France I 2020

DEVOTEAM - VENDOR PROFILE - FRANCE

SITSI I Vendor Analysis I Vendor Profile

TABLE OF CONTENTS

LIST OF FIGURES

DOCUMENT INFORMATION

Authors: Mélina Sève (mseve@teknowlogy.com)
Quality check: Vincent Malka (vmalka@teknowlogy.com)
Publication date: 25.03.2021
Modification date: 25.03.2021

Scope ID: France I 2020
Portfolio ID: SITSI I Vendor Analysis I Vendor Profile

COMPANY OVERVIEW AND PAC'S ANALYSIS

Company Overview and PAC's Analysis

COMPANY BACKGROUND	TOP CUSTOMERS
Devoteam is a French digital services provider specializing in IT, cyber security, cloud, and big data services and consulting, established in 1995 by Godefroy and Stanislas de Bentzmann. At the time of its creation, the company was focused on the telecom market, more specifically on the deregulation of the sector, where few players were active, and on the standardization of IP networks. These initial activities helped build the company's expertise in many technology domains, based on a service and consulting strategy, and established its presence in many European countries, as well as in Turkey, the United Arab Emirates, and North Africa. Listed since 1999, Devoteam is still a "family-run" company as the Bentzmann brothers still manage most of it. In 2008, Devoteam sold its telecom activities, which were its core business, accounting for 30% of its revenues at the time. This major shift was coupled with a three-year transformation period during which Devoteam refocused on the most strategic activities and on a dozen countries, compared to twenty before. Following its EAGLE strategic plan, designed to build a solid foundation for Devoteam in terms of growth and market presence, the Scale! plan, launched at the beginning of 2017, targets the SMACS (Social, Mobility, Analytics, Cloud, and Security) technologies as growth drivers for the company. The plan sets out several objectives, such as reaching €1bn in revenues by 2020, including €200 million from acquisitions, and bringing the SMACS contribution to total revenue to more than 70%.	**Manufacturing:** Solvay, ACOEM, Lafarge Holcim, Michelin, Bouygues, Sanofi, Vinci, Technicolor, Saint Gobain, Faurecia, Duracell **Banking & Insurance:** BNP Paribas, Société Générale, AXA, Carrefour Banque, Crédit Agricole, La Banque Postale, MACIF, April **Public Sector:** Pôle Emploi, Croix Rouge **Telecom:** Orange, Bouygues **Utilities:** Engie, EDF, Air Liquide, GRDF, Primagaz, Total, Alstom, Areva, Suez, Veolia Water **Retail & Wholesale:** Carrefour, Auchan, Casino, Fnac, Chanel, Clarins **Services & Consumers:** HPC Capital, La Française des Jeux, MyTF1, L'Appart Fitness, Gemalto, Publicis, Disneyland, Accor Hotel, Docaposte **Transport:** Airbus Group, SNCF, La Poste

COMPANY BACKGROUND	TOP CUSTOMERS
Devoteam also focuses its strategy on building strong partnerships with technology leaders such as Google, ServiceNow, and RedHat. In 2020, Devoteam had 7,600 employees, located in 18 countries, mostly in Europe and the Middle East, and generated revenues of €760 million, down -0.2% compared to 2019, which can be considered as a good performance in the 2020 context and compared to the rest of the market. The French market represented 44.5% of Devoteam's revenues in 2020, down one and half point from 2019 (46.2%). Except for its Central Europe unit, the French unit was the one with the worst growth (-3%) in 2020. In December 2020, Devoteam's founders bought back 80% of Devoteam's marketshares with the financial support of the private equity found KKR.	

POSITIONING & STRATEGY

Launched in 2017, Devoteam's current strategic plan, Scale! 2020, was designed to build on the growth, capacities, and innovations developed under the previous EAGLE plan.

Scale! sets two types of objectives. The qualitative ones are:

- guiding customers in their digital transformation by becoming SMACS experts (SMACS stands for Social, Mobility, Analytics, Cloud, and Security);
- improving agility and proximity by developing a multi-local presence;
- developing cloud platform ecosystems while growing next to the major players in the market, focusing on CIOs and helping them adapt to changes.

The quantitative objectives to achieve by 2020 are as follows:

- SMACS generating more than 70% of revenues (was achieved in 2019, with SMACS accounting for 76% of total revenues, according to Devoteam);
- achieving 7-10% annual organic growth;
- reaching €1bn in revenues, including €200 million from acquisitions;
- an operating margin above 10%;
- and a +/-5% cash flow as a percentage of revenue.

