

Deutsche Bank

Deutsche Bank Research:

The Equity View: FRESH MONEY IDEAS #3

January 7th, 2018

Distributed on: 07/01/2018 21:00:00 GMT

Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of

interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. DISCLOSURES

AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MCI(P) 083/04/2017
7T2se3r00t6kwoPa

Table of Contents

|| The Equity View Overview

|| Consumer

- Page 5 B&M
- Page 6 BAT
- Page 7 Bovis Homes
- Page 8 Carrefour - SELL

|| Financials

- Page 10 Aroundtown Properties
- Page 11 AXA
- Page 12 Banco Santander
- Page 13 Credit Suisse Group
- Page 14 Prudential

|| Healthcare

- Page 16 AstraZeneca
- Page 17 Fresenius
- Page 18 Shire

|| Energy, Materials & Industrials

- Page 20 ABB
- Page 21 ArcelorMittal
- Page 22 BAE
- Page 23 Continental

|| Energy, Materials & Industrials cont'd....

- Page 24 DSM
- Page 25 Glencore
- Page 26 Kingspan
- Page 27 Linde
- Page 28 Renault
- Page 29 Royal Dutch Shell
- Page 30 RWE

|| TMT

- Page 32 Eutelsat - SELL
- Page 33 Infineon
- Page 34 Informa
- Page 35 KPN
- Page 36 Sophos
- Page 37 Vodafone

|| Business Services, Leisure & Transport

- Page 39 Deutsche Lufthansa
- Page 40 Royal Mail - SELL
- Page 41 SGS
- Page 42 Vinci

|| Risk Statements

|| DB Forecasts
Editors: Mark Braley, Vivek-G Midha and Mairead Smith
Deutsche Bank Research: European Equity Focus – January 2018
2

The Equity View – Fresh Money Ideas – Overview

The Equity View Overview

This is the third edition of this quarterly publication, where we present each of our teams' strongest investment ideas over the next twelve months.

Below are our European "Fresh Money Ideas". In this report, each idea is summarized and grouped together by sector (SELLs in RED):

- Consumer: B&M, BAT, Bovis Homes, Carrefour
- Financials: Aroundtown Properties, AXA, Banco Santander, Credit Suisse Group, Prudential
- Healthcare: AstraZeneca, Fresenius, Shire
- Energy, Materials & Industrials: ABB, ArcelorMittal, BAE, Continental, DSM, Glencore, Kingspan, Linde, Renault, Royal Dutch Shell, RWE
- TMT: Eutelsat, Infineon, Informa, KPN, Sophos, Vodafone
- Business Services, Leisure & Transport: Deutsche Lufthansa, Royal Mail, SGS, Vinci

One slide per stock, valuation and catalysts plus links to the latest research.

The prior iteration (04-Oct-17) [AB Foods, BAT, Bovis Homes, B&M, H&M, Imperial Brands, Ocado, Tesco, AXA, Credit Suisse, Deutsche Wohnen, Prudential, AstraZeneca, Coloplast, Shire, ArcelorMittal, BP, Centrica, Covestro, GKN, HeidelbergCement, Linde, Renault, Rio Tinto, RWE, AccorHotels, ADP, Cineworld, Deutsche Post, IAG, Aixtron, Informa, Micro Focus, Telefonica, Telia, TF1] saw an average price gain to 04-Jan-18 of 4.2%, vs SXXP at 0.9% (Past performance is not a guarantee of future performance; This data does not include transaction costs; more information is available upon request)

Deutsche Bank Research: European Equity Focus – January 2018

Consumer

Deutsche Bank Research: European Equity Focus – January 2018

4

> Consumer

1 B&M – Warwick Okines, BUY, close 413p, 450p tgt, 9% upside

|| Our preference is for value retailers. The UK macro environment looks similar to the austerity years of 2011/12. Both in groceries and in our apparel consumer survey we can see evidence of a shift to value.

|| B&M is a price leader, with a robust 15-20% price gap to Tesco and Asda.

|| Value retailers also offer structural growth opportunities. Multi-price discounters grew at a sales CAGR of 12% in 2006-16, illustrating their ability to progressively gain market share.

|| B&M has ambitious store expansion plans with a UK target of 950 overall vs. existing 552 as of Sep-17, implying 40-50 openings p.a. over nine years.

|| We see attractive long-term growth opportunities:

– Ja Woll – a German discount retailer: we forecast a sales CAGR of 13% to 2020E.

– Heron Foods (a discounted convenience grocery retailer, purchased in Aug-17), from expanding its existing base of 257 stores. It would also make selling a greater range of non-ambient food products at B&M economically attractive.

|| A strong balance sheet provides return optionality. At only 1.6x leverage in Mar-18 we see potential for a 15p special dividend which would imply a 5.5% dividend yield.

|| B&M trades on a CY18E P/E of 19.6x. This is only a 1.3x PEG. The valuation does not reflect B&M's growth trajectory.

|| Catalysts: Q3 results on 12-Jan.

Related DB Research:

B&M: Heron is flying (Okines)

European Non-Food Retail: Christmas turkeys and crackers (Okines)

Deutsche Bank Research: European Equity Focus – January 2018

The price gap vs. Tesco and Asda is widening – B&M is a price leader

10%

-30%

-25%

-20%

-15%

-10%

-5%

0%

5%

Apr 14 Aug 14 Dec 14 Apr 15 Aug 15 Dec 15 Apr 16 Aug 16 Dec 16 Apr 17 Aug 17

vs Asda

vs Poundland

Source: Deutsche Bank (last data point: 10 November 17), company websites

Q2 LFL better than Q1, despite Easter effect in Q1

-1%
0%
1%
2%
3%
4%
5%
6%
7%
8%
9%

Source: Deutsche Bank estimates, company data

5

vs Tesco

> Consumer

2 BAT – Gerry Gallagher, BUY, close 4914p, 6000p tgt, 22% upside

|| BAT offers 50% TSR over the next two years, only 15ppts of which is from an EV re-rating.

|| Its broad offering in next generation products (NGP), both in heat-notburn and vaping, puts BAT at a competitive advantage could fuel group organic growth of c5% organic growth FY18 and c6% FY19.

|| BAT is one of the fastest growing large cap European staples yet it trades at a discount to the European sector and its international peers.

0%

|| Key drivers:

– Strong organic EBITDA growth and debt pay down (c28ppts).

EBITDA growth could fuel 10% pa EPS growth, while debt pay-down further shifts the EV to equity.

– Attractive dividend (c7ppts upside over next two years).

– Re-rating to 13.1x 18E EV/EBITDA (c15ppts upside) and still at a discount to staples and international peers. Concerns regarding potential plans by the FDA to reduce cigarettes' nicotine content (announced in July 2017) have brought the multiple down to 12.4x.

– The FDA regulatory process takes many years. By its conclusion, NGPs may already be well-established.

|| Catalysts: US tax reform (could add 5-8% to EPS); FY17 results end Feb; FDA comments through 2018

Related DB Research:

What's going on (Gallagher)

You can't have your cake and eat it (Gallagher)

Deutsche Bank Research: European Equity Focus – January 2018

10%

EBITDA (operational) growth

Assoc. and mins.

Incremental EPS at higher P/E multiple

Source: Deutsche Bank estimates; assumes 10% EPS growth

Operational drivers are key– we see substantial EBITDA growth to come

10

12

14

16

0

2

4

6

8

FY17

FY18

Source: Deutsche Bank estimates; assumes 10% EPS growth

6

FY19

FY20

EBITDA (GBPbn) (LHS)

Growth (RHS)

0%

5%

10%

15%

20%

25%

30%

35%

40%

20%

We see potential for 50% TSR over the next two years

Operational drivers: 27.8%

EV/EBITDA remains at 12.3x

21.5%

5.0%

1.3%

30%

Debt paydown

P/E expansion ex operational drivers

DPS

Re-rating: 14.8%

12.0%

2.9%

7.4%

40%

50%

> Consumer

3 Bovis Homes – Glynis Johnson, BUY, close 1185p, 1368p tgt, 15% upside

|| Management's targets for 2020 are credible (EBIT margins >18% and ROCE >25%) and provide scope for upside. We see scope for expansion from the following sources:

– Land bank intake margin is 26.4%, above the gross margin target of 23.5%

– Contingency costs assumed in the current land bank and all new land intake should edge lower. These have increased from 2.5% to 4% of build cost, but the CEO has guided that these should fall.

– We have not included any benefits from new housetypes from 2018.

This could help bring cost savings and economies of scale.

– Admin costs are targeted to be below 5% of sales. They are at the top of the peer group at present and so this target implies substantial cost savings, but we believe volume improvements could help too.

|| >9% dividend yield from special cash return of £180m over three years.

|| Potential for higher dividends if Bovis constrains its land buying plans. Reducing land buying by half would increase cash available by £75m. The CEO is incentivised to pay out more than £180m in his LTIP.

|| Organic cash flow can support the dividend post 2020. The cash generation potential is impressive, with a 2018E FCF yield of 18.0%.

|| Stock is still cheap at 1.2x 2018E P/TNAV, despite 30% rise in last six months.

|| Catalysts: FY trading update on 12th January, FY results on 1st March.

Related DB Research:

Bovis: Benefits of strategy becoming evident (Johnson)

UK Housebuilders: 2018 Outlook – Better for longer (Johnson)

Deutsche Bank Research: European Equity Focus – January 2018

Bovis has the best yield in the sector, and one of the best in the market

0.0

0.5

1.0

1.5

2.0

2.5

3%

Source: Deutsche Bank

McCarthy

Bellway

Berkeley

Persimmon

Redrow

Crest

Barratt

Taylor

Bovis

4%
5%
6%
7%

Dividend yield

We see margin upside from the land bank, with land trailing house prices

100
110
120
20
30
40
50
60
70
80
90

Halifax HPI

Greenfield land

8%
9%
10%

Source: Deutsche Bank, Halifax. Land: Savills UK resi land dev index.

Rebased: Dec 2007 = 100

7

Dividend cover by FCF (x)

Mar-97
Nov-97
Jul-98
Mar-99
Nov-99
Jul-00
Mar-01
Nov-01
Jul-02
Mar-03
Nov-03
Jul-04
Mar-05
Nov-05
Jul-06
Mar-07
Nov-07
Jul-08
Mar-09
Nov-09
Jul-10
Mar-11
Nov-11
Jul-12
Mar-13

Nov-13
Jul-14
Mar-15
Nov-15
Jul-16
Mar-17

> Consumer

4 Carrefour – Maxime Mallet, SELL, close €18.3, €15 tgt, 18% downside

|| We believe 2018 consensus is at risk. We are 13% below consensus 18E EPS (and 15% below 19E consensus).

|| Carrefour needs to invest given competitive pressures in France. Hypers (52% of French sales) suffers from a 5% price gap vs. Leclerc and underexposure to online grocery (with only 8% market share).

|| November's Kantar data showed a market share loss of 60bps to 20.5%. – This is not confined to Hypers (40bps share loss); Supers also lost 30bps of market share.

|| Recent price and promotional investments have not delivered better customer perceptions. Price perceptions are broadly flat YoY for both Supers and Hypers. Therefore, more will be needed.

|| Carrefour's market position is already weak. French EBIT margin is at a historical low of 2.0% in 2017E.

|| Closing the gap to peers would be expensive. Eliminating it would cost the entirety of French EBIT.

|| The strategic plan in January is likely to be underwhelming. The first measures taken by the new management do not address the main issues and it will be costly and take time to fix the group's positioning

|| Cash flow generation is structurally weak. The meagre 2.6% FCF yield is linked to thin margins in a tough competitive environment and a high tax rate of 35%.

|| Carrefour still trades at a 11% premium to peers at 16x 18E EPS.

|| Catalysts: strategic plan on January 23rd.

Related DB Research:

French Food Retail: A stronger November and a weaker Carrefour (Mallet)

Deutsche Bank Research: European Equity Focus – January 2018

French profitability is falling

33,000

33,500

34,000

34,500

35,000

35,500

36,000

36,500

Sales (in €m, LHS)

EBIT margin (RHS)

1.5%

2.0%

2.5%

3.0%
3.5%
4.0%
2009 2010 2011 2012 2013 2014 2015 2016 2017E 2018E

Source: Company reports, Deutsche Bank estimates

Narrowing the gap vs. Leclerc would be costly

1,000

1,200

200

400

600

800

-45

-200

-

0%

1%

2%

3%

4%

5%

6%

EBIT (LHS)

EBIT margin (RHS)

852

672

493

313

134

1,031

-1%

0%

1%

1%

2%

2%

3%

3%

4%

Source: Deutsche Bank estimates (Carrefour Hypers vs. Leclerc on horizontal;
France EBIT on LHS; France EBIT margin on RHS)

8

Financials

Deutsche Bank Research: European Equity Focus – January 2018

9

> Financials

5 Aroundtown Properties – Markus Scheufler, BUY, close €6.5, €7.50 tgt, 15% upside

|| We like Aroundtown as a play on a stronger German economy. Its portfolio is primarily based in German cities (88% of portfolio) and is mostly geared towards commercial property (76% of assets).

|| Key driver #1: Acquisitions keep beating expectations. Aroundtown has closed €3bn of acquisitions YTD at a 6.3% yield.

|| We believe that Aroundtown should be able to continue making acquisitions below replacement costs for the next two to three years.

|| Refinancing could drive cash flow upside.

