

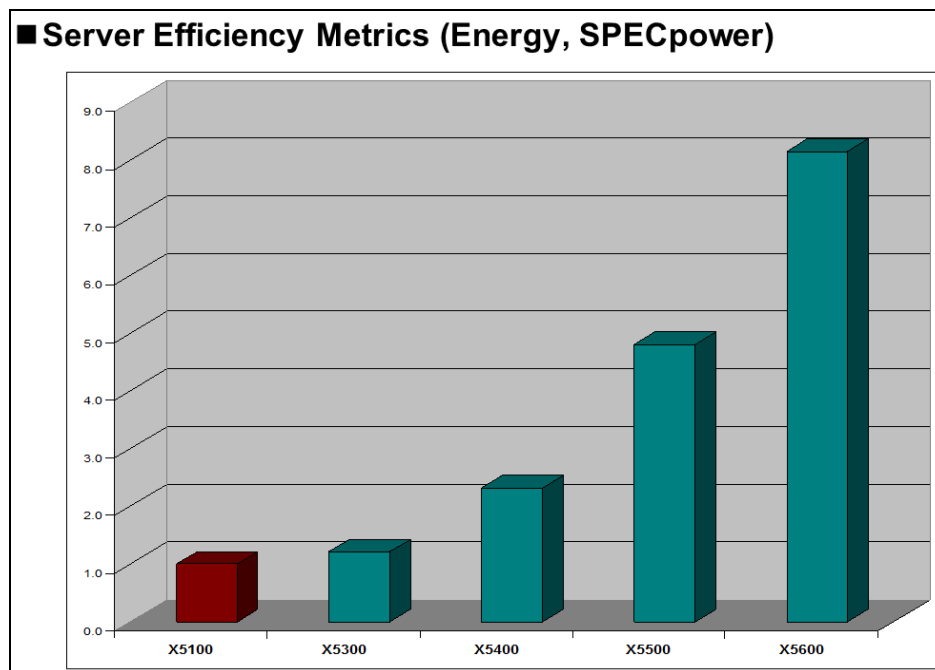


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Thanks for the opportunity to suggest ways in which Macquarie could support XYZ in its partnership with ABC Solutions regarding business strategy and operations. I have closely read the relevant public documents (SEC filings, press releases, and the most recent Annual Report) and noticed several areas in which our global and financial offerings might be a timely tool for them:

- ❑ **Strategic use of cash:** XYZ has a deep commitment to *disciplined capital allocation*. This essentially means using capital (cash, debt, and credit) strategically and prudently. Since most of its growth is funded from Free Cash Flow, it is essential that cash be used in the best possible manner. According to the filings, there will be increased/incremental drains on the cash flow from interest expense (an extra 12M from the newly issued notes--representing 1.3% of FCF), R&D (incremental 16.5M), and CAPEX (incremental 53M). While much of this will be offset by organic growth in Free Cash Flow, XYZ may still need to exercise its non-CAPEX resources (such as leasing) to keep the cash flow available for its aggressive M&A strategy. XYZ has stated that it must successfully execute on its Acquisition strategy (to achieve its public targets), and leasing can be used to help improvements in IT equipment have a minimal impact on strategic cash.
- ❑ **Cost management in the context of asset turnover:** Accumulated Depreciation was a little over two-thirds of PPE at the end of 2010, suggesting that some assets are going to need refreshing soon. To the extent that those older assets include IT equipment, this represents an opportunity for XYZ to further improve its IT Asset Management (ITAM) processes, during the refresh. ITAM uses a life cycle and TCO (Total Cost of Ownership) framework in which to reduce costs and increase capacity. Leasing--as a management process--is a popular tool for achieving these benefits through planned, managed, and recurring refresh cycles. And, in reference to the strategic use of capital approach, leasing--as a financial tool--can often result in a negative implicit borrowing rate (compared to traditional financing structures).
- ❑ **Global expansion support:** XYZ will be expanding more and more into its international markets (almost half the revenue already derives from there), so they undoubtedly see the need to achieve/maintain some centralization of function here. Macquarie is arguably the only multi-vendor global IT lessor, and our global strength, legal expertise, and in-country capabilities could be of significant benefit to XYZ. The financing aspect is already mentioned above, but the asset management focus of Macquarie would help maintain --via refresh tactics--a lean, optimized price-performance profile for many classes of IT assets (especially distributed assets). Additionally, the in-country capabilities of the larger Macquarie organization may give XYZ additional flexibility in using its off-shore cash without significant impact on its US tax liabilities.

- ❑ **Contribution to the Energy Efficiency focus:** XYZ is committed to "...increasing their focus on efficient energy usage, greenhouse gas reduction and waste management." One very concrete way to contribute to this is to refresh Intel/AMD-based servers and high-end workstations on a fast refresh. At the present time, each generation of chips (roughly 12-14 months apart) doubles the performance per watt [see below chart]. This means (roughly) that a refresh of servers at 24-30 months would reduce utility costs for those servers by 75%. And we do not expect a significant slowdown in these gains over the next decade. So, a simple periodic refresh of the server plant would make a solid contribution to XYZ's energy efficiency goals. [This type of refresh, of course, typically requires a lean financing vehicle--such as leasing--but such a faster refresh can also reduce overall equipment costs due to the nature of secondary markets.] When used in an architecture carefully designed by ABC Solutions to facilitate auto-provisioning, this can be a significant contribution by the IT and Sourcing organizations.



- ❑ **Flexibility:** In an enterprise context, IT leasing is one of the best tools to facilitate technology innovation and flexibility. With the streamlined administrative processes that are required for enterprise-scale relationships, only leasing can allow easy mix-and-match, rapid-refresh, and economical footprint replacement. When used in conjunction with a savvy technology partner such as ABC Solutions, it provides the financial flexibility required for technological flexibility--a key in staying competitive in today's global markets.

Overall, I think there are a number of promising opportunities for XYZ to exploit Macquarie's strengths, and I think the financial data suggests that now is a good time to start leveraging IT financing. I am confident that you will be able to help them and ABC Solutions evaluate and prioritize each of these for our mutual business benefit. Let me know how I can support you further, in supporting them--Glenn (May 2011)