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Financial Data	Year	2011	2010	2009
Price: \$10.50 (11/23/12)	Total Revenue	\$1,062,204	\$93,973	\$81,404
52 Week Range: \$9.01 - \$13.88	Cost of Revenue	\$41,364	\$40,008	\$27,794
Market Capitalization: \$1.39B	Operating Income	\$104,172	\$63,898	\$40,420
BETA: 1.05	Net Income (Loss)	\$73,618	\$43,805	\$88,126
P/E: 20.28				
Profit Margin: 6.62%				

Key Points
Many investors think of Sapient as "stuck," unable to reach the next level of growth. For one, projected demand for consulting services is anything but astounding. Furthermore, Sapient, for the past decade, seems to have not elicited any clear competitive advantages: it's not as prestigious as consultancies such as McKinsey or cheap as companies like Cognizant. However, in the past few years, Sapient involved itself with industries poised for massive growth. Furthermore, recent internal innovations and effective synergy methods have allowed Sapient to develop razor-sharp competitive differentiation in each of its three branches: Nitro, Government Services, and Global Markets.

Sapient Nitro: Marketing Industry Growth
 Sapient Nitro comprises approximately 68% of total Sapient revenue and functions as a technology-based marketing agency. The firm, unlike many of its competitors, has put in a high energy focus on new generation outlets such as web, social media, mobile, and tablet marketing, all of which are growing at extremely voracious rates: web, social media, and mobile marketing are projected to grow 17%, 26%, and 38% annually for the next four years and be \$76.6 billion, \$4.9 billion, and \$8.2 billion industries by year 2016, respectively. (Forrester Research) The tablet industry also demonstrates considerable expansion: 29% of US adults own tablets- just three years ago only 2% of adults had tablets. The rising prominence of these new generation marketing outlets will not only place financial difficulty on standard advertising agency that utilize traditional advertising outlets-newspapers, billboards, posters etc.- but also create great opportunities for Sapient, which has already developed expertise in marketing through these new outlets.

Sapient Nitro: Deep Economic Moat
 Nitro's competitive edge lies within two central principles: idea engineering and interactive marketing. Interestingly, Sapient has stopped calling classifying its work as consulting but rather idea engineering. To fully explain the concept of idea engineering, the events that have transpired over the last 4 years must first be explained. Prior to 2009, Sapient acted as a traditional IT company, rather than a marketing company, specializing in web applications and e-commerce: the firm focused purely on IT implementation. However, in June 2009 Sapient acquired Nitro Group- a strategic ad-agency- which revolutionized the firm into an entity more powerful than either a strategic consultancy or IT company. Strategic consultancies, such as McKinsey, merely provide marketing recommendations to their clients and are not involved with implementation. On the other hand, IT companies only focus on implementation. Sapient, after the acquisition of Nitro, has been able to boast the service of idea engineering: just as engineers both design and build their creations, the firm can provide marketing plans to its clients and then actually implement the plan it created. Ian Maskell, a Global Development Director of Unilever, accurately frames Sapient's capability: "Many agencies can come up with the 'big idea,' but few can bring them to life like SapientNitro can." Because Sapient has strategic and execution capabilities, the firm simplifies operations and reduces costs for its clients that would otherwise have to hire multiple companies to carry out a marketing project. In addition, idea engineering significantly ups the quality of planning and execution. Sapient recommends pragmatic and cost-effective solutions because of its implementation expertise. Furthermore, Sapient' applies plans smoothly and accurately because it was the devisor of the plan. Idea engineering demonstrates a more holistic approach business problem solving that makes habitual consulting and IT services seem almost unnatural.

