



# Business Consulting Market Monitor

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**Sector Leadership**



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## PE-Backed Portfolio Companies Make Rapid Acquisitions

### Sovos, Teneo, and W2O make a splash in Q3

Q3 yielded an exciting amount of activity in the business consulting market with notable activity for high quality, PE-backed portfolio companies. This trend is fueled by an unprecedented amount of PE dry powder, estimated at \$1.7 trillion as of July '20. With a dearth of new platform opportunities, PE has resorted to deploying more capital in their portfolio companies, resulting in more add-on deals. Below we highlight three examples: Sovos, Teneo, and W2O.

- **Sovos backed by Hg Capital**

- 🕒 **July 23, 2020: Acquired The Reporting Software and Consulting Division of Keane:**

Keane is a leading provider of unclaimed property compliance, consulting and reporting services worldwide. The transaction will boost Sovos' footprint in the unclaimed property compliance market as states turn to these revenue streams to offset budget gaps amid COVID-sparked economic slow down

- **July 7, 2020: Acquired Accordance Technical Services:** Accordance is a UK-based value-added tax (VAT) managed services company. Since 2018, Accordance has been a Sovos partner implementing Sovos' reporting software. The acquisition comes at a critical moment where businesses face a range of new regulatory mandates impacting VAT

- **Teneo backed by CVC Capital Partners**

- **September 21, 2020: Acquired Kotinos Partners Limited:** Based in Dublin, Kotinos is an organizational restructuring and performance consultancy. Kotinos' expertise will be leveraged by Teneo's existing clients in both Ireland and around the world

- 🕒 **August 25, 2020: Acquired Goldin Associates:** Goldin is a leading financial advisory firm focused on distressed situations, financial restructuring and more. Goldin will significantly expand the capabilities of Teneo's global Capital Advisory business

- **W2O Group backed by New Mountain Capital**

- **October 5, 2020: Acquired Starpower:** Starpower is an entertainment and influence marketing agency firm. Starpower, which has been a lengthy partner of W2O, will bring W2O's fully integrated marketing and communications offerings to its existing clients
  - **September 24, 2020: Acquired Elysia Group:** Elysia Group is a health economic and research consulting firm operating in the US and Asia Pacific. Elysia Group will collaborate and integrate closely with Discern Health, which W2O acquired in July 2020
  - **July 28, 2020: Acquired Discern Health:** Discern advises healthcare organizations on the performance measures and innovative payment models that shape the market for their products and services. Discern will strengthen W2O's expertise in value-based care solutions

What makes the above acquisitions even more impressive is the speed in which they occurred in the COVID environment where almost all aspects of the deal process are occurring remotely. There are opportunities in the market for synergistic investments with potential to return high ROIs for all parties. We look forward to seeing more activity from portfolio companies in the coming months.

🕒 = Clearsight acted as the exclusive advisor to Keane and Goldin

Source: PwC

# Sector Spotlight

## COVID-19 Environment Strengthens Demand for Restructuring and Management

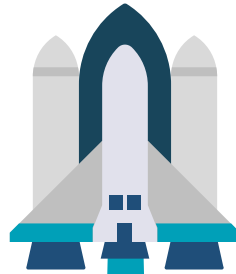
While the overall market for Business Consulting has remained incredibly strong during the pandemic, there are a few counter cyclical sectors where we're seeing a notable uptick in activity. Industries such as travel and leisure, which have borne the brunt of the new social realities, now have a much greater need for solutions addressing cost optimization, supply chain management and restructuring. As a result, consulting firms focused on these services have attracted much more attention.

### Driver of M&A Volume



COVID-19 is driving a focus on restructuring and governance acquisitions.

The pandemic increased the addressable market in this sector. Now, premier firms are scooping up smaller experts to address this market demand



Clearsight served as exclusive advisor to Goldin

August 25<sup>th</sup>, 2020

**Teneo** ↔ **Goldin**



#### Goldin Services:

- Strategic Valuation
- Restructuring
- Litigation Support / Governance

August 3<sup>rd</sup>, 2020

**AlixPartners** ↔ **Free Group International**



#### Free Group International Services:

- Risk Management
- Contract and Tax Law
- Securities Law

June 23<sup>rd</sup>, 2020

**B RILEY Financial** ↔ **ALDERNEY ADVISORS**



#### Alderney Advisors Services:

- Supply Chain Risk Management
- Restructuring and Turnaround
- Acquisitions & Divestitures