To reach these objectives, Devoteam intends to capitalize on its cloud expertise, combining it with DevOps methods to create business agility. It has also designed its portfolio around 7 key offerings: Transformation Management, Agile IT, Digital Workplace, Cybersecurity, Customer Experience, Business Process Excellence, and Data as a Service.

PAC’S OPINION

Devoteam remains a predominantly French player, compared to large international IT service companies such as Accenture, Capgemini, CGI, and Sopra Steria. Its heavy investments in disruptive technologies such as Kubernetes and DevOps methods, as well as its strategic partnerships, are likely to pay off and set it apart from competitors.

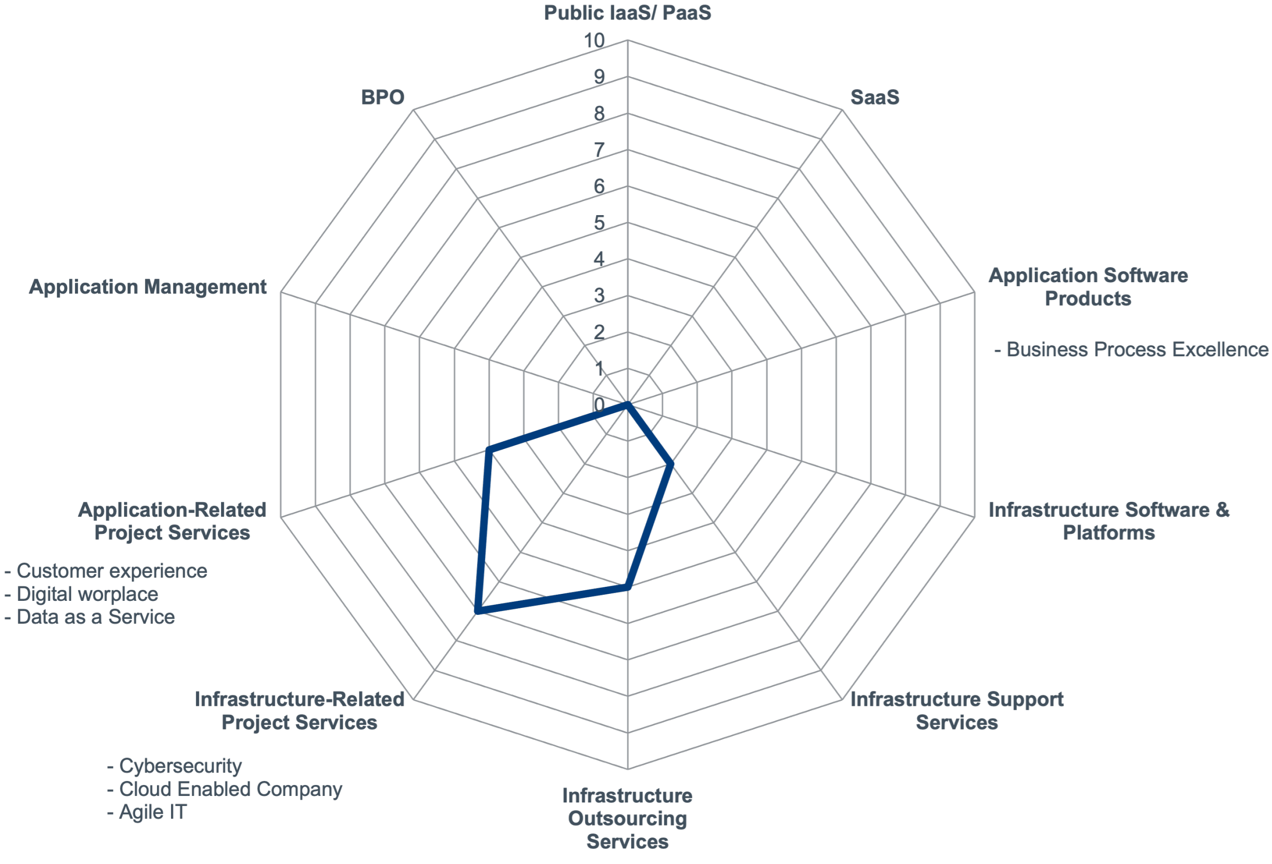
In PAC's view, Devoteam is a strong player in the French managed services market, with a promising development. The group has successfully identified and invested in key technologies such as containers and automation, and its positioning on the hyperscalers' offers will pay off as customers continue to adopt these solutions and need assistance with implementing and managing them. Many competitors have also strengthened their relationships with the hyperscalers, e.g. Atos and OBS recently, but Devoteam is taking it one step further by creating dedicated entities which reflect its expertise. Devoteam lacks the visibility of larger international players like Accenture and Capgemini, but on the French market, it can leverage its national identity to reassure its clients, as well as using it to win contracts in the public sector or with small and midsize companies that have growing needs. Its cyber security competencies also need to be strengthened as this topic has become one of the top concerns for customers.

