CAS INSIGHTS

EXPERTS IN OUTSOURCED BUSINESS SERVICES

FIRST QUARTER 2017

CAS

Corporate Advisory Solutions

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INTRODUCTION

The year is flying by! On the East Coast, spring has sprung and CAS has had quite the year so far, with no sign of slowing down anytime soon. In the midst of our very busy first quarter, we've survived the shock of the Brexit vote, adjusted to the victory of Donald Trump, the rise of populist parties across the developed world and the news of Trump's plan for large cuts of the corporate tax rate, providing a potential windfall for companies stashing the most cash overseas and paying the most to Uncle Sam. The actual reduced rate is yet to be determined, however, in the meantime, for many in the financial services industry, like the cherry blossoms, it is business as usual.

While the M&A activity late last year was sluggish, due to the uncertain environment of the new administration, the market segments within Outsourced Business Services (OBS) has rebounded and is enjoying a robust first quarter. It is the largest first quarter deal volume we have witnessed here at CAS since we began actively tracking in 2014. The first quarter deal trends and statistics are broken out in greater detail in this newsletter. We have also added another coverage area of certain segments of Specialty Finance – we have a lot more to provide over the coming quarters on this segment of OBS. Additionally, we have expanded our analyst team with the hiring of Mickey Kaiser as Junior Analyst. You will find his bio and contact information in this newsletter.

Along with the M&A data that you have come to rely on in CAS Insights, we have articles from guest authors, Richard Perr, who offers expertise on FDCPA, TCPA or FCRA compliance and its possible impact on selling your business, and fresh insight into the regulatory impact on the call center business, by attorney and MBA candidate Patrick Gleeson and our regulatory resource section by CAS team member Elaine Rowley.

Earlier this year, we conducted a CAS Insights Newsletter Readership Survey. We were very excited to learn so many of you value and appreciate our newsletter. We want to thank every person who responded and let you know how much we value your comments and suggestions. We aim to incorporate many of them. "Give the people what they want and they will show up". As part of our ongoing efforts to improve our services to our clients, you will find a link in this newsletter to a very brief acquisition survey. We hope you can take a few moments to complete it.

We are excited to share our report with you and are available to confidentially discuss any business interests you may have. Please see the end of this report for our contact information.

Sincerely,

Michael Lamm
Managing Partner

CAS TRANSACTION SUMMARY

In January 2017, CAS served as M&A advisor to SRA Associates in its sale to Global IT Sales. SRA Associates is a leading ARM service provider to the auto market.

CAS CONFERENCE AND EVENT ACTIVITY

Please connect with us at one of the upcoming conferences/seminars that will be attended by CAS team members:

- June 25-28 – Healthcare Financial Management Association (HFMA) ANI 2017
  - Orange County Convention Center - Orlando, FL
  - Attended by: Mark Russell, Houda Ferradji

- July 16-18 – ACA International Annual Meeting 2017
  - Seattle, WA
  - Attended by: Michael Lamm, Nick Ciabattone

[Managing Partner, Michael Lamm, is also a speaker at the ACA International Annual Meeting. You can catch his talk "Agency Value Drivers and Detractors" at 2:45 pm on July 18th, 2017]

- ***September 17-19*** – New York State Debt Collectors Association: Northeast Debt Collection Expo 2017
  - Caesars - Atlantic City, NJ
  - Attended: Michael Lamm

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Here are a few highlights of what you will find in the newsletter:

- **Overview of the M&A market for OBS sub-sectors (ARM, RCM and CRM).** Included in the overview: a breakdown on completed OBS transactions, leverage analysis for completed M&A transactions, OBS sub-sector overviews, public comparable research and details surrounding noteworthy transactions within each sub-sector.

- **Specialty Financing Industry Highlights.** Overview of some of the largest, publicly traded specialty financing companies, key industry trends and noteworthy transactions as they relate to the OBS market.

- **ARM Regulatory Update from CAS team member Elaine Rowley** detailing the latest government news, regulation and compliance activities in the ARM sector.

- **Richard J. Perr, Partner – Fineman, Krekstein & Harris, P.C:** Selling Your Business? It May Already Be Too Late; which discusses how compliance issues can potentially lower valuations when deciding to sell your business.

- **Patrick Gleeson – MBA Candidate at Georgetown University and Transaction Support for Corporate Advisory Solutions:** The Call Center Industry in the Age of Trump, which outlines President Trump's proposed trade policies and the impact they could have on the Call Center industry.

After the presidential election in November of 2016, M&A activity slowed down due to market uncertainty as well as company owners looking to take advantage of proposed capital gains. With no movement on the capital gains tax regulations, many of the deals that were under due-diligence in 2016 went ahead and closed in early 2017.