August 13<sup>th</sup>, 2020

**bakertilly** ↔ **squarmilner**

#### Squar Milner Services:

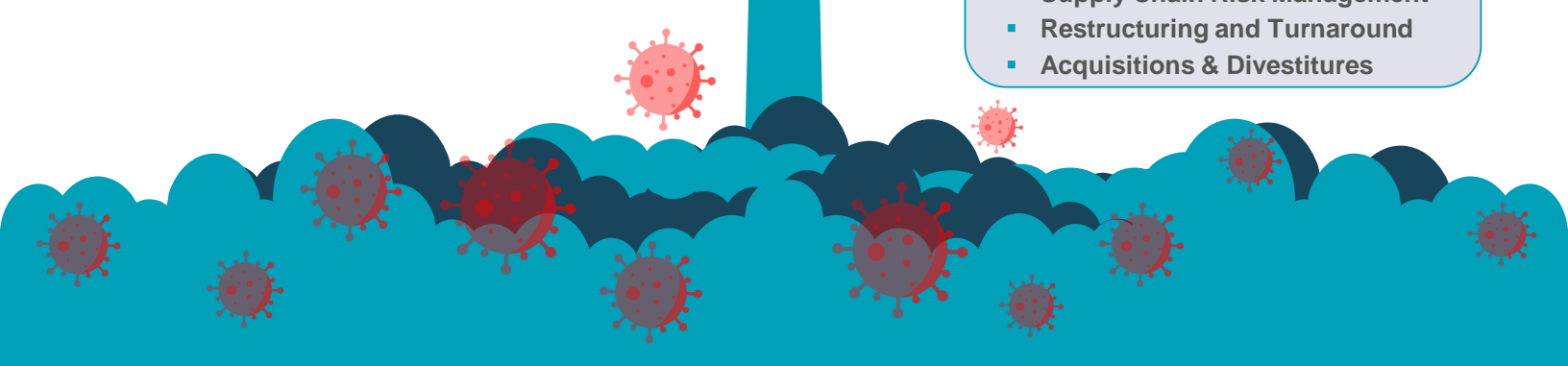
- Contract and Tax Law
- Securities Law
- Risk Management

July 2<sup>nd</sup>, 2020

**ankura** ↔ **Water Street Partners**

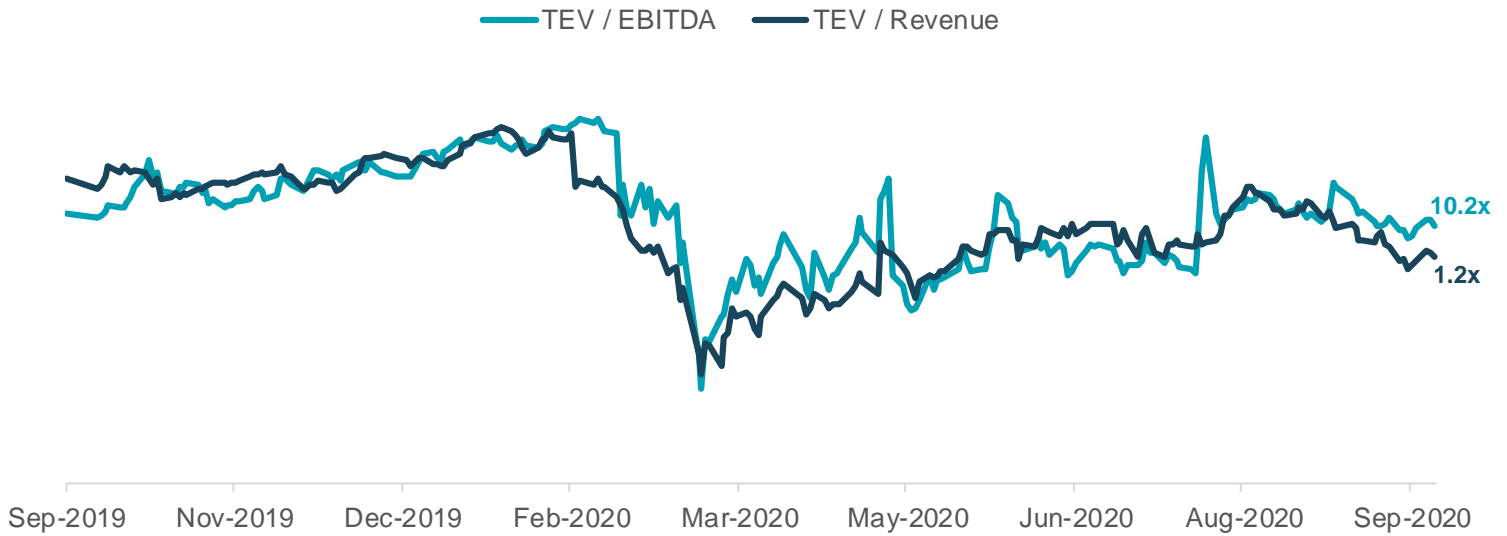
#### Water Street Partners Services:

