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Computer Services and IT Consulting (Citi)  
North America | United States

## Computer & IT Services Weekly

### August 19<sup>th</sup>: Analyzing Stock and Biz Momentum Among Services Companies; Highlight FISV, NTSP, CSGS, CVG Based on Trends

#### ■ Industry Overview

■ **Upcoming Events** — (1) Citi's 2012 Technology Conference is September 4<sup>th</sup>-6<sup>th</sup> in New York. (2) Our 2<sup>nd</sup> Annual Financial Technology Conference is on November 7<sup>th</sup> in Boston.

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■ **Stock Momentum** — Over two-thirds of our covered stocks have beaten the market since earnings. During the prior set of earnings, several stocks were "one day wonders" — not so this time, as investors seem to be more intent on buying the winners and staying away from the losers. In fact, only three stocks changed direction from the initial momentum they set in the first several days following earnings — MA and FISV broke for the upside after initial weakness and we saw some investors taking gains in CVG, which has been close to its 52-week high recently. We believe MA could continue to be range-bound due to macro factors but FISV's promise of a strong 2H12 should help that stock — Buy FISV. In the case of CVG, our analysis indicates that investors should Buy the stock.

■ **Business Momentum** — The sector as a whole lived up to its "defensive" billing as 21 / 25 companies found a way to beat EPS expectations and 12 companies beat revenue expectations. Equally impressive, 11 companies raised EPS expectations. But only three companies managed to beat expectations for revenues and EPS AND also raise expectations for revenues and EPS — they are FLT, CSGS and NTSP. We have missed out on FLT, but continue to recommend CSGS and NTSP as Buys — details inside. *CSGS will present at our Tech Conf on Sep 6<sup>th</sup>.*

■ **Thoughts on Other Names** — Comments on a few other names are also warranted, in our view. First, although FIS is still a good outperformer for the year, it was one of the worst performers post-earnings as the impact of a divestiture and industry consolidation affected forward estimates — in our view, this creates an opportunity in the name as we highlighted last week ([click here](#)). Second, we note that WU estimates finally started moving in the above-consensus direction we have highlighted for several months, but the stock is still lagging — we are hosting WU in London in mid-September — call us to discuss the name. Lastly, CTSB was one of the better performers this quarter and now seems range-bound in the mid-\$60s — we believe the next step up is likely only in 4Q as next year's expectations get set, but in our view, investors should use this opportunity to Buy CTSB.

■ **What's In This Report?** — In our "page 2" editorial, we discuss stock and business momentum among Services companies following the most recent set of results. Following that, the "Our Take" section has our quick takes on this week's economic and stock news items. We also provide stock price performance charts and comments; foreign exchange charts; and our comp sheets.

**See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.**

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## Stock and Business Momentum in Services

Following the recent completion of earnings, we thought it would be a good idea to analyze both stock and business momentum for our covered companies. Here are some interesting takeaways.

1. More than 2/3 of our companies have beaten the S&P 500 since their respective earnings. Top 5: CSC, FLT, CSGS, NTSP and CTSH. Bottom 5: GDOT, PAY, FIS, GPN and TW. Of these TW seems to be clawing back after an initial bad reaction as investors did not have information to break out temporary negative factors from longer-term (better) fundamentals. Buy TW here.
2. Unlike the prior set of earnings, there are few instances of "one day wonders". Every stock except MA, FISV and CVG maintained the stock momentum established post-earnings (T+1 and T+5). For FISV, the expectation of a strong 2H12, a beatable EPS range and still-attractive valuation seem to help move the stock in the right direction after being weak initially post-earnings. CVG has ceded some of its initial post-earnings strength, which creates an opportunity – it has gained market share recently, beat revenues / EPS and ~38% of the stocks value is in cash. So, Buy FISV and CVG.
3. Business momentum – Fully 21/25 companies beat EPS (GDOT, ADP and WNS missed, PAYX was in-line) but only 12 companies beat Revenue expectations while 10 missed. Only three companies – NTSP, CSGS and FLT – had a clean "beat and raise" for both revenues and EPS. We missed FLT but we recommend NTSP and CSGS and would Buy them here.

**FISV:** Visibility to strong 2H12; EPS range could rise again; 12x FY12E EPS

**CVG:** Market share gainer growing faster than comps; further EPS upside possible; ~38% market cap is in cash; return of cash to shareholders

**NTSP:** We no longer have the NTSP-over-GDOT pair trade but NTSP remains a Buy due to contract / biz momentum

**CSGS:** Contract renewal catalysts and 14% FCF yield

Figure 1. Stock Reaction and Business Momentum Analysis following Recent Earnings

