



Evolve  
Capital Partners

# QUARTERLY DEALS & MARKET ROUNDUP

## Business Process Outsourcing (BPO)

October 2017



*Customer Experience*



*IT / Consulting*



*Operations*



*HR / Payroll*



*Healthcare Industry*



## Highlights

*This quarter's BPO roundup discusses the following key developments:*



***FOCUS SHIFTING FROM COST REDUCTION TO VALUE MAXIMIZATION***



***PROCESS AUTOMATION RAMPING UP***



***CUSTOMER-ENGAGEMENT TECHNOLOGIES CAPTURING MORE ATTENTION***



***DEAL VOLUMES PICK UP AS MARKET CONSOLIDATES***



# Overview of Evolve Capital Partners

## ABOUT ECP

- Evolve Capital Partners (ECP) is a specialized investment bank focused on businesses serving industries at the intersection of finance and technology.
- We are dedicated investment bankers focused on evolving industries, and we support sustainable growth through transformational M&A / financing transactions.
- ECP is a dedicated, creative, and fully independent investment bank that advises private and public companies on merger, divestiture and acquisition transactions, and capital raising through private placements.
- We also provide structured finance advisory services — our investment banking practice provides a comprehensive suite of solutions to businesses.
- With over 30 engagements executed by its leaders, Evolve Capital Partners has served as a proud partner, bringing renewed value to companies at the intersection of finance and technology.
- We were founded in 2012 and are based in New York, NY.

## HIGH-TOUCH INVESTMENT BANKING

*Few investment banks have transaction experience across both corporate and asset finance.*



### Our Clients

- Corporations
- Management Teams
- VC & PE Backed Companies
- Independent Directors / Boards



### Investment Banking Advisory

- M&A
- Strategic Alliances
- Capital Raises and Asset Finance
- Financial Restructuring



### Industry Focus

#### Finance and Technology Firms

**BPO**

**IoT**

**B2B**

**Specialty Finance**

**Enterprise Software**

**Analytics**

**Payments**

**Lending**

**InsuranceTech**

**Securities**

**Financial Services**

**Financial Management**

## We Focus Exclusively on Finance and Technology-Related Firms

### Financial Management Solutions



### Payments



### Bank Tech / Solutions



### BPO



## Capabilities

### M&A Advisory

*Sales / Recaps*

*Acquisitions*

*Divestiture*

*Strategic Advisory*

## Financing

*Private Placements*

*Debt Capital*

*Restructuring*

### Specialty Finance / Alternative Lending



### Healthcare Tech



### Securities



### Data & Analytics / IoT



### Insurance







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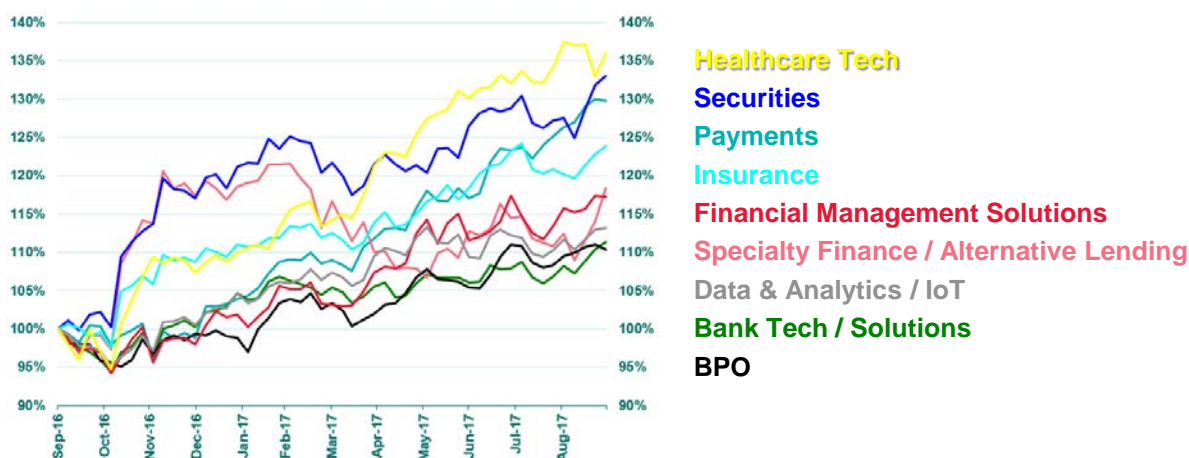
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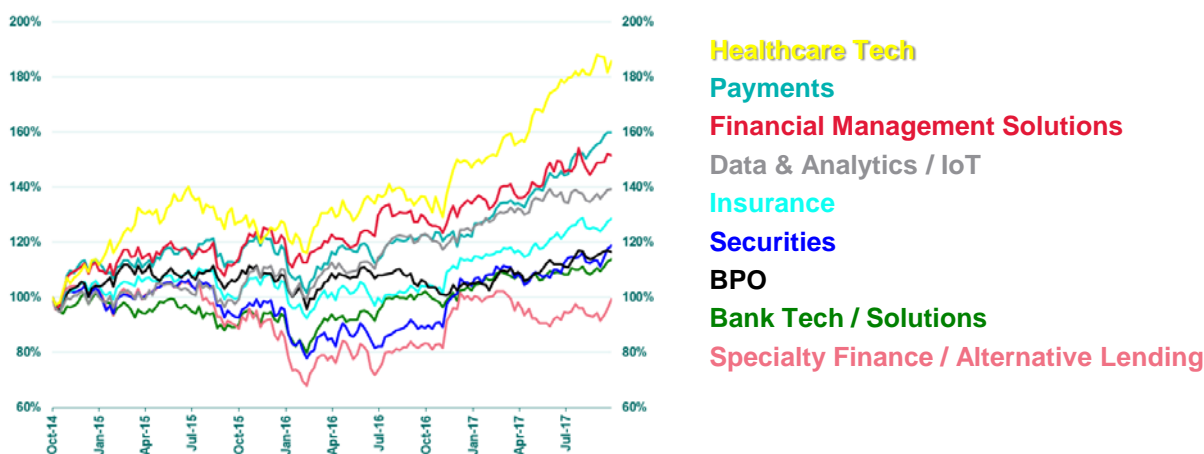
# Market Summary

## Industry Stock Market Performance of ECP Sector Coverage

### Last 12 Months



### Last 3 Years



### Indexed Price Performance

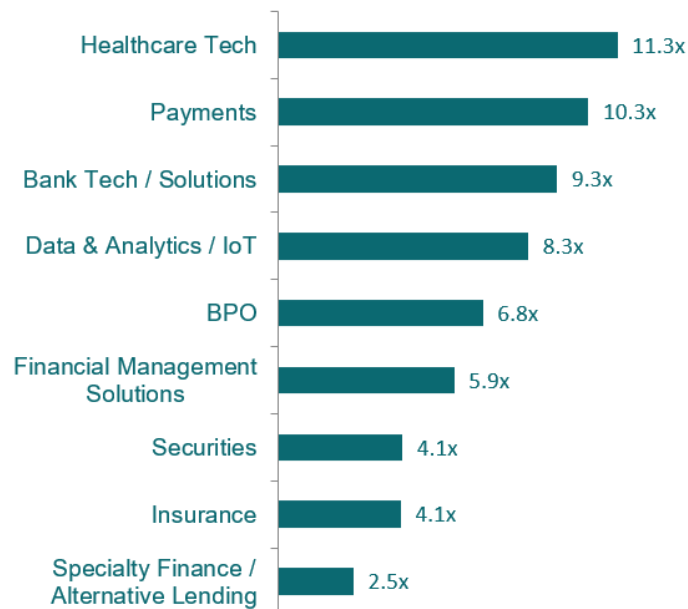
Sector	3 Months	1 Year	3 Years
Payments	10.0%	30.0%	59.7%
Bank Tech / Solutions	4.1%	11.4%	13.9%
Specialty Finance / Alternative Lending	10.9%	18.9%	(0.6%)
Securities	10.7%	33.4%	18.7%
Healthcare Tech	6.1%	23.7%	85.6%
BPO	2.4%	10.1%	16.4%
Financial Management Solutions	2.6%	17.3%	39.7%
Data & Analytics / IoT	(0.1%)	13.1%	39.3%
Insurance	6.6%	36.2%	28.5%

