



# PCE Industry Report

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Business Services



# Middle Market M&A Summary

## Business Services

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4th Quarter 2016

### Key Highlights

- The largest transaction was the acquisition of Consumer Health & Spending Accounts And Consolidated Omnibus Reconciliation Act Businesses by WageWorks, Inc. for \$235 million.
- The public company industry median TEV/EBIT multiple is 15.0x.
- The public company industry median TEV/EBITDA multiple is 11.2x.

### Key Trends

- The Agriculture subsector's transaction volume is neutral. While the other Business Industry subsectors all trended negatively over the past quarter.
- The Professional Service & Consulting subsector's transaction volume represented approximately 78% of the Business Services Industry activity over the past quarter.
- A large part of demand and revenue to be generated in the Agribusiness industry in the next five years is forecasted to come from the expanding use of biofuel, presenting a growing opportunity for the industry.
- As many firms increase spending and target new markets, management consultants are expected to experience an uptick in demand for corporate strategy solutions, such as leadership development, mergers and acquisitions and corporate investment advisory.
- Over the next five years, the largest industry's players, PwC, Deloitte, EY and KPMG, are all expected to continue pursuing M&A activity to increase their market share in the industry. This will primarily focus on purchasing smaller, highly profitable companies that have established a presence in advisory services.

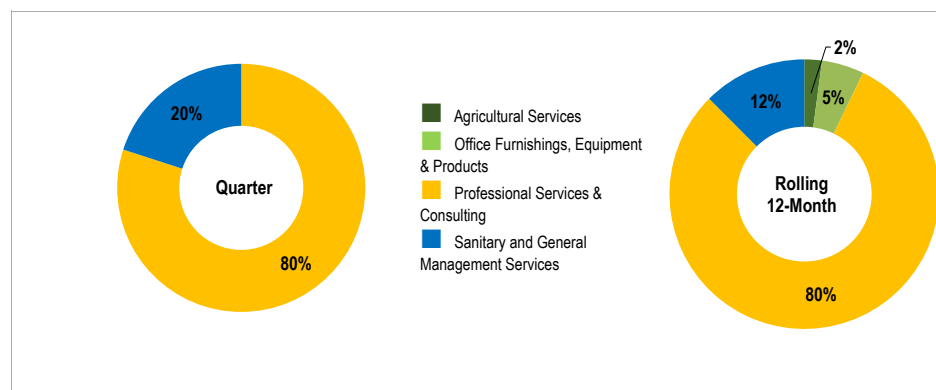
Source: IBIS World, S&P Capital IQ, and PCE Proprietary Data

### Industry Trends During Quarter

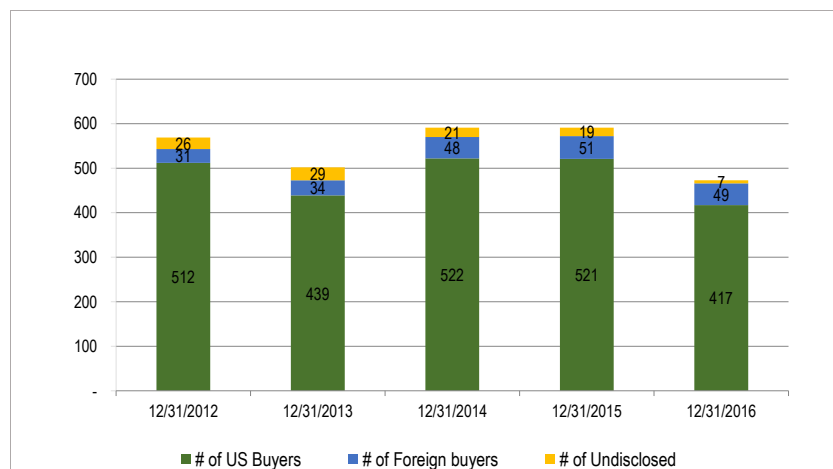
| Sector                                   | Transaction Volume | TEV/ Revenue              | TEV/EBITDA                |
|--|--------------------|---------------------------|---------------------------|
| Agricultural Services                    | →                  | Market Data not Available | Market Data not Available |
| Office Furnishings, Equipment & Products | ↓                  | ↑                         | ↑                         |
| Professional Services & Consulting       | ↓                  | ↑                         | ↑                         |
| Sanitary and General Management Services | ↓                  | ↑                         | ↓                         |

\* Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data

### Transaction Volume as % of Industry



### Rolling 12-Month Transaction Volume Trends by Buyer Origin



### Largest Transactions Closed During Quarter by Transaction Value (\$ in millions)

| Sector                             | Target   | Buyer   | Transaction Value |
|------------------------------------|--|---|-------------------|
| Professional Services & Consulting | Consumer Health & Spending Accounts And Consolidated Omnibus Reconciliation Act Businesses | WageWorks, Inc.                               | \$235.0           |
| Professional Services & Consulting | First Manhattan Consulting Group LLC   | Deluxe Corporation                            | \$200.0           |
| Professional Services & Consulting | MUFG Investor Services (US) LLC  | MUFG Investor Services                        | \$190.8           |
| Professional Services & Consulting | Kurt Salmon US Inc.  | Accenture plc                                 | \$166.4           |
| Professional Services & Consulting | Alsbridge, Inc.  | ISG Information Services Group Americas, Inc. | \$76.8            |
| Professional Services & Consulting | Frankel Loughran Starr & Vallone LLP   | Sanne Group plc                               | \$65.1            |

Source: S&P Capital IQ as of 1/16/2017 and PCE Proprietary Data

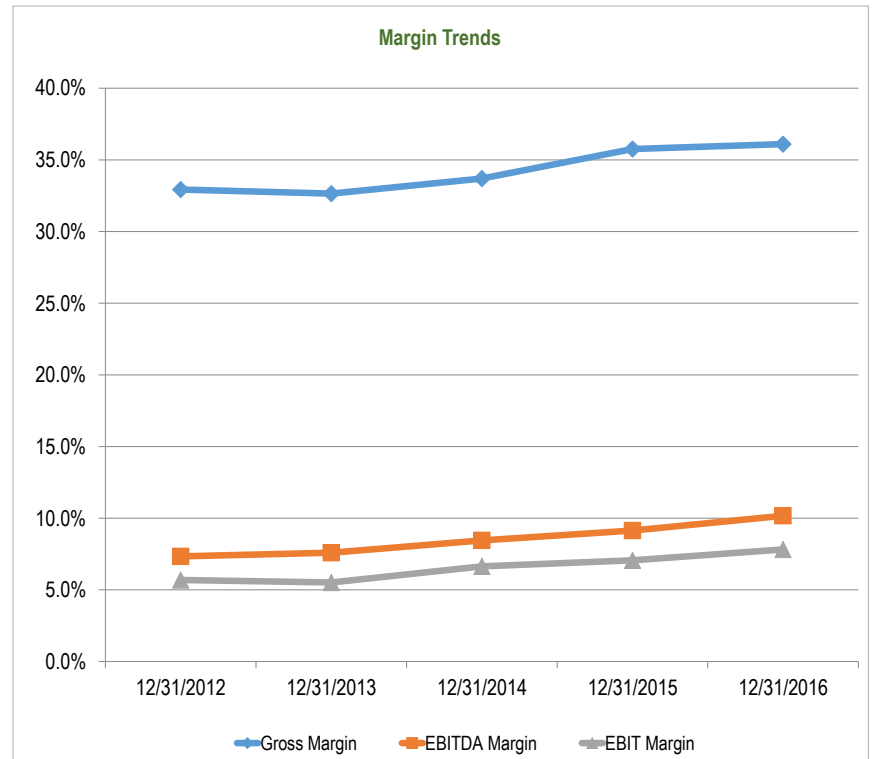
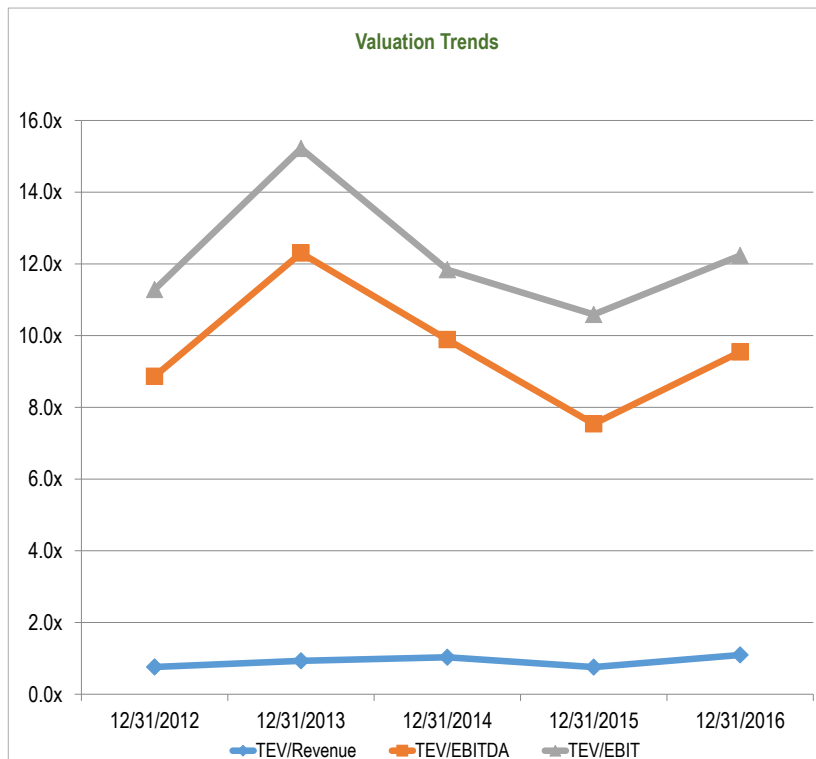
# Office Furnishing, Equipment & Products

