ALTRAN AGREES TO ACQUIRE ARICENT

CLEARSIGHTADVISORS

Transaction Summary

On November 30th, 2017, Altran Technologies S.A. (EPA:ALT) ("Altran"), a global provider of engineering and research and development services ("ER&D"), entered into a definitive agreement to acquire KKR-backed Aricent Inc. ("Aricent"), an international digital design and engineering company, for a total enterprise value of €1.7 billion or $2.0 billion. The deal is all-cash and is expected to close in Q1 2018. The combined company will employ around 44,000 people across about 30 countries generating close to €3.0 billion in revenues.

TARGET Aricent

Aricent is a California-based provider of ER&D services to customers primarily in the communications, semiconductor, and software industries. Its subsidiary, Frog Design, creates digital and physical customer experiences. The company's LTM[1] revenue was $687.4 million.

BUYER Altran

Founded in 1982 and headquartered just outside Paris, France, Altran is a provider of engineering and consulting services to clients in the aerospace, automotive, defense, energy, finance, life sciences, railway, and telecom sectors, among others. Its LTM total revenues were €2,231.4 million.

Transaction Information

Announced Date	11/30/2017
Deal Type	Acquisition
Enterprise Value	$2.0 billion
Revenue Multiple	2.9x LTM[1]
EBITDA Multiple	10.6x LTM[1]
Majority Owner	KKR
# of Employees	~10,500

Aricent's US Presence

Deal Analysis

- *Clearsight Perspective: Altran has been laser focused on growing its US business through acquisitions in the last two years. The company is specifically attracted to software design and development capabilities. Altran has closed nine deals since the beginning of 2016, but this acquisition dwarfs all of them, combined. This is a unique opportunity for Altran to accomplish several high priority strategic goals including 1) rapidly increase scale in the US, 2) rebrand the company into a legitimate digital transformation consultancy, and 3) add renowned design capabilities.*
- In November 2015, Altran unveiled its plan for 2016 through 2020 called "Altran 2020. Ignition." Its financial targets were to achieve revenues of greater than €3.0 billion, an EBIT margin of about 13%, and free cash-flows of 7% of revenues; one of its key strategies to accomplish these lofty goals was to establish a major presence in the US.
- Aricent has large operations in both the US and India (roughly 8,500 of Aricent's employees are based in India), while over 90% of Altran's revenue is currently generated in Europe.
- Today Altran's EBITDA margin is around 11%, but the addition of Aricent, which has an EBITDA margin close to 28%, is expected to improve Altran's EBITDA margin to nearly 15%.

1. Aricent's LTM data is pro-forma for the full-year impact of software deals and is as of 30-Jun-2017.
Sources: 451 Research, company websites, press releases, and S&P Capital IQ as of 30-Nov-2017