



Business Services M&A Steady, Buyers Remain Active

M&A activity for the broad business services industry remained strong through the third quarter of 2017 as the marketplace continued to experience consolidation transactions. Similar to the activity in the first and second quarters of 2017, the third quarter experienced aggressive activity on the part of strategic and private equity-backed operating companies. The majority of these acquisitions took place in fragmented, niche areas (based on both service mix and end market) of the business service industry. The strong level of transaction activity combined with favorable financing markets has kept deal valuations relatively high as buyers aggressively competed for attractive companies.

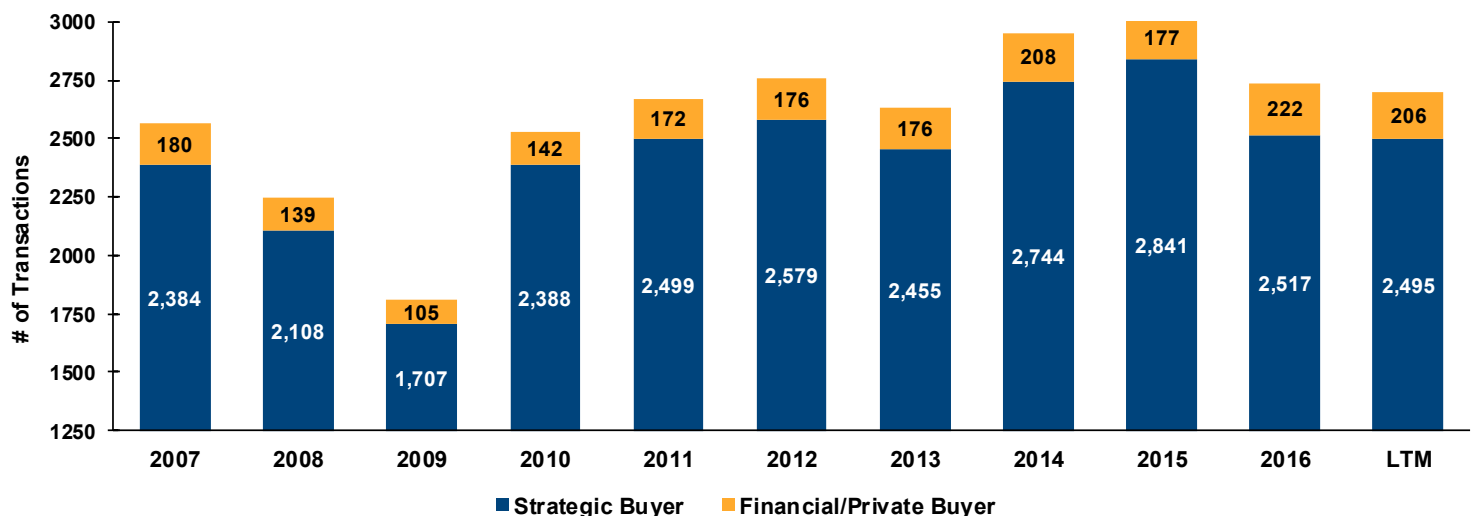
It is difficult to overstate the impact that favorable financing markets are currently having on business services M&A activity, particularly in the lower-middle market. Not only has the cost of borrowing remained attractive to buyers in the form of low interest rates, but also lenders (both senior and subordinated) continue to exhibit their willingness to collateralize their loans

with expected future cash flow. Because many business service companies, particularly smaller businesses, are “asset light”, this lending dynamic has allowed private equity and family office buyers to increase leverage when executing transactions and, as a result, offer higher valuations. With private equity armed with greater leverage (and higher valuations), strategic buyers have been forced to respond accordingly to remain competitive for acquisitions.

While these favorable conditions appear to be benefiting business service companies of many types, a number of industry subsectors have appeared notably stronger in 2017, including Business Process Outsourcing (BPO), Laboratory and Testing Services, IT Software & Consulting, and facility maintenance. The most active acquirers during 2017 have included publicly traded and private equity-backed strategic buyers, many of which have completed multiple transactions during the past several years.







