

## BUSINESS SERVICES

Q3 & Q4 | 2020

### M&A Activity Has Rebounded Strongly Since the Earlier Stages of the Pandemic

M&A activity was broadly impacted by the COVID-19 pandemic, mostly throughout the second quarter of 2020. However, as businesses and other market participants began to observe more visibility into their supply chains and customer demand patterns, the volume of transactions expanded significantly. Business Services has remained a sector of high interest for M&A activity, as evidenced by transaction volume across many of its sub-segments returning to pre-pandemic levels after slowdowns the 2nd quarter. Overall, the number of deals within the Business Services sector declined only 11% in 2020, in spite of the challenges resulting from the pandemic.

Most of the full year decline was attributable to state mandated business shutdowns across the country in the early stages of the pandemic, and the uncertainty felt throughout most of the economy. Since May though, the uncertainty has progressively faded away and deal volume has consistently increased. Sequentially, Q3 deal activity was up 38% over Q2 levels, while volume continued to increase throughout the year. Furthermore, Q4 volume increased 22% over Q3.

The slowdown in M&A activity during the second quarter related

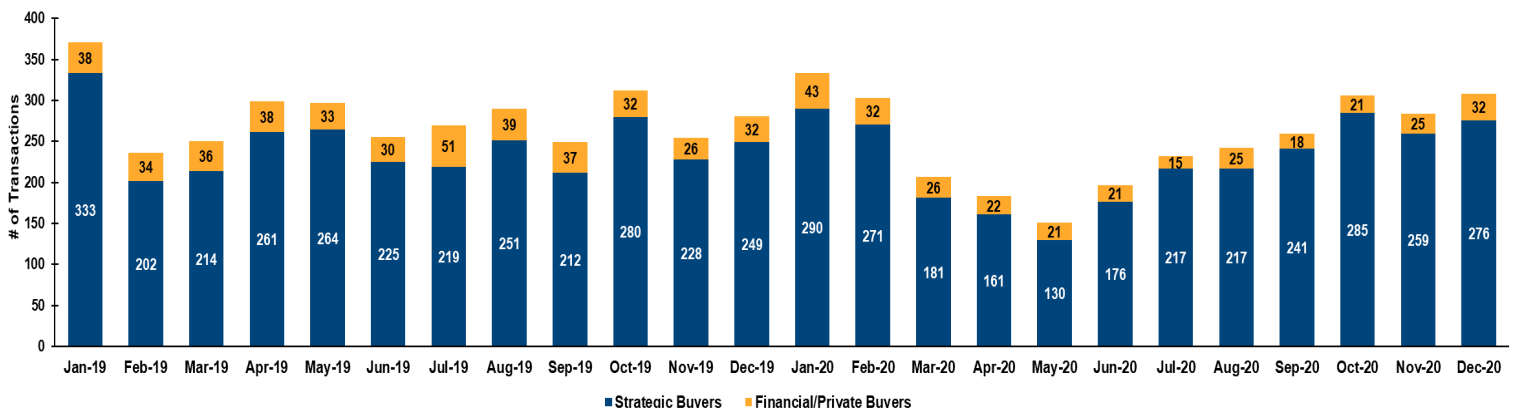
primarily to strategic acquirers focusing inward on their own businesses and private equity investors re-directing their attention to their portfolio companies, versus evaluation of new acquisition opportunities. Additionally, lenders became more cautious, thereby making the financing of transactions more challenging. In the second half of the year, buyers came off the sideline with a more aggressive approach to deal activity in the wake of increased market confidence and more visibility observed by businesses and many of the broader participants to M&A processes. Activity has remained strong in 2021, as most strategic acquirers and private equity investors have continued to aggressively pursue M&A at a similar pace in the first couple of months of the year, and in line with what was observed in the second half of 2020.

EdgePoint expects that M&A activity will continue to increase throughout the year. Buyer interest to pursue attractive acquisition opportunities remains very high, and business owners are seeing their sales volumes return to sustainable, pre-pandemic levels. Additionally, uncertainty in Washington around tax policy and capital gains tax rates in the future is creating a sense of urgency for sellers to try and get ahead of any adverse changes to tax legislation.

### Business Services Sector: Monthly M&A Transaction Volume

(Financial/Private Buyers represent platform investments)

Monthly Business Services M&A Transactions



Sources: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases.

