

The Global Consulting Mergers & Acquisitions Report 2015

Growing equity, realizing value



The Global Consulting Mergers & Acquisitions Report 2015

Welcome to the Equiteq Global Consulting Mergers & Acquisitions Market Report 2015

This market trend report is aimed primarily at shareholders, prospective shareholders, investors and corporate development executives in the consulting industry. If you are involved in the running of a consultancy business, or looking to sell and/or acquire, or just interested in valuations and market trends, then read on...

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Welcome to the only publicly available information on the Global Consulting M&A market. It covers professional services companies across all major industry segments including: management consulting, engineering, HR services, IT services and media consultants. [See Appendix for sector definitions].

Equiteq's primary mission is to help our clients, owners of consulting firms, to prepare their firms for sale and complete successful M&A transactions. We engage either years ahead of a sale, helping owners to drive more value into their companies and improve market attractiveness, or when they are ready to sell, want to find the right buyer and get the best deal possible.

We produce this report to keep Equiteq and its clients ahead of the intelligence curve, through comprehensive data capture, synthesis and analysis. We are happy to share this aggregate view with our community of interest.

If you are involved in the running of a consultancy business, looking to sell and/or acquire, or just interested in valuations and market trends, then read on.

Finally, a short disclaimer. Despite our diligence in compiling this information we can't be responsible for how you use it. Remember a sale is only achieved when a willing buyer meets a willing seller and agrees terms.

In an ongoing effort to refine and build accuracy into our analysis, we have updated our search criteria this year. In some cases, this may have changed the figures from certain years in our previous reports. This does not materially change the overall messages from our previous reports.

Commentary on the overall market





Commentary on the overall market

Overview

Consulting sector M&A deals in 2014 continued the long term upward trend in deal volumes since 2010, including a 13% increase in the number of deals compared to those in 2013.

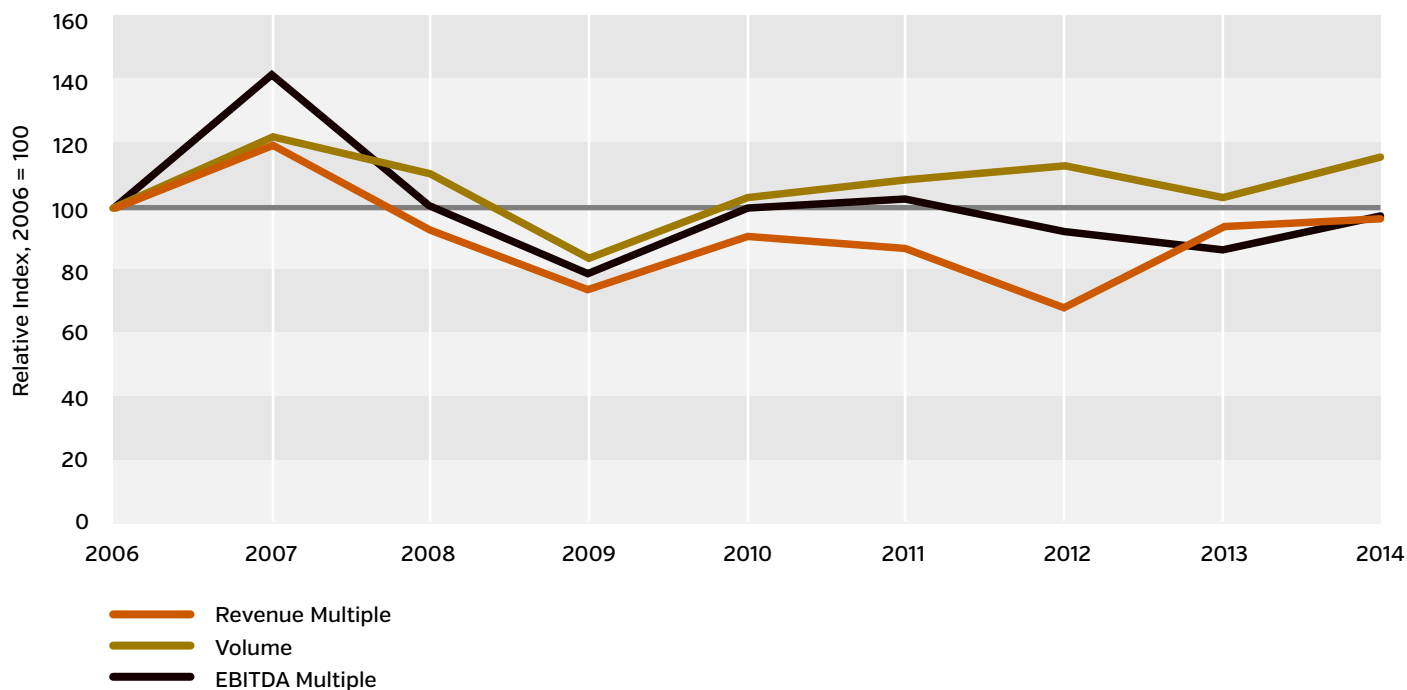
This was the result of stronger deal volumes in the first half of 2014. We also saw an increase in deal values in 2014, with revenue and EBITDA multiples up from last year.

While some macro-economic uncertainty crept into the overall market in 2014, including falling oil prices, lingering difficulties in continental Europe and Japan, and a managed slowdown of China, the increasing strength of the US and UK markets helped the global consulting M&A market to continue to grow. We have seen strong buyer demand in 2014 and with deal values on a continued upward trend, this points to a strong seller's market. We expect this to continue into 2015, although some uncertainty may have an effect on volumes and values in the latter half of the year.

DEAL VOLUMES



Figure 1 Index of key market indicators by year

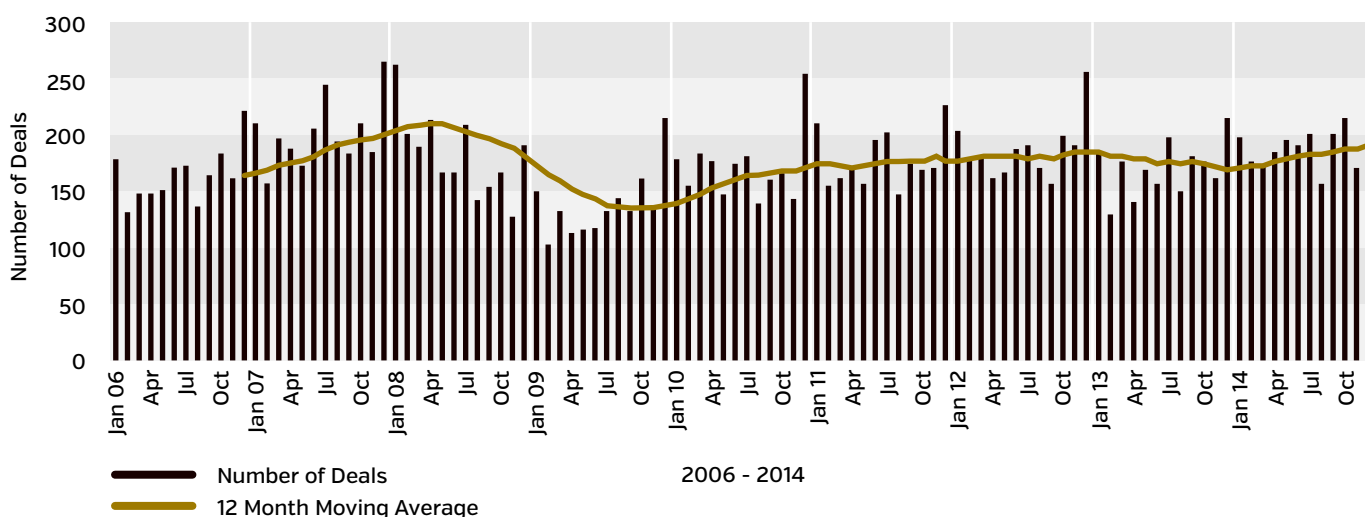


Deal volumes

The market has been remarkably consistent since the crash in 2008, with the number of deals largely above 150 a month. Deal volumes in 2014 were 32% above the 2009 low and are now only 7% below the market peak in 2007.

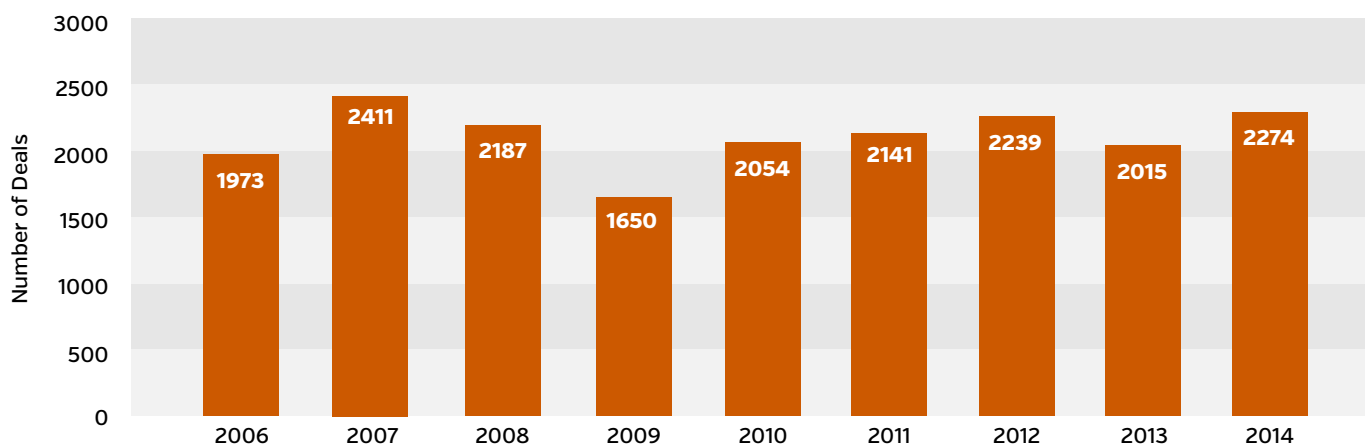
The steady upward trend in the consulting sector continued in 2014.

Figure 2 Deal volumes per month, 12 month moving average



Looking at the long term annualized trend, global consulting M&A deal volumes have been consistently above 2000 deals per year since 2009. Following a minor dip in 2013, 2014 deal volumes recovered with a 13% uplift from 2013 to the highest deal volume we've seen since 2007.

Figure 3 Global consulting M&A volumes



Commentary on the overall market

Deal values

Caution regarding deal multiples

A note of caution applies to this report or any generalization of multiples as they apply to the valuation of consulting firms. As the use of Revenue and/or EBITDA multiples is often misinterpreted, it is worth some clarification in order to avoid this issue.

An EBITDA multiple is an M&A industry standard term which takes the overall price paid for a firm, divided by a normalized measure of profit called EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization). The EBITDA multiple is a derived figure from a transaction after it has been completed, and the same is true for Revenue Multiples. These should not be used as direct metrics for valuations, but rather as comparators. A low EBITDA multiple does not necessarily mean a poor value, likewise a high multiple does not always mean a great deal. Firms with low profitability tend to get higher EBITDA multiples and those with high profitability tend towards lower EBITDA multiples.

Therefore, it would be incorrect to apply the multiples of a consulting sector or region to the Revenue or EBITDA of a firm as a means of valuation. As an analogy, this would be no different to looking at real estate prices in your zip code, post code, town or city and assuming your property is probably worth that figure.

Also, it is worth remembering that only 5%-7% of consulting sector deals report the deal multiples in any given year, as a large proportion of these involve small to mid-market firms. Also, EBITDA multiples are invariably reported different than those seen in practice, due to the following:

There is a wide range and any average or median value is only a guide for periodically tracking market movements, or how one country compares to another.

- The majority of targets are private companies that tend to under report profits;
- The figure used in the calculation tends to be a lower, historical figure; and
- The figure actually used in negotiations is typically an 'adjusted' and inflated EBITDA.

All of the above can contrive to increase the figure. For example, in this report you will see that the median EBITDA multiple for transactions in Management Consulting is 10.3x. In that part of the industry, REAL multiples (what we see day in day out in real world negotiations) in today's market are in the range of 4x to 6x, whereas premium multiples would be at the level of 7x to 10x and above.

Therefore the figures in this report should be seen primarily as a comparative guide to show the year on year trend.

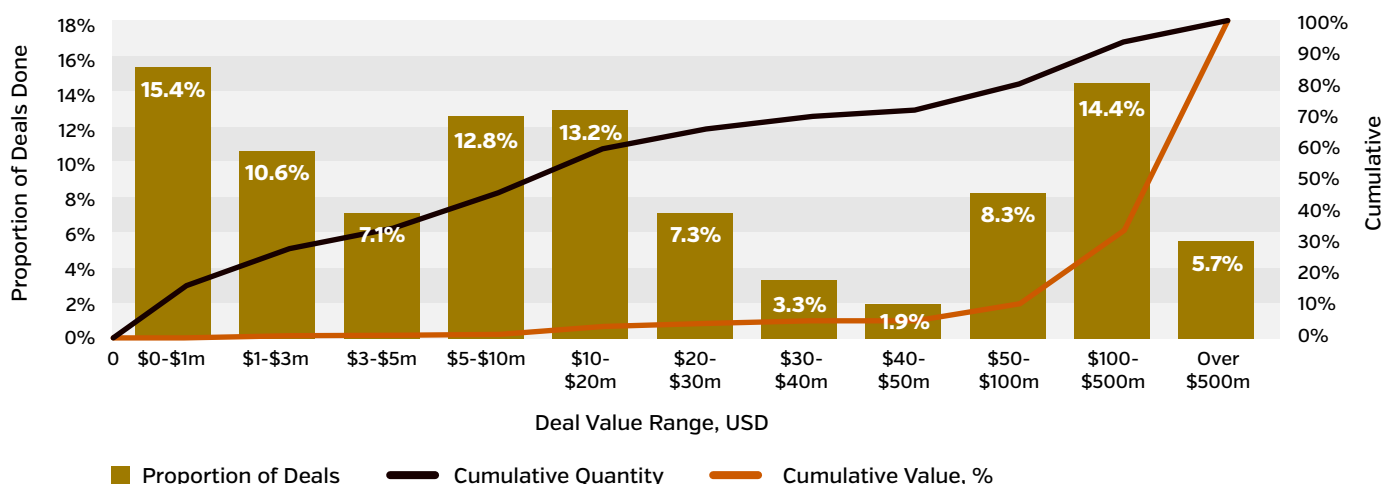
Deal value range

Press coverage will always favor the large-value deals. However, in the consulting sector there is a large volume of small-value deals. In 2014, this was evident by about 35% of reported acquisition values under \$5m and 70% under \$40m. This reflects a consulting industry that is dominated by small firms, with relatively few firms above \$100m in revenue.

Small value deals do not often include large buyers and these deals are typically more of a merger than an acquisition, with little cash involved.

Across the global consulting industry, a large majority (70%) of the M&A volumes are small-value deals (<\$40m).

Figure 4 Deal value range, 2014



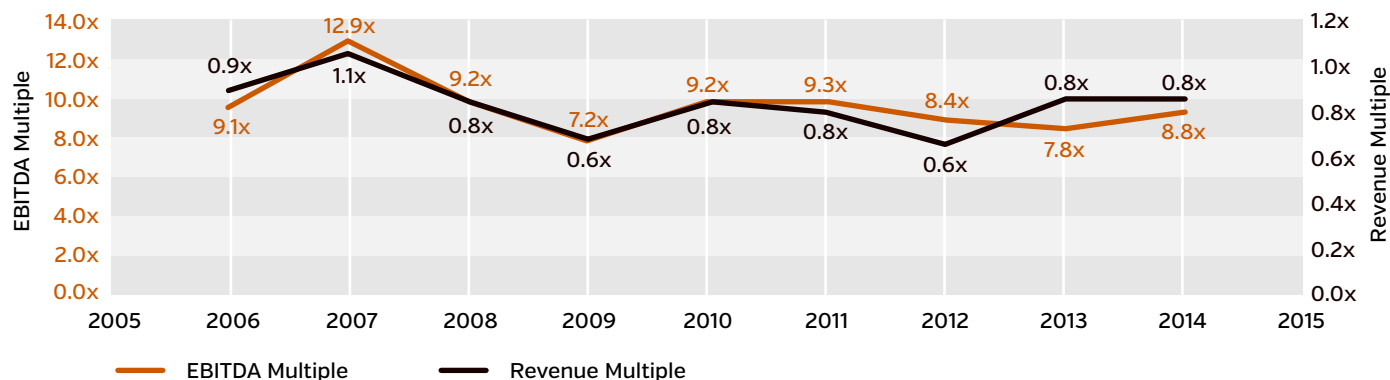
Deal multiples

Globally, 2014 saw an upward trend in EBITDA and revenue transaction multiples.

EBITDA and Revenue multiple (collectively 'deal multiples') trends experienced a dip during the crash and have slowly climbed back to pre-crisis levels, following a short dip in the intervening period. However, this is a trend across all consulting segments and it would be wrong to conclude that any given consulting firm would sell for the current median of 8.8x EBITDA. See our cautionary note on deal multiples.

In 2014, there was an upward trend in EBITDA multiples across the consulting sector, with Revenue multiples remaining steady at a 5-year high. Against the backdrop of growing deal volumes in 2014, this highlights an overall seller's market, where demand from buyers is exceeding supply of sellers in the market, ultimately keeping values high.

Figure 5 Global consulting sector transaction revenue and EBITDA multiple medians



Commentary on the overall market

Transaction and Trading Revenue multiples illustrate how the market values profit and growth in each consulting sector.

There are significant differences in the Revenue multiples in each sector, all of which are driven by the underlying profitability and growth in each area. In reviewing the Revenue multiples of each sector, it is worthwhile considering both:

- **Transaction (Deal) multiples** - those set by the deal price of private consulting company acquisitions divided by the last annual revenue figure of the target. Only about 8% of these transactions in 2014 had published transaction values; and
- **Trading multiples** - those set by the share price of publicly listed consulting companies. These are the publicly traded shares of the firm divided by the Revenue or EBITDA per share;

Looking at these two types of Revenue multiples, we can see that Management Consulting and Media are at the top, IT consulting firmly sits in the middle, and Engineering and HR are the lowest. A detailed review of values in each sector can be seen in the 'Consulting market segment overview' and 'Stock market review' sections of this report.

Figure 6 Transaction Revenue multiples by sector (private deals), 2013 and 2014

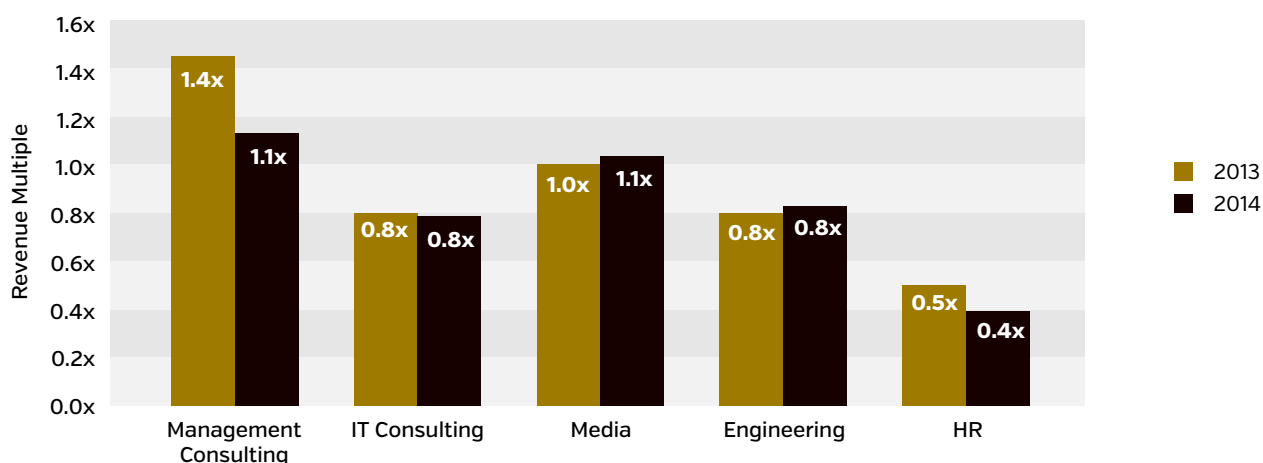
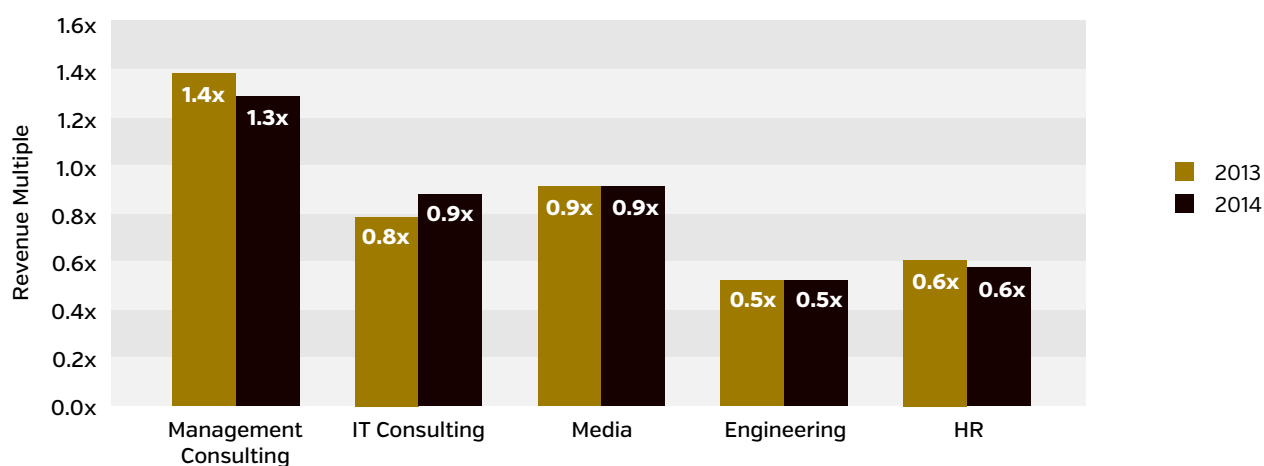


Figure 7 Trading Revenue multiples by sector (publicly listed share trading prices), 2013 and 2014

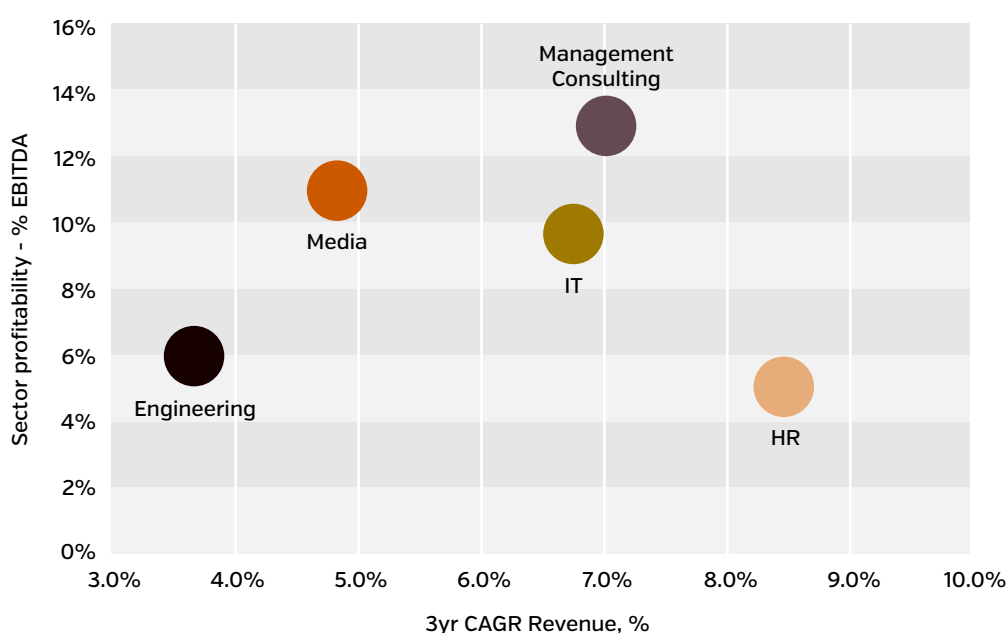


Deal multiples are highly correlated with the levels of profit and growth in each consulting sector.

