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European Technology/Software

European IT Services: EU Tech Sovereignty - Regulation creates demand, but only the right models win

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The EU tech sovereignty package, recently introduced (link), marks a turning point for European IT services. By prioritizing control over cloud, data, and AI, it forces public sector and regulated industries to re-platform, localize data, and upgrade governance frameworks. The result is a multi-year pipeline of large, non-discretionary projects - with IT services firms at the center as the key implementation partners.

This is a real growth opportunity. Sovereign cloud migrations, compliance frameworks, open-source modernization, and domestic infrastructure build-out expand addressable spend while increasing delivery complexity. This shifts the mix toward higher-value services - consulting, integration and managed services - and reinforces incumbency with governments and critical sectors.

But the upside is uneven. Winners are those with high exposure to EU public and regulated clients, strong capabilities in cloud, AI, cybersecurity and open architectures, and deep EU delivery footprints. Sopra Steria and Indra stand out as the most direct beneficiaries, in our view. Atos, CGI and Reply offer strong thematic alignment, while Capgemini and Aubay benefit with more diversified exposure. Alten remains a more indirect play via client demand.

The trade-off is higher complexity and margin pressure. Sovereignty rules fragment delivery, constrain hyperscaler usage, increase reliance on EU-based talent, and add compliance overhead. Providers with offshore-heavy models or concentrated vendor dependencies risk seeing costs rise faster than pricing.

This sets up a clear divergence. The bull case is a policy-driven growth cycle with rising barriers to entry and stronger strategic relevance. The bear case is a compliance-heavy spend cycle that inflates costs and dilutes margins.

We view EU tech sovereignty as a stock-selection theme, not a sector call. Our proprietary scoring framework highlights clear relative winners and losers, helping identify where regulatory tailwinds translate into sustainable, profitable growth - and where they do not.

Bottom line: Sovereignty is a durable demand driver, but not a free lunch. The key question is execution: which firms can turn complexity into value, and which will be left with cost.

BERNSTEIN TICKER TABLE

			5 Jun 2026		TTM		Adjusted EPS			EV/Adj EBIT (x)		
			Closing	Price	Rel.							
Ticker	Rating	Cur	Price	Target	Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
ATE.FP (Alten)	O	EUR	64.35	135.00	(24.7)%	EUR	4.91	7.07	7.72	6.4	6.1	5.6
ARCAD.NA (Arcadis)	O	EUR	35.36	48.00	(32.5)%	EUR	2.67	2.64	3.27	13.2	13.4	10.8
ATO.FP (Atos)	U	EUR	37.52	43.00	(12.7)%	EUR	(50.11)	(1.73)	3.25	(7.7)	8.1	5.9
AUB.FP (Aubay)	O	EUR	55.90	66.00	(2.0)%	EUR	3.06	3.57	3.76	13.2	11.1	10.5
CAP.FP (Capgemini)	O	EUR	101.80	208.00	(43.5)%	EUR	12.86	13.00	13.95	7.9	7.8	7.3
GIB/A.CN (CGI)	U	CAD	93.83	141.00	(60.5)%	CAD	8.28	8.82	9.72	11.3	10.6	9.6
IDR.SM (Indra)	O	EUR	55.44	69.00	40.3%	EUR	2.48	2.54	3.15	22.3	21.8	17.6
OVH.FP (OVHcloud)	O	EUR	16.55	13.00	3.9%	EUR	(0.01)	0.20	0.39	8.7	8.2	7.3
REY.IM (Reply)	M	EUR	104.60	120.00	(43.0)%	EUR	7.13	7.71	8.13	9.3	8.5	8.1
SOP.FP (Sopra Steria)	O	EUR	150.10	242.00	(35.4)%	EUR	16.47	16.87	18.84	7.8	7.6	7.0
EDME			1,544.13									
SPX			7,383.74									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

ARCAD.NA, CAP.FP, GIB/A.CN, IDR.SM valuation is Adjusted P/E (x); OVH.FP valuation is EV/Adj EBITDA (x);

Source: Bloomberg, Bernstein estimates and analysis.

INVESTMENT IMPLICATIONS

We reiterate our ratings and price targets.

Outperform:
Alten (PT €135)
Arcadis (PT €48)
Aubay (PT €66)
Capgemini (PT €208)
Indra (PT €69)
Sopra Steria (PT €242)

Market-Perform:
Reply (PT €120)

Underperform:
Atos (PT €43)
CGI (PT C$141)

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DETAILS

List of recent sector reports:

- Global software: Mid-market ERP at the AI inflection point
- When Anthropic and OpenAI Meet IT Services
- Artificial Intelligence... Sooner or Later: AI is already here - The structural reset of IT Services & Software
- Forward Deployed Engineering (FDE): Where AI software meets the real world
- FDE: Force Multiplier - or False Comfort - for enterprise AI
- Disrupted or supercharged? Mapping AI risks in Services and Software
- AI disruption radar - Want to try it yourself?
- IT Services: The irresistible rise of Services-as-Software
- Global Software: The coming AI supercycle in Supply Chain Software

List of recent company reports for selected services providers:

Capgemini (Outperform, PT €208):

- Capgemini 1Q26 sales: Execution drives upside, risks priced in
- Capgemini: Riding the supply chain AI supercycle
- Capgemini 1Q26 preview: Show-me quarter at an inflection point

Indra (Outperform; PT €69):

- Indra: Defense-led, AI-enabled - our Best Idea remains intact
- Indra: Best Idea 2Q26 - Defense-led, AI-enabled: The re-rating continues. Outperform

- Indra: If EME is out, what comes in?
- Indra: Firing on all cylinders - Defense surges, Minsait accelerates

Alten (Outperform, PT €135):

- Alten: Nice conference — More than just reassuring
- Alten: Strong start to the year
- Alten: Defying bear theory and continuing to execute development plan

