



CALABASAS CAPITAL

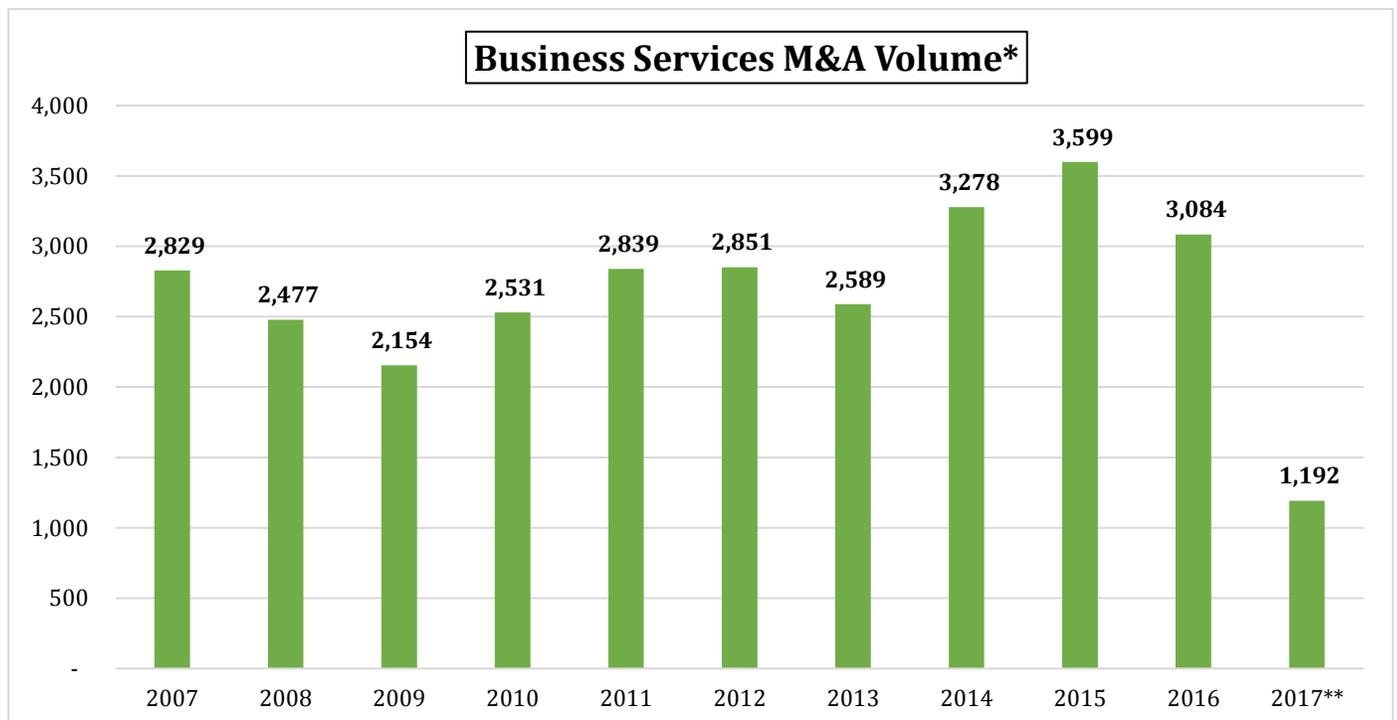
Business Services M&A Outlook Q3 2017

About Us

Calabasas Capital is a boutique investment banking firm focused on serving lower middle-market privately-held companies. We specialize in representing and advising businesses on sell-side and buy-side mergers and acquisitions and we raise private equity and debt capital.

Overview of M&A Activity

- M&A activity in the business services space has continued to be strong through the second quarter of 2017.



*Represents the number of all announced or closed M&A transactions in the U.S. and Canada.

**Sources: Harris Williams, FactSet.

News/Trends by Sector

- **Business Process Outsourcing**

Cognizant Technology Solutions, which reported 9% year-over-year growth in 2Q2017 revenue, continues to be acquisitive with its most recent deal to acquire TMG Health completed in August 2017. Cognizant (NASDAQ: CTSH) is one of the world's leading professional services companies, with a focus on transforming clients' business, operating and technology models for the digital era. TMG Health is a leading national provider of business process services to the Medicare Advantage, Medicare Part D and Managed Medicaid markets in the United States, supporting 32 health plans and more than 4.4 million members in all 50 states.

