

Professional Services | Consulting

INDUSTRY UPDATE | March 2021



Professional Services / Consulting Practice Overview

Introduction

Our March Professional Services Sector Update explores key data and insights on the consulting sector. Access articles on segment trends, the M&A environment post-COVID-19, and reasons why the space provides a compelling investment opportunity. You'll also find commentary and analysis on current capital market trends and M&A dynamics within the global professional services sector.

Please contact our professionals to discuss our perspectives and experience in the space.

Our Practice

Harris Williams' Business Services Group has experience advising companies that provide a range of commercial, industrial and professional services.

This particular report focuses on trends and metrics in the following areas:

Business Process Outsourcing

Consulting

Education & Training

Engineering

Financial Services

Governance,
Risk & Compliance

Human Capital Management

Information Technology Services

Insurance & Risk Management

Legal Services

Marketing & Information

Technology Enabled Services

Representative Professional Services and Consulting Transactions

 a portfolio company of  has received an investment from Morgan Stanley Capital Partners	 a portfolio company of  has received an investment from AQUILINE CAPITAL PARTNERS LLC	 a portfolio company of  has been acquired by GTCR	 a portfolio company of  has been acquired by LGP	 a portfolio company of  has been acquired by GI PARTNERS and merged with ADVANCED DISCOVERY	 a portfolio company of  has been acquired by eurofins
 has been acquired by 	 a portfolio company of  has received an investment from LEEDS Equity Partners	 a portfolio company of  has been acquired by Sentinel CAPITAL PARTNERS	 has been acquired by 	 a portfolio company of  has been acquired by 	 has received an investment from FLEXPOINT FORD

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What We're Reading

Trends Transforming Management Consulting in 2021

Linchpin

3/5/2021

"The massive management consulting industry continues growing, but not without pains. It has yet to integrate big data or automate processes, making it scalable only so long as qualified individuals continue to move into the industry."

"Adjusting to digitization presents its largest challenge. While many industries from marketing to health care utilize big data and business automation processes, as discussed, this has not reached management consulting yet. This transformation must occur for the industry to continue to grow."

Read the full article [here](#).

COVID-19 is Shaping M&A: Here's What Private Equity Needs to Know

Plante Moran

2/19/2021

"Like the virus itself, COVID-19's impact on companies varies depending on the condition and circumstances of their individual business. Some companies were initially hit hard, but rebounded quickly, others continue to suffer lasting effects."

"Professional services such as consulting may have some projects on hold, so staff utilization is down. Nevertheless, most are maintaining staff levels in expectation of return to normal business levels."

Read the full article [here](#).

Key Trends in 2021 for Consulting

InfoDesk

12/1/2020

"Management consulting trends in 2021 will be shaped by the impacts of the Covid-19 pandemic. The subsequent worldwide recession is expected to result in a 14% downturn in the global management consulting industry in 2020, while the U.S. management consulting industry is expected to shrink by 15%."

"Consultancies' own digital delivery will expand beyond video conferencing and collaboration tools, with offerings designed using emerging technologies like no-code software and AI to create new digital methodologies that transform clients' fundamental work processes."

Read the full article [here](#).

The Future of Consulting: Shorter, Sharper, Cheaper

Financial Review

10/20/2020

"These factors all combine to mean the future of consulting is one where projects, especially those related to information technology, are shorter, sharper and cheaper. It's a future that will put the high-overhead structure of the big four and Accenture under pressure."

"The pandemic has also demonstrated to business leaders that, when required, employees can quickly adapt to radically different ways of working. This means much less need for the traditional change management program, where a large group of consultants work to ensure client staff accept and are trained in the need for new ways of working."

Read the full article [here](#).

