

# ValueNotes Outsourcing DealTracker

Quarterly Analysis of Mergers and Acquisitions,  
Venture Capital Deals in BPO & Knowledge Services



July - September 2007

**ValueNotes**

*Data to decisions...*

# Quarterly Summary – M&A/VC Deals

## July – September 2007 (Q3 2007)

### *Diversified BPO companies acquiring to gain niche capabilities*

This quarter, we recorded a large number of diversified, multi-service business process outsourcing companies making acquisitions of specialized / niche service providers. For instance, Firstsource (formerly ICICI Onesource) acquired MedAssist, a healthcare revenue cycle management company. Stream acquired Zomax, which specializes in call center services to the media and supply chain verticals.

### Some of the larger acquisitions by diversified BPO companies

Acquirer	Target Company	Location	Acquired company's services	Deal Size
Steria	Xansa	UK	IT and business process outsourcing services to multiple industries	\$961.2 million
Firstsource Solutions	MedAssist Holding	Kentucky, US	Revenue cycle management services	\$330 million
Randstad Group	TEAM BS Management	Offenbach, Germany	TEAM BS specializes in offering temporary staffing and other HR-related services	\$100.1 million

Source: ValueNotes Research

### *Smaller deal sizes characterized this Quarter's activity*

The total number of acquisitions recorded by ValueNotes this quarter was 51, compared with last quarter's 47. The largest acquisition was by Steria, which took over Xansa, a UK-based IT and BPO company employing 8,000 people, for \$961.2 million.

Most of the deals in this quarter were acquisitions of smaller values. The average acquisition size this quarter was \$118.6 million, as against \$2.3 billion last quarter. In Q2 2007, the average deal size was unduly skewed due to the acquisition of First Data Corporation by private equity firms for \$29 billion. However, even this deal were to be excluded, the average deal size of \$720.2 million was much larger than the average in Q3.

### Quarter Highlights:

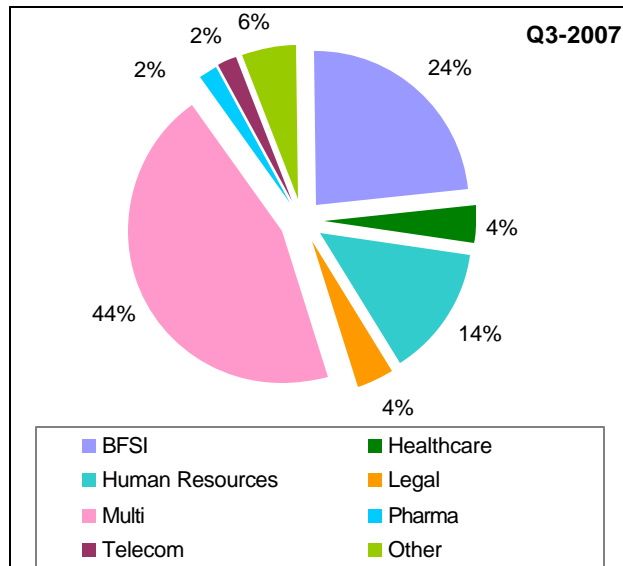
	Apr-Jun 2007 (This Quarter)	Jan-Mar 2007 (Last Quarter)
Number of deals	51	47
Average value of deal	\$118.6 million	\$2.3 billion with the First Data deal \$720.2 million without the First Data deal
Largest deals	<ul style="list-style-type: none"> <li>▪ Steria takes over Xansa for \$ 961.2 million. Xansa employs 8000 people.</li> <li>▪ Deutsche Bank acquires Garanti's Custody Business, with employee strength of about 11,000.</li> <li>▪ Citi Group completes the acquisition of Automated Trading Desk for \$680 million.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Kohlberg Kravis Roberts &amp; Co acquired US- based First Data Corporation for \$29 billion.</li> <li>▪ Thomas H Lee Partners and Fidelity National Financial bought out Ceridian Corporation for \$5.3 billion.</li> <li>▪ Fidelity National Financial acquired eFunds Corporation for \$1.8 billion.</li> </ul>

Source: ValueNotes Research

### Mergers and Acquisitions - Deals by Vertical

Multi-service BPOs were involved in the largest proportion of deals (44%), followed by acquisitions by banking, financial services and insurance companies (24%), and those in the human resources vertical (14%).

