



Q3 Quarterly Earnings Synopsis

Insurance Third Party Administrators (TPA)

Presented by 7 Mile Advisors & Paradigm Partners International

Content

- 1 Introduction
- 5 TPA Industry Overview
- 6 Deal Spotlight
- 7 Earnings Call Overview / Players in the Industry
- 16 Appendix

7MA Coverage Team

LEROY DAVIS
Director



Partner with over 20 years of investment banking experience. Leroy has managed assignments for public and private companies, ESOPs and financial sponsors. He is a Certified Public Accountant and began his career with Coopers & Lybrand. Leroy is married with three children.

STEVE BUFFINGTON
Associate



Associate with finance and research experience. Steve began his career in equity sales, trading, and research at BB&T Capital Markets in Richmond, VA. Most recently he was an equity research analyst for a wealth management firm in Huntersville, NC.

NICHOLAS PRENDERGAST
Vice President



Financial Analyst with over 10 years of equity research experience, specializing in financial statement analysis, equity valuation, financial modeling and the top-down research process. Prendergast joined 7 Mile Advisors from BB&T Capital Markets where he covered the industrial sector for 5 years. Prior to that, Prendergast covered property & casualty insurers and brokers for 6 years collectively at both BB&T and Signal Hill Capital Group.

NIC ANDERLE
Analyst



Analyst with M&A and accounting experience. Most recently, Nic served as an Investment Banking Analyst Intern at Copper Run Capital, an M&A advisory firm focused on the lower-middle market.

Trusted Insurance Advisors

SIMON BAITLER
Managing Director



Veteran of more than forty years in the insurance business. He became Chief Operations Officer for Transamerica Life Insurance and Annuity Company in 1978; he then served in several senior management and board positions, lastly as Executive Vice President and Chief Administrative Officer for the Transamerica Life Companies, and SCOR Reinsurance.

MARK HUG
Managing Director



Managing Director and recognized business leader who has shaped the life insurance industry over the last four decades. Throughout his distinguished career he held senior leadership positions in global fortune companies including Transamerica, Aetna, AXA, and Prudential.

BARRY JACOBSON
Managing Director



Managing Director with over 30 years in the insurance business. Mr. Jacobson was President of International Life for the ACE Group. He started the business from scratch and after 5 years it became a Global Life and Reinsurance business generating \$1 Billion in Revenue and \$200 Million in after-tax operating profit.

JIM GALLI
Managing Director



Managing Director with over 30 years of domestic and international insurance industry experience Jim Galli has focused heavily in product development, underwriting, channel marketing and distribution expansion. Jim has served Legal & General America, MetLife, AIG, and MassMutual.

GLENN CUNNINGHAM
Managing Director



Managing Director with more than 30 years of leadership and management experience in both the insurance and reinsurance industry. Glenn began his career with the Travelers Insurance Companies, served GE Capital, then joined Transamerica Corporation for over 15 years.

Tracey Carragher
Managing Director



Founder and Managing Partner at TCH holdings. Previously, Tracey was part of senior management team at Aon. She was heavily involved in steering the strategy of Aon's E&S businesses, spanning multiple wholesale, MGU, alternative risk and consulting practices globally. Tracey experience across the insurance transaction chain led her to launch Breckenridge Insurance Services.

TPA Summary

Industry Statistics

\$231b

2020 Revenue

1.4%

2020-25 Projected Annual Growth

124k

Number of Businesses

444k

Industry Employment

Industry Overview

The TPA industry consists of companies that provide operational services such as claims processing and employee benefit management under contract of other businesses. The industry is valued at ~\$231b and is projected to sustain growth at 1.4% annual growth rate following the economic fallout from COVID-19 into 2025. This growth will come from external drivers like number of vehicle accidents and the number of people with private health insurance. Additionally, the expanding enrollment in health and welfare programs and large gains in pension fund inflows, assets and accounts will drive growth within the overall insurance industry.

Furthermore, M&A activity remains high in the TPA sector due to low growth forecasts for the market and increasing margin pressures. Most M&A transactions are driven by a need to expand scale, capabilities, and new technologies. Additionally, with a need to expand margins, technology-led acquisitions are expected to gain more traction. Digital investments such as automation, analytics, and efficient information management platforms integrating data from various sources such as social media, public websites, internal systems, and even drones would introduce the next wave of differentiation in the TPA marketplace.

7MA's TPA Public Basket



Deal Spotlight

Davies Acquires TriPlus Service Inc.

On September 21, 2020, Davies Group acquired Triplus Service Inc. Davies Group is a leading specialist in professional services and technology group that works in partnerships with leading insurance, highly regulated and global businesses. Triplus Service Inc. is a Massachusetts based and provides long term care carrier clients with claims and policy administration solutions with additional claims consulting services.

The deal allows Davies to continue its North American reach and widen its claims and administration offerings to include long term care. Peter Lucas, CEO of TriPlus, will continue to lead business and all of TriPlus's 200+ employees will continue their roles as Davies employees.



