

CHILDS

ADVISORY PARTNERS

QUARTERLY UPDATE

4Q 2015

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7TH ANNUAL GROWTH FIRM CONFERENCE

May 12, 2016

JW Marriott Buckhead, Atlanta, GA

Who Should Attend:

- C-level executives and owners of middle-market Business Services, Technology, and Healthcare Services Firms
- Private Equity Investors

Contact Griffin Childs with any questions:
caprsvp@childsap.com

CHILDS NEWS AND EVENTS

3/2/16

CHILDS advises Inmark in its majority recapitalization by Quad-C Management

2/29/16 – 3/3/16

CHILDS attends HIMMS in Las Vegas, NV

2/21/16 – 2/25/16

CHILDS attends Staffing Industry Executive Forum, Phoenix, AZ

2/19/16

CHILDS advises HIMS Consulting Group in its sale to HCTec Partners

2/10/16 – 2/11/16

CHILDS attends ACG Capital Connection in Atlanta, GA

1/12/16

CHILDS advises PTC in its acquisition of Kepware

12/31/15

CHILDS advises McKinnis Consulting Services in its sale to Navigant Consulting

12/28/15

CHILDS advises ALTA IT Services in its sale to System One Holdings

CHILDS ADVISORY PARTNERS

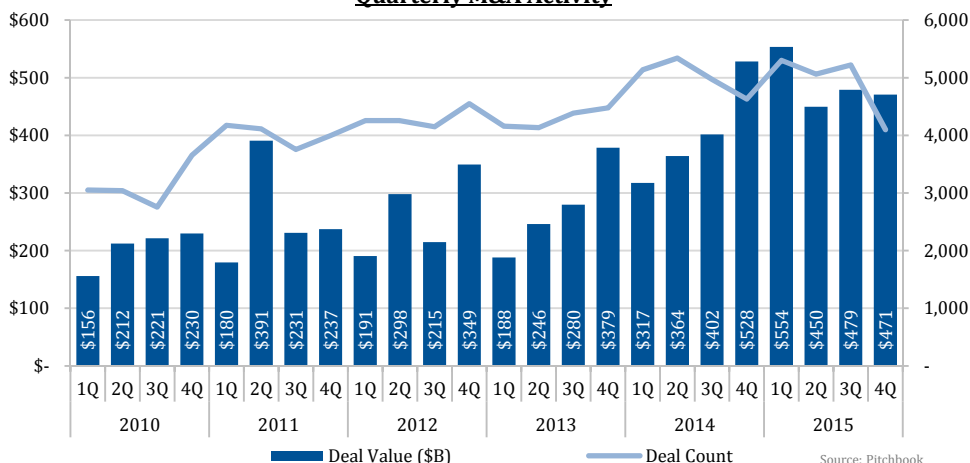
3438 PEACHTREE ROAD NE
PHIPPS TOWER, SUITE 1400
ATLANTA, GA 30326
PHONE: 404.751.3000
WWW.CHILDSADVISORYPARTNERS.COM

The First Word: Middle-market M&A Activity Booms

We hope that you had a nice holiday and have enjoyed a strong start to the new year! Our firm experienced another record year, having completed 21 M&A transactions in 2015 (43 over the last 24 months). We have seen the momentum continue into 2016 and are excited for the year ahead.

The overall U.S. M&A market experienced a record year in 2015 for transaction value and sustained high volumes throughout the year. Transaction activity and values have been driven upward by hungry strategic buyers with cash reserves, financial sponsors looking to deploy substantial dry powder, and plenty of cheap debt with favorable credit markets.

Quarterly M&A Activity



Source: Pitchbook

However, dealmakers are facing increasing headwinds as global macro factors creep into middle-market M&A transactions. Volatility in the public markets, a slowdown in the high-yield debt market, plunging commodity prices, and uncertainties in a presidential election year are giving buyers pause as we move through the first quarter of 2016. Conversely, the Federal Reserve raised interest rates in December, the first interest rate hike in nearly a decade, signaling the central bank's view that the fundamentals of the U.S. economy are strengthening.

We follow the general consensus that the current economic cycle is working through its later stages. While strategic buyers and financial sponsors are becoming increasingly conscious about overpaying, we have not witnessed any less of an appetite for M&A. We believe both strategic acquirers and financial sponsors (via add-on acquisitions) will use M&A to compensate for an environment of lower organic growth. Valuation multiples are likely to normalize, however, high quality companies will continue to command premium multiples.

The CHILDS 7th Annual Growth Firm Conference

We are excited to once again announce our annual conference, which will take place on May 12th at the JW Marriott Buckhead in Atlanta. This year's conference will feature moderated roundtable discussions on specific topics, middle-market M&A trends, and perspectives on private equity and raising capital. Our keynote speaker, Jeff Arnold (founder of WebMD and CEO of Sharecare), will discuss challenges faced and lessons learned founding and growing two successful businesses. Please refer to our website (www.childsadvisorpartners.com) for more information. We hope to see you there!