- **Consulting**

On its first quarter earnings call Accenture announced it completed 10 acquisitions in 1Q 2017 and plans to spend \$1 billion on acquisitions in 2017 as it seeks to accelerate growth and outspend its competition. Much of Accenture's acquisition strategy has centered on digital, cloud and security applications. Recent deals have included:

- **Digital:** [OCTO Technology](#), a digital consulting firm based in Paris; [Karmarama](#), a creative agency in the U.K. and [Allen International](#), a design consultancy that specializes in banking.
- **Cloud:** [DayNine](#), a Workday consulting and services provider; and [Nashco Consulting](#), a ServiceNow partner.
- **Security:** The company acquired [Redcore](#) in Australia.
- **Vertical Markets:** Accenture acquired [Kurt Salmon](#) for expertise in the retail industry.

This aggressive acquisition model of Accenture, which spent more than \$900 million in each of the past two years on buying companies, is driven by Fortune 1000 clients' demands for IT vendors solutions that help them run their businesses better. Newer technologies, such as data analytics and cloud computing, along with a strong consulting

practice, are the growth drivers for technology outsourcing vendors as customers across industries are spending less on traditional outsourcing work like application maintenance.

Accenture's revenue grew 6% year over year in 1Q2017, at the high end of the range for the industry compared to its rivals, Tata Consultancy Services Ltd (TCS), Infosys Ltd and Wipro Ltd, which are all based in India. Accenture is larger in terms of revenue than the other three combined.

- **Marketing & Information Services**

According to JEGI, in the first quarter of 2017, mergers and acquisitions across the media, information, marketing, software and tech-enabled services sectors totaled 554 announced transactions accounting for \$31.8 billion. While this did not match the Q1 2016 level of 601 deals for \$39.7 billion (which included the IHS/Markit merger for \$6.3 billion and Leidos Holdings' \$5 billion acquisition of Lockheed Martin assets), March 2017 saw a noticeable pickup in activity. This follows three straight years of strong M&A growth, with transaction value reaching more than \$200 billion in 2016.

451 Research, a technology-focused research firm, also sees this trend across tech M&A, with strong growth in private equity firms acquiring technology companies. "In the history of the industry, there have never been more tech-focused buyout shops that have had access to more capital, collectively, than right now," states 451 Research in a recent article.

M&A activity for the b2b media and technology sector saw strong growth in deal value in the first quarter of 2017, totaling \$899 million vs. \$262 million in Q1 2016, led by a couple of sizeable transactions, including the Atlassian acquisition of Trello, provider of online applications to help teams stay organized and communicate on projects, for \$425 million; Infopro Digital's acquisition of the Insight division of Incisive Media, which includes the Risk.net and Insurance Post brands, for approximately \$150 million; and the Airbnb acquisition of Tilt.com, a funding platform for brands and businesses to collect money, for a reported \$60 million.

- **Education & Training**

Health & Safety Institute ("HSI"), a leader in environmental health and safety software,

training, and compliance services has announced the acquisition of Minneapolis-based CLMI Safety Training, a leading provider of safety training videos and programs. The acquisition will complement the strengths of HSI's Summit Training Source brand, broadening their offering to clients. HSI has been owned by The Riverside Company since 2015.

- **Human Resources**

Addison Group, a provider of professional staffing services, acquired AIM Consulting, a technology consulting firm based in Seattle, Washington. The acquisition expands Addison Group's technology services offering and geographic presence in the Northwest. The Addison Group has been owned by Odyssey investment Partners since 2016.

- **Transaction Processing**

According to BerkeryNoyes, more companies in the Payments segment are following the trend in which consumers are adopting other ways to pay at the point of sale. As a result, merchants are using point-of-sale tablets and mobile-based payment systems in the hopes of increasing efficiency, boosting sales, and improving the customer experience at retail locations. The payments sector has very strong proprietary technology vendors, but some of them lack the sales and distribution forces needed. When this is the case it can often make sense for them to align with larger payments companies.

At the same time, worldwide markets are rapidly developing modernized credit and transfer infrastructure. Ecosystem players are also pushing hard on experimenting with beta technologies particularly associated with mobile telephony, social media and peer-to-peer, digital and crypto-currency. Key business problems to be solved include fraud detection and elimination, utilization of multiple payment methods, aggregation of as many customer streams as possible, and global growth of electronic payments.

