

INDUSTRY INSIGHTS

Business Services

Q3 2019 M&A Market Update



Inside This Issue...

Following another year of strong transaction volume in 2018, M&A activity has remained at healthy levels through the third quarter of 2019. 2019 transaction volume has continued to be driven by overarching market themes, such as low cost of capital, large balance sheets, and the desire to offset low organic growth. These market factors are expected to remain prevalent and drive M&A activity through year-end.

Business Services continues to be an active segment of the M&A market. Through Q3 2019, the sector witnessed seven megadeals (transactions exceeding \$1 billion) compared to six through Q3 2018. Interest in the sector drove the year-to-date median Enterprise Value (EV)/Revenue multiple up to 1.4x from 1.0x in 2018 and the median EV/EBITDA multiple increased to 12.8x from 12.4x in 2018 as both strategic and private equity (PE) buyers look to deploy record amounts of cash. M&A transaction volume has remained strong this year as global Business Services market participants seek to expand their service offerings and customer base inorganically through acquisition. We expect this trend to continue to drive significant M&A volume and expand valuation multiples.

Additionally, public equity markets have continued to perform at record levels with BDO Capital's Business Services index outpacing the S&P 500's equity performance, as demand for outsourced services continues to increase. Industry growth continues to be driven by global businesses desiring to become more agile in both strong and recessionary market environments allowing them to scale with greater efficiency.

BDO Capital Advisors, LLC provides counsel in the areas of:

- ▶ Sell-Side Advisory
- ▶ Acquisition Advisory
- ▶ Board Advisory
- ▶ Capital Raising

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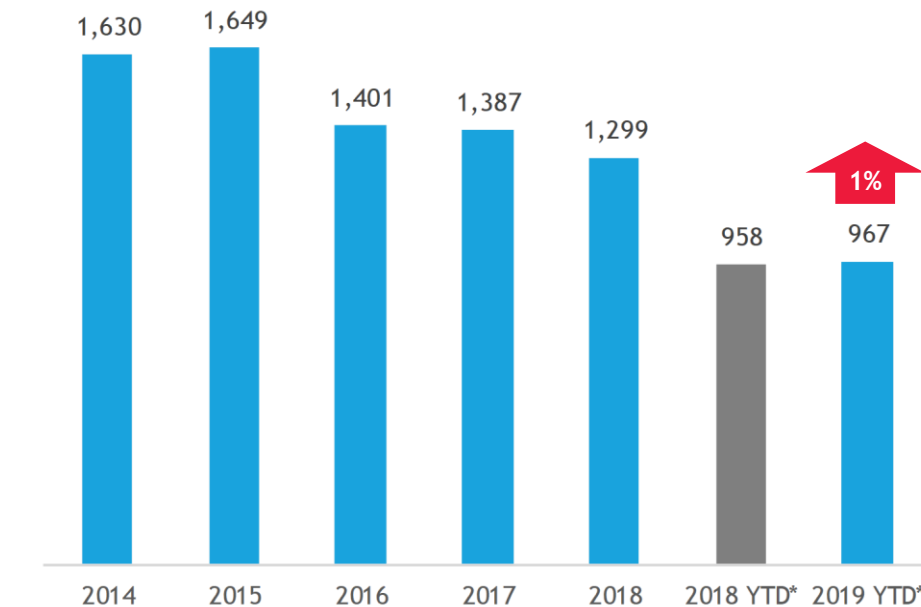
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Sector M&A Activity

M&A TRANSACTIONS: U.S. BUSINESS SERVICES INDUSTRY

Commentary

- ▶ Activity in the U.S. Business Services M&A market through Q3 2019 has slightly outpaced transaction volume through the same period in 2018, up 1% YoY.
- ▶ In total, there have been 967 announced deals in the sector involving U.S. headquartered targets, and the market appears on track to outpace 2018 announced transactions.
- ▶ Both strategic and private equity buyers have remained active as capital availability and economic strength have continued in 2019.