Jim Childs

CHILDS Quarterly Update: 4Q 2015

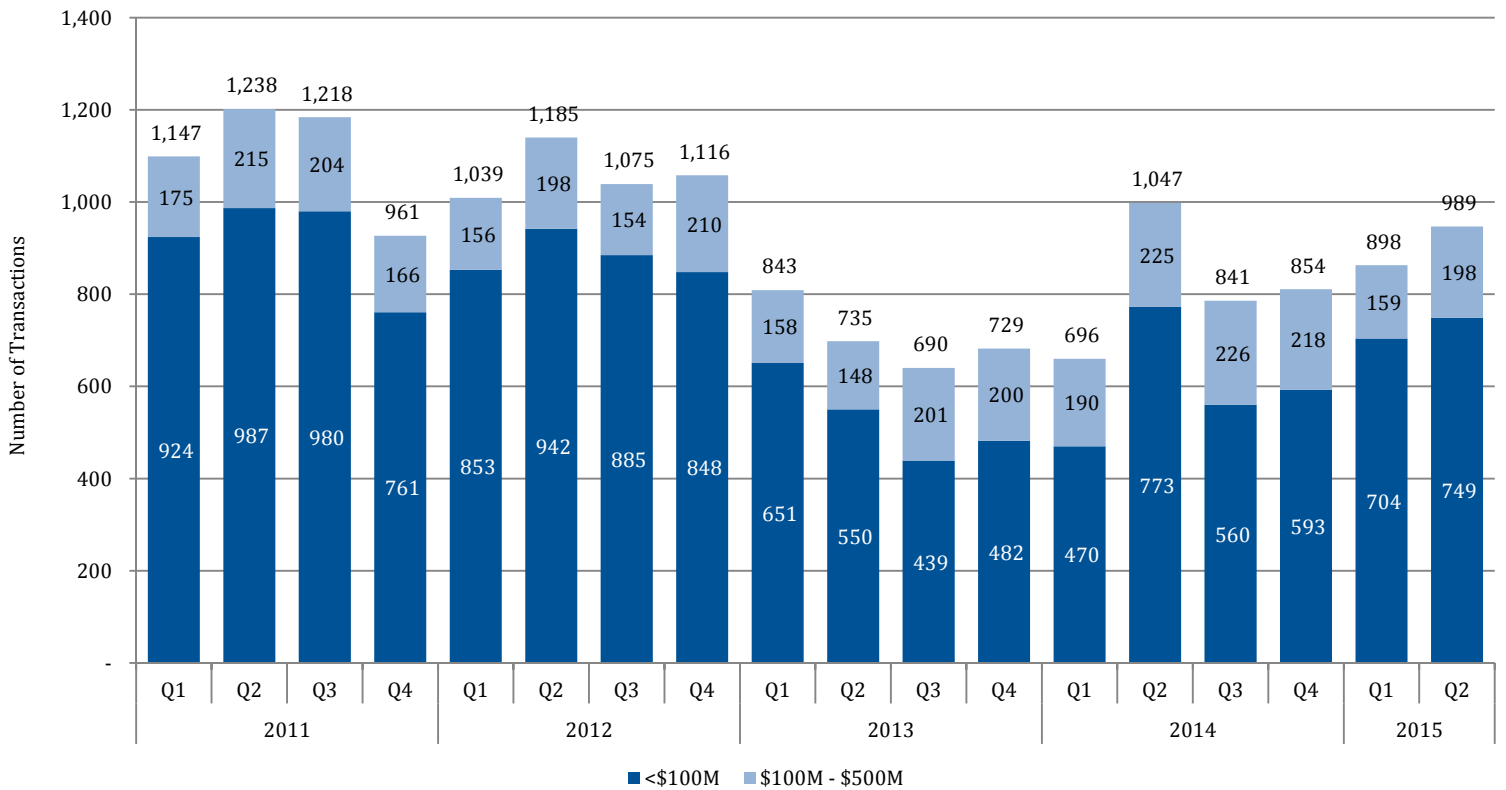
RECENT CHILDS TRANSACTIONS

 <i>has been recapitalized by</i>  February 2016	 <i>has been acquired by</i>  A Portfolio Company of Snow Phipps February 2016	 <i>has acquired</i>  January 2016	 <i>has been acquired by</i>  December 2015	 <i>has been acquired by</i>  A Portfolio Company of MidOcean Partners December 2015
 <i>has been recapitalized by</i>  December 2015	 <i>has been acquired by</i>  December 2015	 <i>has been acquired by</i>  November 2015	 <i>has acquired</i>  October 2015	 <i>has acquired</i>  Bridging Technology To Business October 2015
 <i>has been acquired by</i>  October 2015	 <i>has been acquired by</i>  High performance. Delivered. October 2015	 <i>has been acquired by</i>  September 2015	 <i>has been acquired by</i>  September 2015	 <i>has been acquired by</i>  September 2015
 <i>has been recapitalized by</i> Highlands Ventures Holdings, LLC September 2015	 <i>has been recapitalized by</i>  August 2015	 <i>has been acquired by</i>  August 2015	 <i>has been acquired by</i>  Accelerating Business Outcomes July 2015	 <i>has been acquired by</i>  July 2015
 <i>has been recapitalized by</i>  July 2015	 <i>has acquired</i>  May 2015	 <i>has been recapitalized by</i>  March 2015	 <i>has been recapitalized by</i>  October 2014	 <i>has acquired</i>  September 2014
 <i>has been acquired by</i>  October 2014	 <i>has been acquired by</i>  March 2015	 <i>has been acquired by</i>  A portfolio company of RLH November 2014	 <i>has acquired</i>  Population Health. One Patient at a Time. August 2014	 A portfolio company of Gryphon Investors <i>has acquired</i>  August 2014

