

# Business Consulting Market Monitor

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## Baker Tilly Expands IT Consulting Capabilities

Strategic investment in the digital space remains a key M&A priority for Baker Tilly in 2022

### Acquires Orchestrate Healthcare, a healthcare IT professional services and consulting firm (March 2022)

- Orchestrate Healthcare's core capabilities include IT and professional services focused on improving performance for provider electronic medical records processes and systems
- Healthcare providers are facing margin pressure and changes to value-based care, affecting their collaboration with payers and accelerating the need for data / digital optimization
- This acquisition demonstrates Baker Tilly's emphasis on healthcare digital solutions and provides strategic alignment and complementary solutions that will benefit existing clients

### Acquires Vanilla Solutions, an ERP technology consulting firm (March 2022)

- Vanilla Solutions' core specialization is IFS Cloud and is an IFS Gold Channel Partner, including Channel Partner of the Year for 2021
- This acquisition further enforces Baker Tilly's strategic focus on inorganic growth in the digital space through Vanilla Solutions' specialization in the sales, implementation and support of enterprise resource planning software, and provides a key partnership with IFS
- Vanilla Solutions' London headquarters also entrenches Baker Tilly in the European market

## The Big 4 Face Increased Regulator Scrutiny

Recent probe reignites the SEC's focus on regulating auditors

### The SEC's probe puts conflicts of interest between audit and consulting / non-audit services at the nation's largest accounting firms back in the spotlight

- SEC rules prohibit firms from providing both audit services and other services that could impact their impartiality as auditors. This probe highlights the SEC's reignited focus on the gatekeepers of the financial markets – auditors are critical in ensuring accurate and fair accounting to reduce the risk of fraud or error for shareholders
- ~47% of companies in the S&P 500 index paid significant non-audit fees to the firms hired to audit their accounting practices
- These firms have settled with the SEC regarding audit independence concerns numerous times over the past 10 years:
  - PwC paid ~\$8 million in 2019 to settle SEC claims related to accounting software design services provided to an audit client
  - Deloitte paid ~\$1 million in 2015 to settle SEC claims related to audit independence violations
  - EY paid ~\$4 million in 2014 to settle SEC claims related to lobbying congressional staff on behalf of audit clients
  - KPMG paid ~\$8 million in 2014 to settle SEC claims related to providing non-audit services to audit clients

Source: Wall Street Journal, Pitchbook

### Sector Leadership



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# Sector Spotlight

## Investor Attention Turns to Sales, Marketing and Communication Specialists

Following a record year in 2021, the first quarter of 2022 continued with unprecedented momentum via evolving trends in the business consulting sector. As pandemic turmoil settles and companies refocus on established growth plans, we witnessed increasing interest in sales, marketing and communications companies, particularly those that leverage data in their services. Notably, public company Creative Realities merged with Reflect Systems to form a single entity offering planning and design alongside data-driven analytics. Additionally, Omnicom (via Omnicom Health Group) acquired leading life sciences marketing innovator, Propeller Communications.

### Deal Analysis



#### Propeller Communications **February 2, 2022**

*Propeller is a fast-growing omnichannel strategy, content and delivery agency serving the pharmaceutical, medical device and biotechnology industries. The acquisition by Omnicom Health Group, the largest healthcare marketing and communications group in the world, emphasizes the growing market desire for data-driven marketing consulting solutions.*

**Omnicom Health Group**

#### Reflect Systems **February 17, 2022**

*Reflect Systems and Creative Realities (NASDAQ: CREX) merged and are operating under the Creative Realities brand name. Reflect Systems provides both media services and strategy services. Creative Realities designs, develops and deploys digital marketing experiences. The combined entity is poised to bring all-encompassing solutions across sectors.*

**Creative Realities**

#### Groupe Trigone **January 13, 2022**

*Groupe Trigone provides a wide range of performance improvement services to companies in Quebec. Their specialties include strategic management, business intelligence, talent development and marketing. MNP, an accounting and consulting firm, will benefit from Groupe Trigone's expertise in market analysis, harmonizing people, strategy and technology.*

