

CHILDS

ADVISORY PARTNERS

QUARTERLY UPDATE

1Q 2016

INSIDE THIS ISSUE:

The First Word	1
Selected Transactions	2
Market Update	3
Sector Updates	4
About CHILDS	10

CHILDS NEWS AND EVENTS

5/12/16

CHILDS hosts the 7th Annual Growth Firm Conference in Atlanta, GA with 300+ attendees

4/25/16

CHILDS advises Hire Dynamics in its recapitalization by MSouth Equity Partners

3/31/16

CHILDS advises Travel Nurse across America in its recapitalization by Gridiron Capital

3/16/16 - 3/18/16

CHILDS attends Channel Partners Conference in Las Vegas, NV

3/2/16

CHILDS advises Inmark in its 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

12/31/16

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

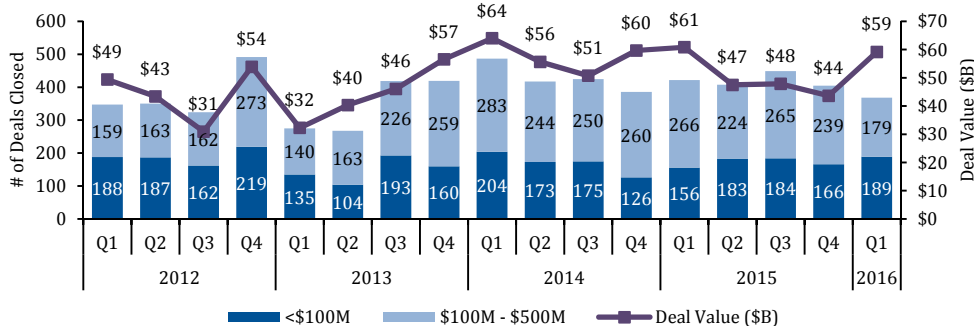
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The First Word: Private Equity Driving Robust M&A Market

As I write this article, we are busy preparing for our seventh annual CHILDS Growth Firm Conference to be held in Atlanta on May 12th. Jeff Arnold, founder of WebMD and Sharecare, is our featured keynote speaker. This year we are expecting record attendance of 300+ company executives and private equity professionals! The growth in attendance reflects both the interest in growth company M&A as well as the growth of our firm.

The lower middle market, defined as companies with enterprise values less than \$500 million, has been one of the best places to be in terms of valuations and M&A activity. The dramatic rise in private equity over the past 15 years has significantly contributed to this dynamic. Before 2000, lower middle market firms typically had to rely on strategic buyers for an exit. Strategic buyers often move slowly as they are subject to their own internal processes. Thus, the rise of the lower middle market PE firm has really enhanced this end of the market. Additionally, PE firms in this segment have experienced better returns than their larger counterparts, which has created even more interest in the space. Finally, with the advent of Sarbanes Oxley in the early 2000s, the standards to initiate an IPO have risen so dramatically such that PE recapitalizations are today's "IPOs" for lower middle market firms. The graph below illustrates the robust PE investment activity in the lower middle market since 2012.

Lower Middle Market PE Activity



The growth of our firm over the past seven years has benefited from the healthy M&A market. Owners of lower middle market firms are increasingly turning to investment bankers who understand their businesses and have intimate knowledge of the PE buyer universe. CHILDS Advisory Partners has grown to 30 bankers in three primary sectors: Business Services, Healthcare, and Technology.

While we are focused on growing all of our core focus areas, we are putting particular emphasis on the Technology segment. We see this sector of the lower middle market having particular importance as businesses continue to become more tech-enabled. Technology permeates all sectors and there are many well-funded firms growing SaaS models into various industry verticals and horizontals. Within these sub-segments we are particularly interested in HR Technology, Healthcare Technology, and Information Services.

To further our Technology strategy, we recently added Scott Rhodes as a Managing Director. Scott has previous banking experience at Bank of America and Robinson-Humphrey and, after an entrepreneurial stint, ran Corporate Development at Equifax where he led several transactions in HR Tech and Information Services. The addition of Scott affirms our commitment to furthering the growth of our Software and IT Services practice.

CHILDS Advisory Partners is off to a great start in 2016 and we hope you are too.