4th Quarter 2016

## Summary of Public Comparables (\$ in millions)

|         | Total Enterprise Value |         |        |       | Last Twelve Months<br>12/31/2016 Trends |   |
|---------|------------------------|---------|--------|-------|---|---|
|         | Market Cap             | Revenue | EBITDA | EBIT  |   |   |
| Average | \$1,179                | 1.2x    | 21.7x  | 12.2x | TEV/Revenue                             | ↑ |
| Median  | \$1,272                | 1.1x    | 9.5x   | 12.2x | TEV/EBITDA                              | ↑ |
|         |                        |         |        |       | TEV/EBIT                                | ↑ |

|         | Margins      |        |      | Last Twelve Months<br>12/31/2016 Trends |   |
|---------|--------------|--------|------|---|---|
|         | Gross Profit | EBITDA | EBIT |   |   |
| Average | 35.5%        | 10.0%  | 7.4% | Gross Margin                            | ↑ |
| Median  | 36.1%        | 10.2%  | 7.8% | EBITDA Margin                           | ↑ |
|         |              |        |      | EBIT Margin                             | ↑ |



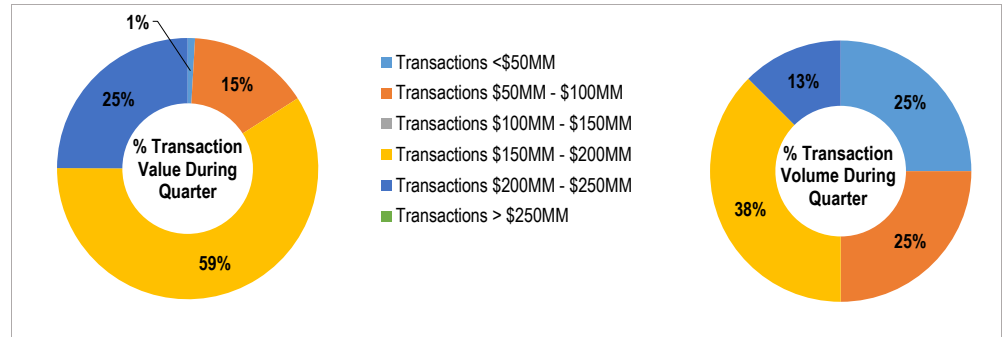
Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data

