

# CLEAR SIGHT MONITOR

Business Consulting – Q1 2020

Market Perspective

Public Market Performance

Sector Spotlight

Q1 M&A Activity



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## Market Observations: The Consulting Market Amid COVID-19

As an advisory firm exclusively focused on high-end professional services clients, we have received numerous inquiries about the state of the market including how firms and our clients are weathering this uncertain environment.

Most of our clients continue to operate and amend delivery when needed. One key benefit of the professional services industry during these “social distancing” mandates is the ability to have employees work remotely. Professional services employees are knowledge workers and typically leverage data and insights to synthesize information and provide clients with actionable intelligence, much of which is done virtually by nature. This can, for the most part, be accomplished by teams working remotely and collaborating virtually to deliver high-quality solutions and work products.

That said, many firms have a fully or partially on-site client model whereby employees are typically working, at least some of the time, at the client location. Given the need and desire to limit physical interaction during this crisis, many consulting firms that have relied largely on onsite work are particularly hard hit. As a result, many who are unable to perform billable work for clients onsite are experiencing severe cash flow issues. Exacerbating the situation is that new client mandates are effectively frozen. Finally, in a desire to take care of their people, retain good talent, and prepare for the post crisis market, many firms are reluctant to begin layoffs immediately, exacerbating the massive cash crunch challenge.

During the past few weeks we have continued to engage in active dialogues with lenders, private equity sponsors, and large strategic professional services firms. To varying degrees, we have been pleasantly surprised with the somewhat consistent message, “we are still open for business.” This is clearly a signal that either by sheer will or optimism, many investors and business leaders are focused on tomorrow and making sure they are optimally positioned to remain an active market participant and thriving enterprise. The deals that we were in mid-process with when the current pandemic really took hold are continuing, albeit at a slower pace.

Our team at Clearsight stands ready to help answer your questions, brainstorm what we are seeing that is working in the market and / or identify capital and strategic solutions to help win the day. Stay safe and healthy - together we will find our footing and thrive once again for all our employees and clients.