Jim Childs

CHILDS Quarterly Update: 1Q 2016

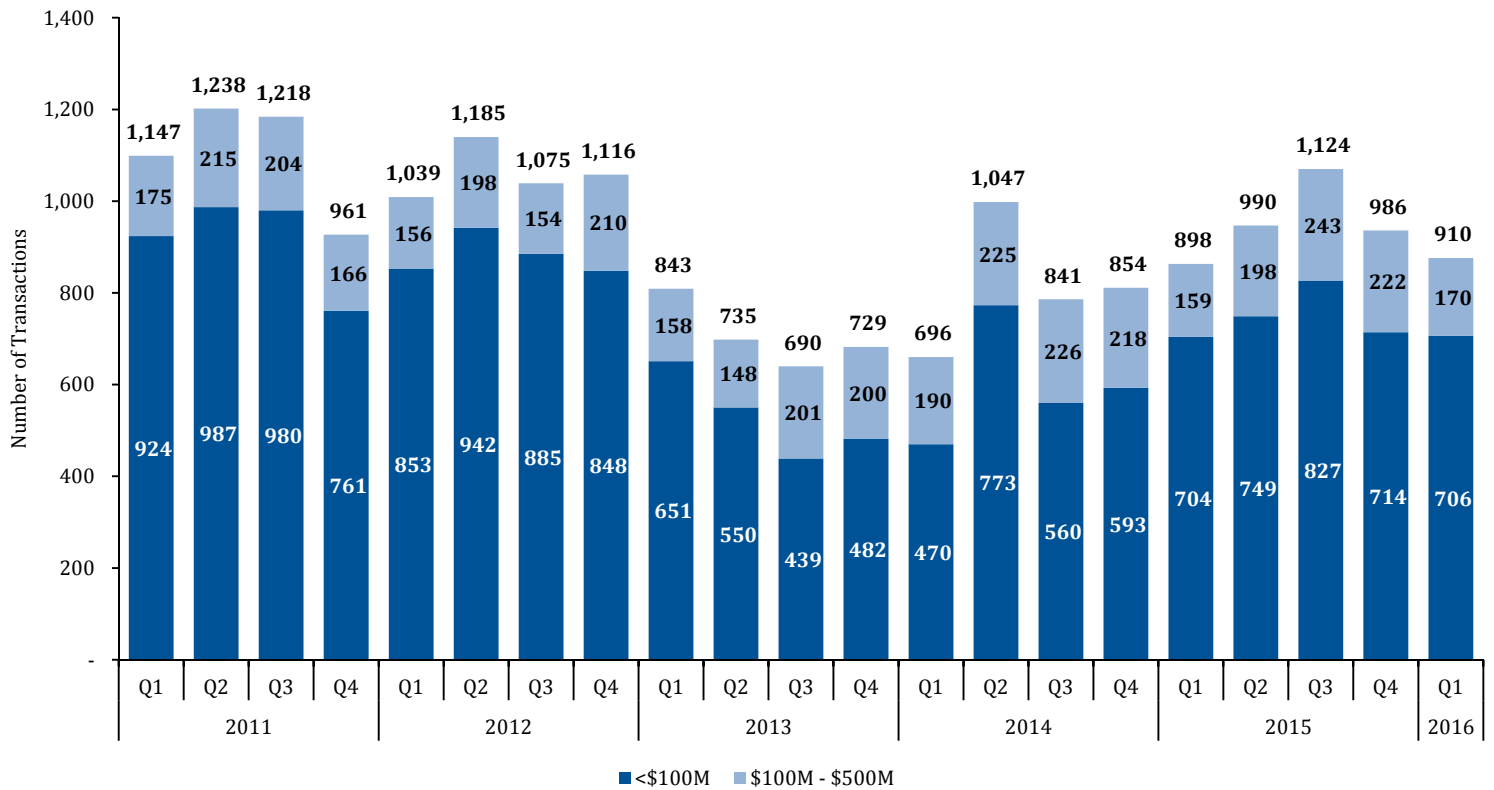
RECENT CHILDS TRANSACTIONS

 <p>has been recapitalized by</p>  <p>April 2016</p>	 <p>has been recapitalized by</p>  <p>March 2016</p>	 <p>has been recapitalized by</p>  <p>March 2016</p>	 <p>has been acquired by</p>  <p>A Portfolio Company of Snow Phipps</p> <p>February 2016</p>	 <p>has acquired</p>  <p>January 2016</p>
 <p>has been acquired by</p>  <p>December 2015</p>	 <p>has been acquired by</p>  <p>A Portfolio Company of MidOcean Partners</p> <p>December 2015</p>	 <p>has been recapitalized by</p>  <p>December 2015</p>	 <p>has been acquired by</p>  <p>December 2015</p>	 <p>has been acquired by</p>  <p>November 2015</p>
 <p>has acquired</p>  <p>October 2015</p>	 <p>has acquired</p>  <p>October 2015</p>	 <p>has been acquired by</p>  <p>October 2015</p>	 <p>has been acquired by</p>  <p>High performance. Delivered.</p> <p>October 2015</p>	 <p>has been acquired by</p>  <p>September 2015</p>
 <p>has been acquired by</p>  <p>September 2015</p>	 <p>has been acquired by</p>  <p>September 2015</p>	 <p>has been recapitalized by</p> <p>Highlands Ventures Holdings, LLC</p> <p>September 2015</p>	 <p>has been recapitalized by</p>  <p>August 2015</p>	 <p>has been acquired by</p>  <p>August 2015</p>
 <p>has been acquired by</p>  <p>Accelerating Business Outcomes</p> <p>July 2015</p>	 <p>has been acquired by</p>  <p>July 2015</p>	 <p>has been recapitalized by</p>  <p>May 2015</p>	 <p>has acquired</p>  <p>May 2015</p>	 <p>has been recapitalized by</p>  <p>March 2015</p>
 <p>has been acquired by</p>  <p>March 2015</p>	 <p>has been acquired by</p>  <p>A Portfolio Company of RLH</p> <p>November 2014</p>	 <p>has been recapitalized by</p>  <p>October 2014</p>	 <p>has been acquired by</p>  <p>October 2014</p>	 <p>has acquired</p>  <p>September 2014</p>

