HYDE PARK CAPITAL

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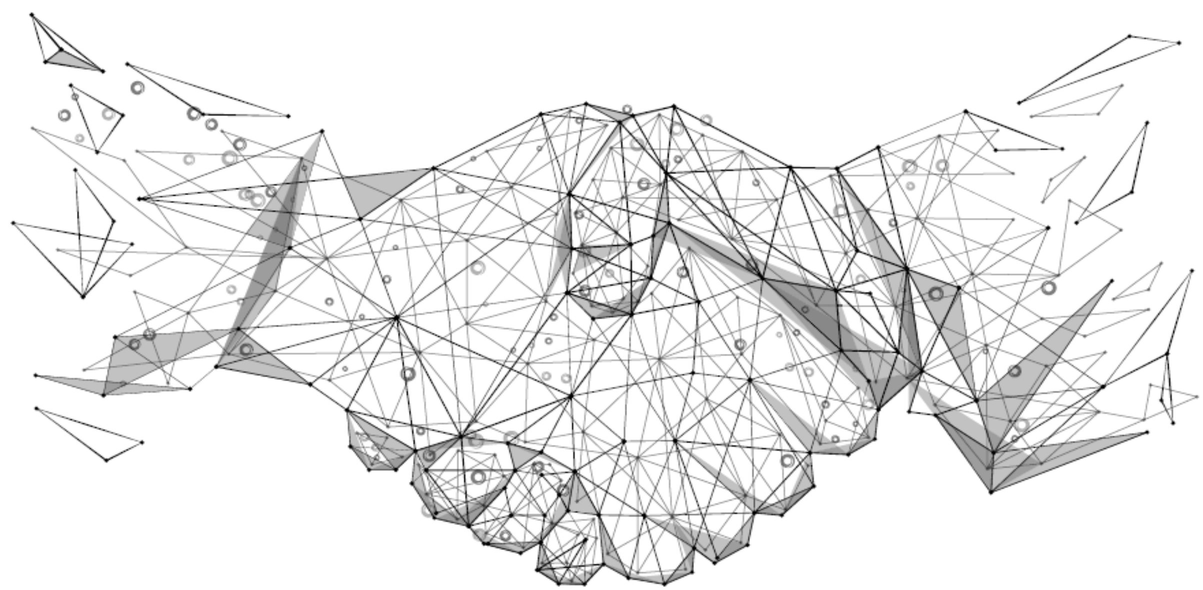
Employee Benefits & Third-Party Administrators

Market Insights

Fall 2024



Nationally recognized investment bank founded in 2000

Over 300 transactions completed, totaling more than $10 billion in transaction value

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Market Overview

Employee Benefit Landscape

- Employee benefits are crucial for attracting and retaining talent but have significantly increased in cost in recent years. Benefits now account for approximately 30% of an average worker's paycheck. For instance, an employee with a $50,000 salary would have total compensation exceeding $70,500.

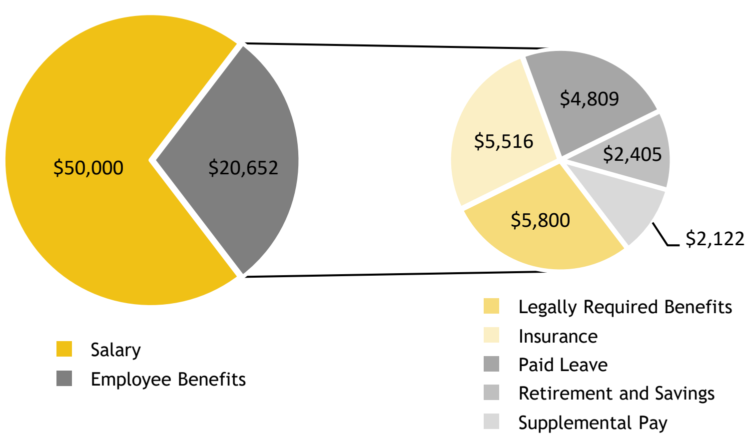
- To manage costs efficiently, many companies turn to Third-Party Administrators (TPAs). TPAs streamline operations, reduce administrative tasks, and ensure effective management of benefit programs.

- As companies increasingly adopt self-funding and captive insurance models instead of traditional insurance, the role of TPAs has become even more important in administering and managing these plans.

