INVESTMENT FOCUS

July 4th, 2017

«EN MARCHE»

EDITORIAL VIEW Page 2

- Only weeks after his election, president Macron secured a commanding majority at the Assembly
- Such a majority will allow for a smoother implementation of his political agenda
- Corporate, labor & household reforms should be supportive of business & household confidence

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- Business services and construction-related companies will likely be the key beneficiaries
- SMEs offer the greatest leverage to upcoming reforms, boosting earnings momentum
- We have identified 10 attractive equity investment opportunities addressing this theme

Editorial View

"En Marche"

- Only weeks after his election, president Macron secured a commanding majority at the Assembly
- Such a majority will allow for a smoother implementation of his political agenda
- Corporate, labor & household reforms should be supportive of business & household confidence

Yes, he did it! Eventually, Emmanuel Macron has achieved his ambition to reshape the French political landscape in record time.

Indeed, after winning the French presidential election without (much) political experience, as he never was member of a party nor elected for any mandate, he then went on to obtain the majority at the Assembly with fresh candidates from his newly created "*La République en marche*" party.

As a result, President Macron will now enjoy a commanding majority for the next five years providing him with sufficient votes and firepower to implement his political agenda. While the latter is (as often) widely expected to revive both the country's lackluster business climate and consumer confidence, we believe there are grounds to be more optimistic for France this time around.

In particular, with a higher than usual success probability for implementing new reforms, we now see two key drivers for tangible improvements in France. On the one hand, both lower taxes (corporate & payroll) and the labor reform should support general business activity and reinvigorate the domestic labor market through regulatory simplification. Meanwhile, on the other hand, Macron's household fiscal reform together with increasing business confidence and recovering economic conditions should all contribute to improving consumption.

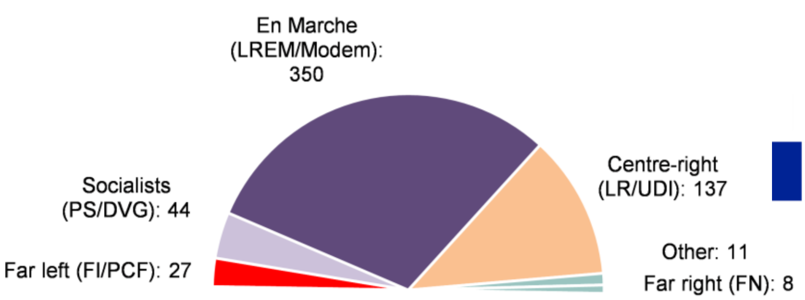
Key economic measures of Macron's program:

- Reduction of corporate taxes from 35% to 25%: direct support to business activity
- Reduction of payroll taxes support labor-intensive services companies (health, business, construction)
- Simplification of labor regulation
- Fiscal support to household

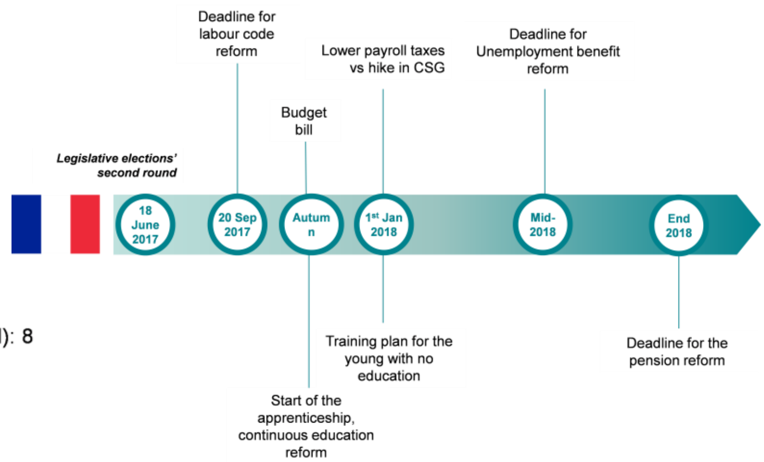
Although we are confident about improving Eurozone economies overall, we nevertheless believe that France offers the most attractive investment opportunity today. The main reason being that the election of Macron's government coincides with some of the most favorable economic conditions in decades providing it with a unique opportunity to alleviate much of the costs associated with the implementation of key reforms while magnifying their reach & potential.