Source: Capital IQ and market data as of September 29, 2017

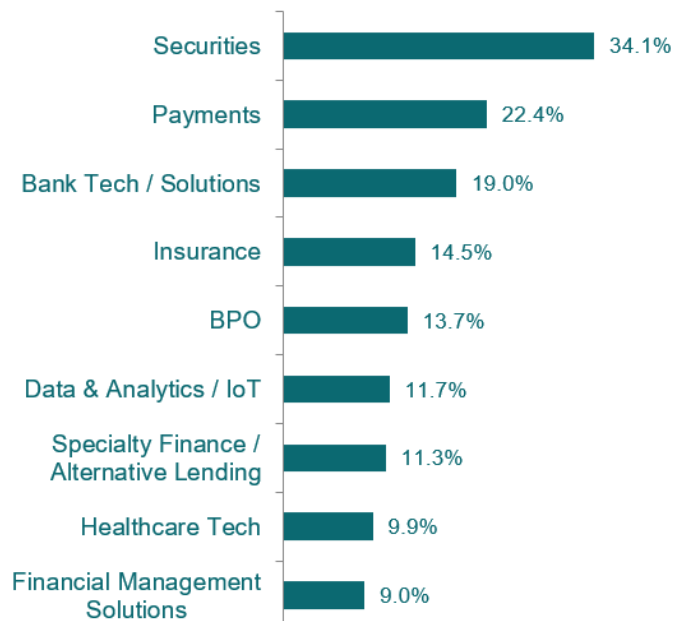
# Multiples & Margins – All Sectors

## Industry-wide Multiples and Margins

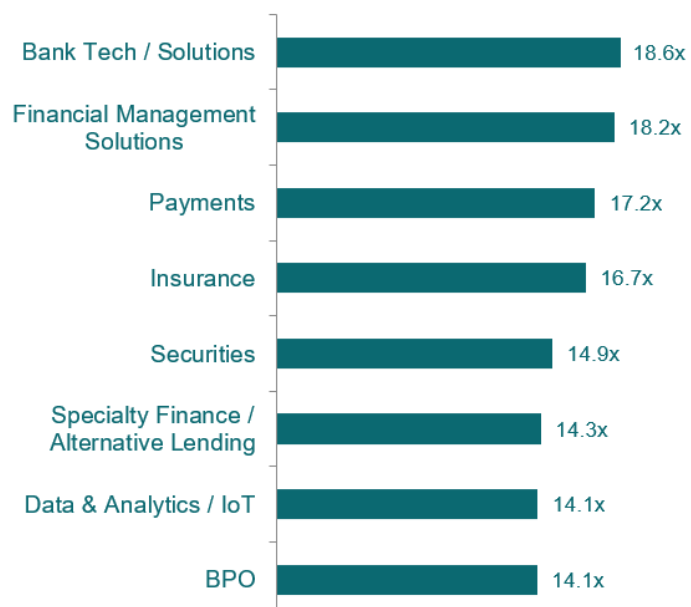
### 2017E EBITDA Multiples



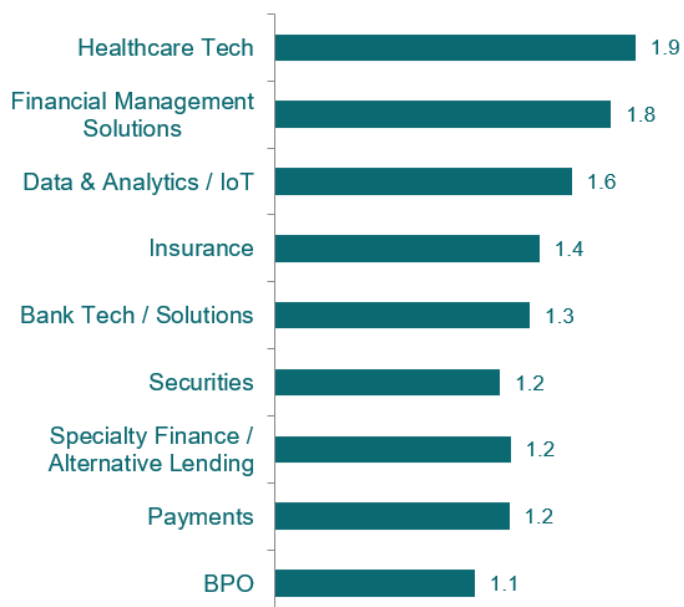
### LTM EBITDA Margins



### 2017E Price / Earnings Multiples



### 2017E PEG Ratio

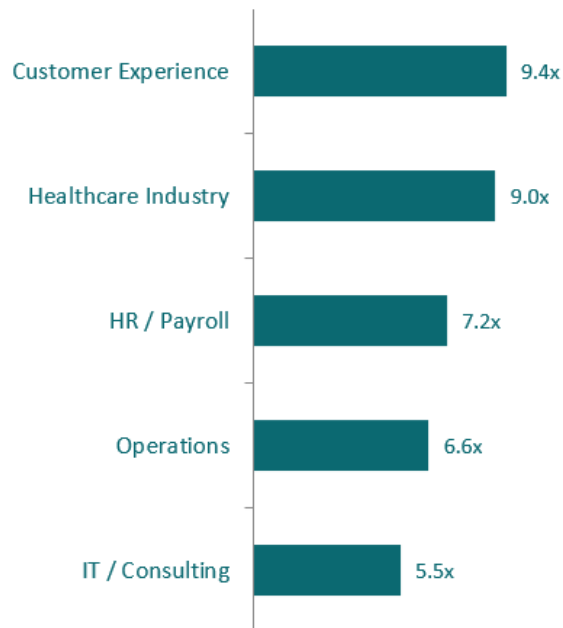


Source: Capital IQ and market data as of September 29, 2017

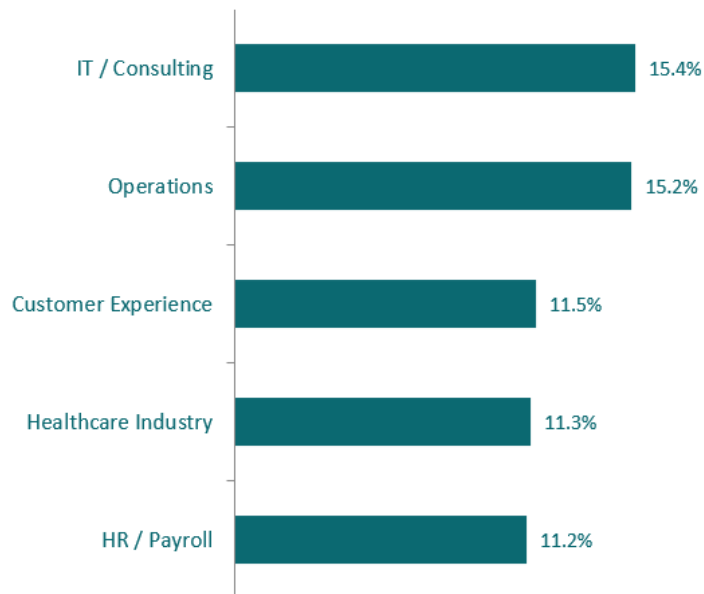
# Multiples & Margins – BPO

## Sub-sector Multiples and Margins

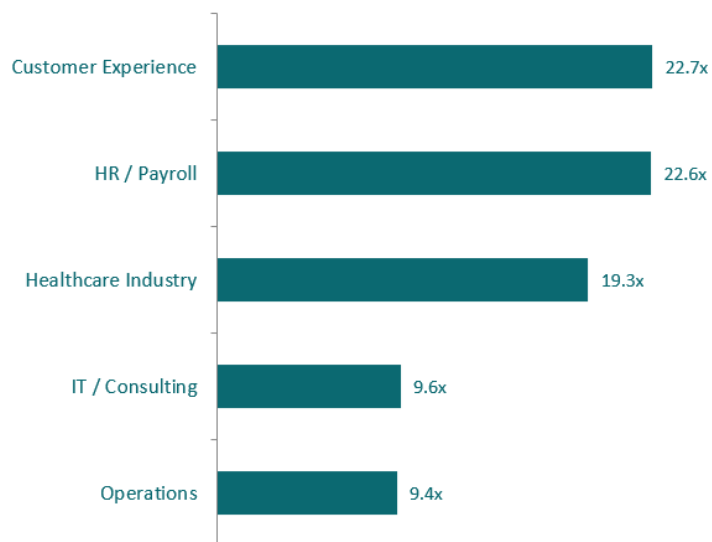
### 2017E EBITDA Multiples



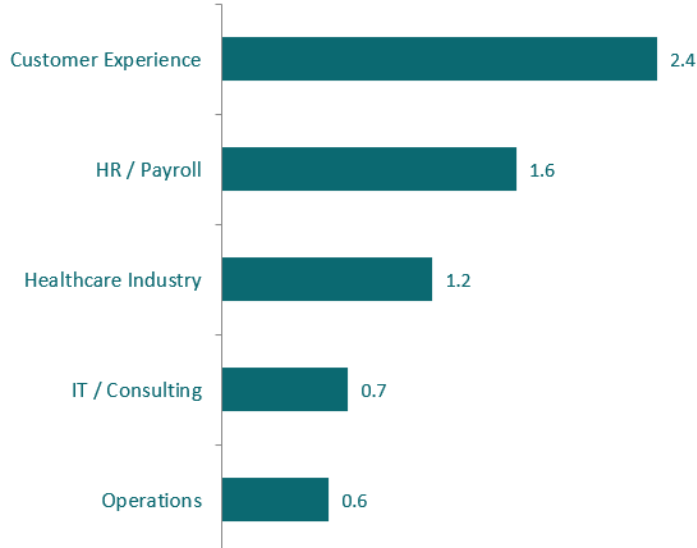
### LTM EBITDA Margins



### 2017E Price / Earnings Multiples



### 2017E PEG Ratio





## Stock Comparables – BPO

(All figures in US Dollars. Figures in millions, except per share data, as of September 29, 2017)

BPO Sub-Sector	Aggregate		Multiples					
	Market Cap	Enterprise Value	Price / Earnings		EV / EBITDA		EV / Sales	
			FY 17E	FY18E	FY 17E	FY 18E	FY 17E	FY 18E
Customer Experience	\$14,379	\$16,432	22.7x	18.0x	9.4x	8.5x	1.2x	1.1x
IT / Consulting	\$369,119	\$356,771	9.6x	19.4x	5.5x	11.0x	1.2x	2.1x
Operations	\$29,469	\$34,432	9.4x	13.1x	6.6x	9.2x	1.1x	1.5x
HR / Payroll	\$85,707	\$84,025	22.6x	32.4x	7.2x	16.0x	2.8x	3.8x
Healthcare Industry	\$54,606	\$69,235	19.3x	28.8x	9.0x	10.5x	2.1x	3.3x
<b>Median</b>			<b>19.3x</b>	<b>19.4x</b>	<b>7.2x</b>	<b>10.5x</b>	<b>1.2x</b>	<b>2.1x</b>
<b>Mean</b>			<b>16.7x</b>	<b>22.3x</b>	<b>7.6x</b>	<b>11.0x</b>	<b>1.7x</b>	<b>2.4x</b>

BPO Sub-Sector	Number of Companies	Growth Rates			EBITDA Margin		PEG* FY 17E
