CAS
Corporate Advisory Solutions
INTEGRITY, CONFIDENTIALITY, EXPERIENCE

2024 Q4 INSIGHTS

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

IN THIS ISSUE

WELCOME TO OUR FOURTH QUARTER 2024 NEWSLETTER

The CAS team wrapped up 2024 on a high note, with strong deal activity carrying into the new year and setting the tone for an exciting 2025. In December alone, we closed two significant transactions, followed by another two in the first weeks of January. These four deals – three in the ARM industry and one in the BPO/CX space – reinforce CAS' position as a trusted leader in the tech-enabled OBS sector, driving value for clients across industries.

Among the highlights, we are thrilled to share the strategic merger between Caine & Weiner (C&W) and BARR Credit Services. These two leading ARM services providers, each with nearly a century of expertise, have joined forces to expand their capabilities and services across six strategic locations. This merger represents the growing consolidation trend within the sector, creating a stronger, technology-driven entity poised for future success.

In this edition, we explore the most pressing M&A trends in the tech-enabled OBS sector and hot topics across the ARM, RCM, and BPO/CX industries, and we delve into how the Trump administration's policies on geopolitics, economics, and regulation could shape the business landscape. With these insights, we aim to help industry leaders stay ahead of the curve in what promises to be an eventful year.

As we begin 2025, we are excited about the renewed momentum in M&A activity and the promising opportunities it brings for our clients and prospects. And, of course, we are also celebrating the Philadelphia Eagles' advance to Super Bowl LIX – reflected in the enthusiasm of our Managing Partners in the images below.

Mark Russell (Managing Partner & Co-Founder) and Michael Lamm (Managing Partner & Co-Founder) at Philadelphia Eagles NFC Championship game.

For the latest insights or to explore how CAS can help you navigate the dynamic M&A market, follow us on LinkedIn or connect with Allie Baurer at abaurer@corpadvisorysolutions.com.

- Michael Lamm & Mark Russell

2025 CONFERENCES

Conferences CAS **Attended**:

IACC Annual Convention

- Michael Lamm (Managing Partner & Co-Founder) attended and spoke at the 2025 IACC Convention in Puerto Rico.

- Conference Summary:
  - Michael's presentation on M&A in the ARM industry covered all aspects of dealmaking related to receivables management in the commercial vertical.
  - In M&A Bootcamp for Law Firms & Agencies: Surviving and Thriving Through Mergers and Acquisitions, Michael explored the state of the ARM industry, key value drivers and detractors in the B2B receivables space, recent notable transactions, the current buyer landscape, and expectations for 2025.

ARM Tech 2025

- Drew Sacher (Vice President) attended and moderated a panel at the ARMTech 2025 Conference.

- Conference Summary:
  - Drew moderated two panels on how companies can leverage analytics to enhance operational, financial, and other business-specific processes.
  - In Understanding the Basics to Start Building Your Own Models and Advanced Modeling Techniques, Drew was joined by Jason Chang from Harris & Harris and Jeremy Nixon from Frost Arnett – two leaders in the ARM industry – to discuss the evolving role of data in shaping the receivables sector.

Conferences CAS **Is Attending**:

RMAI 2025 Annual Conference
February 10-13, 2025
Las Vegas, NV

ACA 2025 Committee of 100 Meeting
February 25-28, 2025
Oahu, HI

2025 ACG Philadelphia SaaS & Tech-Enabled DealSource
May 29, 2025
Lafayette Hill, PA

Conferences CAS **Is Considering Attending**:

ACG New York 17th Annual Healthcare Conference
March 27, 2025
New York, NY

ACA Cybersecurity and Risk Forum
March 31-April 2, 2025
Austin, TX

NCBA 2025 Executive Experience
April 7-10, 2025
Napa, CA

Credit and Collection News Conference
April 22-24, 2025
Naples, FL

2025 FCA Annual Conference
May 19-21, 2025
Orlando, FL

ACA Annual Convention
July 23-25, 2025
Louisville, KY

ACG Philadelphia M&A East 2025
October 14-15, 2025
Philadelphia, PA

2025 NCBA Connect
October 14-17, 2025
San Antonio, TX

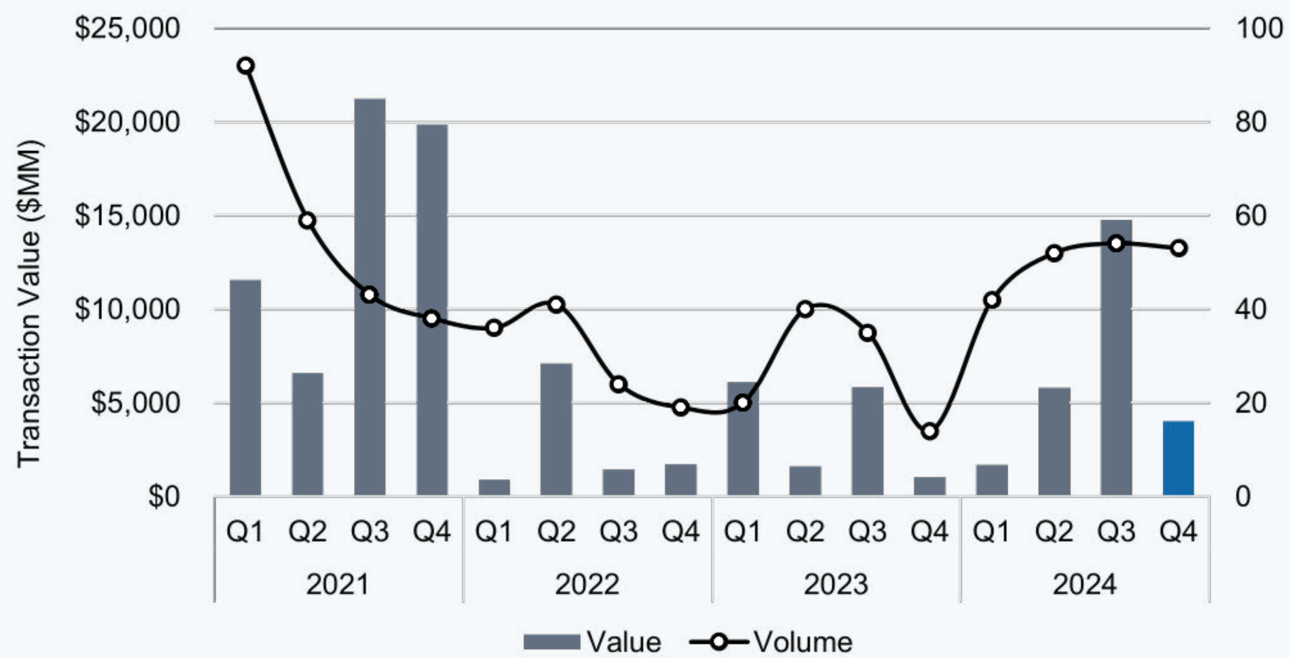
Opal Group Fintech Specialty Forum 2025
December 9-11, 2025
Dana Point, CA

FOURTH QUARTER M&A OVERVIEW

In the fourth quarter of 2024, CAS observed a reversion to the mean in transaction value and a material decline compared to the third quarter of 2024. With 53 transactions totaling just over $4 billion, the fourth quarter saw nearly a 3x increase in both transaction volume and value compared to the same period in 2023.

The primary factor behind the decline in transaction value was the absence of large deals in the global tech-enabled outsourced business services sector, which featured significant outliers in Q3 2024. In Q4, CAS recorded a similar number of platform and add-on M&A transactions. However, platform transaction value dropped sharply from over $12.0 billion in Q3 to just $1.6 billion in Q4, driving the decline.

For the full year of 2024, 201 transactions were announced, with a cumulative transaction value of $26.3 billion – considerably higher than the 109 transactions and $14.6 billion recorded in 2023. This growth in both volume and value reflects the more optimistic deal-making environment witnessed by the CAS team throughout 2024, which is expected to carry into 2025.

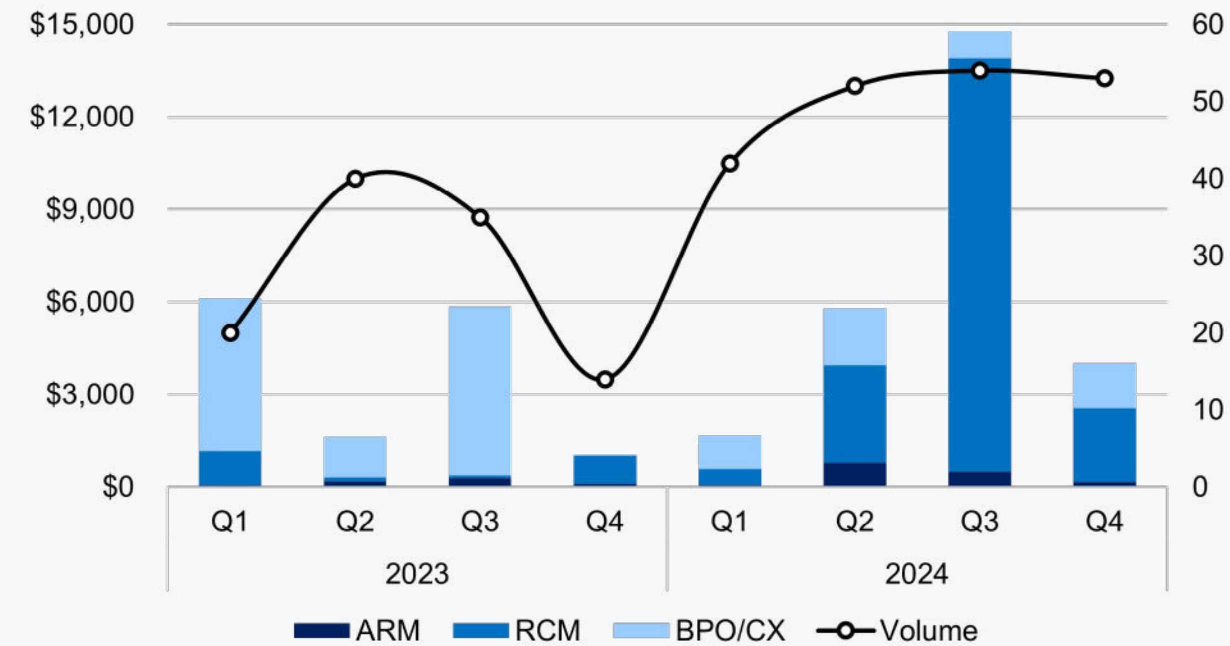


Source: Corporate Advisory Solutions.
**Past performance may not recur, and there is no guarantee of future results.*

Despite subdued transaction value in Q4 2024 compared to Q3, the CAS deal team continues to observe strong signs of a “buyers’ market,” where both strategic and financial acquirers are proactively approaching prospective targets, rather than the reverse scenario of targets actively seeking acquirers. This hesitancy from targets to explore the market is largely driven by the strong political, macroeconomic, and regulatory environment under President Trump’s recently sworn-in administration and the Republican-controlled Congress. Prospective targets are anticipating material short-term tailwinds, with the hope of medium-term valuation increases.

