

### Business Services Overview

The Business Services industry continues to exhibit robust M&A activity, driven by strong buyer interest for asset-light, recurring revenue businesses.

In the facility and residential services sectors, high-quality assets with consistent growth and strong margins are attracting significant investment. Facility services companies are seeing continued demand for services such as building commissioning, HVACR, and grounds management, with businesses increasingly outsourcing to reduce costs through in-house investment. Increased focus on energy efficiency and regulatory-driven maintenance is further fueling growth.

Demand for residential services businesses has dramatically increased and have taken purchase multiples upward in recent months. Private equity groups have formed platforms in sectors such as HVACR, plumbing, roofing, and pest control and are

aggressively pursuing add-on acquisitions to scale those platforms.

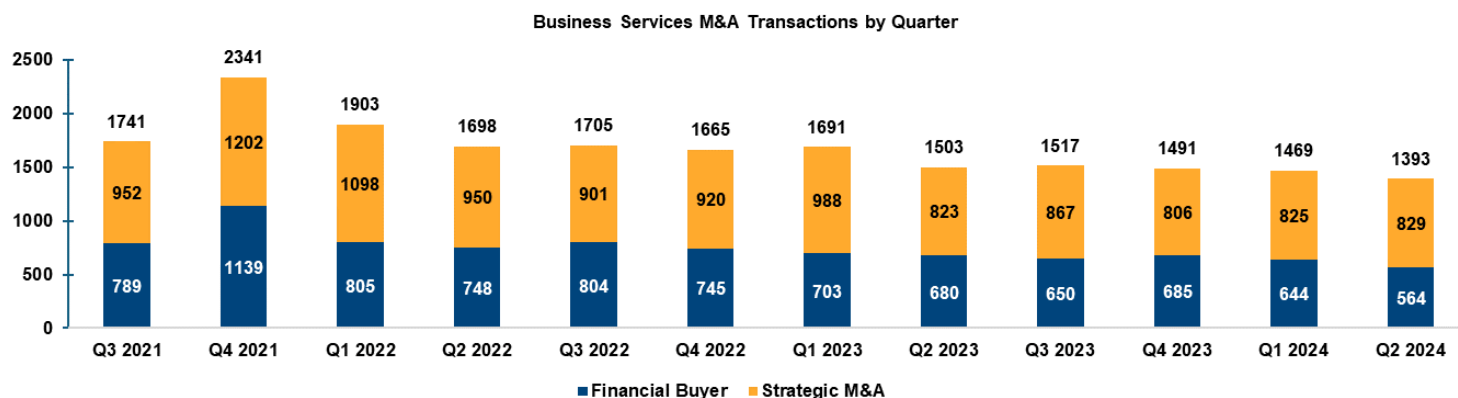
Service companies that employ a Vendor Managed Services (VMS) model are also seeing increased interest. VMS companies are the critical link between clients who require a specific service and providers who can perform that work. VMS companies in the collections, facility, and real estate services sectors are demanding premium valuations.

Sectors within the professional services industry are actively consolidating. The accounting sector in particular is experiencing heightened activity, as platforms and strategics work to strengthen their presence in target geographies, attract top talent, and innovate through technology.

Overall, the Business Services sector is showing strong and dynamic M&A activity, with each subsector displaying unique drivers and opportunities for growth and consolidation.