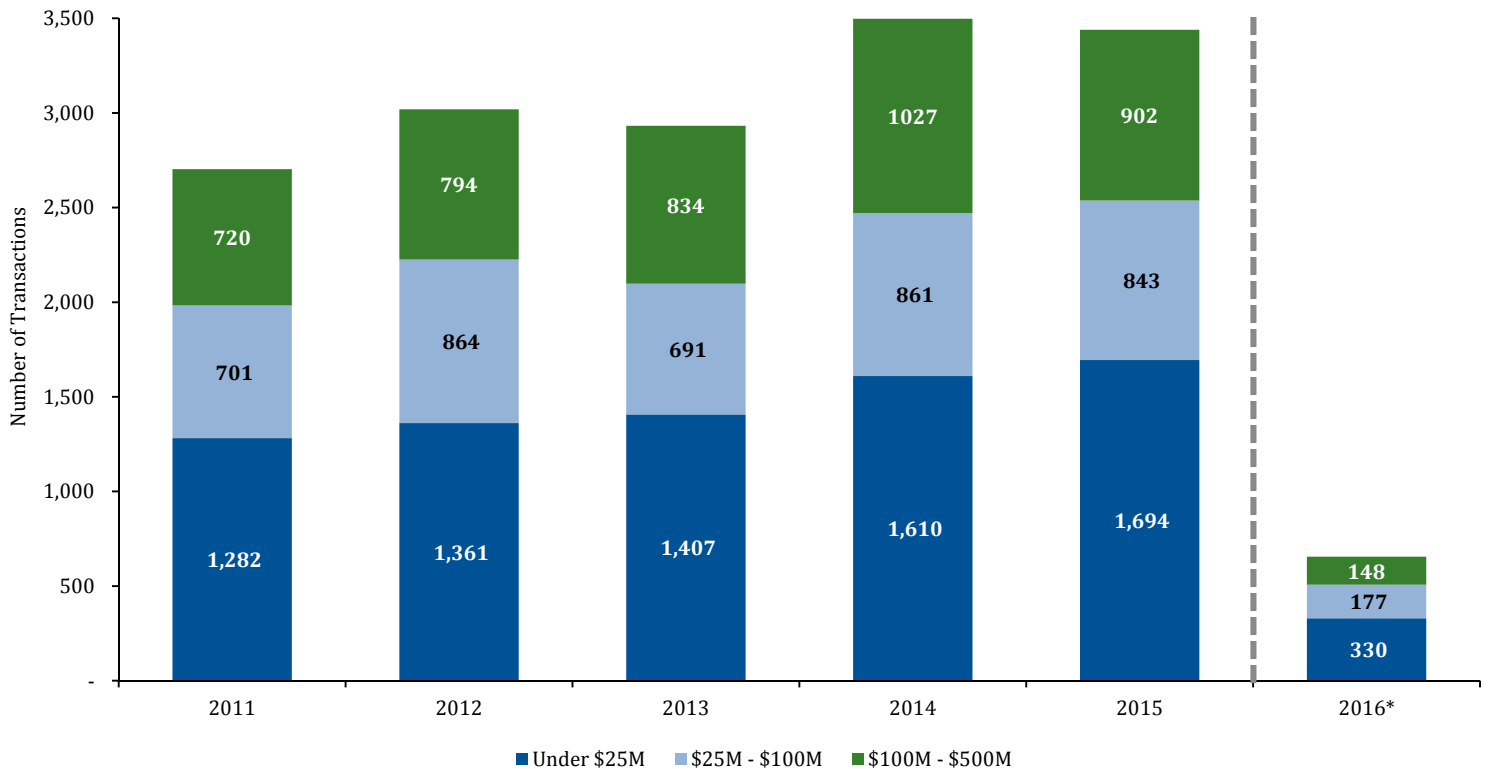
Note: CHILDS represented company listed on top half of tombstone

CHILDS Quarterly Update: 1Q 2016

LOWER MIDDLE-MARKET M&A UPDATE



LOWER MIDDLE-MARKET U.S. PRIVATE EQUITY DEAL FLOW



Sources: Capital IQ, Dealogic, Pitchbook
 *Denotes deal flow as of 1Q 2016

CHILDS Quarterly Update: 1Q 2016

INDUSTRIAL SERVICES SECTOR UPDATE

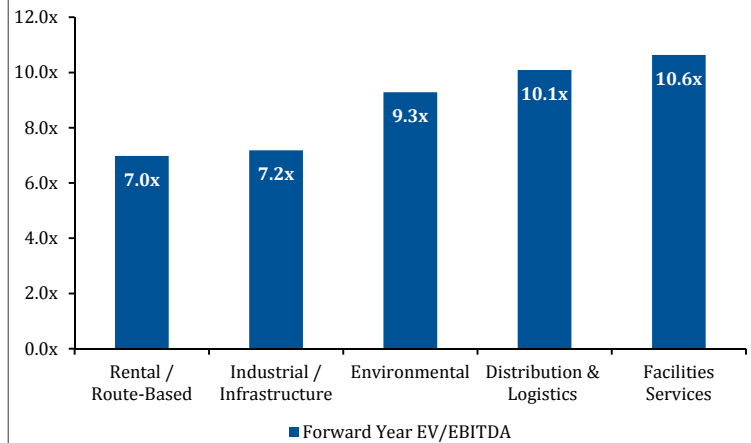
In our 1Q 2016 update, we focus on the building products distribution market, a large \$120+ billion segment of the Industrial Distribution landscape. While broader Industrial Distribution & Logistics has long been a favored segment in the value chain for investors attracted to the market fragmentation, asset-light business model, and independent ownership dynamics, investment interest in building products distributors tends to ebb and flow with the relevant end market construction cycle. A renewed wave of investment in the segment, particularly in businesses serving the residential construction end market, demonstrates the strong desire of investors to play, what to date has been a slow rebound from the depths of the Great Recession. Fortunately, both leading indicators and secular trends point to a long and extended housing recovery, simultaneously whetting the investment appetites of strategic and financial investors and signaling a favorable M&A market for the Building Products Distribution segment in the near and mid-term. Deal activity will remain strong, particularly around companies that can capitalize on the trends listed below.

