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RESULTS OF TODAY

B & M European Val

RESULTS OF TOMORROW

Johnson Matthey

MARKETS PERFORMANCES

| | 1d | 1w | 3m | YTD |
|-----------|-------|-------|--------|--------|
| Stoxx 600 | -1.4% | -3.1% | +1.3% | -1.2% |
| DAX | -1.5% | -3.8% | +1.9% | -1.9% |
| CAC 40 | -1.3% | -3.6% | +2.2% | +2.4% |
| FTSE 100 | -1.3% | -3.1% | +5.5% | -0.7% |
| FTSEMIB | -2.7% | -8.0% | -5.6% | -2.3% |
| S&P 500 | -1.2% | -1.3% | -0.9% | +0.6% |
| Bovespa | +1.0% | -8.1% | -10.9% | -0.4% |
| Merval | -1.1% | -8.6% | -14.2% | -5.8% |
| Oil | +0.1% | -5.3% | +14.1% | +13.0% |
| Gold | -0.4% | +0.5% | -1.3% | -0.6% |
| EUR/USD | 1.16 | 1.18 | 1.22 | 1.20 |
| EUR/GBP | 0.87 | 0.88 | 0.89 | 0.89 |
| EUR/CNY | 7.42 | 7.50 | 7.72 | 7.82 |

GOVERNMENT BONDS YIELDS

| | | | | |
|-------------|------|------|------|------|
| US 10 Yr | 2.8% | 3.1% | 2.9% | 2.4% |
| Germ 10 Yr | 0.3% | 0.5% | 0.7% | 0.4% |
| Italy 10 Yr | 2.9% | 2.3% | 2.0% | 2.0% |

PERFORMANCE & MARKET CLOSE

| | 1d | 1w | 3m | YTD |
|---------------|-------|-------|-------|-------|
| Nikkei 225 | +0.0% | -2.6% | +1.3% | -1.8% |
| Shanghai 180 | -1.5% | -2.4% | -5.3% | -5.5% |
| Hang Seng | -1.4% | -2.4% | -1.2% | +1.9% |
| Future S&P500 | +0.2% | -1.2% | -0.8% | +0.6% |

COMPANY NEWS

PEUGEOT (BUY tp Eu 28): Signs agreement with IG Metall on wage increase, investments, and job cuts

ELECTRO POWER SYSTEMS (BUY, TP u.r.): Tender Offer Initiated by ENGIE: Repayment of the EIB Financing and Possible Rights Issue

TELEPERFORMANCE (UNDERP TP Eu115.0): Interested in buying Intelenet

BAYER: U.S. Antitrust approve Monsanto takeover

CARREFOUR: To shift some hypermarket space to other uses; strikes in Brazil

EUROPEAN STOCK MARKET - PERFORMANCES AND VALUATIONS

| | Perf. 1d | Perf. 1m | Perf. Ytd | PE '18 | PE '19 | EPS gr. '18 | EPS gr. '19 |
|------------------|----------|----------|-----------|--------|--------|-------------|-------------|
| STOXX 600 | - 1.4% | - 0.0% | - 1.2% | 15.1x | 13.9x | +9.1% | +8.4% |
| Banks | - 3.2% | - 7.6% | - 10.6% | 10.8x | 9.8x | +15.6% | +10.7% |
| Cons goods | - 1.2% | +1.0% | - 2.1% | 16.0x | 14.8x | +6.7% | +8.3% |
| Oil & Gas | +0.5% | +0.6% | +8.7% | 13.6x | 12.9x | +35.3% | +5.1% |
| Industrials | - 1.1% | +3.2% | +1.7% | 18.7x | 16.6x | +9.9% | +13.0% |
| Insurers | - 3.0% | - 5.0% | - 2.6% | 11.1x | 10.2x | +18.3% | +8.0% |
| Media | - 1.3% | +2.9% | +2.4% | 17.3x | 15.9x | - 0.3% | +8.5% |
| Telecoms | - 1.1% | - 7.3% | - 9.5% | 14.8x | 13.7x | - 4.1% | +7.6% |
| Utilities | - 1.5% | - 2.7% | - 1.0% | 14.4x | 13.8x | - 3.4% | +4.4% |

COMPANY NEWS

PEUGEOT (BUY tp Eu 28): Signs agreement with IG Metall on wage increase, investments, and job cuts

Opel management has finally signed an agreement with the German union after months of negotiation about the nation-wide agreed wage increases. The agreement covers the German plants until 2023 and freezes the any nation-wide wage increases that will occur in this period. In exchange for this, Opel committed several projects (including Hybrids, EVs) to its German plants and R&D center in Germany and limits the job cuts to the 3,700 announced.

