

2025 Q1 INSIGHTS

 **CAS**
Corporate Advisory Solutions
INTEGRITY, CONFIDENTIALITY, EXPERIENCE



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



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Disclaimer

WELCOME TO OUR FIRST QUARTER 2025 NEWSLETTER

As we kick off a new calendar year, we are excited to share the first quarter 2025 newsletter. The CAS team had a strong start to the year, closing two transactions in January, and we are actively engaged with clients and prospects as we work toward closing additional transactions in the months ahead.

In this edition, we take a deep dive into M&A trends across the tech-enabled outsourced business services sector, highlighting the types of transactions gaining momentum and the drivers behind them. Our industry-specific updates explore the key themes shaping strategic decisions for owners, operators, and investors, supported by CAS' insights.

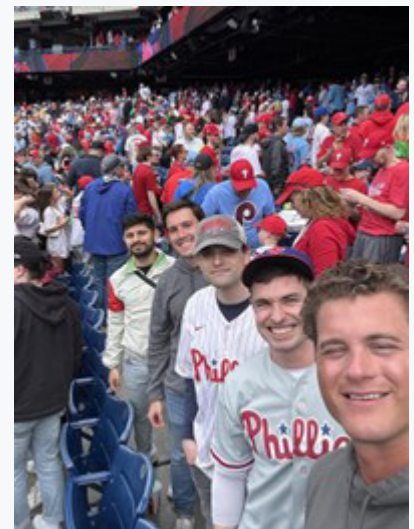
We also address major sector-wide topics including the potential impact of tariffs, inflation and interest rate shifts, changes in the regulatory environment, and the ongoing integration of emerging technologies. The year is already off to an eventful start, and we expect further meaningful developments – many of which are covered throughout this newsletter with CAS insights and perspective.

With spring underway, the CAS team is looking forward to upcoming client meetings, industry conferences, and events – like our recent visit to see the Philadelphia Phillies kick off the new MLB season, pictured below.

As always, we welcome conversations with clients, prospects, and industry participants to discuss the latest trends, strategic positioning, or guidance on navigating today's evolving M&A market. Follow us on [LinkedIn](#) for real-time updates, or reach out to Allie Baurer at abaurer@corpadvisorysolutions.com to schedule a call with the CAS team.



Michael Lamm and Drew Sacher attending Customer Connect Expo in Las Vegas.



From right: Pat Felstedt, Nick Ciabattone, Simon Skala-Rosenbaum, Drew Sacher, and Mickey Kaiser at Philadelphia Phillies game.

- Michael Lamm & Mark Russell

2025 CONFERENCES

Conferences CAS **Attended**

IACC Annual Convention (San Juan, PR)
ARM Tech 2025 (Nashville, TN)
RMAI 2025 Annual Conference (Las Vegas, NV)
ACA 2025 Committee of 100 Meeting (Oahu, HI)
ACA Cybersecurity and Risk Forum (Austin, TX)
VPA Spring Workshop (St. Louis, MO)
Customer Connect Expo 2025 (Las Vegas, NV)
Credit and Collection News Conference (Naples, FL)

Selected Webinars CAS Presented

Receivables Info – Unlock Exclusive Insights into the Evolving Debt Collection M&A Landscape
Clark Hill – The Future of Financial Regulation: Post-Mortem CFPB and Its Impact on M&A
Quantrax – Practical Security for Collections
Accounts Recovery – How Much You Should Be Spending to Collect on Each Account Today
Auriemma Roundtables: Card Accounting: Current Regulatory Issues & Outlook

Conferences CAS **Is Attending**

2025 ACG Philadelphia SaaS & Tech-Enabled DealSource

May 29, 2025
Lafayette Hill, PA

ACA Annual Convention

July 23-25, 2025
Louisville, KY

Conferences CAS **Is Contemplating Attending**

2025 NW Collectors Association

May 11-14, 2025
Boise, ID

2025 FCA Annual Conference

May 19-21, 2025
Orlando, FL

AADR 2025 Spring Workshop

May 21-22, 2025
Newport, CA

HFMA Annual Conference 2025

June 22-25, 2025
Denver, CO

Gulf States Collectors Association 2025 Unit Meeting

September 14-17, 2025
Orange Beach, AL

AADR 2025 Annual Conference

September 15-17, 2025
Palm Beach, FL

ACG Philadelphia M&A East 2025

October 14-15, 2025
Philadelphia, PA

2025 NCBA Connect

October 14-17, 2025
San Antonio, TX

ACA Fall Forum 2025

November 2-7, 2025
Chicago, IL

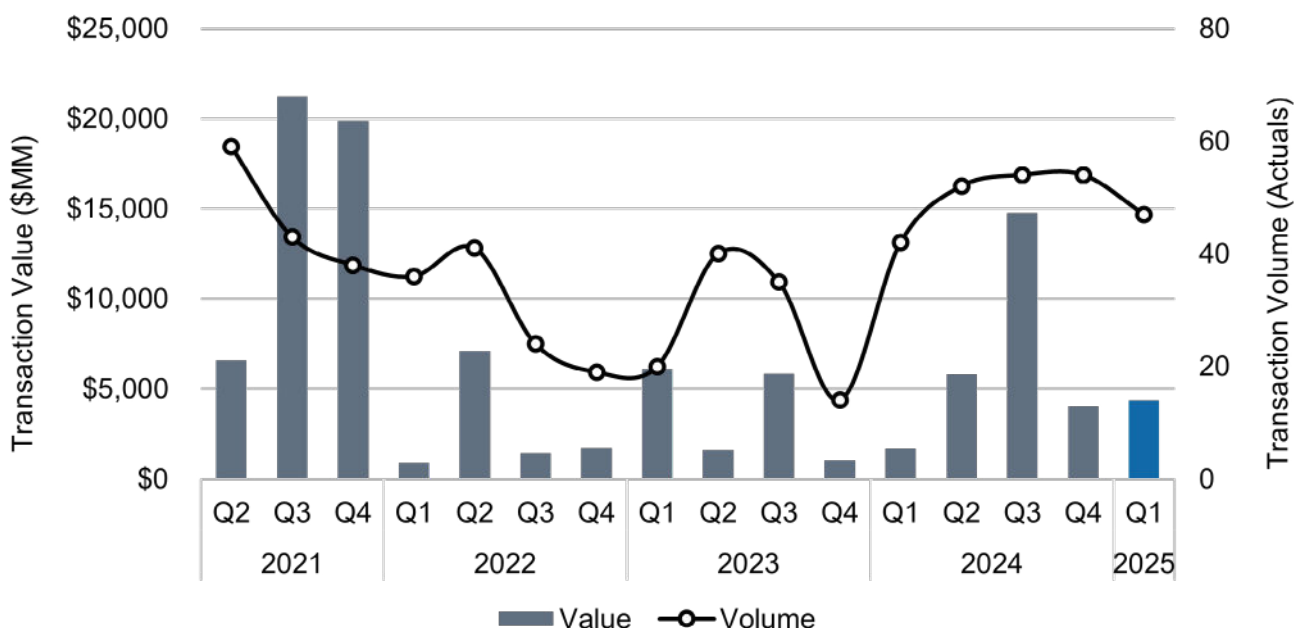
Opal Group Fintech Specialty Forum 2025

December 9-11, 2025
Dana Point, CA

FIRST QUARTER M&A OVERVIEW

In the first quarter of 2025, CAS observed similar trends in both transaction value and volume compared to the fourth quarter of 2024. Excluding the third-quarter 2024 outlier – driven by several mega deals – the fourth quarter recorded just under \$4.5 billion in transaction value and aligned with prior quarters, with a total transaction volume of 47.

Compared to the fourth quarter of 2024, the first quarter of 2025 saw a notable increase in M&A activity relative to capital raising, particularly in add-on acquisitions (more on that throughout the newsletter).



Source: Corporate Advisory Solutions.