An indication of deal value can be assessed by looking at the relative profitability [2014 EBITDA margin] and growth [3-year CAGR] in each sector, as these factors drive deal multiples. The higher the aggregate level of profits and growth, the higher the deal multiples. It is worth highlighting these factors in publicly listed consulting firms across each sub-sector:

- **Management Consulting** – High profits, high growth. The management consulting sector enjoys a high level of profitability, as the result of the high fees paid for strategic and operational advice that have significant impacts on clients. This sub-sector also consistently has the highest median Revenue multiples amongst all sub-sectors.
- **Media** – High profits, low growth. As advice in this area is typically aimed at increasing revenue [i.e. sales/marketing], media advisory firms can charge high fees and therefore also enjoy high profit levels. However, revenue growth in this area over a 3 year period has been relatively modest. This sector was just behind management consulting in terms of both profit levels and Revenue multiples.
- **IT consulting** – Medium profits, mid/high growth. IT consulting profits fall in the middle, between higher profits in management consulting and media, and lower profits in engineering and HR. This can be explained by the sector comprising a high proportion of firms with low margins for IT services and implementation. Revenue growth in this sector is also in the middle, with the growth in IT advisory firms focused on hot sectors [cloud/cyber] balanced by slower growth in commoditized IT services. Revenue multiples in this space also fall squarely in the middle.
- **Engineering** – Low profits, low growth. Profitability in this sector is low on average, driven by relatively low fees compared to other sectors of the consulting market. Growth in this sector was also the lowest over a 3 year period, which reflects the deal growth in 2014. This correlates with the lowest trading Revenue multiples amongst all sub-sectors.
- **HR** – Low profits, high growth. This sub-sector involves a high proportion of staffing and recruitment consulting firms, which charge lower fees and therefore have low profits relative to other areas. However, the 3-year growth trend in this sub-sector is high. These firms tend to do well in a growing economy, as recruitment rises with overall economic activity levels. However, low profits are generally associated with low Revenue multiples, as we see in this sub-sector.

Figure 8 Publicly listed consulting firms – sector profitability and growth medians



Commentary on the overall market

Regions

In the global consulting market, North America continues to dominate of the global share of the deal volumes in 2014. This is slightly up from the 2013 proportion and in line with the overall growth in the North American market. We saw a slight contraction in the proportion of Asia Pacific consulting deals in 2014, as the effect of China's slowing economy in 2014 impacted the region.

South America and Africa maintained their positions as equally small shares of the global consulting deal volumes, given the ongoing effects of a slowing Brazilian economy and ongoing instability across Africa / Middle East.

Roughly 80% of all M&A in the consulting sector are executed in developed, western markets. Approximately half of these are North American (mainly US) firms and a third are European (mainly UK).

Figure 9 Deal volumes by region, 2014

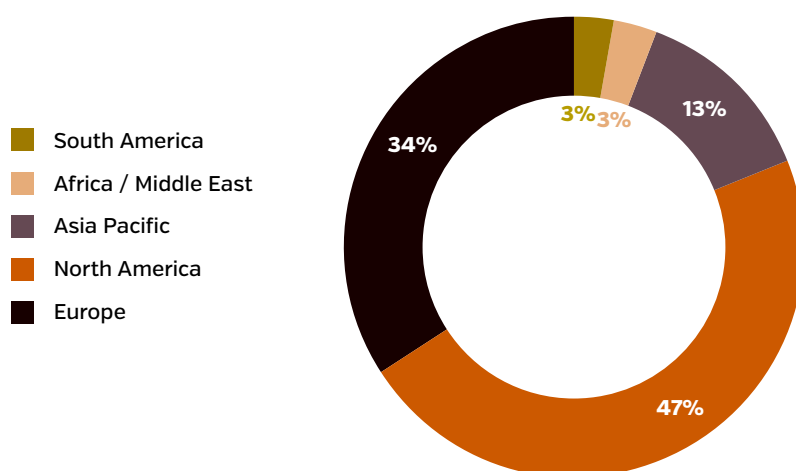
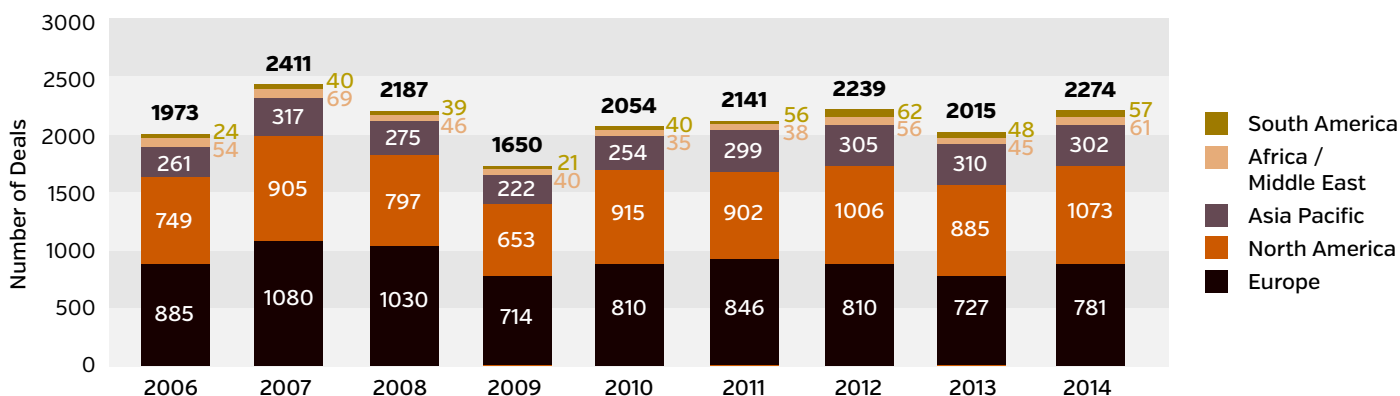
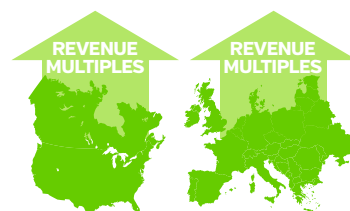


Figure 10 Deal volumes by region by year



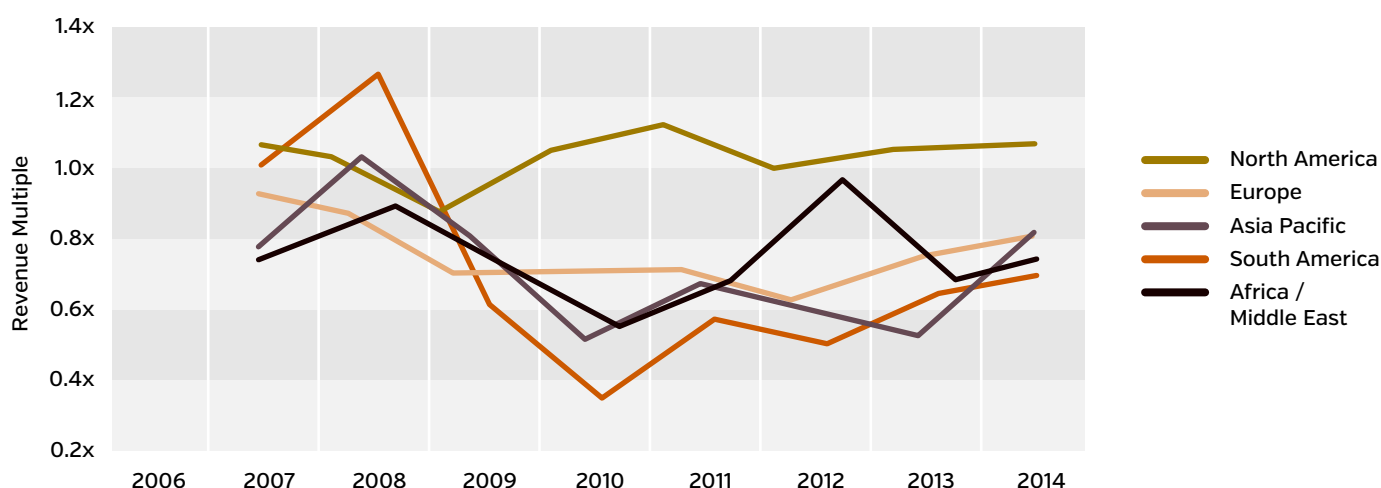
Revenue multiples are rising

Deal value trends in each region were positive in 2014. Revenue multiples in North America and Europe continued their respective upward trends in 2014 in line with the growth of the US and UK M&A markets, returning to their 5-year median values of 1.0x and 0.7x, respectively. In the Asia Pacific region, Revenue multiples significantly improved, changing their course of direction compared to 2013, with a Revenue multiple of 1.0x above the 5-year median of 0.7x. This was largely the result of a growing Australian economy and continued growth of the significant Chinese market, despite a managed decrease in the growth rate. In Africa and the Middle East, Revenue multiple of 1.1x were also higher than their 5-year median, although there remains significant uncertainty in this market given the high level of corruption. The South American consulting deal market, which is significantly dependent on Brazil, saw Revenue multiples also increasing despite falling commodity prices.



North America and Europe continued their upward trend in 2014.

Figure 11 Two year rolling median - Revenue multiples trend line by region



Commentary on the overall market

Buyers

In 2014, 2,274 targets were bought by 1,722 different buyers, meaning buyers in 2014 acquired, on average, 1.32 targets each. This is broadly consistent with a similar ratio of 1.29 in 2013, illustrating that the overall market is steady – neither consolidating, nor fragmenting – as the ratio of new buyers and new sellers entering the M&A market has remained consistent.

Top strategic buyers

Looking at the most prolific buyers of consulting firms in 2014, the top of the list was dominated by the communications and marketing agencies. WPP, one of the world's largest communications services groups, acquired 52 companies in 2014, of which 23 were consulting businesses. The agency was also a leading buyer in 2013 with 22 acquisitions in the consulting sector during that year.

The second most prolific buyer was Publicis Groupe SA, who provides a range of advertising and communication services worldwide and was also the second most prolific buyer in 2013. The majority of acquisitions were completed through the company's subsidiaries in communication, branding, digital and social media marketing areas.

In third place, with 14 acquisitions in the consulting sector, is a Japanese telecommunications company, Nippon Telegraph and Telephone Corporation (NTT Corporation), who is a prolific acquirer of IT consulting and services businesses.

Elsewhere, notable activity was seen at the following organizations:

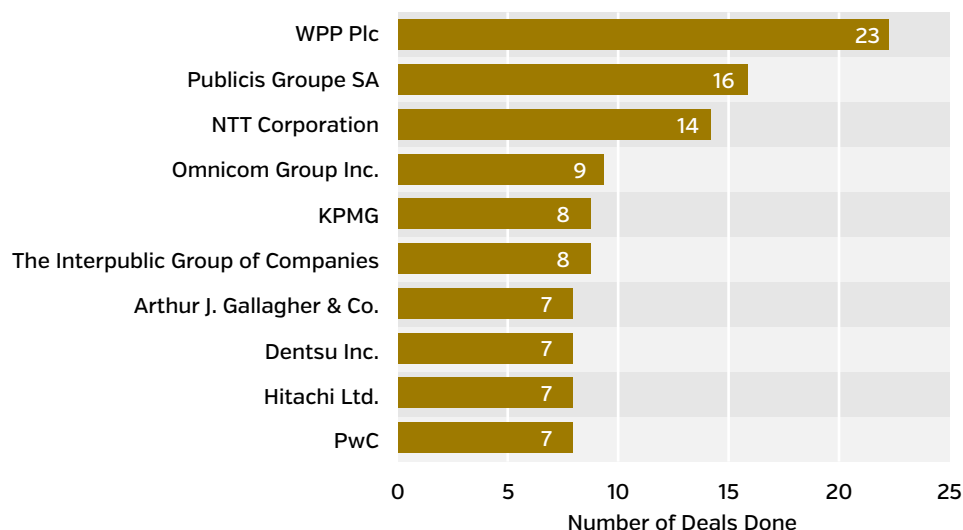
- **Omnicom:** acquired companies in public affairs, digital marketing, communications and mobile branding areas;
- **KPMG:** extended its Management and Information Technology consulting practices mainly across Europe and North America;
- **The Interpublic Group of Companies:** acquired social media, PR and communications companies;
- **Arthur J. Gallagher & Co:** consistently buying small employment benefit consultancies;
- **Dentsu Inc.:** focused on digital offerings mainly in social media and mobile marketing;
- **Hitachi Ltd.:** expanded its IT and management consulting capabilities; and
- **PwC:** acquired companies in healthcare, IT and strategy consulting areas.

Across all consulting sectors, large media companies were the most prolific trade buyers in 2014, with technology firms and the 'Big 4' also among the top buyers. Within these three groups, acquisitions in IT consulting and digital marketing were the most prevalent.



**TOP CONSULTING
FIRM BUYER 2014**

Figure 12 Top 10 buyers of consulting companies, 2014

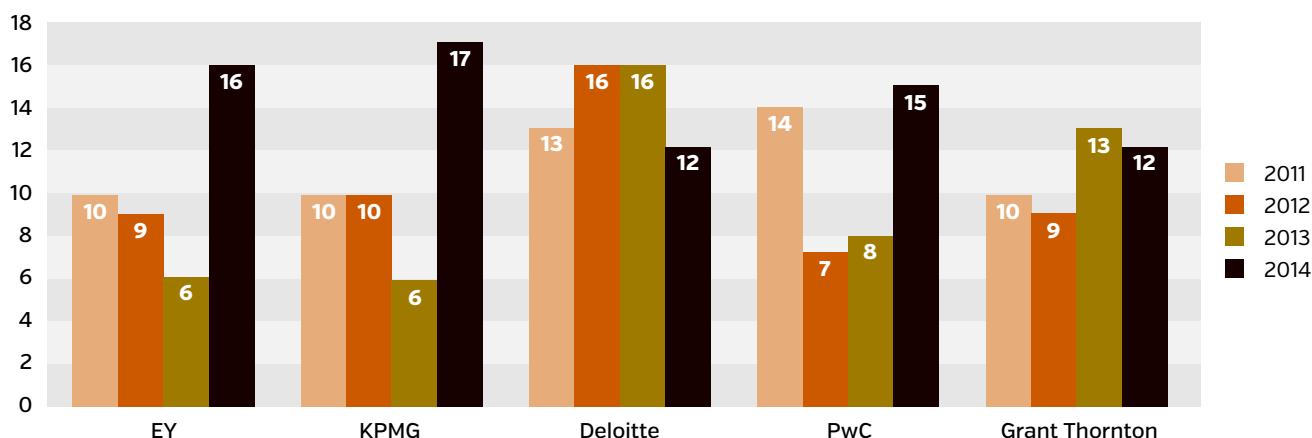


The 'Big 4' and Grant Thornton are typically the most prolific buyers. Deloitte have had consistently high levels of acquisition activity per year, although KPMG was the most acquisitive in 2014.

As a group, the 'Big 4' consulting and accounting firms (PwC, Deloitte, KPMG and EY) are amongst the most prolific buyers of all kinds of businesses, consulting and other, across the world. Increasingly, Grant Thornton is also worth consideration in this group, given their acquisition activity.

As a group, these firms continue to lead the way in terms of the number of deals completed, including PwC's transformational acquisition of Booz & Co completing in 2014. These firms acquire across all of their services, including accounting/audit, consulting, tax, IT and others. As shown in Figure 13 'Big 4' plus Grant Thornton - Accountancy Firm Acquisitions - All Industries, Deloitte have consistently been top acquirers within this group, except in 2014 where KPMG made the most acquisitions.

Figure 13 'Big 4' plus Grant Thornton - accountancy firm acquisitions - all industries



Note: Numbers include acquisitions across all industries - not just those in consulting.

Commentary on the overall market

Private Equity buyers

Private Equity (PE) is increasingly attracted to the consulting sector for investments, and 2014 was a record year for PE acquisitions.

Roughly 85% of buyers are categorized as 'Trade' or 'Strategic', where the buyer seeks some form of synergistic benefit from the acquisition, and approximately 15% are 'Financial' or 'Investment' focused, buying in the consulting sector for a straight return on their capital. Private Equity groups can be attracted to consulting businesses because they consume very little of the high profits they generate on fixed or working capital. The free cash flow that is generated in many consulting firms can be used to pay back the interest and capital on the loans that are an integral part of PE investments.

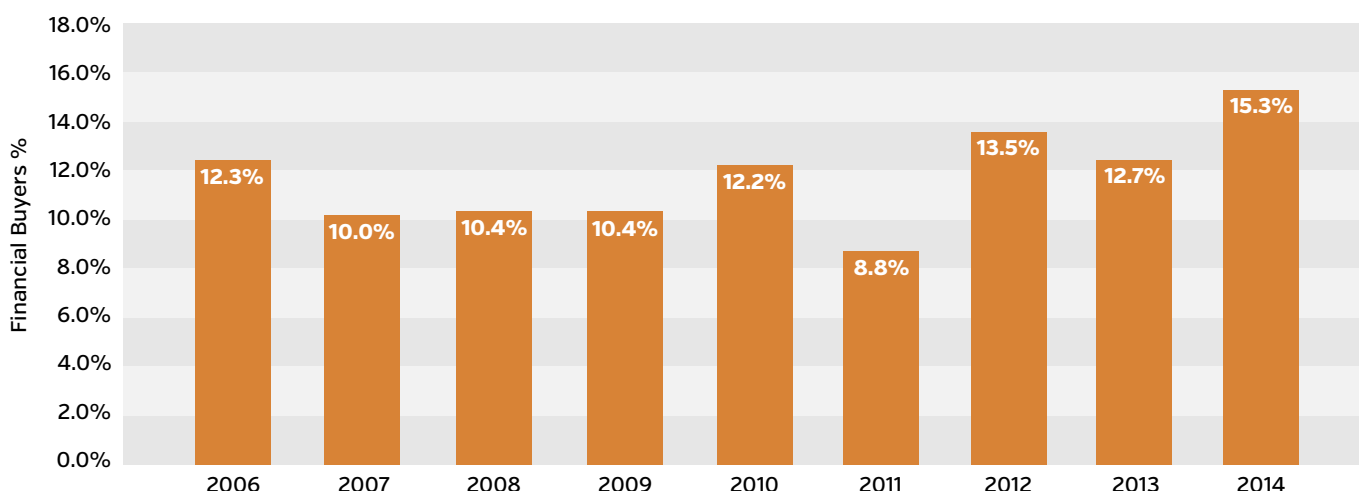
These 'leveraged' deals, as they are called, are used by PE houses to make their deals look more competitive to exiting shareholders of growing consulting firms. The deal works well for all shareholders if the target firm continues to grow rapidly. Servicing the large debt that is created by the leveraged deal can, however, cause problems for the ongoing management team if the growth of the firm slows.