Major TPA M&A Activity

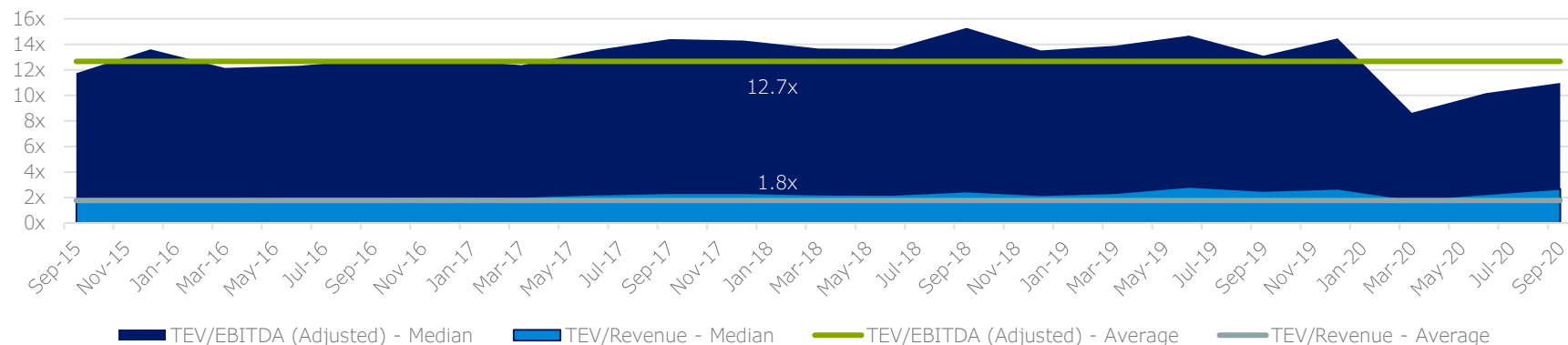


Sectorwatch

Insurance - TPA

Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Crawford & Company	608	1,012	-4.8%	27.1%	9.3%	0.6x	6.5x	9,000	112
Fanhua	709	489	-2.4%	32.7%	22.4%	1.4x	6.5x	4,746	103
Corvel	1,532	572	-4.0%	20.9%	13.5%	2.7x	19.9x	3,824	149
Qualicorp	1,797	453	4.7%	81.3%	50.6%	4.0x	7.8x	1,950	232
ExlService Holdings	2,265	977	2.9%	32.7%	21.1%	2.3x	11.0x	31,700	31
WNS Global Services	3,160	921	11.8%	35.9%	20.0%	3.4x	17.2x	41,466	22
Arthur J. Gallagher & Company	24,863	6,980	-0.6%	34.4%	22.5%	3.6x	15.9x	33,300	210
Average	4,991	1,629	1.1%	37.9%	22.7%	2.6x	12.1x	17,998	123
Median	1,797	921	-0.6%	32.7%	21.1%	2.7x	11.0x	9,000	112

