



Professional and Tech-Enabled Services Industry Update

Harris Williams | Q3 2022

What We're Reading

In this Industry Update, we have included a collection of articles focused on accounting, audit, and advisory firms, highlighting recent M&A trends and key drivers. The Sarbanes-Oxley Act, which created the framework to separate audit from non-audit practices, recently celebrated its 20th year anniversary. These changes plus the ability for private equity to invest in audit and accounting firms created an uptick in M&A activity within the sector. Harris Williams believes that the industry will continue to attract outside investment in both audit and non-audit practices as the Big Four divest of their audit businesses.

The Hand of Private Equity in Accounting Firms

Illinois CPA Society

“Accounting is attractive to PE firms for several reasons, but they’ve historically been on the outside looking in, says Christopher Geier, CEO and managing partner of Sikich LLP in Chicago. ‘That’s partly because of the traditional accounting firm partnership structure and the fact that accounting firms doing attest work have to be majority-owned—or even entirely owned—by CPAs and can’t have outside investors.’” [Read the full article here.](#)

As M&A Activity Reshapes the Tax & Accounting Profession, Private Equity Takes a Hand

Reuters

“Private equity investors, he explained, are attracted to accounting firms because they believe they are low risk and recession-proof, deliver positive cash flow, and are poised for growth as the industry transitions to a more advisory-oriented service model. ‘They believe the accounting profession is going through a major transformation. Some firms are positioned to provide the next wave of products and services and industry specialization that the middle market is demanding. This will increase the price war on acquiring targeted accounting firms.’” [Read the full article here.](#)

Private Equity Investment in Accounting Firms Elevates Marketers as Key Players

Association for Accounting & Marketing

“Private equity investments in public accounting firms differ from traditional mergers in several ways, most notably in the way the new entities are structured and operated. In most deals, the attest side of a firm is retained as a partnership separate from the tax and advisory entity, in part to satisfy independence requirements. The PE investment is made in the tax and advisory entity, which is operated as a company with officers and employees rather than partners. *Read the full article [here](#).*”

Twenty Years Later, SOX Continues to Drive Trust in the Capital Markets

EY

“Since its enactment, SOX has provided a robust framework for deterring corporate fraud, increasing transparency and promoting complete and accurate financial reporting in the public capital markets. Among its provisions, SOX created the Public Company Accounting Oversight Board (PCAOB or Board), thereby ending self-regulation in the audit profession; strengthened the independence of the audit; empowered independent audit committees to oversee audits and financial reporting; and strengthened executive accountability around the financial reporting process.” *Read the full article here.*

Deloitte Explores Splitting Auditing, Consulting Arms, Following Ernst & Young

Wall Street Journal

"Deloitte is exploring a plan to split its global audit and consulting practices, following an effort by fellow Big Four accounting firm Ernst & Young to potentially spin off its consulting arm, according to people familiar with the matter. The moves would mark the biggest shake-up in the accounting industry in decades, handing windfalls to tens of thousands of the firms' partners and creating two new consulting giants and two stripped-down auditing firms." [Read the full article here.](#)

