



Professional and Tech-Enabled Services Sector Brief

Harris Williams | Q3 2024

Subsector Overview: Accounting and Advisory Firms

Accounting and advisory companies continue to see increasing interest from private equity investors and strategic players. Several key attributes are driving investor interest.



Robust Growth Outlook

Accounting and advisory have a favorable and steady demand and growth trajectory, which appeals to private equity firms. Investment in technology to enhance productivity, workflow optimization, and leveraging specialized expertise are core drivers of investment opportunities.



Fragmented Market

Outsourced financial services space remains highly fragmented, which is a desirable characteristic for private equity firms seeking a buy-and-build thesis across both service lines and geographies.



Downside Protection

Many firms have deep relationships with clients, recurring contracts, and regulatory driven demand that enables highly reoccurring and predictable revenue. Given the core, mission-critical requirement for accounting and advisory services, combined with increasing complexity in the Office of the CFO, demand for these professional services is resilient regardless of the market environment.



Opportunities for Operational Improvement

Solutions via automation and introduction and/or advancement of offshore resources provide avenues for productivity enhancement. Private equity firms are attracted to these options to improve companies' margin profiles.

What We're Reading

In this sector brief, we have included a collection of articles focused on investors and their interest in accounting and advisory. Given the strong financial profiles, resilience, sector consolidation, and opportunities for operational improvement, firms in accounting and advisory continue to garner increased interest from investors across private equity and strategics alike.

The Rise of Private Equity in Accounting: Not Just for Large Firms Anymore

Thomson Reuters

"The accounting industry is undergoing significant transformation due to private equity investments, which are reshaping the sector by providing small tax & accounting firms with much-needed capital and operational expertise.... Many industry observers would think that it would be unheard of for a private equity firm to be interested in investing in small accounting firms simply because of their size. For PE firms, however, this instead represents a potentially limitless opportunity."

Read the full article [here](#).

CBIZ Strikes Deal to Acquire Fellow Accounting Firm Marcum

Wall Street Journal

"CBIZ has agreed to acquire Marcum in a \$2.3 billion deal that would turn the latter accounting firm's tax and consulting practices public and mark another structural shake-up outside of the Big Four.... CBIZ would acquire Marcum's consulting and tax services businesses, while its audit practice would be acquired by Mayer Hoffman McCann, a Kansas City, Mo.-based firm with which CBIZ has had a service agreement for more than 25 years."

Read the full article [here](#).

Private Equity Groups Poised to Own One in Three Top US Accounting Firms

Financial Times

"Ten of the 30 largest U.S. accounting firms are in negotiations to be purchased by private equity firms.... The acquisitions by financial buyers of those two top-10 firms by revenue opened the floodgates to other deals,... positioning private equity to increase its influence over the US accounting profession dramatically.... Deals can also mean windfalls for partners, and the prospect of capital appreciation via their ongoing stakes."

Read the full article [here](#).

Private Equity Money Is Pouring into US CPA Firms

The Finance Story

"Private Equity firms have bought stakes in 5 of the top 26 US accounting firms in less than three years. Why? They see huge untapped potential in these traditionally staid accounting firms.... Shortly after Baker Tilly announced its billion-dollar deal, Grant Thornton (GT) received its investment infusion from the PE firm New Mountain Capital. Since 2021, PE firms have been on a shopping spree, snapping up stakes in top accounting, planning, and advisory services."

Read the full article [here](#).

Private Equity Groups Step Up Pursuit of White-Collar Partnerships

Financial Times

"Accounting firms, consultancies and other professional services take outside cash to fund growth. Private equity is accelerating its pursuit of consultancies, talent agencies and accounting firms, as it targets professional partnerships in one of the buyout industry's last unconquered territories.... Acquisitions of partnerships could have more upside than other deals, and they point to lucrative exits on older buyouts in professional services as evidence for the investment thesis."

Read the full article [here](#).

