



# PCE Industry Report

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Business Services





# Middle Market M&A Summary

2nd Quarter 2015

## Business Services

### Key Highlights

- The average value of the top ten transactions was \$65.4mm.
  - The largest transaction was Dun & Bradstreet, Inc.'s acquisition of Dun & Bradstreet Credibility Corp. for \$350.0mm.
  - The smallest transaction was TSJ Staffing, LLC's acquisition of Kable Staffing Resources, LLC for \$0.3mm.
- The public company industry median TEV/EBIT multiple is 14.8x.
- The public company industry median TEV/EBITDA multiple is 11.4x.

### Key Trends

- The Professional Services & Consulting, Sanitary & General Management Services, and Office Furnishings Equipment & Products subsector is trending negatively.
- The Professional Services & Consulting subsector's transaction volume was the largest at 80% of the industry over the past quarter.
- Competition is expected to remain high as other industries compete directly with professional services, however, revenue is still forecast to grow over the next five years as this industry experiences gradual growth consistent with the improvement of the economy.
- Growing profit margins are being driven by industry revenue as firms become increasingly popular with small to medium enterprises that need assistance and services through a coemployment relationship.

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

# Business Services - For the Quarter Ended 06/30/15

## Industry Trends During Quarter

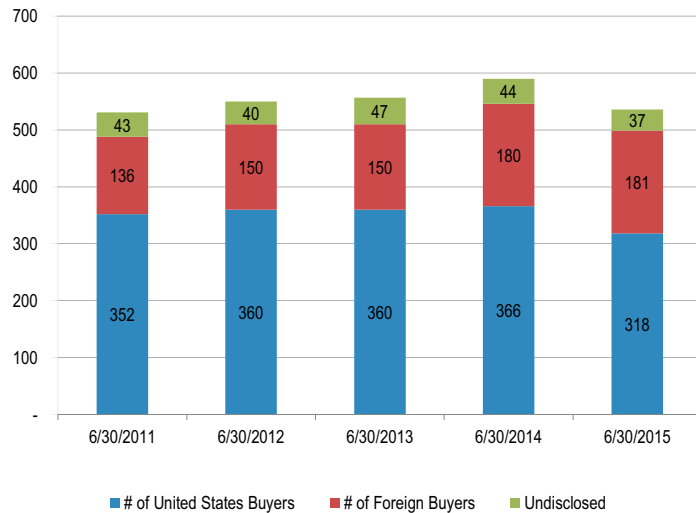
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Professional Services and Consulting	↓	↓	↓
Sanitary and General Management Services	↓	↓	↑
Office Furnishings, Equipment & Products	↓	↓	↓

\* 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	Dun & Bradstreet Credibility Corp.	Dun & Bradstreet, Inc.	\$350.00
Professional Services	Erin Engineering And Research, Inc	JENSEN HUGHES, Inc.	\$230.00
Professional Services	Welkin Associates, Ltd.	ManTech International Corporation	\$34.00
Professional Services	Trissential, LLC	SQS Software Quality Systems AG	\$30.94
Professional Services	Innovative Diagnostic Laboratory, LLP	GeneNews Limited, Cobalt Healthcare Consultants, Inc.	\$4.00
Professional Services	Infinity Insurance Solutions, LLC	Patriot Underwriters, Inc.	\$2.40
Sanitary and GM services	C.C. Crawford Retreading Co., Inc.	Freestone Resources, Inc.	\$1.52
Professional Services	Horizon Analog, Inc.	Alarm.Com Holdings, Inc.	\$0.70
Professional Services	Arista Laboratories, Inc.	Enthalpy Analytical, Inc.	\$0.50
Professional Services	Kable Staffing Resources, LLC	TSJ Staffing, LLC	\$0.25

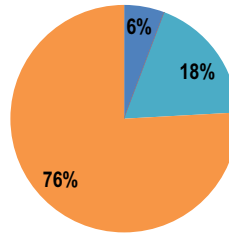
Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

