



Business Services M&A Update

Q2 2023

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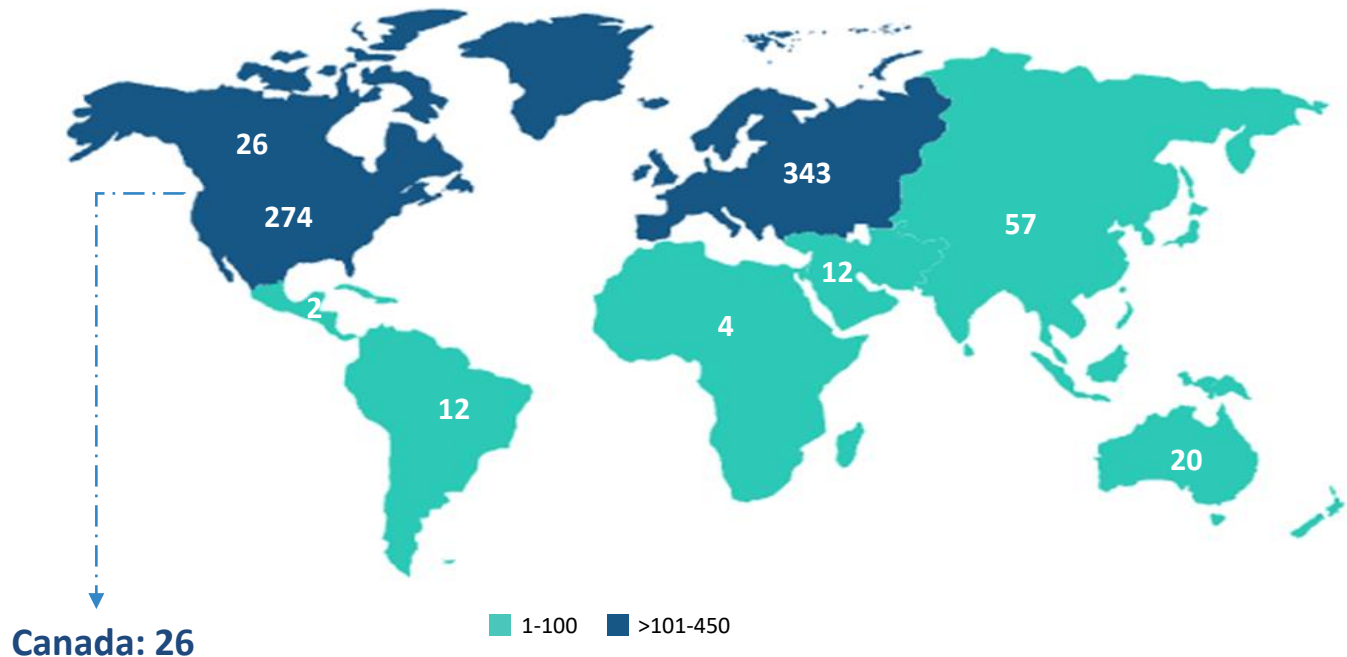
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REPORT HIGHLIGHTS

- The S&P/BMV Commercial Services Index decreased 4.9% in Q2 and underperformed the S&P 500 index, which increased 6.1% in the same period.
- The median EV/EBITDA multiple for reported private equity deals increased to 14.5x in 1H from 9.7x in 2022 and increased for strategic deals to 8.1x from 7.1x over the same period.
- M&A deal volume in the Business Services sector decreased 26.4% in Q2 to 750 deals from 1,019 in Q1 and decreased 36.7% from 1,283 deals in Q2 of the prior year.
- As a % of total capital invested in M&A transactions in 1H, PE participation decreased significantly to 37.7%, down from 48.8% in 2022.
- Europe was the most active region in Q2 with 343 deals. Most notably in Europe was Teleperformance's \$3.6 billion acquisition of Majorel, an operator of an end-to-end business services platform, in April 2023.

Global Deal Analytics

Of the 750 deals in Q2, Europe was the most active market with 343. Another notable European deal (in addition to the Majorel deal mentioned on the previous page) was Searchlight Capital Partners' and Providence Equity Partners' \$652.0 million leveraged buyout of Hyve Group, a United Kingdom-based company that organizes trade exhibitions and conferences, in June 2023. North America was the second most active region with 300. All other regions combined for a total of 107 deals.



Canada: 26

United States Regions: 274

Mid Atlantic:	65
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Southeast:	53
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Great Lakes:	40
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West Coast:	37
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South:	31
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Other:	48
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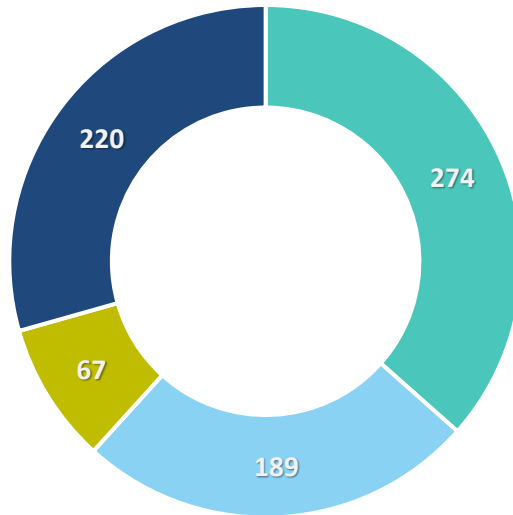
In the North American market, the Mid Atlantic region was the most active in Q2 with 65 deals, followed by the Southeast region with 53. The Great Lakes and West Coast regions reported 40 and 37 transactions, respectively. The South region reported 31 and all other regions totaled 48 closed transactions. The most notable North American deal, located in the New England region of the U.S., was WestView Capital Partners/New Mountain Capital/FFL Partners' \$1.6 billion buyout of ALKU, a Massachusetts-based provider of specialized consulting services, in April 2023.

