MASTER'S IN BUSINESS ADMINISTRATION (MBA)

MASTER THESIS

Capgemini Group's acquisition of Altran Technologies

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Abstract

The acquisition of companies is a common practice among corporations seeking rapid growth. During the second half of 2019, 25,928 transactions took place worldwide, being one of those, Capgemini Group's (IT services provider) acquisition of Altran Technologies (ER&D services provider) for 3.7 billion euros (14.5 euros per Altran share); with the main goal of building a strong brand in the arising Intelligent Industry market.

Therefore, the main objective of this project is: first, determine whether the purchase price was fair; and second, assess the success or failure of this merger, three years after the effective integration (1 April 2022).

On one hand, at first glance, the share price seemed fair, as the current market value was around 14.3 euros per share. This has been further supported by the completion of an additional valuation which concluded in a share value of 14.6 euros.

On the other hand, after running a comprehensive analysis of Capgemini's financial results, an overall positive impact has been observed; not only in the increase of the main indicators (EBITDA, EBIT and Net Income), but also, in Capgemini's market capitalization.

In conclusion, the acquisition of Altran by Capgemini has proved to be a huge success.

Keywords: M&A transaction, Intelligent Industry, Enterprise value, Market Capitalization

Resumen ejecutivo

La adquisición de empresas es una práctica común entre las corporaciones que buscan un rápido crecimiento. Durante el segundo semestre de 2019, se produjeron 25.928 adquisiciones en todo el mundo, siendo una de ellas, la adquisición por parte del Grupo Capgemini (proveedor de servicios de TI) de Altran Innovación (proveedor de servicios de I+D+I) por 3.700 millones de euros (14,5 euros por acción de Altran); con el objetivo principal de construir una marca fuerte en el mercado emergente de Industria Inteligente.

Por lo tanto, el objetivo principal de este proyecto es: primero, determinar si el precio de compra fue justo; y segundo, evaluar el éxito o fracaso de esta fusión, tres años después de la finalización de la adquisición (1 de abril de 2022).

Por un lado, a primera vista, el precio de la acción parecía justo, ya que el valor de mercado vigente se situaba en torno a los 14,3 euros por acción. Este valor se ha contrastado, mediante la realización de una valoración adicional de la empresa que ha concluido en un valor de la acción de 14,6 euros.

Por otra parte, tras realizar un análisis exhaustivo de los resultados financieros de Capgemini, se ha observado un impacto global positivo; no sólo en el aumento de los principales indicadores (EBITDA, EBIT y Beneficio Neto), sino también, en la capitalización bursátil de la empresa.

En conclusión, se puede afirmar que la adquisición de Altran por Capgemini ha resultado ser un gran éxito.

Palabras clave: Fusiones y adquisiciones, Industria inteligente, Valor de empresa, Capitalización bursátil.

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Chapter 1. INTRODUCTION

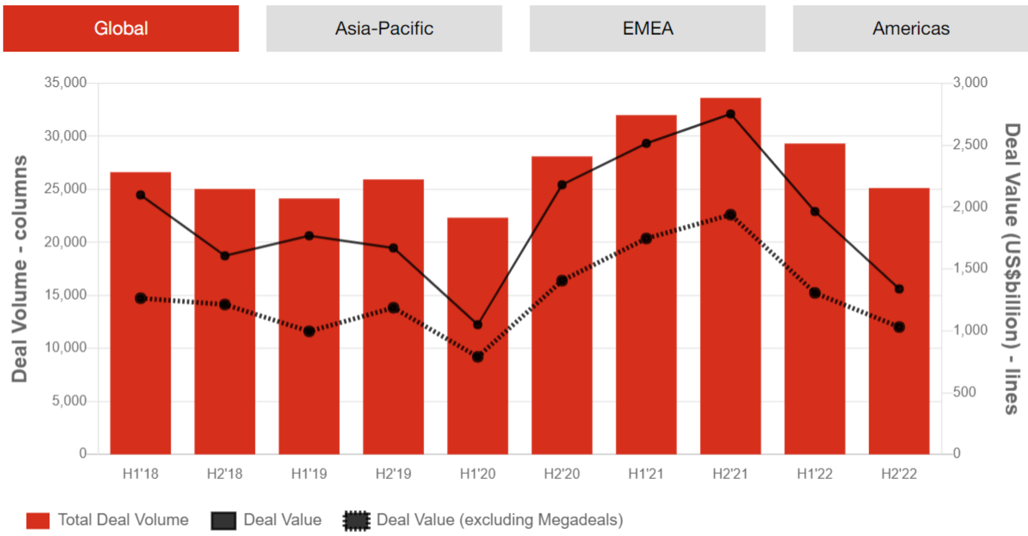
In the business world, corporations seek to sustainably grow overtime in order to keep competitive and succeed. Growth can be understood as: gaining new or complementary capabilities, entering new markets, or overcoming market barriers and competitors.

There are three main ways a corporation can grow. Firstly, by **developing organically**. This method is mainly used when the company in question has the capabilities necessary to easily gain the targeted resources for the successful implementation of the new strategy. Secondly, by setting **strategic alliances**. This arrangement involves the sharing of some knowledge, resources and capabilities, with the risk of losing know how in the process. In order to this collaboration to succeed, there is a need for balanced contribution, symmetrical learning and strategic alignment between the companies involved. The most common alliances are:

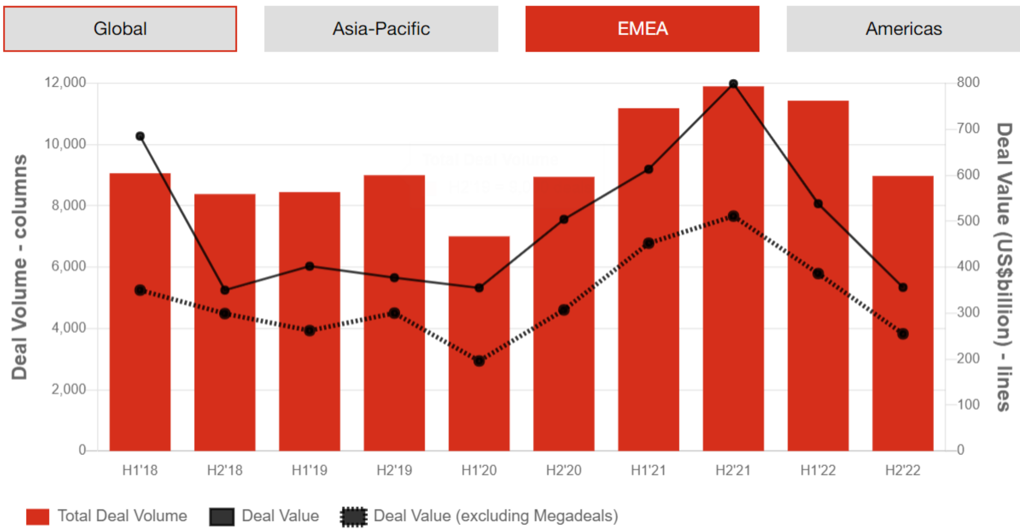
- **Technology development alliances:** many companies partner with Research & Development (R&D) departments and consultancies, with the aim of improving in technology and know – how.
- **Operations and logistics alliances and marketing, sales and service strategic alliances:** many corporations share facilities and distribution infrastructure in foreign countries, in order to enter new markets.

Finally, by **acquiring or merging** with other companies, also known as M&A. On one hand, this option is the fastest way to gain capabilities, enter new markets and pre-empt competitors to hold on premium positions, as well as a strong lever for transformation. On the other hand, it is the riskiest one, due to the complexity of the integration process to the acquirer entity, often caused by companies' cultural differences and misunderstanding of the targeted company, which can lead to a value destruction and ultimately, to the complete failure of the transaction. Indeed, the M&A failure rates reaches the 70 – 90% worldwide (Graham Kenny, 2020).

Regarding the M&A market, it usually slows down during times of uncertainty and market volatility. Other factors having a negative impact on the M&A market could be an increase in interest rates, high inflation, geopolitical tensions and tightening of regulations (PwC, 2023).This is clearly backed up and reflected in Graphic 1 and Graphic 2, the COVID – 19 pandemics led to a huge downturn in 2020 and the current interest rates and inflation, as well as the Ukraine war are also causing executives to push back their heels these days. On the contrary, it is also stated that the most successful deals take place during crisis times (PwC, 2023).



Graphic 1. M&A global market evolution: Deal volume and values 2018 – 2022 (PwC, 2023)



Graphic 2. M&A EMEA market evolution: Deal volume and values 2018 – 2022 (PwC, 2023)

Finally, taking a quick look in the period of interest, prior and during 2019, global M&A volumes and values remained steady (Graphic 1). More precisely, in the second half of 2019, 25,928 deals took place worldwide, with a total value of 1.669 trillion dollars (PwC, 2023). In the course of this project, one of these transactions will be analyzed in deep, Capgemini Group's acquisition of Altran Technologies.

1.1 ALTRAN TECHNOLOGIES

Altran Technologies Group was a global leader in Engineering Research and Development (ER&D) services market, offering a wide variety of innovative and technical solutions in eleven industries: automotive; aeronautics; space, defense & naval; rail, infrastructure & transport; energy; industrial & consumer; life sciences; communications; semiconductors & electronics; software & internet and finance & public sector (Altran, 2018).

For instance, one of the most remarkable and relevant projects in which Altran took part on was the development of the network of the French high – speed train (TGV) (Altran, 2018).

1.1.1 HISTORY

Altran Technologies was originally founded under the name of CGS Informatique in France in 1982; before rebranding as Altran Technologies in 1987 (Altran, 2018). By then, the company had already gone public and entered the Paris Stock Market (Altran, 2018).

Some years later, in 1992, the company began its growth beyond its borders, with the opening of it first international division in Belgium; since then, the company expanded its operations globally, operating in over 30 countries worldwide in 2019, with a strong activity in Europe (74%[1]) and Americas (25%), reaching a total of 50,124 employees worldwide (Altran, 2019a). This rapid growth was fueled in part by key acquisitions

[1] In terms of revenues

throughout the years; for example, Aricent, a world leader in digital design and engineering services, was Altran's latest acquisition in 2018 (Altran, 2018).

1.1.2 ORGANIZATIONAL CHART

Altran Technologies was divided into seven transversal business units, each one specialized in certain services or activities: Altran Consulting, Altran Digital, Altran Engineering, World Class Centers, frog, Industrialized Global Shore and Cambridge Consultants (Altran, 2018). At the same time, these business units worked along with six further divisions grouped by sectors or industries, including, all of the above mentioned (Altran, 2018).

The automotive (18%), aerospace, defense and rail (20%) and Communications (19%) segments accounted for the largest volume of business and revenues (Altran, 2019a), thanks to key and strategic partners, such as, BMW, Airbus and Telefonica (Altran, 2018).

1.1.3 STRATEGY

In 2018, Altran Technologies launched a new strategic plan to be achieved by 2022, "*The High Road, Altran 2022*". This plan was born out of the need to adapt to the fast – growing ER&D market, the disruption of new technologies and the shift in customer needs towards digitalization (Altran, 2018). Three main goals were set:

- **Synergies among services and sectors**: find synergies between the different business units and sectors in terms of expertise, in order to continue to provide high value services (Altran, 2018). For instance, digitalizing or automatizing engineering processes would involve the need of cross functional teams, with engineering and deep digital knowledge (Altran, 2018).
- **Potential industries:** strengthen its position in many sectors with huge potential for growth, such as, software and internet, semiconductors and electronics, automotive and communications (Altran, 2018). For that purpose, the company would take advantage of its own capabilities to grow organically.
- **Geographic leadership:** reinforce its global presence, by developing in Asian countries (Altran, 2018).

Additionally, some financial milestones were established (Table 1):

Table 1. Altran Technologies: Altran's financial performance in 2018 and targeted performance for 2022 (Altran, 2018); (Altran, 2019a)

	2018	2019	2022
Revenues (billion €)	2.92	3.21	4
Operating profit or EBIT (%)	7.4	9	

1.2 CAPGEMINI GROUP

Capgemini Group has historically been known as one of the world's leading Information Technology (IT) consulting firms, specialized in technology services and digital transformation (Capgemini, 2022b). The company offers their clients pioneering and innovative technological solutions in seven areas of activity or sectors: consumer goods & retail, energy & utilities, financial services, manufacturing, public sector, telecommunications, media & technology and services (Capgemini, 2022b). All its solutions are driven and based on two main pillars: data & artificial intelligence (AI) and cloud (Capgemini, 2022b).

1.2.1 MISSION STATEMENT

Capgemini's mission statement: "*Unleashing human energy through technology for an inclusive and sustainable future*" (Capgemini, 2022b).

1.2.2 HISTORY

Capgemini Group was originally founded under the name of Sogeti (rebranded as Capgemini in 1990) in France in 1967, as a pioneering IT services company in Europe (Capgemini, 2022b). In the late 1970's the company started its international adventure in other European countries and USA. Some years later, in 1985, it was listed on the Paris Stock Market (Capgemini, 2022b).

Since it starts, the Group has had a rich history marked, on one hand, by key acquisitions of companies around the world, both, direct competitors (SESA, Volmac…) and from different markets (Ernst & Young…) (Capgemini, 2022b); and, on the other hand, by contracts and partnerships with strategic and multinational companies (Dell, Google, Microsoft, Salesforce…) (Capgemini, 2022b). This allowed the company to enter new markets, expand globally, widen its client and offer portfolio, and ultimately, enlarge its revenue streams. Nowadays, the company operates in over 50 countries reaching a workforce of 360,000 people, with strong operations in Europe (60%[2]) and North America (31%) (Capgemini, 2022b).

1.2.3 BUSINESS LINES

The Group has three Global Business Lines (GBL), each one being a specific brand within the Capgemini Group: Strategy & Transformation under the name of Capgemini Invent; Applications and Technology inside the Sogeti brand and Operations & Engineering collected in Capgemini Engineering subsidiary (Figure 1) (Capgemini, 2022b).

- **Strategy & Transformation as Capgemini Invent:** leads the consulting services regarding digital innovation and transformation, with special expertise in strategy, data science and technology (Capgemini, 2022b). When acquiring Altran Technologies, Altran's Cambridge Consultants and frog business units were absorbed by this business line (Capgemini, 2022b).
- **Applications & Technology as Sogeti:** helps companies to develop and keep updated their IT environment, so this is completely secure; taking advantage of the Group's know – how in cybersecurity and cloud development (Capgemini, 2022b).
- **Operations & Engineering as Capgemini Engineering:** provides manufacturing companies the latest technologies to launch their digital transformation; thanks to the Group's experience in Engineering, Research and Development (ER&D) and Information Technology (IT) services (Capgemini, 2022b). Although these services existed previously in the company; a separate brand was formerly created in 2021, during Altran's integration process to the Capgemini (Sam Connaty, 2021).

[2] Out of the total revenues

The business line reporting the highest revenues in 2022 was Applications and Technology (63%), followed by the Operations and Engineering business line (29%) and last, the Strategy and Transformation business line (8%) (Capgemini, 2022b).

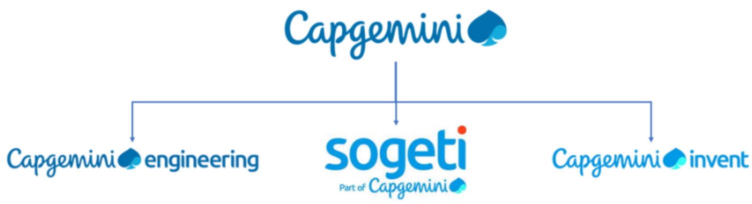


Figure 1.Capgemini Group: Brands and Global Business Lines (GBL) (Capgemini, 2019)

1.2.4 ORGANIZATIONAL CHART

Regarding Capgemini Corporation's organization, this is divided into four geographic and one sectorial Strategic Business Units (SBUs): Southern & Central Europe, Northern & Central Europe, Americas, Asia Pacific and Financial Services, respectively (Capgemini, 2022b). These SBUs are formed by several Business Units (BU), summing up a total of 30 worldwide (Capgemini, 2022b).