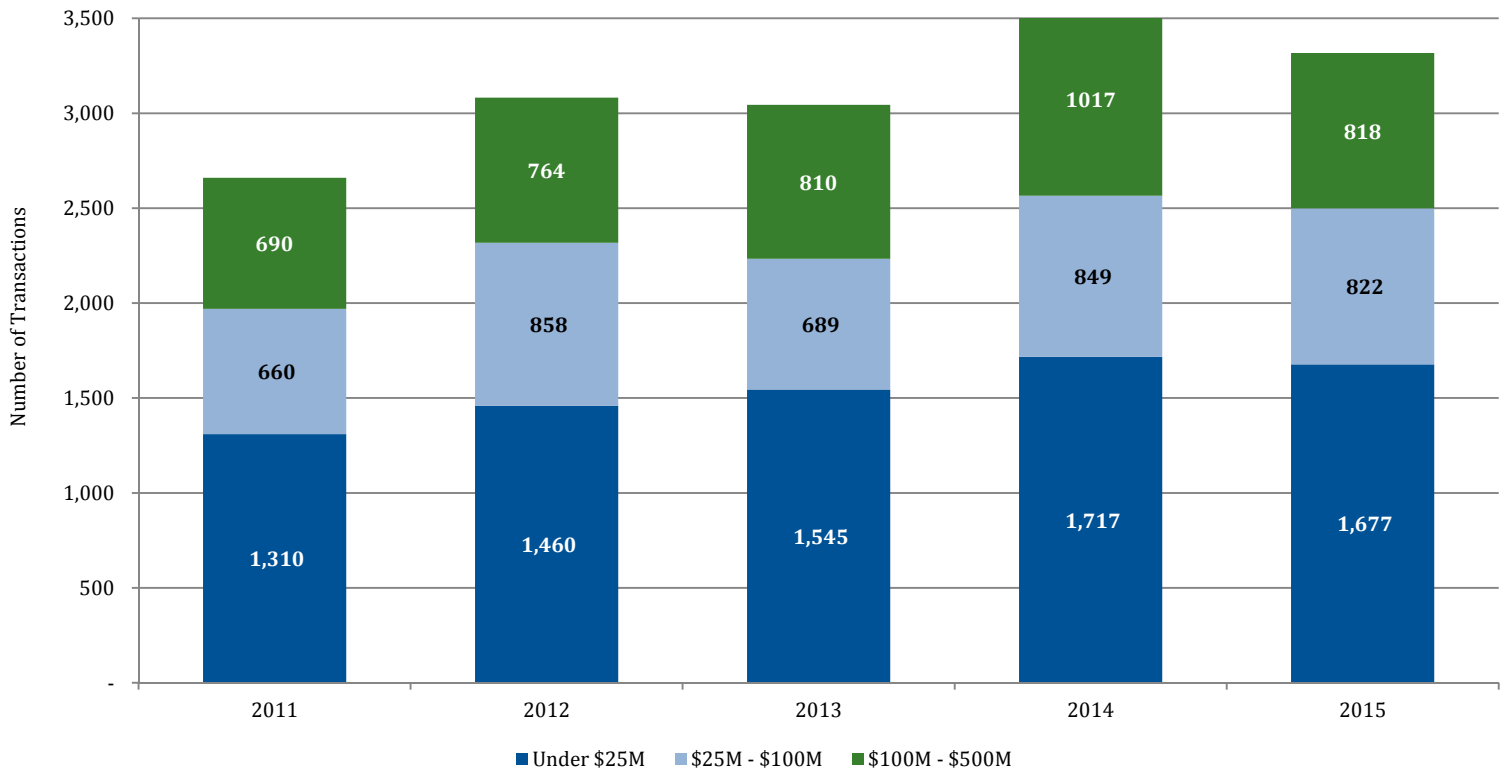
Note: CHILDS represented company listed on top half of tombstone

CHILDS Quarterly Update: 4Q 2015

LOWER MIDDLE-MARKET M&A UPDATE



LOWER MIDDLE-MARKET PRIVATE EQUITY DEAL FLOW



Sources: Capital IQ, Dealogic, Pitchbook

CHILDS Quarterly Update: 4Q 2015

INDUSTRIAL SERVICES SECTOR UPDATE

In the 3Q 2015 update, we highlight the facility services segment which has seen a variety of deal activity from different corners – technical facility services and “soft” facility services, sponsor-to-sponsor transactions, and strategic acquisitions, cross-boarder geographic expansion, as well as density plays.

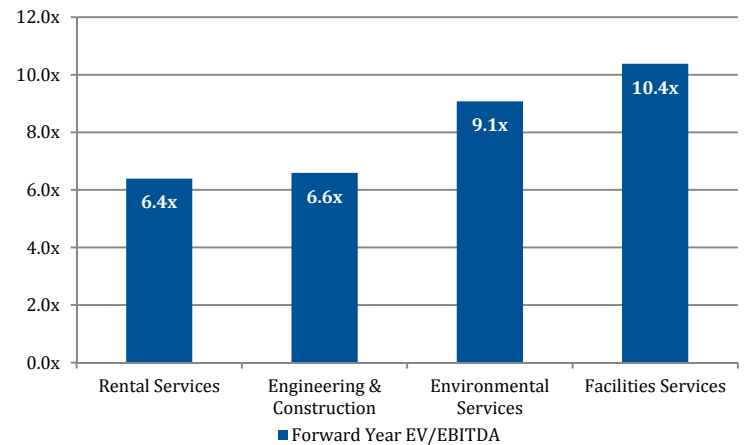
Spotlight on Facility Services:

- **Cross-Border:** Companies like ABM, Worldwide Flight Services and Atalian completed acquisitions adding operations outside their home countries. Despite currency headwinds, cross border expansion into the U.S. was a particular M&A priority throughout 2015 given relative U.S. economic strength, facility services market conditions and outsourcing trends
- **Market Fragmentation and Consolidation Plays:** Strategic buyers and private equity firms alike view certain facility services subsectors as highly fragmented with significant opportunity for consolidation through M&A, demonstrated by recent platform investment rationale
- **Technical vs. “Soft” Facility Services:** While buyer preferences in recent years have leaned toward technical and specialty service lines, interest in non-technical services has grown from private equity, service line-focused operators, and large, diversified services firms
- **Sponsor-to-Sponsor:** Successful Facility Services operators have remained independent with trades to new private equity owners eyeing the sector for growth platforms

