

Bloomberg	ATE FP
Reuters	LTEN.PA
12-month High / Low (EUR)	63.8 / 44.1
Market Cap (EUR)	2,110
Ev (BG Estimates) (EUR)	2,063
Avg. 6m daily volume (000)	29.60
3y EPS CAGR	10.2%

Yesterday evening Alten reported H1 2016 results pretty much in line with our estimates, with a 1.4ppt operating margin jump stemming from a positive calendar effect (+2 days). Free cash flow was down 61% due to seasonality and the 10.6% lfl sales growth reported for Q2. Finally, the outlook is reiterated for 2016, with management is guiding for a lfl sales growth acceleration and profitability increase. Although the share price has gained 22% in the last three months, we consider the stock may suffer from profit-taking moves in the short-term.

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.1%	22.5%	17.3%	17.3%
Softw. & Comp.	3.4%	15.3%	11.3%	7.2%
DJ Stoxx 600	0.3%	4.8%	-0.1%	-6.7%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	1,541	1,718	1,845	1,976
% change		11.5%	7.4%	7.1%
EBITDA	164	188	206	225
EBIT	147.0	175.0	193.0	212.0
% change		19.0%	10.3%	9.8%
Net income	110.0	121.0	133.0	147.0
% change		10.0%	9.9%	10.5%

	2015	2016e	2017e	2018e
Operating margin	9.9	10.2	10.5	10.7
Net margin	6.8	7.0	7.2	7.4
ROE	16.3	16.3	15.9	15.5
ROCE	16.7	17.7	19.1	20.9
Gearing	-3.0	-6.0	-16.0	-26.0

(€)	2015	2016e	2017e	2018e
EPS	3.26	3.58	3.96	4.36
% change	-	9.8%	10.6%	10.1%
P/E	19.2x	17.5x	15.8x	14.4x
FCF yield (%)	4.7%	4.8%	6.1%	6.7%
Dividends (€)	1.00	1.00	1.00	1.00
Div yield (%)	1.6%	1.6%	1.6%	1.6%
EV/Sales	1.4x	1.2x	1.1x	0.9x
EV/EBITDA	12.8x	11.0x	9.6x	8.3x
EV/EBIT	13.8x	11.7x	10.2x	8.8x

ANALYSIS

- H1 2016 results pretty much in line with our expectations, free cash flow decline.** For H1 2016, Alten has reported sales up 13.9% (+8.1% lfl) to EUR870.5m, operating profit up 31.9% to EUR88.5m or 10.2% of sales (vs. 8.8% of sales in H1 2015), EBIT up 34.1% to EUR86.9m after EUR1.6m in non-recurring costs (restructuring and acquisition-related costs), and net profit up 34.4% to EUR60.9m. These figures are pretty much in line with our estimates, as we expected operating margin of EUR87.1m (10% of sales), EBIT of EUR86.9m, and net profit of EUR59.8m, as well as with the company's "soft guidance" as management previously indicated operating margin would be inflated by the number of billable days and was likely to be at 10% or above. Free cash flow was down 61% to EUR11.1m (free cash flow margin: 1.3%, vs. 3.7% in H1 2015), including operating cash flow up 32% to EUR91.5m, a negative effect from cash taxes (EUR23.6m) and a sharp increase in WCR (EUR56.8m) due to revenue seasonality and strong lfl revenue growth in Q2.
- Seventh acquisition announced for this year.** On top of the six companies already acquired since January 2016 (Nexse in Italy with EUR8m sales, PVR Technologies in the US with EUR18m sales, ASM Technologies' assets in India with EUR17m sales, another company based in the US with EUR6.3m sales, IST in Germany with EUR10m sales, and a company in Canada with EUR5m sales), Alten announced the acquisition of another company in North America generating EUR13m in revenues on our estimates with around 100 staff.
- Reiterated outlook for 2016.** As economic conditions improve, management has reiterated its positive outlook for 2016 as stated in July, i.e. lfl revenue growth is set to accelerate compared to the +3.4% reported for 2015, while operating margin is expected to improve slightly from 9.9%. At this stage, we forecast 6.3% lfl revenue growth and operating margin of 10.2% (consensus: 10.1%), implying that operating margin in H2 2016 would be down 0.8ppt to 10.2% (consensus: -1ppt to 10%). In addition, Alten intends to continue deploying its strategy combining organic growth and acquisitions while protecting its margins.

VALUATION

- Alten's shares are trading at an est. 11.7x 2016 and 10.2x 2017 EV/EBIT multiples.
- Net debt on 30th June 2016 was EUR61.3m (net gearing: 9%).

NEXT CATALYSTS

Analysts' meeting today at 10am CET / 9am BST / 4am EDT (Maison des Arts et Métiers, 9bis avenue d'Iéna).

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