



# **Business Services M&A Update – Q4 2023**



# Business Services M&A Update

## Q4 2023

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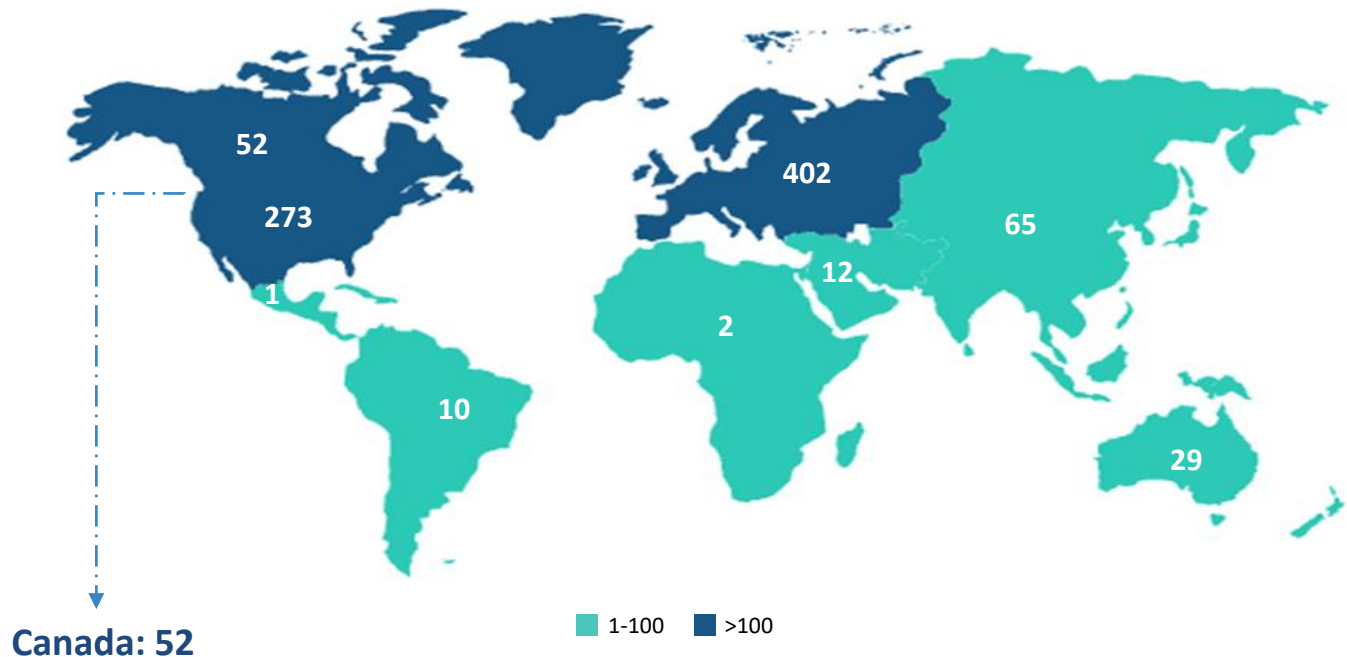
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### REPORT HIGHLIGHTS

- The S&P/BMV Commercial Services Index increased 7.2% in Q4, but was outperformed by the S&P 500, which increased 11.2% over the same period.
- The median EV/EBITDA multiple for reported private equity deals increased to 14.5x in 2023 from 9.7x in 2022, and increased for strategic deals to 7.7x from 7.1x over the same period.
- M&A deal volume in the Business Services sector increased 14.0% in Q4 to 846 deals from 742 in Q3, but decreased 24.4% from 1,119 deals in Q4 of the prior year.
- As a % of total capital invested in M&A transactions in 2023, PE participation increased to 50.8%, up from 48.8% in 2022.
- Europe was the most active region in Q4 with 402 deals. Most notable in Europe was Spectrum Equity's \$610.8 million investment of development capital in Benchmark Mineral Intelligence, a London-based IOSCO-regulated price reporting agency in November 2023.

## Global Deal Analytics

Of the 846 deals in Q4, Europe was the most active market with 402. Another notable European deal (in addition to the Benchmark Mineral Intelligence deal mentioned on the previous page) was TowerBrook Capital Partners' \$488.5 million leveraged buyout of EIFFEL, a Netherlands-based provider of legal consulting services, in December 2023. North America was the second most active region with 325. All other regions combined for a total of 119 deals.



**Canada: 52**

### United States Regions: 273

Mid Atlantic:	75
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West Coast:	50
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Southeast:	46
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Great Lakes:	31
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Mountain:	22
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Other:	49
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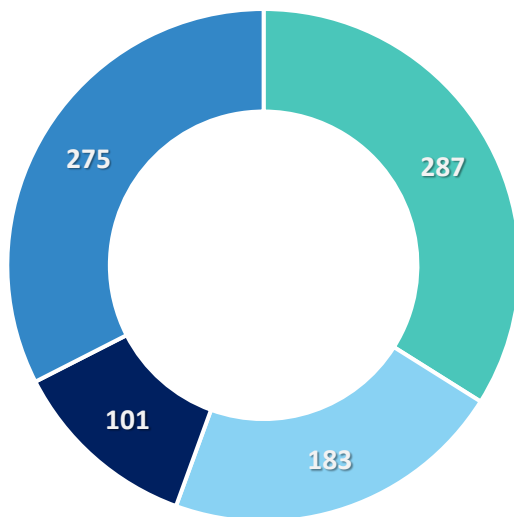
In the North American market, the Mid Atlantic region was the most active in Q3 with 75 deals, followed by the West Coast region with 50. The Southeast and Great Lakes regions reported 46 and 31 transactions, respectively. The Mountain region reported 22 and all other regions totaled 49 closed transactions. The most notable North American deal, located in the Mid Atlantic region of the U.S. was Bain Capital's \$5.3 billion leveraged buyout of Guidehouse, a Virginia-based provider of consulting services to the public sector and commercial markets.