# Professional Services and Consulting - For the Quarter Ended 06/30/15

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

Number of Transactions in Sector	107
Number of Transactions with Disclosed Values	10
Transaction Value*	\$1,252.17
Average Transaction Value*	\$125.22
Median Transaction Value*	\$17.47

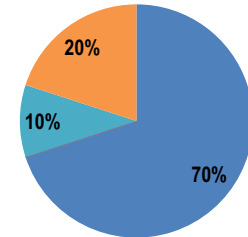
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% Transaction Value During Quarter

## Transactions by Value & Volume

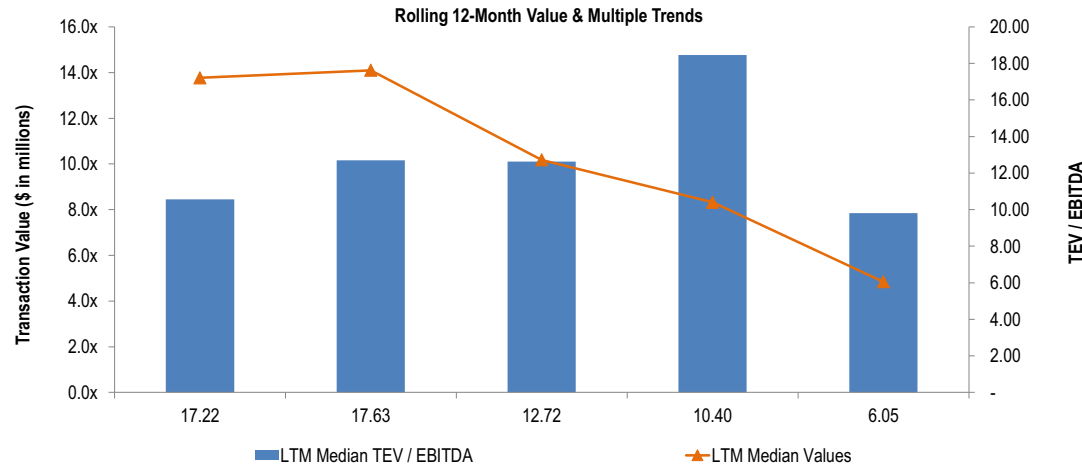
- Transactions <\$50MM
- Transactions \$50MM - \$100MM
- Transactions \$100MM - \$150MM
- Transactions \$150MM - \$200MM
- Transactions \$200MM - \$250MM
- Transactions > \$250MM



% Transaction Volume During Quarter

\*Based on transactions with disclosed financial data only

## Private Sector Value and EBITDA Multiple Trends



\* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

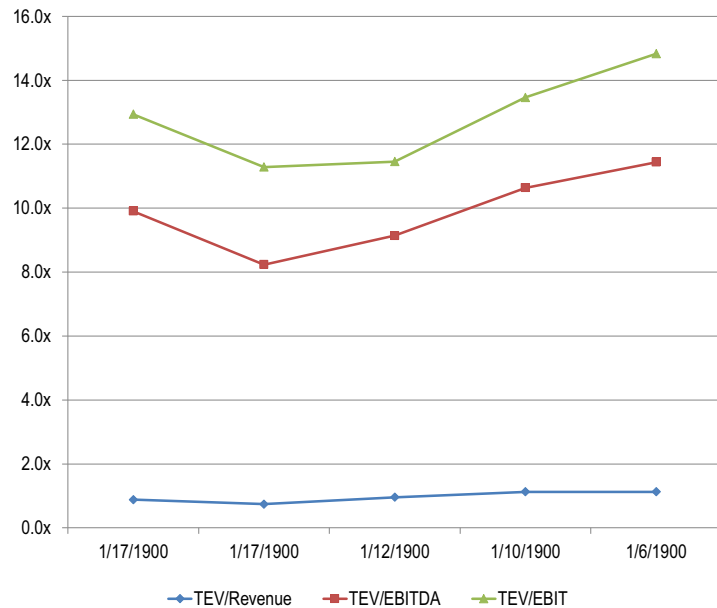
# Professional Services and Consulting - For the Quarter Ended 06/30/15

