

Quarterly M&A Market Review

Q1 2011

For additional information or enquiries, please contact one of our Business Services team members:

Geraint Rowe
Partner, Head of Business Services
+44 (0)29 2047 5500
geraint.rowe@gambitcf.com

Simon Marsden
Director, Business Services
+44 (0)29 2047 5500
simon.marsden@gambitcf.com

Ellen Price
Analyst, Business Services
+44 (0)29 2047 5500
ellen.price@gambitcf.com

Business Services

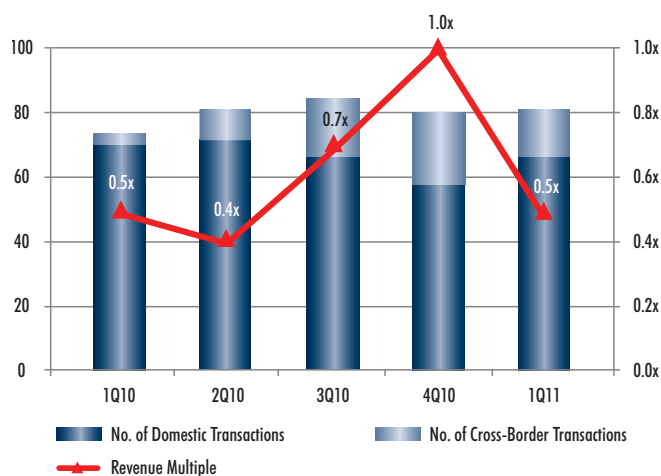
Facilities Management Services

Facilities Management Services Industry Overview

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

- To sell:** With organic growth prospects becoming very limited, many large/medium sized FM companies with reasonable cash reserves will be seeking growth via acquisition throughout 2011.
- Private Equity:** We expect to see an increase in the volume of investment in the FMS sector in 2011 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:** Liquidity in debt markets continues to improve as banks become more willing to lend to companies with a strong balance sheet, proven business model and strong cash generation.

Facilities Management Services M&A Activity



Data Sources: Capital IQ, Thompson One, Mergermarket, Company Filings

Sector Commentary

- FMS sector transaction activity increased in the first quarter of 2011 with 82 announced transactions within the subsectors tracked by Gambit, led by targets providing property management (19 transactions) and catering services (15 transactions). The increase represented a 5% improvement over the fourth quarter of last year and an 11% increase over deal activity during the first quarter of 2010.
- FMS cross-border M&A activity increased from five cross-border transactions in the first quarter of 2010 to 16 transactions in the first quarter of 2011. Cross-border M&A activity was dominated by targets providing security services (seven transactions). European and emerging market headquartered companies were the most common targets representing eight and five transactions respectively.
- M&A activity in the FMS sector rebounded in 2010 as a result of improving economic and debt market conditions globally. Looking ahead to the remainder of 2011 larger strategic competitors, who historically have had a greater influence on the M&A landscape, are expected to continue to utilise bolt-on acquisitions and acquisitions in new service areas to deliver growth. Recent transactions supporting this trend include EMCOR Group's acquisition of USM Services and Securitas' current offer to acquire Niscayah Group.

UK focus

- Despite UK GDP falling by 0.5% at the beginning of the year, the FMS sector is experiencing an improvement in market sentiment. Many of the medium and large sized companies are now stabilising, utilising accrued cash to acquire smaller FMS companies who continue to struggle in a competitive market which is witnessing a move away from quality towards price sensitivity. Consolidation of a fragmented FMS sector is likely to be the legacy of the economic downturn.

Select M&A Transactions

Date	Target	Headquarters	Acquirer	Headquarters	Deal Type	Consideration (£m)
Jan-11	Menke Menue	Germany	Compass Group Plc	England	Acquisition	4.04
Jan-11	Marunouchi Polestar Co Ltd	Japan	Compass Group Plc	England	Acquisition	-
Feb-11	Services Division of Santia Ltd	Wales	Rentokil Initial Plc	England	Acquisition	5.60
Feb-11	Churchill Filestore Ltd	England	PHS Group Plc	Wales	Acquisition	-
Feb-11	Facilities Services Group Ltd	England	Private Group led by Chairman and MD	England	Management Buy-Out	9.00
Mar-11	ShredSecure Ltd	England	PHS Datasheed	Wales	Acquisition	-
Mar-11	Shred Easy Ltd	England	PHS Group Plc	Wales	Acquisition	-
Mar-11	Listening Company Ltd	England	Serco Group Plc	England	Acquisition	55.90

Facilities Management Services Industry Overview

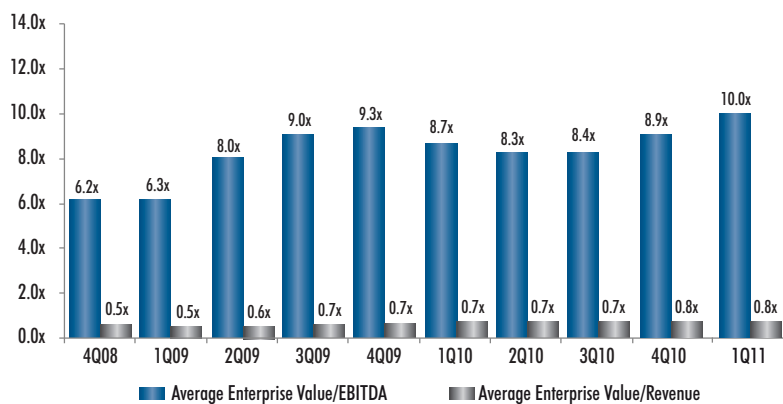
Facilities Management Services Public Comparables

