



professionalservicesREPORT

INDUSTRY OVERVIEW

Led by increased demand for insurance brokerage services, the professional services industry witnessed healthy Q4 growth and continued high levels of M&A activity. The real estate sector continues to gain confidence, as consumer demand and the construction industry regain their footing post-economic downturn, albeit at a slowed pace relative to 2013. Conducive credit markets, growing consumer and corporate spending, an improving housing market, and rising average selling prices promise increased demand for real estate companies in the upcoming years. IT services continued to dip in Q4, largely due to IBM's 20% stock price drop this quarter, caused by 2015 revenue forecast drops and difficulty transitioning to new cloud computing technologies. However, overall IT sector performance remains stable due to high corporate demand for IT services. Additionally, the professional services trend of bundling services is continuing to prompt high levels of cross-sector acquisitions of IT companies, as revealed by the 123 IT transactions in Q4 2014.

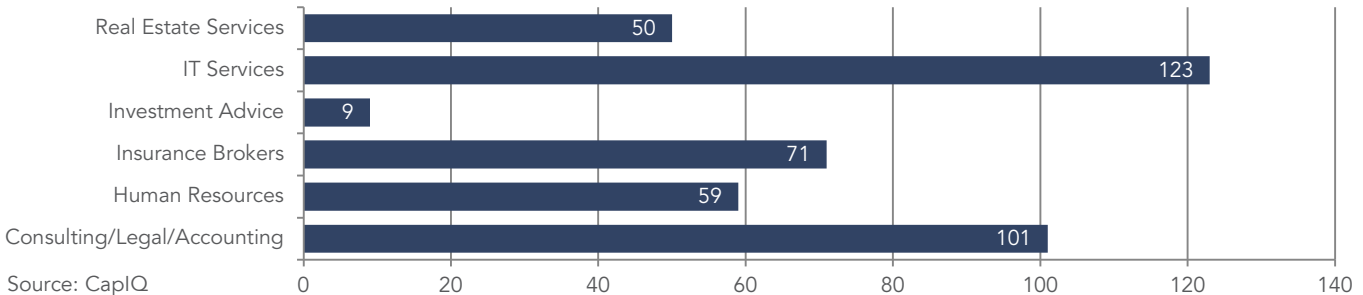
Insurance brokerage witnessed high levels of growth at the close of 2014, largely due to rising car sales, homeownership, and employment as well as the proliferation of online services. The human resources, consulting/legal/accounting, and investment advice sectors grew mildly in Q4, led by gradual mounting of corporate and consumer demand. Overall, growing corporate profits have led to increased demand for all professional services, particularly those that are affected by technological advances and new government regulation, and high company valuations continue to reflect this growing demand in the M&A market.

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TRANSACTION HIGHLIGHTS

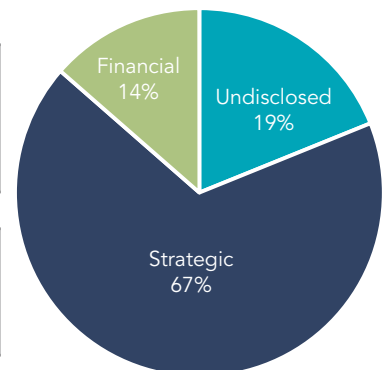
TRANSACTIONS # BY SEGMENT (Q4)



STRATEGIC VS. FINANCIAL TRANSACTIONS

HIGHLIGHTS

STRATEGIC TRANSACTIONS	12.10.14	Royall & Co, a recruitment services company, was acquired by The Advisory Board Company for \$850 million. The deal will include \$750 million in cash and \$100 million in stock.
	11.3.14	Sapient Corp. was acquired by Publicis Groupe SA for \$3.7 billion, or \$25 per share in cash - a 44% premium.
FINANCIAL TRANSACTIONS	10.30.14	Alternative investment fund Investcorp and sovereign fund Mumtalakat have acquired U.S. software and services firm PRO Unlimited for around \$300 million from ARBY Partners.



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.



