GF DATA®

Business Services Drilldown

The most reliable data on private M&A transactions in the $10-250 million value range.

SERVING THE MIDDLE MARKET SINCE 2006

JAN 2020

CHART 1

VALUATION DRILLDOWN (ALL BUSINESS SERVICES)

2015-2019 YTD

TEV	ALL	Buyouts Only	Platforms	Add-Ons	Indiv/ Family Seller	PEG/ Corp Seller	Above Average	Post-Closing Mgt.	ALL THREE*
			Buyouts Only						
10-25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25-50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50-100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100-250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N =	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Note: ALL THREE* in the rightmost column denotes buyouts featuring above-average financial characteristics, a post-closing management solution and a private equity/corporate seller.

The GF Data Business Services Drilldown is one of four industry reports that is interspersed with our regular offerings. The annual rotation comprises: Manufacturing, Distribution, Health Care Services and Business Services.

GF Data provides data on private equity-sponsored M&A transactions with enterprise values of $10 to 250 million. We collect transaction information from private equity groups and other deal sponsors on a blind and confidential basis. Private equity contributors and other subscribers receive our quarterly M&A and leverage reports, as well as our semi-annual supplement on key deal terms.

Our on-line searchable data base, with valuation comps organized by NAICS code, is often heavily used by some but not all professionals in a given firm. These drilldown reports enable that detail to reach more of our users, and not just those charged with searching on-line.

To recap GF Data's "belt and suspenders" approach to industry classification, each deal is placed in a major business category (e.g., Business Services) and then tagged with a six-digit NAICS industry code (e.g. 541300—Architectural, Engineering and Related Services). Most of the charts herein, including the valuation drilldown, focus on deals in the Business Services major business category. We then provide industry detail in selected NAICS groupings. Please note that the latter will not be perfect subsets of the former.

- Chart 1 disaggregates how valuation is driven by a variety of factors. The subset is Business Services deals completed in 2015-2019 YTD. (All 2019 data is for the nine months ended September 30). Of 269 completed transactions, 235 were buyouts.
- As in the market generally, business services is seeing rewards for greater size. However, in this industry category, the gradients remain especially articulated. Focusing on the buyouts subset, business services firms in the $10-25 million TEV tier are valued at 5.9x. From there, there are unmistakable pickups by bracket, culminating in an average of 9.8x at $100-250 million.
- Business services companies with above-average financial characteristics enjoy an unusually high premium over other firms in the category, based on those characteristics alone. The average multiple for the strong performers is 7.6x, compared to 6.0x for the balance. In the overall GF Data universe over the same five-year period, the spread is much narrower—7.5x to 6.8x. GF Data's definition of above-average financial characteristics is set forth on page 3.
- Charts 4-8 provide valuation detail drawn from our continuously available on-line searchable data base. They cover five NAICS groupings most populous within business services—Architectural, Engineering & Related (5413); Computer Systems Design & Related (5415); Management Scientific and Technical Consulting (5416); Advertising, Public Relations and Related (5418) and Business Support Services (5614).

For information on subscribing, or on contributing data as a private equity participant, contact us at info@gfdata.com.

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CHART 2

TOTAL ENTERPRISE VALUE/EBITDA (ALL BUSINESS SERVICES)

TEV	2003-2014	2015	2016	2017	2018	YTD 2019	Total	N =
10-25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25-50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50-100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100-250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
N =	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]

Please note that N for 2003-2014 encompasses twelve years of activity.

CHART 3

TOTAL ENTERPRISE VALUE/EBITDA (BUSINESS SERVICES BUYOUTS ONLY)

TEV	2003-2014	2015	2016	2017	2018	YTD 2019	Total	N =
10-25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25-50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50-100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100-250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
N =	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]

Please note that N for 2003-2014 encompasses twelve years of activity.

BUSINESS SERVICES DRILLDOWN

CHART 4

ARCHITECTURAL, ENGINEERING & RELATED (NAICS CODE: 5413)

2003-2019 YTD

TEV	TEV ($)	Revenue ($)	% Rev Growth (TTM)	EBITDA Margin (%)	TEV/ Revenue	TEV/ EBITDA	N	Std Dev
10-25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25-50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50-250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Note: NAICS 5413 encompasses deals identified by acquirers as being in business services, as well as other industry categories.

