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## The TPI Index

An Informed View of the State of the  
Global Commercial Outsourcing Market  
2007 and 4Q07

January 16, 2008

# Welcome

*TPI Presenters*

**Peter Allen**

**Partner and Chief Marketing Officer**

**Scott Gildner**

**Partner and President of TPI North America**

**Duncan  
Aitchison**

**Partner and President of TPI EMEA**

# TPI Qualifications

## 21st Quarterly TPI Index Conference Call

- Covers metrics from 2007 and 4Q07
- Moved the threshold to \$25M from \$50M

## Goals

- Provide insights into the dynamics of the commercial outsourcing marketing

## Host

- Today's conference call is hosted by SG Cowen

## TPI Index Format

- Brief summary of the market indicators
- Analysts invited to ask questions during the Q&A session

## For more information

- Slides are available at [www.tpi.net](http://www.tpi.net)

# Global Outsourcing Industry Headlines

## 4Q07 Highlights

### *Drag In Market Momentum*

- 4Q07: 108 contracts; lowest quarterly number since 3Q05
- 2007's TCV: lowest in past five years

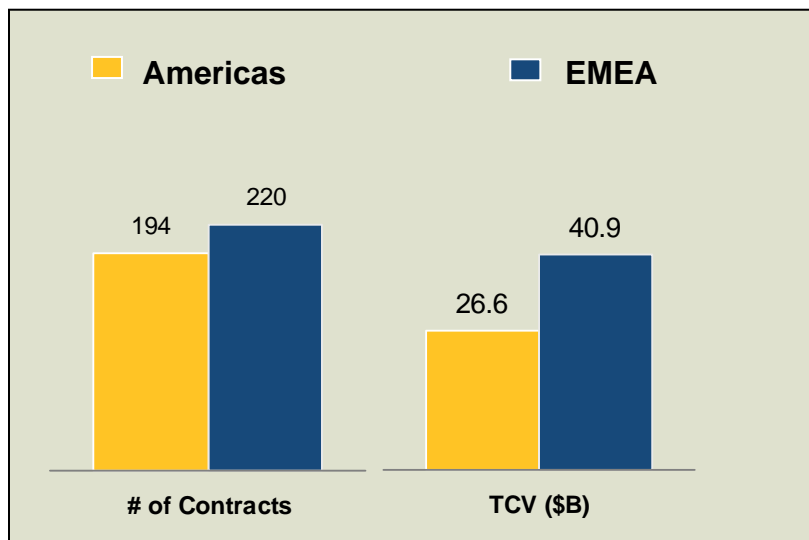
### *Strength In Market Momentum*

- New Scope ACV: up 13% Y/Y
- 4Q07 ACV: best in 11 years
- 2007: 4Q07 mega relationships; best quarter since mid-2005
- Annualized revenue up 7%

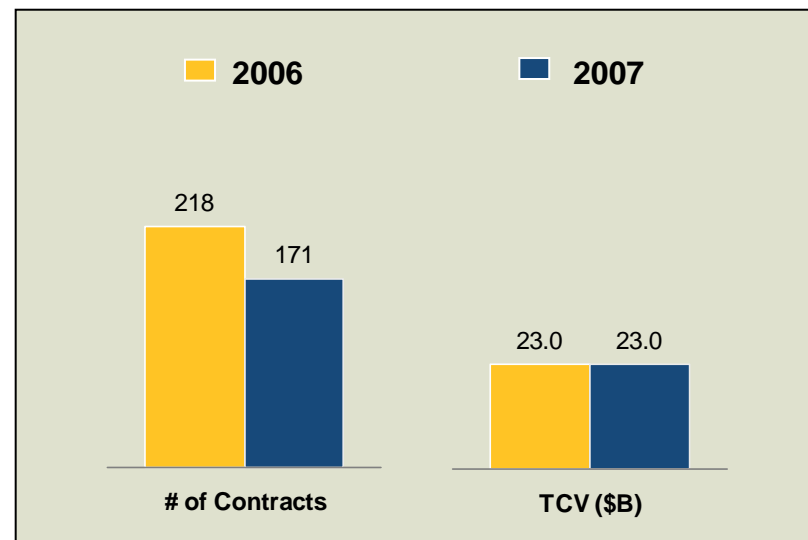
# Global Outsourcing Industry Headlines

*A few additional observations*

**EMEA passes Americas in both TCV and number of awards for first time**



**2007 BPO TCV levels match 2006 despite fewer contracts**



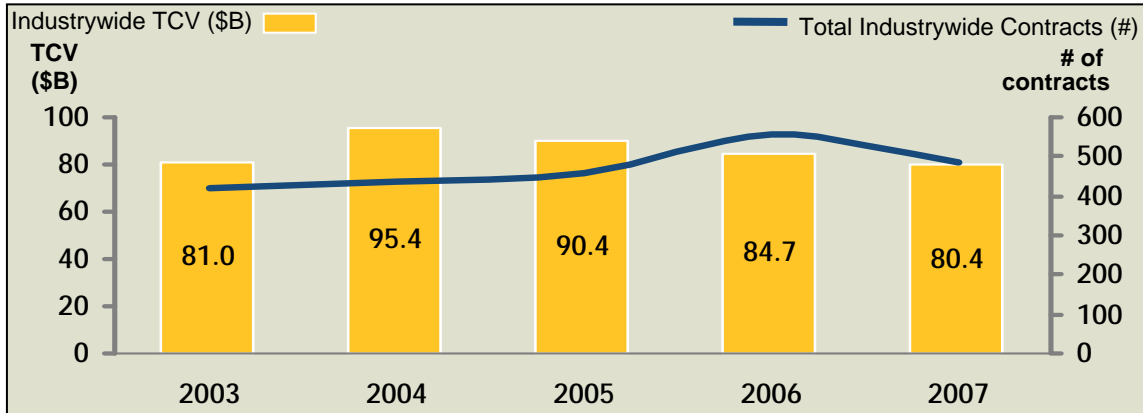
## Healthy Diversity in Service Providers



