



Business Services M&A Update – Q2 2024



Business Services M&A Update

Q2 2024

CONTENTS

- 3 Global Deal Analytics
- 7 Valuation Multiples
- 9 Leading M&A Deals
- 13 Industry Trends
- 14 Our Service Offerings
- 15 Selected Transactions
- 16 Our M&A Team

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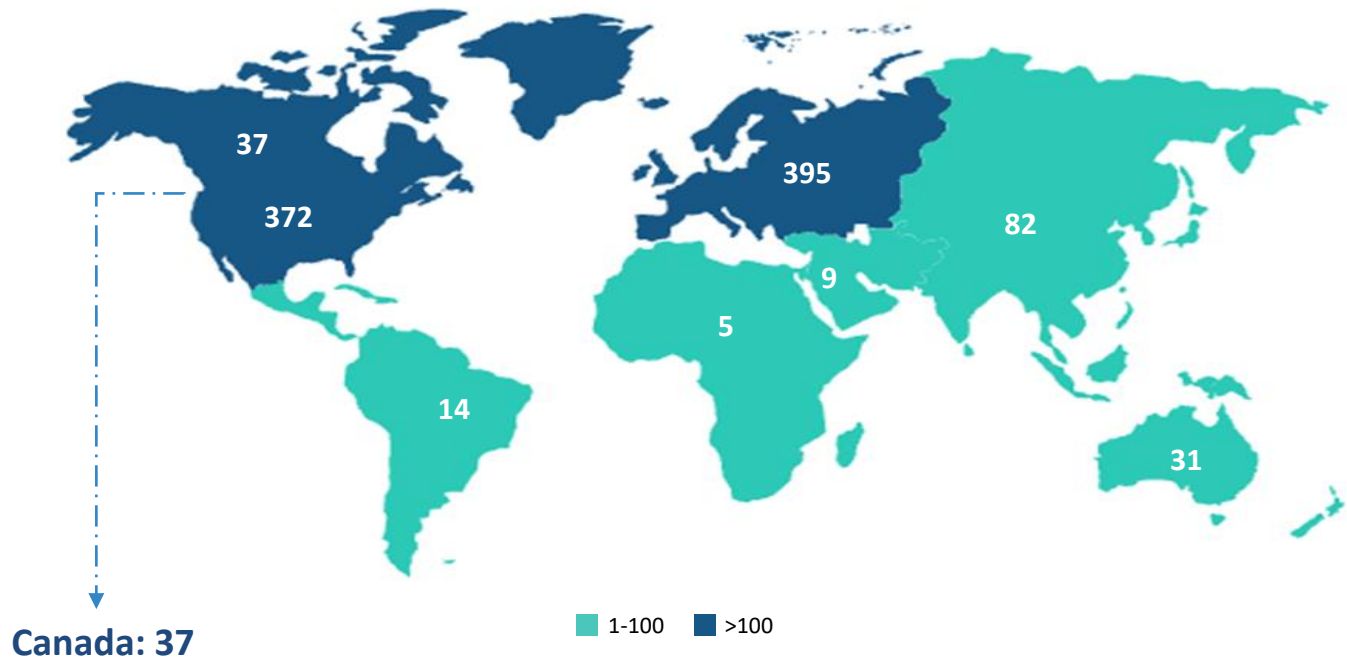
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REPORT HIGHLIGHTS

- In Q2, the S&P/BMV Commercial Services Index decreased by 4.1% and was outperformed by the S&P 500, which increased 4.1% over the same period.
- The median EV/EBITDA multiple for reported PE deals declined in 1H 2024 to 9.6x from 14.5x in 2023, and for strategic deals declined to 6.7x in 1H 2024 from 7.7x in 2023.
- M&A deal volume increased 2.7% in Q2 to 945 deals from 920 in Q1, and increased 26.0% from 750 deals in Q2 of the prior year.
- As a % of total capital invested in M&A transactions in 2024, PE participation decreased in 1H 2024 to 41.0% from 50.8% in 2023.
- North America was the most active region in Q2 with 409 deals. Most notably in the North American market was Kelly Services' \$485.0 million acquisition of Motion Recruitment Partners, a Massachusetts-based provider of information technology staffing services, in June 2024.

Global Deal Analytics

Of the 945 deals in Q2, North America was the most active market with 409. Another notable North American deal (in addition to the Motion Recruitment Partners deal mentioned on the previous page) was Nautic Partners' \$350.0 million acquisition of Wesco Integrated Supply, a New York-based provider of industrial maintenance, repair, and operations (MRO) supply chain services, in April 2024. Europe was the second most active region with 395. All other regions combined for a total of 141 deals.



Canada: 37

United States Regions: 372

Mid Atlantic:	88
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Southeast:	62
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West Coast:	59
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Great Lakes:	55
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Mountain:	29
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Other:	79
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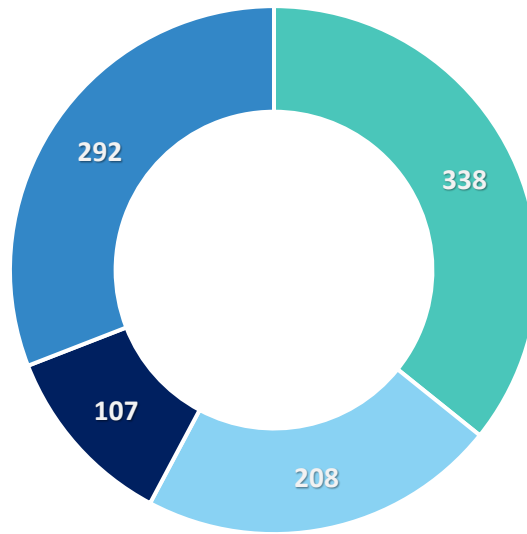
In the North American market, the Mid Atlantic was the most active region with 88 deals, followed by the Southeast and West Coast regions with 62 and 59 deals, respectively. A notable deal in the Mid Atlantic region was BCS's \$12.5 million acquisition of Allegient Defense, a Virginia-based provider of technical contracting services, in May 2024. The Great Lakes and Mountain regions reported 55 and 29 transactions, respectively. All other regions totaled 79 closed transactions.