## Key Metrics

In the second half of 2020, most of the M&A activity within the Business Services industry has occurred broadly within larger sub-sectors: IT Services & Software (58.7%), Commercial & Industrial Services (22.3%), and Business Process Outsourcing (14.7%).

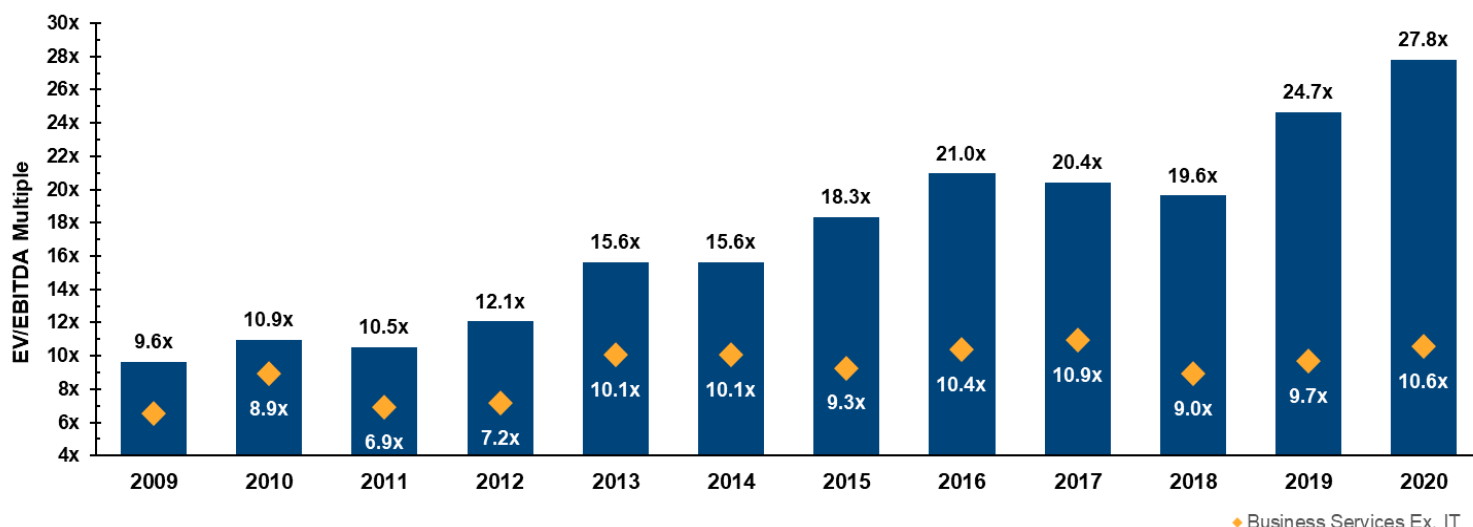
Similar to the first half of the year, the mix slightly shifted in favor of the IT Services & Software segment. This trend continues to reflect the sub-sector's resiliency during the pandemic. Furthermore, the broader trend towards digitalization has accelerated throughout the past several months. Despite many software businesses faring well during the pandemic, some smaller companies struggled. This led to more M&A activity for strategic acquirers seeking opportunistic transactions at perceived valuation discounts in order to bring attractive (and slightly struggling) operators onto their platforms.

Activity in the Commercial and Industrial services segment has also remained steady. The strength of this segment has been

led by activity in the HVAC, Environmental, and Facility Services sub-sectors. In fact, some of these segments (e.g., HVAC) are experiencing what EdgePoint believes is the best M&A market ever for the industry. In essence, businesses with recurring maintenance have continued to perform well and, in many cases, grow throughout 2020. Many of these types of companies are selling for high single digit, and in some cases, double digit EV / EBITDA multiples, reflecting strong buyer interest for high quality businesses that can aggressively expand market share in a fragmented industry.

