Today's top stories

Large caps

Carrefour (Reduce)
Stronger Europe, very disappointing LatAm

Hermès (Reduce)
EBIT up 52.4% in H1; TP raised from EUR110 to EUR115

Sanofi-Aventis (Buy)
Accretive cash bid does not derail case

Sector information: Banks
Earnings revision after German banking tax

Mid caps

Emmi (Buy)
H1 beat; ups margin outlook

Gemalto (Buy)
Good buying opportunity

Maurel & Prom (Buy)
Target price cut from EUR16.4 to EUR12.5

Rentabiliweb (Buy)
H1 strongly beats forecasts; TP lifted from EUR8.8 to EUR10.0

SEB (Buy)
H1 earnings above consensus expectations

Other news

Austria

Raiffeisen International (Reduce)
Q2 earnings miss expectations

France

Aéroports de Paris (Hold)
H1 operating results in line with consensus, beat our estimates

Altran Technologies (Buy)
Good trend expected for H2

Eurazeo (Buy)
Europcar recovering

Ipsen (Buy)
H1 results a tick better, outlook confirmed

MERSEN (Reduce)
Advanced materials division disappoints

Soitec (Buy)
Read-across from Intel's warning

Germany

Bayer (Buy)
EINSTEIN-DVT

Italy

ENI (Buy)
Regulator criticises recent gas decree

Netherlands

AMG (Buy)
Going upstream in antimony

ING Group (Reduce)
EPS update

Spain

Santander (Buy)
Revving up its consumer business

Switzerland

Givaudan (Buy)
Targets 5% average top-line growth; restructuring charge

Meyer Burger (Buy)
Wins eighth YTD wafer equipment order

Nestlé (Buy)
Nutrition chief Laube steps down

Vontobel (Hold)
CEO Scheidt to become chairman

Sector information

Investment strategy information
Swiss long (Sika, Richemont, Helvetia) short (Geberit, Sarasin)

Sector information: Automobiles & parts
No cause for concern

Please refer to the last page of this report for "Important Disclosures" and analyst(s) certifications.

Other news

Sector information

Sector information: Industrial metals & mining
SBB: EU mills to target Q4 HRC price of EUR600?

Sector information: Insurance
French government to tap EUR4.1bn tax on insurance

Roadshow pipeline and current research

Roadshow pipeline

01/09/2010	**Crédit Agricole S.A.**	Amsterdam
01/09/2010	**DEXIA**	Paris
01/09/2010	**Teleperformance**	Paris
01/09/2010	**ALTRAN**	Paris
02/09/2010	**Lonza**	Edinburgh
02/09/2010	**Lindt & Sprüngli**	London
03/09/2010	**Lonza**	Dublin
07/09/2010	**DEMAG CRANES**	London
08/09/2010	**Eurazeo**	Paris
08/09/2010	**BINCK BANK**	Paris

Current published research

26/08/2010	**Suez Environnement:** Short-term negatives but a fundamental Buy	Buy (Buy)
26/08/2010	**Veolia Environnement:** Too early to play an industrial rebound	Reduce (Reduce)
26/08/2010	**TKH Group:** Margin potential makes compelling story	Buy (Buy)
26/08/2010	**Ageas:** Reassuring H1	Buy (Buy)
27/08/2010	**Novartis:** Play hardball: upgrade to Buy	Buy (Reduce)
27/08/2010	**IKB:** Still uninvestable, but a special situation	Reduce (Reduce)
27/08/2010	**Commerzbank:** Eurohypo disposal will not be easy	Hold (Hold)
27/08/2010	**UNIT4:** 20% upside, even without free call option	Buy (Buy)
27/08/2010	**Edenred:** No major short-term appeal	Reduce (Reduce)
27/08/2010	La petite Suisse	

Large caps

Company	Rating	News
+ Aéroports de Paris (France)	Hold (Unchanged)	H1 operating results in line with consensus, beat our estimates
+ Bayer (Germany)	Buy (Unchanged)	EINSTEIN-DVT
— Carrefour (France)	Reduce (Unchanged)	Stronger Europe, very disappointing LatAm
— ENI (Italy)	Buy (Unchanged)	Regulator criticises recent gas decree
+ Hermès (France)	Reduce (Unchanged)	EBIT up 52.4% in H1; TP raised from EUR110 to EUR115
+ ING Group (Netherlands)	Reduce (Unchanged)	EPS update
+ Nestlé (Switzerland)	Buy (Unchanged)	Nutrition chief Laube steps down
— Raiffeisen International (Austria)	Reduce (Unchanged)	Q2 earnings miss expectations
+ Sanofi-Aventis (France)	Buy (Unchanged)	Accretive cash bid does not derail case
+ Santander (Spain)	Buy (Unchanged)	Revving up its consumer business

Mid caps

Company	Rating	News
Altran Technologies (France)	Buy (Unchanged)	Good trend expected for H2
AMG (Netherlands)	Buy (Unchanged)	Going upstream in antimony
Emmi (Switzerland)	Buy (Unchanged)	H1 beat; ups margin outlook
Eurazeo (France)	Buy (Unchanged)	Europcar recovering
Gemalto (France)	Buy (Unchanged)	Good buying opportunity
Givaudan (Switzerland)	Buy (Unchanged)	Targets 5% average top-line growth; restructuring charge
Ipsen (France)	Buy (Unchanged)	H1 results a tick better, outlook confirmed
Maurel & Prom (France)	Buy (Unchanged)	Target price cut from EUR16.4 to EUR12.5
MERSEN (France)	Reduce (Unchanged)	Advanced materials division disappoints
Meyer Burger (Switzerland)	Buy (Unchanged)	Wins eighth YTD wafer equipment order
Rentabiliweb (France)	Buy (Unchanged)	H1 strongly beats forecasts; TP lifted from EUR8.8 to EUR10.0
SEB (France)	Buy (Unchanged)	H1 earnings above consensus expectations
Soitec (France)	Buy (Unchanged)	Read-across from Intel's warning
Vontobel (Switzerland)	Hold (Unchanged)	CEO Scheidt to become chairman

By sector

Alternative energy

+ **Meyer Burger**	Buy (Unchanged)	Wins eighth YTD wafer equipment order

Automobiles & parts

+ **Sector information**	No cause for concern	

Banks

— **Raiffeisen International**	Reduce (Unchanged)	Q2 earnings miss expectations
+ **Santander**	Buy (Unchanged)	Revving up its consumer business
— **Sector information**	Earnings revision after German banking tax	

Chemicals

+ **Givaudan**	Buy (Unchanged)	Targets 5% average top-line growth; restructuring charge

Electronic & electrical equipment

— **MERSEN**	Reduce (Unchanged)	Advanced materials division disappoints

Financial services

+ **Eurazeo**	Buy (Unchanged)	Europcar recovering
+ **Vontobel**	Hold (Unchanged)	CEO Scheidt to become chairman

Food & drug retailers

— **Carrefour**	Reduce (Unchanged)	Stronger Europe, very disappointing LatAm

Food producers

+ **Emmi**	Buy (Unchanged)	H1 beat; ups margin outlook
+ **Nestlé**	Buy (Unchanged)	Nutrition chief Laube steps down

Household goods & home construction

+ **SEB**	Buy (Unchanged)	H1 earnings above consensus expectations

By sector

Industrial metals & mining

Sector information	SBB: EU mills to target Q4 HRC price of EUR600?	

Industrial transportation

Aéroports de Paris	Hold (Unchanged)	H1 operating results in line with consensus, beat our estimates

Insurance

ING Group	Reduce (Unchanged)	EPS update
Sector information	French government to tap EUR4.1bn tax on insurance	

Media

Rentabiliweb	Buy (Unchanged)	H1 strongly beats forecasts; TP lifted from EUR8.8 to EUR10.0

Oil & gas producers

ENI	Buy (Unchanged)	Regulator criticises recent gas decree
Maurel & Prom	Buy (Unchanged)	Target price cut from EUR16.4 to EUR12.5

Personal goods

Hermès	Reduce (Unchanged)	EBIT up 52.4% in H1; TP raised from EUR110 to EUR115

Pharmaceuticals & biotechnology

Bayer	Buy (Unchanged)	EINSTEIN-DVT
Ipsen	Buy (Unchanged)	H1 results a tick better, outlook confirmed
Sanofi-Aventis	Buy (Unchanged)	Accretive cash bid does not derail case

Software & computer services

Altran Technologies	Buy (Unchanged)	Good trend expected for H2

Technology hardware & equipment

Gemalto	Buy (Unchanged)	Good buying opportunity
Soitec	Buy (Unchanged)	Read-across from Intel's warning

By company

Aéroports de Paris

H1 earnings
H1 operating results in line with consensus, beat our estimates

Target
EUR54.00

Hold

Industrial transportation
Large cap
France — **DJ Stoxx 600**

Current price	EUR54.52	**Target price**	EUR54.00
Mkt. cap (m)	EUR5,395	**EV (m)**	EUR7,521
YTD abs. perf.	-3.2%	**YTD rel. perf.**	-2.2%
Reuters	ADP.PA	**Bloomberg**	ADP FP

FY ending: 31/12	**2010E**	**2011E**	**2012E**
Sales (EURm)	2,700	2,824	2,956
EBITDA	878	936	999
EBIT	540	583	628
Pretax profit	434	471	511
Net profit (adj)	293	318	345
EPS (adj)	2.64	2.83	3.07
DPS	1.32	1.42	1.53
PE	20.7	19.3	17.8
EV/sales	2.8	2.7	2.7
EV/EBITDA	8.6	8.3	7.9
EV/EBIT	13.9	13.3	12.5
Net debt/EBITDA	2.9	2.9	2.8
FCF Yield	0.7%	-1.0%	1.0%
Net dividend yield	2.4%	2.6%	2.8%

Facts: Sales are up +2.5% at EUR1318m vs +1.6%e, with the main difference being Retail and services which grew by +4.6%, vs +1% expected.