Outside of the U.S. in the North America market, Canada had a relatively active quarter with 26 reported transactions in Q2.

Global Deal Analytics

Of the 750 Business Services deals in Q2, 274 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 189 deals followed by Human Capital Services with 67. All other subsectors combined had a total of 220 closed transactions.

Deal by Subsector



■ Consulting Services

■ Media & Information Services

■ Human Capital Services

■ Other

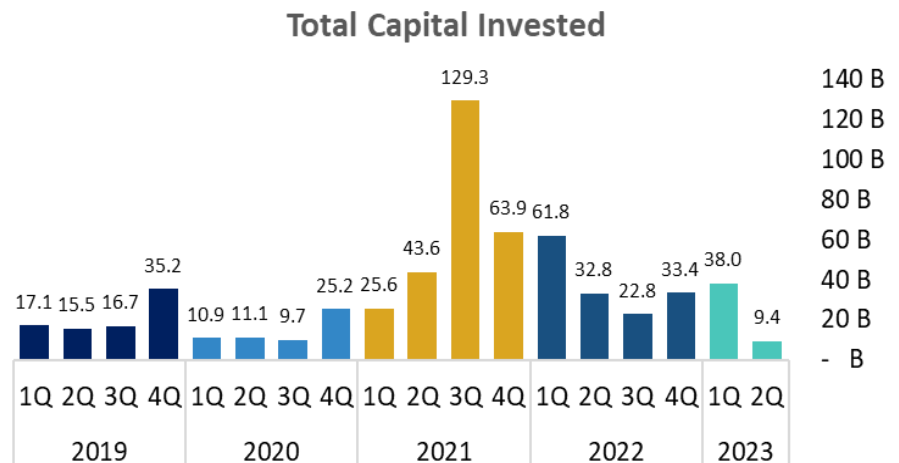
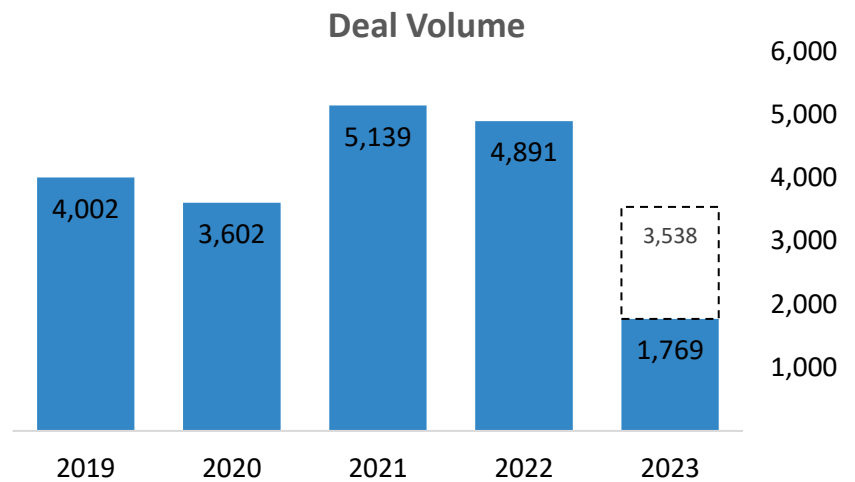
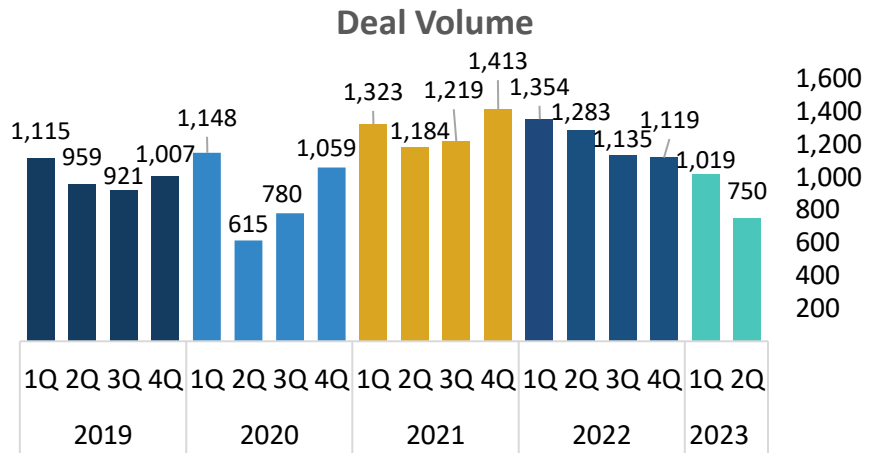


Global Deal Analytics

Deal volume in the Business Services sector decreased 26.4% in Q2 to 750 deals from 1,019 in Q1 and 41.5% from 1,283 deals in Q2 of the prior year. Deal volume in Q2 represented the lowest quarter since the COVID lows seen in Q2 2020.

Based on 1H levels, M&A deal volume for 2023 is projected to decrease 27.7% to 3,538 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 and overhead costs.