Therefore, we expect companies with significant exposure to France, offering leverage to its economic recovery, general business activity and labor intensity, to benefit the most from this renewed political landscape. Moreover, firms exposed to a revival in household confidence (e.g. consumption) should also profit. Finally, we believe that SMEs offer the highest leverage to upcoming reforms and thus have identified hereafter mostly mid-cap equity opportunities.

Breakdown of National Assembly (total = 577 seats)



Timeline of Projected Domestic Reforms

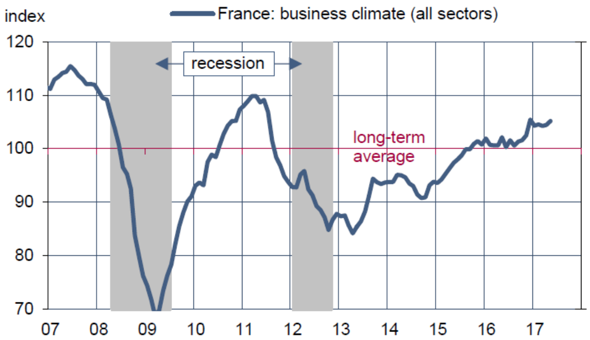


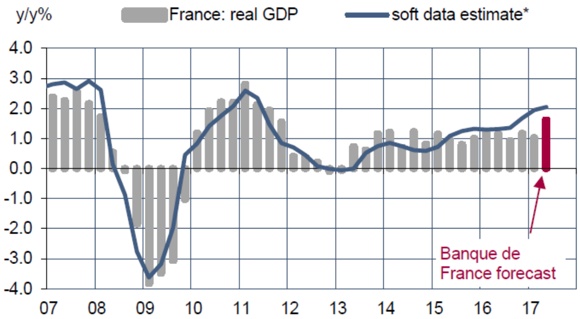
Investment Ideas

FRANCE ECONOMIC MOMENTUM

Index	May	April	March	Expansion	Recession
PMI manuf.	53.8	55.1	55.1	52.2	42.6
PMI services	57.2	56.7	56.7	56	46.8
PMI composite	56.9	56.6	56.6	55.1	44.9
BdF manuf.	105	105	105	103.5	79.5
BdF services	101	101	101	102.2	91.1

INSEE Index	May	April	March	Expansion	Recession
manuf.	109	109	109	102.5	85.2
services	103	104	104	102.1	85
construction	102	100	100	103.2	101.1
retail sector	104	102	102	10.8	86.7
cons. conf.	102	100	100	101.7	84.6





FRENCH SELECTION

BUSINESS SENTIMENT WINNERS		Sales in France	Mkt Cap. (€mn)	P/E NTM	3Yr EPS Growth	Div. Yield	Perf YTD (€)
ELIS	Business Services	65%	2 770	16.9x	+52.3%	2.3%	+22.7%
VINCI	Construction & Concessions	59%	44 361	15.4x	+24.2%	3.2%	+15.7%
SPIE	Business Services	51%	3 920	15.4x	+44.7%	2.5%	+27.1%
CREDIT AGRICOLE	Finance	51%	41 539	11.9x	+39.4%	4.4%	+24.1%
ELIOR	Business Services	48%	4 361	19.0x	+45.1%	2.1%	+16.5%
ALTRAN	IT Services	41%	2 496	14.4x	+48.9%	1.9%	+2.3%
ADECCO	Staffing	21%	11 452	13.4x	+28.7%	3.7%	+7.6%

HOUSEHOLD SENTIMENT WINNERS		Sales in France	Mkt Cap. (€mn)	P/E NTM	3Yr EPS Growth	Div. Yield	Perf YTD (€)
NEXITY	Real Estate Development	99%	2 698	15.9x	+44.7%	4.8%	+9.7%
MAISONS DU MONDE	Consumer Discretionary	64%	1 493	20.0x	+95.5%	1.6%	+31.8%
TRIGANO	Consumer Discretionary	42%	2 018	16.6x	+54.8%	1.2%	+40.4%

