

# CHILDS

ADVISORY PARTNERS

## Sector Update: Information Technology Services

February 2011

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### CHILDS News and Events

**11/4**

CHILDS to host its 2<sup>nd</sup> Annual IT Services and Outsourcing Summit in Atlanta, GA

**10/6 – 10/8**

CHILDS sponsored the TechServe Alliance

**9/19 – 9/23**

CHILDS attended the Oracle Openworld Conference

**9/10**

CHILDS advised ABeam Consulting on its acquisition of Hazelwood Partners

**7/28**

CHILDS advised The Centre for High Performance Development (a subsidiary of Capital H Group LLC) on its sale to Kenexa Corporation

**7/22**

CHILDS presented at Capital Roundtable event on Investing in Government Services

**6/30**

CHILDS advised CSI on its sale to Recruit, Japan's largest staffing firm

**5/25**

Alan Bugler joins CHILDS as Vice President

**3/31**

CHILDS advised AMS Utiliserv, a subsidiary of Advantage Human Resourcing on its sale to Olameter Inc.

For additional information, please visit

[www.childsadvisorypartners.com](http://www.childsadvisorypartners.com)

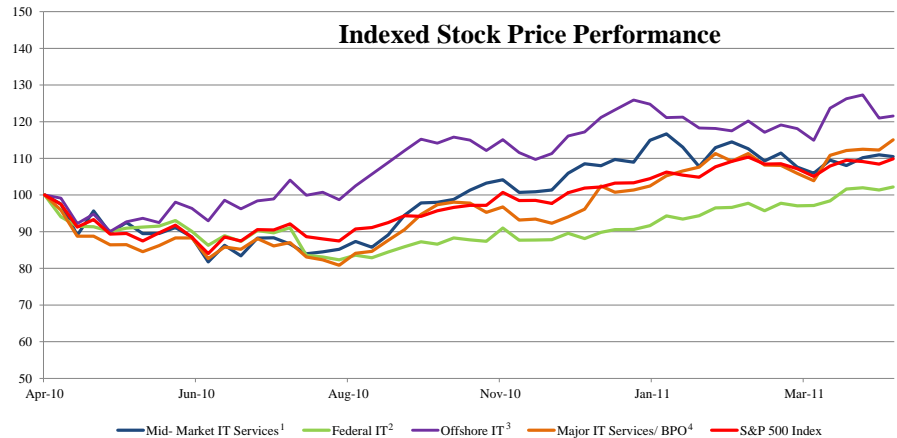
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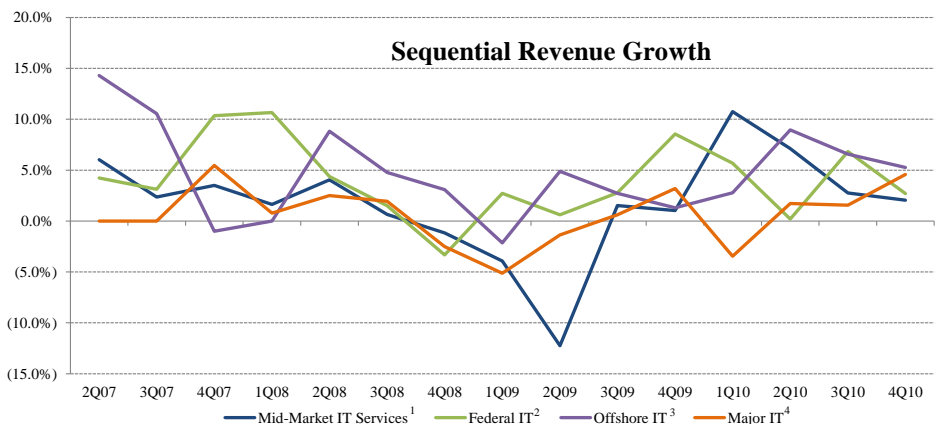
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### IT Services Market Update

IT services stocks continue to mirror the S&P 500 with relatively modest gains in 2010. Offshore and mid-market stocks lead the group with substantial gains in Q3.



Relative to the larger IT services players, the mid-market firms' financial performance has proven to be more volatile following the downturn. The mid-market group has shown substantial improvement since bottoming out in Q2 2009, but leveled out in the second half of 2010.