- Governance Advisory
- Launch and Integration Planning
- Restructuring



# Public Market Performance

## Revenue and EBITDA multiples grew in tandem across Q3 2020



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

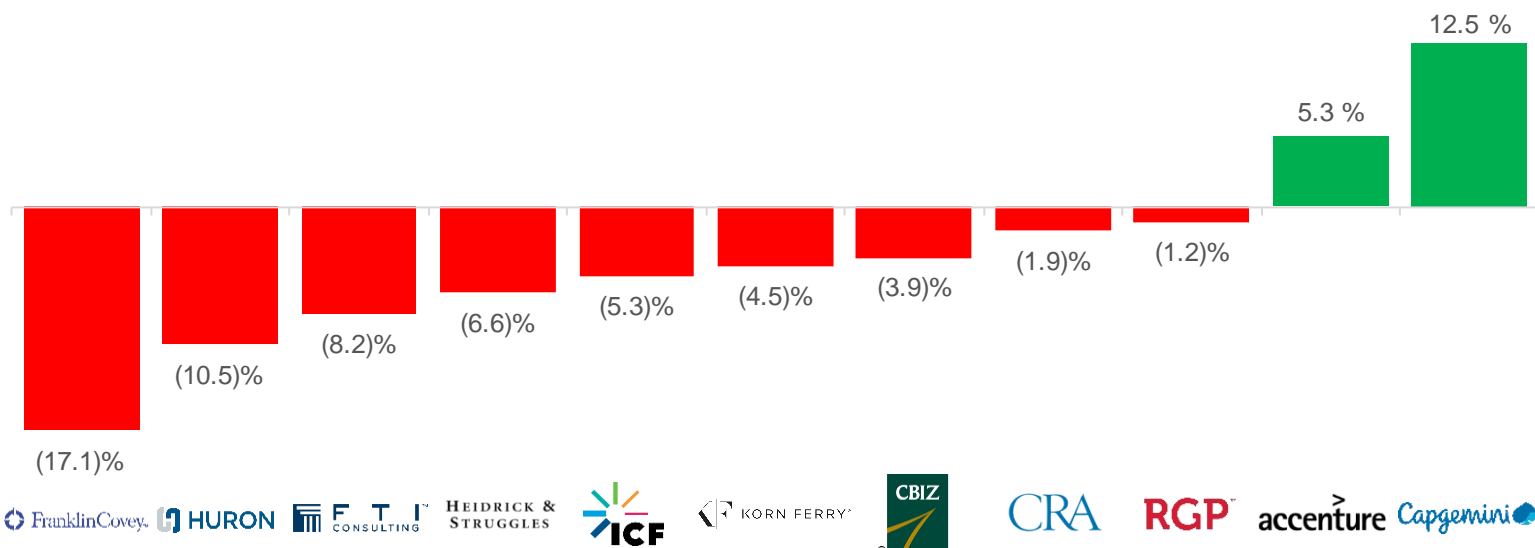


Source: Public market data as of 30-Sep-2020, Capital IQ



# Public Market Performance

Accenture and Capgemini saw the only Q3 2020 share price increases



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

	Closing Price 30-Sep-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	
<b>Business Consulting</b>											
Accenture	\$225.99	91.2%	\$154,380	\$149,880	3.4x	3.4x	3.2x	18.1x	18.1x	17.1x	18.7%
Capgemini	128.88	90.2	22,282	31,140	1.9	1.7	1.5	14.9	11.3	10.2	12.6
CBIZ	22.87	79.6	1,287	1,561	1.6	1.6	1.6	13.0	12.2	11.3	12.5
CRA International	37.47	64.4	306	501	1.0	1.0	1.0	10.9	11.7	10.4	9.5
Franklin Covey	17.74	42.4	248	264	1.2	1.4	1.2	14.2	NM	12.8	8.7
FTI Consulting	105.97	73.5	4,098	4,272	1.8	1.7	1.6	13.6	12.9	10.7	13.0
Heidrick & Struggles	19.65	59.2	397	318	0.5	0.5	0.5	4.5	5.0	4.3	10.3
Huron Consulting	39.33	55.5	902	1,225	1.4	1.4	1.4	12.0	15.5	11.1	11.4
ICF International	61.53	64.6	1,209	1,806	1.2	1.2	1.1	14.2	13.7	12.0	8.6
Korn Ferry	29.00	65.9	1,657	1,692	0.9	1.1	1.0	8.8	12.3	9.6	10.7
Resources Connectio	11.55	64.8	376	390	0.6	0.6	0.6	7.8	9.1	7.4	7.4
<b>High</b>		<b>91.2%</b>	<b>\$154,380</b>	<b>\$149,880</b>	<b>3.4x</b>	<b>3.4x</b>	<b>3.2x</b>	<b>18.1x</b>	<b>18.1x</b>	<b>17.1x</b>	<b>18.7%</b>
<b>Median</b>		<b>64.6</b>	<b>1,209</b>	<b>1,561</b>	<b>1.2</b>	<b>1.4</b>	<b>1.2</b>	<b>13.0</b>	<b>12.3</b>	<b>10.7</b>	<b>10.3</b>
<b>Mean</b>		<b>60.1</b>	<b>17,013</b>	<b>17,550</b>	<b>1.4</b>	<b>1.4</b>	<b>1.3</b>	<b>12.0</b>	<b>12.2</b>	<b>10.6</b>	<b>9.5</b>
<b>Low</b>		<b>0.9</b>	<b>248</b>	<b>264</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>4.5</b>	<b>5.0</b>	<b>4.3</b>	<b>0.2</b>

