

M&A Activity Remains Strong For Both Add-On and Platform Investments

Q1 & Q2 2023 Overview:

The first half of 2023 was marked by steady deal-making activity in the Business Services sector, suggesting resilience and commitment among dealmakers. Many deals that were expected to close in Q4 2022 overflowed into January 2023 due to capacity constraints, resulting in a heightened transaction volume to start the 2023 year. M&A activity normalized in February 2023 and remained steady throughout Q1 and Q2.

Within the last twelve months ending June 2023, there were more than 2,700+ total Business Services transactions, signaling a modest slowdown in transaction volume relative to the full-year 2022 volume of 3,700+. 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

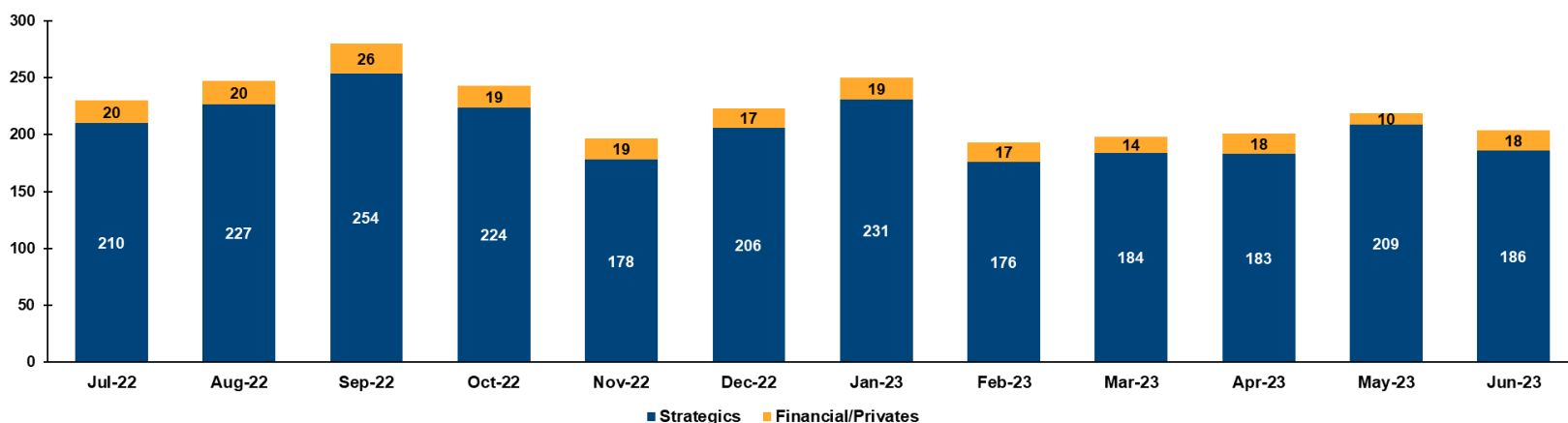
market private equity dealmaking was bolstered in the first half of 2023 by add-on acquisitions, which reached near-record levels of total dealmaking activity. While add-on acquisitions are smaller in nature than platform investments, they are often easier to finance, which allows private equity firms 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 Q3 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 Sector: Monthly M&A Transaction Volume

(Financial/Private Buyers represent platform investments)

Monthly Business Services M&A Transactions



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

Key Metrics

For the twelve months ending June 2023, M&A activity in the Business Services industry occurred primarily in two main sub-sectors: IT Services & Software (64.5%) and Commercial & Industrial Services (29.4%).

The mix for Q1 and Q2 2023 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.

