

Bloomberg	ATOS.FP
Reuters	ATOS.PA
12-month High / Low (EUR)	79.3 / 62.7
Market Cap (EURm)	7,325
Ev (BG Estimates) (EURm)	6,459
Avg. 6m daily volume (000)	380.5
3y EPS CAGR	15.5%

The meetings held at our TMT conference were the opportunity for reiterating our Buy (and Top Pick) case on Atos: this is not an organic growth buy, Unify and Equens both create fresh synergy opportunities, and the acquisition strategy - which still has an eye on shareholder value - is well assumed.

ANALYSIS

- Addressing the goal of doubling organic growth.** Doubling lfl revenue growth to 0.8% in 2016 is feasible thanks to strong cloud volumes in Managed Services, the turnaround of Germany in Consulting & Systems Integration, continuous strength in Big data & Cyber Security, and 3% lfl growth for Worldline. The book-to-bill ratio in Q4 15 was encouraging in IT Services, particularly for Consulting & Systems Integration.
- Confidence reiterated for operating margin and free cash flow.** For 2016, the operating margin is set to increase by 0.4-0.9ppt to 9-9.5% essentially through better offshore leverage and the turnaround in Germany in Consulting, more automation in Managed Services, and Bull-related cost synergies. The free cash flow is still expected to jump to EUR550m from EUR393m, essentially thanks to EUR90m less cash-outs related to restructurings following the successful integration of Bull.
- Dismissing allegations in the UK press.** Atos's IR team brushed off allegations made in The Guardian. Atos officially sees the contract review as an opportunity to show from a rationale standpoint the quality of the services rendered by its teams in the UK. The audit recommendation dates back two years ago, and the delays did not stem from Atos. In our view, this case reflects the inherent complexity of government IT contracts, which is a parameter to take into account.
- Making things clear on acquisitions.** CEO Thierry Breton was clear on the fact Perot did not match Atos's acquisition criteria. That being said, acquisitions are in Atos's DNA, but its priorities in that domain are in Payments in Europe, and IT Services in the US. Atos reiterated its strong confidence on the EUR130m cost synergies expected by 2017 from the integration of Unify.

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.0%	-8.4%	2.2%	-8.6%
Softw. & Comp.	3.6%	-2.4%	13.8%	-3.6%
DJ Stoxx 600	3.9%	-5.4%	-3.7%	-6.6%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	10,686	11,909	12,381	12,657
% change		11.4%	4.0%	2.2%
EBITDA	1,334	1,536	1,693	1,784
EBIT	589.0	671.0	903.0	1,006
% change		13.9%	34.6%	11.4%
Net income	608.0	740.0	877.0	948.0
% change		21.7%	18.5%	8.1%

	2015	2016e	2017e	2018e
Operating margin	8.6	9.2	9.9	10.4
Net margin	4.0	4.2	5.7	6.2
ROE	9.9	11.0	13.5	13.4
ROCE	22.9	27.9	39.3	44.2
Gearing	-14.0	-20.0	-45.0	-54.0

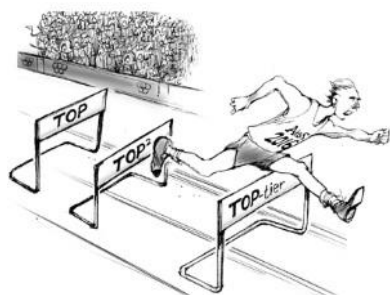
(€)	2015	2016e	2017e	2018e
EPS	5.80	7.02	8.30	8.93
% change	-	21.0%	18.2%	7.6%
P/E	12.2x	10.1x	8.5x	7.9x
FCF yield (%)	5.3%	7.4%	8.3%	11.0%
Dividends (€)	0.90	1.10	1.40	1.55
Div yield (%)	1.3%	1.6%	2.0%	2.2%
EV/Sales	0.6x	0.5x	0.4x	0.3x
EV/EBITDA	5.0x	4.2x	3.0x	2.4x
EV/EBIT	7.3x	5.9x	4.2x	3.3x

VALUATION

- Atos' shares are trading at est. 5.9x 2016 and 4.2x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR593.1m (net gearing: -15%).

NEXT CATALYSTS

Q1 16 sales on 27th April before markets open.



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