Sapient's second advantage lies within the promotion of an interactive marketing experience, a huge step away from traditional advertising methods. The established advertising practice has always focused on spreading a compelling message to a targeted audience. However, this method of advertising promotes a one-sided interaction between consumer and consumer, where the company does all the talking and the consumer is left unengaged. On the other hand, interactive marketing encourages deep consumer participation within marketing campaigns by providing interactive features within architected marketing tools. For example, Foot Locker came to Sapient wanting to create more "buzz" about Foot Locker's products. Sapient proceeded to engineer an interactive marketing campaign by establishing a massive shoe coloring competition. The campaign heeded amazing results: over 6,000 people submitted a shoe design and approximately 1.4 million people "liked" the coloring competition on Facebook- McKinsey and Comapany's Facebook page only has 36,000 "likes." By seeking the involvement of the targeted audience in designed marketing experiences, Sapient elicits higher levels of engagement and recollection out of consumers.

Since the establishment of its newly bolstered competitive advantages in 2009, Sapient has experienced an average annual growth rate of 30%. With industry trends optimistic and constant innovation from Sapient, Nitro faces the opportunity to maintain and even improve its rapid development.

Sapient Government Services: Government Penetration Strategy and Nitro Synergy
 The past two years, Sapient has made key moves that open up the possibility for substantial revenue streams from their government services sector, which makes up approximately 5% of total revenue. These moves consist of winning contract vehicles to penetrate the government market, leveraging Nitro and hiring experienced management.

For three years, Government Services has experienced only modest growth, 8% CAGR. However, this is because the government penetration strategy- focusing on winning contracting vehicles rather than contracts themselves- sacrificing present sales for bigger, future profits. Contract vehicles open up worlds of opportunities for increasing sales to the government. When government institutions require the need of private sector services, they post performance of work statements (PWSs) on public forums, such as FedBizOpps.gov. Winning government contracts posted on these public forums is extremely difficult because any company is allowed to submit proposals to these contracts. However, there exists an enormous portion of contracts only available to certain companies that hold contract vehicles. Therefore, holding contract vehicles allow companies to gain access to a massive pool of lucrative contracts without having to face the intense competition that exist for contracts open to the public. Gaining contract vehicles is difficult, but Sapient has taken great strides within the past four years to win a number of vehicles including GSA MOBIS, IT70, AIMS, and CDC IMS IDQ. Contract vehicles do not directly lead to revenues thus explaining why Government Services has experienced only solid, not great, growth. However, increased revenue streams will eventually follow the winning of these vehicles, which endow Sapient with more rewarding contracts, specifically with the GSA and the Center for Disease Prevention.

Internal developments also illustrate a brighter future for government services. The growing prominence of web, social media, mobile, and tablet outlets and the government is way behind on using these new generation outlets create prospects for widespread sales to the government. Even better, Government Services will be able to apply idea engineering and interactive marketing from Nitro to government projects. Smoothing out the transition from private to public sector, Sapient has hired new management experienced in public sector affairs. According to Sapient Technology Consultant Michael Santamaria, Sapient hired a new "VP to head the division in 2010 that had experience growing Booz Allen into the government contracting behemoth that it is today." The hiring of the Booz Allen manager corresponds with the winning of recent contract vehicles.

The absorption of contract vehicles, Nitro success, and management foreshadow intense, future improvement for Government Services.

Sapient Global Markets: Implications of Big Data

The continual evolution of established markets in addition to the rapid emergence of developing markets have led to bigger and bigger data within capital and commodities markets which creates demand for Sapient's data management, analytics, risk management, and regulatory reporting IT infrastructures. Big data refers to the colossal accumulation of data related and applies to capital and commodities markets fittingly. Global capital markets have been growing at an exponential rate being worth roughly \$18 trillion in 1990 to a tremendous \$52 trillion in 2008. (NEBR). Additionally, commodities markets have also achieved high levels of growth: energy, agriculture, base metals, and precious metals asset trading, in the US, has increased 100% since 2005 and are now worth a combined \$500 billion. As these markets grow, so does the data: asset prices, ratios, and volumes must all be processed and analyzed. Which institutions will process and analyze this big data? Ironically, definitely not the financial institutions that need these data the most. In fact, the state of technology at many financial institutions is quite shoddy: according to CitiBank QMAP Abinhav Agrawal, the IT power of many financial institutions is very weak and cannot hope to process such big amounts of data. Agrawal also elaborates that because it would take a such a substantial investment in IT to get technologies up-to-date, many institutions simply resort to outsourcing analytics duties to other companies, such as Sapient. As capital and commodities markets inevitably grow, the potential clientele pool for Sapient only expands.