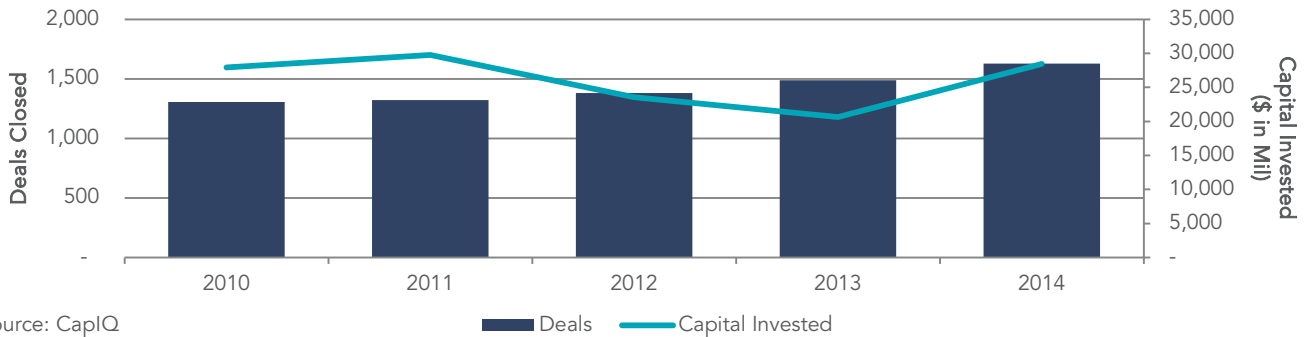
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TRANSACTION ACTIVITY

Date	Target	Buyers	Target Description	Transaction Comments
12/29/2014	CompuTech, Inc.	NCI Information Systems, Inc.	IT Services	NCI, a provider of information technology (IT) and professional services and solutions to U.S. Federal Government agencies, announced that it has entered into an agreement to acquire CompuTech, Inc. The purchase price will be approximately \$56 million in cash and will be funded through a combination of cash on hand and borrowings under NCI's senior credit facility.
12/18/2014	Zeon Solutions, Inc.	Perficient Inc. (NasdaqGS:PRFT)	IT Services	Perficient Inc., a leading information technology and management consulting firm serving Global 2000 and other large enterprise customers throughout North America, announced it has completed the acquisition of Zeon Solutions Incorporated and its subsidiary, Grand River Interactive LLC, and an Indian affiliate (collectively, "Zeon Solutions") for approximately \$39 million.
11/25/2014	Elace-oDesk	Benchmark Capital	Human Resource and Employment Services	Elace-oDesk announced that it has brought on an additional \$30 million in funding led by Benchmark Capital, which it will use to further investment in its products and expand into new markets. In addition to Benchmark, additional shareholders that include T. Rowe Price, FirstMark, Sigma West, NEA, and Stripes Group also participated in the round.
11/21/2014	SC&H State & Local Tax, LLC	Altus Group Limited (TSX:AIF)	Accounting, Auditing and Taxation Services	Altus Group Limited announced that it has completed the acquisition of SC&H Group Inc.'s State and Local Tax consulting practice. Altus Group paid approximately US\$38 million to acquire SC&H practice, funded through a combination of cash, bank debt and equity.
10/1/2014	BravePoint, Inc.	Progress Software Corporation (NasdaqGS:PRGS)	IT Services	Progress announced it has acquired BravePoint, Inc., a Georgia-based subsidiary of Chesapeake Utilities Corporation (NYSE:CPK), and a leading provider of consulting, training and application development services for approximately \$12 million.

