



# Q4 Quarterly Earnings Synopsis

Insurance Third Party Administrators (TPA)

Presented by 7 Mile Advisors & Paradigm Partners International

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# 7MA Coverage Team

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**LEROY DAVIS**  
Partner



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

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**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.



**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.



**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.



**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.



**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.

# Trusted Insurance Advisors

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**Tracey Carragher**  
Affiliate



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's experience across the insurance transaction chain led her to launch Breckenridge Insurance Services.

**Cheryl Neal**  
Affiliate



Senior executive with more than 30 years in the financial services and life insurance industries. Most recently, Ms. Neal was President of Kemper Life, where she was responsible for strategically evaluating the business and architecting the plan to reinstate growth, improve profitability, refresh the product portfolio and modernize the home services business model.

**DON DESIDERATO**  
Affiliate



Former Fortune 100 Executive and Founder of Mantissa Group LLC, a strategy consulting firm serving the CIO executive and their extended leadership teams. Don's most recent experience was Chief Information Officer at New York Life. He was accountable for the New York Life's Core Insurance, Strategic Insurance Businesses, and Agency technology.

**CHERYL NEAL**  
Affiliate



President of Petri Consulting Group (PCG) with more than 30 years of experience marketing financial services and insurance products. Prior to founding PCG, Muriel served as Vice President of Marketing at MetLife Brokerage.

**LARRY HARTSHORN**  
Affiliate



Affiliate with more than 25 years of experience in 42 countries as a global health and life insurance executive. Larry served as Corporate Vice President of LIMRA LOMA Global leading international research, member engagement, and consulting through 2019. He was previously with Aetna for 20 years, most recently as Vice President and General Manager of Aetna Asia.

**JOHN SCULLY**  
Affiliate



Before founding Scully Consulting LLC, John Scully worked for Brown & Brown, AIG, and held high-profile careers in the NFL and commercial music production. He co-wrote his alma mater's anthem, "Here Come the Irish".

# TPA Industry Overview

## 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



泛华金控  
Fanhua Inc.



# Deal Spotlight

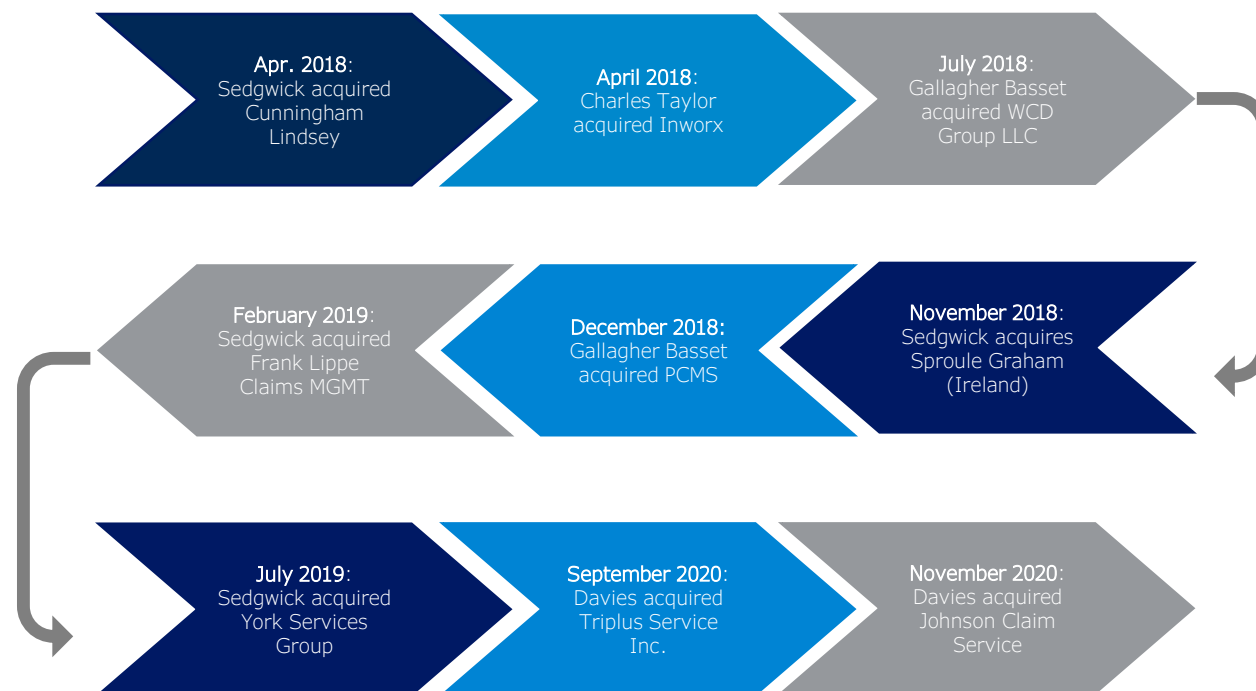
## Davies Acquires Johnson Claim Service

On November 2, 2020, Davies Group acquired Johnson Claim Service and continues to expand its US reach. Davies Group is a leading specialist in professional services and technology group that works in partnerships with leading insurance, highly regulated and global businesses. Johnson Claim Service is based in Tulsa, Oklahoma and is a transportation claims specialist in the US that offers third party administration (TPA), adjusting and appraisal services. Furthermore, Johnson Claim Service provides specialist end-to-end claims solutions mainly to London Market Brokers and Lloyds insurance businesses.

