



Business Process Outsourcing M&A Update

Q2 2022

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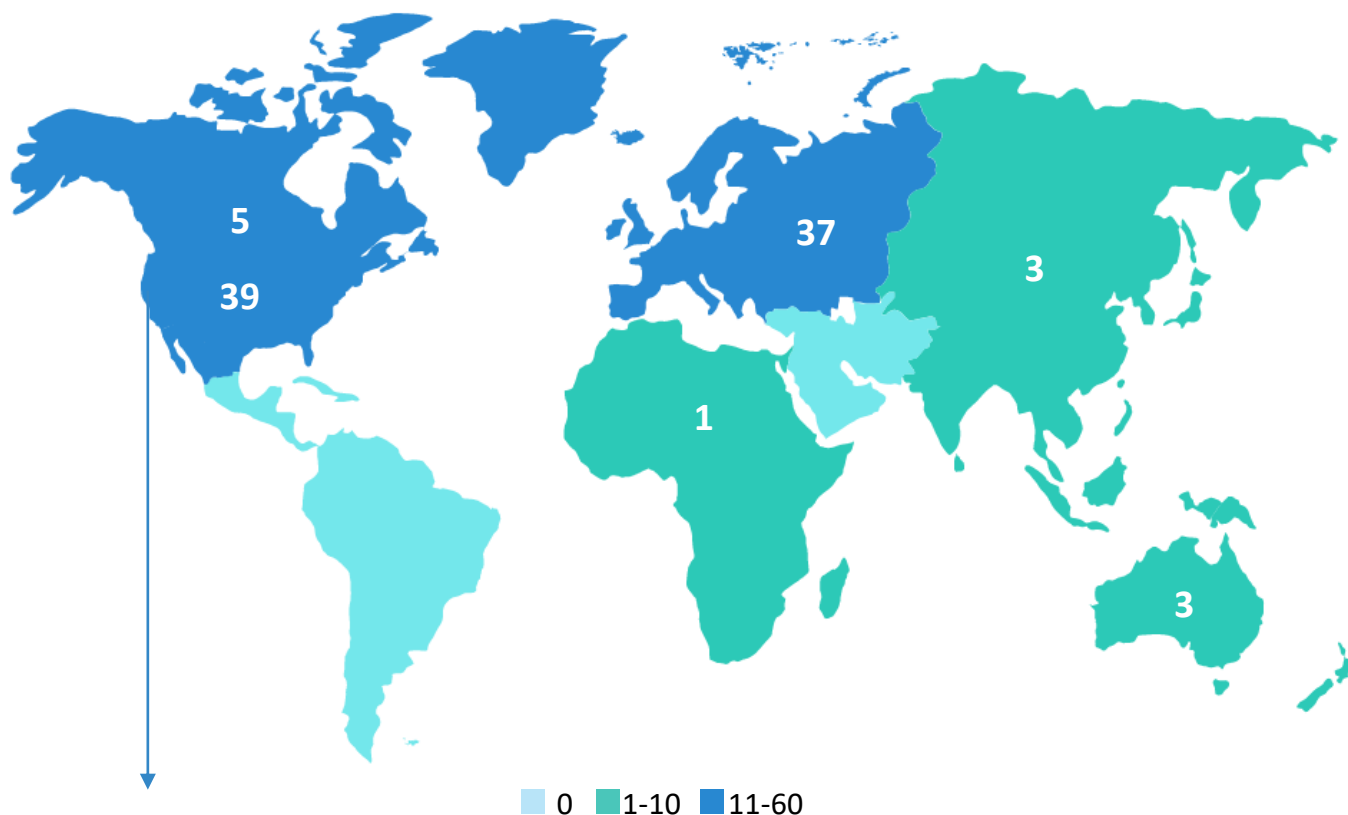
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REPORT HIGHLIGHTS

- M&A deal volume declined 12.9% to 88 completed transactions in Q2 2022 compared to a record high of 101 deals in Q1 but increased 37.5% from 64 deals in Q2 of the prior year.
- In 1H 2022, strategic buyers accounted for only 19.6% of deal volume compared to Private Equity investors with 80.4%. We have seen this trend of increasing PE activity over the last 3-4 years.
- Despite significantly fewer transactions, strategic buyers accounted for 69.4% of total capital invested in 1H 2022 compared to Private Equity investors who accounted for 30.6%.
- North America was the most active region in the BPO sector in Q2 with 44 deals, followed by Europe with 37.
- The largest transaction in the quarter was the Global Business Travel division of American Express' reverse merger with Apollo Strategic Growth Capital for \$5.3B dollars.

Global Deal Analytics

Of the 88 deals transacted globally in Q2 2022, North America was the most active market with 44 completed transactions. Europe was the second most active with 37 transactions, most notably was the \$850M dollar leveraged buyout of Visma Custom Solutions, a provider of application management, by CVC Capital Partners in June 2022. All other regions combined for a total of 7 completed transactions in the period.



Canada: 5

United States Regions: 39

Mid Atlantic:	9
West Coast:	9
Great Lakes:	8
Southeast	4
Other:	9

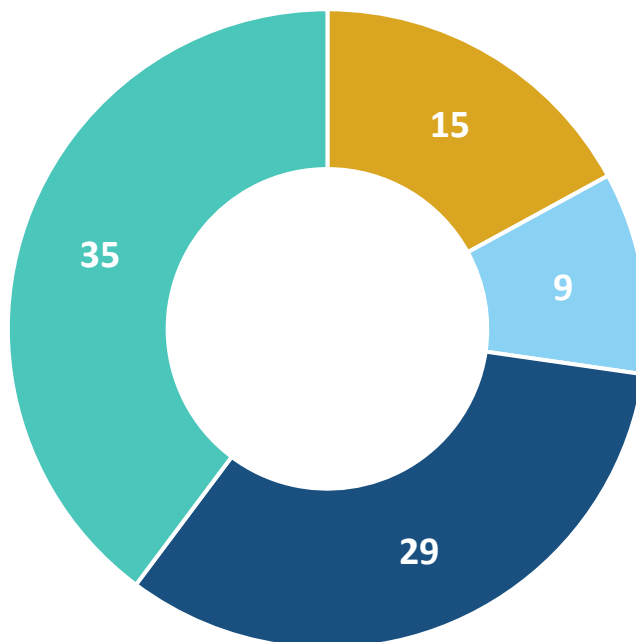
In the North American market, the Mid Atlantic and West Coast regions were the most active areas in Q2 with 9 completed deals each. The Great Lakes and Southeast regions had 8 and 4, respectively. All other regions in the U.S. had a combined 9 transactions.

Outside of the U.S., the Canadian market was relatively active with 5 completed transactions in Q2.

Global Deal Analytics

Of the 88 BPO deals in Q2, 29 were in the Industrial & Manufacturing subsector, making it the most active subsector from an M&A standpoint. TMT was the second most active subsector with 15 deals followed by Healthcare with 9. The remaining 35 transactions were not categorized.

