



professionalservicesREPORT

INDUSTRY OVERVIEW

An increase in corporate profits and the need for companies to be more efficient with resources have increased the demand for professional services in the first half of 2014. Many corporations are experiencing topline growth in 2014, but do not have the necessary resources to capitalize on this growth; thus, companies are increasing its use of outsourced professional services.

In the deal space, IT Consulting and Consulting/Legal/Accounting continue to lead transactions, as these companies look to acquire additional expertise. Both the insurance brokerage and real estate services industries are experiencing consolidation as long time owners look to take advantage of the seller friendly environment. Additionally, there has been an increase in cross sector acquisitions as professional service firms expand offerings to customers. For example, SDR has observed an increase in accounting firms acquiring consulting and IT services firms.

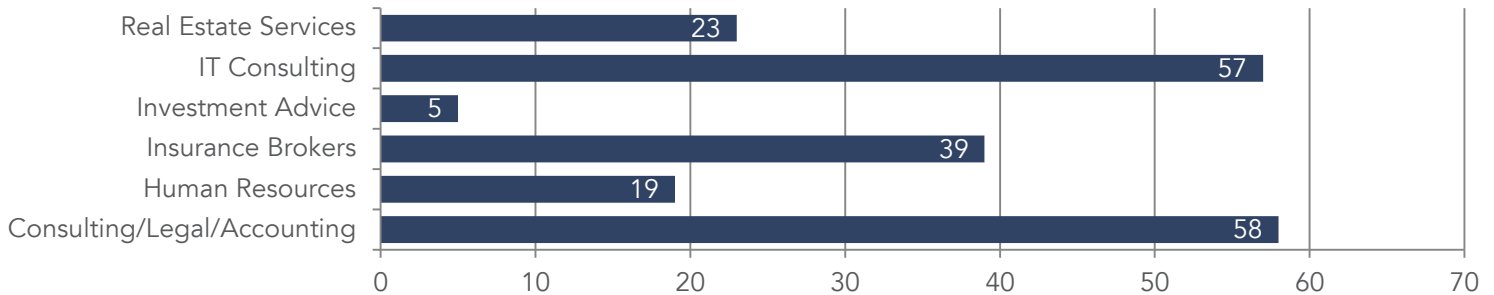
There may be headwinds for professional services firms as the macro-economy is projected to have decreased growth for the balance of 2014. Acquirers will remain active as they continue to be able to access significant amounts of leverage. Large corporations, as seen by transaction activity, will continue to look for substantial growth to differentiate themselves from their competitors.

If you have any questions please contact us.

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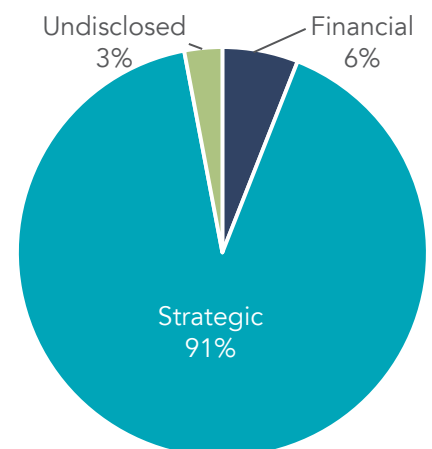
TRANSACTION HIGHLIGHTS

TRANSACTIONS # BY SEGMENT (Q2)



STRATEGIC VS. FINANCIAL TRANSACTIONS HIGHLIGHTS

STRATEGIC ACQUISITIONS	6.30.14	Seaton LLC, provides outsourcing and recruiting services, was acquired by TrueBlue, Inc. (NYSE:TBI) for \$310 million.
	5.29.14	KMPG acquired The Rothstein, Kass & Company, P.C. to expand their services in the U.S hedge fund market.
	5.8.14	Perficient Inc. acquired Trifecta Technologies, located in Pennsylvania, for \$13.7 million
FINANCIAL ACQUISITIONS	6.4.2014	LLR Partners completed a \$20 million investment in Aasonn, LLC, a global technology services partner to SAP SuccessFactors



The information contained herein is based on sources we believe reliable but is not guaranteed by us and is not to be considered all inclusive. It is not to be construed as an offer or consultation of an offer to sell or buy any securities.

