

M&A Activity Remains Strong With Add-on Acquisitions Surging to Near Record Levels

Q3 & Q4 2022 Overview:

Despite significant headwinds, 2022 was a year of robust deal-making activity in the Business Services sector, suggesting resilience and commitment among dealmakers. Many deals that were expected to close in Q4 2021 overflowed into January 2022 due to capacity constraints, resulting in a heightened transaction volume in Q1 2022. M&A activity normalized in Q2 2022 and remained steady throughout the rest of the year.

2022 saw 3,691 total Business Services transactions, down from a record high of 4,229 in 2021. The US Federal Reserve Bank's interest rate hikes, ongoing supply chain issues, a tight labor market, and general macroeconomic uncertainty were the major drivers of the normalization in dealmaking volume.

While the middle market felt the effects of widespread economic uncertainty, it did so to a far lesser degree than did public equities. Consistent with historical trends in times of uncertainty, middle market private equity dealmaking was bolstered in 2022 by add-on acquisitions, which reached near-record levels of total dealmaking activity. According to PitchBook, add-ons represented almost 80% of all buyout activity in 2022, a 5% increase from 2021 levels. While

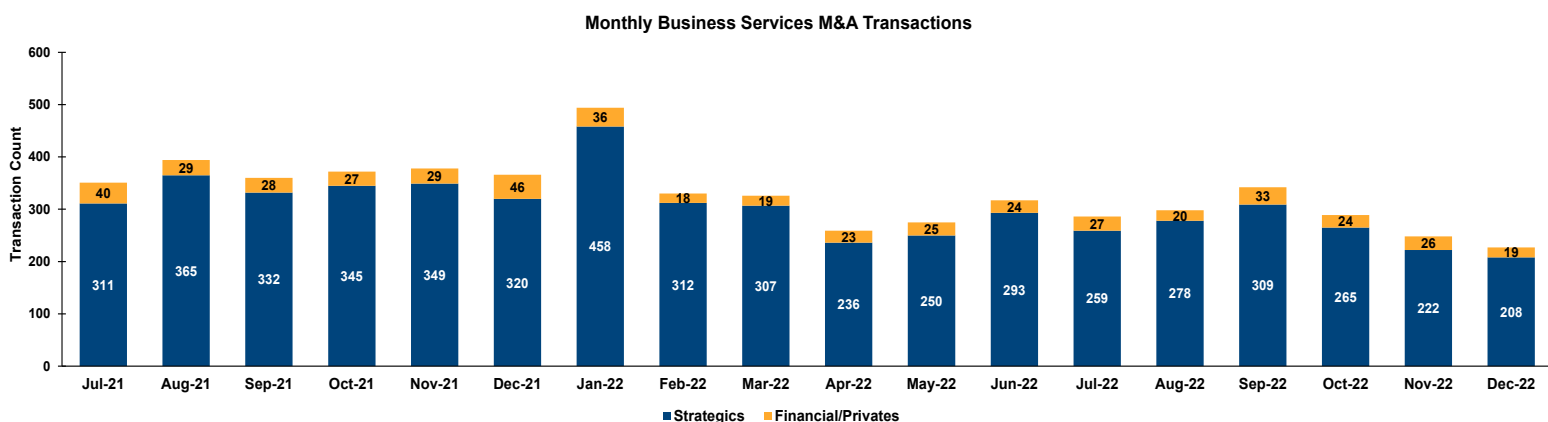
add-on acquisitions are smaller in nature than platform investments, they are often easier to finance, which allows private equity firms to continue to deploy capital, expand market share, and capitalize on cost-saving synergies across platform investments. Should economic conditions not show signs of near-term improvements, private equity funds could face longer hold periods, which will continue to drive add-on activity.

Heading into Q1 2023, ample capital availability will continue to serve as a catalyst for M&A activity, with both strategic and financial buyers competing for high-quality assets. Business Services M&A activity remains strong with many buyers having returned to the market, supporting strong deal valuations that continue to hold at high levels relative to historical averages.

Private and strategic buyers are expected to continue pursuing acquisitions, with overall deal activity expected to continue rising. Business Services M&A activity remains strong with many buyers having returned to the market, supporting robust deal valuations, which are continuing to hold at high levels relative to historical averages.

