



## Global Sourcing

### Market Vista Q1 2009 – Preview Deck

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- **Product overview**

- Illustrative contents

# The increasing complexity of the outsourcing market has amplified the risk exposure for companies



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## Factors driving increased risk

### Vendor and model proliferation

Multiple service providers and business models

### Large span of functions

Typically combination of many IT, BPO and some KPO services

### Increasing scope

Significant proportion of operations now in low cost locations

### Global delivery chain

Services often delivered from multiple locations with diverse risk footprint

### Dynamic economies

Most delivery locations are emerging economies going through rapid change

## Examples of risks

### Regulatory risk

Ensuring compliance with regulatory guidelines in source and destination countries across suppliers

### Business case risk

Managing wage inflation without affecting quality of service

### Performance risk

Managing quality of service delivery, attrition, knowledge retention

### Data security and intellectual property risk

Implementing measures to safeguard data and intellectual property

### Concentration risk

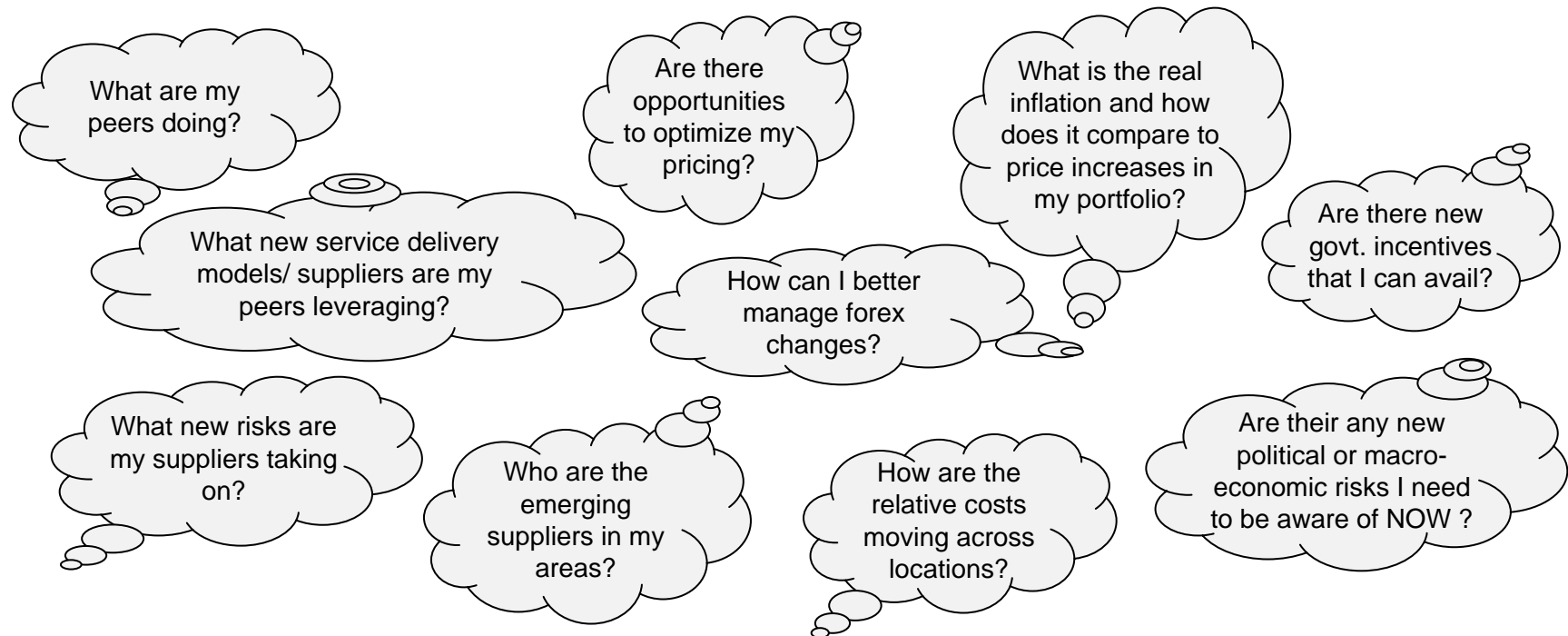
### Business continuity risk

### Currency risk

...

**Most large companies have capabilities in global risk management. However, the level and type of risk exposure that is emerging from the globalization of services is unprecedented**

# Sourcing leaders are being asked to manage risks associated with global sourcing and support the delivery of transformational results



## Key decisions that Sourcing managers need to support

- Comparison with peers
- Location risk management
- Supplier selection and optimization
- Design of new deals
- Price benchmarking and contract renewals

# Market Vista provides continuously updated facts and analysis every quarter to enable effective management of global services portfolios



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**Each quarterly Market Vista report captures developments across three key areas**

1

## Market overview

- Outsourcing transactions trends
  - Transaction analysis – By industry, geography, etc.
  - Listing of major BPO/IT outsourcing deals
  - Large offshore deals
- Captives analysis
  - New captive set-ups, divestures
- Focus on Financial Services players
  - Transaction analysis
  - Developments across global majors

2

## Location trends and risks

- Key location developments
  - Establishment of new offshore delivery centers
- Risk dashboard capturing key current and emerging risks
  - Geo-political / economic changes
  - Government initiatives
- Q1 focus – Fact-base on Eastern European cities
  - Sustainability of arbitrage
  - Operating costs across 9 leading cities, inflation rates and currency trends

3

## Supplier developments

- Key developments among 20 leading global suppliers
  - Transaction activity
  - Changes in delivery footprint
  - M&A and alliance activity
  - Profile of Satyam-Tech Mahindra entity
- Q1 highlight – key observations from suppliers financial results
- Detailed profiles for each player capturing key developments across dimensions

- Product overview

- **Illustrative contents**

# Each section of the quarterly report comprises 30+ pages of insight and data

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# Each section of the quarterly report comprises 30+ pages of insight and data