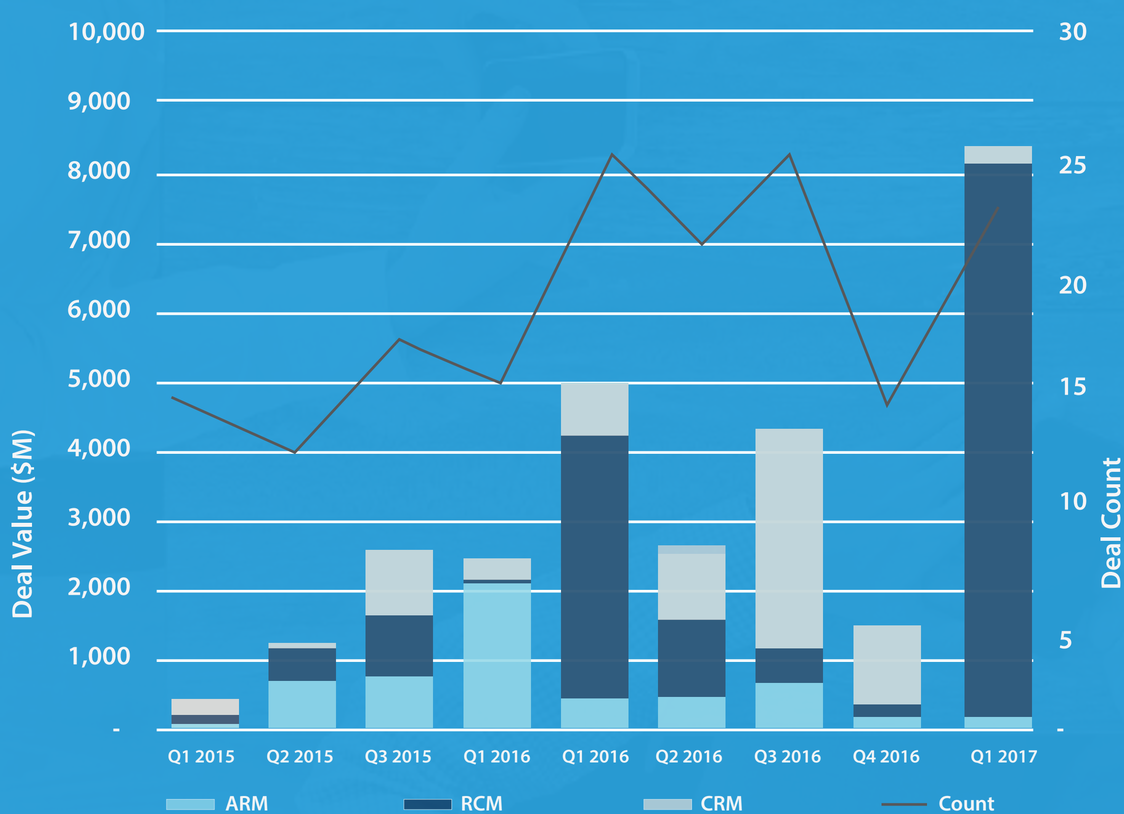
With this current landscape, the ARM market seems to have a renewed interest which can be witnessed in the 10 deals that were closed in Q1 2017, making it the largest first quarter deal volume we have witnessed here at CAS since we began actively tracking in 2014. We are seeing increased interest from strategic and financial buyers who are eager to look at companies in the OBS sector. With this renewed activity as well as potential regulatory changes that will benefit the market, the ARM industry has had a solid Q1 and is poised to have one of the best years to date in terms of M&A activity.

The RCM market has continued its strong M&A activity with 9 deals being completed in Q1 2017. Despite ambiguity surrounding the sector, cost containment remains a top-issue for health care providers. Platform building also remains a popular strategy as large strategic and financial buyers look to consolidate the fragmented market and cross-sell service lines across customer bases.

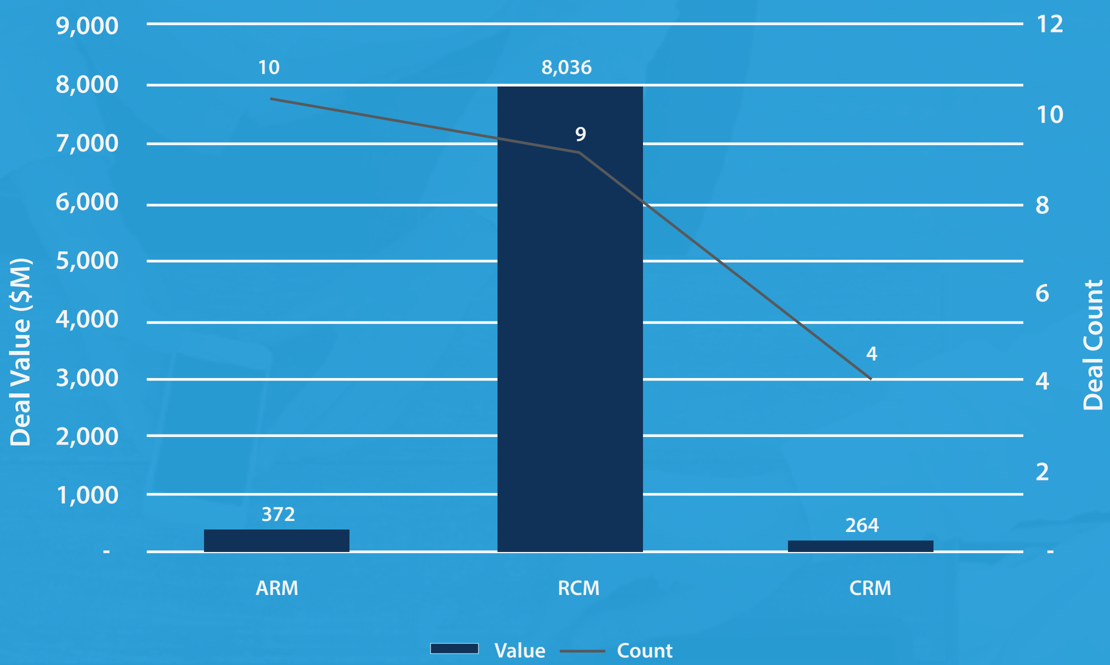
Lastly, the CRM market realized another solid quarter with four deals being completed. The CRM sector is continuing its consistent growth and could see an increase in M&A activity in the coming quarters due to the changing political landscape.

