

CLEAR SIGHT MONITOR

Business Consulting – Q1 2017

Market Perspective

Public Market Performance

Sector Spotlight

Q1 M&A Activity



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Off to the Races!

No, we aren't referring to the Kentucky Derby (although we should start placing our bets!) – we are actually thinking of the M&A market's busy start to 2017. In the first quarter alone our team closed two landmark deals with two distinguished leaders in the consulting space – we served as the exclusive financial advisor to both [Innosight, on its sale to Huron](#), and [First Annapolis, on its sale to Accenture](#). We were extremely proud to announce both of these deals and are excited to watch the next chapter unfold for our clients and their new partners.

Built by highly strategic thinkers and co-founded by celebrated strategy consultant Mark Johnson and Harvard Business School professor and author Clayton Christensen, Innosight is a growth strategy firm focused on helping companies navigate disruptive change, enable innovation and manage strategic transformation. Huron and Innosight will use their combined strategic, operational, and technology capabilities to help clients across a diverse range of industries develop revolutionary solutions to address disruption and achieve consistent growth. Thanks to its strong team, deep IP portfolio, and niche innovation specialization, Innosight was received very well in the market and ultimately decided to partner with Huron, closing the deal on March 1st. Under the terms of the purchase agreement, Huron purchased Innosight for \$135 million, consisting of \$90 million in cash and \$10 million in Huron common stock, plus \$35 million of additional consideration contingent on specific financial performance targets.

Just a few weeks later, on March 27th, Accenture acquired First Annapolis Consulting. Founded in 1991 and headquartered in Annapolis, Maryland, First Annapolis provides advisory services to stakeholders across the payments ecosystem. The addition of First Annapolis – with its proven expertise across the entire payments value chain – will complement Accenture's consulting and digital capabilities in the payments sector. [John Rakowski](#), who led the Clearsight team, summed it up best: "The First Annapolis team has built an extraordinary business as an undisputed leader in the payments consulting space. ...we believe [this transaction] will be a transformational deal for Accenture's payments practice."

We are optimistic that this past quarter will set the pace for a record year in 2017.



Business Consulting Comparable Companies Analysis

	Closing Price	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA
Business Consulting	31-Mar-2017	High	Cap	Value	LTM	2017	2018	LTM	2017	2018	Margin
Accenture	\$ 119.88	94.7 %	\$ 82,011	\$ 79,448	2.4 x	2.3 x	2.1 x	13.9 x	13.4 x	12.4 x	16.9 %
Capgemini	92.56	96.4	16,575	18,193	1.3	1.3	1.3	10.6	9.6	9.0	12.6
CBIZ	13.55	95.1	758	919	1.1	1.1	1.0	10.5	8.8	8.3	11.0
CRA International	35.33	88.3	332	279	0.9	0.8	0.8	10.4	8.7	8.0	8.2
Franklin Covey	20.20	90.0	285	315	1.6	1.6	1.5	34.2	24.0	14.8	4.8
FTI Consulting	41.17	87.4	1,754	1,903	1.1	1.0	1.0	9.7	9.2	8.7	10.8
Heidrick & Struggles	26.35	99.4	512	347	0.6	0.5	0.5	6.5	5.7	5.6	9.2
Huron Consulting	42.10	64.8	954	1,229	1.7	1.6	1.5	9.6	10.5	9.6	17.6
ICF International	41.30	69.4	813	1,067	0.9	0.9	0.8	9.5	9.0	8.5	9.4
Korn Ferry	31.49	96.8	1,849	1,757	1.1	1.1	1.0	8.9	7.3	6.6	12.6
Navigant Consulting	22.86	82.1	1,128	1,255	1.3	1.3	1.2	8.8	8.4	8.0	15.1
Resources Connection	16.75	84.6	500	494	0.8	0.8	NA	10.7	10.1	NA	7.9
	High	99.4 %	\$ 82,011	\$ 79,448	2.4 x	2.3 x	2.1 x	34.2 x	24.0 x	14.8 x	17.6 %
	Median	89.2	883	1,148	1.1	1.1	1.0	10.1	9.1	8.5	10.9
	Mean	87.4	8,956	8,934	1.2	1.2	1.2	11.9	10.4	9.1	11.4
	Low	64.8	285	279	0.6	0.5	0.5	6.5	5.7	5.6	4.8

