

Staying Ahead of the Curve

A Dresner Partners Newsletter

Business Services & Applied Technologies



DRESNER PARTNERS
INVESTMENT BANKING

Technology Trends Continue to Drive Valuations

Business Services and Applied Technologies are converging to create more cohesive strategies and solutions for business executives and their clients. The fully-integrated approach shows no signs of slowing down in deal-making, with robust private equity interest. New trends within the sector promise a substantial shift in networking, security, and other enterprise solutions.

Due to increasing competition, executives continue to seek competitive advantages and data-as-a-service (DaaS) has become an instinctive next step. Executives are using DaaS to make more informed business decisions and streamline operations without the stress of managing a complex and diverse web of data.

Furthermore, the “Digital Revolution,” comprising social media, mobility, and analytics & cloud, has developed to encompass a range of tools that have the ability to make valuable change. Analytics and knowledge centric services are rapidly growing and will drive the future of outsourcing.

Business Services & Technology Team:

Steven Dresner

President

(312) 780-7206

sdresner@dresnerco.com

Michelle Moreno CFA

Managing Director

Head of Business Services & Technology

(312) 780-7207

mmoreno@dresnerco.com

Brian Schofield

Vice President

(312) 780-7227

bschofield@dresnerco.com

Business Services and Applied Technologies

The outsource services and applied technologies sector provides services that may be outsourced, whether Business-to-Business (“B2B”) or Government-to-Business (“B2G” or “G2B”)

Representative Income Statement

Revenue

Cost of Goods/Services Sold

Gross Margin

Operating Expenses

Operating Income

Non-Operating Expenses

Net Income

Sales and Marketing

Information Services, Data Management, Business Intelligence

Finance and Accounting

Business Process Management, Call Center, and Customer Care

Human Resources, Training, and Education

Communications, Applications, and Network Management

Facilities and Security

Risk Management, Corporate Forensics, Compliance and Regula-

Other

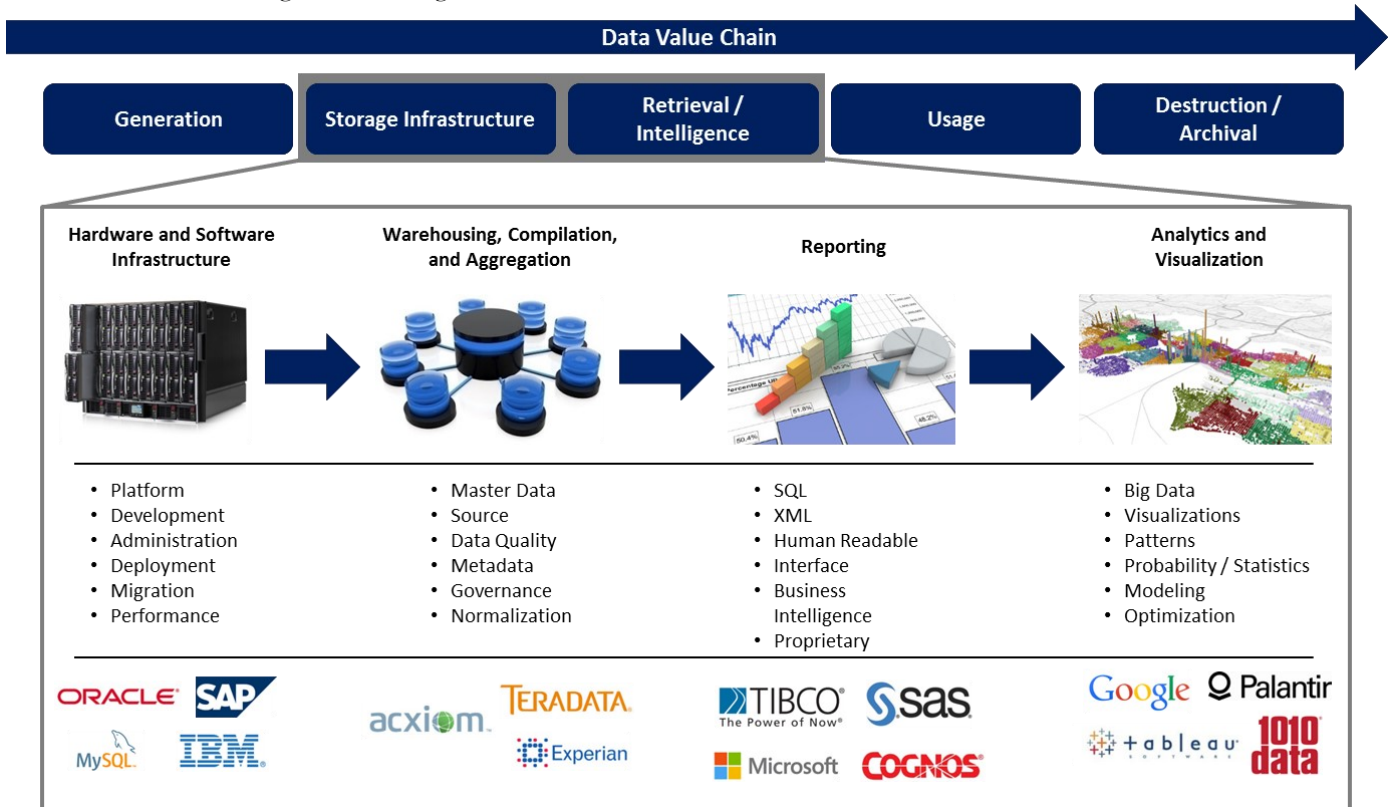
Outsourced Services
or Application /
Software used by
Outsourcer or used
In-House