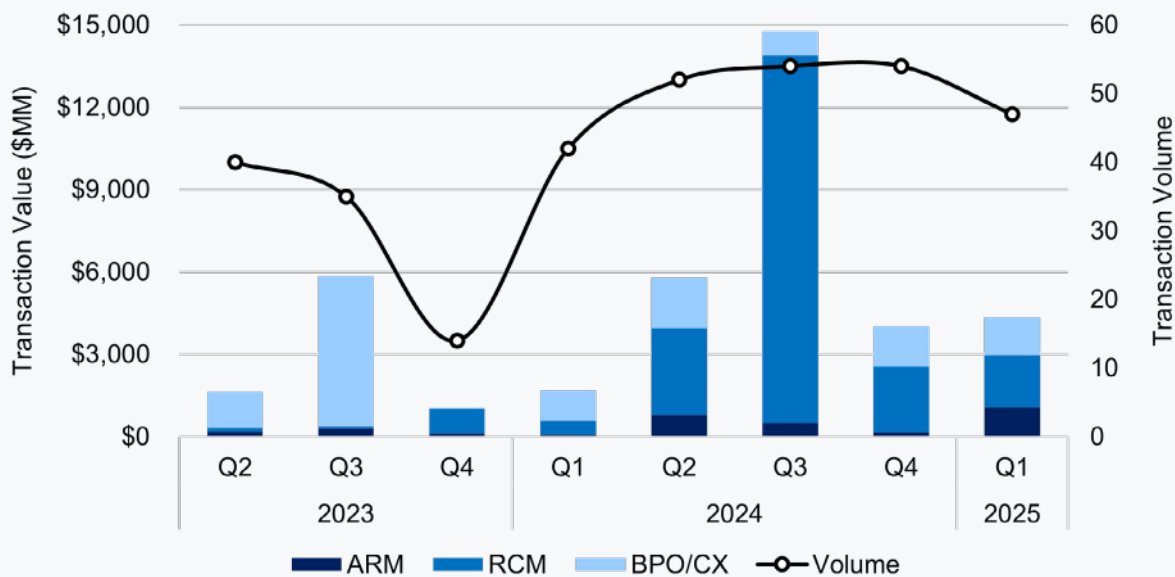
*Past performance may not recur, and there is no guarantee of future results.

When it comes to transaction value and volume across various software and tech-enabled outsourced business services, the CAS team observed a relatively even distribution of transaction value among the accounts receivable management (ARM), healthcare revenue cycle management (RCM), and business process outsourcing/customer engagement (BPO/CX) industries – an uncommon feature compared to previous quarters.

Specifically, the ARM industry saw above-average transaction value and volume. With a total of 19 transactions – 14 of which were M&A deals – the industry recorded its most active quarter in recent periods. While it is likely that ARM transaction activity will revert to the mean in the coming quarters, CAS expects activity to remain strong due to industry-specific tailwinds and ongoing consolidation within the space (we delve deeper into that later in the newsletter).

On the other hand, the healthcare RCM industry, which has seen several strong quarters driven by private equity activity, experienced a slowdown in the first quarter of 2025. The CAS team anticipates that consolidation in the healthcare RCM space will continue, as private equity investors maintain a strong appetite for platform acquisitions. Both strategic and financial buyers are also expected to increasingly focus on add-on acquisitions, as enterprises race to build comprehensive, end-to-end platform solutions across the healthcare RCM value chain.

Lastly, the BPO/CX industry posted transaction value and volume in line with recent quarters, as the broader ecosystem – from traditional call centers to cutting-edge tech providers – continues to methodically implement artificial intelligence across operations. In the quarters ahead, the CAS team predicts that we will see activity driven by unique transaction rationales, as different niches within BPO/CX seek high-quality assets that align with their investment criteria.

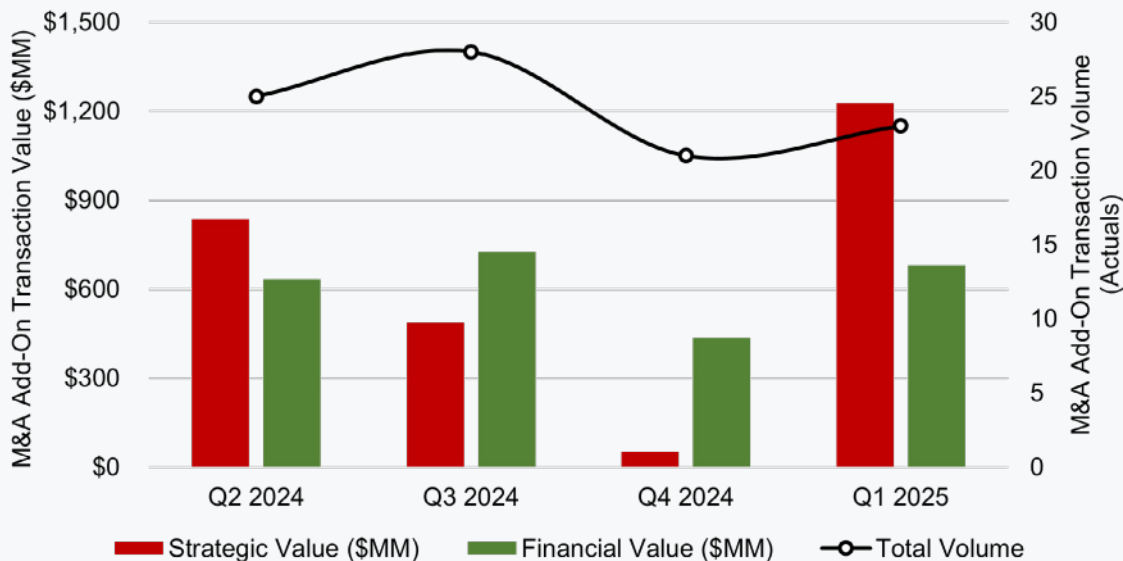


Source: Corporate Advisory Solutions.
*Past performance may not recur, and there is no guarantee of future results.

As noted in the beginning of this section, elevated M&A add-on activity was one of the key trends in the first quarter of 2025. Supported by both CAS proprietary data and the recently released [McKinsey & Company 2025 Global Private Markets Report](#), add-on M&A activity continues to accelerate – especially for acquisitions with strong synergy potential, which are gaining popularity.

The CAS team expects that add-on transaction value and volume across the ARM, healthcare RCM, and BPO/CX industries will continue accelerating in the quarters and years ahead, as we remain in a strong seller’s market. The combination of well-capitalized strategic and financial acquirers looking to fill gaps in their platforms – versus investing in slower, more resource-intensive organic growth – alongside a limited supply of high-quality assets, is creating a clear supply-demand mismatch in the market.

In the first quarter of 2025, the CAS team observed record transaction value, as both well-funded strategic buyers and sponsor-backed enterprises increasingly focused on building robust pipelines of add-on opportunities to complement and scale their organic growth efforts. In this environment, targets exploring transaction opportunities can anticipate commanding strong premiums.



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

TECH ENABLED OBS SECTOR

TRANSACTION ACTIVITY OVERVIEW:

In the first quarter of 2025, M&A activity dominated transaction volume by type, accounting for 68% of total transaction value. As previously noted, this is primarily driven by elevated add-on activity from both strategic and financial acquirers (as shown in the graph), along with steady platform M&A activity, as financial buyers remain eager to deploy capital.

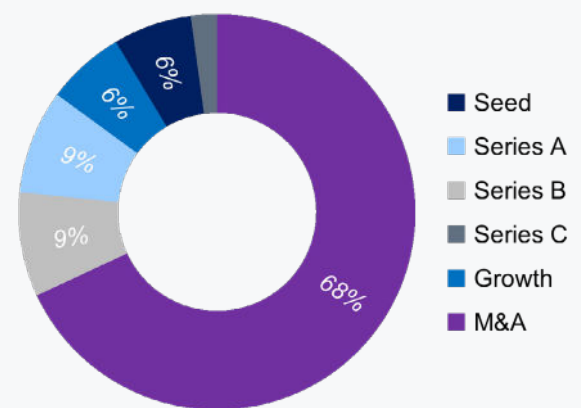
While capital raising accounted for less than one-third of total transaction value in Q1 2025 – down from the typical ~50% – there has been a notable development in early-stage fundraising. As described in a recent [Axios Pro Rata](#) newsletter, early-stage capital raising rounds continue to grow in size, which runs counter to the prevailing AI narrative around efficiency, optimization, and cost reduction.