Sopra Steria (Outperform, PT €242):

- Sopra Steria: Bulls 1 - Bears 0
- Sopra Steria: Still there, and even in slightly better shape than expected (AMENDED)

Aubay (Outperform, PT €66):

- Aubay: you dreamed it, they did it
- Aubay: More profitable than expected and a promising start to the year – the perfect picture

Reply (Market-Perform, PT €120):

- Reply: One foot on the accelerator
- Reply: A good quarter, but not enough to calm the growing panic among investors

Atos (Underperform, PT €43):

- Atos: Nice conference – An improving risk profile
- Atos: still no signs of improvement in top-line growth

CGI (Underperform, PT C$141):

- CGI: a shock for the market perhaps, but for us it's just a bad quarter and confirmation of CGI's profile
- CGI 1Q26 results: As expected, exposure to US Federal Government is hurting performance

INVESTMENT SUMMARY

The EU tech sovereignty package (link) is a genuine demand catalyst for European IT services, in our view, but it is not a sector-wide free lunch. By pushing public sector and regulated clients toward sovereign-compliant cloud, tighter data controls, and new governance requirements, it turns regulation into a multi-year pipeline of re-platforming, cybersecurity, AI governance, and infrastructure projects. That is clearly positive for sector growth, especially in consulting, integration, and managed services.

The challenge is that the same package also raises delivery complexity. More localization, stricter compliance, reduced standardization, and greater reliance on EU-based talent all increase cost and execution risk. As a result, the key question is not whether the theme is supportive, but which providers can convert higher demand into profitable growth rather than low-margin compliance work.

This creates a clear pecking order among providers. We believe that the biggest winners are firms with three attributes: high exposure to European public sector and regulated markets, strong capabilities in cloud, AI, cybersecurity, and open architectures, and deep EU delivery footprints.

On that basis, Sopra Steria stands out, in our view, as the clearest direct beneficiary, while Indra also screens very well given its strong positioning in public, defense, and critical systems. Atos, CGI, Capgemini, Reply, Aubay, and Alten all have exposure to the theme, but with more mixed balances between opportunity and risk (Exhibit 1).

The bull case for the sector is straightforward: sovereignty rules create non-discretionary demand, strengthen incumbency, raise barriers to entry, and support higher-value services. The bear case is that sovereignty spend becomes compliance-heavy, fragmented, and margin-dilutive, especially for firms reliant on offshore delivery, single-vendor ecosystems, or less differentiated application outsourcing.

Overall, the EU tech sovereignty package should be viewed as a stock-picking theme rather than a blanket sector call. It rewards providers that are aligned with sovereign cloud, security, and EU-based delivery, and it penalizes those whose business models were built for a more standardized, hyperscaler-led world. In that sense, the package is both a growth driver and a new filter for identifying relative winners within European IT services.

EXHIBIT 1: **EU tech sovereignty - Bernstein's directional assessment for selected services providers**

Company	A (Public)	B	C	D	E	Raw (0-25)	Score (0-100)	Directional view under tech sovereignty
Alten	4 (59%)	3	3	4	4	18	72	Solid, mostly indirect beneficiary
Atos	4 (57%)	5	4	4	3	20	80	Prime thematic, high execution risk
Aubay	5 (78%)	3	3	4	4	19	76	High-exposure mid-cap beneficiary
Capgemini	3 (45%)	4	4	4	4	19	76	Large-cap beneficiary, diversified mix
CGI	4 (63%)	4	4	4	4	20	80	Strong global/EU public cloud beneficiary
Indra	5 (78%)	4	4	4	3	20	80	Defense/critical systems sovereignty play
Reply	3 (41%)	5	4	3	4	19	76	Niche sovereign-cloud / AI specialist
Sopra Steria	5 (76%)	4	4	4	4	21	84	One of the clearest EU sovereignty winners

A: EU public and regulated exposure (x% of revenue); B: Cloud/AI/security and open-source fit; C: Delivery model and EU footprint; D: vendor/stack dependence risk; E: Execution/governance and M&A track record

Calculation: Raw = A + B + C + D + E

Calculation Score = Raw / 25 * 100
Source: Bernstein analysis and estimates

WHAT THE PACKAGE ACTUALLY DOES

The EU tech sovereignty package (link) is, in our view, a structural positive for "right-positioned" IT Services providers in Europe (cloud, cybersecurity, data/AI, open source, sovereignty consulting), but raises margin, capex and complexity risks, especially for global services providers reliant on US hyperscalers and proprietary stacks. Net impact will likely be divergent: some firms see a multiyear demand tailwind and better strategic relevance, others face compressed profitability, more fragmented delivery and higher compliance friction.

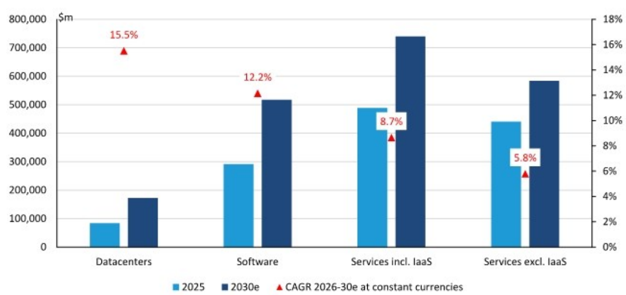
- The package combines a Cloud and AI Development Act (CADA), a "Chips Act II", and a formal EU definition of digital/tech sovereignty.
- Core objectives: reduce reliance on non-EU providers (today >80% of digital products/services/IP are non-EU), ensure Europe can "develop, control and scale" critical technologies, and tighten rules for cloud, AI, data and critical infrastructure.
- For cloud/AI, the EU will:
  - Impose sovereignty tiers for services, with stricter criteria for sensitive/public workloads and security-critical functions.
  - Potentially bar providers that fail sovereignty tests from sensitive public contracts, and give preferential access to compliant European cloud providers in procurement.
- Push open-source components and reduce vendor lock-in, explicitly linking proprietary lock-in to strategic vulnerability.