March 2016

Data Value Chain, Competitors, and Strategy

Data value increases proportionally to analytical uses (or “analytics”). However, as data has become more voluminous and complex, firms are entrenched within various segments of the value chain to provide expert and specialized products and services rather than an integrated offering

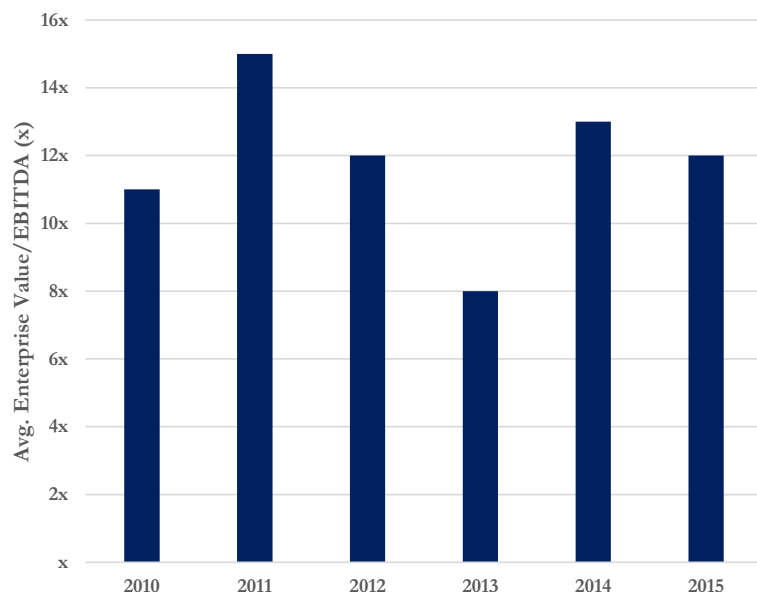


Strategic Buyers Across the Value Chain

Data Players	Data Driven Tech. Players	Business Service Providers	Full Service Advertising Agencies	Private Equity and Family Offices
<ul style="list-style-type: none"> Have the potential to further extend their offerings into more comprehensive solutions Offer a substantial track record in managing vast and varied data sets and help leverage the value of those data sources for clients 	<ul style="list-style-type: none"> Have a long legacy in the management of data, a range of related business applications, and expertise in as-a-service solutions 	<ul style="list-style-type: none"> Combine technology capabilities with business consulting Strongly positioned to leverage data into new products and services 	<ul style="list-style-type: none"> Significant expertise in the digital world and new data types Possess capabilities closely aligned with the business focus required to successfully integrate and leverage data 	<ul style="list-style-type: none"> Provide capital to execute on a growth plan Provide advisory services, including strategy development, operational guidance, sharing of best practices and access to key industry relationships

2015 was a strong year with robust deal value and activity, driven by large strategic buyers seeking growth via acquisitions and continued private equity appetite (see chart below).

Information Technology and Services M&A Multiples



Strategic acquirers remain active, seeking platform companies providing technology services, as demonstrated by high-profile deals. In April 2015, Capgemini North America, Inc. acquired iGATE Corporation for \$4.6 billion and, in May 2015, Equinix Inc. acquired Telecity Group plc for a little over \$4 billion. In November, Ebix Inc. and CSC Computer Sciences International Operations Limited announced their acquisition of Xchanging plc for nearly \$1 billion each.

