

# M&A INDUSTRY REPORT

## Business Services

**FOCUS Investment Banking is a leading middle-market investment bank with deep industry expertise, a nationwide footprint and a global reach.**

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## BUSINESS SERVICES M&A INDUSTRY OVERVIEW

The M&A landscape in the business services space has seen significant activity and notable transactions in recent times. One prominent trend has been the increased focus on technology-driven solutions and digital transformation. Companies in the business services sector are actively seeking to acquire or partner with technology-enabled firms to enhance their service offerings and stay competitive in the digital age. This trend is expected to continue in the second half of 2023, as businesses recognize the importance of leveraging advanced technologies such as artificial intelligence, automation, and data analytics to drive efficiency and deliver innovative solutions to clients.

Another notable trend in the business services M&A space is the rising importance of ESG (Environmental, Social, and Governance) factors. Companies are increasingly emphasizing sustainability, social responsibility, and good governance practices. This has translated into a growing number of M&A transactions that prioritize ESG integration and impact. Businesses in the sector are actively seeking to acquire or partner with ESG-focused companies to align their operations with sustainability goals, attract socially-conscious clients, and enhance their corporate reputation. The focus on ESG is expected to gain further momentum in 2023 as companies strive to address environmental and social challenges while delivering value to their stakeholders.

The M&A landscape is anticipated to remain robust and dynamic. With the global economy recovering from the impacts of the pandemic, businesses are expected to prioritize growth strategies, including acquisitions, to expand their market presence and capture new opportunities. Consolidation is likely to continue as larger firms seek to leverage their scale and resources to drive efficiencies and enhance competitiveness. Additionally, the convergence of industries, such as technology and business services, is expected to lead to cross-sector M&A transactions, where companies from different sectors collaborate to deliver integrated solutions.

## NEWS & INSIGHTS: NAVIGATING THE TREND OF INCREASED CONSOLIDATION

The business services industry is no stranger to change and transformation, and one prevailing trend that has gained significant momentum in recent years is increased consolidation. As small businesses contemplate their future and assess potential exit strategies, it becomes crucial to understand and navigate this evolving landscape.

### **The Rationale Behind Consolidation:**

Consolidation in the business services industry is driven by several factors. Firstly, larger firms seek to expand their market share, enhance their service offerings, and enter new geographic locations or verticals. Acquiring small businesses allows them to achieve these objectives more efficiently than developing capabilities internally. Secondly, the business services landscape is witnessing rapid technological advancements, and acquiring innovative startups or tech-enabled companies provides established firms with access to cutting-edge technologies and solutions. Lastly, increasing globalization and the desire for economies of scale drive consolidation efforts as businesses strive to optimize costs, improve efficiencies, and better compete in the market.