Deal by BPO Subsector



■ TMT ■ Healthcare ■ Industrial & Manufacturing ■ Other



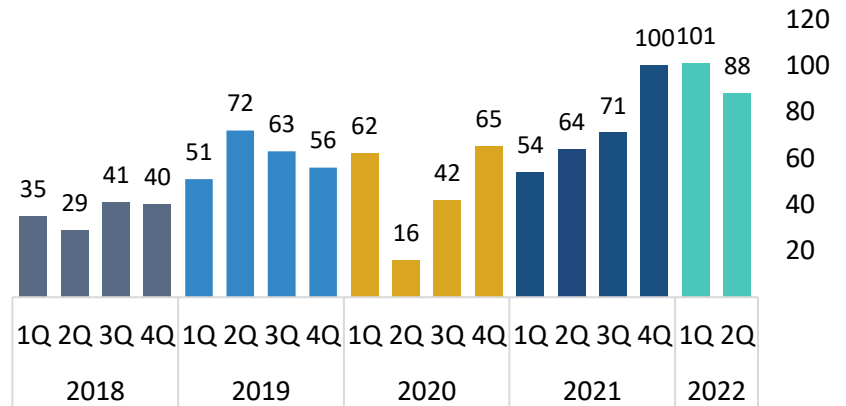
Global Deal Analytics

Since bottoming in Q2 2020 due to covid, we have seen a steady increase in deal volume in the sector over the last several years, peaking in Q1 of 2022 at 101 completed deals. Volume in Q2 dipped slightly to 88 deals but is still at the highest point over the last four years other than Q1 and Q4 of last year.

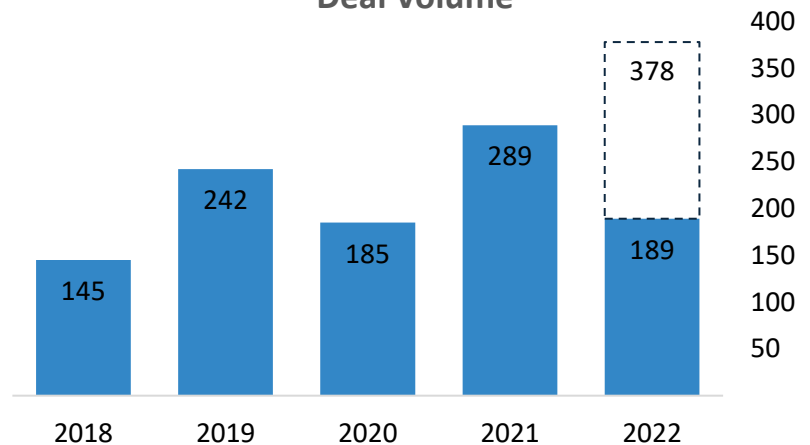
Despite ongoing supply chain disruptions, rapid inflation and higher fuel prices, we still anticipate M&A deal volume in the sector to continue its upward trend in 2022 totaling an estimated 378 transactions, a 30.8% increase over 2021 at 289.

Total capital invested in the BPO sector increased significantly to \$7.2B in Q2, up 118.9% from \$3.3B in Q1 and up 639.4% from \$1.0B in the same period of the prior year. This sharp increase in capital invested can largely be attributed to American Express' Global Business Travel reverse merger of \$5.3B, representing 73.6% of capital invested in the quarter.

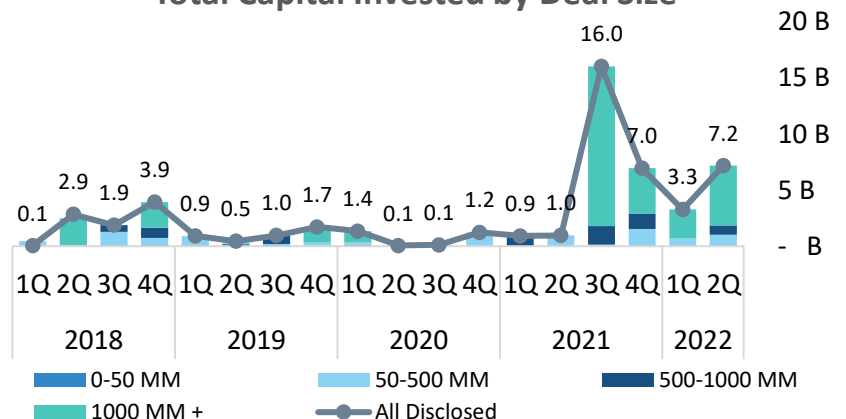
Deal Volume



Deal Volume



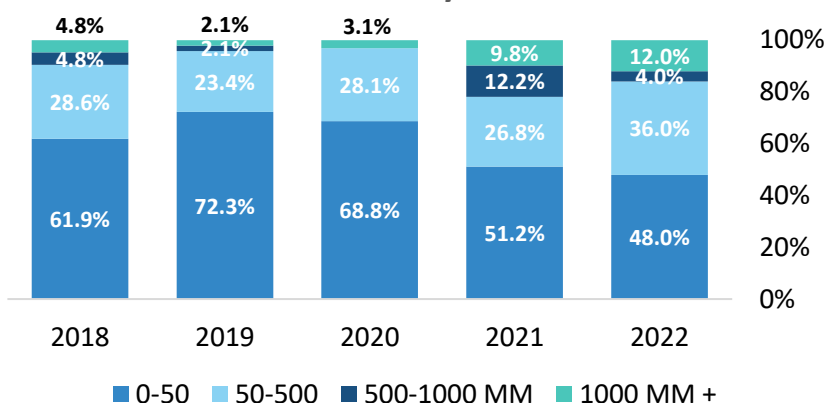
Total Capital Invested by Deal Size



Global Deal Analytics

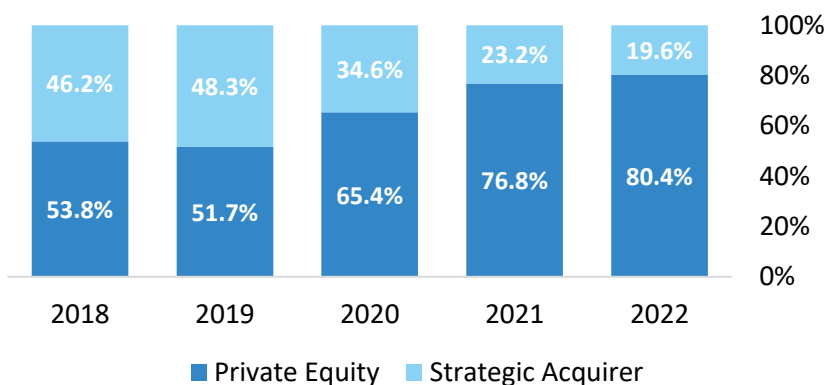
In 1H 2022, deal volumes in the larger cap (\$1000MM+) and middle market (\$50-500MM) tranches saw increases as a % of total volumes of 2.2% and 9.2%, respectively. Conversely, deal volumes in the upper middle market (\$500-1,000MM) and lower middle market (\$0-50MM) tranches declined by 8.2% and 3.2%, respectively.

Deal Volume by Deal Size



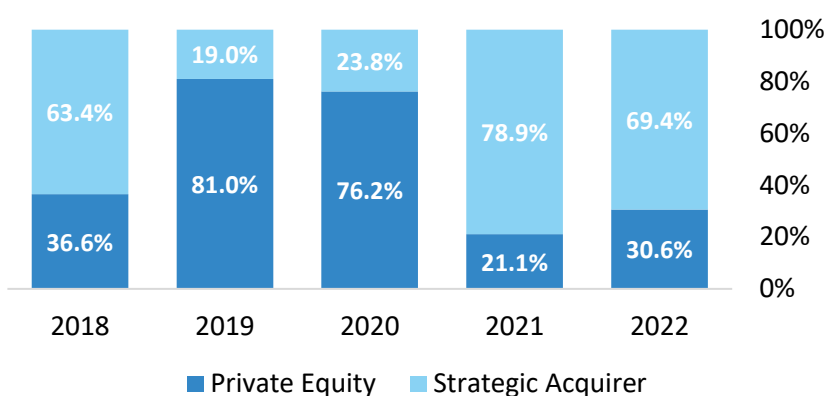
Since 2018, PE buyers have accounted for an increasing share of M&A volume in the BPO sector versus Strategic Buyers. In 1H 2022, we have seen this trend continue as PE buyers reached a record high of 80.4% of total deal volume.

