

# Risks

- **Bovis Homes - BVS.L:** Downside risks include the lesser availability and affordability of mortgages, which is a determinant of housing demand. Economic factors such as the higher unemployment rate and consumer confidence also have a demand influence. Political factors such as lower government funding and policy on planning have an influence on demand and supply. Company-specific risks include the later timing and lower profitability of new land including some large strategic land sites, lesser control of material and labour costs, and the slower timing and lower profits from the sale of parcels of land on larger sites
- **Carrefour - CARR.PA:** Key upside risks include: 1) sustainable market share gains in France, 2) strong economic rebound in Brazil, due to crisis resolution and 3) faster-than-expected ramp-up of converted DIA stores in France
- **Credit Suisse Group - CSGN.S:** Key downside risks include challenging capital market conditions, widening credit spreads, CHF strength, higher wind-down losses and litigation charges.
- **Continental AG - CONG.DE:** Key risks include a worsening volume environment, especially in Europe given Continental's regional exposure, and higher operational gearing to the downside due to a higher fixed cost base and revenue per unit (DBe); as well as a weaker tire demand and pricing and higher raw material headwind. For our estimates, we work with the following assumptions: for the tire market (DBe: ~25-30% gearing on volume, biggest impact from pricing, mix around 1/3 to the bottom line). In our analysis, the gearing to the downside in automotive exceeds the usual 15-20% gearing to the upside (DBe).
- **Deutsche Lufthansa AG - LHAG.DE:** Aside from general sector, macroeconomic and political issues, we see the following potential downside risks for Lufthansa: (i) the EU Commission attempting to block the Air Berlin deal, (ii) an inability to realize synergies quickly, or at all, and (iii) increased entry into German domestic from more aggressive airline competitors.
- **DSM NV - DSMN.AS:** There are several downside risks. For the GDP-sensitive industrially focused businesses, such as Materials, macro weakness could lead to lower forecasts and potentially valuation. For Nutrition, increased competition would lead to pressure on prices and volumes and negatively affect our forecasts and valuation. For the group, higher energy or raw materials costs would also potentially impact our forecasts and valuation. A sustained weakening in the US\$ against the Euro and/or strengthening of the CHF could also impact earnings and potentially valuation. Last but not least, M&A not happening or value destructive M&A in a context on high asset prices is another risk.
- **Eutelsat Communications - ETL.PA:** Upside risks: unexpected growth in consumer broadband, pricing growth on video hotspots, accelerating TV channel launches and accelerating EM pay-TV subscriber growth, strong uptake of 3D and Ultra HD, unexpectedly strong demand from military and governmental organisations, lower-than-expected CAPEX.
- **Fresenius - FREG.DE:** General downside risks relate to healthcare reform and austerity with negative consequences for Fresenius. Company specific downside risks relate to rising cost inflation not adequately covered by reimbursement (e.g. for dialysis in the US), M&A integration (e.g. Qirónsalud, Care Coordination deals) and/or overpaying for potential future acquisitions, more-than-expected easing of drug shortages in the US and/or production issues at Kabi, rising competition and/or less-than-expected new products, lack of cost savings, and FX.