Canada had a relatively active quarter with 52 reported transactions in Q3.

# Global Deal Analytics

Of the 846 Business Services deals in Q4, 287 were in the Media and Information Services subsector, making it the most active subsector in the industry from an M&A standpoint. Consulting was the second most active with 183 deals followed by Human Capital Services with 101. All other subsectors combined had a total of 275 closed transactions.

### Deal by Subsector



Media & Information Services

Consulting Services

Human Capital Services

Other



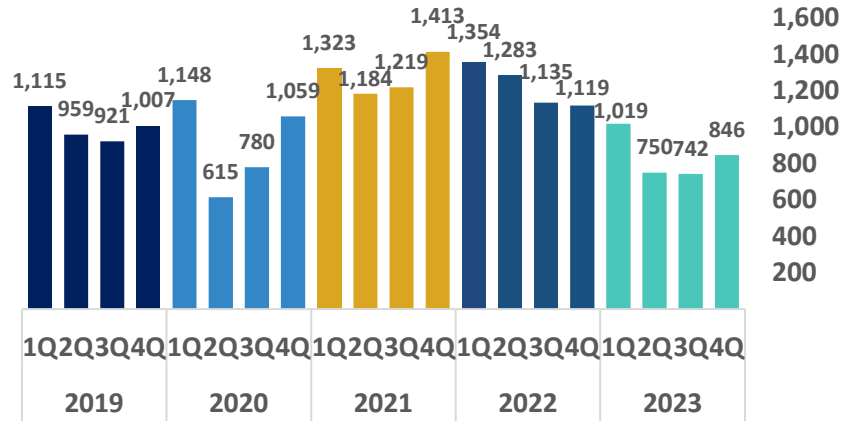
# Global Deal Analytics

Deal volume in the Business Services sector increased 14.0% in Q4 to 846 deals from 742 in Q3, but decreased 24.4% from 1,119 deals in Q4 of the prior year.

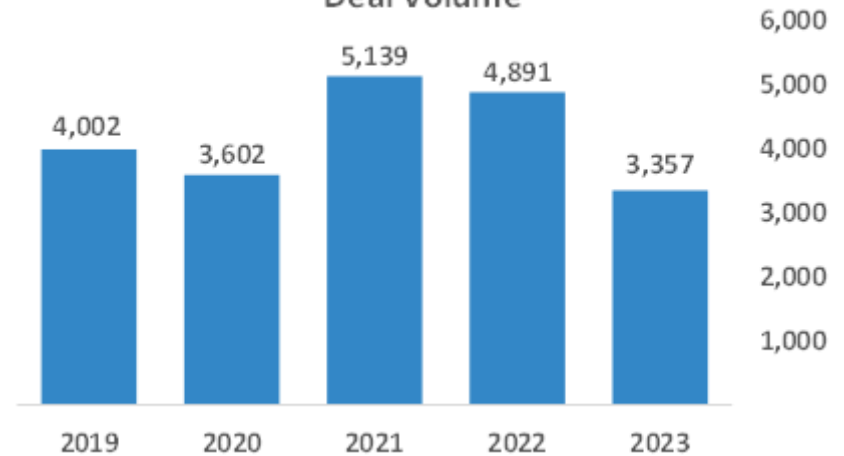
Despite the increase in Q4, M&A deal volume saw a 31.4% decline to 3,357 deals in calendar year 2023, down from 4,891 in 2022. We attribute this decline to more challenging market conditions from a dealmaking perspective, including elevated interest rates/cost of capital. We anticipate market conditions loosening in Q1 as more of a prevailing consensus emerges around the Fed easing rates in 2024 and much of the market uncertainty overhang from 2023 moves to the rearview mirror.

Total capital invested in M&A deals in the Business Services sector decreased 41.3% in Q4 to \$12.2B from \$20.8B in Q3, and decreased 66.5% from \$33.4B in the same period of the prior year. The decrease from Q3, in spite of an increase in Q4 deal volume, was largely attributable to two significant transactions in Q3: CD&R's \$7.0B buyout of Focus Financial Partners in August 2023 and Concentrix's 4.8B acquisition of Webhelp in September 2023.