Analysis: EBIT is down -0.7% at EUR245m (vs -5%e). We had overestimated the depreciation effort at the Aviation division linked to new facilities. Net profit is substantially better : EUR138m vs EUR122m expected. The main difference (putting aside the better EBIT) is the lower financial costs (we underestimated the weight of the variable rate debt which has benefited from the lower rates). Average cost of debt was 3.6%. The group considers that the negative impact of the volcano on the EBITDA was EUR20m, or 4.7%.

Opinion: H1 results are in line with the consensus at the operating level (EBIT at EUR245m, vs EUR244m expected), but slightly better than our forecasts at EUR233m. The group is now expecting a slight growth in EBITDA in 2010 compared to 2009. Since now it was expecting “the same order of magnitude”. We will try to get more details during the analyst meeting of 10AM and will adjust our EBITDA (currently flat and consensus is expecting +2%) accordingly. This, plus the resilience of the business model to external events like the Icelandic volcano (despite this event EBIT was flat versus last year) should be welcome today by investors. Going forward, we believe that the qualities of this business model are well understood by the market which already pays the company generously at 21x PE and 1.4x EV/CE. We thus keep our Hold rating.

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Altran Technologies

Earnings release
Good trend expected for H2

Target
EUR4.50

Buy

Software & computer services
Small & mid cap
France — **DJ Stoxx 600**

Current price	EUR2.91	**Target price**	EUR4.50
Mkt. cap (m)	EUR417	**EV (m)**	EUR620
YTD abs. perf.	-21.9%	**YTD rel. perf.**	-21.0%
Reuters	ALTR.PA	**Bloomberg**	ALT FP

FY ending: 31/12	**2010E**	**2011E**	**2012E**
Sales (EURm)	1,410.0	1,482.0	1,570.0
EBITDA	60.5	92.0	127.0
EBIT	48.0	77.0	110.0
Pretax profit	27.0	62.0	101.0
Net profit (adj)	22.1	42.3	67.6
EPS (adj)	0.17	0.28	0.42
DPS	0.00	0.00	0.00
PE	17.5	10.5	7.0
EV/sales	0.4	0.4	0.3
EV/EBITDA	10.2	6.4	4.3
EV/EBIT	12.9	7.7	4.9
Net debt/EBITDA	3.2	1.8	0.9
FCF Yield	-1.2%	6.6%	12.9%
Net dividend yield	0.0%	0.0%	0.0%

Facts: Altran will release tomorrow morning H1 earnings. We will host a lunch in Paris with management on september 2. The group already commented that H1 operating margin will only be slightly higher than in H1 2009. Note that this comment was not integrating the change of accounting around the CVAT. We are expecting around EUR15m of EBITA in H1 (but EUR20m with the accounting change ie what the market was expecting). Both Brazil and ADL are expected to have weighted significantly (more than EUR5m in our view).

Analysis: Given that the business remains well oriented we expect a significant improvement in H2 which will benefit on the margin side from the sales leverage. H2 margin should be more than twice H1 margin this year. in H1 only June has been a real strong month on the revenue side and the profitability at the end of the second quarter is said to have materially improved from the beginning of the year which bodes well for H2.

Opinion: Our rating and TP are unchanged. The delay in the margin leverage in H1 has been disappointed but the group seems to enter into H2 with a strong dynamic.

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By company

Target
EUR10.00

Buy

AMG

Company update
Going upstream in antimony

Industrial engineering
Small & mid cap
Netherlands **DJ Stoxx 600**

Current price	EUR6.78	**Target price**	EUR10.00
Mkt. cap (m)	EUR182	**EV (m)**	USD268
YTD abs. perf.	-32.4%	**YTD rel. perf.**	-31.6%
Reuters	AMG.AS	**Bloomberg**	AMG NA

FY ending: 31/12	**2010E**	**2011E**	**2012E**
Sales (USDm)	965.3	1,000.0	1,090.0
EBITDA	82.9	94.4	106.6
EBIT	57.9	69.4	84.6
Pretax profit	20.5	40.4	55.5
Net profit (adj)	7.0	24.3	34.8
EPS (adj)	0.26	0.90	1.30
DPS	0.00	0.00	0.00
PE	32.9	9.5	6.6
EV/sales	0.3	0.3	0.2
EV/EBITDA	3.2	2.7	2.0
EV/EBIT	4.6	3.7	2.5
Net debt/EBITDA	1.2	0.9	0.4
FCF Yield	-6.1%	1.4%	-33.7%
Net dividend yield	0.0%	0.0%	0.0%

Facts: AMG announced yesterday it has signed a definitive agreement to acquire significant antimony mining rights and an adjacent antimony metal smelter in Turkey for a total investment of up to USD20m. The strategic rationale of the acquisition is to secure supply of antimony metal used in AMG's antimony trioxide operation for the specialty chemical flame retardant market. AMG is the largest producer of antimony trioxide in Europe, processing over 10,000 tonnes of antimony metal a year. In June, the European Commission identified antimony as one of 14 critical raw materials for the EU.

Analysis: AMG expects the acquisition will contribute substantially to increasing the profitability and cash generation of AMG's antimony trioxide business, as the supply of antimony metal, particularly from China, has become increasingly restricted. The planned captive supply would reduce AMG's dependency on Chinese raw materials acting as a hedge to the escalating raw material costs. Market reference prices for antimony metal raw material are currently over USD8,000 per tonne, up from the USD4,500 average for 2009. We believe the facility could cover 20% of AMG's annual antimony raw material need. According to our estimate, antimony trioxide may have accounted for some 5% of AMG's 2009 revenues.

Opinion: A positive move. We confirm our Buy and EUR10 TP.

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Target
EUR54.00

Buy

Bayer

Press reports
EINSTEIN-DVT

Pharmaceuticals & biotechnology
Large cap
Germany **DJ Stoxx 600**

Current price	EUR47.04	**Target price**	EUR54.00
Mkt. cap (m)	EUR38,895	**EV (m)**	EUR54,864
YTD abs. perf.	-15.9%	**YTD rel. perf.**	-15.0%
Reuters	BAYGn.DE	**Bloomberg**	BAYN GY

FY ending: 31/12	**2010E**	**2011E**	**2012E**
Sales (EURm)	34,695	35,999	37,248
EBITDA	7,042	7,707	8,094
EBIT	4,492	5,195	5,536
Pretax profit	2,927	4,288	4,701
Net profit (adj)	3,444	3,919	4,194
EPS (adj)	4.16	4.74	5.07
DPS	1.45	1.66	1.77
PE	11.3	9.9	9.3
EV/sales	1.6	1.5	1.4
EV/EBITDA	7.8	6.9	6.3
EV/EBIT	12.2	10.2	9.1
Net debt/EBITDA	2.3	1.8	1.5
FCF Yield	5.1%	8.4%	9.1%
Net dividend yield	3.1%	3.5%	3.8%

Facts: Bayer this morning issued more details of the EINSTEIN-DVT trial (Xarelto in prevention of blood clots)

Analysis: The headline results were known already: 1: Non-inferiority vs Lovenox and warfarin in cumulative incidence of recurrent DVT (Deep Vein Thrombosis) and PE (Pulmonary Embolism) and 2: Superiority in Net clinical benefit (The primary endpoint plus major bleeding). The incremental details confirm these, the primary endpoint was met in 2.1% of Xarelto patients vs 3% in control arm while the percentages for the Net Clinical Benefit were 2.9% and 4.2% (HR0.67, 0.47-0.95 confidence interval). Other secondary outcomes did not reach statistical significance although there wasa beneficial trend in mortality (2.2% vs 2.9%).

Opinion: The results confirm the positive data for the VTE treatment. However, we still wait until the presentation in ESC today and the conference call (3pm CET today) to hear the details but for now, the data looks solid.