Rationale: IT Services companies are the "implementation arm" of this strategy; they sit between regulation and end-customers and will be pulled in to redesign architectures, contracts and operating models to meet sovereignty requirements.

Gartner Group projects solid growth in European IT spending over 2026-2030.

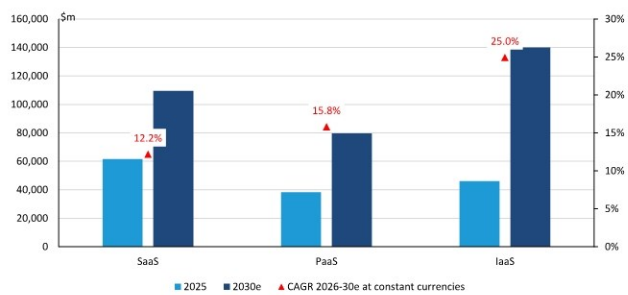
- On average, services are expected to grow 5.8% annually ex-IaaS, and 8.7% including IaaS. Software is forecast to expand at 12.2% per year, while datacenter spending is set to rise by 15.5% annually (Exhibit 2).
- Within cloud segments, SaaS is expected to grow 12.2% per year over the period, compared with 15.8% for PaaS and 25.0% for IaaS (Exhibit 3).

EXHIBIT 2: **Europe's IT spending forecasts**



Source: Gartner Group (April 2026), Bernstein analysis

EXHIBIT 3: **Europe's cloud spending forecasts**



Source: Gartner Group (April 2026), Bernstein analysis

Across European services companies in our sample, Europe typically accounts for the bulk of revenues. However, some providers have greater international exposure than peers (Exhibit 4). For example, Capgemini derives 38% of its revenues from outside Europe, and Atos 28%. While CGI is headquartered in Canada, Europe still represents 54% of its total revenues.

To assess the impact of the EU tech sovereignty package on our companies, we use Gartner data to analyze the share of revenues exposed to the EU public sector (e.g., government, education) and EU-regulated industries (e.g., defense, healthcare, utilities, financials, and telecoms). Some companies show high exposure to these end-markets (Exhibit 4): Indra (78% of services revenues via Minsait), Aubay (78%), and Sopra Steria (76%). By contrast, others are less exposed, including Delaware (19%), Reply (41%), and Capgemini (45%).

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EXHIBIT 4: **Revenue breakdown by end-market in Europe for selected services providers**

	Alten	Atos	Aubay	Capgemini	CGI	Delaware	Econocom	Indra	Netcompany	Neurones	Reply	SopraSteria	Tieto	Wavestone
Europe as a % of total revenues	81%	72%	100%	62%	54%	80%	99%	72%	99%	95%	93%	100%	96%	92%
Segment revenue as a % of Europe														
Banking and investment services	20%	10%	40%	15%	14%	1%	11%	23%	2%	20%	22%	17%	14%	15%
Communications, Media, and Services	16%	9%	14%	6%	4%	2%	14%	7%	19%	19%	15%	3%	16%	3%
Education	2%	2%	0%	0%	0%	1%	19%	0%	0%	0%	0%	0%	2%	0%
Government	11%	22%	5%	13%	29%	4%	1%	33%	58%	19%	8%	48%	14%	7%
Healthcare	12%	13%	0%	4%	4%	4%	6%	5%	2%	17%	0%	0%	19%	1%
Insurance	8%	5%	20%	6%	5%	0%	0%	2%	6%	2%	3%	4%	9%	17%
Manufacturing and Natural resources	5%	21%	4%	32%	9%	62%	14%	7%	2%	20%	31%	10%	17%	16%
Oil and gas	1%	0%	0%	1%	3%	1%	0%	0%	0%	0%	0%	0%	0%	2%
Other industries	4%	4%	0%	3%	0%	6%	0%	0%	6%	0%	0%	1%	0%	1%
Power and utilities	7%	5%	13%	6%	12%	8%	14%	15%	1%	3%	8%	7%	3%	16%
Retail	7%	4%	2%	10%	16%	10%	17%	1%	2%	0%	14%	3%	6%	8%
Transportation	8%	4%	1%	2%	4%	0%	4%	6%	2%	0%	0%	7%	1%	14%
Revenue exposed to regulated sectors	59%	57%	78%	45%	63%	19%	51%	78%	69%	61%	41%	76%	60%	57%

Capgemini and Indra covered by R. Nguyen; Atos, Alten, Aubay, CGI, Reply, and Sopra Steria by D. Marcon
Source: Gartner Group (April 2026), Bernstein analysis

KEY IMPACT CHANNELS FOR IT SERVICES

DEMAND SIDE: NEW PROJECT AND SPEND POOLS

- Sovereign cloud and re-platforming programs.
  - Public sector, defense, critical infrastructure, health and regulated industries will be nudged (or forced) toward EU-compliant cloud/AI tiers.
  - This implies large-scale migration, data localization, re-architecture and integration work - classic bread-and-butter for services providers.

    Rationale: clients need partners who can navigate new rules, compare "sovereign" offerings, and execute multi-cloud/sovereign transitions at scale.

- Compliance-driven consulting and governance.
  - CADA and related rules introduce new classification, auditing, and security obligations for cloud and AI usage.
  - IT Services firms can monetize: sovereignty assessments, compliance architectures, risk/GRC (governance, risk, and compliance) tooling, and ongoing governance services around workloads and data flows.

    Rationale: regulatory complexity increases the value of advisory and recurring "compliance as a service" offerings.

