

Facilities Services Sector Sees Accelerating Consolidation

Facilities Services is an attractive sector that should experience above average growth for the foreseeable future due to a massive addressable market, low penetration of outsourcing and a strong value proposition to adopt for those facilities owners that haven't already. The North American facilities services market generated approximately \$23 billion in 2008 and is expected to grow at an annual rate of 11% through 2015. In addition, facilities services should exhibit not only growth for the foreseeable future but also lower volatility or even counter cyclicity due to significant cost-saving and quality benefits provided.

Benefits of Outsourcing

The recent economic downturn has forced companies to reassess their operating models in unprecedented detail. As revenue and profitability vanished overnight with almost no visibility as to when normalized levels would return, management teams examined the cost structures of their organizations looking for any opportunity to cut costs and increase the organizations' focus on regaining profitability. As companies battered down the hatches to survive, they

became more receptive to outsourcing as a means to reduce costs and increase focus on core competencies. One of the primary areas of focus to streamline operations has been the outsourcing of facilities services, which includes the transfer of responsibility for building operations and maintenance, janitorial services, security, environmental management and other services. The primary factors driving companies to outsource facilities services include: i) cost reduction (particularly given the meaningful percentage of corporate costs related to facilities), ii) increasing focus on core competencies, iii) added service quality, reliability and functionality, iv) increased building systems and automation complexity, v) growing focus on compliance and vi) maximizing operational efficiencies.

Cost Reduction. While facilities services are a critical factor to efficiently and effectively run and operate a business, they don't result directly in revenue opportunities or confer a competitive advantage. The cost of maintaining a full staff utilized for facilities services drops directly to the bottom line and is generally considered a cost center. According to Frost & Sullivan,

outsourcing those services typically results in cost savings of 15-20%.

Focus on Core Competencies.

Outsourcing facilities services allows management more time to focus on the core objectives of the company without becoming sidetracked with facility issues that arise internally. During recessionary times, this becomes extremely critical to ensure the company remains in a competitive position, provides the highest level of customer service to its clients and is able to capitalize on the market uptick when it returns. But even in strong economic conditions, facilities services are generally considered a distraction. In many organizations, facilities services lack the resources and management attention to consistently improve operations and maintain high levels of performance.

Increased Functionality. Competition among facilities services providers has resulted in multiple innovations within the industry. Providers have focused on offering significant cost savings to their customers by relentlessly searching for efficiency gains. However, they have

(Continued on page 2)

Corporate Training Poised for Global Rebound

As economies around the world begin to show signs of a fragile recovery it provides an opportunity to consider which business services sub-sectors are likely to benefit most from the growing belief that the worst is behind us.

Already, the cyclical and often sentiment-driven staffing sector has already registered dramatic increases since the start of the year. A sample of 10 leading temporary staffing stocks rose more than 50% from January to December 2009 compared to the FTSE rising 15% and the Dow Jones Index rising 16%. The expectation in early 2010 is a tide of good news relating to corporate headcount levels but only time will tell if that is based on more than hope.

At the other end of the spectrum, support services stocks which rely on the construction industry, including consultancy and other professional service firms remain in the doldrums with no obvious end to their woes. A similar sized basket of major engineering consultancy stocks are now worth only 90% of the value at which they started the year. These may be among the slower sub-sectors to recover to pre-2007 levels.

Between these two extremes lie various sub-sectors that ought to benefit from cyclical improvement. Marketing services, IT services and HR services have all suffered as companies put spending on hold during the downturn. These companies may be about to make

material gains on the back of improved business confidence and a backlog of deferred business need.

This article is going to review the prospects of one of the highest value-added components of HR services: corporate training, providing some context for the belief that it is due to recover quickly and presents an interesting investment opportunity for private equity and corporate acquirers.

Market Overview

Corporate training can be defined as any type of work-related instruction to staff whether carried out by a third-party provider or in-house and is typically paid for by the individual rather than the

(Continued on page 4)

also started to compete on quality of services provided and increasingly offer a broad range of technological solutions to enhance their customers' awareness of their facilities, reduce operating costs and provide more flexibility.

Increased Complexity. Sophisticated building systems are becoming increasingly complex and automated, requiring third-party expertise with a focus on constant workforce skills upgrades.

Focus on Compliance. Facilities services providers have the expertise to better manage the increased compliance risk resulting from ramping safety and environmental regulation.

Maximizing Operational Efficiencies. There is strong focus by industrial customers on achieving higher uptime for building and capital equipment and on improving overall facility performance in the constant battle to be globally competitive.

Investors favor the facilities services sector due to its strong growth prospects and low perceived cyclicality. The sector's out-performance is demonstrated in Figure 1 by the Lincoln International Facilities Services Index ("LI FSI") and S&P 1500 Environmental and Facilities Services Index ("S&P 1500 EFSI") when compared to the S&P 500 Index. For the last two year period, the LI FSI is down 0.9%, the S&P 1500 EFSI has advanced 2.6% and the S&P 500 Index has lagged both indices with a decline of 15.8%.

A Secular Trend Toward Industry Consolidation

The strong fundamental benefits of outsourcing facilities services will continue to drive expansion of facilities services providers through both up and down economic cycles. In addition to organic growth, a number of providers will grow via acquisition as we see a number of factors pointing toward an overall consolidation of the industry.

Client companies are the key drivers of consolidation as they are increasingly turning to providers that offer a bundled service approach to minimize complexities with multiple vendors. While facilities services are outsourced, the management of these services is still required. Therefore, utilizing a one-stop-shop has substantial benefits for customers, including:

Economies of Scale. There is a substantial advantage in aggregating services to maximize cost savings for companies. This can be achieved through the purchase of materials required to perform services or efficiencies gained through investment in technology.

Single Point of Contact. A single point of contact allows a company to minimize the time required to coordinate services, operational issues, scheduling, or emergency responses. This approach eliminates the time required to track down the right person, typically someone different by geography or type of service offered, and streamlines the information

flow resulting in enhanced reaction times and customer service.

Consistent Quality of Service. Having one provider ensures greater consistency of service and greater vendor accountability across all geographies in which a client operates.

