



**Global Standard-Setting Organization and
Advocate for the Outsourcing Profession**

• MEETING AGENDA

Topic	Time
Registration	3:30 – 3:45
Welcome to DePaul	3:45 – 3:50
Introductions & IAOP Announcements	3:50 – 4:00
Valuation and Monetization (IPO or M&A) Environment	4:00 – 4:50
Break	4:50 – 5:00
Panel Discussion – China as a Strategic Outsourcing Location	5:00 – 5:50
Meeting Wrap Up & Introduction of the Shandong China Delegation	5:50 – 6:00
Networking Reception - Sponsored by the Shandong China Delegation	6:00 – 7:00

• CHICAGO CHAPTER

- Co-chairs
 - Jay Desai, Northern Trust
 - Ginger Dusek, Accenture
 - Neil S. Hirshman, Kirkland & Ellis LLP
 - Dwayne Prosko, Deloitte Consulting
 - Olayele Adelakun Ph.D., DePaul University
- Organized geographically
- Membership
- Businesspersons, consultants and attorneys
- Introduction of attendees

● CHICAGO CHAPTER CONTACTS

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• CHICAGO CHAPTER UPDATE

- Quarterly Meeting – Generally Jan., Apr., Jul., Oct.
- Next Chicago Meeting:
 - **Date:** October 17, 2013
 - **Topic:** “Evaluating Emerging Markets for Outsourcing”
 - **Location:** TBD
- Planning and Hosting Future Meetings
- Evaluation Forms

• REPORT ON CHICAGO APRIL 18 MEETING

- Held in conjunction with the Governance Chapter at the Chicago office of Kirkland & Ellis LLP.
- Case study and panel discussion on “**Beyond SLAs: Balanced Scorecard and more.**” Followed by a workshop.
 - **Moderator:**
Alan Hanson, Neo Group
 - **Panelists:**
Craig Ostrander, Applied Materials
Lynne Peckham, Northern Trust
Shuchita Singh, Northern Trust
- Networking reception sponsored by Kirkland & Ellis LLP

• ABOUT IAOP

85% of IAOP members credit IAOP for improved outsourcing outcomes at their organizations and 93% of IAOP's Certified Outsourcing Professionals® (COPs) say that the designation has had a positive impact on their careers.

With a global community of more than 120,000 members and affiliates worldwide, IAOP is the leading professional association for organizations and individuals involved in transforming the world of business through outsourcing, offshoring and shared services. Our client-side members are, on average, responsible for \$60 million per year of outsourcing spending with some overseeing outsourcing programs in the billions of dollars.

• MEMBER SERVICES

Global Chapter Network – Through its 50+ active and expansive chapters, IAOP members share their expertise and find knowledge on best practices for specific industry segments, topics and geographic areas.

Conferences & Events – IAOP hosts the world's best-known and most highly-respected executive conferences on the topic of outsourcing, including The Outsourcing World Summit®.

Outsourcing Professional Family of Certifications (OPCF) – IAOP's trainings and certifications are the industry's de facto.

Pulse – The official publication of IAOP features in-depth coverage of the industry, issues, trends, geographies and vertical sectors and functions; thought leadership and case studies, probing Q&As, C-level interviews and profiles.

● MEMBER SERVICES

IAOP's Knowledge Center – This online repository houses more than 1,000 articles, including chapter meeting presentations, conference proceedings, industry whitepapers, research articles and more.

Value Health Check Survey – This web-based diagnostic tool provides outsourcing customers and service providers with rapid insights to realizing outsourcing value.

BestOutsourcingJobs.com – Companies seeking the best talent for outsourcing jobs, as well as professionals looking for employment opportunities, will benefit from this IAOP member service.

GlobalSupplyRiskMonitor.com – This web-based product enables clients to monitor, predict and manage the various risks in their service supply chain across countries, cities and suppliers, in real time.



SPECIAL OFFER FOR ATTENDEES!

**Become an IAOP Professional Member at
20% off the Regular Fee of \$345/Year (\$276/Year Net Fee)**

Be part of the *first and only* global, professional membership-based organization to establish standards for customers, providers and advisors of outsourced service.

As one IAOP Corporate Member put it:

“It’s a tremendous one-stop shop for all things outsourcing!”

Go to <https://www.IAOP.org/PMregistration> and join today!
When asked for an “offer code,” please enter: **IAOP-PM-0515.**

www.IAOP.org

● UPCOMING CHAPTER MEETINGS

August 2013

August 20 - [Voice of the Customer](#) chapter webinar

August 28 - [Bangalore](#) chapter meeting

August 28 - [Southern California](#) chapter meeting

September 2013

September 4 - [Nordic](#) chapter meeting

September 5 - [Minnesota](#) chapter meeting

September 18 - [New England](#) chapter meeting

Watch for upcoming meetings of the Governance Chapter, Outsourcing Tools & Technology Chapter and numerous chapters on the West Coast!

IAOP Professional Members may attend an unlimited number of chapter meetings. Associate Members may attend up to two chapter meetings as IAOP's guest. Go to the chapters' page at www.IAOP.org/chapters for meeting details and to register.

• AWARDS PROGRAMS



The Global Outsourcing 100 - ranks the top 100 outsourcing service providers and the top 20 Advisory firms globally.



GEO - honors outsourcing professional teams at customer organizations that are leading the effort to better serve their organization's customers and make their companies more successful through outsourcing.

Nominations may be submitted now – process yours today!

The nomination and application processes are outlined on our website & Winners are announced at **The Outsourcing World Summit!**

The Outsourcing Hall of Fame - one of the most prestigious outsourcing awards, it recognizes individuals for their contributions to the management practice and industry and their contributions to society at-large.

Nominations are being accepted now – visit our website for details!

• CONFERENCES AND EVENTS

Process your registrations today for:

The 2013 Asia-Pacific Outsourcing World Summit®

October 20-23, 2013

Malaysia

The 2013 Latin America Outsourcing Summit

December 3-5, 2013

InterContinental Hotel

San Jose, Costa Rica

The 2014 Outsourcing World Summit®

February 17-19, 2014 – Disney's Contemporary Resort
Lake Buena Vista, Florida



• TRAINING & CERTIFICATION

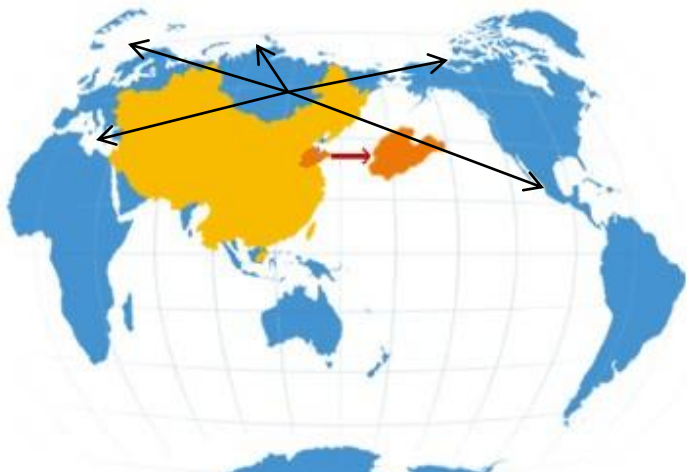
COP Master Classes (* & Governance Workshop)

- September 16-18, 2013 – Hong Kong
- September 16-19, 2013 – Denver, CO –USA – Governance only workshop offered Sept 19
- November 4-6, 2013 – Netherlands
- January 14-16, 2014 – Rome, Italy

Online Classes are also available!

