BRYAN, GARNIER & CO

INDEPENDENT RESEARCH

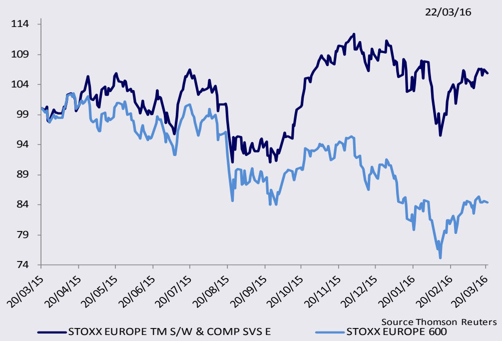
22nd March 2016

TMT

Feedback from our TMT Conference in Paris

TMT

ATOS		**BUY**		**FV EUR93**
Last Price	EUR70.8	*Market Cap.*		EUR7,329m
AXWAY SOFTWARE		**NEUTRAL**		**FV EUR24**
Last Price	EUR19.62	*Market Cap.*		EUR404m
CAPGEMINI		**BUY**		**FV EUR93**
Last Price	EUR78.85	*Market Cap.*		EUR13,576m
SOFTWARE AG		**BUY**		**FV EUR38**
Last Price	EUR33.135	*Market Cap.*		EUR2,618m
SOITEC		**NEUTRAL**		**FV EUR0.5**
Last Price	EUR0.61	*Market Cap.*		EUR141m
SOPRA STERIA GROUP		**BUY**		**FV EUR113**
Last Price	EUR103.95	*Market Cap.*		EUR2,125m
STMICROELECTRONICS		**NEUTRAL**		**FV EUR7**
Last Price	EUR4.986	*Market Cap.*		EUR4,542m
UBISOFT		**BUY**		**FV EUR34**
Last Price	EUR26.89	*Market Cap.*		EUR2,991m
WIRECARD		**BUY**		**FV EUR52**
Last Price	EUR31.5	*Market Cap.*		EUR3,892m
WORLDLINE		**BUY**		**FV EUR29**
Last Price	EUR20.9	*Market Cap.*		EUR2,761m



We organised a European TMT conference in Paris on 10th and 11th March, where we had the pleasure of welcoming CEOs, CFOs and IRs from 16 TMT companies. This report summarises our feedback from the 10 companies represented that come under our coverage (sub-segments: Software & IT Services, Payments, Semiconductors and Video Games).

- **Two weeks ago, we organised a European TMT conference in Paris over two days: on 10th** (Axway, Altran, Focus Home Interactive, Keyware Technologies, Materialise, Soitec, Software AG, Wirecard) **and 11th March** (Atos, Adesso, Capgemini, Dalenys, GFT Technologies, Sopra Steria, STMicroelectronics, Ubisoft and Worldline).

- **In this document, you will find Key Focuses we learnt from this event** (1/ one chart, 2/ one sentence, 3/ one figure, and 4/ how the Conference impacts our investment case) **for the 10 companies we cover:** in Software & IT Services (Atos, Axway, Capgemini, Software AG, Sopra Steria Group), Payments (Worldline and Wirecard), Semiconductors (Soitec, STMicroelectronics) and Video Games (Ubisoft).

- Note also that **following a road show with the management of Altran** (CEO, CFO and Senior EVP), **we released a specific feedback on 15th March** (MorningMail Altran).

- Overall, these meetings with management teams provided **an opportunity to reinforce our investment cases and discuss current topics of interest**.

- **Remember our Q1 TMT Top Picks are: Atos** (Buy, FV EUR93), its Payment subsidiary **Worldline** (Buy, FV EUR29) **and Wirecard** (Buy, FV EUR52).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FOCUS
TMT CONFERENCE

21st March 2016

Atos

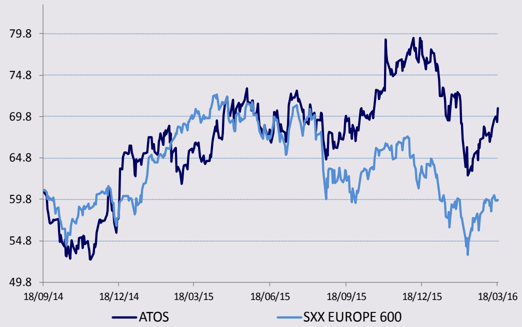
Earnings growth IS the story

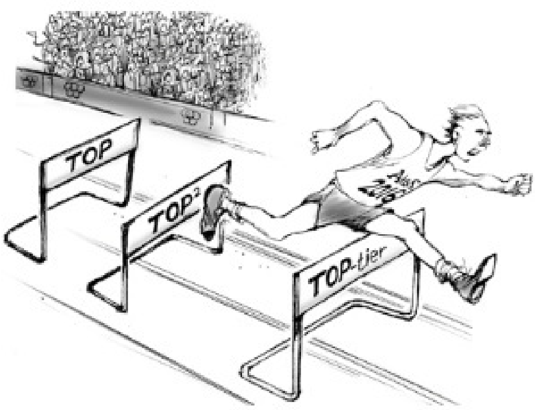
TMT

Fair Value EUR93 (price EUR70.76) **BUY-Top Picks**

Bloomberg	ATO FP
Reuters	ATOS.PA
12-month High / Low (EUR)	79.3 / 62.7
Market capitalisation (EURm)	7,325
Enterprise Value (BG estimates EURm)	6,459
Avg. 6m daily volume ('000 shares)	380.5
Free Float	82.8%
3y EPS CAGR	15.5%
Gearing (12/15)	-14%
Dividend yield (12/16e)	1.55%

YE December	12/15	12/16e	12/17e	12/18e
Revenue (€m)	10,686	11,909	12,381	12,657
EBITA €m)	917.0	1,098	1,230	1,317
Op.Margin (%)	8.6	9.2	9.9	10.4
Diluted EPS (€)	5.80	7.02	8.30	8.93
EV/Sales	0.6x	0.5x	0.4x	0.3x
EV/EBITDA	5.0x	4.2x	3.0x	2.4x
EV/EBITA	7.3x	5.9x	4.2x	3.3x
P/E	12.2x	10.1x	8.5x	7.9x
ROCE	22.9	27.9	39.3	44.2





The meetings held at our TMT conference were the opportunity for reiterating our Buy (and Top Pick) case on Atos: this is not an organic growth buy, Unify and Equens both create fresh synergy opportunities, and the acquisition strategy - which still has an eye on shareholder value - is well assumed.

- **Addressing the goal of doubling organic growth**. Doubling lfl revenue growth to 0.8% in 2016 is feasible thanks to strong cloud volumes in Managed Services, the turnaround of Germany in Consulting & Systems Integration, continuous strength in Big data & Cyber Security, and 3% lfl growth for Worldline. The book-to-bill ratio in Q4 15 was encouraging in IT Services, particularly for Consulting & Systems Integration.

- **Confidence reiterated for operating margin and free cash flow**. For 2016, the operating margin is set to increase by 0.4-0.9ppt to 9-9.5% essentially through better offshore leverage and the turnaround in Germany in Consulting, more automation in Managed Services, and Bull-related cost synergies. The free cash flow is still expected to jump to EUR550m from EUR393m, essentially thanks to EUR90m less cash-outs related to restructurings following the successful integration of Bull.

- **Dismissing allegations in the UK press**. Atos's IR team brushed off allegations made in *The Guardian*. Atos officially sees the contract review as an opportunity to show from a rationale standpoint the quality of the services rendered by its teams in the UK. The audit recommendation dates back two years ago, and the delays did not stem from Atos. In our view, this case reflects the inherent complexity of government IT contracts, which is a parameter to take into account.

- **Making things clear on acquisitions**. CEO Thierry Breton was clear on the fact Perot did not match Atos's acquisition criteria. That being said, acquisitions are in Atos's DNA, but its priorities in that domain are in Payments in Europe, and IT Services in the US. Atos reiterated its strong confidence on the EUR130m cost synergies expected by 2017 from the integration of Unify.

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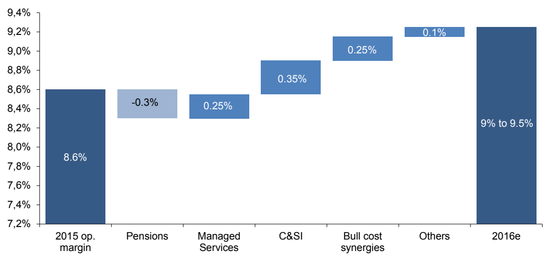
Atos major keys to focus on from the TMT conference

1. One Chart



- **How to generate at least 0.8% lfl revenue growth in 2016**. As mentioned in the FY15 results on 24th February, this will be driven by: 1). Market share gains in Managed Services thanks to strong cloud volumes - the cloud business posted 38% growth to EUR552m in 2015 and is in line for EUR700m+ (at least +27%) for 2016 - and service automation; 2). Operating enhancement in Consulting & Systems Integration - Germany stabilising in H2 15 and poised to turn back to growth before late 2016 -; 3). Continuous strength in Big data & Cyber Security; and 4). Worldline (est. +3% lfl for 2016).

- **The book-to-bill ratio was encouraging in IT Services** (1.05x for 2015, o/w 1.18x in Q4), particularly in Consulting & Systems Integration (1.33x in Q4 15). The sales approach put in place in 2014 has paid off, with the top 200 customers (66% of sales) generating sales up 5%, the number of deals above EUR100m up 20%, and a win rate of 46%.

- **Reminding of the bridge for FY16 operating margin and free cash flow**. From 8.6% in 2015, the operating margin, excluding Equens and Cataps (Komerční banka), is guided at 9-9.5% for 2016, calculated as follows: -0.3ppt on pensions (est. EUR35-40m vs. EUR74m in 2015), +0.25ppt on Managed Services (automation), +0.35ppt in Consulting & Systems Integration (offshore leverage up to c. 50% from 43% end 2015 + turnaround of Germany = an est. EUR42m additional profit: we estimate the margin of this division at 7.8% for 2016 vs. 6.4% in 2015), +0.25ppt on the Bull cost synergies programme, +0.1ppt on others (Worldline, corporate, etc.). The Big Data & Cyber-security division could reach a margin above 20% over the medium term, vs. 17.2% in 2015. On free cash flow, from EUR393m after share-based compensation, the bridge for reaching EUR550m for 2016 is as follows: +EUR70m on the operating margin increase on 2015 scope, +EUR35m on pensions, -EUR50m on WCR, +EUR90m on restructuring, -EUR15m on the cost of net debt, and +EUR27m on scope effects and other changes.

2. One Sentence

« The Guardian *pours old wine into new bottles.* »

On 6th March 2016, the UK newspaper *The Guardian* published a defamatory article against Atos ("Government to review GBP500m-worth of Atos contracts after IT failure"), which suggested "lack of confidence" in the French IT Services firm from the Cabinet Office as the latter is re-examining every government contract worth more than GBP10m operated by Atos. Strong words were used by *The Guardian* against Atos, like "exasperation", "many public sector IT disasters", or "did not show an appropriate duty of care to the taxpayer", or "acting solely with its own short-term best interests in mind". The decision to launch the review follows criticism by the National Audit Office of Atos's role in the development of an IT system for General Practitioners. The cost of the system rose to GBP40m from GBP14m during the planning and procurement phase started in 2012 and implemented only with delays.

Atos's IR team brushed off these allegations, mentioning that *The Guardian* pours old wine into new bottles. Atos officially sees this review as the opportunity to show from a rationale standpoint the quality of the services rendered by its teams in the UK - **the company is "green rated" (i.e. it has the best possible rating) by Whitehall**. Management considers that this is going to provide additional business opportunities, and has no concern about it. The audit recommendation dates back two years ago, and the delays did not stem from Atos and overrun was the subject of a rider. In our view, this case reflects the inherent complexity of government IT contracts (technically speaking and in terms of governance), which is a parameter to take into account.

3. One Figure

2.8

2.8 is the limit in billion euros that Atos has for net debt if it reaches its bank covenants (2.5x EBITDA, i.e. 2.5x EUR1.2bn for 2017). This is the chance to make things clear on Atos's acquisition policy and recent events mentioned in the press in that regard. On 4th February, Atos denied being in negotiations to acquire Dell's Perot Systems IT Services business. On 24th February, at the publication of the FY15 results, the CEO Thierry Breton was clear on the fact Perot did not match Atos's acquisition criteria *("It's true of course we are looking at everything, it's true also that very quickly when we see that the price doesn't match our criteria to create value we just step down, that's it")*: 1). The price proposed by Dell (officially USD5bn, to be paid fully in cash) was too high; 2). Atos prefers sealing a partnership with the seller (e.g. an outsourcing contract), which, in turn, could pay for restructurings; and 3). The target has to have valuable assets and create value for shareholders.

That being said, **acquisitions are in Atos's DNA, but its priorities in that domain are: 1). Payments** (Worldline), preferably companies based in Europe - in that context, buying EVO Payments International (a US company), a possibility raised by Bloomberg a few months ago, makes no sense in our view; and **2). IT Services, in the US** in order to improve Atos's growth profile in that geography, preferably by adding Consulting & Systems Integration resources to be cross-sold with Atos's Managed Services.

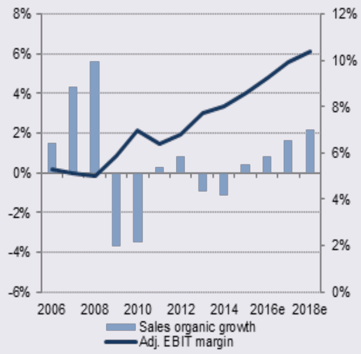
Finally, **Atos reiterated its strong confidence in the EUR130m cost synergies expected by 2017 from the integration of Unify** (on the est. EUR103m restructuring plan launched in February 2016 on top of the plan Alpha launched in early 2015 by Unify's former shareholders): 1). The team working on it, led by Charles Dehelly, is the same as for Bull - for which the EUR120m planned synergies for 2016 are almost complete -, using the same methodologies and processes with proven results; and 2). Several sources of improvement have been identified in procurement and the supply chain.

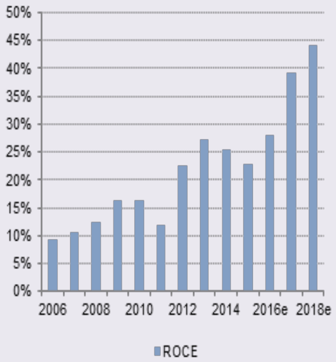
4. How does the Conference impact our Investment Case

Our TMT conference comforted our positive investment case on Atos, yet there was no real new element to add to the story. **1). Atos is not an organic growth buy**: Atos is highly focused on the structurally stable Managed Services/BPO businesses and can only generate low organic growth out to 2018, but the healthy state of Worldline and the Big Data & Cyber-security division, as well as a recovery in Consulting & Systems Integration, provides hope of growth above 2-3% over the longer term; **2). Unify and Equens create fresh synergy opportunities**: Unify should help Atos generate an accretive impact on EPS of around 15% as of 2017, and the Equens' takeover project via subsidiary Worldline should enhance EPS by 4-5% as of 2018 in our view; and **3). Atos is constructed via acquisitions, a well-assumed strategy**: since the arrival of Thierry Breton at the head of the group, Atos has been faultless in integrating its acquisitions and delivering synergies.

Next Catalysts

21/04/2016	**Q1 16 sales before markets open - conference call**
27/07/2016	**H1 16 results before markets open - conference call**





Company description

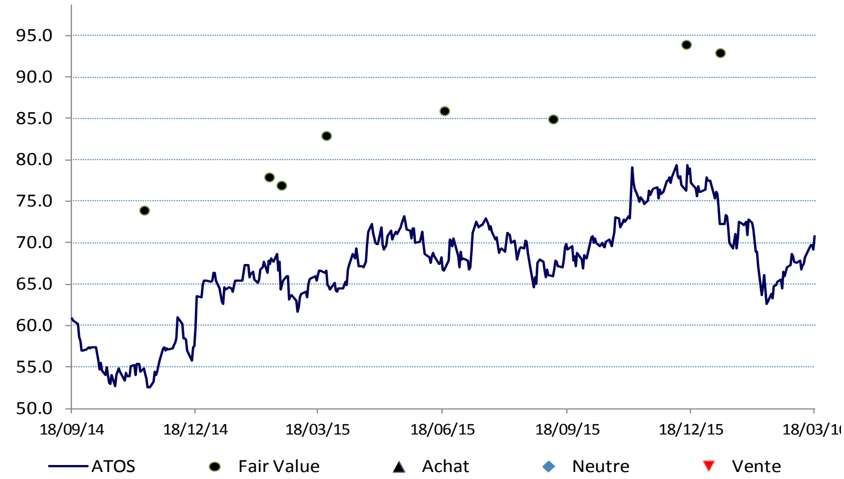
Atos has become the second largest IT Services company in Europe, employing more than 90,000 people today. The group generates 53% of its revenues in Managed Services, 31% in Consulting & Systems Integration, 5% in Big Data & Cybersecurity, and 11% in Transactional Services (Worldline). At the geographic level, excluding Worldline, the UK accounts for 20% of sales, followed by France (18%), Germany (16%), North America (14%), and Benelux & Nordic countries (11%). Industry/Retail/Transport are the largest contributors to revenues (34%), followed by Government/Healthcare (29%), Telecom/Media/Utilities (19%), and Financial Services (18%).

Simplified Profit & Loss Account (EURm)	**2013**	**2014**	**2015**	**2016e**	**2017e**	**2018e**
Revenues	8,615	9,051	10,686	11,909	12,381	12,657
Change (%)	*-2.6%*	*5.1%*	*18.1%*	*11.4%*	*4.0%*	*2.2%*
Ifl change (%)	*-0.9%*	*-1.1%*	*0.4%*	*0.8%*	*1.6%*	*2.2%*
Adjusted EBITDA	948	1,012	1,334	1,536	1,693	1,784
Depreciation & amortisation	(286)	(288)	(417)	(439)	(464)	(468)
Adjusted EBIT	662	725	917	1,098	1,230	1,317
EBIT	417	440	589	671	903	1,006
Change (%)	*9.2%*	*5.7%*	*33.8%*	*13.8%*	*34.6%*	*11.5%*
Financial results	(63.0)	(52.0)	(45.0)	(40.0)	(29.0)	(24.0)
Pre-Tax profits	354	388	544	631	874	982
Exceptionals	0.0	0.0	0.0	10.0	0.0	0.0
Tax	(96.0)	(104)	(110)	(129)	(166)	(187)
Profits from associates	2.0	(2.0)	3.0	1.0	2.0	2.0
Minority interests	(2.0)	17.0	31.0	39.0	44.0	50.0
Net profit	262	265	406	474	665	747
Restated net profit	423	446	608	740	877	948
Change (%)	*13.7%*	*5.4%*	*36.3%*	*21.7%*	*18.5%*	*8.1%*
Cash Flow Statement (EURm)						
Operating cash flows	502	549	751	964	1,131	1,327
Change in working capital	111	105	49.0	109	13.0	16.0
Capex, net	(306)	(345)	(403)	(520)	(520)	(520)
Financial investments, net	8.0	(1.0)	0.0	0.0	0.0	0.0
Acquisitions, net	(26.0)	(253)	(798)	(474)	600	0.0
Dividends	(23.0)	(40.0)	(32.0)	(93.0)	(114)	(145)
Other	(134)	162	706	287	242	120
Net debt	(905)	(989)	(593)	(866)	(2,218)	(3,017)
Free Cash flow	307	309	397	553	624	823
Balance Sheet (EURm)						
Tangible fixed assets	619	694	819	876	909	939
Intangibles assets & goodwill	2,361	3,275	4,038	4,410	3,699	3,587
Investments	377	231	261	262	263	265
Deferred tax assets	337	420	442	442	442	442
Current assets	2,203	2,800	3,174	3,493	3,647	3,729
Cash & equivalents	1,306	1,620	1,947	2,220	3,572	4,371
Total assets	7,202	9,039	10,681	11,703	12,532	13,334
Shareholders' equity	2,939	3,402	4,097	4,317	4,912	5,565
Provisions	1,026	1,616	1,408	1,782	1,850	1,900
Deferred tax liabilities	148	66.0	70.0	70.0	70.0	70.0
L & ST Debt	401	631	1,354	1,354	1,354	1,354
Current liabilities	2,689	3,323	3,752	4,180	4,346	4,445
Total Liabilities	7,202	9,039	10,681	11,703	12,532	13,334
Capital employed	2,034	2,413	3,504	3,451	2,694	2,548
Ratios						
Operating margin	7.70	8.00	8.60	9.20	9.90	10.40
Tax rate	27.10	26.80	20.20	20.40	19.00	19.00
Net margin	3.00	3.10	4.00	4.20	5.70	6.20
ROE (after tax)	8.90	7.80	9.90	11.00	13.50	13.40
ROCE (after tax)	27.30	25.40	22.90	27.90	39.30	44.20
Gearing	(31.00)	(29.00)	(14.00)	(20.00)	(45.00)	(54.00)
Pay out ratio	25.90	30.40	22.90	24.00	21.70	21.40
Number of shares, diluted	102	104	105	105	106	106
Data per Share (EUR)						
EPS	2.70	2.63	3.93	4.59	6.44	7.24
Restated EPS	4.15	4.30	5.80	7.02	8.30	8.93
% change	*15.3%*	*3.6%*	*34.9%*	*21.0%*	*18.2%*	*7.6%*
EPS bef. GDW	4.15	4.30	5.80	7.02	8.30	8.93
BVPS	28.84	32.77	39.06	40.96	46.47	52.45
Operating cash flows	4.93	5.29	7.16	9.15	10.70	12.51
FCF	3.01	2.98	3.78	5.25	5.90	7.76
Net dividend	0.70	0.80	0.90	1.10	1.40	1.55

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

Price Chart and Rating History

Atos



Ratings		
Date	**Ratings**	**Price**
13/12/13	BUY	EUR62.03
21/02/12	NEUTRAL	EUR43.54
22/02/08	BUY	EUR34.71

Target Price	
Date	**Target price**
08/01/16	EUR93
14/12/15	EUR94
07/09/15	EUR85
19/06/15	EUR86
24/03/15	EUR83
19/02/15	EUR77
10/02/15	EUR78
10/11/14	EUR74
29/08/14	EUR80
20/01/14	EUR76
10/01/14	EUR77
13/12/13	EUR75
18/11/13	EUR68
14/01/13	EUR60
28/11/12	EUR56
26/10/12	EUR53
30/07/12	EUR50
26/06/12	EUR49
26/03/12	EUR48

Please see the section headed "Important information" on the back page of this report.