Employee Benefits

Employee Benefit Average Annual Cost

(Example annual salary of $50,000)



TPA Service Offerings

Plan Design

Value-Add Solutions

Claim Administration

- Cost Containment
- Specialty Benefit Management
- Data Analytics
- Transparency
- Providers

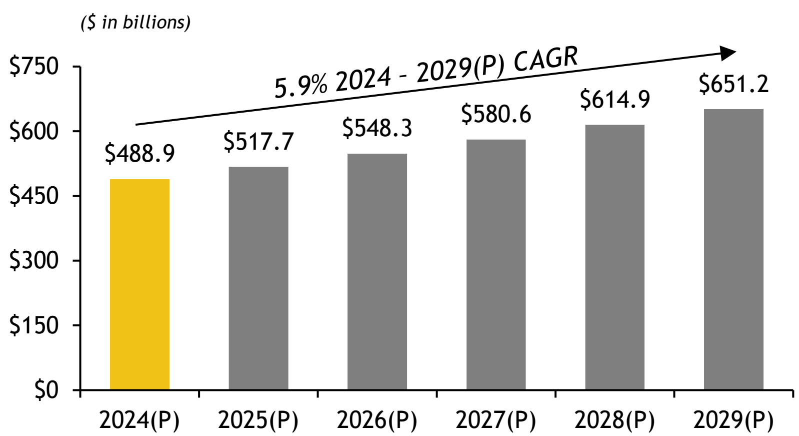
Sources: Bureau of Labor Statistics

Market Overview

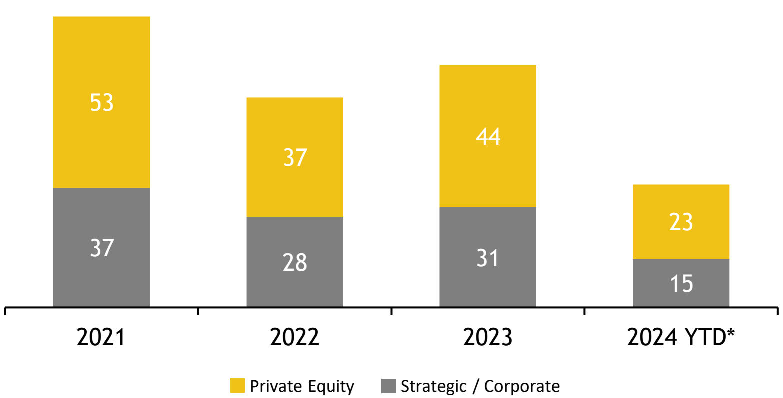
Third-Party Administrators Market Growth

- The global third-party administrators' market is expected to reach **$488.9 billion** in 2024, projected to grow at a **CAGR** of **5.9%**, reaching **$651.2 billion** by 2029.
- The growing need for third-party administrator services is supported by:
  - The rising prevalence of self-funded insurance plans and the associated costs and complexities.
  - Employers' issues balancing costs and budgets in offering competitive and comprehensive benefits packages.
  - Steep, year-over-year increases in health benefit costs.
- The third-party administrator sector is notably fragmented, primarily comprising numerous regional service providers. This fragmentation arises from the diverse range of TPAs offering specialized and differentiated services. The sector's complexity and variety contribute to its disjointed nature.
- This fragmentation also presents attractive opportunities for consolidation. Larger companies and private equity investors are increasingly interested in combining service offerings and expanding their geographic reach to capture greater market share. Traditionally, M&A in the space has been driven by larger TPAs or insurance companies acquiring smaller competitors. However, in recent years, outside investors have taken notice and become more active, further intensifying the consolidation trend.

Global Third-Party Administrators Market Size



Strategic vs. Private Equity M&A Deal Count



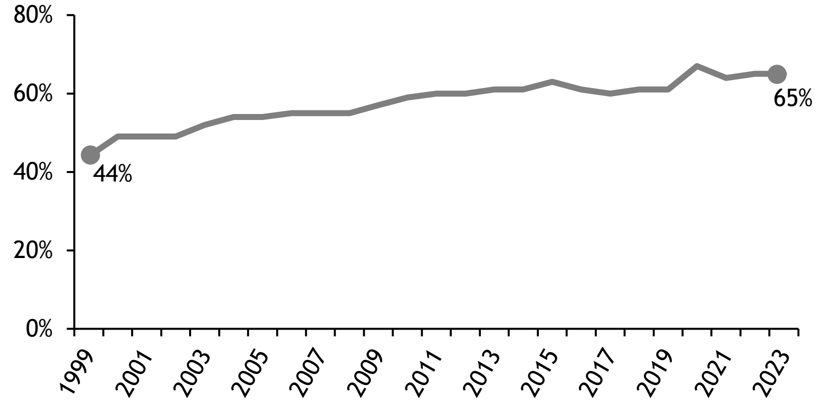
Sources: EVHC, Bureau of Labor Statistics
** YTD as of 09/10/2024*

