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INDUSTRY SURVEYS

IT Services

September 2015

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September 2015

INDUSTRY SURVEYS
IT Services

PERFORMANCE

INDUSTRY PROFILE

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INDUSTRY SURVEYS
IT Services

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To our valued Industry Survey clients:

S&P Capital IQ is pleased to inform you of many insightful enhancements and modifications to our product offering. First of all, you will notice an entirely new ***Performance*** section in addition to our traditional coverage of key industry statistics and trends that are now contained in the ***Industry Profile*** portion of our publication. The new and innovative Performance section is predominantly driven and empowered by S&P Capital IQ company fundamental data that is aggregated and market capitalization index weighted according to Global Industry Classification Standards (GICS) methodology. By taking this customized proprietary approach to data collection and analysis we are now able to provide our clients with a unique, contemporary and highly relevant perspective on the financial performance of entire sectors and related specific industries representing groupings of multinational corporations included in the S&P 1500 index, according to the most current financial reporting metrics available to the marketplace.

Appropriately, the specific industry titles covered by our Industry Survey report service offering have now also been aligned to the widely recognized and accepted GICS format. This new approach provides a direct connection between the data and insights provided in our upgraded reports, and many stock market indices and index-based securities, such as Exchange Traded Funds (ETFs). We have also added a new Sector Overview portion at the beginning of each report that is designed to summarize the fundamental sector-level backdrop in which the specific industry in-focus operates and competes on a peer-group basis. Coverage of capital market activity (M&A and, IPOs), inclusive of data, trend and deal analysis, has also been significantly enhanced as part of our upgraded service offering.

The sector and industry level data, observations and analysis are presented in a deliberate ordered fashion where the cumulative insights flow in a logical and decision-supportive progression, specifically:

EXECUTIVE SUMMARY

◆ S&P Capital IQ foresees mature revenue growth for the IT services industry, largely reflecting strong legacy offerings and relationships, coupled with some new innovations and services.

◆ Healthy margins that have trended higher over the past five years reflect past investments, considerable scale, and some merger and acquisition (M&A) benefits.

◆ IT services companies generate considerable cash and have been aggressively allocating capital via buybacks and dividends. Over the past five years, buybacks nearly tripled in terms of dollars spent on an annual basis, and dividend payouts more than doubled.

◆ Interestingly, despite thoughts that the IT services industry is extremely competitive, S&P Capital IQ notes that category leaders can be somewhat entrenched.

◆ S&P Capital IQ thinks constructive fundamentals, along with a healthy US economy, contributed to considerable gains for IT services industry stocks.

SECTOR OVERVIEW

The IT services industry is a component of the information technology sector, which comprised 20.2% of the S&P 500 and 19.8% of the S&P 1500, as of September 11, 2015. The three main industry groups that make up the sector are software & services (*i.e.*, Internet software & services, IT consulting & other services, data processing & outsourced services, application software, systems software, and home entertainment software), technology hardware & equipment (*i.e.*, communications equipment, technology hardware, storage & peripherals, electronic equipment & instruments, electronic components, electronic manufacturing services, and technology distributors), and semiconductors & semiconductor equipment.

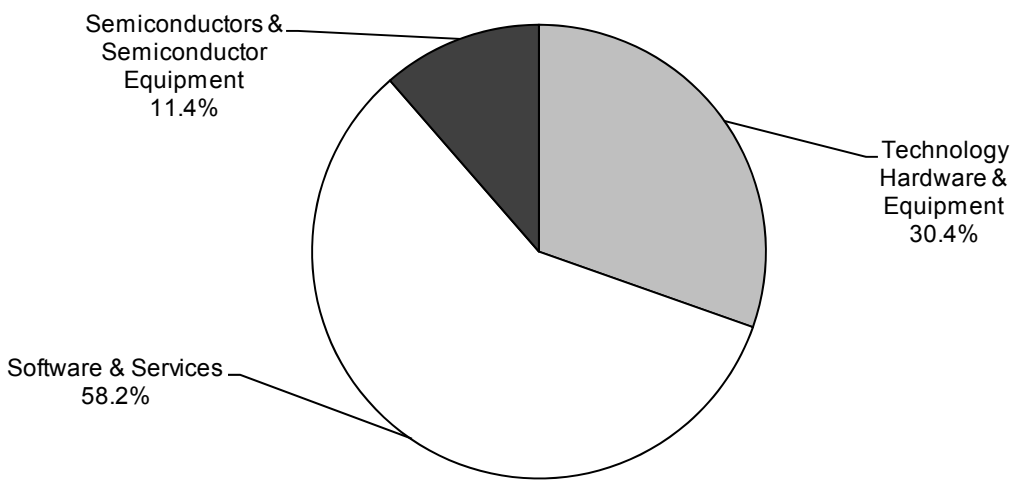
From a stock price perspective, the 18.2% increase in 2014 for the information technology sector outperformed the 11.4% rise in the S&P 500. From a profit perspective (as of September 14, 2015), the information technology sector is anticipated to generate 3.3% profit growth in 2015 and 10.6% in 2016; both estimates exceed those for the broader market.

SECTOR AND INDEX PRICE PERFORMANCE*
(values in percent)

SECTOR	YEAR ENDED 2014	FIRST EIGHT MONTHS 2015	5-YEAR CAGR
Consumer Discretionary Sector Index	8.0	3.2	20.2
Consumer Staples Sector Index	13.5	(2.8)	12.6
Energy Sector Index	(11.3)	(17.7)	4.4
Financials Sector Index	12.6	(5.0)	11.4
Health Care Sector Index	22.9	3.6	20.8
Industrials Sector Index	6.4	(8.4)	13.3
Information Technology Sector Index	17.2	(3.0)	15.3
Materials Sector Index	4.3	(11.5)	8.1
Telecommunication Services Sector Index	(1.5)	(4.0)	5.5
Utilities Sector Index	22.9	(11.0)	7.1
S&P 500	11.4	(4.2)	13.5
S&P MidCap 400	8.2	(2.5)	14.4
S&P SmallCap 600	4.4	(2.9)	15.9
S&P Composite 1500	10.9	(4.0)	13.6

*Values as of August 31, 2015.
Source: S&P Capital IQ.

INFORMATION TECHNOLOGY BREAKDOWN BY MARKET CAPITALIZATION*

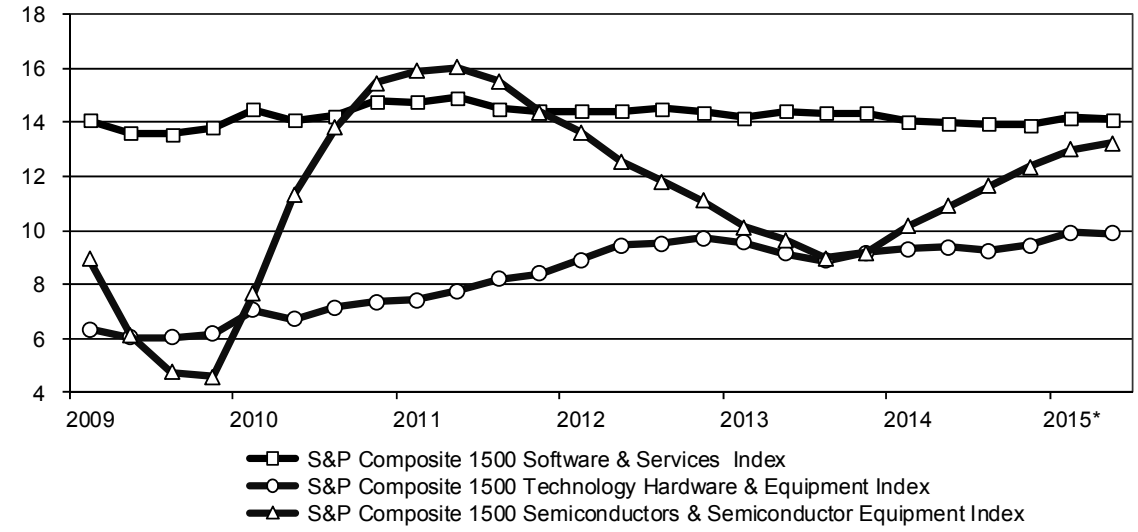


*Values as of September 16, 2015.

Source: S&P Capital IQ.

The software & services industry group is the biggest from a market capitalization basis, followed by technology hardware & equipment.

INFORMATION TECHNOLOGY SECTOR NET INCOME MARGIN BY INDUSTRY GROUP*
(in percent)

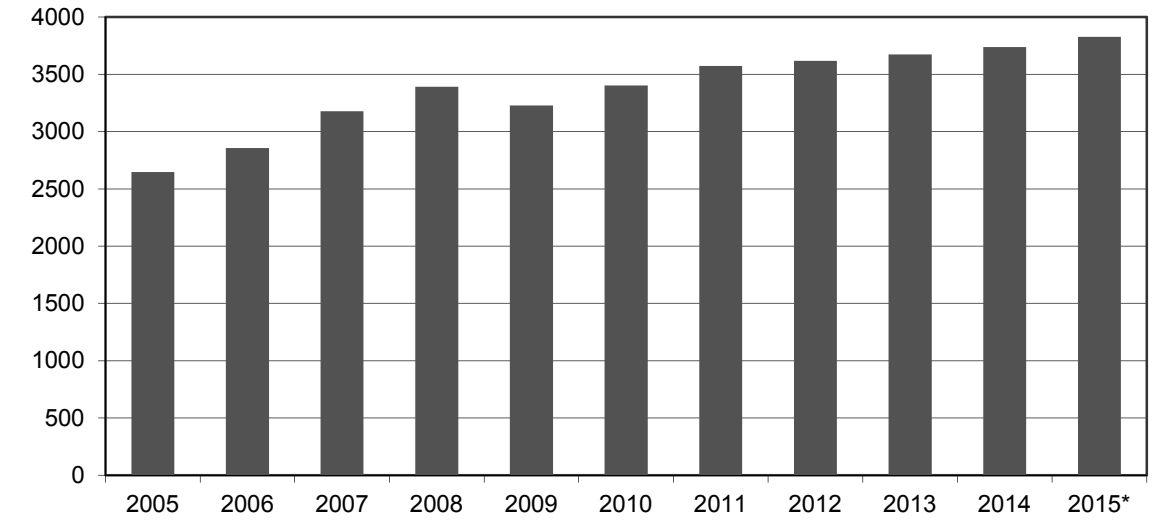


*Data through second quarter.

Source: S&P Capital IQ.

The environment for IT spending remains healthy. IT spending increased for five straight years after dipping in 2009, and is projected to grow further in 2015.

WORLDWIDE IT SPENDING
(aggregate data, in $, billions)



*Projected.

Source: Statista.

Several key metrics are important for understanding the state of the information technology sector, especially those that focus on revenue, margins, earnings, and credit trends.

In this Sector Overview section, all data are calculated on an aggregated per-share basis within the information technology sector as a component of the S&P 1500 index constituent universe. The average is market-weighted, which means larger companies are more influential than smaller ones.

Sector Revenue

Revenue and Revenue Growth

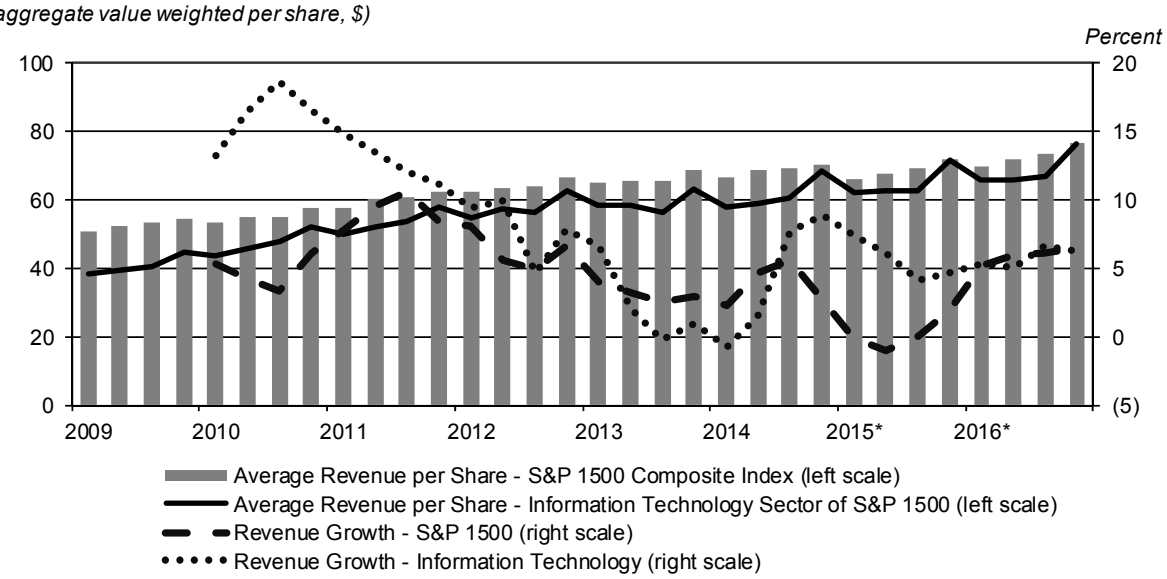
◆ For the first quarter of 2015, revenue growth for the information technology sector was 4.3%, followed by 1.3% in the second quarter.

◆ Information technology's revenue growth in the first half of 2015 outpaced the broad S&P 500 (down 2.3% in the first quarter and down 3.8% in the second quarter).

◆ Looking forward, the information technology sector is expected (as of September 14, 2015) to generate 1.5% revenue growth in 2015, whereas the S&P 500 is expected to post a 2.4% revenue decline (in part due to the effect of the energy sector).

◆ If the sector can sustain its revenue growth, the sector's profitability should benefit. However, the modest growth expectations for the second half of 2015 are a concern.

AVERAGE REVENUE AND REVENUE GROWTH
(aggregate value weighted per share, $)



*Projected. Projected values start from third quarter, 2015.

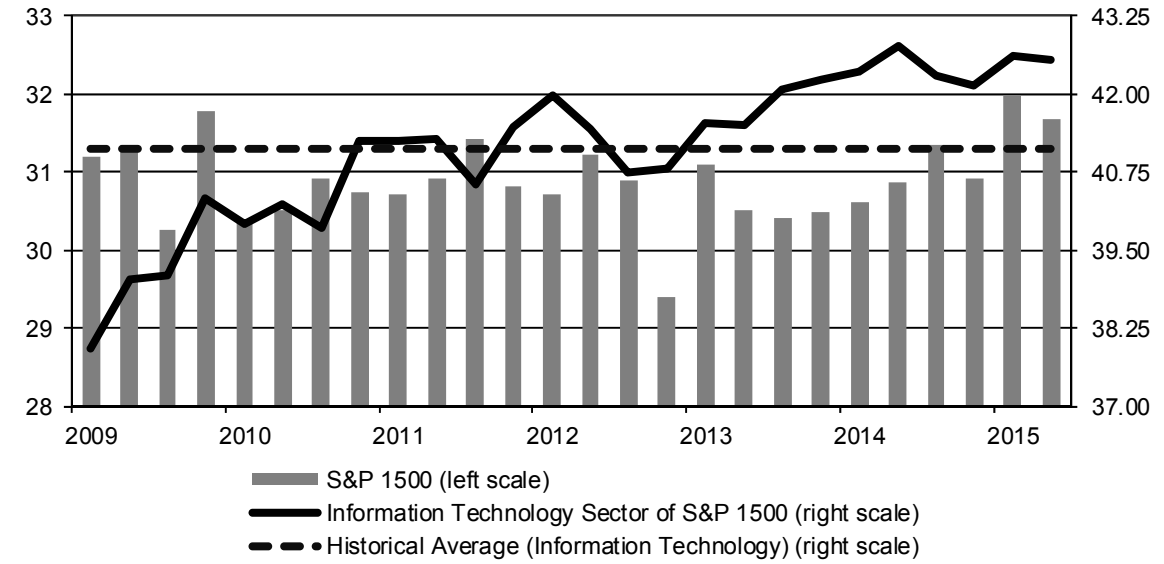
Source: S&P Capital IQ.

Sector Profit Margins

Gross Margin

◆ The information technology sector's gross margin since 2009 rose steadily from a low of 39.3% in the first half of 2009 to 42.6% in the second quarter of 2015. The first-quarter stat is 100 basis points (bps) above the average of 42.0% since the first quarter of 2009.

GROSS MARGIN
(in percent)



Source: S&P Capital IQ.

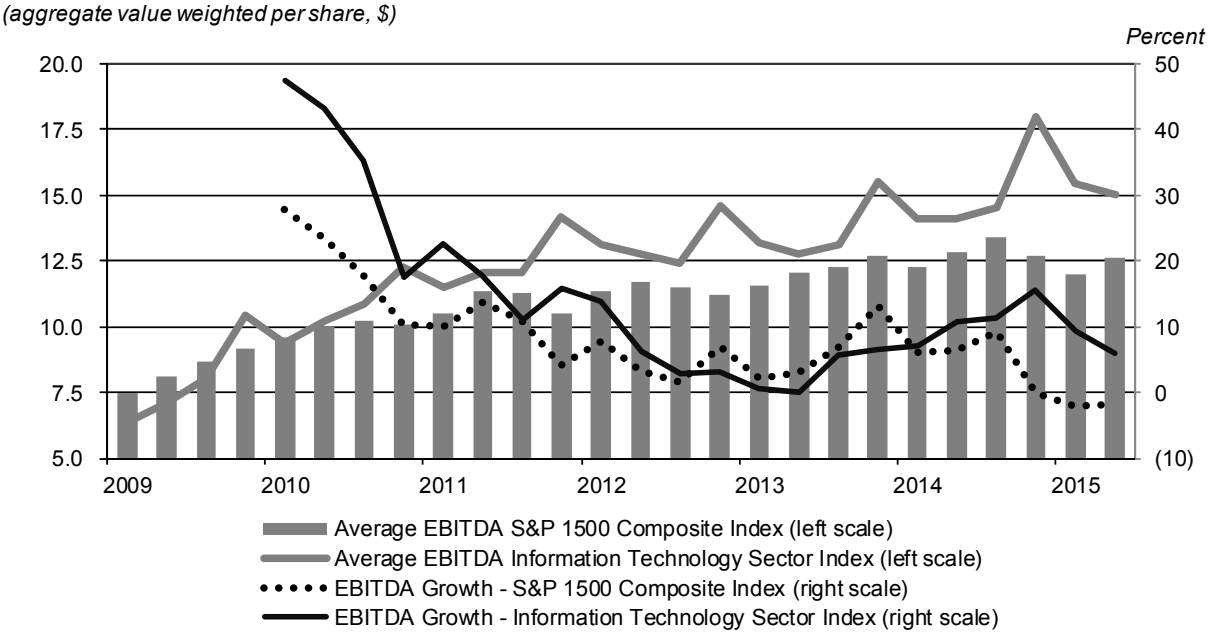
◆ S&P Capital IQ notes that the sector's gross margin is above that of the S&P 1500, continuing the trend for the entire six-year period from 2009 to 2014. We also note that the gap between the two measures has widened, with a 1,091 bps gap in the second quarter of 2015, compared with a 673 bps gap in the first quarter of 2009.

◆ Overall, the environment appears set for further gross-margin gains and it will likely continue to command notably higher margins than the entire S&P 1500.

EBITDA and EBITDA Growth

◆ Since 2009, the information technology sector's earnings before interest, taxes, depreciation, and amortization (EBITDA) per share ranged from a trough of $29.43 in the fourth quarter of 2009 to its recent peak of $60.53 in the first quarter of 2015. For the first quarter of 2015, EBITDA growth was 13.5%, which topped the 4.4% EBITDA growth for the S&P 1500.

AVERAGE EBITDA AND EBITDA GROWTH
(aggregate value weighted per share, $)



Source: S&P Capital IQ.

◆ The information technology sector is seeing increasing, although decelerating, EBITDA growth. EBITDA rose a healthy 7.8% in the first half of 2015 compared with the prior year, and more than doubled from 2009 to 2014.

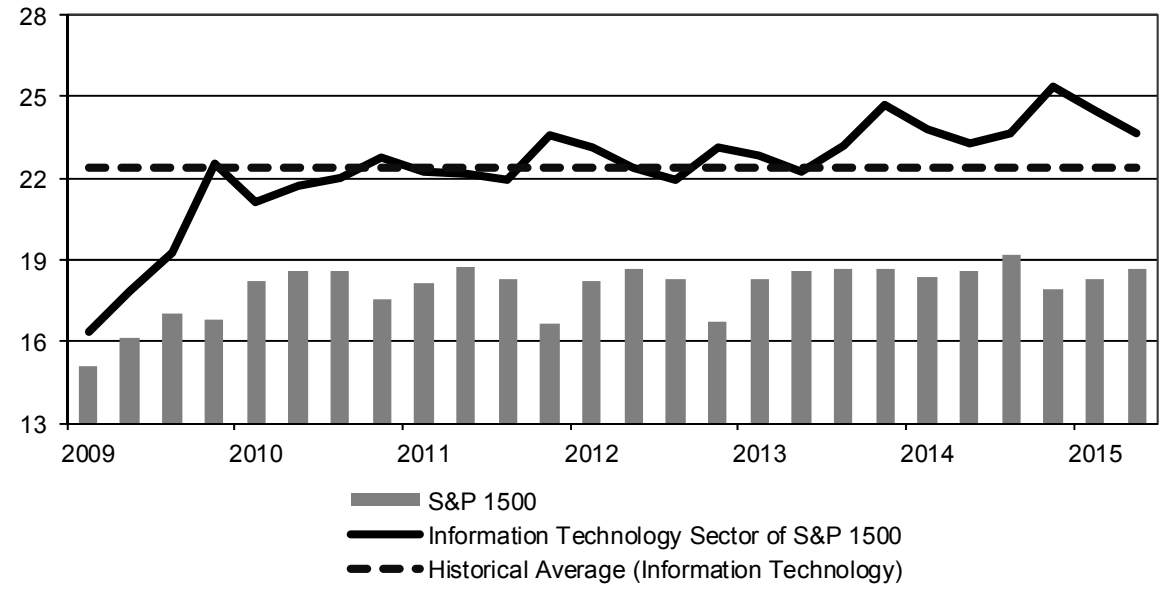
◆ Looking forward, the information technology sector is expected (as of September 16, 2015) to generate 6% EBITDA growth in the third quarter of 2015, better than the 1.5% decline anticipated for the S&P1500. For 2015, the sector's EBITDA growth is projected to top the S&P1500.

◆The sector's EBITDA per share is projected (as of September 16, 2015) to grow from $60.78 in 2014 to $65.28 by 2016. The sector's average EBITDA per share from 2009 through 2014 was $48.76.

EBITDA Margin

◆ The information technology sector's EBITDA margin trend is similar to the gross-margin trend in that the 23.7% margin for the second quarter of 2015 significantly topped the 18.7%% margin for the S&P 1500. In the second quarter of 2015, the sector's EBITDA margin topped its 23.1% average over the prior six years.

EBITDA MARGIN
(in percent)



Source: S&P Capital IQ.

EBIT Margin

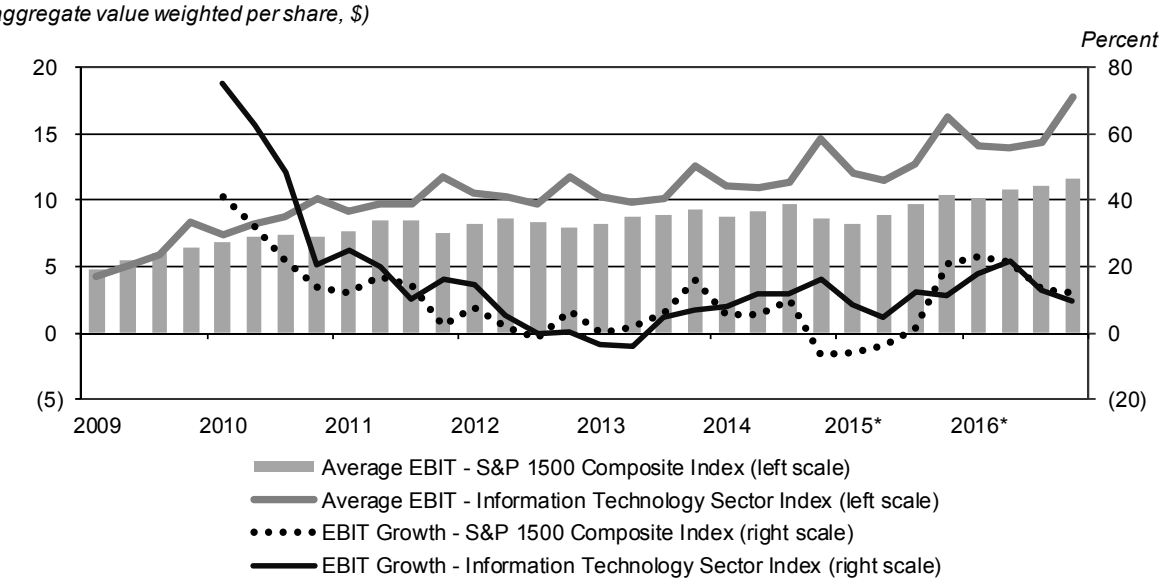
◆ Since 2009, the information technology sector's earnings before interest and taxes (EBIT) per share has seen a notable rise, comparable with margins across the sector. During the first half of 2015, EBIT growth for the sector was 6.8%, comparable with the decline for the S&P 1500 index.

