



Business Consulting Market Monitor

Market Overview

Sector Spotlight

Public Market Performance

M&A Activity

Strategic and Financials Buyers Remain Active

Clearsight sees a unique opportunity for buyers in the COVID M&A environment

The world continues to reel from the impacts of COVID-19, with professional services firms and investors adjusting their M&A strategy in real time. Even in this uncertain environment, we continue to see M&A activity by both strategic and private equity buyers. In this past quarter, we were able to help a number of clients realize great outcomes in both a strategic and financial sponsor deals, with two great examples below:

- **M&A by PE-backed strategic buyer:**
[Cumberland's Life Sciences Division was acquired by IntegriChain](#)
- **M&A by financial sponsor:**
[RSI was recapitalized by DC Capital Partners](#)

While we notice both strategic and financial buyers are active, not all buyers are equal. In our sector spotlight, we highlight 8 specific attributes that have been critical to differentiate successful strategic and financial buyers in this market – take a look on page 2.

Outside of the deals we have been bringing to market, we also recently surveyed strategic and PE M&A executive leaders around the world operating in the professional services space to gain valuable insight about how COVID-19 and the subsequent economic impact is affecting their M&A outlook. Some quick highlights from both sets of buyers included:

Strategic Acquirers:

- 92% of strategic acquirers are active in the current M&A market, with 24% more active than previously
- 55% expect valuation multiples to remain steady or decline no more than 20%

Private Equity Investors:

- 64% are active or are more active than they were pre-COVID-19
- 79% expect value to decline 0-20%, largely impacted by lower leverage

You can see the above summary in greater detail, along with data specific to strategic and private equity investors, via infographics here:

[Professional Services M&A Market Impact Infographic: Gauging the Effects of COVID-19](#)

We are in a truly unique economic environment with equally unique opportunities for those who can navigate this landscape. If you're thinking through strategic M&A options, business decisions, or just want to talk about the market, please feel free to reach out to us. We're one email or call away.

Sector Leadership



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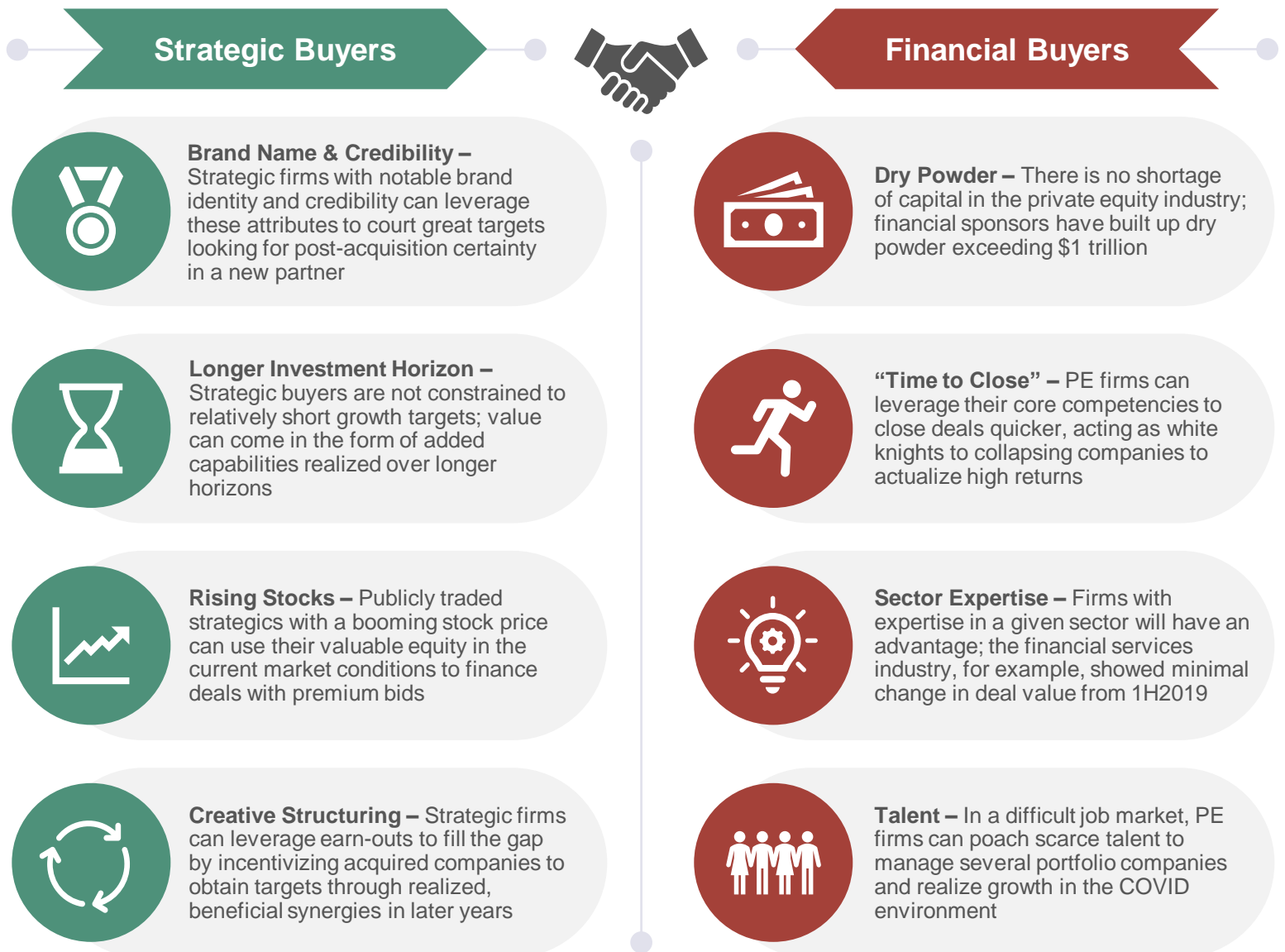
Sector Spotlight

