



# PCE Industry Report

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Business Services



# Middle Market M&A Summary

2nd Quarter 2016

## Business Services

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### Key Highlights

- The largest transaction was the acquisition of EG Systems, Inc. by Trugreen Holding Corporation for \$200 million.
- The public company industry median TEV/EBIT multiple is 12.6x.
- The public company industry median TEV/EBITDA multiple is 9.8x.

### Key Trends

- The Sanitary & General Management Service subsector's transaction volume is trending neutrally. The Office Furnishings, Equipment & Products, Agricultural Services, and Professional Services subsectors are all trending negatively.
- The Professional Service & Consulting subsector's transaction volume was the largest at 79% of the industry over the past quarter.
- In the five years approaching 2021, Office Furniture Rentals revenue is anticipated to rise, bolstered by continued growth in the number of businesses. Growth in the number of businesses will increase the industry's downstream market size, and thus provide a greater pool of businesses for operators to service.
- The AgriBusiness industry is expected to continue to benefit from increasing corporate involvement, domestic demand, and export demand; as well, consumer income, sentiment and spending around the world is expected to continue growing. As the global economy recovers from the massive economic downturn, export revenue is expected to reach high and steady levels. Given these conditions, revenue is expected to grow at an annualized rate of 0.5% to \$2.6 trillion over the next five years.
- U.S. business spending, already heading for its worst slowdown since the global financial crisis, could decline further following Britain's vote to leave the European Union. If it declines in the second quarter, then it will be the first time since the 2007-09 recession that it contracted for three straight quarters.<sup>3</sup>
- Buoyed by economic growth, rising equity markets, and a growing number of new businesses, the Accounting Services industry is on pace to grow at 3.9% this year after a very strong 2015 featured an annual growth rate of 7.1%, leading the largest players to increasingly acquire smaller companies and make strategic purchases to increase their services offerings.
- Limited by a slight fall in corporate profit and weakness in the resources sector, the Management Consulting industry is on pace for sluggish revenue growth (2.7%) in 2016 following a very strong year in which the industry attained a 9.4% growth rate.

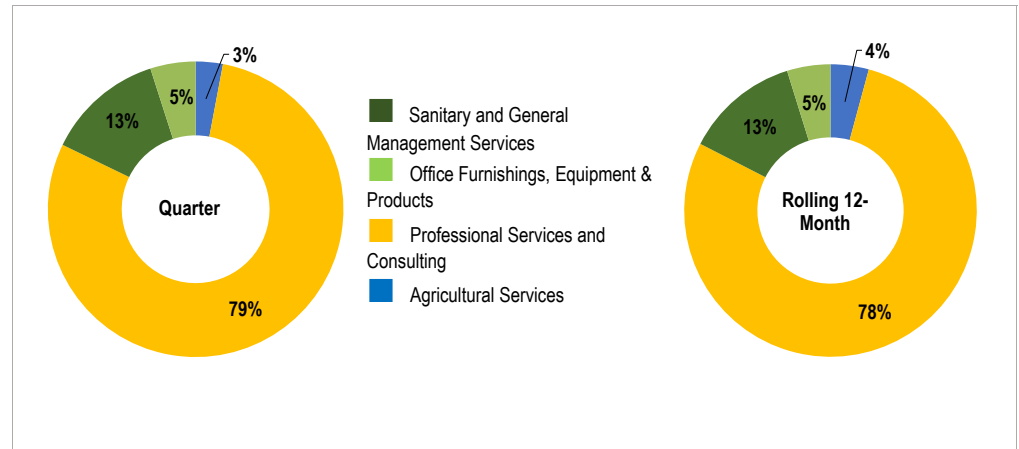
Sources: IBIS World, S&P Capital IQ, and PCE Proprietary Data

## Industry Trends During Quarter

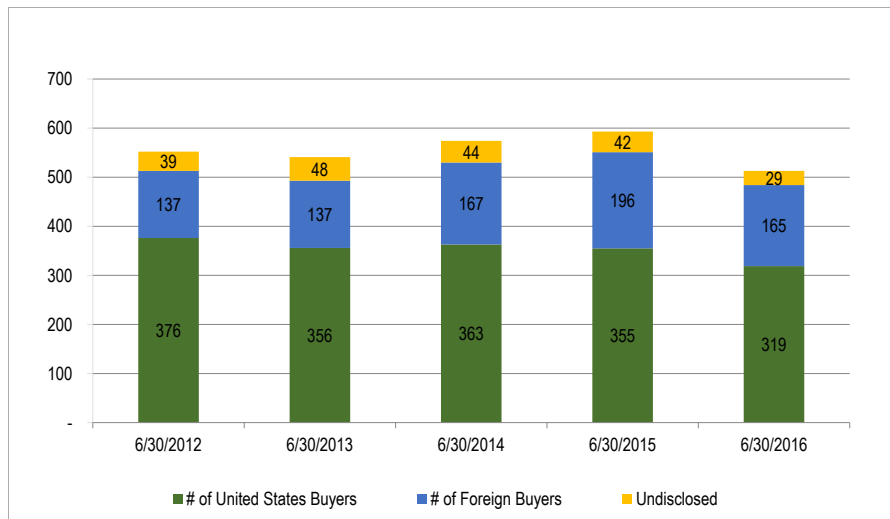
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Agricultural Services	↓	Market data not available	Market data not available
Professional Services and Consulting	↓	↓	↓
Sanitary and General Management Services	→	↑	↑
Office Furnishings, Equipment & Products	↓	↑	↑

