



CORPORATE FINANCE

Valuation Update for the Business Process Outsourcing Industry

ADVISORY

June 30, 2010

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Transaction volume in the business process outsourcing (BPO) industry declined compared to the level of activity in the prior month, but remained stable compared to the activity in June 2009. According to Capital IQ, there were 62 deals announced in the BPO sector in June 2010 compared to 78 in the prior month and 58 in June 2009. Several of the announced deals in June were characterized by firms seeking to expand their BPO service offerings as well as their geographic presence.

The following are among the notable transactions announced in the BPO sector in June:

- Revenue and payment cycle management solutions provider **Emdeon, Inc.** (NYSE: EM) announced it has acquired **Chapin Revenue Cycle Management, LLC** for US\$27 million in cash. Chapin provides revenue cycle solutions for healthcare providers, including managed care audit and recovery, accounts receivable management, and medical denial services. The acquisition complements Emdeon's existing healthcare accounts receivables management solutions. *(Source: Emdeon, Inc. press release, June 21, 2010)*
- Consulting, technology, and outsourcing services provider **Cap Gemini S.A.** (ENXTPA: CAP) announced it has acquired the remaining 51 percent in **SSS Holdings Corporation Limited** it does not already own for an undisclosed amount. SSS provides a variety of IT and BPO services with a focus on the financial services sector. The acquisition strengthens Cap Gemini's offerings for the financial services sector and expands its presence in the Asia-Pacific region with IT and BPO platforms in China and the Philippines. *(Source: Cap Gemini S.A. press release, June 16, 2010)*
- Accounts receivable management solutions provider **The Outsource Group, Inc.** announced it has acquired **Connecticut Credit, LLC** for an undisclosed amount. Connecticut Credit provides workers' compensation billing, follow-up, and collections services to the healthcare industry. The acquisition expands The Outsource Group's third-party liability service offerings and its solutions to the healthcare sector. *(Source: The Outsource Group press release, June 15, 2010)*
- Integrated business process outsourcing services provider **BancTec GmbH** announced that it has acquired **Beta Systems ECM Solutions GmbH** for an undisclosed amount. Germany-based Beta Systems provides scalable systems for processing mail, documents, and payment transactions. The acquisition strengthens BancTec's offerings to the financial services sector and expands its presence throughout Eastern Europe and other European markets. *(Source: BancTec GmbH press release, June 3, 2010)*
- BPO solutions provider **The Capita Group plc** (LSE: CPI) announced the acquisition of **Premier Medical Group** for approximately US\$88 million in cash. UK-based Premier Medical provides medical opinion and rehabilitation services to insurers, legal representatives, and third-party administrators. The acquisition expands Capita Group's existing healthcare services and allows it to provide a full suite of medical reporting and screening services. *(Source: The Capita Group plc press release, June 1, 2010)*