		Revenue		EPS			
		FY 17E	FY 18E	5 Yr	FY 17E	FY 18E	
Customer Experience	5	4.0%	5.1%	10.2%	11.5%	12.6%	2.44
IT / Consulting	24	4.1%	17.2%	11.9%	15.4%	18.2%	0.70
Operations	8	3.1%	3.8%	9.1%	15.2%	17.0%	0.60
HR / Payroll	8	7.4%	10.7%	17.2%	11.2%	22.5%	1.65
Healthcare Industry	10	5.3%	16.5%	18.2%	11.3%	19.3%	1.18
Median		4.1%	10.7%	11.9%	11.5%	18.2%	1.18
Mean		4.8%	10.6%	13.3%	12.9%	17.9%	1.31

\* Price/Earnings to Growth ratio is a valuation metric for determining the relative trade-off between the price of a stock, the earnings generated per share (EPS), and the company's expected growth. In general, the P/E ratio is higher for a company with a higher growth rate.

## Stock Comparables – BPO Sub-Sectors

(All figures in US Dollars. Figures in millions, except per share data, as of September 29, 2017)

### Customer Experience

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA Margin	EV / Sales		EV / EBITDA		P / E		PEG FY2017
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
Teleperformance SE	\$8,622	\$10,384	\$4,610	15.4%	2.1x	2.0x	12.1x	11.2x	21.2x	19.2x	1.7
Convergys Corporation	\$2,415	\$2,530	\$2,914	12.5%	0.9x	0.9x	7.0x	6.8x	13.6x	13.2x	1.3
TeleTech Holdings, Inc.	\$1,914	\$2,100	\$1,349	12.7%	1.5x	1.4x	10.8x	10.0x	23.3x	20.3x	2.0
Sykes Enterprises, Incorporated	\$1,241	\$1,206	\$1,534	11.2%	0.8x	0.7x	7.1x	6.5x	15.9x	14.6x	1.5
StarTek, Inc.	\$187	\$211	\$307	6.0%	0.7x	0.6x	10.3x	8.0x	39.2x	22.6x	5.6
<b>Median</b>				<b>12.5%</b>	<b>0.9x</b>	<b>0.9x</b>	<b>10.3x</b>	<b>8.0x</b>	<b>21.2x</b>	<b>19.2x</b>	<b>1.7</b>
<b>Mean</b>				<b>11.5%</b>	<b>1.2x</b>	<b>1.1x</b>	<b>9.4x</b>	<b>8.5x</b>	<b>22.7x</b>	<b>18.0x</b>	<b>2.4</b>