Business Services Sector: Monthly M&A Transaction Volume

(Financial/Private Buyers represent platform investments)



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

Key Metrics

For Q3 & Q4 of 2022, M&A activity in the Business Services industry occurred primarily in three main sub-sectors: IT Services & Software (56.6%), Commercial & Industrial Services (22.3%), and Business Process Outsourcing (17.4%).

The mix for Q3 and Q4 2022 represents a consistent theme for the IT Services & Software segment, which experienced strong resiliency in the face of the pandemic followed by hastened digitization throughout the economy as operators continue to adapt to flexible working options, labor shortages, and supply chain disruptions.

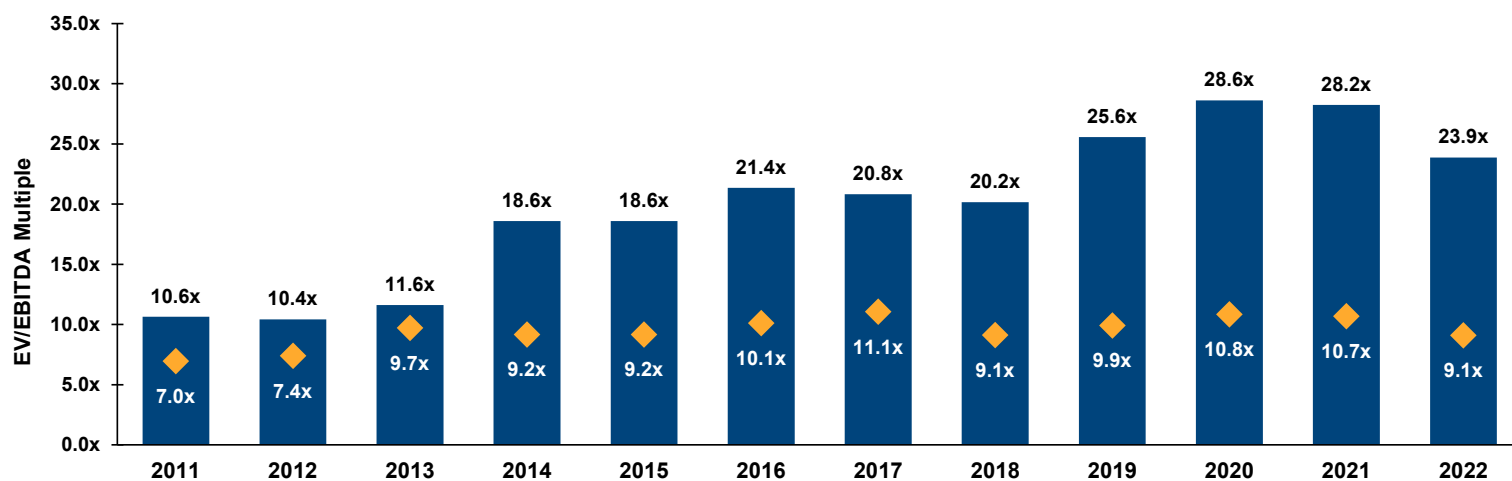
Activity in the Business Process Outsourcing (BPO) segment saw an uptick from prior periods on a relative basis. The strength of this segment is bolstered by the demand for staffing and BPO providers in traditional, lower-wage fields, as well as professional and

technical services, which are driven by the need for employers to solve for the shortage of workers 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 recurring maintenance-related businesses and companies focused on non-discretionary services (e.g., infrastructure maintenance).

Overall EV/EBITDA valuation multiples in the broader Business Services sector, excluding IT Services/Software, have maintained in the last twelve-month period at ~9.1x, suggesting premium valuations continue to be available for high-quality middle-market companies.