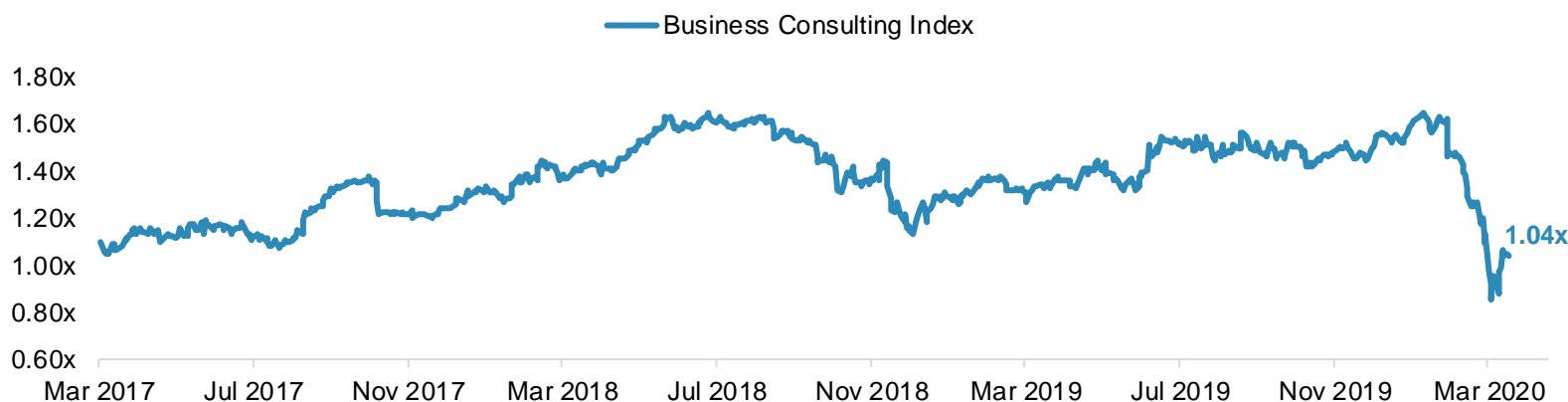


## Business Consulting Comparable Companies Analysis

Business Consulting	Closing Price 31-Mar-2020	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin
					LTM	2020	2021	LTM	2020	2021	
Accenture	\$ 163.26	75.4 %	\$ 111,211	\$ 109,627	2.5 x	2.4 x	2.3 x	15.2 x	13.6 x	12.8 x	16.1 %
Capgemini	84.62	63.7	14,773	18,966	1.2	1.0	0.9	9.4	7.0	6.3	12.8
CBIZ	20.92	72.8	1,191	1,456	1.5	1.5	1.4	14.2	11.5	10.5	10.8
CRA International	33.41	57.4	273	407	0.9	0.8	0.8	9.4	8.5	7.7	9.6
Franklin Covey	15.54	37.1	217	232	1.0	1.0	0.9	12.1	10.0	N/A	8.2
FTI Consulting	119.77	88.4	4,743	4,825	2.1	1.9	1.9	13.9	13.7	12.9	14.7
Heidrick & Struggles	22.50	53.2	449	226	0.3	0.3	0.3	2.9	2.8	2.6	11.1
Huron Consulting	45.36	64.0	1,081	1,355	1.5	1.5	1.4	13.8	11.7	10.6	11.2
ICF International	68.70	72.1	1,350	1,741	1.2	1.1	1.0	13.3	11.8	11.1	8.8
Korn Ferry	24.32	49.8	1,373	1,412	0.7	0.8	0.7	5.2	7.2	5.5	13.6
Resources Connection	10.97	61.2	355	412	0.6	0.6	0.6	7.7	8.4	N/A	7.6
High		88.4 %	\$ 111,211	\$ 109,627	2.5 x	2.4 x	2.3 x	15.2 x	13.7 x	12.9 x	16.1 %
Median		63.7	1,191	1,412	1.2	1.0	0.9	12.1	10.0	10.5	11.1
Mean		63.2	12,456	12,787	1.2	1.2	1.1	10.6	9.7	8.9	11.3
Low		37.1	217	226	0.3	0.3	0.3	2.9	2.8	2.6	7.6

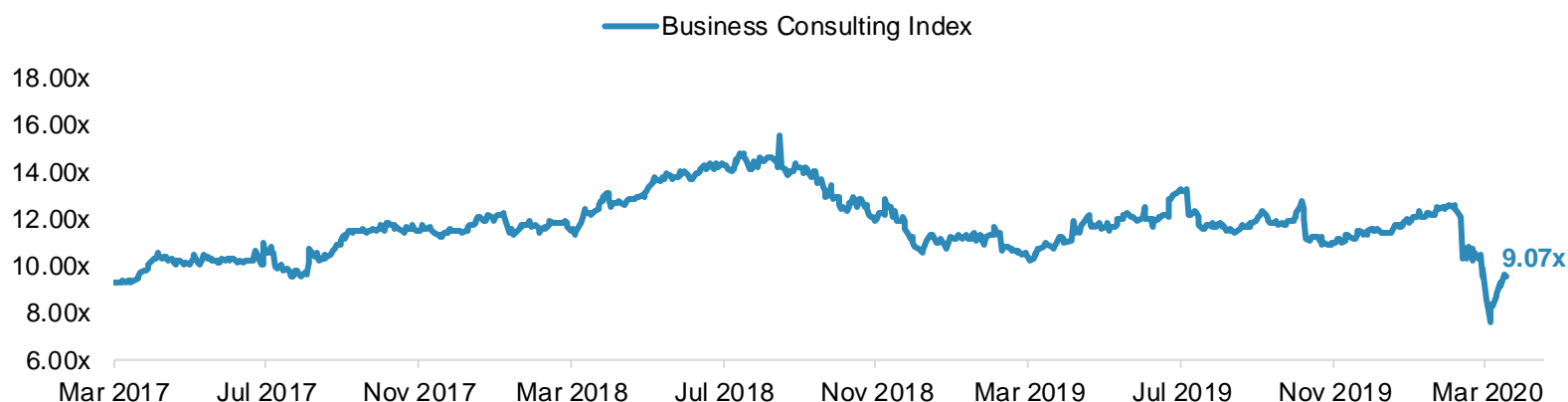
Source: Capital IQ, market data as of 31-Mar-2020