The Payments segment experienced an 18% rise in deal volume in 2016. In terms of value, three of the industry's top ten largest deals during 2016 included:

- TSYS' acquisition of TransFirst, a provider of secure transaction processing services and payment enabling technologies, which was acquired from Vista Equity Partners for \$2.33 billion;

- MasterCard's announced acquisition of VocaLink, a payments infrastructure solutions company, for \$924 million; and
- Haili Metal One's acquisition of Union Mobile Pay, a provider of e-commerce products and services in China, for \$462 million.

Enterprise value multiples over the past 24 months have been strong. The median revenue multiple during this timeframe was 2.4x, while the median EBITDA multiple was 11.8x.

- **Facility Services**

ABM announced on September 1, 2017 that it completed the acquisition of GCA Services Group for \$1.25 billion (12.5x EBITDA), consisting of approximately \$851 million in cash and \$400 million in common stock, from affiliates of Thomas H. Lee Partners, L.P. and the Goldman Sachs Merchant Banking Division. Founded in 2003, GCA Services is a leading national provider of quality facility services. It is a collaboration of various regional companies. GCA Services derives majority of its revenues from the education sector and aims to grow further as more school districts outsource their facility management to invest in teachers and equipment.

The deal is likely to expand ABM's foothold in the educational and commercial markets. In addition, the strategic transaction is expected to add approximately \$1.1 billion in annual revenues and improve adjusted EBITDA by approximately \$100 million. The acquisition is in sync with the core principles of the 2020 Vision and is likely to complement ABM's industry-focused, client-centric organizational structure, yielding cost synergies of approximately \$20 million to \$30 million by the second full year of ownership.

- **Equipment Rental**

On July 14, 2017, H&E Equipment Services (NASDAQ: HEES) announced it was acquiring construction equipment rental chain Neff Corp (NASDAQ: NEFF) for about \$1.2 billion, including \$690 million of net debt, doubling the number of its branches in the country. H&E estimates the acquisition will create \$25 to \$30 million of synergies annually related to corporate overhead, systems and operational efficiencies, as well as scale benefits for equipment purchases.

