

# INDUSTRY INSIGHTS BUSINESS SERVICES Q1 2021 M&A Market Update

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Following strong transaction volume in 2019, M&A activity returned to healthy levels in the second half of 2020 despite COVID-19 headwinds. 2020 transaction volume continued to be driven by overarching market themes, including low cost of capital, globalization of market share and the desire to offset low organic growth. These market influencers are expected to remain prevalent to drive M&A activity through Q1 2021.

Business Services continued to be an active segment of the M&A market. Through year-end 2020, the sector witnessed 15 megadeals (transactions exceeding \$1 billion), down from 16 megadeals in the prior year. Interest in the sector sustained a median enterprise value (EV)/revenue multiple of 1.5x, unchanged from 2019, while the median EV/EBITDA multiple decreased to 9.8x from 11.7x in 2019. Both strategic and private equity (PE) buyers remained active in the space despite the impact from COVID-19. M&A transaction volume weakened in 2020 as global Business Services market participants were forced to navigate changes in delivery service models and pivot strategic direction to circumvent the impact of virtual environments. We expect this trend to improve as remote capabilities are enhanced and M&A volume as well as valuations trend upwards through Q1 2021.

Additionally, public equity markets 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 continued 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 the following services:

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

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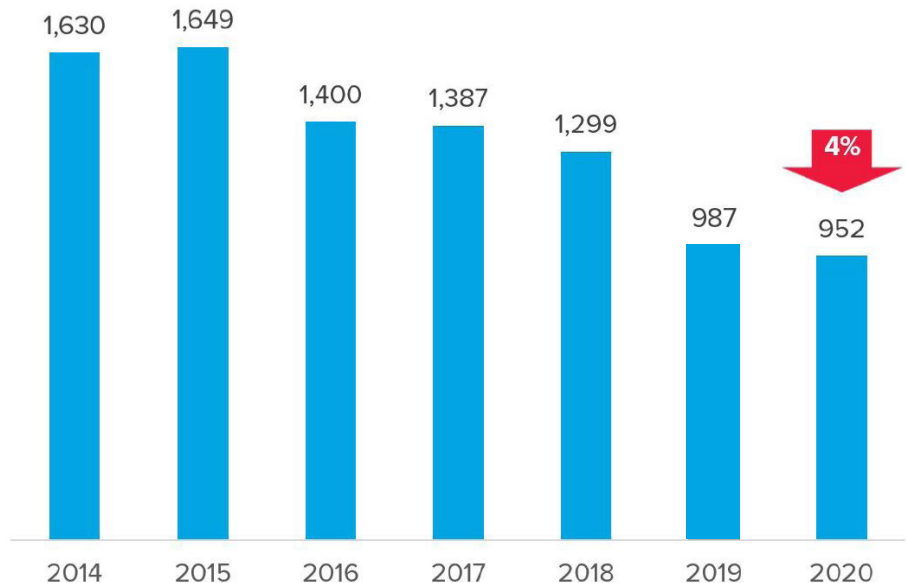


## SECTOR M&A ACTIVITY

### M&A TRANSACTION VOLUME: U.S. BUSINESS SERVICES INDUSTRY

#### Commentary

- ▶ Transaction activity in the U.S. Business Services M&A market through year-end 2020 fell slightly against transaction volume through 2019, down 4% YoY.
- ▶ In total, there were 952 announced deals in the sector involving U.S. headquartered targets, but the market lagged 2019 announced transactions.
- ▶ Both strategic and private equity buyers remained active despite the effects of COVID-19's impact throughout 2020.

