

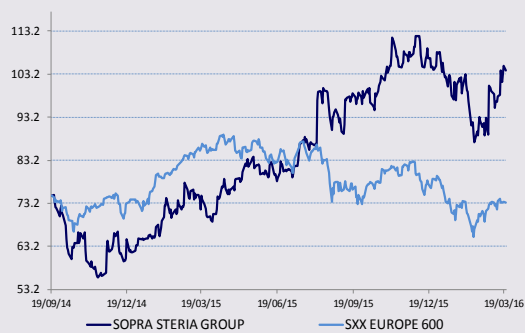
FOCUS
TMT CONFERENCE

22nd March 2016

TMT

Bloomberg	SOP FP
Reuters	SOPR.PA
12-month High / Low (EUR)	112.0 / 68.9
Market capitalisation (EURm)	2,125
Enterprise Value (BG estimates EURm)	2,571
Avg. 6m daily volume ('000 shares)	23.40
Free Float	65.9%
3y EPS CAGR	13.3%
Gearing (12/15)	43%
Dividend yield (12/16e)	1.83%

YE December	12/15	12/16e	12/17e	12/18e
Revenue (€m)	3,584	3,688	3,847	3,994
EBITA (€m)	245.5	282.8	323.6	350.7
Op.Margin (%)	6.8	7.7	8.4	8.8
Diluted EPS (€)	7.38	8.58	9.93	10.71
EV/Sales	0.7x	0.7x	0.6x	0.6x
EV/EBITDA	9.0x	7.7x	6.5x	5.8x
EV/EBITA	10.8x	9.1x	7.6x	6.6x
P/E	14.1x	12.1x	10.5x	9.7x
ROCE	11.0	11.2	12.7	13.4



Sopra Steria Group

Flawless integration of Steria so far

Fair Value EUR113 (price EUR103.95)

BUY

The conference comforts our positive view: 1). The integration of Steria led to faster-than-expected synergies; 2). Free cash flow is improving; 3). The group is growing faster than its market; and 4). The operating margin is catching up with the best European players in IT Services. We consider the 8-9% operating margin target for 2017 is achievable.

■ **Trends are improving.** 1). In France, the integration of Steria is on the home stretch, the I2S division is planned to post flattish sales in 2016 and strong growth and an operating margin of c. 5% in 2017, while in Consulting & Systems Integration, Sopra Steria intends to keep outperforming the French market; 2). In the UK, the group will try to expand beyond the government; 3). In Germany, Sopra Steria is well under way to raise profitability to reasonable standards by 2017; and 4). Banking Software has a window of opportunity ahead.

■ **EUR150m free cash flow by 2017 looks achievable.** Reaching EUR100m of FCF looks to be a fair assumption in 2016 as DSOs should continue to decrease, cash consumption of SSCL is expected to fall to zero, and WCR is likely to increase in line with 2015. For 2017, confidence was reiterated for delivering EUR150m FCF (est. 4% of sales) based on continuous WCR improvement and the complete integration of Steria.

■ **Confidence on synergies.** Cost synergies as of end 2015 were ahead of expectations, while the cost of implementation was in line with targets. Sopra Steria confirmed its goal for synergies of EUR62m by end 2016 for a total cost of EUR65m. In other words, the plan to deliver EUR62m synergies with Steria is not supposed to exceed expectations but that synergies were unlocked faster than initially planned. Restructuring costs related to Steria should only total an est. EUR10-15m for 2016.

■ **No pause on acquisitions.** We understand Sopra Steria paid EUR92m for acquiring Cimpa, or an est. 18x 2014 EBIT. The recent acquisition of a 75% stake in Cassiopæ will strengthen the Sopra Banking Software offering in real estate and specialised loans. Sopra Steria considers it can use up to EUR100-150m of cash every year for acquisitions.

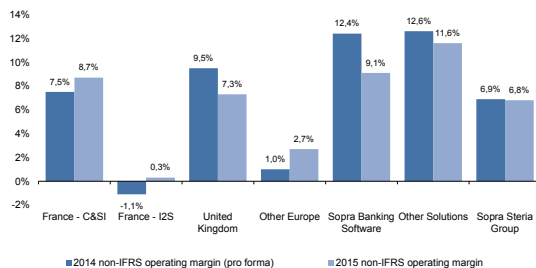


Analyst:
Gregory Ramirez
33(0) 1 56 68 75 91
gramirez@bryangarnier.com

Sector Analyst Team:
Richard-Maxime Beaudoux
Thomas Coudry
Dorian Terral

Sopra Steria Group major keys to focus on from the TMT conference

1. One Chart



looks feasible in our view with double-digit growth in Consulting and high single-digit growth with top customers -, with an operating margin which could be above 9% in 2016.