Specific to Sapient, Global Markets holds two key advantages in policy know-how and Nitro leverage. Automated regulatory reporting encompasses a considerable portion of Sapient's offered services. Resulting from the 2007 financial crisis, capital and commodities markets have been loaded with new regulatory tools: Dodd-Frank, the European Market Infrastructure Regulation, Regulation on Energy Market Integrity and Transparency, and the creation of the Financial Stability Board. The aspects of all these policy measures are extremely nuanced and complicated to each specific market. By focusing only on capital and commodities markets and with help from the Government Services sector, Sapient has developed an understanding of current legislation that its competitors, which service many different markets besides just capital and commodities and lack government sectors, could not easily achieve. This understanding of legislation enhances the accuracy and efficiency of Sapient's regulatory reporting standards. In addition to using Government Services, Global Markets also creates synergies with Nitro in the form of data-visualization. Data-visualization promotes the concept of illustrating statistics-graphs, charts, infographics etc.- rather than using pure numbers and tables to display data trends. Data-visualization elicits precious benefits: according to a 2012 brain mapping study published in the Journal of Neuro-Physiology, "information delivered to the brain via pictures is understood faster, recalled more accurately, retained longer, and in greater detail than any configuration of words, numbers, music, or sounds." Even though the benefits of data-visualization are clear, many IT companies do not try or attempt data-visualization unsuccessfully because IT companies hire mathematically and statistically oriented employees that thrive in a data-analysis environment, not necessarily a GUI or creative environment. However, Global Markets delivers exceptional data-visualization because Global Markets often relies on creatively-minded Nitro personnel to help design IT systems and reports that are user-friendly, clear, and elegantly beautiful.

The 20% annual growth experienced by Global Markets for three consecutive years demonstrates Global Markets' success.

Insider Selling

In 2009, insiders purchased a net amount of 463,124 shares of Sapient. Management and DCF valuation are evaluated in more detail in exhibits.

Misperception

The strongest misperception of Sapient lies within the idea that the company remains "stuck" as a mid-sized player in the consulting market, and the company had truly been "stuck" for many years. During the dotcom boom of the early 2000s, Sapient excited many investors. Sapient elicited much attention because it was one of the first IT companies to master web applications: its stock price shot up to \$70 dollars. However, as web application expertise became commonplace amongst IT consultancies, Sapient lost its competitive edge, and its stock price plummeted to around \$8, where the it has stayed for nearly a decade. Because the stock price has stayed the same for so long, many investors have stopped paying attention to Sapient. In fact, many investors, unbeknownst to recent developments, look at Sapient's 20 year record and classify the company as an old, established player that focuses on traditional IT methods- many investors think that Sapient's main platform is still web applications. However, since 2006 with the installment of CEO Alan J. Herrick, Sapient has looked towards young, innovative talent: many executives are only in their 40s- including Herrick himself- and look to acquire youthful, experimental companies such as Second Story Interactive Studios.

How It Plays Out

- Sapient gains prominence and market share with its principles of idea engineering, interactive marketing, policy expertise, and data-visualization
- Web, social media, mobile, and tablet presence grows, increasing the need for Sapient Nitro's services
- Sapient starts pursuing contracts in addition to the continual chase on contract vehicles thus building upon current and future revenue streams
- Capital and commodities markets continue to grow; more and more data is created thereby forcing financial institutions towards Sapient services
- Sapient regains prominence as a leader amongst IT and consulting companies

Risks

Technology Evolution

Sapient is far ahead of its competitors in web, social media, mobile, and tablet technology specialization. The growing prominence of these outlets bolsters Sapient as a leading expert in expanding industries. However, if new technology emerges that overtakes web, social media, mobile, and tablet technology in popularity, Sapient's head-start in the new generation outlets would be wasted.

