



# Sectorwatch: Testing, Inspection and Certification Services

June 2019

# Testing, Inspection and Certification Services

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# Overview

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7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. We publish our sectorwatch, a review of M&A and operational trends in the industries we focus.

## Dashboard

- Summary metrics on the sector
- Commentary on market momentum by comparing the most recent 12-month performance against the last 3-year averages.



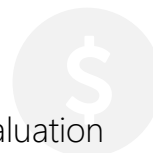
## Public Basket Performance

- Summary valuation and operating metrics for a basket of comparable public companies



## Valuation Comparison

- Graphical, detailed comparison of valuation multiples for the public basket



## Recent Deals

- The most recently announced deals in the sector



# Dashboard



## Revenue Growth

↓ -3.4%

1 - year revenue growth compared to revenue growth average for last 3 years

Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining

## Pricing / Gross Margin

↓ -0.4%

1 - year gross profit % compared to gross profit % average for last 3 years

Current gross profit margin is less than the average of the last 3 years gross profit margins, indicating customer pricing power

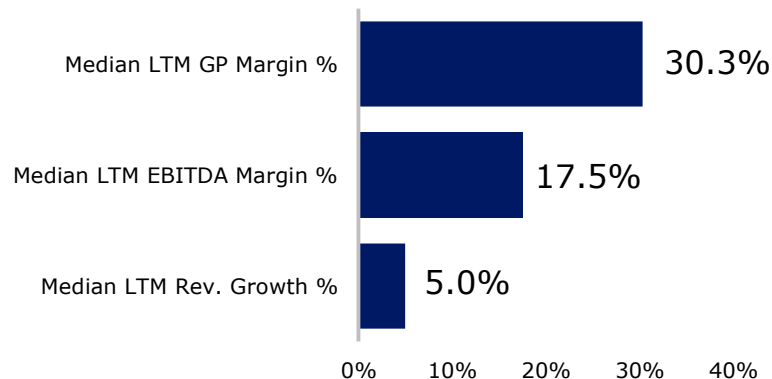
## Profitability

↓ -0.5%

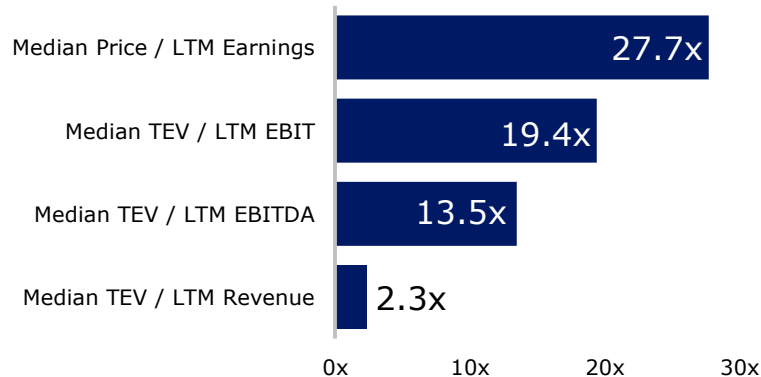
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin is less than the average of the last 3 years EBITDA margins, which may signal further consolidation

## Operating Metrics



## Valuation



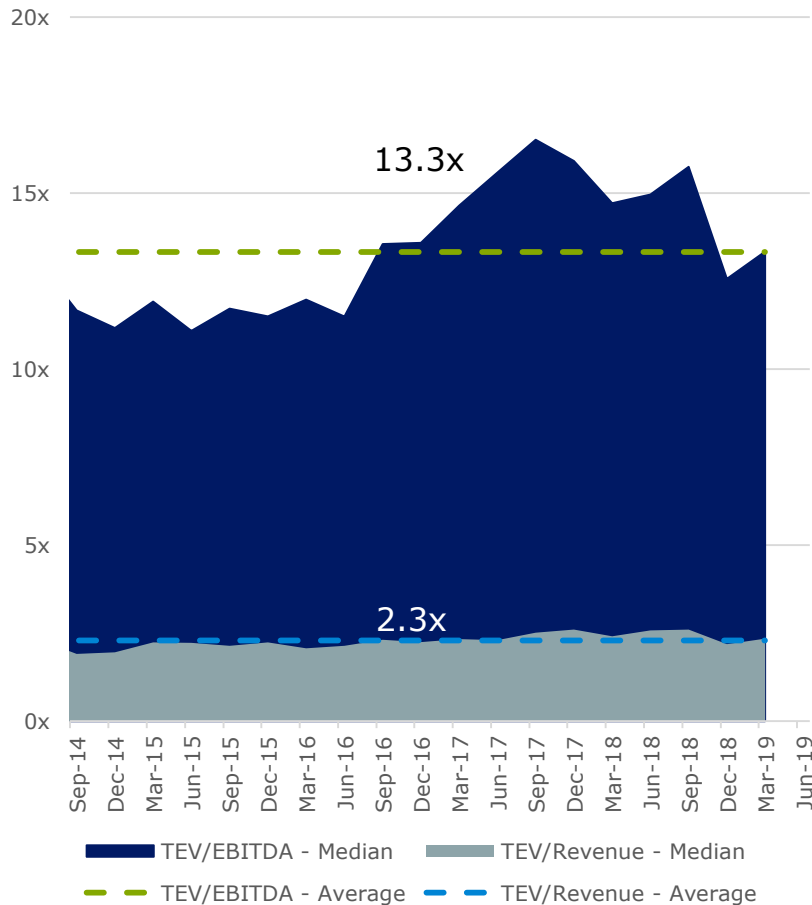
# Public Basket



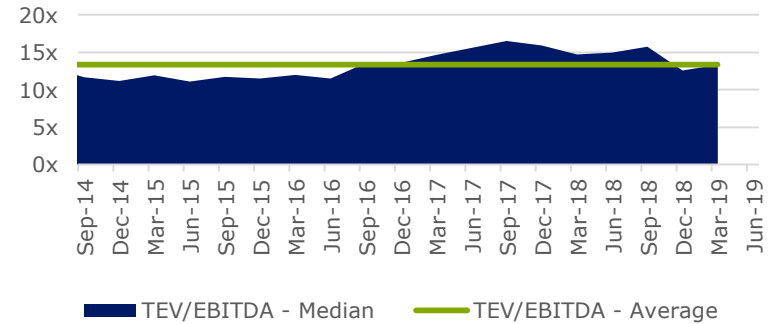
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Mistras Group, Inc.	681	732	1%	32%	8%	0.9	12.0	5,700	128
Team, Inc.	854	1,214	0%	26%	1%	0.7	55.0	7,200	169
Applus Services, S.A.	2,410	1,919	6%	36%	13%	1.3	10.2	22,852	84
ALS Limited	2,685	1,182	15%	28%	21%	2.3	10.9	-	NA
Eurofins Scientific SE	10,798	4,329	27%	19%	19%	2.5	13.6	43,819	99
Intertek Group plc	11,862	3,570	1%	56%	20%	3.4	16.8	44,720	80
Bureau Veritas SA	12,681	5,491	2%	30%	17%	2.4	13.5	75,428	73
SGS SA	20,057	6,815	6%	43%	18%	3.0	16.2	97,368	70
Laboratory Corporation of America Holdings	22,613	11,276	5%	28%	17%	2.0	11.7	61,000	185
<b>Average</b>	9,405	4,059	7%	33%	15%	2.1	17.8	39,787	111
<b>Median</b>	10,798	3,570	5%	30%	17%	2.3	13.5	43,819	91

share price as of 03Jun19

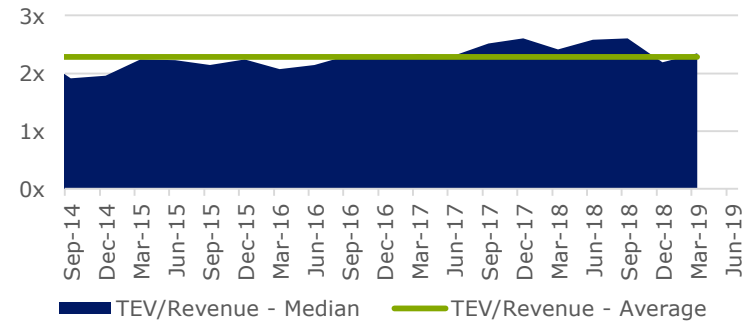
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