– Re-gearing the portfolio from 35% LTV at a low 1.5% marginal cost of debt would lock in a 500bps spread

|| Key driver #2: strong rental growth of >5% pa. We forecast a 23% FFO CAGR to 2020E. This in turn is driven by:

– Closing the 20% gap to market rents for c90% of the portfolio.

Aroundtown's strategy is to acquire undermanaged assets, refurbish them and realise the market upside;

– LFL rental growth of 4%;

– A fall in vacancy rates to c5% from c7%

|| Key driver #3: we expect a 12% NAV growth to 2020E, driven not just by rental growth but also by:

– Revaluation – H1 revaluation to 5.5% yield was a positive surprise

– Better portfolio quality and thus yield compression

|| Aroundtown currently trades on a discount to book value at 0.9x 2018E

|| The next catalyst is potential inclusion in the MDAX in March

Related DB Research: 3Q17 results: Strong growth continues: BUY (Scheufler)

Deutsche Bank Research: European Equity Focus – January 2018

Acquisition volume continues to surprise to the upside

1,000

1,500

2,000

2,500

3,000

3,500

500

0

2015

Source: Company data, Deutsche Bank estimates

20% upside to market rents drives LFL rental growth

100 %

88%

10

20

30
40
50
60
70
80
90
0

Below market rent

Source: Company data, Deutsche Bank

10

At market rent

2016

2017 YTD

Acquisition volume (in EURm)

Acquisition yield (% , RHS)

4

4.5

5

5.5

6

6.5

7

7.5

8

8.5

9

12%

> Financials

6 AXA – Oliver Steel, BUY, close €25.20, €28.50 tgt, 13% upside

|| AXA is geared to rising bond yields, especially in the US, and the DB house view sees upside to bond yields from better macro.

– The downside in any case is modest: US 10 year would need to fall to 1.5% before further reserving fears could be valid.

|| The solvency ratio is robust at 200%.

|| We see re-rating potential as M&A plans are executed. This cannot be risk free, but the scale of the plans is modest in the context of the group (planned disposals account for 13% of group earnings); yet the shares now trade 15% below the sector.

|| We see earnings upgrade potential on delivery of the five-year plan.
– Management has recently reiterated its confidence in the group target of 5% pa EPS growth in 2015-2020 (despite FX headwinds). This implies c.7% pa growth over the course of 2018e-2020e.

|| Our forecasts are in line with management's 5% p.a. base case, but are still conservative. For instance, we do not incorporate any revenue benefit from the 'simplify to accelerate' programme (focusing on only 16 principal countries, reducing management layers).

|| The simplification programme should deliver the equivalent of €0.3bn in cost savings within two years (c5% of 2016 net income).

|| In summary, AXA is far too cheap at a 15% discount to the sector – with the potential to re-rate in 2018. It currently trades on 9.5x 2019E, vs conglomerate peers at 11.7x and sector at 11.0x

|| Catalysts: planned M&A during 2018; FY and 1H results.

Related DB Research:

AXA: A confident investor day update (Steel)

European Insurers: 2018 - Safety and Optionality (Steel)

Deutsche Bank Research: European Equity Focus – January 2018

Potential for significant EPS acceleration – and on delivery, re-rating

10%

12%

-8%

-6%

-4%

-2%

0%

2%

4%

6%

8%

2016

Bd ylds
Growth
Source: Company data, Deutsche Bank estimates
11
2017e
Efficiency
Equ mkts & FX
2018e
2019e
Tech margin
Total
M&A
2020e
Potential EPS growth - based on AXA targets

> Financials

7 Banco Santander – Ignacio Ulargui, BUY, close €5.6, €6.6 tgt, 17% upside

|| Santander is a very large cap stock (market cap > €90bn) with significant earnings momentum and an attractive valuation.

|| We expect high-single-digit growth in Brazil over the next two years driven by the economic recovery.

– NII should rise at a c4% CAGR for 18-19E driven by stronger loan growth (we expect 10%/12% in 18E/19E). Santander has been the most active in increasing lending, being the only Brazilian bank posting both YoY and QoQ growth.

– The economic recovery should help reduce cost of risk and hence provisions. We forecast a 59bps fall in the cost of risk through to 2019.

|| Costs and provisions should deliver profit growth in Spain. Popular's contribution could be bigger than expected driven by revenues and lower provisions (the company expects the acquisition of Popular to deliver €550m of synergies), and NPAs should fall over time to non-material levels.

|| The USA has revenue and cost tailwinds to come, starting 1H18.

|| The UK is becoming less of a drag. Competition necessitates management's margin caution, but the outlook on costs of risk and operations is more positive.

|| Client loyalty focus should bring fee income outperformance. Realising the potential from the 131m customer base should deliver a 7% fee income CAGR in 2018-19E

|| Santander has a P/B of only 0.9x for an estimated 11.4% 18E RoTE.

|| Catalysts – UK & Brazil newsflow and quarterly results

Related DB Research:

Reaffirming targets. Buy reiterated (Ulargui)

Deutsche Bank Research: European Equity Focus – January 2018

Santander Brasil is achieving market-leading loan growth

10%

6.4%

-15%

-10%

-5%

0%

5%

4.2%

-1.0%

-6.8%

3Q16

Santander Brazil

4Q16

Bradesco

Source: Deutsche Bank estimates and company data

Spanish NPAs over loans have been materially reduced

10%

12%

14%

16%

18%

0%

2%

4%

6%

8%

Pre Blackstone deal

Source: Deutsche Bank estimates, company data

12

Post Blackstone deal

49% stake in

Blackstone's

vehicle

1Q17

Itau

2Q17

3Q17

Banco do Brazil

7.6%

> Financials

8 Credit Suisse – Kinner Lakhani, BUY, close CHF17.8, CHF21 tgt, 18% upside

|| CS has superior Wealth Management operating momentum of 13% CAGR PBT over the next 3 years supported by its Relationship Manager investments, One Bank strategy and strong cost control

|| It has strong cost control with a targeted 2018 cost base of <CHF17bn, c20% down on 2015, with recent new guidance of CHF16.5-17bn over 2019-20.

|| Attractive capital return based on c50% payout ratio through 2019 and 2020 – primarily through share buybacks and special dividends – implying a 'yield' of over 5-6%

|| There is upside potential to our forecasts. This comes from three sources: (i) Lower funding costs of CHF1.1bn by 2019E (Dec-17 Investor Day), improving by CHF0.5bn vs. Dec-16 Investor Day (ii) NII benefit from forward rate curves of CHF0.45bn over 2018-20; and (iii) Lower Group tax rate of c23%, from c28%, in the event of US tax reform.

– Lower tax alone could drive an earnings upgrade of c7% while better NII trends could drive a c10% upgrade. This could increase our fair value of the stock from CHF21 to CHF24.

|| CS trades on only c10x adj. 19E P/E and 1.0x 19E P/TB, while offering a 10.5% 19E RoTE.

|| Catalysts: US tax reform passage, further delivery towards targets
Related DB Research:

Credit Suisse: From momentum to capital return (Lakhani)

European Banks Strategy: Road to Recovery – Intrinsic Value (Lakhani)

Deutsche Bank Research: European Equity Focus – January 2018

3.5

4.0

4.5

5.0

5.5

6.0

Quarterly adjusted cost trends show strong execution

2015

CHFbn

5.2

4.8

4.6

5.3

4.9

4.5

4.9

4.8

4.4

4.9

~4.5

2016

2017

5.8

1Q

2Q

3Q

4Q

Source: Deutsche Bank ests, company data. Note: based on adj total operating expenses at constant FX rates, 4Q17 is a company est

10%

12%

14%

16%

18%

3Q17-2020E CET1 glide path: attractive capital return to come

3.3%

(0.4%)

0%

2%

4%

6%

8%

13.2%

12.8%

(1.7%)

=4.5%/6.0%

dividend

yield in

19E/20E

(2.5%)

11.9%

3Q17 CET1

capital ratio

Net change,

4Q17-2018E

2018E CET1

capital ratio

Earnings,

Dividends,

2019-2020E 2019-2020E

Regulation

and others,

2019-2020E

2020E CET1

capital ratio

Source: Deutsche Bank ests, company data. Note: based on adj total operating expenses at constant FX rates, 4Q17 is a company est

13

> Financials

9 Prudential – Oliver Steel, close 1898p, 2050p tgt, 8% upside

|| Valuation is simply too low at just 5% premium to the wider sector (PE 11.5x 2019e vs broad sector at 10.8x), despite a superior growth rate (EPS CAGR to 2020 at 10%).

|| Long-term growth in Asia is the heart of the investment case: insurance spend in Asia is only 2.5% of GDP vs 7.5% in the UK, and mutual fund FuM only 12% of GDP vs Europe at 75%. We forecast 13-14% pa growth in Asia.

|| Pru holds top 3 positions in 9 of its 11 Asian markets. Asia is 36% of IFRS profits and 66% of new business profit.

|| In the US (39% of profits), Pru is no. 1 in the variable annuity market by sales, with these accounting for only 12% of US retirement AuM. Consensus growth expectations are low following the DOL changes, with scope for positive surprise. Tax reform could also deliver further upside.

|| The UK – 15% of IFRS earnings – is less exciting, but offers potential capital release and 5% re-rating from its annuity and other closed books.

|| Short-term headwinds have turned in Pru's favour: Asia sales are more robust (double-digit growth in most countries, thus less reliant on mainland Chinese purchases in HK); fund management inflows are positive again; US sales are bottoming out. A partial offset is £ recovery (80% of earnings are non-GBP).

|| Capital position offers optionality: group Solvency II capital ratio end 2016 at 201%, growing at 5pts p.a., with ability to remit up from each major unit.

|| Catalysts: sale of UK annuity book, US tax changes

Related DB Research:

Global Asset Managers: At a critical juncture (Lakhani & Steel)

European Insurers: 2018 - Safety and Optionality (Steel)

Deutsche Bank Research: European Equity Focus – January 2018

Asian sales growth, the key group driver, is broadening out again

HK

Non-HK

20%

40%

60%

80%

-20%

0%

Source: Deutsche Bank estimates, Company data

Total Asia VNB growth

-10%

-5%

0%

5%

10%
15%
20%
25%

Source: Deutsche Bank estimates, DataStream consensus and share price

14

Upside to target based on weighted peer sum of the parts

Implied Upside

Typical range since 2012

1Q10

2Q10

3Q10

4Q10

1Q11

2Q11

3Q11

4Q11

1Q12

2Q12

3Q12

4Q12

1Q13

2Q13

3Q13

4Q13

1Q14

2Q14

3Q14

4Q14

1Q15

2Q15

3Q15

4Q15

1Q16

2Q16

3Q16

4Q16

1Q17

2Q17

> Healthcare

10 AstraZeneca – Richard Parkes, BUY, close 5171p, 5700p tgt, 10% upside

|| 2018 is a likely turning point for margin and EPS momentum. We believe EPS should grow at a c12% EPS CAGR to 2022 as it emerges from its patent cliff and margins grow.

|| Best-in-class pipeline. Exceptional data on new oncology portfolio puts AZ in a strong position despite MYSTIC failure.

– Expectations for the overall survival readout of MYSTIC in 1H18 are low, so this is close to a free option in our view. A positive would deliver >10% upside.

– The new portfolio, plus other growth products, should add >\$2bn in incremental sales in 18E.

|| Substantial margin leverage momentum improvement. Several new launches leverage existing infrastructure and thus will have very high margins.

– We expect flat EPS in 2018, but substantial growth thereafter. The equity story should shift to one of delivering or beating on revenue and earnings expectations.

|| The best-in-class growth justifies a larger premium than at present. The shares trade on 17x 18E P/E vs. 16x for peers.

|| Multiple catalysts from pipeline. Data on existing drugs Imfinzi and Lynparza in 1Q18, plus readouts on two potential blockbusters in roxadustat (anemia in chronic kidney disease) and anifrolumab (lupus) in the next 12 months.

