

Business Consulting Market Monitor

Market Overview

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Sector Leadership



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The Consulting M&A Market: Trends to Watch in 2021

Vertical nuances, political landscape, and market optimism will be key variables

After taking a pause in the first half of 2020, the M&A market quickly returned to robust activity in the second half, especially in Q4. Below, we highlight the market dynamics we anticipate will drive M&A in the consulting market through 2021.

In-Demand Industries:

- **Technology:** Tech and IT development will continue to be imperative in creating new workflows and strategies for clients and consulting firms. Organizations are looking to leverage technology in any way possible to automate processes, increase efficiency and deliver more value. The structural shift to a remote workforce increases the demand for technologies to support ongoing business operations in this new normal. Companies able to deliver these capabilities efficiently will be in high demand.
- **Life sciences and healthcare:** The demand for life sciences and healthcare innovation services soared during the pandemic, particularly for consulting firms delivering in this vertical. Consulting firms will need to expand their life sciences and healthcare verticals to stay competitive which will drive M&A activity throughout the sector in turn.

Post-Election Impacts:

- **Tax policy:** The current administration has proposed increasing long-term capital gains tax at the ordinary income rate of 40% on those with income above \$1 million and increasing the statutory corporate income tax rate from approximately 21% to 28%. A shift in long-term capital gains tax obligations could significantly impact seller's timing on when to enter market; increase in corporate tax rate can shift buyers' organic and inorganic growth strategies throughout 2021.
- **Immigration policy:** The prior administration enacted stricter regulation regarding immigration. Businesses in need of highly skilled workers, especially in the technology space, will benefit from loosening immigration regulation for such workers, as there may have been several deals driven in 2020 due to the challenge to increase on-shore skill sets. Traditionally, assets with more employees on-shore drive a higher value premium.

Buyer Optimism:

- **Megadeals:** Megadeals in the general M&A market soared during the second half of 2020. We anticipate this momentum to carry over into 2021. Buyers will be looking to make meaningful business changes in a new macroeconomic landscape by betting on massive industry trends and large transactions throughout the year.
- **Piles of dry powder:** Financial sponsors continue to sit on plenty of dry power waiting to be deployed. With the M&A market expected to remain dynamic in 2021, financial sponsors will take an active role by investing in new platforms, adding value through add-ons and successfully exiting portfolio companies.

While the world is recovering, the M&A markets we play in have been and continue to be incredibly active. If you're thinking through M&A options or business decisions or are simply interested in market insights, please feel free to reach out to us. We wish you all success in 2021.



Sector Spotlight

Jacobs Acquires a Majority Stake in PA Consulting

On December 11, 2015, the Carlyle Group acquired a 51% stake in PA Consulting, valuing the enterprise at approximately \$1.0 billion. The firm recognized the immense potential for PA to become a truly global management consultancy. Carlyle set out on the mission to accelerate PA's growth through geographic expansion and add-on acquisitions. Five years and seven add-on acquisitions later, Jacobs acquired 65% of PA Consulting at an enterprise value of \$2.4 billion, allowing the Carlyle Group to exit. Jacobs represents a unique buyer in this situation given their historical focus on science, engineering, and technology. We continue to see unique matchups emerge as organizations merge consulting with technology to create entirely new capabilities. This quarter's sector spotlight breaks down the road to the PA-Jacobs transaction and the add-on acquisitions Carlyle conducted along the way.

ASTRO is a brand strategy and product design agency. The acquisition provides PA a home-base in San Francisco in addition to marquee clients such as P&G, Nike, Bose, and Facebook. Astro's resume includes market-defining designs such as the Nike Fuelband and Xbox 360

June 23, 2020

We Are Friday specializes in digital service design and engineering. The company's meticulous focus on customer experience strengthens PA's ability to offer an end-to-end digital experience. The company also hosts large clientele such as Aetna, Nuffield Health, Jackson Hewitt, and the British Red Cross

December 6, 2018

Sparkler offers digital insights and strategy consulting services. The company operates within the world's most advanced digital brands including Microsoft, eBay, and Uber. The acquisition marks a major milestone in PA's shift towards gaining a market-leading understanding of consumer behavior in a digital world

May 16, 2018

The Carlyle Group acquires a 51% stake in **PA Consulting**, allowing PA to retain its independence and culture; the partnership expects to capitalize on PA's industry-leading capabilities within public and private sectors