## LTM EV / Revenue Multiple Trend – 3 Years



Source: Capital IQ, market data as of 31-Mar-2020

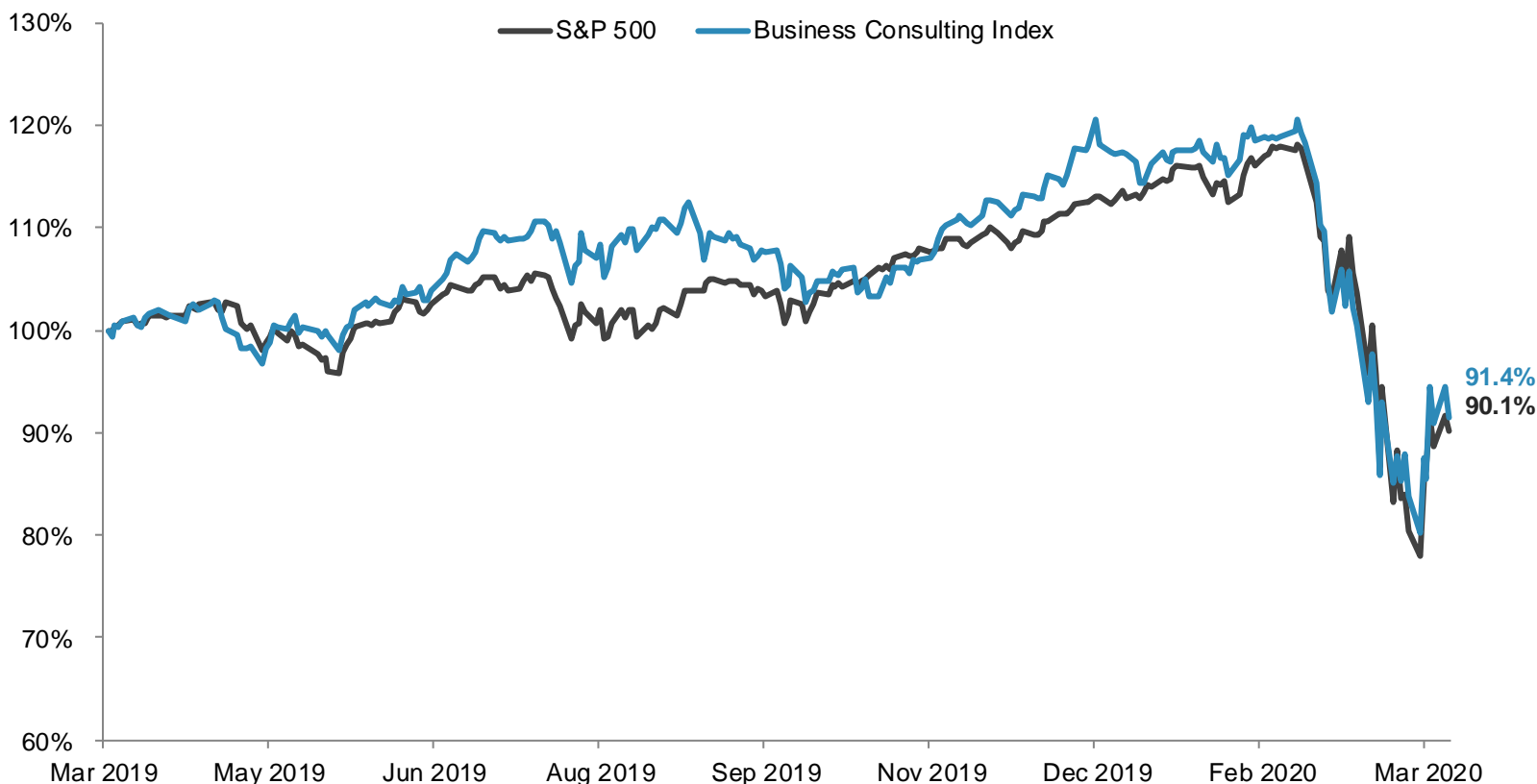
## LTM EV / EBITDA Multiple Trend – 3 Years



