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# SCOTT-MACON

INVESTMENT BANKING

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## BUSINESS SERVICES INDUSTRY

Quarterly Update | Q2 2023



M&A ADVISORY | VALUATION SERVICES | ADVISORY SERVICES | DEBT/EQUITY FINANCINGS

## Introduction

We are pleased to provide you with Scott-Macon's Q2 2023 Business Services Industry update. Please contact Nate Cortright at 203-246-6527 or [ncortright@scott-macon.com](mailto:ncortright@scott-macon.com) should you wish to discuss how Scott-Macon can assist you in achieving your business objectives.

## BUSINESS SERVICES MARKET OVERVIEW

- The Business Services M&A market continues to show strong performance in the first quarter of 2023, with 401 deals announced in the United States.
- M&A valuations in the business services sector continue to outperform relative to other sectors.
- Business Process Outsourcing, specifically the Consulting and Professional Services segment, continued to lead M&A deal activity in Q2.
- Environmental and Facilities Services commanded the highest average TEV/EBITDA multiple among Publicly Traded Business Services companies at 17.5x.
- Technology providers have played a central role in today's data-rich environment by tracking customer usage. Technology businesses seek to improve data quality, creating strong acquisition interest in outsourced data analytics and market research. Strategic buyers have used their healthy balance sheets to consolidate competitors and enhance their big data capabilities.
- The Financial Services industry has shown increased investment in outsourced contact center operations to improve business communications and increase cost savings. Operational cost savings for banks and other financial service providers are expected to reach \$7.3 billion by calendar year-end 2023<sup>2</sup> as contact centers adopt AI-enabled systems and process automation tools.
- Customers have grown accustomed to remote servicing during the pandemic, and the use of digital support channels will likely continue long-term. BPO and contact center companies serving the Financial Services industry have attracted significant buyer interest. Sponsors have begun to verticalize BPO portfolios to capitalize on favorable Financial Services industry trends.
- Scott-Macon's financial professionals view that the business services sector will continue to be viewed as an attractive area for investment due to the continued economic dependency on the sector.
- As one of the nation's longest-established investment banks, the opinions of Scott-Macon are rooted in our extensive current and historical industry data and research, input from our clients, and a wealth of professional experience.

## SEGMENT SNAPSHOT

\$ in millions	M&A Q2 2023	Public Comparable Company Averages	
	# Deals	TEV / Revenue	TEV / EBITDA
Business Processing Outsourcing	286	2.42x	16.9x
Environmental And Facilities Services	110	3.34x	17.5x
Digital Payment Services	5	3.49x	15.1x

(1) Based on data from S&P CapitalIQ.