# Broader Market Trends

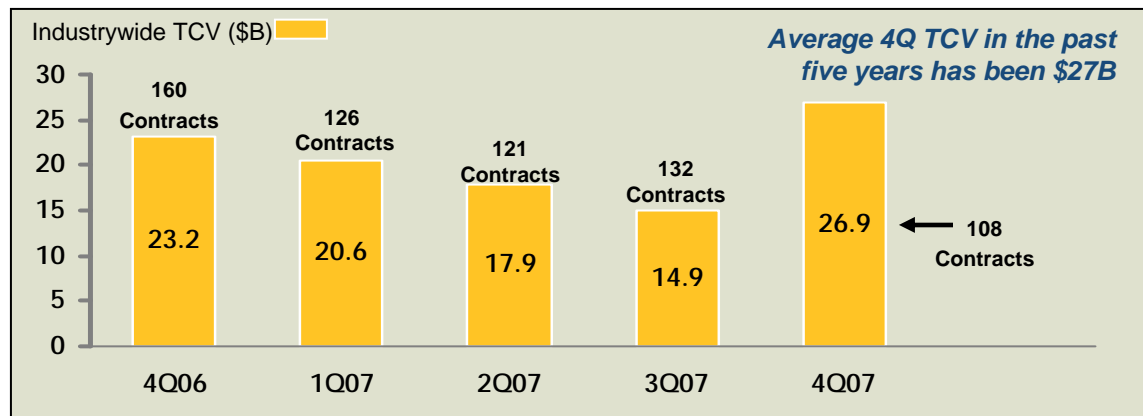
*Softness in broader market commercial contract awards through the end of 2007*

## Broader Market Contracts With TCV > \$25M: Annual Comparison TCV



- Although there were fewer contracts of less total value in 2007 than 2006, it is about the same number and \$8B less than the five-year average

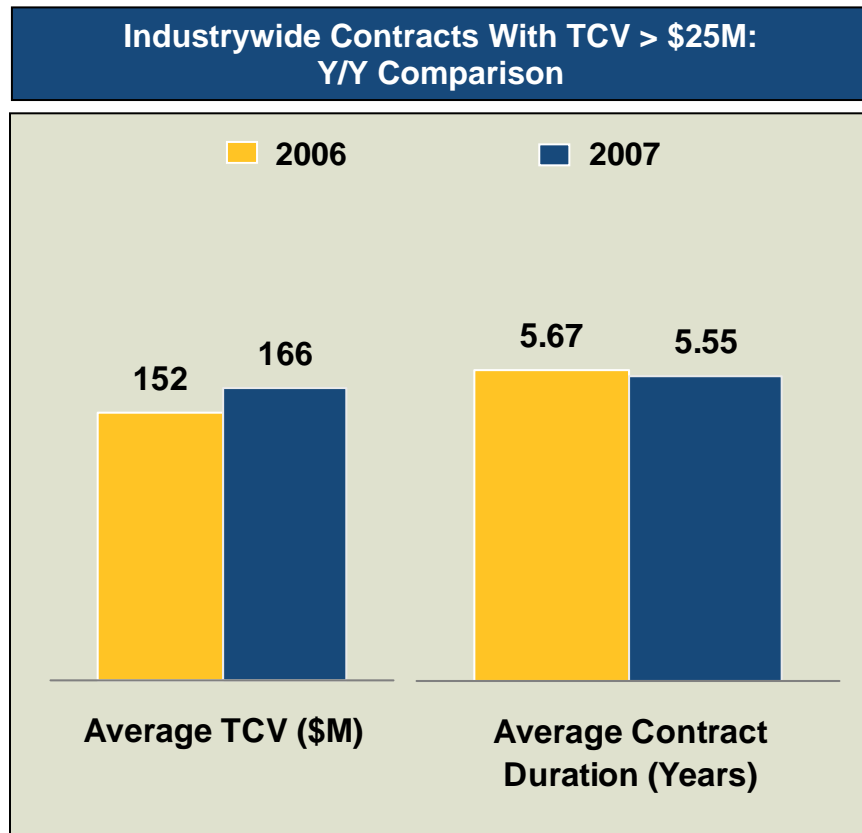
## Broader Market Contracts With TCV > \$25M: Q/Q Comparison



- If we had maintained our \$50M threshold, the market's relative Y/Y performance would have shown similar trends

## Broader Market Trends

Average contract value is up while average contract duration remains relatively flat