Source: CapIQ

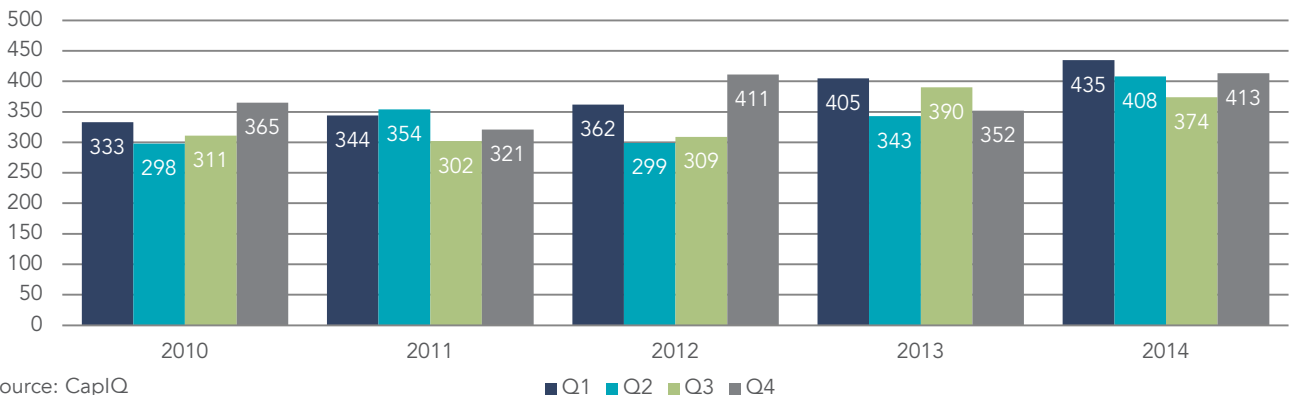
US PROFESSIONAL SERVICES M&A ACTIVITY



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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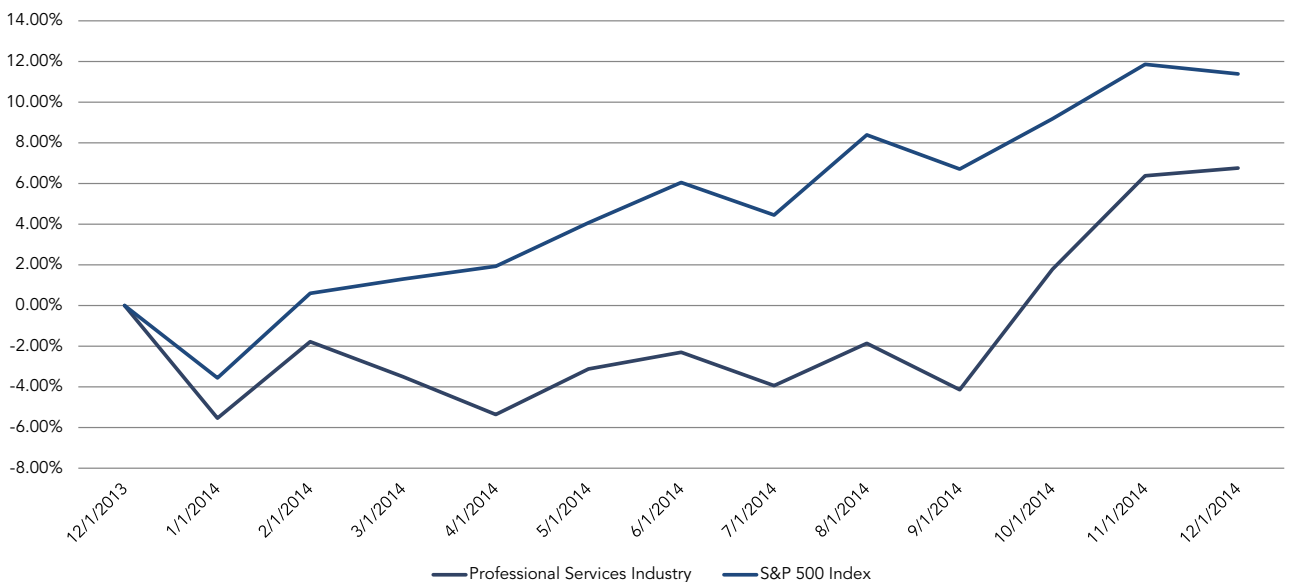
PUBLIC BASKET

The professional services public basket experienced strong improvement in Q4 relative to the first three quarters of 2014. Although human resources and insurance brokerage were the only sectors to witness positive average stock price growth in 2014, all sectors of the public basket are stabilizing at the close of the year, offering opportunity for improvement in 2015. Many industry players, such as Barrett Business Services, that were facing major stock price drops since Q1 2014 are finally finding stock prices stabilizing headed into 2015. Industry valuation multiples remain strong despite slower stock performance in 2014, averaging at 12.6x TEV/EBITDA and 2.5x TEV/Sales. Even IT services, which experienced year-to-date stock price decline of 18% is maintaining high average valuation multiples. These high valuations attest to investors' continued confidence in the professional services industry and a strong position for industry players in 2015 M&A transactions.