**Become a COP and improve
your outsourcing success!**





Connecting the world

Area: 157,168 km² (About the size of Georgia/Wisconsin)

Population: 95.8 M (About the size of Germany)

GDP (2012): US\$ 803 billion (3rd)

Universities: 124 (2nd)

Transport: 7 civil airports; 23 coastal ports;
3,000 km expressways;

About Shandong

Shandong is a province located on the eastern coast of China, between Beijing and Shanghai. It faces Japan and Korea across the sea. With beautiful landscape and temperate climate, Shandong is the birthplace of Confucianism, and its society is very stable. The province's capital, Jinan, is listed as one of the 21 China outsourcing model cities, while Qingdao, the largest city of Shandong, held the 2008 Olympic Sailing Events.



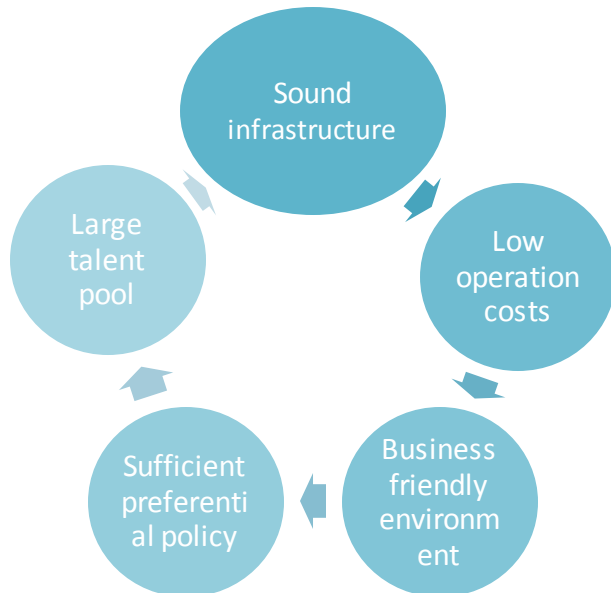
Shandong Department of Commerce



About the delegation

Yan Zhaowan – Deputy Director-General of Shandong Department of Commerce

The Department of Commerce of Shandong is committed to promoting economic growth of Shandong through regional policy and regulation making, development strategy planning and providing consultancy service and so forth. Under its administration, Shandong's GDP totaled US \$803 billion, ranking the third of China.



Outsourcing performance Shandong 2012

US \$**2 billion** executed outsourcing contracts
100 thousand outsourcing employees
46 specialized outsourcing parks
1400 outsourcing companies

Shandong Department of Commerce

Valuation and Monetization (IPO or M&A) Environment

Keynote Speaker:

Tina Longfield, Managing Director and
Global Head of Jefferies' Technology Services Group

“Outsourcing: How To Create Value”

July 2013 / Confidential



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Introduction

Overview of Jefferies

Key Points

- Investment banking, sales, trading and research presence across the United States, Europe and Asia
- Serving clients for over 50 years
- Offices in 33 cities worldwide
- 3,800 employees, 2,600 (U.S.), 950 (Europe), 240 (Asia)
- \$39 billion in assets, \$3 billion in LTM revenue
- Investment grade rating by S&P, Moody's and Fitch

Principal Offices



Recent Merger with Leucadia

- Jefferies recently merged with Leucadia – the merger combines our investment banking firm with one of the world's best known investment companies
- Both companies have worked together for more than 20 years as business partners, and Leucadia had been Jefferies largest shareholder for the last 4+ years
- Leucadia is the 330th largest company on the S&P 500 with market capitalization of approximately \$10 billion

Revenue per Employee

(US\$000s)

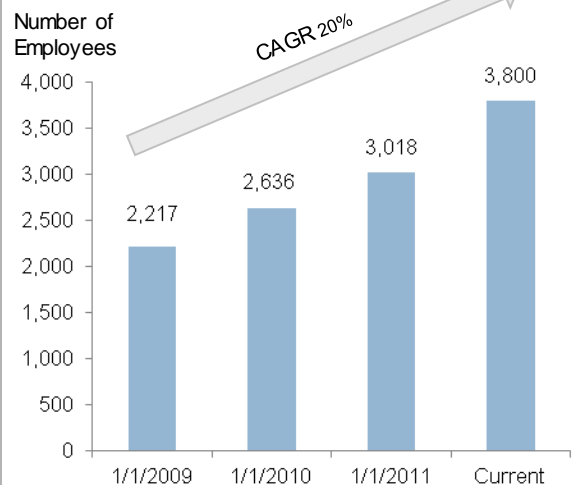
Company	LTM
Goldman Sachs	1,061
Jefferies	768
Credit Suisse	554
Morgan Stanley	478
UBS	446
Deutsche Bank	438
JPMorgan	371
Bank of America	314
Barclays	313
Citi	274

Source: Company disclosures

Notes:

(1) LTM through most recent earnings

Expansion of Global Footprint



Jefferies is a Leader in All Product Areas

Key Points

Equity

- Jefferies prices 74% of its bookrun IPOs above or within the filing range, the highest percentage among our competitors

Leveraged Finance

- The performance of high yield offerings with Jefferies as lead left bookrunner exceeds that of all 10 major underwriters over the same time period, based on % price change

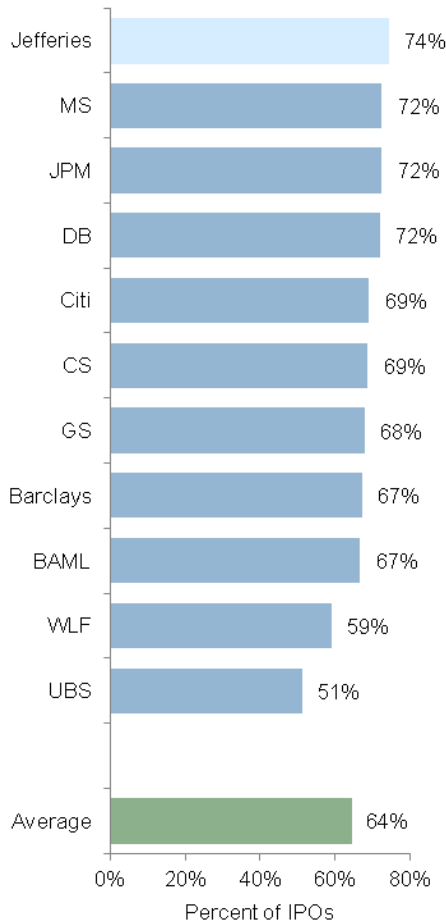
Mergers & Acquisitions

- Since January 1, 2010, 71% of our sell-side transactions were completed at valuations within or above the initial range we represented to our client, and 27% were completed at valuations above the range

