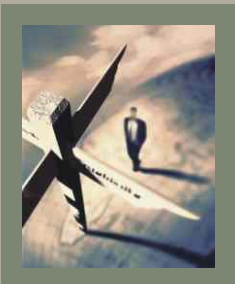


surviving tomorrow

[ ADDING OFFSHORE TO OUTSOURCING - THE CEO'S HANDBOOK ]

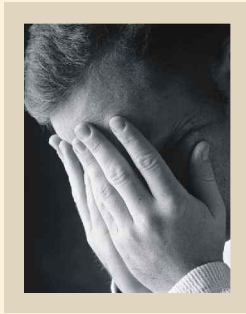
TECHNOLOGY HOLDINGS

*M & A and Private Equity in Outsourcing*



"EVEN IN BUSINESS, THE ROAD  
AHEAD SUDDENLY DIVIDES IN TWO;  
ONE AN ILLUSION, THE OTHER AN  
OPPORTUNITY." - DAVID FISHER

## [ TOUGH TIMES CALL FOR HARD CHOICES ]



If there is one thing the world has been able to predict accurately, it is that the future is uncertain.

Tried and trusted ways of doing business have failed to meet the challenges thrown up by the changing business environment.

These are the times when companies need to employ radical strategies to stay competitive.

Consumers around the world want more for less. And now, companies do too.

## [ THE OUTSOURCING SERVICE PROVIDER'S DILEMMA ]

The CEO of the typical outsourcing company is faced with significant challenges today.

- Should you cut your losses and run? Not an easy choice, given the low market valuations and the paucity of buyers.
- Should you acquire an offshore player or take a strategic stake in one to stay competitive? Strategies full of possibilities but you do need experts to guide you through the complexities.
- Should you bring in a strategic investor that understands the space and can bring in the investment and the expertise to help you grow your business, build offshore capability and grow your profitability?

Strategies full of possibilities, but you do need someone to guide you through the complexities.

Whichever way you look at it, adding the offshore component to your business will certainly be to your advantage today, and it will become inevitable tomorrow.

By 2004, no large  
company can afford to  
not have a substantive  
offshore vendor  
relationship  
Gartner



## OFFSHORE : SO FAR, YET SO NEAR

Going offshore is easier than you think. And the benefits are more immediate than you would imagine.

Offshore outsourcing may have become the buzzword only recently, but companies such as General Electric and Citibank took their first tentative steps towards offshore outsourcing as early as 1990. They have not only established themselves in the offshore outsourcing game, but also have already saved hundreds of millions of dollars from it.

Using offshore outsourcing has become compelling over the last few years. Beyond cost reduction, customers are beginning to realize benefits of greatly enhanced productivity and quality.

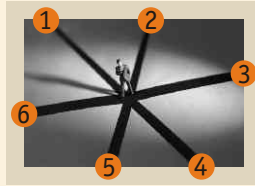
The good news is that offshore outsourcing is no longer an unknown quantity. Countries such as India have matured over the last 12 years and have become reliable offshore destinations. In fact, offshore outsourcing to India in 2002 accounted for nearly \$10 billion in revenues, and this is growing at close to 30% annually, with offshore business process outsourcing growing even faster at close to 100% annually

Your customers' ability to achieve the same objectives by saving 50% of their current outsourcing spend is a strong reason for you to seriously reconsider your business model. The word on the street is that offshore outsourcing is now a major threat to domestic outsourcing. And you have the ability to leverage this trend to dramatically improve your bottom line, increase share holder value and provide an alternative exit option to them.

And as with all opportunities, the pioneers and the early adopters stand to reap the greatest windfall.

Today, more than half of the Fortune 500 have added the offshore component to their businesses. From manufacturing majors such as General Motors and General Electric to banking giants such as Citibank and American Express to service leaders such as British Telecom and Vodafone, the list includes many of the top corporations of the world.

## GOING OFFSHORE



## YOUR STRATEGIC OPTIONS

- 1 Acquire an offshore outsourcing company.**

This would give you the opportunity to offer your customers a global delivery model, which would significantly increase your customer retention and profitability. The offshore outsourcing company would be carefully chosen, with competencies and track record in your space, outstanding management ability and proven offshore delivery capability. You could use a combination of cash and stock to make an acquisition.
- 2 Make a strategic investment in an offshore outsourcing company.**

This would give you the opportunity to offer your customers a global delivery model, which would significantly increase your customer retention and profitability. The offshore outsourcing company would be carefully chosen, with competencies and track record in your space, outstanding management ability and proven offshore delivery capability. This would give you offshore delivery capability without having to manage your own facility. You would receive lower billing rates on account of having made the strategic investment. This could be with a contingent agreement to complete a buy-out at a later stage.
- 3 Receive a strategic investment from a US, European or offshore outsourcing company.**

