



Valuation & Deal Insights

First Quarter 2007

Industry Coverage—IT & IT-Enabled Outsourced Services and IT Supply Chain Services

Inside this Issue

Viewpoint

- ◆ MWS ranked top boutique in IT outsourcing space
- ◆ M&A trends

BPO Transactions

- ◆ Increasing deal volume
- ◆ Buyout activity spikes

Selected Transactions

- ◆ Cerberus Capital Management to take ACS private
- ◆ HOV Services acquired LASON
- ◆ Firstsource Solutions acquired BPM

MWS Scoreboard

Transaction Highlights

IT Services

- ◆ **03/05/07** India based Genpact acquired SAP consultancy ICE Enterprise Solutions B.V. for an undisclosed amount.
- ◆ **02/26/07** Electronic Data Systems Corp. (NYSE: EDS) agreed to acquire RelQ Software Pvt. Ltd. from ICICI Venture Funds Management Company Limited for \$40 million (1.82x annual revenue as of 03/31/06).
- ◆ **02/23/07** Zensar Technologies, Inc. acquired ThoughtDigital LLC. from SOA Software, Inc. for \$24.9 million in cash (0.92x 2006 revenue).
- ◆ **02/08/07** Capgemini SA through its subsidiary, Sogeti USA, entered into a definitive agreement to acquire software consulting firm Software Architects Inc. for an undisclosed amount.
- ◆ **02/06/07** San Ramon, CA based Caritor, Inc. entered into a definitive agreement to acquire Keane, Inc. (NYSE: KEA) for a total enterprise value of \$839.36 million in cash (0.87x LTM revenue as of 09/30/06).

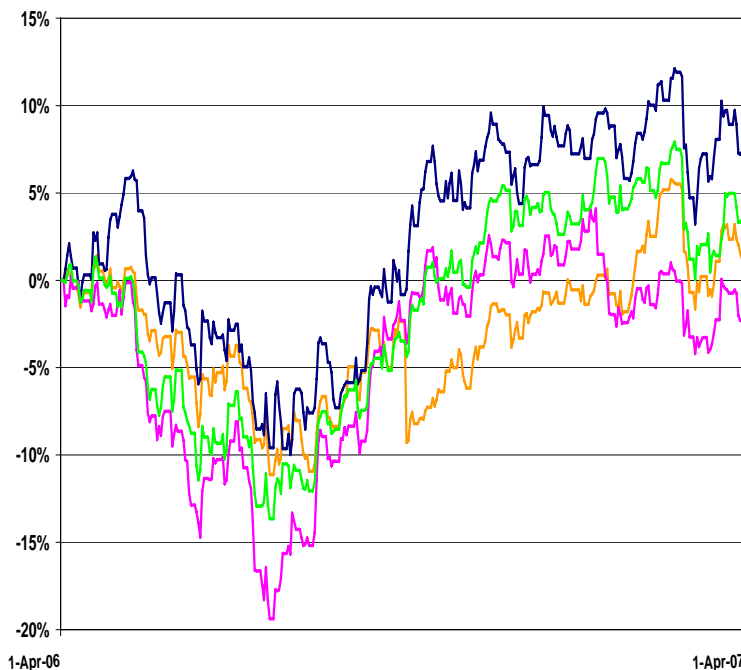
IT-Enabled Outsourced Services

- ◆ **03/27/07** Traveler Holdings Ltd. signed a definitive agreement to acquire Ruesch International Inc. for \$440 million.
- ◆ **03/02/07** RPG Enterprises entered into an agreement to acquire additional 29.18% stake in Zensar Technologies Ltd. (BSE: ZENSARTECH) from Fujitsu Ltd. (TSE: 6702) for an undisclosed amount.
- ◆ **02/14/07** Equifax Inc. (NYSE: EFX) entered into an agreement to acquire TALX Corporation (Nasdaq: TALX) for a total enterprise value of \$1.4 billion in cash and stock (5.78x LTM revenue as of 09/30/06).