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By company

Carrefour

Target
EUR38.00

Reduce

H1 earnings
Stronger Europe, very disappointing LatAm

Food & drug retailers
Large cap
France **DJ Stoxx 600**

Current price	EUR36.11	**Target price**	EUR38.00
Mkt. cap (m)	EUR25,454	**EV (m)**	EUR30,922
YTD abs. perf.	7.6%	**YTD rel. perf.**	8.8%
Reuters	CARR.PA	**Bloomberg**	CA FP

FY ending: 31/12	**2010E**	**2011E**	**2012E**
Sales (EURm)	91,094	95,304	99,889
EBITDA	4,994	5,278	5,577
EBIT	3,035	3,234	3,430
Pretax profit	2,464	2,683	2,897
Net profit (adj)	1,963	2,154	2,031
EPS (adj)	2.26	2.49	2.68
DPS	1.13	1.24	1.34
PE	16.0	14.5	13.5
EV/sales	0.3	0.3	0.3
EV/EBITDA	6.2	5.8	5.4
EV/EBIT	10.2	9.5	8.8
Net debt/EBITDA	1.1	0.9	0.7
FCF Yield	5.3%	5.5%	5.3%
Net dividend yield	3.1%	3.4%	3.7%

Facts: Carrefour reported EBITA of EUR1.1bn, +8% (Kepler:EUR1.1bn), in line with the guidance provided in July when reporting Q2 sales. Operating margins were a touch lower in France (+30bp vs +20bp est), significantly more resilient in Europe ex-France (-10bp vs -30bp est.), well below in Latam (-80bp vs. +30bp est.) and quite stronger in Asia (+40bp vs. +20bp est.). The cash performance was rather poor, with cash flow down 6% and a stable YOY net debt of EUR11.3bn.

Analysis: Strong cost-cutting in Europe enabled to limit the damage in Europe ex-France despite a very poor commercial performance in Q2. Hard discount in Dia also helped, as group's global hard discount operations grew EBITA by 43%, confirming the strategic importance of this segment today. This positive surprise in Europe ex-France was offset by an extremely disappointing performance in Latam. In Q2, hypers in Brazil had posted a like-for-like sales decline, and this actually translated into a very negative performance overall in the region. Latam EBITA was down 5% despite sales growth of 35%, translating into an 80bp margin decline at 2.0% (Kepler:3.1% est.). The cash performance was pretty disappointing. Cash flow over a 12 month period was down 6% and net debt was stable end-June YOY. Our model discounts an EUR800m debt reduction end-December 2010 at EUR5.6bn.

Opinion: No comment on the current trading environment, nor on the first metrics of its 2 test stores in hypers in Lyon. Group guides for full-year clean EBITA of EUR3bn (Kepler:EUR3bn).

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Emmi

Target
CHF175.00

Buy

H1 earnings
H1 beat; ups margin outlook

Food producers
Small & mid cap
Switzerland **DJ Stoxx 600**

Current price	CHF160.00	**Target price**	CHF175.00
Mkt. cap (m)	CHF856	**EV (m)**	CHF1,053
YTD abs. perf.	24.5%	**YTD rel. perf.**	25.8%
Reuters	EMMN.S	**Bloomberg**	EMMN SW

FY ending: 31/12	**2010E**	**2011E**	**2012E**
Sales (CHFm)	2,610.4	2,647.4	2,713.9
EBITDA	190.7	195.4	200.3
EBIT	105.7	110.4	115.3
Pretax profit	100.7	102.4	107.3
Net profit (adj)	72.6	79.0	83.1
EPS (adj)	13.56	14.77	15.54
DPS	3.40	3.70	3.90
PE	11.8	10.8	10.3
EV/sales	0.4	0.3	0.3
EV/EBITDA	5.5	4.7	4.1
EV/EBIT	10.0	8.2	7.2
Net debt/EBITDA	0.6	0.2	-0.2
FCF Yield	9.2%	10.4%	11.1%
Net dividend yield	2.1%	2.3%	2.4%

Facts: Emmi H1 sales -0.5% (-0.7% local currency) CHF1,275m (consensus CHF1,265m/Kepler CHF1,253m flat local currency), EBITDA +23% CHF104m (CHF83/CHF86m), EBIT +36% CHF61m (CHF48/38m), net profit +22% CHF40m (CHF31/24m). Outlook: company sees EBIT CHF115-125m (previous CHF103-113m) net profit margin of 3% (previous 2.5-3%). It says forex impact is uncertain but higher milk prices should help in H2 and forecasts H2 flat sales in Switzerland (organic -2%) and +8-10% internationally (+6-8% organic). Efficiency savings of CHF5-10m targeted for 2010.

Analysis: Swiss sales -2.8% (-3.9% organic, -0.5% volume) CHF932m with decline lower than expected and in lower-margin products. International sales +6.5% (organic +9.4%, volumes +7.2%) CHF343m. Gross margin +170bp at 33.1% was the key to the improvement amid efficiency measures and better mix (high margin fresh products +4% in Switzerland at CHF186m) while operating expenses were flat. EBITDA margin +160bp at 8.2%. Operating cash flow CHF96m versus CHF113m year ago as inventories rose by CHF21m.

Opinion: A clear beat with guidance at the EBIT level raised by 11%. We presume consensus and our own estimates will rise by some 10% (consensus EBIT CHF108m, CHF106m). An undervalued defensive food company. Buy. Conference call 09:30 CET: +41 (0)91 610 56 00 (Europe).

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By company

Target
EUR21.00

Buy

ENI

Press reports
Regulator criticises recent gas decree

Oil & gas producers
Large cap
Italy **DJ Stoxx 600**

Current price	EUR15.62	**Target price**	EUR21.00
Mkt. cap (m)	EUR62,564	**EV (m)**	EUR81,234
YTD abs. perf.	-12.2%	**YTD rel. perf.**	-11.3%
Reuters	ENI.MI	**Bloomberg**	ENI IM

FY ending: 31/12	2010E	2011E	2012E
Sales (EURm)	103,836	111,313	116,218
EBITDA	27,342	30,449	32,206
EBIT	17,376	19,789	20,869
Pretax profit	17,170	19,214	20,378
Net profit (adj)	6,657	7,912	8,432
EPS (adj)	1.84	2.18	2.33
DPS	1.00	1.02	1.04
PE	8.5	7.2	6.7
EV/sales	0.8	0.7	0.6
EV/EBITDA	3.0	2.5	2.3
EV/EBIT	4.7	3.9	3.5
Net debt/EBITDA	0.9	0.7	0.5
FCF Yield	5.1%	10.3%	12.5%
Net dividend yield	6.4%	6.5%	6.7%

Facts: Alessandro Ortis, the chairman of AEEG (electricity and gas sector regulator) criticized the final version of the decree approved on 13 August ruling on the gas sector. Ortis' criticism focuses on three main issues: gas market shares, storage capacity and regulator's role.

Analysis: The AEEG's chairman complained about the fact that the part of the approved decree ruling on the gas market shares has excluded from the calculation the self-consumed volumes. According to Mr. Ortis, this would enable ENI to control 65% of t he total consumption in Italy instead of 55% in case self-consumption was included in the computation. Secondly, Ortis stated that ruling on gas storage would be beneficial to big players having directly access to the storage capacity while the benefits for small enterprises and retail consumers would be scarce. Lastly, the content of the decree ruling on the market players' control would weaken the nature of AEEG as an independent body.

Opinion: Recent statements of Mr. Ortis (his mandate expires on 31 December 2010) are in line with his usual criticism on ENI's role in the Italian gas market. We rate ENI with a Buy. Target price of EUR21.

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Target
under review

Buy

Eurazeo

Earnings release
Europcar recovering

Financial services
Small & mid cap
France **DJ Stoxx 600**

Current price	EUR46.99	**Target price**	under review
Mkt. cap (m)	EUR2,725	**EV (m)**	EUR4,338
YTD abs. perf.	1.0%	**YTD rel. perf.**	2.1%
Reuters	EURA.PA	**Bloomberg**	RF FP

FY ending: 31/12	2010E	2011E	2012E
Sales (EURm)	4,000.3	4,146.7	4,293.7
EBITDA	761.5	835.0	907.2
EBIT	561.5	627.7	692.5
Pretax profit	214.3	282.5	349.3
Net profit (adj)	173.0	213.9	254.1
EPS (adj)	2.98	3.68	4.37
DPS	1.52	1.67	1.84
PE	15.8	12.8	10.7
EV/sales	1.1	1.0	1.0
EV/EBITDA	5.7	5.2	4.7
EV/EBIT	7.7	6.9	6.2
Net debt/EBITDA	8.5	7.8	7.1
FCF Yield	3.7%	6.1%	8.7%
Net dividend yield	3.2%	3.6%	3.9%

Facts: Eurazéo'sq sales in H1 have reached EUR1.89bn (+4.5% / +2.7% like-for-like) with a sligth sequential acceleration (Q1: +2.2% - Q2: +3.2%), mainly driven by Europcar (Q1: +1.5% - Q23: +5.9%). EBITA comes out at EUR191m vs EUR168m in H1 09 (KE: EUR184m) led by a strong improvement for Europcar (EUR62m vs EUR43m in H1 09) while the other subsidaries are globally flat at the E3BITA level. Net attribuable is EUr88m (vs EUR-120m in H1 09) after EUR217m of capital gains. the Nat Asset Value comes out at EUR65.6 per share (based on share price at August 25 for listed stakes).

Analysis: Operational earnings are sligthly better than expected. Europcar is doing better and the NAV is kept above EUR65 despite the Market deterioration. The disposal of B&B will give new margin of manoeuvre for Eurazéo. The net cash situation is now EUR725m.

Opinion: We remain buyer on Eurazéo. A discount of 20% on the NAV would give a fair value at EUR53 per share.