## Summary of Sector Transactions During Quarter (\$ in millions)

|  |          |
|--|----------|
| Transaction Volume                           | 70       |
| Number of Transactions with Disclosed Values | 8        |
| Transaction Value*                           | \$942.58 |
| Average Transaction Value*                   | \$117.82 |
| Median Transaction Value*                    | \$121.58 |

\*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

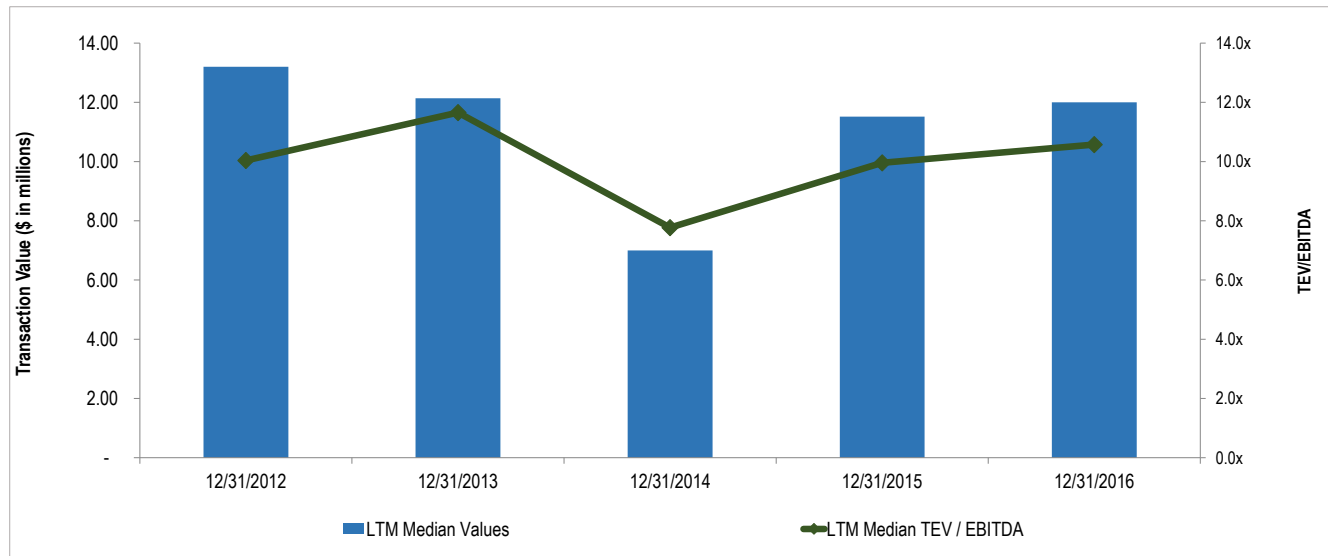
## Transactions by Value & Volume



Based on transactions with disclosed financial data only

## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data

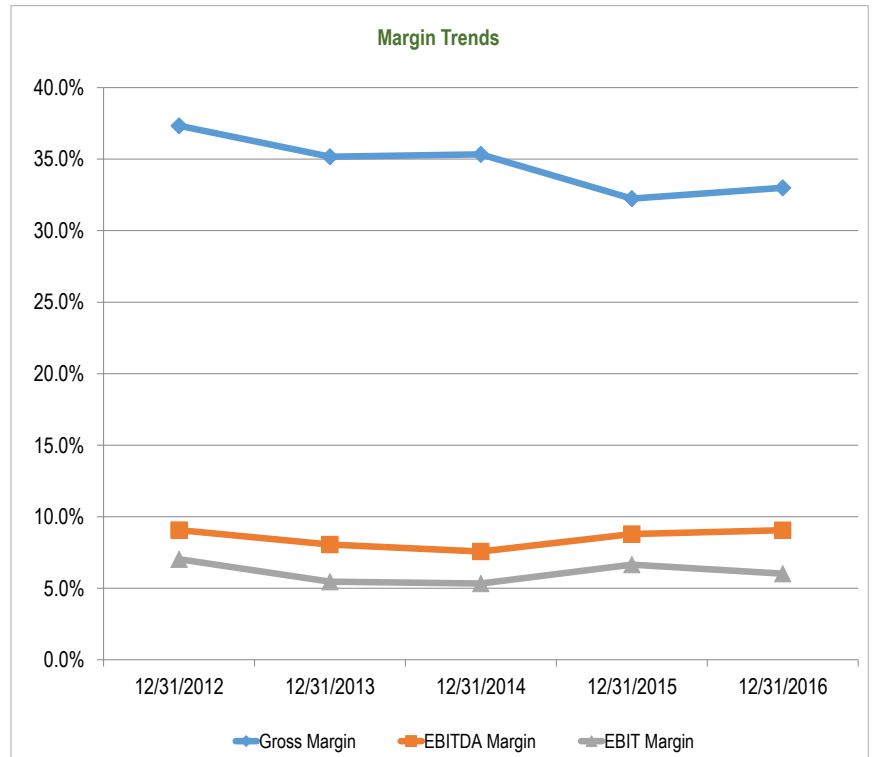
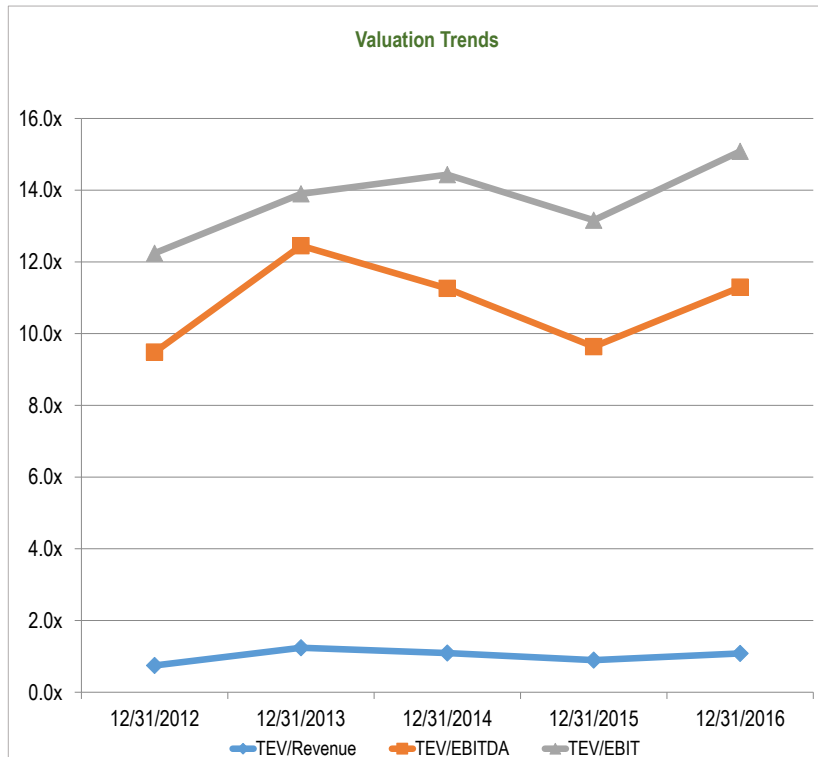
# Professional Services and Consulting

