

Quarterly M&A Market Review Q4 2011

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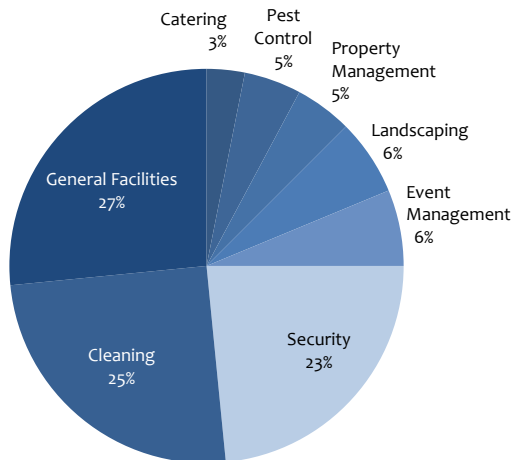
Business Services Facilities Management Services

Facilities Management Services Industry Overview

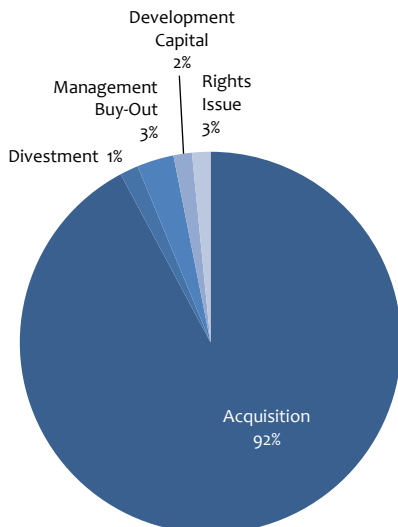
Summary: Favourable M&A conditions are expected to continue for mid-market FMS companies...

- **To acquire:** With organic growth prospects becoming very limited, many large/medium sized FM companies with reasonable cash reserves will be seeking growth via acquisition in 2012 with good opportunities available at realistic valuations.
- **Private equity:** We expect to see an increase in the volume of investment in the FMS sector in the next few quarters as a number of private equity houses continue to see the FMS sector as highly attractive to take advantage of consolidation opportunities, to increase buy-and-build activity or establish new platforms.
- **Financing:** With pressure from the Government and a stabilising of liquidity in the debt markets in recent months, banks have become more willing to lend to companies with a strong balance sheet, proven business model and strong cash generation.

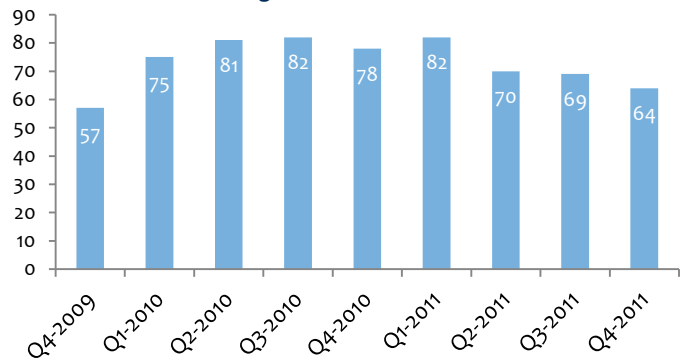
Q4/2011 FMS Transactions by Sector



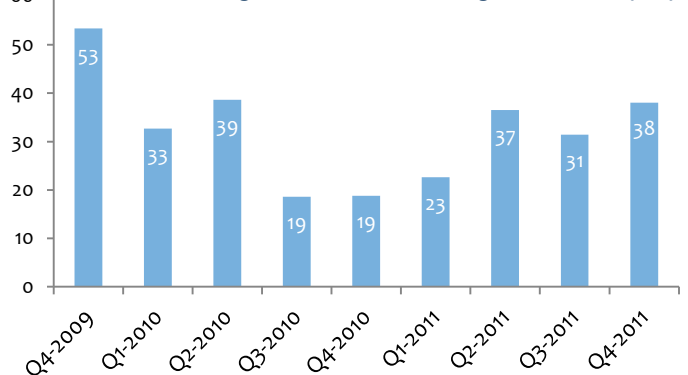
Q4/2011 FMS Transactions by Deal Type



Facilities Management Services Deal Volumes



Facilities Management Services Average Deal Value (£m)*



*Average transaction value for all deals with disclosed values under £0.5 billion

M&A Highlights

- The average deal size for Q4/2011 was £38m, a return to the encouraging level of Q2 and a sign that despite the current economic climate, good businesses are still attracting good valuations.
- The year 2011 saw 285 deals complete within the facilities management sector, a reduction of almost 10% from the 316 deals completed during 2010. This reflects the degree of caution felt through the year in the face of uncertainty. Going into 2012, we expect transaction levels to pick up as companies move from rationalisation towards increased expansion and investment.
- Trade acquisitions accounted for 92% of all transactions during Q4/2011. At a time when new contracts are fiercely contested, providers are increasingly considering acquisition opportunities as a means of accessing new contracts, increasing market share and tapping into new geographies and service lines.
- The general facilities subsector held the main share of transaction activity in the final quarter of 2011, an increase of 12% from the previous quarter. In contrast, during Q3/2011, it was the security subsector that dominated transaction activity with 30%, a decline of 7% by Q4. This change shows that M&A activity is widely spread within the FMS sector.

