.4%
52-week high (EUR)	10.83
52-week low (EUR)	7.65



FY to 31/12 (EUR)	2014E	2015E	2016E
Sales (m)	2,421.9	2,598.8	2,726.4
EBITDA adj (m)	280.9	305.7	325.9
EBIT adj (m)	179.9	197.7	217.9
Net profit adj (m)	101.5	119.9	136.5
Net fin. debt (m)	876.2	712.7	529.3
FCF (m)	170.5	214.0	239.3
EPS adj. and fully dil.	0.40	0.47	0.54
Consensus EPS	0.39	0.47	0.54
Net dividend	0.12	0.14	0.16

FY to 31/12 (EUR)	2014E	2015E	2016E
P/E (x) adj and ful. dil.	23.7	20.1	17.6
EV/EBITDA (x)	11.4	10.0	9.0
EV/EBIT (x)	17.7	15.5	13.4
FCF yield	6.8%	8.5%	9.5%
Dividend yield	1.3%	1.5%	1.7%
Net debt/EBITDA (x)	3.1	2.3	1.6
Gearing	168.0%	116.4%	74.2%
ROIC	20.3%	21.8%	23.1%
EV/IC (x)	4.7	4.5	4.0

15 May 2014
Earnings review

Zurich Insurance Group

Switzerland | Insurance

Buy (Buy)

Target price **CHF 295.0**

Current price CHF 258.0

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Overall Q1 better than expected

- **Slightly lower GI premiums, flat YOY. Rate increase to +3%**
- **Better combined ratio (93.9%, -1.0% YOY) boosted GI result**
- **Slightly lower life result, while Farmers in line**
- **Much better net profit, also thanks to net gains. Strong capital**

Zurich Q1-14 results

(USDm)	Q1-14	Q1-14E	Q1-13	YOY	FY-14E	FY-13A	YOY	Cons.
General ins. GPW	10,634	11,007	10,686	0%	37,399	36,438	3%	
BOP	1,382	1,316	1,352	2%	4,863	4,682	4%	1,328
- GI BOP	846	772	808	5%	2,890	2,859	1%	811
- Life BOP	319	353	307	4%	1,325	1,272	4%	337
- Farmers BOP	415	405	421	-1%	1,576	1,517	4%	397
Net result	1,273	1,070	1,064	20%	3,980	4,029	-1%	1,059
Combined ratio	93.9%	94.8%	94.9%	-1.0%	94.0%	95.5%	-1.5%	94.5%
Shareholders' equity	34.7	33.9	34.8	0%	33.7	32.5	4%	34.1

Source: Kepler Cheuvreux

Good profitability in GI but premiums are a bit lower

GI premiums were flat YOY, a bit lower than our expectations. However GI BOP result exceeded our estimates (USD846m vs. our USD772m) thanks to a better combined ratio 93.9%, down -1.0%YOY, despite a normal positive contribution from run-off (-1.2%) and cat events (1.9%). GI rates continued to increase, even if at a bit of a lower pace compared to the past year (+3%, o/w +4% in key North America commercial).

Slightly lower life BOP, while Farmers a touch better

Life premiums increased by +5% to USD7.0bn, but life BOP came in at USD319m, slightly lower than expected, mainly due to unfavourable FX which decreases the result by approximately 5%. Farmers premiums continued to decline by -2%, but at a lower pace compared to past quarters. Farmers BOP was a touch better, flattish YOY.

Stronger net profit, also boosted by larger net gains

Overall BOP came in at USD1,382m, better than our and consensus expectations thanks to the GI business. Net profit largely exceeded our result thanks to large net gains (USD326m vs. our USD140m forecast). Capital position very strong, with Z-ECM at 127% above corridor (100-120%).

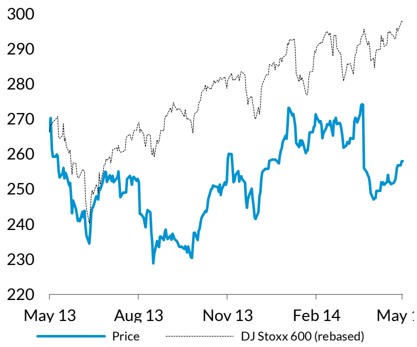
Overall good results although GI premiums flattish

Overall Q1 14 results are good, with an improvement in combined ratio and a resilient GI investment income. However, we are a bit concerned by the flattish GI premiums trend.