Bookrun IPOs

Bookrun IPOs Priced Within & Above the Range

US Issues Prices January 1, 2011 to Present

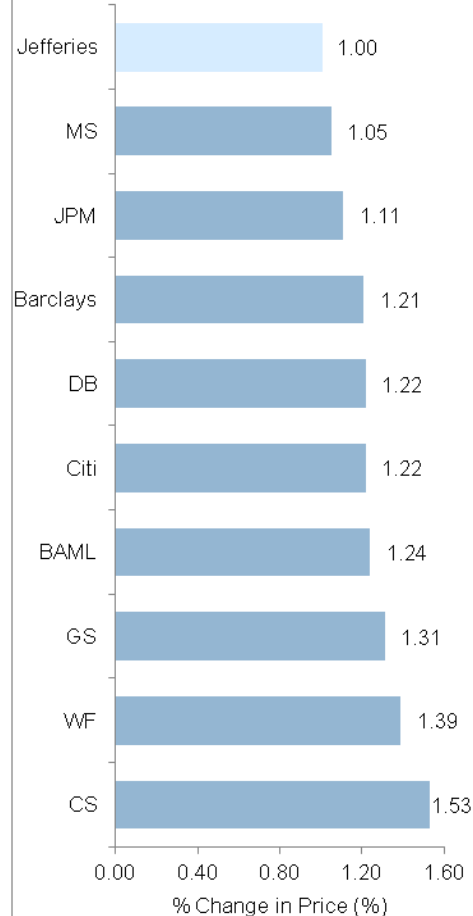


Note: Includes US registered IPOs greater than \$20mm

Lead-Left High Yield Offerings

Average Offering Price Change One Week After Pricing

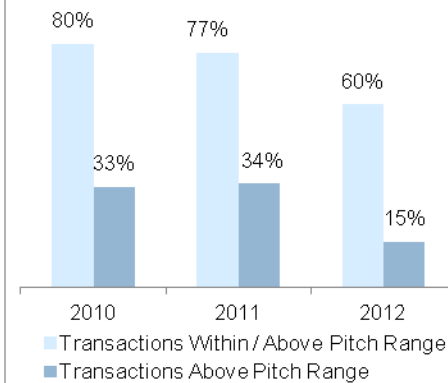
US Issues Prices January 1, 2011 to Present



Source: Pricing from trader runs, Capital IQ, and IDS Pricing Service. Issues excluded where pricing was unavailable.
Note: Reflects 34 lead left transactions for Jefferies.

M&A Sell-Side Transactions

Valuations Achieved Within/Above Pitch Range



Source: Jefferies, includes over 90 transactions

Valuations Achieved in public company M&A Sell-sides⁽¹⁾

Average EV/EBITDA



(1) Includes transactions with < 30.0x EV/EBITDA
(2) Source: Jefferies, includes over 30 transactions
(3) Source: Thomson

Basics of Valuation

Understanding The Basic Concepts Of Value And Valuation...

Value

- An economic concept
- An estimate of ***likely prices*** to be concluded by the buyer and seller of a good or service that is available for purchase
- Not a fact



Valuation

- **Valuation** is the ***process*** of determining the “***Economic Worth***” of an asset or company under certain assumptions and limiting conditions and subject to the data available on the valuation date



***Price Is What You Pay,
Value Is What You Get.
They Are Not The Same***

***Valuation Varies With
Person, Purpose And
Time***

***Valuation Is A Hybrid Of
Art & Science***

Market-Based Valuation Methodologies

Overview

Multiple of Revenue

- A valuation ratio of a company's enterprise value to its revenue
- Generally, the lower the EV / Revenue for one Company relative to its peers in the same industry, the more undervalued the Company is believed to be

\$100MM revenue
X 1.5x
\$150MM Ent Val

Multiple of EBITDA

- EBITDA = Earnings Before Interest, Taxes, Depreciation, and Amortization, a proxy for “cash flow”
- A valuation ratio of a company's enterprise value to its EBITDA
- Provides an estimate valuation of a business operation, where value from investment activities (capital structure) is excluded