### IT / Consulting

Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA Margin	EV / Sales		EV / EBITDA		P / E		PEG FY2017
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
Accenture plc	\$83,471	\$80,127	\$34,850	16.2%	NA	2.2x	NA	13.0x	NA	21.9x	NA
Tata Consultancy Services Limited	\$71,394	\$66,627	\$18,296	27.0%	NA	3.8x	NA	14.3x	NA	19.5x	NA
Cognizant Technology Solutions Corporati	\$42,844	\$39,457	\$14,131	19.6%	2.8x	2.5x	13.9x	11.9x	20.4x	17.3x	1.4
Infosys Limited	\$31,493	\$26,360	\$10,499	27.1%	NA	2.5x	NA	9.3x	NA	14.2x	NA
DXC Technology Company	\$24,449	\$29,725	\$11,590	10.5%	NA	1.3x	NA	7.2x	NA	13.3x	NA
Wipro Limited	\$20,817	\$17,398	\$8,379	19.8%	NA	2.2x	NA	10.5x	NA	16.3x	NA
HCL Technologies Limited	\$19,113	\$17,820	\$7,374	22.4%	NA	2.1x	NA	9.5x	NA	13.7x	NA
Capgemini SE	\$19,086	\$21,647	\$14,483	12.7%	1.5x	1.5x	11.2x	10.5x	17.7x	16.5x	2.3
Atos SE	\$16,243	\$16,473	\$14,069	13.3%	1.1x	1.1x	8.8x	8.2x	16.0x	14.7x	1.3
Amdocs Limited	\$9,349	\$8,386	\$3,828	18.8%	2.2x	2.1x	10.9x	10.5x	17.0x	15.9x	2.0
Open Text Corporation	\$8,532	\$10,660	\$2,291	27.6%	NA	4.2x	NA	11.5x	NA	13.8x	NA
Tech Mahindra Limited	\$6,844	\$5,761	\$4,573	13.9%	NA	1.3x	NA	9.4x	NA	14.3x	NA
CACI International Inc	\$3,409	\$4,578	\$4,355	8.4%	NA	1.1x	NA	11.9x	NA	21.1x	NA
ExiService Holdings, Inc.	\$1,968	\$1,776	\$742	14.0%	2.5x	2.2x	14.3x	12.6x	23.2x	21.2x	1.6
WNS (Holdings) Limited	\$1,845	\$1,768	\$671	13.6%	NA	2.5x	NA	13.3x	NA	27.0x	NA
Callidus Software Inc.	\$1,667	\$1,495	\$228	(3.4%)	6.1x	5.1x	NM	NM	NM	54.2x	3.6
Syntel, Inc.	\$1,644	\$1,955	\$922	26.7%	2.4x	2.4x	9.5x	9.4x	12.2x	12.6x	1.3
Mindtree Limited	\$1,163	\$1,031	\$801	12.6%	NA	1.4x	NA	11.1x	NA	17.0x	NA
Hexaware Technologies Limited	\$1,226	\$1,163	\$587	16.7%	2.0x	1.8x	12.3x	11.0x	18.1x	16.5x	1.3
Virtusa Corporation	\$1,106	\$1,190	\$881	6.0%	NA	1.2x	NA	16.5x	NA	24.1x	NA
Unisys Corporation	\$429	\$489	\$2,719	4.8%	0.2x	0.2x	1.4x	1.3x	5.8x	4.5x	0.5
VASCO Data Security International, Inc.	\$481	\$324	\$186	4.1%	2.0x	1.8x	17.4x	16.7x	35.7x	33.8x	1.7
Microgen plc	\$398	\$388	\$67	22.5%	4.4x	4.0x	18.8x	15.7x	32.3x	26.3x	NA
Be Think, Solve, Execute S.p.A.	\$147	\$170	\$152	13.7%	1.1x	1.0x	7.8x	7.1x	21.4x	17.2x	NA
<b>Median</b>				<b>14.0%</b>	<b>2.1x</b>	<b>2.1x</b>	<b>11.2x</b>	<b>11.0x</b>	<b>18.1x</b>	<b>16.8x</b>	<b>1.5</b>
<b>Mean</b>				<b>15.4%</b>	<b>2.4x</b>	<b>2.1x</b>	<b>11.5x</b>	<b>11.0x</b>	<b>20.0x</b>	<b>19.4x</b>	<b>1.7</b>

Source: Capital IQ

## Stock Comparables – BPO Sub-Sectors (Cont'd.)

(All figures in US Dollars. Figures in millions, except per share data, as of September 29, 2017)

<b>Operations</b>											
Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA Margin	EV / Sales		EV / EBITDA		P / E		PEG FY2017
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
CGI Group Inc.	\$14,977	\$16,164	\$8,325	16.8%	1.9x	1.9x	10.6x	10.0x	18.8x	17.1x	1.3
Capita plc	\$5,042	\$8,101	\$6,339	13.8%	1.3x	1.3x	10.1x	9.9x	10.8x	10.2x	NA
Genpact Limited	\$5,546	\$6,381	\$2,624	16.7%	2.5x	2.3x	14.9x	13.7x	19.3x	17.3x	1.5
Mphasis Limited	\$1,827	\$1,481	\$947	15.6%	NA	1.7x	NA	11.3x	NA	16.8x	NA
CSG Systems International, Inc.	\$1,347	\$1,438	\$770	18.8%	1.9x	1.8x	8.5x	7.8x	16.5x	15.1x	1.9
Firstsource Solutions Limited	\$436	\$513	\$548	11.7%	NA	1.0x	NA	8.2x	NA	10.2x	NA
iEnergizer Limited	\$138	\$195	\$146	22.6%	NA	1.1x	NA	4.9x	NA	5.2x	NA
PRGX Global, Inc.	\$157	\$157	\$146	5.7%	1.1x	1.0x	8.3x	7.7x	NM	NM	NA
<b>Median</b>				<b>16.2%</b>	<b>1.9x</b>	<b>1.5x</b>	<b>10.1x</b>	<b>9.0x</b>	<b>17.6x</b>	<b>15.1x</b>	<b>1.5</b>
<b>Mean</b>				<b>15.2%</b>	<b>1.7x</b>	<b>1.5x</b>	<b>10.5x</b>	<b>9.2x</b>	<b>16.4x</b>	<b>13.1x</b>	<b>1.6</b>

<b>HR / Payroll</b>											
Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA Margin	EV / Sales		EV / EBITDA		P / E		PEG FY2017
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
Automatic Data Processing, Inc.	\$48,584	\$47,803	\$12,380	22.0%	NA	3.9x	NA	18.5x	NA	30.7x	NA
Paychex, Inc.	\$21,503	\$21,180	\$3,183	43.7%	NA	6.8x	NA	15.7x	NA	27.1x	NA
The Ultimate Software Group, Inc.	\$5,655	\$5,554	\$861	7.2%	6.2x	5.1x	NM	21.7x	55.6x	45.3x	2.2
WageWorks, Inc.	\$2,410	\$1,880	\$435	18.8%	4.1x	3.7x	13.6x	11.8x	36.1x	32.5x	2.3
TriNet Group, Inc.	\$2,333	\$2,540	\$3,190	6.4%	3.4x	3.3x	11.8x	11.2x	23.0x	21.3x	1.1
Cornerstone OnDemand, Inc.	\$2,338	\$2,272	\$445	(10.2%)	4.4x	3.8x	NM	23.3x	NM	51.5x	4.7
Insperity, Inc.	\$1,834	\$1,695	\$3,110	4.1%	0.6x	0.5x	10.8x	9.5x	20.8x	18.3x	1.2
Benefitfocus, Inc.	\$1,049	\$1,102	\$248	(2.6%)	3.5x	3.1x	NM	NM	NM	NM	NM
<b>Median</b>				<b>6.8%</b>	<b>3.8x</b>	<b>3.8x</b>	<b>11.8x</b>	<b>15.7x</b>	<b>29.6x</b>	<b>30.7x</b>	<b>2.2</b>
<b>Mean</b>				<b>11.2%</b>	<b>3.7x</b>	<b>3.8x</b>	<b>12.1x</b>	<b>16.0x</b>	<b>33.9x</b>	<b>32.4x</b>	<b>2.3</b>

