

SPRING 2021

INDUSTRY UPDATE

Business Services Market Monitor



MERIDIAN CAPITAL
INVESTMENT BANKERS





BUSINESS SERVICES MARKET INSIGHTS

IT AND CLOUD CONSULTING SERVICES

- The proportion of IT spending that is shifting to cloud will accelerate in the aftermath of the COVID-19 crisis, with cloud projected to make up 14.2% of the total global IT enterprise spending market in 2024, up from 9.1% in 2020.
- A recent survey indicates that almost 70% of organizations using cloud services today plan to increase their cloud spending in the wake of the disruption caused by COVID-19. With a shift towards remote learning and workspaces, the need for IT and Cloud integration across all business is at an all-time high.

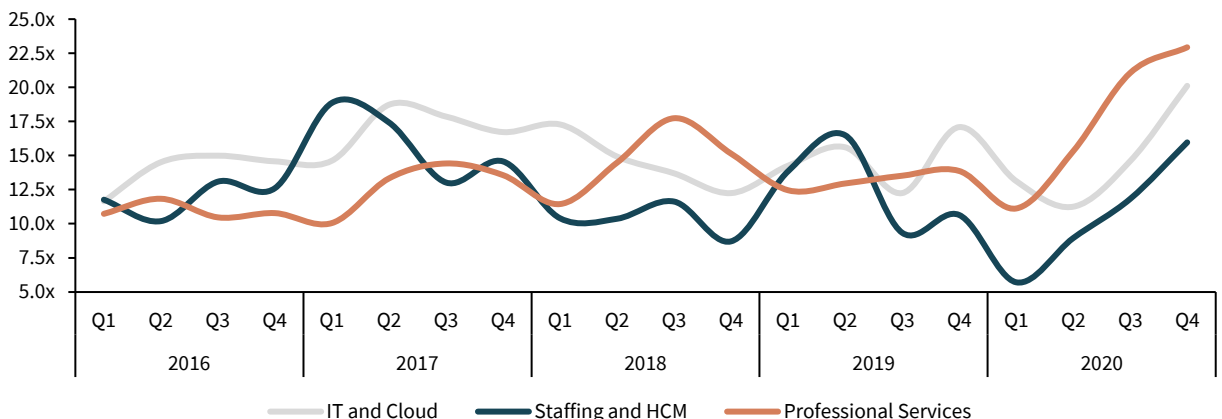
STAFFING AND HUMAN CAPITAL MANAGEMENT SERVICES

- Providers of staffing solutions and executive searches have transitioned to long-term strategic planning for a digital ecosystem, hoping to serve businesses that stick with remote operations, as well as in-person operations. The expectation is employment and placement firms will need to build or acquire technology tools that analyze talent pools efficiently based on the new work environment.
- A study shows more than 20% of the workforce could work remotely three to five days a week as effectively as they could if working from an office. If remote work took hold at that level, that would imply three to four times as many people working from home than before the pandemic.

PROFESSIONAL SERVICES

- The global professional services market is expected to grow from \$5.2 trillion in 2020 to \$5.4 trillion in 2021 at a compound annual growth rate (“CAGR”) of 7.9%. The market is expected to reach \$7.1 trillion in 2025 at a CAGR of 7%.
- North America was the largest region in the global professional services market, accounting for 36% of the market in 2020. Western Europe was the second largest region accounting for 31% of the global professional services market.