**MNP**

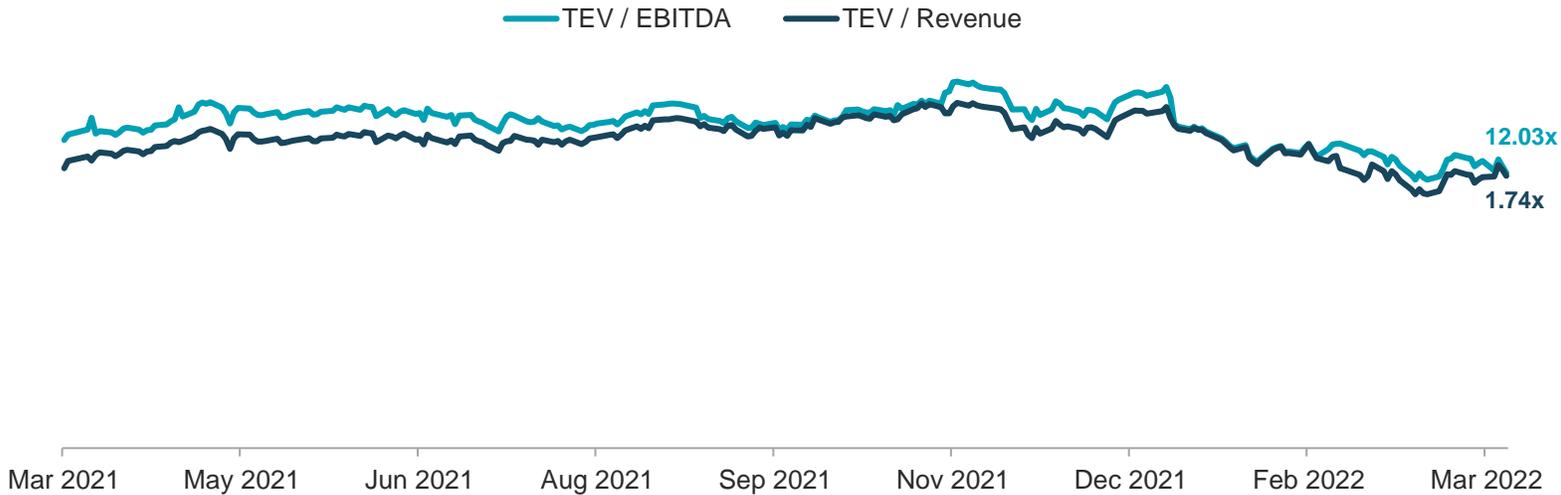
#### MC2 Design **March 8, 2022**

*MC2 Design joined forces with design agency Lone Fir Creative. MC2 focuses on partnering with their clients to develop brands, design and messaging. MC2 will add a qualitative brand consulting offering to Lone Fir's digital transformation and growth marketing capabilities.*