<b>Healthcare Industry</b>											
Company Name	Market Cap	Enterprise Value	LTM Sales	LTM EBITDA Margin	EV / Sales		EV / EBITDA		P / E		PEG FY2017
					FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
Express Scripts Holding Company	\$36,570	\$49,210	\$99,549	7.1%	0.5x	0.5x	6.3x	6.2x	8.8x	8.0x	0.7
athenahealth, Inc.	\$4,966	\$5,174	\$1,179	11.1%	4.4x	3.9x	20.0x	15.6x	64.5x	45.9x	2.5
HealthEquity, Inc.	\$3,060	\$2,849	\$202	30.5%	NA	12.1x	NA	NM	NA	72.4x	NA
Qualicorp S.A.	\$3,422	\$3,389	\$622	37.6%	4.6x	4.2x	10.3x	9.3x	17.8x	15.3x	1.1
Allscripts Healthcare Solutions, Inc.	\$2,570	\$4,284	\$1,657	9.7%	2.3x	2.0x	11.2x	9.9x	22.1x	18.1x	1.7
HMS Holdings Corp.	\$1,669	\$1,858	\$495	18.7%	3.2x	2.8x	13.2x	11.5x	23.5x	20.5x	1.5
Quality Systems, Inc.	\$997	\$1,018	\$524	11.8%	NA	1.8x	NA	11.4x	NA	21.1x	NA
Castlight Health, Inc.	\$566	\$476	\$124	(42.9%)	3.4x	2.6x	NM	NM	NM	NM	NM
Computer Programs and Systems, Inc.	\$397	\$538	\$261	10.9%	2.0x	1.9x	11.3x	10.2x	18.0x	15.5x	1.9
R1 RCM Inc.	\$389	\$437	\$418	18.8%	1.0x	0.7x	NM	10.2x	NM	41.9x	NM
<b>Median</b>				<b>11.5%</b>	<b>2.8x</b>	<b>2.3x</b>	<b>11.2x</b>	<b>10.2x</b>	<b>20.0x</b>	<b>20.5x</b>	<b>1.6</b>
<b>Mean</b>				<b>11.3%</b>	<b>2.7x</b>	<b>3.3x</b>	<b>12.1x</b>	<b>10.5x</b>	<b>25.8x</b>	<b>28.8x</b>	<b>1.6</b>

Source: Capital IQ





## Recent Updates



### ***FOCUS SHIFTING FROM COST REDUCTION TO VALUE MAXIMIZATION***

BPOs are going beyond the traditional “shifting and lifting” outsourcing models that almost exclusively focused on cost reduction by exporting non-decision making processes to offshore centers. While two-thirds of current BPO engagements remain focused on cost reduction alone, value creating collaborations in middle- and front-office operations are expected to gain momentum.

Approximately 50% of BPO clients expect to perform a radical overhaul of their business processes within the next two years. This transformation will put a thrust on

technology and higher skill levels. With a radical change like this on the horizon, BPO companies are revisiting their engagement models and designing solutions that support middle and front office processes.

Engagements in these segments will emphasize more on their ability to improve operational accuracy and bring strategic advantage, than optimizing costs. Outsourcers that develop solutions that seamlessly integrate various parts of the office and tie up strategy with execution would emerge victorious.



### ***PROCESS AUTOMATION RAMPING UP***

BPOs are leveraging technology in their bid to improve efficiency in back office tasks and expand into middle and front office processes. Robotic Process Automation (RPA) and machine learning are being increasingly adopted to automate repetitive processes that require limited human intervention or decision making. With robots and algorithms, BPOs have been able to reduce errors, improve compliance, generate deeper analytical insights, and drive down costs.

BPOs have also stepped up their AI adoption efforts. Most

AI initiatives are still in their early stages, with adoption starting late-2017 onwards, and the results have been highly encouraging in most cases. In addition to generating efficiencies and cost saving opportunities in the back office, AI has contributed immensely to BPOs conceiving expanding into the more decision-oriented functions. For example, by using AI in insurance, underwriters can “train” a tool to find relevant information and settle claims automatically. The tool identifies patterns over time and can run the claims settlement process with limited human assistance.



### ***CUSTOMER-ENGAGEMENT TECHNOLOGIES CAPTURING MORE ATTENTION***

The ingress of social media and ecommerce has made customers more aware and powerful than ever before. It has shrunk markets and contributed to the intensification of market competition. Service quality and communication designs have become key differentiators and the new frontiers for competition between industry players.

With buying becoming omnichannel, developing and executing services and engagement strategies have become complicated.

Since BPOs frequently act as the front for customer interaction initiatives of their clients, the onus is on them to develop optimum customer engagement solutions. To serve this end, BPOs are relying heavily on technology. Analytics tools help them study customer behavior patterns and design well-suited engagement programs. Based on their analysis, they develop combinations of communications and collaboration technologies that are customized to their clients' customer engagement needs.



## Key Initiatives by Leading BPOs

### ***Genpact takes another major step towards AI integration by launching ‘Genpact Cora’***

In July 2017, Genpact launched Genpact Cora, an AI-based platform that helps businesses accelerate their digital transformation. Cora is a modular platform that combines several flexible digital technologies that help businesses dig deep into specific operational challenges. Large global businesses can use it to identify and tackle vexing operational issues throughout their complex operations that often have components dispersed across continents.

While AI has been all the rave in the BPO industry in recent years, Genpact is the first company to take concrete steps to integrate it into BPO processes. The company took the first major step in this direction by acquiring AI-firm Rage Frameworks in March 2017. This was the first AI acquisition by a BPO company.

### ***Avaya and Spoken Communications partner to introduce Avaya Enterprise Cloud Service***

Leading Customer Engagement technologies firm, Avaya, entered a strategic partnership with Contact Center as a Service (CCaaS) solutions provider, Spoken Communications in February 2017. The companies combined their sector expertise to launch cloud contact center service, Avaya Enterprise Cloud. The service aims at enabling contact centers to transition and fully leverage the capabilities of the cloud. It would help them to modernize the customer experience, improve agent productivity, leverage machine learning to gain deeper insights into business processes, expand their services, cut operational expenses, and increase data security standards.

### ***Visionet launches VisiCapture to manage document governance***

Visionet, a leading BPO service provider based in Cranbury, New Jersey, launched VisiCapture, a workflow based, customizable document and data capture cloud platform that scales to accommodate requirements ranging from a few thousand pages to several million pages per day, in both centralized and distributed environments.

VisiCapture helps companies improve processes, reduce time, effort, and costs. It can manage high volumes of documents and data with reduced dependency on IT while providing extreme accuracy. Among several use cases, customers scan mixed batches of the structured documents including tax forms, paper based applications and enrollment applications.

### ***SLK Global introduces cloud-based broker price opinion platform, SmartREval***

SLK Global, a leading Indian BPO company that offers integration solutions for the financial services industry, launched SmartREval platform in July 2017. The platform is based on the BPaaS model and brings Appraisal Management Companies (AMCs) and default servicers on a common platform with real estate brokers. The cloud-based platform creates broker price opinions reports utilizing SLK's nationwide network of real estate professionals. It is accessible on smart devices, and can be integrated into loan systems. It can be used for loan origination, secondary market loan portfolio purchase & sale, and default servicing.