- Open-source adoption and modernization.
  - The Commission explicitly sees open source as a "structural lever of sovereignty" and cites high economic multipliers for public open-source investment.
  - This supports projects to replace proprietary platforms, build on open stacks, and create EU-controlled reference architectures - all heavy service-led undertakings.

    Rationale: open source usually needs more integration, curation and support - margin-rich project and AMS (application managed services) work for services players.

- Domestic cloud and infrastructure build-out.
  - The EU wants to bolster domestic cloud and semiconductor capacity through the Chips Act II and cloud initiatives.
  - Infra build-out, datacenter rollouts and edge deployments create engineering, migration and managed operations work.

    Rationale: smaller EU clouds will need partners to access enterprise/government markets and to build out service ecosystems.

SUPPLY SIDE: DELIVERY MODEL AND MARGIN EFFECTS

- Constrained use of US hyperscalers / non-EU vendors.
  - Sensitive public workloads may exclude or tightly constrain non-compliant providers; "kill switch" concerns are explicitly mentioned by EU officials.
  - IT Services firms heavily tied to AWS/Azure/GCP for government/regulatory verticals may need parallel capabilities on EU-native platforms or sovereign variants.

    Rationale: reduced standardization across clients increases delivery complexity and cost.

- New compliance overhead in delivery.

- Providers operating datacenters, cloud hosting or AI services in the EU must meet new sovereignty, security and auditing requirements.
- Even “pure” services firms will face more complex contracting, data-handling obligations and vendor-selection constraints.

  Rationale: overheads (legal, security, certifications) rise; some of this can be passed on, but in competitive tenders it pressures margins.

- Pressure on proprietary software and resale/partner economics.
  - The package frames proprietary vendor lock-in as a sovereignty risk, and promotes open-source usage and interoperability.
  - IT Services firms with strong resale/implementation economics tied to single proprietary vendors may see dilution of pull-through license revenue or implementation depth.

    Rationale: multi-vendor, open stacks can reduce per-project depth with any single ISV (independent software vendor) and require broader skills investments.

- Talent and capability reshaping.
  - Demand for EU-based cloud, cybersecurity, AI, data governance and open-source skills will increase, while generic offshore delivery may be constrained for some workloads.

    Rationale: near-shoring and “EU-only” teams for critical workloads raise wage bills, but also raise barriers to entry and favor large incumbents.

CATALYSTS (BULLISH TRIGGERS)

- Regulatory milestones and transposition.
  - Adoption of CADA and Chips Act II at EU level, followed by national implementation and sectoral guidance (e.g., for health, energy, finance).

    Rationale: once rules are codified, public bodies and regulated industries launch multiyear programs, turning “option value” into booked projects.
- Public procurement shifts favoring EU providers.
  - “Preferential access” and sovereignty criteria in public procurement could structurally skew major RFPs (request for price) toward EU-anchored cloud/IT Services consortia.

    Rationale: any hard preference or scoring uplift can quickly rebalance share away from US-centric models in government/critical infrastructure.
- Large flagship migration or sovereign-cloud wins.
  - Large deals (e.g., a national digital identity or health platform moving to sovereign architecture) create reference cases that accelerate follower projects.

    Rationale: once one large member state “proves” a model, others often reuse the template to speed adoption.
- Security or geopolitical shocks.
  - Any high-profile cyber incident involving extra-EU providers, or tension over extraterritorial access laws, can strengthen the political case for sovereignty.

    Rationale: shocks compress decision cycles and push budget toward resilience and sovereignty projects.
- Funding and incentives for open source and EU clouds.
  - EU-level funding or state-aid frameworks supporting open-source, EU cloud, or chip capacity increase available budgets for partner ecosystems.

    Rationale: subsidies and grants lower the hurdle rate for transformation programs where IT Services firms are main integrators.

CHALLENGES AND EXECUTION RISKS

- Protectionism and cost/efficiency drag.
  - Critics warn that "Buy European" style rules risk higher costs, watered-down innovation and isolation from best-in-class global tech.
  - For IT Services, this can mean more complex, less mature platforms with higher integration costs and lower productivity.

    Rationale: if clients perceive sovereignty as a tax on efficiency, they will push back on price and scope, limiting margin expansion.
- Fragmentation across 27 member states.
  - While the package provides an EU-level framework, actual procurement rules, data classifications and sectoral regulations may diverge by country.

    Rationale: scale benefits are diluted; IT Services firms must build many country-specific variants, increasing non-billable overhead.
- Regulatory uncertainty and delayed spend.
  - Long negotiations, court challenges or political changes could slow implementation or water down the strictest sovereignty provisions.

    Rationale: CIOs may delay major architecture changes until clarity emerges, leaving a "wait and see" gap where projects slip to outer years.
- Capability gap of EU-native providers.
  - Domestic clouds and open-source stacks may lag hyperscalers in features, global reach and ecosystem depth, at least initially.

    Rationale: this constrains what IT Services can deliver, limits cross-border standardization, and may lead to client dissatisfaction or dual-stack complexity.
- Margin pressure from talent and compliance costs.
  - Sovereignty implies more EU-based delivery, higher security clearances, stronger audit/compliance layers and potentially lower offshore leverage.

    Rationale: unless pricing power improves meaningfully, this compresses margins, particularly on large public deals.

BULL AND BEAR CASES FOR IT SERVICES

BULL CASE

Thesis: The tech sovereignty package creates a multiyear, above-GDP growth engine in Europe for well-positioned IT Services firms, while raising barriers to entry and deepening strategic relevance to governments and critical industries.

- Structural volume uplift from mandated change.
  - Sovereignty rules force re-platforming and architecture changes that would not otherwise occur or would be delayed.

    Rationale: mandated change creates "non-discretionary" projects; IT Services firms monetize migrations, re-architectures, and long-tail managed services.
- Higher complexity → higher value-add.
  - Multi-cloud, sovereign tiers, stricter security and data-governance requirements raise complexity.

