

06+07.AGO '15

# V/ANNUAL CONVENTION

**GUATEMALA CITY, GUATEMALA**

GLOBAL SERVICES: LATIN AMERICA  
IN THE RACE FOR TALENT

**AVASANT**

## MERGER AND ACQUISITIONS: WHAT TO EXPECT?

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# Merger and Acquisitions: What to expect?

## Latin American Services Exporters Association (ALES)



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Friday, August 14, 2015

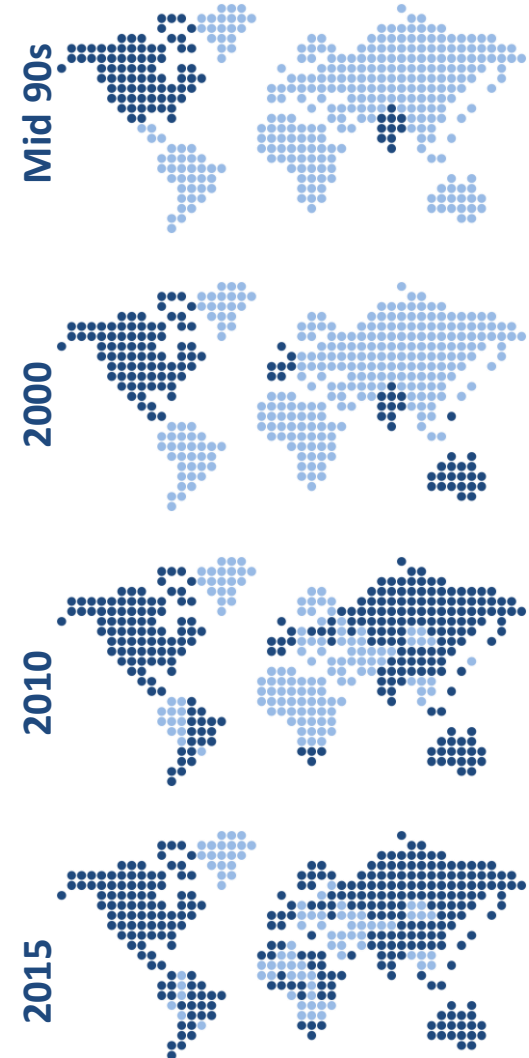
# Stage for Global Expansion

## Expansion Opportunities...Emerging Economies

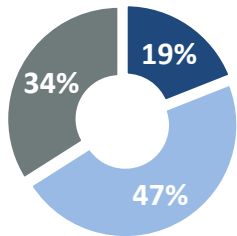
*Growth in global demand for services, escalating costs and search for new markets give rise to both organic & inorganic expansion of outsourcing across the globe...*



### Move to Emerging Destinations



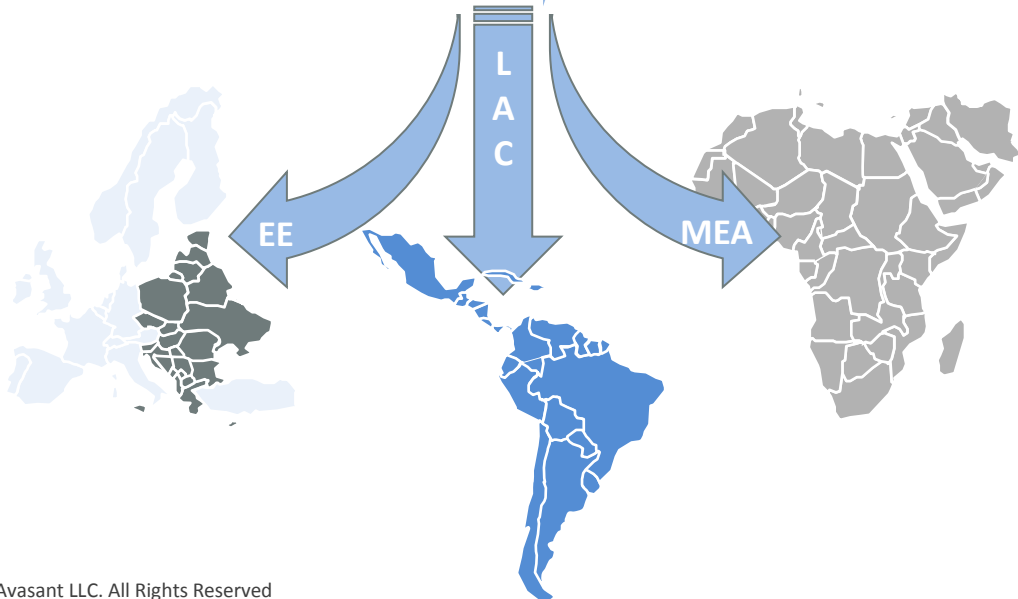
**Global IT-BPM Spend**  
**US\$885 billion (2014)**