Single Billing. A single bill reduces complexities by offering one statement versus multiple invoices received at various intervals by location or by service performed thus minimizing the need to consolidate payments, terms, etc.

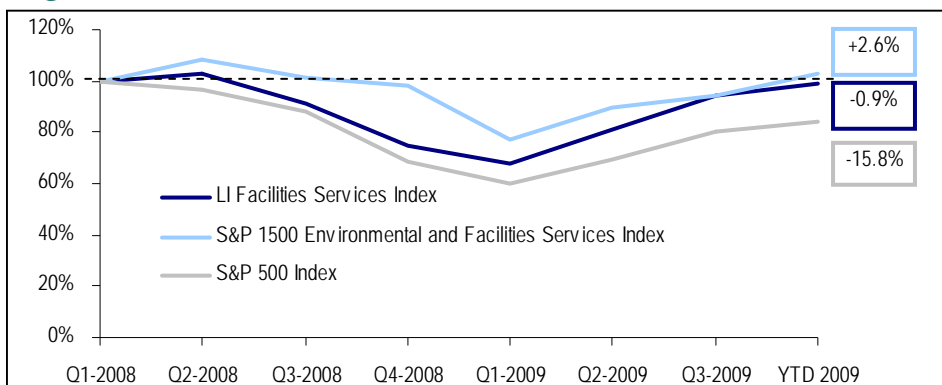
The response for facilities services providers to meet ever expanding requirements of global customers has been increased acquisition activity. The ability to support global customers provides a meaningful competitive and pricing advantage relative to local and regional providers. Hence, facilities services providers have sought to expand their service offering and footprint, in many cases through acquisitions. Examples of this trend include Eures Services' (Compass Group) \$90 million purchase of KIMCO in December 2008, ABM's \$365 million acquisition of OneSource in November 2007 and United Group's \$408 million purchase of UNICCO in September 2007.

LTM M&A activity was down approximately 21% overall while facilities services transactions declined a slightly-less-significant 19%. While we expect M&A volume for facilities services providers to be buoyed by the continuing response of providers to global customer requirements, we sense that private company owners have been reluctant to lower valuation expectations given relatively strong fundamental performance.

What Are Other Critical Industry Factors Driving Acquisitions?

As the industry has grown, competition has driven providers to find ways to increase the level of services provided, either improving the quality and responsiveness of their operations or extending their services to more complex areas. This has resulted in a rapid

Figure 1: LTM Relative Stock Price Performance



Source: Capital IQ
 Notes: YTD 2009 data as of 12/21/2009, LI Facilities Services Index includes: NYSE:ABM, NasdaqGS:CTAS, NYSE:FIX, LSE:CPG, NYSE:DY, NYSE:EME, TSX:FSV, NasdaqGS:GKSR, LSE:GFS, NYSE:MTZ, LSE:MTO, CATS:PSG, NasdaqGM:PONE, LSE:RTO, NYSE:ROL, OM:SECU B, ENXTPA:SW, NYSE:UNF, ASX:UGL

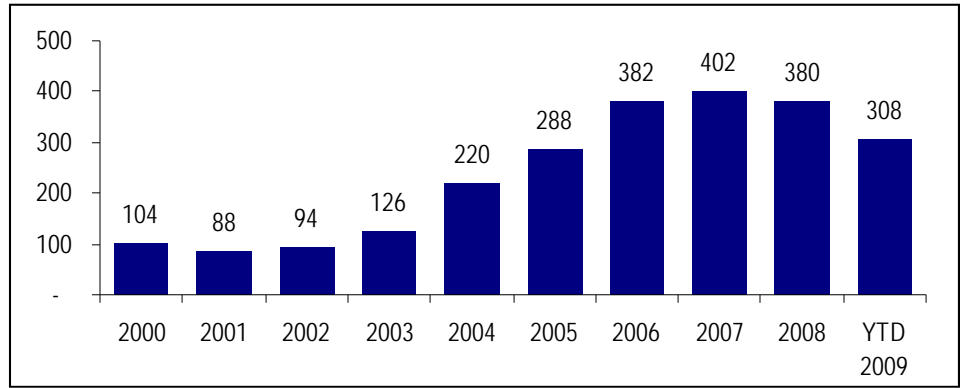
(Continued on page 3)

advancement of technology and today, facility information is shared on a real-time basis to execute critical decisions in the field with input from both the facilities services provider and the customer. Clients have access to service providers' databases through websites and web based portals to remain informed up to the minute. In addition, there is an increased need to outsource energy management and operations and maintenance services to reduce greenhouse gas emissions and consumption of energy. In general, two trends have started to shape the industry, technology and increasing environmental standards.

Technology. Facilities services providers invest substantially in technology platforms to not only become more efficient but also to have the ability to provide better insight to owners as to factors driving their facilities costs and to benchmark how their facilities perform on a comparative basis in different geographies. Another substantial benefit is the better visibility and management of preventative and repair capital expenditure levels. As a result, company owners are actually gaining more control through outsourcing facilities services due to technology.

Advances in technology have also allowed facilities services providers to enhance the quality and efficiency of their services resulting in increased profitability. For example, automated maintenance procedures are implemented and wireless communication systems allow real-time and remote access to systems and controls which monitor maintenance schedules, equipment performance, inventory, etc. This not only provides communication to technicians in the field but also enables clients access to monitor information 24 hours a day, 365 days a year and the ability to carry out critical decisions when issues surface. Efficiencies are also greatly enhanced as the accuracy of data collection improves and a substantial reduction in paperwork is achieved. For example, FM Facility Maintenance's business model to aggregate local providers, dispatching them centrally and constantly monitoring their performance is only made possible through technology and could not have existed in the past. Additionally, FM

Figure 2: Completed Facilities Services M&A Transactions



Source: Thomson ONE
Notes: YTD 2009 data as of 12/21/2009, represents M&A transactions closed with targets classified under the following NAICS codes: 561210, 561612, 561621, 561710, 561720, 561730, 561740, 561790

Facility Maintenance boasts one of the most advanced customer and vendor management platforms in the outsourcing industry providing customers with comprehensive account details such as "Performance Dashboards" accessed online by customers offering real-time data and analysis that rolls up activities across all locations with the capability to specifically analyze individual locations, service types and invoices.

