France I 2021

SOPRA STERIA - VENDOR PROFILE - FRANCE

SITSI I Vendor Analysis I Vendor Profile

a teknowlogy group company

market research services

by PAC

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COMPANY OVERVIEW AND PAC'S ANALYSIS

Company Overview and PAC's Analysis

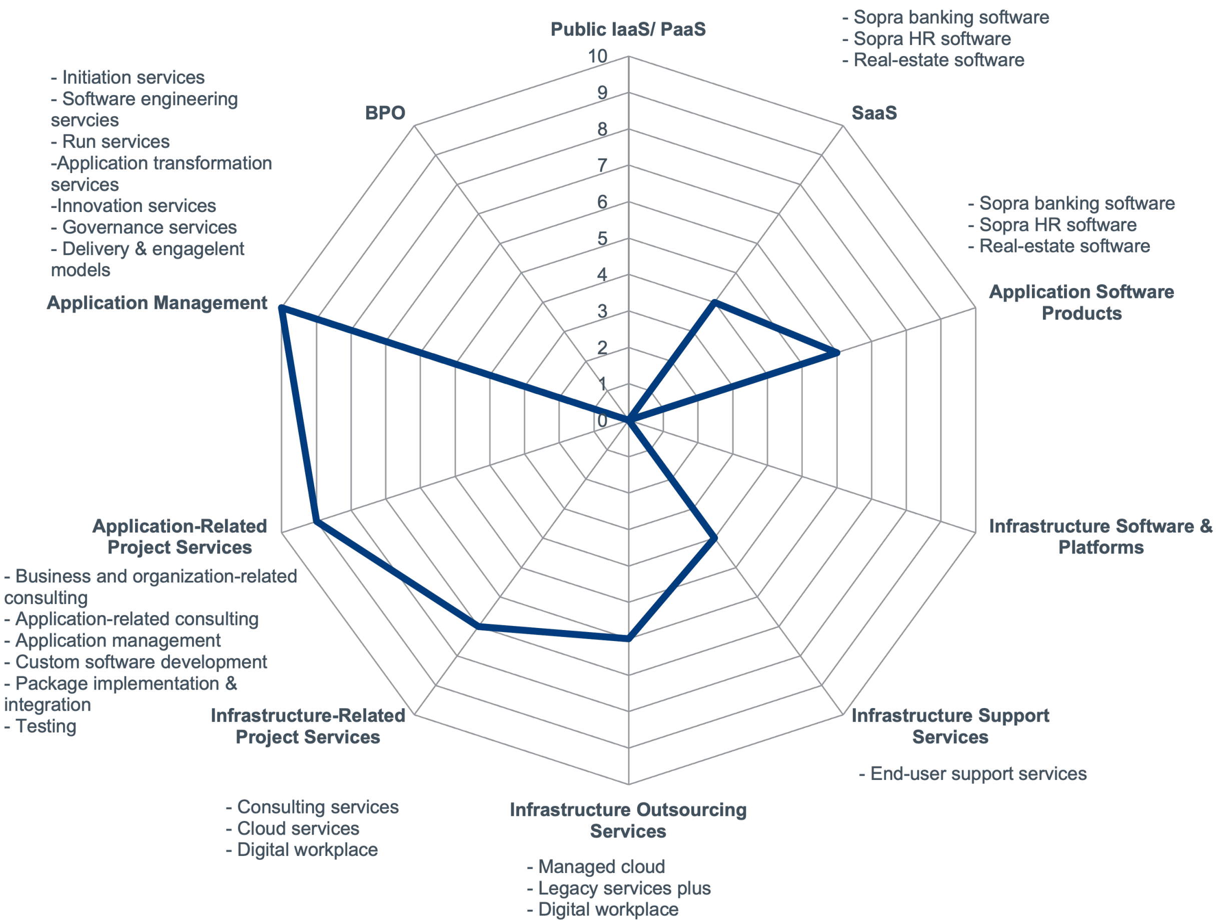
COMPANY BACKGROUND	TOP CUSTOMERS
Sopra Steria is a tier-1 player in IT services in France. The company is the result of the 2014 merger of two French digital services companies, Sopra and Steria, founded in 1968 and 1969, respectively, and characterized by a strong entrepreneurial spirit as well as a firm collective commitment to serving their clients. Through this merger, the group has reached a critical size in France in both the IT services and the software markets, strengthened its leadership position with its large French strategic accounts, enhanced its offshore capabilities, and tapped new opportunities (cross- and upselling). With more than half of its staff based outside France, and most of its revenues generated across Europe, Sopra Steria is definitely a European company. Sopra Steria has built a comprehensive portfolio that now ranges from consulting to outsourcing, including the provision of specialized software solutions (by vertical: banking, real estate; by function: HR). The banking solutions business is a key strategic asset and market driver.	Sopra Steria does business with all major companies in the French market. Some of its customers, by vertical sectors, are: - **Manufacturing**: Airbus, Dassault, Eurocopter, Safran Snecma, Thales, Renault, Sanofi, Pierre Fabre, etc. - **Banking**: Crédit Agricole, BNPP, Société Générale, La Poste - **Insurance**: Axa, Covea, BNP Cardif - **Public sector**: Ministries of Defense, Finance, Social Affairs, the Environment, Justice, the Interior; APHP, CNAM, RSI, Pôle Emploi, CNES, CNRS, URSAF, MSA - **Telecoms**: Orange, SFR, Bouygues Telecom - **Utilities**: EDF, Enel, Enedis, Engie, GRDF - **Retail**: Decathlon, Kiabi, Leroy Merlin, Auchan, Euromaster, Lacos - **Transport**: SNCF, Air France KLM, La Poste, Gefco, RATP - **Services (incl. media)**: Canal+, Fujitsu, etc.