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BRYAN, GARNIER & CO

FOCUS
TMT CONFERENCE

17th March 2016

Axway Software

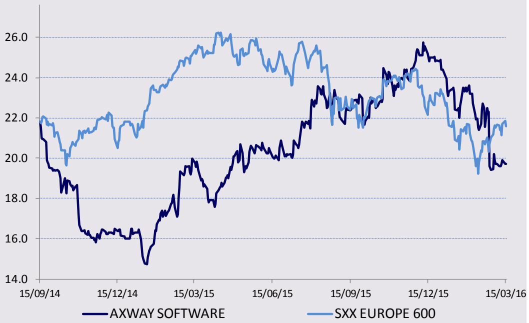
The remedial test

TMT

Fair Value EUR24 (price EUR19.79) **NEUTRAL**

Bloomberg	AXW FP
Reuters	AXW PA
12-month High / Low (EUR)	25.7 / 17.6
Market capitalisation (EURm)	407
Enterprise Value (BG estimates EURm)	397
Avg. 6m daily volume ('000 shares)	10.10
Free Float	27.2%
3y EPS CAGR	3.4%
Gearing (12/15)	-10%
Dividend yield (12/16e)	2.02%

YE December	12/15	12/16e	12/17e	12/18e
Revenue (EURm)	284.68	308.50	330.13	355.36
EBITA EURm)	44.5	45.6	50.4	56.9
Op.Margin (%)	15.6	14.8	15.3	16.0
Diluted EPS (EUR)	1.94	1.73	1.91	2.15
EV/Sales	1.3x	1.3x	1.1x	0.9x
EV/EBITDA	7.1x	8.1x	6.7x	5.3x
EV/EBITA	8.3x	8.7x	7.2x	5.7x
P/E	10.2x	11.4x	10.3x	9.2x
ROCE	15.3	11.3	12.2	13.9



During meetings with Axway at our TMT conference, much of the time was spent clarifying the 2018 ambitions announced for the FY15 results on 25th February. The goals set by the management are ambitious on growth, while the company has EUR125m credit lines for making acquisitions. Given the challenging targets, we deem investors will wait and see before buying the stock again despite low valuation multiples.

- **Clarifying 2018 ambitions**. For 2018, Axway aims at doubling its size compared to 2014 while preserving its non-IFRS operating margin before the next acquisitions. The goal is to reach EUR520m revenues in 2018 (o/w EUR130m from organic growth and EUR130m from acquisitions) while the non-IFRS op. margin over the 2016-2018 period would be, on average and excluding future acquisitions, similar to that of 2015 (15.6%).
- **Ambitious revenue growth goals**. These goals are translating, according to Axway, into 7-8% lfl revenue CAGR over 2016-18. We calculate that a 30% revenue CAGR in the "Ecosystem Engagement" segment (25-30% of licence sales) implies a low- to mid-single digit CAGR in the "Integration Foundation" segment (70-75% of licence sales). These are a challenge but growth will essentially be driven by the US.
- **Sizeable acquisition capacity**. With EUR125m of available credit lines, Axway considers it currently has an acquisition capacity of EUR180-200m, while the banking covenants stipulate a net debt/EBITDA limit of 3x. The bulk of future acquisitions will be paid for in cash, but it could be made in shares if a large opportunity arises without generating significant dilution for shareholders. Axway has two kinds of potential acquisition targets in mind: small technological acquisitions with a cloud-based model, or 'legacy' competitors with a sizeable installed base in a specific geography.
- **Comments on the cloud strategy**. In addition, most of Axway's cloud revenues are not cloud native (i.e. pure 'multi-tenant' on a public cloud). Some products - essentially in the Ecosystem Engagement segment - can be ported to a pure cloud version, but this is not the case for MFT or B2B integration products as they were not designed for this.

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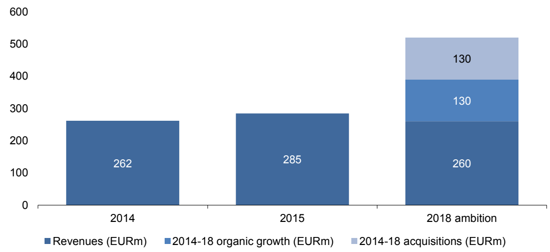
Axway Software major keys to focus on from the TMT conference

1. One Chart



- **On 25th February, Axway unveiled its new medium-term ambitions.** For 2018, the company aims at doubling its size compared to 2014 (not 2015) while preserving its non-IFRS operating margin before the next acquisitions. In other words, **the goal is to reach EUR520m revenues in 2018 while the non-IFRS op. margin over the 2016-2018 period would be, on average and excluding future acquisitions, similar to that of 2015** (15.6%). Secondary targets include 20% CAGR on licence/cloud sales in the US and 30% sales CAGR in the "Ecosystem Engagement" segment.

- **EUR520m sales in 2018 are planned to be reached through organic growth (EUR130m) and acquisitions (EUR130m)**. According to the Head of IR, Patrick Gouffran, **Axway has to deliver a 7-8% lfl revenue CAGR over 2016-18** - implying a double-digit CAGR on licences/cloud and a 6-8% CAGR on maintenance. We calculate this implies a mid-single digit licence/cloud CAGR in Europe/Asia and a low-single digit CAGR in services. We also calculate that a 30% revenue CAGR in the "Ecosystem Engagement" segment (API management, identity management, mobile app development, analytics: 25-30% of licence sales) implies a low- to mid-single digit CAGR in the "Integration Foundation" segment (managed file transfer, B2B/EDI integration, XML/service-oriented architecture, API integration for IoT and mobile, cloud service integration: 70-75% of licence sales).

- Patrick Gouffran confirmed that **Appcelerator, acquired in January, will be loss-making in 2016 and at breakeven in 2017**. In 2015, Appcelerator generated c. USD10m revenues for a loss above USD4m. **If we consider these losses will be halved in 2016, we estimate Appcelerator's burden to Axway's non-IFRS op. margin at 1.3ppt this year, 0.9ppt in 2017 and 0.4-0.5ppt by 2018**. **As such, a non-IFRS op. margin back to 16% looks possible by 2018, excluding future acquisitions, in our view**. Appcelerator, which markets a mobile app development platform and mobile backend 'as a service' solutions, has a community of 750,000 app developers downloading the software development kit for free (100,000+ apps have been built with Appcelerator and run on 300,000+ devices), and no sales rep in-house to address large corporates. As such, Axway intends to sell Appcelerator products by its own sales teams and address large enterprises through a paid enterprise licence business model.

2. One Sentence

« We certainly have been too vague about our ambitions for 2018. »

Patrick Gouffran acknowledges there has been a lot of confusion among investors regarding the communication of Axway's ambitions for 2018, as translated into the 12% share price fall on 25th February. **This needed some clarification on how to reach them since they imply double-digit average lfl licence revenue growth per year**. This looks to be a challenge as Axway had reported **only two years of lfl licence sales growth since 2010** (+1.2% in 2011 and +0.3% in 2013). However, **the CEO, Jean-Marc Lazzari, has put the US at the top of the agenda as a window of opportunity exists for boosting growth in that geography**. Thus, while in the US most of the sales-force has been replaced during the past two years in order to be realigned with the solution-selling approach, the sales territories have been redefined, and the missing key module to the Axway 5 product suite (SecureTransport) made available in June 2015, some competitors (Tibco, Informatica) seem to be less aggressive after their acquisition by private equity firms. **The strong growth posted in the America region in Q4 15 (+12.9% lfl) is an encouraging sign for the future**.

3. One Figure

125

125 is in millions of euros the amount of Axway's available credit lines as of end 2015, until mid-2020. This amount remains intact since early 2016 as Appcelerator was paid through Axway's own cash resources, for an amount we estimate at around USD50m or 5x 2014 revenues. The company's net cash position was EUR35.7m on 31st December 2015. Taking into account future free cash flow, **Axway considers it currently has an acquisition capacity of EUR180-200m, while the banking covenants stipulate a net debt/EBITDA limit of 3x**. This compares with the EUR130m revenues to be acquired by end 2018. The question now is how Axway can acquire companies - especially players with a cloud business model - in cash (financed or not by debt) for an average 1.4-1.5x sales? Patrick Gouffran admits that **if a sizeable M&A opportunity arises it may be paid for in shares**. However, the risk for Axway's major shareholders (Sopra Steria Group 26%, Sopra GMT 22%) of being diluted is not an issue as they largely control the company.

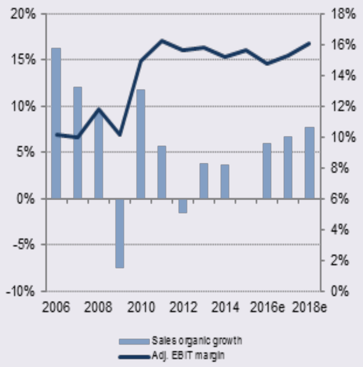
Axway has two kinds of potential acquisition targets in mind: small technological acquisitions with a cloud-based model, or 'legacy' competitors with a sizeable installed base in a specific geography. On the MFT/B2B segment, strong local players are Seeburger (Germany), Primeur (Italy), Indra (Spain) or Ipswitch (USA). Axway's future development on the cloud will be made essentially through acquisitions, as cloud revenues for 2015 (EUR9.9m, or 3% of sales), despite fast growth (+44%), are likely to remain small for a long time. In addition, most of Axway's cloud revenues are not cloud native (i.e. pure 'multi-tenant' on a public cloud). Some products - essentially in the Ecosystem Engagement segment - can be ported to a pure cloud version, but this is not the case for MFT and B2B integration products as they were not designed for this.

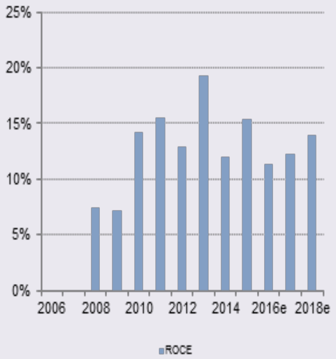
4. How does the Conference impact our Investment Case

Axway's share price has not recovered since 25th February, as we deem investors need to be convinced on the targets set for 2018: for five years now, the company has not posted lfl revenue growth above 3.7% in a year. **Although the meetings held during our TMT conference gave a bit more clarity on how to achieve them in our view, we believe investors will wait for catalysts before buying the stock again despite low valuation multiples**: 1). Axway has to demonstrate its ability to generate at least 7-8% lfl revenue growth; and 2). Acquisitions can be appreciated if they are accretive to EPS and raise the competitiveness of Axway.

Next Catalysts

27/04/2016	**Q1 16 sales (after markets close)**
27/07/2016	**H1 16 results (after markets close) - conference call on 28/07/2016**





Company description

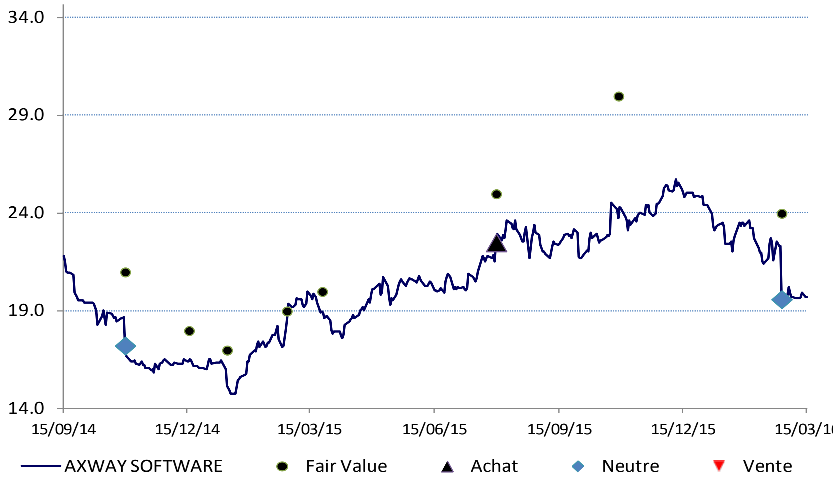
Founded in 2001 from a business created by Sopra Group in 1983, and listed on Euronext Paris since 2011, Axway Software is one of the global leaders in software publishing for governing the flow of data. Its product offering covers two segments: 1). Integration Foundation, which encompasses managed file transfer (MFT), enterprise application integration (EAI), enterprise services bus (ESB), business process management (BPM), B2B data exchange, and the integration of application programming interfaces (API) for mobile and the Internet of Things; 2). Ecosystem Engagement, which encompasses API management, identity federation and validation, mobile app development, and operational intelligence. By geography, 39% of revenues are generated in America, 33% in France, 23% in the Rest of Europe, and 5% in Asia-Pacific. By Industry, 42% of revenues are generated in Financial services, 19% in the Supply chain, 12% with Government, and 9% in Healthcare. Around 19% of group revenues are indirect.

Simplified Profit & Loss Account (EURm)	**2013**	**2014**	**2015**	**2016e**	**2017e**	**2018e**
Revenues	238	262	285	309	330	355
Change (%)	*5.9%*	*10.1%*	*8.8%*	*8.4%*	*7.0%*	*7.6%*
Ifl change (%)	*3.7%*	*3.6%*	*0.0%*	*6.0%*	*6.6%*	*7.6%*
Adjusted EBITDA	41.4	43.7	52.3	48.9	53.8	60.3
Depreciation & amortisation	(3.9)	(4.0)	(7.8)	(3.3)	(3.4)	(3.4)
Adjusted EBIT	37.5	39.7	44.5	45.6	50.4	56.9
EBIT	27.2	31.3	27.4	32.5	41.3	47.8
Change (%)	*-5.5%*	*15.1%*	*-12.3%*	*18.5%*	*27.3%*	*15.7%*
Financial results	(1.3)	(0.92)	(1.7)	(0.52)	0.53	1.5
Pre-Tax profits	25.8	30.3	25.8	32.0	41.9	49.3
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0
Tax	9.8	(3.6)	2.1	(6.2)	(9.4)	(11.8)
Profits from associates	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.20	0.0	0.0	0.0	0.0
Net profit	35.6	26.5	27.9	25.7	32.5	37.5
Restated net profit	43.1	33.6	41.1	37.2	41.3	46.4
Change (%)	*48.2%*	*-21.9%*	*22.0%*	*-9.4%*	*11.1%*	*12.2%*
Cash Flow Statement (EURm)						
Operating cash flows	31.9	36.4	36.3	36.2	44.4	49.5
Change in working capital	(3.5)	11.0	13.3	(3.9)	3.4	4.0
Capex, net	(3.0)	(4.7)	(5.2)	(5.0)	(5.0)	(5.0)
Financial investments, net	(0.36)	(0.04)	(0.10)	0.0	0.0	0.0
Acquisitions, net	(0.29)	(49.7)	(0.01)	(50.0)	0.0	0.0
Dividends	(7.1)	(8.2)	(8.2)	(8.2)	(8.2)	(8.1)
Other	(6.2)	9.4	(41.0)	5.4	0.0	0.0
Net debt	(11.2)	3.1	(35.7)	(10.2)	(44.8)	(85.1)
Free Cash flow	25.3	42.7	44.4	27.3	42.8	48.4
Balance Sheet (EURm)						
Tangible fixed assets	6.3	6.9	7.8	9.7	11.4	13.2
Intangibles assets & goodwill	218	282	293	334	325	317
Investments	1.2	1.4	1.5	1.5	1.5	1.5
Deferred tax assets	30.3	40.7	45.5	45.5	45.5	45.5
Current assets	86.9	103	96.4	111	117	123
Cash & equivalents	49.2	44.6	44.7	44.7	79.3	120
Total assets	392	479	489	546	580	620
Shareholders' equity	258	299	341	358	382	412
Provisions	9.4	6.6	6.2	10.2	10.2	10.2
Deferred tax liabilities	5.4	9.5	9.5	9.5	9.5	9.5
L & ST Debt	38.0	47.7	9.0	34.5	34.5	34.5
Current liabilities	80.9	116	123	134	143	154
Total Liabilities	392	479	489	546	580	620
Capital employed	247	302	305	348	338	327
Ratios						
Operating margin	15.77	15.17	15.63	14.77	15.28	16.02
Tax rate	(37.77)	12.02	(8.16)	19.48	22.45	23.89
Net margin	14.98	10.12	9.79	8.34	9.84	10.56
ROE (after tax)	13.78	8.87	8.18	7.19	8.49	9.11
ROCE (after tax)	19.25	11.92	15.31	11.29	12.19	13.91
Gearing	(4.33)	1.05	(10.48)	(2.84)	(11.71)	(20.67)
Pay out ratio	22.84	30.98	29.53	31.97	25.00	25.00
Number of shares, diluted	20.46	20.57	21.11	21.50	21.60	21.60
Data per Share (EUR)						
EPS	1.75	1.29	1.35	1.25	1.58	1.82
Restated EPS	2.11	1.64	1.94	1.73	1.91	2.15
% change	*48.4%*	*-22.3%*	*18.9%*	*-11.0%*	*10.6%*	*12.2%*
EPS bef. GDW	2.11	1.64	1.94	1.73	1.91	2.15
BVPS	12.63	14.51	16.13	16.65	17.70	19.07
Operating cash flows	1.56	1.77	1.72	1.68	2.06	2.29
FCF	1.24	2.07	2.10	1.27	1.98	2.24
Net dividend	0.40	0.40	0.40	0.40	0.39	0.46

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

Price Chart and Rating History

Axway Software



Ratings		
Date	**Ratings**	**Price**
25/02/16	NEUTRAL	EUR22.29
30/07/15	BUY	EUR21.48
30/10/14	NEUTRAL	EUR18.66
13/11/13	BUY	EUR22.9

Target Price	
Date	**Target price**
25/02/16	EUR24
25/02/16	EUR24
28/10/15	EUR30
30/07/15	EUR25
24/03/15	EUR20
26/02/15	EUR19
13/01/15	EUR17
16/12/14	EUR18
30/10/14	EUR21
28/07/14	EUR26
29/04/14	EUR33
20/02/14	EUR32
10/01/14	EUR29
13/11/13	EUR28

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FOCUS
TMT CONFERENCE

18th March 2016

Capgemini

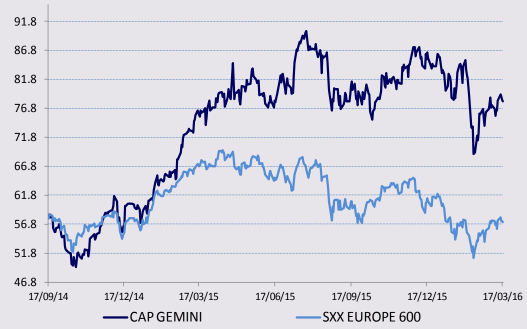
Smooth sailing

TMT

Fair Value EUR93 (price EUR77.98) **BUY**

Bloomberg	CAP FP
Reuters	CAPP.PA
12-month High / Low (EUR)	90.2 / 69.0
Market capitalisation (EURm)	13,427
Enterprise Value (BG estimates EURm)	14,479
Avg. 6m daily volume ('000 shares)	683.6
Free Float	90.5%
3y EPS CAGR	11.0%
Gearing (12/15)	25%
Dividend yield (12/16e)	1.92%

YE December	12/15	12/16e	12/17e	12/18e
Revenue (EURm)	11,915	12,715	13,159	13,655
EBITA EURm)	1,262	1,425	1,571	1,681
Op.Margin (%)	10.6	11.2	11.9	12.3
Diluted EPS (EUR)	4.65	5.36	5.90	6.36
EV/Sales	1.3x	1.1x	1.0x	0.9x
EV/EBITDA	9.6x	8.5x	7.4x	6.5x
EV/EBITA	12.0x	10.2x	8.7x	7.6x
P/E	16.8x	14.6x	13.2x	12.3x
ROCE	17.2	12.7	14.3	15.7



The meetings held at our TMT conference were the chance for reiterating our positive investment case: the acquisition of Igate helps Capgemini to progress in the IT Services' "champions' league" and is catching up with the likes of Accenture and IBM, while being most of the time as competitive as Indian IT Services firms.

- **Quarterly bookings at an all-time high since 2007**. In Q4 15, bookings reached a record level, never seen to our knowledge since Q4 07, at EUR3,734m. This highlights the company's positive sales momentum that justifies the implied 2.5-4.5% lfl revenue growth guidance (+7.5%/+9.5% at cc *minus* a 5ppt contribution from Igate) set for 2016. Growth is likely to continue to be steered by North America, Asia Pacific, Germany and Scandinavia, while France and Benelux are gradually improving.
- **Brazil is an issue but not a major one**. Latin America (est. 3% of revenues) is likely to continue to be a burden to growth in H1 16. The most important impact to the revenue fall in Brazil in H2 15 stemmed from the weakness of the Brazilian real compared to the US dollar. Buying hardware and software in USD turned to be challenging as they became up to 40% more expensive than the year before in BRL. On the other hand, as Brazil has low profitability and its weight is decreasing in total revenues, it is becoming less dilutive to Capgemini's operating margin.
- **No "step effect" to expect on Aspire**. The Aspire contract, which accounts for 4% of revenues, is set to expire in June 2017. The Head of IR, Vincent Biraud, confirmed there will be no "step effect" to revenues on it as the transition will take time as it is sensitive. The basic scenario is that Capgemini hopes by 2018 to keep half of the revenues currently generated with HMRC, i.e. 2%. Over 2015-18, the burden to Capgemini's lfl revenue growth would be a maximum 0.7ppt per year on average.
- **The Digital strategy will continue to be supported by acquisitions**. After Oinio and Fahrenheit 212, other small deals can be made in the future in Digital, but Capgemini is unlikely to multiply them in order to avoid breaking their entrepreneurial spirit.

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Richard-Maxime Beaudoux
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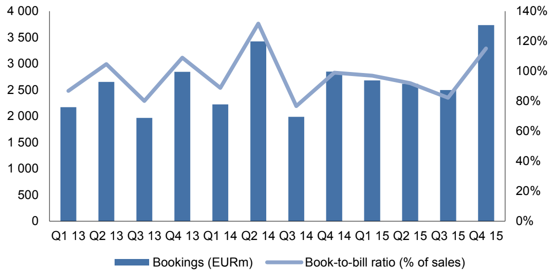
Capgemini major keys to focus on from the TMT conference

1. One Chart



- **For Q4 15, Capgemini's bookings reached a record level, never seen to our knowledge since Q4 07**, at EUR3,734m or a book-to-bill ratio of 1.14x sales. This highlights the company's positive sales momentum that justifies the implied 2.5-4.5% lfl revenue growth guidance (+7.5%/+9.5% at cc *minus* a 5ppt contribution from Igate) set for 2016. Capgemini reported in its FY15 results on 18th February a win rate of 40% on deals compared to 25% three years ago. Strategic accounts have grown double-digit on bookings, and bookings were up 20% on strategic offers in 2015. Finally, Capgemini started 2016 with a sales pipeline 5% above that of 2015, including +10% on the project business.

