

COVID-19 Tempers M&A Activity but Selected Business Services Sectors Remain Active

Q1 & Q2 Overview:

Though 2020 was a year of temporary dislocation created by the COVID-19 pandemic, the Business Services sector has recovered every month since the “Great Pause” experienced in March and April of 2020 – setting near record levels of deal volume each month over the sector’s pre-pandemic benchmark high experienced in 2019.

2021 has seen a historic pace of deal-making activity. Q1 2021 saw 1,084 total transactions, up significantly compared to Q1 2019’s record volume of 857 deals. On a year-over-year basis, Q1 2021 deal activity was up significantly, growing 28% from Q1 2020 levels. The strong start to the year has continued into Q2 of 2021, with a total of 994 transactions. There were a total of 2,078 transactions in the first half of 2021, up over 50% from the first half of 2020 and up over 20% from the first half of 2019.

Positive momentum in U.S. deal activity has been supported by favorable macroeconomic dynamics, strong tailwinds from pent

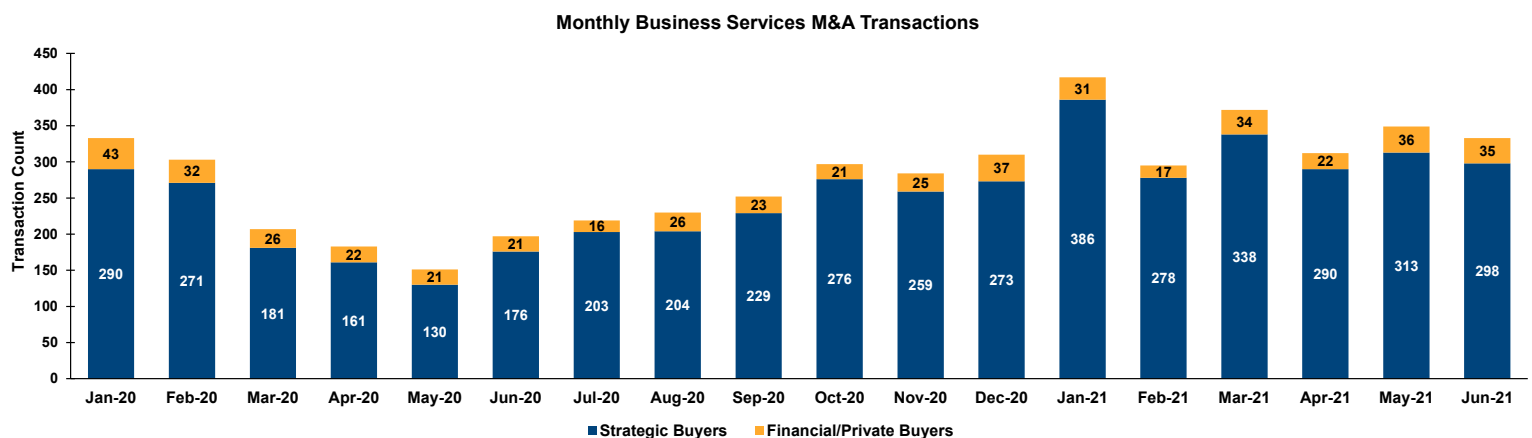
-up demand resulting from the pandemic, and anxiety created around potential, yet likely looming tax rate increases. This has driven the volume of deals to unprecedented levels. In fact, some sale processes are even experiencing modest delays resulting from a lack of availability from third-party due diligence firms.

While the M&A market has seen a normalization of supply/demand of both sellers and buyers, the demand for high-quality businesses and the increasing willingness of some owners to sell them are accelerating deals that were thought to be several years away – irrespective of the looming tax changes.

Both private and strategic buyers are expected to continue exploring acquisitions and overall deal activity is expected to continue rising. In addition, Business Services M&A activity remains very strong with many buyers having returned to the market, and in most service sectors, valuations have remained at pre-COVID levels.

Business Services Sector: Monthly M&A Transaction Volume

(Financial/Private Buyers represent platform investments)



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

Key Metrics

For Q1 & Q2 of 2021, M&A activity within the Business Services industry has occurred primarily in three main sub-sectors: IT Services & Software (59.3%), Commercial & Industrial Services (21.3%), and Business Process Outsourcing (15.4%).