Increasing Environmental Standards. Commercial and industrial buildings represent approximately 40% of greenhouse gas emissions and 40% of energy consumed in the U.S. Therefore, many commercial facility owners are increasingly turning towards green building technology to reduce costs and become more energy efficient and environmentally friendly. Facilities services providers assist facility owners with green and sustainable certifications. One of the most sought after certifications is the Leadership in Energy and Environmental Design ("LEED") which requires a targeted 25% to 30% improvement in energy consumption for certification. LEED is administered by the U.S. Green Buildings Council and continues to gain momentum as an internationally recognized green building certification system providing third-party verification that a facility was designed and built using strategies aimed at improving performance across the most critical metrics, such as, CO2 emissions reduction, energy savings, improved indoor environmental quality, water efficiency, and stewardship of resources and sensitivity to their impacts. While LEED and other sustainability programs are voluntary today, the expectation is

that these programs will all become compulsory as governments around the world seek to meet their commitments on CO2 emissions reductions. In addition, energy costs are approximately 30% of total building operating costs and with expected higher structural energy prices in the future, this is critical for owners to manage cost containment, not just reducing the carbon footprint. As such, facilities services providers continue to bolster their service offering to include this capability. For example, Johnson Controls purchased PWI Energy in July 2008 in order to extend its leadership in energy and greenhouse gas management and Jones Lang LaSalle acquired ECD Energy and Environment Canada in July 2008 and Upstream (Environmental Governance Limited) in November 2007 to further expand its focus on sustainability services.

While we're uncertain as to what is in store for the economy in 2010, the underlying growth factors in the facilities services industry will continue to drive a secular trend towards consolidation and remain an attractive space for both strategic and financial buyers.

"The U.S. Environmental Protection Agency on Monday (December 7, 2009) declared emissions of greenhouse gases, including carbon dioxide, to be a danger to human health. That clears the way for the EPA to limit emissions, initially from power plants, refineries, cement plants and other big factories."

The Wall Street Journal,
December 8, 2009

company. Its scope includes training for professional practice (law, accountancy, surveying and financial services form the bulk of this segment). It also includes training for careers within the functional areas of IT, HR, sales and marketing. Finally, the definition includes areas that are not career specific, such as soft skills and management training, language training and compliance training. The varied segment of vocational training (both government and privately funded models) has deliberately been excluded as has university and post-graduate training all of which focus on and are paid for by the individual rather than the company.

The main concern in this article is third-party training provision. However, the majority of corporate training still occurs in-house. The U.S. market is estimated to be approximately \$6.6 billion in 2009 (excluding in-house training) but as much as three times that amount when in-house training is included. In Europe, discussions with industry figures and publicly available information indicate that the market is similar in size to the U.S. overall, but with an even greater proportion being carried out in-house. In both of these key regions there is a broad consensus that the market shrank in 2009 (by as much as 30% in some sub-sectors) but is expected to grow over the next three years.

One estimate for growth in the U.S. market is 0.8% in 2010, 1.3% in 2011 and 2.6% in 2012. This reflects a number of market drivers including the key elements of corporate profits and employment levels. Other drivers include the ability to delivery training to a larger proportion of the work force (particularly due to advances in technology), growth in the level of training required by regulation and/or legislation and a general recognition that investing in staff capabilities is a key tool in the battle for talent and improves retention rates. As with most services sectors there is agreement that the trend towards outsourcing is unlikely to change, although it may have slowed during the downturn. European and Rest of World growth will likely reflect the same drivers as the U.S. As such, it would be reasonable to expect a modest recovery in 2010 followed by more substantial single-digit growth in subsequent years.

Different Approaches Globally

A question a number of our clients ask is whether there are common characteristics and discernable sector trends across the world. The answer is there are some macro trends. The move towards flexible delivery through e-learning platforms is one of the more prominent trends where it is now unusual not to have some kind of web-based interaction with learners. Another is acquisitions in the emerging economies, including China and India, where large players are positioning themselves as a partner to the expanding professional class. Pearson has made three notable acquisitions since 2008 in those regions including buying China based Wall Street English for \$145 million and we expect other major players to follow this lead.

Another common trait in the sector is highly fragmented competition in all regions. In the U.S., for example, one report estimates that 86% of training providers have less than ten staff. While another report estimates that in France approximately 98% of companies generate less than €3 million of sales. The U.K. market mirrors the U.S. and France with a small number of large providers dominating the market. Overall there are more than 12,000 providers with £60,000 in annual sales in the U.K. but just 1% of these have more than 250 employees. In the U.K. as elsewhere it is typically to see a large drop in size from the top two or three providers in any given sub-sector and even a top ten place can be secured with modest sales.

Despite macro trends indicating a degree of homogeneity in the sector, it is important to consider local market and regulatory differences across the globe which influence the ability and appetite of competitors to operate within certain regions. Some make a deal more attractive to overseas investors. For example, in France there is legislation that requires companies to spend a percentage of their salary costs on training. For companies with more than 20 staff this is nearly 2%. Partly as a result of this legislation, the average spend per head on professional training in France is over €1,000; nearly three times the level in Spain, Italy or the U.K.

Another local difference – or more accurately a difference between the U.S.

and the Rest of World – is the business model used by training organizations. Unlike some support services (marketing being the best example) where stand alone business models are common, outside the U.S., corporate training is often provided by companies that offer a portfolio of related services. In the U.K., Pearson, Reed and UBM and Wilmington are publishing houses; so too Klett in Germany. Each offers corporate training to a greater or lesser extent. In the professional IT training markets, IBM, Logica, SAP and Oracle are all leading training providers that compete with stand alone providers. Only the U.S. has a significant number of large, quoted and pure-play training providers.

What this means for the sector is that direct comparison of companies is often difficult and any comparison needs to be handled carefully. The fragmented market landscape seems to cause national players to focus on their home market because there are a good number of opportunities without looking at more challenging deals overseas. A third result is that private equity investors view the sector favorably due to the potential to fund consolidation plays.