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Market Snapshot											
Company	Market Cap ¹	Share Price ¹	52-Week Low	52-Week High	Price % Change 1 Mo	Price % Change 2 Mo	Price % Change 1 Yr	EV ² /Sales	EV ² /EBITDA ³	EV ² /EBIT	
CUSTOMER RELATIONSHIP MANAGEMENT AND VOICE											
CONVERGYS CORPORATION	1,213.5	9.8	8.3	13.8	-10.2%	-20.0%	5.7%	0.5	6.6	18.1	
TELECOM EGYPT	4,716.1	2.8	2.7	3.6	-7.4%	-7.7%	-58.1%	2.4	4.9	11.1	
STARTEK, INC.	58.1	3.9	3.6	10.0	-13.3%	-45.9%	-51.4%	0.1	1.7	17.9	
SYKES ENTERPRISES, INCORPORATED	674.3	14.2	14.2	26.9	-17.6%	-37.9%	-21.3%	0.5	4.6	6.9	
TELEPERFORMANCE	1,448.2	25.6	25.3	33.7	-9.6%	-19.5%	-5.2%	0.6	5.0	7.6	
TELETECH HOLDINGS INC.	792.6	12.9	12.3	20.9	-0.3%	-23.8%	-14.9%	0.6	3.9	6.0	
<i>Customer Relationship Management and Voice Mean</i>					-9.7%	-25.8%	-24.2%	0.8	4.5	11.3	
<i>Customer Relationship Management and Voice Median</i>					-9.9%	-21.9%	-18.1%	0.6	4.7	9.4	
FINANCIAL AND TRANSACTION PROCESSING											
ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A	11,479.8	37.7	35.7	48.4	-1.4%	-14.0%	-16.3%	1.2	12.0	15.7	
ALLIANCE DATA SYSTEMS CORPORATION	3,175.5	59.5	36.3	78.2	-15.8%	-7.4%	44.5%	4.3	16.7	20.8	
ATHENAHEALTH, INC.	864.8	26.1	22.3	47.8	5.5%	-29.0%	-20.1%	4.0	33.7	49.1	
AUTOMATIC DATA PROCESSING, INC.	20,250.3	40.3	26.5	45.7	-1.5%	-8.9%	13.6%	2.1	8.3	9.7	
CSG SYSTEMS INTERNATIONAL INC.	624.2	18.3	13.1	23.8	-10.7%	-12.7%	38.4%	1.1	5.5	8.1	
CYBERSOURCE CORPORATION	1,826.4	25.5	14.0	25.9	-0.6%	42.6%	66.9%	6.0	29.8	NM	
DST SYSTEMS INC.	1,688.3	36.1	34.6	47.5	-5.7%	-12.1%	-2.2%	1.2	5.8	8.2	
FISERV INC.	6,968.2	45.7	43.1	55.3	-4.0%	-10.7%	-0.1%	2.5	8.1	10.5	
GLOBAL PAYMENTS INC.	2,981.9	36.5	35.6	54.5	-13.4%	-19.9%	-2.5%	1.7	7.3	8.8	
ORACLE FINANCIAL SERVICES SOFTWARE LIMITED	4,040.4	48.2	23.5	53.8	9.7%	-2.2%	80.9%	5.8	16.1	17.0	
ONLINE RESOURCES CORP.	128.3	4.2	3.6	6.9	-3.7%	3.2%	-33.5%	1.7	9.1	17.0	
PAYCHEX INC.	9,387.2	26.0	23.8	32.9	-9.0%	-15.5%	3.1%	4.5	11.1	12.4	
TOTAL SYSTEM SERVICES, INC.	2,684.6	13.6	12.6	17.8	-6.8%	-14.1%	1.6%	1.4	4.9	6.8	
<i>Financial and Transaction Processing Mean</i>					-4.7%	-7.2%	15.9%	3.0	13.0	15.3	
<i>Financial and Transaction Processing Median</i>					-4.8%	-11.4%	2.3%	2.3	8.7	10.5	
HUMAN RESOURCES AND ADMINISTRATION											
CAPITA GROUP PLC	6,928.5	11.2	9.8	12.6	-5.1%	-4.4%	3.7%	2.0	14.0	17.9	
HEWITT ASSOCIATES INC.	3,207.0	34.5	27.9	43.9	-7.5%	-12.9%	15.7%	1.0	4.9	6.3	
IRON MOUNTAIN INC.	4,566.1	22.5	21.3	32.0	-8.4%	-18.2%	-21.9%	2.4	8.4	13.3	
XCHANGING PLC	711.1	3.0	2.6	3.7	8.3%	-0.6%	-48.3%	0.6	5.2	8.9	
<i>Human Resources and Administration Mean</i>					-3.2%	-9.0%	-12.7%	1.5	8.1	11.6	