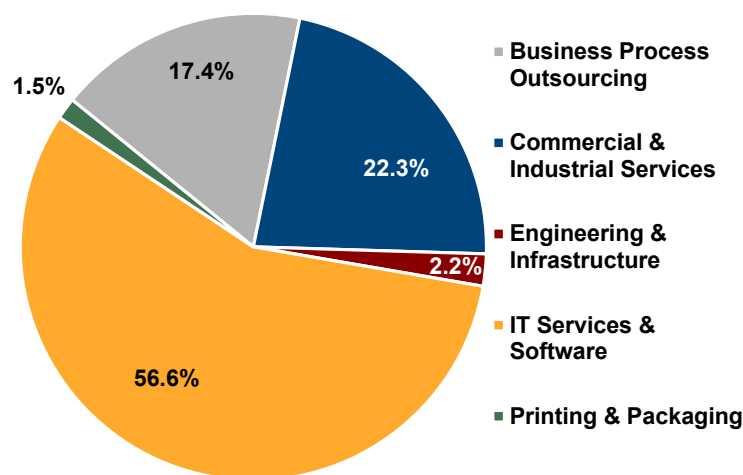
Historical Average Business Services Multiples



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

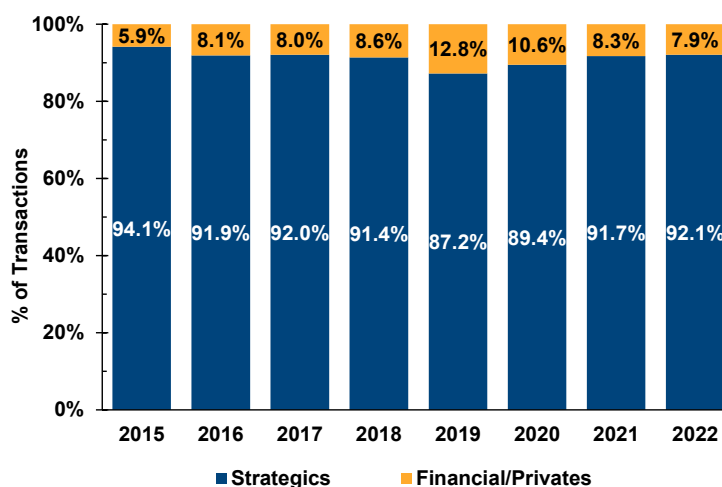
◆ Business Services Ex. IT

Transactions by Sub-Sector (2022)



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

Share of Transactions by Buyer Type



Select Noteworthy Transactions

Date: December 2022		Overview / Strategic Rationale:	Home Services
Target:		<p>Installed Building Products (“IBP”) (NYSE: IBP), an industry-leading installer of insulation and complementary building products, announced the acquisition of ABS Insulating (“ABS”). Established in 1991, ABS serves the greater Charlotte, NC and Myrtle Beach, SC markets, installing fiberglass insulation, spray foam insulation, and gutters at new residential projects.</p> <ul style="list-style-type: none"> <i>The acquisition of ABS solidifies IBP’s presence in the greater Charlotte and Myrtle Beach markets. Acquisitions are a key component of IBP’s growth strategy, as the insulation installation market is highly fragmented and primed for consolidation.</i> <i>ABS generates ~\$21 million in annual revenue, bringing IBP’s total acquired revenue in 2022 to ~\$109 million.</i> 	
Acquirer:			
Key Metrics:			
Enterprise Value (\$mm):	N/A		
EV/EBITDA:	N/A		
EV/Revenue:	N/A		
Date: December 2022		Overview / Strategic Rationale:	IT Services & Software
Target:		<p>Microsoft announced the acquisition of Fungible Inc., a provider of composable infrastructure aimed at accelerating networking and storage performance in datacenters with high-efficiency, low-power data processing units (DPUs). The Fungible team will join Microsoft’s datacenter infrastructure engineering teams and will focus on delivering multiple DPU solutions, network innovation, and hardware systems advancements.</p> <ul style="list-style-type: none"> <i>The acquisition further signals Microsoft’s commitment to long-term differentiated investments in datacenter infrastructure, which enhances a broad range of technologies and offerings including offloading, improving latency, increasing datacenter server density, optimizing energy efficiency, and reducing costs.</i> 	
Acquirer :			
Key Metrics:			
Enterprise Value (\$mm):	\$190		
EV/EBITDA:	N/A		
EV/Revenue:	N/A		
Date: December 2022		Overview / Strategic Rationale:	Live Event Services
Target:		<p>ON Services, a leading national provider of live event production and in-house audio-visual services, has been acquired by 4612 Group along with key ON Services management, Brent Milner (CEO), Austin Milner (VP, Accounting/Finance), and Stan Milner (Board Member) and will operate as a privately held company under this new ownership group.</p> <ul style="list-style-type: none"> <i>ON Services is headquartered in Atlanta, Georgia with production warehouse locations in Atlanta, Orlando, Phoenix, Greensboro, Raleigh, and Birmingham and provides in-house AV services to over 35 venues across the country.</i> <i>ON Services will continue to operate under its current branding as ON Services and ON Site (in-house AV services) and be led by Brent Milner, CEO of ON.</i> 	
Acquirer:			
Key Metrics:			
Enterprise Value (\$mm):	N/A		
EV/EBITDA:	N/A		
EV/Revenue:	N/A		
Date: October 2022		Overview / Strategic Rationale:	Environmental Services
Target:		<p>Environmental Infrastructure Solutions (“EIS”), one of the largest providers of mission-critical environmental and infrastructure services, announced the acquisition of privately owned Eagle Environmental Consulting, Inc. (“Eagle Environmental”), located in Wheat Ridge, Colorado.</p> <ul style="list-style-type: none"> <i>The acquisition provides EIS with the opportunity to geographically expand environmental consulting services to customers throughout the northwest and marks the company’s second strategic acquisition in 2022.</i> <i>Eagle Environmental provides a platform for accelerated growth, including cross-selling revenue opportunities and additional tuck-in acquisitions.</i> 	
Acquirer:			
Key Metrics:			
Enterprise Value (\$mm):	N/A		
EV/EBITDA:	N/A		
EV/Revenue:	N/A		

