

Q1 2016 sales above expectations, FY16 guidance reiterated

Fair Value EUR90 (+20%)

BUY-Top Picks

Bloomberg	ATOS.FP
Reuters	ATOS.PA
12-month High / Low (EUR)	79.3 / 62.7
Market Cap (EURm)	7,745
Ev (BG Estimates) (EURm)	6,886
Avg. 6m daily volume (000)	377.3
3y EPS CAGR	15.3%

This morning Atos has reported Q1 sales 1% above our forecasts and the consensus' average, while reiterating FY 2016 guidance. The welcome news from revenues was the successful turnaround of Germany, which delivered 7.4% lfl growth in the quarter. We expect the share price to react positively to this publication in the short term.

ANALYSIS

- Q1 sales above expectations.** Q1 sales rose 13.6% (+1.6% lfl) to EUR2,757m 1% above our forecast (EUR2,722m or +0.3% lfl) and the consensus' average (EUR2,727m or +0.4% lfl). Sales in the IT Services business were up 14.8% (+1% lfl) to EUR2,470m (BG est.: EUR2,433m) with Managed Services up 0.4% lfl to EUR1,555m, Consulting & Systems Integration up 0.4% lfl to EUR778m, and Big Data & Cyber-security up 12.2% lfl to EUR137m. After the elimination of EUR12m intercompany transactions with Atos, Worldline posted revenues up 6.7% lfl to EUR287m (BG est.: EUR289m).
- Q1 details.** By geography, for IT Services only: 1) North America: +3.7% lfl to EUR478m; 2) UK: -9.6% lfl to EUR447m; 3) Germany: +7.4% lfl to EUR442m; 4) France: +3.4% lfl to EUR410m; 5) Benelux & The Nordics: -4.4% lfl to EUR246m; 6) Other BUs: +2.8% lfl to EUR446m. In total, lfl revenue growth in Q1 16 was driven by the return to growth of Germany (Managed Services with Siemens, turnaround of Consulting & Systems Integration), followed by North America (growing volumes and new contracts which include a private cloud component), France (strong growth in Systems Integration, good traction in Big data & Cyber-security, improving situation in Managed Services), and Other BUs (strong growth both in Asia Pacific and Latin America). Conversely, revenues were penalised by some decline in the UK (tough comps) and Benelux & The Nordics.
- FY16 guidance reiterated.** Management has reiterated its 2016 guidance (excluding Equens and KB SmartPay), for an improvement in lfl revenue growth compared with 2015, generating more than 8% revenue growth at cc, and posting an operating margin of 9-9.5% and a free cash flow of c. EUR550m (including a EUR135-140m contribution from Worldline). The Q1 book-to-bill ratio was strong, with bookings up 27% to EUR2,794m, representing a ratio of 1.01x (1.10x for Consulting & Systems Integration, 1.17x for Big data & Cyber-security, c. 1x for Managed Services and Worldline). The full qualified pipeline at the end of March 2016 represented EUR6.4bn or 6.8 months of sales. The backlog was EUR18.9bn or 1.7 year of sales. We forecast lfl revenue growth of 0.8% with an op. margin of 9.2%, while the consensus average is at +0.5% lfl for sales and 9% for op. margin.

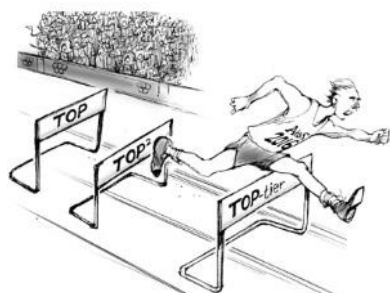
VALUATION

- Atos' shares are trading at est. 6.3x 2016 and 4.6x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR593.1m (net gearing: -15%).

NEXT CATALYSTS

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NEUTRAL ratings 33,8%

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