



professionalservicesREPORT

INDUSTRY OVERVIEW

The drop of corporate profits by 0.3% between the second quarter 2013 and 2014 prompted an industry slowdown and decline in stock prices across the professional services industry in the third quarter of 2014. Despite this deceleration, the rapid evolution of business technologies and recent increase in healthcare regulation promise a greater need for professional services throughout 2014 and years to come.

Rising business and consumer spending continue to promote M&A activity in the professional services industry. IT Services and Consulting/Legal/Accounting continue to lead in number of transactions, as these companies seek to acquire expertise in high-growth areas, particularly healthcare and energy. The massive acquisition of the healthcare IT company Trizetto by Cognizant Technology Solutions for \$2.7 billion is evidence of this trend. The traditionally highly-fragmented professional services industry continues to witness increased levels of cross sector acquisitions as the demand for bundled services and "one-stop shopping" grows. This trend can be partially attributed to the growing role of technology in the industry, particularly Business Intelligence, Cloud, Security, and Big Data services.

Although total transactions are slightly less in Q3 than the past two quarters of 2014, the professional services industry can expect continued growth in Q3 in number of deals and amount of capital invested. Middle market companies are projected to have greatest access to this capital while large and small companies will continue to seek growth through acquisition.

If you have any questions please contact us.

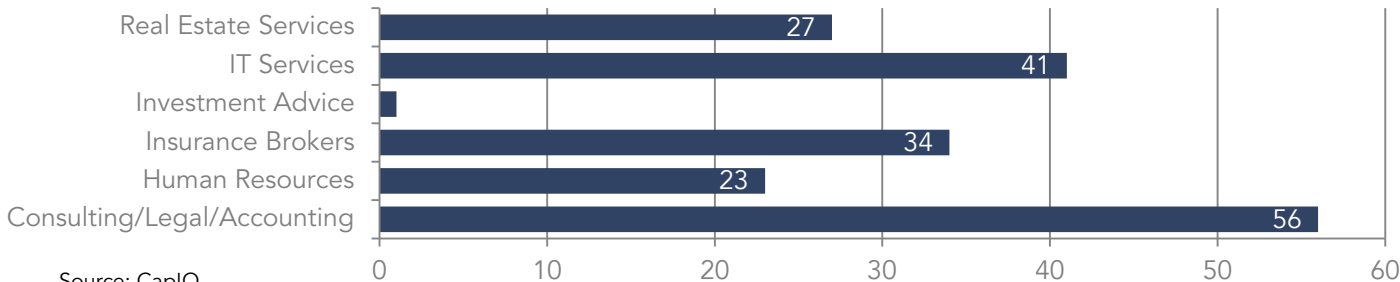
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TRANSACTION HIGHLIGHTS

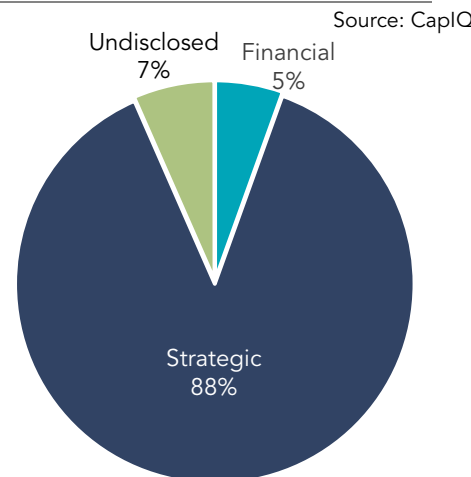
TRANSACTIONS

BY SEGMENT (Q3)



STRATEGIC VS. FINANCIAL TRANSACTIONS HIGHLIGHTS

STRATEGIC ACQUISITIONS	9.15.14	Trizetto Corporation, IT and service solutions for the healthcare sector, announced intent to be acquired by Cognizant Technology Solutions (NasdaqGS:CTSH) for \$2.7 billion.
	7.15.14	Realogy Group LLC acquired zipRealty, Inc. to expand their online technology real estate brokerage capabilities.
	8.7.14	Ellie Mae, Inc. acquired Mortgage Resource Center, Inc., located in Minnesota, for \$30 million.
FINANCIAL ACQUISITIONS	8.12.14	ABS Capital Partners completed a \$22 million investment in Bravo Wellness, LLC, which designs outcomes-based wellness incentive programs for companies and organizations.