◆ The information technology sector saw EBIT margins more than double on an annualized basis from 2009 to 2014.

◆ Looking forward, the information technology sector is expected (as of September 16, 2015) to generate 4.9% EBIT growth in the third quarter of 2015, better than the 2.6% decline anticipated for the S&P1500.

◆ The sector's EBIT per share is projected (as of September 16, 2015) to grow from $47.86 in 2014 to $52.86 in 2015 and $60.17 in 2016.

AVERAGE EBIT AND EBIT GROWTH
(aggregate value weighted per share, $)



*Projected. Projected values start from third quarter, 2015.

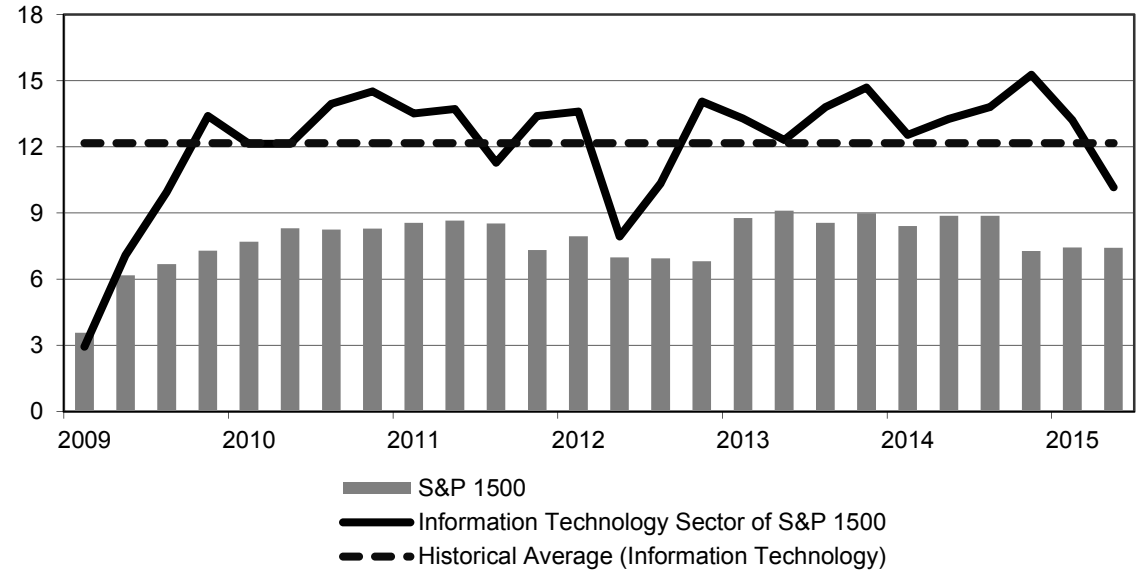
Source: S&P Capital IQ.

Net Income Margin

◆ The information technology sector's 10.29% net income margin in the second quarter of 2015 is well above trough levels witnessed in 2009, but below comparable prior-year levels. The average quarterly net income margin since the first quarter of 2009 has been 12.2%.

◆ Over the past few years, the sector's rising net income margins helped provide the sector with earnings growth.

NET INCOME MARGIN
(in percent)



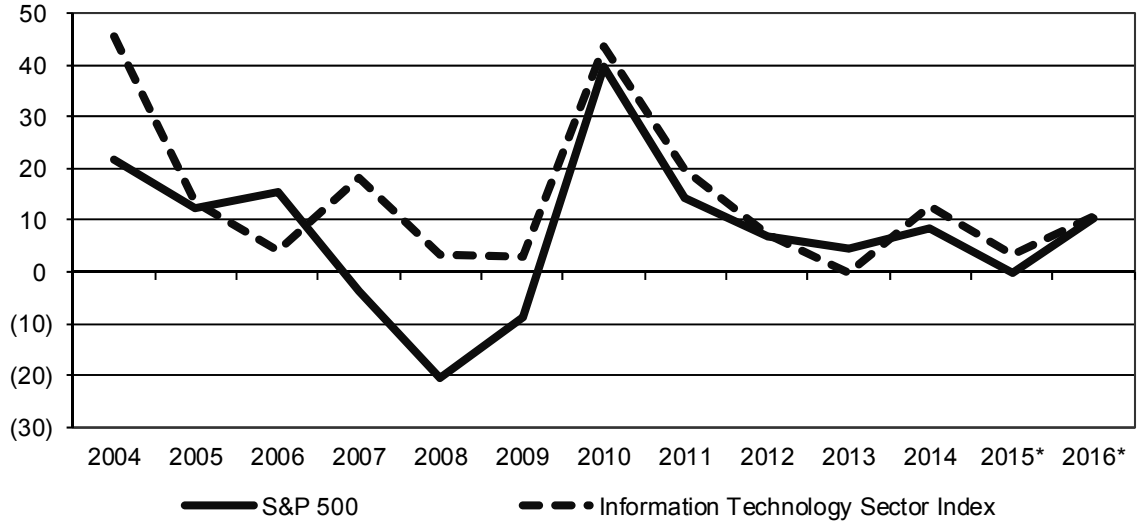
Source: S&P Capital IQ.

◆ As with the EBITDA and EBIT margin measurements, the information technology sector's net income margin topped that of the S&P 1500.

Sector Earnings

From an earnings perspective compared with the S&P 500, the information technology sector performed relatively well over the past year. Over the five years ending December 31, 2014, the sector's earnings on a compound annual growth rate (CAGR) basis outperformed the S&P 500, rising 9.6% per year compared with the S&P 500's 8.4%. In addition, over the 10-year period ended 2014, the sector's 11.7% CAGR exceeded the S&P 500 growth of 5.0%. Over the 10-year period, information technology was the leading sector, followed by health care (8.9%) and consumer discretionary (8.7%).

ANNUAL EARNINGS GROWTH—INFORMATION TECHNOLOGY vs S&P 500
(in percent)



*Projected, values as of September 18, 2015.

Source: S&P Capital IQ.

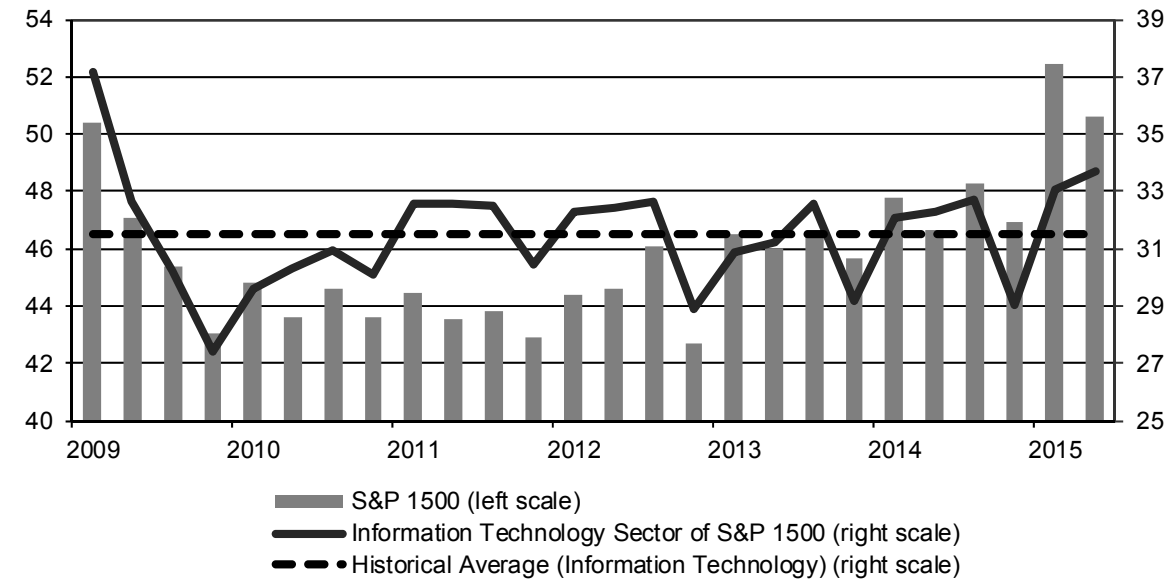
◆ From a year-over-year perspective that illustrates the earnings volatility over the past decade, which includes the 2008–2009 recession, the information technology sector more than exceeded the growth in the S&P 500 for the majority of the years.

Sector Balance Sheet

Inventory Days

◆ From an operational perspective, the information technology sector's inventory days dropped in 2015 from the fourth quarter of 2014, but are expected to remain stable compared with last year's first half. On an annual basis, inventory days dropped from a peak of about 35 days in the first quarter of 2009 to 34 at year-end 2014. However, as of June 4, 2015, inventory days are projected to be 32.2 for the second quarter of 2015. Since the first quarter of 2009, inventory days have been stable, generally staying near the 33.1-day average.

AVERAGE INVENTORY
(in days)



Source: S&P Capital IQ.

◆ The sector's inventory days are low compared with other sectors, at 33.7 days. This is slightly higher than the 32.2 days witnessed in the second quarter of 2014.

◆ With a measurement of 50.6 for the second quarter of 2015, the average inventory days for the entire S&P 1500 is substantially higher than for the information technology sector. One of the reasons that inventory days are lower than other sectors is the contribution of software, which needs to be in physical inventory form, but may be downloaded upon consumer demand.

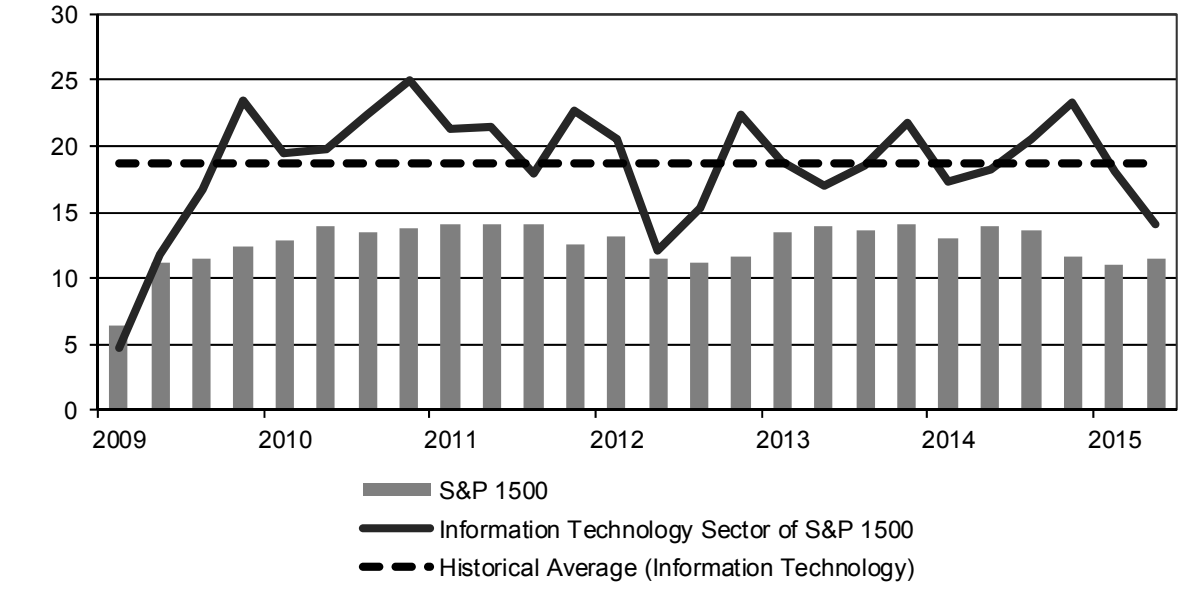
◆ Overall, recent inventory days data do not appear problematic for the information technology sector.

Return on Equity

◆ Return on equity (ROE) for the information technology sector stood at 14.2% in the second quarter of 2015, below its average of 18.6% since the first quarter of 2009. This compares with 11.5% for the S&P 1500. S&P Capital IQ notes that both indexes have seen contraction compared with the prior-year measurement.

◆ The sector's ROE was lower during the 2008–2009 recession, but has since rebounded strongly.

RETURN ON EQUITY
(in percent)

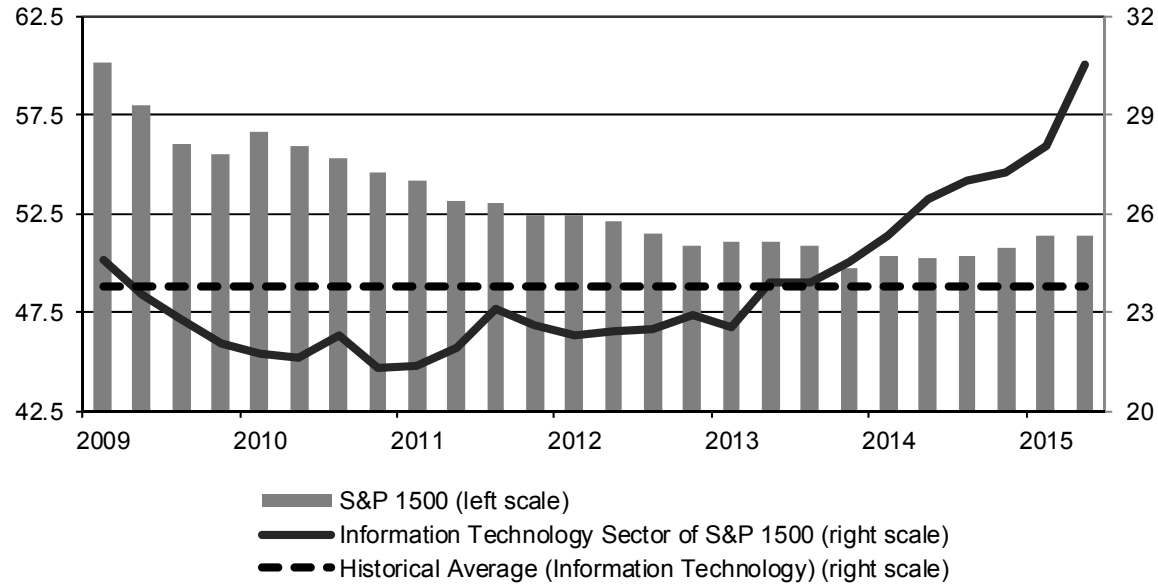


Source: S&P Capital IQ.

Debt-To-Capitalization

◆ On the balance sheet, debt as a percent of capitalization for the information technology sector rose from its trough of 21.4% in the first quarter of 2011 to its highest level of 30.5% for the second quarter of 2015.

DEBT-TO-CAPITALIZATION
(in percent)



Source: S&P Capital IQ.

◆ While the sector's debt-to-capitalization ratio rose over the past few years, it is still considerably lower than the S&P 1500's debt-to-capitalization of 51.3% for the second quarter of 2015. Actually, the information technology sector has the lowest debt-to-capitalization ratio among all the other sectors. Therefore, although its debt-to-capitalization ratio is higher than it was a few years ago, S&P Capital IQ does not view this as a material increase in credit risk due to the sector's conservative debt usage and its significant EBITDA generation.

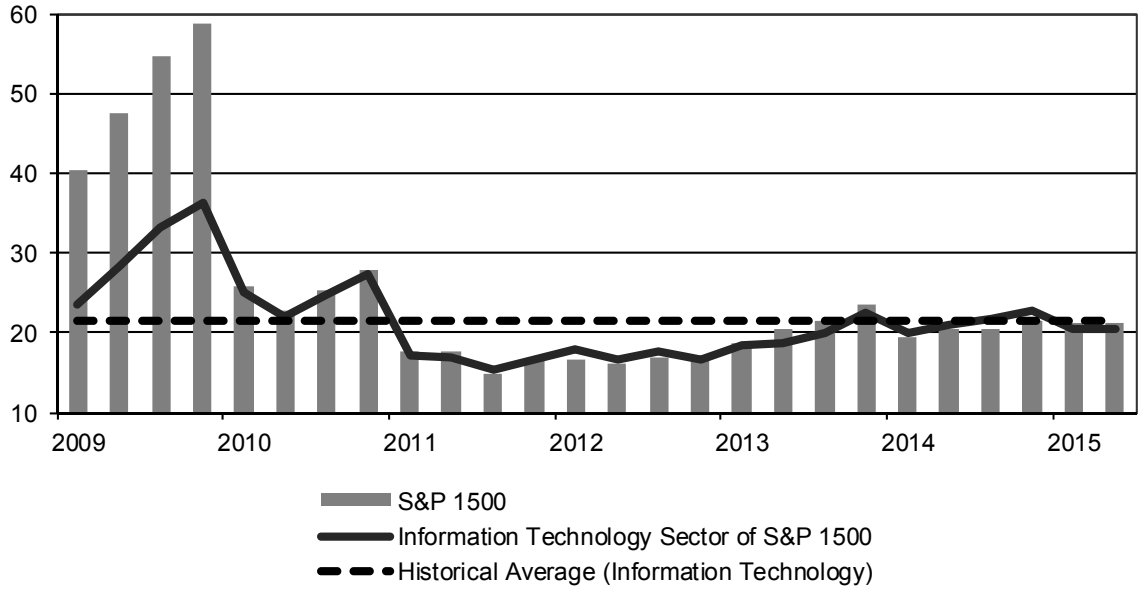
Sector Valuation

Forward P/E

◆ From a valuation perspective, the information technology sector is valued at a discount to its 21.5x average since 2009 (based on last-12-month earnings per share, or EPS).

◆ However, compared with the S&P 1500, the sector is valued at a slight discount. For the second quarter of 2015, the sector had a trailing price-to-earnings (P/E) ratio of 20.5x, which is a discount to the 21.1x forward P/E multiple of the S&P 1500.

PRICE-TO-OPERATING EARNINGS PER SHARE RATIO
(diluted EPS before extra items, trailing 12 months, in multipes)



Source: S&P Capital IQ.

◆ For comparison, excluding energy due to recent earnings volatility, the sector with the highest projected forward P/E multiple in the first quarter of 2015 was consumer staples at 20.1x. The sector with the lowest forward multiple is telecommunication services at 13.9x.

EV/EBITDA Ratio

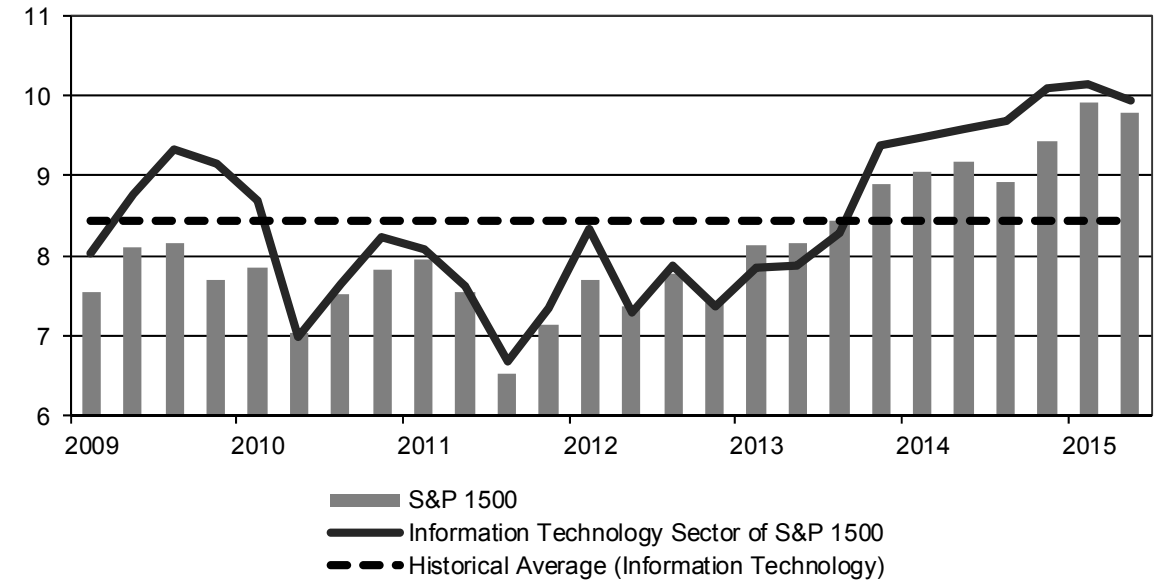
◆ The enterprise value (EV)-to-EBITDA, or EV/EBITDA ratio generally stayed within a 10% range to the S&P 1500 since 2009, as the valuation has expanded since 2012.

◆ Since 2011, the EV/forward EBITDA ratio expanded significantly, moving from a low of 6.7x in the third quarter of 2011 to 9.9x in the second quarter of 2015.

◆ In comparison, the EV/forward EBITDA for the S&P 1500 was 9.8x in the second quarter of 2015.

◆ Overall, the information technology sector appears rather strong, although the run up in share prices created a higher valuation. However, S&P Capital IQ notes the higher valuation is in conjunction with an expansion of multiples from major market indices.

ENTERPRISE VALUE-TO-FORWARD EBITDA RATIO
(in multiples)



Source: S&P Capital IQ.

ETF Market Flows and Investing Landscape

◆ Investors interested in exploring opportunities aligned with either the information technology sector, or more specifically, the IT services industry, may want to consider exchange-traded funds (ETFs). In recent years, investors have increasingly turned to ETFs when seeking exposure to specific sectors or industries within the stock market. In addition to market focus, ETFs offer investors added benefits, such as intraday market liquidity and lower management fees relative to other diversified financial instruments.

◆ In 2014, $41.0 billion was invested in ETFs in all sectors, with more than $2.4 billion in information technology securities. In the first eight months of 2015, tech-focused products saw outflows of $665 million.

◆ Unlike some technology industries, there are no dedicated IT services ETFs. However, the industry is well represented in most diversified technology ETFs. These include Technology Select Sector SPDR (XLK), and Vanguard Information Technology (VGT). Both have double-digit exposure to IT services, but also to semiconductors & semiconductor equipment, and software & services industries. A smaller SPDR Morgan Stanley Technology ETF (MTK) had more exposure to IT services than software companies.

◆ While XLK and First Trust Technology AlphaDEX (FXL) experienced outflows during the first eight months of 2015, PureFunds ISE Cyber Security (HACK), MTK, and VGT gathered fresh money.

SECTOR ETF INFLOWS

(total inflows for the period ended, in $, millions)

SECTOR	YEAR ENDED	FIRST EIGHT MONTHS, 2015
Consumer Discretionary	4,212	2,483
Consumer Staples	2,104	(1,825)
Energy	11,428	6,777
Financials	3,685	(1,157)
Health Care	6,427	9,875
Industrials	227	(4,090)
Information Technology	2,440	(665)
Materials	(1,871)	599
REITs	7,429	60
Telecommunication Services	478	(166)
Utilities	4,501	(2,357)

Source: State Street Global Advisors.

ETFS WITH MEANINGFUL IT SERVICES EXPOSURE

TICKER	ETF NAME	ASSETS UNDER MANAGEMENT *(in $, millions)*	NET EXPENSE RATIO
QQQ	PowerShares QQQ Trust	37,575	0.20
XLK	Technology Select Sector SPDR	11,426	0.15
VGT	Vanguard Information Technology	7,307	0.12
IYW	iShares US Technology	2,523	0.45
HACK	PureFunds ISE Cyber Security	1,160	0.75
FXL	First Trust Technology Alphadex	695	0.67
MTK	SPDR Morgan Stanley Technology	417	0.35
FTEC	Fidelity MSCI Information Technology	313	0.12
QTEC	First Trust NASDAQ-100 Technology	284	0.60

Source: S&P Capital IQ ETF Report September 15, 2015.

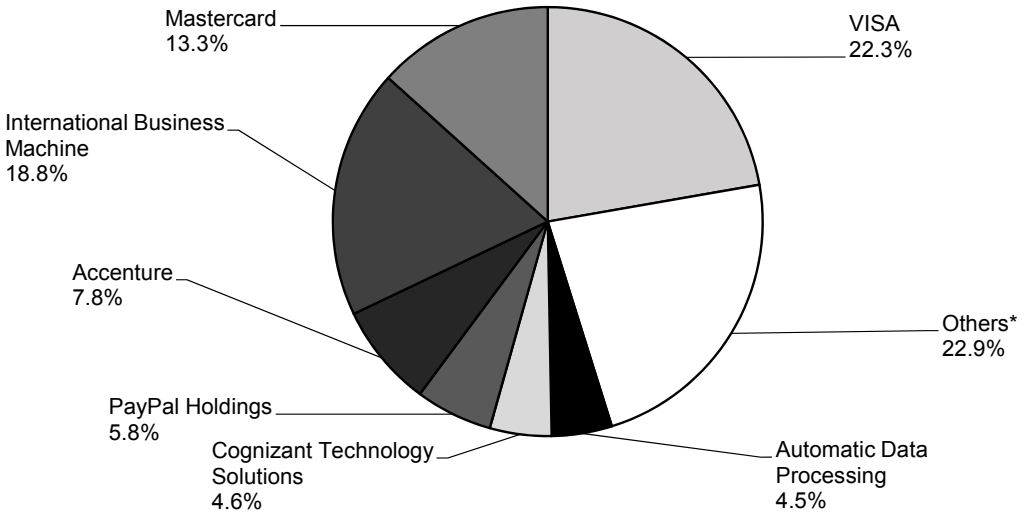
INDUSTRY OVERVIEW

◆ For the purposes of this and other industry-focused sections of this *Survey*, when S&P Capital IQ refers to the IT services industry, we mean the S&P 1500 IT services industry, which is comprised of IT services companies included in the S&P 500, S&P MidCap 400, and S&P SmallCap 600 indices, and/or its constituent companies.

