Olier Etudes&Recherche
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First Impression - A tale of two companies: Business & Decision, and CS Communication & Systèmes.

1 - Among many pluses, France is well known for its high volume output in literature: according to newspapers, no less than 400 French writers, with 400 new French novels, are competing this fall for some well known French literary prizes such as the Goncourt, the Femina, and so on. Which looks nice in some way, but also dwarves more than ever another kind of French literature: **Small Caps equity research** following SMEs listed on the Paris market. A secondary literary genre, we must admit, but sometimes a very useful one, which, on the contrary, is scarce in volume, and, apparently, cannot meet quite a strong demand from readers, i.e. investors, who often complain about that. And a literature that may be useful as long as it tells tales about good companies at bargain prices, such as Business & Decision and CS Communication & Systèmes. whose 1st half results were very recently published, and commented on.

2 - Business & Decision (BZDK.PA/BND FP; 6,8€) share price took a hit when it appeared that, in spite of a +10.4% top line organic growth, **1st half EBIT was flat**, hence a slightly declining operating margin, from 4.3 to 3.7%. A margin which is clearly substandard for a middle-sized IT services company. And a real setback, since this share price had been slowly but surely gaining momentum for months (and, above all, since our April 29, 2015, 7 pages piece of research, still available on http://www.olier-etudes-recherche.fr). As a matter of fact, B&D was becoming more and more attractive to investors, giving step by step a clearer picture of itself after years of restructuring, and getting back on the growth track, in other words getting back to normal with still **quite a low valuation**.

Business & Decision

Isin FR0000078958 Reuters/Bloom : **BZDK.PA/BND FP**

Données boursières :	11/9/15			n actions :	7,882
Dernier cours :	6,80€				
+haut /+bas 1 an :	8,00/3,92				
Cap. boursière :	53,6 M€				
Performance YTD :	+ 32%			Perf. 2014 :	+ 12%
	2012	2013	2014	2015e	2016e
BNA	0,61€	0,16€	0,61€	0,71€	0,82€
Croissance BNA		- 73%	+ 269%	+ 17%	+ 16%
Cash Flow pa	1,01€	0,60€	1,04€	1,14€	1,26€
PER			11,2x	9,6x	8,2x
P/CF			6,5x	6,0x	5,4x
CB/CA			0,26	0,25	
VE/CA			0,30		
VE / EBITDA			5,1x		

A low valuation that is still there, with a 8.2x 2016e PER and a 0.30x EV/Sales ratio, well under the sector's metrics. Which means now, unfortunately, that the **doubt is also still there**. This in spite of the clear explanations, business unit by business unit, given by the management during the analysts meeting: delays in big contracts execution in Switzerland, due to EUR/CHF January turmoil, delays for staffing new projects in France, due to a tense labor market for software engineers, and more costly outsourcing, etc… So, let's, once again, make an attempt to **consider the bright side**: this company works for big corporate customers, with, as it seems, a **high-end offering** and great expertise in digital transformation, Big Data, and so on, well beyond the out of fashion Business Intelligence designation the company uses to present it. And let's think positively that this disappointment is purely temporary: after all, that's what the management says. So let's stick to it. And wait and see.

3 - **CS Communication & Systèmes (SIGF.PA/SX FP; 2,93€)** also seemed to pause on its way towards good growth and higher margins, a nice, albeit rather vague, guidance the company's management gave to investors last winter when displaying 2014 results (see our May 25, 2015, 7 pages piece of research, still available on http://www.olier-etudes-recherche.fr): 1st half turnover made little progress year on year, with a meagre +0.7%, as did operating margin, which hardly went from 4.2 to 4.5%, giving all in all the impression that meeting management's mid-term objective could take more time than initially scheduled. And giving also, as a consequence, the feeling that an upgrading in valuation would take longer than expected.

So, **a little more patience is requested** for those who dare to think that CS' **valuation** looks quite demanding: no doubt that, among other criteria, a **0.56x EV/Sales ratio** is a lot lower than the ones of other prime contractors operating in the Aerospace area, like Thales (1.2x) or L3-Communications (1x). And not that high in absolute terms for a high-tech company designing and building critical systems for big customers. And thus, may be, leaving some room for some improvement.

Isin FR0007317813 Reuters/Bloom : **SIGF.PA/ SX FP**

Données boursières :	11/9/15			n actions* :	20,678
Dernier cours :	2,93€				
+haut /+bas 1 an :	3,40/2,32				
Cap. boursière :	60,6 M€				
Performance YTD :	+ 21%			Perf. 2014 :	+ 13%
	2012	2013	2014	2015e	2016e
BNA	-0,08€	0,11€	0,10€	0,17€	0,22€
Var. BNA		- 229%	- 9%	+ 75%	+ 29%
Cash Flow pa	0,07€	0,22€	0,20€	0,28€	0,32€
Actif Net pa	0,00€	1,47€	1,50€	1,67€	1,89€
* dilué des OC juillet 2014 ; n actions cotée : 17,343M					
PER			30,3x	17,3x	13,5x
P/CF			14,4x	10,6x	9,0x
P/AN		1,99	1,95	1,76	1,55
CB/CA			0,37	0,37	
VE/CA			0,57	0,56	
VE / EBITDA			10,0x		

CS
La force de l'innovation

This as long as we can get some comfort from **good news**, **and there is some:** i) the tremendous MG2S contract signed in the beginning of the year already brought some activity in Q2, and hiked the Defense, Space and book-to-bill to a nice 1.5 level, helping a lot to balance the steep decrease of work load at Airbus, ii) CS is growing quickly in North America, having gained the confidence of a prime customer: P&W, thanks to its very reliable software for Fadec, a matter that counts for an aero-engine manufacturer, iii) CS is more than ever doing good business in EU in the satellite area, with CNES and ESA, and, last but not least, iv) there is still a potential for savings. So, where is the problem? **J Lieury September 11, 2015**