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Updated 11/25/06, 1:00PM PDT, adds [Longest Stock Price Rise](#)

Analysis of Capgemini's Preliminary Third Quarter Business Results

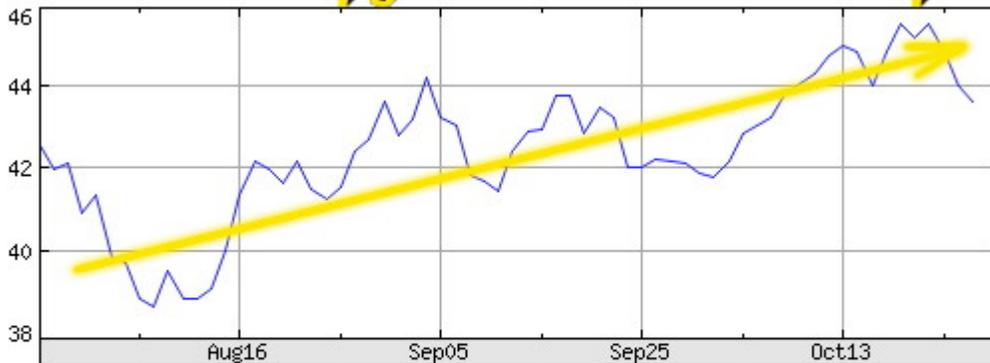
By Leaps and Bounds

Capgemini to Buy Kanbay; Deal to Boost Its Financial Services, North American Business

SCOTTSDALE, Oct 27 - Capgemini is growing by leaps and bounds. Its organic revenue growth in the third quarter was 13.5%, according to the just-released preliminary results. And the company has announced another major acquisition that will boost its position in the financial services sector and in the North American market. Capgemini is buying Kanbay, a \$400-million+ Chicago-based IT services vendor, for about \$1.25 billion in a cash transaction. Kanbay, with its 6,900 employees (5,000 of which are in India), will help increase Capgemini's financial services sector revenues by 25%, and its North American total by 45%.

CAP GEMINI
as of 26-Oct-2006

Capgemini stock trend up



Capgemini reports strong 3Q results, revenue up 13.5%; bookings up 20%

"Capgemini's strategy is now to grow and expand, after the turnaround period," said Pierre-Yves Cros, the company's strategy director, in a post-earnings teleconference with analysts. "This is a deal which is perfect from a strategy standpoint. It is a deal driven by growth and new market conquest."

Q3 demonstrates strong performance and market strength

- Bookings: €1,523M (+20%)
- Revenue: €1,881M (+13.5% organic)