\* 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
Agricultural Services	EG Systems, Inc.	Trugreen Holding Corporation	\$200.0
Professional Services	Danya International, Inc.	DLH Holdings Corp.	\$38.9
Professional Services	TNT Energy, LLC	Revolution Lighting Technologies, Inc	\$15.1
Professional Services	Hancock Staffing	Command Center, Inc.	\$1.4
Professional Services	MOCON Inc., Microanalytics Business	Volatile Analysis Corporation	\$1.3
Office Furnishings, Equipment	CenterPoint Brands Inc.	Halitron, Inc.	\$0.7
Professional Services	Vortechs Group, Inc., Certain Assets	Tekcapital plc	\$0.5
Sanitary and GM services	Global Recycle Energy, Inc.	AmericaTowne, Inc.	\$0.2

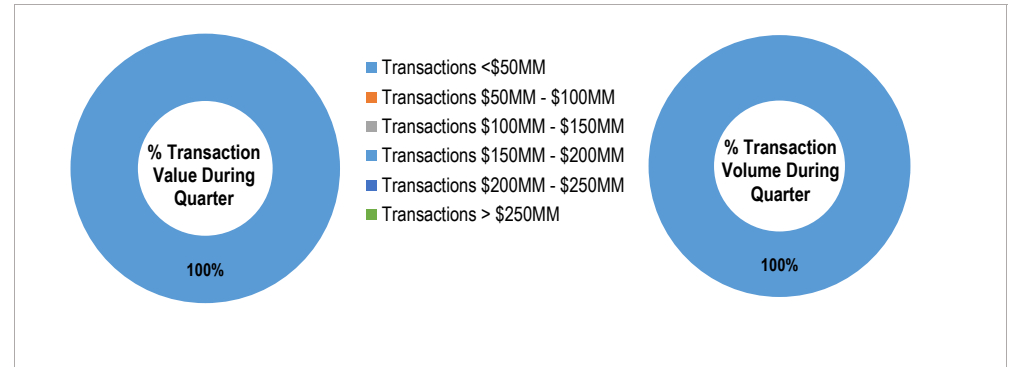
Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

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

Transaction Volume	3
Number of Transactions with Disclosed Values	1
Transaction Value*	\$200.00
Average Transaction Value*	\$200.00
Median Transaction Value*	\$200.00

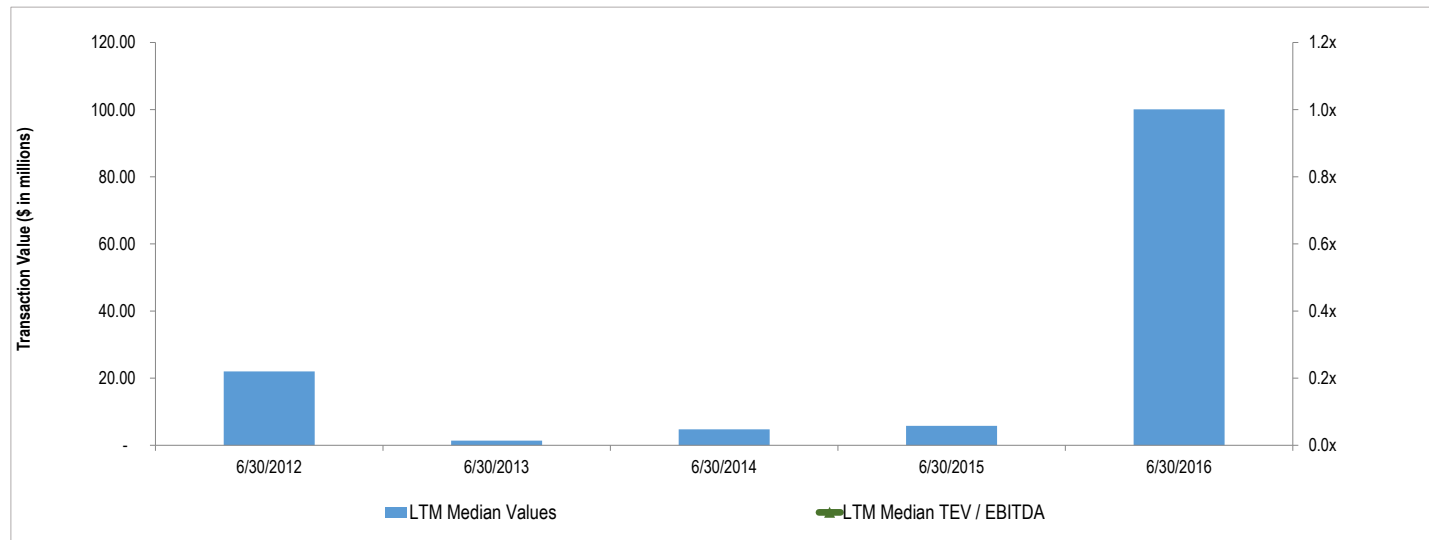
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## Transaction by Value & Volume