POSITIONING & STRATEGY	PAC'S OPINION
To differentiate itself from competitors that are more inclined to massively invest in technologies to catch up with pure players, Devoteam chose a different approach by building partnerships with digital leaders in order to leverage their expertise and foster its cloud and DevOps transformation capabilities. These strategic partners include Google, RedHat, Microsoft, AWS, and ServiceNow. For the three hyperscalers, the strategy goes beyond mere partnerships, since dedicated brands or entities were created: • An AWS entity was created with the 2017 acquisition of D2SI. In April 2020, the entity was rebranded Devoteam Revolve to reflect the group's ambition to create an AWS expertise center present all over Europe, with the objective of having 600 certifications by 2023. • A dedicated Microsoft brand was created in November 2019, Devoteam M Cloud, pooling the group's 400 Microsoft experts, with the objective of rapidly entering the top 3 Microsoft pure players in France. • A dedicated Google entity, Devoteam G Cloud, with over 10 years of experience. With its expertise in G Suite, Google Cloud Platform, and Google Maps, and its status of Google Cloud Premier Partner, Devoteam G Cloud is well established as a Google Cloud pure player. Partnering with these players also helps Devoteam be involved with disruptive cloud technologies early on to gain expertise and be better equipped to help customers. More specifically, they help Devoteam strengthen its capacities in three key areas that the group has identified: • Agile IT with open organization and open source code, addressed through its partnership with RedHat; • Cyber security, addressed through its partnerships with ServiceNow and Forgerock; • Digital workplace, addressed through its partnerships with Google and Microsoft.	

POSITIONING & STRATEGY	PAC'S OPINION
Among these partnerships, Devoteam intends to specifically focus on those with Google, ServiceNow, and RedHat, which accounted for 15% of Devoteam's business in 2018. In 2020, the goal is to bring this figure to 25% of total organic growth. Despite its successful internationalization, Devoteam remains well anchored in the French market, with 8 of its top 10 clients (representing about 27% of its revenue) being French multinationals in 2020. The group remains dedicated to its home market and, in January 2021, acquired Ysance, a data and customer knowledge specialist, to expand its activities in France.	