Looking at the long term view of Private Equity or Investment buyers in the consulting sector, we see an increasing proportion of buyers coming from this buyer category. This is in line with the overall sentiment in the Private Equity buyer community, which is becoming increasingly competitive and thus looking more favorably on the consulting sector to find their returns.

Note: The proportion of financial buyers looks relatively small, as we have included a far greater number of deals in our data set; including small deals where there is less likely to be a financial buyer.

2014 Record year for Private Equity in the consulting sector.

Figure 14 Financial buyers, as a proportion of deals (over \$20m)

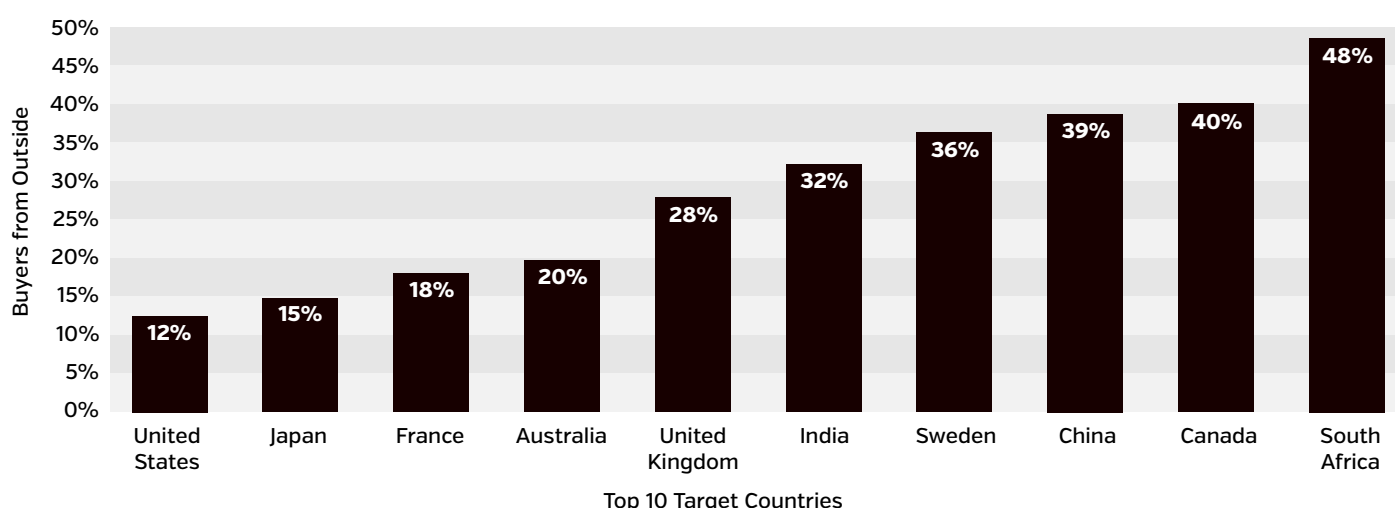


Target and buyer countries

If you are selling a firm in Europe, there is a 26% chance that your buyer will be foreign, whereas in the USA it is most likely [88%] that your buyer will be internal. The number of cross-border deals in 2014 is slightly higher than 2013, increasing by 3%.

The top 10 target countries by deal volume account for 82% of the global total. Among these top 10, cross-border deals account for 19% of transactions.

Figure 15 Proportion of deals where buyer is from outside country (top 10 target countries)



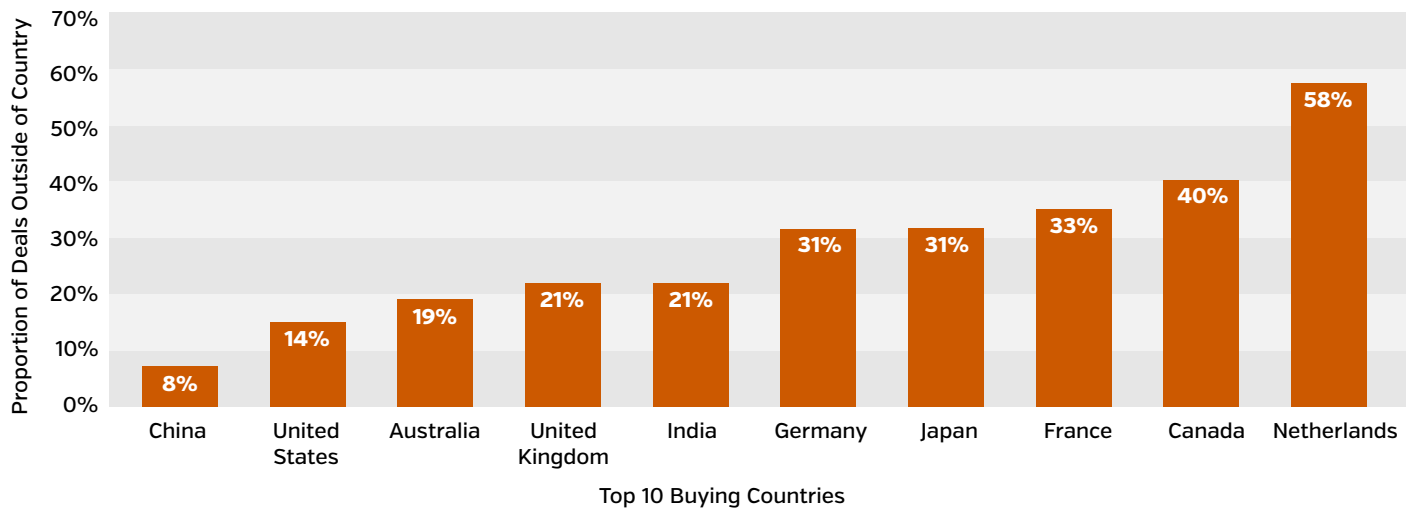
The key factors that influence foreign acquisitions is the buyers' proximity to culture, economics and politics of the target's country.

Looking at countries where buyers acquire foreign firms, Chinese and US companies are the least acquisitive outside of their country, and it is interesting to note that Canada and Netherlands are amongst the top. In 2014, we saw the following foreign acquisition behaviours worth noting:

- Chinese firms made only 2 foreign transactions in 2014, 1 in Canada (marketing communications agency) and the other in the US (research company to the healthcare industry);
- United States' top destinations for foreign acquisitions were the UK (35%), Canada (12%), Australia (7%) and Germany (5%);
- Australia's top foreign acquisitions were in the US (35%), Singapore (18%), and New Zealand (18%);
- United Kingdom made 17 foreign acquisitions in the US, 5 in Germany, 4 in South Africa, involving Media and Marketing, Environmental consulting, IT Security and Engineering surveying companies;
- India is a large provider of outsourced services to the western world. However, Indian outsourcing firms also made a number of foreign acquisitions, including Wipro investing in a managed services company in Canada and Cognizant acquiring an enterprise application solutions company in Australia;
- Canada's 21 foreign deals were all made in the US, its largest trading partner;
- Netherlands were an exception to those above, where the majority of deals were made outside of the country, largely in the UK but spanning across the globe.

Commentary on the overall market

Figure 16 Proportion of deals where target is from outside country (top 10 buying countries)



75% of deals done worldwide were completed by only 5 countries: USA, UK, Australia, France and Canada.

Figure 17 Deals by target and bidder country, 2014

		Bidder																								
		US	UK	France	Australia	Canada	Germany	India	Japan	Netherlands	China	Sweden	Denmark	Switzerland	Singapore	South Africa	Finland	Brazil	Spain	Hong Kong	Ireland	New Zealand	Norway	Italy		
Target Country	US	793	17	4	6	21	2	3	1	2	1		2	2	1	1					3	1	3			
	UK	45	220	5	2	2	1	1		4			2			1				1	4					
	France	2	3	84		1				2				1												
	Australia	9	1		71	1	1	1		1					1				1	1		1				
	Germany	7	5	6		1	36		1	1			2	2					1		1					
	Canada	16	2	3	1	42		1		1	1															
	India	5					1	26	1	1					1								1			
	China	2	1		1						22				1					4						
	Brazil	5	2	3			3								1			15	1							
	Netherlands	4	2	3					1	13				1												
	Japan	1	1						22					1												
	South Africa	4	4	3						1						13										
	Spain	4		3					1				1	1					10					1		
	Sweden	1	1	1						1		16	2					2								
	Singapore	2			3				2						7											
	Switzerland		1	4			3							9												
	Italy	1		2																1				10		
	Denmark	2	1									1	10											1		
	Finland																13						1			
	Norway	1	3									2	1					1			2		4			
	New Zealand		1	1	3																	9				
	Russia		1																							
	Hong Kong	2							1	1					1					4						
	Austria	2		1			1																			
	Indonesia						1		1											1						
Israel	2																									

Deal structures

When agreeing terms for a deal, the nature of firms (people-based) in the consulting sector means that part of the total consideration is likely to include a mix of upfront and deferred payment. This normally covers 4 areas, including:

- Cash, both on completion and at agreed future dates;
- Equity stake in the acquiring company;
- Earn-out, based on future performance, normally in cash; and
- Changes in remuneration, particularly above-market salaries or equity partnership status in the acquirer.

As a rule-of-thumb, our research of buyers and transactions shows that deals are structured so that approximately 50%-60% of the payment is upfront, with the remainder paid as an earn-out over two or three years. Generally, the greater the value multiple a seller seeks to gain, the greater the proportion that will have to be at risk, and hence the initial cash payment will be lower as a percentage of the total consideration.

While we obviously see the details behind deals on our seller and acquirer engagements, these are often not publicized in deal announcements. The chart below details the spread of deal structures in 2014 from the data available.

On average, we see between 50%-60% of the deal price paid up-front, with the remainder as an earn-out over two or three years.

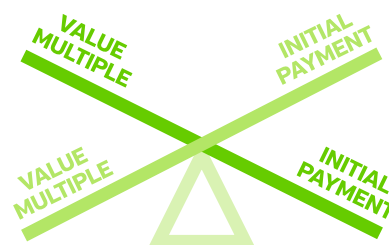
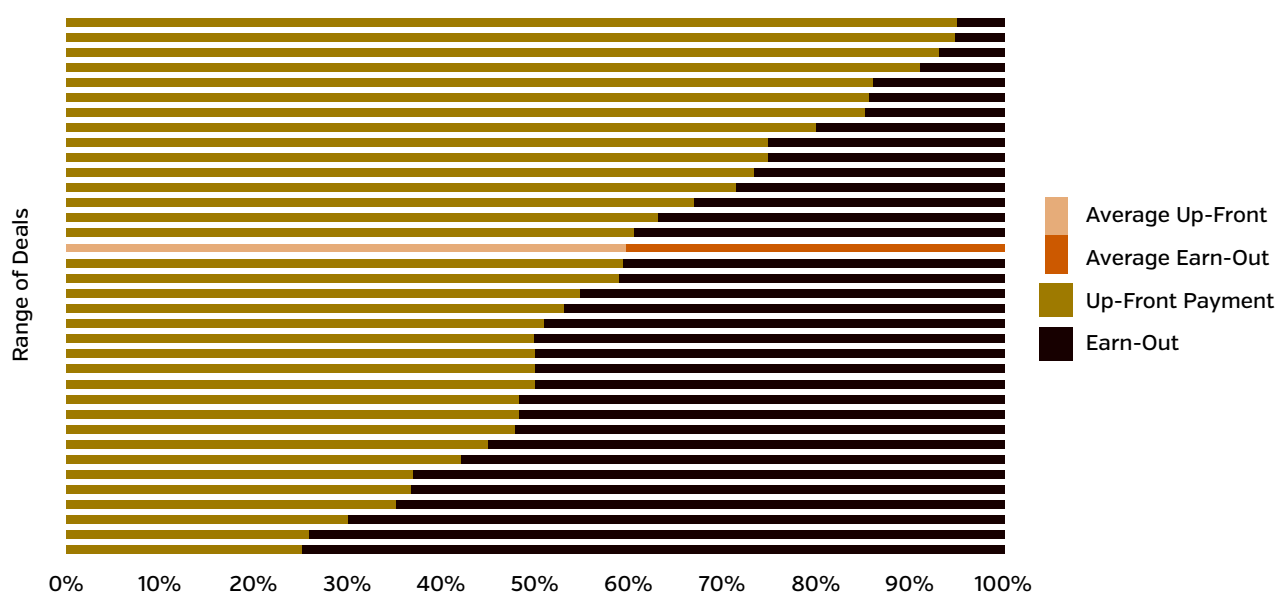


Figure 18 Deal structures – mix of up-front and earn-out payments



Commentary on the overall market

Outlook and implications for sellers

Last year we forecast significant growth in volumes and prices. Although Revenue multiples increased only slightly, EBITDA multiples and deal volumes showed a strong positive turn in 2014.

The key message for consulting firm sellers in 2015 is that we are in a very positive seller's market, but uncertainties are increasing in certain markets. We expect the US and UK to continue an overall upward trend in deal volumes and values, while uncertainty in continental Europe, Asia and Africa / Middle East will make these markets less predictable.

Macro-economic context for 2015

Growth in the US, the largest consulting M&A market, will continue to drive global deal volumes upwards, balanced by a slowing Chinese economy and increasing uncertainties in other markets.

Looking ahead into the 2015 M&A market, macro-economics and political factors show a mixed picture. In the largest M&A market United States, the appreciating dollar, the lowest unemployment rate since the Credit Crunch and falling oil prices are expected to be the growth drivers. On the other hand, The Federal Reserve stopped the Quantitative Easing (QE) programme in 2014, and markets are predicting the Fed will raise the interest rates in 2015 as the economy is expected continue growing without government stimulus. The depreciating Euro will make the European

acquisitions more affordable for US companies, however the political friction and social instability in Europe raise concerns. China, the largest Asia Pacific economy, forecasts it's growth to be 7% in 2015, which would be the slowest in two decades. Australia is demonstrating an economic stability with prudent policy making, close trading relationships with China and well-targeted fiscal stimulus.

Japan, the third largest M&A market for consulting firms in the region, continues to fight deflation with QE at the cost of weakening Yen, although the situation shows signs of improvement.

Given the macro-economic situation and trending M&A volumes and values, we expect a high level of overall deal activity in 2015. It is a good time to sell!

2015 global consulting M&A outlook

As stated in the macro-economic context, there is significant uncertainty in certain regions regarding economic forecasts and the impact of this on the global consulting market is also uncertain. As such, while the global consulting M&A sector is broadly enjoying a positive seller's market, with growing volumes and values, we are not advising interested sellers to wait to begin sale processes. These are very good conditions for selling a firm.

2015 M&A hotspots

A number of M&A hotspots are evident across all consulting sectors.

Within Management Consulting, M&A is driven by increasing regulations and industry dynamics across the financial, healthcare and energy sectors. We expect consultants that focus on regulatory compliance in these sectors will be of particular interest to buyers, although in the energy sector the focus appears to be more on consultancies in the renewables space. Financial advisory firms focused on capital markets are in demand, as well as Management Consulting in Property, in line with the continued rise of property prices in the US and UK.

Transactions in the IT consulting sector are driven by consultancies with strong capabilities in business intelligence, data analytics, cyber security, cloud-based delivery and smart mobile. We expect the activity to continue increasing especially in the areas of the following capabilities/technologies: data warehouse, data mining, CRM, Apache (Hadoop), NoSQL, LexisNexis HPCC (High Performance Computing Cluster) related technologies and predictive analytics. Technology has been transforming the healthcare industry (improved diagnostics and treatments, communications between doctors and patients, health encouraging apps etc.). We see rising M&A activity in the Healthcare IT consulting area, which we predict will stay on the upward trend in 2015. Currently, consultancies focused on cloud technologies and cyber security are showing the greatest demand. Cloud technologies are making IT delivery and maintenance more efficient, driving demand for cloud skills, while growing online activity increases cyber threats, driving demand for cyber skills.

The Media consulting M&A market is being driven by a number of large international players consolidating the smaller specialists. Media/Marketing consultancies with digital capabilities have been increasing their share in terms of M&A activity. Over the recent years, demand has been increasing for the following capabilities: web development, e-commerce, social media, customer analytics and mobile. Due to innovative and fast-changing nature of the online marketing nature, we predict the deals volumes to stay at the similar levels.

While oil prices remain low, we expect this to have an impact on Engineering consulting deals in the oil/gas industry, as the return on capital projects in the oil & gas sectors is likely to be affected. However, those with combined Energy and Environmental practices will continue to be in demand.

In HR consulting, staffing and recruitment firms will be popular targets in growing economic regions like the US and UK, while we expect Leadership effectiveness to continue to be a popular focus for larger consulting firms wishing to build synergies with their strategy practices.

HOT IN 2015

Regulatory compliance, SMAC (Social/Mobile/Analytics/Cloud), Cyber, Digital Media, Energy/Environment and Staffing/Recruitment.

Consulting market segment overview





Consulting market segment overview

Overview

The long term trend has shown that as a proportion of total global consulting M&A deals, each sector has remained fairly stable in terms of percentage share of overall deals.

Figure 19 Proportion of global consulting deals by market sector, 2014

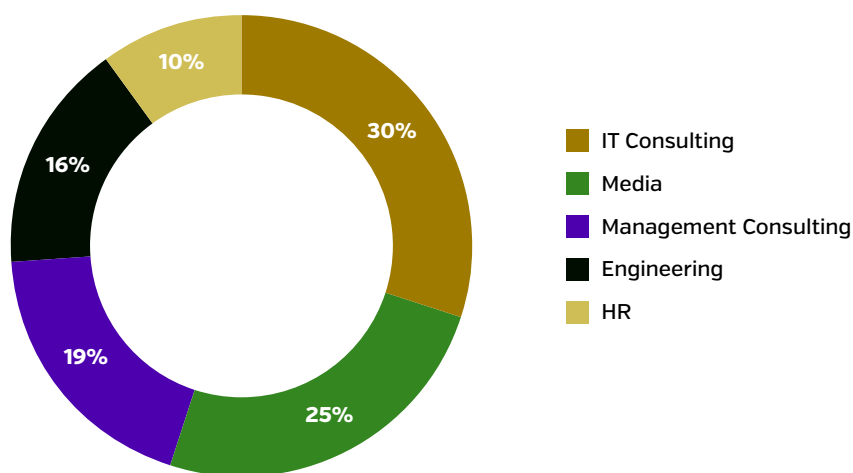


Figure 20 M&A volumes by global consulting market sector – historical view

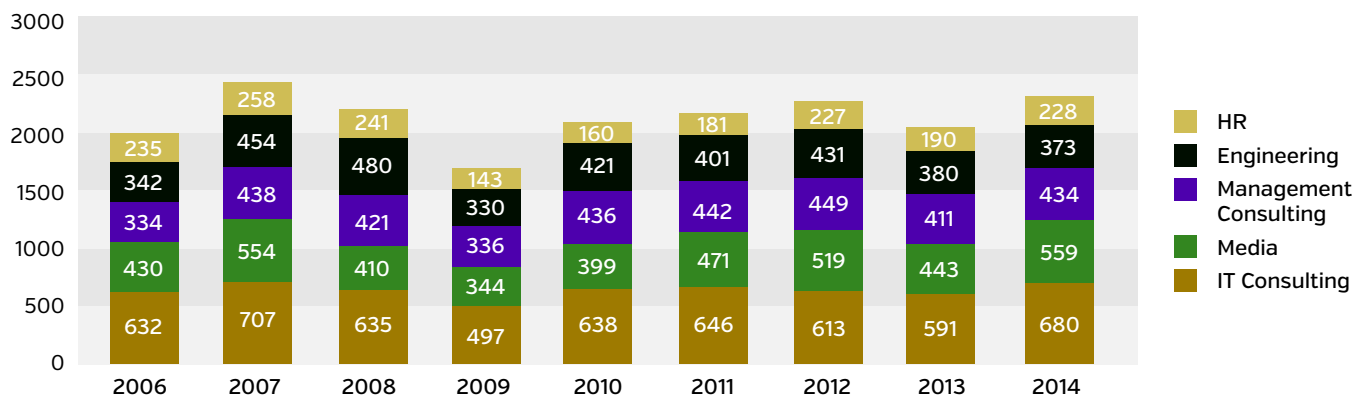


Table 1 M&A volume growth by global consulting market sector – 2013 to 2014 view

Sector M&A volumes	2013 deals	Increase in 2014	% increase from 2013 Overall Total	% increase from 2013 Sector Total	2014 deals
Management Consulting	411	23	1%	6%	434
IT consulting	591	89	4%	15%	680
Media	443	116	6%	26%	559
Engineering	380	[7]	0%	-2%	373
HR Consulting	190	38	2%	20%	228
TOTAL	2,015	259	13%	n/a	2,274

The 13% growth in consulting M&A volumes in 2014 is largely the result of the growth in the Media consulting market, with Digital Marketing having an increasingly important impact on deals in this space. IT consulting was also a strong contributor to global consulting M&A growth, as growth and change in the broader Information Technology sector had a significant impact on the proliferation of Social, Mobile, Analytics, Cloud and Cyber technologies in the market and the related IT consulting deals. The significant growth in the HR Consulting sector, the smallest sector by volume, resulted in an unusually large contribution to global M&A growth in consulting, as recruitment and staffing firms, which are constantly in demand in growing economies, contributed significantly to the growth of M&A deals in this sector. Although there was growth in Management consulting sector deals, which remains the third largest by deal volume, this was outweighed by the stronger growth in other sectors. Finally, although Engineering consulting deals slightly contracted in 2014, demonstrating a two year decline, the deal volumes in this space remained at historical average levels.