Why Private Equity Firms Are Upping Their Stakes in the Consultancy Sector

Consultancy.org

7/30/2018

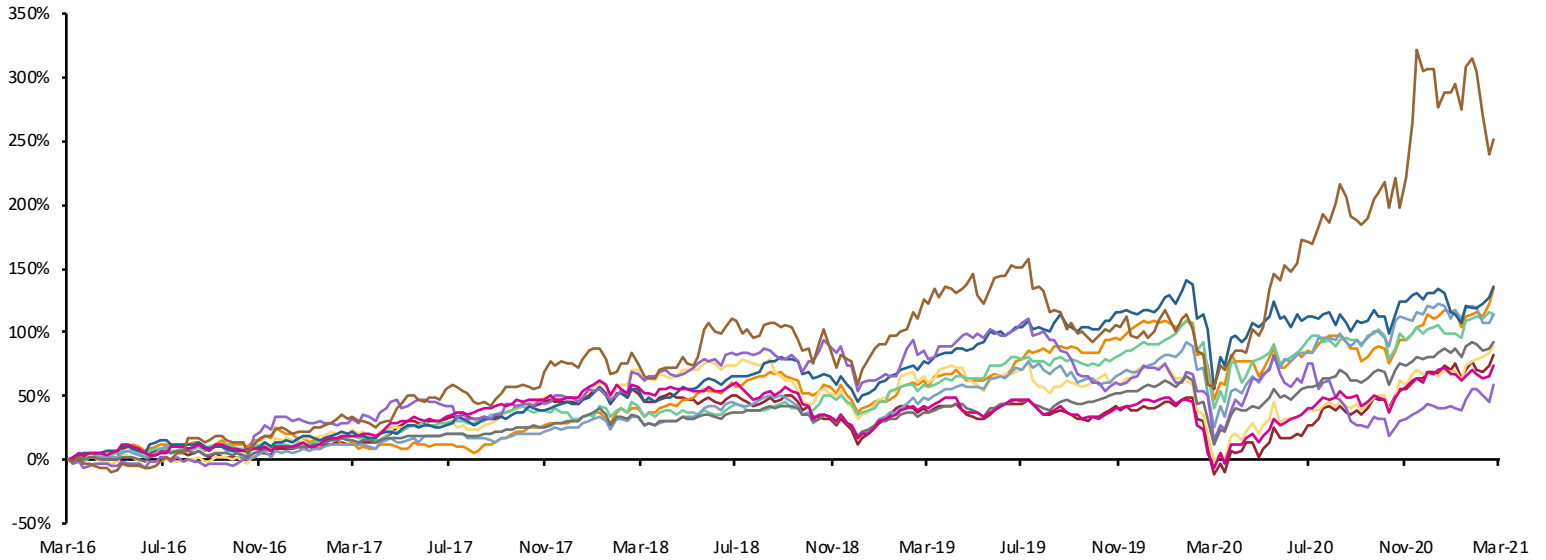
"Where previously uncertainty in the market had hindered investor confidence, now the allure of high-quality specialist consultancy assets across the sector, and a recognition and understanding of the impressive returns that many consultancies generate, has acted as a catalyst for growth in M&A activity."

"Despite the project-based nature of many consultancies, private equity (PE) investors have identified that a clear track record of repeat work with loyal clients can prove attractive as an earnings stream. On top of that, longer-term projects have helped provide better earnings visibility, a fact valued by investors."

