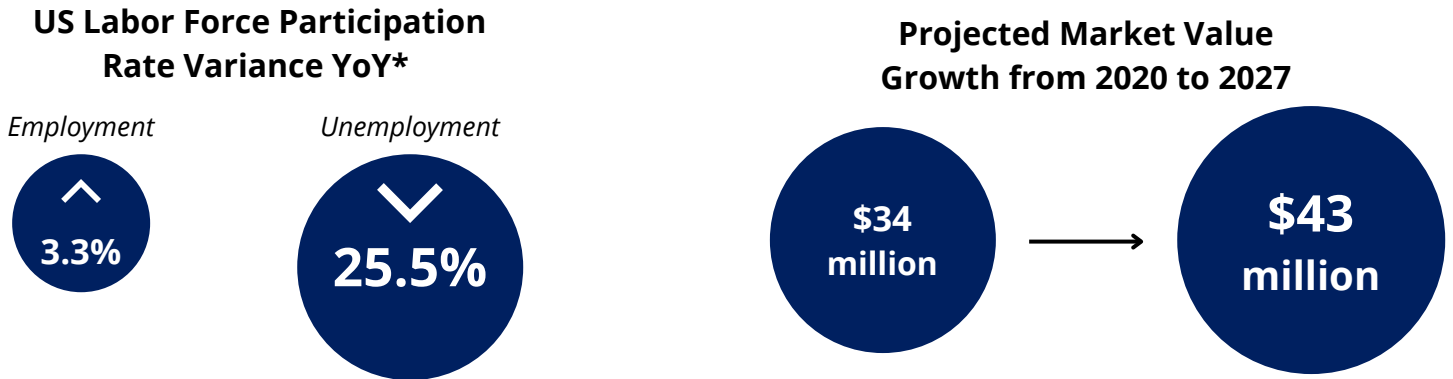


BPO & Contact Centers

Industry Activity Into Q3 2022

BPO firms have rebounded meaningfully through Q2 2022 from an aggregate decline of about 5% in revenue during the COVID period. Projected market value is expected to reach \$43 million between the end of 2022 and 2027. With a CAGR of 3.4%, the BPO market will make headwinds following its 2020 market value of about \$34 million ([Bloomberg](#)).

Industry trends continuing to influence the BPO market growth incorporate (a) work from home employment, (b) decreased fixed costs, (c) a reduction in excessive office space expenditures and (d) increased speed and efficiency through advanced technology.



Call Center Activity Post-Pandemic

Call centers have increasingly rolled-out technological advancements including voice-recognition, AI-structured software and cloud-based systems to drive efficiency on a broad scale. In a post-pandemic economy, operators have turned to advanced remote-work operations for employees given the development of industry mechanisms. BPO technology has become less costly and more widely accessible for industry operators, eroding barriers to entry and leading to a fragmented landscape for various startups to enter the market.

The surge in new entrants has contributed to overall cost reductions as more workers have joined the industry. As a result, industry profit remained stable over the past five years despite setbacks incurred during the pandemic ([IBISWorld](#)).

Over the next five years, industry revenue is expected to increase at an annualized rate of 3.1% for total of \$31.8 billion. Downstream effects will enable corporate clients to increase their use of telemarketing services, potentially expanding the outsourcing capabilities of call centers.

BPO & CONTACT CENTERS | M&A ACTIVITY INTO Q3 2022

Economic Impact into the Future

A recent survey from the National Federation of Independent Businesses (NFIB), asked business owner participants if profitability during the last calendar quarter was higher or lower and what the most important factor was influencing the deviation. Additionally, the survey assessed business performance expectations over the next three months based on planned selling price changes of goods or services (NFIB).

According to the NFIB's September 2022 Report, the nonprofit's Small Business Optimism Index dropped 3.6 points in June to 89.5. This marks the sixth consecutive month below the 48-year average of 98.

Curbing Tailwind Trends

Business Process Outsourcing

BPO revenue is projected to continue its upward climb, growing at an annualized rate of 2.4% to \$61.6 billion over the next five years.

Compliance with healthcare industry regulations has generated the most substantial revenue, notably, the Patient Protection and Affordable Care Act (PPACA).

Continued expansion of healthcare coverage for Americans will continue to involve significant work influxes and consequently enable demand growth for BPO services catering to private health insurance companies and customers.