13% growth in consulting M&A volumes in 2014 is largely the result of the growth in the Media consulting market.

Consulting market segment overview

Management consulting

Overview

Deal volumes have been steady since 2010 [post crisis] and deal values have increased in that time, indicating an increasing demand from buyers across Management Consulting.

Management consulting is the third largest sector in terms of deal volumes, with a 19% share of the M&A market in 2014. Deal volumes in management consulting have remained relatively steady since 2010, with an average 434 deals per year. The sector grew steadily in 2014 by 6%, although this was a modest contribution to the overall growth in the consulting market. Deal value trends in this area have seen both Revenue and EBITDA multiples go up from 2010, with 2014 values higher than the 5-year medians [see Table 2 Management Consulting Revenue and EBITDA Multiples – 5-year Median vs 2014].

With deal volumes steady and deal values increasing since 2010, following the crisis, this highlights an increasing demand from buyers. There are several niche areas within Management Consulting that consistently achieve high valuations, including Financial Advisory, Healthcare and Analytical Strategy firms.



MANAGEMENT CONSULTING

Figure 21 Management consulting deals per year

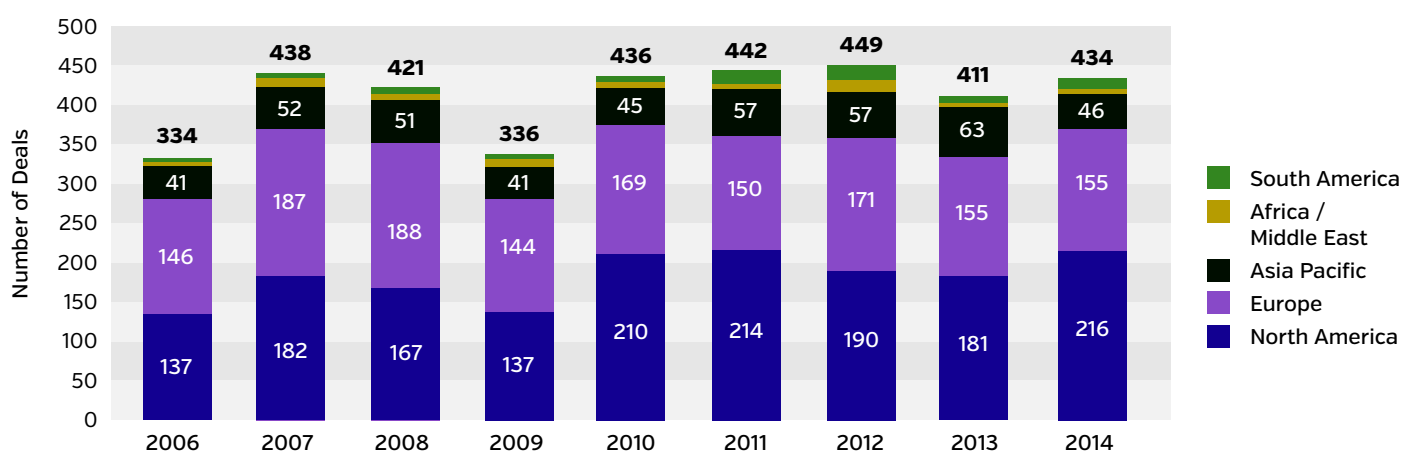
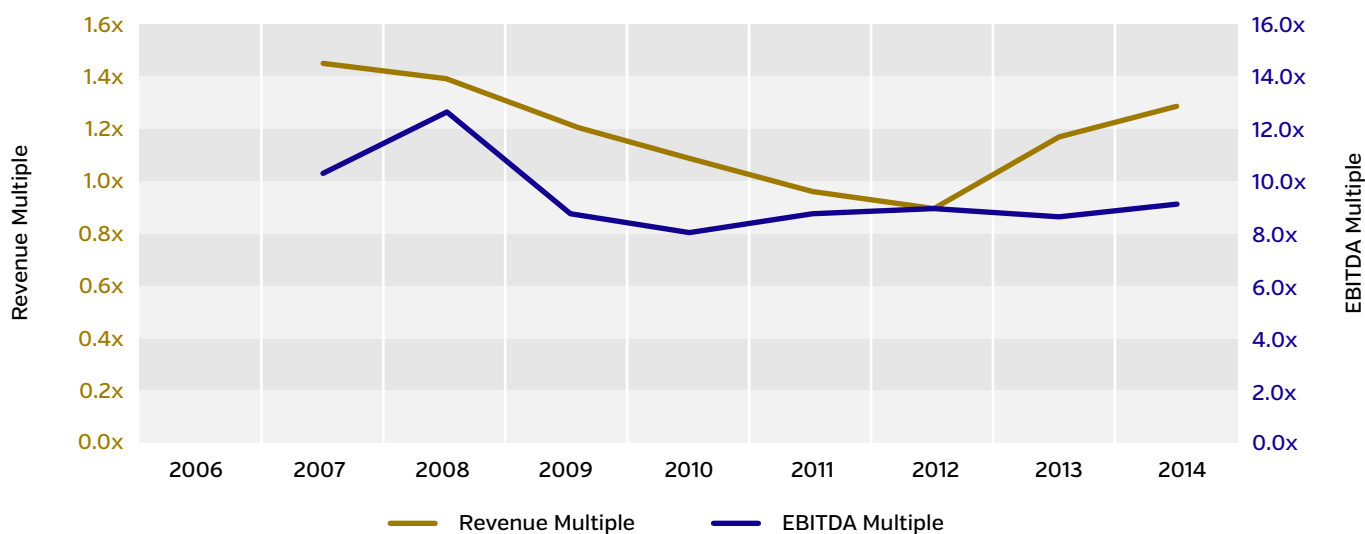


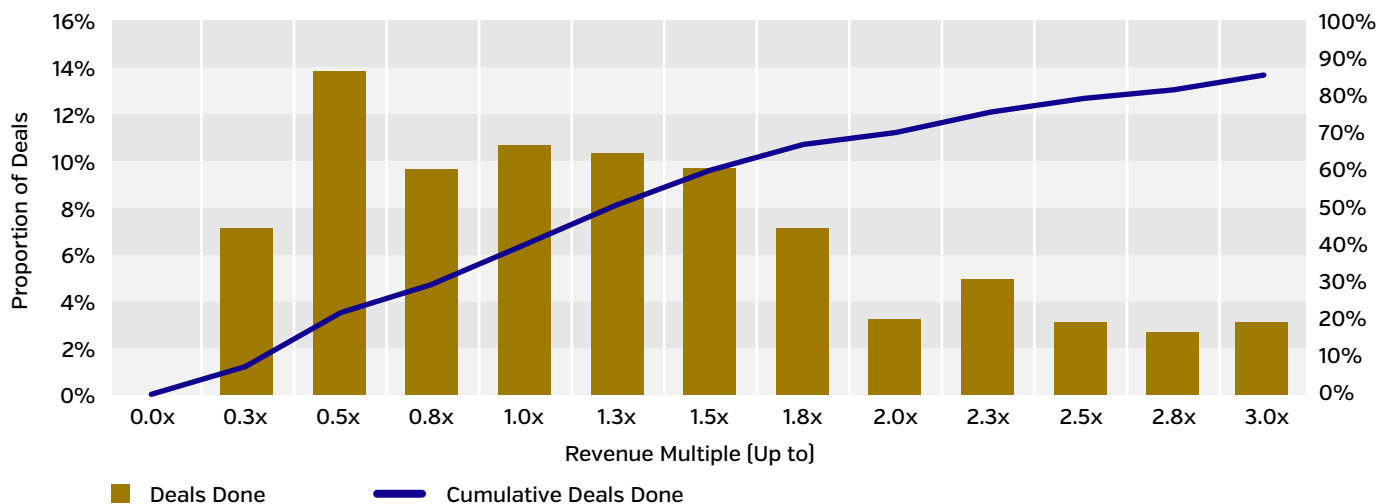
Figure 22 Two year rolling median of revenue and EBITDA multiples in management consulting



Area	5-year median	2014 Value
Revenue Multiple	1.0x	1.1x
EBITDA Multiple	9.1x	10.3x

Table 2 Management consulting revenue and EBITDA multiples – 5-year median vs 2014

Figure 23 Range of Revenue multiples (management consulting)



Consulting market segment overview

Management consulting

Buyers of management consultancies in 2014

Succession Advisory Services Ltd. acquired 5 companies in financial advisory services, including wealth management. All deals were UK-based and between \$5m-\$8m in value.

RCS spent \$1.7bn on its 4 US-based acquisitions in Investment advice, Asset management, Financial Consulting and Wealth Management advisory firms. The deal multiples paid were in line with the sector medians and ranged between 1.1x and 1.2x revenue.

KPMG and PwC both acquired a number of consultancies. KPMG's acquisitions were spread across North America, Europe and Asia Pacific and included the acquisition of business consultancy, property advisors, portfolio management, and operations management. Many of the deals involved partnership for the target's top management.

PwC's acquisitions in Management Consulting were all in North America. These included the landmark Booz & Co. deal, as well as Advanced Pharmacy Concept (Healthcare Consulting) and Minisota Privacy Consultants (privacy compliance advisory).

There were some landmark deals in 2014, with large consulting outfits acquiring in complementary areas. This included the Big 4 acquiring new Strategy consulting platforms and Navigant acquiring in the outsourcing space. Furthermore, some of the largest value deals were in the Financial Advisory and Healthcare consulting sub-sectors, where there is continued demand from the market as these industries continue to change shape. Some notable deals in this space include:

- **EY's acquisition** of Parthenon (Global strategy consultancy), for an undisclosed amount
- **Navigant's acquisition** of Cymetrix for \$100 million (Healthcare revenue cycle management firm)
- **Savills's acquisition** of Studley for \$260 million (Commercial real estate consultancy)
- **IOOF Holding (Fund management) acquisition** of SFG Australia Limited (Financial advisory and Wealth Management firm), with big multiples of 3.6x Revenue and 11.2x EBITDA, deal value of \$603m
- **Clayton, Bulter & Rice (PE) acquisition** of Healogics \$910m (Healthcare consulting services), with a Revenue multiple of 3.0x

A few landmark deals exemplified buyers acquiring in complementary areas, with PwC and EY's acquisitions of global strategy firms and Navigant's acquisition in the outsourced services space.

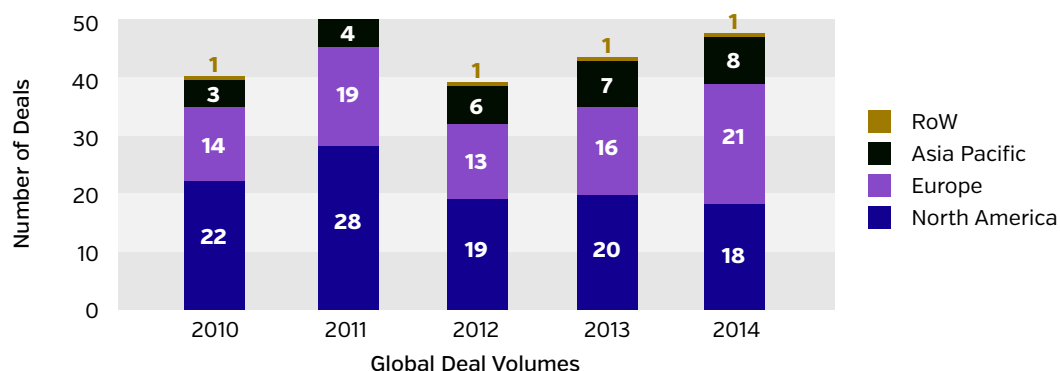
Top Buyers of Management Consultancies	# Deals
Countrywide Plc	6
Succession Advisory Services Limited	5
RCS Capital Corporation	4
KPMG International	4
PricewaterhouseCoopers International Limited	3

Countrywide Plc acquired 5 financial advisory (wealth management and financial planning) firms and 1 in real estate advisory all in the UK.

Management consulting selected sub-sector analysis

Strategy consulting

Global deal volumes and multiples



Area	5-year median
Revenue Multiple	1.0x
EBITDA Multiple	9.5x

Revenue and EBITDA multiples – 5-year median

Sample transactions and comments

Target	Buyer	Rationale
Connecta AB	Acando AB	The acquisition of Connecta places Acando as the leading consulting firm in Sweden with respect to experience, size and service offering.
Business Integration Partners S.p.A.	Argos Seditic	One of the first European deals by a Private Equity firm in the advisory sector. Aims at expanding BIP's geographic footprint and offering through further acquisitions.
The Parthenon Group	E&Y	The combined group is better positioned to serve as strategic advisors in the marketplace.
Booz & Company	PwC	The combined entity is better positioned at tackling the strategic challenges big organisations face by leveraging on both companies' global reach, talent and capabilities.
S&C Pty Ltd	BCG Digital Ventures	The acquisition further strengthens BCG Digital Ventures, adding local-market capabilities and operations and accelerating its expansion into Asia Pacific.

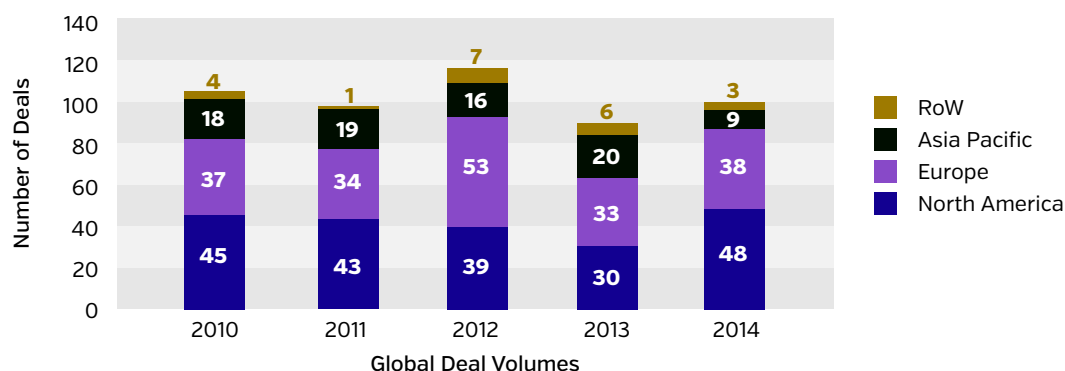
- Since 2012, deal volumes have demonstrated an increasing trend. This increase is mostly attributed to the European M&A activity which has exhibited consistent growth during that period.
- Revenue multiples seem to be decreasing since 2010 yielding an overall median of 1.0x. A wide range of EBITDA multiples yield an overall median of 9.5x.
- Main objectives underpinning M&A activity within Strategy and Operations consulting space are strategic capability development and geographic footprint expansion.

Consulting market segment overview

Management consulting

Financial advisory

Global deal volumes and multiples



Area	5-year median
Revenue Multiple	1.1x
EBITDA Multiple	7.6x

Revenue and EBITDA multiples – 5-year median

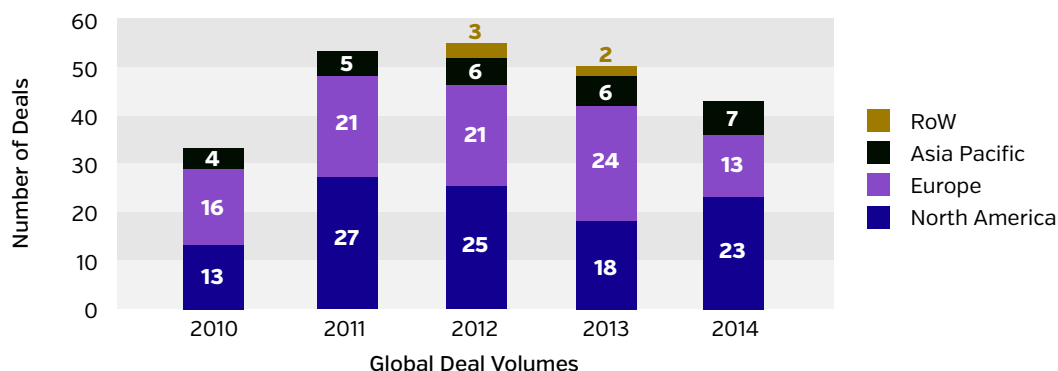
Sample transactions and comments

Target	Buyer	Rationale
Hart Financial Consultancy	Succession Advisory Services	The acquisition is a part of Succession's consolidation strategy in the financial advisory space.
St. Charles Capita	KPMG Corporate Finance	The transaction will enhance KPMG Corporate Finance's position as a leading mid-market M&A and financial advisor.
Confivendis, S.L.	Auren	With the acquisition, Auren continues its growth process, strengthening its M&A, financing and debt restructuring areas, focused on the Spanish middle market segment.
Allied Business Group	Mariner Holdings	The relationship will give Allied an access to Mariner's resources, technology and personnel, which it will leverage to provide wider financial advisory services.
Matrix Holdings Limited	ClearView Wealth Limited	The merger enhances Matrix's ability to deliver quality advice and services in the strategic financial advisory and planning and investment spaces.

- On average, there have been about 100 deals a year in the Financial advisory sector in the period of 2010 – 2014.
- In 2014, deal volumes bounced back from a drop in 2013, mainly due to a 60% increase in the North American deal volumes. On the other hand, Asia Pacific region dropped by more than 50%.
- A wide range of Revenue and EBITDA multiples yield an overall median of 1.1x and 7.6x respectively.
- The main objectives underpinning M&A activity within the Financial advisory space are service offering expansion, entering new geographies and establishing leading positions within specific services or locations.

Operations consulting

Global deal volumes and multiples



Area	5-year median
Revenue Multiple	0.9x
EBITDA Multiple	6.6x

Revenue and EBITDA multiples – 5-year median

Sample transactions and comments

Target	Buyer	Rationale
Logiworx Pty Ltd.	Chainalytics LLC	The acquisition enhanced Chainalytics' presence in the Asia Pacific region, one of the fastest growing areas in the world.
Alfakonsult AB	SWECO AB	The addition of Alfakonsult AB to SWECO AB enabled the latter to offer a complete consulting offering from feasibility studies to a ready plant in operations.
Plan4Demand Solutions, Inc.	Spinnaker Management Group LLC	The acquisition helped Spinnaker provide a full array of supply chain services as well as solidified the firm's JDA and SAP APO/SCM capabilities.
Westmark Consulting	PwC	The acquisition helped PwC keep up with increasing client demand for corporate restructuring as well as operations and supply chain consulting.
MTGG Ltd.	WorleyParsons	The deal added an important building block in the growth of WorleyParson's advisory segment "Advisian".

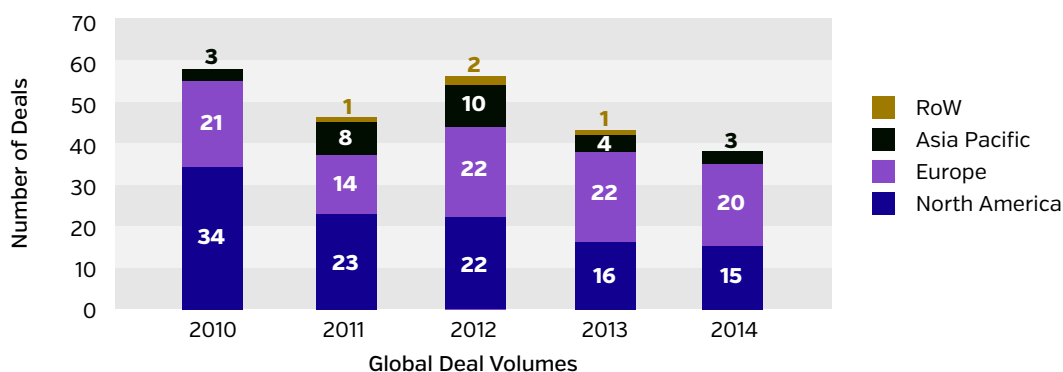
- Deal volumes demonstrated a steady trend for the period 2011-2013 with around 50 deals/ annum. However, deal volumes appeared to decrease by 14% in 2014 reaching 43 deals.
- Until 2013 there seemed to be a pretty even distribution of deals in terms of geography between the US and Europe. 2014 data though shows that M&A activity taking place in the US has almost doubled compared to Europe.
- Firms appear to be acquiring in the operations/ supply chain consulting space in order to expand their offering across the whole operation lifecycle. The need for larger firms to be able to offer "the whole package" when it comes to operations/supply chain consulting, has driven M&A activity recently.