December 11, 2015



November 30, 2020

Jacobs acquires a 65% stake in the company, exiting Carlyle. The emerging partnership combines strategic front-end consulting with next-generation science and technology expertise

ASTRO

4 | i N N O

June 28, 2019

4iNNO specializes in creating new product platforms designed to drive innovation and growth across consumer brands. 4iNNO's ability to harmoniously combine strategy and insights with platform development allows global clients to adapt to consumer behavior. The acquisition nearly completes PA's ability to effectively service clients across the entire value-chain

FRIDAY

Essential

October 31, 2018

Essential Design offers innovation strategy and product design. The company possesses an elite team of researchers, designers, and engineers across the healthcare and consumer sectors. The combination of capabilities enables both organizations to transform product go-to-market

sparkler

Nyras

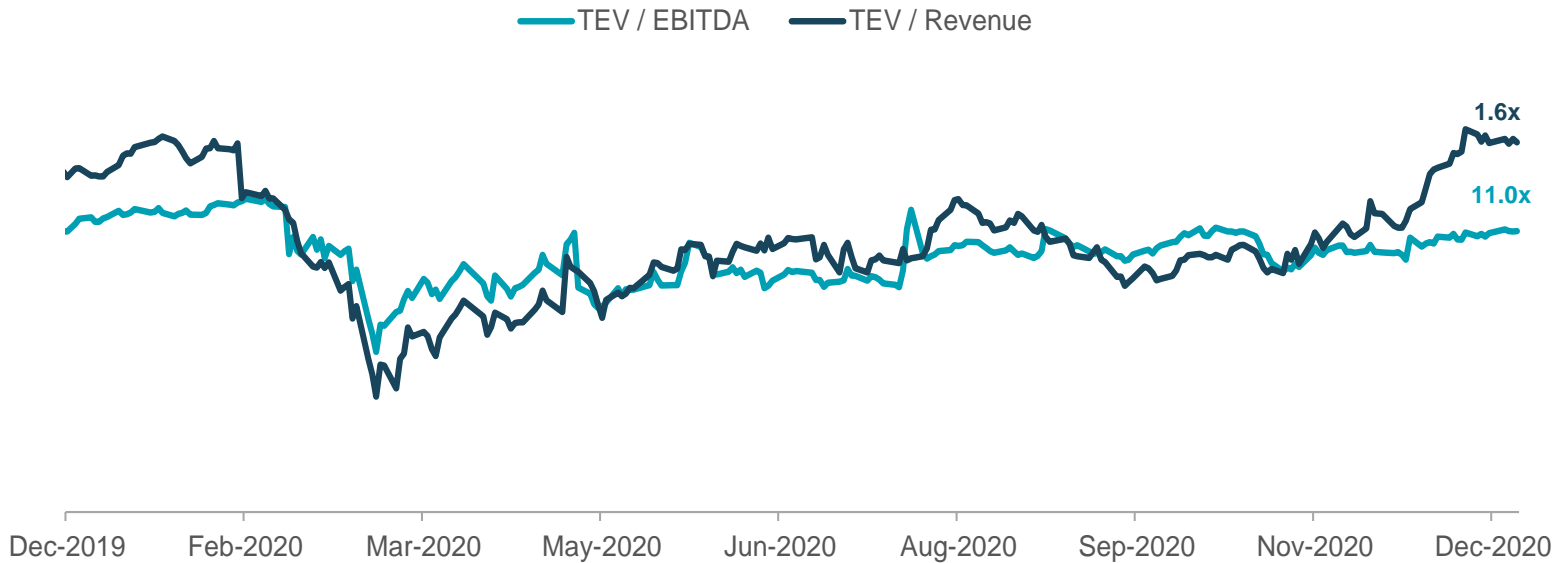
December 6, 2017

PA Consulting's strategic decision to acquire **Nyras** provides the firm with access to international aviation consulting opportunities. At the time, Nyras was the only air transport authorized by the FCA