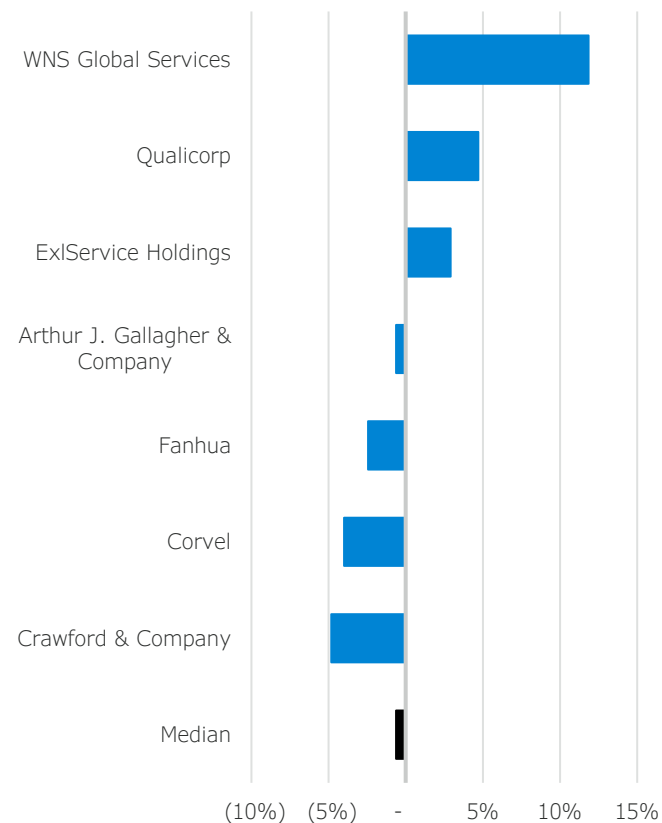
Public Rev & EBITDA Multiples Over Time



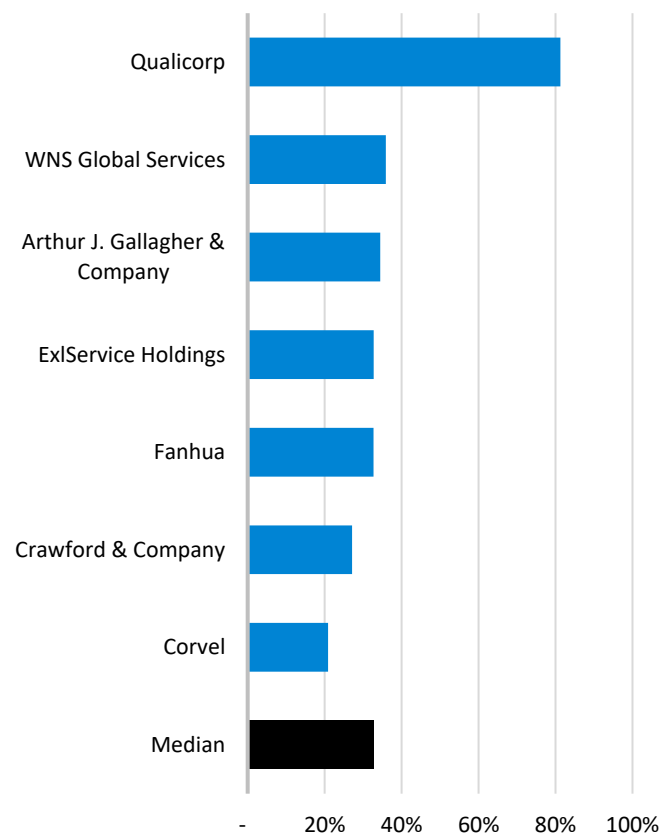
Benchmarking

Insurance - TPA

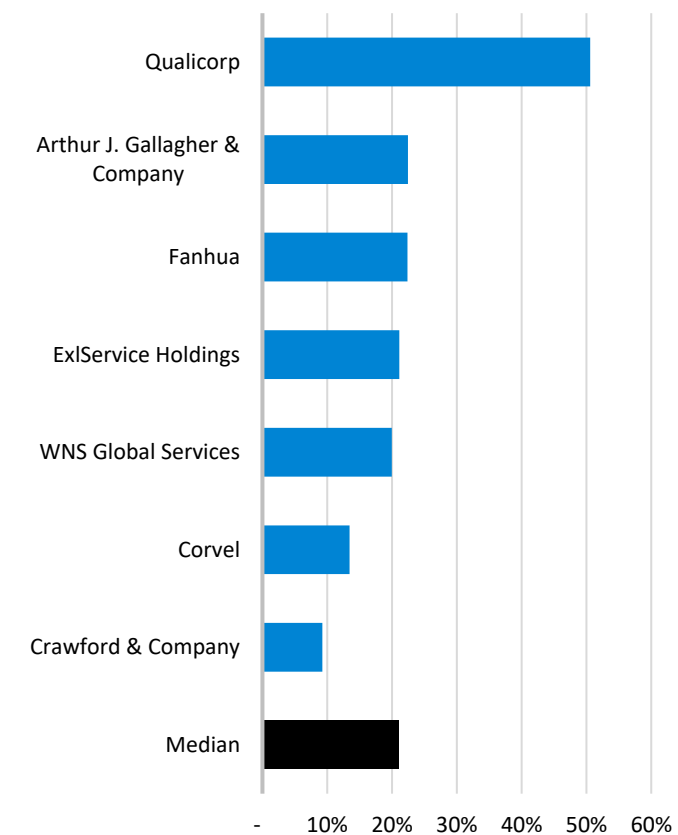
LTM REVENUE GROWTH %



LTM GROSS PROFIT MARGIN %



LTM EBITDA %



Crawford & Company

Commentary

"We exceeded our expectations and achieved sequential improvement over the second quarter. Today, our financial position remains very healthy. As we move into the fourth quarter, we remain well positioned to continue taking advantage of our global scale and competitive position in the market." –Rohit Verma, Chief Executive Officer

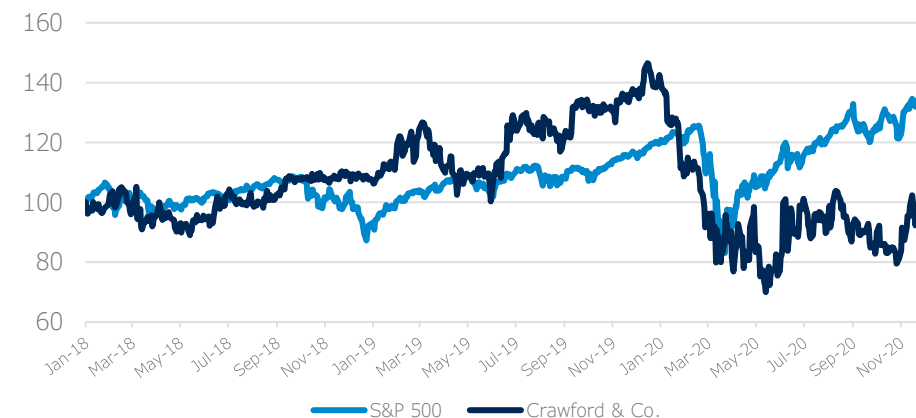
Q3 2020 Highlights

- ❑ **The Numbers:** Crawford & Company's 2020 Q3 revenue came in at \$253.1m, down 0.6% from the previous year. However, Crawford's adjusted EBITDA came in at \$35.2m, increasing 9.4% from 2019 Q3.
- ❑ **Revenue by Region:** The United States was the best performer by region accounting for ~60% of the total revenue. The United States showed a 11% y/y growth and was up 15.8% from 2Q20. Canada was the other notable regional performer accounting for ~8.8% of total revenue and showed 6.2% growth from 2Q20.
- ❑ **Segment Performance:** Crawford & Co.'s revenue by segment is tightly broken between claims, specialty, and TPA solutions. Crawford's largest segment by revenue, Claims Solutions, grew at 16.7% y/y which was well ahead of its other segments. Contrarily, the TPA Solutions segment fell off as the leader in revenue by segment falling to 34.5% compared to 37.0% in 2Q20.
- ❑ **M&A:** Crawford & Company's most recent M&A activity occurred in November when the company acquired HBA Group in Australia. HBA Legal is a legal services provider, which will complement the Crawford TPA Solutions segment in Australia and the larger Asian region. Crawford also completed an acquisition in October, acquiring Crawford Carvallo to grow its Latin America footprint.

