



Business Services M&A Update

Q1 2023

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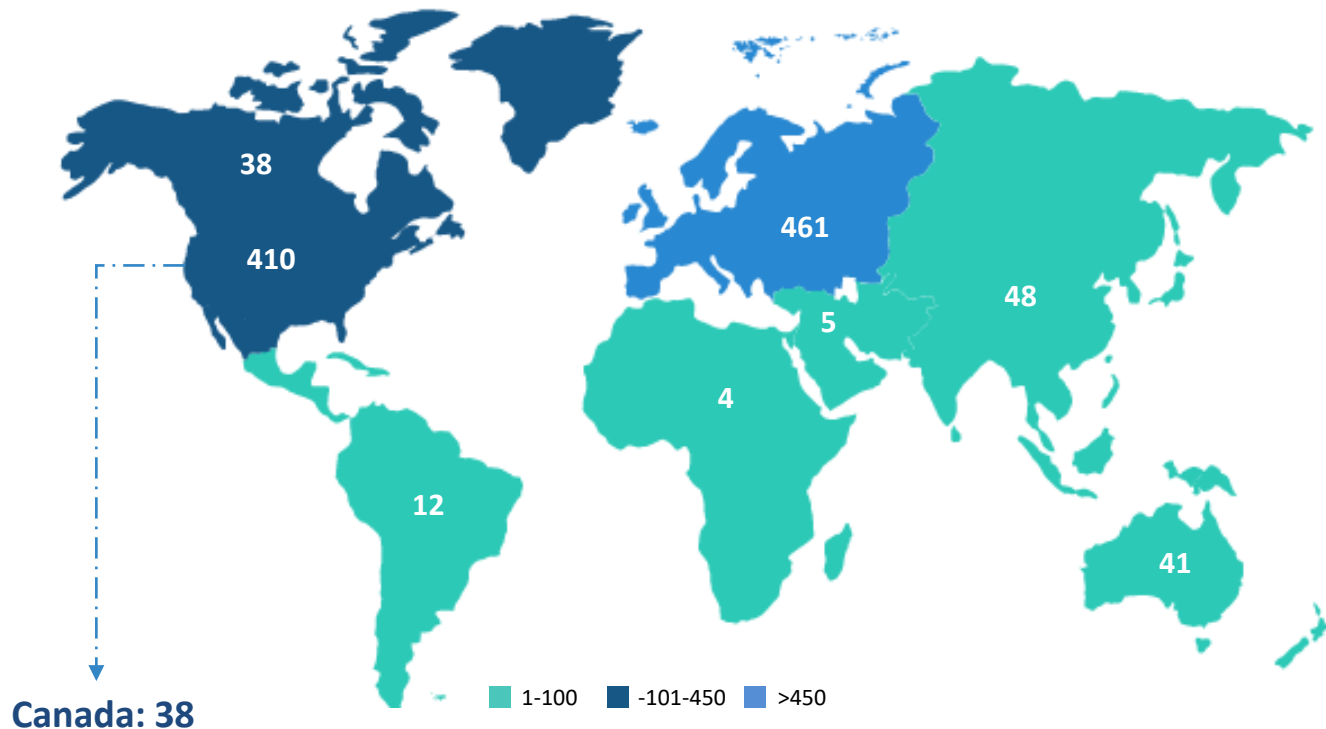
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REPORT HIGHLIGHTS

- The S&P/BMV Commercial Services Index increased 11.7% in Q1 2023 and outperformed the S&P 500 index, which increased 7.5% in the same period.
- The median EV/EBITDA multiple in the Business Services sector for reported PE deals increased to 12.4x in Q1 2023 from 9.7x in 2022, and increased for strategic deals to 7.4x from 7.1x over the same period.
- M&A deal volume in the sector was down 8.9% to 1,019 completed transactions in Q1 2023 compared to 1,119 deals in Q4 2022 and down 24.7% from 1,354 deals in Q1 of the prior year.
- Total capital invested increased 13.8% to \$38.0 billion in Q1 2023 from \$33.4 billion in Q4, but decreased 38.5% from \$61.8 billion in Q1 of the prior year.
- Europe was the most active region in Q1 2023 with 461 deals. Most notably in Europe was the \$8.9 billion acquisition of Serra Lopes Cortes Martins and Associados by Cuatrecasas in January 2023.

Global Deal Analytics

Of the 1,019 deals in Q1 2023, Europe was the most active market with 461. Another notable European deal (in addition to the Cuatrecasas deal mentioned on the previous page) was Veritas Capital's \$3.1 billion leveraged buyout of Wood Mackenzie, a Scotland-based provider of research & consultancy services for the natural resources sector, in February 2023. North America was the second most active region with 448. All other regions combined for a total of 110 deals.



Canada: 38

United States Regions: 410

Mid Atlantic:	110
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West Coast:	75
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Southeast:	57
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Great Lakes:	55
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New England:	27
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Other:	86
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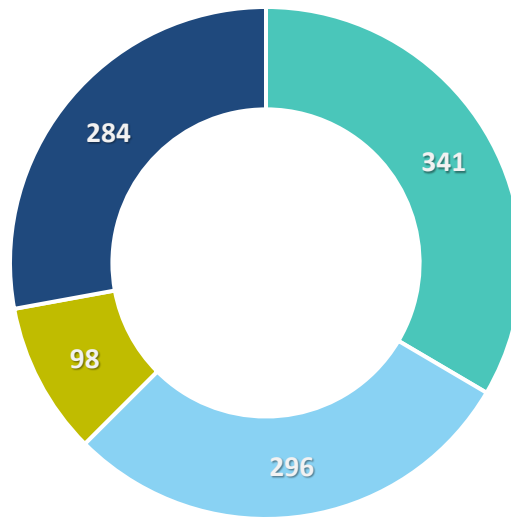
In the North American market, the Mid Atlantic region was the most active in Q1 with 110 deals, followed by the West Coast with 75. The Southeast and Great Lakes regions reported 57 and 55 transactions, respectively. The New England region reported 27 deals, including Caisse de dépôt et placement du Québec's \$1.6 billion acquisition of Howden Tiger, a Connecticut-based provider of risk, capital and strategic advisory services to the global insurance and reinsurance industry, in January 2023. All other regions combined had a total of 86 closed transactions.

Outside of the U.S. in the North America market, Canada had a relatively active quarter with 49 reported transactions in Q1.

Global Deal Analytics

Of the 1,019 BPO deals in Q1, 341 were in the Media and Information Services subsector, making it the most active subsector in the industry from an M&A standpoint. Consulting Services was the second most active with 296 deals followed by Human Capital Services with 98. All other subsectors combined had a total of 284 closed transactions.