Finally, each Business Unit is also made up by many Market Units (MU), organized by sectors (Capgemini, 2022b). This enables the company to deliver a completely client focused offer portfolio, adapting to the corresponding geographic market and sector; as well as, taking advantage of the possible synergies between the different entities (Capgemini, 2022b).

1.2.5 STRATEGY

The corporation's core strategy relies on innovation since its starts (Capgemini, 2022b). Taking always the innovation at the core, a clear change in the strategy direction happened in 2018, turning into a more digital centric and agile one (still ongoing), boosted in part by the digital transformation demanded by the different agents of the market (Capgemini, 2019). To this end, minor strategy guidelines were established focusing on three main areas:

- **Costumer First:** the goal is to reinforce the relationship between the Group's clients and their customers, by providing a valuable costumer experience, adding value in each stage of the costumer journey (Capgemini, 2019).
- **New technologies and Intelligent Industry:** the objective is to strengthen the company's position in the development of new technologies and applications for the digitalization of the different sectors; by leveraging its current knowledge and expertise in cloud, artificial intelligence (AI), digital manufacturing, cybersecurity and other services (Capgemini, 2019).
- **Environment social governance (ESG):** firstly, regarding environmental concerns, the company seeks to reach a net zero business by 2040, by implementing digital solutions (Capgemini, 2022b). Secondly, socially, the Group fosters diversity and inclusion, while enhancing the talented workforce (Capgemini, 2019). Finally, concerning corporate, the corporation aims to promote an accountable, ethical and diverse corporate governance (Capgemini, 2019).

As on previous occasions, in order to address and achieve these new strategies, the company mainly opts for key acquisitions of other companies well positioned in the targeted market segment (Capgemini, 2022b). Indeed, the acquisition of Altran Technologies in 2019 was a strategic move to accelerate the digitalization in Capgemini's offer portfolio, by developing Intelligent Industries (Capgemini, 2019).

Finally, these transactions are mainly possible thanks to the strong financial performance and established investment policy of the company.

1.2.6 FINANCIAL INSIGHTS

Capgemini Group has reached a robust financial position throughout the years. Regarding the company's financing policy, on one hand, the Group moderates the use of debt leveraging, keeping the total net debt at bay; on the other hand, the company diversifies the financing sources, based mainly in "bank" sources, what enables the organization to keep an adequate level of liquidity and funds (Capgemini, 2023b). Overall, the Group enjoys a BBB/stable credit rating in the access for financial and banking markets, attributed by the agency Standard & Poor's in March 2023 (Capgemini, 2023b). Note that, back in 2019, the company already held this rating (Capgemini, 2019).

Additionally, some highlights of the latest financial results are shown in the Table 2.

Table 2. Capgemini Group: Latest insights of Capgemini's financial performance (Capgemini, 2018); (Capgemini, 2019); (Capgemini, 2020); (Capgemini, 2021); (Capgemini, 2022b)

	2018	**2019**	**2020**	**2021**	**2022**
Revenues (billion €)	13.2	14.13	15.85	18.16	22
Operating profit or EBIT (%)[3]	9.5	10.1	9.5	10.1	10.9

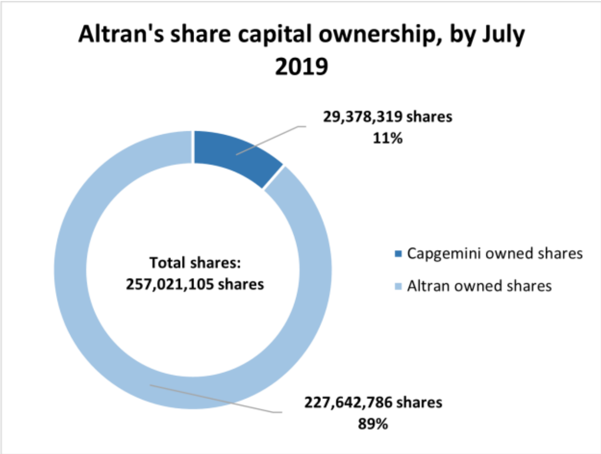
1.3 ACQUISITION

On June 24, 2019, Capgemini Group announced a public friendly tender to acquire Altran Technologies, leading to exclusive negotiations between both parties (Altran, 2019b). This first tender offer agreement was a friendly takeover bid at **14 euros per Altran share**. At the time, Altran's share capital comprised 257,021,105 shares (Lièvre & Biraud, 2020); as a result, the proposed acquisition would have led to a 3.6 billion euros transaction, excluding Altran's net financial debt of 1.4 billion euros (Altran, 2019b).

During these exclusive negotiations, Capgemini took a step towards the acquisition on July 2, 2019, by purchasing 29,378,319 Altran shares, corresponding to 11,43% of the total stake as shown in Graphic 3, from Apax Partners, for 0.4 billion euros in cash (Capgemini, 2019). This purchase was financed by the company's own available cash[4] (Capgemini, 2019).

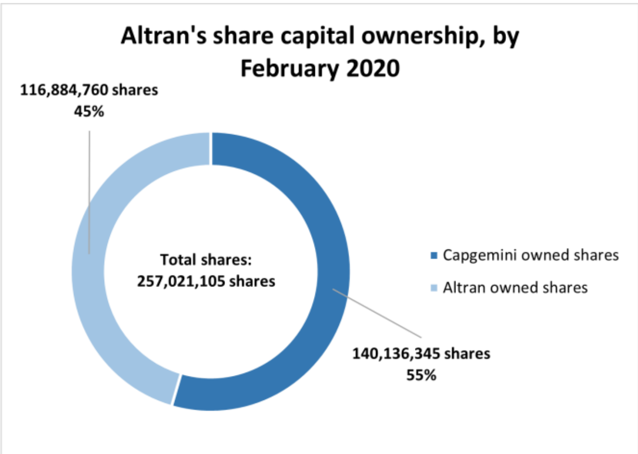
The acquisition agreement was finally formerly signed on August 11, 2019, under the initial terms; with a completion deadline of April 1, 2020 (Capgemini, 2019). Subsequently, the French Financial Market Authority (AMF) approved the offer on October 14, 2019 (Capgemini, 2019).

[3] % out of the total revenues
[4] Capgemini's consolidated statement of cash flows reported a cash outflow of 413 million euros regarding the acquisition of Altran Technologies' in 2019 (Capgemini, 2019).



Graphic 3.Altran Technologies: Altran's share capital ownership by July 2019 (Capgemini, 2019)

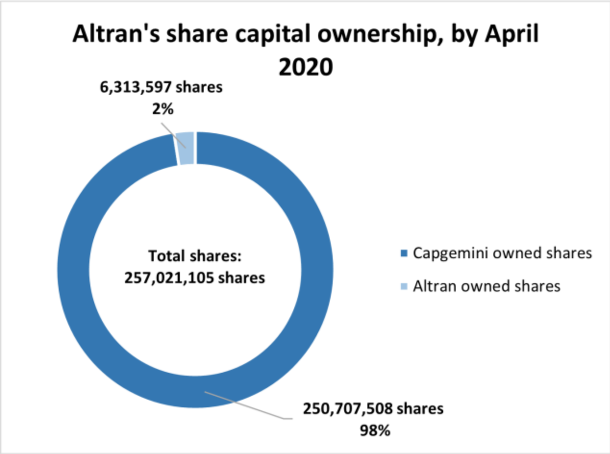
However, on October 16, 2019, Capgemini decided to change the offer price, from the initial 14 euros per share to **14.5 euros per share** (Capgemini, 2019). As a result, the offer was reopened, and the second offer was subsequently approved and closed on January 22, 2020 (Capgemini, 2019). As of February 2020, Capgemini had acquired 140,136,345 Altran shares, representing 54.52% of Altran's share capital as shown in Graphic 4, thereby exceeding the 50.1% threshold (Capgemini, 2019).



Graphic 4. Altran Technologies: Altran's share capital ownership by February 2020 (Capgemini, 2019)

Between March 16 and 27, Capgemini once more reopened the offer, without terms change, for the remaining shareholders to take the offer (Capgemini, 2020). Consequently, 110,571,173 additional Altran shares were transferred to Capgemini's domain by April 1, 2020 (Capgemini, 2020). With this transaction, Capgemini held almost the entire Altran's share capital, a total of 97.54% as shown in Graphic 5

(Capgemini, 2020). Afterwards. the remaining shares were promptly squeezed – out, thereby giving Capgemini complete ownership of Altran's share capital.



Graphic 5. Altran Technologies: Altran's share capital ownership by April 2020 (Capgemini, 2020)

Finally, regarding the financing sources, on June 24, 2019, Capgemini signed a bridge loan for an amount of 4.4 billion euros with a year of maturity (extendable until June 2021) to finance the acquisition (Capgemini, 2019).

1.4 OBJECTIVES AND SCOPE OF THE CONSULTING PROJECT

Once the total integration has been fully completed, it is time to assess the success or failure of this acquisition: **Was the purchas price fair? Has the purchase added value to the company (Capgemini)? Has the fusion affected other business unit negatively or positively? Have the results achieved been as expected?** The results of this analysis will help the organization decide on the next steps to take.

Therefore, the main goal of the project is to determine to what extent Capgemini Group's purchase of Altran Technologies was successfully done. On one hand, the price of the acquisition will be assessed by estimating Altran's real value at the moment of the initial offer, June 2019. On the other hand, the impact of the acquisition will be analyzed in Capgemini's financial results.

More precisely, these areas will be covered along the project:

1) The reasons behind Capgemini's acquisition of Altran will be explored; identifying the drivers that made Capgemini take this step.
2) The alignment and ease of integration of both companies will be evaluated, in terms of resources and capabilities, and mission, vision and values.
3) Altran's valuation will be done, based on its financial results of 2019 and future projections.
4) The final terms of the acquisition agreement will be presented.
5) Nowadays Capgemini's results will be analyzed: profitability, debt, liquidity….
6) The advantages or disadvantages of this merger will be probed.

1.5 METHODOLOGY

First of all, both firms will be introduced, providing an overview of their respective missions, histories and organizational structures, as well as their latest strategic plans.

Secondly, the macro environmental factors that may have affected the companies' operations will be analyzed. This analysis will aim to determine whether the surrounding conditions, such as, economic trends, political climate and technological developments, were favorable or unfavorable for the acquisition. For this purpose, the PESTEL framework will be used.

Thirdly, the attractiveness of the targeted markets, Engineering Research & Development (ER&D) and Information Technology (IT), will be addressed, focusing on growth prospects and competitive landscape. Additionally, an in-depth internal analysis of both companies will be conducted to determine their position in their markets, taking into account their resources, capabilities and competitive advantages. This analysis will seek to identify the main drivers for the acquisition (access new markets, gain new capabilities, overcome competitors…) and will help to evaluate the alignment of both companies, looking for potential gaps to be covered through the merger. Some useful tools utilized for this study have been Porter's 5 forces and SWOT frameworks.

Then, Altran's financial situation will be comprehensively analyzed, to facilitate the company's valuation. For the valuation, the discounted free cash flows method will be used. The purpose of this analysis is to determine whether the acquisition offer was reasonably priced.

Afterwards, the current financial position and market value of Capgemini will be reviewed, in order to argue the success or failure of the purchase, by analyzing the impact of the merger in the company's financial results. For this, different ratios and financial indicators will be analyzed.

Finally, in light of the analysis and conclusions drawn for the project, recommendations for any necessary improvement will be proposed, if needed.

Chapter 2. ACQUISITION DRIVERS

As it has been already mentioned, the acquisition of other companies is a common practice among corporations seeking rapid growth. However, sometimes there are also other underlying motivations behind these transactions that are worth considering.

Therefore, in order to correctly assess the main drivers for Capgemini's acquisition of Altran, an in-deep analysis will be carried out throughout this chapter. Firstly, the most global aspects and macroenvironmental factors influencing both companies' operations will be presented. Secondly, the attractiveness of the targeted markets, ER&D and IT, will be addressed, in terms of growth prospects and competitors. Then, the companies' position in these markets will be addressed, by carrying out an internal analysis of them (strengths, weakness, opportunities…). Finally, the suitability and advantages of the fusion will be determined.

2.1 ANALYSIS OF THE MACROENVIRONMENT

Back in 2019, Capgemini Group and Altran Technologies operated in over 30 and 40 countries, respectively: with strong presence in Europe, especially France (Altran, 2018; Capgemini, 2018). As global companies, operating worldwide, there were many political, economic, social, ecological, technological and legal aspects that could directly impact the course of their activities. For example, Brexit, interest rates and volatility of currency exchange rates.

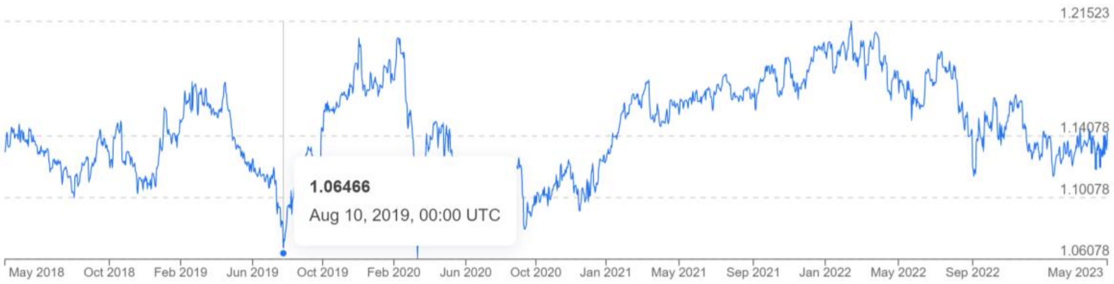
2.1.1 POLITICAL AND LEGAL FACTORS

In 2019, although overall, the primary regions where Altran and Capgemini operated in enjoyed political stability, there were some exceptional events noteworthy.

2.1.1.1 European Union

On one hand, the **European Parliament elections** took place on May 2019, which could have caused a change of course in the political arena and ultimately, as on many other occasions, to new regulations (tax obligations, environmental recommendations, labor reforms…). A new legal framework could have had a direct negative impact on the financials of the companies.

On the other hand, although the **United Kingdom (UK) was due to formally leave the European Union (EU)** by 29 March 2019 (Walker, 2021); the failure to reach a withdrawal agreement with the EU delayed its exit on numerous occasions (Walker, 2021), causing an atmosphere of uncertainty. Indeed, the pound sterling depreciated sharply during that time, falling to its lowest value in five years as shown in Graphic 6: one Great Britain Pound (GBP) was equivalent to 1.0369 Euros (EUR), on August 10, 2019 (XE, 2023).



Graphic 6. GBP to EUR historic exchange rate (XE, 2023)

Numerous companies in the UK expressed their concerns, in regard of trade agreements; since until then, as a member of the European Union, companies operating within its barriers enjoyed several advantages when doing business, including free trade, tariff exemptions and favorable foreign investment from member states (European Union Commission, 2023).

Finally, the UK officially exited the EU on 31 January 2020 (Walker, 2021); after reaching a Trade and Co – operation Agreement on 24 December 2020 with the European Union (European Union Commission, 2023).

Finally, the **French social protests popularly known as the "yellow waistcoats",** marked the political and social environment at the beginning of the year 2019 in France (country where Altran's and Capgemini's headquarters are located) (BBC, 2019). This uproar came in the wake of the government's proposal to raise fuel tax prices, especially diesel (BBC, 2019).

2.1.1.2 United States and China

Additionally, in 2018, **trade tensions between China and US** were starting to scale up, having a negative impact in consumers and producers of products and services of both countries; including Capgemini and Altran, which had operations in these countries. Increasing tariffs and trade barriers were set. More precisely, USA announced a 25% tariff increase to products imported from China, which entailed the subsequent retaliation from China (International Monetary Fund, 2019).