■ **France: integration of Steria on the home stretch.** The most difficult job has been done - especially in Consulting & Systems Integration, where employee overlap was the most significant. Following a 7.8% lfl fall (-14.2% lfl in Q4 15) and results at breakeven in 2015, on the back of the realignment of its strategy with the needs of Consulting & Systems Integration customers, the I2S division is planned to post flattish sales and an operating margin at 2-3% in 2016, then significant revenue growth and an operating margin of c. 5% in 2017. In Consulting & Systems Integration, Sopra Steria intends to keep outperforming the French market - +4%/+5%

■ **UK: trying to expand Financial Services.** In the UK, flat revenues in 2015 hid two opposing trends: growth with the government thanks to the success of the JVs (SSCL, NHS SBS), and the commercial sector down 10%. Growth in 2016 is unlikely to be above that of the group due to the saturated capacity in SSCL following the signing of the Metropolitan Police, before accelerating in 2017 once capacity is freed. SSCL still has exclusivity on shared services contracts with central administrations and arm's length bodies for three years, so Sopra Steria will try to add more business to it in 2017-18. The margin, which was at 7.3% in 2015, may reach c. 8% in 2016 and c. 8.5% in 2017. NB. Sopra Steria is rebuilding a presence in the commercial sector with a focus on Financial Services (c. EUR100m revenues in the UK, i.e. c. 10% of sales in this country) - where there are some assets, especially thanks to Sopra Banking Software.

■ **Other Europe: fixing profitability issues.** After two years of decline due to the departure of managers and consultants, Germany is now back to growth. The country was at breakeven in 2015, and further restructurings will be necessary in 2016 (est. EUR5-6m: simplifying the organisation inherited from Steria) before hoping to reach an operating margin of 7-8% in 2017. In the "Other Europe" zone, four geographies need to raise their operating margin to at least 7% within the next two years: Scandinavia (need to improve management processes), Spain (restructuring the business in Madrid), Belgium (need to improve sales momentum), and Italy (solidifying the management team). NB. Norway accounts for 5% of group revenues with the vast majority of revenues stemming from the Government sector, but there has been no big alert on the impact of falling oil prices so far.

■ **Solutions: Banking Software investing.** Sopra Banking Software (SBS) saw its operating margin fall to 9.1% in 2015 from 12.4% - while it reached 14.5% in 2012 - due to the focus on developing solutions for tier-1 banks. Sopra Steria is driving SBS's margin at c. 10% for 2016 and 2017 as the quality of the software to be implemented at La Banque Postale until H2 17 will serve as a significant milestone for being eligible for signing further tier-1 banks for the progressive renovation of their core banking systems.

2. One Sentence

« *We have reason to believe that our free cash flow will reach EUR150m in 2017.* »

While management thought the free cash flow in 2015 would be at breakeven, Sopra Steria delivered EUR49m. In fact, WCR increased by "only" EUR81.9m (vs. EUR150m guided by the company in August 2015) as the DSOs fell to 64 days. **Reaching EUR100m looks to be a fair assumption for 2016** as DSOs should continue to decrease, cash consumption of SSCL is expected to fall to zero, and WCR is likely to increase in line with 2015, including a EUR30m drag from a change in the timing of social security

payments in France. **For 2017, the Head of IR, Olivier Psaume, reiterated confidence in delivering EUR150m free cash flow (est. 4% of sales) based on continuous WCR improvement and the complete integration of Steria.**

3. One Figure

45

45 is the amount of cost synergies generated from the integration of Steria as of end 2015.

This is EUR10m ahead of the EUR35m guidance announced in 2014. On its side, the cost of implementation of the synergies amounted to EUR46.3m in 2015, or in line with the EUR45m target. Management confirmed its goal for synergies (revenue synergies including cross-selling and the globalisation of service offerings + operating synergies related to the optimisation of industrialisation practices and resource mutualisation - of EUR62m by end 2016 - of which 50% on operations and back office and 50% on procurement, internal and external IT and real estate - for a total cost of EUR65m. In other words, **the plan to deliver EUR62m synergies with Steria is not supposed to exceed expectations but that synergies were unlocked faster than initially planned.** Restructuring costs related to Steria should only total an est. EUR10-15m for 2016.