Deal by Subsector



■ Consulting Services

■ Media & Information Services

■ Human Capital Services

■ Other

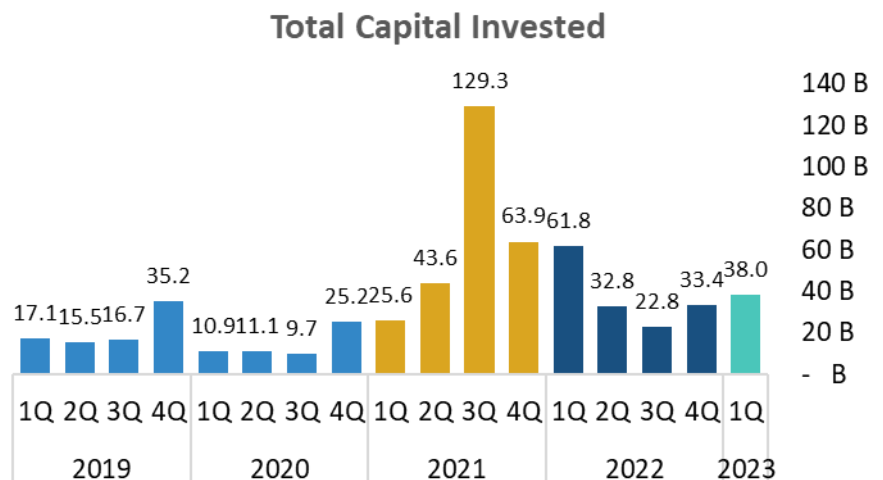
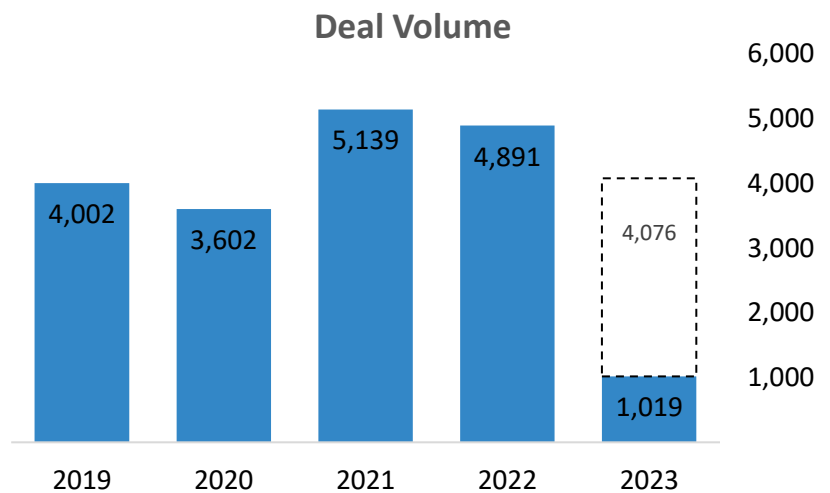
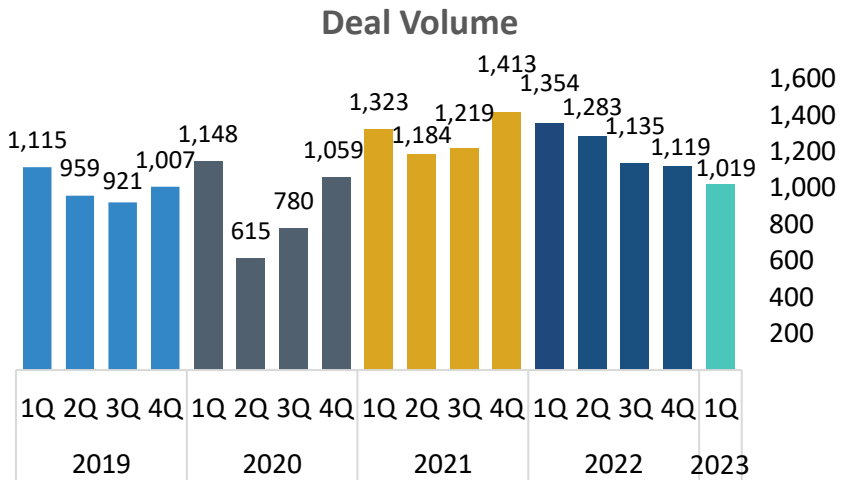


Global Deal Analytics

Deal volume in the Business Services sector decreased 8.9% in Q1 2023 to 1,019 deals from 1,119 in Q4 2022, and 24.7% from 1,354 deals in Q1 of the prior year. Deal volume in Q1 of 2023 represented the lowest quarter since the Covid lows in Q2/Q3 2020.

Based on Q1 levels, M&A deal volume for 2023 is projected to decrease 16.7% to 4,076 deals, down from 4,891 in 2022. This decline is primarily due to more challenging market conditions from a dealmaking perspective, including rising interest rates/cost of capital, tightening liquidity in the capital markets and continuing inflation impacting labor costs.

Total capital invested in M&A deals in the Business Services sector increased 13.8% in Q1 2023 to \$38.0B from \$33.4B in Q4 2022, but decreased 38.5% from \$61.8B in Q1 of the prior year. This increase from the prior quarter is primarily due to an increase in large-sized transactions including Geechs' \$12.8B acquisition of Launch Group Australia and Cuatrecasas' \$8.9B acquisition of Serra Lopes Cortes Martins and Associados in January 2023. Comparatively, the two largest reported transactions in Q4 2022 were for a combined value of \$18.5B, representing an increase of \$3.2B in invested capital from the two largest deals alone.



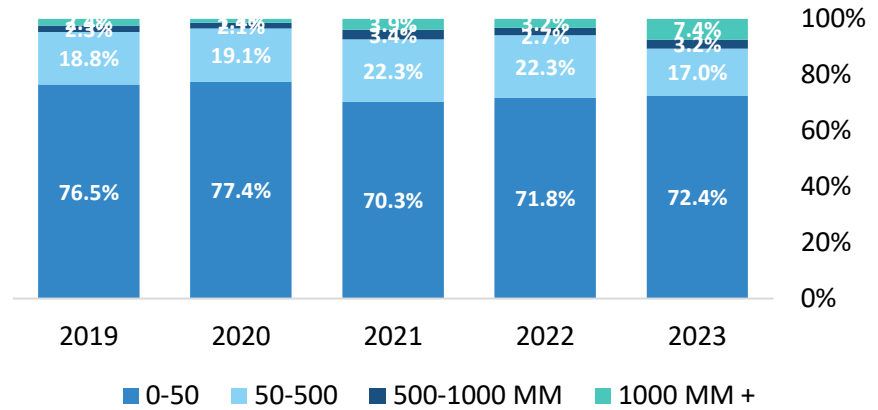
Global Deal Analytics

In Q1 2023, we saw a shift in mix toward larger deals with the large cap tranche (\$1000MM+) increasing to 7.4% of deal volume from 3.2% in 2022. The lower middle (\$0-\$50MM) and upper middle (\$500-\$1000MM) tranches of the market ticked up slightly to 72.4% and 3.2% from 71.8% and 2.7%, respectively, in 2022. The middle market (\$50-\$500MM) tranche saw a decline to 17.0% in Q1 from 22.3% 2022.