Recent Harris Williams Industry Content

- **Data & Information Services: AI, Verticalization, and Actionable Insights**



[Link to Read](#)

- **Rising Demand for Mission-Critical C-Suite Advisory Services**



[Link to Read](#)

- **Legal Services: The Data Advantage**

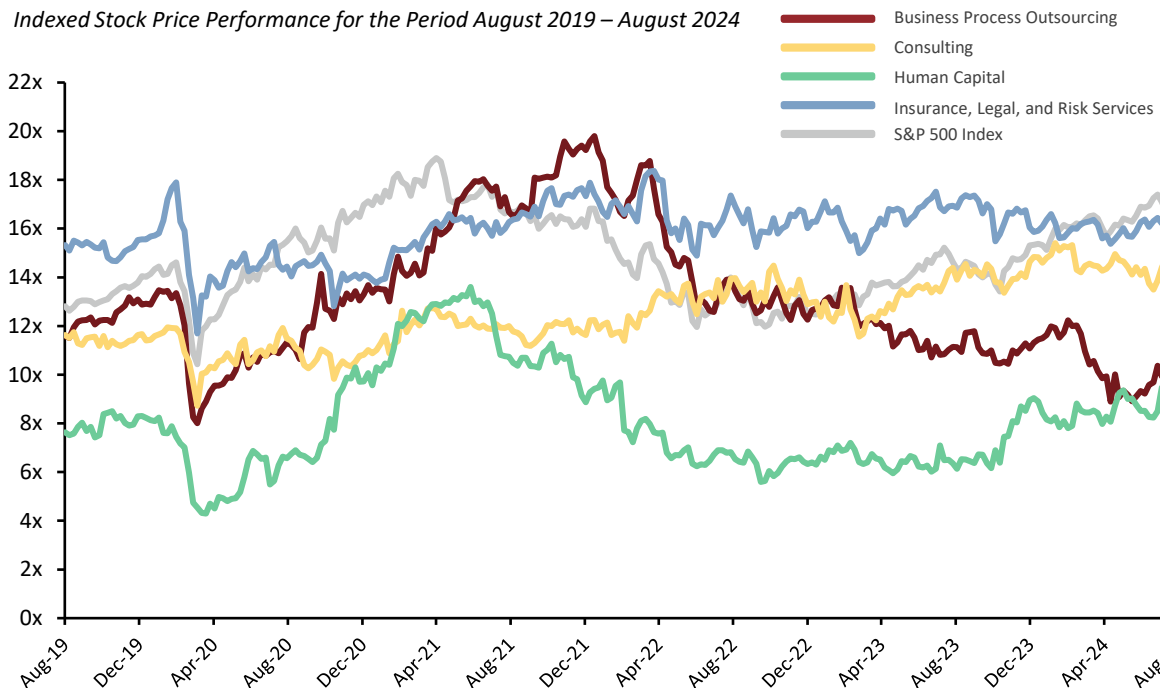


[Link to Read](#)