Regulation, changing industry landscapes, national policies and economic factors continue to be the most prominent drivers in M&A activity in each of the OBS sub-sectors. Our newsletter focuses on these significant market trends we have observed in the first quarter of 2017.

OBS DEALS IN Q1 2017

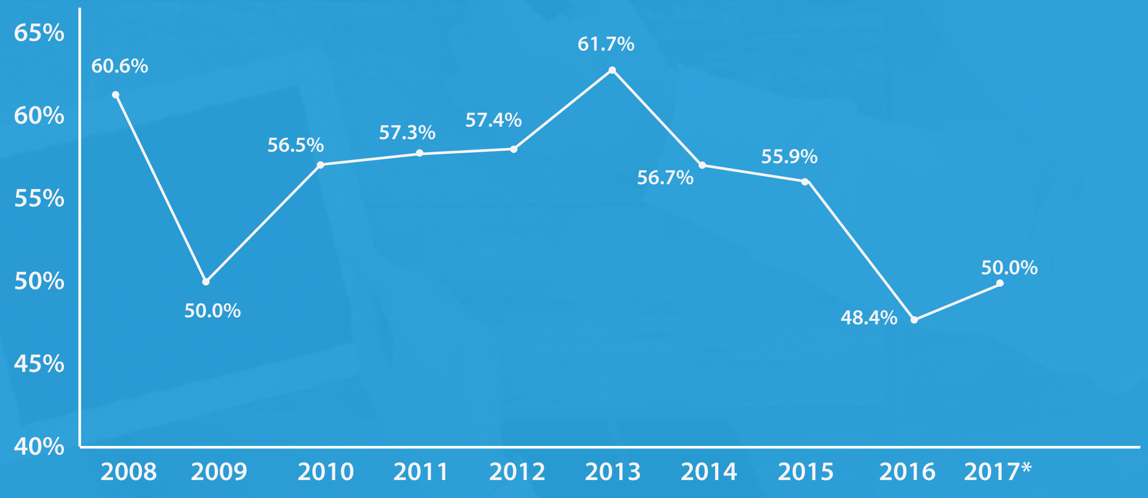


OBS DEAL BREAKOUT BY SECTOR IN Q1 2017



In Q1 2017, deal value in the OBS sector totaled $8.67 billion dollars and comprised of 23 completed deals. Total deal value through the first quarter of 2017 has exceeded the total deal value for Q1 2016 by roughly 71%. Information for the OBS deals was obtained from public filings, press releases, confidential discussions with individuals in the OBS sector, and proprietary deal activity.

We have also included an analysis on the trend of leverage utilized to complete M&A transactions market-wide as of February 28th, 2017. The chart below illustrates the median debt levels used to complete and fund U.S. M&A transactions.



Note: 2017 data is through 2/28/2017. Source: PitchBook.

Accounts Receivable Management (ARM)

OVERVIEW

In the first quarter of 2017, the ARM sector experienced an increase in M&A activity. Ten deals were completed in Q1 2017, representing an estimated $372 million in enterprise value. The high volume of transactions was partially due to the amount of deals that were delayed in closing due to the expected change in capital gains tax detailed in our *Q4 2016 Newsletter* as well as other industry specific factors.

As of March 31, 2017, all ARM verticals saw increases in total debt balances. Credit card debt increased 4.3% in Q1 2017 to $779 billion. Student loans remain the largest unsecured debt balance, totaling $1.31 Trillion for the quarter, a 2.4% increase from Q4 2016. In addition to aggregate ARM debt increasing, the amount of seriously delinquent debt (90 day+) also increased in all verticals for the quarter with auto and student loan debt increasing 4.7% and 2.1%, respectively. Credit card debt remained relatively flat for the quarter, increasing 0.8%.