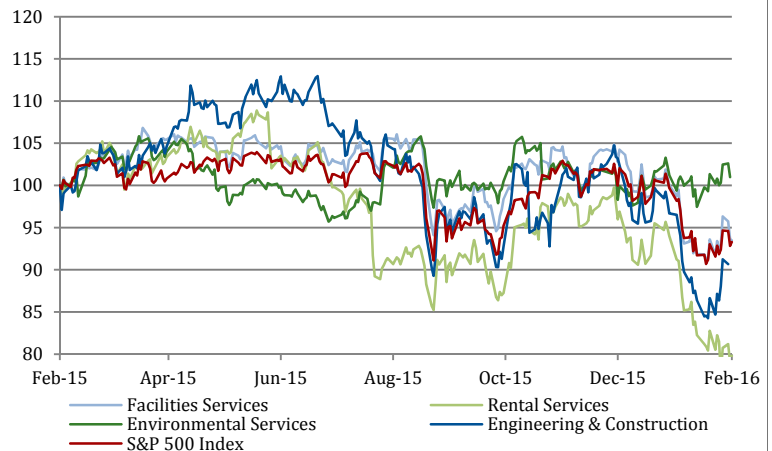
Strategic and middle market private equity M&A interest has remained strong, particularly around companies with recurring revenue streams and defensive characteristics, positioning them for economic slowdown in the U.S. or continued weakness globally in 2016. The outlook is more difficult for cyclical and commodity price-exposed firms. Lower middle-market lending conditions have tightened from the more aggressive levels experienced in 2015, following tensions seen at the upper end of the market. As a result, strategic buyers will gain further valuation advantage in competitive processes.

PUBLIC COMPANY ANALYSIS

Valuation Multiples



Last Twelve Months Indexed Stock Price Performance



RECENT M&A TRANSACTIONS

Date Announced	Buyer	Target	Target Description
3/2/16	Quad-C Management	Inmark Packaging	Designer and distributor of rigid container and life sciences packaging solutions
1/12/16	Silver Oak Services Partners	Commercial Cleaning Systems	Commercial janitorial service provider in the Western U.S.
1/11/16	Atalian Global Services	Temco Facility Services	New York-based provider of cleaning, security, and other facility services in the U.S., UK, Belgium and the Netherlands
1/11/16	Worldwide Flight Services	Consolidated Aviation Services	Provides cargo handling, passenger services, and mail handling services primarily in the U.S.
1/11/16	Towne Park	Parking Solutions, Inc.	Provides valet parking, shuttle services, and other support services specializing in the Healthcare vertical
1/6/16	Audax Group	Source Refrigeration & HVAC	Provides commercial refrigeration and HVAC design, installation, energy optimization, and maintenance services
11/23/15	TrustHouse Services Group (Elior)	ABL Management	Provides food service and other facility services to the corrections and higher education end markets
11/16/15	Goldman Sachs TH Lee	GCA Services	Provides janitorial, facilities maintenance and other outsourced services to education, commercial, and rental car end markets

Note: Public company data as of February 5, 2016

CHILDS Quarterly Update: 4Q 2015

HUMAN CAPITAL MANAGEMENT SECTOR UPDATE

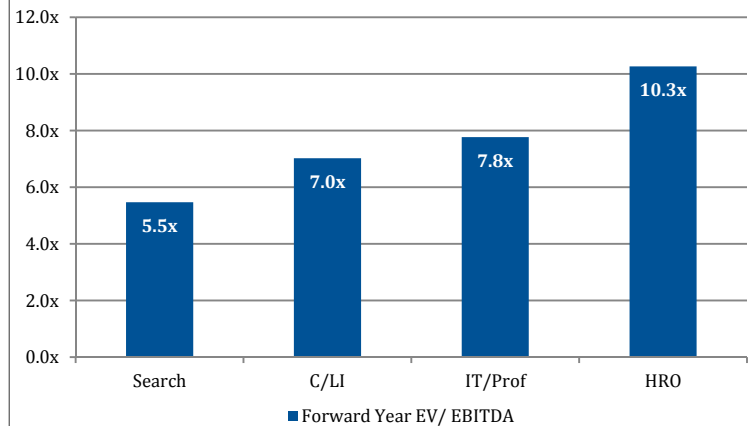
In our 3Q 2015 Human Capital Management update, we addressed the positive macro-economic and industry tailwinds currently influencing the industry. Furthermore, we highlighted the overwhelmingly positive impact of the rapidly evolving regulatory climate in the face of the risks of a near-term recession.

Another trend that bodes positive for the staffing industry is the widening skills gap as the demand for contingent labor continues to outpace the supply of qualified candidates. Temporary staffing firms may need to begin exploring new recruitment methods to help foster relationships with qualified staffing candidates as we progress through 2016. Additionally, the changing technological landscape continues to influence the industry, and it will become increasingly important for staffing firms to integrate technologies into their sales and recruitment engines to remain competitive with their peers in speed and quality of delivery.

Despite the looming possibility of the end of a cycle, the temporary staffing industry continues to grow as analysts anticipate growth of 5% in 2016 to an all time high of \$121 billion. While aided by the positive financial impact of the Affordable Care Act's regulatory changes, the growth is expected to be primarily driven by expansion in the healthcare and education segments of 12% and 15%, respectively. Legal and Engineering Staffing are expected to be the lagging segments with the lowest forecasted growth rates, the latter being impacted by the current turmoil in the oil and gas sector. These market forecasts are based on broader economic expectations which are consistent with the consensus view of leading economists.