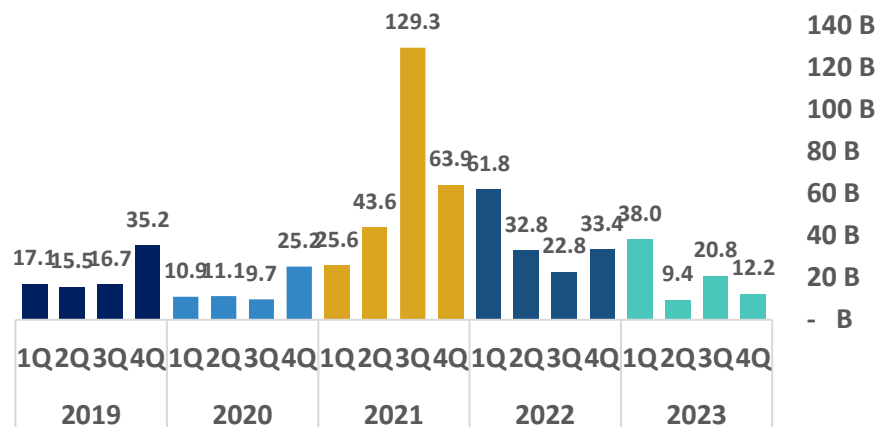
Deal Volume



Deal Volume



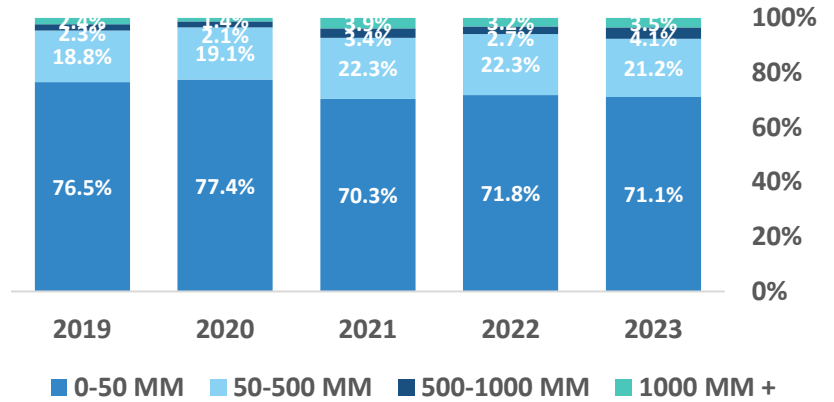
Total Capital Invested



# Global Deal Analytics

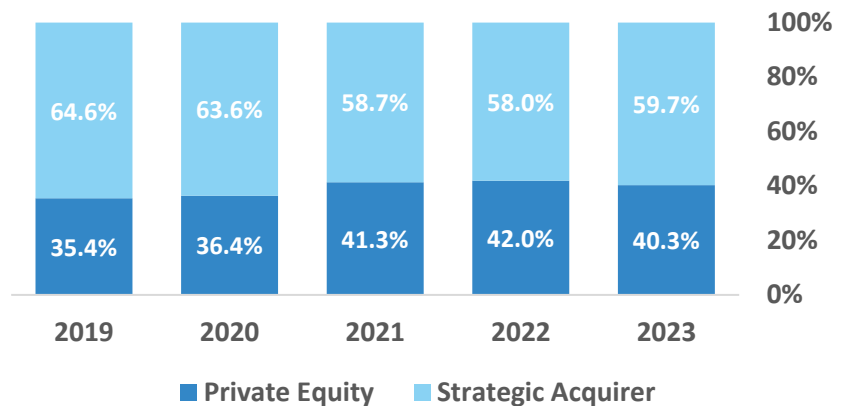
In 2023, we saw a mild shift towards the upper middle (\$500 - \$1000 MM) market, which increased to 4.1% from 2.7% in the prior year, and away from the lower middle (\$0- \$50 MM) and middle market (\$50 - \$500 MM) tranches of the market. Both saw decreases to 71.1% and 21.2% from 71.8% and 22.3%, respectively, in 2022. Deal volume in the large-cap market (\$1000 MM+) was relatively flat at 3.5% compared to 3.2% in 2022.

Deal Volume by Deal Size



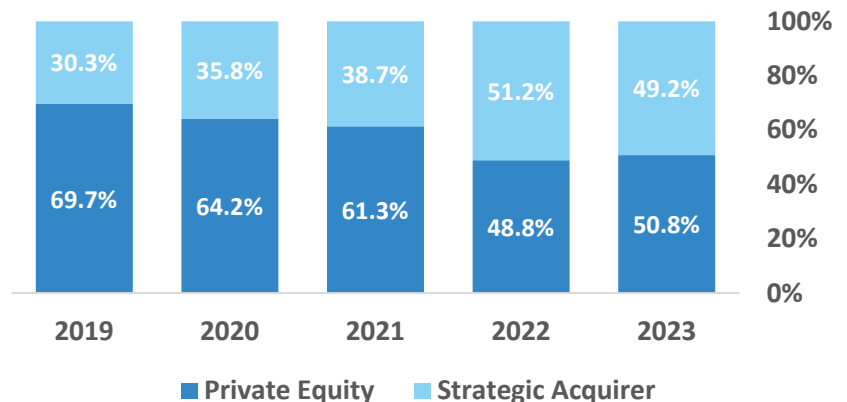
As a % of total deal volume, PE buyers trended slightly lower in 2023, representing 40.3% of deal volume in the sector, down from 42.0% in 2022. This lower level of PE activity is indicative of challenging market dynamics with elevated costs of capital and tightening liquidity from lenders.