The first quarter of 2017 has been one of the most active first quarters we have seen and could be a strong indicator for an active M&A market in 2017 for the ARM industry. Here at CAS we have witnessed an increased level of interest from different financial institutions, strategic buyers, and other ARM companies, mainly due to the potential for deregulation. Investors are warming to the idea of entering the industry, given the favorable economic and political landscape.

Upcoming changes in how the three major credit bureaus (Equifax, Experian, TransUnion) report credit scores could also impact the industry. Starting July 1st, 2017, the major credit bureaus plan to stop reporting as well as remove significant amounts of civil judgment and tax lien information from consumers' credit records. With this change, approximately 12 million consumers will experience a 20 – 40 point increase to their credit score. Excluding any other macro-economic factors, this change could result in a decrease in payments due to there being little to no risk of individual's credit score being affected.

While the changing of regulations affecting the industry's profitability has been the persistent hot-button issue due to the increased oversight from governing bodies, there now seems to be some major changes on the horizon in favor of ARM companies. For example, incoming FCC Chairman Ajit Pai has been a staunch critic of the TCPA, which could lead to more lax regulations governing how creditors may contact borrowers resulting in more profitability for the industry.

In Q1 2017, we have already seen an interest rate hike that brought the Fed Funds rate to 1%, up 25 basis points from 0.75%. With 2 rate hikes since December 2016, this could be the signal that the Fed is moving towards a tighter money policy and will continue to raise rates through the rest of the year. While these rates have not had any immediate effects, there could be potential decreases in borrowing in the coming years.

The increase in total Household Debt, $12.58 Trillion total (1.8% increase for the quarter), could be coming from the strong macroeconomic variables that we have witnessed over the last three months. The unemployment rate has been steadily decreasing and as of March 31st, 2017, the rate sits at 4.5%. Additionally, disposable personal income has consistently increased and currently sits at $14,402. These macroeconomic variables are two of the key drivers for profitability in the ARM industry and with their positive trends working in conjunction with the potential industry deregulation, there is a good indication for higher valuations for ARM companies and could spur more M&A activity for companies looking for entry or growth in the industry.

PUBLIC COMPARABLES:

Analysis of Selected Publicly Traded Outsourced Business Services Companies (In Millions)
All Data as of 3/31/2017

Company Name	Ticker	Price	Market Cap (1)	TEV (2)	LTM Revenue	LTM EBITDA	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
Arrow Global Group, PLC (3)	LON:ARW	4.48	781.01	739.01	248.32	120.38	47.65	2.98x	6.14x	15.51x
Asta Funding Inc.	ASFI	8.15	97.32	168.09	46.05	10.77	3.45	3.65x	15.61x	48.69x
Collection House Limited(3)	ASX:CLH	1.09	145.26	184.20	96.77	31.03	17.33	1.90x	5.94x	10.63x
Credit Corp Group Limited(3)	ASX:CCP	13.25	618.60	636.61	146.21	44.24	29.61	4.35x	14.39x	21.50x
Encore Capital Group	ECPG	30.80	791.96	3440.64	1129.97	317.65	45.14	3.04x	10.83x	76.23x
Intrum Justitia	STO:IJ	37.61	2720.70	3499.00	662.01	206.32	136.92	5.29x	16.96x	25.56x
Performant Financial Group	PFMT	2.93	146.61	167.25	159.38	20.08	(1.80)	1.05x	8.33x	--
PRA Group	PRAA	33.15	1535.38	3209.51	942.02	337.73	167.93	3.41x	9.50x	19.11x
Mean (ARM)			854.61	1505.54	428.84	136.03	55.78	3.21x	10.96x	31.03x
Median (ARM)			699.81	687.81	203.85	82.31	37.37	3.23x	10.17x	21.50x

Notes
(1) - Market Cap equates to total shares outstanding multiplied by the price per share
(2) - Total enterprise value consists of market cap plus debt less cash
(3) - Converted to USD from Pitchbook using exchange rate as of 3/31/2017

Source: PitchBook

Within the publicly-traded ARM sector, there were three deals that were completed in the first quarter of 2017. **Intrum Justitia (STO:IJ) announced the closing of UK debt purchaser, 1st Credit.** This allows Intrum Justitia to increase their footprint in the UK. **Asta Funding (NASDAQ:ASFI) has completed a $55 Million share repurchase from Mangrove Partners and their affiliates.** This is in efforts to take control of the 33% that Mangrove and its affiliates own. Additionally, **PRA Group (NASADQ:PRAA) has finalized the sale of its government services business unit to Millstein & Co.** Broussard Partners, eGov Systems, MuniServices and Revenue Discovery Systems will be operated by Millstein & Co. through its newly formed entity, Government Revenue Solutions, which will provide technology, revenue enhancement, and consulting services to government agencies.

Below is another noteworthy transaction that took place in the ARM sector in Q1 2017:

- **Global Investigative Services, a specialist in vehicle and equipment recovery services, has been acquired by Primeritus Financial Services**, in order to broaden service offerings.