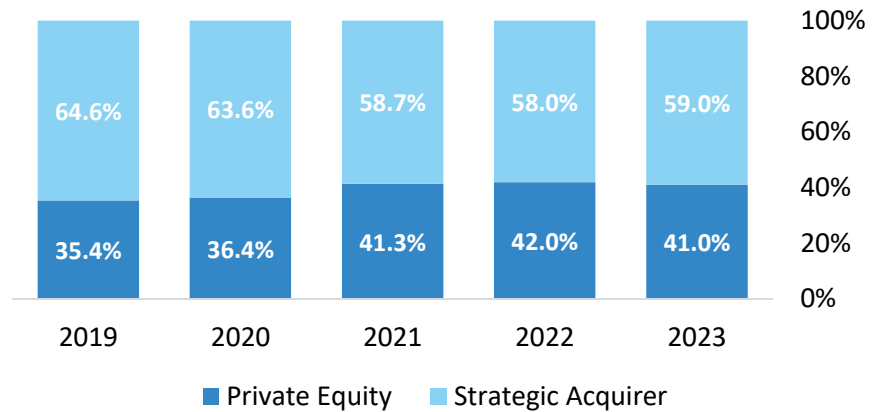
As a % of total deal volume, PE buyers trended slightly lower in Q1 relative to strategic buyers, representing 41.0% of deal volume in the sector. Q1 2023 marks the lowest percentage of PE deal volume over the last 3 years.

Following the trend in deal volume, PE share of total capital invested in M&A deals declined significantly in Q1 to 37.1%, down from 48.8% in 2022. PE’s share of deal volume in Q1 is the lowest share in five years and continues a declining trend of PE capital investment since 2019. This drop in Q1 is indicative of the overall market with rising interest rates and a more challenging underwriting environment.

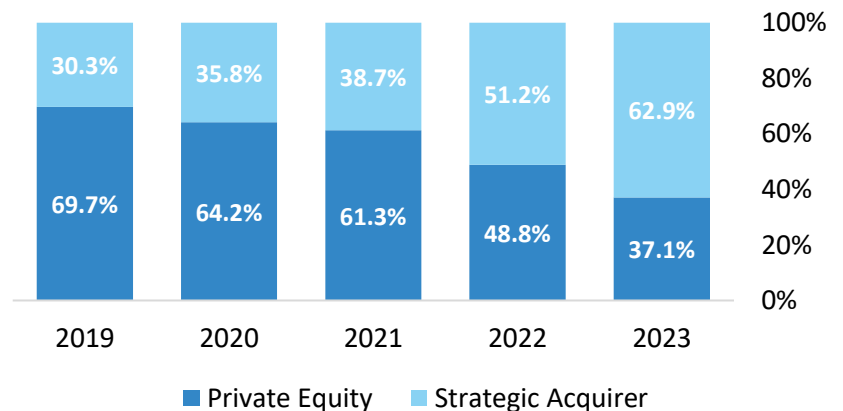
Deal Volume by Deal Size



Deal Volume by Acquirer

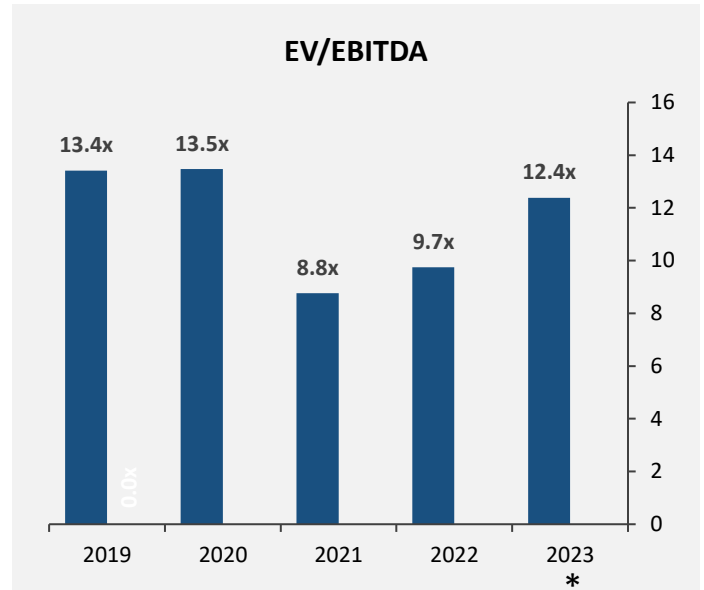
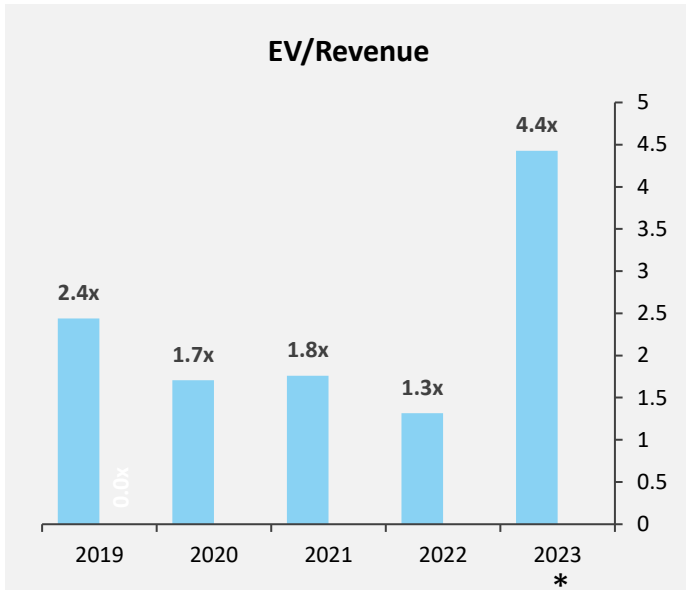


