

MWS Tracker Spotlight: Genpact Ltd (NYSE: G) acquires Headstrong, Inc.

April 6, 2011

Financial Overview:

Transaction Value: \$550M Enterprise Value: \$550M
2010 Revenue: est \$217M EV / 2010 Revenue: 2.53x
Transaction Structure: Cash and acquisition financing

Deal Overview:

Genpact Ltd. (NYSE: G) signed a definitive agreement to acquire Headstrong Corporation from H&Q Asia Pacific, Ltd., Welsh, Carson, Anderson & Stowe and other investors for \$550 million in cash on April 6, 2011. The transaction is being funded by a combination of existing cash and acquisition financing. In 2010, Headstrong had estimated revenues of \$217 million.

Genpact will fund the largest deal in its history with cash and borrowings of \$350 million under its new credit facilities, it said in a regulatory filing. Genpact had cash and cash equivalents of \$404 million at the end of 2010. Genpact's offer is roughly 2.5 times Headstrong's 2010 annual revenue. It is looking to leverage Headstrong's growth rate of over 20 percent a year and the acquisition should change Genpact's BPO/IT mix from approximately 86% BPO / 14% IT to 73% BPO / 27% IT. Genpact expects the transaction to be accretive to earnings per share on a GAAP basis in 2011.

The transaction is subject to customary regulatory and other conditions and is expected to close by May 31, 2011. Headstrong, Inc. provides consulting and technology services for financial services, public sector, and service industries in North America, Europe, and Asia-Pacific. The company focuses on consulting, application outsourcing, product development services, and business process outsourcing. The company was founded in 1981 as James Martin Associates, changing its name to James Martin & Company in 1990, and again to Headstrong in 2000. It is based in Fairfax, Virginia with over 3,000 employees in 20 office locations in 8 countries.

2.53x EV/Revenue represents a 9.5% premium to the EV/Revenue median multiple for similar large publicly traded Financial IT Services companies.

Financial IT Services													
Ticker	Company	Current Price (\$)	Revenue (tm, \$M)	Revenue Growth % (tm)	GM% (tm)	EBITDA% (tm)	Debt / Assets %	Market Cap (\$M)	P/S	P/E	Enterprise Value (\$M) ¹	EV/LTM Revenue	EV/LTM EBITDA
FISV	Fiserv, Inc.	61.54	4,133.0	1.4	42.3	31.2	40.5	8,989.6	2.18	18.4	11,782.6	2.85	9.0
FAF	First American Financial Corporation	16.63	3,906.6	-3.5	60.5	8.0	5.0	1,740.3	0.45	13.9	1,319.1	0.34	4.2
ADS	Alliance Data Systems Corporation	84.86	2,791.4	42.1	30.7	26.7	78.1	4,338.9	1.55	24.2	10,658.6	3.82	14.3
LPS	Lender Processing Services, Inc.	32.22	2,456.3	3.6	33.1	26.6	55.5	2,863.1	1.17	10.0	4,061.1	1.65	6.2
EFX	Equifax Inc.	37.63	1,859.5	8.4	59.1	32.1	29.2	4,624.8	2.49	20.2	5,525.3	2.97	9.2
TSS	Total System Services, Inc.	18.18	1,717.6	2.4	30.1	25.4	14.2	3,516.2	2.05	18.2	3,562.1	2.07	8.0
GPN	Global Payments Inc.	47.72	1,765.1	11.3	64.5	22.1	18.7	3,806.9	2.23	19.7	3,795.0	2.22	10.0
BGCP	BGC Partners, Inc.	9.16	1,320.8	14.1	35.1	14.0	12.9	906.5	0.69	38.9	915.1	0.69	5.1
EFRT	Euronet Worldwide Inc.	18.73	1,038.3	0.5	21.8	12.9	20.8	956.8	0.92	NM	1,069.2	1.03	7.9
JKHY	Jack Henry & Associates Inc.	32.56	920.9	20.3	41.4	31.3	17.5	2,805.2	3.05	21.6	3,002.3	3.26	10.4
WXS	Wright Express Corp.	50.90	390.4	23.9	70.1	40.6	22.3	1,956.5	5.01	22.7	2,403.8	6.16	15.2
SONE	SI Corporation	6.49	209.1	-12.5	46.1	3.4	1.6	346.5	1.66	NM	289.7	1.39	41.3
EPAY	Bottomline Technologies Inc.	23.46	167.6	15.7	56.1	16.3	0.0	779.2	4.65	101.6	635.2	3.79	23.3
CSVI	Computer Services Inc.	27.00	163.3	9.7	26.3	33.8	2.5	393.6	2.41	16.8	390.1	2.39	7.1
ORCC	Online Resources Corp.	3.77	149.5	-1.5	47.2	18.7	11.8	120.7	0.81	NM	238.5	1.60	8.5
ONE	Higher One Inc.	14.48	145.0	86.8	64.2	37.3	6.9	816.3	5.63	33.1	775.3	5.35	14.4
Median				9.0	44.2	26.0	15.9	1848.4	2.11	20.2		2.31	9.1
High				86.8	70.1	40.6	78.1	8989.6	5.63	101.6		6.16	41.3
Low				-12.5	21.8	3.4	0.0	120.7	0.45	10.0		0.34	4.2

Note: Data courtesy of Capital IQ

MWS Intelligence:

This acquisition improves Genpact's capital markets offering through access to Headstrong's clients which include nine of the world's top ten investment banks and three of the top five asset managers. Through the acquisition, Genpact will gain domain expertise to better meet the needs of companies in the capital markets, financial services, and healthcare for governance, risk, compliance, and back-office processing services.

Sandeep Sahai, CEO of Headstrong, and his management team will remain onboard to lead Genpact's capital markets industry vertical and build the combined services and solutions needed by clients. The acquisition will result in an increased geographical footprint for Genpact, allowing it to provide services from more locations including the US, Mexico, Poland, Hungary, and China.

The acquisition yields four benefits to Genpact. First, Genpact should be able to achieve cost savings through consolidation. Second, Genpact's wider service offerings and larger offshore presence (it is the #1 BPO provider in India) should allow for cross-selling opportunities to accelerate revenue growth. Third, this would result in a powerful value proposition, particularly in capital markets, placing Genpact as a leader in the space. Lastly, as a result of the acquisition, Genpact will now compete directly with large players such as Wipro, Tata and Cognizant.

The deal is the second-largest deal this year by an Indian IT services company after iGate's \$1.2B purchase of Patni Computer Systems at 2.1 times TTM revenue, and Wipro's \$150M acquisition of SAIC's oil and gas IT practice at 0.8 times revenue. Indian IT services companies are increasingly showing appetite for large deals in a bid to achieve scale post recession, and are not shying away from paying a premium for their targets.

To learn more about this transaction, in the IT Services and BPO space, or Martin Wolf Securities, please contact Hao He at hhe@martinwolf.com or (925) 215-2739.

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.

On March 17, PC Connection, Inc. (NASDAQ: PCCC) announced that it had acquired Chicago, Illinois-based Valcom Technology. Valcom Technology delivers infrastructure management and onsite managed services utilizing its proprietary cloud-based IT service management software, WebSPOC™. Martin Wolf Securities advised the seller in this transaction. Please [click here](#) to read more.