

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.

TABLE OF CONTENTS

03

BUSINESS SERVICES M&A
INDUSTRY OVERVIEW

04

NEWS & INSIGHTS

05

NOTABLE TRANSACTIONS

06

PRIVATE EQUITY TRENDS

07

CASE STUDY

08

RECENT TRANSACTIONS

09

OUR TEAM

BUSINESS SERVICES M&A INDUSTRY OVERVIEW

The Business Services sector encompasses a broad range of industries, from consulting and outsourcing to technology services and more. It remains a dynamic sector with a focus on adaptation and innovation, driving ongoing M&A activity. In the 3rd quarter, we saw several trends.

- 1. Resurgence in Deal Activity:** The Business Services sector has witnessed a resurgence in M&A activity in the current quarter. After a period of caution driven by economic uncertainties, companies are once again actively seeking strategic partnerships.
- 2. Technology-Driven Transactions:** Technology integration remains at the forefront. Many deals involve the acquisition of tech firms to enhance digital capabilities and service delivery in response to changing market demands.
- 3. Market Expansion:** Cross-border transactions continue to be a key trend as companies aim to expand their global presence and access new markets, particularly in emerging economies.
- 4. Niche Specialization:** M&A deals targeting niche business services continue to gain prominence. Specialization in specific industries or services is seen as a way to add unique value and gain a competitive edge.

Key drivers for these trends include economic recovery, digital transformation, competitive positioning and talent acquisition. As businesses navigate the dynamic landscape, it is crucial to consider factors such as integration strategy, regulatory compliance, cultural fit, and financial structure to maximize the potential for successful M&A transactions. This resurgence in activity suggests that M&A will remain a significant strategy for growth and adaptation in the sector in the coming quarters.

NEWS & INSIGHTS: ARTIFICIAL INTELLIGENCE: A MUST FOR SMALL BUSINESSES

Unless you are still using a flip phone and shopping exclusively in stores, you have probably utilized the most advanced—and controversial—technological advancement since the dawn of the computer – Artificial Intelligence (also known as AI). Whether you’ve used Apple’s Siri, Google’s Translator or just those friendly customer service chat boxes when shopping online, it seems that AI is everywhere.

Common examples prevalent in the personal and business environments include search engines, autofill and autocorrect functions in word processing, digital assistants like Alexa, and facial and speech recognition. Computers can now be taught to write articles, press releases, email messages and advertising copy. They can even design corporate logos and branding, sometimes better than humans can. Indeed, more and more office tasks that people assumed could only be performed by humans are now being done by AI-driven programs.

What does this mean for small to medium-sized businesses (SMBs) that struggle to manage rising costs of goods and labor in order to compete in today’s marketplace? It can mean lower costs and less risk, which should be enough of a reason for them to embrace AI lead technologies in everyday business practices. While many SMBs mistakenly believe that AI is too expensive, too difficult to adopt, or doesn’t apply to what they do, it will likely cost them more if they ignore it.