    Rationale: complexity increases consulting and program-management intensity, where day rates and margins are structurally higher than commoditized staff-augmentation.
- Preferential access to public and critical workloads.
  - Procurement rules that favor EU sovereign solutions tilt the field toward European-anchored players and alliances.

    Rationale: European IT Services firms with strong government franchises capture share and gain long-tenor, sticky revenue streams.
- Open-source and de-lock-in as service multipliers.
  - The package positions open source as central to sovereignty and highlights substantial economic multipliers for open-source investment.

    Rationale: open source typically reduces license spend but increases integration, customization and support - all service-intensive activities with attractive margins.
- Barrier to entry for offshore and niche competitors.
  - EU-based hosting, security clearance and audit requirements create structural friction for newer or purely offshore-centric providers.

    Rationale: incumbents with EU delivery networks and compliance track records deepen their moat and defend pricing.
- Alignment with broader EU industrial policy.
  - Tech sovereignty is framed as essential for competitiveness, resilience and strategic autonomy, tying into broader digital and industrial agendas.

    Rationale: when a theme is politically backed and multi-decade in nature, budget support tends to be resilient across economic cycles.

BEAR CASE

Thesis: The package becomes another layer of regulatory friction that raises costs, fragments the market and reduces access to best-in-class tech, leading to lower productivity, tougher price competition and ultimately margin-dilutive work for many firms.

- Protectionism that backfires on competitiveness.

    - Critics argue that restricting access to foreign providers and favoring domestic ones can lock Europe into sub-scale, higher-cost solutions.

      Rationale: if clients see little incremental business value, they will squeeze vendors on price, turning sovereignty work into low-margin compliance projects.

- Regulation-driven complexity without commensurate pricing.

    - Added compliance, documentation and audit requirements may not be fully billable, particularly in competitive tenders with tight public budgets.

      Rationale: cost-plus elements rise, but competition keeps rates under pressure; EBIT margins get squeezed even as revenues grow.

- Execution risk from fragmented rules and politics.

    - Divergent national interpretations, political changes or legal challenges may delay or dilute projects.

      Rationale: IT Services firms ramp capabilities and invest ahead of demand that materializes more slowly or in a more limited form than expected.

- Innovation gap vs global leaders.

    - If EU clouds and open-source stacks do not keep pace with global platforms, Europe's digital projects may deliver less impact, reducing appetite for large-scale programs.

      Rationale: CIOs may choose minimal-change, "checkbox" projects rather than ambitious transformations, again limiting upside.

- Disintermediation or re-bundling by sovereign clouds.

    - Some EU cloud or platform providers may seek to internalize integration and managed services, limiting the role of external IT Services partners.

      Rationale: if platforms move up the stack, services providers risk being relegated to commodity roles or losing some high-margin components of projects.

- Crowding-out of other digital budgets.

    - Sovereignty and compliance spend could displace more business-value-driven digital initiatives (e.g., advanced analytics, new customer-facing apps).

      Rationale: opportunity cost: growth becomes more regulation-driven, less focused on innovation where IT Services might extract better economics.

A DIRECTIONAL FRAMEWORK FOR EU TECH SOVEREIGNTY EXPOSURE

This section introduces a directional scoring framework that converts the abstract concept of "EU tech sovereignty exposure" into a simple, comparable metric across IT services companies. The aim is not precise forecasting, but a structured way to rank companies by their leverage to the sovereignty agenda and to make the underlying drivers explicit. Using a small set of intuitive pillars scored 0-5 and rescaled to 0-100, the framework produces an interpretable metric that integrates easily with standard quality and valuation analysis.

The methodology is built on five pillars (Exhibit 6):

- (A) revenue exposure to the European public sector and regulated industries;
- (B) alignment of cloud, AI, cybersecurity, and open-source capabilities with sovereignty themes;
- (C) depth and structure of the EU delivery footprint;
- (D) vendor/stack dependence risk; and
- (E) execution, governance, and M&A track record.

Pillar A is the core "volume" driver: since sovereignty policies target public and regulated workloads, higher exposure directly expands the opportunity set. The remaining pillars assess monetization capacity. Pillar B captures positioning in sovereign cloud, AI compliance, security, and open-source integration - areas where regulation is driving demand. Pillar C reflects the advantage of EU-based delivery and secure onshore capacity. Pillar D reframes partnerships: heavy reliance on non-EU hyperscalers or proprietary stacks becomes a risk, while multi-cloud and open architectures are structural positives. Pillar E recognizes that sovereignty projects are complex and long-cycle, favoring firms with strong execution and governance.

To anchor the framework in data, Pillar A is calibrated using Gartner's estimated revenue shares from the European public sector and regulated industries, mapped into exposure bands (e.g., >70% = 5, 55–70% = 4, 40–55% = 3). This distinguishes "pure plays" such as Sopra Steria, Indra, or Aubay from more diversified firms like Capgemini or Reply. Pillars B-E are assessed qualitatively based on disclosed capabilities, client references, partnerships, and execution history. This highlights key nuances: Atos scores well on sovereignty capabilities but is constrained by execution and balance sheet risks; Reply combines strong sovereign cloud and AI expertise with lower public-sector exposure; Alten appears more exposed to sovereignty-driven budgets than its "engineering services" label suggests.

Overall, the framework is deliberately directional. Its purpose is to rank exposure and clarify mechanisms, not to produce a definitive scorecard (Exhibit 7 and Exhibit 8). It supports both bull and bear cases: a high score reflects strong exposure and capability, while also incorporating governance and concentration risks.

In practice, it is used alongside financial metrics - such as EV/EBIT or FCF yield - to identify mis-priced beneficiaries or over-hyped names. It also lends itself to scenario analysis, allowing Pillar A to be stressed under different public IT spending paths and Pillars B-C to be adjusted depending on how stringent sovereignty rules ultimately become.