Trends in Building Products Distribution:

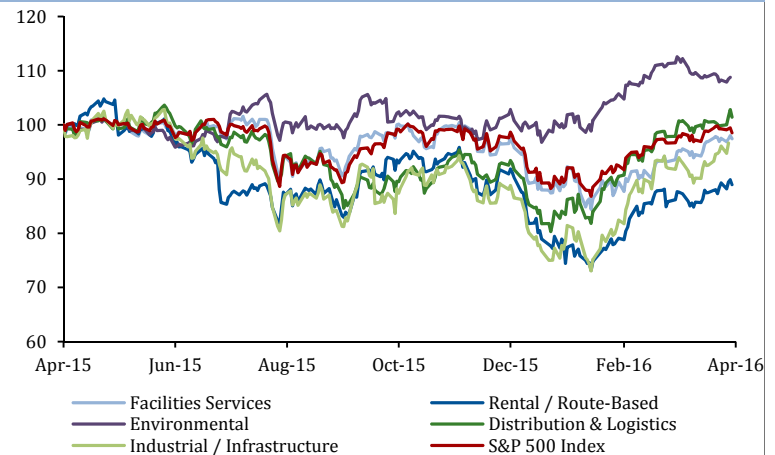
- Technology Disruption:** The introduction of digital technology into the building products supply chain has significantly impacted the way distributors interact with both manufacturers and customers. Leading companies are leveraging technology to improve logistics, enhance customer service, and increase fleet/equipment utilization among many other benefits.
- Data Management:** Distributors are increasingly trying to harness, analyze, and exploit product data. A wave of third-party products has been introduced to help enable distributors to better understand the product dynamics. Utilizing this data with predictive analytics can dramatically grow top-line revenue and drive increased profitability.
- Market Consolidation:** The recent consolidation movement has transformed the competitive landscape, particularly in the one-step sub sector evidenced by the mega-deals completed in the last ten months (BMC/Stock, Beacon/RSG, BFS/ProBuild). The market is still highly fragmented consisting mainly of local/regional players with aging ownership that is ripe for consolidation.

PUBLIC COMPANY ANALYSIS

Valuation Multiples



Last Twelve Months Indexed Stock Price Performance



RECENT M&A TRANSACTIONS

Date Closed	Buyer	Target	Target Description
4/5/16	Virginia Tile Company	Interstate Flooring	Distributor of floor coverings and woodworking products
4/5/16	SiteOne Landscape Supply	Blue Max Materials	Distributor of landscape and hardware materials
4/5/16	U.S. Lumber	Boston Cedar	Distributor of siding, trim, decking, railing and millwork products
4/4/16	Huttig Building Products	Benbilt Building Systems	Distributor of doors to builders and remodelers
4/1/16	Beacon Roofing Supply	Atlantic Building Products	Distributor of building products
4/1/16	GMS	Professional Handling and Distribution	Distributor of drywall and related products
4/1/16	The Riverside Company	Momentum Textiles	Distributor of contract textiles
3/31/16	Virginia Tile Company	Interstate Flooring	Distributor of floor coverings and woodworking products

Note: Public company data as of April 29, 2016

CHILDS Quarterly Update: 1Q 2016

HUMAN CAPITAL MANAGEMENT SECTOR UPDATE

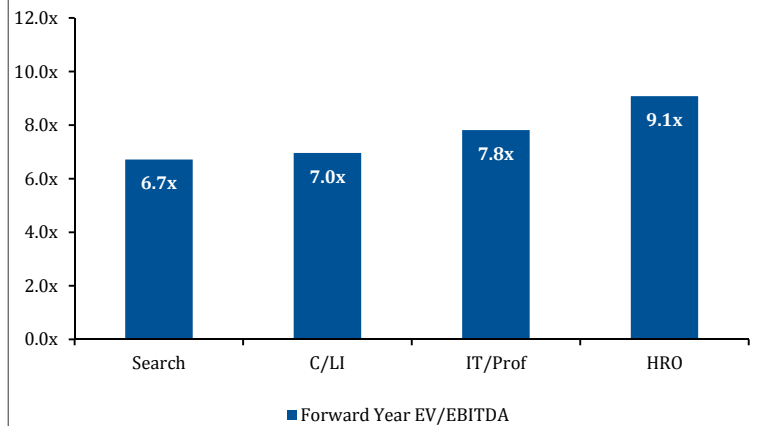
In our 4Q 2015 update, we highlighted the widening skills gap as a positive macro-economic trend driving growth within the HCM sector, and discussed the positive influences of the changing technological landscape, noting the importance of staffing companies' ability to leverage operational technologies to remain relevant and competitive. The increasing share of professional jobs in the U.S. temporary staffing market is also reflective of the continued impact of technology on the broader employment market.

Anxiety surrounding the broader economy appears to have abated, and the HCM sector continues to be in a growth cycle. Analysts forecast an industry growth rate of 5% for 2016, however, there is greater variability in growth rates across sub-segments than in recent years. The Healthcare and Education segments are white-hot with 14% and 12% growth forecasted for 2016 respectively, while the Engineering and Clerical segments are forecast at -3% and 1% growth, respectively. The Engineering and Commercial sectors are typically the first to decline in a cycle, as well as the first to recover.

