

Risks

- **Royal Dutch Shell Plc - RDSa.L:** Risks to the downside are now dominated by Shell's ability to reduce balance sheet debt and reposition the business, not least at a time when the company will be targeting material (\$30bn) divestments. Divestments aside, project start ups are key - including Gorgon, Prelude and Kashagan.
- **RWE - RWEG.DE:** Key downside risks include a further drop in the value of RWE's stake in innogy, lower power prices, a carbon tax, lignite closures and higher estimates of the cost of financing long term nuclear, pension and other liabilities.
- **SGS - SGSN.S:** Downside risk stems from lower potential structural growth and less cross selling benefit than we model and less benefit from maximizing the potential of the company's small scale M&A. Downside risk also comes from slower China growth and the knock on effect on valuation and commodities and less margin gain than we forecast.
- **Shire PLC - SHP.L:** Risks include potential impact of new hemophilia therapies, lower growth of the HAE and ADHD franchises and risks of oversupply in the plasma markets.
- **Sophos - SOPH.L:** Key risks for Sophos, in our view, include: Sophos may face more competition in IT Security for midmarket companies than we expect; IT Security spending may be negatively impacted by a worsening macro outlook; and customer migration to Cloud may impact Sophos more negatively than we expect.
- **Vinci - SGEF.PA.** Downside risks: worsening of the French/European economic situation, particularly its more cyclical component, contracting. Worse performance in construction projects leading to lower than expected margins. Volatility in the risk-free rate affecting the valuation (higher interest rates having a negative impact particularly in the valuation of infrastructure assets). Unpredictable outcome of potential inorganic growth in particular in the airports sector. Unpredictable events like accidents or terror attacks affecting traffic at airports and toll roads.
- **Vodafone Group Plc - VOD.L:** Risks to our target price being achieved include: 1) Competition from new entrant mobile operators (eg Italy) and/or convergence price discounting by integrated fixed and mobile operators; 2) any deterioration in either employment trends or wage growth would reduce consumer disposable income available for spending on Vodafone services; and 3) currency weakness in either UK or EM (Egypt, Turkey, India, South Africa).