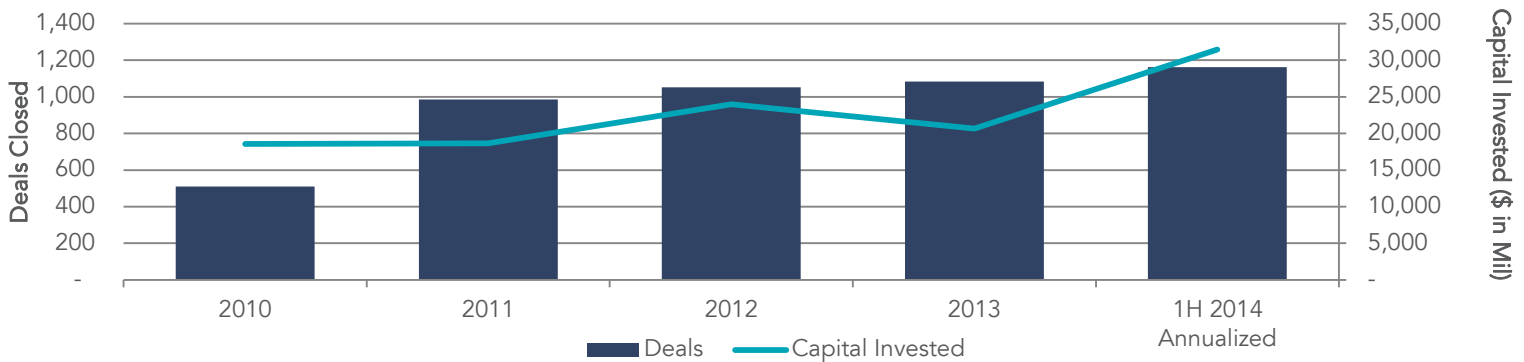


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TRANSACTION ACTIVITY

Date	Target	Buyer	Transaction Comments
6.30.2014	Seaton LLC	TrueBlue, Inc. (NYSE:TB1)	TrueBlue, Inc. (NYSE:TB1) entered into a stock purchase agreement to acquire SeatonCorp from Leeds Equity Partners and others for \$310m in cash. The acquisition will be financed through \$120m of cash and \$190m of secured revolving credit facility
6.14.2014	Clarity Solution Group, Inc.	Riordan, Lewis & Haden	Riordan, Lewis & Haden acquired a stake in Clarity Solution Group, Inc. RLH partnered with Clarity's management team, including Chief Executive Officer Mike Lambie and founders John Papadia and James Urhausen III, to recapitalize Clarity.
6.4.2014	Aasonn, LLC	LLR Partners	Aasonn, Llc announced that it has received \$20 million in capital funding from new investor, LLR Equity Partners IV LP, a fund managed by LLR Partners Inc.
5.29.2014	The Rothstein, Kass & Company, P.C	KPMG LLP	KPMG LLP agreed to acquire assets of The Rothstein, Kass & Company, P.C. Rothstein Kass had \$202.1 million in revenue in 2013. As per the terms of the transaction most of the principals and employees of Rothstein Kass will join KPMG.
5.21.2014	Trifecta Technologies, Inc.	Perficient Inc. (NasdaqGS:PRFT)	Perficient acquired substantially all of the assets of Trifecta for \$13.75mm. The closing consideration paid in the transaction is approx. \$13.7mm and includes approx. \$12.7mm in cash and approximately \$1 million worth of Perficient stock.
4.15.2014	LandSafe Title Inc.	Stewart Information Services Corporation (NYSE:STC)	Stewart Information Services Corp, signed an agreement to acquire LandSafe Title Inc. from LandSafe, Inc. Stewart Information Services also announced the acquisitions of Wetzel Trott, Inc. and the title and collateral valuation business lines of DataQuick