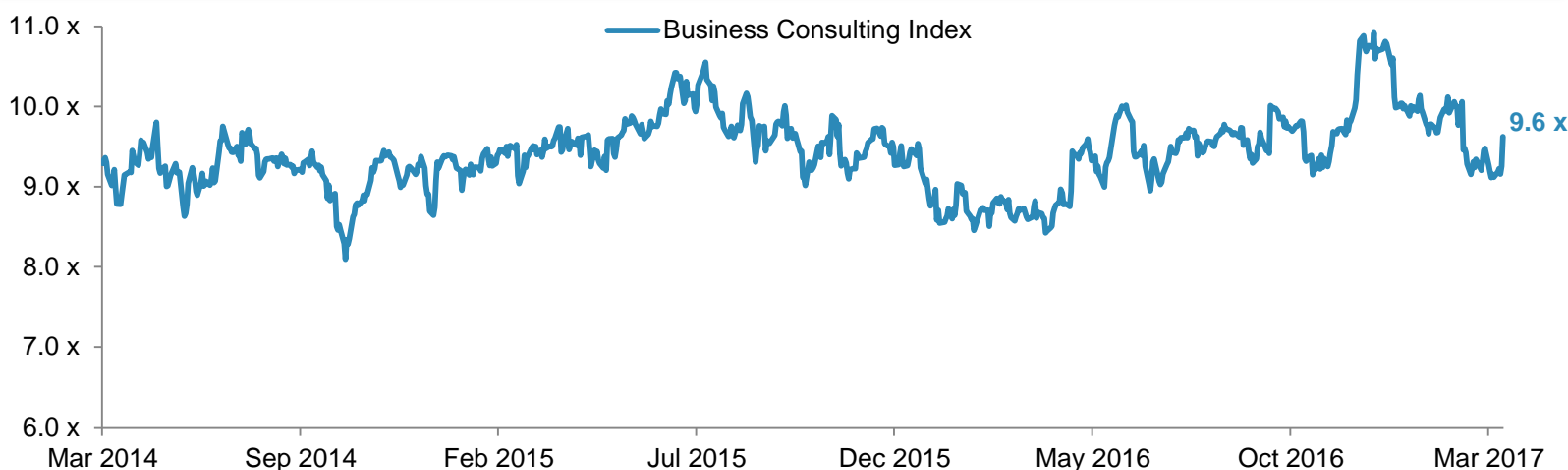
Source: Capital IQ, market data as of 31-Mar-2017

