AIM Advisers, Inc.
Maximizing Present & Future Value

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IBEX Global Solutions Raises $22.5 Million in AIM IPO

$16.6 Million for the Company and $5.9 Million for the Selling Shareholder

Overview

Washington D.C.-based IBEX Global Solutions raised $22.5 million ($16.6 million for the Company and $5.9 million for the Strategic Investor) in its recent IPO on the London Stock Exchange's AIM.

IBEX provides voice-based contact center services and other business process outsourcing solutions in 11 languages to 70 enterprise customers, primarily U.S.-based, Fortune 500 telecommunications and consumer technology companies. The Company earns 90% of its revenue from U.S. clients, with the majority serviced 'onshore' from the Company's eight locations in the U.S. and the balance serviced 'offshore' from three locations in the Philippines and one in Senegal. IBEX focuses on contact center market segments that involve extensive agent training, are essential to their clients' ongoing corporate performance and can be difficult to replace. Such segments include inbound customer support and retention, technical assistance and sales order entry and outbound sales.

The Company's competitive advantage lies primarily in maintaining efficient variable and fixed cost structures. IBEX focuses heavily on understanding the labor markets in which it operates and targets optimal wage and benefit levels. Over the last three years, this focus has contributed to an improvement in annual staff retention rates of over 20%. The Company minimizes fixed costs by locating the majority of its support functions in Pakistan (software and technology development and analytics) and the Philippines (workforce management and quality assurance), carefully managing telecommunications costs and deploying internally developed and scalable management processes and systems. IBEX has chosen to develop its intellectual property as trade secrets rather than as patents.

The Company was founded in 2002 when the Strategic Investor acquired a stake in one of the operating companies and then acquired and integrated six additional companies over the next decade. IBEX has 8,000 employees; 3,850 in the U.S., 2,100 in the Philippines, 1,600 in Pakistan, 400 in Senegal and 50 in the U.K. French language capabilities in Senegal will be used for expansion into Canada and France.

IBEX's post-IPO plans are to provide additional voice-based services to existing U.S. clients, win new voice-based U.S. clients, diversify into non-voice services (website administration, email support, chat) add industry verticals, such as healthcare and utilities, and expand into Canada, the U.K. and France, where the Company either has incumbent customers or possesses language and delivery capabilities.

Key Financial Metrics

(in USD millions)	Y/E 6/30/11	Y/E 6/30/12	Y/E 6/30/13[1]	Δ '11 - '12	Δ '12 - '13
Revenue	$97.1	$104.3	$136.0	+7%	+30%
Cost of Goods Sold	79.6	90.7	115.5	+14%	+27%
Operating Expenses	18.0	15.9	17.5	-12%	+10%
Interest Expense	2.0	1.7	1.9	-15%	+12%
Tax (Benefit)/Expense	(0.3)	0.2	0.1	+167%	-50%
Net (Loss)/Income	(2.2)	(4.2)	1.0	-91%	+124%
EBITDA	3.0	0.7	5.3	-77%	+657%

[1] Income statement items were extracted and combined from the audited and reviewed financial statements for the six-months ended December 31, 2012 and the three-months ended March 31, 2013, respectively, and then extrapolated for comparative purposes. Balance sheet items were extracted from the reviewed financial statements as of March 31, 2013.

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Key Financial Metrics (cont.)

(in USD millions)	Y/E 6/30/11	Y/E 6/30/12	Y/E 6/30/13	Δ '11 - '12	Δ '12 - '13
Total Assets	48.6	52.0	45.6	+7%	-12%
Working Capital	8.7	7.4	(4.2)	-15%	-157%
Cash	0.8	1.9	3.3	+138%	+74%
Line-of-Credit	11.2	12.0	16.8	+7%	+40%

The Company generated 91% - 92% of its revenue from the United States in each of the last three fiscal years, with its five largest clients accounting for 70% - 80% of revenue. The Company intends to pay dividends during its first fiscal year as a public company.

Since the IPO did not complete within nine months of June 30, 2012, audited, comparative, stub period financials were required for the six-months ended December 31, 2012 and the Company chose to provide reviewed, comparative, stub period financials for the three-months ended March 31, 2013.

Key Listing Metrics

- $22.5m gross was raised, $16.6m for the Company and $5.9m for the Selling Shareholder

- $14.1m, net of offering costs, was raised for the Company intended to be used for:
  - Paying down the line-of-credit
  - Working capital
    - Provide additional existing voice-based services to existing U.S. clients
    - Win new voice-based U.S. clients
    - Expand into Canada, the U.K. and France
    - Continue diversification into new non-voice services
    - Expand into new industry verticals; healthcare and utilities
    - Selective acquisitions to accelerate geographic and industry expansion

- Aggregate transaction costs amounted to 12.3% for the Company and Selling Shareholder

- Offering costs amounted to 15.0% of the gross capital raised for the Company
  - The offering was undertaken on a 'best efforts' basis, as opposed to being underwritten
    - Joint Brokers were engaged
    - Broking commission of 5.0%
    - Undisclosed corporate finance fee

- Selling Shareholder bore their own costs, which only amounted to the 5.0% broking commission

- Opening market capitalization of $89.9m
- Dilution to existing shareholders of 18.5%
- Free float of 25.03%

- Trailing pre-money revenue multiple of 0.5
- Trailing pre-money EBITDA multiple of 13.8
- Trailing pre-money P/E ratio of 73.3[2]

[2] Not particularly meaningful given the relatively small denominator.