Business Services M&A Transactions by Year

(Strategic Buyers Include Private Equity Owned Companies)



Source: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases

Notable Recently Announced and Closed Business Services Transactions

Date: 7/5/2017 (Closed)	Overview / Strategic Rationale:	Engineering & Infrastructure					
<p>Target: </p> <p>Acquirer: </p> <p>Key Metrics:</p> <table border="0"> <tr> <td>Implied Enterprise Value (\$M)</td> <td>NA</td> </tr> <tr> <td>EV/LTM EBITDA</td> <td>NA</td> </tr> <tr> <td>EV/LTM Revenue</td> <td>NA</td> </tr> </table>	Implied Enterprise Value (\$M)	NA	EV/LTM EBITDA	NA	EV/LTM Revenue	NA	<p>Founded in 1993 and based in Watervliet, New York, Dente Engineering provides geotechnical, geohydrologic, and construction materials engineering and consulting services. The company has completed more than 4,000 projects throughout the Northeast, including the Hudson Valley, southern and western New York, southern Vermont, and western Massachusetts.</p> <ul style="list-style-type: none"> <i>The acquisition of Dente is expected to further strengthen Terracon's service offerings and geographic presence in New York and across the Northeast.</i> <i>Dente's construction materials testing and inspection services offer geotechnical and environmental test borings, and will add to Terracon's existing services offering.</i> <i>Largely due to 11 reported U.S. acquisitions since 2015, Terracon is quickly gaining scale and is now the 30th largest U.S. design firm, according to Engineering News-Record.</i>
Implied Enterprise Value (\$M)	NA						
EV/LTM EBITDA	NA						
EV/LTM Revenue	NA						
Date: 9/1/2017 (Closed)	Overview / Strategic Rationale:	Commercial & Industrial Services					
<p>Target: </p> <p>Acquirer: </p> <p>Key Metrics:</p> <table border="0"> <tr> <td>Implied Enterprise Value (\$M)</td> <td>\$1,237</td> </tr> <tr> <td>EV/LTM EBITDA</td> <td>12.4x</td> </tr> <tr> <td>EV/LTM Revenue</td> <td>1.1x</td> </tr> </table>	Implied Enterprise Value (\$M)	\$1,237	EV/LTM EBITDA	12.4x	EV/LTM Revenue	1.1x	<p>With over 37,000 employees in 46 states, GCA Services Group, Inc. is a leading national provider of facility services including janitorial/custodial services, contamination control for cleanroom manufacturing, facilities operations and maintenance, grounds management, production staffing, and labor management.</p> <ul style="list-style-type: none"> <i>GCA's talent and industry expertise is expected to broaden ABM's reach and further distinguish the company as an industry-focused solutions provider within the facilities maintenance space.</i> <i>The acquisition is expected to increase ABM's capabilities in K-12 schools, higher education, manufacturing, corporate office buildings, high-tech, bio-pharmaceutical, nuclear power, energy and utilities, and the rental car market</i>
Implied Enterprise Value (\$M)	\$1,237						
EV/LTM EBITDA	12.4x						
EV/LTM Revenue	1.1x						
Date: 11/17/2017 (Closed)	Overview / Strategic Rationale:	IT Services & Software					
<p>Target: </p> <p>Acquirer: </p> <p>Key Metrics:</p> <table border="0"> <tr> <td>Implied Enterprise Value (\$M)</td> <td>\$1,300</td> </tr> <tr> <td>EV/LTM EBITDA</td> <td>NA</td> </tr> <tr> <td>EV/LTM Revenue</td> <td>NA</td> </tr> </table>	Implied Enterprise Value (\$M)	\$1,300	EV/LTM EBITDA	NA	EV/LTM Revenue	NA	<p>Headquartered in Washington, D.C. and with offices worldwide, Advisory Board, the health care business of The Advisory Board Company, is a best practices firm that uses a combination of research, technology, and consulting to improve the performance of more than 4,400 health care organizations.</p> <ul style="list-style-type: none"> <i>It is anticipated that Advisory Board's unique IT solutions, will allow Optum's clients to more quickly respond to changing market dynamics and improve its members' health systems.</i> <i>Optum's data analytics resources, investment capacities and operational experience in delivering large-scale solutions and services is also expected to greatly benefit Advisory Board's customer base.</i>
Implied Enterprise Value (\$M)	\$1,300						
EV/LTM EBITDA	NA						
EV/LTM Revenue	NA						
Date: 7/18/2017 (Closed)	Overview / Strategic Rationale:	Business Process Outsourcing					
<p>Target: </p> <p>Acquirer: </p> <p>Key Metrics:</p> <table border="0"> <tr> <td>Implied Enterprise Value (\$M)</td> <td>\$642</td> </tr> <tr> <td>EV/LTM EBITDA</td> <td>15.1x</td> </tr> <tr> <td>EV/LTM Revenue</td> <td>NA</td> </tr> </table>	Implied Enterprise Value (\$M)	\$642	EV/LTM EBITDA	15.1x	EV/LTM Revenue	NA	<p>TIO is a leading multi-channel bill payment processor in North America, processing more than \$7 billion in consumer bill payments in fiscal 2016. TIO serves 16 million consumer bill pay accounts and offers convenient solutions for expedited bill payment services to financially underserved consumers.</p> <ul style="list-style-type: none"> <i>The acquisition of TIO will allow PayPal to further expand its global scale of operations, complement its existing product portfolio, and accelerate its entry into the bill pay market.</i> <i>Expanding into multi-channel bill payments through the acquisition of TIO is expected to meaningfully advance PayPal's ability to offer digital financial services to tens of millions of underserved customers.</i>
Implied Enterprise Value (\$M)	\$642						
EV/LTM EBITDA	15.1x						
EV/LTM Revenue	NA						