Recent Harris Williams Industry Content

- **Technology-Enabled Business Services**



Link to Read

- **Consulting Q&A: An Emerging M&A Opportunity**

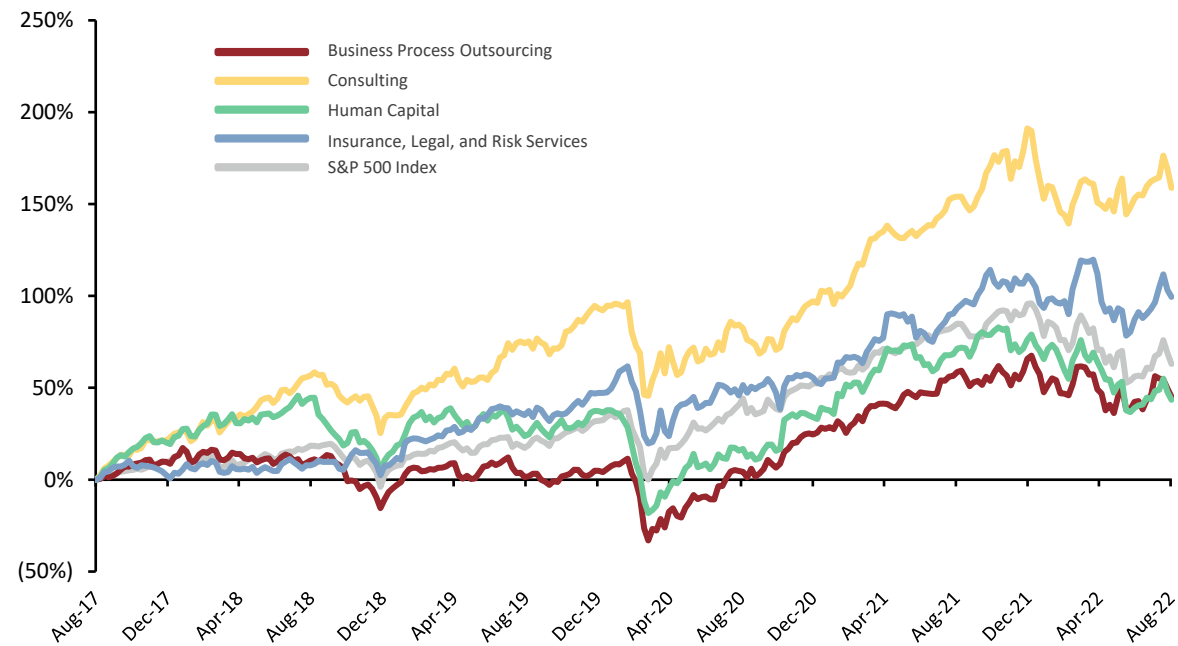


Link to Read

Professional and Tech-Enabled Services Public Company Performance and Trends¹

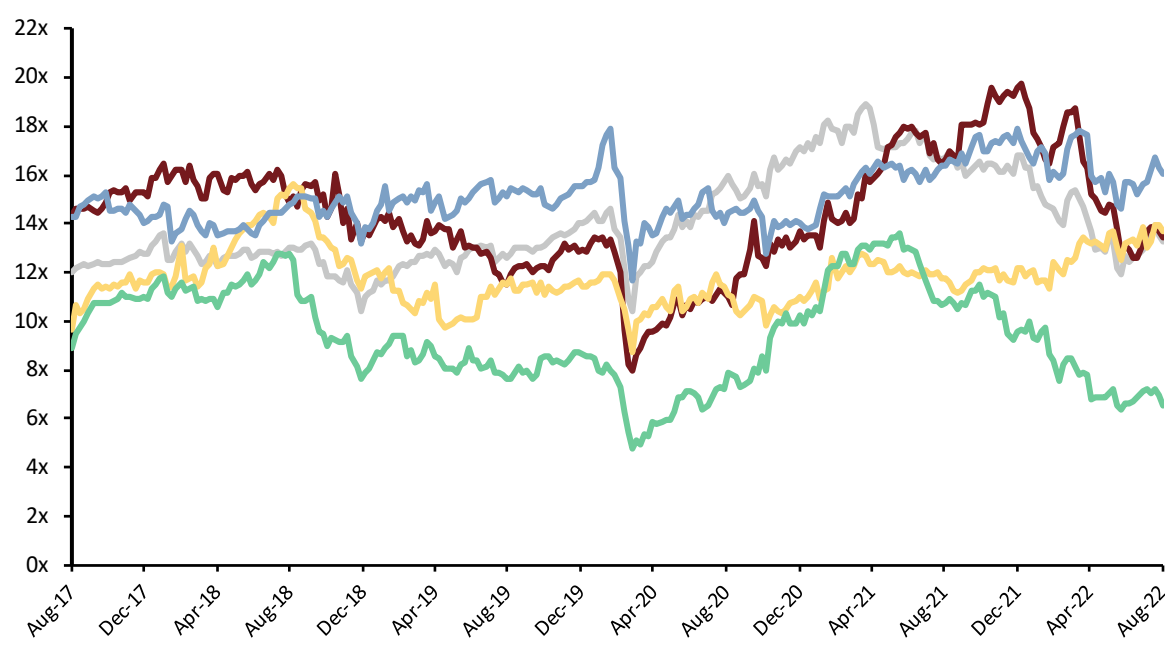
Historical Stock Prices – Past 5 Years

Indexed Stock Price Performance for the period August 2017 – August 2022



Historical Median TEV/LTM EBITDA Multiples – Past 5 Years

Indexed Stock Price Performance for the period August 2017 – August 2022



Representative Key Public Comparables²

accenture

AON

ASGN

BBSI

Brown & Brown Insurance

CBIZ

cognizant

Computershare

CRA Charles River Associates