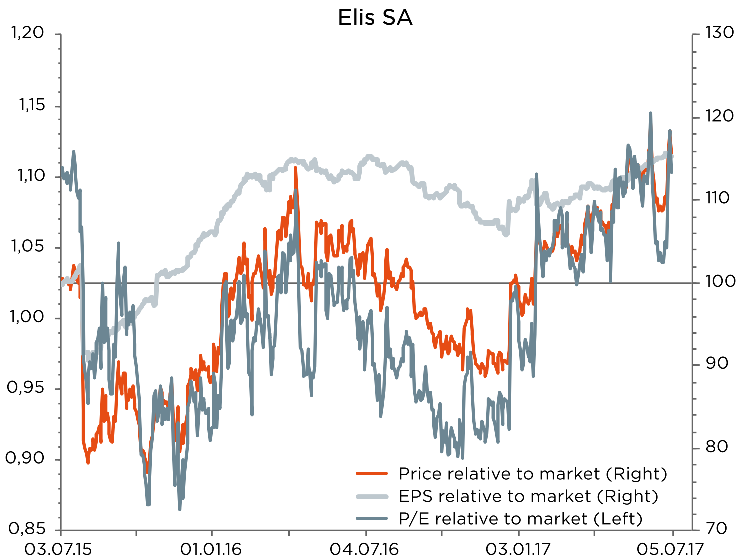
Investment Ideas

BUSINESS SENTIMENT WINNERS

ELIS — Sales in France 65%

Elis is the clear European leader (12% market share vs. Rentokill Initial 8%) in Linen & Workwear rental, Laundry, Hygiene and Wellbeing services. The company currently commands a dominant position in France (c. 50%) and continues to expand operations abroad. As such, Elis recently announced its intention to take over Berendsen (UK), taking advantage of the latter's operational weaknesses. We believe that the recent price weakness now offers an attractive entry point into the shares.

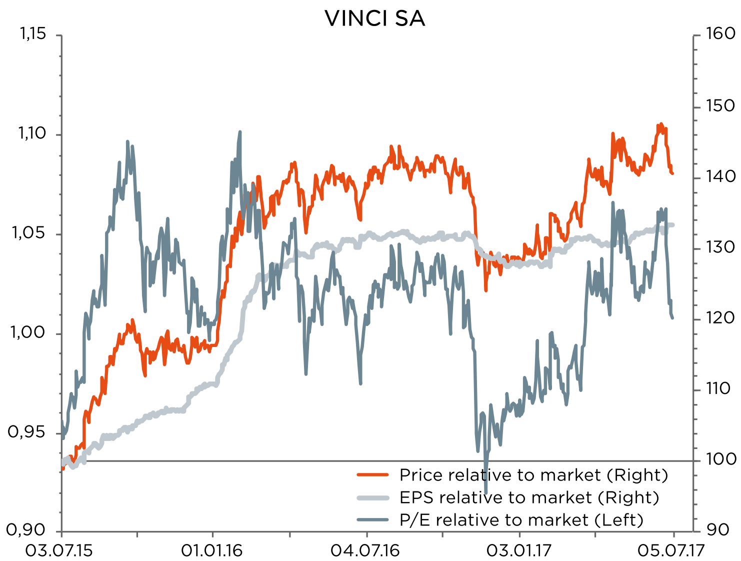
P/E NTM	16.9x	Mkt Cap	2 770 Mn€
Perf. YTD	+22.7%	3Y EPS Gr.	+52.3%
EV/EBITDA	7.7x	Div. Yld	2.3%
ND/EBITDA	2.8x	FCF Yld	5.3%



VINCI — Sales in France 59%

Vinci combines strong Infrastructure asset quality (concessions in toll road among others) with upside in Contracting (i.e. margin recovery in Construction & French volume uptick). Both sustainable FCF generation and a strong balance sheet provide the company with attractive M&A optionality (e.g. airports). A new infrastrucure plan, ADP privatization, and improved business confidence should all support the conmpany, non withstanding benefits from tax reduction.