COMMENT: the negotiations stalled for a long period over the usual wage adjustments in Germany, and the resolution of the situation was not taken as granted by investors. Now even the final step that posed risks to the entire Opel turnaround. As we stated several time, savings on labour costs, should materialize only in the latest part of the plan. In the short term, savings on procurements, R&D, and incentives cut, should drive Opel profitability above the breakeven already this year at P&L level (est 0% margin vs -2.5% in FY17), whilst FCF break-even should be achieved not before 2020.

ELECTRO POWER SYSTEMS (BUY, TP u.r.): Tender Offer Initiated by ENGIE: Repayment of the EIB Financing and Possible Rights Issue

Electro Power Systems announced today that the following the authorization from the AMS the ENGIE's mandatory tender offer will start soon (probably from the 1st June to the 14th June) and will be extended to the warrants held by the European Investment Bank (EIB). Following the exercise of the early repayment clause from EIB, EPS will reimburse proceed with the early repayment of the first €10 million tranche of the EIB financing, and the two other tranches, for a total of €20 million not drawn down, will be cancelled.

The Repayment as well as financing and setup of necessary resources for the development of the company will occur upon completion of the tender offer and could be financed through a capital increase with preferential subscription rights (Rights Issue), to which ENGIE would participate as well, for an amount of around Eu30 million, for which the issuance price would be equal to the tender offer price, i.e. €9.50 per new share, subject to market conditions allowing to setup an issuance price below the share price, and which would take place before expiring of the prepayment period granted by the EIB, thus on 6 September 2018 at the latest.

Comment: The exercise of the early repayment clause from the EIB was a quite likely after the change on control, and the consequent right issue was not ruled out in last calls with the management. Therefore we don't expect these news to have a significant impact on the stock. More details should be made available in the coming days with the publication of the Information Memorandum.

TELEPERFORMANCE (UNDERP TP Eu115.0): Interested in buying Intelenet

According to the Economic Times, Teleperformance has emerged as a strong contender to acquire Intelenet, a BPO company owned by Blackstone. Valuation is seen as a key roadblock in the transaction as the parties have different views: Blackstone is said to seek a valuation at least 12x FY18 EBITDA (around USD90mn) implying an enterprise value of USD1.08bn (Eu0.93bn).

COMMENT: Considering financial details just emerged, we confirm the fact the accretion pre-synergies would be quite limited (around 3%) with the net

debt/EBITDA ratio climbing to 2.4x. Although the transaction is not closed and discussion on the valuation are ongoing, this confirms that carrying out accretive M&A deals as Teleperformance has done in the past is becoming increasingly difficult.

BAYER: U.S. Antitrust approve Monsanto takeover

Bayer won U.S. antitrust approval for its USD66 bn takeover of Monsanto Co., clearing the last major regulatory hurdle along a nearly two-year path toward forming the world's biggest seed and agricultural-chemicals provider. The companies reached a settlement with the Justice Department that resolves the government's concerns that the merger as initially structured would harm competition that benefits consumers and farmers, the U.S. said in a statement Tuesday. The agreement requires the largest sale of assets in a U.S. merger enforcement case, the government said.

Comment: For Bayer, acquiring Monsanto is the last step in a corporate transformation, after shedding its plastics business and remade itself as a life-science company with equally-sized health and agriculture units. Bayer has said it's confident the deal will close by the June 14 deadline.

Recommended Stories

CARREFOUR: To shift some hypermarket space to other uses; strikes in Brazil

With profitability of hypermarkets declining, Carrefour will use some space for outlet stores to move discounted inventory of non-food items, according to the newspaper Figaro. Four outlets have been opened and about a dozen more are planned through the end of year: the aim is to increase traffic through stores and increase sales per square meter, with space to be rented out to other retailers in some shopping centers. About 100k square meters, or 5% of hypermarket space, will be put to other uses.

COMMENT: positive move for the company, since the hypermarket is a format which is suffering from a long time. On the negative side, the strike in Brazil by truck drivers continues and Carrefour is one of the European stocks negatively exposed to it.