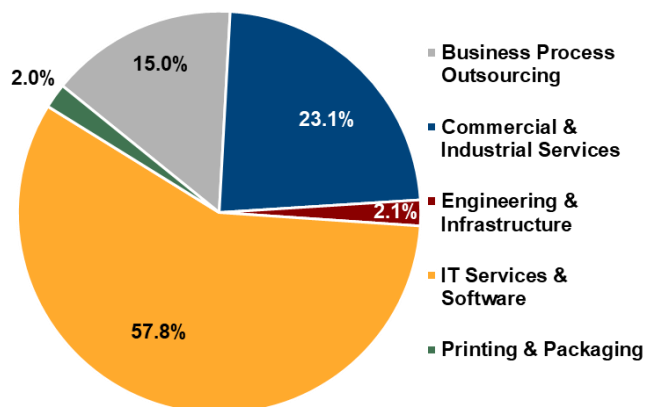
Overall, EV / EBITDA valuation multiples in the broader Business Services Segment, excluding IT Services/Software (which primarily trades on EV / Revenue), have ticked up slightly from 2019 levels, from 9.7x to 10.6x. This suggests that the market continues to search for quality targets that can withstand challenging environments, and buyers are willing to pay attractive prices for them.

## Historical Average Business Services M&A Transaction Multiples



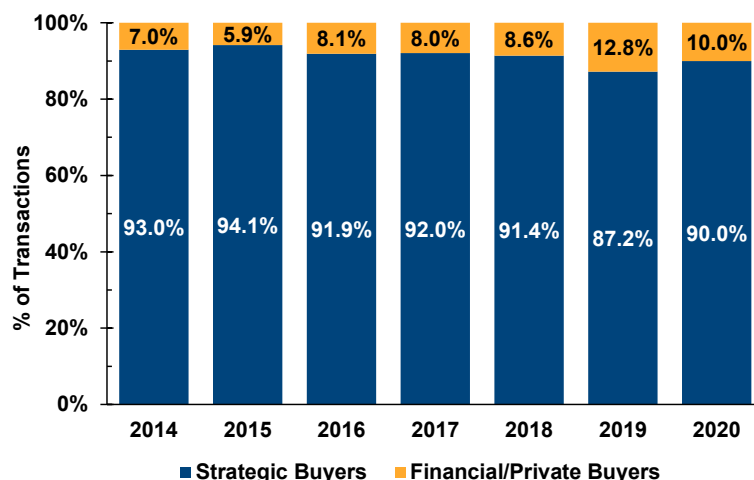
Source: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases

## Transactions by Sub-Sector (LTM)



Source: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases

## Share of Transactions by Buyer Type



## Notable Recently Announced and Closed Business Services Transactions

Date: 11/19/2020 (Announced)	Overview / Strategic Rationale:	IT Services & Software
<b>Target:</b>   <b>Acquirer:</b> 	<p>Nasdaq, a global leader in financial technology, acquired Verafin, a provider in anti-financial crime management solutions, to create a global software as a service (“SaaS”) leader against financial crime. Verafin’s anti-money laundering, fraud platform, and client breadth will complement Nasdaq’s leading trade and market surveillance solutions.</p> <ul style="list-style-type: none"> <li><i>The acquisition accelerates Nasdaq’s ongoing evolution into a leading SaaS technology provider and significantly strengthens its existing regulatory and anti-financial crime solutions by integrating Verafin’s capabilities across its entire network.</i></li> <li><i>Verafin’s capabilities will be expanded to service a global ecosystem of Tier-1 and Tier-2 banks and broker-dealers, many of which currently leverage Nasdaq’s technology to detect market manipulation and abuse.</i></li> </ul>	
Date: 12/31/2020 (Closed)	Overview / Strategic Rationale:	Engineering & Infrastructure
<b>Target:</b>   <b>Acquirer:</b> 	<p>Blackstone Energy Partners, a private equity firm, acquired Therma Holdings, LLC, a leading specialty mechanical, electrical, and controls services company focused on designing, building, and servicing complex systems in mission-critical facilities.</p> <ul style="list-style-type: none"> <li><i>Therma enhances Blackstone’s investment thesis and current portfolio focused on transitioning to cleaner and more affordable energy.</i></li> <li><i>RE Tech, a leading energy and sustainability consulting firm, will be integrated into Therma, by Blackstone, and together will offer a comprehensive suite of sustainability, carbon reduction, and energy management services.</i></li> </ul>	
Date: 9/29/2020 (Closed)	Overview / Strategic Rationale:	Business Process Outsourcing
<b>Target:</b>   <b>Acquirer:</b> 	<p>Tetra Tech, a leading provider of high-end consulting and engineering services focused on delivering solutions related to issues that arise in water, environment, infrastructure, resource management, energy, and international development, acquired BlueWater Federal. Blue Water Federal is a leading mission support services firm focused on providing a host of Enterprise IT solutions, including cybersecurity, engineering, global command and control, and applications development.</p> <ul style="list-style-type: none"> <li><i>BlueWater strengthens Tetra Tech’s advanced analytics business by expanding their capabilities of artificial intelligence, cybersecurity, and mission-essential services</i></li> <li><i>“Our ability to integrate high-end technology and analytics in the delivery of customized water, environment, and sustainable infrastructure solutions is a key differentiator for Tetra Tech in the marketplace today” - Dan Batrack, Tetra CEO</i></li> </ul>	
Date: 11/3/2020 (Closed)	Overview / Strategic Rationale:	Commercial & Industrial Services
<b>Target:</b>   <b>Acquirer:</b> 	<p>Warburg Pincus, a private equity firm, acquired Sweeping Corporation of America (“SCA”), a power sweeping services company throughout the U.S.</p> <ul style="list-style-type: none"> <li><i>SCA services include street and highway sweeping, parking lot sweeping, and jet vac services. The Company’s customer base includes municipalities, state departments of transportation, commercial, infrastructure, and construction clients.</i></li> <li><i>“As a leading growth investor, Warburg Pincus has a strong history in partnering and developing high-quality, category-defining businesses. As the only provider with significant scale and a growing national presence, this partnership will enable us to further expand service capacity, fuel continued innovation in its complimentary services, and support key growth initiatives, with a focus on strategic acquisitions.” - Christopher Valerian, President &amp; CEO, SCA</i></li> </ul>	