Front page

Reuters ZURN.VX
Bloomberg ZURN VX
Index DJ Stoxx 600

Market data	
Market cap (CHFm)	38,413
Free float	100%
No. of shares outstanding (m)	149
Avg. daily trading volume('000)	503
YTD abs performance	-0.2%
52-week high (CHF)	274.30
52-week low (CHF)	228.80



FY to 31/12 (USD)	2014E	2015E	2016E
Total premium (m)	55,641	57,560	59,034
Op. Profit (m)	6,082	6,546	6,801
Net profit adj. (m)	3,980	4,319	4,473
EPS adj.	26.7	29.0	30.0
EPS reported	26.7	29.0	30.0
Consensus EPS	26.9	28.7	28.8
Life NBV	0	0	0
Life APE growth	-5.8%	2.3%	3.1%
CoR insurance (%)	94.0%	93.6%	93.3%
CoR reinsurance (%)	na	na	na
ROE after tax (%)	12.0%	12.5%	12.4%
SH's equity	33,735	35,296	37,012

FY to 31/12 (USD)	2014E	2015E	2016E
P/E (x)	10.8	10.0	9.7
P/Emb. value	1.3	1.2	1.2
P/BV	1.3	1.2	1.2
P/NAV	2.0	1.9	1.8
DPS	19.1	19.1	19.1
Dividend yld (%)	6.6%	6.6%	6.6%
P/NEP	3.4%	3.0%	2.8%
PH adj. lvg	na	na	na
G'will/Equity (%)	4.8%	4.6%	4.3%

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Reduce	21.0%	0.0%
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Total	100.0%	0.0%

Source: Kepler Cheuvreux
A: % of all research recommendations
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Crédit Agricole Cheuvreux Niederlassung Deutschland	Bundesanstalt für Finanzdienstleistungsaufsicht	BaFin
Crédit Agricole Cheuvreux S.A., branch di Milano	Commissione Nazionale per le Società e la Borsa	CONSOB
Crédit Agricole Cheuvreux Amsterdam	Autoriteit Financiële Markten	AFM
Crédit Agricole Cheuvreux Zurich Branch	Swiss Financial Market Supervisory Authority	FINMA
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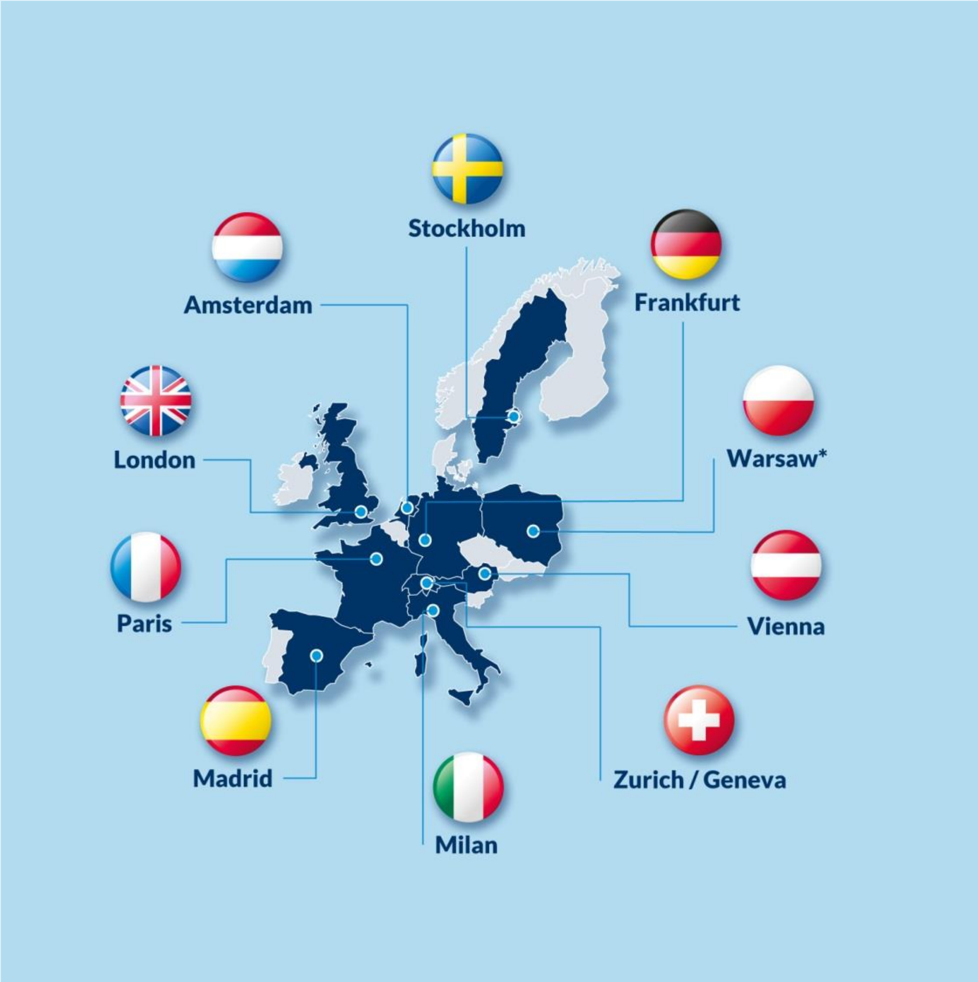

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