Professional and Tech-Enabled Services Public Company Performance and Trends¹

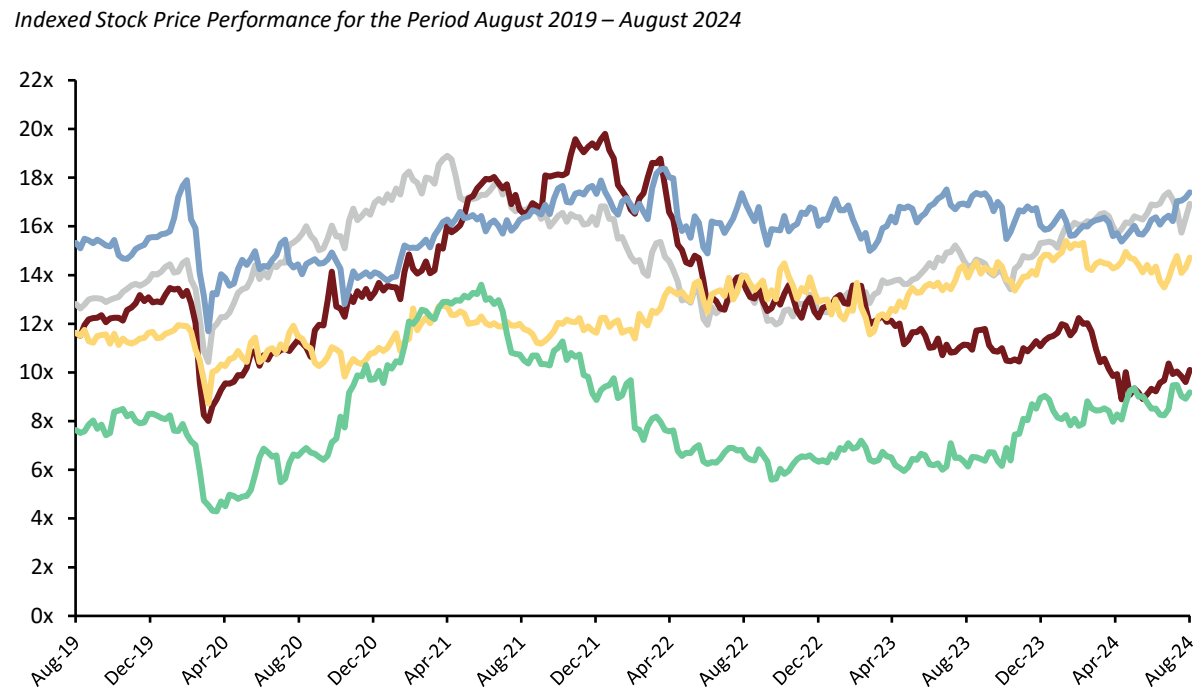
Historical Stock Prices – Past 5 Years

Indexed Stock Price Performance for the Period August 2019 – August 2024



Historical Median TEV/LTM EBITDA Multiples – Past 5 Years

Indexed Stock Price Performance for the Period August 2019 – August 2024



Representative Key Public Comparables²

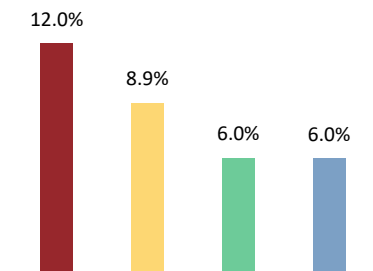


Professional and Tech-Enabled Services Public Company Operating and Valuation Metrics¹

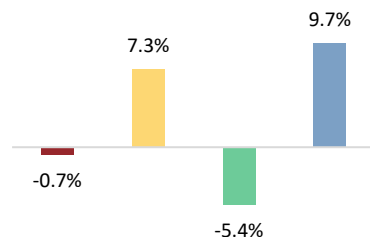
Public Company – Operating Metrics

Indexed Stock Price Performance for the Period August 2019 – August 2024

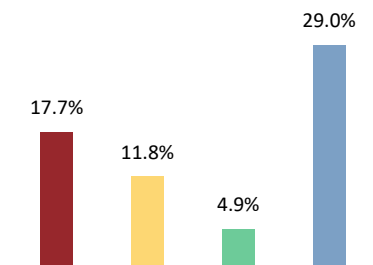
Median 3-Year Revenue CAGR (2021-2024)



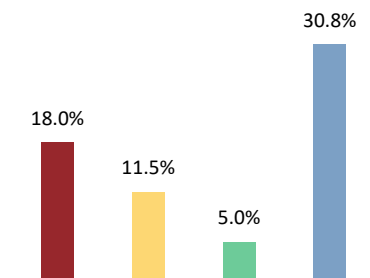
Median LTM Revenue Growth



Median 3-Year EBITDA Margin (2021-2024)