As also highlighted in our Q4 2024 newsletter, a consistent trend appears to be the slower-than-expected adoption of AI across organizations of varying sizes. Even two and a half years after the initial release of ChatGPT, AI has yet to create a transformative impact on financials, operations, or fundraising dynamics at scale.

Transaction value and volume in M&A for Q1 2025 underscore the exceptional surge in add-on acquisitions. While the number of add-on deals remained consistent with last quarter across our coverage, transaction value was nearly five times higher. Platform transaction value, meanwhile, was notably lower than add-on value – a rare dynamic, as platform deals usually comprise the bulk of M&A value.

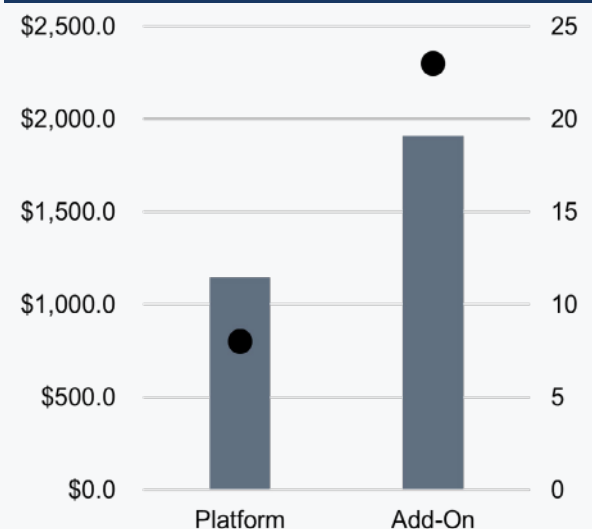
CAS believes strong add-on activity will continue in the coming quarters and years, with both strategic and financial acquirers deploying available capital. We also anticipate a rise in platform activity in the short to medium term, as private equity faces growing liquidity pressure and the need to return capital. The oversubscribed 2020 and 2021 vintages are nearing maturity, and sponsors will remain active in pursuing liquidity events.

Transaction Volume by Transaction Type



Source: Corporate Advisory Solutions.

Value & Volume by M&A Type



Source: Corporate Advisory Solutions.

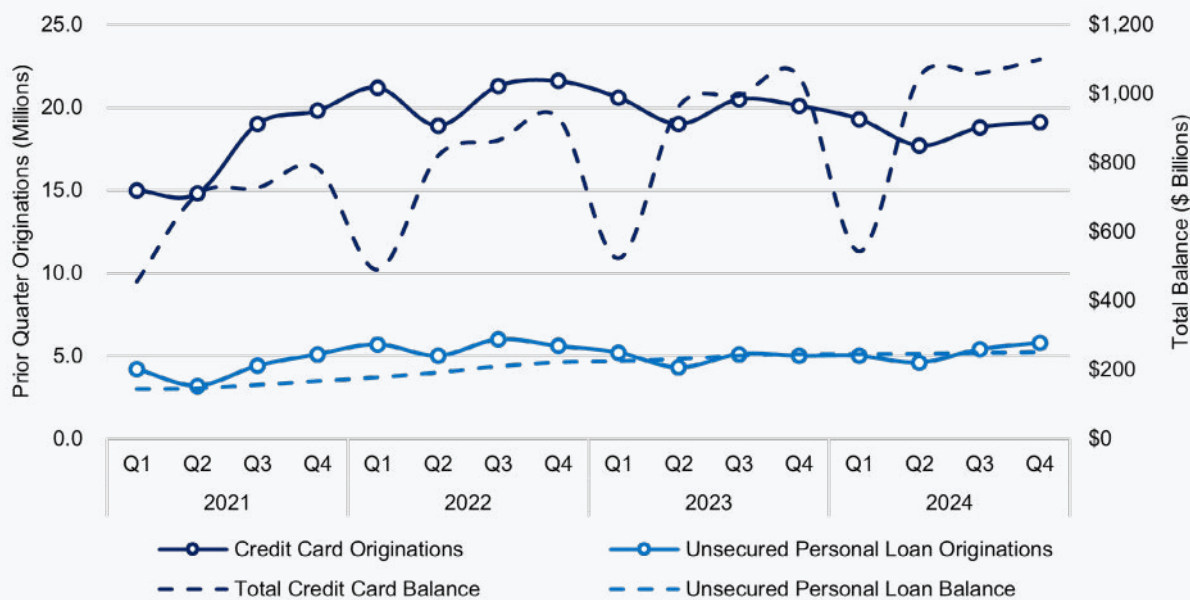
CURRENT INDUSTRY TRENDS:

Accounts Receivable Management

In the accounts receivable management (ARM) industry, the CAS team continues to observe a relatively stable operating environment, while increasingly focusing on the impact of U.S. President Donald Trump's policies around tariffs, immigration, and regulatory changes (additional coverage of this is located in the Sector Outlook). At the same time, the team is closely monitoring the state of the U.S. consumer.

According to [TransUnion's Q4 2024 Credit Industry Insights Report](#), the ARM industry is currently operating in favorable conditions. A combination of gradually increasing outstanding debt balances and continued consumer payment strength has created an ideal backdrop for growth – where both paper supply and liquidation rates remain supportive.

When examining vital consumer credit asset classes, such as credit cards and unsecured personal loans – strong indicators of consumer health – we note that total outstanding balances have steadily increased in recent years but that this growth has been driven more by higher average balances than by origination volume. This trend reflects a mix of persistent inflation, elevated interest rates, and asset-class-specific factors.

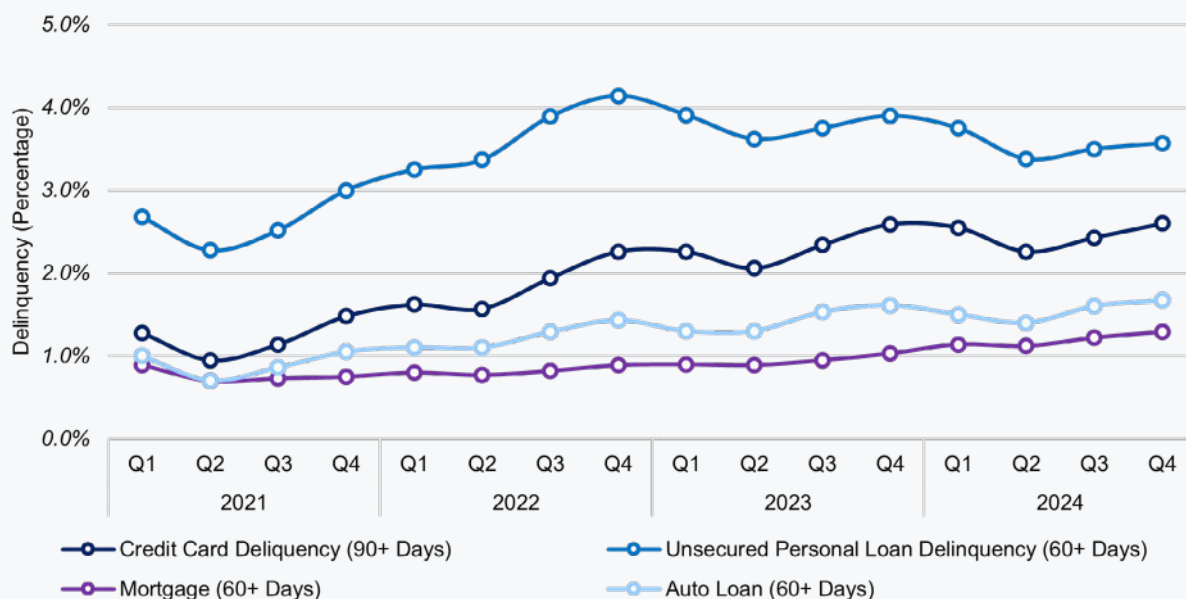


Source: Q4 2024 TransUnion Credit Industry Insights Report (TransUnion).

Based on TransUnion's latest analysis, though, originations across various asset classes appear poised for a rebound following several years of muted performance. The primary driver behind this expected uptick is the outlook for easing inflation and a return to long-term interest rate norms (more details can be found in the Sector Outlook).

