2022 YEAR END REVIEW

GLOBAL TECH-ENABLED OUTSOURCED BUSINESS SERVICES

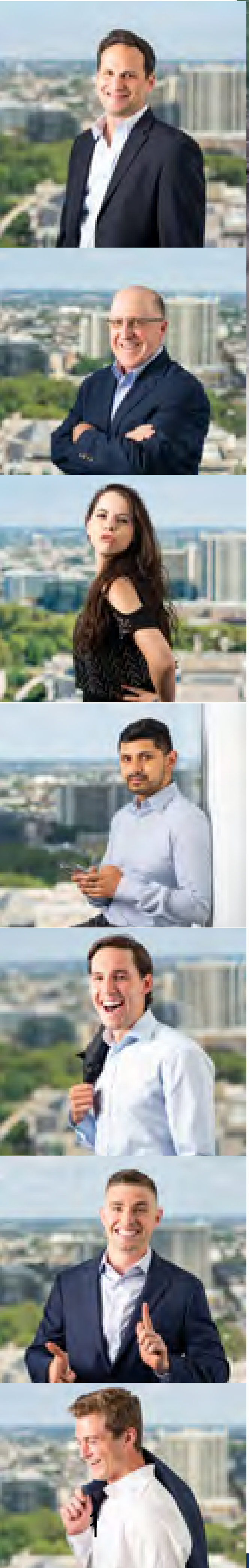
ARM: DELINQUENCIES ON THE RISE SIGNALING A WHOLESALE SHIFT THIS UPCOMING YEAR.

RCM: POTENTIAL LEGISLATIVE ENFORCEMENT AND SECTOR MATURITY MAY COOL M&A THIS UPCOMING YEAR.

CRM: PROACTIVE CHANGE AS CRM/CXM/BPO VERTICALS MOVE AWAY FROM “PERMANENT CRISIS MODE.”

AND MORE...

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



A word from our Managing Partner, Mark

Corporate Advisory Solutions ended 2022 on a high note! Out of the six transactions we brought to the finish line this year—four of them closed in the 4th quarter alone. We hired a new analyst, Pat. Our V.P. Nick got married. The team got new headshots. And we finally took the plunge, and purchased Eagles season tickets.

I'm not saying we're responsible for them going to the Super Bowl, but I'm not "not" saying it either. **Go Birds!**

However, our fantastic year wasn't reflected in the rest of the OBS M&A market.

To put it bluntly, 2022—compared to the M&A banner year of 2021—was lackluster to say the least. Transactions were down nearly 545 percent—from $60 billion to $11 billion—and closed deals were down close to 193 percent—232 in 2021 down to 120 in 2022. But there were reasons for this, and there are just as many reasons to feel positive about the tech-enabled, Outsourced Business Services (OBS) market sector in 2023.

First, why the 2022 slump?

In their attempts to reel in inflation and stave off a recession, the federal reserve enacted and continues their mandate of hikes to the targeted federal funds rate—driving up lending rates. This impacted and is still impacting the acquisition appetite of both strategic and financial buyers.

There were also larger disparities in seller and buyer valuation expectations that are only now beginning to normalize after the market upheaval of Covid-19.

So what's coming for 2023?

Supply chain and labor market challenges continue to be the biggest impediments to growth for smaller to mid-sized businesses.

One such labor market challenge is the FTC's plan to ban non-compete clauses. The final ruling remains up in the air, and I am sure there will be much to say on the topic before a final decision is made. In the meantime, if you're looking to mitigate the risk of your employees leaving and taking trade secrets with them, I have some shocking advice: Invest in your employees MORE! Motivate them, educate them, value them… and you'll keep them.

This same advice can also be applied to the labor shortage: focus on improving, promoting and providing for your current employees as a key way to attract and keep new talent.

From the human element, to the artificial—let's talk tech.