◆ As of August 2015, the S&P 1500 IT services industry included 42 companies. The largest components of the index were Visa, International Business Machines (IBM), MasterCard, Accenture, PayPal, Cognizant Technology Solutions, and Automatic Data Processing (ADP), which amounted to more than 77% of the index's market capitalization. Visa, IBM, and MasterCard alone accounted for more than half of the index's market capitalization.

◆ In the Global Industry Classification System (GICS), the industry is divided into two sub-industries: IT consulting & other services and data processing & outsourced services. Visa, MasterCard, and PayPal generate just about all of their revenues from payments-related operations, and are classified in the data processing & outsourced services sub-industry. IBM, Accenture, and Cognizant are classified in the IT consulting & other services sub-industry. S&P Capital IQ thinks many companies in the IT services industry have both IT consulting and data processing businesses and we take this into consideration for the purposes of this *Survey*.

IT SERVICES COMPANIES MARKET-CAP WEIGHTINGS



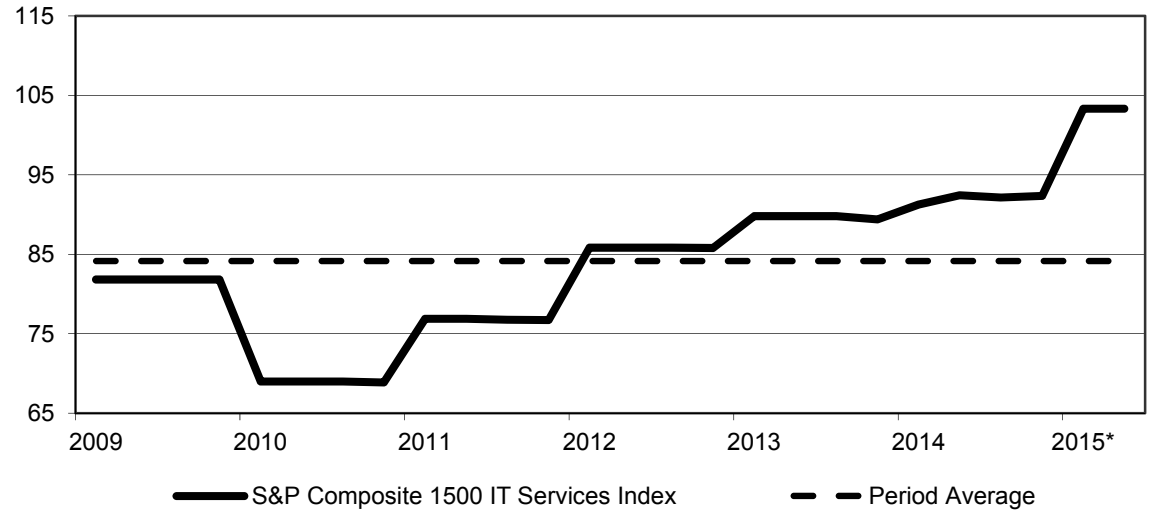
*Others include: Fiserv, Fidelity Natonal Information Services, Paychex, Alliance Data Systems, Xerox, Western Union, Computer Sciences, Total System Services, Gartner, Global Payments, Broadridge Financial Solutions, Jack Henry & Associates, Teradata, MAXIMUS, DST Systems, WEX, Verifon Systems, CoreLogic, Leidos Holdings, Convergys, Science Applications, Heartland Payments Systems, CACI, NeuStar, Cardtronics, Virtusa, Axciom, TeleTech Holdings, Mantech, Exlservice Holdings, Sykes Enterprises, CSG Systems, Forrester Research, Perficient, Ciber.

Source: S&P Capital IQ.

Industry Revenues

◆ From 2009 to 2014, IT services industry revenues rose 12% on a market-cap weighted basis and 25% on an absolute basis, reflecting favorable secular shifts and a global economic recovery.

REVENUE PER SHARE
(aggregate value weighted per share, $, quarterly)



*Data through second quarter.

Source: S&P Capital IQ.

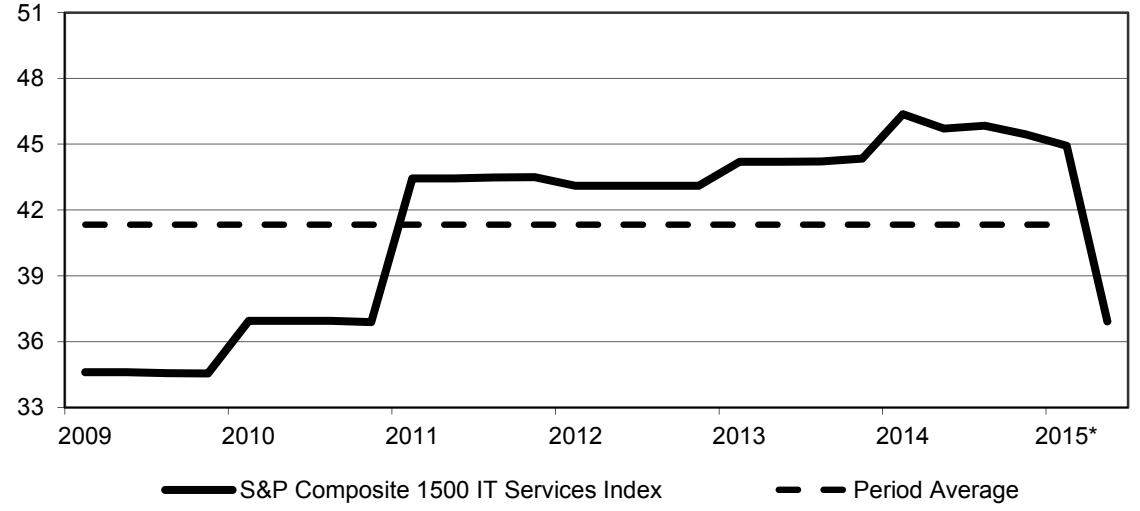
◆ Although S&P Capital IQ notes steadily increasing revenues across most of the IT services industry, legacy IT consulting firms such as IBM and Computer Sciences (CSC), and firms with an emphasis on defense spending such as ManTech experienced revenue challenges. IBM generated $93 billion in 2009 revenues and $91 billion in 2014 revenues. We acknowledge that divestitures and spin-offs have hurt the revenues of IBM, ADP, and Leidos, for example. However, acquisitions aided Cognizant, Alliance Data Systems, and Xerox, over the indicated period.

◆ S&P Capital IQ consensus estimates indicate that revenues for 2015 will increase 9% on a market-cap weighted basis and drop 1% on an absolute basis, reflecting the impact of the strong US dollar that we think significantly reduced and restrained revenues of larger companies this year. We also note divestitures from the likes of IBM and Xerox completed in 2015.

Industry Margins

◆ Market-cap weighted and aggregate average annual gross margins for the IT services industry gradually widened from 2009 to 2014. S&P Capital IQ sees benefits from pricing power and corporate actions (contributing to more favorable revenue mixes, and cross-selling and upselling).

GROSS MARGIN
(in percent, quarterly)

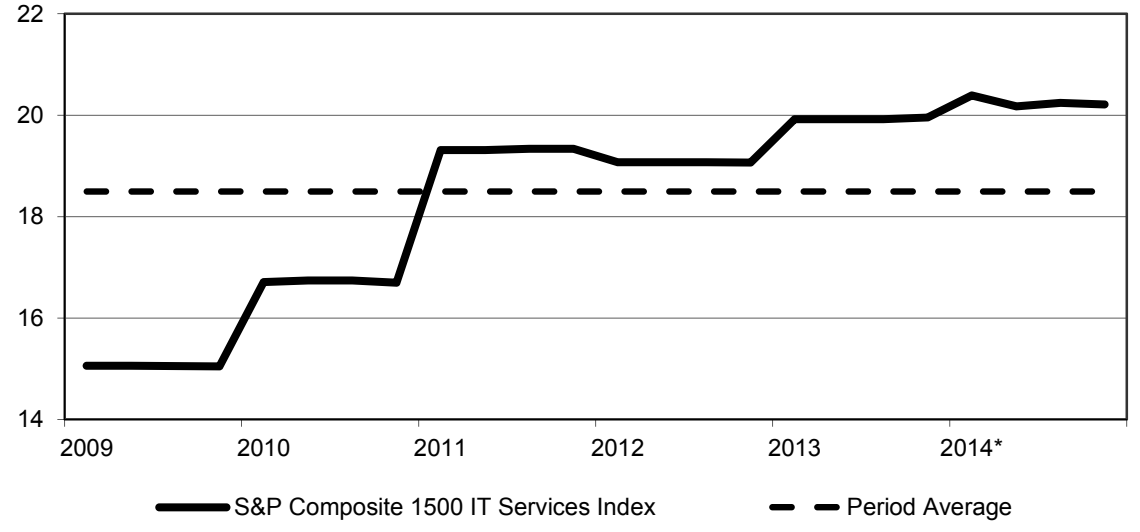


*Data through second quarter.

Source: S&P Capital IQ.

◆ In addition, IT services earnings before interest and taxes (EBIT) or operating margins have been increasing consistently from 2009 on a market-cap weighted basis and on an aggregated basis. IT services industry companies are benefiting from past investments, economies of scale, and considerable efficiencies.

EBIT MARGIN
(in percent, quarterly)



Source: S&P Capital IQ.

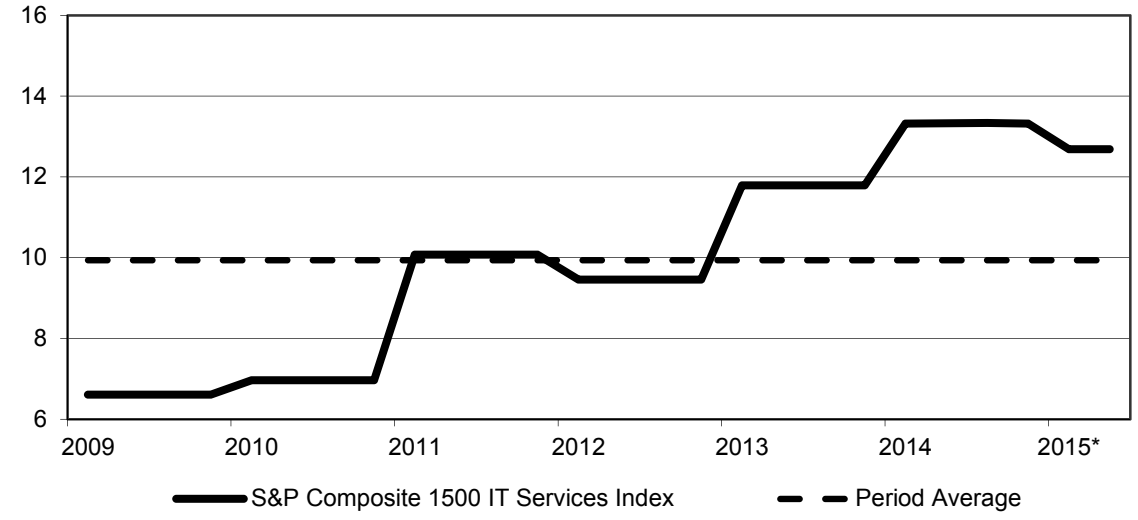
Industry Earnings

◆ IT services industry net income more than doubled from 2009 to 2014 on a market-cap weighted basis and increased 30% on an aggregate basis. S&P Capital IQ notes a healthy gradual upward trend in earnings, led by credit card network companies Visa and MasterCard, where net income increased 120% and 147%, respectively.

◆ However, IBM experienced a 10% decline in earnings from 2009 to 2014, and general growth challenges and multiple divestitures. Nonetheless, during this period, IBM's IT consulting & other services competitors Accenture and Cognizant experienced growth of 94% and 169%, respectively.

◆ S&P Capital IQ sees a healthy increase in 2015 net income on a market-cap weighted basis, with gains for all of the IT services industry's largest companies, including the major data processing firms. We see ADP delivering a drop in net income, due in part to the spin-off of the CDK Global auto dealer services business in the fall of 2014, and reflecting a mature payroll processing market and low prevailing interest rates.

NET INCOME
(aggregate value weighted per share, $, quarterly)



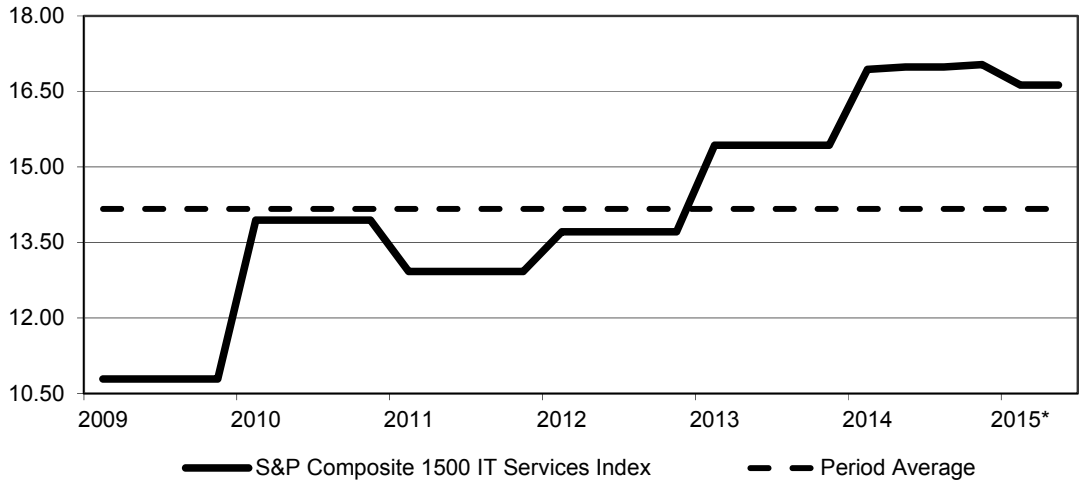
*Data through second quarter.

Source: S&P Capital IQ.

Industry Balance Sheet

◆ IT services industry cash and short-term investments rose steadily from 2009 to 2014. S&P Capital IQ notes a decelerating trend over the period. Given a largely more positive outlook for global economies, markets, and opportunities, companies increasingly invested more freely and aggressively. We also note considerable acquisition activity by publicly traded IT services companies.

TOTAL CASH AND SHORT-TERM INVESTMENTS
(aggregate value weighted per share, $, quarterly)



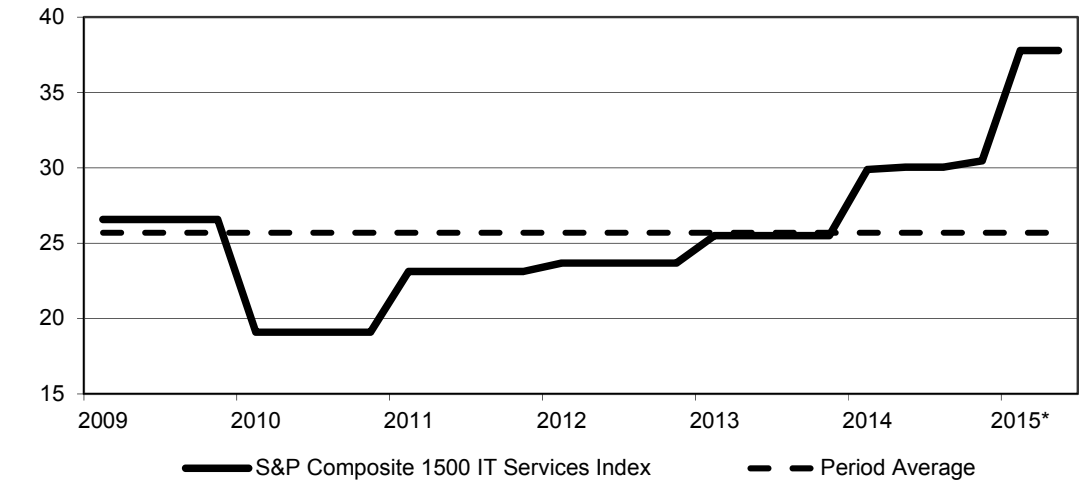
*Data through second quarter.

Source: S&P Capital IQ.

◆ Total debt also rose steadily from 2009 to 2014. Interestingly, during this period, IBM's debt increased from $26 billion to $41 billion, but its overall contribution to IT services industry debt remained steady at 42% to 43%. Major participants such as Visa, Accenture, ADP, and Paychex had virtually no debt ($37 million) as of year-end 2014.

◆ Companies such as Xerox and CSC significantly reduced their debt obligations over the past five years or so. Data processing companies MasterCard, PayPal, Fidelity National Information Services, Alliance Data Systems, and Total Systems also saw debt obligations increase $1 billion or more from 2009 to 2014.

TOTAL DEBT
(aggregate value weighted per share, $, quarterly)



*Data through second quarter.

Source: S&P Capital IQ.

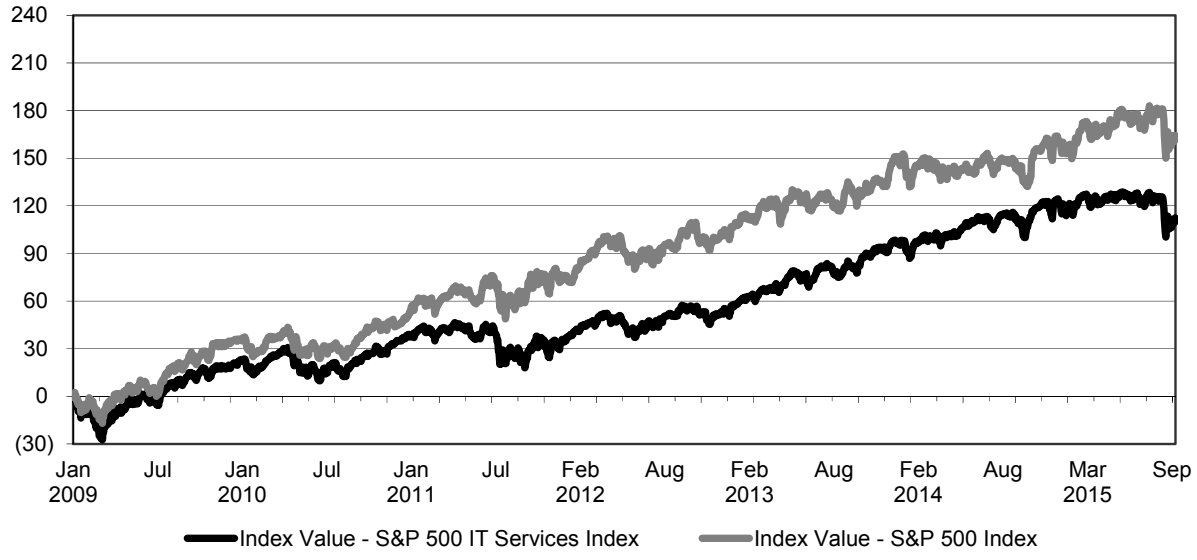
◆ S&P Capital IQ thinks increases in debt have been driven by greater overall confidence in macroeconomic and microeconomic conditions (despite some more recent issues and questions), historically low global interest rates, and a desire for more financial flexibility, as multinationals seem to be holding more cash and investments overseas that cannot be repatriated without a 35% tax obligation.

◆ The IT services industry's aggregate average debt-to-equity ratio rose steadily from 36.5% to 44.0% over the last five years.

Industry Valuation

◆ From January 1, 2009 to August 30, 2015, the S&P 500 IT services industry index rose 167%, compared with a 113% gain for the S&P 500. The IT services industry outperformed over the entire period, but S&P Capital IQ notes that as of mid-2009, the IT services index was outperforming by only about 500 basis points.

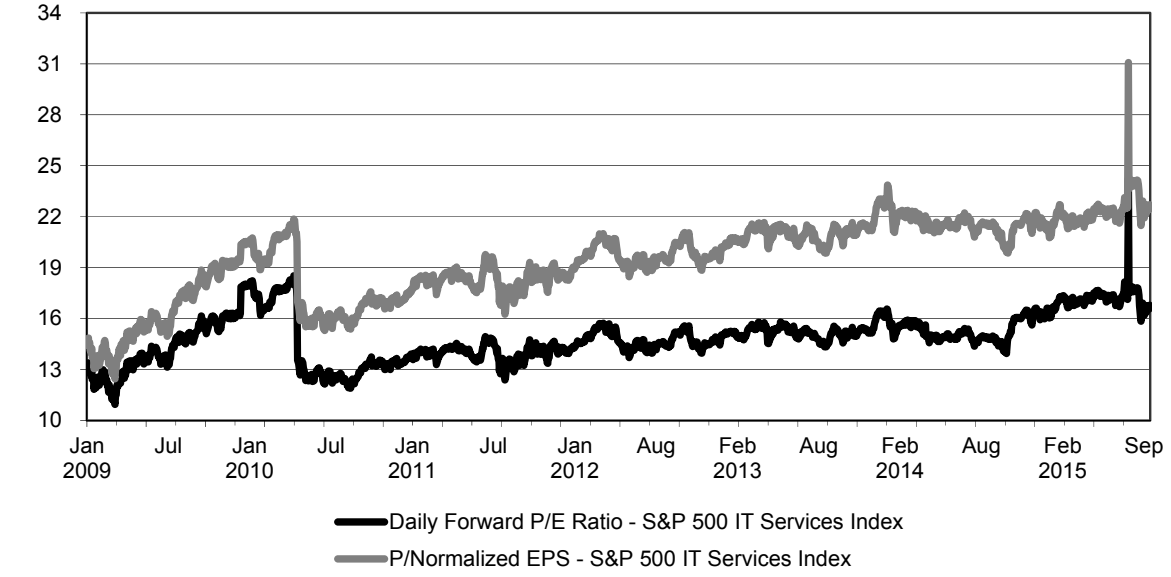
PRICE HISTORY
(aggregate value weighted per share, $)



Source: S&P Capital IQ.

◆ The S&P 500 IT services industry's normalized price-to-earnings (P/E) and forward P/E rose significantly from the beginning of 2009 from 15x and 13x, respectively, to 22x and 19x by April 2010. These multiples fell notably until September 2010, when they bottomed at 16x and 12x, roughly where they were at the beginning of 2009. Since then, these multiples expanded considerably to 32x and 24x in mid-2015.

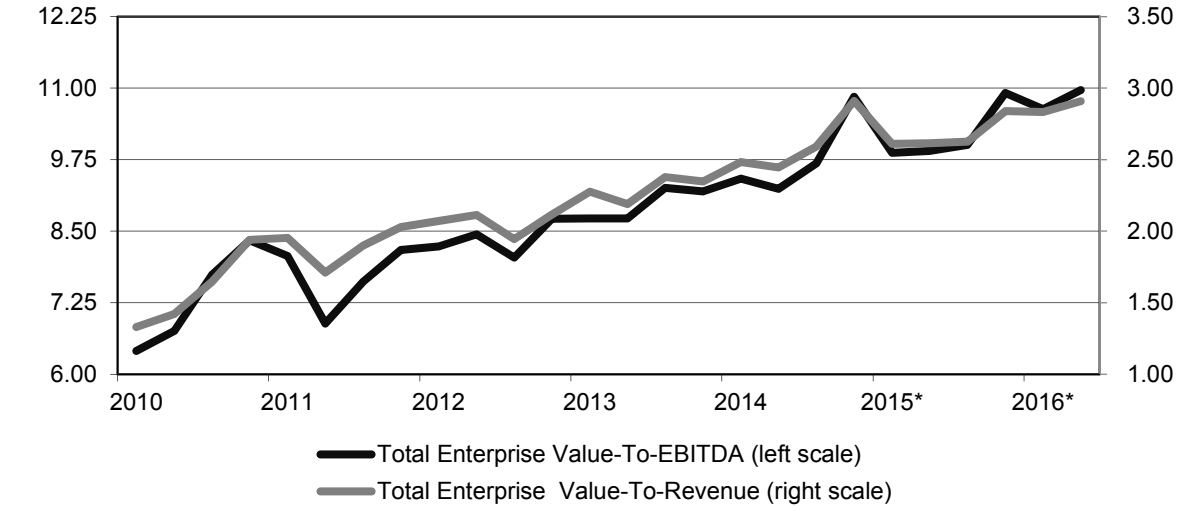
NORMALIZED AND FORWARD PRICE-TO-EARNINGS RATIOS
(in multiples)



Source: S&P Capital IQ.

◆ For the IT services industry, the market-cap weighted enterprise value (EV)-to-forward earnings before income tax, depreciation, and amortization (EBITDA), or EV/EBITDA, rose 70% from 6.4x in the first quarter of 2009 to 10.9x in the fourth quarter of 2014. Total EV-to-sales (TEV/sales) rose from 1.3x to 2.8x over the same period.

VALUATION RATIOS
(in multiples, quarterly)



*Projected data started from third quarter of 2015.

Source: S&P Capital IQ.