Canada had a relatively active quarter with 37 reported transactions in Q2.

Global Deal Analytics

Of the 945 Business Services deals in Q2, 338 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 208 deals followed by Human Capital Services with 107. All other subsectors combined had a total of 292 closed transactions.

Deal by Subsector



Media & Information Services



Consulting Services



Human Capital Services



Other



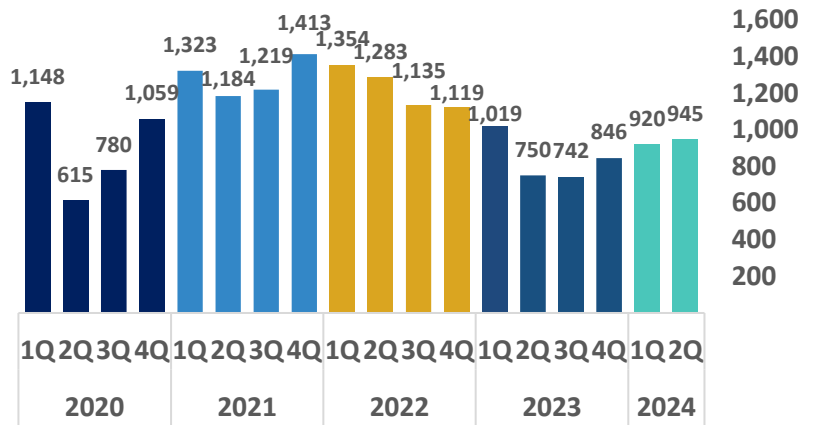
Global Deal Analytics

Deal volume in the Business Services sector increased 2.7% in Q2 to 945 deals from 920 deals in Q1, and increased 26.0% from 750 deals in Q2 of the prior year.

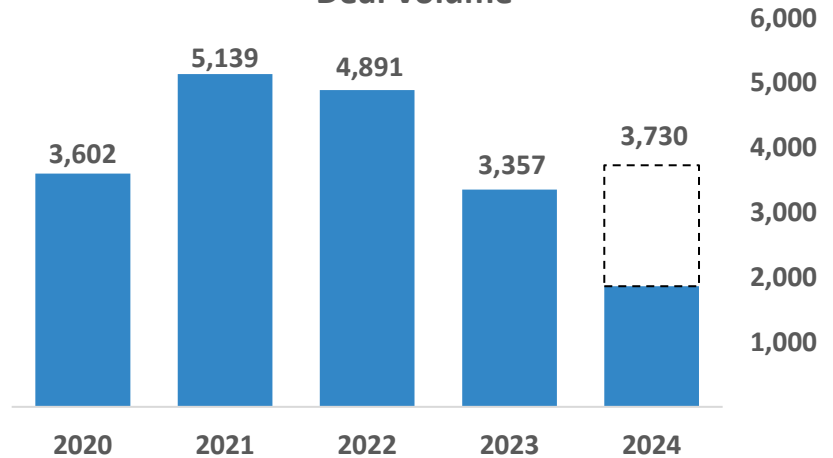
Based on activity through Q2, M&A deal volume is anticipated to increase 11.1% to 3,730 deals in 2024 from 3,357 in 2023. We attribute this increase to global macroeconomic conditions which are projected to improve slightly in 2024 with gradually rising global GDP and inflation set to fall to 5.8%. With decreasing inflation, and potential rates cuts in 2H 2024, the Business Services environment is expected to become more conducive to deal-making.

Despite an uptick in quarterly deal volume, total capital invested in M&A deals in the Business Services sector decreased 11.4% in Q2 to \$6.2B from \$7.0B in Q1, and decreased 34.0% from \$9.4B in Q2 of the prior year. Q2 marks the lowest level of capital investment in M&A in over four years and is illustrative of challenging capital markets and a shift in mix toward smaller-sized deals. The only transaction above \$1 billion in the quarter was Dai-Ichi Life Insurance’s \$1.9 billion acquisition of Benefit One compared to historical quarters where multi-billion dollar deals have been fairly common.