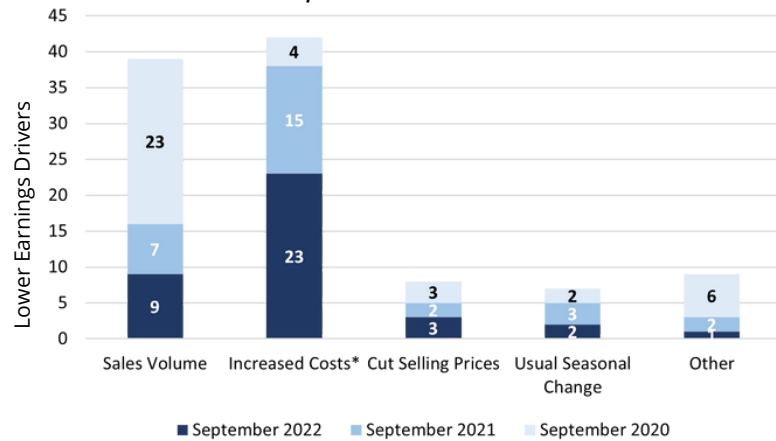
Robot Process Automation (RPA) software implementation and execution will continue to drive existing enterprise applications. These software (robot) systems can complete routine tasks and operations previously done by humans with interest in these applications stemming from accounting, finance, and paralegal fields.

Call Centers

As the economy grows, demand for outsourced industry services is likely to increase. Trends in internet usage also influence demand for outsourced services. For example, the adoption of online shopping has driven increased demand for customer service support. With e-commerce constituting a larger percentage of retail sales, downstream customer service demand cannot be supported by customers' in-house resources alone. However, customers now expect most services to be available when needed, often beyond standard business hours. Companies will need to expand capacity for customer service representatives to handle 24-hour services and call volumes.

Profitability Tailwinds

September 2022

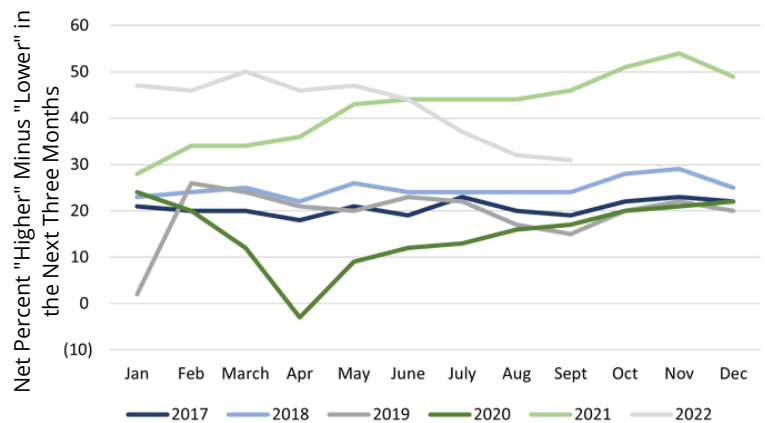


Source: NFIB

*Increased costs include labor, materials, finance, taxes and regulatory costs









Planned Selling Price Changes

Seasonally Adjusted



Source: NFIB

BPO & CONTACT CENTERS | M&A ACTIVITY INTO Q3 2022

Transaction	Target Description	Transaction Rationale
 <p>Acquired by</p> 	<p>Provider of call center outsourcing services intended for banks and credit unions. The company provides contact center services and debit card fraud support, thereby enabling clients to enhance services to their members, increase loan volume and reduce operating expenses.</p>	<p>SWBC aims to provide customer service- overflow call volume transferred from a financial institution, loan-by-phone (LBP) support and fraud prevention and also entering the servicing market, which in turn, helps its current client base.</p>
 <p>Acquired by</p> 	<p>Provider of BPO outsourcing services intended to serve e-commerce, retail, medical and cultural verticals. The company offers administrative services, data entry, SEO texts, personal assistant, customer service and information enrichment, thereby helping businesses in cost saving by outsourcing their operations.</p>	<p>This acquisition aligns with Majorel's stated growth strategy of further geographic expansion, especially in countries that strengthen the Company's near- and off-shore leverage.</p>
 <p>Acquired by</p> 	<p>The company focuses on offering varied back-office support services including finance and accounting, payroll processing, customer experience management, campaign management site design and development and related digital solutions, allowing client enterprises to quickly avail necessary skills and scale needed to meet business challenges.</p>	<p>The acquisition is expected to allow eClerx to leverage synergies in Digital and Customer Experience services, client relationships and business expansion.</p>
 <p>Acquired by</p> 	<p>Provider of debt servicing and business outsourcing services intended to serve pan-regional banks, credit institutions, national resolution funds, state-owned lenders and smaller private banks. The company offers a wide range of services including customer-centric debt-management, bank optimization, portfolio analytics, and credit due diligence as well as asset valuation and deal structuring.</p>	<p>The acquisition will strengthen DDM Debt's equity business to accelerate into a pan-European investment company around NPLs, servicing, consumer finance and fintech.</p>