Recently Announced and Closed Transactions *(select transactions, not intended to be all-inclusive)*

Announced / Closed	Date	Target	Buyers / Investors	Price (MM USD)	EBITDA Multiple	Target Business Sub-Sector
Announced	9/26/17	Stryker Technology Solutions, LLC	SecValMSP, LLC	-	-	Business Process Outsourcing
Announced	9/18/17	Silver Spring Networks, Inc. (NYSE:SSNI)	Itron, Inc. (NasdaqGS:ITRI)	958	-	IT Services & Software
Announced	9/12/17	ForRent.com	Apartments, LLC	385	-	IT Services & Software
Announced	9/5/17	YuMe, Inc. (NYSE:YUME)	RhythmOne plc (AIM:RTHM)	185	18.3	IT Services & Software
Announced	8/14/17	Grand Junction, Inc.	Target Corporation (NYSE:TGT)	-	-	IT Services & Software
Announced	8/2/17	Numerex Corp. (NasdaqGS:NMRX)	Sierra Wireless, Inc. (TSX:SW)	127	-	IT Services & Software
Announced	6/20/17	Environmental Turnkey Solutions, LLC	Q2Earth, Inc. (OTCPK:QPWR)	16	9.4	Commercial & Industrial Services
Announced	3/14/17	MoneyGram International, Inc. (NasdaqGS:MGI)	Euronet Worldwide, Inc. (NasdaqGS:EEFT)	1,929	8.7	Business Process Outsourcing
Closed	9/29/17	Wilkins Weather Technologies, L.P.	Telvent DTN, LLC	-	-	Commercial & Industrial Services
Closed	9/29/17	Telepathy	ServiceNow, Inc. (NYSE:NOW)	-	-	Business Process Outsourcing
Closed	9/27/17	Visual IQ, Inc.	Nielsen Holdings plc (NYSE:NLSN)	-	-	IT Services & Software
Closed	9/26/17	Bitium Inc.	Google Inc.	-	-	IT Services & Software
Closed	9/26/17	M.S. Electronics, L.L.C.	The ADT Corporation	-	-	Commercial & Industrial Services
Closed	9/26/17	Florida State Elevator, LLC	Oracle Elevator Company	-	-	Commercial & Industrial Services
Closed	9/25/17	Versar, Inc.	Kingswood Capital Management, LLC	13	-	Commercial & Industrial Services
Closed	9/25/17	Corporate Caterers, Inc.	Salt Creek Capital II, LLC	-	-	Commercial & Industrial Services
Closed	9/21/17	Moore Langen Printing Company, Inc.	Phoenix Color Corp.	10	-	Printing & Packaging
Closed	9/18/17	InfoZen, Inc.	ManTech International Corporation (Nasda	180	-	Business Process Outsourcing
Closed	9/18/17	Stringify	Comcast Corporation (NasdaqGS:CMCS.	-	-	IT Services & Software
Closed	9/14/17	Edge IT	Merit Technologies, LLC	-	-	Business Process Outsourcing
Closed	9/6/17	Newgistics, Inc.	Pitney Bowes Inc. (NYSE:PBI)	475	-	IT Services & Software
Closed	8/31/17	Velocify, Inc.	Ellie Mae, Inc. (NYSE:ELLI)	128	-	IT Services & Software
Closed	8/21/17	Castle Access, Inc.	Zayo Group Holdings, Inc. (NYSE:ZAYO)	12	-	Business Process Outsourcing
Closed	8/10/17	Precise Software, Inc.	Open Systems, Inc.	-	-	IT Services & Software
Closed	8/4/17	Automatic Data Processing, Inc. (NasdaqGS:ADP)	Pershing Square Capital Management, L.F	-	-	Business Process Outsourcing
Closed	8/3/17	Search Technologies Corp.	Accenture plc (NYSE:ACN)	-	-	Business Process Outsourcing
Closed	8/2/17	On-Site.com, Inc.	RealPage, Inc. (NasdaqGS:RP)	250	-	IT Services & Software
Closed	8/1/17	PCLender LLC	Fiserv, Inc. (NasdaqGS:FISV)	-	-	IT Services & Software
Closed	7/30/17	IQP Corporation	General Electric Company (NYSE:GE)	40	-	IT Services & Software