Financial parties (private equity, family offices, etc.) also remain active, seeking business services and applied technologies companies that are ahead of the curve in offering Data-as-a-service and new initiatives within the “Digital Revolution” realm. Financial buyers anticipate these business models will prove to be scalable acquisition platforms.

Over the last two years, valuation multiples have exceeded historical averages, in many cases achieving double digit EBITDA multiples. Valuations will likely remain high in the near term as active buyers continue to compete for businesses focused on providing applied technology solutions.

Selected Dresner Transactions

<p>Project Hawk (Pending)</p> <p>Data and Database Delivery Solutions</p> <p>Sell Side Advisor</p> <p>DRESNER PARTNERS INVESTMENT BANKING</p>	<p>Project Tempo (Pending)</p> <p>Unified Communications SaaS and Services</p> <p>Sell Side Advisor</p> <p>DRESNER PARTNERS INVESTMENT BANKING</p>
<p>G2 G3</p> <p>Healthcare IT and Training has been acquired by</p> <p>CAPITA</p> <p>Sell side advisor</p> <p>DRESNER PARTNERS INVESTMENT BANKING</p>	<p>IMCO TECHNOLOGIES</p> <p>Healthcare Software Developer</p> <p>Divested its Test Results Management Suite to</p> <p>USAMOBILITY ONE SOURCE FOR WIRELESS</p> <p>Sell side advisor</p> <p>DRESNER PARTNERS INVESTMENT BANKING</p>
<p>bulletin</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>NCC</p> <p>North Central Consulting, Inc. offers IT Consulting</p> <p>acquired by</p> <p>Whittman-Hart, Inc.</p> <p>Sell side advisor</p> <p>DRESNER PARTNERS INVESTMENT BANKING</p>
<p>VHC 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>Whittman-Hart, Inc.</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 Public Company Universe

Information Services

- Axiom [ACXM]
- Alliance Data Systems [ADS]
- Dun & Bradstreet [DNB]
- Equifax [EFX]
- Experian [EXPN]
- Fair Isaac [FICO]
- GB Group [GBG]
- NeuStar, Inc. [NSR]
- Teradata Corp. [TDC]
- Thomson Reuters [TRI]
- Total System Services [TSS]
- Transunion [TRU]

Communications/ IT/BPO

- Accenture [ACN]
- Cass Information Sys [CASS]
- Cognizant [CTSH]
- Computer Sciences [CSC]
- Convergys [CVG]
- CSG Systems [CSGS]
- Exlservice [EXLS]
- Genpact [G]
- InContact [SAAS]
- Infosys [INFY]
- Innodata Isogen Inc. [INOD]
- Interactive Intell [ININ]
- IBM Global Services [IBM]
- NICE Systems [NICE]
- Nuance [NUAN]
- PRGX Global [PRGX]
- ShoreTel [SHOR]
- Startek [SRT]
- Sykes Enterprises [SYKE]
- Tangoe [INGO]
- Teleperformance [RCF.F]
- Teletch [TTEC]
- Verint [VRNT]
- West [WSTC]
- Wipro [WIT]
- WNS Ltd. [WNS]

Consulting

- Booz Allen Hamilton [BAH]
- CEB Inc. [CEB]
- FTI Consulting [FCN]
- Huron Consulting [HURN]
- National Research [NRCI]
- Navigant Consulting [NCI]
- Towers Watson [TW]

HR

- ADP [ADP]
- AJ Gallagher [AJG]
- Aon [AON]
- CBIZ [CBZ]
- H&R Block [HRB]
- Insperity [NSP]
- Intuit [INTU]
- Kelly Sves [KELYA]
- Paychex [PAYX]
- Professional Diversity Network [IPDN]
- TriNet [TNET]
- Ultimate Software [ULTI]
- Workday [WDAY]