Deal Volume by Acquirer



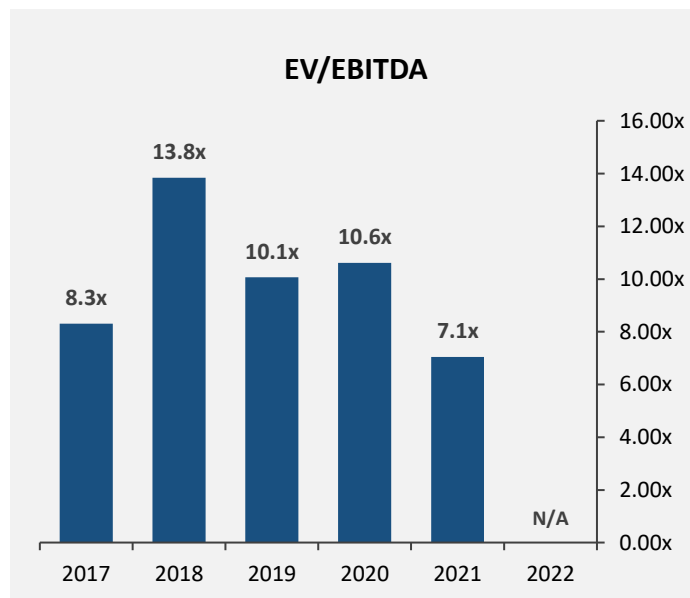
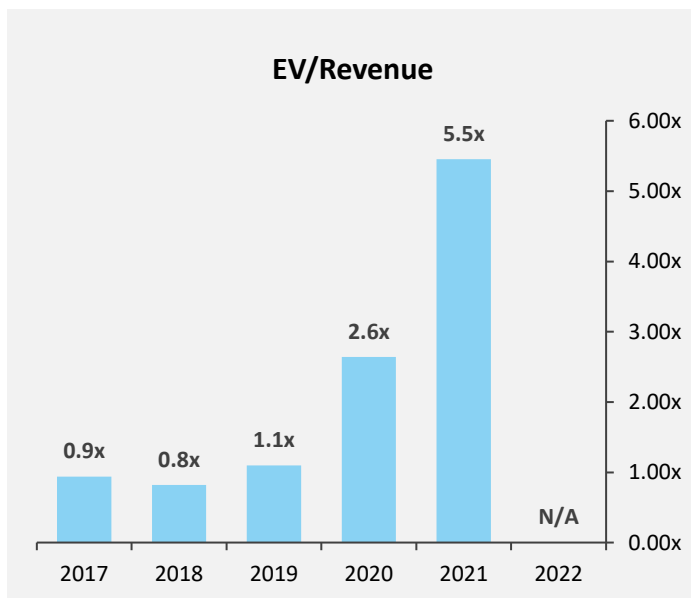
Total capital invested by acquirer has bounced around quite a bit from 2018 to 2022. In 1H 2022, we saw PE investors increase as a % of total capital invested to 30.6% compared to 21.1% in the prior year.

Total Capital Invested by Acquirer

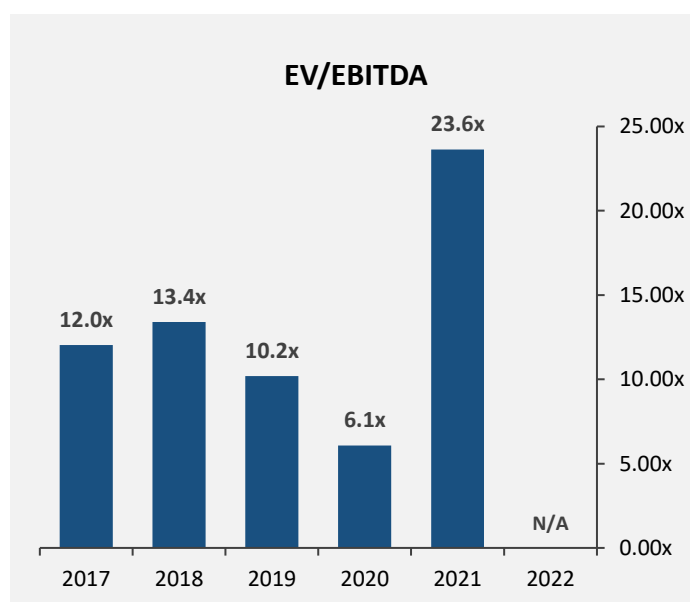
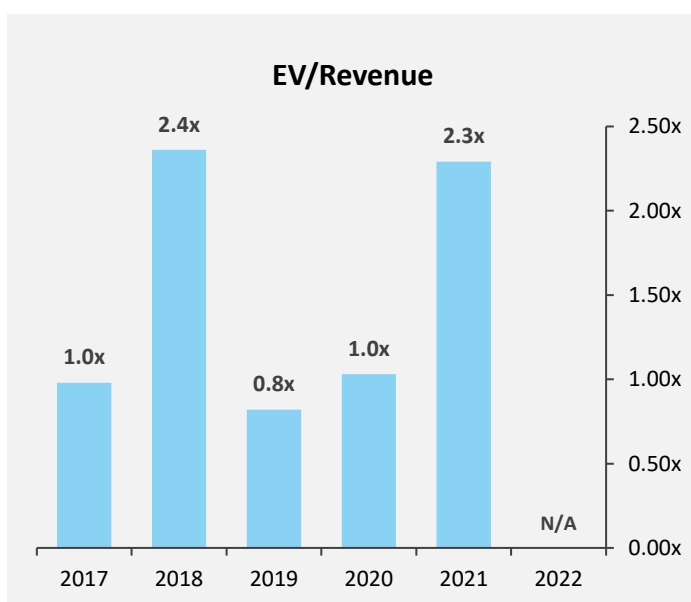


Valuation Multiples

PE Multiples



Strategic Multiples



* No reported transaction valuation multiples were available in 1H 2022.