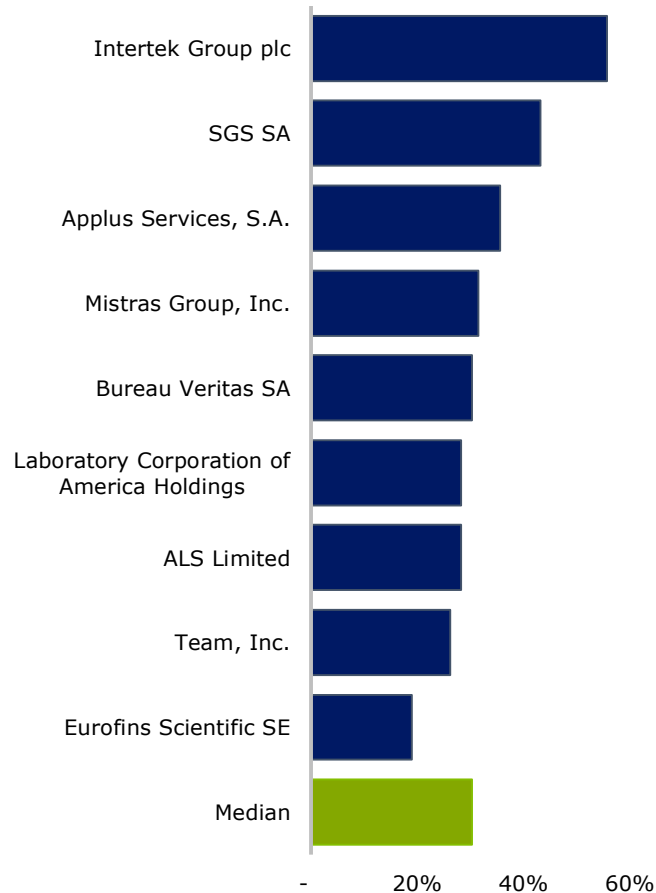
## Public Revenue Multiples over Time



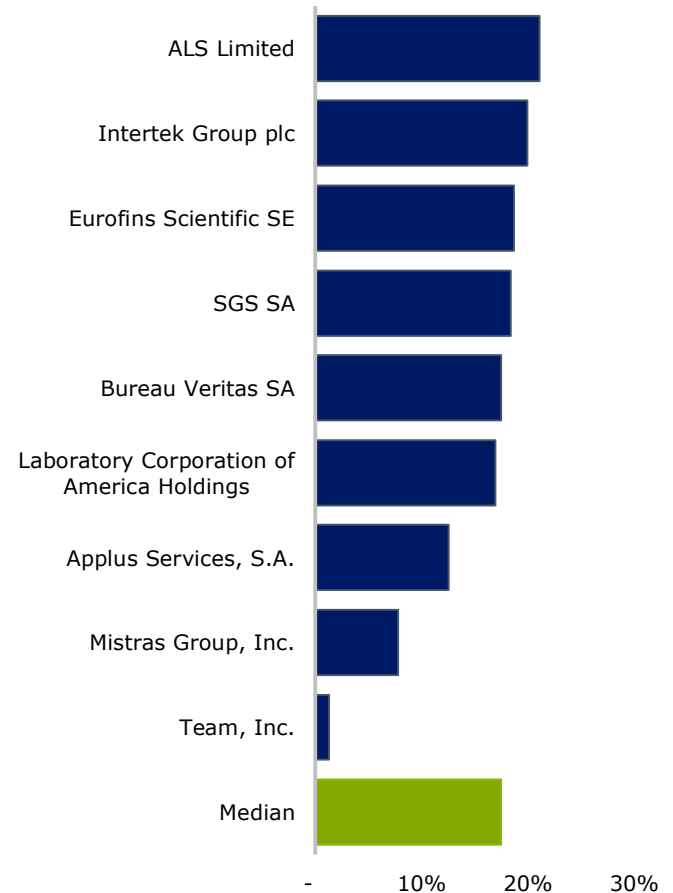
# Operational Metrics



## LTM Gross Profit Margin %



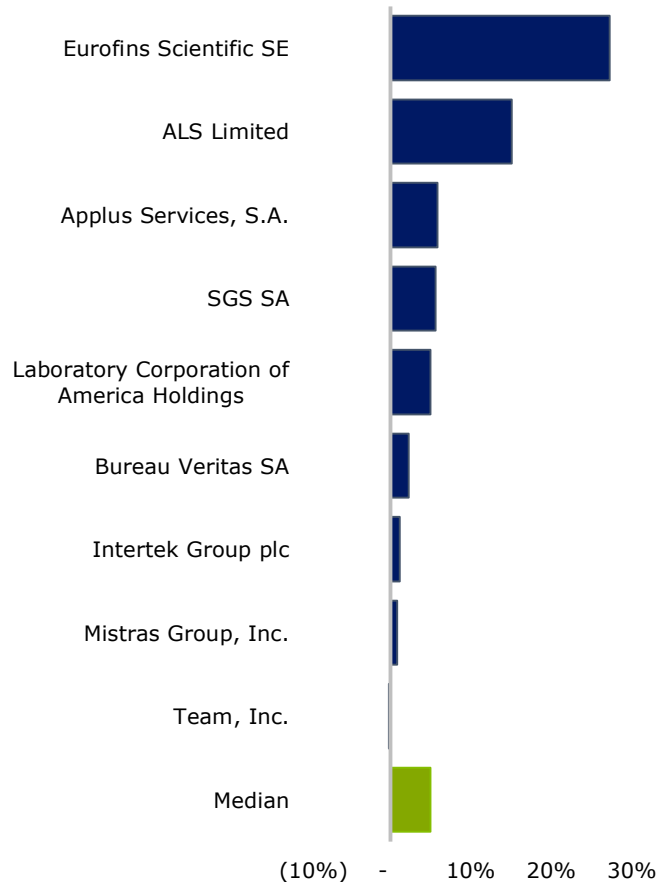
## LTM EBITDA %



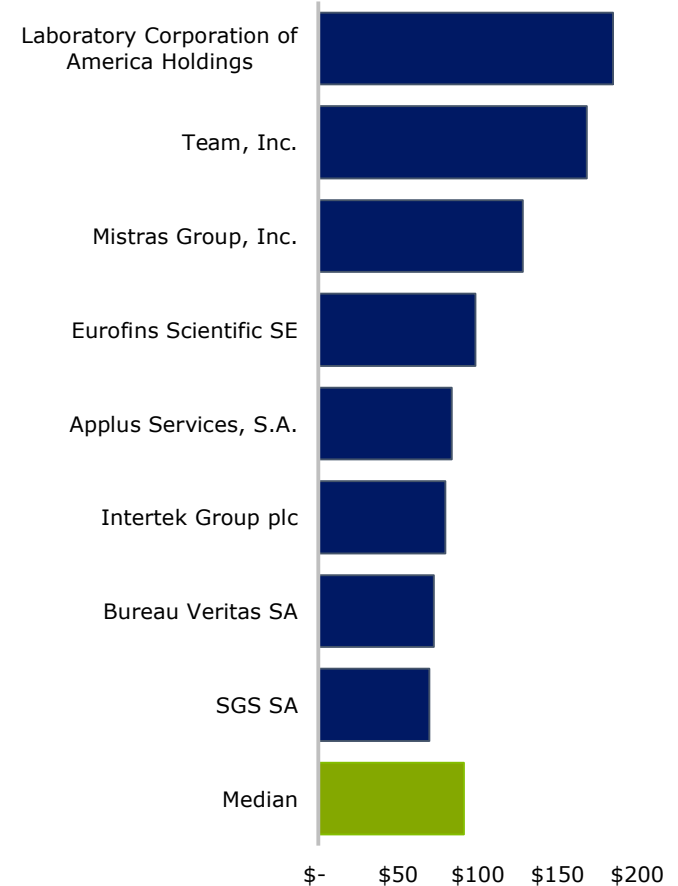
# Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's