Crawford

DXC TECHNOLOGY

EXL

F T I CONSULTING

Gallagher

genpact

HAYS

HEDRICK & STRUGGLES

HURON

ICF

Inspireity

Kelly

KFORCE

KORN FERRY

ManpowerGroup

MarshMcLennan

randstad

RESOURCES CONNECTION

rh

s|three

tcs

trueblue

tttec

wipro

WNS

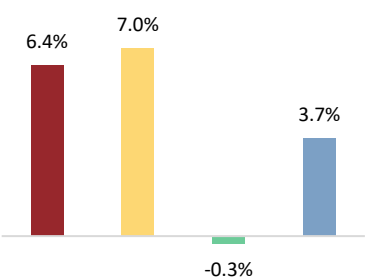
wtw

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

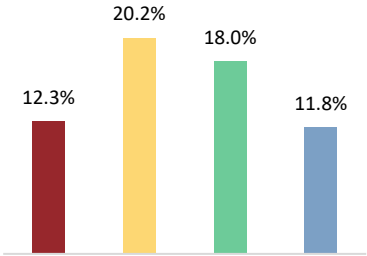
Public Company – Operating Metrics

Indexed Stock Price Performance for the period August 2017 – August 2022

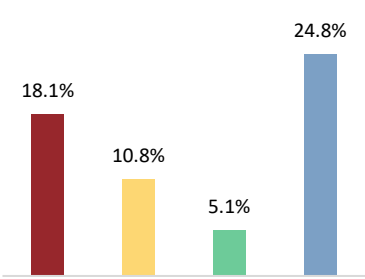
Median Three-Year Revenue CAGR (2018-2021)



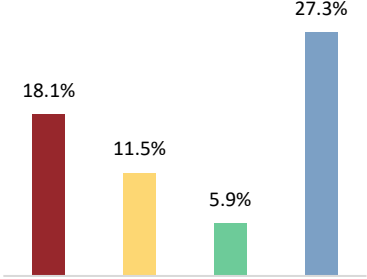
Median LTM Revenue Growth



Median Three -Year EBITDA Margin (2018-2021)