HISTORICAL PUBLIC COMPANY TRADING MULTIPLES BY VERTICAL

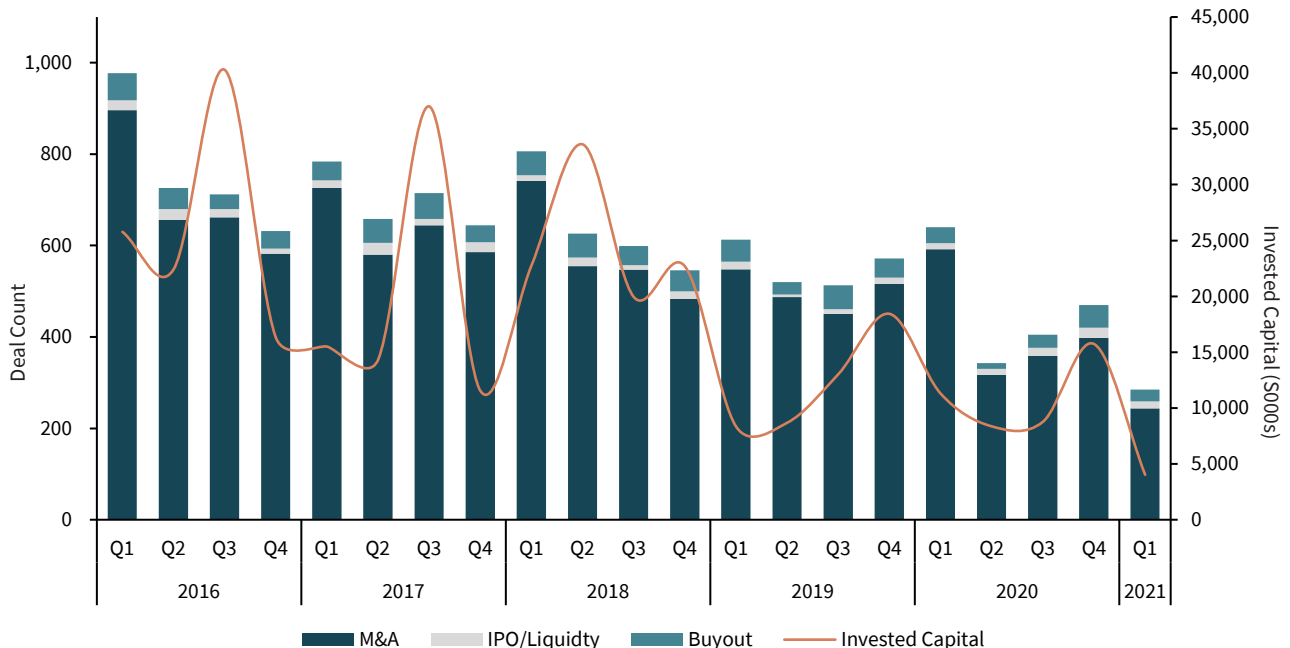




BUSINESS SERVICES M&A ACTIVITY

M&A Activity and Market Trends

Business Services M&A Activity⁽¹⁾



M&A ACTIVITY COMMENTARY

- While total M&A activity in the space decreased approximately 16% in 2020 as compared to 2019, activity is expected to rebound in 2021. Several factors are expected to influence M&A activity, including the increased desire to own a full-service, business services platform, future tax uncertainty with the new Administration in Washington, and a buildup of dry powder on investor’s balance sheets caused by the cash preservation strategies adopted by many during the pandemic.
- Increased government spending under a Biden-Harris administration compels strategic acquirers to remain active and seek new opportunities in both the public and private sectors.
- Although valuations increased in late fall 2020 due to COVID-19 resiliency and other market factors, the markets are expected to normalize in 2021. Companies in the business services sector will begin to trade at Enterprise Value/EBITDA (“EV/EBITDA”) multiples consistent with where they were pre-pandemic. Public company valuations have risen during the pandemic and public companies now trade at average multiples of 14.4x to 18.8x.

Source: PitchBook Data, Company Press Releases, and Meridian Research
(1) Q1 2021 is a partial period through 2/25/2021



RECENT TRANSACTION SPOTLIGHTS

Cognizant Technology Solutions acquired Magenic

Closed February 2021

- Magenic is a privately-held custom software development services company headquartered in Minneapolis, Minnesota. The Company works across a range of industries, including financial services, professional services, insurance, pharmaceutical, and manufacturing.
- This acquisition will broaden Cognizant's global software product engineering network, adding hundreds of engineers in the U.S. and Philippines.

Falfurrias Capital acquired Crosslake Technologies



Closed December 2020

- Crosslake is a technology consulting firm that specializes in providing end-to-end services to private equity, from tech due diligence prior to acquisitions to value creating projects with portfolio companies, all the way through sell-side diligence prior to exit.
- Falfurrias partnered with Crosslake to provide capital for organic and inorganic growth opportunities, allowing the owner an opportunity to participate in a second exit.