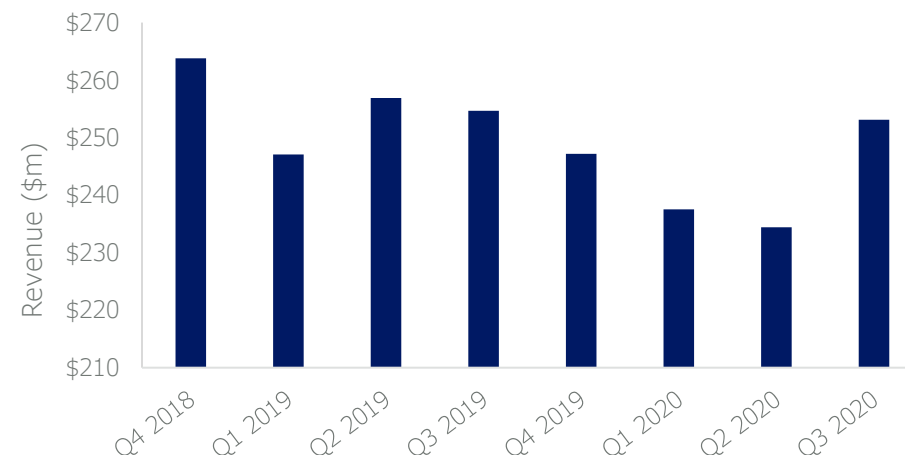
Additional News

- ❑ Link: [Crawford & Company's Acquisition of Crawford Carvallo SpA](#)

Stock Performance (Indexed)



Total Revenue



Arthur J. Gallagher & Co.

Commentary

"Moving to our third quarter financial performance. We grew our combined Brokerage and Risk Management revenues in the third quarter organically and through mergers and acquisitions, and together with our expense control efforts, delivered excellent growth in EBITDAC and net earnings. These results demonstrate our operating flexibility, which has enabled us to quickly adjust our expense base, optimize our workforce, improve our productivity while also raising our quality." -J. Patrick Gallagher, Chairman, President, and Chief Executive Officer

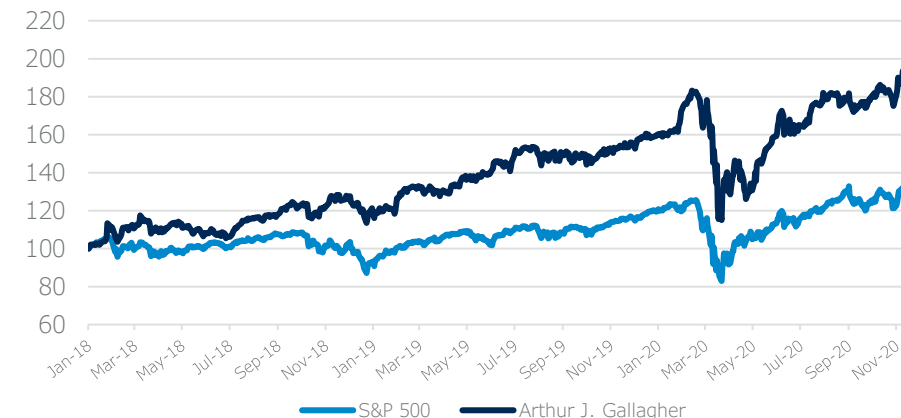
Q3 2020 Highlights

- ❑ **The Numbers:** Arthur Gallagher & Company's 3Q20 revenue of \$1849.1m was up 16.7% and adjusted EBITDAC was up 32% from the Q2 2020.
- ❑ **Segment Performance:** Arthur Gallagher & Company's Q3 Revenue was broken between its three segments, Brokerage (\$1294.6m), Risk Management (\$244.3m), and Corporate (\$310.2m) respectively. Gallagher's Corporate segment experienced monumental growth, showing a positive 94.2% increase from Q2 2020. Additionally, Gallagher's brokerage segment, its largest by revenue, had an encouraging 8.3% growth from the previous quarter with ~4.2% of revenue growth being organic.
- ❑ **M&A:** The Company grew its brokerage and risk management segment revenues in Q3 inorganically through six mergers and acquisitions. The company recently acquired Dickinson & Associates and Merriam Insurance Agency on September 22nd and 21st.
- ❑ **Outlook:** Arthur Gallagher has plans to go into M&A attack mode during Q4 2020. The company has a strong pipeline and has roughly \$550 million cash on hand and \$1 billion of borrowing power.

