

M&A Quarterly Review

Q4 2010

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Business Services

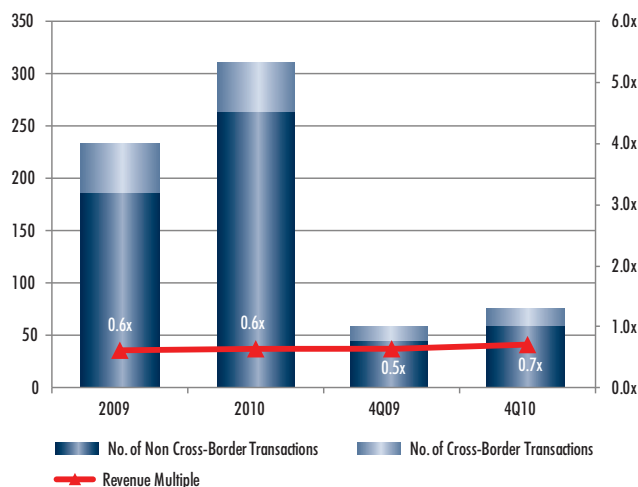
Facilities Management Services

Facilities Management Services Industry Overview

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

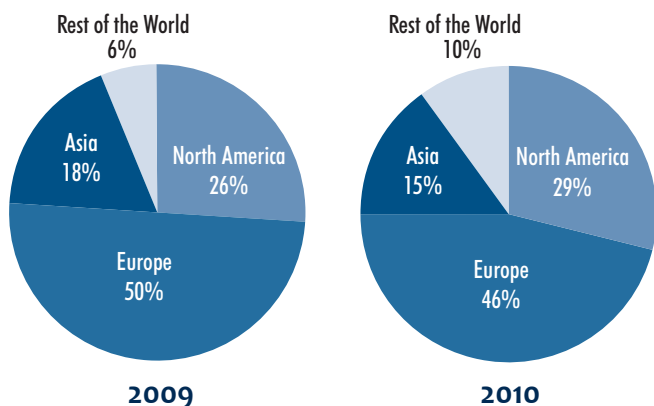
- **To sell:** As quality assets continue to sell for premium prices within the FMS sector, it is anticipated the level of valuations experienced in 2010 will be sustained.
- **Private Equity:** We expect to see an increase in the volume of investment in the FMS sector in 2011 as a number of private equity houses continue to see the FMS sector as highly attractive and 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

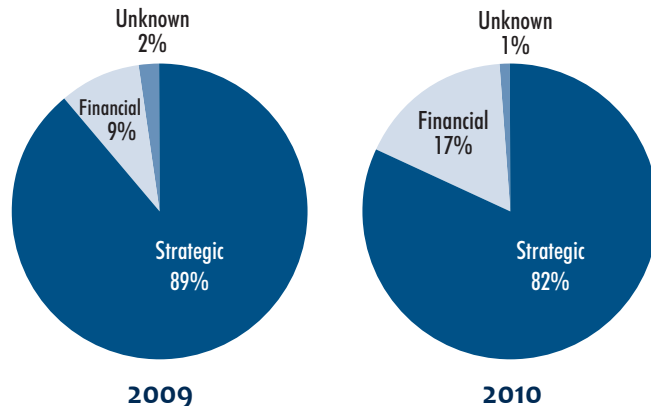


Data Sources: Capital IQ, Thompson One, Mergermarket, Company Filings

Transactions by Target Location



Transactions by Buyer Type



- For the full year ended 31 December 2010, the FMS sector reported 316 transactions, an increase of 36% compared with the 233 transactions announced during 2009. Transaction activity was stable throughout the year with 78 transactions announced in the fourth quarter compared with 75 deals in the first quarter, 81 deals in the second and 82 deals in the third. Transaction activity in quarter four was up 37% compared with the same quarter in 2009.
- Cross-border M&A activity witnessed an upward trend during 2010 with four straight quarterly increases as acquirers utilised cross-border transactions to expand into new markets. In 2010, there were 52 cross-border transactions announced in the FMS sector compared with 44 in 2009. Despite the increase in activity year-on-year, buyers remained hesitant to pursue acquisitions abroad given economic uncertainty especially during the first half of the year.
- During 2010, transactions involving security services targets (86 transactions) led M&A activity in the FMS space, followed by deals involving property management (64 transactions) and commercial cleaning targets (44 transactions). These three segments accounted for approximately 73% of all facilities management services transaction activity in the year.
- Financial buyers were responsible for 17% of announced transactions during 2010, up from 9% in 2009. Improved credit market conditions in the second half of 2010 increased financial buyer transaction activity. In the second half of 2010, financial buyers announced 37 transactions (23% of total activity) versus 18 transactions (12% of total activity) in the first half of the year.