On acquisitions, we understand Sopra Steria paid EUR92m for acquiring Cimpa - which is specialised in Product Lifecycle Management (PLM) services - from Airbus Group. As Cimpa generated EUR101m revenues in 2014 for an operating margin we estimate at 5%, this means Sopra Steria would have acquired Cimpa for an est. 0.9x 2014 revenues and an est. 18x 2014 EBIT. **The recent acquisition of a 75% stake in Cassiopæ** (EUR50.2m revenues for an est. 10% operating margin) - with an option to acquire the remaining 25% from the founder and certain managers by 2020 - **will strengthen the Sopra Banking Software offering** in real estate and specialised loans. **Sopra Steria considers it can use up to EUR100-150m of cash every year for acquisitions.**

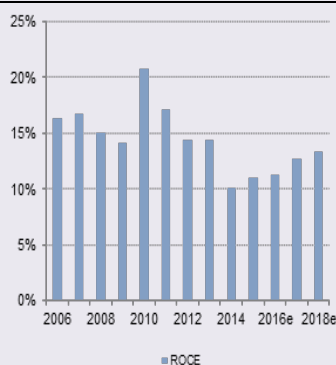
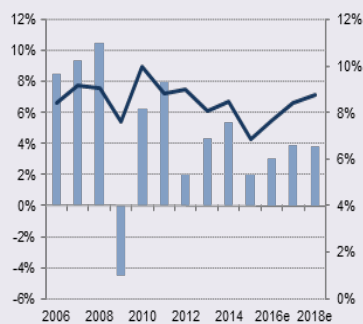
4. How does the Conference impact our Investment Case

The conference comforts our positive view on Sopra Steria. While many investors considered in 2014 the deal was risky, the integration of Steria led to faster-than-expected synergies, and free cash flow is improving. In addition, Sopra Steria is still growing faster than its market despite the reorganisation of its Managed Services business in France, and the operating margin is catching up with the best European players in IT Services - yet the management is working on fixing profitability issues on the I2S division in France, in Germany and some countries in the “Other Europe” revenue line, with the target to raise the group’s operating margin to 8-9% in 2017. Execution is king, and management is doing well on this point in our view.

Next Catalysts

03/05/2016 Q1 16 sales before markets open

28/07/2016 H1 16 results before markets open - analysts’ meeting



Company description

Founded in 1968, and listed on Euronext Paris since 1990, Sopra Steria is an IT Services group employing more than 38,000 staff. The group generates 57% of its revenues in Consulting & Systems Integration, 15% in Business Process Services, 14% in Infrastructure Management, and 14% in Solutions (Banking, HR and Real Estate). France accounts for 46% of group sales, followed by the UK (29%), and the rest of Europe (23%: Germany, Scandinavia, Italy, Spain, Belgium, Switzerland). Government is the largest contributor to Sopra Steria's revenues (25%), followed by banking (21%, Aerospace/Defence/Homeland Security (16%), Energy/Utilities (8%), Telecom/Media (6%), Insurance (5%), Transport (5%) and Distribution (3%).

Simplified Profit & Loss Account (EURm)						
	2013	2014	2015	2016e	2017e	2018e
Revenues	1,349	2,280	3,584	3,688	3,847	3,994
Change (%)	10.9%	69.0%	57.2%	2.9%	4.3%	3.8%
lfl change (%)	4.3%	5.4%	2.0%	3.0%	3.9%	3.8%
Adjusted EBITDA	130	220	295	333	375	402
Depreciation & amortisation	(21.3)	(27.0)	(49.5)	(50.1)	(51.1)	(51.1)
Adjusted EBIT	109	193	245	283	324	351
EBIT	104	148	153	243	282	308
Change (%)	13.9%	42.6%	3.0%	59.0%	16.2%	9.4%
Financial results	(8.4)	(18.1)	(23.0)	(21.8)	(19.5)	(17.5)
Pre-Tax profits	95.5	130	130	221	262	291
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(32.5)	(34.4)	(47.2)	(75.3)	(90.0)	(100)
Profits from associates	8.4	5.8	7.2	6.9	8.6	8.6
Minority interests	0.01	3.3	5.2	7.8	10.0	12.4
Net profit	71.4	98.2	84.4	145	171	187
Restated net profit	74.6	130	151	176	203	220
Change (%)	10.1%	74.1%	16.2%	16.5%	15.7%	7.9%