That said, the current acquirer universe remains highly motivated to pursue strategic opportunities, focusing on both platform and add-on acquisitions. This drive is fueled by the need to accelerate growth through inorganic growth strategies and deploy idle cash to achieve above-market returns. The resulting supply-demand imbalance – with strong demand from acquirers and limited supply of targets – is likely to push valuations higher, as acquirers will be forced to pay a premium for the few assets available.

Targets with a unique combination of assets (such as differentiated services, a strong client base, favorable geography, or proprietary technology), coupled with strong tailwinds, robust financial performance, and low supply of M&A targets, are well-positioned to command strong valuation multiples in 2025. For these companies, entering the M&A portal now could yield better outcomes than waiting several years for improved positioning.



Source: Corporate Advisory Solutions.
Past performance may not recur, and there is no guarantee of future results.

The CAS team had a strong close to 2024, completing two M&A engagements in December. Additionally, CAS closed another two transactions in January 2025, marking a strong start to the year, with several more transactions expected to close throughout 2025. Among these four recently announced transactions, CAS served as the buyside advisor on two engagements and the sell-side advisor on the other two. Three transactions were in the ARM industry, while one was in the BPO/CX industry.

The only publicly disclosed transaction was the [merger of Caine & Weiner (C&W) and BARR Credit Services (BARR)](), two ARM firms with over 90 years of individual industry tenure. The combined organization will operate from six strategic locations, offering an expanded suite of services, including commercial and consumer collections, first-party outsourcing, and other solutions.

This merger underscores the ongoing trend of M&A activity within the ARM industry, as companies combine to enhance scale and capabilities to better serve their clients. Key drivers of this trend include digital transformation, evolving client demands, technological advancements, and the push for more comprehensive, integrated solutions.

TECH ENABLED OBS UPDATES

TRANSACTION ACTIVITY OVERVIEW:

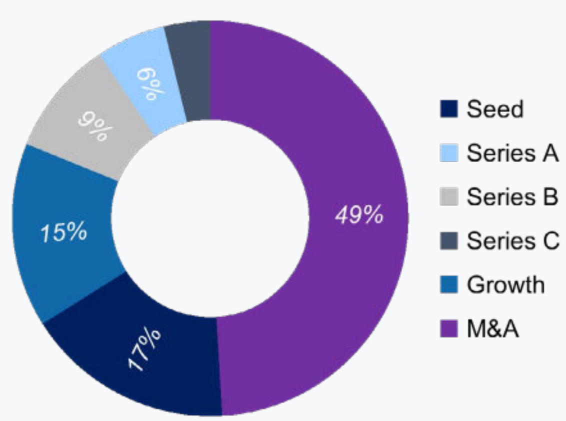
In Q4 2024, CAS observed a similar distribution of transaction volume by type, spanning early capital raising (Seed and Series A funding), growth funding (Series B, Series C, and Growth investments), and M&A transactions, with just over 50 transactions recorded during the quarter.

Focusing on early capital raising – while Seed and Series A funding accounted for 24% of total transaction volume in Q3 2024 – this proportion slightly decreased to 23% in Q4, representing minimal change. Angel investors and venture capitalists across the ARM, RCM, and BPO/CX industries continue to invest heavily in startups, the majority of which are developing AI-enabled solutions tailored to their respective sectors. While some of these emerging technologies are expected to drive platform shifts in their industries, there is growing concern among market participants about potential overspending on solutions that may not yet be essential. This skepticism was notably highlighted in a recent interview with Jim Covello, Goldman Sachs' head of stock research.

Growth funding represented 29% of total transactions in Q4 2024, a slight increase from 28% in Q3. Companies at this stage remain focused on scaling specific segments of their business, with typical growth areas including further R&D investment, geographic expansion, and increased business development spending to drive organic growth and build a sustainable client base.

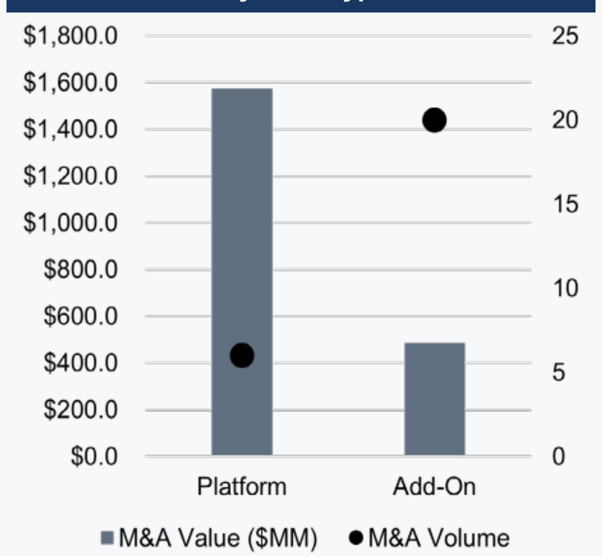
M&A transactions once again accounted for roughly half of all activity during the quarter, with CAS observing diverse strategic rationales across industries. In the RCM industry, consolidation efforts continue to dominate, as companies seek to integrate front-, mid-, and back-end solutions to achieve the status of all-in-one providers. Meanwhile, in the ARM industry, emerging technology leaders are increasingly acquiring agencies to implement their innovations. In the BPO/CX industry, transactions are driven by efforts to achieve cost synergies while expanding geographic capabilities for clients.

Transaction Volume by Transaction Type



Source: Corporate Advisory Solutions.

Value & Volume by M&A Type



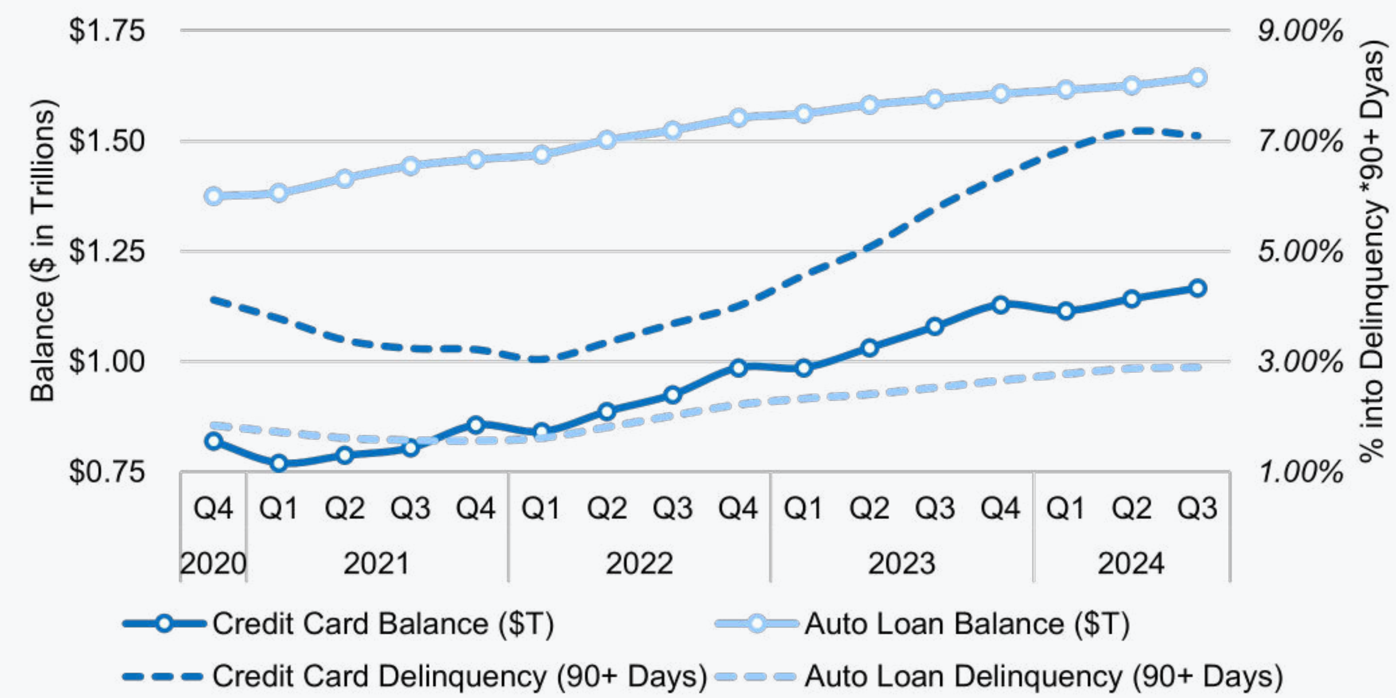
Source: Corporate Advisory Solutions.