## Private Sector Value Trends

Rolling 12-Month Value Trends

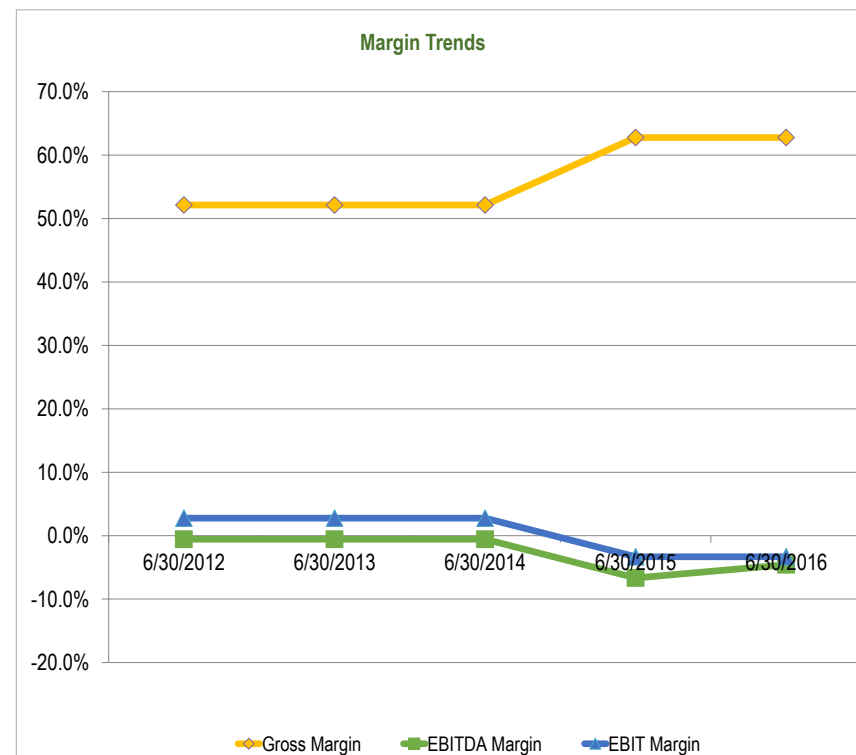
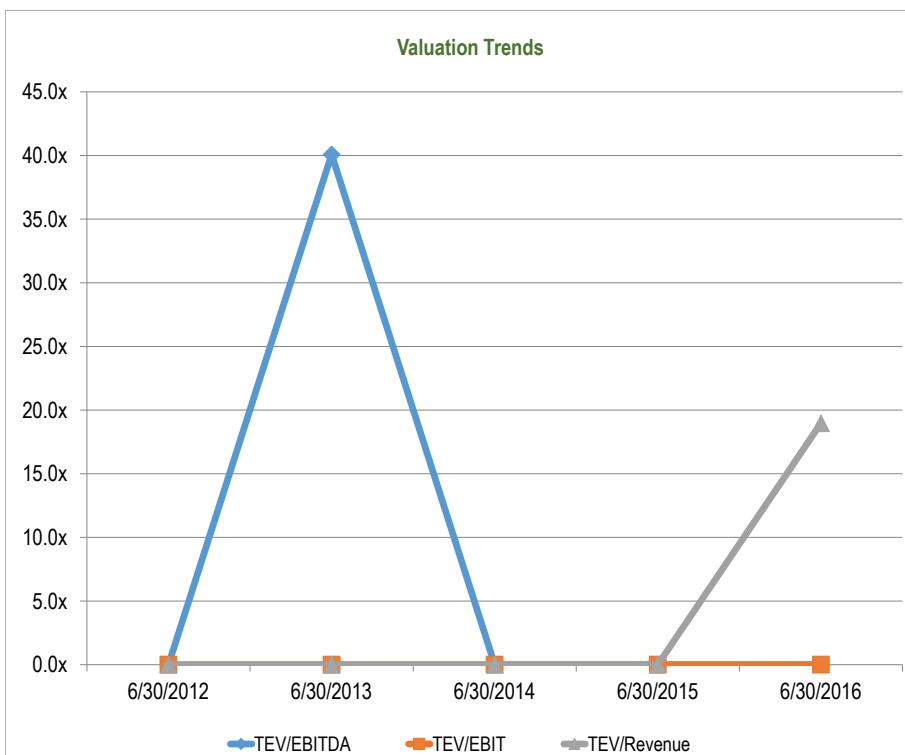


\* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

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

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$18	19.0x	Not available	Not available	TEV/Revenue	↑
Median	\$18	19.0x	Not available	Not available	TEV/EBITDA	Not available
					TEV/EBIT	Not available

	Margins			Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	42.0%	-22.6%	-30.2%	Gross Margin	↓
Median	62.8%	-4.6%	-3.3%	EBITDA Margin	↑
				EBIT Margin	↑