Cash Flow Statement (EURm)						
Operating cash flows	56.8	118	174	137	189	227
Change in working capital	(1.7)	14.8	(81.9)	9.8	19.3	1.0
Capex, net	(16.9)	(26.2)	(42.2)	(47.0)	(49.0)	(51.0)
Financial investments, net	0.98	(4.3)	3.1	2.1	2.1	2.1
Acquisitions, net	41.1	(134)	(92.3)	(70.0)	0.0	0.0
Dividends	(20.2)	(22.5)	(39.7)	(34.7)	(38.8)	(42.9)
Other	(22.8)	(57.0)	6.9	88.4	3.0	(18.5)
Net debt	155	442	531	446	320	203
Free Cash flow	38.3	106	49.4	99.4	159	177

Balance Sheet (EURm)						
Tangible fixed assets	49.2	110	231	232	234	238
Intangibles assets & goodwill	372	1,695	1,766	1,812	1,787	1,762
Investments	124	230	244	249	255	262
Deferred tax assets	25.6	155	119	119	119	119
Current assets	506	1,098	1,309	1,327	1,363	1,415
Cash & equivalents	102	222	223	308	433	551
Total assets	1,179	3,510	3,892	4,047	4,192	4,348
Shareholders' equity	358	1,087	1,233	1,346	1,480	1,626
Provisions	71.1	528	436	451	406	362
Deferred tax liabilities	2.1	8.1	8.1	8.1	8.1	8.1
L & ST Debt	257	665	754	754	754	754
Current liabilities	490	1,222	1,461	1,489	1,544	1,597
Total Liabilities	1,178	3,510	3,892	4,047	4,192	4,348
Capital employed	512	1,529	1,764	1,791	1,800	1,829

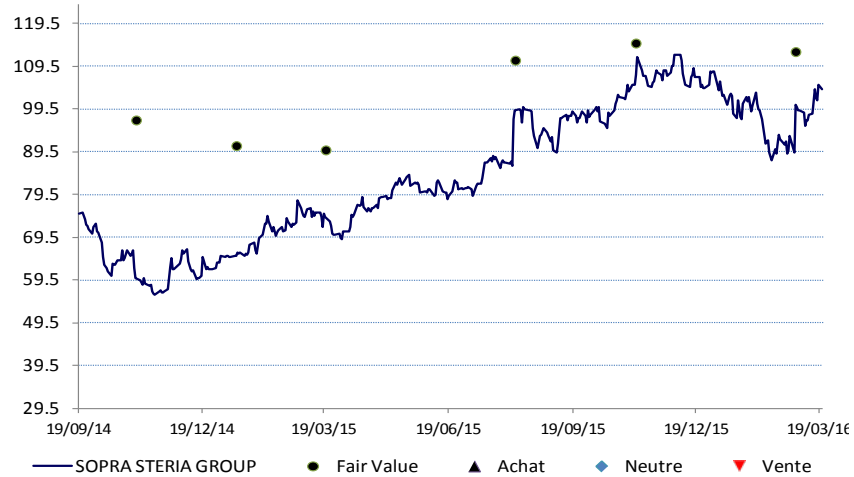
Ratios						
Operating margin	8.07	8.46	6.85	7.67	8.41	8.78
Tax rate	34.07	26.44	36.42	34.10	34.30	34.50
Net margin	5.29	4.31	2.35	3.92	4.45	4.68
ROE (after tax)	19.95	9.04	6.84	10.75	11.56	11.48
ROCE (after tax)	14.37	10.14	10.96	11.23	12.66	13.40
Gearing	43.19	40.71	43.05	33.11	21.63	12.45
Pay out ratio	31.65	37.87	41.11	26.81	25.05	25.13
Number of shares, diluted	11.96	19.63	20.45	20.49	20.49	20.49

Data per Share (EUR)						
EPS	6.00	5.02	4.14	7.09	8.38	9.15
Restated EPS	6.24	6.61	7.38	8.58	9.93	10.71
% change	9.9%	6.1%	11.5%	16.3%	15.7%	7.9%
BVPS bef. GDW	6.24	6.61	7.38	8.58	9.93	10.71
BVPS	29.92	55.36	60.29	65.67	72.23	79.37
Operating cash flows	4.75	6.00	8.48	6.67	9.21	11.07
FCF	3.20	5.42	2.41	4.85	7.76	8.63
Net dividend	1.90	1.90	1.70	1.90	2.10	2.30

Source: Company Data; Bryan, Garnier & Co ests.