Strengths of Strategic and Financial Buyers in the COVID Environment

In Q2 of 2020, the uncertainty caused by COVID continued to have effects on M&A activity. Lenders have shifted gears towards granting SBA loans offered under the stimulus programs, thus causing a near-freeze on M&A financing – adversely affecting financial sponsors more so than strategic buyers.

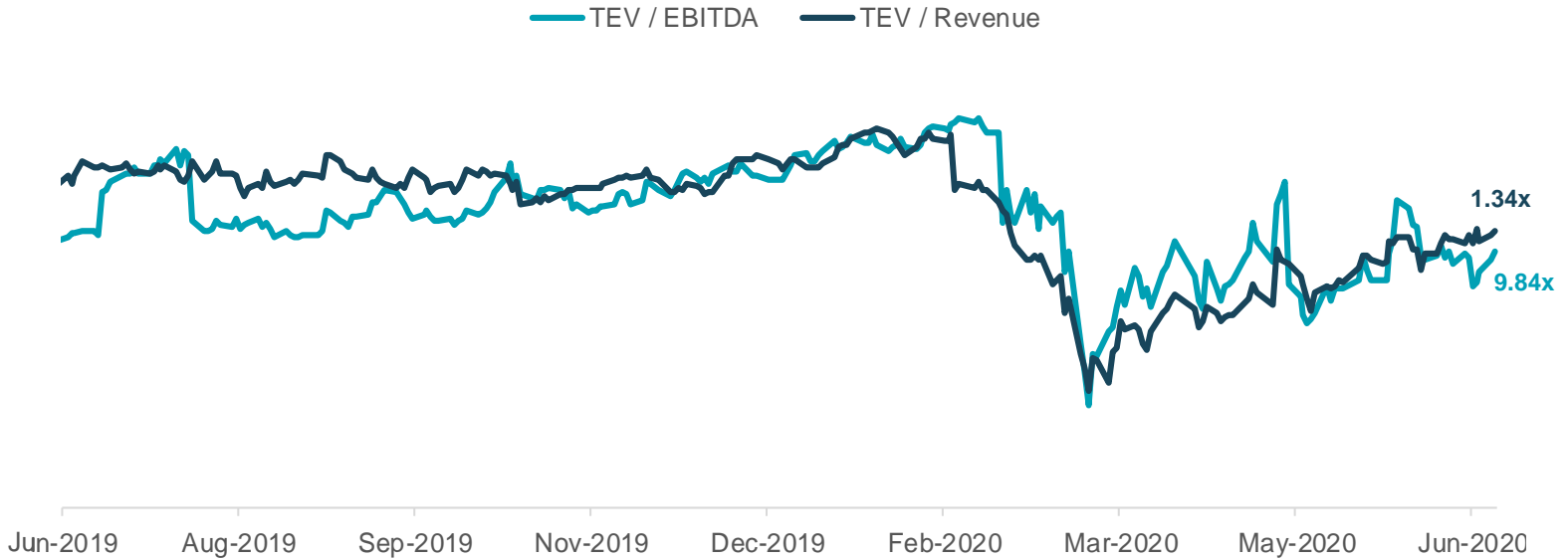
Although global deal value and deal volume dropped nearly 50% quarter-by-quarter, deals are still getting done. Sellers that maintained growth throughout COVID garnered serious interest from financial sponsors and strategic firms alike, whereas sellers who have struggled to recover are experiencing diminished interest from buyers. Financial sponsors accumulated nearly 20% of the 1H20 Global M&A market, its highest half-year since 2005. A good portion of that growth can be attributed to the relative decline in strategic acquisitions.