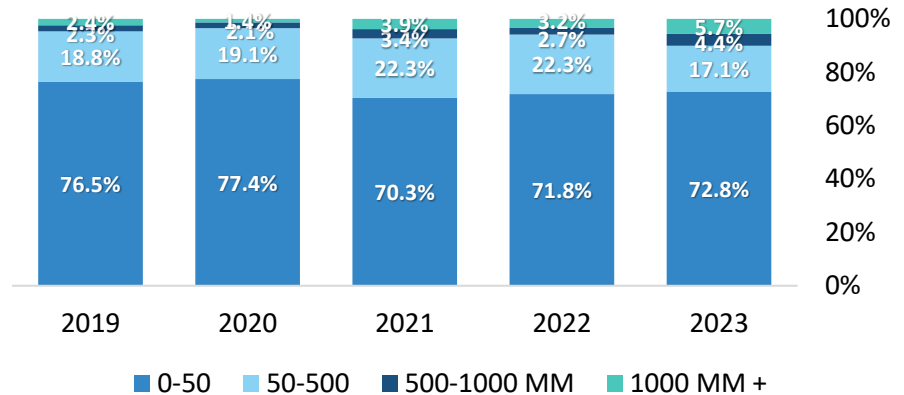
Total capital invested in M&A deals in the Business Services sector decreased 75.3% in Q2 to \$9.4B from \$38.0B in Q1 and decreased 71.3% from \$32.8B in Q2 of the prior year. This decrease from Q1 is primarily due to the 26.4% decrease in deal volume coupled with a few larger deals in Q1 including Geechs' \$12.8B acquisition of Launch Group Australia and Cuatrecasas' \$8.9B acquisition of Serra Lopes Cortes Martins and Associados. The largest reported transactions in Q2 were Teleperformance's \$3.6B acquisition of Majorel and FFL Partners' \$1.5B acquisition of ALKU, both in April 2023.



Global Deal Analytics

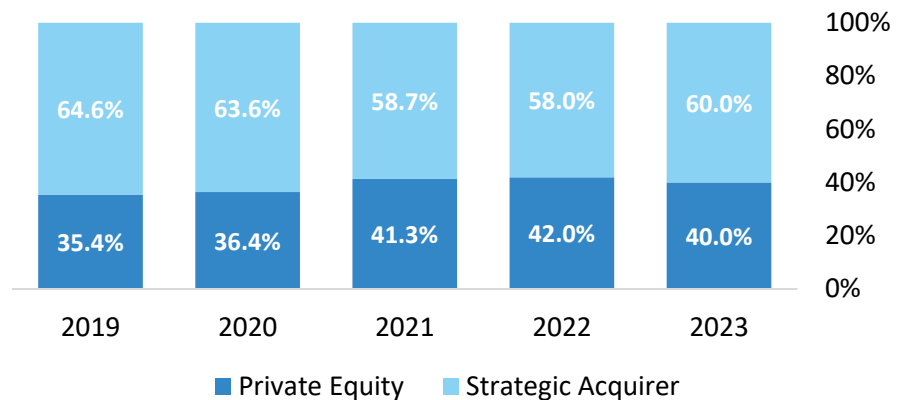
In 1H 2023, we saw a shift in mix toward larger deals with the large cap tranche (\$1000MM+) increasing to 5.7% of deal volume from 3.2% in 2022. The lower middle (\$0-\$50MM) and upper middle (\$500-\$1000MM) tranches of the market ticked up slightly to 72.8% and 4.4% from 71.8% and 2.7%, respectively, in 2022. The middle market (\$50-\$500MM) tranche saw a decline to 17.1% in 1H from 22.3% in 2022.

Deal Volume by Deal Size



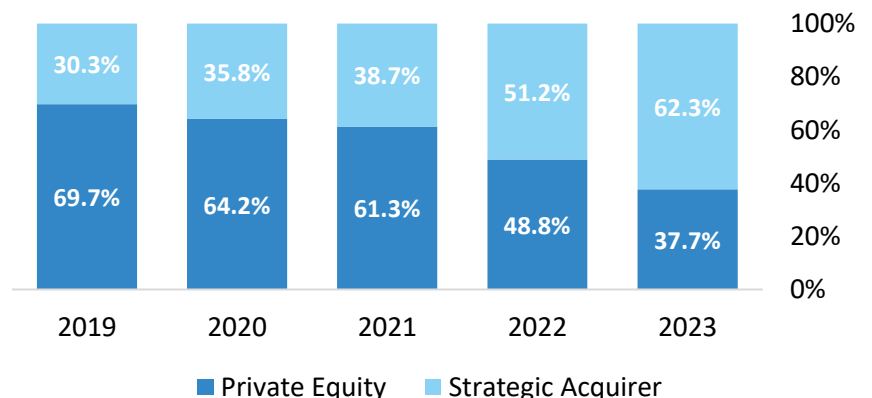
As a % of total deal volume, PE buyers trended slightly lower in 1H 2023 relative to strategic buyers, representing 40.0% of deal volume in the sector. 1H 2023 marks the lowest percentage of PE deal volume over the last 3 years.

Deal Volume by Acquirer



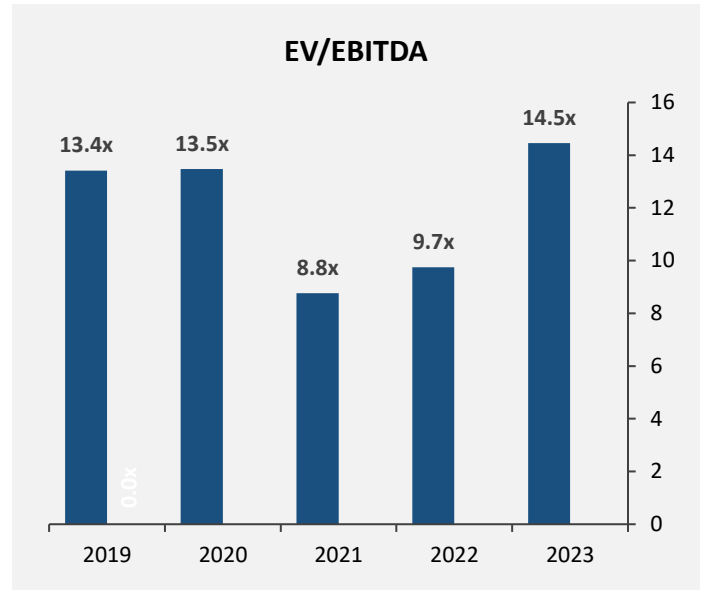
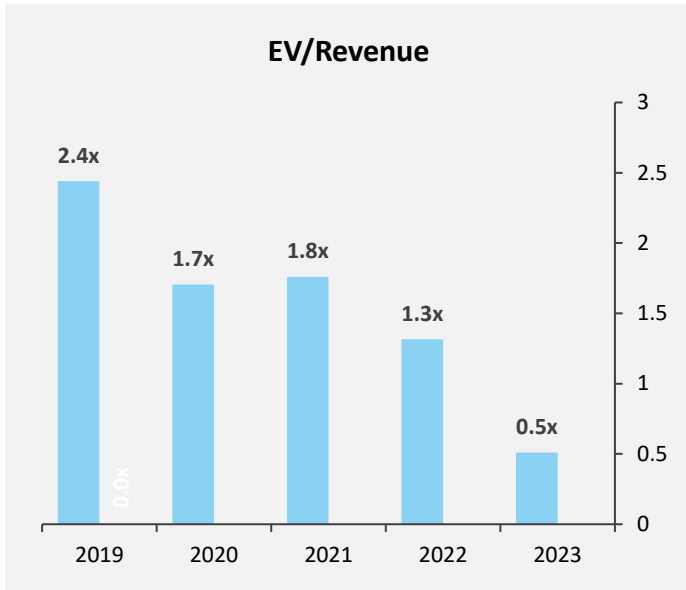
Following the trend in deal volume, PE share of total capital invested in M&A deals declined significantly in 1H 2023 to 37.7%, down from 48.8% in 2022. PE's share of capital invested in 1H is the lowest share in five years. 2023 represents a continuation of the declining trend in PE participation seen since 2019 where strategic buyers have been putting more money to work in the sector. The more recent drop is indicative of the overall market with rising interest rates and a more challenging underwriting environment.