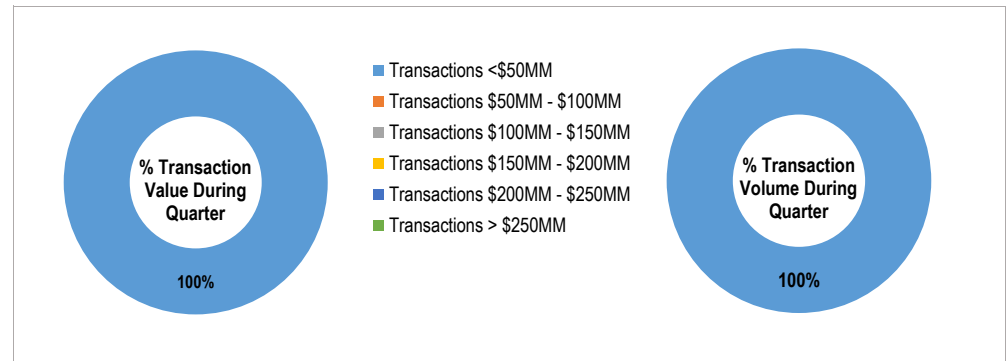
Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

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

Transaction Volume	80
Number of Transactions with Disclosed Values	5
Transaction Value*	\$57.23
Average Transaction Value*	\$11.45
Median Transaction Value*	\$1.39