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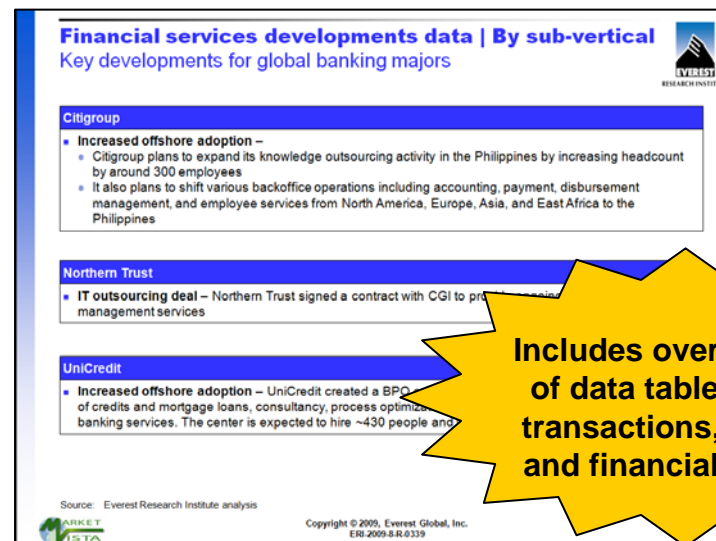
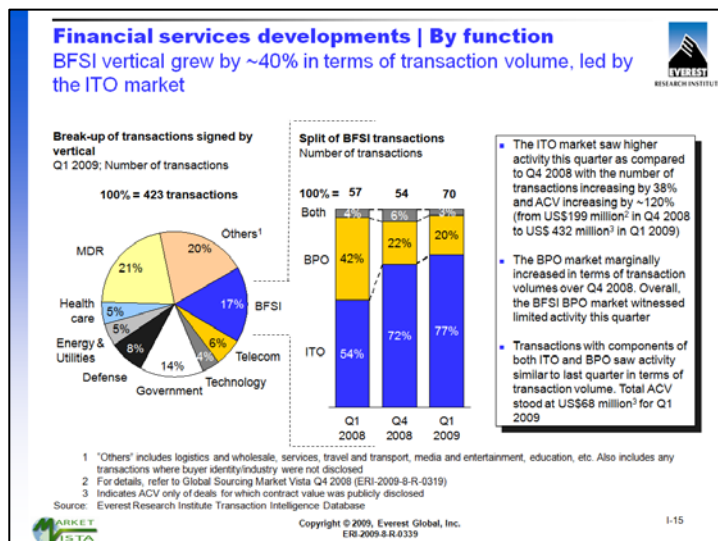
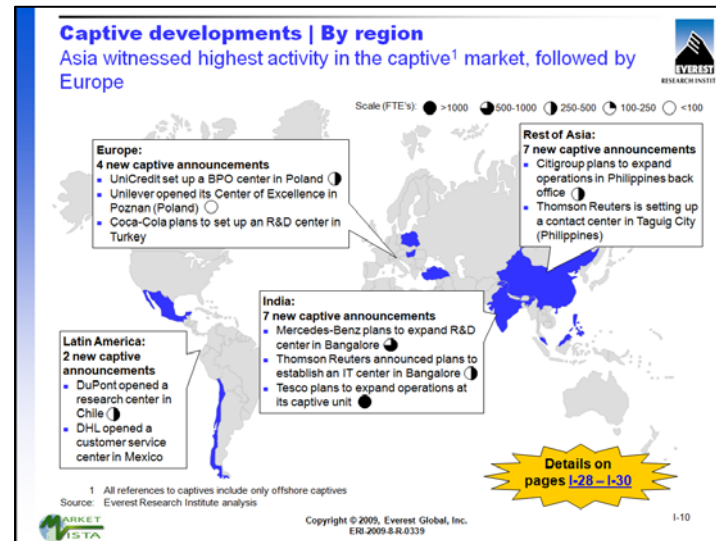
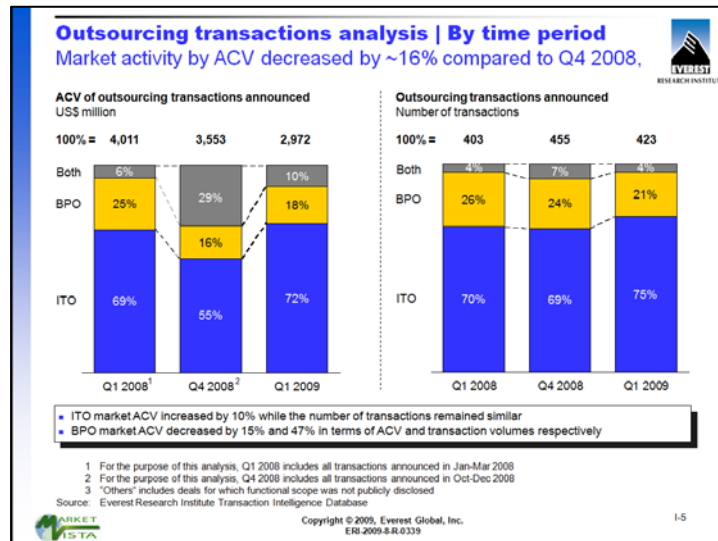
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# Section I – Market section | Overview

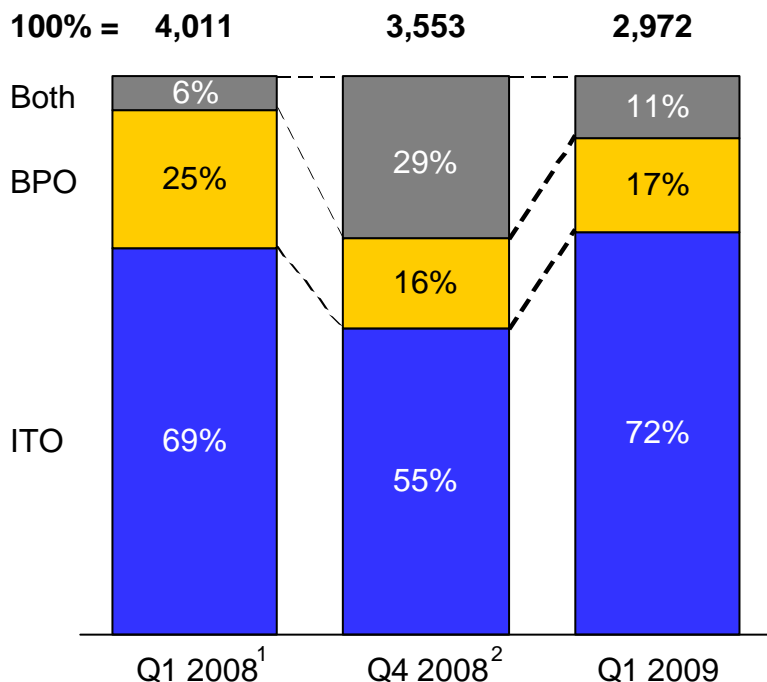
## Captures outsourcing transactions trends, captive developments with an emphasis on Financial Services players



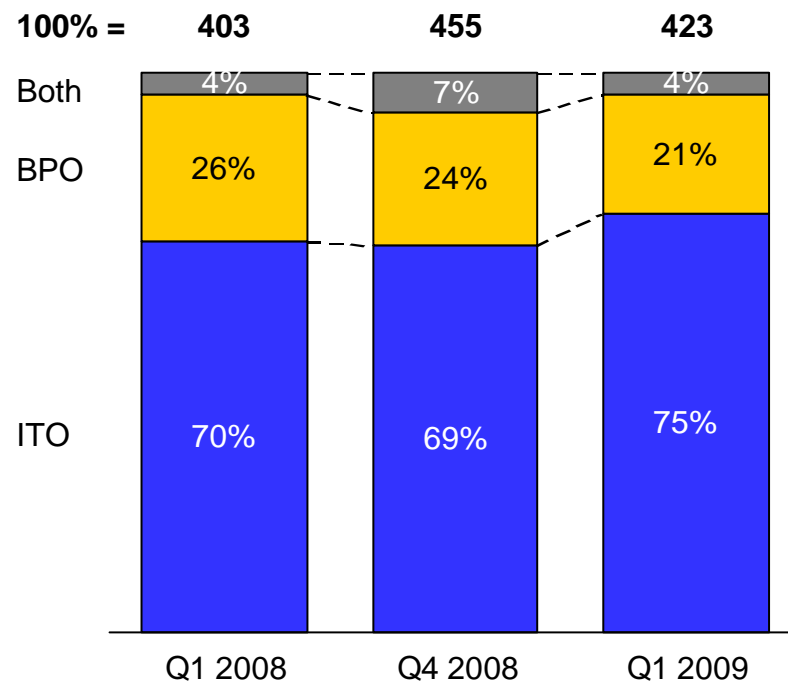
# Section I – Market section | Illustrative output

## Transaction analysis for each quarter helps assess market momentum and trends over time

**ACV of outsourcing transactions announced**  
US\$ million



**Outsourcing transactions announced**  
Number of transactions



- ITO market ACV increased by 10% while the number of transactions remained similar
- BPO market ACV decreased by 15% while the number of transactions decreased by 19%




1 For the purpose of this analysis, Q1 2008 includes all transactions announced in Jan-Mar 2008

2 For the purpose of this analysis, Q4 2008 includes all transactions announced in Oct-Dec 2008















Source: Everest Research Institute Transaction Intelligence Database

# Section I – Market section | Illustrative output









## Analysis is further detailed at a functional level

 Decreased from last quarter
  Similar to last quarter
  Increased from last quarter

### Q-o-Q change in number of BPO transactions, by process<sup>1</sup>

Process category	Q1 2008 to Q1 2009	Q4 2008 to Q1 2009
F&A		
HR		
Procurement		
Real estate		
Customer care		
Industry-specific		
Others <sup>2</sup>		

### Q-o-Q change in number of ITO transactions, by process<sup>1</sup>

Process category	Q1 2008 to Q1 2009	Q4 2008 to Q1 2009
Application outsourcing		
Infrastructure outsourcing		
Both		
Others <sup>3</sup>		