Deal Volume by Acquirer



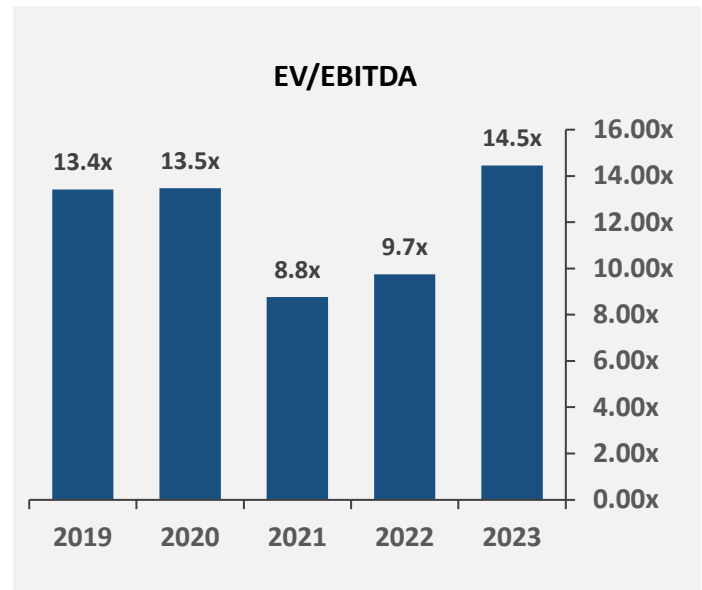
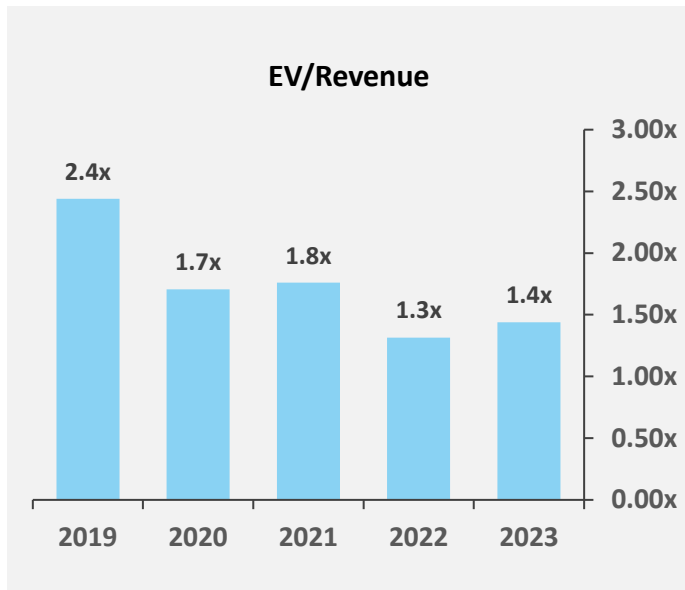
Total capital invested by PE investors (as a % of overall capital invested) increased in 2023 to 50.8% from 48.8% in 2022. Despite this slight uptick, 2023 marks the second-lowest percentage of total capital invested by PE investors over the last 5 years.

Total Capital Invested by Acquirer

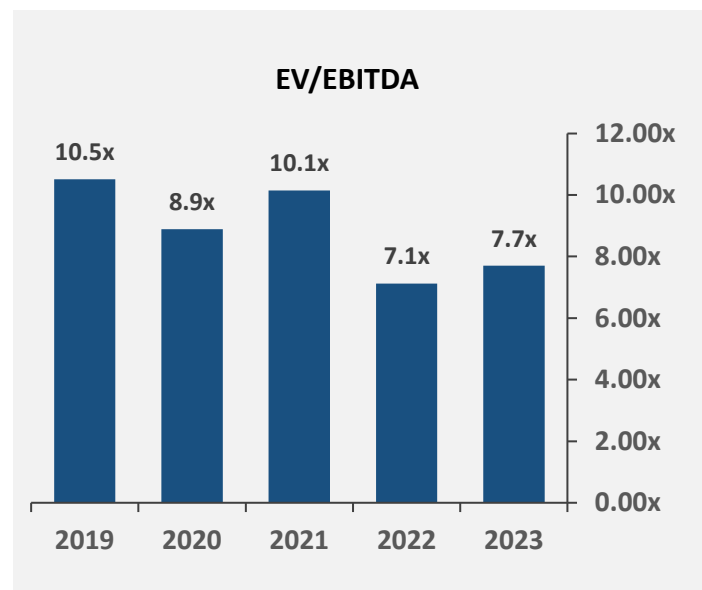
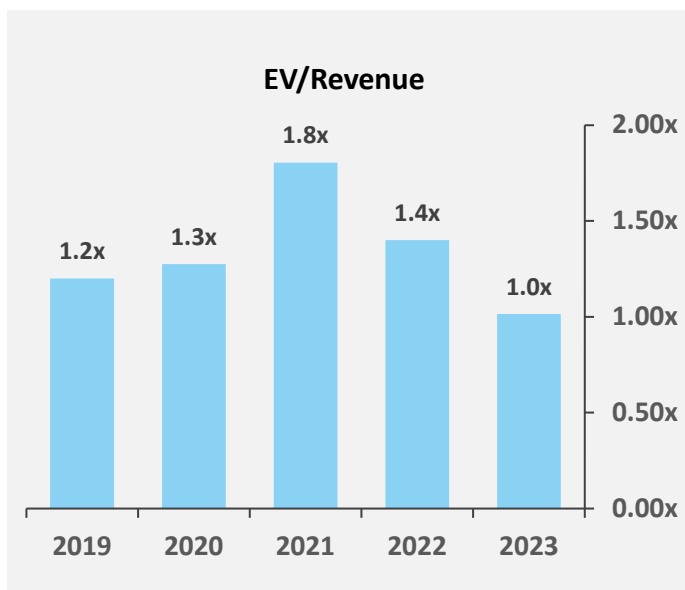


