

# Capital Mergers And Acquisitions, LLC (CMA Group)

## On-Demand Labor Models and Online Marketplaces

### Summary:

As the economic crisis continues, enterprises, retailers, and small-businesses are looking for solutions that enable them to stay competitive, yet flexible in terms of cost structure and human capital investment. Over the last 2-3 years, an increasing use of web-based, on-demand labor marketplaces have enabled consumers and businesses to cost-effectively match demand of specialized services with supply, transforming many nascent online marketplaces into exponential growth entities. Success stories include Elance, Onforce, oDesk, Guru.com, and Zip Installation Express, among others. With the growing trends of enterprises outsourcing some if not all of their Information Technology (I.T.) services, and families spending more disposable income on consumer electronics (CE) and home entertainment, companies that are focused on e-Procurement of CE and I.T. Installation Services, such as Install It Today (IIT), are poised to substantially benefit.

### Key Points:

- **Who is Install It Today?** Install It Today is a rapidly growing, scalable, turnkey e-Procurement business services platform that enables small businesses, national retailers, contractors, and resellers to offer I.T. staffing and installation services to their customers and matches businesses and customers with over 16,000 industry certified, rated, and customer-oriented technicians nationally.
- **The Flexibility of the IIT Platform Drives Scale.** IIT's platform scales across customers, conduits, technology and service providers making the platform valuable to retailers, Business-to-Consumer (B2C) customers, Business-to-Business (B2B) customers, and Business-to-Government (B2G) providers. Just a single retailer provides access to hundreds of thousands, and sometimes millions of customers, instantly. While B2B and B2G drive significant "conduit" scale, portal and proven online models drive B2C scale. However, it is the company's agnostic platform, via its application engine (open-API) that easily integrates with 3<sup>rd</sup> parties, allowing for quick and straightforward vertical offerings or additions that make it highly attractive to strategic partners.
- **Key Benefits of Install It Today's On-Demand Platform.** Over the course of the next few years, we believe we will see a rapid adoption of businesses and retailers outsourcing I.T. staffing services, driven by the numerous benefits a properly architected e-Procurement Services platform brings them. As retailers look to add service offerings to their mix, and enterprises, especially those focused on I.T. outsourcing and managed services, seek a dependable one-stop shop for on-site I.T. staffing needs, the biggest issues these firms will face are worrying about hiring the right professional services staff and how to optimally utilize their fixed labor pool. Alternatively, with IIT's platform, companies can rollout a significant services operation or meet the increasing demand for their I.T. staffing needs, immediately. Most importantly however, IIT brings an end-to-end business process automation e-Procurement platform to its customers. Key benefits of the platform include: 1) reduced time to market, 2) reduced fixed labor costs, 3) reduced labor administration costs, 4) a reduction in under-utilization of capacity and 5) reduced labor liability exposure.
- **Web-Based Marketplaces For On-Demand Services Have a Proven Track Record Of Success.** The demand for businesses and consumers

**Sector: I.T. and  
Online Services**

looking for specialized services at the best possible price has transformed the online marketplace for on-demand labor from a grass roots effort a few years ago to a multi-billion dollar growth market today. We expect as more service-oriented offerings shift online, that this market will grow exponentially in the future. One of the most notable success stories is Elance, an online marketplace which matches freelance design, technical, writing and other professionals with companies that need their services in a timely manner. The company's revenues more than doubled last year from \$47 million in 2007 to approximately \$100 million in 2008, projected to grow to \$200 million by 2009 (Source: Deal Radar). Another success story includes OnForce, an online marketplace that matches onsite service providers with companies and consumers who demand professional services. In five years, OnForce has grown its business from \$0 to over \$60 million in revenues. And finally, the most recent success story is Zip Installation Express, which provides an online marketplace for installation services to consumers, retailers and businesses and government, and has already inked customers including Target and Office Depot.

- **Largest Nationwide I.T. Staffing Network, With a Broad Offering of Services.** IIT boasts the largest I.T. staffing marketplace, with access to 16,000+ nationwide technicians covering a broad I.T. services competency including, computer and network services, VOIP, point-of-sale, commercial audio/video installs, low voltage cabling, T.V. installations, field repair, and training, among others. Moreover, its rating system of technicians, and skill-based routing system for jobs, insures their customers are getting a quick and "first-class" installation experience from a knowledgeable, certified professional, but also that their brand extension and reputation remains strong. With IIT's platform, businesses sign off on electronic payments to technicians, only when they have received positive feedback from their customers about the install.
- **Customer Reach, Flexible Interface, and On-Demand Cost Model Makes IIT an Attractive Strategic Partner.** In the retail and corporate environment, time to market is essential. One of the key differentiating elements to the IIT model is its growing proprietary nationwide network of over 16,000 installation technicians. For local, regional, or national service rollouts or projects, IIT can translate an idea on paper, into a reality in a matter of days or weeks, but more importantly scale quickly. The "on-demand" nature of IIT's labor model allocates the exact amount of resources to the job, optimizing both a customer's cost structure and employee utilization levels, ultimately leading to a much more profitable services offering or project. Especially in today's current economic environment, a highly flexible cost structure is something we believe retailers and enterprises would find extremely attractive in any strategic partner.
- **Key Inroads with Customers.** The numerous benefits of selling "service as a product", namely the ability for retailers to add a highly profitable service component to their business that encompasses a flexible, scalable, end-to-end platform has lead to solid uptake, especially in the CE retail channel. In particular, IIT has made solid inroads in the retail channel, especially with its strategic partnership with Zip Installation Express, with its products and services already present in several hundred Target stores and online, slated to have full nationwide rollout of Target stores by mid-2009. The company has also formed a strategic partnership with Comcast for fulfillment services for its business service unit.
- **Targeting Exponentially Growing and Large Markets.** IIT's two largest target markets, include consumer electronics (CE) installations, which is expected to grow at a CAGR of 40+% to \$8.4B (Forrester) over the next three years. We believe a shift in consumers spending more time and disposable income on home entertainment, as well as the "convergence" of the living room and the Web should drive growth in this segment. In addition, IIT's suite of services also serves the I.T. Staffing Services business. Gartner Projects the global IT Services market, currently an \$819 billion opportunity, will grow to over \$1.2 trillion by 2010.
- **Robust Valuations for Online Marketplace Businesses.** Over the past five years, the range of multiples paid (transaction value to last twelve months (LTM) revenues) for online marketplace businesses, either via Mergers and Acquisitions or private investments, has been 6-20x (source: donedeals.com), with a mean of 13x and a median of approximately 10x. The most recent multiple paid was approximately 20x for Zip Installation Express. Applying comparable mean and median valuation multiples to IIT's financials, the implied valuation range of the company is approximately \$5-6 million.

### **About CMA Group**

CMA Group is an investment banking firm with a principal focus on mergers, acquisitions and private equity. Through the combination of our partners and management team we have access to over \$1 billion in equity funding which when combined with leverage gives us a significant amount of funding with which to complete transactions in a timely fashion. More information on CMA Group can be obtained at [www.capitalmergers.com](http://www.capitalmergers.com).

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