Johnson Claim Service will join Davies Group's claims solutions business in the US and will add its specialist transportation claims capability.



## Major TPA M&A Activity

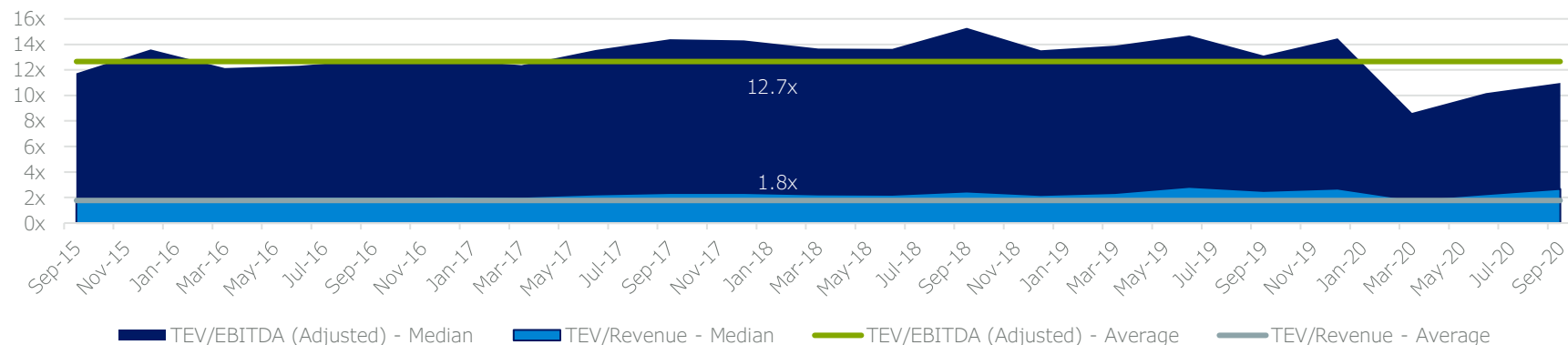


# Sectorwatch

## 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	591	1,008	-5.3%	27.4%	9.7%	0.6x	6.1x	9,000	112
Fanhua	446	489	-3.8%	32.2%	21.4%	0.9x	4.3x	4,746	103
Corvel	1,887	561	-5.6%	20.9%	13.5%	3.4x	24.9x	3,824	147
Qualicorp	1,955	421	3.6%	81.0%	50.1%	4.6x	9.3x	1,950	216
ExlService Holdings	2,851	966	-0.3%	33.6%	22.2%	3.0x	13.3x	31,700	30
WNS Global Services	3,526	918	7.9%	36.1%	24.2%	3.8x	15.9x	41,466	22
Arthur J. Gallagher & Company	28,085	7,004	-0.9%	35.2%	24.0%	4.0x	16.7x	33,300	210
<b>Average</b>	5,620	1,624	-0.6%	38.1%	23.6%	2.9x	12.9x	17,998	120
<b>Median</b>	1,955	918	-0.9%	33.6%	22.2%	3.4x	13.3x	9,000	112

