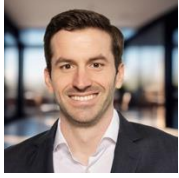


Business Services Perspectives

August 2024



G-SIDE CAPITAL ADVISORS



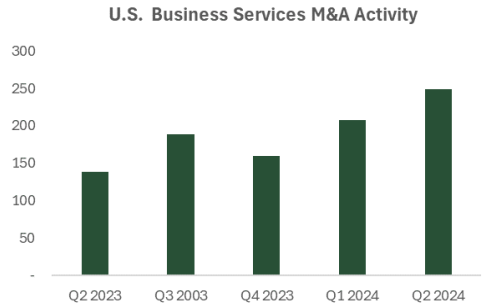
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RAPID CONSOLIDATION & DIGITAL TRANSFORMATION DRIVING M&A ACTIVITY

M&A activity in the Business Services sector continued to track higher in Q2 2024. The upward trajectory in deal-making is poised to accelerate in the second half of the year as more companies come to market and valuations continue to hold steady, if not increase. Rapid consolidation of businesses offering services in the areas of consulting, outsourcing, and technology solutions has been a major catalyst driving the surge in deal activity. In addition, companies seeking a boost in digital transformation to enhance operational efficiencies and foster competitiveness in a rapidly changing landscape have also been highly acquisitive. As companies push to diversify and specialize while achieving peak efficiency, demand for outsourced or acquired expertise in areas such as HR, management and IT consulting services enforce this M&A theme, including the adoption of flexible work and staffing models, heightened focus on sustainability and regulatory compliance, and the integration of data analytics and artificial intelligence. Meanwhile, outsourced facility services remains one of the hottest sectors as private equity firms continue to build out platform investments in janitorial services, landscaping, and maintenance and repair.



Financial and tax compliance and assurance services are additional areas where a combination of consolidation and digital transformation are driving M&A activity higher.

VALUATION DRIVERS

The companies achieving the highest valuations in the Business Services sector are those that possess or are developing and enhancing digital transformation tools such as advanced technologies like AI, cloud computing, and data analytics. These capabilities are seen as requirements to effectively compete in many industries and are used to improve service delivery and client engagement. In an economy where rapid change and technological adoption is rampant, many businesses don't have the luxury of building scale organically and must turn to M&A to stay competitive, often at a premium. Private equity firms make up approximately one third of all deals in the Business Services sector and remain active. As a result, competition to acquire attractive assets in the sector is fierce, often resulting in compelling valuations for sellers, particularly for premium businesses that have above-average EBITDA margins, growth and/or technological advancements. Large, publicly-traded strategic buyers are formidable suitors given near-record high equity prices, making deals immediately accretive even if the purchase price appears excessive.

Business Services Deal Highlights

- 7%** increase in QOQ deal volume
- 9%** increase in QOQ deal value
- 33%** Private equity involvement

Notable Quotes & Trends:

"When people think about job losses due to AI, the risk isn't people losing their job to AI, it's losing their job to somebody else who knows how to use AI" – Hadi Partovi, CEO of code.org

"Humans are fantastic but not as good at customer service as AI" – Sebastian Siemiatkowski, CEO of Klama

AI could displace 400 million workers worldwide. A McKinsey report predicts that between 2016 and 2030, AI-related advancements may affect around 15% of the global workforce.

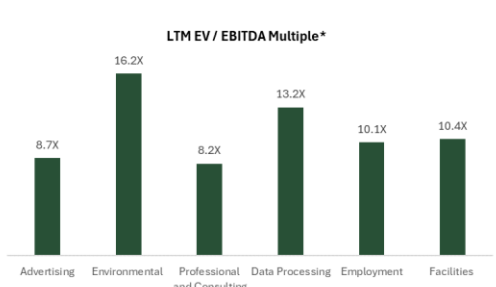
As labor shortages become a pressing concern, 25% of companies are turning to AI adoption to address this issue, according to an IBM report. AI helps businesses optimize operations and compensate for the lack of human resources.

Recent Business Services Headline Deals

Acquirer	Target	Value (billions)
CLAYTON DUBISSIERE DUBLUCCHE	Truist Insurance Holdings	\$15.50
Equifax	Equifax	\$6.90
GENSTAR	AFFINIPAY	\$3.00
CEIZ	M	\$2.30
CYBERARK	Venafi	\$1.50

DEAL & VALUATION TRACKER

Public Business Services EBITDA Multiples



* As of 7/31/24

G-Side Capital Advisors provides independent M&A and ancillary investment banking advisory services to privately-held middle market businesses in a variety of industries. Learn more at www.g-sideca.com.