4th Quarter 2016

## Summary of Public Comparables (\$ in millions)

|         | Total Enterprise Value |         |        |       | Last Twelve Months<br>12/31/2016 Trends |   |
|---------|------------------------|---------|--------|-------|---|---|
|         | Market Cap             | Revenue | EBITDA | EBIT  |   |   |
| Average | \$1,901                | 1.6x    | 12.6x  | 16.6x | TEV/Revenue                             | ↑ |
| Median  | \$531                  | 1.1x    | 11.3x  | 15.1x | TEV/EBITDA                              | ↑ |
|         |                        |         |        |       | TEV/EBIT                                | ↑ |

|         | Margins      |        |      | Last Twelve Months<br>12/31/2016 Trends |   |
|---------|--------------|--------|------|---|---|
|         | Gross Profit | EBITDA | EBIT |   |   |
| Average | 30.7%        | 11.3%  | 6.0% | Gross Margin                            | ↑ |
| Median  | 33.0%        | 9.1%   | 6.0% | EBITDA Margin                           | ↑ |
|         |              |        |      | EBIT Margin                             | ↓ |



Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data



# Sanitary and General Management Services

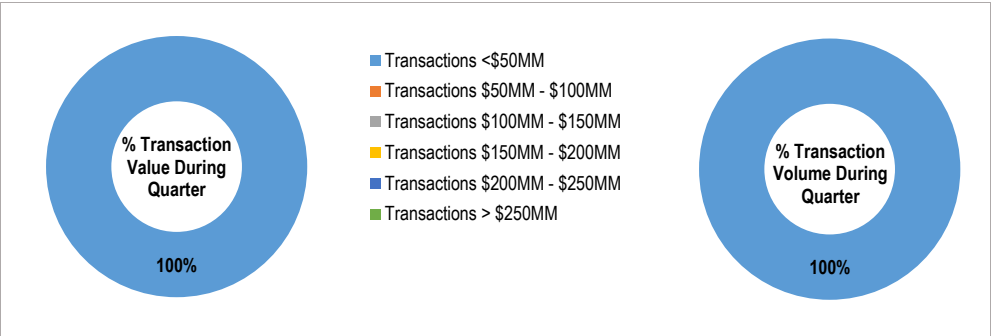
4th Quarter 2016

## Summary of Sector Transactions During Quarter (\$ in millions)

|  |        |
|--|--------|
| Transaction Volume                           | 2      |
| Number of Transactions with Disclosed Values | 2      |
| Transaction Value*                           | \$2.15 |
| Average Transaction Value*                   | \$1.08 |
| Median Transaction Value*                    | \$1.08 |