### Public Rev & EBITDA Multiples Over Time

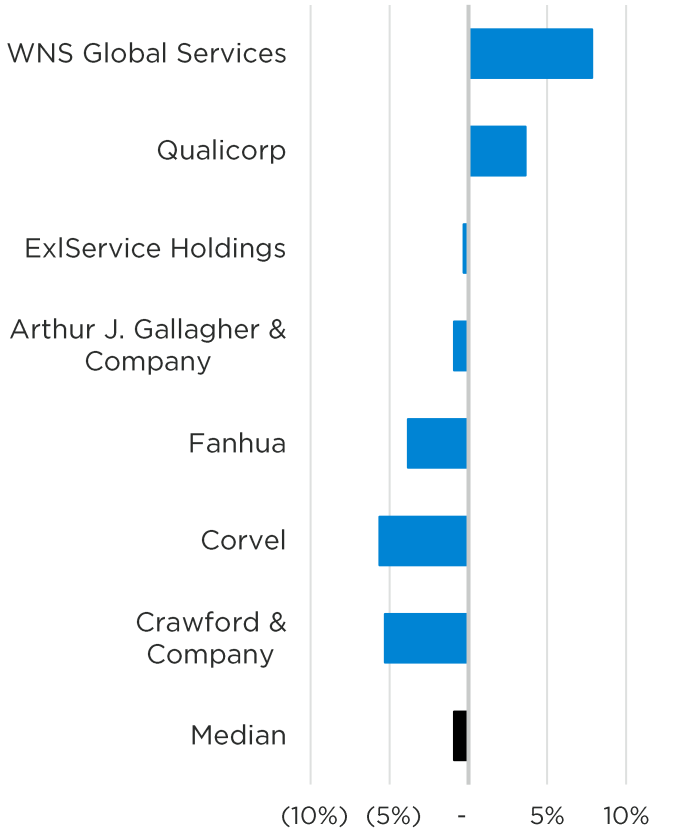




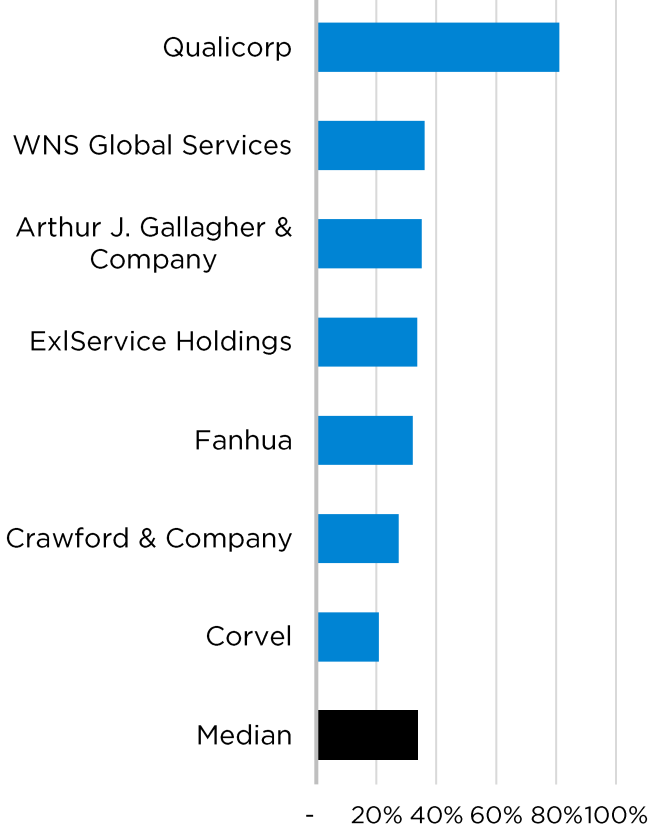
# Benchmarking

Insurance - TPA

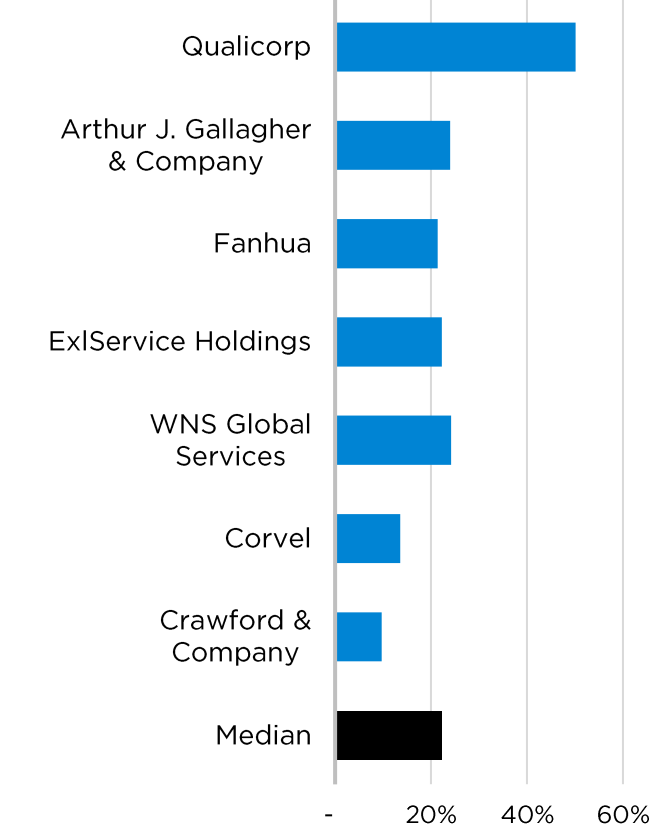
LTM REVENUE GROWTH %



LTM GROSS PROFIT MARGIN %



LTM EBITDA %



# Crawford & Company

## Commentary

*"Crawford delivered fourth quarter and full year 2020 results that exceeded expectations, driven by the strength of our core business and the perseverance of our employees. We continued to expand our profitability, with revenue and operating earnings above fourth quarter 2019 levels." –Rohit Verma, Chief Executive Officer*

