

INDUSTRY INSIGHTS BUSINESS SERVICES Q3 2020 M&A Market Update

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Following strong transaction volume in 2019, M&A activity returned to healthy levels in the third quarter of 2020 after COVID-19 headwinds stalled activity in the first half of the year. Current transaction activity is being driven by revived overarching market themes including low cost of capital, globalization of market share and the desire to offset low organic growth. These market influencers are expected to remain prevalent to drive M&A activity through year-end.

Business Services continues to be an active segment of the M&A market. Through Q3 2020, the sector witnessed seven megadeals (transactions exceeding \$1 billion), unchanged from the number of megadeals through Q3 2019. Interest in the sector drove the year-to-date median enterprise value (EV)/revenue multiple up to 1.9x from 1.6x in 2019, while the median EV/EBITDA multiple decreased to 9.8x from 11.7x in 2019. Both strategic and private equity (PE) buyers are currently active in the space despite the impact from COVID-19. Overall, M&A transaction volume has weakened this year as global Business Services market participants have been forced to navigate changes in delivery service models and pivot strategic direction to circumvent the impact of virtual environments. We expect this trend to improve as remote capabilities are enhanced and M&A volume as well as valuations trend upwards through Q1 2021.

Additionally, public equity markets have continued to perform at record levels with BDO Capital's Business Services index outpacing the S&P 500's equity performance, as demand for outsourced services continues to increase. Industry growth continues to be driven by global businesses desiring to become more agile in both strong and recessionary market environments, allowing them to scale with greater efficiency.

BDO Capital Advisors, LLC provides the following services:

- ▶ Sell-side Advisory
- ▶ Acquisition Advisory
- ▶ Board Advisory
- ▶ Capital Raising

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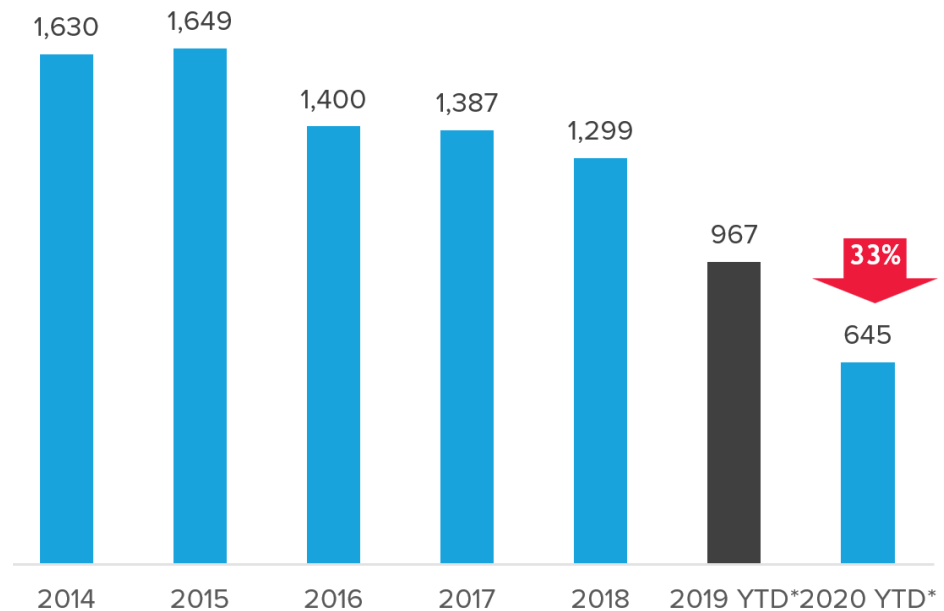


SECTOR M&A ACTIVITY

M&A TRANSACTION VOLUME: U.S. BUSINESS SERVICES INDUSTRY

Commentary

- ▶ U.S. Business Services M&A activity through Q3 2020 has significantly fallen compared to transaction volume through the same period in 2019, down 33% YoY.
- ▶ In total, there have been 645 announced deals in the sector involving U.S. headquartered targets, but the market appears to be on track to lag 2019 announced transactions.
- ▶ Both strategic and private equity buyers have remained somewhat active despite the effects of COVID-19's impact throughout 2020.