Sources: CapIQ, Company Filings, Pitchbook, News Releases

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

Date	Target	Acquirer	Target Description	EV (\$mm)	EBITDA Multiple	Revenue Multiple
COMMERCIAL & INDUSTRIAL SERVICES						
11/7/2022	IAA, Inc.	Ritchie Bros. Holdings, Inc.	IAA operates a digital marketplace that connects vehicle buyers and sellers.	\$8,171	11.5x	3.9x
11/7/2022	Planet Found Energy Development, LLC	Chesapeake Utilities Corporation	Planet Found Energy Development treats poultry litter and provides manure management services.	\$9	-	-
9/14/2022	Witt O'Brien's, LLC	Ambipar Holding USA, Inc.	Witt O'Brien's, LLC provides preparedness, crisis management, and disaster response and recovery services.	\$162	-	-
8/3/2022	All of the Assets of Delaware Energy Services, LLC	Aris Water Solutions, Inc.	All of the Assets of Delaware Energy Services, LLC comprises water handling facilities.	\$77	-	-
ENGINEERING & INFRASTRUCTURE						
12/14/2022	Industrial Service Solutions, LLC	Wynnchurch Capital, L.P	Industrial Service Solutions, LLC provides engineering, field, and shop services.	\$31	-	-
10/17/2022	American Combustion Industries, Inc.	Huron Capital Partners, LLC	American Combustion Industries, Inc. offers facility support services.	-	-	-
7/25/2022	Infrastructure and Energy Alternatives, Inc.	MasTec, Inc.	Infrastructure and Energy Alternatives, Inc., through its subsidiaries, operates as a diversified infrastructure construction company in the United States.	\$1,161	4.0x	0.5x
7/18/2022	Project Design Consultants, LLC	Bowman Consulting Group Ltd.	Project Design Consultants, LLC provides civil engineering, surveying, planning, and landscape architecture services.	\$18	-	-
BUSINESS PROCESS OUTSOURCING						
11/22/2022	Startek, Inc.	MCI Capital, LC	StarTek, Inc., a business process outsourcing company, provides customer experience, digital transformation, and technology services.	\$398	4.4x	0.6x
10/27/2022	Ness Technologies Inc.	KKR & Co. Inc.; KKR Asian Fund IV	Ness Technologies Inc., through its subsidiaries, provides information technology solutions and services.	\$500	-	-
8/20/2022	Computer Services, Inc.	Centerbridge Partners, L.P.; Cannae Holdings, Inc.; Bridgeport Partners LLC; BGPT Catalyst, L.P.	Computer Services, Inc., provides core processing, digital banking, managed services, payments processing, print and electronic distribution, and regulatory compliance solutions.	\$1,523	14.5x	4.7x
8/1/2022	EVO Payments, Inc.	Global Payments Inc.	EVO Payments, Inc. operates as an integrated merchant acquirer and payment processor worldwide.	\$3,522	20.0x	6.6x
IT SERVICES & SOFTWARE						
12/16/2022	KingStreetLabs, LLC	Dropbox, Inc.	KingStreetLabs, LLC develops software that enables businesses to streamline their documents electronically.	\$95	-	-
10/27/2022	Omnipresence, Inc. (nka:Alter)	Alphabet Inc.	Omnipresence, Inc., doing business as Alter, develops a technology platform that delivers live streams using 3D avatars through smartphones.	\$100	-	-