#### Mergers and acquisitions by vertical

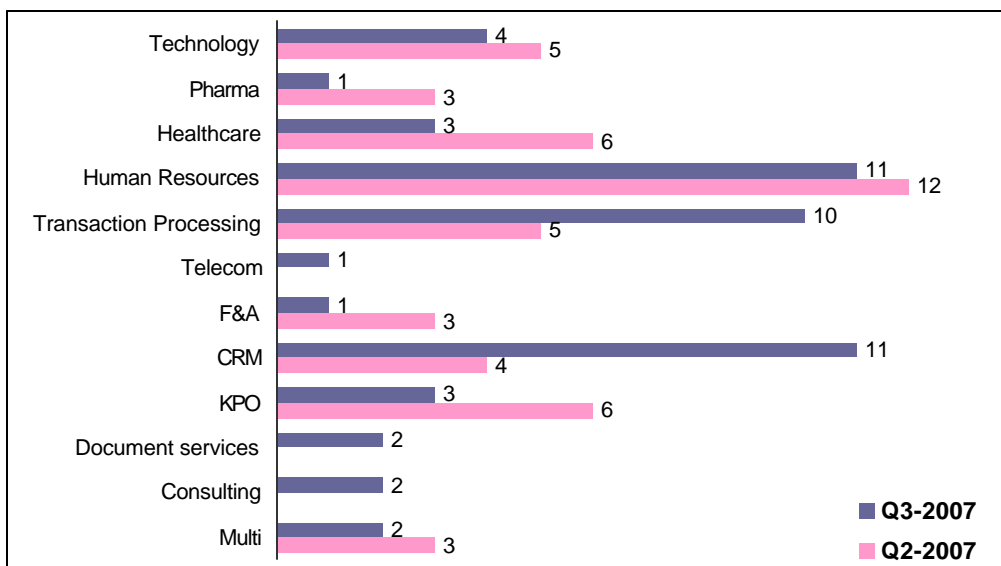


Source: ValueNotes Research

### Mergers and Acquisitions - Deals by Services

Customer relationship / contact center companies and human resources companies were attractive targets this quarter, involved in 11 deals each. Companies offering transaction processing services such as custody, claims processing, billing, debt collection and credit checks, etc. were also actively acquired.

#### Mergers and acquisitions – by Services

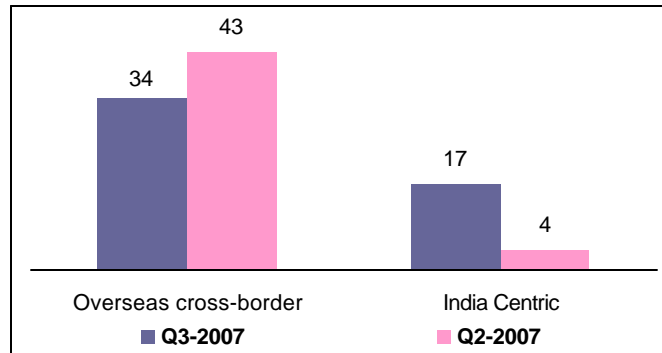


Source: ValueNotes Research

### M&A Directionality – India-centric acquisitions on the rise

The number of acquisitions involving BPO companies in India (whether buyers or targets) was on the clear rise this quarter, with 17 deals involving Indian companies, against just 4 such deals last quarter. The prominent Indian acquirers were Infosys, Apollo Healthstreet, Firstsource Solutions, Wipro, Kale Consultants, etc. Targets included Brainvisa Technologies, HCCA Business Services, Fortuna Technologies, etc.

#### Acquisitions by destination



Source: ValueNotes Research

#### VC / PE Activity Round-up

The VC / PEs were considerably less active in this quarter, compared with that in the last quarter marked by ten fundings and six exits. This quarter, we recorded four funding deals and three exits in the BPO space. The largest deal was the \$23 million second round funding received by publishing BPO Aptara (formerly Techbooks).

#### Funding deals in Q2 - 2007

	Investor	Target company	Services	Location	Funding details
1	Sequoia Capital India	Pangea3	Legal process outsourcing	India	\$7 million in Series C funding
2	Kubera Cross-Border Fund Ltd.	Adayana, Inc.	Technology enabled learning services	Minnesota, USA	Minority equity investment for \$20 million
3	American Capital Strategies	Aptara (formerly Techbooks)	Publishing services	Virginia, US	\$23 million Series B funding. The first round of funding of \$45 million was from the same investor in 2005.
4	SFP Priority Co., Ltd	SDD Global Solutions	Legal services outsourcing	India	First round of \$2 million, to be followed by subsequent rounds on a need basis.