Recent Announced & Closed Transactions *(select transactions, not intended to be all-inclusive)*

Date	Acquirer	Target	Target Description	Price (\$MM)	Revenue Multiple	EBITDA Multiple
<b>BUSINESS PROCESS OUTSOURCING</b>						
12/10/2020	Leidos Holdings, Inc.	1901 Group LLC	1901 Group LLC provides IT services for public and private sectors.	\$ 215.00	-	-
12/10/2020	Northstar Capital, LLC; American Pacific Group, L.P.	Fresche Solutions Inc.	Fresche Solutions Inc., a legacy management company, re-hosts, re-writes, and re-architects business-critical applications.	-	-	-
11/12/2020	ManTech International Corporation	Minerva Engineering, LLC	Minerva Engineering, LLC provides software engineering services.	-	-	-
10/8/2020	Infosys Nova Holdings LLC	iCiDIGITAL, Inc.	iCiDIGITAL, Inc. doing business as Blue Acom iCi, a digital commerce UX design and strategy agency, provides strategy, UX/UI design, platform development, and custom integrations services.	125.00	2.87	-
9/28/2020	Peloton Consulting Group	TRI Consulting Services, Inc. (FN)	TRI Consulting Services, Inc. (FN) provides oracle consulting and managed application services for global enterprises.	-	-	-
<b>PRINTING &amp; PACKAGING</b>						
12/30/2020	Doxim, Inc.	Laser Print Plus, Inc.	Laser Print Plus, Inc designs, prints, and mails statements, invoices, and other documents.	\$ -	-	-
11/18/2020	Westbridge Capital Ltd.	Overture, LLC	Overture, LLC, a promotional product agency, develops promotional products and advertising specialties for businesses.	-	-	-
11/16/2020	Minuteman Press - South Hills	Greentree Printing & Signs, Inc.	Greentree Printing & Signs, Inc. was acquired by Minuteman Press South Hills.	-	-	-
10/27/2020	Resource Label Group, LLC	Mcdowell Packaging & Advertising Co., Inc.	Mcdowell Packaging & Advertising Co., Inc. provides label and screen printing services for customers across the automotive, household products, gourmet foods, and health and personal care segments.	-	-	-
9/16/2020	Frankston Packaging Company, LP	Paco Label Systems, Inc.	Paco Label Systems, Inc. manufactures and supplies flexible packaging and pressure sensitive labels.	-	-	-
<b>COMMERCIAL &amp; INDUSTRIAL SERVICES</b>						
12/11/2020	eClerx LLC	Personiv	Personiv offers recruiting, back office, creative design, and customer contact services to businesses.	\$ 34.00	1.06	4.73
11/19/2020	Bernhard Capital Partners Management LP	Allied Power Holdings, LLC	Allied Power Holdings, LLC provides maintenance, modification, and repair services to the nuclear and fossil power generation industry.	40.00	-	-
10/29/2020	Ritchie Bros. Auctioneers (America), Inc.	Rouse Services LLC	Rouse Services LLC provides appraisal services for rental, dealer, and contractor construction equipment fleets in North America and Europe.	275.00	-	-
10/13/2020	Kingsway Warranty Holdings LLC	PWI Holdings, Inc.	PWI Holdings, Inc., through its subsidiaries, markets, sells, and administers vehicle service contracts through a network of automobile dealer partners in the United States.	24.50	-	3.71
9/21/2020	BioLife Solutions, Inc.	SciSafe, Inc.	SciSafe, Inc. provides storage services for pharmaceutical and biological samples.	48.67	8.11	-
<b>IT SERVICES &amp; SOFTWARE</b>						
12/14/2020	PTC Inc.	Arena Solutions, Inc.	Arena Solutions, Inc. designs and develops cloud product lifecycle management (PLM) and quality management system (QMS) software solutions.	\$ 715.00	-	-
12/8/2020	Fortinet, Inc.	Panopta LLC	Panopta LLC develops software for infrastructure monitoring services.	34.00	-	-
11/11/2020	Palo Alto Networks, Inc.	Expanse, Inc.	Expanse, Inc., through its platform, offers data marshalling services.	800.00	-	-
<b>ENGINEERING &amp; INFRASTRUCTURE</b>						
12/15/2020	Oshkosh Corporation	Pratt & Miller Engineering and Fabrication, Inc.	Pratt & Miller Engineering and Fabrication, Inc. operates as an engineering and product development company in the United States.	\$ 115.00	-	-
11/9/2020	The Blackstone Group Inc.; Blackstone Energy Partners L.P.	Therma Corporation	Therma Corporation provides mechanical contracting services for industrial, commercial, and biomedical markets.	-	-	-
10/26/2020	Mid-State Machine & Fabricating Corporation	AZZ SMS LLC	AZZ SMS LLC provides specialty construction and overhaul services, including boiler component and pressure vessel fabrications.	-	-	-

