

ANNEX BULLETIN

Annex Bulletin 2007-17

April 26, 2007

Excerpts from **CONFIDENTIAL** edition (Annex clients [click here](#) for FULL version)

Recent... HEADLINES

[To Buy \(back shares\) or Not to Buy?](#) - Analysis of stock buybacks in corporate U.S.

[No Surprises in Good Opening Quarter](#) - Analysis of IBM 1Q business results [Annex clients [click here](#)]

IBM FINANCIAL

Home

Updated 4/27/07, 8:30AM PDT, adds [IBM "service products," Serbia...](#)

Analysis of Capgemini's First Quarter Business Results

Growth Accelerates

Company Raises Revenue Guidance for the Year

SCOTTSDALE, Apr 26 - Capgemini seems to be going from strength to strength. Having finished last year on a high note (see "[Capgemini Caps Great Year, Saves Best for Last](#)," Feb 2007), the company started 2007 on an even higher one. First quarter revenues were up 18.5% to €2.2 billion (\$3.0 billion), as reported (up 14% on an organic basis). They were also up 9% sequentially (up 4% on an organic basis) from the fourth quarter. As a result, the company raised its revenue growth guidance for the year from 8% to 9%.

[charts here]

The stock market liked what it saw initially, but then sold off the stock later in the day, closing at €57.20, down 1.5 points. In the last 12 months, however, Capgemini shares have nearly doubled, especially since their lows reached last summer (see above chart).

Business Segment Analysis

All major geographies, except for Capgemini's home country (France), grew in double digits. The largest country (U.K.) surged by 24%, while France, the second largest, was up 7%. North America, the third largest area, had a 29% revenue increase as reported (up 13% organically). Europe's Nordic countries and Italy were also strong, rising 22% and 21% respectively, as was Germany (up 18% - see the left chart).

[charts here]

The Kanbay integration is also progressing well. This new [acquisition](#) hasn't missed a beat, surging by 27% in the quarter, nearly double the company's overall organic

Also check out...

Index 1993-2007

[IBM Stock Still Grossly Undervalued](#) (A preview of IBM first quarter business results)

[Accenture Beats Forecasts, Again](#) (Analysis of Accenture's 2QFY07 results)

[HPS, Capgemini Tie for "Gold" - Results of Octathlon 2007](#) [Annex clients [click here](#)]

[The Value of pi \(π\)](#) - Analysis of IBM System p and System i market and product strategies

[IBM Profit to Grow Faster Than Revenue](#) - Update to 5-yr IBM forecast [Annex clients [click here](#)]

[The \(T\)ides of March Sink Markets Again](#) - Analysis of global economic & investment trends

[IGS: Growth Slows, Profit Surges](#) - Analysis of IGS 2006 business results [Annex clients [click here](#)]

[HP: Toward New Highs?](#) (Excerpts from analysis of HP's 1Q07 business results)

growth rate. Kanbay now accounts for just over 4% of Capgemini's total revenues (see right chart). Cros said he expected it to be fully integrated, including the branding, by about September.

[snip]

Outlook

New contract bookings, a sign of future growth, were also solid in the quarter. They amounted to €2,148 million compared to €2,990 million for the first quarter of 2006 (see the chart).

[snip]

So with overall health of the business being so strong, and with Kanbay firing on all cylinders, we think that Capgemini's revenue guidance increase by only one point is actually a rather conservative outlook. Nevertheless, even at rate rate, the company is likely to surpass \$11 billion in revenues this year. And by the end of 2008, our [Octathlon 2007 gold medal winner](#) should be well passed the \$12 billion-mark (see above chart).

And that's big, in the league of the global services giants.

[snip]

"That's all she wrote," we're afraid, for those of you who are NOT *Annex Research* clients, who are now reading the complete *Annex Bulletin*, along with many tables and charts that back up our forecast.

Qualified media and friends of Annex may request a TEMPORARY User ID and Password by [clicking here](#) and explaining why they wish to have access to this particular Annex Bulletin. Or call Bob Djurdjevic at 602-703-2111 (cell) to promise not to copy it or otherwise republish it.