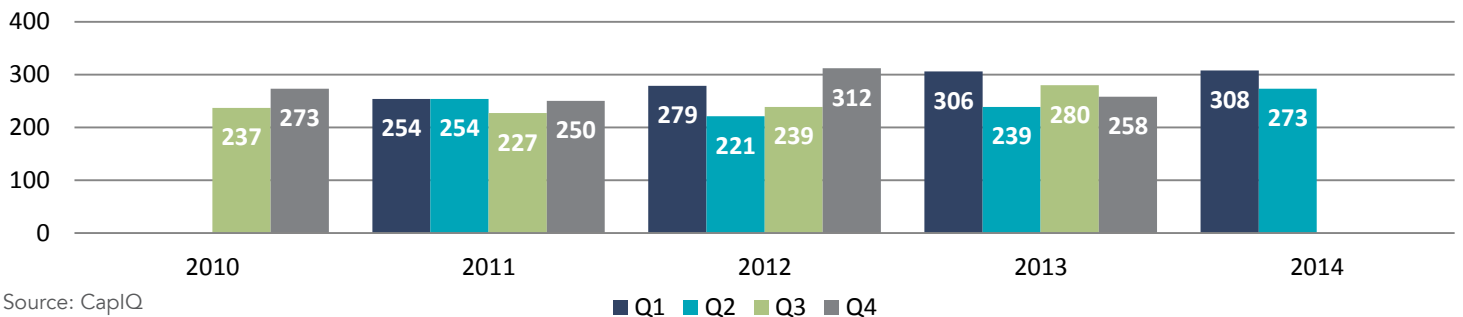
US PROFESSIONAL SERVICES M&A ACTIVITY



Source: CapIQ

PROFESSIONAL SERVICES TRANSACTIONS

OF TRANSACTIONS BY QUARTER



Source: CapIQ

*Note: These data represent the recorded transactions, are not all inclusive of completed transactions, and are meant to be representative of the industry.



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PUBLIC BASKET

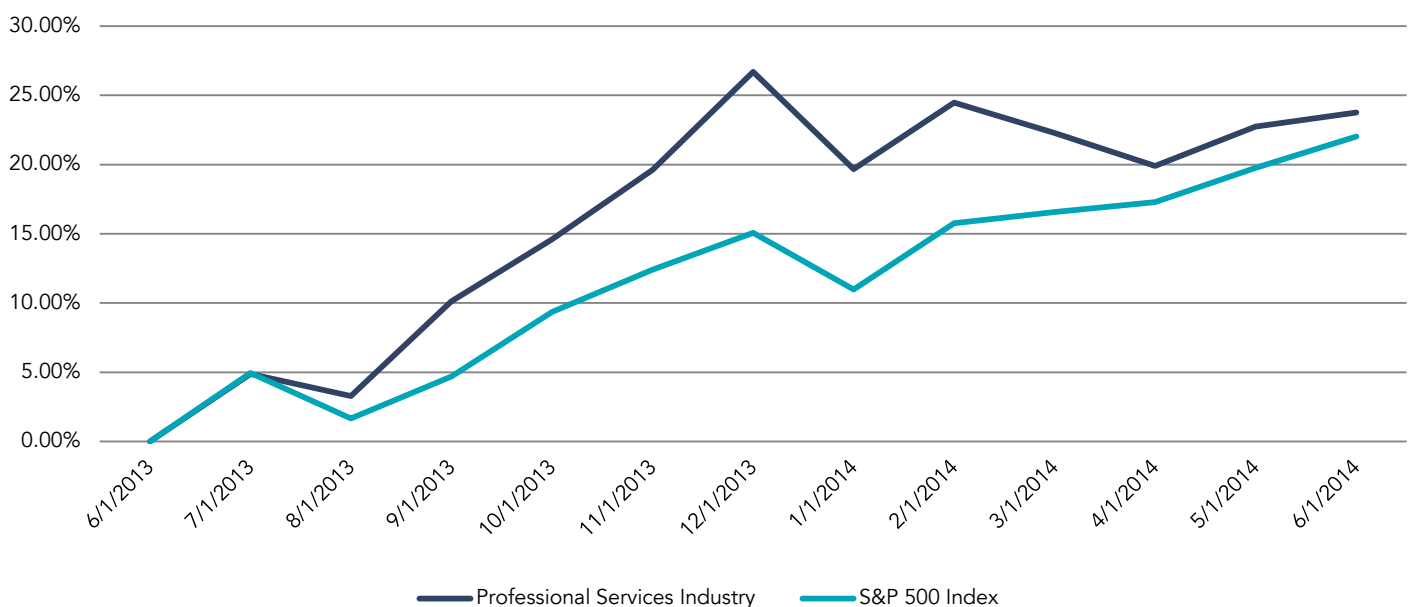
The overall professional services public basket outpaced the S&P 500 for the last twelve months; however, the recent performance of the industry has lagged the equity markets. Notably Realogy, a global real estate franchisor, saw a significant decline in share price year-to-date of 23.8%. IT Consulting public companies have varied in performance – Accenture, one of the largest consulting firms in the world, experienced a 1.68% decline YTD while Edgewater Technology & CGI Group have both had strong stock performance of over a 6.0% increase.