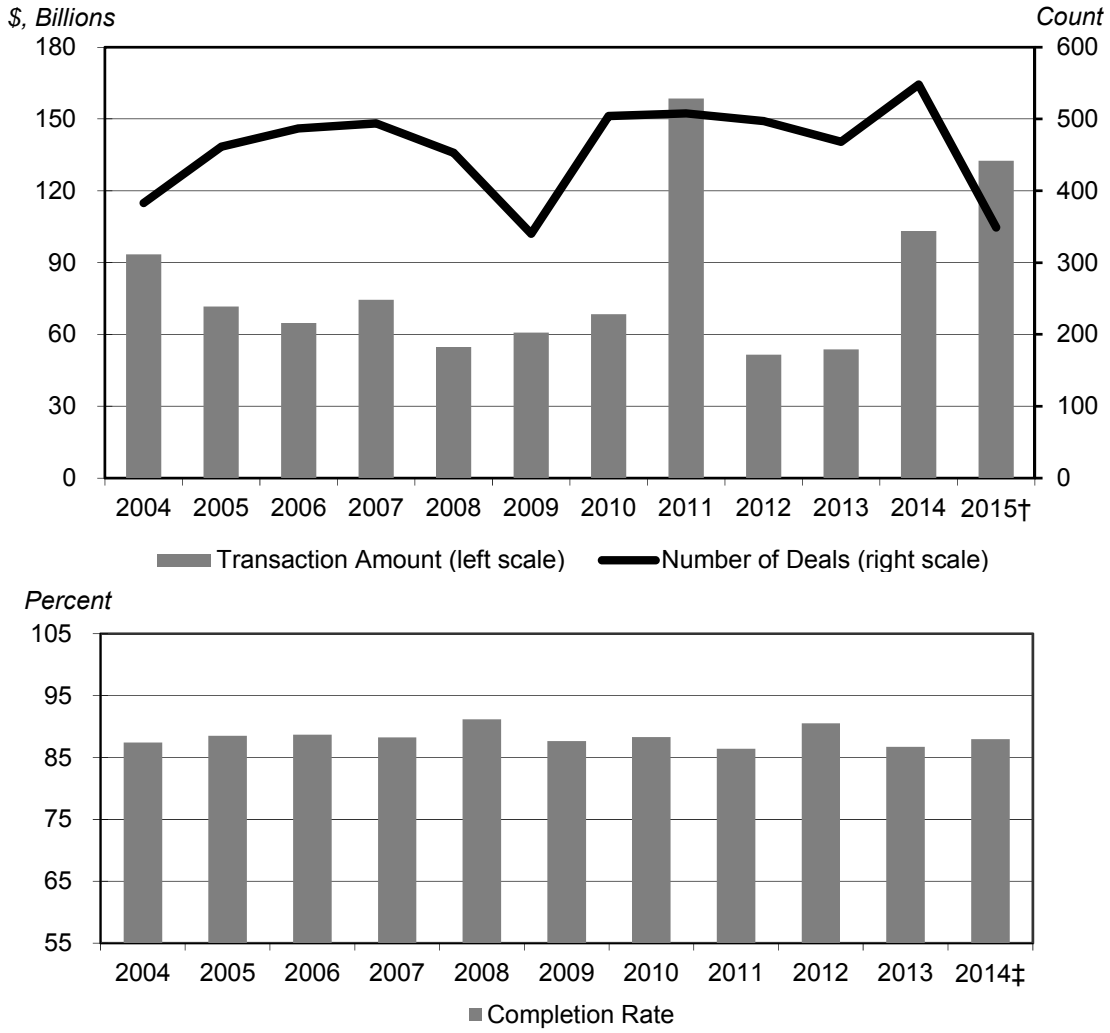
◆ S&P Capital IQ thinks the higher indicated multiples reflect a strong stock market, revenue and earnings growth, and some appealing opportunities perceived in the IT services industry.

Capital Markets

Information Technology Sector

◆ Announced mergers & acquisitions (M&A) activity in the information technology sector focusing on S&P 1500 companies as target, buyer, or seller saw $110 billion in deal value in 2014, up from $60.8 billion in 2013. Facebook, Inc.'s $19.7 billion purchase of WhatsApp Inc., announced in February 2014, accounted for approximately 18% of the deal value for announced IT M&A deals involving S&P 1500 companies.

INFORMATION TECHNOLOGY M&A TRANSACTIONS*



*Involving S&P 1500 companies as target, buyer, or seller. †Data through August.

‡Latest available.

Source: S&P Capital IQ.

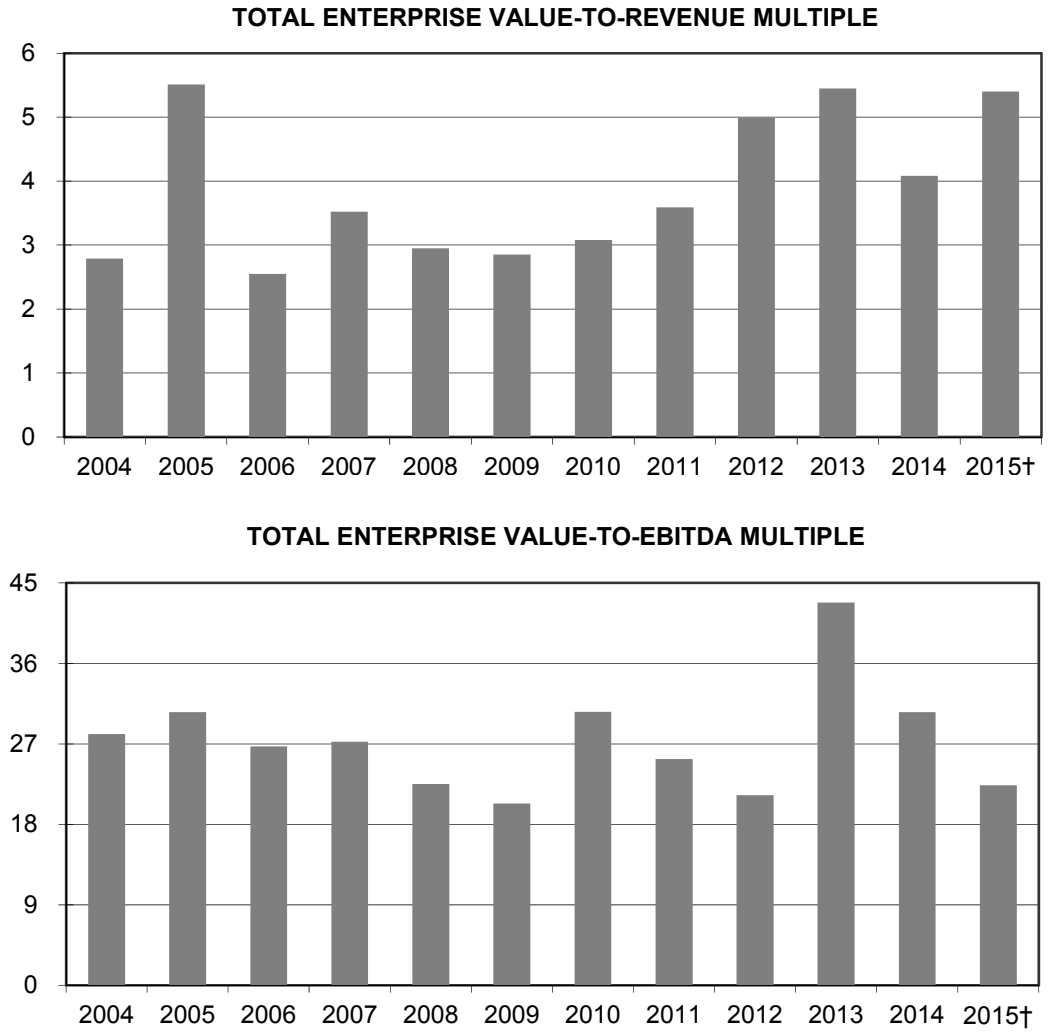
◆ Results in 2014 marked the strongest period for IT M&A deal activity since 2011, when transaction value topped $158 billion.

◆ The combination of growing cash balances, continued low borrowing costs, and elevated equity prices contributed to the acceleration in the number of announced IT M&A transactions involving S&P 1500 companies. Last year's count of 572 deals marked a 21% increase from the prior year's total.

◆ Deal multiples based on a multiple of the target's revenue fell to 4.3x in 2014, down from 5.4x for transactions announced in 2013. Despite this decline, last year's valuation marked a multiyear high.

◆ S&P Capital IQ data indicated that, on average, buyers became less aggressive in their bidding as valuations based on a target's EBITDA retreated to 29.9x in 2014 from 42.7x in 2013.

INFORMATION TECHNOLOGY M&A VALUATION RATIOS*



*Involving S&P 1500 companies as target, buyer, or seller. †Data through August.

Source: S&P Capital IQ.

◆ The completion rate for IT M&A deals with S&P 1500 involvement, which were announced and completed in the same calendar year, dipped to 88% in 2014. This represents the first sub-90% completion rate since 2004, when it stood at 82%.

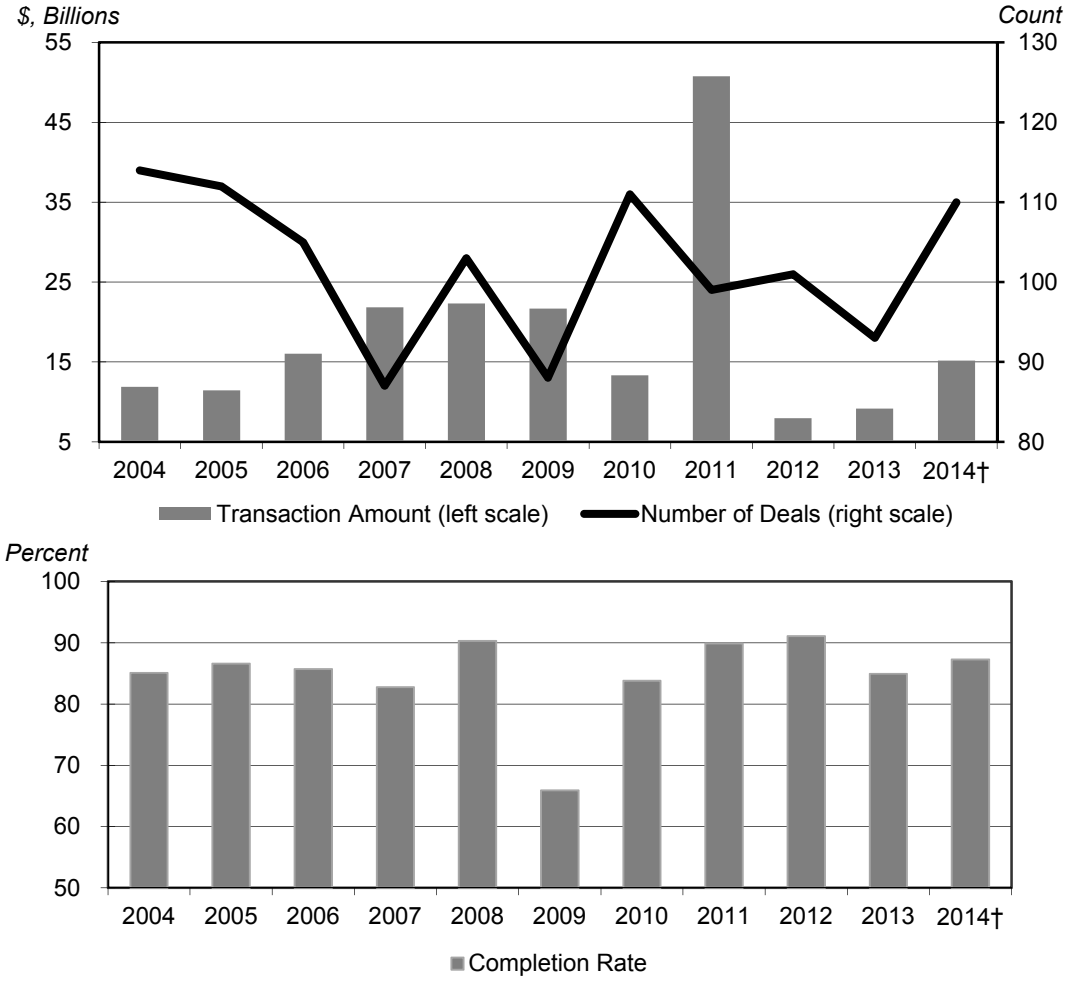
◆ Facebook, Inc.'s signing of an agreement to acquire WhatsApp Inc. from Sequoia Capital and other investors for $19.5 billion in cash and stock on February 19, 2014 ranks as the top Internet software & services M&A deal involving an S&P 1500 company announced last year. The deal accounted for nearly 42% of the aggregate deal value of $45.5 billion of M&A deals within this industry involving S&P 1500 companies.

◆ Verizon Communications Inc. entered into a merger agreement to acquire AOL Inc. for $4.2 billion on May 12, 2015. In addition, Cox Automotive, Inc. entered into a definitive merger agreement to acquire Dealertrack Technologies, Inc. for $3.5 billion in cash on June 15, 2015 and Equinix, Inc. made an offer to acquire Telecity Group plc for $2.7 billion in stock and cash on May 7, 2015.

IT Services Industry

◆ Announced M&A transactions in the IT services industry involving S&P 1500 companies totaled $15.2 billion in 2014, up from $9.1 billion for deals announced in 2013.

IT SERVICES M&A TRANSACTIONS*



*Involving S&P 1500 companies as target, buyer, or seller. †Latest available.

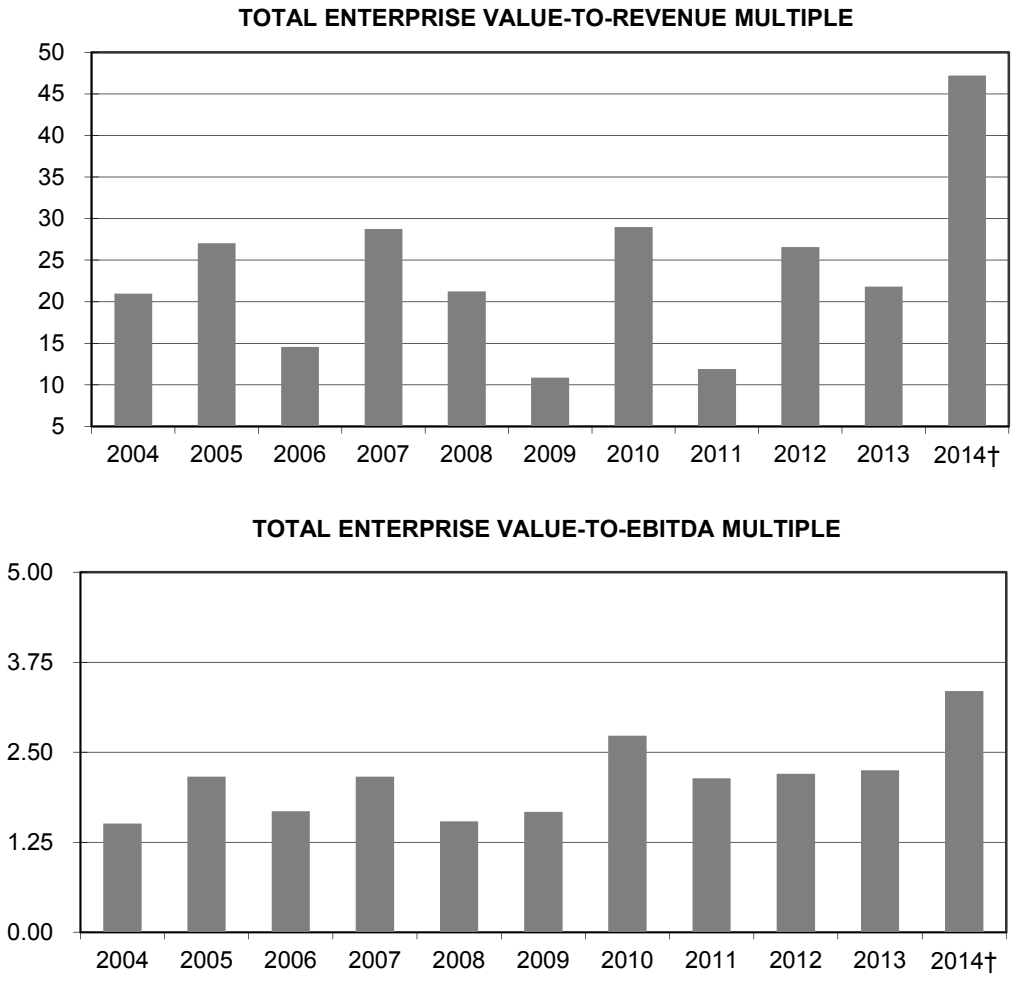
Source: S&P Capital IQ.

◆ The largest M&A deal announced last year was Cognizant Technology Solutions Corp. entering into a stock purchase agreement to acquire TriZetto Corp. from TZ Holdings, L.P. for an enterprise value (EV) of $2.7 billion in cash on September 14, 2014. That transaction was completed on November 20, 2014.

◆ In August 2015, Fidelity National Information Services announced the proposed acquisition of SunGard Data Systems for cash and stock with an EV of $9.1 billion, which would make it one of the industry's largest transactions ever, and the biggest deal since the financial crisis.

◆ Deal count for announced M&A transactions in the IT services industry involving S&P 1500 companies totaled 110 in 2014, the highest annual count since 2010 when 111 deals were announced.

IT SERVICES M&A VALUATION RATIOS*



*Involving S&P 1500 companies as target, buyer, or seller. †Latest available.

Source: S&P Capital IQ.

◆ The average valuation based on deal value to EBITDA for an announced M&A transaction in the IT services industry in 2014, involving S&P 1500 companies, climbed to 3.4x from a multiple of 2.3x for deals announced in 2013.

◆ The average valuation based on deal value to revenue for an announced M&A transaction in the IT services industry in 2014, involving S&P 1500 companies, rose to 47.2x, up from a multiple of 21.8x for deals taking place in 2013.

◆ The completion rate for IT services M&A deals involving S&P 1500 companies rose to 87% for transactions announced and completed in 2014, up from an 85% completion rate for deals announced and finalized in 2013.

RECENT M&A TRANSACTIONS

(top transactions in terms of size for the past six months)

ANNOUNCED DATE	CLOSED DATE	TARGET	BUYERS / INVESTORS	SIZE ($M)
3/1/15	5/4/15	Scitor	Science Applications	790
4/27/15	5/31/15	Applied Predictive Technologies	MasterCard	600
5/20/15	-	Acxiom IT Outsourcing, Aspen Hivedown and Acxiom ITO Polska	Aspen Holdco	190
5/25/15	3/25/15	Realex Payments	Global Payments	119
7/6/15	7/1/15	Columbus Data Services	Cardtronics	80
4/1/15	4/1/15	Apparatus	Virtusa	37
5/6/15	5/6/15	T'quila	Accenture	36
4/28/15	4/27/15	Welkin Associates	ManTech	34
5/7/15	5/31/15	International Business Machines, Rivermine Telecommunications Expense Management Business	Tangoe	22
5/5/15	5/8/15	MediaSolv Solutions	TASER	13

Source: S&P Capital IQ.

PRIVATE PLACEMENT TRANSACTIONS

(top transactions in terms of size for the past six months)

ANNOUNCED DATE	CLOSED DATE	TARGET	BUYERS / INVESTORS	SIZE ($M)
4/16/15	4/16/15	Vlocity	Accenture, Salesforce Ventures	43
2/4/15	2/4/15	CouponCloud	DST Systems	-

Source: S&P Capital IQ.

BUYBACK TRANSACTIONS

(for the past six months)

ANNOUNCED DATE	CLOSED DATE	TARGET	SIZE ($M)
5/7/15	-	Gartner	1,200
3/26/15	-	NeuStar	150
2/24/15	-	Exlservice Holdings	20
2/10/15	-	The Western Union	1,200
1/29/15	-	DST Systems	250
1/27/15	-	Total System	-

Source: S&P Capital IQ.

REGISTRATIONS AND OFFERINGS

(top transactions in terms of size for the past six months)

ISSUER	REGISTRATION FILED	PRIMARY TRANSACTION FEATURES	SECURITIES ISSUED	SIZE ($M)
Alliance Data Systems	6/5/15	Shelf Registration	Common Stock	1,505
International Business Machines	2/3/15	Fixed-Income Offering	Corporate Debt (Non-Convertible)	1,495
Visa	1/30/15	Shelf Registration	Common Stock	1,240
Fiserv	5/19/15	Fixed-Income Offering	Corporate Debt (Non-Convertible)	899
Fiserv	5/19/15	Fixed-Income Offering	Corporate Debt (Non-Convertible)	849
The Western Union	5/14/15	Shelf Registration	Common Stock	681
International Business Machines	2/3/15	Fixed-Income Offering	Corporate Debt (Non-Convertible)	500
Alliance Data Systems	6/5/15	Shelf Registration	Common Stock	425
VeriFone Systems	4/16/15	Shelf Registration	Common Stock	315
DST Systems	5/12/15	Shelf Registration	Common Stock	303

Source: S&P Capital IQ.

◆ Of the 41 companies in the S&P 1500 IT services industry, 15 possess activist investor ownership stakes of more than 1%.

ACTIVIST STAKES

(latest annual)

COMPANY NAME	INDEX CONSTITUENTS	ACTIVIST INVESTORS (PERCENT OWNED)
Computer Sciences	S&P 500 Index	8.26
Forrester Research	S&P SmallCap 600 Index	5.3
Acxiom	S&P MidCap 400 Index	4.87
CACI	S&P SmallCap 600 Index	4.83
CoreLogic	S&P MidCap 400 Index	4.78
Ciber	S&P SmallCap 600 Index	4.43
VeriFone Systems	S&P MidCap 400 Index	3.51
Leidos Holdings	S&P MidCap 400 Index	3.25
Total System	S&P 500 Index	2.53
Science Applications	S&P MidCap 400 Index	2.23

Source: S&P Capital IQ.

◆ Of the 41 companies in the S&P 1500 IT services industry, only five have more than $1 billion on their individual balance sheets.

CASH BALANCE LEADERS

(latest annual, in $, millions)

COMPANY NAME	INDEX CONSTITUENTS	TOTAL CASH & SHORT-TERM INVESTMENTS	LONG-TERM INVESTMENTS	TOTAL
International Business Machines	S&P 500 Index	8,809	5,336	14,145
Visa	S&P 500 Index	4,606	2,807	7,413
MasterCard	S&P 500 Index	5,796	242	6,038
Accenture	S&P 500 Index	4,064	50	4,114
Cognizant Technology Solutions	S&P 500 Index	3,350	0	3,350
Xerox	S&P 500 Index	872	1,392	2,264
Computer Sciences	S&P 500 Index	2,098	18	2,116
Automatic Data Processing	S&P 500 Index	1,836	29	1,865
The Western Union	S&P 500 Index	1,770	0	1,770
Paychex	S&P 500 Index	621	409	1,029

Source: S&P Capital IQ.

INDUSTRY TRENDS

Although many understandably perceive the IT services industry as largely mature, S&P Capital IQ has noted continuing revenue, earnings, and balance sheet growth. We think these increases have been driven by global gains from payments-related offerings, and IT services related to newer technology platforms and applications (including cloud, analytics, mobile, social, and security, which IBM has called its "strategic imperatives.")

Competitive Environment

The IT services area is crowded and competitive. However, larger companies often dominate key areas, such as payments (Visa, MasterCard, and PayPal) and payroll processing (ADP and Paychex). While changing technologies and consumer tastes have enabled newer companies to emerge, it often takes considerable time, resources, skill, and even luck to supplant others.

S&P Capital IQ thinks that established players generally have more recognized brands, bigger user bases, more diversified and successful business models, and greater financial flexibility. The majority of IT services companies provide their products and services to other business, so there is not as much instant name recognition for top-10 market-cap companies like Cognizant, Fiserv, and Fidelity National Information Services.

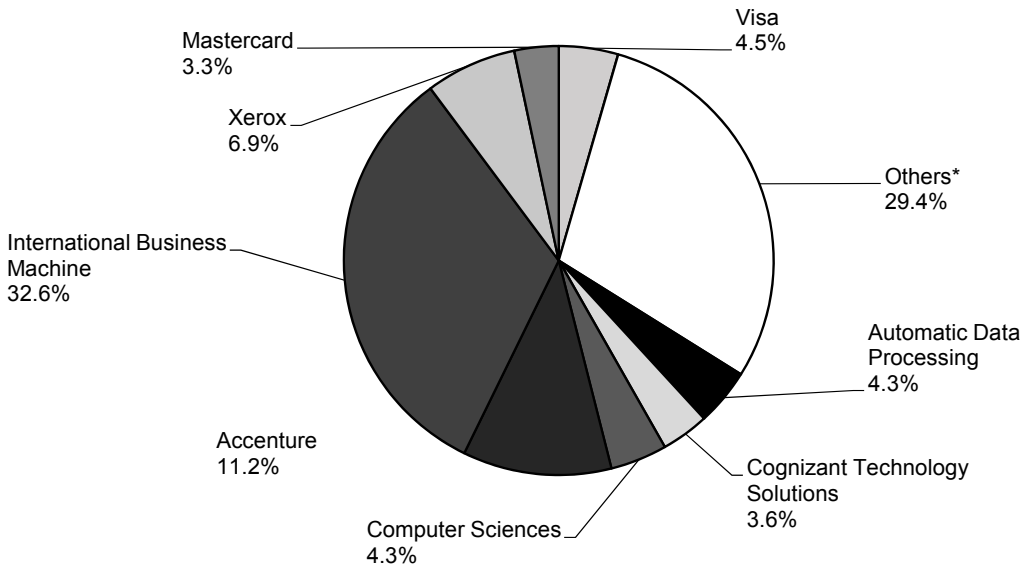
Interestingly, more than half of the 42 companies in the S&P 1500 IT services industry were founded before 1980, and none were established after 2000. Western Union was founded in 1851, Xerox was founded in 1906, and IBM was established in 1910.