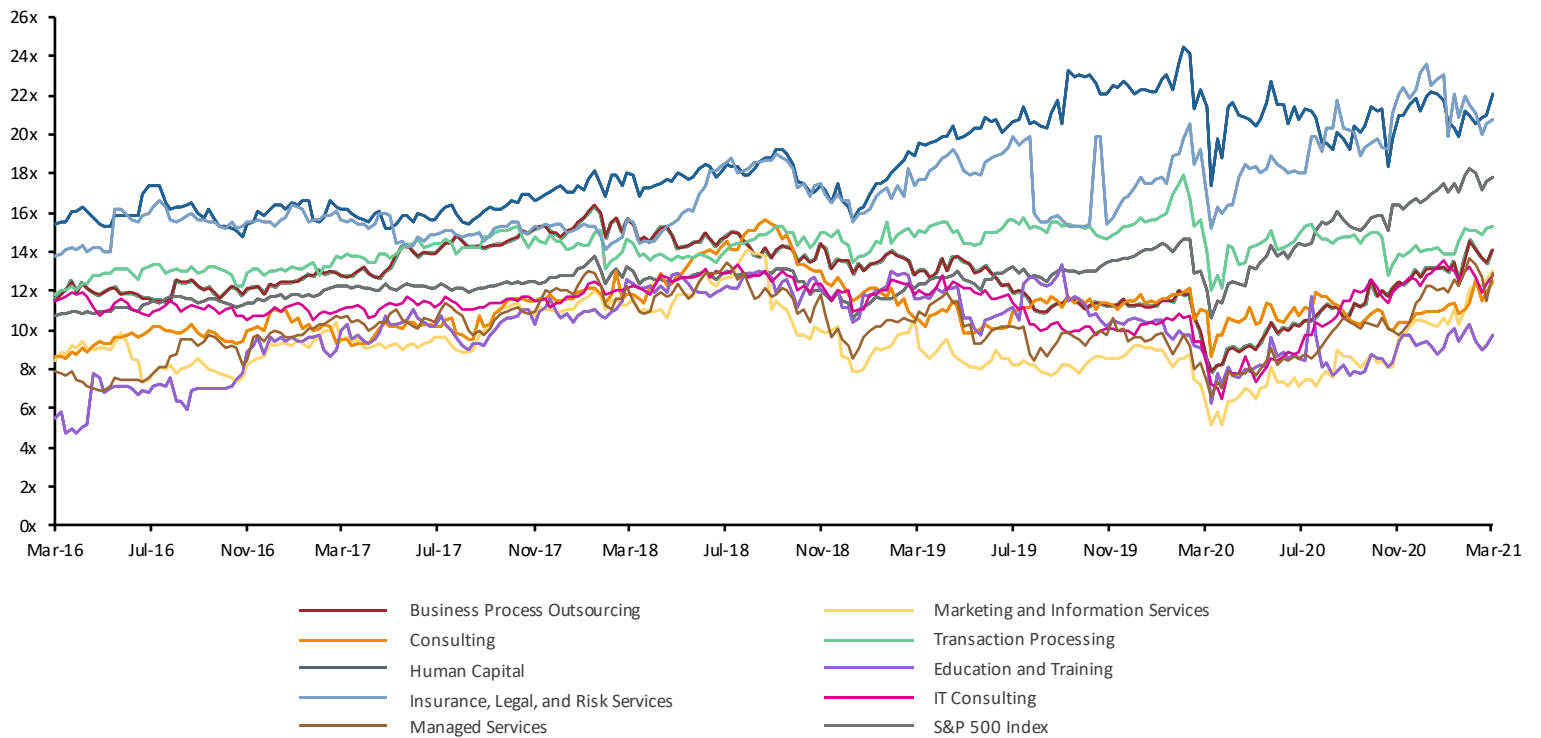
Read the full article [here](#).

Public Markets¹

Historical Stock Prices – Last 5 years



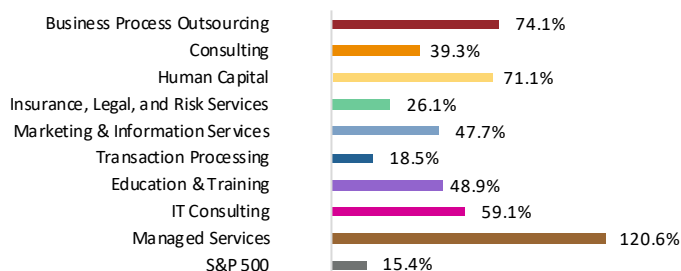
Historical Median TEV/LTM EBITDA Multiples – Last 5 years



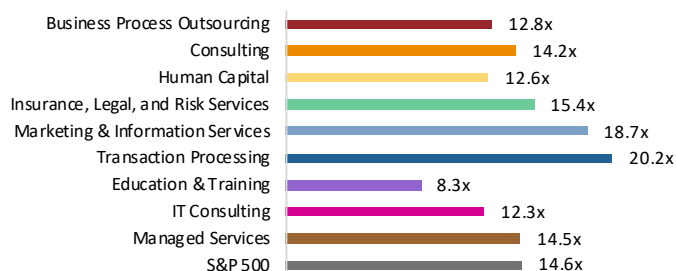
Notes: Data as of March 14, 2021. Comparable company sets listed on page 8. Sub-sector indices weighted by stock price.