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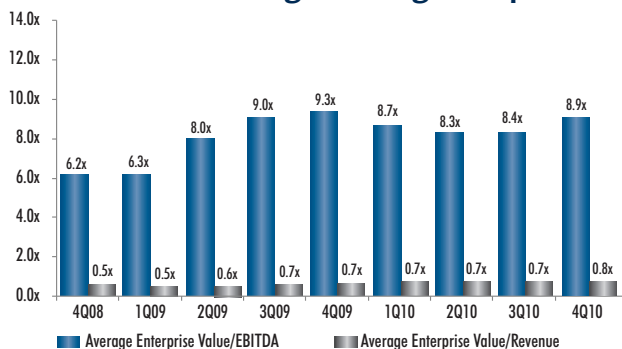
Facilities Management Services Public Comparables

Company Name	Exchange	Stock Price (€)	Market Cap (€mm)	TEV (€mm)	LTM Revenue (€mm)	LTM EBITDA (€mm)	TEV/REV	TEV/EBITDA
Johnson Controls Inc.	NYSE	€28.82	€19,510	€21,870	€25,250	€1,761	0.9x	12.4x
Compass Group PLC	LSE	6.82	12,875	13,691	16,727	1,408	0.8x	9.7x
Sodexo	ENXTPA	52.70	8,090	9,123	15,256	1,009	0.6x	9.0x
Fluor Corporation	NYSE	49.87	8,916	7,397	15,503	703	0.5x	10.5x
CB Richard Ellis Group, Inc.	NYSE	15.66	5,057	6,773	3,504	391	1.9x	NM
G4S plc	LSE	3.01	4,227	6,159	8,731	771	0.7x	8.0x
Securitas AB	OM	8.77	3,201	4,206	6,602	504	0.6x	8.4x
Rentokil Initial plc	LSE	1.13	2,050	3,268	3,050	474	1.1x	6.9x
Prosegur Compania de Seguridad SA	CATS	42.13	2,518	2,689	2,468	341	1.1x	7.9x
Rollins Inc.	NYSE	14.95	2,200	2,203	822	129	NM	NM
UGL Limited	ASX	11.07	1,837	2,016	2,995	198	0.7x	10.2x
ABM Industries Inc.	NYSE	20.05	1,056	1,132	2,513	110	0.5x	10.3x
EMCOR Group Inc.	NYSE	22.11	1,469	1,107	3,771	195	0.3x	5.7x
Mitie Group plc	LSE	2.70	951	1,086	2,125	136	0.5x	8.0x
High			€19,510	€21,870	€25,250	€1,761	1.9x	12.4x
Low			951	1,086	822	110	0.3x	5.7x
Mean			5,283	5,909	7,808	581	0.8x	8.9x
Median			2,859	3,737	3,638	433	0.7x	8.7x

*Market Capitalisation and Enterprise Value as at 31 December 2010. Valuation statistics reflect most recent quarterly earnings reports.

- Gambit's FMS Index is comprised of diversified facilities management services public companies ranging from €951 million to €19.5 billion in market capitalisation and €1.1 billion to €21.9 billion in enterprise value as at 31 December 2010. Market capitalisation and total enterprise values were up 37% and 30% respectively on average from values at the end of 2009.

FMS Index Average Trading Multiples



- Average EBITDA and revenue multiples increased for the second straight quarter through 31 December 2010, driven by strong stock performance and TEV growth dating back to the first quarter of 2009.
- On a quarter-by-quarter basis, average EBITDA multiples increased by 0.5x in the fourth quarter to reach 8.9x, while average revenue multiples climbed from 0.71x to 0.78x during the same timeframe.
- The FMS Index increased 24% for the year ended 31 December 2010 compared with a 22% increase in the FTSE 250 and a 7% increase in the MSCI World Index during the same time period. The increase in the FMS Index is largely due to the second half 2010 performance, during which the index rose 31%.

Featured Transaction

Capita Group continues to expand through three acquisitions in Q4 2010

Capita Group Plc, a provider of outsourcing, advisory and property related services, made three acquisitions in December 2010, including the acquisition of BSI Holdings Limited, a hotel booking and meetings management agency with clients in both the public and private sector. The consideration was £42.5 million.

The acquisition illustrates Capita's growth strategy is consistent with the rising trend in the FMS sector with companies acquiring to achieve growth in market share and develop additional service offerings.

Moreover, it is evidence of Capita's aggressive strategy to increase its share in the lucrative public sector market. This is a key area for business services companies given the cuts in funding which the sector is facing, and one which provides real opportunities for companies to add value. The acquisition of the BSI Group is a notable move for Capita, away from its traditional service offerings, in order to further increase its market share of the business travel market. This comes at a time when public and private sector organisations are looking to drive down travel and subsistence costs.

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 -



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