

# Staying Ahead of the Curve

A Dresner Partners Newsletter

*Sector: Business Services & Technology*



**DRESNER PARTNERS**  
INVESTMENT BANKING

## *Exploiting Technology Trends to Accelerate Valuations*

The Business Services sector grew at a robust pace in 2014, which is likely to continue in 2015 and beyond. The drivers of this growth, derived from the same underlying principles behind outsourcing and globalization, are propelled by societal and technology needs. In particular there are three catalysts that Dresner Partners follows enthusiastically, namely mobility, data management, and research services. These three are applicable across all industries and offer significant opportunities for value creation to Business Services providers that embrace the technology-enablement ethos, which ultimately drives value to companies and shareholders.

More specifically, these catalysts are innovatively used in the Business Services sector to uncover the latest trends and prospective, near-term needs. Strengthening the link between technology and service through applied technology, services organizations deliver knowledge to the customer at the point-of-delivery on a cost-effective basis. Wider adoption of applied technologies delivers efficiencies and keeps providers at the point where the “rubber meets the road.” Value creation is ultimately captured in higher valuations and multiples.

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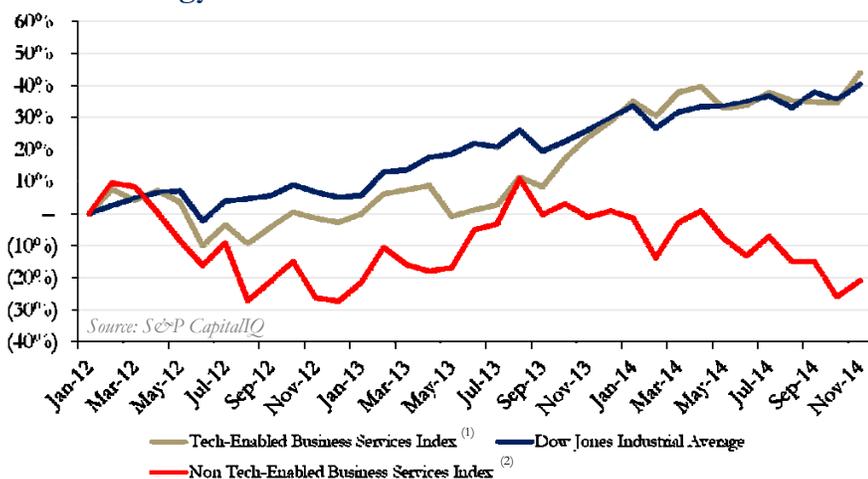
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### Technology Enabled Business Services Index Performance



*Technology-enabled business services companies have outperformed non-technology business services companies in the last three years*

Notes:  
(1) Tech-Enabled Business Services Index Includes: Paychex, TriNet Group, AECOM Technology Corp., Tangoe, DeVry Education Group, Apollo Education Group, Cognizant Technology Solutions Corp., Intuit, Verint, and NICE Systems  
(2) Non Tech-Enabled Business Services Index Includes: Cenveo, Harte-Hanks, Ennis, and The Standard Register Co.



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In our view, the three key catalysts are as follows:

**Mobility** – The first catalyst, *mobility*, refers to the needs of today’s workforce to perform the job anywhere, whether in the office, remotely from the road, or telecommuting. Reinforced by the desire to fully serve the customer, companies have provided **mobile** workers with portable, intuitive and easy-to-use smartphones and tablets which are enabled to access corporate databases and infrastructure easily and seamlessly at any time. Examples of companies that utilize mobility include communications and service providers, as well as related solutions and services, such as network and mobile device management.

**Data Management** – Secondly, *data management*, or the retrieval and management of customer, product, corporate, and related **information**, is an ever-expanding task that is heavily policed by the regulatory and compliance environment. Data management enables the real-time use of sensitive information by applying knowledge to make services or products better, faster, and more economical. Companies that deliver data are most easily typified by the credit reporting companies and certainly extend to industry-specific data providers, such as employment, payroll providers and claims processors.

**Research Services** – The third, *research (or information) services*, analyzes the newly-minted data to uncover unmet needs and identify profit-generating opportunities. By providing direct access to **analysis** and knowledge, the savviest category leaders proactively empower employees to make decisions in real-time that will not only improve the clients’ experience, but more importantly, further entrench the end user into the company’s ecosystem. Companies that deliver analytic tools range widely and include scientific measurement and operating metrics at the client level. Every industry uses research and knowledge to improve outcomes and optimize resources.

Software-as-a-service (SaaS) is an enabler empowering the **mobile** workforce with **information** and **analytics**. By optimizing the process for well-equipped employees to make the right decision at the right time, companies are often able to accelerate top-line growth and improve margins through increased pricing power and customer loyalty. The resulting enhancements to efficiency, productivity, and profitability naturally lead to higher multiples and valuations for business service providers.

