

Altran Technologies

Price EUR13.36

Acquisition of Benteler Engineering Services in Germany

Fair Value EUR15 (+12%)

BUY

Bloomberg	ALT FP
Reuters	ALTR.PA
12-month High / Low (EUR)	13.7 / 9.9
Market Cap (EURm)	2,349
Ev (BG Estimates) (EURm)	2,511
Avg. 6m daily volume (000)	209.8
3y EPS CAGR	15.9%

This morning Altran announced the acquisition of Benteler Engineering Services, for an undisclosed sum. We estimate this acquisition, which is in line with the "Altran 2020 Ignition" plan, will allow the company to increase its size in Germany by 30%, covering the entire product development process in Automotive. We view this deal as positive for Altran, although investors need to get some colour about the profitability of this business.

ANALYSIS

- What is Benteler Engineering Services?** Founded in 2001 as the engineering department of Benteler Automotive through the acquisition of the Product Development & Engineering department of the Dutch company NedCar, and now headquartered in Munich, Benteler Engineering Services, a specialist in design and engineering services for the automotive industry. The business, currently held by the Benteler Group serves large OEMs and tier-1 suppliers such as BMW, Volkswagen, Volvo, Ford, Porsche and Daimler. It employs 700 staff - out of 30,000 staff for the Benteler Group -, essentially in Germany, but also in The Netherlands and in Sweden. Revenues are not disclosed, but we estimate them, based on a rule of thumb of EURO.09-0.1m per employee, at c. EUR65-70m or 2% of Altran's total revenues.
- Rationale of the deal.** This acquisition is in line with Altran's "2020 Ignition" plan, for which it expected to acquire EUR500m revenues through acquisitions, including in Germany as a strategic country. We estimate that in 2017 Germany will generate c. EUR300m sales or 12% of total revenues (vs. 10% previously), or a size increase of nearly 30%. While the Automotive R&D market in Germany is undergoing a significant transformation and consolidation due to the amendment of the AÜG labour legislation - which leads carmakers and suppliers to move away from staffing services and develop project-based services -, Altran with Benteler Engineering Services provides services across the entire product development process (project management, quality management, product data management, etc.) with real engineering capabilities and prototyping facilities in electrical & electric, electrification, exterior & interior body, and chassis.
- Still early to determine the impact to our EPS forecasts.** While we estimate the positive impact to revenues at c. 2%, we have no idea of the margins Benteler Engineering Services generates. As such, we do not update our model and we expect the management will give more details of this deal for Q3 2016 sales on 27th October. At first glance we would say this kind of acquisitions may be done for less than 1x revenues, but it is too early to be sure of it.

VALUATION

- Altran's shares are trading at est. 11.7x 2016 and 9.8x 2017 EV/EBIT multiples.
- Net debt on 30th June 2016 was EUR217.2m (net gearing: 27%).

NEXT CATALYSTS

Q3 2016 sales on 27th October 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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BUY ratings 72%

NEUTRAL ratings 0%

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London	Paris	New York	Munich	New Delhi
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
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
Authorised and regulated by the	Financial Conduct Authority (FCA) and the			Geneva
Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
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