- **Growth is likely to continue to be steered by North America, Asia Pacific, Germany and Scandinavia.** In North America, the acquisition of Igate has clearly improved Capgemini's competitiveness with more offshore capacity and service industrialisation, and the operating margin of that geography is likely to be around 16% in 2016 vs. 14.9% in 2015. In Germany and Scandinavia, the reluctance for offshoring is reducing, and Capgemini is now seen in these countries as "an Indian company knowing its customers very well" - allowing market share gains. France has improved revenue growth in H2 15 thanks to Financial services and Consumer goods & Retail; Benelux was flat in 2015 but the trend is set to improve in 2016.

- **Latin America (est. 3% of revenues) - essentially Brazil - is likely to continue to be a burden to growth in 2016**. The economic environment in Brazil is a headwind to growth - yet Capgemini is more or less 'protected' in that country as it is primarily exposed to Bradesco and Caixa, with long-term IT transformation programmes -, but the most important impact to the revenue fall in Brazil in H2 15 stemmed from the weakness of the Brazilian real compared to the US dollar. Thus, as the Brazilian IT market, like most emerging economies, still has a strong dependence on "integrated purchases" (hardware + software + services), buying hardware and software in USD turned out to be challenging as they became up to 40% more expensive than the year before in BRL. On the other hand, as Brazil has a low profitability and its weight is decreasing in total revenues, it is becoming less dilutive to Capgemini's operating margin.

2. One Sentence

« There will be no stair "step effect" to revenues on the Aspire contract. »

The Aspire contract, which accounts for 4% of revenues, is set to expire in June 2017 and then re-insourced by HMRC (Her Majesty's Revenue & Customs) as a reflection of the British government's aim to reduce its dependence on single large IT providers. Bain was appointed in October 2015 by the government to manage the transition towards the post-Aspire era as an est. 130 Capgemini managers oversee the execution of the contract. That said, the Head of IR, Vincent Biraud, confirmed that there will be no "step effect" to revenues on this contract as the transition will take time as it is risky. The basic scenario is that Capgemini hopes by 2018 to keep half of the revenues currently generated with HMRC, i.e. 2%. Over 2015-2018 the burden to Capgemini's lfl revenue growth would be a maximum 0.7ppt per year on average. Anyway, Capgemini will remain a key partner for HMRC beyond 2017.

3. One Figure

22

22% is the percentage of revenues generated by Capgemini in Digital & Cloud. These activities, which encompass all the solutions and services related to cloud, mobile, social, analytics, IoT, and more recently security, **posted 23% growth at cc in 2015**, which shows why they are - and will stay - one of the key growth engines for the group. The Digital & Cloud services portfolio leverages Capgemini's consulting, technology and infrastructure capabilities, combined with vertical expertise. The recently-launched "Applied Innovation Exchange" approach is a network of nine specialised innovation centres ("exchanges") deployed globally, is dedicated to the test and appliance of emerging technologies which could be leveraged in the offerings of Capgemini and its partner ecosystem - Google, Amazon, IBM, Microsoft, Salesforce, SAP, Oracle, NetSuite, Adobe, Pivotal… - across different industries.

Cloud & Digital is one of the areas which justifies Capgemini's incremental investments that are expected to cost 0.3ppt to the operating margin in 2016 - along with Igate's ITOPS business services, the improvement of people supply chain management (deployment of analytical tools), the deployment of a new central department regrouping responsibilities on delivery, production, procurement and the Indian operations (implying an upgrade in the IT infrastructure), the implementation of staff attraction and retention plans, and skill development in new technologies (significant re-skilling effort in Europe). **Investments in this area include the setup of dedicated specialised business development teams in Cloud & Digital and the creation of three offshore cloud "software factories"**.

The Digital & Cloud strategy will continue to be supported by acquisitions. Capgemini is unlikely to make another big M&A move for a while as Igate implies a two-year integration work which started in July 2015. In addition, the group has not been keen on paying excessive sums for deals with an uncertain return on investment. In this backdrop, two 'tuck-in' acquisitions have been made since January 2016 (Oinio in CRM and digital marketing solutions - a specialist of Salesforce -, Fahrenheit 212 in innovation and design consulting), essentially with the purpose of accelerating the group's capacity in Digital on top of recruiting internally. Other small deals can be made in the future, but Capgemini is unlikely to multiply them - as opposed to Accenture - as this kind of start-up company has to be integrated with care. Their assets (Digital's expertise) are owned by their managers and staff, so retaining their talent requires handling them as 'satellite' organisations without disruptions in the way they are managed. In short, there are revenue synergies but virtually no cost synergies. The issue is when small acquisitions in Digital are multiplied, and soon or later emerges the need to rationalise them - generating cost synergies -, which could cause some disruption and this is not what Capgemini wants. Finally, potential acquisition targets in Security are overpriced and therefore unlikely to be purchased by Capgemini.

4. How does the Conference impact our Investment Case

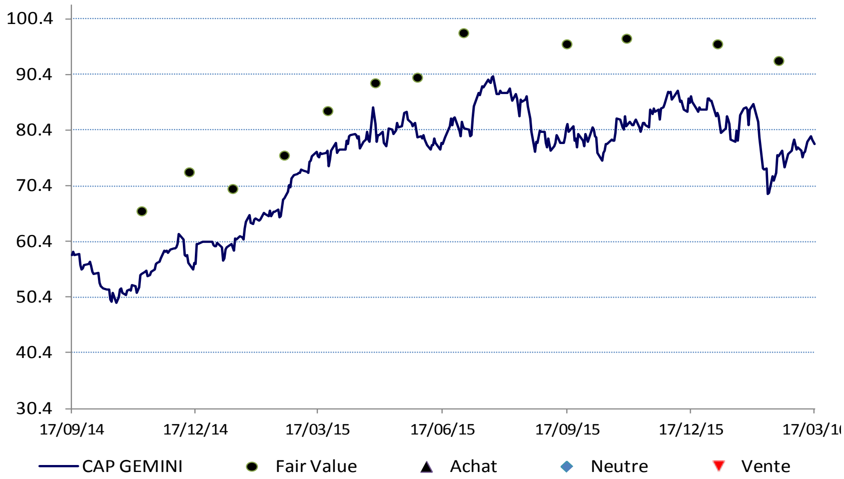
Our TMT conference validated our positive investment case on Capgemini, yet there was no real new element to add to the story. The acquisition of Igate improves Capgemini's profile, the strategy putting emphasis on innovation and competitiveness is still valid and is bearing fruit year after year, and the management of costs and balance sheet is efficient. Over time, **Capgemini is progressing in the IT Services' "champions' league" and is catching up with the likes of Accenture and IBM, while being most of the time as competitive as Indian IT Services firms**.

Next Catalysts

27/04/2016 Q1 16 sales (before markets open) - conference call
27/07/2016 H1 16 results (before markets open) - conference call

Price Chart and Rating History

Capgemini



Ratings

Date	Ratings	Price
20/07/07	BUY	EUR55.95

Target Price

Date	Target price
19/02/16	EUR93
05/01/16	EUR96
30/10/15	EUR97
16/09/15	EUR96
02/07/15	EUR98
29/05/15	EUR90
28/04/15	EUR89
24/03/15	EUR84
20/02/15	EUR76
13/01/15	EUR70
12/12/14	EUR73
07/11/14	EUR66
08/05/14	EUR64
21/02/14	EUR63
10/01/14	EUR58
28/10/13	EUR54

Please see the section headed "Important information" on the back page of this report.

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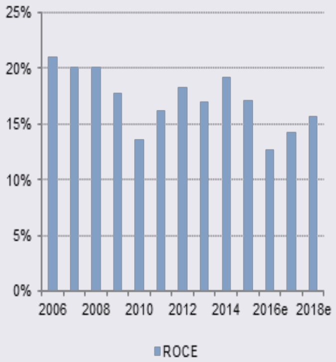


Company description

Founded in 1967, and listed on Euronext Paris since 1985, Capgemini is the largest Europe-based IT Services company, employing more than 180,000 people. The group generates 59% of revenues in Application Services, 22% in Managed Services & BPO, 15% in Local Professional Services (Sogeti), and 4% in Consulting Services. North America accounts for 28% of sales, France 20%, the UK 18%, Benelux 9%, Asia-Pacific & Latin America 8%, Germany & Central Europe 6%, Nordic countries 6%, and Southern Europe 4%. Financial services are the largest contributors to sales (24%), followed by Government (18%), Manufacturing (18%), Consumer products/Retail/Distribution/Transport (16%), Energy/Utilities/Chemicals (13%), and Telecom/Media/Entertainment (7%).

Simplified Profit & Loss Account (EURm)	**2013**	**2014**	**2015**	**2016e**	**2017e**	**2018e**
Revenues	10,092	10,573	11,915	12,715	13,159	13,655
Change (%)	*-1.7%*	*4.8%*	*12.7%*	*6.7%*	*3.5%*	*3.8%*
Ifl change (%)	*0.9%*	*3.4%*	*1.0%*	*3.5%*	*3.6%*	*3.8%*
Adjusted EBITDA	1,093	1,224	1,577	1,700	1,846	1,956
Depreciation & amortisation	(236)	(254)	(315)	(275)	(275)	(275)
Adjusted EBIT	857	970	1,262	1,425	1,571	1,681
EBIT	720	853	1,022	1,210	1,366	1,476
Change (%)	*18.8%*	*18.5%*	*19.8%*	*18.4%*	*12.9%*	*8.0%*
Financial results	(102)	(70.0)	(118)	(145)	(142)	(139)
Pre-Tax profits	618	783	904	1,065	1,224	1,337
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(182)	(210)	203	(320)	(367)	(401)
Profits from associates	(1.0)	0.0	0.0	0.0	0.0	0.0
Minority interests	(7.0)	(7.0)	(17.0)	(1.0)	2.0	2.0
Net profit	442	580	1,124	747	855	934
Restated net profit	550	672	798	926	1,028	1,107
Change (%)	*5.8%*	*22.2%*	*18.8%*	*16.0%*	*11.0%*	*7.7%*
Cash Flow Statement (EURm)						
Operating cash flows	511	947	1,164	1,170	1,274	1,353
Change in working capital	(121)	(133)	(160)	(36.8)	9.3	(18.8)
Capex, net	(140)	(144)	(179)	(251)	(259)	(267)
Financial investments, net	(1.0)	(12.0)	(2.0)	0.0	0.0	0.0
Acquisitions, net	(11.0)	3.0	(3,392)	(24.0)	0.0	0.0
Dividends	(157)	(174)	(198)	(232)	(258)	(275)
Other	(283)	(27.0)	2,087	49.7	64.2	80.3
Net debt	(676)	(1,215)	1,747	1,052	202	(690)
Free Cash flow	250	670	825	882	1,025	1,067
Balance Sheet (EURm)						
Tangible fixed assets	494	515	763	701	647	601
Intangibles assets & goodwill	3,767	3,942	7,903	7,870	7,813	7,756
Investments	153	260	454	453	455	457
Deferred tax assets	1,023	1,065	1,412	1,334	1,243	1,137
Current assets	3,024	3,446	3,633	3,912	4,048	4,201
Cash & equivalents	1,715	2,231	2,066	2,761	3,611	4,503
Total assets	10,176	11,459	16,231	17,030	17,818	18,655
Shareholders' equity	4,491	5,083	6,913	7,401	7,982	8,625
Provisions	1,020	1,366	1,334	1,404	1,464	1,524
Deferred tax liabilities	158	158	221	221	221	221
L & ST Debt	1,039	1,016	3,813	3,813	3,813	3,813
Current liabilities	3,468	3,836	3,950	4,192	4,338	4,471
Total Liabilities	10,176	11,459	16,231	17,030	17,818	18,655
Capital employed	3,815	3,868	8,660	8,453	8,184	7,935
Ratios						
Operating margin	8.49	9.17	10.59	11.21	11.94	12.31
Tax rate	29.45	26.82	(22.46)	30.00	30.00	30.00
Net margin	4.38	5.49	9.43	5.87	6.50	6.84
ROE (after tax)	9.84	11.41	16.26	10.09	10.71	10.83
ROCE (after tax)	17.05	19.23	17.16	12.65	14.27	15.68
Gearing	(15.05)	(23.90)	25.27	14.22	2.53	(8.00)
Pay out ratio	39.12	33.45	20.45	34.19	31.86	30.98
Number of shares, diluted	160	164	174	175	176	176
Data per Share (EUR)						
EPS	2.81	3.59	6.60	4.39	5.02	5.49
Restated EPS	3.49	4.16	4.65	5.36	5.90	6.36
% change	*20.5%*	*19.3%*	*11.9%*	*15.2%*	*10.1%*	*7.7%*
EPS bef. GDW	3.49	4.16	4.65	5.36	5.90	6.36
BVPS	28.12	31.07	39.84	42.35	45.34	49.00
Operating cash flows	3.20	5.79	6.71	6.69	7.24	7.69
FCF	1.57	4.10	4.75	5.04	5.82	6.06
Net dividend	1.10	1.20	1.35	1.50	1.60	1.70

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

FOCUS
TMT CONFERENCE

22nd March 2016

TMT

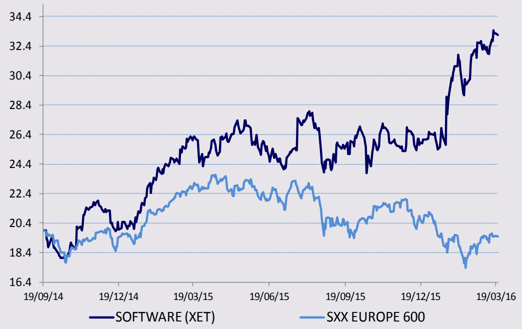
Software AG

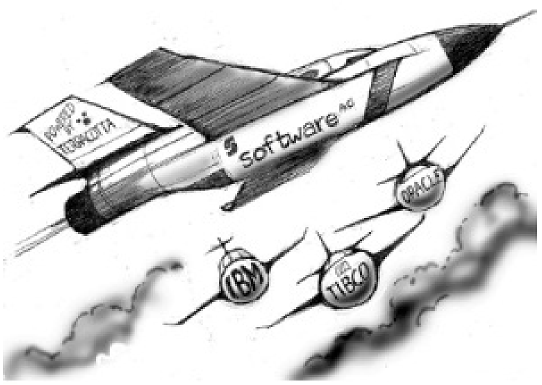
From value to growth

Fair Value EUR38 vs. EUR34 (price EUR33.14) **BUY**

Bloomberg	SOW GR
Reuters	SOWG.DE
12-month High / Low (EUR)	33.5 / 23.8
Market capitalisation (EURm)	2,618
Enterprise Value (BG estimates EURm)	2,490
Avg. 6m daily volume ('000 shares)	254.5
Free Float	64.9%
3y EPS CAGR	3.7%
Gearing (12/15)	1%
Dividend yield (12/16e)	1.81%

YE December	12/15	12/16e	12/17e	12/18e
Revenue (€m)	873.06	881.59	913.89	956.35
EBITA €m)	263.4	272.2	289.8	309.2
Op.Margin (%)	30.2	30.9	31.7	32.3
Diluted EPS (€)	2.32	2.25	2.41	2.58
EV/Sales	3.0x	2.8x	2.6x	2.2x
EV/EBITDA	9.5x	8.7x	7.7x	6.6x
EV/EBITA	10.0x	9.1x	8.1x	6.9x
P/E	14.3x	14.7x	13.7x	12.8x
ROCE	17.7	18.3	19.9	21.9





We raise our DCF-derived fair value to EUR38 from EUR34 on an increase to our medium-term adj. EBIT margin assumption (to 35% from 33% = +EUR2/share) and an update to our WCR ests. (+EUR2). The meetings held at our TMT conference confirmed that the sales transformation led by Eric Duffaut has started to bear fruit, gradually raising Software AG's stock market status to "growth" from "value".

- **Digital Business Platform (DBP) starting the upturn**. Q4 15 has been the first quarter with double-digit lfl DBP licence sales growth since 2013. Software AG reaps the benefits of the sales transformation it underwent a year ago under the management of Eric Duffaut. All the performance indicators speak for themselves. Software AG now boasts a win rate of 1:1 by selling use cases instead of 1:3 by selling products, although there is a lot to be done as use cases only account for 20% of deals.
- **Adabas & Natural still to be there for long**. The resilience of A&N revenues is no longer surprising as Software AG focuses a lot on customer retention. Customers in the installed base are not left behind. Management is confident A&N will deliver for 2016 a business line margin close to the 70% reported for 2015.
- **Reiterated confidence in 2020 targets**. FY16 company guidance (DBP sales up 5-10%, A&N sales down 4-8%, non-IFRS operating margin of 30-31%) brings more confidence to be on track for achieving the 32-35% target set a year ago for 2020: 1). Most of the non-IFRS operating margin increase for 2020 is expected to stem from DBP maintenance; 2). R&D costs will continue to increase at a lower rate than R&D headcount; and 3). In the medium-term, A&N could still have a margin in the high 60s.
- **Always prepared for acquisitions**. Over the past two years, Software AG made no acquisitions as prices were too high. However, management estimates there are signs that prices are coming down for unlisted companies. Software AG is prepared and is working with banks to increase financial flexibility to buy using cash, not shares. If no acquisition occurs, share buy-backs (3.5% up to now, potential: 10%) will resume.

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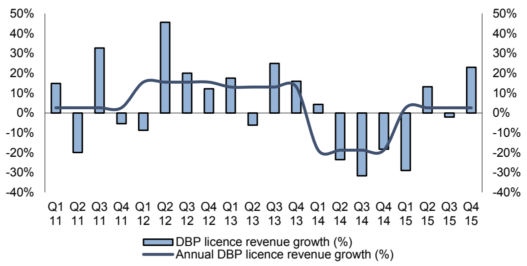
Software AG major keys to focus on from the TMT conference

1. One Chart



- **Digital Business Platform (DBP) starting the upturn**. Q4 15 has been the first quarter with double-digit lfl DBP licence revenue growth (+17%) since 2013. Over the quarter, licence sales were up 18% in the US, well above 100% in the UK, 72% in France, 66% in Nordic countries, 72% in Italy, 62% in Eastern Europe and 22% in the Middle East, while Q4 15 was a poor quarter in Brazil and uncertainties prevailed in Asia Pacific (China and its main trade partners). Software AG is reaping the benefits of the sales transformation it underwent a year ago under the management of Eric Duffaut, with much work on the value proposition and several large digital transformation deals won recently (Bosch, EDF, Wells Fargo, Walgreens Boots Alliance...).

- **Adabas & Natural to be there beyond 2015**. The resilience of A&N revenues (mid-to-high single-digit decline) is no longer surprising as Software AG focuses a lot on customer retention. Customers in the installed base are not left behind: they have been offered premium support and they are accompanied in their digital transformation. Management is confident A&N will deliver for 2016 a business line margin close to the 70% reported for 2015, probably in the high 60s.

- **Consulting transformation achieved**. Consulting has achieved its transformation. It had 40 new customer references in 2015 and it moved away from the project-based model, which augurs well for a sustainable double-digit business line margin in our view.

- **Reiterated confidence in 2020 targets**. FY16 company guidance (DBP product sales up 5-10% at cc, A&N product sales down 4-8% at cc, non-IFRS operating margin of 30-31%) brings more confidence to be on track for achieving the 32-35% target set a year ago for 2020 - provided that an economic shock does not jeopardise it: 1). Most of the non-IFRS operating margin increase for 2020 is expected to stem from DBP maintenance: it still rises by 4% if licence sales remain flat, and is flat if licence sales fall 20%; 2). R&D costs will continue to increase at a lower rate than R&D headcount as more and more work will be sent to low-cost countries (India and Bulgaria: already 52% of headcount), and management plans to cut R&D costs for Adabas & Natural (A&N) by 25-30% without decreasing the R&D headcount, and 3). In the medium-term, A&N could still have a margin in the high 60s.

2. One Sentence

« We are always prepared for acquisitions. »

Over the past two years, Software AG made no acquisitions as prices were too high. However management estimates there are signs that prices are coming down (some companies struggle to leverage their buyouts, stock markets down) for unlisted companies. Software AG is prepared and is working with banks to increase financial flexibility to buy in cash, not in shares. If no acquisition occurs, share buy-backs (3.5% up to now, potential: 10%) will resume.

3. One Figure

19

19 is the percentage increase in sales productivity for the Digital Business Platform (DBP) since the appointment of Eric Duffaut as Chief Customer Officer 14 months ago. The benefits of the new strategy - selling solutions based on use cases rather than products, in order to increase the win rate and the average deal size - are beginning to show, with DBP licence sales up 8% lfl in H2 15 vs. -20% lfl in H1 2015. **Performance indicators speak for themselves**: sales pipeline up 18%, strategic accounts on DBP licence sales up 43%, DBP deals above EUR1m up 53%, average deal size up 14%, industry use case-related DBP licence sales up 31%. DBP sales productivity up 19% (still expected to be up double-digit in 2016), DBP headcount down 11%. This has been achieved through downsizing, priority to the top of the pyramid to capture big deals (130 strategic accounts), and a focus on premium maintenance. Software AG now boasts a win rate of 1:1 by selling use cases instead of 1:3 by selling products, although there is a lot to be done as use cases only account for 20% of deals.

Indirect sales are still emerging, but in 2015 they increased by 3ppt as a percentage of sales (in the low teens), while the number of partners was up 60% in 2015 and 600+ external new consultants have been trained on Software AG's solutions. At least 20 partners, including Capgemini ("Connected Service Experience"), Accenture, TCS ("Global Operations Solutions"), Infosys ("Smart Work Bench"), Cognizant ("Intraday Liquidity Monitoring"), Wipro ("Wipro Looking Glass"), PwC ("Continuous Assurance"), and Sopra Steria, work with Software AG on building industry solutions, adding more bandwidth with customers, and reselling the solutions on previously uncovered territories or verticals. However, partners are still essentially acting on a regional or local basis, not globally yet.

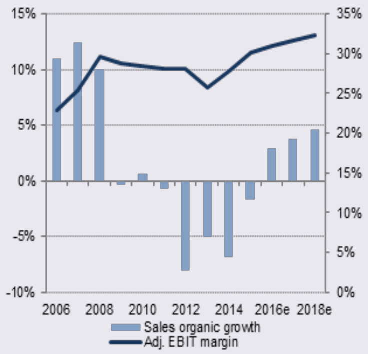
Finally, the demand is oriented towards hybrid cloud integration, but Software AG will continue to sell primarily on a licence plus maintenance mode, on-premise and, when required, deployment on private clouds. Although the pipeline surged by 131% (sales +75%) in 2015, public cloud will stay only on a limited number of highly standardised products (ARIS on business process analysis and Alfabet on IT asset management).