P/E NTM	15.4x	Mkt Cap	44 361 Mn€
Perf. YTD	+15.7%	3Y EPS Gr.	+24.2%
EV/EBITDA	8.6x	Div. Yld	3.2%
ND/EBITDA	1.8x	FCF Yld	7.1%

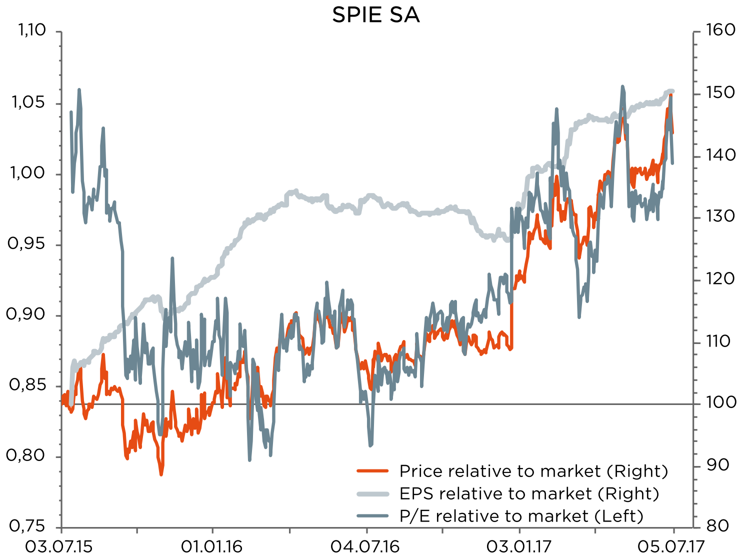


Investment Ideas

SPIE — Sales in France 51%

As a leader in multi-technical services adressing mainly Electrical Services (45% of sales) and Technical Facility Management (34%), Spie benefits from both a very resilient business model (small orders, repeat business, maintenance), the ongoing trend towards automation, and the adoption of smart building equipment. Hence, a payroll tax reduction and increasing business confidence from the new French government should both boost the company's earnings.

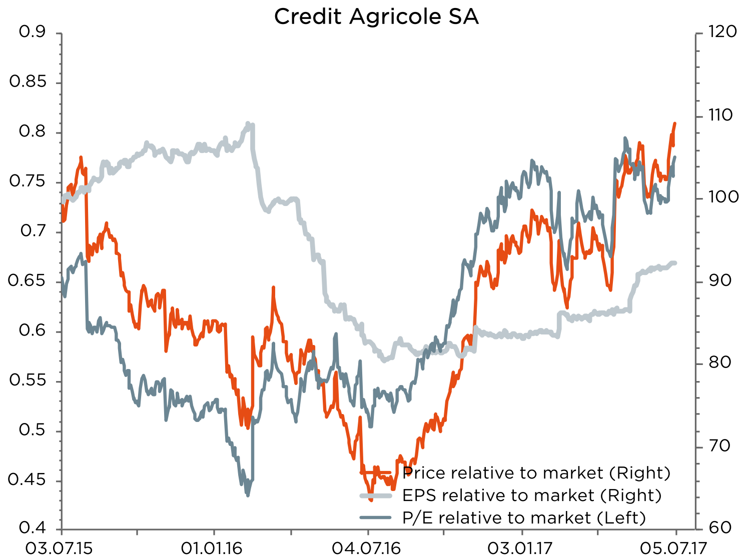
P/E NTM	15.4x	Mkt Cap	3 920 Mn€
Perf. YTD	+27.1%	3Y EPS Gr.	+44.7%
EV/EBITDA	10.2x	Div. Yld	2.5%
ND/EBITDA	2.4x	FCF Yld	7.8%



CREDIT AGRICOLE — Sales in France 51%

Crédit Agricole is one of the strongest bank in Europe with good business momentum, especially in France where loan growth helps alleviate margin pressure from mortgage renegotiations. Recent Pioneer Investments acquisition offers a significant cross-selling potential with Amundi and both opportunity to expand distribution and balance institutional and retail revenues. Both financial solidity (CET1 of 14,5%) and disciplined management (capital allocation and cost reduction) make Crédit Agricole a quality investment among financials exposed to France.