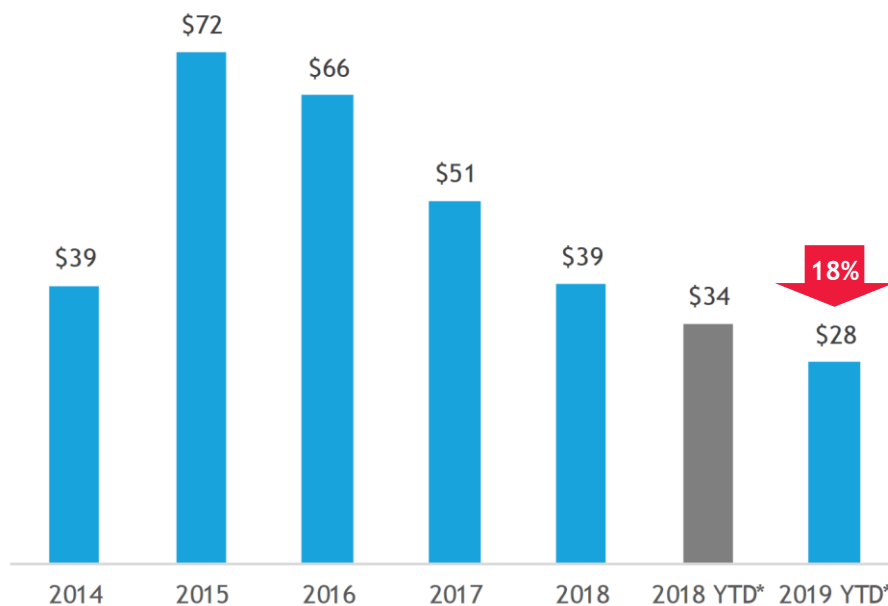


Source: S&P Capital IQ / *YTD through 09/30

M&A TRANSACTION VALUE (\$B): U.S. BUSINESS SERVICES INDUSTRY

Commentary

- ▶ Total reported deal value has continued to fall since an astounding \$72 billion in deal value was transacted in 2015.
- ▶ The total reported deal value through Q3 2019 was \$28 billion, or 18% below the same period in 2018.
- ▶ There were seven megadeals (transactions exceeding \$1 billion) through Q3 2019, compared to six megadeals through Q3 2018.
- ▶ A public company's \$4.4B acquisition of a marketing and data services firm was the largest U.S. M&A deal announced through Q3 2019 in the sector.



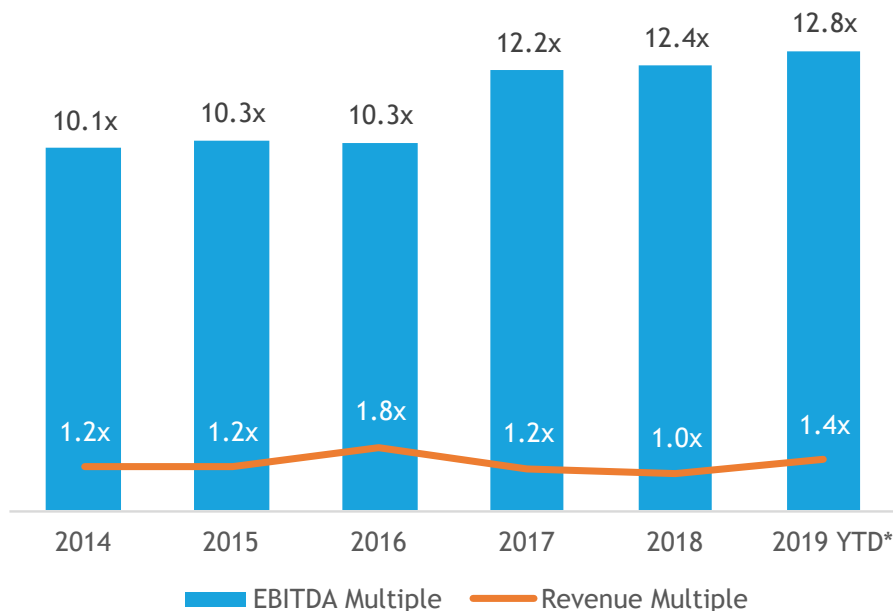
Source: S&P Capital IQ / *YTD through 09/30

Sector Valuation Trends

MEDIAN U.S. BUSINESS SERVICES M&A TRANSACTION MULTIPLES

Commentary

- ▶ While aggregate transaction values have continued to fall, valuation multiples have increased as both strategic and PE buyers have sought to acquire quality assets.
- ▶ The median reported EV/EBITDA multiple has increased through Q3 2019 to 12.8x, up from 12.4x in 2018.
- ▶ In a deal landscape comprised of both record private equity dry powder and corporate access to capital, competition remains fierce for high-quality targets and continues to result in robust deal multiples.

