2023
Year in Review

M&A Advisor to Global Tech-Enabled Outsourced Business Services Companies

10 CAS
Corporate Advisory Solutions
10 YEARS OF INTEGRITY, CONFIDENTIALITY, AND EXPERIENCE.

IN THIS
ISSUE

Welcome to our 2023 Year in Review newsletter!

We are proud of the accomplishments of our firm in our first decade in business and look forward to many more decades to come. In the spirit of "10s", it is only fitting that we at CAS completed 10 transactions in 2023, a feat we are incredibly proud of. Below are details on the publicly announced transactions, and if you scroll past, you will find our 10 predictions for M&A in the tech-enabled outsourced business services vertical for 2024.

We recently promoted two members of our team, **Drew Sacher** and **Patrick Felstedt**. Their hard work and commitment to the CAS team has not gone unnoticed, and we look forward to their continued growth in supporting our clients. We are also bringing on a new Analyst (another Drexel Dragon) that recently completed a co-op with us, **Simon Skala-Rosenbaum**. Simon will be assisting the deal team as an Analyst. Pictured below is the deal team recently at Simon's senior night for the Drexel Hockey club (with a tasteful sign created by Nick from a "tasteful" pizza box).

Below are the conferences we will be attending. Please reach out to Allie Baurer (abaurer@corpadvisorysolutions) to find some time to connect with us if you will be there.

-Michael Lamm & Mark Russell

We have a new website
www.corpadvisorysolutions.com

www

2024 Conferences

WHERE IN THE WORLD IS MICHAEL LAMMDIEGO?

RMAi Annual Conference
February 5-8
Las Vegas, NV

ACA 2024 Committee of 100 Meeting
February 20-23
The Bahamas

NCBA 2024 Executive Experience
April 9-12
Frisco, TX

Southeast Regional Conference
April 15-17
Myrtle Beach, SC

COMPLETED DEALS

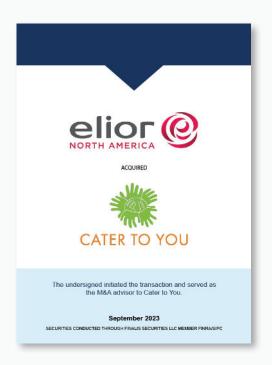
reliant CAPITAL SOLUTIONS

ACQUIRED

MCSi MUNICIPAL COLLECTION SERVICES LLC
a DACRA Tech company

The undersigned initiated the transaction and served as the M&A advisor to Municipal Collection Services, LLC.

February 2023

SECURITIES TRANSACTIONS CONDUCTED THROUGH STILLPOINT CAPITAL, LLC. MEMBER/SIPC TAMPA, FL

CAPITALACCOUNTS LLC

ACQUIRED

CB MERCHANT SERVICES LOCAL . NATIONAL. INTERNATIONAL — Established 1917 —

The undersigned initiated the transaction and served as the M&A advisor to Capital Accounts, LLC.

March 2023

ABC/Amega

WAS ACQUIRED BY

TRIVEST BII Services Corp

CAS acted as the exclusive sell-side M&A advisor to ABC-Amega in this transaction.

June 2023

SECURITIES TRANSACTIONS CONDUCTED THROUGH STILLPOINT CAPITAL, LLC. MEMBER/SIPC TAMPA, FL

CORA GROUP

ACQUIRED

WEB RECON LLC

The undersigned initiated the transaction and served as the M&A advisor to Webrecon, LLC.

July 2023

SECURITIES TRANSACTIONS CONDUCTED THROUGH STILLPOINT CAPITAL, LLC. MEMBER/SIPC TAMPA, FL

Williams & Fudge

ACQUIRED

RGS

The undersigned initiated the transaction and served as the M&A advisor to Williams and Fudge, Inc.

July 2023

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elior
NORTH AMERICA

ACQUIRED

CATER TO YOU

The undersigned initiated the transaction and served as
the M&A advisor to Cater to You.

September 2023
SECURITIES CONDUCTED THROUGH FINALIS SECURITIES LLC MEMBER FINRA/SIPC

A strategic competitor
acquired an education
focused ARM company

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A strategic ARM company
acquired select auto & financial
assets from an ARM company

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An SBA acquisition of
a strategic company in
the crowdfunding industry

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Facilitated the sale of two
debt portfolio sales on behalf
of a leading syndicate

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Deal summary for 2023 vs. 2022

Deal count in FY2023 was down nearly 7% from 2022 while deal volume in the tech-enabled outsourced business services vertical was technically up, driven by larger strategic transactions in the CXM/BPO vertical (mainly Concentrix (NASDAQ: CNXC) acquiring Web help and Vista Equity Partners acquisition of EngageSmart – both of which closed in the latter half of FY2023).