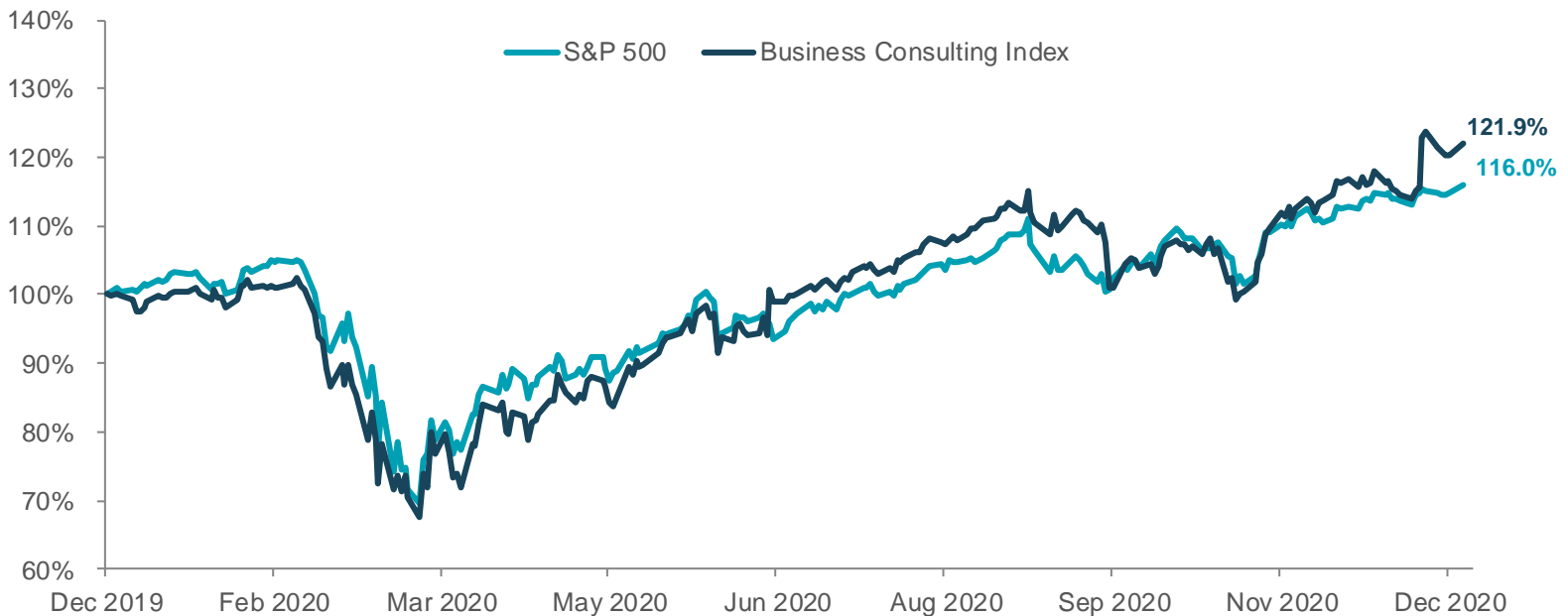


Public Market Performance

Revenue multiples jumped in late Q4 compared to EBITDA multiples



Clearsight's Business Consulting Index outperformed the broader market, showing promising signs of continued recovery and growth

