

Altran Technologies

Price EUR11.78

Acquisition of Synapse: increasing Innovative Product Development revenues by 50%

Fair Value EUR13 (+10%)

NEUTRAL

Bloomberg	ALT FP
Reuters	ALTR.PA
12-month High / Low (EUR)	13.4 / 9.3
Market Cap (EURm)	2,071
Ev (BG Estimates) (EURm)	2,161
Avg. 6m daily volume (000)	223.5
3y EPS CAGR	16.3%

Yesterday evening, Altran announced the acquisition of Synapse, an innovative product development company based in the US, for an undisclosed sum. This deal, which is expected to close in Q3 16, is poised to increase Altran's Innovative Product Development business inherited from Cambridge Consultants by c. 50% on a pro forma basis for 2016. If we consider that such a business is likely to generate a low double-digit margin, we deem Synapse will be accretive to adj. EPS by 1% for 2016 and 2% for 2017 and beyond.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.9%	1.6%	-6.0%	-4.5%
Softw. & Comp.	-2.6%	-4.4%	-5.8%	-7.7%
DJ Stoxx 600	-4.0%	-5.8%	-10.9%	-12.2%

ANALYSIS

- Synapse and innovative product development.** Cambridge Consultants, Altran's innovative product development business, announced an agreement to acquire Synapse, for an undisclosed sum. Founded in 2002 and headquartered in Seattle with offices in San Francisco, Orlando and Hong Kong, Synapse specialises in solving complex engineering and developing products that transform its clients' brands and accelerate advances in technology. Its services enable complex solutions in product development. Its expertise ranges from design to engineering and manufacturing on disciplines like electrical, RF, mechanical, systems and firmware engineering. On its website, the company says it employs more than 150 consultants and engineers. Synapse has a nice track record in the development of products aimed directly at the consumer market and has recently delivered projects for clients such as Nike, Microsoft and Samsung.
- Strategic fit for Cambridge Consultants.** The combination of Synapse and Cambridge Consultants will allow Altran to create one of the largest innovative product development companies with significant presence on the US east and west coasts, and complementary industry expertise (Cambridge Consultants in Life Sciences and Synapse in Consumer Goods). According to management, it will grow Altran's Innovative Product Development activity revenues of Altran by 50% by the end of 2016 (on a pro forma basis), and fits within 'Altran's 2020 Ignition' strategic plan under which Cambridge Consultants is doubling its scale and enhancing its geographic reach in the US and Asia. Over the past 4 years, Cambridge Consultants has doubled its size and, to keep up with market demand, has set a target to double again by 2020 with a global workforce of over 1,000 product development and technology specialists.
- We estimate adj. EPS accretion at 2% from 2017.** The acquisition is subject to customary closing conditions and is expected to be completed in Q3 16. While we estimate Cambridge Consultants's revenues are around EUR70m with a c. 15% operating margin before profit sharing, we deem Synapse generates c. EUR35m revenues with a low double-digit operating margin. As such, we calculate Synapse is slightly accretive to adj. EPS: an est. 1% for 2016 (based on a consolidation from 1st August) and 2% for 2017 and beyond.

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	1,945	2,120	2,271	2,408
% change		9.0%	7.1%	6.0%
EBITDA	208	240	276	315
EBIT	155.0	189.0	225.0	261.0
% change		21.9%	19.0%	16.0%
Net income	123.0	143.0	167.0	193.0
% change		16.3%	16.8%	15.6%

	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	13.8	15.3	16.0
ROCE	15.0	16.2	18.2	21.0
Gearing	18.0	10.0	0.0	-11.0

(€)	2015	2016e	2017e	2018e
EPS	0.70	0.82	0.96	1.10
% change	-	17.1%	17.1%	14.6%
P/E	16.8x	14.4x	12.3x	10.7x
FCF yield (%)	3.9%	5.3%	7.0%	8.3%
Dividends (€)	0.20	0.25	0.30	0.30
Div yield (%)	1.7%	2.1%	2.5%	2.5%
EV/Sales	1.1x	1.0x	0.9x	0.8x
EV/EBITDA	10.6x	9.0x	7.5x	6.2x
EV/EBIT	11.9x	10.0x	8.3x	6.8x

VALUATION

- Altran's shares are trading at est. 10.0x 2016 and 8.3x 2017 EV/EBIT multiples.
- Net debt on 31st December 2015 was EUR138.3m (net gearing: 19%).

NEXT CATALYSTS

Q2 16 sales on 28th July before markets open.

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