(2) Source: JuniperResearch

## Trailing 18 Month M&amp;A Transactions

## BUSINESS SERVICES M&amp;A TRANSACTIONS

Announced Date	Target	Buyer	Enterprise Value	Enterprise Value /	
				Revenue	EBITDA
06/26/2023	Casetext, Inc.	Thomson Reuters Corporation	\$ 650.0	N/A	N/A
06/23/2023	Northern Group, Inc.	SC Autosports, LLC	16.1	N/A	N/A
06/20/2023	Recycle Waste Services Inc	Titan Trucking, LLC	26.7	1.21x	N/A
06/20/2023	Village of Tolono water and wastewater systems	Illinois American Water Company	9.4	N/A	N/A
06/14/2023	Non-Healthcare GPO Operations of Premier, Inc.	OMNIA Partners, Inc.	800.0	N/A	N/A
06/12/2023	Assets of Consolidated Waste Services, LLC	Casella Waste Systems, Inc.	219.0	N/A	N/A
06/06/2023	Recruiter.com Group, Inc.	GOLQ LLC	88.0	N/A	N/A
05/31/2023	CareerBuilder France / Broadbean, Inc.	Veritone, Inc.; Veritone UK Ltd.	52.0	N/A	N/A
05/24/2023	Substantially All Assets of PlastiQ, Inc	Priority Technology Holdings, Inc.	27.5	N/A	N/A
05/04/2023	Focus POS Systems, Inc.	Shift4 Payments, Inc.	46.0	N/A	N/A
05/03/2023	Matrix Solutions Inc.	Montrose Environmental Group, Inc.	65.2	N/A	N/A
05/02/2023	MSP Corp Investments Inc	Walter Capital Partners; Alfar Capital	100.0	N/A	N/A
05/02/2023	RemoteMore USA Inc.	Professional Diversity Network, Inc.	0.2	N/A	N/A
05/01/2023	Wastewater system in Greenville, PA	Aqua Pennsylvania, Inc.	18.0	N/A	N/A
04/28/2023	Data Management, Inc.	CCL Industries Inc.	6.8	0.97x	3.9x
04/27/2023	Farm Flight, Inc.	Scope Carbon Corp.	17.7	N/A	N/A
04/26/2023	Park Place Payments, Inc.	Logiq, Inc.	7.0	N/A	N/A
04/24/2023	Collection, transfer, and recycling operations in USA of GFL Environmental Inc.	Casella Waste Systems, Inc.	525.0	N/A	N/A
04/18/2023	Nextsphere Technologies, Inc.	Grid Dynamics Holdings, Inc.	18.7	N/A	N/A
04/17/2023	Biogenesis, Inc./Virogenetics, Inc.	Sagalliam Acquisition Corp.	450.0	N/A	N/A
04/17/2023	Charah Solutions, Inc.	SER Capital Partners	343.3	1.11x	NM
04/05/2023	FPC Holdings, LLC	Rollins, Inc.	339.3	2.79x	N/A
04/04/2023	Circles Collective Inc.	Docebo Inc.	8.0	N/A	N/A
04/03/2023	Macro Integration Services Inc.	Decisionpoint Systems, Inc.	10.5	N/A	N/A
<b>Average</b>			<b>\$ 160.2</b>	<b>1.5x</b>	<b>3.9x</b>

Note: \$ in millions. Information above only represents transactions with partial or full announced deal terms.  
 ND: SM proprietary deal stat has been included in the median.  
 NA: Not available.  
 NM: Not meaningful.

## Public Company Performance

## Business Process Outsourcing Industry Companies (1/2)

	Stock Price as	52-Week	Market	Enterprise	LTM	EBITDA	EV/LTM	
\$ in millions, except per share data	of 6/30/23	% Change	Cap	Value (EV)	Revenue	Margins	Revenue	EBITDA
Business Process Outsourcing Industry Companies								
Atento S.A.	\$ 1.00	(90.0%)	\$ 14	663.75	1,394.50	1.7%	0.48x	27.7x
Automatic Data Processing, Inc.	219.79	4.6%	90,800	92,258	18,012	28.4%	5.12x	18.1x
Booz Allen Hamilton Holding	111.60	23.5%	14,618	17,528	9,664	6.6%	1.81x	27.5x
CBIZ, Inc.	53.28	33.3%	2,658	3,274	1,511	12.4%	2.17x	17.5x
Clarivate Plc	9.53	(31.2%)	6,443	10,960	2,609	36.9%	4.20x	11.4x
Cognizant Technology Solutions	65.28	(3.3%)	33,128	32,554	19,394	17.9%	1.68x	9.4x
Compass, Inc.	3.50	(3.0%)	1,614	2,009	5,052	(6.7%)	0.40x	NM
Concentrix Corporation	80.75	(40.5%)	4,133	6,592	6,471	15.6%	1.02x	6.5x
Conduent Incorporated	3.40	(21.3%)	743	1,772	3,800	7.4%	0.47x	6.3x
CoStar Group, Inc.	89.00	47.3%	36,360	32,253	2,321	21.1%	13.90x	65.9x
CrowdStrike Holdings, Inc.	146.87	(12.9%)	34,824	32,789	2,446	(4.4%)	13.41x	NM
CSG Systems International, Inc.	52.74	(11.6%)	1,603	1,936	1,148	15.5%	1.69x	10.9x
Datadog, Inc.	98.38	3.3%	31,666	32,260	1,897	(4.7%)	NM	NM
Dun & Bradstreet Holdings, Inc.	11.57	(23.0%)	5,083	8,521	2,246	27.9%	3.79x	13.6x
EngageSmart, Inc.	19.09	18.7%	3,183	2,880	346	12.6%	8.34x	66.3x
EPAM Systems, Inc.	224.75	(23.8%)	13,014	11,418	4,839	15.4%	2.36x	15.3x
ExlService Holdings, Inc.	30.21	2.5%	5,022	5,214	1,542	17.7%	3.38x	19.2x
FTI Consulting, Inc.	190.20	5.2%	6,333	6,724	3,222	11.7%	2.09x	17.9x
Gartner, Inc.	350.31	44.9%	27,689	29,637	5,749	23.2%	5.16x	22.2x
Genpact Limited	37.57	(11.3%)	6,919	8,028	4,408	16.1%	1.82x	11.3x
Heidrick & Struggles International,	26.47	(18.2%)	530	394	1,001	10.1%	0.39x	3.9x
HubSpot, Inc.	532.09	77.0%	26,412	26,755	1,944	(4.6%)	13.76x	NM
Huron Consulting Group Inc.	84.91	30.7%	1,507	1,938	1,264	11.4%	1.53x	13.5x
i3 Verticals, Inc.	22.86	(8.6%)	530	930	359	16.2%	2.59x	16.0x
IBEX Limited	21.23	25.8%	387	428	523	11.7%	0.82x	7.0x
ICF International, Inc.	124.39	30.9%	2,337	3,156	1,927	9.6%	1.64x	17.1x
Jack Henry & Associates, Inc.	167.33	(7.0%)	12,194	12,614	2,078	32.3%	6.07x	18.8x
Jacobs Solutions Inc.	118.89	(6.5%)	15,081	17,914	15,945	8.4%	1.12x	13.4x
Kelly Services, Inc.	17.61	(11.2%)	633	589	4,937	1.8%	0.12x	6.5x