		Stock Reaction Analysis				Stock Momentum Changes	Business Momentum Analysis				Business Momentum Comments
		T+1	T+5	Thru 8/17	From EPS thru 8/17 vs. SP500		Results		Outlook		
							EPS vs. Consensus	Revenue vs. Consensus	EPS vs. Consensus or Guide	Revenue vs. Consensus or Guide	
Green Dot	GDOT	-61%	-58%	-54%	-59%		Miss	Miss	Lower	Lower	
VeriFone Systems (1)	PAY	-15%	-20%	-29%	-36%		Beat	Beat			F/X hurt (unchanged) outlook; Square hurt sentiment
Fidelity National Info Service	FIS	-3%	-6%	-9%	-13%		Beat	Miss	Lower		Divestiture, Industry consolidation hurt.
Global Payments	GPN	4%	-1%	-4%	-8%		Beat	Beat			Downgrades, M&A have hurt stock
Towers Watson	TW	-12%	-7%	-6%	-7%		Beat	Beat			Temporary client billing issues hurt initially
MasterCard (2)	MA	-2%	-3%	-2%	-5%	Macro hopes reverse initial negative "mo"	Beat	Miss			
Total Systems Services	TSS	-4%	0%	1%	-5%		Beat	In-line	Raise		
Fiserv	FISV	-3%	-4%	-1%	-3%	2H hopes reverse initial negative momentum	Beat	Miss	Raise		
Paychex	PAYX	-3%	-1%	4%	-3%		In-line	Miss	Lower	Lower	
Western Union	WU	2%	3%	4%	-2%		Beat	Miss	Raise		
Visa (2)	V	4%	4%	5%	-1%		Beat	Beat	Raise		
Automatic Data Processing	ADP	-1%	2%	3%	0%		Miss	Miss	Lower	Lower	
Accenture	ACN	6%	6%	8%	1%		Beat	In-line	Lower		EPS hurt entirely by F/X
Wright Express (1)	WXS	-7%	-1%	4%	1%		Beat	Beat	Lower	Lower	
Convergys Corporation	CVG	2%	7%	5%	3%	Recent downgrades hurt positive momentum	Beat	Beat	Raise		
TeleTech Holdings, Inc.	TTEC	2%	3%	7%	3%		Beat	Beat			
EXLSERVICE Holdings, Inc.	EXLS	0%	4%	6%	3%		Beat	Beat		Lower	Rev Outlook hurt by F/X
WNS Holding	WNS	0%	1%	9%	5%		Miss	Beat	Raise	Raise	CFO departure hurt stock
Amdocs Limited	DOX	3%	8%	9%	6%		Beat	Miss	Raise	Lower	
Nielsen	NLSN	10%	14%	15%	9%		Beat	Miss			
Cognizant Technology Soluti	CTSH	10%	12%	12%	10%		Beat	Beat	Raise		
NetSpend	NTSP	8%	8%	14%	10%		Beat	Beat	Raise	Raise	
CSG Systems, Inc.	CSGS	10%	12%	12%	11%		Beat	Beat	Raise	Raise	
FleetCor Technologies (1)	FLT	9%	14%	16%	15%		Beat	Beat	Raise	Raise	
Computer Sciences Corp.	CSC	16%	23%	27%	26%		Beat	Beat			Unexpected guide, good results = Turnaround?

(1) Phil Stiller is the Lead Analyst on PAY, FLT and WXS. (2) Don Fandetti and Ashwin Shirvaikar cover V and MA jointly.

Source: Company reports, Factset, Citi Research

## Our Take on Recent Industry News

### Payment Processing Update(s):

See our brief takeaways note here [GPN Acquires APT](#) – we acknowledge the bear case that GPN could have achieved the same margin objective by walking away from these revenues and used the cash to support EPS and the stock – but helping the longer term multiple by turning the corner on margins is our long-term thesis....

1. **GPN Agrees to Acquire Top-5 ISO APT** – GPN will acquire Accelerated Payment Technologies (APT) for \$413 mil in cash. While the valuation seems lofty at first glance, we believe this deal can be positive because: (1) it removes the risk that one of GPN's top ISOs moves to a competitive processor; and (2) it could provide some offset to the negative N. America margin story that has impacted GPN for some time.
2. **TSS Signs Two Client Contracts** – First, SquareBank 1, a leading Norwegian Bank group, will utilize TSS' card management solution (PRIME 4) to support its issuance processing of V and MA retail credit, charge, prepaid and contactless cards. Second, TSS signed an agreement to provide benefit card processing and other services to Acclaris, Inc.
3. **Square Introduces New Pricing Scheme** - In addition to the existing 2.75% per transaction flat fee, Square now offers a flat \$275 per month fee for merchants with less than \$250,000/ year in volumes for swiped and Pay with Square transactions up to \$400. Based on the fixed monthly price point and GDV caps, the product essentially makes sense for smaller merchants that process \$10,000 or more per month in card transactions.
4. **Dunkin Donuts Launching Mobile Pay App** - Dunkin Donuts is launching a mobile app, allowing users to pay with their Smartphone. The app creates a virtual Dunkin Donuts card, which can be filled using an existing physical Dunkin Donuts Card or funded through a credit card or PayPal transaction.
5. **Philippines / Pakistan Remittance Volumes** – Remittance volume to the Philippines was \$1.81 B in June, representing an increase of 4.2% year/year. This is a deceleration from May's growth of 5.1%. For 2Q12, total remittances grew 4.9%, down slightly from 1Q12's growth of 5.4%. Remittance volume to Pakistan totaled \$1.20 B in July, representing an increase of 9.9% year/year. This is improvement from June's growth of 1.2% and full 2Q12 growth of 8.3%.
6. **PAY Signs PaaS deal with S Group** – PAY has entered into a payments-as-a-service (PaaS) agreement to supply Finland's S Group with a complete range of payments services in its 1,600 locations. This is the company's largest PaaS contract to date.