These trade barriers led to a significant decrease in trade between both countries. In fact, the exports from US to China amounted to a total of 119 billion US dollars in 2018 and decreased to 102 billion US dollars in 2019; while China's exports counted a total of 504 and 430 billion US dollars in 2018 and 2019, respectively (The Observatory of Economics, 2021).

2.1.2 ECONOMIC FACTORS

The economic factors that could have a bigger impact on global companies seeking expansion are: GDP growth, volatility of currency exchange rates, interest rates and inflation.

2.1.2.1 GDP growth estimates

In 2019, the International Monetary Fund (IMF) estimated the growth of the **global GDP** at 2.9%, as represented in Figure 2 (International Monetary Fund, 2020). This was a slight slowdown from the previous year, 2018, which registered a growth of 3.3%, equivalent to 86.47 trillion current US$ (The World Bank, 2023a).

Regarding the forecast for the upcoming year 2020, the IMF expected a robust GDP growth of 3.3%, as shown in Figure 2, largely attributable to the strong economic growth in emerging countries, such as, China and India (International Monetary Fund, 2020).

Indeed, the estimations of growth in emerging and developing Asia were pegged at nearly 6% by 2021, as represented on Figure 3.

Additionally, Euro Zone's economic growth was projected to remain steady, around 1.3%, as show in Figure 3; while the United States and Canada were about to enter in recession, with a moderate growth expectation of 2.0%, as represented on Figure 3 (International Monetary Fund, 2020).

A growing GDP rate indicates that the economy is expanding and guarantees increased demand for goods and services; this creates growth opportunities for businesses, such as expanding into new markets or investing in R&D, to meet this growing demand.

Figure 2. Latest World Economic Outlook: Global GDP growth projections (International Monetary Fund, 2019)

Figure 3. Latest World Economic Outlook: Regional GDP growth projections (International Monetary Fund, 2020)

Note that, all these predictions did not come true due to the arrival of COVID – 19 pandemics, which destabilized the entire world economy and plunged it into a major crisis, the consequences of which are still latent today.

2.1.2.2 Volatility of currency exchange rates

Another key factor and risk to be considered when doing business globally is the **volatility of exchanges rates between different currencies**, since it could adversely affect the company's finances.

On one hand, if a company does business with suppliers or customers using a different currency, a sudden fluctuation in the value of that currency can have a significant impact on the costs and prices of the company's imported and exported goods or services; and thus, on its profitability and competitiveness. On the other hand, a volatile currency can make long-term planning, strategic decision-making and foreign investments complex, since unpredictable changes in currency value can make it difficult to assess future profits and market real value.

Among all the countries in which Capgemini operates, the one presenting the "riskiest" currency, from 2019 to today, has been the Brazilian Real (BRL), with a negative variation of -23.08%, as it is noticeable in Graphic 7 (XE, 2023).

Graphic 7. Volatility of the Brazilian real against the Euro (XE, 2023)

2.1.2.3 Interest rates

Regarding **interest rates**, the European Central Bank kept interest rates at zero for eight years, from 2013 to 2021, after the 2008 financial crisis (Datos Macro, 2023). The aim of this policy was to encourage spending and investment, as the cost of debt was negligible. Thus, companies could invest in new projects, stock market, real estate or M&A, stimulating economic growth and employment.

2.1.2.4 Inflation rate

Finally, concerning **inflation rate,** the global inflation rate stood at 2% in 2019 (The World Bank, 2023b). More precisely, the inflation of the European Union remained steady and below the global average at a rate of 1.6% (The World Bank, 2023b); France reported an even lower inflation rate of 1.1 % (The World Bank, 2023b). Moreover, the United States inflation rate was 1.8%, which was twenty basis points lower than the global value (The World Bank, 2023b).

A moderate inflation contributes positively to the economic growth. On one hand, a lower inflation encourages costumers to buy goods and services, thereby increasing demand. On the other hand, it makes more attractive to businesses to expand and invest, taking advantage of that growing demand; while, contributing on reducing unemployment rates.

Note that financially speaking a positive inflation causes money to worth more today than tomorrow, in terms of purchasing power, which boosts consumption.

2.1.3 TECHNOLOGICAL, ENVIRONMENTAL AND SOCIAL FACTORS

Already in 2019, some new **technological trends** were emerging in almost every sector, from mobility to life sciences (Altran, 2018). Some of these technologies were: cloud, data, internet of things (IoT), artificial intelligence (AI) and machine learning (Kasey Panetta, 2018).

For example, in terms of mobility, the autonomous vehicles started to develop, and drones were also becoming a reality (Altran, 2018). Concerning communications, 5G was about to start happening, contributing to the acceleration of electronics and software sector (Altran, 2018).

This led to a change in organizations' business models, to build them around these new technologies and digitalize. Indeed, many companies' strategy focused on leading this digital transformation, standing out among them, Capgemini (Capgemini, 2018) and Altran (Altran, 2018).

Finally, it is worth outlining that **society** and organizations started to increasingly raise real awareness about **environmental** issues. This caused a change in consumers purchasing habits, with more people opting for sustainable products and services over cheaper alternatives. In addition, governments begun to exert pressure on businesses by introducing higher sustainability standards, through more stringent regulations. for example, the contribution to the SDG goals.

Overall, back in 2019, despite some uncertainties in the political front, the global economic growth outlook was encouraging for companies to expand and invest, taking into account the projected GDP growth and the low interest and inflation rates. Moreover, challenging opportunities were arising due to the disruption of new technologies and environmental concerns in nearly every field of activity.

2.2 ANALYSIS OF MARKET

Back in 2019, Capgemini Group and Altran Technologies were global leaders in the IT and ER&D markets, respectively (Everest Group, 2019). These markets were booming due to the advent of new technologies, and growth prospects were promising.

2.2.1 ENGINEERING, RESEARCH AND DEVELOPMENT MARKET SERVICE

The **ER&D activities** comprise all services from the idea or **product** conception (design, testing and prototyping) to its industrialization (testing, production and IT involved in the process). It does not include the typical IT activities (Altran, 2018).

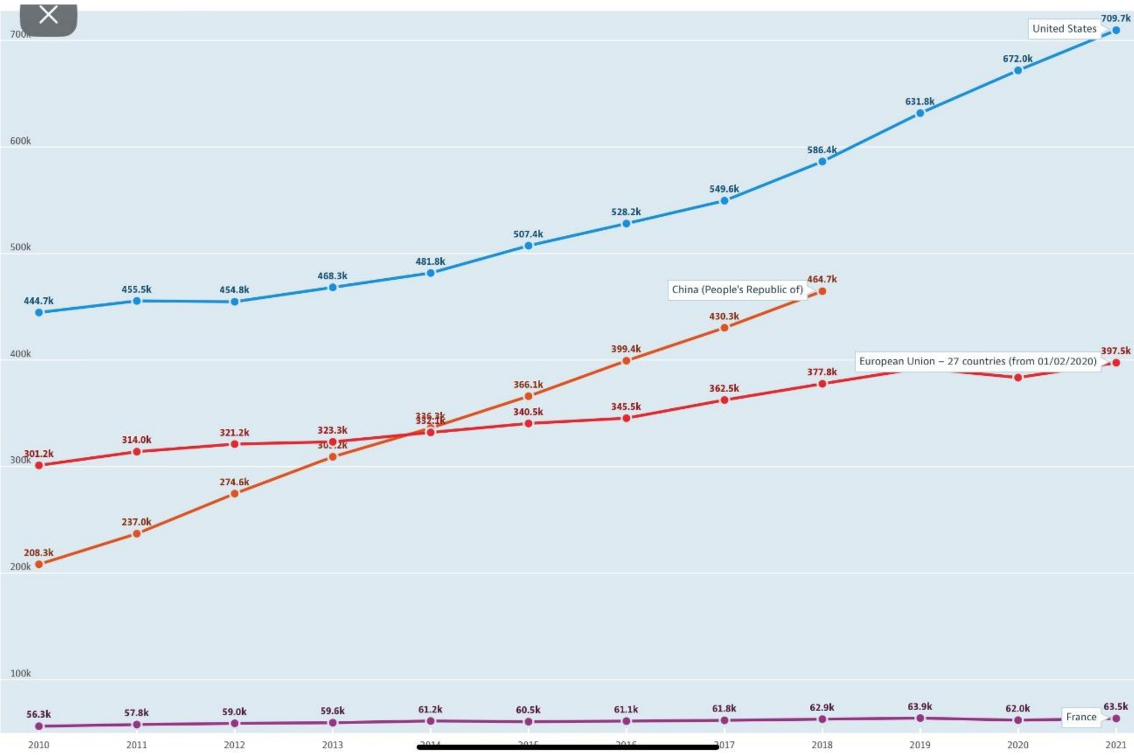
As Altran stated in 2018, most companies tend to outsource the Engineering Research and Development (ER&D) activities, either partially or fully. This approach allowed them to swiftly access cutting – edge technologies and expertise without bearing substantial economic burdens (Altran, 2018).

In fact, the ER&D companies typically allocate a substantial amount of their capital towards advanced technology and equipment, specialized workforce and testing facilities; in order to keep competitive and at the forefront of the market. Altran actually established seven research centers, also called, World Class Centers. Each Center specialized in the development of innovative and cutting – edge solutions for a certain sector or industry. For example, *LiS Process Excellence Center* focused on business processes, within the life sciences industry; *Advanced Manufacturing Center* worked in the transformation of production activities or *Passive Safety Center* specialized in the development of autonomous vehicle safety (Altran, 2018).

2.2.1.1 Size and growth perspectives of the market

In the recent years, the ER&D market has witnessed an exponential growth due to the increasing demand for digitalization in numerous companies.

In 2019, the global **expenditure in R&D**[5] reached the amount of 1,505,857 million US$, representing a 2.564% of the global GDP (OECD, 2021). The United States was in the lead, with a total spending of 631,845 million US$, followed by China with an investment of 464,705 million US$ and the European Union with an expenditure of 392,468 million US$ (OECD, 2021). France was at the bottom of the list with a R&D spending of 63,923 million US$ (OECD, 2021). All these data are reflected in Graphic 8.



Graphic 8, R&D expenditures worldwide (OECD, 2021)

[5] ER&D is a branch of the global R&D

More precisely, in regard of the ER&D market size, it was estimated on 298.36 billion US$ in 2022 and is expected to overcome the one trillion US$ threshold by 2030 (1,813.30 billion US$) at a current annual growth rate (CAGR) of 19.2% (Verified Market Research, 2022). This growth projection exceeds the estimate by Altran Technologies in 2019, which anticipated a more moderate expansion with an estimated market size of 240 billion EUR (277.23 billion USD) by 2022 (Altran, 2018).

2.2.1.2 Market players

The ER&D market has historically been known for being a highly fragmented market, with plenty of players worldwide, without a dominant leader. Some of these players were Altran's direct **competitors:** Alten Group, HCL Technologies, Akka Technologies, Accenture, AVL, Wipro or IBM (Everest Group, 2019).

Regarding **new entrants**, despite the capital-intensive nature of the industry, the emergence of new technologies and the push to digitalize traditional manufacturing companies, helped to lower some of these barriers to entry, creating a real opportunity for many start – ups, consultancy firms and established tech and IT companies to penetrate the market.

On one hand, established tech and IT companies backed up by many years of experience in latest technologies and existing digital services for several domains (marketing, retail, finance…), had the potential to easily expand their service portfolio by implementing solutions in the engineering and manufacturing field, threatening Altran's leading positioning. Companies like Microsoft, Oracle and SAP were examples of such potential new entrants.

On the other hand, major consultancy firms, like Deloitte, PwC and KPMG, with extensive expertise across multiple sectors, a strong foundation in innovation and a wide existing client base, had the capability to widen their business lines and penetrate the engineering and manufacturing field, further intensifying competition for Altran.

Finally, start – ups often driven by innovative and agile approaches could have specialized and carved out a niche position.

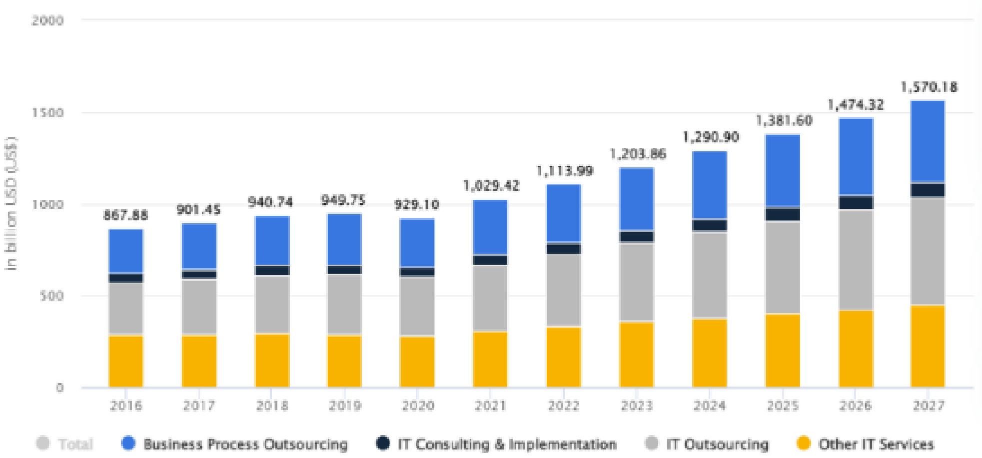
2.2.2 INFORMATION TECHNOLOGY (IT) MARKET

The IT activities include all data driven **services** that can range from marketing to manufacturing these days.

The IT sector is also known for being capital intense. On one hand, building and maintaining a robust IT infrastructure, such as, data centers, networks and servers require continuous investments. On the other hand, developing innovative applications, software and technology solutions often involves significant capital allocation. Finally, the current shortage of IT professionals can be a major economic drain on retaining highly skilled workforce.

2.2.2.1 Size and growth perspectives of the market

Back in 2019, the global IT market encompassing consulting, outsourcing and other services, had a total value of 949.75 billion US$ (Statista, 2023). Projections expected the market to continue to grow at a CAGR rate of 6%, reaching a market size of 1.2 trillion US$ by 2023 (Gartner, 2019). In fact, Graphic 9 indicates that these past forecasts have almost been fulfilled, as the market size was estimated on 1.11 trillion US$ in 2022. Additionally, Graphic 9 suggests a promising outlook for continued and increasing growth in the upcoming years. Note that, within the IT market, the consulting segment, Capgemini's core activity, accounted for approximately 200 billion US$ in 2019 (Statista, 2023)



Graphic 9. IT services market size evolution

2.2.2.2 Market players

As a fast-growing market, the number of competitors also scaled up. Among them highlight: Accenture, IBM, Deloitte and Infosys. Note that, back in 2019, Altran and Capgemini were to a certain extent direct competitors, especially in the Operations & Engineering business line activities that Capgemini was developing (Everest Group, 2019).

Despite the high barriers to enter the IT sector, due to its required significant capital investments, the advent of new technologies and promising growth prospects of the sector could have attracted new entrants, such as start – ups and conventional companies.

Specially, start – ups, often with fresh ideas and specialized focus in a specific segment, had the potential to identify market gaps and untapped opportunities. Levering their agility, they could have gained market share, further intensifying competition.

Lastly, while not classified as new entrants in the strict sense, companies that had already provided certain services in the IT sector as a supplementary aspect, could have decided to focus and enhance their operations in this domain by targeting new segments. This could be the case of consultancy firms, like PwC, KPMG and EY. Moreover, Tech Giants, like Google, Amazon or Apple, consistently pursued opportunities to venture into new segments within the IT market from the beginning.

Overall, although ER&D and IT were capital intense, they displayed a relatively attractive landscape with high potential back in 2019, especially in terms of growth prospects. These market growth rates were primarily driven by the increasing demand for digitalization and emerging technologies, becoming a wealth opportunity for IT and ER&D service providers and new entrants. However, this optimistic outlook was partly overshadowed by intensifying competition, which posed a challenge to businesses operating in these markets.