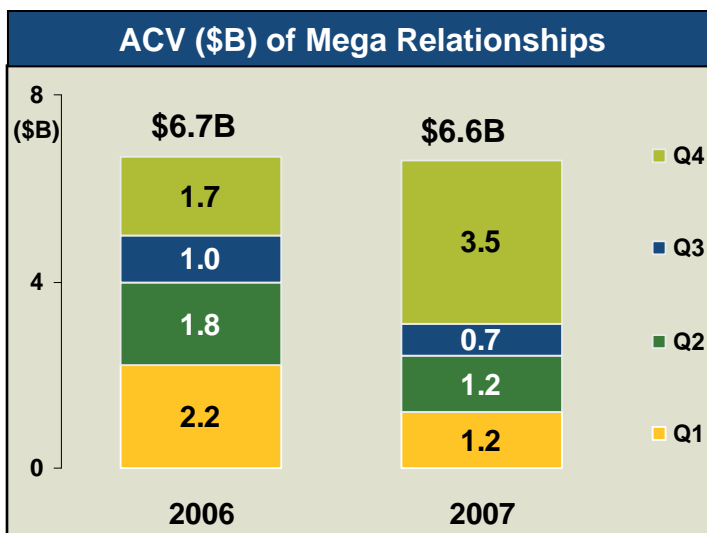
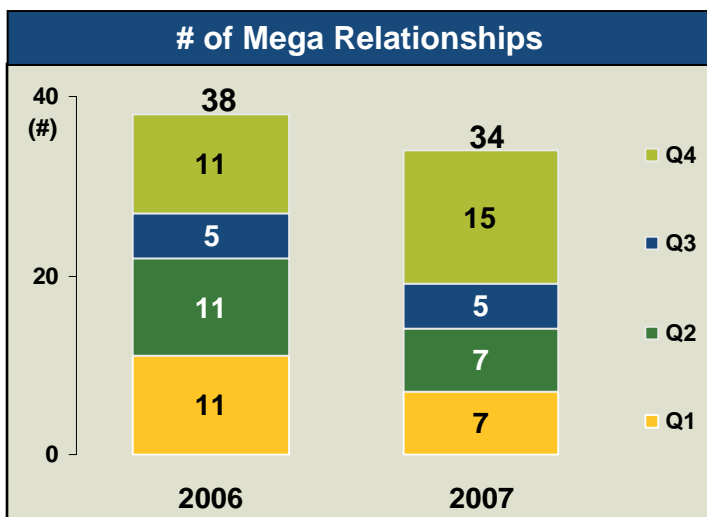
Average TCV (\$M)

Broader Market Measures	2006	2007	Y/Y Growth
<b>ITO/BPO</b>			
ITO	182.2	135.4	↓ (26%)
BPO	106.1	182.5	↑ 72%
<b>New Scope/Restructuring</b>			
New Scope	141.6	165.7	↑ 17%
Restructuring	192.9	166.8	↓ (14%)
<b>Region</b>			
Americas	167.8	139.7	↓ (17%)
EMEA	139.5	186.1	↑ 33%
Asia Pacific	141.1	175.7	↑ 25%

**Average BPO contract durations are longer than average ITO contract durations**

# Broader Market Trends

*Strongest quarter for mega relationships in two years*

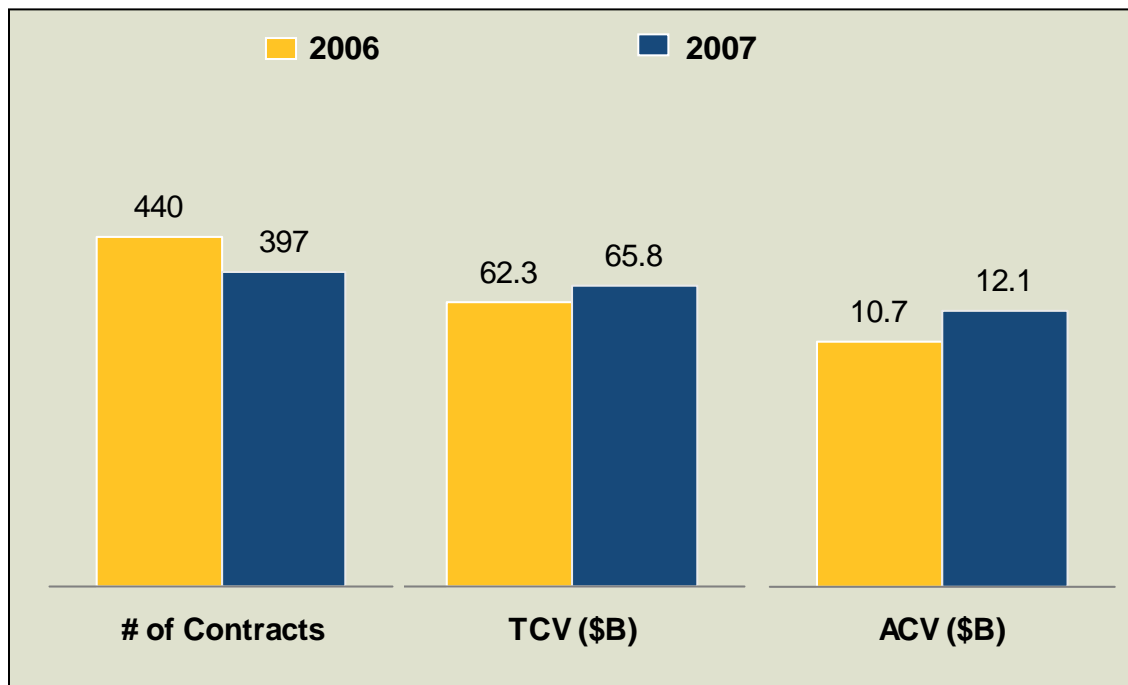


Company signing Mega Relationship in 4Q07	Service Provider	Service Region	Scope
National Australia Bank	IBM	Asia Pacific	Infrastructure Outsourcing
Commonwealth Bank of Australia	HCL, IBM, TCS	Asia Pacific	ADM Outsourcing
British Energy Generation Limited	Balfour Beatty	EMEA	BPO Facilities Management
Vodafone Essar	IBM	Asia Pacific	ADM Outsourcing
Bristol-Myers Squibb	EDS	Americas	Infrastructure Outsourcing
Prudential Financial	Capita	EMEA	BPO FSO (Insurance Serv)
Cisco	Wipro	Americas	BPO R&D Engineering
Reader's Digest	Williams Lea	EMEA	BPO Document Management
Deutsche Bank	HCL	EMEA	ADM Outsourcing
Citigroup	Genpact	Asia Pacific	BPO F&A
The Nielsen Company	TCS	EMEA	BPO Multi-Process: HR, F&A, Full ITO
E-Plus Mobilfunk	Alcatel-Lucent	EMEA	Infrastructure Outsourcing
AXA Group	IBM	EMEA	Infrastructure Outsourcing
Ferrovie dello Stato	Sirti	EMEA	Full ITO (ADM and Infrastructure)
IBM	AT&T	Americas	Infrastructure Outsourcing