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By company

Target
EUR40.00

Buy

Gemalto

Company contact

Good buying opportunity

Technology hardware & equipment
Small & mid cap
France **DJ Stoxx 600**

Current price	EUR27.15	**Target price**	EUR40.00
Mkt. cap (m)	EUR2,390	**EV (m)**	EUR1,984
YTD abs. perf.	-11.0%	**YTD rel. perf.**	-10.0%
Reuters	GTO.PA	**Bloomberg**	GTO FP

FY ending: 31/12	**2010E**	**2011E**	**2012E**
Sales (EURm)	1,851.7	2,086.0	2,264.0
EBITDA	275.0	339.5	381.5
EBIT	200.0	260.5	298.5
Pretax profit	180.7	259.5	308.5
Net profit (adj)	188.0	249.9	290.5
EPS (adj)	2.14	2.82	3.27
DPS	0.40	0.60	0.80
PE	12.7	9.6	8.3
EV/sales	1.1	0.8	0.7
EV/EBITDA	7.2	5.2	4.0
EV/EBIT	9.9	6.7	5.1
Net debt/EBITDA	-1.2	-1.6	-2.0
FCF Yield	8.4%	11.4%	0.0%
Net dividend yield	1.5%	2.2%	2.9%

Facts: We were on a roadshow with the CEO and CFO last Friday in Paris. Management delivered a positive message and seems clearly confident for the coming quarters. Organic growth should accelerate in H2 with huge operational leverage. First, management has good visibility for H2 with: 1) solid backlog in software & services in mobile communications (group should announced large deals in coming months in addition to flagship 4G platform deal at Verizon) and promising outlook for year-end marketing campaign in mature markets; 2) orders rebound in payment (particularly in the UK) and; 3) excellent visibility in identity. The outlook for H2 seems definitely positive. Organic growth should accelerate to +9% in H2 (+7% in Q3, +11% in Q4) with: 1) explosive growth in identity (+25% LFL) with solid demand for government projects and on-line payment solutions and recovery in the enterprise authentication segment; 2) double-digit growth in payment (+10% LFL) thanks to rebound in the UK, new contract ramp-ups (BNP-Paribas-Fortis in Europe, HSBC in Asia) and huge demand for contactless cards around the world; 3) acceleration in mobile (+8% LFL) with explosive software & services sales and steady demand for high-end products in mature markets (e-tablets, smartphones). Full-year, organic growth should reach 7%.

Analysis: Margins should sharply rebound in H2 (13.1% margin, +170bp YOY/+510bp sequentially) with huge recovery in mobile (traditional seasonality, stronger software-related revenue, better mix) and operational leverage in payment. In all, operating margins should reach 10.8% full-year (+50bp) despite the consolidation of Cinterion.

Opinion: Positive outlook, cheap valuation. Buy.

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Target
CHF1,050.00

Buy

Givaudan

Corporate action

Targets 5% average top-line growth; restructuring charge

Chemicals
Small & mid cap
Switzerland **DJ Stoxx 600**

Current price	CHF953.00	**Target price**	CHF1,050.00
Mkt. cap (m)	CHF8,649	**EV (m)**	CHF9,855
YTD abs. perf.	15.3%	**YTD rel. perf.**	16.6%
Reuters	GIVN.S	**Bloomberg**	GIVN VX

FY ending: 31/12	**2010E**	**2011E**	**2012E**
Sales (CHFm)	4,176.9	4,307.7	4,511.6
EBITDA	956.5	991.9	1,042.3
EBIT	634.5	661.9	707.3
Pretax profit	442.3	541.9	587.3
Net profit (adj)	539.4	595.2	639.3
EPS (adj)	60.03	65.35	70.20
DPS	23.00	25.00	27.00
PE	15.9	14.6	13.6
EV/sales	2.4	2.2	2.0
EV/EBITDA	10.3	9.6	8.8
EV/EBIT	15.5	14.4	13.0
Net debt/EBITDA	1.2	0.9	0.5
FCF Yield	5.6%	6.0%	6.6%
Net dividend yield	2.4%	2.6%	2.8%

Facts: Givaudan said it aimed to growth 4.5%-5.5% annually based on assumed market growth of 2-3% annually. In addition the company said it would streamline saving production in UK and Switzerland taking a CHF75m charge (CHF55m cash) with two-thirds coming in 2010 results.It also says it aims for FCF sales market of 14-16% of sales by 2015 and will return 60% of FCF to shareholders once its targetted leverage rate of 25% is reached.

Analysis: Regarding the top line, the company has been articulating for some time it believed it could add CHF600m in incremental sales over the next five years on top of 2-3% market growth. However, this is the first time that it has explicitly given a sales growth range. Regarding the restructuring, which includes building a CHF170m savoury plan in Hungary, the company has payback of three years for the efficiency programme and 7 years for the manufacturing facility, which will be taken out of the normal capital expenditure of 4% of sales.

Opinion: The top line target, FCF and pay out targets are positive. (Our FCF margin is 12-13% currently although we want to see definitions). We assume the company will reach its leverage ratio next year and suspected that it could launch a CHF1bn buyback programme. Regarding restructuring, while positive, the company is just coming through a major reorganisation and we wonder if the market may be somewhat fatigued, potentially dampening the positive news. We remain at Buy. The company holds an investors conference today.

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By company

Target
EUR115.00

Reduce

Hermès

H1 earnings
EBIT up 52.4% in H1; TP raised from EUR110 to EUR115

Personal goods
Large cap
France **DJ Stoxx 600**

Current price	EUR146.95	**Target price**	EUR115.00
Mkt. cap (m)	EUR15,513	**EV (m)**	EUR15,034
YTD abs. perf.	57.5%	**YTD rel. perf.**	59.2%
Reuters	HRMS.PA	**Bloomberg**	RMS FP

FY ending: 31/12	**2010E**	**2011E**	**2012E**
Sales (EURm)	2,275	2,495	2,720
EBITDA	710	830	935
EBIT	600	715	810
Pretax profit	600	715	815
Net profit (adj)	388	465	530
EPS (adj)	3.68	4.41	5.02
DPS	1.41	1.69	1.93
PE	40.0	33.4	29.3
EV/sales	6.6	6.0	5.5
EV/EBITDA	21.2	18.0	16.0
EV/EBIT	25.0	20.9	18.4
Net debt/EBITDA	-0.8	-0.7	-0.6
FCF Yield	1.1%	1.2%	1.3%
Net dividend yield	1.0%	1.2%	1.3%

Facts: H1 earnings: EBIT: +52.4% to EUR304.5m, operaing margin: 28.3%, up 550bp, net profit: EUR194.6m, +55.2%, cashflow: EUR241.3m, +42.4%, net cash: EUR355m.

Analysis: These earnings are above expectations (our estimates called for 40% EBIT growth in H1, to EUR280m). Management's guidance : FY 2010 organic growth: around +12% (our estimate : above +14%). EBIT margin: improvement by more than 100bp (our new estimates, after having raised our estimates by 3% (EBIT: EUR600m vs. EUR580m estimated before): +220bp, to 26.4%.

Opinion: Analyst meeting this morning at 09.00 CET. We expect a positive market reaction on this earnings release. We have raised our earnings estimates by 3% and our target price from EUR110 to EUR115. We do not favour a short-term speculative scenario. But questions should be raised this morning about the recent high volumes traded on the stock, which were quite unusual.

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Target
EUR7.70

Reduce

ING Group

Company update
EPS update

Insurance
Large cap
Netherlands **DJ Stoxx 600**

Current price	EUR6.96	**Target price**	EUR7.70
Mkt. cap (m)	EUR26,340	**Cur. year ROE**	13.1%
YTD abs. perf.	0.9%	**YTD rel. perf.**	2.0%
Reuters	ING.AS	**Bloomberg**	INGA NA

FY ending: 31/12	**2010E**	**2011E**	**2012E**
Revenues (EURm)	16,632	16,284	16,253
GOP	7,342	6,756	6,360
Current profit	5,928	5,230	5,153
Net profit (dcl)	4,153	3,739	3,683
Net profit (adj)	3,960	3,739	3,683
EPS (adj)	1.05	0.99	0.97
EPS (old)	0.91	0.94	0.92
PE	6.7	7.0	7.2
P/OPBRP	3.6	3.9	4.1
P/Current profit	4.4	5.0	5.1
P/BOOK	0.82	0.73	0.69
Net dividend yield	0.0%	5.7%	5.7%

Facts: We reviewed the model for ING and adjusted our EPS slightly up for the bank.

Analysis: We now see an underlying net profit for ING Bank of EUR1.05 for 2010E (was EUR0.91), EUR0.99 for 2011 (was EUR0.94) and EUR0.97 for 2012 (was EUR0.92). For 2011E we estimate the total banking pre tax underlying at EUR5,523m (o/w EUR2,452m for Retail, o/w EUR1,528m for ING Direct, o/w EUR1,424m for Commercial banking, o/w EUR-174m for the corporate line. We see risk cost at 53bps for 2010E, 43bps for 2011E and 33bps for 2012E. Interest margin (in % of total balance sheet) is at 139bps for 2010E, 132bps for 2011E and 126bps for 2012E. We believe interest margin as reached peak levels in 2009 (was 142bps) because of the positive effect of lower interest rate on funding cost while yield on mortgage loans remained relatively flat. Cost to income ratio for 2010E is at 55.9%, 58.5% for 2011E and 60.9% for 2012E. We do not believe ING can significantly further reduce the cost base from Q2 2010 levels (total operating expenses was at 2.3bn in Q2 which is EUR9.2bn on annual basis) and therefore do not see the 50% cost to income ratio target as realistic. Our insurance earnings estimates remains stable (we now have a net result for the insurance of EUR582m for 2010E, EUR1,387m for 2011E and EUR1,646m for 2012E).