CURRENT INDUSTRY TRENDS:

Accounts Receivables Management

The Accounts Receivables Management (ARM) industry remains centered on the regulatory and compliance impacts of President Trump's administration (more on that in Sector Outlook) and the ongoing discussion about the state of the U.S. consumer. According to the Federal Reserve Bank of New York's most recent quarterly report on household debt and credit, total debt balances continue to rise, reaching an estimated $17.94 trillion, as of Q3 2024. Nonetheless, the growth in delinquencies has slowed, with delinquencies in some categories showing stagnant or limited increases.

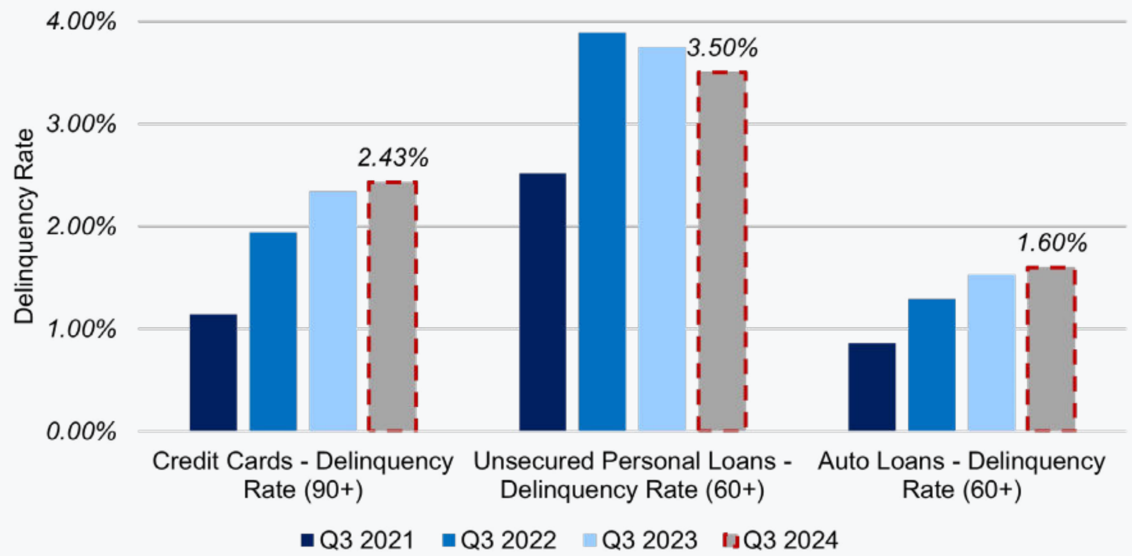
Two key asset classes – credit cards and auto loans – serve as strong indicators of consumer financial health due to their sensitivity to early financial stress. While both categories continue to see steady debt balance growth, the trend of sharp increases in serious delinquency rates observed in previous quarters has moderated. For credit cards, delinquency rates have even begun to decline.



Source: Q3 2024 Household Debt and Credit Report (Federal Reserve Bank of New York).

Insights from TransUnion's Q3 2024 Credit Industry Report reflect a similar pattern of stabilizing or declining delinquency rates. This combination of rising debt balances and flat or declining delinquencies suggests that the average U.S. consumer's financial situation may be "manageable." However, rather than a uniformly stable environment, it is more likely that different segments of the population are experiencing varying levels of financial wellness, with some outperforming or underperforming relative to the median.

For industry operators, such as collection agencies and debt buyers, this environment offers a favorable balance: a steady supply of fresh accounts to collect on and consumers who are not in significant financial distress, potentially leading to higher liquidation rates. The upcoming performance during late Q1 and early Q2 2024 (tax season) will provide further insights into the financial state of the U.S. consumer.



Source: Q3 2024 Credit Industry Insights Report (TransUnion).

The debt purchasing vertical continues to thrive in a highly favorable environment, with nearly all factors working to its benefit. Two major U.S. publicly traded debt purchasers, Encore and PRA Group, reported strong growth across collections, purchases, and estimated remaining collections (ERC). These results underscore the advantages of operating in a market characterized by a robust supply of fresh paper and elevated liquidation rates from in-house and/or outsourced collection operations.

An intriguing development in the consumer debt purchasing space is the recent surge in debt sale activity between non-bank lenders and private equity groups, as the latter seek increased exposure to the ARM industry. In Q4 2024 alone, four significant debt sale deals were announced between non-bank lenders and private equity firms. These transactions enable originators to offload loans, freeing up capital for new underwriting, while financial investors secure forward-flow agreements to collect on through their servicing partnerships. Notable deals include Affirm, Klarna, Upstart, and SoFi selling billions in loans to Sixth Street, Elliott, Blue Owl, and Fortress, respectively.

Another noteworthy trend the CAS team has observed over the past 12 months is a substantial uptick in the debt settlement/relief space, as more consumers seek solutions in response to rising delinquencies. This sector, which includes debt settlement lead generation companies and emerging data-driven debt settlement/relief providers, is poised for a strong year in 2025. The increase in delinquencies, coupled with a shift in public perception, is driving growth. This broader acceptance is evident in a recent survey from Debt.com, which shows that a majority of respondents are not only aware of debt settlement options but are also considering them as a more effective solution than declaring bankruptcy – a considerable shift from historical trends.

In asset-class-specific developments, the ARM industry is beginning to see the direct impact of President Trump's administration. In the student loans vertical, which faced significant challenges during President Biden's administration, there is now a gradual return to normalcy. With the resumption of student loan repayments in September 2023 and the end of the on-ramp period in September 2024, federal government intervention in the sector appears to be winding down. This shift is further underscored by President Trump's Department of Justice (DOJ) asking the Supreme Court to pause several cases, as it reconsiders President Biden's student loan forgiveness policy.

On the other hand, in the healthcare receivables vertical, agency operators are facing several material challenges, despite recent positive news from Washington indicating a strong likelihood that the CFPB's final rule removing medical bills from credit reports will be repealed under President Trump's orders. Even before the CFPB's official announcement of the ban on reporting medical bills, healthcare-focused agencies were already contending with severe headwinds, including – but not limited to – lower commissions on collected debt and significantly higher regulatory and administrative costs.

Smaller agencies, lacking sufficient resources to deploy, continue to struggle on both the top-line and bottom-line fronts. In response, they are implementing revenue growth and cost-cutting initiatives. But for smaller agencies specifically, strategies such as process and workflow automation, deploying non-voice technologies (e.g., emails, texts, chatbots, etc.), seeking greater settlement authority with clients, or charging interest where permitted, can only yield limited incremental revenue and cost savings.

CAS predicts that even with estimated performance improvements under a business-friendly Trump administration, small- and medium-sized agencies will continue to experience financial declines, driving further M&A activity and industry consolidation. This consolidation trend extends beyond healthcare receivables to other verticals, where operators lacking resources and competitive advantages face significant challenges. Another segment of the ARM industry likely to experience further consolidation is debt collection law firms, which are under unprecedented pressure from larger enterprises actively deploying AI to optimize processes and improve efficiency.

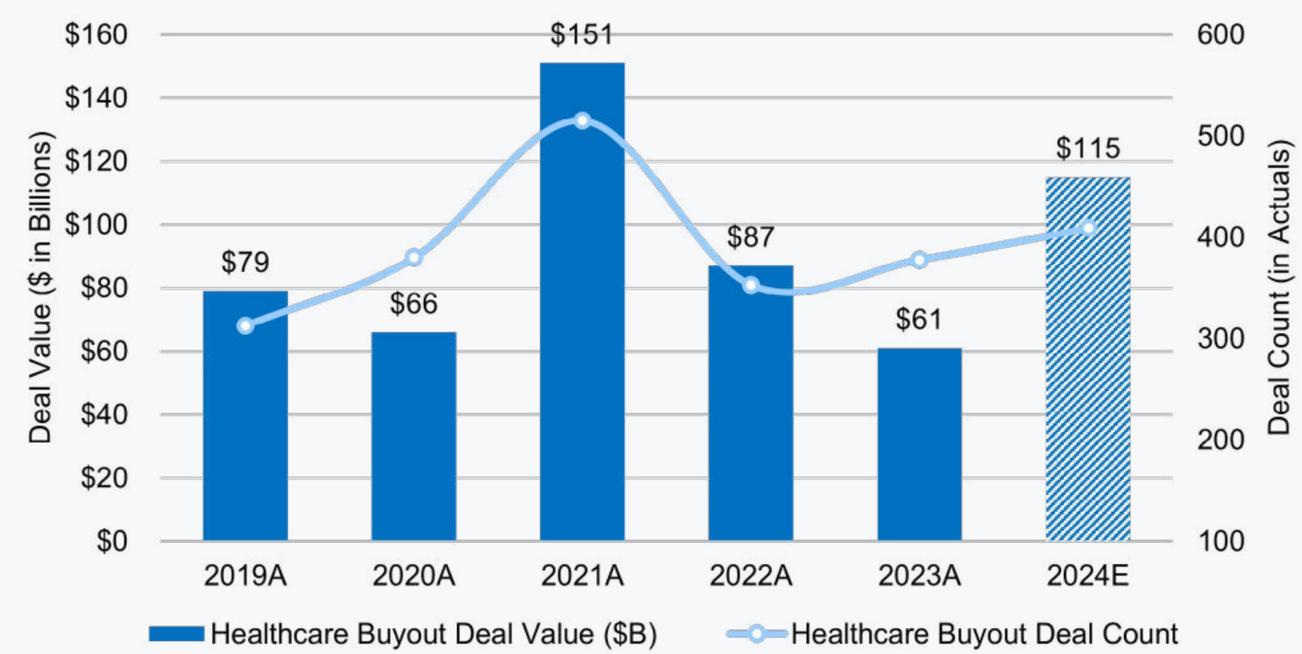
From a technological standpoint in the ARM industry, the implementation of omnichannel strategies in collections remains a top priority for agency owners and operators. Omnichannel recovery enables agencies to engage customers seamlessly across multiple channels – such as phone, email, text, and chat – ensuring a consistent and intuitive experience. By offering this flexibility and meeting customers on their preferred platforms, agency operators can drive engagement, strengthen relationships, and enhance liquidation rates. While AI adoption is in full swing within the tech-enabled sector, agencies still operating on legacy platforms are focusing on mastering omnichannel strategies before implementing AI/ML technologies to drive further efficiencies.