Public Markets¹

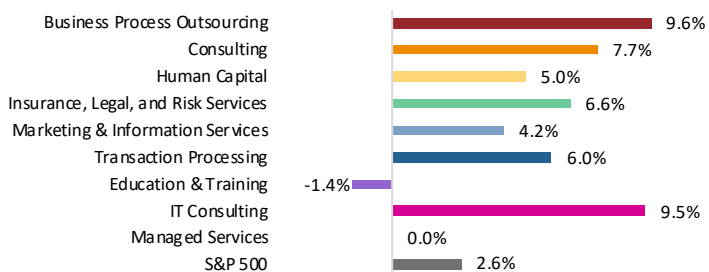
12-Month % Change in Stock Price



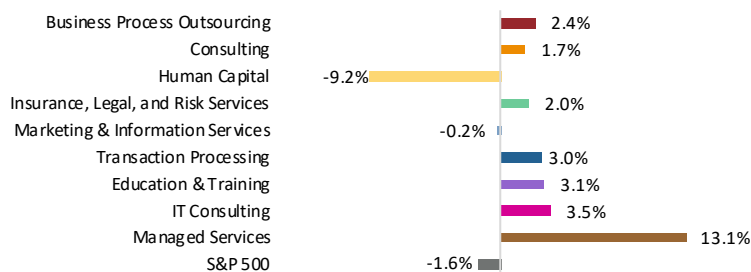
Median TEV / 2021E EBITDA Multiple



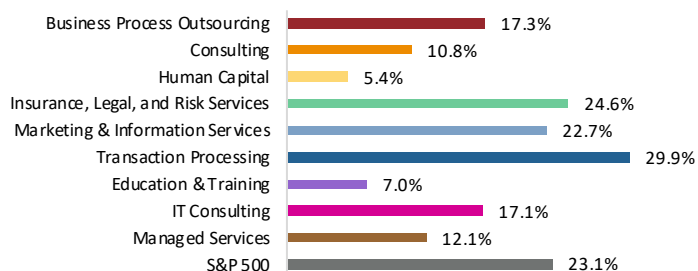
Median 3-Year Revenue CAGR (2017 – 2020)



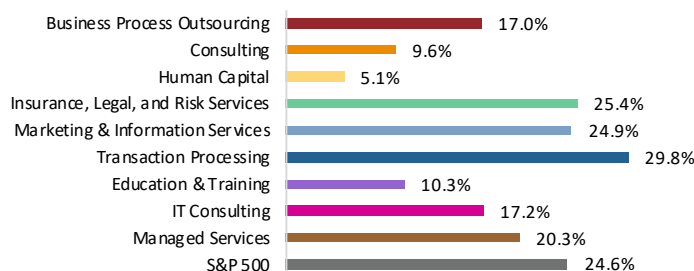
Median LTM Revenue Growth



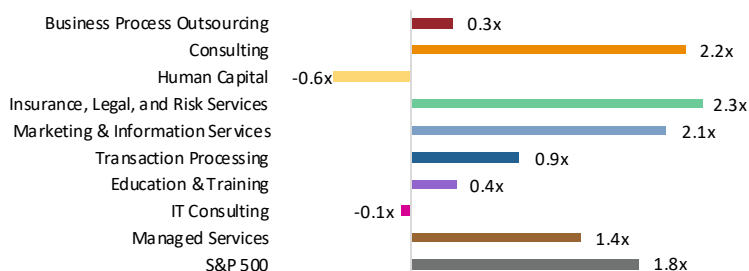
Median EBITDA Margin (2017 – 2020)