Sources: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases



## Sub-Sector Profile: Red Hot M&A Market for HVAC and Plumbing Services

The HVAC and Plumbing Services market is comprised of service providers that install new, used, and replacement equipment, and perform a variety of maintenance, repair, and consulting services for homeowners and other residential real estate customers.

The HVAC and Plumbing Services market is a very large and highly fragmented industry without anyone player controlling a large percentage of the revenues. According to IBIS World, by 2025, the HVAC Services market is projected to be a \$15 billion per year market that consists of thousands of players nationwide.

Over the past several years, there has been a significant amount of M&A activity in the Residential HVAC / Plumbing Market across a diverse group of buyer types; including large and medium-sized strategic acquirers, private equity firms with an established platform investment pursuing add-on acquisitions, and private equity and family office investors completed new platform investments.

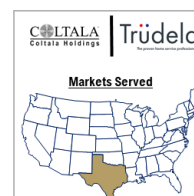
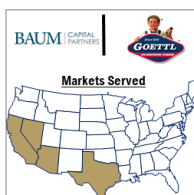
The robust M&A activity the market is experiencing from both primary, and secondary financial sponsors, as well as corporate consolidators is driving attractive valuation multiples for sellers. EdgePoint believes this industry segment is experiencing one of the best M&A markets ever.

### Attractive Fundamentals of Residential HVAC Plumbing Service Providers

- ☒ **Recession Resistant Business Model**  
Annually recurring, nondiscretionary customer spending that does not typically correlate with macroeconomic cycles
- ☒ **Recurring Maintenance**  
Maintaining HVAC systems are essential and results in nondiscretionary spending
- ☒ **Increasing Population of Millennials**  
Shifting demographics in which majority of millennials are unwilling or unable to "fix it"
- ☒ **Working Remote Culture**  
Increased residential service calls as a result of people working from home keeps HVAC systems running overtime
- ☒ **Demand for Air Quality**  
Renewed concern over air filtration and the air people breathe at home

### Residential: Corporate Consolidators and Private Equity Platforms

The following presents several of the active strategic consolidators and private equity platforms that have been active in M&A transactions over the past few years.