Revenue Cycle Management

In the healthcare Revenue Cycle Management (RCM) industry, consolidation remains the dominant theme, driven by trends not only within the RCM industry but across the broader healthcare ecosystem. These consolidations are deeply interconnected, as ongoing provider and payor mergers – spurred by both consumer and business demands – position RCM vendors as integral players in facilitating and streamlining this transition.

Private equity continues to play a leading role in this transformation, reshaping the ecosystem by driving operational efficiencies and enhancing profitability. As providers and payors aim to optimize margins and streamline processes, they increasingly rely on RCM vendors, making the sector particularly attractive to private equity investors.

This trend is exemplified by heightened deal activity within the healthcare space, with private equity firms actively consolidating multiple RCM vendors into unified entities that provide comprehensive front-, middle-, and back-end RCM solutions. According to Bain & Company's 2024 Healthcare Private Equity Market report, the total value of healthcare buyout deals, excluding add-ons, is projected to nearly double compared to the previous year, underscoring the scale and momentum of this platform transformation.



Source: 2024 Healthcare Private Equity Market Report (Bain & Company).

The second major theme in the industry, closely tied to ongoing consolidation and investment, is the heightened focus on technology, automation, and security. Rising administrative costs, persistent staffing shortages for both providers and payors, and the public backlash following the assassination of UnitedHealthcare's CEO are placing immense pressure on companies to drive top-line growth while reducing expenses. This requires greater visibility into workflows and processes through automation, as well as leading the charge with AI-enabled systems.

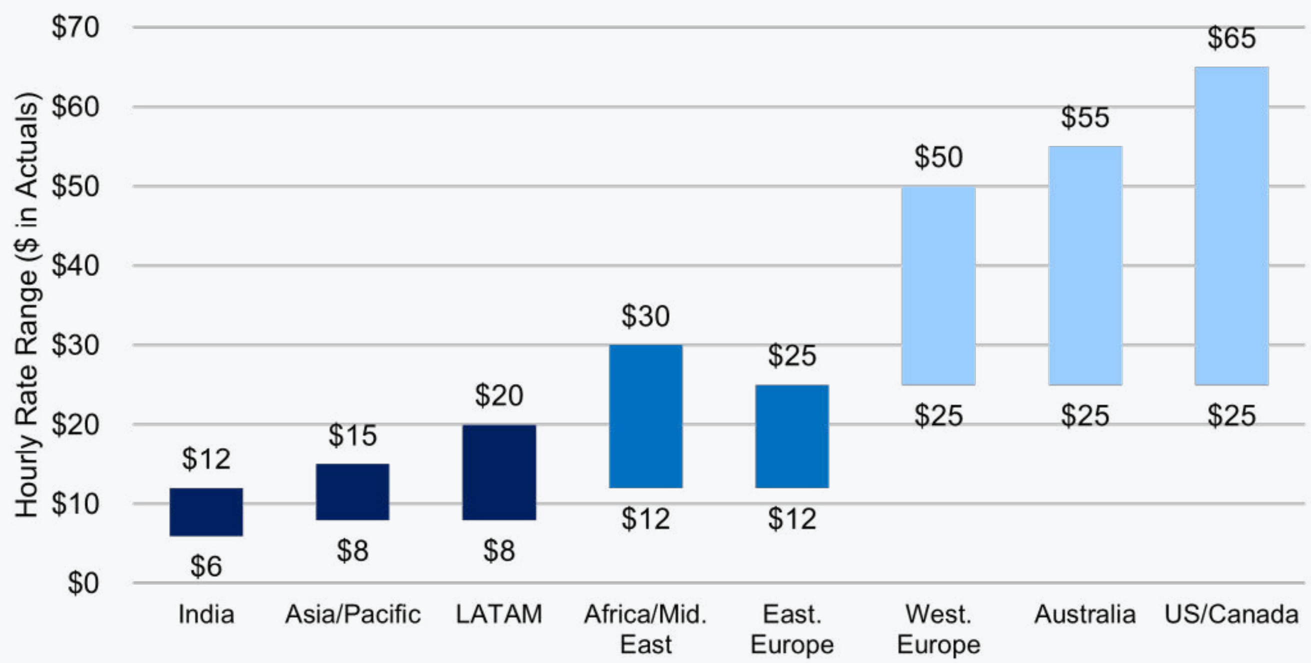
These challenges, combined with the growing threat of data breaches, security incidents, and cybersecurity attacks, are prompting both providers and vendors to boost in-house investments in IT systems. At the same time, RCM vendors must play a key role in this technological revolution, continuing to innovate and integrate new tools into their service offerings.

Business Process Outsourcing/Customer Experience

A trending topic in the Business Process Outsourcing (BPO) and Customer Experience (CX) industry – spanning call
centers, contact centers, and other specialized outsourcing providers – is the potential impact of President Trump's reshoring rhetoric. Thus far, the administration's focus has primarily been on reshoring manufacturing jobs to the United States, with little attention directed toward the services industry, including outsourcing.

Unless the administration shifts its focus to directly target the services sector, CAS does not anticipate BPO/CX providers voluntarily reshoring operations, given the significant advantages of nearshore and offshore workforce availability. Key benefits include faster hiring due to larger talent pools, greater efficiency stemming from a willingness to perform routine and repetitive tasks, and, most critically, cost savings.

Recent research by Nextiva highlights the substantial cost advantages of nearshore and offshore outsourcing compared to developed economies. For example, popular outsourcing destinations, such as the Philippines, India, and countries in Latin America, offer hourly agent rates ranging from $6 to $20, whereas developed economies typically incur costs between $25 and $65 per hour



Source: Cost of Call Center (Nextiva).

Another prominent trend, discussed alongside the potential of reshoring, is the impact of artificial intelligence (AI) and machine learning (ML) on the BPO/CX industry. AI/ML technologies are poised to reshape industry operations substantially, but it is essential to consider the timing of this shift, the nuances driving these changes, and the trade-offs compared to the traditional human workforce.

Recent research from seasalt.ai offers a detailed analysis of the costs, benefits, and drawbacks of human agents, AI-enabled solutions, and fully AI/ML-powered systems. Interestingly, the narrative that AI will entirely replace human agents is debatable. While human agents face challenges such as higher costs, inefficiencies, and other operational limitations, fully autonomous AI/ML solutions also present hurdles. These include high costs tied to computing power requirements, as seen with solutions like GPT-4o Realtime, and limitations in understanding nuances such as sarcasm, emotional cues, and conversational personalization – key elements in traditional BPO/CX interactions.

Option	Running Price per Hour	Starting Price	Pro(s)	Con(s)
OpenAI Realtime API	$60	$$$ (need professional API integration)	(1) Super responsive w/ no delay; (2) Perfect English; (3) Perfect interuption handling	(1) All API based; (2) Expensive to train and deploy
Onshore On Demand Human Agents	$80	$ (need to train human agents)	(1) Native English; (2) do simple tasks such as reservation	(1) Must buy a package (starting at xx minutes); (2) Performance varies by agents; (3) limited integration with your system
Offshore Long Term Human Agents	$5	$ (need to train human agents)	(1) Affordable; (2) Can be trained to use your internal system	(1) Not stable, affected by infrastructure outage; (2) Higher churn rate
Integrated Voice AI Agents	$7	$$ (APIs and RAG available, need integration)	(1) Affordable; (2) More mature tooling; (3) Built-in integration with calendar, CRM, workflows.	(1) Not as responsive as OpenAI Realtime API; (2) Stacked components might be clunky

Source: OpenAI vs. Human vs. VoiceAI cost comparison (seasalt.ai).

The medium-term trajectory for the BPO/CX industry likely lies in integrated AI solutions, blending human expertise with AI efficiency. AI can manage most Tier 1-level tasks, driving down costs and improving efficiency, but lacks the capability to handle more complex Tier 2+ responsibilities, where human agents excel in resolving escalated or nuanced issues.

CAS also anticipates significant growth opportunities for the BPO/CX industry driven by these integrated AI solutions. As companies increasingly focus resources on their core competencies, back-office functions are likely to be outsourced to specialized providers. This trend positions BPO/CX vendors to generate additional revenue from new streams previously managed in-house, further bolstering industry growth over the long term.