Transaction activity and M&A interest in HCM has been sustained through the first quarter of 2016 as there remains a high level of interest in the U.S. from foreign strategics in their efforts to diversify, and private equity groups that continue to aggressively pursue acquisition opportunities. Integral to the market's acquisitive appetite is the availability of equity and debt capital in the current economic climate. Companies with scale and managed services models appear to be of particular interest to potential acquirers. Furthermore, there is no clear indication that cycle or timing considerations are currently impacting multiples as they have remained strong for differentiated assets.

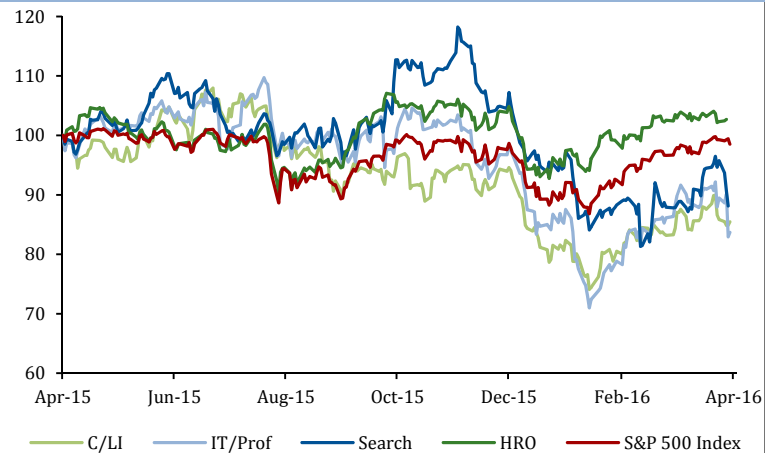
PUBLIC COMPANY ANALYSIS

Valuation Multiples



*C/LI = Clerical/Light Industrial

Last Twelve Months Indexed Stock Price Performance



RECENT M&A TRANSACTIONS

Date Closed	Buyer	Target	Target Description
4/28/16	TPG Growth	Frank Recruitment Group	UK-based niche recruitment firm for IT professionals who specialize in enterprise software
4/27/16	Advanced Medical	Rise Medical Staffing	Provides travel, local, and permanent nursing assignments
4/25/16	MSouth Equity Partners	Hire Dynamics	Provides commercials staffing solutions
3/31/16	Gridiron Capital	Travel Nurse Across America	Provides travel nurse staffing services
2/11/16	Vistria Group	Supplemental Health Care	Provides healthcare staffing solutions
1/27/16	Pamplona Capital Management	MedAssets	Provides technology-enabled products and services for health service providers and product manufacturers

Note: Public company data as of April 29, 2016

CHILDS Quarterly Update: 1Q 2016

BUSINESS PROCESS OUTSOURCING SECTOR UPDATE

M&A Activity in the BPO sector has been heating up. This quarter, we will transition from our discussions regarding trends in BPO and the evolution of providers' service capabilities to take a look at some of the factors driving recent and rumored future M&A activity.

First, private equity interest in the space is strong. Favorable industry tailwinds supported by solid fundamentals, a rapidly evolving landscape, and consolidation opportunities is prompting well known private equity groups to invest in the space. Blackstone recently recapitalized Intelenet citing a desire to have greater exposure to the BPO sector, specifically in the Indian market. Carlyle also made a recent acquisition of Spanish service provider Digitex.

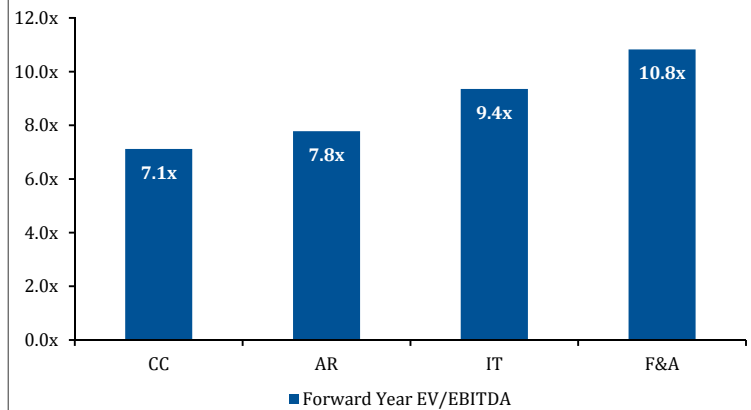
Second, the current economic environment and readily available capital is enabling companies to strategically acquire competitors to bolster service capabilities. Genpact's acquisition of Endeavour Software Technology at the end of 2015 is a good example. Endeavour has digital capabilities that were needed to supplement Genpact's existing offerings. Intelenet, as discussed above, is looking to make strategic acquisitions to add to its existing service capabilities now that the company is under new ownership. In February, it was unofficially announced that Intelenet is actively pursuing two targets, one in the U.S. and another in the U.K. Further demonstrating this trend, Global Payments recently acquired Heartland Payment Systems and kCura acquired Content Analyst, both adding scale and capabilities.

Finally, healthy valuation multiples across the BPO space, consistent with strong valuations seen in other sectors, are supporting greater M&A activity. This makes the timing ideal for companies to divest non-core business units, for businesses with less favorable market positions to sell, and for financial buyers to realize their investments.

Given the current market environment and active private equity and strategic involvement, we expect to see continued M&A activity through the remainder of 2016.