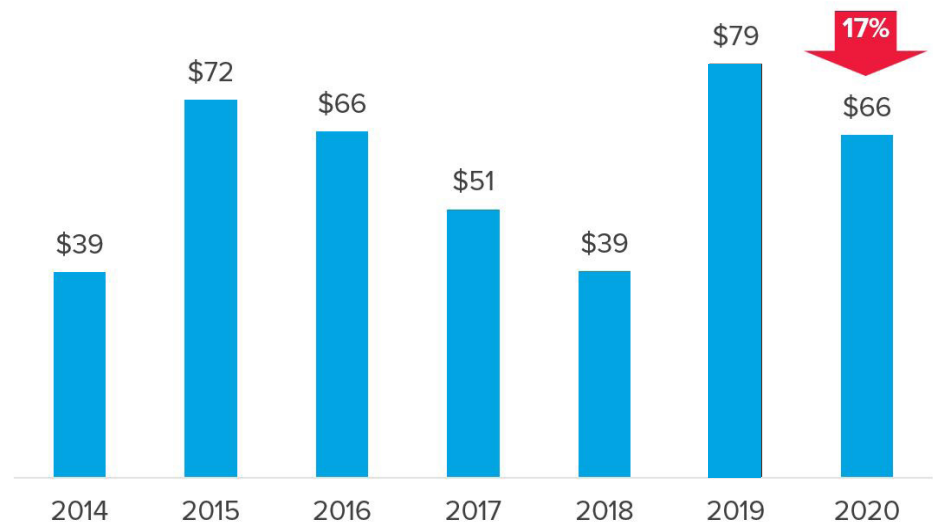


Source: S&P Capital IQ

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

#### Commentary

- ▶ Total reported deal value fell through year-end 2020 compared to deal value transacted in 2019.
- ▶ The total reported deal value in 2020 was \$66 billion, or 17% below the prior year level.
- ▶ There were 15 megadeals (transactions exceeding \$1 billion) in 2020, down from 16 megadeals at year-end 2019.
- ▶ Intercontinental Exchange, Inc. (NYSE:ICE) acquired an IT services firm for \$11B as the largest U.S. M&A deal announced through year-end 2020 in the sector.



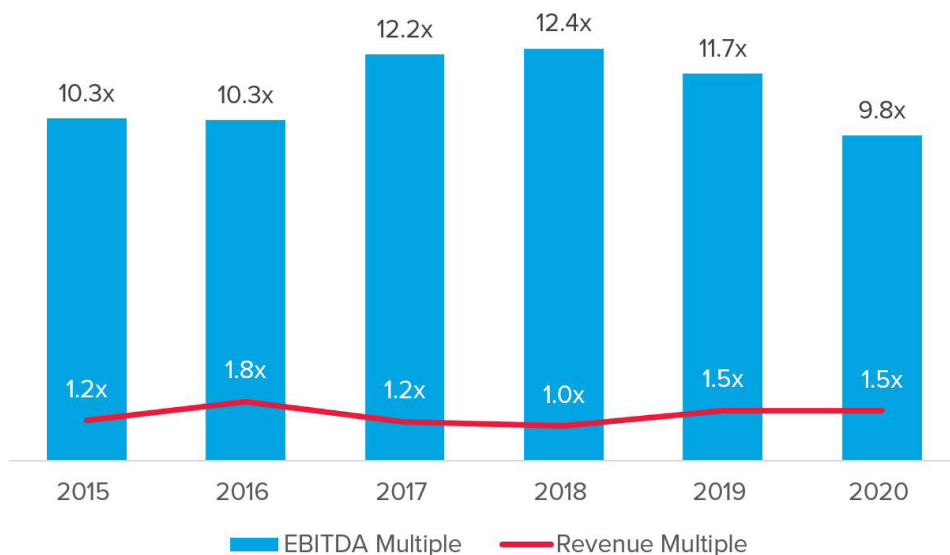
Source: S&P Capital IQ

## SECTOR VALUATION TRENDS

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

#### Commentary

- ▶ While aggregate transaction value fell, revenue multiples stayed flat as both strategic and PE buyers sought to acquire quality assets.
- ▶ The median reported EV/EBITDA multiple decreased through year-end 2020 to 9.8x from 11.7x in 2019 reflecting challenging headwinds faced by Business Services companies.
- ▶ Despite substantial PE dry powder and corporate access to capital, buyers have become more selective, seeking predictable cash flow business models.