## Summary of Public Comparables as of Quarter End (\$ in millions)

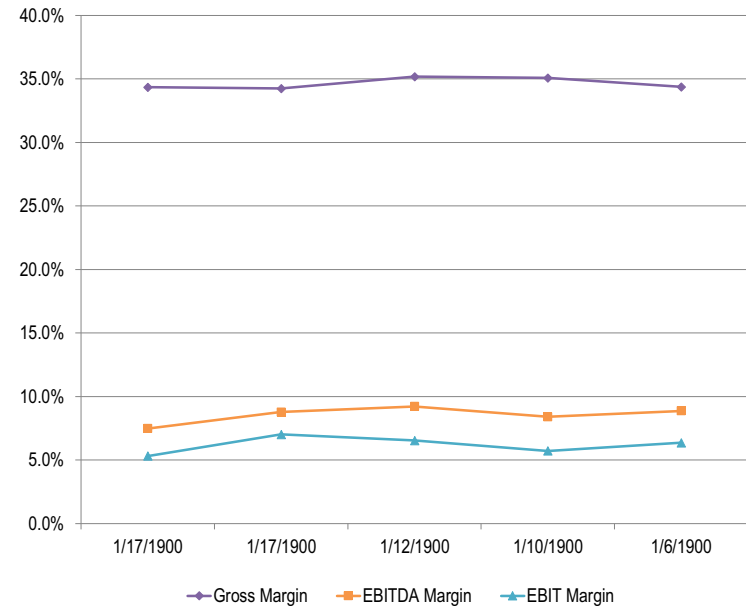
	TEV				LTM 6/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,957	3.2x	13.6x	24.4x	TEV/Revenue	↓
Median	\$558	1.1x	11.4x	14.8x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			LTM 6/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	37.0%	11.1%	5.0%	Gross Margin	↓
Median	34.4%	8.9%	6.4%	EBITDA Margin	↑
				EBIT Margin	↑

### Valuation Trends



### Margin Trends



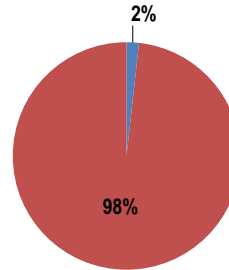
Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

# Sanitary and General Management Services - For the Quarter Ended 06/30/15

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

Number of Transactions in Sector	15
Number of Transactions with Disclosed Values	2
Transaction Value*	\$86.52
Average Transaction Value*	\$43.26
Median Transaction Value*	\$43.26

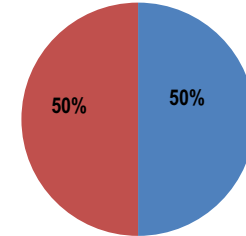
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% Transaction Value During Quarter