IT Supply Chain Services

- ◆ **02/27/07** SYNEX Corporation (NYSE:SNX) entered into a definitive agreement to acquire PC Wholesale Division of Insight Direct USA, Inc. for \$30 million (0.13x 2006 annual revenue). **Martin Wolf Securities advised Insight Enterprise and its subsidiary PC Wholesale Division in this transaction.**
- ◆ **01/02/07** Arrow Electronics, Inc. (NYSE: ARW) signed a definitive agreement to acquire distributor Agilysys KeyLink Systems Group from Agilysys Inc. (NasdaqNM: AGYS) for \$485 million (0.39x LTM revenue as of 09/30/06).

MWS Index® vs. NASDAQ Composite Index



IT & IT-Enabled Outsourced Services
IT Supply Chain Services
Software
NASDAQ Composite

Viewpoint



Marty Wolf – President & Managing Director

I am pleased to report Martin Wolf Securities LLC was the highest ranked boutique investment bank last year in the IT Outsourcing space, and fifth overall, as ranked by the market research firm, The 451 Group (please see table below).

We accomplished this by advising various public and private buyers and sellers on both domestic and cross-border transactions. The diversity of the companies involved in these transactions can be seen in the geographies (the U.S., the U.K. and India) and business models they represent.

Sector Leaders: 2006

IT Outsourcing

TOP DEALMAKERS BY NUMBER OF DEALS

	Number	Value (millions)	2005 Rank
1 Lehman Brothers	6	\$5,947	24
2 Credit Suisse	6	\$2,284	6
3 Morgan Stanley	4	\$7,910	28
4 Jefferies	4	\$145	8
5 Martin Wolf	4	\$47	38
6 Goldman Sachs	3	\$5,850	12
7 Merrill Lynch	3	\$1,668	13
8 Updata Capital	3	\$13	10
9 Deutsche Bank	2	\$4,425	21
10 JP Morgan	2	\$3,060	26

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With the first quarter behind us, there are a few trends worth noting:

1. Continued interest from overseas, particularly in the U.K., India, and now the Philippines.
2. Bifurcation in the private equity market (smaller deals valued at less than 8x EBITDA and larger, marquis deals valued at greater than 8x EBITDA).
3. Unusually high interest levels in lower margin products and services businesses.
4. More tire kickers than I can remember, so be careful where you choose to invest time. This suggests the adage, "Buyers are liars," has some truth.
5. Lastly, we have recently experienced an up-tick in irrational exuberance among sellers. Increasingly, we are seeing a large disparity between the bid and the ask - a rate at which we have not seen in a number of years. This reinforces the old aphorism, "Bulls and bears make money, pigs get slaughtered."

Happy selling.

BPO Transactions

We witnessed 359 BPO transactions in 2006, a 22% increase from 2005. As the overall BPO sector matures and organizations around the globe become more accepting of the business model, outsourcing providers are increasingly looking outward to become more meaningful in the competitive landscape. The sharp increase in deal activity, in our view, is driven by two main objectives: 1) achieving scale, and 2) diversifying offerings.

The scale argument is more applicable to call center operations and transaction processing outsourcers where volume and efficiency reigns supreme. For example, Sitel and Client Logic, which were similar-sized customer care providers, merged to create a \$1.7 billion revenue entity, enabling management to take significant cost out of the businesses and better compete with other large providers. In the transaction processing segment, Travelex acquired Ruesch for \$440 million to accelerate its growth in the international payments market. We believe both segments will witness more consolidation in 2007 driven by scale advantages.

With respect to diversification, BPO providers both small and large are increasing efforts to offer more services to strengthen relationships with existing clients and to attract new ones. As a result, there is significant deal flow involving companies with niche BPO offerings in verticals such as insurance, healthcare and mortgage banking. For example, Firstsource Solutions acquired BPM to offer its clients complex health claims adjudication services in addition to its strong database management, policy administration and claims processing capabilities. Similarly, Equifax acquired TALX for \$1.4 billion to broaden its core offerings to include HR and payroll-related transactions. Although it seems that there are limited quality assets left, we believe deal flow will continue as large outsourcing providers strive to offer more services and expand into new markets.