1 Includes transactions in which functional scope may have multiple processes

2 "Others" includes processes such as document management, market development, collections & mailroom scanning, R&D, engineering, safety & environmental analysis reporting, printing, product development & marketing services, logistics & supply chain management

3 "Others" includes processes where functional scope was not publicly disclosed

Source: Everest Research Institute Transaction Intelligence Database

# Section I – Market section | Illustrative output

Coverage also includes captives, with a focus on setup, divestiture and other trends among captives

## Dell – Divests Philippines contact center to Teleperformance

- Dell sold its Metro Manila contact center in Philippines to Teleperformance for an undisclosed amount. The facility, based in Pasay City, provides support to US, Australia, and New Zealand customers
- It is believed that around 1,000 employees at the site will be absorbed by Teleperformance
- Following the sale, Teleperformance will manage Dell's customer support operations in the Philippines
- Last quarter, Dell divested its contact center in El Salvador to Stream Global Services

## AXA Sun Life – Plans to transfer Indian assets to Capita

- AXA Sun Life selected Capita as a preferred outsourcing partner under a ~US\$693 million, 15-year contract
- As a part of the deal, Capita will acquire business and assets from AXA in India, including the transfer of 600 staff
- Around 100 employees of the captive operations are expected to be laid off after the acquisition

## United Airlines – Closes captive operations in Gurgaon (India)

- United Airlines confirmed plans to shut down its call center operations in Gurgaon
- As a result of the transfer, around 165 employees in India will be made redundant
- These positions are expected to be shifted to call centers in Chicago and Honolulu, Hawaii, where the staff will now handle reservations
- The latest move by the company will increase the total number of job cuts in UAL Corp.(parent company of United Airlines) to 9,000 by the end of 2009

Source: Everest Research Institute analysis

# Section I – Market section | Illustrative output

## Developments among leading financial services players are profiled



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### Fidelity Investments

- **Divestiture plans for captive unit** – HP and IBM seem to have emerged as the lead contenders for the acquisition of Fidelity's IT captive operations in India. Indian technology players such as Infosys and Wipro are believed to have been ruled out of the acquisition. The deal is expected to be worth ~US\$100 million along with an assured revenue component or a multi-year outsourcing contract

### Nationwide Building Society

- **Outsourcing contract signed** – Nationwide Building Society signed a seven-year contract with Unisys for check processing operations. Unisys will manage a majority of Nationwide's check processing operations through 2015

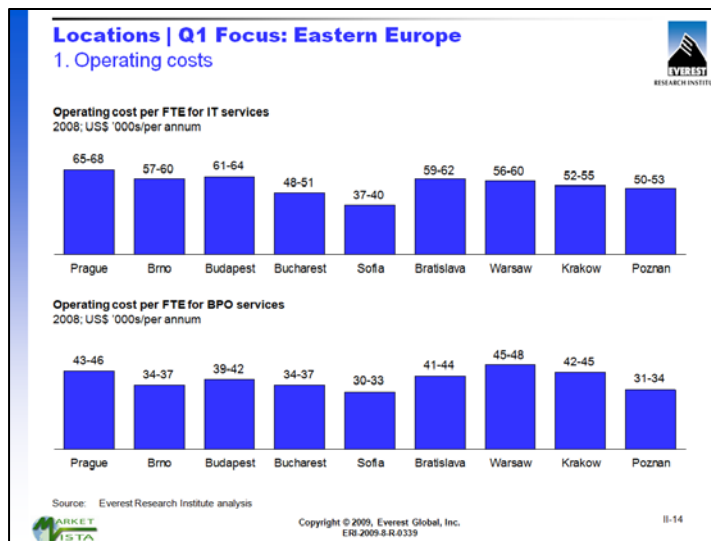
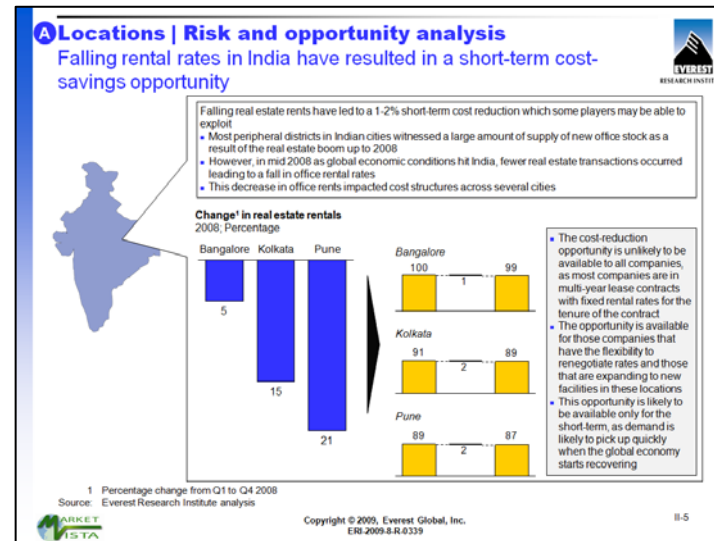
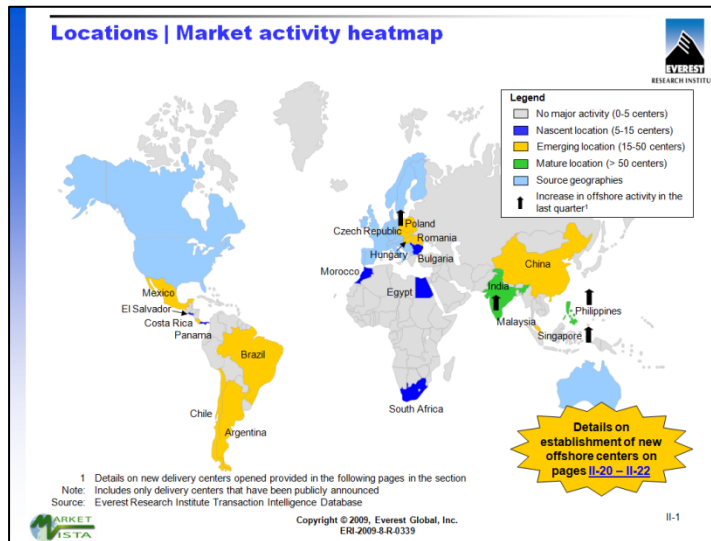
### Deutsche Bank

- **IT outsourcing agreement** – Deutsche Bank signed an application testing agreement with IBM. A major part of the contract includes the establishment testing utility center, covering integration testing for all major IT applications. The services will be delivered out of IBM India

Source: Everest Research Institute analysis

# Section II – Locations section | Overview

## Key developments and emerging risks and opportunities across locations



### Locations | Market activity data

#### Announcements of delivery centers established in Q1 2009 (page 1 of 3)

Asia

Country	City	Month	Supplier/captive	Number of FTEs	Other comments
Singapore	Singapore	January	Fujitsu	N.A.	Set up a third data center facility offering services such as business continuity, server and database administration, LAN
India	Bhubaneswar	January	TCS	1,000 (initially)	Set up a campus facility to serve clients in industry segments such as BFSI, retail, government as well as ITO, BPO services
Philippines	Bacolod city	January	Hit rate Solutions	160	Set up a call center facility to provide telemarketing, data entry
Vietnam	Ho Chi Minh City	January	Harvey Nash	200	Set up a wireless technology center as a part of US\$68 million deal with Alcatel-Lucent to provide R&D services to clients across the world
Singapore	Singapore	February	Hitachi	N.A.	Hitachi Data Systems, a wholly owned subsidiary of Hitachi, established a ASEAN HQ and Business Development Center as a distribution
Singapore	Singapore	February	Panalpina	N.A.	Set up a global call center as a distribution
Singapore	Singapore	February	Abbott	N.A.	Set up a global call center as a distribution
Singapore	Singapore	February	Schering Plough	60	Set up a global call center as a distribution
India	Bangalore	March	Wipro	~90	Wipro
India	Mangalore	March	SPI	40 initially, 200 by first year	SPI clients on
India	Hyderabad	March	Latens	N.A.	Latens
Philippines	Leyte	March	APAC	150 initially, later expand to 600	APAC set up a