Still, macroeconomic uncertainty – particularly around inflation and interest rate policy – could significantly alter this trajectory. For example, elevated prices stemming from new tariff policies could suppress origination growth and slow the expansion of total outstanding debt.

Regarding delinquencies, the CAS team continues to observe elevated levels across asset classes, though recent data suggests moderation following several years of steady increases. Delinquencies have largely returned to pre-pandemic levels, indicating a normalization after the COVID-19-related dip.



Source: Q4 2024 TransUnion Credit Industry Insights Report (TransUnion).

All in all, these trends suggest the U.S. consumer remains in relatively strong financial health, with payment capacity still intact. However, this position could change quickly if the macroeconomic environment deteriorates. Major financial institutions, including [J.P. Morgan](#) and [Goldman Sachs](#), have increased their recession probability forecasts. A recession would likely trigger a spike in delinquencies and a sharp decline in liquidation rates – particularly among subprime borrowers. While increased paper supply might partially offset this, the overall impact on the ARM industry would be significant.

In other ARM industry asset classes, the student loan space continues to experience dramatic shifts. Following the end of the long-standing federal student loan payment pause and subsequent ramp-up period, approximately 40 million U.S. consumers with student loan balances are now expected to resume payments. Nevertheless, as recently highlighted in a [Wall Street Journal](#) article, an alarming 43% of federal borrowers have yet to restart payments – triggering widespread credit score declines and pushing millions of individuals toward subprime status. The financial health of the U.S. consumer will be scrutinized in the next few months, with the [DoE restarting collections](#) of defaulted federal student loans on May 5.

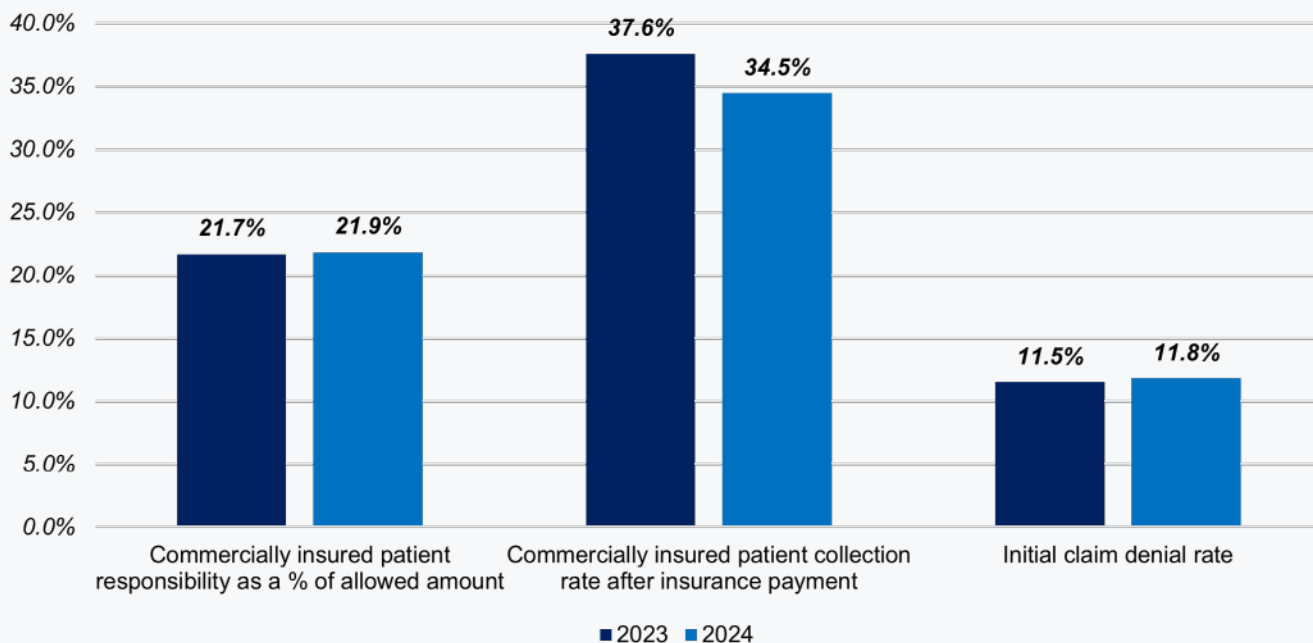
This growing pressure in the student loan segment may be further amplified by proposed changes under Donald Trump's administration, which is exploring the [dismantling of the Department of Education](#) and transferring oversight responsibilities to other federal agencies, such as the SBA, Treasury, or Commerce. Such a shift could seriously weaken servicing infrastructure and borrower support, making it more difficult for consumers to stay current on their obligations.

Another interesting data point that caught CAS' attention comes from a recent [Billboard article](#), which revealed that approximately 60% of event attendees are choosing to purchase tickets using payment plans. This underscores the growing popularity of buy-now-pay-later (BNPL) options among Millennial and Gen Z consumers, a trend that continues to drive expansion in this emerging asset class.

Healthcare Revenue Cycle Management

The healthcare revenue cycle management (RCM) industry continues to undergo several transformational shifts (further described below), fueling a consolidation wave supported by heightened interest from financial acquirers and investors. As noted in our previous newsletter, providers and payors – facing mounting headwinds – are increasingly relying on RCM vendors to improve margins, streamline operations, and enhance the comprehensive patient experience. This dynamic is making RCM players particularly attractive to private equity firms seeking to capitalize on this growing demand.

These pressures are well-illustrated in a recent [Kodiak Solutions press release](#), which identifies rising challenges faced by healthcare providers in both collections and denials. Notably, collection rates from commercially insured patients declined by more than 300 basis points, falling from 37.6% in 2023 to 34.4% in 2024, despite no material change in patient cost-sharing structures. At the same time, the initial claim denial rate rose for the fourth consecutive year to 11.8%, primarily driven by commercial health plans and Medicare Advantage programs – largely operated by private insurers.



Source: *Healthcare Providers Facing Stiff Headwinds on Revenue Cycle Performance* (Kodiak Solutions).

In response to these concerning trends, providers are increasingly evaluating different components of the RCM value chain to mitigate risk and improve financial performance. For example, improving patient education around health plan benefits and enhancing the complete financial experience are emerging as key focus areas – functions that many providers are outsourcing to RCM vendors, further strengthening demand for their services.

Payors are also navigating their own set of headwinds across the board – from commercial insurers to government programs and self-pay patients. In the self-pay segment, individuals continue to bear the burden of rising healthcare costs, a trend showing no signs of slowing. A recent [Peterson-KFF report](#) highlights sustained growth in overall health expenditures, including hospital care and prescription drugs, with projections pointing to continued increases in the years ahead – further straining patients' ability to meet financial obligations.

Commercial insurance companies, already under pressure, are now facing heightened public scrutiny following high-profile incidents such as the 2024 killing of the UnitedHealth CEO. In addition to public backlash, these firms are also encountering increased regulatory oversight. The [Wall Street Journal](#) recently reported that the Department of Justice has launched an investigation into UnitedHealth's Medicare billing practices, specifically examining whether the company used questionable diagnoses to inflate reimbursements for its Medicare Advantage plans.

Meanwhile, the GOP-led Congress – aligned with President Donald Trump's mandate to reduce the federal deficit – is expected to examine Medicare and Medicaid spending closely, given its outsized share of the national budget. While no formal actions have been taken, any future cuts to these programs could reduce provider reimbursements, increase self-pay volumes, and further intensify headwinds across both provider and payor ecosystems.

Amid these pressures, RCM vendors are uniquely positioned to benefit. With providers and payors alike seeking efficiency, improved margins, and enhanced patient experiences, RCM firms have the opportunity to capture market share by onboarding new clients, cross-selling solutions, and offering differentiated value. This growth potential is further amplified by the healthcare industry's accelerating embrace of AI-driven technologies, which are improving the efficacy and scalability of RCM tools. As providers strive to grow revenue, enhance profitability, and modernize the patient financial journey, demand for intelligent, tech-enabled RCM solutions is forecasted to rise – further driving investment and innovation across the space.

Business Process Outsourcing/Customer Experience

In the business process outsourcing/customer experience (BPO/CX) industry, CAS continues to track several dominant themes shaping strategic discussions across call centers, contact centers, knowledge process outsourcers, specialized BPOs, and technology vendors.