Lastly, the pace of buyout activity has certainly picked up. In rapid fire succession, private equity firms Cerberus, KKR and Warburg Pincus all recently announced multi-billion dollar deals involving public targets. Investors are interested in BPO, particularly transaction processing, due to its stable and predictable cash flow and relatively small debt balances. Further, acquisition targets often could thrive long term with well-placed investments, which public markets would not necessarily tolerate.

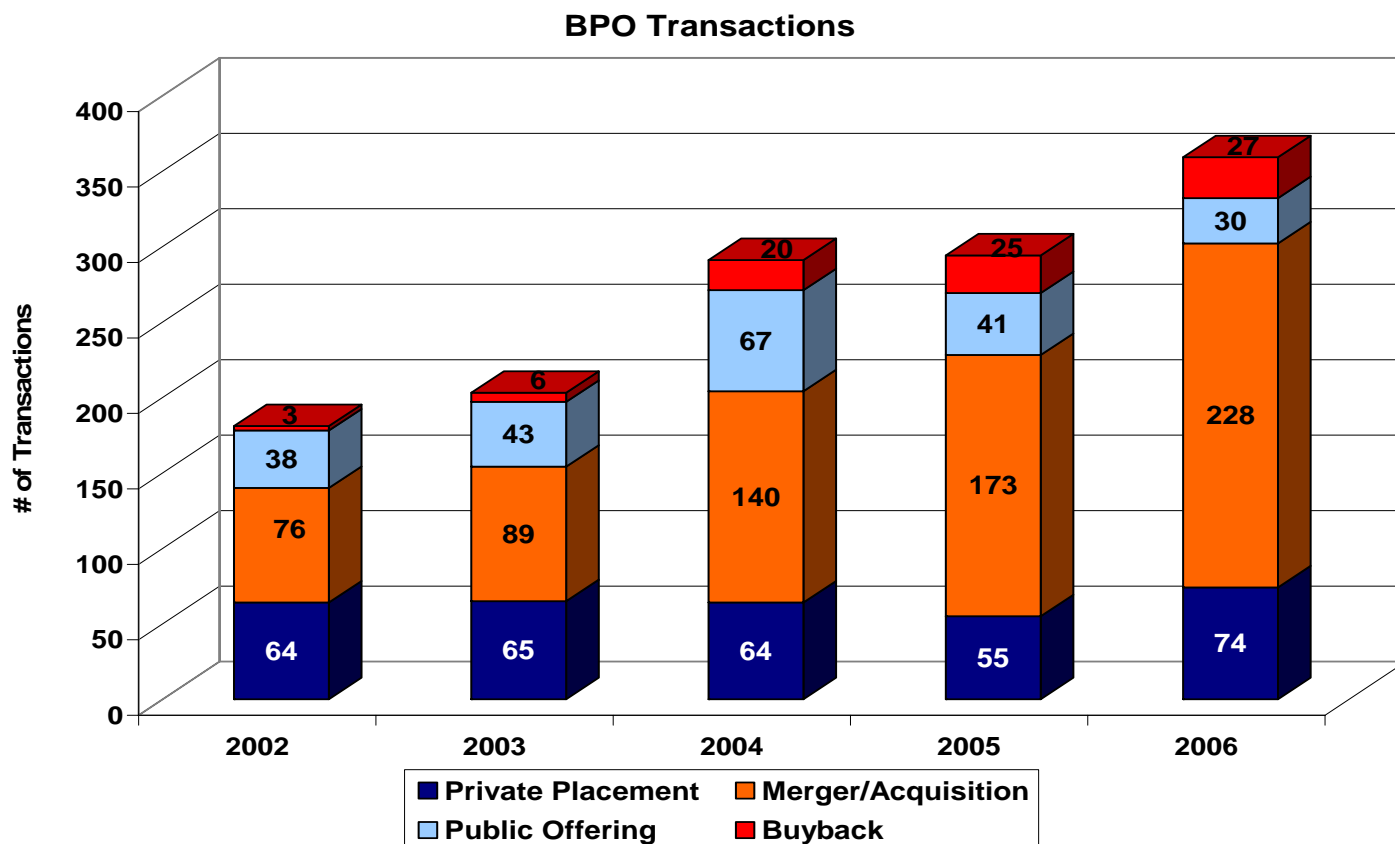


Figure 1— BPO Transactions

Date	Target	Target Business Description	Buyers	Total Transaction value (\$mm)	EV/Rev	EV/EBITDA
04/02/2007	First Data Corp. (NYSE:FDC)	Electronic commerce and payment service	Kohlberg Kravis Roberts & Co.	27371.05	2.51	7.92
03/27/2007	Ruesch International, Inc.	International B2B payment products and solutions	Travelex Holdings Limited	440.00	Not disclosed	Not disclosed
03/20/2007	Affiliated Computer Services, Inc. (NYSE:ACS)	BPO & IT Services	Cerberus Capital Management, L.P.	8109.63	1.49	8.56
03/01/2007	C/Base, Inc.	Electronic payments	Citigroup Inc. (NYSE:C)	Not disclosed	Not disclosed	Not disclosed
02/26/2007	RelQ Software Pvt. Ltd.	Software testing, validation and verification & QA services	Electronic Data Systems Corp. (NYSE:EDS)	40.00	1.82	Not disclosed
02/26/2007	LASON, Inc.	Integrated information-outsourcing solutions.	HOV Services Limited (BSE:HOVS)	148.00	0.93	9.25
02/22/2007	Intuit, Inc., Fully Outsourced Payroll Business	Outsourced payroll and payroll-related solutions	ADP Employer Services North America	Not disclosed	Not disclosed	Not disclosed
02/19/2007	HRAmerica, Inc	Workforce management	Gevity HR Inc. (NasdaqNM:GVHR)	10.00	Not disclosed	Not disclosed
02/14/2007	TALX Corp. (NasdaqNM:TALX)	payroll-related and human resources	Equifax Inc. (NYSE:EFX)	1410.28	5.78	17.10
02/10/2007	Global Vantage, Inc.	Credit & receivable management	Aegis Communications Group Inc.	INR1000.00 (\$22.72)	0.91	Not disclosed
01/04/2007	BPM, Inc	Healthcare claims outsourcing	Firstsource Solutions Ltd	30.00	Not disclosed	Not disclosed