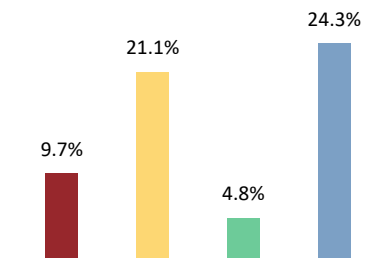
Median LTM EBITDA Margin



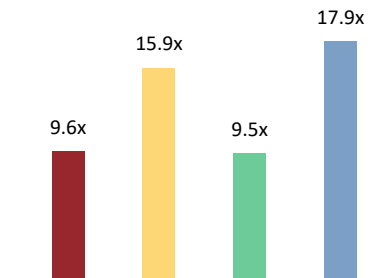
Public Company – Valuation Metrics

Indexed Stock Price Performance for the Period August 2019 – August 2024

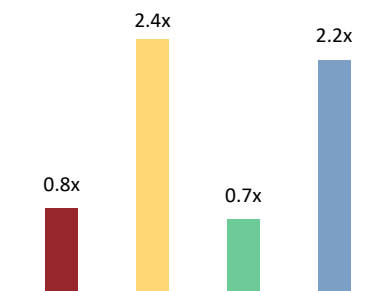
12-Month Change in Stock Price



Median TEV / 2024E EBITDA Multiple



Net Debt / LTM EBITDA



Business Process Outsourcing

Consulting

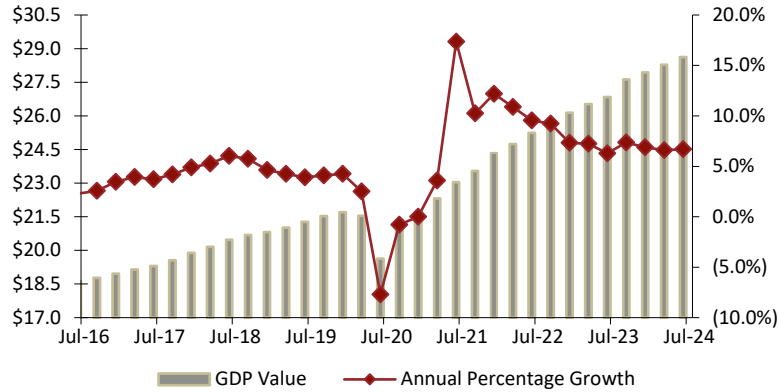
Human Capital

Insurance, Legal, and Risk Services

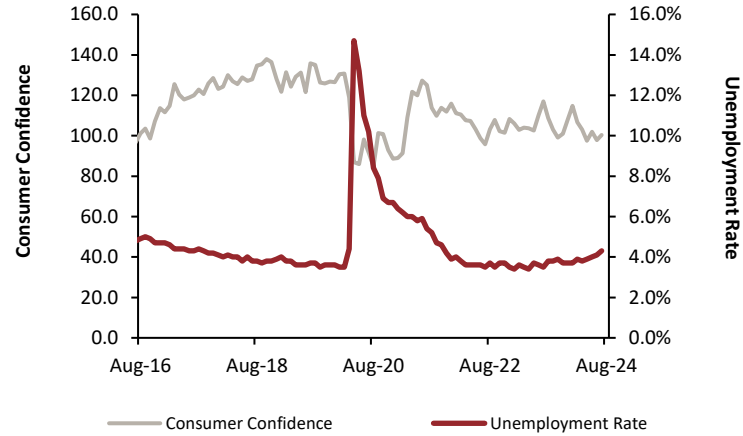
Economic Trends

U.S. GDP Growth¹

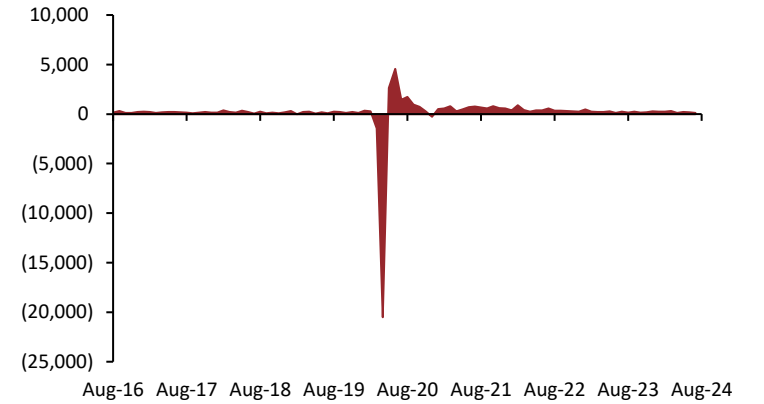
(In billions indexed to 2016 USD)



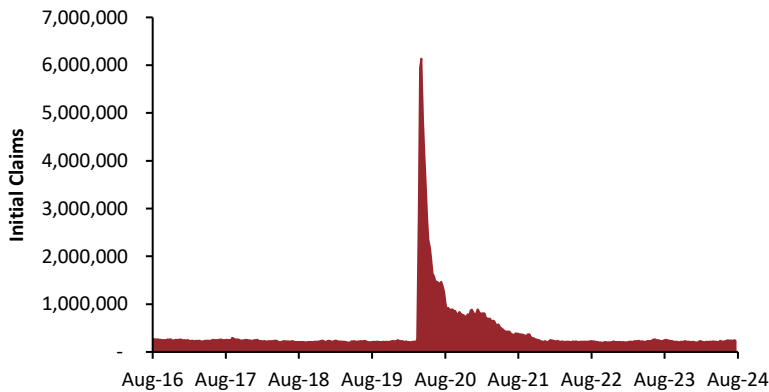
Consumer Confidence and Unemployment Rate^{2,3}



