



# PCE Industry Report

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Business Services



# Middle Market M&A Summary

## Business Services

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1st Quarter 2017

### 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/Revenue multiple is 1.6x.
- The public company industry median TEV/EBITDA multiple is 10.6x.

### Key Trends

- The Professional Services & Consulting subsector's transaction volume was positive, Agriculture was neutral, and the other Business Industry subsectors all trended negatively over the past quarter.
- The Professional Service & Consulting subsector's transaction volume represented approximately 56% of the Business Services Industry activity over the past quarter.
- Sales of office furniture in 2017 is predicted to drop by 0.8% due to increased import competition. However, operators have found growth in the customization category, with nearly one-third of sales arising from customized fixtures.
- Robots, autonomous tractors, and drones will all become a major part of agriculture starting in 2017. Thousands of robotic dairy farms have emerged, sales of autonomous tractors and autosteer technology have surpassed 300k units per year, and the use of low-cost drones for data analytics in farming are seeing growth.<sup>1</sup>
- Businesses are shifting away from retainer based work to more project based work. Research reveals that 85% of service business are on a project only or 50/50 project-retainer based system. This shift away from retainer based jobs is due to two client-based reasons: clients are demanding job completions at an increasing rate as well as a more transparent billing method.<sup>2</sup>

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

<sup>1</sup>IDTechEx - "Agricultural Robots and Drones 2017-2027 Technologies, Markets, Players" - March 2017

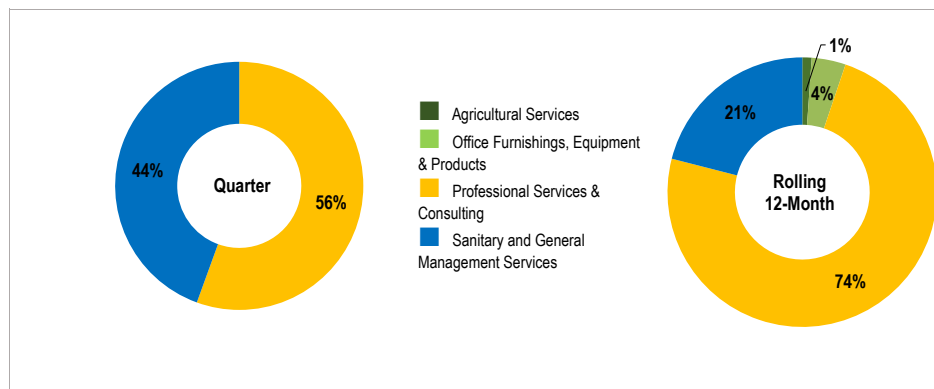
<sup>2</sup>Mavenlink - "State of Services Economy Report" - January 2017

### Industry Trends During Quarter

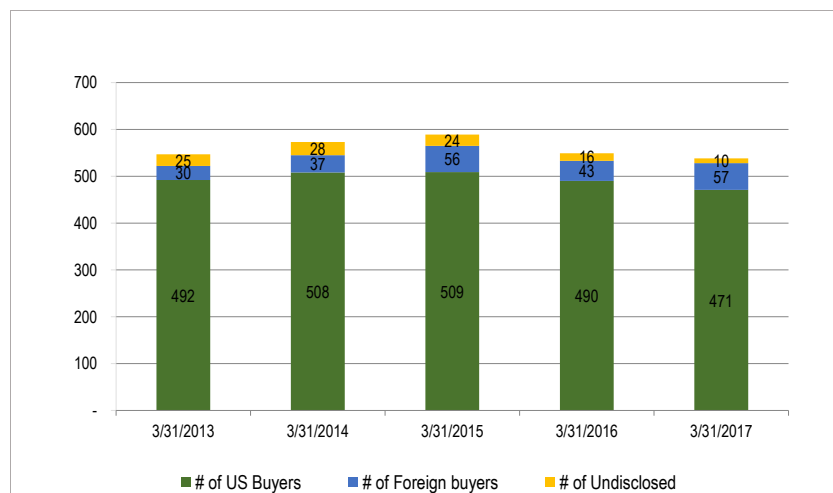
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Agricultural Services	→	Market Data not Available	Market Data not Available
Office Furnishings, Equipment & Products	↓	↓	↓
Professional Services & Consulting	↑	↑	↑
Sanitary and General Management Services	↓	↑	↓

