

CorpDev Options Summary

Strategic is looking to buy, invest, or partner to gain access to customers and resources.

- Buyout a portion of your business (up to \$10m)
- Creates recurring **annuity** and opportunities for upsell promotions
- Strategic partner options based on access to customers & platform

| | Monetize Party of the Business | Strategic Partnership |
|----------------------------|--|---|
| Option | Asset Purchase Agreement | Minority Purchase Agreement |
| Buyout | Up to \$10m | Up to \$10m |
| PMT Terms | Multiple of the ARR + Earnout | At close \$1m, Escrow remainder use of funds |
| Terms | Asset Purchase Agreement Alliance Marketing Agreement | Minority Purchase Agreement Access rights to clients ROFR Agreement Alliance Agreement Consulting Agreement |
| EV Multiple | Based on ARR | Based on Customer Contracts |
| Pros & Cons | Near-term Wealth Transfer with opportunity for "second exit" Upside due to structured earnout | Maintain control, plus Capital to fund the business Enrich the business model Capital to fulfill growth plans Outside support and monetization Industry Expertise Credibility for Financing Recap |
| Owner Considerations | Use of Funds Succession plan | Refinancing the B/S Role considerations Sources & Uses of Funds |
| Shareholder Considerations | Exit options Return on Investment | Enterprise Value Ownership equity adjustments and recast structure potential |

End-to-End Compliance Model

Customer and Solutions Model Portfolio

| Compliance | Industry | Benefits | Alliance Partners |
|---|---|---|--|
| <ul style="list-style-type: none"> + Background [multiple] + Verifications [multiple] + Credit, Risk + Databases [multiple] | <ul style="list-style-type: none"> + Motor Vehicle, Driver, CDLIs, FACIS + Volunteer / Nonprofit + Professional License | <ul style="list-style-type: none"> COBRA ACA FMLA | <ul style="list-style-type: none"> Health Screening Drug Testing Compensation eRecruiting |
| <ul style="list-style-type: none"> + I-9, eVerify + Worker's Comp + EEOC + Testing & Assessments | <ul style="list-style-type: none"> + F&I + Due Dilligence + Security + Government, Federal Contactor + Internaitnal / Global | <ul style="list-style-type: none"> Wellness Health Financial Wellness | <ul style="list-style-type: none"> Tenant Screening Real Estate, Property Tax Compliance, Credits, Incentives |

○ Revenue impact of \$1.3x lift for every \$1 in FY revenues + 5x NLTV

The Big Idea.

As consumers become Internet savvy, tech-enabled solutions far outperform service vendors.

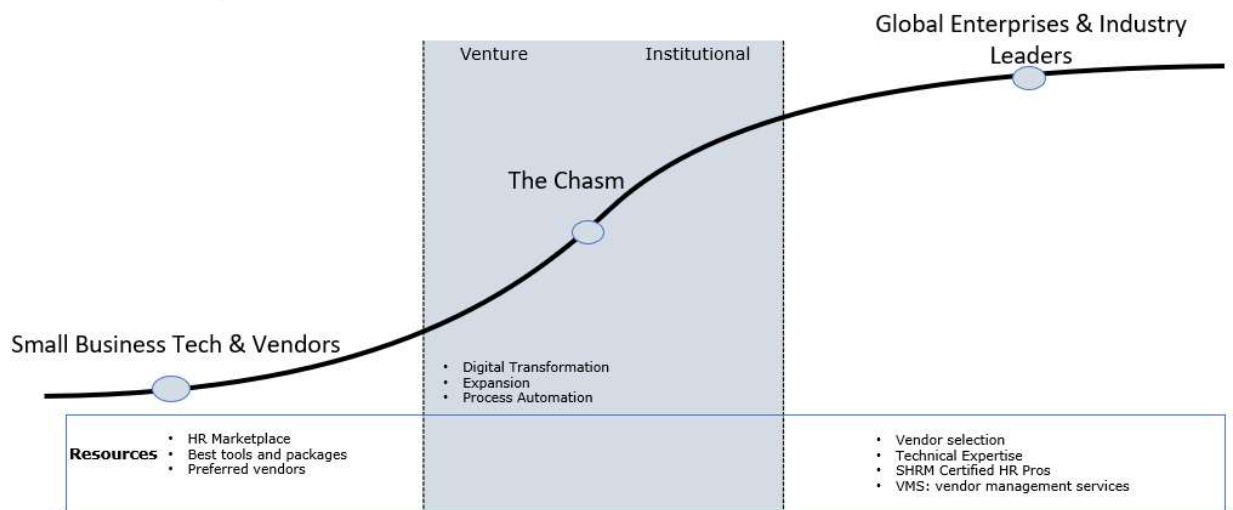
| | | | |
|--|------------------------------|--|--|
| Compliance As-a-Service AaS includes: | Analytics & Reporting (AaaS) | Data/Record Sourcing & Vendor Management (BPaaS) | Intelligent Automation (AI, bots, Big Data, ML, Omnichannel) |
|--|------------------------------|--|--|

- The value-chain components and benefits of the impact go beyond moving services to a subscription solution:
 - **150%** higher FY revenues per customer
 - **2X** more profitable
 - **4X** more solutions delivered per customer