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TRANSACTION ACTIVITY

Date	Target	Buyer	Transaction Comments
9.11.2014	Conversant Inc.	Alliance Data Systems Corp.	Alliance Data Systems Corp. entered into a definitive agreement to acquire Conversant, Inc., a digital marketing service provider, for approximately \$2.4 billion. Alliance Data intends to finance the cash portion of the acquisition through a combination of existing cash on hand and availability under credit
8.28.2014	TechLaw Solutions, Inc.	UBIC, Inc. (TSE:2158)	UBIC, Inc. acquired TechLaw Solutions, Inc. from TechLaw Holdings, Inc. for \$8 million. The purchase price was subject to a working capital adjustment and escrow provisions and was funded using UBIC's available cash on hand.
8.7.2014	Mortgage Resource Center, Inc.	Ellie Mae, Inc. (NYSE: ELLI)	Ellie Mae, Inc. entered into an asset purchase agreement to acquire substantially all of the assets of Mortgage Resource Center from Glenn Ford and other shareholders for \$30 million in cash. The consideration is subject to certain purchase price adjustments, including working capital.
7.21.2014	Urban Compass, Inc.	Advance Publications, Inc.; The Founders	Urban Compass, Inc. announced it has received \$40 million in its series B round of funding. The round included participation from returning investors. The round was received at a post money valuation in excess of \$360 million. The company has raised \$73 million in funding til date.
7.15.2014	zipRealty, Inc.	Realogy Group LLC	Realogy Group entered into a definitive agreement to acquire zipRealty for approximately \$170 million in cash. Realogy Holdings Corp. will pay \$6.75 for per share of zipRealty amounting to approximately \$150 million and \$18.2 million for the options.
7.1.2014	Sterner Insurance Associates, Inc.	Univest Insurance, Inc.	Univest acquired Sterner Insurance Associates Inc. for \$10.5 million. Univest paid \$3.9 million in cash and assumed liabilities of \$0.9 million at closing with additional contingent consideration of a maximum of \$5.7 million to be paid in annual installments of the three-year period ending June 30, 2017.

