

Bloomberg	ATO FP
Reuters	ATOS.PA
12-month High / Low (EUR)	97.8 / 62.7
Market Cap (EUR)	10,167
Ev (BG Estimates) (EUR)	9,438
Avg. 6m daily volume (000)	288.8
3y EPS CAGR	14.4%

This morning Atos has reported Q3 2016 sales in line with our forecasts and the consensus average, while FY16 guidance has been reiterated. With almost all geographies (except Benelux & The Nordics and the rest of World region) delivering positive organic growth, and all business lines growing as expected, we do not expect a significant share price reaction to this publication in the short term.

ANALYSIS

- Q3 2016 sales in line with expectations.** Q3 2016 sales rose 2.5% (+1.8% lfl) to EUR2,777m or fully in line with our forecast (EUR2,778m or +1.8% lfl) and marginally above the consensus average (EUR2,769m or +1.5% lfl). Sales in the IT Services business were up 3.3% (+2% lfl) to EUR2,494m (BG est.: EUR2,497m) with Managed Services up 1.2% lfl to EUR1,603m, Consulting & Systems Integration up 1% lfl to EUR757m, and Big Data & Cyber-security up an impressive 19.1% lfl to EUR134m. After the elimination of EUR11m intercompany transactions with Atos, Worldline posted revenues flat at EUR283m (BG est.: EUR280m).
- Q3 2016 details. By geography, for IT Services only:** 1) North America: +5.2% lfl to EUR501m; 2) UK: +4.2% lfl to EUR426m; 3) Germany: +3.7% lfl to EUR491m; 4) France: +2.4% lfl to EUR373m; 5) Benelux & The Nordics: -6.2% lfl to EUR239m; 6) Other BUs: -0.9% lfl to EUR464m. In total, lfl revenue growth in Q3 2016 was driven by almost all geographies, especially North America (increased volumes and new contracts with private cloud components and a strong start for Big Data & Cybersecurity), but also the UK (strong activity with the government and the Teco & Media sector), Germany (nice recovery in Consulting & Systems Integration and additional business in Managed Services), and even France (Strong Big Data & Cybersecurity, recovery in Managed Services).
- FY16 guidance reiterated.** For 2016, taking into account the acquisitions of Equens/PaySquare, KB SmartPay and (Anthelio Healthcare Solutions) from 1st October 2016, management has increased ccrevenue growth guidance to at least +12% from at least +11%. However, it reiterates the other elements of company guidance, i.e. lfl revenue growth of 1.5-2%, a non-IFRS operating margin of 9.2-9.5% and a free cash flow above EUR550m (including a EUR135-140m contribution from Worldline). The Q3 book-to-bill ratio was good, with bookings up 12.4% to EUR2,845m, representing a ratio of 1.02 (0.95x for Consulting & Systems Integration, 1.07x for Big data & Cyber-security, 1.12x for Managed Services), vs. 0.93 in Q3 2015. The full qualified pipeline at the end of September 2016 represented EUR6.4bn or 6.7 months of sales. The backlog was EUR19.3bn or 1.7 year of sales. We forecast revenues up 1.7% lfl (consensus: +1.7% lfl) with a non-IFRS operating margin of 9.3% (consensus: 9.3%).

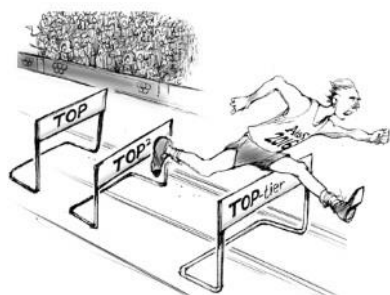
VALUATION

- Atos' shares are trading at est. 8.7x 2016 and 6.3x 2017x EV/EBIT multiples.
- Net cash position on 30th June 2016 was EUR412.3m (net gearing: -10%).

NEXT CATALYSTS

Conference call today at 8am CET / 7am BST / 2am EDT (France: +33 1 76 77 22 30; UK: +44 20 34 27 19 16; USA: +1 646 254 33 6512).

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YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	10,686	11,715	12,256	12,550
% change		9.6%	4.6%	2.4%
EBITDA	1,334	1,534	1,720	1,798
EBIT	589.0	823.0	920.0	998.0
% change		39.7%	11.8%	8.5%
Net income	610.0	728.0	868.0	937.0
% change		19.3%	19.2%	7.9%

	2015	2016e	2017e	2018e
Operating margin	8.6	9.3	10.1	10.5
Net margin	4.0	5.1	5.7	6.2
ROE	9.9	13.2	13.4	13.1
ROCE	22.9	25.8	42.1	47.4
Gearing	-14.0	-17.0	-49.0	-58.0

(€)	2015	2016e	2017e	2018e
EPS	5.83	6.86	8.16	8.74
% change	-	17.7%	19.0%	7.1%
P/E	16.6x	14.1x	11.9x	11.1x
FCF yield (%)	3.9%	5.4%	6.2%	8.0%
Dividends (€)	0.90	1.10	1.40	1.55
Div yield (%)	0.9%	1.1%	1.4%	1.6%
EV/Sales	0.9x	0.8x	0.6x	0.6x
EV/EBITDA	7.2x	6.2x	4.5x	3.9x
EV/EBIT	10.4x	8.7x	6.3x	5.3x

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