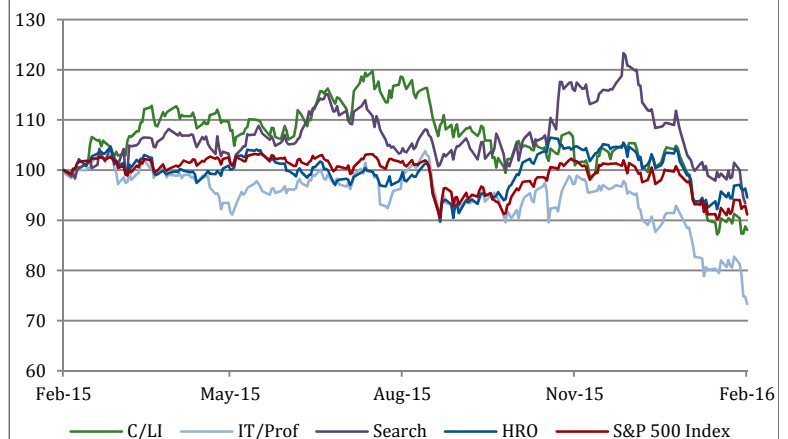
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*C/LI = Clerical/Light Industrial

Last Twelve Months Indexed Stock Price Performance



RECENT M&A TRANSACTIONS

Date Closed	Buyer	Target	Target Description
2/19/16	HCTec Partners	HIMS Consulting Group	Delivers complete EMR solutions addressing the demands of IT resource planning and project implementation
1/18/16	Modis (Adecco)	International Business Machines Corporation, Two Business Units	Comprises Lablaw (law firm) and HR services business units of IBM
1/5/16	AMN Healthcare Services	B. E. Smith	Provides senior-level leadership services including interim leadership, executive search and advisory services
12/28/15	System One Holdings	ALTA IT Services	Specializes in IT staffing and consulting for government agencies and commercial clients
12/22/15	Recruit Holdings	USG People NV	Provides employment, professional secondment and projects, human resource (HR), and customer care services
12/9/15	Impellam Group	Bartech Holding	Provides workforce management and staff augmentation solutions
12/1/15	Korn Ferry International	Hay Group Investment Holding	Provides organizational and human consulting advices services and Financial services through its subsidiaries

Note: Public company data as of February 5, 2016

CHILDS Quarterly Update: 4Q 2015

BUSINESS PROCESS OUTSOURCING SECTOR UPDATE

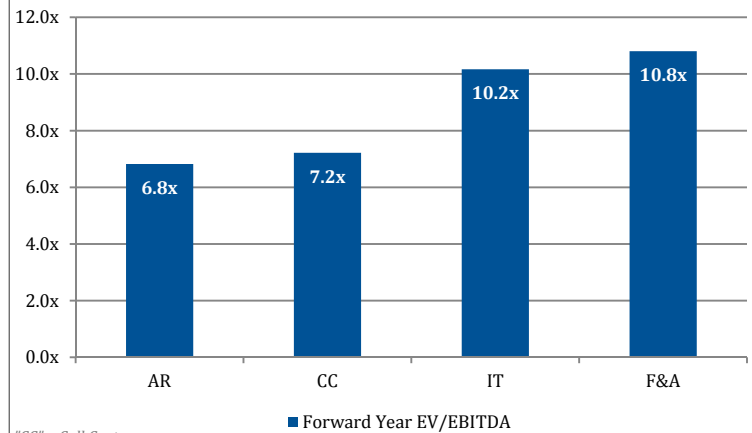
BPO industry participants and services delivered remain fluid with global competition and evolving technology prompting providers to drive continued change and push for more advanced and comprehensive programs. What do we have in store for 2016? Datamark has published its top seven BPO trends to watch for in 2016. A number of these have been topics of past newsletter articles, including #1 which we covered in depth last quarter.

- The Philippines Phenomenon:** A large educated workforce fluent in western English combined with tax incentives and a low cost of living continues to attract BPO providers to the Philippines.
- Risk Management Put to the Test:** Risk management continues to increase in relative importance among customers. Disaster recovery and security are going to be two key themes in 2016.
- Long Term Partnerships Explore Capability vs. Ability:** BPO providers with established and successful outsourcing arrangements will look to offer clients new services that expand their project / engagement scope into higher-skill processes.
- Outsourcing Makes a Social Impact:** Look for impact sourcing, directing low cost services to socioeconomically disadvantaged people, to continue to gain traction as corporations look to meet social responsibility objectives.
- Knowledge Process Outsourcing Expands:** BPO providers are enhancing offerings to provide services in areas previously believed to be "non-outsourcable".
- Robotic Process Automation (RPA) - Separating Reality from Hype:** Determining the real potential for RPA in an environment where real world adoption and experience drastically varies from hype.
- Tapping the Wisdom of Crowds:** Crowdsourcing has proven successful in areas where collective wisdom can be leveraged and BPO providers are progressively reaching out to the crowd to complete clients' work.

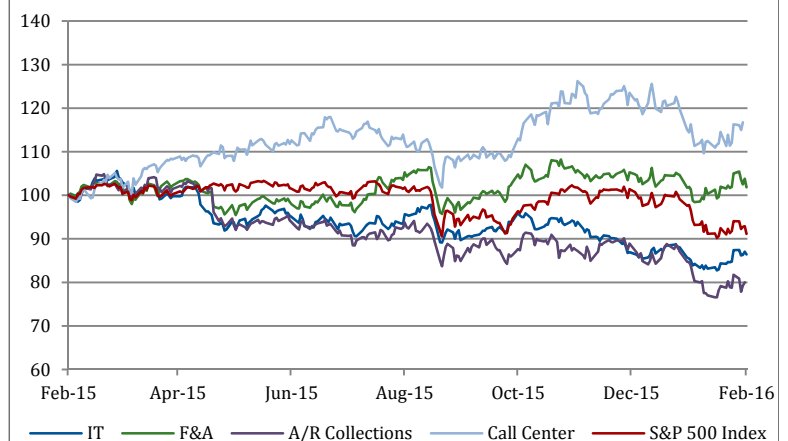
We expect 2016 to be an exciting year for BPO with further advancement in offerings and technology giving companies even greater incentive to outsource their non-core business processes.