# Valuation Multiples

## Private Equity Multiples



## Strategic Multiples



# Largest Deals (Disclosed)

Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
14-Dec-2023	Guidehouse	Bain Capital	Buyout/LBO	\$ 5,300.0	1.77x		Provider of professional consulting and advisory services to the public and commercial markets.
13-Dec-2023	Right People Group	Capidea	Buyout/LBO	190.2			Provider of freelance IT and business consultant services to help businesses find specialist resources.
12-Dec-2023	Hivestack	Perion Network	Merger/Acquisition	100.0			Developer of a location ad-serving platform designed to target custom audiences based on physical-world behaviors.
10-Dec-2023	Fifth Season (Media and Information Services)	Toho	Corporate	225.0			Producer of feature films and premium television series based in Beverly Hills California.
08-Dec-2023	EIFFEL	TowerBrook Capital Partners	Buyout/LBO	488.5			Provider of legal consulting services intended for clients in both private and public sectors.
08-Dec-2023	EFESO Consulting	Eurazeo Pme	Buyout/LBO	439.6	2.27x		Provider of business strategy and organization consulting services.
05-Dec-2023	Klingel Medical Metal	Elos Medtech	Merger/Acquisition	401.4			Manufacturer of machined metal components intended to serve medical technology aerospace and other industries.
30-Nov-2023	Medical Search International	AMN Healthcare Services	Merger/Acquisition	300.0	1.94x		Provider of recruitment services catering to the healthcare industry.
24-Nov-2023	My Code	Ariel Alternatives	Buyout/LBO	400.0			Developer of a marketing platform intended to connect advertisers with Hispanic audiences.
15-Nov-2023	Benchmark Mineral Intelligence	Spectrum Equity	PE Growth/Expansion	610.8			Operator of an IOSCO-regulated price reporting agency PRA) intended to provide information for the lithium-ion battery to the electric vehicle supply chain.
14-Nov-2023	Chambers and Partners	Abry Partners	Buyout/LBO	488.2			Provider of legal rankings publishing and insights intelligence services intended to help organizations make informed decisions.
07-Nov-2023	United Printing & Publishing	Undisclosed Investor	PIPE	169.6			Provider of printing and publishing services intended for government financial education healthcare media transportation
06-Nov-2023	Capella Educare	Alta Capital	PE Growth/Expansion	200.0			Operator of an education infrastructure platform intended to serve across India.
23-Oct-2023	PFSweb	GXO Logistics	Merger/Acquisition	181.0	0.47x		Operator of a commerce services company.
20-Oct-2023	Clarivate	Exor	PIPE	487.9			Operator of an information analytics and workflow solutions company.
06-Oct-2023	Brown & Joseph	BharCap Partners	Buyout/LBO	320.0			Provider of commercial debt collection services intended to deliver and sustain services to the insurance community.
03-Oct-2023	DWF Group	Inflexion Private Equity Partners	Buyout/LBO	422.6	0.83x	6.80x	Provider of legal and business services intended for multinational clients.
02-Oct-2023	Arma Partners	Mediobanca	Buyout/LBO	110.8	1.11x	1.90x	Provider of independent corporate finance advice intended for companies and investors active in the global digital economy.
Mean				602.0	1.40x	4.35x	
Median				360.0	1.44x	4.35x	
High				5,300.0	2.27x	6.80x	
Low				100.0	0.47x	1.90x	