Related DB Research:

Lynparza survey supports market leadership in potential >\$7bn class; Buy (Parkes)

Pharma: 2018 Outlook: Fundamentals solid but fewer debates than in prior years (Parkes)

Deutsche Bank Research: European Equity Focus – January 2018

Bull/bear case: limited downside, substantial upside potential

1500p

2500p

3500p

4500p

5500p

6500p

7500p

Current

share price

1083p

4389p

228p

5700p

513p

285p

513p

7011p

Bear Pipeline -ve Mystic -ve Base

Source: Deutsche Bank

Tagrisso

Bull

Mystic +ve Pipeline

success

Substantial EPS acceleration from 2018 driven by top-line growth

10,000

15,000

20,000

25,000

30,000

35,000

5,000

0

2015A

2016A

Source: Deutsche Bank, company data

16

2017E

2018E

2019E

2020E

2021E

2022E

Total revenues (\$m)

Core EPS (\$)

0

1

2

3

4

5

6

7

Bull

> Healthcare

11 Fresenius – Gunnar Romer, BUY, close €65.4, €83 tgt, 27% upside

|| Strong outlook – we expect defensive low-teens EPS growth to 2020, given sound end market dynamics, market leadership positions, and a strong management team.

|| Weak sentiment means the negatives are priced in. The shares have been weak recently on concerns over IV generics pricing and the poor performance of Akorn.

– We expect consensus estimates to trough on 4Q17 results and to drive further buying of the shares.

– IV generics price pressure is not outside of expectation to reassure

– ‘Lowering the bar’ on Akorn should remove a key overhang.

|| 4Q17 results should be strong. We expect adj. NI up 22% CER, helped by a full contribution from Qirónsalud and soft comps at Kabi.

|| Valuation is undemanding at 20x 18E P/E, in line with historical 12m forward range of 18-22x P/E

|| A number of positive catalysts to come.

– New product launches at Kabi should surprise to the upside.

– Qirónsalud integration is progressing smoothly

– Helios Capital Markets Day should be reassuring.

Related DB Research:

European MedTech & Services: 2018E Outlook: Significant Outperformance (Wang)

Source: Factset, Deutsche Bank

Deutsche Bank Research: European Equity Focus – January 2018

17

Fresenius has de-rated over 2017 closer to its historical average...

10

15

20

25

30

5

Jan-98 Jan-00 Jan-02 Jan-04 Jan-06 Jan-08 Jan-10 Jan-12 Jan-14 Jan-16

Source: Factset

... driving underperformance relative to the market (here, STOXX 600)

20

40

60

80

-60

-40

-20

0

66

54

36

22 25

6

-9

-24

-43

11 10

-8

-20

25

7 11 12

14

46

Fresenius 1yr fwd PE

Average since 1998

1999

2000

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

> Healthcare

12 Shire – Richard Parkes, BUY, close 3875p, 5000p tgt, 29% upside

|| We expect new long-term targets to help rebuild investor confidence. We expect these targets to reassure that Shire can continue to grow despite headwinds to haemophilia. Between this, execution on deleveraging and completion of the Neuroscience Review (at end-17), the share price should recover.

|| Synergies and deleveraging should offset headwinds in '18, delivering revenue growth. Growth of Immunology and from recent launches should drive top-line growth.

|| More long-term safety data needed before Shire could be displaced in haemophilia (24% of sales). Hemlibra is a competitive threat to Shire, but a majority of patients will need more evidence on safety given safety issues observed in its inhibitors trials.

|| Expert feedback suggests Shire will emerge as dominant in HAE with Lanadelumab (launch expected in 2H18).

|| Shares are far too cheap at just 8x 19E PE and 9x EV/EBITDA. Shire is the cheapest stock in our coverage after '17 underperformance, driven by earnings downgrades.

|| Consensus has overlooked new pipeline opportunities. We see positive surprise potential on these programmes, particularly if clinical data supports attractive pricing for SHP621 (est. 150k patients in the US alone, many of whom have few effective treatments).

Related DB Research:

Shire: Headline HAVEN 3 data incrementally better than anticipated (Parkes)
Pharma: 2018 Outlook: Fundamentals solid but fewer debates than in prior years (Parkes)

Deutsche Bank Research: European Equity Focus – January 2018

Bull/bear case: blue sky yields almost 45% upside

1500p

2000p

2500p

3000p

3500p

4000p

4500p

5000p

5500p

6000p

Current

share price

3112p

594p

817p

4523p

258p

216p

4997p

380p

5377p

Source: Deutsche Bank

Shares are now very cheap on 1yr PE vs. EU Pharma

0.4

0.8

1.2

1.6

Jan 10

Source: Deutsche Bank

18

Dec 11

Shire 1yr fwd PE rel to EU Pharma

Rel to EU Pharma 4yr Ave

+1 s.d.

-1 s.d.

Dec 13

Dec 15

Dec 17

PE rel to sector (x), 1Y fwd

> Energy, Materials & Industrials

13 ABB – Gael de Bray, BUY, close CHF26.7, CHF29 tgt, 9% upside

|| ABB has a late cycle profile (60% of sales - skewed towards process/hybrid industries). We expect the shares to track orders, rather than earnings in 2018.

|| We foresee a rebound in orders from a trough in 2017. 2017 was a transition year, with large orders falling to a ten-year low. Improved macro, favourable financing conditions and ageing assets should provide a supportive environment.

|| IP growth has historically led capex growth by around one year, and from unsustainably low levels we believe a rebound in heavy and process industries is on the way. Previously-delayed, large projects in grid connections are also expected to move forward in the US and Europe over the next few years

|| Acquisitions should deliver benefits. The costs of the expensive acquisitions of B&R and GE IS are now sunk, whereas the benefits of #2 positions in automation (behind Siemens) and electrification (behind Schneider) should be substantial.

|| ABB has market-leading offerings in areas such as robotics, EV fast chargers, energy storage and smart grid offerings. R&D expenses have increased by c.100bps since 2008, reinforcing the group's innovation capabilities.

|| We expect re-rating relative to the sector. Given favourable conditions, ABB's former premium to the market should return after a hiatus since 2009. ABB currently trades on 18.4x 18E P/E.

|| Catalysts: 4Q17 results on 08-Feb

Related DB Research:

ABB: Better late (cycle) than never (de Bray)

Deutsche Bank Research: European Equity Focus – January 2018

ABB's large orders (\$m) hit a low in 2017 – we expect improvement

1,000
2,000
3,000
4,000
5,000
6,000
7,000
8,000
-

2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017e 2018e

Source: Deutsche Bank, ABB

ABB 12m fwd P/E relative to sector average – premium has eroded postcrisis

0.6
0.7
0.8

0.9
1.0
1.1
1.2
1.3
1.4
1.5
1.6

Nov-07

Nov-08 Nov-09 Nov-10 Nov-11 Nov-12 Nov-13 Nov-14 Nov-15 Nov-16 Nov

Source: Factset

20

10-year average

> Energy, Materials & Industrials

14 ArcelorMittal – Bastian Synagowitz, BUY, close €28.7, €33 tgt, 15% upside

|| Despite having performed well recently, we believe the stock is still priced

for a “cautious” \$7bn EBITDA scenario. This appears too bearish as spot conditions remain strong and three structural changes have removed part of the downside risk:

|| Firstly, Europe is seeing the strongest consolidation dynamic since the creation of ArcelorMittal itself.

|| Second, trade policy continues to become stricter in MT’s US and European core markets.

|| Third, China is aiming to cut capacity 10-20%. Our checks (and rising margins in China) support the view this is for real.

|| Although we model a steel price correction from spot (suggests \$10bn EBITDA), we believe the stock comes with three free options beyond our base case scenario (stronger developed market margins, Brazilian recovery, commodity price holding up better) which means it could almost double in a blue sky.

|| MT should end 2017 with net debt of c.\$10bn, vs Q4 run rate EBITDA of \$8bn. Its strong 2018 FCF yield of 8-11% suggest high potential for attractive cash returns mid-term: \$2.9bn of FCF, and just \$0.3bn of divis in our model.

|| Valuation: MT trades at 5.0x 2018E EV/EBITDA, 14% discount to peers

|| Catalysts: trade policy, steel margins holding up better, further rebound in iron ore. Q4 results 9-Feb.

Related DB Research:

Notes from the road: US NDR (Synagowitz)

Another round of upgrades and still room to go – BUY, PT to USD38 (Synagowitz)

Deutsche Bank Research: European Equity Focus – January 2018

Expectations are sensible but the shares do not reflect the ongoing earnings recovery yet

100

120

20

40

60

80

0

Source: Datastream

Sales by end-market (2016)

Mining, Chemical & Water 1%

Packaging 4%

Other steel 11%

Transformation 12%

Construction 18%

Auto 20%

Source: Deutsche Bank

21

Other sales 8%

AM - share price performance (EUR) (LHS)

1 yr rolling EBITDA consensus (USDm) (RHS)

2 yr rolling EBITDA consensus (USDm) (RHS)

4,000

6,000

8,000

10,000

12,000

14,000

Dec/09 Dec/10 Dec/11 Dec/12 Dec/13 Dec/14 Dec/15 Dec/16 Dec/17

Distribution 26%

> Energy, Materials & Industrials

15 BAE Systems – Jaime Rowbotham, BUY, close 574p, 730p tgt, 27% upside

|| We see scope for 63% TSR to 2020. With FCF forecast at £1.35bn in 2020, if the stock were to trade on a 5% yield then those buying now would make 18% TSR per year. Thus now is an attractive entry point into a multi-year defence spending up-cycle.

|| Flat earnings are masking a compelling growth story. We forecast EBIT growth at 5% at the company level.

|| US strength (9% EBIT CAGR to 2020) should come from growth in Combat Vehicles & Ship Repair and Electronic Systems, and a profit recovery at Applied Intelligence in Cyber.

|| It should be possible to offset declining Typhoon profit contribution in Air. The key drivers of this are Missiles (MBDA, in which BAE has a 37.5% stake, is growing at a 12% pa EBIT CAGR), Aftermarket and the stake in the F-35. There is upside potential to this from potential new Typhoon orders, such as from Saudi Arabia.

|| Maritime profitability is well-underpinned under this UK government, though there is risk from a change in government.

|| Cash conversion is set to improve from here on lower outflows on working capital, provisions (as most are now non-operational) and pensions (post the triennial review).

|| BAE trades on a discount to EU and US peers at c13.5x 19E P/E and c9x 19E EV/EBIT, versus 14.5x and 10.5x for EU peers, and 19x and 14x for US peers.

|| Catalysts: conversion of contract opportunities

Related DB Research:

BAE: Cashing in: >60% 3-year TSR potential (Rowbotham)

Global Aerospace and Defence: Civil selective; Defence more effective (Kerner)

Deutsche Bank Research: European Equity Focus – January 2018

PER premium/discount vs US defence

Source: Deutsche Bank estimates

22
EV/EBIT premium/discount vs US def
£1.35bn FCF by 2020, driven by EBIT growth and better cash conversion

1000

1200

1400

1600

200

400

600

800

598

115
110
90
282
127
840
93
(25)
(40)
1350

Source: Deutsche Bank estimates

BAE trades on a c30% discount relative to its US peers

-80%
-60%
-40%
-20%
0%
20%
40%
60%

> Energy, Materials & Industrials

16 Continental – Tim Rokossa, BUY, close €232.3, €250 tgt, 8% upside

1) Automotive outperformance is at an inflection point. Continental has taken Valeo's mantle as the fastest-growing European supplier. Automotive organic growth was 9% in Q3 (700bps above global production and 250bps above Valeo).

2) Continental is the best play on the autos 'mega trends.' Continental is a leader in all of:

– Autonomous driving – indeed, the world's largest player. This segment grew 41% yoy in 9M17. This is not limited to Chassis & Safety but also includes software, consolidated in the Interior division.

– Electrification. According to Continental, its content per car could be up to 3x higher for a full EV compared to a standard gasoline engine.

– Digitalisation

The mix shift away from diesel helped turbochargers grow >50% in Q3.

3) Rubber should accelerate further. The margin was a slight beat in Q3. With a negative raw mat impact abating in coming quarters, and given our expectation that price increases (+2% in Q3) will prove sticky, we expect earnings momentum to accelerate.

4) Valuation: Continental has €20 upside just to reach a valuation in line with peers (current 18E P/E is only 11.2x), despite robust growth

Cash generative (€2.4bn ex M&A this year). We see scope to increase pay-out, given CFO guidance of no major transactions in the short term.

Catalysts: FY results 09-Jan – talk around ADAS could offset cautious guidance

Related DB Research:

What Conti's CFO statements mean for our view on 2018 (Rokossa)

Get ready for a good 2018 (Rokossa)

Deutsche Bank Research: European Equity Focus – January 2018

Source: Company data, HIS (* (OE since 2014, OE+RT before)

Order intake backs thesis of stronger growth ahead

10

15

20

25

30

35

40

0

5

2010

Source: Company data

23

2011

2012

2013

2014

2015

2016

2017

Continental was one of the fastest growing auto suppliers in Q3

10%

12%

14%

0%

2%

4%

6%

8%

> Energy, Materials & Industrials

17 DSM – Virginie Boucher-Ferte, BUY, close €81.8, €100 tgt, 22% potential upside

|| We see Nutrition (68% of EBITDA) as a key growth driver. We forecast a 9% EBITDA 2018-20E CAGR driven by cost cutting, innovation and leverage of its broad portfolio.