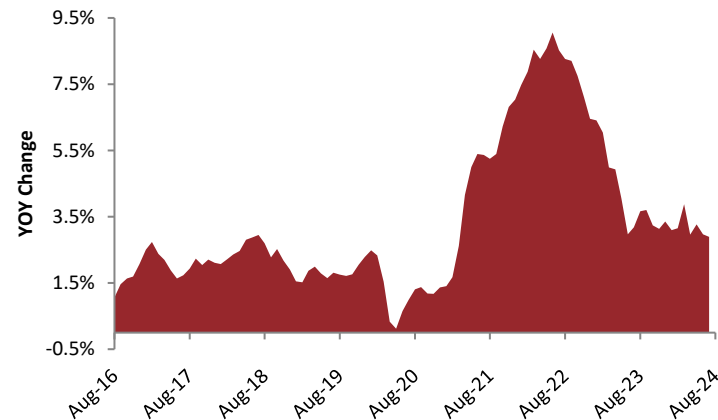
Non-Farm Payrolls (1-Month Net Change)³



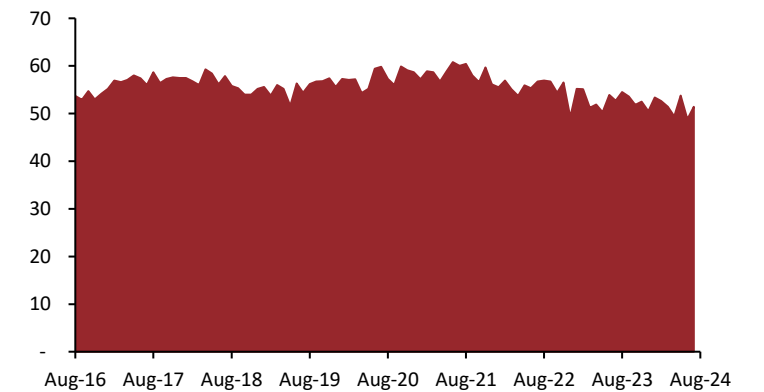
U.S. Initial Jobless Claims⁴



Consumer Price Index³

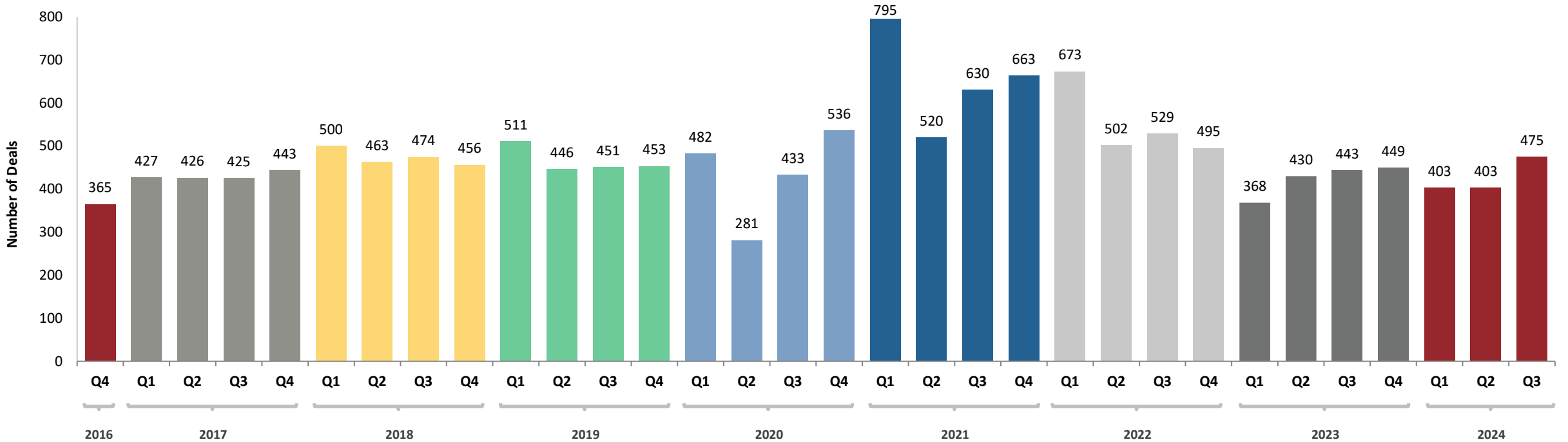


ISM Non-Manufacturing Index⁵



M&A Market Trends

Professional and Tech-Enabled Services M&A Volume by Year¹



Accounting and Advisory Firms Transactions

MARCUM
ACCOUNTANTS • ADVISORS

Target

CBIZ

Buyer

Aprio

Target

Charlesbank

Buyer

Recent Professional and Tech-Enabled Services Transactions Detail | Accounting and Advisory