# Broader Market Trends

*Incremental new scope added was up almost 13% Y/Y*

Industrywide “New-Scope” Contracts  
With TCV > \$25M: Y/Y Comparison

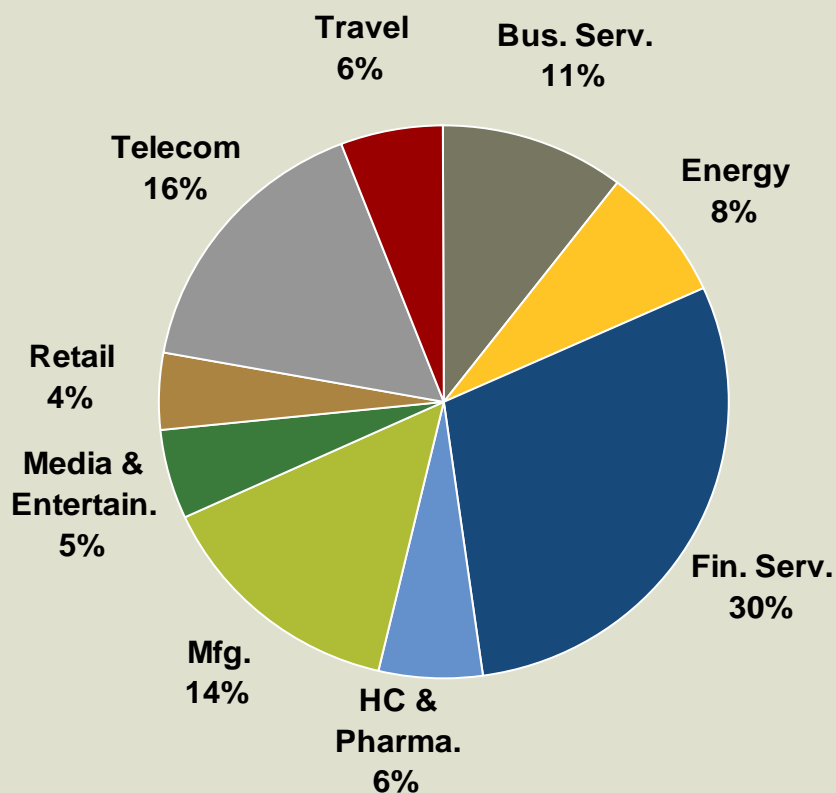


**33% of 2007's new scope  
TCV and ACV was awarded  
during the 4Q07**

## Broader Market Trends

*Greatest level of activity in Financial Services, Telecommunications and Manufacturing; highest growth in Business Services and Energy*

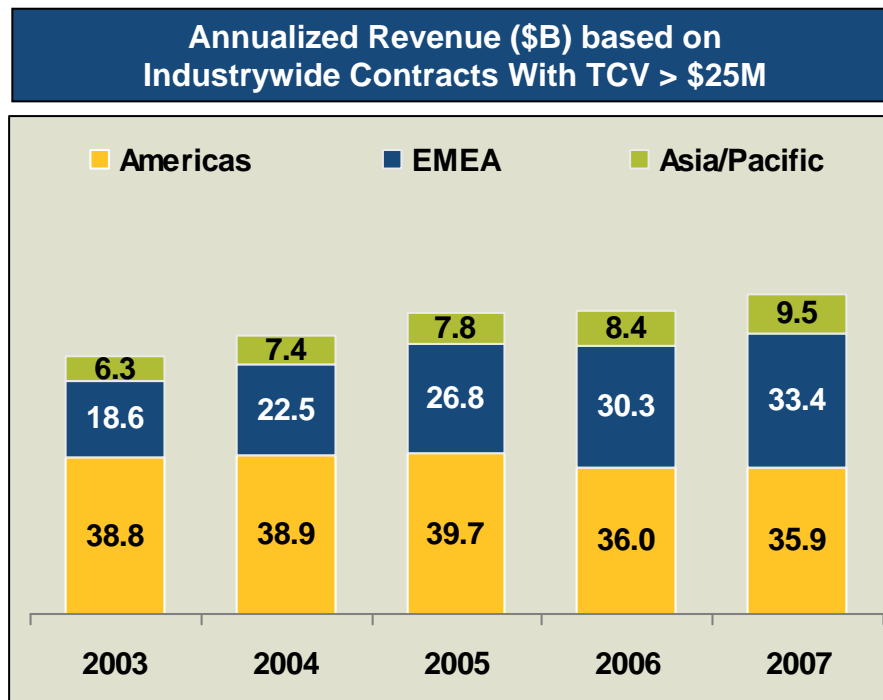
**Industrywide Contracts With TCV > \$25M:  
2007 Industry Comparison**



Industry Vertical	2006 TCV Awarded (\$B)	2007 TCV Awarded (\$B)
Business Services/ Other	3.1	8.5
Energy	3.9	6.3
Financial Services	24.5	23.6
Healthcare & Pharmaceuticals	5.9	4.6
Manufacturing	22.9	11.5
Media & Entertainment	3.1	4.4
Restaurants & Retail	3.7	3.5
Telecommunications	13.9	13.2
Travel, Transportation and Hospitality	3.7	4.7