Harvard Professor Michael Porter developed a methodology to understand the competitiveness of industries by identifying and assessing "five forces" that shape and drive them. Porter's five forces are industry rivalry, new entrants, threat of substitutes, power of suppliers, and power of customers.

Industry Rivalry

When considering industry rivalry, S&P Capital IQ identified the companies in the IT services industry with the most revenues (for 2014). Then we assessed that eight companies—IBM, Accenture, Xerox, Visa, Computer Sciences (CSC), ADP, Cognizant, and MasterCard—in that order, accounted for 71% of IT services revenues. This constitutes what we think is notable concentration in the industry, somewhat suggesting a lack of competition. IBM alone accounted for nearly a third of revenues. However, note that IBM accounted for 42% of revenues in 2009, and the five companies that generated the most revenues that year accounted for 69% of the total. One could argue that the revenue concentration has become less pronounced over the past five years.

TOP IT SERVICES COMPANIES BY 2014 REVENUES



*Others include: Fiserv, Fidelity Natonal Information Services, Paychex, Alliance Data Systems, Paypal Holdings, Western Union, Total System Services, Gartner, Global Payments, Broadridge Financial Solutions, Jack Henry & Associates, Teradata, MAXIMUS, DST Systems, WEX, Verifon Systems, CoreLogic, Leidos Holdings, Convergys, Science Applications, Heartland Payments Systems, CACI, NeuStar, Cardtronics, Virtusa, Axciom, TeleTech Holdings, Mantech, Exlservice Holdings, Sykes Enterprises, CSG Systems, Forrester Research, Perficient, Ciber.

Source: S&P Capital IQ.

Rivalry intensity can be determined by industry concentration and the number (and diversity) of participants, as well as category growth, innovation, switching costs, and expenses. S&P Capital IQ sees mature IT services industry growth, somewhat limited overall innovation, and relatively high switching costs in multiple areas, including business-to-business data processing (generally) and payroll processing (specifically).

New Entrants

While there were some new entrants in the IT services industry, especially involving the payments, payroll, and remittance areas, it takes time to gain traction and build durable businesses. Importantly, while startups can raise funding and command considerable valuations relatively early on, winning clients and generating revenues and profits takes much more time. Meanwhile, established players have looked to consolidate key categories and make growth acquisitions. PayPal is an example of this, having acquired Bill Me Later and Braintree Payment Solutions, and announcing the pending purchase of Xoom.

Threat of Substitutes

Although there are many companies in the IT services industry on a business-to-business basis, there is considerable stickiness in the offerings as well as switching costs.

Consumers can more easily make choices in terms of payment methods, including Visa and MasterCard credit cards, PayPal digital payments, and even Western Union remittances. However, businesses often have a harder time making related changes.

S&P Capital IQ thinks business-to-business providers of data processing infrastructure, which functions to enable key business operations, is often inculcated deep within companies. Many of these relationships are based on multiyear contracts that provide recurring revenues.

Power of Suppliers

The IT services area is unique to the extent that there are no significant suppliers. No raw materials are needed to provide consulting or data processing services. However, one could argue that IT services professionals are critical for companies, and competition for this talent makes it harder for smaller companies to attract and retain skilled workers.

Customer Power

S&P Capital IQ sees clients as having power initially when deciding on key services relationships. However, we think power shifts to suppliers as partnerships become longer and more comprehensive.

Overall, based on an analysis of Porter's methodology, S&P Capital thinks the IT services industry is not especially competitive, despite the seemingly ever-changing nature of the technology business.

Operating Environment

When people consider the IT services industry, they probably do not know that some of the largest and most visible companies on the planet are some of the industry's biggest constituents, such as credit card companies Visa and MasterCard, digital payments provider PayPal, money remittance leader Western Union, and legacy technology leaders IBM and Xerox.

It is easier to understand an industry if we understand its components. The IT services industry is comprised of technology leaders in categories including consulting and data processing, with a focus on growth areas such as payments and payroll processing.

Domestic Versus International Business

As worries abound about the strong US dollar and relatively weakened global economy, particularly in China, it is important to note that even though the information technology sector generated 60% of its 2014 revenues from foreign sources (according to S&P Dow Jones Indices), the IT services industry is more domestically oriented.

The top five companies in the IT services industry—namely, Visa, IBM, MasterCard, Accenture, and PayPal—generated on average about half of revenues from international sources in their most recently completed reporting years. However, companies in the data processing & outsourced services sub-industry generated about two-thirds of revenues from the US, excluding the large consumer-facing payment-related companies (Visa, MasterCard, PayPal, and Western Union), that mix increases to some 75%.

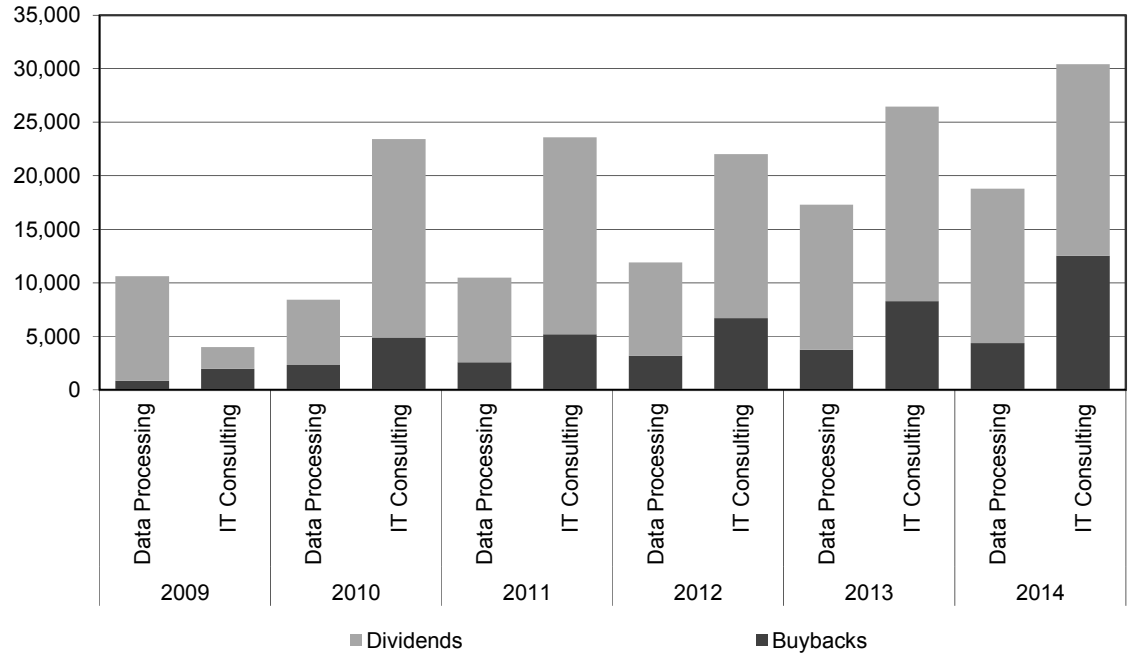
S&P Capital IQ thinks that understanding and appreciating this largely domestic focus is important when considering significant global risks. Many of these major players also have a greater percentage of domestic cash than other technology companies, enabling them to have more financial flexibility. To repatriate foreign profits requires payment of a related 35% tax. In addition, many global players have created complicated structures to limit or reduce international tax obligations, detracting from corporate governance.

Buybacks and Dividends

Most companies in the IT services industry are mature, with projected aggregated revenues expected to decline in 2015. Although companies have been making growth investments, with mergers and acquisitions (M&A) activity a notable theme, buybacks and dividends have been primarily for capital allocation.

S&P Capital IQ has noted substantial increases in stock repurchases and dividends paid from IT services industry companies from 2009 to 2014. Buybacks increased from $11.8 billion to $32.3 billion. Interestingly, IBM's buybacks peaked in 2010 at $15.4 billion. Over the indicated period, dividends paid nearly doubled, from $5.3 billion to $10.0 billion. We have seen considerable growth in the number of companies paying dividends, from 16 companies in 2009 to 23 companies in 2014.

BUYBACKS AND DIVIDENDS
(aggregate value weighted per share, in $, billions)



Source: S&P Capital IQ.

Important Corporate Actions

In August 2015, Fidelity National Information Services announced the proposed acquisition of SunGard Data Systems for cash and stock with an enterprise value (EV) of $9.1 billion, which would make it one of the industry's largest transactions ever, and the biggest deal since the financial crisis. Private equity firm KKR bought First Data for $26 billion, in a transaction announced and completed in 2007. Hewlett-Packard acquired Electronic Data Systems Corp. (EDS) in a deal valued at $13 billion in stock in 2008.

Fidelity believes that the joint venture with SunGard would provide enhanced scale and cross-selling opportunities across new categories and clients.

Perhaps more noteworthy than the largest deal proposed in more than seven years is that two major divestiture actions involving S&P 500 companies with major IT services businesses were

announced over the past year. Hewlett-Packard is planning to essentially undo some of the EDS transaction, by splitting into Hewlett-Packard Enterprise (focused on hardware, software, and services) and HP Inc. (focused on personal systems and printers). Computer Sciences (CSC) is set to split up into two services businesses, one focused on commercial clients and the other emphasizing government customers.

HOW THE INDUSTRY OPERATES

IT Consulting & Other Services

This category is broad. It comprises consulting, systems integration, custom software programming, and some outsourcing. Firms in this segment provide customized, rather than standardized services. They assist companies in assembling, installing, and utilizing technology based on the customer needs. Among the largest providers of these kinds of services are IBM, Accenture, Hewlett-Packard (HP), Fujitsu, and Computer Sciences (CSC). Large companies such as these dominate the market. Interestingly, HP and CSC have both announced plans to split into two separate companies.

Consulting

Computer-related or IT consulting firms work with organizations to create and implement strategies to address business problems. These consultants combine industry-specific experience with technology know-how to help clients improve overall performance and competitiveness.

Many of the same factors driving demand for other technology services are fueling consulting services. In the private sector, companies are struggling to deal with seemingly continuous changes in the regulatory environment, increased global competition, post-merger integration issues, and industry consolidation. At the same time, they are trying to develop strategies that maximize growth opportunities. In the public sector, pressures from taxpayers and fiscal-minded politicians require governments to do more with less.

To compete more effectively, companies need to look for ways to increase revenues, cut costs, operate more efficiently, and manage risk more effectively, while at the same time improve their offerings and customer service. Consulting organizations help their clients understand and work through these major issues.

Custom Programming

Custom programming firms provide clients with programmers on a temporary or per diem basis. Fees typically correlate with the technical skill required.

Clients of these firms include organizations with personnel lacking needed expertise, as well as firms undertaking projects that require additional staff but not permanent new hires. Demand has been bolstered by a long-standing shortage of technology professionals around the world, most notably software developers and system designers.

Outsourcing

In the IT services industry, outsourcing occurs when a client organization hires a services firm to perform data processing and data management tasks.

The outsourcing market is a viable alternative to in-house information systems management. Major players include IBM, HP, CSC, Fujitsu, and Northrop Grumman. The success of outsourcing is evidenced by the numerous "megacontracts" that large corporations from a variety of industries have awarded in recent years—contracts valued at hundreds of millions or billions of dollars over several years.

These megacontracts involve varied types of services. Outsourcing services can include facilities management (in which the outsourcing vendor operates the client's data center on-site), remote processing (in which processing is done off-site), communications network management, contract

software programming, and software maintenance. Other niches include the outsourcing of human resources (HR) and document management. Because no company can depend on a single customer, service vendors generally manage more than one megacontract at a time.

Outsourcing appeals to clients that spend hundreds of millions of dollars each year on data processing. Through outsourcing, they can lower computer-related costs by realizing economies of scale and consolidating data centers. Such savings can significantly benefit a client's bottom line. Outsourcing can also help a company achieve greater control of its data processing costs. Outsourcing vendors typically charge a fixed annual amount, with additional fees based on processing volume. With this kind of pricing schedule, client firms have better control of costs relative to current levels of business activity.

To be a major player in the outsourcing marketplace, a vendor must have expertise and experience in computer operations, systems integration, software development, communications, and facilities management. If data processing is to be done on a remote basis, a sizable data center and an extensive communications network are required.

To sell its services effectively, a vendor must understand business practices and industry needs, and it must build and maintain relationships. It should have experience in assessing costs and bidding on fixed-price contracts, as well as proposing sound technical solutions and creative financial arrangements. Given the skills, facilities, and financial wherewithal that is required to participate in this segment, the number of firms that can supply full-service outsourcing is quite small. These significant barriers to entry are likely to ensure that only the strongest will survive and keep growing.

◆ **Business process outsourcing (BPO).** BPO involves the outsourcing of functions that are necessary for a business to operate, including a broad array of back-office functions such as human resources, procurement, finance and accounting, and customer care. As corporations continue to find ways to cut costs and focus on core operations, the push to outsource business processes has intensified.

BPO offers multiple client benefits, including savings depending on the extent of processes outsourced and the caliber of the service provider. S&P Capital IQ thinks that a majority of the savings estimated stem from the use of offshore labor. Other gains from the use of BPO include efficiencies gleaned from proprietary workflow and process reengineering, greater access to specialized skills, and better service delivery. For companies in the financial, insurance, and health care segments, with data and document management that is regulated by government record-keeping requirements, BPO provides additional benefits.

In the BPO segment, three important areas of growth are human resources and finance BPO, procurement outsourcing, and customer care.

WORLDWIDE BPO SERVICES SPENDING, BY VERTICAL MARKET

(in $, millions)

	2014	2015	2016	2017	2018	2019	CAGR 2014–2019
Banking	8,332	8,748	9,034	9,371	9,809	10,378	4.5
Communications & media	13,174	13,501	13,975	14,447	14,887	15,304	3.0
Construction	612	633	661	689	718	749	4.1
Consumer & recreational services	2,289	2,431	2,574	2,717	2,859	3,005	5.6
Discrete manufacturing	11,299	11,651	11,997	12,391	12,839	13,349	3.4
Education	932	955	1,002	1,047	1,086	1,122	3.8
Government	8,491	8,814	9,345	9,809	10,196	10,528	4.4
Health Care	3,169	3,534	3,784	4,007	4,205	4,381	6.7
Insurance	4,186	4,280	4,440	4,637	4,886	5,202	4.4
Process manufacturing	9,300	9,608	9,933	10,311	10,747	11,252	3.9
Professional services	5,089	5,593	5,909	6,215	6,512	6,807	6.0
Resource industries	935	962	994	1,027	1,058	1,091	3.1
Retail	5,149	5,540	5,796	6,045	6,283	6,510	4.8
Securities & investment services	3,404	3,582	3,699	3,813	3,919	4,018	3.4
Transportation	3,334	3,366	3,492	3,638	3,804	3,994	3.7
Utilities	4,658	4,849	5,098	5,350	5,594	5,832	4.6
Wholesale	1,759	1,816	1,898	1,981	2,062	2,145	4.0
TOTAL	86,113	89,864	93,631	97,493	101,467	105,669	4.2

BPO-Business process outsourcing. CAGR-Compound annual growth rate.

Source: IDC's May 2015 forecast report.

- *Human resources BPO* occurs when a corporation outsources its entire human resources department to one service provider. This area will benefit as corporations seek to trim costs and boost efficiencies related to payroll processing, and health and retirement benefits. These functions, which are subject to complex and changing regulations, were much more labor intensive before computerization. Today, these functions are being transferred to databanks and call centers, reducing expenses for corporate clients.

  Worldwide spending on human resources BPO and human resources processing services is expected to grow at compound annual growth rates (CAGR) of 3.6% and 4.2%, respectively, from 2014 through 2019, reaching $25.6 billion and $67.3 billion, according to an April 2015 by the International Data Corp. (IDC), an industry research firm.

- *Finance and accounting (F&A) BPO services* are associated with a company's need to manage the flow of money into, within, and out of the organization, according to IDC. F&A BPO services can involve the transfer of single or multiple processes. IDC expects global spending on such services to increase at a CAGR of 6.0 % from 2014 through 2019, according to an April 2015 report.

- *Procurement outsourcing* is another subgroup within BPO that is expected to expand. Spending in this area is derived from industries such as retail, manufacturing, financial services, and utilities. Worldwide BPO spending on procurement is expected to increase 12.0% per year from 2014 through 2019 to $6.6 billion, according to IDC.

- *Customer care* is another area that utilizes BPO. Outsourcing this function allows companies to offer greater value to their customers while generating new sources of revenues. IDC forecasts global spending in this segment to grow at an annual pace of 5.3% through 2019, to $86.3 billion.

Systems Integration

Companies serving this sector produce unique computer systems that meet clients' specific needs. The process is generally executed in various phases of a system's life cycle: planning, design, construction, implementation, and operation. Systems integration owes its popularity to advancing technology, a shortage of technical personnel, and the complexity of automating front-office processes. Its two major markets are government and commercial clients.

◆ **Government.** The largest user of systems integration services is the US government. The federal agencies that require systems integration are few in number, but enormous in size. They include the Department of Defense (DOD), the National Aeronautics and Space Administration (NASA), the Environmental Protection Agency (EPA), the Federal Aviation Administration (FAA), and the National Oceanic and Atmospheric Administration (NOAA). US government procurement has traditionally been an important element in the growth of the systems integration market. S&P Capital IQ thinks that the growth in the federal marketplace will continue to be significant. Both federal and state governments have spent years reducing the size of their workforces in an effort to rein in costs.

◆ **Commercial clients.** In the commercial sector, the market for systems integration has slowed, but IDC expects growth to accelerate in each of the next five years. In an increasingly competitive marketplace, large global enterprises realize the importance of back- and front-office applications. Because no two companies handle their business processes the same way, the IT system development requires considerable custom work that often surpasses the expertise of an organization's in-house programming staff.

Many companies continue to look for ways to reduce costs in order to compete more effectively in today's business climate. By integrating various internal systems, clients are able to run their operations more efficiently, which can boost their bottom line. Hardware vendors and major accounting firms, as well as dedicated systems integrators, all hope to ride the wave of growth in commercial systems integration.

Processing Services

Processing services firms are those that collect, organize, and store a customer's transactions and other data for record-keeping purposes. Generally, these firms use their own computer facilities and proprietary software. They achieve economies of scale by spreading the cost of hardware, software development, and maintenance over a broad client base. The processing services marketplace can be divided into two categories: transaction processing and information services.

Many of the larger processing services firms specialize in particular fields. Automatic Data Processing Inc. (ADP), Aon Hewitt, Intuit, and Paychex Inc. are major players in payroll processing. HP (through its acquisition of EDS) is a leader in health care insurance claims processing. HP, First Data Corp., and Fiserv Inc. are the leading third-party data processing vendors for banks.

Transaction Processing

A transaction processing firm takes over another company's back-office chores, which it performs on an ongoing basis. Among these chores are the routine, high-volume clerical operations that are the backbone of a business, such as payroll, insurance claims and financial information. Vendors offering transaction processing services typically calculate charges based on the number of

transactions processed rather than the time it takes to process them. For the client, the advantages of computerization are efficiency, cost and time savings, and better access to information.

◆ **Payroll processing.** The routine, high-volume nature of this back-office function makes it well suited to computer automation. It includes the preparation and generation of payroll checks and journals, employee earnings statements, departmental earnings and deduction summaries, quarterly and annual Social Security and income tax withholding reports and statements, employee earnings histories, tax-filing services, and pension fund and profit-sharing reports.

In the payroll processing field, the largest independent IT services processing vendor is ADP, LLC, a major supplier of employer services. In its fiscal year ended June 2015, ADP had revenues of $10.9 billion. Vendors in the human resources management space include Accenture, Aon Hewitt, and Paychex Inc.

The long-term prospects for third-party payroll processing remain favorable; however, this business can be sensitive to the economy. For example, in a recession, the unemployment rate increases, thus reducing the number of payroll checks that are processed. In addition, some companies that use payroll services may go out of business.

The Internet is playing a role in the growth of the payroll processing industry by improving service and thus helping to attract and retain customers. In addition, it expands companies' choices regarding how to process their payrolls and gives them the ability to access that information whenever desired.

ADP claims that the Internet gives customers greater control of the process and alleviates the confusion that might arise when the task is done by a third party. ADP also says that the Internet helps to provide a higher level of service to employers and employees by offering payroll access anytime and anywhere. All of the major payroll processors (including ADP, Aon Hewitt, Intuit, and Paychex) have moved some of their business onto the web, and they continue to explore other Internet initiatives.

Payment Processors

Payment processors are third-party technology providers whose network of banks, merchants, and acceptance locations provide the infrastructure over which many consumer and business payments are made across the globe. These payments are typically processed over large-scale processing platforms at relatively low marginal cost due to economies of scale.

Payment processors include some of the largest companies in the processing services space. Some of the best-known participants in the space have invested billions to support market acceptance of their services across thousands (and, in some cases, millions) of locations globally. S&P Capital IQ includes credit and debit card networks such as Visa and MasterCard in this category, along with money transfer firms like The Western Union Co. and MoneyGram International Inc. Other vendors include reloadable prepaid card services provider, Green Dot. Vendors in this space provide their services to businesses and to consumers directly, and some of their brands are well known globally, reflecting significant investments.

Many payment processors serve the financial services industry, but some vendors have extended their services to individuals who are underserved or not served by the banking industry, or who have been priced out of the traditional financial services system due to rising costs. Providing financial services to these individuals should be a growing market as the traditional providers

themselves face rising costs and have limited ability to either price for risk or garner certain other revenue streams.

S&P Capital IQ thinks payment processors are among the primary beneficiaries of the secular shift to electronic payment methods and away from paper-based payment forms, including cash and checks. We expect this shift to remain in place despite more onerous regulation in such key markets as the US. A recovery in the global economy has spurred cross-border travel, and under-penetrated markets with limited payment infrastructure, such as India, are seen as avenues of growth for these vendors, who have been expanding overseas for some time. Many payment processors operate under long-term contracts and have significant recurring revenue streams, though we think competition remains intense.

Information Services

Firms in the information services (IS) business develop and update proprietary databases and sometimes offer access to fee-based information sources. Clients that want to retrieve information are charged usage and communications fees. Fueling demand in this market is the global competition facing companies in many industries, creating a greater need for accurate and timely information. Advances in database technology, which have yielded improvements in data collection, manipulation, and dissemination, are also fueling the industry by improving the capability and efficiency of IS companies.

IS firms may provide their clients with several types of material. These include marketing information (market research on specific industries, direct mail marketing, product movement, and audience assessment), financial information (consumer and corporate credit data, financial and economic information, and stock quotations), news retrieval, and medical journal abstract retrieval.

Some information quickly becomes obsolete and must be updated continuously, which keeps IS providers in constant demand. In general, one or two firms may dominate a particular vertical market by having extensive access to information sources. This makes the business difficult to enter without going the mergers and acquisitions (M&A) route.

Dun & Bradstreet Corp. and Equifax Inc. are leading IS firms. The former is a provider of information on many subjects, including retail packaged goods sales, consumer demographics, and commercial credit ratings. Equifax is a supplier of risk-management services and information to the insurance industry; it also provides consumer credit to retailers and mortgage loan reports to financial institutions.

The Competitive Landscape

Each IT services market segment is dominated by several large vendors that use their size, reputation, expertise, and marketing prowess to secure the biggest contracts awarded by the largest organizations. These companies are likely to bid successfully on the largest contracts in this industry.

IT services firms are entrusted to install, manage, or otherwise refine an organization's computer networks or perform crucial processing tasks. Therefore, it is rare for a small, unknown IT services firm with limited operating experience to win business with a Fortune 1000 company or other large organizations. Opportunities do exist, however, for smaller vendors to service the computing needs of small office, home office, and personal computing markets, where jobs are less complex.

The IT services industry continues to consolidate as large vendors acquire smaller firms to gain expertise or reach critical mass in particular market segments or geographic areas. In addition, smaller IT services firms may seek to acquire or merge with other firms as a way of building the size and technical skill levels necessary to compete for larger contracts.

The push to outsource functions in foreign locations (known as "offshoring") is adding to the market's competitiveness and fragmentation. With its large, well-educated, English-speaking population, India is experiencing demand for call centers, customer service back-office work, and software programming, and it has become the preferred area of offshore IT services work.

KEY INDUSTRY RATIOS AND STATISTICS

◆ **Growth in real gross domestic product (GDP).** A measure of the change in inflation-adjusted market value of a nation's output of goods and services, real GDP growth is a prime indicator of the relative strength or weakness of a nation's economy. IT services firms are somewhat insulated from the economic cycle's ups and downs, as companies with multiyear contracts and high retention rates among existing clients tend to see a significant portion of their revenues recur. Nonetheless, undue economic strength or weakness can affect IT services firms' ability to gain new business. The economy's long-running expansion in the 1990s provided a firm underpinning for continued growth in the computer industry as a whole.