P/E NTM	11.9x	Mkt Cap	41 539 Mn€
Perf. YTD	+24.1%	3Y EPS Gr.	+39.4%
P/B	0.7x	Div. Yld	4.4%

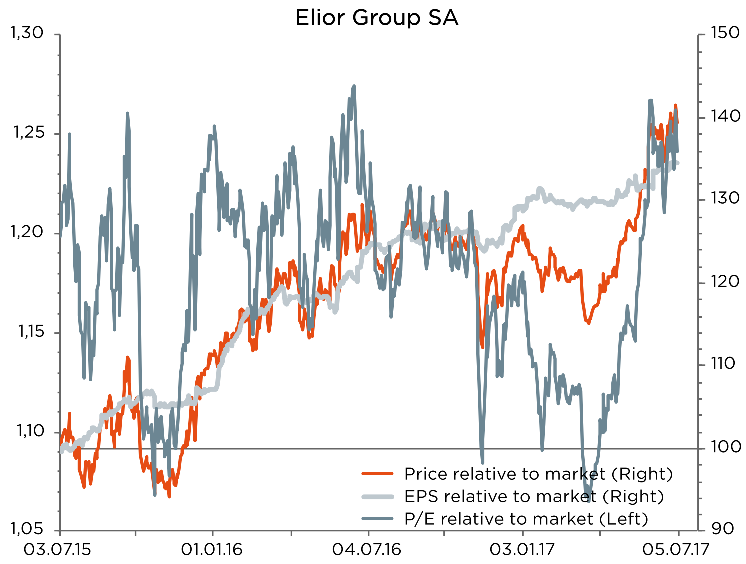


Investment Ideas

ELIOR — Sales in France 48%

Elior is the 4th largest player in the global Catering sector and #1 in France with 2/3 of its sales derived from catering activities and the remainder from concessions. As highlighted by recent strong H1 results, the group is currently enjoying a strong growth phase, boosted by a well-executed M&A program (geographical expansion focus). Increased economic dynamism arising from the new French governement reforms should lend further support.

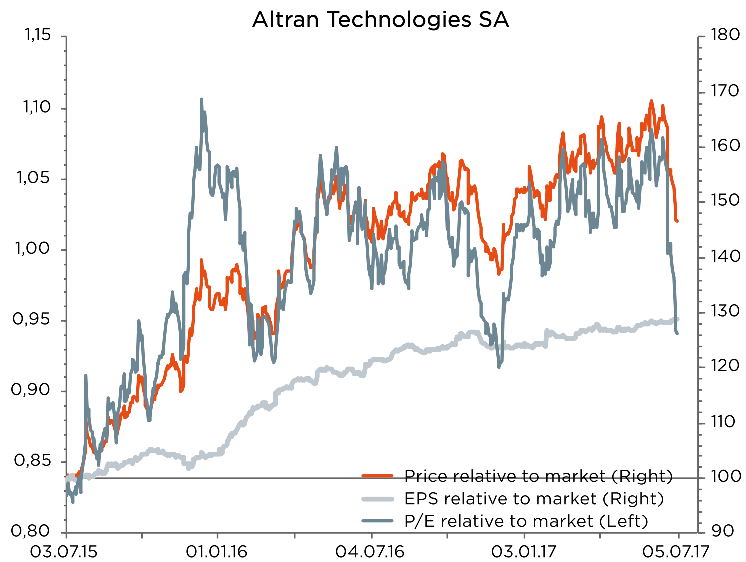
P/E NTM	19.0x	Mkt Cap	4 361 Mn€
Perf. YTD	+16.5%	3Y EPS Gr.	+45.1%
EV/EBITDA	10.2x	Div. Yld	2.1%
ND/EBITDA	2.8x	FCF Yld	4.9%



ALTRAN — Sales in France 41%

Altran is a leader in the market for outsourced R&D consulting, commanding a dominant position in Europe and expanding abroad (USA, China). The company operates in highly fragmented markets, successfully gaining share in the aerospace and automotive sectors while expanding in life sciences and energy. The company will be a clear beneficiary from an improved business climate and upcoming reforms in France, a well-established outsourcing market.