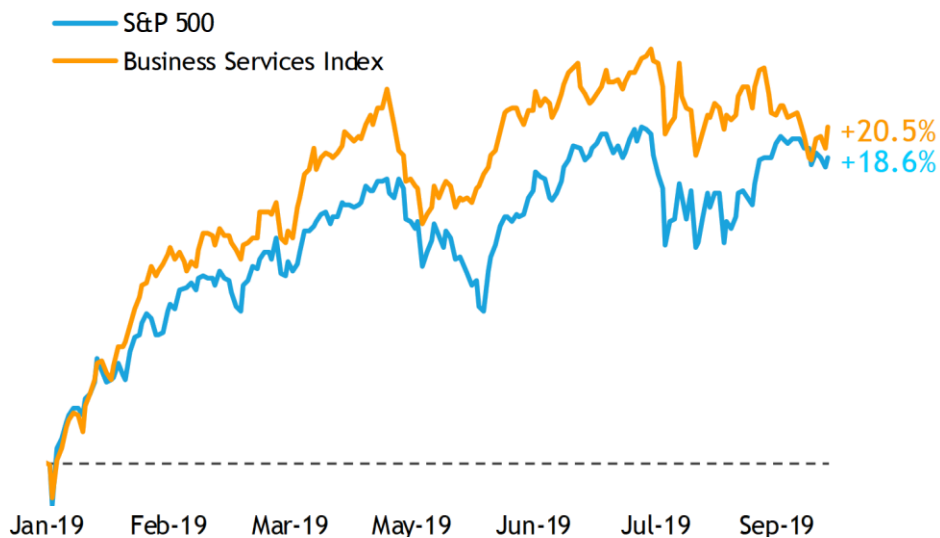


Note: Excludes Revenue multiples > 10x and EBITDA multiples > 30x
 Source: S&P Capital IQ / *YTD through 09/30

BUSINESS SERVICES EQUITY PERFORMANCE V. S&P 500 INDEX

Commentary

- ▶ Through 09/30/19, Business Services stocks have delivered returns in excess of the S&P 500 as global organizations continue to seek outsourced services to remain cost competitive and agile in robust and recessionary environments.
- ▶ Market participants continue to bolster their service offerings organically and inorganically, creating sticky customer relationships and greater retention.
- ▶ The Business Services Index rose 20.5% through 09/30/19 compared to a gain of 18.6% in the S&P 500.



Notes:
 (1) Business Services Index weighted by market capitalization
 (2) Components of BDO Capital's Business Services Index can be found on page 4
 Source: S&P Capital IQ / YTD through 09/30