Source: Everest Research Institute analysis

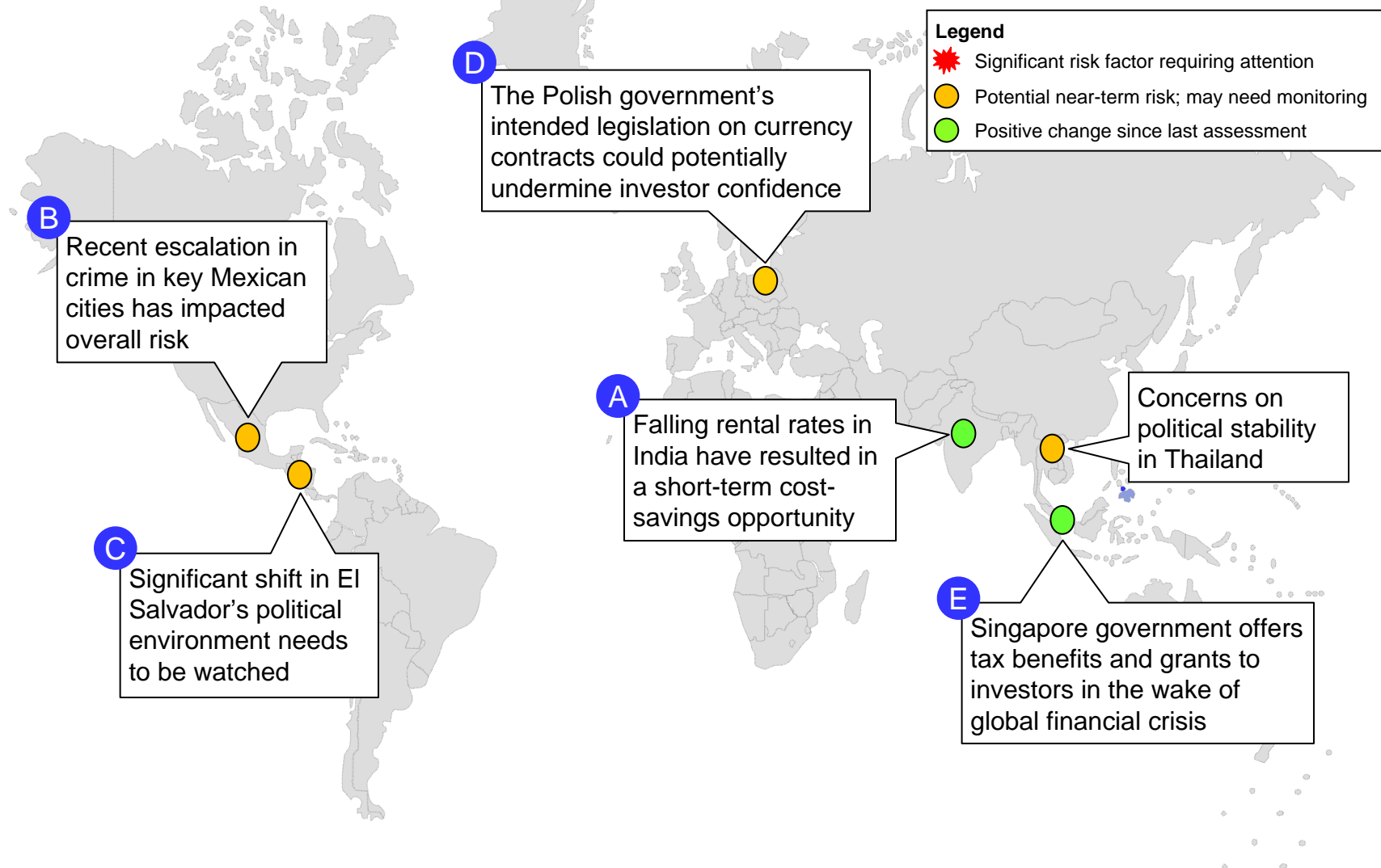
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**Includes over 20 pages of data tables on market activity, costs, wage inflation, etc.**

## Section II – Locations section | Illustrative output

The dashboard identifies key emerging risks and opportunities across prominent offshoring regions



Source: Everest Research Institute analysis



## Section II – Locations section | Illustrative output

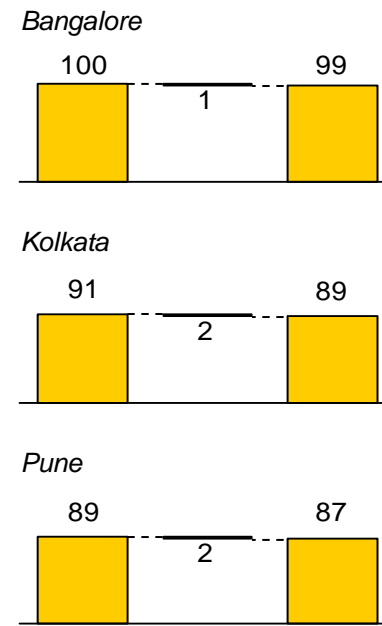
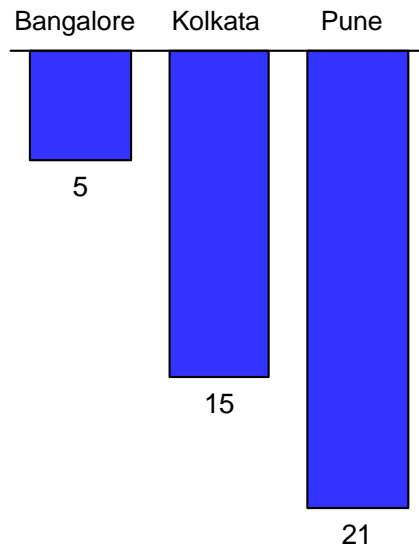
Key risks and opportunities are further detailed. For example falling rental rates in India have resulted in a short-term cost-savings opportunity



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- Falling real estate rents have led to a 1-2% short-term cost reduction which some players may be able to exploit
- Most peripheral districts in Indian cities witnessed a large amount of supply of new office stock as a result of the real estate boom up to 2008
  - However, in mid 2008 as global economic conditions hit India, fewer real estate transactions occurred leading to a fall in office rental rates
  - This decrease in office rents impacted cost structures across several cities

**Change<sup>1</sup> in real estate rentals**  
2008; Percentage



- The cost-reduction opportunity is unlikely to be available to all companies, as most companies are in multi-year lease contracts with fixed rental rates for the tenure of the contract
- The opportunity is available for those companies that have the flexibility to renegotiate rates and those that are expanding to new facilities in these locations
- This opportunity is likely to be available only for the short-term, as demand is likely to pick up quickly when the global economy starts recovering