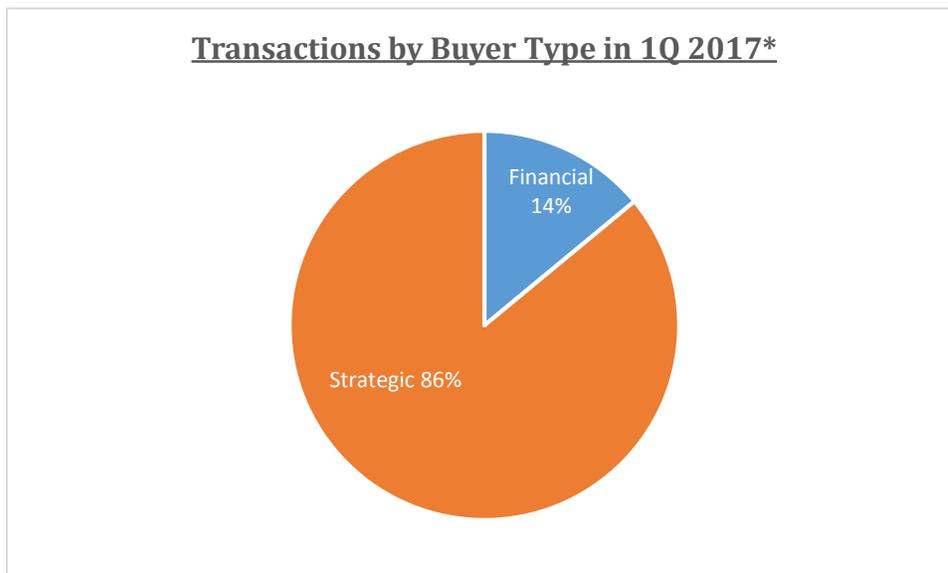
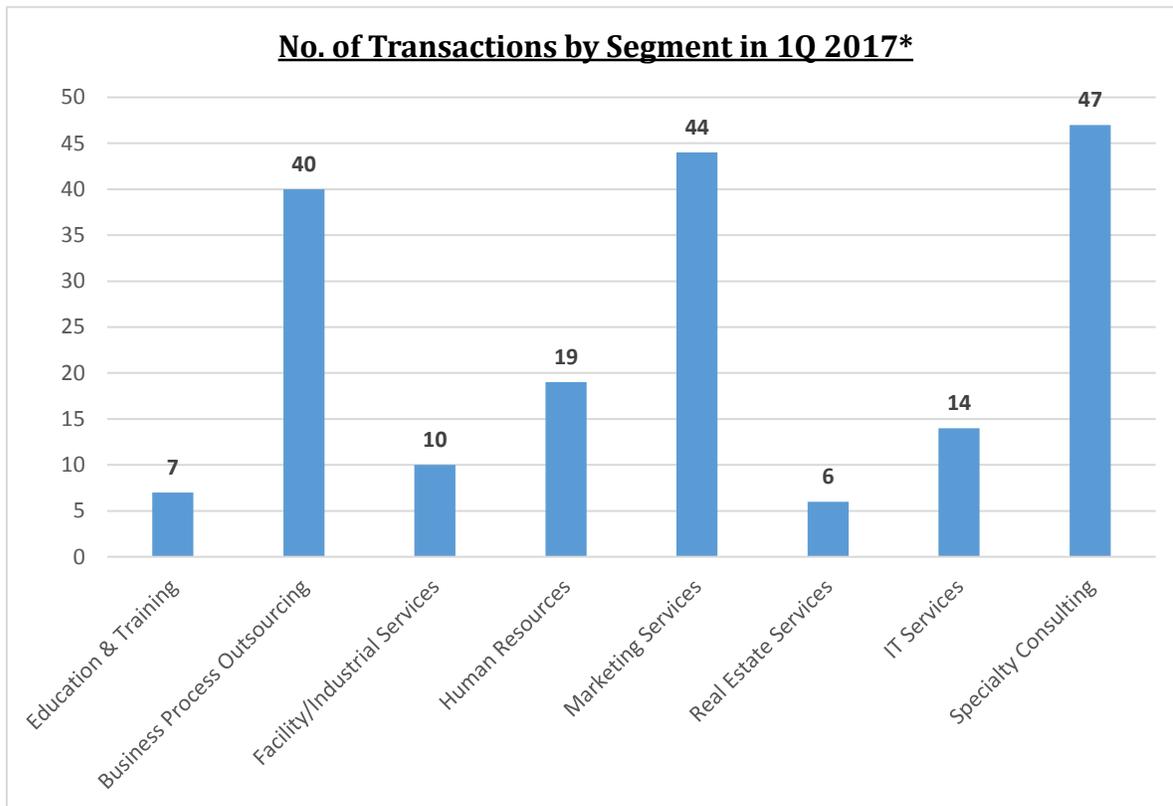
The acquisition is one of the largest in the history of the equipment rental industry. In late 2011, United Rentals acquired RSC Rental for about \$1.9 billion. In August 2006, Sunbelt Rentals acquired NationsRent for \$1.05 billion. Last year, funds managed by affiliates of Apollo Global Management acquired AmQuip Crane Rental and Maxim Crane Works, folding both firms under the Maxim Crane umbrella.

“This agreement accelerates our stated strategy to expand our footprint across the United States as we seek to penetrate and grow our business in strategic business segments,” said John Engquist, H&E Equipment Services CEO. “Further, this transaction will bring together what we believe to be two highly complementary businesses that share a commitment to addressing the increasingly complex equipment needs of our customers. Our broader geographic footprint and enhanced capabilities in strategic markets, coupled with complementary expertise across equipment categories, are expected to help us to achieve our growth goals.”

The acquisition will nearly double H&E’s branch footprint from 78 to 147, within H&E’s existing footprint in the strategically important Gulf Coast, Mid-Atlantic, Southeast and West Coast regions. The combined companies fleet totaled \$2.2 billion based on original equipment cost at the end of the first quarter, consisting of 43,749 units. The addition of Neff’s fleet will be highly complementary to H&E’s concentration in aerial work platform equipment and the combined company will have one of the largest earthmoving rental fleets in the industry, with Neff’s fleet heavily focused on earthmoving. As of March 31, the earthmoving fleet of H&E and Neff on a combined OEC basis totaled \$727 million and consisted of 8,736 units.