Total Capital Invested by Acquirer

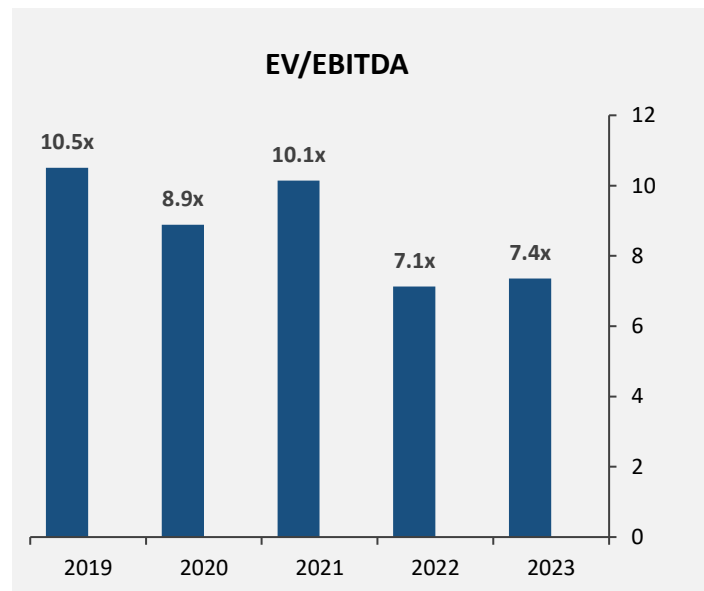
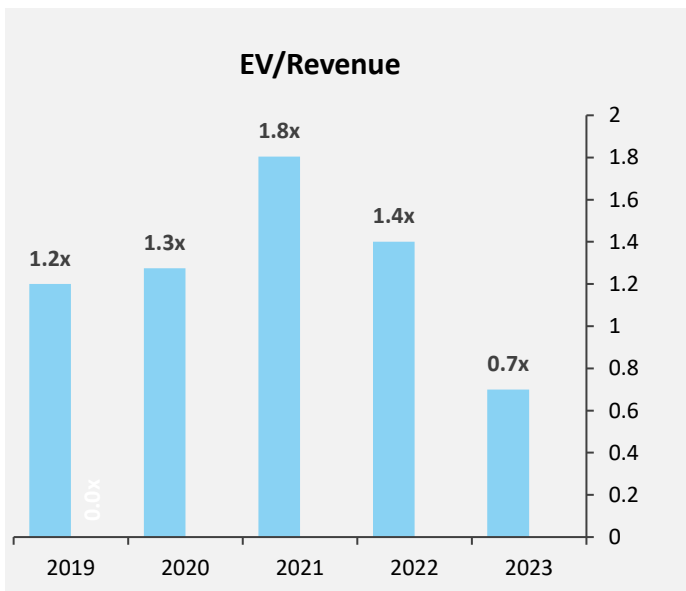


Valuation Multiples

PE Multiples



Strategic Multiples





* The EV/Revenue and EV/EBITDA multiples for PE buyers were calculated using a weighted average.

Largest Deals (Disclosed)

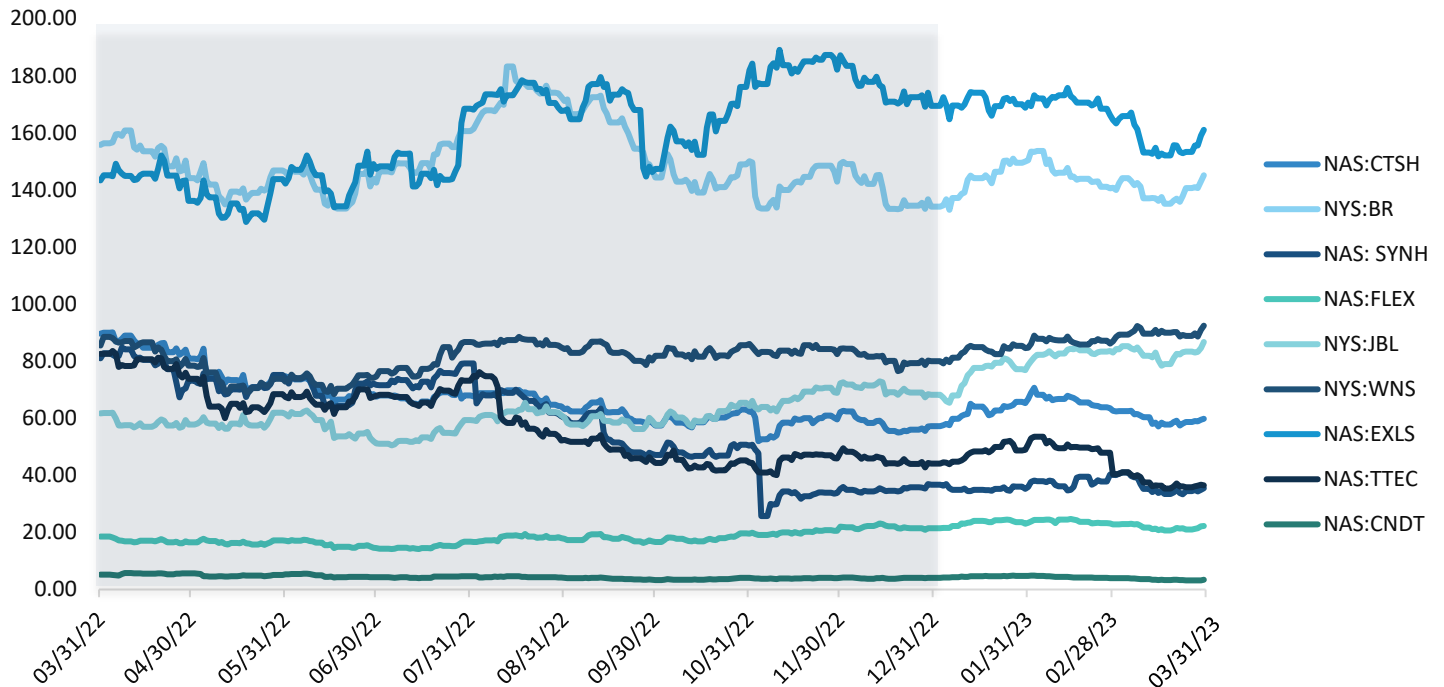
Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
30-Mar-2023	Sentric Music	Believe	Merger/Acquisition	\$ 57.0	1.06x	20.91x	Developer of an online music publishing platform.
30-Mar-2023	BAM Communications	LLYC	Merger/Acquisition	13.2	0.64x		Operator of a marketing and public relations agency intended to connect startups and media.
29-Mar-2023	Digital Media Management	Keywords Studios	Merger/Acquisition	67.5	1.99x	7.94x	Operator of an advertising agency for high-profile individuals, brands, and movies.
23-Mar-2023	Evisiance Group	Alan Allman Associates	Merger/Acquisition	2.7	0.20x		Provider of digital marketing strategies based in Lyon, France.
20-Mar-2023	Torpedo Factory Group	Aukett Swanke Group	Merger/Acquisition	3.5	0.28x		Provider of audio-visual and staging technology solutions within the education, corporate and public sectors.
14-Mar-2023	John Wood Group	Danos	Merger/Acquisition	17.0	0.19x		Provider of offshore labor supply services in the Gulf of Mexico.
02-Mar-2023	Atalian Group	O.C.S. Group	Buyout/LBO	3,043.5			Provider of safety and security services.
27-Feb-2023	&Rosàs	Vocento	Merger/Acquisition	5.9	0.80x	4.77x	Operator of a brand advertising and communication agency based in Barcelona, Spain.
10-Feb-2023	Eatcosys	Incite Foodtech	Merger/Acquisition	43.1	6.45x		Operator of an integrated platform intended to offer retail solutions operated by specialists in its respective fields.
08-Feb-2023	A2Mac1	Auster Capital	Buyout/LBO	1,517.4			Provider of engineering and technical benchmarking services to the automotive industry.
01-Feb-2023	Connex Marketing	Awardit	Merger/Acquisition	11.5	0.70x		Provider of voucher-based reward and incentive solutions enabling businesses to motivate employees.
01-Feb-2023	Contentellect	Onfolio	Merger/Acquisition	0.9		2.50x	Provider of blog management services for software-as-a-service companies.
01-Feb-2023	Wood Mackenzie	Veritas Capital	Buyout/LBO	3,100.0	9.76x	26.49x	Provider of consultancy services intended to offer intelligence for the world's natural resources sector.
01-Feb-2023	Yer Nederland	Inflexion Private Equity Partners	PE Growth/Expansion	539.4			Operator of specialist secondment and recruiting specializing in permanent and temporary positions.
27-Jan-2023	The Ince Group	Enable Law	Merger/Acquisition	1.6	0.58x		Provider of legal services based in Bristol, United Kingdom.
25-Jan-2023	E3-Modelling	Ricardo	Merger/Acquisition	29.1	5.49x		Operator of a consulting company focused on empirical modeling of the nexus economy-energy-environment.
24-Jan-2023	Tim Gubbins Chartered Accountant	Moggs Accounting + Advisory	Merger/Acquisition	0.9	0.77x		Provider of accountancy services catering to individuals, established enterprises, partnerships and trusts.
23-Jan-2023	Toproad	Tosnet	Merger/Acquisition	4.2	0.81x		Provider of security services based out of Shizuoka, Japan.
18-Jan-2023	Adservice	Adtraction	Merger/Acquisition	24.6	0.62x	7.36x	Provider of digital marketing services catering to businesses and individuals.
16-Jan-2023	Impression Paragraph	Supremex	Merger/Acquisition	26.6	0.69x		Provider of printing and packaging solutions .
16-Jan-2023	Launch Group Australia	Geechs	Merger/Acquisition	12,835.1			Operator of a holding company intended to provide human resources services and human capital solutions.
11-Jan-2023	UserTesting	Sunstone Partners	Buyout/LBO	1,300.0	6.13x	-20.53x	Provider of a video-first, enterprise-grade software-as-a-service (SaaS) platform.
11-Jan-2023	Howden Tiger	Caisse de dépôt et placement du Québec	Buyout/LBO	1,600.0	4.00x		Provider of risk, capital and strategic advisory services to the global insurance and reinsurance industry.
01-Jan-2023	Serra Lopes Cortes Martins and Associados	Cuatrecasas	Merger/Acquisition	8,933.5			Provider of legal services focused on the Portuguese market.
01-Jan-2023	Conservation Resource Partners	Diffraction Managers Group	Corporate	1,000.0			Provider of investment management services based in Exeter, New Hampshire.
Mean				1,367.1	2.29x	7.06x	
Median				29.1	0.79x	7.36x	
High				12,835.1	9.76x	26.49x	
Low				0.9	0.19x	-20.53x	