Despite the current economic conditions, target firms are attracting serious interest from strategic and financial buyers. We examine how these buyers will differentiate themselves in this market, as we expect targets will need to be prepared for a busy 2H 2020.

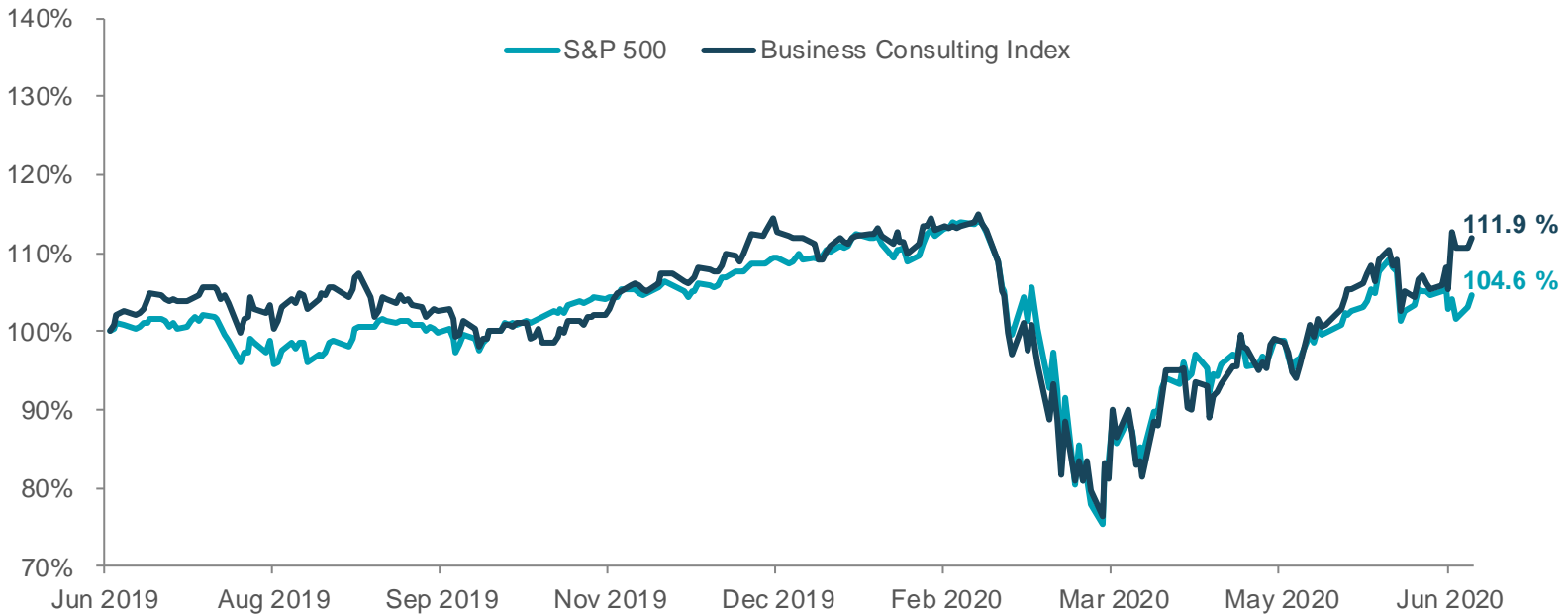


Public Market Performance

Revenue and EBITDA multiples grew in tandem across Q2 2020