Total Capital Invested by Acquirer

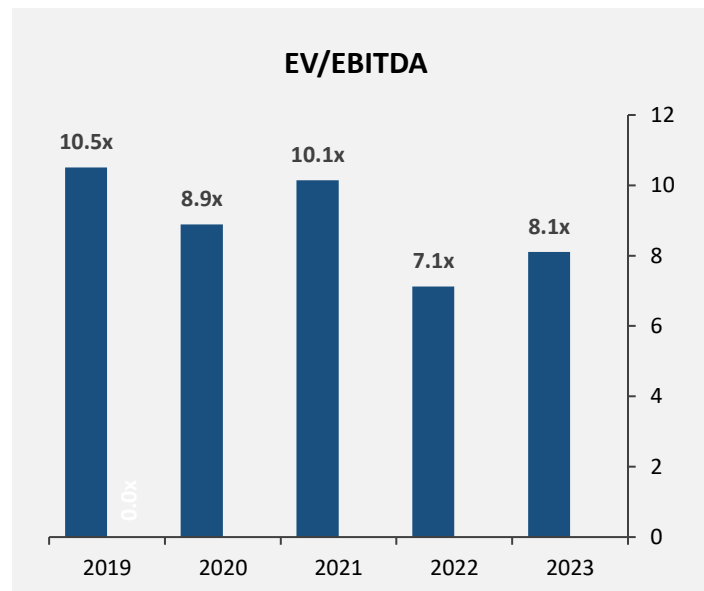
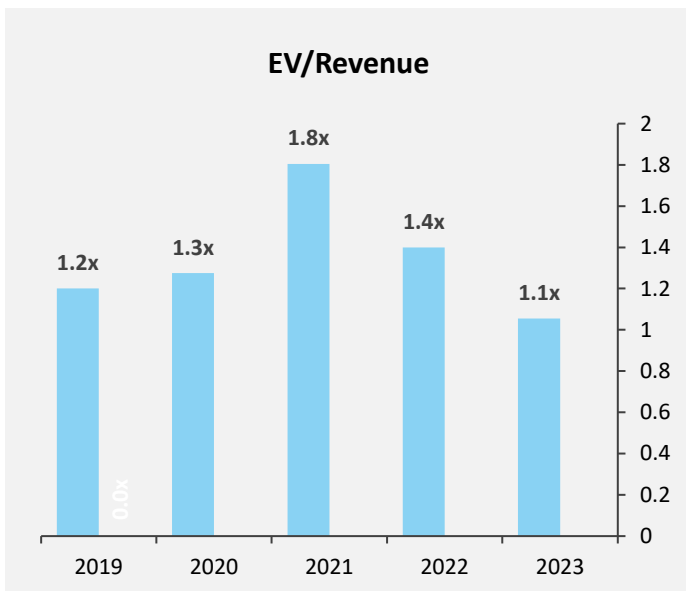


Valuation Multiples

Private Equity Multiples



Strategic Multiples



Largest Deals (Disclosed)