\* 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
Sanitary and General Management Services	Southern Waste Systems LLC	Waste Management, Inc.	\$525.0
Professional Services & Consulting	TriNet Group, Inc.	Atairos Group, Inc.	\$442.3
Sanitary and General Management Services	TransMontaigne GP L.L.C.	ArcLight Capital Partners, LLC	\$350.0
Sanitary and General Management Services	Metalico Inc.	Yechiu Metal Recycling (China) Ltd.	\$157.0
Professional Services & Consulting	Innosight LLC	Huron Consulting Group Inc.	\$135.0
Professional Services & Consulting	MuniServices And Broussard Partners & Associates, Inc. And PRA Government Services And RamWare	Millstein & Co. LLC	\$91.5
Professional Services & Consulting	Wipro Ecoenergy	Chubb Alba Control Systems Limited	\$70.0

Source: S&P Capital IQ as of 4/21/2017 and PCE Proprietary Data

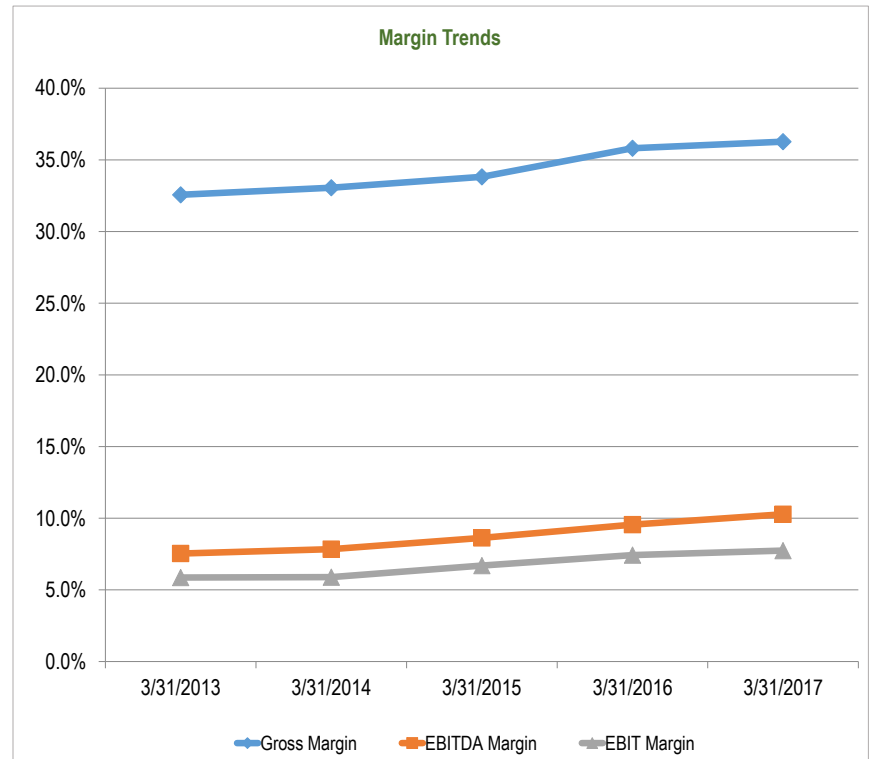
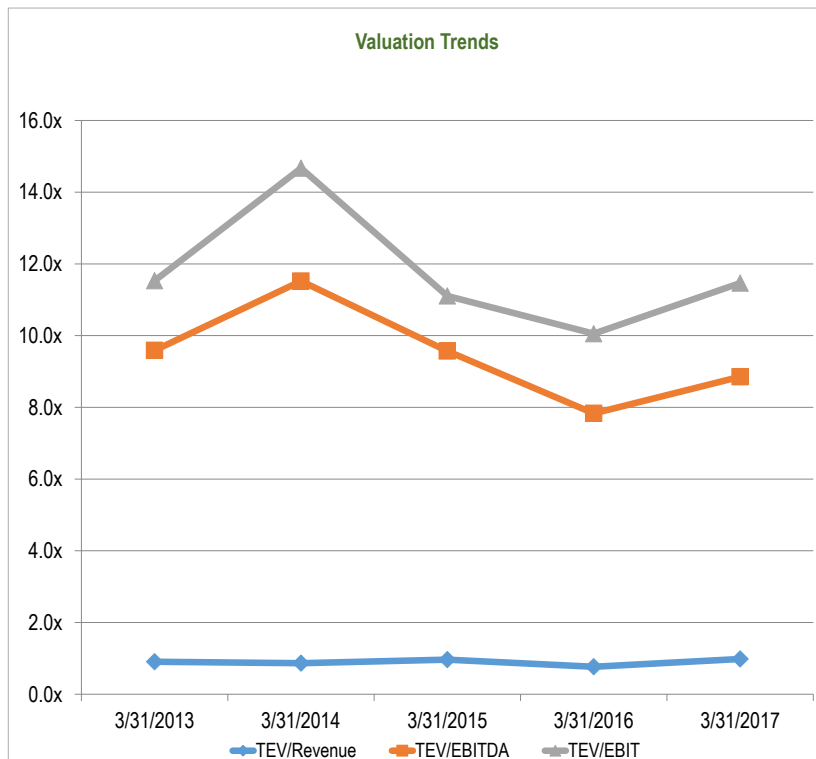
# Office Furnishing, Equipment & Products