Source: Pitchbook

BPO & CONTACT CENTERS | M&A ACTIVITY INTO Q3 2022

Public Company Trading Data

Business Process Outsourcing

Company Name	Market Data*				LTM**			EV/LTM**	
	Price 7/28/2022	%52 Wk High	Market Cap (\$M)	Enterprise Value (\$M)	Revenue (\$M)	EBITDA (\$M)	Margin (%)	Revenue x	EBITDA x
Ceridian HCM (NYS: CDAY)	\$54.00	41%	\$7,823.05	\$8,734.55	\$1,083.00	\$175.40	16%	8x	50x
ExlService Holdings (NAS: EXLS)	\$148.54	95%	\$4,875.76	\$4,987.38	\$1,190.09	\$289.46	24%	4x	17x
TaskUS (NAS: TASK)	\$19.28	23%	\$1,821.20	\$4,058.10	\$847.51	\$218.65	26%	5x	19x
Conduent (NAS: CNDT)	\$4.58	61%	\$956.91	\$2,072.91	\$4,079.00	\$480.00	12%	1x	4x
Ibex (NAS: IBEX)	\$18.83	100%	\$338.73	\$415.22	\$478.74	\$56.67	12%	1x	7x
StarTek (NYS: SRT)	\$3.06	42%	\$121.69	\$371.60	\$707.88	\$71.02	10%	1x	5x
DLH Holdings (NAS: DLHC)	\$16.27	76%	\$206.54	\$261.62	\$388.24	\$38.72	10%	1x	7x
TTEC Holdings (NAS: TTEC)	\$71.34	63%	\$3,355.52	\$4,188.39	\$2,322.57	\$344.01	15%	2x	12x

*Market data as of 7/28/2022

**LTM data as of Q2 2022

Mean	16%	3x	15x
Median	13%	1x	10x
Harmonic	14%	1x	9x
Maximum	26%	8x	50x
Minimum	10%	1x	4x

Contact Centers

Company Name	Market Data*				LTM**			EV/LTM**	
	Price 7/28/2022	%52 Wk High	Market Cap (\$M)	Enterprise Value (\$M)	Revenue (\$M)	EBITDA (\$M)	Margin (%)	Revenue x	EBITDA x
Avaya (NYS: AVYA)	\$2.20	9%	\$177.68	\$2,942.68	\$2,921.00	\$624.00	21%	1x	5x
RingCentral (NYS: RNG)	\$53.00	17%	\$4,860.70	\$6,440.46	\$1,710.05	\$289.75	17%	4x	22x
8x8 (NYS: EGHT)	\$5.34	20%	\$587.29	\$988.69	\$638.13	\$71.71	11%	2x	14x
Consolidated CH (NAS: CNSL)	\$6.62	68%	\$759.30	\$3,034.05	\$1,257.75	\$512.60	41%	2x	6x

*Market data as of 7/28/2022

**LTM data as of Q2 2022

Mean	23%	2x	12x
Median	19%	2x	10x
Harmonic	18%	2x	8x
Maximum	41%	4x	22x
Minimum	11%	1x	5x