Source: ValueNotes Research

**Exits this quarter:**

	Company	Location	Specialization	Nature of Exit	Details
1	NIT	India	Computer training and software solutions, business process outsourcing	Sale of stake	Intel Capital has sold 9.4% stake to Orient Global for \$48 million (2.06 million equity shares for USD 23.2 per share)
2	Genpact	Gurgaon, India	Multi-service BPO	IPO on the NYSE – the company raised \$494 million, with its share priced at USD14	Investors Oak Hill Capital Partners and General Atlantic sold about 8% of their stake, while erstwhile parent General Electric (GE) sold 5% stake.
3	EClrx	Mumbai, India	Knowledge process outsourcing	Initial Public Offering	The company plans to raise Rs.10 billion (USD 25 million) through an IPO on the Indian stock exchanges. Burwood Ventures holds around 21 per cent in this company.

Source: ValueNotes Research

# About ValueNotes

ValueNotes Database is a leading provider of business intelligence and research, with expertise across selected domains and types of customer needs. Working with clients across the globe we have significant understanding of international markets.

The ValueNotes Outsourcing Practice is one of the largest information providers on the outsourcing industry. Our Outsourcing Practice uses a comprehensive, analytical framework providing fresh insights into the fast emerging and yet, complex outsourcing space. We extensively track the outsourcing space in-depth through a regular analysis of news and events and continuous primary research and contact with the industry.

## Research Publications

Our publications combine our extensive research experience and knowledge of the outsourcing space to bring you unparalleled insights and analysis. We continuously track all news and events in the outsourcing industry, and supplement this with extensive primary research from vendors, customers, consultants and other experts in the outsourcing space. Over time, we aim to provide a wide range of publications with differing levels of depth for the needs of different audiences.

A list of our recent publications is as follows:

- Offshoring Legal Services to India – An Update [July 2007, 96 pages, US\$625]
- Offshoring in the Publishing vertical – An Update [May 2007, 72 pages, US\$625]
- Contract Research Opportunity for the Indian Pharmaceutical Industry [April 2007, 129 pages, US\$1200]US Healthcare Revenue Cycle Management: Offshoring of Medical Coding and Billing Services [February 2007, 50 pages, US\$395]
- Offshoring Tax Returns Preparation to India [November 2006, 115 pages, US\$495]
- Insurance Outsourcing: India Gains Momentum As Offshoring Intensifies: Trends, Insights and Key Vendor Profiles [October 2006, 85 pages, US\$395]
- Banking and Financial Services Offshoring: From Transaction Processing to Analytics [July 2006, 90 pages, US\$495]
- Offshoring of Automotive Design and Engineering Services to India [July 2006, 74 pages, US\$495]
- The US Medical Transcription Industry: Perspective on outsourcing and offshoring [May 2006, 88 pages, US\$395]

To know more about our publications, view abstracts and table of contents, and to purchase online, please visit <http://www.valuenotes.biz/bpo/bpopublications.asp>

## Recent Custom Projects

In the outsourcing space, some of our recent assignments have included:

Target Intelligence	Market Intelligence
<ul style="list-style-type: none"> <li>▪ Evaluation and Benchmarking of vendors in the legal publishing industry</li> <li>▪ Benchmarking for an Engineering Design Outsourcing operation</li> <li>▪ Industry Overview and Partner Due Diligence in Medical Transcription</li> <li>▪ Detailed profiles on global IT/BPO service providers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Study of captive units of global banking and financial services organizations</li> <li>▪ Opportunity Assessment Study: Canada as a near-shore destination</li> <li>▪ Opportunities for venture capital and private equity investment in India's IT sector</li> </ul>
Entry / Implementation Strategy	Country Analysis / Comparison
<ul style="list-style-type: none"> <li>▪ Study to analyze market-size and acceptance for an auditing solutions provider company.</li> <li>▪ Cost analysis for a legal outsourcing vendor</li> <li>▪ Setting up a captive Offshore operation for a Financial Services firm</li> <li>▪ Human Resources manual for a financial services captive BPO</li> </ul>	<ul style="list-style-type: none"> <li>▪ Comparative Analysis of large IT services &amp; BPO vendors in the US and India</li> <li>▪ Competitive assessment of Call Center locations – India, Philippines, Jamaica, South Africa and Mexico</li> <li>▪ Comparison of India vs/ China: Telecom Software</li> <li>▪ Study of IT vendors in Poland, Hungary and Czech Republic</li> </ul>

**Note: This is not a complete list**

To learn more about the ValueNotes Outsourcing Practice or provide us with your feedback on this research, please contact us at:

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