



PCE Industry Report

Business Services



Middle Market M&A Summary

Business Services

3rd Quarter 2016

Key Highlights

- The largest transaction was the acquisition of IHS, Inc. by IHS Markit Ltd. for \$10.3 billion.
- The public company industry median TEV/EBIT multiple is 13.0x.
- The public company industry median TEV/EBITDA multiple is 10.4x.

Key Trends

- The Professional Services & Consulting subsector's transaction volume is trending positively. While the other Business Industry subsectors are all trended negatively over the past quarter.
- The Professional Service & Consulting subsector's transaction volume represented approximately 89% of the Business Services Industry activity over the past quarter.
- Along with increased profits, growth across industries and a pickup in corporate reorganization activity such as mergers & acquisitions fueled by growth will lead to higher demand for professionals services such as accountants, attorneys and other business advisors.
- As consumer spending continues to increase, the waste treatment and collection sectors will see correlating growth.
- Agribusiness continues to experience globalization as demand for exports into emerging markets rises and US demand for domestically unavailable products increase. Recent record harvests of certain grain crops has applied downward pressure on prices creating concern among industry experts as the industry attempts to decrease cost by reducing labor to sustain profitability.

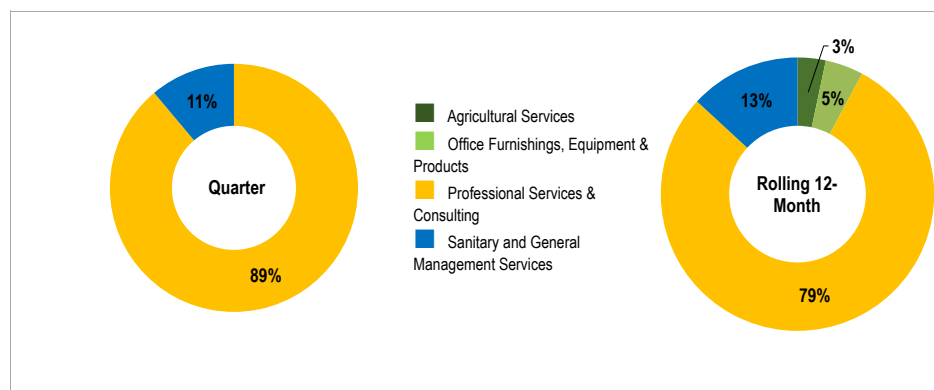
Source: IBIS World, S&P Capital IQ, and PCE Proprietary Data

Industry Trends During Quarter

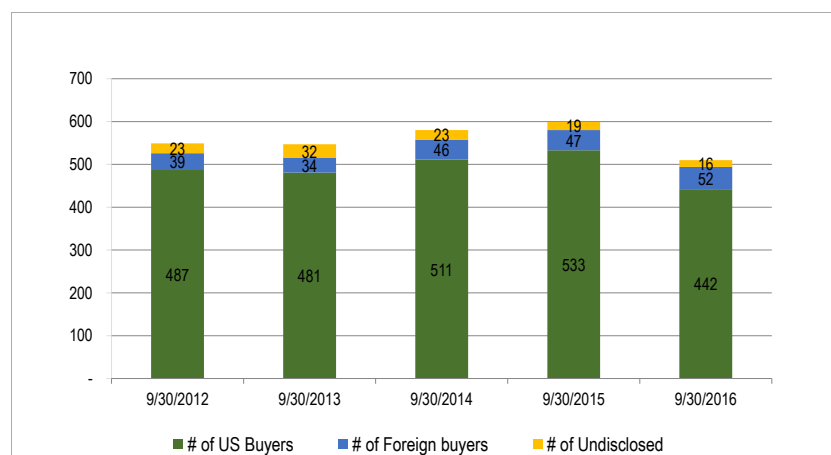
| Sector | Transaction Volume | TEV/ Revenue | TEV/EBITDA |
|--|--------------------|---------------------------|---------------------------|
| Agricultural Services | ↓ | Market Data not Available | Market Data not Available |
| Office Furnishings, Equipment & Products | ↓ | ↑ | ↑ |
| Professional Services & 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 | IHS Inc. | IHS Markit Ltd. | \$10,338.7 |
| Sanitary and General Management Services | Metalico Inc. | Yechiu Metal Recycling (China) Ltd. | \$157.0 |
| Professional Services & Consulting | Armed Forces Services Corporation | Magellan Healthcare, Inc. | \$127.5 |
| | | | |
| | | | |
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| | | | |
| | | | |