## Transactions by Value & Volume

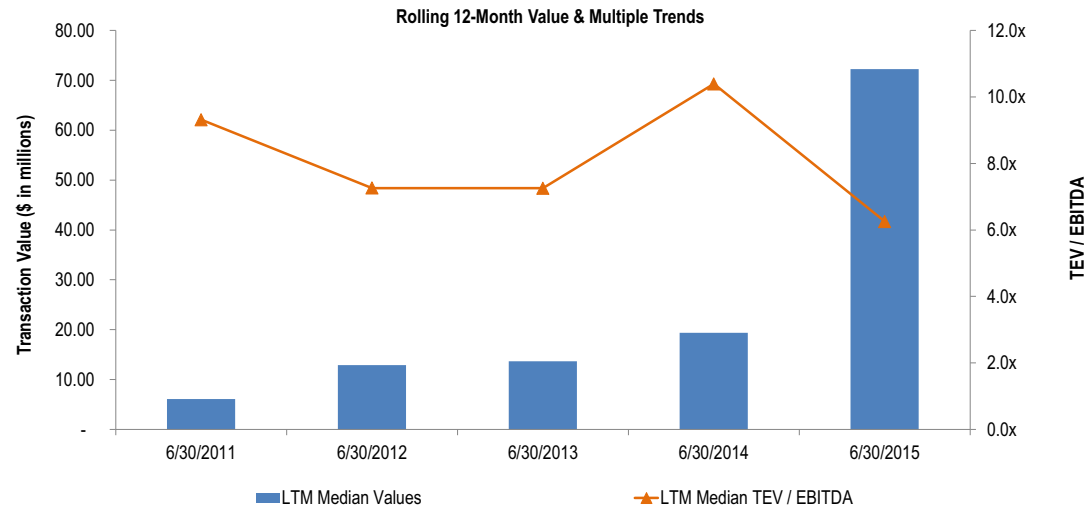
- Transactions <\$50MM
- Transactions \$50MM - \$100MM
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- Transactions \$150MM - \$200MM
- Transactions \$200MM - \$250MM
- Transactions > \$250MM



% Transaction Volume During Quarter

\*Based on transactions with disclosed financial data only

## Private Sector Value and EBITDA Multiple Trends



\* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

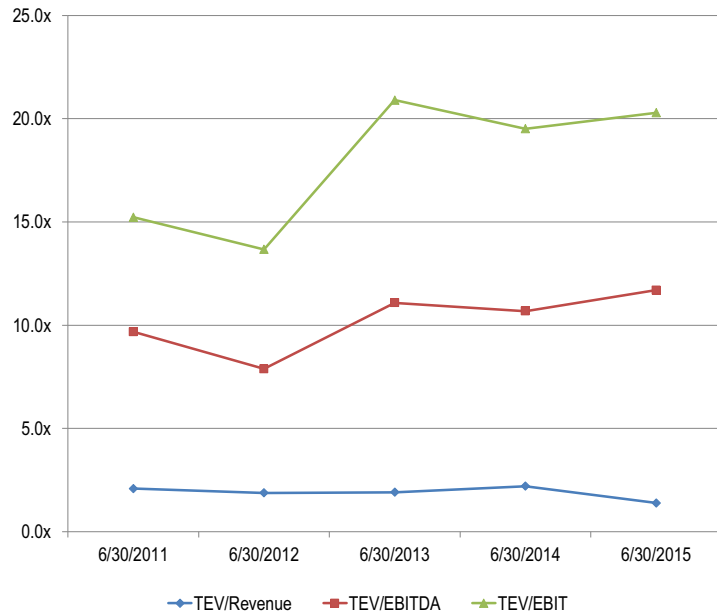
# Sanitary and General Management Services - For the Quarter Ended 06/30/15

Summary of Public Comparables as of Quarter End (\$ in millions)

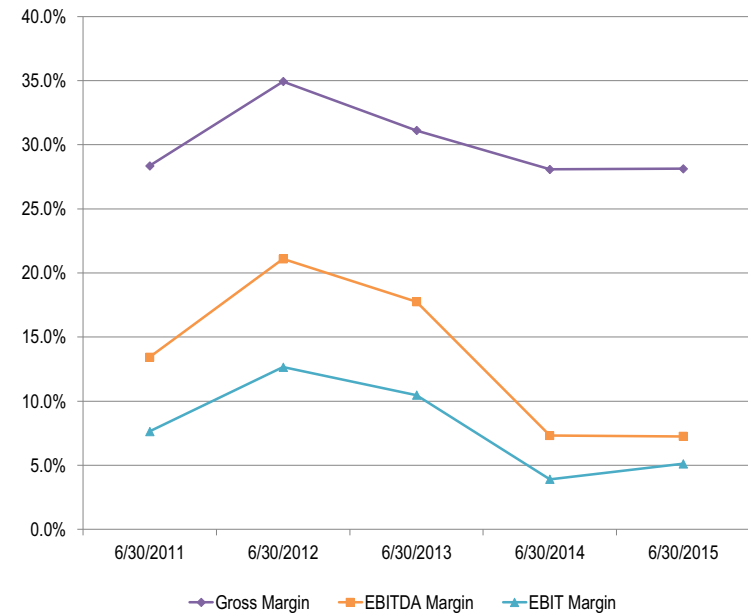
	TEV				LTM 6/30/2015 Trends
	Market Cap	Revenue	EBITDA	EBIT	
Average	\$3,578	1.8x	14.6x	38.5x	TEV/Revenue ↓
Median	\$322	1.4x	11.7x	20.3x	TEV/EBITDA ↑
					TEV/EBIT ↑