**Consistent, Reliable Performance, with Large-Scale Consolidation is Motivating Buyers to Aggressively Pursue Growth Acquisitions at Attractive Valuations**

## Sub-Sector Profile: Red Hot M&A Market for HVAC and Plumbing Services

Similar to the Residential market, the same services for commercial services has been a hot sector for M&A activity, supported by strong fundamentals of sellers and robust acquisition interest from strategic consolidators and private equity platforms.

### Commercial: Corporate Consolidators and Private Equity Platforms



### Attractive Fundamentals of Commercial HVAC Service Providers

- ✓ **Recession Resilience**  
*Annually recurring, nondiscretionary spending uncorrelated to economic cycles*
- ✓ **Critical Infrastructure with Recurring Maintenance**  
*Maintaining HVAC systems are essential to commercial and industrial use buildings*
- ✓ **Large Purchasers Support Recurring Contracts**  
*Repair and maintenance service contracts are recurring in nature and offer heightened revenue visibility*
- ✓ **Increasing Commercial Service Calls**  
*Essential service buildings continue to work overtime since the pandemic*
- ✓ **Safety Concerns**  
*Renewed concern over air filtration and the air people breathe at work*

A number of the active consolidators (both strategic acquirers and private equity platforms) for commercial HVAC service providers are shown to the left

### Most Consolidators are Frequent Acquirers

Corporate consolidators and private equity firms view HVAC service providers as an industry with significant consolidation potential. With thousands of independent firms operating across the nation, the market is highly fragmented and consolidators believe many of them would benefit from a growing regional or even national presence. These factors, along with the recession resistant nature of the demand patterns, and the overall opportunity to scale, many private equity firms and strategic acquirers are aggressively pursuing growth today by acquiring established HVAC contractors (some multiple transactions per year).

As the table to the right shows, many of these players have executed multiple transactions over the past several years with the support of their private equity partners to continue consolidating the industry.

In just the past few months, there have been several new platform investments completed by private equity firms, which further suggests the attractive, on-going investment thesis and desire to grow via acquisition. Furthermore, the secondary market (primary private equity investors exiting out of their platform investments) also remains highly active, as larger private equity firms seek even more aggressive M&A strategies.

### Select Acquirers that Completed Multiple Transactions

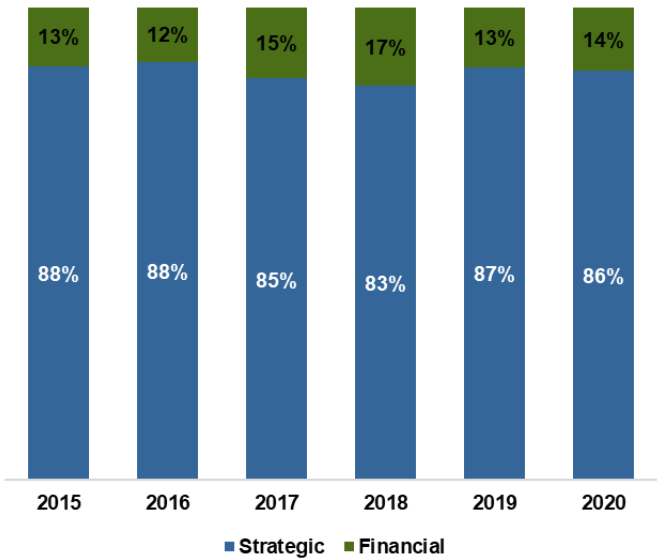
Acquirer	Current PE Sponsor	Type	# of Acquisitions
Service Champions	Odyssey Investment Partners, LLC	Residential	6
United Air Temp	Summit Park	Residential	New Platform
The Wrench Group	Leonard Green Partners	Residential	10+
American Residential Services	GI Partners	Residential + Commercial	25
Apex Service Partners	Alpine	Residential + Commercial	2 (several under prior platform)
Heartland Home Services	Jordan Company	Residential	6
Horizon Services	New Mountain Capital	Residential	5
HomeServe	n/a	Residential	16
Len the Plumber	Thompson Street Capital Partners	Residential	New Platform
TurnPoint Services	OMERS Private Equity	Residential + Commercial	5
Sila	Dubin Clark	Residential	3
Burton	ShoreView	Residential + Commercial	New Platform
Reedy Services	Audax Group	Commercial	6
Enercare	Brookfield Infrastructure Partners	Residential + Commercial	6
Flint Group	n/a	Residential	4
Goettl	Baum Capital Partners	Residential	7
Trudela	Cottala Holdings	Residential	3
The Seer Group	n/a	Residential + Commercial	3
Air Pros	n/a	Residential + Commercial	5
NearU	n/a	Residential + Commercial	4
CoolSys	Ares Corporation	Residential + Commercial	15
Therma Holdings	Blackstone	Commercial	4
Pueblo Mechanical & Controls	Huron Capital	Commercial	5
Service Logic	Leonard Green Partners	Commercial	6
Climate Pros	Saw Mill Capital	Commercial	3
Southern Air & Heat Holdings	MSouth Equity Partners	Residential + Commercial	New Platform
Fix-It 24/7	New Harbor Capital	Residential	New Platform

