



Business Services M&A Update – Q1 2024



Business Services M&A Update

Q1 2024

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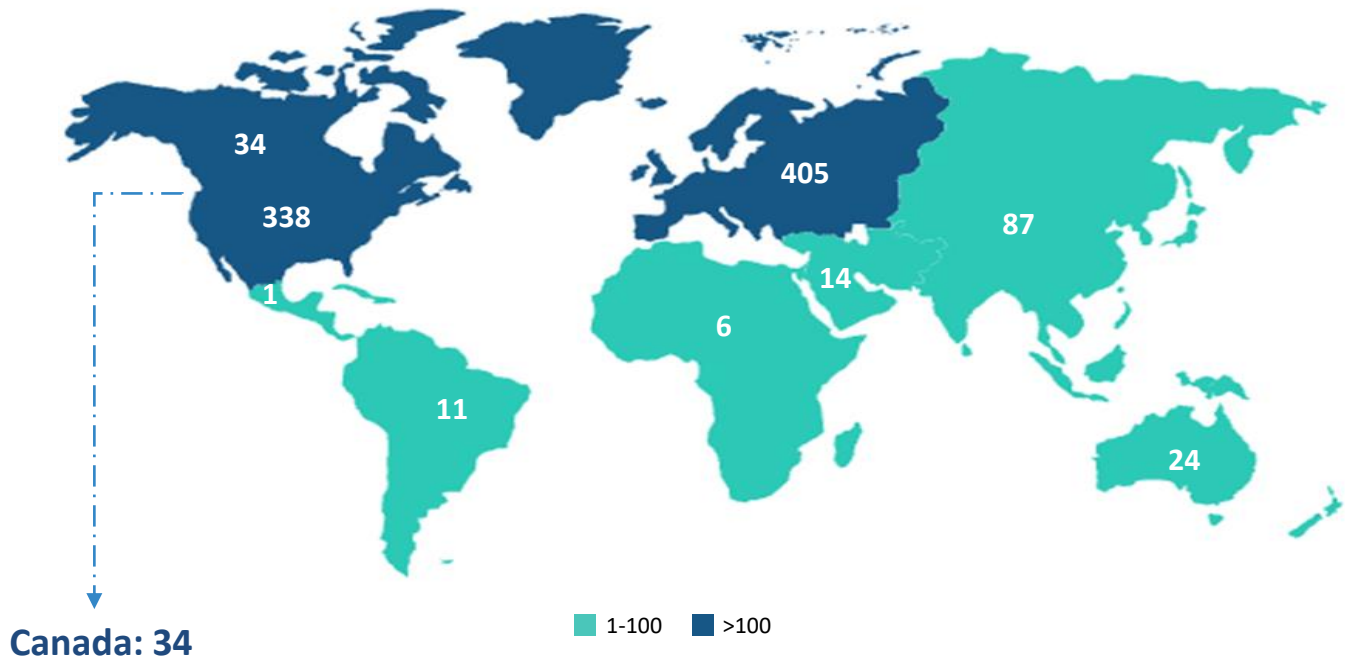
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REPORT HIGHLIGHTS

- In Q1, the S&P/BMV Commercial Services Index increased 2.0%, but was outperformed by the S&P 500 which increased 10.8% over the same period.
- The median EV/EBITDA multiple for reported private equity deals decreased to 9.6x in Q1 from 14.5x in 2023, and decreased for strategic deals to 6.6x from 7.7x over the same period.
- Deal volume in the Business Services sector increased 8.7% in Q1 to 920 deals from 846 in Q4 2023, but decreased 9.7% from 1,019 deals in Q1 of the prior year.
- As a % of total capital invested in M&A transactions in Q1, PE participation increased to 54.5%, up from 50.8% in 2023.
- Europe was the most active region in Q1 with 405 deals. Most notable in Europe was Apax Partners' \$889.5 million buyout of WGSN, a London-based provider of global trend forecasting and consulting services in February 2024.

Global Deal Analytics

Of the 920 deals in Q1, Europe was the most active market with 405. Another notable European deal (in addition to the WGSN deal mentioned on the previous page) was HeadFirst's \$614.7 million public-to-private leveraged buyout of Impellam Group, a U.K.-based provider of staffing and outsourcing services, in March 2024. The U.S. was the second most active region with 338. All other regions combined for a total of 177 deals.



Canada: 34

United States Regions: 338

Mid Atlantic:	75
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Southeast:	75
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West Coast:	51
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Great Lakes:	47
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Mountain:	25
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Other:	65
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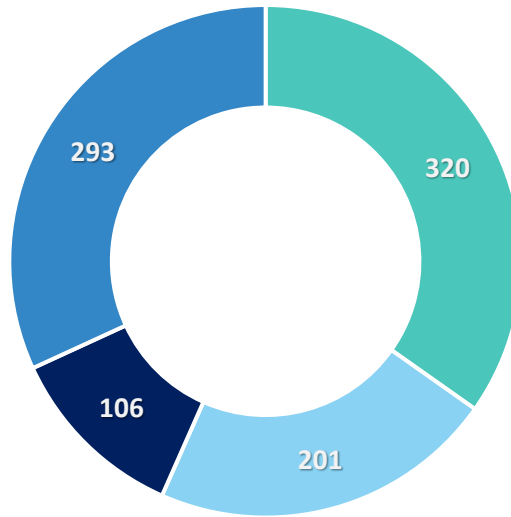
In the North American market, the Mid Atlantic and Southeast tied for the most active region with 75 deals, followed by the West Coast region with 51. A notable deal in the Mid Atlantic region was Jacobs Private Equity's \$1.0 billion leveraged buyout of Silversun, a New Jersey-based business application, technology, and consulting company. The Great Lakes and Mountain regions reported 47 and 25 transactions, respectively. All other regions totaled 65 closed transactions.