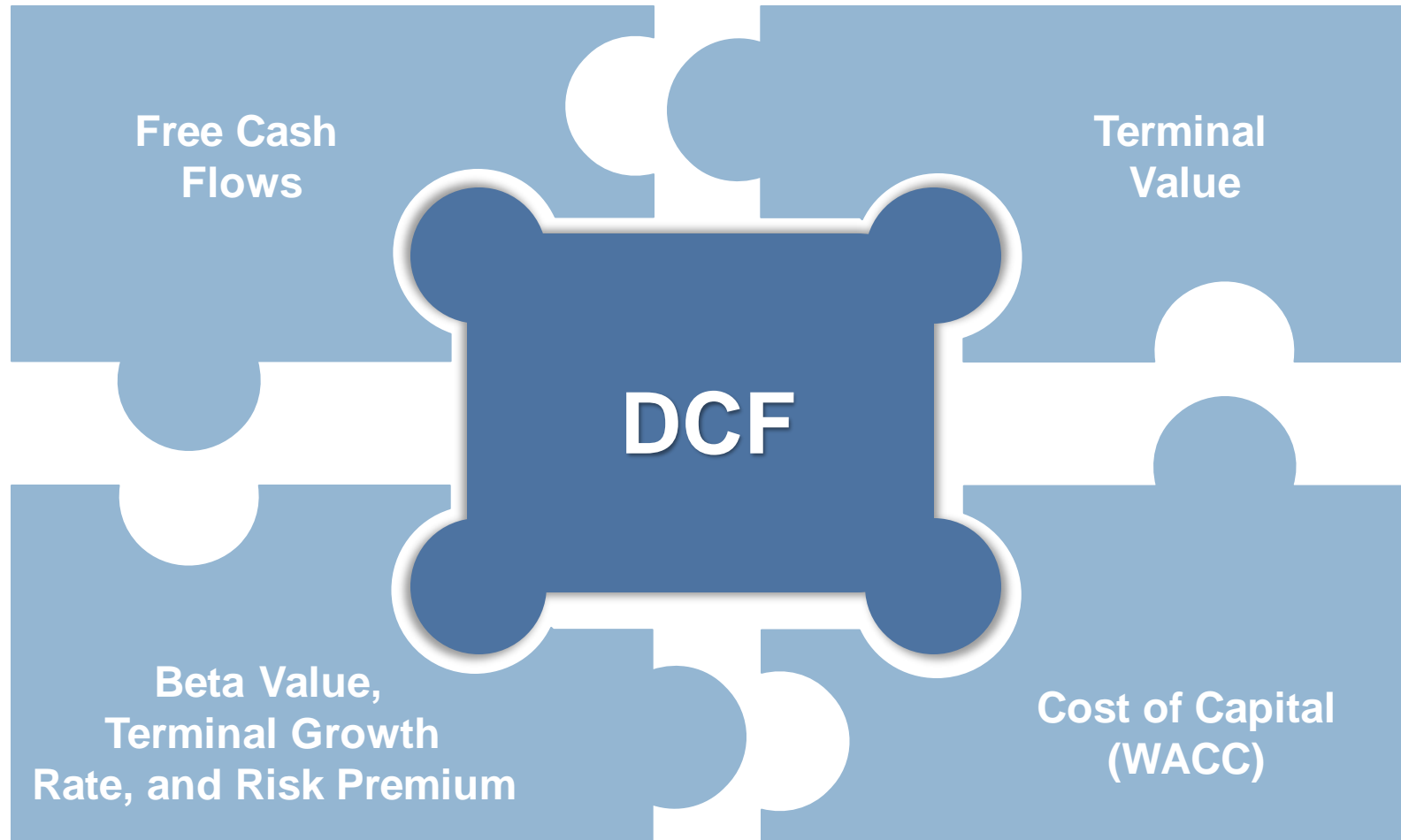
\$15MM EBITDA
X 10x
\$150MM Ent Val

Multiple of Net Income (P/E) Multiple

- A valuation ratio of a Company's current share price to its per-share earnings
- High P/E suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E

\$8MM net income
X 18 P/E
\$144MM Mkt Val

Income Based Valuation Methodologies: Discounted Cash Flow Analysis

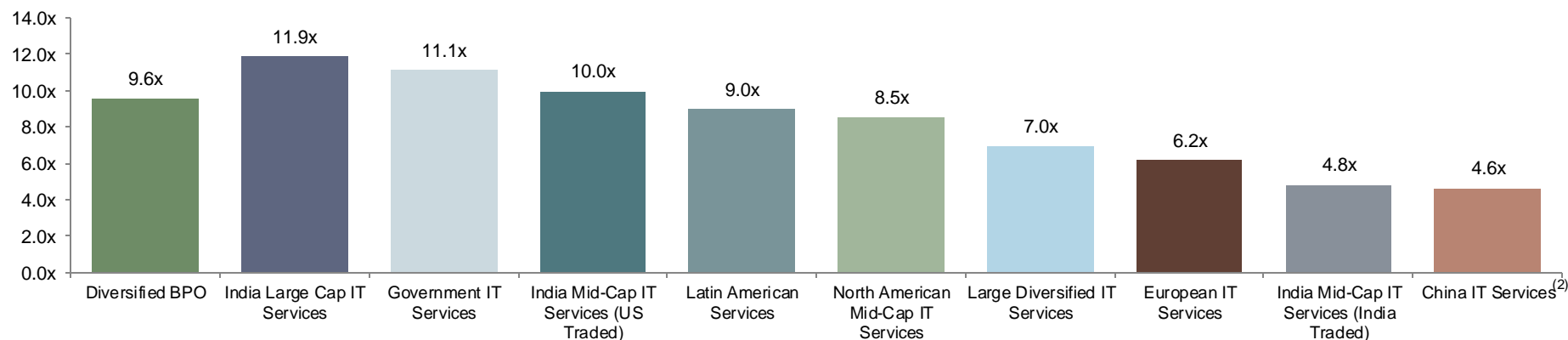


What Drives Value?

BPO & Global Services Valuation Dashboard

Trading Metrics & Operating Statistics⁽¹⁾

TEV / CY2013 EBITDA



Category ⁽¹⁾	Avg. Operating Metrics					Avg. Valuation Metrics					
	Revenue	Rev. Growth		Gross Margin	EBITDA Margin	TEV / Revenue		TEV/EBITDA		P / E	
	CY2013	CY2013	CY2014	LTM	CY2013	CY2013	CY2014	CY2013	CY2014	CY2013	CY2014
Diversified BPO	\$4,195	7.7%	7.1%	36.0%	17.7%	1.8x	1.7x	9.6x	8.8x	15.3x	14.7x
India Large Cap IT Services	\$8,032	12.4%	11.5%	35.4%	23.3%	2.8x	2.5x	11.9x	10.7x	17.1x	15.4x
Government IT Services	\$2,477	3.3%	3.9%	27.9%	12.4%	1.8x	1.6x	11.1x	10.0x	14.7x	14.4x
India Mid-Cap IT Services (US Traded)	\$895	12.0%	11.1%	37.3%	21.1%	2.1x	1.9x	10.0x	9.0x	16.7x	14.7x
Latin American Services	\$1,300	8.3%	11.9%	34.8%	19.7%	1.9x	1.7x	9.0x	7.9x	18.5x	15.5x
North American Mid-Cap IT Services	\$1,296	5.7%	5.7%	29.3%	10.3%	0.9x	0.9x	8.5x	7.4x	18.3x	13.9x
Large Diversified IT Services	\$47,932	(1.9%)	1.6%	28.3%	14.4%	1.1x	1.1x	7.0x	6.5x	12.7x	11.4x
European IT Services	\$3,026	2.5%	3.6%	23.2%	9.9%	0.7x	0.6x	6.2x	5.5x	11.9x	10.1x
India Mid-Cap IT Services (India Traded)	\$1,943	23.9%	15.7%	33.4%	15.9%	0.8x	0.7x	4.8x	3.9x	12.7x	10.9x
China IT Services ⁽²⁾	\$541	14.0%	7.7%	36.0%	19.1%	0.9x	0.9x	4.6x	4.8x	8.2x	7.7x

Source: Cap IQ as of 07/22/2013.

(1) Financial Data is calendarized and Financial metrics calculated from averages.