Company	Symbol	State	Market Cap		Stock Price			Price/ LTM EPS	Price/ Book	TEV/ Rev	TEV/ EBITDA
			(\$ in Mil)	Price	Month Change	YTD Change					
Accenture plc	NYSE:ACN	N/A	\$ 56,098	\$ 89.3	3.45%	8.62%	24.4x	10.2x	1.7x	10.8x	
Arthur J Gallagher & Co.	NYSE:AJG	IL	\$ 7,597	\$ 47.1	(1.81%)	0.32%	30.8x	2.3x	2.3x	15.1x	
Barrett Business Services Inc	NasdaqGS:BBSI	WA	\$ 195	\$ 27.4	25.57%	(70.46%)	NM	5.7x	0.2x	NM	
CBIZ, Inc.	NYSE:CBZ	OH	\$ 422	\$ 8.6	(1.04%)	(6.14%)	15.3x	1.0x	0.9x	8.7x	
CBRE Group, Inc.	NYSE:CBG	CA	\$ 11,405	\$ 34.3	1.51%	30.23%	27.1x	5.3x	1.6x	12.4x	
CGI Group, Inc.	TSX:GIB.A	QC	\$ 13,808	\$ 44.3	6.26%	24.62%	18.0x	2.8x	1.5x	9.5x	
Edgewater Technology Inc.	NasdaqGM:EDG	MA	\$ 85	\$ 7.5	(2.02%)	7.37%	19.0x	1.2x	0.6x	6.4x	
Realogy Holdings Corp.	NYSE:RLGY	NJ	\$ 6,502	\$ 44.5	(3.32%)	(10.07%)	37.2x	3.0x	2.0x	14.6x	
Average			\$ 12,014	\$ 37.9	3.57%	(1.94%)	24.5x	3.9x	1.3x	11.1x	

Source: CapIQ

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



Source: CapIQ



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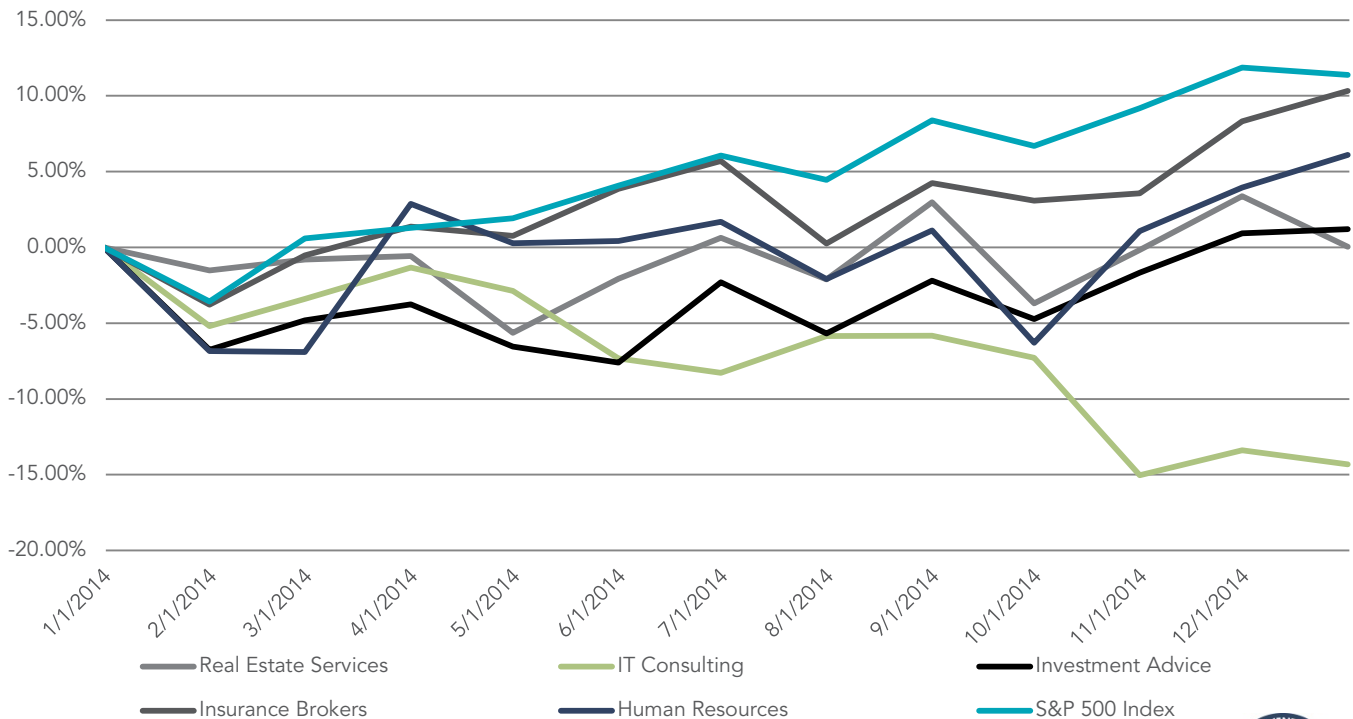
INDUSTRY SEGMENTS