	Margins			LTM 6/30/2015 Trends
	Gross Profit	EBITDA	EBIT	
Average	24.4%	12.8%	6.4%	Gross Margin ↑
Median	28.1%	7.3%	5.1%	EBITDA Margin ↓
				EBIT Margin ↑

Valuation Trends



Margin Trends



# Office Furnishings, Equipment & Products - For the Quarter Ended 06/30/15

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

Number of Transactions in Sector	6
Number of Transactions with Disclosed Values	0
Transaction Value*	Not Available
Average Transaction Value*	Not available
Median Transaction Value*	Not Available

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

## Transactions by Value & Volume

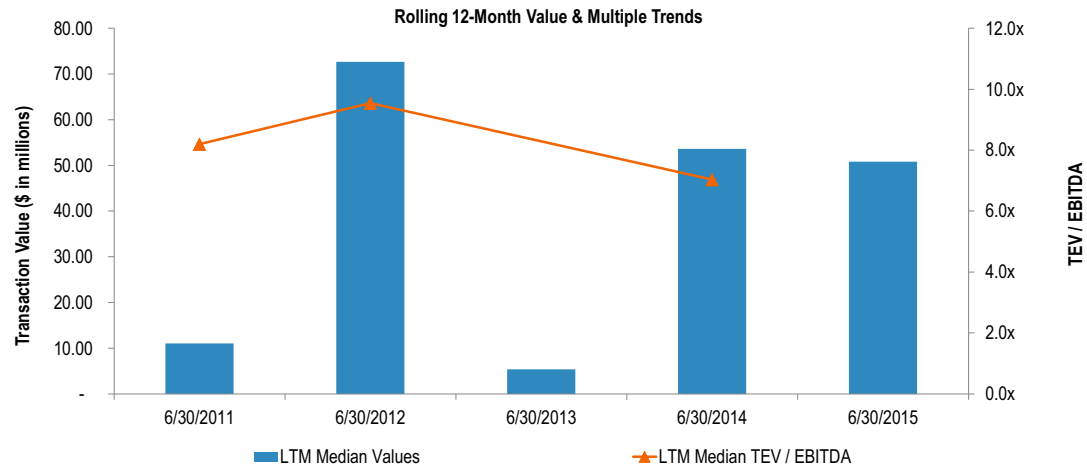
- Transactions <\$50MM
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Market Data  
Not Available

Market Data  
Not Available

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## Private Sector Value & EBITDA Multiple Trends