POSITIONING & STRATEGY	PAC'S OPINION
The group aims to be one of the European leaders in digital transformation, supporting its customers on both the services and solutions sides. Sopra Steria has organized its business units by key vertical sectors so as to support its top customers on their digital journey. This enables the group to provide both services (consulting, system integration, infrastructure management, cyber security) and solutions (banking, HR, and property management) that fit its customers' specific vertical challenges and pain points. The group's aim is to be the benchmark partner for large public authorities as well as financial services and manufacturing players in the main countries in which it operates. To achieve this, Sopra Steria will continue to strengthen its key competitive advantages: • Business software solutions which, when combined with the group's full range of services, make its offering unique; • A position among the leaders in the financial services sector (core banking and specialist lenders), bolstered by the success of the Sopra Banking Software solutions. To this end, the firm has made targeted investments - with the most recent acquisitions including Sodifrance, a French digital services agency, with the goal of creating a French leader in digital services for insurance, banking, and social security providers; • Very close relationships with its clients, thanks to its roots in the regions where it operates and its ability to meet core business requirements without following the prescriptive approach favored by some global providers.	The group's brand image in innovative topics is fairly weak and should be strengthened. Sopra Steria has been stepping up its efforts in digital transformation by launching various initiatives and new partnerships on key topics such as AI & RPA, analytics, etc. Besides its traditional technology partners, Sopra Steria has formed partnerships with start-ups such as ForcePoint, ThreatIQ, Expert System, Starfinder, Uwinlog, tellmeplus, and CEA Tech, among others. Furthermore, Sopra Steria has disclosed that most of its growth has been driven by digital transformation-related projects and initiatives for various customers – Santander, Dassault Aviation, Orange, EWUB, French Ministry of Finance, Volkswagen, Statens vegvesen, Post Office, Airbus, Land Transport Authority, EDF, Bankia, GSK, Unieuro, Thales, etc. Sopra Steria benefits from a good brand image in terms of commitment and quality. It can rely on long-standing, close business relations with clients, fueled by proximity, innovation, operational reliability, and agility. It holds a strong position in all key vertical sectors, such as banking, manufacturing, public sector, telecoms, and utilities & energy. Also, the group is clearly able to compete with large international players such as Accenture, Capgemini, and CGI. The group was quick to understand that, in oder to engage with emerging business stakeholders and decision-makers, and to win broader transformation engagements, it is important to have a compelling consulting proposition. The firm's move to build out a consulting arm in Sopra Steria Next will provide it with the brains and brawn it needs to make headway in this highly competitive IT services market segment.