**US\$130 Billion**  
*Global IT-BPM Services Sourcing*

**Offshored to Mid and Low Income Countries**

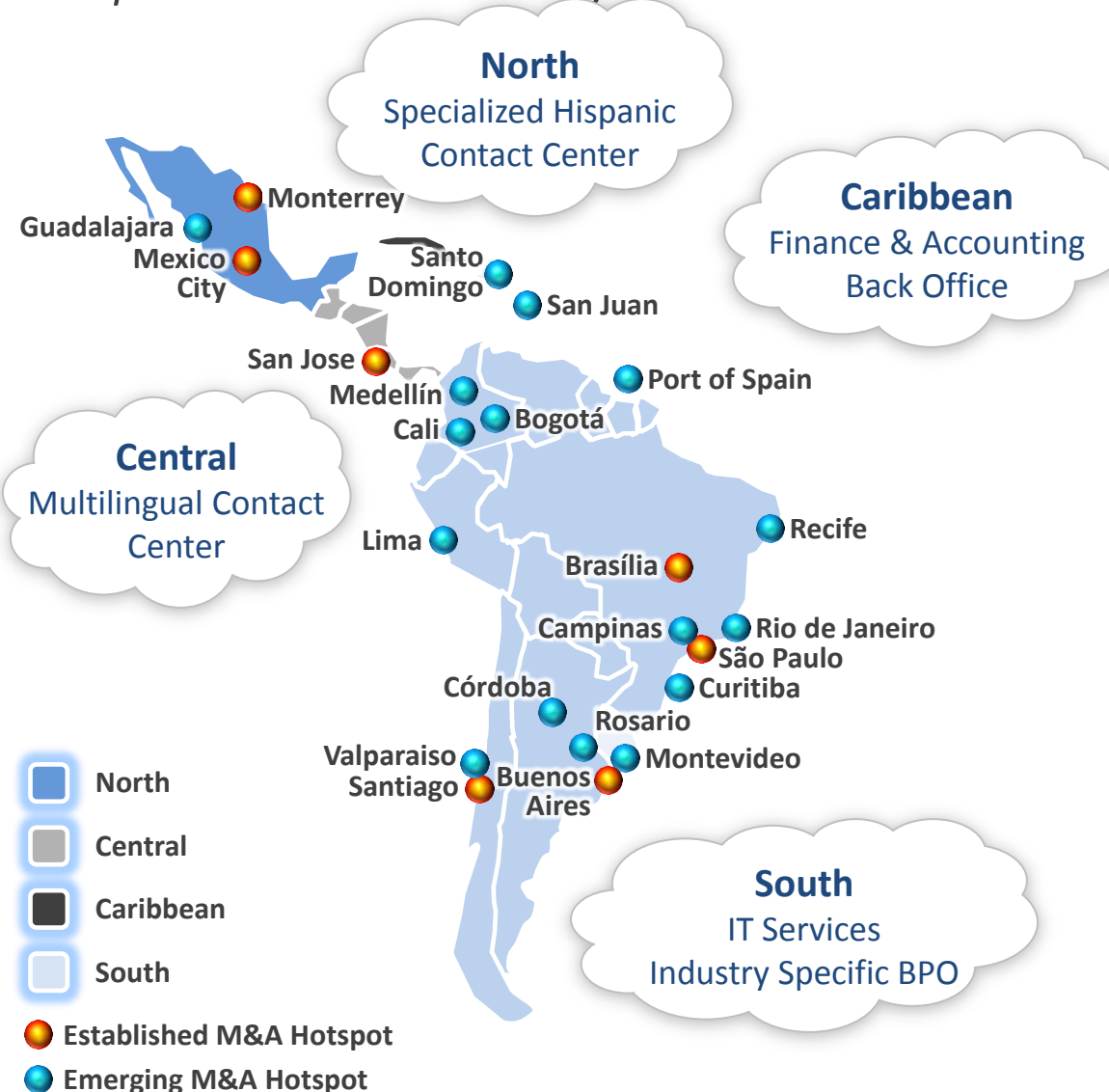
■ Asia Pacific ■ Americas ■ EMEA



# Latin America & Caribbean

## M&A Hotspots with