

Altran Technologies

Price EUR12.59

Acquisition of Lohika, strengthening US coverage and offshore services

Fair Value EUR13 (+3%)

NEUTRAL

Bloomberg	ALT FP
Reuters	ALTR.PA
12-month High / Low (EUR)	13.4 / 9.6
Market Cap (EURm)	2,212
Ev (BG Estimates) (EURm)	2,366
Avg. 6m daily volume (000)	234.7
3y EPS CAGR	17.0%

Yesterday evening Altran announced the acquisition of Lohika, an offshore software development company headquartered in the US but operating in Ukraine and Romania. We increase our adj. EPS ests. by 2% following the conference call held early this morning. We expect a modest positive reaction for the share price in the short-term.

ANALYSIS

- Lohika: a software engineering team with an offshore model.** Founded in 2001 and headquartered in San Bruno, CA, Lohika is a software engineering firm whose engineering teams help accelerate the development of software and SaaS products from 'blue chip' companies such as Microsoft, Cisco and HP Enterprise, but also start-ups like AudienceScience, BuzzFeed, Twilio and Okta. We understand the company generates USD40m with double-digit growth, while its operating margin is at a 'comfortable' double-digit rate. HP Enterprise is still its largest customer with c. 25% of revenues, but its weight is declining year after year, while the company has made the choice to diversify its customer base towards the Silicon Valley-based and VC-funded startup companies. Lohika has 700 staff, essentially based in Ukraine in Kiev, Odesa and Lviv, but also in Romania (Cluj-Napoca).
- Strategic benefit for Altran.** Thanks to this acquisition, on a strategic standpoint, Altran will benefit from 3 factors: 1) Lohika will grow Altran's revenues in North America by an est. 40-50% by the end of 2016, that will make the USA the second largest region for Altran on a pro forma revenue basis and combined with Cambridge Consultants and Synapse's business in the US; 2) The acquisition will enable Altran to reach a leadership position in software product development on the US West Coast, which is the most important engineering and R&D market in the world with good connections with the Silicon Valley high-tech ecosystem; 3) Lohika extends Altran's capabilities in mobile, enterprise systems, big data solutions and cloud computing, as well as Altran's offshore delivery capabilities with now Altran's Global Delivery Centers reaching 4,000 engineers.
- Accretive to our adj. EPS ests.** We consider paying Lohika for an est. 10x EV/EBIT multiple would make sense. Based on this and an operating margin we estimate around 14%, we deem the acquisition is accretive by 2% to our adj. EPS ests.

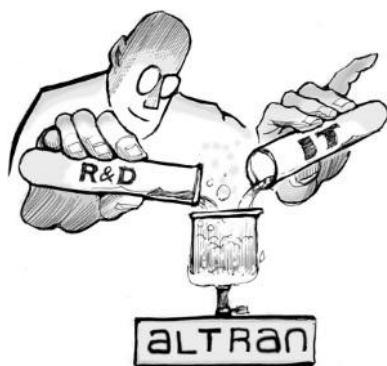
VALUATION

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

NEXT CATALYSTS

Q2 2016 sales on 28th July before markets open.

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Distribution of stock ratings

BUY ratings 55,8%

NEUTRAL ratings 34%

SELL ratings 10,2%

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