SOURCE: GF DATA®

CHART 5

COMPUTER SYSTEMS DESIGN & RELATED (NAICS CODE: 5415)

2003-2019 YTD

TEV	TEV ($)	Revenue ($)	% Rev Growth (TTM)	EBITDA Margin (%)	TEV/ Revenue	TEV/ EBITDA	N	Std Dev
10-25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25-50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50-250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Note: NAICS 5415 encompasses deals identified by acquirers as being in business services, as well as other industry categories.

SOURCE: GF DATA®

CHART 6

MANAGEMENT, SCIENTIFIC & TECHNICAL CONSULTING (NAICS CODE: 5416)

2003-2019 YTD

TEV	TEV ($)	Revenue ($)	% Rev Growth (TTM)	EBITDA Margin (%)	TEV/ Revenue	TEV/ EBITDA	N	Std Dev
10-25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25-50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50-250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Note: NAICS 5416 encompasses deals identified by acquirers as being in business services, as well as other industry categories.

SOURCE: GF DATA®

BUSINESS SERVICES DRILLDOWN

CHART 7

ADVERTISING, PUBLIC RELATIONS & RELATED (NAICS CODE: 5418)

2003-2019 YTD

TEV	TEV ($)	Revenue ($)	% Rev Growth (TTM)	EBITDA Margin (%)	TEV/ Revenue	TEV/ EBITDA	N	Std Dev
10-25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25-50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50-250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Note: NAICS 5418 encompasses deals identified by acquirers as being in business services, as well as other industry categories.

GF SOURCE: GF DATA®

CHART 8

BUSINESS SUPPORT SERVICES (NAICS CODE: 5614)

2003-2019 YTD

TEV	TEV ($)	Revenue ($)	% Rev Growth (TTM)	EBITDA Margin (%)	TEV/ Revenue	TEV/ EBITDA	N	Std Dev
10-25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25-50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50-250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Note: NAICS 5614 encompasses deals identified by acquirers as being in business services, as well as other industry categories.

GF SOURCE: GF DATA®

On-point valuation comps organized by NAICS industry code are available on line at www.gfdata.com.

We provide detailed valuation data organized by major business category and/or NAICS code. You can organize your search by TEV or by year. GF Data reports at the finest level of industry detail at which there are at least three data points.

These are the three- and four-digit NAICS groupings covered within Business Services:

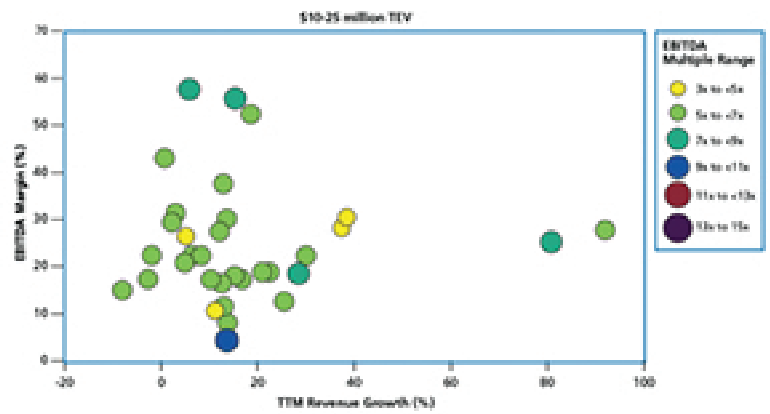
481	Air Transportation
484	Truck Transportation
4841**	General Freight Trucking
4842**	Specialized Freight Trucking
485	Transit & Ground Passenger Transportation
488	Support Activities for Transportation
4881**	Support Activities for Air Transportation
4882**	Support Activities for Rail Transportation
4884**	Support Activities for Road Transportation
4885**	Freight Transportation Arrangement
492	Couriers & Messengers
493	Warehousing & Storage
518	Data Processing, Hosting & Rel. Services
519	Other Information Services
522	Credit Intermediation & Related Activities
524	Insurance Carriers and Rel. Activities
5241**	Insurance Carriers
5242**	Agencies, Brokrges and Other Ins. Related Activities
525	Funds, Trusts & Other Vehicles
532	Rental and Leasing Services
541	Professional, Scientific and Tech Services
5411**	Legal Services
5412**	Acctng, Tax Prep., Bookkping and Payroll Svcs
5413**	Architectural, Engineering, and Related Services
5414**	Specialized Design Services
5415**	Computer Systems Design and Related Services
5416**	Mgt., Scientific & Tech. Consulting
5417**	Research & Development
5418**	Advertising, PR and Related Services
5419**	Other Prof., Scientific and Tech. Services
561	Administrative & Support Services
5613**	Employment Services
5614**	Business Support Services
5615**	Travel Arrangement & Reservation Services
5616**	Investigation and Security Services
5617*	Services to Buildings and Dwellings
5619**	Other Support Services
562	Waste Management and Remediation Services
5621**	Waste Collection
5622**	Waste Treatment and Disposal
611	Educational Services
6111**	Elementary and Secondary Schools
6114**	Business, Computer & Management Training
6115**	Technical and Trade Schools
6116**	Other Schools and Intruction
6117**	Education Support Services
811	Repair and Maintenance
8111**	Automotive Repair & Maintenance
8112**	Electronic and Precis. Equip. Repair and Mntence
813	Religious, Civic, Professional & Other Organizations
8113**	Comm. and Ind. Machry and Equip. Repair and Mntenance
8114**	Personal & Household Goods
812	Personal & Laundry Services
8122**	Death Care Services
8123**	Drycleaning and Laundry Services