Source: S&P Capital IQ as of 10/17/2016 and PCE Proprietary Data

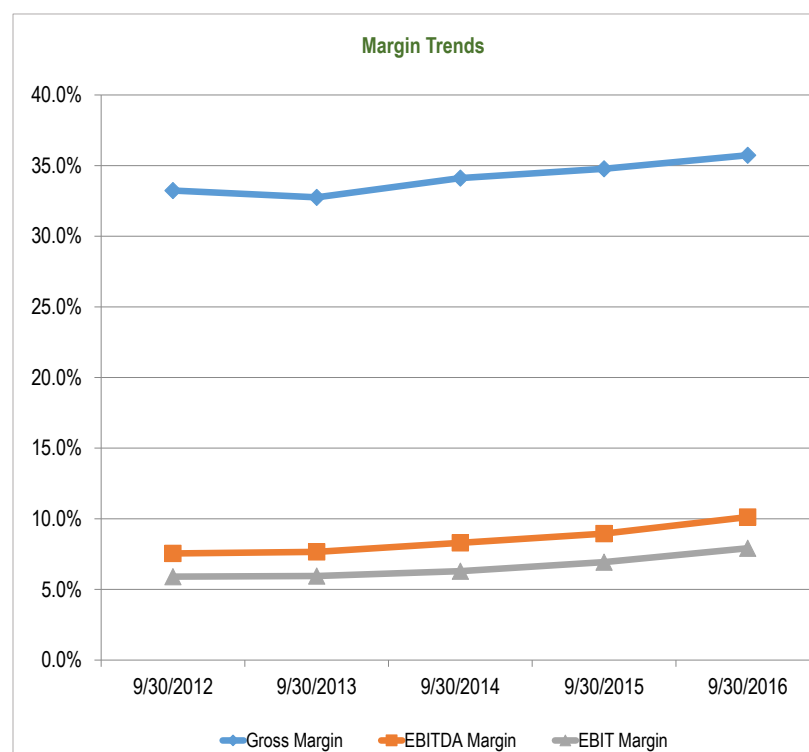
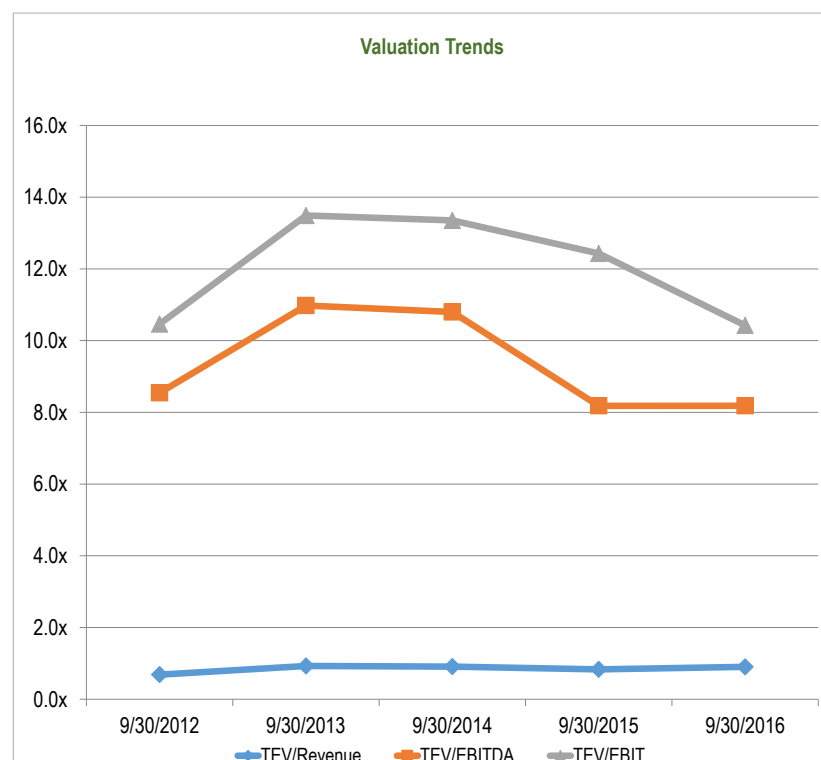
Office Furnishing, Equipment & Products