Precedent Transactions

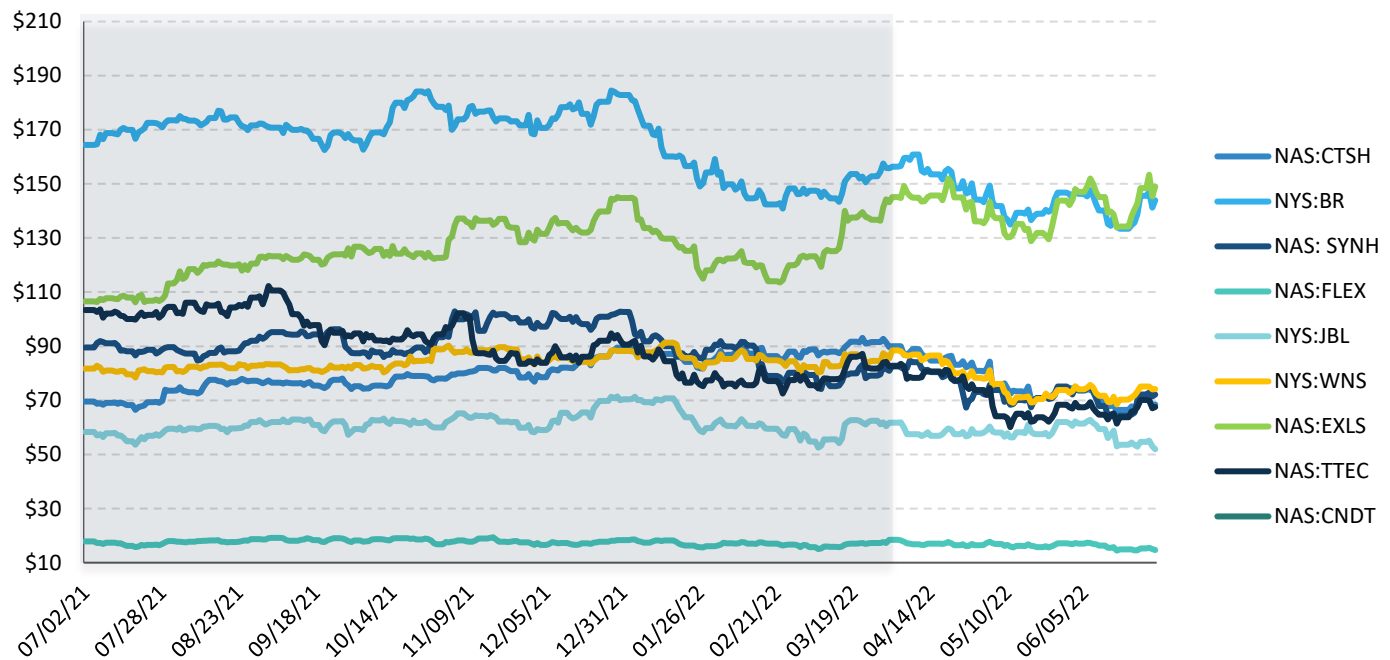
Deal Date	Company Name	Primary Investor	Deal Type	Deal Size (\$mm)	Target Business Description
27-May-2022	American Express Global Business Travel (NYS: GBTG)	Apollo Strategic Growth Capital	Reverse Merger	5,300.00	Global Business Travel Group Inc operates as a business-to-business travel platform engaged in providing software and services to manage travel, expenses, and meetings.
16-Jun-2022	Visma Custom Solutions	CVC Capital Partners	Buyout/LBO	850.40	Provider of application management, maintenance and continuous development based in Norway.
27-May-2022	American Express Global Business Travel (NYS: GBTG)	Apollo Global Management, Ares Management, HG Vora Capital Management, Sabre Corporation, Zoom Video Communications	PIPE	335.00	Global Business Travel Group Inc operates as a business-to-business travel platform engaged in providing software and services to manage travel, expenses, and meetings.
06-Apr-2022	Explora BioLabs	Charles River Laboratories (NYS: CRL)	Merger/Acquisition	295.00	Provider of contract vivarium research services intended for biotechnology and pharmaceutical clients of all sizes and stages of development.
07-Apr-2022	LogicSource	FTV Capital	Buyout/LBO	180.00	Provider of outsourced procurement services intended to drive profit improvement for clients through better buying.
04-Apr-2022	Faneuil	TTEC Holdings (NAS: TTEC)	Merger/Acquisition	142.30	Provider of customer care outsourcing services services intended to deliver secure and engaging citizen experiences on behalf of its clients.
11-Apr-2022	Specialty Pharmacy Nursing Network	Option Care Health (NAS: OPCH)	Merger/Acquisition	60.00	Provider of home infusion nursing and therapy management services intended to serve patients with rare, chronic and orphan disorders.
21-Jun-2022	Kemp Proteins	BroadOak Capital Partners	PE Growth/Expansion	5.00	Operator of contract development and manufacturing company specializing in the production and characterization of novel proteins.
01-Apr-2022	Synergy Outsourcing	Tyco Holdings	Merger/Acquisition	2.63	Provider of based in London, England. The company offers a range of services including new customer support, loyalty schemes, online and technical support.
28-Apr-2022	Hinet Group Solutions	Lindbergh SpA	Merger/Acquisition	0.27	Provider of installation and technical assistance services. The company provides equipment support services and professional technicians for operational management.
11-Apr-2022	Aakamp	Farmaceutici Procemsa, Investindustrial	Buyout/LBO		Provider of contract manufacturing services for nutritional supplements and dietetic foods.
10-Jun-2022	Agile MV	Resonetics, The Carlyle Group (NAS: CG)	Buyout/LBO		Provider of manufacturing services focused on medical devices including the design, development and manufacturing of minimally invasive devices.
30-Jun-2022	Alba Facility Solutions	DUBAG Investment Advisory	Buyout/LBO		Provider of infrastructural technical facility management and property management services intended for residential, business and special real estate throughout Germany.
02-Jun-2022	Alembo	Majorel	Merger/Acquisition		Provider of BPO outsourcing services intended to serve e-commerce, retail, medical, and cultural verticals.
01-Apr-2022	ALPHA Elektronik	Blue Equity, ETK EMS	Buyout/LBO		Provider of printed circuit board (PCB) assembly located in Næstved, Denmark.
15-Apr-2022	Amplify Additive	Arch Global Precision, The Jordan Company	Buyout/LBO		Provider of medical manufacturing services intended to help clients to leverage additive manufacturing technology for designs in the orthopedic implant and instrument market.
15-Apr-2022	Anchor Printing Company	Fortis Solutions Group, Harvest Partners	Buyout/LBO		Provider of custom printing and services intended to serve North American manufacturers and fillers of industrial and household products.
03-May-2022	Apparatus Solutions	Quattro Business Support Services, Trivest Partners, VSS	Buyout/LBO		Provider of tech-enabled business process outsourcing services based in Detroit, United States in areas of unique accounting & finance, human resources and talent retention.

Leading M&A Deals

Deal	Deal Synopsis	Driver
 	<p>The Global Business Travel division of American Express, an operator of software and services to manage travel expenses, meetings, and events, led a group of investors in the acquisition of Apollo Strategic Growth Capital through a reverse merger, resulting in the combined entity trading on the NYSE. The company received an additional \$335M investment through a private placement. Both deals closed on May 27th, 2022 at an enterprise value of \$5.3B.</p>	Reverse Merger; PIPE
 	<p>The Custom Solutions business of Visma Group, a provider of application management and maintenance, was acquired by CVC Capital Partners through an \$850M LBO in June 2022. CVC Capital Partners will support the business to further develop its market position through both organic and inorganic growth.</p>	Buyout/ LBO
 	<p>In April 2022, Explora Biolabs, a provider of contract vivarium research services, was acquired by Charles River Laboratories for an estimated \$295M. With Charles River Laboratories' presence in the West Coast, the acquisition will compliment their existing footprint and offer opportunities to partner with an emerging, high-growth client base.</p>	Merger/ Acquisition
 	<p>LogicSource, a provider of tech-enabled outsourced procurement services, was acquired by FTV Capital through a \$180 LBO in April 2022. FTV plans to grow the business through investments in technology and data offerings, new verticals and other client-centric growth initiatives.</p>	Buyout/ LBO