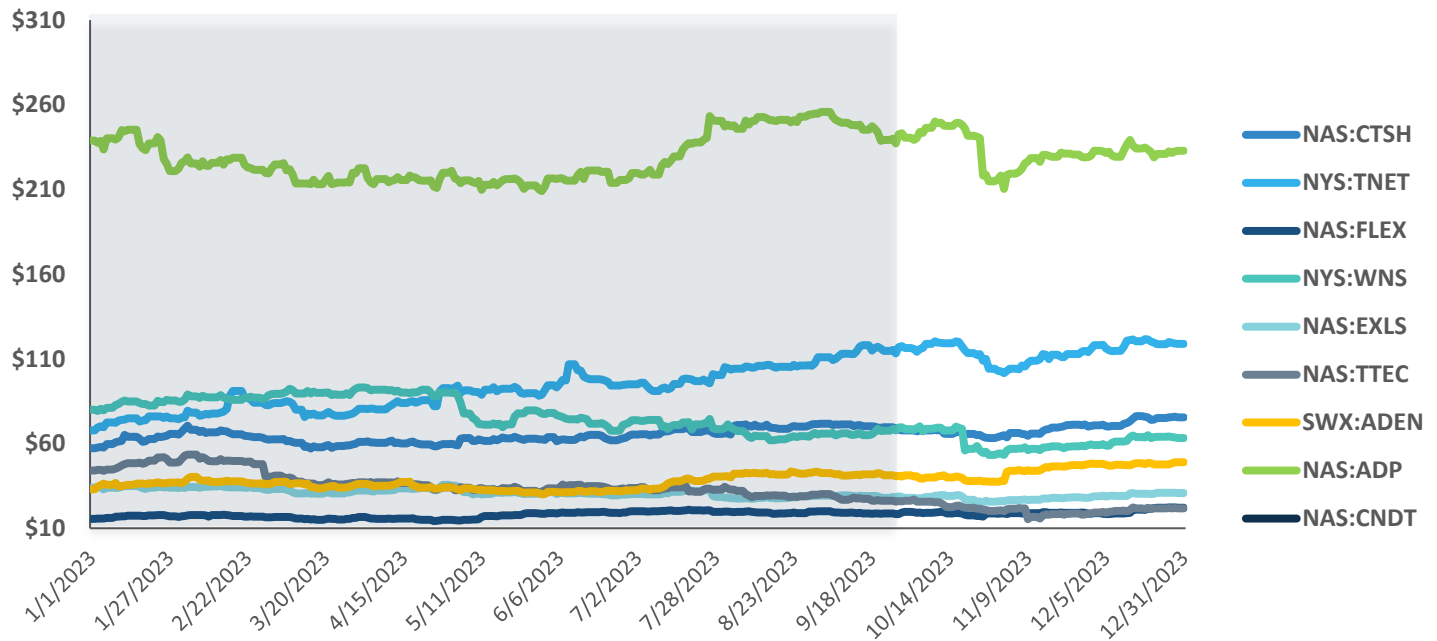


## Leading M&A Deals (Completed)

Deals	Deal Synopsis	Driver
	<p>Benchmark Mineral Intelligence (“BMI”), a London-based IOSCO-regulated price reporting agency (PRA), received \$610.8 million of development capital in the form of a convertible note from Spectrum Equity in November 2023. BMI plans to use the funds to expand globally. BMI recently opened a Washington, D.C., office and said the Company would soon expand to Indonesia and Australia.</p>	<p><b>PE Growth / Expansion</b></p>
	<p>EIFFEL, a Netherlands-based provider of legal consulting services, was acquired by TowerBrook Capital Partners (“TowerBrook”) through a \$488.5 million LBO in December 2023. Through this acquisition, TowerBrook aims to place a significant emphasis on growth through EIFFEL’s expansion into international markets.</p>	<p><b>PE Growth / Expansion</b></p>
	<p>DWF Group PLC, a London-based provider of legal and business services, was acquired by Inflexion Private Equity Partners (“Inflexion”) through a \$442.6 million public-to-private LBO in October 2023. With Inflexion’s backing, DWF will look to accelerate growth both organically by expanding its service capabilities along with accelerating its global M&amp;A strategy.</p>	<p><b>LBO</b></p>
	<p>Guidehouse, a Virginia-based provider of consulting services to the public sector and commercial markets, was acquired by Bain Capital through a \$5.3 billion LBO in December 2023. Through this acquisition, Bain Capital looks to leverage its broad consulting expertise, global presence, and management capabilities to capitalize on market dynamics to drive revenue growth.</p>	<p><b>LBO</b></p>

# Public Comps

## Stock Price



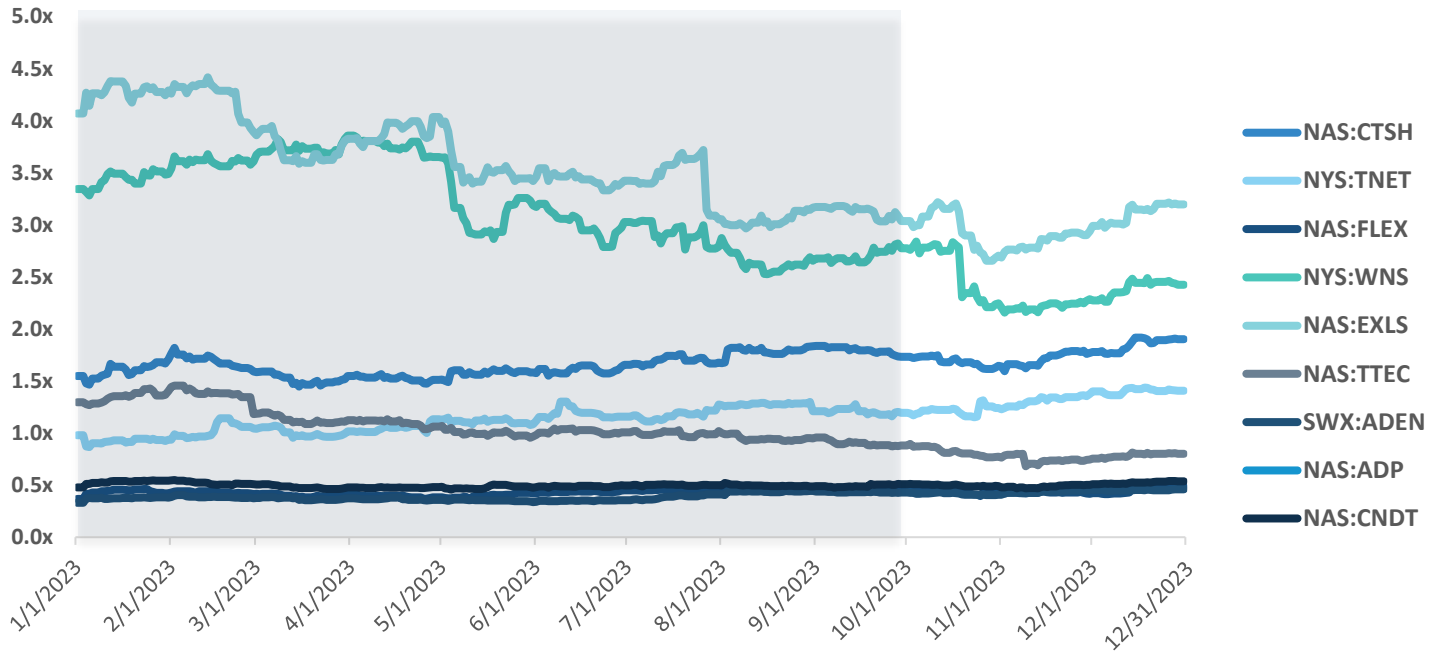
## Financial & Valuation

\$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	74	36,939	1,445	2.6x	1.5x	1.4x	14.8x	7.9x	7.6x	7%	8%	5%	17%	19%	17%
	TriNet Group	NYS:TNET	116	5,843	1,136	1.4x	0.8x	3.1x	12.6x	6.4x	8.0x	10%	12%	-73%	11%	13%	41%
	Flextronics International	NAS:FLEX	24	10,289	3,909	0.4x	0.4x	0.4x	6.3x	8.0x	6.0x	11%	12%	2%	6%	6%	7%
	WNS (Holdings)	NYS:WNS	61	2,904	353	4.2x	3.3x	3.1x	24.7x	19.7x	12.0x	10%	17%	6%	17%	17%	25%
	ExlService Holdings	NAS:EXLS	30	4,946	272	4.5x	4.3x	3.6x	20.8x	21.6x	16.6x	11%	24%	17%	22%	20%	19%
	TTEC Holdings	NAS:TTEC	20	957	1,099	2.3x	1.3x	1.2x	15.9x	10.6x	9.0x	21%	7%	4%	14%	12%	9%
	Adecco Group	SWX:ADEN	48	8,004	3,891	0.4x	0.4x	0.4x	7.7x	9.7x	8.8x	4%	10%	2%	5%	4%	4%
	Automatic Data Processing	NAS:ADP	233	95,632	3,324	7.1x	6.2x	5.6x	29.2x	25.3x	20.6x	6%	10%	12%	24%	24%	29%
	Conduent	NAS:CNDT	4	774	1,529	0.6x	0.5x	0.5x	5.7x	3.8x	4.9x	-1%	-5%	1%	11%	13%	10%