Company Name	Exchange	Stock Price (€)	Market Cap (€ mm)	TEV (€ mm)	LTM Revenue (€ mm)	LTM EBITDA (€ mm)	TEV/REV	TEV/EBITDA
Johnson Controls Inc.	NYSE	€ 29.31	€ 19,855	€ 22,360	€ 26,275	€ 1,825	0.9x	12.3x
Compass Group PLC	LSE	6.34	12,003	12,800	17,245	1,468	0.7x	8.7x
G4S plc	LSE	2.89	4,063	5,904	8,613	755	0.7x	7.8x
Sodexo	ENXTPA	51.53	7,910	8,943	16,037	1,079	0.6x	8.3x
CB Richard Ellis Group, Inc.	NYSE	18.83	5,918	7,444	3,719	426	2.0x	NM
Fluor Corporation	NYSE	51.94	9,185	7,646	14,800	528	0.5x	14.5x
Rentokil Initial plc	LSE	1.02	1,841	2,931	2,907	454	1.0x	6.5x
Securitas AB	OM	8.40	3,065	4,006	6,843	504	0.6x	7.9x
Prosegur Compania de Seguridad SA	CATS	42.00	2,510	2,686	2,616	350	1.0x	7.7x
UGL Limited	ASX	11.45	1,901	2,039	3,250	218	0.6x	9.4x
Rollins Inc.	NYSE	14.31	2,113	2,116	815	129	NM	16.4x
Mitie Group plc	LSE	2.22	782	915	2,141	145	0.4x	6.3x
ABM Industries Inc.	NYSE	17.90	949	1,230	2,668	111	0.5x	11.1x
EMCOR Group Inc.	NYSE	21.84	1,456	1,069	3,682	188	0.3x	5.7x
High			€ 19,855	€ 22,360	€ 26,275	€ 1,825	2.0x	16.4x
Low			782	915	815	111	0.3x	5.7x
Mean			5,254	5,864	7,972	584	0.8x	9.4x
Median			2,788	3,469	3,701	440	0.6x	8.3x

*Market Capitalisation and Enterprise Value as at 31 March 2011. Valuation statistics reflect most recent quarterly earnings reports.

- Gambit's FMS Index is comprised of diversified facilities management services public companies ranging from €782 million to €19.9 billion in market capitalisation and €915 million to €22.4 billion in enterprise value as of 31 March 2011. Market capitalisation and total enterprise values were both up 1% on average from values at the end of 2010.

FMS Services Index Average Trading Multiples



- Average EBITDA multiples increased for the fourth straight quarter through 31 March 2011, driven by growth in total enterprise values for diversified FMS participants with maintenance and construction exposure.
- On a quarter-by-quarter basis, average EBITDA multiples increased by 1.1x during the first quarter of 2011 to reach 10.0x, while average revenue multiples maintained their level of 0.8x.

- The FMS Index tracked by Gambit increased 22% for the 12 months ending 31 March 2011, out-performing several major indices. The increase in the FMS Index is due to performance in the last six months in which the entire gain arose.

Featured Transaction

February 2011 – Management buy-out of Facilities Services Group Ltd, provider of integrated facilities management services across the retail, leisure and property sectors from Spice Ltd, provider of support services to utilities and other blue chip companies. Consideration £9m.

NGBI Private Equity provided funding in support of the deal in return for a majority stake and has committed further capital to expand the company's range of services and delivery capabilities.

This transaction highlights the attractiveness of facilities management companies to private equity houses, evidenced by last year's bidding war for ISS. In a highly fragmented sector with limited organic growth opportunities, the facilities management sector lends itself well to the "buy-and-build" model. NGBI has stated its intention to use FSG as a platform for add-on investments in the sector.

With the trend towards facilities management outsourcing continuing to grow, companies with established service offerings and strong management teams provide a very attractive target for private equity investors.

Gambit's Business Service 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.

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



Geraint Rowe
Partner, Head of Business Services
geraint.rowe@gambitcf.com

Simon Marsden
Director, Business Services
simon.marsden@gambitcf.com

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.



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.
(www.cfi-network.com)

Cardiff Office 3 Assembly Square, Britannia Quay, Cardiff, CF10 4PL Tel: +44 (0)29 2047 5500	Birmingham Office Colmore Plaza, 20 Colmore Circus, Birmingham, B4 6AT Tel: +44 (0)121 262 4060
--	---

For more information visit www.gambitcf.com

This market overview is not an offer to sell or solicit an offer to buy any security. It is not intended to be directed to investors as a basis for making an investment decision. This market overview does not rate or recommend securities of individual companies, nor does it contain sufficient information upon which to make an investment decision.

The information provided in this market overview was obtained from sources believed to be reliable, but its accuracy cannot be guaranteed. It is not to be construed as legal, accounting, financial, or investment advice. Information, opinions, and estimates reflect Gambit Corporate Finance LLP's judgment as of the date of publication and are subject to change without notice. Gambit Corporate Finance LLP undertakes no obligation to notify any recipient of this market overview of any such change.

The charts and graphs used in this market overview have been compiled by Gambit Corporate Finance LLP solely for illustrative purposes.

This market overview is not directed to, or intended for distribution to, any person in any jurisdiction where such distribution would be contrary to law or regulation, or which would subject Gambit Corporate Finance LLP to licensing or registration requirements in such jurisdiction.