Median LTM EBITDA Margin



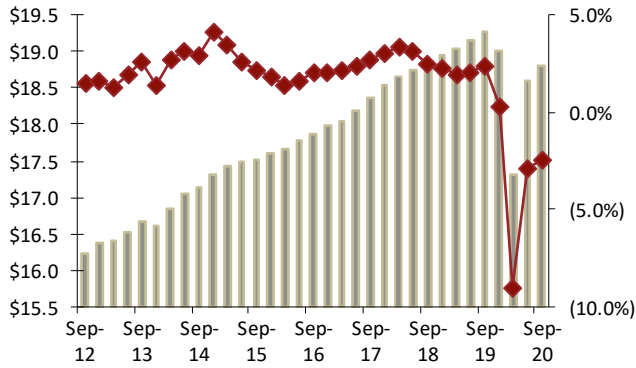
Net DEBT / LTM EBITDA



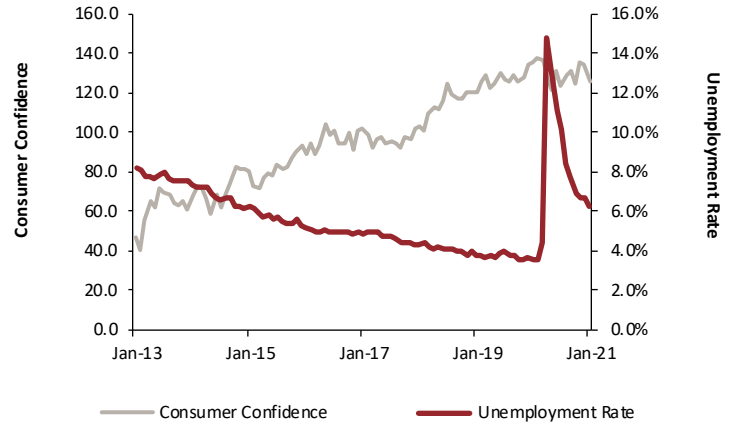
Economic Trends

U.S. GDP Growth²

(In billions indexed to 2012 USD)

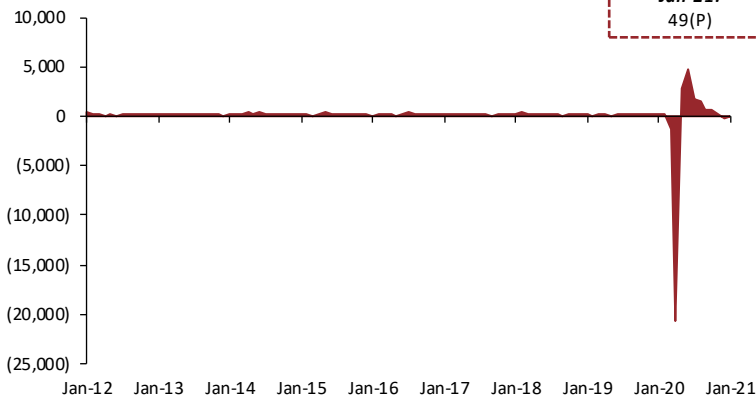


Consumer Confidence and Unemployment Rate^{3,4}

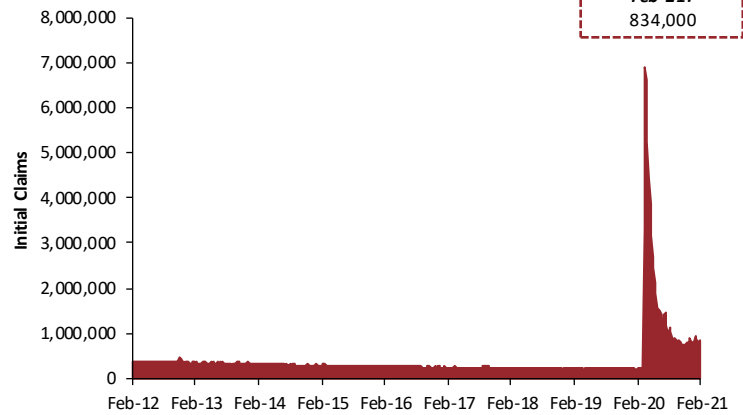


Non-Farm Payrolls (1-Month net change)⁴

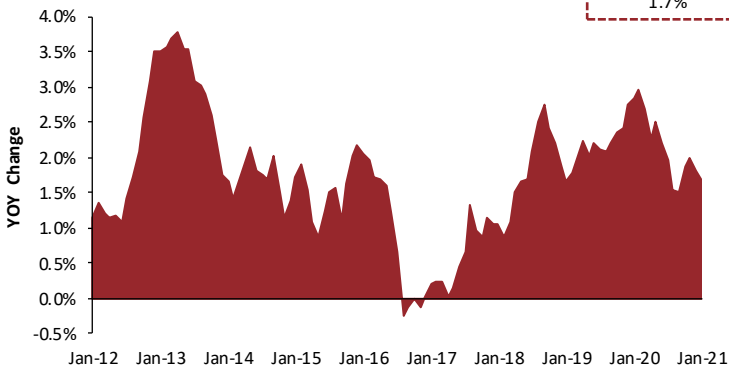
(Payrolls in 000s)