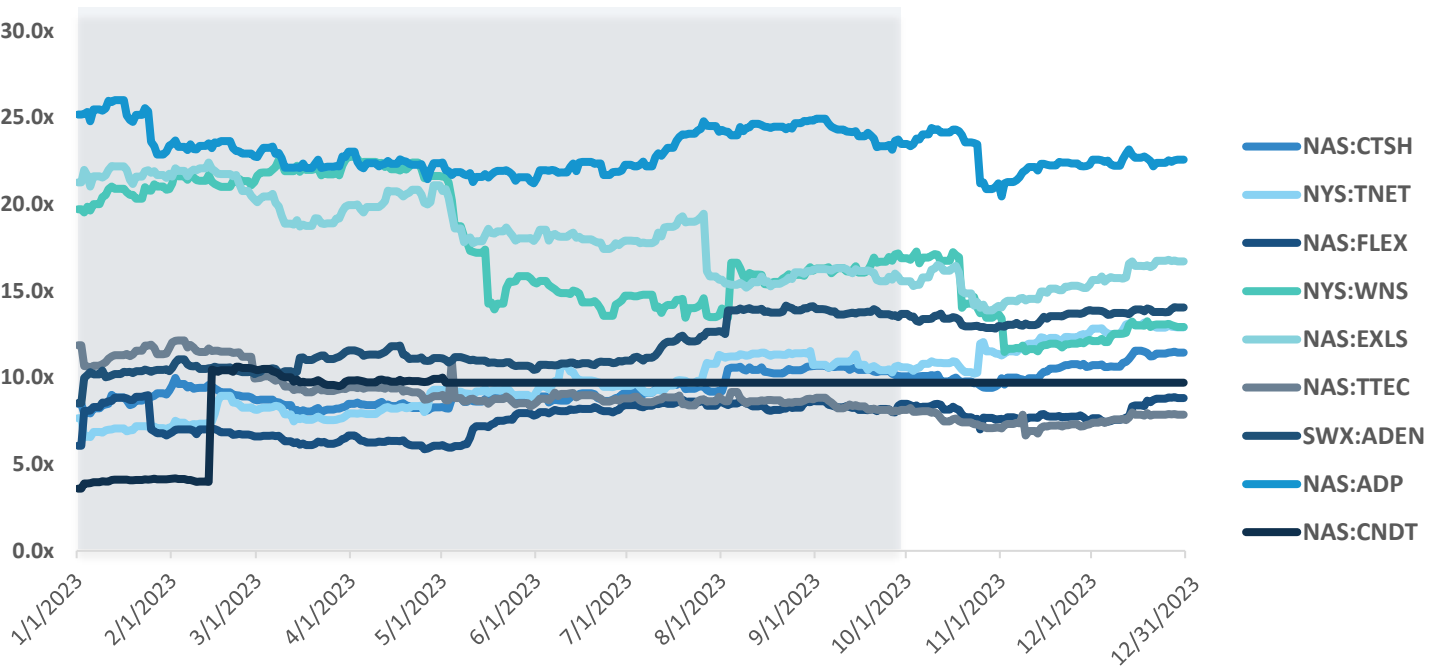
<b>Mean</b>						2.6x	2.1x	2.2x	15.3x	12.6x	10.4x	8.7%	10.5%	-2.7%	14.2%	14.1%	18.0%
<b>Median</b>						2.3x	1.3x	1.4x	14.8x	9.7x	8.8x	9.6%	9.9%	4.5%	14.4%	13.1%	16.8%