Consulting market segment overview

Management consulting

Real estate consulting

Global deal volumes and multiples



Area	5-year median
Revenue Multiple	0.9x
EBITDA Multiple	8.1x

Revenue and EBITDA multiples – 5-year median

Sample transactions and comments

Target	Buyer	Rationale
W.A. Ellis LLP	Jones Lang LaSalle	Jones Lang LaSalle strengthens its residential capacity in the central London market.
Chapman Bates Limited	Matthews & Goodman LLP	Matthews & Goodman strengthens its presence in the Central London office market by broadening their scope and depth of advice to their clients.
AOS Group	Colliers International	Acquisition of AOS Group was part of the US-based Colliers International's expansionary strategy to penetrate the European market.
Studley Inc.	Savills Plc	Savills expanded its geographic footprint in the US and strengthened its position as a leading property consultancy capable of offering a broad suite of transaction advisory and project management services.
VALTEQ GmbH	CBRE Group Inc.	VALTEQ's incorporation into CBRE Group broadened CBRE's property consulting services by complementing its already existing ones both in Germany and EMEA.

- Deal volumes demonstrated an erratic trend for the period 2010-2013. In 2014, global deal volumes decreased by 12%. M&A activity in Europe followed by the US outperform activity in other regions since 2012.
- Reported Revenue multiples range between 0.5x and 1.7x since 2010 with an overall multiple median of 0.9x. EBITDA multiples vary considerably across year showing a consistent

decline since 2010 to 2013, but recovering back to 2010 levels in 2014. The overall median of reported EBITDA multiples is 8.1x.

- M&A activity in Real Estate consulting space is spurred by buyers' objective to broaden their service offering across the whole property value chain and expand their offering in new geographic markets which is obvious by the international nature of the acquisitions.

IT consulting

Overview

Deal volumes grew by 15% in 2014, driven by the increasing demand for IT capabilities across many industries, particularly in the US, UK and China. Deal multiples for firms in hot IT sectors significantly outperformed others across IT consulting.

IT has historically represented the largest proportion of the overall consulting M&A market, at about 25% to 30% of global consulting M&A deal volumes. This is due to the higher level of innovation that occurs in the broader IT industry relative to other consulting sectors, which drives the continuous need for larger firms to acquire new capabilities and drives the demand for new, innovative IT consulting firms to enter the market.

With the continued proliferation of social, mobile, analytics, cloud and cyber technologies in the market, growth in the broader Technology sector in 2014 had a significant impact on IT consulting deals. The IT consulting sector continued to dominate the overall M&A consulting market, with the largest share of global consulting deals by volume in 2014.

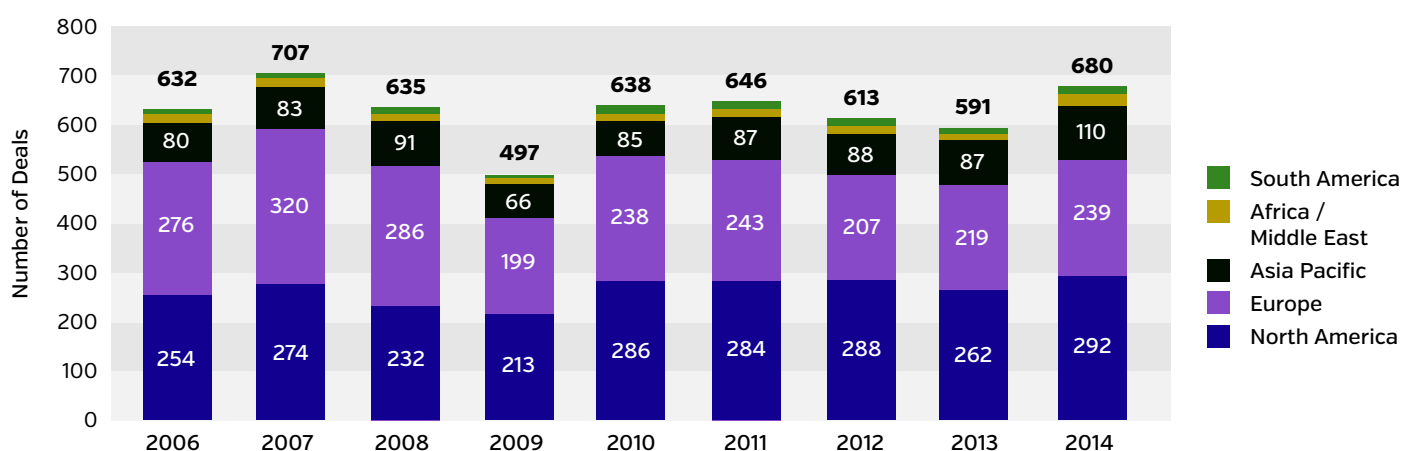
In 2014, there were 680 deals associated with IT consulting companies globally. While the overall

proportion of IT deals remained fairly stable [30%] in 2014, the growth in the overall market meant that we saw a 15% increase in IT consulting deals between 2013 and 2014. This growth was predominantly driven by IT consulting deals in the following geographies:

- 5% growth in North America, significantly driven by US deals;
- 4% growth in Asia Pacific, driven largely by Chinese IT consulting deal volumes; and
- 3% growth in Europe, where UK deals remained at the elevated 2013 levels, and the growth was largely driven by France.

In value terms, the trend in Revenue multiples of IT consulting firms continued to increase in 2014, while EBITDA multiples fell in line with the 2 year trend. This is most likely explained by the fact that firms in the IT industry typically drive revenue more aggressively than profits, as the ongoing demand for innovation drives the need for internal investments. Across the most prevalent regions for IT consulting deals, Asia Pacific saw the highest Revenue and EBITDA multiples, while European multiples were closer to the overall IT consulting sector median.

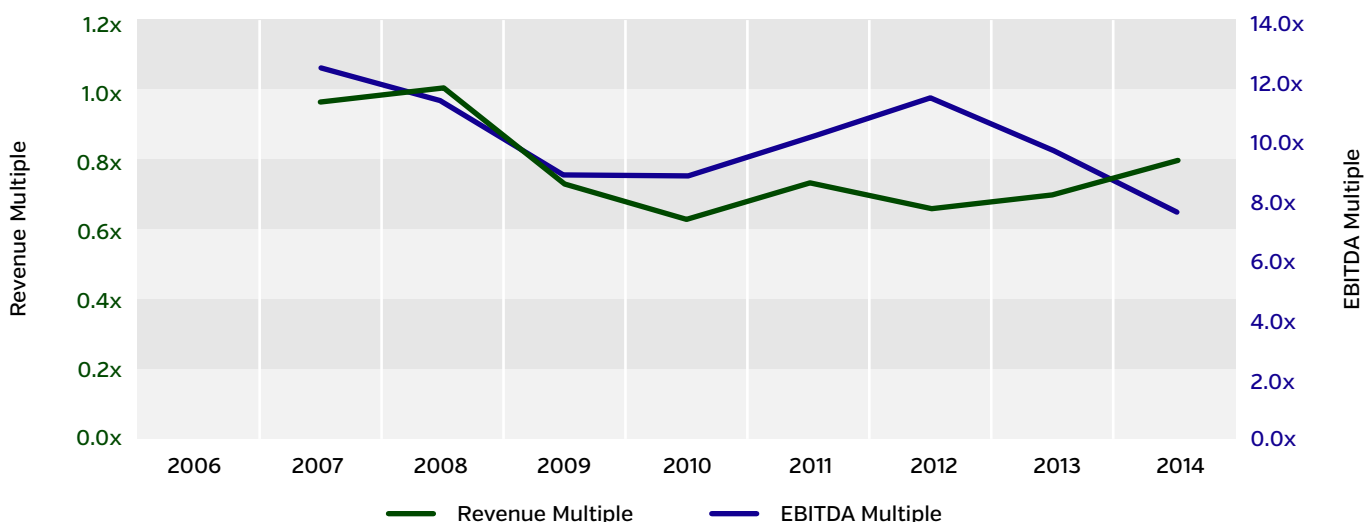
Figure 24 IT consulting deals per year



Consulting market segment overview

IT consulting

Figure 25 Two year rolling median of revenue and EBITDA multiples in IT consulting



Area	5-year median	2014 Value
Revenue Multiple	0.7x	0.8x
EBITDA Multiple	9.5x	8.0x

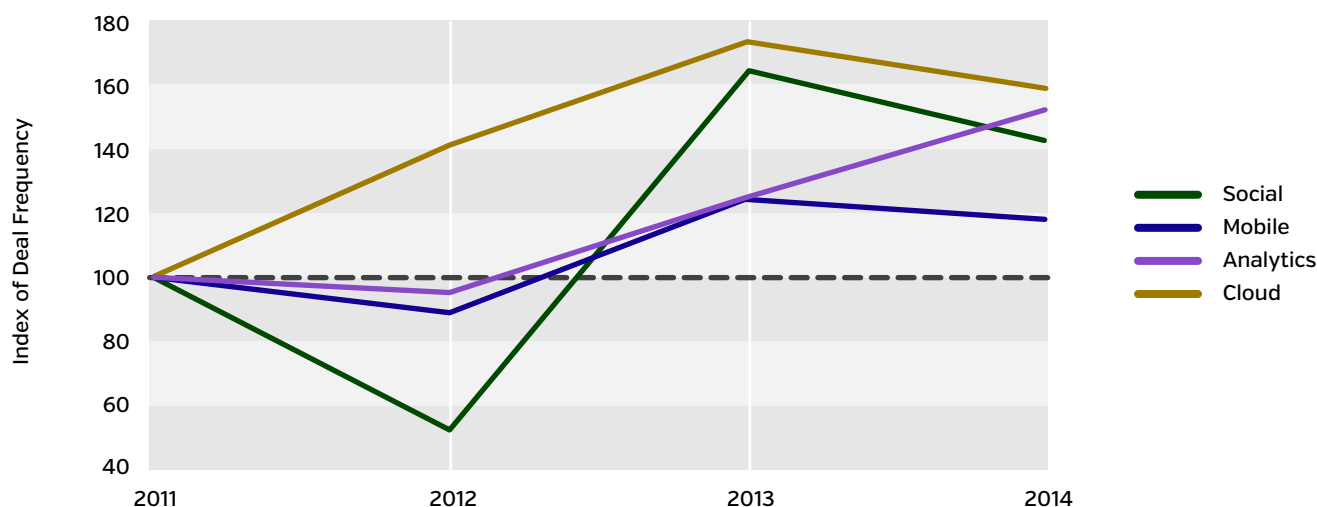
IT Consulting Revenue multiples	Median	Mean
North America	0.8x	1.2x
Europe	0.6x	0.8x
Asia Pacific	1.0x	1.4x

Table 3 IT consulting revenue and EBITDA multiples – 5-year median vs 2014

The largest proportion of IT consulting deals since 2011 have consistently been in the ERP, IT Security, Cloud, Infrastructure and Data storage areas. Furthermore, the proportion of these deals within the IT consulting sector have been increasing since 2011. Of particular interest in IT consulting is the so called SMAC sub-sectors (Social, Mobile, Analytics and Cloud). IT consulting deals in these areas have significantly increased in proportion of overall IT consulting deals since 2011, as shown in the figure overleaf.

IT consulting deals involving Social, Mobile, Analytics and Cloud are increasing in this sub-sector.

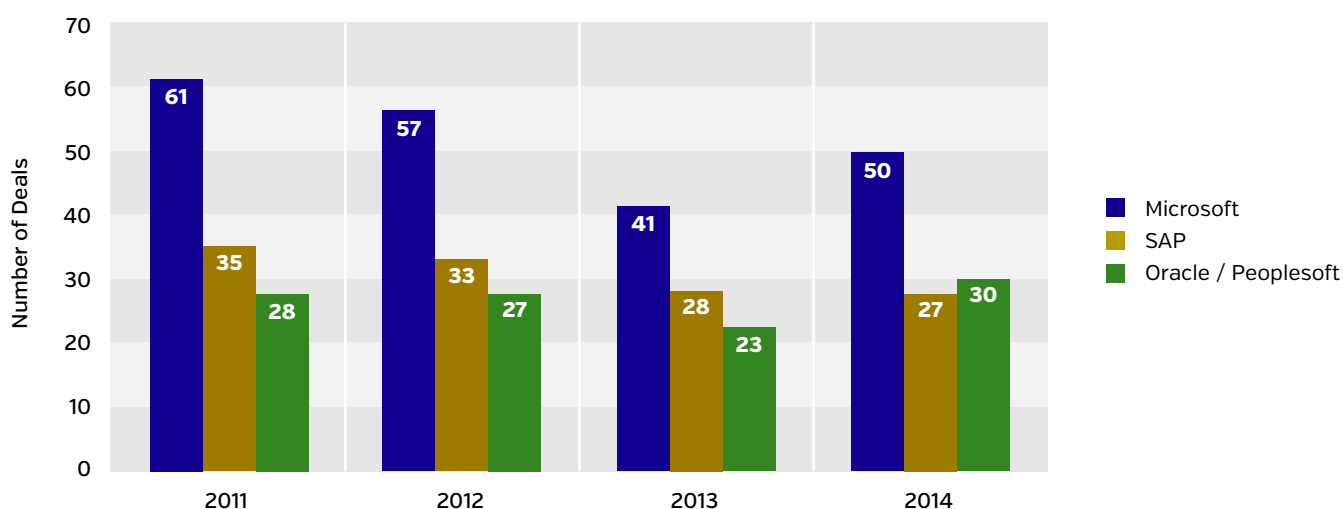
Figure 26 Proportion of IT deals per annum related to SMAC areas (Social, Mobile, Analytics and Cloud)



Microsoft continues to lead the vendor focus, although Oracle overtook SAP in IT consulting deals.

Microsoft, SAP and Oracle are also the largest vendors that IT consulting firms focus on, and as such advisors and system integrations of ERP systems continue to make up a large and constant proportion of deals. As shown in the figure below, Microsoft expertise continues to be the largest vendor capabilities associated with IT consulting M&A deals. However, for the first time since 2011 we have seen more deals involving consulting firms with Oracle product capabilities than those with SAP.

Figure 27 Annual deals by technology platform



Consulting market segment overview

IT consulting

Buyers of IT consulting firms in 2014

The most prolific buyer in the sector was NTT Corporation with 14 acquisitions in 2014. It mainly focused on buying IT systems integrators, business process outsourcers, cloud consultants and Business Intelligence solutions providers. NTT acquired companies across all continents, with 5 deals in Europe, 4 in North America, 3 in Africa / Middle East and 2 in Asia Pacific.

Hitachi, via its subsidiaries, acquired 4 companies in the Asia Pacific region (Singapore, Malaysia, India, Japan), and 1 in Europe, North America and South America each. Target companies operate in outsourcing, technology consulting, customer relationship management (CRM), cloud, application development and integration service areas.

WPP is the most prolific buyer of media and marketing companies. However, it completed 4 acquisitions in the IT consulting space in 2014. The company's digital marketing capabilities will be supported with the following acquired IT capabilities: application and systems design, development and implementation services, data visualization and software solutions. Media firms are increasingly becoming buyers of IT consulting firms in the market and we expect this trend to continue as media services become more IT dependent.

KPMG acquired a wide range of IT specialists with 3 acquisitions in North America and 1 in Europe. These included Cynergy systems (US, mobile), Qubera (US Cyber security), Trecata Corporation (Canada, Oracle's E-Business solutions provider), and Safira (Portugugal, Generalist IT consultants). Accenture, on the other hand, acquired 3 specialist companies, 2 of which focus on Oracle solutions (Enkitec LP and PureApps) and the third one on Cloud computing and CRM consulting services (ClientHouse).

Some additional notable deals in this space include:

- One of the biggest deals of the sector in 2014 was ServiceLink's acquisition of Black Knight Financial Services. ServiceLink, is a provider of transaction services to the mortgage and finance industries; Black Knight provides integrated technology, services and data solutions. The deal value was \$4.1 billion with a Revenue multiple of 2.1x and EBITDA multiple of 11.7x.
- Alternative Networks, a technology infrastructure managing company, acquired ControlCircle which provides IT infrastructure and Managed IT services. The deal value was \$65 million with a Revenue multiple of 1.9x and EBITDA multiple of 20.7x.

Buyers of IT consultancies are becoming increasingly diverse, with top buyers in 2014 ranging from IT and Technology services firms, to Media, Professional Services and Management Consultancies.

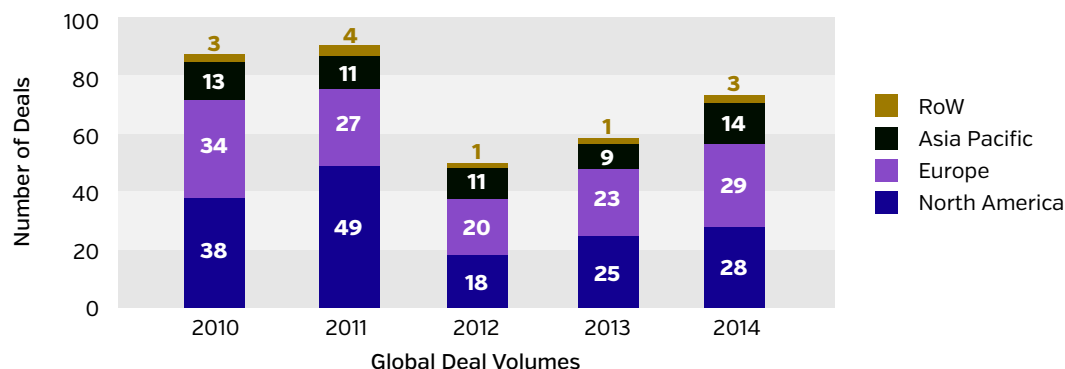
Top Buyers of IT Consultancies	# Deals
NTT Corporation	14
Hitachi Ltd.	7
WPP Plc	4
KPMG International	4
Accenture Plc	3



IT consulting selected sub-sector analysis

IT outsourcing

Global deal volumes and multiples



Area	5-year median
Revenue Multiple	0.8x
EBITDA Multiple	9.1x

Revenue and EBITDA multiples – 5-year median

Sample transactions and comments

Target	Buyer	Rationale
Xerox Corporation, IT Outsourcing Business	Atos SE [ENXTPA:ATO]	The transaction will enable new levels of collaboration in client situations and innovative solutions leveraging Atos' world-class ITO capabilities and highlighting Xerox's Business Process Outsourcing and document outsourcing expertise. Deal size: \$1.1bn.
Single Consulting, S.A.	Ernst & Young, S.L.	EY (professional services) acquired Single consulting (business consulting and sourcing advisory). Through this transaction, both firms join forces to increase the market positioning.
Montal Holdings Limited	Castleton Technology Plc [AIM: CTP]	Castleton (outsourced IT managed services) acquired Montal Holdings (outsourced IT services) from MXC Capital and others for £3.8 million on June 23, 2014.
Xpanxion LLC	UST Global Inc.	UST (IT services & solutions) acquired Xpanxion (IT Consulting and ITO/BPO) on May 28, 2014. Post acquisition Xpanxion will retain its name and will continue as a subsidiary of UST.
Sofica Group JSC	TeleTech Holdings Inc. [NasdaqGS: TTEC]	TeleTech (customer engagement management solutions) acquired Sofica (BPO) on February 24, 2014. The transaction boosts TeleTech's footprint and language capabilities, providing it with a robust local brand position in Central and Eastern Europe.

- Deal volumes experienced a dip in 2012, after which M&A volumes have steadily recovered to 2014. This trend was mainly driven by a slow down in US deals in this space and the subsequent recovery in line with the US economy. 2014 saw deal values roughly equal between North America and Europe.
- Deal multiples reflect the relative profitability of this space, with Revenue multiples at an

expected 0.8x and EBITDA multiples on the high end at 9.1x. Lower profitability in this space requires higher EBITDA multiples to achieve a standard sector Revenue multiple.

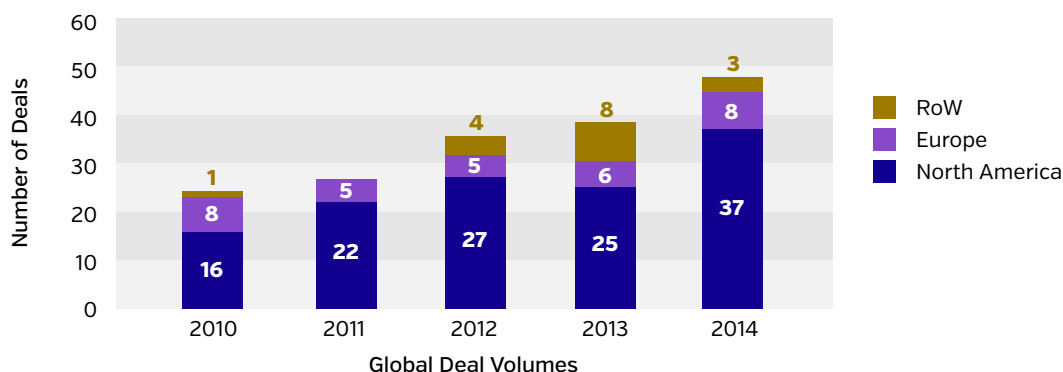
- Reasons for acquisitions varied but mainly revolved around synergies in combining advisory capabilities with longer term outsourcing contracts.

Consulting market segment overview

IT consulting

Big data / data analytics

What is happening in the market?



Area	5-year median
Revenue Multiple	1.1x
EBITDA Multiple	11.1x

Revenue and EBITDA multiples – 5-year median

Big data & analytics consulting M&A has shown promising growth since 2010 for the USA and ROW, with Europe showing improved growth rates from 2012.