### Core Bank Processor Update (s):

See our recent management meeting takeaways note here which addresses the Healthcare biz sale and European growth prospects. [Meeting with FIS Management Supports Buy Thesis](#)

1. **FIS Closes Healthcare Sale / Signs Deal with UK Bank** – FIS has closed the previously disclosed sale of its Healthcare Solutions business to Lightyear Capital for \$335 mil. As a reminder, the deal is expected to be \$0.07 dilutive to 2012 earnings *before potentially accretive uses of cash proceeds*. Separately, FIS announced that it is working with UK-based Vanquis Bank to provide outsourced payment services in support of the bank's international business.

### Consulting and IT Services Update(s):

1. **ACN Gets BP Contract for F&A** – BP selected ACN as its global outsourcing provider of finance and accounting (F&A) services to complement its in-house captive service centers. Under the multi-year agreement, ACN will help BP consolidate its global F&A function through standardized reporting and metrics and by using advanced analytics to improve business controls. BP is an existing client of ACN, with F&A services contacts extending back to 1991.

2. **CSC Wins \$74 Mil IT Task Order from USSOUTHCOM** - CSC announced today that U.S. Southern Command awarded the company a task order to provide information management support. Awarded in fiscal 1Q13, the task order has a one-year base period and two one-year options for a total value of \$74 million.

### Customer Care and Billing Updates(s):

1. **CSGS Signs Indonesian Mobile Operator XL Axiata** – CSGS announced that PT. XL Axiata Tbk selected the company to implement a single mediation solution for prepaid and postpaid services. XL is one of the largest mobile operators in Indonesia, with over 46 million subscribers.

### HR Services Updates(s):

1. **TW Reports Mixed 4Q12 Results** – TW's headline results and 1Q13 guidance imply a sharp revenue slowdown, but much of this is due to short-term "timing". TW had revenues of \$826 mil vs. consensus of \$868 mil as organic growth slowed to 0% from 4% in 3Q. Adj. EPS of \$1.26 was \$0.01 ahead of consensus but included ~\$0.06 related to a lower tax rate.

See our full TW note here [TW Earnings Note](#)

## Economic Updates

1. **US – PPI Rises 0.3%** – The producer price index rose 0.3% month/month in July versus 0.1% in the prior month and the consensus estimate of 0.2%. On a year/year basis PPI rose 0.5%, vs. 0.8% in June. PPI less food and energy was up 0.4% month/month, above the consensus forecast of 0.2%.
2. **US – Retail Sales Beat Consensus** – Retail sales were up 0.8% month/month in July versus down 0.7% in the prior month and the consensus estimate for a 0.3% increase. Less autos, retail sales gained 0.8% versus the consensus forecast for 0.4%. Less autos and gas the month/month increase was 0.9%, versus a 0.2% decline in the prior month.
3. **US – CPI Softer than expected** – The consumer price index was flat month/month, following no change in June. Consensus expected a 0.2% rise. Excluding food and energy, the CPI increased 0.1%, following a 0.2% gain in June. Consensus was for a 0.2% increase.
4. **US – Industrial Production Better than Expected** – Industrial production rose 0.6% month/month in July versus the prior month gain of 0.4% and the consensus forecast for a 0.5% increase.
5. **US – Housing Starts In-Line** – Housing starts in July fell 1.1% following a 6.8% gain in the prior month. The July pace was 0.746 million units versus consensus for 0.750 million units, which is up 21.5% year/year.
6. **US – Jobless Claims Rise / In Line** – Initial claims rose 2K in the August 11 week to 366K versus consensus for 365K. The 4-week average is down 5.5K to 363.75K, which is the second lowest level of the recovery.
7. **US – Philly Fed Survey** – The Philadelphia Fed's general business activity index improved to minus 7.1 for its August reading vs. minus 12.9 in July, but it was worse than the consensus forecast for a minus 5.0 reading.
8. **US – Consumer Sentiment** – The composite headline index gained 1.3 points to 73.6 in mid-August, versus the consensus estimate for 72.0. The expectations index fell more than 1 point to 64.5 versus 65.6 in July, however.
9. **Europe – Inflation Stable** – Euro area annual inflation was 2.4% in July 2012, stable versus June. A year earlier the rate was 2.6%. Monthly inflation was -0.5% in July 2012. EU annual inflation was 2.5% in July 2012, also stable compared to June. A year earlier the rate was 2.9%. Monthly inflation was -0.4% in July 2012.
10. **Europe – GDP Declines 0.2%** – GDP fell by 0.2% qtr/qtr in both the euro area and the EU27 during 2Q12. In 1Q, growth rates were 0.0% in both zones. On a year/year basis, GDP fell by 0.4% in the euro area and by 0.2% in the EU27 in 2Q12, vs. 0.0% and +0.1%, respectively, in the previous quarter.
11. **Europe – Industrial Production Declines** – In June 2012 vs. May, seasonally adjusted industrial production fell by 0.6% in the euro area and by 0.9% in the EU27. In May production rose by 0.9% and 0.8%, respectively. Year/year industrial production dropped by 2.1% in the euro area and by 2.2% in the EU27 in June.