Clearsight's Business Consulting Index has outperformed the S&P on an LTM basis

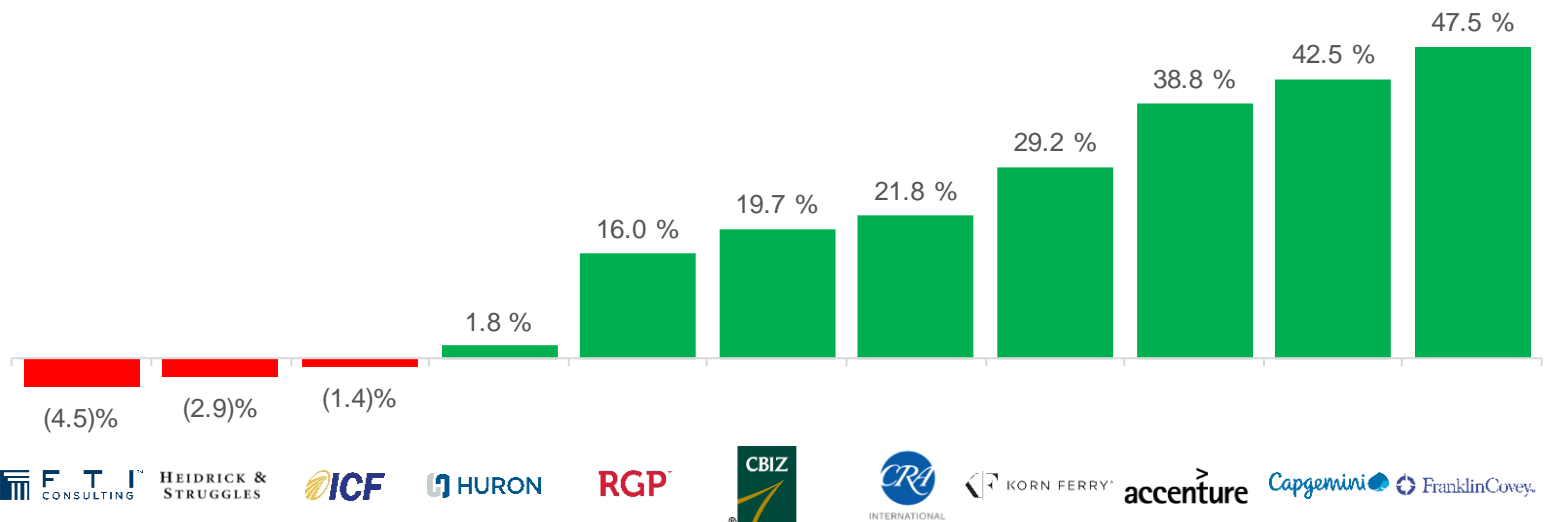


Source: Public market data as of 30-Jun-2020, Capital IQ



Public Market Performance

Accenture, Capgemini, and FranklinCovey saw the most significant Q2 2020 share price increases



A recovering stock market is driving up multiples across the Business Consulting industry