2.3 INTERNAL ANALYSIS OF THE COMPANIES

Despite the intensifying competition, both Altran Technologies and Capgemini Group were well positioned and stood out in their corresponding markets back in 2019, in part due to the resources and capabilities developed over the years, enabling them to outperform competitors and potential new entrants.

2.3.1 INTERNAL ANALYSIS OF ALTRAN TECHNOLOGIES (SWOT)

Overall, Altran Technologies followed a differentiation strategy by placing a strong emphasis on providing **high – valued engineering services and innovative, fully customized solutions,** helping its clients stay at the forefront of technological advancements (Altran, 2018).

2.3.1.1 Strengths:

Know – how in many industries and diversified offer portfolio in the ER&D market: the extensive knowledge and deep expertise in manufacturing industries, such as, automobile, aerospace and communications (Altran, 2019a), allowed the company to import best practices and innovations from one sector to another, taking advantages of the potential synergies.

Key partnerships and diversified and strategic costumer portfolio (Figure 4**):** Altran had been providing its services for key players in many industries for years; for instance, Airbus (aeronautics), BMW and FCA (automobile) and GSK and Sanofi (life sciences) (Altran, 2018). Other major contracts signed in 2019 were with Volkswagen, ABB and Vodafone (Altran, 2019a).

Figure 4. Altran Technologies: Altran's industries and key clients in 2018 (Altran, 2018)

Global presence. Altran had a global influence in over 30 countries, with strong presence in Europe (74%) and America (25%) (Altran, 2019a). This allowed the company to widen its network, since it sought to keep a local dimension in its service portfolio and adapt to the different geographies, acquiring new capabilities in the process, as well as diversifying its revenue streams (Altran, 2018).

Clear core strategy around innovation and digitalization: Altran's new strategic plan, "*The High Road, Altran 2022*", placed a strong emphasis on innovation and investment in emerging technologies, such as, artificial intelligence, the internet of things and data analytics for leading the digital transformation in many industries (Altran, 2018).

Robust financial performance: Altran had reported strong financial performance throughout the years (Table 1). This made it possible for the company to keep investing heavily in R&D and stay at the forefront of new technologies.

2.3.1.2 Weaknesses:

High reliance on the European market and limited reach in emerging countries: although, Altran had a presence in several countries worldwide; it had a strong dependence on the European market, as it contributed to almost three quarters of the company's total revenues, representing a 74% (Altran, 2019a). This "dependence" increases the risk of revenue fluctuations, especially, in case of negative macro factors affecting the region (inflation, interest rates, political instability). Therefore, Altran's global reach was still somewhat limited, especially in Asia, which accounted for just 1% of the revenues (Altran, 2019a).

Dependence on few key costumers and industries: although, Altran delivered a diversified service and had a wide costumer portfolio, its revenues strongly relied on aeronautics (20%), automotive (18%) and communication (18%) clients (Altran, 2019a). This could have left the company vulnerable if any of those relationships were to deteriorate.

Weak knowledge and expertise concerning IT: the disruption of new technologies and digital transformation of manufacturing processes required a reliable and robust IT ecosystem; a pending matter for Altran. In fact, the company suffered a cyber-attack in January 2019 that affected operations in several European subsidiaries (Altran, 2019b).

2.3.1.3 Opportunities:

Growing ER&D market: the growth prospects for the ER&D market were promising (Graphic 8). The ER&D services were becoming a fundamental pillar to boost the digitalization in many industries.

Favorable macroeconomic environment in key markets: near – zero interest rates and GDP growth forecasts (Figure 3) encouraged investment and expansion in other markets; especially, in emerging markets in Asia, such as China and India, where exponential development was expected.

Sustainability concerns: as social concerns about environmental issues became more widespread, new opportunities arose for companies to gain competitive advantages by reducing the impact of their environmental footprint, using technology as a vehicle and thereby, increasing demand for ER&D services.

2.3.1.4 Threats:

Strong competitive rivalry: as a fast-growing market, the competition also scaled up. Not only established players, but also, new entrants and, particularly, tech companies.

These tech companies were larger firms, in term of business volume, available capital, resources and capabilities, becoming a real threat to Altran.

Need for rapid adaptation: as a fast – evolving market, the need for rapid adaptation and implementation of an agile business model presented several challenges.

Overall, despite the challenges and intensifying competition, Altran's strengths and strategic focus on innovation and new technologies, coupled with current market opportunities, positioned the company well for continued success in the ER&D market.

2.3.2 INTERNAL ANALYSIS OF CAPGEMINI (SWOT)

In recent years, Capgemini's main competitive advantage has been based on delivering **innovative**, **differentiated** and **tailored** solutions; by putting the costumers at the heart of all its activities (this was, in fact, part of its core new strategy), helping them achieve their business objectives (Capgemini, 2019).

2.3.2.1 Strengths:

Know – how in many industries and diversified offer portfolio in the IT market: the broad experience across many sectors, such as, telecommunications, media, technology and service sector, has allowed the company to import best practices and innovations from one sector to another, benefiting from potential synergies (Capgemini, 2019). Note that, this wide offer portfolio in many sectors reduces the risk of being overly dependent on any one market or customer.

Key partnerships and diversified and strategic costumer portfolio: Capgemini has historically collaborated hand in hand with large organizations, such as, Siemens, General Electric and Mc' Donald (Capgemini, 2018). Additionally, it has partnered with leading technology providers like: AWS, Dell, IBM, SAP and Salesforce (Capgemini, 2018).

Clear core strategy towards leading the digital transformation in industries: Capgemini announced a change in the direction of its strategy, towards a digital centric and agile one in 2018 (Capgemini, 2019). To this end, the company established clear guidelines, one of the pillars being the promotion of key acquisitions.

Global presence. Capgemini had operations in over 40 countries in 2018, with a strong presence in Europe (61%), especially France (22%); and America (32%) (Capgemini, 2018). This extensive reach has enabled the company to diversify revenue streams, expand its service and client portfolios, while gaining new capabilities in the process,

Robust financial performance: Capgemini has historically demonstrated a strong financial performance (Table 2). This has allowed the company to continue its expansion, through organic growth and investments for acquisition of new key companies around the world and latest IT resources.

2.3.2.2 Weaknesses:

High reliance on the European market, especially, the French: French market has historically been the main source of revenues of Capgemini; it accounted for the 22% of the total revenues in 2018 (Capgemini, 2018). Besides, the European territory contributed to more than half of the Group's revenues, representing a total of 61% (Capgemini, 2018). This "dependence" increases the risk of revenue fluctuations, especially, in the event of negative macro factors affecting the region (inflation, interest rates, political instability).

Weak role in the Intelligent Industry: back in 2018, the Group had little presence in many of the manufacturing industries pursuing digital transformation, for example, aerospace, automobile and life sciences. In fact, the Global Business Line in charge of these activities, the Operations & Engineering, represented only a 22% of the company's total revenues (Capgemini, 2019).

2.3.2.3 Opportunities:

Growing IT market: the growth prospects for the IT market were promising (Graphic 9), the demand for digital services and cloud & data-based solutions was booming.

Digital manufacturing or Intelligent Industry: the shift towards digital manufacturing, also known as the Intelligent Industry, provided opportunities for Capgemini to leverage its expertise and meet the evolving customer needs in fields like artificial intelligence and cloud technologies.

Favorable macroeconomic environment in key markets: the nearly null interest rates and GDP growth forecasts (Figure 3) encouraged investment and expansion. Especially, in emerging markets in Asia, such as China and India, where an exponential development was expected, boosting Capgemini's existing operations in that region.

Sustainability concerns: as serious concerns were socially arising about environmental issues, new opportunities came to light for companies to gain competitive advantage by reducing their environmental footprint impact, using technology as a vehicle and, thereby, increasing the demand for IT services.

2.3.2.4 Threats:

Strong competitive rivalry: as a fast-growing market, the competition also scaled up, not only from established players, but also, new entrants.

Need for rapid adaptation: the need for rapid adaptation and an agile business model presented challenges in keeping pace with the rapidly changing market landscape.

Overall, despite having the resources, competences and strategic focus to develop the digital transformation in many sectors, Capgemini presented certain gaps, with lack of deep knowledge and know – how in key industries, which could strongly slow down and stall its path to achieving Intelligent Industry leadership above mentioned, taking into account the intensifying competition and evolving market.

2.4 REASONS AND ADVANTAGES FOR THE STRATEGIC MOVE

The **combination of IT and ER&D services** presented a huge potential to effectively address the current customer needs in the realm of digital transformation. In fact, the **convergence** of these two fields was becoming evident as new technologies forced engineering and industrial processes to be driven by information technologies.

For instance, the implementation of the internet of things (IoT) and smart sensors in manufacturing processes, enabled real time data collection and performance assessment. This way, inefficiencies could be easily identified, and improvement measures could be consequently adopted. This is a clear example, of the complementary nature of IT and ER&D services, highlighting the importance of their integration, especially in industrial processes.

Therefore, the main goal of the merger of Altran Technologies and Capgemini Group, was to join forces to bring together information technology, IT, (Capgemini's field of expertise) and Engineering and R&D services (Altran's know – how); in order to lead the digital transformation in industrial companies, so demanded in the market back then and these days, aiming to become a benchmark in the rapidly evolving **Intelligent Industry** market (pre - emptying possible existing competitors or new entrants). Thus, Altran would fill the gaps that Capgemini presented in terms of lack of in-depth knowledge in key industries, such as, automotive and aerospace, which would rapidly accelerate the process towards the desired leadership.

More precisely, this fusion sought to accelerate growth of businesses across many industries, through digitalization, harnessing the power of data through Capgemini's technological resources and Altran's deep manufacturing expertise, to improve processes and thereby, increase efficiency and reduce operational costs.

Although, this strategic move was a further step of Capgemini's core strategy to achieve a leadership position in the Intelligent Industry, other underlying reasons, advantages, and disadvantages arose with it:

Strengthen Capgemini's position in the ER&D market: Capgemini was somehow already providing ER&D and IT services in many manufacturing industries, through its Operations & Engineering Global Business Line. Therefore, the company aimed to enhance this business line via this merger; and thereby, strengthen its position in the global ER&D market.

Access new markets or strengthen its position in existing ones: the acquisition would give Capgemini access to new geographic markets or reinforce its position in already existing ones; especially, in America and Europe, regions in which Altran had the biggest influence. This could reduce Capgemini's dependence in the European market.

Expand their service and client portfolios: a merger entails the acquisition of the client and service portfolios of the purchased company. This way, Capgemini could take advantage of Altran's innovative approach and expertise to offer new solutions to its existing clients or vice versa.

Complex integration process: since Capgemini was somehow already operating in the ER&D market prior the acquisition, through its Operations & Engineering Global Business Line, the fusion implied the adaptation of Altran's business model to an already operating business line, which could complicate the integration.

Overall, the acquisition of Altran seemed a reasonable strategic move to boost Capgemini's position in the Intelligent Industry market. On one hand, it was the quickest way to bridge Capgemini's gaps, in terms of lack of expertise in key industries essential to developing in the Intelligent Industry world. On the other hand, the merger offered other several potential benefits: strengthening Capgemini's position in the ER&D market, gaining new markets and diversifying the offer and costumer portfolios. Note that this process would be accelerated, in part, by the expected numerous synergies. However, many doubts were also raised about the complex integration process.

Chapter 3. ACQUISITION PURCHASE

Once the suitability of the merger has been probed, it is time to assess to what extent Capgemini's offer tender of 14.5 euros per Altran share, was fair. For this purpose, firstly, the financial reports of Altran Technologies from the years 2016 to 2019 will be analyzed, in order to gain an insight on the company's financial position. Secondly, the valuation of Altran Technologies will be done, following the discounted free cash flow method. Finally, an evaluation of the final purchase price will be carried out.

3.1 ASSESSMENT OF THE FINANCIAL PERFORMANCE OF ALTRAN TECHNOLOGIES FROM 2016 TO 2019

As of 2019, Altran Technologies had established its presence in 35 countries worldwide (Figure 5), with a particularly strong presence in Europe and North America. Furthermore, the company had a sizeable workforce of 50,124 people (Altran, 2019a).

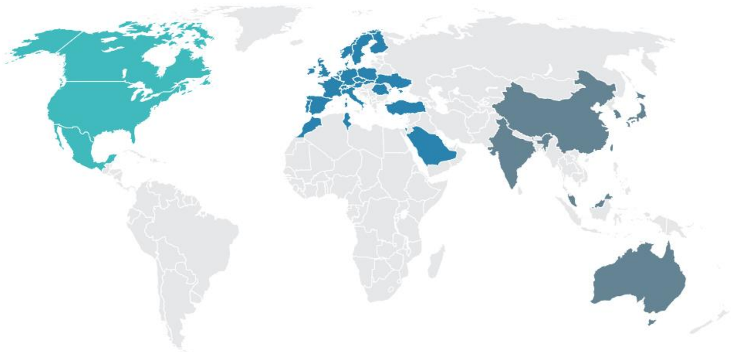
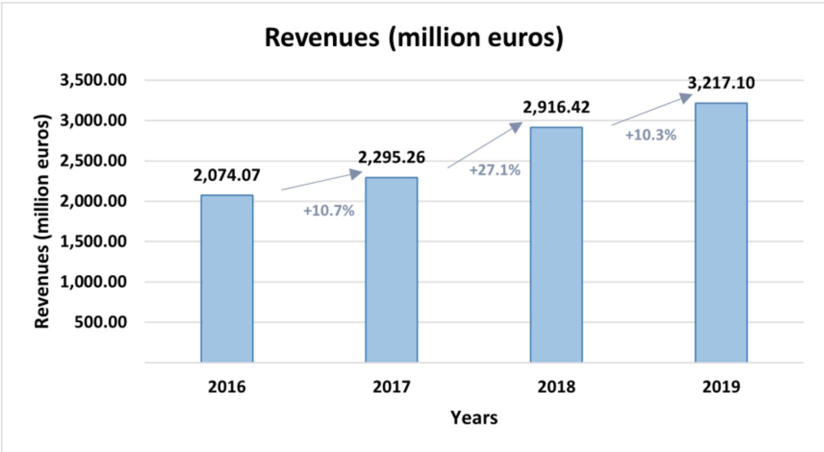


Figure 5. Altran Technologies: Altran's international presence 2018 (Altran, 2018)

Regarding the company's financial position, Altran exhibited a robust financial growth and performance over the years. This success can be attributed to both organic growth and strategic acquisitions. Indeed, Altran completed the acquisition of Aricent, a world leader in digital design and engineering services, in March 2018, having a significant impact on Altran's finances (Altran, 2018).

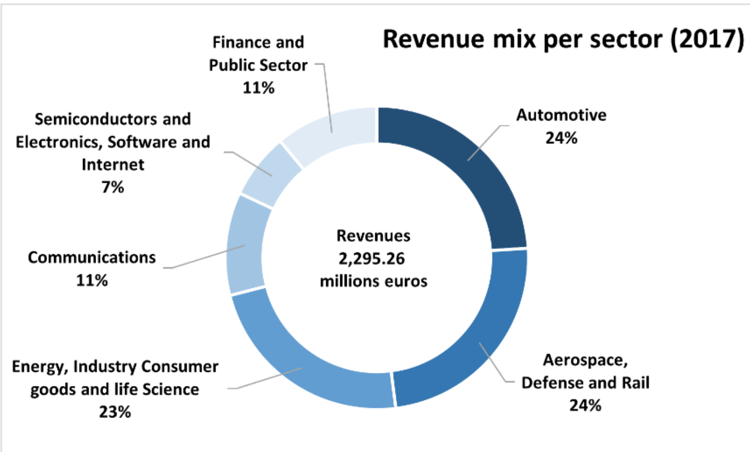
3.1.1 REVENUES

From 2016 to 2019, Altran experienced a consistent growth in revenues, with a notable increase in 2018, as evidenced by the data presented in Graphic 10. During that year, the company witnessed a remarkable revenue growth of 27.1%, which can be attributed primarily to the integration of Aricent activities into the company. Note that the positive growth trend continued in the remaining years, with an average revenue growth rate of 10.5%. This sustained increase in revenues resulted in exceeding the 3 billion euros in revenues by 2019.



