



INDUSTRY INSIGHTS BUSINESS SERVICES

Q2 2021 M&A Market Update

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Following a robust quarter of dealmaking in Q4 2020, M&A activity went into overdrive in Q1 2021. Overarching market themes, including access to low cost of capital, a projected macroeconomic recovery and companies' migration to business digitization served as catalysts for Q1 2021 transaction volume, bolstering the Business Services sector. These market influencers, together with the prospect of tax hikes, are expected to remain prevalent, driving M&A activity through the end of the year.

Digitization of the economy in the post-pandemic era has fueled the adoption of advanced technologies and cloud-based platforms, triggering the demand for outsourced IT and specialty consulting services to address the rise in data backup, data security and system upgrades. In Q1 2021, the sector witnessed five megadeals (transactions exceeding \$1 billion) including Hitachi Global Digital Holdings Corporation's acquisition of GlobalLogic Worldwide Holdings, Inc., an IT services firm. Increased competition among strategic and private equity buyers drove the median enterprise value (EV)/EBITDA multiple to 11.3x, up from 9.3x in Q1 2020. The return to historical multiples not seen since 2019 contributed to a 25 percent increase over Q1 2020 in announced deals involving U.S. headquartered targets. M&A transaction volume in the sector was further strengthened by private equity buyers focused on tech-enabled businesses, digital advertising and cloud services as add-on investments. Additionally, public equity markets delivered record levels of performance in Q1 2021. BDO Capital's Business Services index outpaced the S&P 500's equity performance, as demand for outsourced services and digital service offerings continued to increase. We expect, as performance sustainability in the Business Services sector strengthens amidst an improving economy, that companies will focus more on deploying capital to accelerate growth and gain scale through acquisitions, fueling deal activity throughout 2021.

BDO Capital Advisors, LLC provides the following services:

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

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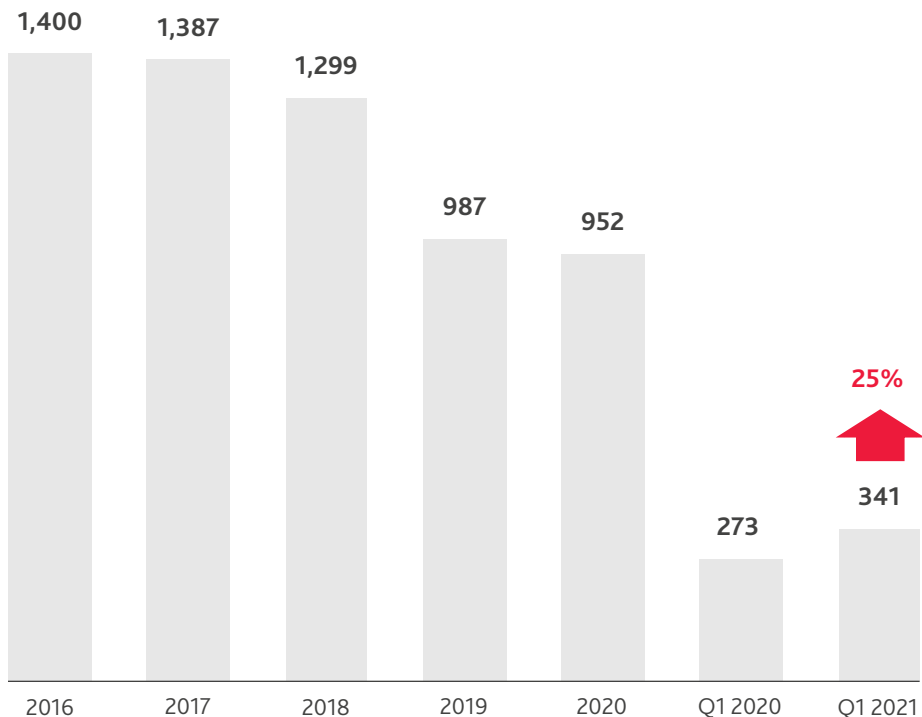
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SECTOR M&A ACTIVITY

M&A Transaction Volume: U.S. Business Services Industry

Commentary

- ▶ Transaction activity in the U.S. Business Services M&A market returned to historical norms in Q1 2021, posting a 25% increase in transaction volume over the same period a year ago.
- ▶ In total, there were 341 announced deals in the sector involving U.S. headquartered targets in Q1 2021, a sign that dealmaking could return to historical highs not seen since 2018.
- ▶ Private equity buyers remained active, focusing on technology and digital advertising add-on investments.