Public Comps

Stock Price

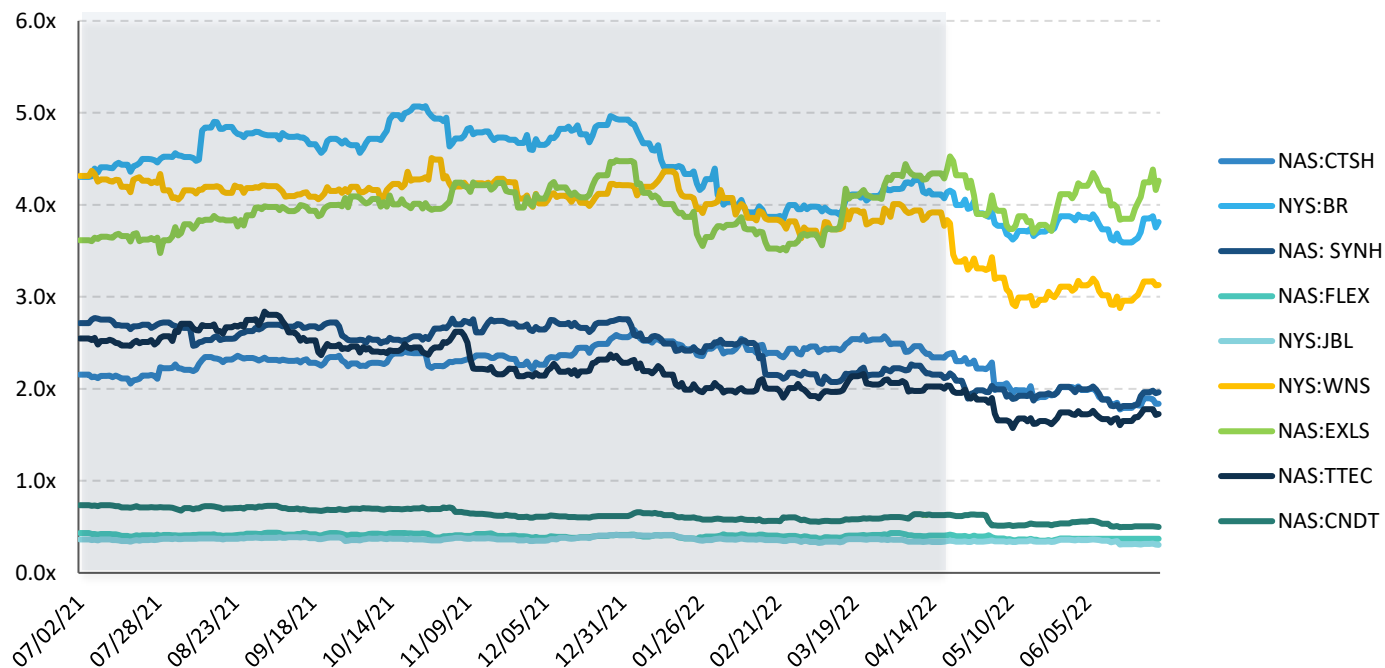


Financial & Valuation

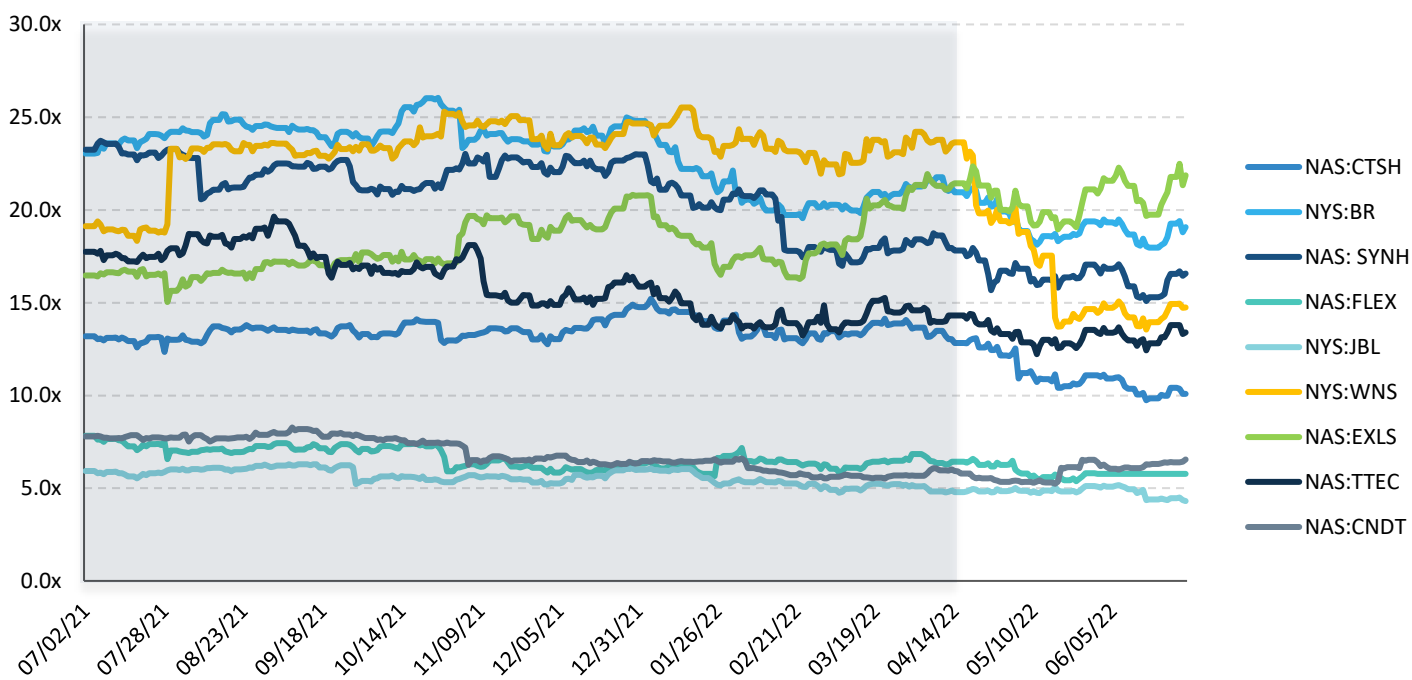
SMM Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA			Revenue Growth			Gross Margin			EBITDA Margin		
					20A	21A	22E	20A	21A	22E	20A	21A	22E	20A	21A	22E	20A	21A	22E
Broadridge Financial Solutions	NYS:BR	142.6	16710.7	4452.9	4.2x	4.9x	4.6x	23.0x	24.8x	19.4x	6%	12%	7%	28%	28%	29%	18%	20%	23%
Cognizant Technology Solutions	NAS:CTSH	67.5	35174.0	1607.0	2.6x	2.6x	2.3x	15.9x	14.8x	12.2x	1%	7%	6%	36%	37%	39%	16%	17%	20%
Conduent	NAS:CNDT	4.3	931.4	1553.0	0.6x	0.6x	0.6x	N/A	5.7x	5.4x	-10%	-1%	-4%	23%	24%	23%	-6%	11%	10%
ExService Holdings	NAS:EXLS	147.3	4904.1	380.9	3.0x	4.5x	3.9x	15.3x	20.8x	19.0x	0%	11%	12%	34%	39%	39%	19%	22%	20%
Flex Gestao De Relacionamento	BVMF:FLEX3	N/A	N/A	36.4	N/A	N/A	N/A	N/A	N/A	N/A	-7%	9%	N/A	30%	31%	N/A	5%	10%	N/A
Jabil	NYS:JBL	51.2	7231.7	3396.0	0.3x	0.4x	0.4x	6.1x	6.0x	5.1x	8%	7%	11%	7%	8%	8%	4%	7%	7%
TTEC Holdings	NAS:TTEC	67.9	3193.2	916.5	2.1x	2.3x	2.1x	15.7x	15.9x	13.0x	15%	21%	12%	25%	26%	N/A	13%	14%	16%
WNS Global Services	NYS:WNS	74.6	3646.2	167.0	3.8x	4.2x	3.8x	22.2x	24.7x	14.6x	8%	10%	3%	36%	35%	38%	17%	17%	26%
Mean					2.6x	3.0x	2.7x	17.2x	17.1x	12.9x	3.2%	9.6%	6.1%	28.3%	29.2%	30.6%	11.7%	15.0%	18.5%
Median					2.8x	3.4x	3.0x	15.9x	18.3x	13.8x	6.0%	9.9%	6.6%	30.1%	30.8%	37.8%	16.0%	17.1%	19.8%

