

NEWS RELEASE

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Everest Research Institute: Finance & Accounting Outsourcing Suppliers Must Innovate and Differentiate as Competition in the FAO Market Heats Up *Investments in Delivery Capability and M&A Activity on the Rise as FAO Suppliers Vie to Capture Market Share*

DALLAS, June 12, 2007 — To stave off competition in today's dynamic marketplace and capitalize on promising growth opportunities, Finance & Accounting Outsourcing (FAO) suppliers must differentiate themselves by investing in technology, focusing on vertical industries, and adapting business strategies to provide complex end-to-end Finance and Accounting (F&A) processes, according to a new, in-depth study from the Everest Research Institute. The multi-process FAO market has more than doubled since the beginning of 2005 and is now nearly a US \$2 billion market growing at over 25 percent annually.

"Several recent FAO market entrants have progressed quickly and signed large, lucrative contracts, enabling them to compete head-to-head with leading suppliers such as Accenture, ACS, Genpact, and IBM," said Katrina Menzigian, Vice President, Everest Research Institute. "The evolving supplier landscape is changing the market dynamics by utilizing a blended operating model that strategically incorporates global sourcing capabilities, delivery scale, specialized tools, and expertise. As a result, market share concentration is actually decreasing as more suppliers offer compelling and viable solutions to the market."

According to the study, *Finance & Accounting Outsourcing – Global FAO Supplier Landscape*, the rapidly growing FAO market is experiencing a leveling of the playing field with 20+ established third-party providers. While traditional market leaders continue to hold the majority of market share (43 percent of total annual contract value), their dominance is being challenged by several upcoming players.

Future FAO supplier growth will be driven by targeted solutions built upon differentiation such as:

- **Vertical industry focus** - The market is seeing an increase in vertical specialization to provide domain expertise and cater to industry-specific requirements. Continued focus in this area is vital to the market's growth opportunities.
- **Mid-market opportunities** - Fortune 100 companies won't be the only beneficiaries of FAO as the mid-market has emerged as a significant opportunity for both the upcoming suppliers and the global multi-tower BPO suppliers.
- **Investment in technology & tools** - As technology begins to play a crucial role in FAO solutions, Order-to-Cash (O2C), Procure-to-Pay (P2P), and analytics represent major areas of investment.
- **Strategic capabilities expansion** - Where higher volume transactional processes and lower labor costs led growth in the past, FAO customers are now turning to their adept suppliers to outsource complex F&A processes such as management reporting and

- analytics, regulatory compliance, budgeting/forecasting etc. The suppliers leveraging these new delivery capabilities will fuel market growth and enhance their market shares.
- **Global delivery footprints** - To cater to buyer needs and compete successfully, FAO suppliers must have a global presence. While nearly all suppliers have adopted offshore, more established players have a mix of onshore and offshore employees.

“Our analysis shows that market share is highly correlated with delivery capability. The last few years saw increased M&A activity from all leading FAO suppliers to build additional capabilities, and we expect this to continue,” said Saurabh Gupta, Research Director, Everest Research Institute and co-author of the report. “Acquisition targets include companies that offer services for core F&A processes as well as companies that offer the expertise and technology suppliers will need. A proactive strategy to build capabilities through both organic and inorganic investments is vital to succeed in today’s competitive FAO market.”

The study also provides additional insights and analyses, including:

- Detailed assessment of delivery capability of FAO suppliers along multi-dimensional criterion, including scope of services, technology maturity, and breadth of global delivery footprint
- Supplier market share by vertical industry and geography
- Everest Research Institute’s guidance for FAO buyers and suppliers

For additional information and an extract of the Global FAO Supplier Landscape study, please visit www.outsourcing-center.com. You may also call 214-451-3110 to schedule a personal briefing appointment.

About Everest Research Institute

Everest Research Institute (www.everestresearchinstitute.com) serves as a central source of independent and objective strategic intelligence, analysis, and actionable insight for leading corporations, service providers, and investors in the global outsourcing and offshoring marketplace. The Institute addresses both business process and information technology sourcing topics, providing the global outsourcing and offshoring community with information that empowers highly productive, sustainable sourcing strategies and relationships. The Institute’s distinguished Board of Advisors, senior executives and thought leaders oversee the Institute’s research agenda to ensure that it fully supports the business needs of corporations, service providers and investors.

Everest Research Institute members receive access to unparalleled analytical and advisory services, including access to Everest analysts, in-depth reports on major outsourcing and offshoring topics, white papers on market-shaping events, and webinars designed to provide insight and information about important market trends. The Institute’s wealth of knowledge and experience provides members with unique perspectives into today’s marketplace and the competitive edge required to take advantage of emerging opportunities.

Everest Research Institute is the research arm of the Everest Group (www.everestgrp.com), a global consulting firm that assists corporations in developing and implementing leading-edge sourcing strategies. Since 1991, Everest Group has served as the trusted business advisor for hundreds of IT and business process outsourcing transactions worldwide.

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