Many leading IT services firms generate up to one-third of their revenues abroad; therefore, their performance can be affected by growth trends in the real GDP of foreign economies. Thus, analysts should monitor the strength of key economies in Europe, Asia, and Latin America by consulting international GDP figures, released quarterly by foreign governmental agencies.

◆ **Interest rates.** The level of interest rates influences managers' decisions regarding business acquisitions, capital expenditures, dividends, and stock repurchases. High or rising interest rates increase the cost of borrowing, making companies less likely to make significant capital expenditures. At such times, companies may delay or cancel plans to implement new technology systems, which can hurt IT services companies.

◆ **Unemployment and non-farm payrolls.** The Bureau of Labor Statistics compiles a monthly report on the US unemployment rate—the percentage of individuals unemployed and still seeking work—and also provides other data on the labor force.

HOW TO ANALYZE A COMPANY IN THIS INDUSTRY

Knowledge of general economic and business trends is essential in determining the IT services industry's overall strength. What are the current trends? Which key factors are affecting the industry's growth? The answers to such questions can help the analyst gain insights into the underlying forces shaping the market for IT services. To assess an individual company's situation within this environment, it is important to consider both qualitative and quantitative factors affecting its condition.

Qualitative Factors

An analyst can obtain a sense of the fundamental position of a services vendor by identifying the markets in which it competes and understanding their growth dynamics. What are the overall growth expectations for those markets? For example, International Data Corp. (IDC) thought (as of April 2015) that US spending on IT services by the professional services vertical would increase at a compound annual growth rate (CAGR) of 5.5% from 2014 through 2019. Spending by the infrastructure industry, in contrast, was expected to grow at an annual rate of 2.2% during the same period.

It is important to note the vertical markets in which the company competes (public/government, financial, consumer, communications services) and the percentage of revenue that each market contributes. This information will help in assessing the likely impact that macroeconomic factors or market-specific risks may have on the company.

The company's market segments should be evaluated with regard to the degree of competition in each. Are there many small competitors or a few large firms wielding significant resources? Who are the major competitors? How does the company stack up against them, and what are its particular advantages? One possible advantage is size, which is an important barrier to entry in the IT services industry. Large companies with vast resources dominate most segments of the IT services industry. Therefore, a company's size relative to its competitors should be considered.

Management is another important qualitative factor. An analyst can uncover clues about the management team by looking at its history. What is its track record? How long have the high-ranking managers been with the company? If they took control only recently, what was their previous experience? It is also preferable for managers to own company stock or options. This helps to ensure that they have the incentive to do what is best for the shareholders—that is, create shareholder value.

Quantitative Factors

Once the qualitative questions have been answered, quantitative methods can be used to evaluate a company's prospects. These methods stem from analysis of the firm's financial statements—including the income statement and balance sheet—as well as its free cash flow.

The Income Statement

The income statement yields information on the strength of a firm's current business, including its revenues, gross margins, and expenses.

◆ **Revenues.** A company's sales growth should be compared with both its historical rates and those of its competitors to gain insight into possible future growth and changes in market share. If any major changes have occurred, it is important to determine why they happened and whether they are likely to endure or reverse in future periods.

For IT services vendors, revenues often come from contracts that are multiyear in duration or are renewed with predictability. Information related to contracts—specifically, their length and value—can help analysts project future revenues. However, customers often are allowed to renegotiate the terms of an agreement, depending on the nature of the contract and end-market conditions, which makes predicting future revenue streams less reliable. Average contract lengths also have been decreasing, which makes forecasting long-term cash inflows more challenging.

◆ **Gross margins.** In the IT services industry, gross margins (total revenues minus the cost of services provided, divided by total revenues) vary widely. The gross margin can range from slightly more than 20% for certain outsourcing and contract management firms to 50% or more for certain processing firms, information providers, or other specialized services vendors.

Comparing a firm's gross margin with its historical rates—as well as with those of its peers—can yield information on changes in the mix of services revenue that the company has taken in. It might also indicate the company's efficiency in providing those operations. A vendor can improve its efficiency by implementing cost-saving technology in its business or by getting past initial costs associated with setting up operations for a new contract. A drop in the gross margin may reveal that a vendor has changed its bidding policies to use price as a competitive weapon to win contracts. Although this will reduce each contract's profitability, it often increases the company's overall business volume.

◆ **Expenses.** When analyzing an IT services firm, it is important to review sales and marketing outlays, as well as research and development (R&D) costs. Sales and marketing expenses can indicate the extent to which a vendor is building its sales force or is spending to market its services. Tracking year-to-year growth in the absolute dollars spent on sales and marketing—and comparing these expenses as a percentage of revenue over defined time periods—can be useful in determining the adequacy of selling and marketing expenses. Comparisons can be made with the company's own past record, as well as with those of its peers. If sales and marketing costs grow faster than revenues, operating margins are pinched. Alternatively, if revenues grow faster than selling and marketing expenses, operating margins expand.

The Balance Sheet

Comparing the balance sheet of an IT services firm with its past results—or with the balance sheets of other industry vendors—yields information about a firm's financial strength and the degree of financial leverage that it employs.

IT services firms generally enjoy stable earnings. This results in a highly predictable cash flow and makes the repayment of debt relatively easy. Nonetheless, keeping some debt on the balance sheet may be beneficial, as it lowers a firm's cost of capital. Too much debt, however, can limit a vendor's ability to make strategic acquisitions. It also heightens the risk that an unexpected drop in business retention rates or new contract awards would severely constrain cash flow.

Free Cash Flow

When valuing an IT services firm, an important measure is free cash flow—the amount of excess cash the company has available after paying off obligations. The analyst should determine how the company expects to use its free cash flow. The three possible strategies are to repurchase

shares of the company's common stock, pay dividends to shareholders, or reinvest the cash in the business, which includes the possibility of an acquisition. Generally, a company in a growth stage will pump its cash back into the business to fuel further growth. Mature companies that do not earn a high enough return on their invested capital may choose to direct the cash to their shareholders, either through dividends or share repurchases.

Other Factors to Consider

Additional factors that can affect an IT services company's overall health include technological change, international business, acquisition strategies, contract backlogs and retention rate, and attrition rates.

Technological Change

Although a services firm can adapt to technological changes, such changes always entail risk. A services firm may lose a competitive advantage should other firms gain a reputation in new technology areas, or vice versa. Analysts should be alert to changes in IT services markets, the causes of those changes, and new areas that IT services firms are targeting. Discussions with IT services vendors can yield information on the size, growth rates, and attractiveness of new and emerging IT services markets, as well as on each firm's related technologies, philosophies regarding those markets, and competitiveness.

International Business

The size and growth of opportunities available in international markets continue to attract IT services companies. Thus, overseas developments can affect an IT services company's business. For example, an economic slowdown could hurt new business, especially large contracts that may be deferred until better economic times. The foreign markets served and the strength of operations in those markets varies by vendor.

Some of the larger domestic IT services companies derive a significant portion (30% or so) of their revenues abroad, while firms based abroad often derive a majority of their revenues (sometimes over 60%) from the US. Thus, many IT services companies are subject to foreign currency risk. For US-based firms, overseas sales are translated from local currencies into dollars; a strong dollar hurts reported earnings, while a weak dollar helps. The inverse is true for companies based overseas. Therefore, the analyst should be aware of where a company is based, the countries in which it does business, and the value of the dollar against those countries' currencies.

US-based IT services firms are sourcing work overseas. Tapping into the less expensive labor resources of other countries has helped companies offer reduced prices to their customers. India has been a big beneficiary of this trend. However, this shift involves additional costs, such as infrastructure and travel, which can dilute the initial value of the shift overseas. Nonetheless, in the longer run, if a company is using these resources effectively, there should be a gradual widening of operating margins. An analyst should determine whether the company is using an offshoring strategy, and, if so, whether it is adding incremental value.

Acquisitions

The IT services industry continues to consolidate. Companies seek to gain new areas of expertise, enter new geographic and vertical markets, and leverage their established sales organizations. Small companies have an added reason to go the acquisition route—they may see being acquired or acquiring others as a means of reaching critical mass. The analyst should assess a firm's acquisition strategy to determine its future competitiveness.

Contracts and Retention Rate

Contract backlogs (*i.e.*, contracts that have been signed but not implemented) should be examined, as should the duration of those contracts. Analysis—of recent contracts awarded to an IT services vendor, of the firms competing for those contracts, and of the percentage of contract bids that the company has won—can indicate a vendor's competitiveness.

An offshoot of contract backlogs, which applies primarily to companies that service the public sector (*i.e.*, the federal government, or state and local governments), is the funded backlog. The unfunded portion of the backlog refers to contracts that have been approved by the government agency but for which funds have not yet been appropriated.

IT services firms involved with annual contracts, or with other contracts that are expiring but have been put up for renewal, have certain advantages. Being an incumbent vendor with first-hand knowledge of a customer's business operations improves a company's chances that its services will be retained. Because start-up costs associated with an IT services contract already have been largely absorbed, an incumbent provider's bid will usually be very competitive, if not the lowest among all bidders. Users of IT services are also loath to displace incumbent vendors because of the disruption that any transition would have on their operations. This is particularly the case now that computer and processing operations are so crucial to organizational viability.

For incumbent vendors, all of these factors influence the predictability of their future revenue streams. The amount of business renewed when contracts expire, known as the "retention rate," is a gauge to be watched. If a company's retention rate falls or rises materially, there could be a fundamental change in the way the firm is performing its services, which could have an impact on future results.

If a company loses a major customer or contract, the analyst should find out the cause to determine if there is an underlying problem with the company's business. When considering contract wins, it is important to keep in mind that sometimes companies underbid in order to win the business—possibly to gain a reputation from the status of dealing with a certain organization.

In such cases, the IT services vendor may not make much money—it may even take a loss—but it may hope to derive new business opportunities from the prestige of that particular win. Too many such bids, however, tend to weaken a vendor's financial health—a condition referred to as the "winner's curse." Such underbidding may manifest itself in the gross-margin line.

Attrition Rates

Not all companies in the IT services segment quote their attrition rates, but this number can provide insight into a company's labor costs. In areas (such as India) where IT workers are in high demand, turnover tends to be high, as new employers entice workers away from their current positions with higher wages. This has two effects. First, after losing an employee, a company must replace that worker with someone who will likely be less productive as he or she climbs the learning curve. Second, it tends to put upward pressure on labor costs, as employers bid up wages in an attempt to hire the most qualified candidates. Analysts should watch for companies with attrition rates that tend to be above 15% on a regular basis.

Equity Valuation

When trying to determine the appropriate valuation for equities of companies in the IT services sector, S&P Capital IQ uses a few different methods. The most common method used is the price-to-earnings (P/E) ratio. When we use the P/E ratio, we will most often compare the stock's current level to its

competitors within the field. Since there are numerous different segments within the overall IT services umbrella, it is important to know what specific area the company operates in for a more apples-to-apples comparison. A comparison to the stock's historical range can also be beneficial.

Over the past few years, the IT services companies headquartered in India have enjoyed higher P/Es than their US-based counterparts. S&P Capital IQ thinks this premium reflects the faster revenue and earnings growth rates at these companies. To capture this additional data point, we turn to the PEG, which is the P/E ratio divided by the earnings growth rate. This allows for a more direct comparison between older, slower-growing firms and their faster growing peers.

Another metric S&P Capital IQ uses is free cash flow, which we apply in two ways. First, we can discount the future expected free cash flows (which are essentially operating cash flow less capital expenditures and dividends) to come up with a present value. Second, by determining the size of the expected free cash flows, we have a better idea of how much capital the company will have at its disposal for other uses. This requires a bit more analysis to determine what the priorities of management are. Companies can use their free cash to pay dividends, buy back stock, pay off outstanding debt, or to reinvest back into this business. If a company's priorities line up with the individual investor (*e.g.*, a conservative investor looking for current income and a company that has a high dividend payout ratio), the stock may be a worthwhile investment.

GLOSSARY

Business-to-business e-commerce—Business-to-business sales transactions conducted over the Internet.

Business process outsourcing (BPO)—When a corporation contracts out the operations and responsibilities of specific (usually noncore) business function (or process) to a third-party service provider, typically to cut costs and shift its focus to core business functions. Frequently outsourced functions include human resources (*e.g.*, payroll, training, welfare and benefits, and hiring), procurement, customer relationship management (CRM), supply chain logistics, finance and accounting, and manufacturing, among other operations.

Customer relationship management (CRM)—A strategy whereby a business focuses on improving service to its customers through automated processes, personal information gathering and processing, and by offering self-service to customers.

Database—A computer-based collection of information or data files, organized and presented to serve a specific purpose.

Data center—A centralized repository, either physical or virtual, for the storage, management, and dissemination of data and information organized around a particular body of knowledge or pertaining to a particular business.

E-commerce—Buying and selling goods over the Internet.

Hardware—The physical components of a computer system (*e.g.*, monitors, CPUs, servers), as opposed to the software that makes the system or its applications run.

Information services (IS)—A segment of the IT services industry. It includes vendors that develop and allow access to proprietary databases or engage in the collection, manipulation, and dissemination of data.

Internet—The world's largest computer network, supported by a US backbone and various regional networks around the world. With the global connection of millions of computers spanning more than 150 countries, the Internet includes millions of databases, information sources, topic-specific bulletin boards, web pages, and news groups.

Network—A collection of hardware, communications facilities, and software that gives computers access to shared resources (*e.g.*, databases) and peripheral devices (*e.g.*, printers and modems).

Offshoring—The practice of outsourcing a business process to a company located in a foreign nation where costs are lower than in the home country. In the US, the trend is for companies to contract with firms in countries such as India, China, Russia, and the Eastern European nations.

Outsourcing—Hiring an IT services company to perform some of an organization's data processing and data management tasks.

Program—A sequence of instructions that directs a computer to accomplish specific tasks (*e.g.*, an application).

Software—Computer programs that either direct the operation of a computer (system software) or accomplish user tasks (application software).

Systems integration—The process whereby an IT services provider designs and implements a fully functional, connected system that meets a client's specific needs.

INDUSTRY REFERENCES

PERIODICALS

Certification Magazine
http://certmag.com
Monthly; provides technical, training, and certification resources to aid IT experts in advancing their careers.

Computerworld
http://www.computerworld.com
Weekly; source of technology news and information for IT influencers worldwide.

eWeek
http://www.eweek.com
Weekly; technology news, analysis, and evaluations.

InformationWeek
http://www.informationweek.com
Weekly; news and features on the computer industry for the business technology executive.

InfoWorld
http://www.infoworld.com
Weekly; provides information on emerging enterprise technologies for senior technology decision makers.

The New York Times
http://www.nytimes.com/pages/technology/index.html
Section focused on technology, with articles from the New York Times and other sources, including the Bits blog.

The Wall Street Journal
http://www.wsj.com/news/technology
Technology content, now largely found within WSJ.D section, spans public and private companies, personal technology, privacy and security, and topics of interest to chief information officers (CIOs).

MARKET RESEARCH FIRMS

Aon Hewitt
http://www.aon.com/human-capital-consulting
Provides information and research on human capital.

Forrester Research Inc.
http://www.forrester.com
Projects and analyzes the impact that changes in technology will have on large companies, consumers, and society.

Gartner Inc.
http://www.gartner.com
Researches and analyzes developments and trends in the information technology industry.

GovWin
http://www.deltek.com/products/govwin
Provides market information, consulting, and sales management tools to clients to obtain and manage government business.

IDC
http://www.idc.com
Provides information technology data, analysis, and consulting.

IHS Inc.
http://www.ihs.com
Provider of economic, financial, and political information to support planning and decision-making.

Kelly Services
http://www.kellyservices.co.in
Provides research and services in the staffing, full-time placement, and outsourcing area.

Mercer
http://www.mercer.com
Provider of human resources and financial advice, products, and services.

Ovum
http://www.ovumkc.com
Provides research and advice to decision makers in the technology, telecom, and other business sectors.

TRADE ORGANIZATIONS

IEEE Computer Society
http://www.computer.org
World's leading organization of computer professionals, dedicated to advancing the theory, practice, and application of computer and information processing technology. It is the largest of the 39 societies of the IEEE (formerly the Institute of Electrical and Electronics Engineers) and publishes numerous technical magazines and journals.

National Association of Software and Service Companies (NASSCOM)
http://www.nasscom.in
The premier trade body and the chamber of commerce of the information technology software and services industry in India.

US Chamber of Commerce
http://www.uschamber.com
Represents the interests of three million US companies before Congress, government agencies, and the courts.

GOVERNMENT AGENCIES

Bureau of Economic Analysis (BEA)
http://www.bea.gov
Agency within the US Department of Commerce that collects economic data.

Bureau of Labor Statistics (BLS)
http://www.bls.gov
Agency within the US Department of Labor with the mandate to collect labor statistics.

US Department of Commerce (DOC)
http://www.commerce.gov
Cabinet-level department responsible for a variety of government agencies that monitor and regulate US commerce.

ONLINE RESOURCES

CRN
http://www.crn.com
Also known as Computer Reseller News; strategic information and business tools for solution providers and other channel professionals.

Datamation
http://www.datamation.com
News and analysis for the IT manager.

EDGAR Database
http://www.sec.gov/edgar/searchedgar/webusers.htm
Site maintained by the US Securities and Exchange Commission, which provides access to corporate documents, such as 10-Ks and 10-Qs.

Re/code
http://www.recode.net
Independent technology news, reviews and analysis.

Seeking Alpha
http://www.seekingalpha.com
Offers third-party company insights, financial analysis, and investment ideas, along with news updates and transcripts of company events.

COMPARATIVE COMPANY ANALYSIS

Operating Revenues

Million $

Ticker		Company	Yr. End	2014	2013	2012	2011	2010	2009	2004	CAGR (%) 10-Yr.	5-Yr.	1-Yr.	Index Basis (2004 = 100) 2014	2013	2012	2011	2010
DATA PROCESSING & OUTSOURCED SERVICES‡																		
ADS	[]	ALLIANCE DATA SYSTEMS CORP	DEC	5,302.9 A	4,319.1	3,641.4	3,173.3 A	2,791.4 A	1,964.3 D	1,257.4 A	15.5	22.0	22.8	422	343	290	252	222
ADP	[]	AUTOMATIC DATA PROCESSING	JUN	12,206.5 D	11,310.1 D	10,665.2	9,879.5	8,927.7 D	8,867.1	7,754.9	4.6	6.6	7.9	157	146	138	127	115
BR	†	BROADRIDGE FINANCIAL SOLUTNS	JUN	2,558.0	2,430.8	2,303.5	2,166.9	2,210.1 D	2,154.9	NA	NA	3.5	5.2	**	**	**	**	NA
CATM	§	CARDTRONICS INC	DEC	1,054.8 A	876.5 A	780.4	624.6 A	532.1	493.4	NA	NA	16.4	20.3	**	**	**	**	NA
CSC	[]	COMPUTER SCIENCES CORP	# MAR	12,173.0	12,998.0 D	14,993.0 D	16,123.0 A	16,042.0 D	16,063.0 A	14,058.6 D	(1.4)	(5.4)	(6.3)	87	92	107	115	114
CVG	†	CONVERGYS CORP	DEC	2,855.5 A	2,046.1 A	2,005.0 D	2,262.0	2,203.4 D	2,704.9	2,487.7 A	1.4	1.1	39.6	115	82	81	91	89
CLGX	†	CORELOGIC INC	DEC	1,405.0 A,C	1,330.6 C,D	1,567.6	1,338.5 D	1,623.3 A,C	5,881.4	6,660.2	(14.4)	(24.9)	5.6	21	20	24	20	24
CSGS	§	CSG SYSTEMS INTL INC	DEC	751.3	747.5	756.9	734.7	549.4 A	500.7	529.7	3.6	8.5	0.5	142	141	143	139	104
DST	†	DST SYSTEMS INC	DEC	2,749.3	2,652.6	2,576.6	2,385.2 A	2,255.1 A	2,217.9 C	2,428.6	1.2	4.4	3.6	113	109	106	98	93
EXLS	§	EXLSERVICE HOLDINGS INC	DEC	525.6 A	478.5	442.9 A	360.5 A	252.8	185.9	60.5	24.1	23.1	9.9	869	791	733	596	418
FIS	[]	FIDELITY NATIONAL INFO SVCS	DEC	6,422.8 D	6,070.7	5,807.6 D	5,745.7	5,186.2 D	3,769.5 A,C	2,331.5 A	10.7	11.2	5.8	275	260	249	246	222
FISV	[]	FISERV INC	DEC	5,066.0	4,814.0 A,C	4,482.0	4,337.0	4,133.0	4,077.0 D	3,729.7 D	3.1	4.4	5.2	136	129	120	116	111
GPN	†	GLOBAL PAYMENTS INC	# MAY	2,775.6	2,554.2 A	2,375.9 A	2,203.8	1,859.8	1,642.5 A,C	784.3	13.5	11.1	8.7	354	326	303	281	237
HPY	§	HEARTLAND PAYMENT SYSTEMS	DEC	2,311.4	2,135.4	2,013.4 D	1,996.9	1,864.3	1,652.1	602.7	14.4	6.9	8.2	383	354	334	331	309
JKHY	†	HENRY (JACK) & ASSOCIATES	JUN	1,173.2	1,129.4	1,027.1	966.9	836.6 A	745.6	467.4	9.6	9.5	3.9	251	242	220	207	179
MA	[]	MASTERCARD INC	DEC	9,473.0	8,346.0	7,391.0 A	6,714.0	5,539.0 A	5,098.7	2,593.3 A	13.8	13.2	13.5	365	322	285	259	214
MMS	†	MAXIMUS INC	SEP	1,700.9	1,315.2 A	1,050.1 A	929.6	831.7 D	717.3 D	603.8	10.9	18.8	29.3	282	218	174	154	138
NSR	†	NEUSTAR INC	DEC	963.6	902.0 A	831.4	620.5 A,C	526.8 A	480.4	165.0	19.3	14.9	6.8	584	547	504	376	319
PAYX	[]	PAYCHEX INC	# MAY	2,739.6	2,518.9	2,326.2	2,229.8	2,084.3	2,000.8	1,445.1	6.6	6.5	8.8	190	174	161	154	144
PYPL	[]	PAYPAL HOLDINGS INC	DEC	8,025.0	6,727.0	NA	NA	NA	NA	NA	NA	NA	19.3	**	**	**	**	NA
SYKE	§	SYKES ENTERPRISES INC	DEC	1,327.5	1,263.5	1,127.7 A,C	1,169.3 D	1,158.7 A,C	846.0	466.7	11.0	9.4	5.1	284	271	242	251	248
TTEC	§	TELETECH HOLDINGS INC	DEC	1,241.8 A	1,193.2 A,C	1,163.0 A	1,179.4 A	1,094.9 A	1,167.9	1,052.7	1.7	1.2	4.1	118	113	110	112	104
TSS	[]	TOTAL SYSTEM SERVICES INC	DEC	2,446.9 D	2,132.4 A	1,871.0	1,809.0	1,717.6 A,C	1,688.1 D	1,187.0 A	7.5	7.7	14.8	206	180	158	152	145
PAY	†	VERIFONE SYSTEMS INC	OCT	1,868.9	1,701.7	1,865.9 A	1,303.9 A	1,001.5	844.7	390.1	17.0	17.2	9.8	479	436	478	334	257
V	[]	VISA INC	SEP	12,702.0	11,778.0	10,421.0	9,188.0 A	8,065.0 A	6,911.0	NA	NA	12.9	7.8	**	**	**	**	NA
WU	[]	WESTERN UNION CO	DEC	5,607.2	5,542.0	5,664.8	5,491.4 A	5,192.7	5,083.6 A,C	3,524.4	4.8	2.0	1.2	159	157	161	156	147
WEX	†	WEX INC	DEC	817.6 A	717.5	623.2 A	553.1	390.4 A	318.2	192.3	15.6	20.8	14.0	425	373	324	288	203
XRX	[]	XEROX CORP	DEC	19,540.0 D	21,435.0 D	22,390.0	22,626.0	21,633.0 A	15,179.0	15,722.0 D	2.2	5.2	(8.8)	124	136	142	144	138
IT CONSULTING & OTHER SERVICES‡																		
ACN	[]	ACCENTURE PLC	AUG	31,874.7	30,394.3	29,778.0	27,352.9	23,094.1	23,171.0	15,113.6	7.7	6.6	4.9	211	201	197	181	153
ACXM	†	ACXIOM CORP	# MAR	1,020.1 A,C	1,097.5	1,099.4	1,130.6 D	1,160.0	1,099.2	1,223.0	(1.8)	(1.5)	(7.1)	83	90	90	92	95
CACI	§	CACI INTL INC -CL A	JUN	3,564.6 A	3,682.0 A	3,774.5 A	3,577.8 A	3,149.1 A	2,730.2	1,145.8 A	12.0	5.5	(3.2)	311	321	329	312	275
CBR	§	CIBER INC	DEC	863.6 A	877.3 D	884.4 D	990.3 D	1,071.3	1,037.7	843.0 A	0.2	(3.6)	(1.6)	102	104	105	117	127
CTSH	[]	COGNIZANT TECH SOLUTIONS	DEC	10,262.7 A	8,843.2	7,346.5	6,121.2	4,592.4	3,278.7	586.7	33.1	25.6	16.1	1,749	1,507	1,252	1,043	783
FORR	§	FORRESTER RESEARCH INC	DEC	312.1	297.6	292.9	283.6	250.7	233.4	138.5	8.5	6.0	4.8	225	215	212	205	181
IT	†	GARTNER INC	DEC	2,021.4	1,784.2	1,615.8	1,468.6	1,288.5	1,139.8	893.8	8.5	12.1	13.3	226	200	181	164	144
IBM	[]	INTL BUSINESS MACHINES CORP	DEC	92,793.0 A,C	99,751.0 A	104,507.0 A	106,916.0 A	99,871.0 A	95,758.0 A	96,293.0 A	(0.4)	(0.6)	(7.0)	96	104	109	111	104
LDOS	†	LEIDOS HOLDINGS INC	# JAN	5,063.0	5,772.0 D	11,173.0 D	10,997.0 D	11,061.0	10,846.0	NA	NA	(14.1)	(12.3)	**	**	**	**	NA
MANT	§	MANTECH INTL CORP	DEC	1,774.0 A	2,310.1	2,582.3 A	2,870.0 A	2,604.0 A	2,020.3	842.4 A	7.7	(2.6)	(23.2)	211	274	307	341	309
PRFT	§	PERFICIENT INC	DEC	456.7 A	373.3 A	327.1 A	262.4 A	215.0 A	188.1	58.8	22.7	19.4	22.3	776	634	556	446	365
SAIC	†	SCIENCE APPLICATIONS INTL CP	# JAN	3,885.0	4,121.0	4,781.0	4,733.0	NA	NA	NA	NA	NA	(5.7)	**	**	**	**	NA
TDC	[]	TERADATA CORP	DEC	2,732.0	2,692.0	2,665.0	2,379.0 A	1,936.0	1,709.0	NA	NA	9.8	1.5	**	**	**	**	NA
VRTU	§	VIRTUSA CORP	# MAR	479.0	396.9 A	333.2	277.8 A	218.0	164.4 A	NA	NA	23.9	20.7	**	**	**	**	NA

Note: Data as originally reported. CAGR-Compound annual grow th rate. ‡S&P 1500 index group. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the follow ing calendar year. **Not calculated; data for base year or end year not available. A - This year's data reflect an acquisition or merger. B - This year's data reflect a major merger resulting in the formation of a new company. C - This year's data reflect an accounting change. D - Data exclude discontinued operations. E - Includes excise taxes. F - Includes other (nonoperating) income. G - Includes sale of leased depts. H - Some or all data are not available, due to a fiscal year change.

