

5th April 2016

TMT

## Gemalto

Price EUR63.46

Unexpected announcement that Olivier Piou (CEO) is to retire at the end of August

Fair Value EUR69 (+9%)

NEUTRAL

Bloomberg	GTO.FP
Reuters	GTO.PA
12-month High / Low (EUR)	84.9 / 50.5
Market Cap (EURm)	5,648
Avg. 6m daily volume (000)	418.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.6%	18.1%	11.3%	14.8%
Softw.& Comp.				
SVS	1.5%	-0.7%	14.7%	-3.6%
DJ Stoxx 600	-2.1%	-6.2%	-3.8%	-8.6%

  

	2014	2015e	2016e	2017e
P/E	20.8x	25.1x	16.8x	13.9x
Div yield (%)	0.7%	0.7%	0.8%	0.9%

### ANALYSIS

- Last night, Gemalto announced that **CEO Olivier Piou (who has led the company for 18 years) is to retire** at the end of August. The group is to propose that he continues serving as a non-executive director. **Mr. Piou joined the group in 1980 and took part in Gemalto's creation** (floating Axalto on the stock market in 2004 and conducting the merger with Gemplus to create Gemalto in June 2006). At the next AGM, **the Board will propose that Philippe Vallée (COO) becomes an executive director of the board and the new CEO**, effective as of 1st September.
- **Mr. Vallée, 51, joined the group in 1992 (27 years of experience in digital security) and has implemented a number of important projects** such as leading the EMV ramp-up in the US, the integration of SafeNet in cyber security, and the development of government programmes. He has held a number of executive roles in Gemalto (EVP Telecom, VP of Sales & Business Development, and CTO) and has international leadership experience in Europe and Asia. In addition, he was the architect behind Gemalto's development in the IOT, Enterprise and Platforms & Services activities.
- **The retirement of Mr. Piou, 57, comes as a total surprise** as 1/ a succession has never been suggested by management so far, 2/ nor envisaged or even expected by the consensus.
- **The new CEO will have to take on 2017 guidance for over EUR660m in profit from operations, which is not unreachable but has never been so tight...** It suggests a strong acceleration in the following two years with a 2015/17e CAGR of at least 25% (vs. +10.4% in 2015 and a high comparison base until H1 2016). Even with the dynamics registered in payment, M2M, e-government and cybersecurity, the business lost in the SIM segment is always very profitable and momentum is clearly not encouraging. **We maintain our FY17e PFO at about EUR600m, i.e. almost 10% below management's target.**

### VALUATION

- **The share could be under pressure today.** We maintain our **Neutral** rating and **FV of EUR69**.

### NEXT CATALYSTS

- **Q1 2016 sales:** on 29th April, 2016 (before trading).

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## Distribution of stock ratings

BUY ratings 63.2%

NEUTRAL ratings 30.1%

SELL ratings 6.6%

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