

Solutions 30

Servicing Europe's digital goods

Solutions 30 has delivered impressive growth over the past decade, driven by supportive industry dynamics and replicating its business model across new applications and geographies. We believe that growth dynamics continue to look favourable, and while the shares now price in strong ongoing performance, if execution remains strong we see good scope for upside over the longer term.

Expanding

Solutions 30 SE provides installation, troubleshooting, training and consultancy services for digital equipment across five areas: information technology, telecommunications, energy, digital and security. These services are delivered by over 2,000 service engineers, of which c 1,000 are freelance. The company originated in France, which accounted for 64% of H117 revenues (up 22% y-o-y driven by the continued roll-out of fibre optic and the Linky smart meter installation business). The company is expanding across Europe, replicating the model it has implemented so successfully in France using acquisitions to establish and strengthen its position in these markets. Boosted by the integration of the 2016 acquisitions of ABM, Janssens and Autronic, international revenues increased by 69% to €42.6m in H117, with organic growth also robust at 17%.

Strong growth track record and prospects

Revenues have grown at a CAGR of over 20% since 2007. Organic growth is supported by the proliferation of electronics devices and their renewal cycles. Solutions 30 has capitalised on this through progressively applying its replicable business model to new applications and geographic markets. Strong performance continued in H117, with revenues, adjusted EBITDA and net income rising 36%, 38% and 39% y-o-y. Q3 revenues saw this trend continue, as demonstrated by 48% y-o-y growth. Organic revenue growth (over H1) was 21%. As the company operates in a fragmented market and the internationalisation strategy is now gaining critical mass, we believe that growth dynamics continue to look favourable. Management has confirmed FY17 guidance of profitable double-digit growth rates, with continuing focus on costs.

Valuation: Growth priced in, but catalyst for upside

The shares have appreciated c100% over the last year and now trade at a premium consensus FY17e P/E of 41x. However, due to the strength of mid-term growth forecasts, this falls to a more moderate 29x in 2019e. Key catalysts include further evidence of successful integration of the 2016 acquisitions, improving profitability, additional large contract wins and potentially earnings-enhancing M&A.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/15	125.3	6.0	0.40	0.0	66.7	N/A
12/16	191.8	9.7	0.80	0.0	33.3	N/A
12/17e	259.2	13.8	0.65	0.0	41.0	N/A
12/18e	344.2	24.0	0.91	0.0	29.3	N/A

Source: Bloomberg

IT services

21 November 2017

Price €26.67
Market cap €635m

Share price graph



Share details

Code	ALS30
Shares in issue	23.8m
Net debt (€) as at June 2017	28.1m

Business description

Solutions 30 SE provides installation, troubleshooting, training and consultancy services for digital equipment, and operates in five areas: energy, IT/telecom, multimedia, POS terminals and security.

Bull

- Largest player in a fragmented market.
- Growing fast outside of core French market.
- Now at sufficient scale to win large contracts.

Bear

- High near-term rating.
- Low margins.
- Cash-consumptive during this rapid growth phase.

Analysts

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