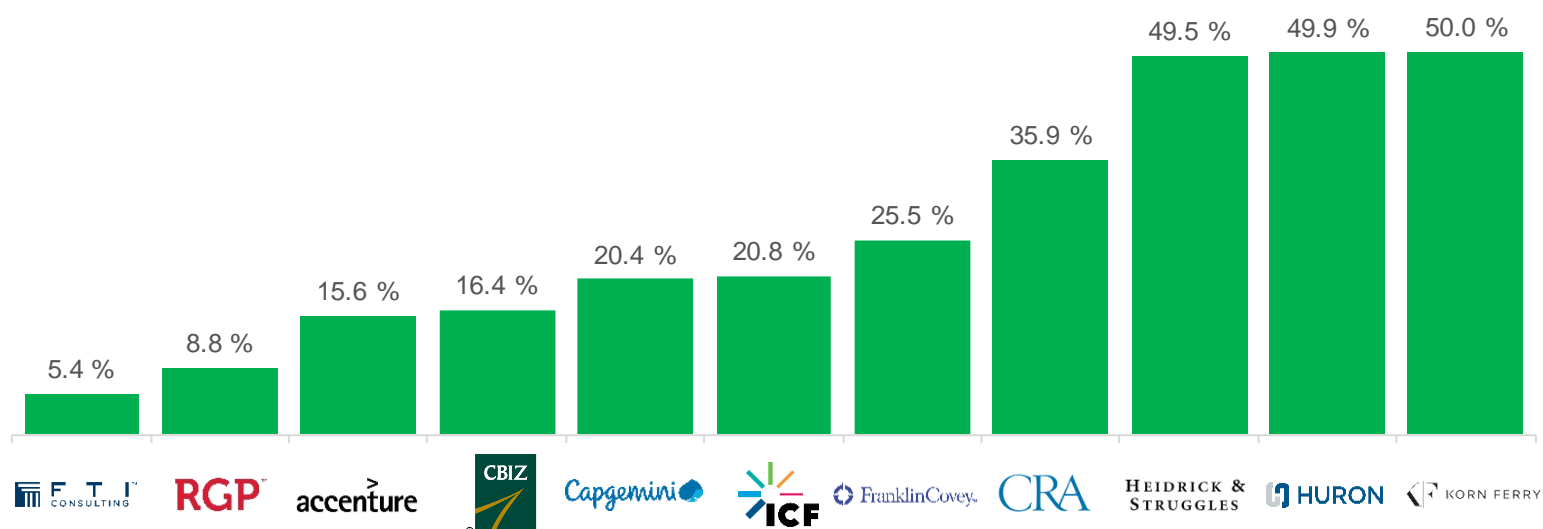


Source: Public market data as of 31-Dec-2020, Capital IQ



Public Market Performance

Economic recovery is evident throughout ClearSight's Business Consulting Index, particularly for Heidrick & Struggles, Huron, and Korn Ferry¹



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

| | Closing Price 31-Dec-2020 | % of 52 Week High | Equity Market Cap | Enterprise Value | EV / Revenue Multiples | | | EV / EBITDA Multiples | | | LTM EBITDA Margin |
|----------------------------|------------------------------|-------------------------|-------------------------|---------------------|------------------------|-------------|-------------|-----------------------|--------------|--------------|-------------------------|
| | | | | | LTM | 2021 | 2022 | LTM | 2021 | 2022 | |
| Business Consulting | | | | | | | | | | | |
| Accenture | \$261.21 | 96.3% | \$177,329 | \$172,700 | 3.9x | 3.5x | 3.3x | 23.3x | 18.8x | 17.5x | 16.6% |
| Capgemini | 155.11 | 98.9 | 26,817 | 36,044 | 2.2 | 1.7 | 1.7 | 17.3 | 11.1 | 10.4 | 12.6 |
| CBIZ | 26.61 | 92.6 | 1,497 | 1,768 | 1.8 | 1.8 | 1.7 | 14.6 | 12.6 | 12.2 | 12.7 |
| CRA International | 50.93 | 87.5 | 408 | 578 | 1.2 | 1.1 | 1.1 | 12.0 | 11.2 | N/A | 9.8 |
| Franklin Covey | 22.27 | 62.0 | 315 | 316 | 1.7 | 1.4 | 1.3 | 19.8 | 13.6 | N/A | 8.5 |
| FTI Consulting | 111.72 | 77.5 | 4,218 | 4,383 | 1.8 | 1.7 | 1.6 | 14.1 | 12.6 | 11.1 | 12.7 |
| Heidrick & Struggles | 29.38 | 88.5 | 597 | 463 | 0.7 | 0.7 | 0.7 | 7.2 | 6.1 | 6.1 | 10.0 |
| Huron Consulting | 58.95 | 83.1 | 1,352 | 1,602 | 1.8 | 1.8 | 1.7 | 17.1 | 15.8 | 13.6 | 10.7 |
| ICF International | 74.33 | 78.0 | 1,500 | 2,021 | 1.4 | 1.3 | 1.2 | 15.7 | 13.6 | 12.6 | 8.8 |
| Korn Ferry | 43.50 | 94.9 | 2,450 | 2,464 | 1.4 | 1.4 | 1.3 | 13.4 | 9.6 | 7.8 | 10.6 |
| Resources Connection | 12.57 | 70.5 | 416 | 424 | 0.7 | 0.6 | NA | 10.7 | 7.5 | N/A | 6.1 |
| High | | 98.9% | \$177,329 | \$172,700 | 3.9x | 3.5x | 3.3x | 23.3x | 18.8x | 17.5x | 16.6% |
| Median | | 83.1 | 1,497 | 1,768 | 1.7 | 1.4 | 1.5 | 14.6 | 12.6 | 11.6 | 10.0 |
| Mean | | 75.9 | 19,718 | 20,251 | 1.7 | 1.6 | 1.6 | 15.0 | 12.0 | 11.4 | 9.3 |
| Low | | 62.0 | 315 | 316 | 0.7 | 0.6 | 0.7 | 7.2 | 6.1 | 6.1 | 6.1 |

