### Business Services Sector: Monthly M&A Transaction Volume

*(Financial Buyers represent platform investments)*



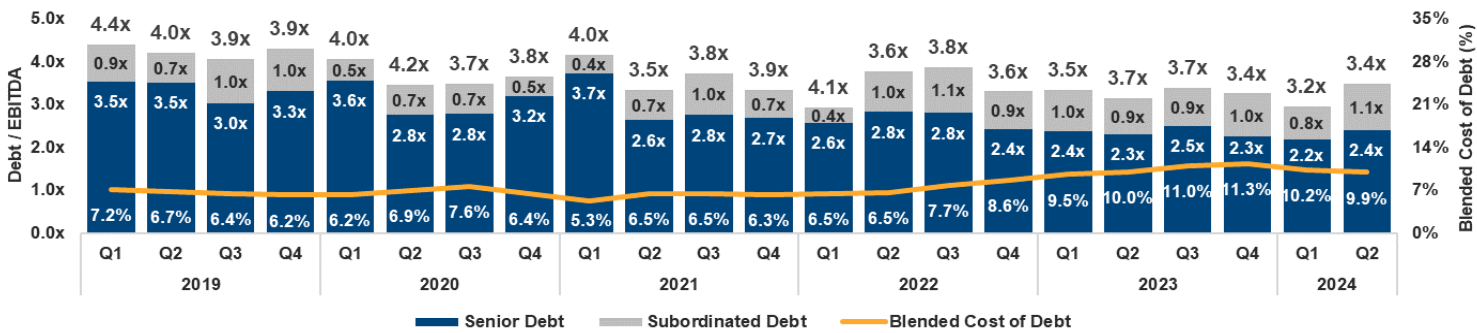
Source: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases.

Market Metrics

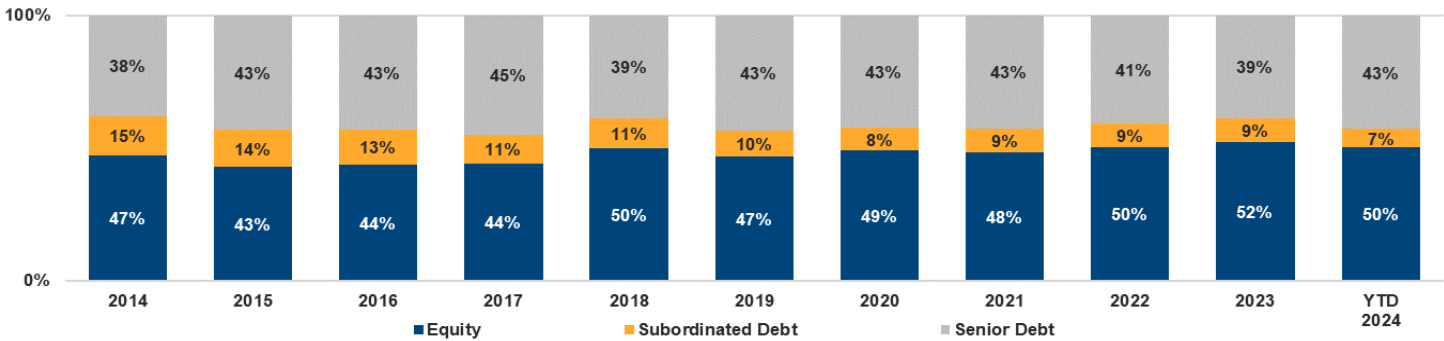
During 2023, the higher cost of debt resulted in lower LBO valuations, causing many sponsors and sellers to delay or defer planned sales. Conditions in the debt markets have improved since the start of 2024, as indicated by a substantial rebound in the public markets. Spreads nearing multi-year lows in the U.S. are supporting rising leverage rates and should help push deals across the goal line for the remainder of 2024 and into 2025. With the current Federal Funds target rate at 5.25%-5.50%, market expectations for rate cuts remain strong with expectations of at

least two rate cuts, cutting the target rate to 4.50%-4.75% by December. The market also expects upwards of four rate cuts throughout 2025, ending the year as low as 3.50%. M&A deal activity is stabilizing and showing signs of improvement as the year progresses, with deal volume up by over 7% in Q2 2024 compared to Q2 2023. Transaction multiples have held steady and begun to trend upward through the first half of the year as competition between sponsor buyers intensifies and costs of financing continue to trend downward.