This would give you the opportunity to offer your customers a global delivery model, which would significantly increase your customer retention and profitability. The investment could be made by an outsourcing company with an offshore delivery model based in the US or Europe or by an offshore outsourcing company. The strategic investor would be carefully chosen, with competencies and track record in your space, outstanding management ability and proven offshore delivery capability.
- 4 Receive an investment from an outsourcing focused private equity fund.**

In addition to having a deep understanding of the space and the ability to invest significant capital, the fund may be able to help you set up your own offshore delivery capability. This would allow you to greatly increase profitability and significantly enhance your value over a period of time. Often the fund would already have portfolio companies in the space, including offshore companies that could add significant strategic advantages to you.
- 5 Get acquired by a US, European or offshore outsourcing company.**

This would give you a partial or complete exit while allowing the acquirer to leverage your client base, domain expertise and management capability.
- 6 Merge with or create a Joint Venture with an offshore outsourcing company.**

This would give you the opportunity to offer your customers a global delivery model, which would significantly increase your customer retention and profitability. The offshore outsourcing company would be carefully chosen, with competencies and track record in your space, outstanding management ability and proven offshore delivery capability. For Joint Ventures, this could include an option to buy out the offshore partner's stake after a certain time frame.

## 5 KEY REASONS WHY YOU SHOULD GO OFFSHORE

- 1 Because you can improve profitability and develop a more robust business model.
- 2 Provides your business with an opportunity to combine its strengths such as your client base, consulting ability and domain expertise and with a cost-effective, high quality offshore back end.
- 3 Because you can combine your strengths such as sales, consulting, customer management, project management and domain expertise with a cost-effective, high quality offshore back end.
- 4 Because you need to pre-empt the threat of offshore outsourcing companies encroaching into your markets.
- 5 Because it may well be the only way of surviving tomorrow.



## OFFSHORE AND SECURE IN INDIA

"There's just no way to beat the cost model. We save 50 cents on a dollar...and the facility in Delhi is every bit as nice as the one I sit in." CIO, Insurance company, from a Forrester article

"Indian firms scored an average of 3.72 on quality (maximum of 5), with 20% scoring a perfect 5." Forrester survey of 45 customers

"The firms we work with are all SEI-CMM Level 5 which makes them easy to work with...as for the cultural differences, one visit to India was enough to eliminate all fears." Customer quoted in IDC report

## HOW DID YOUR COMPETITORS ACQUIRE AN OFFSHORE PRESENCE?

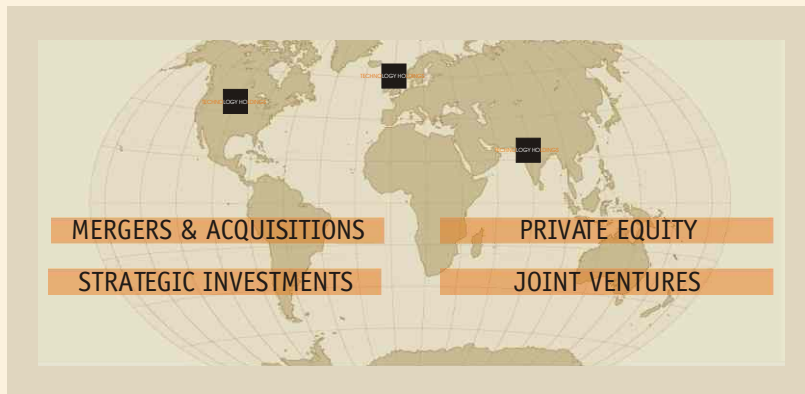
CGI	Acquired IMR Global
Lionbridge	Acquired Mentorix
Xansa	Acquired IIS Infotech
Logica	Acquired Synectics
Symphony Services	Acquired Cambridge Technology Partners' India Operations
Symphony Services	Acquired eKnow Ventures
Singapore Computer Services	Strategic investment into Kshema Technologies
Perot Systems	JV with HCL Technologies
ICL	JV with the RPG group

## ABOUT TECHNOLOGY HOLDINGS

Technology Holdings is an M & A consulting company that assists outsourcing companies and private equity funds with their acquisition, investment and exit strategies.

Technology Holdings and its affiliates are based in the United States, UK, India and Continental Europe. Our focus sectors globally are IT Outsourcing and Business Process Outsourcing (BPO).

Our clients are public and privately held outsourcing companies in the US, Europe and India as well as private equity funds that invest in outsourcing.



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*"Technology Holdings possesses a deep knowledge of the various nuances of the outsourcing industry, and we were able to leverage their expertise and global presence to acquire a strategic stake in a US healthcare focussed TPA. I look forward to continuing to work with TH on other strategic initiatives within the group to group".*

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*"...has an excellent understanding of facilitating cross-border deals to enhance business competitiveness. The acquisitions through Technology Holdings have benefited RelQ greatly and improved our ability to compete in the market."*

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*"They assisted us with finding a suitable strategic acquirer for our BPO business and helped us navigate through the acquisition process. We would certainly recommend Technology Holdings for your M&A needs."*

TECHNOLOGY HOLDINGS

*M&A and Private Equity in Outsourcing*

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