

## ATOS

Technology  
Software & IT services

## BUY

Fair Value EUR127 (+55%)  
Share price EUR82.86  
EPS 3Y Cagr 11.6%

### Final FY18 results in line with preliminary numbers, guidance confirmed

#### FY18 revenues and non-IFRS operating margin confirmed

This morning, Atos reported FY18 results fully in line with the numbers pre-announced on 30<sup>th</sup> January, with revenues up 1.2% lfl to EUR12,258m, a non-IFRS operating margin -2.5% (-3.7% lfl) to EUR1,260m or 10.3% of sales (+0.1ppt, -0.5ppt lfl), and free cash flow of EUR720m or 57.1% of EBIT excluding EUR62m acquisition costs and upfront financing fees related to acquisitions (EUR658m including these elements, down 7.8%). Net debt on 31<sup>st</sup> December 2018 was EUR2,872m (net gearing: 48%) or 1.5x EBITDA. As previously stated, lfl revenue growth was driven by Big Data & Cybersecurity (+12%), Worldline (+6.3%) and Business & Platform Solutions (+4.2%), while Infrastructure & Data Management was down 2.8%. On a lfl basis, non-IFRS operating margin was down 1.7ppt to 9.5% on Infrastructure & Data Management, up 0.1ppt to 8.9% on Business & Platform Solutions, +2.4ppt to 15.4% on Big Data & Cybersecurity, and up 0.8ppt on Worldline.

#### There was no increase of the sales of receivables in H2 2018

New elements reported today are: 1) EBIT, which was down 4.4% to EUR836m (BG est.: 846) and includes EUR201m restructuring, acquisition and rationalisation costs - EUR149m excluding EUR52m of acquisition and integration costs related to Syntel and SIX Payment Services and integration costs related to EquensWorldline - and EUR49m non-recurring costs related to cyberattacks, GDPR and litigation; 2) group net profit was up 5% to EUR630m (BG est.: 635; company preliminary estimate: 625-650), including EUR90m recognised deferred tax assets and EUR18m acquisition costs related to SIX Payment Services; 3) working capital increased by EUR74m given the new revenue mix - DSOs are higher in fast-growing areas like Business & Platform Solutions and financial services - and DSOs were up four days to 43 days including a 23-day tailwind from the sales of receivables with no recourse on large customers. However, there was no increase of the sales of receivables in H2 2018.

#### FY19 guidance and Advance 2021 ambitions are confirmed

Management reiterates FY19 guidance announced on 30<sup>th</sup> January, i.e. revenue growth of 2-3% lfl (BG est.: +2.2%), operating margin of 11.5-12% (BG est.: 11.7%), and free cash flow of EUR900-1,000m (BG est.: 929). Excluding Worldline, which is planned to be deconsolidated in May 2019, this translates into sales up 1-2% lfl, operating margin of c. 10.5%, and free cash flow of EUR600-700m. North America is expected to grow again from H2 2019 thanks to new customer ramp-ups and increased "fertilisation" on existing contracts. The goal of Advance 2021 is to post a lfl revenue CAGR of 3-4% (2-3% ex-Worldline), an operating margin of c. 13% (11-11.5%) and free cash flow of EUR1,200-1,300m (800-900) by 2018-2021. Finally, Atos intends to pursue its dividend policy with a 25-30% pay-out. The dividend to be paid in 2019 will be EUR1.70 per share (in cash or in shares), flat vs. 2018.

#### Market Data

Bloomberg / Reuters	ATO FP/ATOS.PA
Market Cap.	EUR8,857m
E.V.	EUR8,479m
Free Float	93.8
Avg. Daily volume (6m)	465.0
12m high / low	123.7 / 66.1
Ytd Perf.	15.9%

EURM	12/18	12/19e	12/20e	12/21e
Sales	12,257	13,928	14,409	14,996
% Change		13.6%	3.5%	4.1%
EBITDA	1,645	2,121	2,278	2,464
% Change		28.9%	7.4%	8.2%
EBIT	1,260	1,623	1,766	1,922
% Change		28.8%	8.8%	8.8%
Net Income	874.0	1,047	1,126	1,231
% Change		19.8%	7.5%	9.3%
ROE	0.08	0.09	0.09	0.09

	12/18	12/19e	12/20e	12/21e
EV/Sales	1.0x	0.9x	0.8x	0.7x
EV/EBITDA	7.1x	5.6x	4.9x	4.0x
EV/EBIT	9.3x	7.3x	6.3x	5.2x
EPS	8.13	9.61	10.34	11.30
% change		18.2%	7.6%	9.3%
P/E	10.2x	8.6x	8.0x	7.3x
Div Yield	2.4%	2.7%	2.8%	2.9%