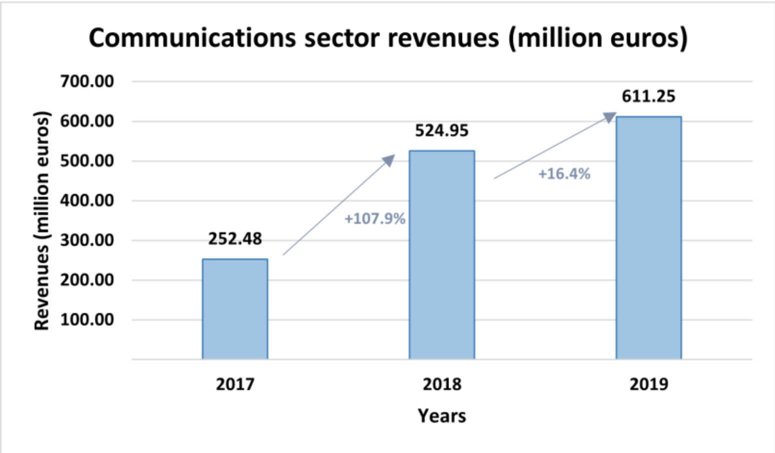
Graphic 10. Altran Technologies: Altran's revenues evolution (Altran, 2017); (Altran, 2018); (Altran, 2019a)

Historically, within all sectors, Altran had heavily relied on the automotive and aerospace, defense & rail industries as its main source of revenue; like in 2017, when these industries accounted for approximately half of the total revenues, which is clearly depicted in Graphic 11

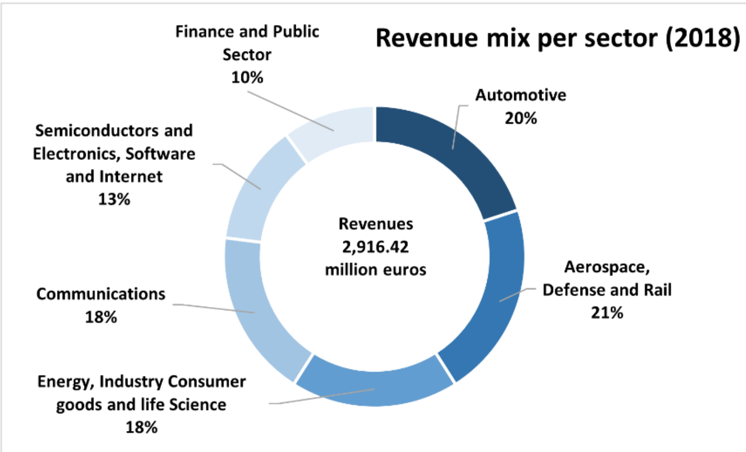


Graphic 11. Altran Technologies: Altran's revenue mix per sector 2017 (Altran, 2017)

However, a notable shift in trend took place in 2018 and changed Altran's traditional revenue composition, when the communications sector experienced an exponential increase: from 252.5 million euros in revenues in 2017 to 524.95 million euros in 2018, as represented in Graphic 12. This led to the communication sector becoming one of the major sources of revenues of the company, representing 18% of the total revenues, in comparison with the previous year's 11%, as shown in Graphic 13 and Graphic 11, respectively. This boom in the communication sector was indeed Altran's response to the current market trends and emerging new technologies.



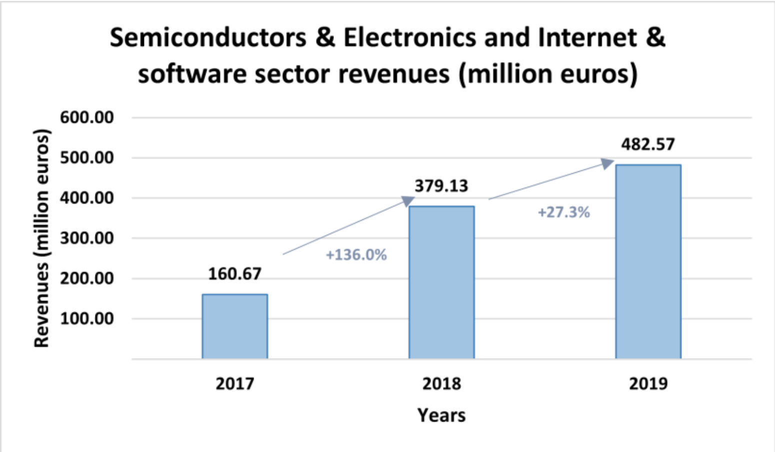
Graphic 12. Altran Technologies: Communications sector's revenues evolution (Altran, 2017); (Altran, 2018); (Altran, 2019a)



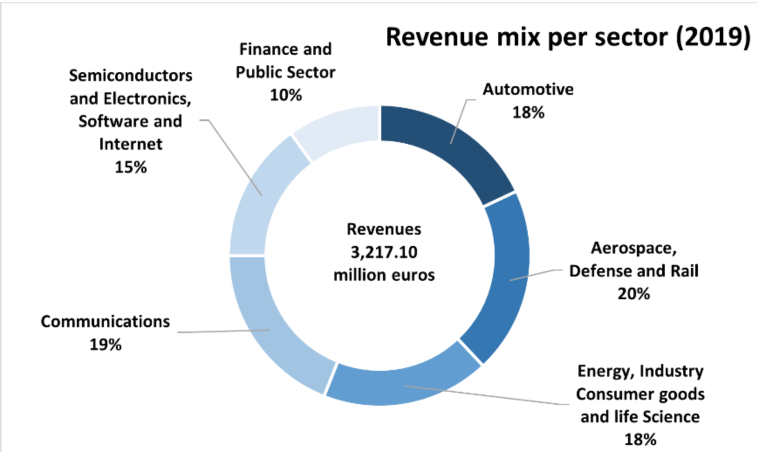
Graphic 13. Altran Technologies: Altran's revenue mix per sector 2018 (Altran, 2018)

This trend continued in 2019, being the aerospace, defense & rail, with a 20%, and communications, with a 19%, the main contributors to the company's revenues, as indicated in Graphic 15.

Finally, similarly to the communications sector, the semiconductors and electronics & software and internet sector was also gaining ground. In fact, in 2017, this sector only accounted for a 7% of the total revenues, with an amount of 160.67 million euros, as indicated in Graphic 11 and Graphic 14, respectively. While by 2019, its contribution had increased to 15%, by tripling revenues to the amount of 482.57 million euros, as shown in Graphic 15 and Graphic 14, respectively. This boom was also Altran's attempt to adapt to new technologies.

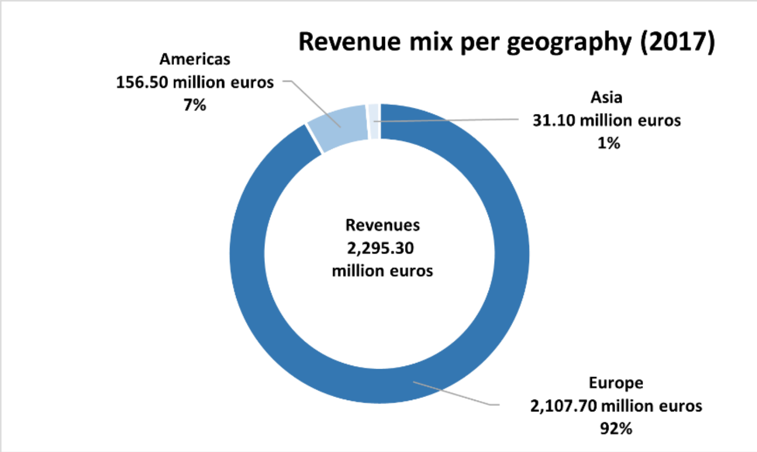


Graphic 14. Altran Technologies: Semiconductor & Electronics and Internet & Software sector's revenues evolution (Altran, 2017); (Altran, 2018); (Altran, 2019a)



Graphic 15. Altran Technologies: Altran's revenue mix per sector 2019 (Altran, 2019a)

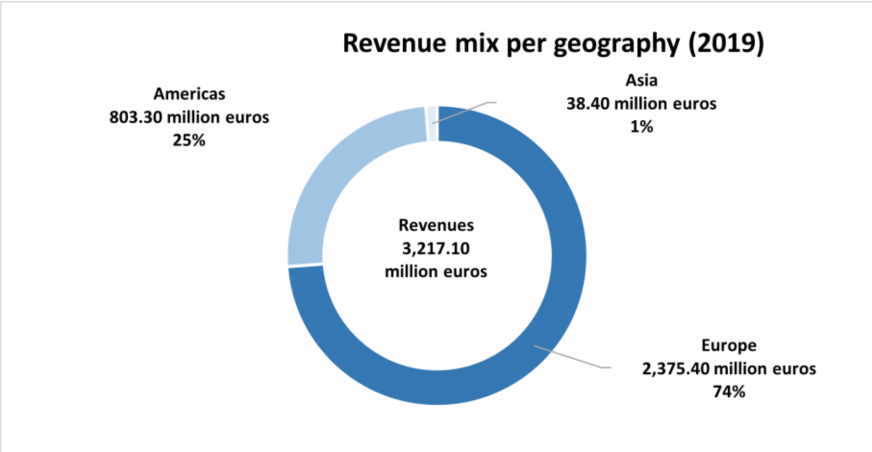
In terms of revenue distribution across geographic zones, Europe was traditionally the primary source of revenue for Altran, accounting for approximately 92% of the total revenues in 2017, as represented in Graphic 16.



Graphic 16. Altran Technologies: Altran's revenue mix per geography 2017 (Altran, 2017)

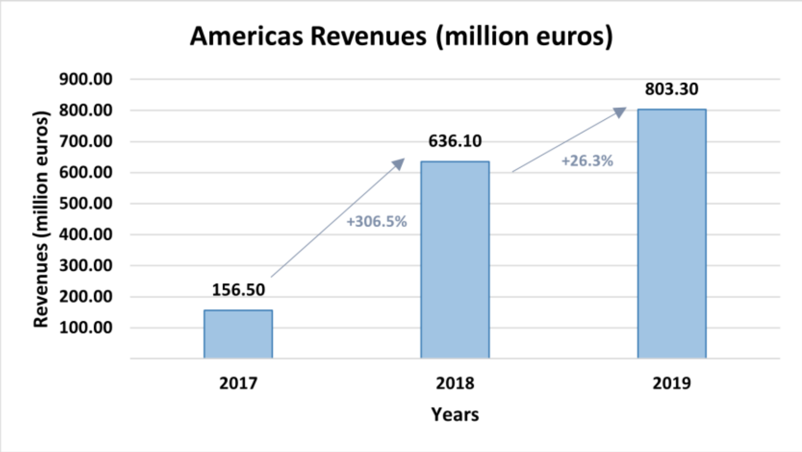
However, there was a significant shift in the contribution from the Americas[6], which increased from 7% in 2017 to 25% in 2019, as indicated in Graphic 16 and Graphic 17, respectively. Indeed, the revenues from the Americas increased by 479.6 million euros in 2018, as shown in Graphic 18. This growth was primarily driven by the strong presence of Aricent in North America.

As a result, Altran's dependence on the European market was significantly reduced, as the company expanded its global reach.



Graphic 17. Altran Technologies: Altran's revenue mix per geography 2019 (Altran, 2019a)

[6] Americas includes North and South America and India



Graphic 18. Altran Technologies: Altran's revenues evolution in America (Altran, 2017); (Altran, 2018); (Altran, 2019a)

Finally, note that, the European market reported the smallest growth in 2019, a 5.72%; followed by the Asian region with a 14.97% and finally, the Americas with a 26.29% (Table 3).

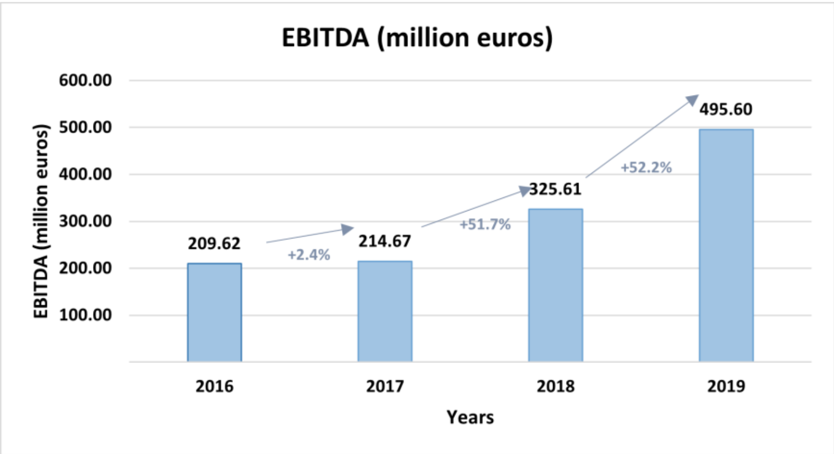
Table 3. Altran Technologies: Altran's revenues evolution per geography (Altran, 2017); (Altran, 2018); (Altran, 2019a)

Revenues (million €)	**2017**	**2018**	**2019**
Europe	2,107.7	2,246.9	2,375.4
Growth (%)		*6.6*	*5.7*
Americas	156.5	636.1	803.3
Growth (%)		*306.5*	*26.3*
Asia	31.1	33.4	38.4
Growth (%)		*6.9*	*15*

3.1.2 EBIDTA, EBIT AND NET INCOME

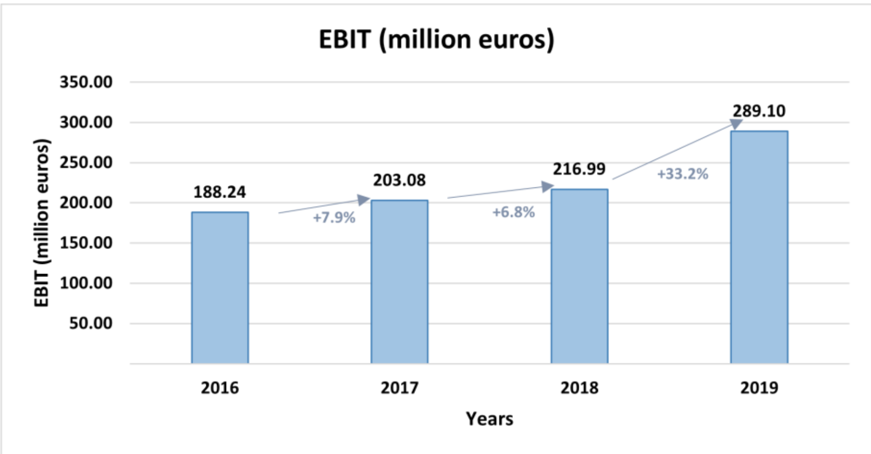
Altran reported an increasing EBITDA and EBIT during the 2016 – 2019 period as indicated in Graphic 19 and Graphic 20, respectively. In the contrary, the net income suffered considerable fluctuations during that same period, as shown in Graphic 21.

First of all, regarding EBITDA, it witnessed an exponential increase during the years 2018 and 2019; which was mainly driven, on one hand, by an exponential rise in revenues in 2018 (a 27.1% increase, as shown in Graphic 10) and, on the other hand, by a substantial operational costs reduction in 2019 (the operating expenses accounted for 88.8% of total revenues in 2018 compared to 84.6% in 2019, as indicated in Table 4). Finally, note that the EBITDA margin also increased considerably during that same period (Table 4).