TOP 10 PREDICTIONS

Sector-Specific Digital Transformation

Foresee heightened M&A activity within companies offering tech-enabled outsourced business services. The driving force behind this surge is the urgency to adapt to evolving digital demands (Generative AI & LLM leading the way), leading to strategic consolidations. Companies are strategically acquiring specialized solutions (technology and services) to optimize operations and enhance delivery.

Increased Delinquencies in Unsecured Asset Classes

Anticipate a continued rise in delinquencies within the unsecured asset classes for the four largest U.S. banks, driven by credit card balances reaching unprecedented highs. This trend is expected to have downstream effects, impacting debt buyers, agencies, and law firms as they navigate the increased volume.

Student Loan Payments Impacting Younger Consumers

Predict continued significance of student loan payments affecting the younger consumer demographic. Younger consumers, known for their engagement with digital channels, will face financial challenges due to student loan burdens. Businesses optimizing digital strategies are poised to gain a competitive edge in reaching and serving this demographic.

Healthcare Debt as an Election Year Issue

We at CAS predict healthcare debt to remain a contentious issue during an election year. Politicians will view addressing healthcare debt as a potential "reach across the aisle" moment, making it a central point of discussion during the election. Anticipate additional states tacking on legislation similar to New York and Colorado around the utilization of credit reporting on medical debt.

Slow(er) Adoption of Large Language Models (LLMs)

Envision a more measured adoption of Large Language Models (LLMs) than initially projected. Consumers will become increasingly aware of distinctions between LLMs and human interactions, slowing down the adoption rate in the obvious use case. However, LLMs and Generative AI tools are anticipated to find utility in non-obvious use cases, showcasing their value in specific applications. Companies that raised money under the disguise of AI/machine learning will be flushed out when cheaper solutions become available due to LLM availability.

Focus on Operational Efficiency

Witness M&A activities centered around enhancing operational efficiencies within the sector. Acquiring firms prioritize targets that offer synergies in processes, tools, and technological capabilities to streamline operations, reduce headcount, and/or improve service delivery while minimizing costs. Large language models will be a great equalizer for those who missed the early innings of technology transformation when applied correctly.

Geographical Expansion Strategies

Non-public firms in the sector are expected to pursue strategic acquisitions to penetrate new geographical markets - in particular to solve labor shortages as the US labor market and employment statistics remain strong. The focus will be on acquiring companies with localized expertise and established networks, facilitating market entry and expansion while catering to regional client needs.

Emphasis on Talent and Expertise

Expect acquisitions geared toward acquiring specialized talent and domain expertise in the sector. Companies seek to integrate skilled teams and subject matter experts to accelerate innovation, strengthen service capabilities, and meet evolving client demands.

Importance of Data Security and Compliance

Acknowledge the critical role of cybersecurity and data privacy in M&A decision-making within the sector. Acquirers prioritize targets with robust data security measures and compliance frameworks, given the sensitive nature of outsourced business services and the increasing cost of insurance (or changing coverage profiles).

Rationalization of Price Expectations

As we have all experienced inflation and whiplash in pricing/supply/demand in all segments of life, pricing expectations are beginning to converge. Sellers, bootstrapped companies especially, lived the ebbs and flows of the pre- and post- COVID world. Some businesses did extremely well for non-obvious, non-repeatable reasons and others struggled. What we at CAS also believe happened as an externality of this rise and fall is sellers' expectations reset, and buyers also know it's now more competitive than ever with record amounts of dry powder and appetite.

Conclusion and Impact to M&A Volumes

2024 will see increased M&A deal volumes in the tech-enabled outsourced business services vertical. In the accounts receivable management (ARM) vertical, deal flow will accelerate as the gap widens between the "haves" and "have nots." Scale will continue to become important as fee rates compress, cost of compliance increases, and adoption of technology tools become table stakes. In the revenue cycle management (RCM) vertical, deal flow will remain flat or decrease vs. the last couple of years as the sector continues to experience maturity. Fewer bootstrapped companies remain in the vertical, and as such, the deal count will be flat to down. Deal volume may increase with interest rates potentially decreasing as the scaled platforms continue to merge/go public. In the customer relationship management/business process outsourcing (CXM/BPO) vertical, deal flow will remain very active. Large language models are a candid long-term threat to the vertical, but until solutions are ironclad in data security, utility, and service, humans will remain a premium asset. As such, the search for labor arbitrage while being enabled by technology will force M&A in the space. Overall, M&A volume will be up as interest rates decrease, record PE dry powder looks to put capital to use, and business owners contemplate the future (lifestyle + capital gains changes) in what is shaping up to be an interesting election year. As always, we would love to hear from you and discuss how we may be of help to you this upcoming year.