PORTFOLIO ANALYSIS

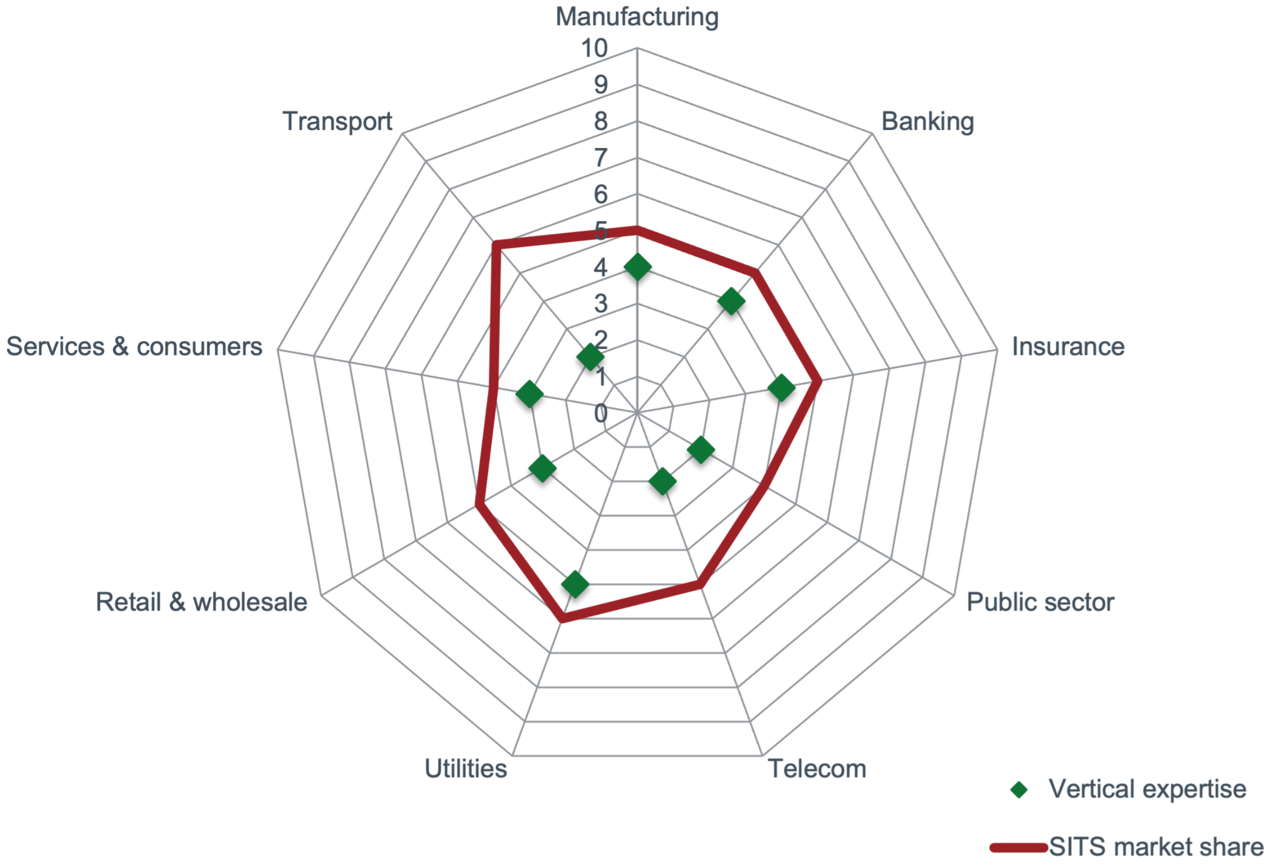
Analysis by Products & Services



Horizontal Expertise of Devoteam

Cross-sectoral assessment considering the market shares in the respective segments. Scale: 10 = > 10%, 9 = 7.5 to 10%, 8 = 5 to 7.5%, 7 = 2.5 to 5%, 6 = 1 to 2.5%, 5 = 0.5 to 1%, 4 = 0.25 to 0.5%, 3 = 0.1 to 0.25%, 2 = 0.05 to 0.1%, 1 = < 0.05%, empty space = company not present in the respective segment.

Analysis by Vertical Expertise



Vertical Expertise of Devoteam

Vertical Expertise: Sector-specific assessment considering individual solutions & resources. Scale: 9-10 = very strong sector-specific expertise, 7-8 = strong sector-specific expertise, 5-6 = medium sector-specific expertise, 3-4 = weak sector-specific expertise, 1-2 = cross-vertical expertise only, 0 = company not present in the respective segment.
SITS Market Share: Sector-specific assessment considering the SITS market shares in the respective sectors. Scale: 10 = > 10%, 9 = 7.5 to 10%, 8 = 5 to 7.5%, 7 = 2.5 to 5%, 6 = 1 to 2.5%, 5 = 0.5 to 1%, 4 = 0.25 to 0.5%, 3 = 0.1 to 0.25%, 2 = 0.05 to 0.1%, 1 = < 0.05%, empty space = company not present in the respective segment.

PERFORMANCE ANALYSIS

Breakdown of Local Revenue

Devoteam	Currency: EUR		Growth	USD
	FY ended Dec. 31, 2019	FY ended Dec. 31, 2020	FY19/20	FY ended Dec. 31, 2020
French revenue* (in millions)	352	342	-3%	390
Employees** - France	3,431	3,458	1%	3,458
Revenue per employee (in thousands)	103	99	-4%	113
French total SITS*** revenue (in millions)	341	331	-3%	378

*Local revenue refers to revenue with customers in the country; customers in the country include both national-headquartered companies and domestic subsidiaries of foreign companies

**Local employees refers to the total number of employees in the country; it includes both permanent employees serving customers in the country as well as offshore resources based in the country and serving customers abroad; however it excludes “landed offshore”, i.e. employees temporary based in the country