<i>Human Resources and Administration Median</i>					-6.3%	-8.6%	-9.1%	1.5	6.8	11.1	
OFFSHORE OUTSOURCING											
COGNIZANT TECHNOLOGY SOLUTIONS CORP.	14,988.9	50.1	25.0	54.8	0.0%	-1.5%	87.5%	3.9	17.9	20.4	
EXLSERVICE HOLDINGS, INC.	500.8	17.2	7.4	19.5	3.3%	2.6%	53.2%	2.0	10.3	15.0	
FIRSTSOURCE SOLUTIONS LIMITED	259.8	0.6	0.4	0.9	7.4%	-3.9%	15.2%	1.3	9.3	13.5	
GENPACT LTD.	3,398.4	15.5	11.0	18.3	-8.1%	-8.7%	8.8%	2.7	13.3	18.9	
HCL TECHNOLOGIES LTD.	5,264.4	7.8	3.5	9.6	-4.6%	2.2%	96.5%	2.2	11.0	13.5	
HEXAWARE TECHNOLOGIES LTD.	232.7	1.6	0.8	2.2	2.4%	9.5%	64.3%	0.7	3.6	4.2	
iGATE CORP.	708.8	12.8	6.2	15.2	9.8%	30.0%	93.7%	3.0	13.3	16.1	
INFOSYS TECHNOLOGIES LTD.	33,956.9	59.5	34.9	61.3	4.9%	4.4%	56.9%	6.6	19.2	21.8	
INFOTECH ENTERPRISES LTD.	448.9	4.0	1.8	4.4	-0.3%	1.0%	112.9%	1.9	8.0	10.1	
MPHASIS LIMITED	2,513.2	12.0	7.1	17.0	-1.8%	-12.3%	45.7%	2.5	9.7	11.3	
NIIT TECHNOLOGIES LTD.	214.4	3.6	2.0	4.3	-4.7%	-0.3%	70.4%	0.9	4.4	5.4	
PATNI COMPUTER SYSTEMS LTD.	1,435.1	11.0	5.1	13.3	-6.1%	-5.9%	100.1%	2.1	9.0	11.2	
ROLTA INDIA LTD.	577.5	3.6	2.2	4.5	4.9%	-7.5%	33.3%	2.5	7.0	12.3	
SYNTEL INC.	1,410.0	34.0	30.7	50.0	1.5%	-11.7%	8.0%	2.7	8.5	9.5	
TATA CONSULTANCY SERVICES LIMITED	31,353.5	16.0	7.8	18.0	1.2%	-7.0%	92.8%	4.6	15.4	16.5	
TECH MAHINDRA LIMITED	1,944.2	15.7	13.2	24.7	15.5%	-14.5%	0.3%	1.8	7.4	8.2	
WIPRO LTD.	19,974.4	8.2	4.6	9.6	-4.1%	-11.1%	69.8%	3.3	15.1	17.4	
WNS (HOLDINGS) LTD.	513.6	11.7	8.4	25.6	7.3%	6.1%	30.4%	1.1	8.0	25.4	
<i>Offshore Outsourcing Mean</i>					1.6%	-1.6%	57.8%	2.5	10.6	13.9	
<i>Offshore Outsourcing Median</i>					1.4%	-2.7%	60.6%	2.3	9.5	13.5	
TOTAL BUSINESS PROCESS OUTSOURCING INDUSTRY MEAN					-2.5%	-7.7%	25.9%	2.3	10.2	13.7	
TOTAL BUSINESS PROCESS OUTSOURCING INDUSTRY MEDIAN					-3.8%	-8.2%	14.4%	2.0	8.4	12.3	

KPMG Corporate Finance LLC regularly monitors performance of a select group of publicly traded companies within the business process outsourcing industry.

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KPMG Corporate Finance LLC is a leading middle market investment bank serving domestic and international clients. We offer a broad range of investment banking and strategic advisory services.

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Source: Capital IQ and company filings as of June 30, 2010

- 1 Market Capitalization amounts are in US\$ millions, based on closing Share Prices as of June 30, 2010.
- 2 Enterprise Value (EV) equals Market Capitalization plus Debt, Preferred Equity, and Minority Interest, minus Cash and Cash Equivalents.
- 3 EBITDA equals Earnings Before Interest, Taxes, Depreciation, and Amortization.

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