Source: Capital IQ, market data as of 31-Mar-2020

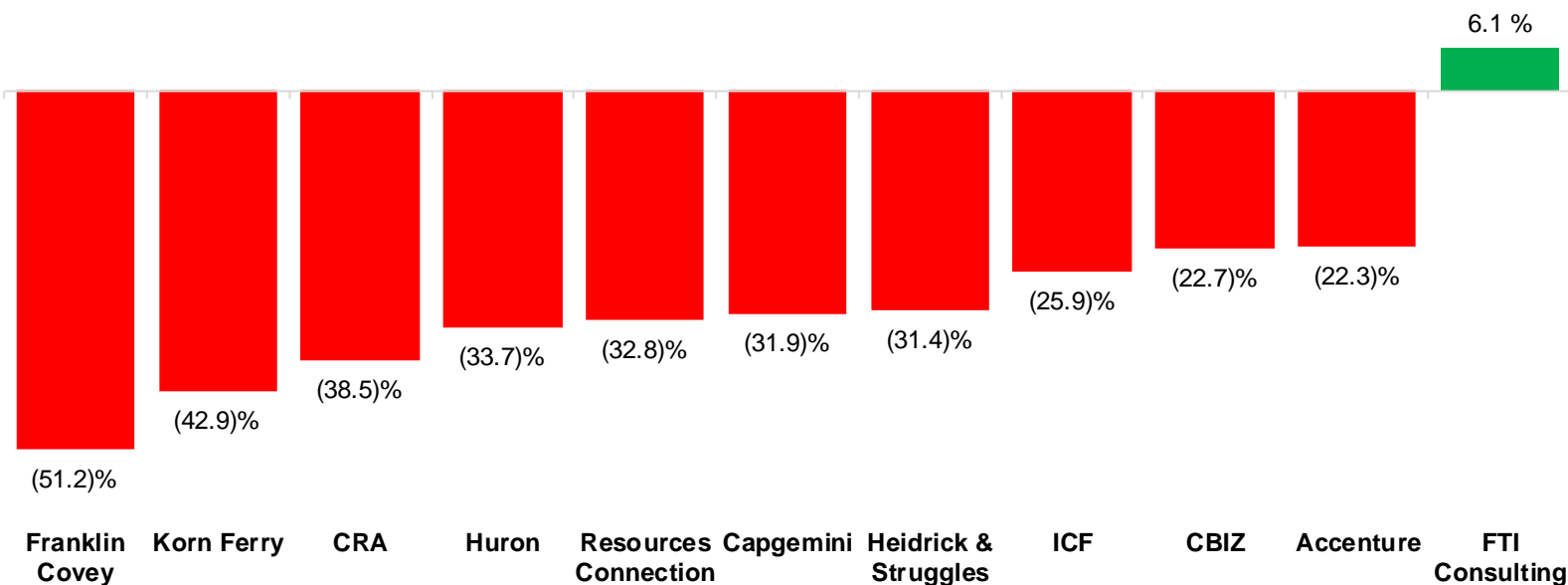
Note: Multiples charts may differ from Comparable Company Analysis figures due to detailed adjustments made to the Comparable Company Analysis.