9/19/2022	KnowBe4, Inc.	Vista Equity Partners Management, LLC	KnowBe4, Inc. engages in the development, marketing, and sale of its Software-as-a-Service-based security awareness platform.	\$3,769	NM	13.0x
8/15/2022	Quest Integrity Group, LLC	Baker Hughes Holdings LLC	Quest Integrity Group, LLC provides asset integrity management and asset reliability solutions to clients in refining and chemical, pipeline, petrochemical, and power industries.	\$279	-	3.5x
8/31/2022	Nitro Software Limited	HarbourVest Partners, LLC; Potentia Capital Pty. Ltd.	Nitro Software Limited operates as a document productivity software company in Australia and internationally.	\$449	NM	5.1x
PRINTING & PACKAGING						
12/13/2022	Lux Global Label Company, LLC	Multi-Color Corporation	Lux Global Label Company, LLC offers label printing services.	-	-	-
12/5/2022	Precision Label, Inc.	I.D. Images LLC	Precision Label, Inc. offers label printing and packaging solutions.	-	-	-
11/30/2022	School Photo Marketing, Inc.	Ennis, Inc.	School Photo Marketing, Inc. provides printing, yearbook publishing and marketing-related services.	\$10	-	-
8/16/2022	Grubb Printing and Stamp Co., Inc.	Specialty Business Supplies, Inc.	Grubb Printing and Stamp Co., Inc. offers graphic design, stamp manufacturing, specialty printing, print product management, warehousing, and logistic services.	-	-	-

Sources: CapIQ, Company Filings, Pitchbook, News Releases

Subsector Profile: Home Services—Overview

Overview

Home Services continues to be a robust sector in middle-market M&A, with a number of private equity firms developing specialty platforms across the US. Moreover, the market has experienced an increasing amount of sponsors willing to pay a premium for niche service providers with strong regional brand equity. HVAC companies continue to comprise a significant portion of Home Services M&A volume, with other service lines quickly becoming a focal point of consolidation as well, including other maintenance services inside and outside the home.

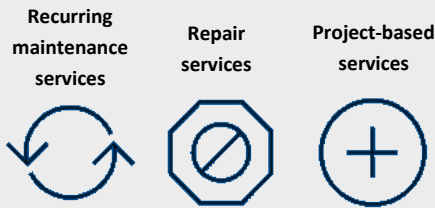
Home Services can broadly be categorized into three primary segments: re-occurring maintenance services, repair services, and project-based services.

Home Services – Industry Segmentation

Re-occurring maintenance services: These services are typically related to backyard maintenance, various types of residential cleaning services, and other services that are generally required on a frequent basis. Many of these recurring service lines have held up considerably well post-pandemic, with the exception of residential cleaning services, which have yet to fully recover. The prevalence of social distancing continues to diminish demand for confined in-person services, leading to residential cleaning service companies experiencing a relatively low average annual growth rate of ~1.7% from 2018 to 2023, according to IBIS.