Changing Government Behavior

Government budget re-negotiation will be soon under the renewed Obama administration and congress. Though prospects for cutting of administrative government agencies- non-defensive-, such as the GSA, are less prominent under a Democratic Senate, 2014 elections and the massive debt can encourage government contracting cuts, which could hurt Sapient Government Services. Furthermore, with the eroding anxiety brought upon the world by the financial crisis and the simulative fiscal agenda of policy makers, legislation regulating capital and commodities markets could be simplified, which reduces the need for Sapient Global Market's regulatory reporting services and makes useless Global Market's deep understanding of current, complicated policy.

Signposts / Follow-Up

- Keep track of the number of innovation/ marketing awards Sapient Nitro wins. Recently Sapient Nitro has won a myriad number of awards signaling effective innovation.
- Follow the number of government contracts vehicles won by Sapient; contract vehicles signal investments in future profits rather than present sales
- Continually look at financial markets regulations; the removal, addition, or modification of legislation affects demand for Global Markets regulatory reporting services.

Company Description

Founded in 1990, Sapient is a global IT consulting company that is headquartered in Boston, Massachusetts. The business functions in three main parts: Nitro, Government Services, and Global Markets. Nitro leverages strategic planning and IT in order to transform their clients' CRM, e-commerce, and advertising/marketing campaigns. Government Services delivers digital marketing strategy, end-to-end project management, and communications services to government institutions and non-governmental organizations. Finally, Global Markets offers analytics, risk management, data-visualization, and operations technologies to companies involved with capital and commodities markets.

(Page of Exhibit/s)

Exhibit 1: An Example of Idea Engineering: Hyatt
 Hyatt came to Sapient wanting to promote and refresh its brand image. Sapient created the strategy for doing this then implemented the project, all within less than a year. Sapient determined that the best way to do this was to do completely change Hyatt's outdated websites. However, the change was not arbitrary; rather, the website was reformed to reflect Hyatt's product offering. This way, customers would have an intuitive understanding of Hyatt hotels just by visiting the site. Therefore, just as Hyatt hotels are luxurious but affordable so anyone could live in Hyatt, Sapient created web pages that exuded classiness but were clear enough that anyone could navigate the pages. The result was a revitalized, thriving web-presence by Hyatt: a site that boasted interactivity with other property and brand sites, e-commerce capability, and over 200k "likes" on Facebook. Sapient engineered the entire process, from the planning process to actual execution.

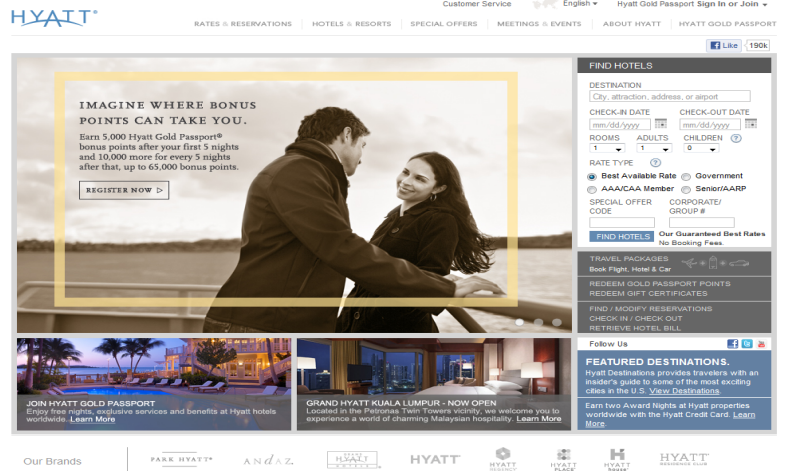
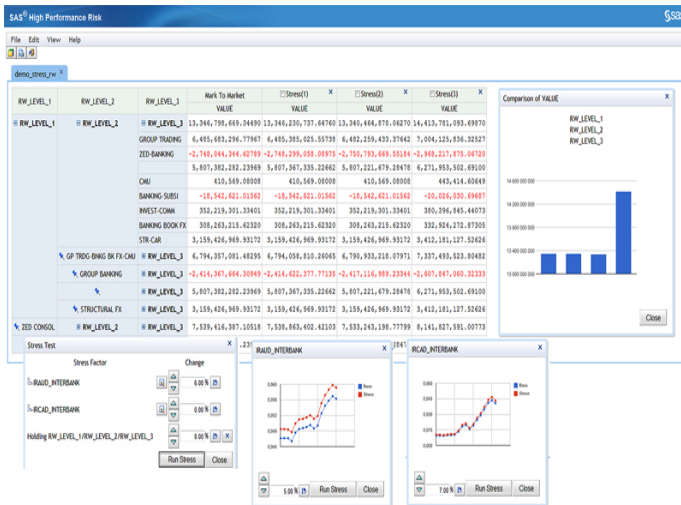