# Broader Market Trends

Annualized revenue figures confirm an upturn in key market measures



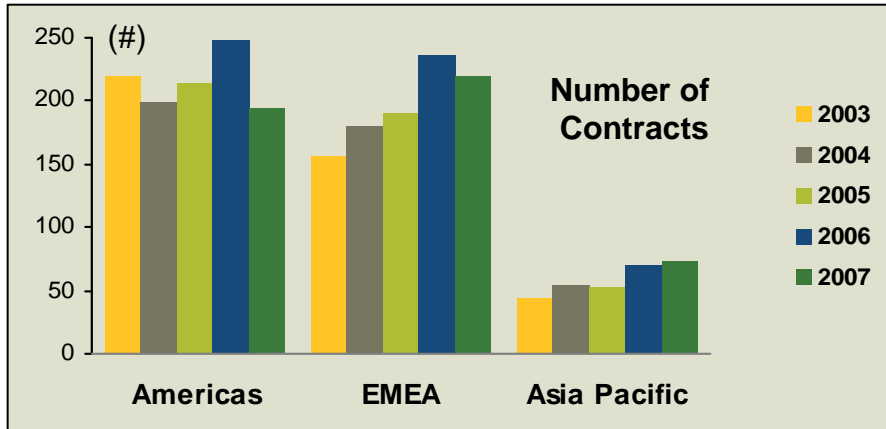
**2007 annual revenue available to service providers: \$78.7B**  
**Y/Y Growth: 7.3%**  
**5-year CAGR: 5.3%**  
**2,701 active contracts**

Major Functional Area	2007 Annualized Market Revenues (\$B)	5-Year CAGR
IT Infrastructure	32.1	↑ 6.2%
Applications Dev/Maintenance	8.5	↑ 12.7%
Full ITO (ADM bundled with Infrastructure)	19.1	↓ (4.5%)
CRM Outsourcing	3.7	↑ 3.7%
HR Outsourcing	3.2	↑ 26.8%
F&A Outsourcing	1.7	↑ 27.3%
Procurement Outsourcing	0.6	↑ 29.8%
FSO Outsourcing	3.6	↑ 22.5%
BPO Multi-Process Outsourcing	2.6	↑ 10.4%

# Regional Differences

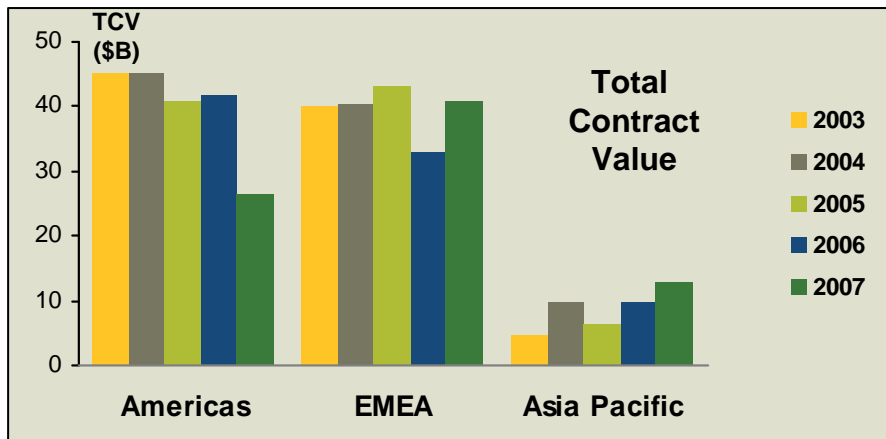
*EMEA accounts for more than half of all global TCV in the broader market for the first time ever*