Sources: CapitalIQ and Pitchbook

Sub-Sector Profile: Red Hot M&A Market for HVAC and Plumbing Services

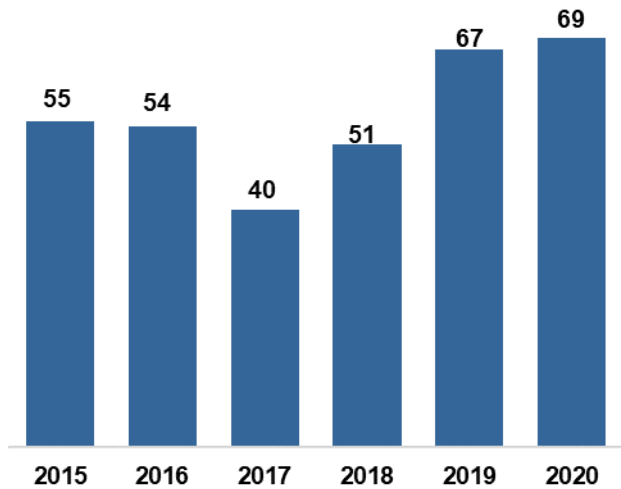
The U.S. HVAC and Plumbing Service sector’s 2020 M&A volume increased over 2019 by 3%, despite the macroeconomic impact of the COVID-19 pandemic. Although there was temporary softness in April and May of 2020 during the initial lockdown months, M&A activity has rebounded strongly.

HVAC Service Transactions By Buyer Type



Source: CapitalIQ

# of Transactions for HVAC Service Providers



Source: CapitalIQ

M&A activity increased 130% in Q3 over Q2, and 44% in Q4 over Q3 with year-over year activity essentially flat, even with the Q2 slowdown. In the late summer and fall, private equity firms began investing in additional platforms and were willing to pay aggressive multiples due to recurring service needs and customers proven nondiscretionary needs.

The HVAC industry has performed very well through the pandemic and acquirors remain attracted to assets in the space.

2021 Expectations: Continued Strategic Consolidation and M&A Activity is Expected to Remain Strong

What are some of the Industry Experts Saying?

“The commercial and industrial HVAC space is a highly fragmented industry with several thousand contractors scattered across the U.S. Although there are some unique aspects to each contractor, the vast majority of services they provide are similar—so, we focus on those businesses with key relationships built over decades to provide a leg up against the competition...We’ve done 15 acquisitions to date and have only begun to scratch the surface of our M&A Strategy.”