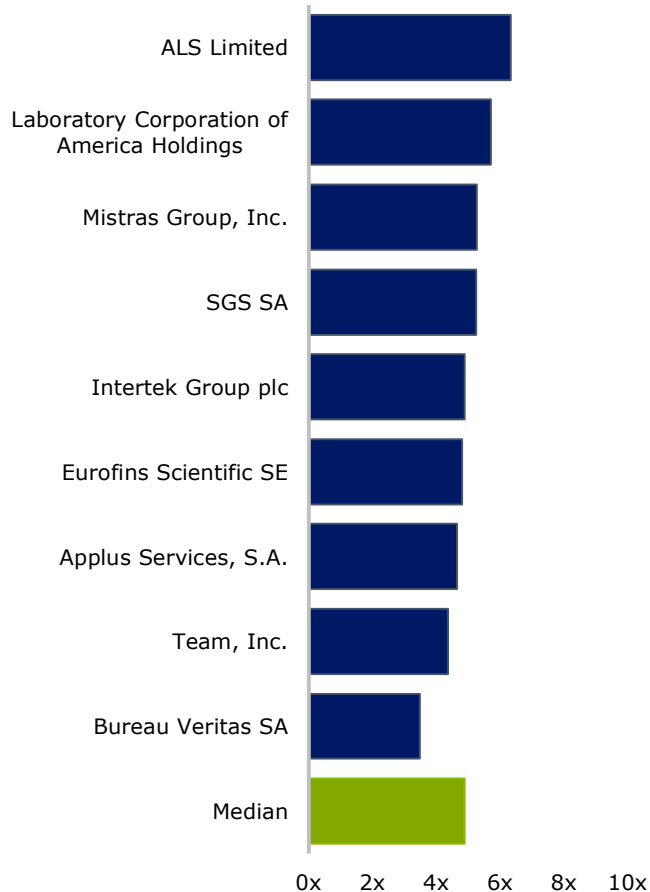




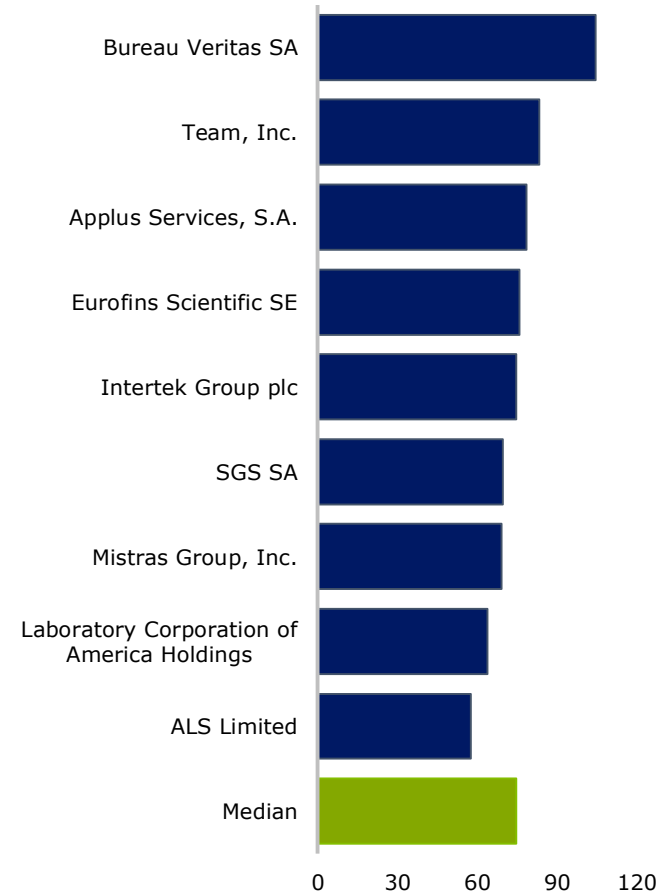
# Operational Metrics



## Accounts Receivable Turnover



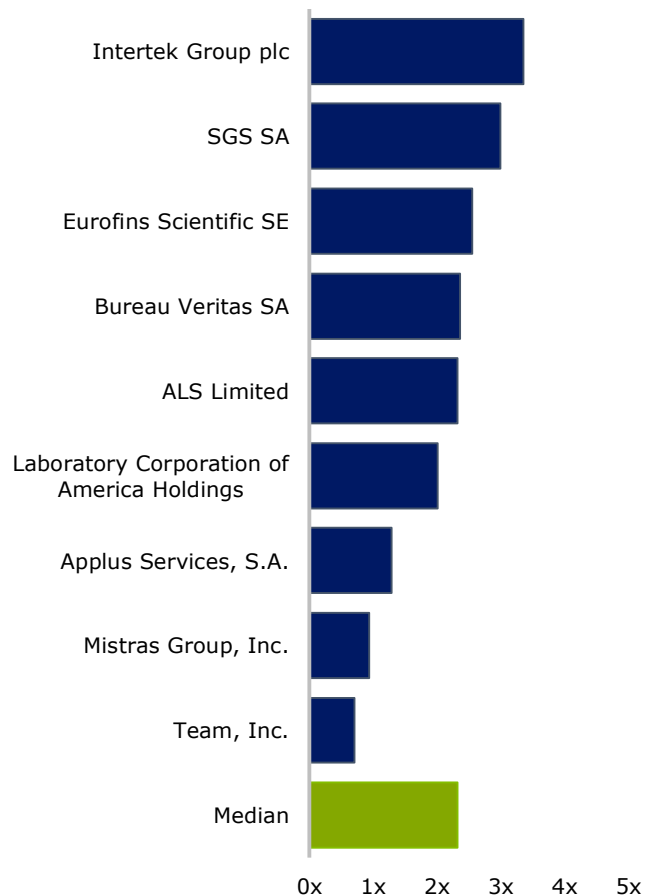
## Average Days Sales Outstanding



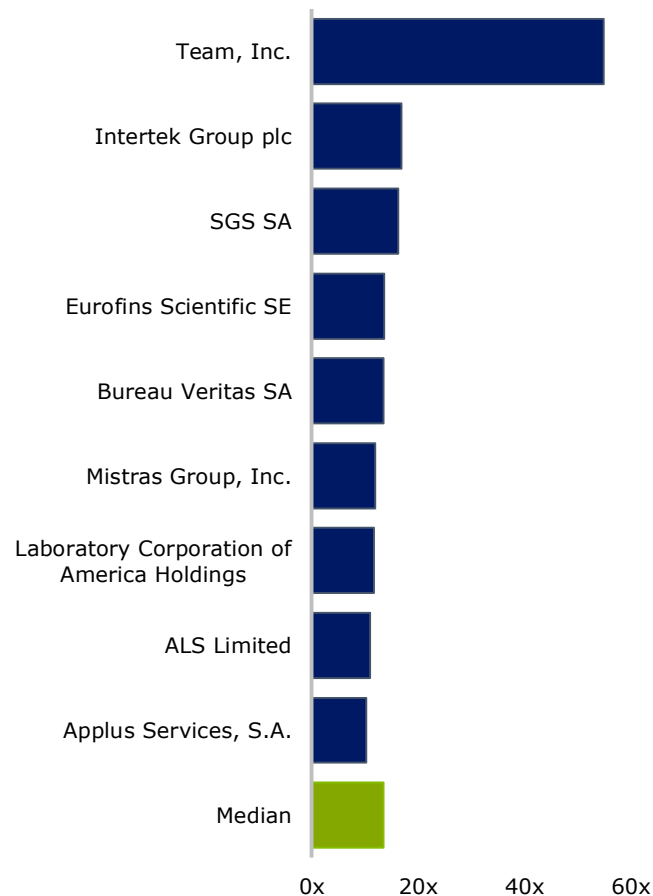
# Valuation



## TEV / LTM Revenue



## TEV / LTM EBITDA



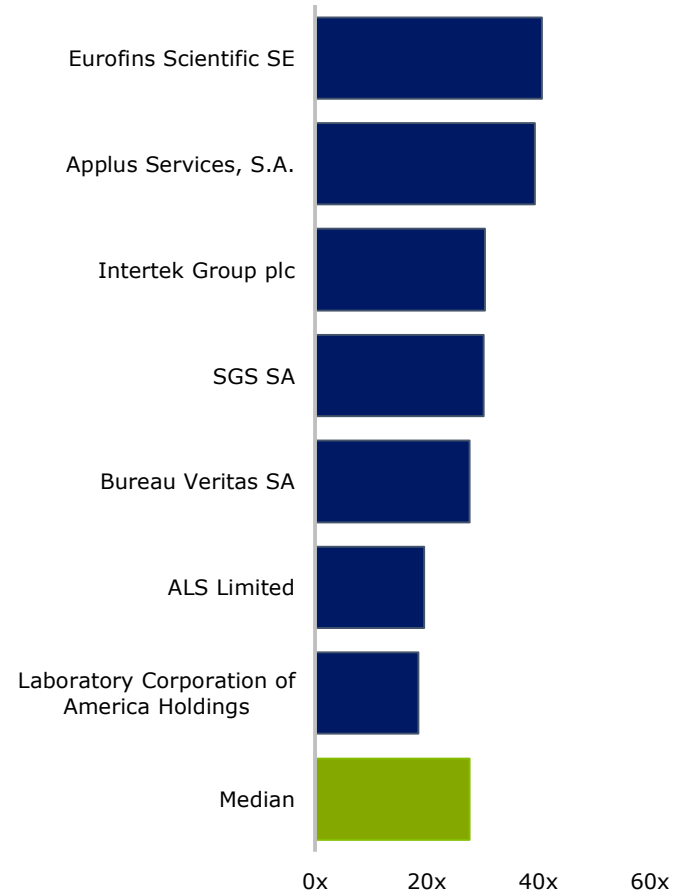
# Valuation



## TEV / LTM EBIT



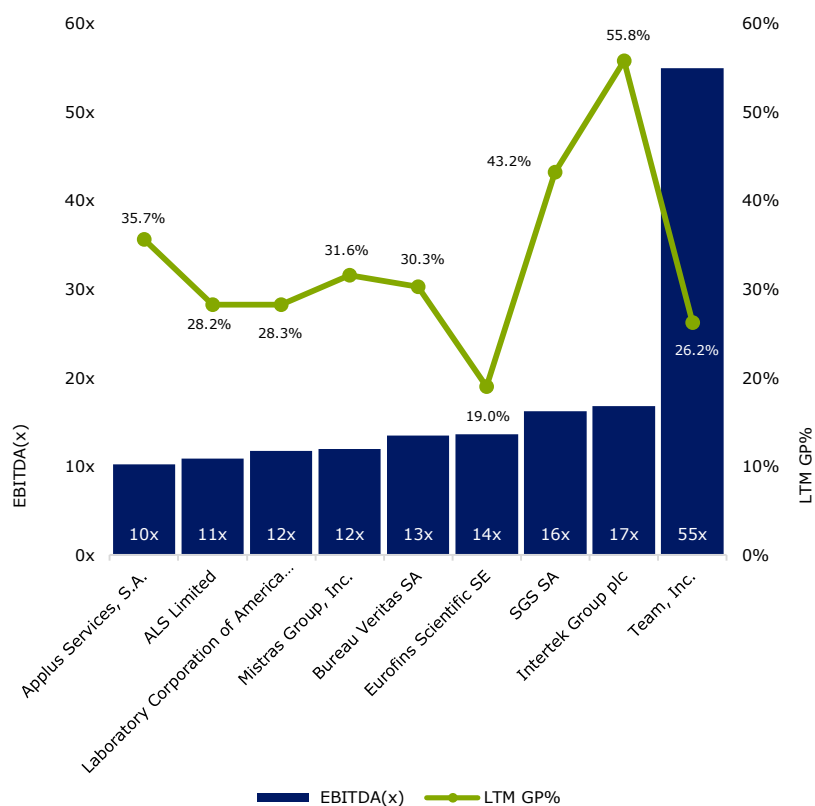
## Price / LTM Earnings



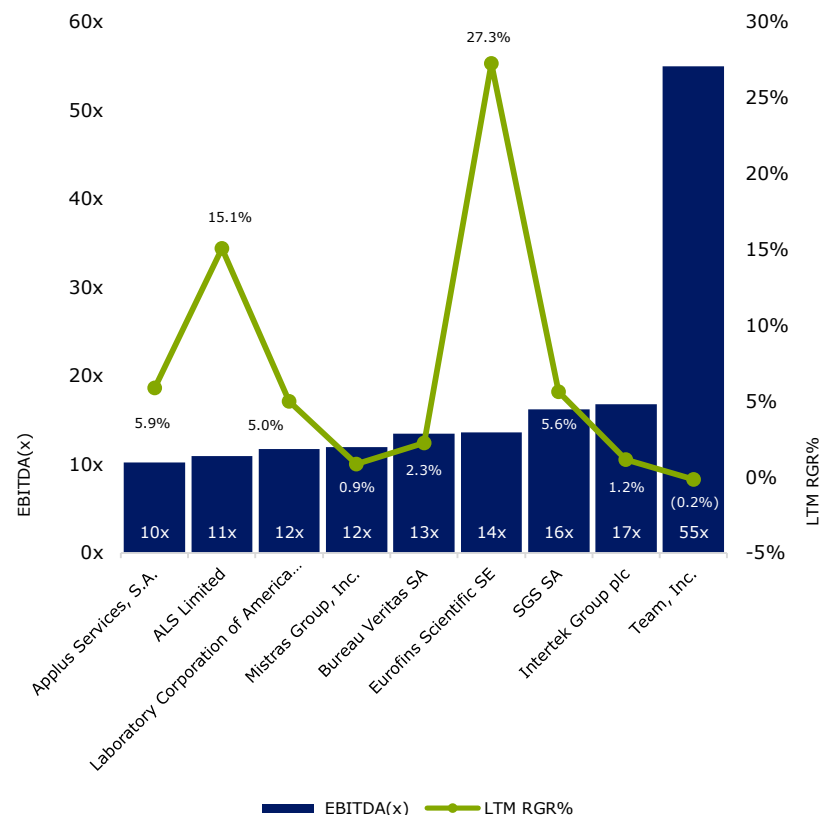
# Valuation



## Historical Valuation Multiples versus Gross Profit



## Historical Valuation Multiples versus Revenue Growth Rate



# Recent Transactions



Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
16May19	Accumark, Inc./Benchmark VA LLC Subsurface Utility Services	Hoffman Southwest Corp.	-	-	-	-
22May19	Lucion Services Limited	Palatine Private Equity LLP	-	-	-	-
15Mar19	Business of Golden Specialty, Inc.	Enthalpy Analytical, Inc.	-	-	-	-
9May19	IRISNDT Corp.	First Reserve Corporation	-	-	-	-
9May19	Structural Grace, Inc.	CONSOR	-	-	-	-
7May19	Optimal Air Testing Services, Inc.	Monitoring Solutions, Inc.	-	-	-	-
3May19	Chemical Solutions Ltd.	SGS SA	-	5.30	-	-
1May19	GFA International, Inc.	Palm Beach Capital	-	-	-	-
29Apr19	Quality Built, LLC	Gallant Capital Partners, LLC	-	-	-	-
24Apr19	Chemi Pharmaceutical Inc.	Anandia Laboratories Inc.	-	-	-	-
16Apr19	Advantage Fire Sprinkler Co., Inc.	Century Fire Protection, LLC	-	-	-	-
1Apr19	Chemtest Limited	Eurofins Scientific SE	-	-	-	-
