

# ValueNotes Outsourcing DealTracker

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



July – September 2008

**ValueNotes**

*Data to decisions...*

# Quarterly Summary – M&A/VC Deals

July – September 2008 (Q3 2008)

## *Indian Publishing, Media & Entertainment, the flavour of Q3, 2008*

This quarter saw Indian Publishing, Media & Entertainment companies pocketing funds from the PE/VC community. With current revenues around half a billion dollars and presence of more than 100 vendors, the Indian publishing offshoring industry is quite mature. Offshoring has been driven by the ubiquitous 'cost advantage' offered in a lower cost location. Also, with the Indian animation industry moving towards offering world class products and services, VC/PE firms seem to have become increasingly interested in the Indian Publishing, Media & Entertainment segment. As a result we are seeing quite a few funds flowing into these companies.

This quarter (Jul-Sep 2008) there are instances of venture capital funds investing in small and mid-cap Indian companies in the Publishing, Media & Entertainment segment. Some of the larger acquisitions are recorded below:

### Acquisitions in Publishing, Media & Entertainment segment in this quarter (Jul-Sep2008):

Acquirer	Target Company	Location	Acquired company's services	Deal Size
Cisco Systems, Inc.	Almaz Capital	Russia	Almaz Capital is a firm that invests in Russian-related technology, media, and communications companies	NA
NEA Indo-US Ventures	Pre-Media Global USA Inc	India	Media services, animation, and e-learning, in the US, Europe, and India	USD 4 million
Pac-Link	Ultizen Games	United States	The company's studio offers development services including game design, porting, programming and art	USD 6 million
Draper Fisher Jurvetson and NEA IndoUS Ventures	Pressmart Media Ltd	India	Print-to-digital delivery service	USD 6 million
Helion Venture Partners	9.9 Mediaworx Pvt. Ltd.	India	Media & Entertainment services	USD 6.5 million

Source: ValueNotes Research

### *Acquisition Highlights*

The total number of acquisitions recorded by ValueNotes this quarter was 32 (Jul-Sep 2008), compared with last quarter's 35 (Apr-Jun 2008). The largest acquisition was by CSL Ltd., which took over Talecris Biotherapeutics.

The average acquisition size this quarter was \$372.59 million as compared to the last quarters \$3.78 billion which was skewed due to the \$13.9 billion takeover of EDS. If this deal were to be excluded, the average deal size would come down to \$164.29 million. Another major acquisition in Q3 2008 has been that of TMF by Doughty Hanson for USD 1.19 billion.

**Quarter Highlights:**

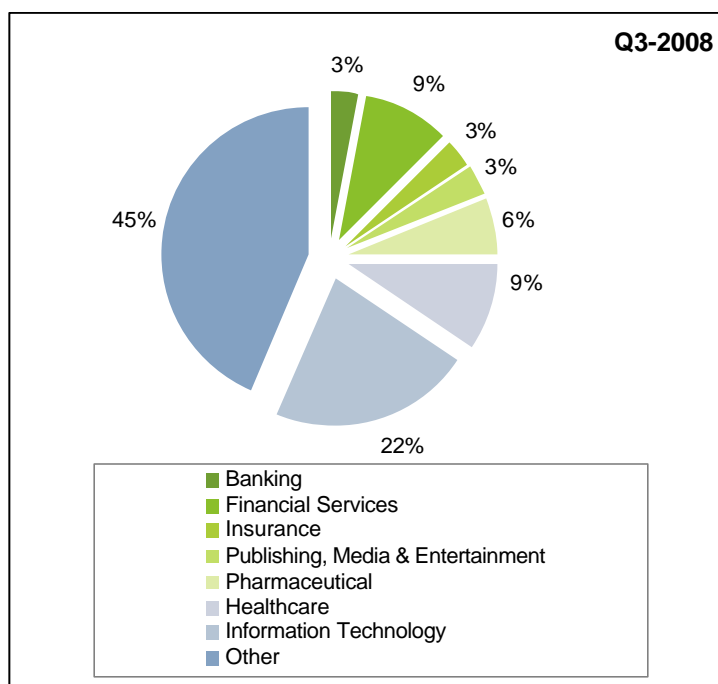
	Jul-Sep 2008 (This Quarter)	Apr-Jun 2008 (Last Quarter)
Number of deals	32	35
Average value of deal	USD 372.59 million	USD 3.78 billion
Largest deals	<ul style="list-style-type: none"> <li>▪ CSL Ltd. acquires Talecris Biotherapeutics for USD 3.1 billion</li> <li>▪ Doughty Hanson acquires TMF for USD 1.19 billion</li> <li>▪ Serco acquires SI International for USD 423 m and 4,500 employees</li> </ul>	<ul style="list-style-type: none"> <li>▪ HP acquires EDS for USD 13.9 billion and 41,000 employees</li> <li>▪ ING Group acquires CitiStreet for USD 900 million and 3,700 employees</li> <li>▪ Morneau Sobeco Income Fund acquires Shepell-fgi for USD 321.9 million and 1,150 employees</li> </ul>