POSITIONING & STRATEGY	PAC'S OPINION
In terms of business development, Sopra Steria focuses on eight vertical priority markets, together accounting for almost 90% of the group's revenues: banking, public sector, aerospace/defense/security, energy and utilities, telecoms and media, transport, insurance, and retail. For each vertical market, the group has selected specific areas of business in which it aims to secure a leading position through high-value offerings. Digital transformation is a pillar of the Sopra Steria 2020 enterprise project. The group incentivizes internal creativity and is facilitating the emergence of new digital initiatives. In 2017, the group launched five technology streams at group level: Digital Interactions, Data Sciences, Smart Machines & AI, Blockchain, and IoT Automation. Each stream is supported by a "Technology Champion", who is in charge of accompanying not only customers, but also Sopra Steria's employees in these topics. Besides, Sopra Steria has nominated "Digital Champions" for each of its targeted key verticals. In 2019, the group summarized its mission in the motto “Together, building a positive future by making digital work for people”. It thus communicates its intention to help meet the sustainable development goals of its stakeholders, and society at large.	As aeronautics is the largest vertical sector of Sopra Steria in France (20% of its overall revenues in 2019), 2020 was very hard, as this vertical was severely hit by the Covid-19 crisis. As a result, revenues slumped in this vertical. However, Sopra Steria kept up its performance in other verticals, such as defense and the public sector, which mitigated the considerable impact to some extent. PLM activities (coming from the acquisition of an Airbus subsidiary in 2015) have suffered a lot because most business still is with Airbus. Sopra Steria is well-advised to develop this activity outside Airbus as quickly as possible, which has been neglected so far. Sopra Steria handled well the cyber attack it suffered in Q3 2020, both from a technical point of view (no customer data was corrupted or stolen) and from a communications point of view (notably through the ANSSI communication).

