

HEALTHCARE IT SERVICES Q4 (OCTOBER) 2016 UPDATE

M & A, Client Wins, Partnerships, Leadership announcements

This report is a round-up of healthcare sector updates from IT and IT services companies. The focus of the report is on M & A activity, customer wins, partnerships and new product initiatives, and leadership announcements.



TERMS USED IN THIS DOCUMENT

S.No	Term	Meaning
1	HLS	Healthcare and Life Sciences
2	OM	Operating margins
3	QoQ	Quarter on Quarter
4	YoY	Year on Year
5	CTS	CTS Technology Solutions
6	TCS	Tata Consultancy Services

KEY UPDATES

- 1 Indian IT majors TCS, Infosys, CTS, HCL and Wipro announced their results for the quarter ended September 30, 2016.

All three firms have indicated slower QoQ growth, however healthcare seems to have grown at a higher rate relative to the overall company growth.

Company	Total Revenue for Qtr (in USD MM)	HLS Revenue for Qtr (in USD MM)	Healthcare % Revenue	HLS Operating Margin	Healthcare % Revenue QoQ Growth	QoQ growth for company
Infosys	2587	312	12.06%	26.60%	4.35%	3.44%
Wipro	1916	307	16.00%	15.49%	4.30%	.90%
TCS	4374	332	7.60%	N.A	4.70%	0.30%
CTS*	N.A	N.A	N.A	N.A	N.A	N.A
HCL	1722	217	12.6%	N.A	8.20%	1.50%

*CTS quarterly results are expected to be announced in Nov 2016

- 2 CTS was in the spotlight for a self-reported investigation into possible violations of anti-corruption laws related to real estate transactions in the U.S. Long-time executive and President Gordon Coburn resigned abruptly and was replaced by Rajeev Mehta as the company's stock took a tumble.
- 3 HCL quarterly results indicate growth in Healthcare and Life sciences business at 8.2% which is more than 5 times the QoQ growth rate of company as a whole.
- 4 HCL Technologies announced the appointment of C. Vijayakumar as the President and Chief Executive Officer of the company. He will continue to be based in the USA, closer to clients and key technology partners further strengthening execution of HCL's growth strategy.
- 5 Infosys second quarter results indicated in the table show strong growth in Healthcare and Insurance which is expected to grow next quarter. Both these divisions have performed better than the company. Excerpts from the comments made by Mohit Joshi are covered in this report. Infosys has promoted at least half a dozen executives to the rank of executive vice-president (EVP), as it attempts to fill gaps in its senior leadership team following a string of exits since April this year.
- 6 In an unexpected move, Cyrus Mistry was ousted as the group Chairman from the Board of Tata Sons (holding company that controls TCS). N. Chandrasekaran, MD and CEO of TCS, was inducted as additional director to Board of Tata Sons.
- 7 Wipro signed a definitive agreement to acquire Appirio, a global cloud services company for USD 500 Million.

ACCENTURE

- 1 Accenture's annual results for the period ending August 31, 2016 indicated a record year all around, including the healthcare business which grew in double digits.
- 2 Accenture has hired Brigitte Gwyn as a managing director of government relations, effective November 7, 2016. Gwyn will be responsible for the company's government relations activities in North America as well as key growth markets, including Latin America. In this role, she will help strategically position the company, build deep relationships in government and effectively advocate for public policy outcomes.
- 3 Accenture has become the first Salesforce alliance partner to reach 1,000 Service Cloud certifications in the industry, a testament to its investment in building deep specialist skills in the Salesforce ecosystem. Accenture which was one of the first global companies to establish a strategic alliance partnership with Salesforce, today has leading capabilities in Salesforce, with more than 8,100 Salesforce skilled professionals.

CTS

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- 2 CTS faces a lawsuit which seeks to gain class-action status for investor Shane R. Park and hundreds or thousands of other investors who bought shares between February 25, 2016 and September 30, 2016. Rosen Law Firm, a global investor rights law firm in the US, has filed this lawsuit and seeks to recover damages for CTS investors under federal securities laws.

HCL

- 1 Healthcare and life sciences business has grown at 8.2% which is more than 5 times the QoQ growth rate of company as a whole.
- 2 Key healthcare win reported in Infrastructure services- "A leading American diabetic care medical devices & solutions provider chose HCL to transform, build, host, migrate and operate greenfield IT infrastructure as well as applications migration and transformation.
- 3 HCL Tech was in the news for its recent \$ 50 million deal win at UC San Francisco (UCSF). Computerworld reported on possible conflicts of interest related to the deal arising from one of HCL's board members who currently holds the position of Dean of the Engineering School at UC Berkeley. The UCSF deal covers all UC campuses and can be leveraged by any of the entities.
- 4 FY'17 Revenues are expected to grow between 12% to 14% in constant currency terms. The above constant currency guidance translates to 11.0% to 13.0% in USD terms based on September 30th 2016 rates.