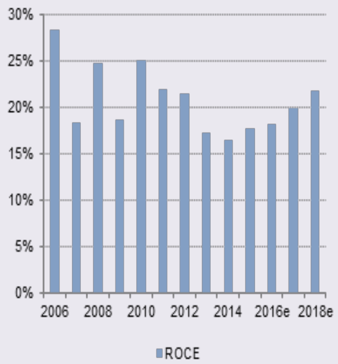
4. How does the Conference impact our Investment Case

We reiterate our Buy rating and raise our DCF-derived fair value to EUR38 from EUR34 on an increase to our medium-term adj. EBIT margin assumption (to 35% from 33% = +EUR2/share) and an update to our WCR assumptions (to 11% of sales from 4% of sales vs. 6% in 2015 = +EUR2/share). **The meetings we had at our TMT conference confirmed that the sales transformation has started to bear fruit**. This is, in our view, gradually transforming the status of the Software AG stock to "growth" from "value". As such, given the fact the company guided for a non-IFRS operating margin of 30-31% for 2016 while cost control is likely to remain strict in the years to come (offshoring R&D, services and support, effort on sales productivity…), **we have increased our level of confidence regarding Software AG's ability to reach the top-end of the 32-35% goal set a year ago for 2020**.

Next Catalysts

26/04/2016	**Q1 16 results before markets open - conference call**
20/07/2016	**Q2 16 results before markets open - conference call**





Company description

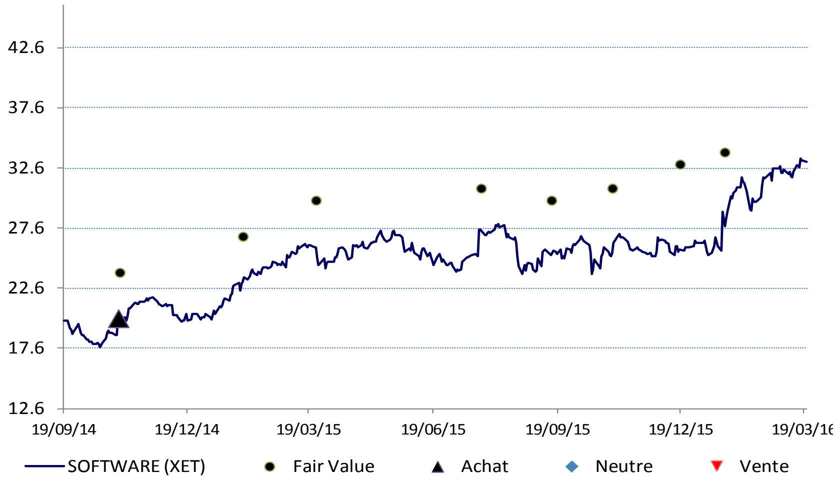
Founded in 1969, and listed on the Frankfurt Stock Exchange since 1999, Software AG markets enterprise software addressing two specific needs: 1). Helping businesses to digitise their processes, through its Digital Business Platform (64% of Product revenues: business and IT transformation, streaming analytics, agile apps, IT portfolio management, integration and connectivity); 2). Modernisation of legacy IT systems through Adabas & Natural (36% of Product revenue: database management systems and application development), providing mission-critical mainframe applications with technologies enhancing performance. The company generates 45% of Product revenues in America, vs. 48% in the EMEA region (incl. 14% in Germany) and 7% in Asia Pacific. By Industry, 20% of Product revenues are made with Governments, vs. 19% in Financial Services, 19% in IT Services, 12% in Business Services, 10% in Manufacturing, and 20% with other industries (Telecoms/Media, Transport/Logistics, etc.).

Simplified Profit & Loss Account (EURm)	**2013**	**2014**	**2015**	**2016e**	**2017e**	**2018e**
Revenues	973	858	873	882	914	956
Change (%)	*-7.1%*	*-11.8%*	*1.8%*	*1.0%*	*3.7%*	*4.6%*
Ifl change (%)	*-5.0%*	*-6.8%*	*-1.7%*	*2.9%*	*3.7%*	*4.6%*
Adjusted EBITDA	264	250	278	287	305	324
Depreciation & amortisation	(12.9)	(11.6)	(14.4)	(14.5)	(14.8)	(15.0)
Adjusted EBIT	251	238	263	272	290	309
EBIT	206	176	209	233	251	270
Change (%)	*-17.2%*	*-14.4%*	*19.0%*	*11.3%*	*7.5%*	*7.7%*
Financial results	(8.4)	(9.2)	(2.9)	(5.0)	(2.2)	(0.26)
Pre-Tax profits	197	167	207	228	249	270
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(63.1)	(56.3)	(66.9)	(75.3)	(82.0)	(89.1)
Profits from associates	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.18	0.19	0.16	0.15	0.20	0.25
Net profit	134	110	139	153	166	181
Restated net profit	178	164	187	191	205	219
Change (%)	*-14.6%*	*-7.7%*	*13.7%*	*2.4%*	*7.1%*	*6.9%*
Cash Flow Statement (EURm)						
Operating cash flows	193	147	180	202	216	231
Change in working capital	(21.0)	(3.5)	5.3	1.9	1.3	0.99
Capex, net	(12.7)	(8.0)	(9.8)	(10.5)	(10.5)	(10.5)
Financial investments, net	(56.6)	(1.3)	43.5	0.0	0.0	0.0
Acquisitions, net	(106)	14.4	(1.5)	0.0	0.0	0.0
Dividends	(38.3)	(36.4)	(39.6)	(43.5)	(47.4)	(51.4)
Other	330	(174)	(127)	(23.2)	(23.2)	28.2
Net debt	107	70.4	13.9	(128)	(279)	(492)
Free Cash flow	159	135	176	193	207	221
Balance Sheet (EURm)						
Tangible fixed assets	64.5	61.2	56.2	52.2	47.9	43.4
Intangibles assets & goodwill	1,041	1,037	1,057	1,033	1,008	984
Investments	4.5	7.1	24.5	24.5	24.5	24.5
Deferred tax assets	16.3	10.9	11.0	11.0	11.0	11.0
Current assets	364	359	353	354	363	377
Cash & equivalents	506	374	312	439	575	773
Total assets	1,997	1,849	1,815	1,913	2,031	2,213
Shareholders' equity	966	1,013	1,090	1,199	1,318	1,499
Provisions	142	135	81.9	83.9	85.9	87.9
Deferred tax liabilities	22.6	17.1	16.7	16.7	16.7	16.7
L & ST Debt	613	444	326	311	296	281
Current liabilities	254	240	300	302	314	328
Total Liabilities	1,997	1,849	1,815	1,913	2,031	2,213
Capital employed	1,072	1,084	1,104	1,071	1,039	1,007
Ratios						
Operating margin	25.80	27.75	30.18	30.88	31.71	32.33
Tax rate	32.01	33.73	32.40	33.00	33.00	33.00
Net margin	13.76	12.86	15.97	17.32	18.20	18.88
ROE (after tax)	13.86	10.89	12.80	12.74	12.62	12.04
ROCE (after tax)	17.31	16.56	17.74	18.26	19.94	21.86
Gearing	11.07	6.95	1.27	(10.67)	(21.18)	(32.82)
Pay out ratio	29.88	39.39	31.16	31.03	30.87	30.63
Number of shares, diluted	88.74	88.66	80.72	84.90	84.90	84.90
Data per Share (EUR)						
EPS	1.54	1.27	1.77	1.93	2.11	2.29
Restated EPS	2.01	1.86	2.32	2.25	2.41	2.58
% change	*-14.5%*	*-7.6%*	*24.9%*	*-2.7%*	*7.1%*	*6.9%*
EPS bef. GDW	2.01	1.86	2.32	2.25	2.41	2.58
BVPS	10.88	11.43	13.50	14.12	15.53	17.66
Operating cash flows	2.17	1.65	2.23	2.38	2.54	2.71
FCF	1.79	1.52	2.18	2.28	2.44	2.60
Net dividend	0.46	0.50	0.55	0.60	0.65	0.70

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

Price Chart and Rating History

Software AG



Ratings		
Date	**Ratings**	**Price**
29/10/14	BUY	EUR18.69
16/07/14	NEUTRAL	EUR20
19/07/13	BUY	EUR25.82

Target Price	
Date	**Target price**
20/01/16	EUR34
18/12/15	EUR33
29/10/15	EUR31
14/09/15	EUR30
24/07/15	EUR31
24/03/15	EUR30
29/01/15	EUR27
30/10/14	EUR24
16/07/14	EUR23
15/07/14	Under review
10/01/14	EUR34
25/10/13	EUR32
26/07/13	EUR30
19/07/13	EUR32
26/04/13	EUR28

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BRYAN, GARNIER & CO

FOCUS
TMT CONFERENCE

18th March 2016

TMT

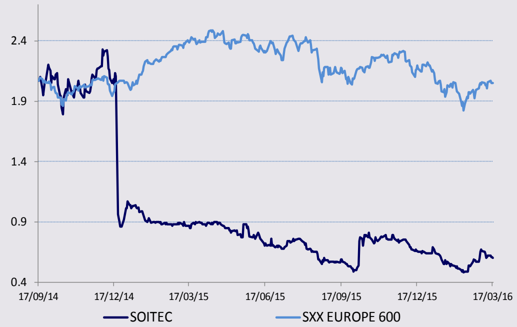
Soitec

Focus on the capital increases

Fair Value EUR0.5 (price EUR0.62) **NEUTRAL**

Bloomberg	SOI FP
Reuters	SOIT.PA
12-month High / Low (EUR)	0.9 / 0.5
Market capitalisation (EURm)	143
Enterprise Value (BG estimates EURm)	302
Avg. 6m daily volume ('000 shares)	1,293
Free Float	79.0%
3y EPS CAGR	NM
Gearing (03/15)	300%
Dividend yield (03/16e)	NM

YE March	03/15	03/16e	03/17e	03/18e
Revenue (EURm)	222.88	235.99	248.42	265.17
EBITA EURm)	-125.9	8.1	10.6	13.1
Op.Margin (%)	NM	3.4	4.3	5.0
Diluted EPS (EUR)	-0.51	-0.10	0.01	0.02
EV/Sales	1.32x	1.28x	0.86x	0.78x
EV/EBITDA	NS	7.5x	5.6x	4.9x
EV/EBITA	NS	37.1x	20.3x	15.7x
P/E	NS	NS	45.6x	36.7x
ROCE	-63.0	5.3	7.0	9.0



In February 2016, Soitec proposed two successive capital increases for a total amount of between EUR130m and EUR180m. Our TMT conference was a good chance to come back on these operations. Obviously, investors' questions were not only about the use of the proceeds but also on the potential of FD-SOI, Soitec's growing technology. While we were already convinced that FD-SOI has real technological advantages, discussions at our TMT conference confirmed our thoughts. Nevertheless, the group must go through two capital increases and prove FD-SOI can be a commercial success with facts.

- **200mm production sold-out until the end of 2016.** First, regarding the 200mm RF-SOI, the group confirmed that all its production capacity is sold-out until the end of 2016. We remind that the group holds a production capacity of about 820,000 wafers per year, yielding annual revenue close to EUR170m. Additional production capacities will be available from Soitec's Chinese partner Simgui, however, we don't expect to see material revenue from Simgui production over FY16 and FY17.

- **China shows a strong interest in FD-SOI.** While the group partners with a Chinese company for RF-SOI, we note that China is also on the list of strategic partners to support Soitec's capital increases. We believe FD-SOI is being eyed up in the Chinese "More than Moore" plan to compete with Intel, Samsung and TSMC in the semiconductor battlefield. In our view, Chinese players could add to the list of semi players designing and producing in FD-SOI and strengthen the ecosystem on behalf of STMicroelectronics, GlobalFoundries and Samsung. Assuming a blue sky scenario, these three players ramp FD-SOI technologies by 2017 up to volumes of about 250,000 wafers, Soitec's 300mm sales could jump to ~EUR200m (up from EUR54m expected in FY16) and the FY18e net result would be more than 40% higher than our currently estimated FY18e net result.

- **No change in our scenario but increasingly positive view on FD-SOI.** While we do not apply any change to our scenario or our investment case, discussions with the management team at our TMT conference continue to strengthen our positive view on the FD-SOI technology and we are now waiting for material details to prove its commercial success.

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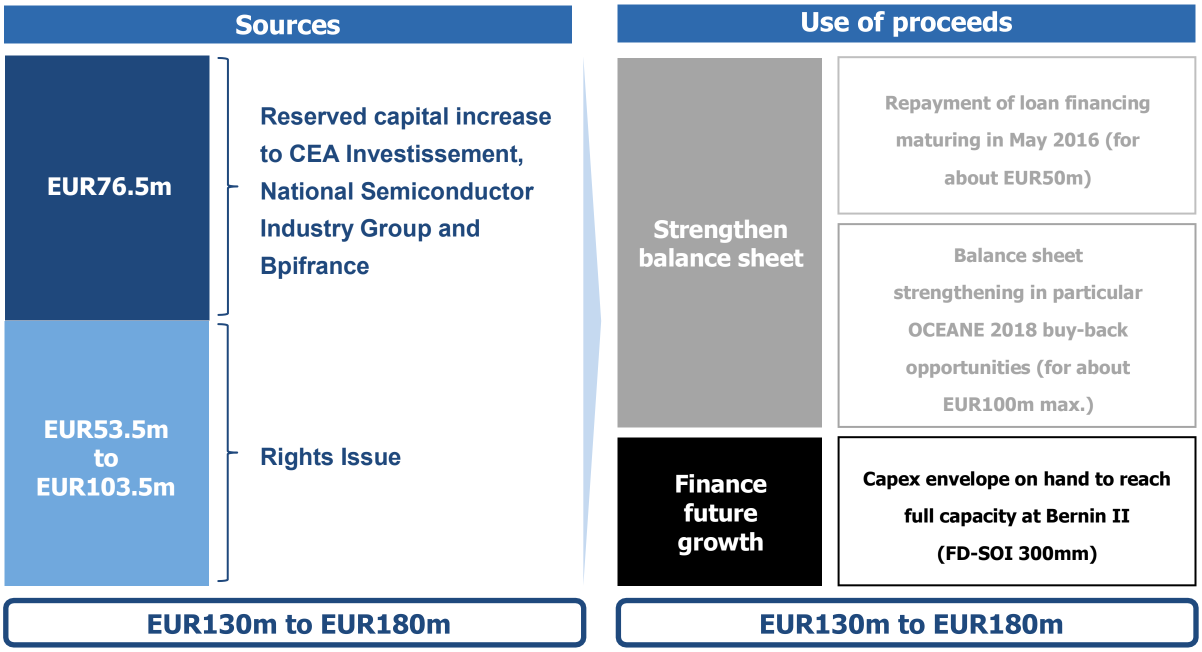
Soitec Major keys to Focus on from the BG TMT conference

1. One Chart

Strengthen balance sheet and finance future growth



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

Our conference has been a good chance to come back on the two capital increases that will be proposed at the coming Extraordinary General Meeting to be held on April 11th:

- <u>Step 1</u>: The **first capital increase** is reserved for three strategic partners of Soitec: CEA Investissement (technological partner), Bpifrance, and National Silicon Industry Group, a Chinese industrial investment group created in November 2015 (by investment from Sino IC Capital, Shanghai Guosheng Group, Summit View Capital, **SIMIT** and Jiading Industry Development Group with ~EUR270m capital registered). This Chinese holding company focuses on semiconductor material businesses and especially on differentiating technology. We note that **Dr WANG Xi, Director General of the Shanghai Institute of Microsystem and Information Technology** (or SIMIT, which founded NSIG) is **also Chairman of Simgui**, the Chinese partner of Soitec (production of 200mm RF-SOI in China). We believe RF-SOI and FD-SOI are being eyed up in the Chinese "More than Moore" plan: due to a considerable lag in the leading edge, China is looking for alternatives to traditional FinFET manufacturing technology used by Intel, Samsung and TSMC. In our view, Soitec will benefit from the support of Chinese fabless and industrial network to develop FD-SOI.
- <u>Step 2</u>: The **second capital increase** is **with preferential subscription rights**. Since the three strategic partners have already committed to exercising their rights, 43.5% of this second capital increase is already secured. At the current share price of EUR0.60, discounted by 30%, it means that these partners will participate in the capital increases with about EUR103m, covering the OCEANE 2018 buy-back. In addition to this, we understand that the group wants to invest about EUR40m in equipment for Bernin 2 (see details below) and repay its financing loan maturing in May 2016 for about EUR50m.

2. One Sentence

« It is important that investors come back for good reasons. »

- This was CEO Paul Boudre's introductory sentence at one of the meetings at our TMT conference. Our feeling is that the new management team really pays attention to investors' interests and opinions.

3. One Figure

400,000 FD-SOI wafers per year

- 400,000 wafers per year is the targeted FD-SOI output at Soitec's Bernin 2 plant. Given its size, this fab has a total output capacity of about 750,000 wafers per year and only part will be dedicated to FD-SOI. However, this plan is currently unequipped to produce FD-SOI wafers and hosts PD-SOI capable tools, mostly unused since PD-SOI wafers demand strongly decreased at historical major customers IBM and AMD. Soitec's plan is to allocate about 300,000 wafers capacity to 300mm RF-SOI production (which can use the current PD-SOI dedicated tools), about 50,000 wafers to Photonic (we believe the main customer is Intel right now) and invest about EUR40m in new tools or upgrade to adapt the remaining production tools to FD-SOI production, i.e. a capacity of 400,000 wafers per year. With such an output, the group may supply current and mid-term needs of GlobalFoundries, Samsung and STMicroelectronics.

- Despite its size and the quality of production, GlobalFoundries (GF) has always been a "second choice" foundry for Tier 1 Fabless. While the foundry cannot compete on leading edge technology due to limited investment capabilities (compared to Samsung and TSMC), the company focused on RF in previous years and it is now looking for differentiation with FD-SOI which fits in perfectly with the coming "IoT wave". In July 2015, the company announced its 22FDX process technology and we know that this production will take place at Fab 1 (Dresden, Germany). This fab is split into two modules (named 1 and 2), with a capacity of about 480,000 wafers per year (or 960,000 combined). In our view, the group has a long-term target to convert both of these modules to FD-SOI production but, as far as we know, only Module 1 is currently FD-SOI ready. This means that with only half of the production capacity, GF's needs would be higher than Soitec's production capacity. As a result, the success of 22FDX depends on customer (Fabless) demand. Our industry sources reported that the foundry could already be in talks with several dozen Fabless but volumes remains unknown. At this point, 22FDX remains in the qualification process at GF and we believe volumes will rise during 2017.

- Regarding STM and Samsung, the latter benefited from a transfer of technology from STMicroelectronics which developed the 28nm FD-SOI process for its own needs. Indeed, STM holds only one fab able to produce advanced nodes: Crolles 2. However, in order to reduce risks of unused capacities, the group split the fab into several production lines, each with one expertise. Crolles 2 has an output of less than 160,000 wafers per year. Assuming STM allocates a 1/5th of its fab to FD-SOI, the production at STM would be slightly above 30,000 wafers per year which is below its expected consumption. As a result, the group outsources some of its production to Samsung and is under obligation to pass all FD-SOI knowledge to Samsung – this is how Samsung became an FD-SOI capable foundry. Today, we believe FD-SOI capacities at Samsung are smaller than GF's projected ones but still significant and the group holds a solid customer book (FD-SOI only) with names such as NXP (with Freescale) or Sony.

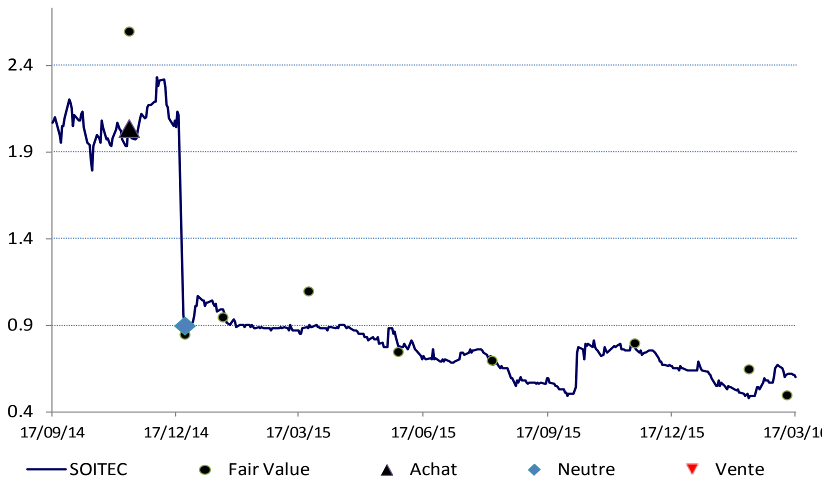
- **Assuming a blue sky scenario where GF, Samsung and STMicroelectronics ramp FD-SOI technologies by 2017 to volumes of about 250,000 wafers** (30k @ ST, 80k @ Samsung and 140k @ GF, to be compared to 110,000 wafers in our base case scenario) at ~EUR475 per unit, 300mm Soitec's FY18e sales would be close to EUR120m (with EUR/USD at 1.10). Including 150,000 wafers from 300mm RF-SOI, Bernin 2 would generate sales close to EUR200m (compared to 200mm Bernin 1 sales which are expected to be ~EUR170m in FY16). In this scenario, we believe the gross margin should be somewhere between 25% and 29% and the EBIT margin in the range of 11% to 14%. **Other things being equal, our FY18e net result would be more than 40% higher in this scenario (BG ests. FY18e net result of EUR6.3).**

4. How does the Conference impact our Investment Case

- While we do not apply any change to our scenario (we already included the impacts of the reserved capital increase of EUR76.5m in our FV) or our investment case, discussions with the management team at our TMT conference **continued to strengthen our positive view on FD-SOI technology**. Indeed, it looks like many industry players are looking closer at this technology which is also confirmed by our talks at MWC2016. So far, while volumes remain uncertain, we are convinced that STM, NXP, Cisco, Ciena, and Sony are strongly involved in FD-SOI design but we believe there are many other players interested in this technology.

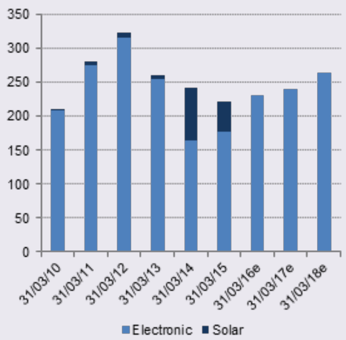
Price Chart and Rating History

Soitec

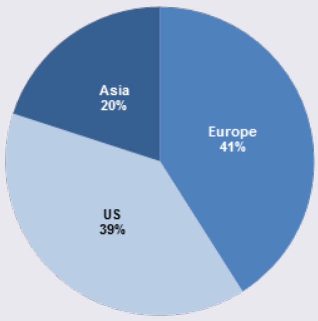


Ratings		
Date	**Ratings**	**Price**
23/12/14	NEUTRAL	EUR0.96
22/12/14	Under review	EUR2.11
12/11/14	BUY	EUR1.93

Target Price	
Date	**Target price**
10/03/16	EUR0.5
11/02/16	EUR0.65
19/11/15	EUR0.8
06/08/15	EUR0.7
29/05/15	EUR0.75
24/03/15	EUR1.1
20/01/15	EUR0.95
23/12/14	EUR0.85
22/12/14	Under review
12/11/14	EUR2.6



Geographical breakdown of sales



Company description

Founded in 1992, and listed on Euronext Paris since 1999, Soitec is a specialist of high-performance semiconductor materials. The company develops proprietary technologies used to produce and sell wafers for the semiconductor industry, more particularly to produce Integrated Circuits. Following the exit of the Solar business in 2015, the group now only focuses on this activity and especially the ramp-up of FD-SOI technology.