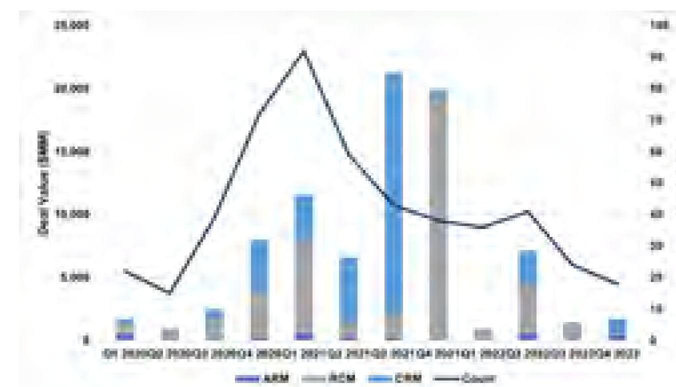
As we have elaborated on in the past, the technology transformation isn't slowing down. After getting burned by immense growth for growth's sake with no real plan for sustainability, the venture capital appetite has shifted to focus on high value software solutions that either cut costs, drive revenue, or do both. Like Artificial Intelligence (AI).

AI technology is no longer an idea for science fiction, but a tangible tool you can and should be implementing in your business today.

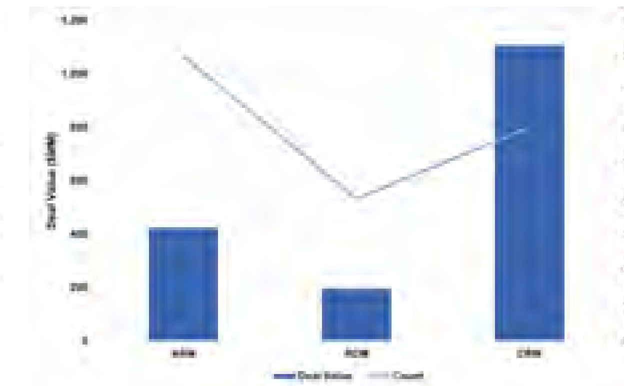
We have a bunch of other trends and news of note to share, so be sure to check out the industry specific segments of the newsletter for more specific information as it pertains to account recovery management, revenue cycle management, and customer relationship management.

What does this mean from an M&A standpoint?

Total OBS Deals - Stacked Bar Chart with Total Number of Deals Overlay Line



Deal Value and Count Broken out by Sector for Q4 2022



Across all of the verticals we cover at CAS, we see that point technology solution companies are either merging with strategics/competitors or surrendering market position and being sold in parts. As such, the trend of being acquired for growth is rising. We also predict seller financing to become a relevant player in the outcome of 2023 M&A activity in an attempt to mitigate performance uncertainty in the near future.

Uncertainty, even in the best of markets, is always present. If you haven't already, your focus in 2023 should be to start exit preparation strategies. We can help with that.

As you know, being successful in business is a patient (wo)man's game. As a smart business owner, you're always thinking ahead, making plans, and working through contingencies. Your exit strategy from that business should be just as thought out and meticulous, you never know what's on the horizon!

Looking ahead at 2023

Speaking of, we have a very important milestone on our own horizon this year. In April, Corporate Advisory Solutions will celebrate our 10th Anniversary. I have no idea where the last decade went—I guess the same place as my hair—but I could not be prouder of this accomplishment!

Michael and I will be celebrating all year at conferences and events across the country, starting with RMAi this week (Feb 6-9) in Las Vegas! Are you here, too? If so, reach out and let's meet up! We'll be staying for the Super Bowl so we will be in Vegas this whole week :)

If not, there will be plenty of opportunities later in the year, in fact we have a list of the conferences we're planning to attend in 2023 further down in this report. For that list and further insights into the ARM, RCM, and CRM markets, keep reading!

And as always, if you'd like to confidentially discuss your own business and exit strategy, please reach out to Allie Baurer—keeper of the calendars—at abaurer@corpadvisorysolutions.com to schedule a time for us to chat.

Cheers to a healthy, hopeful, and happy 2023!