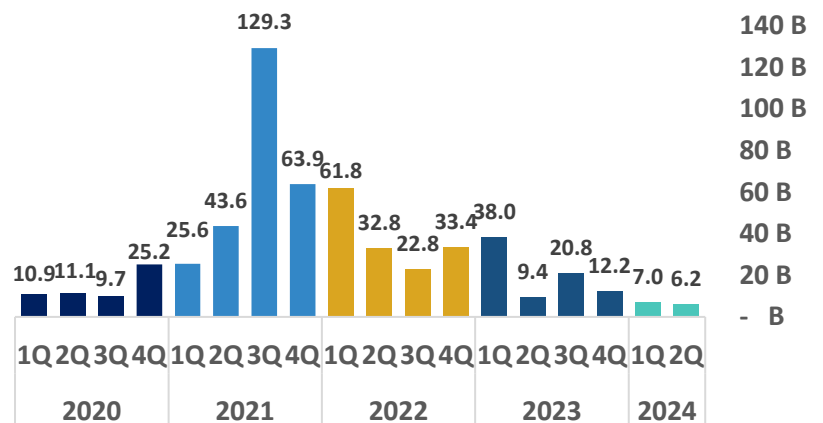
Deal Volume



Deal Volume



Total Capital Invested



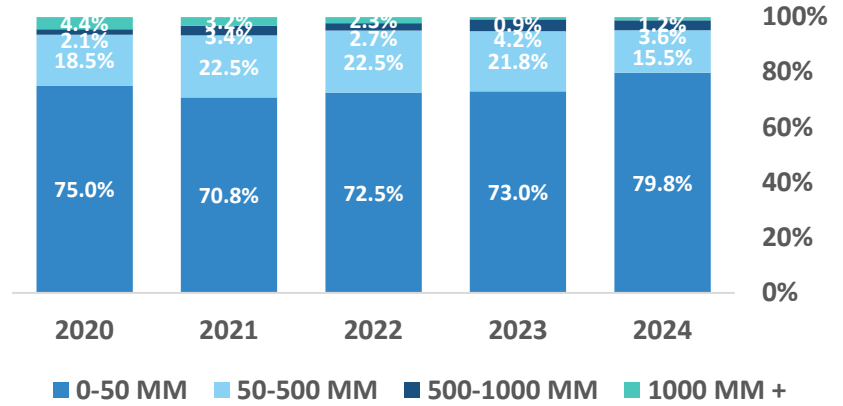
Global Deal Analytics

In general, we saw a shift towards smaller-sized deals in 1H 2024, specifically in the lower middle market (\$0 - \$50 MM), which increased to 79.8% from 73.0% in the prior year. The upper middle (\$500 - \$1000 MM) and middle (\$50 - \$500 MM+) tranches of the market each saw decreases to 3.6% and 15.5% in 1H from 4.2% and 21.8% in 2023, respectively. The large cap market (\$1000 MM+) increased slightly to 1.2% from 0.9% in the prior year.

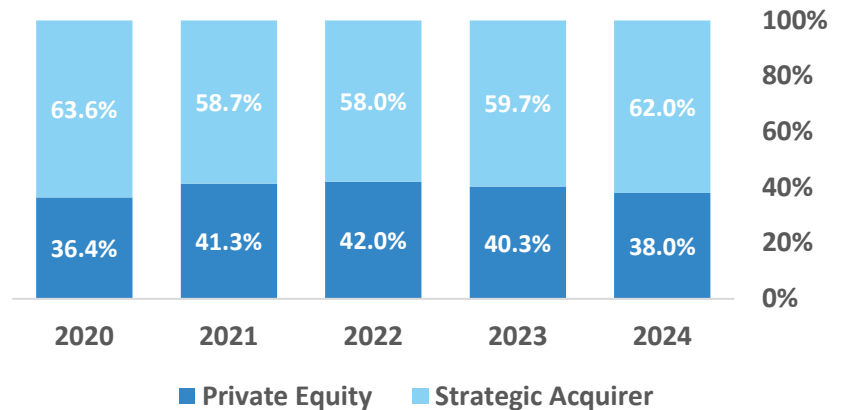
As a % of total deal volume, PE buyers trended lower in 1H 2024 relative to strategic buyers, representing 38.0% of deal volume in the sector and down from 40.3% in 2023. 1H 2024 marks the second lowest percentage of PE deal volume in over four years and is indicative of challenging market dynamics with increasing costs of capital and tightened liquidity from lenders.

Following the trend in deal volume, total capital invested by PE investors (as a % of overall capital invested) decreased in 1H 2024 to 41.0% from 50.8% in 2023. This lower level of capital invested by PE buyers is indicative of continuing challenges in the capital markets and points to an advantage for strategic buyers with existing credit facilities in place and balance sheet borrowing capacity to move more efficiently and at lower interest rates compared to PE buyers.