Date	Target	Business Description	Acquirer(s)
8/26/2024	Saggar & Rosenberg, P.C.	Saggar & Rosenberg, P.C., provides audit, tax, and advisory services.	Sikich CPA LLC
8/20/2024	CUA OpCo, LLC	CUA OpCo, LLC, doing business as United Urology Group, offers urology practice operational, financial & accounting services.	OneOncology, LLC
8/8/2024	Waller Helms Advisors	Waller Helms Advisors provides investment banking and capital advisory services.	Houlihan Lokey, Inc.
8/7/2024	DeHollander & Janse Financial Group	DeHollander & Janse Financial Group provides financial consulting services.	Apollon Financial, LLC
8/1/2024	Pro Sport Cpa PLLC	Pro Sport Cpa PLLC offers taxation and accounting services.	Carr, Riggs & Ingram, LLC
7/31/2024	Marcum LLP	Marcum LLP provides corporate financial, accounting, and consulting services.	CBIZ, Inc.
7/29/2024	ValueScope, Inc.	ValueScope, Inc., provides financial reporting, tax reporting, transaction advisory, litigation support, and consulting services.	Marshall & Stevens Incorporated
7/23/2024	Noble Oak Financial	Noble Oak Financial offers asset management, business, and retirement planning services.	Avantax, Inc.; The Retirement Planning Group, LLC
7/23/2024	Janney Montgomery Scott LLC	Janney Montgomery Scott LLC is a full-service financial services firm that offers financial advisory and brokerage services to individual, corporate, and institutional investors.	KKR & Co. Inc. (NYSE:KKR)
7/18/2024	Province, LLC	Province, LLC, offers financial advisory services in areas of growth opportunities, restructurings, and fiduciary to businesses.	Trivest Partners, L.P.
7/17/2024	Arvo Tech, LLC	Arvo Tech, LLC, provides tax services.	Bandon Partners
7/16/2024	capSpire Inc.	capSpire Inc. is a consulting and software company that provides advisory services in the areas of enterprise content management, commodity trading, risk management, analytics, and optimization.	Falfurrias Management Partners LP
7/11/2024	Aprio, LLP	Aprio, LLP, provides auditing and accounting services.	Charlesbank Capital Partners, LLC
7/10/2024	Financial Research Associates, Inc.	Financial Research Associates, Inc., provides business valuation, forensic accounting, and related services to business owners and financial and legal communities.	Stout Risius Ross, LLC
6/13/2024	Giraffe Financial Inc.	Giraffe Financial Inc. offers end-to-end online tax preparation solution that intends to help users understand their likely eligibility and estimate the value of their tax credit.	Skyview Ventures, LLC
6/4/2024	McGowan Guntermann	McGowan Guntermann is an accounting firm.	NDH Group, Ltd.

Harris Williams Professional and Tech-Enabled Services Experience

Selected Transactions

nuspire
a portfolio company of
abry partners
has been acquired by
PDI TECHNOLOGIES
a portfolio company of
INSIGHT PARTNERS TA GENSTAR

CYBERSHEATH
a portfolio company of
LIGHTVIEW CAPITAL™
has been acquired by
bv INVESTMENT PARTNERS SINCE 1980

ThePurpleGuys Stress-Free IT Support
a portfolio company of
KIAN CAPITAL **PARKSOUTH VENTURES™**
has been acquired by
Ntiva Managed IT & Cloud Services
a portfolio company of
PSP CAPITAL PSP PARTNERS COMPANY

VMG HEALTH
a portfolio company of
NCP NORTHLANE CAPITAL PARTNERS
has been acquired by
INCLINE EQUITY PARTNERS

Direct Travel
has been acquired by
AN INVESTOR GROUP LED BY STEVE SINGH
Durable Madrona
TopTier Blackstone CREDIT & INSURANCE

nwn carousel
a portfolio company of
NEW STATE CAPITAL PARTNERS
has been acquired by
AMERICAN SECURITIES

Morgan Stanley CAPITAL PARTNERS
single-asset continuation vehicle
50 WORLD FIFTY GROUP

BUCK
a portfolio company of
H. I. G. CAPITAL
has been acquired by
Gallagher

inspirage
a portfolio company of
RLH Equity Partners
has been acquired by
accenture