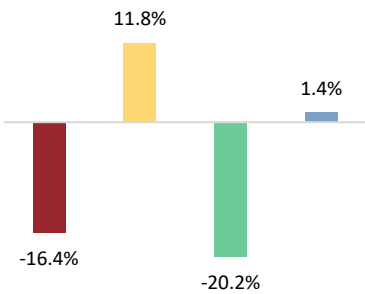
Median LTM EBITDA Margin



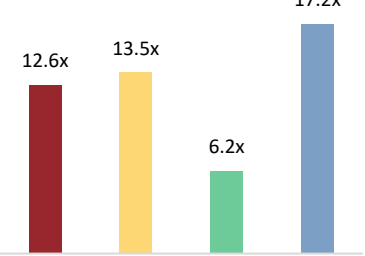
Public Company – Valuation Metrics

Indexed Stock Price Performance for the period August 2017 – August 2022

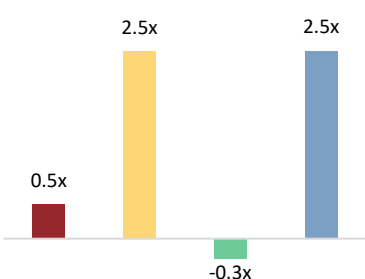
12-Month & Change in Stock Price



Median TEV / 2022E EBITDA Multiple



Net Debt / LTM EBITDA



Business Process Outsourcing

Consulting

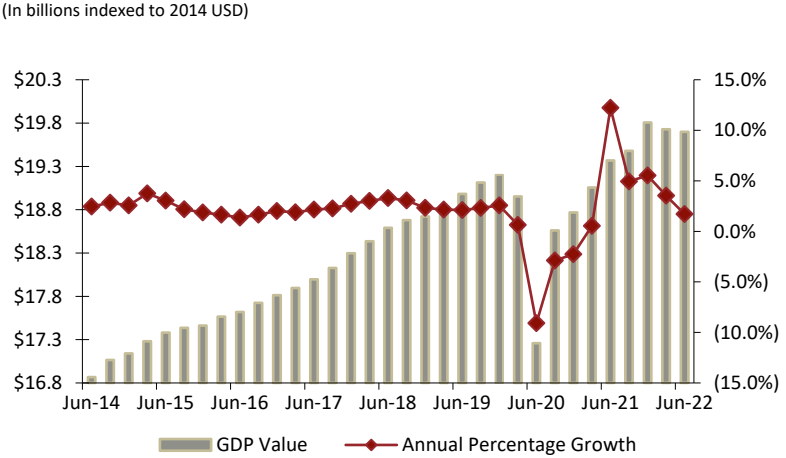
Human Capital

Insurance, Legal, and Risk Services

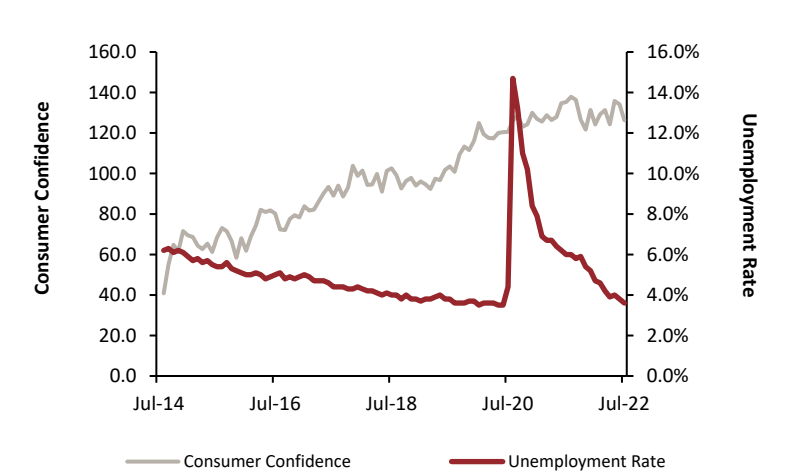
¹) S&P Cap IQ; data as of August 30, 2022