Opinion: The investment case remains unchanged. Reduce confirmed, EUR7.7 TP.

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By company

Target **EUR34.00** | **Buy**

Ipsen

Company update

H1 results a tick better, outlook confirmed

Pharmaceuticals & biotechnology			
Small & mid cap			
France			DJ Stoxx 600
Current price	EUR27.89	Target price	EUR34.00
Mkt. cap (m)	EUR2,351	EV (m)	EUR2,147
YTD abs. perf.	-28.0%	YTD rel. perf.	-27.3%
Reuters	IPN.PA	Bloomberg	IPN FP

FY ending: 31/12	2010E	2011E	2012E
Sales (EURm)	1,077.4	1,129.4	1,157.0
EBITDA	200.1	229.9	260.2
EBIT	160.2	187.6	217.7
Pretax profit	161.6	189.8	222.6
Net profit (adj)	139.4	160.9	184.6
EPS (adj)	1.65	1.91	2.19
DPS	0.60	0.70	0.82
PE	16.9	14.6	12.7
EV/sales	2.0	1.8	1.7
EV/EBITDA	10.7	8.9	7.5
EV/EBIT	13.4	11.0	8.9
Net debt/EBITDA	-1.0	-1.3	-1.6
FCF Yield	4.1%	6.4%	7.7%
Net dividend yield	2.2%	2.5%	2.9%

Facts: H1 results were slightly ahead of our forecasts but beat EBIT consensus figure by a wide margin. The financial guidance for 2010 was confirmed, in line with our expectation.

Analysis: Drug sales were up 7%, driven by strong 16% growth in specialty care (Kepler +15%). The top-selling specialty care drugs all grew at a double-digit rate in LC-terms: Decapeptyl +11%, Somatuline +20%, Dysport +13%. Despite generic pressure, Decapeptyl sales performance remained strong due to commercial success in China and the roll-out of the 6-month formualtion in France. The sales decline in primary care of -7% was a bit less than expected (Kepler -9%), primarily as Smecta sales were holding well. Geographic LC sales: Western Europe flat, other Europe +12%, US +33%, RoW +11%. The strong growth in the US was largely attributable to Somatuline (+45%), with Dysport yet to come. A strong positive: the adjusted recurring EBIT margin was lifted 230bp to 20.4% and remained above our 19.9% and the 18.0% consensus estimate. Remarkably, reported EBIT came in 12% above market estimate (1% above Kepler forecast). EPS was 2% above our estimate. The outlook for 2010 was confirmed as expected.

Opinion: H1 results remained slightly ahead of our forecasts but beat consensus figures considerably. Solid double-digit growth in primary care remains comforting. Our forecast for 2010 remains fully intact and we would expect a positive share price reaction today. A conference call is scheduled at 14:00 CET.

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Target **EUR12.50** | **Buy**

Maurel & Prom

Earnings revision

Target price cut from EUR16.4 to EUR12.5

Oil & gas producers			
Small & mid cap			
France			DJ Stoxx 600
Current price	EUR8.71	Target price	EUR12.50
Mkt. cap (m)	EUR1,049	EV (m)	EUR1,143
YTD abs. perf.	-31.3%	YTD rel. perf.	-30.5%
Reuters	MAUP.PA	Bloomberg	MAU FP

FY ending: 31/12	2010E	2011E	2012E
Sales (EURm)	268.3	403.5	411.9
EBITDA	134.6	267.9	271.7
EBIT	-1.0	184.9	173.9
Pretax profit	78.3	165.3	154.1
Net profit (adj)	64.0	160.9	149.6
EPS (adj)	0.46	1.17	1.08
DPS	0.28	0.28	0.28
PE	18.8	7.5	8.0
EV/sales	4.3	2.7	2.5
EV/EBITDA	8.5	4.0	3.8
EV/EBIT	na	5.8	5.9
Net debt/EBITDA	1.1	0.3	0.1
FCF Yield	-1.6%	9.2%	8.1%
Net dividend yield	3.2%	3.2%	3.2%

Facts: Flash note out.

Analysis: H1 results proved disappointing with two dry wells in Colombia (Bachue-1 and Cascabel-1). Those exploration failures came after numerous dry wells (Mohoro in Tanzania, OMSN and Banio-5 in Gabon, M'Bafou and Marine III in Congo, Draco in Syria) and/or mixed results (Mafia Deep in Tanzania). In the last twelve months, the group spent EUR213m in exploration with EUR123m already being written-off (EUR75m in H1 2010). We had previously built in our modelling 80mbbls (M&P net share) of exploration upside in Gabon or Colombia. With few prospects left now being clearly identified, we have decided to remove any valuation attached to exploration upside (previously EUR2.5 per share in our SOP). Also adjusted for cash recently burned in unsuccessful exploration, this lead us to cut our target price by EUR3.9 per share from EUR16.4 to EUR12.5. We like the deal in Nigeria, as it gives M&P access to 76mbbls of 2P reserves (M&P share) on producing fields and 53mbbls (M&P share) of already discovered C1+C2 reserves on non producing fields. We value M&P share in those three permits at USD370m, or around twice the price effectively paid by M&P. However, we also acknowledge it will take time for investors to reckon the value of the Nigeria deal: production has resumed and is now close to 30kb/d of crude (100% basis) but the group needs to demonstrate it has alternative export routes in place other than the Shell pipelines.

Opinion: Target price cut to EUR12.5 (vs. previous EUR16.4), keep Buy.

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By company

MERSEN

Target
EUR29.00

Reduce

Analyst meeting
Advanced materials division disappoints

Electronic & electrical equipment
Small & mid cap
France **DJ Stoxx 600**

Current price	EUR27.38	**Target price**	EUR29.00
Mkt. cap (m)	EUR536	**EV (m)**	EUR801
YTD abs. perf.	7.8%	**YTD rel. perf.**	8.9%
Reuters	CBLP.PA	**Bloomberg**	CRL FP

FY ending: 31/12	2010E	2011E	2012E
Sales (EURm)	691.6	726.1	769.7
EBITDA	102.4	113.0	121.9
EBIT	70.4	82.0	91.9
Pretax profit	55.7	70.3	81.2
Net profit (adj)	39.5	49.2	56.8
EPS (adj)	2.02	2.51	2.90
DPS	0.61	0.78	0.90
PE	13.6	10.9	9.4
EV/sales	1.2	1.0	0.9
EV/EBITDA	7.8	6.7	6.0
EV/EBIT	11.4	9.2	7.9
Net debt/EBITDA	2.4	1.9	1.5
FCF Yield	3.4%	8.4%	9.1%
Net dividend yield	2.2%	2.9%	3.3%

Facts: Mersen's sales in H1 have reached EUR348m (already released at the end of July) and are up 7% like-for-like with a a strong sequential acceleration (Q1: flat - Q2: +15%). EBITDA is up 16% at EUR51.9m (margin: 14.9% / +20bp) and EBITA rises by 19% at EUR34.4m (operating margin: 9.9% / +40bp). Net attribuable is EUR 16.7m (group share) after EUR1.4m of non recurring costs and a tax rate of 31.1% (+2.7 ppt). By activity, EBITA in Advanced Materials is down 6% at EUR16.6m (operating margin: 11% vs 13% in 09) while it is up 38% in Electrical Components (operating margin: 12.6% vs 10.6% in 09). Net debt is up EUR41m at EUR256m after EUR14.3m of financial investment and EUR14.6 for the penalty paid to the European Commission.

Analysis: EBITA is sligthly better than expected (KE: EUR33.5m). The deterioration of earnings in Advanced Materials is not a good surprise and the management explained it was due to price deteriorations. The situation should improve in H2. Working capital has increased by EUR15.9m because the rebound of the activity in Q2. We believe this point might be improved in H2 as well. Altogether, we keep unchanged our estimates despite a slightly better than expected performance in H1. The management was cautious about the outlook.

Opinion: We still believe the stock is fairly valued at the current price.

