

DAILY EQUITY RESEARCH UPDATE

Technology

Today's news:

Software & IT Services	SAP: Kicks off first SAP.iO Foundry in Asia Atos: Buyback programme limited to 540,000 shares RIB Software: Acquires a 15% stake in Winjit, an IoT, AI, ML and Blockchain software provider
Payments & Fintech	Payments: Heidelpay reportedly going with KKR

Software & IT Services

SAP | Buy - Top Picks | FV EUR153

Kicks off first SAP.iO Foundry in Asia

SAP today announced the launch of the first SAP.iO Foundry in Asia: SAP.iO Foundry Tokyo. Over the next 12 weeks, SAP.iO Foundry Tokyo intends to accelerate 5 B2B Japanese technology startups, providing them access to mentorship, exposure to SAP technology and APIs, and opportunities to collaborate with SAP customers. The cohort also will have access to the newly opened SAP Leonardo Experience Center and Inspired.Lab. SAP.iO is SAP's strategic business unit dedicating to driving startup innovation and new business models for SAP. SAP.iO Foundry Tokyo is the 8th location of SAP's global network of top-tier startup programs, which include foundries and accelerators that enable startups to build innovative software to deliver value for SAP customers. The first SAP.iO Foundry Tokyo cohort includes the following startups: InstaVR (no-coding, web browser-based interactive authoring tool capable of creating, distributing and analysing a 360° view of content), Zenkigen (AI-powered online platform for live and recorded video interviews offering sentiment analysis of a candidate's voice), FuzedLink (B2B lead generation tool based on social media content for building content-driven landing pages for social media traffic), Estie (real estate technology platform with interactive mapping), and Innovia (solution for developing and managing the skills of manufacturing workers while ensuring ISO compliance).

BG view: Launched in 2018, the SAP.iO Foundry network now comprises 125+ startups in 8 locations (San Francisco, New York, Berlin, Munich, Paris, Tel Aviv, Singapore and Tokyo) and is likely to expand further in our view. The SAP.iO Fund invests in these startups in order to enable SAP customers generating value from investments in SAP solutions. As such, we consider there can be potential capital gains for this entity, yet it has been clearly set aside from SAP's main business. Finally, it will allow SAP building an "SAP economy" build from new companies on top of its traditional ecosystem. This approach has been successfully achieved by Salesforce with its Salesforce Accelerate incubator programme.

Atos | Buy | FV EUR107

Buyback programme limited to 540,000 shares

Atos announced the implementation from 5th August 2019, of an irrevocable mandate with an independent financial services provider, for the purpose of buying back its shares up to a maximum of 540,000 shares until 25th September 2019 at the latest, for a maximum purchase price of EUR120 per share in accordance with the 18th resolution approved by the AGM/EGM of 30th April 2019. These shares are intended to be delivered to beneficiaries of performance shares, share purchase plans or other long-term incentive plans.

BG view: This share buy-back programme, which is dedicated to address the exercise of performance shares, share purchase plans and other equity-based instruments, will amount a maximum of EUR65m (EUR38m at the current share price, i.e. EUR70.2) and will be accretive for a maximum of 0.5% of its share capital. In other words, it is insignificant.

RIB Software | Neutral | FV EUR17

Acquires a 15% stake in Winjit, an IoT, AI, ML and Blockchain software provider

RIB announced on Friday the acquisition of a 15% stake in Winjit, an Internet of Things, Artificial Intelligence, Machine Learning and Blockchain software provider out of India. Winjit has over 300 employees based in Bangalore, Nashik, Pune, New-York and Johannesburg. Their three software solutions - the IoT platform IoTSense, the automated machine learning platform PredictSense and the image recognition solution VisionSense - will be integrated into RIB's MTWO platform as modules. Most notably, these solutions will be integrated into RIB's Facility Management solution as well as RIB's Supply Chain management solution. The investment was based on an EBITDA multiple of 7x 2019e. RIB has the option to acquire a controlling interest in Winjit through call options exercisable over the next 4 years. According to the press release, Winjit's organic growth is expected to reach 40% per annum.

BG view: We estimate the consideration for this investment amounts to c. EUR5m. RIB had already highlighted the importance of AI and Machine Learning in the past with regards to their partnership with Microsoft on the MTWO solution. RIB has notably started working on McTWO, a vocal assistant, which, according to the company, could assist engineers on up to 50% of their tasks. In past conference calls, CEO Tom Wolf has pointed out that better AI capabilities were one of the key features needed in the MTWO solution to reach the USD500/user/year EBITDA target.

Payments & Fintech

Payments

Heidelpay reportedly going with KKR

KKR is reported to have won the battle for the c. 60% shareholding sold by AnaCap in German PSP Heidelpay at the expense of key industry leaders such as Worldline or Nets and also other investors such as Nordic Capital or EQT. Heidelpay's founder and CEO Mirko Huellemann is expected to retain a significant stake in the company. Heidelpay enables its clients to accept online and mobile payments, and is used by more than 30k merchants (including companies such as L'Oréal), mainly in German-speaking countries. The company now intends to grow outside the DACH area, both organically and by acquisitions, and expects to generate a EUR40.5m EBITDA this year.

BG view: Heidelpay would have made a suitable acquisition for Worldline, too bad. The payment industry is very attractive due to its high growth / high margin pattern, leading to fierce competition from both industry leaders and professional investors to acquire smaller players. KKR is reported to have paid more than EUR600m for its stake, suggesting a > 25x EV/EBITDA, which does not seem that outrageous for an online player considering Wirecard currently trades at c. 22x. Watch out for some pressure on IRR going forward however...

3Q 2019 TECH Top Picks

ASM INTERNATIONAL (Buy, FV EUR80), SAP (Buy, FV EUR153), SOPRA STERIA GROUP (Buy, FV EUR158)

For more information:

<p>Thomas Coudry Managing Director Telecoms & Media</p> <p> tcoudry@bryangarnier.com</p> <p> +33 1 70 36 57 04</p>	<p>Olivier Pauchaut Managing Director Financials & Fintech</p> <p> opauchaut@bryangarnier.com</p> <p> +33 1 56 68 75 49</p>	<p>Eric Lemarié Smart Industries</p> <p> elemarie@bryangarnier.com</p> <p> +33 1 70 36 57 17</p>
<p>Gregory Ramirez Software & IT Services</p> <p> gramirez@bryangarnier.com</p> <p> +33 1 56 68 75 91</p>	<p>Xavier Regnard Smart Industries</p> <p> xregnard@bryangarnier.com</p> <p> +33 1 56 68 75 06</p>	<p>David Vignon Software</p> <p> dvignon@bryangarnier.com</p> <p> +33 1 56 68 75 92</p>
<p>Frédéric Yoboué Semiconductors</p> <p> fyoboue@bryangarnier.com</p> <p> +33 1 56 68 75 54</p>		

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