Revenue Cycle Management (RCM)

OVERVIEW

In Q1 2017, 9 deals worth $8.0 billion were completed in the RCM sector. Please note, the deal value is inflated by two large deals that were completed this quarter: TeamHealth Holdings was acquired by the Blackstone Group and McKesson Technology Solutions merged with Change Healthcare.

Based on our frequent communication with private equity, family offices, and other financial buyers, there continues to be a high level of interest in the RCM industry. Financial buyers are actively seeking tech-enabled RCM companies who can capitalize on the archaic tendencies of hospital system IT platforms. Investors in healthcare have historically dealt with constantly changing regulatory environments and have tailored their approach to accommodate a somewhat ambiguous environment. The long-term drivers of the healthcare market remain strong. Healthcare spending is continuing to rise and is projected to outpace overall GDP growth over the next 5 years. The fact that healthcare is less correlated to the broader economy continues to fuel interest from financial and strategic buyers. Platform building also remains a popular strategy, as large strategic and financial buyers look to consolidate the fragmented market and cross-sell service lines across customer bases. Receivables management companies are increasingly looking to diversify or expand their presence into healthcare due to the attractive growth fundamentals of the market.

For healthcare providers, RCM services remain increasingly important as cost containment remains a top issue. We are seeing a trend where Health Systems, post-acquisition, are struggling in their attempt to internalize RCM efforts, a positive sign for RCM vendors. The consolidation wave of hospital systems is slowing down in most markets, but having strong financially stable hospital clients is critical in an ambiguous regulatory environment. On the vendor front, we are seeing similar dynamics across the market. While having a specialization in a particular area of the revenue cycle is critical for establishing a footprint in the hospital and physician market, growth is limited without having a true end-to-end solution to offer clients. We also continue to see growth limited by the personal relationship nature of the industry, although we are beginning to see a shift given the aging out of long-tenured RCM executives. Smaller companies, given this dynamic, with limited sales efforts are seeing muted amounts of growth. We anticipate the RCM sector will remain a popular area of interest given its fundamental growth factors and the lack of correlation to the uncertainty weighing over the economy.

PUBLIC COMPARABLES:

Analysis of Selected Publicly Traded Outsourced Business Services Companies (In Millions)

All Data as of 3/31/2017

Company Name	Ticker	Price	Market Cap (1)	TEV (2)	LTM Revenue	LTM EBITDA	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
Advisory Board Company	ABCO	1.86	204.65	272.24	96.94	68.43	22.05	2.81x	3.98x	12.35x
HMS Holdings Corp.	HMSY	20.33	1726.39	1752.39	474.22	98.22	24.53	3.70x	17.84x	71.46x
Allscrips Healthcare Solutions Inc	MDRX	12.68	2360.86	3636.37	1386.39	177.87	(2.23)	2.62x	20.44x	--
Cerner Corporation	CERN	58.85	19876.00	20083.30	4425.27	1245.43	539.36	4.54x	16.13x	37.24x
Huron Consulting Group Inc .	HURN	42.10	887.64	1162.67	769.02	161.55	59.05	1.51x	7.20x	19.69x
Quality Systems Inc.	QSII	15.24	936.60	937.60	492.95	69.32	32.72	1.90x	13.53x	28.65x
Mean (RCM)			4,332	4,641	1,274	303	113	2.85x	13.19x	33.88x
Median (RCM)			1,331	1,458	631	130	29	2.72x	14.83x	28.65x

Notes
(1) - Market Cap equates to total shares outstanding multiplied by the price per share
(2) - Total enterprise value consists of market cap plus debt less cash

Source: PitchBook

Within the publicly traded RCM sector, there was two transactions that closed in Q1 2017. **Constellation Healthcare Technologies, Inc (LON:CHT) completed its $309 million management-led buyout.** The deal was first announced in November 2016 and completed in January 2017. The company has been delisted from the London Stock Exchange. **Blackstone Group (NYSE:BX) completed it announced acquisition of Team Health Holdings.** The company was purchased for $43.50 per share in cash valued at $6.1 Billion and Team Health Holdings has been delisted from the New York Stock Exchange.

Below are some additional noteworthy transactions that took place in the RCM sector in Q1 2017:

- **Nexphase Capital acquired Receivables Management Partners and Med A/Rx** to grow their market share in the Revenue Cycle Management industry. Both companies have been merged into a new parent company called Meduit.
- **Boston based PE firm Riverside Partners has acquired RCM company Medical Reimbursements of America (MRA)** to gain a larger footprint into the growing field of specialty reimbursement services for hospitals.

Consumer Relationship Management (CRM)

OVERVIEW

The CRM industry experienced a strong quarter with four deals completed in the first quarter of 2017, with a total enterprise value of $264 million.