<sup>1</sup> Percentage change from Q1 to Q4 2008

Source: Everest Research Institute analysis

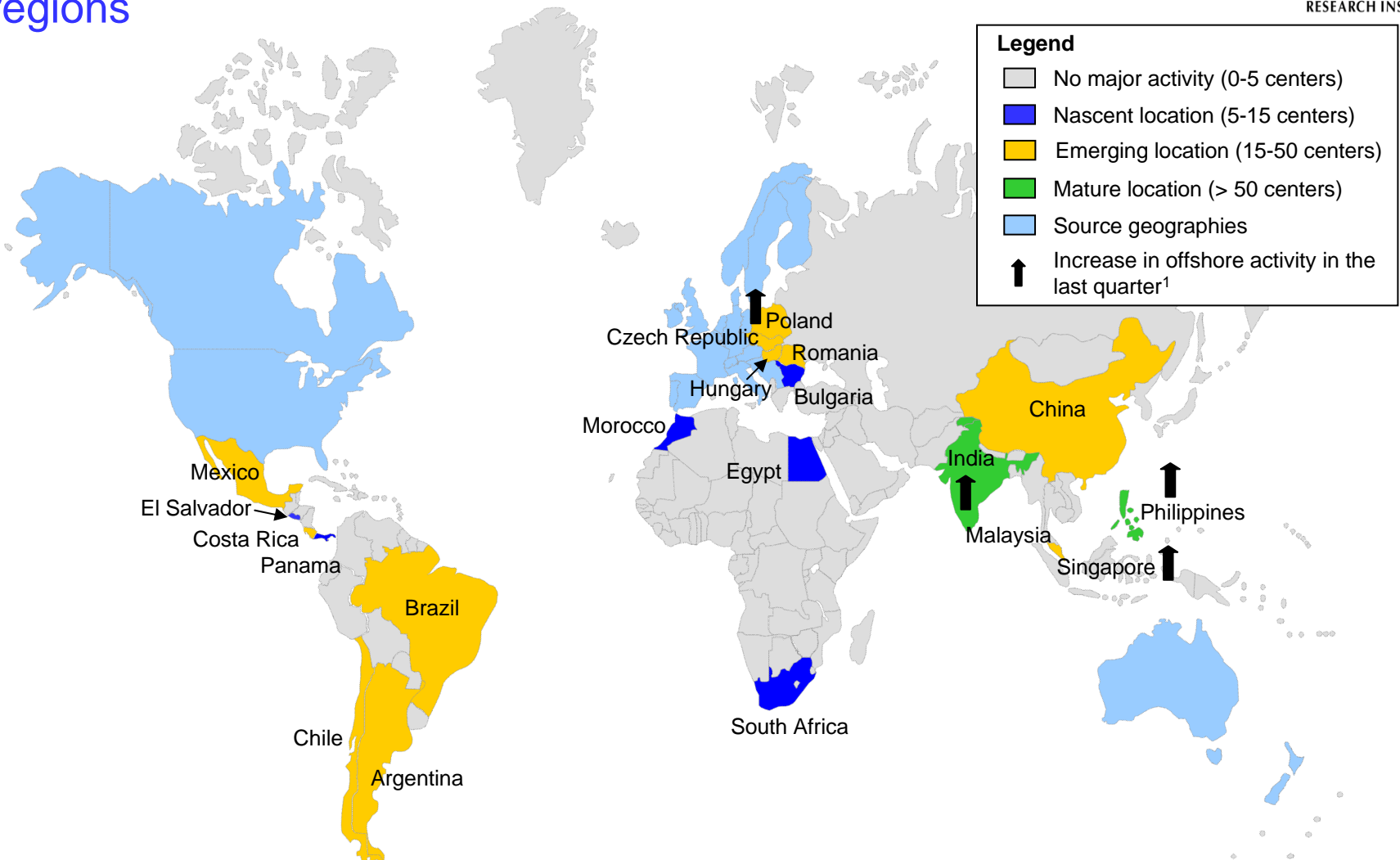


## Section II – Locations section | Illustrative output

The market activity heatmap identifies spikes of activity across regions



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<sup>1</sup> Details on new delivery centers opened provided in the following pages in the section

Note: Includes only delivery centers that have been publicly announced

Source: Everest Research Institute Transaction Intelligence Database

# Section II – Locations section | Illustrative output

## The section also contains quarterly data on themes such as socio-political, macroeconomic, and promotion initiatives across regions

### Locations | Market activity data

Announcements of delivery centers established in Q1 2009  
(page 3 of 3)

#### Latin America

Country	City	Month	Supplier/captive	Number of FTEs	Other comments
Chile	Azapa valley	March	Pioneer DuPont	~300	Pioneer DuPont, a U.S.-based company that produces and markets seeds in over 70 countries, opened a research center in Azapa valley. The center will create 90 permanent jobs and 210 temporary posts for professionals and technicians in the region
Mexico	Mexico City	January	DHL Express	N.A.	DHL Express expands its Mexican infrastructure by opening a facility at Mexico City's International Airport that combines a logistics gateway with a customer service call center. This new US\$6.2 million facility is part of DHL Express's US\$112 million five-year strategic investment plan
Chile	N.A.	March	TCS	N.A.	TCS extended its operations in Latin America by establishing an innovation lab in Chile to offer solutions to the clients to maximize efficiency and reduce operational costs. The investment made in the facility was not disclosed

#### Africa

Country	City	Month	Supplier/captive	Number of FTEs	Other comments
Morocco	Meknes	February	Alento	Create 300 jobs	Alento opens its fifth contact center in Morocco to primarily serve its customers in the banking, energy, and new technology sectors
Egypt	Cairo	March	Etsalat	250-seat center	Etsalat set up a technical support center in Egypt to serve customers in Arab and African countries

Source: Everest Research Institute analysis

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### Locations | Regional developments

Geopolitical and macro-economic environment (page 1 of 4)

#### Location Key developments

Asia	<ul style="list-style-type: none"> <li>India <ul style="list-style-type: none"> <li>Standard &amp; Poor's lowered its outlook on India's sovereign credit rating from stable to negative in late February. The move was driven largely by India's rapidly worsening fiscal position</li> <li>The Cabinet Committee on Economic Affairs (CCEA) approved new FDI norms that dilutes the foreign investment ceiling earlier imposed in sectors such as telecom, media, aviation, banking and insurance and opens up the scope for additional foreign equity inflow into Indian companies</li> </ul> </li> <li>Thailand – Political violence intensifies in Thailand as Thai troops open fire on anti-government protesters on the streets of Bangkok, leaving people dead and injured</li> <li>Merchandise exports fell and economic growth slowed for most of the countries in the Asia region. Unemployment rose as firms continued to cease operations resulting in job losses</li> <li>Asian governments adopted several measures to fight the aftermaths of global crisis <ul style="list-style-type: none"> <li>Indonesia – Bank Indonesia (Central Bank) cut its benchmark interest rate by 50 basis point to 7.75% in March, the lowest level in 11 months</li> <li>Malaysia – Government unveiled a stimulus program worth US\$ 16 billion, one of the largest packages relative to GDP announced in the region. It pledged to create 163,000 jobs including 63,000 government hires</li> <li>Vietnam – The State Bank of Vietnam continued to ease monetary policy to spur economic growth. No personal incomes taxes will be collected until May an interest subsidy of 4 percentage points on short-term loans will be offered to small and medium-sized enterprises</li> <li>Thailand – Parliament approved the government's US\$3.3 billion mid-year budget, a major component is to give cash grant of US\$57 million to poorer households</li> <li>Philippines – The central bank cut its overnight borrowing and lending rates by 50 basis points</li> <li>India – The Reserve Bank of India cut the benchmark repo and reverse repo rates by a half percentage point</li> </ul> </li> </ul>
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Source: Everest Research Institute analysis

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### Locations | Regional developments

Leading economic indicators

Country	GDP growth rate				CPI inflation rates	
	Q1-2008 <sup>1</sup>	Q2 2008 <sup>1</sup>	Q3 2008 <sup>1</sup>	Q4 2008 <sup>1</sup>	2008 (YoY)	Latest available for Q1 2009 <sup>2</sup>
Czech Rep	5.3%	4.6%	4.2%	0.7%	7.5%	2.0% (Feb 2009)
Hungary	1.7%	2%	0.8%	2%	6.9%	3.0% (Feb 2009)
Poland	6.1%	5.8%	4.8%	2.9%	4.2%	3.3% (Feb 2009)
Bulgaria <sup>3</sup>	6.0%	6.0%	6.0%	6.0%	12.0%	N.A.
Slovakia	8.7%	7.6%	7.0%	2.5%	4.0%	3.1% (Feb 2009)
Romania <sup>3</sup>	7.1%	7.1%	7.1%	7.1%	7.84%	N.A.
India	8.8%	7.9%	7.6%	5.3%	5.5%	9.6% (Feb 2009)
China	10.6%	10.1%	9.0%	6.8%	8.7%	-1.6% (Feb 2009)
Malaysia	7.1%	6.3%	4.7%	0.1%	2.7%	3.7% (Feb 2009)
Philippines	5.1%	4.6%	4.6%	4.5%	6.4%	6.4% (March 2009)
Mexico	2.6%	2.8%	1.6%	-1.6%	4.3%	6.0% (March 2009)
Argentina	8.4%	7.5%	6.2%	4.9%	6.4%	6.8% (Feb 2009)
Brazil	5.8%	6.1%	6.8%	1.3%	4.6%	5.9% (Feb 2009)
Chile	3.0%	4.3%	4.8%	0.2%	6.5%	5.0% (March 2009)
Costa Rica <sup>3</sup>	2.9%	2.9%	2.9%	2.9%	13.4%	N.A.