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

| | Total Enterprise Value | | | | Last Twelve Months 09/30/2016 Trends | |
|---------|------------------------|---------|--------|-------|---|---|
| | Market Cap | Revenue | EBITDA | EBIT | | |
| Average | \$906 | 0.9x | 8.3x | 11.2x | TEV/Revenue | ↑ |
| Median | \$1,039 | 0.9x | 8.2x | 10.4x | TEV/EBITDA | ↑ |
| | | | | | TEV/EBIT | ↓ |

| | Margins | | | Last Twelve Months 09/30/2016 Trends | |
|---------|--------------|--------|------|---|---|
| | Gross Profit | EBITDA | EBIT | | |
| Average | 35.3% | 10.0% | 7.5% | Gross Margin | ↑ |
| Median | 35.7% | 10.1% | 7.9% | EBITDA Margin | ↑ |
| | | | | EBIT Margin | ↑ |



Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

Professional Services and Consulting

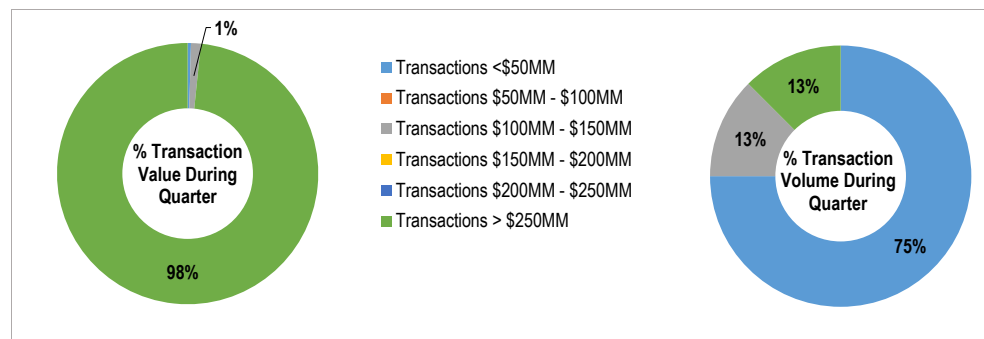
3rd Quarter 2016

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

| | |
|--|-------------|
| Transaction Volume | 102 |
| Number of Transactions with Disclosed Values | 8 |
| Transaction Value* | \$10,508.88 |
| Average Transaction Value* | \$1,313.61 |
| Median Transaction Value* | \$11.50 |