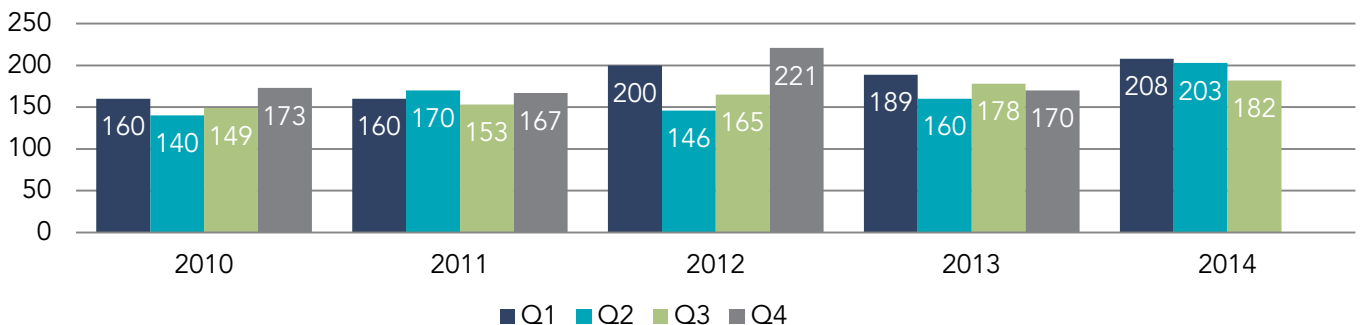
Source: CapIQ

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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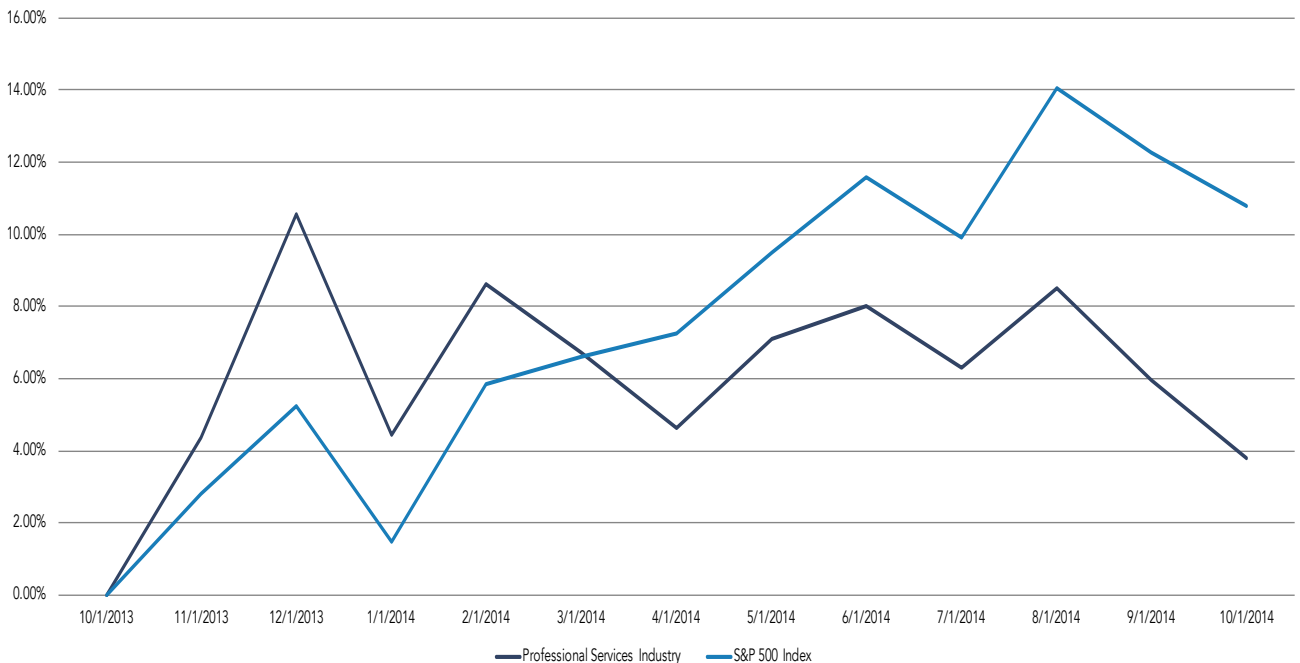
PUBLIC BASKET

The overall professional services public basket was greatly outpaced by the S&P 500 average for the last six months. Notably, investment advice company Financial Engines, Inc. and IT services company Acxiom Corporation experiencing YTD stock price drops of over 50%. Public consulting companies have varied in performance – Navigant Consulting experienced a 29.48% decline YTD while Mattersight Corporation and GP Strategies Corporation experienced YTD growth. Real estate services multiples were the highest of the basket as the real estate market continues to strengthen across all property types in the third quarter of 2014. Across each segment, professional services enterprise value multiples remain relatively consistent with average multiples of the S&P 500, showing investor's attraction to the industry despite the recent decline in stock performance.

Company	Symbol	State	Market Cap		Stock Price		Price/ LTM EPS	Price/ Book	Price/ Rev	Price/ EBITDA
			(\$ in Mil)	Date	Month Change	YTD Change				
Accenture plc	NYSE:ACN	N/A	\$ 50,064	\$ 79.7	(1.97%)	(3.04%)	22.6x	8.8x	1.5x	9.3x
Arthur J Gallagher & Co.	NYSE:AJG	IL	\$ 7,126	\$ 44.8	(1.19%)	(4.50%)	29.2x	2.2x	2.3x	14.5x
Barrett Business Services Inc.	NasdaqGS:BBSI	WA	\$ 286	\$ 39.8	0.84%	(57.06%)	18.4x	3.9x	0.4x	7.7x
CBIZ, Inc.	NYSE:CBZ	OH	\$ 399	\$ 7.9	(0.13%)	(13.82%)	15.3x	1.0x	0.9x	9.2x
CBRE Group, Inc.	NYSE:CBG	CA	\$ 9,691	\$ 29.2	(1.88%)	10.95%	24.2x	4.5x	1.5x	12.0x
CGI Group, Inc.	TSX:GIB.A	QC	\$ 11,730	\$ 37.8	(0.21%)	6.25%	16.1x	2.4x	1.4x	8.7x
Edgewater Technology Inc.	NasdaqGM:EDG	MA	\$ 80	\$ 7.1	2.62%	0.86%	17.3x	1.1x	0.6x	6.3x
Realty Holdings Corp.	NYSE:RLGY	NJ	\$ 5,325	\$ 36.4	(2.04%)	(26.34%)	33.6x	2.6x	1.8x	13.2x
Average			\$ 10,588	\$ 35.3	(0.50%)	(10.84%)	22.1x	3.3x	1.3x	10.1x