## Recent Relevant Research – Citi Research

A summary of the relevant Citi Research global research published last week is listed below. For full notes, please use the links below, refer to Citi Velocity or call us or your sales person.

Figure 2. Last 7 Days' Research from Us and Our Peers in Citi Research

Date	Region	Analyst(s)	Company / Industry	Topic / Title
13-Aug-12	Americas	Shirvaikar / Fandetti	Card Issuers, Network, Processors	Takeaways from Meeting with Payments Industry Expert
Link to note here: <a href="https://ir.citi.com/t8eWphYqpo4f7VYAE1h1FkJh%2B1x0IfCI2oQJwgZcFm72uqvAmd8sBA%3D%3D">https://ir.citi.com/t8eWphYqpo4f7VYAE1h1FkJh%2B1x0IfCI2oQJwgZcFm72uqvAmd8sBA%3D%3D</a>				
14-Aug-12	Americas	Ashwin Shirvaikar	TW	Neg. Stock Move "Annualizes" Short-term Timing Issues; Buy TW
Link to note here: <a href="https://ir.citi.com/XVgQZY142fZgwWZeOjNLnESHmyicBIC6WyENioGCRIC1SMdb5OUoQ%3D%3D">https://ir.citi.com/XVgQZY142fZgwWZeOjNLnESHmyicBIC6WyENioGCRIC1SMdb5OUoQ%3D%3D</a>				
15-Aug-12	Americas	Ashwin Shirvaikar	GPN	GPN to Acquire APT; Positive for Margin Profile – Reit Buy
Link to note here: <a href="https://ir.citi.com/ULiSLwzL9%2BLZfL6aFaUN6nkURy01FYdOJlUjG6jA557S5zaW%2FKoiZg%3D%3D">https://ir.citi.com/ULiSLwzL9%2BLZfL6aFaUN6nkURy01FYdOJlUjG6jA557S5zaW%2FKoiZg%3D%3D</a>				
15-Aug-12	Americas	Mark Mahaney	Internet / eCommerce Trends	Positive July eCommerce Dpoint & Largely Neutral Trends
Link to note here: <a href="https://ir.citi.com/uk1Uenb9yqjUP6lJyhCESTKo1fsVymZu2KmM971Q8UB6p7k1xbrBuw%3D%3D">https://ir.citi.com/uk1Uenb9yqjUP6lJyhCESTKo1fsVymZu2KmM971Q8UB6p7k1xbrBuw%3D%3D</a>				
15-Aug-12	Americas	Donald Fandetti	COF	July Stats; M/M Noise Due to Inclusion of HSBC – Generally In-Line But US Card Del's Tick-Up
Link to note here: <a href="https://ir.citi.com/7DFo8Vjodh5CIWZQRWPFw6ycM%2F6aSJJOlytTgPttuRYgaBcruVA%3D%3D">https://ir.citi.com/7DFo8Vjodh5CIWZQRWPFw6ycM%2F6aSJJOlytTgPttuRYgaBcruVA%3D%3D</a>				
15-Aug-12	Americas	Donald Fandetti	Industry Overview	July Master: TrustBalance Growth Remains Elusive, But Delinq Continues Descent
Link to note here: <a href="https://ir.citi.com/Wkf35SOYMjonuRBu0xkZDV7Z%2B%2BX0Liy5KycmC7SeaCSBzA8GXOZi0A%3D%3D">https://ir.citi.com/Wkf35SOYMjonuRBu0xkZDV7Z%2B%2BX0Liy5KycmC7SeaCSBzA8GXOZi0A%3D%3D</a>				