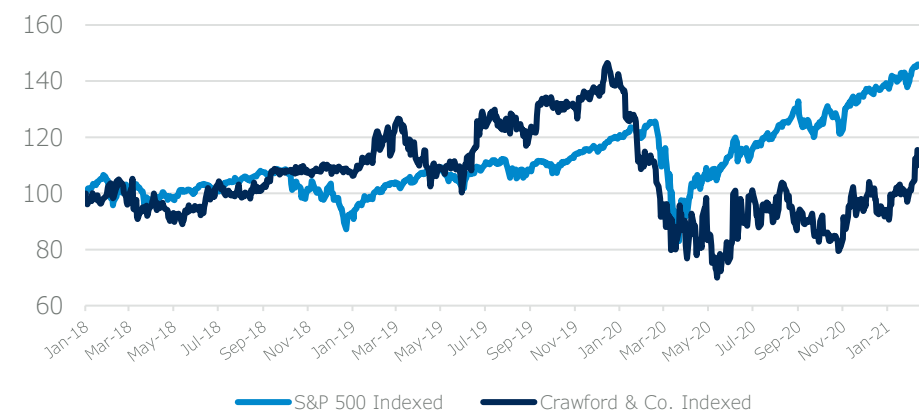
## Q4 2020 Highlights

- ❑ **The Numbers:** Crawford & Company's Q4 2020 revenue came in at \$257.4m, a 4.14% increase from the previous year and a 1.71% increase from the previous quarter. Crawford reported a total of \$982.5m for 2020, down 1.8% from 2019.
- ❑ **Revenue by Region:** Crawford & Company covers the United States, United Kingdom, Canada, Australia, and Europe. The United States makes up a majority of the company's revenue and in Q4 2020 the US accounted for \$151.8m while the UK and Canada recorded \$33.5m and \$20.8m for the quarter.
- ❑ **Segment Performance:** Crawford & Company's business is broken into three segments including claims solutions, specialty solutions and TPA solutions. Claims solutions accounted for \$99m in Q4 2020, a 0.6% increase from the previous quarter. TPA Solutions grew 7.9% from the previous quarter to \$94.1m while specialty solutions fell 4.7%.
- ❑ **M&A:** Crawford continues to be active in the M&A space acquiring HBA Group in Australia on November 1, 2020. HBA is a legal services provider that will complement the Crawford's TPA Solutions segment in Australia. Crawford purchased the company with an initial lump sum of \$5.0 million and a maximum of \$3.2 million payable over the next four years based on achieving revenue and EBITDA performance goals

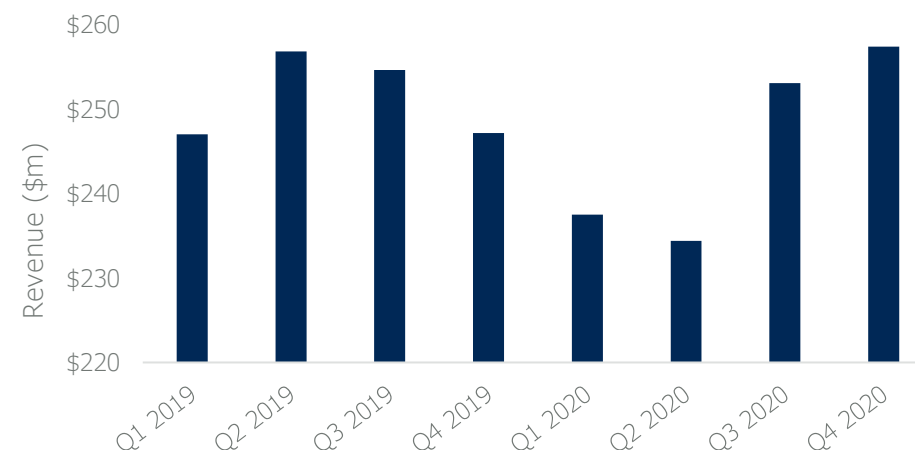
## Additional News

- ❑ Link: [Crawford & Company® acquires HBA Group](#)

## Stock Performance (Indexed)



## Total Revenue



# Gallagher & Co.

## Commentary

*"We delivered an excellent fourth quarter in the midst of the pandemic. We grew organically, we picked up momentum and grew through acquisitions, we improved our productivity and raised our quality, we continue to invest in our bedrock culture. I'm extremely proud of how the team performed during the quarter and the full year."*