LTM EV / Revenue Multiple Trend – 3 Years



Source: Capital IQ, market data as of 31-Mar-2017

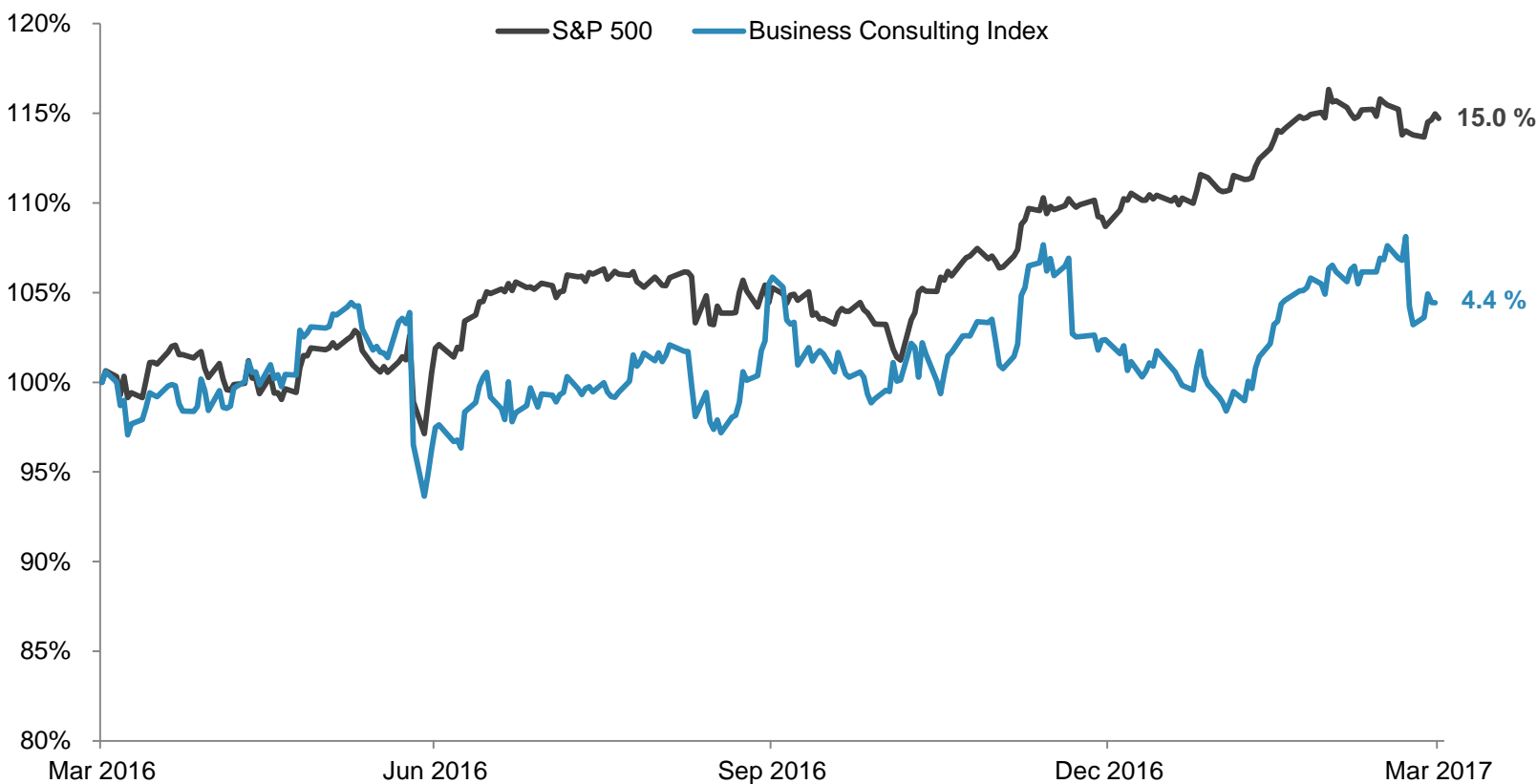
LTM EV / EBITDA Multiple Trend – 3 Years



Source: Capital IQ, market data as of 31-Mar-2017

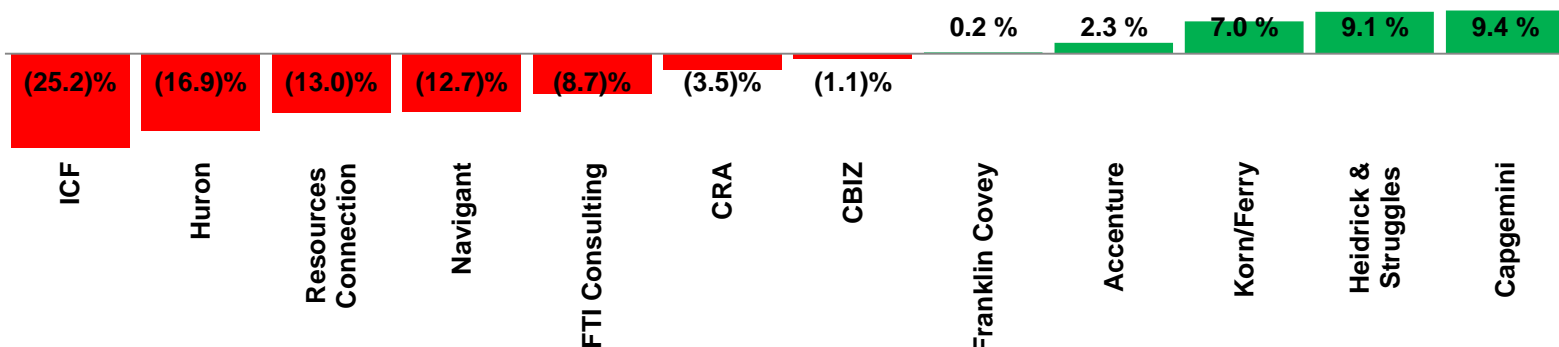
Note: Multiples charts may differ from Comparable Company Analysis ("CCA") figures due to detailed adjustments made to the CCA.