Leading M&A Deals

Deal	Deal Synopsis	Driver
 	<p>Launch Group is an Australian-based HR services business specializing in IT human resources. The company was acquired by Geechs for \$12.8 billion in January 2023. The combination brings cross-border and technology synergies within the Asia Pacific region.</p>	<p>Merger/ Acquisition</p>
 	<p>Serra Lopes Cortes Martins and Associados, a Portugal-based provider of legal services, was acquired by Cuatrecasas for \$8.9 billion in January 2023. The acquisition allows Cuatrecasas to expand into the Portugal market and the other jurisdictions that the company operates in.</p>	<p>Merger/ Acquisition</p>
 	<p>Wood Mackenzie, a subsidiary of Verisk Analytics based in Scotland, was acquired by Veritas Capital for \$3.1 billion in February 2023. Veritas intends to scale Wood Mackenzie in the evolving power and renewables sector which is currently driving the global energy transition.</p>	<p>LBO</p>
  	<p>Atalian Group is a French provider of safety and security services. The company, a subsidiary of Groupe Vulcain, was acquired by O.C.S. Group, via its financial sponsor Clayton, Dubilier & Rice, through a \$3.0 billion LBO in March 2023. Combined, Atalian Group and O.C.S. will create a global facilities management platform centered around two leading family-owned businesses.</p>	<p>LBO</p>