Price Chart and Rating History

Sopra Steria Group



Ratings		
Date	Ratings	Price
26/11/08	BUY	EUR21.7658

Target Price	
Date	Target price
01/03/16	EUR113
04/11/15	EUR115
07/08/15	EUR111
20/03/15	EUR90
19/03/15	Under review
13/01/15	EUR91
31/10/14	EUR97
06/08/14	EUR118
25/04/14	EUR105
20/02/14	EUR101
10/01/14	EUR85
15/11/13	EUR76
24/09/13	EUR75
14/06/13	EUR70
13/06/13	Under review

Page left blank intentionally

Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 64,4%

NEUTRAL ratings 28,1%

SELL ratings 7,4%

Research Disclosure Legend

1	Bryan Garnier shareholding in Issuer	Bryan Garnier & Co Limited or another company in its group (together, the "Bryan Garnier Group") has a shareholding that, individually or combined, exceeds 5% of the paid up and issued share capital of a company that is the subject of this Report (the "Issuer").	No
2	Issuer shareholding in Bryan Garnier	The Issuer has a shareholding that exceeds 5% of the paid up and issued share capital of one or more members of the Bryan Garnier Group.	No
3	Financial interest	A member of the Bryan Garnier Group holds one or more financial interests in relation to the Issuer which are significant in relation to this report	No
4	Market maker or liquidity provider	A member of the Bryan Garnier Group is a market maker or liquidity provider in the securities of the Issuer or in any related derivatives.	No
5	Lead/co-lead manager	In the past twelve months, a member of the Bryan Garnier Group has been lead manager or co-lead manager of one or more publicly disclosed offers of securities of the Issuer or in any related derivatives.	No
6	Investment banking agreement	A member of the Bryan Garnier Group is or has in the past twelve months been party to an agreement with the Issuer relating to the provision of investment banking services, or has in that period received payment or been promised payment in respect of such services.	No
7	Research agreement	A member of the Bryan Garnier Group is party to an agreement with the Issuer relating to the production of this Report.	No
8	Analyst receipt or purchase of shares in Issuer	The investment analyst or another person involved in the preparation of this Report has received or purchased shares of the Issuer prior to a public offering of those shares.	No
9	Remuneration of analyst	The remuneration of the investment analyst or other persons involved in the preparation of this Report is tied to investment banking transactions performed by the Bryan Garnier Group.	No
10	Corporate finance client	In the past twelve months a member of the Bryan Garnier Group has been remunerated for providing corporate finance services to the issuer or may expect to receive or intend to seek remuneration for corporate finance services from the Issuer in the next six months.	No
11	Analyst has short position	The investment analyst or another person involved in the preparation of this Report has a short position in the securities or derivatives of the Issuer.	No
12	Analyst has long position	The investment analyst or another person involved in the preparation of this Report has a long position in the securities or derivatives of the Issuer.	No
13	Bryan Garnier executive is an officer	A partner, director, officer, employee or agent of the Bryan Garnier Group, or a member of such person's household, is a partner, director, officer or an employee of, or adviser to, the Issuer or one of its parents or subsidiaries. The name of such person or persons is disclosed above.	No
14	Analyst disclosure	The analyst hereby certifies that neither the views expressed in the research, nor the timing of the publication of the research has been influenced by any knowledge of clients positions and that the views expressed in the report accurately reflect his/her personal views about the investment and issuer to which the report relates and that no part of his/her remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.	Yes
15	Other disclosures	Other specific disclosures: Report sent to Issuer to verify factual accuracy (with the recommendation/rating, price target/spread and summary of conclusions removed).	No

A copy of the Bryan Garnier & Co Limited conflicts policy in relation to the production of research is available at www.bryangarnier.com



BRYAN, GARNIER & CO

London	Paris	New York	Geneva	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	rue de Grenus 7	The Imperial Hotel
15 St. Botolph Street	75008 Paris	New York, NY 10022	CP 2113	Janpath
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Genève 1, CH 1211	New Delhi 110 001
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	Tel +4122 731 3263	Tel +91 11 4132 6062
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member	Fax+4122731 3243	+91 98 1111 5119
Authorised and regulated by	Financial Conduct Authority (FCA)		Regulated by the	Fax +91 11 2621 9062
the Financial Conduct	and the Autorité de Contrôle		FINMA	
Authority (FCA)	prudential et de resolution (ACPR)			

Important information

This document is classified under the FCA Handbook as being investment research (independent research). Bryan Garnier & Co Limited has in place the measures and arrangements required for investment research as set out in the FCA's Conduct of Business Sourcebook.