Feature Article: Looking towards 2012

Recent publications and commentary regarding the outlook for the facilities management sector in 2012 have been relatively optimistic, with expectations of increased M&A activity, an increase in recruitment and an economic recovery in the UK anticipated to be sooner rather than later. However, such a positive outlook could be turned on its head by an economic collapse in the Eurozone which makes up 50% of the UK's export market.

In such times of uncertainty, successful companies will anticipate trends which impact their markets. The challenges and opportunities which are likely to be at the forefront of the minds of the key players in the facilities management sector during this coming year are:

- **The UK Government's austerity measures**, which have significantly offset the recovery in private sector contract demand and continues to make new opportunities more heavily contested than ever before. It does, however, present significant opportunities to those companies who are able to offer cost savings through greater scale or technological superiority.
- **Outsourcing**, or the trend towards it, is continuing to grow in prominence as more and more companies look to streamline their businesses and focus on core competencies and service delivery.
- **Shorter contracts** are being negotiated to give companies more flexibility for the short term and allowing them to re-position themselves for future growth with the expected market turnaround.
- **Sustainability and energy management** solutions are set to become an increasingly important factor in lowering costs and providing greater occupant comfort whilst aligning with the growing preoccupation of corporate and social responsibility amongst customers.
- **The London Olympics**, now only 5 months away, provides a unique opportunity for UK FM providers to showcase their value and innovation to the world whilst picking up new infrastructure projects.

Facilities Management Services Public Comparables

Company Name	Exchange	Q1 2011 EV/EBITDA	Q2 2011 EV/EBITDA	Q3 2011 EV/EBITDA	Q4 2011 EV/EBITDA
ABM Industries Inc	NYSE	11.1x	10.1x	8.0x	8.6x
Carillion Plc	LSE	8.2x	8.5x	10.1x	9.4x
Compass Group Plc	LSE	8.7x	9.1x	8.4x	9.7x
G4S Plc	LSE	7.8x	8.2x	8.8x	9.1x
Interserve Plc	LSE	5.9x	6.6x	6.1x	6.7x
Johnson Controls Inc	NYSE	12.3x	12.4x	9.5x	10.1x
Kier Group Plc	LSE	4.7x	4.9x	4.3x	5.1x
Mears Group Plc	LSE	6.2x	7.0x	7.3x	6.1x
Mitie Group Plc	LSE	6.4x	7.1x	7.3x	7.8x
Rentokil Initial Plc	LSE	6.5x	6.5x	5.2x	5.0x
Serco Plc	LSE	9.7x	9.4x	9.7x	9.4x
Sodexo SA	ENXTPA	8.3x	8.9x	8.2x	8.3x
Average		7.7x	8.0x	7.7x	7.9x

*Enterprise Value and EBITDA as at 31 December 2011. Valuation statistics reflect most recent quarterly earnings reports.

Commentary

The average EV/EBITDA has remained fairly consistent throughout 2011 with a peak evident in Q2, in line with average stock price volatility experienced throughout the year due to the growing uncertainty in the Eurozone. The improvement in Q4 figures is an encouraging sign going into 2012.

An illustration of current opportunities

Opportunities in the UK and Europe

Gambit Corporate Finance LLP, together with its international network Corporate Finance International (“CFI”) currently has clients seeking acquisitions across many business services sub-sectors.

Below is an illustration of certain clients but if you would like to find out more about our current mandates across the network, please contact one of our Business Services team.

UK	Document Storage	A company specialising in document storage and corporate relocation seeking additional opportunities in these sectors.
UK	Workplace Services	A company specialising in workplace services is seeking acquisition opportunities in washrooms, compliance testing and document storage.
Netherlands	IT Services	International IT services group looking for acquisition of companies specialised in IT licensing, infrastructures and managed services. Preferred skills: Citrix, VMWare and Microsoft.
Netherlands	IT Services	A company seeking acquisitions of IT and/or telecom companies with a significant managed services component. Size up to €100 million revenue in Benelux, Germany and the UK.

Gambit’s Business Services Team

Gambit has a dedicated Business Services team with a demonstrable track record in the sector. We maintain ongoing contact and relationships with a wide range of leading industry sources to stay abreast of the key issues and trends that drive M&A activity in the sector or otherwise influence our clients’ businesses.

Our Business Services team would be delighted to meet with you to discuss your experiences within the sector or answer any questions you may have on the current M&A market or our recent transaction experience.

Established in 1992, Gambit is an independent corporate finance advisory firm specialising in advising private and public companies on mid-market transactions in the UK and overseas. Gambit is widely recognised as a market leader in M&A advice in the Business Services industry having built up detailed industry knowledge and an enviable track record in deal origination and execution.

**Mergers & Acquisitions ~ Disposals ~ Management Buy-Outs
Fundraising ~ Financial Restructuring ~ Strategic Advice and Consultancy**



Gambit is the sole UK representative of Corporate Finance International, a global network of leading mid-market investment banking firms with members in North America, Western & Eastern Europe and Asia.
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