Business Consulting Market Index Performance



Source: Capital IQ, market data as of 31-Mar-2017

Share Price Performance Q1 2017

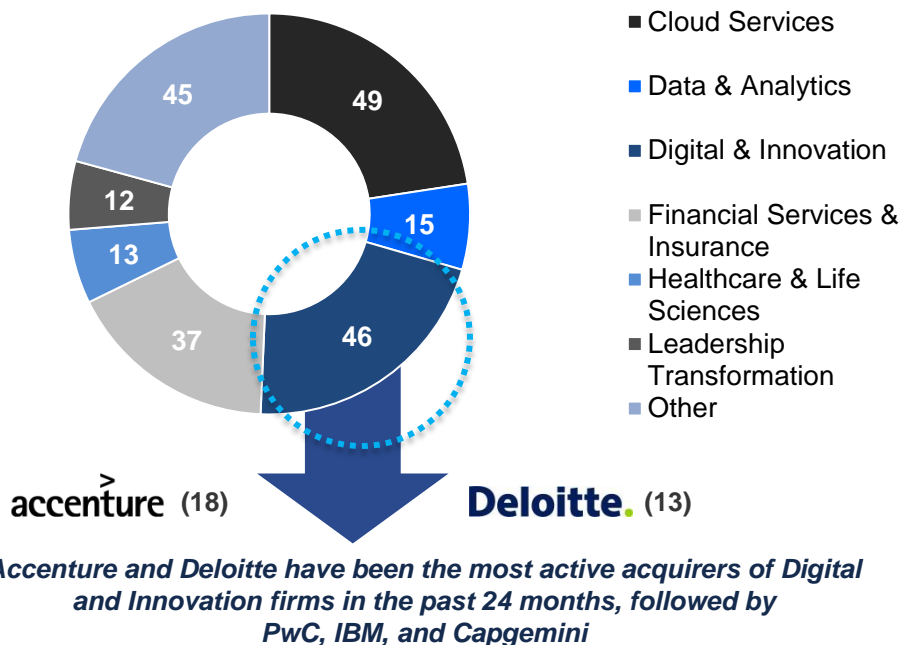


Source: Capital IQ, market data as of 31-Mar-2017

The Fight for Digital & Innovation Consultancies

- We have noticed a concentration of deal activity among six select horizontal or vertical themes – these are subsectors featuring cutting edge skills and / or critical talent needs and are shown in the graph to the right
- One of the hottest subsectors over the past 24 months has been Digital & Innovation consulting
- Delving even further into this subsector – we note that digital design / transformation firms have been particularly attractive acquisition targets over the past few years, as consulting giants look to shore up their digital practices
- Even in just the past quarter, the digital design / transformation space has seen substantial activity with transactions such as Red Planet/Deloitte and Idean/Capgemini
- In the table below, we highlight Accenture, Deloitte, and PwC's quests to conquer the digital space

Trailing 24-Month Consulting Deal Volume by Subsector ¹



Consulting Goes Digital	accenturedigital	Deloitte Digital	pwc
Digital / Design Acquisitions 2012 – Present			
Mission, as Stated by the Company	<p>"We help clients pivot from thinking digital to being digital. Through interactive experiences that captivate customers, analytics that transform big data into even bigger actions and new mobile technologies that harness the power of IOT and Living Services."</p>	<p>"Deloitte Digital is creating a new model for a new age — we're a creative digital consultancy. That means we bring together all the creative and technology capabilities, business acumen, and industry insight needed to help transform our clients' businesses."</p>	<p>"Helping create true business transformation with the power of perspective."</p>










Source: Vault and Capital IQ as of 05-Apr-2017

1. Dataset includes total trailing 24 months acquisitions by consulting firms listed on the Vault Consulting 50 (2016).
2. Revenue from Communications, Media, & Technology business segment for FY2016 (via 10K filed October-2016).