Real estate services multiples were the highest of the basket as these companies experienced an increase in home sales in the current low mortgage rate environment. Across each segment, professional services enterprise value multiples remain above the average multiples of the S&P 500 showing investor’s attraction to the industry over other lower growth sectors.

Company	Symbol	State	Market Cap (\$ in Mil)	Stock Price		Price/ LTM EPS	Price/ Book	Price/ Rev	Price/ EBITDA	
				Date	Month Change YTD Change					
Accenture plc	NYSE:ACN	N/A	\$ 51,030	\$ 80.8	(0.75%)	(1.68%)	23.8x	9.1x	1.6x	10.5x
CGI Group, Inc.	TSX:GIB.A	QC	\$ 11,687	\$ 37.8	2.49%	6.42%	16.8x	2.5x	1.4x	9.2x
CBIZ, Inc.	NYSE:CBZ	OH	\$ 447	\$ 9.0	5.86%	(0.99%)	16.9x	1.1x	0.9x	9.7x
Edgewater Technology Inc.	NasdaqGM:EDG	MA	\$ 83	\$ 7.4	(3.88%)	6.44%	22.3x	1.2x	0.7x	8.4x
Realogy Holdings Corp.	NYSE:RLGY	NJ	\$ 5,510	\$ 37.7	1.43%	(23.77%)	34.5x	2.8x	1.8x	13.6x
CBRE Group, Inc.	NYSE:CBG	CA	\$ 10,638	\$ 32.0	7.37%	21.83%	27.6x	5.3x	1.7x	12.8x
Arthur J Gallagher & Co.	NYSE:AJG	IL	\$ 7,321	\$ 46.6	1.68%	(0.70%)	33.9x	2.9x	2.5x	16.0x
Barrett Business Services Inc.	NasdaqGS:BBSI	WA	\$ 337	\$ 47.0	(0.34%)	(49.32%)	24.1x	5.0x	0.4x	9.8x
Average			\$ 10,882	\$ 37.3	1.73%	(5.22%)	25.0x	3.7x	1.4x	11.2x