Closed	7/28/17	FORTRUST LLC	Iron Mountain Incorporated (NYSE:IRM)	128	-	Business Process Outsourcing
Closed	7/27/17	G2 Web Services, LLC	Verisk Analytics, Inc. (NasdaqGS:VRSK)	113	-	IT Services & Software
Closed	7/26/17	Guidance Software, Inc.	Open Text Corporation (NasdaqGS:OTEX)	259	-	IT Services & Software
Closed	7/19/17	Keg Logistics, LLC	Seaport Capital; Bregal Sagemount	-	-	Commercial & Industrial Services
Closed	7/17/17	nToggle, Inc.	The Rubicon Project, Inc. (NYSE:RUBI)	39	-	IT Services & Software
Closed	7/14/17	Custom Plastic Specialties, Inc.	Gen Cap America, Inc.	-	-	Printing & Packaging
Closed	7/14/17	MillsonJames, LLC	HUB International Limited	-	-	Business Process Outsourcing
Closed	7/12/17	GCA Services Group, Inc.	ABM Industries Incorporated (NYSE:ABM)	1,237	12.4	Commercial & Industrial Services
Closed	7/11/17	First Recovery Group, LLC	Aeneas Buyer Corp.	-	-	Commercial & Industrial Services
Closed	7/10/17	OnX Enterprise Solutions Ltd.	Cincinnati Bell Inc. (NYSE:CBB)	199	6.9	IT Services & Software
Closed	7/7/17	InfoTrellis Inc.	Mastech Digital, Inc. (AMEX:MHH)	55	-	Business Process Outsourcing
Closed	7/3/17	NCI, Inc.	H.I.G. Capital, LLC	289	9.8	Business Process Outsourcing
Closed	6/28/17	Kinvey, Inc.	Progress Software Corporation (NasdaqG	49	-	IT Services & Software
Closed	6/27/17	FlashStock Technology Corp.	Shutterstock, Inc. (NYSE:SSTK)	50	-	IT Services & Software
Closed	6/14/17	Perseus Telecom Limited	GTT Communications, Inc. (NYSE:GTT)	40	-	Business Process Outsourcing
Closed	5/15/17	Ceiba Energy Services Inc.	Secure Energy Services Inc. (TSX:SES)	27	21.4	Commercial & Industrial Services
Closed	5/10/17	Trader Interactive, LLC	Goldman Sachs Group, Merchant Banking	680	-	IT Services & Software
Closed	5/9/17	West Corporation	Apollo Global Management, LLC (NYSE:A	5,128	7.9	Commercial & Industrial Services
Closed	5/4/17	VIZIYA Corp.	Quarterhill Inc. (TSX:QTRH)	29	6.9	IT Services & Software
Closed	4/10/17	RetailMeNot, Inc.	Harland Clarke Holdings Corp.	689	22.5	IT Services & Software
Closed	4/3/17	The Sheridan Group, Inc.	CJK Group Inc.	-	-	Printing & Packaging
Closed	3/31/17	TRC Companies, Inc.	New Mountain Capital, LLC	688	14.0	Commercial & Industrial Services
Closed	3/20/17	Ciber, Inc., Infor Practice	Infor (US), Inc.	15	-	Business Process Outsourcing
Closed	3/13/17	DH Corporation	Finastra Group Holdings Limited	3,502	11.0	Business Process Outsourcing
Closed	10/6/16	Viv Labs, Inc.	Samsung Electronics Co., Ltd. (KOSE:A0	212	-	IT Services & Software
Closed	10/5/16	Database Specialists, Inc.	TriCore Solutions, LLC	-	-	Business Process Outsourcing
Closed	10/5/16	CCI Group Inc.	McIntosh Perry Consulting Engineers Ltd.	-	-	Engineering & Infrastructure
Closed	10/5/16	SRP Companies Inc.	Aurora Capital Partners	-	-	Commercial & Industrial Services
Closed	10/3/16	Cardtronics Canada Holdings ULC	Cardtronics Holdings Limited	480	7.6	Commercial & Industrial Services
Closed	10/3/16	Krux Digital Inc.	Salesforce.com, inc. (NYSE:CRM)	768	-	IT Services & Software