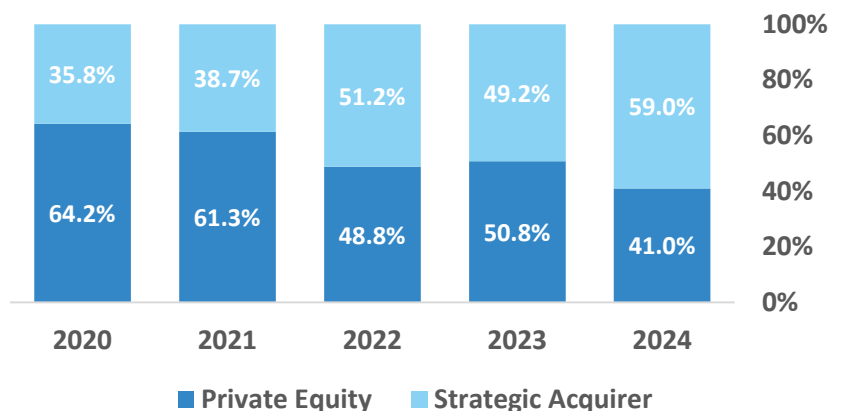
Deal Volume by Deal Size



Deal Volume by Acquirer

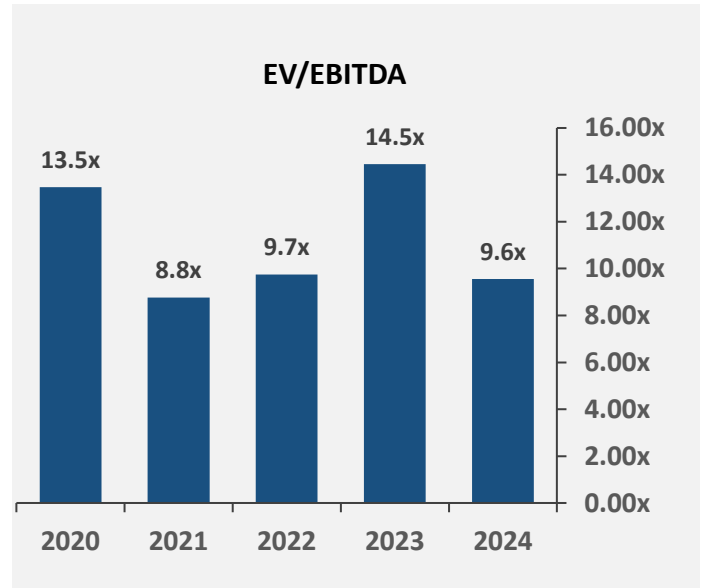
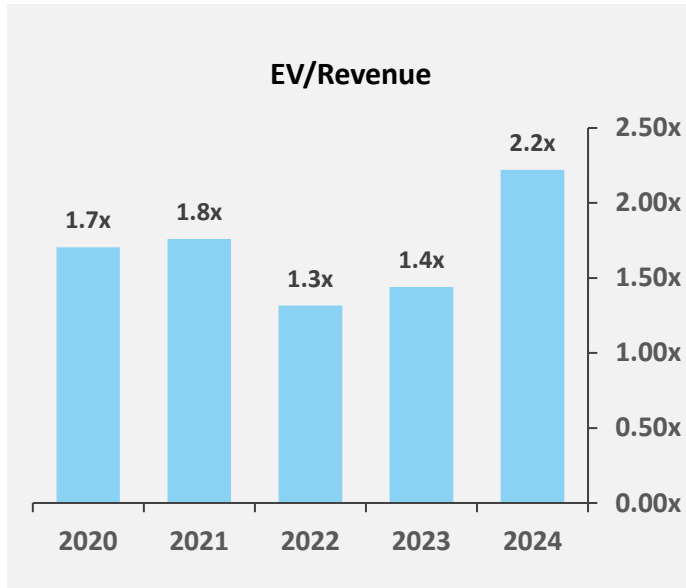


Total Capital Invested by Acquirer

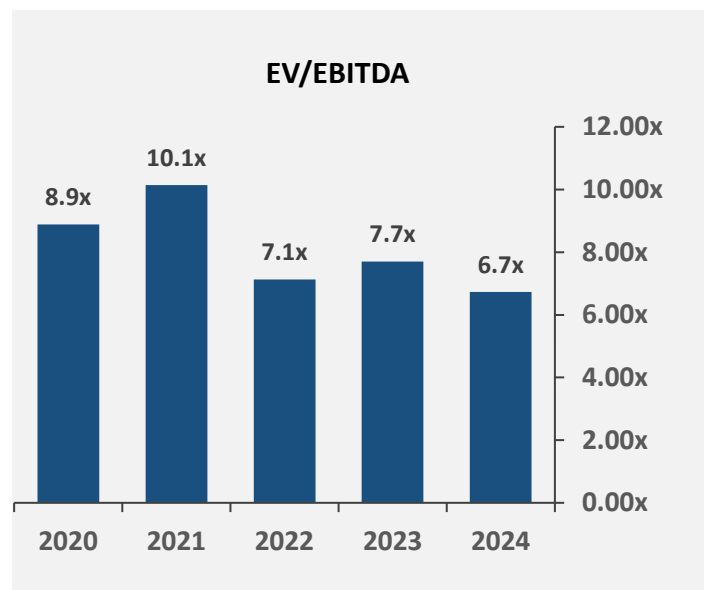
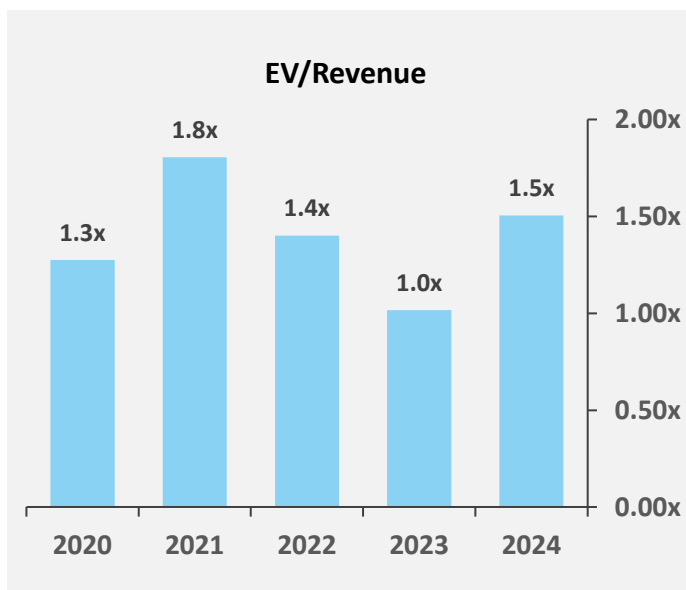


Valuation Multiples

Private Equity Multiples



Strategic Multiples



Largest Deals (Disclosed)