1st Quarter 2017

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

	Total Enterprise Value				Last Twelve Months 03/31/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,097	1.1x	9.0x	11.8x	TEV/Revenue	↑
Median	\$1,193	1.0x	8.9x	11.5x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 03/31/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	35.7%	10.3%	7.8%	Gross Margin	↑
Median	36.3%	10.3%	7.7%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 4/21/2017 and PCE Proprietary Data



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

Transaction Volume	120
Number of Transactions with Disclosed Values	10
Transaction Value*	\$775.89
Average Transaction Value*	\$77.59
Median Transaction Value*	\$14.50

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

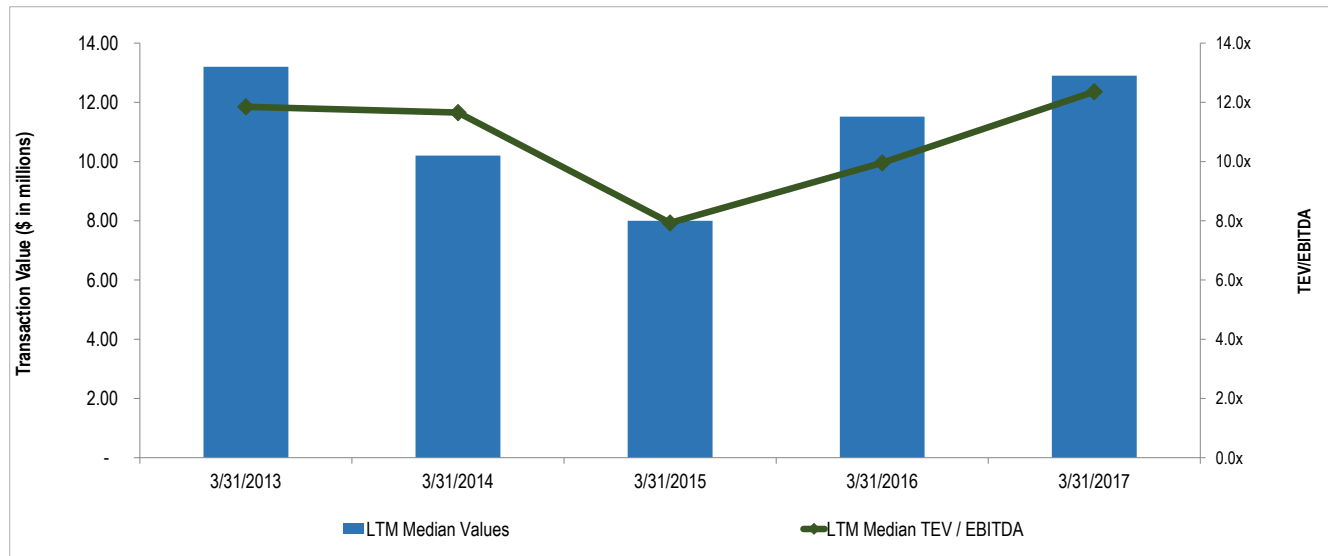
## Transactions by Value & Volume



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 4/21/2017 and PCE Proprietary Data