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

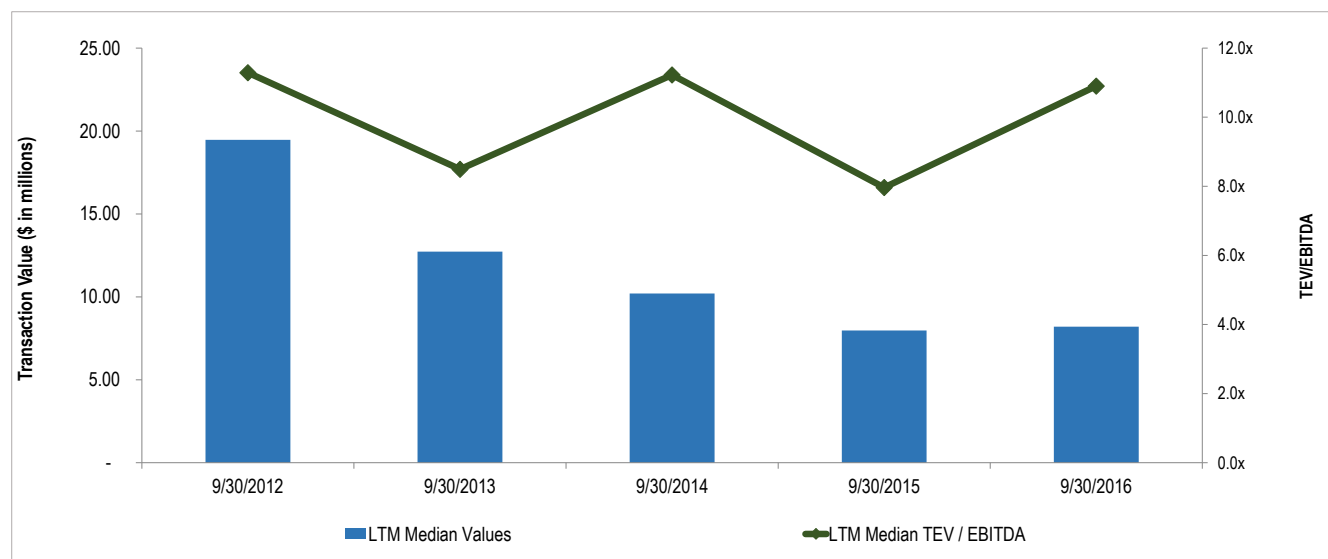
Transactions by Value & Volume



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 10/13/2016 and PCE Proprietary Data

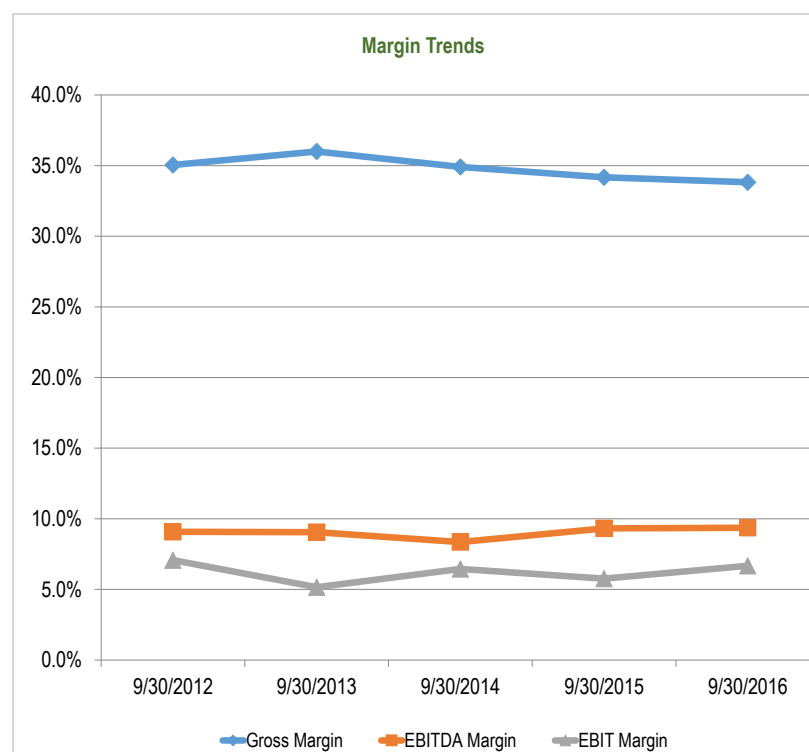
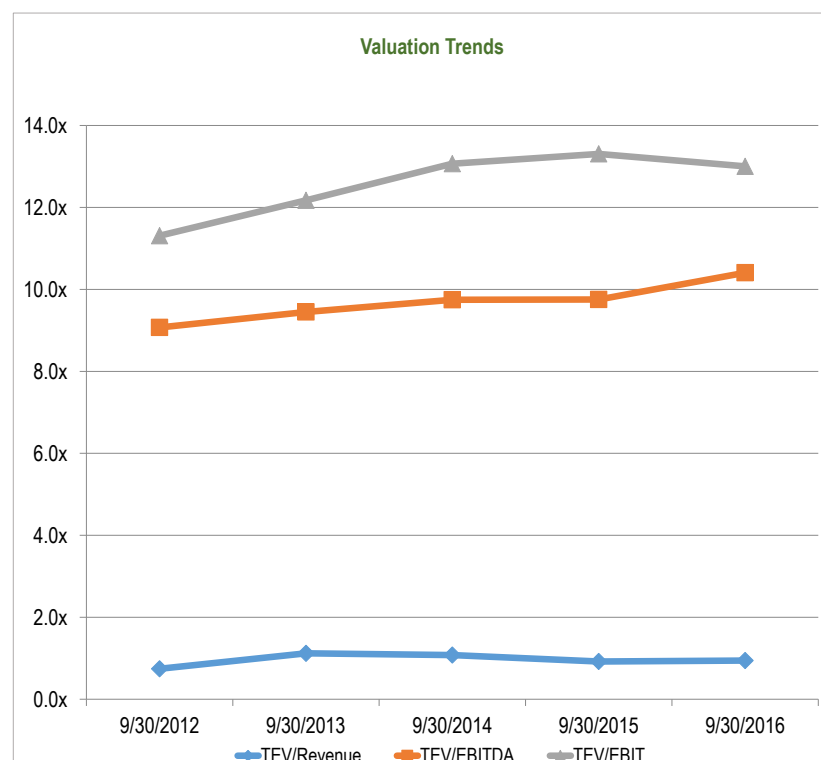
Professional Services and Consulting

