



# Engineering Service Providers & ISVs

## Q2 2021 Analysis

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# Agenda

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## Q2 2021 Analysis

- Indian Engineering Service Providers
- European Engineering Service Providers
- Global Engineering ISVs

# Revenue and growth of Indian Engineering Service Providers in Q2 2021



Q2 2021			
Service Provider	Q2 Revenue (Million)	YoY Growth	QoQ Growth
Persistent	USD 167	27.3%	9.2%
HCL ERS	USD 417	10.7%	4.3%
LTTS	USD 206	20%	4%
Cyient	USD 143.5	9.9%	-4.2%
Tata Elxsi	INR 5758	39.1%	9.6%
KPIT	USD 77.21	18.3%	3.7%

Note: TCS, Wipro, Infosys, Tech Mahindra, QuEST Global, Tata Technologies, Cognizant, and Global Logic will also make in the list of India-centric ESP with quarterly revenue > USD 50 Million. Their financial details of engineering business are not available.

# Summary of engineering services landscape for Indian providers



Summary of Indian engineering service providers' industry wise growth trends based on second quarter of FY 2021 and discussion with stakeholders.

- The YoY revenue growth is significantly higher due to the lower base effect of the last year. The QoQ growth also looks good except Cyient. Though Cyient registered positive QoQ growth in Transportation, Communications and Utilities, it witnessed a de-growth of 20% QoQ in DLM business. According to Cyient, this is seasonal and foresee good growth ahead with a strong order pipeline coupled with an order backlog.
- Persistent and Tata Elxsi are the consistent top performers for the last few quarters and they both clocked high single digit growth in Q2. Tata Elxsi has won automotive deals with both OEMs and suppliers in the areas of EV and autonomous technologies, healthcare deals in digital health, media & entertainment deals in OTT and video platform development. For Persistent, the highest growth is observed in Healthcare & Life Sciences followed by Software, Hi-Tech and Emerging Industries. Its large client accounts count (\$5M+ in annual revenue) has also increased from 17 to 23.

## Bottom Line:

The overall engineering services landscape looks promising. We expect in the coming quarters YoY growth will continue be in double digit.

# Agenda

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# Revenue and growth of European Engineering Service Providers in Q2 2021



Service Provider	Q2 2021		
	Q2 Revenue (Million)	YoY Growth	QoQ Growth
EPAM	USD 881.4	39.4%	12.9%
AFRY (ÅF Pöyry)	SEK 2467	16%	7%
TietoEVRY	EUR 36	6%	-3%
Etteplan	EUR 75	19.3%	3%
SII Group	EUR 186.16	26.3%	1%
Semcon	SEK 445.2	11%	7%
Alten	EUR 714.2	30%	3%
Bertrandt	EUR 214.2	4%	-0.4%
Sogclair	EUR 30.4	19%	6%

Revenue calculation: Alten, AKKA, EDAG, EPAM, Etteplan, Semcon, and Sogclair - Entire enterprise revenue; TietoEvry - Product Development Services; AFRY - Industrial & Digital solution and Digital Process Industries

# Summary of engineering services landscape for European providers



Summary of engineering service providers' industry wise growth trends based on results and discussion with stakeholders.

- Since COVID-19, this is the first quarter in which all the providers have registered positive YoY growth. The more software-focused vendor like EPAM has outgrown the competitions.
- Only Bertrandt and TietoEVRY have registered negative QoQ growth. But for both the companies the difference in revenue (in absolute number) between the immediate quarters are quite small.
- Sogclair which is primarily dependent on automobile and aerospace and suffered significant degrowth in the last few quarters has returned back to growth, which is a good sign
- Alten also registered growth in both France and international markets. It believes that the growth momentum will be back in the second quarter

## Bottom Line:

European providers have observed a slow recovery path but we believe the recovery is complete now with positive YoY growth for all the providers. In the coming quarters, we believe that the YoY growth will remain positive for all the providers but there can be some blips in QoQ growth for some of the providers.

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# Revenue and growth of Engineering ISVs in Q2 2021



Q2 2021			
Service Provider	Q2 Revenue (Million)	YoY Growth	QoQ Growth
Dassault Systèmes	EUR 1160.8	9%	-1%
Siemens Digital Software	EUR 1025	-3%	-6%
Autodesk	USD 1059.7	16%	7%
Hexagon AB	EUR 1075.6	20%	10%
Ansys	USD 446.7	16%	23%
PTC	USD 436	24%	-6%

Note: Engineering ISVs (CAD, CAE, PLM, MES) which have annual revenue > USD 1 Billion. AVEVA after OSISoft acquisition will also cross \$1 Billion in revenue.

# Summary of engineering ISV landscape



- Majority of the ISVs (except Siemens and PTC) have registered high double-digit YoY growth. In Digital Software segment, Siemens reported that it has observed highest growth in China and Europe regions. But the demand for electronic design automation software has fall over the last few quarters. PTC observed very high revenue growth in the last quarter, so the QoQ growth is negative in this quarter but we believe that the revenue is in the line. PTC's R&D investment has also been increasing over five quarters which shows its commitment.
- Hexagon mentioned that it has observed weak growth in Eastern Asia. In North America, its growth is fueled by surveying, infrastructure, construction and manufacturing sectors but power & energy and defense sectors lacked momentum.
- Ansys has a stellar quarter with 70% QoQ growth in Q1 and the rally continues with 23% QoQ growth in this quarter. As mentioned earlier, the reason for this robust performance due to strong product uptake, leveraging M&A, and strategic R&D investment among others

## Bottom Line:

ISV revenue growth has been quite steady in the post pandemic world. The consistent high YoY growth shows the overall recovery of the engineering sector.

# Thank you

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