This report is prepared by Bryan Garnier & Co Limited, registered in England Number 03034095 and its MIFID branch registered in France Number 452 605 512. Bryan Garnier & Co Limited is authorised and regulated by the Financial Conduct Authority (Firm Reference Number 178733) and is a member of the London Stock Exchange. Registered address: Beaufort House 15 St. Botolph Street, London EC3A 7BB, United Kingdom

This Report is provided for information purposes only and does not constitute an offer, or a solicitation of an offer, to buy or sell relevant securities, including securities mentioned in this Report and options, warrants or rights to or interests in any such securities. This Report is for general circulation to clients of the Firm and as such is not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person.

The information and opinions contained in this Report have been compiled from and are based upon generally available information which the Firm believes to be reliable but the accuracy of which cannot be guaranteed. All components and estimates given are statements of the Firm, or an associated company's, opinion only and no express representation or warranty is given or should be implied from such statements. All opinions expressed in this Report are subject to change without notice. To the fullest extent permitted by law neither the Firm nor any associated company accept any liability whatsoever for any direct or consequential loss arising from the use of this Report. Information may be available to the Firm and/or associated companies which are not reflected in this Report. The Firm or an associated company may have a consulting relationship with a company which is the subject of this Report.

This Report may not be reproduced, distributed or published by you for any purpose except with the Firm's prior written permission. The Firm reserves all rights in relation to this Report.

Past performance information contained in this Report is not an indication of future performance. The information in this report has not been audited or verified by an independent party and should not be seen as an indication of returns which might be received by investors. Similarly, where projections, forecasts, targeted or illustrative returns or related statements or expressions of opinion are given ("Forward Looking Information") they should not be regarded as a guarantee, prediction or definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. A number of factors, in addition to the risk factors stated in this Report, could cause actual results to differ materially from those in any Forward Looking Information.

Disclosures specific to clients in the United Kingdom

This Report has not been approved by Bryan Garnier & Co Limited for the purposes of section 21 of the Financial Services and Markets Act 2000 because it is being distributed in the United Kingdom only to persons who have been classified by Bryan Garnier & Co Limited as professional clients or eligible counterparties. Any recipient who is not such a person should return the Report to Bryan Garnier & Co Limited immediately and should not rely on it for any purposes whatsoever.

Notice to US investors

This research report (the "Report") was prepared by Bryan Garnier & Co Limited for information purposes only. The Report is intended for distribution in the United States to "Major US Institutional Investors" as defined in SEC Rule 15a-6 and may not be furnished to any other person in the United States. Each Major US Institutional Investor which receives a copy of this Report by its acceptance hereof represents and agrees that it shall not distribute or provide this Report to any other person. Any US person that desires to effect transactions in any security discussed in this Report should call or write to our US affiliated broker, Bryan Garnier Securities, LLC, 750 Lexington Avenue, New York NY 10022. Telephone: 1-212-337-7000.

This Report is based on information obtained from sources that Bryan Garnier & Co Limited believes to be reliable and, to the best of its knowledge, contains no misleading, untrue or false statements but which it has not independently verified. Neither Bryan Garnier & Co Limited and/or Bryan Garnier Securities LLC make no guarantee, representation or warranty as to its accuracy or completeness. Expressions of opinion herein are subject to change without notice. This Report is not an offer to buy or sell any security.

Bryan Garnier Securities, LLC and/or its affiliate, Bryan Garnier & Co Limited may own more than 1% of the securities of the company(ies) which is (are) the subject matter of this Report, may act as a market maker in the securities of the company(ies) discussed herein, may manage or co-manage a public offering of securities for the subject company(ies), may sell such securities to or buy them from customers on a principal basis and may also perform or seek to perform investment banking services for the company(ies).

Bryan Garnier Securities, LLC and/or Bryan Garnier & Co Limited are unaware of any actual, material conflict of interest of the research analyst who prepared this Report and are also not aware that the research analyst knew or had reason to know of any actual, material conflict of interest at the time this Report is distributed or made available.