Sub-Sector Profile: Laboratory Testing & Measurement

The Laboratory Testing & Measurement subsector of the business services industry experienced a number of key transactions from strategic buyers during the first three quarters of 2017. The most active buyers were once again led by the industry's largest strategic companies, including SGS, Eurofins, and LabCorp.

Strategic acquirers in the Laboratory Testing & Measurement subsector continue to utilize M&A as a primary driver of growth. These buyers are actively looking to acquire companies with a niche service offering (test specialization, diversity of services and/or end markets, or serviced geography), proprietary testing capabilities, or deep customer relationships.

Food safety continues to be a growing subsector of the overall testing market; global demand for food safety testing was valued at \$4.8 billion (according to Zion Market Research), and is expected to reach \$8.04 billion in 2021. Driven by increasing government regulations, heightened public attention around outbreaks, and a growing demand for organic and preservative-free foods, food safety is a notable area of interest on behalf of

both strategic acquirers and equity buyers. Eurofins, SGS, Bureau Veritas, and Merieux Nutrisciences have also been active buyers in the food safety segment of the overall testing market. A number of private equity groups have published stated interest for acquisitions in this space.

While the majority of transaction activity was attributable to strategic buyers, there were a number of new platform investments on the part of private equity buyers during the first three quarters of 2017. Strategic acquisitions in the food safety space include SGS's acquisition of Central Illinois Grain Inspection, Inc. in July, and Merieux NutriSciences' acquisition of ACM Agro in March.