<sup>1</sup> Real GDP growth, percentage change an year ago  
<sup>2</sup> Consumer prices, percentage change an year ago  
<sup>3</sup> Annual % GDP growth rate estimates for Bulgaria, Romania, and Costa Rica

Sources: Economist, IMF

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### Locations | Regional developments

Investment environment (page 1 of 3)

#### Location Key developments

Asia	<ul style="list-style-type: none"> <li>India saw several partnerships with other outsourcing destinations to promote the business opportunities and improve the market environment <ul style="list-style-type: none"> <li>The Information technology trade bodies of India and Chile, NASSCOM and ACTI, signed a MOU to enable growth and development of IT sectors in the two countries</li> <li>NASSCOM signed an MOU with the Colombian Federation of Software and Related Technologies (FEDESOFIT) to increase trade, investment, and promote economic cooperation in the ICT sector</li> <li>NASSCOM also signed MOUs with Kazakhstan Association of IT Companies and The Information Technology Industry Development Agency (ITIDA), of Egypt to promote the IT industry</li> <li>Shenyang, a Chinese firm, tied up with Indian states, noticeably Kerala for a US\$7 billion IT deal. This cooperation is proposed in five key areas. NASSCOM, in turn, offered support in the form of access to trained manpower and infrastructure</li> </ul> </li> <li>Some infrastructure related announcements that took place in this quarter include: <ul style="list-style-type: none"> <li>10 IT parks are proposed in the state of Kerala (India) by 2011</li> <li>Tata Communications announced plans to develop a large Internet data center in Singapore. It also completed the TGN-Intra Asia Cable System that connects Singapore, Hong Kong, Vietnam, the Philippines, and Japan</li> </ul> </li> <li>Asian countries announced several training initiatives to address talent shortage <ul style="list-style-type: none"> <li>Global Talent Track, in collaboration with Cisco and Pune University, aims to open a dedicated center to train manpower in vocational courses for IT and business services. The initial launch will cover 30,000 students across 100 colleges in Indian States like Punjab, Rajasthan, Maharashtra, etc.</li> <li>Indira Gandhi National Open University, New Delhi (India) plans to set up six BPO training facilities in collaboration with Accenture. It is also plans to launch a diploma course in BPO in India</li> <li>TESDA assigned US\$53.8 million for training ~150,000 students in short-term IT technical and vocational courses in the Philippines</li> <li>HP entered into an agreement with the Chongqing Municipality (China) for training 5,000 graduates</li> </ul> </li> </ul>
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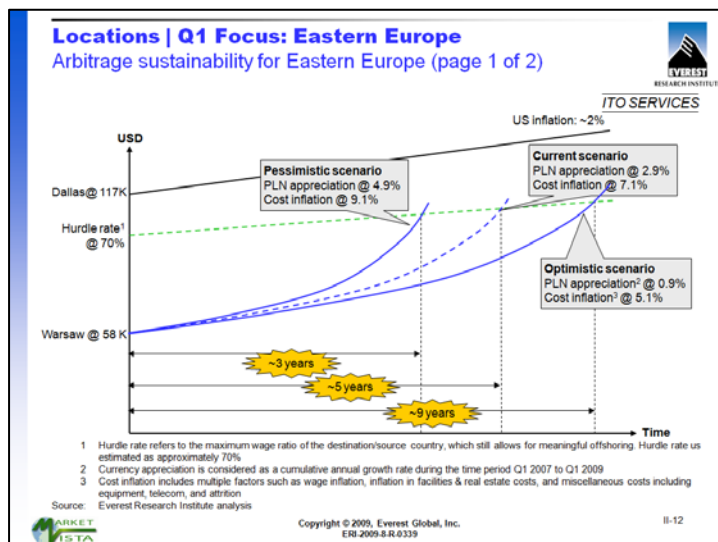
Source: Everest Research Institute analysis

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# Section II – Locations section | Illustrative output

Each quarterly report will cover a deep-dive on a specific geography / theme



### Locations | Q1 Focus: Eastern Europe

Arbitrage sustainability for Eastern Europe (page 2 of 2)

Projected sustainability<sup>1</sup> of labor arbitrage  
Number of years

Source / Destination countries	Current momentum of operating cost inflation and currency appreciation <sup>2</sup>	Increasing operating cost inflation and currency appreciation by 2%	Decreasing operating cost inflation and currency appreciation by 2%
U.S.-Prague	2-4	1-3	3-5
U.S.-Bratislava	4-6	3-5	7-9
U.S.-Warsaw	5-7	4-6	9-11

BPO SERVICES

Source / Destination countries	Current momentum of operating cost inflation and currency appreciation	Increasing operating cost inflation and currency appreciation by 2%	Decreasing operating cost inflation and currency appreciation by 2%
U.S.-Prague	2-4	1-3	3-5
U.S.-Bratislava	3-5	2-4	5-7
U.S.-Warsaw	3-5	1-3	11-13

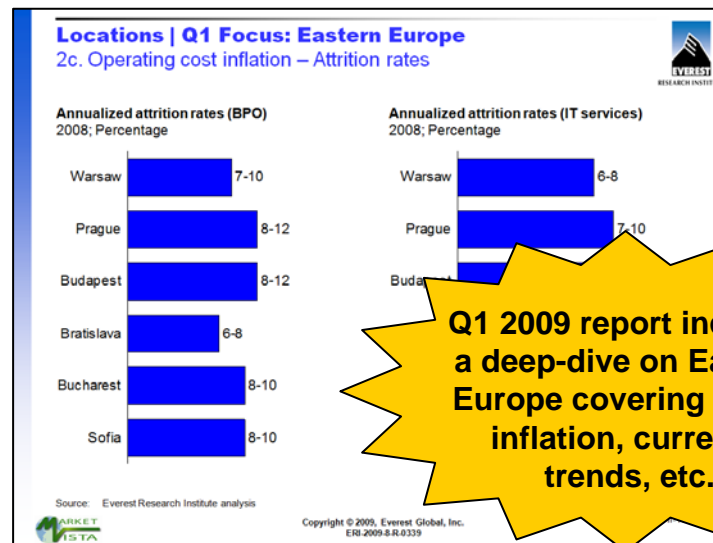
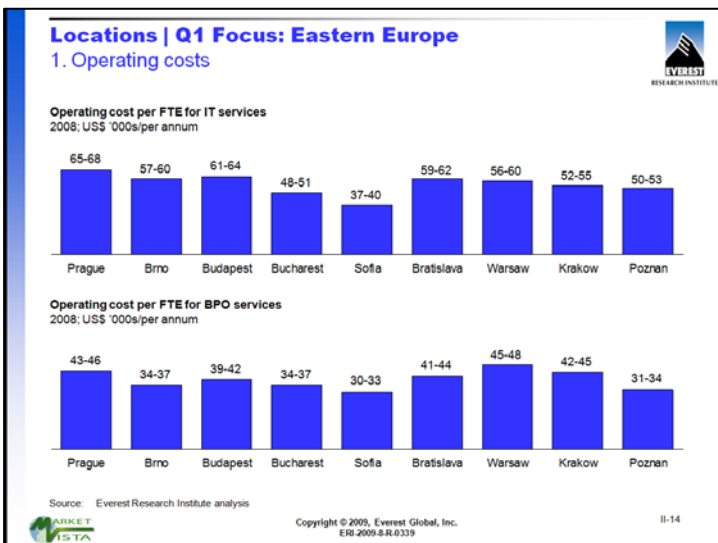
1 Assuming sustainability of labor arbitrage until destination country salaries are 70% of source country salaries.

2 Currency appreciation is considered as a cumulative annual growth rate during the time period Q1 2007 to Q1 2009 for all cases.