Public Comps

Stock Price

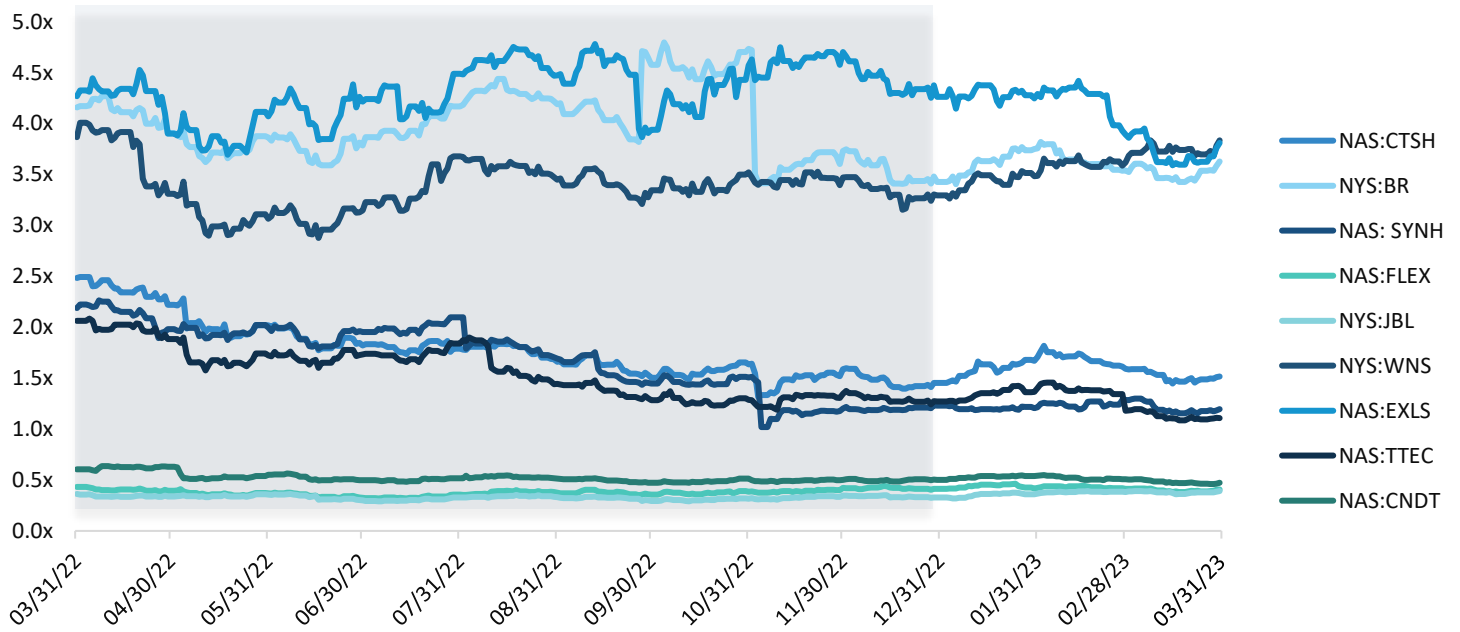


Financial & Valuation

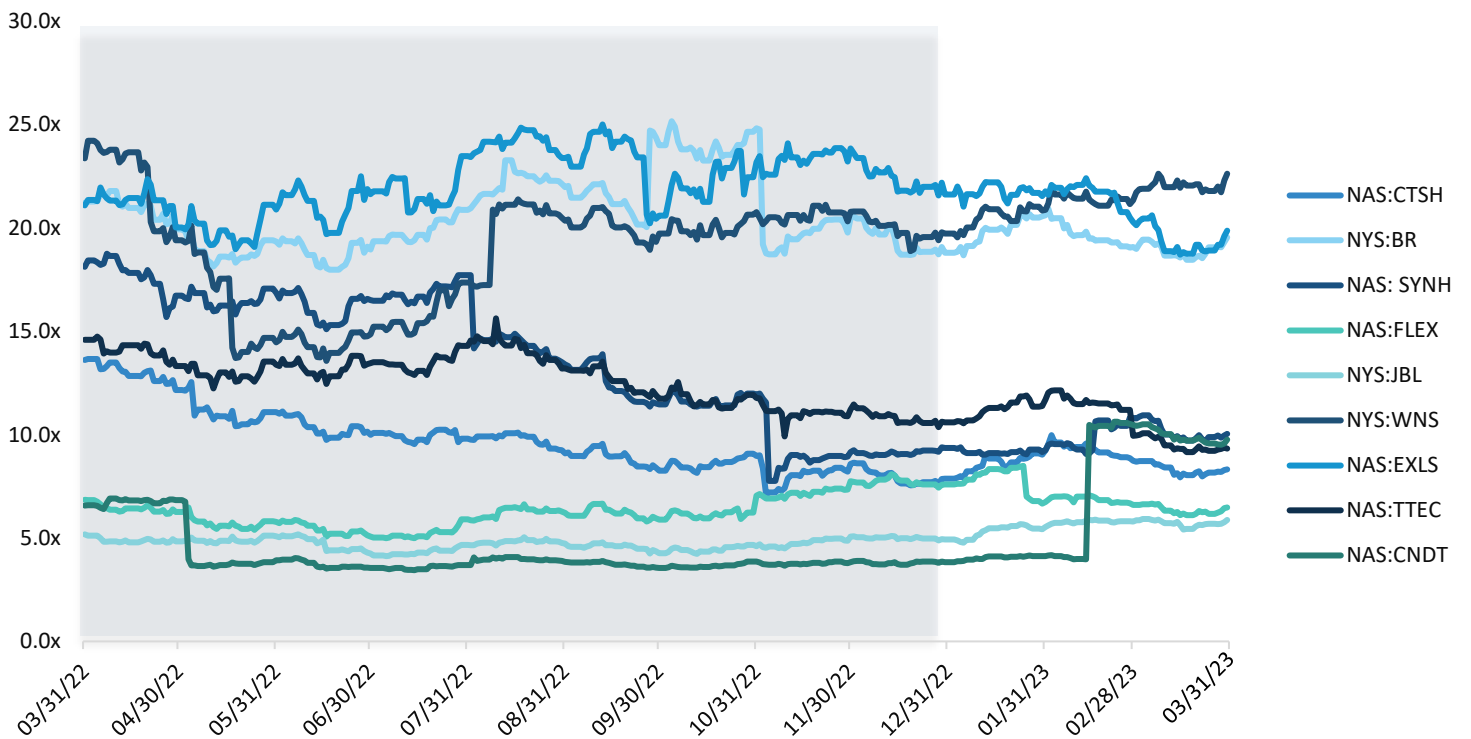
\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA			Revenue Growth			EBITDA Margin		
						21A	22A	23A	21A	22A	23A	21A	22A	23A	21A	22A	23A
	Cognizant Technology Solutions	NAS:CTSH	61	31,031	1,534	2.6x	1.5x	1.4x	14.8x	7.9x	7.6x	1%	7%	4%	16%	17%	18%
	Broadridge Financial Solutions	NYS:BR	147	17,250	4,362	4.9x	3.4x	3.3x	24.8x	18.8x	14.8x	6%	12%	5%	18%	20%	24%
	Syneos Health	NAS:SYNH	36	3,677	2,899	2.8x	1.2x	1.3x	23.0x	9.4x	9.2x	-3%	11%	-5%	10%	12%	13%
	Flextronics International	NAS:FLEX	23	10,379	4,515	0.4x	0.4x	0.4x	6.3x	7.6x	6.0x	-9%	11%	7%	5%	7%	6%
	Jabil	NYS:JBL	88	11,750	3,426	0.4x	0.3x	0.3x	6.0x	4.9x	4.2x	8%	7%	3%	4%	7%	8%
	WNS (Holdings)	NYS:WNS	93	4,485	364	4.2x	3.3x	3.1x	24.7x	19.7x	12.0x	8%	10%	6%	17%	17%	25%
	ExlService Holdings	NAS:EXLS	162	5,389	314	4.5x	4.3x	3.6x	20.8x	21.6x	16.6x	0%	11%	18%	19%	22%	22%
	TTEC Holdings	NAS:TTEC	37	1,758	1,065	2.3x	1.3x	1.2x	15.9x	10.6x	9.0x	15%	21%	6%	13%	14%	12%
	Conduent	NAS:CNDT	3	749	1,529	0.6x	0.5x	0.5x	5.7x	3.8x	4.9x	-10%	-1%	-2%	-6%	11%	10%
	Mean					2.5x	1.8x	1.7x	15.8x	11.6x	9.4x	1.7%	10.0%	4.6%	10.9%	14.1%	15.2%
	Median					2.6x	1.3x	1.3x	15.9x	9.4x	9.0x	0.7%	10.7%	5.5%	13.2%	14.4%	13.3%