Overall, the results point to a clear group of high-exposure beneficiaries of the EU tech sovereignty agenda, led by Sopra Steria (score 84/100) as the most direct and well-positioned play (Exhibit 5).

A second tier of strong thematic names - including Atos, CGI, and Indra (all at 80) - combines high exposure with differentiated positioning, though Atos stands out for its elevated execution risk.

Aubay, Capgemini, and Reply (all at 76) form a balanced middle group, each offering credible leverage to sovereignty themes but with some dilution either from size, diversification, or narrower exposure.

Alten (72) ranks lower, reflecting a more indirect link to sovereignty despite meaningful underlying demand exposure.

Overall, the distribution highlights that both pure public-sector players and selected specialists are best positioned, while broader or more indirect models capture the theme with less intensity.

EXHIBIT 5: **EU tech sovereignty - Bernstein's directional assessment for selected services providers**

Company	A (Public)	B	C	D	E	Raw (0-25)	Score (0-100)	Directional view under tech sovereignty
Alten	4 (59%)	3	3	4	4	18	72	Solid, mostly indirect beneficiary
Atos	4 (57%)	5	4	4	3	20	80	Prime thematic, high execution risk
Aubay	5 (78%)	3	3	4	4	19	76	High-exposure mid-cap beneficiary
Capgemini	3 (45%)	4	4	4	4	19	76	Large-cap beneficiary, diversified mix
CGI	4 (63%)	4	4	4	4	20	80	Strong global/EU public cloud beneficiary
Indra	5 (78%)	4	4	4	3	20	80	Defense/critical systems sovereignty play
Reply	3 (41%)	5	4	3	4	19	76	Niche sovereign-cloud / AI specialist
Sopra Steria	5 (76%)	4	4	4	4	21	84	One of the clearest EU sovereignty winners

A: EU public and regulated exposure (x% of revenue); B: Cloud/AI/security and open-source fit; C: Delivery model and EU footprint; D: vendor/stack dependence risk; E: Execution/governance and M&A track record

Calculation: Raw = A + B + C + D + E

Calculation Score = Raw / 25 * 100
Source: Bernstein analysis and estimates

EXHIBIT 6: **EU tech sovereignty - Scoring methodology and rationale**

A. EU public and regulated exposure
Proxy: revenue share from EU public sector + EU-regulated verticals (defense, health, utilities, finance, telco) and competitive positioning there.
- 5 = Very high exposure (>70% of revenues in EU public/regulated) and visible competitive strength (framework agreements, recurring wins).
- 4 = High (55-70%) exposure, good reference list and active in sovereignty-relevant tenders.
- 3 = Medium (40-55%) exposure; some references but not a core focus.
- 2 = Moderate (20-40%) exposure; mostly private/commercial, limited public track record.
- 1 = Minimal (0-20%) or declining exposure; exits from public sector or weak presence.
- 0 = No meaningful business or clear structural disadvantage in EU public/regulated.

Rationale: procurement shifts and sovereignty criteria primarily hit public and critical sectors; exposure is a precondition to upside but also to regulatory overhead.

B. Cloud / AI / security and open-source fit
Assess practice depth and "fit" with the package priorities: sovereign cloud, AI compliance, cybersecurity, data governance, open-source integration.
- 5 = Large, recognised practices in cloud, security and data/AI plus strong open-source credentials (e.g., contributions, dedicated units, major projects).
- 4 = Strong cloud/security/data practices, some open-source capabilities and deployments in regulated environments.
- 3 = Solid generic cloud practice but limited AI governance / open-source track record in sensitive sectors.
- 2 = Small or mostly "lift-and-shift" cloud work; limited security/data/AI specialization.
- 1 = Very narrow or legacy-focused infra/AMS; weak in modern cloud/AI/security.
- 0 = No meaningful cloud/AI/security capabilities in Europe.

Rationale: the package emphasises sovereign cloud tiers, AI rules and open source; these are the domains where project volume and complexity will rise.

C. Delivery model and EU footprint
Focus on ability to deliver EU-only, highly secure projects at scale.
- 5 = Extensive EU delivery network (multiple near-shore centres), strong bench of EU nationals, proven experience with classified or high-sensitivity work.
- 4 = Good EU footprint with some sovereign/"EU only" teams; majority of key public programmes delivered from EU.
- 3 = Balanced onshore/offshore model; can ring-fence EU work but with some constraints.
- 2 = Heavy offshore dependence; limited EU onshore capacity; sovereignty projects would require material ramp-up.
- 1 = Very limited EU presence or largely contractor-based.
- 0 = No practical ability to deliver EU-sovereign workloads at scale.

Rationale: sovereignty rules push toward EU-based hosting and personnel in certain workloads, favouring those with existing local depth.

D. Vendor/stack dependence risk
Score lower dependence on a single hyperscaler or proprietary stack as better, because the policy pushes multi-cloud, open-source and reduced lock-in.
- 5 = Broad multi-cloud capabilities, strong track record across EU clouds/sovereign clouds and open-source stacks; no single provider dominates.
- 4 = Good multi-cloud skills; some concentration but not exclusive, growing open-source portfolio.
- 3 = Mixed: strong but concentrated partnership (e.g., one hyperscaler is >60% of cloud work) but with realistic diversification underway.
- 2 = Very high dependence on one or two US hyperscalers or proprietary ecosystems; open-source work minimal.
- 1 = Essentially captive to one vendor, including go-to-market; weak bargaining power if policy shifts.
- 0 = Business model structurally tied to stacks that may be disadvantaged by sovereignty rules (e.g., non-compliant offerings in key sectors).

Rationale: the more a firm can remain vendor-agnostic, the more it can pivot with the regulatory direction and client preferences.