4Apr19	Testing, Engineering and Consulting Services, Inc.	SGS SA	-	4.00	-	-
25Mar19	A2M Industrie	Applus Services, S.A.	-	3.39	-	-
21Mar19	XCEL NDT, LLC	CrossBridge Compliance	-	-	-	-
18Mar19	Owen Group, Inc.	Bureau Veritas SA	-	7.93	-	-
12Mar19	HSRL, Inc.	Ampersand Capital Partners	-	-	-	-
11Mar19	Realise Unlimited	Digital Unlimited Group Ltd	-	-	-	-
4Mar19	Laboratorio de Ensayos Metrológicos, S.L.	Applus Services, S.A.	-	2.83	-	-
1Mar19	Medical Neurogenetics, LLC	Laboratory Corporation of America Holdings	-	-	-	-
22Feb19	KIYATEC, LLC	Laboratory Corporation of America Holdings; VentureSouth	-	-	-	-
15Feb19	Full Spectrum Analytics, Inc.	Pfingsten Partners, L.L.C.; Pfingsten Partners Fund V, L.P.	-	-	-	-
11Feb19	Technical Response Planning Corporation	JENSEN HUGHES, Inc.	-	-	-	-
7Feb19	BioScreen Testing Services, Inc./MARRS International	ALS Limited	-	-	-	-
5Feb19	Lab and Diagnostic Testing Operations of Detroit Medical Center	Laboratory Corporation of America Holdings	-	-	-	-
5Feb19	Floriaan B.V.	SGS SA	-	-	-	-
4Feb19	Thomas Turf Services, Inc./Thomas Analytical Services, Inc.	LABOSPORT SAS	-	-	-	-
24Jan19	SK AeroSafety Group	Levine Leichtman Capital Partners	-	-	-	-
28Jan19	Texas Utility Engineering, Inc.	EN Engineering, LLC	-	-	-	-
24Jan19	ERI Solutions Inc.	Spire Capital Partners, LLC; Spire Capital Partners III LP	-	-	-	-
24Jan19	Osmose Utilities Services, Inc.	EQT Partners AB; EQT Infrastructure, L.P.	-	-	-	-
22Jan19	ATC Group Services LLC	Atlas Technical Consultants, LLC	-	-	-	-