Source: CapIQ

PROFESSIONAL SERVICES INDUSTRY VS. S&P 500 RUNNING 12 MONTHS



Source: CapIQ



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INDUSTRY SEGMENTS

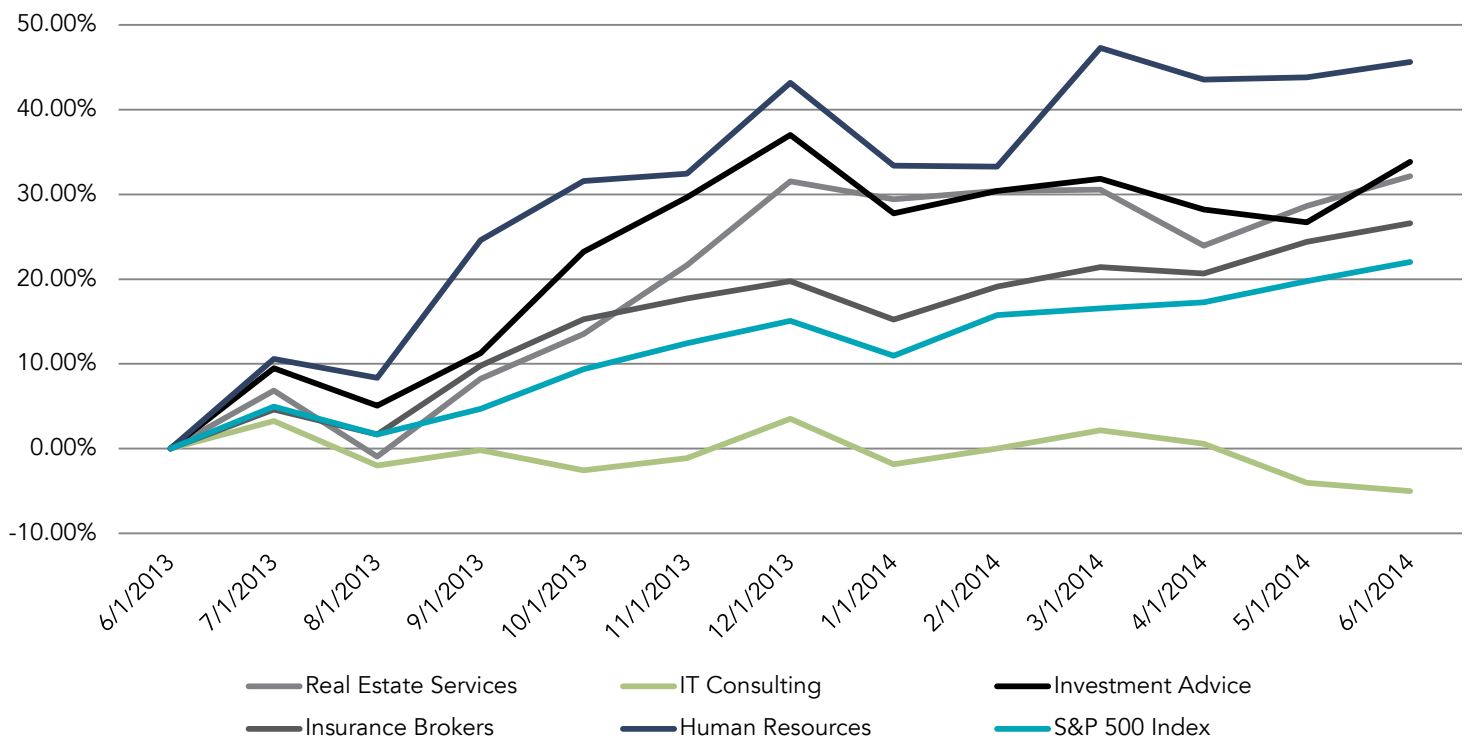
Out of the five segments in the professional services industry, as determined by SDR, four of the segments significantly outperformed the S&P 500 in the last twelve months. IT Consulting has lagged in performance to other segments of the industry and the S&P 500. Overall, the industry has significantly underperformed year-to-date to the S&P 500 with the IT Consulting index decreasing by 8.3%.

With the public markets being forward looking indicators, the public markets may be predicting headwinds for professional service firms.

Market Segment	Market Cap	Stock Price Delta			Price/ LTM EPS	Price/ Book	TEV/ Sales	TEV/ EBITDA
		Month	YTD	LTM				
Real Estate Services	\$ 2,928	2.7%	0.5%	32.1%	28.26x	4.88x	5.59x	31.18x
IT Consulting	\$ 7,182	(1.0%)	(8.3%)	(5.0%)	25.31x	11.43x	1.47x	15.85x
Investment Advice	\$ 4,672	5.7%	(2.3%)	33.9%	28.50x	5.70x	4.54x	14.79x
Insurance Brokers	\$ 8,480	1.8%	5.7%	26.6%	28.97x	2.96x	2.30x	43.16x
Human Resources	\$ 1,565	1.3%	1.7%	45.6%	32.38x	3.49x	5.35x	16.86x
Consulting/Legal/Accounting	\$ 2,463	3.2%	1.2%	23.2%	30.53x	4.31x	3.57x	12.46x
Industry Average	\$ 5,006	0.8%	(2.3%)	23.8%	31.99x	6.08x	2.79x	16.36x
S&P 500 Average	\$ 36,211	1.9%	6.1%	22.0%	28.33x	4.79x	3.21x	11.82x