The shift in the political landscape in 2017 will have a large impact on the CRM market. Outsourcing companies abroad with clients mainly in the U.S. are worried that the Trump administration's plan to bring back jobs to the U.S. won't end at manufacturing and extend into the outsourced business services sector. The potential for protectionist trade measures, including dissolving existing trade agreements and imposing tariffs on imported goods and services, will likely inspire greater M&A activity in the call center industry. (See article "The Call Center Industry in the Age of Trump" below for deep-dive analysis on how these policies will shape M&A activity in 2017.)

Over the next five years, the industry is anticipated to increase at an annualized rate of 1.5% to $23.3 billion. The CRM companies will benefit from rising corporate profit, which will enable clients to increase their use of the telemarketing industry to attract new business and handle customer relations. There will be a short-term negative impact on profitability as CRM firms invest in new technology. However, in the long-term, these investments will reduce labor costs.

PUBLIC COMPARABLES:

Analysis of Selected Publicly Traded Outsourced Business Services Companies (In Millions)

All Data as of 3/31/2017

Company Name	Ticker	Price	Market Cap (1)	TEV (2)	LTM Revenue	LTM EBITDA	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
Atento SA	ATTO	9:15	675.42	1015.61	1949.88	252.16	49.15	0.52x	4.03x	20.66x
Convergys Corporation	CVG	25.67	391.11	391.11	61.12	36.79	32.35	6.40x	10.63x	12.09x
Sykes Enterprises Incorporated	SYKE	29.40	1230.30	1230.63	1286.34	151.13	68.60	0.96x	8.14x	17.94x
StarTrek, Inc.	SRT	8.69	136.70	169.93	282.13	(0.21)	(15.62)	0.60x	--	--
Teleperformance SE (3)	PAR:RCF	107.84	6175.51	7918.10	3698.58	503.96	217.69	2.14x	15.71x	36.37x
TeleTech Holdings, Inc.	TTEC	29.60	1403.72	1572.74	1286.76	157.24	61.67	1.22x	10.00x	25.50x
West Corporation	WSTC	24.42	2026.10	5012.72	2280.26	645.21	241.84	2.20x	7.77x	20.73x
Mean (CRM)			1,719.84	2,472.97	1,549.30	249.47	93.67	2.01x	9.38x	22.22x
Median (CRM)			1,230.30	1,230.63	1,286.76	157.24	61.67	1.22x	9.07x	20.70x

Notes

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(3) - Converted to USD from Pitchbook using exchange rate as of 3/31/2017

Source: PitchBook

Within the publicly-traded CRM sector there has been one deal completed, and one deal has reached a definitive agreement in Q1 2017. **Transcom WorldWide has been acquired by Altor Equity Partners** in a public to private takeover. Transcom has since been delisted from the Stockholm Stock Exchange. **Atento is in a definitive agreement to acquire a majority stake in Interfile** to increase its solutions in the banking and financial services sectors.

Below is an additional noteworthy transaction that took place in the CRM industry in Q1 2017:

- **Utilita Energy acquired call center specialist Bvocal** to assist in dealing with energy company's growing consumer base.

CAS is pleased to provide a link to the Site Selection Group's *Location Intelligence Newsletter*

Site Selection Group is a leading, conflict-free location advisory, economic incentive and corporate real estate services frm providing solutions to corporations and communities across the world. We offer four core services to our customers: Location Advisory Services, Economic Incentive Services, Corporate Real Estate Services and Economic Development Consulting. Our mission is to align the needs of corporations with the optimal locations in order to provide the absolute maximum economic benefit. Click **HERE** for the latest *Location Intelligence Newsletter* .

SPECIALTY FINANCE OVERVIEW:

We continue to believe there is significant opportunity for the specialty finance vertical within the receivables management industry. Specialty finance companies, such as the ones detailed below, offer specialized financing solutions to consumers and are becoming increasingly popular in the market. The focal point for many companies in this space is building out their platform and technology offering to attract a sizable and fruitful lending base. When it comes to delinquencies, based on direct conversations and our research, many specialty finance companies believe their model and process will alleviate any major delinquency issues. Between the four publicly traded companies listed below there was $859.9 million in charged off debt in 2016. Lending Club had the highest number of charge-offs with over $422 million, a 96% increase from their $216 million in 2015. There is a sizable market opportunity for ARM companies to purchase and service accounts and assist in the liquidation of non-performing loans sourced from specialty finance companies, who today are underutilizing the receivables management industry.