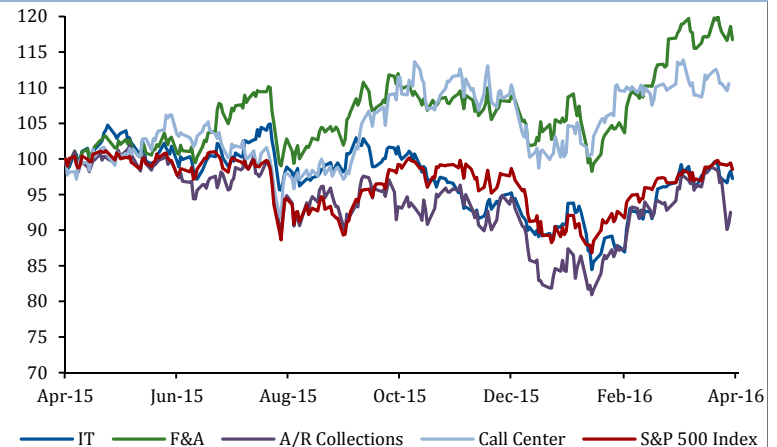
PUBLIC COMPANY ANALYSIS

Valuation Multiples



"CC" = Call Center

Last Twelve Months Indexed Stock Price Performance



RECENT M&A TRANSACTIONS

Date Closed	Buyer	Target	Target Description
4/22/16	Global Payments	Heartland Payment Systems	Provides payment processing services
4/07/16	IBM Watson Health	Truven Holding Corp.	Provides analytic solutions and services for the healthcare industry
4/01/16	Total System Services	TransFirst Holdings	Provides payment transaction processing services and payment enabling technologies
3/14/16	kCura	Content Analyst Company	Provides search and text analytics tools that allow organizations identify, organize, analyze, and prioritize relevant information
11/18/15	The Carlyle Group	Innovation Group	Provides business process services, and software solutions to the insurance, fleet, automotive, and property industries
12/21/15	Oasis Outsourcing	Doherty Employment Group	Provides human resource (HR) outsourcing solutions in the United States

Note: Public company data as of April 29, 2016

CHILDS Quarterly Update: 1Q 2016

HEALTHCARE SERVICES SECTOR UPDATE

Outlays on healthcare spending increased 6.3% on a year-ago basis through the last reporting period ending on September 20, 2015, which are linked with improving wages and public spending and subsidies on healthcare, despite rising premiums for insurance. Healthcare practitioner spending increased 9.6%, outpatient centers 8.5%, and diagnostic laboratories were up 8.1% through the same period. Growth associated with demographically-driven demand appears set for another strong year, even with rising insurance premiums.

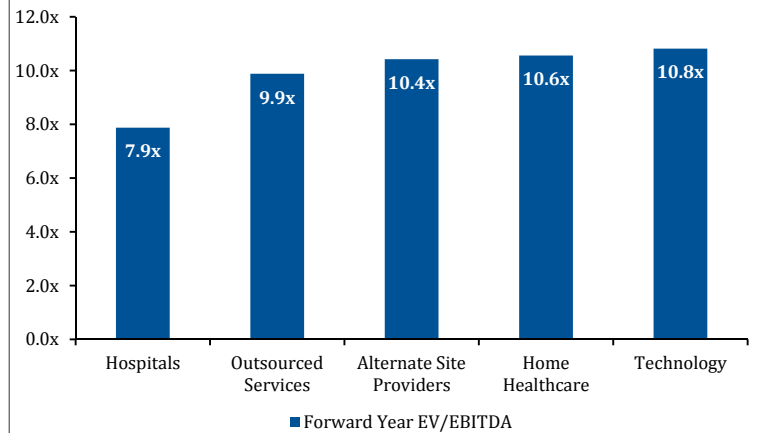
At this point, there does not appear to be a risk of a death spiral with respect to the implementation of the Affordable Care Act (ACA) this year or next. Through early 2016, publicly held healthcare firm share prices have suffered due to growth policy risks associated with the general election later this year.

U.S. healthcare costs as a percentage of national gross domestic product have soared to eclipse 17%, and are projected to hit roughly 20% by 2024. Many factors are driving those increases, ranging from the expansion of insured populations post-implementation of the ACA to the escalating costs of specialty pharmaceuticals.

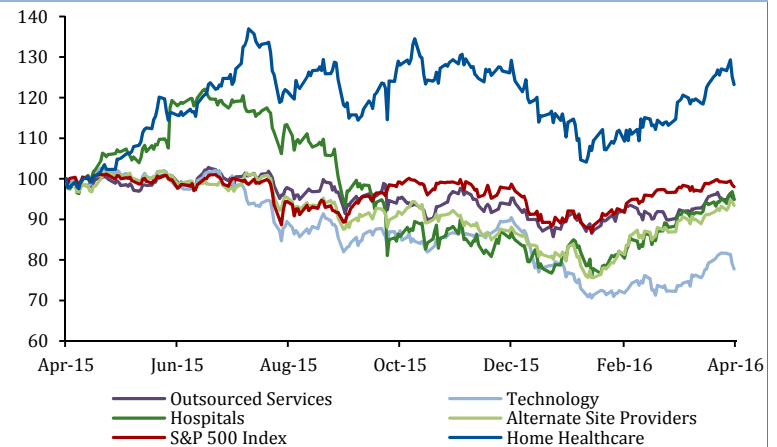
Both healthcare providers and payers have been seeking to grow, economize, and expedite beyond M&A. Investment in improved management of revenue cycles and strategy shifts toward value-based, population health control are among the primary trends driving change across practices. Preventive care is also a key area of focus, with providers reducing costs and improving quality of service by measures such as online check-ins following in-house visits.