Active Laboratory Testing Buyers

Select Strategic Buyers



Date of Investment

10/4/2017
8/2/2017
7/10/2017
6/20/2017
3/9/2017

Acquisition Activity

- The Govmark Testing Services, Inc.
- Consulting Testing Research
- Central Illinois Grain Inspection, Inc.
- Harrison Research Laboratories, Inc.
- ILC Micro-Chem, Inc.



Date of Investment

11/16/2017
9/18/2017
9/5/2017
7/10/2017
7/5/2017
7/27/2017
6/1/2017

Acquisition Activity

- Spectro Analytical Labs Pvt. Ltd.
- EAG Inc.
- DiscoverX Corporation
- Amatsigroup
- Ana Laboratories, Inc.
- GATC Biotech AG
- Nab Labs Ltd.



Date of Investment

5/4/2017
5/1/2017

Acquisition Activity

- Pathology Associates Medical Laboratories, LLC
- Clinical Outreach Laboratories (Mount Sinai)

Source: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases

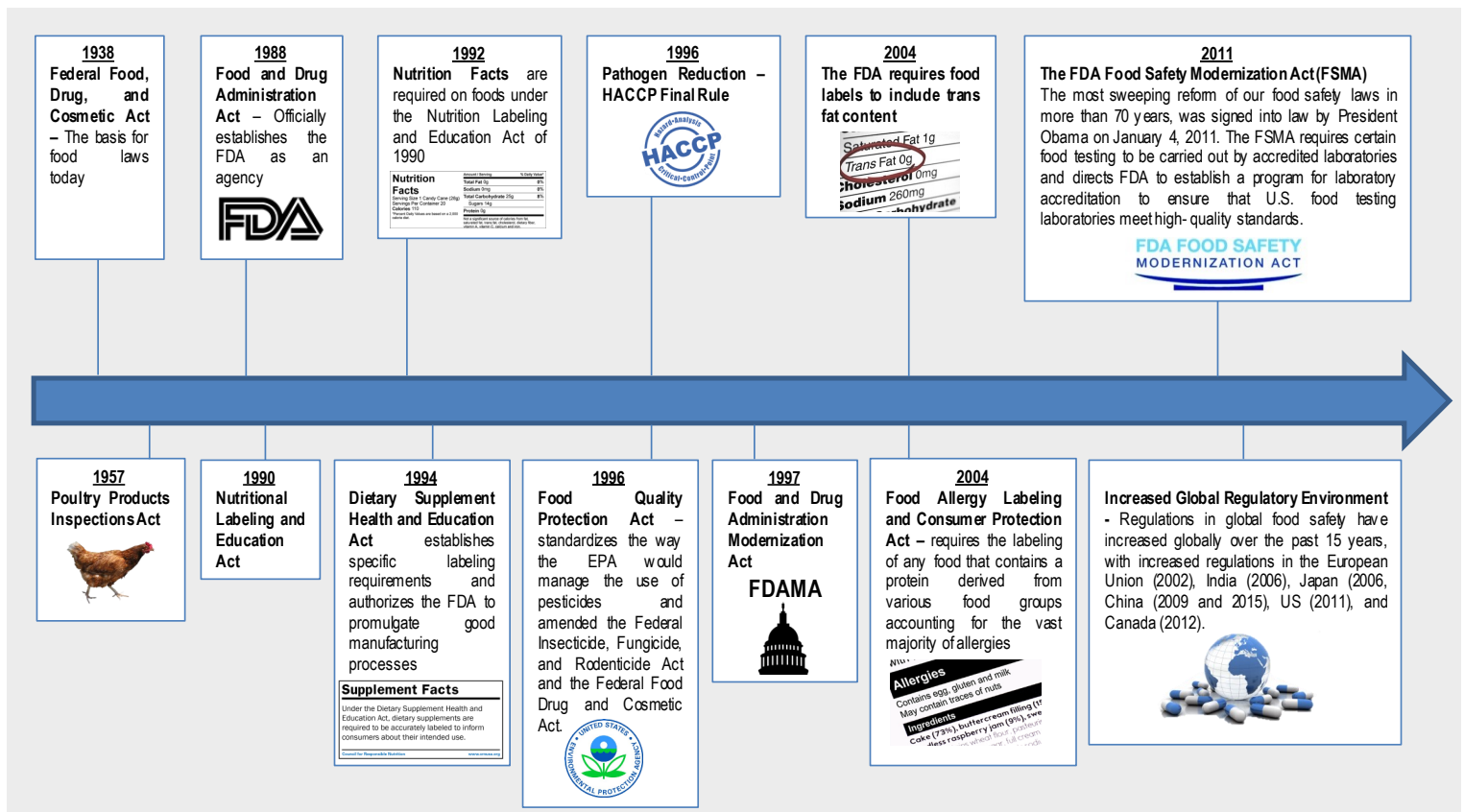
A Changing Food Safety Landscape: Implications for Laboratory Testing Companies