Graphic 19. Altran Technologies: Altran's EBITDA evolution (Altran, 2017); (Altran, 2018); (Altran, 2019a)

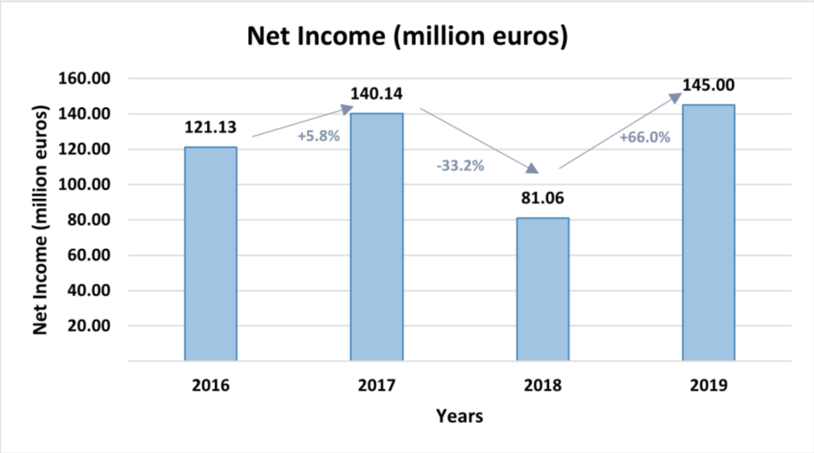
Secondly, concerning EBIT, it followed a similar pattern, with a smaller, but continued increase from 2016 to 2019, as noticeable in Graphic 20. Besides, the EBIT margin remained steady (Table 4).



Graphic 20. Altran Technologies: Altran's EBIT evolution (Altran, 2017); (Altran, 2018); (Altran, 2019a)

Finally, as for net income, it suffered a significant decline in 2018 as shown in Graphic 21; it actually decreased by 59.08 million euros, which can be translated in a decrease of

33.2% compared to the previous year. This downturn was mainly caused by higher financial expenses related to the acquisition of Aricent; which were up by 75 million euros, from 20 million euros in 2017 to 90 million in 2018 (Altran, 2018). Fortunately, by 2019, the net income value was back on track.



Graphic 21. Altran Technologies: Altran's net income evolution (Altran, 2017); (Altran, 2018); (Altran, 2019a)

Table 4. Altran Technologies: Altran's operating expenses, EBITDA, EBIT and Net Income margins evolution (Altran, 2017); (Altran, 2018); (Altran, 2019a)

	2016	2017	2018	2019
Operating expenses (%)	89.9	90.6	88.8	84.6
EBITDA margin (%)	10.1	9.4	11.2	15.4
EBIT margin (%)	9.1	8.8	7.4	9
Profit margin (%)	5.8	6.1	2.8	4.5

3.1.3 SHORT – TERM SOLVENCY AND FINANCIAL LEVERAGE

In terms of short – term solvency, Altran suffered from occasional liquidity issues in 2017, since current liabilities (short term debt to be covered within a year) exceeded the current assets (assets that will turn into cash within a year). This lack of liquidity is somehow reflected in the current ratio calculated in Table 5. Despite this, in the upcoming years the company showed a better performance, reversing the situation.

Table 5. Altran Technologies: Altran's short – term solvency ratios (Altran, 2017); (Altran, 2018); (Altran, 2019a)

	2016	2017	2018	2019
Current ratio	1.04	0.77	1.22	1.26

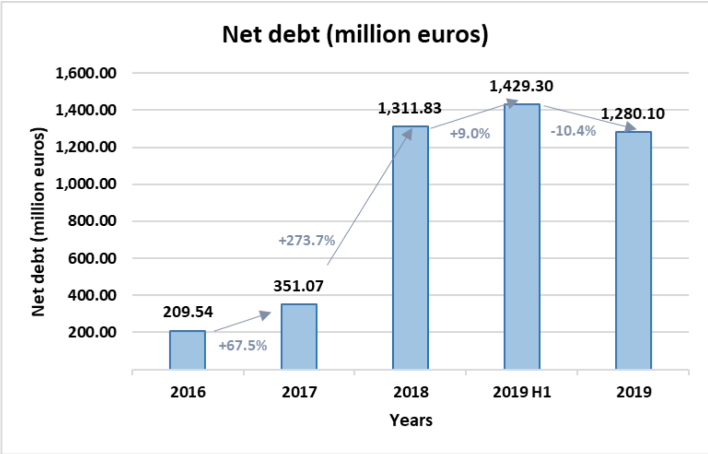
Regarding Altran's financial structure, this was based on a combination of debt and equity (Table 6). For instance, during the acquisition of Aricent in 2017, the company subscribed to a 250 million euros bridge loan and an additional, term loan of 2,125 million euros; while also carrying out a capital increase of 750 million euros, which resulted in the creation of 81 million new shares (Altran, 2017).

Table 6.Altran Technologies: Altran's leverage ratio (Altran, 2017); (Altran, 2018); (Altran, 2019a)

	2016	2017	2018	2019
Leverage ratio	0.80	0.81	1.05	0.95

In addition, Altran maintained net debt at a very low level during 2016 and 2017, representing 209.54 and 351.07 million euros, respectively, as depicted in Graphic 22. However, this pattern of moderate debt levering shifted in 2018 as shown in Graphic 22 and Table 6, since net financial debt increased significantly, by nearly 1 billion euros, reaching the amount of 1.3 billion euros (4.03xEBITDA) and the leverage ratio reached the value of 1.05 (debt exceeded equity). This huge increase was primarily driven by the large investment involved in the acquisition of Aricent (Altran, 2017).

At the moment of Capgemini's bid submission, in June 2019, Altran's net financial debt amounted to approximately 1.43 billion euros, as indicated in Graphic 22 for the first half of 2019.



Graphic 22. Altran Technologies: Altran's net financial debt evolution (Altran, 2017); (Altran, 2018); (Altran, 2019a); (Altran, 2019b)

3.2 VALUATION OF THE COMPANY

On one hand, it should be noted that, as of June 2019, according to Altran's consolidated balance sheet, the **book value of Altran's equity was 1,675.65 million euros;** considerably lower than Capgemini's offer price (Altran, 2019b).

On the other hand, as of June 2019, Altran's market share price was **estimated on 14.28 euros** (Investing, 2019); which, taking into account Altran's share capital of 257,021,105 shares (Altran, 2019b), resulted in a **market capitalization of 3.67 billion euros.**

Therefore, at first glance and based on the current value of Altran's market cap, the **first offer of 14 euros per share looked reasonable**; despite, being slightly below market value.

3.2.1 DISCOUNTED FREE CASH FLOW METHOD

Although Capgemini's tender offer seemed according to market value, a complementary calculation of the enterprise value of Altran Technologies will be carried out; in order to assess whether the tender offer was fair or not. To this end, Altran's enterprise value will be estimated using the discounted free cash flows method (DCF), by forecasting the next five years free cash flows, which will be discounted at a constant WACC[7] rate. This method aims to reflect somehow the value of the company based on the future growth prospects of the company.

First of all, the EBIT for the upcoming five years, spanning from 2019 to 2023, will be projected, based on the revenue and EBIT margin targets outlined in the company's strategic plan, "*The High Road, Altran 2022*."(Altran, 2018). This plan sets ambitious goals of reaching 4 billion euros in revenue and achieving an EBIT margin of 13.5% by the year 2022 (Altran, 2018).

In order to achieve these milestones additional assumptions, will be taken. First, based on historical data an average revenue growth rate of 10.5%. will be set for the specified timeframe. Second, operating expenses will represent an average amount of 86.10% of the revenues, continuing the cost reduction pattern of the last past four years above mentioned. Finally, regarding amortization and depreciation expenses, the same average amount from the past five years will be considered for the upcoming five ones. All these hypotheses led to the EBIT forecasts collected in Table 7.

Table 7. Valuation: Estimated EBIT for the years 2019 – 2023

	2019	**2020**	**2021**	**2022**	**2023**
Revenues (million €)	3,217.10	3,542.03	3,917.48	4,336.65	4,792.00
EBITDA (million €)	495.60	467.19	540.61	617.97	687.65
EBIT (million €)	**289.1**	**305.79**	**447.11**	**583.33**	**634.33**
EBIT margin (%)	**9.0**	**8.6**	**11.4**	**13.5**	**13.2**

Secondly, once the EBIT values have been estimated, the operational cash flows (OCF) will be determined; to get an insight on the earnings attributable to the operational activities of the company. For this purpose, first the NOPAT values will be computed as stated in Equation 1 and then, the annual amortization and depreciation expenses will be

[7] WACC: Weighted average cost of capital.

added up. These operations result in the operational cash flows (OCF) showed in Table 8.

$$NOPAT = EBIT * (1 - T)$$

Equation 1. Net Operating Profit After Taxes (NOPAT)

Where:

- NOPAT ≡ Net operating profit after taxes.
- EBIT ≡ Earnings before interests and taxes.
- T ≡ Corporate tax rate. An average tax rate of 29% is considered.

Table 8. Valuation: Estimated OCF for the years 2019 – 2023

	2019	**2020**	**2021**	**2022**	**2023**
NOPAT (million €)	205.60	217.47	317.97	414.85	451.12
D&A (million €)	206.50	161.40	93.50	34.64	53.32
OCF (million €)	**412.10**	**378.87**	**411.47**	**449.49**	**504.44**

Finally, for obtaining the free cash flows (FCF) for the next five year, the annual change in working capital and the annual capital expenditure will be projected and subtracted to the operational cash flows already calculated. Following the same reasoning as for the calculation of the amortization expense, the same amount of cash outflows as in the last five years will be expected in the next five. This way, the free cash flows indicated in Table 9 are reached.

Table 9. Valuation: Estimated FCF for the years 2019 – 2023

	2019	**2020**	**2021**	**2022**	**2023**
Change in working capital (million €)	31.30	40.80	37.80	30.50	27.70
Capital expenditure (million €)	121.70	100.56	91.31	81.31	89.65
FCF (million €)	**259.10**	**237.51**	**282.36**	**337.68**	**387.09**

Additionally, the **terminal value** will be computed, which captures the present value of the expected cash flow for last projected year, considering a perpetuity rate of 2.0 %, which, leads to a value of **6,053.93**. Subsequently, this terminal value will be added to the current free cash flows indicated in Table 9, resulting in the values of Table 10.

Table 10. Valuation: Final estimated FCF for the years 2019 – 2023

	2019	**2020**	**2021**	**2022**	**2023**
FCF (million €)	**259.10**	**237.51**	**282.36**	**337.68**	**6,441.02**

Once all free cash flows have been forecasted, the weighted average cost of capital (WACC) will be calculated as stated in Equation 2, to get the discount rate at which the calculated future free cash flows are going to be discounted to get their current present value. The WACC somehow summarizes the required rate of return that the company needs to generate in order to satisfy its capital contributors: creditors and shareholders.

$$\mathrm{WACC} = k_d * (1 - T) * \frac{D}{D + E} + k_e * \frac{E}{D + E}$$

Equation 2. Weighted Average Cost of Capital (WACC)

Where:

- k_d ≡ Cost of debt. Based on Altran's 2019 annual report, back then, the company enjoyed an average cost of debt of 3.44%, taking into account short – term and long – term financing (Altran, 2019a).
- T ≡ Corporate tax rate. An average tax rate of 29% is considered.
- D ≡ Market value of debt. It amounted to a total value of 1,429.3 million euros for the first half of 2019 (Graphic 22).
- E ≡ Market value of equity or market capitalization. It was estimated in 3,670.3 million euros, as of June 2019 (Investing, 2019).
- k_e ≡ Cost of equity. The cost of equity is computed according to Equation 3.

$$k_e = r_f - (r_m - r_f) * \beta$$

Equation 3. Cost of equity (k_e)

Where:

- r_f ≡ Risk – free rate. At the time of the tender offer, June 2019, the risk-free rate was approximately 2.3% (YCharts, 2023)

- $r_m \equiv$ Market risk premium. At the time of the tender offer, June 2019, the market risk premium was approximately 9.9% (Pablo Fernández, 2023)
- $\beta \equiv$ Beta. Back in 2019, the company's asset beta was estimated in 1.13 (stock had an average – high risk).

The obtained WACC is 8.52%, which is the discounted rate used to determine the net present value of the future free cash flows indicated in Table 10 and ultimately, Altran's **enterprise value of 5,184.0 million euros**. Finally, an **equity value** of **3,754.7 million euros** is reached after subtracting the corresponding debt of **1,429.3 million euros, which results on a share value of 14.6 euros (Altran's share capital consisted of 257,021,105 shares).**

Therefore, a slightly higher share value has been reached using the discounted free cash flow method, which further increases the difference between the initial bid price and the perceived value of Altran that could be considered. This suggests that the DFC analysis carried out contemplates a higher future growth for Altran.

3.3 FINAL TERMS OF THE PURCHASE AGREEMENT

It is important to note that during negotiations, Capgemini raised the offer price from 14 euros per share to 14.5 euros per share (Capgemini, 2020). Furthermore, in the last assessment, Capgemini rated Altran's enterprise value (EV) at **5.2 billion euros** (Capgemini, 2020); this is, **at 14.5 euros per share**, following Equation 4.

$$\text{EV} = \text{Market value of equity} + \text{Market value of debt} - \text{Cash}$$

Equation 4. Enterprise value of a company (EV)

Where:

- $\text{EV} \equiv$ Enterprise value.
- Market value of equity $\equiv$ It refers to the value given to Altran' s share capital, 14.5 euros per share, based on the final offer (Capgemini, 2020).
- Market value of debt $\equiv$ It refers to the gross value of Altran's debt, which was around 1.7 billion euros (Altran, 2019b).

- Cash ≡ Cash and cash equivalent, amounting to 0.3 billion euros back in June 2019 (Altran, 2019b).

Overall, **the revised offer price of 14.5 euros per share appeared to be more in line with both, the prevailing market price of 14.3 and the share value reached using the discounted free cash flow method of 14.6, suggesting a fairer purchase price**.

Chapter 4. IMPACT OF THE ACQUISITION

After a thorough analysis and comparison of the potential share prices, it can be concluded that the final offer price of 14.5 euros per Altran share was indeed fair and reasonable. Consequently, the full transaction was friendly accomplished by April 2020, as planned. This led to a complex integration process in order to unify both companies and work as one, creating a synergetic and cohesive entity. Already, in 2023, it is time to assess the outcomes of this integration process and the impact of the acquisition on Capgemini's financial results.

4.1 INTEGRATION PROCESS

Once the acquisition of Altran Technologies and Capgemini Group was completed on April 1, the "*Pioneer Program*" strategic plan was formerly launched to ensure an efficient implementation of the integration process between both companies. This integration process was expected to be successfully finalized by July 1, 2022.

The "*Pioneer Program*" consisted of several phases. An initial phase that aimed to engage all employees and top managers, to ensure a successful integration; through effective communication to build a shared vision of the integration.

The second phase consisted of creating a working team made up by representatives from each of the areas to plan the necessary actions. Additionally, this team was responsible for conducting an exhaustive analysis of processes and tools in search of potential synergies.

The third phase, pursued the completion of the operational integration, taking advantages of the identified synergies. The first assessment regarding the impact of these synergies revealed: on one hand, cost and operating model synergies were projected to contribute around 70 -100 million euros within a three – year period; while, on the other hand, commercial synergies were expected to generate additional 200 – 350 million euros, in that same timeframe (Capgemini, 2020). Finally, these synergies were successfully achieved by 2021, resulting in the complete operational integration (Capgemini, 2021).

As part of the operational integration process, in April 2021, Capgemini introduced the new brand Capgemini Engineering (Sam Connaty, 2021). This subsidiary aimed to integrate Altran's business units, excluding Cambridge Consultants and frog, into Capgemini's Operations & Engineering Global Business Line.

This way, the desired outcome pursued by the acquisition would be more easily achieved, as Altran's know – how in ER&D services and Capgemini's expertise in IT systems were fused in a single business line, starting to create a brand in the Intelligent Industry market (Sam Connaty, 2021). Furthermore, efforts were made to unify other procedures, including IT systems (platforms, apps…), legal documentation, corporate culture and so on.

Note that due to the complexity of the integration process, Capgemini Group incurred in a total cost of 191 million euros, from year 2019 to 2022, as detailed in Table 11.