Source: Citi Research

## Company Events Calendar (Aug 20 - Sept 30)

Figure 3. Company Events Calendar

Date	Time	Company / Topic	Ticker	Event Details
21-Aug-12	4:30 PM ET	Intuit, Inc	INTU	4Q12 Earnings and Conference Call
21-Aug-12	5:00 PM ET	Dell, Inc	DELL	2Q13 Earnings and Conference Call
22-Aug-12	5:00 PM ET	Hewlett-Packard	HPQ	3Q12 Earnings and Conference Call
5-Sep-12	4:30 PM ET	VeriFone	PAY	3Q12 Earnings and Conference Call
14-Sep-12	9:30 AM ET	Towers Watson	TW	2012 Analyst Day - Washington DC
25-Sep-12	10:30 AM ET	Paychex	PAYX	1Q13 Earnings and Conference Call
27-Sep-12	4:30 PM ET	Accenture	ACN	4Q12 Earnings and Conference Call

Source: Citi Research

## Sector Stock Price Performance

Figure 4. Computer & IT Services Weekly Stock Price Performance (As of Thursday, August 16, 2012)

Tkr.	Major Market Indices	Close	-1W	-1M	-6M	QTD	YTD	-12M	-3Y	-5Y
	S&P 500	\$1,415.51	1%	5%	4%	4%	13%	19%	41%	0%
	NASDAQ	\$3,062.39	1%	6%	3%	4%	18%	21%	54%	25%
Tkr.	Customer Care/Billing	Close	-1W	-1M	-6M	QTD	YTD	-12M	-3Y	-5Y
DOX	Amdocs	\$32.27	1%	8%	5%	9%	13%	18%	34%	-8%
CSGS	CSG Systems	\$19.99	3%	14%	23%	16%	36%	44%	26%	-12%
CVG	Convergys	\$15.31	-3%	3%	15%	4%	20%	49%	44%	-9%
TTEC	TeleTech Holdings	\$16.82	2%	4%	-4%	5%	4%	0%	-1%	-45%
Tkr.	BPO Services	Close	-1W	-1M	-6M	QTD	YTD	-12M	-3Y	-5Y
EXLS	ExlService Holdings	\$26.00	-1%	9%	1%	6%	16%	7%	109%	30%
WNS	WNS Holdings	\$10.04	-3%	5%	-10%	3%	12%	-4%	-32%	-59%
Tkr.	HR Services	Close	-1W	-1M	-6M	QTD	YTD	-12M	-3Y	-5Y
ADP	Automatic Data Processing	\$58.43	2%	5%	9%	5%	8%	22%	52%	25%
PAYX	Paychex	\$33.28	1%	4%	5%	6%	11%	23%	19%	-25%
TW	Towers Watson	\$54.16	-7%	-11%	-14%	-10%	-10%	-6%	29%	15%
Tkr.	Consulting	Close	-1W	-1M	-6M	QTD	YTD	-12M	-3Y	-5Y
ACN	Accenture	\$61.15	-1%	5%	5%	2%	15%	12%	69%	63%
CTSH	Cognizant	\$64.92	1%	11%	-10%	8%	1%	3%	89%	73%
CSC	Computer Sciences	\$32.07	5%	37%	-4%	29%	35%	7%	-35%	-40%
NLSN	Nielsen	\$28.77	-1%	10%	1%	10%	-3%	3%	N/A	N/A
Tkr.	Financial Processing	Close	-1W	-1M	-6M	QTD	YTD	-12M	-3Y	-5Y
FIS	Fidelity National Info Services	\$30.90	0%	-10%	-1%	-9%	16%	10%	27%	18%
FISV	Fiserv	\$71.49	2%	1%	10%	-1%	22%	31%	50%	50%
FLT	FleetCor Technologies	\$42.78	7%	19%	17%	22%	43%	63%	N/A	N/A
GPN	Global Payments	\$41.55	-3%	-6%	-20%	-4%	-12%	-7%	-2%	16%
GDOT	Green Dot	\$10.15	-2%	-57%	-67%	-54%	-67%	-68%	N/A	N/A
MA	MasterCard	\$428.52	1%	-2%	9%	0%	15%	28%	111%	230%
NTSP	NetSpend	\$9.49	6%	1%	13%	3%	17%	111%	N/A	N/A
TSS	Total Systems	\$23.73	0%	1%	10%	-1%	21%	37%	57%	-15%
PAY	VeriFone Systems	\$34.07	1%	-5%	-27%	3%	-4%	-8%	228%	2%
V	Visa	\$129.68	1%	2%	14%	5%	28%	51%	91%	N/A
VNTV	Vantiv	\$22.34	0%	-3%	N/A	-4%	N/A	N/A	N/A	N/A
WU	Western Union	\$17.73	1%	6%	0%	5%	-3%	4%	-1%	-3%
WXS	Wright Express	\$66.37	4%	4%	8%	8%	22%	53%	131%	83%