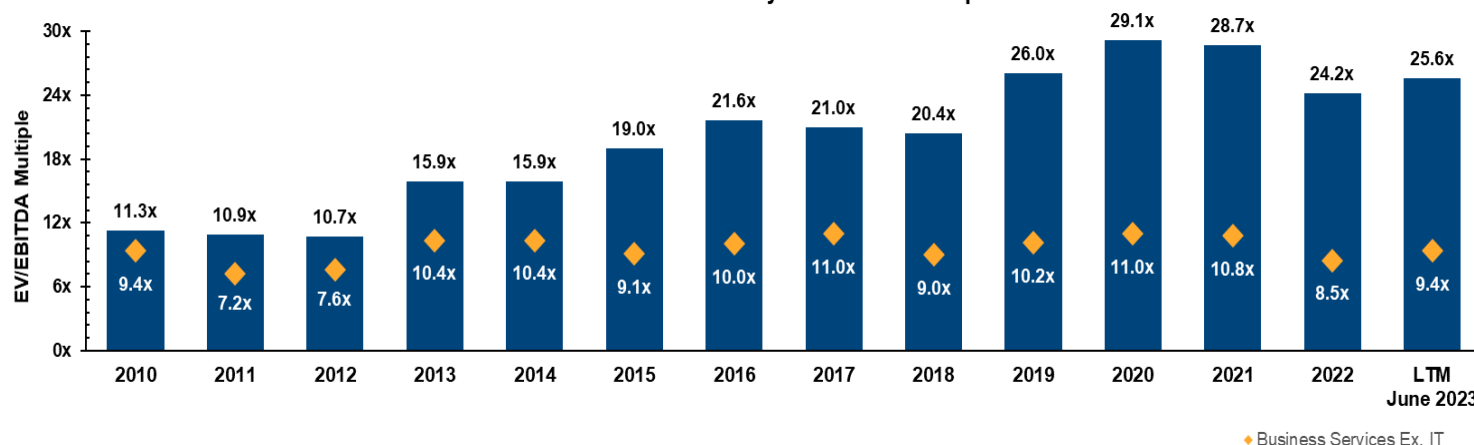
Activity in the Commercial & Industrial Services segment saw an uptick from prior periods on a relative basis. Transaction

momentum in the sector is expected to continue as a result of favorable industry tailwinds and the sector's steady performance throughout the pandemic and recent recessionary pressures—driving investor demand and valuations for platforms.

Average EV/EBITDA valuation multiples in the broader Business Services sector, excluding IT Services/Software, have increased relative to the full year 2022. During the last twelve months ending June, average EV/EBITDA multiples yielded 9.4x, suggesting that premium valuations continue to be available for high-quality middle-market companies.

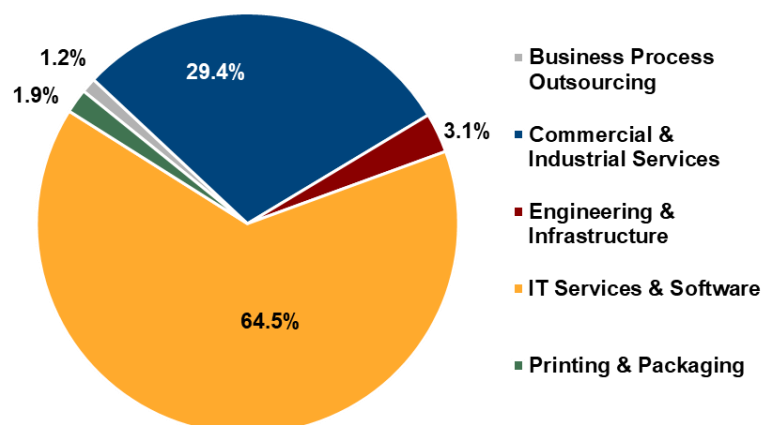
Historical Average Business Services Multiples