Source: ValueNotes Research

**Mergers and Acquisitions - Deals by Vertical**

Multi-service BPOs, KPOs were aggressive acquirers this quarter with a share of 45% of the total deals. IT companies were also much into the hunt for acquisitions, constituting 22% of the total share. The banking and financial services segment saw an increase in the share this quarter (12%) compared to the last quarter (3%).

**Mergers and acquisitions by vertical**

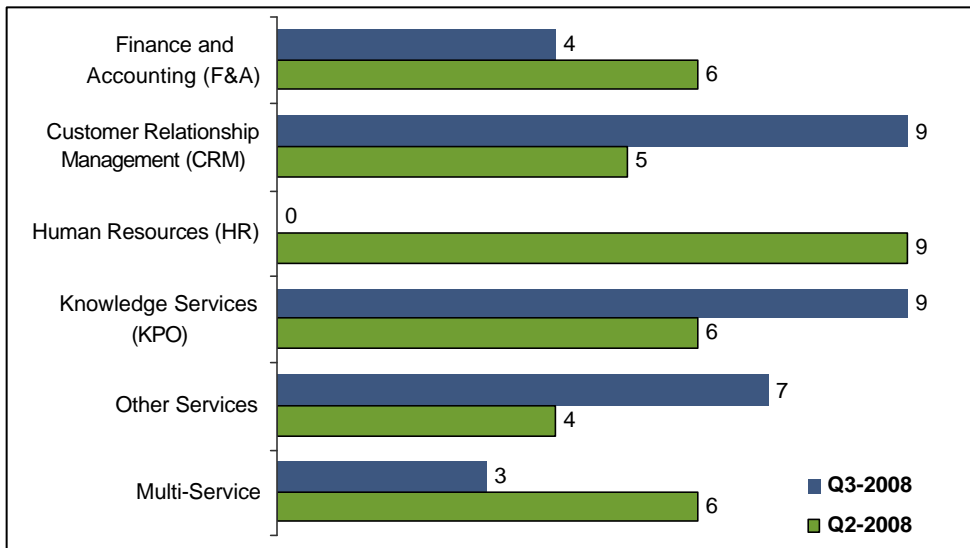


Source: ValueNotes Research

**Mergers and Acquisitions - Deals by Services**

KPO services were the flavour of this quarter. Also customer relationship management (CRM) companies were quite favoured as an acquisition target. Surprisingly, there was not a single Human Resource (HR) services company acquired in this quarter which was a hot favourite in the previous quarter (9 deals).

**Mergers and acquisitions – by Services**

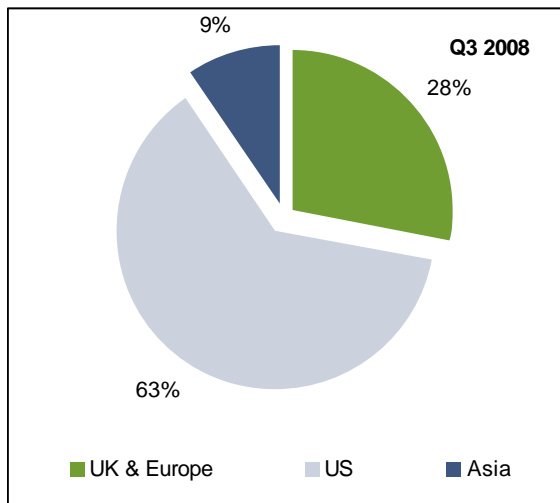


Source: ValueNotes Research

**Location of target companies**

Majority of the companies acquired are headquartered in the US (63%). Companies in the UK and Europe formed the second largest group among acquired companies (28%). Only around 9% of the companies that are based in Asia have been a target for the acquiring companies this quarter.