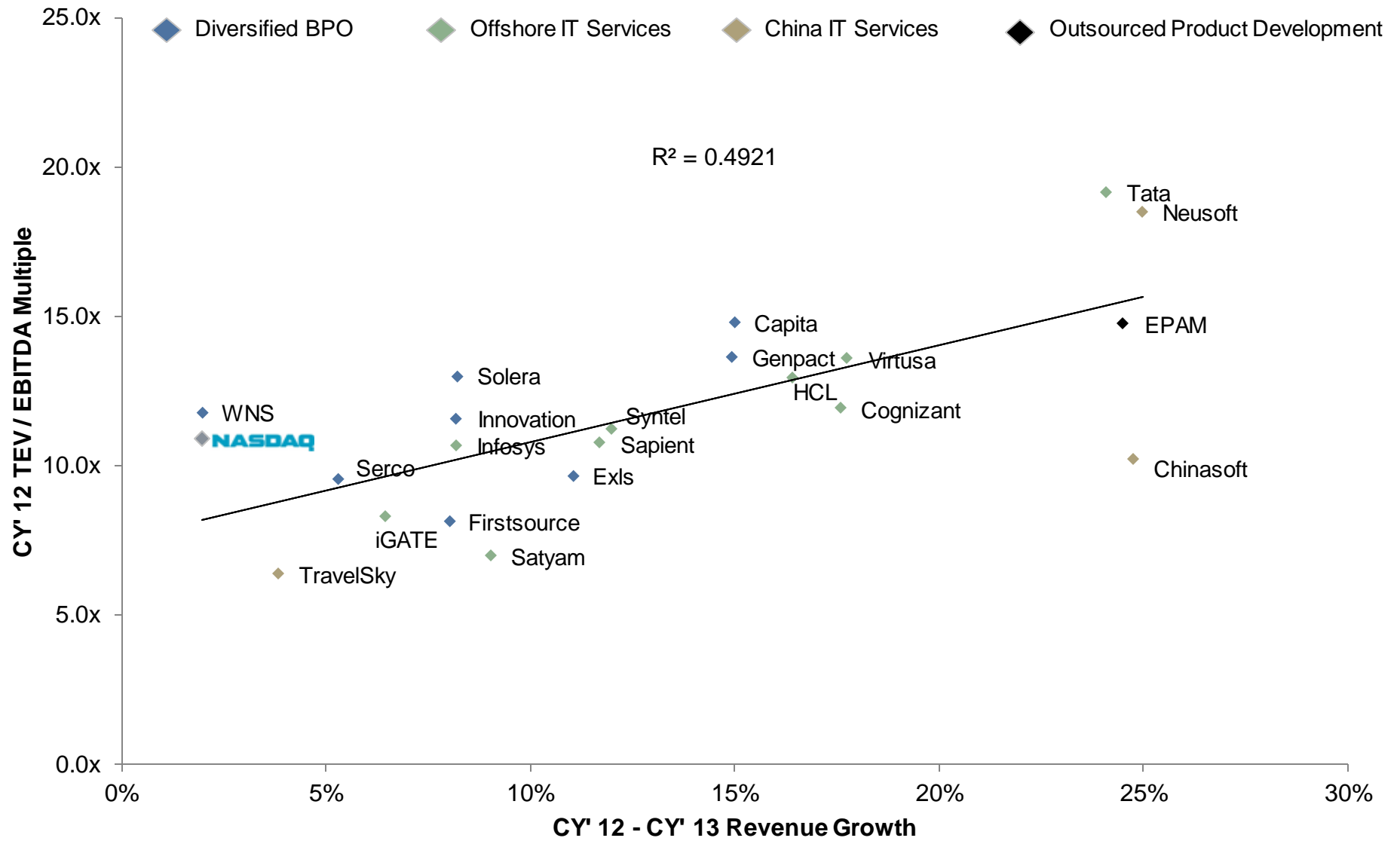
(2) Includes TravelSky Technology, Neusoft Corporation, Digital China Holdings Limited, Pactera Technology International, Chinasoft International, iSoftStone Holdings Limited and Camelot Information Systems.

Unlocking Value Using Financial Levers

Market Based Valuation	<i>Revenue Scale</i>	<ul style="list-style-type: none">■ Increase revenues through organic and inorganic growth
	<i>EBITDA</i>	<ul style="list-style-type: none">■ EBITDA may increase with top-line revenue expansion■ EBITDA can also increase through more efficient ops (leverage existing platforms, cost cutting)
	<i>Earnings</i>	<ul style="list-style-type: none">■ Similar levers as EBITDA; but additional levers include tax rates, depreciation, etc.
DCF Valuation	<i>Growth & Changes in Margin</i>	<ul style="list-style-type: none">■ Key variables in determining cash flow streams and have impact on valuation sensitivity
	<i>Working Capital</i>	<ul style="list-style-type: none">■ A factor that affects “Free Cash Flow” beyond revenue expansion and margin increases
	<i>Investments</i>	<ul style="list-style-type: none">■ Capital expenditures, another factor that affects “Free Cash Flow” beyond revenue expansion and margin increases; Need to have ROI