PORTFOLIO ANALYSIS

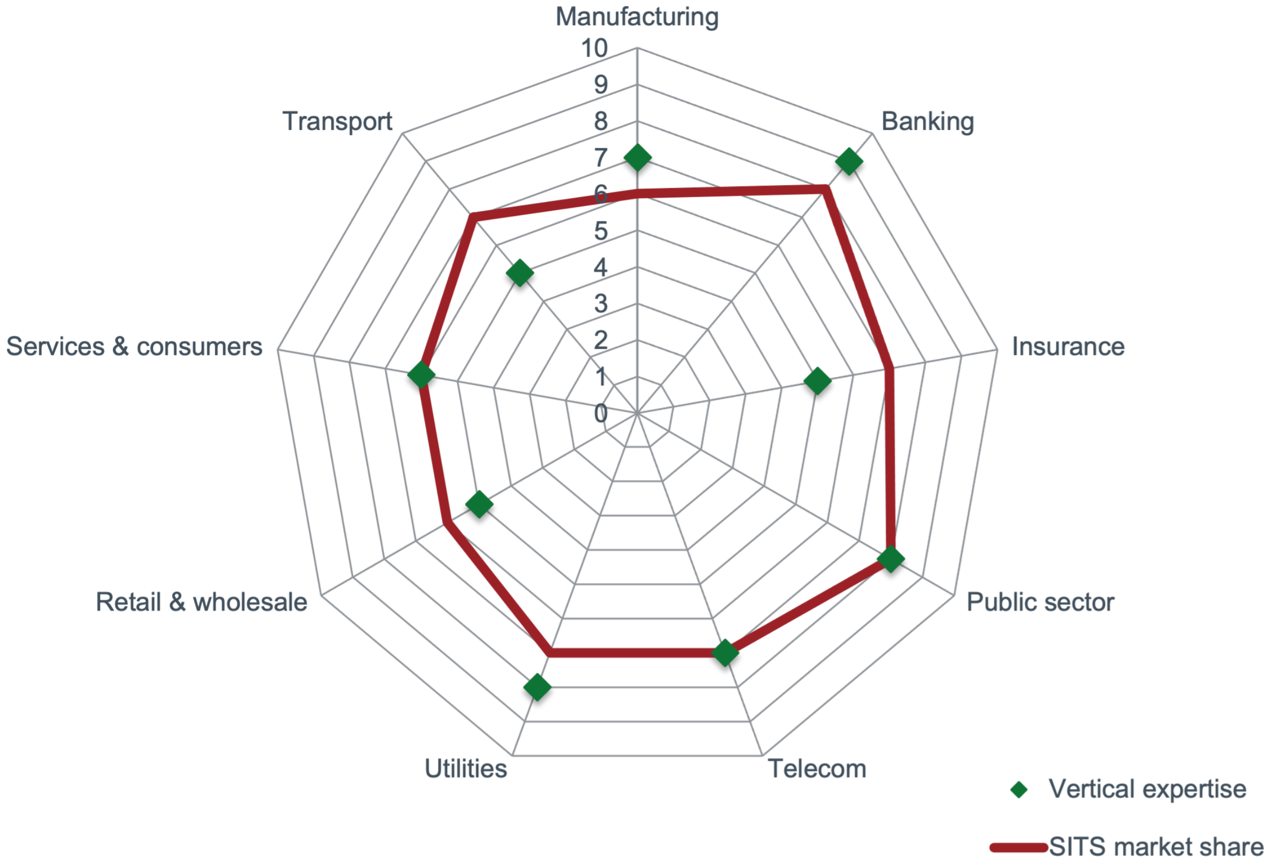
Analysis by Products & Services



Horizontal Expertise of Sopra Steria

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 Sopra Steria

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

Sopra Steria	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)	2,224	2,045	-8%	2,333
Employees** - France	19,513	19,549	0%	19,549
Revenue per employee (in thousands)	114	105	-8%	119
French total SITS*** revenue (in millions)	2,133	1,963	-8%	2,240

*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

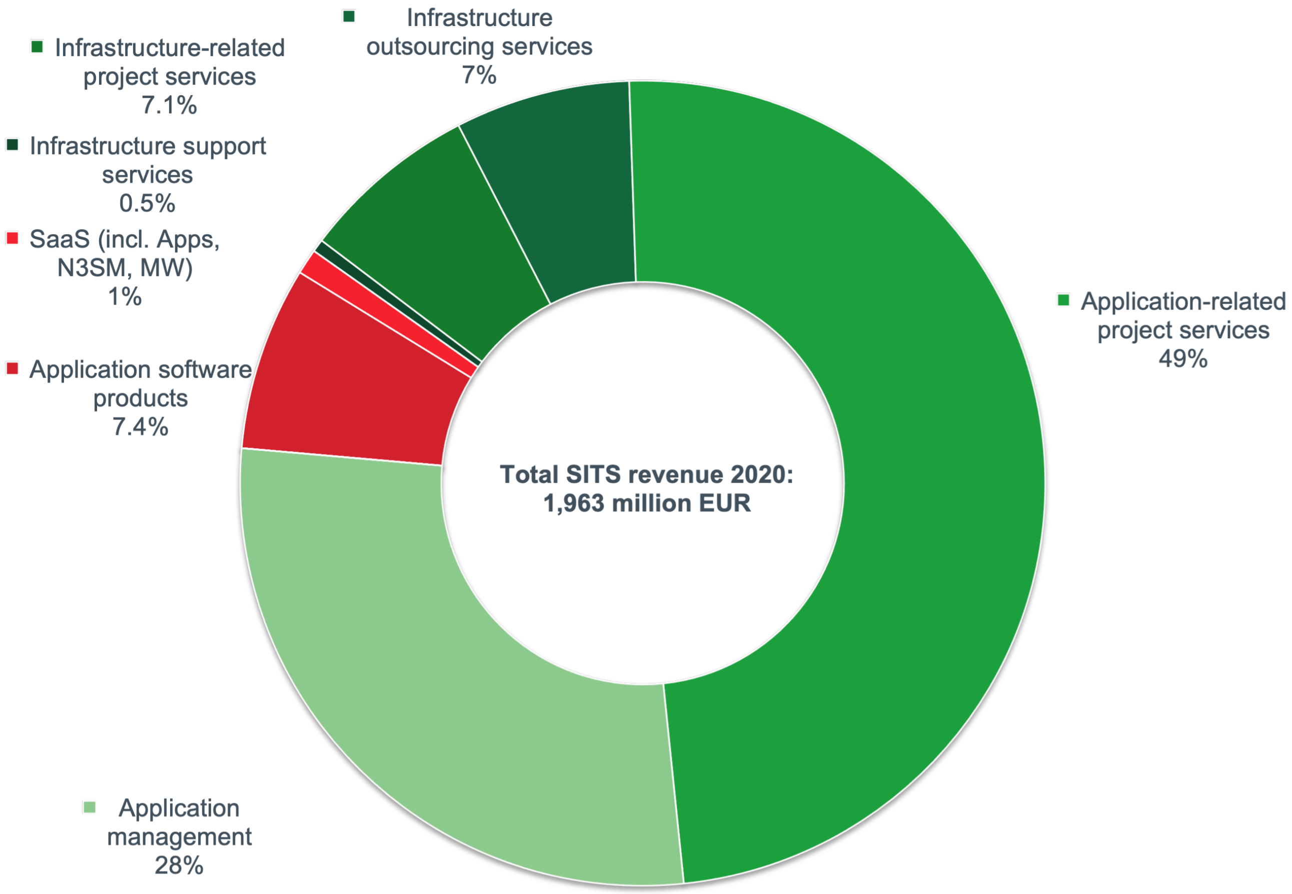
***comprising total software and total IT services