Simplified Profit & Loss Account (EURm)	**31/03/13**	**31/03/14**	**31/03/15**	**31/03/16e**	**31/03/17e**	**31/03/18e**
Revenues	263	247	223	236	248	265
Change (%)	*-18.7%*	*-6.0%*	*-9.8%*	*5.9%*	*5.3%*	*6.7%*
Change LFL (%)	*-24.4%*	*-5.0%*	*-%*	*-%*	*-%*	*-%*
Adjusted EBITDA	(61.7)	(79.1)	(67.9)	40.5	38.1	41.9
Depreciation & amortisation	135	141	209	32.4	27.5	28.8
Adjusted EBIT	(123)	(137)	(126)	8.1	10.6	13.1
EBIT	(197)	(220)	(277)	2.8	10.6	13.1
Change (%)	*-%*	*-%*	*-%*	*-%*	*271%*	*24.2%*
Financial results	(11.8)	(16.7)	19.7	(30.5)	(6.1)	(6.5)
Pre-Tax profits	(209)	(236)	(258)	(27.7)	4.5	6.7
Tax	0.03	0.06	(0.22)	(0.37)	0.0	0.0
Profits from associates	(0.93)	(0.64)	(1.4)	(0.40)	(0.40)	(0.40)
Minority interests	0.19	0.33	0.0	0.0	0.0	0.0
Net profit	(209)	(237)	(258)	(52.3)	4.1	6.3
Restated net profit	(137)	(186)	(108)	(23.2)	4.1	6.3
Change (%)	*-%*	*-%*	*-%*	*-%*	*-%*	*52.2%*
Cash Flow Statement (EURm)						
Operating cash flows	10.0	(39.1)	(0.05)	(23.2)	30.5	33.4
Change in working capital	22.7	(99.8)	67.9	(3.6)	(1.5)	(2.0)
Capex, net	(118)	(44.8)	(3.1)	14.8	(20.0)	(25.0)
Financial investments, net	10.7	(37.8)	(15.5)	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Issuance of shares	0.89	67.9	83.7	0.0	76.5	0.0
Issuance of debt	30.9	131	23.7	64.7	0.0	0.0
Other	(8.1)	(21.4)	(102)	(37.8)	(54.0)	0.0
Net debt	66.5	212	150	158	71.4	63.0
Free Cash flow	(85.6)	(184)	(3.2)	(8.4)	10.5	8.4
Balance Sheet (€m)						
Tangible fixed assets	341	281	157	110	102	98.3
Intangibles assets & goodwill	75.3	35.1	47.4	47.4	47.4	47.4
Investments	17.8	8.9	1.3	1.3	1.3	1.3
Deferred tax assets	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	137	186	0.0	0.0	0.0	0.0
Cash & equivalents	130	44.7	22.9	41.4	74.4	82.9
Total assets	719	585	228	200	225	230
Shareholders' equity	391	221	50.0	(1.9)	79.1	85.7
Provisions	13.1	18.4	17.5	17.5	17.5	17.5
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0	0.0
L & ST Debt	197	257	173	200	146	143
Current liabilities	118	88.9	153	143	145	148
Total Liabilities	719	585	394	358	387	394
Capital employed	458	433	200	157	151	146
Ratios						
Operating margin	NM	NM	NM	3.45	4.25	4.95
Tax rate	0.01	0.03	(0.08)	(1.34)	0.0	0.0
Net margin	NM	NM	NM	NM	1.41	2.36
ROE (after tax)	(53.58)	(107)	(516)	2,691	5.20	7.29
ROCE (after tax)	(26.88)	(31.71)	(62.97)	5.27	7.02	8.98
Gearing	17.02	96.21	300	NM	NM	73.51
Pay out ratio	NM	NM	NM	NM	0.0	NM
Number of shares, diluted	124	149	211	240	301	301
Data per Share (EUR)						
EPS	(1.70)	(1.45)	(1.23)	(0.21)	0.02	0.03
Restated EPS	(1.11)	(1.25)	(0.51)	(0.10)	0.01	0.02
% change	*112%*	*12.6%*	*-61.7%*	*-83.8%*	*-133%*	*23.7%*
EPS bef. GDW	(1.11)	(1.25)	(0.51)	(0.10)	0.01	0.02
BVPS	3.16	1.48	0.24	(0.01)	0.26	0.28
Operating cash flows	0.08	(0.26)	(0.00)	(0.10)	0.10	0.11
FCF	(0.69)	(1.23)	(0.02)	(0.03)	0.04	0.03
Net dividend	0.0	0.0	0.0	0.0	0.0	0.0

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

BRYAN, GARNIER & CO

FOCUS
TMT CONFERENCE

22nd March 2016

Sopra Steria Group

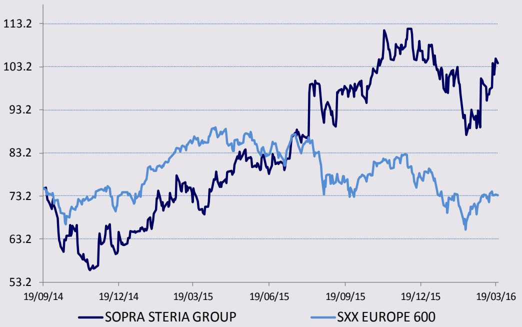
Flawless integration of Steria so far

TMT

Fair Value EUR113 (price EUR103.95) **BUY**

Bloomberg	SOP FP
Reuters	SOPR.PA
12-month High / Low (EUR)	112.0 / 68.9
Market capitalisation (EURm)	2,125
Enterprise Value (BG estimates EURm)	2,571
Avg. 6m daily volume ('000 shares)	23.40
Free Float	65.9%
3y EPS CAGR	13.3%
Gearing (12/15)	43%
Dividend yield (12/16e)	1.83%

YE December	12/15	12/16e	12/17e	12/18e
Revenue (€m)	3,584	3,688	3,847	3,994
EBITA €m)	245.5	282.8	323.6	350.7
Op.Margin (%)	6.8	7.7	8.4	8.8
Diluted EPS (€)	7.38	8.58	9.93	10.71
EV/Sales	0.7x	0.7x	0.6x	0.6x
EV/EBITDA	9.0x	7.7x	6.5x	5.8x
EV/EBITA	10.8x	9.1x	7.6x	6.6x
P/E	14.1x	12.1x	10.5x	9.7x
ROCE	11.0	11.2	12.7	13.4



The conference comforts our positive view: 1). The integration of Steria led to faster-than-expected synergies; 2). Free cash flow is improving; 3). The group is growing faster than its market; and 4). The operating margin is catching up with the best European players in IT Services. We consider the 8-9% operating margin target for 2017 is achievable.

- **Trends are improving**. 1). In France, the integration of Steria is on the home stretch, the I2S division is planned to post flattish sales in 2016 and strong growth and an operating margin of c. 5% in 2017, while in Consulting & Systems Integration, Sopra Steria intends to keep outperforming the French market; 2). In the UK, the group will try to expand beyond the government; 3). In Germany, Sopra Steria is well under way to raise profitability to reasonable standards by 2017; and 4). Banking Software has a window of opportunity ahead.

- **EUR150m free cash flow by 2017 looks achievable**. Reaching EUR100m of FCF looks to be a fair assumption in 2016 as DSOs should continue to decrease, cash consumption of SSCL is expected to fall to zero, and WCR is likely to increase in line with 2015. For 2017, confidence was reiterated for delivering EUR150m FCF (est. 4% of sales) based on continuous WCR improvement and the complete integration of Steria.

- **Confidence on synergies**. Cost synergies as of end 2015 were ahead of expectations, while the cost of implementation was in line with targets. Sopra Steria confirmed its goal for synergies of EUR62m by end 2016 for a total cost of EUR65m. In other words, the plan to deliver EUR62m synergies with Steria is not supposed to exceed expectations but that synergies were unlocked faster than initially planned. Restructuring costs related to Steria should only total an est. EUR10-15m for 2016.

- **No pause on acquisitions**. We understand Sopra Steria paid EUR92m for acquiring Cimpa, or an est. 18x 2014 EBIT. The recent acquisition of a 75% stake in Cassiopæ will strengthen the Sopra Banking Software offering in real estate and specialised loans. Sopra Steria considers it can use up to EUR100-150m of cash every year for acquisitions.

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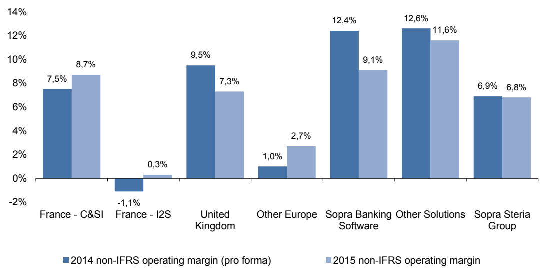
Sopra Steria Group major keys to focus on from the TMT conference

1. One Chart



- **France: integration of Steria on the home stretch**. The most difficult job has been done - especially in Consulting & Systems Integration, where employee overlap was the most significant. Following a 7.8% lfl fall (-14.2% lfl in Q4 15) and results at breakeven in 2015, on the back of the realignment of its strategy with the needs of Consulting & Systems Integration customers, the I2S division is planned to post flattish sales and an operating margin at 2-3% in 2016, then significant revenue growth and an operating margin of c. 5% in 2017. In Consulting & Systems Integration, Sopra Steria intends to keep outperforming the French market - +4%/+5% looks feasible in our view with double-digit growth in Consulting and high single-digit growth with top customers -, with an operating margin which could be above 9% in 2016.

- **UK: trying to expand Financial Services**. In the UK, flat revenues in 2015 hid two opposing trends: growth with the government thanks to the success of the JVs (SSCL, NHS SBS), and the commercial sector down 10%. Growth in 2016 is unlikely to be above that of the group due to the saturated capacity in SSCL following the signing of the Metropolitan Police, before accelerating in 2017 once capacity is freed. SSCL still has exclusivity on shared services contracts with central administrations and arm's length bodies for three years, so Sopra Steria will try to add more business to it in 2017-18. The margin, which was at 7.3% in 2015, may reach c. 8% in 2016 and c. 8.5% in 2017. NB. Sopra Steria is rebuilding a presence in the commercial sector with a focus on Financial Services (c. EUR100m revenues in the UK, i.e. c. 10% of sales in this country) - where there are some assets, especially thanks to Sopra Banking Software.

- **Other Europe: fixing profitability issues**. After two years of decline due to the departure of managers and consultants, Germany is now back to growth. The country was at breakeven in 2015, and further restructurings will be necessary in 2016 (est. EUR5-6m: simplifying the organisation inherited from Steria) before hoping to reach an operating margin of 7-8% in 2017. In the "Other Europe" zone, four geographies need to raise their operating margin to at least 7% within the next two years: Scandinavia (need to improve management processes), Spain (restructuring the business in Madrid), Belgium (need to improve sales momentum), and Italy (solidifying the management team). NB. Norway accounts for 5% of group revenues with the vast majority of revenues stemming from the Government sector, but there has been no big alert on the impact of falling oil prices so far.

- **Solutions: Banking Software investing**. Sopra Banking Software (SBS) saw its operating margin fall to 9.1% in 2015 from 12.4% - while it reached 14.5% in 2012 - due to the focus on developing solutions for tier-1 banks. Sopra Steria is driving SBS's margin at c. 10% for 2016 and 2017 as the quality of the software to be implemented at La Banque Postale until H2 17 will serve as a significant milestone for being eligible for signing further tier-1 banks for the progressive renovation of their core banking systems.

2. One Sentence

« We have reason to believe that our free cash flow will reach EUR150m in 2017. »

While management thought the free cash flow in 2015 would be at breakeven, Sopra Steria delivered EUR49m. In fact, WCR increased by 'only" EUR81.9m (vs. EUR150m guided by the company in August 2015) as the DSOs fell to 64 days. **Reaching EUR100m looks to be a fair assumption for 2016** as DSOs should continue to decrease, cash consumption of SSCL is expected to fall to zero, and WCR is likely to increase in line with 2015, including a EUR30m drag from a change in the timing of social security payments in France. **For 2017, the Head of IR, Olivier Psaume, reiterated confidence in delivering EUR150m free cash flow** (est. 4% of sales) based on continuous WCR improvement and the complete integration of Steria.

3. One Figure

45

45 is the amount of cost synergies generated from the integration of Steria as of end 2015. **This is EUR10m ahead of the EUR35m guidance announced in 2014**. On its side, the cost of implementation of the synergies amounted to EUR46.3m in 2015, or in line with the EUR45m target. Management confirmed its goal for synergies (revenue synergies including cross-selling and the globalisation of service offerings + operating synergies related to the optimisation of industrialisation practices and resource mutualisation - of EUR62m by end 2016 - of which 50% on operations and back office and 50% on procurement, internal and external IT and real estate - for a total cost of EUR65m. In other words, **the plan to deliver EUR62m synergies with Steria is not supposed to exceed expectations but that synergies were unlocked faster than initially planned**. Restructuring costs related to Steria should only total an est. EUR10-15m for 2016.

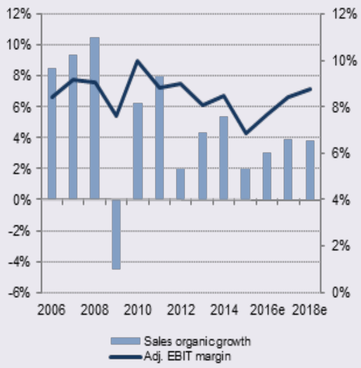
On acquisitions, we understand Sopra Steria paid EUR92m for acquiring Cimpa - which is specialised in Product Lifecycle Management (PLM) services - from Airbus Group. As Cimpa generated EUR101m revenues in 2014 for an operating margin we estimate at 5%, this means Sopra Steria would have acquired Cimpa for an est. 0.9x 2014 revenues and an est. 18x 2014 EBIT. **The recent acquisition of a 75% stake in Cassiopæ** (EUR50.2m revenues for an est. 10% operating margin) - with an option to acquire the remaining 25% from the founder and certain managers by 2020 - **will strengthen the Sopra Banking Software offering** in real estate and specialised loans. **Sopra Steria considers it can use up to EUR100-150m of cash every year for acquisitions**.

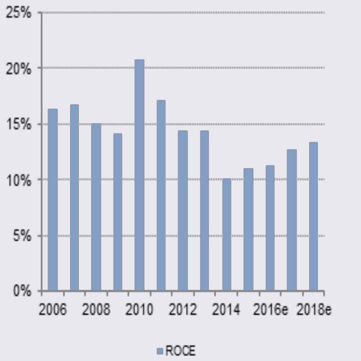
4. How does the Conference impact our Investment Case

The conference comforts our positive view on Sopra Steria. While many investors considered in 2014 the deal was risky, the integration of Steria led to faster-than-expected synergies, and free cash flow is improving. In addition, Sopra Steria is still growing faster than its market despite the reorganisation of its Managed Services business in France, and the operating margin is catching up with the best European players in IT Services - yet the management is working on fixing profitability issues on the I2S division in France, in Germany and some countries in the "Other Europe" revenue line, with the target to raise the group's operating margin to 8-9% in 2017. Execution is king, and management is doing well on this point in our view.

Next Catalysts

03/05/2016	**Q1 16 sales before markets open**
28/07/2016	**H1 16 results before markets open - analysts' meeting**





Company description

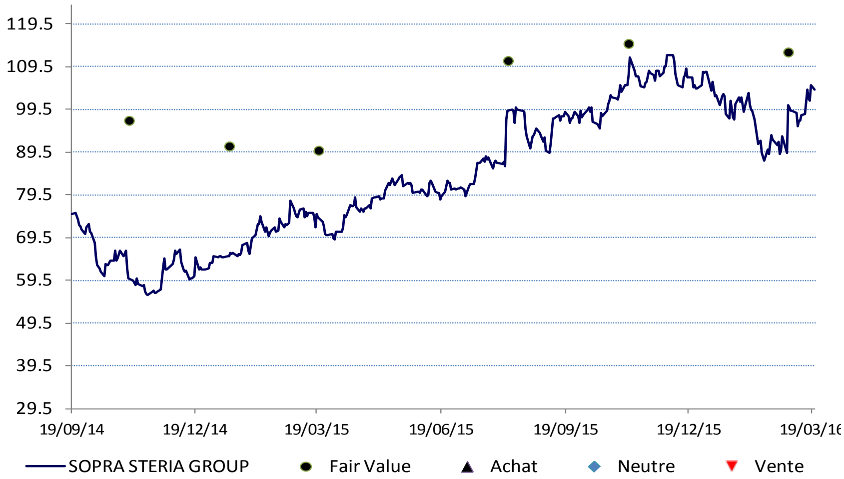
Founded in 1968, and listed on Euronext Paris since 1990, Sopra Steria is an IT Services group employing more than 38,000 staff. The group generates 57% of its revenues in Consulting & Systems Integration, 15% in Business Process Services, 14% in Infrastructure Management, and 14% in Solutions (Banking, HR and Real Estate). France accounts for 46% of group sales, followed by the UK (29%), and the rest of Europe (23%: Germany, Scandinavia, Italy, Spain, Belgium, Switzerland). Government is the largest contributor to Sopra Steria's revenues (25%), followed by banking (21%, Aerospace/Defence/Homeland Security (16%), Energy/Utilities (8%), Telecom/Media (6%), Insurance (5%), Transport (5%) and Distribution (3%).

Simplified Profit & Loss Account (EURm)	**2013**	**2014**	**2015**	**2016e**	**2017e**	**2018e**
Revenues	1,349	2,280	3,584	3,688	3,847	3,994
Change (%)	*10.9%*	*69.0%*	*57.2%*	*2.9%*	*4.3%*	*3.8%*
Ifl change (%)	*4.3%*	*5.4%*	*2.0%*	*3.0%*	*3.9%*	*3.8%*
Adjusted EBITDA	130	220	295	333	375	402
Depreciation & amortisation	(21.3)	(27.0)	(49.5)	(50.1)	(51.1)	(51.1)
Adjusted EBIT	109	193	245	283	324	351
EBIT	104	148	153	243	282	308
Change (%)	*13.9%*	*42.6%*	*3.0%*	*59.0%*	*16.2%*	*9.4%*
Financial results	(8.4)	(18.1)	(23.0)	(21.8)	(19.5)	(17.5)
Pre-Tax profits	95.5	130	130	221	262	291
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(32.5)	(34.4)	(47.2)	(75.3)	(90.0)	(100)
Profits from associates	8.4	5.8	7.2	6.9	8.6	8.6
Minority interests	0.01	3.3	5.2	7.8	10.0	12.4
Net profit	71.4	98.2	84.4	145	171	187
Restated net profit	74.6	130	151	176	203	220
Change (%)	*10.1%*	*74.1%*	*16.2%*	*16.5%*	*15.7%*	*7.9%*
Cash Flow Statement (EURm)						
Operating cash flows	56.8	118	174	137	189	227
Change in working capital	(1.7)	14.8	(81.9)	9.8	19.3	1.0
Capex, net	(16.9)	(26.2)	(42.2)	(47.0)	(49.0)	(51.0)
Financial investments, net	0.98	(4.3)	3.1	2.1	2.1	2.1
Acquisitions, net	41.1	(134)	(92.3)	(70.0)	0.0	0.0
Dividends	(20.2)	(22.5)	(39.7)	(34.7)	(38.8)	(42.9)
Other	(22.8)	(57.0)	6.9	88.4	3.0	(18.5)
Net debt	155	442	531	446	320	203
Free Cash flow	38.3	106	49.4	99.4	159	177
Balance Sheet (EURm)						
Tangible fixed assets	49.2	110	231	232	234	238
Intangibles assets & goodwill	372	1,695	1,766	1,812	1,787	1,762
Investments	124	230	244	249	255	262
Deferred tax assets	25.6	155	119	119	119	119
Current assets	506	1,098	1,309	1,327	1,363	1,415
Cash & equivalents	102	222	223	308	433	551
Total assets	1,179	3,510	3,892	4,047	4,192	4,348
Shareholders' equity	358	1,087	1,233	1,346	1,480	1,626
Provisions	71.1	528	436	451	406	362
Deferred tax liabilities	2.1	8.1	8.1	8.1	8.1	8.1
L & ST Debt	257	665	754	754	754	754
Current liabilities	490	1,222	1,461	1,489	1,544	1,597
Total Liabilities	1,178	3,510	3,892	4,047	4,192	4,348
Capital employed	512	1,529	1,764	1,791	1,800	1,829
Ratios						
Operating margin	8.07	8.46	6.85	7.67	8.41	8.78
Tax rate	34.07	26.44	36.42	34.10	34.30	34.50
Net margin	5.29	4.31	2.35	3.92	4.45	4.68
ROE (after tax)	19.95	9.04	6.84	10.75	11.56	11.48
ROCE (after tax)	14.37	10.14	10.96	11.23	12.66	13.40
Gearing	43.19	40.71	43.05	33.11	21.63	12.45
Pay out ratio	31.65	37.87	41.11	26.81	25.05	25.13
Number of shares, diluted	11.96	19.63	20.45	20.49	20.49	20.49
Data per Share (EUR)						
EPS	6.00	5.02	4.14	7.09	8.38	9.15
Restated EPS	6.24	6.61	7.38	8.58	9.93	10.71
% change	*9.9%*	*6.1%*	*11.5%*	*16.3%*	*15.7%*	*7.9%*
EPS bef. GDW	6.24	6.61	7.38	8.58	9.93	10.71
BVPS	29.92	55.36	60.29	65.67	72.23	79.37
Operating cash flows	4.75	6.00	8.48	6.67	9.21	11.07
FCF	3.20	5.42	2.41	4.85	7.76	8.63
Net dividend	1.90	1.90	1.70	1.90	2.10	2.30