Niche Capabilities

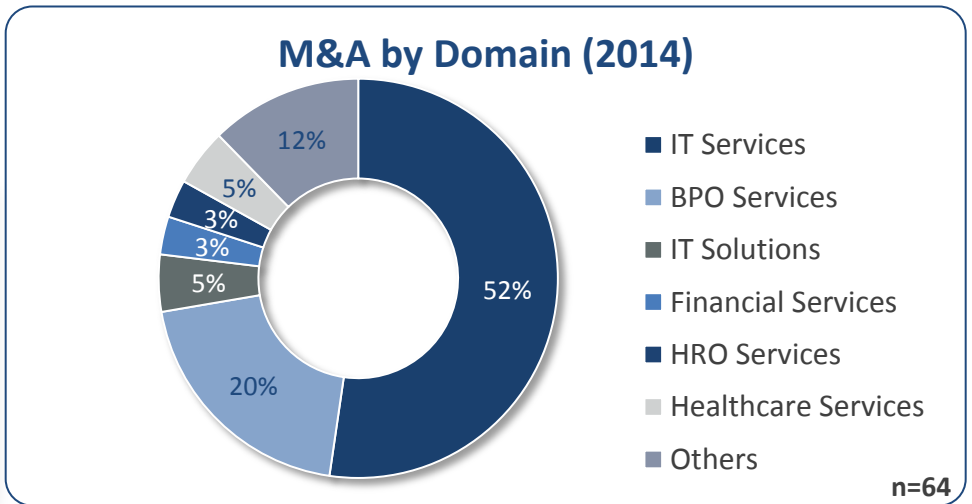
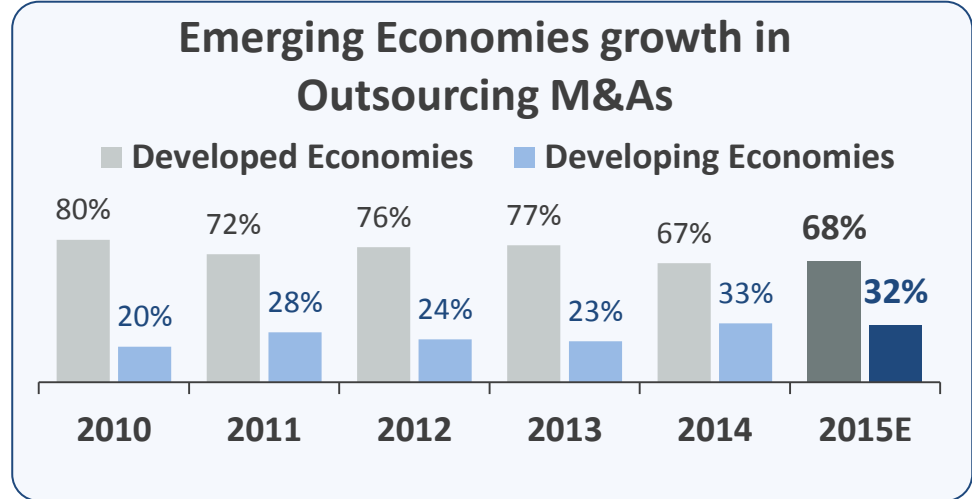
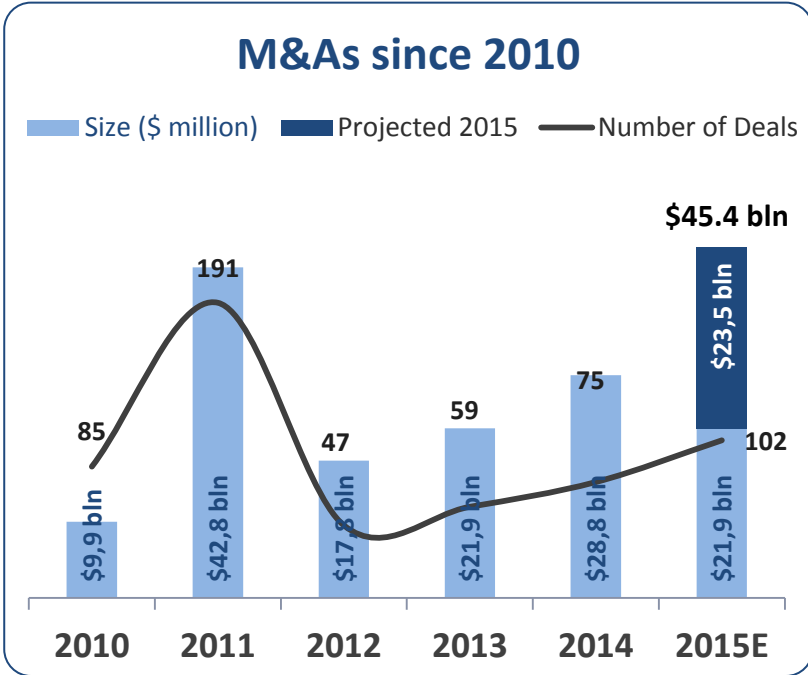
*LAC offers M&A opportunities in a wide range of niche capabilities across the region...*