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

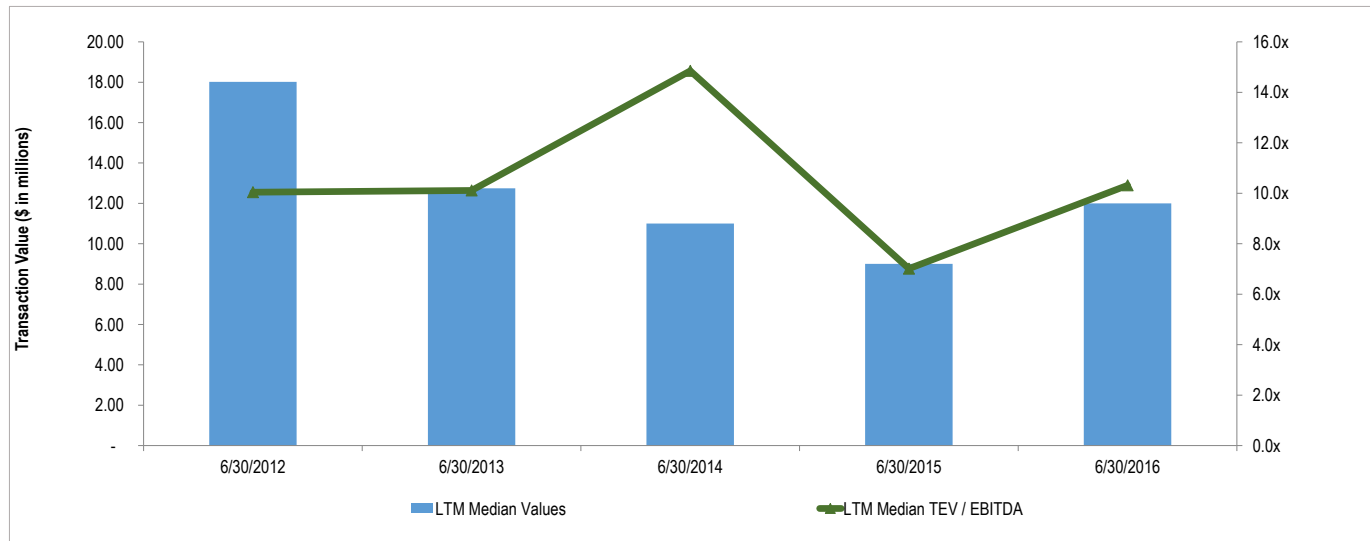
## Transaction by Value & Volume



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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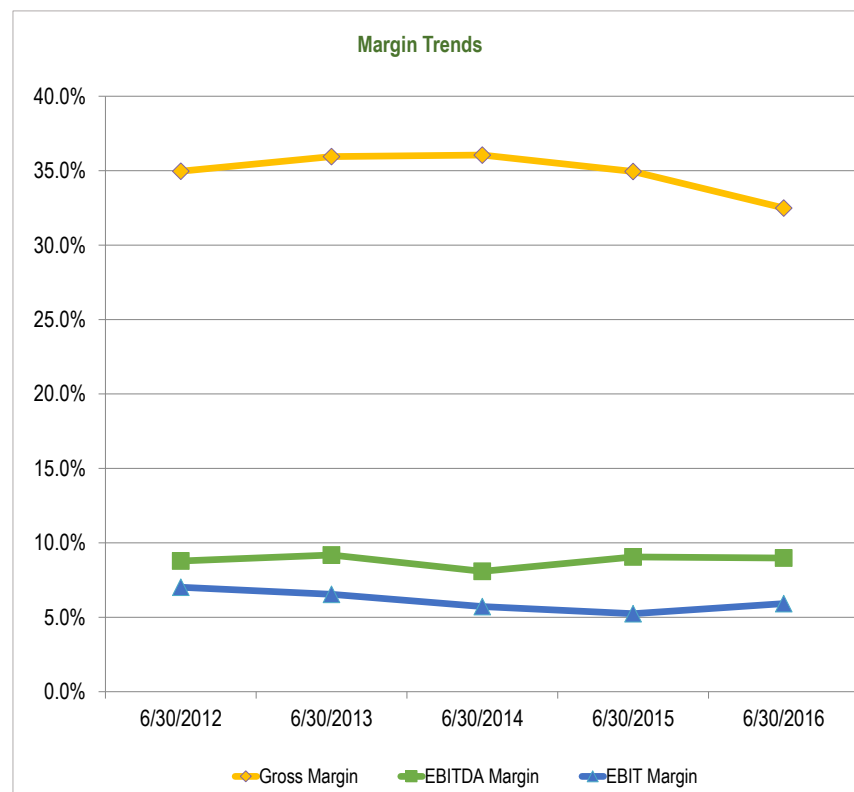
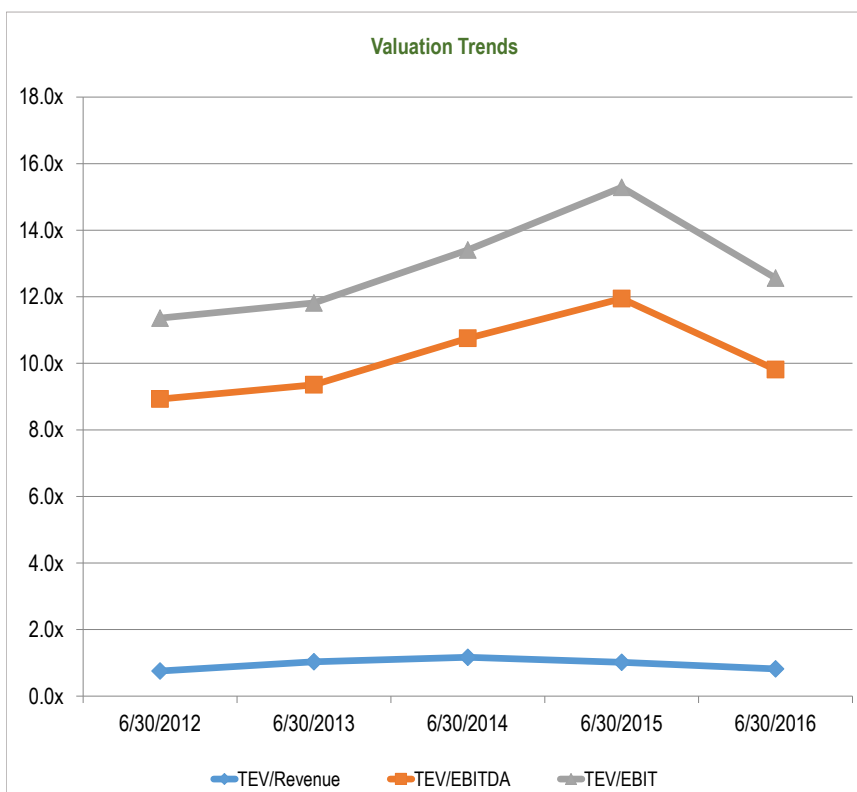
# Professional Services and Consulting

2nd Quarter 2016

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

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,736	2.9x	12.8x	14.8x	TEV/Revenue	↓
Median	\$456	0.8x	9.8x	12.6x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	38.5%	9.6%	2.7%	Gross Margin	↓
Median	32.5%	9.0%	5.9%	EBITDA Margin	↓
				EBIT Margin	↑



Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

# Sanitary and General Management Services

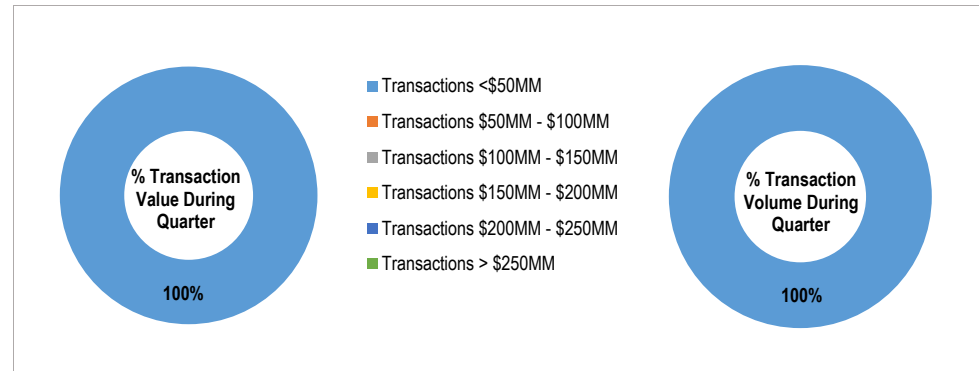
2nd Quarter 2016

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

Transaction Volume	13
Number of Transactions with Disclosed Values	1
Transaction Value*	\$0.18
Average Transaction Value*	\$0.18
Median Transaction Value*	\$0.18