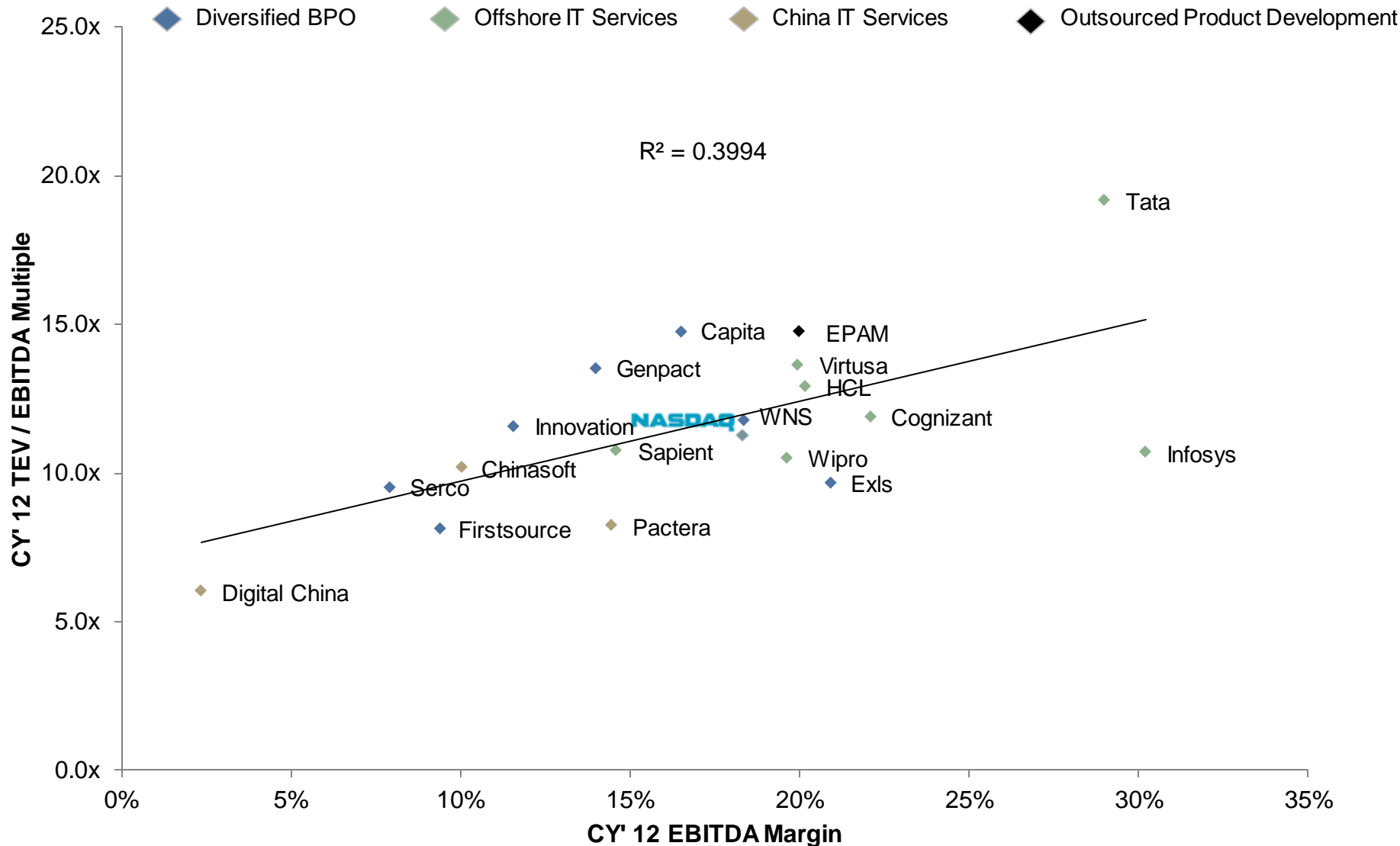


Correlation Between Revenue Growth and EBITDA Multiple



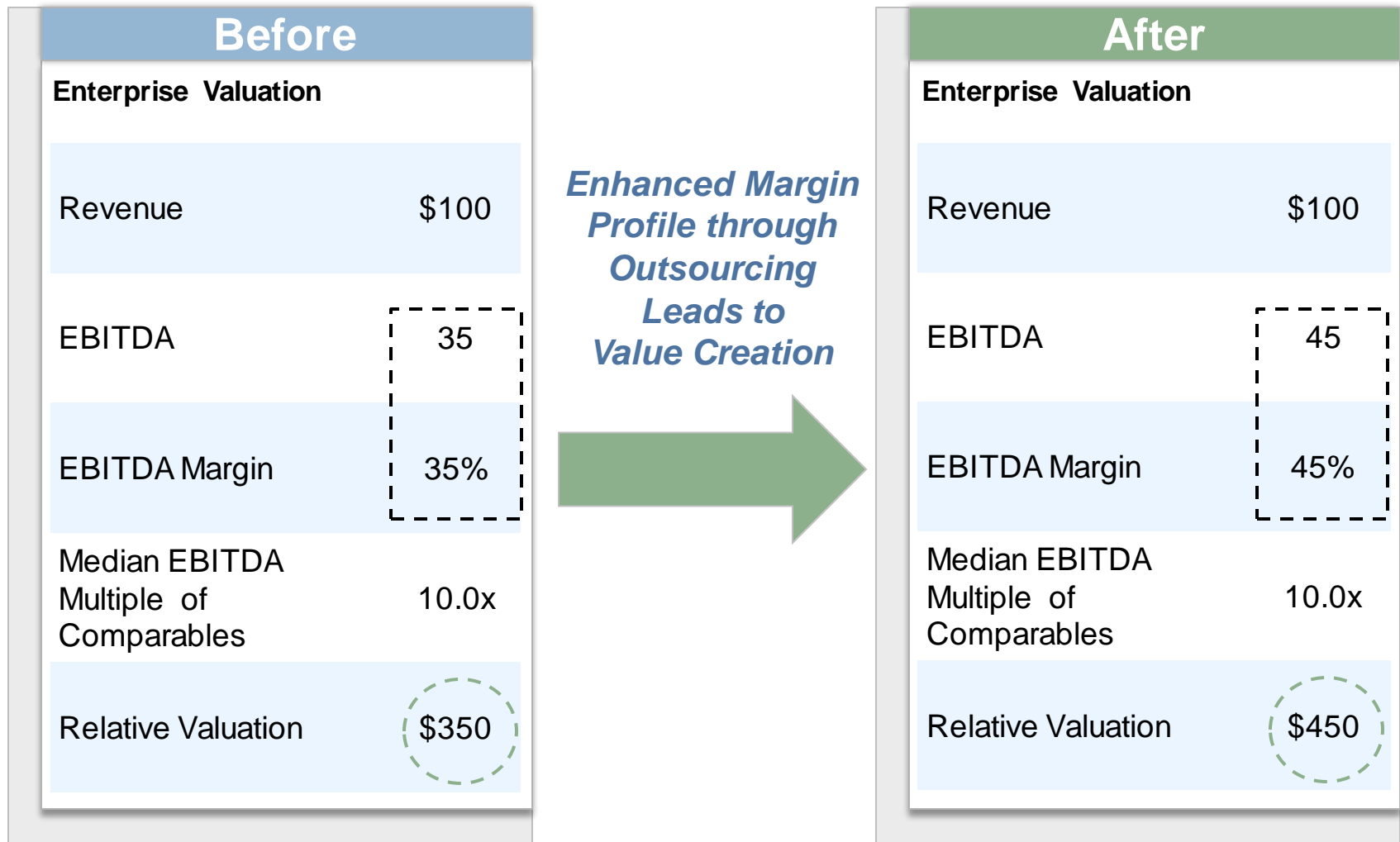
Source: Capital IQ.

Correlation Between EBITDA Margin and EBITDA Multiple



Operators: Creating Value Through Outsourcing

(US\$ Millions)



Note: For illustrative purposes only.

Jefferies LLC / July 2013

Providers: Creating Long-Term Value

Vertical Expertise

- Shift away from “commodity” like services and focus on vertical expertise

Robust IP Portfolio

- Critical driver of value creation - a powerful tool to gain competitive advantage and customer “stickiness”

Investment In Innovation

- Smart investments in technology and innovation ensures attractive ROI's (Platform-as-a-Service or “BPU”)
- Also should facilitate “Non-Linear” growth model

Staying Ahead of Emerging Trends

- Progressively keeping-up with the emerging industry trend; Are you “thought-leaders” for your clients?