PUBLIC COMPARABLES:

Analysis of Selected Publicly Traded Outsourced Business Services Companies (In Millions)

All Data as of 3/31/2017

Company Name	Ticker	Price	Market Cap (1)	TEV (2)	LTM Revenue	LTM EBITDA	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
LendingClub Coorporation	LC	5.49	2,128.81	6,449.71	979.67	569.16	(5.00)	6.58x	11.33x	--
Navient Solutions Inc.	NAVI	14.76	4,664.16	119,390.16	5,197.00	3,654.00	984.00	22.97x	32.67x	121.33x
OneMain Holdings, Inc.	OMF	24.85	3,347.76	17,306.76	2,192.00	687.00	(220.00)	7.90x	25.19x	--
Credit Acceptance Corp.	CACC	199.41	4,054.36	6,598.16	825.30	564.70	299.70	7.99x	11.68x	22.02x
Mean (Specialty Finance)			3,548.77	37,436.20	2,298.49	1,368.71	264.68	11.36x	20.22x	71.67x
Median (Specialty Finance)			3,701.06	11,952.46	1,585.83	628.08	148.35	7.95x	18.44x	71.67x

Notes

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(2) - Total enterprise value consists of market cap plus debt less cash

Source: PitchBook

There have not been any recent transactions for the quarter in the publicly traded specialty financing industry among these companies. As CAS continues to track this new section, expect to see more delinquent and charge-off data from these companies, as well as other companies we feel are a fit within specialty financing that offer opportunities to ARM companies.

The section below features additional articles from Richard J. Perr, Partner at Fineman, Krekstein & Harris, P.C as well as CAS team members Patrick Gleeson and Elaine Rowley. Richard discusses the impact compliance issues can have when selling your business, Patrick talks about the how potential tariffs can impact the call center industry, and Elaine provides an ARM Regulatory Update detailing the latest government news and regulation and compliance activities.

Please feel free to contact the authors to further discuss the information they have detailed in their respective pieces below.

CAS OUTSOURCED BUSINESS SERVICES ACQUISITION INTERESTS SURVEY

CAS Invites you to take a few moments to complete our May 2017 Outsourced Business Services Acquisition Interests Survey. This survey can be completed in less than five minutes. The survey is completely anonymous with your privacy guaranteed. The results will help us help you when or if you are ready to have a deeper M&A discussion. Any questions or concerns should be directed to Managing Partner, **Michael Lamm**.

Click **Here** to Complete the CAS OBS Acquisition Interests Survey

SELLING YOUR BUSINESS? IT MAY ALREADY BE TOO LATE

Richard J. Perr, Esquire, Partner | Fineman Krekstein & Harris, P.C | Rperr@finemanlawfirm.com

Richard J. Perr is the incoming President of ACA International

You have worked a very long time to build a successful business and are now sitting at the settlement table with the buyer ready to realize the fruit of your labor. So why is the cash transfer less than you thought it would be, or not taking place at all? One likely reason is that you failed to evaluate your compliance risks even before you decided to market the company for sale.

Federal statutes such as the Fair Debt Collection Practices Act ("FDCPA"), Telephone Consumer Protection Act ("TCPA") and Fair Credit Reporting Act ("FCRA") have statutes of limitation running from one to five years. That means, a potential plaintiff could have up to five years after the conduct causing the violation to bring a lawsuit. For a buyer, this could mean up to five years of "time bombs" awaiting him or her after purchase, which were potentially set by you and your employees prior to the sale. This will undeniably impact the ultimate selling price of the business. Either the sale price will be lower, the sale will fall through or the buyer may require an escrow fund created from a portion of the sale proceeds from which future settlements of consumer lawsuits can be satisfied. In any of these situations, you may not see the money you were expecting.

For this reason, it is important that business owners consider implementing full compliance evaluations potentially years in advance of a sale. A successful compliance program will make sure that your business practices fall in line with federal and state requirements so as not to run afoul of the FDCPA, TCPA or FCRA. The regulatory landscape, and the judicial decisions that determine company liability under those regulations, is ever changing and necessitates constant monitoring to guarantee that your business is not vulnerable to crafty plaintiff attorneys who are always looking for new avenues to bring suit. The strict liability aspect of these federal statutes means that plaintiff attorneys will aggressively target companies for even mere technical violations. Implementing and maintaining policies that comply with federal guidelines is a significant step to warding off plaintiffs while also ensuring that you return the full value of your company when you have decided to sell. Additionally, ensuring sufficient insurance coverage designed to protect a future buyer from these suits may be the tool to ease the mind of a nervous purchaser.

The savvy businessperson is always thinking ahead. So, before you think about selling your business, make sure you think about your company's compliance policies. This will help keep you out of the courtroom and permit you to reap your full rewards when it is time to sell.

Richard J. Perr, Esquire, is a partner with the law firm of Fineman Krekstein & Harris, P.C. in Philadelphia, Pennsylvania. He specializes in representing creditors, law firms and agencies for violations of federal and state consumer protections laws, including the Fair Debt Collection Practices Act, the Fair Credit Reporting Act and the Telephone Consumer Protection Act. He also advises entities and individuals on matters related to compliance in the credit and collection industry, including review, implementation and auditing of policies and procedures, especially in adherence with governmental regulatory bodies such as the Consumer Financial Protection Bureau (CFPB).

