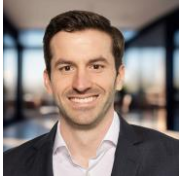


Business Services Perspectives

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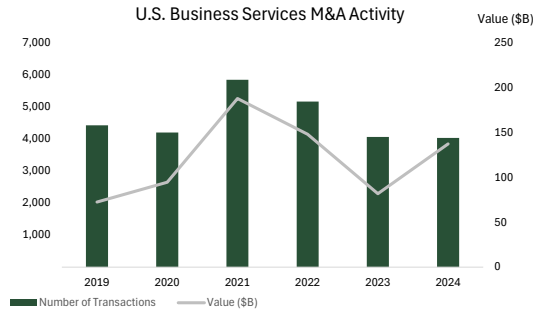


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SPECIALIZED EXPERTISE DRIVING M&A ACTIVITY

Business Services M&A is set to climb in 2025, driven by several converging factors such as demand for specialized expertise, rapid technological advancements, and ongoing consolidation within fragmented markets. Investors are prioritizing businesses with strong cash flow, recurring revenue, stable markets, and predictable demand, often linked to non-discretionary spending. Outsourcing of non-core functions to specialized providers of professional and tech-enabled services is increasing, particularly in areas like travel management, data and information services, and compliance-driven consulting within heavily regulated sectors like healthcare and insurance. Moreover, commercial and industrial services are consolidating due to fragmentation and essential service demands.

IT services are in high demand due to technological advancements and cyber threats, creating demand for outsourced solutions. HVAC and plumbing services are also seeing increased M&A action due to vast aging in infrastructure and regulatory changes, as well as efficiencies gained by economies of scale. Firms with specialized expertise, technical skills, and AI adoption are highly sought after M&A targets. Professional services M&A is



reaching a crescendo as private equity firms are aggressively investing in the largest firms as a platform and then further supporting a flurry of add-on activity. Private equity is attracted to CPA and Advisory firms due to stable, recurring revenue streams, resilience during economic downturns, potential for consolidation through "roll-up" strategies in a fragmented market, and the opportunity to improve operational efficiency by injecting capital and expertise to scale the business and generate higher profits.

VALUATION IMPACT OF SCARCE LABOR

The persistent labor shortage in the U.S. has compelled companies to seek a reliable supply of talent and skilled resources through outsourced providers adding to the demand for business services businesses. Companies with a proven track record of improving operational efficiency for end-users through technology, AI and staffing are prime targets for M&A, especially entities with highly scalable platforms. Given the inherently fragmented nature of the Business Services sector, companies are consolidating to expand geographically and to add greater diversification of services offered. Staffing agencies, HR consulting, and executive search firms are seeing renewed interest given labor management challenges from rising wages, work location arrangements, evolving corporate policies, new legislation, and marketplace circumstances.

Business Services Deal Highlights

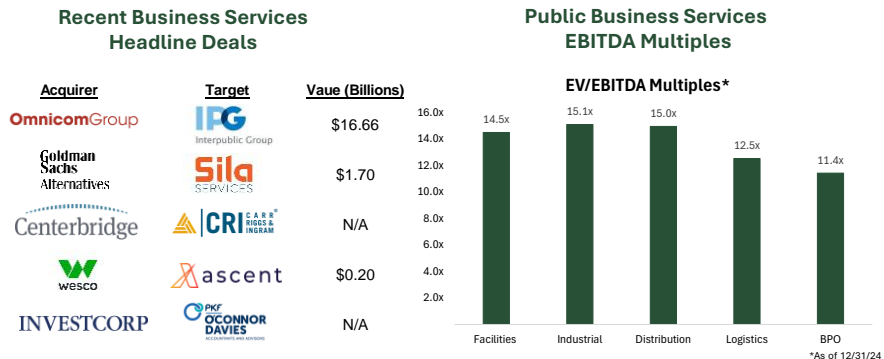
-1% Increase in YOY deal volume
68% Increase in YOY deal value
62% Private equity involvement

Notable Quotes & Trends:

"I am bullish on M&A in 2025 given the global race in front of us and private equity will also be a catalyst" - **Ted Pick, CEO, Morgan Stanley**

"Today is a monumental day for the accounting profession! Citrin Cooperman and New Mountain Capital became the first top 25 CPA firm in the country to successfully transfer private equity ownership from one group to another. They couldn't have picked a better private equity firm to do it with in Blackstone, the world's largest and most prestigious private equity firm." - **Allan Koltin, CEO, Koltin Consulting Group**

Salesforce reports that the number of customer service leaders using outsourced AI has increased by 88% since 2020. Currently, 45% of leaders say they've deployed AI solutions.



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.