– A greater proportion of the Nutrition portfolio is in higher-value and faster-growing ingredients and ‘solutions’ rather than just vitamins.

|| Up to 30% upside to 18E EBITDA forecast if vitamin price increases are sustained.

– Prices are unlikely to revert fully: China’s environmental policies are should give structural support in the long term.

|| Full exit from Materials likely, driving portfolio shift towards becoming a pure play in higher-value ingredients.

|| M&A should drive the next phase of development. DSM is likely to use its strong balance sheet (0.5x 17E net debt/EBITDA) to broaden its ingredients portfolio.

– This would unlock >€20/share of value from EPS accretion and rerating.

|| Trades on 16x 19E P/E, in line with chems but a 33% discount to ingredients. We believe the portfolio shift should prompt re-rating.

|| Our €100 tgt implies a 20x 19E P/E – still a 15% discount to ingredients.

|| Catalysts: Upside through higher value and fast growing ingredients and “solutions”. Portfolio shift optionality.

Related DB Research:

DSM: The path to E100 (and potentially more): upgrade to BUY (Boucher-Ferte)

Ingredients: 2018 Outlook: Recipe for success (Boucher-Ferte)

Deutsche Bank Research: European Equity Focus – January 2018

DSM Nutrition organic growth now compares well to peers

10%

0%

1%

2%

3%

4%

5%

6%

7%

8%

9%

2009

2010

Source: Deutsche Bank, Company Data

1000

1500

2000

2500

3000

500

-500

0

2007

2009

Source: Deutsche Bank, Company Data

24

2011

2013

2015

2017E

2019E

Lots of firepower for accretive M&A (DBe synergies 6% of sales)

Net Debt (LHS)

2011

DSM Nutrition organic growth

Food Ingredients organic growth average

2012

2013

2014

2015

2016

2017E

Net Deb/EBITDA (RHS)

-0.50

0.00

0.50

1.00

1.50

2.00

2.50

> Energy, Materials & Industrials

18 Glencore – Liam Fitzpatrick, BUY, close 391p, 430p tgt, 10% upside.

|| Strong organic growth from return of suspended capacity. Group volume growth is c7% pa to 2020, vs. peers at 2-3%. Giving full value for suspended capacity yields a blue-sky valuation of >£5/share.

– Suspended zinc production stands at 500 Ktpa – we have c90/320/400kt of volume growth in 2018-20 in our numbers.

– Also there is substantial suspended copper capacity. We have 8% YoY volume growth to 2020 in our numbers.

– On copper, we are conservative given operational and country (DRC/Zambia) risks, so the risks to our estimates are to the upside.

|| Right base metal exposure. We are structurally bullish on copper, zinc, nickel and cobalt.

– We believe copper will remain in deficit in 2018, which should support the copper price increases. Our forecasts are 297c in 2018E and 315c in 2019E, putting us 10% ahead of consensus.

– Glencore’s copper business is well-positioned on scale, margins and growth.

|| An EV play. Glencore is a longer-term structural winner of any shift to EVs given its strength in copper, cobalt and nickel.

|| Valuation is attractive at 2018 FCF yield of 14% at spot and 11% at our base case.

|| Catalysts: Copper prices/supply disruption, consensus upgrades, delivery against volume guidance

Related DB Research:

Glencore: Investor call – what did we learn? BUY case remains intact (Fitzpatrick)

European Mining 2018 Outlook: Upside remains: a guide to 2018 (Fitzpatrick)

Deutsche Bank Research: European Equity Focus – January 2018

We see the copper market moving further into deficit

(kt)

200

400

600

800

Surplus/(Deficit)

Surplus (Deficit) % of total demand

-600

-400

-200

0

2010 2011 2012 2013 2014 2015 2016 2017e 2018e 2019e 2020e 2021e

Source: Deutsche Bank, Industry data

Substantial volume growth to 2020E in zinc (below) and copper (8% p.a.)

(kt)

1000

1100

1200

1300

1400

1500

1600

600

700

800

900

2014

2015

Source: Deutsche Bank, Industry data

25

2016

2017F

2018F

2019F

2020F

-2%

-2%

-1%

-1%

0%

1%

1%

2%

2%

3%

3%

4%

> Energy, Materials & Industrials

19 Kingspan – Priyal Mulji, BUY, close €38.5, €40 tgt, 4% upside

|| Kingspan is a global insulation producer, focusing on high-performance panels and boards.

|| We expect robust organic growth (5% p.a. to 20E). Kingspan should outperform its construction markets owing to its over-exposure to markets with low penetration rates (the USA, EM and Mainland Europe) and endusers' increasing focus on future-proofing buildings.

|| We see c4% upside to 2020E DB forecasts if Kingspan meets its penetration targets.

|| We are already c2-3% ahead of consensus post-'17 on top line and trading profit.

|| M&A could drive c30% upside to our price target. We expect robust FCF/sales of 5-8% in coming years.

– Levering to 2x net debt/EBITDA to spend on acquisitions would raise our forecast 20E EPS by up to c20%.

– Management has cited M&A as a likely growth driver

|| Kingspan trades at a 24% discount to high-growth cyclical stocks. Comparing Kingspan's operational strengths (organic growth, EBITDA progression, scale of deleveraging and predictability and earnings) and EV/EBITDA to similar stocks such as Geberit and Halma illustrates that Kingspan offers excellent value.

|| Catalysts: FY17 results on 23-Feb

Related DB Research:

Kingspan: Insulated growth; Initiating on BUY (Mulji)

Building & Construction: 2018 Outlook: Still opportunity (Johnson)

Deutsche Bank Research: European Equity Focus – January 2018

11

13

15

17

19

21

23

25

9

2%

3%

Source: Deutsche Bank, company data

4%

Renishaw

Geberit

Rotork

Legrand

Polypipe

5%
2018-20E average organic growth pa, %

26

6%

7%

Givaudan

Spirax-Sarco

Assa Abloy

Kingspan

Halma

We expect a step-up in organic growth...

1,000

1,500

2,000

2,500

3,000

3,500

4,000

4,500

5,000

500

0

Source: Deutsche Bank, company data

... but the valuation does not reflect this

Revenue, EUR m (lhs)

% YoY organic (rhs)

0%

2%

4%

6%

8%

10%

12%

14%

2018E EV/EBITDA, x

> Energy, Materials & Industrials

20

Linde – Tim Jones, BUY, close €186.1, €227 tgt, 22% upside.

|| Key driver #1: improving gas industry fundamentals from cost efficiencies, investment discipline, consolidation and end-market stabilisation. Capex to sales has fallen from c14% in 2012/13 to c12% in 2016, and consolidation should drive price discipline and margin expansion.

|| Key driver #2: macro tailwinds. Improvements in Europe and Asia (c60% of Linde Gas), and continued strength in the US, should provide support to a later-cycle business from 2018 onwards. Industry growth should improve from 2015-16's 2%.

|| Key driver #3: Praxair merger will create a global leader in the gas industry.

Our analysis of the combined firm suggests large synergies (\$1.2bn – over 20% of pro-forma EBIT – of which \$1bn is cost savings and \$200m capex savings).

– The key logic is diversification (geographical and end-user), given complementary regional and end-market exposures.

|| Anti-trust risks should be manageable, with divestments of \$2.5-3bn. Demand for these assets is likely high.

|| We forecast €4.3bn net income in 2020, implying a fair value of €245/share using peer multiples. We discount this back, implying our €227 target.

|| Trades on 21.6x 2018E P/E, in line with peers.

|| Catalysts: greater visibility on merger execution and timing

Related DB Research:

Linde - Gases growth accelerating. Still on track to E245. BUY (Jones)

Pan European Chemicals: 2018 Outlook: A "super" sector (Jones)

Deutsche Bank Research: European Equity Focus – January 2018

Current

Cost

share price synergies

Relating to

industry

average

Source: Deutsche Bank, Company Data

27

Price

Mid term

discipline target price

Lower

taxes

Relating to

industry

leader

Top line synergies
Blue sky scenario

15

35

180

15

Linde-Praxair combination a clear market leader

Others

18%

TNS

4%

Air Products

11%

Praxair

13%

Linde

24%

Source: Deutsche Bank estimates, Spiritus Consulting. TNS = Taiyo Nippon Sanao. Data includes share of sales from associate participations and JVs. Note: Air Liquide includes Airgas acquisition
Linde-Praxair price target bridge

25

245

10

20

300

Air Liquide

30%

> Energy, Materials & Industrials

21 Renault – Gaetan Toulemonde. BUY, close €85.2, €115 tgt, 35% upside

|| Emerging markets are the key drivers of the growth, such as: 1) Russia (delivering €500-700m operating profit growth); 2) Americas (mostly focused in Brazil and bringing €300-€350m earnings growth); 3) China; 4) Iran; 5) India.

|| We expect the profit contribution from Europe to remain stable, at a high level, in light of modest growth (with Brexit a further drag on the UK) and regulatory costs.

|| Economies of scale should drive €700m pa cost savings and thus increased operating profit. Renault has volumes of only 3.5m units, but in partnership with Nissan has access to a purchasing department (€120bn) and an R&D centre (€10bn) of 10m units.

|| Acceleration of synergies with Nissan. It took 18 years (1999-2017) to have 20% of commonality between the two. It will take 4 years (2018-2021) to move it to 80%.

|| Renault has an attractive profile in the sector's context, including low cost and ultra low cost line up, main sites in low cost countries, EV expertise, economies of scale and EM exposure

|| Renault's core is far too cheap at the current share price. The current share price implies a share price of €25/share for Renault's core business. This is less than 2x P/E for a business still growing EPS at 5% p.a. to 2019E.

|| Catalysts: confirmation of the recovery in Russia and Brazil and the resilience of European sales

Related DB Research:

Postcard from Curitiba (Toulemonde)

Deutsche Bank Research: European Equity Focus – January 2018

2016-22E volume growth breakdown: EM leads the way

(000 units)

Europe

Africa Middle East (Maghreb, India, Iran)

Eurasia (Russia, Turkey, CIS)

Americas Brazil, Argentina...)

Asia Pacific (China, South Korea)

Sum

o/w from Europe

Source: Renault, Deutsche Bank estimates

Implied share price of Renault core is only €25 via SoTP

10

20

30

40

50

60
70
80
90
0
Nissan value/
Renault share
Daimler value /
Renault share
Source: Renault, Deutsche Bank estimates
28
Net cash/pensions
core business
Renault core by
difference
Current price
€85
€25
€54
€3
€2
2016
1,805
491
649
354
167
3,468
52%
2017E
1,910
540
730
400
230
3,810
50%
2022 2016-2022E
2,000
850
1,100
600
700
5,250
38%
+200
+360
+450
+250
+530
+1,790

> Energy, Materials & Industrials

22 Royal Dutch Shell – Lucas Herrmann, BUY, close 2561p, 2700p tgt, 5% upside

|| Best-in-class absolute cash generation with \$25-30bn FCF guided for 2020.

|| This drives substantial shareholder return. Between the c6% dividend yield and c\$25bn of buy-backs, Shell is set to return c\$70bn to shareholders over the next three years. Moreover, the dilutive scrip dividend is gone, earlier than expected.

|| Strong optionality and deep resource base. In addition to conventional sources, Shell has broad portfolio optionality.

– The BG acquisition is firmly embedded, giving Shell an unsurpassed position in LNG

– We expect strong volume growth in US Permian shale (towards 250kboe/d by late 2020s, with breakeven at c\$45/bbl)

|| Shell downstream FCF alone in 2017E is enough to cover almost half the dividend, at c\$7bn.

|| Decline rates to 2025 are lowest in the sector at c2%, in part from Deepwater's growth potential – most particularly Brazil.

|| Further restructuring potential from divesting Shell's 'long tail' of largely mature territories in the upstream portfolio. This would simplify the business and improve R/P ratios.

|| Shell is attractively valued at a 5.7% 18E dividend yield versus the 2.8% of its only true global peer, Exxon.

– It trades on 14.4x 18E P/E, versus Exxon's 22.5x.

Related DB Research:

Royal Dutch Shell: Clear direction and purpose (Herrmann)

European Integrated Oils: 2018 Outlook cash jaws set to open (Herrmann)

Deutsche Bank Research: European Equity Focus – January 2018

Production outlook indicates substantial growth, driven by unconventional

Iara

1,000

1,200

200

400

600

800

0

2016

Source: Deutsche Bank

Cash flow growth driven by more than just refining

FCF

11000

13000

15000

-3000

-1000

1000

3000

5000

7000

9000

2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020

Source: Deutsche Bank, Company data

29

Refining

Marketing

OCF

2017

2018

2019

2020

2021

2022

2023

2024

2025

Prelude

Gorgon

Permian growth

Canada growth

Base decline (WM 2.1%)

Lapa

UK

US GoM

Utica growth

Pre FID (inc Libra)

Chemicals

Capex

DD&A

\$M net income/cash flow

Growth barrels (kboe/d)

> Energy, Materials & Industrials

23 RWE – Martin Brough, BUY, close €17.5, €25 tgt, 43% upside

|| RWE is cheap. It trades on just 3.5x 2019E EBITDA after stripping out the market value of its innogy stake, after an excessive sell-off over German coal phase-out fears.

|| We see sources of upside potential to our target:

– Securing compensation for the closed 3GW of capacity at the same rate as the 2015 deal would add €3/share to our tgt. We have assumed no compensation and 3GW of lignite closures.