## Deal Activity

### Highlighted M&A Transactions

Date	Target	Acquirer	Sector	Amount (\$mm)
7/31/17	 duncan solutions	 NAVIENT <small>Solutions for your success</small>	Operations	\$80
5/3/17	 BrightClaim	 GENPACT <small>GENERATING IMPACT</small>	Closed Payment Networks	NA
2/10/17	 AON Benefits Admin and HR BPO	 Blackstone	HR/Payroll	\$4,800
1/13/17	 tessi	 HLD	Closed Payment Networks	\$263

### Highlighted Financing Transactions

Date	Company	Lead Investor	Type	Amount (\$mm)
05/25/17	 billtrust	 ELLIOTT	Growth Capital	\$50
01/26/17	 WorkFusion	 Georgian Partners	Series D	\$35

- Deal activity returned to normalcy in the first half of 2017 following a decline since Q2:2015.
- Deals involved both large and mid-market targets, especially ones with niche dominance.
- Acquisitions were driven by objectives of portfolio expansion, expansion into the mid-office segment, and acquiring technological leadership.
- Deal activity is expected to accelerate in the upcoming quarters, but moderate over the long term.

### Deal Volumes Pick Up As Market Consolidates



Deal activity in the BPO industry returned to normal in the first half of 2017, after declining since Q2:2015. Deals were largely driven by companies looking to diversify their service portfolio in the face of intensifying vendor consolidation. Acquisitions frequently involved large BPO companies acquiring niche players for client base diversification, apart from portfolio expansion. Many deals were also aimed at expanding into the rapidly growing mid-office outsourcing segment.

In addition, large players, like Genpact, acquired tech startups in spaces like AI, cloud, and automation; to firmly establish their technology leadership.

Deal volumes could accelerate in coming quarters as favorable industry fundamentals combine with strong investor interest.<sup>(1)</sup> However, the long term trend still points at a moderate decline in deal activity.<sup>(1)</sup>

*M&A activity has increased in the BPO industry, as players look to acquire new technologies and domain-specific capabilities. Companies are also acquiring to diversify their client base and expand into the mid-office segment.*

## M&A Transaction Activity Summary

Date	Target	Acquirer(s)	Sector	Amount (\$mm)
7/31/17 Transaction Profiled			Operations	\$80
6/16/17			Operations	NA
5/3/17 Transaction Profiled			Closed Payment Networks	NA
4/26/17			Operations	\$3.2
4/24/17			IT/Consulting	\$30
4/3/17			Operations and HR/Payroll	NA
4/3/17			Operations	NA
3/14/17			Operations	NA
2/15/17			IT/Consulting	NA
2/10/17 Transaction Profiled	 Benefits Admin and HR BPO		HR/Payroll	\$ 4,800
02/03/17			IT/Consulting	NA

Source: Capital IQ and Pitchbook

## M&A Transaction Activity Summary (Cont'd.)

Date	Target	Acquirer(s)	Sector	Amount (\$mm)
1/13/17 Transaction Profiled			HR/Payroll	\$ 263
1/10/17			Closed Payment Networks	\$40
12/6/16		Undisclosed	Operations	NA
12/1/16			Operations and HR/Payroll	NA
11/4/16			Closed Payment Networks	NA
10/5/16			Operations	\$675
10/3/16			HR/Payroll	\$128
9/6/16			IT / Consulting	NA
8/31/16			IT / Consulting	\$1,400
9/19/16			Operations	NA

Source: Capital IQ and Pitchbook

## Key M&A Deal Profiles

### Navient acquires Duncan for \$80 million

#### Target Company Overview



Duncan Solutions, Inc. is a provider of parking management products and services to municipal and commercial clients worldwide. The company was founded in 1936 and is based in Milwaukee, Wisconsin.

#### Services Offered

Duncan offers a range of technology-enabled products and services to support its clients' parking and tolling operations. These include customer service, billing, citation management, asset recovery, and industry-leading transportation database services.

#### Acquisition Details



Navient Corporation acquired Duncan Solutions, Inc. for \$80 million on August 1, 2017. Pursuant to the transaction, Duncan will continue to be led by its current management team. Navient paid a Price/Sales multiple of 1.45x for the deal.

#### Transaction Rationale

The deal is consistent with Navient's efforts to establish a strong foothold in the business and government outsourced processing services segments. It helps Navient grow and diversify beyond the education space.

### Genpact acquires claims management BPO, BrightClaim, Inc.

#### Target Company Overview



BrightClaim, Inc. provides integrated claims solutions to the property and casualty insurance market. The company serves insurance companies, corporations, insurance adjusters, and technology providers. BrightClaim, Inc. was founded in 2004 and is based in Atlanta, Georgia.

#### Services Offered

BrightClaim's services include claims adjusting, administration, and outsourcing services; field services, vendor management, catastrophe, content, independent inspection and estimating services, direct repair services, and claims technology integration services; and large loss/general adjusters services.

#### Acquisition Details



Genpact acquired BrightClaim, Inc from Century Focused Fund III, L.P. fund of Century Equity Partners and others on May 3, 2017. In the transaction, Genpact also acquired BrightClaim, Inc's associated company National Vendor, Inc. BrightClaim, Inc. operates as a subsidiary of Genpact Limited.

#### Transaction Rationale

The deal brings deep insurance end-to-end claims management expertise to Genpact. It combines BrightClaim's U.S. onshore claims depth with Genpact's digital and analytics capabilities to be a strategic transformation partner for P&C insurance carriers.





## Key M&A Deal Profiles

### Blackstone acquires AON's benefits administration and HR BPO Business for \$4.8 billion

#### Target Company Overview



Aon's Benefits Administration and HR BPO businesses offer cloud platform-based HR management services, including workforce administration, regional payroll outsourcing, and retirement benefits administration.

#### Products and Services Offered

The division provides a wide range of benefit, contribution, and health & welfare outsourcing solutions, including:

- Program delivery & administration
- Recordkeeping and reconciliation
- Benefit accounting
- Outsourcing solutions for flexible spending accounts, absence management, QDRO administration and others

#### Acquisition Details



Both these divisions were acquired by Blackstone Group in a \$4.8 billion transaction on February 10, 2017. Blackstone agreed to pay cash consideration of \$4.3 billion at closing and additional consideration of up to \$500 million based on future performance.

#### Transaction Rationale

The acquisition is consistent with Blackstone's strategy of acquiring technology-enabled services businesses; and will give the group control of the largest benefits administration platform in the United States.

### HLD Associes acquires Tessi SA through tender offer

#### Target Company Overview



Tessi S.A. provides document automation solutions for companies to manage document-based, payment system, gold and currency transaction, and promotional marketing processes. The company was founded in 1971 and is headquartered in Grenoble, France.

#### Products and Services Offered

The company has 3 business segments:

- Tessi Document Services, which provides solutions for documentation, payment systems and related back-office operations.
- CPOr Devises, which supplies and recovers foreign currency notes and gold investment products to maintain liquidity in these markets.
- Tessi Customer Marketing, which focuses on CRM, promotional consulting, solutions and campaigns.

#### Acquisition Details



HLD Associes acquired Tessi S.A for \$263 million on January 13, 2017. Through the acquisition, HLD will own 54.11% of the capital and 53.97% of the voting rights in Tessi. The acquisition will lead to a public takeover bid over the remaining shares of Tessi SA.