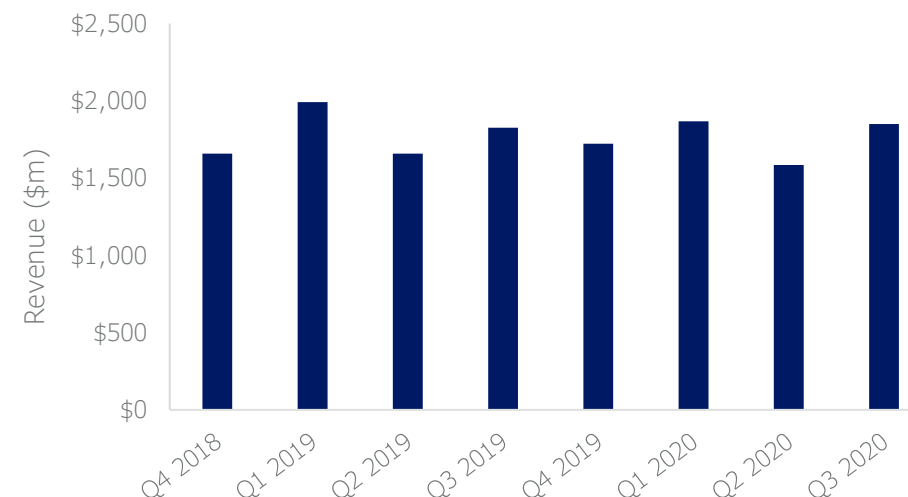
Additional News

- ❑ Link: [Arthur J. Gallagher & Co. Acquires Optimum Talent Inc.](#)

Stock Performance (Indexed)



Total Revenue



CorVel Corporation

Commentary

"Earnings per share for the quarter ended September 30, 2020 were \$0.65. Revenues for the period were \$136 million. Though we remained in an uncertain environment, our business fundamentals are sound and perform well during the quarter in conjunction with robust year-to-date sales of new business. Adjustments made to operational parameters in response to the pandemic contributed to strong cash flows." **-Michael Combs, President & CEO**

Q3 2020 Highlights

- ❑ **The Numbers:** CorVel Corporation showed recovering revenue, reporting \$136.03m in revenue for Q3 2020, a 5.0% upswing from the previous quarter. Shares were down 6% from the prior year trading at \$0.65 at the end of Q3.
- ❑ **Financial Strategy:** CorVel's financial strategy throughout the quarter was building strength and stability by positioning itself to produce historical levels of overall gross margin as revenue was recovering from Q2 2020.
- ❑ **Share Repurchase:** During the Quarter CorVel repurchased 150,325 shares for a total price of \$12m. CorVel has now purchased 36 million shares for a total cost of \$546 million
- ❑ **Looking Ahead:** CorVel Corporation noted with the pandemic boosting the adaptation of technology in the insurance industry, especially in healthcare. The company is focused on investing in information processing to benefit from current and future trends in technology and data analytics. CorVel ended the quarter with a record-high \$106m cash balance and will look use a heavy cash balance to begin investing in technology both internally and externally through in organic growth

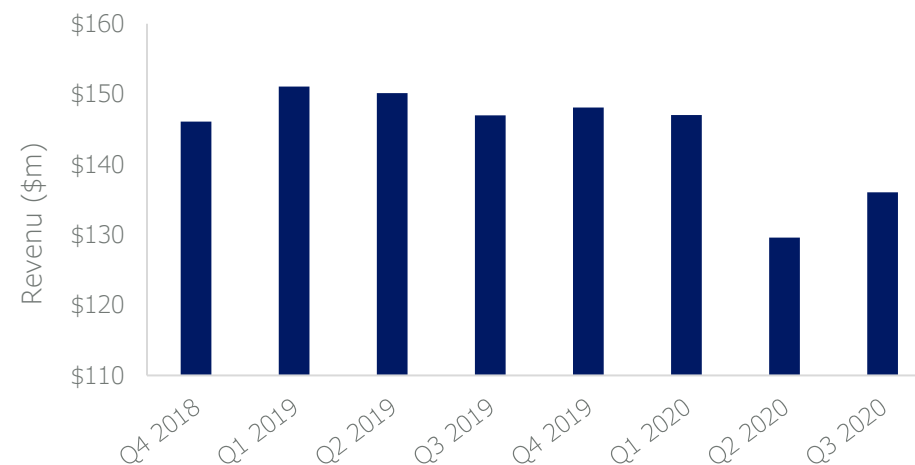
Additional News

- ❑ Link: [Business Insurance: 2020 Innovation Award Winner](#)

Stock Performance (Indexed)



Total Revenue



ExlService Holdings

Commentary

"Our third quarter performance was much better than we originally expected. Both our analytics and our operation management businesses saw a strong bounce back from the second quarter. Our investments in virtual transition capabilities have enabled us to expand relationships with existing clients as well as ramp-up on deals we won earlier this year." -Rohit Kapoor, Vice Chairman & Chief Executive Officer