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In this issue

2022 by the Numbers

30+ Valuation/Advisory Assignments

27 Webinars, Podcasts, & Presentations

1,996 LinkedIn Followers

20,951+ Miles Traveled

14,796 Newsletter Subscribers

15 Events Attended

6 Closed M&A Transactions

1 New Service Offering: Exit Prep

2023 Conferences

RMAi Annual Conference
February 2023 – Las Vegas, NV

C100
February 2023 – Dana Point, CA

CCN Annual Conference
April 2023 – San Diego, CA

CRS Conference
May 2023

AFCC Spring Conference
May 2023 – Orlando, FL

HFMA Annual Conference
June 2023 – Nashville, TN

HFMA NJ Annual Institute
September 2023 – Atlantic City, NJ

DCS Conference
September 2023

FCA Conference
October 2023 – Palm Beach, FL

FENCA Conference
October 2023 – Malta

There is nothing better than gathering in person and sharing ideas. In that vein we've decided that 2023 is the year of the conference for our team, especially for our managing partner, Michael Lamm.

Might we see you at any of these?

ARM INSIGHTS

Delinquencies on the rise signaling a wholesale shift this upcoming year.

Last year was a rollercoaster with the implementation of Regulation-F at the end of 2021. Decreased collections performance after COVID—in conjunction with the government stimulus—“pulled forward” years of performance as individuals cleaned up their personal balance sheets. As such, many agencies ended 2022 at an inflection point: to hold on and make the necessary capital expenditures to compete in the “new age of collections” or contemplate their next chapter.

This year will be a continuation of those trends we saw in the back half of 2022, with a focus on consolidation amongst smaller industry participants to acquire the tools/technology/knowledge to compete going forward. We are still in the early innings as it comes to consolidation but envision M&A activity to pace beyond what 2022 brought to us in the ARM vertical.

Given the variety of dynamics that unfolded over 2022—mainly inflation and non-zero interest rates showing up to the party—deal timelines extended beyond the traditional process agendas in prior years. We anticipate this trend to remain in place in 2023 as buyers evaluate deals with more scrutiny given the interest rate/debt service sensitivity increases.

In the student loan world—which has interesting dynamics of both campus/university based collections and the personal balance sheets of consumers—the Biden administration recently submitted its opening brief(s) to the Supreme Court regarding federal loan forgiveness. Oral arguments are expected to kick-off at the end of February.

If the plan is enacted, nearly $441B in student debt would be eligible for forgiveness. As it stands today, the forbearance order extends until June 30, 2023. But for all the suspense, this year feels like the final act of the student debt forbearance saga and we will be keeping a close eye as it begins to conclude.

2023 is also the likely end of the “wealth effect” of the housing market. Quickly rising interest rates and recessionary fears have cooled home values. With home equity values remaining flat or decreasing, consumers are likely to tighten up their spending and consumption.

Have you seen the price of eggs!?

Finally, delinquencies tracked by The Financial Brand—and charge-offs tracked by the Federal Reserve—are showing increases. This means Americans aren’t paying their debts again, and CAS predicts these delinquency rates will revert back beyond pre-pandemic levels.

As such, 2023 will likely be the year we finally see increased charge-off and delinquencies which will spell opportunity for debt purchase and increase collectable volume for agencies. Discover Financial Services reported a 76 basis point increase in net charge-offs comparing Q4 2022 to Q4 2021.

In fact, many of the largest financial institutions are boosting provisions for credit losses compared to prior years. The “Big Six,” including: JP Morgan, Bank of America, Wells Fargo, Morgan Stanley, Goldman Sachs, and Citi, all increased loss reserves significantly from $5.1B in Q3 2022 to over $7.2B in reserves as of Q4 2022.

While this pales in comparison relative to the $44.7B in provisions set aside in the first half of 2020 at the onset of COVID, it signals a reversal in the direction that the largest financial institutions had been taking.

Q4 2022 Noteworthy Transactions:

Meduit acquired JP Recovery Services*
Oliver Technologies acquired Lawgix Services
Symend recapitalization

*A CAS lead transaction

SYMEND
Recapitalization

Oliver.
Aquired
LAWGIX

*
JP RECOVERY SERVICES
Aquired
meduit

RCM INSIGHTS

Potential legislative enforcement and sector maturity may cool M&A this upcoming year.

