

Bloomberg	ATO FP
Reuters	ATOS.PA
12-month High / Low (EUR)	97.8 / 62.7
Market Cap (EUR)	10,068
Ev (BG Estimates) (EUR)	9,335
Avg. 6m daily volume (000)	290.9
3y EPS CAGR	15.1%

We reiterate our Buy recommendation and increase our DCF-derived Fair Value to EUR104 from EUR102 following the conference call held yesterday, as we marginally increase our adj. EPS and working capital assumptions. The improvement in growth momentum was confirmed, driven by the US, Germany, the UK and France. The integration of Unify is ahead of schedule, which puts Atos in a good position to sell the Software & Platform business...or keep it.

ANALYSIS

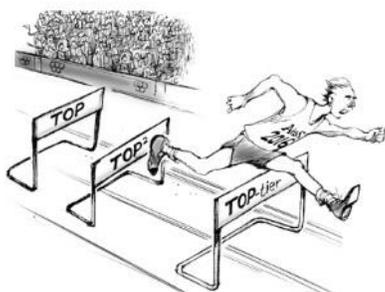
- Growth momentum confirmed.** Management is pretty confident in a potential acceleration of lfl revenue growth going forward. Restated for the terminated contracts at Worldline, lfl growth in Q3 2016 would have been above 2%. The IT Services business was up 2% lfl with trends gradually improving in both Managed Services and Consulting & Systems Integration. The 19% lfl growth seen in Big Data & Cybersecurity was not due to "one-offs", but there can be some variability from one quarter to another as deals may be lumpy, while sticking to a double-digit lfl growth trend. The recovery in Germany and France is confirmed, the UK is back to growth with low exposure to Financial Services and additional business in Managed Services. The 5.2% lfl growth in North America proved the success of the integration of Xerox ITO (hybrid cloud deals) as well the start of cross-selling in Big Data & Cybersecurity, while there is virtually no revenue exposure to Financial Services in the country and Consulting & Systems Integration is very small. In Benelux & The Nordics, revenues are falling due to the ramp down and termination of some contracts in Financial Services (including ING), but trends looks set to reverse with GasTerra, the first significant outsourcing contract signed by the new local management.
- Unify integration ahead of schedule.** AT Unify, the restructuring plan was executed ahead of plan with 988 staff exits year-to-date vs. a full-year target of 792, and non-personnel cost reductions (real estate, procurement, IT) of EUR50m fully achieved. The sales dynamic in the Software & Platforms (S&P) business is headed in the right direction: the number of partners in indirect channels +30% YTD to 2,517, number of cloud-based communication users +24% YTD to 251k, while the number of Circuit users is only 66k as of 30th September 2016 while the target for December 2016 is 500k but deployments at Siemens and Atos are under way to reach that target soon.
- Selling Unify S&P is not the sole option.** Management confirmed the target to generate EUR100m in EBITDA for 2017 for the S&P business. CEO Thierry Breton indicated during the call that some members of Atos' Board support the scenario of keeping the S&P business in house instead of selling it given this turnaround. The final decision is set to be made within the next few weeks, also depending on the attractiveness of the value-creation proposal to be made by potential acquirers compared to a 'keep-it-in-house' scenario. When the acquisition of Unify was announced, the management estimated EPS accretion from Unify in 2017 would have been 15% if S&P was sold, vs. 20% if S&P was retained.

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.3%	22.5%	28.5%	24.1%
Softw. & Comp.	-1.5%	4.9%	8.6%	5.9%
DJ Stoxx 600	1.0%	1.0%	-1.8%	-5.9%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	10,686	11,719	12,322	12,670
% change		9.7%	5.1%	2.8%
EBITDA	1,334	1,536	1,719	1,816
EBIT	589.0	826.0	919.0	1,017
% change		40.2%	11.3%	10.7%
Net income	610.0	730.0	867.0	952.0
% change		19.7%	18.8%	9.8%

	2015	2016e	2017e	2018e
Operating margin	8.6	9.3	10.1	10.5
Net margin	4.0	5.1	5.6	6.2
ROE	9.9	13.2	13.3	13.4
ROCE	22.9	25.9	42.2	48.3
Gearing	-14.0	-17.0	-49.0	-58.0

(€)	2015	2016e	2017e	2018e
EPS	5.83	6.89	8.15	8.88
% change	-	18.2%	18.3%	9.0%
P/E	16.5x	13.9x	11.8x	10.8x
FCF yield (%)	4.0%	5.5%	6.3%	8.2%
Dividends (€)	0.90	1.10	1.40	1.55
Div yield (%)	0.9%	1.1%	1.5%	1.6%
EV/Sales	0.9x	0.8x	0.6x	0.5x
EV/EBITDA	7.1x	6.1x	4.5x	3.8x
EV/EBIT	10.3x	8.5x	6.2x	5.1x



VALUATION

- Atos' shares are trading at est. 8.5x 2016 and 6.2x 2017 EV/EBIT multiples.
- Net cash position on 30th June 2016 was EUR412.3m (net gearing: -10%).

NEXT CATALYSTS

- Capital Markets Day on 8th November in Bezons (France).
- FY16 results on 22nd February 2017 before markets open.

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