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Last Twelve Months Indexed Stock Price Performance



RECENT M&A TRANSACTIONS

Date Closed	Buyer	Target	Target Description
2/1/16	Pamplona Capital Management	Veritext	Provides litigation support services, primarily electronic data discovery solutions
1/28/16	Omnivere	Kiersted Systems	Provides electronic discovery and legal technology consulting and outsourcing solutions to law firms & corporate legal departments
1/27/16	First Advantage Litigation Consulting (dba Consilio)	Huron Legal	Former legal consulting arm of Huron Consulting Group providing legal outsourcing services and solutions
1/8/16	Capita	PayPoint.net and Metacharge	Offers payment processing solutions
12/29/15	HR Outsourcing Holdings	Fortune Financial	Provides payroll admin, human resources admin & compliance, workers' comp, and benefits admin solutions
12/21/15	Oasis Outsourcing	Doherty Employment Group	Provides human resource (HR) outsourcing solutions in the United States

Note: Public company data as of February 5, 2016

CHILDS Quarterly Update: 4Q 2015

HEALTHCARE SERVICES SECTOR UPDATE

The primary drivers of change within the health care sector remain in place and will continue to transform the space into 2016. The ongoing ramifications of the Affordable Care Act and the implementation of ICD-10-CM/PCS standards remain crucial variables to consider. On a broader scale, shifting demographics and the health of the overall economy are also still driving growth, with a variety of specialist niches benefiting from the growing number of retirees, part-time workers and full-time employees obtaining insurance.

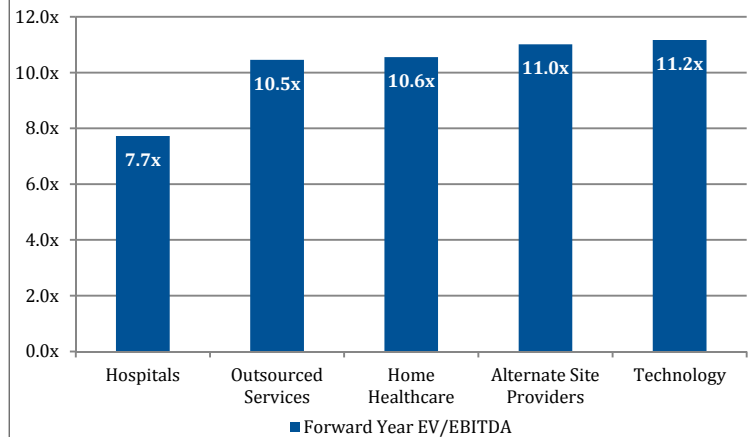
Recent reports indicate that the current proportion of the uninsured in the U.S. is 11.7%, a decline of roughly 3.8% since the implementation of the Affordable Care Act. In short, with the surge in consumer demand an important factor, the U.S. health care sector should continue to experience vigorous growth.

From a buyer's perspective, the growing complexity generated by the ongoing evolution of the health care space remains the primary obstacle. More and more are drawn to invest or cut deals to stay competitive, but assessing multiple intertwining trends and picking winners in a fast-moving market is difficult.

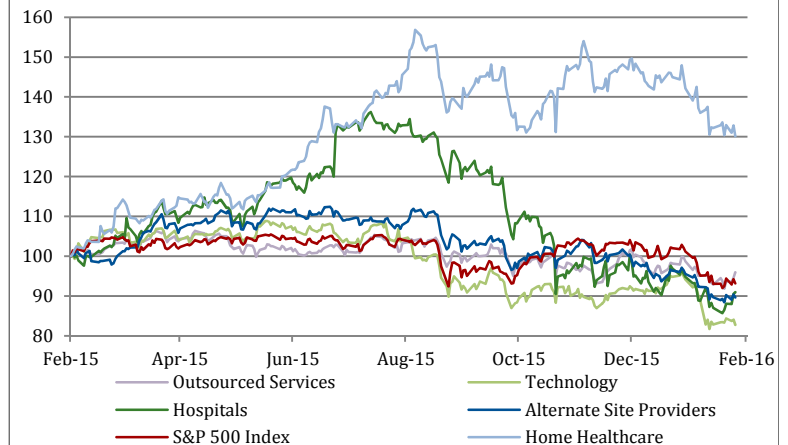
In terms of M&A activity, Q3 2015 slightly topped its 2014 counterpart to reach a new high of 326 closed transactions. At \$82.2 billion, the quarterly sum of deals was only overshadowed by Q1's outlier of \$133.4 billion; otherwise, this represents the second-highest total seen since the start of 2013.

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Valuation Multiples



Last Twelve Months Indexed Stock Price Performance



RECENT M&A TRANSACTIONS

Date Closed	Buyer	Target	Target Description/Comment
Announced	Pamplona Capital Management	MedAssets	Provides technology-enabled products and services for health service providers and product manufacturers
12/22/15	Wafra Partners	InterMed	Third party provider of medical equipment management and service solutions
12/01/15	Capital One	GE HFS Holdings	Provider of customized financing solutions for healthcare organizations
11/23/15	Team Health Holdings	IPC Healthcare	Provider of acute hospitalist and post-acute care services
11/17/15	OptumRx	AxelaCare Health Solutions	Provider of home drug infusion services and solutions
10/30/15	Cross Country Healthcare	Mediscan, LLC	Provider of temporary workers to the healthcare sector

Note: Public company data as of February 5, 2016

CHILDS Quarterly Update: 4Q 2015

IT SERVICES SECTOR UPDATE

The IT Services sector finished 2015 with a strong Q4 of M&A activity. While total Q4 2015 volume was slightly down over Q4 2014 (338 closed transactions versus 354), Q4 volume was the highest seen in all of 2015. Private equity firms and strategics remained active as they continued to put their massive amounts of dry powder to work.

