

4th April 2016

TMT

Dassault Systèmes

Price EUR69.20

Merger of Geometric into 3DPLM, Dassault Systèmes' joint venture in India

Fair Value EUR63 (-9%)

SELL

Bloomberg	DSY FP
Reuters	DAST.PA
12-month High / Low (EUR)	76.1 / 59.9
Market Cap (EURm)	17,765
Avg. 6m daily volume (000)	285.5

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.6%	-6.2%	4.8%	-6.2%
Softw.& Comp.				
SVS	0.6%	-3.1%	15.6%	-3.1%
DJ Stoxx 600	-1.6%	-8.9%	-3.8%	-8.9%

	2015	2016e	2017e	2018e
P/E	29.3x	25.4x	23.0x	20.6x
Div yield (%)	0.6%	0.7%	0.8%	0.9%

ANALYSIS

- **Structure of the deal.** Last Friday Geometric announced the transfer of its business to HCL Technologies by way of a demerger, except for its 58% stake in the JV with Dassault Systèmes, 3DPLM Software Solutions. In return, shareholders of Geometric will receive 10 HCL shares for every 43 Geometric shares. Simultaneously, Geometric will be merged into 3DPLM, thereby giving 100% ownership of 3DPLM to Dassault Systèmes. In exchange for the ownership in Geometric, shareholders of Geometric will all receive one listed redeemable preference share of INR68 each in 3DPLM against every one share of Geometric. 3DPLM, formed in 2002, comprises a team of 2,000 staff in India working on R&D and services related to DS' platform and applications.
- **Neutral on DS' revenues and expenses.** The transaction is being undertaken through a court-approved scheme, and the closing is expected to take place in Q4 2016. Since 3DPLM is already consolidated in Dassault Systèmes financial statements despite the 42% stake it had in the company (as it has full control of it), this transaction will be neutral on revenue and expenses. We estimate 3DPLM's revenue run rate with Dassault Systèmes at USD50m.

VALUATION

- Dassault Systèmes' shares are trading at est. 16.4x 2016 and 14.0x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR1,351.3m (net gearing: -39%).

NEXT CATALYSTS

Q1 2016 results on 21st April before markets open.

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Distribution of stock ratings

BUY ratings 72%

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