First, although not yet reflected in the transaction value and volume data presented earlier in this newsletter, there is a noticeable increase in interest from well-capitalized strategic acquirers and sponsor-backed enterprises looking to use M&A as a key growth strategy. Many of these organizations are finding that organic growth avenues – such as increased product development spend or elevated advertising budgets – are no longer generating the desired return on investment. As a result, M&A has become a more attractive alternative.

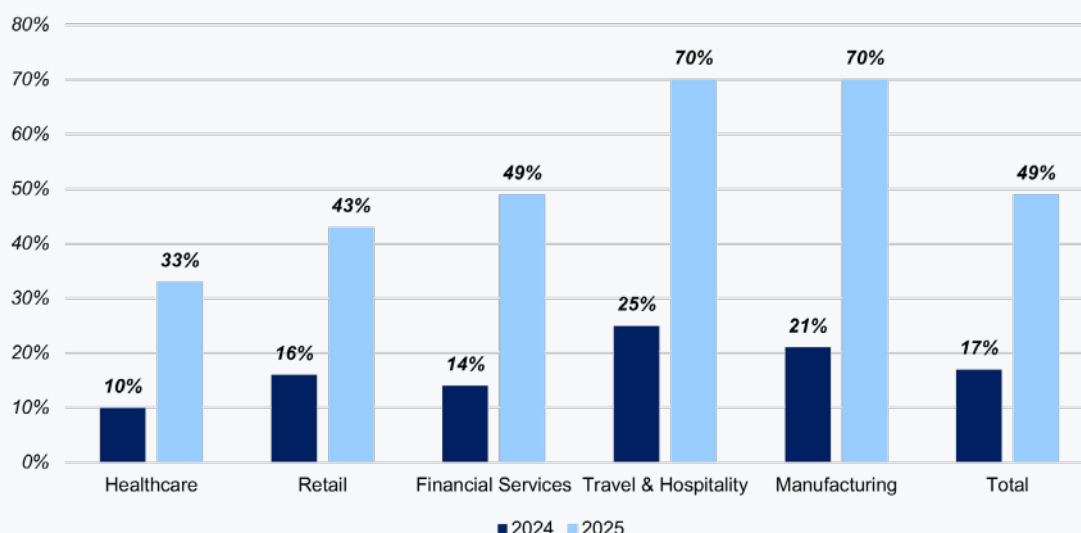
This shift is particularly evident in the relatively commoditized and fragmented BPO/CX landscape, where acquiring high-quality, differentiated assets is often the most effective way to achieve scale, enter new markets, or broaden service offerings. Acquirers are seeking businesses that fill critical strategic gaps – whether geographic, sectoral, or technological – in an effort to build integrated, end-to-end solutions. This is true across both traditional contact centers pursuing expansion and tech vendors seeking to enhance their platforms with new capabilities or superior products.

Another crucial topic being discussed throughout the BPO/CX space is the potential impact of U.S. President Donald Trump's evolving tariff policies on globally integrated outsourcing providers. While it is still early and the specifics of future tariff measures remain uncertain, CAS is assessing a range of possible outcomes for the industry.

Although tariffs typically target physical goods rather than services, potential second-order effects could be significant. For instance, asset-heavy industries, such as manufacturing and retail – likely to experience rising production costs – may seek to preserve margins by outsourcing non-core, back-office functions. This shift could create substantial tailwinds for BPO/CX providers as clients look to reduce internal headcount in favor of scalable third-party solutions. While some headwinds are possible – such as increased costs for imported goods used in contact centers or geopolitical pressures to exit certain markets – CAS currently envisions these impacts to be modest.

Finally, an ongoing and transformative theme within the BPO/CX sector is the rise of artificial intelligence. Often viewed as one of the industry's most susceptible to disruption, CAS believes the relationship between AI and BPO/CX will not be zero-sum. Instead, the future points to a symbiotic model, where a strategic balance between human agents and AI technologies drives superior service outcomes.

The [Zendesk CX Trends 2025 report](#) provides useful insights into this shift. It reveals that agents themselves are increasingly embracing AI, often turning to “shadow AI” tools – those outside of their organization's sanctioned technology stack – to enhance performance. According to the report, 52% of agents use shadow AI tools “often,” and 41% report using them “very often,” highlighting unmet demand for better AI support within contact centers.



Source: CX Trends 2025 (Zendesk).

This behavior signals a broader industry movement toward what CAS refers to as an “agentic AI” model – one in which AI and human agents coexist and complement each other to deliver optimized performance, greater efficiency, and improved customer experiences. As this model continues to gain traction, BPO/CX providers are expected to invest heavily in smart integration strategies, solidifying their competitive advantage in a rapidly evolving landscape.

SECTOR OVERLOOK:

Geopolitics

Since the start of U.S. President Donald Trump’s second administration, several noteworthy geopolitical developments have unfolded. However, none have resonated as strongly within the U.S. business community as the President’s aggressive tariff policy. While no final tariff policy has been set yet – and with the potential for changes in the coming weeks as the administration works with trading partners on new trade deals – it is presumed that a clearer direction will emerge by July 2025, when the current pause on tariffs is scheduled to end.

Though tariffs will likely have the most direct impact on asset-heavy companies, there will undoubtedly be ripple effects throughout the U.S. economy if aggressive tariffs are maintained and enforced later in 2025. In the table below, the CAS team outlines potential indirect effects on the industries we cover. It is important to note that these are hypothetical scenarios, and the impact will vary by industry and company. Nonetheless, tariffs are expected to create headwinds for the tech-enabled outsourced business services sector, as U.S. consumers are likely to face negative economic consequences.

Tariff Impact	ARM	Healthcare RCM	BPO/CX
Rising Consumer Prices	Increased delinquencies and charge-offs across consumer debt categories; higher placement volume across asset classes	Delays in medical bill payments; growth in self-pay AR; rising demand for payment plans and eligibility verification	Higher inquiry volume as billing questions surge; agents face more emotionally sensitive and complex interactions
Reduced Consumer Spending	Slower pace of new account originations, limiting new paper flow; consumers prioritize essential obligations	Decline in elective procedures; shift in focus to AR efficiency and back-office cost containment	Clients reduce non-essential outsourcing; limited new demand, with some in-house functions moving to outsourced delivery
Lower Client Margins	Creditors seek cost-efficient, high-recovery vendors; reduced fee rates and emphasis on liquidation performance	Providers pursue lower-cost RCM partners; potential increase in outsourcing and contract renegotiation activity	Clients favor cost-effective solutions, driving demand for automation, self-service, and outcome-based engagement models

Source: Corporate Advisory Solutions.

Another prominent topic with the potential for significant impact on the tech-enabled outsourced business services sector – and a top focus of the current administration – is immigration. As President Donald Trump pushes to limit immigration into the United States, this stance is likely to create substantial headwinds for service-based companies that rely on a human, agent-like workforce to support their operations.

Many companies across the CAS coverage industries operate on a human agent–centric model, where agents represent the majority of headcount and operating costs. These entry-level positions are often monotonous and repetitive, contributing to high employee churn and a constant need for strong recruitment pipelines.

Alternatively, some companies may look to outsource agent functions to nearshore or offshore locations. While this approach requires upfront investment, it offers long-term benefits, such as access to a deeper labor pool, lower talent costs, and often greater worker efficiency.

The CAS team will continue monitoring developments in tariff strategy, immigration policy, and other key issues that could impact the tech-enabled outsourced business services sector. For company owners, operators, and management teams, maintaining flexible plans and readiness to pivot quickly will be critical as the landscape continues to evolve.

Macroeconomy

From a macroeconomic perspective, the primary focus has once again shifted toward inflation – in contrast to the attention placed on unemployment during the second half of 2024. With the unemployment rate holding steady at [4.2% as of March 2025](#), and the U.S. labor market appearing relatively healthy, inflation – along with its drivers and ripple effects – has become top of mind for many businesses.

As the U.S. economy continues to demonstrate strong growth, marked by a [third consecutive quarter of over 2.0% quarterly expansion](#), concerns are mounting among financial institutions, businesses, and the general public about a potential tariff-induced recession. From CAS' perspective, it is important to first assess what elevated tariffs could mean for the U.S. economy – their direct implications, as well as how a potential recession might unfold. While current economic indicators suggest a strong foundation, business stakeholders must be prepared to navigate various possible scenarios.