The mix for Q1 & Q2 represents a consistent theme experienced by the IT Services & Software segment – the sub-sector has experienced strong resiliency in the face of the pandemic compared to other segments. Additionally, the digitalization trend has hastened, if anything, during the pandemic, as many of these services quickly adapted to flexible working options. The average deal size in the Software segment remained consistent with most recent periods as companies were acquired by value focused buyers.

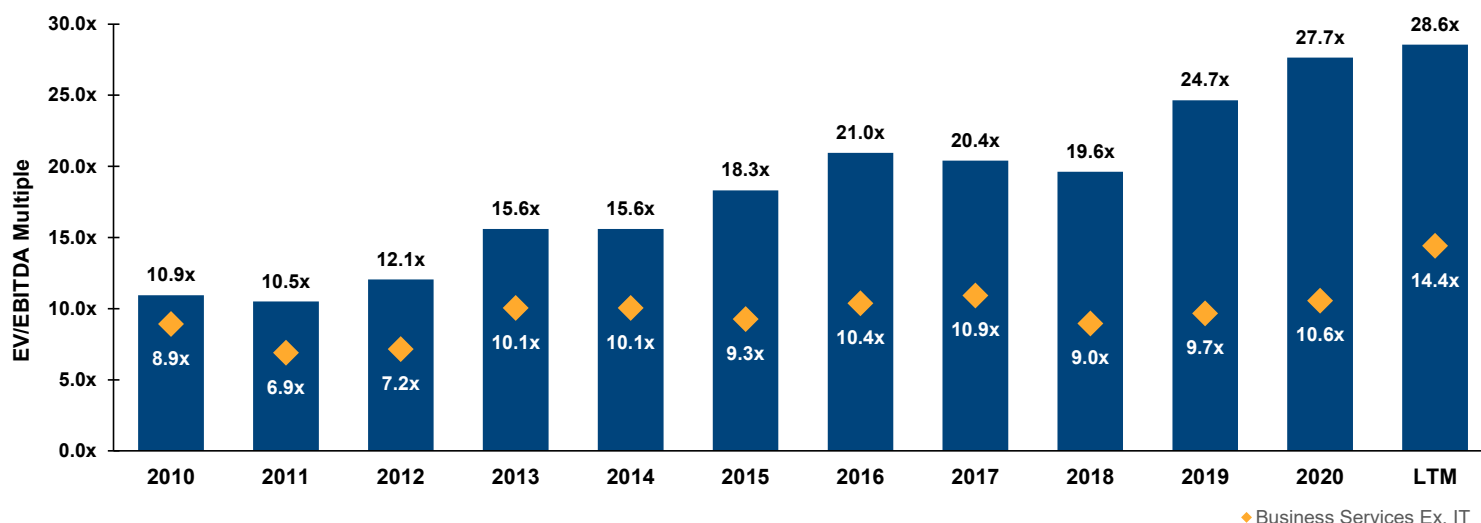
Activity in the Business Process Outsourcing (BPO) segment saw an uptick from prior periods on relative basis. The strength of this segment is led by the demand for staffing and BPO provid-

ers in both traditional, lower wage fields, as well as professional and technical services, which is driven by the need for employers to solve for the shortage of workers that have either been displaced by the pandemic, or where there is a significant skills gap.

Activity in the Commercial & Industrial Services segment remains consistent on a relative basis. The strength of this segment is supported by the recurring maintenance-related businesses and companies focused on non-discretionary services (e.g., cleaning).

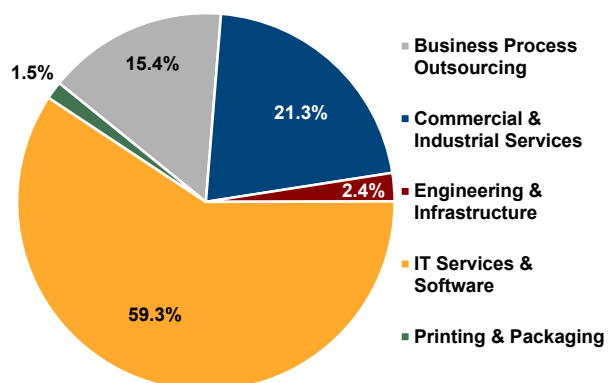
Overall EV/EBITDA valuation multiples in the broader Business Services Segment, excluding IT Services/Software, have increased in the LTM period from 8.0x to 14.0x. Based on our firm's experience with current transactions in the market, pre-COVID level valuations continue to be available for quality middle-market companies.