## Business Consulting Market Index Performance



Source: Capital IQ, market data as of 31-Mar-2020

## Share Price Performance Q1 2020



Source: Capital IQ, market data as of 31-Mar-2020

# SECTOR SPOTLIGHT

## The Impact of COVID on Business Consulting

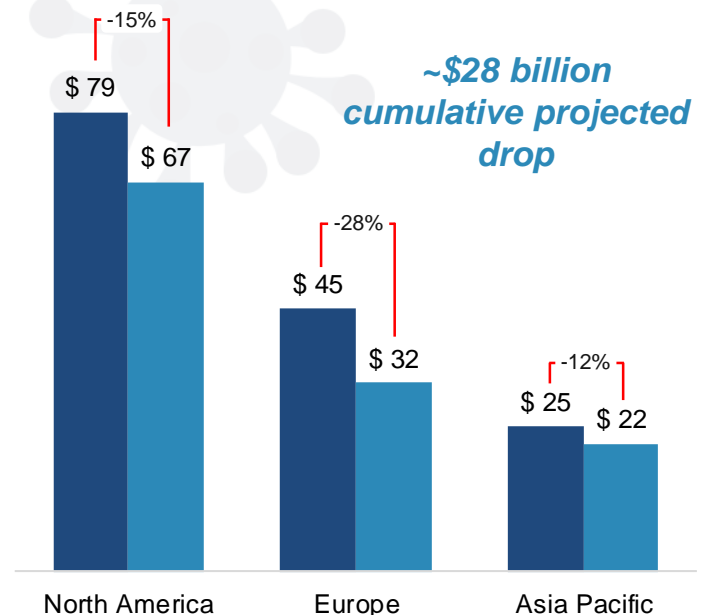
COVID is impacting the business consulting industry but the long-term magnitude and duration are largely unknown at the moment as the situation evolves in real time. However, in the short-term, the virus is expected to heavily affect the business consulting industry, as clients delay or cancel projects. The magnitude of the impact will largely coincide with consulting vertical focus, with certain verticals harder hit by the virus than others

**COVID's impact on the consulting industry will vary widely by sector. The below analysis outlines broad impacts on a key sectors:**

- **Public Sector** – the public sector is delaying some projects while reallocating resources to combat the effects of COVID; even with such changes, operations remain in effect
- **Technology (Software and Services)** – technology firms are able to offset some of the COVID impact, as clients shift towards digitizing their operations and workforce
- **Financial Services** – financial services firms have seen some contraction, but business operations are able to continue virtually
- **Health Care** – health care firms are seeing some of the largest drops but will likely rebound quickly as resources are being allocated toward critical infrastructure in the short-term
- **Retail** – brick and mortar companies are seeing significant contractions while eCommerce is benefitting from the influx of online shoppers
- **Energy** – the coronavirus outbreak immediately dampened the global demand for fuel as both domestic and international travel halted; the Russia-OPEC price war has also exacerbated these effects
- **Hospitality** – with travel halted and an active global quarantine, all forms of hospitality have stagnated; restaurants, hotels, and other accommodations are all nearly at a standstill

### Top 3 Regions by Change in Projected 2020 Consulting Revenue

(\$ in billions)



## Industries and Level of Exposure to Economic Impacts of COVID

### Extreme Exposure

- Retail
- Apparel
- Lodging & Tourism
- Passenger Airlines

### High Exposure

- Food / Beverage
- Manufacturing
- Media
- Service Companies





### Moderate Exposure

- Construction
- Waste Management
- Transportation
- Pharmaceuticals

### Low/Positive Exposure















- Internet Services
- Remote Tech Services
- Online Retail / eCommerce
- Online Gaming