Equity Trading Overview

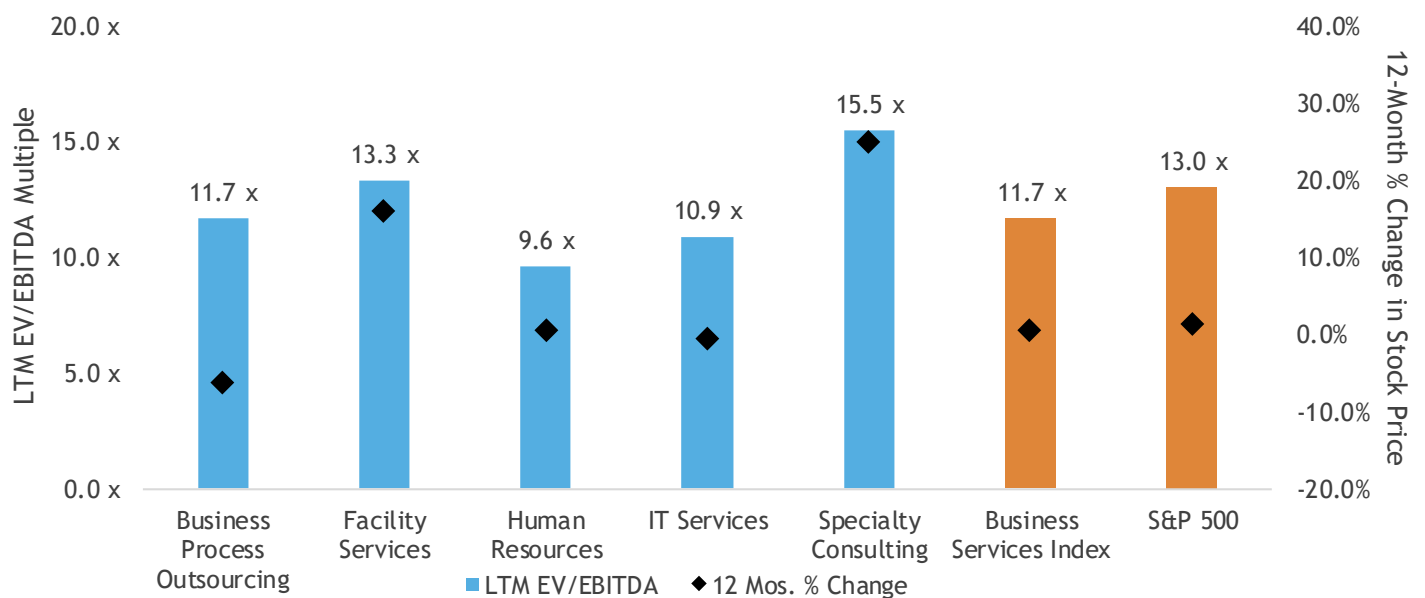
KEY TRADING STATISTICS

Sub-Sector	Number of Companies	Median Enterprise Value (\$mm)	Change in Stock Price		LTM		2019E	
			3 mos.	12 mos.	EV/EBITDA	P/E	EV/EBITDA	P/E
Business Process Outsourcing	7	3,215	1.7%	-6.2%	11.7 x	24.8 x	9.8 x	15.1 x
Facility Services	10	15,836	1.8%	16.1%	13.3 x	27.3 x	12.3 x	21.5 x
Human Resources	9	4,099	-5.9%	0.6%	9.6 x	13.7 x	8.4 x	12.4 x
IT Services	10	18,972	0.2%	-0.5%	10.9 x	16.1 x	9.7 x	14.8 x
Specialty Consulting	6	20,389	2.4%	25.0%	15.5 x	24.0 x	14.6 x	22.6 x
Business Services Index	42	15,836	1.7%	0.6%	11.7 x	24.0 x	9.8 x	15.1 x

Note: LTM figures are taken as of 09/30/2019

Source: S&P Capital IQ

PUBLIC COMPANY SECTOR PERFORMANCE



Note: LTM Figures are taken as of 09/30/2019

Source: S&P Capital IQ

Note: BDO Capital's custom Business Services Index is comprised of the following publicly traded companies: NYSE:ABM, NYSE:ARMK, NasdaqGS:CTAS, NYSE:UNF, NYSE:EME, NYSE:CBRE, CPSE:ISS, TSX:GDI, NYSE:ECL, NYSE:CVA, NYSE:NSP, LSE:CPI, SWX:ADEN, NasdaqGS:BBSI, LSE:HAS, NasdaqGS:KELY.A, NasdaqGS:KFRC, NYSE:MAN, ENXTAM:RAND, NYSE:BAH, NYSE:ACN, NYSE:FCN, NSEI:TCS, NYSE:KFY, NasdaqGS:WLTW, NYSE:G, NasdaqGS:SYKE, NYSE:CNDT, NYSE:WNS, NYSE:ASGN, NasdaqGS:HCKT, NYSE:IRM, NasdaqGS:CTSH, ENXTPA:CAP, NYSE:DXC, NYSE:SNX, BSE:507685, TSX:GIB.A, NYSE:LDOS, NSEI:INFY, NSEI:HCLTECH, NYSE:TDC