#### Transaction Rationale

Tessi is already an established player in Spain and Switzerland. The company is aiming to become the leading player for digital transformation of business processes at the pan-European level. For this, the company requires the backing of a leading financial investor, such as HLD. HLD will support the company through funding and provide guidance for its expansion plans.

Source: Capital IQ, company websites and press releases



## Financing Transaction Activity Summary

Date	Target	Sector	Amount (\$mm)	Type	Investor(s)
6/29/17		IT/Consulting	\$2	Seed	
5/25/17 <small>Transaction Profiled</small>		Operations	\$50	Growth Capital	
4/25/17		Operations	NA	Growth Capital	
1/26/17 <small>Transaction Profiled</small>		Operations	\$35	Series D	 and others
1/5/17		IT/consulting	\$9	Series B	  
11/14/16		IT/Consulting	\$4	Series A	 
5/3/16		Operations	\$16	Series B	  
1/6/17		Operations	\$45	Series C	 <small>Australia's Sovereign Wealth Fund</small> and others

Source: Capital IQ and Pitchbook



## Key Financing Deal Profiles

### Billtrust raises \$50 million growth capital from Riverwood

#### Target Company Overview

Billtrust, Inc. provides automated invoice-to-cash solutions for businesses across business-to-business (B2B) and business-to-consumer (B2C) markets in North America. It is among the leading independent US provider of B2B A/R software automation: invoicing, payment, and reconciliation services. The company was founded in 2001 and is headquartered in Hamilton, New Jersey.

#### Services Offered

Billtrust's payment cycle management services include Invoice Connect, a hosted EIPP portal; Invoice Central, a web service to receive and pay invoices from vendors; Client Connect, a web-based customer service system for research and rebilling; and Remote Deposit Connect to automate the process of capturing payments from remote locations.

#### Financing Details



Billtrust received \$50 million in growth funding from a consortium led by Riverwood Capital on May 25, 2017. This is the company's fourth round of funding and the company has raised \$104 million in funding till date. As part of the transaction, Alvarez-Demalde of Riverwood Capital joined the company's board of directors.

#### Use of Funds

Billtrust raised the funds to strategically grow into current and adjacent markets, continue to innovate its products and services available in quantum payment cycle management solution to meet expanding client needs, such as credit and collections support, and to expand into international markets. The proceeds may also be used to fund inorganic growth initiatives.

### WorkFusion receives \$35 million in Series D funding round led by Georgian Partners

#### Target Company Overview

WorkFusion, Inc. operates a SaaS data processing platform for enterprise data operations. It offer solutions to let enterprise leaders digitize their operation, exponentially increasing productivity, and improving service delivery. The company was founded in 2010 and is headquartered in New York, NY.

#### Products and Services Offered

WorkFusion, Inc.'s platform monitors, extracts, and processes data by pairing human workforces with machine learning-driven solutions. The company's solutions help banks automate settlement processing, client onboarding/KYC, global filings, forms etc. They help businesses automate content decision, website and social media monitoring activities, product categorization, algorithm training, and optimization.

#### Financing Details



On January 13, 2017, WorkFusion, Inc. received \$35 million in Series D funding from a consortium led by new investor Georgian Partners and existing investors Mohr Davidow Ventures, iNovia Capital, Nokia Growth Partners, Greycroft Partners LLC, and RTP Ventures. This is the company's fifth round of funding and the company has raised \$71 million in funding till date.

#### Use of Funds

The transaction proceeds were to be used to accelerate customer adoption of AI-powered automation and RPA scales, to further advance the company's solutions, and to drive global growth of the business. \$1 million from the proceeds were to be used to pay the company's directors, executives, and promoters.

*Source: Capital IQ, company websites and press releases*

## IPO Activity Summary

Company	IPO Date	Amount Raised (\$mm)	IPO Price	Current Market Price	Total Return
 <b>Appian</b>	5/24/17	\$75	\$12.00	\$19.79	64.9%
 <b>CONDUENT</b> Spin off	12/29/16	\$386	\$14.85	\$16.46	10.8%
 <b>BLACKLINE</b>	10/27/16	\$146	\$17.00	\$39.31	131.2%
 <b>coupa</b>	10/5/16	\$133	\$18.00	\$30.63	70.2%
 <b>LTI</b>	7/14/16	\$185	\$10.61	\$11.96	12.7%
 <b>BLACK KNIGHT</b> FINANCIAL SERVICES	5/19/15	\$441	\$24.50	\$42.95	75.3%
 <b>HealthEquity</b>	7/30/14	\$127	\$14.00	\$47.89	242.1%
 <b>Five9</b>	4/3/14	\$70	\$7.00	\$22.05	215.0%
 <b>TriNet</b>	3/26/14	\$240	\$16.00	\$33.30	108.1%
 <b>castlight</b> HEALTH	3/13/14	\$178	\$16.00	\$4.25	(73.4%)
 <b>BENEFITFOCUS</b>	9/17/13	\$131	\$26.50	\$36.50	37.7%
 <b>evertec</b>	4/11/13	\$505	\$20.00	\$17.45	(12.8%)

Source: Capital IQ and Pitchbook  
Market data as of June 30, 2017

## Select Wall Street Research Updates and Commentary



### Update from Deutsche Bank, June 2017

In addition, we expect a pick-up in healthcare offset by ongoing pressure in the European Communications and Media business. Bookings are expected to deliver continued momentum led by next-gen while year-over-year headcount growth re-accelerated last quarter.



### Update from J.P.Morgan, May 2017

Although consistent with our broad takeaways from the recent analyst day, we were surprised the amount spent on acquiring Rage and BrightClaim (\$180M combined), relative to what the company typically pays for M&A (\$20-40M in annual spend over the prior years). However, we believe these assets fit strategically with what the company is trying to remix towards. Digital transformation revenue represented 20% of Global Clients, and grew 20% y/y. We expect continued focus on M&A over the next few years.



### Update from Cantor Fitzgerald & Co., July 2017

WNS delivered strong quarterly results boosted by recent acquisitions. Organic cc growth guidance remains for 7-13%. The midpoint compares favorably to the high-single digits expected for competitors. Management noted new deals are being led by technology-enabled solutions. Demand continues to be strong and broad based as the addressable market expands. The sales force has increased by 20% y/y. WNS added 7 new clients and expanded 16 existing relationships.



### Update from Eight Capital, July 2017

Results from IT services bellwethers signal a healthy booking environment with strength in Europe but potential headwinds from the US. Overall, recent results from IT services bellwethers ACN and IBM (IBM;NR) point to a healthy booking environment with both reporting healthy book-to-bill metrics of 1.10x and 0.96x, respectively. Regionally, ACN highlighted strength in Europe, offset by headwinds in NA from US healthcare spending delays.



### Update from Investec, June 2017

We expect revenues through HP to grow for the first time in over 6 years. Mphasis' partnership with HP has moved on from a focus on revenue protection to a focus on growth. Mphasis had signed a minimum revenue commitment (US\$990m over 5 years) that was set at the time of Blackstone acquiring Mphasis. Post the breakup of HP, the HP business now has four targetable entities i) DXC (HP services & CSC combine), ii) HPE, iii) HP Inc and iv) Micro Focus.



## Appendix – Coverage Universe Components

The coverage universe for various sectors is as follows.