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

| | Total Enterprise Value | | | | Last Twelve Months 09/30/2016 Trends | |
|---------|------------------------|---------|--------|-------|---|---|
| | Market Cap | Revenue | EBITDA | EBIT | | |
| Average | \$1,969 | 1.7x | 13.1x | 17.6x | TEV/Revenue | ↑ |
| Median | \$531 | 0.9x | 10.4x | 13.0x | TEV/EBITDA | ↑ |
| | | | | | TEV/EBIT | ↓ |

| | Margins | | | Last Twelve Months 09/30/2016 Trends | |
|---------|--------------|--------|------|---|---|
| | Gross Profit | EBITDA | EBIT | | |
| Average | 37.6% | 12.1% | 6.7% | Gross Margin | ↓ |
| Median | 33.8% | 9.4% | 6.7% | EBITDA Margin | ↑ |
| | | | | EBIT Margin | ↑ |



Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

Sanitary and General Management Services

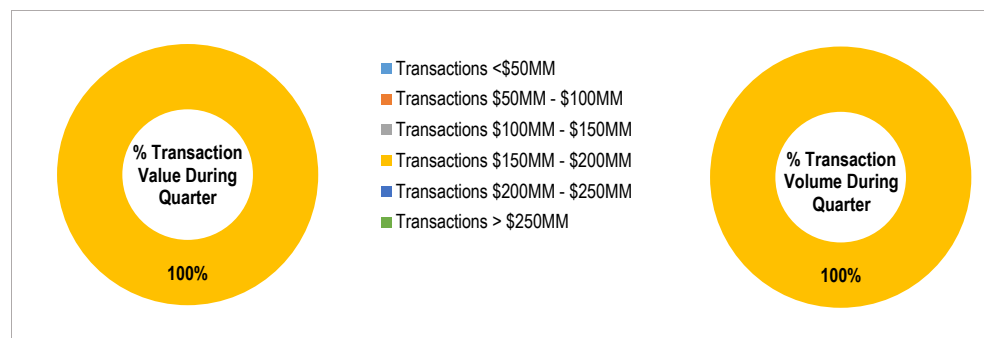
3rd Quarter 2016

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

| | |
|--|----------|
| Transaction Volume | 12 |
| Number of Transactions with Disclosed Values | 1 |
| Transaction Value* | \$156.96 |
| Average Transaction Value* | \$156.96 |
| Median Transaction Value* | \$156.96 |

