

## BPO & Contact Centers Industry Activity Into Q2 2023

BPO firms have been riding the coattails of the healthcare economy in part due to the rising number of seniors needing greater medical assistance and support. Many healthcare businesses elected to outsource operating costs associated with patient care, allowing the BPO market to continue growing at a CAGR of 1.9% to \$72.1 billion.<sup>1</sup>

Industry trends continuing to influence BPO market growth include (i) rising wage costs cutting industry profits for BPOs and BPO clients, (ii) reliance on non-core, IT-related business solutions, and (iii) increased compliance restraints and guidelines for more technologically advanced clients.

### US Labor Force Participation Rate Variance YoY\*2

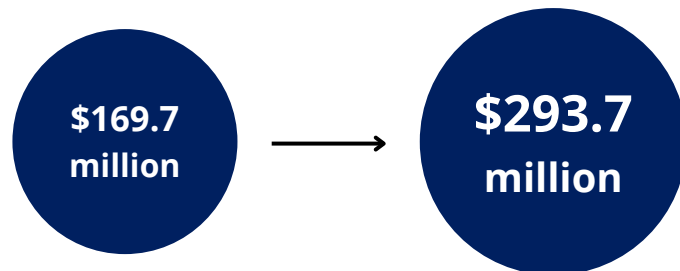
Employment



Unemployment



### Projected BPO Market Value Growth from 2021 to 2029<sup>3</sup>



### Call Center Activity Amid Economic Variance

Given the high volumes of technological growth expanding across the BPO and Call Center markets, economic uncertainty is the leading factor for profit and revenue instability. To remain ahead of the declining market, BPOs should look to increase client recruitment within prosperous industries as forecasted recurring revenue could generate greater corporate profit and mitigate the widening gap between operating costs and revenue.

Similarly, demand from booming industries will remain a key external driving factor in supporting the growth and expansion of BPOs and contact centers. Finance, banking and insurance companies constitute the most significant demand for BPO services<sup>1</sup>. Companies in these industries are responsible for large amounts of sensitive client, and proprietary data, so prospective BPO clients are choosing to outsource time consuming and data driven tasks to BPOs with greater technological integrations, therefore supporting BPO industry revenue. However, compliance and confidential information restraints will hinder BPOs that have yet to onboard greater internal IT-related security. Companies operating in the Professional, Scientific and Technical Services sectors will also continue to source labor and other administrative functions in ways that will continue to benefit the BPO industry. Should BPOs not serve clients within these growing sectors, the overall market decline is forecasted to pose a threat to the health of those BPOs operating on narrower margins.

\*As of April 2023

Source: (1) IBISWorld, (2) US Bureau of Labor Statistics, (3) Globe Newswire

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## 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 April 2023 Report, the Small Business Optimism Index still sits below the average at 89.5. As of May 2023, this is the sixteenth consecutive month where the index sits below the 98.0 average.

## Curbing Tailwind Trends

### Business Process Outsourcing

Rising wage costs have mitigated the slow growth brought on by the pandemic in 2020. Though the rebound toward industry prosperity has been slow, the associated cost savings for potential BPO clients has led to a surge in industry activity.

According to the Bureau of Labor Statistics, benefits, including health benefits, accounts for an estimated 29.2% of employer costs.<sup>2</sup>

Cost savings and health benefits are the primary benefits of using BPO services and therefore, are appetizing to smaller businesses that can't sustain inflation-led wages in the long-term. However, the inflationary wage hikes haven't benefitted BPO companies in the interim. Many businesses have dealt with a cut to profits in recent years. Lower corporate profit has hindered the growth of BPO companies since clients are less willing to agree to large contracts for extended periods.<sup>1</sup> In conjunction with higher wages, increased interest rates across the economy will test the cost inefficiencies and processes not only internal to BPO clients, but BPOs themselves.

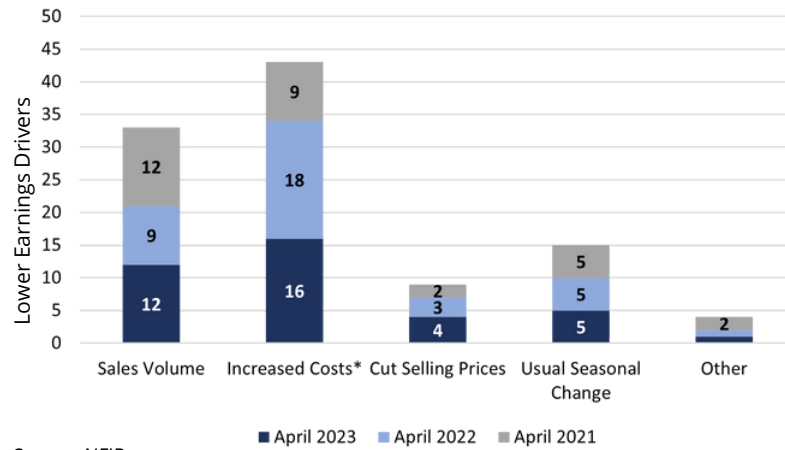
### Call Centers

The future of call centers is heavily reliant on the industry's adoption of IT-integrated solutions as a one-stop shop to meet client needs. A threat looming over the Call Center industry is global call centers with the capability to adopt IT solutions at a quicker, more cost efficient pace than local or regional players.<sup>1</sup> While artificial intelligence and automated systems aren't perfect yet, it is important to note that developments in technology will not only reduce costs, but continually attract clients.