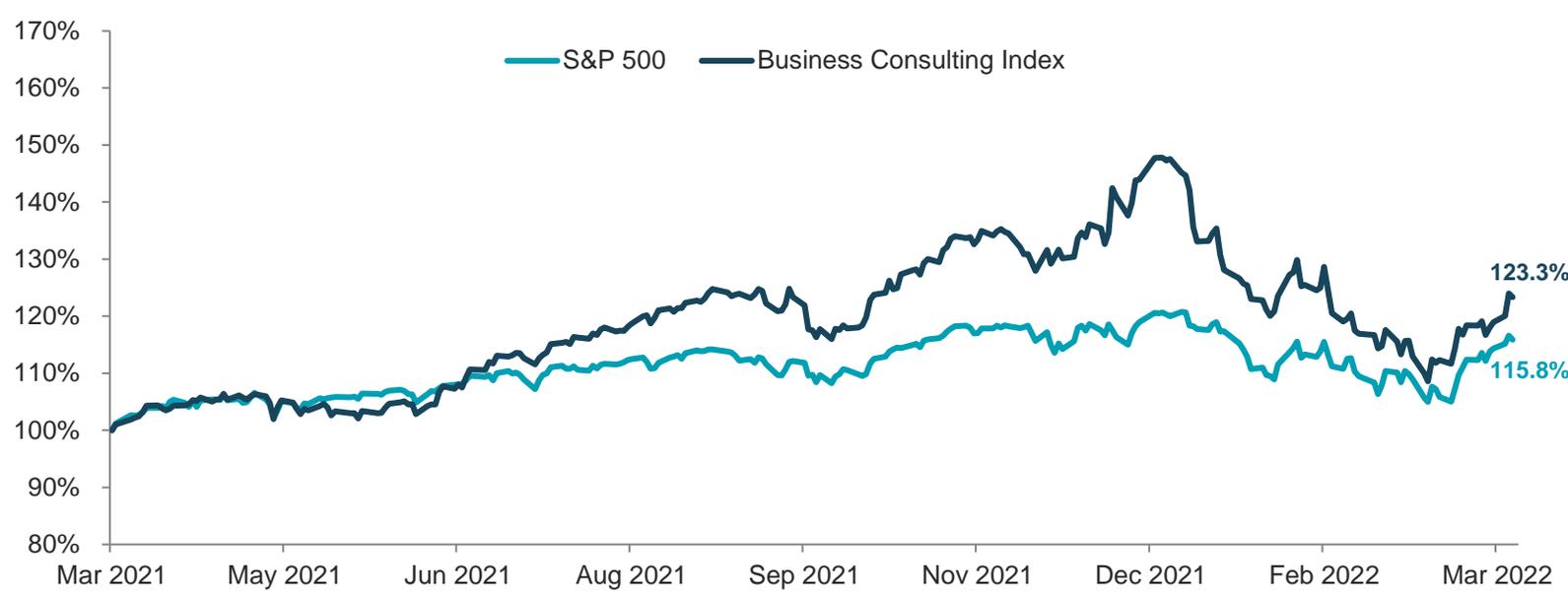
**Lone Fir Creative**

# Public Market Performance

The Business Consulting Index Revenue and EBITDA multiples decreased throughout Q1 2022



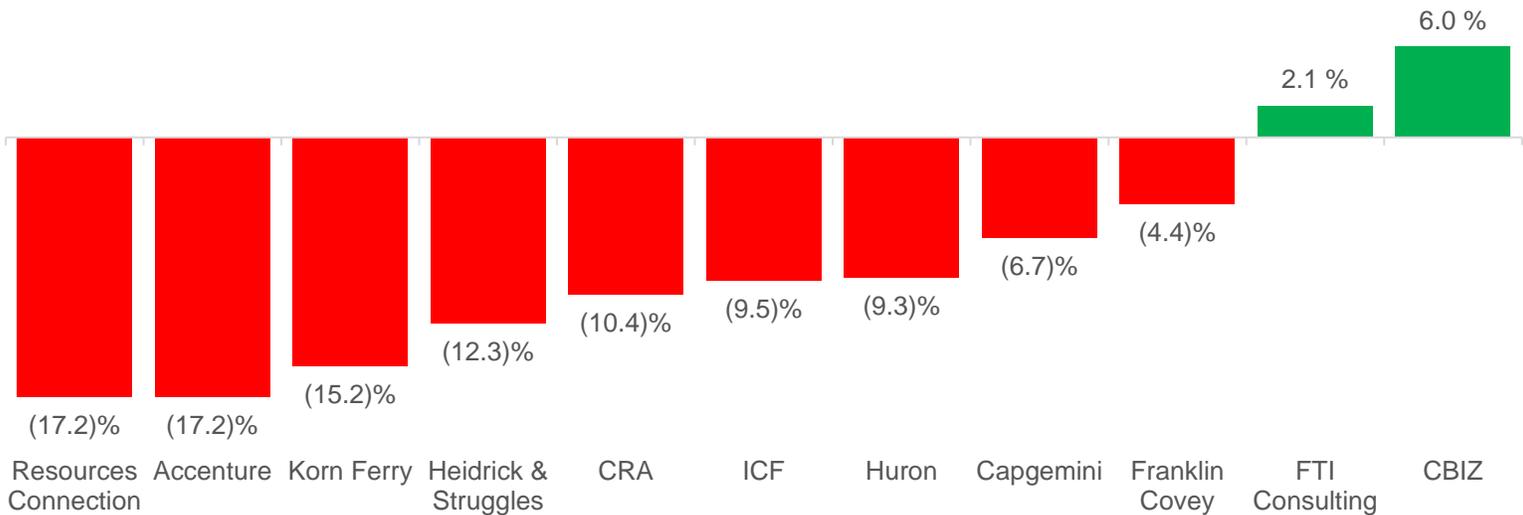
The Business Consulting Index faced a decline alongside the S&P 500 in Q1 2022