Public Comps

EV/Revenue



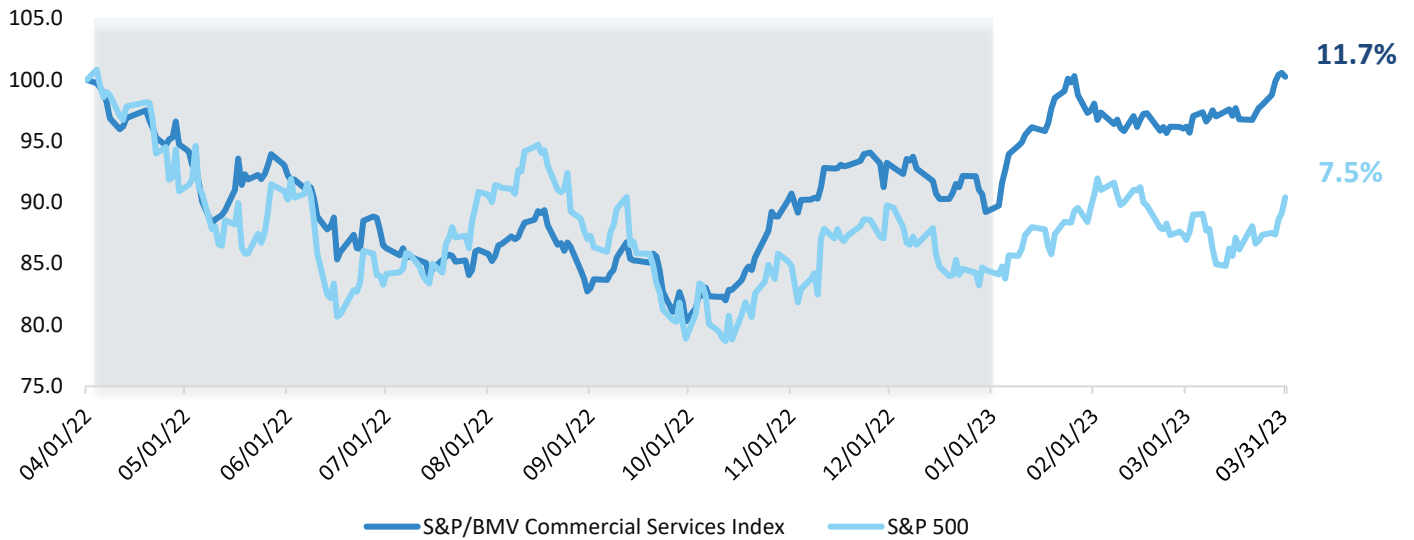
EV/EBITDA



Public Markets

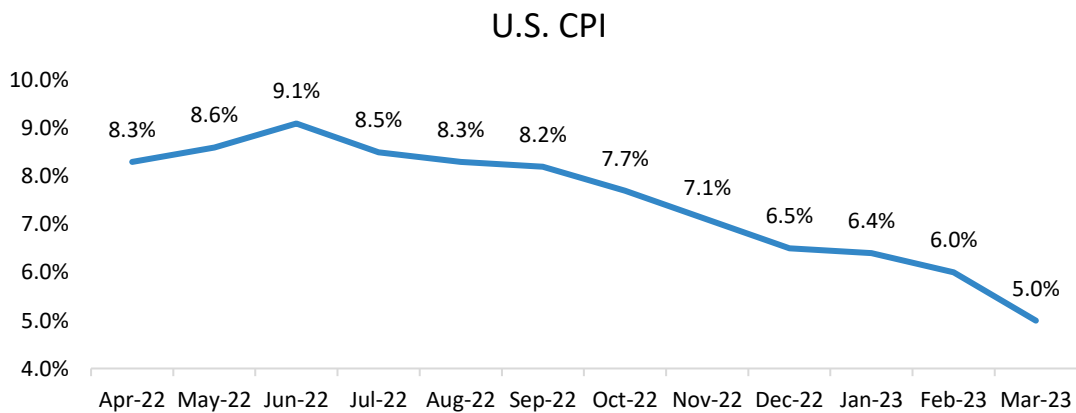
Index Performance

In Q1, 2023, the S&P/BMV Commercial Services Index increased 11.7% and outperformed the S&P 500, which increased 7.5% over the same period.



Key External Drivers

Overall, the BPO industry tends to be more stable and resistant to volatility in the broader economy than other industries. March 2023 CPI inflation came out at 5.0% marking the ninth consecutive month of declining inflation. To combat the rapid inflation in the U.S. CPI, the federal reserve has been quantitative tightening, in the form of rate hikes to the Fed Fund Rate, to slow down consumer spending. As a result of the Fed’s rate hikes, the United States economy will likely enter into a recession sometime during the second half of 2023 and result in lower revenues for the BPO sector.



Industry Trends

Artificial Intelligence

The market for AI tools in business services is expanding

The market for Artificial intelligence (AI) – specifically, machine learning (ML) tools in BPO is gaining traction amongst providers. Various AI-aligned technologies, such as computer vision, natural language processing, and pattern recognition algorithms, are already deeply embedded in the BPO ecosystem and will continue to be adopted as evidence of their usefulness grows throughout 2023.



Outsourced CFOs

10,000-foot financial decision-making for others

Outsourced CFOs like the team at Aquifer (who refer to themselves as “Financial Jedis” with “professional financial expertise”) are offering plug-in finance departments that are specifically tailored to startups. These services help manage spending and maintain transparency from the late seed to series A stages.



Digital Transformations

New technology is driving many BPO trends this year

BPO service providers are utilizing new technologies including cloud computing, data analytics, and the Internet of Things (IoT) to automate various processes. By adopting these technologies, BPO companies can improve efficiency and reduce costs for their clients.



New BPO Services

Niche Outsourcing Services

In addition to traditional back-office functions, another BPO trend is the process of delivering specialized services. For example, companies might outsource software development, insurance claims support, or sales development tasks to BPO providers that have expertise in those areas.



Our Service Offerings



Sell-Side Advisory: Sell your business

Sell your business for the highest price and for the best terms. At R.L. Hulett, communicating the value of your business to targeted buyers and finding the best fit for your team is our forte. We strive to maintain your company's culture and heritage even as you transition out of your business.



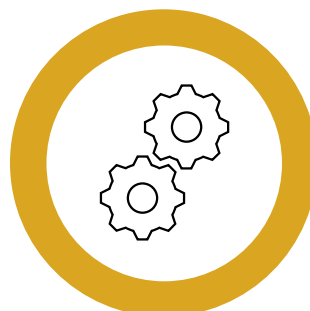
Buy-Side Advisory: Buy a business

Searching for acquisition targets can be a challenging and time-consuming task when trying to run your own business at the same time. Navigating the risks and pitfalls in negotiating valuation and deal structure can also be a daunting task for many business owners. Let our team help you minimize your risk and reduce time wasting efforts with our decades of experience in advising in both buy and sell-side M&A transactions. We utilize industry-leading M&A databases to scout for opportunities and pre-screen for "real" actionable targets so you can stay focused on what matters.