**Dresner’s Representative Transactions**

<p><b>Project Tempo</b></p> <p>Telecom Solutions and Services</p> <p>Sell Side Advisor</p>	<p><b>Project Contact</b></p> <p>European SaaS Interactive Voice Response Solutions</p> <p>Sell Side Advisor</p>
<p><b>LMCO</b> TECHNOLOGIES</p> <p>Healthcare Software Developer</p> <p>Divested its Test Results Management Suite to</p> <p><b>USAMOBIILITY</b> ONE SOURCE FOR WIRELESS</p> <p>Sell side advisor</p> <p>DRESNER PARTNERS INVESTMENT BANKING</p>	<p><b>G2 G3</b></p> <p>Healthcare IT and Training has been acquired by</p> <p><b>CAPITA</b></p> <p>Sell side advisor</p> <p>DRESNER PARTNERS INVESTMENT BANKING</p>
<p><b>bulletin</b></p> <p>Internet Messaging Products</p> <p>has been recapitalized by Milford Investment Partners, LLC</p> <p>Financial advisor</p> <p>DRESNER PARTNERS INVESTMENT BANKING</p>	<p><b>NCC</b></p> <p>North Central Consulting, Inc. offers IT Consulting</p> <p>acquired by</p> <p><b>Whittman-Hart, Inc.</b></p> <p>Sell side advisor</p> <p>DRESNER PARTNERS INVESTMENT BANKING</p>
<p><b>VHC</b> VAUGHAN HOLLAND CONSULTING</p> <p>Healthcare IT Consulting</p> <p>provided acquisition advisory services</p> <p>Buy side advisor</p> <p>DRESNER PARTNERS INVESTMENT BANKING</p>	<p><b>Whittman-Hart, Inc.</b></p> <p>IT Consulting</p> <p>Convertible Preferred Financing provided by Frontenac Company and Platinum Venture Partners</p> <p>Financial advisor</p> <p>DRESNER PARTNERS INVESTMENT BANKING</p>

## Selected Tech-Enabled Business Services Transactions

- As expected, valuation is highly correlated with revenue, profitability and growth considerations. Tech-enabled business services companies exhibiting historical revenue growth in excess of 10 percent or EBITDA margins in excess of 15%, achieved the highest valuations.
- The following table summarizes select M&A transactions for Business Services and Applied Technology companies, within the last twelve months.

### Notable M&A Transactions <sup>(1)</sup>

Closed Date	Target/Issuer	Buyers/Investors	Business Description	TEV /	TEV /	Revenue	EBITDA	
				TEV	Revenue	EBITDA	Growth	Margin
12/10/2014	Conversant, Inc.	Alliance Data Systems Corporation	Conversant, Inc. provides various digital marketing services in the United States and internationally.	\$2,365	4.0x	12.0x	6.2%	36.1%
12/05/2014	TIBCO Software Inc.	Vista Equity Partners	TIBCO Software Inc. provides infrastructure and business intelligence software worldwide.	\$4,159	3.9x	NM	4.4%	18.1%
12/04/2014	Concur Technologies, Inc.	SAP America, Inc.	Concur Technologies, Inc. provides integrated travel and expense management solutions for companies worldwide.	\$7,652	NM	NM	24.1%	8.8%
11/13/2014	Move, Inc.	News Corporation	Move, Inc. operates an online network of Websites for real estate search, finance, and moving and home enthusiasts in North America.	\$916	3.8x	NM	14.0%	6.0%
10/31/2014	XRS Corporation	Omnitracs, LLC	XRS Corporation provides compliance and fleet management solutions to the commercial trucking industry in the United States and Canada.	\$178	3.4x	NM	(10.9%)	13.7%
09/08/2014	MICROS Systems, Inc.	Oracle Corporation	MICROS Systems, Inc. designs, manufactures, markets, and services enterprise applications solutions for the food and beverage, hotel, and retail industries worldwide.	\$4,604	3.4x	17.5x	14.5%	19.9%
09/02/2014	New Breed Holding Company	XPO Logistics, Inc.	New Breed Holding Company provides contract supply chain management solutions to multi-national corporations and government agencies.	\$615	1.0x	8.0x	NA	NA
08/14/2014	zipRealty Inc.	Realogy Group LLC	ZipRealty, Inc. operates as an online technology-enabled real estate brokerage company in the United States.	\$157	2.3x	-	2.8%	(3.6%)
07/31/2014	Update Software AG	Aurea Software FZ-LLC	Update Software AG, together with its subsidiaries, is engaged in the development and implementation of customer relationship management (CRM) software solutions in Austria, Germany, Switzerland, Central and Eastern Europe, and rest of the world.	\$36	0.8x	NM	0.3%	(5.0%)
07/24/2014	OpenTable, Inc.	The Priceline Group	OpenTable, Inc. provides restaurant reservation solutions primarily in the United States, Canada, Germany, Japan, Mexico, and the United Kingdom.	\$2,496	NM	NM	17.6%	30.6%
07/18/2014	Cbeyond, Inc.	Birch Communications, Inc.	Cbeyond, Inc. provides technologies and services to small and mid-sized businesses in the United States.	\$324	0.7x	4.9x	(5.0%)	15.3%
06/30/2014	Seaton L.L.C.	TrueBlue, Inc.	Seaton L.L.C., through its subsidiaries, provides outsourcing and recruiting services in the United States and internationally.	\$310	0.5x	15.2x	22.0%	2.8%
06/30/2014	Ecova, Inc.	Cofely USA Inc.	Ecova, Inc., an energy and sustainability management company, provides technology-optimized solutions.	\$335	1.9x	-	NA	NA
06/10/2014	Auctane LLC	Stamps.com Inc.	Auctane LLC, doing business as ShipStation, provides e-commerce shipping software primarily under the brand names of ShipStation and Auctane.	\$76	NM	NM	NA	21.8%
06/02/2014	National Loan Exchange Inc.	Heritage Global Inc.	National Loan Exchange Inc. operates as a broker of charged-off and nonperforming asset portfolios through online and offline sales platforms in the United States and Canada.	\$7	1.7x	9.8x	7.8%	30.8%
05/30/2014	Vocus Inc.	GTCR, LLC	Vocus, Inc. provides cloud-based marketing and public relations software that enables companies to acquire and retain customers in the United States and Europe.	\$442	2.4x	-	9.4%	0.1%
04/28/2014	Accelrys Inc.	Dassault Systemes SA	Accelrys, Inc. develops and commercializes scientific business intelligence software and solutions in the United States, Europe, and the Asia Pacific.	\$683	4.1x	NM	3.7%	4.0%
04/21/2014	Reliance Communications, Inc.	West Corporation	Reliance Communications, Inc. provides communication solutions for the education market.	\$77	2.8x	-	NA	NA
04/01/2014	Apartments, LLC	CoStar Group Inc.	Apartments, LLC operates as an online apartment resource for renters, and property managers and owners in the United States.	\$585	6.8x	23.9x	12.1%	28.5%
03/01/2014	Dealer Dot Com, Inc.	Dealertrack Technologies, Inc.	Dealer Dot Com, Inc. provides digital marketing and operational technology, and services to the automotive retail dealers in the United States.	\$994	5.4x	NM	30.9%	15.7%