P/E NTM	14.4x	Mkt Cap	2 496 Mn€
Perf. YTD	+2.3%	3Y EPS Gr.	+48.9%
EV/EBITDA	9.1x	Div. Yld	1.9%
ND/EBITDA	0.3x	FCF Yld	5.6%

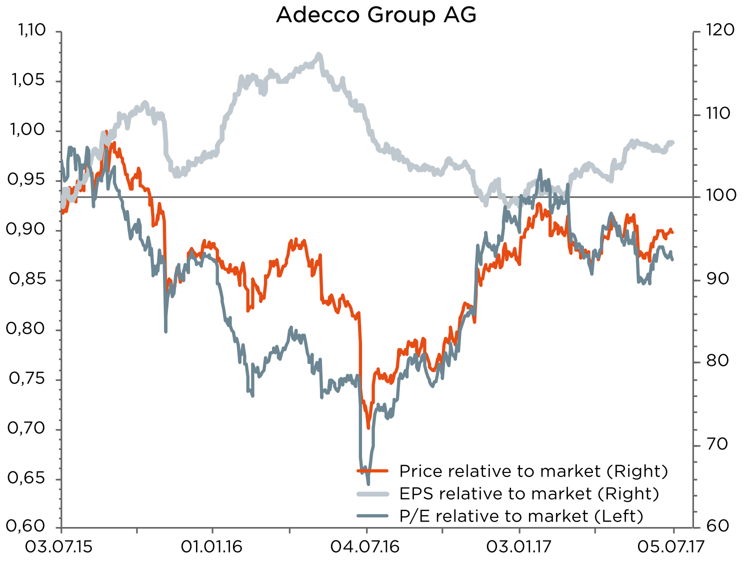


Investment Ideas

ADECCO — Sales in France 21%

With over EUR 20bn in revenues, best-in-class operational processes, and a solid balance sheet, Adecco is the global market leader in the temporary staffing and HRM services. With a sizeable exposure to the French market, the Swiss company should clearly benefit from recent positive economic data and reforms likely to be laid out by the new government.

P/E NTM	13.4x	Mkt Cap	11 452 Mn€
Perf. YTD	+7.6%	3Y EPS Gr.	+28.7%
EV/EBITDA	9.0x	Div. Yld	3.7%
ND/EBITDA	0.4x	FCF Yld	6.8%

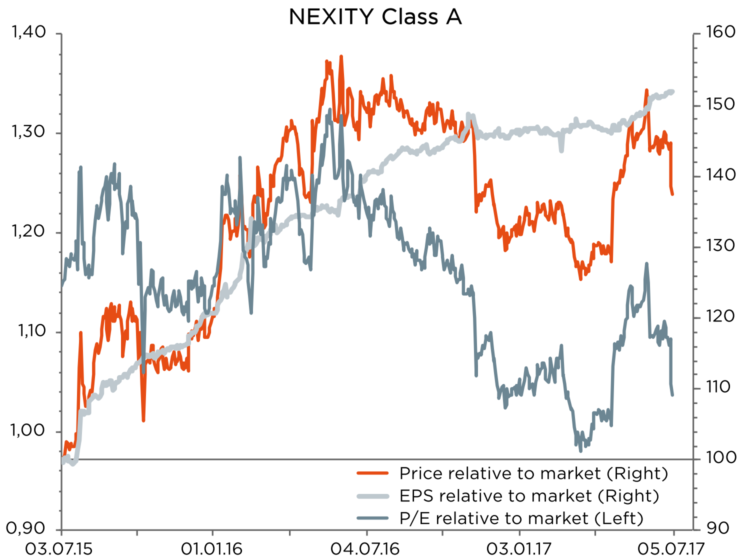


HOUSEHOLD SENTIMENT WINNERS

NEXITY — Sales in France 99%

Nexity is a leading integrated real estate operator in France, primarily active in residential development (#2 with a 12% market share). With almost 2/3 of the company's revenues arising from Housing and the remainder from Commercial activities (development, property management, estate brokerage), we expect Nexity to be a key domestic beneficiary from France's new government reforms.