THE CALL CENTER INDUSTRY IN THE AGE OF TRUMP

Patrick Gleeson, MBA Candidate at Georgetown University

Deal Support – Corporate Advisory Solutions

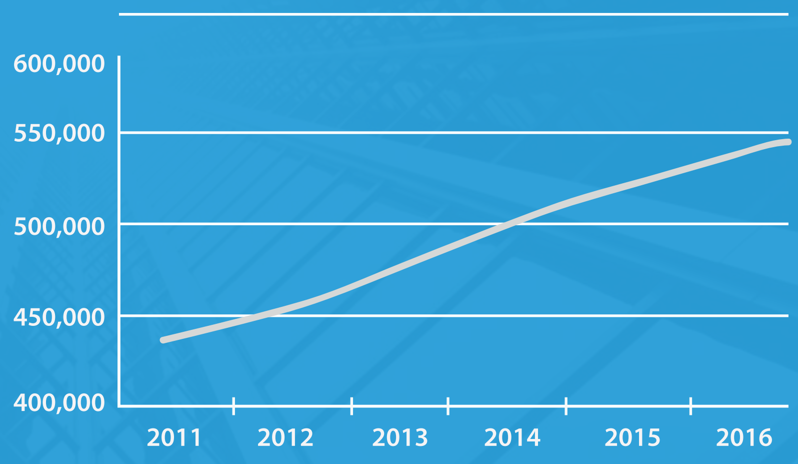
The 2016 election inaugurated a historic shift to the American political system. President Donald Trump assumed office on January 20, 2017 with a strong mandate to "Make America Great Again" and bring back jobs by reshoring manufacturing. He railed against job-killing trade agreements. He targeted specific companies who moved capacity overseas, threatening to impose border adjustment taxes and tariffs as retaliation. He has been especially critical of Mexico and China, where he has threatened to impose tariffs ranging from 25-45%. And while manufacturing has been the ultimate target of these policies, they will affect business process outsourcing (BPO) and will lead to increased reshoring of call centers.

As part of this historical shift, President Trump withdrew the United States from the Trans-Pacific Partnership and triggered the withdrawal process from NAFTA, which he blamed for decimating the domestic manufacturing workforce. He is inaugurating a new era of the United States' economic relationship with the rest of the world.

Service imports will likely be threatened by Trump's policies. These services include travel, professional, and transportation. One facet of this group is call center services, which have been offshored to countries like India and the Philippines and India as telecommunication connectivity have made it economically feasible to take advantage of lower wages. According to the Everest Group, the global industry employed approximately 4.6 million people in 2016. And Trump's policy proposals threaten to upend this $300 billion industry.

These policy trends are coupled with other factors like wage inflation and quality of service to further encourage reshoring efforts by BPO firms. U.S. employment in the sector has continued to grow. According to the Department of Labor's Bureau of Labor Statistics, employment grew from 432,510 in 2011 to 546,220 in 2016.

U.S. CALL CENTER EMPLOYMENT 2011-2016



Source: Bureau of Labor Statistics

The call center industry continues to add tens of thousands of jobs in the United States. According to the Site Selection Group, several major companies, including Liberty Mutual, JP Morgan Chase, ADP, and Amazon.com, announced plans to hire thousands of people each for new sites throughout the United States. And in September 2016, Comcast announced that it "plans to add 20,000 U.S. jobs by insourcing its workforce and growing to meet customer demands, along with reshoring of call center work." These news jobs will include English- and Spanish-speaking call center positions.

Reshoring call centers is the logical progression as a result of these policy trends. Domestic firms specializing in call centers offer a unique foothold in what promises to be a robust shift in the way these services are provided. And as these policies become clearer, M&A activity in the call center industry, and within the larger BPO sector, will increase as firms seek to avoid these new tariff regimes.

Patrick Gleeson is currently at student at Georgetown University's McDonough School of Business, where he is pursuing his MBA. He is also a columnist, and he writes about manufacturing trends in emerging markets for a bi-monthly trade association magazine. Prior to attending Georgetown, he was an attorney in Washington, DC. He received his JD at Loyola University Chicago School of Law and his BA in Economics at Fairfield University in Connecticut.

CAS EXPANDS ANALYST TEAM

CAS is pleased to announce the addition of **Khwaja "Mickey" Kaiser** to its team as Junior Analyst

Mickey Kaiser will join the CAS analyst team in July upon graduating from Drexel University with a Finance degree in June. During his senior year at Drexel, Mickey has been a part of CAS's deal team as a part-time intern, providing invaluable assistance at every phase of the M&A process. Prior to joining the CAS intern program, Mickey was a Co-op for Turner Investments and Dupont Capital Management, working in Equity Research and the Private Equity Funds of Funds department, respectively.

Mickey resides in Philadelphia, PA and will be based out of CAS' Philadelphia office.

He can be reached at mkaiser@corpadvisorysolutions.com

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Elaine Rowley | Corporate Advisory Solutions, LLC
Chevy Chase, Maryland
240-235-6008

The *ARM Regulatory Resource* is the CAS quarterly Newsletter feature focused on government news, regulation and compliance so you are informed of the latest activities of government agencies with oversight over the ARM sector. Your comments and suggestions are welcome!

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