Mean	2.9x	13.0x	9.6%	14.3%
Median	2.8x	12.0x	8.6%	15.3%
High	6.8x	23.9x	30.8%	36.1%
Low	0.5x	4.9x	(10.9%)	(5.0%)

Source: S&P CapitalIQ

Notes:

(1) Revenue growth % and EBITDA margins are as of each entity's last respective public filings



## About Dresner Partners

Dresner Partners is a FINRA-registered, middle-market investment bank headquartered in Chicago, Illinois with offices in New York City, Palo Alto, Calif., and Richmond, Va. For more than 20 years, Dresner Partners has provided financial advisory services to middle market companies throughout the world, including institutional private placements of debt and equity, merger and acquisitions advisory, financial restructuring & corporate turnarounds, valuations and strategic consulting services. Dresner Partners is also a member of IMAP, an exclusive global organization of leading merger and acquisition advisory firms.



Through our IMAP partnership, Dresner Partners maintains a well-established network of international offices in over 30 countries. Thomson Reuters' most recent annual league tables report IMAP advisers as having completed 179 global transactions, with an aggregate transaction value of more than \$6 billion. Our relationships with global legal and accounting networks, and multinational private equity groups are extremely valuable when completing a cross-border transaction. We have people on the ground with first-hand knowledge of the local cultural and business environment.

### Other Selected Dresner & IMAP Transactions



**at&t**  
Educational e-Commerce and ID Software Apps  
AT&T Campuswide Access Solutions has been acquired by  
**Bb**  
Blackboard  
Sell side advisor  
*Dresner Professional*



**vero**  
Software  
CAD/CAM Software  
has been acquired by  
**BV**  
Battery Ventures  
Sell side advisor  
*Dresner Professional*



\$159,000,000 Common Stock  
**apei**  
American Public Education, Inc.  
NASDAQ: APEI  
*Dresner Professional*



**accenture**  
Accenture  
Global Management Consultancy United States  
Acquired 100% of shares  
**Picaso**  
Picaso Ltd  
Information Technology for SAP Human Capital Management United Kingdom  
Represented the Seller  
*IMAP*



**CSC**  
CSC (UK) Limited  
Software solutions for structural engineers Leeds, Yorkshire, United Kingdom  
Acquired 100% of Business Operations  
**SoftTech**  
SoftTech  
Software developer Structural engineering sector Pune, India  
Advised on Purchase of Company  
*IMAP*



**eficode**  
Eficode Oy  
IT company that creates tailored software Helsinki, Finland  
Acquired 100 % of Business Operations  
**VIDENHUSET as**  
Videnhuset A/S  
Autonomy software consultant company Copenhagen, Denmark  
Advised on Purchase of Company  
*IMAP*

### For More Information

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