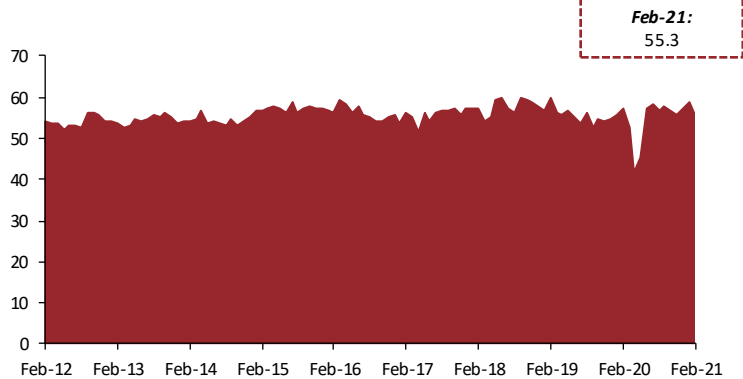
U.S. Initial Jobless Claims⁵



Consumer Price Index⁴

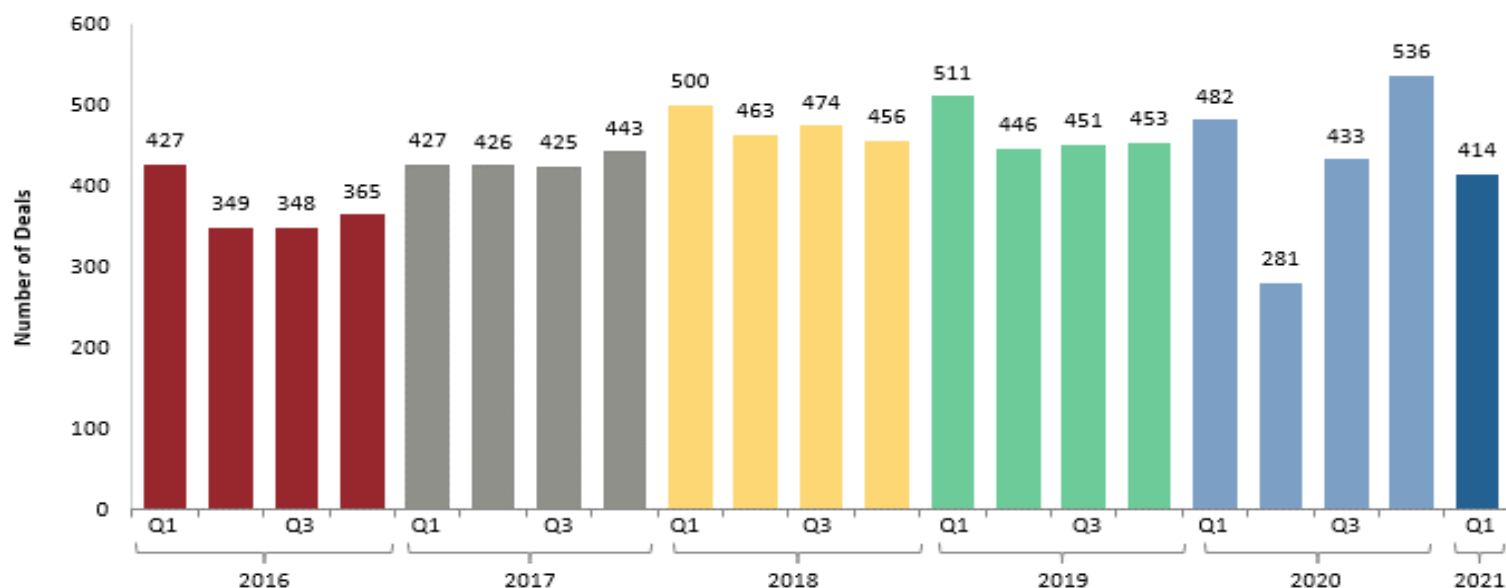


Services PMI⁶



M&A Market Trends¹

Professional Services M&A Volume by Year



Note: Data through March 14, 2021.