Industry Consolidation

Owing to the cyclicity of the sector and the market dynamics mentioned above, it may not be surprising that a number of private equity funds have invested in the sector with many others keen to do so too. In the U.K., the largest independent player in the IT training market (QA) is owned by Englefield. It has made two acquisitions since being acquired in 2006. BPP's £335 million acquisition by Apollo Global (a joint venture between The Apollo Group and The Carlyle Group) is the third acquisition the company has made since being founded in late 2007. Similarly, U.S.-based consolidator, Global Knowledge, is a portfolio investment of Welsh, Carson, Anderson & Stowe. In the rest of the world, there are numerous examples across all size ranges.

However, the leading consolidators in the sector are the quoted groups. Wilmington (U.K.) has acquired seven training businesses since 1999, Kaplan (U.S.) has made four acquisitions in a similar period while Demos, the French

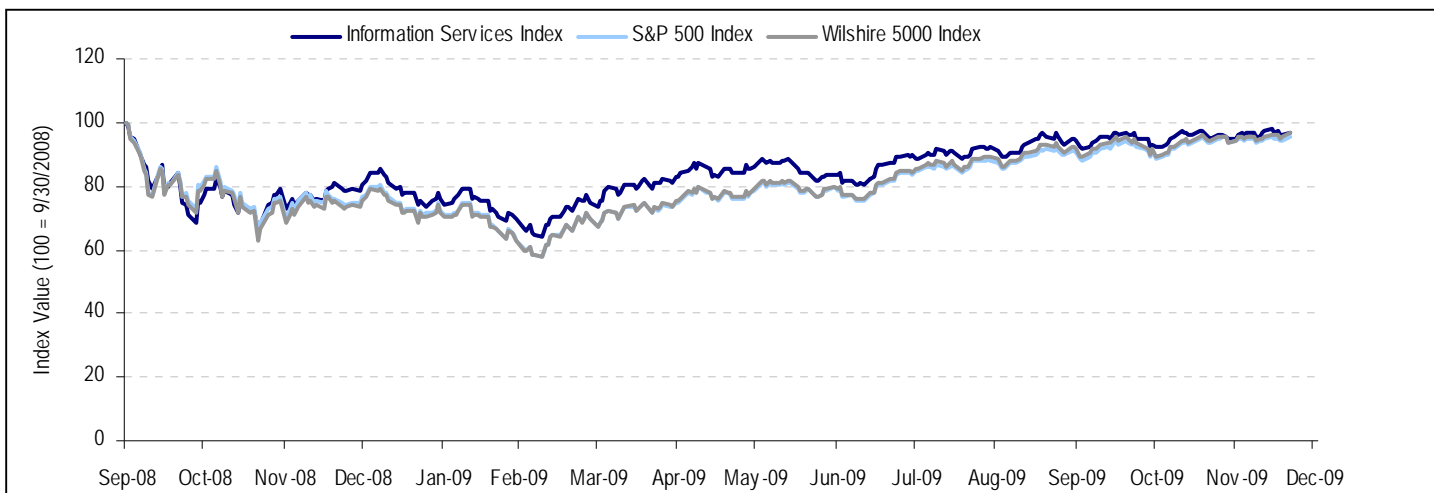
(Continued on page 8)

Valuation Update: Information Services

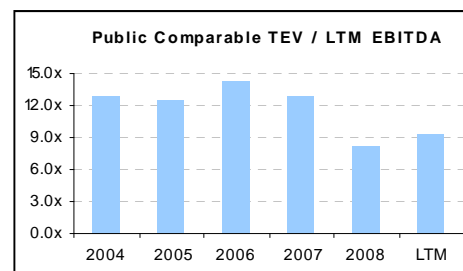
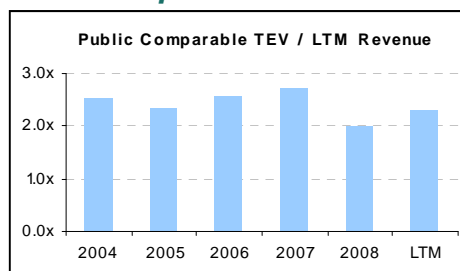
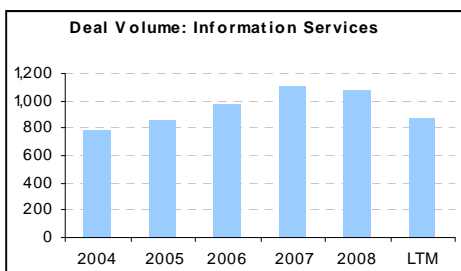
Selected Public Comparables (Dollars in millions except per share data)