To find out how you can become one of our clients, and read the rest of this and other *Annex Bulletins*, click on [Subscribe](#). Thank you.

[Annex clients click here](#)

Happy bargain hunting!

Bob Djurdjevic

IBM Makes "Service Products" Available to Partners, Buys Serbian Maintenance Business

SCOTTSDALE, Apr 27 - Remember IBM's "service products" that we dubbed "services in a box," announced last September? The company said at the time it had created a set of reusable assets for use in specific industries or processes which it would start

[\[Annex clients click here\]](#)

[Capgemini Caps Great Year, Saves Best for Last \(Analysis of Capgemini's fourth quarter business results\)](#)

[EDS: On Sunny Side of Street \(Analysis of EDS' fourth quarter business results\)](#)

[CSC: Where Less Seems More \(Analysis of CSC's third quarter fiscal 2007 business results\)](#)

[Fujitsu: Sales Up, Profit Down \(Analysis of Fujitsu's third quarter fiscal 2007 business results\)](#)

[IBM Shatters Records \(Analysis of IBM's fourth quarter business results\)](#)

[IBM Stock Passes Century Mark \(Analysis of Big Blue's Stock Performance\)](#)

[Happy Days Are Here Again \(Analysis of Top 20 IT leaders' latest stock market and business performances\)](#)

["Excellenture" Excels Again \(Analysis of Accenture's first quarter fiscal 2007 business results\) \[Annex clients click here\]](#)

[Hedging the Bets \(Analysis of latest institutional shareholdings of leading IT companies: IBM, HP, Accenture, EDS, CSC, BearingPoint, ACS, Perot \) \[Annex clients click here\]](#)

[Globalization Accelerates \(Analysis of United Nation's annual survey of global investments\)](#)

[IBM: A \\$125-Stock? \(An update to "From Small Acorns Mighty Oaks Grow"\)](#)

marketing as discrete solutions to customers (see "[IBM Services in a Box](#)," Sep 2006).

Well, now IBM Global Services (IGS) has taken one step further in propagating this type of approach to IT services business. IBM is making its "service products" available to its business partners. To start with, the partners will be able to sell service products for Business Continuity and Resiliency Services, Security and Privacy, Server, Storage and Data Services and Maintenance and Support.

We see it as another indication of IBM's concerted efforts to push into and develop its SMB (small and medium size business) market.

"IBM Business Partners can also help SMBs simplify system deployment for faster implementation and fewer business disruptions by selling IBM Implementation ServicePacs," IBM said in an Apr 26 release. "IBM Implementation ServicePacs are offered as fixed-price and fixed-scope implementation services for key IBM server and storage products."

Which is a good example of synergy between three parts of IBM's business. Services, software (that's imbedded in "service products") and hardware can all benefit from this type of packaging and delivery of services, as can the IBM business partners.

"By directly aligning our services portfolio with our Business Partner go-to-market approach, we're taking another step in our strategy to improve on the world's largest global and most efficient delivery network," said Candy Shaughnessy, Vice President of Channels, IBM Global Technology Services (GTS).

IBM Buys Serbian Maintenance Business

IBM's GTS is also expanding geographically. This IBM unit announced yesterday that it is acquiring an IBM hardware maintenance services business in Serbia. Serbian Business Systems (SBS) is a privately held IT hardware, software and services company, headquartered in Belgrade, Serbia. Financial terms weren't disclosed. Upon completion of the deal, SBS's IBM hardware maintenance unit will become part of IBM's Global Technology Services maintenance and technical support business.

SBS is a leading provider of information technology in Serbia, providing the local market with hardware, software and maintenance services, based on the solutions of several business partners including IBM, Cisco, Symantec and others. IBM is only acquiring SBS's hardware maintenance unit, which has been dedicated to providing maintenance services for IBM's entire line of hardware systems and servers in post warranty and non-warranty periods.

"This acquisition illustrates IBM's commitment to Serbia and the region by leveraging local talent and skills," IBM said in a release. "It establishes IBM's maintenance and technical support services business in Serbia, to deliver reliable, integrated services that reduce complexity, deploy rapidly and build upon IBM's global expertise."