While the Federal Reserve raised interest rates in December, and the global economy has remained uncertain, IT services M&A activity momentum has continued into the first quarter of 2016. The transition to the Cloud continues to be a primary driver of M&A activity.

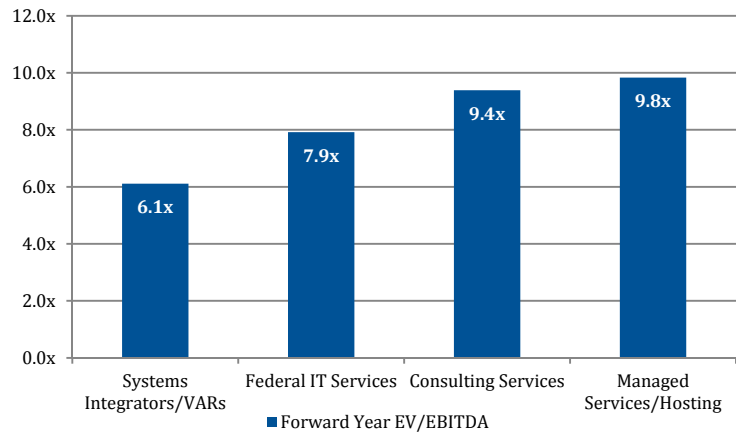
On the private equity front, Clearlake Capital announced it would acquire Pomeroy IT Solutions, which is set to close in Q1 2016. Pomeroy provides infrastructure services with a focus end users, networks and data centers, with Cloud technology touching all three focus areas.

For strategics, multiple large consultancies continue to buy versus build Cloud assets in certain key areas. One particular area of interest is customer relationship management (CRM). Highlighted below are three key deals we have seen announced or close in the past few months:

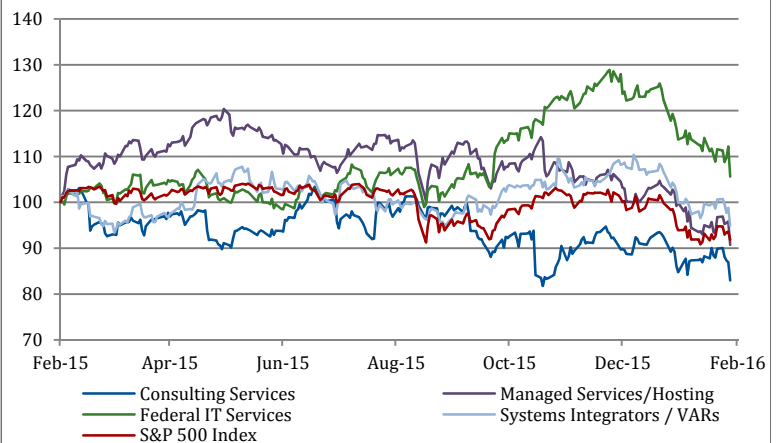
- **MindTree** announced the acquisition of *Magnet360*
- **Accenture** acquired *CRMWaypoint*
- **Cap Gemini** acquired *Oinio*

PUBLIC COMPANY ANALYSIS

Valuation Multiples



Last Twelve Months Indexed Stock Price Performance



RECENT M&A TRANSACTIONS

Date Closed	Buyer	Target	Target Description/Comment
Announced	Cognizant	KBACE Technologies	Global IT consulting provider focused on Oracle and the Cloud
Announced	MindTree	Magnet 360	Provides Salesforce multi-cloud implementation strategies and consulting services
02/03/16	Accenture	CRMWaypoint	IT consulting focused on CRM and the Cloud
01/05/16	Cap Gemini	Oinio	Consulting and implementation services for cloud-based CRM solutions
12/31/15	Navigant Consulting	McKinnis Consulting	Provider of revenue cycle assessment, strategy, and optimization assistance for healthcare providers
12/04/15	ePlus	IGX Global	VAR/SI focused on security

Note: Public company data as of February 5, 2016

CHILDS Quarterly Update: 4Q 2015

SOFTWARE SECTOR UPDATE

295 software transactions closed in the U.S. Q4 of 2015. Compared to the number of transactions in the previous quarter and Q4 2014, volume decreased by 9% and 15%, respectively. Despite a lighter quarter, interest from both strategic buyers and financial sponsors remains strong with valuations averaging over 3.7x revenue.

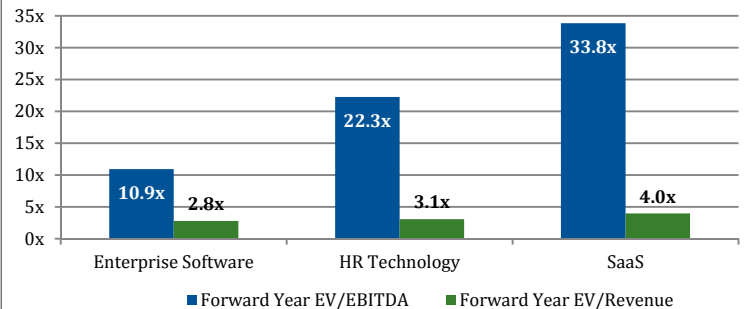
Industry Trends:

M&A stands as the only avenue for liquidity for investors/owners as the IPO window is closed. There is seemingly little ability for software companies to write an S-1 and position to go public. In both 2013 and 2014, 22 U.S.-based internet and software companies filed to go public and received valuations greater than \$50 million. As the chart below outlines, the landscape for liquidity options is shifting, as only 9 internet and software companies priced in 2015. The outlook for 2016 is looking bleak for IPOs with only 2 companies pricing so far this year across all industries.