SELECTED LIST FOR THIS MONTH

| STOCK | INVESTMENT CASE |
|--------------------------------|--|
| VOLKSWAGEN (LONG) | Investor's scrutiny on the potential new structure of the company (portfolio revision on top of the truck spinoff) and new efficiency measures from the new CEO (procurements) |
| SWATCH (LONG) | Positive earnings momentum. Valuations look cheap on our numbers |
| SAINT GOBAIN (LONG) | Positive indications in trading update should have brushed away pricing concerns |
| FAURECIA (LONG) | CMD on May 15 might prove supportive on '19-'20 estimates and clarify its M&A strategy (we do not expect a re-rating) |
| AMS (LONG) | 2Q weak guidance due to faster-than-expected product transition at Apple does not damage company potential. |
| CRH (LONG) | Positive trading update indications, supported by strong dollar |
| TELEPERFORMANCE (SHORT) | Technological threats are totally ignored by investors |
| HUGO BOSS (SHORT) | Stock has rerated on top of flatish estimates momentum; week commentary on short term outlook |

OUR COVERAGE

| Stock | Sector | Rec. | Price (Loc Cncy) | Perf 1M | Perf 12M | Tgt Price (Loc Cncy) | Potential Upside |
|------------------------------|--------------------|--------------|---------------------|------------|-------------|-------------------------|---------------------|
| AUTO & AUTO PARTS | | | | | | | |
| BMW | Automotive | OUTPERFORM | 86.1 | -1.7% | 6.4% | 94 | 9% |
| PEUGEOT | Automotive | BUY | 20.1 | 1.6% | 15.7% | 28 | 39% |
| VOLKSWAGEN | Automotive | BUY | 162.5 | -3.7% | 21.1% | 240 | 48% |
| ELRINGKLINGER | Auto Parts | U.R. | 13.5 | -5.1% | -22.1% | U.R. | NA |
| FAURECIA | Auto Parts | NEUTRAL | 72.2 | 6.9% | 54.8% | 70 | -3% |
| VALEO | Auto Parts | OUTPERFORM | 54.4 | -1.0% | -13.8% | 66 | 21% |
| FERRARI | Automotive/Luxury | BUY | 110.1 | 8.6% | 48.2% | 139 | 26% |
| HELLA | Auto Parts | NEUTRAL | 53.8 | 4.8% | 20.5% | 50 | -7% |
| FASHION & LUXURY | | | | | | | |
| BURBERRY | Soft Luxury | UNDERPERFORM | 19.9 | 9.5% | 14.9% | 16 | -20% |
| CHRISTIAN DIOR | Luxury Holding | NEUTRAL | 362.6 | 4.1% | 44.7% | u.r. | NA |
| HUGO BOSS | Soft Luxury | NEUTRAL | 75.5 | 0.9% | 17.2% | 73 | -3% |
| LVMH | Diversified Luxury | NEUTRAL | 297.8 | 4.7% | 33.7% | 280 | -6% |
| KERING | Diversified Luxury | OUTPERFORM | 487.2 | 10.8% | 80.2% | 550 | 13% |
| RICHEMONT | Hard Luxury | NEUTRAL | 91.6 | -2.5% | 15.1% | 80 | -13% |
| SWATCH | Hard Luxury | BUY | 474.6 | 2.1% | 27.3% | 550 | 16% |
| OTHER COVERAGE | | | | | | | |
| ADECCO | Staffing | NEUTRAL | 60.1 | -8.2% | -13.2% | 78 | 30% |
| ALSTOM | Industrial | NEUTRAL | 40.4 | 7.1% | 30.4% | 38.5 | -5% |
| AMS | Technology | BUY | 90.0 | 6.9% | 38.8% | 115 | 28% |
| CRH | Building Material | OUTPERFORM | 30.4 | 4.0% | -3.1% | 35 | 15% |
| ELECTRO POWER | Industrial | BUY | 12.7 | 15.5% | 89.3% | 9.5 | -25% |
| ENCE | Industrial | U.R. | 6.7 | 3.3% | 100.1% | U.R. | NA |
| GEMALTO | Technology | NEUTRAL | 50.1 | 0.8% | -5.6% | u.r. | NA |
| INTERTEK | Industrial | NEUTRAL | 54.8 | 12.8% | 29.3% | 44 | -20% |
| PUBLICIS | Technology | OUTPERFORM | 59.1 | -2.8% | -9.3% | 74 | 25% |
| SAINT GOBAIN | Building Material | BUY | 43.1 | -1.3% | -11.6% | 60 | 39% |
| SMURFITKAPPA | Industrial | NEUTRAL | 35.9 | 1.9% | 47.1% | 37.5 | 5% |
| SYNGENTA | Chemicals | NEUTRAL | -- | -- | -- | u.r. | NA |
| RANDSTAD | Staffing | OUTPERFORM | 51.7 | -1.7% | 3.7% | 64 | 24% |
| TELEPERFORMANCE | Industrial | UNDERPERFORM | 134.0 | 0.6% | 18.8% | 115 | -14% |