Middle Market Quarterly Leverage Rates

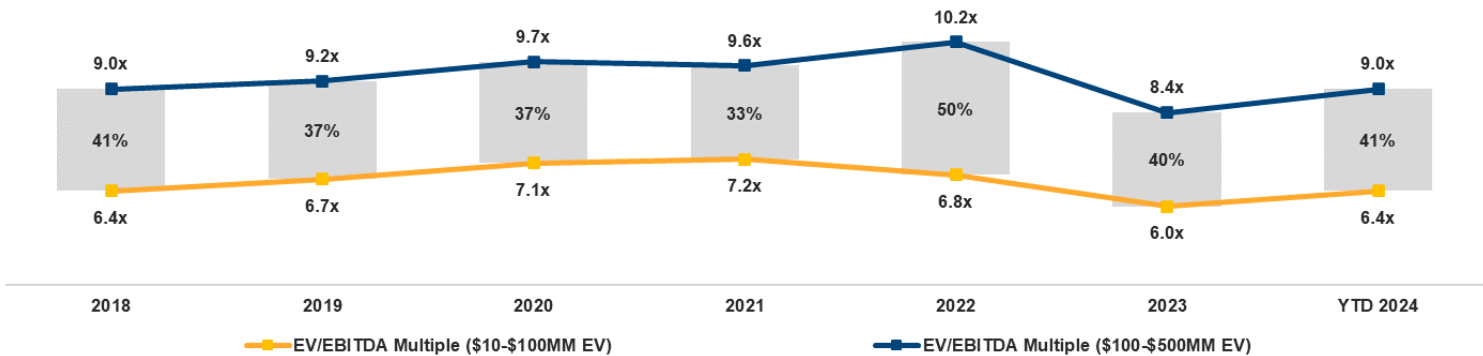


Equity and Debt Contributions Annually



Source: GF Data

Size Premium Buyouts of Platform Acquisitions



Source: GF Data

## Select Noteworthy Transactions

Date: May 2024 (Closed)		Overview / Strategic Rationale:	Facility Services
Target:		<p>Verde Property Services, the operating arm of San Diego-based private equity firm Verde Equity Partners, has acquired LaBahn's Landscaping to expand its commercial landscaping solutions.</p> <ul style="list-style-type: none"> <li><i>LaBahn's Landscaping has been providing landscaping services to commercial clients for over 40 years. Known for its dedication to quality, innovation and customer satisfaction, LaBahn's Landscaping has built a reputation for high-quality landscaping and customer service in Southern California.</i></li> <li><i>The acquisition pushes Verde Property Services into the Top 100 landscape maintenance companies in the U.S., furthering its mission to provide end-to-end commercial landscaping solutions throughout Southern California and beyond.</i></li> </ul>	
Acquirer:			
Key Metrics:			
Enterprise Value:	\$16m		
EV/EBITDA:	7.8x		
EV/Revenue:	0.74x		
Date: April 2024 (Closed)		Overview / Strategic Rationale:	Residential Services
Target:		<p>Littlejohn &amp; Co., LLC (Littlejohn), a private investment firm based in Greenwich, CT, has acquired United Air Temp, Air Conditioning and Heating (UAT), a leading provider of HVAC and plumbing services to residential homeowners in the Mid-Atlantic and Southeastern U.S.</p> <ul style="list-style-type: none"> <li><i>Founded in 1931 and headquartered in Lorton, VA, UAT provides heating and cooling system installation, repair, and maintenance services, indoor air quality, and plumbing services to homeowners across Washington D.C., Maryland, Virginia, North Carolina, and Florida.</i></li> <li><i>With a legacy dating back nearly 100 years, UAT is supported by an exceptional base of over 850 employees.</i></li> </ul>	
Acquirer:			
Key Metrics:			
Enterprise Value:	n/a		
EV/EBITDA:	n/a		
EV/Revenue:	n/a		
Date: March 2024 (Closed)		Overview / Strategic Rationale:	Environmental Services
Target:		<p>Clean Harbors, Inc. (NYS: CLH) has acquired HEPACO, a leading environmental provider of field and emergency response services in the Eastern United States. Clean Harbors purchased HEPACO from Gryphon Investors for \$400 million in cash.</p> <ul style="list-style-type: none"> <li><i>Headquartered in Charlotte, North Carolina, HEPACO has approximately 1,000 employees and 900 vehicles at 40 regional locations in 17 states. Its primary offerings to its more than 2,000 customers include field services, environmental remediation, and emergency response services.</i></li> <li><i>HEPACO will join Clean Harbor's existing Field Services business. Clean Harbor expects to achieve significant cost synergies in areas such as subcontracting, branch network, asset rentals, transportation and procurement.</i></li> </ul>	
Acquirer:			
Key Metrics:			
Enterprise Value:	\$400m		
EV/EBITDA:	11.1x		
EV/Revenue:	1.48x		
Date: July 2024 (Closed)		Overview / Strategic Rationale:	Professional Services
Target:		<p>Vienne Parent Corporation, an affiliate company of BCforward, has acquired TSR, Inc. (NAS: TSRI).</p> <ul style="list-style-type: none"> <li><i>Founded in 1969, TSR, Inc. is a leading staffing company focused on recruiting information technology professionals for short- and long-term assignments, permanent placements, and project work. For over 50 years, TSR has successfully served clients in banking, asset management, pharmaceuticals, insurance, health care, public utility, publishing, and other industries.</i></li> <li><i>BCforward employs more than 5,000 people globally and serves multi-national clients in the finance, life science, technology, healthcare and government sectors.</i></li> </ul>	
Acquirer:			
Key Metrics:			
Enterprise Value:	\$40m		
EV/EBITDA:	13.9x		
EV/Revenue:	0.45x		