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

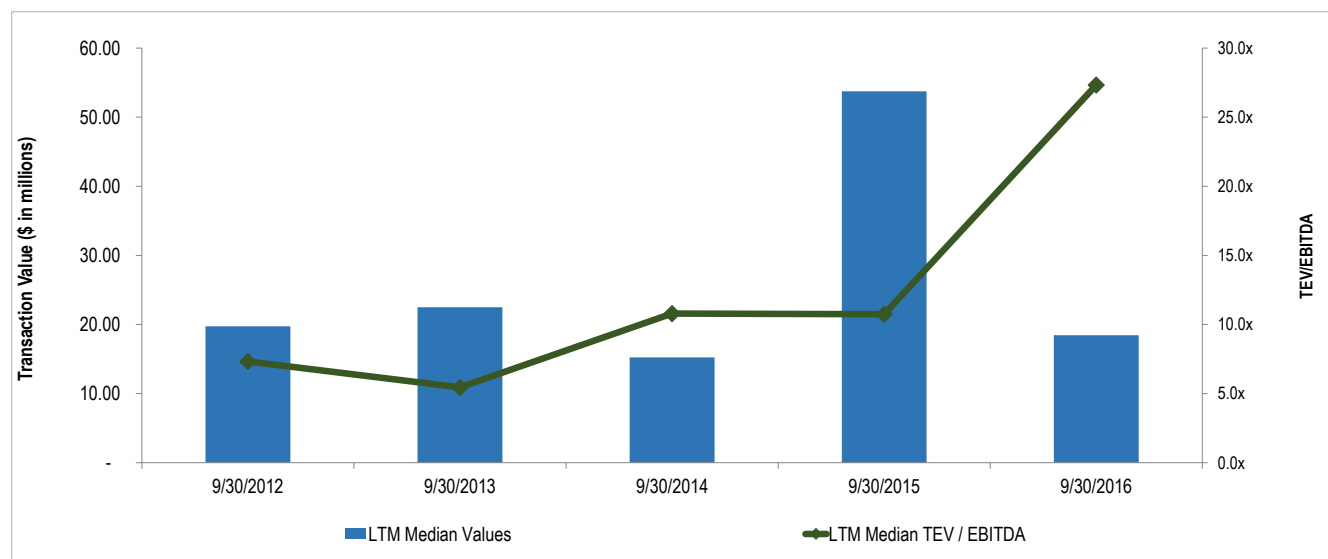
Transactions by Value & Volume



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 10/13/2016 and PCE Proprietary Data