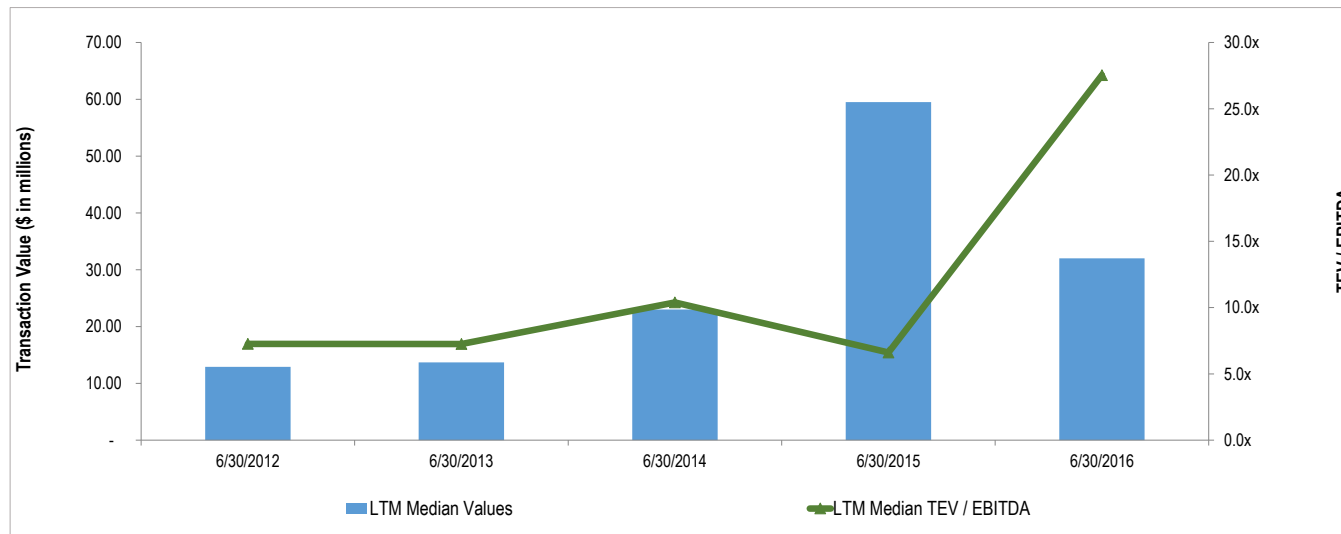
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## Transaction by Value & Volume



## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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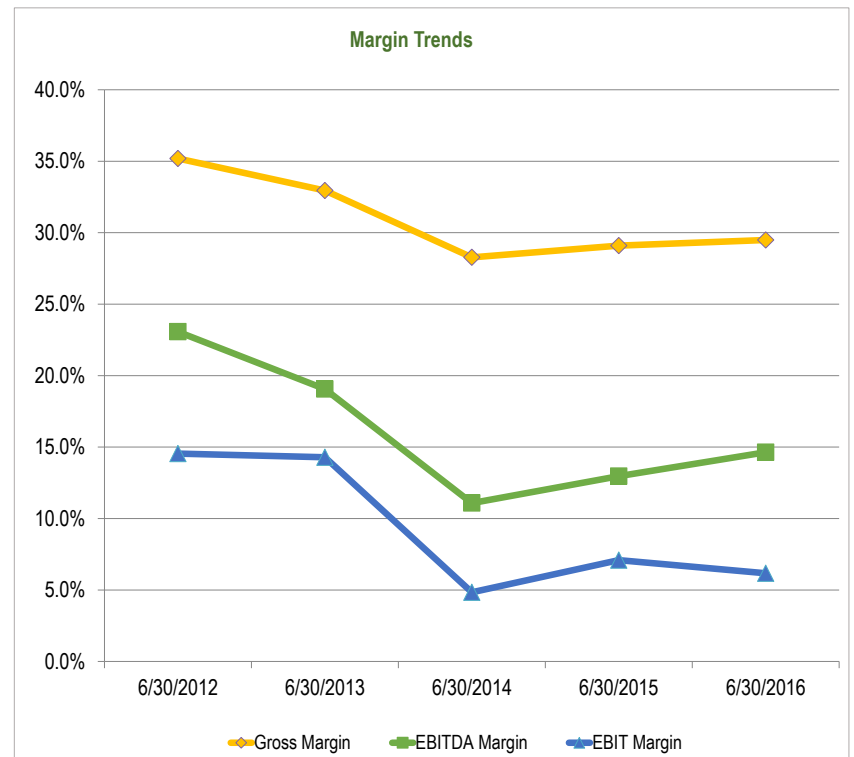
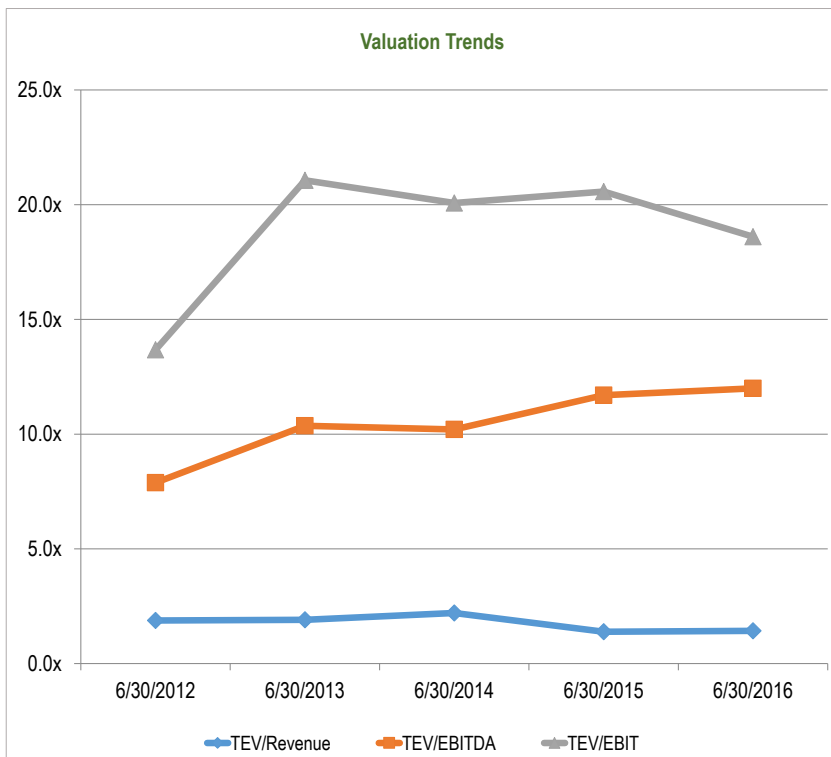
# Sanitary and General Management Services