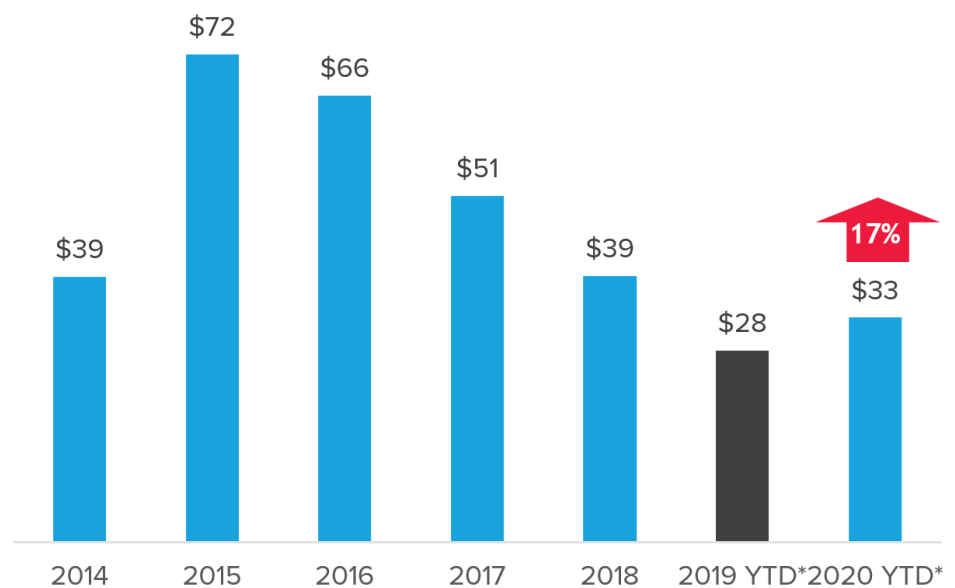


Source: S&P Capital IQ / *YTD through 09/30

M&A TRANSACTION VALUE (\$B): U.S. BUSINESS SERVICES INDUSTRY

Commentary

- ▶ Total 2020 reported deal value improved through Q3 compared to deal value transacted during the same period in 2019.
- ▶ The total 2020 reported deal value through Q3 was \$33 billion, or 17% above the same period in 2019.
- ▶ There were seven megadeals (transactions exceeding \$1 billion) through Q3 2020, unchanged from the number of megadeals through Q3 2019.
- ▶ Intercontinental Exchange, Inc. (NYSE:ICE) acquired an IT services firm for \$11B as the largest U.S. M&A deal announced through Q3 2020 in the sector.



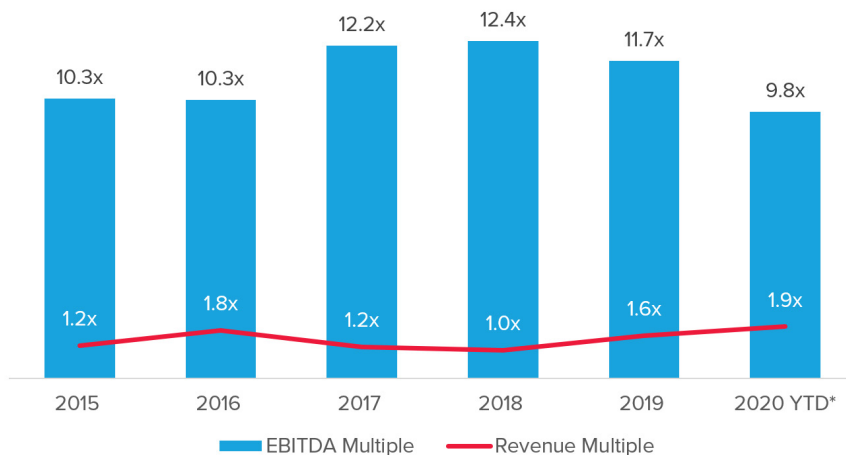
Source: S&P Capital IQ / *YTD through 09/30

SECTOR VALUATION TRENDS

MEDIAN U.S. BUSINESS SERVICES M&A TRANSACTION MULTIPLES

Commentary

- ▶ As aggregate transaction values have started to improve, revenue multiples have increased as both strategic and PE buyers have sought to acquire quality assets.
- ▶ The 2020 median reported EV/EBITDA multiple decreased through Q3 to 9.8x from 11.7x in 2019, reflecting challenging headwinds faced by Business Services companies.
- ▶ Despite substantial PE dry powder and corporate access to capital, buyers have become more selective, seeking predictable cash flow business models.