**Number of Contracts by Region With TCV > \$25M:  
Y/Y Comparison**

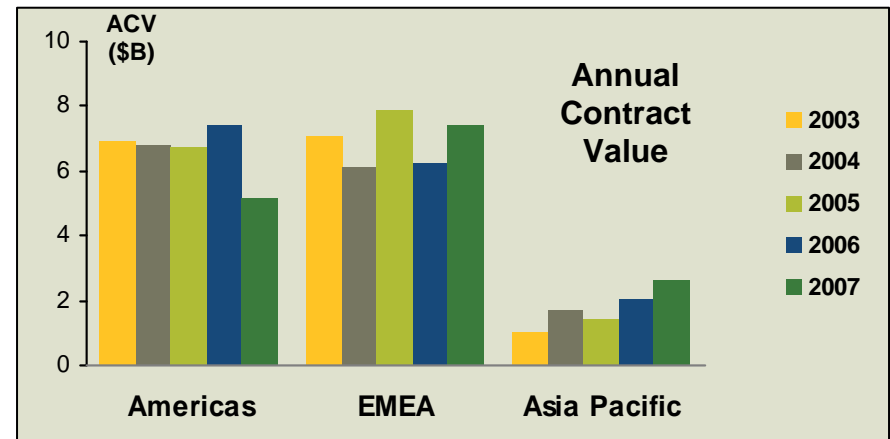


**For EMEA, there were 17 fewer contracts Y/Y; accounting for nearly \$8B more in TCV Y/Y... a 24% increase in TCV**

**Industrywide Contracts by Region With TCV > \$25M:  
Y/Y (\$B) Comparison**



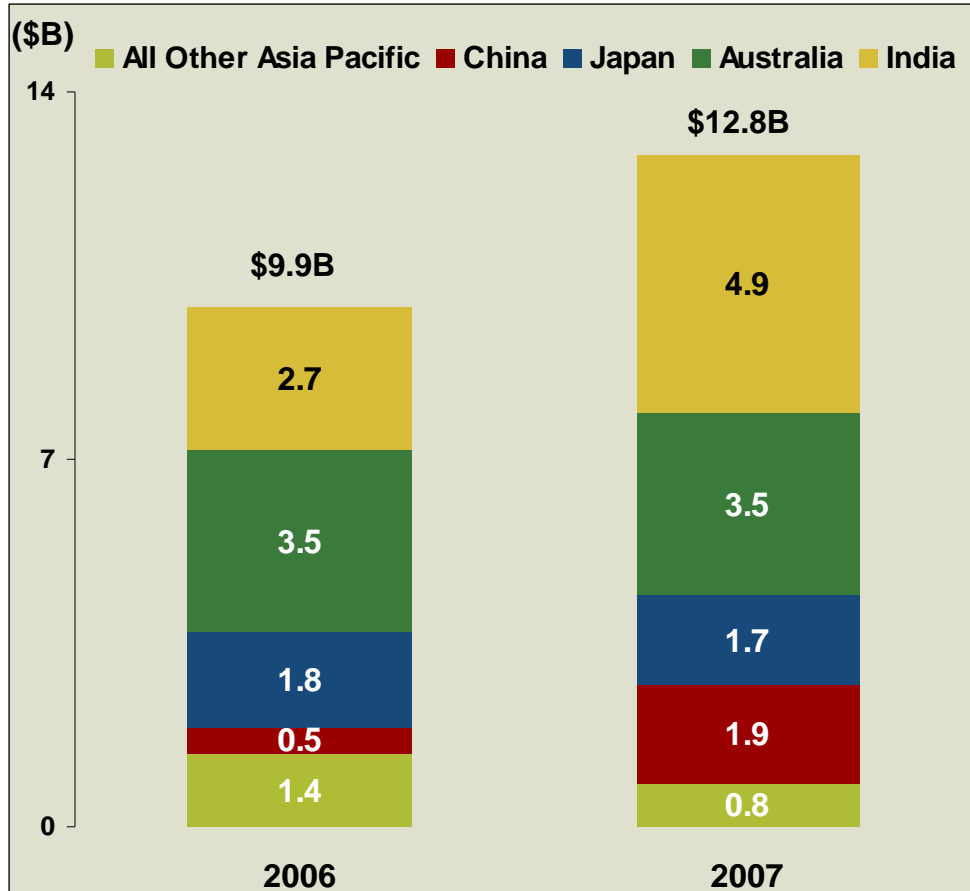
**Industrywide Contracts by Region With ACV > \$25M:  
Y/Y (\$B) Comparison**



# Outsourcing in India Nearly Doubles Y/Y

*Countries known for their provision of outsourcing have become buyers*

## TCV (\$B) of Contracts: Asia Pacific Industrywide Contracts With TCV > \$25M:



- Service Providers winning much of the Asia-Pacific business, including India

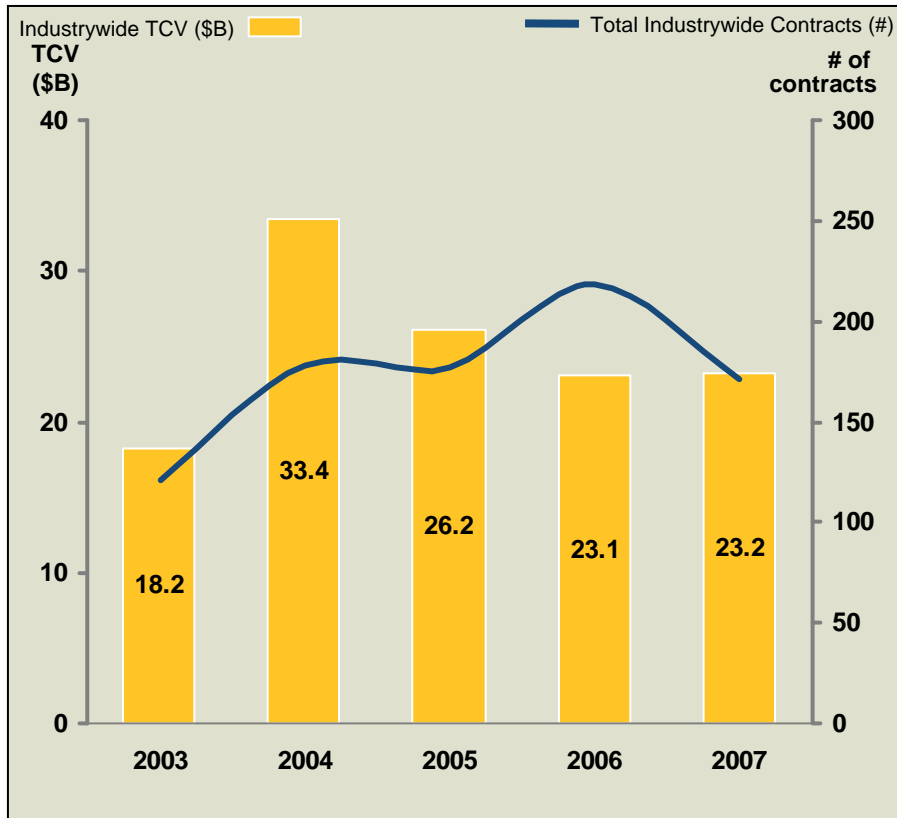


- 33% of India-based contracts awarded in 2007 were in Telecom
- 46% of India-based contracts awarded in 2007 contained IT Infrastructure in scope