Source: FactSet and Citi Research



## Foreign Exchange Movement

Figure 5. An Update on Foreign Currency as of Thursday, August 16, 2012

	Current	1 M	3 M	6 M	1 YR	2 YR	5 YR
US \$ per Euro	1.2363	1.2240	1.2741	1.3042	1.4399	1.2845	1.3402
US \$ per British Pound	1.5742	1.5619	1.5918	1.5749	1.6422	1.5674	1.9813
US \$ per Japanese Yen	0.0126	0.0127	0.0124	0.0127	0.0130	0.0117	0.0088
US \$ per Canadian Dollar	1.0119	0.9844	0.9913	0.9998	1.0189	0.9574	0.9307
Mexican Peso per US \$	13.1429	13.2951	13.7786	12.9110	12.2690	12.6498	11.2456
Chinese Renminbi per US \$	6.3658	6.3787	6.3222	6.3016	6.3828	6.8082	7.6040
Indian Rupee per US \$	55.9150	55.2750	54.4875	49.2900	45.3850	46.8000	41.3650
Philippine Peso per US \$	42.2950	41.8700	43.0300	42.8500	42.3800	45.3900	46.5000
Israeli Shekel per US \$	4.0307	3.9746	3.8225	3.7669	3.5296	3.7925	4.2360

	Current	Percentage Change					
		1 M	3 M	6 M	1 YR	2 YR	5 YR
US \$ per Euro	-	-1%	+3%	+5%	+16%	+4%	+8%
US \$ per British Pound	-	-1%	+1%	+0%	+4%	-0%	+26%
US \$ per Japanese Yen	-	+1%	-1%	+1%	+3%	-7%	-31%
US \$ per Canadian Dollar	-	-3%	-2%	-1%	+1%	-5%	-8%
Mexican Peso per US \$	-	+1%	+5%	-2%	-7%	-4%	-14%
Chinese Renminbi per US \$	-	+0%	-1%	-1%	+0%	+7%	+19%
Indian Rupee per US \$	-	-1%	-3%	-12%	-19%	-16%	-26%
Philippine Peso per US \$	-	-1%	+2%	+1%	+0%	+7%	+10%
Israeli Shekel per US \$	-	-1%	-5%	-7%	-12%	-6%	+5%

Source: FactSet and Citi Research

U.S. dollar strength is a bad thing for the reported U.S. dollar revenues of companies with non-US exposure. The earnings impact depends on where the direct costs are based as well as on hedging policy.

A stronger "labor supply" currency (India, China, Israel, Peso) can be a negative for the cost structure of services companies that supply work from those countries as it implies margin pressure related to higher translated labor costs. Note we are saying "margin pressure" and not "margin impact".

# Citi Research IT & BPO, Consulting, and Analytics Comp Sheet

As of Thursday, August 16, 2012

Figure 6. Consolidated Financial Statistics (\$ in millions, except per-share data)

EPS & Revenues				Calendar EPS				EPS Growth				Revenues				Revenue Growth			
	Ticker	Rating	MktCap	2010	2011	2012E	2013E	2010	2011	2012E	2013E	2010	2011	2012E	2013E	2010	2011	2012E	2013E
Accenture	ACN	1	\$44,571	\$2.85	\$3.63	\$3.95	\$4.35	10%	27%	9%	10%	\$22,516	\$26,789	\$28,337	\$30,186	8%	19%	6%	7%
Amdocs Limited	DOX	1	5,431	2.28	2.45	2.78	3.06	8%	7%	13%	10%	3,035	3,210	3,277	3,416	7%	6%	2%	4%
Cognizant Technology Solution	CTSH	1	19,952	2.37	2.85	3.39	4.10	34%	20%	19%	21%	4,592	6,121	7,349	8,892	40%	33%	20%	21%
Computer Sciences Corp.	CSC	2H	4,992	5.30	4.38	1.43	2.68	3%	-17%	-67%	87%	16,161	16,211	15,961	16,196	1%	0%	-2%	1%
Convergys Corporation	CVG	1	1,822	1.00	1.03	0.84	0.95	-11%	3%	-19%	13%	2,203	2,262	1,997	2,104	-19%	3%	-12%	5%
CSG Systems, Inc.	CSGS	1H	646	2.30	2.25	2.13	2.00	14%	-2%	-5%	-6%	549	735	741	751	10%	34%	1%	1%
EXLServe Holdings, Inc.	EXLS	1	861	1.08	1.39	1.55	1.81	50%	29%	11%	17%	253	361	441	518	32%	43%	22%	17%
Nielsen	NLSN	1	10,826	0.95	1.61	1.77	1.96	25%	69%	10%	10%	5,126	5,532	5,615	5,899	7%	8%	1%	5%
TeleTech Holdings, Inc.	TTEC	2	937	1.03	1.22	1.30	1.46	-15%	19%	6%	12%	1,095	1,179	1,168	1,197	-6%	8%	-1%	3%
Towers Watson	TW	1	3,910	3.85	4.97	5.04	5.65	10%	29%	1%	12%	3,096	3,407	3,458	3,670	88%	10%	1%	6%
WNS Holding	WNS	2	517	1.07	1.15	1.01	1.16	-8%	7%	-12%	14%	372	390	423	476	-5%	5%	9%	13%