Canada had a relatively active quarter with 34 reported transactions in Q1.

Global Deal Analytics

Of the 920 Business Services deals in Q1, 320 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 201 deals followed by Human Capital Services with 106. All other subsectors combined had a total of 293 closed transactions.

Deal by Subsector



- Media & Information Services
- Consulting Services
- Human Capital Services
- Other

  	  	  	  
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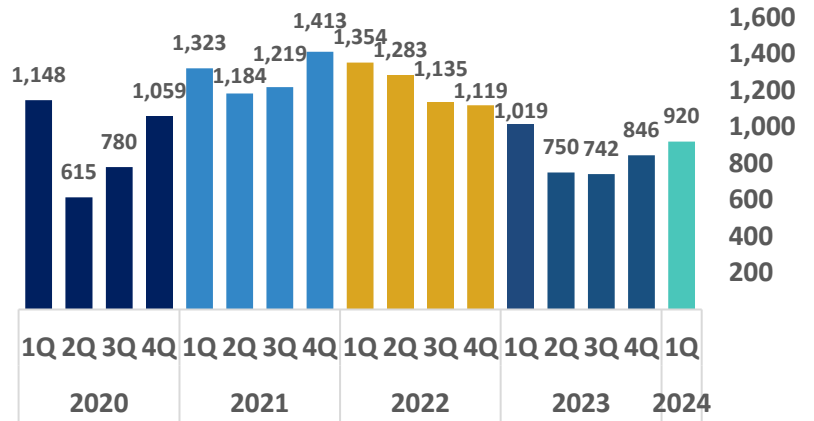
Global Deal Analytics

Deal volume in the Business Services sector increased 8.7% in Q1 to 920 deals from 846 in Q4 2023, but decreased 9.7% from 1,019 deals in Q1 of the prior year. Volume in Q1 was still significantly off the peak seen in Q4 2021, but did continue the increasing trend off the low in Q3 2023.

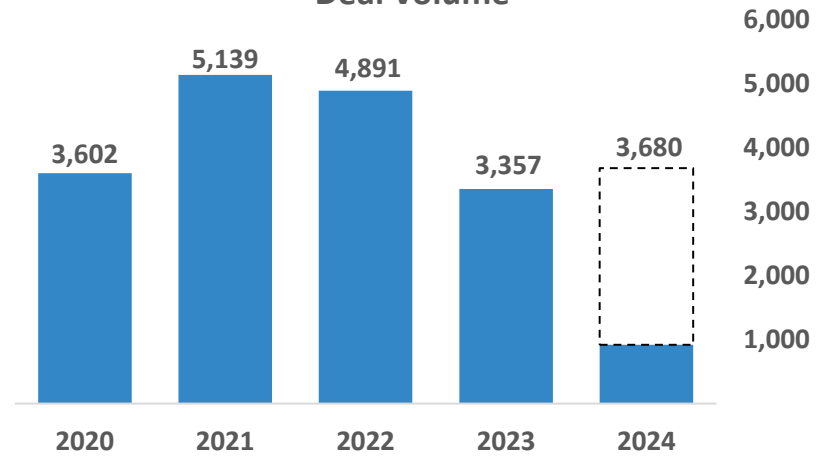
Annual deal volume is projected to increase 9.6% to 3,680 deals in 2024 from 3,357 in the prior year. We attribute this increase to the consensus that global macroeconomic conditions are projected to improve slightly in 2024 with gradually rising global GDP and inflation set to fall to 5.8%.

Total capital invested in M&A deals in the Business Services sector decreased 42.6% in Q1 to \$7.0B from \$12.2B in Q4, and decreased 81.6% from \$38.0B in the same period of the prior year. The decrease from Q4, in spite of an increase in Q1 deal volume, was largely attributable to Bain Capital's \$5.3 billion buyout of Guidehouse, a Virginia-based provider of consulting services to the public sector and commercial markets, in December 2023.

