

## Altran Technologies

Price EUR12.78

Founders to sell just over 2% of the share capital

Fair Value EUR13 (+2%)

NEUTRAL

Bloomberg	ALT FP
Reuters	ALTR.PA
12-month High / Low (EUR)	13.4 / 9.3
Market Cap (EUR)	2,247
Ev (BG Estimates) (EUR)	2,303
Avg. 6m daily volume (000)	228.4
3y EPS CAGR	15.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.7%	17.4%	1.1%	3.6%
Softw. & Comp.	6.2%	5.0%	-1.3%	-0.7%
DJ Stoxx 600	4.4%	1.6%	-7.0%	-5.3%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	1,945	2,106	2,234	2,367
% change		8.3%	6.1%	6.0%
EBITDA	208	238	272	310
EBIT	155.0	187.0	221.0	256.0
% change		20.6%	18.2%	15.8%
Net income	123.0	142.0	164.0	189.0
% change		15.4%	15.5%	15.2%

	2015	2016e	2017e	2018e
Operating margin	9.6	10.2	11.0	11.9
Net margin	5.2	5.7	6.5	7.1
ROE	12.6	13.7	15.0	15.9
ROCE	15.0	16.6	18.7	21.5
Gearing	18.0	6.0	-3.0	-14.0

(€)	2015	2016e	2017e	2018e
EPS	0.70	0.81	0.94	1.08
% change	-	15.7%	16.0%	14.9%
P/E	18.3x	15.8x	13.6x	11.8x
FCF yield (%)	3.6%	4.9%	6.4%	7.5%
Dividends (€)	0.20	0.25	0.30	0.30
Div yield (%)	1.6%	2.0%	2.3%	2.3%
EV/Sales	1.2x	1.1x	1.0x	0.9x
EV/EBITDA	11.5x	9.7x	8.1x	6.8x
EV/EBIT	12.8x	10.7x	9.0x	7.5x

The share price fell 2% yesterday following Apax Partners' announcement that Altran's two founders will sell c. 2m shares each, representing altogether just over 2% of the share capital. The announcement is a short-term negative for Altran's share price as it generates a share price overhang. However, this does not change the story on Altran in our view, especially since Altrafin (Apax) has no intention of selling for the moment. That said, we consider only sizeable acquisitions could generate more upside potential on the share price.

## ANALYSIS

- Founders selling, but the news was discovered yesterday.** Apax Partners announced that Altran's founders Hubert Martigny and Alexis Kniazeff will sell c. 2m shares each, representing just over 2% of the share capital altogether. This announcement, which dates from 3rd June but was only discovered yesterday, is the follow-up to the Euronext Paris notice published on the same day, which notified that the stake held by the action in concert made up of Altrafin Participations (Apax) (16.8%), Hubert Martigny (4%), Alexis Kniazeff (4%) and other managers and Maurice Tchenio (0.3%) was reduced to 24.99% from 25.04% (to 29.48% from 29.96% for voting rights). Consequently, post-disposal, the founders will reduce their stake to c. 3% each and the action in concert will see its stake in Altran reduced to 23%. These disposals are carried out for wealth management purposes. As a reminder, the enjoyment of the founders' voting rights (4.6% each, pre-disposal) is exercised by Altrafin.
- Apax renewing the action in concert for at least two years.** In the press release, Apax mentions that these disposals do not put an end to the action in concert signed in June 2008, which has been extended for two more years and may be renewed. This shows Apax Partners' commitment as a shareholder in Altran, although the private equity firm has been holding the shares for 8 years and intends to continue doing so. As mentioned during a meeting with analysts and investors at Le Bourget Paris Air Show in June 2015, there is nothing preventing Apax from staying 15 years if it considers this as appropriate, while it was instrumental in the appointment of the CEO Dominique Cerutti one year ago and the Altran 2020 Ignition plan is at stake.
- Negative short-term, but the story remains intact.** This announcement is a short-term negative for Altran's share price as up to 2% of the share capital will be sold on the market and/or off-market, thus generating a share price overhang. However, this does not change the story on Altran, especially since Altrafin has no intention of selling for the moment. That said, we consider that the share price already factors in the positive calendar effect expected for Q2 2016 (+2.2 billable days on average), the turnaround in Germany and the operating margin target set for 2020 (13%), while we consider sizeable acquisitions this year in the US, India and/or Germany could be the next positive catalyst for Altran.

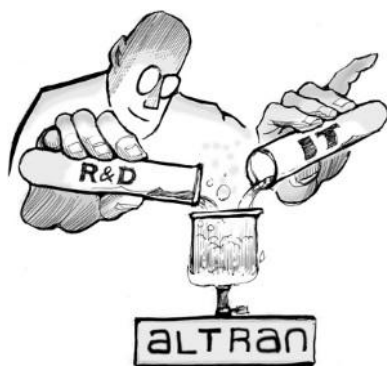
## VALUATION

- Altran's shares are trading at est. 10.7x 2016 and 9.0x 2017 EV/EBIT multiples.
- Net debt on 31st December 2015 was EUR138.3m (net gearing: 19%).

## NEXT CATALYSTS

Q2 16 sales on 28<sup>th</sup> July before markets open.

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**Analyst :**  
Gregory Ramirez  
33(0) 1 56 68 75 91  
gramirez@bryangarnier.com

**Sector Team :**  
Richard-Maxime Beaudoux  
Thomas Coudry  
Dorian Terral

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Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
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	resolution (ACPR)			CP 2113
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				Tel +4122 731 3263
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