# Public Comps

## EV/Revenue



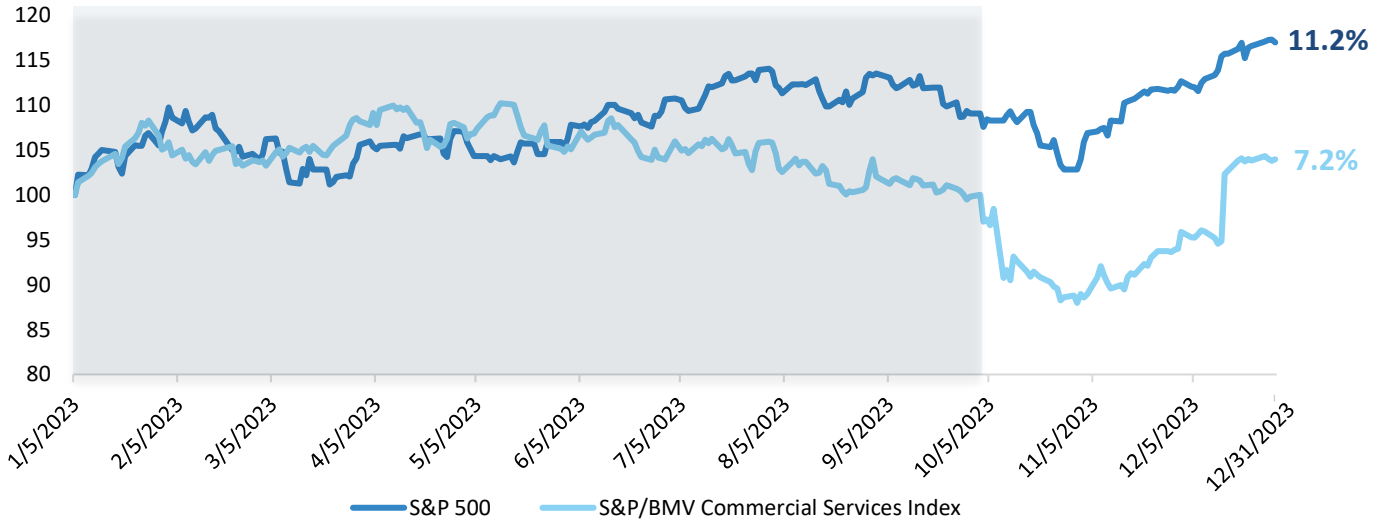
## EV/EBITDA



# Public Markets

## Index Performance

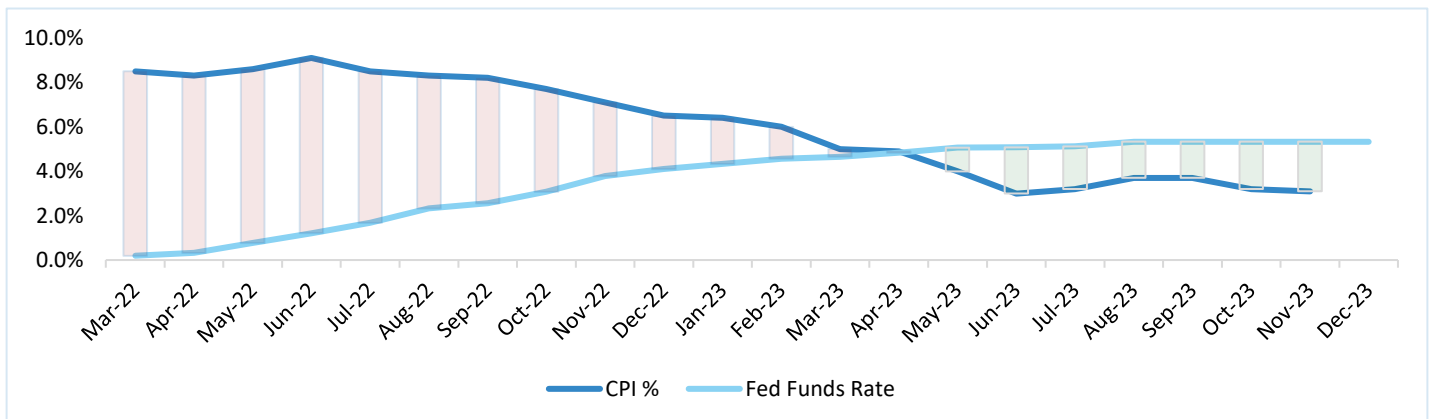
The S&P/BMV Commercial Services Index increased 7.2% in Q4, but was outperformed by the S&P 500, which increased 11.2% over the same period.



## Key External Drivers

Overall, the Business Services industry tends to experience less volatility in the broader economy than other industries.

The Federal Reserve is anticipated to implement a series of rate cuts in 2024, with policymakers considering three cuts, reducing the fed funds rate from 5.25%-5.5% to 4.5%-4.75%. However, market expectations suggest the possibility of six quarter-point cuts, bringing the rate to 3.75%-4%. This projection has fueled a late 2023 stock market rally. Despite these anticipated cuts, the federal funds rate could still be restrictive in 2024. Additionally, the Federal Reserve plans to continue quantitative tightening by gradually reducing its holdings of Treasuries and mortgage-backed assets. Rate cuts are anticipated to increase M&A activity in the Business Services sector by lowering the cost of capital required to finance acquisitions. While we expect M&A activity to increase in 2024, we don't see it returning to the peak levels seen in 2021.



# 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*

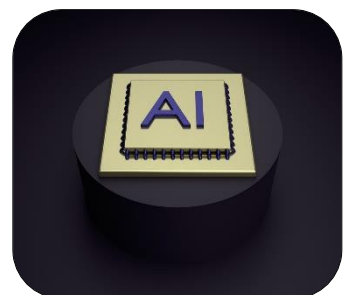
Business service providers are undergoing a shift towards a customer-centric approach, moving away from transactional interactions. By leveraging customer data and machine learning algorithms, businesses can deliver a variety of tailored services and support to customers including personalized recommendations, 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.



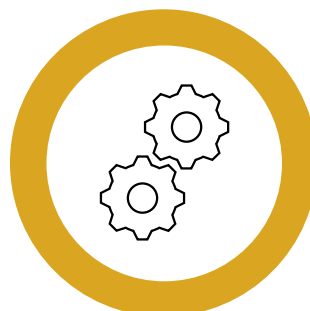
## Buy-Side Advisory: Buy a business

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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thulett@rlhulett.com

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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rlitton@rlhulett.com

Mr. Litton has been advising business owners in mergers and acquisitions since 2013. His primary industry focus areas have included industrials, paper and Business Services, 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**  
Senior Analyst  
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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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cmeier@rlhulett.com

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, business services, packaging, 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

The data in this document has been derived from PitchBook Data and has been compiled by R.L. Hulett. This document is strictly for illustrative purposes only. The data presented in this document is not comprehensive and should not be used for benchmarking, valuation, or for any other decision making. R.L. Hulett accepts no responsibility for loss or damage caused by dependence on the information in this document.



***Trusted Advisors.***

***Tenacious Advocates.***

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