Cognizant Technology Solutions acquired Collaborative Solutions

Closed June 2020

- Collaborative Solutions is a global consultancy specializing in Workday enterprise cloud applications for finance and human resources. Services include strategy development, organizational change management, and the deployment and management of finance, HR, planning, and higher education solutions.
- This acquisition of Collaborative Solutions will add new finance and HR advisory and implementation services to Cognizant's cloud offerings.

Accenture acquired Yesler

Closed April 2020

- Yesler is a global provider of digital marketing, managed services, and strategic resourcing solutions to high-tech, enterprise clients.
- This acquisition represents Accenture's appetite to expand their marketing services to better meet changing client needs and buy logos from a smaller player.

Century Park Capital Partners acquired Accelalpha



Closed April 2020

- Accelalpha is an IT consulting firm that provides enterprise software implementation services.
- Align with a private equity partner to facilitate a roll-up strategy to become the go-to partner for Oracle cloud logistics deployments.



SELECT RECENT TRANSACTIONS

Date	Buyer	Target	Target Description
Feb-21	Cognizant Technology Solutions	Magenic	Provider of digital technology consulting services.
Feb-21	Bluvault Solutions	CrossCountry Consulting	Management consulting and technology company.
Feb-21	Magenic	Cognizant Technology Solutions	Provider of digital technology consulting services intended to get the clients digital products to market faster.
Jan-21	Horizon Capital	Pioneer B1	Provider of ERP consulting and implementation.
Jan-21	Market Performance Group	Insignia Capital	Provider of sales strategy, account management, data and analytics, distribution / order to cash, and consulting services.
Dec-20	Falfurrias Capital Partners	Crosslake Technologies	Provider of due diligence and consulting services.
Oct-20	AmberLeaf Partners	Mastech Digital	Provider of digital transformation IT services.
Aug-20	Valeo Networks	Network Management Services	Provider of IT consultancy services include cybersecurity, cloud computing, and data insights.
Aug-20	YFM Equity Partners	Explorer UK	Provider of Oracle consulting services.
Aug-20	Mach49	Next 15 Communications Group	Operator of a growth incubator company for global businesses.
Jul-20	Velvet Consulting	WPP (Wunderman Thompson)	Customer experience consultancy, combining marketing, data science and technology.
Jun-20	Cognizant Technology Solutions	Collaborative Solutions	Provider of cloud-based business consultancy services.
May-20	Launch Consulting, TA Group Holdings	Level 11 Consulting, LLC	Designer, developer and provider of technology consultation and solutions.
May-20	Parabellum Capital, The Acacia Group	Column Technologies	Provider of technology consulting, systems, and services.
Apr-20	Waterleaf International	Barquin Solutions	Provider of full-service IT consulting services to government agencies.
Apr-20	Saalex Information Technology	Valeo Networks	IT consultancy primarily focused on managed IT, cloud solution, and cybersecurity services,
Apr-20	Yesler	Accenture	Strategic resourcing solutions, digital marketing and managed services.
Mar-20	Century Park Capital Partners	Accelalpha	Provider of Oracle cloud implementations.
Feb-20	Accenture	Icon Integration	Technology consulting firm for SAP digital supply chain solutions.
Feb-20	BG Staffing	EdgeRock Technologies, LLC	IT consultancy primarily focused on ERP, business intelligence, analytics, and cloud services.
Feb-20	Svoboda Capital Partners	Kenway Consulting	IT and management consultancy with deep knowledge of core business processes, technical architecture, and data analytics.
Jan-20	ICF International	Incentive Technology Group	Provider of software consulting and management consulting solutions.
Jan-20	Itelligence	ISS Consulting	SAP cloud and software consulting services.
Jan-20	Sales Benchmark Index	CIP Capital	Management consulting firm focused on growing enterprise sales.
Dec-19	Tieto	EVRY	Provider of software, IT, and consulting services.
Dec-19	Qvartz	Bain & Co.	Leading management consultant in Denmark.
Nov-19	Alaris Royalty	Stride Consulting, LLC.	Provider of agile software development consultancy services.
Nov-19	Caiman Consulting	Sia Partners	Provider of advisory and implementation services.