SECTOR OUTLOOK:

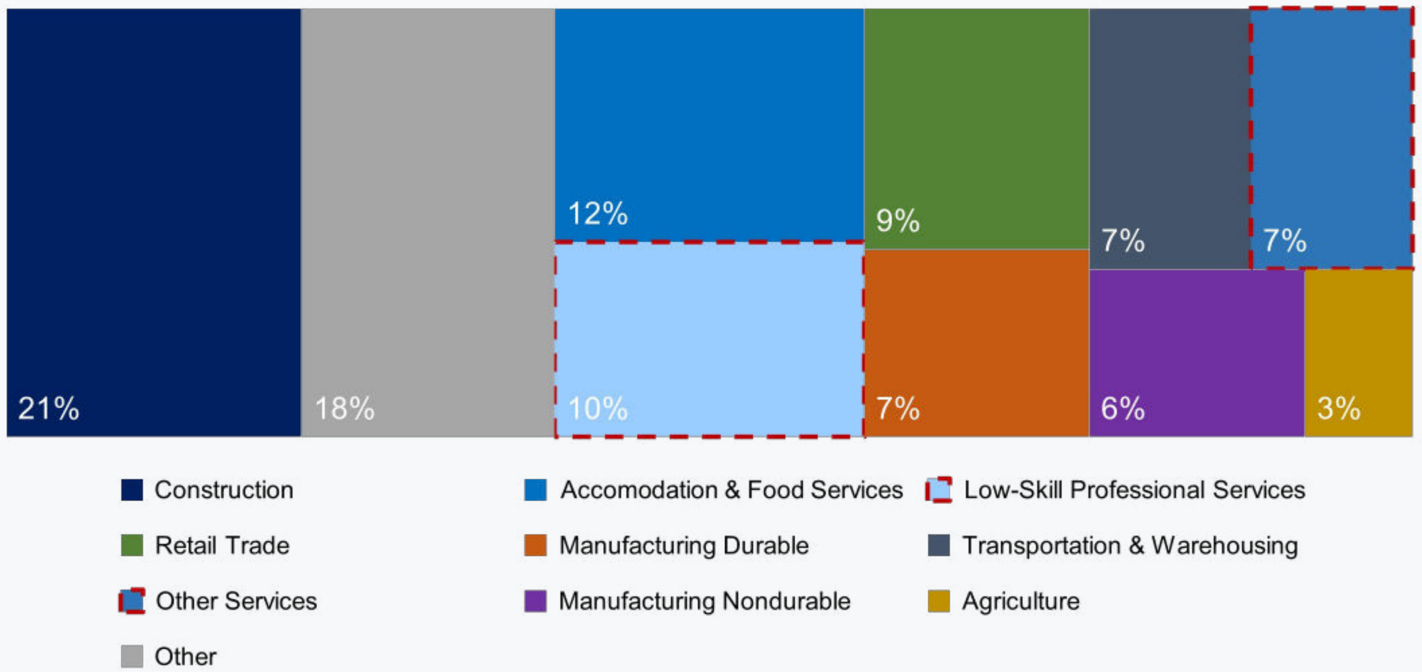
Geopolitics

The primary non-industry-specific geopolitics factor influencing the tech-enabled OBS sector in Q4 2024, and more critically in Q1 2025, is the impact of President Trump's second administration on the sector.

In our Q3 2024 newsletter, released just before the presidential election, the CAS team outlined potential scenarios and implications for the sector under different election outcomes. The eventual GOP sweep – President Trump winning the presidency alongside GOP control of both the House and Senate – included predictions related to taxes and capital gains rates, deregulation and compliance, and immigration policy. Early indications from President Trump's first few days in office suggest immigration will be the administration's initial focus, with taxes and deregulation likely to take center stage after the "first 100 days."

Regarding immigration, CAS predicted that stricter policies would limit labor supply, potentially driving increased demand for offshoring. While initial actions from the administration suggest a commitment to stricter immigration enforcement, the full effects on the tech-enabled OBS sector remain uncertain and are expected to materialize later in 2025, as the new administration's policies take shape.

Analyzing the potential impact of immigration policy on the sector, verticals reliant on low-skill professional services – such as data entry, customer support, administrative tasks, and other similar roles – are likely to feel the greatest effect during this administration.



Source: Industries Most Exposed to Changes in Immigration Policy (Goldman Sachs).

CAS also anticipates that the other two focal points – taxes/capital gains and deregulation/compliance – will likely act as tailwinds for the tech-enabled OBS industry and its owners. The CAS team will continue to monitor and analyze developments under the new administration and their implications for the sector.

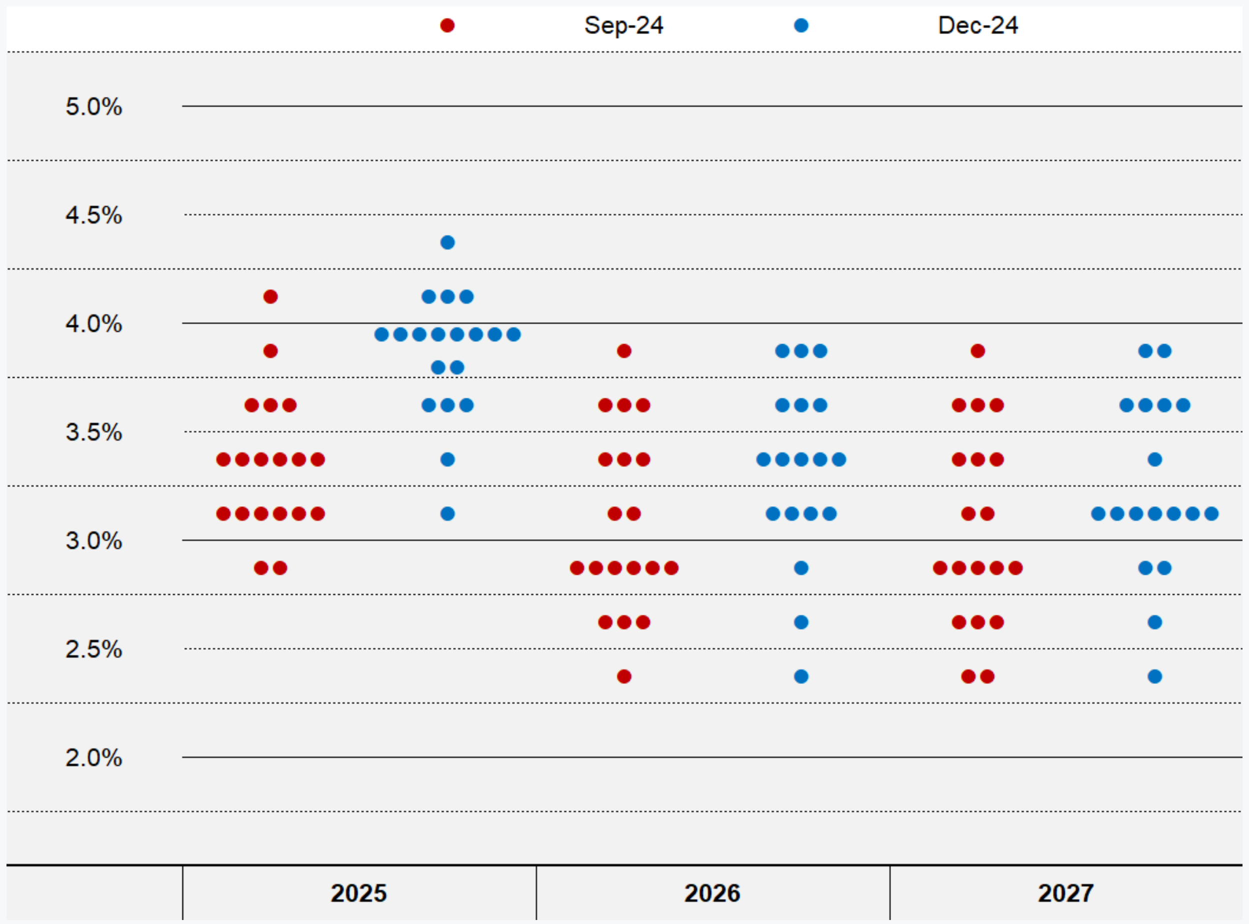
Macroeconomy

From a macroeconomic perspective, after several months of intense discussions regarding the state of the U.S. labor market – with less focus on inflation – the conversation seems to be shifting once again. With the U.S. unemployment rate holding steady at a historically low 4% and strong GDP growth around 3%, inflation and interest rate policy remain central to current macroeconomic discussions.

Since the U.S. Federal Reserve (FED) initiated its cutting policy in September 2024, reducing the FED funds rate by 100 basis points to the 4.25% - 4.50% range, it appears that central bankers are now poised to pause further rate cuts. This shift is driven by persistent inflationary pressures, as well as potential inflationary headwinds stemming from the policies of the Trump administration.

The consumer price index (CPI), a key measure of inflation, remains stubbornly high at 3%, well above the long-term target of 2%. Furthermore, the likely agenda of a GOP-controlled presidency and Congress, which may include tax cuts and additional discretionary spending, is expected to inject billions into the economy, potentially intensifying inflationary pressures.

This concern about inflation is evident when comparing the Federal Reserve's dot plots – the long-term projected FED funds rates – from September 2024 to December 2024. The updated dot plots show that central bankers are revising their expectations upward, with the majority anticipating the FED funds rate will end 2025 in the 4.00% to 3.75% range. This is just 50 basis points below the current range and represents a shift from earlier estimates.



Source:Summary of Economic Projections (Federal Reserve Board).

This shift in the Federal Reserve's projected interest rate policy could have a vital impact on the tech-enabled OBS sector, particularly for mid-market businesses, larger enterprises, and sector acquirers. From a strategic standpoint, the expectation of higher interest rates compared to previous estimates implies a higher cost of capital in the near term. Businesses and enterprises looking to raise debt financing may face elevated interest rates, potentially limiting their borrowing capacity and restricting investment opportunities.

From a financial perspective, this shift also has meaningful implications for both strategic and financial acquirers, especially those aiming to capitalize on a favorable M&A environment under President Trump. Higher interest rates will make financing acquisitions, particularly for financial acquirers, more challenging and could dampen the high deal-making activity seen over the past three months. That said, private equity firms still have record-high dry powder, many fund lifecycles are nearing completion, and there is a strong demand for liquidity, all of which suggest that M&A activity will remain robust, even with slightly higher interest rates than initially expected.

Regulatory, Legal, & Compliance

There were undeniably high expectations for the President Trump administration's impact on regulatory, legal, and compliance policies affecting the tech-enabled OBS sector. However, the anticipated push for deregulation and cutting red tape has not been as swift or dramatic as initially expected.

In the first few days of the administration, it became clear that government efficiency – through rightsizing the workforce, establishing the Department of Government Efficiency (DOGE), and identifying initial operational savings – was the priority for Republicans. While widespread expectations called for immediate deregulation, there have yet to be noteworthy impacts on the tech-enabled OBS sector.