Capital Raise: Gain financial support

With nearly 40 years of experience in middle-market M&A advisory, we know how to package up your deal and put you in front of the right kind of investors who have the capital and the industry expertise you need to grow your business. Our team will develop a go-to-market strategy and advise on deal structure, valuation, due diligence and transition issues. Whether you are seeking capital for growth or trying to buy out other shareholders, we have the tools, expertise, and experience to execute a strategic process and find the optimal outcome to meet your objectives.



Restructuring: reorganization of your business

In today's uncertain economic times, more and more companies are finding themselves in unfamiliar, and unwanted, positions. Many business owners are hoping recovery is just around the corner; however, proactive measures are often required to maximize the remaining value of the business. Our team can aid banking institutions with workout situations by implementing internal controls over cash management and performing on-going cash flow modeling for their clients. We can also help business owners avoid having trouble making payments on their debts and avoid the cumbersome and low-value asset liquidation process.

Selected Transactions



GRIFFIN
PERSONNEL GROUP


Has sold substantially all of its assets to



DISA




R. L. Hulett




MAR

Has been acquired by



QUALFON



R. L. Hulett



SYSTEMS
GRAPHICS

Has been acquired by



P J M
ADVISORS



R. L. Hulett




TRIPACK
TRINITY PACKAGING, LLC


Has sold substantially all of its assets to



HENRY A. *Petter*
SINCE 1890
SUPPLY CO.




R. L. Hulett




STERLING
DIRECT

Has acquired



TALX
Document Services Corp.



R. L. Hulett



RENARD PAPER COMPANY INC.
A Solutions Company
since 1953

Has been acquired by



HP Products
excellence in distribution



R. L. Hulett



EPIC

Has sold substantially all of its assets to



COMPASS GROUP
Equity Partners



R. L. Hulett



1st choice
courier and
distribution


Has sold substantially all of its assets to



Northern Pacific Group
DRIVING COLLABORATIVE ACHIEVEMENT




R. L. Hulett




Mill Products
Company

Has been acquired by



RJ Schinner



R. L. Hulett

Our M&A Deal Leaders



R. Trevor Hulett, CPA
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Mr. Hulett has led M&A transactions in a variety of industries including manufacturing/industrial, software development/IT, business services and value-added distribution for over 15 years. Prior to joining the firm, he held senior level accounting and financial management positions in both public accounting and large corporations. Mr. Hulett began his career as a Certified Public Accountant with MPP&W, a St. Louis-based public accounting firm specializing in middle market companies. He then held various management positions in internal audit and corporate accounting with a Fortune 1000 industrial manufacturing company and also spent nine years with Enterprise Rent-A-Car Company as a department manager in the Corporate Accounting group. Mr. Hulett holds his Series 62, 63 and 79 securities registration. Mr. Hulett earned a Bachelor's Degree in Accounting from the University of Missouri, Columbia.



Robert L. Hulett
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Mr. Hulett founded the firm in 1981 and has negotiated and completed more than 200 transactions throughout his career. He began his career as a Certified Public Accountant and practiced with Peat, Marwick, Mitchell & Co. in St. Louis as an Audit Manager and in New York as the Director of Training for Private Business. Mr. Hulett has also served as Chief Executive & Board Member for various middle market companies. As an educator, he was an adjunct professor at New York University and a tenured faculty member at Lindenwood University in St. Louis. He conducted training sessions for middle market CPA firms throughout the country for more than ten years. Mr. Hulett earned his BS/BA Cum Laude in Accounting from the University of Missouri-Columbia, and an MBA from Lindenwood University.



David T. Vass
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Mr. Vass has over 30 years of business management experience including more than 10 years as President of a highly successful consumer products manufacturing company with revenues exceeding \$25 million. During this time, he not only reversed a declining sales and earnings trend, but increased both sales and operating income over 100%. In addition, he has spent over 20 years at the executive level of Vice President of Sales and Business Development. Mr. Vass also has experience in a number of other industry niches including consumer products, commercial furniture and fixtures and metal recycling. He holds a Bachelor's Degree in Economics from DePauw University and an MBA from the University of Michigan.

Our M&A Deal Leaders



Ron Litton

Director

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Mr. Litton has been advising business owners in mergers and acquisitions since 2013. His primary industry focus areas have included industrials, paper and packaging, distribution, energy, promotional products and direct to consumer e-commerce. Prior to 2013, Mr. Litton held a variety of C-level roles with several companies in the paper and packaging industry including Unisource, Maverick Paper, Universal Graphics and Sabin Robbins. He has bought and sold a number of businesses, advised in the sale of family/founder owned businesses, and advised in start-ups and turnaround situations for banks, owners, and private equity firms. He enjoys working with owners that want to sell or transition out of their businesses. Ron covers the Kansas City and surrounding markets for the firm. He graduated from Central Missouri State University with a BS in Graphic Arts Technology and Management.



Ryan Hartman

Analyst

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Ryan joined R.L. Hulett in 2021 and provides transaction support for senior-level deal managers including financial modeling, valuations, industry research, offering memorandums and a variety of presentations. Ryan graduated with a Bachelor of Science in Management Degree with a major in finance from The Freeman School of Business, Tulane University. Prior to joining the firm Ryan worked as an equity analyst for Burkenroad reports, an equity research program that produces widely circulated financial reports on small- to medium-sized companies. During his time at Tulane University, Ryan was elected as Vice President of Administration for Tulane's community government, took extensive courses in Investment Banking M&A transactions, and volunteered as a data analyst for American Red Cross.



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Lynda Hulett leads the firm's marketing, administrative and communication efforts. She maintains the firm's proprietary CRM database, manages outbound firm communications and provides administrative support to senior deal managers. Prior to joining R.L. Hulett, Lynda spent the previous ten years in various marketing and administrative functions. Most recently, she worked as a client liaison providing administrative support for a CPA firm. Prior to that, she was employed by Moneta Group, a financial services advisory firm, where she provided marketing and administrative support to the client managers. Lynda graduated from the University of Missouri – Columbia, receiving her business degree with an emphasis in Marketing.

About R.L. Hulett

R.L. Hulett is a middle-market investment bank based in St. Louis, Missouri, providing M&A and financial advisory services to middle-market companies. Since its founding in 1981, the firm has advised in over 275 transactions in a variety of industries including industrials, food & beverage, packaging, business services, transportation & logistics, healthcare and software/tech-enabled services. The firm has an experienced team of M&A advisors consisting of former business owners, seasoned corporate executives, professional service firm partners, CPAs and MBAs. Our ability to deliver customized solutions to meet or exceed our clients' expectations is what sets us apart from our competitors.

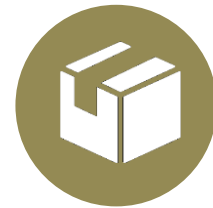
Industry Sectors Covered:



Business Services



Transportation & Logistics



Packaging



Industrials



Tech-enabled Services



Food & Beverage

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