Net Income

Ticker		Company		Yr. End	Million $ 2014	2013	2012	2011	2010	2009	2004	CAGR (%) 10-Yr.	5-Yr.	1-Yr.	Index Basis (2004 = 100) 2014	2013	2012	2011	2010
DATA PROCESSING & OUTSOURCED SERVICES‡																			
ADS	[]	ALLIANCE DATA SYSTEMS CORP		DEC	491.5	496.2	422.3	315.3	195.6	176.7	102.4	17.0	22.7	(0.9)	480	485	412	308	191
ADP	[]	AUTOMATIC DATA PROCESSING		JUN	1,502.6	1,364.1	1,388.5	1,254.2	1,207.3	1,328.2	935.6	4.9	2.5	10.2	161	146	148	134	129
BR	†	BROADRIDGE FINANCIAL SOLUTNS		JUN	263.0	212.1	125.0	171.8	225.1	223.3	NA	NA	3.3	24.0	**	**	**	**	NA
CATM	§	CARDTRONICS INC		DEC	37.1	23.8	43.6	70.2	41.0	5.3	NA	NA	47.7	55.9	**	**	**	**	NA
CSC	[]	COMPUTER SCIENCES CORP	#	MAR	21.0	859.0	497.0	(4,243.0)	706.0	817.0	496.4	(27.1)	(51.9)	(97.6)	4	173	100	(855)	142
CVG	†	CONVERGYS CORP		DEC	116.5	58.5	28.2	328.3	(74.7)	(77.3)	111.5	0.4	NM	99.1	104	52	25	294	(67)
CLGX	†	CORELOGIC INC		DEC	89.7	130.2	123.5	52.5	53.7	199.7	349.1	(12.7)	(14.8)	(31.1)	26	37	35	15	15
CSGS	§	CSG SYSTEMS INTL INC		DEC	37.0	51.4	48.9	42.3	22.4	41.9	47.2	(2.4)	(2.5)	(28.0)	78	109	104	90	48
DST	†	DST SYSTEMS INC		DEC	593.3	352.6	324.0	183.1	318.5	241.6	222.8	10.3	19.7	68.3	266	158	145	82	143
EXLS	§	EXLSERVICE HOLDINGS INC		DEC	32.4	48.1	41.8	34.8	26.6	15.8	5.4	19.7	15.5	(32.5)	603	894	778	646	494
FIS	[]	FIDELITY NATIONAL INFO SVCS		DEC	690.5	491.2	540.4	493.8	447.6	101.3	189.4	13.8	46.8	40.6	365	259	285	261	236
FISV	[]	FISERV INC		DEC	754.0	650.0	597.0	491.0	506.0	473.0	394.9	6.7	9.8	16.0	191	165	151	124	128
GPN	†	GLOBAL PAYMENTS INC	#	MAY	278.0	245.3	216.1	188.2	210.2	207.2	92.9	11.6	6.1	13.4	299	264	233	203	226
HPY	§	HEARTLAND PAYMENT SYSTEMS		DEC	33.9	74.7	64.4	43.9	34.5	(51.8)	8.9	14.4	NM	(54.7)	383	844	727	496	390
JKHY	†	HENRY (JACK) & ASSOCIATES		JUN	186.7	176.6	155.0	137.5	117.9	103.1	62.3	11.6	12.6	5.7	300	283	249	221	189
MA	[]	MASTERCARD INC		DEC	3,617.0	3,116.0	2,759.0	1,906.0	1,846.0	1,462.5	238.1	31.3	19.9	16.1	1,519	1,309	1,159	801	775
MMS	†	MAXIMUS INC		SEP	145.4	117.1	76.1	82.1	69.4	54.6	38.8	14.1	21.7	24.2	375	302	196	212	179
NSR	†	NEUSTAR INC		DEC	163.7	162.8	156.1	123.6	106.2	101.1	45.4	13.7	10.1	0.6	361	359	344	272	234
PAYX	[]	PAYCHEX INC	#	MAY	674.9	627.5	569.0	548.0	515.3	477.0	368.8	6.2	7.2	7.6	183	170	154	149	140
PYPL	[]	PAYPAL HOLDINGS INC		DEC	419.0	955.0	NA	NA	NA	NA	NA	NA	NA	(56.1)	**	**	**	**	NA
SYKE	§	SYKES ENTERPRISES INC		DEC	57.8	37.3	40.0	52.3	19.7	43.2	10.8	18.2	6.0	55.1	534	345	369	484	182
TTEC	§	TELETECH HOLDINGS INC		DEC	72.3	67.4	70.0	74.2	49.9	71.8	24.0	11.7	0.1	7.3	301	281	292	309	208
TSS	[]	TOTAL SYSTEM SERVICES INC		DEC	274.2	244.8	244.3	220.6	197.2	220.4	150.6	6.2	4.5	12.0	182	163	162	146	131
PAY	†	VERIFONE SYSTEMS INC		OCT	(38.1)	(296.1)	65.0	282.4	98.8	(137.8)	5.6	NM	NM	NM	(680)	NM	1,160	NM	1,763
V	[]	VISA INC		SEP	5,438.0	4,980.0	2,144.0	3,650.0	2,966.0	2,353.0	NA	NA	18.2	9.2	**	**	**	**	NA
WU	[]	WESTERN UNION CO		DEC	852.4	798.4	1,025.9	1,165.4	909.9	848.8	752.1	1.3	0.1	6.8	113	106	136	155	121
WEX	†	WEX INC		DEC	202.2	149.2	96.9	133.6	87.6	139.7	51.2	14.7	7.7	35.5	395	291	189	261	171
XRX	[]	XEROX CORP		DEC	1,084.0	1,185.0	1,195.0	1,295.0	606.0	485.0	776.0	3.4	17.5	(8.5)	140	153	154	167	78
IT CONSULTING & OTHER SERVICES‡																			
ACN	[]	ACCENTURE PLC		AUG	2,941.5	3,281.9	2,553.5	2,277.7	1,780.7	1,590.0	690.8	15.6	13.1	(10.4)	426	475	370	330	258
ACXM	†	ACXIOM CORP	#	MAR	(9.1)	8.9	57.6	43.4	(23.1)	44.5	69.7	NM	NM	NM	(13)	13	83	62	(33)
CACI	§	CACI INTL INC -CL A		JUN	135.3	151.7	167.5	144.2	106.5	95.5	63.7	7.8	7.2	(10.8)	213	238	263	227	167
CBR	§	CIBER INC		DEC	(18.8)	(7.6)	(3.0)	(52.1)	(77.2)	15.0	29.7	NM	NM	NM	(63)	(26)	(10)	(176)	(260)
CTSH	[]	COGNIZANT TECH SOLUTIONS		DEC	1,439.3	1,228.6	1,051.3	883.6	733.5	535.0	100.2	30.5	21.9	17.1	1,436	1,226	1,049	881	732
FORR	§	FORRESTER RESEARCH INC		DEC	10.9	13.0	25.6	23.0	20.5	18.9	4.1	10.2	(10.4)	(16.6)	263	315	619	557	496
IT	†	GARTNER INC		DEC	183.8	182.8	165.9	136.9	96.3	83.0	16.9	27.0	17.2	0.5	1,088	1,082	982	811	570
IBM	[]	INTL BUSINESS MACHINES CORP		DEC	15,751.0	16,483.0	16,604.0	15,855.0	14,833.0	13,425.0	8,448.0	6.4	3.2	(4.4)	186	195	197	188	176
LDOS	†	LEIDOS HOLDINGS INC	#	JAN	(330.0)	84.0	523.0	(8.0)	569.0	500.0	NA	NA	NM	NM	**	**	**	**	NA
MANT	§	MANTECH INTL CORP		DEC	47.3	(6.1)	95.0	133.3	125.1	111.8	24.7	6.7	(15.8)	NM	191	(25)	385	540	506
PRFT	§	PERFICIENT INC		DEC	23.2	21.4	16.1	10.7	6.5	1.5	3.9	19.5	73.7	8.1	592	548	412	275	166
SAIC	†	SCIENCE APPLICATIONS INTL CP	#	JAN	141.0	113.0	182.0	182.0	NA	NA	NA	NA	NA	24.8	**	**	**	**	NA
TDC	[]	TERADATA CORP		DEC	367.0	377.0	419.0	353.0	301.0	254.0	NA	NA	7.6	(2.7)	**	**	**	**	NA
VRTU	§	VIRTUSA CORP	#	MAR	42.4	34.4	28.4	20.0	16.2	12.1	NA	NA	28.5	23.5	**	**	**	**	NA

Note: Data as originally reported. CAGR-Compound annual growth rate. ‡S&P 1500 index group. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600.
#Of the following calendar year. **Not calculated; data for base year or end year not available.

Ticker		Company		Yr. End	Return on Revenues (%) 2014	2013	2012	2011	2010	Return on Assets (%) 2014	2013	2012	2011	2010	Return on Equity (%) 2014	2013	2012	2011	2010
DATA PROCESSING & OUTSOURCED SERVICES‡																			
ADS	[]	ALLIANCE DATA SYSTEMS CORP		DEC	9.3	11.5	11.6	9.9	7.0	2.9	3.9	4.0	3.7	2.9	30.2	71.7	119.9	316.8	132.2
ADP	[]	AUTOMATIC DATA PROCESSING		JUN	12.3	12.1	13.0	12.7	13.5	4.7	4.3	4.3	4.1	4.6	23.4	22.2	22.9	21.8	22.4
BR	†	BROADRIDGE FINANCIAL SOLUTNS		JUN	10.3	8.7	5.4	7.9	10.2	12.5	10.6	6.4	9.3	9.9	29.6	25.5	15.2	21.4	26.2
CATM	§	CARDTRONICS INC		DEC	3.5	2.7	5.6	11.2	7.7	3.2	2.6	5.9	12.0	8.9	13.8	12.0	33.7	91.2	207.4
CSC	[]	COMPUTER SCIENCES CORP	#	MAR	0.2	6.6	3.3	NM	4.4	0.2	7.6	4.4	NM	4.3	0.6	24.4	16.8	NM	10.1
CVG	†	CONVERGYS CORP		DEC	4.1	2.9	1.4	14.5	NM	5.2	2.9	1.3	14.8	NM	9.0	4.4	2.0	25.3	NM
CLGX	†	CORELOGIC INC		DEC	6.4	9.8	7.9	3.9	3.3	2.8	4.3	4.0	1.7	0.9	8.7	11.8	10.2	3.8	2.3
CSGS	§	CSG SYSTEMS INTL INC		DEC	4.9	6.9	6.5	5.8	4.1	4.3	6.0	5.9	5.0	3.1	10.1	14.8	16.3	16.5	10.0
DST	†	DST SYSTEMS INC		DEC	21.6	13.3	12.6	7.7	14.1	19.7	10.9	9.5	5.4	10.2	49.0	31.2	34.1	22.3	43.7
EXLS	§	EXLSERVICE HOLDINGS INC		DEC	6.2	10.1	9.4	9.6	10.5	6.3	10.7	10.3	10.2	9.6	8.3	13.5	13.4	13.2	11.7
FIS	[]	FIDELITY NATIONAL INFO SVCS		DEC	10.8	8.1	9.3	8.6	8.6	4.8	3.6	3.9	3.5	3.2	10.5	7.4	8.2	7.7	6.1
FISV	[]	FISERV INC		DEC	14.9	13.5	13.3	11.3	12.2	8.0	7.2	7.0	5.8	6.1	21.9	18.6	17.9	15.1	16.2
GPN	†	GLOBAL PAYMENTS INC	#	MAY	10.0	9.6	9.1	8.5	11.3	5.7	6.9	7.4	6.2	7.8	31.7	22.9	18.6	16.0	20.6
HPY	§	HEARTLAND PAYMENT SYSTEMS		DEC	1.5	3.5	3.2	2.2	1.9	3.0	8.7	9.1	7.6	6.1	13.3	31.8	30.0	22.2	22.5
JKHY	†	HENRY (JACK) & ASSOCIATES		JUN	15.9	15.6	15.1	14.2	14.1	11.3	10.9	9.9	9.0	9.0	18.3	17.2	16.6	16.9	17.1
MA	[]	MASTERCARD INC		DEC	38.2	37.3	37.3	28.4	33.3	24.5	23.3	23.8	19.5	22.6	50.7	43.3	43.2	34.4	42.4
MMS	†	MAXIMUS INC		SEP	8.6	8.9	7.2	8.8	8.3	16.5	15.1	12.1	15.0	14.4	26.8	23.9	18.4	23.0	21.8
NSR	†	NEUSTAR INC		DEC	17.0	18.0	18.8	19.9	20.2	10.1	10.7	10.7	11.7	15.4	27.1	26.3	27.2	22.5	19.3
PAYX	[]	PAYCHEX INC	#	MAY	24.6	24.9	24.5	24.6	24.7	10.5	10.0	9.0	9.2	9.7	37.9	35.3	33.7	35.3	35.6
PYPL	[]	PAYPAL HOLDINGS INC		DEC	5.2	14.2	NA	NA	NA	2.0	NA	NA	NA	NA	5.4	NA	NA	NA	NA
SYKE	§	SYKES ENTERPRISES INC		DEC	4.4	2.9	3.5	4.5	1.7	6.1	4.0	4.8	6.7	2.7	8.9	6.0	6.8	9.0	3.8
TTEC	§	TELETECH HOLDINGS INC		DEC	5.8	5.6	6.0	6.3	4.6	8.5	8.0	8.8	10.5	7.7	15.7	14.2	14.8	16.4	11.2
TSS	[]	TOTAL SYSTEM SERVICES INC		DEC	11.2	11.5	13.1	12.2	11.5	7.4	8.6	12.6	11.6	10.8	16.8	16.3	17.9	17.4	16.3
PAY	†	VERIFONE SYSTEMS INC		OCT	NM	NM	3.5	21.7	9.9	NM	NM	2.2	16.7	9.9	NM	NM	5.2	40.3	83.0
V	[]	VISA INC		SEP	42.8	42.3	20.6	39.7	36.8	14.6	13.1	5.7	10.7	9.0	20.0	18.3	7.9	14.2	12.3
WU	[]	WESTERN UNION CO		DEC	15.2	14.4	18.1	21.2	17.5	8.5	8.2	11.1	13.7	11.9	70.9	78.1	111.8	157.8	194.4
WEX	†	WEX INC		DEC	24.7	20.8	15.6	24.2	22.4	5.4	4.6	3.6	6.1	4.9	20.6	17.3	12.7	21.1	17.5
XRX	[]	XEROX CORP		DEC	5.5	5.5	5.3	5.7	2.8	3.7	3.9	3.9	4.2	2.1	9.2	9.7	10.0	10.6	6.1
IT CONSULTING & OTHER SERVICES‡																			
ACN	[]	ACCENTURE PLC		AUG	9.2	10.8	8.6	8.3	7.7	16.9	19.6	15.8	15.9	14.2	55.0	72.1	63.6	67.8	62.2
ACXM	†	ACXIOM CORP	#	MAR	NM	0.8	5.2	3.8	NM	NM	0.7	4.8	3.4	NM	NM	1.4	9.4	7.2	NM
CACI	§	CACI INTL INC -CL A		JUN	3.8	4.1	4.4	4.0	3.4	4.6	6.2	7.1	6.3	5.0	10.6	12.8	13.6	11.6	9.8
CBR	§	CIBER INC		DEC	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
CTSH	[]	COGNIZANT TECH SOLUTIONS		DEC	14.0	13.9	14.3	14.4	16.0	14.4	16.7	17.5	17.5	18.5	20.7	22.4	23.9	23.4	23.5
FORR	§	FORRESTER RESEARCH INC		DEC	3.5	4.4	8.7	8.1	8.2	3.0	2.9	5.2	4.9	4.5	6.3	5.2	8.7	8.2	7.0
IT	†	GARTNER INC		DEC	9.1	10.2	10.3	9.3	7.5	10.0	10.7	11.1	10.3	7.7	70.3	54.7	67.9	74.2	64.3
IBM	[]	INTL BUSINESS MACHINES CORP		DEC	17.0	16.5	15.9	14.8	14.9	12.9	13.4	14.1	13.8	13.3	90.9	79.1	85.2	73.4	64.9
LDOS	†	LEIDOS HOLDINGS INC	#	JAN	NM	1.5	4.7	NM	5.1	NM	1.7	8.3	NM	9.9	NM	4.0	21.8	NM	23.8
MANT	§	MANTECH INTL CORP		DEC	2.7	NM	3.7	4.6	4.8	2.9	NM	5.3	8.0	9.3	4.1	NM	8.4	13.0	14.0
PRFT	§	PERFICIENT INC		DEC	5.1	5.7	4.9	4.1	3.0	6.2	7.2	6.6	5.0	3.3	8.2	8.7	7.4	5.7	3.8
SAIC	†	SCIENCE APPLICATIONS INTL CP	#	JAN	3.6	2.7	3.8	3.8	NA	9.9	8.3	13.8	NA	NA	39.1	23.2	29.1	NA	NA
TDC	[]	TERADATA CORP		DEC	13.4	14.0	15.7	14.8	15.5	11.8	12.2	14.7	15.7	17.4	20.6	20.7	25.6	26.3	28.7
VRTU	§	VIRTUSA CORP	#	MAR	8.9	8.7	8.5	7.2	7.4	9.0	9.1	9.8	7.7	7.0	10.6	11.0	12.1	9.4	8.3

Note: Data as originally reported. ‡S&P 1500 index group. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.

Ticker		Company	Yr. End	Current Ratio 2014	2013	2012	2011	2010	Debt / Capital Ratio (%) 2014	2013	2012	2011	2010	Debt as a % of Net Working Capital 2014	2013	2012	2011	2010
DATA PROCESSING & OUTSOURCED SERVICES‡																		
ADS	[]	ALLIANCE DATA SYSTEMS CORP	DEC	2.2	2.3	1.8	1.7	1.6	75.5	86.5	87.9	93.1	97.4	136.7	123.5	142.6	161.4	174.1
ADP	[]	AUTOMATIC DATA PROCESSING	JUN	1.1	1.1	1.1	1.1	1.1	0.2	0.2	0.3	0.5	0.7	0.6	1.0	0.9	1.9	1.8
BR	†	BROADRIDGE FINANCIAL SOLUTNS	JUN	1.8	1.7	1.9	1.0	2.0	33.9	37.2	36.5	12.5	27.3	132.3	155.4	142.8	NM	64.1
CATM	§	CARDTRONICS INC	DEC	0.8	1.0	0.9	0.7	0.6	66.7	65.8	70.5	76.8	82.7	NM	NM	NM	NM	NM
CSC	[]	COMPUTER SCIENCES CORP	# MAR	1.4	1.6	1.7	1.1	1.8	36.3	34.3	42.6	34.1	23.8	135.4	101.9	107.5	428.2	71.3
CVG	†	CONVERGYS CORP	DEC	2.4	3.6	3.8	2.5	1.5	19.0	4.0	3.8	7.4	8.6	70.5	7.8	7.4	21.3	50.9
CLGX	†	CORELOGIC INC	DEC	0.9	1.2	1.1	1.2	1.2	54.6	41.8	39.0	40.2	24.0	NM	783.7	NM	657.2	386.4
CSGS	§	CSG SYSTEMS INTL INC	DEC	2.3	2.3	2.1	2.1	1.6	37.5	39.3	42.7	48.3	53.0	87.4	93.1	113.3	133.0	178.4
DST	†	DST SYSTEMS INC	DEC	1.0	0.8	0.7	0.7	0.9	21.3	21.7	26.3	48.0	44.3	NM	NM	NM	NM	NM
EXLS	§	EXLSERVICE HOLDINGS INC	DEC	3.3	3.3	2.8	2.3	3.4	10.8	0.4	0.8	1.5	0.2	23.9	0.8	2.0	4.5	0.3
FIS	[]	FIDELITY NATIONAL INFO SVCS	DEC	1.5	1.4	1.5	1.2	1.3	40.5	37.0	36.2	38.2	40.5	578.2	639.0	720.4	NM	NM
FISV	[]	FISERV INC	DEC	1.0	1.2	1.3	1.0	1.6	48.1	46.6	44.3	45.4	46.5	NM	NM	NM	NM	637.5
GPN	†	GLOBAL PAYMENTS INC	# MAY	1.1	1.4	1.7	1.5	1.3	63.3	53.3	40.4	14.3	15.7	586.6	318.6	174.6	57.5	66.5
HPY	§	HEARTLAND PAYMENT SYSTEMS	DEC	1.0	1.1	0.8	1.1	1.2	63.8	33.3	17.3	22.5	29.9	NM	396.6	NM	234.1	179.4
JKHY	†	HENRY (JACK) & ASSOCIATES	JUN	0.9	1.1	1.2	0.9	0.9	0.3	0.6	8.9	11.7	24.8	NM	20.7	159.9	NM	NM
MA	[]	MASTERCARD INC	DEC	1.8	1.8	1.9	1.8	2.1	17.8	0.0	0.0	0.0	0.0	31.3	NM	NM	NM	NM
MMS	†	MAXIMUS INC	SEP	2.0	1.9	2.3	2.4	2.2	0.2	0.2	0.3	0.4	0.4	0.4	0.6	0.6	0.7	0.7
NSR	†	NEUSTAR INC	DEC	2.6	2.5	3.3	2.3	4.0	53.8	47.6	43.2	48.5	0.7	227.6	230.6	156.8	302.4	1.2
PAYX	[]	PAYCHEX INC	# MAY	1.1	1.1	1.1	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PYPL	[]	PAYPAL HOLDINGS INC	DEC	1.3	1.3	NA	NA	NA	0.0	0.0	NA	NA	NA	0.0	0.0	NA	NA	NA
SYKE	§	SYKES ENTERPRISES INC	DEC	3.3	3.0	2.8	3.2	3.0	10.2	13.3	13.0	0.0	0.0	19.6	28.8	30.1	0.0	0.0
TTEC	§	TELETECH HOLDINGS INC	DEC	2.2	2.5	2.9	2.8	2.5	17.8	17.5	18.1	12.2	0.1	40.5	35.9	32.5	20.8	0.2
TSS	[]	TOTAL SYSTEM SERVICES INC	DEC	2.3	2.2	2.5	1.7	3.2	42.2	43.7	11.3	4.5	13.6	356.6	402.5	55.8	23.6	45.6
PAY	†	VERIFONE SYSTEMS INC	OCT	1.6	1.4	2.0	1.7	2.9	42.1	42.2	45.1	14.1	63.5	290.3	397.5	221.7	46.3	93.4
V	[]	VISA INC	SEP	1.6	1.8	1.5	2.7	2.5	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.6
WU	[]	WESTERN UNION CO	DEC	NA	NA	NA	NA	NA	66.7	72.3	74.3	71.9	74.8	NA	NA	NA	NA	NA
WEX	†	WEX INC	DEC	NA	NA	NA	NA	NA	44.9	42.0	17.9	20.5	37.3	NA	NA	NA	NA	NA
XRX	[]	XEROX CORP	DEC	1.5	1.5	1.4	1.2	1.3	36.5	35.3	38.6	36.7	39.0	225.7	244.4	315.2	463.0	355.0
IT CONSULTING & OTHER SERVICES‡																		
ACN	[]	ACCENTURE PLC	AUG	1.5	1.5	1.6	1.5	1.5	0.4	0.5	0.0	0.0	0.0	0.7	0.7	0.0	0.0	0.0
ACXM	†	ACXIOM CORP	# MAR	1.7	2.7	2.1	1.8	2.0	24.0	27.2	24.9	26.3	37.1	153.3	69.5	100.4	122.0	171.6
CACI	§	CACI INTL INC -CL A	JUN	1.7	1.0	1.4	1.8	1.3	44.3	18.5	29.9	22.6	17.2	395.4	NM	264.8	116.7	138.5
CBR	§	CIBER INC	DEC	1.5	1.5	1.6	1.5	1.6	3.1	0.0	4.9	10.0	15.5	13.4	0.0	18.8	44.6	58.8
CTSH	[]	COGNIZANT TECH SOLUTIONS	DEC	2.6	3.5	3.5	3.4	3.8	10.5	0.0	0.0	0.0	0.0	22.5	0.0	0.0	0.0	0.0
FORR	§	FORRESTER RESEARCH INC	DEC	1.1	1.4	1.9	1.9	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IT	†	GARTNER INC	DEC	0.9	0.9	0.9	0.8	0.8	70.4	27.4	27.3	45.2	49.0	NM	NM	NM	NM	NM
IBM	[]	INTL BUSINESS MACHINES CORP	DEC	1.2	1.3	1.1	1.2	1.2	74.3	57.3	55.5	52.5	48.3	357.1	293.5	414.7	259.6	289.2
LDOS	†	LEIDOS HOLDINGS INC	# JAN	1.7	1.8	1.7	1.4	2.2	53.3	44.5	32.9	37.3	42.6	174.5	169.6	100.8	110.1	88.0
MANT	§	MANTECH INTL CORP	DEC	1.9	2.5	1.9	1.8	1.8	0.0	14.5	14.1	14.9	16.5	0.0	44.1	55.9	66.6	70.8
PRFT	§	PERFICIENT INC	DEC	2.4	2.5	2.8	3.2	2.7	14.7	6.8	1.2	0.0	0.0	70.2	33.2	5.4	0.0	0.0
SAIC	†	SCIENCE APPLICATIONS INTL CP	# JAN	1.6	1.8	1.3	1.3	NA	57.0	56.5	0.2	0.6	NA	124.9	113.7	0.6	1.8	NA
TDC	[]	TERADATA CORP	DEC	1.6	2.0	1.9	2.0	2.5	9.8	11.3	12.8	16.1	0.0	33.8	31.5	37.6	40.4	0.0
VRTU	§	VIRTUSA CORP	# MAR	5.7	3.9	4.0	3.2	4.4	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0

Note: Data as originally reported. ‡S&P 1500 index group. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.