## Q1 2020 Business Consulting M&A Transactions

Announced	Target	Buyer	Target Description / Deal Rationale
1/6/2020			<ul style="list-style-type: none"> <li>Biegel Waller is a tax consultancy based in Columbia, Maryland; the firm specializes in international tax, state and local tax, tax compliance, and tax advisory services</li> <li>BDO's acquisition of Biegel Waller strengthens its presence in the DC / Maryland area and enables the company to provide a greater breadth of tax advisory services</li> </ul>
1/6/2020			<ul style="list-style-type: none"> <li>MedTouch operates as an online strategy and technology consulting partner for the healthcare industry; the company seeks to transform every digital touchpoint along the patient journey</li> <li>The acquisition strengthens Perficient's healthcare industry expertise and digital marketing capabilities</li> </ul>
1/7/2020			<ul style="list-style-type: none"> <li>Hatley offers a range of services within government relations, strategic communications, crisis management, and issues management; the company is headquartered and operates predominantly in Canada</li> <li>The acquisition will enable Teneo to expand its presence throughout Canada and continue to offer world-class advisory services</li> </ul>
1/7/2020			<ul style="list-style-type: none"> <li>Symantec's Cyber Security Services division includes global threat analysis and surveillance throughout a network of security operations centers</li> <li>The acquisition will enable Accenture to become one of the leading providers of managed security services, thus enhancing its ability to assist companies in detecting and responding to cyber attacks</li> </ul>
1/8/2020			<ul style="list-style-type: none"> <li>Cambria Consulting is a Boston based consulting firm that specializes in executive assessment, competency modeling, role profiling, leadership development, and leadership team effectiveness</li> <li>The acquisition will further diversify and strengthen SpencerStuart's network of coaches and its depth of expertise in people and leadership solutions</li> </ul>
1/9/2020			<ul style="list-style-type: none"> <li>PeopleFirm is a leader in delivering workforce and organization strategy, performance management, diversity &amp; inclusion, leadership, and culture</li> <li>The acquisition enables EY to expand its geographic presence throughout the Western US as well as further buildout its end-to-end people advisory services</li> </ul>
1/13/2020		 	<ul style="list-style-type: none"> <li>TrustHCS is a Springfield, Missouri based provider of staffing and advisory services; the company specializes in coding, clinical documentation improvement, denial management, and coding education solutions</li> <li>The Carlyle Group's acquisition signals a larger shift in the importance of healthcare coding solutions</li> </ul>
1/13/2020			<ul style="list-style-type: none"> <li>TeleWorld Solutions is a network services provider headquartered in Chantilly, VA; the company provides network design, testing, and optimization services to mobile service and cable operators, and equipment OEMs</li> <li>The acquisition will enable Samsung to meet the growing needs of mobile carriers to improve their 4G and 5G networks</li> </ul>
1/21/2020			<ul style="list-style-type: none"> <li>Global IO is a leader in integrated operations within the mining, energy, and utilities sectors; the company specializes in integrated operation centers, productivity improvement, business transformation, and management consulting</li> <li>Deloitte's acquisition of Global IO creates a centralized service offering for the energy and mining sectors</li> </ul>