	Stock Price		% of 52-Wk High	Enterprise Value	1-Year Growth		EV / LTM		EV / NTM	
	12/21/09	52-Wk High			Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA
Affiliated Computer Services, Inc.	\$ 59.44	\$ 60.49	98%	\$ 7,604	5.2%	(2.5%)	1.2x	7.6x	1.1x	6.1x
Alliance Data Systems Corporation	64.40	69.09	93%	5,908	(5.3%)	(16.8%)	3.1x	11.9x	2.8x	9.0x
APN News & Media Ltd.	1.96	2.29	86%	2,068	(14.9%)	(36.6%)	2.1x	10.9x	NA	NA
Automatic Data Processing, Inc.	42.77	44.50	96%	20,006	(2.0%)	5.4%	2.3x	9.0x	2.3x	9.9x
Bowne & Co. Inc.	7.09	8.85	80%	302	(17.5%)	(27.7%)	0.5x	11.3x	NA	NA
comScore, Inc.	17.50	19.58	89%	447	13.0%	(3.7%)	3.6x	NMF	3.2x	13.3x
CoStar Group Inc.	41.12	44.48	92%	622	(1.1%)	8.7%	3.0x	11.7x	2.9x	13.9x
DST Systems Inc.	43.00	47.49	91%	3,092	(2.9%)	(9.9%)	1.4x	7.2x	1.9x	7.0x
Dun & Bradstreet Corp.	82.51	84.76	97%	5,007	(1.1%)	2.4%	2.9x	9.5x	2.9x	9.0x
Equifax Inc.	30.85	30.97	100%	4,906	(8.7%)	(8.5%)	2.7x	8.2x	2.7x	8.2x
FactSet Research Systems Inc.	65.92	76.76	86%	2,900	4.1%	10.7%	4.7x	11.7x	4.5x	10.9x
Fair Isaac Corp.	21.01	24.49	86%	1,244	(15.3%)	(2.8%)	2.0x	7.5x	2.0x	8.0x
Fidelity National Information Services Inc.	23.30	26.00	90%	10,824	(2.2%)	6.0%	3.2x	NMF	2.2x	6.9x
First American Corp.	33.80	34.19	99%	3,673	(13.7%)	38.9%	0.6x	6.3x	0.6x	5.1x
Fiserv Inc.	48.22	50.91	95%	10,920	(9.6%)	8.7%	2.6x	8.7x	2.6x	8.0x
Heartland Payment Systems, Inc.	13.50	18.93	71%	535	7.8%	(10.2%)	0.3x	7.2x	0.3x	6.6x
Interactive Data Corporation	25.14	27.30	92%	2,080	2.5%	8.5%	2.7x	7.7x	2.7x	7.6x
Iron Mountain Inc.	23.40	32.04	73%	7,618	(1.4%)	9.0%	2.6x	9.1x	2.4x	8.4x
Moody's Corp.	27.16	31.79	85%	7,284	(7.6%)	(20.3%)	4.2x	9.7x	3.9x	9.2x
Morningstar Inc.	48.29	54.75	88%	1,986	(5.1%)	(5.0%)	4.2x	12.4x	4.0x	NA
Paychex Inc.	30.96	32.88	94%	10,902	(4.2%)	(9.0%)	NMF	12.9x	NMF	13.1x
R.R. Donnelley & Sons Company	21.91	22.55	97%	7,524	(15.2%)	(24.6%)	0.7x	5.5x	0.8x	5.8x
Reed Elsevier plc	7.98	9.09	88%	20,252	(6.5%)	2.8%	2.8x	9.6x	2.5x	8.4x
Thomson Reuters Corporation	31.74	36.76	86%	32,995	26.0%	45.0%	2.5x	11.2x	2.5x	9.6x
Total System Services, Inc.	17.45	17.71	99%	3,253	8.9%	(6.8%)	1.7x	7.4x	1.9x	6.4x
Western Union Co.	19.24	20.64	93%	14,743	(4.5%)	(6.0%)	2.9x	10.0x	2.8x	9.3x
Wolters Kluwer NV	22.05	23.15	95%	9,678	4.2%	(1.9%)	1.9x	9.5x	NA	NA
Mean							2.4x	9.3x	2.4x	8.7x
Adjusted Mean							2.4x	9.4x	2.1x	8.6x
Median							2.6x	9.5x	2.5x	8.4x

LTM Relative Stock Price Performance



M&A Transaction Volume and Public Comparable Valuation Data



Source: Capital IQ and Thomson ONE

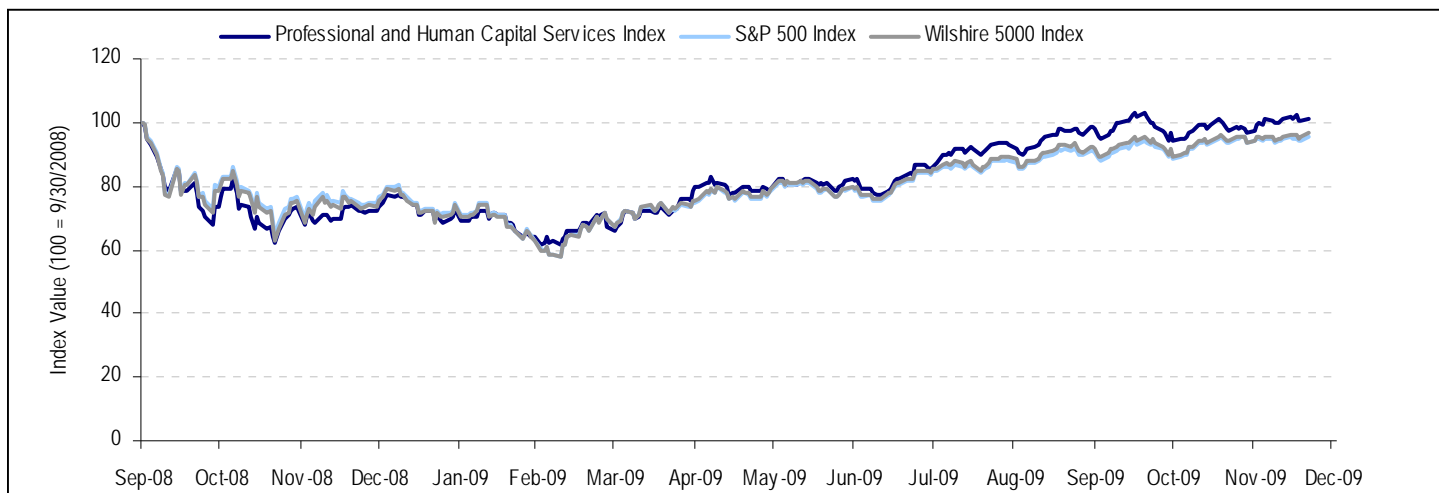
Note: Financial data as of 12/21/2009; Reed Elsevier data based on LSE for stock price and combined LSE / AEX data for enterprise value calculation

Valuation Update: Professional and Human Capital Services

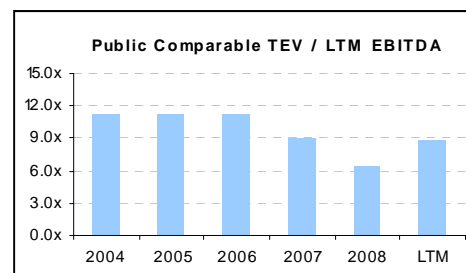
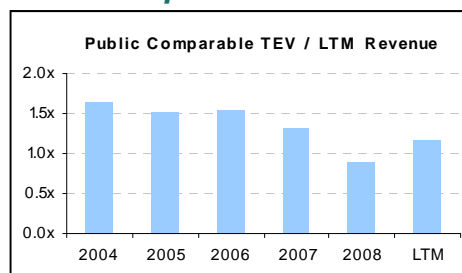
Selected Public Comparables (Dollars in millions except per share data)