Historical Average Business Services M&A Transaction Multiples



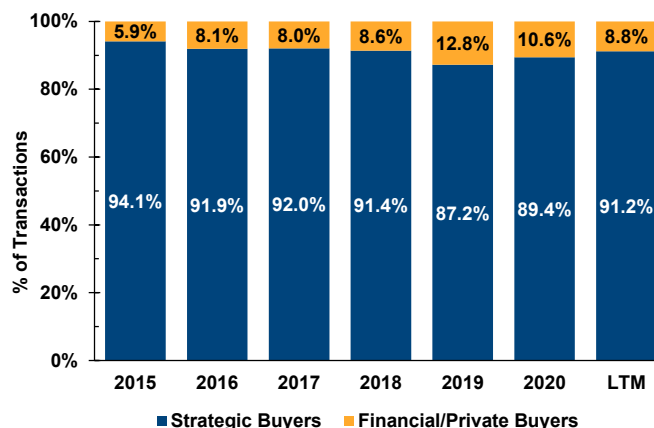
Source: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases

Transactions by Sub-Sector (LTM)






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

Share of Transactions by Buyer Type



Select Noteworthy Transactions

Date: 6/9/2021 (Closed)		Overview / Strategic Rationale:	IT Services & Software
Targets:		<p>Mastercard Incorporated (NYSE:MA) successfully completed the acquisition of Ekata Inc. on June 9, 2021. Under the terms of the transaction, Ekata's global identity verification solutions will join Mastercard's Cyber and Intelligence business.</p> <ul style="list-style-type: none"> <i>Ekata is a Developer of global identity verification solutions designed to prevent fraudulent transactions. The company uses insights to deliver unique scores, data attributes and risk indicators services in real-time.</i> <i>Ekata's identity verification data, machine learning technology and global experience will add to Mastercard's fraud prevention and digital identity programs. The combined services will help businesses confidently know who their customers are and, in turn, help those customers safely interact online, while continuing to advocate and support the responsible use of data.</i> 	
Acquirer:			
Key Metrics:			
Enterprise Value (\$mm):	\$861		
EV/EBITDA:	ND		
EV/Revenue:	ND		
Date: 8/4/2021 (Announced)		Overview / Strategic Rationale:	Waste & Environmental Services
Target:		<p>Clean Harbors, Inc. (NYSE: CLH) entered into an agreement to acquire HydroChemPSC (HPC) on August 4, 2021. HPC is a leading U.S. provider of industrial cleaning, specialty maintenance and utilities services. The acquisition will increase the size, scale, and capabilities of Clean Harbors' Industrial Services and Field Services businesses.</p> <ul style="list-style-type: none"> <i>HPC has more than 5,000 employees and operates a sizeable fleet of specialized vehicles and equipment. The fleet consists of more than 5,600 units including vacuum trucks, roll-off trucks, high pressure water blasters, and light duty vehicles.</i> <i>HPC is the only provider of industrial cleaning and specialty services with a dedicated manufacturing and technology center. HPC's proprietary technology and ability to fabricate and create custom tools for complex or unique applications gives them a true competitive advantage.</i> 	
Acquirer:			
Key Metrics:			
Enterprise Value (\$mm):	\$1,250		
EV/2021F EBITDA:	10.9x		
EV/2021F Revenue:	1.7x		
Date: 2/1/2021 (Closed)		Overview / Strategic Rationale:	Business Process Outsourcing
Target:		<p>Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) successfully completed the acquisition of Magen Technologies on February 1, 2021. The acquisition expands Cognizant's software product engineering footprint, adding 475 employees in the U.S. across seven locations, and more than 350 employees in Manila, Philippines.</p> <ul style="list-style-type: none"> <i>Magenic provides Agile software and cloud development, DevOps, experience design, and advisory services. Custom solutions for Fortune 500 clients and others include re-architecting and migrating products to the cloud, building customer-facing web apps, creating APIs, and designing secure payment processing systems.</i> 	
Acquirer:			
Key Metrics:			
Enterprise Value (\$mm):	\$232		
EV/EBITDA:	ND		
EV/Revenue:	ND		
Date: 5/7/2021 (Closed)		Overview / Strategic Rationale:	Engineering & Construction
Target:		<p>Gibbs & Cox, Inc. was acquired by Leidos (NYS: LDOS) on May 7, 2021. The acquisition will extend Leidos' existing maritime business and add specific capabilities and services, such as naval architecture and marine engineering, 3D modeling and design and engineering to the solution set that it offers to its customers.</p> <ul style="list-style-type: none"> <i>Gibbs & Cox is the largest independent ship design firm focused on naval architecture and marine engineering. The company's world class naval architects, designers, engineers and program managers develop innovative vessel designs and naval capabilities. The acquisition positions Leidos to provide a broad set of engineering solutions to the US Navy and to an expanding set of foreign Navies.</i> 	
Acquirer:			
Key Metrics:			
Enterprise Value (\$mm):	\$377		
EV/EBITDA:	ND		
EV/Revenue:	ND		