Source: CapIQ

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



Source: CapIQ



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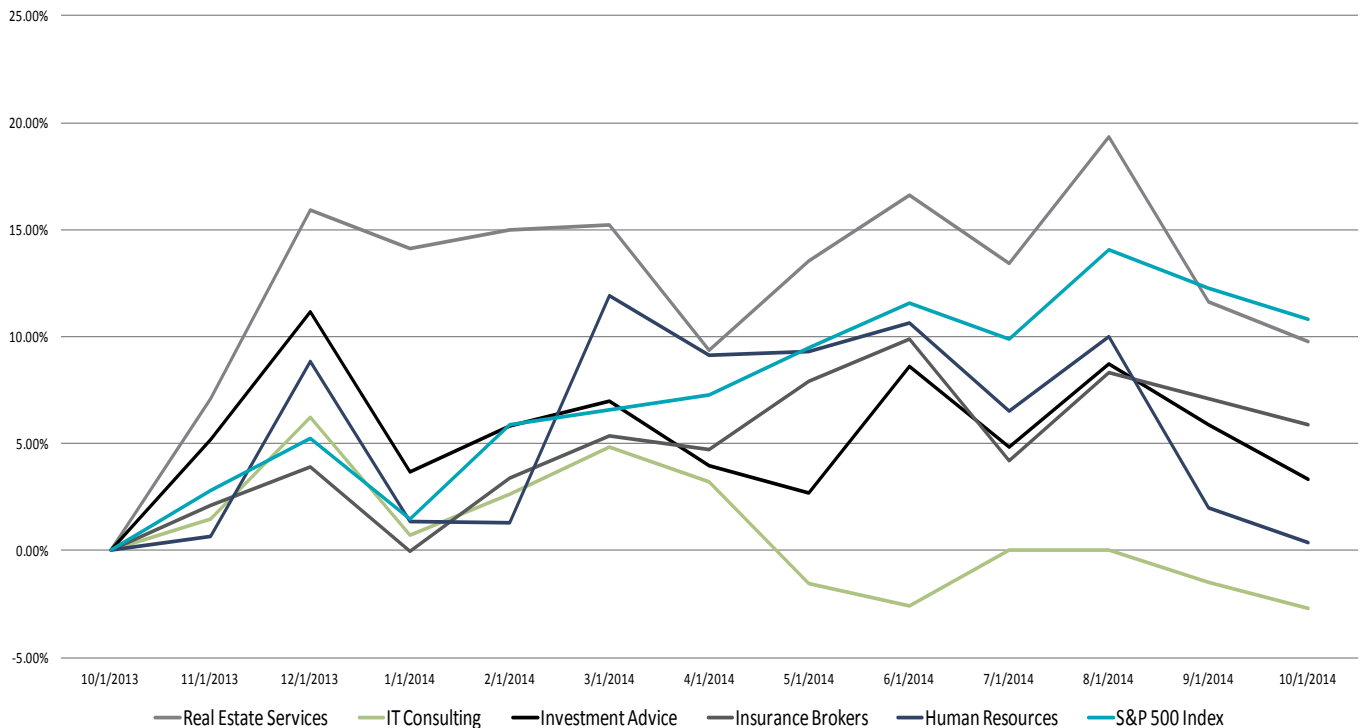
INDUSTRY SEGMENTS

In the last twelve months, every segment besides real estate services of the professional services industry has underperformed as compared with S&P 500 average; although, the Real Estate basket also experienced a sharp stock price decline in the last couple of months of Q3. IT Consulting has lagged most in performance in relation to other segments of the industry and the S&P 500. Overall, the industry has significantly underperformed year-to-date relative to the S&P 500 with the IT Consulting index decreasing by 8.4%. With the public markets being forward looking indicators, the public markets may be predicting a slowdown in headwinds for professional service firms in the fourth quarter.