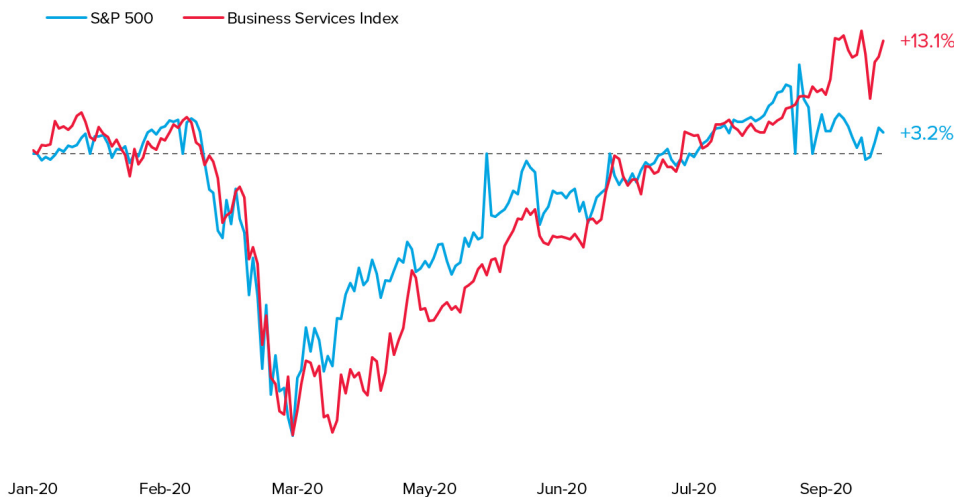
Source: S&P Capital IQ / *YTD through 09/30

Note: Excludes revenue multiples > 10x and EBITDA multiples > 30x

BUSINESS SERVICES EQUITY PERFORMANCE V. S&P 500 INDEX

Commentary

- ▶ Through 09/30/20, Business Services stocks delivered returns in excess of the S&P 500 as global organizations continue to seek outsourced services to remain cost competitive and agile in robust and recessionary environments.
- ▶ Market participants continue to bolster their service offerings organically and inorganically, creating sticky customer relationships & greater retention.
- ▶ The Business Services Index rose 13.1% through 09/30/20 compared to a gain of 3.2% in the S&P 500.