Source: CapIQ

PROFESSIONAL SERVICES SEGMENTS VS. S&P 500 RUNNING 12 MONTHS



Source: CapIQ

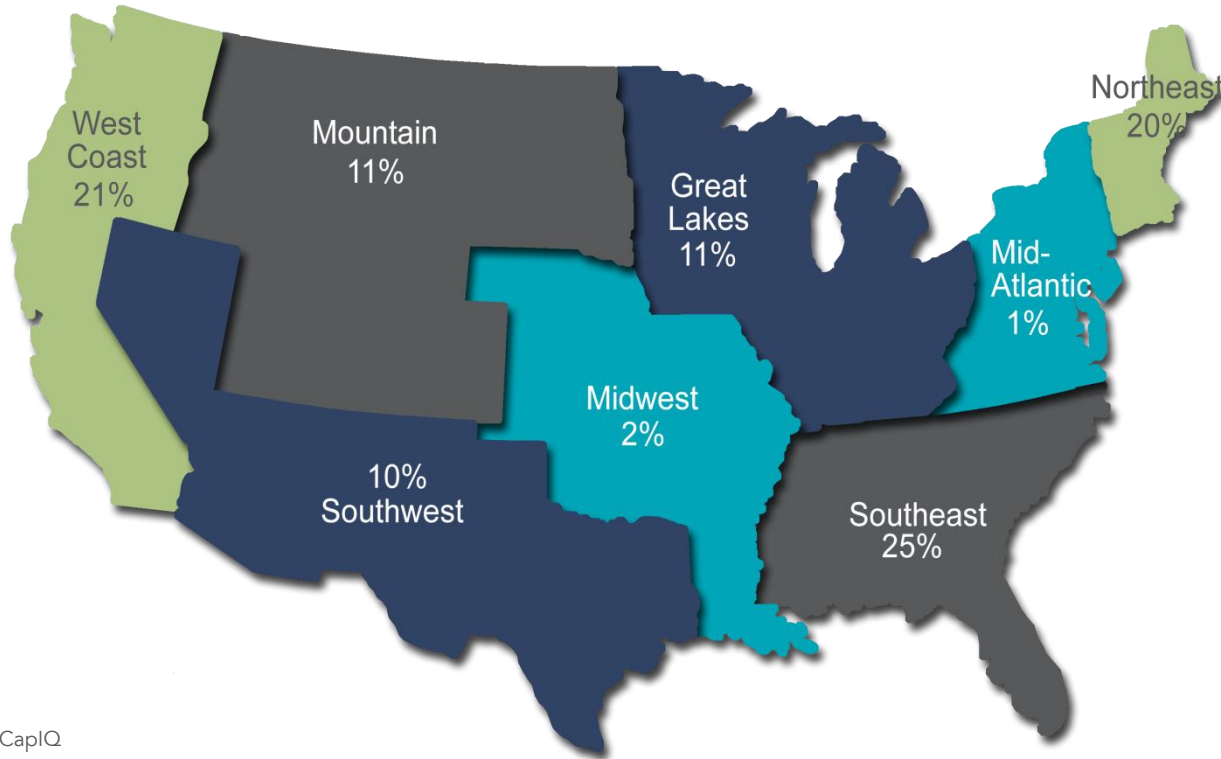


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INDUSTRY GEOGRAPHY

COMPANIES BY REGION

PROFESSIONAL SERVICE COMPANIES BY REGION AS OF JUNE 30, 2014



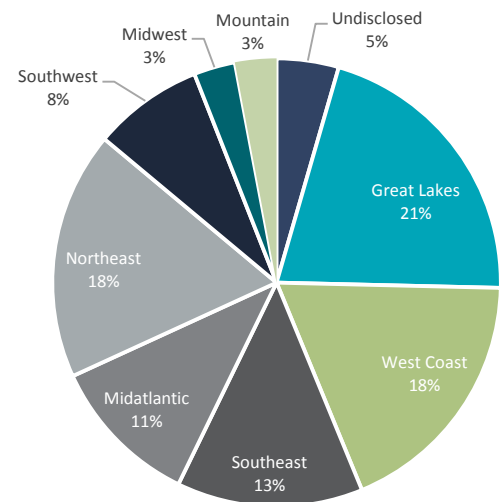
Source: CapIQ

COMPANIES BY SIZE

State	Undisclosed	\$ 0 - 5 Revenue	\$ 5 - 10 Revenue	\$ 10 - 25 Revenue	\$ 25 - 50 Revenue	\$ 50 - 100 Revenue	\$ 100+ Revenue
AZ	159	14	370	19	2	1	5
CO	212	12	490	16	1	4	4
KS	52	3	150	4	3	1	1
ND	8	2	20	1	1	0	0
NE	43	4	80	1	0	0	0
NM	27	3	86	2	0	0	2
OK	85	4	159	3	5	0	0
SD	5	0	26	0	0	0	0
TX	84	6	237	4	2	0	3
UT	68	9	229	7	0	1	2
WY	9	0	25	0	0	0	0