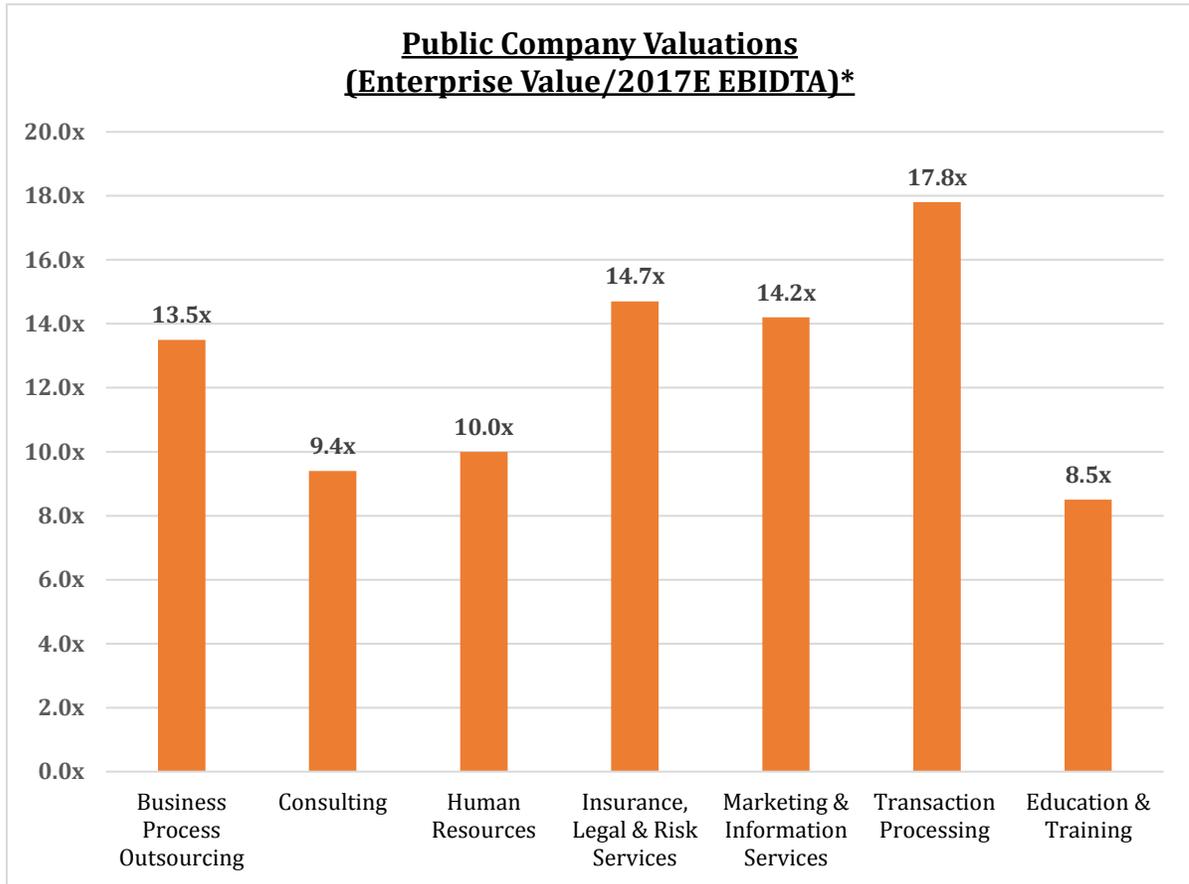
The increased geographic expansion and density is expected to allow H&E to better position fleet to regional pockets of higher demand, improve overall utilization and increase H&E’s penetration in the non-residential construction market.

Deals by Segment and Buyer Type:



*Sources: FactSet and SDR Ventures.

Public Company Valuations:



*Source: Harris Williams, as of 6/19/2017.