	Stock Price		% of 52-Wk High	Enterprise Value	1-Year Growth		EV / LTM		EV / NTM	
	12/21/09	52-Wk High			Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA
Accenture plc	\$ 40.63	\$ 43.33	94%	\$ 22,197	(12.6%)	(7.9%)	1.0x	6.7x	1.0x	6.3x
Axiom Corporation	13.19	13.42	98%	1,409	(15.9%)	(10.0%)	1.2x	4.6x	1.3x	5.3x
Bureau Veritas SA	51.06	56.99	90%	6,879	16.7%	24.6%	1.8x	11.1x	NA	NA
CACI International Inc.	48.37	49.84	97%	1,790	11.6%	8.1%	0.6x	7.7x	0.6x	7.2x
CB Richard Ellis Group, Inc.	13.18	13.77	96%	6,618	(26.9%)	(42.9%)	1.6x	NMF	1.6x	10.8x
Convergys Corporation	10.82	11.97	90%	1,598	1.8%	(30.1%)	0.6x	8.9x	0.6x	5.3x
Corporate Executive Board Co.	22.16	27.18	82%	722	(16.3%)	(12.0%)	1.5x	5.8x	1.7x	8.6x
CRA International Inc.	25.70	31.47	82%	255	(19.8%)	(24.5%)	0.8x	7.0x	0.9x	6.6x
Forrester Research Inc.	25.40	28.70	89%	300	(0.7%)	18.6%	1.3x	6.5x	1.3x	7.9x
FTI Consulting, Inc.	46.30	56.41	82%	2,640	10.3%	13.7%	1.9x	8.5x	1.7x	7.3x
Gartner Inc.	17.84	20.27	88%	1,873	(9.1%)	(14.9%)	1.6x	11.1x	1.6x	10.6x
Harte-Hanks Inc.	10.75	14.48	74%	850	(18.3%)	(30.6%)	0.9x	7.0x	1.0x	7.2x
Havas	3.84	4.48	86%	1,860	(2.9%)	3.0%	0.9x	6.3x	NA	NA
Heidrick & Struggles International Inc.	29.69	31.60	94%	432	(33.6%)	(91.1%)	1.0x	NMF	1.0x	10.8x
Hewitt Associates Inc.	42.99	43.85	98%	4,052	(4.8%)	16.9%	1.3x	6.7x	1.3x	6.3x
Interpublic Group of Companies, Inc.	7.17	7.77	92%	4,487	(13.0%)	(16.3%)	0.7x	7.2x	0.7x	6.9x
Intertek Group plc	19.10	21.83	87%	3,503	34.0%	47.4%	1.9x	9.0x	NA	NA
Jones Lang Lasalle Inc.	60.04	60.11	100%	2,808	(10.8%)	(18.2%)	1.1x	11.0x	1.2x	10.8x
Manpower Inc.	55.11	63.00	87%	4,032	(28.2%)	(57.3%)	0.2x	11.1x	0.3x	16.6x
Marsh & McLennan Companies, Inc.	21.76	25.46	85%	13,296	(11.2%)	22.1%	1.3x	8.0x	1.3x	7.0x
Navigant Consulting Inc.	15.46	18.91	82%	988	(11.3%)	(19.8%)	1.4x	9.4x	1.4x	8.6x
Omnicom Group Inc.	38.92	39.11	100%	14,350	(13.1%)	(12.3%)	1.2x	8.2x	1.2x	8.7x
Publicis Groupe SA	40.54	41.80	97%	8,885	0.8%	(4.8%)	1.3x	7.4x	NA	NA
Robert Half International Inc.	26.67	28.06	95%	3,621	(31.9%)	(67.9%)	1.1x	NMF	1.3x	NMF
Valassis Communications Inc.	18.48	21.01	88%	1,856	(6.3%)	8.8%	0.8x	8.1x	0.8x	6.8x
WPP plc	9.64	9.89	97%	17,855	27.6%	3.1%	1.3x	9.8x	1.3x	9.1x
Mean							1.2x	8.1x	1.1x	8.3x
Adjusted Mean							1.2x	8.2x	1.0x	8.0x
Median							1.2x	8.0x	1.2x	7.3x

LTM Relative Stock Price Performance



M&A Transaction Volume and Public Comparable Valuation Data



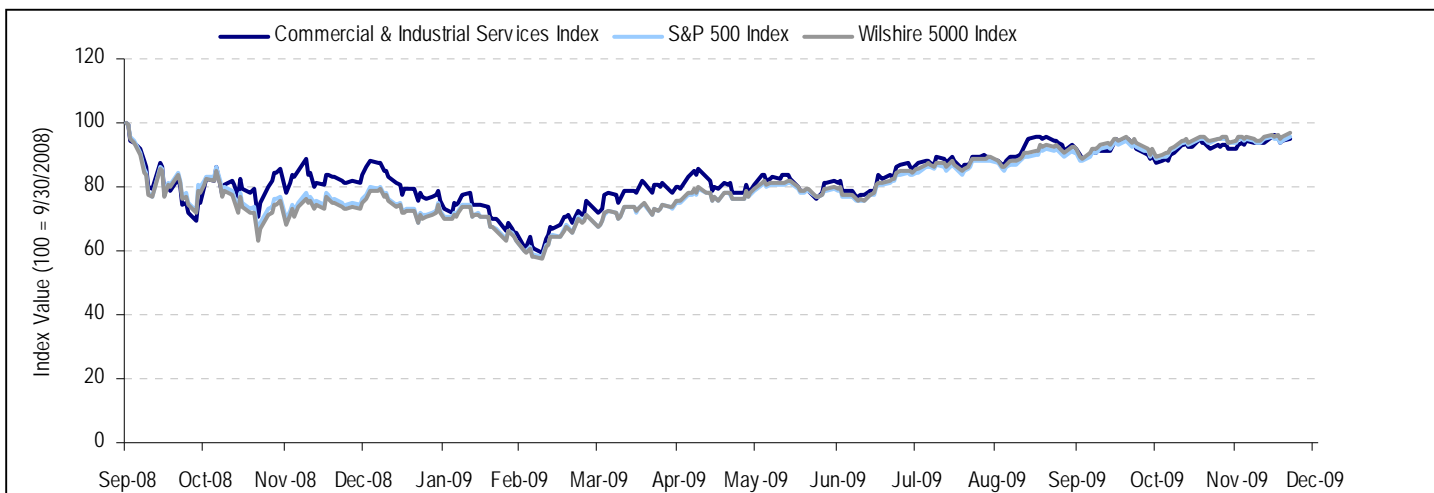
Source: Capital IQ and Thomson ONE
Note: Financial data as of 12/21/2009