Business Services Industry EV/EBITDA Multiples

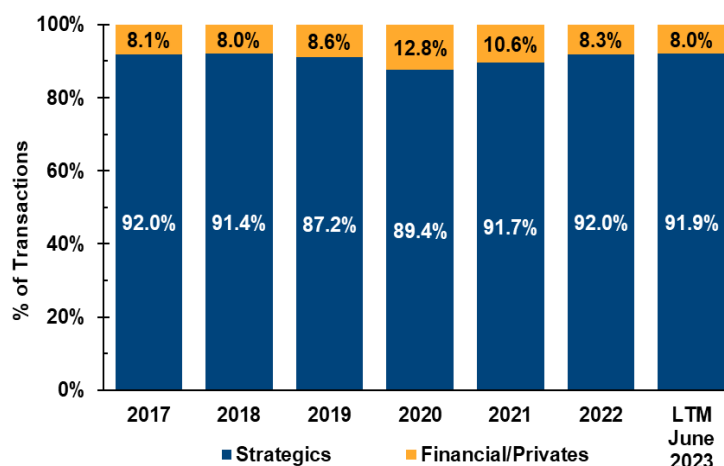


Source: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases

Transactions by Sub-Sector (LTM June 2023)




Share of Transactions by Buyer Type



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

Select Noteworthy Transactions Within The Last Twelve Months

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, North Carolina and Myrtle Beach, South Carolina 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.</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)*

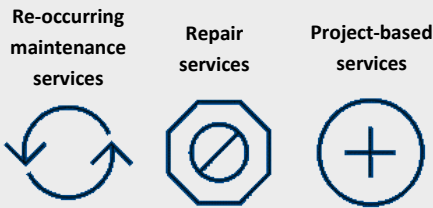
Date	Target	Acquirer	Target Description	EV (\$mm)	EBITDA Multiple	Revenue Multiple
COMMERCIAL & INDUSTRIAL SERVICES						
3/8/2023	Kimball International, Inc.	HNI Corporation (NYSE:HNI)	Kimball International Inc operates in the omnichannel commercial furnishing business. The company specializes in making furniture for the workplace, health, and hospitality markets.	\$547	8.5x	0.8x
3/1/2023	Centurion Container LLC	Greif, Inc. (NYSE:GEF)	Distributor of industrial packaging products intended to offer containers and packaging products to small family owned businesses as well as large global corporations.	\$204	8.5x	1.9x
2/1/2023	Adler Tank Rentals, LLC	Ironclad Environmental Solutions, Inc.	Provider of tank and container rental services for the energy, environmental, industrial and construction sectors.	-	7.1x	-
11/7/2022	IAA, Inc.	Ritchie Bros. Holdings Inc	IAA Inc provides auction solutions for total loss, damaged, and low-value vehicles. The company facilitates the selling and purchasing of vehicles from a variety of resources, including insurance carriers, used-vehicle dealers, and more.	\$8,171	11.5x	3.9x
ENGINEERING & INFRASTRUCTURE						
6/8/2023	Environmental Systems Design, Inc.	Stantec Inc. (TSX:STN)	Provider of a consulting-engineering firm catering to data centers, workplace interiors, high-rise buildings and real estate asset repositioning.	\$138	-	-
5/25/2023	Energy Systems Group, LLC	ESG Holdings Group, LLC	Provider of energy services intended for the government, education, healthcare, commercial and industrial sectors.	\$154	-	-
5/4/2023	i3 Product Development, Inc.	Helios Technologies, Inc. (NYSE:HLIO)	Developer of innovative product solutions in electrical engineering, industrial design, software engineering, mechanical engineering, user interface, design research, analytical engineering, prototyping, and testing.	\$45	-	-
7/25/2022	Infrastructure and Energy Alternatives, Inc.	MasTec, Inc. (NYSE:MTZ)	Infrastructure construction company with specialized energy and heavy civil expertise throughout the United States.	\$1,161	4.0x	0.5x
BUSINESS PROCESS OUTSOURCING						
11/22/2022	Startek, Inc. (NYSE:SRT)	MCI Capital, LC	StarTek, Inc., a business process outsourcing company, provides customer experience, digital transformation, and technology services in various markets.	\$428	6.6x	1.1x
8/20/2022	Computer Services, Inc.	Centerbridge Partners, L.P.; Cannae Holdings, Inc. (NYSE:CNNE); Bridgeport Partners LLC	Computer Services Inc is a customer service company that delivers technology solutions to banks, financial institutions, and other businesses nationwide.	\$1,523	14.5x	4.7x
IT SERVICES & SOFTWARE						
4/26/2023	Lookout Life	F-Secure Oyj (HLSE:FSECURE)	Lookout Life develops a mobile security platform that provides device security, privacy, online safety, identity, and financial protection to consumers.	\$223	15.0x	5.6x
3/13/2023	Synchronoss Technologies, Inc. (NasdaqCM:SNCR)	B. Riley Principal Investments, LLC	Synchronoss Technologies Inc is a provider of cloud- and software-based activation solutions for mobile carriers, enterprises, retailers, and original equipment manufacturers.	\$347	15.1x	1.4x
9/12/2022	Newcomp Analytics Inc.	Converge Technology Solutions Corp. (TSX:CTS)	Newcomp Analytics Inc. offers managed data analytics and IT advisory services. The company offers advisory services, development services, and analytic bootcamps.	\$16	6.0x	0.6x
9/6/2022	ChannelAdvisor Corporation	Commerce Technologies, LLC	ChannelAdvisor Corp is a provider of Software-as-a-Service solutions for retailers and manufacturers. Its solutions enable clients to integrate and manage its merchandise sales across multiple online channels and are offered on the firm's cloud-based platform.	\$648	26.0x	3.8x
PRINTING & PACKAGING						
6/6/2023	Japs-Olson Company Inc.	Monomoy Capital Management, L.P.	Japs-Olson Company Inc. provides cross-media marketing solutions. The company provides direct mail and commercial printing services intended to reduce print production time and improve cost-effectiveness.	-	-	-
4/28/2023	Data Management, Inc.	CCL Industries Inc. (TSX:CCL.B)	Data Management, Inc. provides physician billing services for hospital-based practices. The company offers billing, collections, A/R management, customized reporting, and client transition services.	\$5	3.9x	1.0x
2/22/2023	Moore Canada Corporation	DATA Communications Management Corp. (TSX:DCM)	Provider of advertising services intended to elevate marketing and business communications performance and efficiency. The company offers event solutions, digital, direct mail, data & insights, creative development and communications management.	\$97	-	0.5x
1/16/2023	Impression Paragraph Inc.	Supremex Inc. (TSX:SXP)	Provider of printing and packaging solutions catering to the cosmetic, pharmaceutical, food, confectionary and retail sectors. The company provides an array of commercial, digital and wide-format printing, document management, packaging and promotional items.	\$20	-	0.7x