PUBLIC COMPANY VALUATIONS AND KEY FINANCIAL DATA

Industry Summary

Segment	Market Cap	Enterprise Value	Revenue	Gross Profit	EBITDA	EBITDA	EV /	EV /
			LTM	LTM	LTM	Margin	Revenue	EBITDA
IT and Cloud Consulting Services								
Median	\$7,492.7	\$11,715.7	\$8,259.9	\$2,509.3	\$147.4	12.5%	2.5x	16.1x
Average	\$32,252.6	\$32,365.3	\$11,990.4	\$3,550.4	\$1,598.7	7.4%	2.7x	18.1x
Staffing and Human Capital Management Services								
Median	\$2,312.4	\$2,255.8	\$2,898.5	\$958.5	\$124.4	3.2%	0.7x	17.6x
Average	\$4,486.9	\$4,669.7	\$6,576.4	\$1,543.8	\$226.6	3.3%	0.9x	18.8x
Professional Services								
Median	\$1,717.4	\$2,635.2	\$1,327.4	\$486.6	\$201.6	8.1%	1.6x	14.2x
Average	\$2,357.1	\$2,594.2	\$1,741.5	\$534.1	\$180.0	11.3%	1.8x	14.4x
Median	\$2,500.3	\$2,768.1	\$1,778.9	\$661.5	\$168.3	5.8%	1.6x	16.6x
Average	\$13,524.7	\$13,697.9	\$7,148.8	\$1,966.6	\$652.6	6.9%	1.7x	17.1x

IT and Cloud Consulting Services

Company Name	Ticker	Market Cap	Enterprise Value	Revenue	Gross Profit	EBITDA	EBITDA	EV /	EV /
				LTM	LTM	LTM	Margin	Revenue	EBITDA
Accenture PLC	ACN	\$176,033.8	\$171,305.3	\$44,730.3	\$14,226.7	\$7,402.7	16.5%	3.8x	23.1x
Capgemini S.A.	CAP	\$28,383.9	\$35,621.0	\$18,065.3	\$4,714.7	\$2,432.6	13.5%	2.0x	14.6x
Cognizant Technology Solutions Corp	CTSH	\$42,061.8	\$41,095.8	\$16,652.0	\$5,981.0	\$2,560.0	15.4%	2.5x	16.1x
Devoteam SA	DVT	\$1,018.2	\$982.5	\$858.0	\$263.6	\$104.8	12.2%	1.1x	9.4x
DXC Technology Company	DXC	\$7,492.7	\$11,715.7	\$18,159.0	\$3,861.0	\$190.0	1.0%	0.6x	NM
Insigma Technology Co Ltd	600797	\$1,005.7	\$1,013.9	\$535.3	\$149.1	\$27.9	5.2%	1.9x	NM
Perficient, Inc.	PRFT	\$2,028.1	\$2,168.0	\$612.1	\$231.4	\$78.7	12.9%	3.5x	27.5x
Quisitive Technology Solutions, Inc.	QUIS	\$231.8	\$239.1	\$42.1	\$17.1	(\$7.4)	(17.5%)	5.7x	NM
Wipro Limited	507685	\$32,016.9	\$27,146.1	\$8,259.9	\$2,509.3	NM	NM	3.3x	NM
Median		\$7,492.7	\$11,715.7	\$8,259.9	\$2,509.3	\$147.4	12.5%	2.5x	16.1x
Average		\$32,252.6	\$32,365.3	\$11,990.4	\$3,550.4	\$1,598.7	7.4%	2.7x	18.1x