Sources: CapIQ, Company Filings, Pitchbook, News Releases

## Selected Recently Announced &amp; Closed Transactions

Date	Target	Acquirer	Target Description	EV (\$ millions)	EBITDA Multiple
FACILITY SERVICES					
6/28/2024	Coast Landscaping	Verde Equity Partners	Coast Landscaping Inc. is a leader in Landscape Construction, Maintenance, and Water Management.	\$3	-
6/10/2024	CampusParc	Ardian	CampusParc is the first and largest university parking company in the US with over 38,000 total parking spaces	\$850	-
6/3/2024	Elevated Facility Services	API Group	Elevated is a provider of contractually based services for elevator and escalator equipment	\$570	-
5/31/2024	LaBahn's Landscaping	Verde Equity Partners	LaBahn's Landscaping is a provider of commercial landscaping services	\$16	7.8x
4/3/2024	Identiv (Security, access card, identity reader operations)	Vitaprotech	Identiv provides a full spectrum of physical access, video, and audio security services	\$145	-
3/29/2024	Midlantic Marking	Road Safety Services	Leading provider of a diverse set of commercial pavement marking and other road safety-related services	\$31	-
3/8/2024	Horizon Services Company	4M Building Solutions	Horizon manages cleaning and facilities management contracts across 175 sites in three states	\$13	-
RESIDENTIAL SERVICES					
6/27/2024	McKenzie Pest Control	Arrow Exterminators	McKenzie Pest Control provides termite and pest control services to residents and businesses in Louisiana	-	-
6/24/2024	McQuillan Home Services	Any Hour Group	Any Hour offers a full suite of high-quality HVAC, plumbing, and electrical services to homeowners	-	-
6/24/2024	EagleLIFT	Groundworks	EagleLIFT specializes in managing complex foundation, concrete, and soil stabilization projects for residential homes	-	-
6/19/2024	Action Roofing	Peak Roofing Partners	Action Roofing specializes in roofing services for single family homes, townhomes, and condos	-	-
6/11/2024	Air Care Heating and Cooling	Leap Service Partners	Air Care provides comfort solutions to residential clients in the Elizabethtown, KY region	-	-
6/6/2024	Synergy Pest Control	Massey Services	Synergy Pest Control provides residential pest control services in the Murfreesboro, TN region	-	-
5/23/2024	Dr. Jack's Lawn Care	Fairway Lawns	Dr. Jack's provides residential pest control and lawn care services in the Orlando, FL region	-	-
ENVIRONMENTAL SERVICES					
6/4/2024	Standard Waste Services	Titan Environmental Solutions	Standard Waste Services serves the greater Detroit area with commercial and industrial waste and recycling solutions.	\$14	-
6/3/2024	Aqua Prop	ProPetro Holding (NYS: PUMP)	Aqua Prop is a leading provider of wet sand solutions, catering to the needs of the oil and natural gas industry	\$36	-
6/3/2024	Stericycle (NAS: SRCL)	Waste Management (NYS: WM)	Stericycle is a premier provider of regulated medical waste and compliance services	\$7,200	24.7x
4/1/2024	NCS Global	Celestica (TSE: CLS)	NCS Global is a leader in IT hardware services, including asset recovery, asset management, and hardware disposition	\$36	-
3/25/2024	Amwaste	3i Group (LON: III)	Amwaste is a provider of non-hazardous solid waste disposal services	\$32	-
3/25/2024	HEPACO	Clean Harbors (NYS: CLH)	HEPACO is a leading environmental provider of field and emergency response services	\$400	11.1x
PROFESSIONAL SERVICES					
6/28/2024	Ethos Specialty Insurance Services	Ryan Specialty Holdings (NYS: RYAN)	Ethos Specialty Insurance Services is a provider of specialized insurance underwriting services	-	-
6/26/2024	Travel Guard Group	Zurich Insurance Group (SWX: ZURN)	Travel Guard is a provider of travel insurance plans for leisure and business travelers	\$600	-
6/10/2024	Belcan	Cognizant Technology Solutions (NAS: CTSI)	Belcan is a supplier of engineering, manufacturing & supply chain, workforce and government IT solutions	\$1,300	-
6/3/2024	Motion Recruitment Partners	Kelly Services (NAS: KELYA)	Motion Recruitment Partners is a leading global talent solutions provider	\$485	-
3/31/2024	File Florida	RFE Investment Partners	Provider of third-party administration services for private businesses and non-profit organizations	\$12	-
3/1/2024	Connected Risk Solutions	AmWINS	Connected Risk Solutions is the wholesale E&S insurance brokerage of Baldwin Risk Partners	\$59	11.8x