Should President Donald Trump's administration sustain its aggressive tariff policy, higher consumer prices are likely, given the U.S.' position as a net importer that depends on other countries for many essential goods. These price increases would contribute to further inflationary pressure, with inflation already sitting above the Federal Reserve's target at 2.4% as of March 2025.

As shown in the chart below, rising inflation typically prompts the Federal Reserve to respond by raising the federal funds rate, currently targeted between 4.25% and 4.50%, in an effort to bring inflation back down to the 2.0% benchmark. A significant uptick in both inflation and interest rates could have material consequences for U.S. businesses and consumers alike.



Source: Consumer Price Index (Bureau of Labor Statistics); Federal Funds Effective Rate (Federal Reserve Bank of St. Louis).

With higher interest rates, both U.S. businesses and consumers face increased capital costs, limiting their capacity for growth and spending. For businesses, this typically translates into reduced borrowing ability, curbing investments and dampening expansion plans. For consumers, higher interest rates lead to more expensive mortgages, credit card debt, and auto loans – further restricting disposable income and overall economic activity.

As a result of potential tariffs – and the associated ripple effects of rising inflation and elevated federal funds rates – the likelihood of a recession increases. Such a downturn could present major headwinds for specific segments within the tech-enabled outsourced business services sector. While this remains speculative for now, a recession would likely drive inflation and interest rates down but at the cost of significantly higher unemployment – marking a sharp shift from today's relatively stable macroeconomic environment.

Given the current economic strength, CAS will continue to closely monitor developments in inflation, unemployment, GDP growth, and other key macroeconomic indicators affecting our coverage industries. If President Donald Trump moves forward with a sustained aggressive tariff strategy, the resulting domino effect could bring about serious negative consequences – including the potential for a recession.

Regulatory, Legal, & Compliance

From a regulatory perspective, President Trump's attempts to dismantle certain federal agencies and the all-around direction toward deregulation and cutting red tape are top of mind for U.S. businesses that have been operating under a strong regulatory environment. We already touched on President Trump's actions toward dismantling the Department of Education in the accounts receivable management section, but it is important to highlight what actions like these mean for general federal oversight of U.S. businesses and the direct implications.

As with the tariff policy, it is still too early to estimate the direct impacts on the CAS coverage industries. However, CAS believes that either the dismantling or limited capabilities of federal agencies are unlikely to have a drastic impact on the ARM, healthcare RCM, and BPO/CX industries. This belief stems from the idea that if some oversight responsibilities are reduced at the federal level, they are likely to shift to the state or local municipality level – each with its own advantages and drawbacks. Without strong federal oversight, there will be fewer resources to conduct high-profile investigations into companies, practices, or cases, but many responsibilities will likely be reassigned either to other federal agencies or to state-level authorities. While reduced federal oversight may be a net positive for U.S. businesses, it could also lead to increased scrutiny at the state level, which presents its own set of challenges.

Looking at specific regulatory rules passed under previous administrations – some of which may now be under question – CAS posits that no major rollbacks are likely. Companies have already invested significant resources in their legal and compliance departments to implement these changes. The more probable outcome is a reduction in enforcement of these rules, laws, or decisions, rather than their complete elimination.

One specific regulatory agency worth examining further is the Consumer Financial Protection Bureau (CFPB) and recent developments concerning this federal watchdog. In April 2025, the Trump administration announced a major plan to [reduce the agency's workforce](#) from approximately 1,700 employees last year to around 200. Although this move has been temporarily halted by a federal judge, the likely outcome of the administration's approach is that the CFPB's functions will be severely limited over the next several years.

Digging into the dispute, it is interesting to consider the administration's strategy and objectives with these cuts. According to a Wall Street Journal article, Trump officials want to refocus the agency on fraud cases involving "measurable" consumer damages, particularly in the mortgage markets, and shift resources away from areas such as medical debt, student loans, and digital payments. These cuts directly impact departments like the CFPB's consumer complaint division, further highlighting the administration's intent to reshape the CFPB to align with its regulatory goals and leave more operational oversight to the states.



Trump's Administration X CFPB

As the CAS team continues to actively assess recent regulatory updates and developments – especially at agencies directly affecting our coverage industries, such as the DOE and CFPB – it is important for business owners, operators, and management teams to avoid making quick and unsupported decisions regarding their compliance operations. It remains entirely possible that no major changes will occur in the coming years, and that some changes may be reversed under a future administration.

Technology & Cybersecurity

Artificial intelligence and cybersecurity remain top priorities for business owners, operators, and management teams in the tech-enabled outsourced business services sector. While we have explored these topics in detail in previous newsletters, this edition focuses specifically on the scale of AI implementation in business operations – and how CAS believes AI will influence the role of human agents in this industry.

To begin, the CAS team feels that AI will undoubtedly reshape the agent role over both the short and long term. Notwithstanding the aforementioned viewpoint, we do not foresee a complete replacement of human agents by AI. Historically, before the emergence of advanced generative AI, businesses faced a binary choice between fully human agents or legacy bots – each with its own operational limitations and customer experience drawbacks.

For the first time, businesses now have the ability to combine the strengths of both human and AI agents – creating a symbiotic relationship that enhances performance, improves customer satisfaction, and drives cost efficiency. In the table below, the CAS team outlines key features of human-AI collaboration, supporting our view that AI will not eliminate the need for human agents but will instead fuel further growth for companies leveraging this integrated model.

Benefit	Human X AI Collaboration
Enhanced Decision Making	Combines human intuition with AI's data processing power to produce faster, more informed, and balanced decisions across complex and dynamic situations
Increased Efficiency	Automates routine tasks, allowing humans to focus on high-value work, leading to faster workflows, reduced errors, and optimized resource allocation
Improved Creativity	AI generates novel ideas and insights, which humans refine and contextualize, fostering innovation in problem-solving, design, and strategic thinking
Personalized Experiences	AI analyzes data at scale while humans apply empathy and context, resulting in more meaningful, personalized customer and user experiences
Continuous Learning & Adaptation	Human feedback helps AI improve over time, while AI surfaces insights that help humans learn faster, adapt to change, and upskill continuously

Source: Corporate Advisory Solutions.

In the long term, the CAS team anticipates that AI agents will fully replace human agents in Tier 1 roles. However, this shift will create opportunities for human agents to reskill into Tier 2 and higher-level roles, as well as expand into new service lines or product offerings enabled by AI advancements.

For companies, it is essential to have a well-defined yet flexible AI strategy – continuously exploring how best to integrate AI into operations. CAS believes the optimal approach is a phased deployment focused on initiatives with the strongest return on investment (ROI). This strategy allows companies to remain competitive and avoid falling behind in AI implementation.

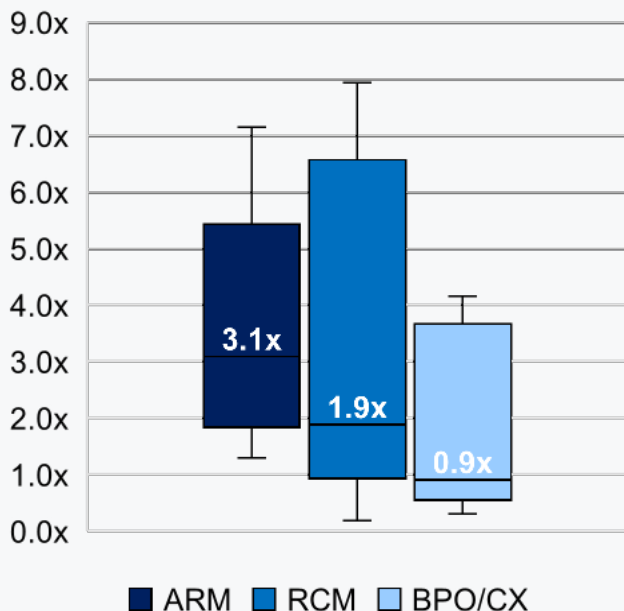
Delaying investments in AI-related technology poses long-term risks, as catching up later requires substantial time and resources. Staying proactive in AI adoption is crucial to maintaining long-term operational and strategic advantages.