Repair services: This category includes a variety of companies that offer HVAC, plumbing, electrical, and other repair-related services that consumers generally have no capacity to perform on their own. Post pandemic trends, such as the work-from-home landscape, have contributed to considerable segment growth as

Sources: Grandview Research, IBIS, TechNavio, Verified Research

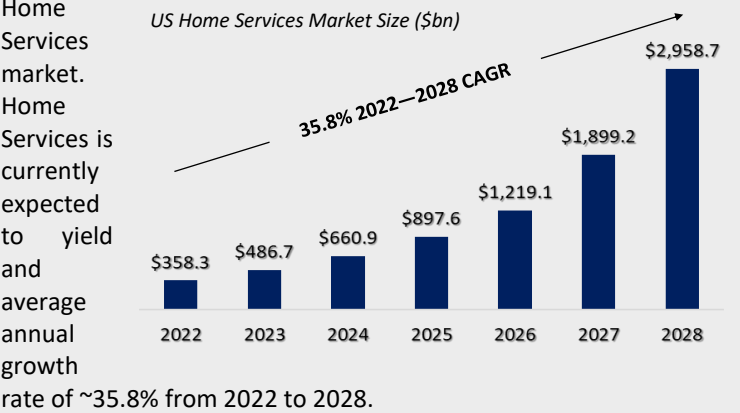


consumers spend more time in their respective homes and accelerate the wear and tear of residential buildings.

Project-based services: This segment generally includes medium-to-large-scale projects, such as bathroom remodeling, deck replacement, and more, which typically require an outside contractor. This segment has experienced significant demand post-pandemic across age groups and home values, leading to significant supply-demand constraints and lengthy order backlogs.

Market Size

The US market for Home Services is estimated to be ~\$358.3bn, representing the largest Home Services market globally (~35% of total global market share). The broader market is expected to realize continued growth, with certain facets of the industry looking to realize year-over-year growth in excess of the wider Home



Services is currently expected to yield and average annual growth rate of ~35.8% from 2022 to 2028.

The market’s volume provides both strategic and sponsor interests with a channel to pursue organic growth and a large pool of small-to-medium-sized acquisition opportunities due to the market’s fragmented nature.

Key Market Trends

The influence of digital media: Digital media is a key marketing



Subsector Profile: Home Services—Cont.

channel for companies operating within Home Services. A number of traditional and online operators are widely adopting digital media to increase commercial awareness and generate sales.

Various smartphone features help Home Services providers increase their service visibility through push notifications, e-mails, and more. These features help mass distribute the details of new Home Services launches, discounts, and promotions. YouTube, Facebook, Twitter, Instagram, and Google+ all represent prominent digital platforms that are widely used for service promotions and campaigns.

Steady revenue streams: The revenue profile of a Home Services company can vary from a strictly subscription-based recurring revenue model to a KPI-driven understanding of re-occurring revenue (e.g., cohort analyses and retention rates).

*The U.S. spent **\$538 billion** on home improvement in 2021.*

*Home improvement sales are projected to reach **\$625 billion** by 2025.*

Certain repair and project-based services, however, are largely demand-driven. These services are re-occurring in nature when one analyzes trends of an entire customer cohort over time.

The market's revenue profile attractiveness continues to make it a key market for sponsors identifying companies with repeat customer dynamics.

Key Challenges

High competition: The US Home Services market comprises several small-to-medium-sized regional players that compete based on acquisitions, expansions, and marketing & advertising campaigns.

Key Market Players

Home Services comprises several regional players and remains a significantly fragmented market. E-commerce also continues to fuel the industry's increasing competitive landscape. E-commerce companies have promoted Online On-demand Home Services offerings, which have greatly increased the awareness of small-to-medium-sized operators and continue to offer industry participants unique channels for their consumers.

Online On-demand Home Service providers offer digital marketplaces that offer timely access to a broad range of home facilities. US consumer demand for these types of facilities is rising due to the ease of accessibility and convenience provided by these facilities.

Similarly, these platforms link consumers with service providers and manage payment and billing transactions, which facilitates the payment process for customers. The Online On-demand Home Services market is expected to experience considerable growth.

One example of this is Amazon. Amazon has developed a wide Online On-demand Home Services presence, which is an online network of third-party service providers fulfilling services sold by Amazon.