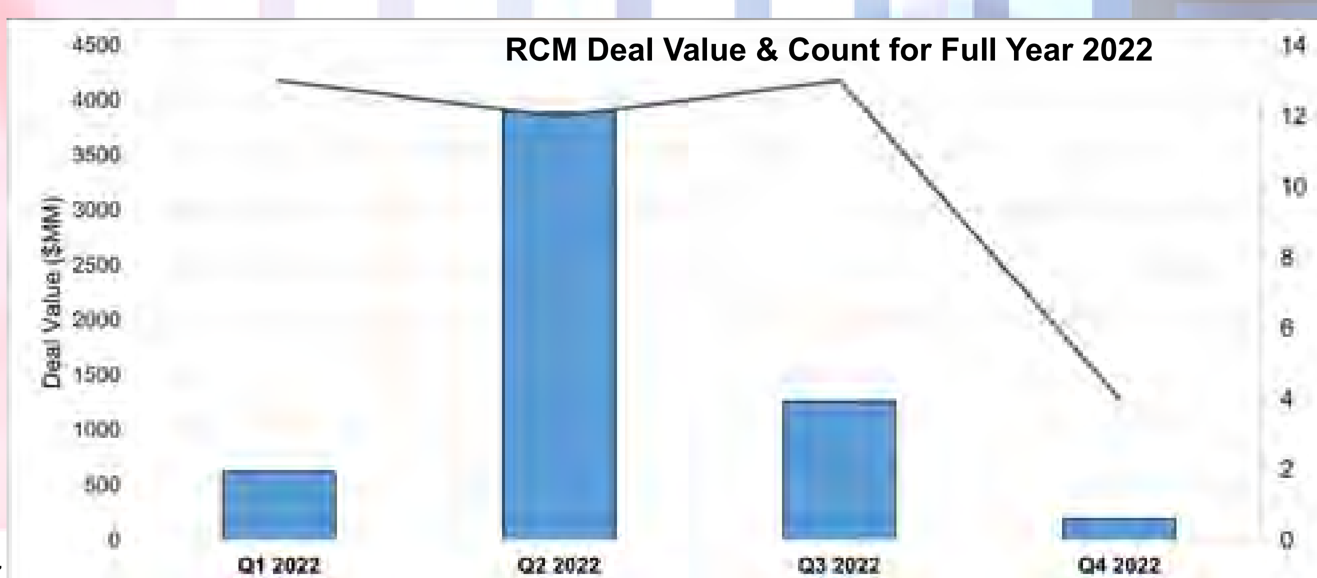
The revenue cycle management vertical experienced some cooling off in the fourth quarter of 2022 as the industry matures and consolidation continues. Many private-equity-backed companies are pursuing a roll up strategy in this space to circumvent the challenging sales cycle of providing non-core services to health providers.

As previously mentioned, increasing interest rates and lessened public-market and private-debt appetite, points to an assumed drop in M&A activity in the RCM space for 2023. Strategic mergers among large participants, however, may hold steady. This would be similar to what we saw in the second half of 2022 with Revecore & Kemberton by GrowthCurve Capital and Coronis Health & MiraMed Global Services by Veritas Capital.

Legislative enforcement and potential effects

Just before the New Year, six senators penned a letter to the CEOs of Synchrony and Wells Fargo regarding concerns about the cost and function of medical debt credit cards. Their primary issues? The potentially predatory lending practices within these product lines. Echoing the sentiment, the CFPB issued a bulletin regarding medical bill obligations.

Interestingly, a report from the CDC showed that the number of families struggling to make payments on medical bills fell from 14% in 2019 to 10.8% in 2021. This was predominantly driven by the increase in government incentives during the COVID-19 pandemic—Coronavirus Aid, Relief and Economic Security Act, or CARES having been the main driver.



However, a secondary impact of this study has come to light. Data from Gallup shows that the percentage of families delaying healthcare treatment is also increasing year over year at a significant rate: 26% in 2021 to 38% in 2023. That is the largest year-over-year increase in the 22 years they have been tracking this data! Expect continued legislative interference in the near future.

Speaking of medical billing concerns, a study conducted between a partnership of Hanover Research and Zelis shows that 41% of consumers surveyed who had at least one medical billing error in the last five years were significantly frustrated with the remedies provided to address said error.

