5th August 2015

Technology

Capgemini

Price EUR87.05

More details on the Aspire contract re-insourcing by HMRC

Fair Value EUR98 (+13%) **BUY**

Bloomberg	CAP FP
Reuters	CAPP.PA
12-month High / Low (EUR)	90.2 / 49.4
Market Cap (EURm)	14,988
Avg. 6m daily volume (000)	787.2

	1 M	3 M	6 M	31/12/14
Absolute perf.	7.8%	8.8%	33.5%	46.4%
Softw.& Comp. SVS	6.0%	1.1%	14.6%	19.6%
DJ Stoxx 600	4.0%	0.5%	7.2%	16.4%

	2014	2015e	2016e	2017e
P/E	20.9x	19.0x	15.7x	14.1x
Div yield (%)	1.4%	1.6%	1.7%	1.8%

ANALYSIS

- **HMRC is to create an in-house "Digital" company**. As reported yesterday by *Government Computing*, the British HM Revenue & Customs (HMRC) will take over responsibility for IT work previously outsourced to Capgemini, Fujitsu and Accenture (Aspire contract). It is understood that from November 2015, some developments (case management, customs, international) and third-party supplier contracts may be delivered by an in-house HMRC digital company.
- **No significant impact for Capgemini in 2016 is expected.** The announcement is said to be the first step to replace Aspire, which is due to end in June 2017. HMRC is also expected to announce Capgemini will be providing "Test and release" services until 2020 during the digital transformation process, while "up to 250 Capgemini jobs may be transferring to the new company". As mentioned by CEO Paul Hermelin during the H1 15 results conference call on 30th July, these changes will have no impact this year and should not be a significant impact next year, while it is likely to be a limited test of what HMRC wants to do - Capgemini would build on that.

VALUATION

- Capgemini's shares are trading at est. 13.4x 2015 and 10.8x 2016 EV/EBIT multiples.
- Net cash position on 30th June 2015 was EUR1,464m (net gearing: -24%).

NEXT CATALYSTS

Q3 15 sales on 29th October before markets open.

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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.

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