Valuation Update: Commercial and Industrial Services

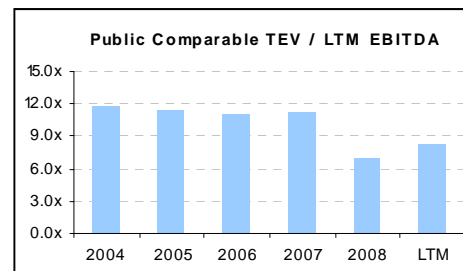
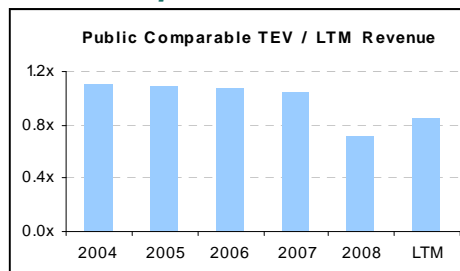
Selected Public Comparables (Dollars in millions except per share data)

	Stock Price		% of 52-Wk High	Enterprise Value	1-Year Growth		EV / LTM		EV / NTM	
	12/21/09	52-Wk High			Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA
ABM Industries Inc.	\$ 20.96	\$ 23.32	90%	\$ 1,219	(3.9%)	(12.2%)	0.4x	9.8x	0.3x	8.0x
Brinks Co.	25.36	32.36	78%	1,354	8.7%	47.2%	0.4x	4.6x	0.4x	4.0x
CH Robinson Worldwide Inc.	58.65	61.69	95%	9,450	(12.3%)	3.7%	1.3x	15.4x	1.1x	14.4x
Cintas Corp.	29.62	30.85	96%	4,956	(7.7%)	(15.8%)	1.4x	7.6x	1.4x	7.3x
Clean Harbors, Inc.	59.78	65.18	92%	1,650	(5.9%)	(5.3%)	1.7x	11.7x	1.2x	7.1x
Comfort Systems USA Inc.	12.59	13.12	96%	349	(6.2%)	(6.3%)	0.3x	4.5x	0.3x	6.7x
Dycom Industries Inc.	8.48	14.59	58%	346	(16.4%)	(16.2%)	0.3x	3.4x	0.3x	3.4x
EMCOR Group Inc.	27.18	27.31	100%	1,348	(14.6%)	2.9%	0.2x	3.8x	0.2x	5.0x
FedEx Corporation	84.72	92.59	92%	26,797	(13.4%)	(25.9%)	0.8x	7.6x	0.8x	6.4x
FirstService Corp.	18.91	21.69	87%	1,094	(8.7%)	(5.5%)	0.7x	9.8x	0.6x	7.6x
Fluor Corporation	43.94	58.62	75%	6,029	7.7%	11.2%	0.3x	4.8x	0.3x	5.2x
Forward Air Corp.	24.93	26.29	95%	748	(9.2%)	(48.4%)	1.8x	15.9x	1.7x	13.4x
Hub Group Inc.	27.37	28.47	96%	914	(18.2%)	(31.0%)	0.6x	12.6x	0.6x	14.1x
Jacobs Engineering Group Inc.	37.74	54.71	69%	3,685	1.9%	(1.3%)	0.3x	5.2x	0.4x	7.1x
Landstar System Inc.	39.25	41.65	94%	2,000	(23.1%)	(29.3%)	1.0x	13.1x	1.0x	12.9x
MasTec, Inc.	12.62	14.00	90%	1,189	24.4%	(0.7%)	0.8x	8.9x	0.7x	6.4x
Pike Electric Corporation	9.31	12.99	72%	411	(7.1%)	(39.4%)	0.7x	6.5x	0.7x	8.2x
Quanta Services Inc.	21.29	25.80	83%	4,010	(12.9%)	(9.6%)	1.2x	11.4x	1.0x	7.9x
Rentokil Initial plc	1.76	1.91	92%	5,131	7.5%	1.7%	1.3x	8.2x	NA	NA
Republic Services Inc.	28.09	29.82	94%	17,629	130.0%	151.6%	2.4x	8.2x	2.1x	7.0x
Ryder System, Inc.	43.96	46.58	94%	4,879	(18.9%)	(11.8%)	0.9x	4.0x	1.0x	4.1x
Securitas AB	9.49	9.92	96%	4,689	40.3%	54.1%	0.5x	7.5x	NA	NA
Shaw Group Inc.	29.55	35.14	84%	1,726	4.0%	(0.8%)	0.2x	4.9x	0.2x	4.7x
United Parcel Service, Inc.	58.62	59.75	98%	65,769	(12.6%)	171.1%	1.4x	11.3x	1.4x	11.4x
URS Corporation	44.52	53.12	84%	4,011	8.0%	11.9%	0.4x	7.4x	0.4x	7.3x
UTI Worldwide, Inc.	14.55	15.96	91%	1,502	(28.5%)	(40.3%)	0.4x	11.3x	0.4x	8.2x
Waste Management, Inc.	32.99	33.99	97%	24,093	(12.8%)	(10.4%)	2.0x	7.6x	2.0x	7.5x
Mean							0.9x	8.4x	0.8x	7.8x
Adjusted Mean							0.8x	8.3x	0.7x	7.7x
Median							0.7x	7.6x	0.7x	7.3x

LTM Relative Stock Price Performance



M&A Transaction Volume and Public Comparable Valuation Data



Source: Capital IQ and Thomson ONE
Note: Financial data as of 12/21/2009

quoted group has completed twelve deals since 1999. As discussed above, Pearson leads the way in investments in developing countries with three acquisitions in the last two years.