Education

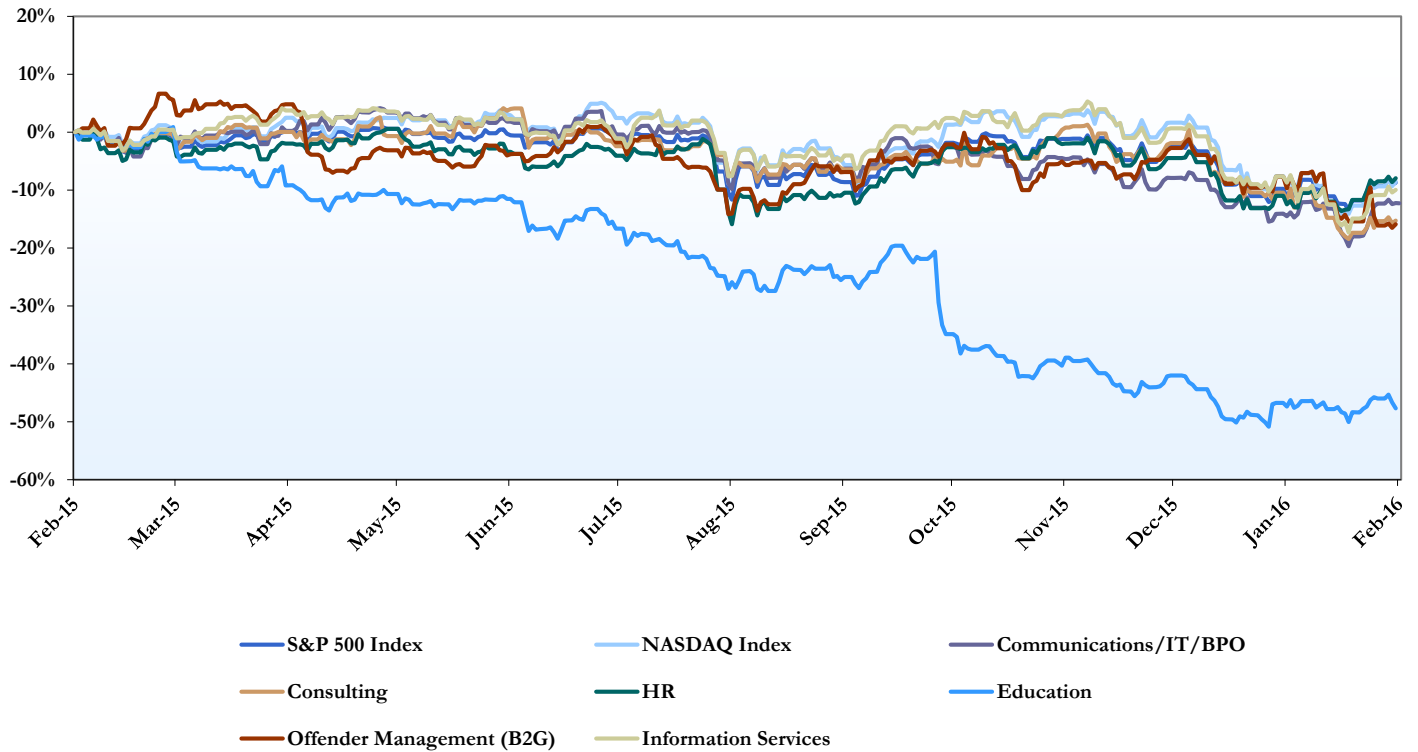
- Al-Khaleej Training & Educ. Co. [SASE:4290]
- American Public Ed [APEI]
- Apollo [APOL]
- Bridgepoint [BPI]
- Cambium Learning [ABCD]
- Capella [CPLA]
- Career Education [CECO]
- DeVry [DV]
- Education Mgmt [EDMC]
- Grand Canyon [LOPE]
- ITT Educational Svcs [ESI]
- K12 [LRN]
- Learning Tree [LTRE]
- Lincoln Education [LINC]
- National American [NAUH]
- Pearson plc [PERSON.L]
- Rosetta Stone, Inc. [RST]
- Scholastic Corp [SCHL]
- School Specialty [SCOO]
- Universal Tech Inst [UTI]

Offender Management (B2G)