Source: Public market data as of 31-March-2022, Capital IQ  
Note: Revenue and EBITDA multiples represent the average multiples of the Business Consulting Index.

# Public Market Performance

During Q1 2022 the Business Consulting Index faced declining trends along with the rest of the market as global events caused market uncertainty



## Business Consulting industry multiples declined throughout Q1 2022

	Closing Price 31-Mar-2022	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin
					LTM	2022	2023	LTM	2022	2023	
<b>Professional Services</b>											
Accenture	\$337.23	80.8%	\$229,038	\$227,716	4.0x	3.6x	3.3x	23.9x	19.1x	17.5x	16.8%
Capgemini	224.95	92.0	39,260	43,769	2.1	2.0	1.8	16.0	12.0	11.1	13.2
CBIZ	41.97	99.1	2,256	2,585	2.3	2.0	1.9	19.9	14.4	13.0	11.8
CRA International	84.26	72.2	648	721	1.3	1.2	1.2	10.5	11.1	10.2	12.1
Franklin Covey	45.22	86.1	649	617	2.5	2.4	2.1	22.3	16.0	N/A	11.3
FTI Consulting	157.22	98.6	5,671	5,710	2.1	1.9	1.8	16.0	15.2	12.7	12.9
Heidrick & Struggles	39.58	79.1	813	353	0.4	0.3	0.3	2.9	2.6	2.7	12.3
Huron Consulting	45.81	77.5	1,048	1,325	1.5	1.3	1.2	15.2	11.4	10.0	9.6
ICF International	94.14	87.0	1,798	2,438	1.6	1.4	1.4	16.2	14.4	13.3	9.7
Korn Ferry	64.94	76.7	3,630	3,298	1.3	1.2	1.2	7.2	6.3	6.3	18.7
Resources Connection	17.14	85.0	589	585	0.8	0.7	0.7	7.3	6.2	N/A	10.6
<b>High</b>		<b>80.8%</b>	<b>\$229,038</b>	<b>\$227,716</b>	<b>4.0x</b>	<b>3.6x</b>	<b>3.3x</b>	<b>23.9x</b>	<b>19.1x</b>	<b>17.5x</b>	<b>18.7%</b>
<b>Median</b>		<b>85.0</b>	<b>1,798</b>	<b>2,438</b>	<b>1.6</b>	<b>1.4</b>	<b>1.4</b>	<b>16.0</b>	<b>12.0</b>	<b>11.1</b>	<b>11.8</b>
<b>Mean</b>		<b>84.9</b>	<b>25,945</b>	<b>26,283</b>	<b>1.8</b>	<b>1.6</b>	<b>1.5</b>	<b>14.3</b>	<b>11.7</b>	<b>10.8</b>	<b>12.6</b>
<b>Low</b>		<b>72.2</b>	<b>589</b>	<b>353</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>	<b>2.9</b>	<b>2.6</b>	<b>2.7</b>	<b>9.6</b>