Q1 2017 Business Consulting M&A Transactions

Announced	Target	Buyer	Target Description / Deal Rationale
03/29/2017		 ENDEAVOUR	<ul style="list-style-type: none"> Endeavour Capital has acquired a minority stake in Berkeley Research Group for \$62.5 million Headquartered in Emeryville, California, BRG is a strategic advisory and expert consulting firm; with more than 1,000 employees in 39 offices on five continents, BRG advises clients on complex, high-stakes and unstructured problems
03/27/2017			<ul style="list-style-type: none"> Day1 is a cloud consulting firm; Day1's customer base extends across commercial industries and government agencies, with significant success in the public sector The services of Day1's team will further enhance Deloitte's cloud capabilities and accelerate its collaboration with leading cloud platforms in the market
03/23/2017			<ul style="list-style-type: none"> Founded in 1991 and headquartered in Annapolis, MD, First Annapolis provides advisory services to stakeholders across the payments ecosystem. It serves a wide range of clients globally, including leading financial institutions, retailers, travel and entertainment companies, communications/technology companies, and private-equity firms Accenture acquired First Annapolis Consulting, further expanding its capabilities in the payments market
03/14/2017			<ul style="list-style-type: none"> BearingPoint acquired LCP Consulting, an international supply chain and business operations consultancy Acquiring LCP deepens BearingPoint's operations service line and expands its capabilities in the retail, consumer goods, and manufacturing industries
03/06/2017			<ul style="list-style-type: none"> The HCI Group works with major providers on end-to-end implementation of electronic health record systems, offering consulting and support for Epic, Cerner, and others Tech Mahindra will make an initial payment of \$89.5 million for an 84.7 percent stake in HCI, acquiring the 15.3 percent balance over the next three years
03/01/2017			<ul style="list-style-type: none"> Davies Consulting is an innovative provider of utility asset management, risk management, grid and pipeline network modernization, and emergency management services The acquisition is the latest Accenture transaction in the utilities sector following its combination in 2015 with Structure, a leader in grid operations
02/16/2017			<ul style="list-style-type: none"> Founded in 2015, Red Planet is an innovation consulting firm that accelerates corporate and startup revenue growth by combining startup inventiveness, speed, and disruption with corporate resources, distribution, and brand power to create new digital solutions Deloitte acquired the company; it will join the Deloitte Digital practice
02/16/2017			<ul style="list-style-type: none"> Innosight is a growth strategy firm focused on helping companies navigate disruptive change, enable innovation, and manage strategic transformation Under the terms of the purchase agreement, Huron will purchase Innosight Holdings, LLC for \$100 million upon closing, consisting of \$90 million in cash and \$10 million in Huron common stock, plus contingent consideration of up to \$35 million if specific financial performance targets are met over a four-year period
02/16/2017			<ul style="list-style-type: none"> Idean is a fast-growing digital strategy and experience design consultancy, headquartered in Palo Alto, with additional studios in Austin, Los Angeles, New York, San Francisco, Helsinki, and Berlin Idean will reinforce Capgemini's user-centered and digital-first experience design and strategy services, particularly in North America, and extend its network of digital studios, helping to meet growing customer demand for the group's end to end digital services