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## Public Company Performance

## Business Process Outsourcing Industry Companies (2/2)

\$ in millions, except per share data	Stock Price as	52-Week	Market	Enterprise	LTM	EBITDA	EV/LTM	
	of 6/30/23	% Change	Cap	Value (EV)	Revenue	Margins	Revenue	EBITDA
<b>Business Process Outsourcing Industry Companies</b>								
Kforce Inc.	62.66	2.2%	1,218	1,257	1,652	6.5%	0.76x	11.7x
Maximus, Inc.	84.51	35.2%	5,137	6,586	4,822	8.9%	1.37x	15.3x
MSCI Inc.	469.29	13.9%	37,573	41,444	2,350	58.1%	NM	30.3x
Paychex, Inc.	111.87	(1.8%)	40,325	39,989	5,007	44.1%	7.99x	18.1x
Resources Connection, Inc.	15.71	(22.9%)	528	429	776	10.8%	0.55x	5.1x
Science Applications International	112.48	20.8%	6,038	8,141	7,736	8.9%	1.05x	11.8x
Squarespace, Inc.	31.54	50.8%	4,262	4,599	931	11.2%	4.94x	44.2x
Startek, Inc.	2.92	1.0%	118	203	371	8.5%	0.55x	6.4x
TaskUs, Inc.	11.32	(32.9%)	1,099	1,254	939	17.3%	1.34x	7.7x
TELUS International (Cda) Inc.	15.18	(39.4%)	4,150	5,921	2,598	17.6%	2.28x	13.0x
Teradata Corporation	53.41	44.3%	5,400	5,549	1,807	14.1%	3.07x	21.8x
TransUnion	78.33	(2.1%)	15,133	20,286	3,749	31.1%	5.41x	17.4x
TrueBlue, Inc.	17.71	(1.1%)	535	550	2,074	2.5%	0.27x	10.6x
TTEC Holdings, Inc.	33.84	(50.2%)	1,599	2,524	2,484	11.6%	1.02x	8.8x
Unisys Corporation	3.98	(66.9%)	272	376	2,011	7.9%	0.19x	2.4x
Verisk Analytics, Inc.	226.03	30.6%	32,727	35,498	2,567	33.1%	13.83x	41.8x
WEX Inc.	182.07	17.0%	7,799	10,120	2,468	33.0%	4.10x	12.4x
WNS (Holdings) Limited	73.72	(1.2%)	3,565	3,887	1,255	16.8%	3.10x	18.4x
Xerox Holdings Corporation	14.89	0.3%	2,337	5,179	7,161	8.5%	0.72x	8.5x
<b>Mean</b>	\$ 94.08	0.5%	\$ 11,568	\$ 12,454	\$ 3,767	15.0%	3.34x	17.5x
<b>Median</b>	\$ 58.04	(1.1%)	\$ 4,642	\$ 5,735	\$ 2,335	12.0%	1.82x	13.6x