(1) Includes CBR, EDGW, ELOY, HURN, HCKT, PRFT, REC, SAPE

(2) Includes CACI, DPM, DRCO, ICFI, MANT, NCIT, SAI, SRX, TIER, TYL

(3) Includes CTSH, 532281, IGTE, 500209, NSTC, PATNI, 500376, SYNT, VIT, VRTU, WNS, WIT

(4) Includes ACN, CAP, CSC, GIBA, LOG, G, UIS

# Sector Update: Information Technology Services

## IT Services Public Company Comparables

Mid-Market IT Services				
Company Name	Stock Price 4/22/2011	% of 52 Wk High	Enterprise Value /	
			LTM Revenue <sup>1</sup>	LTM EBITDA <sup>1</sup>
CIBER, Inc.	\$6.00	86.0%	0.4x	17.9x
Edgewater Technology Inc.	\$3.14	87.2%	0.3x	7.9x
eLoyalty Corp.	\$6.99	88.0%	1.2x	NM *
Huron Consulting Group Inc.	\$28.28	94.7%	1.5x	9.2x
Perficient Inc.	\$12.47	94.8%	1.7x	20.6x
Resources Connection Inc.	\$14.95	68.1%	1.0x	14.1x
Sapient Corp.	\$12.50	93.0%	1.7x	18.0x
The Hackett Group, Inc.	\$4.04	89.4%	0.7x	8.7x
<b>Average</b>		<b>87.6%</b>	<b>1.1x</b>	<b>13.8x</b>

Major IT/BPO Services				
Company Name	Stock Price 4/22/2011	% of 52 Wk High	Enterprise Value /	
			LTM Revenue <sup>1</sup>	LTM EBITDA <sup>1</sup>
Accenture plc	\$56.81	99.8%	1.3x	9.1x
Cap Gemini S.A.	\$60.41	95.5%	0.6x	7.3x
CGI Group, Inc.	\$21.33	95.5%	1.6x	8.5x
Computer Sciences Corporation	\$49.13	86.8%	0.5x	3.9x
Convergys Corporation	\$14.05	93.7%	0.8x	6.1x
Logica PLC	\$2.22	89.6%	0.7x	7.3x
Genpact Ltd.	\$15.47	82.7%	2.4x	12.1x
Unisys Corporation	\$32.50	78.7%	0.3x	3.1x
<b>Average</b>		<b>90.3%</b>	<b>1.0x</b>	<b>7.2x</b>

Federal IT Services				
Company Name	Stock Price 4/22/2011	% of 52 Wk High	Enterprise Value /	
			LTM Revenue <sup>1</sup>	LTM EBITDA <sup>1</sup>
CACI International Inc.	\$60.14	95.8%	0.7x	8.2x
DCP Midstream Partners LP	\$43.17	99.9%	2.2x	18.9x
Dynamics Research Corp.	\$16.35	95.1%	0.6x	5.8x
ICF International Inc.	\$24.02	85.4%	0.7x	7.9x
ManTech International Corporation	\$43.57	85.4%	0.7x	7.0x
NCI, Inc.	\$24.24	81.2%	0.6x	7.8x
SAIC, Inc.	\$17.25	93.4%	0.6x	6.2x
SRA International Inc.	\$30.91	98.7%	1.0x	11.4x
Tier Technologies Inc.	\$5.19	60.5%	0.2x	NM
Tyler Technologies, Inc.	\$23.82	97.2%	2.7x	15.2x
<b>Average</b>		<b>89.3%</b>	<b>1.0x</b>	<b>9.8x</b>

Offshore IT Services				
Company Name	Stock Price 4/22/2011	% of 52 Wk High	Enterprise Value /	
			LTM Revenue <sup>1</sup>	LTM EBITDA <sup>1</sup>
Cognizant Technology Solutions Corp	\$82.47	99.4%	5.0x	23.5x
HCL Technologies Ltd.	\$11.68	98.2%	2.7x	20.6x
iGATE Corporation	\$16.89	67.6%	2.9x	12.5x
Infosys Technologies Limited	\$65.54	83.3%	5.5x	17.0x
Ness Technologies Inc.	\$6.46	88.5%	0.5x	8.0x
Patni Computer Systems Limited	\$10.81	76.8%	0.0x	0.0x
Satyam Computer Services Ltd.	\$1.66	64.8%	1.1x	13.6x
Syntel, Inc.	\$52.20	87.6%	3.6x	14.0x
VanceInfo Technologies Inc.	\$32.87	80.1%	6.1x	34.2x *
Virtusa Corp.	\$18.47	97.4%	1.8x	14.1x
WNS (Holdings) Ltd.	\$9.87	73.9%	0.9x	8.4x
<b>Average</b>		<b>83.4%</b>	<b>2.7x</b>	<b>13.2x</b>

Data per Capital IQ

\*Figures excluded from mean calculation

(1) LTM = Latest twelve months, per Capital IQ

## Notable Transactions

For the first quarter of 2011, IT Services M&A activity is running consistent with last year. While the deals below are notable, transactions under \$100 million are getting done at 6.0x–9.0x EBITDA. We expect to see M&A activity pick up substantially in the final three quarters of 2011 as values continue to recover and optimism returns.