To alleviate and address those errors the federal government established an independent dispute resolution process portal—and they were quickly inundated with complaints, seeing over 4X the expected disputes in the period from April 15, 2022 – September 30, 2022 per data furnished by the Department of Labor, Department of Health & Human Services, and the Department of the Treasury.

These disputes and backlogs are currently being worked out, but this situation articulates the hurdles of enacting wholesale change like the "No Surprises Act" (NSA) in something as complex as healthcare services. Multiple lawsuits that have stemmed from the aforementioned disputes, but nothing that has driven wholesale change, yet. This is a trend that we at CAS will continue to monitor through the upcoming year as the revenue cycle is impacted by changes.

RCM opportunities through necessity

It's not just the billing disputes mentioned above putting a thorn in the side of accountants, owners, and investors. Supply chain and inflation concerns are hitting margins hard for hospitals. Because of this, a recent survey done by KPMG is projecting M&A activity to increase amongst regional healthcare providers.

Large consolidators will need to look outside of their locales to avoid antitrust concerns. These mergers will promote a ripple-effect of opportunities for RCM companies to expand organically and grow wallet share—if they remain as the incumbent provider after the merger, of course.

RCM Deal of Note: In Q4 2022, Carenet Health acquired Stericycle Communication Solutions—an exact example of what we at CAS have been saying all along: healthcare providers are consolidating vendors and moving towards technology that gives patients a better experience. This trend will continue and be a big driver of company mergers in 2023.

Our advice? Find and join forces with complimentary RCM companies so you can offer healthcare providers a more complete package of services.

Q4 2022 Noteworthy Transactions:

Knowtion Health acquired Amplus Group
PayZen recapitalization
Carenet Health acquired Stericycle, Inc.

KNOWTION HEALTH
Aquired
AMPLUS

PayZen
Recapitalization

Carenet Health
Aquired
Stericycle Communication Solutions

CRM INSIGHTS

Customer Relationship Management (CRM)
Customer Experience Management (CXM)
Business Process Outsourcing (BPO)

Proactive change as CRM/CXM/BPO verticals move away from "permanent crisis mode."

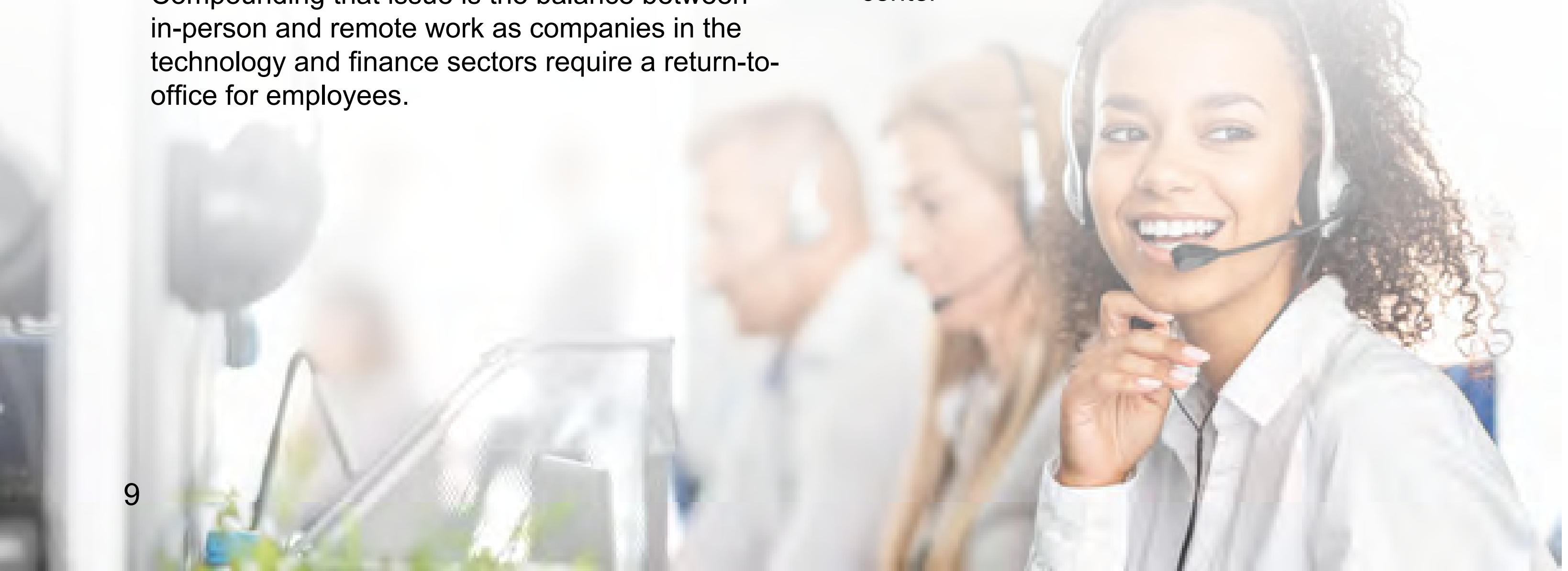
The customer relationship management / business process outsourcing vertical saw deal activity decrease from previous banner years, but investor interest remains strong.