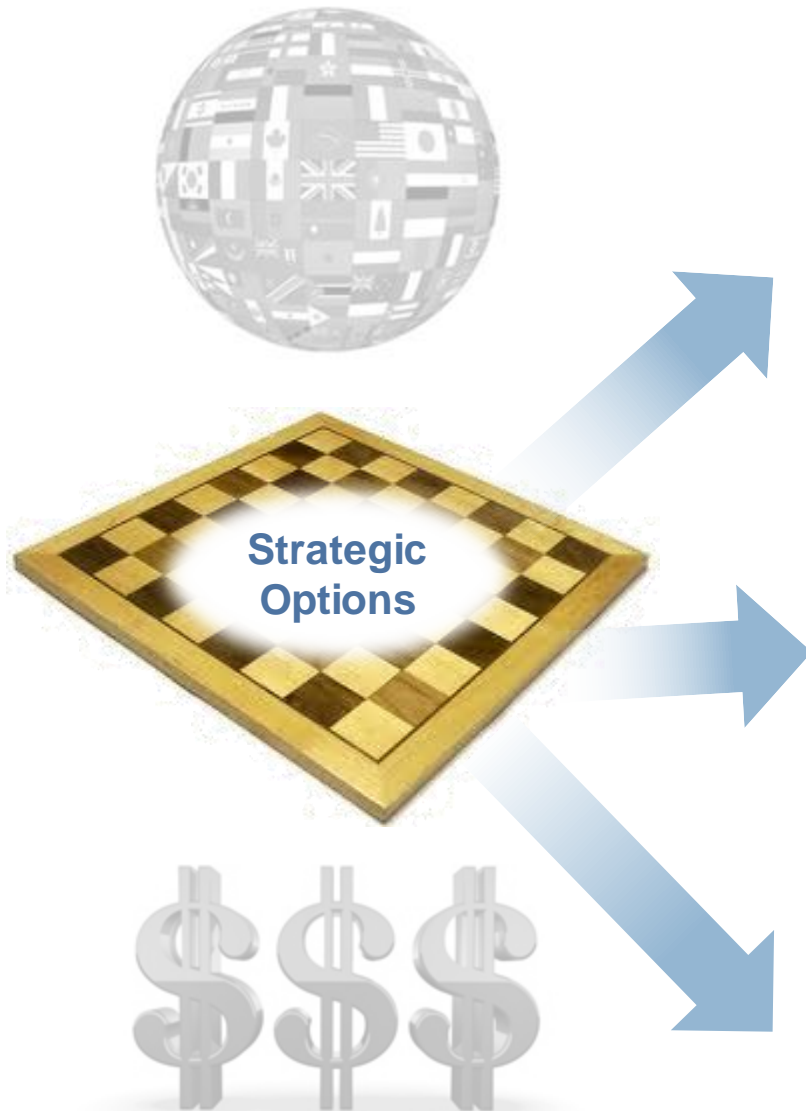
Strategic Partners/ Acquisitions

- Synergistic partnerships and acquisitions help supplement organic growth and create value



Ways To Monetize Value

Multiple Avenues Of Monetization



Sale of Company / Acquisition

- Potential synergies
- Buyers can be strategic or private equity (i.e. LBO)

Private Placement

- Sale of securities to a small number of select qualified investors
- Interest from a broad set investors (private equity, strategic partners and venture capital)

Initial Public Offering (IPO)

- Sell stock to general public on a securities exchange for the first time
- Provides 'public' currency for employee comp (i.e. stock options) and acquisitions

Key M&A Trends

Companies Are Looking To Harness Value From Emerging Technologies

- The increasing adoption of social media, mobile and cloud services is driving the need for change of business models and realignment of company strategies, which consequently is driving consolidation

Increased Demand For Players With Vertical Specific Services / Products

- Verticals such as healthcare, financial, and the technology sector continue to present attractive opportunities for IT/BPO providers
- The need to adhere to stringent regulatory guidelines and the compliance requirements in industries such as healthcare and financial services has made the firms offering niche and industry specific services a valuable target

Traditional Outsourcing Firms Need To Offer Higher Value-Add Services

- BPO service providers are increasingly looking to provide higher value-add services to gain a larger market share
- Companies that are able to monetize the growing demand for cloud based outsourcing are being sought after

Need To Complement Offshore Presence With Nearshore And Onshore Presence

















- Clients are looking for providers that have simultaneous onshore, nearshore and offshore presence
- Increasing pricing pressures and limited organic growth options are drivers for buyers to actively participate in M&A activities

Companies With Rich Balance Sheet Remain Opportunistic

- Targets with financial distress continue to remain attractive value propositions for buyers globally to capitalize on the current “buyers-market” environment

Select Recent M&A Transactions

Business Process Outsourcing

Date	Buyer	Target	Buyer Country / Target Country	EV (\$)	EV / Rev
6-Jun-13	 华夏基金(香港)有限公司 CHINA ASSET MANAGEMENT (HONG KONG) LIMITED		Hong Kong/China	299	0.8x
28-May-13	 ServiceLink FNF'S NATIONAL LENDER PLATFORM		US/US	3,831	1.9x
20-May-13			US/China	501	1.1x
12-Oct-12			US/Spain	1,039	0.6x
1-Aug-12		 30.5% Stake	US/UK	3,196	1.8x
23-Feb-12			US/US	717	3.2x
31-May-11			UK/India	386	2.3x
19-Nov-10			UK/Brazil	1,066	1.8x

Information Technology Outsourcing























26-Jun-13	 Partners Group Passion for Private Markets		Switzerland/US	270	1.4x
7-Jun-13	Investor Group	 NEW CHALLENGES. NEW IDEAS	UK/France	334	0.4x
8-May-13			Canada/UK	605	1.9x
19-Apr-13	 MOBILITY ON DEMAND	 THE IT SERVICES EXPERTS	Belgium/France	203	0.5x
10-Aug-12	 est. 1974		US/US	1,100	0.7x
9-Aug-12	 Dai Nippon Printing Co., Ltd.	Nihon Unisys	Japan/Japan	145	0.3x
31-May-12			Canada/UK	3,379	0.6x
21-Mar-12	 IT Services and Telecom Solutions		India/India	1,030	1.1x



Key Prerequisites For IPO Readiness

- ✓ **Build An Effective Management Team**
- ✓ **Develop Set Of Financial Projections And Measure Of Performance**
- ✓ **Appoint Independent Members as Board Of Directors**
- ✓ **Evaluate Corporate Governance Principles And Practice**
- ✓ **Prepare Set Of Audited Financial Statements**
- ✓ **Establish Relationships With An Investment Banking Firm And Law Firm**
- ✓ **Ideally, Market Capitalization Of Approx. \$200 Million**