Market Overview

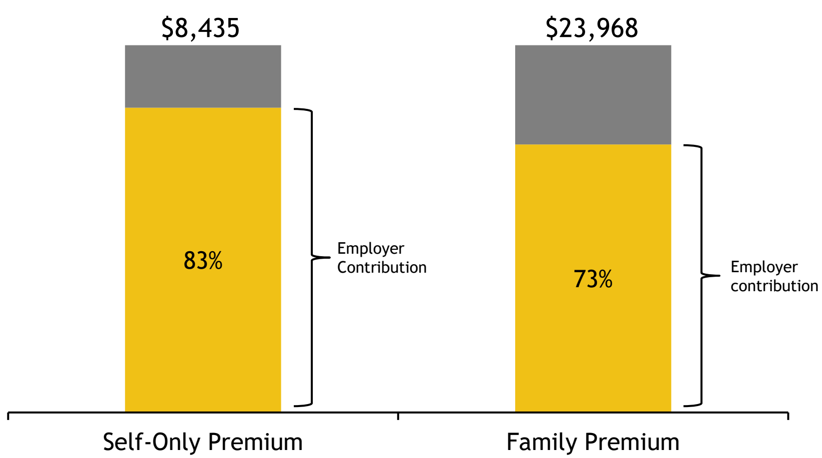
Increasing Prevalence of Self-Funded Employers and Associated Costs

- Self-funding insurance plans have become increasingly common, exhibiting a 20% increase in total employees covered by self-funded plans since 2000. Though self-funded insurance plans provide greater transparency and cost savings, employers are still struggling with steep price increases.
- Employers are annually contributing an average of **~$7,000** and **~$17,500** to self-only and family premiums per employee, respectively.
- Enterprises understand the importance of employee benefits to attract and retain employees, while at the same time are faced with surging costs. Managing these complexities have forced employers to turn to third-party administrators.

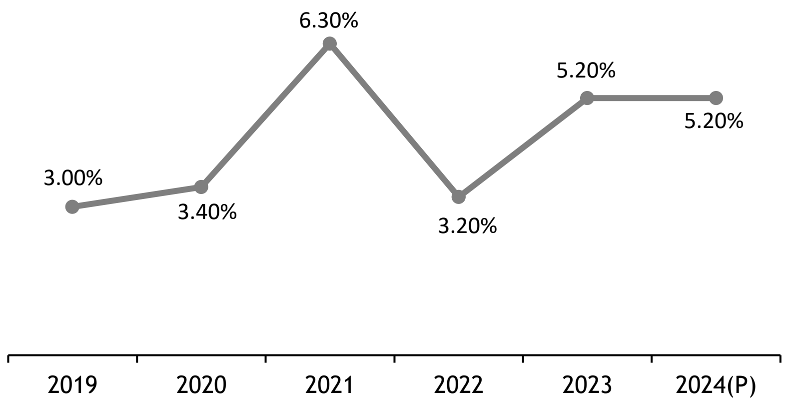
U.S. Workers Covered by Self-Funded Health Insurance Plans