*-J. Patrick Gallagher, Chairman, President, and Chief Executive Officer*

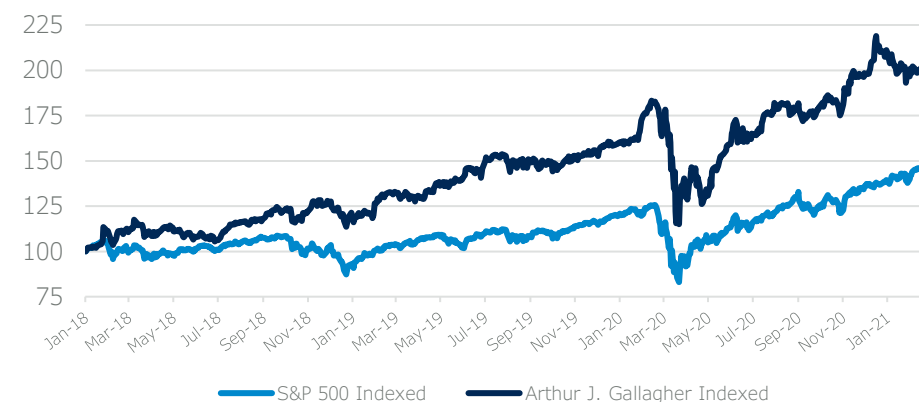
## Q4 2020 Highlights

- ❑ **The Numbers:** Arthur J. Gallagher's 2020 Q4 revenue came in at \$1703.6m and was down 1% YoY and 7.9% QoQ.
- ❑ **Segment Performance:** Arthur Gallagher is broken into three main segments: Brokerage, Risk Management and Corporate. The Brokerage Segment grew 3.6% YoY and ~3.1% of that growth was organic. Risk Management grew 1.6% YoY while Gallagher's Corporate Business Segment fell tremendously, down 23.6% YoY.
- ❑ **M&A:** Arthur finished Q4 2020 with 10 completed brokerage mergers, representing ~\$100 million of estimated annualized revenue. Additionally, the M&A pipeline is strong with 30 term sheets signed or being prepared, representing around \$300 million of annualized revenue. Arthur Gallagher believes that it is the "platform of choice" for companies looking to grow and having the ability to use Gallagher's tools and data. The company expects to be very active in 2021, especially in the United States with roughly \$2.5bn to spend.
- ❑ **Outlook:** Looking into Q1 2021, Gallagher believes the company will be in the range of 3-4% organic growth.

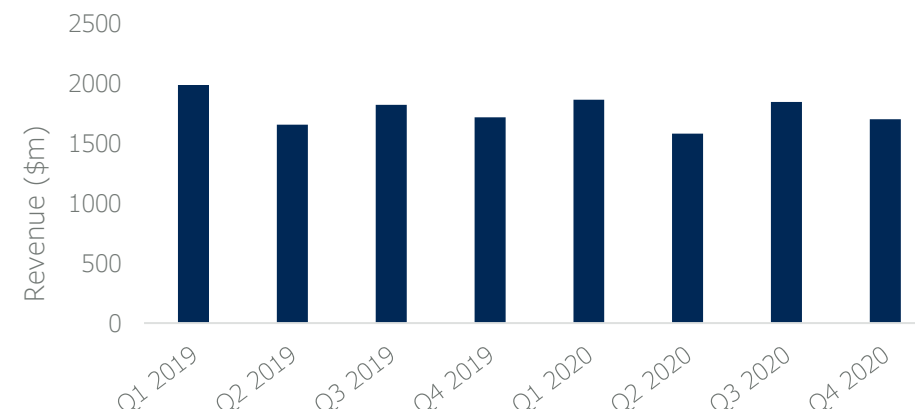
## Additional News

- ❑ Link: [Arthur J. Gallagher & Co. Acquires Cool Insuring Agency, Inc.](#)

## Stock Performance (Indexed)



## Total Revenue



# CorVel Corporation

## Commentary

*"Given the considerable uncertainty and concern everyone felt in late March and throughout April, the Company's results for 2020 demonstrate our organization's resilience and sound technology foundation. We come to the beginning of 2021 having finished a strong year. Our cash flow has been stronger than ever. New sales were a record for the year, with particular success in claims administration and our CERiS commercial health review business."* -Michael Combs, President & CEO

## Q4 2020 Highlights

- ❑ **The Numbers:** CorVel Corporation Q4 2020 revenue came in at \$141.51m, a 4.4% decrease YoY as the company still notes that it is recovering from the pandemic. Earnings per share for the quarter ended on a high note, shares up 26% from the prior year at \$0.63.
- ❑ **Share Repurchase:** CorVel Corporation purchased 82,000 shares for a total price of \$7.7 million. To date, the company has repurchased 36.6 million shares for a cost of \$554 million or 67% of the total shares outstanding.
- ❑ **New Technology:** The company has developed a new product Cognency and new surface SIM (Strategic Insight Management). Cognency is an advanced business intelligence platform that visualizes data insights from large amounts of data is looking at best strategy to blend the new technology and industry expertise. SIM a collaborative engagement to assist our clients with navigating the dynamic risk management landscape.
- ❑ **Looking Ahead:** AI and machine learning continue to be highlighted across CorVel. The company is looking to invest in AI and machine learning capabilities in both the management of care and transaction processing within the healthcare industry.