E. Execution / governance and M&A track record
This is a qualitative stability and "ability to pivot" pillar.
- 5 = Strong governance and capital allocation; proven successful pivots into new regulatory/tech paradigms; M&A in cloud/security/sovereign themes executed well.
- 4 = Generally sound governance; some successful acquisitions/joint ventures in relevant areas; good disclosure on sovereignty strategy.
- 3 = Mixed record; some successful moves but also mis-steps or integration issues.
- 2 = Weak track record of integrating acquisitions or of executing large public/regulatory programmes; strategy unclear.
- 1 = Governance concerns or repeated execution failures, including in EU public sector.
- 0 = Severe governance issues, investigations or persistent loss of public contracts due to performance.

Rationale: sovereignty programmes are long-cycle, complex and politically visible; you need players that can execute reliably and partner with the state.

Source: Bernstein analysis and estimates

EXHIBIT 7: **Sovereignty score for selected services providers**

Capgemini

Context: Large European IT Services leader, strong consulting/digital and& cloud, broad EU footprint, major public-sector presence in France and other markets. It participates in sovereign/cloud initiatives with hyperscalers and promotes a "right level of sovereignty" stance, not full autarky.

A – EU public and regulated exposure: 3

Reasoning: Significant business with EU public/regulated clients, but group is globally diversified; public is not the dominant mix.

B – Cloud / AI / security and open-source fit: 4

Reasoning: Strong cloud/AI practices and security offerings; active in sovereign/GenAI debates and stacks, but not as sovereignty-pure as Atos.

C – Delivery model and EU footprint: 4

Reasoning: Large EU presence with near-shore centres; can staff EU-only teams, but still uses global delivery where allowed.

D – Vendor/stack dependence risk: 4

Reasoning: Multi-cloud and multi-vendor; has partnerships with Microsoft, AWS etc., but not visibly captive to one stack.

E – Execution / governance and M&A track record: 4

Reasoning: Generally solid integration and execution track record; has managed multiple pivots (digital, cloud, consulting).

Composite: 19 -> Sovereignty score = 76/100

Qualitative bucket: "Prime to moderate beneficiary" - combined with strong cloud/AI capabilities and EU footprint, it remains a clear beneficiary, though less "concentrated" than Indra/Sopra/Atos.

Indra

Context: Spain-based systems integrator with core strengths in defense, transport, and critical systems, plus Minsait digital unit. It explicitly frames space and defense tech as part of Europe's technological sovereignty.

A – EU public and regulated exposure: 5

Reasoning: Very high exposure to government, defense, transport and critical infrastructure in Spain and internationally; sovereignty-relevant by design.

B – Cloud / AI / security and open-source fit: 4

Reasoning: Strong critical systems, defense, and emerging tech; cloud/AI/security capabilities exist via Minsait and IndraMind, but brand vs pure IT/cloud specialists is somewhat narrower.

C – Delivery model and EU footprint: 4

Reasoning: Strong Iberian and broader EU presence; accustomed to highly sensitive defense and public work, which implies secure EU-based delivery.

D – Vendor/stack dependence risk: 4

Reasoning: Solution and systems-engineering nature, often bespoke/specialized; less "single hyperscaler reseller" dependent than pure IT outsourcers.

E – Execution / governance and M&A track record: 3

Reasoning: Historically some complexity and restructuring; good on mission-critical programs but governance and capital allocation can be mixed.

Composite: 20 -> Sovereignty score = 80/100

Qualitative bucket: "Prime beneficiary", driven by extreme public/defense tilt, but with some governance/execution caveats.

Alten

Context: Engineering and technology consulting, European leader in high-tech/engineering services, with strong exposure to industrial clients. Public-sector IT and cloud sovereignty is not its primary focus.

A – EU public and regulated exposure: 4

Reasoning: Core is engineering/outsourced R&D services for industrial and tech clients, not EU public IT systems; some regulated industry exposure like financial services, but sovereignty-driven tenders less central.

B – Cloud / AI / security and open-source fit: 3

Reasoning: Strong tech/engineering skills and some digital/AI projects, but not known as a top-tier cloud/sovereign integrator.

C – Delivery model and EU footprint: 3

Reasoning: Significant European footprint as an engineering consultant; can staff EU-based engineers, but model is less focused on large sovereign IT projects.

D – Vendor/stack dependence risk: 4

Reasoning: Project-based, engineering-centric, relatively agnostic to specific IT stacks; dependence on a single cloud vendor is structurally lower when compared to classic services integrators.

E – Execution / governance and M&A track record: 4

Reasoning: Historically steady growth and bolt-on M&A; no major governance red flags in the public domain.

Composite: 18 -> Sovereignty score = 72/100

Qualitative bucket: "Solid beneficiary" - benefits via clients' sovereignty programs (e.g., aerospace/defense, industrial digitalization), still less of a direct sovereign-cloud/AI play than Atos/Sopra, but its client mix makes it more levered to the package.

Sopra Steria

Context: European IT Services player with strong roots in France; has explicit sovereign cloud services and deep public-sector relationships (administrations, justice, defense, etc.). Its cloud services include support for sovereign and hybrid models.

A – EU public and regulated exposure: 5

Reasoning: High share of business with public sector and regulated industries in France and Europe; long history with government clients.

B – Cloud / AI / security and open-source fit: 4

Reasoning: Well-developed cloud, security and data capabilities; offers sovereign cloud solutions as part of its portfolio.

C – Delivery model and EU footprint: 4

Reasoning: Strong EU onshore presence and near-shore; used to delivering in high-security contexts.

D – Vendor/stack dependence risk: 4

Reasoning: Multi-cloud and multi-vendor; positions itself as an integrator that can support private/public/hybrid/sovereign models.

E – Execution / governance and M&A track record: 4

Reasoning: Generally solid, though not without integration challenges over the years; still, strong standing in public IT.

