



Virtusa SAP HANA and S/4HANA Services

**Vendor Assessment
Report Abstract**

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Who Is This Vendor Assessment For?

NelsonHall's SAP HANA and S/4HANA Services Vendor Assessment for Virtusa is a comprehensive assessment of Virtusa's SAP HANA and S/4HANA services offerings and capabilities designed for:

- Sourcing managers monitoring the capabilities of existing suppliers of IT services and identifying vendor suitability for SAP HANA and S/4HANA services
- Vendor marketing, sales and business managers looking to benchmark themselves against their peers
- Financial analysts and investors specializing in the SAP services sector.

Key Findings & Highlights

Virtusa was founded in 1996 and is headquartered in Massachusetts, U.S. Initially, it focused on working with product companies, providing product development capabilities and incorporating an engineering mindset into application development.

In March 2016, Virtusa closed its acquisition of Chennai based Polaris for ~\$270m. This acquisition combined Polaris' banking and financial services application development and management business with Virtusa's banking and financial services industry segment experience, and Virtusa expects to realize over \$100m of revenue synergies in the three years following the close of the acquisition. The combined entity was temporarily named VirtusaPolaris, but at the completion of the integration activities at the end of the fiscal year 2017, the company reverted to the name Virtusa.

In March 2018, Virtusa acquired eTouch Systems to expand digital engineering capabilities as well as bolster its presence Silicon Valley. It further expanded its North American presence through the launching of an Innovation Center in Indianapolis in September 2018. Both of these are intended to support the overall strategic initiative to expand its U.S. presence and enable it to provide more advisory services to its clients.

Virtusa formally launched SAP S/4HANA Cloud services in November 2017 with a specific focus on S/4HANA offerings tailored to industries including clients in the insurance, healthcare, life sciences, financial services, and media & entertainment industries hosted on the public cloud.

Virtusa's overall SAP practice has been in existence since 2002 and currently possesses ~700 resources, 60% of which are technical developers and 40% of which are functionally focused. It has delivered SAP services to ~80 clients to date.

For CY 2017, Virtusa reported revenues of ~\$965m. NelsonHall estimates that ~10% of these revenues are associated with SAP services (~\$96.5m). Of this, NelsonHall estimates that ~18% are associated with HANA and S/4HANA services (~\$17m).

NelsonHall further estimates that CY 2018 HANA and S/4HANA services are ~\$21m.

Virtusa has refined and updated its HANA and S/4HANA offerings throughout 2017 and 2018. It had previously offered a broad set of

offerings spanning HANA, S/4HANA and related capabilities such as analytics and Hybris offerings.

Seeing slower adoption of S/4HANA, Virtusa has chosen to hone its offerings to focus on key capabilities that it is seeing prioritized by its core target markets. These include:

- Industry-tailored functional extensions
- SAP Cloud migration using accelerators
- Finance Transformation services
- Leonardo capability adoption.

To deliver these services it has developed tools, accelerators and industry extensions that span the lifecycle of service delivery.

Virtusa's SAP team has ~700 FTEs in total. NelsonHall estimates that developers and technical-skilled employees account for ~60% of this team (420 FTEs). Functional resources account for ~40% of the team or 280 FTEs. Through the end of Q2 of FY18 (September 30, 2018), ~83% of this team has been re-skilled to support HANA and S/4HANA engagements. The company has the objective of re-skilling 100% of its workforce by the end of 2018.

Slower uptake of S/4HANA in its core target markets has led Virtusa to re-evaluate and re-focus its approach over the course of 2017 and 2018. This change sees it targeting areas where it possesses differentiating experience and capabilities and tempering growth plans.

One of the key tenets of this approach is its focus on addressing the insurance client base it has built through its experience in collections and disbursements. Focusing on tools and accelerators that enable these clients to adopt S/4HANA allows it to leverage existing relationships and experiences to position itself relative to its competition.

Virtusa is also continuing its focus on cloud-hosted S/4HANA. Using close relationships with public cloud providers and building its end to end offerings enable it to support as clients increasingly look to the cloud to support the business case of S/4HANA adoption.

Scope of the Report

The report provides a comprehensive and objective analysis of Virtusa's SAP HANA and S/4HANA service offerings, capabilities and market and financial strength, including:

- Analysis of the company's offerings and key service components
- Revenue estimates
- Identification of the company's strategy, emphasis and new developments
- Analysis of the profile of the company's customer base including the company's targeting strategy and examples of current contracts
- Analysis of the company's strengths, weaknesses and outlook.



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