# Testing, Inspection and Certification Services

June 2019

## APPENDIX: Public Basket Constituents

# Public Basket

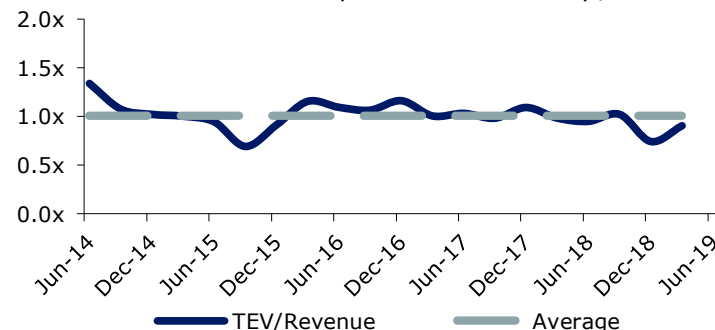


## Mistras Group, Inc.

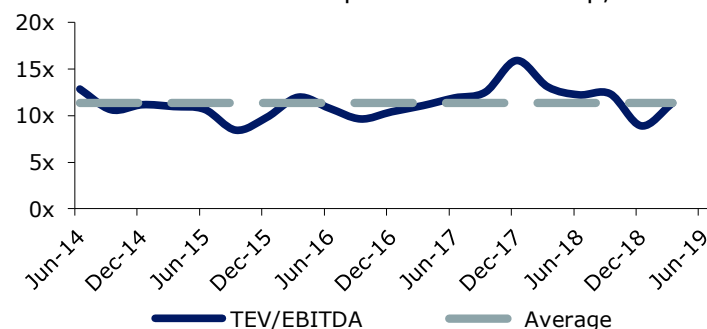
Mistras Group, Inc. provides technology-enabled asset protection solutions worldwide. The company operates through three segments: Services, International, and Products and Systems. It offers traditional non-destructive testing, and inspection and engineering services; and designs, manufactures, sells, installs, and services acoustic emission (AE) sensors, instruments, and turn-key systems used for monitoring and testing materials, pressure components, processes, and structures. The company also offers leak monitoring and detection systems to detect and locate gaseous and liquid leaks in valves, vessels, pipelines, boilers, and tanks; ultrasonic equipment; and digital radiographic systems to solve specific industrial problems. Mistras Group, Inc. was founded in 1978 and is headquartered in Princeton Junction, New Jersey.

Date	Key Development Headline
3/12/19	Mistras To Seek Acquisitions
3/11/19	Mistras Group Seeks Acquisitions
12/14/18	Mistras Group, Inc., Onstream Pipeline Inspection Ltd. - M&A Call
12/12/18	Mistras Group, Inc. (NYSE:MG) entered into an agreement to acquire Onstream Pipeline Inspection Ltd. from Novacap International TMT IV, L.P., NVC TMT IV, L.P., Novacap TMT IV, L.P. a fund managed by Novacap Investments, Inc., Chad Niehaus and Gerry Wilkinson for approximately CAD 190 million.
8/7/18	Mistras Group Actively seeks Acquisitions

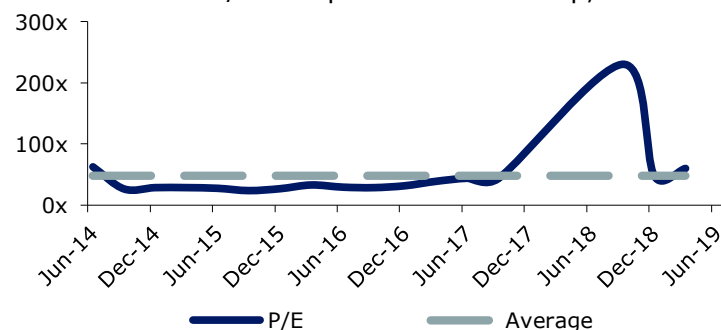
Revenue Multiples - Mistras Group, Inc.



EBITDA Multiples - Mistras Group, Inc.



P/E Multiples - Mistras Group, Inc.



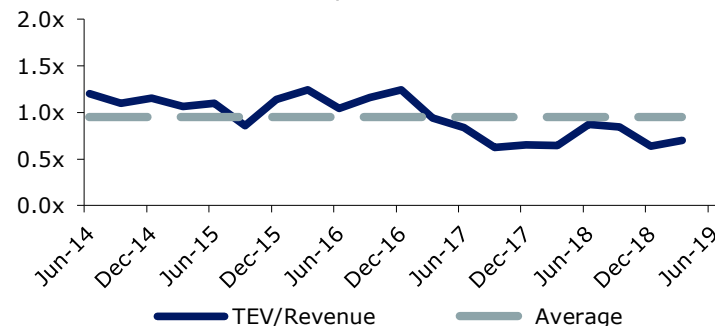
# Public Basket



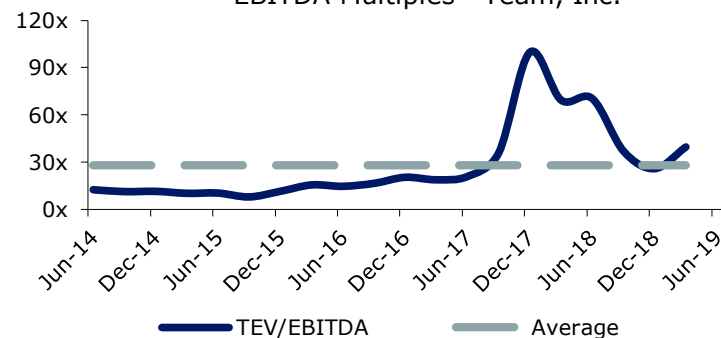
## Team, Inc.

Team, Inc. provides specialty industrial services in the United States, Canada, Europe, and internationally. The company operates through three segments: TeamQualspec Group (TeamQualspec), TeamFurmanite Group (TeamFurmanite), and Quest Integrity. The TeamQualspec segment offers non-destructive evaluation and testing, radiographic testing, ultrasonic testing, magnetic particle inspection, liquid penetrant inspection, positive material identification, electromagnetic testing, eddy current testing, and alternating current field measurement services. It also provides long-range guided ultrasonic, phased array ultrasonic testing, tank inspection and management programs, rope access, mechanical integrity, and field heat treating services. The TeamFurmanite segment provides on-stream and turnaround/project related services, such as leak repair, fugitive emissions control, hot tapping, field machining and technical bolting, valve repair, field welding, isolation and test plug, and valve insertion services. The Quest Integrity segment provides furnace tube inspection system, in-line inspection services, pipeline integrity management services, and engineering assessment services. The company serves petrochemical, refining, power, pipeline, steel, pulp, and paper industries; and municipalities, shipbuilding, original equipment manufacturers, and distributors, as well as engineering and construction firms. Team, Inc. was founded in 1973 and is headquartered in Sugar Land, Texas.

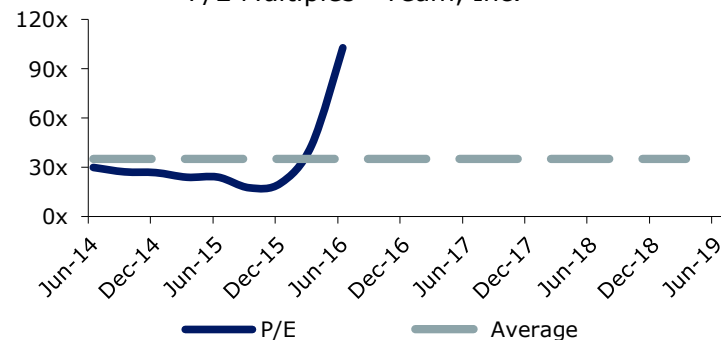
Revenue Multiples - Team, Inc.



EBITDA Multiples - Team, Inc.



P/E Multiples - Team, Inc.





# Public Basket

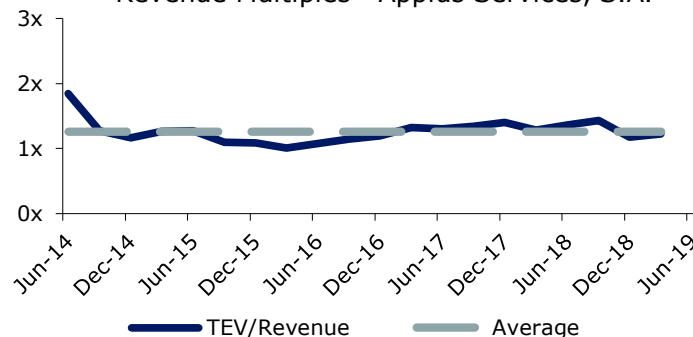


## Applus Services, S.A.

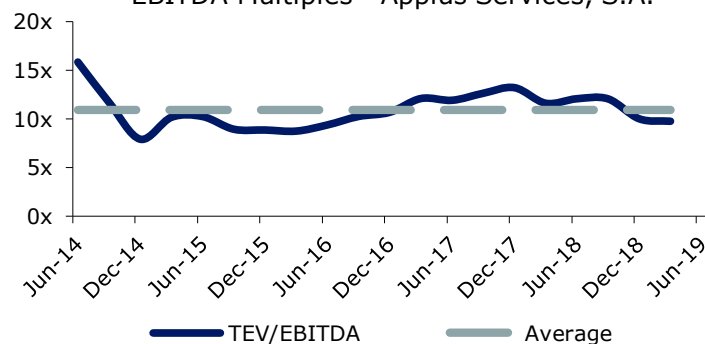
Applus Services, S.A. provides testing, inspection, and certification services. The company's Applus+ Energy & Industry segment provides non-destructive testing, quality control, and accreditation services, as well as project management, supplier inspection, facility inspection, and asset certification and integrity services. It also provides qualified staff recruitment and hiring services for the oil and gas, aircraft, energy, mining, telecommunications, and construction industries. Its Applus+ Laboratories segment offers a range of laboratory testing, system certification, and product development services across various industries, including aerospace and industrial sectors. The company's Applus+ Automotive segment provides mandatory vehicle roadworthiness testing services, verifying vehicles' compliance with safety and emissions regulations in force in various countries. Its Applus+ IDIADA segment offers design, engineering, testing, and certification services primarily to car manufacturers. Applus Services, S.A. was founded in 1996 and is headquartered in Madrid, Spain.