Composite: 21 -> Sovereignty score = 84/100

Qualitative bucket: "Prime beneficiary" - high direct exposure to sovereignty-driven EU public workloads and explicit sovereign cloud positioning.

Source: Bernstein analysis and estimates

EXHIBIT 8: **Sovereignty score for selected services providers (continued)**

Reply

Context: Italy-based, highly specialized consulting and systems integration group with strong cloud, digital and niche vertical capabilities. It operates sovereign-cloud offerings via Storm Reply on AWS Sovereign Cloud.

A – EU public and regulated exposure: 3

Reasoning: Has regulated-sector work (e.g., financial services, manufacturing), but large central-government programs are less dominant than for national champions; public exposure exists but likely below Sopra/Atos/Indra level.

B – Cloud / AI / security and open-source fit: 5

Reasoning: Strong cloud-native and AI competencies, more mid-cap/consulting-oriented; Storm Reply is a key AWS partner for sovereign cloud, directly aligned with data sovereignty and regulatory needs.

C – Delivery model and EU footprint: 4

Reasoning: Solid presence in Italy, Germany and other EU markets; can support EU-based teams, but scale in large sovereignty/public-sector projects is somewhat lower than Tier-1 peers.

D – Vendor/stack dependence risk: 3

Reasoning: Strong tie-in with AWS via Storm Reply's sovereign-cloud focus; while multi-vendor capabilities exist, the messaging is heavily AWS-centric.

E – Execution / governance and M&A track record: 4

Reasoning: Good organic growth, disciplined expansion in niches; no major governance red flags publicly visible.

Composite: 19 -> Sovereignty score = 76/100

Qualitative bucket: "Moderate to strong beneficiary", particularly in specialized sovereign-cloud and AI projects, but less leverage to mass EU public-sector volume than some larger peers.

Atos

Context: Atos has repositioned aggressively around digital sovereignty, data sovereignty and sovereign cloud, launching an integrated digital sovereignty offering and hubs focused on sovereign frameworks and agentic AI. It is deeply involved in sovereign cloud for EU organizations and critical industries.

A – EU public and regulated exposure: 4

Reasoning: Longstanding relationships with EU institutions, national governments, defense and critical national infrastructure.

B – Cloud / AI / security and open-source fit: 5

Reasoning: Integrated digital sovereignty offering across advisory/cloud/security/AI, emphasizing open standards and interoperability to reduce vendor lock-in.

C – Delivery model and EU footprint: 4

Reasoning: Large EU footprint with sovereign-design centres and data hubs; some restructuring risk, but physical and organisational presence is strong.

D – Vendor/stack dependence risk: 4

Reasoning: While Atos partners with AWS and Microsoft, its sovereignty offerings are pitched as modular, open and multi-vendor, with graduated sovereignty levels and open standards to maintain portability.

E – Execution / governance and M&A track record: 3

Reasoning: Significant governance/financial stress and restructuring in recent years; strategic pivot is clear, but execution risk remains elevated.

Composite: 20 -> Sovereignty score = 80/100

Qualitative bucket: "Prime beneficiary on paper" - very high thematic fit and exposure, but with meaningful execution and financial-stability risk that investors need to reflect outside this score.

Aubay

Context: Pan-European application and digital services specialist with strong presence in banking/finance, insurance, telecom and public sector; positioned as a critical applications specialist for digital transformation.

A – EU public and regulated exposure: 5

Reasoning: Strong digital/app services, but not a top-tier European "cloud + AI + sovereignty" brand like Atos or Sopra; public info suggests standard modernization, not a flagship sovereign-cloud play.

B – Cloud / AI / security and open-source fit: 3

Reasoning: Strong tech/engineering skills and some digital/AI projects, but not known as a top-tier cloud/sovereign integrator.

C – Delivery model and EU footprint: 3

Reasoning: Very European, but mid-cap scale; can support EU-based delivery but lacks the scale of Tier-1s for massive sovereignty programs.

D – Vendor/stack dependence risk: 4

Reasoning: Classic multi-client, multi-technology consulting/outsourcing model; likely not captive to one hyperscaler; engineering and app-services oriented.

E – Execution / governance and M&A track record: 4

Reasoning: Steady growth, mid-cap governance; no obvious red flags in public descriptions; considered a "top mid-tier" IT firm.

Composite: 19 -> Sovereignty score = 76/100

Qualitative bucket: "Moderate to strong beneficiary" - a high-exposure, mid-cap beneficiary: slightly less sophisticated/visible on explicit "sovereign cloud/AI" branding than Atos or Sopra, but with a very "right" client mix. The package should structurally support its demand environment.

CGI (European angle)

Context: Canadian-headquartered global IT and business consulting firm with deep public-sector relationships worldwide and in Europe; strong in government modernization, cloud/security and data governance.

A – EU public and regulated exposure: 4

Reasoning: High share of business with public sector and regulated industries in France and Europe; long history with government clients.

B – Cloud / AI / security and open-source fit: 4

Reasoning: Well-developed cloud, cybersecurity and data practices; strong public-sector digital government work and AI pilots in government contexts.

C – Delivery model and EU footprint: 4

Reasoning: Significant European presence (France, UK, Nordics, etc.) and long history with government agencies; can deliver high-security EU projects.

D – Vendor/stack dependence risk: 4

Reasoning: Multi-vendor integrator, not tied to a single stack; works with major clouds but maintains systems-integration neutrality.

E – Execution / governance and M&A track record: 4

Reasoning: Good execution reputation in large public-sector projects; global governance and long track record of acquisitions and integration.

Composite: 20 -> Sovereignty score = 80/100

Qualitative bucket: "Prime to moderate beneficiary" - very similar to Capgemini in capability and footprint. For an EU-sovereignty lens, CGI looks like a strong structural beneficiary.

Source: Bernstein analysis and estimates

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