– There is further upside potential from possible further rises in power prices. As power prices increase from the roll-over of hedges from €27/MWh in 2019E to €36/MWh in 2022E, cashflows should increase by €300m pa (even after higher carbon allowance costs).

|| Carbon reform still leaves structural surplus of allowances to 2030, meaning the traded carbon price is now more likely to drop than rise. We therefore prefer fossil over clean generators.

|| RWE is still attractive even after innogy's profit warning. It presents innogy as an investment so the financial impact is via lower likely dividend revenues from innogy, diluting the effect of innogy's lower future profits.

– We have maintained our RWE DPS estimates despite the likely lower innogy distribution: the medium-term cashflow outlook is still attractive.

|| Catalysts: clarity on German coal closure policy, any compensation for closures, higher power prices or securing a control premium for an innogy transaction could all provide upside.

Related DB Research:

RWE: Value hit from innogy warning (Brough)

Utilities 2018 Outlook: Five Trades (Brough)

Deutsche Bank Research: European Equity Focus – January 2018

Stripping out innogy stake, RWE is very cheap (figures in EURm, unless otherwise stated)

RWE share price (E/share)

RWE market value

RWE provisions less net cash and investments

RWE market EV

Innogy share price (E/share)

Value of RWE's innogy equity stake

Value of RWE EV less innogy stake

RWE 2019E EBITDA ex innogy

Implied EV/EBITDA for RWE ex innogy (x)

Source: Deutsche Bank

Cashflows (EURm) should rebound from 2019

10,000

12,000

2,000

4,000

6,000

8,000

0

Source: Deutsche Bank, estimates

30

cash flow (Em, RHS)

Capacity (MW, LHS)

0

200

400

600

800

1,000

1,200

1,400

17.4

10,709

7,148

17,857

33

14,082

3,775

1,062

3.6

2014

2016

2018

2020

2022

2024

2026

2028

2030

2032

2034

2036

2038

2040

2042

2044

2046

2048

2050

TMT

Deutsche Bank Research: European Equity Focus – January 2018

31

> TMT

24 Eutelsat – Laurie Davison, SELL, close €18.9, €14 tgt, 26% downside

Opex and capex cuts leave ETL exposed in 2018. Faced with falling demand, SES invested to diversify and ETL made cuts. Thus ETL outperformed SES over 2017, but is now left with more fixed trunking data, less mobility and a weaker Government position.

We see 5 new worrying datapoints for core Video clients: (1) Polsat acquisition of fixed line operator, (2) Sky Italia exploring fibre distribution, (3) Naspers putting Multichoice up for sale, (4) TEF passing on Sky Brasil and, (5) TEF set to be first platform to exit satellite altogether within 5yrs.

We expect this to impact via pricing pressure in renewals. There is no risk of major clients leaving satellite in the near-term. But the barriers to a move to fibre are falling as streaming costs fall and fibre coverage grows. Government and fixed data have moved from help to hindrance. Both ISAT and ETL flagged Government as weak in Q3, and ETL lacks SES's geographical scope. ETL also saw unexpected fixed data weakness in Q3 with a 12% decline: its lack of diversification leaves it exposed.

We expect Eutelsat to miss guidance as a result. The current guidance requires a return to growth in the next twelve months. We view that as optimistic and expect continued revenue decline.

We are 6-7% below consensus on fiscal '18 – '20.

The stock is not cheap. 7x EV/EBITDA vs telcos at 5x during their ex growth phase

Catalysts: guidance cuts

Related DB Research:

Falling Stars: Magnificent desolation (Davison)

Media 2018 Outlook: Don't flirt with mean revert (Davison)

Deutsche Bank Research: European Equity Focus – January 2018

ETL has materially outperformed ESE (which is at five-year lows)

Eutelsat Stock Price (EUR)

10

15

20

25

30

35

SES Stock Price (EUR)

Source: Factset

Video turned negative for both groups in 2016 after being the major growth driver for the past 10 years

-6%

-4%

-2%

0%
2%
4%
6%

Video revenue Growth like-for-like & const. currency (% yoy)*

SES video rev. growth*

ETL video rev. growth*

Source: Company data. * Quarters are aligned with Calender Year. For Eutelsat, FY ending is June, so 3Q17 corresponds to 1Q18 number. SES did not report Video revs standalone prior to 2016

32
1Q14
2Q14
3Q14
4Q14
1Q15
2Q15
3Q15
4Q15
1Q16
2Q16
3Q16
4Q16
1Q17
2Q17
3Q17
Dec-2013
Apr-2014
Aug-2014
Nov-2014
Mar-2015
Jul-2015
Oct-2015
Feb-2016
Jun-2016
Sep-2016
Jan-2017
May-2017
Aug-2017
Dec-2017

> TMT

25

Infineon – Johannes Schaller, BUY, close €24.1, €29 tgt, 20% upside

Automotive semiconductors is a growth sector, benefiting from exposure to autonomous vehicles (ADAS), electrification and digitalisation. This should all lead to meaningfully higher semiconductor content per car.

Infineon is the highest-quality large-cap play in the sector with a best-in-class technology portfolio and strong exposure to faster growing German premium manufacturers as well as strong direct exposure to Chinese brands and share gains across Asia (incl. Japan)

A leader in tomorrow's technologies, with ambitions to drive share gains through innovation in next-gen Auto applications such as radar, lidar, 32-bit high-performance microcontrollers and next-gen power semis.

2018 guidance is for impressive 9% growth (13% in USD terms vs the semiconductor industry at 5%).

We believe long-term guidance is somewhat conservative at 17% through-the-cycle margins and 8% revenue growth, compared to 18.5% and 9%, respectively, in Q4.

We expect margin leverage from the Dresden 300mm fab ramp. This is highly cost-effective (25% cheaper than the industry standard) and should lead to structurally higher margins.

Despite c40% performance YTD, at 24x CY18 P/E Infineon's outperformance over the industry and share gains vs peers are not truly reflected in valuation. See potential upside to >€30, reflecting long-term margin and growth potential in bull-case DCF.

Catalysts: 1st CMD in a long time on 12th June 2018 in London where longterm

growth and margin potential should become much clearer

Related DB Research: It is becoming increasingly evident... (Schaller)

Deutsche Bank Research: European Equity Focus – January 2018

Source: Deutsche Bank

FX masks margin expansion and mid-teens EPS growth in 18E

0.0

0.2

0.4

0.6

0.8

1.0

1.2

2014

2015

Source: Deutsche Bank, Company data

33

Infineon EPS
% EPS growth (RHS)

0%
10%
20%
30%
40%
50%
60%
2016
2017E
2018E
2019E

A play on Auto semis, and thus ADAS, EVs and digitalisation

Chip Card & Security, 10%

Automotive, 43%

Power Management &

Multimarket, 30%

Industrial Power Control, 17%

> TMT

26

Informa – Chris Collett, BUY, close 713.8p, 880p tgt, 23% upside

|| 2018 as the turning point. Investors have been sceptical of the Growth Acceleration Plan; we think the company finally delivers >3% organic revenue growth in 2018 (DBe +3.1%).

|| We believe our forecasts are conservative. We estimate 6% organic growth in Exhibitions (37% of operating profit) in 2018; growth has averaged c9% over the past three years.

– Product re-launches and improved retention could also provide upside to our estimate of 3% in Business Intelligence (18% of operating profit).

|| Academic Publishing should improve (37% of operating profit). We forecast 1% growth, but with the disposal of Garland Science, better books integration and a dynamic new divisional CEO, there is further upside.

– Management has also reassured on a recent earnings call that margins would be protected.

|| Knowledge & Networking turnaround (8% of operating profit). Revenue growth turned positive in July-October 2017 after underlying declines every year since 2013.

|| We expect the unwarranted discount to peers to close as Informa rerates. Informa trades at P/E discounts of 2.5pts to Wolters Kluwer (despite identical organic growth) and 4.5pts to RELX (whose organic growth is only 1pp higher). Informa trades on 14.9x 2019E P/E.

|| Catalysts: FY-17 28th February

Related DB Research:

In the 3% club: raising TP to 880p (Collett)

Deutsche Bank Research: European Equity Focus – January 2018

Source: Deutsche Bank

34

Positive organic growth across all divisions (split by operating profit, 2016)

Knowledge & Networking (9%)

OG: FY17/18/19:

0.0%/1.5%/3.0%

Academic (45%)

Global Exhibitions (29%)

OG: FY17/18/19:

8.0%/6.0%/5.0%

Business Intelligence (17%)

OG: FY17/18/19: 2.0%/3.0%/3.0%

Source: Deutsche Bank

Organic revenue growth:

FY17/18/19: 0.7%/1.0%/1.5%

Informa trades on a discount to global information peers

> TMT

27 KPN – Keval Khuroya, BUY, close €2.9, €4.2 tgt, 45% upside

|| Dutch wireless market solid. The Dutch market has shown increasing signs of rationality over the past two years and KPN performs well within this, with the company highlighting low mid-single digit underlying service revenue growth in the most recent quarter.

|| Wireless consolidation helpful. Most of the price competition has been contained to the low-end, where Tele2 and T-Mobile NL have been active. The two operators recently announced they would consolidate (announced 15-Dec) and this should further help trends at the low-end.

|| Cost cutting progress on track. KPN has guided to continued opex reduction through to 2019 and a reduction in capital intensity, given a high starting point (19% domestic capex/sales). This should further help continued FCF growth (2017 – 20e EFCF CAGR of >15%).

|| B2B revenue trends are improving. This has been a major area of concern, but Q3's -4.9% decline was better than the prior quarter (-5.9%) and the 2016 decline of -7.3%. A potential return to stable revenues over the medium term would be a key positive.

|| Consumer fixed remains solid. KPN's main fixed competitor, Ziggo, remains rational following the integration with Vodafone. Both operators have put through price rises in return for higher speeds. KPN delivered 3.2% consumer fixed revenue growth in the most recent quarter.

|| Valuation remains attractive: KPN trades in-line with the sector on an EFCF yield of 6.5%, but with low risk and premium EFCF growth. Dividend yield is 5.4% vs peers 5.0%.

|| Catalysts: Q4 results 31-Jan-18, progress of Tele2-TMNL deal.

Related DB Research: Tele2 and T-Mobile NL consolidation a positive (Khuroya)

Deutsche Bank Research: European Equity Focus – January 2018

40

45

50

55

60

65

70

75

Price/month for iPhone contracts, total value split over 24 months

AVG/m (RHS)

T2 5GB (4GB until Feb 17)

KPN 10GB (5GB until June 17)

KPN 20GB conv (10GB until June 17)

50

100

150

200

250
300
57 57 57 56 56 58 59 58 57 58 56 55 55 55 56 57 63 63
0
Source: Deutsche Bank, Company data. iPhone 8 256GB from Sept-17, iPhone 7
128GB from Sept-16, iPhone 6S 64GB until Sept-16
KPN EFCF (pre associate dividends), EURm

100
200
300
400
500
600
700
800
900
0

2015
Source: Deutsche Bank ests, Company data

35
2016
2017
2018
855
683
552
727

> TMT

28 Sophos – Alex Tout, BUY, close 600p, 790p tgt, 32% upside

|| A significant player in IT security market with differentiation from its balanced portfolio across Endpoint and Network security

|| Increasing confidence in management forecasts to FY20 due to traction with Intercept X and Central and high renewal rates (139% in 1H18). This supports double-digit billings growth to FY22E.

|| Highly supportive end market demands as customer senior management increase focus on cyber security (particularly after the WannaCry and NotPetya attacks)

– Sophos has the right product offering to benefit with its significant focus on Endpoint

|| Continued margin improvement due to lower new customer billings mix and hence lower sales and marketing cost as a % of billings, as well as further scale on G&A spend.

|| We believe recent weakness is driven by: 1) director selling; 2) Apax placing c10% of market cap, causing short term oversupply; 3) the tech selloff driving selling among shorter-term holders

|| Valuation attractive at 21x CY18E EV/uFCF (adjusted for SBC) given its 20% uFCF CAGR (FY19-22E).