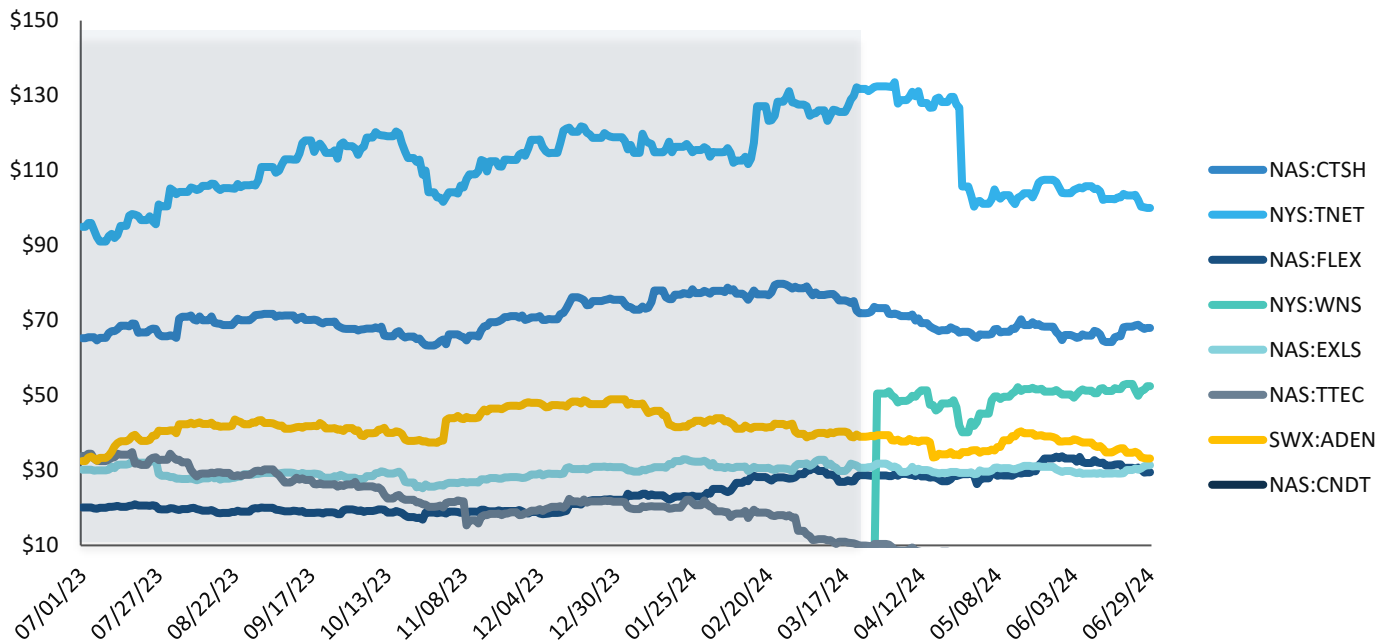
Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
28-Jun-2024	Reallife Television	IDNTT	Merger/ Acquisition	\$ 2.7	0.93x	6.87x	Provider of cross-media communication services intended to serve its clients in the media industry.
26-Jun-2024	I MILLE	TXT e-Solutions	Merger/ Acquisition	8.5	0.68x	4.91x	Provider of marketing and consulting services based in Milan, Italy.
09-Jun-2024	DDS Rank	Onfolio	Merger/ Acquisition	0.6	1.94x	3.16x	Provider of internet marketing services intended to help dentists increase their website traffic through search engine optimization and paid advertising.
07-Jun-2024	Pagefield Communications	Public Policy Holding Company	Merger/ Acquisition	38.1	5.10x		Provider of communications consultancy services catering to brands, listed companies, start-ups, charities and individuals.
03-Jun-2024	Motion Recruitment Partners	Kelly Services	Merger/ Acquisition	485.0			Provider of information technology staffing services focused on skilled, difficult-to-fill positions.
27-May-2024	Allegient Defense	BCS	Merger/ Acquisition	12.5	0.95x		Provider of technical contracting services intended to support government and prime system integrators.
22-May-2024	Benefit One	Dai-ichi Life Insurance	Merger/ Acquisition	1,877.4	6.76x	25.38x	Provider of lodging facilities, schools, and sports clubs to people under various schemes.
01-May-2024	Lucas Public Affairs	Public Policy Holding Company	Merger/ Acquisition	7.5	1.15x		Provider of public affairs services catering to nonprofit foundations, corporations, labor unions, government agencies and other agencies.
30-Apr-2024	CH&Co	Compass Group (LON: CPG)	Merger/ Acquisition	594.4	1.06x		Provider of contract catering services including cleaning, reception, coffee bar and retail services to restaurants, delis and coffee bars.
25-Apr-2024	APM International	Edimark	Merger/ Acquisition	27.8	2.85x		Provider of health news service catering to healthcare professionals.
24-Apr-2024	Shanghai Sunpower	Undisclosed Investor	Merger/ Acquisition	8.1	0.30x		Provider and operator of marketing service intended to serve the operation service.
22-Apr-2024	North West Law Services	Frenkel Topping Group	Merger/ Acquisition	3.5	1.16x		Provider of legal services focused on personal injury and clinical negligence cases.
08-Apr-2024	Jonathan Grant Accountants	Count Gold Coast	Merger/ Acquisition	0.9	1.60x		Provider of accounting and auditing services intended to serve various businesses.
02-Apr-2024	Lunghezza d'Onda	Websolute	Merger/ Acquisition	3.8	5.31x	8.48x	Operator of a digital agency designed to provide interactive and creative research for global brands.
01-Apr-2024	Wesco Integrated Supply	Nautic Partners	Buyout/ LBO	350.0	0.45x		Provider of integrated supply and indirect materials outsourcing services intended to serve customers in North America and Europe.
01-Apr-2024	Minshu	Port	Merger/ Acquisition	15.0	0.14x		Provider of an internet-based job information service intended for new graduates looking for work.
01-Apr-2024	Logrio	Howtelevision	Merger/ Acquisition	1.5	3.79x		Provider of recruitment agency service based in Tokyo, Japan.
01-Apr-2024	Brand Design	infoNet Inc	Merger/ Acquisition	1.1	1.94x		Provider of online marketing services intended to create new relationships through branding.
Mean				191.0	2.12x	9.76x	
Median				8.3	1.16x	6.87x	
High				1,877.4	6.76x	25.38x	
Low				0.6	0.14x	3.16x	