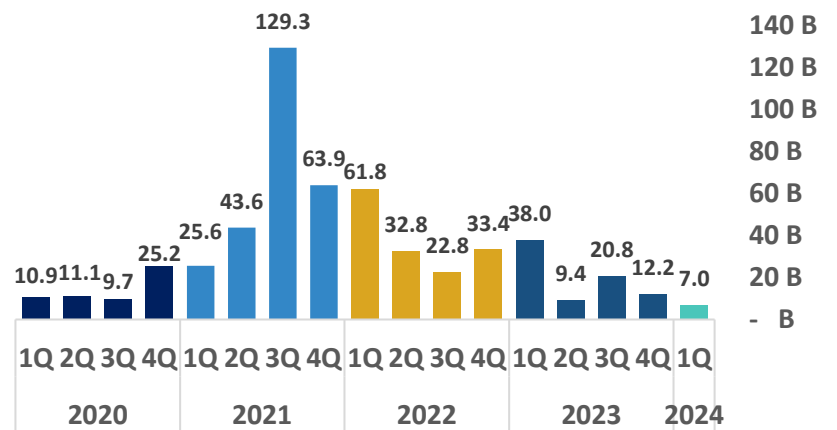
Deal Volume



Deal Volume



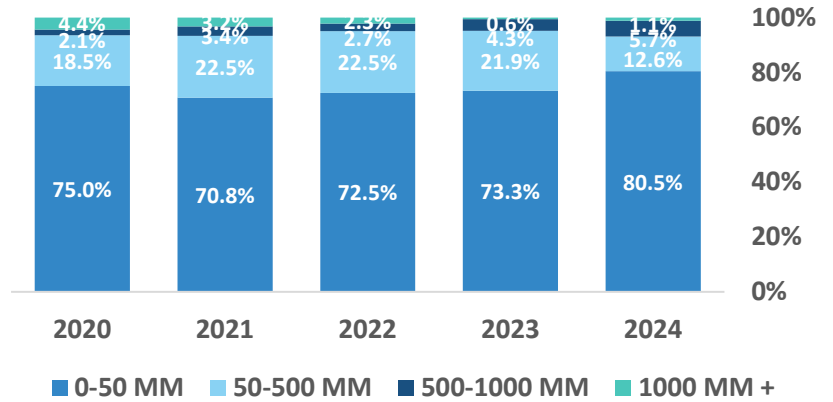
Total Capital Invested



Global Deal Analytics

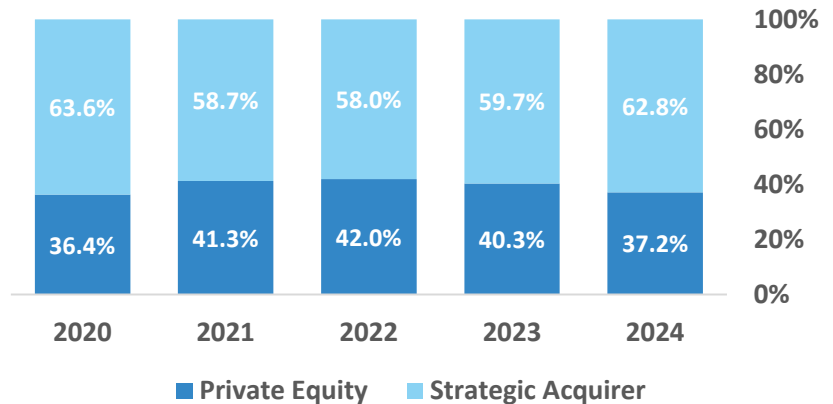
In Q1, we saw a significant shift towards smaller-sized deals. The lower middle (\$0-\$50 MM) market increased to 80.5% from 73.3% in the prior year while the middle market (\$50 - \$500 MM) decreased to 12.6% from 21.9% in 2023. Deal volume in the upper middle (\$500 - \$1000 MM) and large-cap (\$1000 MM+) tranches saw increases to 5.7% and 1.1% in Q1 from 4.3% and 0.6% in 2023, respectively.

Deal Volume by Deal Size



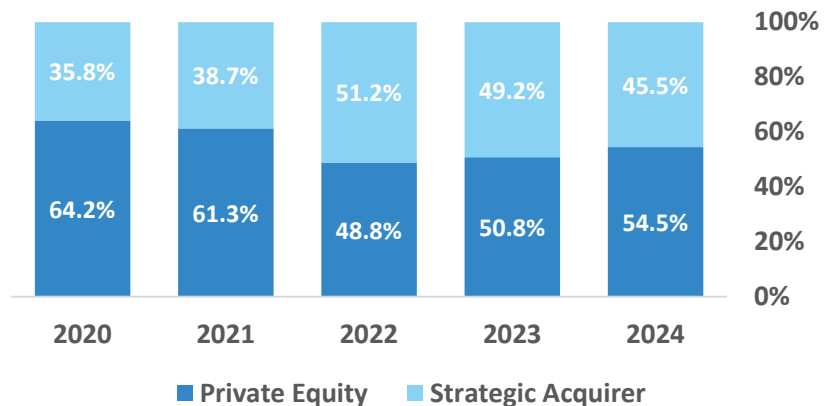
As a % of total deal volume, PE buyers trended slightly lower in Q1, representing 37.2% of deal volume in the sector, down from 40.3% in 2023. Q1 2024 marks the second-lowest percentage of PE deal volume over the last 5 years. This drop is indicative of challenging market dynamics with increasing costs of capital and tightened liquidity markets.

Deal Volume by Acquirer



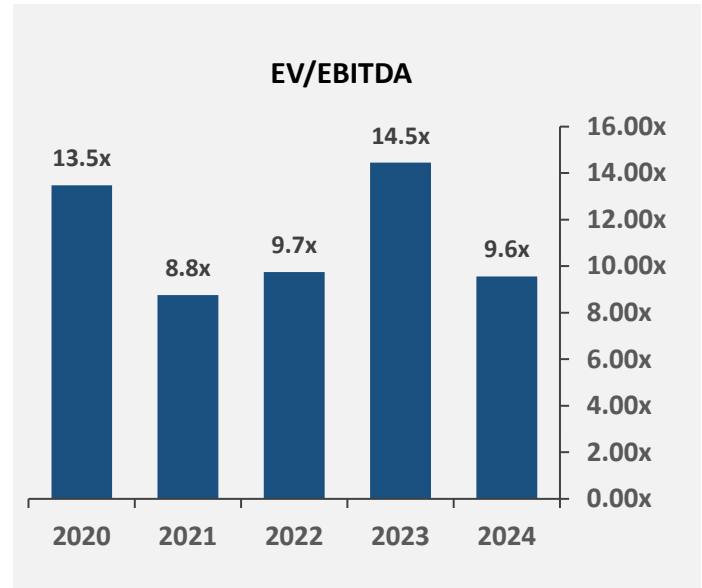
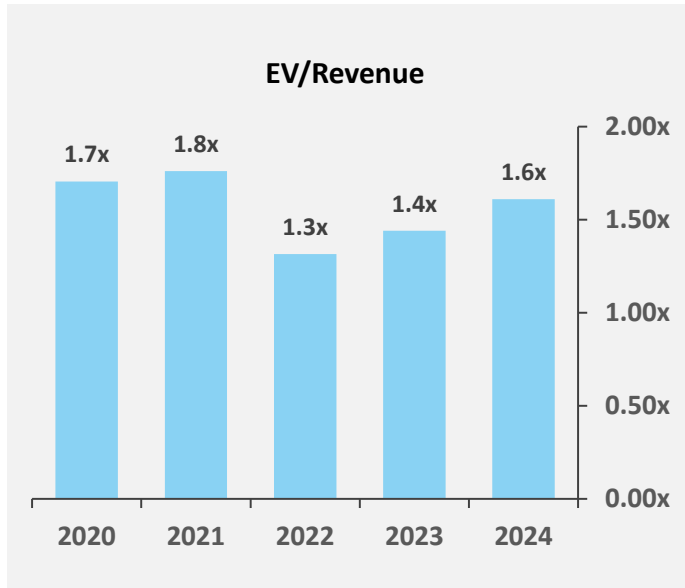
Total capital invested by PE investors (as a % of overall capital invested) increased in Q1 to 54.5% from 50.8% in 2023. The uptick in Q1 returns PE to its 5 year average after seeing two lower years of invested capital in 2022 and 2023. This increase is primarily due to Jacobs Private Equity’s \$1.0 billion buyout of Silversun in January 2024 and Apex Partners’ 895.5 million buyout of WGSN in February 2024.