Sources: Grandview Research, IBIS, TechNavio, Verified Research



Subsector Profile: Home Services—Cont.

The e-commerce platform provides Home Services companies with real-time orders across its vast network of users. Amazon also promotes a wide range of services from home furniture and smart device setup to outdoor equipment assembly.



Other prominent Online On-demand providers include ANGI Home Services, Yelp, Thumbtack, MyClean, YourMechanic, AskforTask, Zaarly, 58 Home, E-Home Service, and several other innovative platforms competing for share in niche home service markets.

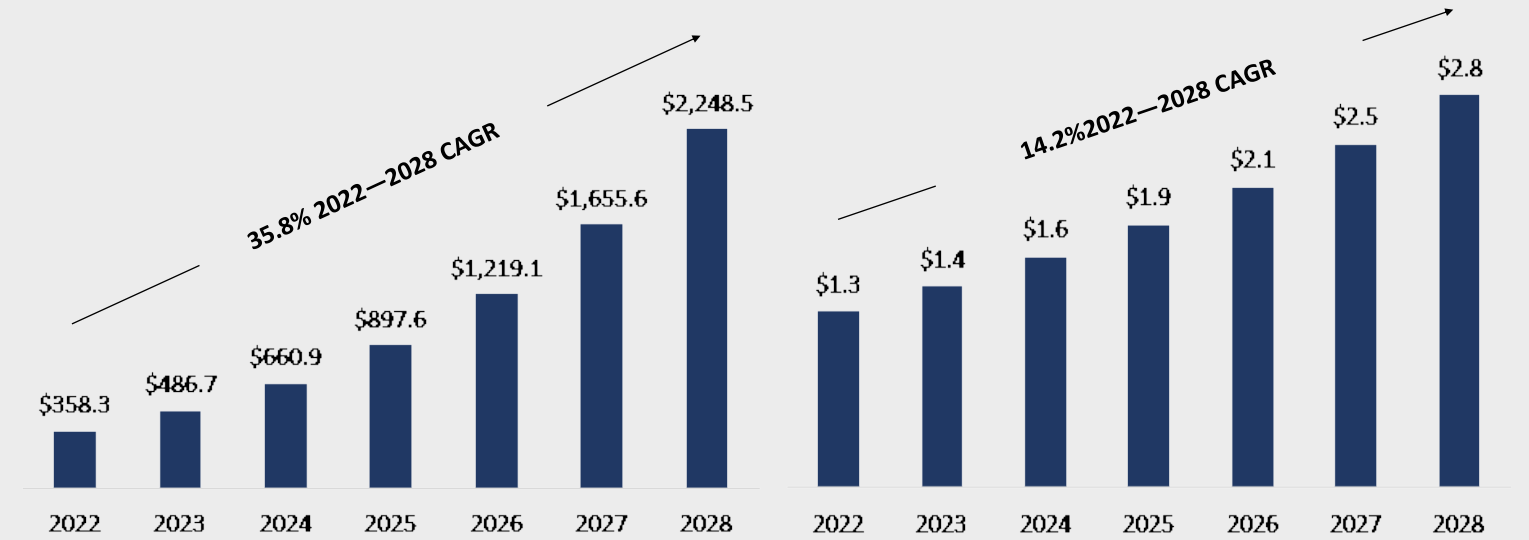
Subsector Profile: Home Services—Performance & Outlook

Home Services: The US market for Home Services is estimated to be ~\$358.3bn, representing the largest Homes Services market globally (~35% of total global market share). Homes Services is currently expected to yield an average annual growth rate of ~35.8% from 2022 to 2028.

Home Services
Market Size (\$bn)

Online On-demand Home Services: The US market for Online On-demand Home Services is estimated to be ~\$1.3bn and is currently expected to yield an average annual growth rate of ~14.2% from 2022 to 2028.