Industry centric End-to-End Compliance Solutions Portfolio Summary

| Compliance Solutions | Backoffice Services | Marketplace Partners | Advisory Solution |
|--------------------------------|---------------------|--|-------------------|
| + HR Compliance & Reporting | + Administration | + By Industry | + Procurement |
| + 1099 Management & Compliance | + Cloud Solutions | + Workforce eRecruiting, Hiring, Screening, Management | + Insurance |
| + Workforce Compliance | + Virtual Support | | + Legal |

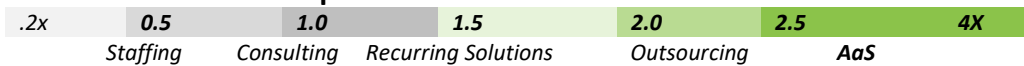
HR Subscription Access



Know the Value of Your Practice

The value of your practice depends on your internal capabilities, financial measures (*size, scalability and profitability, and Quality of Earnings, Customers, & Assets*), as well as your industry comparables; and it also depends on your external options to *Grow, Buy, Sell, License, or Divest*.

M&A Subscale Deal Multiples Revenue Valuation



| Firm Type | Firm Attributes | Firm Valuation |
|--------------------|--|---|
| Staffing | Project based Low margins (<35%) | <ul style="list-style-type: none"> 0.5X industry average with premium paid for industry centric and scaled assets. |
| Services | Labor/Staff dependent Billable hours driven Services model | <ul style="list-style-type: none"> More than 251 consulting M&A deals between 2017 to 2019 with the majority of subscaled average deal size between \$7m to \$14m at 0.5X revenue multiple with 6.8X EBITDA multiple with 65% of deal paid upfront with remainder over 3 years earnout |
| Outsourcing | 1 to 3 year contracts "Lift & Shift" model built on cost savings and shared services | <ul style="list-style-type: none"> 293 BPO acquisitions since 2010 range 0.3X to 4X EV/Rev. Premium paid for industry centric, scaled asset (>\$25M) with recurring managed solutions |
| AaS | "Everything as a Service" such as Finance-As-Service ("FaaS") and Analytics as a Service (AaaS) i.e. a portfolio of recurring solutions 65% gross profit margin based on a "Tech-heavy services model" | <ul style="list-style-type: none"> 1.3X to 2.5X for private companies based on size, scalability, quality of earnings and financial comparables 3.1 to 6.1x for SaaS |

Valuation Impact Analysis Based on Size

- Impact of subscale versus **scaled** status on EV: 30% discount for scaled private versus public comparables, with **40%** discount for subscaled with significant earnout and terms differences
- Impact of **recurring solutions** on EV at scale: <1X EV/Revenue multiple for project non-recurring versus >2X for recurring outsourcing/subscription with 12 month contract at scale
- Impact of scaled **acquisitions** on EV: EV lift of 1.3X for acquisition of recurring solutions beyond acquired revenues plus the valuation arbitrage impact



Employment Compliance Industry Deal Landscape



Deal Landscape

→ In summary, hundreds of private companies with \$1m to \$10m in revenues.

| Count ¹ | Functional Solution (Reseller) | Private w/ Revenues >\$9M |
|--------------------|---|---------------------------|
| 215 | Compliance Administration w/ Fractional HR Services | 15 |
| 106 | Industry vertical centric solution | 41 |
| 350 | Payrolling (Contractor, Vendor managed payroll, HR, compliance) | 99 |
| 600 | Screening, Testing & Compliance Reseller (non proprietary tech) | 60 |
| 70 | Screening, Testing & Compliance with Proprietary Tech Platform | 46 |
| 55 | Wholesaler suppliers of data, records | 5 |
| 108 | Workforce Compliance w/ proprietary technology | 9 |

**Overlap exists*

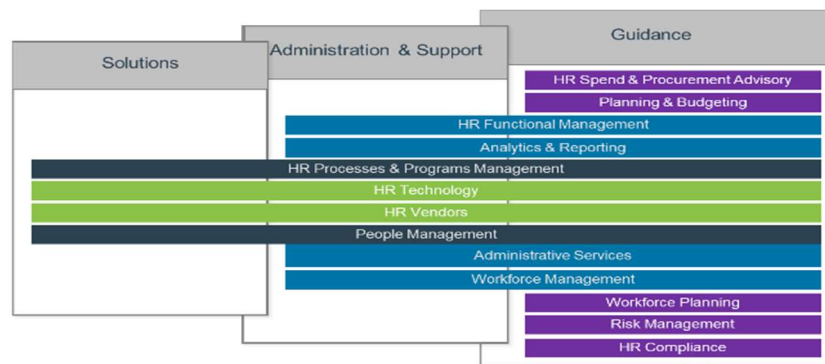
Deal Multiple Drivers & Considerations

Deal multiples vary by size and industry model.

- By size, **30%** premium for scaled entities with recurring revenue models.
- By industry, **30%** premium applies for industry centric focused solutions.
- By model, **150%** premium paid for scalable proprietary technology.

Consolidation Strategies

- Buyers looking for an alternative to consultants, payroll, PEOs, brokers; desiring a partner-centric and industry-centric solution
- Concierge model for delivering end-to-end compliance increases profitability and satisfaction
- Industry centric solutions command a premium



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¹ North America operations