Q1 2017 Business Consulting M&A Transactions

Announced	Target	Buyer	Target Description / Deal Rationale
01/31/2017			<ul style="list-style-type: none"> C1 Consulting is a life sciences strategy consulting firm that helps pharmaceutical and biotech clients maximize their business potential through the development of highly tailored commercialization strategies based on advanced analytics, customer insights, and therapy area expertise C1 will join CRA's life sciences practice to add breadth, depth, and scale to CRA's client offerings
01/31/2017			<ul style="list-style-type: none"> InvestTech Systems Consulting is a provider of investment technology systems-integration and consulting services that supports asset managers and investment service providers The acquisition aims to further expand Accenture's capabilities to help global investment managers, institutional investors and asset servicers strengthen their competitiveness by staying in front of new and emerging digital innovations and technology paradigms
01/19/2017			<ul style="list-style-type: none"> Nelson Worldwide is an integrated design and consulting organization offering global design, architecture, engineering, branding, space planning and space management services primarily in the commercial real estate sector New Spring Capital has led an initial investment of \$18 million into Nelson Worldwide in partnership with Salem Investment Partners
01/19/2017			<ul style="list-style-type: none"> Seabury Group is a New York-based professional services firm focused on the aviation industry The combination of Seabury's corporate advisory and consulting businesses, together with Accenture's global capabilities, will help the world's leading airlines accelerate the pace of digital transformation
01/09/2017			<ul style="list-style-type: none"> Altitude is a Boston-based product design and innovation firm; Altitude is best known for its expertise in consumer insight and product creation through which it helps organizations in innovating and developing new physical products and services Accenture intends to combine Altitude's innovation, design, and engineering expertise with its full range of consulting, technology, and digital capabilities including artificial intelligence, cybersecurity, and IoT
01/09/2017			<ul style="list-style-type: none"> Pope Woodhead is a UK-based consulting firm that provides market access capabilities to assist clients in developing value propositions for innovative medicines and technologies The acquisition further expands Huron's life sciences strategy expertise
01/06/2017			<ul style="list-style-type: none"> Global alternative asset manager The Carlyle Group, in partnership with the Indian Hill Group, have acquired Claritas from Nielsen Claritas is focused on consumer segmentation insights. It provides marketers with a comprehensive view into consumer behavior patterns through proprietary segmentation analysis powered by broad access to data sources
01/05/2017			<ul style="list-style-type: none"> Founded in 1980, FMCG Direct is a provider of industry-leading targeted marketing campaigns that use multi-sourced data sets and analytics to generate business cases and ROI. It primarily caters to firms operating in the financial services industry The acquisition is Deluxe's sixth acquisition and second marketing analytics acquisition in the past two years
01/05/2017			<ul style="list-style-type: none"> Founded in 1979, CEB is a provider of best practice and talent management insights. The company has two segments: CEB and CEB Talent Assessment With complementary product and service portfolios (the combined company will tackle IT, decision making, talent, and best practices), and different market footprints in terms of client size, the couple is a natural fit, and will be poised to tackle corporate challenges from many different angles

CLIENT SUCCESS

First Annapolis.
Consulting | M&A Advisory Services

has been acquired by

accenture

SELL-SIDE ADVISOR

INNOSIGHT

has been acquired by

HURON

SELL-SIDE ADVISOR

**COMPETITIVE
CAPABILITIES
INTERNATIONAL**

has licensed key IP
assets to

EY
Building a better
working world

FINANCIAL ADVISOR

**PIVOT POINT
CONSULTING**

has been acquired by

VACO
Free Yourself.
A portfolio company of
QUAD-C

SELL-SIDE ADVISOR

**DATASOURCE
CONSULTING**

has been acquired by

EXL

SELL-SIDE ADVISOR

VANDYKE
TECHNOLOGY GROUP

has been acquired by

JACOBS

SELL-SIDE ADVISOR

ARRYVE

has been acquired by

Grant Thornton
An instinct for growth™

SELL-SIDE ADVISOR

HEALTH ADVANCES
Strategy Consultants for the Healthcare Industry

has been acquired by

PAREXEL

SELL-SIDE ADVISOR

meteorix

has been acquired by

IBM

SELL-SIDE ADVISOR

**LRA
WORLDWIDE**

has been acquired by

Deloitte.

SELL-SIDE ADVISOR

We would like to thank all of our clients, colleagues and friends for helping to reinforce Clearsight as the *leader* in advising high-end consulting firms



ABOUT US

Clearsight Advisors is a premier, independent investment bank dedicated to providing world-class M&A and capital raising solutions exclusively to growth-oriented Technology and Business Services companies. Clearsight combines deep market insights across software, services and data. This market knowledge combined with superior strategic and financial advice allows Clearsight to act as a catalyst, enabling entrepreneurs, private equity owners and boards of directors to successfully advance their vision. Clearsight Capital Advisors, Inc., a wholly owned subsidiary, is a registered member of FINRA & SIPC. For more information, please visit www.clearsightadvisors.com

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