VALUATION & PERFORMANCE:

Valuation of publicly traded companies in the tech-enabled outsourced business services sector, as of March 31, 2025, showed slight changes compared to the previous quarter, driven by both market-wide and idiosyncratic factors.

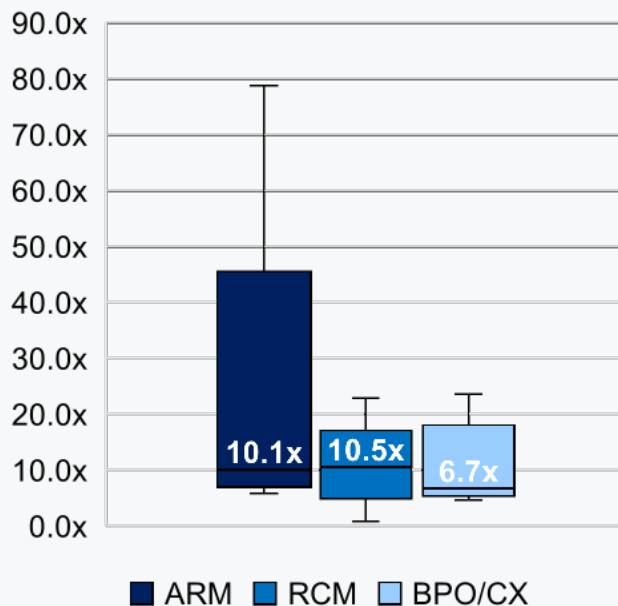
Specifically, publicly traded companies in the ARM industry – typically distressed debt buyers that use the public markets to raise capital for portfolio acquisitions – experienced an expansion in EV/EBITDA multiples from a prior ~7.4x to a ~10.1x median. This shift was largely market-driven, as ARM equities saw performance declines (lower EV) while maintaining or slightly increasing EBITDA, resulting in an expansion of multiples. The RCM sector saw a compression in EV/EBITDA from ~15.6x to ~10.5x median, largely due to a modest rebalancing in the index composition. Lastly, BPO/CX equities did not experience meaningful changes, and they continue to trade around a ~6.7x median EV/EBITDA multiple.

Public Company EV/Revenue Valuations



Source: FactSet; Corporate Advisory Solutions.

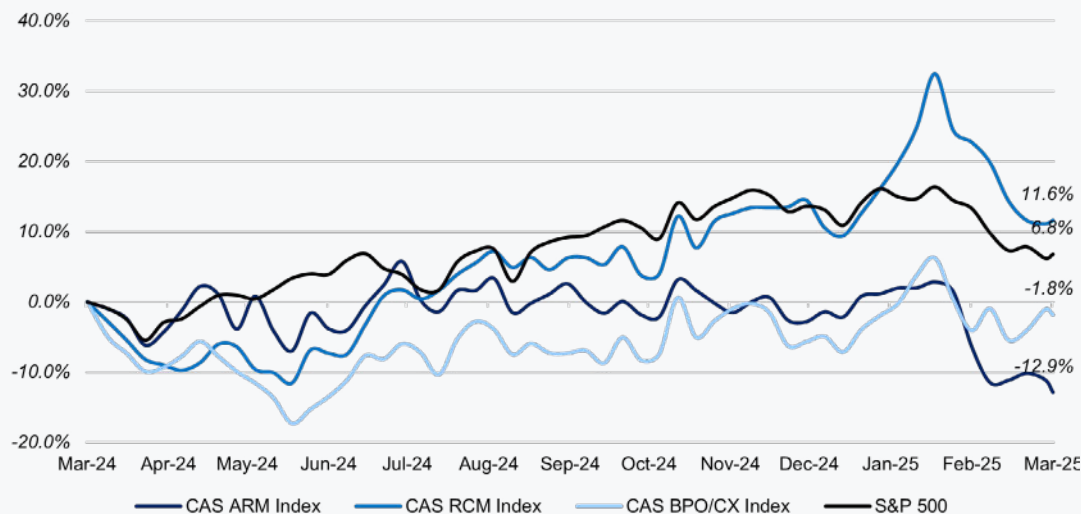
Public Company EV/EBITDA Valuations



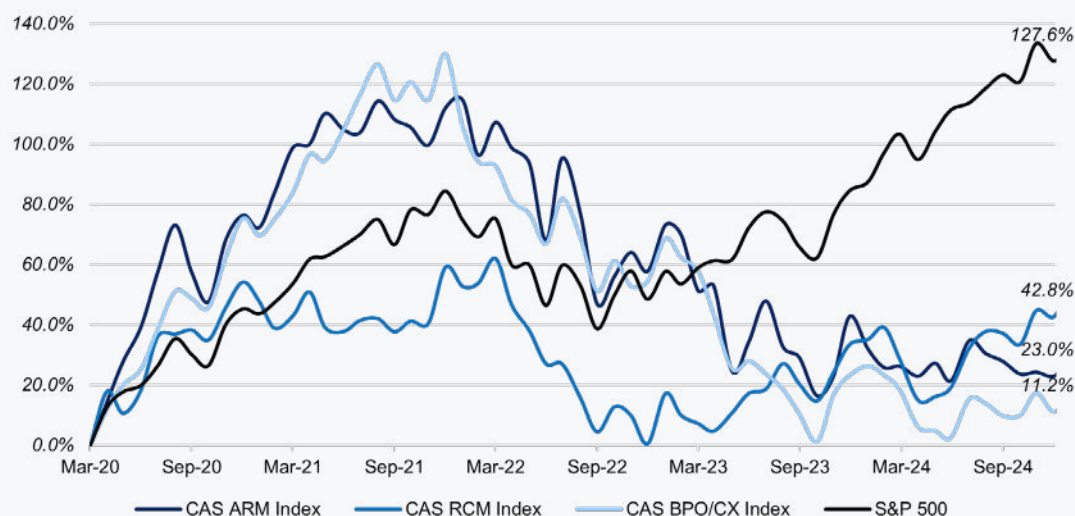
Source: FactSet; Corporate Advisory Solutions.

The tech-enabled outsourced business services sector, consisting of publicly traded companies in the ARM, RCM, and BPO/CX industries, continued to underperform in the broader market, as represented by the S&P 500, as of March 31, 2025. In the five-year performance graph, the lagging trajectory of all three industries since the COVID-19 pandemic lows is clearly highlighted.

Both the broader market and these industries started the new calendar year strongly, fueled by investor optimism around President Trump's pro-business agenda. However, performance has since declined, driven by growing tariff-related concerns (not yet fully reflected in the graph), as well as sector-specific factors. ARM companies showed weaker performance, primarily due to disappointing Q4 2024 earnings results from Encore Capital, with several other debt buyers following a similar negative trend. Healthcare RCM companies also posted lackluster results to close the quarter but continue to outperform the broader market on a trailing twelve-month (TTM) basis. BPO/CX companies have traded relatively in line, as investors evaluate the potential impact of artificial intelligence on the sector. Within BPO/CX, companies actively embracing AI to drive new revenue streams appear to be rewarded by investors, while legacy operators risk facing significant disruption.



Source: FactSet, Corporate Advisory Solutions – Trailing Twelve Months (TTM) – Data as of March 31, 2025.



Source: FactSet, Corporate Advisory Solutions – Last Five Years – Data as of March 31, 2025.

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.

KEY TAKEAWAYS

Looking at the first quarter of 2025, the CAS team observed M&A activity – both in terms of value and volume – broadly in line with the last quarter of 2024. A notable outlier was higher M&A activity in the ARM industry, which recorded nearly 20 transactions, driven largely by strategic and financial acquirers seeking to accelerate growth through M&A strategies.

Specifically, CAS has seen elevated demand for add-on M&A transactions from both well capitalized strategic buyers and financial sponsor-backed enterprises. These acquirers are looking to deploy available capital into high-quality assets that complement their existing platforms.

In the ARM industry, owners, operators, and management teams continue to closely monitor the credit markets – particularly the supply of new paper through account originations and the financial health of U.S. consumers. With both indicators remaining favorable, ARM businesses are currently operating in a supportive environment of strong paper flow from clients and high consumer ability to pay. However, potential disruptors, such as the impact of tariffs and the restart of student loan payments, remain top of mind.