				Price / Earnings Ratio (High-Low)					Dividend Payout Ratio (%)					Dividend Yield (High-Low, %)				
Ticker		Company	Yr. End	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
DATA PROCESSING & OUTSOURCED SERVICES‡																		
ADS	[]	ALLIANCE DATA SYSTEMS CORP	DEC	34 - 26	26 - 15	18 - 12	17 - 11	21 - 14	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
ADP	[]	AUTOMATIC DATA PROCESSING	JUN	28 - 22	30 - 20	21 - 18	22 - 18	20 - 11	60	60	54	56	56	2.7 - 2.2	2.9 - 2.0	3.0 - 2.6	3.2 - 2.6	5.1 - 2.9
BR	†	BROADRIDGE FINANCIAL SOLUTNS	JUN	21 - 16	23 - 13	25 - 20	18 - 14	14 - 11	38	41	63	43	34	2.4 - 1.8	3.3 - 1.8	3.2 - 2.6	3.2 - 2.4	3.0 - 2.3
CATM	§	CARDTRONICS INC	DEC	53 - 34	86 - 44	32 - 23	18 - 10	19 - 10	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
CSC	[]	COMPUTER SCIENCES CORP	# MAR	NM - NM	10 - 7	13 - 7	NM - NM	13 - 9	613	14	25	NM	15	1.7 - 1.4	2.0 - 1.4	3.6 - 2.0	3.5 - 1.4	1.8 - 1.2
CVG	†	CONVERGYS CORP	DEC	21 - 15	38 - 26	70 - 49	5 - 3	NM - NM	23	42	60	0	NM	1.6 - 1.1	1.6 - 1.1	1.2 - 0.9	0.0 - 0.0	0.0 - 0.0
CLGX	†	CORELOGIC INC	DEC	36 - 26	26 - 16	25 - 10	44 - 16	76 - 35	0	0	0	0	45	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	1.3 - 0.6
CSGS	§	CSG SYSTEMS INTL INC	DEC	28 - 20	19 - 11	15 - 9	17 - 9	35 - 25	55	28	0	0	0	2.7 - 1.9	2.5 - 1.5	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
DST	†	DST SYSTEMS INC	DEC	7 - 6	11 - 8	9 - 6	15 - 10	7 - 5	8	15	11	17	9	1.5 - 1.2	2.0 - 1.3	1.7 - 1.3	1.7 - 1.2	1.7 - 1.3
EXLS	§	EXLSERVICE HOLDINGS INC	DEC	31 - 24	22 - 16	23 - 15	23 - 16	24 - 8	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
FIS	[]	FIDELITY NATIONAL INFO SVCS	DEC	27 - 20	32 - 21	20 - 14	21 - 14	24 - 17	40	52	43	12	15	2.0 - 1.5	2.5 - 1.6	3.0 - 2.2	0.9 - 0.6	0.9 - 0.6
FISV	[]	FISERV INC	DEC	24 - 18	24 - 16	18 - 13	19 - 14	18 - 13	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
GPN	†	GLOBAL PAYMENTS INC	# MAY	21 - 15	19 - 13	19 - 14	22 - 16	21 - 13	2	2	3	3	3	0.1 - 0.1	0.2 - 0.1	0.2 - 0.1	0.2 - 0.1	0.2 - 0.1
HPY	§	HEARTLAND PAYMENT SYSTEMS	DEC	61 - 40	25 - 14	20 - 14	22 - 14	21 - 14	37	14	14	14	4	0.9 - 0.6	1.0 - 0.6	1.0 - 0.7	1.0 - 0.6	0.3 - 0.2
JKHY	†	HENRY (JACK) & ASSOCIATES	JUN	29 - 24	29 - 18	23 - 18	22 - 15	22 - 15	38	27	25	25	26	1.6 - 1.3	1.5 - 0.9	1.4 - 1.1	1.6 - 1.2	1.7 - 1.2
MA	[]	MASTERCARD INC	DEC	29 - 22	33 - 19	23 - 15	26 - 15	19 - 14	14	8	5	4	4	0.6 - 0.5	0.4 - 0.3	0.3 - 0.2	0.3 - 0.2	0.3 - 0.2
MMS	†	MAXIMUS INC	SEP	26 - 18	29 - 18	29 - 18	18 - 13	17 - 12	8	10	16	13	12	0.5 - 0.3	0.6 - 0.4	0.9 - 0.6	1.0 - 0.7	1.0 - 0.7
NSR	†	NEUSTAR INC	DEC	18 - 8	23 - 17	19 - 13	21 - 13	19 - 14	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
PAYX	[]	PAYCHEX INC	# MAY	26 - 21	27 - 18	22 - 19	22 - 17	23 - 17	82	81	84	84	87	3.8 - 3.2	4.4 - 3.0	4.5 - 3.8	5.1 - 3.7	5.0 - 3.8
PYPL	[]	PAYPAL HOLDINGS INC	DEC	NA - NA	NA - NA	NA - NA	NA - NA	NA - NA	NA	NA	NA	NA	NA	NA - NA	NA - NA	NA - NA	NA - NA	NA - NA
SYKE	§	SYKES ENTERPRISES INC	DEC	18 - 14	27 - 16	20 - 14	20 - 9	61 - 25	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
TTEC	§	TELETECH HOLDINGS INC	DEC	20 - 14	21 - 13	14 - 11	18 - 11	27 - 15	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
TSS	[]	TOTAL SYSTEM SERVICES INC	DEC	23 - 18	26 - 17	19 - 15	18 - 13	18 - 13	27	31	31	27	28	1.5 - 1.2	1.9 - 1.2	2.1 - 1.6	2.0 - 1.5	2.1 - 1.6
PAY	†	VERIFONE SYSTEMS INC	OCT	NM - NM	NM - NM	92 - 45	19 - 10	36 - 13	NM	NM	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
V	[]	VISA INC	SEP	31 - 23	29 - 20	48 - 31	20 - 13	24 - 16	18	17	28	12	12	0.8 - 0.6	0.9 - 0.6	0.9 - 0.6	0.9 - 0.6	0.8 - 0.5
WU	[]	WESTERN UNION CO	DEC	12 - 9	14 - 9	12 - 7	12 - 8	15 - 11	31	35	25	17	18	3.4 - 2.7	3.8 - 2.6	3.6 - 2.1	2.1 - 1.4	1.7 - 1.2
WEX	†	WEX INC	DEC	23 - 15	27 - 17	30 - 21	17 - 10	21 - 12	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
XRX	[]	XEROX CORP	DEC	16 - 11	13 - 7	10 - 7	13 - 7	27 - 17	27	24	19	18	39	2.4 - 1.7	3.3 - 1.9	2.8 - 1.9	2.6 - 1.4	2.2 - 1.4
IT CONSULTING & OTHER SERVICES‡																		
ACN	[]	ACCENTURE PLC	AUG	20 - 16	17 - 13	18 - 13	18 - 13	18 - 13	40	32	34	25	40	2.5 - 2.0	2.4 - 1.9	2.6 - 1.9	1.9 - 1.4	3.1 - 2.2
ACXM	†	ACXIOM CORP	# MAR	NM - NM	NM - NM	25 - 16	35 - 17	NM - NM	NM	0	0	0	NM	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
CACI	§	CACI INTL INC -CL A	JUN	16 - 12	11 - 8	10 - 7	14 - 10	15 - 11	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
CBR	§	CIBER INC	DEC	NM - NM	NM - NM	NM - NM	NM - NM	NM - NM	NM	NM	NM	NM	NM	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
CTSH	[]	COGNIZANT TECH SOLUTIONS	DEC	23 - 18	25 - 15	22 - 15	29 - 18	31 - 17	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
FORR	§	FORRESTER RESEARCH INC	DEC	72 - 59	67 - 40	32 - 18	39 - 28	40 - 26	110	97	49	0	330	1.9 - 1.5	2.4 - 1.5	2.7 - 1.5	0.0 - 0.0	12.7 - 8.3
IT	†	GARTNER INC	DEC	43 - 30	36 - 24	29 - 19	30 - 22	34 - 18	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
IBM	[]	INTL BUSINESS MACHINES CORP	DEC	13 - 10	14 - 11	15 - 12	15 - 11	13 - 10	27	25	23	22	21	2.8 - 2.1	2.1 - 1.7	1.9 - 1.6	2.0 - 1.5	2.2 - 1.7
LDOS	†	LEIDOS HOLDINGS INC	# JAN	NM - NM	66 - 41	9 - 7	NM - NM	13 - 10	NM	571	31	NM	0	4.0 - 2.7	13.9 - 8.7	4.7 - 3.4	0.0 - 0.0	0.0 - 0.0
MANT	§	MANTECH INTL CORP	DEC	25 - 21	NM - NM	14 - 8	13 - 8	15 - 10	66	NM	33	23	0	3.2 - 2.7	3.6 - 2.8	4.3 - 2.3	2.9 - 1.8	0.0 - 0.0
PRFT	§	PERFICIENT INC	DEC	32 - 19	34 - 14	25 - 18	34 - 16	55 - 34	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
SAIC	†	SCIENCE APPLICATIONS INTL CP	# JAN	18 - 11	17 - 13	NA - NA	NA - NA	NA - NA	37	24	NA	NA	NA	3.4 - 2.1	1.9 - 1.4	NA - NA	NA - NA	NA - NA
TDC	[]	TERADATA CORP	DEC	21 - 16	30 - 17	33 - 19	30 - 20	24 - 15	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
VRTU	§	VIRTUSA CORP	# MAR	29 - 21	29 - 12	16 - 10	27 - 15	25 - 12	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0

Note: Data as originally reported. ‡S&P 1500 index group. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.

Ticker		Company	Yr. End	Earnings per Share ($) 2014	2013	2012	2011	2010	Tangible Book Value per Share ($) 2014	2013	2012	2011	2010	Share Price (High-Low, $) 2014	2013	2012	2011	2010
DATA PROCESSING & OUTSOURCED SERVICES‡																		
ADS	[]	ALLIANCE DATA SYSTEMS CORP	DEC	8.72	10.09	8.44	6.22	3.72	(46.78)	(26.00)	(36.40)	(33.25)	(29.45)	300.48 - 230.52	264.31 - 146.39	148.41 - 100.42	107.33 - 69.67	78.18 - 52.70
ADP	[]	AUTOMATIC DATA PROCESSING	JUN	3.14	2.83	2.85	2.54	2.41	6.09	5.17	4.64	4.53	5.19	86.54 - 70.50	83.82 - 57.75	59.96 - 50.89	55.12 - 44.72	47.17 - 26.46
BR	†	BROADRIDGE FINANCIAL SOLUTNS	JUN	2.20	1.74	1.01	1.38	1.66	(0.20)	(0.70)	(0.58)	(0.69)	1.95	46.78 - 34.94	40.36 - 21.84	24.94 - 19.75	24.84 - 19.01	24.02 - 18.51
CATM	§	CARDTRONICS INC	DEC	0.83	0.52	0.97	1.60	0.98	(8.73)	(6.93)	(5.29)	(6.04)	(4.46)	44.00 - 28.03	44.46 - 23.13	31.46 - 22.20	28.74 - 16.40	18.79 - 9.51
CSC	[]	COMPUTER SCIENCES CORP #	MAR	0.15	5.81	3.22	(27.38)	4.57	0.17	6.15	1.81	(3.07)	13.50	66.99 - 52.92	56.20 - 40.33	40.63 - 22.18	56.61 - 22.80	58.00 - 39.61
CVG	†	CONVERGYS CORP	DEC	1.16	0.57	0.25	2.73	(0.61)	0.86	6.74	7.32	4.88	2.65	24.43 - 17.36	21.40 - 15.05	17.42 - 12.13	15.00 - 8.49	13.78 - 9.50
CLGX	†	CORELOGIC INC	DEC	0.99	1.37	1.20	0.48	0.49	(11.69)	(5.72)	(5.18)	(3.70)	(0.29)	35.96 - 25.54	36.19 - 21.40	29.50 - 12.44	20.97 - 7.64	37.42 - 17.10
CSGS	§	CSG SYSTEMS INTL INC	DEC	1.14	1.60	1.52	1.29	0.68	1.50	1.00	(0.59)	(2.18)	(3.50)	32.11 - 23.16	29.81 - 18.04	23.33 - 13.85	21.59 - 12.13	23.84 - 17.22
DST	†	DST SYSTEMS INC	DEC	14.82	8.15	7.22	4.01	6.78	18.60	14.90	11.40	3.72	11.76	100.38 - 81.83	91.69 - 61.30	63.06 - 46.22	59.41 - 40.48	46.77 - 35.45
EXLS	§	EXLSERVICE HOLDINGS INC	DEC	0.99	1.47	1.31	1.15	0.91	7.07	6.98	6.03	4.81	6.34	31.18 - 24.20	32.97 - 22.98	30.10 - 20.28	26.99 - 17.94	22.05 - 7.39
FIS	[]	FIDELITY NATIONAL INFO SVCS	DEC	2.42	1.70	1.85	1.64	1.30	(15.73)	(14.16)	(14.16)	(16.47)	(17.42)	64.30 - 48.17	53.73 - 35.13	37.14 - 26.31	33.76 - 22.53	30.78 - 22.13
FISV	[]	FISERV INC	DEC	3.04	2.48	2.20	1.72	1.68	(16.30)	(14.70)	(11.48)	(11.93)	(10.30)	73.27 - 53.68	59.28 - 39.51	40.63 - 28.76	32.71 - 24.38	30.32 - 22.40
GPN	†	GLOBAL PAYMENTS INC #	MAY	4.15	3.40	2.78	2.39	2.63	(19.82)	(12.71)	(3.96)	2.00	0.79	86.71 - 63.14	65.13 - 43.73	53.93 - 39.37	53.67 - 38.26	54.50 - 34.61
HPY	§	HEARTLAND PAYMENT SYSTEMS	DEC	0.93	2.03	1.67	1.13	0.91	(10.11)	0.53	(0.32)	2.15	2.03	56.28 - 37.25	50.36 - 29.30	34.00 - 23.35	24.73 - 15.39	19.51 - 12.95
JKHY	†	HENRY (JACK) & ASSOCIATES	JUN	2.20	2.05	1.79	1.60	1.39	1.11	2.93	1.87	0.53	(1.28)	63.85 - 51.86	59.37 - 37.90	40.71 - 32.11	34.50 - 24.41	29.97 - 21.01
MA	[]	MASTERCARD INC	DEC	3.11	2.57	2.20	1.49	1.41	3.95	4.76	4.18	3.30	3.05	89.87 - 68.68	83.94 - 50.10	49.86 - 33.63	38.50 - 21.93	26.99 - 19.10
MMS	†	MAXIMUS INC	SEP	2.15	1.72	1.13	1.20	1.00	4.60	4.02	4.21	4.01	3.42	55.97 - 37.94	50.55 - 31.75	32.58 - 19.97	21.39 - 15.61	17.00 - 11.89
NSR	†	NEUSTAR INC	DEC	2.84	2.52	2.34	1.69	1.42	(6.77)	(5.35)	(3.23)	(6.21)	6.15	49.83 - 23.82	57.29 - 41.82	43.85 - 30.08	34.73 - 22.24	27.07 - 20.20
PAYX	[]	PAYCHEX INC #	MAY	1.86	1.72	1.56	1.51	1.42	3.30	3.30	3.27	2.84	2.50	48.20 - 39.79	45.94 - 31.47	34.70 - 29.12	33.91 - 25.12	32.82 - 24.65
PYPL	[]	PAYPAL HOLDINGS INC	DEC	0.33	0.76	NA	NA	NA	NA	NA	NA	NA	NA	NA - NA	NA - NA	NA - NA	NA - NA	NA - NA
SYKE	§	SYKES ENTERPRISES INC	DEC	1.36	0.87	0.93	1.15	0.43	9.36	8.20	7.10	9.27	8.69	24.71 - 18.60	23.29 - 13.95	18.61 - 12.81	22.88 - 10.56	26.26 - 10.85
TTEC	§	TELETECH HOLDINGS INC	DEC	1.47	1.31	1.28	1.31	0.83	5.50	6.11	6.45	6.26	6.39	29.97 - 20.77	27.07 - 17.53	18.23 - 14.04	23.46 - 14.10	22.00 - 12.17
TSS	[]	TOTAL SYSTEM SERVICES INC	DEC	1.48	1.30	1.30	1.15	1.00	(3.38)	(4.33)	2.94	3.43	3.04	34.55 - 27.00	33.44 - 21.53	25.06 - 19.35	20.50 - 15.44	17.75 - 13.41
PAY	†	VERIFONE SYSTEMS INC	OCT	(0.34)	(2.73)	0.61	3.06	1.16	(5.59)	(7.26)	(5.73)	3.49	(0.15)	38.63 - 25.23	36.13 - 15.34	55.89 - 27.33	58.88 - 30.25	41.47 - 15.62
V	[]	VISA INC	SEP	2.16	1.90	0.80	1.29	1.00	1.72	1.50	1.69	1.21	0.72	67.33 - 48.71	55.68 - 38.48	38.13 - 24.58	25.86 - 16.88	24.30 - 16.23
WU	[]	WESTERN UNION CO	DEC	1.60	1.43	1.70	1.85	1.37	(5.02)	(5.29)	(5.45)	(5.09)	(3.07)	18.66 - 14.60	19.50 - 13.23	19.82 - 11.93	22.03 - 14.55	20.26 - 14.65
WEX	†	WEX INC	DEC	5.20	3.83	2.50	3.45	2.28	(14.24)	(3.20)	(6.89)	1.29	(2.67)	119.11 - 78.78	101.58 - 66.43	75.76 - 51.59	57.13 - 35.74	46.97 - 27.63
XRX	[]	XEROX CORP	DEC	0.92	0.95	0.90	0.92	0.44	(0.84)	(0.22)	(1.02)	(0.58)	(0.45)	14.36 - 10.26	12.28 - 6.97	8.84 - 6.10	11.79 - 6.55	12.08 - 7.67
IT CONSULTING & OTHER SERVICES‡																		
ACN	[]	ACCENTURE PLC	AUG	4.64	5.08	3.97	3.53	2.79	4.68	4.94	4.63	4.28	3.19	91.94 - 73.98	84.22 - 67.55	71.79 - 51.47	63.66 - 47.40	51.43 - 36.05
ACXM	†	ACXIOM CORP #	MAR	(0.12)	0.12	0.77	0.54	(0.29)	0.37	3.47	2.58	2.47	1.19	39.30 - 16.04	38.71 - 16.43	18.99 - 12.04	18.83 - 8.94	19.99 - 12.19
CACI	§	CACI INTL INC -CL A	JUN	5.78	6.59	6.18	4.76	3.53	(45.20)	(11.72)	(14.60)	(2.23)	(3.29)	91.80 - 67.01	74.26 - 49.98	63.11 - 41.29	66.49 - 46.36	54.11 - 40.00
CBR	§	CIBER INC	DEC	(0.24)	(0.10)	(0.04)	(0.73)	(1.11)	0.74	0.93	1.11	1.12	1.12	5.09 - 2.84	4.99 - 3.00	4.76 - 2.70	6.98 - 2.71	4.84 - 2.51
CTSH	[]	COGNIZANT TECH SOLUTIONS	DEC	2.37	2.04	1.75	1.46	1.22	7.18	9.15	7.39	5.88	5.39	54.89 - 41.51	50.56 - 30.46	39.00 - 26.96	41.74 - 26.77	37.40 - 21.04
FORR	§	FORRESTER RESEARCH INC	DEC	0.58	0.62	1.14	1.02	0.91	3.39	6.02	9.43	9.18	8.57	41.65 - 34.08	41.36 - 24.88	36.15 - 20.60	40.00 - 28.72	36.31 - 23.65
IT	†	GARTNER INC	DEC	2.06	1.97	1.78	1.43	1.01	(5.21)	(1.78)	(2.41)	(3.58)	(3.51)	87.58 - 61.28	71.49 - 46.52	51.45 - 34.39	43.39 - 31.98	34.00 - 18.07
IBM	[]	INTL BUSINESS MACHINES CORP	DEC	15.68	15.06	14.53	13.25	11.69	(22.00)	(11.63)	(12.68)	(8.14)	(4.54)	199.21 - 150.50	215.90 - 172.57	211.79 - 177.35	194.90 - 146.64	147.53 - 116.00
LDOS	†	LEIDOS HOLDINGS INC #	JAN	(4.46)	0.98	6.16	(0.08)	6.04	(3.32)	(2.54)	2.73	2.10	6.65	48.27 - 31.76	64.36 - 40.18	56.80 - 41.22	70.60 - 44.24	79.04 - 59.48
MANT	§	MANTECH INTL CORP	DEC	1.27	(0.17)	2.57	3.64	3.45	3.96	6.14	3.66	2.80	1.87	31.32 - 26.09	30.45 - 23.20	37.16 - 19.74	46.26 - 29.33	51.83 - 34.69
PRFT	§	PERFICIENT INC	DEC	0.73	0.71	0.54	0.39	0.24	0.68	1.29	1.82	1.98	1.95	23.40 - 14.05	24.11 - 10.00	13.54 - 9.78	13.16 - 6.41	13.13 - 8.16
SAIC	†	SCIENCE APPLICATIONS INTL CP #	JAN	3.01	2.35	3.79	3.79	NA	(0.78)	(0.12)	NA	NA	NA	52.95 - 32.50	39.88 - 29.40	NA - NA	NA - NA	NA - NA
TDC	[]	TERADATA CORP	DEC	2.36	2.31	2.49	2.10	1.80	2.87	3.56	2.95	2.68	5.50	49.57 - 37.66	69.65 - 39.16	80.97 - 47.33	62.71 - 41.59	43.83 - 26.80
VRTU	§	VIRTUSA CORP #	MAR	1.48	1.32	1.14	0.81	0.68	12.12	10.28	7.99	6.63	7.34	42.50 - 31.09	38.49 - 15.93	18.63 - 11.23	21.79 - 11.87	16.82 - 8.08

Note: Data as originally reported. ‡S&P 1500 index group. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.
J-This amount includes intangibles that cannot be identified.

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