Year	Qtr	Buyer	Target	EV (\$ mm)	EV/ Revenue	EV/ EBITDA	Revenue (\$ mm)	EBITDA (\$ mm)
2011	Q2	Genpact Ltd.	Headstrong, Inc.	550.0	2.5x	18.3x	217.0	30.0
2011	Q2	Providence Equity Partners LLC	SRA International Inc. <sup>(1)</sup>	1,795.3	1.1x	11.9x	1,695.9	151.0
2011	Q1	Golden Gate Capital	CedarCrestone, Inc.	120.0	1.0x	8.0x	120.0	15.0
2011	Q1	Sumisho Computer Systems Corporation	CSK Corporation	888.9	0.5x	8.4x	1,804.5	106.5
2011	Q1	iGate Corp.	Patni Computer Systems Ltd.	1,382.7	2.0x	9.3x	698.8	148.1
2010	Q4	Cubic Corp.	ABRAXAS Corp.	124.0	2.1x	NA	60.0	NA
2010	Q4	Olympus Corp.	ITX Corp.	719.6	0.2x	5.8x	3,028.3	123.6
2010	Q4	Windstream Corp.	Hosted Solutions	310.0	6.0x	NA	51.7	NA
2010	Q4	Deep Bright Limited	Chinasoft International	295.3	1.5x	22.4x *	202.5	13.2

<b>Mean</b>	<b>\$687.3</b>	<b>1.9x</b>	<b>10.3x</b>	<b>\$875.4</b>	<b>\$83.9</b>
<b>Median</b>	<b>\$550.0</b>	<b>1.5x</b>	<b>8.8x</b>	<b>\$217.0</b>	<b>\$106.5</b>

## CHILDS IT Services & Staffing Expertise

 <i>has been acquired by</i>  September 2010	 <i>has been acquired by</i>  July 2010	 <i>has been acquired by</i>  June 2010	 <i>has been acquired by</i>  March 2010	 <i>has been acquired by</i>  September 2009
 <i>has been acquired by</i>  May 2009	 <i>has been recapitalized by</i>  January 2009	 <i>has been acquired by</i>  December 2008	 <i>has been acquired by</i>  September 2008	 <i>has been acquired by</i>  July 2008
 <i>has been acquired by</i>  May 2008	 <i>has been acquired by</i>  October 2007	 <i>has been recapitalized by</i>  July 2007	 <i>has been acquired by</i>  July 2007	 <i>has been acquired by</i>  April 2007

*Note: Above deals include transactions led or group managed by our Partners in their prior firms*

### About CHILDS Advisory Partners

CHILDS Advisory Partners provides investment banking and strategic consulting services to growing services companies globally. We have assembled a team of experienced professionals that has both industry and transaction advisory experience to assist company owners in creating and realizing maximum value for their businesses. Collectively, our Partners have executed over 150 transactions in the sector totaling over \$9 billion.

**Sell-side Advisory:** When you desire to sell or merge your business we help you prepare, position and execute the process with confidentiality and speed to obtain maximum results.

**Buy-side Assistance:** CHILDS can help you source deals, qualify them and negotiate them. Our sourcing "engine", market knowledge and experience in creative deal structures will ensure that you see as many deals as possible and have the capacity to get them done.

**Debt/Equity Financing & Restructuring:** We advise companies seeking equity or debt capital for growth, recapitalization or restructuring. We can also help with buyouts of partners or other key transactions. CHILDS can help you negotiate with your existing lenders to renew or restructure debt facilities. If needed, we can tap our many banking relationships to solicit and negotiate term sheets with other potential lenders as well.

**Strategic Consulting and Valuation:** Our Roadmap Process brings an objective and disciplined methodology to help your team develop a winning plan for short-term performance and long-term value creation. Our strategic alternative assessment project provides insight to the options available for company owners to maximize value and liquidity. Finally, we provide valuations as needed for private companies.

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