Note: Highlighted transaction indicates ClearSight as sell-side advisor

## Q1 2020 Business Consulting M&A Transactions

Announced	Target	Buyer	Target Description / Deal Rationale
1/22/2020	 DUFF & PHELPS	STONE POINT CAPITAL  Further Global	<ul style="list-style-type: none"> <li>Duff and Phelps advises clients in the areas of valuation, corporate finance, investigations, disputes, cybersecurity, compliance, and regulatory matters; the firm has approximately 3,500 professionals globally</li> <li>The acquisition will enable Duff and Phelps to further focus on its commitment to long-term growth through leveraging both the capital and depth of expertise of Stone Point Capital and Further Global</li> </ul>
1/23/2020	 Crabtree Rowe & Berger	 <b>CRI</b> CARR RIGGS & INGRAM CPAs and Advisors	<ul style="list-style-type: none"> <li>Crabtree Rowe, &amp; Berger offers account and advisory services along with management and financial modelling consulting to the manufacturing and distribution industries</li> <li>The acquisition allows CRI to expand further within the state of Alabama which aligns with its long-term growth plan of geographic expansion</li> </ul>
1/23/2020	 <b>rdc</b> Smarter Screening	 MOODY'S	<ul style="list-style-type: none"> <li>RDC provides risk intelligence compliance screening services to financial services, insurance, retail, hardware, and software firms</li> <li>The acquisition positions Moody's to expand its range of data solutions, creating a global leader in anti-money laundering and know your customer data and due diligence services</li> </ul>
1/29/2020	 284 partners	 ankura	<ul style="list-style-type: none"> <li>284 Partners provides intellectual property consultancy services; the company specializes in IP valuation, litigation consulting, strategy, transactional services, and other related services</li> <li>The acquisition expands Ankura's end-to-end services and further extends the firm's specialization in providing IP-related services</li> </ul>
2/3/2020	 IXDS	 pwc	<ul style="list-style-type: none"> <li>IXDS is a German product design agency and innovation consultancy</li> <li>PwC plans on using the acquisition to deepen the firm's domestic offering in both innovation and design</li> </ul>
2/5/2020	 UtiliWorks™	 E Source	<ul style="list-style-type: none"> <li>Utiliworks provides professional advisory services focused on the water, electric, and gas utility markets serving clients across the United States and internationally</li> <li>The acquisition will allow ESource to provide a rich offering in the area of optimization consulting and technology implementation within the municipal and utility sectors</li> </ul>
2/6/2020	 Orpheus	 McKinsey & Company	<ul style="list-style-type: none"> <li>Orpheus develops enterprise software for performance management and spend control; the software uses artificial intelligence algorithms to analyze spend data across enterprises</li> <li>The acquisition allows McKinsey &amp; Company to bolster its digital procurement practice; with the acquisition, McKinsey launched a new offering, Spend Intelligence by McKinsey</li> </ul>
2/10/2020	 KENWAY CONSULTING	 SVOBODA™ CAPITAL PARTNERS	<ul style="list-style-type: none"> <li>Kenway Consulting provides management and technology consulting services; the company's core business processes include technical architecture and data and analytics for the financial services, healthcare, distribution, and telecommunications industries</li> <li>The acquisition will allow Kenway to focus on its long-term growth initiatives and continue to offer premier management and technology consulting expertise</li> </ul>
2/12/2020	 PURPOSE	 Capgemini	<ul style="list-style-type: none"> <li>Purpose provides strategy consulting; the company helps clients emphasize their social causes through purpose-driven campaigns, branding, and creative content</li> <li>The acquisition by Capgemini will boost the company's social responsibility and business transformation initiatives</li> </ul>



## Q1 2020 Business Consulting M&A Transactions

Announced	Target	Buyer	Target Description / Deal Rationale
2/19/2020	 <b>KALYPSO</b>	 <b>Rockwell Automation</b>	<ul style="list-style-type: none"> <li>Kalpso provides software delivery and consulting services in Ohio; the company specializes in business process management, portfolio management, and enterprise information management</li> <li>The acquisition aligns with Rockwell Automation's strategic initiatives of continues growth within information solutions and connected services</li> </ul>
2/27/2020	 <b>alphaBeta</b> strategy x economics	 <b>accenture</b>	<ul style="list-style-type: none"> <li>AlphaBeta Advisors provides consulting and advisory services within the public sector, corporations, and NGOs</li> <li>The acquisition enables Accenture to expand its analytics-based strategy consulting capabilities</li> </ul>
3/2/2020	 <b>THIRD HORIZON</b>	 <b>publicis sapient</b>	<ul style="list-style-type: none"> <li>Third Horizon, based in Australia, provides management consulting and advisory services; the company specializes in connected capabilities across strategy, design, and execution</li> <li>Publicis Sapient plans on leveraging the acquisition to expand its robust digital transformation capabilities and consulting expertise across all industries</li> </ul>
3/2/2020	 <b>GENEVA CANADA</b> <small>Geneva Manager &amp; Administrators Services Canada (GMS) Inc.</small>	 <b>BDO</b>	<ul style="list-style-type: none"> <li>Geneva Canada is a financial advisory firm based in Toronto, Canada; the company specializes in M&amp;A, capital raising, tax planning, wealth management, and others</li> <li>The acquisition allows BDO to further strengthen its M&amp;A advisory business within the middle market</li> </ul>
3/4/2020	 <b>Lodestone</b>	 <b>DuPont Sustainable Solutions</b>	<ul style="list-style-type: none"> <li>Lodestone provides full potential diagnostics, cash / cost management, and operational readiness; the company strives to help organizations coach their people and solve issues impacting business performance</li> <li>The acquisition will expand DuPont Sustainable Solutions' ability to help clients protect their people and improve operations</li> </ul>
3/9/2020	 <b>Willis Towers Watson</b>	 <b>Aon</b>	<ul style="list-style-type: none"> <li>Willis Towers Watson is a global risk advisor, insurance, and reinsurance broker; the company provides risk management advisory on a global basis to the aerospace, marine, energy, and construction industries</li> <li>The acquisition creates the world's largest insurance broker; the growth will enable Aon to further meet and exceed client expectations through a more diverse service offerings</li> </ul>
3/11/2020	 <b>TALAVANT</b>	 <b>bakertilly</b>	<ul style="list-style-type: none"> <li>Talavant, based in Wisconsin, provides consulting services; the company specializes in data analytics management consulting</li> <li>Baker Tilly's plans on leveraging the acquisition to accommodate the increasing demand for data-driven solutions</li> </ul>
3/18/2020	 <b>Microsoft ERP practice of Kraft Enterprise Systems</b>	 <b>MORGAN FRANKLIN CONSULTING</b>	<ul style="list-style-type: none"> <li>Kraft Enterprise Systems specializes in helping middle-market companies find efficiencies through assessment, implementation, customization, and support</li> <li>The acquisition is MorganFranklin's first since joining Vaco; the acquisition will build upon MorganFranklin's existing ERP practice as well as expand its presence in Nashville</li> </ul>
3/30/2020	 <b>DOBERMAN</b>	 <b>EY</b>	<ul style="list-style-type: none"> <li>Doberman is a design firm; the company specializes in product, business, service, user experience, and industrial design</li> <li>The acquisition strengthens EY's innovation and design transformation capabilities; EY plans on leveraging the acquisition to introduce a new customer experience center</li> </ul>