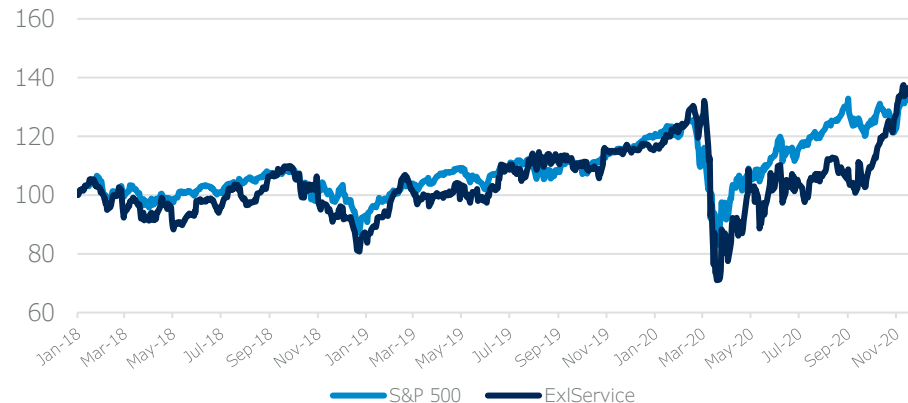
Q3 2020 Highlights

- ❑ **The Numbers:** ExlService Holdings generated \$241m in total revenue, representing an 8.3% increase from Q2 2020. Additionally, the company reported a 97% increase q/q Adjusted EPS driven by the strong revenue rebound and the full impact of the cost actions taken earlier in 2020.
- ❑ **Segment Performance:** ExlService's analytics showed significant revenue growth from the previous, showing a 10.8% increase and reporting \$90.5m in revenue. This increase was due to the company's client's data and analytics agenda expanding and adapting to the new norm of the world. Additionally, the insurance segment also saw a 7.9% increase in revenue from Q2 2020, reporting \$87.7m in revenue.
- ❑ **M&A:** ExlService Holdings shares that it is in the market to acquire businesses to expand their capabilities and it has an active pipeline in M&A. Overall, the company currently holds a healthy balance sheet and has as fair amount of capital at its disposable to use for acquisitions in the Future. However, the company did note that they are cautious and disciplined in its acquisition search due to the pandemic.
- ❑ **Looking Ahead:** The ExlService's pipeline has grown and is strong which gives it a positive outlook going into Q4 and 2021. The company believes there is a need for its services and will be able to build its business back up after the fall in Q2 2020.

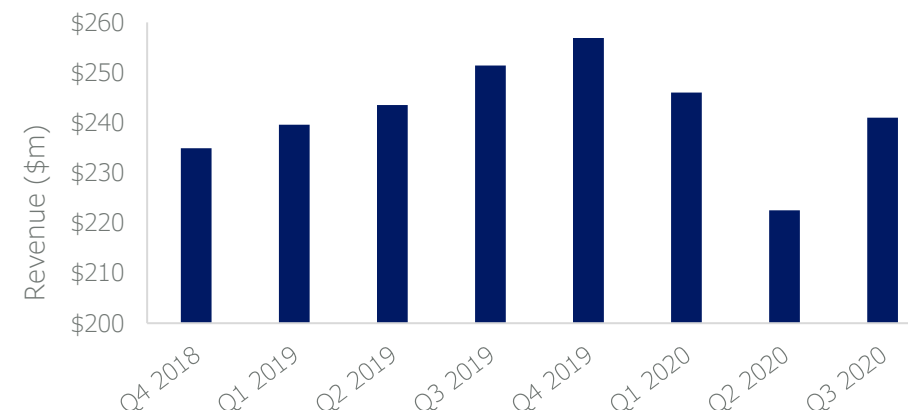
Additional News

- ❑ Link: [EXL Health named "One of the Strongest Performers in the Risk Adjustment & Analytics Space" in 2020 KLAS Performance Report](#)

Stock Performance (Indexed)



Total Revenue



Qualicorp

Commentary

"We had sound results in the third quarter, despite all of the challenges. As I have mentioned other opportunities, we're focusing on the agenda for growth and innovation. Despite less adjustments, we reached adjusted EBITDA of BRL 273 million in the quarter, the highest ever attained in the history of Quali because of stringent control of cost and expenses with a drop of 11% year-on-year. –Bruno Blatt, Chief Executive Officer

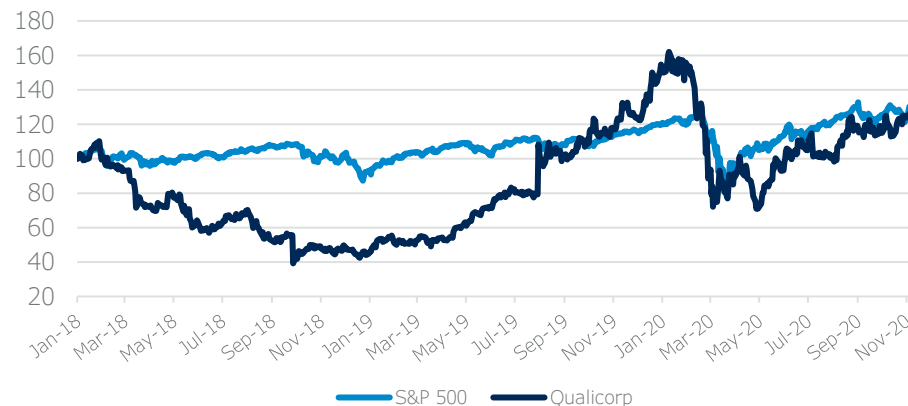
Q3 2020 Highlights

- ❑ **The Numbers:** Despite the pandemic, Qualicorp reported strong earnings in Q3 2020 earning \$97.39m in total revenue. This was an 8.5% increase from the previous quarter and positive 1.3% increase from Q3 2019 total revenue. Additionally, the company recorded a record Adjusted EBITDA figure of \$50.6m, a 5.4% y/y growth. EBITDA growth was driven by a 24% reduction in SG&A in the quarter due to savings on expenditures.
- ❑ **M&A:** Qualicorp performed add on acquisitions for several of its portfolio companies, increasing its foothold in the market. The company recently acquired ClubeCare and Plural. Plural was the company's largest acquisition in 8 years. The acquisition brought 21 new operators, 79 new entities, 13 branch offices in regions that Qualicorp in regions that have been untapped for the company. The company is using M&A to diversify its regional growth platform and diversification of products.
- ❑ **Looking Ahead:** Qualicorp plans to launch 20 new products and campaigns in the coming quarters to maintain strong momentum from Q3. The company also plans to grow focus on clients, close product offering gaps, and seek greater regionalization through partnerships and M&A activity. Lastly, Qualicorp is focused on advancing its IT and innovation by improving systems through a robust team of data scientists, statisticians and developers.