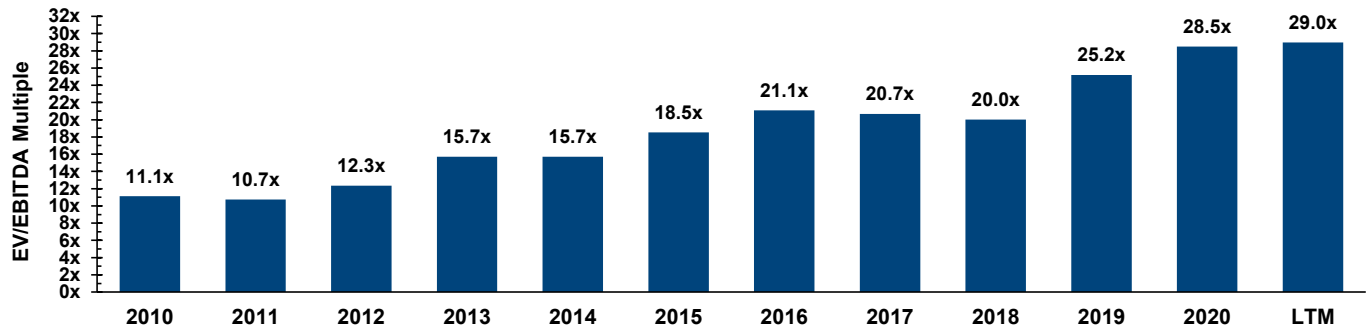
Recent Announced & Closed Transactions *(select transactions, not intended to be all-inclusive)*

Date	Acquirer	Target	Target Description	Price (\$mm)	Revenue Multiple	EBITDA Multiple
BUSINESS PROCESS OUTSOURCING						
6/18/2021	Sitel Worldwide Corporation	Sykes Enterprises, Incorporated	Sykes Enterprises, Incorporated, together with its subsidiaries, provides customer experience management, multichannel demand generation, and digital transformation services.	\$2,327	1.3x	9.0x
6/10/2021	Parsons Government Services, Inc.	BlackHorse Solutions, Inc.	BlackHorse Solutions, Inc. provides cyber and information environment solutions and services for intelligence, defense, federal, and commercial communities.	\$203	-	11.5x
5/30/2021	Advent International Corporation; Eurazeo SE	Planet Payment, Inc.	Planet Payment, Inc., together with its subsidiaries, provides international payment and transaction processing, and multi-currency processing services in the Asia Pacific region, the Americas, the Middle East, Africa, and Europe.	\$1,800	-	-
5/25/2021	GreenBox POS	Northeast Merchant Systems, Inc.	Northeast Merchant Services, Inc. provides merchant credit card processing services.	\$3	-	-
PRINTING & PACKAGING						
6/30/2021	Hybrid Promotions LLC	Air Waves, Inc.	Air Waves, Inc. provides custom T-shirt printing and fulfillment services.	-	-	-
6/21/2021	Logan Marketing Group, LLC	Maple Direct Inc.	Maple Direct Inc. provides direct-mail printing and lettershop services.	-	-	-
6/5/2021	AlphaGraphics Kansas City	Priority Printing & Marketing, Inc.	Priority Printing & Marketing, Inc. provides printing and graphic designing services.	-	-	-
6/2/2021	Ennis, Inc.	Substantially all assets and business of Ameriprint Corporation	Ennis, Inc. is a wholesale print manufacturer. The Company provides forms, labels, tags, envelopes, and more	-	-	-
3/9/2021	Supremex Inc.	Vista Graphic Communications, LLC	Vista Graphic Communications, LLC provides printing and packaging solutions.	\$3	-	-
COMMERCIAL & INDUSTRIAL SERVICES						
6/3/2021	Sanexen Environmental Services Inc.	American Process Group (Canada) Ltd.	American Process Group (Canada) Ltd. provides environmental and residual management services.	\$50	1.2x	6.3x
6/1/2021	Trimac Transportation Services Inc.	Montreal Tank Wash Inc.	Montreal Tank Wash is a provider of tanker truck washing services in Quebec, Canada.	\$14	-	-
5/24/2021	LSI Industries Inc.	JSI Store Fixtures, Inc.	JSI Store Fixtures, Inc. designs, manufactures, and markets display fixtures and closed-cell foam products for supermarket chains in North America and internationally.	\$90	1.3x	9.0x
5/5/2021	MassRoots, Inc.	Empire Services Inc.	Empire Services Inc. operates metal recycling facilities.	\$14	0.7x	-
4/19/2021	Herman Miller, Inc.	Knoll, Inc.	Knoll, Inc., designs, manufactures, markets, and sells commercial and residential furniture, accessories, and coverings.	\$2,041	1.8x	14.4x
IT SERVICES & SOFTWARE						
6/28/2021	Thoma Bravo, LLC	QAD Inc.	QAD Inc., together with its subsidiaries, provides cloud-based enterprise software solutions in North America, rideOS Inc. develops and builds marketplace and mapping services that offers deploying on demand	\$1,789	5.7x	64.8x
6/17/2021	GoBrands, Inc.	rideOS Inc.	NIC Inc., together with its subsidiaries, provides digital government services and payment solutions that enable governments to use technology to provide	\$115	-	-
2/10/2021	Tyler Technologies, Inc.	NIC Inc.		\$2,103	4.6x	19.5x
ENGINEERING & INFRASTRUCTURE						
6/29/2021	urban-gro Architect Holdings, LLC	2WR+ Partners	2WR+ Partners provides architectural and interior design services.	\$9	-	-
6/23/2021	Salas O'Brien South, LLC	PCI Skanska Inc.	PCI Skanska Inc. offers civil construction.	\$20	-	-
1/4/2021	H.I.G. Capital, LLC	SMTC Corporation	SMTC Corporation provides electronics manufacturing services worldwide.	\$272	0.7x	9.2x