Source: S&P Capital IQ / YTD through 09/30

Note: Business Services Index weighted by market capitalization

EQUITY TRADING OVERVIEW

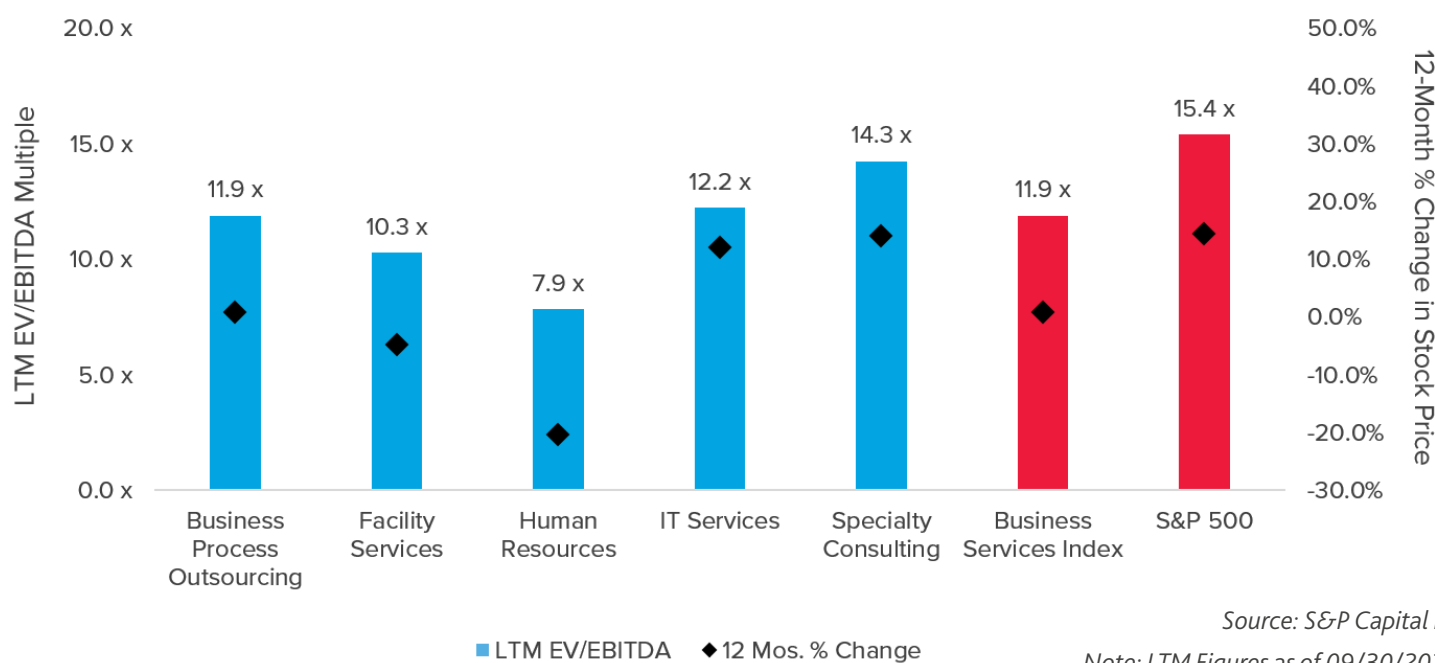
KEY TRADING STATISTICS

Sub-Sector	Number of Companies	Median Enterprise Value (\$mm)	Change in Stock Price		LTM		2020E	
			3 mos.	12 mos.	EV / EBITDA	P/E	EV / EBITDA	P/E
Business Process Outsourcing	7	3,160	6.7%	0.9%	11.9x	27.9x	9.8x	19.3x
Facility Services	10	4,425	3.1%	-4.8%	10.3x	31.5x	11.2x	22.3x
Human Resources	9	2,283	6.7%	-20.3%	7.9x	19.6x	9.5x	19.5x
IT Services	10	20,269	14.6%	12.0%	12.2x	21.1x	10.8x	17.7x
Specialty Consulting	6	22,918	5.6%	14.1%	14.3x	27.6x	16.1x	28.4x
Business Services Index	42	4,425	6.7%	0.9%	11.9x	27.6x	10.8x	19.5x

Source: S&P Capital IQ

Note: LTM figures as of 09/30/2020

PUBLIC COMPANY SECTOR PERFORMANCE



BDO CAPITAL DEAL CLOSING

BDO CAPITAL ANNOUNCES THE SALE OF IPEC COACHING TO EUREKA EQUITY PARTNERS

BDO Capital Advisors, LLC (BDO Capital) is pleased to announce the sale of Perfect Creation, Inc., d/b/a iPEC Coaching, (iPEC or the Company) to Eureka Equity Partners (Eureka). The sale builds upon BDO Capital's extensive Business Services credentials and experience advising entrepreneur-owned businesses. Valentina Midura, Senior Managing Director, and Patrick Bisceglia, Managing Director, led the engagement for BDO Capital with support from Associate Daniel Singer.

iPEC is a global life coach training and certification company based in Shrewsbury, NJ. The Company offers a variety of programs including its ICF (International Coaching Federation)-Accredited Coach Training Program. The program includes three intensive, three-day, face-to-face training experiences as well as 386+ hours of training online through webinars, e-workbooks and self-study assignments. The Company also has an Energy Leadership Products and Services segment, which is primarily comprised of its Energy Leadership Index assessment service.

Eureka is a private equity firm focused on investing in and building niche-market leaders at the lower end of the middle market. Eureka's core focus is partnering with exceptional management teams to acquire businesses with up to \$100 million in revenue across industry segments in which Eureka brings significant experience and operating resources, including business services, health care services, specialty manufacturing and consumer products.