**Next Catalyst: Q1 2019 sales on 25<sup>th</sup> April before markets open.**

**Last rating Change:**

2017-9-22, Pending other structuring acquisitions

**Last FV Change:**

2018-10-24, Q3 2018 call feedback: confidence needs to be rebuilt

**Last Reports:**

2019-1-31, Capital Markets Day feedback: Worldline deconsolidation in sight

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<b>Market Cap.</b>	EUR8,857m
<b>EPS 3Y CAGR</b>	11.6%

<b>Simplified Profit &amp; Loss Account (EURm)</b>	2017	2018	2019e	2020e	2021e
Revenues	12,691	12,257	13,928	14,409	14,996
<i>Change (%)</i>	8.3%	-3.4%	13.6%	3.5%	4.1%
<i>Yfl change (%)</i>	2.3%	1.2%	2.2%	3.5%	3.5%
Adjusted EBITDA	1,715	1,645	2,121	2,278	2,464
Depreciation & amortisation	-423	-385	-498	-513	-543
Adjusted EBIT	1,292	1,260	1,623	1,766	1,922
EBIT	875	836	1,127	1,270	1,426
<i>Change (%)</i>	7.6%	-4.4%	34.8%	12.7%	12.3%
Financial results	-62	-87	-88	-86	-84
Pre-Tax profits	813	749	1,039	1,184	1,342
Exceptionals	0	0	0	0	0
Tax	-149	-47	-187	-213	-242
Profits from associates	1	1	2	2	2
Minority interests	64	73	127	167	186
Net profit	601	630	727	806	916
Restated net profit	824	874	1,047	1,126	1,231
<i>Change (%)</i>	10.8%	6.1%	19.8%	7.5%	9.3%
<b>Cash Flow Statement (EURm)</b>					
Operating cash flows	1,262	1,208	1,685	1,819	1,978
Change in working capital	-25	-74	-128	-39	-43
Capex, net	-501	-476	-627	-648	-675
Financial investments, net	7	0	-25	0	0
Acquisitions, net	-400	-5,600	-860	-139	0
Dividends	-169	-70	-213	-234	0
Other	130	-176	1	0	0
Net debt	-307	2,898	3,065	2,306	1,045
Free Cash flow	736	658	930	1,132	1,260
<b>Balance Sheet (EURm)</b>					
Tangible fixed assets	693	701	803	912	1,017
Intangibles assets & goodwill	5,694	11,166	11,814	11,742	11,530
Investments	281	282	309	310	312
Deferred tax assets	381	381	381	381	381
Current assets	4,176	4,234	4,946	5,153	5,400
Cash & equivalents	2,260	2,260	2,260	3,019	4,280
Total assets	13,484	19,024	20,513	21,516	22,920
Shareholders' equity	5,226	7,630	8,170	8,808	9,809
Provisions	1,636	1,787	1,984	2,182	2,379
Deferred tax liabilities	119	119	119	119	119
L & ST Debt	1,953	5,158	5,325	5,325	5,325
Current liabilities	4,551	4,330	4,915	5,083	5,288
Total Liabilities	13,484	19,024	20,513	21,516	22,920
Capital employed	4,919	10,528	11,235	11,114	10,854
<b>Ratios</b>					
Operating margin	10.2%	10.3%	11.7%	12.3%	12.8%
Tax rate	18.3%	6.3%	18.0%	18.0%	18.0%
Net margin	5.2%	5.7%	6.1%	6.7%	7.3%
ROE (after tax)	11.5%	8.3%	8.9%	9.2%	9.3%
ROCE (after tax)	23.1%	11.5%	12.7%	13.9%	15.4%
Gearing	-6%	38%	38%	26%	11%
Pay out ratio	29.8%	33.8%	32.2%	30.4%	27.9%
Number of shares, diluted	106	108	109	109	109
<b>Data per Share (EUR)</b>					
EPS	5.71	5.91	6.83	7.57	8.60
Restated EPS	7.80	8.13	9.61	10.34	11.30
<i>% change</i>	10.8%	4.2%	18.2%	7.6%	9.3%
EPS bef. GDW	7.80	8.13	9.61	10.34	11.30
BVPS	49.44	70.91	75.02	80.81	89.99
Operating cash flows	11.94	11.23	15.47	16.69	18.15
FCF	6.96	6.12	8.54	10.39	11.56
Net dividend	1.70	2.00	2.20	2.30	2.40

Source: Company Data; Bryan, Garnier & Co ests.

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NEUTRAL ratings 38,1%

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