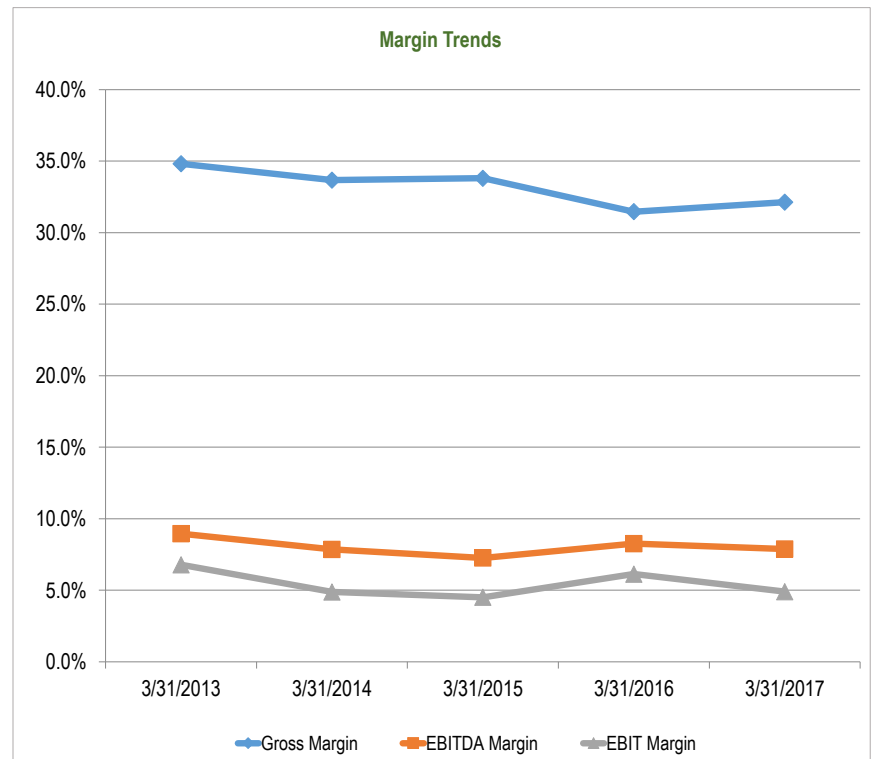
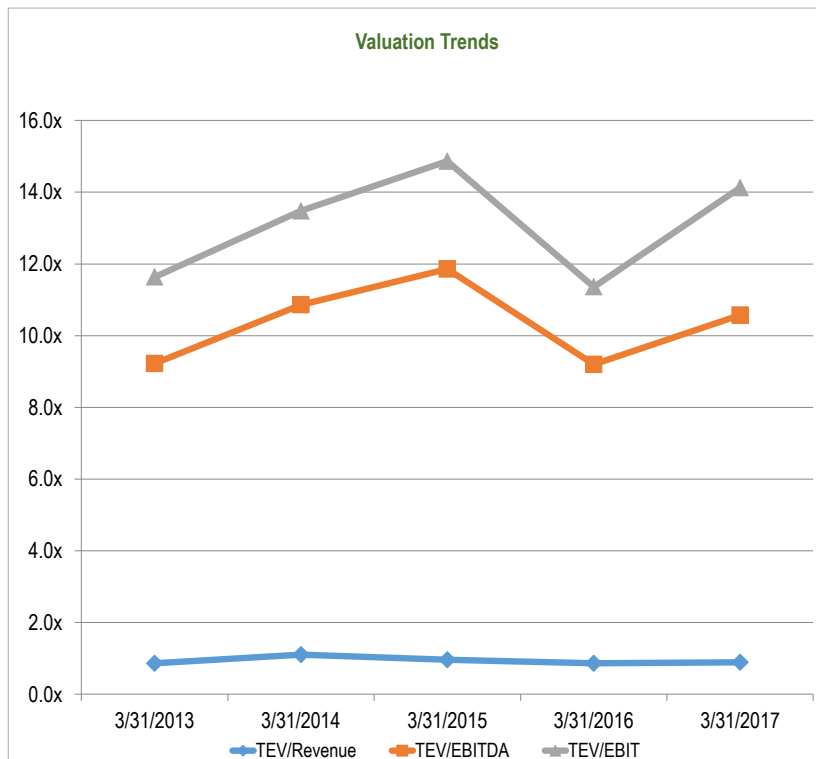
# Professional Services and Consulting

1st Quarter 2017

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

	Total Enterprise Value				Last Twelve Months 03/31/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$1,749	1.6x	14.7x	20.9x	TEV/Revenue	↑
Median	\$429	0.9x	10.6x	14.1x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 03/31/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	32.4%	8.6%	3.5%	Gross Margin	↑
Median	32.1%	7.9%	4.9%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 4/21/2017 and PCE Proprietary Data