Source: Everest Research Institute analysis

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# Section III – Supplier developments | Overview

## Profiles developments across 20 leading suppliers, highlighting key implications for sourcing managers

### Supplier developments analysis | Transactions activity

#### Relative momentum of transaction announcements

Transaction announcements' activity in Q1 2009 and trend over Q4 2008

Suppliers	ITO deals	BPO deals	Both deals
Number	Trend	Number	Trend
High activity in Q1 2009			
IBM	40	1	1
Unisys	13	3	0
CSC	6	6	2
EDS	7	1	1
Accenture	5	0	1
Capgemini	7	0	0
Moderate activity in Q1 2009			
ACS	2	4	0
Atos Origin	6	0	0
Convergys	4	1	1
Infosys	6	0	0
TCS	6	0	0
Wipro	4	0	2
HCL	4	0	0
Perot	0	2	1
Low activity in Q1 2009			
Cognizant	1	0	0
WNS	0	1	0
EXL Services	0	0	0
Genpact	0	0	0
Hewlett	0	0	0
Tech Mahindra	0	0	0

1 Analysis based only on publicly announced transactions  
2 Deals which include both ITO and BPO services  
Note: High activity group includes suppliers with at least 7 new deals, moderate activity group includes suppliers with 2-6 new deals and low activity group includes suppliers with 1 or no new deal announced in the quarter  
Source: Everest Research Institute (2009)

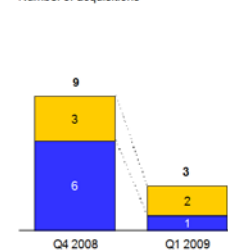
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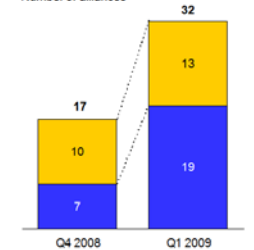
### Supplier developments analysis | M&A and alliances

#### Momentum in alliance activity witnessed a significant improvement while M&A activity declined sharply in Q1 2009

Number of M&A by supplier category  
Number of acquisitions



Number of alliances by supplier category  
Number of alliances



• M&A activity declined to one-third in Q1 2009 compared to Q4 2008, as a result of cautious revenue planning and a selective approach followed by suppliers in the slow economic environment  
• Reversing the trend from the previous quarter, alliance activity witnessed a significant increase in Q1 2009. This can be attributed to the prevalent cash crunch situation in the economy, where even traditional suppliers that usually focus on acquisitions opt for alliances as an economically viable opportunity for growth

Sources: Company Web sites, press releases

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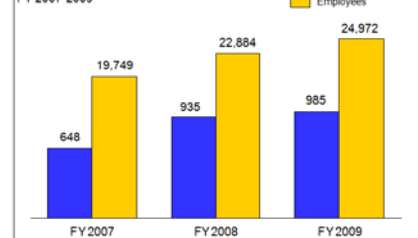
### Supplier developments | Overview

#### We added Tech Mahindra to the list of Market Vista Index suppliers, given its acquisition of Satyam

##### Company overview

- Tech Mahindra is an India-based provider of IT solutions and services to the global telecommunications industry
- The publicly traded company is jointly owned by Mahindra & Mahindra, a leading Indian conglomerate, and the UK's British Telecom (BT)
- Its service offerings include IT infrastructure outsourcing, network services, application development and maintenance, and BPO services

Tech Mahindra revenue and headcount trends  
FY 2007-2009<sup>1</sup>



1 Financial year ends March 31  
Source: Everest Research Institute (2009)

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### Q1 2009 | Key supplier developments

#### Accenture (page 2 of 3)

Mergers & Acquisitions (M&A) and alliance activity		
Type of activity	Target/partner firm	Description
Acquisition (planned)	Asia business of BearingPoint Inc.	Accenture is reportedly interested in the acquisition of the Asia business of BearingPoint Inc., a U.S.-based provider of technology and management consulting services that has filed for Chapter 11 bankruptcy protection
Alliance	Cisco (U.S.)	Accenture expanded its strategic alliance with U.S.-based Cisco to form an innovative virtual group. The companies partnered to design, build, and run new collaboration and infrastructure solutions to enhance business process efficiency of large global customers

##### Key takeaways from Q4 2008 earnings call

Category	Description
Financials	• Accenture saw a revenue growth of 6.1% and marginal gross profit
Pricing	• Pricing for Accenture remained largely neutral although pressure was felt in some segments
Segments	• Verticals: Resources segment grew by 16% and new segments were life sciences, consumer goods, and retail • Geographies: Americas grew 11%, attributed to strong performance in the U.S. and Europe, while Asia Pacific grew negatively by the decline in UK APAC grew 22%
Talent	• Accenture saw a reduction in attrition rate • Accenture expects to continue hiring, with plans to increase utilization in 2009
Future growth	• Accenture is seeing an interest in BPO in addition to technology. These service lines are expected to grow • Accenture also expects financial services to drive growth

Sources: Everest Research Institute (2009); company Web sites

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Includes over 40 pages of data tables on M&A, new delivery centers, management changes, etc.

# Section III – Supplier developments | Illustrative output

This section includes a perspective on relative momentum across suppliers



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## Transaction announcements<sup>1</sup> activity in Q1 2009 and trend over Q4 2008

- Increased from last quarter
- Similar to last quarter
- Decreased from last quarter

Suppliers	ITO deals		BPO deals		Both deals <sup>2</sup>	
	Number	Trend	Number	Trend	Number	Trend
High activity in Q1 2009						
IBM	40	●	1	●	1	●
Unisys	13	●	3	●	0	●
CSC	6	●	6	●	2	●
EDS	7	●	1	●	1	●
Accenture	5	●	1	●	1	●
Capgemini	7	●	0	●	0	●
Moderate activity in Q1 2009						
ACS	2	●	4	●	0	●
Atos Origin	6	●	0	●	0	●
Convergys	4	●	1	●	1	●
Infosys	6	●	0	●	0	●
TCS	6	●	0	●	0	●
Wipro	4	●	0	●	2	●
HCL	4	●	0	●	0	●
Perot	0	●	2	●	1	●
Low activity in Q1 2009						
Cognizant	1	●	0	●	0	●
WNS	0	●	1	●	0	●
EXL Services	0	●	0	●	0	●
Genpact	0	●	0	●	0	●
Hewitt	0	●	0	●	0	●
Tech Mahindra	0	●	0	●	0	●

1 Analysis based only on publicly announced transactions

2 Deals which include both ITO and BPO services

Note: High activity group includes suppliers with at least 7 new deals, moderate activity group includes suppliers with 2-6 new deals and low activity group includes suppliers with 1 or no new deal announced in the quarter

Source: Everest Research Institute (2009)

- Across the group of Market Vista Index suppliers, 140 new transactions were announced, accounting for US\$7 billion, in Q1 2009 (versus US\$10 billion in Q4 2008) in TCV terms
- Traditional global suppliers IBM (42 deals), Unisys (16 deals), and CSC (14 deals) led the overall transaction activity in the quarter
- Key transactions announced in this quarter:
  - HCL announced a five-year, US\$1,174 million contract with Nokia to provide helpdesk and desktop management services
  - EDS announced a 10-year, US\$1,000 million contract with Aviva to provide data center modernization services
  - IBM announced a seven-year, US\$471 million contract with Endesa Group to provide infrastructure services and manage IT

solutions and systems  
solutions and systems



# Section III – Supplier developments | Illustrative output

Each supplier is profiled in detail across multiple dimensions

Sample profile - Affiliated Computer Services (ACS) (page 1 of 2)



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Recent transaction activity				
Buyer name	Announcement date	TCV estimate (US\$ million)	Duration (years)	Services
AmeriHealth Mercy	Mar 2009	6	3	BPO – Others
Brother International	Mar 2009	13	3	Customer care
Alabama Medicaid Agency	Feb 2009	N.A.	N.A.	AO
Hawaii Department of Human Services	Feb 2009	21	1	Customer care, industry-specific BPO
Queenâ€™s Health System	Jan 2009	26	3	AO, IO
Regence Group	Jan 2009	N.A.	N.A.	Industry-specific BPO

