



Neutral

Europe

Software

Infosys's strong results support our thesis of a solid Q4 in Europe for the sector

■ **Infosys (Sell) Q3 FY11 (to end-Dec)** Infosys reported revenue of \$1.6bn (+29% y/y). Momentum was sustained in the US (66% group sales, revenue +25% Q3 11 vs Q4 FY10 +18%, Q1 FY11 +26, Q2 +29%) while Europe accelerated with revenue up 29% y/y (Q1 0%, Q2 +22%). But note that Infosys has only marginal exposure to Southern Europe and the Public Sector. Financial Services maintained impressive growth with revenue up 35% (Q4 FY10 +22%, Q1 FY11 +15%, Q2 +37%). Manufacturing also showed acceleration (Q4 FY10 +12%, Q1 FY11 +15%, Q2 +27%, Q3 +31%).

■ **Positive readthrough:** This looks like good news for European IT Services providers and confirms a better environment in Q4. Our recent meetings with several companies (Capgemini, Devoteam, etc.) convinced us that pricing has been improving (albeit slowly) and that utilization rates should remain particularly high. Moreover, there has been a surge in signings in December, which is traditionally a quiet month. That bodes well for 2011.

■ We reiterate our Buy ratings on **Capgemini, Atos Origin** and **Logica**.

Richard Nguyen (33) 1 42 13 54 22

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APPENDIX

COMPANIES MENTIONED

Atos Origin (ATOS.PA, Buy)
Capgemini (CAPP.PA, Buy)
Devoteam (DVTM.PA, Buy)
Infosys Technologies (INFY.OQ, Sell)
Logica (LOG.L, Buy)

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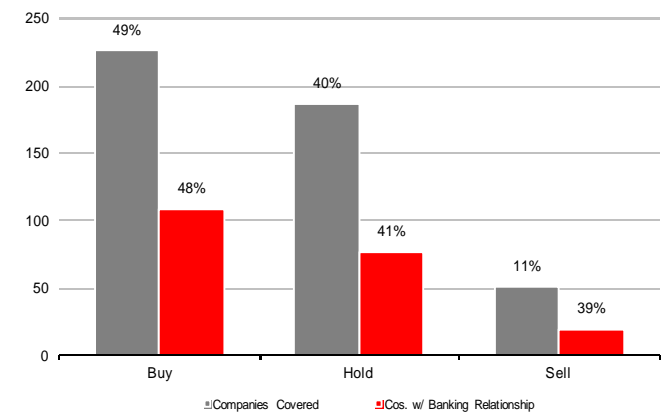
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Equity rating and dispersion relationship



Source: SG Cross Asset Research

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