# Sanitary and General Management Services

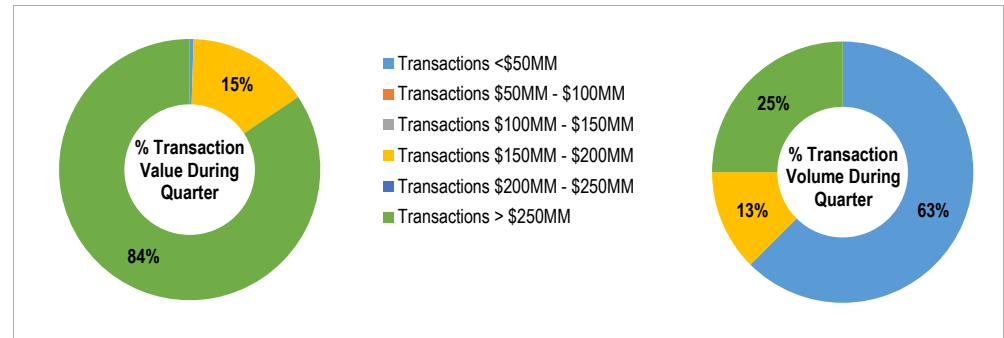
1st Quarter 2017

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

Transaction Volume	2
Number of Transactions with Disclosed Values	8
Transaction Value*	\$1,037.00
Average Transaction Value*	\$129.62
Median Transaction Value*	\$2.15

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

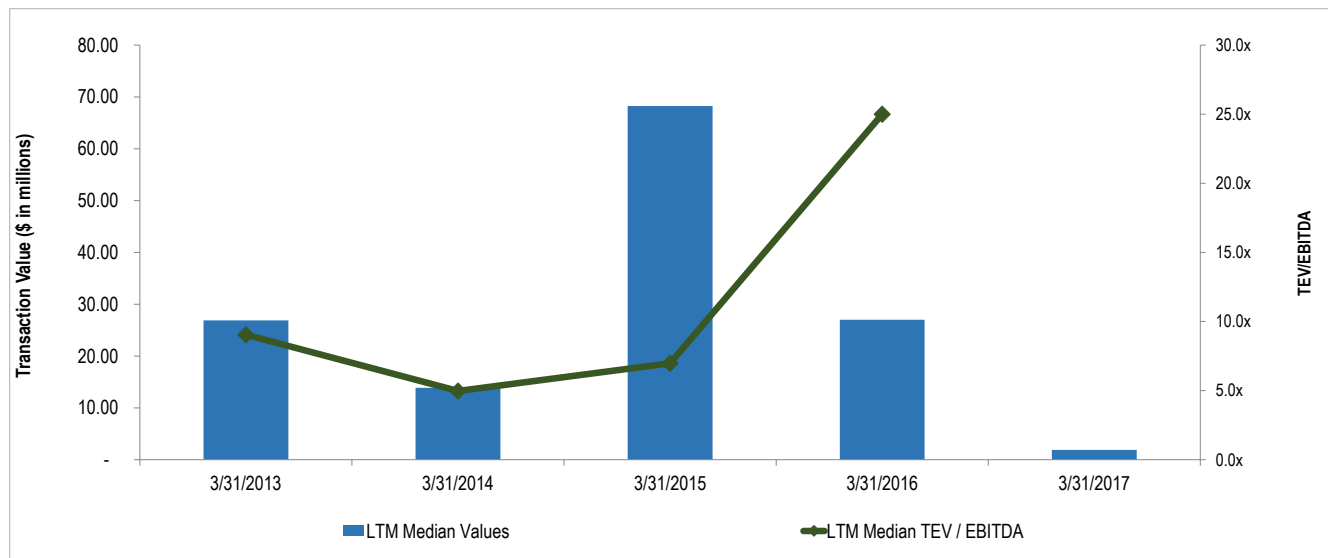
## Transactions by Value & Volume



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 4/21/2017 and PCE Proprietary Data