Economic Trends

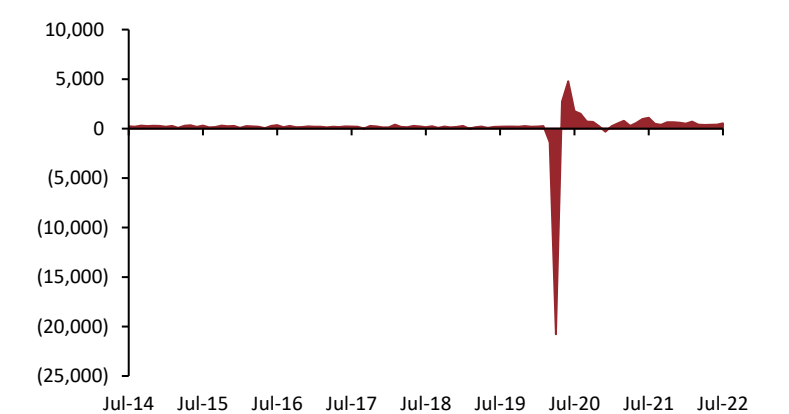
U.S. GDP Growth¹



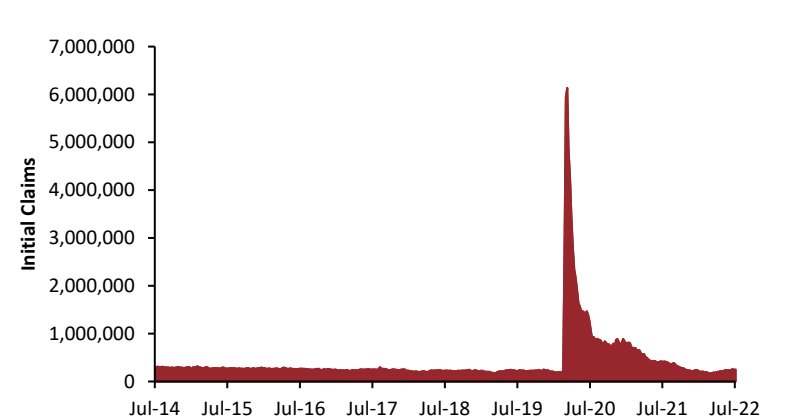
Consumer Confidence & Unemployment Rate^{2,3}