Source: (1) IBISWorld, (2) US Bureau of Labor Statistics

## Profitability Tailwinds

April 2023

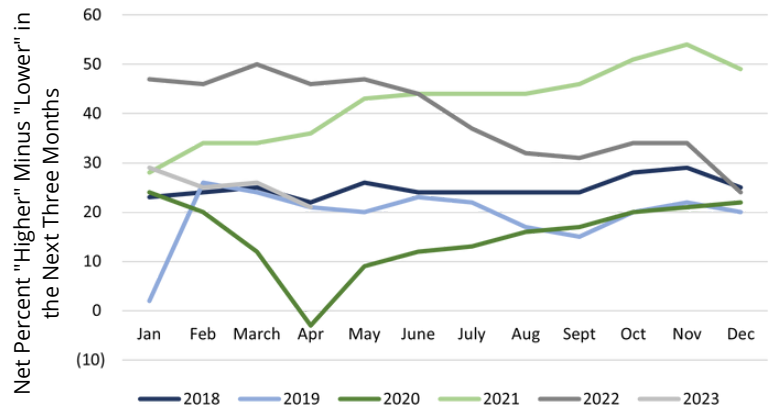


Source: NFIB

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

## Planned Selling Price Changes

Seasonally Adjusted



Source: NFIB

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Transaction	Target Description	Transaction Description
 <p>Acquired by</p> 	<p>Provider of outsourced legal and compliance services intended for legal and financial firms across the United States. The company offers a range of services including uniform commercial code search and filing resources, corporate filings, annual report management, corporate entity manager and corporate document preparation, thereby ensuring its clients with developed procedures that help in important legal service of process and state notices securely.</p>	<p>The company was acquired by Clearview Capital and its management through an LBO on April 14, 2023 for an undisclosed amount. As a part of the transaction, the company was recapitalized.</p>
 <p>Acquired by</p> 	<p>Provider of business process outsourcing (BPO) intended for technology, education, retail, e-commerce, media, entertainment and other industries. The company offers services including contact centers, business and knowledge process outsourcing, data analytics and innovation and strategy services, enabling clients to improve process efficiencies and business performance as well as bring cost savings.</p>	<p>The company was acquired by Bill Gosling Outsourcing, via its financial sponsor Owner Resource Group, through an LBO on March 31, 2023 for an undisclosed amount.</p>
 <p>Acquired by</p> 	<p>Provider of call center outsourcing services based in Omaha, Nebraska. The company's services include answering, appointment setting, live chats and emails as well as digital experience platforms, research, survey management, lead generation and direct sales.</p>	<p>The company was acquired by MAI Fulfillment for an undisclosed amount on February 28, 2023. The addition enables MAI Voice to enhance its technology offerings in the contact center space and help serve additional industry segments with increased expertise and capacity.</p>
 <p>Acquired by</p> 	<p>Provider of Business Process Outsourcing and contact center services intended to provide security to its clients. The company offers services such as sales, call center, contact center, and logistics thereby serving to telecommunications, banking, insurance, tele sales, and health sectors.</p>	<p>The company was acquired by ABAI Group for an undisclosed amount on February 16, 2023. The acquisition helps ABAI Group to consolidate an operation focused on serving its clients in Spain and the United States.</p>

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## Public Company Trading Data

### Business Process Outsourcing

Company Name	Market Data*				LTM**			EV/LTM**	
	Price 5/15/2023	%52 Wk High	Market Cap (\$M)	Enterprise Value (\$M)	Revenue (\$M)	EBITDA (\$M)	Margin (%)	Revenue x	EBITDA x
Ceridian HCM (NYS: CDAY)	\$59.70	75%	\$9,211.00	\$9,893.81	\$1,323.50	\$298.40	23%	7x	33x
ExlService Holdings (NAS: EXLS)	\$153.71	80%	\$5,127.00	\$5,128.42	\$1,483.48	\$315.04	21%	3x	16x
TaskUS (NAS: TASK)	\$11.45	43%	\$1,068.00	\$1,299.59	\$956.12	\$224.30	23%	1x	6x
Conduent (NAS: CNDT)	\$2.91	52%	\$701.28	\$1,777.49	\$3,813.00	\$377.00	10%	0x	5x
Ibex (NAS: IBEX)***	\$18.71	60%	\$345.72	\$402.81	\$478.74	\$56.67	12%	1x	7x
StarTek (NYS: SRT)	\$3.19	70%	\$128.92	\$380.86	\$520.08	\$80.83	16%	1x	5x
DLH Holdings (NAS: DLHC)	\$10.05	54%	\$137.56	\$356.18	\$305.83	\$33.84	11%	1x	11x
TTEC Holdings (NAS: TTEC)	\$33.13	43%	\$1,540.00	\$2,498.36	\$2,488.27	\$323.98	13%	1x	8x