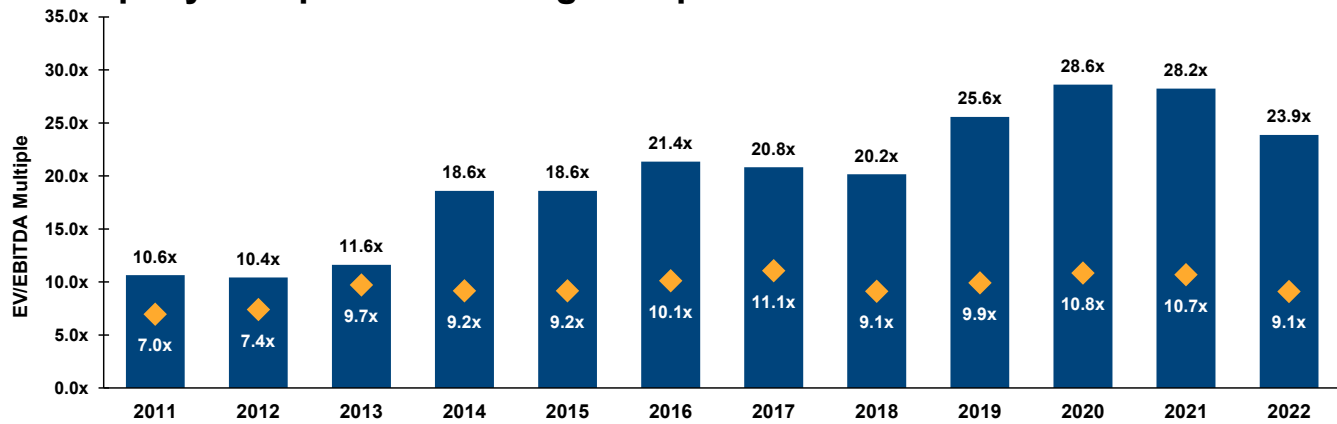
Online On-demand Home Services
Market Size (\$bn)



Sources: Grandview Research, Verified Research



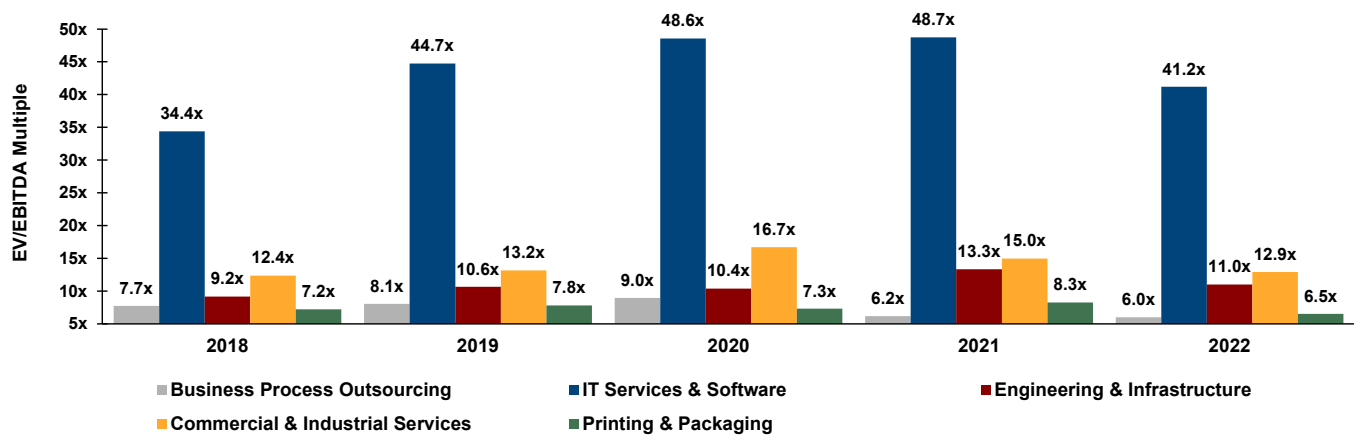
Public Company Comparison Trading Multiples



◆ Business Services Ex. IT

Source: CapIQ, public trading data as of December 31, 2022

Business Services Sub-Sector Public EV/EBITDA Multiples



Source: CapIQ, public trading data as of December 31, 2022

Representative EdgePoint Business Services Transactions



EdgePoint is an independent, advisory-focused, investment banking firm serving the middle market.

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