Table 11.Capgemini Group: Integration costs (Capgemini, 2019); (Capgemini, 2020); (Capgemini, 2021); (Capgemini, 2022b)

	2019	**2020**	**2021**	**2022**
Integration costs for companies acquired	11	55	84	41

Moreover, during the integration process, Capgemini warmly embraced Altran's extensive workforce, which consisted of 50,124 employees (Altran, 2019a). It is worth outlining that, despite the talent retention being a huge challenge in any merger, Capgemini accomplished a high talent retention rate, as it is noticeable in Table 12.

Table 12. Capgemini Group: Headcount evolution (Capgemini, 2019); (Capgemini, 2020); (Capgemini, 2021); (Capgemini, 2022b)

	2019	2020	2021	2022
Headcount	**219,314**	**269,769**	**324,684**	**359,567**
Europe[8]	75,564	107,542	116,688	129,894
Americas	26,130	26,660	29,638	32,468
Asia	117,620	135,567	178,358	197,205

As expected, the region that witnessed the most substantial growth in headcount after the acquisition was undoubtedly Europe, where Altran had a stronger presence. Indeed, from 2019 to 2020 the headcount in this region increased by 42%. This increase, however, exacerbated one of Capgemini's weaknesses by further amplifying its dependence on the European market.

Additionally, regarding Altran's contribution to Capgemini's global expansion, this was minimum, since Capgemini already operated in nearly all of Altran's markets, with the exception of Ukraine, Slovakia, Israel and Tunisia (Altran, 2018; Capgemini, 2019).

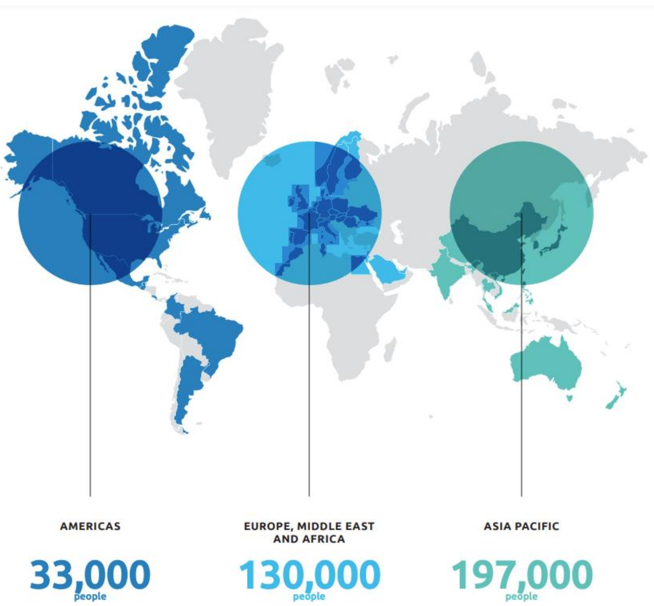


Figure 6. Capgemini Group: Capgemini's International presence 2022 (Capgemini, 2022b)

[8] Middle East and Africa are included in this cluster.

Finally, regarding Capgemini's role in the ER&D market, this was strongly enhanced with the acquisition of Altran. In fact, Capgemini climbed from the 23rd position in 2019 to the top position in the Engineering services providers ranking carried out by the Everest Group in 2022 (Everest Group, 2019, 2022).

Therefore, it can be concluded that this strategic move propelled Capgemini to become a major player in the industry, consolidating its position and expanding in the ER&D market.

4.2 ASSESSMENT OF CAPGEMINI FINANCIAL RESULTS FROM 2019 TO 2022

Altran's financial contribution to Capgemini was first included, once the entire acquisition was effective, in April 2020. Therefore, the impact of the acquisition in Capgemini's finances is first noticeable in Capgemini's consolidated results of 2020.

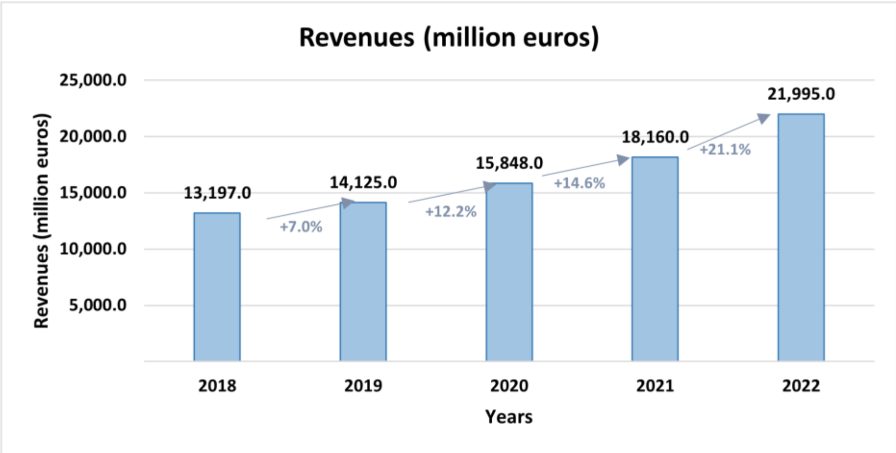
It is worth outlining that 2020 was a challenging year for many companies, as the global economy faced a significant slowdown caused by the COVID – 19 pandemics, which had adverse effects on the financial performance of many businesses. Therefore, the positive outcomes of the acquisition may have been to a certain extent offset by this event, especially in 2020.

4.2.1 REVENUES

Capgemini's revenues have increased steadily year after year since the acquisition, as shown in Graphic 23.

For the year 2020, since the effective integration of Altran into Capgemini on April 1, 2020, Altran contributed a total revenue of 2,141 million euros, accounting for 13.5% of the overall revenues (Capgemini, 2020). This trend continued to happen in 2021, with 4.9 points of the revenue growth being attributed to Altran's consolidation (Capgemini, 2022a). These results could be a sign of a positive outcome from the merger.

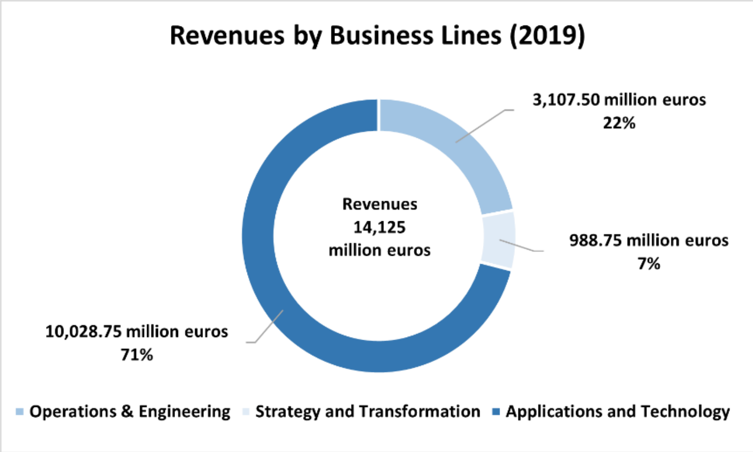
More precisely, in 2020, the Group recorded an increase of 12% compared to the 7% of the previous year, reaching 15,848 million euros in revenues, as shown in Graphic 23. This revenue growth rate continued to increase for the following years, reaching a growth rate and total revenues of 21.1% and 21,995 million euros, respectively, by 2022.



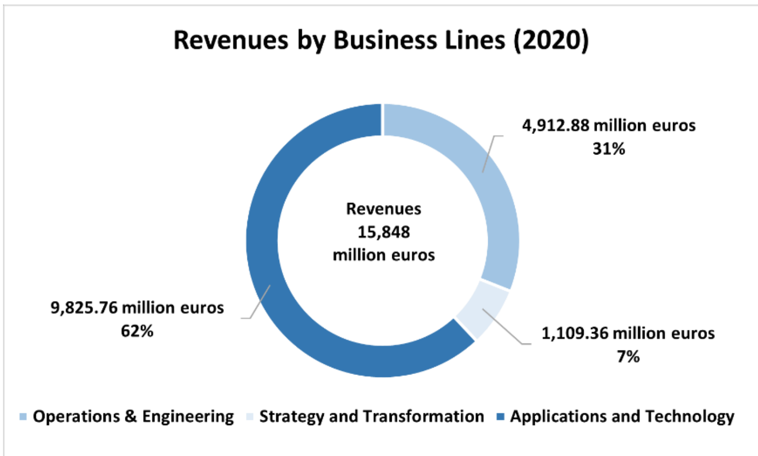
Graphic 23. Capgemini Group: Capgemini's revenues evolution (Capgemini, 2019); (Capgemini, 2020); (Capgemini, 2021); (Capgemini, 2022b)

Historically and prior to the acquisition, Capgemini had heavily relied on the Applications & Technology Global Business Line, which accounted for more than 70% of total revenue in 2019 (Graphic 24). However, following the acquisition of Altran, there was a significant shift in the distribution of revenue streams, with the Application and Technology Global Business Line, representing just a 62% of the total revenues, as indicated in Graphic 25.

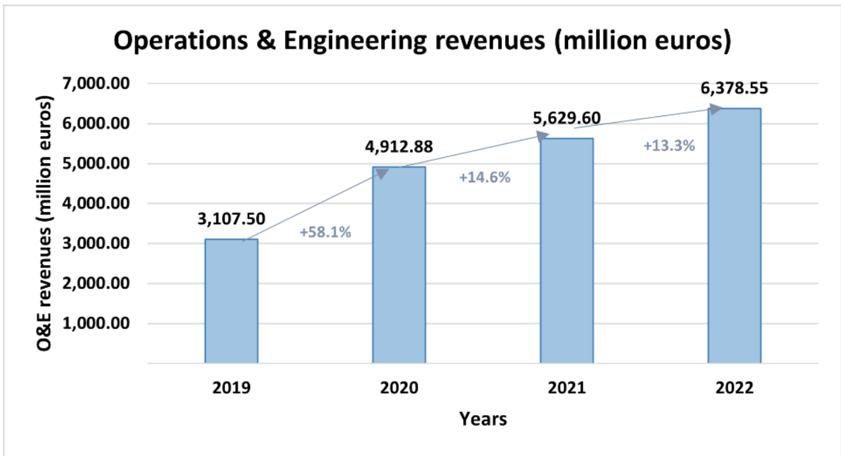
It should be emphasized that Altran was predominantly integrated into Capgemini's Operations & Engineering Global Business Line. As a result, the revenues generated by this business line witnessed a remarkable growth of around 60% compared to other years, as it is noticeable in Graphic 26.



Graphic 24. Capgemini Groups: Revenues by Capgemini's Global Business Lines 2019 (Capgemini, 2019)

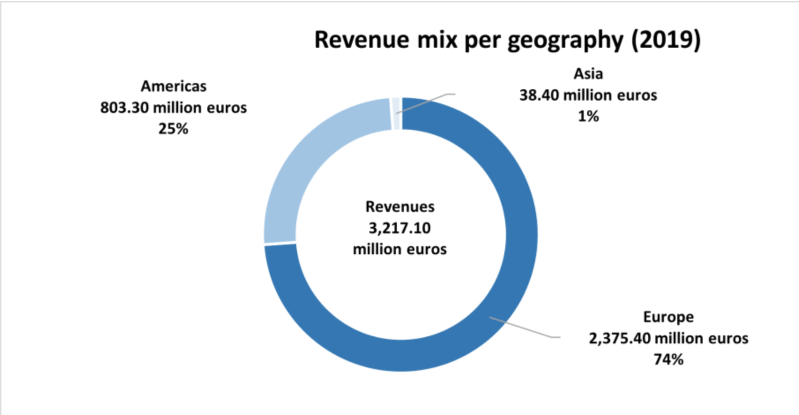


Graphic 25. Capgemini Group: Revenues by Capgemini's Global Business Lines 2020 (Capgemini, 2020)

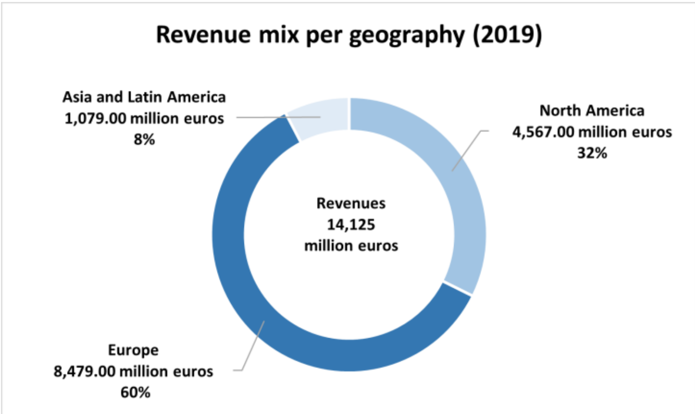


Graphic 26. Capgemini Group: Operations & Engineering Global Business Line's revenues evolution (Capgemini, 2019); (Capgemini, 2020): (Capgemini, 2021); (Capgemini, 2022b)

In terms of geographic breakdown of revenues, there was no significant variation observed, since back in 2019 both companies, Altran and Capgemini, had a similar geographic mix, as it can be compared in Graphic 27 and Graphic 28, respectively.



Graphic 27. Altran Technologies: Altran's revenue mix per geography 2019 (Altran, 2019a)



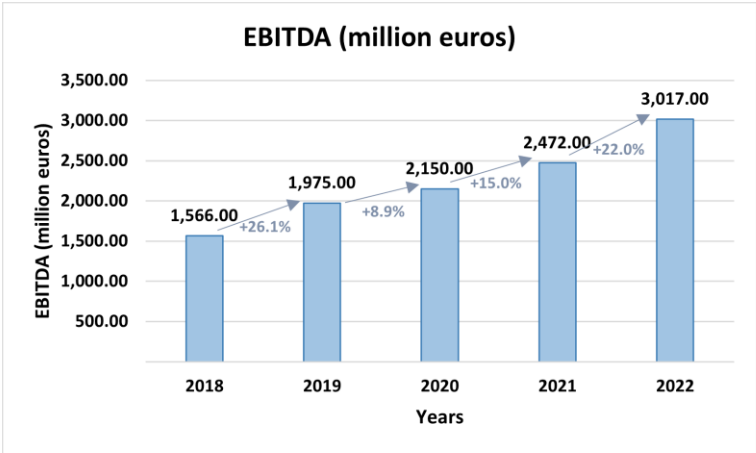
Graphic 28. Capgemini Group: Capgemini's revenue mix per geography 2019 (Capgemini, 2019)

4.2.2 EBIDTA, EBIT AND NET INCOME

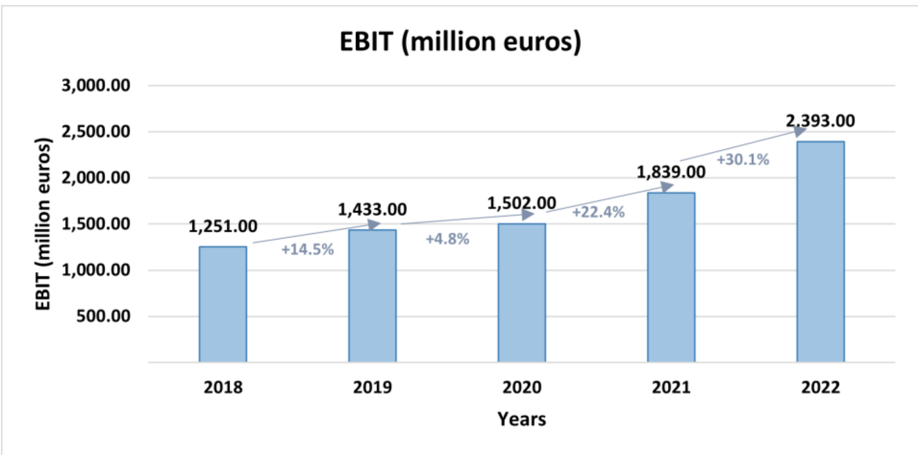
Capgemini reported an increasing EBITDA, EBIT and Net Income during the 2019 – 2022 period as indicated in Graphic 29, Graphic 30 and Graphic 31, respectively. Indeed, the three financial indicators, followed a similar pattern in terms of growth rates; being the year 2022 the one recording the highest growth rate, followed by the years 2021 and 2019; and lastly the year 2020. Despite 2020 being the year in which the acquisition was made effective, this lower-than-expected result seems reasonable, considering, the economic slowdown caused by the COVID – 19 pandemics.