- > **North:** Mexico is primarily known for its capabilities to provide nearshore multilingual customer service to United States
- > **Central:** Costa Rica and Guatemala are the prominent countries in the region with expertise in providing English contact center services
- > **Caribbean:** Smaller countries of the region like Barbados, Dominican Republic, Puerto Rico, Cuba, Trinidad & Tobago are centers ideal for small scale back office and Finance & Account operations
- > **South:** The larger countries like Brazil, Argentina, Colombia, Peru and Chile have the strength of scale and IT services combined with a number of vertical specific services

# Global IT/BPM M&A Trends

M&As has become a key lever to support growth strategy in outsourcing industry globally across Asia, Europe and Americas.



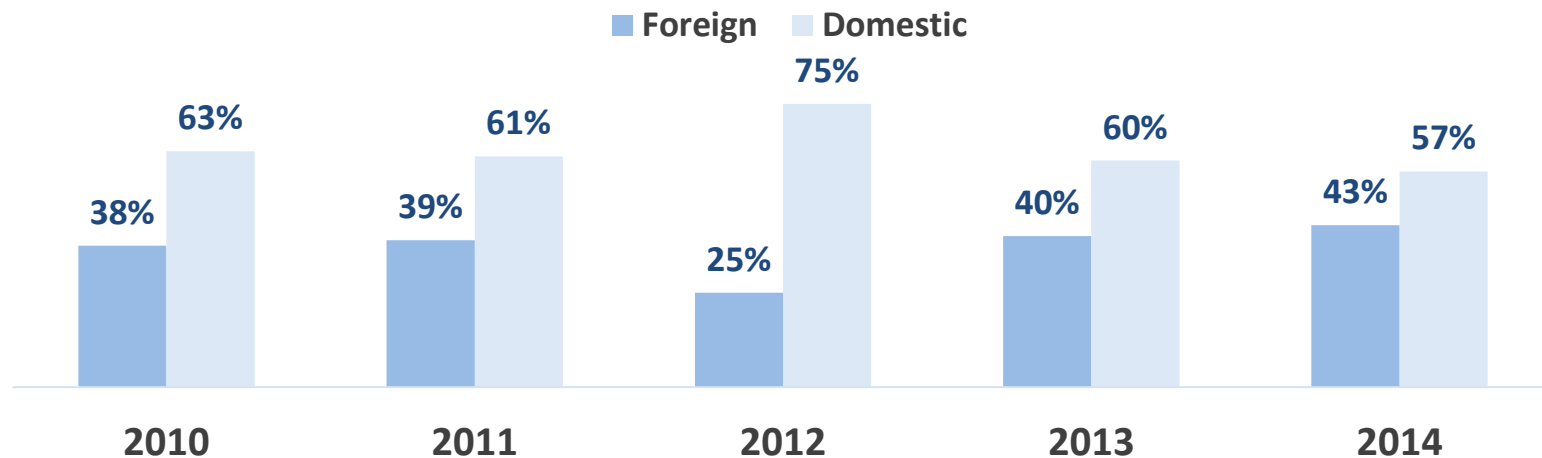
**Interpretation**

- > Strong outlook for 2015
- > Developing economies are increasingly in focus of investors for IT/BPM M&A deals (32% of all deals)

Source: Avasant Research 2015 (2015 YTD: Till end of June 2015)  
 NOTE: Deal size includes only for publically announced deal value; only IT/BPM deals  
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*Significant increase in M&As in the region indicate the overall attractiveness of the market for global investors and future opportunities in the region*

### M&As in Latin America by Origin of Buyers



#### Conclusion

- > Estimates suggest that only 9% of the global M&A deals are in the LAC region, which is a small percentage but has grown from around 7% in 2010; influenced by regulations and currency variation making the region attractive
- > Brazil is the primary market for M&A along with countries like Mexico, Argentina, Chile, Costa Rica, Jamaica, Guatemala, Colombia, El Salvador and Trinidad
- > Rising number of M&As driven by foreign investors indicates the improving credentials and value of Latin America & Caribbean region

# Latin America & Caribbean

## Success, Opportunities and Future Need...



*LAC is often seen by investors as offering a compelling value proposition as a region, one-stop-shop to address investor community is the need of the hour*