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

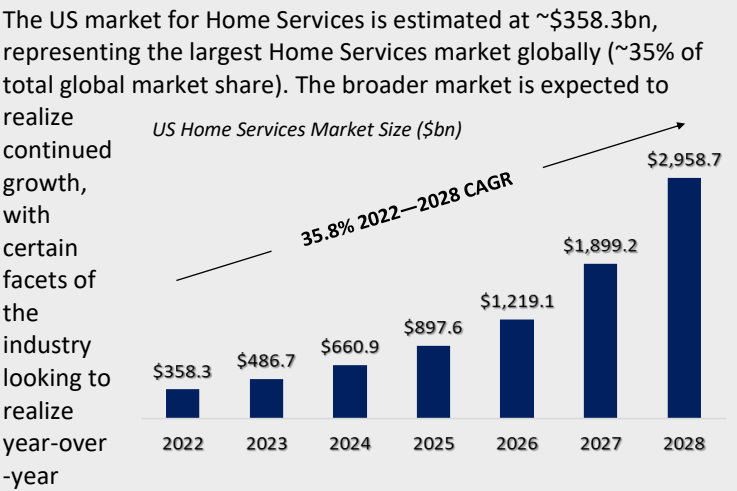
Re-occurring maintenance services: These services are typically related to backyard maintenance, various types of residential cleaning services, and other services that are generally required on a frequent basis. Many of these re-occurring service lines have held up considerably well post-pandemic, with the exception of residential cleaning services, which have yet to fully recover fully. 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 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 post-pandemic demand across age groups and home values, leading to significant supply-demand constraints and lengthy order backlogs.

Market Size



growth in excess of the wider Home Services market. Home Services is currently expected to yield an 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.