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

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

1. Represents performance for Q4.




M&A Activity

| Date | Target | Buyer | Summary |
|------------|---|---|---|
| 10/6/2020 |  |  | <ul style="list-style-type: none"> Myrtle Consulting Group is an industrial operations consulting firm working with companies across consumer products, life sciences, chemicals, and other manufacturing industries Myrtle will expand Accenture's ability to transform manufacturing and supply chain to new business process and technology solutions |
| 10/27/2020 |  |  | <ul style="list-style-type: none"> OpusLine is a leading consulting company providing strategic advisory and transformational services to healthcare providers and life science companies in France Accenture will leverage OpusLine's expertise to create a dedicated health practice in France |
| 11/1/2020 |  |  | <ul style="list-style-type: none"> Zilker Technology is a digital consultancy and systems integrator that works to create lasting and valuable customer experiences Zilker will strengthen the EY client experience through strategic relationships with EY alliance organizations like Adobe, IBM, and Dell Boomi |
| 11/3/2020 |  |  | <ul style="list-style-type: none"> Pace Harmon is a leading management consulting firm that focuses on IT and business services transformation and outsourcing advisory Pace Harmon adds depth to West Monroe's transformation advisory segment as well as new IT strategy and business process outsourcing and vendor management capabilities |
| 11/17/2020 |  |  | <ul style="list-style-type: none"> EagleDream Technologies is a leading cloud-native transformation company and APN Premier Consulting Partner for businesses using AWS Together, PwC and EagleDream plan to redefine what's possible with technology for enterprise clients |
| 12/8/2020 |  |  | <ul style="list-style-type: none"> Centerline is a life sciences management consulting firm that enables clients to improve the way their IT and Business Operations interacts with their internal business customers Ettain Group's acquisition of Centerline will enable the Company to further strengthen its consulting capabilities and its presence in the life sciences space |
| 12/8/2020 |  |  | <ul style="list-style-type: none"> BluePrint Research Group informs global brand commercialization efforts for life science products Solidifying Trinity's global presence, the acquisition of BluePrint enhances Trinity's commercially focused strategy, insights, and analytics offerings within the life sciences industry |
| 12/17/2020 |  |  | <ul style="list-style-type: none"> Deloitte's Life Sciences Pricing and Contracting Business utilizes proprietary cloud software and expert services solution to help companies grow to enterprises Model N will leverage complimentary talent and intellectual property from Deloitte's life sciences pricing and contracting solutions business to reach a larger market within life sciences |
| 12/21/2020 |  |  | <ul style="list-style-type: none"> Sutton Place Strategies is a deal origination tool and transaction database with proprietary data the ability to integrate with leading CRM platforms SPS strengthens Bain & Company's position as a leading advisor to private equity and corporate investors |

 = Clearsight acted as an exclusive advisor to Deloitte and Pace Harmon

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

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9G 9GAUGE PARTNERS, LLC
has been acquired by
E78 Partners

Sellside Advisor

SYNERZIP
has merged with
PRIME
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a portfolio company of
Frontenac

Sellside Advisor

COVESTIC
has been acquired by
MILESTONE
Strategic IT • Enabling Success
a portfolio company of
H. I. G. CAPITAL

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entropy
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OSAGE VENTURE PARTNERS & **ACTIVATE**
has been acquired by
protiviti
a subsidiary of
Robert Half

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RRD INTERNATIONAL
has been acquired by
uniphar

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Deloitte.
has sold its
Life Sciences Pricing and Contracting Solutions (PaCS) Business
to
Model N

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PACEHARMON
has been acquired by
westMONROE

Financial Advisor

CORNERSTONE ADVISORS
has received an equity investment from
Altamont CAPITAL PARTNERS

Sellside Advisor

Goldin
has been acquired by
Teneo
a portfolio company of
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