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Meyer Burger

Target
CHF31.00

Buy

Company update
Wins eighth YTD wafer equipment order

Alternative energy
Small & mid cap
Switzerland **DJ Stoxx 600**

Current price	CHF26.90	**Target price**	CHF31.00
Mkt. cap (m)	CHF1,219	**EV (m)**	CHF1,115
YTD abs. perf.	1.9%	**YTD rel. perf.**	3.0%
Reuters	MBTN.S	**Bloomberg**	MBTN SW

FY ending: 31/12	2010E	2011E	2012E
Sales (CHFm)	541.0	733.8	733.8
EBITDA	79.8	143.3	143.3
EBIT	67.2	128.8	128.8
Pretax profit	38.1	99.7	99.7
Net profit (adj)	53.1	98.6	98.6
EPS (adj)	1.19	2.21	2.21
DPS	0.00	0.00	na
PE	22.6	12.2	12.2
EV/sales	2.1	1.4	1.4
EV/EBITDA	14.0	7.4	7.4
EV/EBIT	16.6	8.2	8.2
Net debt/EBITDA	-1.2	-1.1	-1.1
FCF Yield	3.2%	5.5%	8.8%
Net dividend yield	0.0%	0.0%	na

Facts: MBTN has won its eighth wafer cutting equipment order in the wafer industry's current investment cycle, since January. The order with a value of CHF25m calls for equipment deliveries in 2010-11 and comes from an undisclosed Asian wafer producer. The ordered wafer saws are equipped for use with diamond wire. We have to clarify with MBTN whether the diamond wire functionality is just an option or whether the customer intends to actually use the new cutting technology. The latter would probably mean that MBTN has caught the first meaningful commercial order for diamond wire saws.

Analysis: The combined YTD wafer cutting equipment order value is CHF475m. The order adds 3-4% to MBTN's current CHF700m order backlog (disclosed 1 July). MBTN generated 60% of its 2009 revenues in Asia; Asian order backlog share is probably higher.

Opinion: We confirm our Buy rating and CHF31 target. H1 results are due 15 September.

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By company

Nestlé

Target
CHF59.00

Buy

Corporate action
Nutrition chief Laube steps down

Food producers
Large cap
Switzerland **DJ Stoxx 600**

Current price	CHF52.60	**Target price**	CHF59.00
Mkt. cap (m)	CHF182,627	**EV (m)**	CHF162,902
YTD abs. perf.	4.8%	**YTD rel. perf.**	5.9%
Reuters	NESN.S	**Bloomberg**	NESN VX

FY ending: 31/12	**2010E**	**2011E**	**2012E**
Sales (CHFm)	107,627	111,649	117,497
EBITDA	17,969	19,043	20,455
EBIT	14,525	15,415	16,636
Pretax profit	41,275	14,965	16,186
Net profit (adj)	11,263	12,194	13,198
EPS (adj)	3.32	3.79	4.33
DPS	2.00	2.25	2.50
PE	15.9	13.9	12.1
EV/sales	1.5	1.4	1.3
EV/EBITDA	9.1	8.5	7.7
EV/EBIT	11.2	10.4	9.5
Net debt/EBITDA	0.1	0.5	0.8
FCF Yield	5.8%	5.7%	6.7%
Net dividend yield	3.8%	4.3%	4.8%

Facts: Richard Laube, head of the company's nutrition division, has stepped down to pursue personal opportunities outside Nestlé and is leaving the company with immediate effect, Nestlé said. It said it has asked Nandu Nandkishore, Nestlé Nutrition's Global Business Head of Infant Nutrition, to take ad interim responsibility for Nestlé Nutrition and the board will make a decision on a permanent appointment in due time.

Analysis: Laube has been at nestlé for 5 years and introduced the concept of pharma-like pipelines to the nutrition business (he came from Roche). He presided over expansion on nutrition with acquisitions such as Jenny Craig, Novartis Medical Nutrition and the Gerber Baby Food Company. However, the unit struggled to hit profitability and growth targets in the last couple of years despite a recent improvement.

Opinion: We suspect the move will be viewed negatively despite recent improvements in the division. Given the quality of management within the company we have no doubts that a more than adequate successor will be found from within the ranks of nutrition or outside. We don't see any change to company's policy in nutrition. Buy. Q3 sales figures 22 October.

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Raiffeisen International

Target
EUR30.00

Reduce

Q2 earnings
Q2 earnings miss expectations

Banks
Large cap
Austria **DJ Stoxx 600**

Current price	EUR33.05	**Target price**	EUR30.00
Mkt. cap (m)	EUR5,112	**Cur. year ROE**	6.0%
YTD abs. perf.	-16.3%	**YTD rel. perf.**	-15.4%
Reuters	RIBH.VI	**Bloomberg**	RIBH AV

FY ending: 31/12	**2010E**	**2011E**	**2012E**
Revenues (EURm)	4,381	4,818	5,350
GOP	2,054	2,109	2,379
Current profit	644	1,024	1,595
Net profit (dcl)	405	649	1,041
Net profit (adj)	341	581	969
EPS (adj)	2.20	3.76	6.27
EPS (old)	0.86	4.02	6.80
PE	15.0	8.8	5.3
P/OPBRP	2.5	2.5	2.3
P/Current profit	8.1	5.2	3.4
P/BOOK	0.85	0.78	0.70
Net dividend yield	0.3%	2.1%	3.6%

Facts: Raiffeisen International reported EUR71m net profit for Q2, missing expectations (consensus EUR91m, our forecast EUR93m). Operating revenues were all in line or even better than forecast, particularly net interest income, which is traditionally the bank's most important revenue driver. The earnings miss came from an unexpected loss on financial investments, which was caused by derivatives transactions and the strong volatility in the various CEE currencies. EUR18m were provisioned for the newly introduced banking tax in Hungary. Operating costs jumped, partly because of the project related costs for the merger with parent RZB. Management guidance for this was additional costs of between EUR10m and EUR20m in Q2.

Analysis: This means that on the operating from with the CEE banking franchise the operating momentum is clearly on its way up. Loan loss provisions were falling further, while revenues are gradually getting back to their 2008 record levels. Normally, Raiffeisen International would be a good play for economic recovery, but the upcoming merger with parent RZB, which has now officially been decided upon by both AGMs and which now only need a formal registration at the Vienna district court to be finalised, makes it a difficult investment case. We believe there is a rights issue coming up in 2011 for the combined bank.

Opinion: Raiffeisen International is, because of this merger, in our list of European underweight ideas. We stick to our Reduce rating.

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By company

Rentabiliweb

Target
EUR10.00

Buy

Earnings release

H1 strongly beats forecasts; TP lifted from EUR8.8 to EUR10.0

Media
Small & mid cap
France — **FTSE Euro First 300**

Current price	EUR6.99	**Target price**	EUR10.00
Mkt. cap (m)	EUR125	**EV (m)**	EUR99
YTD abs. perf.	-4.9%	**YTD rel. perf.**	-3.0%
Reuters	ALBIL.PA	**Bloomberg**	ALBIL FP

FY ending: 31/12	**2010E**	**2011E**	**2012E**
Sales (EURm)	88.0	105.0	118.0
EBITDA	16.9	20.2	22.6
EBIT	16.0	19.2	21.5
Pretax profit	16.0	19.4	21.9
Net profit (adj)	10.8	13.0	14.7
EPS (adj)	0.63	0.71	0.80
DPS	0.02	0.03	0.03
PE	11.1	9.8	8.7
EV/sales	1.1	0.8	0.6
EV/EBITDA	5.9	4.3	3.2
EV/EBIT	6.2	4.5	3.3
Net debt/EBITDA	-1.5	-1.9	-2.4
FCF Yield	6.8%	10.8%	12.2%
Net dividend yield	0.3%	0.4%	0.5%

Facts: The group had a very strong first half both in sales and profitability as Q2 sales accelerated further with 40% organic growth up from 38% in Q1. The growth is well split between B to B (+41%) driven by higher audience and higher sales per customer and B to C (+37%) driven by the 100% organic growth of Mailorama and new wins in audiotext and micro payment services. EBITA margin at 19.2% is also well ahead of our 16% forecast at EUR 7.9m. EBITDA margin (20%, EUR8.2m) is split between EUR7.1m in B to B (+62%) and EUR1.1m in B to B (+9.5%) still impacted by investments. Net profit growth is limited to 20% due to EUR1.7m one off charges around the capital increase and staff departures. Net cash at the end of H1 amounted to EUR28m.

Analysis: For the first time the group provides sales guidances ie an organic growth of at least 30% for FY10 on top of the H2 consolidation of Edencast. We have revised our sales and EBITA forecast by 18% for 2010 and by 27% for 2011 (out of which respectively 6% and 9% comes from Edencast consolidation). We have cautiously kept our margin forecast at 18.3% for FY10 and 2011.

Opinion: Following this strong revision we are upgrading our target price from EUR8.8 to EUR10. The stock only trades on 4.5x next year EBITA which is abnormally low given the organic growth of the group and the capacity to make additional accretive acquisitions. Strong buy.

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Sanofi-Aventis

Target
EUR62.00

Buy

Corporate action

Accretive cash bid does not derail case

Pharmaceuticals & biotechnology
Large cap
France — **DJ Stoxx 600**

Current price	EUR45.56	**Target price**	EUR62.00
Mkt. cap (m)	EUR59,547	**EV (m)**	EUR67,011
YTD abs. perf.	-17.3%	**YTD rel. perf.**	-16.4%
Reuters	SASY.PA	**Bloomberg**	SAN FP

FY ending: 31/12	**2010E**	**2011E**	**2012E**
Sales (EURm)	29,998	29,867	30,133
EBITDA	12,259	12,675	11,756
EBIT	7,691	8,679	7,851
Pretax profit	8,359	9,775	8,765
Net profit (adj)	8,937	9,418	8,668
EPS (adj)	6.83	7.20	6.62
DPS	2.45	2.50	2.55
PE	6.7	6.3	6.9
EV/sales	2.2	2.1	2.0
EV/EBITDA	5.5	5.0	5.1
EV/EBIT	8.7	7.3	7.6
Net debt/EBITDA	0.6	0.3	0.0
FCF Yield	10.2%	12.6%	12.4%
Net dividend yield	5.4%	5.5%	5.6%

Facts: Sanofi-Aventis discussed the bid for Genzyme in a conference call yesterday while Genzyme rejected discussions based on the offered USD69 per share price.