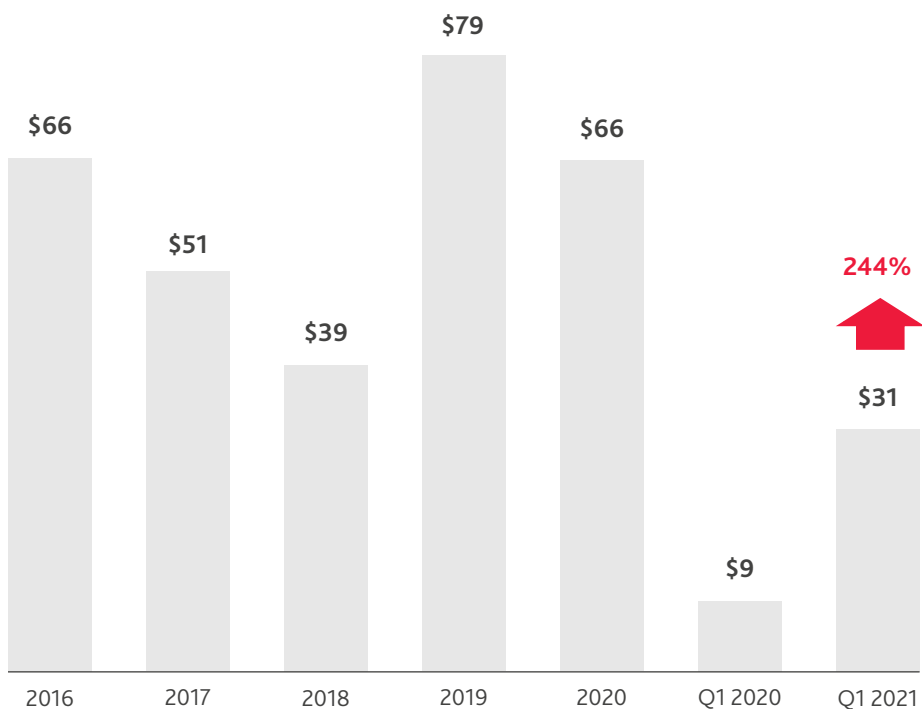


Source: S&P Capital IQ

M&A Transaction Value (\$B): U.S. Business Services Industry

Commentary

- ▶ Total reported deal value in Q1 2021 improved significantly YoY bringing in \$31 billion, or 244% above the same period in 2020.
- ▶ Buyer enthusiasm for the space was evidenced by five megadeals (transactions exceeding \$1 billion) transacted in Q1 2021.
- ▶ Hitachi Global Digital Holdings Corporation entered into a definitive agreement to acquire GlobalLogic Worldwide Holdings, Inc., an IT services firm, for \$9.5B as the largest U.S. Business Services M&A deal announced in Q1 2021.