Highlighted Transactions

SELECT M&A TRANSACTIONS ANNOUNCED THROUGH Q319

Date	Target	Buyer
09/27/19	Anchor Staffing, Inc.	Lyneer Staffing Solutions, LLC
09/26/19	Moore Benefits, Inc.	OneDigital Health and Benefits, Inc.
09/25/19	Glass Malek LLP	The Colony Group, LLC
09/24/19	SonoTemps, Inc.	Loyal Source Government Services, LLC
09/23/19	Inter-Mountain Retirement Partners, Inc.	Hub International Investment Services Inc.
09/19/19	The SPI Group LLC	Ruder Finn, Inc.
09/18/19	EPIC Retirement Services Consulting, LLC	HUB International Northeast Limited
09/16/19	CPS Security Solutions Inc.	Garda World Security Corporation
08/28/19	Cornerstone Community Management, Inc.	Common Interest Management Services, Inc.
08/27/19	Security Resources Inc.	Single Source Security, Inc.
08/22/19	NTConnections	NuMSP LLC
08/14/19	Benefit Commerce Group LLC	Alera Group, Inc.
08/14/19	Stivers Staffing Service	TalentLaunch
08/14/19	Stratex Digital Marketing	Nuclear Networking, Inc.
08/07/19	Podolsky Circle, LLC	Colliers International
08/02/19	Navigant Consulting, Inc. (NYSE:NCI)	Guidehouse LLP
07/31/19	Veracity Consulting Group, LLC	Resources Connection, Inc. (NasdaqGS:RECN)
07/19/19	W Group INC.	Wavestone SA (ENXTPA:WAVE)
07/18/19	The Kenrich Group, LLC	HKA Global Limited
07/17/19	Fresh Digital Marketing, LLC	Legato Healthcare Marketing, Inc.
07/09/19	The Rowland Group, LLC	System One Holdings, LLC
07/08/19	Maxsys Solutions, LLC	SURE International Technology
07/01/19	Brooks Thompson Consulting, LLC	Carter Global
07/01/19	SMK Workforce Solutions, LLC	Workforce Insight, LLC
06/28/19	Decision Support Systems, LP	SPH Analytics
06/27/19	Bluetree Network, Inc.	Providence St. Joseph Health
06/27/19	Brown & Joseph, LLC	Incline Management, L.P.
06/26/19	HR Simplified, Inc.	Ascensus, LLC
06/19/19	TouchPoint Staffing, Inc.	BelFlex Staffing Network
06/17/19	Foster Pepper PLLC	Garvey Schubert Barer, P.C.
06/04/19	SmartDog Services, LLC	Apps Associates LLC
06/04/19	the525group, LLC	Stretto
05/28/19	360 Corporate Benefit Advisors	The Hilb Group, LLC
05/21/19	Putnam Associates, Inc.	Ashfield Healthcare Communications Ltd
05/15/19	AC Lordi Corporation	BDO USA, LLP
05/15/19	HK Payroll Services	iSolved HCM, LLC

Source: S&P Capital IQ

Highlighted Transactions

SELECT M&A TRANSACTIONS ANNOUNCED THROUGH Q319 (CONT.)