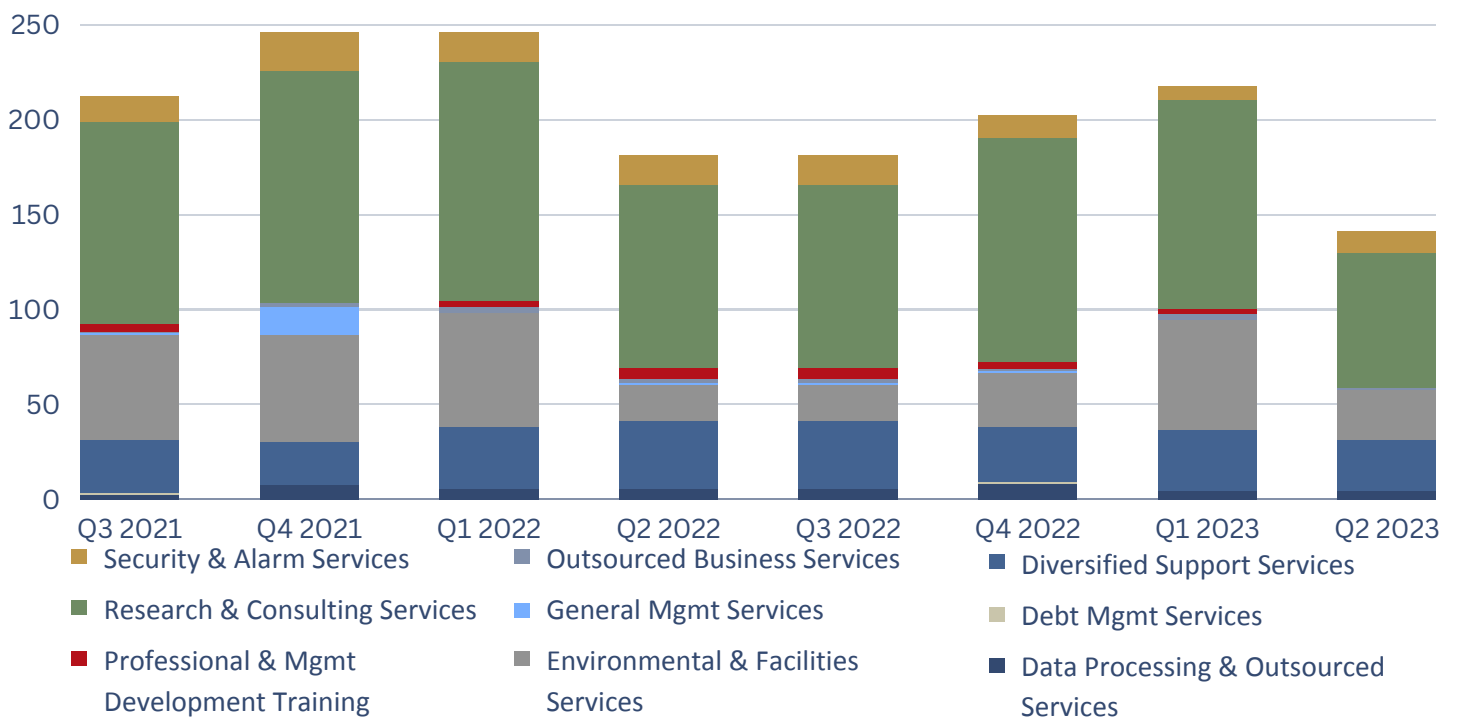
### **Understanding the Implications for Small Businesses:**

For small businesses contemplating the sale of their companies, the trend of consolidation presents both opportunities and challenges. On one hand, selling to a larger firm can provide access to resources, expertise, and a broader client base that may not have been achievable independently. It can offer the chance for accelerated growth and expanded market reach. On the other hand, small business owners must carefully evaluate the impact of merging with a larger entity on their company culture, employee retention, and the autonomy they currently enjoy. It is essential to strike a balance between realizing the benefits of consolidation while ensuring alignment with the business's vision, values, and long-term goals.

In an industry marked by increased consolidation, small businesses contemplating a sale must carefully assess the implications, weigh the benefits and challenges, and proactively prepare for a successful transaction. By understanding the trends driving consolidation, considering the impact on their business, and following a strategic approach, small business owners can position themselves for a successful sale and leverage the opportunities presented by the evolving business services landscape. It is crucial to find the right balance between capitalizing on market dynamics and ensuring that the long-term vision and values of the business are preserved.