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

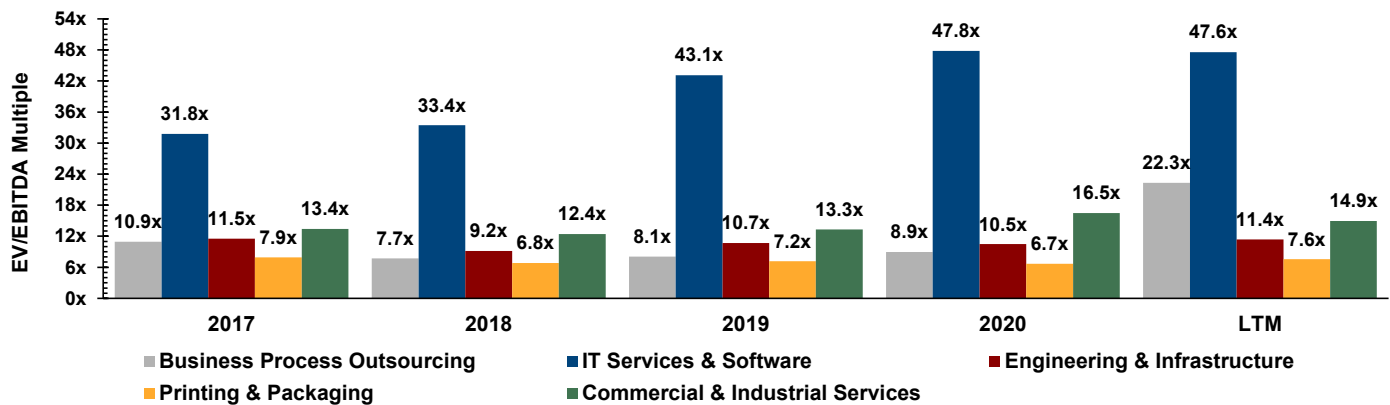
Public Company Comparison Trading Multiples

Business Services: Annual EV/EBITDA Multiples



Source: CapIQ, public trading data as of June 30, 2021

Business Services Sub-Sector Public EV/EBITDA Multiples



Source: CapIQ, public trading data as of June 30, 2021

Representative EdgePoint Business Services Transactions

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