Serbia is a tiny European country with mighty IT and English language skills. A former part of the former country (Yugoslavia), Serbia had been for decades the most "western" of the Eastern European countries.



[Capgemini: Longest Sustained Stock Price Rise](#) (An update to "By Leaps and Bounds")

[HP: New King of the Hill](#) (Analysis of HP's fourth quarter business results)

[IBM: From Little Acorns Mighty Oaks Grow](#) (Analysis of IBM's "State of the Union")

[Capgemini: By Leaps and Bounds](#) (Analysis of Capgemini's preliminary third quarter business results)

[Fujitsu: Good Performance Gets Better, More Global](#) (Analysis of Fujitsu's first half FY2007 business results)

[IBM: A Slam Dunk Quarter](#) (Analysis of IBM third quarter business results)

[Accenture's Emphatic Year-end Accents](#) (Analysis of Accenture's fourth quarter results) [[Annex clients click here](#)]

[IBM: Services in a Box](#) (Analysis of IBM Global Services' Ground-shifting Announcements)

[Strong Comeback by IT Stocks in Third Quarter](#) (Analysis of top 20 IT companies' market and business trends)

[Stock Buybacks: A Fading Fad](#) (Dell, erstwhile "King of Fluff," suspends its stock buybacks)

[Capgemini: Growth Continues](#) (Revenues, net profit up in double digits, margins also improve)

[HP Firing on All Cylinders](#) (Stock sets new multi-year record following excellent

During a research trip there in September 2005, we found out that 43% of the people there use English as a second language. The percentage is even higher for university graduates who typically comprise the IT employees. That's a much higher English proficiency than that even in Italy and France, for example, not only other Eastern European countries (see the thumbnail chart).



Alas, there are only 10 million people in Serbia (click on the flag for more demographic data). So the chances of it ever becoming "another India," the latest IBM move notwithstanding, are pretty slim.



For additional Annex Research reports, check out... [Annex Bulletin Index 2007](#) (including all prior years' indexes)



Or just click on [SEARCH](#) and use "company or topic name" keywords.

Volume XXIII, Annex Bulletin 2007-17
April 26, 2007

Bob Djurdjevic, Editor
(c) Copyright 2007 by Annex Research, Inc. All rights reserved.
e-mail: annex@djurdjevic.com

8183 E Mountain Spring Rd, Scottsdale, Arizona 85255
Tel/Fax: +1-602-532-7789

The copyright-protected information contained in the ANNEX BULLETINS is part of the Comprehensive Market Service (CMS). It is intended for the exclusive use by those who have contracted for the entire CMS service.

[Home](#) | [Headlines](#) | [Annex Bulletins](#) | [Index 1993-2007](#) | [Special Reports](#) | [About Founder](#) | [Search](#)
| [Feedback](#) | [Clips](#) | [Activism](#) | [Client quotes](#) | [Speeches](#) | [Columns](#) | [Subscribe](#)

[third fiscal quarter results](#)
[\[Annex clients click here\]](#)

[Power of Manpower](#) (While others move to India, Russia... AMD invests in New York, hailing "phenomenal" quality of its labor force)

[Ebb Tide Lowers Most Boats](#) (Analysis of EDS' and CSC's latest quarterly results)

[IBM Stock Grossly Undervalued?](#) (Analysis of stock market valuations of IBM and its major competitors) [\[adds latest Fujitsu, Capgemini results\]](#)

[IBM vs. HP: A Tale of Two Blues](#) (Both companies are doing well in business, but only HP is favored by Wall Street; Big Blue trying to change that now with its new "India Opus") [\[Annex clients click here\]](#)

[Go East, Young Man!](#) (A speech delivered in St. Petersburg, Russia, May 25, 2006; [click here for slides](#))

[IBM 5-Yr Forecast: Steady As She Goes](#) (Emphasis on quality continued) [\[Annex clients click here\]](#)

[Octathlon 2006: Accenture Again Wins "Gold!"](#) (HP gets "Silver," IBM "bronze") [\[Annex clients click here\]](#)