Source: Public market data as of 30-Sept-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
7/1/2020	 VERUS™	 Kroll <small>A Division of DUFF &amp; PHELPS</small>	<ul style="list-style-type: none"> <li>Verus utilizes a proprietary data analytics platform and experienced team of data scientists to advise state governments on compliance and risk</li> <li>Verus will allow Kroll to execute on its current M&amp;A thesis by solving complex issues facing governments</li> </ul>
7/3/2020	 Pathfinder	 siapartners	<ul style="list-style-type: none"> <li>Pathfinder offers consulting services in Ireland through business transformation, management consulting, and market analysis</li> <li>Pathfinder strengthens Sia Partners' presence across UK and Ireland while also strengthening capabilities in banking, insurance, utilities, and energy verticals</li> </ul>
7/8/2020	 POINT OF ORIGIN	 pwc	<ul style="list-style-type: none"> <li>Point Of Origin provides consulting services in Austria, with services including business transformation, marketing, forester research, and analytics</li> <li>PwC will leverage the acquisition to expand its suite of services as well as further solidify its position as a digital consulting leader</li> </ul>
7/14/2020	 chaucer...	 BIP. <small>HERE TO DARE</small>	<ul style="list-style-type: none"> <li>Chaucer provides management consulting services in the areas of financial services, digital transformation, and life sciences</li> <li>BIP, one of Europe's larger home-grown consultancies, will use the transaction to further buildout its global advisory practice and prime the firm for its next phase of growth</li> </ul>
9/1/2020	 ARC	 CBIZ	<ul style="list-style-type: none"> <li>ARC provides specialized accounting and advisory services to high-growth companies in the San Francisco Bay Area</li> <li>The acquisition strengthens CBIZ's presence in California and enhances the company's ability to provide specialized consulting services including IPO readiness</li> </ul>
9/14/2020	 velvet	 WPP	<ul style="list-style-type: none"> <li>Velvet is a leading customer experience consultancy</li> <li>WPP is leveraging its acquisition of Velvet to support a wider strategic transformation initiative – Velvet's omni-channel consumer engagement platform pairs well with WPP's end-to-end market and technology consulting services</li> </ul>
9/17/2020	 Sterio	 BearingPoint.	<ul style="list-style-type: none"> <li>Sterio, SaaS-based engagement platform, utilizes smart analytics to enable teamwork, feedback, and decision-making</li> <li>The acquisition is part of BearingPoint's strategic mandate to innovate its project and team management services for the digital age</li> </ul>
9/22/2020	 PROPHARMA GROUP®	 ODYSSEY INVESTMENT PARTNERS	<ul style="list-style-type: none"> <li>ProPharma is the leading provider of regulatory and compliance services to pharma, biotech, and medical device customers</li> <li>ProPharma represents a compelling opportunity for Odyssey to invest in a rapidly growing business with a critical role in enabling customers to comply with regulatory and safety requirements</li> </ul>
9/25/2020	 CORNERSTONE ADVISORS	 Altamont CAPITAL PARTNERS	<ul style="list-style-type: none"> <li>Cornerstone is the leading advisor for driving revenue and profitability improvements for mid-size banks and credit unions in a variety of ways</li> <li>Altamont's equity investment will enable Cornerstone to better serve clients while continuing to make investments in its employees and internal infrastructure</li> </ul>

 = Clearsight acted as an exclusive advisor to Cornerstone

# About ClearSight

ClearSight Advisors is an independent investment 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](http://www.clearsightadvisors.com)

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