Staffing and Human Capital Management Services

Company Name	Ticker	Market Cap	Enterprise Value	Revenue	Gross Profit	EBITDA	EBITDA	EV /	EV /
				LTM	LTM	LTM	Margin	Revenue	EBITDA
Adecco Group AG	ADEN	\$11,047.4	\$12,119.3	\$22,516.0	\$4,341.8	\$560.8	2.5%	0.5x	21.6x
ASGN Incorporated	ASGN	\$5,228.5	\$6,079.8	\$3,950.6	\$1,089.3	\$400.1	10.1%	1.5x	15.2x
BG Staffing Inc.	BGSF	\$170.9	\$212.4	\$277.9	\$76.2	\$8.5	3.1%	0.8x	25.0x
Kelly Services Inc.	KELYA	\$870.9	\$735.3	\$4,516.0	\$827.6	(\$59.1)	(1.3%)	0.2x	NM
Kforce Inc.	KFRC	\$1,191.6	\$1,208.3	\$1,397.7	\$396.2	\$80.5	5.8%	0.9x	15.0x
Korn Ferry Inc.	KFY	\$3,433.2	\$3,303.2	\$1,711.5	\$1,625.7	\$168.3	9.8%	1.9x	19.6x
Randstad Holding nv	RAND	\$13,294.3	\$13,609.2	\$23,616.7	\$4,500.4	\$780.8	3.3%	0.6x	17.4x
Robert Half International Inc.	RHI	\$8,774.0	\$8,502.2	\$5,109.0	\$2,012.6	\$484.0	9.5%	1.7x	17.6x
TrueBlue, Inc.	TBI	\$787.1	\$793.3	\$1,846.4	\$440.6	(\$142.9)	(7.7%)	0.4x	NM
Volt Information Sciences, Inc.	VOLT	\$71.1	\$134.2	\$822.1	\$127.9	(\$14.7)	(1.8%)	0.2x	NM
Median		\$2,312.4	\$2,255.8	\$2,898.5	\$958.5	\$124.4	3.2%	0.7x	17.6x
Average		\$4,486.9	\$4,669.7	\$6,576.4	\$1,543.8	\$226.6	3.3%	0.9x	18.8x

Professional Services

Company Name	Ticker	Market Cap	Enterprise Value	Revenue	Gross Profit	EBITDA	EBITDA	EV /	EV /
				LTM	LTM	LTM	Margin	Revenue	EBITDA
Capita plc	CPI	\$1,084.4	\$2,635.2	\$4,418.6	\$1,093.0	\$224.5	5.1%	0.6x	11.7x
ExlService Holdings, Inc.	EXLS	\$2,972.5	\$2,901.0	\$958.4	\$334.5	\$201.6	21.0%	3.0x	14.4x
FTI Consulting, Inc.	FCN	\$4,335.6	\$4,531.1	\$2,461.3	\$788.6	\$321.6	13.1%	1.8x	14.1x
Houlihan Lokey, Inc.	HLI	\$4,703.8	\$4,035.8	\$1,327.4	\$486.6	\$356.6	26.9%	3.0x	11.3x
Huron Consulting Group Inc	HURN	\$1,219.5	\$1,426.2	\$871.0	\$251.7	\$5.6	0.6%	1.6x	NM
ICF Inc.	ICFI	\$1,717.4	\$2,155.8	\$1,506.9	\$534.5	\$122.3	8.1%	1.4x	17.6x
Resources Connection, Inc.	RGP	\$466.3	\$474.5	\$647.2	\$249.7	\$27.7	4.3%	0.7x	17.1x
Median		\$1,717.4	\$2,635.2	\$1,327.4	\$486.6	\$201.6	8.1%	1.6x	14.2x
Average		\$2,357.1	\$2,594.2	\$1,741.5	\$534.1	\$180.0	11.3%	1.8x	14.4x



CROSSLAKE TECHNOLOGIES ACQUIRED BY FALFURRIAS CAPITAL PARTNERS

In late 2020, Meridian Capital’s Business Services team advised Crosslake Technologies (“Crosslake”) on its successful acquisition by Falfurrias Capital Partners (“FCP”).

Founded in 2008 and located in Kirkland, Washington, Crosslake Technologies performs technical due diligence work on behalf of private equity firms and supports portfolio companies after an investment to enhance technology-related processes and accelerate growth. Core value creation services include support of carve-out and integration initiatives, product strategy, interim leadership, organization and development optimization, architecture roadmaps and development, and security assessments and programs.



Crosslake was founded by Russ Albright, a founding member of the Engineering Excellence team at Microsoft, which was mandated directly by Bill Gates to find better ways to develop, secure, deploy and operate software in an ever-changing and competitive environment. Since 2008, Albright has built a team composed of former CTOs, CIOs and executives with extensive software development expertise who help improve the deployment of new platforms and drive product development.

Crosslake Technologies currently maintains more than 300 active client relationships, having worked with more than 100 private equity firms and asset

managers around the world. In 2020, the Company completed more than 400 technical due diligence projects and more than 100 post-close value creation projects. As part of the investment, FCP executives Joe Price and Wilson Sullivan will serve as board members.