Total Capital Invested by Acquirer

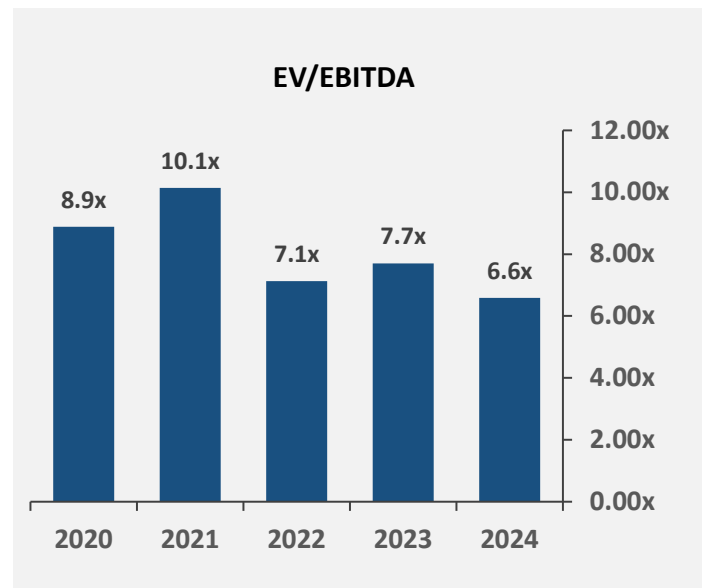
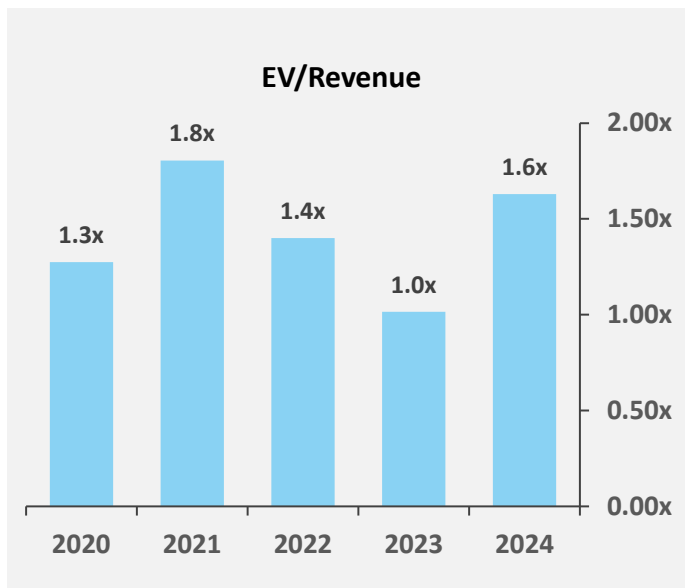


Valuation Multiples

Private Equity Multiples



Strategic Multiples



Largest Deals (Disclosed)

