

# 2011 Capgemini analyst day

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## Margin drivers

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# Margin drivers: 2 key categories

## Cost initiatives & business transformation

- Relentless industrialization and Lean program
- BD cost optimization
- Indirect costs
- Offshore leverage
- Top line initiatives (TLI) and portfolio management
- Key accounts mining
- Mix: New business model, BPO rising

## Structural improvements

## Cyclical factors

- High margin countries cyclicality
- Prices
- Wages/New hires impact on average salary

## Cycle related impacts

# Cost optimization initiatives

## Industrialization

- Methodology, tools, shared program management, etc...
- Lean program on 25% of group's headcount with a target of retaining 5 to 10% productivity gain mid term

## Business development costs

- Transfer progressively offshore 20% of non client facing BD costs
- Scope: circa €200m
- Target: 5% gain per year (or around 15% over 3yr)

## Utilization rate

- Better inter BU utilization : "worldwide staffing" initiative, supply chain improvement, management of "hidden investments"
- Target: min 1% improvement of utilization rate

# Business transformation and mix

## Offshore leverage

- Continuing move to offshore
- Scope: +10% leverage at group level over the long term
- Target: Over 15pts of contribution margin on the offshore part

## Portfolio management with TLI

- Move up market through innovation
- Scope: 10% of business
- Target: 5% cumulated gain of contribution on new scope

## Account “mining”

- Improve sole source account penetration
- Scope: 25% of Apps delta revenue
- Target: gain over 5pts of contribution on scope over the long term

## Business transformation and mix (2)

### New business models

- Invest in transactional multi client IT platforms
- Scope: up to 10% of group revenue
- Target: Up to 15% OM

### BPO development

- Grow BPO organically and through bolt on acquisitions
- Scope: BPO to represent 8% of group total revenue
- Target: Achieve higher (>400bp) OM above group's average

# Cyclicals factors sensitivity analysis: 2011-2012 swing factors

## Prices

- Strong impact on profitability, late cyclical
- Scope: short term impact on P&C (64% of revenues)
- Impact: +1% on average price provides over 60bp on OM

## Wages & New hires effect on average salary

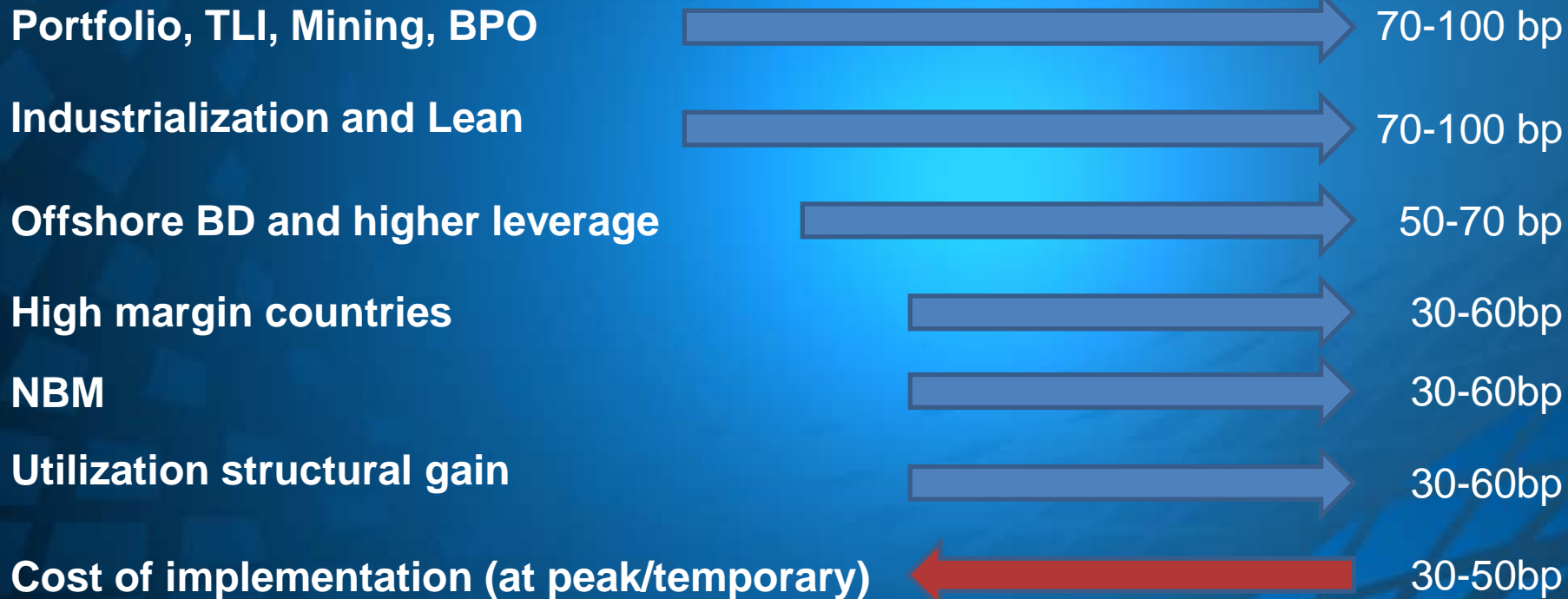
- Strong impact, wages pressure early cyclical, junior hires effect to kick in from H2 2011
- Scope: €5.5bn annual cost (90% onshore)
- Impact: 1% salary increase = 1% of “pyramid dilution” effect or 50bp on OM

## High margin countries rebound

- Benefit from the recovery of higher than average OM countries (NL and UK)
- Scope: 20% of group revenue
- Target: gain over 50pts at group level from a rebound in profitability from currently depressed levels

# Summary of potential gains (internal)

By importance of impact



In good macro conditions, cyclical factors (price, hiring volumes) will help the uplift of margin



# Phasing into the cycle

Structural improvement to develop over the next 3 to 4 years.  
Short term, cyclical factors are key.

- No effect
- Positive full effect
- Positive partial effect
- Negative full effect
- Negative partial effect

Portfolio, TLI, Mining, BPO  
Industrialization and Lean  
Offshore BD cost and leverage  
NBM  
Indirect structural gain  
Implementation costs

High margin countries  
Price  
Wages increase  
Impact of more junior hires

