

10th May 2019

## SOPRA STERIA GROUP

- | Technology
- | Software & IT services

### BUY

Fair Value	EUR156
Share price	EUR101.7
EPS 3Y Cagr	21.1%

### Plan to acquire 51% of the captive of Sparda banks

#### This deal with 7 Sparda banks has a low "entry ticket"

Yesterday evening Sopra Steria announced it was selected by 7 Sparda banks in Germany to carry out the transformation of their IT systems. As part of the deal, the company plans to acquire a 51% stake in the captive entity in charge of the development, maintenance and operations of the shared IT systems of these 7 banks (Augsburg, Stuttgart, Frankfurt, Munich, Nuremberg, Regensburg and Dusseldorf), for an equity value of EUR22.6m. The deal is expected to close in early H2 2019. These 7 banks represent 2.5m clients and 7.7m accounts. Sopra Steria will overhaul their IT system based on the Sopra Banking Platform, with an implementation which is expected to last 3 years. Sopra Banking Software will provide licences, maintenance and implementation services to the captive.

#### Operating margin is expected at c. 8%

The captive, which employs 350 staff, will be reorganised to undertake the transformation and will operate the shared IT system. Sopra Steria expects the captive will generate cumulated revenues above EUR1bn over 13 years. Its operating margin is planned to reach c. 8%, after an initial transformation period with a slight dilutive impact to Sopra Steria's operating margin.

#### We view Sparda as an accelerator for Germany and SBS

More than cumulative revenues above EUR1bn with these Sparda banks, this project is expected to help Sopra Steria's expansion in the German banking industry, in particular Sopra Banking Software (SBS) via its Sopra Banking Platform product. Finally, the captive's business plan includes the goal of moving other German banks to its future platform. As such, although the initial implementation period will have a slight dilutive impact to the operating margin, we see this deal as highly beneficial for Sopra Steria provided that the implementation is successful.

#### Market Data

Bloomberg / Reuters	SOP FP/SOPR.PA
Market Cap.	EUR2,089m
E.V.	EUR2,710m
Free Float	70.3%
Avg. Daily volume (6m)	44.50
12m high / low	EUR187.3 / EUR76.7
Ytd Perf.	26.1%

EURM	12/18	12/19e	12/20e	12/21e
Sales	4,095	4,410	4,635	4,858
% Change		7.7%	5.1%	4.8%
EBITDA	363.1	489.0	533.6	590.1
% Change		34.7%	9.1%	10.6%
EBIT	307.9	346.0	388.6	443.1
% Change		12.4%	12.3%	14.0%
Net Income	170.4	215.8	258.4	304.9
% Change		26.6%	19.7%	18.0%
ROE	0.09	0.12	0.13	0.14

	12/18	12/19e	12/20e	12/21e
EV/Sales	0.7x	0.6x	0.5x	0.4x
EV/EBITDA	7.5x	5.2x	4.4x	3.7x
EV/EBIT	8.8x	7.4x	6.1x	4.9x
EPS	8.30	10.47	12.49	14.73
% change		26.2%	19.2%	18.0%
P/E	12.3x	9.7x	8.1x	6.9x
Div Yield	1.8%	2.5%	3.2%	3.7%

#### Next Catalyst :

##### Last rating Change:

[2018-10-24, Acquisition of Sword Apak: sign of confidence in Sopra Banking Software](#)

##### Last FV Change:

[2019-4-26, Q1 2019 sales above expectations; FY19 guidance confirmed](#)

##### Last Reports:

[2019-4-26, Q1 2019 sales above expectations; FY19 guidance confirmed](#)

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### Distribution of stock ratings

BUY ratings 49.4%

NEUTRAL ratings 43.2%

SELL ratings 7.4%

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