Public Comps

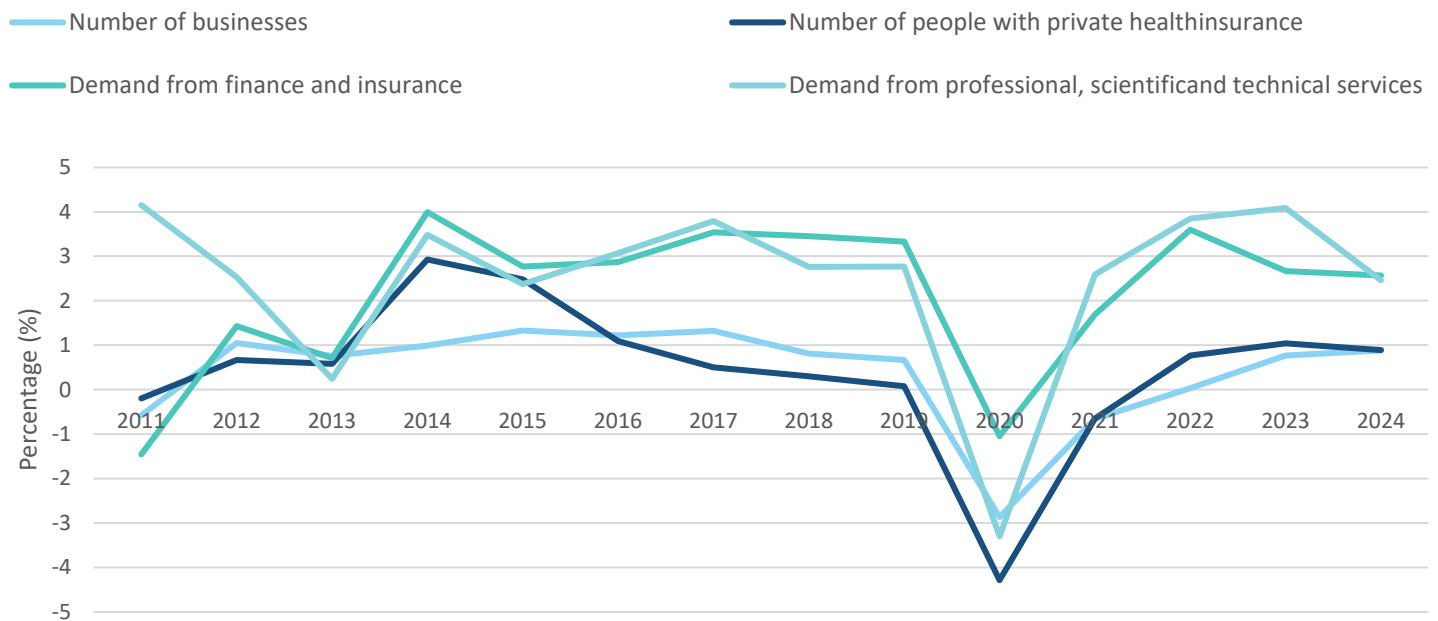
EV/Revenue



EV/EBITDA



Key External Drivers



Number of businesses

With an anticipated rise in the total number of businesses over the next several years, industry demand for outsourced services is expected to increase along with it as businesses have a need for a variety of services from third party providers.

Number of people with private health insurance

Rising demand for private health and medical insurance facilitates an increase in BPO services. In addition, an increase in business healthcare expenditures may encourage companies to hire overseas to avoid further costs.

Demand from finance and insurance

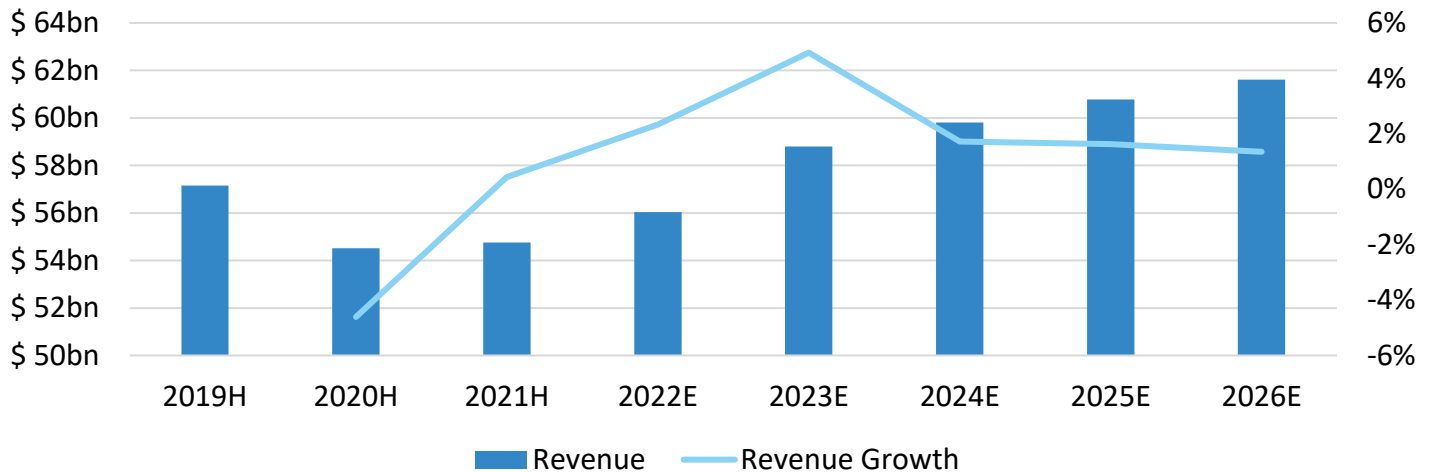
Finance, banking and insurance companies constitute the greatest demand for BPO services. Companies in these industries are responsible for large amounts of sensitive client and proprietary data. As a result, many employees are required to conduct essential back-office functions related to record maintenance, settlements and regulatory compliance. Companies in these sectors have increasingly outsourced many of these functions, supporting industry revenue.

Demand from professional, scientific and technical services

Companies in the Professional, Scientific and Technical Services sector contract BPO operators to source labor for document management, communications oversight and other administrative functions. As demand from companies providing professional, scientific and technical services improves, BPO Services industry revenue consequently increases.