Sample transactions and comments

2014 has shown that the EU & USA Transactions of Cloud consultancies with Big data & Analytics capabilities have shown significant growth, both in terms of deal volumes and values. Some notable transactions that took place in 2014 include:

Target	Buyer	Rationale
Sherpa, LLC	Evolve24, LLC	The merger will lead to Enhanced Analytics and Strategic Applications for Consumer and Market Insights, Program Effectiveness Measurement and Anticipatory Issue Intelligence.
Link Analytics, LLC	KPMG, LLP	This acquisition will significantly expand KPMG's existing Customer Strategy & Growth capabilities, and represents the latest advancement of KPMG's D&A solutions to help clients answer high-value questions and solve complex business challenges – particularly in customer experience and analytics, one of the fastest growing areas of D&A and a focus of many of KPMG's clients.
Indicus Analytics, LLC	Nielsen N.V.	With the acquisition, Nielsen strengthens its portfolio in India by combining its information and insights capabilities with Indicus' focus on analytic solutions that provide economic & consumer insights at various granular levels.
Advanced Pharmacy Concepts, Inc.	PriceWaterhouse-Coopers LLP	With the closing of the deal, Advanced Pharmacy Concepts, Inc. now becomes part of PwC's Human Resource Services practice, further bolstering its pharmacy benefit analytic and consultative services.
Radoop, LLC	RapidMiner GmbH	Radoop has seen tremendous traction in the Hadoop space, and their unmatched offering, added to RapidMiner's best of breed advanced analytics platform, provides the most comprehensive predictive analytics offering on the market.
Think Big Analytics, Inc.	Teradata Corporation	Think Big's expertise, proven delivery methodology, intellectual property assets, and solution frameworks will strengthen Teradata's position as the global leader helping organizations become data-driven enterprises through analytics.

Big data / data analytics

Why are companies acquiring in this space?

To build capabilities and drive business development.

- Business growth can be catalysed by an ability to retrieve useable insights from company data, and developing analytics capabilities is becoming increasingly prioritized
- Data analytics techniques are now being used to advise across strategic, operational and financial issues in increasingly innovative ways
- Talent is scarce, and firms lack the time to ramp up organically
- Building these capabilities in-house requires significant investment and effort in recruitment, training and integration. It is often more effective to acquire and integrate this IP than build it in-house

To gain access to big data & analytics IP.

- Top consultancies have adopted an aggressive IP acquisition strategy to mobilise their big data & analytics units
- Analytics services delivered through cloud platforms are in particular demand

What are the hot sectors?

Hot Sub-Areas within Big Data & Analytics Consulting

NoSQL* Technologies

Apache Hadoop & Apache related technologies

DDS** Technologies

LexisNexis HPCC*** related technologies

*NoSQL (No Structured Query Language), **DDS (Data Defined Storage), ***HPCC (High Performance Computing Cluster)

Who are the top buyers?

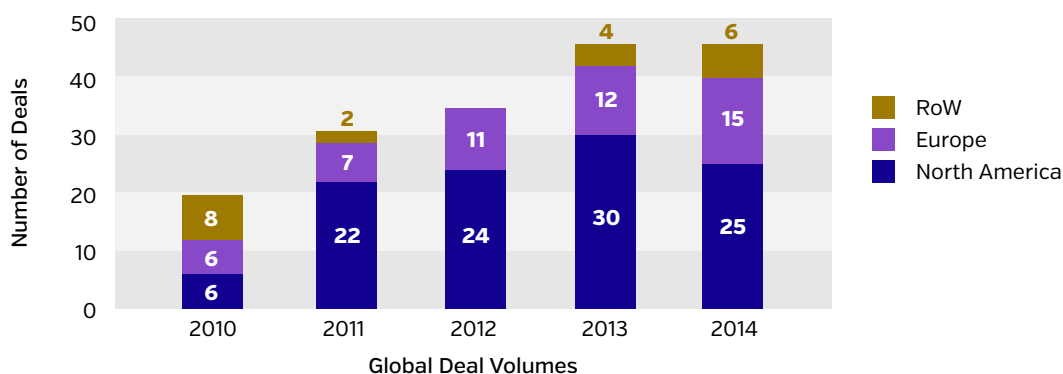
Buyers	Deals in 2013-14 Period	Rationale
Nielson N.V.	3	Acquisitions for Nielsen will allow Nielsen to add capabilities for macro and microeconomic research and analytics with relevance for both public and private sectors.
Pricewaterhouse-Coopers LLP	2	PwC is gaining momentum in attempting to include technology in its services, after increasing demand from its clients for technology expertise- in order to support business transformation programmes.
RapidMiner GmbH	1	Acquisitions will allow RapidMiner to build a high-performance and easy-to-use data transformation and analysis solution for big data, the first of its kind to be based on Hadoop.
KPMG LLP	1	KPMG has an aggressive growth strategy that includes broadening and strengthening existing services; developing new solutions; acquiring organizations and professionals to complement and expand its capabilities; and building a significant Alliance portfolio to help clients meet their business needs.

Consulting market segment overview

IT consulting

Cyber security

What is happening in the market?



Area	5-year median
Revenue Multiple	0.8x
EBITDA Multiple	9.0x

Revenue and EBITDA multiples – 5-year median

Cyber-security consulting M&A activity has established a strong mature market that has been experiencing growth since 2010.

Sample transactions and comments

The cyber security space experienced a wide range of acquisitions in 2014, ranging from start-ups to big ticket deals. The most notable buyers being within IT Consulting, Technology and PE sectors. Some notable transactions that took place in 2014 include:

Target	Buyer	Rationale
Lighthouse Security Group	IBM Corporation	From a customer perspective, IBM now has the ability to deploy end-to-end cloud-based IAM services, software and systems.
CrossIdeas	IBM Corporation	The addition of CrossIdeas extends IBM's market share leading portfolio of identity and access management capabilities.
Cyvera	Palo Alto Networks	The combination of Cyvera, Palo Alto Networks' next-generation firewall, and the company's threat cloud will create one of the most powerful integrated and automated enterprise security platforms in the market.
nPulse	FireEye	Provides FireEye a big missing piece of the puzzle for rapid detection, mitigation, and clean-up of cyber-attacks.
EnterEdge Technology, LLC	Milestones Systems, Inc.	Merging with the 13-year-old Atlanta-based company will further reinforce Milestone Systems' focus on security and impact its geographical presence.

Cyber security

Why are companies acquiring in this space?

The prevalence of cloud-based services.

- Global adoption of 'the cloud' meant that data and services are increasingly moving from in-house or dedicated facilities into public or private cloud-based networks (off site)
- This potentially exposes applications and data to new levels of threat and increasingly sophisticated attacks, which poses new and changing risks to IT security. Corporate security breaches have become increasingly frequent, costly and severe
- Demand for cyber-security solutions has thus naturally increased and traditional IT security expertise is increasingly overshadowed by new cyber security skills

Access to innovative solutions offered by smaller consultancies.

- Larger firms recognize that to innovate cyber solutions and IP are more easily acquired than built. Many firms are looking to combine / integrate various solutions they acquire

What are the hot sectors?

Hot Sub-Areas within Cyber Security Consulting

Identity and Access Management (IAM)

Device Management

Data and Data Loss Prevention

SCADA* and ICS**

*SCADA: Supervisory Control & Data Access, **ICS: Industrial Control Systems

Who are the top buyers?

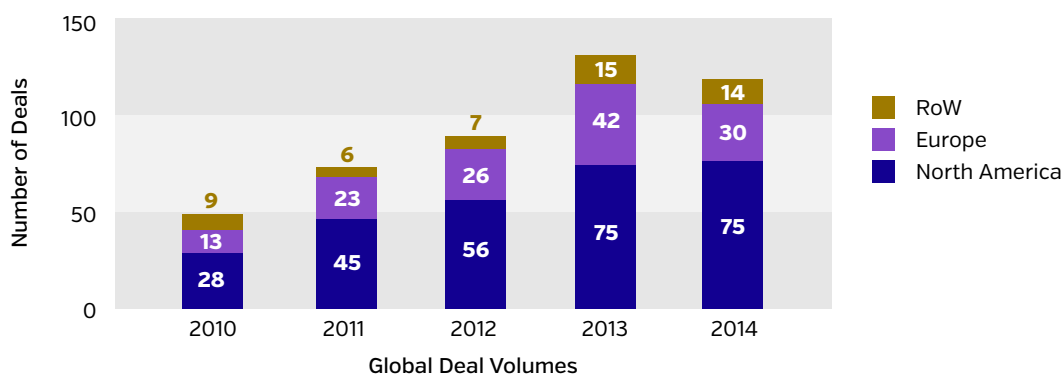
Buyers	Deals in 2013-14 Period	Rationale
IBM Corporation	2	To continue its 10 year commitment to investing and researching in cyber security, IBM has further added to its acquisitions in the cyber space, aiming to extend IBM's leadership in delivering innovation, services and software for securing enterprises.
Palo Alto Networks	2	Palo Alto Networks aim of extending its enterprise security platform to perform next-generation security functions across the network, endpoint, and the cloud, via an acquisition strategy of innovative cyber-security companies, globally.
Nippon Telegraph and Telephone Corporation	1	NTT continues to aggressively expand its security capabilities to become one of the world's largest security integrators, focusing on acquisitions in cloud-based security solutions.

Consulting market segment overview

IT consulting

Cloud

What is happening in the market?



Area	5-year median
Revenue Multiple	1.3x
EBITDA Multiple	9.8x

Revenue and EBITDA multiples – 5-year median

Global Cloud-based consulting deals in the USA and Europe have been increasing steadily since 2010, with Europe showing a small drop in deals in 2014.

Sample transactions and comments

Cloud consulting and cloud-related technology consulting spaces in 2014, have experienced a surge in acquisitions, with the most notable buyers being within IT Consulting, Technology and PE sectors. Buyers span across industries, looking to enhance expertise and capabilities, for example, telecoms, healthcare and industrial firms have made acquisitions in this sector. Some notable transactions that took place in 2014 include:

Target	Buyer	Rationale
AXIA Consulting, LLC, Workday Consulting Practice	KPMG, LLP	The acquisition strengthens KPMG's capabilities around alliance partner, Workday, a provider of enterprise cloud applications for finance and human capital management. Adding AXIA's Workday team to KPMG's delivery capabilities further elevates the firm's position as a leader in global business transformation enabled by Workday.
Cbeyond, Inc.	Birch Communications, Inc.	This acquisition creates a truly unrivalled communications and technology services powerhouse that can serve businesses at every stage of their lifecycle.
Enkitec, LP	Accenture Plc	This acquisition, combined with Accenture's Intelligent Infrastructure capability, will enhance Accenture's ability to help clients transform their data centers and accelerate time to value from their Oracle technology investments.
Continuent, Inc.	VMware, Inc.	Moving forward, VMware plan to enhance Continuent's technology, integrating it within VMware vCloud Air, VMware's hybrid cloud service. VMware will also investigate expanding the integration to VMware's core Software-Defined Data Center products. These new VMware services and product capabilities will enhance customers' ability to provide high availability, scale, and reliability for their relational databases and dependent applications.

Cloud

What are the hot sectors?

Hot Sub-Areas within Cloud Consulting

Cyber-Security

Big Data and Data Analytics

Software as a Service (SaaS)

Infrastructure & Platform as a Service (IaaS & PaaS)

Hot sub-sectors of cloud are also expected to experience similar levels of M&A growth to general cloud-based consulting.

Why are companies acquiring in this space?

Acquisition of new skills.

- Cloud services have changed the way IT consulting and Technology services firms deal with issues across the entire technology stack, from strategy to architecture to infrastructure and data
- As more services and storage mediums move to the cloud, IT consulting and services firms require new talent to remain competitive, particularly as internal innovation and cost efficiency initiatives are increasingly dependent on cloud-deployed solutions
- As innovation is typically occurring with smaller, more innovative and agile firms, the acquisition of new cloud technology and advisory skills is often seen as more effective than individual or group hires

Acquisition of Intellectual Property.

- Cloud-enabled intellectual property (IP) is in demand in order for firms to remain competitive in a rapidly changing global IT landscape
- As consultancies are facing increasing competition to remain at the forefront of technological innovation, due to the rapid pace of change, a 'buy over build' preference has been adopted in order to keep pace with the market and quickly acquire assets, competitive capabilities and service offerings
- Cloud-based IP (including product offering, services or capabilities) is in high acquisition demand as IT consulting firms look to increasingly combine traditional IT consulting engagements and ongoing IT services delivered through the cloud

Who are the top buyers?

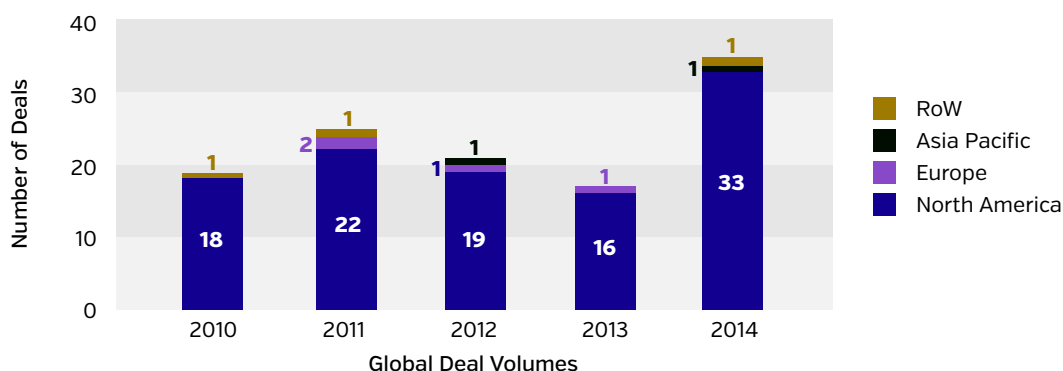
Buyers	Deals in 2013 - 2014 Period	Rationale
Accenture Plc	2	Accenture is already recognised as a global leader of Salesforce.com and their acquisitions will strengthen their position as a leading global provider of cloud solutions to clients in life sciences and other industries.
KPMG LLP	2	In order to remain at the forefront of the global business transformation, the Big 4/5 need to acquire expertise and capabilities around cloud technologies, in 2014 for KPMG this involved acquisitions of consultancies providing enterprise cloud capabilities for finance and human capital management around Workday.
Perficient Inc.	2	As one of North America's leading information technology consulting firms, acquisition in 2014 have allowed Perficient remain at the forefront at offering leading cloud capabilities, in this case the expertise and geographical potential to offer Salesforce.com solutions across the United States.
VMware, Inc.	1	VMware's aim to target a new customer base, strengthen it's existing tech-pool, by developing existing technologies with the addition/boost of fresh, complimentary technologies from bolt-on acquisitions.
Atos SE	1	Atos continues to acquire expertise in cloud related technologies in order to complement its consulting and outsourcing offerings.

Consulting market segment overview

IT consulting

Healthcare IT

Global deal volumes and multiples



Area	5-year median
Revenue Multiple	1.3x
EBITDA Multiple	10.4x

Revenue and EBITDA multiples – 5-year median

Sample transactions and comments

Target	Buyer	Rationale
Ubiquity LLC	PopHealthCare LLC	The addition of Ubiquity's cutting edge tools and systems enhanced PopHealthCare's data management, analytics and reporting capabilities.
Origin Healthcare Solutions LLC	Meridian Medical Management	The acquisition enhanced Meridian's revenue cycle management, electronic health record, integration solutions as well as business intelligence and analytics.
Sg2 LLC	MedAssets Inc.	The addition of Sg2 LLC helped MedAssets improve its channel access, expanded its footprint and broadened its data utilisation and analytics expertise.
Encore Health Resources LLC	Quintiles Transnational Holdings Inc.	The acquisition enhanced Quintile's Electronic Health Record expertise as focus in the healthcare industry begins to shift towards real world evidence.
Intelligent Healthcare LLC	ZirMed Inc.	The addition of Intelligent Healthcare solidified ZirMed's ability to provide end-to-end revenue cycle solutions for the healthcare marketplace.

- Almost all deals in 2014 took place in North America 98% of which in the US.
- Deal volumes appeared to be steady around 20/annum in the 2010-2013 period, however they demonstrated a sharp increase in 2014, reaching 35 transactions. The main reason behind that seems to be the almost twofold increase in M&A activity in North America.
- The main reason for acquisitions was the need for acquisition of cutting edge tools and techniques directly applied to the healthcare industry. Other reasons included expansion in terms of geography and clientele.

Media consulting

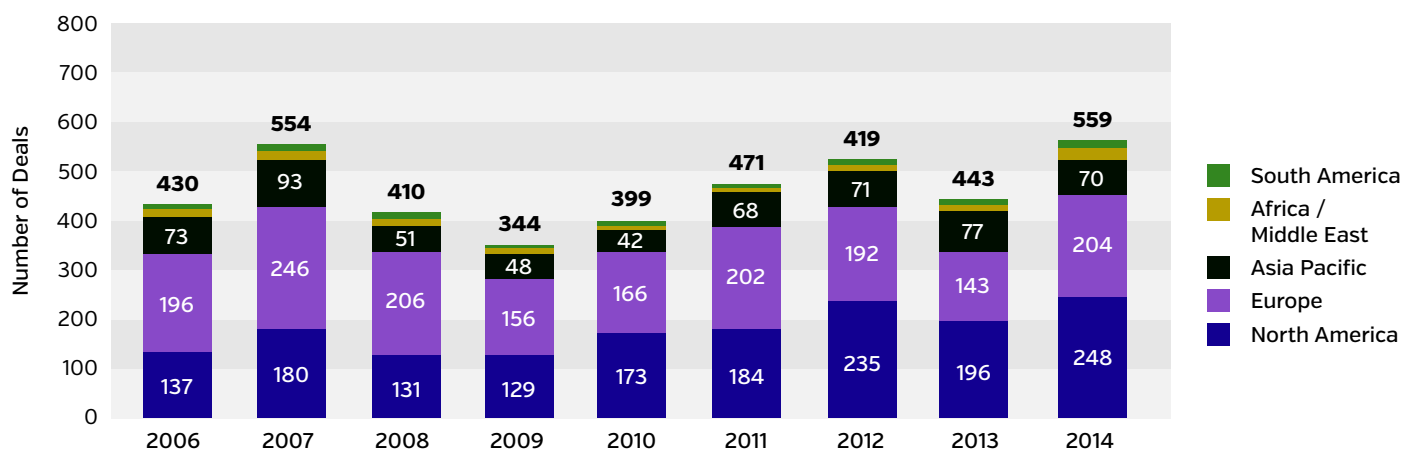
Overview

The media advisory sector made a significant contribution to the M&A market in 2014. Media advisory firms had the second largest volume share of consulting deals (25%), which was consistent with the long term trend, but the 26% growth in media deals meant that they contributed to nearly half of the global consulting M&A growth in 2014, with Digital Media / Marketing having an increasingly important impact on deals in this space;

In value terms, the trend in both Revenue and EBITDA multiples in Media advisory firms increased in 2014. This is largely the impact of the increasing influence of 'Digital' in the Media sector, which has broadened the buyer community into this sector to include IT companies, thereby increasing demand and deal multiples in this sector over time. The high multiples in this space are thus heavily weighted towards digital marketing.

Deal volumes grew by 26% in 2014, which was a record year for media consulting deals. Deal values have been on a 2-year upward trend, with high deal multiples influenced by the ongoing impact of digital.

Figure 28 Media deals per year



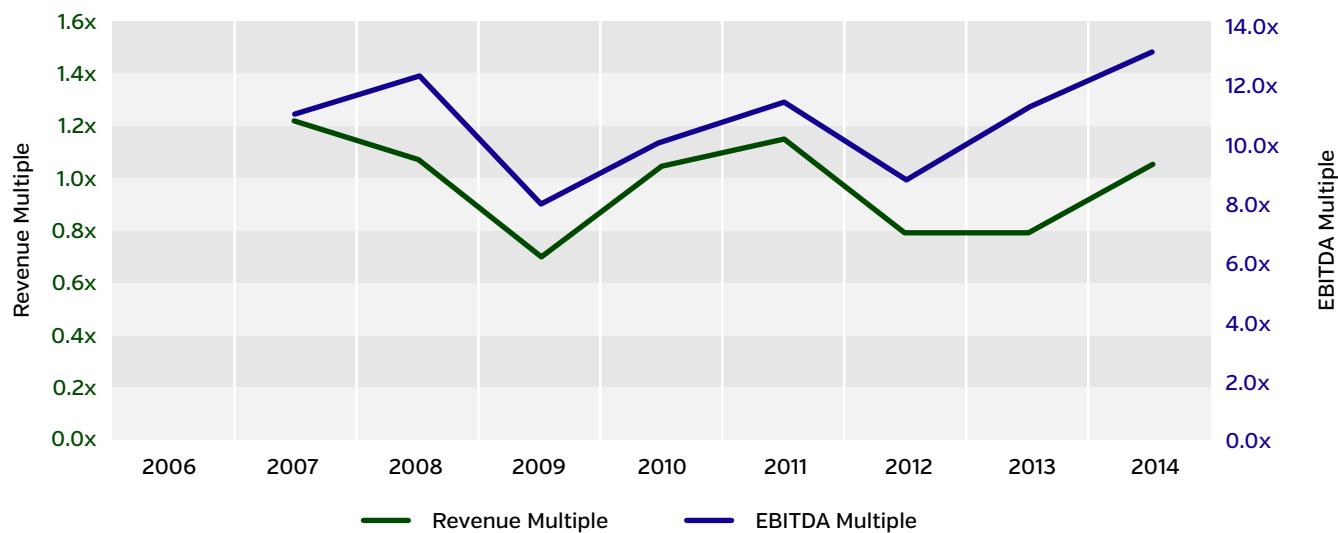
Area	5-year median	2014 Value
Revenue Multiple	1.0x	1.1x
EBITDA Multiple	12.2x	12.2x

Table 4 Media revenue and EBITDA multiples – 5-year median vs 2014

Consulting market segment overview

Media consulting

Figure 29 Two year rolling median of revenue and EBITDA multiples in media



Buyers of media advisory firms in 2014

WPP acquired 23 consultancies in 2014, with 18 targets being in the Media consulting sector. The group acquired only 2 companies in well-established markets (1 in each UK and US), and focused on less developed areas such as Africa, Asia and European countries where digital marketing is becoming more important (Netherlands, France, Germany).