RADARSCREEN

| Stock | Sector | Price (Lc) | Perf 1M | Perf 12M | View | Investment Case |
|----------------|------------------|---------------|------------|-------------|------|--|
| CONTINENTAL | Automotive | 223.0 | +0.8% | +13.1% | +/- | High quality and top ranked auto supplier. Breakdown likely already in 2018 |
| PLASTIC OMNIUM | Automotive | 41.0 | +4.6% | +22.0% | +/- | Highly focused biz with >average margins. Retrofit in Germany might offer u |
| SCHAEFFLER | Automotive | 13.6 | +5.6% | -6.2% | +/- | Business exposure to non-auto industries continues to be volatile. EVs poses r |
| RENAULT | Automotive | 86.9 | -3.3% | +5.3% | + | Undemanding Auto OEMs v valuations; AVTOVAZ to benefit from Russia recov |
| BUREAU VERITAS | Business Service | 21.1 | -0.1% | +1.6% | +/- | Overall solid trend in the TIC sec. Over exp. to commodity and maritime |
| SGS | Business Service | 2528.0 | +7.7% | +4.8% | +/- | Overall solid trend in the TIC sec. Over exp. to commodity and maritime |
| MOTA ENGIL | Construction | 3.5 | -1.9% | +37.6% | + | Rare player in Sub-Saharan Africa infrastructure market |
| SACYR | Construction | 2.6 | +8.2% | +2.8% | + | Exposure to concessions, oil and EU recovery |
| ADIDAS | Consumers | 192.1 | -4.5% | +13.6% | +/- | Exposure to fast growing sporting goods; attractive v valuations |
| HERMES | Consumers | 599.0 | +11.8% | +38.1% | - | Over reliance to iconic bags. Creativity and online issues |
| REMY COINTREAU | Consumers | 123.8 | +8.5% | +31.3% | + | Exposure to China recovery cognac demand. |
| TUI | Consumers | 17.3 | +4.9% | +54.7% | + | Undemanding v valuations, positive mix shift, uncertainties from Brexit |

Source: Factset

STOXX 600: SECTOR VALUATION

| Sector | EPS Growth | | | P/E | PE FY1 | EV/ EBIT | EV EBIT FY1 | | EBIT MARGIN | |
|---------------------------|-------------|--------------|--------------|-----|--------|--------------|--------------|---------|--------------|--------------|
| | 2018E | 2018E | 10Y AVG | | | | 2018E | 10Y AVG | 2018E | 10Y AVG |
| Auto & Parts | 3.9% | 8.2x | 6.7x | | | 11.0x | -5.2x | | 8.3% | 6.0% |
| Banks | 15.6% | 10.8x | 13.3x | | | -- | -- | | 38.5% | 37.3% |
| Basic Materials | 7.0% | 13.9x | 14.5x | | | 10.9x | 11.3x | | 11.7% | 11.1% |
| Basic Resources | 8.3% | 11.7x | 14.6x | | | 9.0x | 11.3x | | 10.9% | 11.4% |
| Construction/Materials | 14.2% | 17.0x | 15.5x | | | 13.2x | 12.9x | | 8.3% | 7.6% |
| Food & Beverage | 10.6% | 20.6x | 18.5x | | | 16.4x | 14.6x | | 19.0% | 17.1% |
| Healthcare | 1.8% | 16.9x | 14.8x | | | 14.4x | 12.3x | | 23.9% | 23.5% |
| Industrial Goods/Services | 9.9% | 18.7x | 15.8x | | | 15.1x | 12.1x | | 9.7% | 8.8% |
| Insurers | 18.3% | 11.1x | 10.0x | | | 37.7x | 56.1x | | 9.7% | 8.9% |
| Media | -0.3% | 17.3x | 14.8x | | | 14.7x | 11.8x | | 17.0% | 17.5% |
| Oil & Gas | 35.3% | 13.6x | 12.4x | | | 9.0x | 8.5x | | 10.5% | 10.4% |
| Personal/Household Goods | 6.7% | 20.4x | 17.9x | | | 16.0x | 13.3x | | 20.7% | 18.2% |
| Retailers | 8.7% | 20.1x | 17.2x | | | 14.9x | 13.1x | | 5.0% | 5.6% |
| Technology | 13.0% | 23.0x | 19.1x | | | 17.2x | 13.5x | | 17.1% | 13.1% |
| Telecoms | -4.1% | 14.8x | 14.0x | | | 13.9x | 12.4x | | 14.8% | 16.7% |
| Utilities | -3.4% | 14.4x | 12.3x | | | 13.0x | 10.9x | | 9.6% | 11.8% |
| Stoxx 600 | 9.1% | 15.1x | 13.9x | | | 13.5x | 11.8x | | 13.6% | 12.4% |