Date	Key Development Headline
5/14/19	Applus Services Intends To Seek Acquisitions
3/24/19	Applus Services, S.A. (BME:APPS) acquired A2M Industrie.
3/3/19	Applus Services, S.A. (BME:APPS) acquired Laboratorio de Ensayos Metrológicos.
2/26/19	Applus To Seek Acquisitions
1/7/19	Applus Services, S.A. (BME:APPS) acquired Talon Test Labs, Inc.

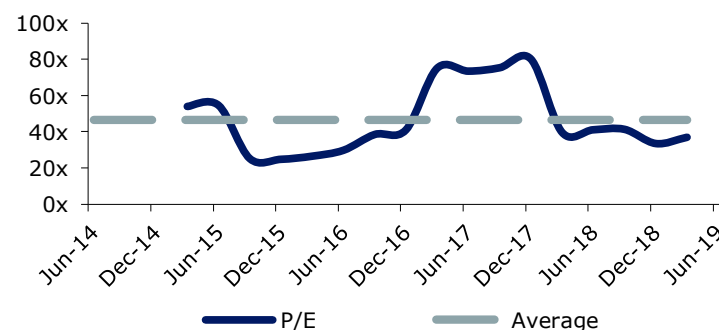
Revenue Multiples - Applus Services, S.A.



EBITDA Multiples - Applus Services, S.A.



P/E Multiples - Applus Services, S.A.



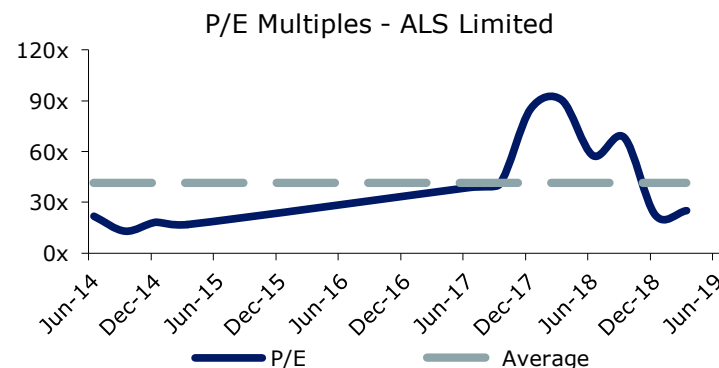
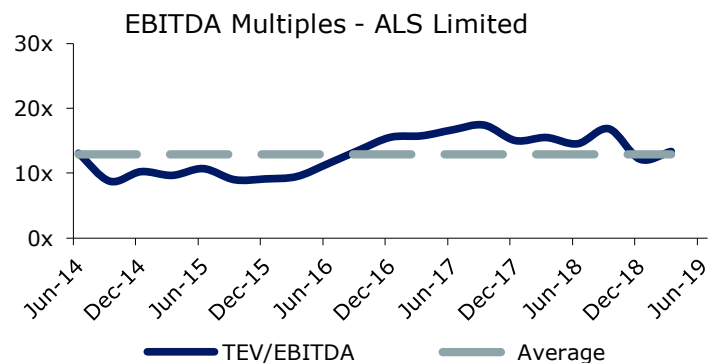
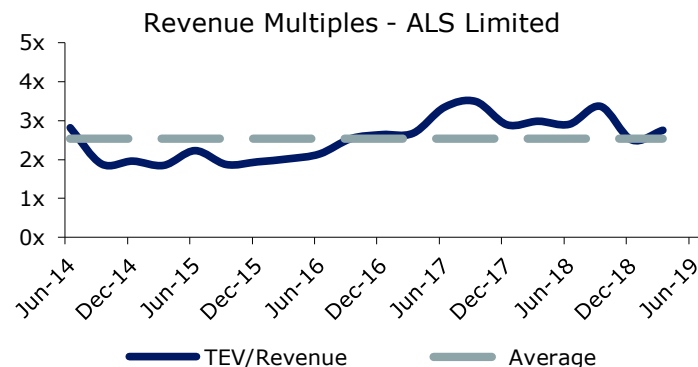
# Public Basket



## ALS Limited

ALS Limited provides analytical testing services in Australia, Canada, the United States, and internationally. The company's Life Sciences segment offers analytical testing and sampling, and remote monitoring services for the environmental, food, pharmaceutical, and consumer products markets. It provides analytical testing data to assist consulting and engineering firms, industries, and governments. The company's Industrial segment offers diagnostic testing and engineering solutions for the energy, resources, transportation, and infrastructure sectors. This segment serves asset owners, operators, constructors, and equipment manufacturers in the power, petrochemical, mining, minerals processing, water, infrastructure, and transportation industries. ALS Limited was founded in 1863 and is headquartered in Brisbane, Australia.

Date	Key Development Headline
4/28/19	Suez SA (ENXTPA:SEV) acquired environmental and analytical testing business in China from ALS Limited (ASX:ALQ) for \$57.3 million.
4/28/19	SUEZ NWS Limited acquired ALS Analytical Testing (Shanghai) Co, Ltd from ALS Limited (ASX:ALQ).
2/6/19	ALS Limited (ASX:ALQ) acquired BioScreen Testing Services, Inc. and MARRS International.
8/1/18	ALS Limited (ASX:ALQ) acquired Labfor Análises Laboratoriais Ltda.



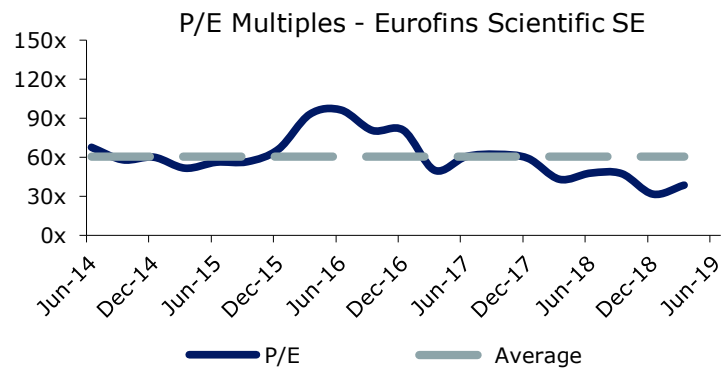
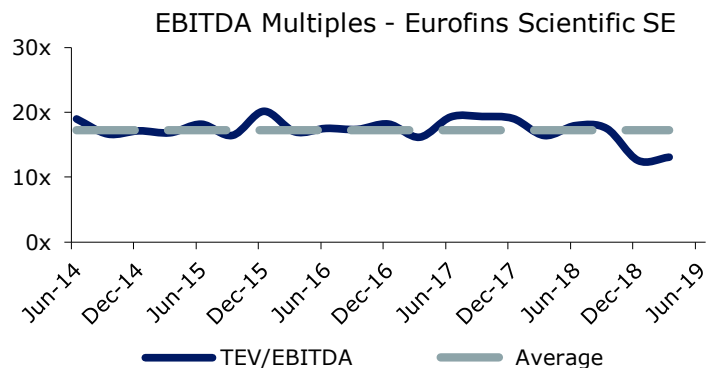
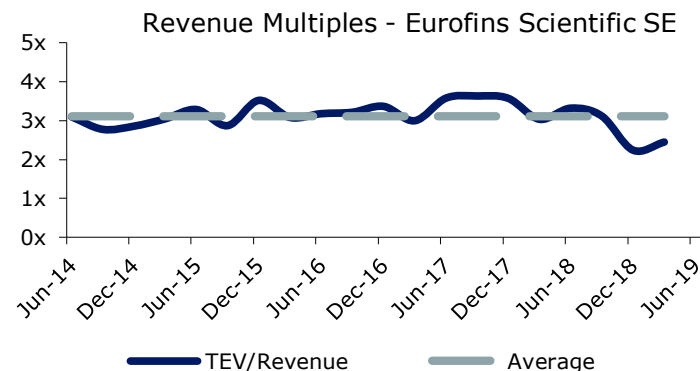
# Public Basket



## Eurofins Scientific SE

Eurofins Scientific SE, through its subsidiaries, provides various analytical testing services worldwide. The company offers a portfolio of approximately 150,000 analytical methods for evaluating the safety, identity, composition, authenticity, origin, traceability, and purity of biological substances and products, as well as for clinical diagnostic. It provides food and feed testing, biopharma, genomic, agro-science, consumer product testing, environment testing, clinical diagnostics, agro testing, forensic, materials and engineering science, medical device testing services, as well as chemicals registration, evaluation, and authorization services. The company serves the pharmaceutical, food, environmental, and consumer products industries, as well as governments. Eurofins Scientific SE was founded in 1987 and is headquartered in Luxembourg City, Luxembourg.