Analysis: We got what we wanted from Sanofi-Aventis' conference call yesterday. The CFO Chris Viehbacher and the CFO Jérome Contamine made it very clear that Sanofi will bid only cash for Genzyme, that there will be meaningfully annual synergies but that the deal would be earnings accretive even before the synergies materialise, and most importantly that there would be no impact on dividend policy. Exact details of financing were not disclosed but with 4% cost of debt (Novartis last week paid just 3.5% for USD28bn needed for the Alcon deal) we find the deal would be core EPS enhancing up to USD88 per share without synergies. This is not something we would expect Sanofi to do. As long as competitive bids do not occur, Sanofi's negotiation position is very strong and Sanofi can afford to wait more than Genzyme where the bid could disrupt an already fragile situation within the company (the manufacturing problems of key products remain unresolved). But the fact the bid is in cash and that a capital increase is ruled out should be a reassuring sign for the market.

Opinion: At less than 7x earnings and with 5.5% dividend yield, the stock is a bargain. We recommend using the weakness created by the bid rumours as a buying opportunity. Moreover, the positive headline data of teriflunomide (oral MS drug) confirms the turnaround in R&D newsflow.

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By company

Target
EUR11.00

Buy

Santander

Revving up its consumer business

Banks
Large cap
Spain **DJ Stoxx 600**

Current price	EUR9.20	**Target price**	EUR11.00
Mkt. cap (m)	EUR75,730	**Cur. year ROE**	12.9%
YTD abs. perf.	-20.3%	**YTD rel. perf.**	-19.5%
Reuters	SAN.MC	**Bloomberg**	SAN SQ

FY ending: 31/12	**2010E**	**2011E**	**2012E**
Revenues (EURm)	40,696	44,293	48,923
GOP	23,924	27,472	31,813
Current profit	14,716	17,694	20,829
Net profit (dcl)	9,306	11,297	13,344
Net profit (adj)	9,306	11,297	13,344
EPS (adj)	1.13	1.37	1.62
EPS (old)	1.13	1.37	1.62
PE	8.1	6.7	5.7
P/OPBRP	3.2	2.8	2.4
P/Current profit	5.3	4.4	3.7
P/BOOK	1.02	0.95	0.88
Net dividend yield	6.8%	7.5%	8.8%

Facts: Year to date the bank has spent almost EUR8bn in three non organic moves in order to increase its consumer banking presence both in continental Europe and the US mainly in the car finance business. As of last June Santander's consumer division (SCF) reported an EUR396m profit surpassing the result made by the quoted Banesto affiliate.

Analysis: Santander reached an agreement in June with Citigroup to manage an USD7.2bn car finance portfolio in the US and bought an USD3.2bn worth portfolio at 99% nominal value. Announced in July the acquisition of SEB's commercial banking business in Germany (173 branches and 2,000 employees) for EUR555m. Finally the bank has just announced the acquisition from HSBC's of its USD4.3bn US car consumer portfolio at 93% nominal value; this portfolio was already being managed by Santander from November 2009 when the bank bought an USD900m worth of it.

Opinion: Interesting moves in order to gain critical mass and take advantage of two of Santander's strongest car consumer finance franchises; the US Drive (has always remained in the black even in the worst moment of the US economic downside) and the German car finance franchise. Buy reiterated.

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Target
EUR70.00

Buy

SEB

H1 earnings
H1 earnings above consensus expectations

Household goods & home construction
Small & mid cap
France **DJ Stoxx 600**

Current price	EUR59.07	**Target price**	EUR70.00
Mkt. cap (m)	EUR3,007	**EV (m)**	EUR3,758
YTD abs. perf.	48.8%	**YTD rel. perf.**	50.4%
Reuters	SEBF.PA	**Bloomberg**	SK FP

FY ending: 31/12	**2010E**	**2011E**	**2012E**
Sales (EURm)	3,522.0	3,762.9	3,951.1
EBITDA	488.7	529.9	560.5
EBIT	374.6	411.6	440.0
Pretax profit	342.3	379.9	416.7
Net profit (adj)	239.9	267.8	291.0
EPS (adj)	5.02	5.61	6.09
DPS	1.33	1.51	1.67
PE	11.8	10.5	9.7
EV/sales	1.1	1.0	0.9
EV/EBITDA	7.7	6.8	6.1
EV/EBIT	10.0	8.8	7.8
Net debt/EBITDA	0.3	0.0	-0.3
FCF Yield	4.9%	7.0%	8.1%
Net dividend yield	2.2%	2.6%	2.8%

Facts: Seb already reported H1 sales of EUR1,555m, +13.2% (+9.5% LFL). H1 MOP came at EUR168m, +58.4% (margin +310bps to 10.8%), 2% below Kepler (EUR172m) but 7% above consensus (EUR157m). Reported EBIT came at EUR141m (Kepler EUR148m), including EUR18.5m of profit sharing (Kepler: EUR17m) and EUR8m restructuring/provisions (in-line). Reported profits were EUR89m (Kepler: EUR91m/consensus EUR81.7m) vs. EUR27m last year, including lower-than-expected financial costs, tax rate and minorities. Net debt stabilized at EUR208m (EUR243m in Dec-09) suggesting the EUR150m guidance for Dec-10 could prove optimistic (working capital needs returned to growth along with sales).

Analysis: MOP analysis: as expected the strong 58% improvement was driven by volumes (+EUR61m, +58%), although to a slightly lower-extent-than-we-expected (EUR70mE). Price/mix surprised positively (+EUR7m vs. Kepler -EUR9m), as better-than-expected mix more-than-offset slightly negative pricing; higher marketing spend (+EUR20m vs. +EUR25mE) was less-than-anticipated and Forex boosted MOP by EUR25m (Kepler +EUR20m). In contrast, we were disappointed by the EUR11m increase in purchasing costs (Kepler: EUR10m reduction), due to higher costs at Supor (we expected a greater offset from hedgings on aluminium and purchasing gains). Looking at H2 2010, management expects a favourable consumption environment in Europe and ongoing strength in emerging markets, but no recovery in the US. Forex and purchasing costs should be less favourable in H2, and comps tougher in Q4. Still, Seb is confident in delivering sales and MOP growth in-line with consensus expectations (+10% sales; +15% MOP). Our 2010 model includes sales +11% and MOP +17%.

Opinion: Analyst meeting at 14.30 CET. Buy.

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By company

Soitec

Target
EUR12.00

Buy

Company contact
Read-across from Intel's warning

Technology hardware & equipment
Small & mid cap
France **DJ Stoxx 600**

Current price	EUR6.79	**Target price**	EUR12.00
Mkt. cap (m)	EUR562	**EV (m)**	EUR512
YTD abs. perf.	-32.1%	**YTD rel. perf.**	-31.3%
Reuters	SOIT.PA	**Bloomberg**	SOI FP

FY ending: 31/03	**2010**	**2011E**	**2012E**
Sales (EURm)	209.1	295.0	360.0
EBITDA	28.7	81.4	98.7
EBIT	-28.9	13.4	28.7
Pretax profit	-44.9	0.4	16.7
Net profit (adj)	-44.0	1.0	15.3
EPS (adj)	-0.37	0.06	0.19
DPS	0.00	0.00	0.00
PE	na	123.4	36.1
EV/sales	3.0	1.7	1.3
EV/EBITDA	22.1	6.1	4.7
EV/EBIT	na	37.3	16.2
Net debt/EBITDA	-1.6	-1.0	-1.2
FCF Yield	5.7%	6.2%	6.0%
Net dividend yield	0.0%	0.0%	0.0%

Facts: We had a private contact with CFO following Intel 's warning last Friday. While Soitec generates about 65% of sales in the microprocessor market through its largest client AMD, the read-across is rather negative, though management doesn't see any slowdown so far. Note that Intel cut sales guidance by 5% to USD11bn in Q3 (+17% YOY, 2% QOQ). The group blamed weaker demand for consumer PC in mature markets during the back-to-school season (the enterprise segment is recovering in line with targets). Group also mentioned inventories across the supply chain seem well in line with adjusted guidance. Intel also cut gross margin guidance to 66% (vs. 67% previously), a 840bp improvement YOY and 120bp decline sequentially. Slightly higher ASPs boosted by strong enterprise demand during the quarter have partially offset lower-than-expected volumes.

Analysis: CFO doesn't see any slowdown so far and confirmed positive outlook for Q2 FY2010 (ending September). We expect 43% sales growth YOY and +5% sequentially (wafers sales should be flattish sequentially). Orders for Q3 FY2010 remained solid, potentially thanks to AMD's market share gains versus Intel on the PC segment (at HP, Dell, Acer, Sony) and the ramp-up of new applications around Radio Frequency and Concentrated-Photovoltaic (CPV). The main uncertainty remains Q4 FY2010, where we expect initial volumes from AMD's fusion chip. Despite negative signal sent by Intel, we stick to our 32% sales growth ex-forex. Positively, group is in negotiation for a Jumbo 50MW deal in CPV in South Africa which could represent EUR150m of sales.