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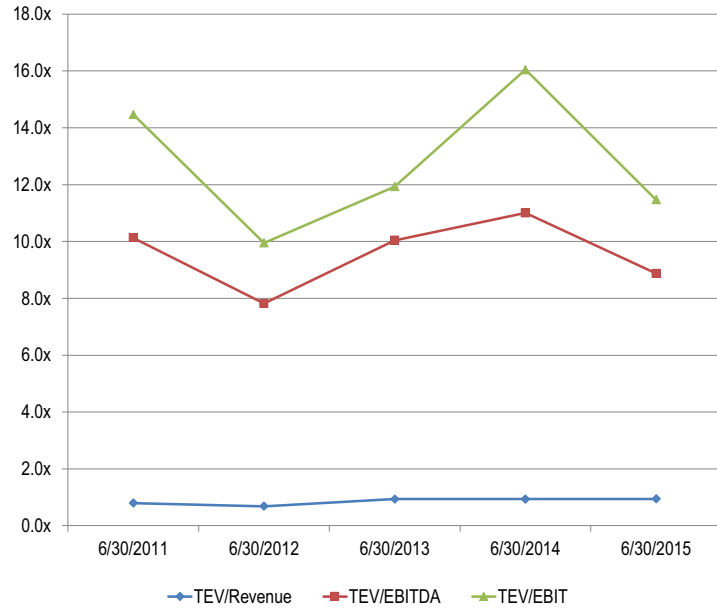
# Office Furnishings, Equipment & Products - For the Quarter Ended 06/30/15

Summary of Public Comparables as of Quarter End (\$ in millions)

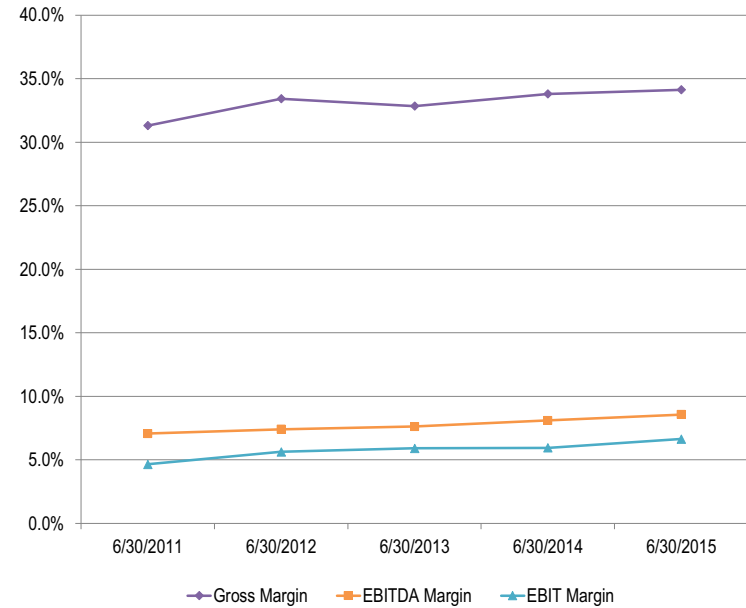
	TEV				LTM 6/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,081	1.1x	9.7x	13.3x	TEV/Revenue	↑
Median	\$1,026	0.9x	8.9x	11.5x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			LTM 6/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	32.7%	8.6%	6.2%	Gross Margin	↑
Median	34.1%	8.6%	6.6%	EBITDA Margin	↑
				EBIT Margin	↑

Valuation Trends



Margin Trends



Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

## Data Assumptions

At PCE, we consider 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 announced dates.



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## Glossary

EBIT - Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization

LTM - Last Twelve Months

TEV - Total Enterprise Value

## About PCE

Eighteen years ago, PCE was formed to provide professional investment banking, business valuation and advisory services to middle market companies. We determined from our experience as business owners that there was a need that was not being professionally fulfilled.

We understand the importance of creating a relationship and the value of trust when providing our services. PCE's professionals are successful business owner, entrepreneurs, lenders, former Federal Reserve board members, CPA's, CFA's, national & international valuation experts, international analysts and investors. PCE offers senior level attention, sound advice, skilled execution and personalized attention you can trust.

Our mission is to be the premier investment bank serving middle market companies. PCE is committed to providing individualized strategies throughout your business life-cycle, focused on maximizing shareholder value.

PCE Investment Bankers, Inc. – member FINRA and SIPC; PCE Valuations, LLC; PCE Advisory, LLC