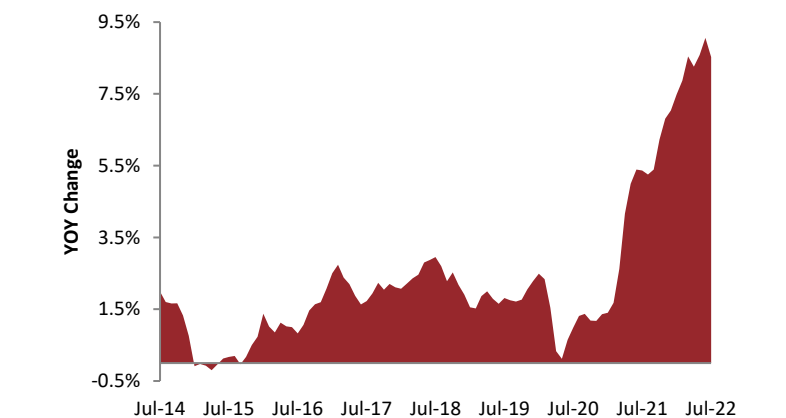
Non-Farm Payrolls (1 Month Net Change)³



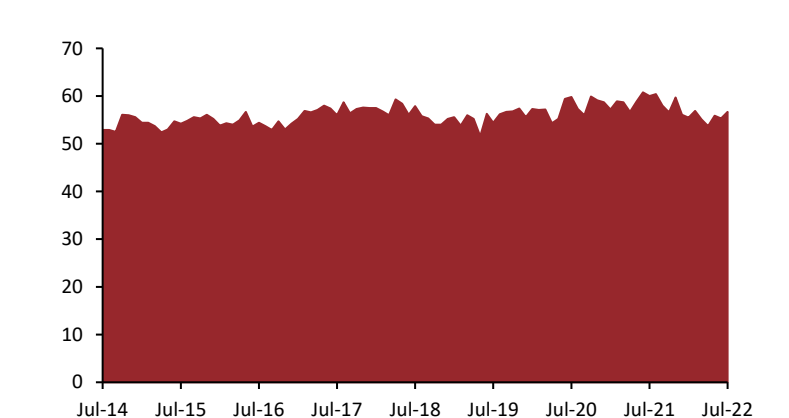
U.S. Initial Jobless Claims⁴



Consumer Price Index³



ISM Non-Manufacturing Index⁵

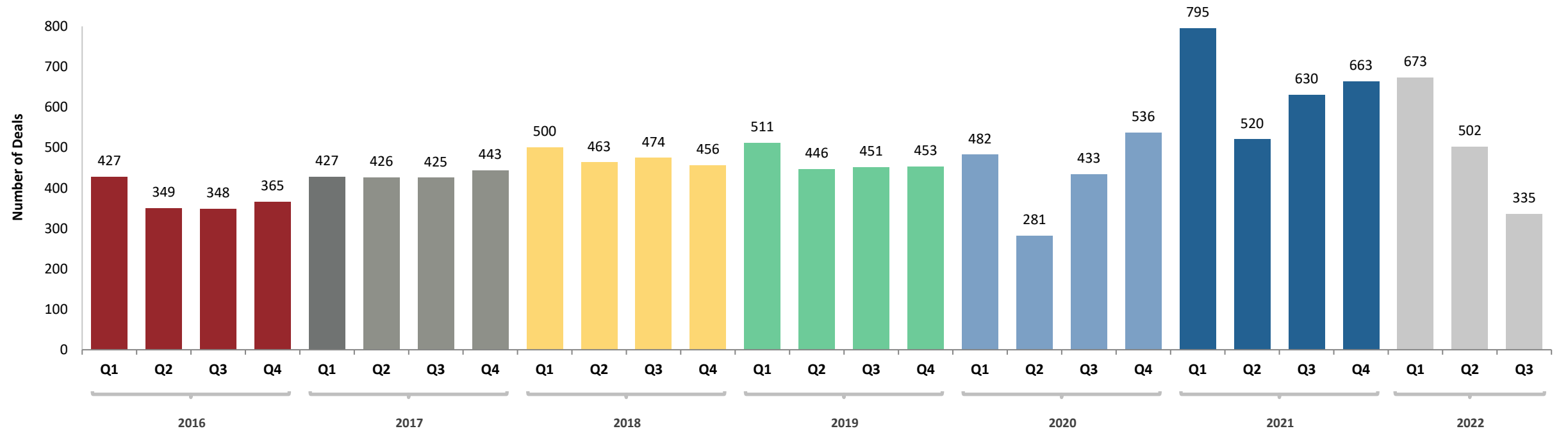


1) U.S. Bureau of Economic Analysis
2) The Conference Board
3) U.S. Bureau of Labor Statistics


4) U.S. Department of Labor
5) Institute for Supply Management

M&A Market Trends

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



Select Accounting and Advisory Transactions

 CITRIN COOPERMAN Target	 NEW MOUNTAIN CAPITAL LLC Buyer	 Cherry Bekaert Target	 PARTHENON CAPITAL PARTNERS Buyer	 EISNERAMPER Target	 TOWERBROOK Buyer
 schellman Target	 LIGHTYEAR CAPITAL Buyer	 CFG Target	 CARLYLE Buyer	 WILLIAMS MARSTON Target	 KELSO Buyer