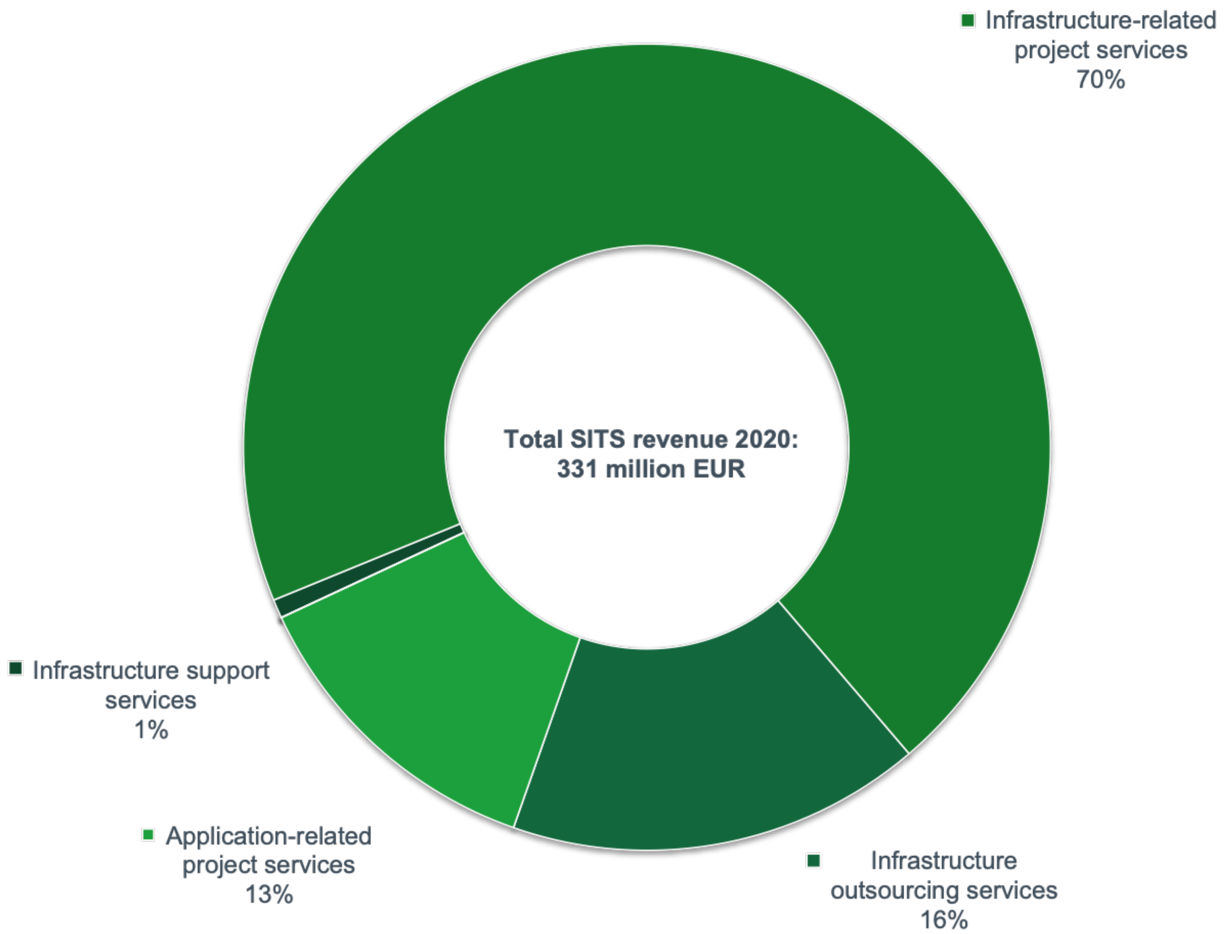
***comprising total software and total IT services

Exchange Rate: 1 EUR = 1.14128 USD

Local Revenue (PAC estimates)