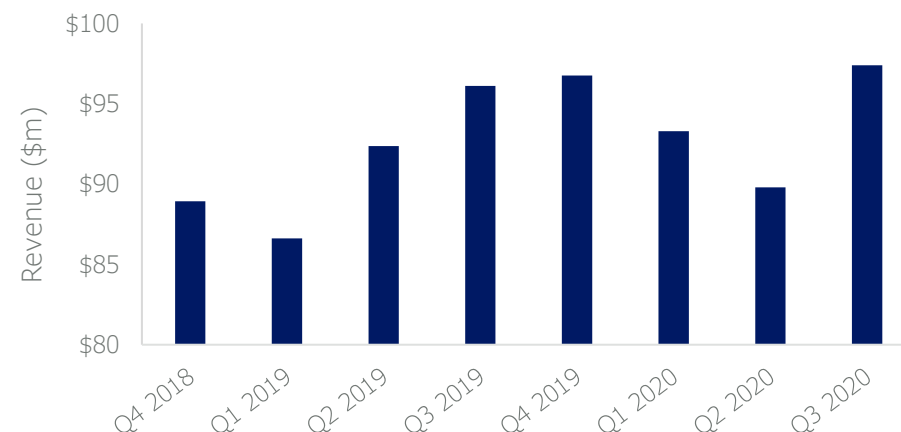
Additional News

- ❑ Link: [Notice to the Market - Acquisition of Material Equity Interest](#)

Stock Performance (Indexed)



Total Revenue



WNS Global Services

Commentary

"we expect some ongoing volatility, given the current business environment, and must remain cautious regarding the potential for additional COVID-19 waves, further economic impacts, and changing client requirements. Despite these challenges, WNS is extremely confident in our financial strength, differentiated capabilities, solid underlying business momentum, and proven capability to execute. -Keshav Muruges, Chief Executive Officer"

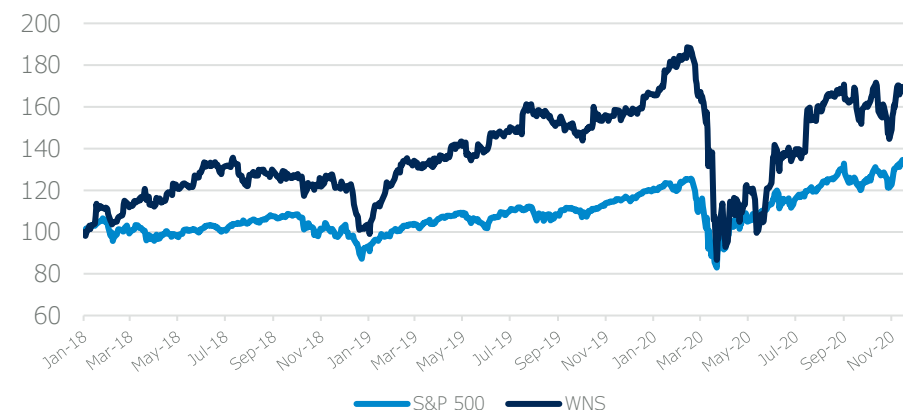
Q3 2020 Highlights

- ❑ **The Numbers:** WNS Global reported revenue at \$222.6m for FY 2021 Q2, a 7.1% increase from the previous quarter and a 1.6% decrease from last years FY Q2 figure. Additionally, operating margins improved by ~600 basis points to 23.4%. WNS estimated that in FY 2021 Q2, dynamic related demand reductions impacted revenue by ~9% from its pre-COVID rate. The most significant demand reduction verticals have been in travel, insurance and utilities.
- ❑ **M&A:** WNS remains opportunistic towards M&A but is an important are that the company is continuously looking at for the future. The company is scouring the market and have done a few due diligences but walked away from deals that did not serve its purpose. Overall, the company's pipeline is extremely healthy and have several active conversations.
- ❑ **Looking Ahead:** The company believes that the business landscape remains somewhat volatile with client behaviors varying by industry and country. WNS is expecting modest revenue pressure in the second half of the year in travel, insurance, and utilities verticals based on projections from its clients. Additionally, WNS's new and current clients are turning to them to help innovate and lead its clients to navigate through COVID-19.