With SaaS tech making contact centers more efficient, the demand for agents has dropped—but staffing remains a difficult challenge. Compounding that issue is the balance between in-person and remote work as companies in the technology and finance sectors require a return-to-office for employees.

This trend is especially alarming to those who have opened up recruiting to a national candidate pool via remote work.

While every company and culture is different, our experts espouse the belief that if your organization is focused on perfecting your tech-stack, setting up training models, and establishing a remote culture (vs. siloed employees across geographies) you will have longer term success via reduced employee attrition and heightened tribal knowledge retention.

A perfect example: In late Q4 of 2022, the Renovous Capital-backed InflowCX made a powerful statement in the Customer Experience Management and Business Process Outsourcing space with their acquisition of BPO Partners—an experienced customer experience provider and contact center technologies consultant. This strategic move places the emphasis on augmenting labor ecosystems through tech solutions, helping them 'do more with less'.



At CAS, we believe this will be the trend of 2023 as efficiency-minded companies pave the way toward progress amidst labor issues and budget constraints through technology and artificial intelligence (AI).

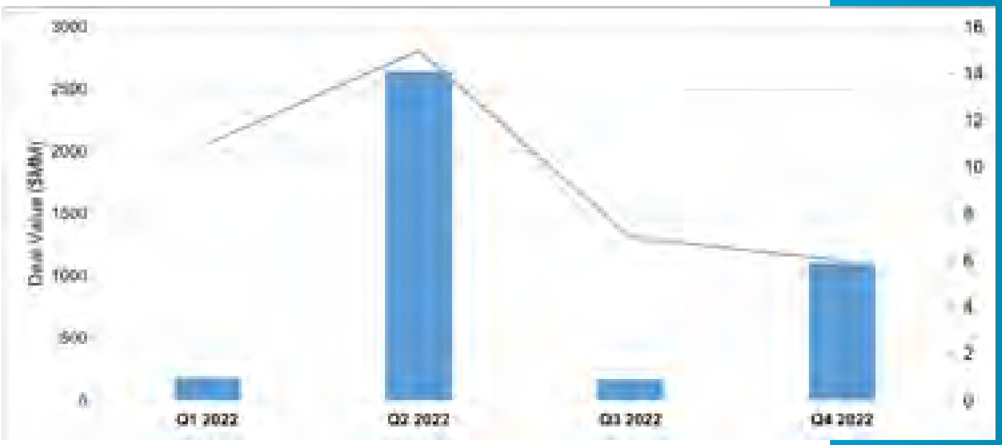
A great example of AI in action that you've likely heard about is ChatGPT by OpenAI. This remarkable technology has the potential to revolutionize customer experience management like never before! With its natural language processing capabilities, fast and accurate data analysis, and as-yet unexplored use-cases—businesses have a powerful new tool to level up their services in a new era. Plus, with Microsoft on board, who knows where this journey will end?