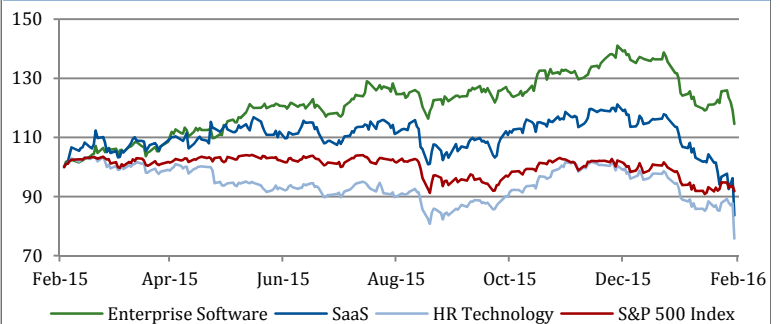
IPO Date	Company	Value (\$M)
10/16/15	Match Group	\$400
10/9/15	Instructure	\$70
6/11/15	Rapid7	\$103
5/22/15	Alarm.com	\$98
5/19/15	Xactly	\$56
5/18/15	Appfolio	\$74
5/11/15	MINDBODY	\$100
3/20/15	Apigee	\$86
2/3/15	MaxPoint Interactive	\$74

PUBLIC COMPANY ANALYSIS

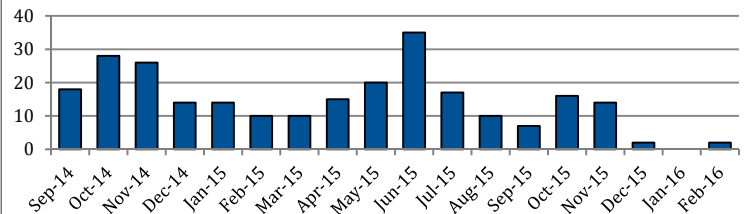
Valuation Multiples



Last Twelve Months Indexed Stock Price Performance



U.S. IPO Pricings (Last 18 Months) - All Industries



RECENT M&A TRANSACTIONS

Date Closed	Buyer	Target	Target Description/Comment
1/14/16	Kronos	Empower Software	Workforce and HCM software solutions to SMBs
1/8/16	Valsoft	Wilson Software	Auto dealer management software solutions
1/7/16	H.I.G. Capital; Prudential Capital	Salary.com	On-demand compensation and talent management solutions
1/5/16	Thoma Bravo	Infogix	Data integrity, analytics and visibility solutions
12/22/15	PTC	Keypware Technologies	Communication and interoperability software for the automation industry
10/21/15	Roper Technologies	Aderant	Legal and professional business management software

Note: Public company data as of February 5, 2016

CHILDS Quarterly Update: 4Q 2015

ABOUT CHILDS ADVISORY PARTNERS

CHILDS Advisory Partners provides exceptional investment banking services to high-performing business services and tech-enabled companies. Our unique combination of sector focused coverage, process excellence, and strength of team allow us to maximize value – and achieve successful outcomes for our clients. Collectively, our senior bankers have executed over 450 M&A and financing transactions. CHILDS is a member of FINRA and SIPC and is a registered broker-dealer.

OUR SERVICES

MERGERS & ACQUISITIONS

- Sales and Recapitalizations – CHILDS works with management teams, financial sponsors, and special committees to provide crucial insights into the intricacies and nuances of sale processes
- Strategic Acquisitions - Our disciplined methodology coupled with our industry relationships makes CHILDS an ideal buy-side partner

CAPITAL RAISES

- CHILDS proprietary knowledge database consists of active debt and equity investors focused on service businesses (senior debt through mezzanine and growth equity)
- CHILDS is continuously in the market assisting its clients raise capital for a multitude of purposes including organic growth, acquisitions, and one-time owner dividends

FINANCIAL & STRATEGIC ADVISORY

- CHILDS can act as a strategic consultant to help leadership teams develop their strategic road map in order to create and enhance shareholder value
- CHILDS can undertake a detailed analysis of a company's tangible and intangible valuation drivers as a separate undertaking or as a precursor to an M&A assignment

SECTOR FOCUS

BUSINESS SERVICES AND TECHNOLOGY

INDUSTRIAL SERVICES

HUMAN CAPITAL MANAGEMENT

BUSINESS PROCESS OUTSOURCING

HEALTHCARE SERVICES

IT SERVICES

SOFTWARE

CONTACT INFORMATION

Jim Childs

Managing Director
Phone: (404) 751-3002
Email: jchilds@childsap.com

Ross DeDeyn

Managing Director
Healthcare Services
Phone: (404) 751-3018
Email: rdedeyn@childsap.com

Tom Donahue

Managing Director
Tech-enabled Services/Software
Phone: (617) 290-5433
Email: tdonahue@childsap.com

Don Holbrook

Managing Director
Tech-enabled Services/Software
Phone: (949) 276-8715
Email: dholbrook@childsap.com

Cooper Mills

Managing Director
Business Services
Phone: (404) 751-3003
Email: cmills@childsap.com

Jason Wallace

Managing Director
Business Services
Phone: (404) 751-3020
Email: jwallace@childsap.com

Alan Bugler

Director
Business Services
Phone: (404) 751-3004
Email: abugler@childsap.com

Dave Phillips

Director
Business Services
Phone: (904) 292-9305
Email: dphillips@childsap.com