Exhibit 2: Analytics Companies vs. Data-Visualization of Sapient
 Which report seems easier to read?
 SAS Data Tables:



Sapient Global Markets Data Visualization:



Exhibit 3: DCF Valuation

+ D & A	17	20	21	22	26	28	29	31	31	30	29	26	23	19	20
% of revenue	3.1%	2.9%	3.2%	2.5%	2.4%	2.3%	2.1%	1.9%	1.7%	1.5%	1.3%	1.1%	0.9%	0.7%	0.7%
- CapEx	20	18	9	21	36	33	28	29	32	27	22	17	18	19	20
% of revenue	3.6%	2.6%	1.4%	2.5%	3.4%	2.7%	2.0%	1.7%	1.7%	1.3%	1.0%	0.7%	0.7%	0.7%	0.7%
Working Capital	12	25	64	72	69	73	99	78	74	72	67	61	51	56	
% of revenue	2.2%	3.6%	9.7%	8.4%	6.5%	6.0%	7.0%	4.5%	4.0%	3.5%	3.0%	2.5%	2.0%	2.0%	
- WC Investment	n/a	13	40	8	(3)	4	25	(23)	(1)	(3)	(5)	(7)	(10)	5	5
% of revenue	n/a	1.8%	5.9%	0.9%	-0.3%	0.4%	1.8%	-1.4%	-0.1%	-0.1%	-0.2%	-0.3%	-0.4%	0.2%	0.2%
Free Cash Flow	n/a	44	53	33	60	72	45	109	93	108	122	136	141	133	137
% of revenue	n/a	6.4%	8.0%	3.8%	5.7%	6.5%	7.0%	7.7%	8.7%	9.0%	7.6%	5.6%	5.5%	4.8%	4.8%
Present Value Factor	Industry WACC	7%													
Present Value of Free Cash Flows	Lt Grth	2%													
Conclusion: Per Share Value	Working Capital Inputs	2007	2008	2009	2010	2011									
Invested Capital (Equity and Debt) Value		2,155		424	461	481									
+ Excess Cash		221		212	230	221									
- Interest Bearing Debt, Preferred and Minority Interest		0		48	159	191									
Equity Value (Net Present Value)		2,378		64	72	69									
Divide: Shares Outstanding		140		7.7%	8.4%	6.5%									
Fair Value per Share		\$17													
	Interest Exp (net)		5	6	3	(4)	(6)								
	Total Debt		0	0	0	0	0								

Exhibit 4: VAR Contact List

VAR Contact	Firm/ Title
Michael Santamaria	Sapient, Technology Consultant
Robert M. Aulebach	Bank of America, Senior Vice President
Virginia Robinson	Bank of America, Senior Vice President
Florian Pihls	SapientNitro China, Senior Planning Director
Abinhav Agrawal	CitiBank, QMAP
Tony Nader	NEW Corp, Chief Executive Officer
Kannan Srinivasan	NEW Corp, Supply Chain Analytics Director

In-Depth VAR:**Michael Santamaria- Sapient, Technology Consultant:**

Nitro: "Sapient purchased Nitro a few years ago to beef up their strength in traditional advertising. As advertising dollars started moving from traditional channels (print, tv, radio) to online channels with great acceleration, Sapient wanted to beef up their ability to be a one stop shop for clients wishing to engage customers across all channels. Sapient already had very deep tech experience and now they can offer customers top notch advertising and design services Sapient can now boast its the 2nd largest digital agency. That is a little misleading since it takes a very broad view of what an agency is, but it sounds good. Long story short, Sapient's value proposition is that they are a one stop place for all your tech and advertising dollars."