Exchange Rate: 1 EUR = 1.14128 USD

Local Revenue (PAC estimates)

Breakdown of Local SITS Revenue by Market Segments

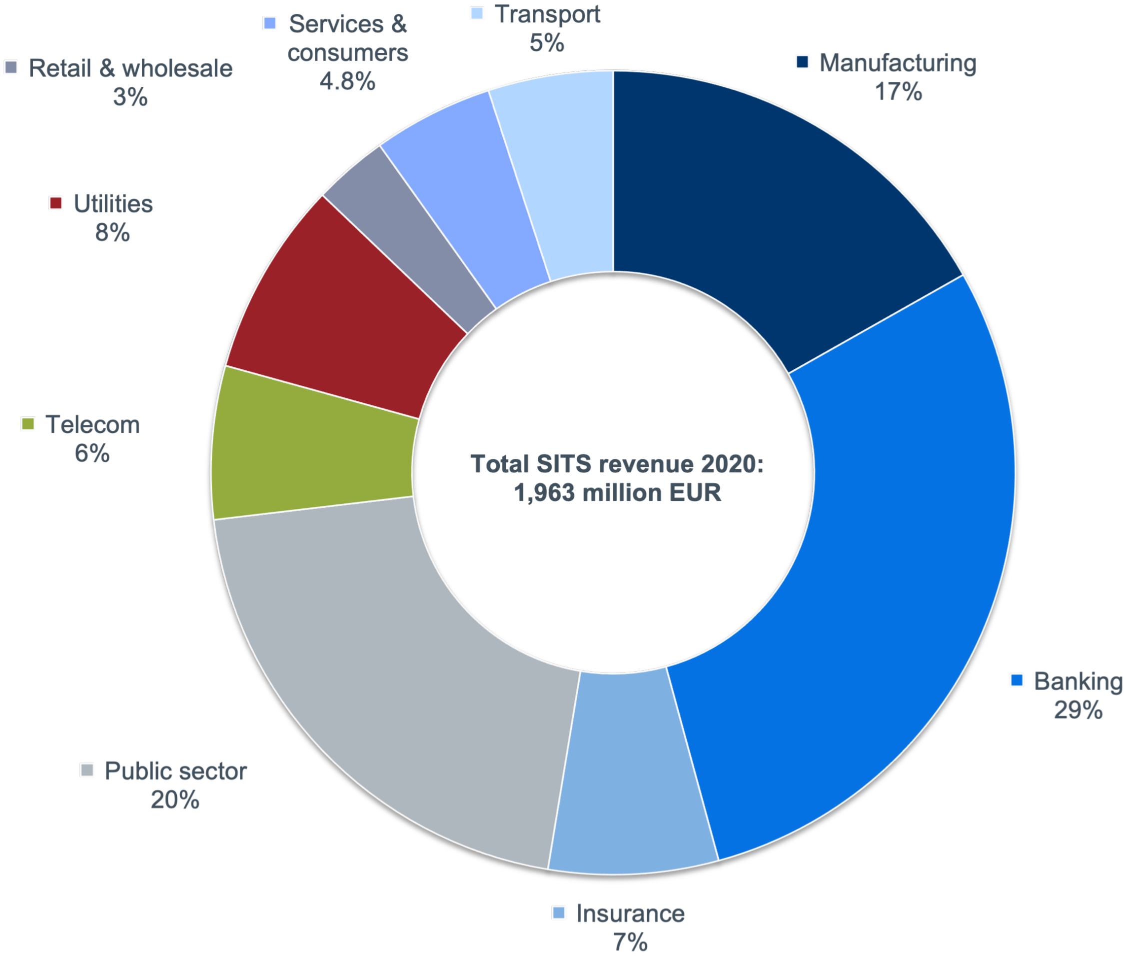
For detailed figures, please refer to the Company Figures file (Excel).



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.