Location footprint			
Location	Status	Employees	Description
Kentucky (U.S.)	Expansion	N.A.	<ul style="list-style-type: none"> <li>ACS opened a new processing facility in Louisville, Kentucky (U.S.). The new TripPak services facility will enhance ACS's capacity to process transactions for its transport clients engaged in trucking operations within the United States.</li> </ul>

Mergers & Acquisitions (M&A) and alliance activity		
Type of activity	Target/partner firm	Description
Acquisition	e-Services Group International (Caribbean)	ACS completed the acquisition of Caribbean-based e-Services Group International, for US\$85 million, including the assumption of liabilities. The acquisition will provide ACS and its clients with an additional 4,000 English-speaking workforce based in Jamaica and St. Lucia for customer care and BPO services from a location convenient to the Americas and Europe

Sources: Everest Research Institute (2009); company Web sites

# Section III – Supplier developments | Illustrative output

Each supplier is profiled in detail across multiple dimensions

Sample profile - Affiliated Computer Services (ACS) (page 2 of 2)



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Key takeaways from Q4 2008 earnings call	
Category	Description
Financials	<ul style="list-style-type: none"><li>■ ACS' revenue declined 0.4% and operating margins fell slightly to 10.4% for Q4</li></ul>
Pricing	<ul style="list-style-type: none"><li>■ ACS witnessed pricing pressures with new contracts coming in at lower prices, especially in the education and financial services verticals. Pricing for IT services contracts also saw similar pressures</li></ul>
Segments	<ul style="list-style-type: none"><li>■ Verticals: Traction was seen in the healthcare payer, communications and consumer goods businesses, with strong demand from the government sector. In addition, the Commercial Student loan program was a large contributor to top-line growth. Business from Sprint, a major telecom client was under pressure and contribution is expected to decline in 2009</li></ul>
Talent	<ul style="list-style-type: none"><li>■ ACS hired 2,000 employees in Q4, 47% of the stated goal of 4,200. The remaining hiring will be done in 2009</li><li>■ ACS expects to alleviate wage inflation pressures by setting up and expanding operations in tier-2 locations</li><li>■ ACS is expected to continue hiring on a large scale in offshore locations such as Mexico, India, Philippines and Jamaica (these and other offshore locations now account for 15% of total workforce)</li></ul>
Future growth	<ul style="list-style-type: none"><li>■ ACS expects revenue growth of 7-8%, and operating margins to be greater than 11% in the next quarter</li><li>■ ACS expects to invest in growing its global sales force, and has already hired 20 people and plans to take this to 100</li><li>■ ACS expects to also invest in next generation Total Benefits Outsourcing (TBO) platform and technology going forward</li></ul>

Other significant developments	
Type of announcement	Description
Capability	<ul style="list-style-type: none"><li>■ ACS introduced a centralized service called Managed Mobility Services to help corporations manage their mobile devices and govern all smartphone-related aspects, including procurement, security and expense management</li></ul>
Headcount	<ul style="list-style-type: none"><li>■ ACS transitioned about 500 of its U.S. employees to Patni Computer Systems who will be on the rolls of Patni and will be governed by its terms and conditions</li><li>■ ACS announced plans to hire about 300 people for its new facility in Noida, India, and eventually recruit upto 500 employees</li><li>■ ACS announced plans to ramp up its employment in San Antonio by 500 people to support a new contract</li></ul>
Management changes	<ul style="list-style-type: none"><li>■ ACS appointed Kevin Shelly as the SVP, Group Sales, of its Government Solutions Group</li><li>■ ACS appointed Dave Amoriell as the EVP and Group President of its Transportation Solutions Group</li></ul>
Others	<ul style="list-style-type: none"><li>■ Fitch Ratings revised the rating outlook on ACS to BB+ based on strong 2008 results and new contract bookings</li></ul>

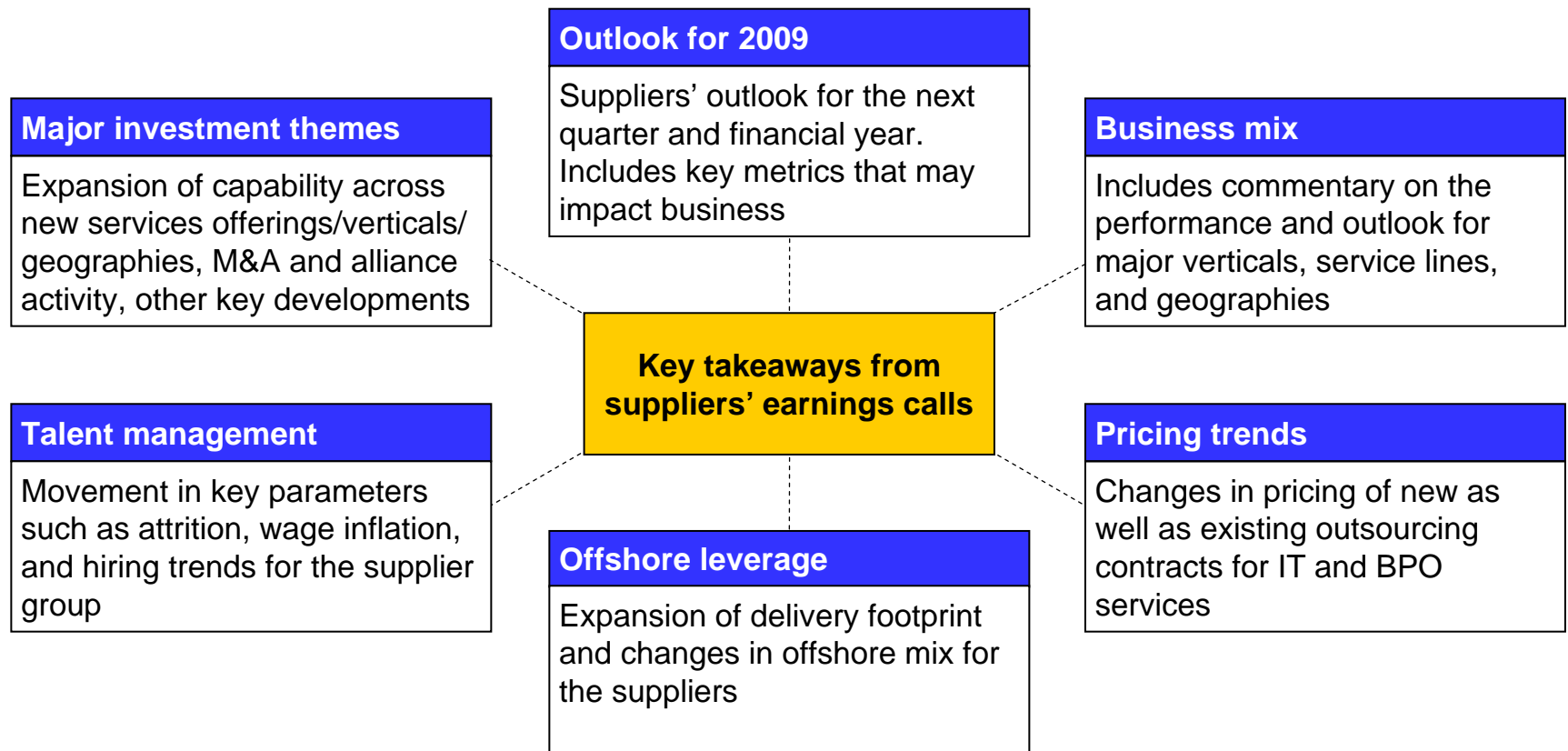
Sources: Everest Research Institute (2009); company Web sites

## Section III – Supplier developments | Illustrative output

In addition, the section includes spotlight on key observations from suppliers' financial results



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**This section captures the key trends, reported as part of Q4 2008 results, by 20 leading global sourcing suppliers (Market Vista Index suppliers). The views/outlook presented in this section reflect those expressed by suppliers and were compiled largely through suppliers' earnings calls and financial disclosures**

Sources: Company earnings call transcripts; financial and news releases; Everest Research Institute (2009)



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