BUSINESS SERVICES DRILLDOWN

CHART 9

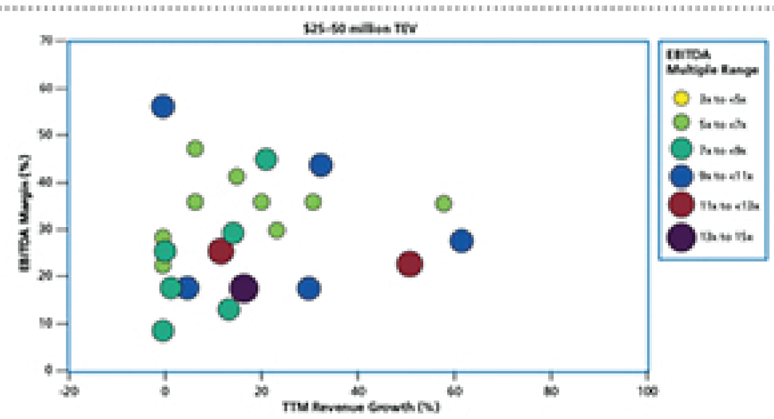
EBITDA MARGIN, REVENUE GROWTH, AND TEV/EBITDA (NAICS CODE 541)

2017-2019 YTD



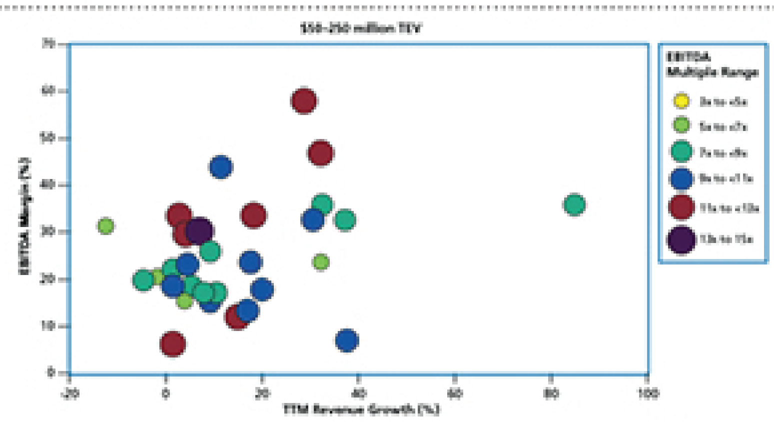
SOURCE: GF DATA®

CHART 10



SOURCE: GF DATA®

CHART 11



SOURCE: GF DATA®

- The heat maps set forth in Charts 9-11 show the extent to which larger deals command fuller valuations – and the extent to which above-par EBITDA margins and revenue growth drive premium pricing more predictably within that cohort.
- GF Data defines better financial performers as businesses with TTM EBITDA margins and revenue growth both above 10 percent or one above 12 percent and the other metric at least 8 percent. Outliers on the high side are excluded.
- Charts 12 and 13 show average equity contribution for business services deals versus the total GF Data universe. Over time, the average equity share in this category has danced around the average for the broader data set.
- Charts 14 and 15 set forth the debt data for the sector. Business Services deals have been full participants in the extended seller market and the unprecedented access to debt which has been a principal driver.
- Charts 16 and 17, drawn from our key deal terms report, provide general indemnification caps against breaches in reps and warranties. As in the market generally, caps in business services deals edged downward in the course of this protracted seller's market, with a reversal of several percentage points in 2018. This reversal turned out to be an aberration, with the cap averaging 9.4% of TEV in business services deals in 2019 YTD. This breaks down into 6.2% on deals with rep and warranty insurance and 12.1% on deals without.