PUBLIC COMPANY ANALYSIS

Valuation Multiples



Last Twelve Months Indexed Stock Price Performance



RECENT M&A TRANSACTIONS

Date Closed	Buyer	Target	Target Description/Comment
4/27/16	Leonard Green & Partners	ExamWorks Group	Provides independent medical examinations, peer and bill reviews, Medicare compliance, case management, record retrieval, and document management
3/9/16	Envision Healthcare Holdings	Emergency Physicians Medical Group	Provides local and regional management services to emergency departments, urgent care centers, clinical decision units, and hospitalist programs in the United States
2/18/16	IBM Watson Health	Truven Holding	Provider of analytic solutions and services for healthcare Industry
2/2/16	Huron Consulting Group	MyRounding Solutions	Digital health solutions to standardize, automate, and track nurse and staff rounding activity
1/11/16	Shire	Baxalta	Global biopharmaceutical leader for orphan diseases and underserved conditions in hematology, oncology and immunology
12/18/15	New Mountain Capital	Aeneas Buyer Corp.	Provides healthcare reimbursement analysis and payment integrity solutions

Note: Public company data as of April 29, 2016

CHILDS Quarterly Update: 1Q 2016

IT SERVICES SECTOR UPDATE

M&A activity in 2016 for the IT Services industry is off to a slower start than in recent years. Buyers and investors closed 229 IT Services transactions in the first quarter, versus 338 in Q4 2015 and 263 in Q1 2015. While volume was down, total deal value was nearly \$15 billion, and the IT Services sector saw five deals close with transaction values greater than \$1 billion.

The lower middle market saw the most volume in the first quarter, with deals less than \$100 million comprising 56% of total activity. This is the first time in several years that total volume at this end of the market exceeded 50% of the total.

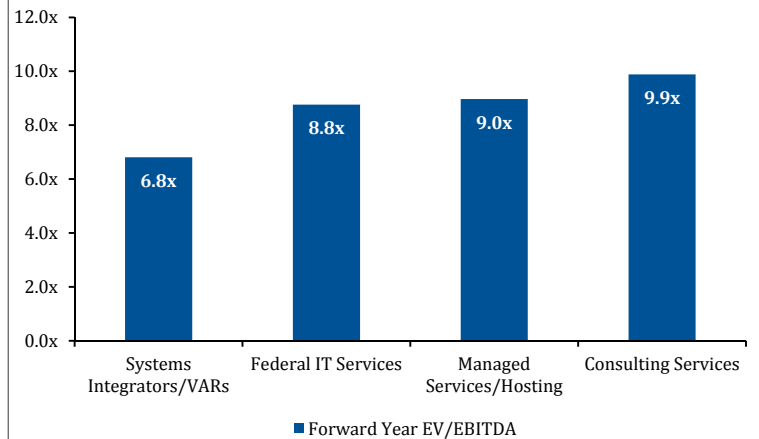
Analysts expect M&A activity to pick up pace as the year progresses, especially as concerns about decreasing valuations drive sellers to the market sooner than later. Strategic buyers and private equity firms remain active, with plenty of capital to pursue opportunities.

Deal(s) Spotlight:

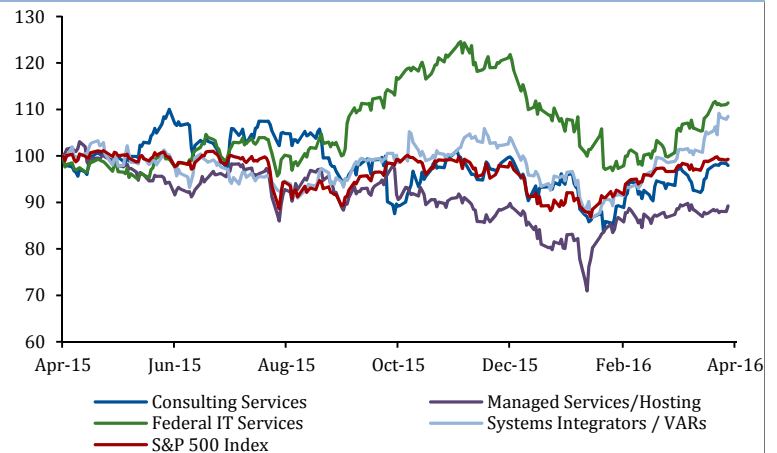
While not a middle market player, Dell has made some particularly interesting M&A moves in recent months. After announcing its intent to acquire EMC Corporation in Q4 2015 for almost \$80 billion, Dell announced in Q1 2016 that it would be selling its IT Services division to NTT Data for \$3 billion. Dell originally acquired the division for \$3.9 billion from Perot Systems in 2009. The acquisition is a good move for NTT and complimentary to its Dimension Data business, and helps Dell fund its EMC transaction.