\*Market data as of 5/16/2023

\*\*LTM data as of Q1 2023

\*\*\* LTM data as of Q4 2022

Mean	16%	2x	11x
Median	14%	1x	7x
Harmonic	15%	1x	8x
Maximum	23%	7x	33x
Minimum	10%	x	5x

### Contact Centers

Company Name	Market Data*				LTM**			EV/LTM**	
	Price 5/15/2023	%52 Wk High	Market Cap (\$M)	Enterprise Value (\$M)	Revenue (\$M)	EBITDA (\$M)	Margin (%)	Revenue x	EBITDA x
Five9 (NYS: FIVN)	\$54.36	45%	\$4,044.00	\$4,050.00	\$8,145.10	\$151.11	2%	0x	27x
RingCentral (NYS: RNG)	\$28.40	9%	\$2,837.00	\$4,497.14	\$2,054.36	\$321.67	16%	2x	14x
8x8 (NYS: EGHT)	\$3.26	40%	\$370.43	\$811.28	\$743.94	\$80.10	11%	1x	10x
Consolidated CH (NAS: CNSL)	\$3.67	43%	\$442.57	\$2,610.05	\$1,167.11	\$346.62	30%	2x	8x

\*Market data as of 5/16/2023

\*\*LTM data as of Q1 2023

Mean	14%	2x	15x
Median	13%	2x	12x
Harmonic	5%	1x	12x
Maximum	30%	2x	27x
Minimum	2%	x	8x

## 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	\$ 16.5	\$ 23.2	13.3%	21.1%	1.2x	5.7x	28
\$25 - \$50	\$ 34.7	\$ 21.7	25.3%	29.2%	2.2x	7.5x	19
\$50 - \$100	\$ 76.8	\$ 75.4	10.7%	21.3%	1.6x	7.1x	9
\$100 - \$250	\$ 130.9	\$ 66.0	11.5%	29.9%	2.6x	8.3x	4
Total	\$ 38.9	\$ 33.4	16.6%	24.3%	1.7x	6.7x	60

Source - GF Data ®

## Private Equity Multiples: Telemarketing Bureaus & Other Contact Centers

\$ in millions

(2012 - Present)

TEV = Total Enterprise Value

TEV Range	TEV \$	Revenues \$	TTM Rev Growth %	EBITDA Margin %	TEV/Revs	TEV / EBITDA	N
\$10 - \$100	\$ 39.8	\$ 44.4	20.6%	24.7%	1.8x	6.5x	5
Total	\$ 39.8	\$ 44.4	20.6%	24.7%	1.8x	6.5x	5

Source - GF Data ®

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## Private Equity Multiples: Administrative and 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	\$ 16.5	\$ 22.9	12.4%	18.4%	1.1x	6.0x	66
\$25 - \$50	\$ 34.6	\$ 33.5	17.8%	22.0%	1.6x	7.0x	52
\$50 - \$100	\$ 72.2	\$ 59.0	13.9%	19.6%	1.6x	8.2x	37
\$100 - \$250	\$ 136.8	\$ 89.4	11.5%	22.7%	2.2x	9.6x	20
Total	\$ 47.4	\$ 41.3	14.2%	20.2%	1.5x	7.2x	175

Source - GF Data ®

## Select M&A Transactions

Date	Target	Target Description	Acquirer	Deal Value (\$ in millions)
4/11/2023	Capital Services	Provider of outsourced legal and compliance services	Clearview Capital	N/A
4/3/2023	Contact Center Company	Provider of BPO and outsourcing focused on empowering Saudi Arabia	Arabian Internet and Communications Services (SAU: 7202)	N/A
4/1/2023	SBK Business Solutions	BPO servicing to Brazilizn public	Iron Mountain (NYS: IRM)	N/A
3/31/2023	Mattsenkumar	BPO intended for e-commerce, retail, technology, media, education and others	Bill Gosling Outsourcing	N/A
2/28/2023	WASI Call Center	Call center outsourcing provider in Omaha, Nebraska	MAI Fulfillment	N/A
2/27/2023	Responda Group	BPO service provider for small and medium-sized enterprises	IK Partners	N/A
2/16/2023	UNO27	BPO, contact and call center services across Columbia	ABAI Group	N/A
2/9/2023	PEO Exchange	Human capital service provider to various US industries	Alkeme Insurance	N/A
1/19/2023	Select Data	Outsourcing services unit based in Anaheim, CA	The Corridor Group	N/A
1/1/2023	Advantage Personnel Resources	Provider of huan resources and PEO outsourcing services	Prestige Employee Administrators	N/A
12/1/2023	PeopleTime	Provider of professional, accurate payroll and human resources services	Payroll Software & Services Group	N/A
11/14/2023	MomentumHR	Provider of HR services to all sized businesses across the US	CoAdvantage	N/A

Source: Pitchbook

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## 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 & Chemicals, Consumer Products, Food & Beverage, B2B Services, and Cybersecurity.

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.

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



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