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

Price Chart and Rating History

Sopra Steria Group



Ratings		
Date	**Ratings**	**Price**
26/11/08	BUY	EUR21.7658

Target Price	
Date	**Target price**
01/03/16	EUR113
04/11/15	EUR115
07/08/15	EUR111
20/03/15	EUR90
19/03/15	Under review
13/01/15	EUR91
31/10/14	EUR97
06/08/14	EUR118
25/04/14	EUR105
20/02/14	EUR101
10/01/14	EUR85
15/11/13	EUR76
24/09/13	EUR75
14/06/13	EUR70
13/06/13	Under review

BRYAN, GARNIER & CO

FOCUS
TMT CONFERENCE

15th March 2016

TMT

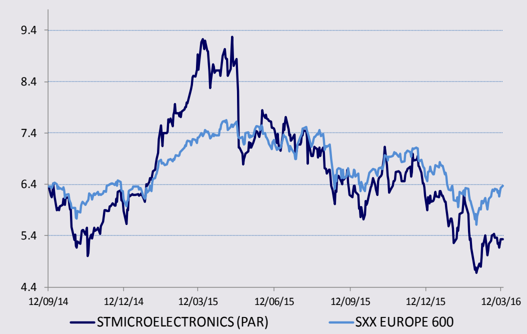
STMicroelectronics

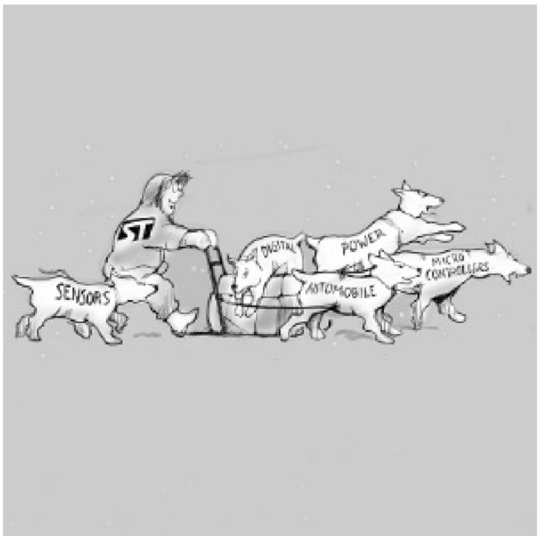
Prepares for higher margin

Fair Value EUR7 (price EUR5.34) **NEUTRAL**

Bloomberg	STM FP
Reuters	STM.FR
12-month High / Low (EUR)	9.3 / 4.7
Market capitalisation (EURm)	4,864
Enterprise Value (BG estimates EURm)	4,425
Avg. 6m daily volume ('000 shares)	2,319
Free Float	70.3%
3y EPS CAGR	54.1%
Gearing (12/15)	-11%
Dividend yield (12/16e)	6.71%

YE December	12/15	12/16e	12/17e	12/18e
Revenue (USDm)	6,897	6,882	6,998	7,151
EBITA USDm)	109.0	308.5	482.2	516.2
Op.Margin (%)	1.6	4.5	6.9	7.2
Diluted EPS (USD)	0.12	0.26	0.44	0.46
EV/Sales	0.72x	0.72x	0.69x	0.64x
EV/EBITDA	5.8x	4.8x	4.0x	3.6x
EV/EBITA	45.3x	16.0x	10.0x	8.9x
P/E	47.7x	22.9x	13.6x	13.0x
ROCE	3.2	5.1	9.8	11.2





In late January 2016, the group presented its strategic plan to discontinue its set-top box business and improve the operating margin. Our TMT conference was a chance to come back on this plan while investors were also curious about current market conditions. Overall, we believe that this refocus is a step in the right direction and a mandatory operation to achieve decent operating margins but we also continue to believe that this will take time. We keep our Neutral recommendation.

- **Q1-16 guidance maintained: the group continues to see soft market conditions but it also sees some light in Automotive.** One of the first questions during the meetings was about current market conditions. We remind that STM guides for Q1 sales to decrease sequentially by -3% (+/-350bp) to about USD1.6bn. Friday's talks confirmed Q1-16 guidance with a healthier sequential dynamic in the Automotive market, improving after some correction seen in the second half of last year.

- **The group's focus is on growth areas.** Another important topic was about the long-term view of the company. We remind that during the Q4-15 results, the group introduced a new organisation with 4 divisions (vs. 5 previously). This implies a refocus on areas with the highest growth and the discontinuation of the highly competitive set-top box business. The focus is now on everything about Smart Driving and IoT. However, except for the information that has already been published (see details in this report), no additional details were shared at the conference.

- **A double-digit operating margin seems to be achievable… but we believe this will take time.** Another topic on the table was the improvement in the operating margin. The group was very clear on the different levers to activate in order to achieve a double-digit operating margin, however, no timing was given. We remind that a 10% margin target was shared for the first time in late 2013, but the group never communicates on timing. The three main levers are: 1/ positive FX impact to come thanks to hedging, 2/ reduce unused charges thanks to higher activity (at least USD1.8bn per quarter is seen as optimum), and 3/ the discontinuation of the highly competitive set-top box business.

- **Finally, the group made no comment regarding rumours about a management transition.**

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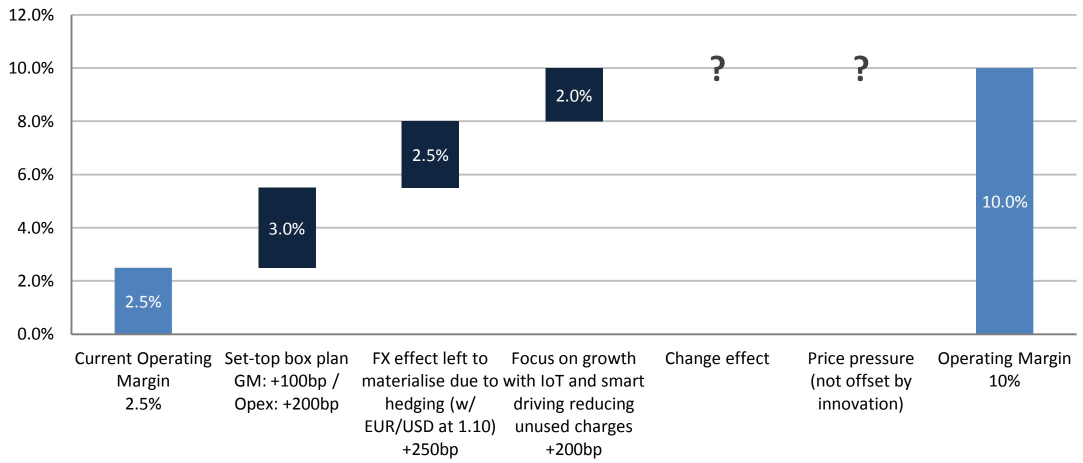
STMicroelectronics Major Keys to Focus on from the BG TMT conference

1. One Chart

A bridge to a double-digit operating margin



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

The group continues to see a strong recovery of its operating margin due to multiple effects:

- **The strategic focus on two market segments, Smart Driving and the Internet of Things.** As a result, the group announced in January that it will discontinue development of new platforms and standard products for set-top boxes and home gateways. The set-top box business represented USD209m of sales, out of USD6.90bn in FY15 (or 3% of the group's total revenue), down by c.37% yoy. This division was responsible for significant losses with an operating result of c.USD250m. As a result, STM should see an improvement in its operating margin of about 250bp/300bp, however this is dependent on the lifespan of the residual products. We note that despite the pruning of this activity, STM's addressable market remains large: about USD150bn, about the half of worldwide semiconductor sales in 2015.

- **More positive effect to come from FX due to hedging.** STM derives almost 85% of sales in US dollars whereas about 46% of its costs are in euros. To reduce the sensitivity, STM maintains a 12-month yoy hedging policy, which significantly limits the impact of EUR/USD changes in the short term. The group's effective exchange rate was 1.17 in FY15 and this should gradually go to 1.10 and boost the operating margin by about 250bp.

- **A production tool optimised from USD7.2bn of revenue.** Given the current production capacities of STM, the group's margin would be optimal with sales over USD1.8bn per quarter. Below this level, the group must record unused capacities and under-saturation charges, while wafer costs are also higher. With sales above USD7.2bn per year, the operating margin would gain another 200bp.

- **Unknown FX changes in FY16 and price pressure.** While the previous impacts are mechanical impacts expected over the coming years, uncertainties remain about FX and the competitive environment. Regarding price pressure, we would note that the group is used to dealing with a 5% decrease in price on a comparable product portfolio. However, the strong innovation and R&D at STM usually helps to offset any negative effects of price pressure.

Overall, the group holds the tools to improve its operating margin significantly (x4) and meet the LT view of 10%, however, we continue to believe this will take time. As a result, we make no change in our estimates at this point.

2. One Sentence
« We now focus on areas with highest growth. »

Over the following years, the main growth contributors to the semiconductor market will be Automotive, Industrial and the Internet of Things applications. This translates into Smart Driving, Smart Industry, Smart Home & City and Smart Things at STM. To fit in better with these market trends, the group will be re-organised into 4 divisions from Q1-16:

- **Automotive & Discrete Group** (FY15 revenue equivalent: USD2.7bn, 40% of sales, ~7.5% operating margin): The group sees the evolution of cars is now in electronics. It also sees significant similarities between cars and smartphones despite large discrepancies between them both. The group will focus on: 1/ Advanced Driver Assistance Systems (ADAS), 2/ Infotainment, and 3/ Connectivity. We note that STM expects to gain market share in the overall automotive market over the coming years with a particularly strong ambition and confidence in the ADAS segment. This market is hard to penetrate due to high barriers of entry, indeed the qualification process for automotive grade requires a strong expertise and industrial know-how. However, companies already in this field (such as STM) should benefit from a strong momentum with auto semiconductor sales expected to be up by 7% from 2015 to 2018e on average.

- **Microcontrollers & Digital ICs Group** (FY15 revenue equivalent: USD2.0bn, 29% of sales, ~7% operating margin): The group expects to continue to leverage on its strong 32bit-MCUs portfolio (brand name STM32) which is seen as a standard in the industry. In addition, management sees MCU embedding more and more security and connectivity features which fall right into STM's expertise. From 2008 to 2015, 32bit-MCUs revenues jumped from 0 to USD700m at STM thanks to a strong portfolio and technological lead. For the next fewyears, the group continues to expect market share gains, while the overall MCUs market is seen to increase by 3.2% between 2015 and 2018e.

- **Analog & MEMS Group** (FY15 revenue equivalent: USD1.67bn, 24% of sales, ~6% operating margin): STM is extending to new market areas, especially the automotive market which will be a large consumer of MEMS in the future. Currently, this market is ruled by Bosch Sensortec but STM holds: 1/ the expertise and industrial know-how to enter the automotive market with MEMS and 2/ the commercial network in this segment thanks to its strong footprint in infotainment and the body area. We believe that the group targets MEMS revenues of about USD800m for FY18 which implies a Mobile MEMS revenue of about USD450m, or a stability in this business (BG ests.).

- The remaining revenue stream will come from the **Imaging Group** (about 3% of FY15 sales equivalent) and Discontinued businesses (about 4% of FY15 sales equivalent), i.e. mainly set-top box products, legacy camera modules and some remaining products after ST-Ericsson was abandoned.

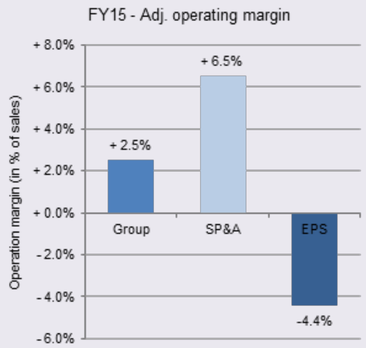
3. One Figure

USD170m

This is STM's estimated annualised savings thanks to the discontinued development of set-top box products. While this is not news, the plan for the set-top box business was an important topic at our Conference. Overall, we remind that this plan includes a global workforce reduction of 1,400 employees, leading to an annualised savings of USD170m and restructuring costs also at about USD170m.

4. How does the Conference impact our Investment Case

STM is one of the most difficult companies on which to build a model because it has a very broad portfolio, implying many different subsectors, and being involved inthe very volatile consumer segment adds to the complexity. Right now, the company is in a transition mode and many investors are looking forward to hearing the investors day speech. We expect the company to share a longer term view and more details about the new organisation. Overall market conditions (improving automotive segment, slowdown of the smartphone market and the industrial segment set to rebound) remain the same as when we commented in late January (when the company published Q4-15 results). As a result, we maintain our estimates.



Company description

STMicroelectronics is a Franco-Italian manufacturer of semiconductors. The group has a broad product portfolio that spans from power management components to integrated circuits for the industrial sector, automotive and consumer applications. Having been in decline for several years, the group is currently executing a transformation plan to restore growth and improve margins.

Simplified Profit & Loss Account (USDm)	**31/12/13**	**31/12/14**	**31/12/15**	**31/12/16e**	**31/12/17e**	**31/12/18e**
Revenues	8,082	7,404	6,897	6,882	6,998	7,151
Change (%)	*-4.8%*	*-8.4%*	*-6.8%*	*-0.2%*	*1.7%*	*2.2%*
Change LFL (%)	*-%*	*-%*	*-%*	*-%*	*-%*	*-%*
EBITDA	501	994	845	1,024	1,210	1,260
Depreciation & amortisation	910	812	736	716	728	744
Adjusted EBIT	(409)	182	109	309	482	516
EBIT	(465)	168	109	214	407	516
Change (%)	*-%*	*-%*	*-40.0%*	*183%*	*56.3%*	*7.1%*
Financial results	(5.0)	(19.2)	(22.0)	(16.5)	(16.8)	(17.2)
Pre-Tax profits	(470)	149	87.0	197	390	499
Tax	(37.0)	23.0	21.0	(67.5)	(87.0)	(103)
Profits from associates	(122)	(43.0)	2.0	3.1	3.2	3.2
Minority interests	129	(0.60)	(6.0)	0.0	0.0	0.0
Net profit	(500)	128	104	133	307	399
Restated net profit	(573)	143	110	228	382	399
Change (%)	*-%*	*-%*	*-23.1%*	*107%*	*67.6%*	*4.6%*
Cash Flow Statement (USDm)						
Operating cash flows	333	791	846	848	1,034	1,143
Change in working capital	33.0	(76.0)	(122)	12.7	(29.9)	(39.4)
Capex, net	(531)	(505)	(467)	(516)	(525)	(536)
Financial investments, net	96.0	(341)	0.0	0.0	0.0	0.0
Dividends	(350)	(357)	(350)	(349)	(349)	(349)
Issuance of shares	0.0	1.0	0.0	0.0	0.0	0.0
Issuance (repayment) of debt	(34.0)	774	0.0	0.0	0.0	0.0
Other	(17.0)	(168)	(13.0)	0.0	0.0	0.0
Net debt	(741)	(546)	(494)	(490)	(620)	(838)
Free Cash flow	(165)	210	257	345	480	567
Balance Sheet (USDm)						
Tangible fixed assets	3,156	2,647	2,321	2,121	1,918	1,711
Intangibles assets & goodwill	307	275	242	242	242	242
Investments	676	649	516	516	516	516
Deferred tax assets	227	386	436	436	436	436
Current assets	2,913	2,700	2,570	2,565	2,606	2,661
Cash & equivalents	1,894	2,351	2,106	2,106	2,236	2,454
Total assets	9,173	9,008	8,191	7,986	7,955	8,020
Shareholders' equity	5,717	5,055	4,693	4,476	4,433	4,483
Provisions	524	574	509	509	509	509
Deferred tax liabilities	11.0	10.0	12.0	12.0	12.0	12.0
L & ST Debt	1,153	1,805	1,612	1,616	1,616	1,616
Current liabilities	1,768	1,564	1,365	1,372	1,384	1,400
Total Liabilities	9,173	9,008	8,191	7,986	7,955	8,020
Capital employed	4,976	4,509	4,199	3,987	3,814	3,646
Ratios						
Operating margin	(5.06)	2.45	1.58	4.48	6.89	7.22
Tax rate	6.25	21.80	0.30	(33.74)	(22.11)	(20.57)
Net margin	(7.09)	1.92	1.59	3.31	5.45	5.58
ROE (after tax)	(8.75)	2.54	2.22	2.96	6.91	8.90
ROCE (after tax)	(8.87)	4.65	3.22	5.09	9.82	11.23
Gearing	(12.96)	(10.80)	(10.53)	(10.94)	(13.98)	(18.68)
Pay out ratio	NM	287	336	263	114	87.48
Number of shares, diluted	890	882	873	873	873	873
Data per Share (USD)						
EPS	(0.56)	0.14	0.12	0.15	0.35	0.46
Restated EPS	(0.64)	0.16	0.12	0.26	0.44	0.46
% change	*-%*	*-%*	*-22.3%*	*109%*	*67.6%*	*4.6%*
EPS bef. GDW	(0.64)	0.16	0.12	0.26	0.44	0.46
BVPS	6.43	5.73	5.37	5.13	5.08	5.13
Operating cash flows	0.37	0.90	0.97	0.97	1.18	1.31
FCF	(0.19)	0.24	0.29	0.39	0.55	0.65
Net dividend	0.40	0.40	0.40	0.40	0.40	0.40

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

Price Chart and Rating History

STMicroelectronics

Ratings		
Date	**Ratings**	**Price**
28/01/16	NEUTRAL	EUR6.28
30/10/15	SELL	EUR6.2
26/02/15	NEUTRAL	EUR7.86

Target Price	
Date	**Target price**
28/01/16	EUR7
30/10/15	EUR6.8
24/07/15	EUR7.2
04/05/15	EUR7.8
24/03/15	EUR9
04/03/15	EUR8
26/02/15	EUR7.6

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TMT CONFERENCE

16th March 2016

Ubisoft

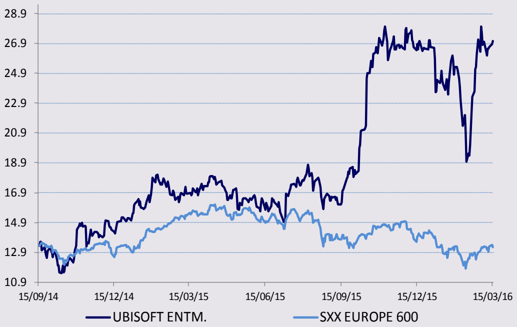
Play again or end of the independent game?

TMT

Fair Value EUR34 (price EUR27.07) **BUY**

Bloomberg	UBI.FP
Reuters	UBIP.PA
12-month High / Low (EUR)	28.1 / 14.9
Market capitalisation (EURm)	3,010
Enterprise Value (BG estimates EURm)	3,065
Avg. 6m daily volume ('000 shares)	406.9
Free Float	88.5%
3y EPS CAGR	22.7%
Gearing (03/15)	-20%
Dividend yield (03/16e)	NM

YE March	03/15	03/16e	03/17e	03/18e
Revenue (EURm)	1,464	1,365	1,706	1,877
EBITA EURm)	161.1	138.0	218.0	289.9
Op.Margin (%)	11.0	10.1	12.8	15.4
Diluted EPS (EUR)	0.91	0.73	1.25	1.68
EV/Sales	1.92x	2.25x	1.67x	1.41x
EV/EBITDA	4.3x	5.2x	3.9x	3.1x
EV/EBITA	17.5x	22.2x	13.1x	9.2x
P/E	29.7x	36.9x	21.7x	16.1x
ROCE	12.7	8.0	13.8	18.5



During meetings with Ubisoft's management (CFO and IR) at our TMT conference, half of the time was spent discussing the company on a stand-alone basis, and the other half on Vivendi's entry into the share capital with the direct and indirect implications. Ubisoft again stated that its FY 2018/19 financial targets are based on cautious assumptions and that it intends to remain independent in the interests of all of its shareholders. We maintain our Buy rating and FV of EUR34 (our FV is a minimum price in the case of takeover bid).

- **Ubisoft is currently one of the main video game publishers worldwide.** It boasts three of the Top 4 biggest-ever new IPs in this demanding industry (in our view, thanks to its in-house development strategy in particular). The group is benefiting from the disappearance of some of its competitors and from its improvement towards digital. Following its latest successful release, *Tom Clancy's The Division*, **the group is demonstrating that it is one of the few players able to operate big online games** (high-quality games, with strong online infrastructure and services). This is a **major point to prepare for the group's future and make its FY 2018/19 targets credible** (digital is its main operating leverage, and notably digital contents).

- **Our meetings with Ubisoft have strengthened our view on the current fiscal year**, namely that thanks to *Far Cry Primal* and above all *The Division*, **the group could even meet its previous FY15/16 guidance** (the recent profit warning reducing sales from EUR1,465m to ~1,360m and non-IFRS EBIT from >=EUR200m to ~EUR150m). In addition, **we predict that *The Division* could be the first Ubisoft game in history to reach the 15m unit threshold on a 12-month basis.**

- **Regarding Vivendi,** management said that it did not need Vivendi to continue to grow, and that managing talents in the video game industry is quite different from managing pure creative people in the media world. **We reiterate that a public offer on Ubisoft has to be friendly** and that **it is essential that the CEO remains at the head of the gaming division** (for Vivendi not to take any risk of acquiring an empty shell).

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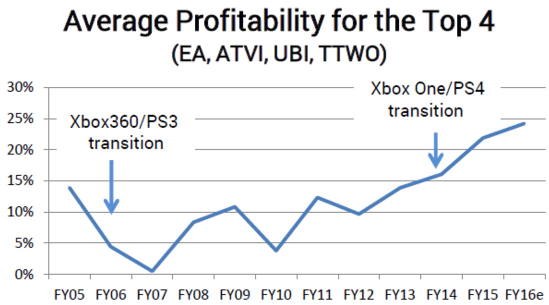
Sector Analyst Team:
Thomas Coudry
Gregory Ramirez
Dorian Terral

Ubisoft: Key Focuses from BG's TMT Conference

1. One Chart



Sources: based on Ubisoft consensus and Thomson One.

- The video game sector is historically highly correlated to the console cycle. **However, it has transformed into a more recurring and profitable industry.** Indeed, during the last console cycle transition (Xbox One and PS4 releases at end-2013), video game publishers were particularly resilient in terms of profitability compared to the previous cycles (they even improved their margins Y/Y). **This was mainly the result of the sector consolidation** (Atari, THQ, Konami, Namco Bandai, Capcom, Square Enix have either disappeared or are almost out of the market) **and the growing transition towards digital** (gamers are increasingly comfortable with downloading games, all the more so with the highly connected home consoles). According to management, **a digital game generates around EUR6-8 in incremental EBIT compared to a packaged game**.

- Ubisoft is lagging behind its competitors in digital contents but is in line with the industry average regarding digital distribution. **The clear operating leverage in digital therefore stems from digital contents** as they are even more profitable than their most profitable games (80-100% in EBIT margin, on our estimates). **That's why Ubisoft intends to launch more strong multi-player titles** (these include more digital live services).