Average Annual Self-Funded Employer Contribution



Year-Over-Year Increase in Health Benefit Costs



Sources: PWC, People Keep, Statista, Mercer

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Market Overview

Public Companies – Third Party Administrators

($ in millions except for share price)	Stock Price	% of 52	Enterprise	LTM		LTM Margins		3 Year CAGR		Enterprise Value / LTM	
Company	9/11/2024	Week High	Value	Revenue	EBITDA	Gross Profit	EBITDA	Revenue	EBITDA	Revenue	EBITDA
UnitedHealth Group	$589.75	97.0%	$598,236	$381,255	$14,103	7.3%	3.7%	12.1%	5.1%	1.6x	21.6x
Elevance Health	$543.39	95.8%	$147,299	$171,719	$6,691	6.5%	3.9%	9.9%	14.1%	0.9x	13.2x
CVS Health	$56.11	67.4%	$138,326	$360,935	$7,321	4.8%	2.0%	10.0%	(0.2%)	0.4x	8.1x
The Cigna Group	$357.78	96.5%	$131,832	$195,265	$5,164	4.4%	2.6%	6.7%	NM	0.7x	15.5x
Humana	$328.19	61.9%	$46,966	$106,374	$2,489	4.5%	2.3%	11.3%	NM	0.4x	9.8x
Voya Financial	$74.94	97.6%	$12,452	$7,461	$840	15.4%	11.3%	19.4%	NM	1.7x	10.8x
alight	$7.07	68.1%	$6,529	$2,870	($301)	6.0%	NM	1.4%	NM	2.3x	38.2x
CorVel	$301.43	93.2%	$5,051	$817	$78	15.2%	9.6%	12.4%	10.4%	6.2x	40.6x*
Crawford	$9.89	72.3%	$769	$1,268	($13)	4.9%	NM	6.9%	12.1%	0.6x	12.3x
Marpai	$0.57	16.3%	$11	$35	($24)	NM	NM	NM	NM	0.3x	NM
					Average	**7.7%**	**5.1%**	**10.0%**	**0.1x**	**1.5x**	**16.2x**
					Median	**6.0%**	**3.7%**	**10.0%**	**0.1x**	**0.8x**	**12.7x**

Sources: Pitchbook as of 08/09/24.

**Denotes statistic outliers*

Market Overview

Public Companies Detail – Third-Party Administrators

Company		Headquarters	Company Description
UnitedHealth Group		Minneapolis, MN	Provider of third-party administration services through its subsidiaries, specializing in benefits administration, claims processing, and health management.
Elevance Health		Indianapolis, IN	Provider of comprehensive third-party administration services through its diverse health plan offerings, including benefits management and claims processing.
CVS Health		Woonsocket, RI	Provider of third-party administration service through its integrated pharmacy and health services, enhanced by the acquisition of Aetna. The acquisition has expanded CVS Health's capabilities in benefits management, claims processing, and healthcare solutions.
The Cigna Group		Bloomfield, CT	Provider of third-party administrative services through its comprehensive benefits management solutions, handling health insurance, claims processing, and plan administration.
Humana		Louisville, KY	Provider of third-party administrator services, focusing on health benefits management, claims processing, and comprehensive benefits administration.

Market Overview

Public Companies Detail (cont.) – Third-Party Administrators

Company		Headquarters	Company Description
Voya Financial		New York, NY	Provider of third-party administration services through its comprehensive suite of retirement, investment, and insurance solutions.
Alight Solutions		Chicago, IL	Alight offers third-party administration services, specializing in benefits management, claims processing, and health solutions.
CorVel		Forth Worth, TX	Specializes in third-party administration services, focusing on workers' compensation, auto, and general liability claims management.
Crawford & Company		Peachtree Corners, GA	Global provider of claims management and third-party administration services, offering comprehensive solutions across insurance, risk management, and healthcare sectors.
Marpai		Tampa, FL	Third-party administrator specializing in modernizing healthcare benefits management through advanced technology and data-driven solutions.

Select M&A Transactions

Deal Date	Target	Target Description	Buyer/Investor
09/09/24	Abenity	Provider of private perks programs, offering employers, alumni groups and associations access to thousands of perks, discounts, and corporate rates on a wide range of items.	BenefitHub (Inverness Graham)
08/20/24	Commonwealth Benefits Group	Provider of employee benefits services, including group sponsored plans, healthcare reform updates, benefits and employee briefings, and plan design consulting.	Mid Penn BanCorp (NASDAQ: MPB)
07/30/24	Management Solutions	Provider of comprehensive human resources management services, including payroll solutions, employee benefits administration, and complete human resource management services.	G&A Partners (TPG (NASDAQ: TPG))
07/19/24	McClements Insurance Services	Operator of a commercial insurance agency that offers complex employee benefit planning and the creation and management of sel-funded programs and services.	Atlas Partners
07/18/24	Acuff & Associates	Provider of full-service planning and adminstration services designed to ensure the efficiency and compliance of retirement plans.	July Business Services (Platform Partners)
07/01/24	Hudson Shore Group	Provider of insurance and risk management consulting services, specializing in employee benefits solutions.	March McLennan Agency
06/05/24	HFI Benefits	Provider of employee benefits advisory services, including plan reviews, administrative services, health and wellness spending accounts, and individual health and dental plan coverage.	Arthur J. Gallagher & Company (NYSE:AJG)
06/02/24	Kilpatrick Companies	Operator of a general agency specializing in employee and individual benefits, including enrollment materials, claim requests, quote processing, and renewal management.	AmWINS (Genstar Capital)
05/07/24	True North Group Insurance Services	Operator of an employee benefits firm catering to the corporate sector that offers emplyer health insurance, voluntary employee benefits, compliance and support, and benefits administration.	Atlas Partners
05/02/24	AC Risk Management	Provider of insurance and risk management services intended for construction, real estate, retail wholesale, distribution, hospitality, and healthcare manufacturing industries.	March McLennan Agency
05/01/24	The Dupis Langen Group	Provider of employee benefit solutions, intended to service non-profit organizations and private companies with a specialization in the community social services sector.	Westland Insurance

