



CORPORATE FINANCE

## Valuation Update for the IT Services Industry

ADVISORY

July 31, 2010

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- M&A/Financing
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Transaction volume in the information technology (IT) services sector declined compared with the prior month's spike. According to Capital IQ, there were 75 deals announced in the IT services sector in July 2010 compared with 101 in the prior month and 89 in July 2009. While deal volume decreased slightly compared to prior months, acquisition activity remained relatively strong due in part to an improvement in the overall M&A environment as well as IT services firms' increased appetite for strategic acquisitions.

The following are among the notable transactions announced in the IT services sector in July:

- Business intelligence and analytics solutions provider **SAS Institute, Inc.** announced it has acquired **Vision Systems & Technology, Inc.** for an undisclosed amount. Vision Systems provides IT services in the areas of software engineering, systems engineering, management consulting, and technology integration primarily to the federal defense market. SAS will combine its analytics solutions with Vision Systems' domain knowledge and analytics expertise in the intelligence community to offer clients more efficient solutions deployment. *(Source: SAS Institute, Inc. press release, July 16, 2010)*
- Global telecommunication services provider **Nippon Telegraph and Telephone Corporation** (TSE: 9432) made an offer to acquire **Dimension Data Holdings Plc** (JSE: DDT) for approximately US\$3.2 billion in cash. The deal implies a valuation of 0.7x revenue and 10.4x EBITDA based on Dimension Data's March 2010 LTM results. South Africa-based Dimension Data provides IT services to help clients plan, build, support, and manage their IT infrastructures. The deal strengthens Nippon's IT service capabilities and significantly expands its presence in the United States, Africa, and the Middle East. *(Source: Nippon Telegraph and Telephone Corporation press release, July 15, 2010)*
- Information security services provider **CQR Consulting** announced it has acquired **Technosys Consulting Services Pty Ltd.** for an undisclosed amount. Australia-based Technosys provides IT consulting services focused on information security. The deal strengthens CQR's existing security-focused IT services and further expands its presence throughout Australia. *(Source: CQR Consulting press release, July 13, 2010)*
- Norway-based **Merit Consulting A/S** announced it has acquired **B4u Consulting AG** for an undisclosed amount. Switzerland-based B4u provides a variety of ERP-focused services including implementation, system integration, and support and maintenance. The deal further expands Merit's presence in continental Europe and complements its existing focus on Lawson-based solutions. *(Source: Merit Consulting A/S press release, July 8, 2010)*
- Business communications and IT support services provider **Warwick Communications, Inc.** has acquired **ClearBlue Technologies, LLC** for an undisclosed amount. Ohio-based ClearBlue provides IT support services including the operation of co-location data centers. The acquisition enhances Warwick's capabilities to offer a more complete life cycle of IT support services including network design, installation and implementation, maintenance, and managed services. *(Source: Warwick Communications, Inc. press release, July 6, 2010)*