12/18/2006	Star Contact, Ltd	Outsourced and multi-lingual contact center and customer care services	NCO Group Inc.	Not disclosed	Not disclosed	Not disclosed
11/13/2006	Cypress Care, Inc.	Workers compensation services	Brazos Private Equity Partners, LLC	Not disclosed	Not disclosed	Not disclosed
11/05/2006	Per-Se Technologies Inc. (NasdaqNM:PSTI)	Connective healthcare solutions	McKesson Corp. (NYSE:MCK)	1643.69	3.04	15.40
11/03/2006	Precision Response Corp.	Outsourced customer care	Diamond Castle Holdings	Not disclosed	Not disclosed	Not disclosed
11/01/2006	First Notice Systems Inc	Claim Processing	Innovation Group plc (LSE:TIG)	50.00	2.50	Not disclosed
10/31/2006	Banta Corp. (NYSE:BN)	Printing solution and supply chain management	RR Donnelley & Sons Co. (NYSE:RRD)	790.23	0.51	5.18
10/25/2006 *	AFFINA	Call center	Hinduja TMT Ltd. (BSE:HTMT)	Not disclosed	Not disclosed	Not disclosed
10/12/2006	SITEL Corp. (NYSE:SWW)	Business process consulting and outsourcing	ClientLogic Corp.	435.50	0.39	6.59
10/02/2006	InPulse Response Group, Inc.	Call center	West Corp. (NasdaqNM:WSTC)	44.50	1.18	Not disclosed
09/21/2006	CPC Associates, Inc.	Data processing and database management services	Epsilon Data Management, Inc.	70.00	Not disclosed	Not disclosed
06/15/2006 *	Direct Alliance Corp.	Direct marketing	TeleTech Holdings Inc. (NasdaqNM:TTEC)	106.50	1.38	Not disclosed
05/31/2006	West Corp. (NasdaqNM:WSTC)	Business process outsourcing services	Quadrangle Group, L.L.C., Thomas H. Lee Partners, L.P.	3577.17	2.25	9.04
05/18/2006	Intellinex, LLC	Learning BPO	Affiliated Computer Services Inc. (NYSE:ACS)	75.00	0.94	Not disclosed
05/05/2006	Princeton eCom Corporation	Electronic bill presentment and payment services	Online Resources Corp. (NasdaqNM:ORCC)	190.00	4.87	40.60
04/20/2006	Progeon Limited	Business Process Management	Infosys Technologies Ltd. (BSE:INFOSYSTCH)	116.00	5.93	Not disclosed
04/19/2006	Healthcare Administration Technologies, Inc.	Electronic Data Interchange (EDI) and data warehousing services	PNC Financial Services Group Inc. (NYSE:PNC)	Not disclosed	Not disclosed	Not disclosed
04/10/2006	MyPoints.com	Internet direct marketing	United Online Inc. (NasdaqNM:UNTD)	56.00	1.46	11.67