The CFPB Director, Rohit Chopra

Another surprising aspect has been the lack of urgency with which the administration has operated in its early days. A notable example is the Consumer Financial Protection Bureau (CFPB). Discussions with key industry players indicated that the CFPB might either be shut down or undergo significant operational changes under the new administration. Two weeks into President Trump's second administration, there has been a lack of significant movement at the agency, including the retention of President Biden-nominated director, Rohit Chopra, as the leader of the top financial regulator.

As of February 3, 2025, there has been a meaningful update, though many questions remain unanswered, including the agency's future role in consumer protection and industry regulation. On February 1, 2025, President Trump officially announced that Rohit Chopra is no longer the director of the CFPB. A couple of days later, on February 3, 2025, President Trump named Treasury Secretary Scott Bessent as the acting head of the CFPB until a permanent director is appointed.

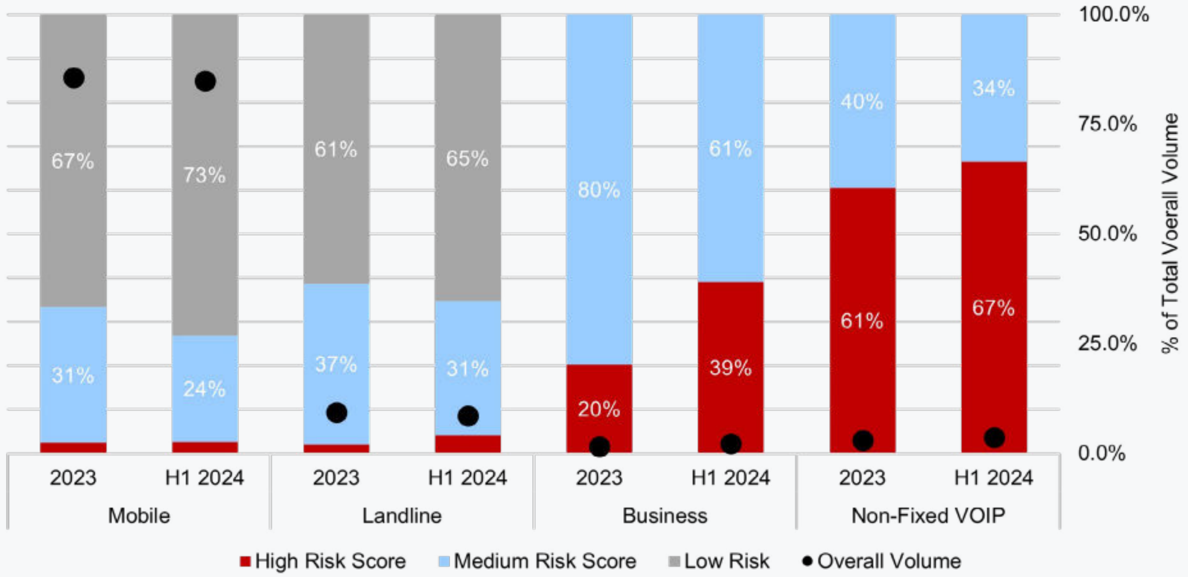
While it is likely that these dramatic regulatory shifts are yet to come and were not an immediate priority on President Trump's agenda, there is still a strong expectation from ARM, RCM, and BPO/CX operators that such changes will occur relatively soon. We have yet to see the direction the CFPB will take under the new head, but based on his statement, there is a possibility of either retaining or potentially expanding the populist and consumer-friendly policies shared during the transition period.

Technology & Cybersecurity

While AI/ML and its impact on the tech-enabled OBS sector remain the dominant discussion across industries – and are extensively covered throughout this newsletter – it is equally important to address cybersecurity, omnichannel fraud, and other security-linked challenges. These issues significantly influence the sector, which relies on consumer-heavy datasets that naturally attract cybercriminals due to the high return on investment (ROI) associated with stolen information, such as Social Security numbers (SSNs), credit card details, and other personally identifiable information (PII).

For example, TransUnion's latest report on the state of omnichannel fraud highlights the increasing risks faced by call centers, a critical component of the tech-enabled OBS sector. Among business leaders familiar with fraud-related activities in call centers, 43% reported a rise in attacks over the past year, while 59% indicated that stolen personal information is commonly used to bypass knowledge-based authentication. These findings underscore the growing vulnerabilities in the sector.

A deeper analysis of specific channels reveals that alternative contact methods, such as non-fixed Voice over Internet Protocol (VoIP) – a phone number not tied to a physical device – are increasingly exploited for fraudulent activities. Although non-fixed VoIP calls account for a small proportion of overall call volume, nearly two-thirds of these calls are classified as very high risk.



Source:State of Omnichannel Fraud Report (TransUnion).

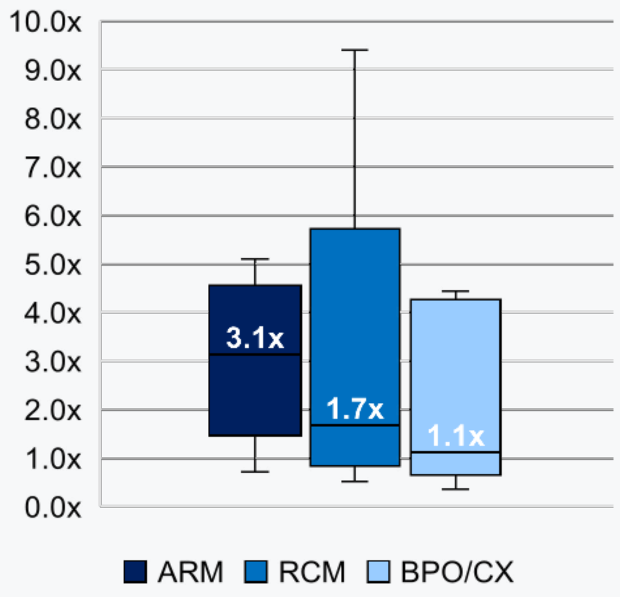
This trend of escalating fraud-related activity is expected to grow exponentially as AI/ML-enabled tools enable more advanced impersonation techniques. Businesses in the tech-enabled OBS sector will likely face mounting pressure to increase security spending, driving down margins. This dynamic is particularly challenging for small- and medium-sized businesses, which often lack the resources of national enterprises to adequately address these evolving threats.

VALUATION & PERFORMANCE:

Valuations of publicly traded companies in the tech-enabled OBS sector as of December 31, 2024, showed a slight decline compared to the previous quarter but remained within a similar range to the end of Q3 2024.

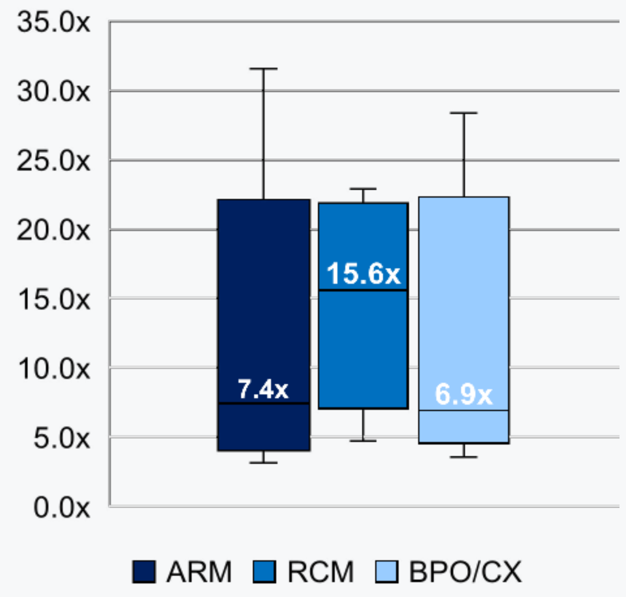
Publicly traded companies in the ARM industry, over the trailing twelve months (TTM), reported a median EBITDA margin of 30.7% and an enterprise value of approximately $1.1 billion. The RCM industry, however, experienced more significant valuation deviations compared to ARM and BPO/CX industries due to a limited number of publicly traded comparables. This variability is partly attributed to several public leveraged buyouts that took place over the last year. Additionally, the EV/EBITDA for the RCM industry is slightly inflated, as many companies in this space operate with negative profitability and were therefore excluded from the calculation. Meanwhile, publicly traded companies in the BPO/CX industry had a median EBITDA margin of 16.0% and a median enterprise value of $7.2 billion.

Public Company EV/Revenue Valuations



Source: Corporate Advisory Solutions.