Market Segment	Market Cap	Stock Price Delta			Price/ LTM EPS	Price/ Book	TEV/ Sales	TEV/ EBITDA
		Month	YTD	LTM				
Real Estate Services	\$ 3,025	(1.7%)	(5.3%)	9.7%	59.04x	4.21x	5.05x	17.20x
IT Consulting	\$ 7,376	(1.2%)	(8.4%)	(2.7%)	24.95x	4.57x	1.41x	12.18x
Investment Advice	\$ 4,444	(2.4%)	(7.1%)	3.3%	22.92x	4.67x	3.80x	11.44x
Insurance Brokers	\$ 8,173	(1.2%)	1.9%	5.9%	24.79x	2.51x	2.10x	17.25x
Human Resources	\$ 1,419	(1.6%)	(7.7%)	0.4%	30.59x	3.29x	4.51x	14.72x
Consulting/Legal/Accounting	\$ 2,317	(1.3%)	(4.8%)	1.5%	28.17x	3.92x	3.06x	11.46x
Industry Average	\$ 4,868	(2.0%)	(6.1%)	3.8%	28.60x	4.57x	2.50x	12.46x
S&P 500 Average	\$ 35,807	(1.3%)	5.3%	10.8%	28.06x	4.29x	3.11x	11.39x