### 1 Payments:

ADS, FLT, ENXTPA:EDEN, WEX, FIS, FISV, JKHY, ACIW, EPAY, V, MA, AXP, PYPL, SHOP, ENXTAM:GTO, DBD, CATM, MB, EVRI, PMTS, BOVESPA:CIEL3, FDC, GPN, TSS, VNTV, SQ, LSE:WPG, XTRA:WDI, ENXTPA:WLN, DLX, LSE:PAYS, TSE:3769, QIWI, EVTC, LSE:PAY, UEPS, NEWT, JTPY, ENXTPA:ING, NCR, SZSE:002152, PAY, SEHK:327, AIM:SCH, PAR, WU, EEFT, HAWK, GDOT, MGI, ASX:OFX, PLPM

### 2 Bank Technology / Solutions:

FIS, FISV, JKHY, SWX:TEMN, BSE:532466, TSE:6457, QTWO, SGX:5CP, EPAY, OTCPK:CSVI, BSE:538835, SWX:CLXN, AIM:MONI, LSE:EXPN, EFX, TRU, OM:IJ, FICO, FNF, ZG, CSGP, ELLI, CLGX, BKFS, LSE:ZPG, STC, TSX:REAL, ASPS, REIS, ENXTAM:WKL, PEGA, DNB, ENXTPA:SOP, WSE:ACP, MITK, AIM:SQS, NTWK, INTC, IBM, AXP, PYPL, FDC

### 3 Specialty Finance / Alternative Lending:

NAVI, NNI, PRAA, ECPG, PRGX, PFMT, ASFI, CIT, CACC, NEWS, MRLN, TSX:CHW, ASX:ZML, CPSS, COF, SYF, DFS, SLM, LSE:PFG, SC, OMF, FCFS, AAN, LSE:TCS, SGBK, WRDL, LSE:IPF, TBBK, EZPW, RM, OB:MONO-ME, ATLC, URI, AL, TSX:EFN, TGH, RCII, ASX:FXL, CAI, FLY, NSM, CASH, PHH, PFSI, OCN, WAC, LC, TREE, YRD, DB:FRU, ENVA, XRF, ELVT, ONDK, DB:MBC

### 4 Securities:

BGCP, LSE:NXG, LSE:IGG, IBKR, ENXTAM:FLOW, KCG, VIRT, ITG, ENXTPA:VIL, INTL, SWX:CFT, BMV:FINAMEX O, WFC, BAC, C, LSE:HSBA, ASX:CBA, TSX:RY, TSX:TD, ENXTPA:BNP, USB, AXP, LSE:LLOY, PNC, ASX:NAB, TSX:BMO, LSE:BARC, SEHK:11, LSE:RBS, SGX:D05, TSX:CM, NSEI:ICICIBANK, MTB, BIT:MB, UMBF, LSE:CBG, FII, NSEI:IIFL, XTRA:COM, CME, ICE, SEHK:388, XTRA:DB1, LSE:LSE, BOVESPA:BVMF3, NDAQ, CBOE, ASX:ASX, SGX:S68, ENXTPA:ENX, BME:BME, TSX:X, SPGI, TSX:TRI, MCO, INFO, MSCI, FDS, ENXTPA:FIM, MORN, NSEI:CRISIL, VALU, JPM, GS, MS, SWX:UBSG, DB:DBK, SWX:CSGN, ASX:MQG, TSE:8604, RJF, LAZ, SF, PJC, GHL, COWN, AMEX:LTS, AIM:NUM, JMP, BLK, BK, BEN, NTRS, AMP, TROW, IVZ, LSE:HL, LSE:INVP, JHG, AB, CNS, WDR, APAM, WETF, VRTS, SCHW, AMTD, ETFC, MKTX, TSE:8628, AIM:PLUS, TSE:8698, YIN, LSE:CMCX, SWX:SQN, GCAP, GLBR, STT, BR, SEIC, ASX:CPU, DST, LPLA, LSE:TCAP, FNGN, ENV, LSE:SNN, ASX:BVS, ENXTAM:KA, SSNC, CPSE:SIM, LSE:ALFA, ASX:IRE, LSE:FDSA, AIM:FDP, ENXTPA:LIN, AIM:SOG

### 5 Insurance:

LSE:REL, VRSK, DNB, ACXM, MMC, AON, WLTW, AJG, BRO, LSE:JLT, MET, PRU, CI, TSX:MFC, AFL, LSE:AV, TSX:GWO, TSX:SLF, LSE:LGEN, PFG, LNC, SWX:SLHN, LSE:SL, ENXTAM:AGN, TMK, PRI, ANAT, LSE:HSD, DB:ALV, ENXTPA:CS, AIG, SWX:ZURN, ALL, AFG, GNW, LSE:MONY, RATE, EHTH, ASX:ISU, QNST, CB, TRV, PGR, HIG, CINF, LSE:RSA, THG, MCY, SIGI, EIG, STFC, MKL, WRB, AIZ, AWH, PRA, AFSI, RLI, AGII, OB, NAVG, AMSF, GBLL, GWRE, EBIX, SPNS, CRD.B, AMEX:MJCO, TSXV:SY, PN, FNF, ORI, FAF, STC

### 6 BPO:

ENXTPA:RCF, CVG, TTEC, SYKE, SRT, ESRX, ATHN, HQY, BOVESPA:QUAL3, MDRX, HMSY, QSII, CSLT, CPSI, RCM, ADP, PAYX, ULTI, WAGE, TNET, CSOD, NSP, BNFT, ACN, NSEI:TCS, CTSH, NSEI:INFY, DXC, BSE:507685, NSEI:HCLTECH, ENXTPA:CAP, ENXTPA:ATO, DOX, OTEX, NSEI:TECHM, CACI, EXLS, WNS, CALD, SYNT, BSE:532819, NSEI:HEXAWARE, VRTU, UIS, VDSI, LSE:MCGN, BIT:BET, TSX:GIB.A, LSE:CPI, G, BSE:526299, CSGS, BSE:532809, AIM:IBPO, PRGX

### 7 Financial Management Solutions:

INTU, LSE:SGE, BL, COUP, ASX:RKN, TYL, PEGA, ASX:TNE, QADA, AMSW.A, LSE:MCGN, NSEI:RAMCOSYS, ADP, PAYX, WDAY, ULTI, HRB, PAYC, WAGE, PCTY, CSOD, NSP, LSE:HRG

### 8 Analytics / IoT:

ORCL, DB:SAP, CRM, VMW, LSE:EXPN, OTEX, SPLK, DATA, FICO, XTRA:SOW, RP, NEWR, MSTR, CLDR, AYW, HDP, VERI, DWCH, GOOGL, MSFT, AMZN, KOSE:A005930, T, CMCS.A, VZ, QCOM, TMUS, HLSE:NOKIA, S, GRMN, LOGM, SLAB, IDCC, AMBA, GLOB, FIT, CTRL, GE, INTC, CSCO, DB:SIE, HON, TXN, TSE:6501, HPE, SWKS, RHT, ARW, PTC, ZBRA, CY, IRDM, TSX:SW, ORBC, CAMP, SSNI, IBM, LSE:REL, EFX, NLSN, VRSK, IT, TRU, DNB, TDC, CLGX, VRNT, ACXM, FORR, TSX:AIM, MATR

### 9 Healthcare Tech:

INOV, OMCL, VCRA, TRHC, STRM, CERN, DB:COP, MDRX, EVH, QSII, HSTM, AIM:EMIS, CPSI, COTV, HMSY, ATHN, AIM:CRW, RCM, SREV, UNH, AET, ANTM, HUM, CNC, WCG, NUAN, MMS, MOH, MGLN, GTS, HIIQ





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