- As a reminder, **Ubisoft's plan out to 2018/19 plan** (EUR2.2bn in sales, 20% in non-IFRS EBIT margin and ~EUR300m in FCF) **is based on a gross margin of more than 80% via 1/ the release of around five AAA games generating a cumulative 40m units** (stemming only from existing franchises, and taking into account quantities that they have all already reached), **and 2/ the digital segment** (45% of its FY18/19 sales vs. 30% in FY15/16: 28% in digital distribution vs. 21% and 17% in player recurring investment vs. 9%). **We expect the vast majority of the EBIT margin improvement from 11% in FY15/16 to 20% in FY18/19 to come from gross margin** and ~2% from other P&L costs reductions (R&D, marketing and SG&A).

2. One Sentence

"We do not need Vivendi to succeed in the video game industry"

- **Asked at our TMT conference about Vivendi's entry into Ubisoft's share capital, management said that it did not need Vivendi to continue to grow** (in this respect, the overwhelming success of *The Division* is a good demonstration). As a reminder, Ubisoft boasts three of the Top 4 biggest-ever new IP launches in the video game industry (*Watch Dogs*, *Assassin's Creed* and *The Division*) and two of the Top 3 over the current cycle (*Watch Dogs* and *The Division*).

- **In Ubisoft's view, if ever Vivendi were to enter the Board of Directors** (next September at the AGM)**, this would only serve the interests of Vivendi shareholders and not those of Ubisoft**. Management added that **managing talents in the video game industry is quite different from managing pure creative people in the world of advertising, TV, cinema…** Indeed, developers are creative people but with a strong technology focus. In this respect, we agree with the group, especially in a sector like this where corporate culture is strong. **We believe that if Ubisoft were to be acquired by Vivendi, it would be essential to keep the current CEO** (Yves Guillemot) **at the head of the video game division** because he would guarantee that star developers would remain in place (i.e. that Vivendi would not risk acquiring an empty shell).

3. One Figure

15m

■ During our TMT conference, **Ubisoft's management stated that there is no reason why a Ubisoft game could not reach 15m units at some time in the future, during its first year on the market** (whether it is *Assassin's Creed*, *Watch_Dogs*, *Far Cry* or *The Division*). **In this respect, we believe that *Tom Clancy's The Division* could be a historical first** (after having already sold through more copies in its first 24 hours than any previous title in the company history and having registered the biggest first 5 days ever for a new video game franchise with USD330m generated worldwide i.e. 4.5/5.5m units).

- **The group is now able to operate big online games**, i.e. to attract a large community of players with high-quality games (re. the good ratings given to *The Division* a few days ago by key media outlets), accompanied with one of the best live operations currently on the market (in terms of servers and the technology behind these services: e.g. *The Division* surpassed 1.2m peak concurrent users over its first weekend). **In our view, this is a major point in making the group's FY18/19 targets credible.** Moreover, note that **the group is conquering new territories such as Russia, Brazil, and some Asian countries.** For instance, if China, Taiwan and Hong Kong were put together, this would be Ubisoft's number 8 geographical area in terms of players for the last episodes of *Assassin's Creed* and *Rainbow Six*.

- **We particularly appreciate Ubisoft's strategy: 1/** its in-house development, which generates significant operating leverage on its main IPs (its major AAA games are the most profitable: margin of 55%+ above the breakeven point); **2/** its digital development (organically and through small targeted acquisitions); and **3/** its entertainment vision (well above the video game segment: merchandising, films, TV-series, books, the theme park… to broaden its gamer base).

4. How does the Conference impact our Investment Case

- **Our meetings with Ubisoft have strengthened our view on the current fiscal year (at end-March 2016)**, namely that thanks to *Far Cry Primal* (23th February) and above all *The Division* (8th March), **the group could even meet its previous FY15/16 guidance** (the recent PW reducing sales from EUR1,465m to ~1,360m and non-IFRS EBIT from >=EUR200m to ~EUR150m).

Simulation for *Far Cry Primal* and *The Division* on Q4 and FY15/16 (vs. last guid. and previous guid.)

2015/16	Q4		FY	
	Minimum	Maximum	Minimum	Maximum
Cumulated sell-in units for *Far Cry Primal* and *The Division* (m)	14	17	14	17
Revenue outperformance vs. last guidance	+7%	+30%	+3%	+13%
Average outperformance vs. previous guidance (before the PW)	+0.7%		+0.2%	

Sources: Bryan, Garnier & Co ests.

- **Beyond the current fiscal year, we maintain our scenario.** We believe that **Vivendi's entry into the Guillemot galaxy is bound to continue.** It now owns 15.66% of Ubisoft's share capital with ~13.90%e of voting rights (our FV of EUR34 for Ubisoft values the entire 2013-19e cycle), and 29.86% of Gameloft's capital with 26.63% of voting rights (it has launched a hostile takeover bid, raised from EUR6 to EUR7.2, whereas our FV of EUR6.7 was a minimum price). In our view, Vivendi's bid for Gameloft intends to force Ubisoft into discussions and convince the Guillemot family that there are synergies to be unlocked and that they can be partners. We reiterate our view that a **public offer on Ubisoft must be friendly** and that the **current CEO must remain at the head of the gaming division**. To succeed, **Vivendi has to be generous** (both for Gameloft and Ubisoft as they are run by the same family) **if it really wants to add a 5th pillar to its French media group**. Vivendi's net cash position of EUR6bn should help to reach an agreement, even if it could take some time.

Next Catalysts

- **FY 2015/16 earnings results:** the week of the 9th May

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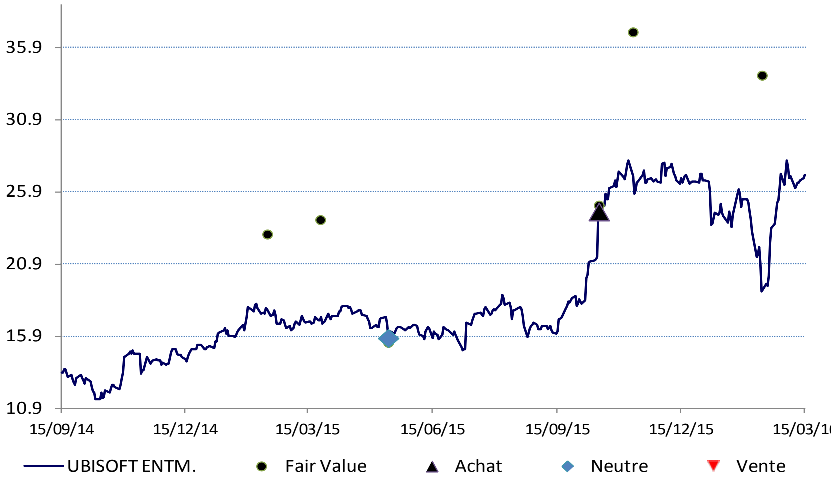
Price Chart and Rating History

Ubisoft



Ratings		
Date	**Ratings**	**Price**
15/10/15	BUY	EUR21.385
13/05/15	NEUTRAL	EUR15.8
09/09/14	BUY	EUR13

Target Price	
Date	**Target price**
12/02/16	EUR34
09/11/15	EUR37
15/10/15	EUR25
13/05/15	EUR15.5
24/03/15	EUR24
13/02/15	EUR23
09/09/14	EUR21

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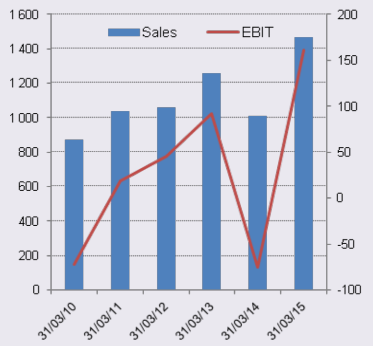
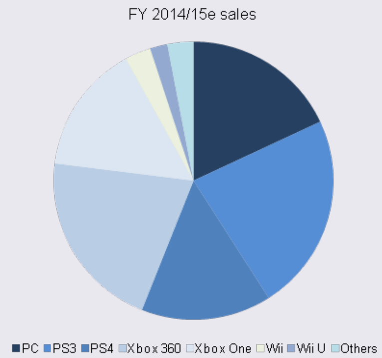




Company description

Publisher, developer and distributor of video games, mainly positioned on consoles and PCs

Simplified Profit & Loss Account (EURm)	**31/03/13**	**31/03/14**	**31/03/15**	**31/03/16e**	**31/03/17e**	**31/03/18e**
Revenues	1,256	1,007	1,464	1,365	1,706	1,877
Change (%)	*18.4%*	*-19.8%*	*45.3%*	*-6.7%*	*25.0%*	*10.0%*
Ifl change (%)	*13.5%*	*-16.9%*	*41.6%*	*-9.8%*	*25.0%*	*10.0%*
EBITDA	458	309	650	585	730	853
EBIT	87.9	(97.9)	139	134	218	290
EBIT adjusted	92.2	(75.3)	161	138	218	290
Change (%)	*102%*	*-182%*	*-314%*	*-14.4%*	*58.0%*	*32.9%*
Financial results	4.0	10.3	0.71	(10.0)	(5.0)	(4.0)
Pre-Tax profits	91.9	(87.6)	140	124	213	286
Tax	(27.1)	22.1	(53.1)	(43.7)	(72.0)	(95.3)
Profits from associates	0.01	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	64.8	(65.5)	87.0	80.8	141	191
Restated net profit	61.1	(59.0)	103	83.1	141	191
Change (%)	*127%*	*-197%*	*-275%*	*-19.4%*	*69.7%*	*35.1%*
Cash Flow Statement (EURm)						
Operating cash flows	415	285	648	543	665	766
Change in working capital	(24.6)	(37.2)	28.4	(208)	133	(8.2)
Capex, net	(400)	(454)	(478)	(568)	(581)	(563)
Financial investments, net	(9.7)	(28.6)	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other	34.8	49.6	13.7	0.0	0.0	0.0
Net debt	(104)	14.8	(198)	54.7	(163)	(357)
Free Cash flow	(9.4)	(206)	199	(232)	217	194
Balance Sheet (EURm)						
Net fixed assets	740	794	783	909	966	954
Investments	4.3	3.6	4.2	4.2	4.2	4.2
Deffered tax assets	0.0	0.0	0.0	0.0	0.0	0.0
Cash & equivalents	238	238	657	95.9	313	508
current assets	54.4	94.7	42.3	248	123	135
Other assets	222	210	266	248	311	342
Total assets	1,257	1,339	1,752	1,505	1,716	1,942
L & ST Debt	133	253	459	151	151	151
Provisions	8.7	8.0	12.9	12.9	12.9	12.9
Deffered tax liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Others liabilities	277	268	301	281	351	387
Shareholders' equity	838	810	979	1,060	1,201	1,392
Total Liabilities	1,257	1,339	1,752	1,505	1,716	1,942
Capital employed	734	825	782	1,115	1,039	1,035
Ratios						
Operating margin	7.34	(7.48)	11.01	10.11	12.78	15.44
Tax rate	29.47	25.21	37.90	35.08	33.80	33.34
Net margin	5.16	(6.51)	5.94	5.92	8.26	10.15
ROE (after tax)	7.73	(8.09)	8.88	7.62	11.74	13.69
ROCE (after tax)	8.81	(6.79)	12.66	7.97	13.78	18.51
Gearing	(12.47)	1.83	(20.19)	5.16	(13.53)	(25.64)
Pay out ratio	0.0	0.0	0.0	0.0	0.0	0.0
Number of shares, diluted	97,316	107,343	113,298	113,262	113,262	113,262
Data per Share (EUR)						
EPS	0.68	(0.62)	0.81	0.73	1.27	1.71
Restated EPS	0.63	(0.55)	0.91	0.73	1.25	1.68
% change	*123%*	*-188%*	*-266%*	*-19.4%*	*69.7%*	*35.1%*
BVPS	8.61	7.55	8.65	9.36	10.61	12.29
Operating cash flows	4.26	2.66	5.72	4.80	5.87	6.76
FCF	(0.10)	(1.92)	1.76	(2.05)	1.92	1.72
Net dividend	0.0	0.0	0.0	0.0	0.0	0.0

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

BRYAN, GARNIER & CO

FOCUS
TMT CONFERENCE

15th March 2016

Wirecard

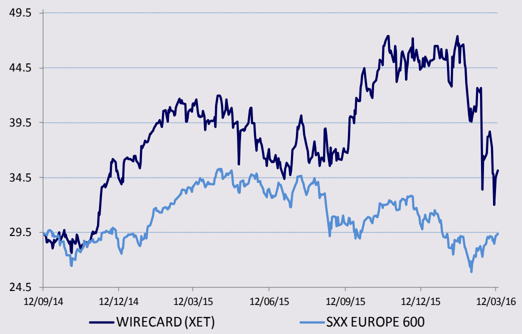
The Great Vendetta[1]

TMT

Fair Value EUR52 (price EUR35.15) **BUY-Top Picks**

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 32.0
Market capitalisation (EURm)	4,343
Enterprise Value (BG estimates EURm)	3,941
Avg. 6m daily volume ('000 shares)	761.2
Free Float	94.0%
3y EPS CAGR	32.1%
Gearing (12/14)	-56%
Dividend yield (12/15e)	0.37%

YE December	12/14	12/15e	12/16e	12/17e
Revenue (EURm)	601.03	771.60	1,016	1,259
EBITA EURm)	150.4	198.7	270.8	341.2
Op.Margin (%)	25.0	25.8	26.6	27.1
Diluted EPS (EUR)	1.01	1.30	1.83	2.33
EV/Sales	6.23x	5.11x	3.88x	3.04x
EV/EBITDA	21.7x	17.3x	12.9x	9.9x
EV/EBITA	24.9x	19.8x	14.5x	11.2x
P/E	34.8x	27.0x	19.2x	15.1x
ROCE	27.6	21.7	24.0	26.7



[1] Hong Kong TV series based on the novel The Count of Monte Cristo, in which the background of the story is changed to Southern China during the Republican Era.

During meetings with Wirecard at our conference, 90% of the time was spent discussing the Zatarra report following questions asked by investors and because management wanted to address this concern. The remainder of the time was spent on the buoyant business trend in e-commerce. Wirecard again stated that its 2016 EBITDA guidance of EUR280-300m is conservative. Buy rating – FV EUR52 (Q1 Top Pick).

- **The Zatarra Research report was the main topic addressed during meetings** between clients and Wirecard's representative Iris Stöckl, (VP Corporate Communications & Investor Relations). She explained to clients that this is not the first time the company has been attacked (it happened when it went from a small to a mid-sized company, and now that it is becoming a big one). A severe punishment should now be dealt so this type of attack can never happen again. The company has specialised lawyers and it seems that they are close to finding out who was behind the Zatarra report. Once this is known, Wirecard will finally be able to sue them. And when we look at short position trends, we believe a serious investigation should be carried out by the BaFin given the strong correlation between releases of reports against Wirecard and short attacks.
- **The group has no fear of losing any of its customers.** On the contrary, its clients and even some of its competitors have delivered messages of support. In a recent interview with Bloomberg, Wirecard's CEO said he sees **no impact from the Zatarra report on operational business**.
- **Regarding business, Wirecard is very confident.** The group has enjoyed a strong start to the year and operational business is excellent, confirming the company's FY16 guidance (Ebitda of EUR280-300m is conservative and excludes proceeds from the proposed Visa Europe sale and the recent acquisitions of Moip Pagamentos and Provus).
- **Wirecard boasts the best fundamentals in the Payment sector** thanks to its positioning in e-commerce (pure-online player) and its exposure to emerging markets (28% of its sales in South-East Asia). **The group's profitable growth is not yet priced in:** P/E 2016e of 19.2x vs. rest. EPS growth of +40.7%. **Buy rating and FV of EUR52 reiterated**.

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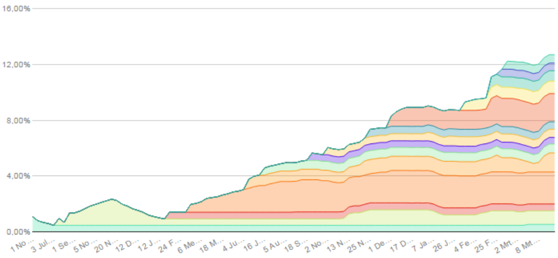
Sector Analyst Team:
Thomas Coudry
Gregory Ramirez
Dorian Terral

Wirecard: Key Focuses from BG's TMT Conference

1. One chart

Wirecard short positions: 12.7%



Source: shortsell.nl (Nov. 2012-March 2016)

- On 24th February, a so-called research paper attributed a TP of EUR0 to Wirecard. The report from Zatarra Research & Investigations (a completely unknown company that describes itself as a boutique firm of investment professionals, although it is unclear who is exactly behind the outfit) talks about fraud, money laundering, and evasion of US restrictions on Internet gambling. Zatarra sends daily emails to sell-side analysts and portfolio managers and this has had a strong negative impact on WCD's share price.

- **This is not the first time that the group has been attacked: 1/** in 2008, Wirecard was engaged in a legal battle with a senior officer at German investor association, SdK, who accused Wirecard of falsifying its books in 2007 and covering illegal activities. Wirecard had officially denied and requested an audit of its accounts (by Ernst & Young) to check for any irregularities (made public at the end of 2008). The senior officer of SdK later resigned, was investigated in connection with price manipulation and trading ahead of the publication of negative reports against several stocks, including Wirecard, and received a fine and a prison term. **2/** In 2010, a report stated that Wirecard was named in a US criminal case against a Florida resident, who ultimately pleaded guilty to running an unlicensed money transfer business. The man had used Wirecard Bank to transfer money from a UK company to the US, according to the complaint. Wirecard issued a statement which said the individual "was not and is not associated in any manner whatsoever with the Wirecard Group. The company unequivocally and sharply repudiates any allegations giving rise to a suspicion of money laundering". **Following these attacks in 2008 and 2010, two of the key individuals behind went to prison in Germany, and no charges have ever been filed against Wirecard. 3/** In April 2015, a journalist from the FT Alphaville blog released the 1st episode of its series "House of Wirecard", questioning the true existence of the company, its acquisitions etc… **4/** In November 2015, a "research report" from Hong Kong boutique JCap above all questioned Wirecard's acquisitions in Asia (Great Indian Retail Group…), knowing that this document did not fulfil minimum quality and ethical research standards (it was put together in a biased way to suit the special interest of third parties). **5/** And now, a new unknown boutique, Zatarra, has published an unsigned report on fraud, money laundering and evasion of US restrictions on Internet gambling. This latter is much more detailed and complex to address as it has re-used past untrue rumours (2008/10), set Wirecard's senior officers and board members in the wrong context, thrown them together and tried to connect these facts as if everything was operated by Wirecard.

- As if by surprise, the JCap and Zatarra's reports are relayed by the Alphaville journalist in his blog. And the chart shown above clearly shows a correlation between the release of these articles (the series "House of Wirecard", the JCap and Zatarra's reports) and the accumulation of short attacks (12.7% of WCD's share capital currently). They clearly have the same objectives, i.e. to undermine the image and credibility of Wirecard. A sell-side analyst cannot check all the data included in the document from Zatarra, this is more the job of a detective... What is sure is that the correlation **we see between these articles and reports and the directly linked increasing trend of short positions deserves at least an investigation by the regulator**.

2. One sentence

"We have no fear of losing any of our customers"

According to Iris Stöckl at our conference, the group has **no fear of losing any of its customers**. On the contrary, the group's clients and even some of its competitors have delivered messages of support. **The recent launch of the prepaid Visa card mycard2go** (a new prepaid Visa card from Wirecard available for consumers as of 2nd March) **is the best example, showing that the group works with high-level clients and has their entire support** (preferred partner of Visa, good relationship with MasterCard, 60 airlines clients…). In a recent interview to Bloomberg, Wirecard's CEO said he **sees no impact of the Zatarra report on operational business**.

3. One figure

95%

Iris Stöckl said that **95% of the Zatarra report was false** (a false context and wholly untrue allegations) **and 5% true** (only the names of people and companies cited are true).

Wirecard's management reacted very quickly on the day of the report's release by sending an extremely clear official statement to the main information streams (Bloomberg, Reuters…): "It came to our knowledge that a dubious company called Zatarra calling themselves a Research and Investigation company spread a report which contains wholly untrue allegations against Wirecard and its staff. Management would like to comment that the whole report contains slanderous allegations none of which are true. We assume that the report has been spread to negatively influence our share price. Legal action has been initiated."

The name "Zatarra" is very symbolic and indicative. Indeed, it refers to the 2002 film adaptation of the novel *The Count of Monte Cristo* (Alexandre Dumas) and **is all about revenge**. The film relates the life of Edmond Dantès, who was sent to prison where he concocted a plan to seek revenge on those responsible. The main character E. Dantès was given the nickname Zatarra by Luigi Vampa.

The way this report is written (as if everything was operated by Wirecard), how it is presented (100 pages, without any signature), where it is accessible (upload on an Internet website entirely dedicated to advertising of the report, knowing that this is the only stock in Zatarra's coverage) and when it was published (during the Mobile World Congress attended by Wirecard from 22nd-26th February in Barcelona), might be qualified as **share price manipulation**. Asked at our TMT conference about Zatarra's report, Iris Stöckl said that this document takes several real names (people at Wirecard and companies) and re-uses past untrue rumours (2008/10), sets them in a wrong context, throws them together and tries to connect these facts in a way intended to show that everything was operated by Wirecard. Management made an e-mail statement concerning the report adding that it contains untrue and slanderous allegations, which is also accessible on its website https://www.wirecard.com/wirecard-statement-march2016/. We believe management could provide additional information on the Zatarra report (#2) in coming days.

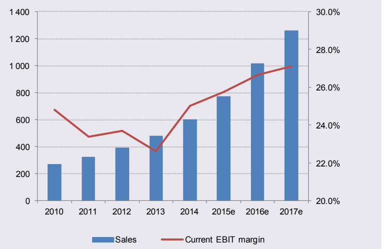
The plunge in the Wirecard share price on the day the report was published (by as much as 25%) alerted the German Financial Supervisory Authority (BaFin) according to WirtschaftsWoche. **The BaFin has launched an investigation** into possible market manipulation by false or misleading information. Wirecard is an easy target as it is a services company and a pure online player, making acquisitions, with rumours from the past but from which it has been totally cleared. **This act of destabilisation may have been inspired by a successful short-selling attack on Wirecard in 2008 and 2010** and served the sole purpose of manipulating the stock markets and the public's perception of the firm in order to temporarily tank its share price. It must be severely punished because it can happen to any company. **Wirecard has special lawyers and it seems that the company is close to finding out who is behind Zatarra.**

4. How does the Conference impact our Investment Case

Wirecard started very well in 2016, operational business is excellent and confirms the company's FY 2016 guidance (Ebitda of EUR280-300m is conservative and excludes proceeds from the proposed Visa Europe sale and recent acquisitions i.e. Moip Pagamentos in Brazil and Provus in Romania). We maintain our 2016 Ebitda estimate of EUR306.4m (margin of 30.1%, +60bp) including the last two acquisitions. Wirecard boasts the best fundamentals in the sector thanks to its positioning in online (pure-player) and emerging markets. It is the only player to have looked for growth in e-commerce where it can be found, namely in Southeast Asia (28% of its sales). We think the take-off in e-commerce should really start in western countries as of this year. Wirecard should benefit in Europe where it is the no. 2 player (after Worldpay). In contrast, we believe it could no longer remain outside the Americas. As such, we expect the group to make acquisitions or team up with a player in the region this year in North America or South America in order to obtain global presence. The recent acquisition of Moip Pagamentos in Brazil is not significant but is a step in the right direction. Longer term, the management believes that e-commerce will naturally enter physical stores. Note that **the CEO bought an additional EUR24.45m of Wirecard shares between 8th and 26th February** (620,000 shares at an average price of EUR39.5**.**

Next Catalysts

FY 2015 earnings results: 7th April 2016 (before trading).



