



RESEARCH INSTITUTE

Everest: Economic Crisis Driving IT Outsourcing M&A Activity

IT Suppliers Shifting Focus to Europe

Press release

DALLAS October 21, 2008 – The slowdown of the U.S. economy, convergence of market models for infrastructure outsourcing, and Indian suppliers move up the ADM value chain are likely to have the most profound effects on merger and acquisition activity in the IT outsourcing (ITO) sector, according to the [Everest Research Institute](#).

The Institute study, [Plugging the Gaps – Mergers and Acquisition in IT Outsourcing](#), includes analysis of IT Outsourcing market changes and trends driving M&A activity, examines 114 recent M&A engagements, and leverages the Institute's database of 300 tracked captives to analyze drivers of M&A in ITO and forecast likely future acquirers and targets.

"The economic crisis will likely affect M&A activity as North-American focused suppliers look to diversify their revenues by expanding into new geographies," said [Ross Tisnovsky](#), Vice President, Everest Research Institute. "Cash-rich Indian companies experiencing slow growth will prompt M&A activity as will the exit of private equity firms seeking divestures from investments. We're also seeing some large multinational companies divest in captives or use them as revenue generators."

Key study insights include:

- ITO supplier acquisitions increased steadily over the past five years, and multinational companies signed the largest deals
- "Gap in services portfolios" and "industry-specific skills acquisition" were the most prevalent reasons for two-thirds of M&A deals signed over the past five years
- Most acquisitions are occurring in North America but gaining traction in Europe where ITO suppliers are purchasing larger firms compared to other geographies
- Average revenue multiple paid by offshore and MNC companies are similar, but MNCs show much larger range of values
- Sell-off activity is a likely eventual evolution for captives and also proves commercially as well as operationally beneficial to both parent and an acquiring supplier

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To read an extract of the [Plugging the Gaps – Mergers and Acquisition in IT Outsourcing](#), purchase the report, or inquire about other research services, please visit www.everestresearchinstitute.com, e-mail info@everestresearchinstitute.com or call +1-214-451-3110.

Other Institute studies providing additional insights into this topic:

- [ADM Partnerships – Moving Beyond Labor Arbitrage](#)
- [ITO Annual Report](#)

About Everest Research Institute

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