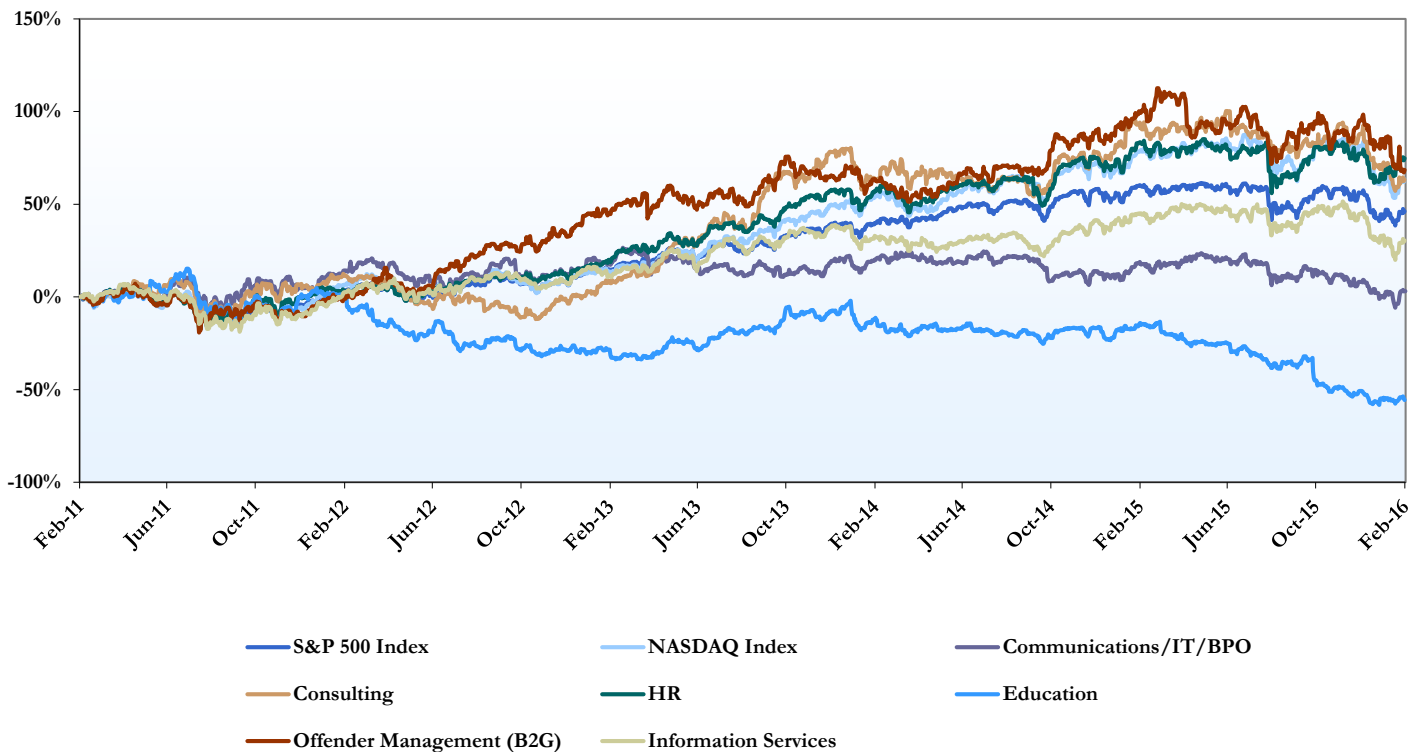
- Advanzone Solutions [CHCR]
- Corrections Corp of America [CXW]
- Geo Group [GEO]
- Magellan Health Services [MGLN]
- Providence Service Corp. [PRSC]
- Tyler Technologies [TYL]
- US Physical Therapy Inc. [USPH]