We expect corporate acquirers to maintain their dominance in the M&A market in 2010 due to the limited financing available to private equity for people-based businesses and uncertainty about the speed of market recovery. Although there are likely to be exceptions (particularly in less cyclical

sub-sectors including oil & gas) and available debt levels are gradually increasing this is expected to act as a brake on pricing and hand a relative advantage to quoted groups who can take a longer term view on returns and have a lower cost of capital.

Valuation Metrics

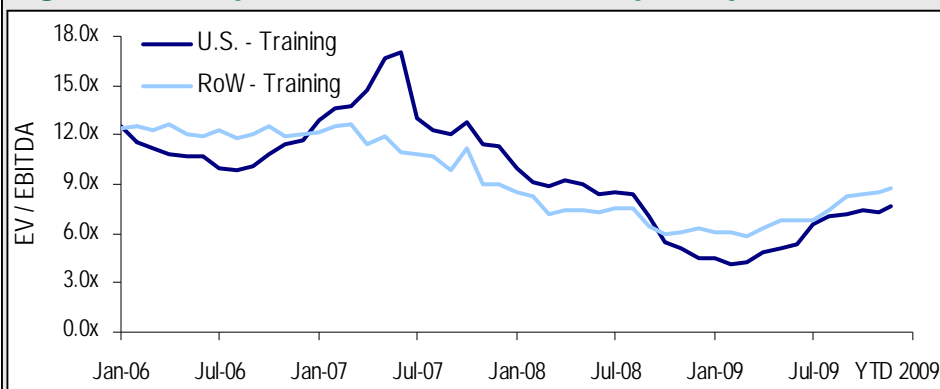
Valuation metrics for training deals tend to be undisclosed since the targets are most often private and not of large scale. The best recent comparable transaction data is available for BPP which was

acquired on an historical sales multiple of 2x sales and 12.2x historical EBITDA. We believe this price reflects the size and status of BPP as well as a premium for scarcity. Our discussions with industry players and private equity houses suggest a range of 6x-8x underlying historical EBITDA is more usual. This is broadly supported by the quoted comparables which trade at an average of just over 9x historical EBITDA on both sides of the Atlantic.

Conclusions

To illustrate the sector opportunity, we have presented data for a handful of quoted groups (split between the U.S. and Rest of World to highlight there is not a large premium in the U.S. as is often suspected). Figure 3 shows that the market has fallen significantly since the recession started biting but appears to be benefiting from a return of confidence. With continued hiring and a prolonged period of stability in the services sector we expect this trend to continue which means now might be a good time to consider both cyclical investment opportunities and traditional buy and build strategies in the sector.

Figure 3: Enterprise Value / EBITDA Multiples by Location



Source: Capital IQ

Notes: YTD 2009 as of 12/21/2009. U.S. set includes NasdaqGS:APEI, NasdaqGS:APOL, NYSE:BPI, NasdaqGS:CPLA, NasdaqGS:CECO, NasdaqGS:COCO, NYSE:DV, NASDAQGS:EDMC, NasdaqGM:LOPE, NYSE:ESI, NasdaqGM:LINC, NasdaqGS:STRA, NYSE:UTI, NYSE:GPX, NasdaqGM:LTR, NYSE:MAN, OTCPPK:NWR, NasdaqGS:SKIL, NasdaqCM:SPRO; RoW set includes AIM:FDMG, AIM:ILX, AIM:MLO, AMEX:CEU, ASX:NVT, DB:ITR, LSE:WIL

About Lincoln International

Lincoln International specializes in merger and acquisition services, private capital raising, U.K. pension advisory services, and providing fairness opinions and valuations for leading organizations involved in mid-market transactions. With offices in Chicago, Frankfurt, London, Los Angeles, Madrid, New York, Paris, Tokyo, and Vienna, and strategic partnerships with China Everbright in China and ICICI Securities, Inc. in India, Lincoln International has strong local knowledge and contacts in the key global economies. The organization provides clients with senior-level attention, in-depth industry expertise and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at www.lincolninternational.com



CHICAGO | FRANKFURT | LONDON | LOS ANGELES
MADRID | NEW YORK | PARIS | TOKYO | VIENNA

Contributors

Kathryn Roberts, Associate, kroberts@lincolninternational.com
Nathan Miller, Analyst, nmiller@lincolninternational.com

Officer Contacts

NORTH AMERICA

Robert T. Brown
Managing Director
rbrown@lincolninternational.com
+1-312-580-8340

Michael J. Iannelli
Managing Director
miannelli@lincolninternational.com
+1-312-580-6281

Curtis C. Tatham
Director
ctatham@lincolninternational.com
+1-312-580-8239

Timothy A. Madda
Vice President
tmadda@lincolninternational.com
+1-312-580-8321

Lucien G. Webb
Vice President
lwebb@lincolninternational.com
+1-312-506-2747

ASIA

TOKYO, JAPAN
Tetsuya Fujii
Managing Director and President, Japan
tfujii@lincolninternational.com
+813-4360-9160

EUROPE

FRANKFURT, GERMANY
Friedrich Bieselt
Managing Director
f.bieselt@lincolninternational.de
+49-69-97-105-426

LONDON, UNITED KINGDOM
Edward Lethbridge
Director
elethbridge@lincolninternational.com
+44-20-7022-9880

MADRID, SPAIN
Iván Marina
Managing Director
i.marina@lincolninternational.es
+34-91-781-9460

PARIS, FRANCE
Dominique Lecendreu
Managing Director
d.lecendreu@lincolninternational.fr
+33-1-53-531-820

VIENNA, AUSTRIA
Witold Szymanski
Managing Director
w.szymanski@lincolninternational.at
+43-720-3320-380