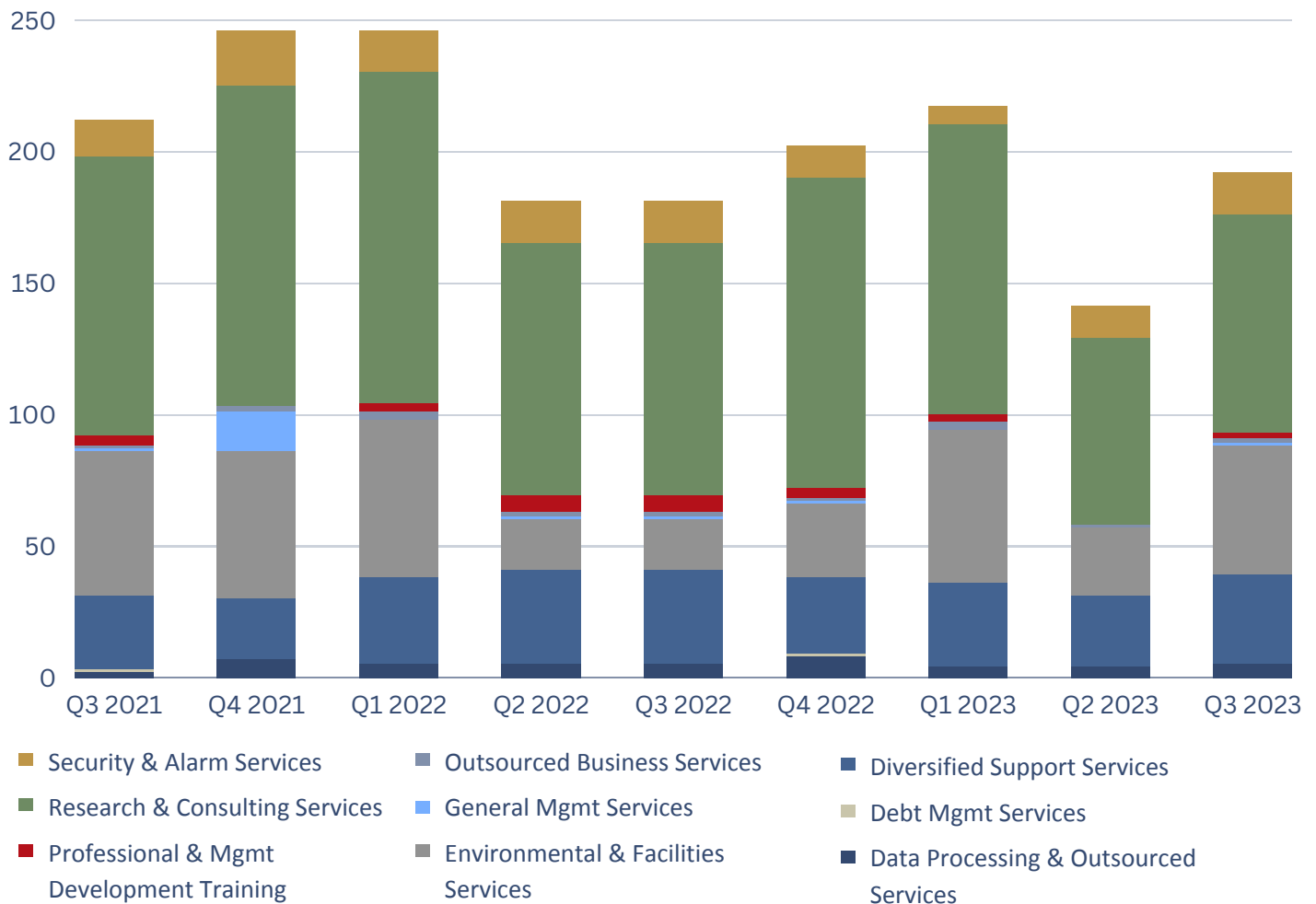
The fact is many AI tools are affordable and easy to use. Companies that are embracing these technologies are able to offer faster and more efficient services to their clients. As a result, business owners can spend less time managing their business and more time growing it.

Read more about how AI can help small and medium-sized business services companies become more efficient, profitable and valuable.

Read more [here](#).

NOTABLE TRANSACTIONS & ACTIVITY

- Despite the volatility of the M&A market, the Business Service sector saw an increase in activity in the third quarter. While we are still not back to levels of activity we saw back in 2021, there are some signs that despite the increase cost of capital that financial and strategic buyers are still looking for quality companies to buy in the middle market.
- M&A deal volume in the Business Services sector increased 27% in Q3 to 193 transactions from 141 in Q2. Of the 193 transactions in the Business Services sector, Research and Consulting Services made up 82 transactions making it the subsector with the most activity in the quarter. Environmental and Facility Services was the second largest subsector with 45 transactions, an increase of 42% over Q2.



PRIVATE EQUITY TRENDS

GF Data offers data regarding M&A transactions sponsored by private equity firms with enterprise values ranging from \$10 to \$500 million. The transaction data is gathered confidentially and anonymously from private equity groups and other deal sponsors. The chart presented below dissects the factors influencing valuation, specifically focusing on Business Services transactions conducted between 2019 and June 2023. Among the 454 transactions in this period, 413 were buyouts.

Within the Business Services sector, similar to the broader market, larger enterprise values yield greater rewards. Notably, in this industry segment, the valuation differentials are particularly pronounced. When examining the buyouts subset, Business Services companies with enterprise values of \$10-25 million are typically valued at a multiple of 6.6x. Subsequently, there are clear, incremental increases in valuation, with the average valuation peaking at 10.2x for companies with enterprise values between \$100-250 million.