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

## Professional Services — Thought Leader Interview

**Question:** *How have investors' perceptions of the Professional Services market changed since you sold your firm, Sales Benchmark Index (SBI), in 2017?*

**Alexander:** *Investor perception has improved a lot since I sold my firm in 2017. The reason for this is the deal activity that has taken place.*

*For example, lighthouse deals have proven to investors the sector is excellent, with the most recent example being Hellman & Friedman's strategic investment into Baker Tilly, one of the largest US CPA firms. In the last five years Baker Tilly has doubled in size. Professional Services firms are truly scaling and this is making them very attractive investments.*

**Question:** *You are famously quoted as saying this is the "Golden Age of Professional Service Firms." Can you share your excitement and sentiments supporting this statement?*

**Alexander:** *It used to be the big eat the small. Now it is the fast eat the slow. Clients no longer only hire the big firms. They hire boutiques because the niche expertise is in such high demand. Clients are dealing with an enormous amount of disruption to their businesses, due mostly to technology.*

*They need to respond to this change and simply do not have all the required talent in-house anymore. Because of this they rely more and more on outside expertise. It is more flexible and fungible. This mega trend is the wind in the sails of boutique service firms and I do not see this decreasing because I just think the world is becoming more complicated, not less.*

**Question:** *Why are private equity firms gaining an interest in investing in businesses driven by highly skilled professionals?*

**Alexander:** *A few reasons.*

- 1 *Lots of capital needing a home. Simple supply and demand.*
- 2 *Less competition to buy service firms allowing lower middle market PE shops an opportunity to win.*
- 3 *Private lenders willing to provide debt that traditional lenders will not.*
- 4 *Account receivables have proven to be adequate securitization.*
- 5 *Service firms throw off a lot of free cash flow.*
- 6 *The market trends I mention above.*



**Greg Alexander**  
Founder, Collective 54

**Greg Alexander** is the founder of **Collective 54**, the first membership community for boutique professional service firms.

Prior to Collective 54, Greg founded Sales Benchmark Index ("SBI"), a leading management consulting firm specializing in sales and marketing effectiveness.

