

## CASE STUDY

# PeopleSupport: Buckle Your Seatbelts



Company:	<b>PeopleSupport Inc.</b>
Industry:	Outsourcing/Offshoring
Incorporated:	1998
Sales (2006):	\$140.6 million
Of note:	PeopleSupport pioneered the concept of "Live Chat" support for online consumers via chat and email
Matters and Advisements:	Formation, corporate, financing, IPO, executive compensation, tax



PeopleSupport's success story is one of booms and busts and well-timed shifts in strategy. The company started out as an outsourced call center to first-generation internet ventures. Pillsbury worked with the high-growth startup through formation and two rounds of venture financing before its customer base began to suffer the effects of the post-boom contraction. Struggling to stay afloat, the company's management recognized three factors that would allow them to not just weather the bust, but emerge a stronger company: the commercialization of IP telephony; excess undersea fiber optic capacity; and the labor cost arbitrage between high-turnover U.S. call center workers and low-turnover, better-educated overseas workers. And indeed by shifting call center operations to the Philippines and adopting IP telephony, the company entered a new period of growth that culminated in a successful IPO in 2004.

But PeopleSupport soon faced more turbulence. Philippine IT and communications rival IP Ventures made an unsolicited takeover bid at about the same time as a 20% shareholder threatened a proxy contest. PeopleSupport called on Pillsbury for its experience with activist investors and hostile takeovers. With Pillsbury's help, the company quickly reached a favorable settlement with the 20% shareholder, hired investment bankers, and secured an attractive cash offer from Aegis, a subsidiary of India-based Essar Group. Aegis's \$250 million cash deal was approved by the PeopleSupport Board and shareholders, closing the book on the story of an outsourcing industry pioneer.