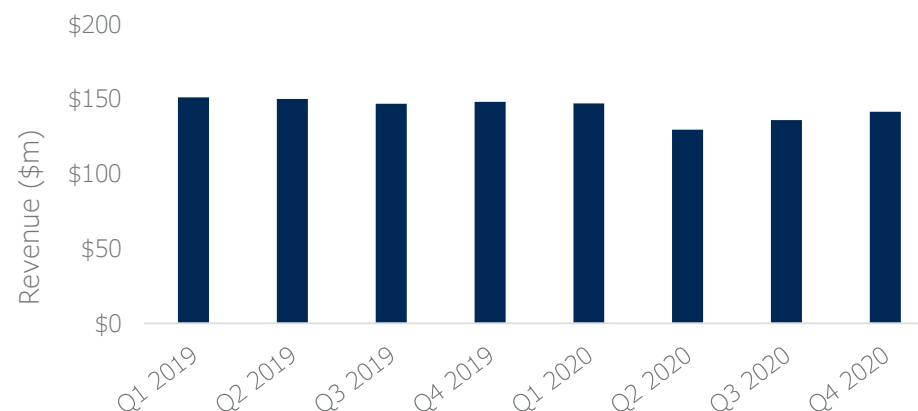
## Additional News

- ❑ Link: [2020 US Insurance Awards: CorVel Corp., TPA Team of the Year](#)

## Stock Performance (Indexed)



## Total Revenue



# ExlService Holdings

## Commentary

*"The efforts we put in place early, such as shifting our 30,000-plus global workforce to a work-from-home business model, ensuring the health and safety of our employees and safeguarding the business continuity for our clients helped established the momentum we would carry throughout the year. ."* –Rohit Kapoor, Vice Chairman & CEO

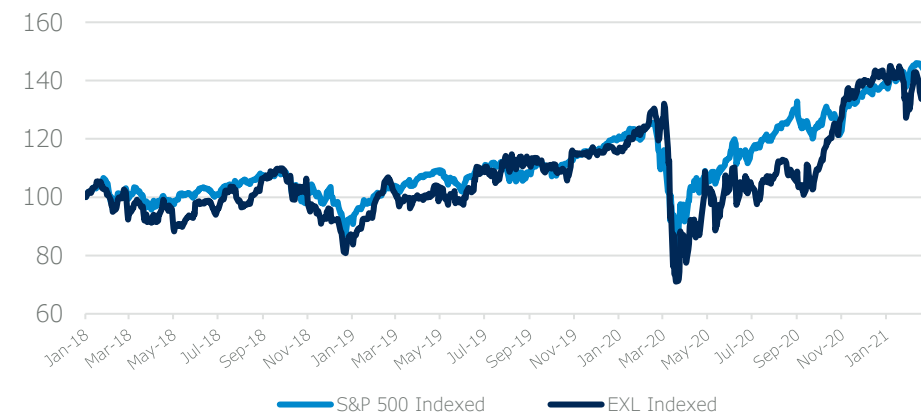
## Q4 2020 Highlights

- ❑ **The Numbers:** ExlService Holdings Q4 2020 revenue came in \$249m, representing a 3.1% increase from the previous quarter. EXL reported a total of \$958.4m in revenue for the full year of 2020.
- ❑ **Segment Performance:** EXL is broken down into 4 segments: Insurance, Healthcare, Emerging Business, and Analytics. In Q4 2020, Insurance and Analytics drove a majority of the company's revenue reporting \$88.9 and \$98.1 million, respectively. EXL Analytics segment grew 8.4% from the previous quarter.
- ❑ **M&A:** EXL states that the M&A pipeline is strong, and the company is very active in looking for opportunities. EXL noted that valuations are high right now in the data analytics and digital spaces, two areas that they are heavily focused in going into the new year.
- ❑ **Looking Ahead:** EXL believes 2021 full year revenue guidance is in the range of \$1.04 to \$1.06 billion, representing a 9% to 11% increase from 2020. This represents an accelerated growth of revenue for EXL, driven by expanded demand for data-led solutions to solve industry problems. EXL is also planning on expanding its talent in its Analytics business to ensure the company has the right skillsets for projected double-digit growth rates in 2021