### Strength & Opportunity

#### *Stronger together as a Region*

- > **Regulations: PPP (Public Private Partnership)** laws regarding the formalization of procedures and clarification of rights of investors and sovereigns in connection with investments provides an attractive opportunity
- > **Strong M&E and Private Equity (PE)** market driven by regulatory reforms in multiple countries
- > **Devaluation of currency** in large countries like Brazil & Argentina has enabled improved labor arbitrage and attractiveness, **focused regional promotion** is the need of the hour

**Stronger Together as a Region**

### Roadmap to the Future

#### *Develop & Promote as a Region*

- > **Coopetition:** Countries in LAC region need to attract investments as a region and cooperate while they compete in order to leverage the complete value proposition the region offers
- > **Successful regional ventures** have shown significant growth & created significant M&A opportunities
- > **Developing talent pool** with private/non-profit organizations has enabled smaller countries like Costa Rica, Jamaica, Trinidad & Tobago take the next steps...moreover the region has pockets of niche talent which can be leveraged to maximize value to investors

**Develop Regional One-Stop-Shop**

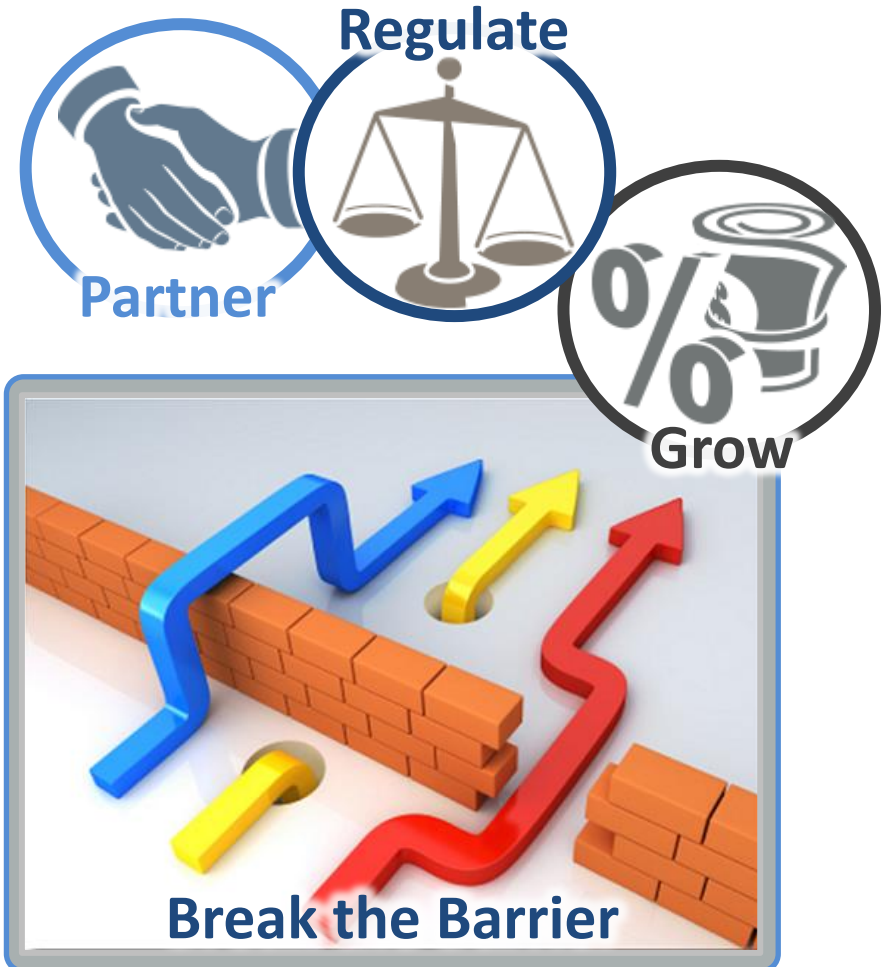
# Key thoughts to take away...

## Significant barriers to successful LAC presence

### Investors actively looking to enter LAC

Value proposition of LAC as a region is known and acknowledged in the global investor community, what is needed now is to reach out and realize the potential

- > Significant barriers to entry due to cultural, regulatory and market dynamics for foreign investors...leading to M&As and partnerships
- > Opportunity in the regional market remains small but promises high growth
- > Delivery capability in the region has become a default strategy for global corporations to address the multilingual market



**M&A**  
**LAC Region**

- > **Regional Consolidation**
- > **Limited outward M&A for expansion**
- > **International investors interested in delivery capability & local know-how**



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### Eye on the Future



Latin America & Caribbean is still largely **labor intensive**



New trends in **automation/robotics** will be a game changer and impact the region earlier than other emerging economies



Make it an **opportunity**... collaborate as a region - key to success is to mitigate labor regulations which hurt region as a whole



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