Source: Company Reports and Citi Research Estimates

Figure 7. Valuation Metrics

Valuation				P/E				PEG			PEG (using NOPAT earnings)			EV/EBITDA			
	FYE	Price	Target	2010	2011	2012E	2013E	FY10/13 GR	2011	2012E	FY10/13 GR	2011	2012E	2010	2011	2012E	2013E
Accenture	Aug	\$61.15	\$70.00	21.4x	16.9x	15.5x	14.0x	16%	1.0x	1.0x	11%	1.5x	1.4x	11.2x	9.4x	8.7x	8.1x
Amdocs Limited	Sep	32.27	37.00	14.1x	13.2x	11.6x	10.6x	9%	1.5x	1.3x	5%	2.8x	2.5x	7.1x	7.2x	6.9x	6.5x
Cognizant Technology Solution	Dec	64.92	79.00	27.4x	22.8x	19.2x	15.8x	20%	1.1x	1.0x	20%	1.2x	1.0x	18.2x	14.0x	11.7x	9.7x
Computer Sciences Corp.	Mar	32.07	28.00	6.1x	7.3x	22.4x	12.0x	-23%	NA	NA	NA	NA	NA	3.0x	3.6x	4.1x	3.5x
Convergys Corporation	Dec	15.31	17.00	15.3x	14.9x	18.3x	16.2x	-2%	NA	NA	NA	NA	NA	4.6x	4.4x	5.0x	4.8x
CSG Systems, Inc.	Dec	19.99	22.50	8.7x	8.9x	9.4x	10.0x	-4%	NA	NA	NA	NA	NA	4.4x	3.7x	3.8x	4.0x
EXLServe Holdings, Inc.	Dec	26.00	31.00	24.0x	18.7x	16.8x	14.3x	19%	1.0x	0.9x	32%	0.6x	0.5x	15.1x	10.4x	8.2x	7.2x
Nielsen	Dec	28.77	35.00	30.2x	17.9x	16.2x	14.7x	27%	0.7x	0.6x	2%	8.9x	8.1x	12.1x	11.1x	10.7x	10.0x
TeleTech Holdings, Inc.	Dec	16.82	N/A	16.3x	13.8x	13.0x	11.5x	12%	1.1x	1.1x	24%	0.6x	0.5x	6.9x	6.2x	7.6x	5.7x
Towers Watson	Jun	54.16	65.00	14.1x	10.9x	10.7x	9.6x	14%	0.8x	0.8x	10%	1.0x	1.0x	7.0x	5.5x	5.6x	5.0x
WNS Holding	Mar	10.04	N/A	9.4x	8.7x	9.9x	8.6x	-4%	NA	NA	NA	NA	NA	6.6x	6.7x	6.7x	6.0x

Source: Company Reports and Citi Research Estimates

# Citi Research Processors Comp Sheet

As of Thursday, August 16, 2012

Figure 8. Consolidated Financial Statistics (\$ in millions, except per-share data)

EPS & Revenues				Calendar EPS				EPS Growth				Revenues				Revenue Growth			
	Ticker	Rating	MktCap	2010	2011	2012E	2013E	2010	2011	2012E	2013E	2010	2011	2012E	2013E	2010	2011	2012E	2013E
Automatic Data Processing	ADP	2	28,666	2.40	2.62	2.81	3.11	-1%	9%	7%	11%	9,269	10,350	10,951	11,797	6%	12%	6%	8%
Fidelity National Info Services	FIS	1	9,217	2.00	2.22	2.53	2.78	21%	11%	14%	10%	5,299	5,626	5,803	6,013	40%	6%	3%	4%
Fiserv	FISV	1	9,851	4.05	4.58	5.17	5.75	11%	13%	13%	11%	4,133	4,337	4,547	4,720	1%	5%	5%	4%
FleetCor Technologies^	FLT	2	3,668	1.78	2.17	2.77	3.10	35%	22%	28%	12%	434	520	674	751	14%	20%	30%	11%
Global Payments	GPV	1	3,290	2.81	3.35	3.54	3.88	10%	19%	6%	10%	1,727	2,076	2,285	2,486	11%	20%	10%	9%
Green Dot	GDOT	2	446	1.28	1.56	1.32	1.32	N/A	21%	-15%	0%	377	485	538	563	N/A	28%	11%	5%
MasterCard*	MA	2	54,032	14.06	18.71	21.62	25.50	26%	33%	16%	18%	5,539	6,714	7,357	8,154	9%	21%	10%	11%
NetSpend	NTSP	1H	823	0.36	0.47	0.57	0.72	87%	28%	23%	26%	275	306	351	402	22%	11%	15%	14%
Paychex	PAYX	2	12,094	1.40	1.49	1.56	1.67	3%	6%	4%	8%	2,042	2,176	2,296	2,434	1%	7%	6%	6%
Total Systems Services	TSS	2	4,517	1.00	1.15	1.28	1.41	-11%	14%	12%	10%	1,722	1,809	1,870	1,958	2%	5%	3%	5%
Vantiv	VNTV	2	5,038	0.72	0.86	1.14	1.34	17%	21%	32%	17%	773	866	1,010	1,118	9%	12%	17%	11%
VeriFone Systems^	PAY	1	3,774	1.44	2.03	2.76	3.38	57%	41%	36%	22%	1,042	1,403	1,969	2,232	22%	35%	40%	13%
Visa*	V	2	87,534	4.21	5.25	6.42	7.40	33%	25%	22%	15%	8,343	9,497	10,650	11,682	17%	14%	12%	10%
Western Union	WU	1	10,870	1.42	1.57	1.78	1.95	10%	11%	13%	10%	5,193	5,491	5,736	5,944	2%	6%	4%	4%
Wright Express^	WXS	3	2,594	2.75	3.64	4.15	4.55	26%	32%	14%	10%	390	553	601	647	24%	42%	9%	8%