* MWS represented buyer or seller in these deals.

Figure 2— LTM Selected BPO Transactions

Selected Transactions

03/20/07 Cerberus Capital Management to acquire ACS

Target	Affiliated Computer Services, Inc. (NYSE:ACS) (A BPO & IT service company to commercial & government clients in Dallas, Texas)
Buyer	Cerberus Capital Management, L.P. & Darwin Deason
Total Transaction Value	\$8.1 Billion
Transaction Value/Revenue	1.49x LTM Revenue as of 09/30/06
Transaction Value/EBITDA	8.56x LTM EBITDA as of 09/30/06

Synopsis Darwin Deason, the Founder and Chairman of ACS, together with Cerberus Capital Management, L.P. submitted a proposal to acquire Affiliated Computer Services, Inc. (NYSE: ACS) for a total of \$8.1B in enterprise value. Deason proposes to continue to operate as executive chairman, though it is not clear as to the role of the current board members, who it intends to open negotiations with.

Transaction Highlights Deason believes that this offer will maximize value for all of ACS's shareholders and expects the proposal to undergo a customary market check process following execution by the investment partners of a definitive agreement with ACS.

02/26/07 HOV Services Limited acquired LASON, Inc.

Target	LASON, Inc. (An integrated information outsourcing solutions provider in Troy, Michigan)
Buyer	HOV Services Limited (BSE:HOVS)
Total Transaction Value	\$148 million
Transaction Value/Revenue	0.93x annual revenue
Transaction Value/EBITDA	9.25x 2006 EBITDA

Synopsis HOV Services Ltd. acquired LASON, Inc. for \$148 million. LASON will operate as a wholly owned subsidiary of HOV Services Ltd. The management of Lason will continue to operate from the US. The acquisition is expected to be accretive.

Transaction Highlights The LASON acquisition is consistent with HOVS' strategy of acquiring leading global BPO companies to deliver superior value to clients through its globally positioned resources. The two companies combined will have trailing annual revenues in excess of \$200 million. With the merger, HOVS' 11,000+ employees will serve more than 50% of the FORTUNE 100® companies—including more than 4,000 active customers in the North American marketplace.

01/04/07 Firstsource Solutions Ltd. acquired BPM, Inc

Target	BPM, Inc (A healthcare claims outsourcing company in Delaware)
Buyer	Firstsource Solutions Limited
Total Transaction Value	\$30 million

Synopsis Firstsource Solutions Limited acquired BPM, Inc. for \$30M. The acquisition includes BPM Inc.'s two wholly-owned operating subsidiaries, MedPlans 2000 Inc. and MedPlans Partners, Inc. Tony Pino, President & CEO of BPM, will be Executive VP of healthcare at Firstsource. Over 300 employees will continue with their current jobs.

Transaction Highlights The acquisition will help Firstsource deepen its proposition in the health-care vertical with enhanced capabilities in complex claims adjudication. It also acquires a client portfolio that includes 6 Fortune 1000 companies and adds three centers in Rockford, Illinois, Fort Scott, Kansas and Louisville, Kentucky to its current 17 delivery centers.