Leading M&A Deals (Completed)

Deals	Deal Synopsis	Driver
 <p>Dai-ichi Life Group</p> <p>一生涯のパートナー 第一生命</p> 	<p>Benefit One, a Japanese provider of lodging facilities, schools, and sports clubs, was acquired by Dai-ichi Life Insurance (“DILI”) for \$1.9 billion in May 2024. Through the acquisition, DILI will be able to expand its non-insurance business and offer insurance packages to Benefit One members that are tailored to their family structure and age group.</p>	<p>Merger/ Acquisition</p>
 	<p>CH&Co, a UK-based provider of contract catering services including cleaning, reception, coffee bar and retail services, was acquired by Compass Group (LON: CPG) for \$594.4 million in April 2024. This landmark acquisition integrates CH&CO’s brands, including Gather & Gather, Vacherin, and Company of Cooks, with Compass’ brands, such as Eurest and 14Forty, strengthening Compass’ position in the B&I market.</p>	<p>Merger/ Acquisition</p>
 	<p>In June 2024, Kelly Services acquired Motion Recruitment Partners, a Boston-based provider of information technology staffing services for \$485.0 million. The acquisition enhances Kelly Services’ scale and capabilities in staffing and consulting across technology, telecom, and government sectors in North America, while expanding its recruitment process outsourcing (RPO) solutions globally.</p>	<p>Merger/ Acquisition</p>
 	<p>Wesco Integrated Supply (“WIS”), a New York-based provider of industrial maintenance, repair, and operations (MRO) supply chain services, was acquired by Nautic Partners’ portfolio company, Vallen, for \$350.0 million in April 2024. The acquisition enhances Vallen’s market presence in the industrial MRO market and positions the combined company as a leading supply chain solutions company.</p>	<p>Buyout/ LBO</p>