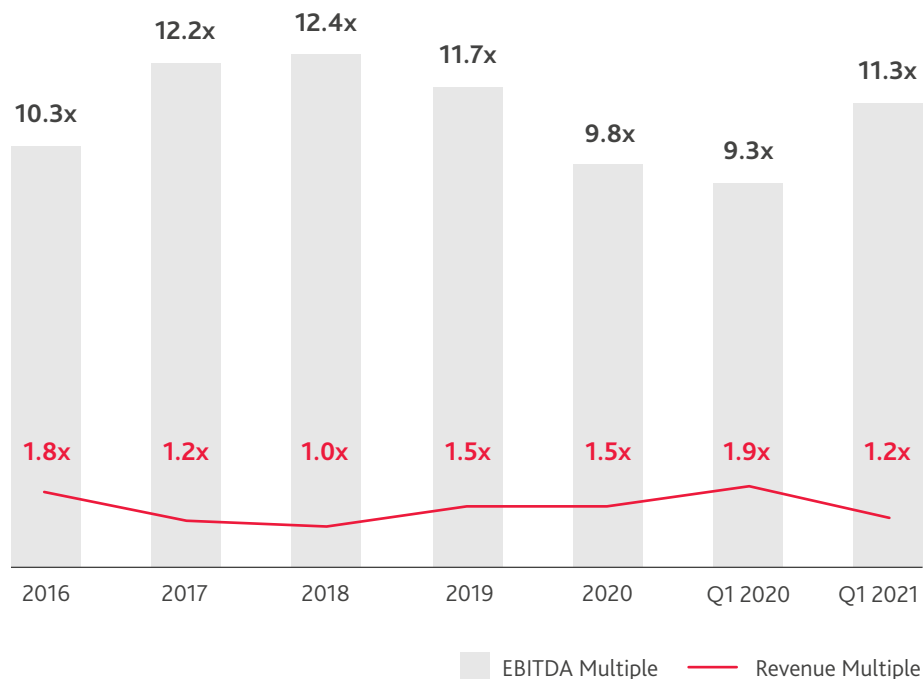
Source: S&P Capital IQ

SECTOR VALUATION TRENDS

Median U.S. Business Services M&A Transaction Multiples

Commentary

- ▶ Heightened demand for services businesses, particularly cloud solutions, drove up strategic and private equity valuations in Q1 2021.
- ▶ The median reported EV/EBITDA multiple increased to 11.3x in Q1 2021 from 9.3x in Q1 2020, reflecting a strong recovery by Business Services companies.
- ▶ Financial sponsors contributed to the significant growth and valuations of certain Business Services companies during the pandemic and now seek to measure performance sustainability.

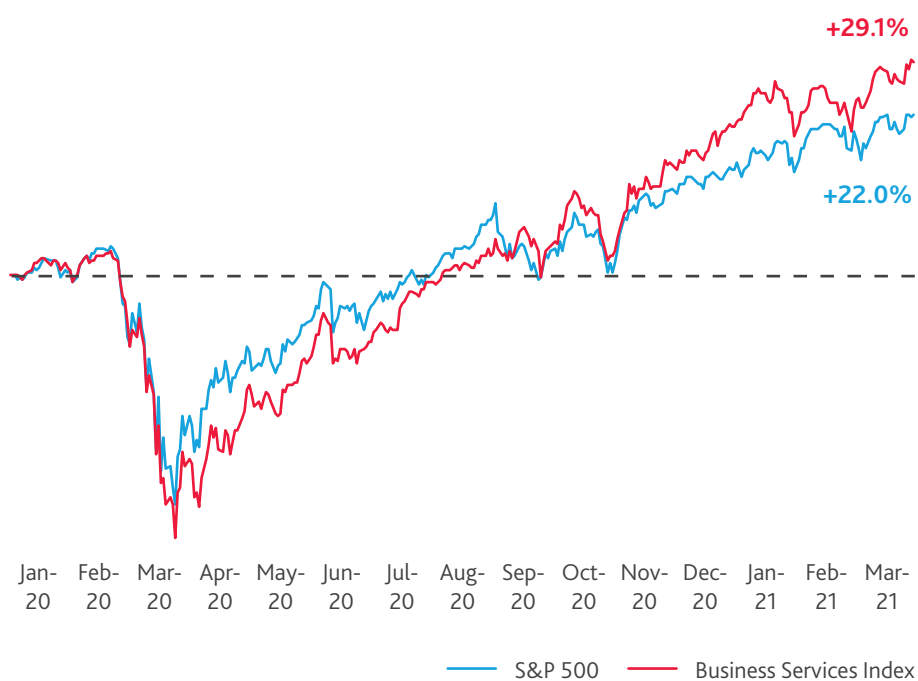


Note: Excludes revenue multiples > 10x and EBITDA multiples > 30x
Source: S&P Capital IQ

Business Services Equity Performance V. S&P 500 Index

Commentary

- ▶ Through Q1 2021, Business Services stocks delivered returns in excess of the S&P 500 as global organizations continued to seek outsourced services and increase their digital service offerings.
- ▶ The Business Services Index rose 29.1% through Q1 2021 compared to a gain of 22.0% in the S&P 500 during the same period.
- ▶ Market participants bolstered their service offerings organically and inorganically, creating sticky customer relationships and greater retention.