PUBLIC COMPANY ANALYSIS

Valuation Multiples



Last Twelve Months Indexed Stock Price Performance



RECENT M&A TRANSACTIONS

Date Closed	Buyer	Target	Target Description/Comment
Announced	NTT Data	Dell IT Services Division	Provides suite of services and solutions in applications, business process, consulting, infrastructure, and cloud services
Announced	Blackstone	Mphasis Limited	Provides application development, maintenance, and outsourcing services
Announced	IBM	Blue Wolf	CRM consulting services provider, with an emphasis on Salesforce.com
04/20/16	BackOffice Associates	Comprise Limited	SAP consulting with a focus on HANA
02/08/16	St. Ives	The App Business	Mobile application development
02/02/16	Synoptek (Sverica)	EarthLink's IT Services business	Provider of virtual desktop infrastructure

Note: Public company data as of April 29, 2016

CHILDS Quarterly Update: 1Q 2016

SOFTWARE SECTOR UPDATE

In the United States, 313 software transactions closed in the first quarter of 2016. The total number of transactions decreased 8% compared to the previous quarter and 20% compared to Q1 2015. Although transaction volume decreased, interest from both strategic buyers and financial sponsors remains strong and valuations continued to average over 2.9x revenue.

Industry Theme:

One area driving recent technology M&A is the emergence of the Internet of Things (IoT) or the network of smart objects. The sheer size of the addressable market is massive, with various firms forecasting that there will be 20-30 billion devices connected to the internet by 2020. Consistent with the breadth and reach of the term IoT, the transaction scope is wide and includes:

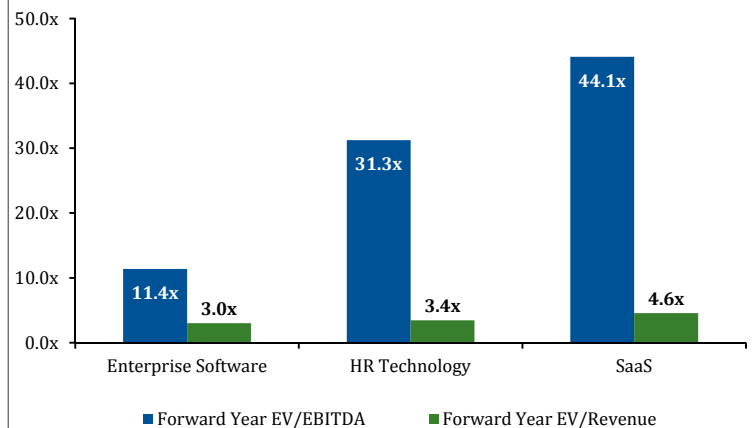
- Communications: Cisco acquires Jasper: \$1.4 Billion
- Wireless Network: Kore Wireless acquires Wyles
- Mobility: Alcatel Lucent acquires Mformation
- Intelligent Building Automation: Acuity Brands acquires Distech Controls
- Connected Home: Intel acquires Lantiq

Acquisition of Kepware by PTC:

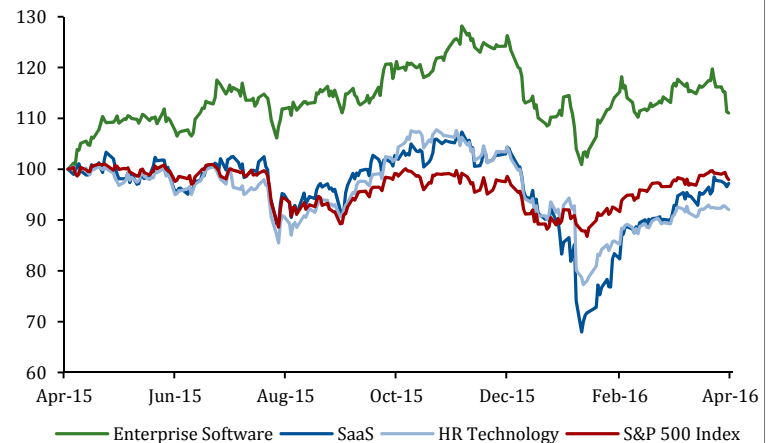
- Kepware serves customers in more than 120 countries in such industries as manufacturing, oil and gas, building automation, and power and utilities. The company's product connects disparate devices and control systems, providing users with a single source of industrial data.
- The acquisition signifies the complexity and intellectual property involved in connecting and communicating with distributed capital equipment. It also demonstrates the importance of Industrial Automation or Industrial IoT
 - \$118.0 million Enterprise Value
 - Approximately 4.7x LTM Revenues
 - \$18.0 million of the purchase price was in a one year earn out

PUBLIC COMPANY ANALYSIS

Valuation Multiples



Last Twelve Months Indexed Stock Price Performance



RECENT M&A TRANSACTIONS

Date Closed	Buyer	Target	Target Description/Comment
4/21/16	PayScale	MarketPay Associates	Online market pricing system for compensation professionals
4/4/16	Resmed	Brightree	Cloud-based software solutions to the post-acute industry
2/23/16	The Reynolds and Reynolds Company	ReverseRisk	Web-based management and reporting platform for automotive dealers
1/25/16	JMI Equity	CoreHR Limited	Cloud-based HR, recruiting, and payroll software
1/14/16	Kronos	Empower Software Solutions	HR and workforce management software
1/12/16	Pitney Bowes	Enroute Systems	Cloud-based transportation management software

Note: Public company data as of April 29, 2016

CHILDS Quarterly Update: 1Q 2016

ABOUT CHILDS ADVISORY PARTNERS

CHILDS Advisory Partners provides exceptional investment banking services to high-performing middle market businesses. Our unique combination of sector expertise, process excellence, and a deep, experienced team allows us to 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

- Our 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
- We 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

INDUSTRIAL SERVICES

HUMAN CAPITAL MANAGEMENT

HEALTHCARE

SERVICES

TECHNOLOGY

TECHNOLOGY

IT & PROFESSIONAL SERVICES

SOFTWARE

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