Breakdown of Local SITS Revenue by Market Segments

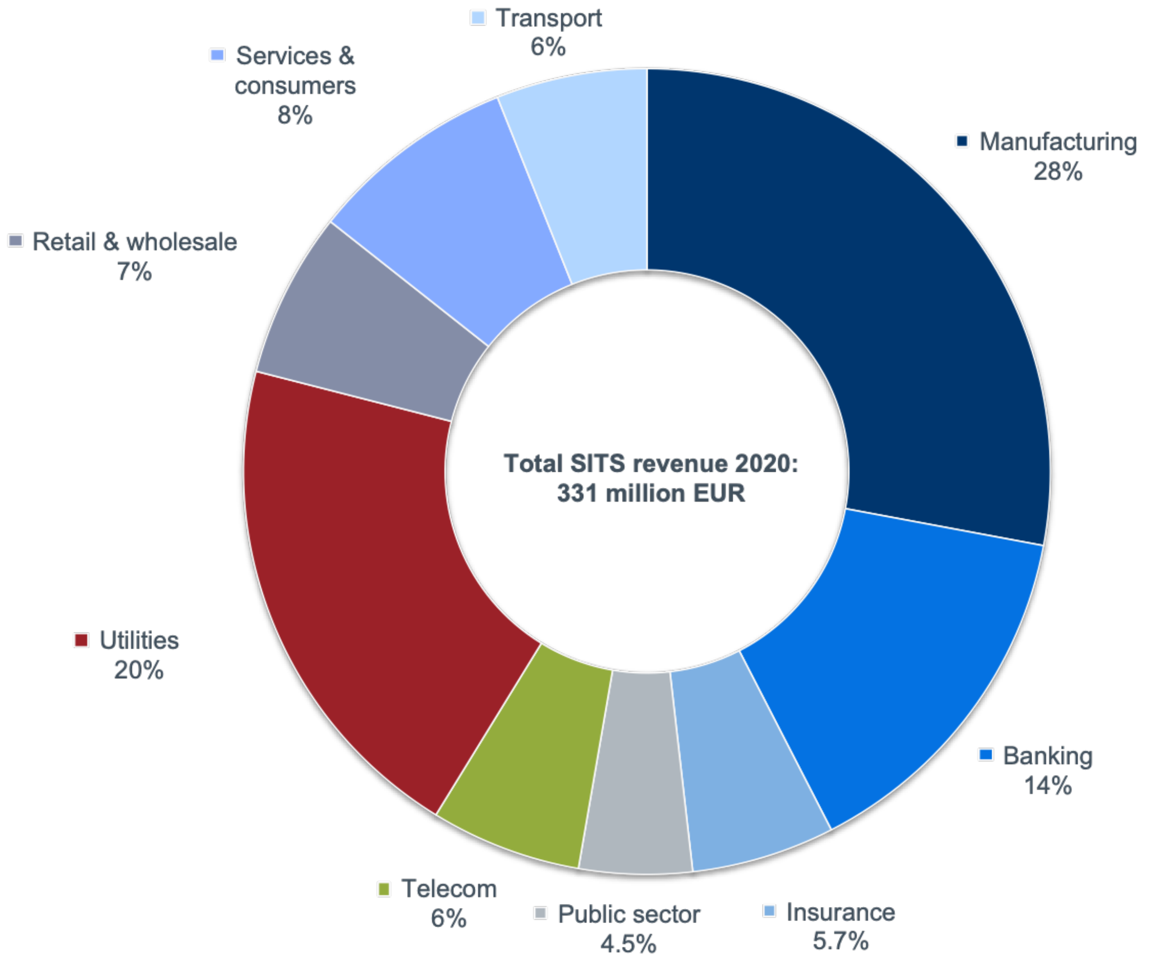
For detailed figures, please refer to the Company Figures file (Excel).



Total SITS Revenue by Segments - Shares (PAC estimates)

Breakdown of Local SITS Revenue by Vertical Sectors

For detailed figures, please refer to the Company Figures file (Excel).



Total SITS Revenue by Vertical Sectors - Shares (PAC estimates)

ABOUT TEKNOWLOGY GROUP

teknowlogy Group is your partner of choice for European focused IT market data, insights and advice. It brings together the expertise of two research and advisory firms, each with a strong history and local presence in the fragmented markets of Europe: CXP and PAC (Pierre Audoin Consultants).

We are a content-based company with strong consulting DNA. We are the preferred partner for European user companies to define IT strategy, govern teams and projects, and de-risk technology choices that drive successful business transformation.
We have a second-to-none understanding of market trends and IT users' expectations. We help software vendors and IT services companies better shape, execute and promote their own strategy in coherence with market needs and in anticipation of tomorrow's expectations.

Capitalizing on more than 40 years of experience, we operate out of seven countries with a network of 50 experts.

For more information, please visit www.teknowlogy.com and follow us on Twitter or LinkedIn.