Sources: Grandview Research, IBIS, TechNavio, Verified Research



Subsector Profile: Home Services—Cont.

Key Market Trends

The influence of digital media: Digital media is a key marketing 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 to increase their service visibility through push notifications, emails, and more. These features help mass distribution of 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 profiles of Home Services companies can vary from strictly subscription-based recurring revenue models to 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.

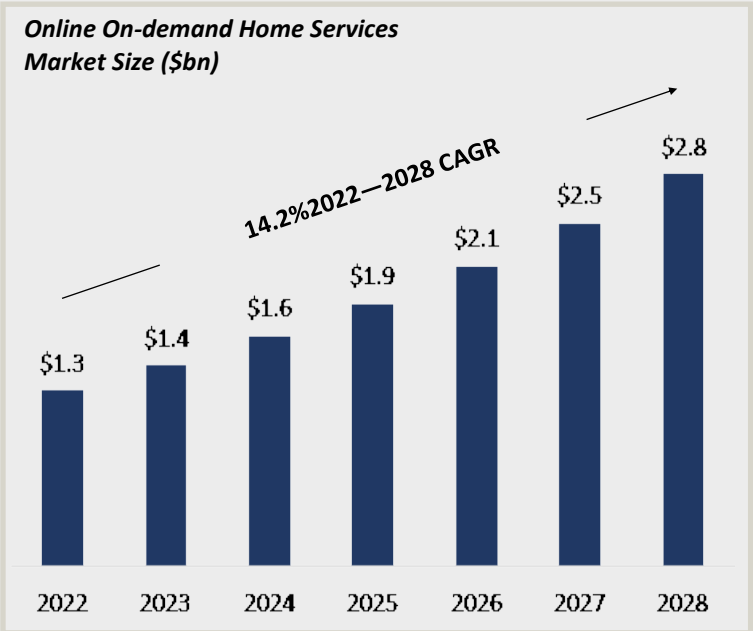
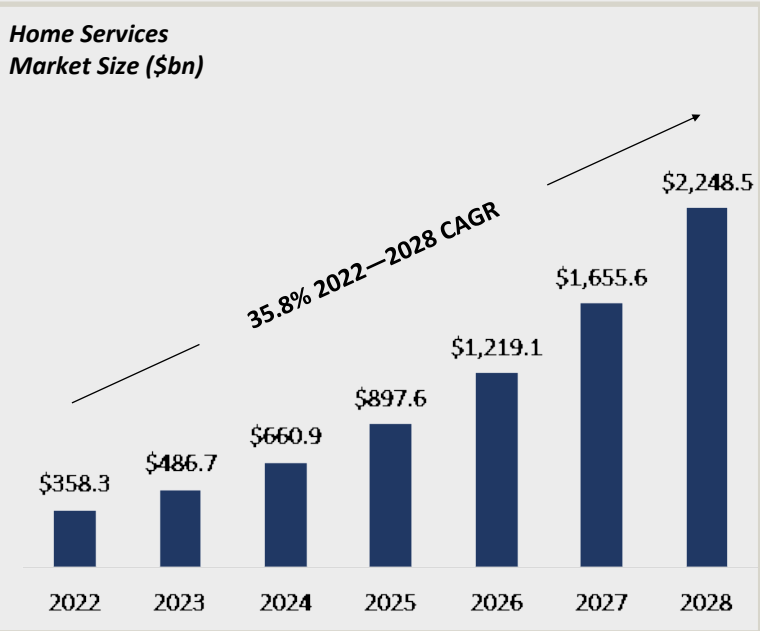
The e-commerce platform provides Home Services companies with real-time orders across its vast network of users. Amazon also promotes a wide range of services from home furniture and smart device setup to outdoor equipment assembly.