Global Markets: "Sapient has made a successful push into heavily specified trading markets in the last 5 years. When I started at the company, the practice wasn't much, but through steady growth and some key acquisitions, Sapient managed to become a leader in a highly specialized, profitable area. I never had any experience working with this portion of the company. "

Government Services: "Sapient promoted GS to one of the 3 core offerings in 2010 or so which recognized the growth potential of the business unit. GS brought in a new VP to head the division in 2010 that had experience growing Booz Allen into the govt contracting behemoth that it is today."

Social Media: "Sapient has a lot of social media experience through Nitro and they are trying to push that expertise into GS projects and "experience marketing" for GS clients. The govt is behind the curve on social media and its Sapient's hope that they can get the govt up to speed. This was a strong push in GS towards the end of my time at Sapient. I am not sure how many contracts GS has been able to land in this area."

Sapient has a definite culture that is heavy focus of the company and is consistent across offices. The core values of the company are known by all employees and they are frequently referred on a daily basis. The main reason that I tell people that I enjoyed working at Sapient were because of the people and the projects. Sapient puts effort into hiring people that fit the culture, so you end up with a lot of people who enjoy what they do. Putting those people together allows you to do great things."

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Florian Pihs- Sapient Nitro China, Senior Planning Director:

"I would argue that it's not companies in general that have struggled in Social media, but especially large corporation and public institution. There are several factors to this, but I would focus on two key ones: A) Corporations have focused on using social media an advertising channel, broadcasting marketing messages. Social media is not well suited to this usage. Consumers expect more relevant and personalized messages and are using social media as a tool to build relationships. If corporations change their approach and focus on using social media as a customer relationship management tool, they would be more successful."

" In growing economies like China, we largely work with global brands from Europe and the US (like most other global agencies). These brands are growing much faster in China than in the rest of the world. Our key competitive advantage is the same as in Europe and the US. A strong focus on planning and strategy and the combination of our technology heritage with creative innovation."

"We currently have a strong SapientNitro presence in China. Currently the focus is on Marketing Services. We are aggressively expanding our technology footprint in order to deliver content management, e-commerce and collaboration project to multinational clients as well. We expert APAC (including China) to contribute up to 10% of global revenue in 2013."

Abinhav Agarwal- Bank of America, QMAP:

- State of technology at commercial and investment banks are horrible, including top firms like Morgan Stanley and JP Morgan
- IT not updated due to the massive expense, millions upon millions of dollars
- Many commercial banks outsource analytics, Free Money for Capital One, Cardlytics for Bank of America
- New banks emerging that have high IT capabilities and break the standards of conventional banking: Simple Bank, New Bank, Moven Bank, Bank Werx
- These new banks have barely any physical presence: all transactions are made online or through mobile outlets
- Still, these new banks have security issues and small market shares
- Getting accurate information in commodities markets is extremely difficult, no one can verify prices on anything
- All data in current commodities technology are mainly just educated guesses; there's a lack of information and lots of volatility

Virginia Robinson-Bank of America, Senior Vice President:

"I think the technology and IT used by financial institutions is terribly out of date... The technology you deal with inside of the financial institution is several years behind what our customers are using so it is difficult to keep up and give them responses in real time. The technology the clients have is faster, smarter and better than what we are using within the financial institutions they deal with... I think any software or applications that can allow us to navigate more quickly to the applications we need would be helpful. We need more sophisticated systems and faster technology and if this software and these applications would be a step toward that, then yes, I think they would be beneficial."

Robert Aulebach Bank of America, Senior Vice President:

" I would say there is wide variety of IT at financial institutions. Some systems are older but very stable handling routine transactions such as teller or trading. On the other hand some of the mobile applications are very modern such as my Companies mobile check deposit and deposit Image ATMs... Given the size of BAC we usually have in house expertise for governmental regulations however there is a fast growing need for smaller companies to seek out these services which better suits their needs."