– This compares to peers Palo Alto Networks (39x), Fortinet (19x) and Check Point Software (18x), all of whom are more geared to the slowing Network security market and have lower FCF growth.

|| Catalysts: launch of fully AI based next gen Endpoint product Intercept X v2

in January, 3Q18 results 08-Feb

Related DB Research:

1H18 Review. TP Raised to 790p (Tout)

Deutsche Bank Research: European Equity Focus – January 2018

We forecast substantial billings growth (USDm)

1000

1200

1400

774

200

400

600

800

0

FY15

Source: Company filings

10%

15%

20%

25%
30%
35%
Cash EBITDA and adjusted operating profit margins improving
Cash EBITDA margin
FY16
FY17
FY18
FY19
FY20
FY21
FY22
632
476
535
1,366
1,220
1,070
923
Adj. op. margin
0%
5%
FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22 FY23 FY24
Source: Company filings
36

> TMT

29 Vodafone – Robert Grindle, BUY, close 235p, 300p tgt, 27% upside

Vodafone organic EBITDA growth has reached 9.3% yoy, but it has got little credit for this because of the lack of topline growth - organic service

revenue has been flat for two years.

However, our analysis shows that stripping out the effects of regulation and handset sales shows that underlying MSR has been improving, growing at 2%, compared the headline of -0.7%.

Poor handset sales should drag less in 2018 and could accelerate; roaming regulations will annualise out from calendar Q3. Therefore, both headwinds should abate in 2018 and hence we expect re-rating from improving topline.

We believe investment risk is overstated. As 5G increases efficiency, lowering the cost of unit capacity, no material delta to current capital expenditure is needed.

On fibre, Vodafone can choose where it deploys, pressuring incumbents into better wholesale deals.

We see a deal with Liberty Global for Virgin Media as possible. Greater regulatory clarity after a few tumultuous years would enable Vodafone to sensibly value Virgin Media, making such a deal possible. This would bring substantial synergies. It could also potentially expand the CityFibre partnership.

The stock is cheap at 6.0x 19E EV/EBITDA (vs. the sector at 6.5x) and a dividend yield of 6% (vs. the sector at 4.5%).

Catalysts: improving organic growth and M&A

Related DB Research:

Telcos Outlook 2018: Time to call the sector up (Grindle)

Deutsche Bank Research: European Equity Focus – January 2018

Organic EBITDA growth has accelerated to 9.3%

10%

-10%

-5%

0%

5%

H1 15

H2 15

Source: Deutsche Bank, Vodafone

Ex regulation + mobile, Vodafone is growing MSR at 2%

-5%

-4%

-3%

-2%

-1%
0%
1%
2%
3%
Q4 15
MSR
MSR ex regulation
MSR ex regulation/handsets
H1 16
H2 16
H1 17
H2 17
H1 18
Group OSR
Group org. EBITDA
Q2 16
Q4 16
Source: Deutsche Bank, Vodafone
37
Q2 17
Q4 17
Q2 18

> BLT

30 Deutsche Lufthansa – Anand Date, BUY, close €30.7, €36.2 tgt, 18% upside

|| The Air Berlin acquisition is an excellent deal. >50% of Air Berlin flown capacity on routes where Lufthansa + Air Berlin would have combined 80-100% market share, creating capacity and revenue management opportunities.

– The combined group would have a number of strong positions at severely and slightly constrained airports. Our August 2017 note (“Finding a sweet slot”) highlighted the benefits of such positions, in terms of network flexibility, better pricing power and tangible slot value.

|| Airline M&A has historically been highly accretive, generally yielding synergies of 3-7% of combined revenues (3/4 revenue, 1/4 cost).

|| Lufthansa is not inheriting legacy costs, only purchasing assets at market rates. It has guided that the deal should reduce unit costs.

|| We see a ROCE of 25-35% on a three year view based on a €1.5bn investment in the deal.

|| The market is not reflecting this in forecasts. We forecast incremental EBIT of €470m by 2019, leaving us 22% ahead of consensus.

|| Antitrust risk is limited: 1) Lufthansa is providing much of Air Berlin bridge financing; 2) EC did not block the Lufthansa-Swiss Air deal despite similar local market dominance

|| Shares should trade up on earnings growth and consensus revisions. Currently trades on 6.5x 1yr fwd P/E. With 5% and 18% adjusted EBIT growth in 18E/19E, we see consensus upgrades as likely as the deal is priced in.

Related DB Research:

Lufthansa: AB Fab. Upgrade to BUY (Date)

Transportation Outlook 2018: Going Places (Chu)

Deutsche Bank Research: European Equity Focus – January 2018

Combined AB + LHA has over half its capacity on routes with >80% share

10,000,000

15,000,000

20,000,000

25,000,000

30,000,000

35,000,000

5,000,000

0

Total Seats

Source: Deutsche Bank, Diio Mi

Airline M&A has historically yielded material synergies

Date

Sep 2010

Aug 2010

May 2010
Nov 2009
Apr 2008
Apr 2005
Acquirer / Candidate
Southwest / AirTran
LAN / TAMa
UAL / Continentala
British Airways / Iberiaa
Delta / Northwesta
America West / US Airways
Total Synergies
US\$400 million
US\$400 millionb
US\$1.2 billion
US\$600 millionc
US\$2.0 billion
US\$680 million
% of Revenue
3%
4%
4%
3%
6%
7%

NB: Unless notes, all of the above synergy totals reflect an annual run rate and were expected to be achieved by year three following transaction close. (a) Transaction structured as a merger of equals, (b) In early 2012, LAN and TAM revised their synergy forecast to \$600 - \$700 million beginning four years after completion of the transaction and representing 4.5% - 5.0% of LTM combined revenue, (c) At the time of the announcement, BA and Iberia identified €400 million of annual synergies (after five years) which we converted to US\$ at the time of the announcement. Source: Deutsche Bank, Company Data

39
80-100%
(AB+LHA)
mkt share
60-80%
(AB+LHA)
mkt share
40-60%
(AB+LHA)
mkt share
20-40%
(AB+LHA)
mkt share
0-20%
(AB+LHA)
mkt share

29,589,352
6,445,393
16,646,936
4,027,540
1,490,576
978,907

> BLT

31 Royal Mail – Andy Chu, SELL, close 454p, 359p tgt, 21% downside

|| It will be tougher to restructure in the coming twelve months. Modernisation and cost cutting are essential, but this will be difficult with weak GDP growth, Brexit risk, high wage pressures and union negotiations.

|| Still in the early phases of transformation. Postal and parcel network businesses are very complex, making restructuring very challenging.
– Royal Mail lags behind Deutsche Post DHL by twenty years in terms of re-positioning the business to grow EBIT.

|| Royal Mail's medium- to long-term strategy is not entirely clear. There is no clarity on the geographic/business mix on a 5-10 year view:
– While M&A has been focused in GLS in Europe, there have also been bolt-on acquisitions in the US where we see few large-scale synergies.

|| FY Mar 18/19 profits could fall YoY. Mid-single digit volume decline in addressed mail likely to offset strong growth in GLS and modest UK parcel growth.

|| Shareholders are not near the top of the stakeholder list. Restructuring, employee wages and pensions and M&A are all greater priorities than shareholder return.

|| Dividend yield unattractive vs. peers. The 5.6% dividend yield is above UK market but below Austrian Post and PostNL at 6.3%, both of which have been restructuring for far longer.

|| Catalysts: further newsflow on union negotiations, trading update 18 January 2018

Related DB Research:

Royal Mail: Moving to SELL – Harder to restructure (Chu)

Transportation Outlook 2018: Going Places (Chu)

Deutsche Bank Research: European Equity Focus – January 2018

On-going transformation costs (FY P&L £'m) remain stubbornly high

100

150

200

250

300

50

0

2011

Source: Company data

RMG dividend yield (CY18) looks less impressive vs. peers

10%

0%

1%

2%

3%

4%

5%

6%

7%

8%

9%

Royal Mail

Austrian Post

Source: Deutsche Bank Research, * Factset consensus, as of 22/12/17

40

PostNL*

CTT*

2012

2013

2014

2015

2016

2017

At £137m, 19% of EBIT

pre transformation costs

> BLT

32 SGS – Tom Sykes, BUY, close CHF2579, CHF2620 tgt, 2% upside

|| SGS is a long term outperformer. In line with the Business Services team's late cycle view, we prefer more resilient stocks. SGS is a long-term outperformer offering 10% TSR.

– It is a global leader in the testing and inspection field, with a CHF18bn market cap.

|| SGS beat the market in 2007-11, suggesting relative upside in the event of a potential downturn.

|| We forecast 8% 18E organic EBITA growth, with good optionality. There is also potential for cyclical upside via c27% EBITA exposure to commodities (we forecast 18E Minerals growth at 6%, up from 4%)

|| Structural growth opportunities from Consumer and Food + Agri businesses.

Source: Deutsche Bank, company data

|| Rock-solid balance sheet means M&A upside potential. Net Debt/EBITDA is only 0.4x.

|| Margin upside potential. We model a 50bps improvement in 18E from commodities improvement, lower GIS provisions and procurement and back-office gains. In 19E/20E we model a further 30bps and 20bps, with our 2020E forecast of 16.3% still shy of the company's target of at least 18%.

|| SGS is not cheap at 24.6x 18E P/E, but we do not see a relative de-rating until well into a cyclical cut in earnings.

|| Catalysts: FY results 23-Jan-18, commodities related commentary on capex and opex spend & bolt-on acquisition spend

Related DB Research:

SGS: Store of value (Sykes)

Business Services 2018 outlook: Relative outperformers for 2018 (Sykes)

Deutsche Bank Research: European Equity Focus – January 2018

-1.5

-1.0

-0.5

0.0

0.5

1.0

1.5

Room for considerable M&A, with a rock-solid balance sheet

Net debt/EBITDA

0.1

SGS is a long term outperformer of the market

SGS share price relative in USD

1.0

Expon. (SGS share price relative in USD)

Acquisition spend as % of EBITDA

-40%
-30%
-20%
-10%
0%
10%
20%
30%
40%

Source: Deutsche Bank, company data

41

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

2014

2015

2016

1/4/87

1/10/88

1/4/90

1/10/91

1/4/93

1/10/94

1/4/96

1/10/97

1/4/99

1/10/00

1/4/02

1/10/03

1/4/05

1/10/06

1/4/08

2017E

2018E

2019E

2020E

1/10/09

1/4/11

1/10/12

1/4/14

1/10/15

1/4/17

> BLT

33

Vinci – Guillermo Fernandez-Gao, BUY, close €86.7, €94.1 tgt, 9% upside

Vinci is a large company (market cap > €50bn) with substantial absolute cash generation potential at €4.5bn FCF ex growth capex, implying a 9.3% yield (well above Ferrovial's at 4.5%).

– Growth capex derives from stimulus programmes and construction of new assets (which is M&A-like in nature).

8% EBIT CAGR to 2019E driven mostly by French construction market recovery boosting the late-cycle Contracting segment (c30% of value, growing at a 12% CAGR to 2019).

– Infrastructure should be an important driver, spurred by meaningful contracts in railways (such as the Grand Paris Metro network).

Earnings visibility in Autoroutes division (50% of Group valuation) due to resilient and predictable cash flows. We expect a 4.1% EBIT CAGR to 2019E – substantial for such mature assets

A takeover of ADP would be accretive from day one. Even if we assume no synergies at all and a 30% takeover premium, EPS would increase by 11% in 2018E. This potential deal has seen escalating newsflow.

– This would also help reduce Vinci's overexposure to the French economy. Domestic EBITDA would fall from 76% to 63% of the total (assuming ADP traffic mix, Int'l 84% of its total).

Vinci trades on 16.5x P/E. Our target implies an adjusted FCF yield of 8.5%.

Catalysts: FY 2017 Results on 07-Feb. We are 2% above consensus at EBIT level.

Related DB Research:

Vinci: How Vinci would look with ADP in it (Fernandez-Gao)

Transportation Outlook 2018: Going Places (Chu)

Deutsche Bank Research: European Equity Focus – January 2018

CF from operations

Cost of

Debt

Source: Deutsche Bank, company data

Taxes Working

Capital

Var.