# BPO Market Trends

*Activity stayed in line with 2006*

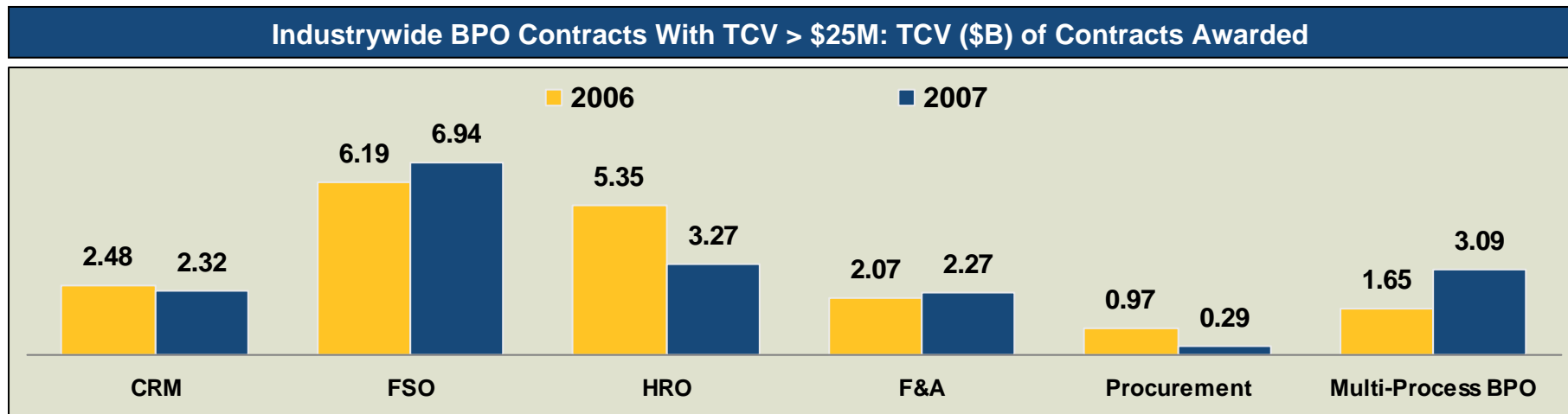
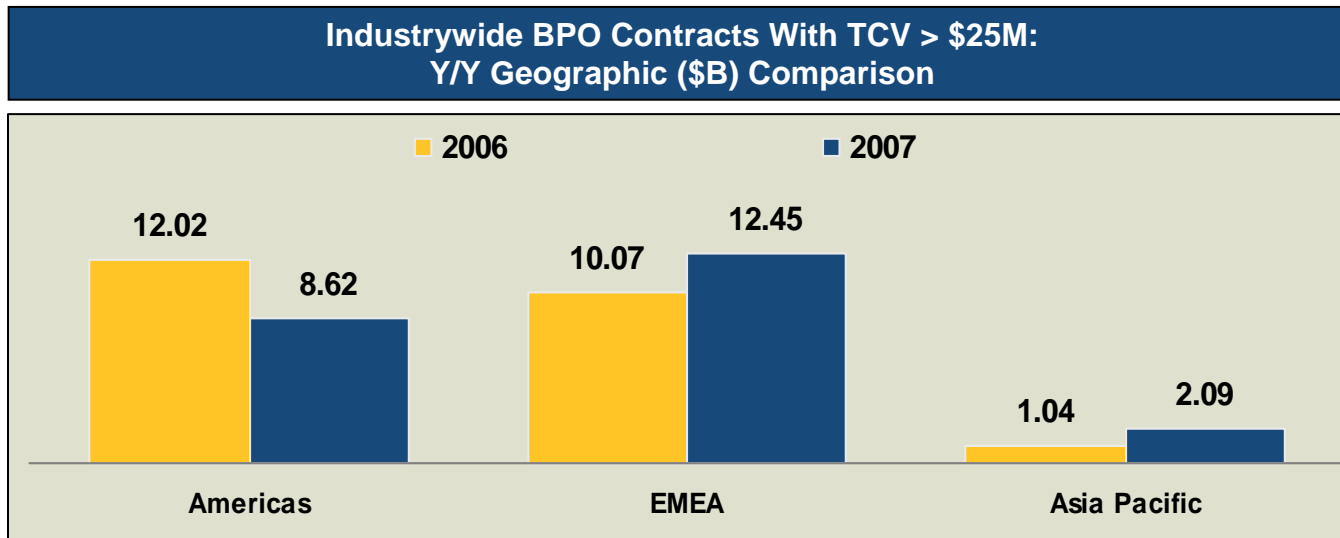
## Industrywide BPO Contracts With TCV > \$25M: Y/Y Comparison



- 4Q07 was the best quarter for BPO TCV in two years and the best in ACV in more than three years
- Uptick was influenced by several large contract awards

# BPO Market Trends

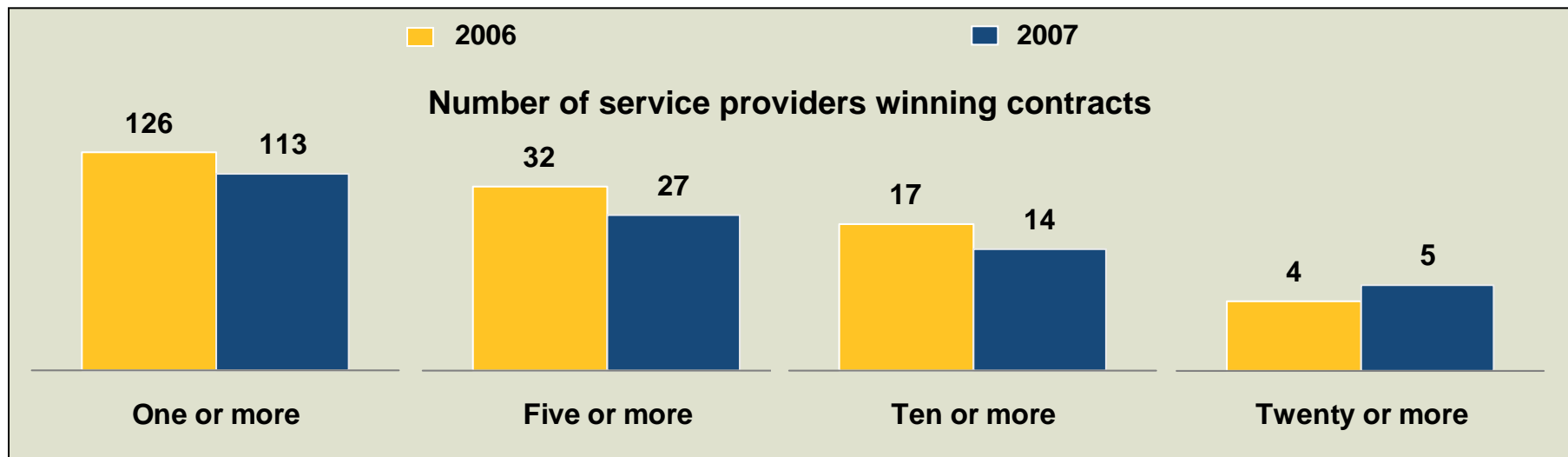
*Increase in BPO market demand in EMEA and Asia Pacific*