Source: Company Reports and Citi Research Estimates. \*Visa and MasterCard are jointly covered with Citi Research analyst Donald Fandetti; ^Philip Stiller is the lead analyst on PAY, WXS and FLT.

Figure 9. Valuation Metrics

Valuation				P/E				PEG			PEG (using NOPAT earnings)			EV/EBITDA			
	FYE	Price	Target	2010	2011	2012E	2013E	FY10/13 GR	2011	2012E	FY10/13 GR	2011	2012E	2010	2011	2012E	2013E
Automatic Data Processing	Jun	58.43	60.00	24.4x	22.3x	20.8x	18.8x	7%	3.0x	2.8x	7%	3.2x	3.0x	13.1x	12.4x	11.6x	10.8x
Fidelity National Info Services	Dec	30.90	38.00	15.5x	13.9x	12.2x	11.1x	12%	1.2x	1.1x	7%	2.1x	1.8x	8.0x	8.1x	7.7x	7.4x
Fiserv	Dec	71.49	82.00	17.7x	15.6x	13.8x	12.4x	12%	1.3x	1.1x	4%	3.7x	3.3x	9.6x	9.4x	9.0x	8.5x
FleetCor Technologies^	Dec	42.78	41.00	24.1x	19.7x	15.4x	13.8x	20%	1.0x	0.8x	21%	1.0x	0.8x	17.9x	14.6x	11.3x	10.0x
Global Payments	May	41.55	52.00	14.8x	12.4x	11.8x	10.7x	9%	1.3x	1.3x	9%	1.4x	1.4x	9.4x	7.7x	7.4x	6.9x
Green Dot	Dec	10.15	N/A	7.9x	6.5x	7.7x	7.7x	1%	7.7x	9.1x	NA	NA	NA	3.3x	2.6x	3.0x	3.0x
MasterCard*	Dec	428.52	437.00	30.5x	22.9x	19.8x	16.8x	22%	1.0x	0.9x	19%	1.2x	1.0x	16.9x	13.3x	11.9x	10.3x
NetSpend	Dec	9.49	11.00	26.1x	20.4x	16.5x	13.1x	26%	0.8x	0.6x	21%	1.0x	0.8x	12.2x	9.5x	8.4x	6.9x
Paychex	May	33.28	30.50	23.8x	22.3x	21.4x	19.9x	6%	3.8x	3.6x	4%	5.3x	5.1x	13.8x	12.7x	12.0x	11.3x
Total Systems Services	Dec	23.73	23.00	23.6x	20.7x	18.5x	16.8x	12%	1.7x	1.5x	9%	2.3x	2.1x	9.3x	8.9x	8.3x	7.8x
Vantiv	Dec	23.73	24.00	33.2x	27.5x	20.8x	17.7x	23%	1.2x	0.9x	NA	NA	NA	17.4x	15.3x	13.6x	12.2x
VeriFone Systems^	Oct	34.07	55.00	23.7x	16.8x	12.3x	10.1x	36%	0.5x	0.3x	44%	0.4x	0.3x	27.3x	18.3x	11.4x	9.5x
Visa*	Sep	129.68	123.00	30.8x	24.7x	20.2x	17.5x	21%	1.2x	1.0x	16%	1.5x	1.3x	16.2x	13.5x	12.0x	10.7x
Western Union	Dec	17.73	24.00	12.5x	11.3x	10.0x	9.1x	11%	1.0x	0.9x	6%	1.9x	1.7x	8.6x	8.1x	7.7x	7.3x
Wright Express^	Dec	66.37	57.00	24.1x	18.2x	16.0x	14.6x	18%	1.0x	0.9x	24%	0.7x	0.7x	14.0x	8.9x	8.5x	8.1x

Source: Company Reports and Citi Research Estimates. \*Visa and MasterCard are jointly covered with Citi Research analyst Donald Fandetti; ^Philip Stiller is the lead analyst on PAY, WXS and FLT.

# Appendix A-1

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