LTM Relative Stock Price Performance



5 Year Relative Stock Price Performance



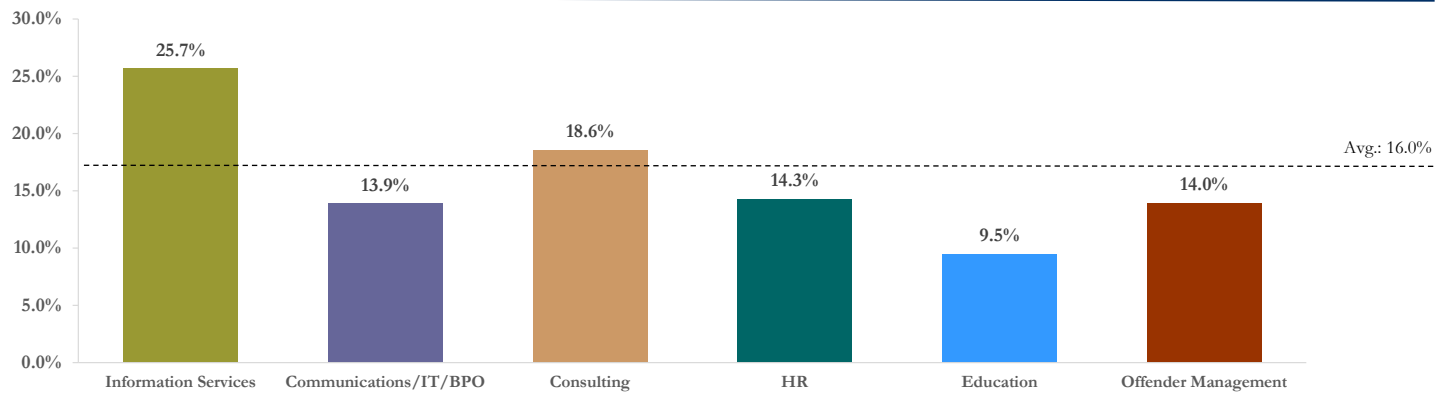
As of February 24, 2016



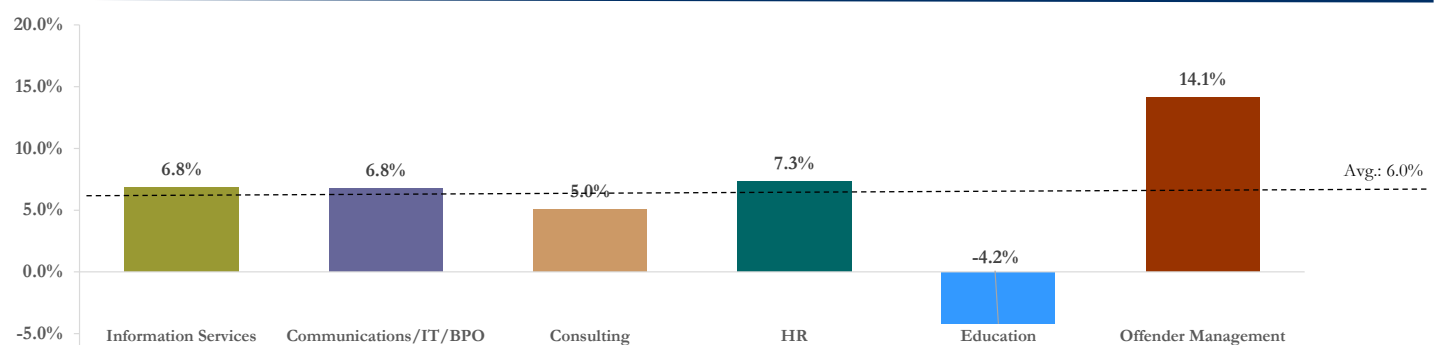
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Business Services and Applied Technologies (cont.)