- 1 After the second quarter results were announced, Mohit Joshi, President of Infosys provided the following commentary on Healthcare & Life Sciences

66 *Healthcare, we have done exceedingly well. We had double-digit quarter-on-quarter growth rate and again in healthcare as well, growth is backed by very strong new client acquisition, a huge amount of interest in our clients and our on our innovation and automation agenda. In healthcare, we've seeing significant opportunities in care management, Medicare, Medicaid expansion, international expansion, and obviously compliance. So, we have a very strong team and a strong client franchise in healthcare, which is also reacting very well to some of the things that Sandeep spoke about in terms of the robotic process automation in terms of AI. Life Sciences is a business where if you recollect in Q1, we've spoken about a very large consulting-led program coming to an end and we had a little bit of an overhang of that in this quarter as well. We are seeing some amount of insourcing by some of our key clients, but again, and there is a spend in this industry itself which is challenged, but again life sciences over the past two years has been one of our highest-performing businesses with strong double-digit growth in both the years. Again a strong client franchise, so I do expect that in the next half year, this will perform well above industry average 99.*

Mohit Joshi, President of Infosys

- 2 Infosys expects to fine tune its M&A strategy according to CEO UB Pravin Rao where the company will use deal making to buy domain expertise or expand geographic footprint. Acquisitions in near term will look for technology and platforms, while in medium to long term acquisitions Infosys will look to fill gaps in businesses and geographies.
- 3 With the recent round of leadership changes Deepak Padaki is Head of Mergers and Acquisitions, Narsimha Rao Mannepilli is Head of Cloud, Infrastructure and Security (CIS), Koushik R.N is Head of Procurement and Ritika Suri who is CEO Vishal Sikka's former SAP colleague is Head of Large Deal teams. All of them were Senior Vice Presidents prior to this appointment.

TCS

- 1 As indicated in table above, Share of digital in total revenue has increased 52.2% YoY. Digital constitutes 13.8% of revenue.
- 2 Growth of healthcare has been robust and higher than that of the company. TCS announced 5 key wins in healthcare business across the world involving Big Data and cloud architecture.
 - A US based large Health Insurer selected TCS as a Strategic Partner to manage maintenance and production operations for its applications across the value chain including Digital, Wellness, Sales, Services and Enterprise data.
 - Selected by an European pharmaceutical company to create a Health Patch integration app linked to the cloud for instant analysis of a patients vital signs.
 - Engaged by a North American pharmaceutical company to analyze the performance of their supplier distribution process using Big Data technologies.
 - Selected by a European pharmaceutical company for a consulting engagement to revamp user experience and design of its unified portal.
 - Chosen by a UK based pharmaceutical company as a strategic consultant to create roadmap and architecture for its R&D unit using Master Data Management and Big Data technologies.

WIPRO

- 1 As indicated by the table Wipro's Healthcare margin at 15.50% is lower than company margin at 17.8%.
- 2 Wipro's second quarter results showed growth in IT Services Segment Revenue delivering at the top end of their guidance range. Third quarter forecast is expected to be 0-2% growth.
- 3 Wipro announced that it has signed a definitive agreement to acquire Appirio, a global cloud services company that creates next generation worker and customer experiences. Appirio established in 2006 is headquartered in Indianapolis with offices worldwide having 1250 employees. Appirio also brings Topcoder, a leading crowdsourcing marketplace connecting over a million designers, developers and data scientists around the world with customers.

OTHERS

- 1 **Persistent Systems** reported a second quarter revenue growth of 26.8% YOY. Jacqueline White was appointed Chief Customer Officer. Ms. White is responsible for all aspects of customer satisfaction and success. Persistent also announced a partnership with a team of scientists from Indiana University's School of Informatics and Computing to foray into the world of clinical trials and to develop sophisticated algorithms to analyze the connection between medicine and social behavior in health issues.
- 2 **Sutherland Global Services** acquires big data analytics firm Nuevora a leading top 10 big data analytics firm. This move advances Sutherland's big data capabilities and strengthens its Digital Practice Division to further address the fundamental challenge companies' face in trying to translate massive amounts of customer data into immediately useful action.
- 3 M & A activity in the IT services space included the **acquisition of Anthelio by French company Atos**. Along with the earlier acquisition of Xerox's services business, which contributed \$ 250 M in healthcare revenues, Anthelio's \$ 200 M in healthcare revenues puts Atos in the tier 1 category of healthcare IT services firms in the U.S.

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ABOUT DAMO CONSULTING

Damo Consulting is a Chicago-based management consulting firm that works exclusively in healthcare. Our clients include healthcare enterprises and technology firms. We provide growth strategy consulting, market intelligence and digital marketing solutions.

USA

One Lincoln Center, 18W140 Butterfield Road
Oakbrook Terrace Suite 1500
Oak Brook, Illinois, 60181

Phone: (630) 613-7200

INDIA

Mariam Center, 7M - 302,
2nd Floor, HRBR Layout,
Bangalore - 560 043

Phone: +91 8064051999

Email: info@damoconsulting.net | Website: www.damoconsulting.net