Date	Key Development Headline
4/10/19	Eurofins Scientific SE (ENXTPA:ERF) acquired Chemtest Limited from its shareholders.
1/2/19	Eurofins Scientific SE (ENXTPA:ERF) acquired all assets from Omega Diagnostics GmbH.
10/31/18	Eurofins Scientific Intends To Seek Acquisitions
10/30/18	Eurofins Scientific SE (ENXTPA:ERF) acquired EnvironeX Laboratories from Marc Hamilton and Persistence Capital Partners LP.
10/30/18	Eurofins Scientific SE (ENXTPA:ERF) completed the acquisition of TestAmerica Environmental Services LLC from JSTI Group (SZSE:300284).



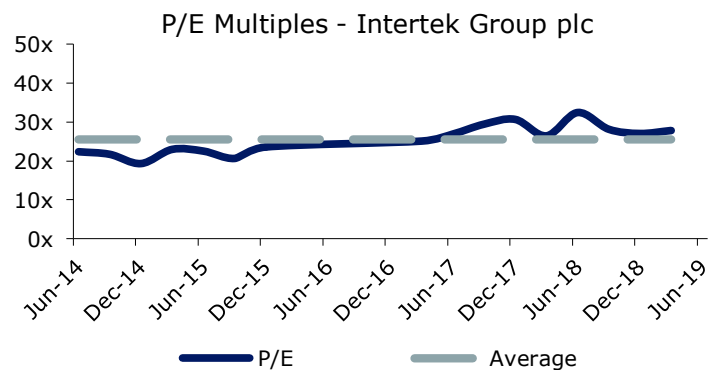
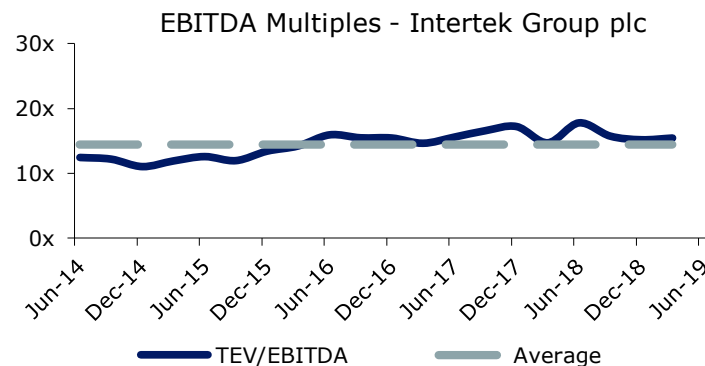
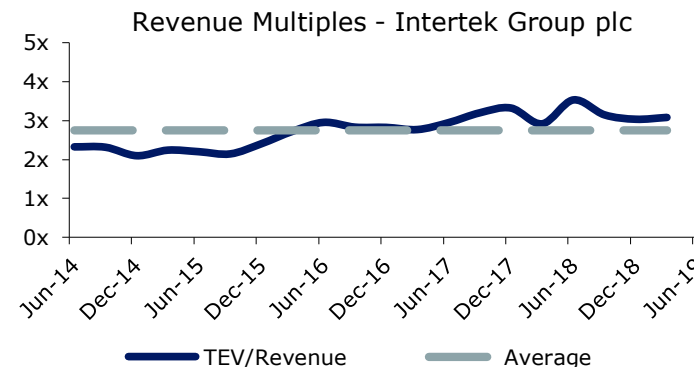
# Public Basket



## Intertek Group plc

Intertek Group plc provides quality and safety solutions to various industries worldwide. It operates in three segments: Products, Trade, and Resources. The Products segment offers assurance, testing, inspection, and certification services (ATIC), including laboratory safety, quality and performance testing, second-party supplier auditing, sustainability analysis, products assurance, vendor compliance, process performance analysis, facility plant and equipment verification, and third party certification. This segment serves a range of industries including textiles, footwear, toys, hardlines, home appliances, consumer electronics, information and communication technology, automotive, aerospace, lighting, building products, industrial and renewable energy products, food and hospitality, healthcare and beauty, and pharmaceuticals. Intertek Group plc was founded in 1885 and is based in London, the United Kingdom.

Date	Key Development Headline
3/5/19	Intertek To Seek Acquisitions
8/20/18	Intertek Group plc (LSE:ITRK) completed the acquisition of Alchemy Investment Holdings, Inc. from The Riverside Company and others.
8/3/18	Intertek Group plc, Alchemy Investment Holdings, Inc. - M&A Call
8/2/18	Intertek Group plc (LSE:ITRK) agreed to acquire Alchemy Investment Holdings, Inc. from The Riverside Company and others for \$480 million.
6/6/18	Intertek Group plc (LSE:ITRK) acquired NTA Monitor.



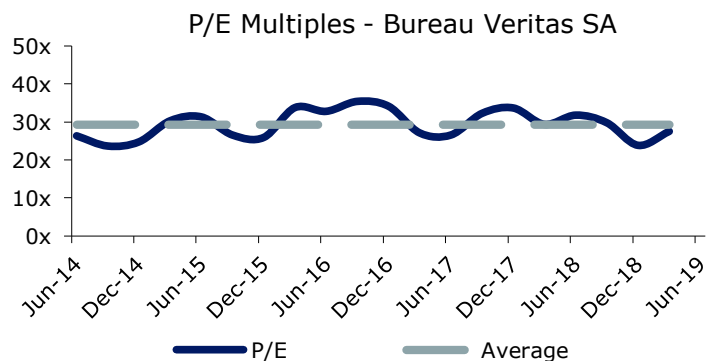
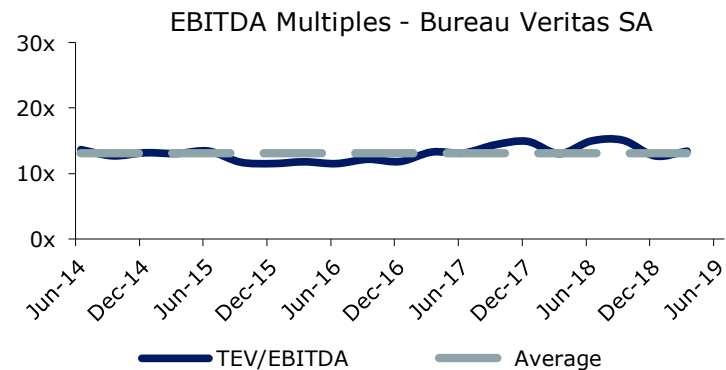
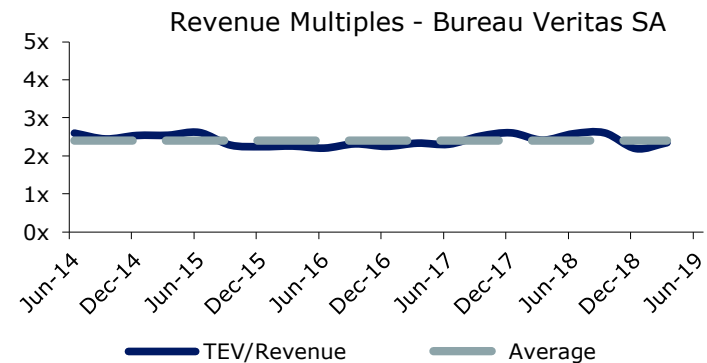
# Public Basket



## Bureau Veritas SA

Bureau Veritas SA provides testing, inspection, and certification services in the areas of quality, health and safety, environmental protection, efficiency, and social responsibility. It operates through six segments: Marine & Offshore; Agri-Food & Commodities; Industry; Buildings & Infrastructure; Certification; and Consumer Products. The company is involved in inspecting, testing, auditing, and certifying the products, assets, and management systems of its clients in relation to regulatory or self-imposed standards, as well as the issuance of compliance reports. It also offers classification, consulting, outsourcing, quality assurance and quality control, testing and analysis, and training services. Bureau Veritas SA was founded in 1828 and is based in Neuilly-sur-Seine, France.