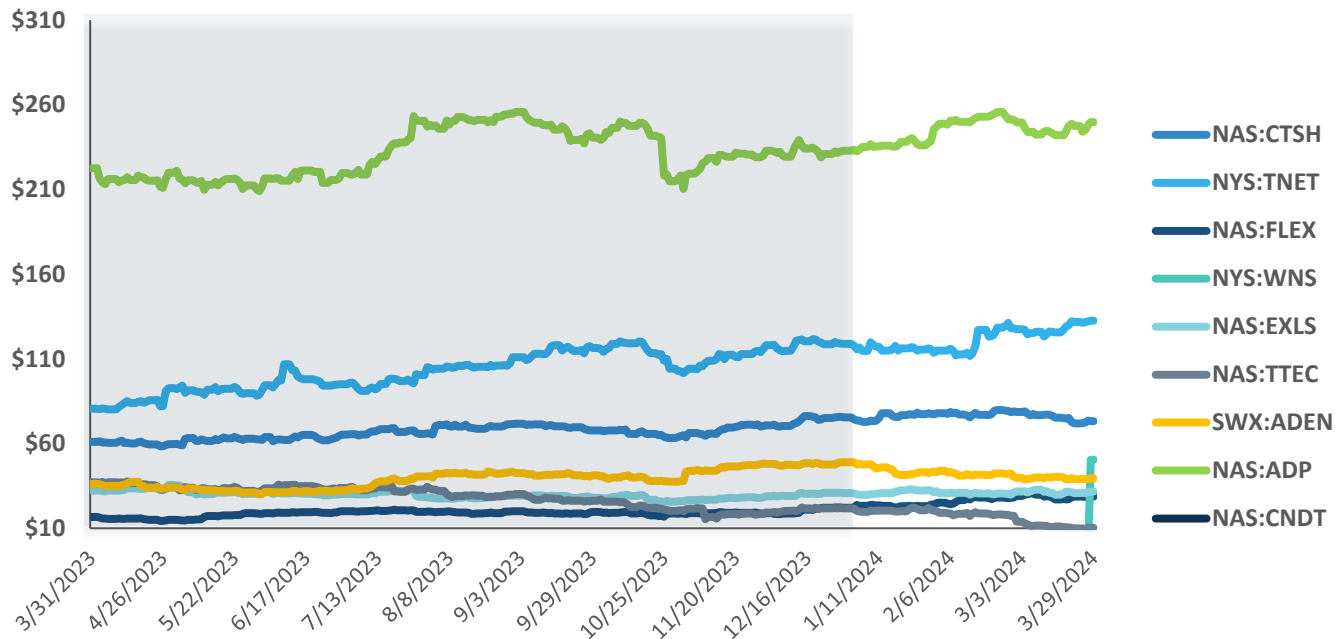
Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
27-Mar-2024	Nutun Australia	Allegro Funds	Buyout/LBO	\$ 38.2			Provider of services including credit collections, CX, insurance claims recovery, insource solutions and legal services.
21-Mar-2024	Impellam Group	HeadFirst	Buyout/LBO	614.7			Provider of staffing and outsourcing services.
13-Mar-2024	Let It Fly Media	Charterhouse Capital Partners	Buyout/LBO	320.2			Operator of a marketing agency intended to serve sports teams and sports-related companies.
01-Mar-2024	Connected Risk Solutions	AmWINS	Buyout/LBO	58.9	1.73x	11.78x	Provider of insurance and risk management solutions.
16-Feb-2024	CAE Healthcare	Barings	Buyout/LBO	230.8	1.48x		Developer of simulation-based education technologies intended for healthcare, aviation, defense and security sectors.
06-Feb-2024	Playmaker Capital	Better Collective	Merger/Acquisition	191.9	3.11x	25.13x	Operator of a digital sports media company.
02-Feb-2024	TLC Marketing	bd-capital	PE Growth/Expansion	190.7			Operator of a marketing promotions agency.
01-Feb-2024	WGSN	Apax Partners	Buyout/LBO	889.5			Provider of global trend forecasting and consulting services
09-Jan-2024	GfK	YouGov	Merger/Acquisition	345.3			Provider of syndicated market research services based in Switzerland.
04-Jan-2024	G1 Secure Solutions	UMI Service	Merger/Acquisition	54.0	0.22x	2.73x	Provider of security and safety services.
04-Jan-2024	Orbit One	Hanza Group	Merger/Acquisition	44.9			Provider of contract manufacturing services in the field of electronics and electro-mechanics.
03-Jan-2024	Kelly	Gi Group Holding	Merger/Acquisition	142.1			Provider of staffing and consulting services based out of Neuchâtel, Switzerland.
03-Jan-2024	Waypoint	Axion Foodservice	Buyout/LBO	100.0			Provider of sales and marketing services catering to the food industry.
02-Jan-2024	VettaFi	TMX Group	Merger/Acquisition	950.0			Operator of a data, analytics, indexing and digital distribution company intended to serve financial industries.
02-Jan-2024	Flywheel Digital	Omnicom Group	Merger/Acquisition	900.0	2.45x		Provider of digital marketing services for consumer product companies.
02-Jan-2024	Wiley University Services	Academic Partnerships	Buyout/LBO	200.0			Provider of educational services based in Maitland, Florida.
01-Jan-2024	Silversun	Jacobs Private Equity	Buyout/LBO	1,000.0	18.26x		Operator of a New Jersey-based business application, technology, and consulting company
01-Jan-2024	Talos Low Carbon Solutions	TotalEnergies	Merger/Acquisition	273.0			Provider of energy services specializing in decarbonization solutions.
Mean				363.6	4.54x	13.21x	
Median				215.4	2.09x	11.78x	
High				1,000.0	18.26x	25.13x	
Low				38.2	0.22x	2.73x	

Leading M&A Deals (Completed)

Deals	Deal Synopsis	Driver
 	<p>VettaFi, a New York-based data analytics, indexing and digital distribution company serving financial end-markets, was acquired by TMX Group (“TMX”) for \$950.0 million in January 2024. This acquisition expands TMX’s geographic footprint globally and increases the proportion of revenue derived from its global solutions, insights, and analytics business segment.</p>	<p>Merger/ Acquisition</p>
 	<p>SilverSun (NAS: SSNT), a New Jersey-based provider of application development, technology, and consulting services, sold a majority interest to Jacobs Private Equity (“JPE”) for \$1.0 billion in January 2024. JPE intends to spin-off SSNT’s existing business and distribute all shares of the spin-off to the stockholders of SSNT. The remaining company will become a standalone platform for significant acquisitions.</p>	<p>LBO</p>
 	<p>In February 2024, Apax Partners (“Apax”) acquired a subsidiary of Ascential Group, Worth Global Style Network (“WGSN”), a London-based provider of global trend forecasting and consulting services in a \$889.5 million LBO. With Apax’s backing, WGSN will look to accelerate its expansions in product offerings and global customer outreach.</p>	<p>LBO</p>
 	<p>Flywheel Digital (“Flywheel”), a Baltimore-based provider of digital marketing services for consumer product companies, was acquired by Omnicom Group (“Omnicom”) for \$900.0 million in January 2024. The addition of Flywheel uniquely positions Omnicom to integrate offerings across retail and brand media, digital and in-store commerce, and precision marketing.</p>	<p>Merger/ Acquisition</p>