"We are very excited to partner with CEO Joan Ryan and the rest of the outstanding team at iPEC in the next phase of the Company's growth," said Chris Miller, a Partner with Eureka who joined the Board of iPEC at the close of the transaction. "iPEC's proprietary content and unique pedagogy have combined to drive both professional and personal transformational development for its program participants. We look forward to supporting the Company's continued growth and expansion into complementary service lines to further support its highly loyal alumni base of over 15,000 graduates." Lisa Millhauser, a Principal with Eureka, also joined the Board of iPEC at the close of the transaction.



SALE OF IPEC TO EUREKA EQUITY PARTNERS

Served as exclusive financial advisor to Perfect Creation, Inc., d/b/a iPEC Coaching, in its sale to Eureka Equity Partners

"iPEC has found a fantastic partner in Eureka. We look forward to seeing the company continue to evolve and extend its global success in this new partnership."

VALENTINA MIDURA

Senior Managing Director

BDO

ONE OF THE MOST ACTIVE ADVISORY NETWORKS IN THE WORLD

Top 20 Most Active Middle-Market Advisor



1,530
Deals in 2019



\$73.2B
Transaction Value



100
Countries

Select BDO Capital Advisors Business Services Experience



Served as exclusive financial advisor to Murphy Pipeline Contractors, Inc. in its sale to Inland Pipe Rehabilitation, a portfolio company of J.F. Lehman & Company.



Served as exclusive financial advisor to Decisive Analytics Corporation in its sale to Whitney, Bradley & Brown, Inc. (WBB, Inc.), a portfolio company of H.I.G. Capital.



Served as exclusive financial advisor to International Professional Marketing, Inc. (IPM) in its sale to Newtek Business Services Corporation (NASDAQ:NEWT).



Served as exclusive financial advisor to Trialon Corporation in its sale to an affiliate of Resilience Capital Partners.



Served as exclusive financial advisor to Infinity Behavioral Health Services, Inc. in its partnership with Thompson Street Capital Partners.



Served as exclusive financial advisor to Social Security Advocates for the Disabled, LLC in its partnership with Century Capital Partners.

BDO's global M&A and Transaction Services teams completed 1,530 deals in 2019, generating a combined value of USD \$73.2B. BDO also performed strongly in the 2019 financial advisor league tables:

- ▶ Number 3 most active global M&A advisor according to PitchBook
- ▶ Top 20 ranked mid-market M&A advisor globally for deals <\$500M by Thomson Reuters
- ▶ 9th leading M&A advisor in the European market according to Thomson Reuters' 2019 Global Mid-Market M&A Review

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- ▶ Entrepreneur-Owned Companies
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- ▶ Corporate Carve-Outs
- ▶ Cross-Border Transactions
- ▶ ESOPs

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- ▶ Structuring
- ▶ Negotiation
- ▶ Acquisition Financing
- ▶ Management Buyouts
- ▶ Acquisition Search

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- ▶ Strategic Alternative Reviews
- ▶ Special Committee Advisory
- ▶ Share Repurchase Programs
- ▶ IPO Advisory
- ▶ ESOP Formation

CAPITAL RAISING

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- ▶ Mezzanine
- ▶ Equity





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ABOUT BDO CAPITAL ADVISORS, LLC

BDO Capital Advisors, LLC, a wholly-owned affiliate of BDO USA, LLP, is a leading middle market investment bank that focuses on sell-side advisory, acquisition advisory, capital raising and board advisory services with offices located throughout the United States. The firm has deep industry knowledge, extensive cross-border transaction experience and superior execution capabilities. The firm has broad industry expertise and contacts having closed transactions within the Manufacturing & Distribution, Consumer, Food & Retail, Healthcare & Life Sciences, Business Services, Energy & Natural Resources and Technology, Media & Telecom sectors. Our seasoned investment bankers have collectively advised on hundreds of transactions for a variety of clients including family-owned businesses, entrepreneur-led companies, public corporations and leading private equity firms. Our professionals also draw upon the full depth and breadth of BDO USA's national resources which include 65+ offices and over 6,000 people located throughout the United States.

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