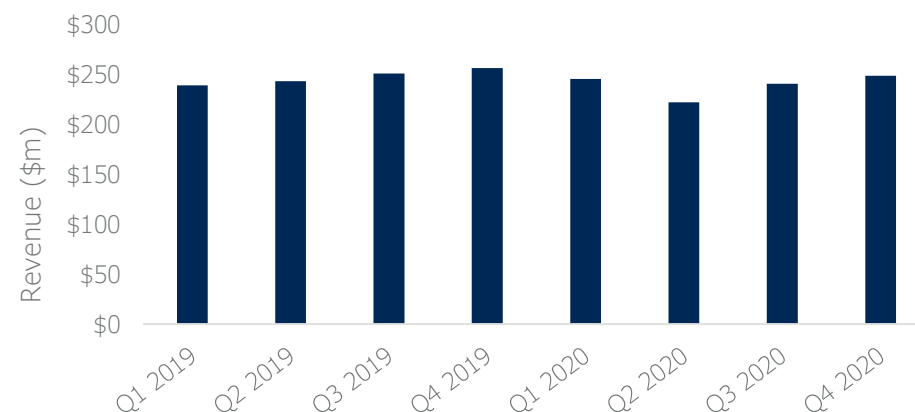
## Additional News

- ❑ Link: [EXL NAMED A LEADER IN INSIGHTS-DRIVEN BPO EVALUATION BY TOP INDEPENDENT RESEARCH FIRM](#)

## Stock Performance (Indexed)



## Total Revenue



# WNS Global Services

## Commentary

*"Our fiscal third quarter results continue to demonstrate the strategic importance of our BPM solutions and resilience of the WNS business model. In Q3, we were able to sequentially grow top line, deliver healthy margins, and generate strong cash flow in the midst of a global pandemic. –Keshav Muruges, Chief Executive Officer"*

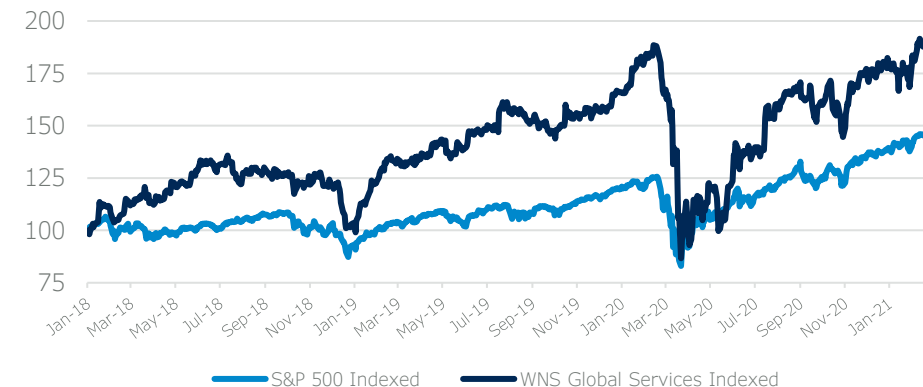
## Q4 2020 Highlights

- ❑ **The Numbers:** WNS Global Services Q3 Fiscal Year 2021 revenue was \$238.4m, representing a 0.3% decrease YoY and a 7.1% decrease from the previous quarter. Revenue has been pressured by lower client volumes, delays in new business ramps, client concession and facility lockdowns which impact service delivery. On a positive note, Furthermore, FY 21 Q3 margins, profits, and cash flow remained strong.
- ❑ **Strong Healthcare Presence:** Year to date, in FY 2021, WNS healthcare revenues have grown 19%. WNS Services 3 of the 10 largest health insurances companies in the United States measured by annual premiums. The practice offers industry leading care management solutions by leveraging deep domain expertise and advanced analytics
- ❑ **Quarter Momentum:** During the quarter, WNS added nine new clients and expanded 14 existing relationships. Additionally, the company reinitiated global hiring in support of both signed new deals and a healthy sales pipeline.
- ❑ **M&A:** WNS stated that M&A is a top priority for WNS Global Services and the company has the cash on hand to make an acquisition. However, the company is still currently looking for a strategic fit but has a number of companies in its pipeline

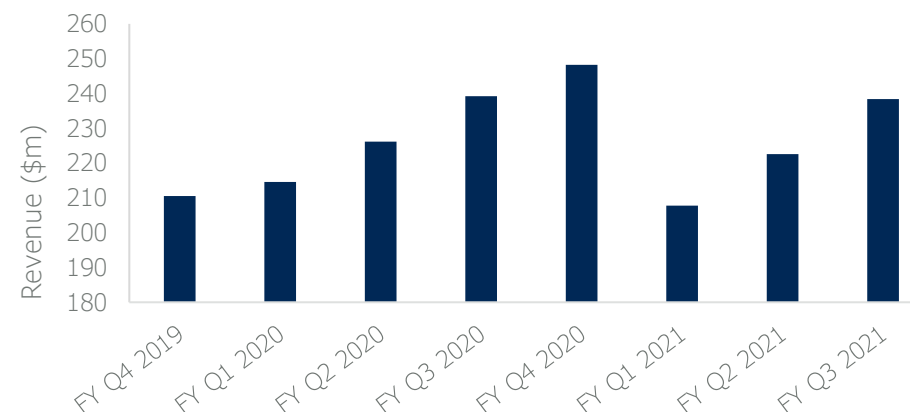
## Additional News

- ❑ Link: [WNS Extends Partnership with Scandinavian Airlines](#)