Opinion: Buy.

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Vontobel

Target
CHF32.00

Hold

Press reports
CEO Scheidt to become chairman

Financial services
Small & mid cap
Switzerland **DJ Stoxx 600**

Current price	CHF30.00	**Target price**	CHF32.00
Mkt. cap (m)	CHF1,920	**Cur. year ROE**	10.7%
YTD abs. perf.	1.5%	**YTD rel. perf.**	2.6%
Reuters	VONN.S	**Bloomberg**	VONN SW

FY ending: 31/12	**2010E**	**2011E**	**2012E**
Revenues (CHFm)	827	903	1,017
GOP	198	226	288
Current profit	190	224	285
Net profit (dcl)	162	189	237
Net profit (adj)	162	189	237
EPS (adj)	2.47	2.89	3.62
EPS (old)	2.72	2.93	3.65
PE	12.1	10.4	8.3
P/OPBRP	9.9	8.7	6.8
P/Current profit	10.4	8.8	6.9
P/BOOK	1.26	1.19	1.10
Net dividend yield	5.1%	4.9%	6.2%

Facts: The current chairman's (Urs Widmer) statutory term is coming to an end, as he has reached the maximum age limit. The current CEO, Herbert Scheidt, will take over.

Analysis: Urs Widmer has been chairman of the board since 2005 and Herbert Scheidt served as CEO for the last eight years at Vontobel.The board will propose Scheidt as the new chairman at the AGM on 3 May 2011. The position of the CEO should be filled by the board by spring 2011.

Opinion: After eight years as CEO, we generally welcome the step, as a new CEO may fuel hopes for a change in dynamics among investors. It will also heat up the usual speculation on succession.

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Automobiles & parts

Sector information:
No cause for concern

Facts: Following a contact with Valeo and Faurecia, we confirm that momentum remains good for French suppliers despite the article published in the French magazine “La Lettre de l’Expension” yesterday morning.

Analysis: Visibility for Q3 is very good despite the slowdown of the automotive market in Europe (since June/July registrations) and the reduction of scrappage intensive programmes. Faurecia confirmed downside risk could only come from November and December but keeps FY 2010 guidance unchanged. The group is expecting a 10.4% decline in LCV production in Europe for H2 (Q3 2010E: -10.9%, Q4 2010E: -10.1%) and believes Q3 could be better than expected. The group only expects a 5.5% decline in terms of daily output in Europe, seeing LV production at around 70,000 units per working day for Q3 and Q4 (Q3: 50 days and Q4: 55 days) versus 74,000 units in Q2 2010. However, it is important to remember exposure to the European market is less important that it looks, due to the German Premium OEMs which produce in Europe and sell in emerging markets. We estimate Faurecia and Valeo would respectively report FY 2010 operating income at EUR260m (2% after restructuring costs of EUR115m) and EUR455m (5.5%). We got a similar message from Valeo, which stresses there is a lot of flexibility in the costs structure with a high level of temporary workers still being used. The likely slowdown of activity should be easily managed in Q4.

Opinion: We would remain buyers of the two stocks.

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Banks

Sector information:
Earnings revision after German banking tax

Facts: At its regular meeting last week, the German government cabinet passed the widely discussed banking reform package. This gives regulators bigger power to put tumbling banks under administration and work them down in an orderly fashion, which prevents a large bank from taking down the entire system. A key element of this package is the introduction of a rescue fund, which will finance the orderly work-out of large banks if necessary. This fund will be financed through a regular tax from the banks.

Analysis: According to our calculations, the large listed banks would see a burden of around 5% of their pretax profit, translating in most cases into between 7% and 12% lower EPS. For Deutsche Bank we expect a tax amount of EUR400m, for Commerzbank EUR200m, Postbank EUR40m and Aareal EUR10m. We have now adjusted our earnings forecasts accordingly.

Opinion: After these adjustments we keep our Buy rating on Deutsche Bank, but cut our target price from EUR65 to EUR61. Commerzbank remains on Hold, but the target price is cut from EUR7.50 to EUR7.0. Aareal remains on Buy with an unchanged EUR20 target price and Postbank on Reduce with an unchanged EUR12 target price.

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Industrial metals & mining

Sector information:
SBB: EU mills to target Q4 HRC price of EUR600?

Facts: In an article SBB speculates that strip steel producers in Germany and northwest Europe may attempt to target EUR600 per tonne for Q4 HRC prices and roughly EUR100 per tonne higher for cold rolled and hot-dip galvanised coil.

Analysis: HRC spot prices in northern Europe have fallen to some EUR565 per tonne and EUR650 for CRC and HDG. Assuming that spot prices have reached the trough in late August, as indicated by spot price increases for iron ore and scrap, Q4 contract prices might be set slightly below the EUR600 per tonne for Q4, since Q4 contract prices for iron ore and coking coal will decline by some 5-10%. This compares with our current estimate of a Q4 HRC base price of EUR550 per tonne, which gives some upside to our Q4 estimates.

Opinion: We maintain our positive short-term view. The recovery of iron ore spot and scrap price has continued as well as the Baltic Dry Index. The EU steel market is now entering into a period of strong demand in September and October which should support pricing in the weeks and months ahead of us, particularly as inventory are still at low levels and imports to not play a major role. Valuation of European steel companies look increasingly attractive trading at 4.0-4.5x 2012 EV/ EBITDA.

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Insurance

Sector information:
French government to tap EUR4.1bn tax on insurance

Facts: French governemnt is considering 3 additional taxations on insurance industry.

Analysis: First, the Euro part in unit link life policies will support the 12.1% social contribution every year instead of in fine. This is expected to bring in EUR1.6bn per year, as existing policies will face this from next year. The cost for policyholders is not high enough in our view to influence unit link subscription: in the hypothesis of a unit link yielding 6% and split 50/50 equities and Euro funds, we calculate the final cost would be 1.5% lesser yield , i.e. 0.18% per year. Second, the capitalisation reserve stock will face an exit tax of 10% installed over 2011 and 2012. This will bring EUR1.4bn over 2 years. As a first estimate, we calculate that for CNP Assurances,based on 2009 figures, it would be EUR170m, i. e. EUR85m per year, or 7% of average expected earnings for 2011 and 2012. Third, "responsible "health policies will no more benefit from the 7% tax exemption. Cost will be EUR1.1bn, which should be passed to policyholders.

Opinion: Insurers are lobbying for compensations, i.e. a removal of the 7.5% final taxation on life policies. At this stage, a positive answer from governemnt is doubful. CNP Assurances is obviously the most exposed to exit tax as French leader and predominantly French life insurance group.

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Investment strategy
Swiss long (Sika, Richemont, Helvetia) short (Geberit, Sarasin)

Facts: We publish our new Swiss sketchbook including our Swiss quarterly long list: classy Swiss insurer Helveita (HELN SW), luxury goods group Richemont (CFR VX), bonding specialist Sika (SIK SW) and short list: richly valued plumber Geberit (GEBN SW) and SGS (SGSN VX) and private bank Bank Sarasin (BSAN SW) following our Q2 (June-Aug) 3.7% absolute and 5.4% relative performance.

Analysis: We look at bank secrecy. While client confidentiality is starting to resemble a Swiss cheese (full of holes) we don't see a doomsday scenario of huge outflows putting pressure on the Swiss financial system. The bank sector is adapting and asset and client composition (less tax dodgers) is changing which will lead to reduced profitability, higher revenue volatility and higher cost structures over the long run. We launch a new feature, a quarterly screen. We look at companies in our coverage who may be able to withstand a market meltdown and select companies based on high dividend yields, strong balance sheets and low PEs. At the top of our resilience screen comes Zurich Financial (ZURN VX Buy CHF263 target), National Suisse (NATN SW Buy CHF33) and Novartis (NOVN VX Buy CHF54).

Opinion: The Swiss market has underperformed against peers over the quarter while earnings estimates have generally moved lower. We attribute this to the strength of the franc, which means translated earnings from euroland and the US will be lower. Given ongoing franc strength, we see a possible continuation of this trend.

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Research ratings and important disclosures

Rating ratio Kepler Capital Markets Q2 2010		Source: Kepler Capital Markets (KCM)
Rating breakdown	**A**	**B**
Buy	58.6%	0.0%
Hold	12.7%	0.0%
Reduce	25.6%	0.0%
Not Rated/Under Review/Accept Offer	3.1%	0.0%
Total	100.0%	0.0%

A: % of all research recommendations
B: % of issuers to which Investment Banking Services are supplied

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Regulators

Location	Regulator	Abbreviation
KCM France	Autorité des Marchés Financiers	AMF
KCM España	Comisión Nacional del Mercado de Valores	CNMV
KCM Germany	Bundesanstalt für Finanzdienstleistungsaufsicht	BaFin
KCM Italia	Commissione Nazionale per le Società e la Borsa	CONSOB
KCM Nederland	Autoriteit Financiële Markten	AFM
KCM Switzerland	Swiss Financial Market Supervisory Authority	FINMA
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