The food safety testing market is valued at \$4.8 billion and is projected to grow at a CAGR of +8% over the next several years, reaching \$8 billion in market value by 2021 (Zion Market Research, Radiant Insights). Growth in the food safety testing market is driven by a number of regulatory, demographic, and economic factors outlined below:

- A Stringent Domestic Regulatory Environment:** As the most sweeping reform of our food safety laws in more than 70 years, The FDA Food Safety Modernization Act (FSMA 2011) requires certain food testing to be carried out by accredited laboratories and directs the FDA to establish a program for laboratory accreditation to ensure that U.S. food testing laboratories meet high quality standards.
- An Accelerating Global Regulatory Environment:** Regulations in global food safety have increased worldwide over the past 15 years, with increased regulations in the European Union (2002), India (2006), Japan (2006), China (2009 and 2015), the United States (2011), and Canada (2012).
- Movement Towards Increased Utilization of Third-Party Testing:** Food processors appear to be shifting their laboratory testing requirements to third-party testing services, driven by increased breadth/volume of food testing and the need for more customized testing services. Food manufacturers appear to be further positioning to outsource addi-

tional testing requirements (partially driven by changes in the Food Safety Modernization Act – FSMA) to reduce expenses and enhance operational efficiency.

- Heightened Public Attention Around Outbreaks:** The proliferation of mobile devices and social media serves to amplify and accelerate negative public perception around a food outbreak.
- Increasing Cost of Outbreaks:** Numerous public outbreaks have shown that the negative economic impact occurs from decreased sales in the quarter of the outbreak, reduced sales in the numerous quarters following the outbreak, and severely depressed stock prices. During the Chipotle E. coli outbreak in 2015, sales declined in the quarter of the outbreak by 14.6%. Sales declined in the quarter following the outbreak by 29.7%.
- The Globalization of the Food Supply Chain:** Growth in imports and changes in import sources of fresh produce in the United States is causing increasing concern around microbial pathogen contamination.
- Economic Incentive for Food Producers:** There is real economic incentive for food safety testing in all stages of production amongst food producers.