Note: Business Services Index weighted by market capitalization
Source: S&P Capital IQ

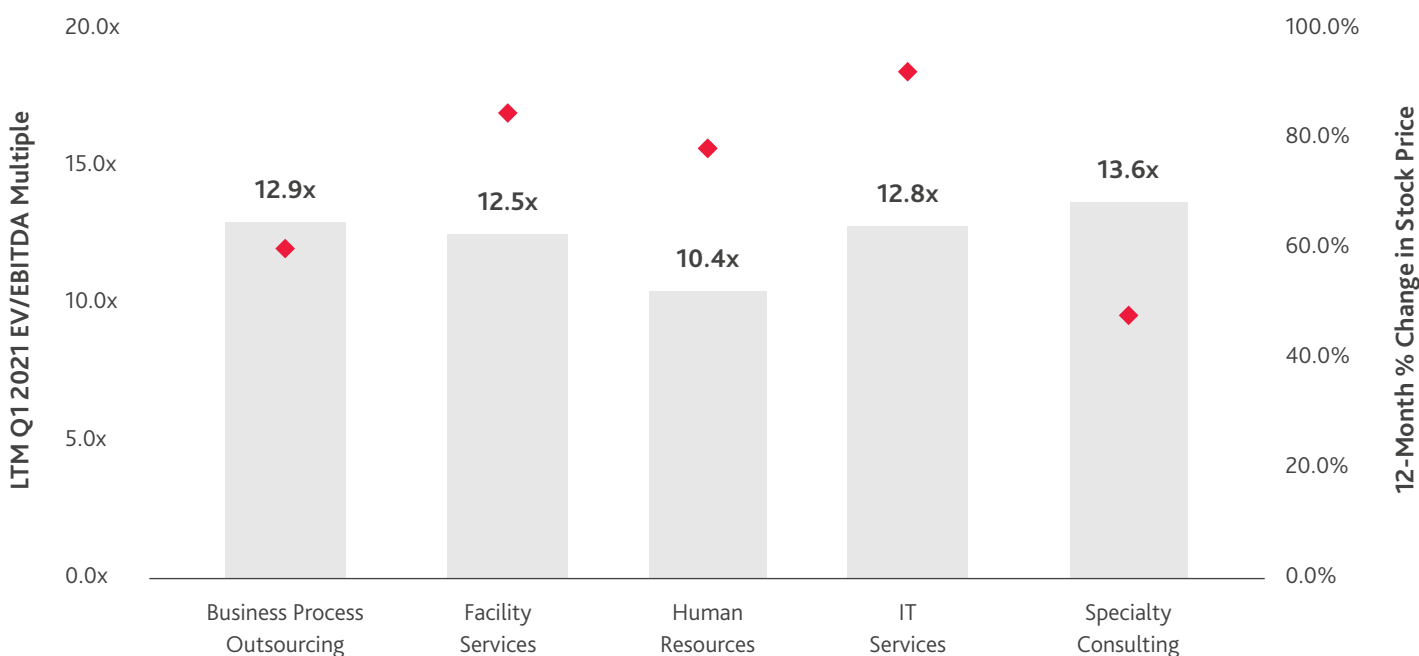
EQUITY TRADING OVERVIEW

Key Trading Statistics

Sub-Sector	# of Companies	Median Enterprise Value (\$mm)	Change in Stock Price		LTM Q1 2021		2021E	
			3 mos.	12 mos.	EV/ EBITDA	P/E	EV/ EBITDA	P/E
Business Process Outsourcing	7	3,507	14.3%	59.8%	12.9x	31.4x	12.7x	19.6x
Facility Services	10	5,864	6.7%	84.1%	12.5x	37.4x	12.1x	30.2x
Human Resources	9	3,061	8.1%	77.9%	10.4x	23.7x	9.8x	18.1x
IT Services	10	24,391	7.9%	91.8%	12.8x	23.6x	11.3x	20.0x
Specialty Consulting	6	23,382	9.7%	47.5%	13.6x	31.3x	14.6x	22.6x

Source: S&P Capital IQ

Public Company Sector Performance



Source: S&P Capital IQ

■ LTM Q1 2021 EV/EBITDA ◆ 12 Months % Change

The logo for Orange Tree, featuring the words "Orange Tree" in a sans-serif font. The letter "O" is stylized as a circle with a dot inside.The logo for Tonka Bay, featuring a stylized "TB" monogram in green above the words "TONKA BAY" in a serif font.

Served as exclusive financial advisor to Orange Tree Employment Screening, LLC in its sale to Tonka Bay Equity Partners.