Company description

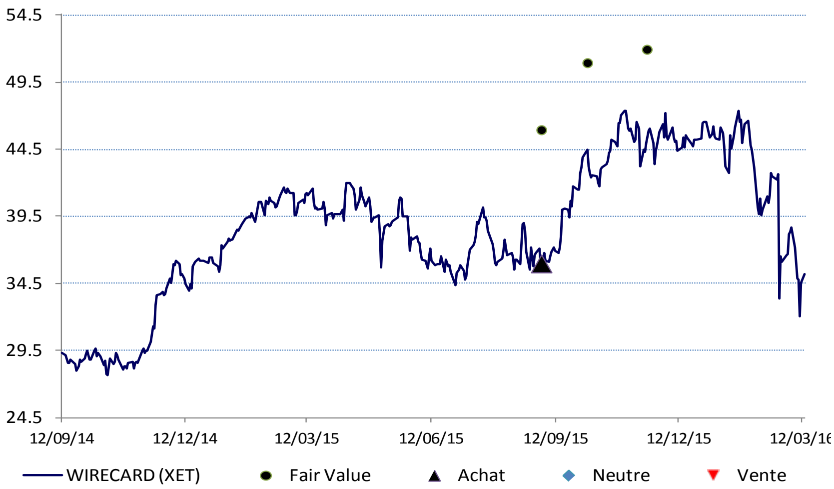
Wirecard is one of the world's leading independent providers of outsourcing and white label solutions for electronic payment transactions. It has been supporting companies in accepting electronic payments from all sales channels. A global multi-channel platform bundles international payment acceptances and methods, supplemented by fraud prevention solutions. When it comes to issuing their own payment instruments in the form of cards or mobile payment solutions, Wirecard provides companies with an end-to-end infrastructure, including the requisite licenses for card and account products.

Simplified Profit & Loss Account (EURm)	**2014**	**2015e**	**2016e**	**2017e**
Revenues	601	772	1,016	1,259
Change (%)	*24.8%*	*28.4%*	*31.7%*	*23.9%*
Ifl change (%)	*21.0%*	*24.9%*	*20.3%*	*21.0%*
EBITDA	173	227	306	385
EBIT	133	176	241	305
Adjusted EBIT	150	199	271	341
Change (%)	*38.1%*	*32.1%*	*36.3%*	*26.0%*
Financial results	(6.7)	(10.8)	(6.4)	(5.0)
Pre-Tax profits	126	166	235	300
Tax	(18.2)	(24.0)	(34.1)	(43.4)
Profits from associates	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0
Net profit	108	142	201	256
Restated net profit	123	161	226	287
Change (%)	*33.9%*	*30.7%*	*40.7%*	*27.1%*
Cash Flow Statement (EURm)				
Cash flow	173	206	283	358
Change in working capital	(33.5)	(54.1)	(77.5)	(77.0)
Capex, net	(75.0)	(77.2)	(91.5)	(113)
Financial investments, net	(94.3)	(255)	(96.7)	(41.2)
Dividends	(14.8)	(14.6)	(16.1)	(17.3)
Other	28.3	0.0	0.0	0.0
Net debt	(597)	(402)	(403)	(513)
Free Cash flow	64.8	74.4	114	168
Balance Sheet (EURm)				
Net fixed assets	687	1,101	1,416	1,677
Investments	124	124	124	124
Deffered tax assets	0.0	0.0	0.0	0.0
Cash & equivalents	695	449	451	560
current assets	358	459	605	750
Other assets	131	168	221	274
Total assets	1,995	2,302	2,818	3,385
L & ST Debt	98.4	47.3	47.3	47.3
Provisions	10.8	10.8	10.8	10.8
Deffered tax liabilities	0.0	0.0	0.0	0.0
Others liabilities	813	1,044	1,375	1,703
Shareholders' equity	1,073	1,200	1,385	1,624
Total Liabilities	1,995	2,302	2,818	3,385
Capital employed	476	798	981	1,111
Ratios				
Operating margin	25.03	25.75	26.65	27.10
Tax rate	14.42	14.50	14.50	14.50
Net margin	17.96	18.35	19.76	20.35
ROE (after tax)	10.06	11.80	14.51	15.78
ROCE (after tax)	27.59	21.72	24.04	26.75
Gearing	(55.62)	(33.50)	(29.14)	(31.59)
Pay out ratio	13.54	11.34	8.61	7.23
Number of shares, diluted	121,841	123,590	123,590	123,590
Data per Share (EUR)				
EPS	0.89	1.15	1.63	2.07
Restated EPS	1.01	1.30	1.83	2.33
% change	*23.4%*	*28.8%*	*40.7%*	*27.1%*
BVPS	8.81	9.71	11.20	13.14
Operating cash flows	1.42	1.66	2.29	2.90
FCF	0.53	0.60	0.92	1.36
Net dividend	0.12	0.13	0.14	0.15

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

Price Chart and Rating History

Wirecard



Ratings		
Date	**Ratings**	**Price**
01/09/15	BUY	EUR36.78

Target Price	
Date	**Target price**
18/11/15	EUR52
05/10/15	EUR51
01/09/15	EUR46

BRYAN, GARNIER & CO

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21st March 2016

TMT

Worldline

The cheapest stock in our Payment coverage

Fair Value EUR29 (price EUR20.92) **BUY-Top Picks**

Bloomberg	WLN FP
Reuters	WLN.PA
12-month High / Low (EUR)	24.7 / 16.9
Market capitalisation (EURm)	2,763
Enterprise Value (BG estimates EURm)	2,440
Avg. 6m daily volume ('000 shares)	92.10
Free Float	29.5%
3y EPS CAGR	9.6%
Gearing (12/14)	-32%
Dividend yield (12/15e)	NM

YE December	12/14	12/15e	12/16e	12/17e
Revenue (EURm)	1,149	1,227	1,286	1,350
EBITA EURm)	170.3	174.9	200.6	217.4
Op.Margin (%)	14.8	14.3	15.6	16.1
Diluted EPS (EUR)	0.87	0.91	1.05	1.14
EV/Sales	2.23x	1.99x	1.77x	1.58x
EV/EBITDA	11.9x	10.4x	8.9x	7.7x
EV/EBITA	15.0x	13.9x	11.3x	9.8x
P/E	24.1x	23.0x	19.9x	18.3x
ROCE	29.9	32.9	38.7	44.4

During meetings with Worldline's management (CEO and IR) at our TMT conference, much of the time was spent explaining the company's activities and discussing the sector. They emphasised the complementary benefits of the Equens and KB transactions. And finally, they reiterated the FY16 guidance (+3% in lfl sales, EBITDA margin of 20%, i.e. +80bps, FCF of EUR135/140m), adding that it excludes the last two acquisitions (an update should be provided at the H1 earnings, in July). Buy rating and FV of EUR29 (incl. Equens and the end of the French radar contract are integrated) – Q1 Top Pick.

- **Worldline should now be fully considered as a PSP by investors**. It has over 40 years of expertise in the Payment industry and 78% of its FY16e sales is derived from Payments (incl. the last two acquisitions).
- The group has little exposure to the most buoyant segments (no presence in the US, very little in China, low in online segment). **That said, it has a resilient profile and numerous strengths: 1/** recurring sales (75%e), **2/** presence in the entire payments value chain, **3/** gradual convergence of its businesses (platforms + uses), **4/** leverage on customer relations and transaction volumes (fixed-cost structure: 55-60% of sales), **and 5/** ties with parent company Atos (excellent distribution channel).
- Our meetings with Worldline's management have strengthened our view. **With Equens, we consider that Wordline has now a critical mass in Payments**. We consider that, even with still a low single-digit organic growth (+3-6%: exposure to Europe and physical payments), the group will improve its margins and with an additional boost once its investments in the WIPE platform are completed (only EUR25m remains to be invested over 2016-17). As a result, **the group's fundamentals and multiples should now deserve those of a PSP evolving in the physical space** (processor but also acquirer in Benelux), **i.e. 12x in EV/EBITDA**.
- **We are waiting for the consolidation dates of Equens and KB before officially integrating them into our financial grid** (we should have these details in July). **However, they are already included in our valuation.** We maintain our **Buy rating and FV of EUR29 (Q1 Top Pick)**. At our FV, the share would be at 11.8x EV/EBITDA 2016e (vs. 8.1x currently), which is consistent with its positioning.

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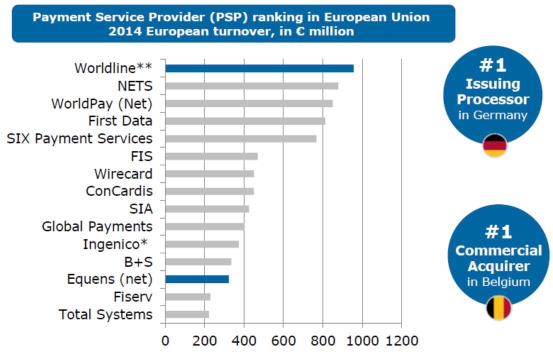
Worldline: Key Focuses from BG's TMT Conference

1. One Chart



Source: Company estimates.

*** European turnover excl. Payment terminal revenue.*

** Excluding payment terminal revenue.*

- **With the acquisition of Equens** (to be consolidated in the course of Q2 2016), **in the European Union, Worldline will be the leading Payment Service Provider** (in revenue terms; ~90% of group's revenue is generated in Europe, and the remainder with a balanced spread between LatAm Iberia and Asia) and still no. 5 in payment terminals.

- As a result, **Worldline should now be fully considered as a PSP by investors**. The group has **over 40 years of expertise in the Payment industry** and **78% of its FY16e revenue is derived from Payments** after integrating the last two acquisitions (30%e Merchant services & Terminals, 47%e Financial Processing & Software Licensing, and a small part of Mobility & eTransactional Services namely 3%), breaking down into 85%e physical payment, 15%e online (10%e e-commerce and 5%e m-commerce).

- **The company is positioned along the entire payments chain** (even if mainly active in the physical payments segment), ranging from management and communication of financial transactions (from consumers paying with their bank cards on payment terminals in stores to validation by the bank), analytics, processing and formatting of data collected (e.g. mobile applications created for SG and McDonald's) and value-added services surrounding purchases (e.g. generation of discount vouchers during mobile payments in stores). **The final ambitions of Worldline, like other players in the world of payments and transactional services, are: 1/** to provide a full offer in order to increase the topline of its clients (mainly physical merchants and banks), both through higher volume and innovation, **and 2/** to make external growth to leverage its proprietary technology platforms (which processes payment transactions). The structural, regulatory and technological context is clearly beneficial to securing electronic payments, and this favours the outsourcing of payment processing (for both merchants and banks) to specialised services providers.

Worldline's positioning in the payments value chain (incl. the acquisition of Equens)

Issuing transaction processing	Services to cardholders and issuers	Automated clearing house	Credit/debit transfers	Services to merchants	Acquiring transaction processing	Commercial acquiring	Acceptance POS / ecommerce	Services to new digital businesses
●	●	●	●	●	●	●	●	●

Source: Bryan, Garnier & Co.

- **Asked about the interest in keeping its third division internally** (Mobility & E-transactional Services: e-government, e-ticketing…), the CEO said these activities have the transactional business model in common with its first two Payment divisions (Merchant Services & Terminals and Financial Processing & Software Licensing), i.e. collecting commission fees. So, the group's industrial logic consists of reusing software bricks common to payment businesses and benefiting from the convergence of uses.

2. One Sentence

« We sell confidence in the Payment universe »

At our conference, Gilles Grapinet said "we sell confidence in the Payment universe". Speaking figuratively, he added that its company does **a job of growth infrastructure operator for any form of payments** (recurring sales), such as a motorways operator when there are stretches of expressways poorly connected to the network and not yet benefiting from economies of scale. In such a context, Worldline's mission consists in making smoother traffic flow (Worldline and Equens will benefit from their large European platforms, which are consistent with the single European currency). **Indeed, a PSP has: 1/** to develop and industrialise processes (handling of very large transaction volumes); **2/** to provide a high level of security (secure transactions), **3/** to address clients' needs (mainly physical merchants and banks), **4/** to adapt to regulatory changes; **and 5/** to adapt to technological and market developments.

3. One Figure

50%

- **In Europe: 1/ 50%** of payments is made in cash or by cheques (the gradual disappearance of cash and cheques in favour of electronic payments is a fundamental trend in the payment industry); **2/ 50%** of the payment market is still insourced by banks (whereas in the rest of the world, banks are out of the payment market as they have outsourced these services).

- **In the Payment sector, size matters (the bigger, the more profitable).** With a critical size, a PSP is able to generate a significant leverage on its proprietary platform (fixed cost structure business). That's why payment players often make acquisitions (whereas if they do it alone, they could waste eight years before really beginning to have connections and make significant business). It allows them to face higher transaction volumes for lower costs (virtually zero marginal cost for a new transaction but the price is charged to the merchants/banks, low costs to enter a new region). **We expect the payments sector to continue consolidating in Europe and the US** (both in physical payments and e-commerce), in a similar way to the hardware payments segment in recent years. For example, in 2007, around 20 manufacturers of payment terminals were active at a global level, whereas now only Ingenico and VeriFone really exist (84% of market shares cumulated). Ingenico, Wirecard, Worldpay and Worldline are among the natural European consolidators that we identify in payment services (primarily in the online segment for the first three, i.e. ~17x+ in EV/EBITDA, and in physical payments for Worldline, i.e. ~12x in EV/EBITDA).

- **Worldline should benefit from the decline in interchange fees** (at 0.3% for credit cards and 0.2% for debit/prepaid cards for countries in the eurozone; implemented by the EU on 9th Dec. 2015) **since: 1/** it should prompt merchants to accept payments by bank card for smaller amounts, hence an increase in transaction volumes; **2/** Banks that issue payment cards should automatically see their sales decline (interchange fees are part of their revenues) and are likely to increasingly outsource card processing to PSPs, in order to reduce their costs and refocus on their own business. Operating leverage at Worldline is therefore set to be driven by transaction volumes; **3/** whereas retailers could request that the entire cut in these fees be passed onto them, this is unlikely to immediately be case of smaller merchants (who are generally less aware and have lower negotiating clout); **and 4/** no significant impact on its revenue, because its gross revenue excludes interchange fees, and in any case they are already very low in Benelux (where Worldline is an acquirer).

4. How does the Conference impact our Investment Case

- The group has **little exposure to the most buoyant segments** (no presence in the US, very little in China, low in e-commerce/m-commerce). **That said, it has a resilient profile and numerous strengths: 1/** recurring sales (>80%e), **2/** a presence in the entire payments value chain (no. 1 PSP and no. 5 in TPEs, in the UE in 2014 pro forma), **3/** gradual convergence of its businesses (platforms + uses), **4/** leverage on customer relations and transaction volumes (fixed-cost structure: 55-60% of sales) **and 5/** ties with parent company Atos (excellent distribution channel).
- Now that Worldline has reached a critical size post-Equens and Komerční Banka (now able to capture payment processing and merchant acquiring transactions in northern Europe, Italy, Germany, and Czech Republic), we consider that **even with still a low single-digit organic growth** (+3/6%: exposure to Europe and physical payments), **the group will improve its margins** (the higher the volumes that pass through the platform, the stronger operating leverage is). **And with an additional boost once its investments in the WIPE platform are completed** (only EUR25m remains to be invested until 2017e). As the last two acquisitions required very little cash since it took the form of JV, **the group's financial flexibility remains intact**. We consider that every additional M&A should help the group to value its payments exposure better. The share is trading at an EV/EBITDA 2016e of 8.1x (incl. Equens in mid-May and the end of the French radar contract as of July) vs 12x usually for a physical payments player, namely an undeserved discount of 32%. **This is the cheapest stock in our Payment coverage.**

Next Catalysts

- **Q1 2016 revenue:** on 20th April (after trading) **/ H1 2016 earnings:** in July (the group will give all the necessary elements for the consensus to integrate the last two acquisitions into their models and therefore should update its guidance accordingly).

Company description

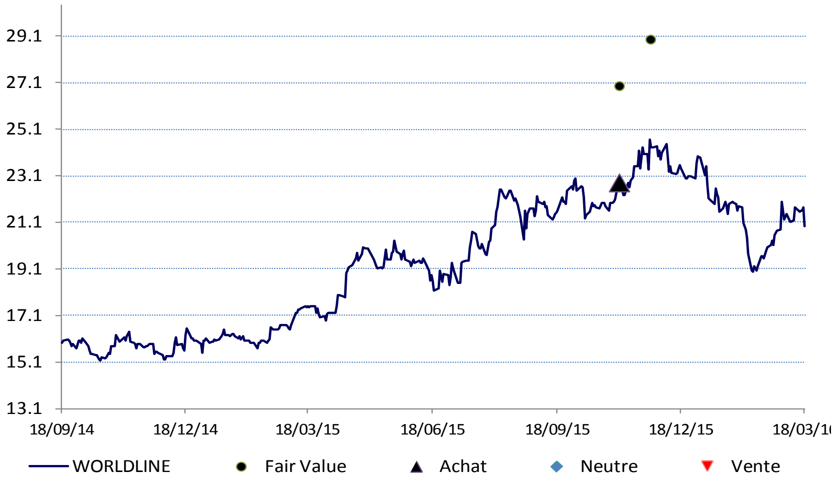
Worldline is a leading provider of electronic payment and transactional services. It offers a full range of payment services and terminals to merchants, processing and software licensing to financial institutions, and mobility solutions and transactional services to enterprises and government agencies.

Simplified Profit & Loss Account (EURm)	2012	2013	2014	2015e	2016e	2017e
Revenues	1,107	1,135	1,149	1,227	1,286	1,350
Change (%)	*-%*	*2.5%*	*1.3%*	*6.8%*	*4.8%*	*5.0%*
Ifl change (%)	*-%*	*4.1%*	*2.8%*	*4.4%*	*6.5%*	*5.0%*
EBITDA	183	203	215	235	257	277
EBIT	150	170	151	148	187	214
Adjusted EBIT	152	164	170	175	201	217
Change (%)	*-%*	*7.8%*	*3.8%*	*2.7%*	*14.7%*	*8.4%*
Financial results	(10.3)	(13.4)	(7.4)	(5.9)	(1.0)	0.0
Pre-Tax profits	139	157	143	142	186	214
Tax	(43.8)	(36.2)	(41.0)	(38.8)	(54.0)	(62.2)
Profits from associates	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	(1.7)	(1.8)	(1.8)	0.0	0.0	0.0
Net profit	93.9	119	100	103	132	152
Restated net profit	95.5	114	114	123	142	154
Change (%)	*-%*	*19.3%*	*0.4%*	*7.4%*	*15.3%*	*8.9%*
Cash Flow Statement (EURm)						
Cash flow	148	149	164	184	213	237
Change in working capital	4.3	16.1	22.8	11.9	2.1	2.3
Capex, net	(46.3)	(41.0)	(68.9)	(67.0)	(70.7)	(67.5)
Financial investments, net	1.4	(0.30)	(1.2)	0.0	0.0	0.0
Dividends	(23.2)	0.0	(45.1)	0.0	0.0	(33.1)
Other	(11.6)	(212)	230	(8.3)	18.7	8.4
Net debt	14.6	99.6	(203)	(323)	(487)	(634)
Free Cash flow	106	125	118	129	145	172
Balance Sheet (EURm)						
Net fixed assets	518	523	552	538	509	483
Investments	7.5	6.9	9.0	9.0	9.0	9.0
Deffered tax assets	0.0	0.0	0.0	0.0	0.0	0.0
Cash & equivalents	469	542	216	371	534	681
current assets	249	260	288	307	322	338
Other assets	78.6	84.9	96.4	103	108	113
Total assets	1,321	1,417	1,161	1,328	1,482	1,625
L & ST Debt	483	642	12.5	47.3	47.3	47.3
Provisions	85.4	76.0	94.6	94.6	94.6	94.6
Deffered tax liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Others liabilities	332	364	425	454	476	500
Shareholders' equity	421	336	629	733	865	984
Total Liabilities	1,321	1,417	1,161	1,328	1,482	1,625
Capital employed	436	435	426	409	378	350
Ratios						
Operating margin	13.74	14.45	14.82	14.26	15.60	16.10
Tax rate	31.42	23.13	28.63	27.28	29.00	29.00
Net margin	8.63	10.60	8.89	8.43	10.28	11.27
ROE (after tax)	22.30	35.31	15.96	14.12	15.29	15.47
ROCE (after tax)	24.13	28.63	29.91	32.94	38.71	44.37
Gearing	3.47	29.68	(32.28)	(44.14)	(56.28)	(64.44)
Pay out ratio	0.0	0.0	0.0	0.0	25.00	25.00
Number of shares, diluted	116,218	116,218	131,927	135,012	135,012	135,012
Data per Share (EUR)						
EPS	0.81	1.02	0.76	0.78	1.00	1.15
Restated EPS	0.82	0.98	0.87	0.91	1.05	1.14
% change	*-%*	*19.3%*	*-11.5%*	*4.9%*	*15.3%*	*8.9%*
BVPS	3.62	2.89	4.77	5.43	6.41	7.29
Operating cash flows	1.27	1.29	1.24	1.36	1.58	1.76
FCF	0.91	1.07	0.89	0.95	1.07	1.27
Net dividend	0.0	0.0	0.0	0.0	0.25	0.29

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

Price Chart and Rating History

Worldline



Ratings		
Date	**Ratings**	**Price**
02/11/15	BUY	EUR22.08

Target Price	
Date	**Target price**
25/11/15	EUR29
02/11/15	EUR27

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Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 64.4% NEUTRAL ratings 28.1% SELL ratings 7.4%

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Please see the section headed "Important information" on the back page of this report.

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