Select IPOs Over The Last Decade in Outsourcing

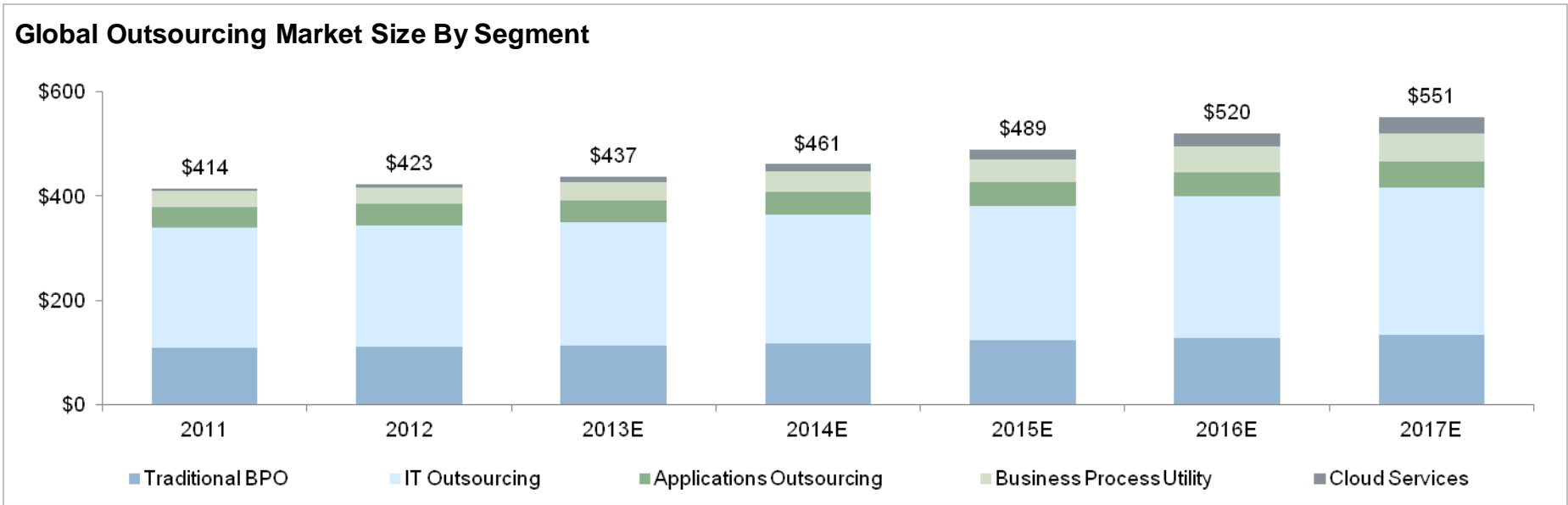
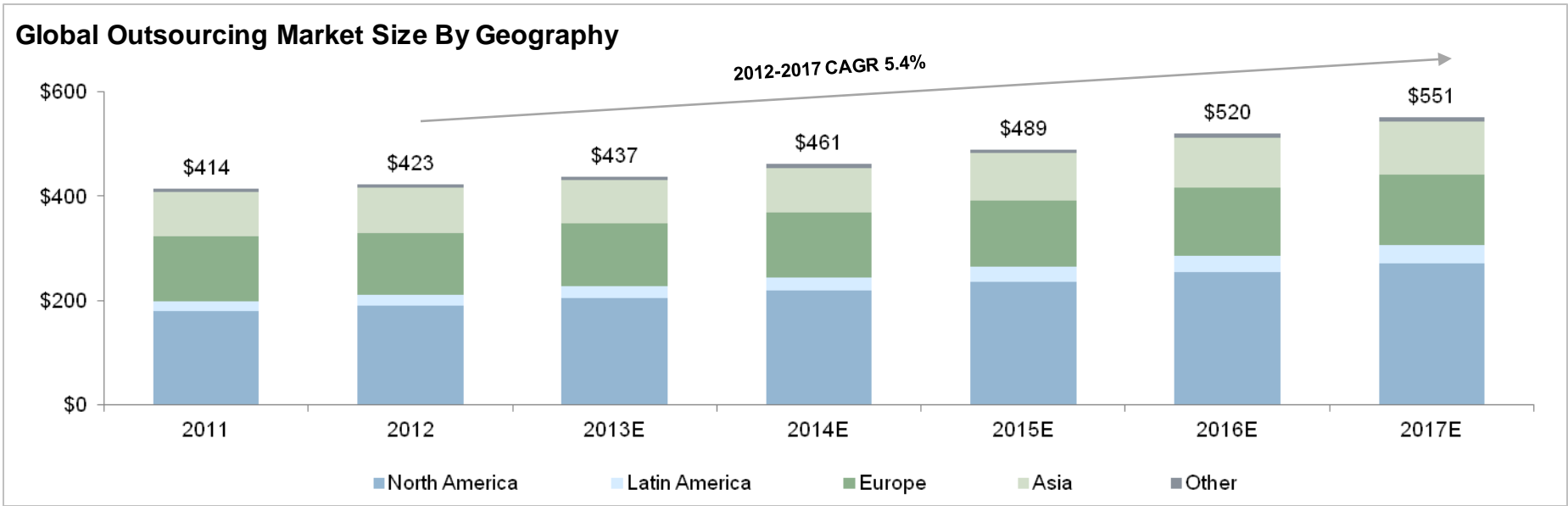
Business Process Outsourcing	Date	Company	Amount (\$M)	Country	
				Public Exchange	Primary Delivery Center
	27-Aug-10		\$57		  
	26-Nov-06		101		
	03-Jul-06		224		
	06-Apr-06		160		
	13-Feb-06		194		 
	03-Dec-04		68		 

Information Technology Outsourcing	Date	Company	Amount (\$M)	Country	
				Public Exchange	Primary Delivery Center
	22-May-13		\$70		
	07-Feb-12		72		 
	04-Nov-11		87		
	27-May-11	 Shanghai DragonNet Technology	53		
	23-Nov-10		141		
	17-Jun-10		74		
	12-Sep-09		70		
	09-Sep-09		388		
	06-Apr-07		62		 
	20-Jun-06		100		

Global Outsourcing Market

Global Outsourcing Market Sizing Analysis

(US\$ Billions)



Source: Gartner (June 2013).

Break

China as a Strategic Outsourcing Location

Panelists:

Alan Hanson, SVP, Neo Group

Min Wang, Partner, Kirkland & Ellis LLP

Nick Ionita, VP, FreeWheel

David Watkins, Chairman, ReSource Pro

Moderator:

Jay Desai, SVP-Global Sourcing, Northern Trust

孔子故乡中国山东

Shandong China, the hometown of Confucius



Advantages of Shandong as a strategic outsourcing location

Talent

- Deep talent pool is primary factor for outsourcing success. 137 universities with 1.66 million college students at school. As the home to Confucius, people carry traditional values of honesty, loyalty and hardworking. The average outsourcing turnover rate in Shandong is 5%, much less than China's 20% average.

Infrastructure

- Shandong province has sound outsourcing infrastructure. There are 15 completed outsourcing parks with a building area of 4.75 million square meters. All the parks could provide non-stop power supply and multiple internet access. Many of these parks also provide security shared data center.

Market

- Recently, the province has been focusing on innovating the traditional industries by informatization, creating huge market demands for information based services, and provides great development capacity for the outsourcing industry.

Support

- The government has provided a lot of preferential policies for outsourcing companies covering training, employment, and marketing promotion and technology. And they are equal to international and domestic companies.

IPR

- Shandong province's IPR protection is also taking the lead in China. Jinan, the capital city of Shandong, has even launched a special IPR protection support center for the outsourcing industry.

Welcome
to
Shandong

Shandong Department of Commerce



**THANK YOU FOR
JOINING US!**



**For more information on IAOP's Programs
and Services, email info@iaop.org.**

Networking Reception Sponsored by the **Shandong China Delegation**