Private Equity Multiples: Business Support Services

\$ in millions (2012 - Present) TEV = Total Enterprise Value

TEV Range	TEV \$	Revenues \$	TTM Rev Growth %	EBITDA Margin %	TEV/Revs	TEV / EBITDA	N
\$10 - \$25	\$17	23.1	14%	22%	1.2x	5.7x	27
\$25 - \$50	\$35	21.7	25%	29%	2.2x	7.5x	19
\$50 - \$100	\$77	75.4	11%	21%	1.6x	7.1x	9
\$100 - \$250	\$131	66.0	12%	30%	2.6x	8.3x	4
Total	\$39	33.5	17%	25%	1.7x	6.7x	59

Source - GF Data ©

Private Equity Multiples: Telemarketing Bureaus & Other Contact

\$ in millions Centers (2012 - Present) TEV = Total Enterprise Value

TEV Range	TEV \$	Revenues \$	TTM Rev Growth %	EBITDA Margin %	TEV/Revs	TEV / EBITDA	N
\$10 - \$100	\$40	\$44	21%	25%	1.8x	6.5x	5
Total	\$40	\$44	21%	25%	1.8x	6.5x	5

Source - GF Data ©

BPO & CONTACT CENTERS | M&A ACTIVITY INTO Q3 2022

Select M&A Transactions

Date	Target	Target Description	Acquirer	Deal Value (\$ in millions)
7/20/22	Alphapage	Provider of strategic and inbound call management for medical and dental industries	ECI Partners, Money Penny	N/A
7/20/22	ICON Communications Centres	Operator of contact outsourcing intended to facilitate communication between industries	Yoummday	N/A
7/13/22	AnyHour Solutions	Provider of call center outsourcing service for banks and credit institutions	SWBC Mortgage Corporation	N/A
7/6/22	AxFina	Provider of debt servicing and business process outsourcing services for credit institutions	DDM Holdings	\$29
6/3/22	HudsonMann	Provider of consulting, training and outsourcing services for the human resources sector	Five Points Capital, LNC Partners, OutSolve	N/A
6/2/22	Alembo	Provider of BPO services intended for e-commerce, retail and medical sectors	Majorel (AMS: MAJ)	N/A
5/18/22	Groupe Outsourcia	Provides customer service management, back-office and digital support outsourcing	SPE Capital	\$32
5/9/22	ServiceSolutions International	Provider of customer and revenue lifecycle management	Concentric (NAS: CNCX)	\$131
2/19/22	IGT Solutions	Provider of outsourced business process management to simplify customer interactions	Baring Private Equity Asia	\$800
3/9/21	Dynamicall	Provider of contact center outsourcing in Latin America	Group Bruxelles Lambert (BRU: GBLB)	\$22
12/27/20	MGAR Group	Provider of professional HR, billing, training and other BPO services for municipal institutions	Fortissimo Capital	\$73
12/23/20	Personiv	BPO service provider in customer experience management, payroll, finance and accounting	eClerx Services	\$34
12/22/20	KM2	Provider of BPO services through bilingual management, customer care and back-office support	H.I.G. Capital	N/A
12/11/19	ADM Value	Provider of outsourcing and customer relation services including call center support	Tessi	\$122
10/23/19	Relatecare	Provider of communication management, consultancy and call center outsourcing for the healthcare sector	MML Capital Partners	\$13
6/3/19	Alacrity Solutions	Provider of outsourced insurance claims management for municipal institutions	Kohlberg & Company	\$700
2/21/19	GSS Group	Provider of outsourced CRM services both off shore and near shore	Aksia Group, Covisian, Keyhaven	\$84

Source: Pitchbook

BPO & CONTACT CENTERS | M&A ACTIVITY INTO Q3 2022

FIRM OVERVIEW:

Carleton McKenna & Co is an independent investment banking firm providing M&A and Capital Raising advisory services. We work with middle-market closely-held family businesses, multi-generational family businesses, portfolio companies of financial sponsor firms and divisions or subsidiaries of public companies focusing in Specialty Manufacturing & Industrials, Consumer Products, SaaS, Healthcare and B2B Services.

Our Team is made up of finance and accounting experts, entrepreneurs and operators, C-Suite and Board professionals, lawyers, consultants and marketing professionals. These diverse experiences and skills drive extraordinary results for our clients.

We believe businesses are the economic engine of our society, and that business owners deserve and require a proactive advocate to maximize life changing transactions.

Interested in Learning More?

Contact Emily for additional information or any questions you may have about this report or CM&Co's services.



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