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

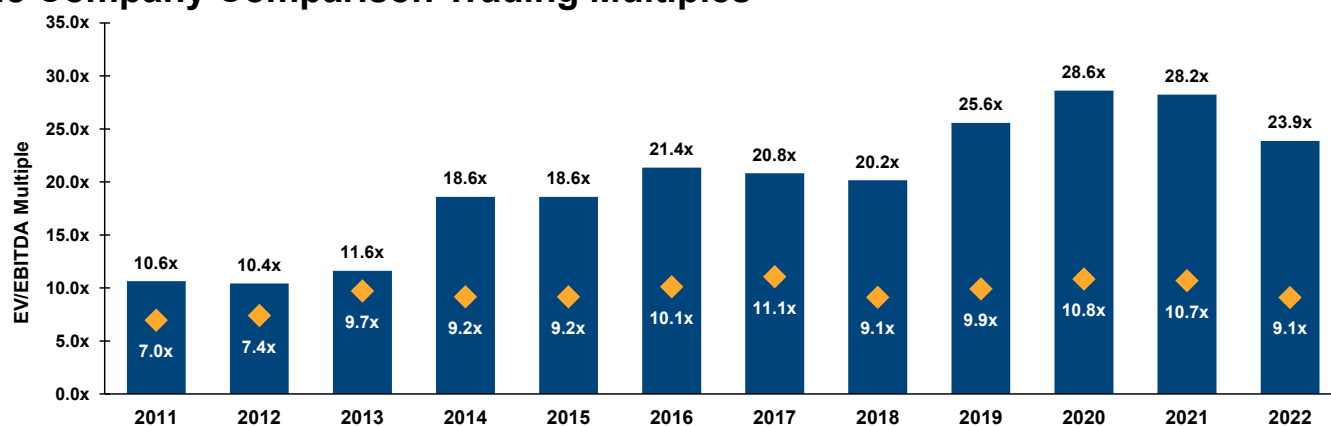
Home Services: The US market for Home Services is estimated to be ~\$358.3bn, representing the largest Homes Services market globally (~35% of total global market share). Homes Services is currently expected to yield an average annual growth rate of ~35.8% from 2022 to 2028.



Sources: Grandview Research, Verified Research



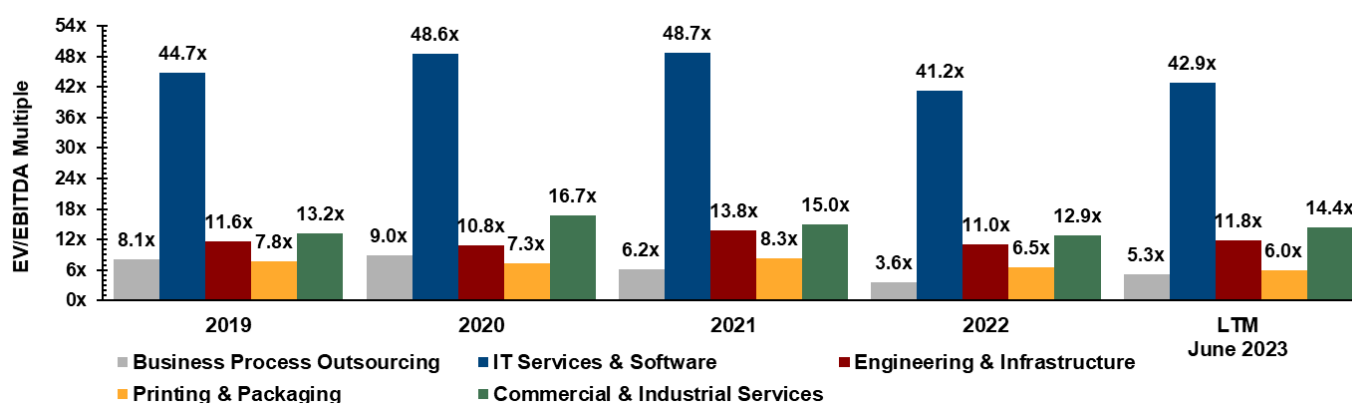
Public Company Comparison Trading Multiples



♦ 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 June 30, 2023

Representative EdgePoint Business Services Transactions



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

M&A
Advisory
RESULTS with
INTEGRITY™