

Bloomberg	ATO FP
Reuters	ATOS.PA
12-month High / Low (EUR)	79.3 / 62.7
Market Cap (EUR)	8,212
Ev (BG Estimates) (EUR)	7,364
Avg. 6m daily volume (000)	381.4
3y EPS CAGR	15.1%

We reiterate our Buy rating and raise our DCF-derived fair value to EUR93 from EUR90 following the conference call held yesterday. We keep our adj. EPS virtually unchanged but increase our medium-term adj. EBIT margin assumption to 10.5% from 10% on better confidence to profitability. We consider the take-off of lfl revenue growth in Q1 and further acceleration expected for Q2 were the missing catalysts for allowing a re-rating valuation catch-up vs. IT Services peers.

ANALYSIS

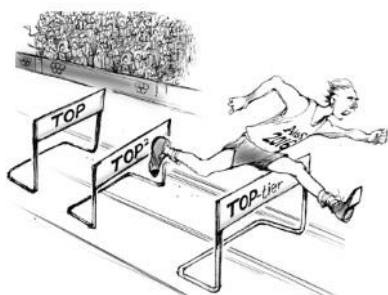
- Growth acceleration planned for Q2, FY16 guidance may be reviewed for H1 results.** Yet the CEO Thierry Breton considers it is too early to review the FY16 revenue guidance (sales up 8% at cc implying c. +0.8% lfl), we are convinced Atos will do so for H1 16 results in July. The management is very confident on the sales dynamic, and that lfl sales growth will accelerate in Q2 16 from the +1.6% reported for Q1. Such a growth is driven by the turnaround of Germany, the US, France, Big data & Cyber-Security, and Worldline. No particular revenue one-off is expected for the remainder of the year. In Systems Integration, which had been the weakest link for years, Atos is confident beyond Q1, based on the strong book-to-bill ratio (1.33x in Q4 15, 1.1x in Q1 16) driven by Germany (sales >+3%) and France (sales >+6%). In addition, the Benelux & The Nordics region is planned to be back to growth during the year driven by a book-to-bill ratio of 1.31x, while the UK, which was down 7.7% lfl in Q1 16, is expected close to stability in Q2 and back to growth in H2. Finally, the Cloud business was up 32% and is on track to post more than EUR700m revenues in 2016.
- Unify integration on track.** The services business has integrated within Atos Business Services in core countries (Germany, the UK, and Austria), while the Unify Software & Platforms business has been created to prepare its disposal. The restructurings are on track with 292 departures in Q1 16 vs. a FY16 target of 792 (i.e. 37% of the restructuring of the year), and the non-personal cost savings are on track with the EUR50m target. On Software & Platforms, in 3 months the number of partners in indirect sales was up 10% to 2,146, and the number of cloud-based communication users was up 5% to 214,000 in line with the annual target of +20%. The number of Circuit users has reached 20,000 (driven by Siemens) while the year-end target is 500,000. Atos is confident on its ability to sell Software & Platforms, once the benefit of restructurings and transformation will be complete, for 10x EBITDA by 2017 when the entity would have an EBITDA of c. EUR100m. The planned acquisition of Polycom by the competitor Mitel for 9.6x EBITDA 2015 backs the management.
- FY16 profitability and cash targets confirmed.** Atos sticks with its FY16 cash restructuring guidance (EUR150m), yet it intends to complete more than 50% of it by the end of H1 16. The strong increase in utilisation rate in Systems Integration (82.3% vs. 80% in the past), combined with personal productivity gains led by service automation, brings more comfort with the 9-9.5% operating margin guidance and c. EUR550m free cash flow for 2016.

	1 M	3 M	6 M	31/12/15
Absolute perf.	12.0%	12.4%	12.5%	2.4%
Softw. & Comp.	1.3%	2.9%	5.2%	-2.9%
DJ Stoxx 600	2.6%	6.4%	-3.6%	-4.4%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	10,686	11,756	12,239	12,518
% change		10.0%	4.1%	2.3%
EBITDA	1,334	1,524	1,680	1,771
EBIT	589.0	659.0	889.0	993.0
% change		11.9%	34.9%	11.7%
Net income	608.0	731.0	867.0	938.0
% change		20.2%	18.6%	8.2%

	2015	2016e	2017e	2018e
Operating margin	8.6	9.2	9.9	10.4
Net margin	4.0	4.2	5.6	6.2
ROE	9.9	10.8	13.4	13.3
ROCE	22.9	27.5	38.8	43.6
Gearing	-14.0	-20.0	-45.0	-54.0

(€)	2015	2016e	2017e	2018e
EPS	5.80	6.94	8.20	8.84
% change	-	19.7%	18.2%	7.8%
P/E	13.7x	11.4x	9.7x	9.0x
FCF yield (%)	4.8%	6.4%	7.3%	9.7%
Dividends (€)	0.90	1.10	1.40	1.55
Div yield (%)	1.1%	1.4%	1.8%	2.0%
EV/Sales	0.7x	0.6x	0.5x	0.4x
EV/EBITDA	5.7x	4.8x	3.6x	3.0x
EV/EBIT	8.3x	6.8x	5.0x	4.0x



VALUATION

- Atos' shares are trading at est. 6.8x 2016 and 5.0x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR593.1m (net gearing: -15%).

NEXT CATALYSTS

- AGM on 26th May.
- H1 16 results on 27th July before markets open.

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