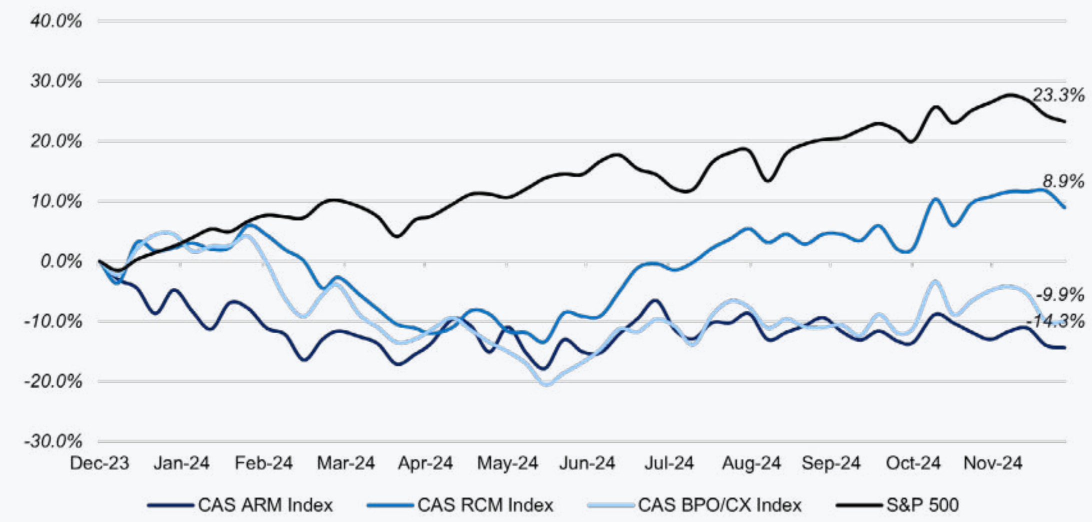
Public Company EV/EBITDA Valuations



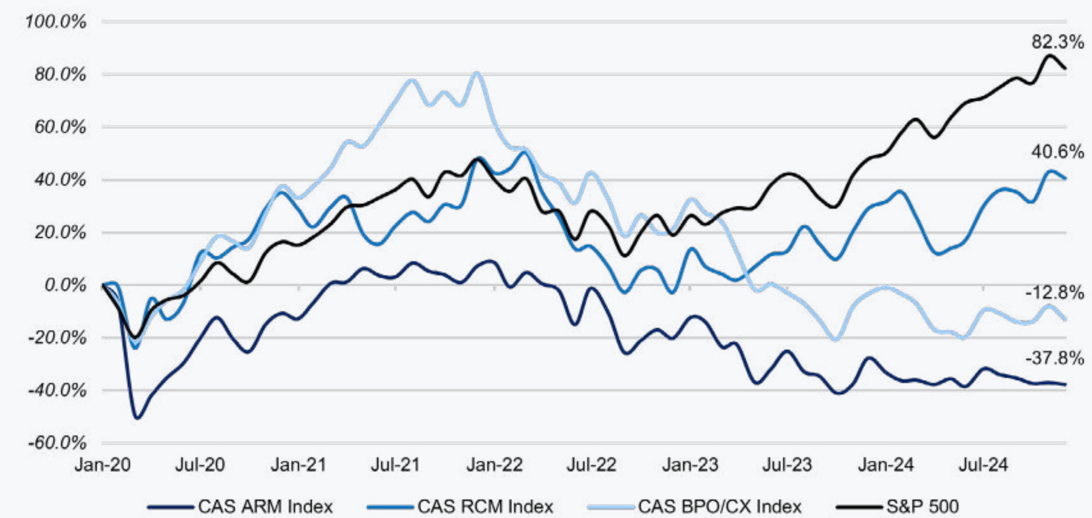
Source: Corporate Advisory Solutions.

The tech-enabled OBS sector, consisting of publicly traded companies in ARM, RCM, and BPO/CX industries as of December 31, 2024, continues to underperform the broader market, represented by the S&P 500.
This underperformance is driven not only by the S&P 500's tech-heavy composition, which has benefitted from the AI/ML boom post-ChatGPT launch in November 2022, but also by industry-specific challenges.

Publicly traded ARM companies, like KRUK, Encore Capital Group, and PRA Group, have yet to capitalize on the debt purchased in recent quarters. European debt buyers, such as doValue and Intrum, continue to struggle due to high-cost purchases in the COVID-driven market and weaker collection performance. RCM companies saw positive performance over the TTM period, boosted by a growing reliance on software and outsourcing. Notwithstanding the aforementioned, much of the growth stems from leveraged buyouts, with companies like R1 RCM and Model-N being acquired in 2024, artificially inflating sector performance. Finally, BPO/CX companies lagged in 2024, as investors remain uncertain about AI/ML's long-term impact. This trend is evident in the last five years of performance, where BPO/CX companies fell as the broader market surged due to AI/ML advances.



Source: FactSet, Corporate Advisory Solutions – Trailing Twelve Months (TTM) - Data as of December 31, 2024.



Source: FactSet, Corporate Advisory Solutions – Last Five Years - Data as of December 31, 2024.

Please note that the valuations and performance discussed pertain specifically to publicly traded companies, which typically command higher valuations compared to private companies due to various factors, resulting in lower multiples for private entities.

PUBLIC COMPARABLES

$ in Millions	As of 12/31/2024	Price	% of52 Week High	MarketCap	EnterpriseValue	Revenue	EBITDA	EBITDA Margin	EV/Revenue	EV/EBITDA
Accounts Receivable Management (ARM)	KRUK S.A.	$100.7	81.8%	$1,951.0	$892.7	$444.0	$242.9	54.7%	2.0x	3.7x
	Encore Capital Group, Inc.	$47.8	87.6%	$1,131.7	$4,434.9	$1,222.0	$321.9	26.3%	3.6x	13.8x
	PRA Group, Inc.	$20.9	66.5%	$823.6	$4,214.1	$825.7	$133.5	16.2%	5.1x	31.6x
	Hoist Finance AB	$8.2	83.9%	$714.5	$1,587.3	$350.9	$94.2	26.8%	4.5x	16.9x
	Credit Corp Group Limited	$9.9	76.2%	$673.9	$940.3	$335.2	$137.7	41.1%	2.8x	6.8x
	B2 Impact ASA	$0.9	92.9%	$326.4	$1,150.9	$332.5	$171.1	51.5%	3.5x	6.7x
	Intrum AB	$2.5	36.6%	$299.1	$5,200.1	$1,872.5	$547.9	29.3%	2.8x	9.5x
	Axactor ASA	$0.3	65.8%	$98.2	$1,139.6	$275.7	$142.7	51.8%	4.1x	8.0x
	Heritage Global Inc.	$1.9	59.9%	$67.2	$43.7	$60.5	$13.9	22.9%	0.7x	3.1x
	doValue S.p.A.	$1.5	29.8%	$66.6	$721.7	$526.1	$168.6	32.1%	1.4x	4.3x
Median			71.3%	$500.2	$1,145.3	$397.4	$155.7	30.7%	3.1x	7.4x
Revenue Cycle Management (RCM)	Cognizant Technology Solutic	$76.9	93.3%	$38,142.4	$37,980.4	$19,353.0	$3,463.0	17.9%	2.0x	11.0x
	Waystar Holding Corp.	$36.7	91.3%	$6,315.6	$7,436.6	$791.0	$324.9	41.1%	9.4x	22.9x
	TruBridge, Inc.	$19.7	83.4%	$294.4	$465.6	$335.6	$23.0	6.9%	1.4x	20.2x
	CareCloud, Inc.	$3.7	75.6%	$59.4	$60.5	$117.1	$12.8	11.0%	0.5x	4.7x
	Everyday People Financial In	$0.3	56.7%	$40.0	$57.9	$28.1	($2.3)	-8.3%	2.1x	N/M
	Streamline Health Solutions, I	$3.8	38.6%	$16.0	$25.0	$23.1	($3.7)	-16.1%	1.1x	N/M
Median			79.5%	$176.9	$263.0	$226.3	$17.9	8.9%	1.7x	15.6x
Business Process Outsourcing/ Customer Experience (BPO/CX)	NICE Ltd. Sponsored ADR	$169.8	62.7%	$10,677.7	$9,728.0	$2,377.5	$598.3	25.2%	4.1x	16.3x
	Genpact Limited	$43.0	89.5%	$7,574.1	$8,409.4	$4,475.6	$713.5	15.9%	1.9x	11.8x
	ExlService Holdings, Inc.	$44.4	88.6%	$7,139.9	$7,232.8	$1,630.7	$298.5	18.3%	4.4x	24.2x
	Teleperformance SE	$86.1	52.9%	$5,126.4	$10,093.9	$9,021.9	$1,764.4	19.6%	1.1x	5.7x
	Firstsource Solutions Limited	$4.4	89.1%	$3,021.1	$3,261.3	$753.4	$115.0	15.3%	4.3x	28.3x
	Concentrix Corporation	$43.3	46.1%	$2,779.6	$8,121.4	$7,369.9	$1,176.1	16.0%	1.1x	6.9x
	TELUS International (CDA), Ir	$3.9	34.1%	$1,080.3	$2,531.3	$2,708.0	$562.0	20.8%	0.9x	4.5x
	Conduent, Inc.	$4.0	88.0%	$646.0	$1,325.0	$3,722.0	$369.0	9.9%	0.4x	3.6x
	TTEC Holdings, Inc.	$5.0	22.7%	$238.1	$1,299.2	$2,458.9	$235.1	9.6%	0.5x	5.5x
Median			62.7%	$3,021.1	$7,232.8	$2,708.0	$562.0	16.0%	1.1x	6.9x
Overall Median			75.6%	$714.5	$1,587.3	$791.0	$235.1	19.6%	2.0x	8.0x

Source: FactSet, Corporate Advisory Solutions – Data as of December 31, 2024.

KEY TAKEAWAYS

Analyzing the fourth quarter of 2024, the tech-enabled OBS sector experienced a return to the mean in transaction value, while transaction volume remained robust. Overall, 2024 proved to be a stronger year for M&A activity compared to 2023. A key theme in Q4 was buyers actively pursuing high-quality targets for strategic purposes – a trend expected to continue well into 2025.

Each industry within the sector faces unique dynamics. The ARM industry is closely monitoring the U.S. consumer landscape, grappling with rising debt levels and stagnant delinquencies. Industry operators are particularly focused on the upcoming tax season and how consumer behavior will impact debt repayment trends.

In the RCM industry, consolidation remains a dominant trend, as providers and payors increasingly seek digitalized, end-to-end solutions. Private equity interest is strong, with established platforms driving a wave of add-on transactions to create comprehensive solutions spanning the front, middle, and back of RCM operations.

The BPO/CX industry is reevaluating its operational models amid transformative factors. President Trump's new administration introduces potential shifts in immigration and reshoring policies, while advancements in AI/ML technologies pose critical questions about efficiency and scalability for the industry's future.

Across the tech-enabled OBS sector, operators are watching the Trump administration's first year closely, anticipating policy changes in immigration, taxes, capital gains, deregulation, and potential shifts in Federal Reserve interest rate policies amidst persistent inflation. These factors, along with CFPB oversight, are expected to significantly impact business models and M&A activity.