Industry Outlook

Business Process Outsourcing (BPO) Industry Revenues



Software Automation

With hourly wages surging over 12% over the last year coupled with the availability of cloud computing and developments within AI systems, the feasibility of automation within Business Process Outsourcing has increased. Although this will not take effect immediately, management teams should start to consider this reality and how they will plan to adapt. Of the major verticals within the industry, areas such as Accounting & Finance, Legal, and IT services could be particularly adept to this automation.

Globalization

The BPO industry is highly globalized, largely due to differences in the costs of labor between countries. As North America is 60% of the demand for BPO services geographically, it is clear that achieving efficiencies through lower hourly wages is a significant factor in terms of how the industry is able to add value. This trend is expected to increase into the future as the dollar strengthens to its strongest point in decades.

Targeting Startup Clients

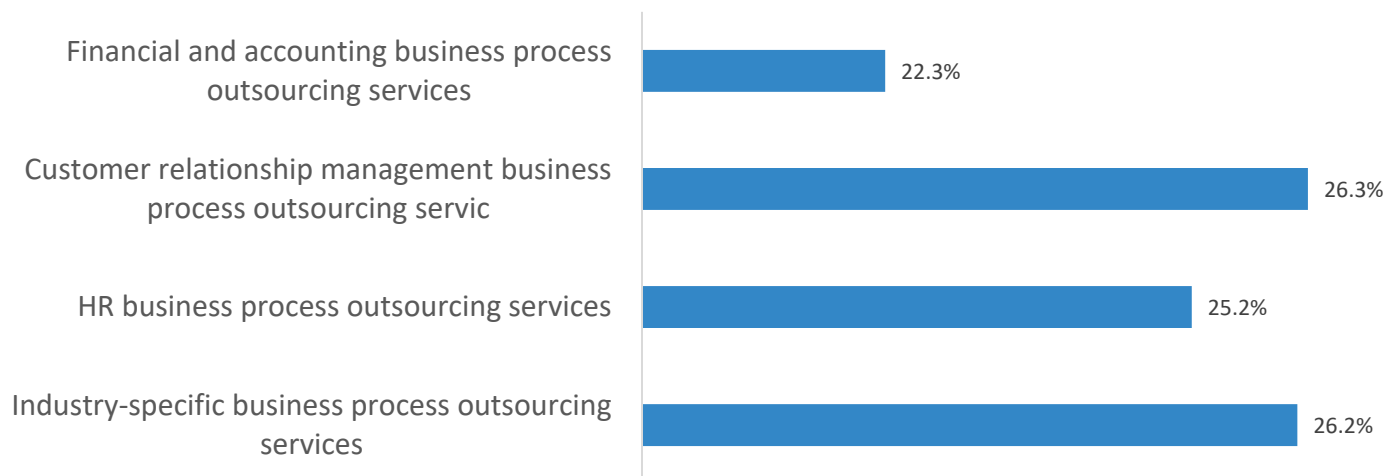
Over the years the portfolio of services offered by BPO firms has grown significantly. One recent trend has been for these firms to target serving business at the earlier stages of growth. These businesses tend to be more demanding of BPO services early on, and their BPO service expenses will scale alongside the fast growth of the business. Many established players such as Accenture have begun to focus here, while others such as Quantanite have been founded to address this issue specifically.

Increased Transparency in Partnerships

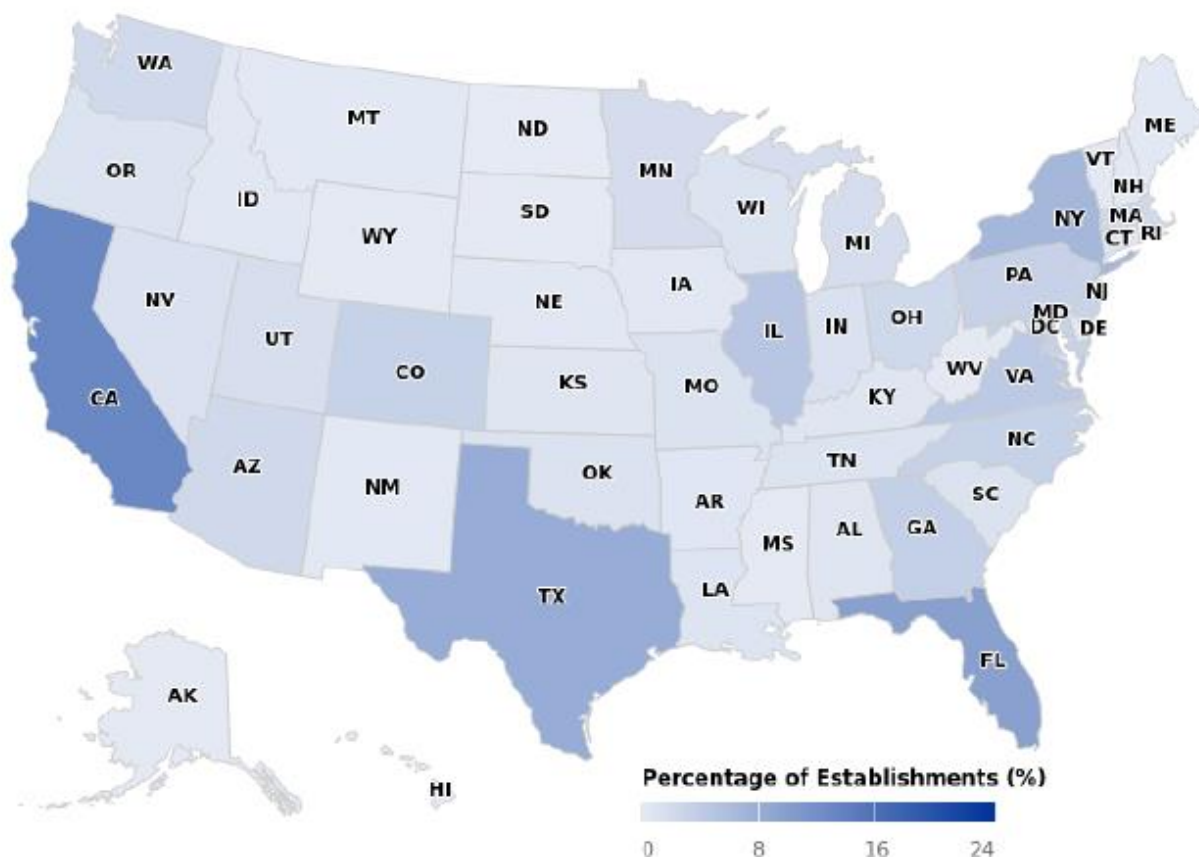
Historically, BPO offerings were provided without disclosing details about the outsourcing. However, since relationships have become more important for firms and regulation has increased within the industry, there has been a move towards transparency within these processes. As a result, relationships between BPO companies and their clients have started to become more of a true partnership rather than a simple outsourcing measure.

Industry Outlook

Products & Services



Business Locations



Our Service Offerings



Sell-Side Advisory: Sell your business

Sell your business for the highest price and for the best terms. At R.L. Hulett, communicating the value of your business to targeted buyers and finding the best fit for your team is our forte. We strive to maintain your company's culture and heritage even as you transition out of your business.