Strong financial performance as demonstrated by H1 results

- Operating Margin: 4.8% (+3 point)
- Cash position: €789M

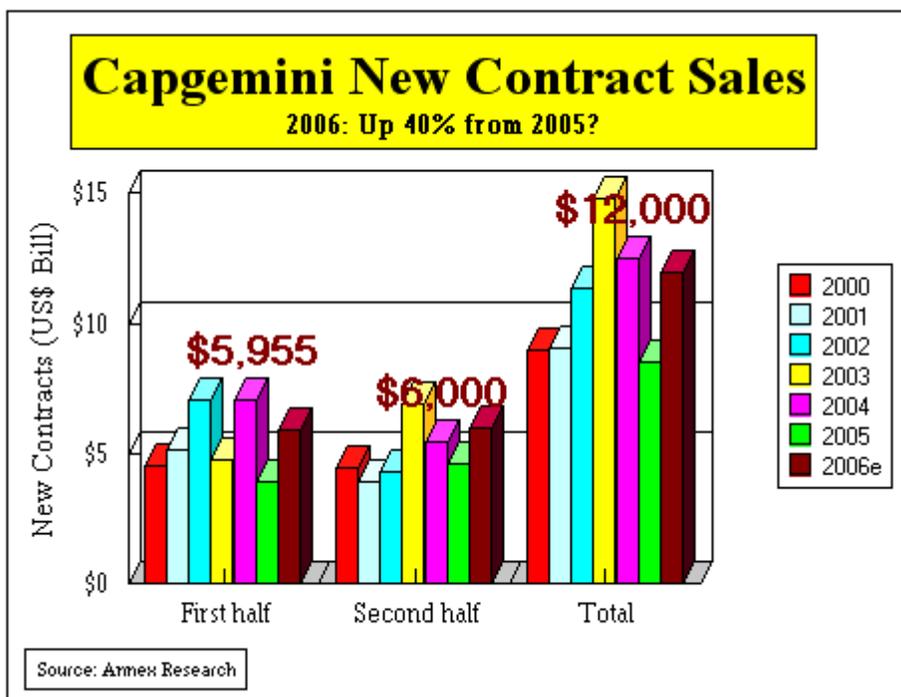
Turnaround

- North America CS/TS: YTD 06 growth 7.8% and H1 operating margin 6.7%
- Outsourcing: MAP on track to deliver

Resilient business model

- Balanced business mix: Outsourcing 39%
- Fast growing Indian platform >80% in 2006 to 6,500

Source: Capgemini (10/26/06)



Meanwhile, Capgemini's third quarter new contract bookings grew to 1.5 billion euros, a jump of nearly 20% over the same quarter 2005. They were especially strong in outsourcing, but were also up by 17% for technology integration, local professional and consulting services.

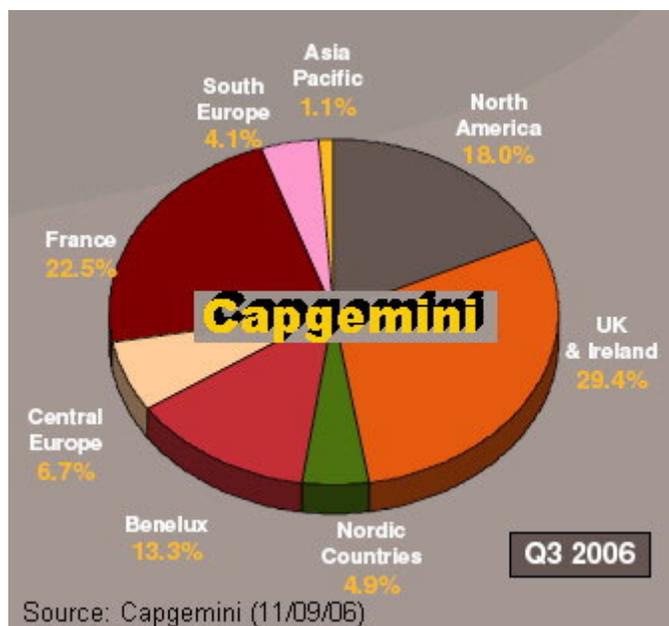
Revenue by geography

Capgemini Organic

M€	Sequential	Year on Year
	Q3 06 / Q2 06	Q3 06 / Q3 05
North America	2.7%	5.4%
Europe & Asia of which	- 2.8%	15.4%
U.K. & Ireland	- 1.6%	29.2%
France	- 2.5%	7.9%
Benelux	- 3.1%	9.6%
Central Europe	3.7%	10.8%
Nordic	- 15.3%	4.5%
Iberia	- 13.1%	12.6%
Italy	- 5.2%	3.8%
Asia Pacific	28.7%	27.9%
TOTAL	- 1.9%	13.5%

Source: Capgemini (11/09/06)

Europe and Asia Pacific were the best geographic regions, reporting a 15% revenue growth, with the UK & Ireland rising the fastest (29%). Central Europe, Spain and Portugal also posted double-digit growth. The North American revenues rose by 5.4%.



The company is expected to announce its full third quarter results on November 9 (and it did... see above charts).

Kanbay Acquisition Seen as Positive

Kanbay, Capgemini's latest acquisition, had revenues of \$300 million at the current rate (\$413 million estimated 2006 total), and a net profit of \$33 million. About 79% of its revenues comes from financial services, and 89% from the North American market. The company's current market cap is \$1.16 billion, after about today's 14% jump following the Capgemini acquisition announcement. At the current price, that's a trailing price earnings ratio of 34 trailing; or 27 looking forward.



After about a 15 month- declining trend that started around January 2005, the Kanbay shares have risen sharply in the last three months (see the chart). The \$29-per share price that Capgemini is paying for Kanbay (about \$1.25 billion or 1 billion euros) represents a 16% premium over Kanbay's recent price, or a 28% premium

over last month's average trading price.