Recent Professional and Tech-Enabled Services Transactions Detail

Date	Target	Business Description	Acquirer(s)
8/29/22	WilliamsMarston LLC	Accounting, tax, and valuation advisory services provider	Kelso & Company
8/25/22	Grant Thornton LLP (Public Sector)	Audit and tax advisory services provider	Guidehouse (Veritas Capital)
8/23/22	Allstate Corporate Services	Outsourced corporate filing and registered agent services provider	Registered Agent Solutions (Lexitas: an Apax portfolio company)
8/18/22	Support Services Group, Inc.	Outsourced contact center services provider	Kingswood Capital Management, LP
8/18/22	Paradigm Advisory Group	Financing and accounting advisory services provider	WilliamsMarston (Align Capital Partners)
8/16/22	Davis & Hosfield Consulting	Financial and economic consultancy firm	Stout
8/16/22	Cambria Solutions	Business process consultancy firm	Ernst & Young LLP
8/12/22	On Time Reporting, Inc.	Court reporting services provider	Magna Legal Services
8/12/22	Crowe LLP (ESOP Sector)	Accounting, consulting, and tech firm	Blue Ridge ESOP Associates
8/9/22	Oracle Capital	Valuation consultancy firm	WilliamsMarston (Align Capital Partners)
8/9/22	YSC Consulting	CEO advisory and leadership consultancy firm	Accenture
8/4/22	ABACI	ERP and EPM consultancy firm	Accordion (FFL Partners)
8/1/22	Barton & Associates	Healthcare staffing services provider	H.I.G. Capital
7/28/22	Code Unlimited	Building code consulting and fire protection engineering firm	Jensen Hughes (Gryphon Investors)
7/21/22	Bespoke Partners	Executive search and leadership advisory services provider	AEA Growth
7/18/22	Phaidon International	Staffing services provider	Further Global
6/22/22	Brookson Group	Compliance and services platform provider	People2.0 (TPG)

Harris Williams Professional and Tech-Enabled Services Experience

Selected Transactions



WENDEL
has acquired



a business division of



GLOBAL EDUCATION



a portfolio company of



has been acquired by





a portfolio company of



has been acquired by





has acquired



a portfolio company of



RUBICON
technology partners



a portfolio company of



has been acquired by





has received an investment from





a portfolio company of



has received an investment from





a portfolio company of



has received an investment from





a portfolio company of



has been acquired by





a portfolio company of



has been acquired by





a portfolio company of



has been acquired by





a portfolio company of



has been acquired by



and merged with





has been acquired by





a portfolio company of



has been acquired by





a portfolio company of



has received an investment from



Harris Williams Transaction Spotlight



WENDEL
has acquired



a business division of



GLOBAL EDUCATION


Company Background

The company is an international membership organization focused on enhancing the knowledge and expertise of companies fighting money laundering, bribery, corruption and financial terrorism, along with organizing related international conferences, seminars and training, enabling clients to meet their continuing professional education needs to avoid financial crime.


Transaction Overview

Harris Williams advised Wendel Group on its acquisition of the Association of Certified Anti-Money Laundering Specialists (ACAMS), a business division of Adtalem Global Education.


Harris Williams Transaction Spotlight



has acquired



a portfolio company of



RUBICON
technology partners

Company Background

Scaled Agile is a leading global provider of the framework, platform, and professional training content and certifications for implementing business agility practices across the enterprise.

Transaction Overview

Harris Williams advised Eurazeo on its acquisition of Scaled Agile, a portfolio company of Leeds Equity Partners and Rubicon Technology Partners.

Harris Williams: At a Glance



- **30 years** and thousands of deals closed
- **100%** of revenue is from M&A advisory
- **10** Industry Groups with deep sector expertise
- **70%** of revenue from repeat clients
- **8** offices across the U.S. and Europe

Harris Williams Business Services & Specialty Distribution

- Commercial & Industrial Services
- IT Services
- Professional Services
- Specialty Distribution

Professional and Tech-Enabled Services Sectors

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







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Harris Williams Capabilities and Locations



Harris Williams has a broad range of industry expertise, which creates powerful opportunities. Our clients benefit from our deep-sector experience, integrated industry intelligence and collaboration across the firm, and our commitment to learning what makes them unique. For more information, visit our website at www.harriswilliams.com.

	Aerospace, Defense & Government Services		Business Services		Building Products & Materials		Consumer		Energy, Power, Infrastructure
	Healthcare & Life Sciences		Industrials		Specialty Distribution		Technology		Transportation & Logistics

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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, Willis Towers Watson
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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