The healthcare RCM space is navigating a unique set of challenges. As both providers and payors face considerable headwinds around performance, costs, and oversight, RCM vendors are well positioned to capitalize on select tailwinds. Specifically, as providers look to preserve margins amid soft performance and payor segments encounter their own pressures, RCM vendors have opportunities to drive growth through onboarding new clients and expanding services to existing ones.

In the BPO/CX industry, artificial intelligence continues to dominate client discussions. The CAS team is also beginning to see early signs of renewed consolidation, with strategic and financial buyers targeting high-quality assets with differentiated client bases, service offerings, or geographic reach to enhance their platforms.

Across the broader tech-enabled outsourced business services sector, much of the market's attention remains focused on the next moves from President Donald Trump's administration and the implications for the U.S. economy. Tariffs remain a top concern due to their potential ripple effects, and there is growing attention on whether tariff-driven inflation might influence the Federal Reserve's monetary policy decisions. Additionally, the administration's ongoing efforts to reduce the oversight power of federal agencies, like the Department of Education and the Consumer Financial Protection Bureau, are beginning to take shape, with more clarity predicted in the coming quarters.

Looking ahead, the CAS team anticipates strong M&A activity throughout 2025. Industry-specific tailwinds are expected to outweigh macro-level headwinds, especially those tied to tariffs. We continue to operate in a seller's market, where buyer demand significantly outpaces the supply of targets, potentially supporting premium valuations for business owners exploring exit opportunities.

At Corporate Advisory Solutions, we remain committed to navigating these evolving trends and supporting our clients in identifying and executing growth and exit strategies. We invite you to reach out to learn how we can help your business thrive in this dynamic environment.

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
- Financial Performance / Margin Analysis
- Market Research
- Executive Recruitment
- Regulatory Compliance Assessment

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 the 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.

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.

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

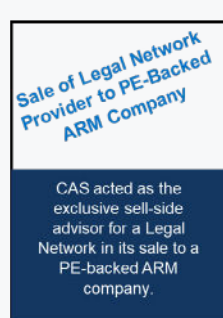
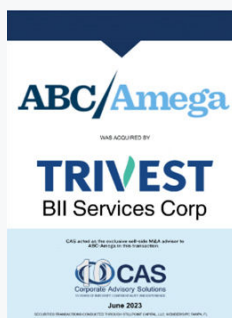
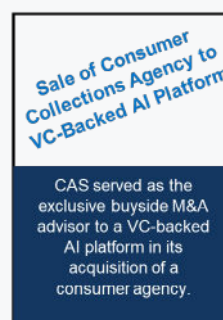
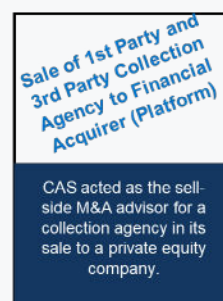
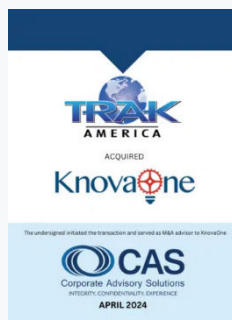
Completed OBS M&A Engagements

\$2.5+ Billion

Deal Value in OBS M&A Engagements

25+

Years of OBS M&A Experience



PUBLIC COMPARABLES

\$ in Millions	As of 03/31/2025	Price	% of 52 Week High	MarketCap	EnterpriseValue	Revenue	EBITDA	EBITDA Margin	EV/Revenue	EV/EBITDA
Accounts Receivable Management (ARM)	KRUK S.A.	\$97.3	79.1%	\$1,886.2	\$3,438.4	\$555.6	\$338.0	60.8%	6.2x	10.2x
	Encore Capital Group, Inc.	\$34.3	66.2%	\$812.1	\$4,354.8	\$1,304.8	\$308.1	23.6%	3.3x	14.1x
	PRA Group, Inc.	\$20.6	72.0%	\$814.7	\$4,292.3	\$1,136.3	\$377.9	33.3%	3.8x	11.4x
	Holst Finance AB	\$7.0	72.1%	\$613.6	\$1,351.6	\$499.1	\$135.8	27.2%	2.7x	10.0x
	Credit Corp Group Limited	\$8.6	70.3%	\$585.8	\$810.0	\$355.5	\$137.6	38.7%	2.3x	5.9x
	B2 Impact ASA	\$1.0	95.9%	\$356.1	\$1,173.7	\$331.7	\$137.1	41.3%	3.5x	8.6x
	Intrum AB	\$2.6	50.9%	\$316.2	\$4,814.8	\$1,698.1	\$383.3	22.6%	2.8x	12.6x
	Axactor ASA	\$0.4	91.4%	\$127.6	\$1,008.9	\$141.2	\$12.8	9.1%	7.1x	78.8x
	Heritage Global Inc.	\$2.2	79.6%	\$77.9	\$58.8	\$45.4	\$7.6	16.8%	1.3x	7.7x
	doValue S.p.A.	\$1.8	39.9%	\$347.3	\$1,024.8	\$525.1	\$145.1	27.6%	2.0x	7.1x
Median			72.0%	\$470.9	\$1,262.7	\$512.1	\$141.4	27.4%	3.1x	10.1x
Revenue Cycle Management (RCM)	Cognizant Technology Solutions	\$76.5	84.2%	\$37,867.5	\$37,127.5	\$19,736.0	\$3,543.0	18.0%	1.9x	10.5x
	Waystar Holding Corp.	\$37.4	77.7%	\$6,430.0	\$7,488.6	\$943.5	\$327.5	34.7%	7.9x	22.9x
	TruBridge, Inc.	\$27.5	86.0%	\$410.1	\$572.6	\$342.6	\$51.1	14.9%	1.7x	11.2x
	CareCloud, Inc.	\$1.4	28.7%	\$22.6	\$20.9	\$110.8	\$25.9	23.4%	0.2x	0.8x
	Claritev	\$20.6	66.5%	\$334.0	\$4,845.5	\$930.6	\$538.1	57.8%	5.2x	9.0x
Median			77.7%	\$410.1	\$4,845.5	\$930.6	\$327.5	23.4%	1.9x	10.5x
Business Process Outsourcing/ Customer Experience (BPO/CX)	NICE Ltd. Sponsored ADR	\$154.2	66.5%	\$9,751.2	\$8,706.5	\$2,735.3	\$751.1	27.5%	3.2x	11.6x
	Genpact Limited	\$50.4	88.8%	\$8,799.5	\$9,573.0	\$4,764.9	\$772.4	16.2%	2.0x	12.4x
	ExlService Holdings, Inc.	\$47.2	90.0%	\$7,638.6	\$7,654.7	\$1,838.4	\$324.3	17.6%	4.2x	23.6x
	Teleperformance SE	\$99.9	76.4%	\$5,909.1	\$9,903.1	\$11,119.8	\$2,098.3	18.9%	0.9x	4.7x
	Firstsource Solutions Limited	\$4.0	80.8%	\$2,741.3	\$2,959.6	\$895.1	\$134.5	15.0%	3.3x	22.0x
	Concentrix Corporation	\$55.6	72.3%	\$3,550.6	\$8,718.4	\$9,608.7	\$1,458.6	15.2%	0.9x	6.0x
	TELUS International (CDA), Inc.	\$2.7	31.6%	\$740.2	\$2,091.2	\$2,658.0	\$421.0	15.8%	0.8x	5.0x
	Conduent, Inc.	\$2.7	55.1%	\$436.9	\$1,034.9	\$3,356.0	\$165.0	4.9%	0.3x	6.3x
	TTEC Holdings, Inc.	\$3.3	38.3%	\$157.1	\$1,172.1	\$2,205.0	\$176.1	8.0%	0.5x	6.7x
Median			72.3%	\$3,550.6	\$7,654.7	\$2,735.3	\$421.0	15.8%	0.9x	6.7x
Overall Median			72.2%	\$676.9	\$3,199.0	\$1,039.9	\$316.2	20.7%	2.5x	10.1x

Source: FactSet, Corporate Advisory Solutions – Data as of March 31, 2025.

DISCLAIMER:

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