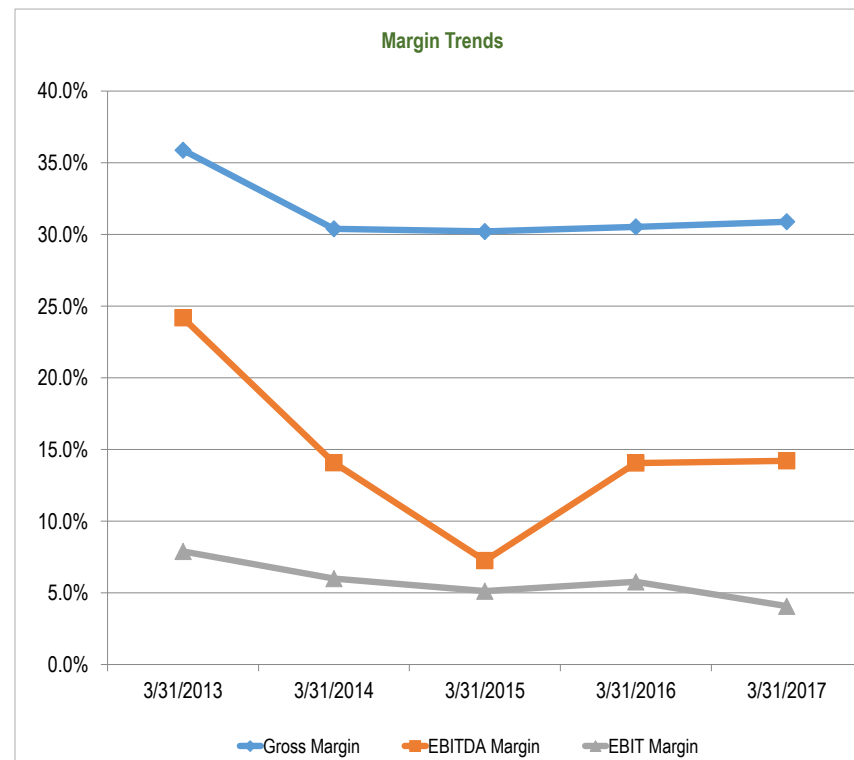
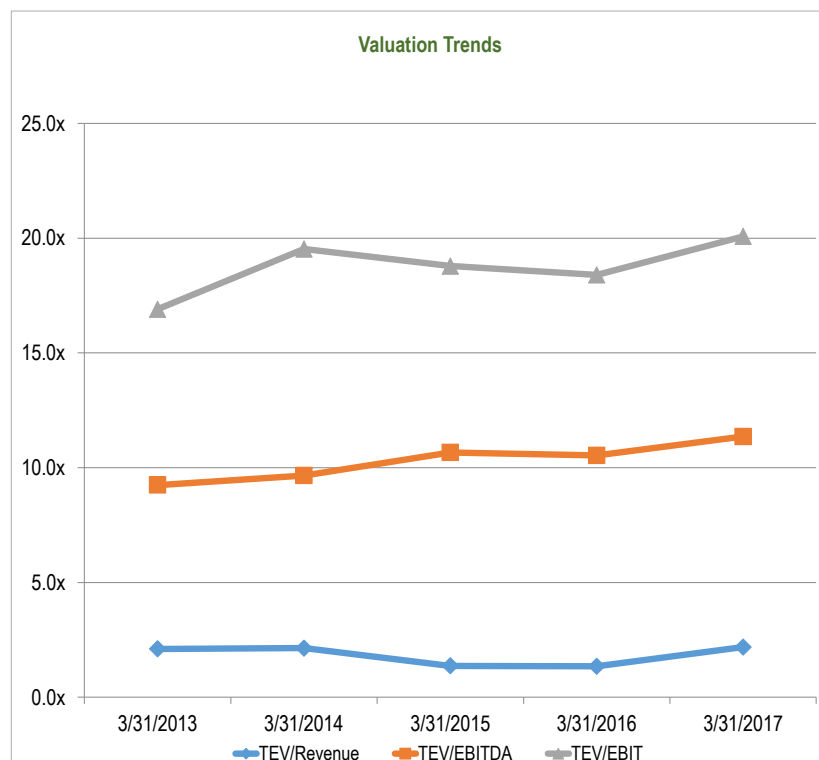
# Sanitary and General Management Services

1st Quarter 2017

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

	Total Enterprise Value				Last Twelve Months 03/31/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,177	1.8x	11.4x	23.2x	TEV/Revenue	↑
Median	\$368	2.2x	11.4x	20.1x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 03/31/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	27.4%	12.0%	3.4%	Gross Margin	↑
Median	30.9%	14.2%	4.1%	EBITDA Margin	↑
				EBIT Margin	↓



Source: S&P Capital IQ as of 4/21/2017 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

PCE Investment Bankers, Inc - member FINRA & SIPC; PCE Valuations, LLC; PCE Advisory, LLC

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### PCE Locations

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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