Public Comps

Stock Price

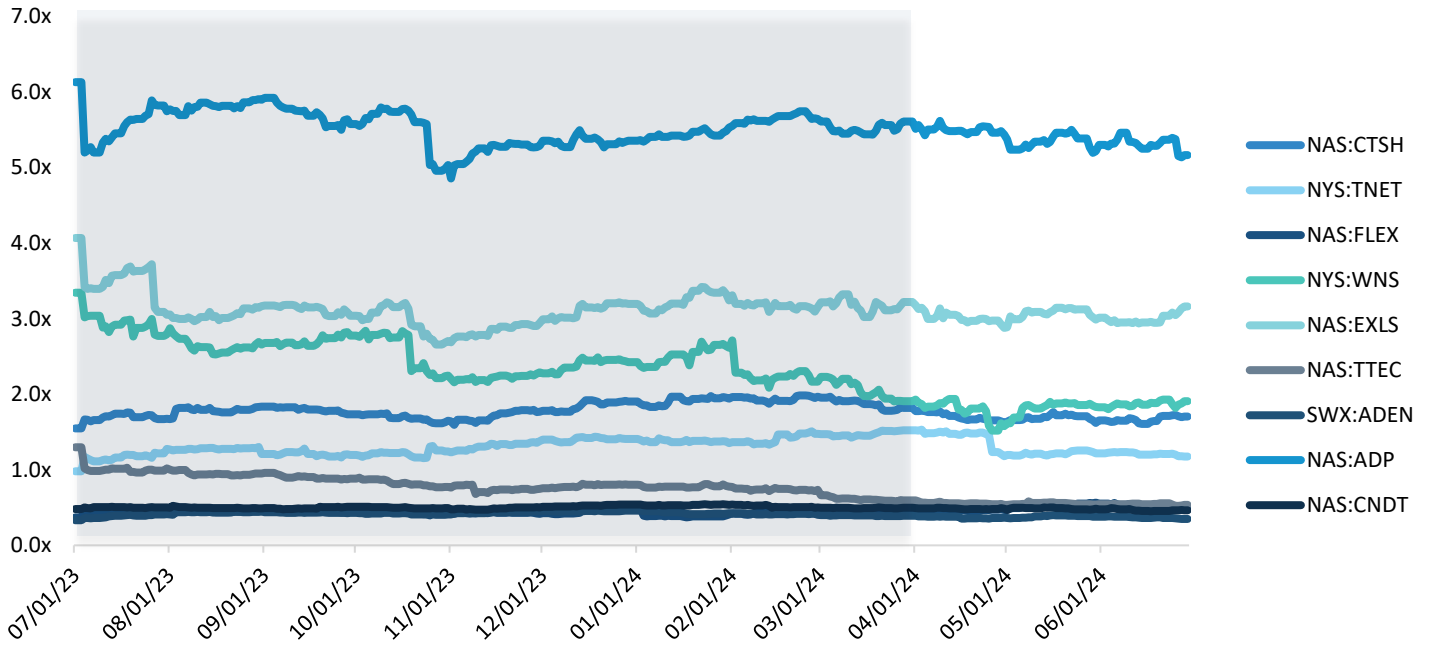


Financial & Valuation

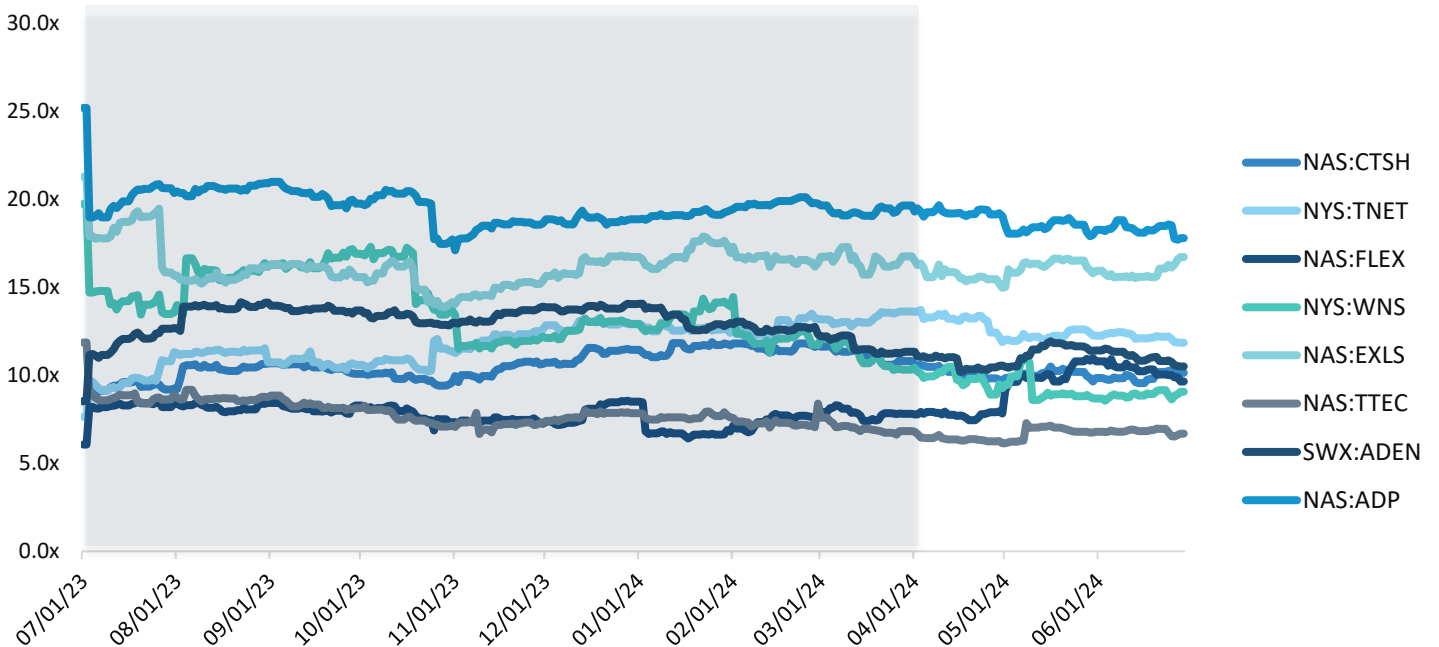
\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA		
						22A	23A	24F	22A	23A	24F
	Cognizant Technology Solutions	NAS:CTSH	68	33,959	1,277	1.5x	1.9x	1.9x	7.9x	11.4x	10.6x
	TriNet Group	NYS:TNET	99	5,023	1,134	0.8x	1.4x	5.1x	6.4x	12.9x	13.0x
	Flex (BPO/Outsource Services)	NAS:FLEX	30	12,004	3,751	0.4x	0.5x	0.5x	8.0x	8.5x	6.1x
	WNS (Holdings)	NYS:WNS	54	2,457	369	3.3x	2.4x	N/A	19.7x	13.0x	N/A
	ExlService Holdings	NAS:EXLS	31	5,101	418	4.3x	3.2x	2.8x	21.6x	16.7x	13.1x
	TTEC Holdings	NAS:TTEC	6	269	1,080	1.3x	0.8x	0.8x	10.6x	7.9x	7.4x
	Adecco Group	SWX:ADEN	34	5,790	3,900	0.4x	0.5x	0.4x	9.7x	13.9x	10.4x
	Automatic Data Processing	NAS:ADP	237	96,965	3,300	6.0x	5.3x	5.1x	22.6x	18.7x	17.9x
	Conduent	NAS:CNDT	3	681	1,325	0.5x	0.5x	0.6x	3.8x	N/A	5.9x
	Mean					2.0x	1.8x	2.2x	12.3x	12.9x	10.5x
	Median					1.3x	1.4x	1.3x	9.7x	13.0x	10.5x