BUSINESS SERVICES SECTOR COVERAGE AND RELEVANT TRANSACTION

MERIDIAN CAPITAL SECTOR COVERAGE

- Consulting and Professional Services
- Staffing and Human Capital Management
- Consumer Services
- Outsourcing and BPO
- Business Analytics
- Information Services
- Education and Training
- Media and Marketing Services

MERIDIAN CAPITAL TRANSACTION EXPERIENCE

<p>Crosslake Technologies</p> <hr/> <p>CROSSLAKE </p> <p>- Acquired by -</p>  <p>FALCURRIAS CAPITAL</p>	<p>Accelalpha</p> <hr/> <p>accelalpha</p> <p>- Recapitalized by -</p>  <p>CENTURY PARK CAPITAL PARTNERS</p>	<p>Professional Publications, Inc.</p> <hr/> <p>PPI[®] PPI2PASS.COM</p> <p>- Acquired by -</p>  <p>KAPLAN</p>	<p>QC Data</p> <hr/> <p>QC DATA[®]</p> <p>- Acquired by -</p>  <p>EN Engineering</p>	<p>Cyient</p> <hr/> <p>CYIENT</p> <p>- Strategic Advisory -</p>  <p>MERIDIAN CAPITAL INVESTMENT BANKERS</p>
<p>Subsplash</p> <hr/> <p>SUBSPASH[®]</p> <p>- Growth equity financing by -</p>  <p>Enterprise Software Investors</p>	<p>Kipe Technology Resources</p> <hr/>  <p>- Acquired by -</p>  <p>XTREME</p>	<p>Excell Data Corporation</p> <hr/> <p>Excell Data Corporation</p> <p>- Acquired by -</p>  <p>Cambridge Technology Partners</p>	<p>Tower Engineering Professionals</p> <hr/>  <p>TOWER ENGINEERING PROFESSIONALS</p> <p>- Acquired by -</p>  <p>COGNITIVE CAPITAL PARTNERS</p>  <p>PRAIRIE CAPITAL</p>  <p>ALDINE</p>	<p>Blackfin</p> <hr/>  <p>blackfin</p> <p>- Acquired by -</p>  <p>XTREME</p>
<p>Silicon Mechanics</p> <hr/>  <p>SILICON MECHANICS</p> <p>- Acquired by -</p>  <p>SourceCode CORPORATION</p>	<p>Revel Consulting</p> <hr/>  <p>REVEL</p> <p>- Management Buyout Advisory -</p>  <p>MERIDIAN CAPITAL INVESTMENT BANKERS</p>	<p>Xtreme Consulting</p> <hr/>  <p>XTREME</p> <p>- Acquired by -</p>  <p>DISYS</p>	<p>Nirvana Soft</p> <hr/>  <p>nirvanasoft</p> <p>People Development • Facilitation</p> <p>- Acquired by -</p>  <p>HANSEN TECHNOLOGIES</p>	<p>Subex Azure</p> <hr/>  <p>SUBEXAZURE</p> <p>Powering the ROC</p> <p>- Acquired by -</p>  <p>SYNTHESIS</p>
<p>Cascade Link</p> <hr/>  <p>Cascadelink</p> <p>- Acquired by -</p>  <p>wave</p>	<p>Growler</p> <hr/>  <p>GROWLER</p> <p>- Acquired by -</p>  <p>THE MEET GROUP</p>			





MERIDIAN CAPITAL

INVESTMENT BANKERS

Meridian Capital has been helping middle market business owners achieve their M&A and corporate finance goals since 1995.



INDUSTRY EXPERIENCE

Meridian Capital's Business Services team has successfully advised entrepreneurs and shareholders through M&A and corporate finance transactions across various verticals within the space.

TRANSACTION EXPERTISE

- Mergers & Acquisitions
- Growth Capital
- Strategic Advisory

TAILORED PROCESSES

- High-Touch Approach
- Multidisciplinary Deal Team
- End-to-End Services

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About Meridian Capital

Meridian Capital (www.meridianllc.com), a Seattle-based M&A advisory firm, has served as a trusted advisor to business owners on complex corporate finance, M&A, and strategic challenges for over 20 years. The firm differentiates itself through its deep industry insights, highly customized service approach, and end-to-end commitment to execution.

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