Source: CapIQ

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



Source: CapIQ

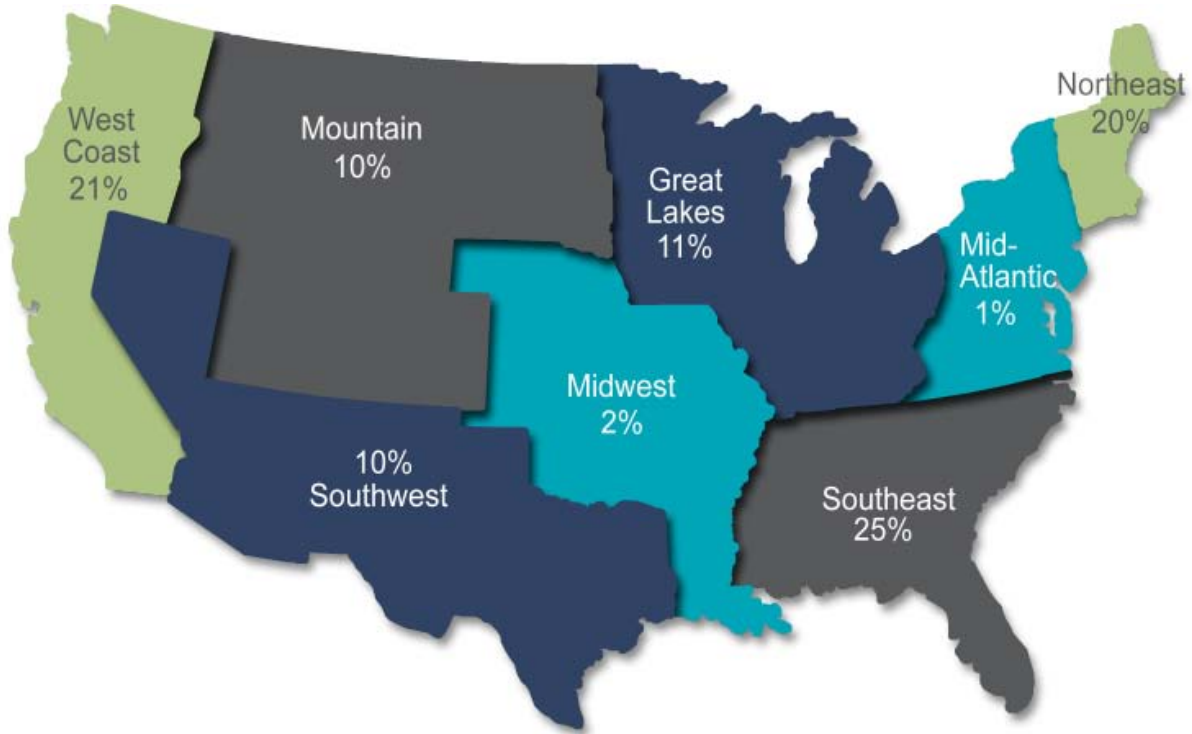


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INDUSTRY GEOGRAPHY

COMPANIES BY REGION

PROFESSIONAL SERVICES COMPANIES BY REGION AS OF SEPTEMBER 30, 2014



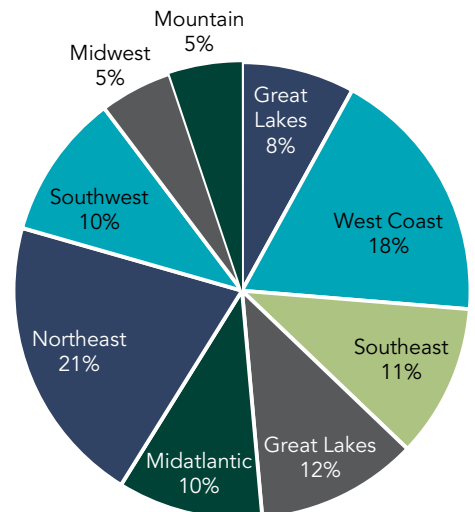
COMPANIES BY SIZE

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	211	13	490	16	1	4	4
KS	53	3	150	3	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	85	6	236	4	2	0	3
UT	68	9	229	7	0	1	2
WY	9	0	25	0	0	0	0

* Revenue in Millions

Source: CapIQ

TRANSACTIONS BY REGION



Source: CapIQ

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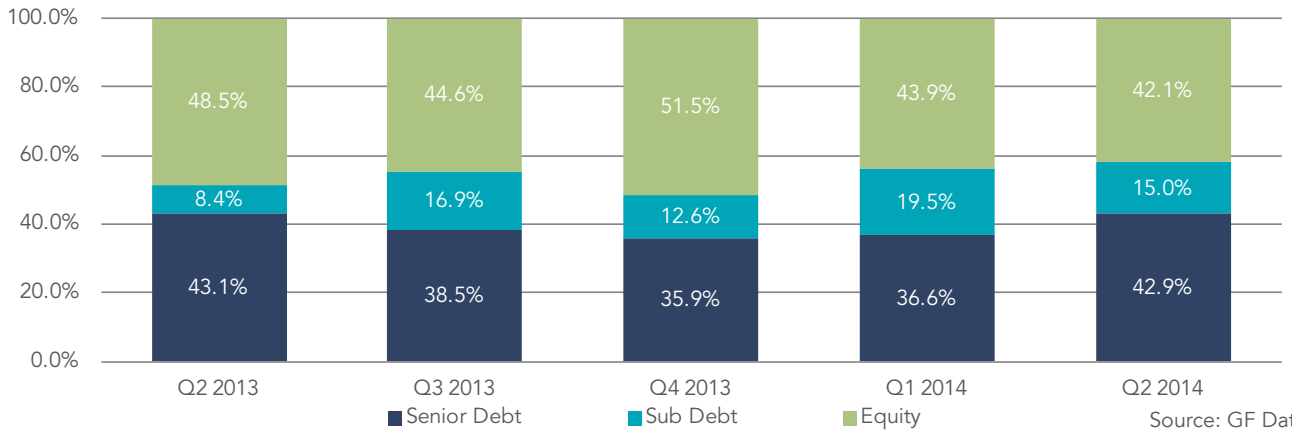