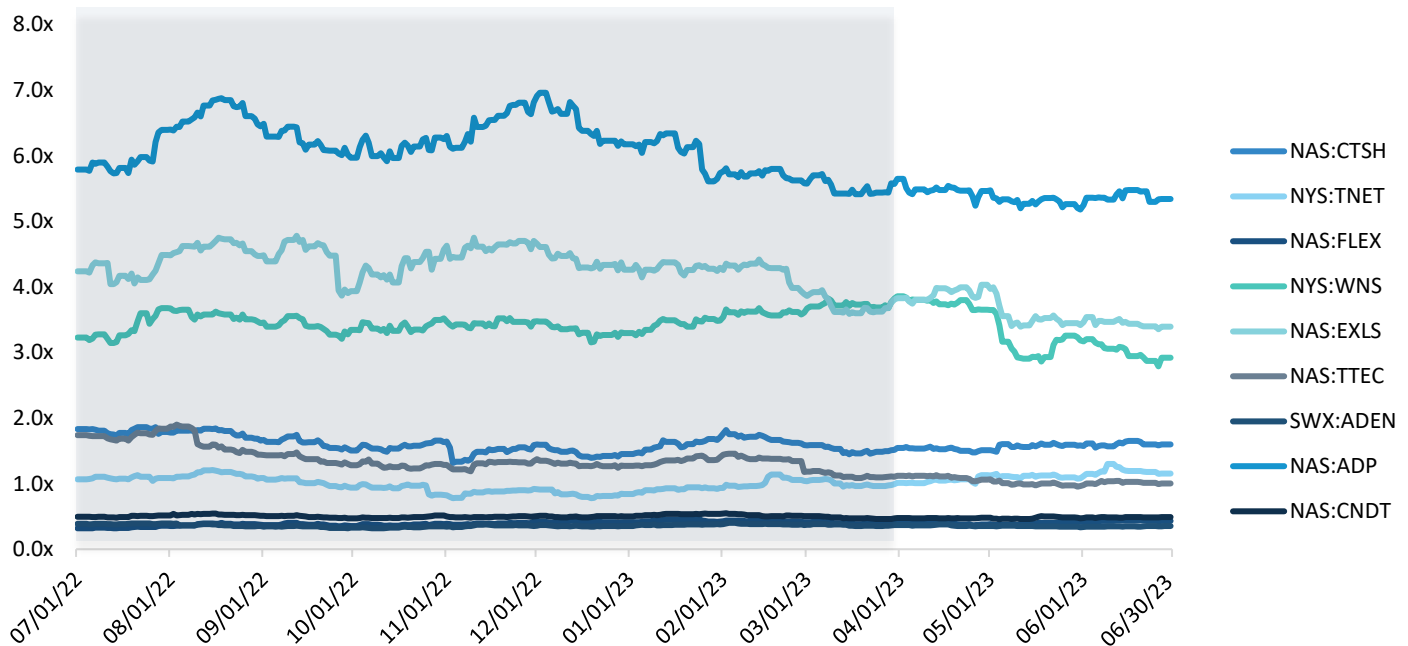
Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
15-Jun-2023	WILAN	Arena Investors	Buyout/ LBO	\$ 53.0			Operator of a patent monetization company intended to unlock the value of intellectual property through various patent monetization models.
14-Jun-2023	Broadbean	Veritone	Merger/ Acquisition	52.0			Developer of recruitment software designed to optimize recruitment strategies.
13-Jun-2023	Star Plus Legend Holdings	NetDragon Websoft	IPO	101.2			Star Plus Legend Holdings Ltd is an investment holding company.
08-Jun-2023	Cogep Audit	Waterland Private Equity Investments	PE Growth/ Expansion	215.8			Provider of consulting services based in Saint-Doulchard, France.
08-Jun-2023	Hyve Group	Providence Equity Partners	Buyout/ LBO	652.0			Hyve Group PLC is a United Kingdom-based company engaged in the organization of trade exhibitions and conferences and related activities.
06-Jun-2023	The Independents	FL Entertainment	Buyout/ LBO	400.0			Provider of branding and marketing services intended to serve companies in luxury and lifestyle industries.
31-May-2023	Clear Channel Espana	JCDecaux	Merger/ Acquisition	65.3			Operator of a media company intended to provide advertising services.
26-May-2023	Isio Total Reward And Benefits	Exponent Private Equity	Buyout/ LBO	56.2			Provider of investment advisory services throughout the United Kindom.
25-May-2023	Edianzu	Orinno Capital	IPO	89.7			An investment holding company engaged in providing office Internet Technology (IT) integrated solutions to small- and medium-sized enterprises in the PRC.
21-May-2023	International Gemological Institute	Blackstone	Buyout/ LBO	570.0			Provider of gemstones certification services based in Antwerp, Belgium.
09-May-2023	Propel Media (Media and Information Services)	IQVIA	Merger/ Acquisition	800.0			Propel Media Inc is a diversified online advertising company.
01-May-2023	ADL Biopharma	Wacker Chemie	Merger/ Acquisition	109.9	1.87x	14.67x	Provider of contract manufacturing services intended to support the development of products and intermediates obtained from fermentation processes.
26-Apr-2023	Majorel	Teleperformance	Merger/ Acquisition	3,618.1	1.52x	9.23x	Provider of end-to-end customer experience intended for the banking, financial services, insurance, automotive, telecom, travel, and hospitality sectors.
25-Apr-2023	Moore Canada	DATA Communications Management	Merger/ Acquisition	96.8	0.53x		Provider of advertising services intended to elevate marketing and business communications performance and efficiency.
19-Apr-2023	Atlas Technical Consultants	GI Partners	Buyout/ LBO	1,050.0	1.73x	14.46x	Atlas Technical Consultants Inc is an infrastructure and environmental solutions company.
18-Apr-2023	Ridge and Partners	Horizon Capital	PE Growth/ Expansion	49.4			Provider of property and construction consulting services intended to create places for people to live, learn and work.
04-Apr-2023	Alku	FFL Partners, New Mountain Capital, WestView Capital Partners	Buyout/ LBO	1,550.0	2.58x		Provider of specialized consulting services intended for government programs.
03-Apr-2023	Buck (New York)	Arthur J. Gallagher & Company	Merger/ Acquisition	660.0	2.36x	19.41x	Provider of integrated HR consulting, benefits administration and technology services.
Mean				566.1	1.77x	14.44x	
Median				162.9	1.80x	14.57x	
High				3,618.1	2.58x	19.41x	
Low				49.4	0.53x	9.23x	

Leading M&A Deals (Completed)