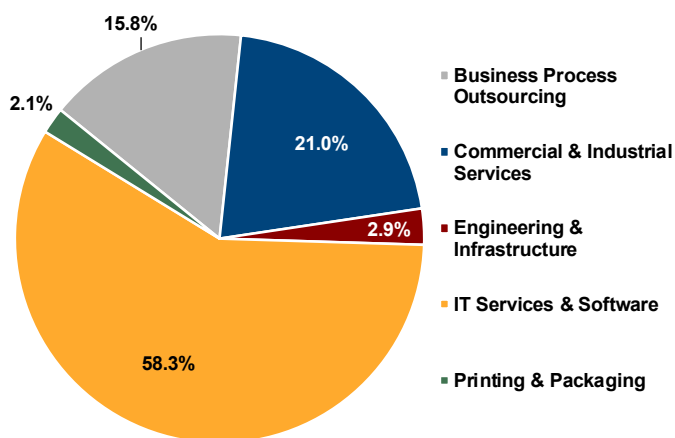


Business Services: Key Metrics

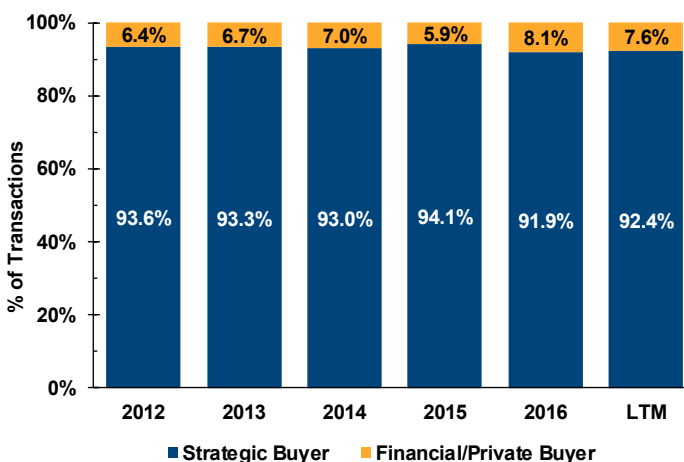
The majority of transaction activity in the business services industry during the last twelve months and first half of 2016 occurred in three primary sub-sectors. IT Services & Software (58.3%), Commercial & Industrial Services (21.0%), and BPO (15.8%) accounted for the majority of transactions completed in the business services industry during the last twelve months, while Engineering & Infrastructure (2.9%) and Printing & Packaging (2.1%) made up relatively small portions of the total transaction volume.

While strategic and private equity-backed operating companies accounted for the majority of transaction activity during the last twelve months (92.4%), financial buyers have been actively looking for new platform acquisition opportunities and have made up a larger portion of total activity recently (7.6%, up from 5.9% during 2015). Strong industry fundamentals and consolidation opportunities, combined with favorable cash flow borrowing opportunities, have contributed to the increasing activity from financial buyers.

Transactions by Sub-Sector (LTM)



Share of Transactions by Buyer Type



Source: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases

Representative EdgePoint Business Services Transactions

<p>Sell-Side Advisory</p> <p>BARROW-AGEE LABORATORIES, LLC</p> <p>Barrow-Agee Laboratories, LLC has sold to Align Capital Partners</p>	<p>Sell-Side Advisory</p> <p>DOCUSPHERE</p> <p>DocuSphere has sold to Tungsten Corporation</p>	<p>Sell-Side Advisory</p> <p>SMART SOLUTIONS</p> <p>Smart Solutions has sold to Blue Technologies, Inc.</p>	<p>Sell-Side Advisory</p> <p>MOBILE AIR, INC.</p> <p>Mobile Air, Inc. has sold to Tioga Air Heaters</p>	<p>Sell-Side Advisory</p> <p>MC SIGN COMPANY</p> <p>MC Sign Company has sold to Sverica International</p>
<p>Sell-Side Advisory</p> <p>InfoAccess.net™</p> <p>InfoAccess.net LLC has sold to Corcentric</p>	<p>Sell-Side Advisory</p> <p>GSC</p> <p>Simmons Grain Company has partnered with Stonehenge Partners, Inc.</p>	<p>Sell-Side Advisory</p> <p>Tri-Went</p> <p>Tri-Went has sold to Aalberts Industries</p>	<p>Sell-Side Advisory</p> <p>doodad</p> <p>Doodad has sold to Waveland Investments, LLC</p>	<p>Sell-Side Advisory</p> <p>Live!</p> <p>Live Technologies, LLC has been recapitalized by Capital Alignment Partners</p>



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