## Public Company Performance

## Environmental and Facilities Services

	Stock Price as	52-Week	Market	Enterprise	LTM	EBITDA	EV/LTM	
\$ in millions, except per share data	of 6/30/23	% Change	Cap	Value (EV)	Revenue	Margins	Revenue	EBITDA
<b>Environmental and Facilities Services Industry Companies</b>								
ABM Industries Incorporated	\$ 42.65	(1.8%)	\$ 2,821	\$ 4,266	\$ 7,948	5.7%	0.54x	9.5x
Aramark	43.05	40.5%	11,219	18,838	18,343	7.0%	1.03x	14.6x
BrightView Holdings, Inc.	7.18	(40.2%)	671	2,101	2,796	9.4%	0.75x	8.0x
Compass Group PLC	22.02	31.1%	38,190	41,299	29,671	7.8%	1.39x	17.9x
Covanta Holding Corporation	N/A	N/A	N/A	N/A	2,034	17.2%	N/A	N/A
Diversey Holdings, Ltd.	8.39	27.1%	2,723	4,672	2,802	9.3%	1.67x	17.9x
Ecolab Inc.	186.69	21.4%	53,155	61,667	14,764	19.7%	4.18x	21.3x
ISS A/S	144.25	28.9%	26,647	39,739	79,256	4.1%	0.50x	12.3x
Rentokil Initial plc	6.15	29.6%	15,378	18,727	4,813	19.1%	3.89x	20.3x
Republic Services, Inc.	153.17	17.0%	48,445	60,723	14,435	28.5%	4.21x	14.7x
Rollins, Inc.	42.83	22.7%	21,106	21,576	2,870	21.9%	7.52x	34.4x
RPM International Inc.	89.73	14.0%	11,567	14,380	7,256	12.6%	1.98x	15.7x
SP Plus Corporation	39.11	27.3%	768	1,322	851	13.9%	1.55x	11.2x
Team, Inc.	8.30	11.7%	36	366	871	26.3%	0.42x	NM
Tetra Tech, Inc.	163.74	19.9%	8,716	9,789	3,163	12.7%	3.10x	24.3x
US Ecology, Inc.	N/A	N/A	N/A	N/A	1,000	14.3%	N/A	N/A
W.W. Grainger, Inc.	788.59	73.5%	39,561	41,828	16,017	16.9%	2.61x	15.4x
Waste Management, Inc.	173.42	13.4%	70,550	85,774	20,021	28.0%	4.28x	15.3x
<b>Mean</b>	<b>\$ 113.38</b>	<b>32.8%</b>	<b>\$ 20,692</b>	<b>\$ 25,150</b>	<b>\$ 12,066</b>	<b>13.9%</b>	<b>2.42x</b>	<b>16.9x</b>
<b>Median</b>	<b>\$ 42.83</b>	<b>22.7%</b>	<b>\$ 11,567</b>	<b>\$ 18,727</b>	<b>\$ 4,813</b>	<b>13.9%</b>	<b>1.67x</b>	<b>15.4x</b>