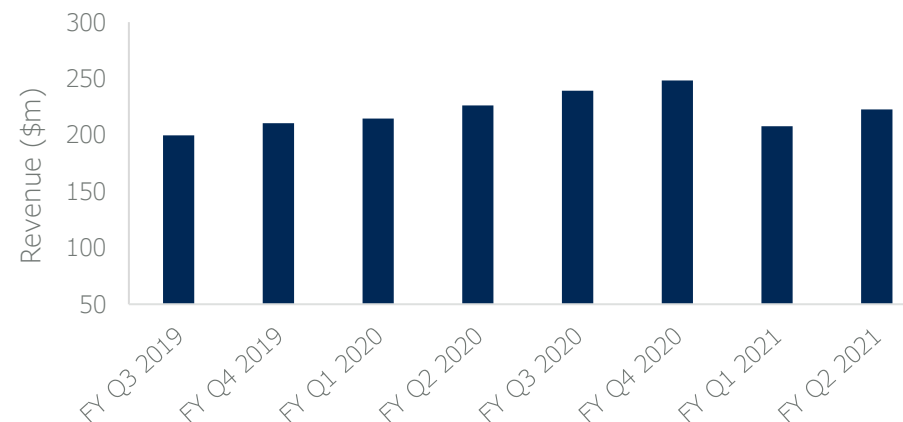
Additional News

- ❑ Link: [WNS NAMED A 'LEADER' AND 'STAR PERFORMER' IN PROPERTY AND CASUALTY INSURANCE BPO BY EVEREST GROUP](#)

Stock Performance (Indexed)



Total Revenue



Fanhua

Commentary

"We are confident in our ability to retain Company's position as a leader in the professional insurance intermediary sector over the long run."

-Chunlin Wang, Chief Executive Officer & Chairman

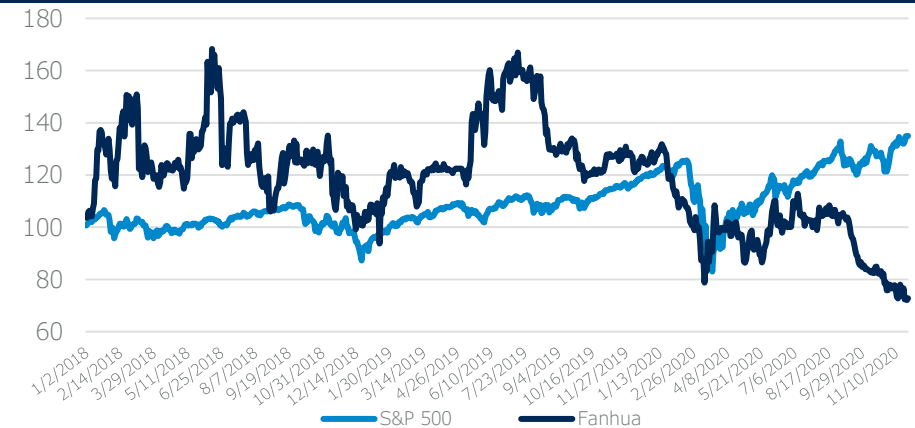
Q3 2020 Highlights

- ❑ **The Numbers:** Fanhua reported revenue at \$119.6m in Q3 2020, decreasing 4.2% from the previous quarter. This was due to the pandemic's effect on customers purchasing power and effecting Fanhua's agency expansion, placing the agency on hold.
- ❑ **Segment Performance:** In Q3, Fanhua's life insurance business grew 15.5% y/y in gross premiums to 364.8m, outpacing the industry growth rate. Additionally, Renewal premiums exceeded 273.6m in the quarter.
- ❑ **Technology Implementation:** Fanhua has a strong game plan heading last quarter of 2020 and into 2021. The company believes digital technology provides essential support for any professional insurance intermediary to remain competitive and find success. The company plans on opening its technology its technology to help promote the development of the company and the overall industry.
- ❑ **2021 Outlook:** Fanhua believes it will face many challenges over the course of the next several months but anticipates year on year growth starting in 2021, starting with the first quarter and continuing to have incremental growth in the second half of 2021, contributed by the company's new technology strategy.

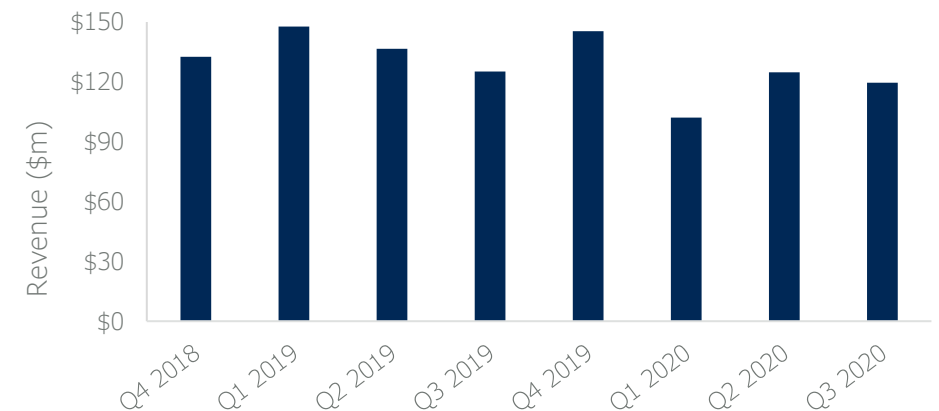
Additional News

- ❑ Link: [Fanhua Announces Quarterly Cash Dividend of US\\$0.25 per ADS for the Third Quarter of 2020](#)

Stock Performance (Indexed)



Total Revenue



Appendix

Contact Information

Recent Deal Experience



Contact Info

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions and provide market assessments and benchmarking.

As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. Securities offered through 7M Securities LLC.

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Recent Deal Experience

