

Information technology services industry update

Transaction volumes in the information technology (IT) services sector decreased when compared to both the previous month and March 2010. According to Capital IQ, there were 52 deals announced in the IT services sector in March 2011, compared with 65 a month earlier and 72 in March 2010. While transaction activity declined, well-capitalized companies continue seeking strategic acquisition targets to increase customer/market penetration and enhance service offerings.

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

- Technology-enabled solutions provider **TeleTech Holdings, Inc.** (NASDAQ: TTEC) entered an agreement to acquire the **Integrated Contact Solutions (ICS)** business unit of **eLoyalty Corporation** (NASDAQ: ELOY) for US\$40.9 million in cash. Illinois-based eLoyalty's ICS business designs and implements customer interaction solutions in both cloud-based and customer premise environments. The acquisition will expand TeleTech's existing suite of cloud-based solutions and provides for greater consultative and technology-based offerings. (Source: TeleTech Holdings, Inc. press release, March 17, 2011)
- Performance improvement solutions provider **General Physics Corporation**, the operating subsidiary of **GP Strategies Corp.** (NYSE: GPX), signed an agreement to acquire certain operating assets of **RWD Technologies, LLC** for US\$28.0 million. Maryland-based RWD Technologies provides human and operational performance improvement solutions. The acquisition strengthens General Physics' IT application end user training and healthcare lean consulting capabilities. KPMG Corporate Finance LLC advised RWD Technologies on this sale. (Source: General Physics Corporation press release, March 10, 2011)
- Engineering solutions provider **Johnson Controls, Inc.** (NYSE: JCI) signed an agreement to acquire **EnergyConnect Group, Inc.** for US\$30.7 million in cash. The deal implies



a valuation multiple of 0.9x revenue and 12.3x EBITDA based on EnergyConnect's September 2010 LTM revenues. California-based EnergyConnect provides demand response technologies and services to energy managers and facility operators, enabling them to better control their energy spend. The acquisition strengthens Johnson Controls' demand response solutions for the commercial and industrial markets. (Source: Johnson Controls, Inc. press release, March 3, 2011)

- Federal IT solutions provider **Salient Federal Solutions, Inc.** announced it has acquired **Command Information, Inc.** for an undisclosed amount. Virginia-based Command Information provides a variety of IT consulting services including IT strategy, business intelligence, and Net-centric consulting services to government and commercial clients. This acquisition deepens Salient's software development capability, extends its cyber security offerings, and enhances access to clients through a prime position at the Defense Information Systems Agency. (Source: Salient Federal Solutions, Inc. press release, March 2, 2011)

KPMG Corporate Finance LLC – Information Technology Services Industry Update

Market Snapshot										
Company	Market Cap ¹	Share Price	52-Week Low	52-Week High	Price % Change 1 Mo	Price % Change 3 Mo	Price % Change 1 Yr	EV ² /Sales	EV ² /EBITDA ³	EV ² /EBIT
Commercial IT Services – Large Cap										
Accenture plc	35,691.0	55.0	36.1	56.8	7.4%	13.4%	31.0%	1.3	8.7	10.1
CGI Group, Inc.	5,616.4	20.9	14.8	21.2	5.9%	21.0%	40.1%	1.6	8.6	11.2
Computer Sciences Corporation	7,557.5	48.7	39.6	56.6	3.0%	-1.8%	-10.6%	0.5	3.9	7.5
Unisys Corporation	1,341.7	31.2	17.0	41.3	-10.0%	20.6%	-10.5%	0.3	3.0	3.6
Commercial IT Services – Large Cap Mean					1.6%	13.3%	12.5%	0.9	6.1	8.1
Commercial IT Services – Large Cap Median					4.4%	17.0%	10.3%	0.9	6.3	8.8
Commercial IT Services – Mid Cap										
CIBER, Inc.	475.5	6.7	2.5	6.7	27.4%	43.2%	79.1%	0.5	19.8	56.0
iGATE Corporation	1,064.2	18.8	9.6	25.0	3.1%	-4.8%	92.9%	3.3	14.1	16.3
Perficient Inc.	355.8	12.0	8.2	13.2	-0.4%	-3.9%	6.6%	1.5	19.2	26.5
Sapient Corp.	1,568.8	11.5	9.0	13.4	0.0%	-5.4%	25.3%	1.6	16.3	20.8
The Hackett Group, Inc.	158.9	3.8	2.7	4.5	7.6%	9.4%	38.1%	0.7	8.2	10.7
Commercial IT Services – Mid Cap Mean					7.5%	7.7%	48.4%	1.5	15.5	26.1
Commercial IT Services – Mid Cap Median					3.1%	-3.9%	38.1%	1.5	16.3	20.8
Government IT Services										
CACI International Inc.	1,864.3	61.3	40.0	62.8	5.1%	14.8%	25.5%	0.7	8.4	10.5
ManTech International Corporation	1,547.2	42.4	34.7	51.0	-0.8%	2.6%	-13.2%	0.6	6.8	7.7
MAXIMUS, Inc.	1,393.7	81.2	53.5	81.3	11.5%	23.8%	33.2%	1.4	10.1	11.6
SRA International Inc.	1,625.4	28.4	17.1	30.8	6.9%	38.7%	36.4%	0.9	10.4	12.7
Government IT Services Mean					5.7%	20.0%	20.5%	0.9	8.9	10.6
Government IT Services Median					6.0%	19.3%	29.4%	0.8	9.2	11.1
European IT Services										
Atos Origin S.A.	4,102.2	58.7	42.3	62.5	1.7%	9.8%	16.7%	0.6	5.6	9.2
Cap Gemini S.A.	9,053.7	58.1	45.7	61.5	1.2%	24.1%	17.9%	0.6	8.6	11.4
Logica PLC	3,368.2	2.1	1.6	2.4	-4.6%	2.8%	1.5%	0.6	7.2	11.3
European IT Services Mean					-0.6%	12.2%	12.0%	0.6	7.1	10.6
European IT Services Median					1.2%	9.8%	16.7%	0.6	7.2	11.3
Indian/Offshore IT Services										
Cognizant Technology Solutions Corp.	24,763.1	81.4	45.9	81.9	9.3%	11.1%	59.7%	4.9	23.2	26.1
HCL Technologies Ltd.	7,330.3	10.7	7.6	11.6	2.7%	4.6%	34.2%	2.4	19.0	22.9
Infosys Technologies Ltd.	41,483.9	72.6	56.3	78.4	5.6%	-6.0%	24.7%	6.6	20.0	22.2
Syntel, Inc.	2,180.2	52.2	31.5	59.6	2.5%	9.3%	35.8%	3.6	14.0	15.7
Wipro Ltd.	26,176.4	10.7	7.4	11.2	8.7%	-2.4%	13.6%	3.8	17.3	19.7
Indian/Offshore IT Services Mean					5.7%	3.3%	33.6%	4.3	18.7	21.3
Indian/Offshore IT Services Median					5.6%	4.6%	34.2%	3.8	19.0	22.2
Total IT Services Industry Mean					4.5%	10.7%	27.5%	1.8	12.0	16.4
Total IT Services Industry Median					3.1%	9.4%	25.5%	1.3	10.1	11.6

Source: Capital IQ and company filings as of March 31, 2011

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

¹ Market Capitalization amounts are in US\$ millions, based on closing Share Prices as of March 31, 2011.

² Enterprise Value (EV) equals Market Capitalization plus Debt, Preferred Equity, and Minority Interest, minus Cash and Cash Equivalents.

³ EBITDA equals Earnings Before Interest, Taxes, Depreciation, and Amortization.

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