Looking ahead, the CAS team anticipates strong M&A activity in 2025 across all industries in the sector. A combination of strategic and financial acquirers will drive inorganic growth, capitalizing on pro-business policies and market-specific opportunities.

At Corporate Advisory Solutions, we remain committed to navigating these evolving trends and assisting clients in seizing opportunities for growth and expansion in this dynamic market. We invite you to reach out to us to explore how we can help your business thrive amidst these changing landscapes.

ABOUT CAS,

Global Tech-Enabled OBS Focus

Corporate Advisory Solutions, LLC ("CAS") is an Independent Investment and Merchant Banking firm (Securities conducted through Finalis Securities Member FINRA/SiPC)* dedicated to partnering with clients to maximize shareholder value through a suite of transaction advisory and strategic advisory services on a domestic and international basis. While we serve a broad range of clients within the Tech-Enabled Outsourced Business Services (OBS) industries, our specialized focus is on partnering with tech-forward companies that are innovating within this space

Valuation Services

- Market Valuation Assessment
- Compliance Assessment
- Key Value Drivers and Detractors
- General Market Trend Analysis
- Technology Review and Research
- Financial and Operational Information

Transaction Advisory

- M&A and Merchant Banking
- Sell-Side and Buy-Side Representation
- Recapitalization and Capital Raising
- Strategic Partnership / Joint Venture
- Fairness Opinions / Market Valuations
- Distressed Asset Sales

Strategic Advisory

- Board Level Consulting
- Comprehensive Business Assessment
- Regulatory Compliance Assessment
- Financial Performance / Margin Analysis
- Market Research
- Executive Recruitment

CAS works with businesses operating within heavily regulated sectors at both the state and federal levels. In recent years, there has been a significant shift in technology adoption, leading to disruption within the OBS industries. Consequently, CAS has accumulated substantial experience advising companies adopting advanced technology models, such as digital collections, artificial intelligence, machine learning, fraud and verification technology, real-time analytics, omnichannel tech, and payment processing. This positions us as a strategic advisor adept at navigating the rapidly evolving tech landscape within OBS

CAS Competitive Advantage

- **Expertise:** CAS has one of the largest proprietary database of OBS companies currently in the systems boosted by big media presence.
- **Deal Experience:** CAS has completed over 20 Tech-Enabled OBS transactions in the past three years with over 25 valuations each year for industry participants.
- **Track Record:** At CAS, we focus 100% of our time in the OBS sector, offering services from transaction and strategic advisory to M&A exit-prep engagements.
- **Industry Trends:** CAS is well-versed in the latest trends within the OBS sector, allowing us to best position our clients for future changes and long-term success.
- **Relationships:** CAS is a leader in a niche OBS market knowing majority of players, provides a well-rounded view on different verticals.
- **Global Network:** CAS frequently attends and presents at industry conferences and networks with a diverse set of industry professionals.

** Michael Lamm, Mark Russell, and Nick Ciabattone are Registered Representatives of Finalis Securities, LLC. Finalis Securities is not affiliated with Corporate Advisory Solutions, LLC.*

Dedicated Tech-Enabled OBS Expertise

MICHAEL LAMM
Managing Partner

Michael, a Managing Partner at CAS, leads M&A engagements, investment opportunities, and strategic consulting while guiding the firm's growth. With over a decade's experience, he's a respected voice in industry associations and frequently speaks on M&A trends, contributing expertise to publications.

MARK RUSSELL
Managing Partner

As a CAS co-founder, Mark oversees operations and transaction advisory engagements, including the firm's Merchant Banking. With extensive experience, he provides valuation and strategic consulting services, guiding clients through acquisitions and managing securities transactions as a Registered Representative of Finalis Securities LLC.

ABOUT CAS,

Recent Transactions & OBS Expertise

In the last 24 months, CAS successfully closed 16 transactions, including two in December 2024 and two in January 2025. With over 140 successful M&A engagements in the OBS sector, these transactions demonstrate our skilled guidance through both acquisition and divestiture processes, confirming our deep insight and expertise in the M&A landscape, particularly within the OBS sector.

Industry Expertise: During our tenure in the tech-enabled OBS Sector, the CAS team members have completed more than 140 M&A engagements (both buy-side and sell-side), an average of 25 company valuations each year, and an increasing number of market intelligence reports and operational reviews. CAS is geographically agnostic, having provided services worldwide – with the principals of CAS having past clients based in Germany, Luxembourg, the UK, France, Canada, Australia, the Philippines, and India (e.g., EOS, Natixis Bank, Altisource Holdings, CIBC, etc.).

140+
Completed OBS M&A Engagements

$2.5+ Billion
Deal Value in OBS M&A Engagements

25+
Years of OBS M&A Experience

DISCLAIMER:

This market report is prepared by Corporate Advisory Solutions, LLC ("CAS"). While CAS makes every effort to use reliable and comprehensive data, it does not warrant the accuracy or completeness of the information contained within this document. The information presented reflects the authors' understanding as of the date of publication and is subject to change without notice. Forward-looking statements included in this report are made based on current expectations and are inherently subject to risks and uncertainties, which could cause actual results to differ materially.

Readers should not solely rely on this information for investment decisions and are encouraged to consult with CAS associates for further clarification or questions.

No part of this presentation may be reproduced or utilized for any purpose other than personal review without the express written permission of CAS, its affiliates, or representatives.

This information is for general and educational purposes and not intended as legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type.

Securities offered through Finalis Securities LLC Member FINRA/SIPC.

All inquiries should be directed to any of the individuals at CAS listed below:

Michael Lamm
Managing Partner
mlamm@corpadvisorysolutions.com
202-904-7192

Mark Russell
Managing Partner
mrussell@corpadvisorysolutions.com
301-404-5757

Nick Ciabattone
Director
nciabattone@corpadvisorysolutions.com
609-203-7602

Mickey Kaiser
Vice President
mkaiser@corpadvisorysolutions.com
570-242-5644

Drew Sacher
Vice President
dsacher@corpadvisorysolutions.com
631-603-2280

Pat Felstedt
Senior Analyst
pfelstedt@corpadvisorysolutions.com
732-664-0580

Simon Skala-Rosenbaum
Analyst
srosenbaum@corpadvisorysolutions.com
267-588-1121

Allie Baurer
Ops & Admin
abaurer@corpadvisorysolutions.com

MASTERING THE PEOPLE SIDE OF MERGERS AND ACQUISITIONS

The Key Roles of Compensation, Coaching, and Leadership Development

By CCI Consulting (Cory Amenta, Director of Business Development)

The success of an M&A largely depends on the people involved, as they are key to driving integration. Effectively managing cultural differences, aligning leadership, and maintaining employee morale are critical to ensuring smoother transitions, higher productivity, and better retention. Failing to address these aspects can lead to disengagement, turnover, and ultimately, unsuccessful M&A outcomes. With M&A activity projected to rise by 10% in 2025, according to the latest EY-Parthenon Macroeconomic Outlook, it's more critical than ever to focus on the factors that contribute to success. Components like compensation studies, executive coaching, and leadership development play a crucial role in managing the complexities of merging different cultures, structures, and practices. Addressing these areas early on helps ensure that the merger or acquisition delivers its intended value, preserves employee morale, and fosters long-term success.

Compensation Studies

Addressing compensation effectively is critical to maintaining employee morale and retaining key talent. Best practices include conducting a comprehensive compensation study to identify disparities between the organizations and ensure fairness, competitiveness, and alignment with market standards. Transparent communication is key, with clear explanations of compensation changes and any retention incentives offered to employees. It's essential to align compensation with the company's strategic goals, incorporating performance-based pay and ensuring equity in stock options and benefits. Providing customized solutions for key talent, such as retention bonuses, and involving compensation experts for compliance and best practices helps smooth the transition. Ultimately, compensation studies help leadership make informed decisions that balance cost-effectiveness with the need to motivate and retain talent, ensuring the M&A delivers long-term value for both the organization and its employees.

Executive Coaching

Coaching plays a vital role during an M&A, helping senior leaders navigate the uncertainties and challenges of the process. An M&A often involves shifts in leadership, decision-making, and corporate culture, creating anxiety among executives. In such situations, coaching enables leaders to acknowledge when they don't have all the answers. They can confidently say, "I don't have the exact answer right now, but I'll ensure we get back to you with the information you need," maintaining trust and transparency. Executive coaching offers personalized support to help leaders manage stress, develop emotional intelligence, and enhance communication skills. It helps them clarify their roles, improve conflict-resolution strategies, and better manage the complexities of integration. Additionally, coaching builds resilience, helping leaders stay focused, adapt to change, and maintain mental strength in the face of setbacks or uncertainties during the M&A process. By maintaining focus on both short-term goals and long-term strategy, coaching equips executives to handle the pressure of decision-making, mitigate risks, and drive successful integration.

Leadership Development

Leadership development programs play a crucial role in creating a unified leadership team that can effectively manage M&A integration and inspire employees. Mergers often bring clashes in leadership styles, management practices, and organizational priorities, while also putting significant pressure on the leadership team. These programs help bridge those gaps by aligning leaders around shared values, goals, and a common vision for the future. They equip leaders with the skills needed to lead through change, drive collaboration, as well as foster a culture of trust and innovation. Additionally, leadership development prepares emerging leaders from both organizations to step into critical roles in the integrated company. By providing training and development opportunities, these programs ensure that leaders at all levels are well-equipped to manage change, communicate effectively, and support employees during the transition, ultimately enabling a smoother integration process.

Mastering the people side of mergers and acquisitions is key to long-term success. Focusing on compensation studies, executive coaching, and leadership development helps ensure smooth integration by addressing critical factors like morale, leadership alignment, and cultural differences. These strategies retain talent, build resilience, and equip leaders to navigate change effectively. By prioritizing these areas early, organizations can achieve their strategic goals, foster a cohesive culture, and drive M&A success, ultimately driving the full value of the M&A for all stakeholders involved.