## NOTABLE TRANSACTIONS & ACTIVITY

- The market has seen significant change since the start of the year, with inflation coming down and interest rates leveling off. Despite layoffs in the tech sector, unemployment is still at record low levels. While transactions are more expensive than they were a year ago, cash rich companies are driving middle market transactions, in some cases fueled by private equity funding.
- Deal volume in the second quarter of 2023 declined by 34% compared to Q1 2023 in the business services sector, although transaction activity in Research and Consulting Services remained strong and made up over half of second quarter transactions. Acquisitions of architecture, engineering, accounting, and financial service firms were key volume drivers by companies like Aprio, Eisner Amper and Ankura Consulting Group.
- Environmental & Facility Services saw significant activity, with 26 transactions for the quarter, mainly dominated by landscaping and pest control transactions. Buyers in the landscaping space include Wesco Grounds Maintenance Co., McHale Landscape and Design, and Senske, Inc. One of the most notable Pest Control transactions of the quarter was the purchase of Fox Pest Control by publicly traded Rollins Inc. for \$350 million.
- Transaction activity is expected to increase during the second half of the year as companies that still hold a significant amount of cash are looking for transformative acquisitions. Additionally, private equity groups still have capital to invest and are looking for bolt-on acquisitions to their existing platforms. Sellers should be prepared for greater scrutiny and a longer due diligence process than a year ago as buyers must further justify their investment strategies.



## RECENT TRANSACTIONS

*This announcement appears as a matter of record only.*

**aeCyberSolutions™**  
a division of  
**ae Solutions™**  
has been acquired by  
**Deloitte.**

The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to aeSolutions.

**FOCUS**  
Investment Banking

*This announcement appears as a matter of record only.*

**MICROCONSULT, INC.**  
www.microconsultinc.com  
has been acquired by  
**Certified Group**  
Laboratory Testing | Regulatory Consulting

The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Microconsult, Inc.

**FOCUS**  
Investment Banking

*This announcement appears as a matter of record only.*

**SAGE MANAGEMENT**  
has been acquired by  
**rib** | FIXED COST REDUCTION  
a portfolio company of  
**O2 Investment Partners**

The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Sage Management.

**FOCUS**  
Investment Banking

*This announcement appears as a matter of record only.*

**LABRADOR**  
has acquired  
**Argyle**

The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to The LABRADOR Group.

**FOCUS**  
Investment Banking

*This announcement appears as a matter of record only.*

**cantey**  
TECH CONSULTING  
and its subsidiary  
**cantey**  
received an investment from  
**LNC PARTNERS**

The undersigned assisted in the negotiations and acted as exclusive financial advisor to Cantey Tech Consulting.

**FOCUS**  
Investment Banking

*This announcement appears as a matter of record only.*

**io** io integration  
has been acquired by  
**bluprintX**

The undersigned assisted in negotiating the transaction and acted as financial advisor to IO integration.

**FOCUS**  
Investment Banking

*This announcement appears as a matter of record only.*

**Avar Consulting, Inc.**  
has been acquired by  
**AMDEX**

The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Avar Consulting, Inc.

**FOCUS**  
Investment Banking

*This announcement appears as a matter of record only.*

**Stonebridge CONSULTING**  
has been acquired by  
**SIERRADIGITAL**

The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Stonebridge Consulting.

**FOCUS**  
Investment Banking

*This announcement appears as a matter of record only.*

**QUEEN CONSULTING GROUP**  
has been acquired by  
**TALENT GROUP**

The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Queen Consulting Group.

**FOCUS**  
Investment Banking

*This announcement appears as a matter of record only.*

**BUSINESS INTEGRA**  
has acquired  
**Aquila TECHNOLOGY**  
a wholly owned subsidiary of  
**Zensar**

The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Business Integra.

**FOCUS**  
Investment Banking

*This announcement appears as a matter of record only.*

**NETWORK SUPPORT CO**  
A PEACE OF MIND  
has been acquired by  
**Logically**  
a portfolio company of  
**Riverside**

The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to The Network Support Company, LLC.

**FOCUS**  
Investment Banking

*This announcement appears as a matter of record only.*

**GENERAL INFORMATICS**  
has been recapitalized by  
**ROSEWOOD PRIVATE INVESTMENTS**

The undersigned initiated the transaction, assisted in the negotiations and acted as financial advisor to General Informatics.

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Investment Banking



**Top 5 Investment Bank 2022**



## OUR TEAM



**Barry Calogero**  
Managing Director



**John Bradshaw**  
Senior Advisor



**Kelly Kittrell**  
Managing Director



**Jim Sowers**  
Managing Director



**Anna Brumby White**  
Principal



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