Revenue in millions

TRANSACTIONS BY REGION



Source: CapIQ

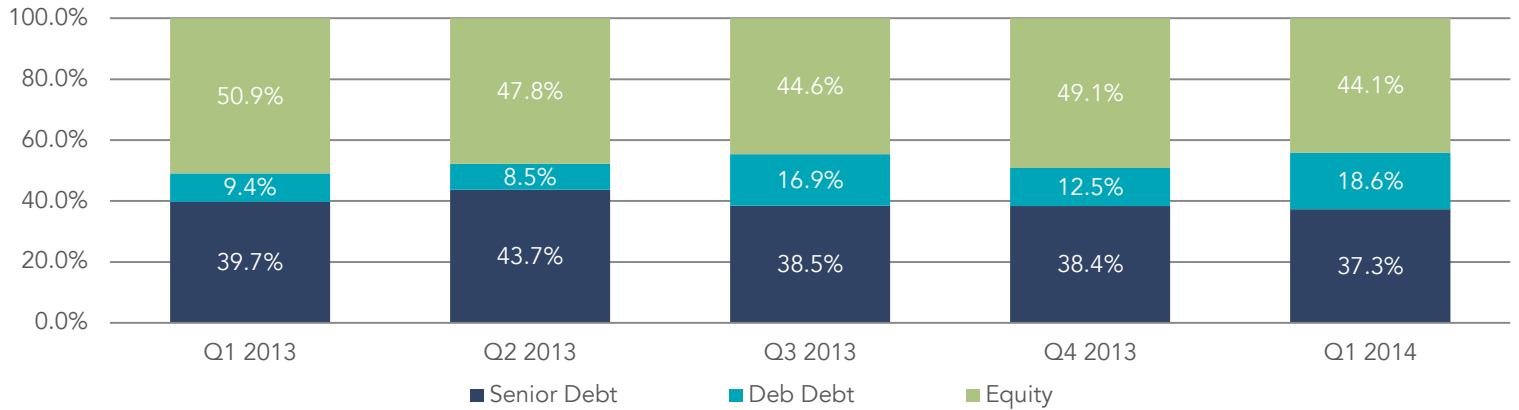
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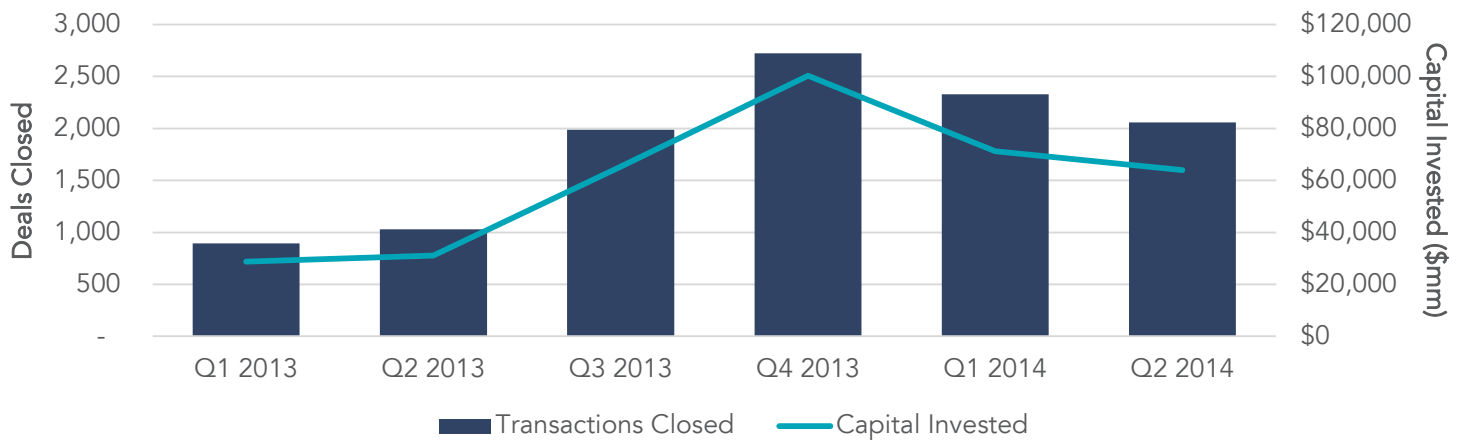
M&A MARKET ACTIVITY – OVERALL LOWER MIDDLE MARKET

