

# Capgemini cautious on 2010, but stands by '11 goal

Reuters.com; February 19, 2010

**LATEST NEWS** U.S. HOUSE SUBPOENAS INTERNAL TOYOTA DOCUMENTS

**Reuters Firsts**  
Take a look at the most powerful news wins from across the globe.  
[Click here](#)

**HARVARD BUSINESS SCHOOL**  
INDIA PROGRAMMES

You are here: [Home](#) > [News](#) > [Article](#)

**HOME**  
**MONEY**  
**NEWS**

**Top News**  
**South Asia**  
**World**  
**Entertainment**  
**Sports**  
**Cricket**  
**Technology**  
**Health**  
**Lifestyle**  
**Oddly Enough**  
**Video**

## UPDATE 2-Capgemini cautious on 2010, but stands by '11 goal

Thu Feb 18, 2010 4:31 pm IST

[Email](#) | [Print](#) | [Share](#) | [Single Page](#) | [\[-\] Text \[+\]](#)

- \* Operating margin 7.1 pct vs 7 pct forecast
- \* Sales 8.371 bln euros vs 8.357 bln eur forecast
- \* Sees 2-4 pct drop in 2010 yr-to-yr sales, margin 6-6.5 pct
- \* Keeps guidance for 8 percent margin in 2011
- \* Shares up as much as 4.6 pct, reversing losses

(adds dropped word "the" in fifth paragraph)

Europe's largest computer consultancy, Capgemini, on Thursday predicted profits and sales would slip further this year but stuck to its longer-term outlook amid signs of improving economic conditions.

Last year's earnings came slightly ahead of expectations but investors initially focused on the 2010 margin outlook, which disappointed those who had banked on a smaller decline.

Capgemini shares fell as much as 4.1 percent but then reversed course to trade nearly 5 percent higher after the company reaffirmed its long-term outlook. The stock outperformed a little changed DJ technology index.

The French company, which competes for technical services budgets with the likes of U.S. giant Accenture and France's , cut its 2009 dividend to 0.80 Euros per share from 1 euro, as 2009 sales fell 5.5 percent and profit margins suffered compared to a lesser degree.

Investors initially focused on the lower margins but those fears eased after a conference call in which executives confirmed its 2011 outlook. Several analysts said the results were slightly ahead of expectations and showed the group's resiliency to crisis.

Capgemini forecast 2010 sales would contract by 2 to 4 percent on a like-for-like basis. It expects its operating margin to narrow to between 6 and 6.5 percent from 7.1 percent last year and 8.5 percent in 2008. Consensus for the 2010 margin is 6.9 percent, analysts said.

Chief Executive Paul Hermelin told a conference call the outlook was "cautious" in a market he described as still "rather soft" but nevertheless stabilising during 2010's first half.

Positive signs included stabilising prices, an upturn in demand from financial services, a more dynamic U.S. market and an increasing appetite from clients for larger projects, he said.

"These signals should gather speed in the second half 2010 when we expect to return to positive growth," Hermelin said.

Capgemini's cautious outlook contrasted with that of French peer Atos Origin who said on Wednesday it would further improve its profitability this year by resorting to cost cuts to cushion against a still challenging economic climate and lower revenue [

Unlike Atos, Capgemini had little additional room for more cost cuts this year, which partly explains why its margin will narrow, Chief Financial Officer Nicolas Dufourcq said.

#### KEEPS LONGER-TERM FORECAST

CEO Hermelin reiterated that Capgemini was aiming for an operating margin of 8 percent in 2011, assuming that the global IT services market returns to usual growth rates of 4-6 percent.

That compares favourably to the average outcome of eleven analysts polled by Reuters. Collectively, they are looking for a 7 percent operating margin on revenues of 8.357 billion.

Capgemini's revenue reached 8.371 billion Euros in 2009, down 5.5 percent versus 2008, meeting the group's guidance.

Consulting, which is highly sensitive to the economic climate, was the worst hit with sales down 14.7 percent like-for-like. Outsourcing, which accounts for roughly 36 percent of revenue, grew a feeble 0.3 percent.

"These FY 2009 results were marginally ahead of expectations, due to tight control of costs, the guidance of 2010 appears weaker than expected ...," analysts from brokerage Piper Jaffray said in a note.

With net cash of 1.3 billion Euros at end-2009, Capgemini, which earlier this month bought Swedish software group IBX, remained on the lookout for small acquisitions. The company did not disclose the terms of the IBX deal.

It plans to continue to expand in software services in North America and in emerging countries, Hermelin said.

<http://in.reuters.com/article/technology-media-telco-SP/idINLDE61E1PW20100218?sp=true>