P/E NTM	15.9x	Mkt Cap	2 698 Mn€
Perf. YTD	+9.7%	3Y EPS Gr.	+44.7%
EV/EBITDA	8.5x	Div. Yld	4.8%
ND/EBITDA	0.9x	FCF Yld	5.0%



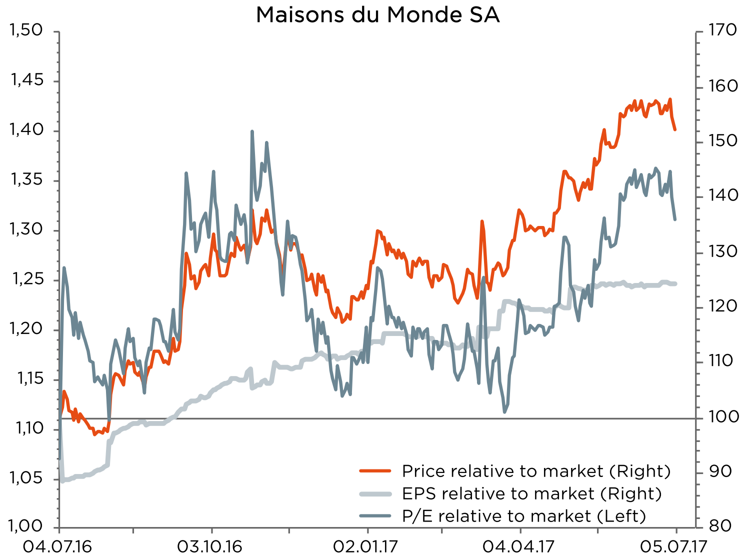
DECALIA

Investment Ideas

MAISONS DU MONDE — Sales in France 64%

Maisons du Monde is a leading European player in the "affordable inspirational" homeware space. The company is well on track with its recent business plan aimed at reaching 400 stores, expanding its local footprint (France), and making its first international steps. Both improving efficiencies (logistics) and a sustained surge in online sales should also contribute to the company's attractive +10% p.a. EBIT growth target.

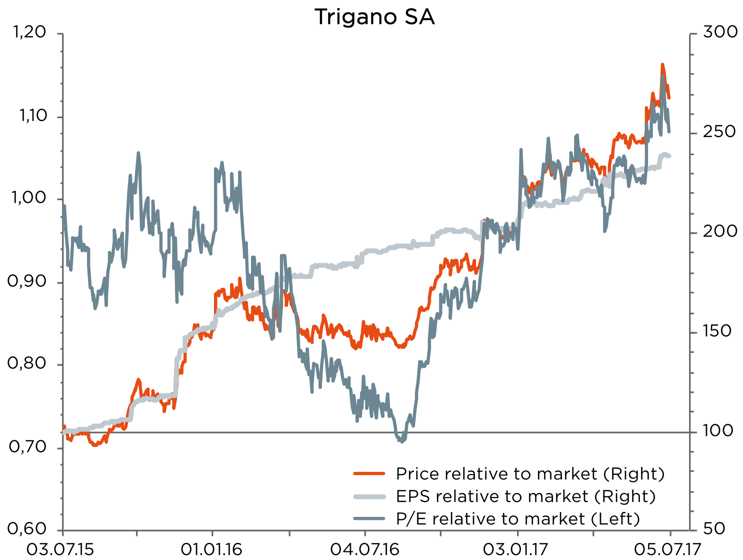
P/E NTM	20.1x	Mkt Cap	1 501 Mn€
Perf. YTD	+32.5%	3Y EPS Gr.	+95.5%
EV/EBITDA	11.3x	Div. Yld	1.6%
ND/EBITDA	1.2x	FCF Yld	3.9%



TRIGANO — Sales in France 42%

Trigano is a family-owned french-based leading provider of leisure vehicles (caravans, mobile-homes, ...) in Europe. The company engages in the design, manufacturing, and marketing of vehicles as well as equipments (trailers, garden). The Equipment business is operated online under TRIGANO Store brand. Management has an excellent track record of growth both in organic and external (2 M&A in 2017) terms, reflecting its control of the entire supply chain.

P/E NTM	16.6x	Mkt Cap	2 018 Mn€
Perf. YTD	+40.4%	3Y EPS Gr.	+54.8%
EV/EBITDA	11.4x	Div. Yld	1.2%
ND/EBITDA	0.4x	FCF Yld	3.3%



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External sources include: Factset, Bloomberg, Oddo Securities, Société Générale, Exane
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