Business Consulting	Closing Price 30-Jun-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	\$ 214.72	98.5 %	\$ 146,680	\$ 144,215	3.2 x	3.2 x	3.0 x	20.0 x	17.8 x	17.1 x	16.2 %
Capgemini	114.73	84.3	20,031	24,325	1.5	1.4	1.3	12.0	9.5	8.5	12.8
CBIZ	23.97	83.4	1,353	1,676	1.8	1.8	1.7	13.2	14.4	12.4	13.3
CRA International	39.50	67.9	322	533	1.1	1.1	1.1	11.9	12.6	11.4	9.5
Franklin Covey	21.40	51.1	299	315	1.3	1.4	1.3	16.4	14.4	N/A	8.2
FTI Consulting	114.55	79.5	4,490	4,758	2.0	2.0	1.8	14.3	14.5	12.4	13.9
Heidrick & Struggles	21.62	65.1	436	392	0.6	0.7	0.6	4.9	6.8	5.8	11.3
Huron Consulting	44.25	62.4	1,078	1,455	1.6	1.8	1.6	13.7	22.6	13.2	11.8
ICF International	64.83	68.1	1,272	1,893	1.3	1.3	1.2	15.0	14.4	12.6	8.4
Korn Ferry	30.73	69.9	1,688	1,590	0.8	1.0	0.9	5.5	7.6	6.7	14.9
Resources Connection	11.97	66.8	387	445	0.6	0.7	0.6	8.3	10.8	7.7	7.6
High		98.5 %	\$ 146,680	\$ 144,215	3.2 x	3.2 x	3.0 x	20.0 x	22.6 x	17.1 x	16.2 %
Median		68.1	1,272	1,590	1.3	1.4	1.3	13.2	14.4	11.9	11.8
Mean		72.5	16,185	16,509	1.4	1.5	1.4	12.3	13.2	10.8	11.6
Low		51.1	299	315	0.6	0.7	0.6	4.9	6.8	5.8	7.6

Source: Public market data as of 30-Jun-2020, Capital IQ

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


M&A Activity

Date	Target	Buyer	Summary
3/30/2020	DOBERMAN®		<ul style="list-style-type: none"> Doberman is a leading design and innovation firm The acquisition will strengthen EY's capabilities within transformation and innovation in the Nordics
4/7/2020			<ul style="list-style-type: none"> Mintz Group provides investigative fact gathering services ranging from enhanced background checks to due diligence Mintz Group will broaden ICV's reach and existing capabilities
4/13/2020			<ul style="list-style-type: none"> Cumberland's Life Science Division is a leading provider of managed and advisory services & systems integration IntegriChain now delivers the Life Science industry's most comprehensive and scalable data and business process platform
4/28/2020	Pearl Meyer		<ul style="list-style-type: none"> Pearl Meyer is a leading advisor to board and senior management on business and leadership strategy Main Street is using this acquisition to further their portfolio of investments in the professional services space
5/6/2020			<ul style="list-style-type: none"> Kates Kesler is a management consulting leader in the field of organizational design Kates Kesler is joining Accenture's Talent & Organization / Human Potential practice to continue its high-engagement approach and activate new organization models
5/7/2020	PORT JACKSON PARTNERS		<ul style="list-style-type: none"> Port Jackson Partners is a boutique management consulting firm located in Australia EY Parthenon plans to leverage Port Jackson's outstanding reputation in the Australian market to develop its world class reputation as a global strategy consulting firm
5/18/2020	DELTA PARTNERS		<ul style="list-style-type: none"> Delta Partners is a leading telecom, media, and communications ("TMT") focused strategy consulting and investment banking firm The acquisition expands FTI's transaction capabilities with the goal of becoming a global TMT advisory firm
5/18/2020			<ul style="list-style-type: none"> MorganFranklin Consulting's Public Sector Practice solves challenges for clients including the U.S. DoD and the U.S. Army The Public Sector divestiture allows MorganFranklin to focus on expanding its core consulting business, while BDO gains public sector expertise and a vast client base
6/1/2020		AlixPartners	<ul style="list-style-type: none"> Matrix Economics is an independent economics consulting boutique with expertise in antitrust litigation, and M&A AlixPartners' acquisition of Matrix will significantly increase the firm's capabilities in competition economics, litigation and M&A

 = Clearsight acted as an exclusive advisor to Cumberland

About ClearSight

ClearSight Advisors is an independent merchant banking firm dedicated to driving the Knowledge Economy by providing world-class M&A and capital raising solutions exclusively to growth-oriented Business Services and Technology companies. ClearSight combines deep market insights across software, services and data. ClearSight Capital Advisors, Inc., a wholly owned subsidiary, is a registered member of FINRA & SIPC. For more information about ClearSight, visit www.clearsightadvisors.com

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