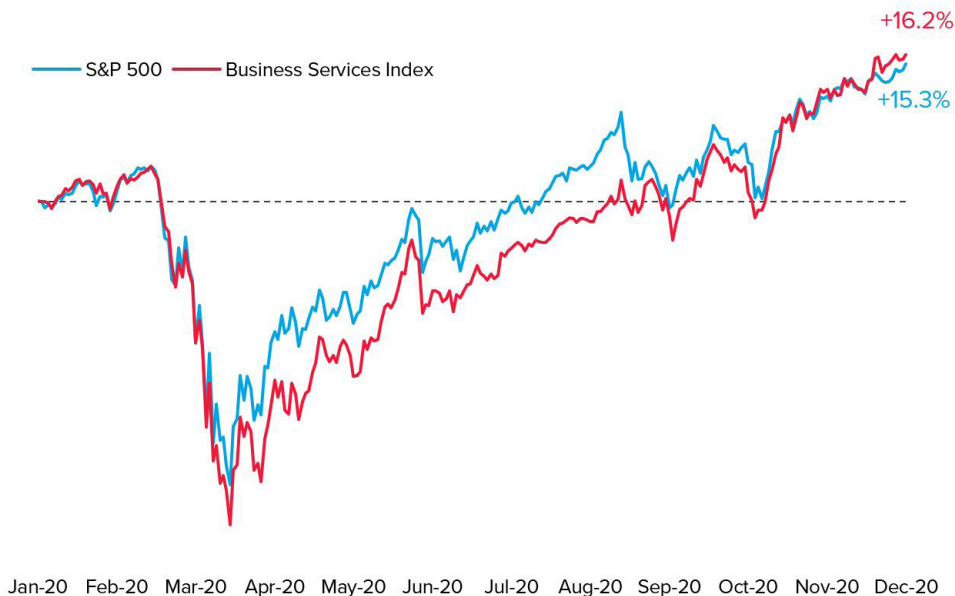
Source: S&P Capital IQ

Note: Excludes revenue multiples > 10x and EBITDA multiples > 30x

### BUSINESS SERVICES EQUITY PERFORMANCE V. S&P 500 INDEX

#### Commentary

- ▶ At year-end 2020, Business Services stocks delivered returns in excess of the S&P 500 as global organizations continued to seek outsourced services to remain cost competitive and agile in robust and recessionary environments.
- ▶ Market participants continued to bolster their service offerings organically and inorganically, creating sticky customer relationships and greater retention.
- ▶ The Business Services Index rose 16.2% in 2020 compared to a gain of 15.3% in the S&P 500.



Source: S&P Capital IQ

Note: Business Services Index weighted by market capitalization

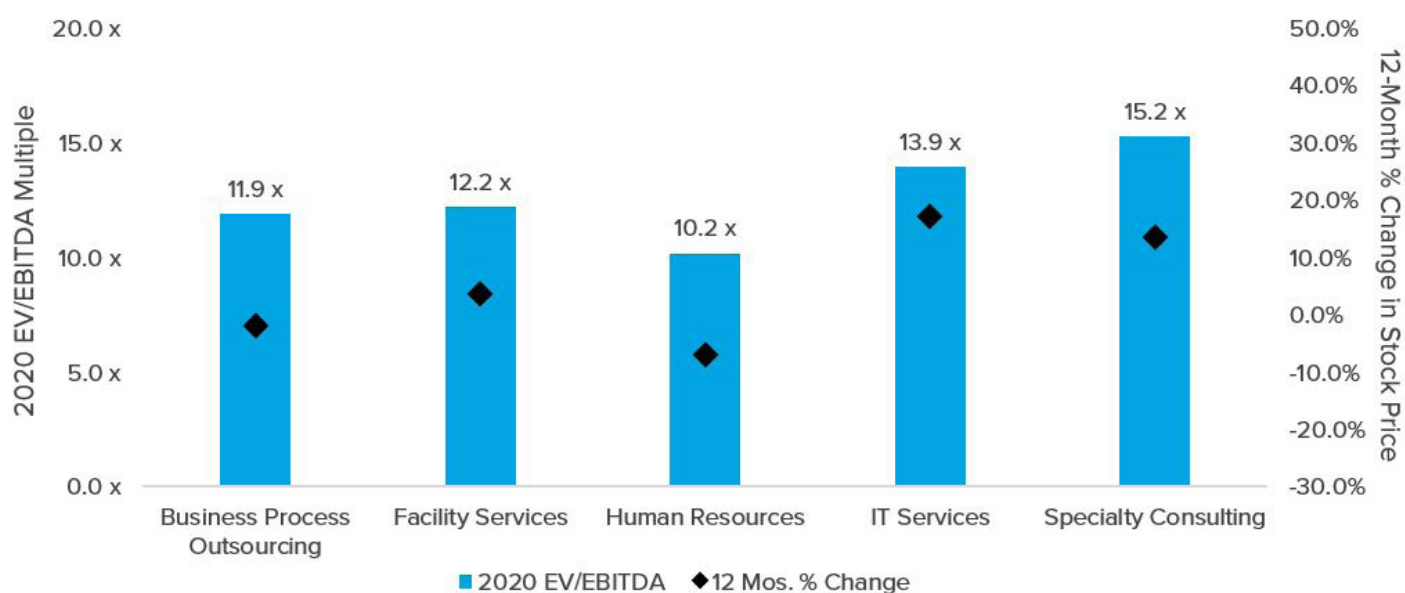
## EQUITY TRADING OVERVIEW

### KEY TRADING STATISTICS

| Sub-Sector                   | Number of Companies | Median Enterprise Value (\$mm) | Change in Stock Price |         | 2020        |       | 2021E       |       |
|------------------------------|---------------------|--------------------------------|-----------------------|---------|-------------|-------|-------------|-------|
|                              |                     |                                | 3 mos.                | 12 mos. | EV / EBITDA | P/E   | EV / EBITDA | P/E   |
| Business Process Outsourcing | 7                   | 3,526                          | 12.6%                 | -1.9%   | 11.9x       | 32.4x | 10.0x       | 17.9x |
| Facility Services            | 10                  | 5,398                          | 27.8%                 | 3.6%    | 12.2x       | 34.7x | 11.7x       | 28.1x |
| Human Resources              | 9                   | 2,924                          | 26.0%                 | -7.1%   | 10.2x       | 29.6x | 9.2x        | 16.9x |
| IT Services                  | 10                  | 24,131                         | 18.0%                 | 17.2%   | 13.9x       | 23.8x | 11.6x       | 16.4x |
| Specialty Consulting         | 6                   | 22,901                         | 10.5%                 | 13.4%   | 15.2x       | 29.0x | 14.3x       | 21.9x |