The Contracting segment is growing at a 12% EBIT CAGR to 2019E

1,000

1,200

1,400

1,600

1,800

200

400

600

800

0

2008 2009 2010 2011 2012 2013 2014 2015 2016 2017E 2018E 2019E

Source: Deutsche Bank, company data

Impressive FCF generation (2018E, EUR bn) – a 9.3% yield ex growth capex

6.8

- 0.5

- 1.4

- 0.7

-1.6

- 1.4

Operating

Capex

Operating

FCF

Growth

Capex

(M&A)

Dividends Net debt

reduction

42

-1.3

0.1

4.3

EBIT (EURm, LHS)

EBIT margin (RHS)

0%

1%

2%

3%

4%

5%

6%

Risks

|| ABB – ABBN.S: Key downside risks include continued M&A at high multiples, accelerated Chinese competition in T&D in overseas markets and prolonged macro weakness.

|| ArcelorMittal - MT.AS: Key risks are related to macro, steel prices, raw material costs, project development and FX rates. Should the improving leading indicators not translate into a recovery in economic performance as expected by DB, this provides a risk to demand for steel. Deviating commodity prices and/or a steel price shock provide further risks to margins assumptions. Also, the rising protectionism could cause disruptive changes to steel markets, depending on the outcome. Lastly, ArcelorMittal has a large growth appetite, and a stronger-than-expected ramp up of the capex budget, ability to deliver on projects or M&A provide further risks.

|| Aroundtown Properties – AT1.DE: 1/ Corporate governance; the change of the domicile from Cyprus to Luxembourg could serve as a catalyst; we also see key man risk. 2/ Capex backlog. The company is pursuing a "light" capex model despite the value add character of their business model. 3/ Dilutive equity issues to fund external growth 4/ Non-accretive acquisitions diluting shareholder returns

|| AXA - AXAF.PA: Like most European life assurers, the shares are sensitive to investment markets in both directions with an above average exposure in AXA's case to sovereign spreads. Sentiment, earnings and economic solvency are negatively impacted by lower US and European bond yields and vice versa. Other downside risks include execution risk around M&A strategy; regulatory risk surrounding GSII (Globally Systematically Important Insurers) capital requirements; and failure to deliver on its five-year targets.

|| AstraZeneca - AZN.L: Risks include lower sales from the growth platforms given pressure on respiratory/diabetes, failure of key pipeline drugs and failure to deliver expected margin improvements from new launches.

|| B&M - BMEB.L: Downside risks relate to B&M's ability to open profitable new stores, eg rising rents and success in the relatively untested Southern England. Other risks include a response from grocers to a loss of price-leadership, which could impact B&M's margins, and negative leverage from slowing LFLs. CD&R owns 11% of shares and may reduce its stake in the future.

|| BAE Systems Plc - BAES.L: A key downside risk would be if the UK government halted arms sales to Saudi Arabia. A second key risk would be a change in the UK government, as this might see a change in direction when it comes to the current equipment plan. The direction of defence budgets globally offers both upside and downside risks. FX (USD/GBP) fluctuations.

|| Banco Santander - SAN.MC: Key downside risks include: 1) a weaker capital build-up than expected; 2) macroeconomic deterioration in the bank's core markets, particularly Brazil, the UK or Spain; 3) a potentially stricter regulatory stance. 4) Adverse movement in interest rates; 5) Adverse exchange rates movements in the bank's core markets.

|| British American Tobacco - BATS.L: Investing in tobacco carries sectorspecific risks (regulation, duty increases, volume declines in high-margin markets, etc). In addition to these general sector downside risks, BAT is potentially exposed to adverse currency movements, unexpected adverse US and Canadian litigation developments and possible overpayment for an acquisition.

Deutsche Bank Research: European Equity Focus – January 2018

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.

Deutsche Bank Research: European Equity Focus – January 2018

44

Risks

|| Glencore - GLEN.L: Variance in commodity prices or operating currencies from expectations are key risks to our earnings and valuation forecasts. On the downside, weaker commodity prices would have a significant negative sentiment impact and provide a deterrent to a re-rating. Glencore's key growth assets are in less politically stable regions than most - such as the Democratic Republic of Congo (DRC) and Equatorial Guinea - which introduces a higher degree of sovereign risk. Risks for zinc include increasing marginal production.

|| Infineon Technologies - IFXGn.DE: Key downside risks include: FX (every 1c change in EUR /\$ impacts revenues by ~0.5% and earnings by ~1%); Cyclical and inventory de-stocking; Large dependence on Automotive; Potentially value destructive M&A

|| Informa PLC - INF.L: Downside risks include potential earnings dilution from the sale or closure of non-core businesses. The business may require additional investment on top of the announced plan. Informa intends to expand via acquisition in the events industry, where there is competition for assets and where growth is cyclical. The Academic division has high exposure to print books, including textbooks, which could suffer from structural declines.

|| Kingspan - KSP.I: Slower global growth, especially in large markets for Kingspan such as the UK; Slower innovation or penetration growth; Euro strength causing negative translation effect; Poor cost inflation passthrough; Inability to complete targeted M&A in the Light & Air division.

|| KPN - KPN.AS: Key downside risks include an (i) aggressive push from Tele2 as the new network operator in the market; (ii) continued weakness in Business due to the economy and IP migration and (ii) restructuring costs which could weigh on the FCF generation of KPN.

Deutsche Bank Research: European Equity Focus – January 2018

|| Linde - LING.DE: Risks include weaker global GDP, lower retention of the cost cutting/efficiencies from Praxair merger, FX, Praxair merger falling apart and aggressive competition from peers for new on-site contracts.

|| Prudential - PRU.L: The group's balance sheet is negatively exposed to higher US and UK corporate bond spreads, lower US and UK bond yields and weaker US equity markets. Earnings growth could be further impacted by any strengthening in Sterling given that 86% of earnings are non-GBP, or a weaker than expected outlook for Asian economies. Other downside risks include worse than anticipated political or regulatory changes either to solvency requirements or market practices in its principal territories. For the former, we note especially developing GSII capital rules, guarantee risks in its US

life back

book and proposed NAIC changes to the US capital regime. On the latter, we highlight the possibility of further regulatory restrictions on mainland China sales into HK or a failure by the new US administration to modify the previously planned DOL changes.

|| Royal Mail - RMG.L: Upside risks include faster execution of the transformation plan, better pricing in UK parcels, higher parcel volumes than forecast, no industrial action and a successful sale of its surplus properties

|| Renault SA - RENA.PA: Downside risks include: i) failure of the new product campaign in Europe, which could result in market share loss and in pricing pressure; ii) a tougher European market environment, likely leading to further pricing and volume erosion where, usually on the downside, OP leverage could be as high as -50%; and iii) worse-than-expected emerging market performance.

45

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). Deutsche Bank Research: European Equity Focus – January 2018

DB forecasts
GDP growth (%)
Global
US
Eurozone
Germany
France
Italy
Spain
Japan
UK
China
India
EM Asia
EM CEEMEA
EM LatAm
EM
DM
2016
3.2
1.5
1.8
1.9
1.1
0.9
3.3
0.9
1.9
6.7
7.9
6.2
1.6
-1.2
4.3
1.6
2017
3.7
2.3
2.3
2.3
1.8
1.6
3.1
1.8
1.6
6.8
6.3
6.1
2.6
1.1
4.8

2.2
2018F
3.8
2.6
2.3
2.3
2.0
1.4
2.9
1.2
1.0
6.3
7.5
6.0
2.9
2.3
4.9
2.2
2019F
3.7
2.2
1.7
1.8
1.6
1.0
2.3
0.8
1.4
6.3
7.8
6.0
2.9
2.8
5.0
1.9
CPI inflation, YoY* (%)
US
Eurozone
Japan
UK
China
Central Bank policy rate (%)
US
Eurozone
Japan
UK
China
Key market metrics
US 10Y yield (%)
EUR 10Y yield (%)
EUR/USD

USD/JPY
S&P 500
Stoxx 600
Oil WTI (USD/bbl)
Oil Brent (USD/bbl)
Current prices as of 02-Jan-2018

2016
1.3
0.2
-0.1
0.6
2.0
2017
2.1
1.5
0.3
2.6
1.7
1.375
0.00
-0.10
0.50
1.50
0.42
1.204
112
2,696
388
60.4
66.6
2.50
0.50
1.17
116
2018F
2.1
1.4
0.4
2.5
2.7
2.375
0.00
-0.10
0.50
1.50
2.95
0.90
1.20
120
2019F
2.2

1.5
0.8
2.3
2.4
Current Q4-17F Q4-18F Q4-19F

1.375
0.00
-0.10
0.50
1.50
3.125
0.50
-0.10
0.75
1.50

Current Q4-17F Q4-18F Q4-19F

2.46
2.96
0.90
1.20
110
2,600
375
51.0
56.0
2,850
395
52.0
55.0
53.0
56.0

Deutsche Bank Research: European Equity Focus – January 2018
47

Companies Mentioned Table

Company name

Ticker

ABB

Aeroports de Paris

Air Berlin PLC

ArcelorMittal

Aroundtown Properties

AstraZeneca

AXA

B&M

BAE Systems Plc

British American Tobacco

Bovis Homes

Carrefour

Check Point Software

Credit Suisse Group

Continental AG

Deutsche Lufthansa AG

Deutsche Post DHL

Deutsche Telekom

DSM NV

ABBN.S

ADP.PA

AB1.DE

MT.AS

AT1.DE

AZN.L

AXAF.PA

BMEB.L

BAES.L

BATS.L

BVS.L

CARR.PA

CHKP.OQ

CSGN.S

CONG.DE

LHAG.DE

DPWGn.DE

DTEGn.DE

DSMN.AS

Company name

Eutelsat Communications

ExxonMobil

Fortinet Inc

Fresenius

Geberit

Glencore

Informa PLC

Infineon Technologies

Innogy

Kingspan
KPN
Nissan Motor
Liberty Global
Linde
Oesterreichische Post AG
Palo Alto Networks
PostNL NV
Praxair
Prudential
Ticker
ETL.PA
XOM.N
FTNT.OQ
FREG.DE
GEBN.S
GLEN.L
INF.L
IFXGn.DE
IGY.DE
KSP.I
KPN.AS
7201.T
LBTYA.OQ
LING.DE
POST.VI
PANW.N
PTNL.AS
PX.N
PRU.L
Company name
RELX NV
Renault SA
Roche
Royal Dutch Shell Plc
Royal Mail
RWE
SES
SGS
Shire PLC
Sophos
Swatch Group
Tele2
Tesco PLC
Valeo SA
Vinci
Vodafone Group Plc
Wal-Mart
Wolters Kluwer NV
Ticker
RELN.AS

RENA.PA
ROG.S
RDSa.L
RMG.L
RWEG.DE
SESFd.PA
SGSN.S
SHP.L
SOPH.L
UHR.S
TEL2b.ST
TSCO.L
VLOF.PA
SGEF.PA
VOD.L
WMT.N
WLSNc.AS

Deutsche Bank Research: European Equity Focus – January 2018
48

Appendix 1

Important Disclosures

*Other information available upon request

Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors . Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <http://gm.db.com/ger/disclosure/DisclosureDirectory.eqsr>. Aside from within this report, important conflict disclosures can also be found at <https://gm.db.com/equities> under the "Disclosures Lookup" and "Legal" tabs. Investors are strongly encouraged to review this information before investing.

Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst about the subject issuers and the securities of those issuers. In addition, the undersigned lead analyst has not and will not receive any compensation for providing a specific recommendation or view in this report. Mark Braley
Deutsche Bank Research: European Equity Focus – January 2018

Equity Rating Key

Equity Rating Dispersion and Banking

Relationships

Buy: Based on a current 12-month view of total shareholder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.

Hold: We take a neutral view on the stock 12 months out and, based on this time horizon, do not recommend either a Buy or Sell.

Notes:

1. Newly issued research recommendations and target prices always supersede previously published research.

2. Ratings definitions prior to 27 January, 2007 were:

Buy: Expected total return (including dividends) of 10% or more over a 12-month period

Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period

Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

100

150

200

250

300

350

400

50

0

Buy

Hold

58 %

37 %

48 %

37 %

5 %34 %

Sell

Companies Covered Cos. w/ Banking Relationship

European Universe

Deutsche Bank Research: European Equity Focus – January 2018

50

Additional Information

The information and opinions in this report were prepared by Deutsche Bank AG or one of its affiliates (collectively "Deutsche Bank"). Though the information herein is believed to be reliable and has been obtained from public sources believed to be reliable, Deutsche Bank makes no representation as to its accuracy or completeness. Hyperlinks to third-party websites in this report are provided for reader convenience only. Deutsche Bank neither endorses the content Deutsche Bank nor may is act responsible as for principal the for its accuracy own or account security or as controls agent of for those another websites.

If you use the services of Deutsche Bank in connection with a purchase or sale of a security that is discussed in this report, or is included or discussed in another communication (oral or written) from a Deutsche Bank analyst, person.

Deutsche Bank may consider this report in deciding to trade as principal. It may also engage in transactions, for its own account or with customers, in a manner inconsistent with the views taken in this research report. Others within Deutsche Bank, including strategists, sales staff and other analysts, may take views that are inconsistent with those taken in this research report. Deutsche Bank issues a variety of research products, including fundamental analysis, equity-linked analysis, quantitative analysis and trade ideas. Recommendations contained in one type of communication may

differ from recommendations contained in others, whether as a result of differing time horizons, methodologies, perspectives or otherwise. Deutsche Bank and/or its affiliates may also be holding debt or equity securities of the issuers it writes on. Analysts are paid in part based on the profitability of

Deutsche
Bank
AG
and
its
affiliates,
which
includes
investment
banking,
trading
and
principal
trading
revenues.