Another tech trend to set your eyes on: Multi-Cloud Deployment and Distribution. Companies are reaching for the clouds en masse—but aren't stopping at just one! When it comes to maximizing uptime, ensuring reliability, and standing out in an ever more commoditized world, is a trend that can't be ignored. This 2023 budgeting season, don't forget the unsung stability of redundancy. Flaunting that multi-cloud backup could give you the competitive edge you need.

Q4 2022 Noteworthy Transactions:

InflowCX acquired BPO Partners
TELEO Capital Management acquired Sharpen Technologies
Long Ridge Equity Partners acquired Acqueon Technologies, Inc.

CRM Deal Value & Count for Full Year 2022



InflowCX
Aquired
BPO Partners LLC

LONG RIDGE
Aquired
ACQUEON

TELEO CAPITAL
Aquired
sharpen

Planning for M&A Success:

Toolset for Smooth and Secure Integration

Emerging out of the uncertainties of 2022, M&A is on an optimistic path as dealmaking is one of the [fastest ways to transform a business](). Yet business leaders remain cautious about keeping costs in check, including tackling "the beast" of any post-merger integrations (PMI): integration of technology and operations. **This is where companies in the tech-enabled Outsourced Business Services (OBS) sector can make a difference with the right insight and action platform.**

OBS companies know integration during an M&A is not a simple IT project but part of a bigger business goal. To ensure a smooth M&A transition, it is critical to determine which business systems and data sets should be migrated or integrated. From compatibility of systems, the quality and consistency of data, the location of data, and data compliance issues–there are layers of complexity that can even result in technical debt and potential penalties from Transition Service Agreements.

The opportunity lies in planning ahead and equipping the transition team with an insight and action platform that enables companies to bring disparate data sets and systems together to achieve a single source of truth (SSOT), so that leaders can take timely action on the data for business growth.

- **Efficiency for Speed**: Equipping your transition team with a secure platform with automation features reduces manual work required in a data load, freeing up resources and speeding up data migration as well as reducing the risk of errors and inconsistencies.
- **Insight for Decision Making**: Having a SSOT brings data into a single view, reducing the time and resources required to access and analyze insights, and allows for better decision-making.
- **Minimize Disruption**: The ability to quickly replicate existing reporting enables companies to carry out their data migration with minimal downtime or disruptions to the business.

During a major transition, there's no time to stop business as usual. These systems fuel critical business functions including sales, finance, and customer relationship management. Customers still expect timely, personalized responses from businesses. Functionality must be replicated to keep business moving forward. SuccessKPI's platform and onboarding process are purpose-built to replicate existing reporting, so the business continues its operations while systems are undergoing a change.

Pixel-perfect data replication

Flexible business intelligence

SuccessKPI provides a super framework of data combined with an enterprise data warehouse and business intelligence layer — in one place:

· A full business intelligence layer with data lake house architecture

· Real-time and historical contact center metrics

· 180+ pre-built connectors to applications

· 50+ out-of-the-box reports and dashboards for rapid deployment

· Visibility across all channels

· Customizable reports with powerful visualizations

· Ability to import and export data with a few clicks and save time with report subscriptions

· Immediate time to value with rapid deployment at any scale

· Access to CCaaS data and any third-party data needed

· Ability to replicate any visualization or chart

Equipped with SuccessKPI's best-in-class data integration capabilities and a secure cloud-native platform, you can save valuable time and resources while leading a successful M&A integration.

Learn more: [successkpi.com]()

Top M&A of 2022 Transactions

JP RECOVERY SERVICES MERGED WITH meduit CAS Corporate Advisory Solutions December 2022	customerRECOVERY ACQUIRED PRINCE PARKER CAS Corporate Advisory Solutions March 2022	ARM SERVICE PROVIDER ACQUIRED BY CRM BPO PROVIDER The undersigned initiated the transaction and served as the M&A advisor to the acquiring CRM BPO Provider CAS Corporate Advisory Solutions November 2022
customerRECOVERY ACQUIRED WAYPOINT CAS Corporate Advisory Solutions February 2022	HCi CCMR3 CAS Corporate Advisory Solutions October 2022	ARM SERVICE PROVIDER ACQUIRED BY TOP 25 ARM SERVICE PROVIDER CAS Corporate Advisory Solutions December 2022

10 CAS

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