Public Comps

Stock Price



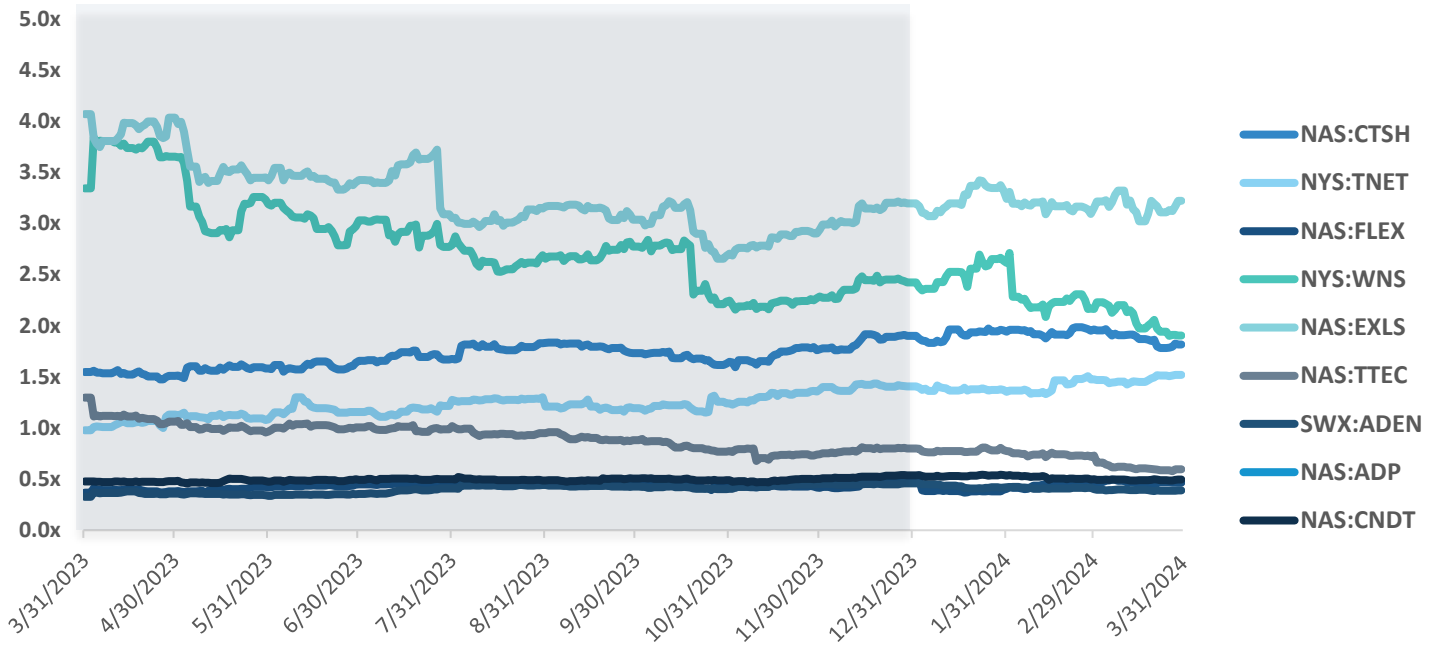
Financial & Valuation

\$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	68	34,062	1,315	2.6x	1.5x	1.4x	14.8x	7.9x	7.6x	7%	8%	5%	17%	19%	17%
	TriNet Group	NYS:TNET	127	6,409	1,137	1.4x	0.8x	3.1x	12.6x	6.4x	8.0x	10%	12%	-73%	11%	13%	41%
	Flextronics International	NAS:FLEX	28	11,826	3,936	0.4x	0.4x	0.4x	6.3x	8.0x	6.0x	11%	12%	2%	6%	6%	6%
	WNS (Holdings)	NYS:WNS	48	2,226	375	4.2x	3.3x	N/A	24.7x	19.7x	N/A	10%	17%	#N/A	17%	17%	N/A
	ExlService Holdings	NAS:EXLS	30	4,967	271	4.5x	4.3x	3.6x	20.8x	21.6x	16.6x	11%	24%	17%	22%	20%	19%
	TTEC Holdings	NAS:TTEC	8	390	1,130	2.3x	1.3x	1.2x	15.9x	10.6x	9.0x	21%	7%	4%	14%	12%	9%
	Adecco Group	SWX:ADEN	38	6,321	4,058	0.4x	0.4x	0.4x	7.7x	9.7x	8.8x	4%	10%	2%	5%	4%	4%
	Automatic Data Processing	NAS:ADP	244	100,266	3,317	7.1x	6.2x	5.6x	29.2x	25.3x	20.6x	6%	10%	12%	24%	24%	29%
	Conduent	NAS:CNDT	3	661	1,493	0.6x	0.5x	0.5x	5.7x	3.8x	4.9x	-1%	-5%	1%	11%	13%	7%