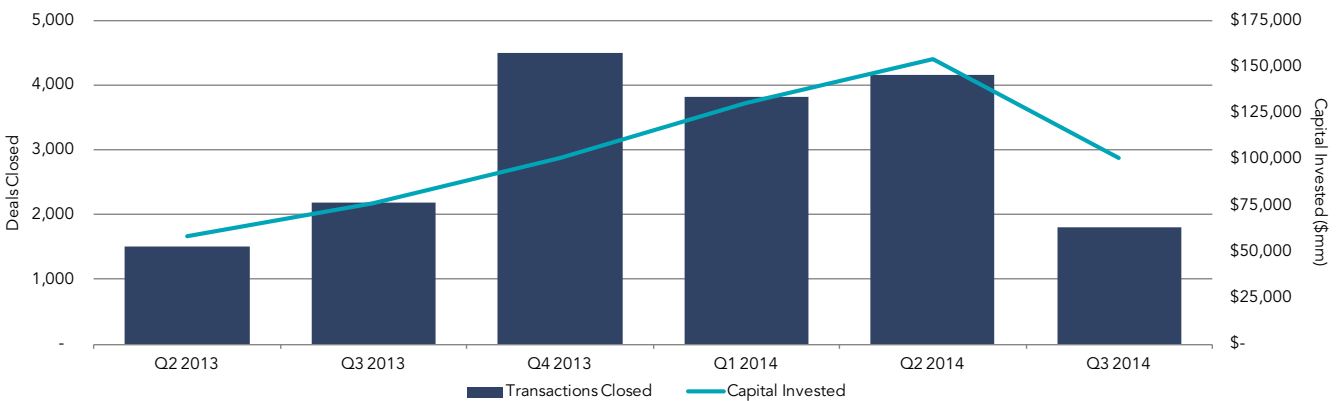
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M&A MARKET ACTIVITY – OVERALL LOWER MIDDLE MARKET

CAPITAL STACK

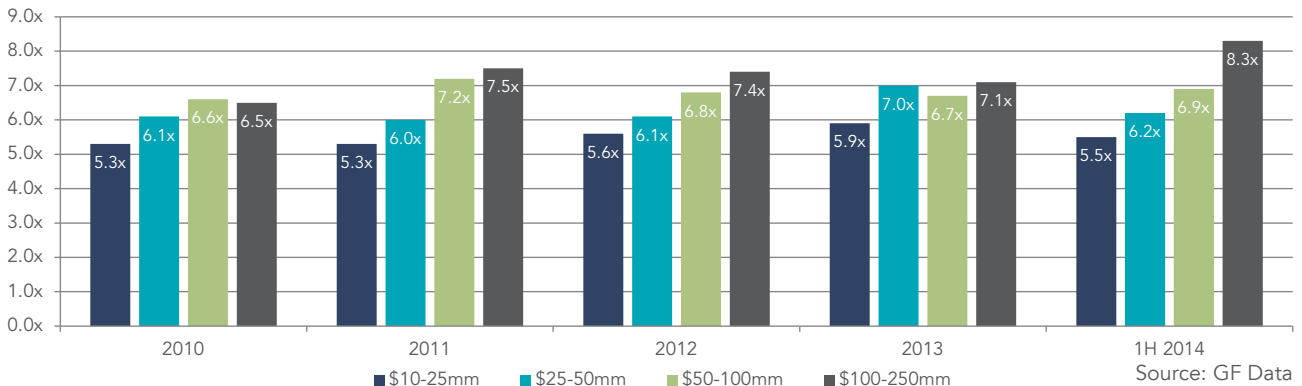


US MIDDLE MARKET M&A ACTIVITY



TRANSACTION MULTIPLES

EBITDA MULTIPLES BY TRANSACTION SIZE



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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>AUGUST 2014</p> <p>You have engaged by</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>JULY 2014</p> <p>You have engaged by</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>JULY 2014</p> <p>You have engaged by</p> <p>REVELSTOKE CAPITAL PARTNERS, LLC</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>MARCH 2014</p> <p>You have engaged by</p> <p>Private Investors</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>SDR Ventures CAPITAL FORMATION</p>	<p>NOVEMBER 2013</p> <p>You engaged</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>
<p>NOVEMBER 2013</p> <p>SDR Ventures ENTERPRISE VALUATION</p>	<p>OCTOBER 2013</p> <p>Deal financing provided by</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>OCTOBER 2013</p> <p>SDR Ventures ENTERPRISE VALUATION</p>	<p>SEPTEMBER 2013</p> <p>Deal financing provided by</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>SEPTEMBER 2013</p> <p>You engaged</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>	<p>MAY 2013</p> <p>You have engaged by</p> <p>Private Investors</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>

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