MWS Scoreboard

	Revenue Growth%	GM%	EBITDA%	Debt / Asset %	P/S	P/E	EV/Revenue	EV/EBITDA
IT Conglomerates	13.4%	43.0%	15.8%	19.1%	1.56	24.0	1.52	11.4
IT & IT-ENABLED OUTSOURCED SERVICES								
Offshore Outsourcing	37.2%	39.9%	21.6%	0.2%	4.21	26.4	4.04	20.2
Financial IT Services	11.8%	48.7%	22.8%	2.3%	2.74	25.9	2.70	10.8
Business Process Outsourcing - Non-voice	11.6%	50.6%	23.1%	18.4%	2.20	23.2	2.48	11.7
IT Outsourcing	7.6%	30.3%	14.3%	17.2%	1.43	34.8	1.91	11.9
Business Process Outsourcing - Voice	13.5%	36.9%	11.3%	9.9%	1.25	21.7	1.29	8.6
Governmental IT Professional Services	12.7%	16.5%	7.3%	12.4%	0.81	20.4	0.88	9.8
Commercial IT Professional Services	7.5%	28.4%	6.2%	1.0%	0.87	19.8	0.77	10.0
IT Staff Augmentation	11.3%	24.3%	4.0%	0.9%	0.46	19.6	0.43	9.3
IT SUPPLY CHAIN SERVICES								
IT Retailers	5.1%	28.6%	7.3%	9.4%	0.65	19.6	0.68	9.3
IT Products Distributors	9.5%	11.6%	3.5%	18.1%	0.25	16.6	0.33	9.4
IT Resellers	2.7%	17.7%	0.2%	20.5%	0.16	15.0	0.27	8.9
IT Direct Marketers	7.8%	12.6%	3.1%	5.5%	0.23	18.1	0.25	8.4
SOFTWARE								
Business Software	13.6%	78.5%	19.7%	0.0%	3.69	35.8	3.05	16.0
IT Management Software	18.9%	82.2%	18.4%	1.2%	3.40	36.7	2.98	15.7
Middleware, Tools and Integration	10.3%	75.7%	19.1%	0.0%	2.78	32.2	2.27	14.1
Enterprise Applications	16.5%	66.7%	14.0%	0.0%	2.70	31.8	2.21	15.6

Figure 3

Key Definitions:

1. Data Source: Capital IQ
2. The defined industry categories are based on Martin Wolf Securities' in-house research
3. The MWS Index® is market-value-weighted. It starts on January 1, 2005 with a value of 1000. It includes 97 IT and IT-Enabled Outsourced Services, 30 IT Supply Chain Services, and 60 Software companies listed in US stock market. It is based on the closing price as of April 2, 2007.
4. Enterprise value = Market Cap + Minority Interests + Preferred Stock + Outstanding Debt - Cash and Cash equivalents
5. LTM means Last Twelve Months based on last reported period
6. MWS Scoreboard is based on the closing price as of March 30, 2007
7. Revenue Growth is growth in LTM revenue compared with previous period
8. Gross Margin = LTM Gross Profit * 100 / Revenue
9. EBITDA % = LTM EBITDA * 100 / Revenue
10. Net Income % = LTM Net Income * 100 / Revenue
11. Debt/Asset = LTM Total Debt / Total Assets
12. P/S = Market Cap / LTM Revenue
13. P/E = Market Cap / LTM Net Income
14. EV/Revenue = Enterprise Value / LTM Revenue
15. EV/EBITDA = Enterprise Value / LTM EBITDA

If you have any questions, or want to subscribe to our periodic intelligence information, or be removed from the distribution list, please contact Hao He at (925) 355-0110 or email her at hhe@martinwolf.com.

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Martin Wolf Securities—Selected Transactions


PC
WHOLESALE
Your Partner in Distribution

has been acquired by


SYNNEX
CORPORATION

\$30 million
February 2007


HTMT
Inspiring Integration

has acquired


AFFINA
THE CUSTOMER RELATIONSHIP COMPANY

October 2006


Insight

has acquired


Software Spectrum

\$320.3 million
September 2006


DIRECT ALLIANCE

has been acquired by


TeleTech
The Science of Customer Management™

\$107.5 million
June 2006


LOGICALIS

has acquired
s/w region of


ALLIANCE
CONSULTING

May 2006


SABER

has sold majority interest to

ACCEL  **KKR**

January 2006

The only firm focused exclusively on mid-market M&A in the IT solutions and IT-enabled outsourced services segments.

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