The professional services industry remained somewhat stable in Q4 2014. Human resources and the insurance broker sectors witnessed relatively high levels of growth in Q4 2014, closing the year out with positive growth. Sector companies such as Marsh & McLennan, eHealth, and Crawford & Company found stock prices rising around 8% in Q4 2014. Real estate and investment advice companies' stock prices rose mildly in Q4 2014, both closing the year with positive growth. Stock prices in the IT Consulting sector stabilized in Q4 2014 after dropping rapidly in Q3, ending December with a decrease of about 14%. Insurance brokerage, the highest growing of the professional services sector in Q4, witnessed stock price increases of about 10% year-to-date. All industry sectors are showing high average company valuation multiples, particularly real estate and insurance brokerage. Overall, the professional services industry environment is offering strong positions for high-performing companies seeking to buy and sell in 2015.

Market Segment	Market Cap	Stock Price Delta			Price/ LTM EPS	Price/ Book	TEV/ Sales	TEV/ EBITDA
		Month	YTD	LTM				
Real Estate Services	\$ 3,549	(3.2%)	0.1%	0.1%	28.52x	4.33x	4.19x	15.85x
IT Consulting	\$ 6,899	(1.1%)	(14.3%)	(14.3%)	27.28x	6.10x	1.55x	12.52x
Investment Advice	\$ 4,839	0.3%	1.2%	1.2%	24.83x	5.04x	4.24x	12.40x
Insurance Brokers	\$ 8,851	1.9%	10.3%	10.3%	41.85x	2.74x	2.13x	14.98x
Human Resources	\$ 1,632	2.1%	6.1%	6.1%	35.97x	3.79x	5.46x	17.91x
Consulting/Legal/Accounting	\$ 2,395	1.3%	(1.6%)	(1.6%)	28.86x	8.06x	2.97x	11.88x
Industry Average	\$ 5,566	0.4%	6.8%	6.8%	31.97x	5.79x	2.58x	13.06x
S&P 500 Average	\$ 37,821	(0.4%)	11.4%	11.4%	27.95x	4.98x	3.24x	11.77x