\*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

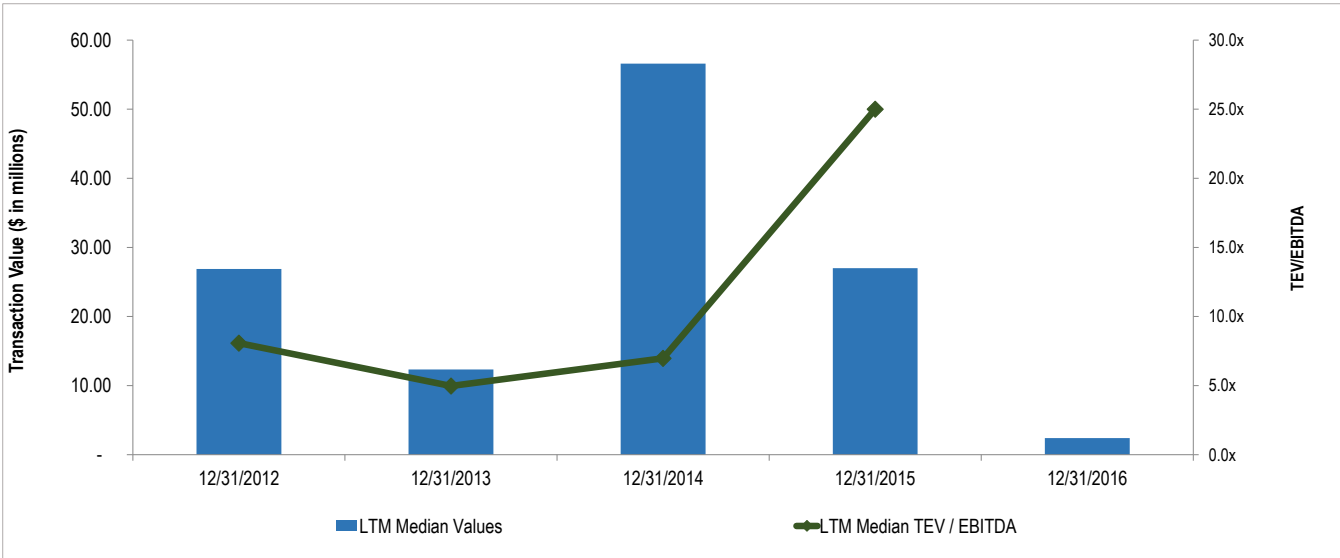
## Transactions by Value & Volume



Based on transactions with disclosed financial data only

## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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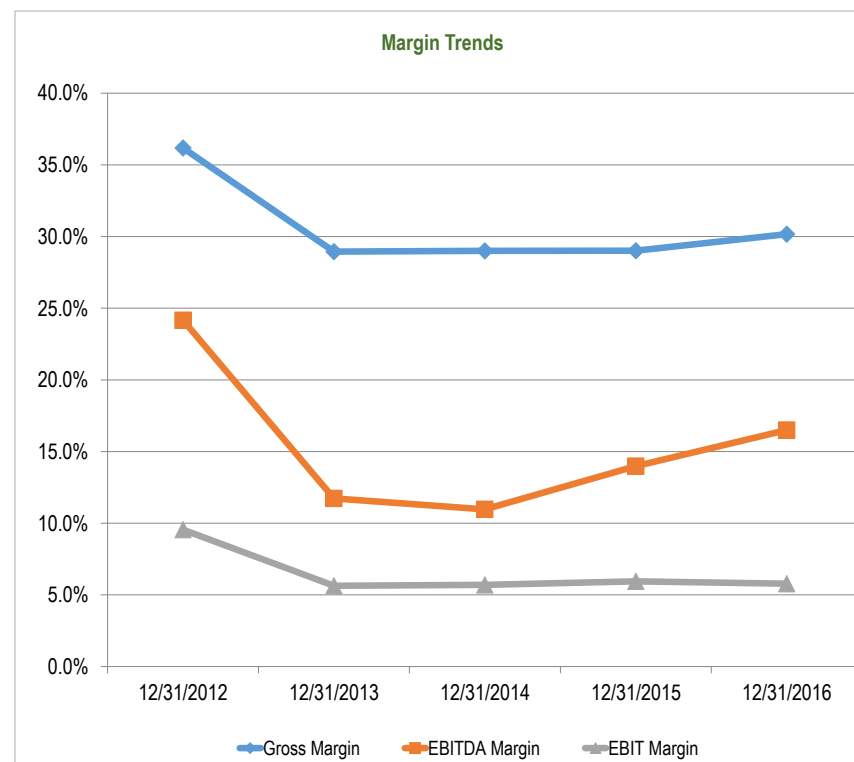
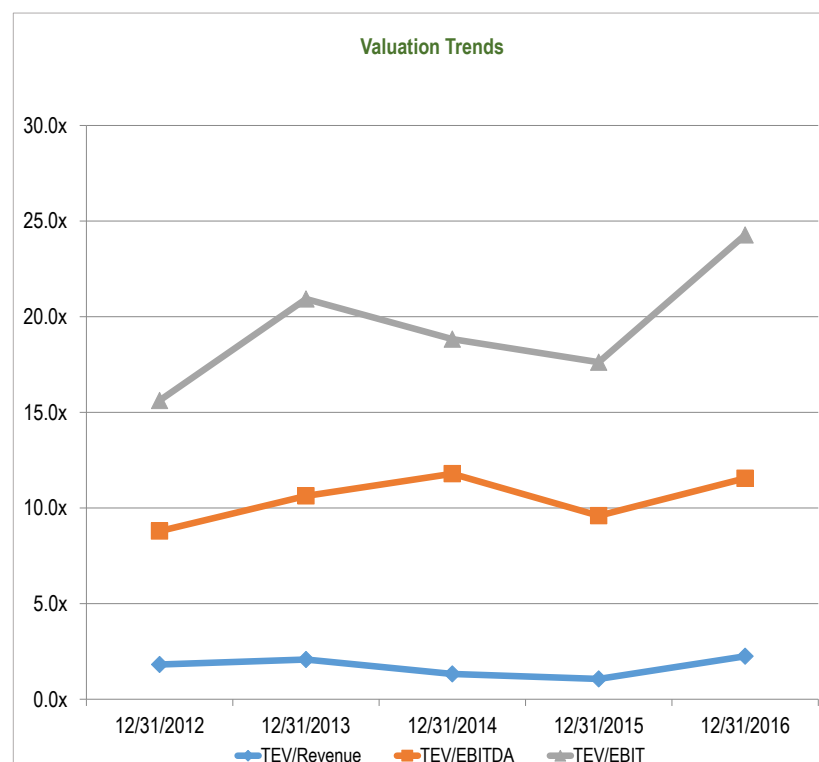
# Sanitary and General Management Services