2nd Quarter 2016

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

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,766	1.9x	13.0x	23.2x	TEV/Revenue	↑
Median	\$296	1.4x	12.0x	18.6x	TEV/EBITDA	↑
					TEV/EBIT	↓

	Margins			Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	25.8%	13.2%	6.3%	Gross Margin	↑
Median	29.5%	14.6%	6.2%	EBITDA Margin	↑
				EBIT Margin	↓



Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

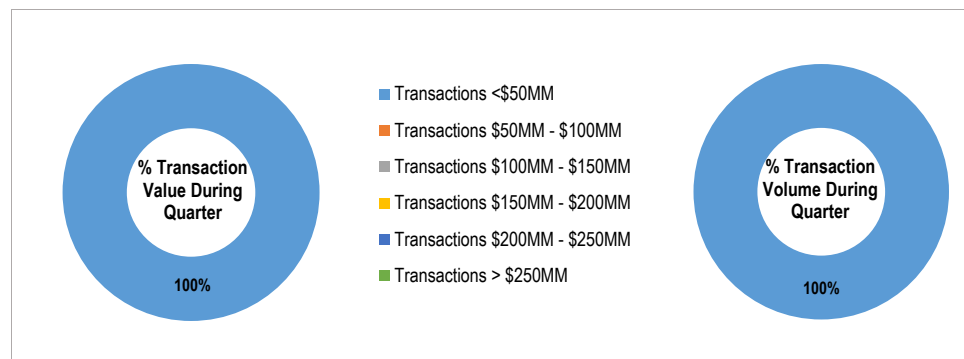


## Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	5
Number of Transactions with Disclosed Values	1
Transaction Value*	\$0.67
Average Transaction Value*	\$0.67
Median Transaction Value*	\$0.67