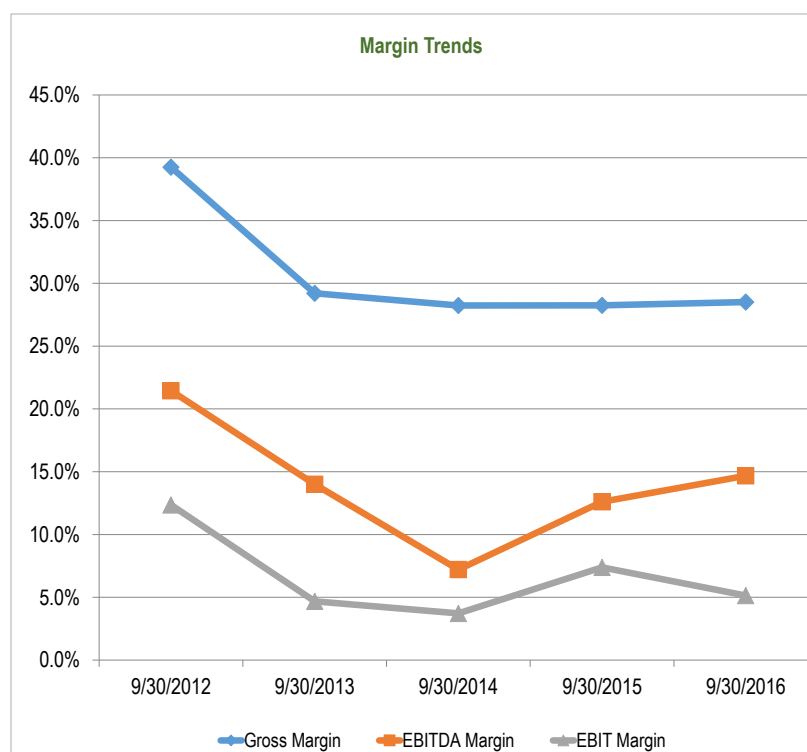
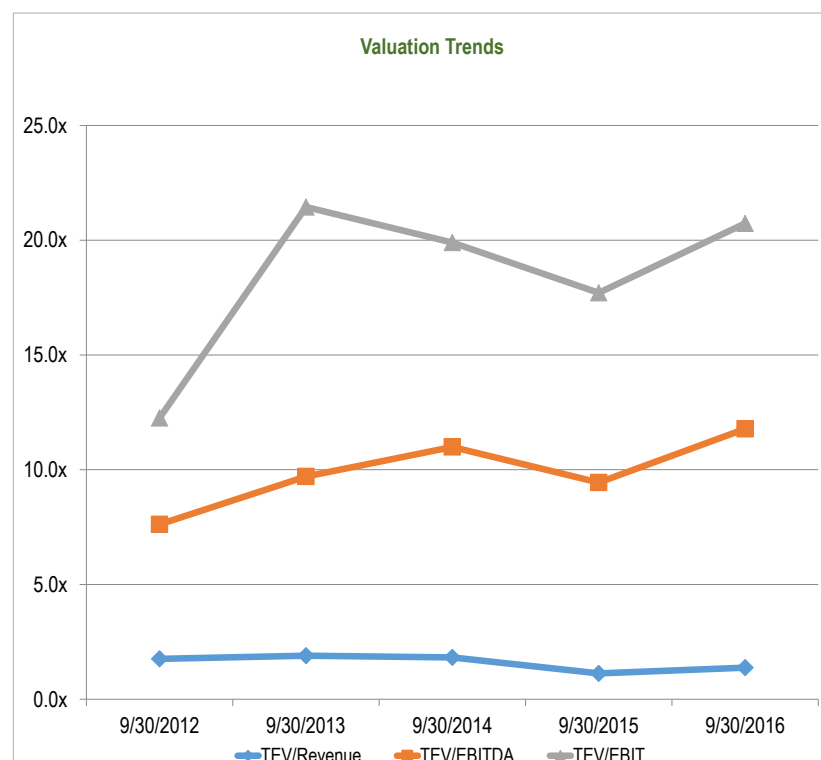
Sanitary and General Management Services

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

| | Total Enterprise Value | | | | Last Twelve Months 09/30/2016 Trends | |
|---------|------------------------|---------|--------|-------|---|---|
| | Market Cap | Revenue | EBITDA | EBIT | | |
| Average | \$3,894 | 1.6x | 14.1x | 24.2x | TEV/Revenue | ↑ |
| Median | \$298 | 1.4x | 11.8x | 20.7x | TEV/EBITDA | ↑ |
| | | | | | TEV/EBIT | ↑ |

| | Margins | | | Last Twelve Months 09/30/2016 Trends | |
|---------|--------------|--------|------|---|---|
| | Gross Profit | EBITDA | EBIT | | |
| Average | 24.8% | 11.9% | 5.1% | Gross Margin | ↑ |
| Median | 28.5% | 14.7% | 5.1% | EBITDA Margin | ↑ |
| | | | | EBIT Margin | ↓ |



Source: S&P Capital IQ as of 10/13/2016 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:

- 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

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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