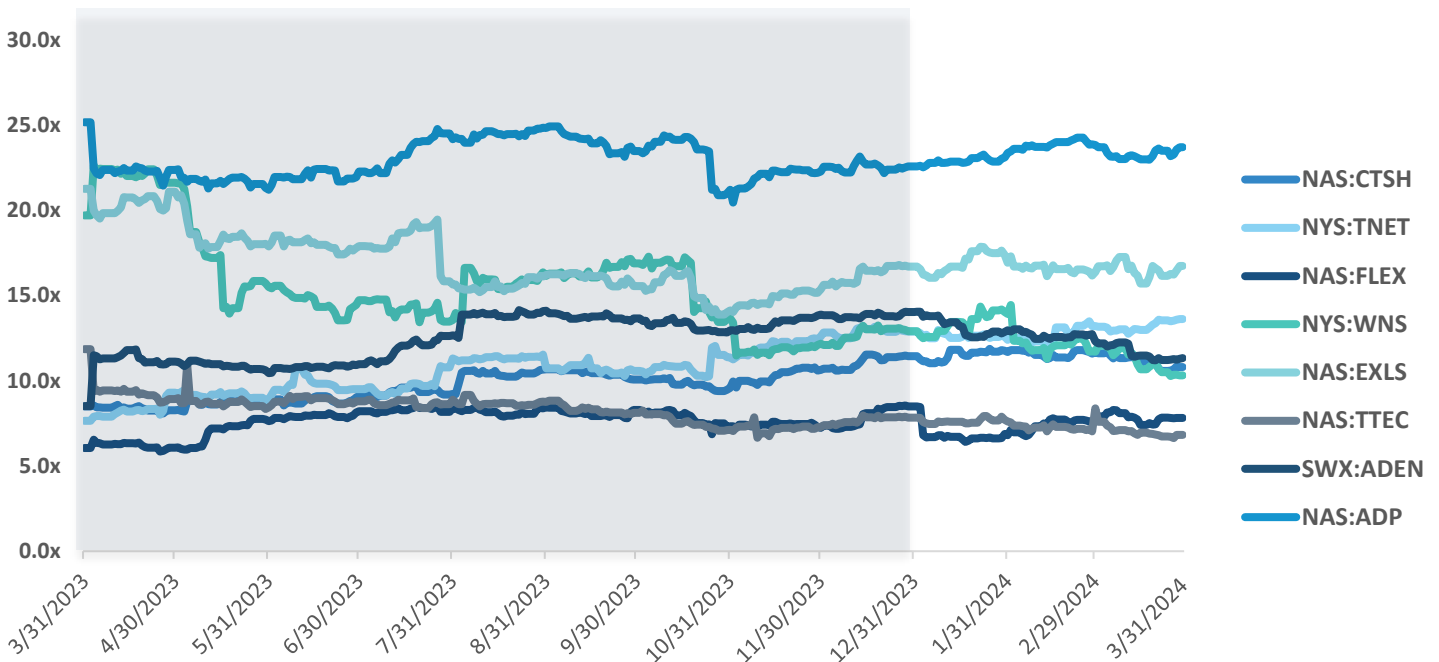
Mean						2.6x	2.1x	2.0x	15.3x	12.6x	10.2x	8.7%	10.5%	#N/A	14.2%	14.1%	16.5%
Median						2.3x	1.3x	1.3x	14.8x	9.7x	8.4x	9.6%	9.9%	#N/A	14.4%	13.1%	12.8%