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

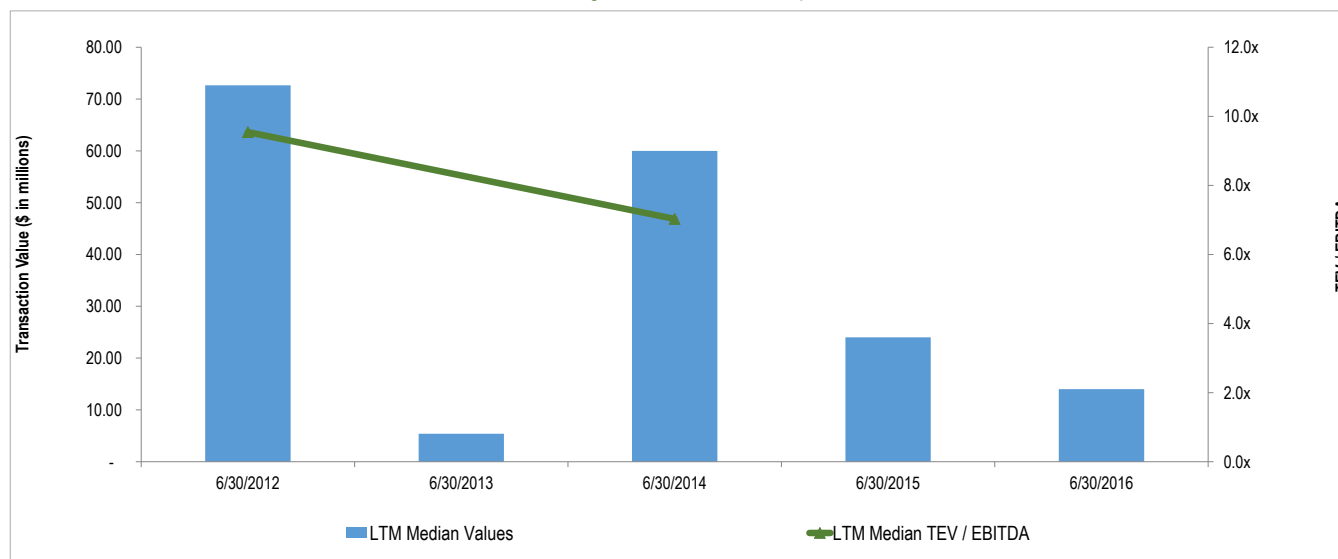
## Transactions by Value & Volume



Based on transactions with disclosed financial data only

## Private Sector Value & EBITDA Multiple Trends

Rolling 12-Months Value & Multiple Trends



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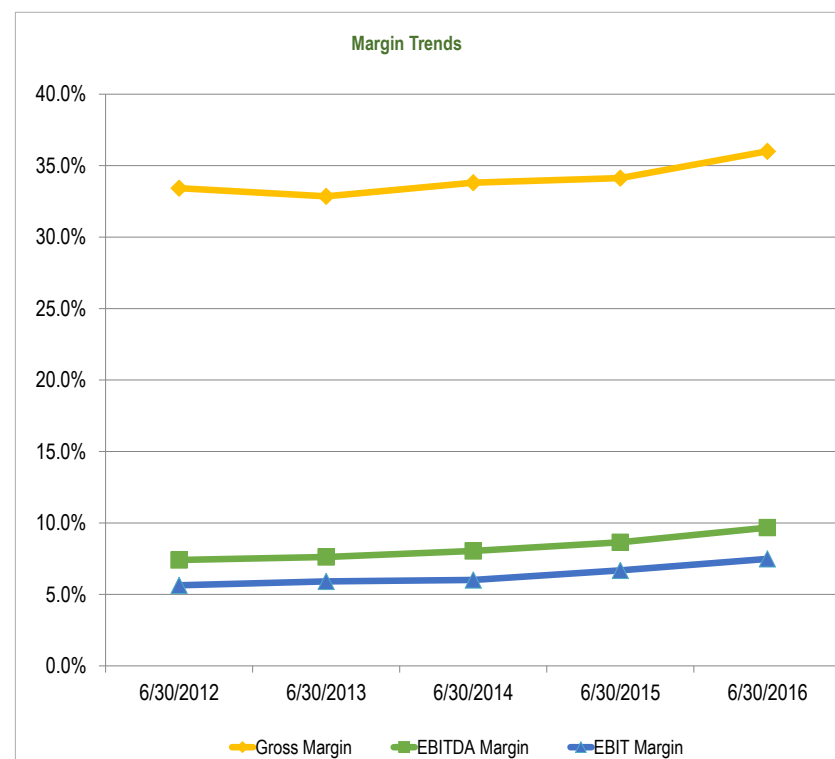
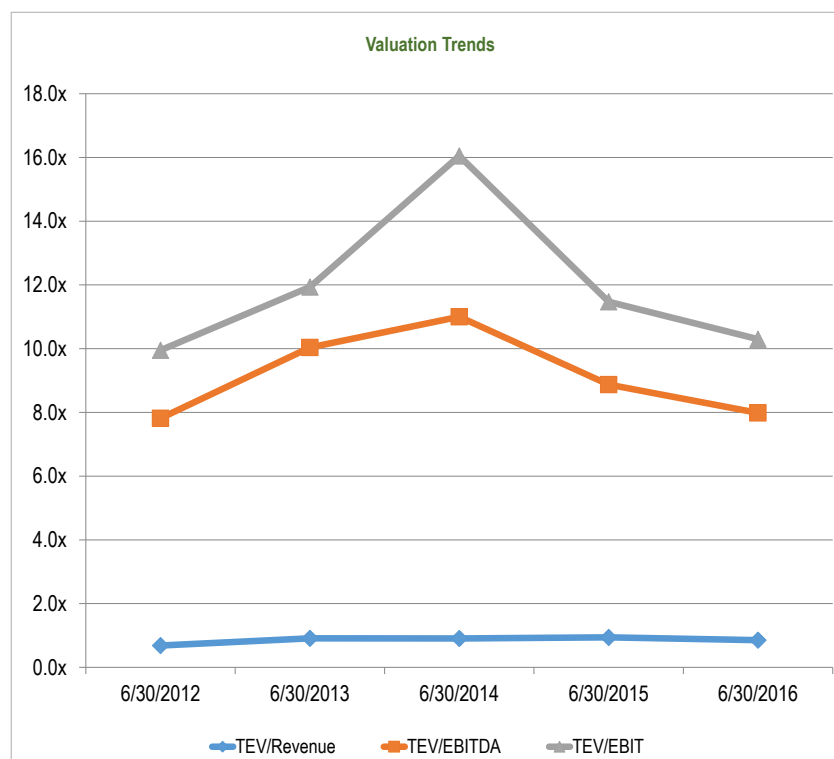
# Office Furnishings, Equipment & Products

2nd Quarter 2016

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

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$943	0.8x	8.3x	11.0x	TEV/Revenue	↓
Median	\$1,049	0.9x	8.0x	10.3x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	35.2%	9.8%	7.2%	Gross Margin	↑
Median	36.0%	9.7%	7.5%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 7/28/2016 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:

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- 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

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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