In 2014, Publicis, an advertising and communications agency, spent a lot of resources on establishing its presence in African market. The company acquired 7 media consulting companies in South Africa with the following capabilities: digital search, mobile solutions, analytics, communication services, brand strategy and general media and marketing services.

Omnicom strengthened its global presence evenly, with 3 acquisitions in Europe and 2 in North America, Asia Pacific and South America each.

The Interpublic Group of Companies acquired a wide range of media and marketing consultancies in Europe and North America. Target companies provide online marketing, public relations, communications, social media management and mobile strategy services.

Dentsu acquired 7 companies with an emphasis on social media and digital marketing consultancies.

Some notable deals in this space include:

- St Ives acquired, a digital marketing firm, Realise Holding (UK) for \$66.9 million, with an EBITDA multiple of 14.8x. The acquisition is a continuation of St Ives' strategy to create a complementary range of digital and marketing services that would enable it to add further value to its existing and new clients.
- Bain Capital (Private Equity) acquired Macromill, a Japanese marketing research and consulting company, for \$507.5 million. The company was valued at 2.5 x Revenue and 10.1x EBITDA.
- Dentsu Aegis acquired mktg, Inc. for \$51.8 million with an EBITDA multiple of 12.8x. With this move, Dentsu expands its experiential and digital marketing as well as strategic research capabilities in the US.

Media consulting buyers in 2014 were dominated by a few large players, whose acquisitions mainly focused on establishing digital capabilities within the media sector.

Top Buyers of Media Consultancies	# Deals
WPP Plc	18
Publicis Groupe SA	12
Omnicom Group	9
The Interpublic Group of Companies	7
Dentsu Inc.	7



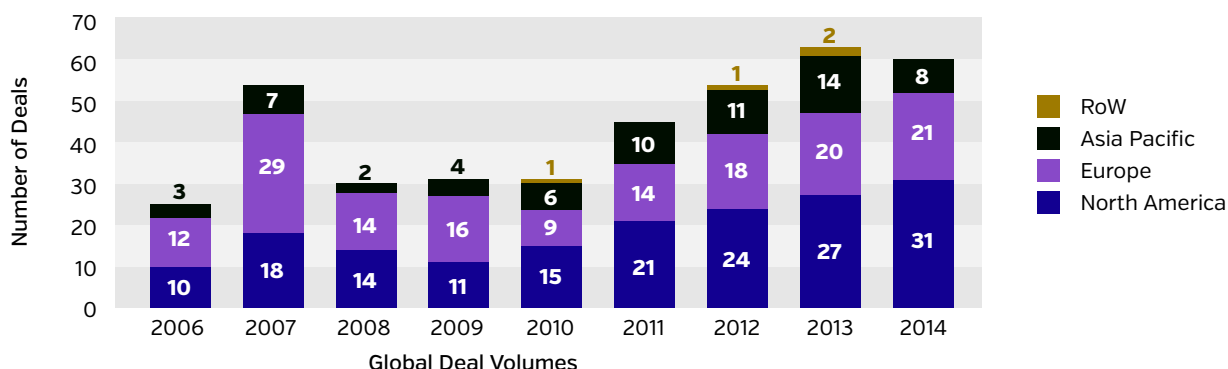
Consulting market segment overview

Media consulting

Media selected sub-sector analysis

Digital marketing

What is the market heat?



The volume of acquisitions in the Digital Marketing space has increased considerably since 2010. Although 2014 saw an overall 5% decline in deal volumes, those in the North American and European markets continued to increase.

Digital Marketing M&A activity in 2014 was 11% above the 2007 [pre-crisis] spike, signalling a confident return in the market.

The deal volume growth is well balanced between the US and Europe.

Why are companies acquiring in this space?

Acquisition of new digital skills

- Shifting landscape of traditional media becoming more reliant on IT
- Need to refresh skills in new digital media [social] and IT [analytics]
- Acquisitions seen as a quicker way to obtain skills than building in-house

Acquisition of new customer channels

- Building customer service through new channels [mobile, social]
- Digital marketing plays a pivotal role in achieving this
- Digital marketing firms are hence seen as key targets for buyers looking to expand customer channels

Acquisition of new digital IP/Technology

- Digital marketing is highly dependent on IT, software and analytics
- This drives acquisition of firms with digital marketing IT/tools/IP
- As a result, increased demand relative to supply of such firms drives their valuation upwards

Increasing competition between media and IT firms

- Technology-focused digital marketing firms are in increased demand by both large media firms and traditional IT providers
- The need for acquisition of similar skills and technology leads to increased competition between the two industries, thus making valuations for such firms even more appealing

Digital marketing

Sample transactions and comments

The digital marketing space experienced a wide range of acquisitions, the most notable being categorised in 3 sub-sectors: Social Media Marketing, Digital Marketing Analytics and Mobile Marketing.

Some notable transactions that took place in 2014 include:

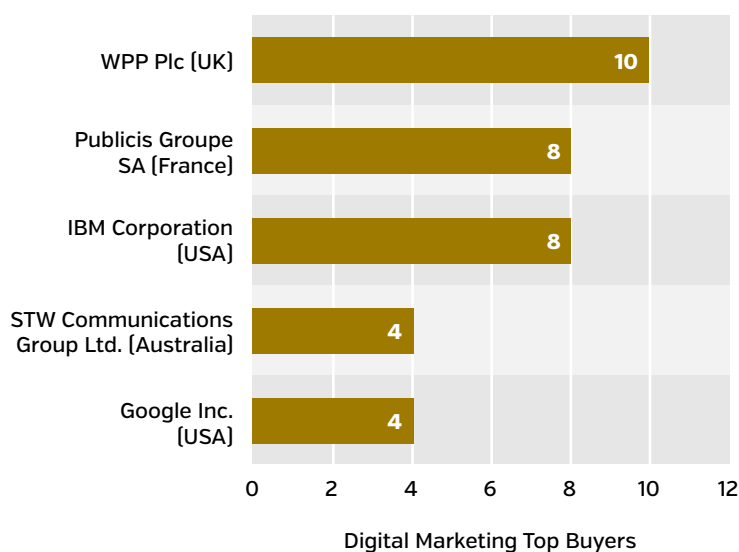
Digital Marketing Sub-sector	Target	Buyer	Rationale
Social Media Marketing	Tempero	Dentsu Aegis Network	Tempero will act as the European arm of ICUC - Dentsu Aegi's social media, moderation & management agency.
	TBG Digital	Sprinklr Inc.	The acquisition allowed Sprinkl to become a one-stop-shop for all social media marketing.
Digital Marketing Analytics	Agiliti Inc.	McKinsey & Co	In its effort to catch up with its Big4 competitors, McKinsey expanded in digital marketing strategy and analytics by acquiring US based Agiliti Inc.
	Neoworks Ltd.	WPP Plc	The acquisition enhanced WPP's digital marketing capabilities across all disciplines including e-commerce.
Mobile Marketing	Sparq	Yahoo Inc.	The acquisition served Yahoo's strategy to increase their clients' engagement across various mobile platforms.
	Xtify	IBM Corporation	IBM expanded its campaign creation capability, dynamic real-time segmentation and analytics for all mobile devices.

Who are the top buyers?

As anticipated, the names standing out in terms of their volume of acquisitions in the space involve large media companies and traditional IT-focused firms.

WPP Plc, the world's largest media & advertising firm, leads the race in terms of acquisitions in the digital marketing space with 10 since 2010.

Publicis Groupe SA and IBM follow in second place (with 8 each), while STW Communications Group, the largest communications group in Australasia, and Google complete the top 5 with 4 acquisitions each.



Consulting market segment overview

Engineering consulting

Overview

Engineering consulting was the only major consulting sector to slightly decrease in deal volumes. This is the second consecutive year since 2012 where deal volumes have decreased. However, at 373 deals in 2014 this is not far off of the longer term trend since 2010 of approximately 400 deals per year. Thus in broad terms, the deal volume in this sector remained relatively stable in 2014. However, the blend of Engineering consulting deals across regions in 2014 changed, with deal volume declines of 20% in Europe and 34% in Asia Pacific broadly balanced by the 22% increase in North American deals, which comprise the largest share of the market.

Despite declining deal volumes over recent years, there has been an increase in Engineering consulting deals in North America and the value trend in terms of deal multiples is rising.

Figure 30 Engineering deals per year

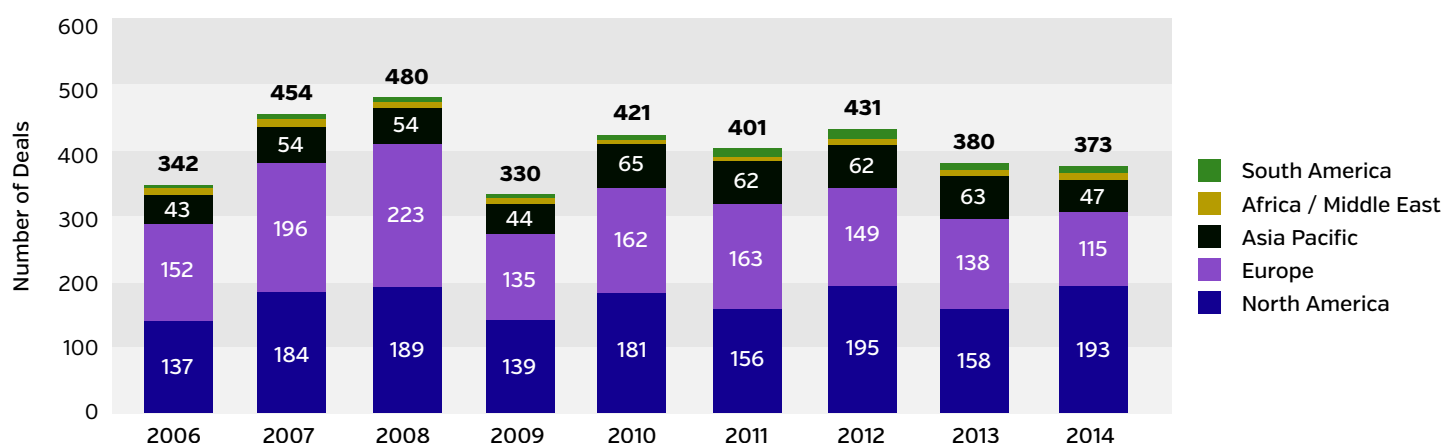
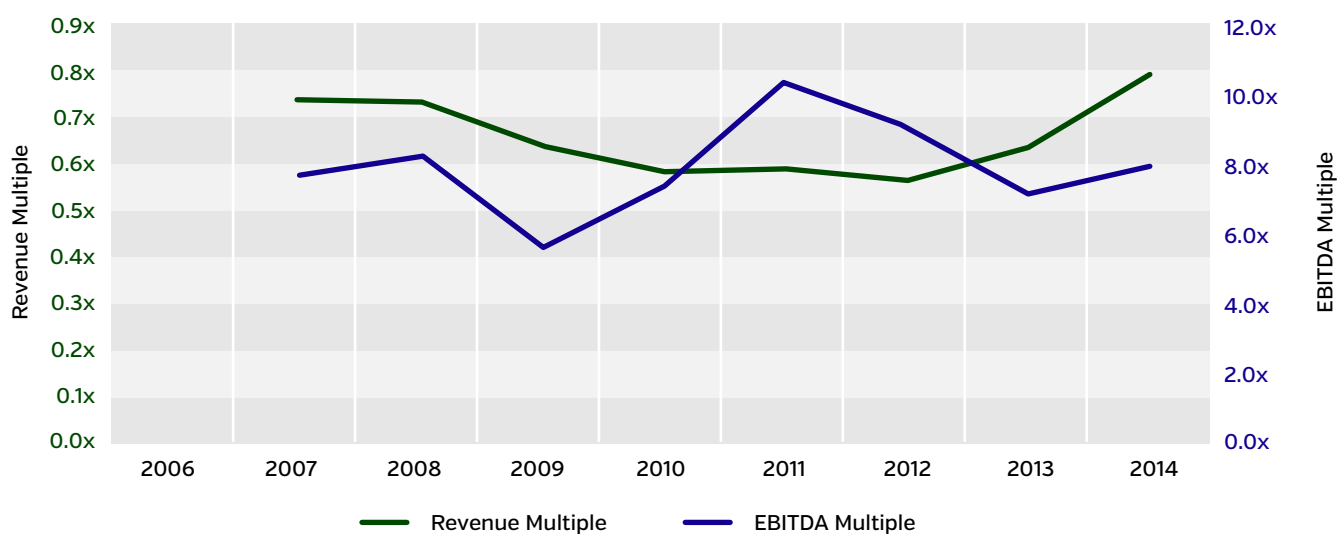


Figure 31 Two year rolling median of revenue and EBITDA multiples in engineering consulting

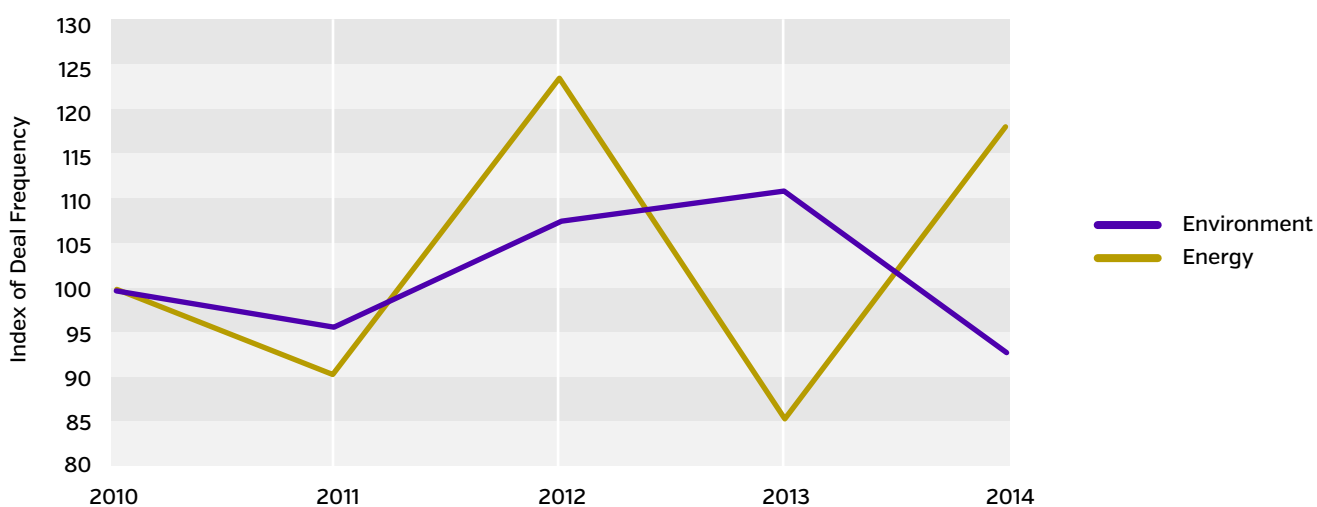


Area	5-year median	2014 Value
Revenue Multiple	0.6x	0.8x
EBITDA Multiple	8.4x	8.4x

Table 5 engineering consulting revenue and EBITDA multiples – 5-year median vs 2014

The focus on acquiring companies with an environment capability slowed down in 2014, while the interest in energy capability companies picked-up.

Figure 32 Proportion of deals related to environment and energy by year



Consulting market segment overview

Engineering consulting

Buyers of engineering consultancy firms in 2014

Stantec, a professional consulting services provider in planning, engineering and architecture, acquired 6 companies in the United States. The target companies range from architectural design consultancies, engineering project management companies to environmental consultancies.

WSP Global, a provider of various professional services, acquired 6 engineering consultancies, 2 of which were of a significant size. The Focus Crop., a US-based geomatics consultancy, was acquired for \$329.3 million with a Revenue multiple of 1.3x and an EBITDA multiple of 8.9x. A US-based planning and developing consultancy, Parson Brinckerhoff Group, was acquired for \$1.4 billion. The WSP's acquisitions of 2014, create one of the largest pure-play multidisciplinary consulting firms worldwide.

RPS Group is a multinational energy resources and environmental consultancy. The company spent just over a \$100 million on the 5 acquisitions with the deal values ranging from \$3.5m to \$37.8m. RPS acquired 2 environmental consultancies, a project management consultancy to the construction and property industry, and 2 planning and development consultancies.

Anthesis Consulting Group, a provider of consultancy, technology, and managed services, acquired 4 engineering consultancies in the United Kingdom.

SLR Consulting, a provider of environmental consultancy services, spread its acquisitions across 4 continents with 1 transaction in Europe, North America, Africa and Asia Pacific each.

Some notable deals in this space include:

- **Tech Mahindra Limited acquired** Mahindra Engineering Services for \$115.4 million with the Revenue multiple of 3.5x. Mahindra Engineering Services provides engineering and design consulting services; Tech Mahindra Limited provides information technology services and solutions.
- **ARCADIS NV acquired** Hyder Consulting PLC for \$482.7 million
- **SNC-Lavalin Group Inc. acquired** Kentz Corporation, an engineering and construction services firm, for \$1.9 billion. The move supports SNC-Lavalin's move to become a global Tier-1 engineering and construction company
- **WS Atkins Plc acquired** Houston Offshore Engineering, an oil and gas engineering consultancy, for \$73 million. The acquisition strengthens Atkins' position in the active oil and gas design and engineering market.

Large global engineering consulting or services firms continued to dominate Engineering consulting firm acquisitions in 2014.

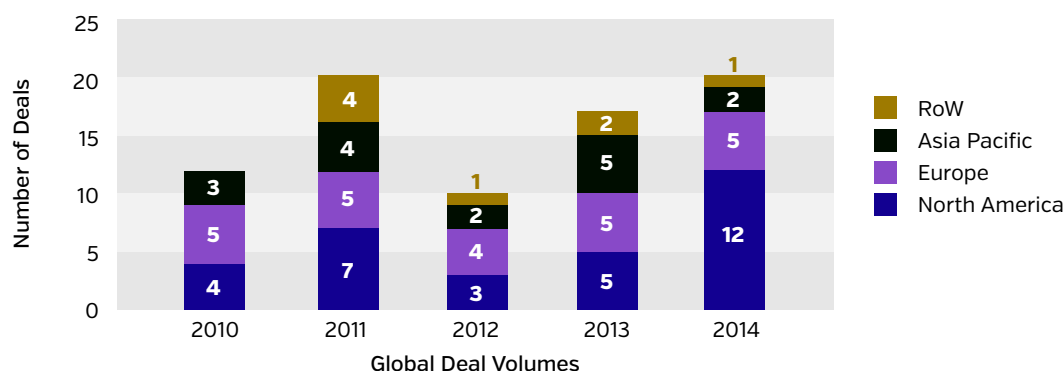
Top Buyers of Engineering Consultancies	# Deals
Stantec Inc.	6
WSP Global	6
RPS Group Plc	5
Anthesis Consulting Group	4
SLR Management Limited	4



Engineering consulting selected sub-sector analysis

Oil and gas focused engineering consulting

What is the market heat?



Area	5-year median
Revenue Multiple	1.2x
EBITDA Multiple	8.9x

Revenue and EBITDA multiples – 5-year median

Why are companies acquiring in this space?

Oil & Gas projects are becoming harder to manage with fewer Project Managers available to manage them:

- Activity is increasing from unconventional and frontier sources which have previously remained inaccessible, for e.g. Arctic drilling
- Realizing the benefits of such sites is expected to be constrained by an anticipated talent shortage in experienced Project Managers over the coming years

Oil & Gas organizations need to change in order to capture the value of new technologies.

- The real value in enabling firms to gather and process Big Data in real time can only be realized if information reaches the right people fast enough
- The transfer of such time-sensitive information is facilitated by IT systems and appropriate operational models

Ever more stringent regulations are forcing Oil & Gas companies to increase investment in HSE.

- Oil-related accidents damage reputation and create huge losses and environmental disasters, e.g. BP's Deepwater Horizon accident and oil spill cost the company USD\$9.2bn in losses at minimum
- To mitigate these heavy economic, social and environmental costs, Governments and national oil bodies are proactively enforcing increasingly complex regulations to ensure compliance

* We expect the falling oil prices to have a negative impact on the M&A activity in the space, with fewer deals and lower multiples.