Capgemini to buy Kanbay; both are stock market highfliers in 2006

Kanbay shares have outperformed those of its buyer in the short term, but are lagging behind over the last two years, during which Capgemini became one of the industry highfliers.

Capgemini's CEO, Paul Hermelin hailed the acquisition in a statement, “we believe this is a landmark transaction in the global IT services industry. This event can fundamentally transform the professional services industry by enabling efficient global services delivery via an integrated single point solution delivered in a seamless fashion resulting in a lower total cost of ownership for the client.”

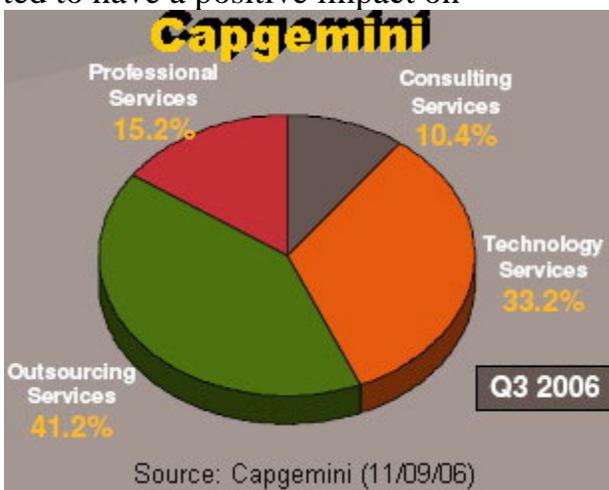
After the acquisition is completed in early 2007, Capgemini will have about 12,000 employees in India. This will put in on a 31% compound annual growth track to reach 35,000 employees by 2010.



Kanbay's clients are located in North America, India, Asia-Pacific, and Europe. The company was founded in 1989 by Raymond J. Spencer, the current CEO, Dileep Nath, and John Patterson. The company is headquartered in Rosemont, Illinois with offices in North America and India, as well as in London, Singapore, Hong Kong, Tokyo, and Melbourne.

Summary and Outlook

The Kanbay acquisition is expected to have a positive impact on Capgemini's earnings per share. The anticipated EPS accretion will be in excess of 5% in 2007, and 10% in 2008. Capgemini also expects to deliver an 8% revenue growth in 2007, and then push to at least 10% the following year, according to company executives.