Deal	Deal Synopsis	Driver
 	<p>Majorel Group, a Luxembourg-based operator of an end-to-end business services platform, was acquired by French company Teleperformance for \$3.6 billion in April 2023. This acquisition expands upon Teleperformance's 'Cube' strategy of building adjacent lines of businesses, scaling up industry offerings.</p>	<p>Merger/ Acquisition</p>
 	<p>Atlas Technical Consultants (Nasdaq: ATCX) ("Atlas"), a Texas-based infrastructure and environmental solutions company, was acquired by GI Partners through a \$1.1 billion public-to-private LBO in April 2023. In partnership with GI Partners, Atlas will be better equipped to improve performance and extend the lifecycle of built and natural infrastructure assets stressed by climate, health, and economic impacts for its client base.</p>	<p>LBO</p>
 	<p>Propel Media, a Wyoming-based online advertising company, was acquired by IQVIA for \$800 million in May 2023. Through this acquisition, IQVIA aims to gain a majority market share in the pharmaceutical advertising sector and enhance their product lineup with Propel Media's AI offering named DeepIntent.</p>	<p>Merger/ Acquisition</p>
 	<p>Buck, headquartered in New York, is a provider of integrated HR consulting, benefits administration and technology services. The company was acquired by Arthur J. Gallagher & Co for \$660 million in April 2023. Buck's bSuite benefits administration and employee engagement software will enable Gallagher to enhance its product and service offering to customers.</p>	<p>Merger/ Acquisition</p>

Public Comps

Stock Price



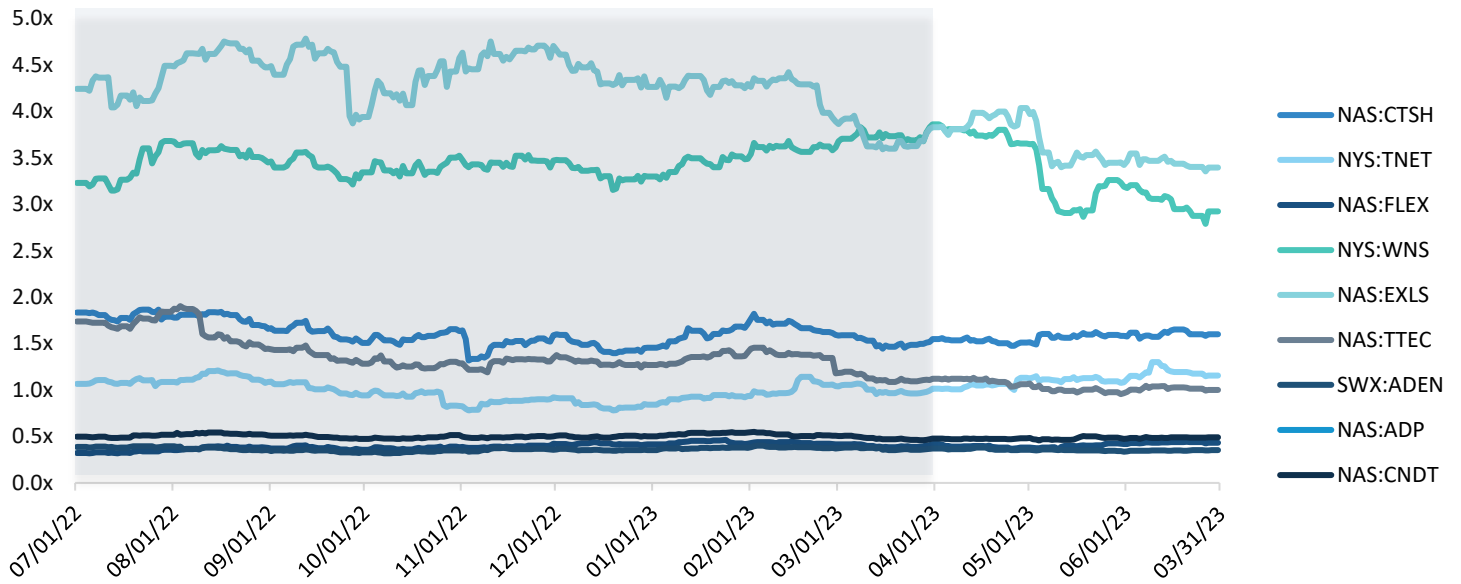
Financial & Valuation

\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA			Revenue Growth			EBITDA Margin		
						21A	22A	23F	21A	22A	23F	21A	22A	23F	21A	22A	23F
	Cognizant Technology Solutions	NAS:CTSH	65	32,037	1,507	2.6x	1.5x	1.4x	14.8x	7.9x	7.6x	7%	8%	0%	17%	19%	17%
	TriNet Group	NYS:TNET	95	5,628	843	1.4x	0.8x	3.1x	12.6x	6.4x	8.0x	10%	12%	-73%	11%	13%	39%
	Flextronics International	NAS:FLEX	27	11,735	4,347	0.4x	0.4x	0.4x	6.3x	7.6x	6.0x	11%	12%	2%	7%	5%	6%
	WNS (Holdings)	NYS:WNS	72	3,434	372	4.2x	3.3x	3.1x	24.7x	19.7x	12.0x	10%	17%	8%	17%	17%	26%
	ExlService Holdings	NAS:EXLS	150	4,980	260	4.5x	4.3x	3.6x	20.8x	21.6x	16.6x	11%	24%	9%	22%	20%	22%
	TTEC Holdings	NAS:TTEC	34	1,587	1,039	2.3x	1.3x	1.2x	15.9x	10.6x	9.0x	21%	7%	1%	14%	12%	12%
	Adecco Group	SWX:ADEN	32	5,470	4,063	0.4x	0.4x	0.4x	7.7x	9.7x	8.8x	4%	10%	4%	5%	4%	4%
	Automatic Data Processing	NAS:ADP	216	89,073	3,321	7.1x	6.2x	5.6x	29.2x	25.3x	20.6x	6%	10%	12%	24%	24%	27%
	Conduent	NAS:CNDT	3	734	1,528	0.6x	0.5x	0.5x	5.7x	3.8x	4.9x	-1%	-5%	-2%	11%	13%	10%