TEV (\$USD M)	BUYOUTS ONLY								
	ALL	Buyouts only	Platforms	Add-Ons	Indiv/Family Seller	PEG/Corp Seller	Above Average	Post-Closing Mgmt	All Three*
10 - 25	6.1	6.1	5.9	6.2	6.2	5.2	6.7	6.1	6.2
25 - 50	7.2	7.2	7.3	6.9	7.1	8.1	7.5	7.4	8.3
50 - 100	8.4	8.3	8.3	8.3	8.4	7.7	8.7	8.3	8.0
100 - 250	9.7	9.7	9.8	9.2	9.5	10.0	9.8	10.0	10.2
Total	7.4	7.3	7.6	6.8	7.2	8.1	8.0	7.5	8.7
N =	454	413	263	150	342	62	247	335	36

*Note: All three denotes buyouts featuring above-average financial characteristics post-closing management solution and a private equity/corporate seller.

Source: GF DATA

In the Business Services sector, there remains a significant contrast in valuation between the overall multiples and those associated with businesses possessing three advantageous pricing attributes.

The average valuation for all buyouts in the business services sector stood at 7.3x. However, for businesses exhibiting superior financial performance, prior institutional ownership, and a management solution after the sale, the average valuation rose to 8.7x. Although this 1.4x differential still surpasses the disparities seen in health care services (1.3x) and manufacturing (1.1x), it does show a slight decline compared to the previous year when it was 1.6x.

AT A GLANCE

Queen Consulting Group

- Founded in 2015
- IT Staffing Company
- Based in Boston, MA
- Vast network of industry expert consultants in more than 40 states and U.S. territories. Q

“The FOCUS team really knows their business, and they brought in multiple strong offers for us to consider. We really look forward to joining Talent Group—the best fit for us. George Shea and Bob Maiden walked us through the process every step of the way and highlighted our unique capabilities. We are thrilled with the result and wholeheartedly recommend FOCUS to any firm considering a sale.”

*Carl Foster
Queen, Founder &
President*

FOCUS

Investment Banking

CASE STUDY

PROCESS & OVERVIEW

Queen Consulting Group was founded in 2015 by staffing industry veteran Carl Foster, who has more than 30 years of IT staffing and consulting experience. Foster joins Talent Group's senior leadership team, along with Queen Vice Presidents Jessica Doherty and Amy Migliore. After nearly 30 years of being in business together, Mr. Foster and his two partners, Queen Vice Presidents Jessica Doherty and Amy Migliore, wanted to take advantage of the strong market in the IT staffing space and as a group, they decided it was the perfect time to sell. With this acquisition, Queen delivers IT subject matter expertise, business intelligence and healthcare consulting support across all electronic health record (EHR) platforms. The addition of Queen to Talent Group presents a significant opportunity for Talent Group to expand its IT human capital services and solutions to a wider range of clients.



Highly Targeted Outreach



Multiple Offers



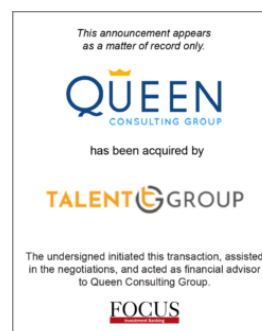
4 Months Total Transaction Process



60 Days Due Diligence

TRANSACTION RESULTS

FOCUS successfully advised Queen throughout this entire transaction process, brought in multiple strong offers for Queen's team to consider and in the end, they selected Talent Group as the best fit for them. The addition of Queen Consulting to the Talent Group family presents a significant opportunity for us to expand our IT human capital services and solutions to a wider range of clients.



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 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
|| 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.

FOCUS
Investment Banking



Top 5 Investment Bank 2022



OUR TEAM



Barry Calogero
Managing Director



John Bradshaw
Senior Advisor



Anna Brumby White
Principal



Kelly Kittrell
Managing Director



Bob Maiden
Managing Director



Jim Sowers
Managing Director



April Taylor
Managing Director



Alex Williams
Principal



Download the FOCUS Business Services Information Sheet