Recent Transactions

Date	Target	Acquirer	Sub-Sector
Pending	Estácio Participações S.A.	Kroton Educacional S.A.	Education
Pending	MoneyGram International	Alipay (UK) Limited	Business Process Outsourcing
Sep 2017	GCA Services Group	ABM	Facility Services
August 2017	NeuStar, Incorporated	GIC Special Investments; Golden Gate Private Equity	Business Process Outsourcing
July 2017	Neff Corp.	H&E Equipment Services	Equipment Rental
July 2017	WS Atkins plc.	SNC-Lavalin Group	Consulting
July 2017	Tecnocom Telecomunicaciones y Energía	Indra Sistemas	Consulting
July 2017	Vocalink Holdings Limited	MasterCard Incorporated	Education
June 2017	SMS Management & Technology	DWS	Consulting
June 2017	ViaWest	Peak 10 Inc.	Business Process Outsourcing
June 2017	TMG Health	Cognizant Technology Solutions Corp.	Business Process Outsourcing
June 2017	Netelligent Corp.	Huron Capital Partners	Consulting
June 2017	Phase One Consulting Group	Accenture Plc.	Consulting
June 2017	LabAnswer Government	Accenture Plc.	Consulting
May 2017	Aon plc., Benefits Administration	The Blackstone Group	Consulting
May 2017	The Capital Markets	Clayton, Dubilier & Rice	Consulting
May 2017	Mcgraw-Hill Ryerson Ltd.	Nelson Education	Education
May 2017	Sympoz	Comcast Corp.	Education
May 2017	Medical Solutions	TPG Partner Holdings	Staffing and Human Resources
April 2017	CEB, Incorporated	Gartner, Incorporated	Consulting
April 2017	RDM Corporation	10087220 Canada Corporation	Business Process Outsourcing
March 2017	NetDimensions (Holdings) Limited	Learning Technologies Group	Staffing and Human Resources
March 2017	DH Corporation	Vista Equity Partners	Business Process Outsourcing
February 2017	Apollo Education Group	Apollo Global Management; The Vistria Group	Education
December 2016	Creston plc	RedWhiteBlue Champion	Advertising and Marketing
December 2016	SAI Global	Baring Private Equity Asia	Consulting

November 2016	Frontica Business Solutions AS	Cognizant Technology Solutions Corporation	Consulting
November 2016	Kurt Salmon US, Incorporated	Accenture plc	Consulting
October 2016	Monster Worldwide	Randstad North America	Staffing and Human Resources
October 2016	Rydex Fund Services	MUFG Investor Services	Consulting

Calabasas Capital

Our comprehensive services include:

- Sell-Side and Buy-Side Mergers & Acquisitions Advisory
- Private Equity & Debt Capital Raising
- Acquisition Financing
- Financial Restructuring
- Sales of non-core assets/divisions of larger public and private companies

Business Services Transaction Experience

The shareholders of



Have completed a recapitalization with financing provided by



Calabasas Capital served as exclusive financial advisor to the acquiring shareholder of Infocast.

Strategic Vision Consulting

has been acquired by



Cognizant

A managing director of Calabasas Capital served as financial advisor to SVC while at a previous firm.



has raised private equity from a group of investors led by

SJ Investment Co.

Calabasas Capital served as financial advisor to Tranzlogic LLC and sourced the investment.



Payroll • Human Resources • Benefits • Risk Management
Sharp people, sharp solutions.

Buyside M&A Advisory



Calabasas Capital served as buyside M&A advisor for Resourcing Edge and its investor CVF Capital Partners



has acquired a majority interest in



Calabasas Capital served as exclusive financial advisor to Visual Data.

Background Images Inc.



has raised \$3.6 million in financing from



Calabasas Capital served as exclusive financial advisor to Background Images Inc. and sourced the investment.



strategic advisory & debt restructuring

Calabasas Capital served as exclusive financial advisor to Empire.



Quality Printing for Less

Has been acquired by



a portfolio company of



Calabasas Capital served as exclusive financial advisor to PrintRunner.

Blue Sky Network

has been acquired by



Calabasas Capital served as financial advisor to Blue Sky Network and initiated this transaction.

NTN Wireless Communications



has been acquired by



A managing director of Calabasas Capital served as exclusive financial advisor to NTN Wireless Communications while at a previous firm.



buyside m&a strategic advisory

Calabasas Capital served as exclusive financial advisor to Radius.



has been acquired by



Calabasas Capital served as exclusive financial advisor to ASI Entertainment.

UnionBanCal Equities, Inc.

has made a private equity investment in



A managing director at Calabasas Capital represented UBE in this transaction while at a previous firm.

UnionBanCal Equities

has made a private equity investment in



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