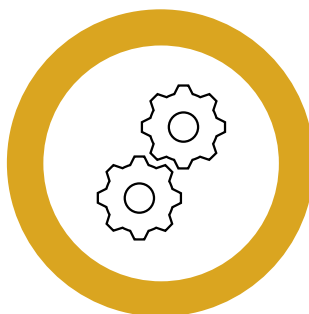
Buy-Side Advisory: Buy a business

Searching for acquisition targets can be a challenging and time-consuming task when trying to run your own business at the same time. Navigating the risks and pitfalls in negotiating valuation and deal structure can also be a daunting task for many business owners. Let our team help you minimize your risk and reduce time wasting efforts with our decades of experience in advising in both buy and sell-side M&A transactions. We utilize industry-leading M&A databases to scout for opportunities and pre-screen for "real" actionable targets so you can stay focused on what matters.



Capital Raise: Gain financial support

With nearly 40 years of experience in middle-market M&A advisory, we know how to package up your deal and put you in front of the right kind of investors who have the capital and the industry expertise you need to grow your business. Our team will develop a go-to-market strategy and advise on deal structure, valuation, due diligence and transition issues. Whether you are seeking capital for growth or trying to buy out other shareholders, we have the tools, expertise, and experience to execute a strategic process and find the optimal outcome to meet your objectives.



Restructuring: reorganization of your business

In today's uncertain economic times, more and more companies are finding themselves in unfamiliar, and unwanted, positions. Many business owners are hoping recovery is just around the corner; however, proactive measures are often required to maximize the remaining value of the business. Our team can aid banking institutions with workout situations by implementing internal controls over cash management and performing on-going cash flow modeling for their clients. We can also help business owners avoid having trouble making payments on their debts and avoid the cumbersome and low-value asset liquidation process.

Selected Transactions



Has sold substantially all of
its assets to



R.L. Hulett
& COMPANY, INC.



TRILOGY WAREHOUSE PARTNERS

has partnered with



a portfolio company of



R.L. Hulett
& COMPANY, INC.



FEDERAL STEEL SUPPLY, INC.

Has sold substantially all of
its assets to



V&A CAPITAL

R.L. Hulett
& COMPANY, INC.



Has sold substantially all of
its assets to



R.L. Hulett
& COMPANY, INC.



Has been acquired by



R.L. Hulett
& COMPANY, INC.



Has sold substantially all of
its assets to



R.L. Hulett
& COMPANY, INC.



Was recapitalized by



R.L. Hulett
& COMPANY, INC.



Has been acquired by



R.L. Hulett
& COMPANY, INC.

**Wood Waste
Energy, Inc.**

Has been acquired by



R.L. Hulett
& COMPANY, INC.

Our M&A Deal Leaders



R. Trevor Hulett, CPA
Managing Director
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Mr. Hulett has led M&A transactions in a variety of industries including manufacturing/industrial, software development/IT, business services and value-added distribution for over 15 years. Prior to joining the firm, he held senior level accounting and financial management positions in both public accounting and large corporations. Mr. Hulett began his career as a Certified Public Accountant with MPP&W, a St. Louis-based public accounting firm specializing in middle market companies. He then held various management positions in internal audit and corporate accounting with a Fortune 1000 industrial manufacturing company and also spent nine years with Enterprise Rent-A-Car Company as a department manager in the Corporate Accounting group. Mr. Hulett holds his Series 62, 63 and 79 securities registration. Mr. Hulett earned a Bachelor's Degree in Accounting from the University of Missouri, Columbia.



Robert L. Hulett
Chairman Emeritus
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Mr. Hulett founded the firm in 1981 and has negotiated and completed more than 200 transactions throughout his career. He began his career as a Certified Public Accountant and practiced with Peat, Marwick, Mitchell & Co. in St. Louis as an Audit Manager and in New York as the Director of Training for Private Business. Mr. Hulett has also served as Chief Executive & Board Member for various middle market companies. As an educator, he was an adjunct professor at New York University and a tenured faculty member at Lindenwood University in St. Louis. He conducted training sessions for middle market CPA firms throughout the country for more than ten years. Mr. Hulett earned his BS/BA Cum Laude in Accounting from the University of Missouri-Columbia, and an MBA from Lindenwood University.



David T. Vass
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Mr. Vass has over 30 years of business management experience including more than 10 years as President of a highly successful consumer products manufacturing company with revenues exceeding \$25 million. During this time, he not only reversed a declining sales and earnings trend, but increased both sales and operating income over 100%. In addition, he has spent over 20 years at the executive level of Vice President of Sales and Business Development. Mr. Vass also has experience in a number of other industry niches including consumer products, commercial furniture and fixtures and metal recycling. He holds a Bachelor's Degree in Economics from DePauw University and an MBA from the University of Michigan.

Our M&A Deal Leaders



Ron Litton

Director

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Mr. Litton has been advising business owners in mergers and acquisitions since 2013. His primary industry focus areas have included industrials, paper and packaging, distribution, energy, promotional products and direct to consumer e-commerce. Prior to 2013, Mr. Litton held a variety of C-level roles with several companies in the paper and packaging industry including Unisource, Maverick Paper, Universal Graphics and Sabin Robbins. He has bought and sold a number of businesses, advised in the sale of family/founder owned businesses, and advised in start-ups and turnaround situations for banks, owners, and private equity firms. He enjoys working with owners that want to sell or transition out of their businesses. Ron covers the Kansas City and surrounding markets for the firm. He graduated from Central Missouri State University with a BS in Graphic Arts Technology and Management.



Max Leible

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Mr. Leible is an experienced M&A advisor having spent years in both investment banking and due diligence transaction advisory services. Prior to joining the firm, Mr. Leible served as a Management Consultant at Aon, plc (NYSE: AON) within the M&A and Transaction Solutions practice providing due diligence services for private equity and corporate clients. Before that, Max worked at Douglas Group, as an Investment Banking Associate. Mr. Leible received a Bachelor of Science in Accounting and Bachelor of Science in Business Administration with an Emphasis in Finance from the University of Missouri-St. Louis and graduated magna cum laude for each major. During his time at the University of Missouri-St. Louis, Max co-founded the Finance Club, an organization at the university, and represented the university as a participant in the Chartered Financial Analyst Research Challenge.



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Ryan joined R.L. Hulett & Company in 2021 and provides transaction support for senior-level deal managers including financial modeling, valuations, industry research, offering memorandums and a variety of presentations. Ryan graduated with a Bachelor of Science in Management Degree with a major in finance from The Freeman School of Business, Tulane University. Prior to joining the firm Ryan worked as an equity analyst for Burkenroad reports, an equity research program that produces widely circulated financial reports on small- to medium-sized companies. During his time at Tulane University, Ryan was elected as Vice President of Administration for Tulane's community government, took extensive courses in Investment Banking M&A transactions, and volunteered as a data analyst for American Red Cross.

About R.L. Hulett & Company

R.L. Hulett & Company is a middle-market investment bank based in St. Louis, Missouri. Since 1981, the firm specializes in providing financial advisory services to middle market companies. Since IB inception, the firm has advised in over 230 transactions in a variety of industries including manufacturing, distribution, business services, transportation/logistics, health care and software/technology. The firm has an experienced team of M&A advisors consisting of former business owners, seasoned corporate executives, professional service firm partners, CPAs and MBAs. Our ability to deliver customized solutions to meet or exceed our clients' expectations is what sets us apart from our competitors.

Industry Sectors Covered:



Industrial



Transportation and Logistics



Food & Beverage



Business Services



Tech-enabled Services



Healthcare

Disclaimer

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