

An Ephor Group review of the Business Process Outsourcing (BPO) capabilities for front office contact center CRM services.

Q1

BPO Front Office Contact Center CRM Services Findings Report

*The front office BPO
market landscape*

Ephor Group, LLC



BPO FINDINGS

The overall BPO services market is organically growing in the single digits, with a few niche segments and market leaders growing in double digits.

Demand for BPO services is being driven by ROI value beyond labor arbitrage:

- + More employers are using outsourced services to gain access to providers with deep subject matter expertise. An acute shortage of certified, credentialed mid skill level workforce talent plus access to the best strategic professionals in the long-term
- + Also, complexity, regulation, and compliance are driving the need to find simpler solutions to managing their workforce operations.
- + Some leading BPO service vendors can provide full customer lifecycle solutions including the modernization of the customer experience (using more advanced technology including cloud, social, mobile, big data analytics, and customer analytics. The vendors with advanced service delivery model competence are growing.
- + Increasingly, business process as a service (BPaaS) is extending the depth and scope of services.
- + Rapid advances in BPO procedures using new technologies and the application of technology on productivity efficiencies.
- + Continued outsourcing adoption by emerging and middle market corporations.

FINDINGS

- **186** private BPO inbound/outbound providers greater than \$10m (*not including 41 public companies nor subsidiaries with contact center operations of holding companies*).
- **7** private company acquisitions in 2013 (**13** in 2012).
- **TBD** Jobs Created.
- Valuation multiples for scaled enterprises 2 to 4X revenue

Because BPO buyers are looking for value beyond labor arbitrage, the conversations are increasingly centered around operating outcomes and buyers look to evaluate service providers more holistically. Service providers are therefore focused on creating value-added solutions that include social media channel, customer analytics, and skill development & training to drive better customer experience management.

Ephor Group, founded in 2002, is a strategic advisory firm exclusively focused on growth oriented Business Process Outsourcing (BPO) corporations. Since its inception, the firm has provided [outsourced corporate development services](#) and [growth capital acquisition](#) advisory services. This set of capabilities and expertise has resulted in approximately 5,500 new jobs created over the past decade.



BPO M&A Private Company Deal Transactions

Buyer	Seller	Vertical	Revenue Size \$m	Deal Terms	Deal Notes
CoAdvantage	OdysseyOneSource	HRO PEO ASO	<\$25	NA	Jan 2013 two of the top ten PEOs in the nation
Budco (Glencoe Capital)	South Shore Venture Enterprises	BPO CRM	<\$25	NA	May 2013 expands our footprint in the healthcare and insurance vertical markets
Allied Global LLC	Marketlink Inc	Inbound & Outbound BPO	\$75	NA	Sept 2013 Together, the combined entity has 6,000 employees, 19 contact centers in 4 countries offering services in several languages.
24-7 Intouch Inc	Innovative Contact Solutions (ICS)	Inbound & Outbound BPO	NA	NA	Oct 2013 The facility currently houses 240 seats and is rapidly expanding its capacity to 600+ seats by the end of the year, bringing 24-7 Intouch's global capacity to over 2,400 contact center workstations.
Enhanced Recovery Company, LLC "ERC"	TMone	Inbound & Outbound	NA	NA	Sept 2013 4 facilities acquired. The acquisition positions ERC to deliver next-generation Customer Experience Management ("CEM"), providing clients with access to best in class Customer Relationship Management ("CRM") and ARM services
Etech Global Services	Global Contact Services' (GCS)	Inbound & Outbound BPO	NA	NA	May 2013 8 worldwide locations including one in Jamaica and 2 in India employing 2,5000 employees
FusionBPO	Simply Outbound Ltd.	Inbound & Outbound	NA	NA	May 2013 Acquired for lead generation and database space in United Kingdom

*Public Company Deal Transactions: ^{1 2 3 4 5 6 7}

M&A activity in the coming year will depend on a number of factors, including the slow growth economic conditions. Gradual improvements in economic conditions and stable debt markets should help sustain growth in the overall M&A market, although economic uncertainty will dampen global consolidations. With interest rates at historic lows and companies looking for revenue growth opportunities, acquisitions are a natural avenue to bolster market share, build out brands and fuel longer-term strategic initiatives. Uncertain economic growth means greater competition for market share, greater focus on retaining customers.

- Valuation multiples for scaled enterprises 2 to 4X revenue multiple and **8 to 12X** EBITDA multiple.

Private company BPO service providers with USA headquarters.

¹ In 2013 SYNnex (NYSE: SNX) acquires IBM (NYSE: IBM) BPO Customer Care for \$505 million, consisting of approximately \$430 million in cash and \$75 million in stock. The acquisition will be branded and fully integrated with Concentrix, a wholly owned subsidiary of SYNnex. 45,000 staff and 50 plus delivery centers focused on 12 industries across 6 continents.

² In 2013 Innotracc Corp., a provider of outsourced e-Commerce fulfillment, business intelligence and contact center services, was acquired by Sterling Partners, a leading mid-market PE firm Sterling Partners agreed to purchase the Company for an implied EV of ~\$110m (12.1x LTM EBITDA)

³ In March 2014 Global Payments Completes Acquisition of PayPros for \$420 million to acquire 58,000 clients.

⁴ In January 2013 Aditya Birla group sold its Canada-based BPO Minacs Worldwide to a group of strategic financial investors, led by Capital Square Partners for \$270 million. With 5,175 employees and revenues of \$450 million and an operating profit of \$40 million the deal consideration is 7x multiple to operating profit.

⁵ In Jan 2013 TeleTech Holdings (NASDAQ: TTEC) acquired Technology Solutions Group for \$99 million.

⁶ In Dec 2013 iQor announced today the signing of a definitive agreement to acquire the Aftermarket Services business of Jabil Circuit, Inc. (NYSE: JBL) for \$725 million. This acquisition will create the first global company with the capabilities to address the \$40 billion market at the intersection of customer relationship management and product support solutions. Following completion of the transaction, iQor will have more than \$1.5 billion in revenues, more than 31,000 employees and operations in 16 countries around the world

⁷ Convergys Completes Acquisition of Stream March 2014 for \$820 million to create one of the largest firms with Convergys now has 125,000 employees working out of more than 150 locations in 31 countries, speaking 47 languages, it said in a statement.

What Should My Growth Strategy Include & Why?

BPO Front Office Market Sector Competencies:

- BPO Front Office
- BPO Multi Channel Services
- Contact Center Inbound Services
- Contact Center Outbound Services
- Contact Center Chat
- CRM Services
- CRM Staffing
- Sales Performance Management SPM

For a no obligation overview discussion, contact Ephor:



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How & Where Should I Expand My BPO Capabilities?

For a pragmatic, no obligation site selection overview and discussion, contact



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