## Stock Performance (Indexed)



## Total Revenue



# Fanhua

## Commentary

*"In 2020, despite continued challenges from COVID-19, Fanhua accomplished another major milestone with our gross written premiums on regular life insurance business exceeding RMB 10billion, representing a year-over-year growth of 16.3% and our operating profit reaching RMB 300 million."* -Chunlin Wang, Chief Executive Officer

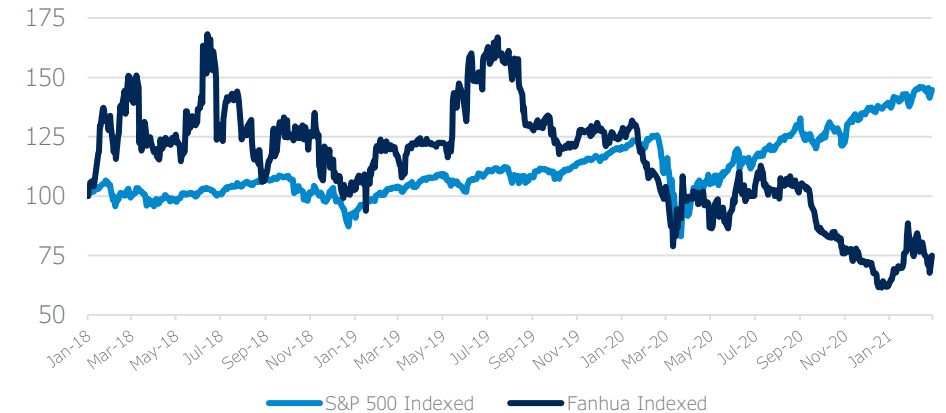
## Q4 2020 Highlights

- ❑ **The Numbers:** Fanhua reported revenue at \$130.3m in Q4 2020, increasing 8.9% from the previous quarter and decreasing 10.9% from the previous year.
- ❑ **Gross Written Premiums:** Fanhua accomplished another major milestone with our gross written premiums on regular life insurance business exceeding RMB 10bn, representing a year-over-year growth of 16.3% and our operating profit reaching RMB 300m. In the fourth quarter of 2020, the gross written premiums of our regular life insurance business increased 21% year-over-year to RMB 2.9 billion. Operating profit reached RMB 71.9 million, exceeding its previous expectations.
- ❑ **Platform Strategy Outlook:** Fanhua established a Cloud Service Division, which has formed partnership with 6 cooperative partners and started operating on a trial basis. The company expects the new strategy will start to yield more meaningful positive results in 2022 to drive rapid growth of our business in 2022 and the years ahead.
- ❑ **2021 Outlook:** Fanhua expects gross written premiums of its regular life insurance business to be no less than RMB 12. The initial investments for carrying out the new strategy in 2021 is expected to be around RMB 100m. Therefore, Fanhua's operating income is expected to be no less than RMB 300m in 2021.

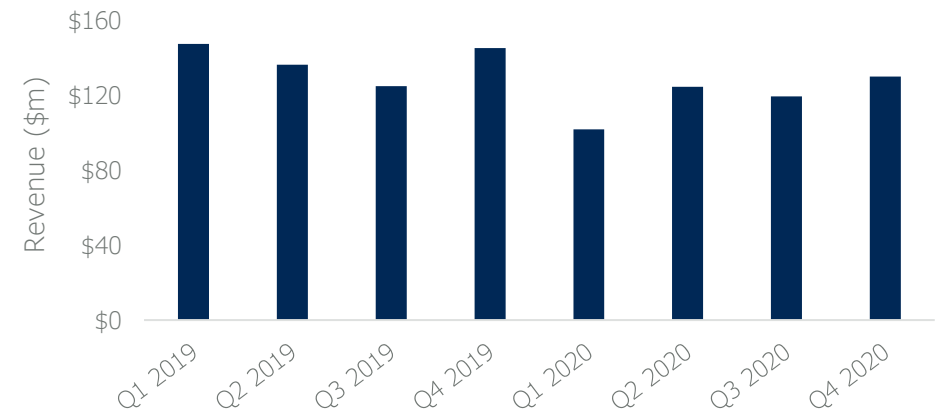
## Additional News

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

## Stock Performance (Indexed)



## Total Revenue





# Appendix

*Contact Information*

*Recent Deal Experience*





# Contact Info

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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.

Leroy Davis, Partner	704.899.5962	leroy@7mileadvisors.com
Nicholas Prendergast, Vice President	704.973.3995	nicholas@7mileadvisors.com
Steve Buffington, Associate	704.960.1828	steve@7mileadvisors.com
Nic Anderle, Analyst	704.826.7492	nic.anderle@7mileadvisors.com

# Recent Deal Experience