## Public Company Performance

## Digital Payment Services Industry Companies

	Stock Price as	52-Week	Market	Enterprise	LTM	EBITDA	EV/LTM	
\$ in millions, except per share data	of 6/30/23	% Change	Cap	Value (EV)	Revenue	Margins	Revenue	EBITDA
Digital Payment Processing Companies								
Booz Allen Hamilton Holding	\$ 111.60	23.5%	\$ 14,618	\$ 17,528	\$ 9,664	6.6%	1.81x	27.5x
EVERTEC, Inc.	36.83	(0.1%)	2,397	2,620	634	30.8%	4.13x	13.4x
EVO Payments, Inc.	N/A	N/A	N/A	N/A	543	26.5%	N/A	N/A
Fidelity National Information	54.70	(40.3%)	32,406	49,942	14,574	28.5%	3.43x	12.0x
Fiserv, Inc.	126.15	41.8%	77,874	100,113	18,452	39.9%	5.43x	13.6x
FLEETCOR Technologies, Inc.	251.08	19.5%	18,538	24,042	3,626	50.2%	6.63x	13.2x
Flywire Corporation	31.04	76.1%	3,438	3,111	348	(5.3%)	8.95x	NM
Global Payments Inc.	98.52	(11.0%)	25,808	41,477	9,283	39.6%	4.47x	11.3x
GreenSky, Inc.	NM	N/A	NM	N/A	518	30.8%	N/A	N/A
Marqeta, Inc.	4.87	(40.0%)	2,633	1,693	844	(25.8%)	2.01x	NM
Paya Holdings Inc.	NM	N/A	N/A	N/A	283	20.3%	N/A	N/A
Paymentus Holdings, Inc.	10.56	(21.0%)	1,303	1,154	558	2.4%	2.07x	NM
Payoneer Global Inc.	4.81	22.7%	1,730	1,177	741	5.9%	1.59x	26.8x
PayPal Holdings, Inc.	66.73	(4.5%)	74,452	80,158	28,556	19.2%	2.81x	14.6x
Paysafe Limited	10.09	(56.9%)	618	3,017	1,540	21.7%	1.96x	9.0x
Priority Technology Holdings, Inc.	3.62	9.7%	277	855	711	19.0%	1.20x	6.3x
Repay Holdings Corporation	7.83	(39.1%)	694	1,034	291	23.1%	3.56x	15.4x
Shift4 Payments, Inc.	67.91	105.4%	4,031	5,153	2,269	13.0%	2.27x	17.5x
Mean	\$ 55.34	5.7%	\$ 17,388	\$ 22,205	\$ 5,191	19.2%	3.49x	15.1x
Median	\$ 33.94	(0.1%)	\$ 3,438	\$ 3,111	\$ 793	21.0%	2.81x	13.5x

NM: Not meaningful.

Overview of Scott-Macon

Scott-Macon is one of the oldest independent investment banks in the United States, focused exclusively on middle-market transactions in the \$10-200 million range. Founded in 1973 by Alfred L. Scott, the firm’s senior professionals have extensive experience in mergers and acquisitions advisory, debt and equity financing, corporate valuations, fairness opinions and general corporate financial consulting.

In business for over 40 years, Scott-Macon has been retained to undertake a diverse range of domestic and international corporate finance engagements for both public and privately-held corporations. The firm’s professionals have significant operating and advisory experience across key industry sectors.

BUSINESS SERVICES INDUSTRY EXPERIENCE

Business Services Segments

Research Services	Food Services
Facility Management	Enterprise Solutions
Tech-enabled	Financial Services
Data Analytics	Workforce Solutions
Insurance	Security Services
Delivery Services	Marketing Services
Consulting	Waste Management
Regulatory Compliance	Construction Services

INDUSTRY GROUPS



Business Services



Chemicals



Healthcare



Media / Information



Aerospace / Defense



Transportation / Logistics



Industrial & Automotive



Consumer Products

Sources

1. Pitchbook

2. S&P CapitalIQ

3. Scott-Macon proprietary transaction information
4. SEC Filings

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Select Business Services Transactions

 <p>has been acquired by</p> 	 <p>has placed equity securities with a consortium including</p> 	 <p>has acquired</p> 	 <p>has acquired</p> 	 <p>has acquired</p> 
 <p>has acquired</p> 	 <p>has placed debt and equity securities with</p> 	 <p>has acquired</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 
 <p>has been acquired by</p> 	 <p>has been acquired by</p>  <p>a portfolio company of</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 
 <p>has acquired</p> 	 <p>has been recapitalized by</p> 	 <p>has been acquired by</p> 	 <p>has acquired</p> 	 <p>has been acquired by</p> 
 <p>has acquired</p>  <p>has acquired</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has acquired</p> 	 <p>has been acquired by</p> 

Note: These include companies where Principals of Scott-Macon were active advisors while employed at Scott-Macon and previous firms.

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