Representative Consulting Transactions

Date	Target	Business Description	Acquirer(s)
2/22/21	KSM Consulting	Provides data, technology, and digital transformation consulting services	Investcorp
2/17/21	Acumen Recovery Services	Provides IT managed services and ServiceNow implementation	Stretto (Stone Point Capital)
2/16/21	Infinity Works	Provides cloud and digital transformation consulting services	Accenture
2/9/21	Momentum Solutions	Provides consulting services and managed IT solutions	BGSF
2/5/21	BTP Consultants	Provides technical control and consultancy services to the construction sector	Apax Partners
2/3/21	Thought Logic Consulting	Provides business and technology transformation consulting	Renovus Capital Partners
2/1/21	Bluvault Solutions	Provides management consulting and technology services	CrossCountry Consulting
1/12/21	Servian	Provides enterprise consulting specializing in data analytics, artificial intelligence, and digital services	Cognizant Technology
1/12/21	Strategy Meets Action	Global provider of operational solutions for insurance organizations	ReSource Pro (DFW Capital)
1/12/21	The Nolan Company	Provider of retirement plan design and administrative services	ReSource Pro (DFW Capital)
1/11/21	Linium	ServiceNow focused digital business and transformation consultancy	Cognizant
1/4/21	Burgess Cawley Solutions	Provides property tax consulting services	Ryan Specialty Group (Onex)
1/3/21	Synerzip	Provides software product development services	Prime Technology Group (Frontenac)
1/3/21	TCF Services	Provides tax incentive and government grants consulting services	Ryan Specialty Group (Onex)
12/18/20	Zilker Technology	Provides digital consulting and systems integration	E&Y
12/16/20	Applied Safety and Ergonomics	Provides consulting services related to human factors engineering / ergonomics, product and occupational safety, and product warnings	Rimkus Consulting (Century Equity Partners)
12/7/20	Blackrock Expert Services Group	Disputes and expert advisory specialist firm of construction, technology, accounting and financial services professionals	Duff & Phelps
12/3/20	Centerline Partners	Provides requirements and program management consulting in the life sciences market	ettain group (A&M Capital)
11/30/20	PA Consulting	Provides innovation and transformation consulting services	Jacobs

Our Firm

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/industries.

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& Government Services



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& Materials



Business
Services



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Energy, Power
& Infrastructure



Healthcare
& Life Sciences



Industrials



Specialty
Distribution



Technology



Transportation
& Logistics



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Sources

1. S&P Global Capital IQ
2. U.S. Bureau of Economic Analysis
3. The Conference Board
4. U.S. Bureau of Labor Statistics
5. U.S. Department of Labor
6. Institute for Supply Management

Public Comparable Companies:

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

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

Human Capital: 51job, 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: Aon, Arthur J. Gallagher & Co., Brown & Brown, Crawford & Company, Marsh & McLennan Companies, Willis Towers Watson

M&I Services: Alliance Data Systems, comScore, CoreLogic, CoStar Group, Equifax, Experian, FactSet, Fair Isaac, Forrester Research, IHS Markit, Informa, LiveRamp Holdings, Moody's, Morningstar, Nielsen Holdings, Omnicom Group, Publicis Groupe, The Interpublic Group of Companies, Thomson Reuters, Verisk Analytics, Viad, Wolters Kluwer, WPP

Transaction Processing: Automatic Data Processing, Fidelity National Information Services, Global Payments, Jack Henry & Associates, Paychex, The Western Union Company

Education and Training: Adtalem Global Education, American Public Education, Franklin Covey, GP Strategies, Grand Canyon Education, K12, Lincoln Educational Services, Pearson, Scholastic, Strategic Education, Zovio

IT Consulting: Accenture, Atos, Capgemini, CGI, Cognizant Technology Solutions, DXC Technology, Genpact, HCL Technologies, Infosys, Tata Consultancy Services, Tech Mahindra, Wipro

Managed Services: American Virtual Cloud Technologies, NetApp, TTEC, Zscaler, Rackspace Technology, Datto, Snowflake

Note: Data through March 14, 2021.

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