Public Comps

EV/Revenue



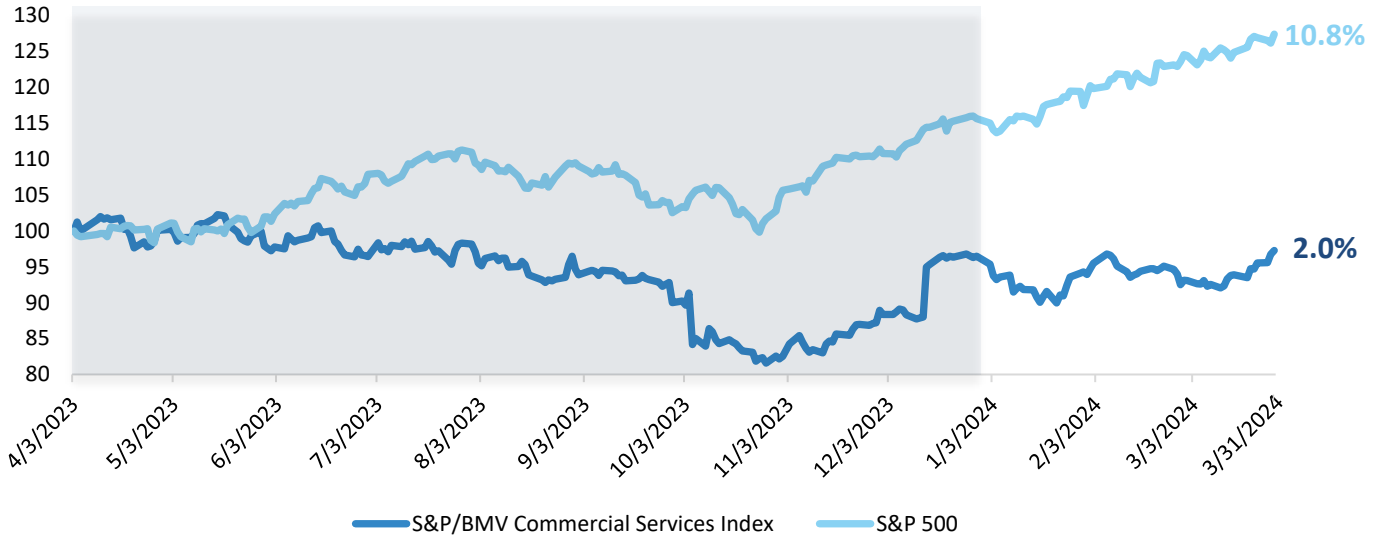
EV/EBITDA



Public Markets

Index Performance

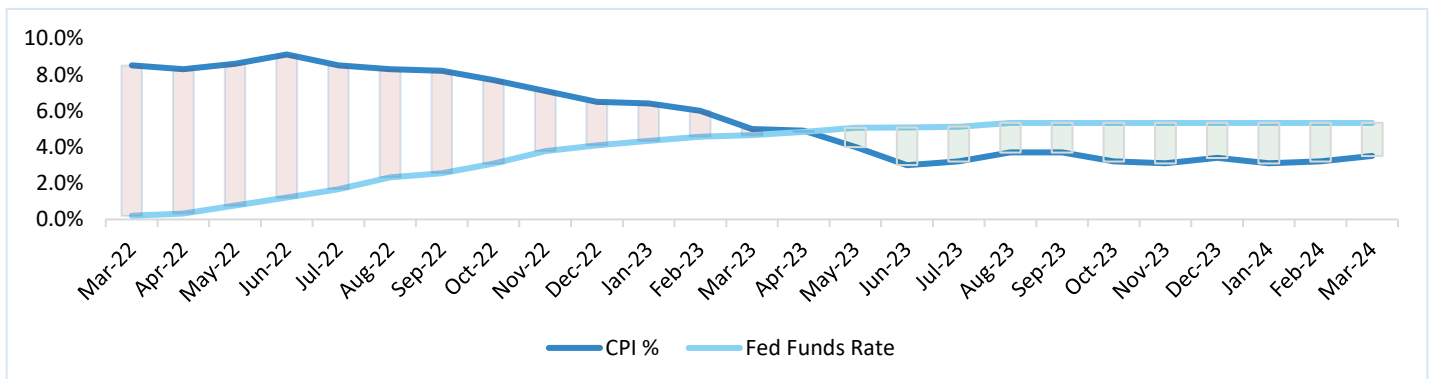
In Q1, the S&P/BMV Commercial Services Index increased 2.0%, but was outperformed by the S&P 500 which increased 10.8% over the same period.



Key External Drivers

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

The Federal Reserve is anticipated to initiate a series of rate cuts in 2H 2024, with policymakers considering three cuts starting in June, aiming to reduce the Fed funds rate from 5.25%-5.5% to 4.5%-4.75%. This outlook, coupled with the latest above-expectations performance by the Magnificent Seven Stocks, has fueled public equity activity in Q1, 2024. The S&P 500 surged to 17 new record highs and has experienced a significant YoY increase of 28.36% since March 2023. The anticipated rate cuts are poised to increase M&A activity in Business Services sector by lowering the cost of capital required to finance acquisitions. Lower borrowing costs may narrow the gap between the price sellers are willing to accept and the proposed purchase price offered by buyers. Although we anticipate elevated M&A activity relative to 2023, we do not foresee M&A activity returning to the record-high levels seen in 2021.



Industry Trends

Innovations with Generative AI

Transforming Operations of Business Services

Generative AI is disrupting the business services industry, offering unparalleled speed in data analysis and information synthesis. This advanced technology is being increasingly integrated into content creation and marketing strategies. By adeptly analyzing visual datasets, Generative AI crafts highly customized marketing strategies, including social media posts and email marketing campaigns.



Outsourced Marketing

Fractional CMOs for Agile Business Growth

CMOs enables startups and SMBs cost-efficient access to strategic marketing guidance, optimizing their marketing efforts. A company active in the CMO space is Chief Outsiders, a provider of high-quality advice to guide smaller organizations through their growth stages, eliminating the need for a full-time, salaried CMO.



Personalized Experience

Tailoring Customer Experiences to Different Customer Segments

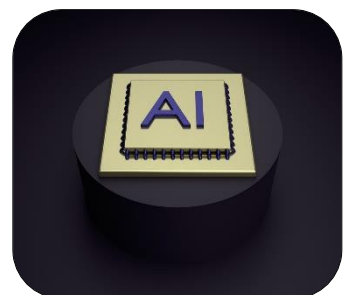
Business service providers are undergoing a shift towards a longer-term customer-centric approach, moving away from short-term transactional interactions. Utilizing customer data and machine learning algorithms, business service providers are empowered to provide their customers with ongoing personalized services and support. This encompasses tailored recommendations, precise marketing initiatives, customized communication channels, and proactive problem-solving for customers.



Adopting Blockchain Technology

Enhancing Security Compliance

As companies expand, their transaction data increases at an accelerating pace. Increasing amounts of data under management necessitates enhancing privacy protection and compliance to security standards. This has spurred the adoption of blockchain technology, which provides a decentralized ledger improving data security.



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.



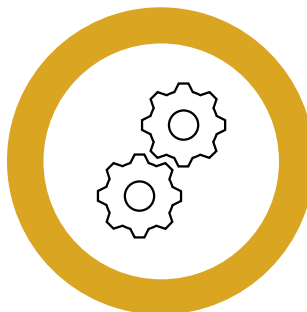
Buy-Side Advisory: Buy a business

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
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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, 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.

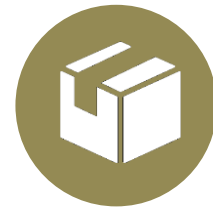
Industry Sectors Covered:



Business Services



Transportation & Logistics



Packaging



Industrials



Tech-enabled Services



Food & Beverage

Disclaimer

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Trusted Advisors.

Tenacious Advocates.

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