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Shareholder Base

The Company had 32.3m shares outstanding prior to the IPO and issued 7.3m new shares for cash in the IPO, leaving the Company with 39.6m shares outstanding. The table below details those who held 3% or more of the Company after the IPO, along with the collective ownership of the Other New U.K. Investors.

Shareholder	Pre-IPO %	Post-IPO %
Strategic Investor	100.00	74.97[3,4]
Edinburgh, Scotland-based Global Institution (Various Funds)	-	6.40
London office of a Global Institution (Various Funds)	-	5.37
Reading, U.K.-based Fund Manager and Private Client Broker	-	4.73
Other New U.K. Investors	-	8.53
Totals	100.00	100.00

The origins of IBEX date back to 2002 when the Strategic Investor acquired a stake in one of the operating companies and then acquired and integrated six additional companies over the next decade.

Beyond the obvious benefit of creating $5.9 million of immediate liquidity for the Strategic Investor, the Company can optimize its capital structure by paying down the line-of-credit and deploying the remaining capital to further accelerate growth; providing additional existing services to existing clients, winning new clients, diversifying into new services and expanding the geographical footprint and industries served. With a solid base of blue-chip Institutional and Other U.K. Investors, the Company can create additional post-IPO liquidity and raise additional capital, if necessary. In addition, the Company believes that its IPO and public market status on AIM will raise its profile in the sector, particularly internationally, and provide transparent incentives for existing and future employees via the Company's Share Option Plans.

Board of Directors and Corporate Governance

The Board of Directors consists of two Executive Directors (the CEO and the CFO) and four Non-Executive Directors (a non-independent Chairman and a non-independent Director by virtue of their firm's shareholding as the Strategic Investor and two independent NEDs); all with solid resumes and a good blend of complementary experiences and skill sets. The Board will meet at least four times per year.

Companies listed on AIM are not required to comply with the U.K. Corporate Governance Code, which is mandatory for companies listed on the Main Market; however, as is typical, the Company intends to follow, to the extent appropriate for its size and nature, the Corporate Governance Guidelines, which are published by the Quoted Companies Alliance (QCA), and the QCA's recommendations on corporate governance for companies with shares traded on AIM. The overarching principle of the Corporate Governance Guidelines is to ensure that a company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the long term.

The Company has established an Audit Committee and a Remuneration Committee. Both committees are chaired by a different independent NED with the other independent NED and the non-independent NED serving as members. The Audit Committee will meet formally at least four times a year and the Remuneration Committee will meet when required, however, not less than two times a year. The Nomination Committee will be an ad hoc committee constituted by the Board as and when required and, when constituted, will be chaired by an independent NED.

[3] Subject to a six-month lock-in and customary orderly market provisions for a further 18 months.
[4] In addition to the dilutive effect of the new shares issued for cash by the Company in connection with the IPO, the Strategic Investor raised $5.9 million as the Selling Shareholder.

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Accounting Considerations
Since the Company re-domiciled into the U.K., reporting using IFRS was required. Since the vast majority of the Company's revenues are earned in U.S. Dollars, the U.S. Dollar is the functional currency and was also chosen as the reporting currency.

The U.K. Member Firm of an international accountancy network acted as Auditor for the six-months ended December 31, 2012 and as Reporting Accountant for the IPO. The U.K. Member Firm of a 'Big Four' accountancy network audited the three years ended June 30, 2012. Since the IPO did not complete within nine months of June 30, 2012, audited, comparative, stub period financials were required for the six-months ended December 31, 2012 and the Company chose to provide reviewed, comparative, stub period financials for the three-months ended March 31, 2013.

An unaudited pro forma statement of net assets is never required in connection with an AIM IPO and was not provided in this instance since the effect of the net proceeds from the IPO on the net assets of the Company is obvious.

Legal Considerations
Even though the Company is incorporated in the U.K., one of the three most important elements of English corporate law, relating to takeovers and mergers, does not automatically apply since the Company's 'place of central management and control' is outside the U.K. or one of its Crown Dependencies, the Channel Islands and the Isle of Man (although this law is changing and it will automatically apply from September 30, 2013). As is customary, the Company amended its constitutional documents to incorporate the main provisions of the U.K.'s City Code on Takeovers and Mergers. The three main differences between U.K. and U.S. corporate law are:

1. Pre-emption rights (i.e. anti-dilution) – Shareholders may participate in, or the Company has to obtain approval from at least 75% of them for, the issuance of shares for cash of more than 20% of the then outstanding shares during any 12-month period.[5]

2. Notifiable Interests – Shareholders are required to notify the Company of, and the Company is required to publicly announce, holdings at or above the 3% level and whenever a full percentage point is breached in either direction.

3. Takeovers (i.e. mandatory offer) – If any party, or parties acting in concert, accumulates a holding of 30% or more, they must make a cash offer to the other shareholders at the highest price they paid for the Company's shares during the last 12 months.

The IPO was not subject to Regulation S of the U.S. Securities Act of 1933; therefore, the shares are eligible for dematerialization and trading within CREST, the most common electronic system for the holding and transfer of shares in the U.K. As such, it was not necessary to appoint a Depository and create Depository Interests, as would be the case for a company domiciled outside the U.K., Channel Islands or Isle of Man.

[5] Since the Company raised a relatively small amount of capital at the time of the IPO, this is higher than the typical 10% level at which AIM-listed companies seek an annual standing authorization from their shareholders for the issuance of additional shares for cash. This flexibility increases the certainty and speed of small capital raises during the year and reduces transaction costs, since further communications with, and approvals from, shareholders are not required.