Opinions, estimates and projections constitute the current judgment of the author as of the date of this report. They do not necessarily reflect the opinions of Deutsche Bank and are subject to change without notice. Deutsche Bank provides liquidity for buyers and sellers of securities issued by the companies it covers. Deutsche Bank research analysts sometimes have shorter-term trade ideas that may be inconsistent with Deutsche Bank's existing longer-term ratings. Trade ideas for equities can be found at the SOLAR link at <http://gm.db.com>. A SOLAR idea represents a high-conviction belief by an analyst that a stock will outperform or underperform the market and/or a specified sector over a time frame of no less than two weeks and no more than six months. In addition to SOLAR ideas, analysts may occasionally discuss with our clients, and with Deutsche Bank salespersons and traders, trading strategies or ideas that reference catalysts or events that may have a near-term or medium-term impact on the market price of the securities discussed in this report, which impact may be directionally counter to the analysts' current 12-month view of total return or investment return as described herein. Deutsche Bank has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof if an opinion, forecast or

estimate changes or becomes inaccurate. Coverage and the frequency of changes in market conditions and in both general and company-specific economic prospects make it difficult to update research at defined intervals. Updates are at the sole discretion of the coverage analyst or of the Research Department Management, and the majority of reports are published at irregular intervals. This report is provided for informational purposes

only and does not take into account the particular investment objectives, financial situations, or needs of individual clients. It is not an offer or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy. Target prices are inherently imprecise and

a product of the analyst's judgment. The financial instruments discussed in this report may not be suitable for all investors, and investors must make their own informed investment decisions. Prices and availability of financial instruments are subject to change without notice, and investment transactions can lead to losses as a result of price fluctuations and other factors. If a financial instrument is denominated in a currency other than an investor's currency, a change in exchange rates may adversely affect the investment. Past performance is not necessarily indicative of future results. Performance calculations exclude transaction costs, unless otherwise indicated. Unless otherwise indicated, prices are current as of the end of the previous trading session and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data with respect to our research is also sourced from Deutsche Bank, under subject Disclaimer, companies, found on the other Legal parties.

The Deutsche Bank Research Department is independent of other business divisions of the Bank. Details regarding organizational arrangements and information barriers we have established to prevent and avoid conflicts of interest tab.

Macroeconomic fluctuations often account for most of the risks associated with exposures to instruments that promise to pay fixed or variable interest rates. For an investor who is long fixed-rate instruments (thus receiving

these cash flows), increases in interest rates naturally lift the discount factors applied to the expected cash flows and thus cause a loss. The longer the maturity of a certain cash flow and the higher the move in the discount factor, the higher will be the loss. Upside surprises in inflation, fiscal funding needs, and FX depreciation rates are among the most common adverse macroeconomic shocks to receivers. But counterparty exposure, issuer creditworthiness, client segmentation, regulation (including changes in assets holding limits for different types of investors), changes in tax policies, currency convertibility (which may constrain currency conversion, repatriation of profits and/or liquidation of positions), and settlement issues related to local clearing houses are also important risk factors. The sensitivity of fixed-income instruments to macroeconomic shocks may be mitigated by indexing the contracted cash flows to inflation, to FX depreciation, or to specified interest rates – these are common in emerging markets. The index fixings may – by construction – lag or mis-measure the actual move in the underlying variables they are intended to track. The choice of the proper fixing (or metric) is particularly important in swaps markets, where floating coupon rates (i.e., coupons indexed to a typically short-dated interest rate reference index) are exchanged for fixed coupons. Funding in a currency that differs from the currency in which coupons are denominated carries FX risk. Options on swaps (swaptions) the risks typical to options in addition to the risks related to rates movements.

Derivative transactions involve numerous risks including market, counterparty default and illiquidity risk. The appropriateness of these products for use by investors depends on the investors' own circumstances, including their tax position, their regulatory environment and the nature of their other assets and liabilities; as such, investors should take expert legal and financial advice before entering into any transaction similar to or inspired by the contents of this publication. The risk of loss in futures trading and options, foreign or domestic, can be substantial. As a result of the high degree of leverage obtainable in futures and options trading, losses may be incurred that are greater than the amount of funds initially deposited – up to theoretically unlimited losses. Trading in options involves risk and is not suitable for all investors. Prior to buying or selling an option, investors must review the "Characteristics and Risks of Standardized Options", at <http://www.optionsclearing.com/about/publications/character-risks.jsp>. copy of this important document.

If you are unable to access the website, please contact your Deutsche Bank representative for a

Deutsche Bank Research: European Equity Focus – January 2018

Participants in foreign exchange transactions may incur risks arising from several factors, including: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous

market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government-imposed

exchange controls, which could affect the value of the currency. Investors in securities such as ADRs, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Deutsche Bank is not acting as a financial adviser, consultant or fiduciary to you or any of your agents with respect to any information provided in this report. Deutsche Bank does not provide investment, legal, tax or accounting

advice, and is not acting as an impartial adviser. Information contained herein is being provided on the basis that the recipient will make an independent assessment of the merits of any investment decision, and is not meant

for retirement accounts or for any specific person or account type. The information we provide is directed only to persons we believe to be financially sophisticated, who are capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies, and who understand that Deutsche Bank has financial interests in the offering of its products and services. If this is not the

case, or if you or your agent are an IRA or other retail investor receiving this directly from us, we ask that you inform us immediately.

Unless governing law provides otherwise, all transactions should be executed through the Deutsche Bank entity in the investor's home jurisdiction. Aside from within this report, important risk and conflict disclosures can also be found at <https://gm.db.com> on each company's research page and under the "Disclosures Lookup" and "Legal" tabs. Investors are strongly encouraged to review this information before investing.

United States: Approved and/or distributed by Deutsche Bank Securities Incorporated, a member of FINRA, NFA and SIPC. Analysts located outside of the United States are employed by non-US affiliates that are not subject to FINRA

regulations,

including

subject

to

those

regarding

contacts

with

issuer

Germany: Approved and/or distributed by Deutsche Bank AG, a joint stock corporation with limited liability incorporated in the Federal Republic of Germany with its principal office in Frankfurt am Main. Deutsche Bank AG is authorized under German Banking Law and is

supervision by the European Central Bank and by BaFin, Germany's Federal Financial Supervisory Authority.

United Kingdom: Approved and/or distributed by Deutsche Bank AG acting through its London Branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB. Deutsche Bank AG in the United Kingdom is authorised by the Prudential Regulation Authority and is subject to limited regulation by the Prudential Regulation Authority and Financial Conduct Authority. Details about the extent of our authorisation and regulation are available on request.

Hong Kong: Distributed by Deutsche Bank AG, Hong Kong Branch or Deutsche Securities Asia Limited (save that any research relating to futures contracts within the meaning of the Hong Kong Securities and Futures Ordinance

Cap. 571 shall be distributed solely by Deutsche Securities Asia Limited). The provisions set out above in the "Additional Information" section shall apply to the fullest extent permissible by local laws and regulations, including

without limitation the Code of Conduct for Persons Licensed or Registered with the Securities and Futures Commission.

India: Prepared by Deutsche Equities India Private Limited (DEIPL) having CIN: U65990MH2002PTC137431 and registered office at 14th Floor, The Capital, C-70, G Block, Bandra Kurla Complex Mumbai (India) 400051. Tel: + 91 22 7180 4444. It is registered by the Securities and Exchange Board of India (SEBI) as a Stock broker bearing registration nos.: NSE (Capital Market Segment) - INB231196834, NSE (F&O Segment) INF231196834, NSE (Currency Derivatives Segment) INE231196834, BSE (Capital Market Segment) INB011196830; Merchant Banker bearing SEBI Registration no.: INM000010833 and Research Analyst bearing SEBI Registration no.: INH000001741. DEIPL may have received administrative warnings from the SEBI for breaches of Indian regulations. Deutsche Bank and/or its affiliate(s) may have debt holdings or positions in the subject company. With regard to information on associates, please refer

to
the
"Shareholdings"
section
in
the
Annual
Report
at:
companies.

<https://www.db.com/ir/en/annual-reports.htm>.

Japan: Approved and/or distributed by Deutsche Securities Inc.(DSI).
Registration number - Registered as a financial instruments dealer by the
Head of the Kanto Local Finance Bureau (Kinsho) No. 117. Member of
associations:

JSDA, Type II Financial Instruments Firms Association and The Financial
Futures Association of Japan. Commissions and risks involved in stock
transactions - for stock transactions, we charge stock commissions and
consumption tax by multiplying the transaction amount by the commission rate
agreed with each customer. Stock transactions can lead to losses as a result
of share price fluctuations and other factors. Transactions in foreign
stocks can lead to additional losses stemming from foreign exchange
fluctuations. We may also charge commissions and fees for certain categories
of investment advice, products and services. Recommended investment
strategies, products and services carry the risk of losses to principal and
other losses as a result of changes in market and/or economic trends, and/or
fluctuations in market value. Before deciding on the purchase of financial
products and/or services, customers should carefully read the relevant
disclosures, prospectuses and other documentation. "Moody's", "Standard &
Poor's", and "Fitch" mentioned in this report are not registered credit
rating

agencies in Japan unless Japan or "Nippon" is specifically designated in the
name of the entity. Reports on Japanese listed companies not written by
analysts of DSI are written by Deutsche Bank Group's analysts with the
coverage companies specified by DSI. Some of the foreign securities stated
on this report are not disclosed according to the Financial Instruments and
Exchange Law of Japan. Target prices set by Deutsche Bank's equity
analysts

are
Korea:
South Africa: Deutsche
Distributed
Bank AG Johannesburg
is
based
by
incorporated
in
the
on
Deutsche

Federal Republic
of Germany

a
12-month
Securities
(Branch Register Number
forecast

Korea
in South Africa:
period..

Co.
1998/003298/10).

Deutsche Bank Research: European Equity Focus – January 2018

52

Singapore: This report is issued by Deutsche Bank AG, Singapore Branch or Deutsche Securities Asia Limited, Singapore Branch (One Raffles Quay #18-00 South Tower Singapore 048583, +65 6423 8001), which may be contacted in respect of any matters arising from, or in connection with, this report. Where this report is issued or promulgated by Deutsche Bank in Singapore to a person who is not an accredited investor, expert investor or institutional

investor
(as
defined
in
the
applicable
Singapore
laws
and
regulations),
they
accept
legal
responsibility
to
such
person
for
its

Taiwan: Information on securities/investments that trade in Taiwan is for your reference only. Readers should independently evaluate investment risks and are solely responsible for their investment decisions. Deutsche Bank research may not be distributed to the Taiwan public media or quoted or used by the Taiwan public media without written consent. Information on securities/instruments that do not trade in Taiwan is for informational purposes

only and is not to be construed as a recommendation to trade in such securities/instruments. Deutsche Securities Asia Limited, Taipei Branch may not execute transactions for clients in these securities/instruments.

Qatar: Deutsche Bank AG in the Qatar Financial Centre (registered no. 00032) is regulated by the Qatar Financial Centre Regulatory Authority. Deutsche Bank AG - QFC Branch may undertake only the financial services activities that fall within the scope of its existing QFCRA license. Its principal place of business in the QFC: Qatar Financial Centre, Tower, West Bay, Level 5, PO Box 14928, Doha, Qatar. This information has been distributed by

Deutsche
Bank AG. Related
financial
products
or
services
are
only
available

only
to Business Customers,
as defined by
the Qatar

Financial Centre Regulatory Authority.

Russia: The information, interpretation and opinions submitted herein are not in the context of, and do not constitute, any appraisal or evaluation activity requiring a license in the Russian Federation.

Kingdom of Saudi Arabia: Deutsche Securities Saudi Arabia LLC Company (registered no. 07073-37) is regulated by the Capital Market Authority. Deutsche Securities Saudi Arabia may undertake only the financial services activities that fall within the scope of its existing CMA license. Its principal place of business in Saudi Arabia: King Fahad Road, Al Olaya District, P.O. Box 301809, Faisaliah Tower - 17th Floor, 11372 Riyadh, Saudi Arabia.

United Arab Emirates: Deutsche Bank AG in the Dubai International Financial Centre (registered no. 00045) is regulated by the Dubai Financial Services Authority. Deutsche Bank AG - DIFC Branch may undertake only the financial services activities that fall within the scope of its existing DFSA license. Its principal place of business in the DIFC: Dubai International Financial Centre, The Gate Village, Building 5, PO Box 504902, Dubai, U.A.E. This

information has been distributed by Deutsche Bank AG. Related financial products or services are available only to Professional Clients, as defined by the Dubai Financial Services Authority.

Australia and New Zealand: This research is intended only for "wholesale clients" within the meaning of the Australian Corporations Act and New Zealand Financial Advisors Act, respectively. Please refer to Australia-specific

research disclosures and related information at <https://australia.db.com/-australia/content/research-information.html> Where research refers to any particular financial product recipients of the research should consider any product

disclosure
statement,
prospectus

or
other
applicable
disclosure

document
before making
any

decision
about
whether

to
acquire
the
product.

Additional information relative to securities, other financial products or

issuers discussed in this report is available upon request. This report may not be reproduced, distributed or published without Deutsche Bank's prior written consent.

Copyright © 2018 Deutsche Bank AG

contents.

Deutsche Bank Research: European Equity Focus – January 2018

53