First of all, regarding EBITDA, it did not witness a remarkable increase following the acquisition. In fact, a major increase was not witnessed until 2022, when the EBITDA increased a 22%, as shown in Graphic 29. Similarly, the EBITDA margin remained steady during 2020 to 2022, with no important changes, as is shown in data gathered in Table 13. Additionally, the potential cost synergies before mentioned did not have a substantial impact on the reduction of the operating expenses; since the operating expenses represented a similar proportion of the total revenues of 86% over the years, as it is noticeable in the operating expenses percentage collected in Table 13.

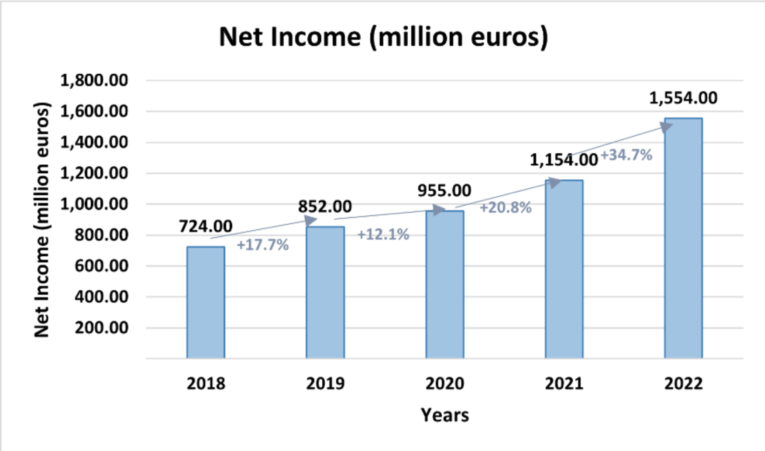
Secondly, concerning EBIT, it followed a similar pattern, with a continued increase from 2019 to 2020, as noticeable in Graphic 30. Additionally, the EBIT margin remained steady (Table 13).



Graphic 29. Capgemini Group: Capgemini's EBITDA evolution (Capgemini, 2019); (Capgemini, 2020); (Capgemini, 2021); (Capgemini, 2022b)



Graphic 30. Capgemini Group: Capgemini's EBIT evolution (Capgemini, 2019); (Capgemini, 2020); (Capgemini, 2021); (Capgemini, 2022b)



Graphic 31. Capgemini Group: Capgemini's net income evolution (Capgemini, 2019); (Capgemini, 2020); (Capgemini, 2021); (Capgemini, 2022b)

Finally, as for net income, it also followed a similar pattern to the previous indicators, with a significant increase of 34.7% in 2022 as depicted in Graphic 31; leading to a higher profit margin of 7.1% compared to 6 – 6.4% of the previous years, as shown in Table 13.

Despite the continued increase in EBITDA, EBIT and Net Income, this growth was somehow slowed down in 2020, as they just increased by 8.9%, 4.9% and 12.1%, respectively, which is considerably lower compared to other years' growth. This slowdown could have been due, not only to the COVID – 19 pandemics, but also due to the increase in operating, amortization and financial expenses related to Altran's acquisition. For example, the financial expenses increased from 79 million euros in 2019 to 147 million euros in 2020 (Capgemini, 2020, 2021) .

Table 13. Capgemini Group: Capgemini's operating expenses, EBITDA, EBIT and Net Income margins evolution (Capgemini, 2019); (Capgemini, 2020); (Capgemini, 2021); (Capgemini, 2022b)

	2018	**2019**	**2020**	**2021**	**2022**
Operating expenses (%)	88.1	86	86.4	86.4	86.3
EBITDA margin (%)	11.9	14	13.6	13.6	13.7
EBIT margin (%)	9.5	10.1	9.5	10.1	10.9
Profit margin (%)	5.5	6	6	6.4	7.1

4.2.3 SHORT – TERM SOLVENCY AND FINANCIAL LEVERAGE

In terms of short – term solvency, Capgemini enjoyed a relative comfortable position, as reflected in the current ratio calculated in Table 14.This is, the company had the sufficient liquidity to cope with its short-term obligations.

Table 14. Capgemini Group: Capgemini's short – term solvency ratios (Capgemini, 2019); (Capgemini, 2020); (Capgemini, 2021); (Capgemini, 2022b)

	2018	2019	2020	2021	2022
Current ratio	1.45	1.28	1.31	1.38	1.28

Regarding Capgemini's financial structure, this is based on a combination of debt and equity. In fact, the company's financial policy promotes a moderate use of debt leveraging, which is reflected in the leverage ratio calculated in Table 15, except for the year 2020 (Capgemini, 2020). In 2020, Capgemini increased considerably its debt leveraging due to the large investment involved in the acquisition of Altran, having a remarkable impact on the company's leverage ratio (Table 15) and net financial debt (Graphic 32).

Table 15. Capgemini Group: Capgemini's leverage ratio (Capgemini, 2019); (Capgemini, 2020); (Capgemini, 2021); (Capgemini, 2022b)

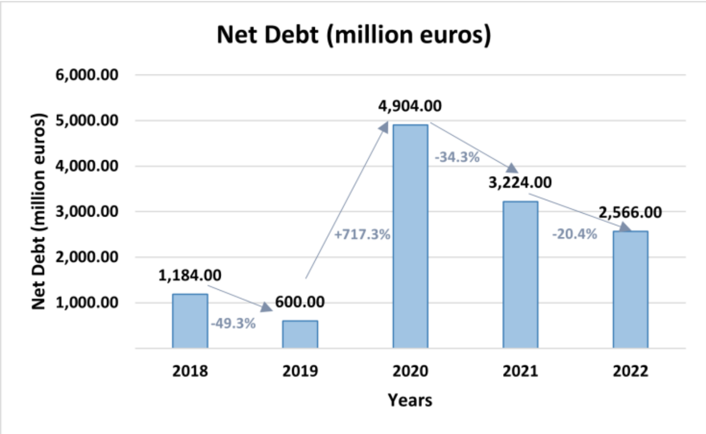
	2018	2019	2020	2021	2022
Leverage ratio	0.45	0.39	1.32	0.80	0.69

Note that, the entire acquisition led to a 5.4 million euros transaction: 3.7 billion euros for the purchase of the share capital of Altran, plus, 1.7 billion euros for facing Altran's gross debt (Capgemini, 2020). Therefore. in order to finance it and reduce the company's financial leverage, the following financing plan was implemented:

- On one hand, one billion euros from the Capgemini's own available cash were used.
- On the other hand, the company subscribed to a bridge loan of 4.4 billion euros.

Afterwards, to face the debt linked to this bridge loan, Capgemini issued a 2.8 billion euros in multi tranche bonds in April 2020 and additional 1.6 billion euros ones in June (Capgemini, 2020)

This financing plan ultimately led to a huge impact in Capgemini's net financial debt. More precisely, its net financial debt increased by 4.3 billion euros, from 0.6 billion euros in 2019 to 4.9 billion euros in 2020 (2.3xEBITDA), as reflected in Graphic 32.



Graphic 32. Capgemini Group: Capgemini's net financial debt evolution (Capgemini, 2019); (Capgemini, 2020); (Capgemini, 2021); (Capgemini, 2022b)

4.3 CAPGEMINI'S MARKET VALUE NOWADAYS

As of April 2023, Capgemini's share capital comprises 173,582,113 shares (Capgemini, 2023a), with a market value of 178.22 dollars per share (Companies Market Cap, 2023). This leads to an estimated market capitalization of 30.94 billion dollars (Companies Market Cap, 2023). According to Market Cap's data base, Capgemini ranks 579th in terms of company valuation.

Graphic 33. Capgemini Group: Capgemini's market cap (Companies Market Cap, 2023)

Regarding Capgemini's market capitalization evolution, it witnessed a remarkable increase following Altran Technologies' acquisition, as reflected in Graphic 33. In fact, on March 31 2020, Capgemini's market capitalization was set in 14.07 billion dollars; while, on June 29, 2022, once the full integration was completed, the market value was up to 28.75 billion dollars (Companies Market Cap, 2023).

It is worth noting that Capgemini's market capitalization marked its lowest value prior to the effective integration of Altran into Capgemini, on April 1, 2020; somewhat indicating that the market was skeptical about the success of the merger (Companies Market Cap, 2023).

Finally, although there is no clear evidence that this increase in market capitalization is due to Altran's integration, everything points to the fact that it has somehow contributed to this increase.

4.4 CONTRIBUTION TO THE SDGS

Concerning Altran Technologies, as early as 2019, the company showed its commitment to support the achievement of the Sustainable Development Goals (SDGs) presented in Figure 7.

Figure 7. Altran Technologies: SDGs to which Altran was committed to in 2019 (Altran, 2019c)

As an ER&D service provider pursuing innovation, its major contribution through its operations was done to the **SDG 9: Industry, innovation and infrastructure, SDG 11: Sustainable cities and communities, SDG 12. Responsible consumption and production and SDG 13. Climate action** (United Nations, 2020)**.**

On one hand, the company encouraged the implementation of innovative solutions across all its areas of activity, staying at the forefront of the latest technological advancements (digitalization, IoT, data analytics and so on). On the other hand, Altran's World Class Centers worked in the research of cutting – edge technologies to be applied in the development of innovative, sustainable, and efficient solutions. More precisely, these were some of the projects the company was involved in:

- **Energy transition and climate change:** Altran leveraged its key expertise in renewable energies, to support Vestas in the implementation of sustainable energy in India and Hyperloop in the development of an environmentally friendly land transport system (Altran, 2019c).
- **Responsible production and consumption:** Altran worked in the reduction of cables in planes cabins, reducing consequently its fuel consumption. Moreover, Altran helped BeeBee Wraps to reduce its dependence in single use plastic food wrappings (Altran, 2019c).
- **Smart cities:** In this field Altran was involved in many projects related to improving urban mobility and communications (Altran, 2019c).
- **Connected health:** Altran was quite active in the development of interconnected healthcare products based on IoT and data analytics (Altran, 2019c).

Besides this, Altran Foundation developed numerous initiatives that contributed to the various sustainable development objectives. The most remarkable projects were:

- ***BeTalentSTEAM*:** Program with different contests and workshops targeted to school students to promote STEAM vocations, especially among women. These initiatives aimed to make a difference in **SDG 4 Quality Education and SDG 5 Gender equality** (Altran, 2019c; United Nations, 2020)
- ***EducAltran*:** Altran put much emphasis in the development and training of its employees by making available to them a platform called Educ Altran with numerous courses (Altran, 2019c). With this, the company somehow contributed to the **SDG 4 Quality Education**

Concerning Capgemini Group, the company also supports the attainment of the Sustainable Development Goals (SDG) presented in Figure 8.

Figure 8. Capgemini Group: SDGs to which Capgemini is committed to (Capgemini, 2020)

Similarly to Altran, as an IT services provider and a major proponent of technological innovation, its biggest contribution is done to the **SDG 9: Industry, innovation and infrastructure, SDG 11: Sustainable cities and communities, SDG 12. Responsible consumption and production and SDG 13. Climate action** (United Nations, 2020)**.**

On one hand, the company promotes through its operations, the development and implementation of IT infrastructure and the access to technology worldwide. On the other hand, Capgemini leverages its in – depth knowledge in the technological field to develop solutions that impact positively in the environment and the society.

Besides this, one of the company's major initiatives is the **Digital Inclusion Program,** whose main goal is to facilitate access to technology for the most excluded and encourage women to take STEAM careers (Capgemini, 2020). For example, in India, the company is working with schools to provide them with digital resources (Capgemini, 2020). This way, Capgemini aims to make a difference in the **SDG 4: Quality education, SDG 5: Gender Equality and SDG 10. Reduced inequalities** (United Nations, 2020)**.**

Overall, the integration of Altran Technologies into Capgemini Group would have further **enhanced Capgemini's existing contribution to the SDGs**. On one hand, Altran's knowledge in many industries would have increased the scope of Capgemini's technological activities to a wider variety of industries, further contributing to the digitalization and sustainable development of sectors and cities (SDG9, SDG11, SDG 12). On the other hand, the activities of Altran Foundation would have positively affected Capgemini's social impact, in terms of inclusion, diversity and equality (SDG 4, SDG 5 y SDG 10).

Chapter 5. FINAL PROPOSALS AND CONCLUSIONS

Overall, as of May 2023, it can be concluded that, Capgemini Group's strategic move to acquire Altran Technologies back in 2020, to build a dominant presence in the Intelligent Industry market was a huge success.

The convergence of new technologies and the increasing demand for digital transformation in different businesses across many industries, created new opportunities for IT and ER&D market players to develop in the Intelligent Industry. Capgemini, despite having the needed resources and competencies to grow in its lacking industrial know how; the fast-evolving market and intensifying competition forced the company to rapidly respond. To this end, as a leader in the ER&D market, Altran's acquisition seemed the fastest way to bridge Capgemini's gaps and lead in this emerging Intelligent Industry. All of this, along with the current favorable economic microenvironment and the growing prospects of the IT and ER&D markets, encouraged Capgemini to take this step.

This led to negotiations, with an initial offer of 14.0 euros per Altran share, which seemed a slightly lower compared to the 14.6 euros share value achieved through the discounted free cash flow method analyzed throughout this project (that somehow reflects Altran's future growth) and the current market share value of 14.28. Consequently, Capgemini reconsidered its offer and increased it to 14.5 euros per share. Therefore, the final, purchase price, set at 3.7 billion euros (14.5 euros per share), seemed more reasonable and in line with current market value. This rectification suggests a friendly transaction, which somehow facilitated the following integration process.

Concerning the integration process, it was carried out smoothy, which contributed to meeting the established completion date of July 1, 2022. In addition, the identified potential synergies were also achieved earlier than expected. Besides this, the launch of Capgemini Engineering brand facilitated the integration of Altran and Capgemini's Operations & Engineering Global Business Line under the same entity, which ultimately, helped drive Capgemini's development on its path to building a giant in the Intelligent Industry market.

As for the impact of the acquisition on Capgemini's financial results, it was affected in several ways. First of all, revenues and financial indicators, such as, EBITDA, EBIT and Net Income, have consistently increased since the acquisition, with a remarkable growth in 2022. Although there is not specific data of how much of this increase is attributable to Altran's acquisition, all indicates that it is somehow related.

Secondly, taking into account that Altran was primarily absorbed by the Operations & Engineering Global Business Line of Capgemini, its revenues witnessed an exponential growth, considerably reducing the company's dependence on the Applications & Technology Global Business Line.

Thirdly, as for the revenue breakdown by geography, no significant variation was observed, since both Altran and Capgemini had a similar geographic mix back in 2019. However, the acquisition further heightened Capgemini's reliance on the European market due to Altran's strong presence in that region.

Lastly, Capgemini's market capitalization has also experienced a substantial growth following the acquisition, doubling its value, which can be partly attributed to the integration of Altran, as the increase started to occur days after the effective acquisition.

Overall, the acquisition successfully positioned Capgemini as a leading brand in the Intelligent Industry market, combining Altran's industry expertise with Capgemini's IT systems prowess. The company has consistently climbed rankings, indicating progress towards its goal of becoming the benchmark in this emerging market.

Once more, with all of the above mentioned, it can be concluded that the merger of Altran Technologies and Capgemini Group was a complete success.

APPENDIX

5.1 FINANCIAL RATIOS

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Equation 5. Current ratio

$$\text{Leverage ratio} = \frac{\text{Debt}}{\text{Equity}}$$

Equation 6. Leverage ratio

Where:

- $\text{Debt} \equiv$ Book value of debt.
- $\text{Equity} \equiv$ Book value of equity.

$$\text{Net Financial Debt} = \text{Gross Financial Debt} - \text{Cash}$$

Equation 7. Net Financial Debt

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