**Acquisitions by location of Target Company**



Source: ValueNotes Research

## VC / PE Activity Round-up

In Q3 2008, the VC / PEs signed deals that were double in number than what they had signed in the previous quarter. This quarter they signed 14 deals out of which there was just one exit by H.I.G. Capital LLC who sold Stream Holdings Corp. to Global BPO Services Corp. for USD 200 m. Q3 2008 saw more number of fundings happening in the knowledge services and insurance segment. However, the Insurance companies have seen the highest investment led by Fiserv, Inc that was acquired by Trident IV for \$540 million.

### Funding deals in Q3 - 2008

	Investor	Target company	Services	Location	Funding details
1	Cisco Systems, Inc.	Almaz Capital	Multiple	Russia	Not Available
2	Trident IV	Fiserv, Inc. (Nasdaq:FISV)	Insurance	Wisconsin, USA	\$540 million, including debt worth USD 335 million
3	Qiming Venture Partners	Tigermed Consulting	Pharma	Hangzhou, China	\$5 million
4	Warburg Pincus	Wuxi PharmaTech (NYSE:WX)	Pharma	Shanghai, China	Not Available
5	Odewald & Compagnie	Walter Services	Business Process Outsourcing	Ettlingen, Germany	Not Available
6	NEA Indo-US Ventures	Pre-Media Global USA Inc	Multiple	India (Asia)	Pre-Media Global receives USD 4 million from NEA Indo-US Ventures.
7	Greater Pacific Capital	Azure Knowledge Corporation Pvt Ltd	Insurance	India (Asia)	Greater Pacific Capital has acquired 38 per cent stake in Ahmedabad-based outsourcing firm Azure Knowledge Corporation Pvt Ltd for USD 32.5 m. GPC will pick up 26.4 per cent stake for USD 11.8 m in the first phase of the deal. The stake has been picked up at a price of Rs 576 per share, reports Business Standard. The balance will be invested by 2010 depending on the performance of Azure.
8	Indian Angel Network	TechLit Solutions	Knowledge Services (KPO)	United States (N. America)	Indian Angel Network (IAN) has acquired a 20 percent stake (USD 1 m) in US-based legal process outsourcing (LPO) venture TechLit Solutions
9	Pac-Link	Ultizen Games	Knowledge Services (KPO)	United States (N. America)	Game development and outsourcing company Ultizen Games has received Series B funding of USD 6 m to support the company's growth through acquisitions. The Series B funding round was led by Taiwan-based VC firm Pac-Link, with participation from Japan-based VC firm Japan Asia Investment Co. (JAIC) and online ad agency

					CyberAgent.
10	NEA Indo-US Ventures	Basiz Fund Services	Knowledge Services (KPO)	India (Asia)	Basiz Fund Services, which offers investment accounting services for mutual, hedge and private equity funds, has received USD 2 m (Rs 8.5 crore) in funding from NEA-IndoUS Ventures
11	H.I.G. Capital LLC	Stream Holdings Corp.	Multi-Service	Multiple	H.I.G. Capital LLC sells Stream Holdings Corp. to Global BPO Services Corp. for USD 200 m in cash plus adjustments
12	Draper Fisher Jurvetson and NEA IndoUS Ventures	Pressmart Media Ltd	Finance and Accounting (F&A)	India (Asia)	The fund managers have invested USD 6 m as Series A funding
13	Helion Venture Partners	9.9 Mediaworx Pvt. Ltd.	Multi-Service	India (Asia)	Helion Venture Partners India II LLC acquires 37.4% stake for Rs 257.9 m. Rajat K Gupta, former McKinsey worldwide chief, acquires 3.1% for Rs 21.4 m. Canada based Stephen Dent, and US-based NRIs like Vinay Mohan Singh, Ashutosh Padhi, Anil Nigam and Shirish Sankee have also picked up shares ranging from 0.5% to 3% in the company.
14	KKR and The Family Office	Aricent	Knowledge Services (KPO)	United States (N. America)	Not Available

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:

- Outsourcing in the Indian Banking Industry – [Jul 2008, 45 pages, US\$400]
- Offshoring Patent Services to India – [Jun 2008, 45 pages, US\$600]
- Market Research Outsourcing – The India Growth Story [Jan 2008, 98 pages, US\$625]
- Bioinformatics Outsourcing for Life Sciences – India Opportunity [Dec 2007, 90 pages, US\$675]
- 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.sourcingnotes.com/content/view/41/68/>

## 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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