Public Comps

EV/Revenue



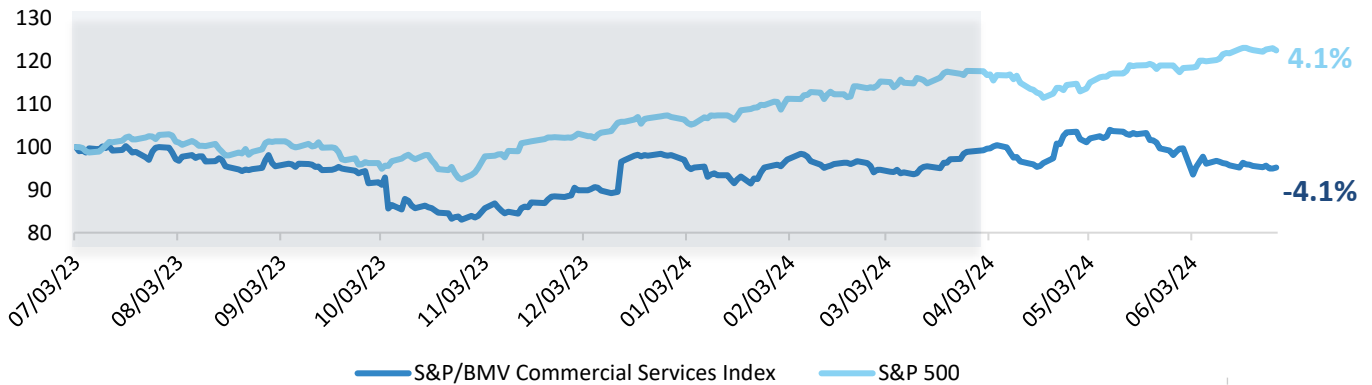
EV/EBITDA



Public Markets

Index Performance

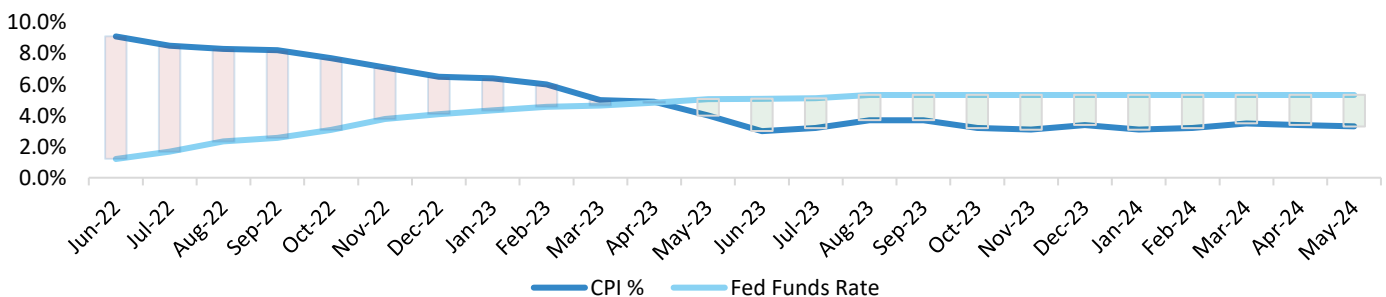
In Q2, the S&P/BMV Commercial Services Index decreased 4.1% and was outperformed by the S&P 500, which increased 4.1% over the same period.



Key External Drivers

Overall, the Business Services sector tends to be more stable and resistant to volatility in the broader economy than other industries due to its diverse client base and essential nature. By catering to a wide range of industries, it reduces dependency on any single sector and mitigates risks associated with specific market downturns. Additionally, many services provided, such as accounting, legal, IT support, and consulting, are mission-critical for business operations, ensuring ongoing demand even during economic downturns as companies must maintain compliance, manage finances, and optimize operations.

The Federal Reserve is anticipated to keep interest rates elevated after a higher-than-expected jobs report from May showing 272.0K jobs were added to the U.S. labor market. A strong jobs report indicates that consumers will have more disposable income, causing higher consumer spending that can elevate inflation. As a result of the strong jobs data, many economists have adjusted their forecasts from 3 rate cuts in 2024 to only 1 by the end of the year with a possibility of the first cut arriving as early as September. The May consumer price index (“CPI”) consensus for the upcoming June Federal Reserve meeting estimates a year-over-year increase of 3.4%, matching April’s gain. Along with their prediction that interest rates will not be cut in June, economists also claim that a rate hike would be too risky and would rock the markets. If the Federal Reserve cuts rates in 2024, the impact of lower borrowing costs may narrow the gap between the price sellers are willing to accept and the proposed purchase price offered by buyers in M&A transactions. Although we anticipate the Fed’s rate cuts to have a positive impact on M&A volume in the sector, uncertainty surrounding the Fed’s decision will likely have a dampening effect on deal volume over the next quarter.



Source: IBISWorld, S&P Global

Industry Trends

Omnichannel CX

A Viewpoint into Customer Interaction

When implementing an omnichannel CX strategy, companies interact with customers in different places such as social media, streaming platforms, and e-commerce sites. These different platforms of interaction can provide different benefits and increase the overall brand recognition of a company. These advertisements can reach a targeted audience in multiple environments and increase the effectiveness of marketing campaigns.



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 that can improve data security.



Optimizing Productivity

Adapting Business Operations

With the usage of technology and data, time and effort is being maximized for optimal efficiency. With the various work models, such as in-person, hybrid, and remote, businesses are leveraging the strengths of each to streamline workflow and collaboration. Service businesses equip their team with new tools to ease the new dynamic brought about by hybrid and remote work.



Data Privacy

The Importance of Data Privacy in Business

Data privacy has become a crucial subject with the rise in data-driven business models. Data protection regulations, like GDPR and CCPA, push companies to respect data privacy and uphold customer trust. With new innovations and technologies, data privacy will be continually tested, and the regulations will become increasingly important.



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

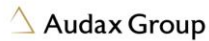
Over the years, R.L. Hulett has completed hundreds of transactions in a wide variety of industries. Below are several relevant transactions in the Business Services sector. Please note that this list is not comprehensive.



Has sold substantially all of its assets to



A portfolio company of



Has acquired substantially all the assets of



Has acquired



Has been acquired by



Has been acquired by



Has sold substantially all of its assets to



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
(816) 810-0799
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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
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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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.

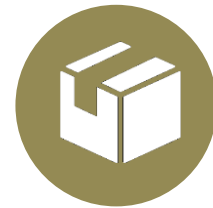
Industry Sectors Covered:



Business Services



Transportation & Logistics



Packaging



Industrials



Tech-enabled Services



Food & Beverage

Disclaimer

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