

MWS Tracker Spotlight: SOURCECORP and HOV Services Agree to Merge

March 14, 2011

Deal Overview:

HOV Services, Ltd. (NSE:HOVS) (BSE:HOVS), one of the largest end-to-end BPO companies providing Healthcare, Finance and Accounting, e-Content Management, Presentment and HRO services, announced today that an agreement has been entered into to combine its indirect subsidiary HOV Services LLC with SOURCECORP, Inc., a portfolio company of Apollo Management V, L.P. (the "Transaction"). SOURCECORP is a Texas-based BPO services and specialty consulting services company.

The combined entity is named as SCH Services, Inc., a Delaware corporation incorporated under the laws of US. Shareholders of HOV Services and SOURCECORP will each control 50% of the combined equity. However, the board will consist of seven members with three members each nominated by shareholders of HOV Services and SOURCECORP. The CEO of SOURCECORP will serve as the seventh member of the board upon election.

Upon closing, Ed Bowman, Chief Executive Officer and President of SOURCECORP will remain Chief Executive Officer and President of the combined Company. Suresh Yannamani, President of HOV Services will become President of BPS (Business Process Solutions – a line of businesses of SCH Services). The management teams of both companies will continue in key leadership roles. To refinance each company's existing debt and to provide working capital for growth, SCH Services has secured committed debt financing from a consortium of global banks totaling \$625 million in aggregate.

The transaction is expected to be completed in the next 45-60 days subject to regulatory approvals and customary closing conditions. HOV Services, LLC provides document management outsourcing and business process improvement solutions for document intensive markets. It has around 8,750 associates, 46 global delivery centers, and reported revenues of \$159 million for the twelve months ended December 31, 2010. SOURCECORP has around 5,500 employees and 37 global delivery centers, with revenues of \$322 million for the aforesaid period.

MWS Intelligence:

The acquisition follows a trend of business consolidations occurring in the Business Process Outsourcing ("BPO") space. The combined entity will be one of the largest pure play BPO and consulting companies in the market with approximately \$480 million in revenue. With a combined global workforce of more than 14,200 associates, customers will benefit from expanded service offerings and increased delivery capabilities, with over 80 locations in the U.S., Canada, India, China, Mexico and the Philippines.

In this case, scale clearly matters. The strategic move allows SOURCECORP to gain broader offerings of products and services, as well as adding on global delivery capabilities and skilled employees in India. For HOV Services, the merger will provide them with additional subject matter expertise in Healthcare, Insurance, Banking, Automotive, Retail, Government and

Publishing verticals. The combined entity now serves more than half of Fortune® 100 companies in the world. Needless to say, there will be significant cost saving opportunities through reduction of over-lapping functions and office locations.

SCH Services will be able to deliver end-to-end solutions including document centric applications, workflow management, Finance and Accounting, Publishing, Healthcare, Financial and HRO Services, Government solutions and specialized consulting services for construction management, tax benefits, legal claims settlement and legal consulting. It will also become a formidable rival to other BPO players with similar scale such as Syntel, Firstsource, Exlservices, and WNS; while competing with top BPO firms such as Genpact, Acxiom, DST, and Towers Watson.

About Martin Wolf Securities

Based in the San Francisco Bay Area, Martin Wolf Securities is a leading middle market investment bank focused on companies with services-based business models. Since 1997, our team has completed over 100 transactions in 6 countries. We are a 5 year member of the Merrill Lynch PS Referral Network, and effective June 25, 2010, have been selected as ICICI Bank's (India's leading private bank) exclusive strategic partner for acquiring U.S. IT companies. For more information, visit www.martinwolf.com.

On March 11, SS&C Technologies Holdings, Inc. (NASDAQ: SSNC) announced that it had acquired Glastonbury, Connecticut-based BenefitsXML. BenefitsXML is a leading provider of enterprise software and SAAS solutions for employee benefit service providers. Martin Wolf Securities advised the seller in this transaction. Please click here to read more. <http://www.martinwolf.com/press/SSC-031111.html>