Valuation Update for the IT Services Industry

Market Snapshot											
Company	Market Cap <sup>1</sup>	Share Price <sup>1</sup>	52-Week Low	52-Week High	Price % Change 1 Mo	Price % Change 2 Mo	Price % Change 1 Yr	EV <sup>2</sup> /Sales	EV <sup>2</sup> /EBITDA <sup>3</sup>	EV <sup>2</sup> /EBIT	
<b>COMMERCIAL IT SERVICES – LARGE CAP</b>											
ACCENTURE LTD.	25,261.4	39.6	32.9	44.7	3.6%	-9.2%	13.0%	0.9	6.4	7.4	
ACTIVIDADES DE CONSTRUCCION Y SERVICIOS, S.A.	13,234.8	43.4	37.3	50.6	14.4%	-4.3%	-18.4%	1.3	12.6	16.5	
CGI GROUP, INC.	3,979.6	14.3	10.4	16.3	-4.3%	-4.0%	40.7%	1.1	5.8	7.6	
COMPUTER SCIENCES CORP.	6,995.0	45.3	43.4	58.4	1.6%	-13.5%	-5.9%	0.5	3.4	6.4	
UNISYS CORP.	1,151.0	27.0	17.0	40.4	49.1%	-3.6%	50.9%	0.3	2.9	3.5	
<i>Commercial IT Services – Large Cap Mean</i>					12.9%	-6.9%	16.1%	0.8	6.2	8.3	
<i>Commercial IT Services – Large Cap Median</i>					3.6%	-4.3%	13.0%	0.9	5.8	7.4	
<b>COMMERCIAL IT SERVICES – MID CAP</b>											
CIBER, INC.	230.4	3.3	2.5	4.5	17.3%	-16.1%	0.6%	0.3	6.2	9.8	
DIAMOND MANAGEMENT & TECHNOLOGY CONSULTANTS, INC.	295.6	10.9	5.0	11.6	5.9%	33.6%	102.4%	1.1	13.9	15.3	
IGATE CORP.	986.1	17.8	6.3	17.9	44.4%	43.3%	144.8%	3.9	17.5	20.9	
PERFICIENT INC.	265.0	8.7	7.2	13.0	1.1%	-30.7%	17.2%	1.3	28.5	74.6	
SAPIENT CORP.	1,476.1	11.0	6.0	11.5	9.6%	7.4%	64.7%	1.9	19.9	27.7	
THE HACKETT GROUP, INC.	129.2	3.1	2.3	3.8	9.4%	11.7%	3.3%	0.8	NM	NM	
<i>Commercial IT Services – Mid Cap Mean</i>					14.6%	8.2%	55.5%	1.5	17.2	29.7	
<i>Commercial IT Services – Mid Cap Median</i>					9.5%	9.6%	40.9%	1.2	17.5	20.9	
<b>GOVERNMENT IT SERVICES</b>											
CAIRO COMMUNICATION SPA	257.0	3.3	2.5	4.2	7.3%	-17.2%	18.1%	0.6	6.4	6.7	
MANTECH INTERNATIONAL CORP.	1,440.6	39.7	37.0	55.1	-4.4%	-12.0%	-25.5%	0.6	6.8	7.6	
MAXIMUS, INC.	1,051.2	60.2	39.1	65.2	5.2%	-2.8%	41.2%	1.2	8.8	10.1	
SRA INTERNATIONAL INC.	1,263.2	22.2	16.6	24.0	14.7%	-3.7%	12.8%	0.7	8.3	10.3	
<i>Government IT Services Mean</i>					5.7%	-8.9%	11.7%	0.8	7.5	8.7	
<i>Government IT Services Median</i>					6.2%	-7.9%	15.4%	0.7	7.5	8.8	
<b>EUROPEAN IT SERVICES</b>											
ATOS ORIGIN SA	3,039.0	43.0	37.5	53.1	7.2%	-15.6%	-5.6%	0.5	4.8	8.5	
CAP GEMINI S.A.	7,384.1	47.6	39.0	52.6	8.3%	-6.0%	3.3%	0.5	5.9	7.6	
DIMENSION DATA HOLDINGS PLC	3,282.2	1.9	1.0	2.0	42.1%	37.1%	90.4%	0.7	10.8	13.5	
LOGICA PLC	2,702.9	1.7	1.6	2.3	7.4%	-19.2%	0.7%	0.5	6.4	11.0	
<i>European IT Services Mean</i>					16.2%	-0.9%	22.2%	0.6	7.0	10.2	
<i>European IT Services Median</i>					7.9%	-10.8%	2.0%	0.5	6.2	9.8	
<b>INDIAN/OFFSHORE IT SERVICES</b>											
COGNIZANT TECHNOLOGY SOLUTIONS CORP.	16,336.3	54.6	29.8	56.1	8.4%	6.8%	84.4%	4.3	19.6	22.5	
HCL TECHNOLOGIES LTD.	5,738.9	8.5	5.2	9.7	9.0%	-4.9%	68.5%	2.2	14.4	17.9	
INFOSYS TECHNOLOGIES LTD.	34,323.7	60.1	41.7	62.7	1.8%	-2.6%	39.6%	6.1	18.1	20.5	
SYNTEL INC.	1,713.6	41.3	30.8	50.0	21.5%	14.2%	4.2%	3.2	10.2	11.4	
WIPRO LTD.	21,605.6	8.9	6.2	9.7	10.8%	-2.8%	44.3%	3.4	15.6	17.8	
<i>Indian/Offshore IT Services Mean</i>					10.3%	2.1%	48.2%	3.9	15.6	18.0	
<i>Indian/Offshore IT Services Median</i>					9.0%	-2.6%	44.3%	3.4	15.6	17.9	
<b>TOTAL IT SERVICES INDUSTRY MEAN</b>					12.1%	-0.6%	32.9%	1.6	11.0	15.4	
<b>TOTAL IT SERVICES INDUSTRY MEDIAN</b>					8.4%	-3.9%	17.7%	1.0	8.8	11.0	

KPMG Corporate Finance LLC regularly monitors performance of a select group of publicly traded companies within the IT services industry.

Source: Capital IQ and company filings as of July 31, 2010

- Market Capitalization amounts are in US\$ millions, based on closing Share Prices as of July 31, 2010.
- Enterprise Value (EV) equals Market Capitalization plus Debt, Preferred Equity, and Minority Interest, minus Cash and Cash Equivalents.
- EBITDA equals Earnings Before Interest, Taxes, Depreciation, and Amortization.

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