

## Altran Technologies

Price EUR11.75

Q4 2015 sales in line, no comment on outlook

Fair Value EUR13 (+11%)

BUY

Bloomberg	ALTR.FP
Reuters	ALTR.PA
12-month High / Low (EUR)	12.6 / 7.4
Market Cap (EURm)	2,066
Ev (BG Estimates) (EURm)	2,189
Avg. 6m daily volume (000)	266.4
3y EPS CAGR	15.7%

This morning Altran reported Q4 2015 revenues in line with our forecasts and the consensus average, with excellent growth momentum in southern Europe and the Rest of the World regions (America and Asia), while northern Europe remained depressed. Altran also announced it had signed a significant offshore outsourcing contract with Nokia in India. No outlook statement was provided, and we expect more details on how Altran is fixing the situation in Germany during the conference call to be held this morning. We do not expect the share price to react on the back of these numbers.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.9%	6.2%	14.2%	-4.8%
Softw. & Comp.	-1.4%	3.4%	5.6%	-2.3%
DJ Stoxx 600	-7.1%	-8.5%	-11.8%	-7.0%

## ANALYSIS

- Q4 2015 sales in line with expectations.** Q4 2015 sales were up 10.4% to EUR520.5m (+3.1% lfl, and +3% lfl restated from calendar effects) or in line with our estimate (EUR519.3m) and the consensus average (EUR517m). FY 2015 revenues were up 10.7% to EUR1,945m (+4.1% lfl, and +3.7% lfl restated from calendar effects). Growth momentum remained excellent in southern Europe and the Rest of the World region, France slowed somewhat due to tougher comps, while northern Europe remained depressed due to Germany and Scandinavia. In Q4 2015, on a lfl basis, France was up 2.2%, vs. -7.1% for northern Europe (Germany -18%, Benelux -1.8%, UK +14.8%, Scandinavia -13.6%, Switzerland +6.1%), +14.5% for southern Europe (Italy +15.6%, Spain +14.6%, Portugal +3.8%) and +28.3% in the Rest of World region (USA +25.3%, India +13.5%, China +50.3%).
- Invoicing rate improving sequentially as expected.** On 31st December 2015, headcount was 25,935, up 1,032 vs. 30th September. The bulk of the increase stemmed from the acquisition of Tessella (est. 234 staff) and a significant outsourcing contract won in India with Nokia (506 staff based in Noida and Chennai for managing network operations). Restated for Tessella and the Nokia deal, we estimate the net staff increase at around 290 in Q4 2015. Thanks to Nokia, Altran now has more than 1,600 staff based in India (6% of the headcount) with the aim of reaching 10,000 staff offshore by end 2020. The "invoicing" (i.e. utilisation) rate continued to improve sequentially, to 87.6% in Q4 2015 (88.3% excluding Germany), down 0.2ppt compared to Q4 2014 but up 0.4ppt compared to Q3 2015, and in line with our 87.8% forecast.
- No comment on outlook.** Altran is just at the start of its "Altran 2020 Ignition" plan, which aims to generate at least EUR3bn in revenues (based on an average 4.5% lfl annual revenue growth and EUR500m revenues from acquisitions) and an operating margin of c. 13% in 2020. During the conference call, we expect management to provide its view on the FY 2015 consensus operating margin which is at c. 9.5% (BG est. : 9.5%) in light of recent developments in Germany. At this stage we estimate that Germany lost EUR10m in 2015 and will become slightly profitable in 2016 (BG est.: 3%). More details will be necessary to assess the situation and how CEO Dominique Cerutti is transforming business in the country.

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	1,756	1,944	2,095	2,209
% change		10.7%	7.8%	5.4%
EBITDA	183	204	237	269
EBIT	132.0	157.0	180.0	208.0
% change		18.9%	14.6%	15.6%
Net income	106.0	121.0	142.0	163.0
% change		14.2%	17.4%	14.8%

	2014	2015e	2016e	2017e
Operating margin	9.4	9.5	10.2	11.0
Net margin	4.7	5.2	5.5	6.1
ROE	11.7	12.9	13.6	14.6
ROCE	15.8	14.8	17.6	20.1
Gearing	6.0	16.0	4.0	-6.0

(€)	2014	2015e	2016e	2017e
EPS	0.60	0.69	0.81	0.93
% change	-	15.0%	17.4%	14.8%
P/E	19.6x	17.0x	14.5x	12.6x
FCF yield (%)	5.2%	4.3%	5.8%	6.9%
Dividends (€)	0.15	0.20	0.25	0.30
Div yield (%)	1.3%	1.7%	2.1%	2.6%
EV/Sales	1.2x	1.1x	1.0x	0.9x
EV/EBITDA	11.5x	10.7x	8.9x	7.5x
EV/EBIT	12.8x	11.9x	9.8x	8.2x

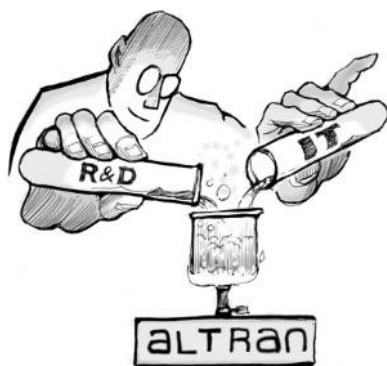
## VALUATION

- Altran's shares are trading at est. 9.8x 2016 and 8.2x 2017 EV/EBIT multiples.
- Net debt on 30th June 2015 was EUR221.4m (net gearing: 30%).

## NEXT CATALYSTS

Conference call today at 9am CET / 8am BST / 3am EDT (France: + 33 1 70 77 09 46; UK: + 44 20 33 67 94 53).

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