"BDO Capital worked closely with us through an extended process that was impacted by COVID-19, but ultimately led to a highly attractive sale at a valuation that exceeded our initial expectations. The BDO team provided ongoing highly additive advice and support in overcoming a variety of challenges along the way. BDO Capital was also very effective in creatively structuring the deal in a way that met our objectives and was accepted by the buyer. Orange Tree is now well positioned with a new owner who is a great cultural fit, and eager to work with us to continue to grow the business. We are confident we made the right decision in choosing to work with BDO Capital."

-Renee Ernste, CEO of Orange Tree Employment Screening, LLC

BDO CAPITAL DEAL CLOSING

BDO Capital Announces the Sale of Orange Tree to Tonka Bay Equity Partners

BDO Capital Advisors, LLC (BDO Capital) is pleased to announce the sale of Orange Tree Employment Screening, LLC (Orange Tree) to Tonka Bay Equity Partners, a growth-oriented investment firm. BDO Capital served as exclusive financial advisor to Orange Tree on this transaction, which builds on the firm's experience working with entrepreneur-owned companies in the technology-enabled business services sector. Bill Shiry, Managing Director, and Eric Higgins, Director, led the engagement for BDO Capital.

Based in Minneapolis, Minnesota, Orange Tree offers fast and easy background screening services so companies can hire quickly. Orange Tree designs background screening programs in the best interest of its clients, who operate in a diverse array of industries.

Regarding the new business relationship with Tonka Bay, Renee Ernste, CEO of Orange Tree, said *"Tonka Bay is a great cultural fit with our team. We're excited about the opportunity to expand our business services and accelerate our market penetration in partnership with them."*

As a provider of background screening solutions, Orange Tree delivers essential services for its clients' pre-employment hiring process where speed, ease-of-use and accuracy is critical. Orange Tree is considered the teammate and trusted partner of its clients by combining innovative technology, peace-of-mind compliance and responsive client care.

Shane Slominski, Partner at Tonka Bay, stated *"We've gotten to know Orange Tree and the management team over several years and are thrilled with the opportunity to partner with Renee and her team. They have built an impressive business that is positioned for accelerated growth in a large and fragmented market. We're excited to support the business in its next stage of growth."*

BDO: ONE OF THE MOST ACTIVE ADVISORY NETWORKS IN THE WORLD

Top 15 Most Active Middle Market Advisor



1,546
Deals in 2020




\$83.5B
Transaction Value



100
Countries


Select BDO Capital Advisors Business Services Experience



Served as exclusive financial advisor to Perfect Creation, Inc., d/b/a iPEC Coaching in its sale to Eureka Equity Partners.




Served as exclusive financial advisor to Murphy Pipeline Contractors, Inc. in its sale to Inland Pipe Rehabilitation, a portfolio company of J.F. Lehman & Company.




Served as exclusive financial advisor to Decisive Analytics Corporation in its sale to WBB Inc., a portfolio company of H.I.G. Capital.



Served as exclusive financial advisor to International Professional Marketing, Inc. (IPM) in its sale to Newtek Business Services Corporation (NASDAQ:NEWT).



Served as exclusive financial advisor to Trialon Corporation in its sale to an affiliate of Resilience Capital Partners.



Served as exclusive financial advisor to Infinity Behavioral Health Services, Inc. in its partnership with Thompson Street Capital Partners.

BDO's global M&A and Transaction Services teams completed 1,546 deals in 2020, generating a combined value of USD \$83.5B. BDO also performed strongly in the 2020 financial advisor league tables:



Top 15 ranked mid-market M&A advisor globally for deals <\$500M by Refinitiv



8th leading M&A advisor in the European market according to Refinitiv's 2020 Global Mid-Market M&A Review

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- ▶ Partial / Minority Sales
- ▶ Corporate Carve-Outs
- ▶ Cross-Border Transactions
- ▶ ESOPs

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- ▶ Strategic Alternative Reviews
- ▶ Special Committee Advisory
- ▶ Share Repurchase Programs
- ▶ IPO Advisory
- ▶ ESOP Formation

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- ▶ Structuring
- ▶ Negotiation
- ▶ Acquisition Financing
- ▶ Management Buyouts
- ▶ Acquisition Search

Capital Raising

- ▶ Debt
- ▶ Mezzanine
- ▶ Equity



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