



CGI

Application Outsourcing

Vendor Assessment
Report Abstract

March 2014

By Dominique Raviart
IT Outsourcing (ITO)
Research Director
NelsonHall

14 pages

research.nelson-hall.com





Who Is This Vendor Assessment For?

NelsonHall's Application Outsourcing Vendor Assessment for CGI is a comprehensive assessment of CGI's application outsourcing offerings and capabilities designed for:

- Sourcing managers monitoring the capabilities of existing suppliers of IT services and identifying vendor suitability for application outsourcing services
- Vendor marketing, sales and business managers looking to benchmark themselves against their peers
- Financial analysts and investors specializing in the application services, application support and maintenance sectors.

Key Findings & Highlights

CGI was founded in 1976. The company had revenues of CDN \$10.1bn in FY 2013, ending September 30, 2013. Adjusted EBIT margin was 10.7% (FY 2012 11.5%). Net debt at the end of FY 2013 was CDN \$2.7bn (down from CDN \$3.1bn).

CGI has a global headcount of ~68k, of which 18k is in its delivery network.

The September 2012 acquisition of Logica was a major step for CGI; it more than doubled the scale of the company from CDN\$4.7bn to ~CDN\$10.1bn. It also increased:

- Presence in Europe, mostly through professional services
- More than doubled CGI's application outsourcing business, in terms of revenues and headcount, to a NelsonHall estimated ~CDN\$3.2bn in FY 2013. See sub-section on Logica below.

CGI considers IT outsourcing as a means to increase its share of resilient revenues. Within IT outsourcing, CGI looks positively at application outsourcing and to a lesser extent at IT infrastructure management, the latter being described as a "difficult market" by Mr. Roach.

Within application outsourcing, CGI has taken several steps to transform the former Logica's revenue mix (45% from outsourcing, 55% from professional services) to be closer to CGI's mix (66% from outsourcing in Q3 FY 2012, before the acquisition of Logica). There is a clear focus on large contracts and CGI has been looking to proactively develop proposals to drive client discussions and avoid competitive tenders. This is a major change in emphasis from the former Logica.

Steps taken include:

- Identifying opportunities to turn professional services engagements into multi-year contracts. In the short-term, CGI is building a pipeline of short term contracts with the intention of transforming them into multi-year ones
- An emphasis on CGI's proprietary software ("CGI IP") away from license sales to multi-year contracts, whether AM, bundled AM and hosting, or even BPO contracts.

Scope of the Report

The report provides a comprehensive and objective analysis of CGI's application outsourcing offerings, capabilities, and market and financial strength, including:

- Analysis of the company's offerings and key service components
- Revenue estimates
- Identification of the company's strategy, emphasis and new developments
- Analysis of the profile of the company's customer base including the company's targeting strategy and examples of current contracts
- Analysis of the company's strengths, weaknesses and outlook.



Contents

1. Background
2. Revenue Summary
3. Key Offerings
4. Delivery Capabilities & Partnerships
5. Target Markets
6. Strategy
7. Strengths & Challenges
8. Outlook

Report Length

14 pages

Report Author

Dominique Raviart

dominique.raviart@nelson-hall.com

Already Published

Atos, Amdocs, Capgemini, HP Enterprise Services, Steria, Wipro