4th Quarter 2016

## Summary of Public Comparables (\$ in millions)

|         | Total Enterprise Value |         |        |       | Last Twelve Months<br>12/31/2016 Trends |   |
|---------|------------------------|---------|--------|-------|---|---|
|         | Market Cap             | Revenue | EBITDA | EBIT  |   |   |
| Average | \$4,210                | 1.9x    | 21.6x  | 27.4x | TEV/Revenue                             | ↑ |
| Median  | \$456                  | 2.2x    | 11.6x  | 24.3x | TEV/EBITDA                              | ↑ |
|         |                        |         |        |       | TEV/EBIT                                | ↑ |

|         | Margins      |        |      | Last Twelve Months<br>12/31/2016 Trends |   |
|---------|--------------|--------|------|---|---|
|         | Gross Profit | EBITDA | EBIT |   |   |
| Average | 25.9%        | 12.9%  | 5.3% | Gross Margin                            | ↑ |
| Median  | 30.2%        | 16.5%  | 5.8% | EBITDA Margin                           | ↑ |
|         |              |        |      | EBIT Margin                             | ↓ |



Source: S&P Capital IQ as of 1/19/2017 and PCE Proprietary Data





## About PCE

When you're navigating the critical and sometimes challenging phases of the business life cycle, nothing is more important than getting the right advice at the right time. At PCE, that's our specialty. Providing clients with the insightful strategies, creative solutions, and expert guidance they need to address the challenges they face today and achieve the goals they set for tomorrow.

PCE, a leading financial services firm for mid-market companies, offers a full range of services:

- M&A (mergers & acquisitions)
- Growth Capital – Equity & Debt
- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
- Bankruptcy
- Restructuring
- Fairness and Solvency Opinion
- Management Consulting
- Succession Planning
- Strategic Analysis
- Litigation Support

Experienced in all market sectors, PCE has established several specialty practice areas:

- Aerospace & Defense
- Banking, Finance & Insurance
- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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### PCE Locations

Orlando

Atlanta

Chicago

New York

### Data Assumptions

This report represents transaction activity as mergers & acquisitions, consolidations, restructurings and spin-offs. Targets are defined as U.S. Based companies with either foreign or U.S. based buyers. Transaction information provided is based on closed dates only.

### Glossary

EBIT - Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization

LTM - Last Twelve Months

TEV - Total Enterprise Value