Source: CapIQ

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



Source: CapIQ

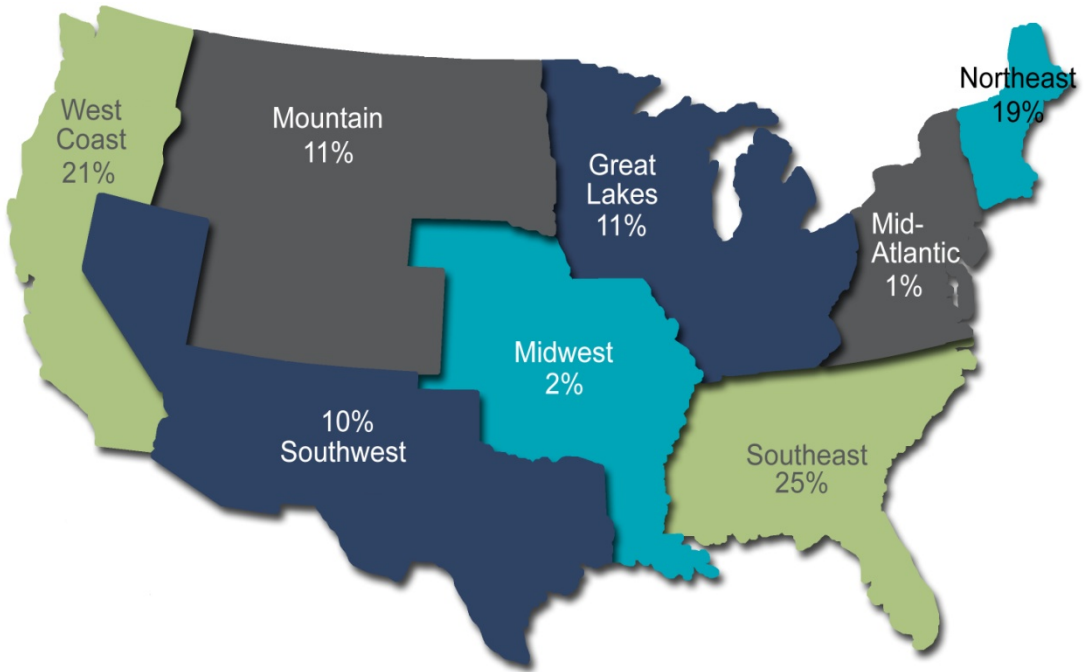


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INDUSTRY GEOGRAPHY

COMPANIES BY REGION

PROFESSIONAL SERVICES COMPANIES BY REGION AS OF DECEMBER 31, 2014



Source: CapIQ

COMPANIES BY SIZE

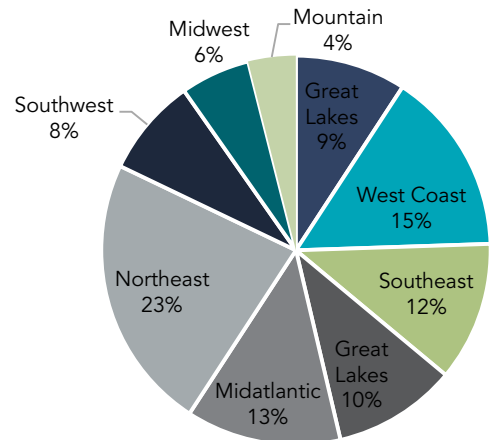
State	Undisclosed	\$0 - 5 Revenue	\$5 - 10 Revenue	\$10 - 25 Revenue	\$25 - 50 Revenue	\$50 - 100 Revenue	\$100+ Revenue
AZ	335	48	101	68	13	5	7
CO	480	45	136	58	17	6	8
KS	129	12	35	29	5	2	3
ND	20	1	7	3	0	0	1
NE	59	13	32	18	2	2	2
NM	64	7	38	10	1	0	1
OK	131	21	63	26	10	0	3
SD	16	2	10	3	0	0	1
TX	1386	209	531	312	82	31	36
UT	200	22	59	27	9	1	2
WY	25	1	4	3	1	1	1