Date	Target	Buyer
05/14/19	Prism Healthcare Partners LTD	Berkeley Research Group, LLC
05/07/19	Chartis Group, LLC	Audax Group
05/03/19	Point 2 Point Global Security, Inc.	Allied Universal
05/02/19	Converge Consulting, Inc.	Ruffalo Noel Levitz, LLC.
04/29/19	Building Energy Analytics, LLC	O'Brien & Company, Inc.
04/29/19	Waterstone Management Group, LLC	West Monroe Partners LLC
04/25/19	EHS-International, Inc.	Soundearth Strategies, Inc.
04/22/19	PostUp, Inc.	Upland Software, Inc. (NasdaqGM:UPLD)
04/16/19	Exari Group, Inc.	Coupa Software Incorporated (NasdaqGS:COUP)
04/08/19	Command Center, Inc.	HireQuest, Inc. (NasdaqCM:HQI)
04/04/19	Pine Hill Group, LLC	Corporate Finance Group, Inc.
04/03/19	Global Tech Inc.	Tetra Tech, Inc. (NasdaqGS:TTEK)
03/29/19	Axxis Solutions	Infotech Prism LLC
03/28/19	Eisbrenner Public Relations	The Marx Group
03/19/19	Seville Staffing, LLC	Intermountain Staffing, Inc.
03/19/19	Westbrook Inc	Three Six Zero Group, Inc.
03/18/19	Sterling Service Inc	Continental Services
03/07/19	Springbox	Prophet, Inc.
03/06/19	daVIZta, Inc.	IntegriChain Incorporated
03/01/19	Kforce Government Holdings, Inc.	ManTech International Corporation (NasdaqGS:MANT)
02/27/19	Zero1zero Innovations	NuMSP LLC
02/26/19	Foodtemps, Inc.	Hospitality Staffing Solutions, LLC
02/20/19	Dental Management Strategies, LLC	Talisker Partners
02/15/19	SC Wright Group	Childress Engineering Services, Inc.
02/14/19	One Source Payroll	Inova Payroll, Inc.
02/08/19	Semper Fi Security, LLC	Burnes Citadel Security Company
02/01/19	Intelliteach, Inc.	BV Investment Partners, L.P.
02/01/19	MicroPact Inc.	Tyler Technologies, Inc. (NYSE:TYL)
01/31/19	Publicis Healthcare Solutions, Inc.	Altamont Capital Partners
01/29/19	E.A. Hughes & Company	Solomon Page Group LLC
01/15/19	MineralSoft LLC	Enverus
01/15/19	Sage Payroll Solutions	iSolved HCM, LLC
01/10/19	Complete Benefit Alliance, LLC	Arthur J. Gallagher & Co. (NYSE:AJG)
01/10/19	Fowler Rodriguez LLP	Jones Walker LLP
01/09/19	Receivable Solutions Specialist, Inc.	Credentia Resource Management, LLC
01/08/19	Public Technology Inc.	Comptia

Source: S&P Capital IQ

BDO CAPITAL ADVISORS

One of the Most Active Advisory Networks in the World

7th Most Active Middle-Market Advisor

1,440 **\$81.4B** **100**
 Deals in 2018 Transaction Value Countries

SELECT BUSINESS SERVICES EXPERIENCE




International Professional Marketing, Inc. has been acquired by Newtek Business Services Corporation (NASDAQ:HEWT)




Your Business Solutions Company™

Served as exclusive financial advisor to International Professional Marketing, Inc.



ElecComm Power Services, Inc. has been acquired by Sunbelt Rentals, Inc.



Served as exclusive financial advisor to ElecComm Power Services, Inc.



Storage Solutions, Inc. has formed an ESOP and placed \$29 million of senior securities to support the transaction

Served as exclusive financial advisor and placement agent to Storage Solutions, Inc.



Trialon Corporation has been acquired by an affiliate of Resilience Capital Partners



Served as exclusive financial advisor to Trialon Corporation



Social Security Advocates for the Disabled, LLC has entered into a partnership with Century Capital Partners



Served as exclusive financial advisor to Social Security Advocates for the Disabled, LLC



Infinity Behavioral Health Services, Inc. has entered into a partnership with Thompson Street Capital Partners




Served as exclusive financial advisor to Infinity Behavioral Health Services, Inc.



Main Street Capital Corporation (NYSE:MAIN) has invested in Mystic Logistics, Inc.



Served as exclusive financial advisor to Mystic Logistics, Inc.



Private placement of revolving credit facility

Served as exclusive financial advisor to U.S. Auto Sales, Inc. and U.S. Auto Finance, Inc.

BDO's global M&A and Transaction Services teams completed 1,440 deals in 2018, generating a combined value of USD \$81.4B. BDO also performed strongly in the 2018 financial advisor league tables:

- ▶ Number 1 most active global M&A advisor according to PitchBook
- ▶ Top 7 ranked mid-market M&A advisor globally for deals <\$500M by Thomson Reuters
- ▶ 4th leading due diligence provider in the world according to Mergermarket Global Due Diligence 2018 league table

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