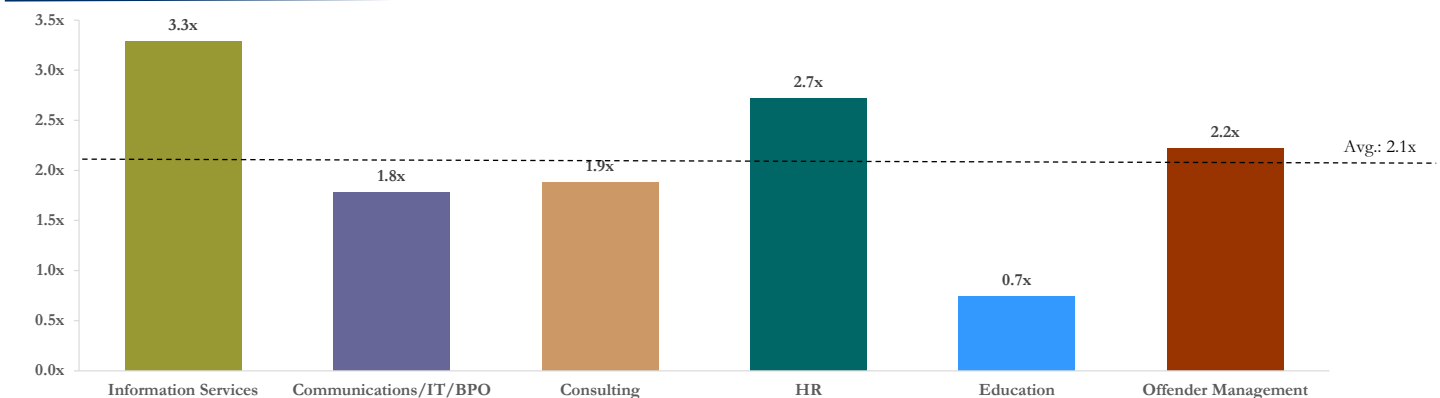
Avg. LTM EBITDA Margin



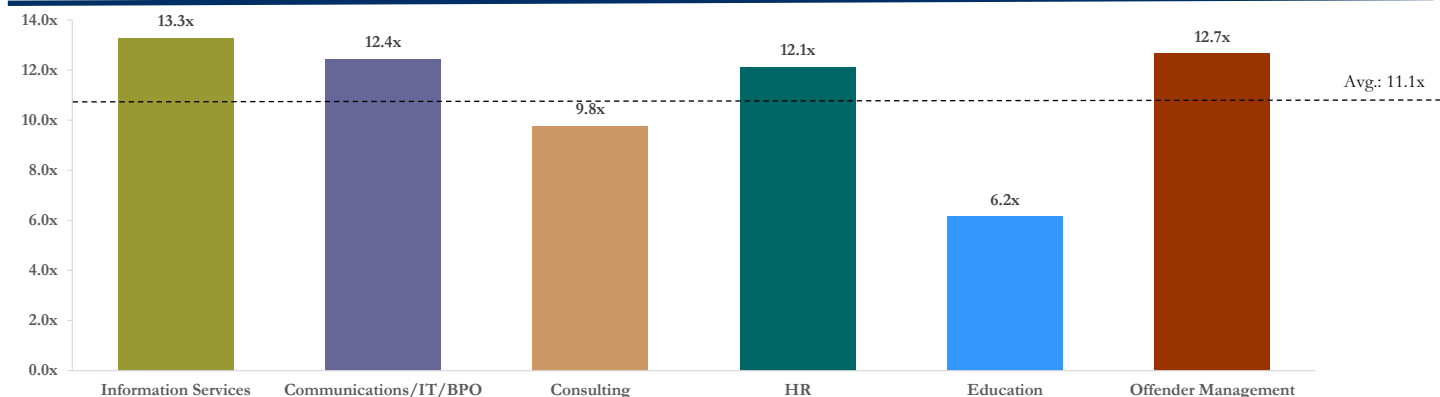
Avg. Revenue CAGR - Last 3 Years



Avg. EV/LTM Revenue



Avg. EV/LTM EBITDA



As of February 24, 2016



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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 and Irvine, Calif., and Richmond, Va. For more than 24 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. Through our IMAP partnership, Dresner Partners maintains a well-established network of international offices in over 30 countries.

Selected Dresner Transactions

 Healthcare Reporting and Analytical Software has been recapitalized by Vestar Capital Partners Sell Side Advisor 	 Healthcare Reporting and Analytical Software has been acquired by American Securities Sell Side Advisor 	 Convertible subordinated debentures financing provided by Chartwell Capital Investors L.P. Financial Advisor 
 Vocational School has been acquired by STERLING PARTNERS Sell side advisor Dresner Professional	 Educational e-Commerce and ID Software Apps has been acquired by Bb Blackboard Sell side advisor Dresner Professional	 AT&T Campuswide Access Solutions Educational e-Commerce and ID Software Apps has been acquired by Bb Blackboard Sell side advisor Dresner Professional
 CAD/CAM Software has been acquired by BV Battery Ventures Sell side advisor Dresner Professional	\$159,000,000 Common Stock  NASDAQ: APEI Dresner Professional	Private Placement  Dresner Professional

 Steven Dresner Founder & President	 Michelle Moreno Managing Director <i>Head of Business Services & Technology</i>
 Steve Horkay Managing Director <i>Technology</i>	 David Stastny Managing Director <i>Technology</i>
 Kevin McMurchy Senior Managing Director <i>Financial Institutions</i>	 Pat Cavanagh Managing Director <i>Consumer, Food & Retail</i>
 Omar Diaz Managing Director <i>Industrials</i>	 Robert Friedman, Jr. Managing Director <i>Healthcare</i>
 Brian Graves Managing Director <i>Generalist</i>	 Steve Prada Managing Director <i>Generalist</i>
 Mitchell Stern Managing Director <i>Healthcare</i>	 Thomas Pyra Senior Advisor
 Tim Golomb Executive Director <i>Strategy</i>	 Steven Mullin Director of Marketing & Business Development