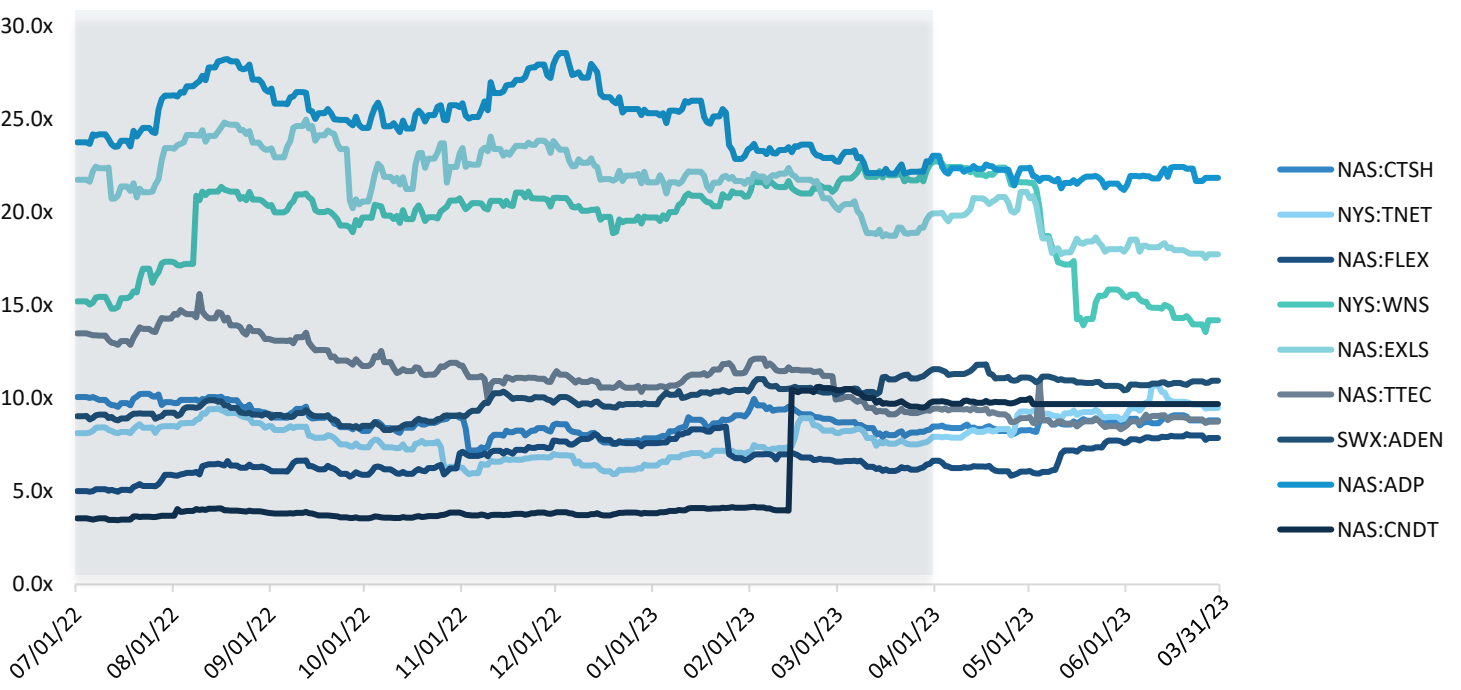
Mean						2.6x	2.1x	2.2x	15.3x	12.5x	10.4x	8.7%	10.5%	-4.4%	14.2%	14.1%	18.1%
Median						2.3x	1.3x	1.4x	14.8x	9.7x	8.8x	9.6%	9.9%	2.1%	14.4%	13.1%	17.4%

