

## BUSINESS SERVICES

FOURTH QUARTER

2018

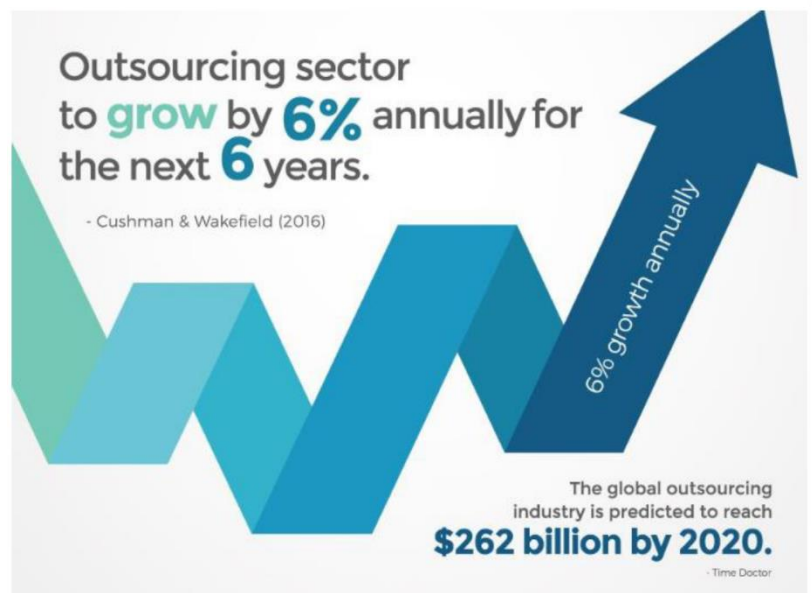
The Business Services Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the business services category. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

### Business Services M&A

M&A activity for North American based target companies in the Business Services sector for Q3 2018 included 256 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions closed in August when Intertek Group Plc acquired Alchemy Systems LP, a portfolio company of Riverside Partners LLC, for US\$480 million in cash. The deal was funded through Intertek Group Plc's cash and debt facilities. The transaction would allow Intertek Group Plc to expand its assurance services into food and retail industry. Founded in 2003, Alchemy Systems LP is located in Austin, Texas and provides workforce training, coaching and communications programs to food companies.

Business process outsourcing, which can be a cheaper and more effective option for many businesses, continues to grow as emerging markets like India and the Philippines offer cost-effective alternatives to full-time employees.



Source: *Outsource Philippines*

### Transactional Overview

Notable closed lower middle market transactions for the period in the Business Services sector include:

**August 2018** - ScanSource, Inc. acquired Canpango. LLC for US\$158.1 million. Under the terms of transaction, ScanSource paid US\$144.9 million in cash and US\$13.2 million in contingent payout. The acquisition strengthens ScanSource's customer relationship management capabilities and professional services offering. ScanSource engages in the development and provision of technology products and services. Canpango provides professional services. Its services include salesforce, marketing, business process engineering and custom development & integrations. The company is headquartered in Milwaukee, WI.



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

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For over 60 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

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**July 2018** - Perficient, Inc. acquired Stone Temple Consulting Corp for US\$13.8 million in cash, stock and contingent payout. Under the terms of the transaction, Perficient paid US\$9.9 million in cash, issued 48,360 shares and contingent payout of US\$2.6 million based on additional revenue and earnings would be paid in 12 months after the closing date. The transaction would allow Perficient to strengthen its digital capabilities. Perficient engages in the provision of business optimization and industry solutions. Stone Temple Consulting Corp. provides search engine optimization and digital marketing services. The company was founded in 1997 and is headquartered in Framingham, MA.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
W&M Environmental Group LLC	Braun Intertec Corp.
Remedy Employer Services LLC	CoAdvantage Corp.
Inventory Management Solutions LLC	Net@Work, Inc.
Forte Payment Systems, Inc.	CSG Systems International, Inc.
Noble Food, LLC	PACO Communications, Inc.
Total Training Solutions, Inc.	OnCourse Learning Corp.; Compass Partners Asset Management LLC
Paramount Staffing, Inc.	Proman SAS
Gulf Coast Security Services, Inc.	Modern System Concepts, Inc.

**July 2018** - LendingTree, Inc. acquired Student Loan Hero, Inc., a portfolio company of Expansion Venture Capital LLC, for US\$60 million in cash, subject to working capital adjustments. LendingTree engages in the operation of online loan marketplace for consumers seeking loans and other credit-based offerings. Student Loan Hero provides unbiased solutions to organize, manage and repay student loans. Its tools include loan aggregation and analysis, consolidation analysis, budgeting tools and repayment suggestions. The firm provides student loan refinancing solutions, personal loan solutions, credit cards and credit builder tools.

## Industry Update

Providers of temporary and contract help are finding their services in high demand as US unemployment continues to fall and employers look to narrow the skills gap, according to the American Staffing Association (ASA). Temporary help employment grew robustly, adding 28,000 jobs in July, according to seasonally adjusted data from the Bureau of Labor Statistics. Indeed, year-to-year staffing job growth averaged 3.5% per month in the first seven month of 2018, significantly higher than the average of 2.2% for all of 2017. BLS data also show an uptick in demand for hiring and placement of personnel services, with search and placement jobs totaling 311,200 in June, 4.1% higher than in June of 2017. With the US unemployment rate shrinking to 3.9% in July from 4.0% in June, employers remain hungry for qualified help, creating employment opportunities across most sectors, according to the ASA.

## Industry Indicators

- US corporate profits, an indicator of corporate demand for business services, rose 7.7% in the second quarter of 2018 compared to the same period in 2017.
- The value of US nonresidential construction spending, a driver for business services demand, rose 3.5% year-to-date in July 2018 compared to the same period in 2017.
- Total US revenue for administration and support and waste management and remediation services rose 9.4% in the second quarter of 2018 compared to the previous year.

The Business Services Industry Practice Group is a multi-disciplinary group of investment banking advisors within Corporate Finance Associates. Collectively, the Business Services Industry Practice Group provides M&A advice to companies in all sectors of business services including but not limited those pertaining to professional, scientific, technical, administrative, support, waste management, and remediation activities.