Collective 54 guides professional service entrepreneurs to success. He helps service firm leaders scale their businesses, enhance profitability, and navigate complexity.



<https://www.collective54.com/>

Professional Services — Thought Leader Interview (continued)

Question: What segments of the Professional Services market are seeing the most M&A demand and growth?

Alexander: The **niche consulting industry** is seeing a lot of demand. As innovations change the world (AI, blockchain, cloud, etc.) clients need help. **Finance and accounting** is seeing a lot of demand. As the world becomes more and more comfortable with the gig economy outsourcing back office functions makes more sense to many clients. **Software development** is seeing a lot of demand. Clients need to transform digitally which is creating a shortage of quality software engineers. **Advertising and marketing** agencies are seeing lots of demand. Clients have new ways to reach customers and need agencies to help them with this. All of these examples are examples of demand for services. And this translates to M&A demand for the service firms providing these services as revenue and EBITDA growth correlates tightly, attracting investors.



Niche Consulting



Finance & Accounting



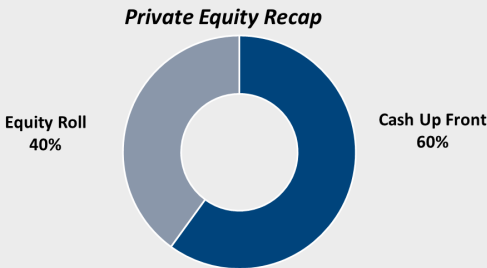
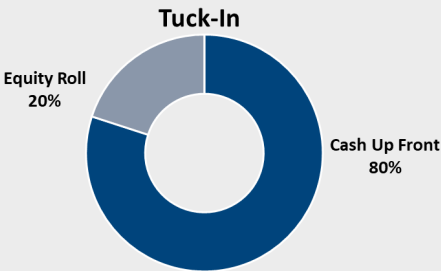
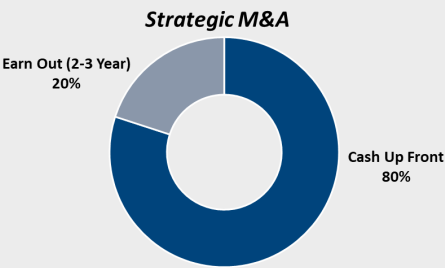
Advertising & Marketing



Software Development

Question: What are the most common M&A deal structures you are seeing, i.e., what level of upfront cash should business owners expect at closing?

Alexander: Three types of deals. 1) strategics: deal structure is ~80% cash up front, 20% earn out over 2-3 year tied to revenue and EBITDA targets. 2) private equity: deal structure is ~60% cash up front, 40% equity roll with second bite of the apple in 5-7 years. 3) tuck ins. ~75-90% cash up front with 10-25% equity roll with second bite of the apple when the platform sells.



Greg Alexander  
Founder, Collective 54



## Spotlight | What Differentiates Professional Service Firms?

For every software company launched, seven professional service firms were started in 2023, a trend that has continued for several years because of increased demand for professional services. Clients with healthy budgets are turning to professional service firms in record numbers, and savvy entrepreneurs are capturing these spends as profits. Attributes like strong management teams, differentiated services, and resilience make these firms highly attractive acquisition targets, driving up their valuations and

fueling growth in the sector. A capable management team ensures consistent revenue generation and operational success. Unique, must-have services command higher multiples. And professional service firms that demonstrate stability and generate continuous revenue through economic downturns are seen as reliable investments. The combination of these factors has positioned professional services firms as key players in the modern economy and attractive acquisition targets.

### Strong Management Team

- Ensures consistent revenue generation and operational success, which reassures buyers that the business can grow its profitability post-acquisition.
- Firms with strong leadership are better positioned to scale and expand, as these teams can drive strategic initiatives, manage growth effectively, and navigate challenges



Target



Buyer



Sponsor

**March 2024** – Brian Broussard, founder of TaxIncennovations, was retained by Cost Segregation Services to lead the platform’s research & development tax credit and energy efficiency tax deduction consulting services.