GF Data will be providing industry drilldowns interspersed with our more comprehensive reports on this schedule in 2020:

- March: Manufacturing
- June: Distribution
- September: Health Care Services
- December: Business Services

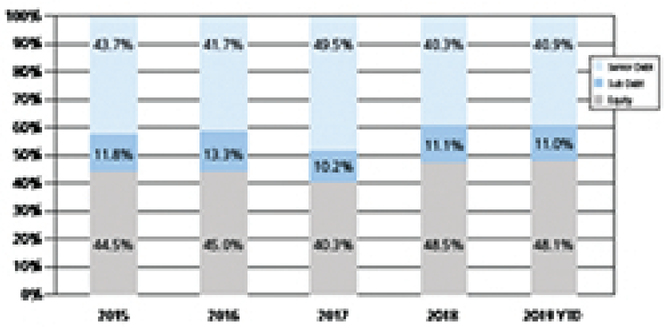
Subscribers will receive information on how these reports can be integrated into their GF Data packages as subscriptions come up for renewal.

For more information, please contact Bob Wegbreit at bw@gfdata.com.

BUSINESS SERVICES DRILLDOWN

CHART 12

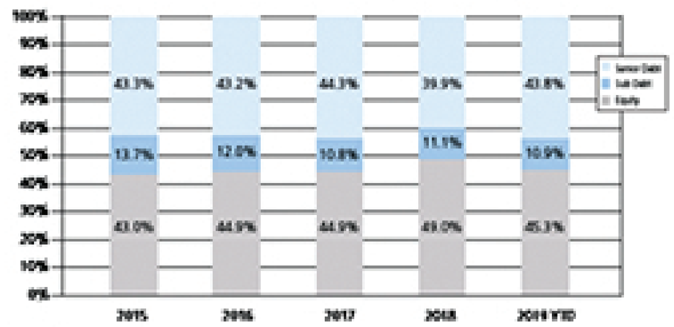
EQUITY AND DEBT CONTRIBUTION (BUSINESS SERVICES)



SOURCE: GF DATA®

CHART 13

EQUITY AND DEBT CONTRIBUTION (ALL DEALS)



SOURCE: GF DATA®

CHART 14

TOTAL DEBT/EBITDA (BUSINESS SERVICES)

TEV	2003–2014	2015	2016	2017	2018	YTD 2019	Total	N =
10-25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25-50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50-100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100-250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
N =	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]

Note: Deals with no debt are eliminated from leverage data, as are significant outliers. Please note that N for 2003-14 encompasses twelve years of activity.

SOURCE: GF DATA®

CHART 15

TOTAL DEBT/EBITDA (ALL DEALS)

TEV-	2003–2014	2015	2016	2017	2018	YTD 2019	Total	N =
10-25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25-50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50-100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100-250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
N =	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]

Note: Deals with no debt are eliminated from leverage data, as are significant outliers. Please note that N for 2003-14 encompasses twelve years of activity.

SOURCE: GF DATA®

CHART 16

INDEMNIFICATION CAP (BUSINESS SERVICES)

% OF TOTAL ENTERPRISE VALUE

TEV	2015	2016	2017	2018	YTD 2019	Total	N =
10-25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25-50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50-250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
N =	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]

SOURCE: GF DATA®

CHART 17

INDEMNIFICATION CAP (ALL DEALS)

% OF TOTAL ENTERPRISE VALUE

TEV	2015	2016	2017	2018	YTD 2019	Total	N =
10-25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25-50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50-250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
N =	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]

SOURCE: GF DATA®

BUSINESS SERVICES DRILLDOWN

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GF Data Resources LLC
2176 Harts Lane
Conshohocken, PA 19428

Phone: 610-616-4607

Andrew T. Greenberg
atg@gfdata.com

B. Graeme Frazier, IV
bgf@gfdata.com

Bob Wegbreit
bw@gfdata.com

Susan Guthrie
sg@gfdata.com