Date	Key Development Headline
4/17/19	Bureau Veritas SA (ENXTPA:BVI) acquired Shenzhen Total-Test Technology Co., Ltd.
3/17/19	Bureau Veritas SA (ENXTPA:BVI) acquired Owen Group, Inc.
1/15/19	Bureau Veritas SA (ENXTPA:BVI) acquired Capital Energy SAS.
1/3/19	Bureau Veritas Partners with AsureQuality, Establishing Food Testing Leader in South East Asia
7/25/18	Bureau Veritas SA (ENXTPA:BVI) acquired PermulaB Sdn.Bhd.



# Public Basket

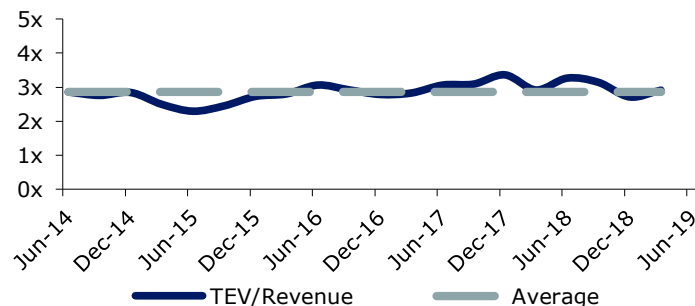


## SGS SA

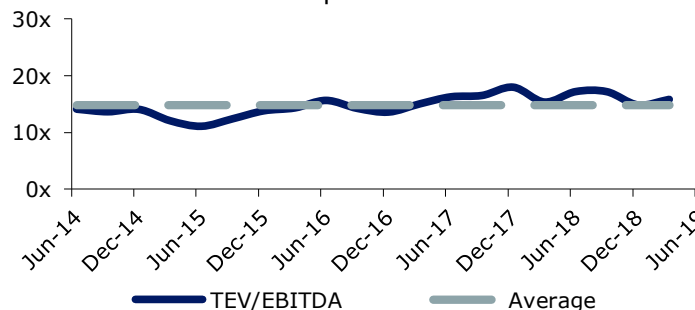
SGS SA provides inspection, verification, testing, certification, and quality assurance services in Europe, Africa, the Middle East, the Americas, and the Asia Pacific. The company operates in nine segments: Agriculture, Food and Life; Minerals Services; Oil, Gas, & Chemicals Services; Consumer and Retail Services; Certification and Business Enhancement; Industrial Services; Environment, Health and Safety Services; Transportation Services; and Governments and Institutions Services. It offers certification services that enable clients to demonstrate compliance of their products, processes, systems, or services with national and international regulations and standards; and inspection services to reduce risk, control quality and quantity, and meet relevant regulatory requirements in various regions and markets. SGS SA was founded in 1878 and is headquartered in Geneva, Switzerland.

Date	Key Development Headline
5/2/19	SGS SA (SWX:SGSN) completed the acquisition of Chemical Solutions Ltd.
4/11/19	SGS SA (SWX:SGSN) acquired PT WLN Indonesia.
4/3/19	SGS SA (SWX:SGSN) acquired Testing, Engineering and Consulting Services, Inc.
2/4/19	SGS SA (SWX:SGSN) acquired Floriaan B.V.
1/22/19	SGS To Seek Acquisitions

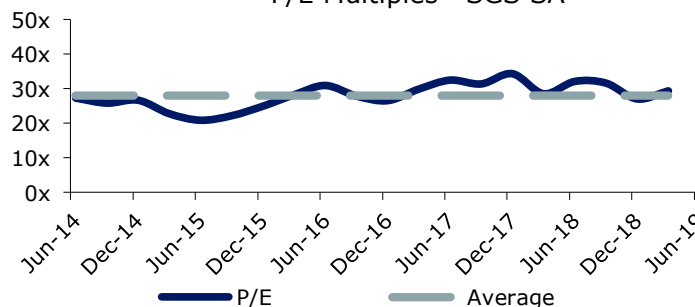
Revenue Multiples - SGS SA



EBITDA Multiples - SGS SA



P/E Multiples - SGS SA



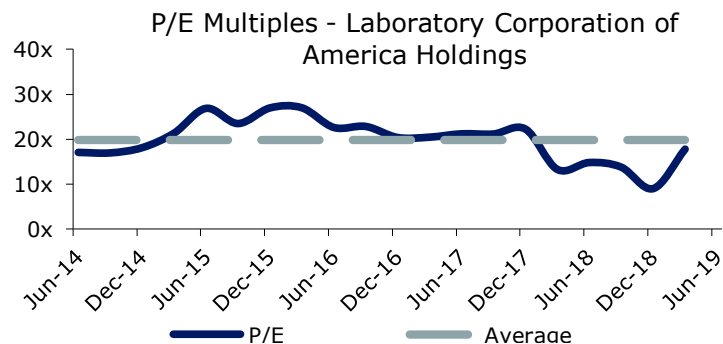
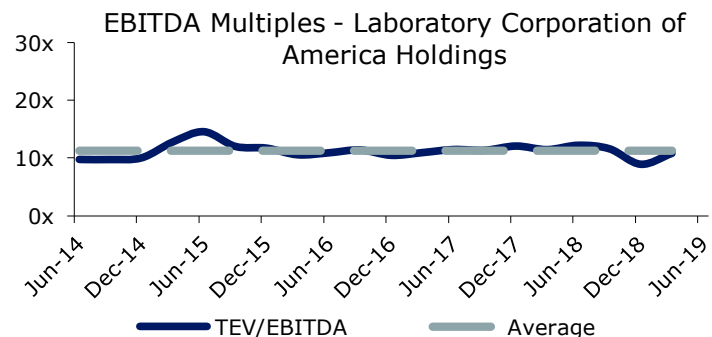
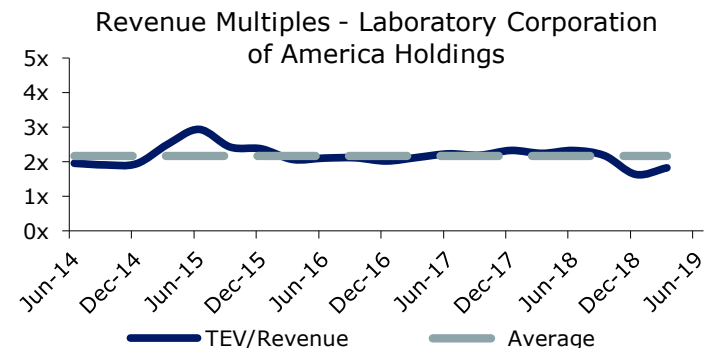
# Public Basket



## Laboratory Corporation of America Holdings

Laboratory Corporation of America Holdings operates as an independent clinical laboratory company worldwide. It operates through two segments, LabCorp Diagnostics and Covance Drug Development. It offers a range of clinical laboratory tests, such as blood chemistry analyses, urinalyses, blood cell counts, thyroid tests, Pap tests, hemoglobin A1C, prostate-specific antigen, tests for sexually-transmitted diseases, hepatitis C tests, vitamin D, microbiology cultures and procedures, and alcohol and other substance-abuse tests that are used by hospitals, physicians and other healthcare providers and commercial clients to assist in the diagnosis, monitoring and treatment of diseases and medical conditions through the examination of substances in blood, tissues, and other specimens. Laboratory Corporation of America Holdings was founded in 1971 and is headquartered in Burlington, North Carolina.

Date	Key Development Headline
4/3/19	QIAGEN N.V. and LabCorp® Launch Collaboration to Provide Day-One Access for Patients to Innovative Companion Diagnostics at the Time of Drug Approvals
3/18/19	Laboratory Corporation of America Holdings (NYSE:LH) cancelled the acquisition of part of lab and diagnostic testing operations from VHS of Michigan, Inc.
3/7/19	Laboratory Corporation of America Holdings (NYSE:LH) acquired MI Bioresearch Inc. from Baird Capital Partners and others.
2/28/19	Laboratory Corporation of America Holdings (NYSE:LH) acquired Medical Neurogenetics, LLC.



# CONTACT INFO

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions and provide market assessments and benchmarking. As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. Securities offered through 7M Securities LLC.

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