Source: Public market data as of 31-March-2022, 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
1/3/2022	<b>Medical Knowledge Group</b>	<b>Novo Holdings</b>	<ul style="list-style-type: none"> <li>Medical Knowledge Group (MKG) offers medical communications, healthcare consulting and data analysis services</li> <li>Novo Holdings, a leading international life sciences investor, brings extensive industry experience to MKG as it continues to scale</li> </ul>
1/7/2022	<b>Clerestory Consulting</b>	<b>EY</b>	<ul style="list-style-type: none"> <li>Clerestory Consulting provides change management and technology consulting services to Fortune 500 companies and large and mid-sized corporations</li> <li>The acquisition expands EY's workforce transformation business</li> </ul>
2/2/2022	<b>BOLD Capital Management</b>	<b>FTI Consulting</b>	<ul style="list-style-type: none"> <li>BOLD provides financial advisory and management consulting services</li> <li>The acquisition extends FTI Consulting's restructuring, business transformation, digital and transactions teams to the Dutch market</li> </ul>
3/1/2022	<b>Cadilus</b>	<b>E78 Partners</b>	<ul style="list-style-type: none"> <li>Cadilus is an enterprise FP&amp;A services company offering a full suite of consulting and managed services</li> <li>E78 Partners' acquisition of Cadilus will enable them to serve the market with full-service portfolio monitoring solutions</li> </ul>
3/3/2022	<b>Policy Analysis Inc. (PAI)</b>	<b>Fishawack Health</b>	<ul style="list-style-type: none"> <li>Policy Analysis Inc (PAI) is a health-economics and outcomes-research consultancy serving pharma and biotech industries</li> <li>The acquisition of PAI expands Fishawack's Value, Evidence and Access (VEA) capabilities</li> </ul>
3/3/2022	<b>Research Partnership</b>	<b>Ashfield</b>	<ul style="list-style-type: none"> <li>Research Partnership provides healthcare market research and consulting services</li> <li>Research Partnership will add new market insights capabilities to Ashfield's offering and increase their presence in Europe and Asia</li> </ul>
3/9/2022	<b>EBMA Consulting</b>	<b>PharmaLex</b>	<ul style="list-style-type: none"> <li>EBMA Consulting provides health economics, pricing and market access consulting services to life sciences companies</li> <li>The merger strengthens the combined company's market access expertise and services to provide comprehensive support to clients</li> </ul>
3/16/2022	<b>M Squared Associates</b>	<b>ProPharma Group</b>	<ul style="list-style-type: none"> <li>M Squared Associates is a clinical, regulatory and quality consulting firm serving the medical device and diagnostic industry</li> <li>The acquisition broadens ProPharma Group's capabilities and boosts the Company's bench of med-tech experts</li> </ul>
3/24/2022	<b>Alfa Consulting</b>	<b>Accenture</b>	<ul style="list-style-type: none"> <li>Alfa Consulting offers a range of consultancy services to capital-intensive industries intended to enhance executive capacities</li> <li>Accenture's acquisition of Alfa strengthens their ability to transform clients' supply chains in Spain, Portugal and Mexico</li> </ul>
3/30/2022	<b>Delta Project Management</b>	<b>Verista</b>	<ul style="list-style-type: none"> <li>Delta Project Management is a leading provider of staff and consulting services for the regulated life science industry</li> <li>The acquisition enhances Verista's scope of services across the entire product lifecycle, from clinical to R&amp;D to commercialization</li> </ul>
3/31/2022	<b>Cirdan</b>	<b>Health Management Associates</b>	<ul style="list-style-type: none"> <li>Cirdan is a healthcare consulting and data services firm serving Medicare and Medicaid members</li> <li>The acquisition of Cirdan expands HMA's growing team of actuarial and data experts</li> </ul>

# About ClearSight

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