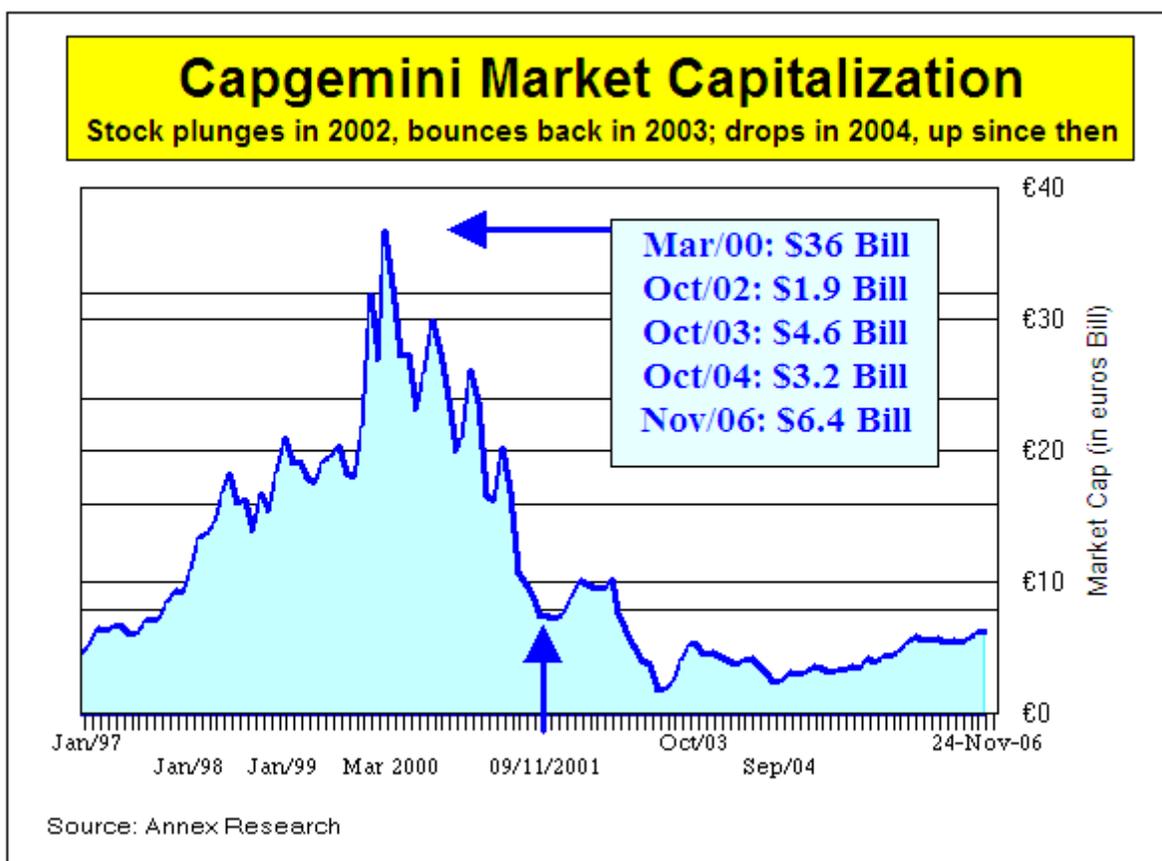
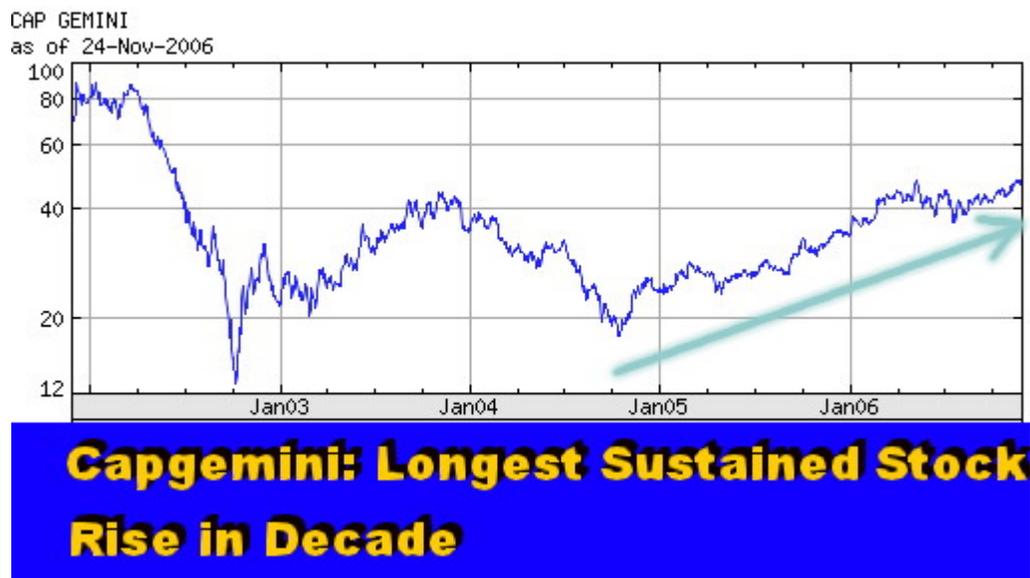


Happy bargain hunting!

Bob Djurdjevic

Longest Sustained Stock Price Rise in Decade

ATLANTA, Georgia, Nov 25 - Capgemini is on a tear. Its stock has more than doubled since dropping below 20 euros in October 2004 (it closed at 47 euros on Friday, Nov 24). That's a new three-year high, and the company's longest sustained stock price rise in the last decade (see the charts).



Still, the current market cap of \$6.4 billion, even though it is double that of two years ago, is only a fraction of the imposing peak the Capgemini shares reached in March 2000, before the dot.com crash. In fact, the company's 10-year market cap chart could be termed "Descent from Mt. Everest" (see the chart). But the good news for Capgemini shareholders is that the relative stability of the stock price in the last three years is an indication that the investors recognize a solid long-term value that the company

represents.

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