Source: Factset

STOXX 600: SECTOR CHANGE IN ESTIMATES

| Sector | EPS 2018E | | EPS 2019E | |
|---------------------------|--------------|--------------|--------------|---------------|
| | 1M %Chg | 12M %Chg | 1M %Chg | 12M %Chg |
| Auto & Parts | - 0.1% | +4.6% | - 0.3% | +7.2% |
| Banks | +1.1% | - 1.0% | +0.4% | - 1.4% |
| Basic Materials | +4.1% | +20.3% | +3.2% | +13.2% |
| Basic Resources | +6.0% | +31.2% | +5.2% | +21.3% |
| Construction/Materials | - 0.4% | - 5.8% | +0.3% | - 2.1% |
| Food & Beverage | +1.3% | - 6.2% | +1.9% | - 5.5% |
| Healthcare | +1.3% | - 10.0% | +1.2% | - 10.6% |
| Industrial Goods/Services | +0.8% | - 3.2% | +0.8% | - 0.1% |
| Insurers | +1.1% | +1.1% | +1.1% | +3.6% |
| Media | +0.3% | - 7.2% | - 0.3% | - 7.6% |
| Oil & Gas | +11.1% | +12.8% | +9.0% | +3.9% |
| Personal/Household Goods | - 0.6% | +1.5% | - 0.4% | +1.2% |
| Retailers | +0.6% | - 10.4% | +0.4% | - 10.3% |
| Technology | - 0.4% | - 6.2% | - 0.5% | - 3.5% |
| Telecoms | - 0.4% | - 10.0% | - 1.8% | - 10.7% |
| Utilities | +1.1% | +0.0% | +0.1% | - 2.1% |
| Stoxx 600 | +1.6% | +0.1% | +1.1% | - 0.7% |

Source: Factset

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price/sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newswell.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

- BUY: stock expected to outperform the market by over 25% over a 12 month period;
OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period ;
UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;
SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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IntermonTE SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms. As at 29 Marzo 2018 IntermonTE's Research Department covered 155 companies.

IntermonTE's distribution of stock ratings is as follows:

| | |
|--------------|---------|
| BUY: | 14,10 % |
| OUTPERFORM: | 43,59 % |
| NEUTRAL: | 37,18 % |
| UNDERPERFORM | 05,13 % |
| SELL: | 00,00 % |

The distribution of stock ratings for companies which have received corporate finance services from IntermonTE in the last 12 months (54 in total) is as follows:

| | |
|--------------|---------|
| BUY: | 14,81 % |
| OUTPERFORM: | 50,00 % |
| NEUTRAL: | 35,19 % |
| UNDERPERFORM | 00,00 % |
| SELL: | 00,00 % |

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| Emittente | % | Long/Short |
|------------------------|------|------------|
| CAPITAL FOR PROGRESS 2 | 1,06 | LONG |
| COGEME SET SPA | 1,6 | SHORT |
| IKF | 0,57 | SHORT |
| OLIDATA | 0,88 | SHORT |
| WASTE ITALIA | 0,61 | SHORT |

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