Atos shares jump on Siemens deal for IT giant

December 15 2010

Thierry Breton, CEO of French information technology services company Atos Origin, and Peter Loscher (L), CEO of German industrial group Siemens give a press conference after signing a partnership in Paris. Shares in French computer services consultancy Atos Origin leapt Wednesday in response to a deal with German giant Siemens targeted at creating the "European leader" in the sector.

Shares in French computer services consultancy Atos Origin leapt Wednesday in response to a deal with German giant Siemens targeted at creating the "European leader" in the sector.

Atos Origin and Siemens announced overnight that Atos Origin would pay 850 million euros (1.13 billion dollars) for the information technology activities of Siemens.

Siemens, in exchange for its IT division, will get a 15 percent of Atos

Origin and 186 million euros in cash. Atos Origin will also issue bonds worth 250 million euros convertible into shares in five years' time and reserved for Siemens.

This "strategic global partnership" would create the seventh-biggest IT group in the world, they said.

Atos Origin is headed by former French finance minister Thierry Breton who said on French radio Europe One on Wednesday that the group intended to recruit 8,000 people throughout the world this year, of whom 1,600 would be hired in France.

The joint statement said that the deal would result in the shedding of 1,750 jobs at Siemens, of which 650 were in Germany.

Breton said that the agreement "enables us to be a leader without any doubt in Europe in the fields of computing ... sectors which are growing, in which there is much investment but also in which there is much recruitment."

He said that the number of people employed by Atos Origin would rise from 50,000 to 80,000, of whom 62,000 would be engineers.

In the statement, Breton said: "Today marks the beginning of a very strong and promising long-term industrial alliance between Atos and Siemens."

His counterpart at Siemens, Peter Loscher, said: "We are creating a European champion."

Atos Origin shares were showing a gain of 10.57 percent to 37.37 euros. The overall French market as measured by the CAC 40 index was down 0.59 percent.

Analysts at CM-CIC Securities said "this deal has real strategic interest for Atos."

It would enable Atos Origin to catch up French-British group Capgemini in the top 10 world computer services groups and to make good some weak points, notably in Germany.

The analysts commented that the price looked low because Siemens would carry most of the costs of integration and restructuring.

At Deutsche Bank, analysts said that the deal enabled Atos Origin to become big enough to be a powerful force in Europe.

They also welcomed a commitment by Siemens to retain its holding in Atos Orgin for five years but also noted that the transaction carried risks typical of this kind of deal, relating to integration and reorganisation.

Atos Origin expects the deal to increase earnings by 50 percent, with sales in 2013 of 9-10 billion euros.

In the first half of this year, Atos Origin had sales of 2.49 billion euros and made a net profit of 60 million euros.

Siemens, a vast industrial conglomerate, said last month that its sales for the year to the end of September totalled 75.978 billion euros, producing a record net profit of 4.07 billion euros.

In a separate statement, the biggest shareholder in Atos, French investment group PAI Partners, said "this deal enables (Atos) to achieve critical mass on the market in Germany and in northern Europe.

"It will generate strong value for the company and for shareholders."

Citation: Atos shares jump on Siemens deal for IT giant (2010, December 15) retrieved 25 April 2024 from https://phys.org/news/2010-12-atos-siemens-giant.html