Sources: PitchBook, Capital IQ

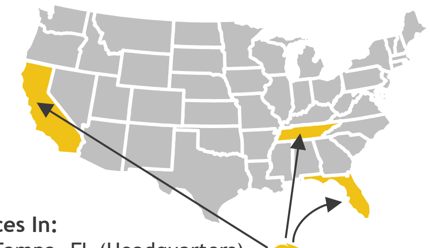
Select M&A Transactions (cont.)

Deal Date	Target	Target Description	Buyer/Investor
05/01/24	Acumen Advisors	Provider of employee benefits consultation, including strategy, analysis and information, risk identification and reduction, cost and quality control, and more.	Arthur J. Gallagher & Company (NYSE:AJG)
04/18/24	CBA Premier Insurance Solutions	Operator of an employee benefits firm catering to the corporate sector that offers customized health plans, utilization reports, and online health assesments.	New Mountain Capital
04/17/24	Advanced Benefits	Provider of consulting services intended to serve businesses across the United States to formulate a strategy for offering employee benefits.	Alliant Insurance Services (Auburn Hill Capital)
04/11/24	HealthSure	Provider of risk consulting and insurance services intended for rural hospitals, specializing in insurance, employee benefits, assets insurance, medical insurance, and more.	Alera Group (Flexpoint Ford)
04/02/24	Encore Advisors	Provider of employee benefits brokerage services, including customized benefit packages, healthcare insurance services, retirement planning support, compliance and regulatory guidance, and more.	Crescent Capital Group
04/02/24	Micro-Dyn Medical Systems	Provider of healthcare claim calculation software that include DRGActive DRG Components, PRICERActive Medicare reimbursement components, APCActiv outpatient PPC components, and more.	The Brydon Group
03/08/24	BenefitHub	Developer of an employee engagement platform that gives employee-centric benefits, including electronic payment services, payroll deduction, employee discounts, payroll cards, and more.	Balance Point Capital
03/01/24	G&A Partners	Provider of human resources outsourcing services, including payroll, emplyee benefits management, risk management and recruitment process outsourcing.	TPG (NASDAQ: TPG)
02/20/24	PeopleKeep	Developer of employee health benefits software designed to bring the benefits of individual health insurance to business owners and their employees.	Remodel Health
02/06/24	Ryze Claim Solutions	Provider of property and casualty insurance claim adjusting services designed for streamlining insurance claims processing.	Bain Capital Insurance
01/22/24	London Health Administrators	Third-party administrator focused on the healthcare savings sector, specializing in the design and administration of employee benefit programs.	Flores & Associates (Vistria Group)

Sources: PitchBook, Capital IQ

HPC Overview

- Founded in 2000 by the prior heads of investment banking coverage groups at Raymond James
- Advised on **300+ transactions** and has been a consistent leader in providing independent and unbiased strategic counsel and advisory services to global sellers and buyers of middle-market firms
- Diverse team with extensive execution experience across all areas of Insurance Services
- Bulge bracket capabilities with a boutique touch



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- Global Finance World's Best Investment Bank (Southeast Region)
- Ernst & Young Entrepreneur of the Year (Florida Region, Financial Services)

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Financial Services

Payor Services

TPA and Claims Services

Commercial and Personal

InsurTech

Data Analytics

Claims Processing

Member Services

Plan Administration

Risk Management

Data Management

Utilization Management

Worker's Compensation

Employee Benefits