Brian is an expert in the field of R&D tax credits and 179D deduction consulting.

### Differentiated Service

- Specialized services that are hard to replicate make them must-have assets for buyers who can gain a competitive edge or fill strategic gaps
- Firms with unique, high-demand offerings, such as expertise in AI or sustainability, become essential partners for businesses looking to innovate
- Differentiated services command higher valuation multiples as buyers recognize the added value and potential for higher returns



Target



Buyer

**June 2024** – Motion Recruitment Partners offers a unique service mix combining recruitment process outsourcing (RPO) with specialized IT staffing, which sets it apart in the market.

Kelly Services recognized the strategic value in Motion Recruitment's approach, as it enhances Kelly's capabilities in high-demand IT and RPO sectors, enabling them to deliver more tailored and effective recruitment solutions to their clients.

### Resilience

- Firms that demonstrate stability and continuous revenue through economic downturns or disruptions are seen as reliable investments
- Resilient firms often have recurring revenue streams, which provide a predictable and steady income
- Firms that are considered essential during economic downturns are less likely to experience significant drops in demand



Target



Buyer



Sponsor

**April 2024** – Federal Wage and Labor Law Institute’s (“FWLLI”) ability to generate consistent revenue streams from its essential labor law compliance services attracted OutSolve, leading to its acquisition.

By integrating FWLLI's expertise, OutSolve enhances its comprehensive compliance solutions, offering clients a streamlined approach to managing ever-changing labor law requirements through a single provider.

## Public Company Comparable Index Constituents

## Facility Services

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue LTM	Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2024E	LTM	2024E		LTM	3-Yr. CAGR		
ABM Industries Incorporated	\$ 4,509	13.6%	5.5%	\$ 452	\$ 489	8.1x	9.2x	\$ 8,209	3.3%	11.8%	\$ 50.57	95.3%
BrightView Holdings, Inc.	2,558	23.9%	9.5%	267	327	7.8x	7.8x	2,809	1.2%	5.1%	13.30	92.2%
Comfort Systems USA, Inc.	11,054	19.6%	10.5%	585	711	16.3x	15.5x	5,569	25.7%	25.4%	304.12	86.3%
<b>Median</b>		<b>19.6%</b>	<b>9.5%</b>	<b>452</b>	<b>489</b>	<b>8.1x</b>	<b>9.2x</b>	<b>5,569</b>	<b>3.3%</b>	<b>11.8%</b>	<b>50.57</b>	<b>92.2%</b>
<b>Mean</b>		<b>19.0%</b>	<b>8.5%</b>	<b>435</b>	<b>509</b>	<b>10.7x</b>	<b>10.9x</b>	<b>5,529</b>	<b>10.1%</b>	<b>14.1%</b>	<b>122.66</b>	<b>91.3%</b>

## Residential Services

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue LTM	Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2024E	LTM	2024E		LTM	3-Yr. CAGR		
ADT Inc.	\$ 14,757	80.6%	49.6%	\$ 2,436	\$ 2,558	5.9x	5.8x	\$ 4,915	0.3%	-2.2%	\$ 7.60	96.9%
Rollins, Inc.	24,368	52.3%	22.6%	716	784	28.8x	31.1x	3,164	14.5%	12.7%	48.79	97.4%
NVR, Inc.	21,959	26.3%	20.4%	2,009	2,031	10.6x	10.8x	9,847	-5.4%	7.1%	7,588.56	92.4%
<b>Median</b>		<b>52.3%</b>	<b>22.6%</b>	<b>2,009</b>	<b>2,031</b>	<b>10.6x</b>	<b>10.8x</b>	<b>4,915</b>	<b>0.3%</b>	<b>7.1%</b>	<b>48.79</b>	<b>96.9%</b>
<b>Mean</b>		<b>53.1%</b>	<b>30.9%</b>	<b>1,720</b>	<b>1,791</b>	<b>15.1x</b>	<b>15.9x</b>	<b>5,975</b>	<b>3.1%</b>	<b>5.9%</b>	<b>2,548.32</b>	<b>95.6%</b>