CAPITAL STACK



Source: GF Data

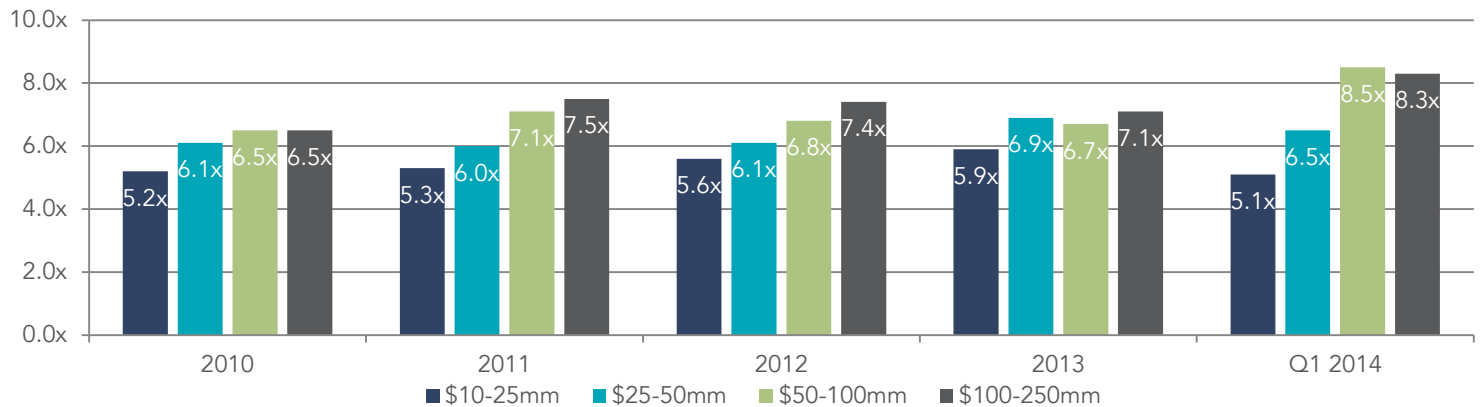
US MIDDLE MARKET M&A ACTIVITY



Source: PitchBook

TRANSACTION MULTIPLES

EBITDA MULTIPLES BY TRANSACTION SIZE



Source: GF Data

*Note: These data represent the recorded transactions, are not all inclusive of completed transactions, and are meant to be representative of the lower middle market.



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ABOUT SDR VENTURES

SDR Ventures is a boutique investment bank serving privately held business owners of companies with values up to \$300 million. Operating beyond the confines of a traditional investment bank, SDR's approach of Thinking Like OwnersSM helps business owners maximize value in their business. SDR offers transaction advisory, capital formation, strategic advisory and performance exchange services.



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SERVICES

TRANSACTION ADVISORY

Buy Side

Running a proven process effective at generating responses, identifying "off-the-radar" opportunities, negotiating and closing accretive acquisitions.

Sell Side

Our process is designed to identify the "right" buyer and maximize shareholder value for our clients.

CAPITAL FORMATION

Private Capital Placement

An effective and efficient process negotiating favorable debt and equity with the right capital partner for our clients

RECENT TRANSACTIONS

<p>JULY 2014</p>  <p>Has been acquired by</p> <p>REVELSTOKE CAPITAL PARTNERS, LLC</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>JULY 2014</p>  <p>Has been acquired by</p>  <p>FRONTENAC COMPANY</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>APRIL 2014</p>  <p>Has been acquired by</p> <p>Barkwood, Inc.</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>MARCH 2014</p> <p>PAN Capital Holdings LLC</p> <p>Commercial real estate loan provided by</p>  <p>Hexagon</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>NOVEMBER 2013</p>  <p>Has acquired</p> <p>A Business Unit of a Public Company</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>	<p>OCTOBER 2013</p>  <p>Debt Financing provided by</p>  <p>CoBiz Structured Finance CoBiz Financial</p> <p>SDR Ventures CAPITAL FORMATION</p>
<p>SEPTEMBER 2013</p>  <p>SDR Ventures CAPITAL FORMATION</p>	<p>SEPTEMBER 2013</p>  <p>Has acquired</p> <p>Zeus & Company</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>	<p>NOVEMBER 2012</p>  <p>Has acquired</p>  <p>SDR Ventures BUY SIDE TRANSACTION</p>	<p>JUNE 2012</p>  <p>Has been acquired by</p>  <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>MAY 2012</p> <p>Cohio Ventures LLC</p> <p>Has acquired</p>  <p>SDR Ventures BUY SIDE TRANSACTION</p>	<p>MARCH 2012</p>  <p>Capital provided by</p>  <p>SDR Ventures CAPITAL FORMATION</p>

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