UTTEGRATION
a portfolio company of
RLH Equity Partners
has been acquired by
cognizant

MAGNA LEGAL SERVICES
a portfolio company of
CIVIC PARTNERS
has been acquired by
Odyssey Investment Partners

WENDEL has acquired
ACAMS
a business division of
ADT/LEM GLOBAL EDUCATION

Ntiva
a portfolio company of
SOUTHFIELD
has been acquired by
PSP PARTNERS

AST
a portfolio company of
TAILWIND CAPITAL
has been acquired by
RECOGNIZE

EURAZEO
has acquired
SCALED AGILE
a portfolio company of
LEEDS EQUITY PARTNERS
RUBICON technology partners

Harris Williams Transaction Spotlight

VMG HEALTH
a portfolio company of
NCP NORTHLANE CAPITAL PARTNERS
has been acquired by
INCLINE EQUITY PARTNERS

Company Background

VMG is a trusted advisor to a diverse base of highly regulated clients in the healthcare space, such as hospital systems, physician groups, and ambulatory surgery centers. The company provides valuation, advisory, compliance, and financial due diligence services while addressing the complex and recurring demands of their clients.

Transaction Overview

Harris Williams advised VMG Health, a portfolio company of Northlane Capital Partners, on its sale to Incline Equity Partners.

Business Services Coverage Areas

- › Tech-Enabled and Professional Services
- › IT Services
- › Commercial & Industrial Services
- › Specialty Distribution

Professional and Tech-Enabled Services Coverage Areas

- › Business Process Outsourcing
- › Financial Services
- › Insurance & Risk Management
- › Consulting
- › Governance, Risk & Compliance
- › Legal Services
- › Education & Training
- › Human Capital Management
- › Marketing & Information
- › Engineering
- › Information Technology
- › Workforce Solutions
- › Compliance
- › eCommerce & Retail

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Pete Morgan
Director

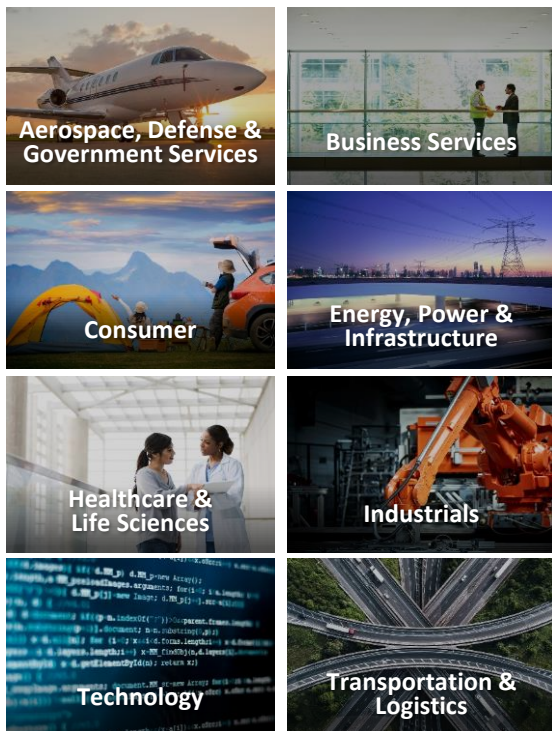
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HW Harris Williams / GLOBAL INVESTMENT BANK

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Deep Industry Experience



Proven Expertise

MERGERS & ACQUISITIONS

PRIVATE CAPITAL SOLUTIONS

PRIMARY FUND PLACEMENT

Core Values That Drive Success



75% Revenue from repeat clients
 87% Managing Directors promoted from within
 30+ Year history

Sources & Disclaimers

Sources

Public Comparable Companies:

BPO: Cognizant, Computershare, DXC, ExlService, Genpact, Tata Consultancy, TTEC, Wipro, and WNS

Consulting: Accenture, CBIZ, CRA International, FTI Consulting, Huron Consulting Group, ICF International, and Resources Connection

Human Capital: ASGN, Barrett Business Services, Hays, Heidrick & Struggles International, Insperity, Kelly Services, Kforce, Korn Ferry, ManpowerGroup, Randstad, Robert Half International, SThree, TrueBlue

IL&R Services (Insurance, Legal, and Risk): Aon, Arthur J. Gallagher & Co., Brown & Brown, Crawford & Company, Marsh & McLennan Companies, Willis Towers Watson

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