## Environmental Services

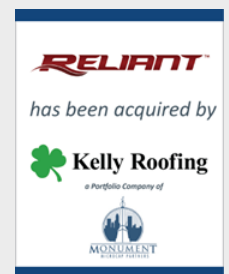
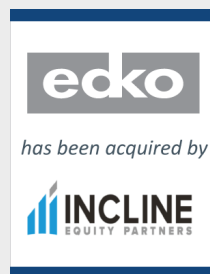
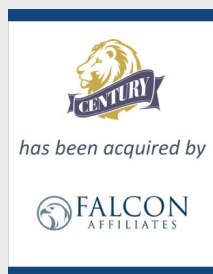
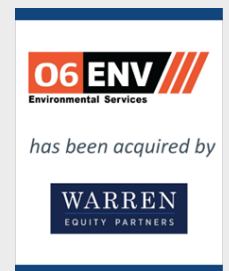
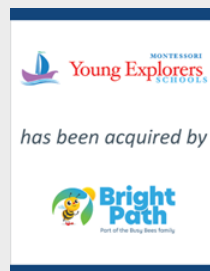
Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue LTM	Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2024E	LTM	2024E		LTM	3-Yr. CAGR		
CECO Environmental Corp.	\$ 1,118	32.4%	9.9%	\$ 55	\$ 70	18.5x	16.1x	\$ 559	26.2%	22.0%	\$ 28.85	99.1%
Clean Harbors, Inc.	14,884	30.9%	18.1%	993	1,125	12.0x	13.2x	5,478	3.3%	21.0%	226.15	97.8%
Stericycle, Inc.	7,297	37.9%	15.4%	407	477	13.1x	15.3x	2,640	-3.1%	1.0%	58.13	97.8%
<b>Median</b>		<b>32.4%</b>	<b>15.4%</b>	<b>407</b>	<b>477</b>	<b>13.1x</b>	<b>15.3x</b>	<b>2,640</b>	<b>3.3%</b>	<b>21.0%</b>	<b>58.13</b>	<b>97.8%</b>
<b>Mean</b>		<b>33.7%</b>	<b>14.5%</b>	<b>485</b>	<b>557</b>	<b>14.5x</b>	<b>14.9x</b>	<b>2,892</b>	<b>8.8%</b>	<b>14.7%</b>	<b>104.38</b>	<b>98.2%</b>

## Professional Services

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue LTM	Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2024E	LTM	2024E		LTM	3-Yr. CAGR		
Korn Ferry	\$ 3,097	21.9%	11.3%	\$ 313	\$ 439	8.3x	7.0x	\$ 2,763	-2.6%	15.1%	\$ 67.14	94.9%
ManpowerGroup Inc.	4,134	17.6%	2.6%	484	495	6.5x	8.4x	18,566	-4.5%	0.5%	69.80	78.5%
Robert Half Inc.	6,301	39.8%	6.9%	423	474	12.3x	13.3x	6,152	-13.8%	7.2%	63.98	72.4%
<b>Median</b>		<b>21.9%</b>	<b>6.9%</b>	<b>423</b>	<b>474</b>	<b>8.3x</b>	<b>8.4x</b>	<b>6,152</b>	<b>-4.5%</b>	<b>7.2%</b>	<b>67.14</b>	<b>78.5%</b>
<b>Mean</b>		<b>26.4%</b>	<b>6.9%</b>	<b>407</b>	<b>469</b>	<b>9.1x</b>	<b>9.6x</b>	<b>9,160</b>	<b>-7.0%</b>	<b>7.6%</b>	<b>66.97</b>	<b>81.9%</b>

Source: CapIQ, public trading data as of June 30, 2024

## Recent EdgePoint Business Services Transactions



For more information and insights, please contact us:

**Tom Stafford**  
Managing Director  
(216) 342-5775  
tstafford@edgepoint.com

**Chuck Aquino**  
Managing Director  
(216) 342-5737  
caquino@edgepoint.com

**Chris Duncan**  
Director  
(216) 342-5754  
cduncan@edgepoint.com