Source: S&P Capital IQ

### PUBLIC COMPANY SECTOR PERFORMANCE



Source: S&P Capital IQ

## BDO CAPITAL DEAL CLOSING

### BDO CAPITAL ANNOUNCES THE SALE OF IPEC COACHING TO EUREKA EQUITY PARTNERS

BDO Capital Advisors, LLC (BDO Capital) is pleased to announce the sale of Perfect Creation, Inc., d/b/a iPEC Coaching, (iPEC or the Company) to Eureka Equity Partners (Eureka). The sale builds upon BDO Capital's extensive Business Services credentials and experience advising entrepreneur-owned businesses. Valentina Midura, Senior Managing Director, and Patrick Bisceglia, Managing Director, led the engagement for BDO Capital with support from Associate Daniel Singer.

iPEC is a global life coach training and certification company based in Shrewsbury, NJ. The Company offers a variety of programs including its ICF (International Coaching Federation)-Accredited Coach Training Program. The program includes three intensive, three-day, face-to-face training experiences as well as 386+ hours of training online through webinars, e-workbooks and self-study assignments. The Company also has an Energy Leadership Products and Services segment, which is primarily comprised of its Energy Leadership Index assessment service.

Eureka is a private equity firm focused on investing in and building niche-market leaders at the lower end of the middle market. Eureka's core focus is partnering with exceptional management teams to acquire businesses with up to \$100 million in revenue across industry segments in which Eureka brings significant experience and operating resources, including business services, health care services, specialty manufacturing and consumer products.

"We are very excited to partner with CEO Joan Ryan and the rest of the outstanding team at iPEC in the next phase of the Company's growth," said Chris Miller, a Partner with Eureka who joined the Board of iPEC at the close of the transaction. "iPEC's proprietary content and unique pedagogy have combined to drive both professional and personal transformational development for its program participants. We look forward to supporting the Company's continued growth and expansion into complementary service lines to further support its highly loyal alumni base of over 15,000 graduates." Lisa Millhauser, a Principal with Eureka, also joined the Board of iPEC at the close of the transaction.



### SALE OF IPEC TO EUREKA EQUITY PARTNERS

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

*"iPEC has found a fantastic partner in Eureka. We look forward to seeing the company continue to evolve and extend its global success in this new partnership."*

#### VALENTINA MIDURA

Senior Managing Director,  
BDO Capital Advisors, LLC

## 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 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 Whitney, Bradley & Brown, Inc. (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.



Served as exclusive financial advisor to Social Security Advocates for the Disabled, LLC in its partnership with Century 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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- ▶ Company Sales
- ▶ Family Businesses
- ▶ Entrepreneur-Owned Companies
- ▶ Recapitalizations / Private Equity
- ▶ Partial / Minority Sales
- ▶ Corporate Carve-Outs
- ▶ Cross-Border Transactions
- ▶ ESOPs

### ACQUISITION ADVISORY

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

### BOARD ADVISORY

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

### CAPITAL RAISING

- ▶ Debt
- ▶ Mezzanine
- ▶ Equity



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#### ABOUT BDO CAPITAL ADVISORS, LLC

BDO Capital Advisors, LLC, a wholly-owned affiliate of BDO USA, LLP, is a leading middle market investment bank that focuses on sell-side advisory, acquisition advisory, capital raising and board advisory services with offices located throughout the United States. The firm has deep industry knowledge, extensive cross-border transaction experience and superior execution capabilities. The firm has broad industry expertise and contacts having closed transactions within the Manufacturing & Distribution, Consumer, Food & Retail, Healthcare & Life Sciences, Business Services, Energy & Natural Resources and Technology, Media & Telecom sectors. Our seasoned investment bankers have collectively advised on hundreds of transactions for a variety of clients including family-owned businesses, entrepreneur-led companies, public corporations and leading private equity firms. Our professionals also draw upon the full depth and breadth of BDO USA's national resources which include 65+ offices and over 6,000 people located throughout the United States.

The firm has worldwide access to buyers, sellers and offshore investors via the Corporate Finance practices of BDO International's network of independent member firms. BDO International Corporate Finance firms operate in approximately 100 countries with over 2,500 professionals who are able to meet the investment banking needs of clients across the globe.

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