# Service Providers

*Fewer service providers winning contracts in 2007 than in 2006*

## Industrywide Contracts With TCV > \$25M: Y/Y Comparison



### 10 or More Contracts > \$25M Signed in 2007



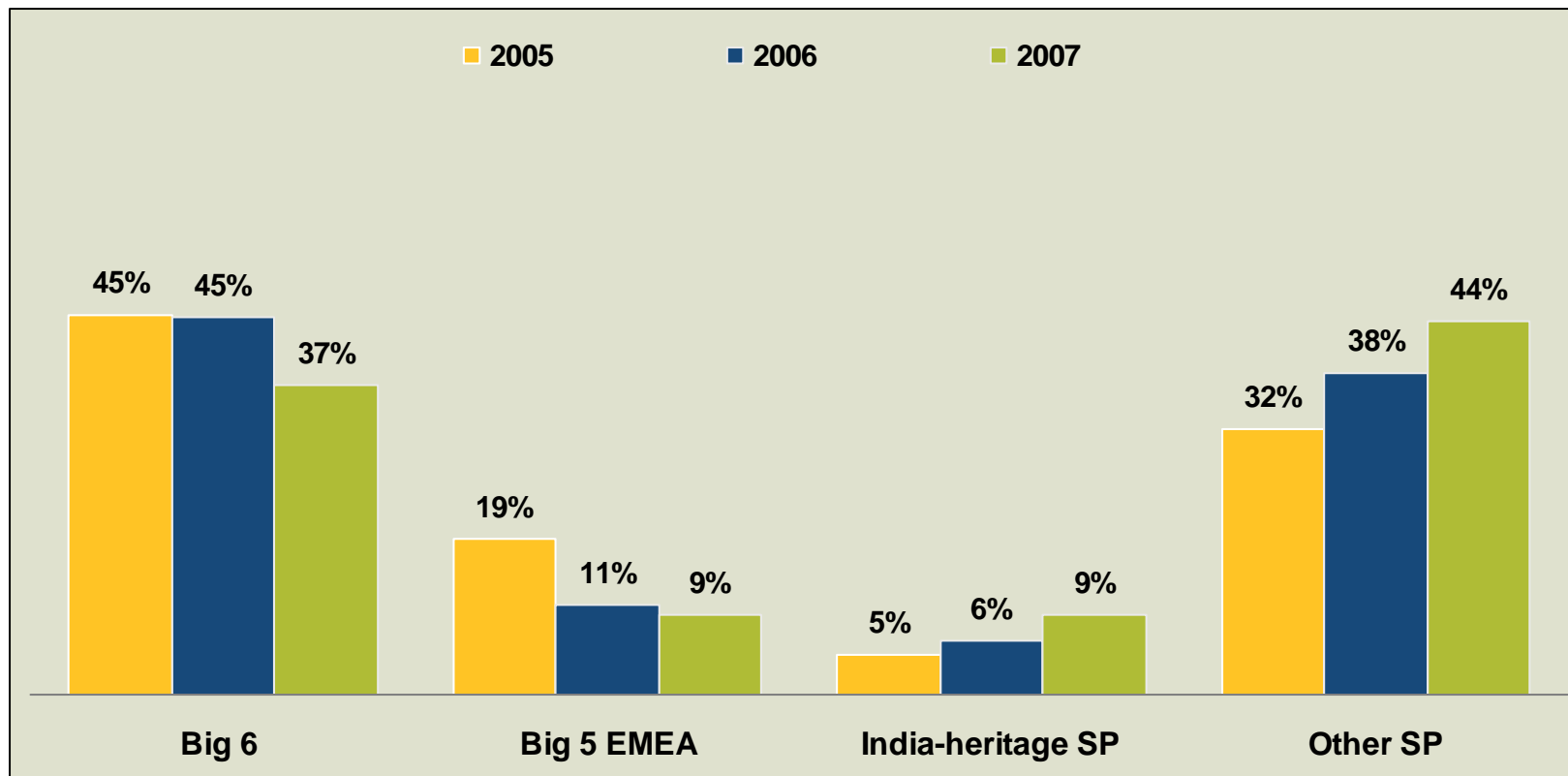
### 20 or More Contracts > \$25M Signed in 2007



# Share of 2007 Industry Contract Awards

*India-heritage providers show dramatic Y/Y increase in market share*

## Service Provider Market Share: TCV of Industrywide Contracts > \$25M



# TPI's Conclusion on Market Trends

## 2007-2008

- Year ended with strong momentum
- We project around 7% annualized revenue growth in 2008

## Regional Performance

- EMEA and Asia Pacific showed increased demand for 2007 and are poised for continued momentum in the near future
- As markets for outsourcing, India and China grew significantly in 2007

## Contract Values

- BPO is showing renewed signs of life
- Beginning to see signs of vertically-oriented BPO

## Service Provider Diversity

- India-heritage providers and others are making their presence known
- Rationalization of offshore delivery resource models
- Increase in outcome-oriented relationships

## Questions/ Commentary

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