## RECENT DEALS

# CLIENT SUCCESS

<p>The Life Sciences Division of <b>Cumberland™</b> has been acquired by <b>IntegriChain®</b> a portfolio company of <b>AKKR</b></p> <p><b>SELL-SIDE</b>ADVISOR</p>	<p><b>TeleWorld Solutions</b> has been acquired by <b>SAMSUNG</b></p> <p><b>SELL-SIDE</b>ADVISOR</p>	<p><b>e-nor</b> has been acquired by <b>CARDINALPATH</b> a subsidiary of <b>dentsu AEGIS network</b></p> <p><b>SELL-SIDE</b>ADVISOR</p>	<p>The Managed Services Division of <b>westMONROE</b> has been acquired by <b>MC PARTNERS</b></p> <p><b>SELL-SIDE</b>ADVISOR</p>	<p><b>INTERSYS</b> has been acquired by <b>ASGN™ Incorporated</b></p> <p><b>SELL-SIDE</b>ADVISOR</p>
<p><b>westMONROE</b> has acquired <b>gokart LABS</b></p> <p><b>BUY-SIDE</b>ADVISOR</p>	<p><b>bulldog™</b> has been acquired by <b>HERO_digital.</b> a portfolio company of <b>CI CAPITAL PARTNERS</b></p> <p><b>SELL-SIDE</b>ADVISOR</p>	<p><b>NAVIGATOR MANAGEMENT PARTNERS</b> has been acquired by <b>avaap</b> a portfolio company of <b>NMS CAPITAL</b></p> <p><b>SELL-SIDE</b>ADVISOR</p>	<p><b>putnam associates</b> INSIGHT. CLARITY. STRATEGY. has been acquired by <b>UDG Healthcare plc</b></p> <p><b>SELL-SIDE</b>ADVISOR</p>	<p><b>euclid</b> has been acquired by <b>FULLSTEAM</b> Building on Great a portfolio company of <b>AQUILINE CAPITAL PARTNERS LLC</b></p> <p><b>SELL-SIDE</b>ADVISOR</p>


We would like to thank all of our clients, colleagues, and friends for helping to reinforce ClearSight as the *leader* in advising high-end technology and business services companies.



### 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](http://www.clearsightadvisors.com)

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