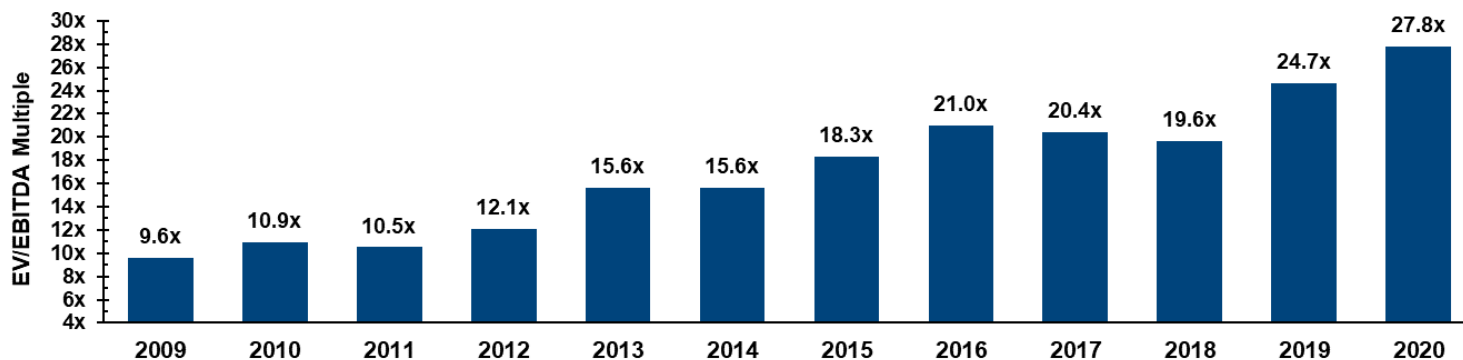
- Karan Aggarwal,  
Vice President of Corporate Development at CoolSys

“What HomeServe stands for – making home repairs and improvements easy – has never been more important. The stresses of living and working through a pandemic mean that we are all more aware than ever of the value of home comforts. Our strong policy retention in the first half underscores the value our Membership customers place on the service we provide...The latest wave of lockdowns has made no fundamental difference to our operations, and the good news for us and our customers is that engineers can continue to work in peoples’ homes.”

- Richard Harpin, Founder of HomeServe

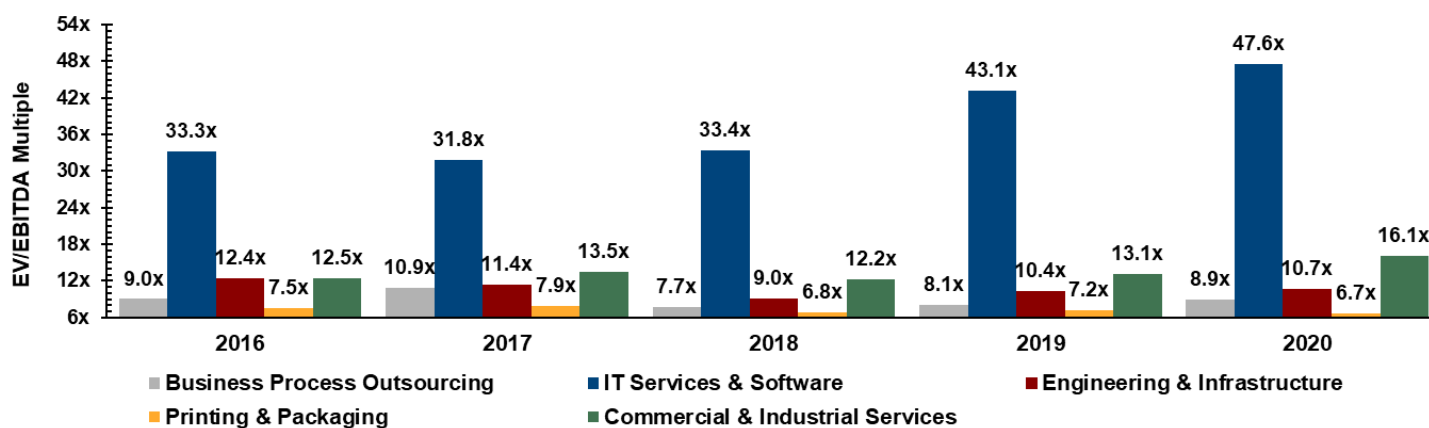
## Public Company Comparison Trading Multiples

Business Services: Annual EV/EBITDA Multiples



Source: CapIQ, public trading data as of December 31, 2020

Business Services Sub-Sector Public EV/EBITDA Multiples



Source: CapIQ, public trading data as of December 31, 2020

## Representative EdgePoint Business Services Transactions



EdgePoint is an **independent, advisory-focused,**  
**investment banking** firm serving the **middle market.**

**M&A**  
**Advisory**  
 RESULTS *with*  
 INTEGRITY™