Public Comps

EV/Revenue



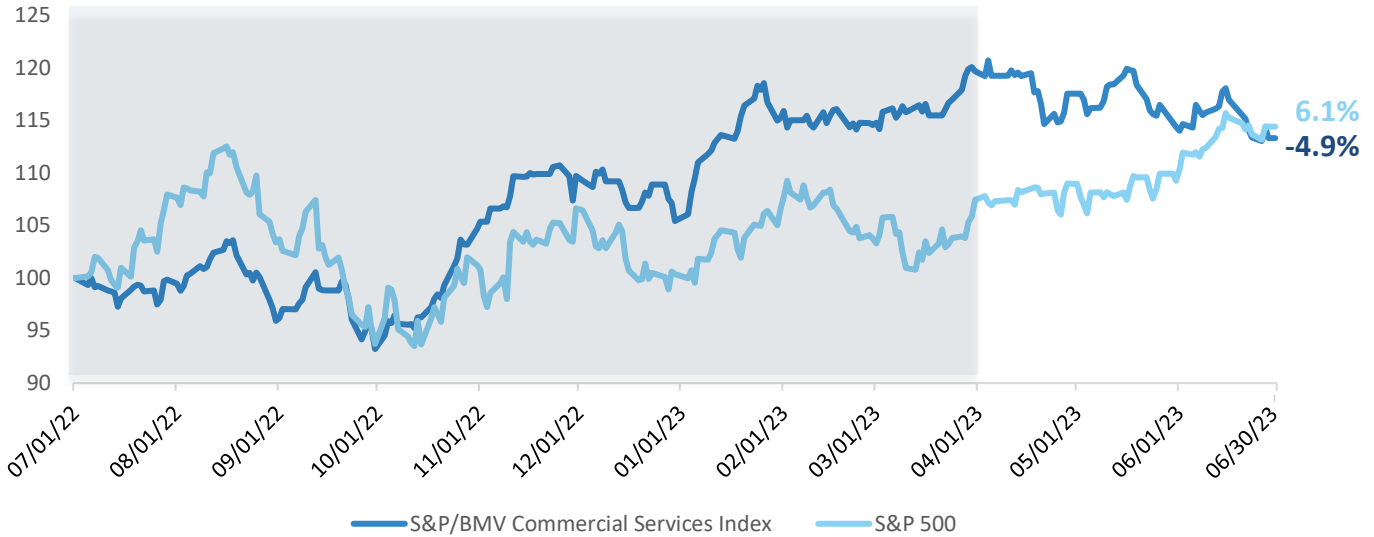
EV/EBITDA



Public Markets

Index Performance

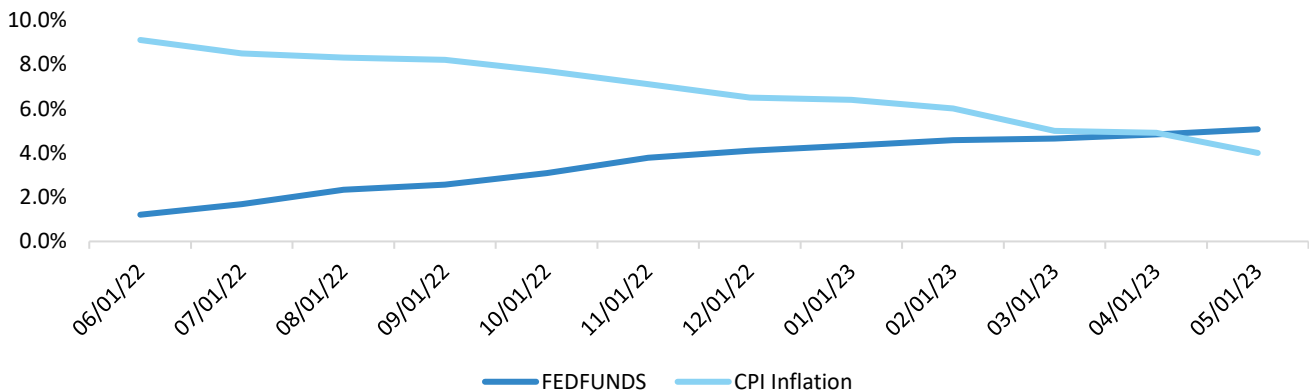
In Q2, the S&P/BMV Commercial Services Index decreased 4.9% and was outperformed by the S&P 500, which increased 6.1% over the same period.



Key External Drivers

Overall, the Business Services industry tends to be more stable and resistant to volatility in the broader economy than other industries.

To combat Inflation in the US, the Federal Reserve (“Fed”) began quantitative tightening in March 2022 in the form of 10 rate hikes to the Fed Funds Rate, to slow down consumer spending. As a result of the Fed’s rate hikes, May 2023 CPI inflation came out at 4.0% marking the eleventh consecutive month of declining inflation. While these rate hikes have caused inflation to slow down, the Chair of the Federal Reserve, Jerome Powell, stated they intend to raise rates two more times in 2023. Many economists do not believe the Fed will go through with the two 25 basis point hikes that Jerome Powell threatened. However, the stubborn inflation, a still-booming job market and a resilient economy indicate the Fed may raise rates to the highest levels seen over the last 2 decades. Continued rate hikes will lower consumer spending and result in lower revenues for the Business Services sector.



Industry Trends

AR and VR Training

AR and VR Transform Business Services Training

The utilization of Augmented Reality (AR) and Virtual Reality (VR) technologies for training and skill development in the business services industry is rapidly growing. These immersive solutions offer realistic simulations and hands-on experiences, leading to enhanced learning outcomes and better preparedness for real-world situations. Notably, companies like STRIVR are emerging as prominent providers of customized training programs, catering to the training needs of large businesses.



Outsourced Marketing

Fractional CMOs for Agile Business Growth

Outsourcing marketing management through fractional CMOs is a growing trend, offering startups and SMBs cost-effective access to specialized expertise and strategic guidance, helping them optimize their marketing efforts. Companies, such as Chief Outsiders, provide high-quality advice to guide smaller organizations through their growth stages without the need for a full-time, salaried CMO.



Personalized Experience

Growth of Personalized Customer Experiences

Business service providers are undergoing a shift towards a customer-centric approach, moving away from transactional interactions. By leveraging customer data and machine learning algorithms, businesses can deliver tailored services and support to individual customers. This can include personalized recommendations, targeted marketing campaigns, customized communication channels, and proactive issue resolution.



AI in Data Analysis

BPO Services are Integrating AI Analysis

AI technologies such as natural language processing (NLP) and machine learning (ML) are revolutionizing the BPO industry by enabling new services and processes. Through the analysis of customer interactions, AI can uncover valuable insights, patterns, and trends that human workers may miss. This deep understanding of customer needs allows businesses to customize their offerings, improving customer satisfaction and enhancing overall service quality.



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.



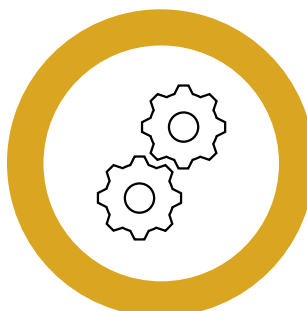
Buy-Side Advisory: Buy a business

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

Over the years, R.L. Hulett has completed hundreds of transactions in a wide variety of industries. Below are several relevant transactions in the Business Services sector. Please note that this list is not comprehensive.



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

Has been acquired by



HP Products
excellence in distribution



R. L. Hulett

Our M&A Deal Leaders



R. Trevor Hulett, CPA
Managing Director
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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
Chairman Emeritus
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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.

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.



David T. Vass
Director
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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



Ryan Hartman
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Ryan provides analytical support for senior-level deal managers and, as a senior analyst, supervises the preparation of confidential memorandums, financial models and industry research reports. Ryan graduated with a Bachelor of Science degree 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.



Charlie Meier
Analyst
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Charlie provides transaction support for senior-level deal managers including financial modeling, valuations, industry research, offering memorandums and a variety of presentations. He graduated with a Bachelor of Science in Business Administration Degree with a major in finance and banking from the Trulaske College of Business, University of Missouri. Prior to joining the firm, Charlie worked as an investment analyst for the University of Missouri's Investment Fund Management Program. During his time at University of Missouri, Charlie was elected as Recruitment Chairman for the Phi Delta Theta Fraternity and took extensive courses in Banking.



Lynda Hulett
Marketing
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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

Disclaimer

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