* Revenue in millions

Source: CapIQ

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TRANSACTIONS BY REGION



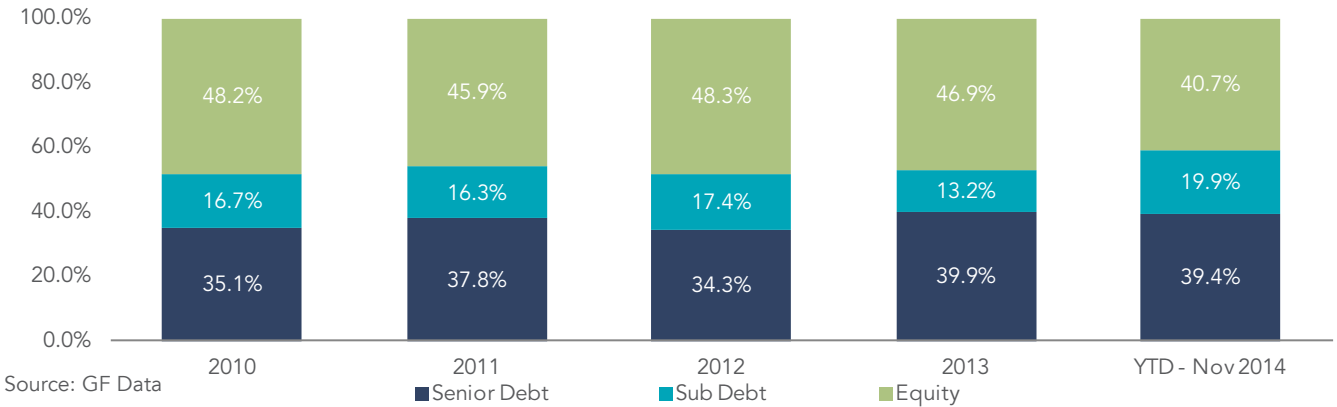
Source: CapIQ



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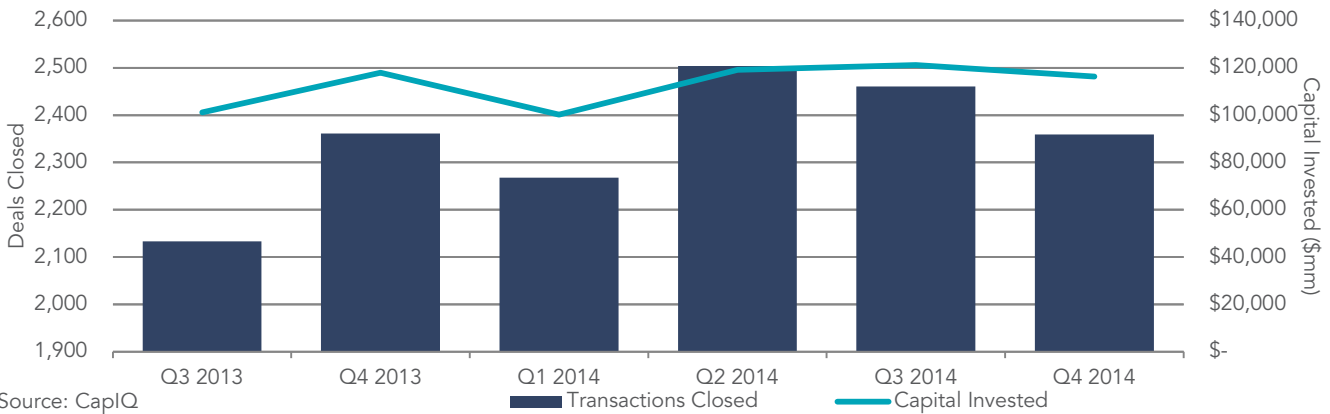
M&A MARKET ACTIVITY, OVERALL LOWER MIDDLE MARKET

CAPITAL STACK - \$10-25 MILLION TEV



Source: GF Data

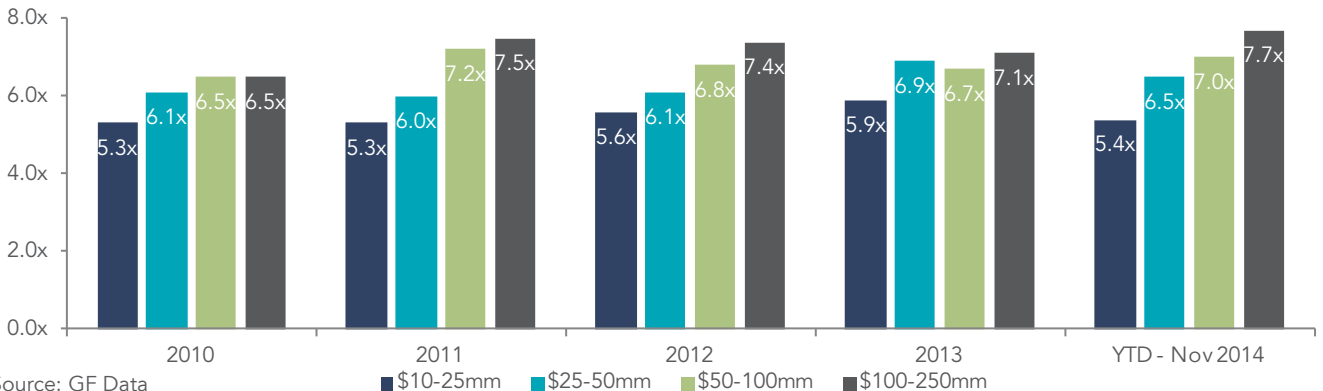
US MIDDLE MARKET M&A ACTIVITY



Source: CapIQ

TRANSACTION MULTIPLES

EBITDA MULTIPLES BY TRANSACTION SIZE



Source: GF Data

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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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.

PRIVATE CAPITAL FORMATION

Capital Placement

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

Recapitalization

Whether recapitalizing a majority or minority of your company, we tailor our process to each client’s specific needs to generate multiple options and favorable terms.

RECENT TRANSACTIONS

<p>DECEMBER 2014</p> <p>Deal financing provided by</p> <p>Guaranty Bank and Trust Company</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>OCTOBER 2014</p> <p>Has been acquired by</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>AUGUST 2014</p> <p>Has been acquired by</p> <p>Private Investor Group</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>JULY 2014</p> <p>Has completed a equity recapitalization with</p> <p>REVELSTOKE CAPITAL PARTNERS, LLC</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>JULY 2014</p> <p>Has been acquired by</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>Deal financing provided by</p> <p>ColBiz Structured Finance ColBiz 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>

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