Consulting market segment overview

Engineering consulting

Oil and gas focused engineering consulting

Sample transactions and comments

Target	Buyer	Rationale
Apply Altra	Ramboll Group A/S	For Ramboll, the acquisition is a strategic move in establishing the presence in the UK. With presence in Norway, Denmark and now also the UK, Ramboll covers all sectors in the North Sea.
Houston Offshore Engineering LLC	WS Atkins Plc	The acquisition considerably strengthens Atkins' position in the active oil and gas design and engineering market, and is in line with its strategy to invest in growing the energy business, a key sector focus area of the company.
Environmental Offshore Services	SLR Management Limited	EOS and SLR are a great match and the acquisition enhances SLR's provision for onshore and offshore Environmental Impact Assessment (EIA) expertise in New Zealand. SLR is now able to support clients in the region through the entire lifecycle - from market entry to monitoring and decommissioning.
Haas Consulting, Inc.	SLR Management Limited	The acquisition of HCL further strengthens SLR's global position in the energy sector and it is another step in allowing it to expand the service offerings to clients in support of their business interests throughout the world.
Akina Corporation	GrowthPlay Inc.	GrowthPlay expanded their coaching and training capabilities in helping their clients improve their sales effectiveness.

Top buyers

The most prolific buyer of Oil and Gas consultancies in 2014 was SLR Management with 3 acquisitions. The company provides environmental consultancy services, such as planning and development, energy and carbon management, energy permitting issues, and support services to energy generators. SLR acquired oil & gas consultancies with the following capabilities: environmental compliance, health and safety advisory, upstream consulting.

Buyer	Deals in 2014	Rationale
SLR Management Limited	3	The company is diversifying its technical services in the newer geographies and makes investments in establishing and improving the strong foundations for growth in the international sectors such as oil and gas and mining.
WSP Global Inc.	2	The in-organic expansion is a part of a company's strategic and financial growth. WSP is looking to expand its oil & gas engineering services.
Ramboll Group A/S	1	Company is continuously expanding its competencies and international reach with acquisitions within Oil & Gas and Environment.
WS Atkins Plc	1	Although, the company sees a single digit growth in the Energy sector, it identified specific locations and areas with substantially higher growth. A part of company's strategy is to focus on growing oil and gas and nuclear offerings.

Human resources consulting

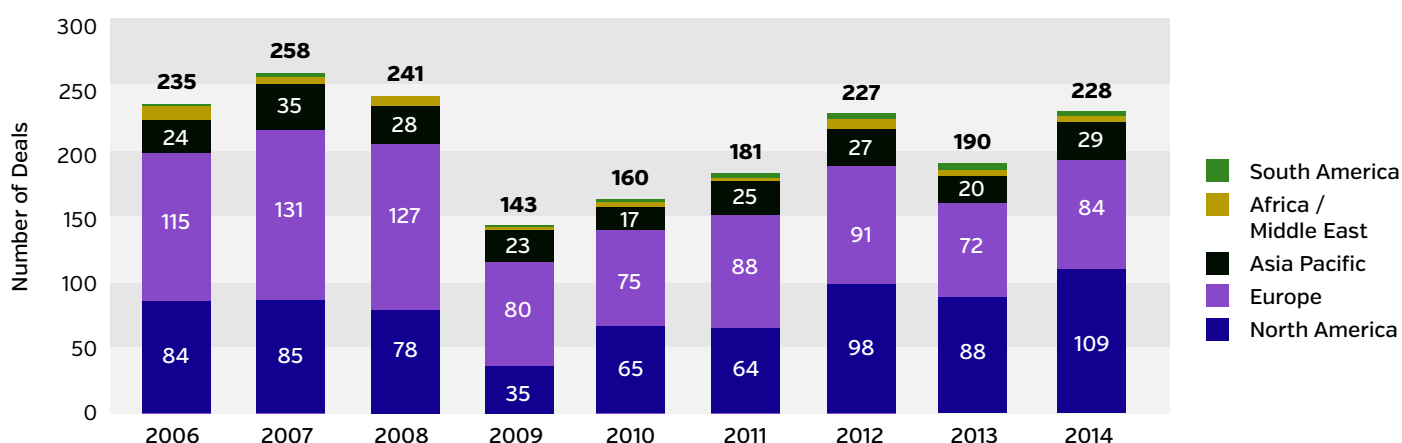
Overview

Deals in the HR consulting sector experienced significant growth in 2014. Although HR consulting contributes the smallest share of deals to the global consulting M&A market, it contributed slightly more to the global M&A growth than the Management Consulting sector. This is relevant, as the sector is dominated by recruitment and staffing firms, which are constantly in demand in growing economies. With the largest consulting markets (US and UK) growing in 2014, this contributed significantly to the growth of M&A deals in this sector, largely driven by growth in the North American and European (UK) markets.

However, competition also increased which resulted in lower prices/fees, and given the relatively low profitability in this space the net effect was a reduction in both deal multiples and share trading multiples in 2014. An area that stands out is Leadership advisory, which is more closely associated with Strategy within Management Consulting. Given this proximity, the multiples in this area of the HR consulting sector had much higher Revenue multiples in 2014 than the long term or 2014 median value in the broader HR consulting sector.

Acquisitions of HR consulting firms rebounded in 2014 and continued the longer term increase, in line with economic growth in the US and Europe. Increased supply of recruitment firms in the market and competition amongst them are driving down the trend in deal multiples.

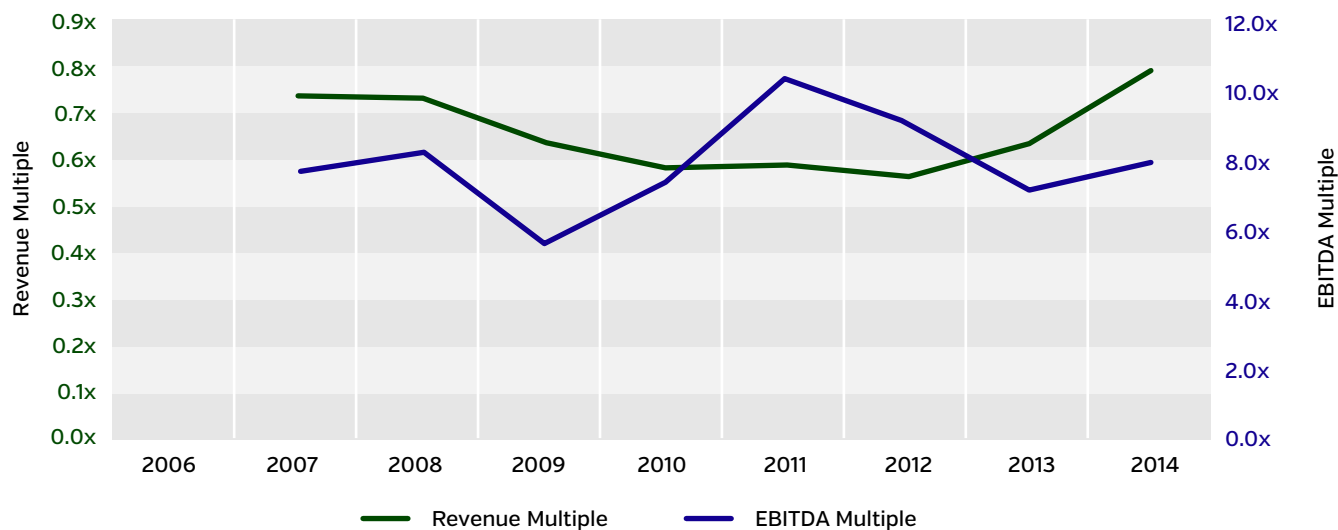
Figure 33 HR consulting deals per year



Consulting market segment overview

Human resources consulting

Figure 34 Two year rolling median revenue and EBITDA multiples in HR consulting



Area	5-year median	2014 Value
Revenue Multiple	0.5x	0.4x
EBITDA Multiple	7.8x	6.1x

Table 6 HR consulting revenue and EBITDA multiples – 5-year median vs 2014

Buyers of HR consulting firms in 2014

Manpower B.V., a provider of employment services, acquired companies which provide payroll consulting, staffing, placement and career transition services. All 3 acquisitions were in Europe (2 in the Netherlands, 1 in Spain).

HireBetter LLC provides recruiting services. With 3 US-based targets, the company acquired human capital and talent management consulting capabilities, as well as expanded its recruitment offering in Media sector.

CTPartners strengthened its executive search offering with 3 small acquisitions of deal values between \$1 and \$4.3 million. On average, the company paid a Revenue multiple of 0.4x.

Staffing 360 acquired 3 staffing/recruitment consultancies one of which is focused in IT sector. The company spent about \$26 million on the 3 targets and paid between \$1.6m to \$16.7m per each.

Some notable deals in this space include:

- TrueBlue, Inc. acquired Seaton L.L.C. for \$310 million. The company was valued at 0.5 x Revenue and of 15.2 x EBITDA.
- EOS Works Limited acquired Avanta Enterprise Limited for \$109.9 million. Avanta Enterprise Limited offers employment, training, and self employment consulting services.
- Brown & Brown Inc. acquired an employee benefits consultancy, Pacific Resources Benefits Advisors for \$125 million.

Top buyers in this space were dominated by recruitment and executive search firms.

Top Buyers of HR Consultancies	# Deals
Arthur J. Gallagher & Co.	5
ManpowerGroup Inc.	3
HireBetter LLC	3
CTPartners Executive Search Inc.	3
Staffing 360 Solutions, Inc.	3

Arthur J. Gallagher provides insurance brokerage and risk management services. The company acquired 5 human resource and employee benefits consultancies, all in the United States.

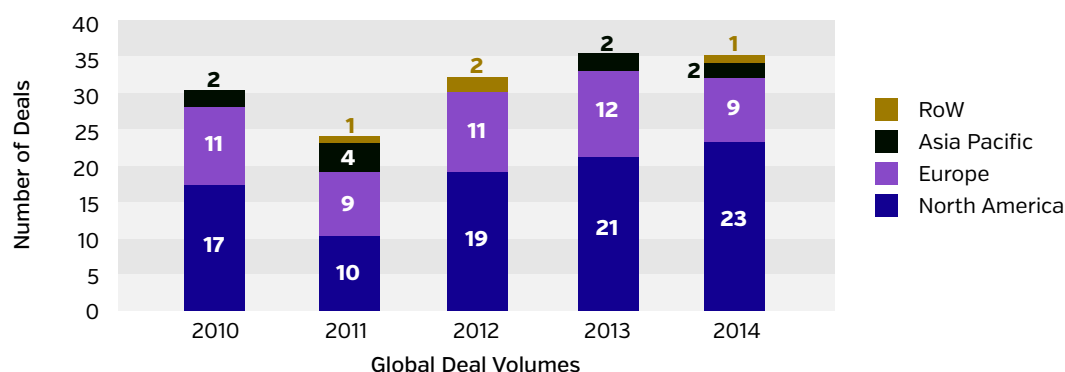
Consulting market segment overview

Human resources consulting

HR consulting selected sub-sector analysis

Leadership consulting

Global deal volumes and multiples



Area	5-year median
Revenue Multiple	0.8x
EBITDA Multiple	-

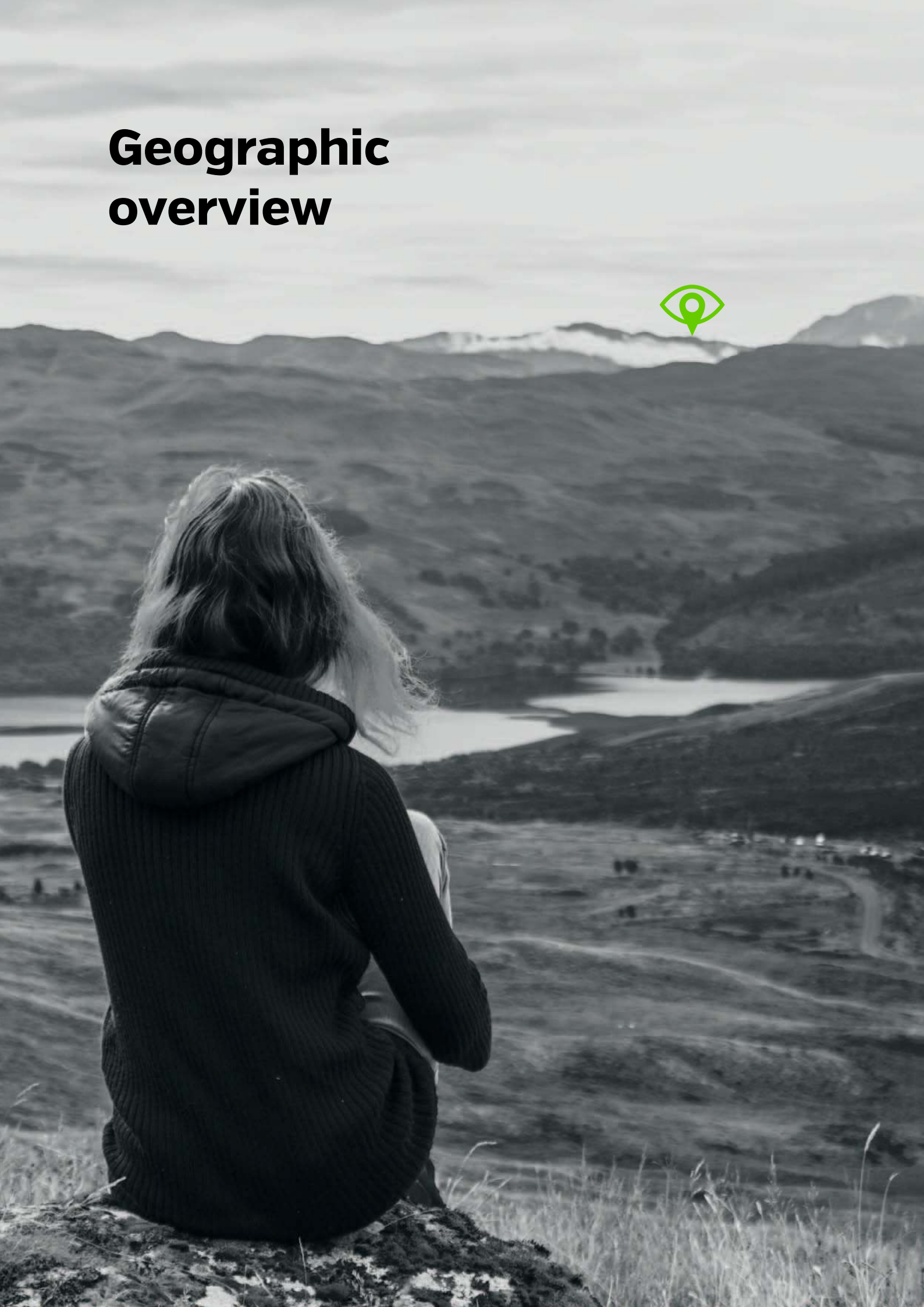
Revenue and EBITDA multiples – 5-year median

Sample transactions and comments

Target	Buyer	Rationale
Shilling Ltd.	Arthur J. Gallagher & Co.	Arthur J. Gallagher expanded its portfolio of services by adding specialised employee communication capabilities brought by Shilling.
RogenSi Worldwide Pty Ltd.	TeleTech Holdings Inc.	TeleTech scaled up and broadened their learning, change management and leadership practices and capabilities while enhancing their global presence.
Franklin Covey Co.	Red Tree Inc.	Franklin Covey complemented their existing training curriculums which will better position them for growth in future periods.
The Shuchter Group	Solomon Global Holdings Inc.	Venture capital firm Solomon Global built up its leadership, coaching and training capabilities in order to be better placed in helping its clients grow.
Akina Corporation	GrowthPlay Inc.	GrowthPlay expanded their coaching and training capabilities in helping their clients improve their sales effectiveness.

- Deal volumes have been steady since 2013 after a two-year period of growth. M&A activity in North America has outperformed other regions.
- Reported Revenue multiples of transactions over the past 5 years yield a median of 0.8x which is considerably higher compared to a broader HR consulting multiple of 0.5x, mainly due to a higher specialisation. Sufficient EBITDA multiples were not available to represent a statistically significant 5-year median.
- M&A activity in the leadership and coaching consulting space is driven by buyers' desire to scale up and expand their business operations both in terms of service offering (e.g. employee engagement, cultural change, leadership coaching) and geographic footprint.

Geographic overview

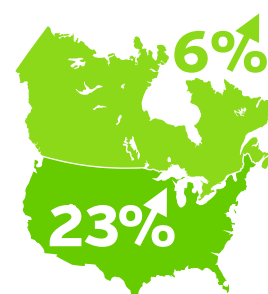


Geographic overview

North American overview

Consulting deal activity increased 21% in 2014, reaching a nine-year high. As the largest market for consulting M&A, North America's ongoing economic improvements have significantly influenced this trend.

93% of the acquisitions took place in the United States and 7% in Canada. After a sluggish 2010 - 2013 period, the US economy gained momentum and demonstrated a strong economic growth in 2014. Well performing equity and credit markets, increased consumer confidence, low borrowing costs and high cash reserves by the companies positively affected the M&A activity in the region. In the US, the number of deals increased by 23% from 812 to 995 in 2014, while only by 6% in Canada, from 73 in 2013 to 78 in 2014. The multiples continued the 2013 trends, with the Revenue multiple reaching 1.0x, which at the same level as a 5-year median. On the other hand, EBITDA multiple contracted by 6% to 8.8x, and is 9% lower compared to the 5-year median of 10.0x. In 2014, 7 consultancies were acquired with a deal value of more than \$1 billion, which is 1 more than in 2013.



**DEAL GROWTH
2013-2014**

Figure 35 Deals in North America by year

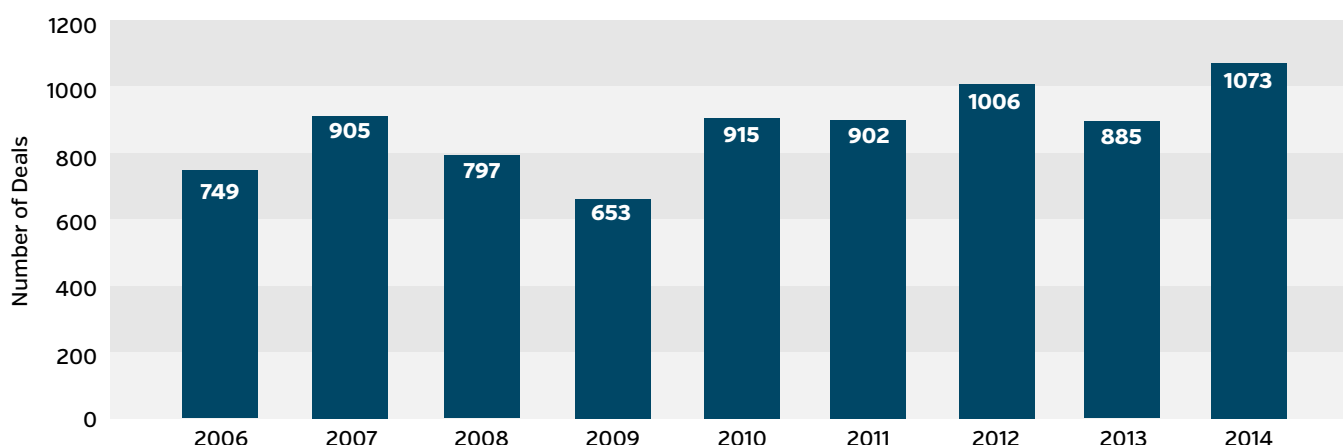
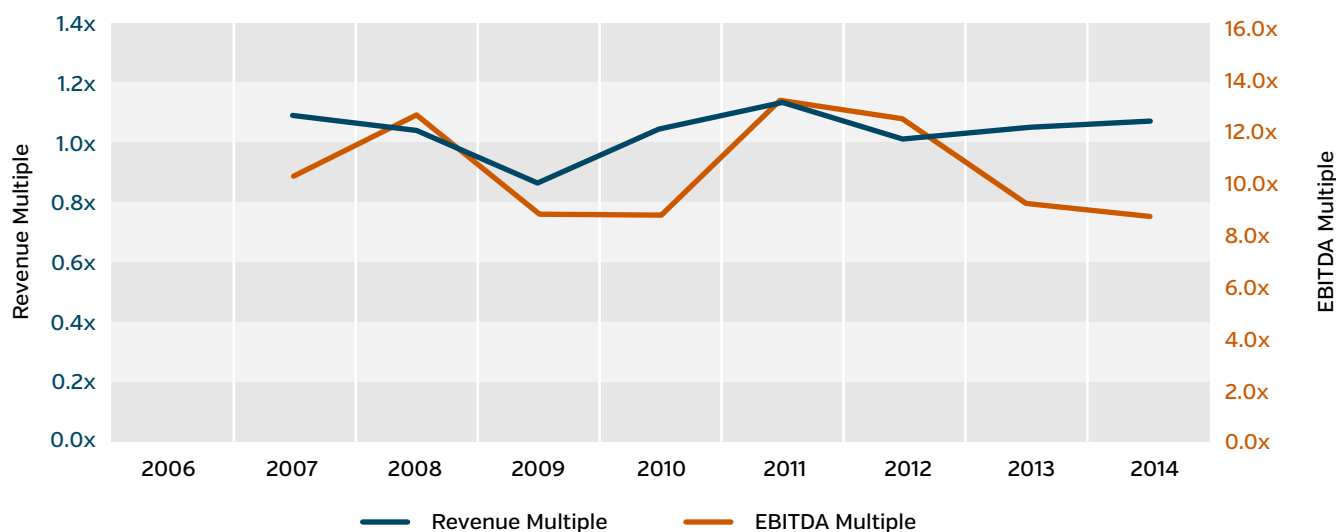


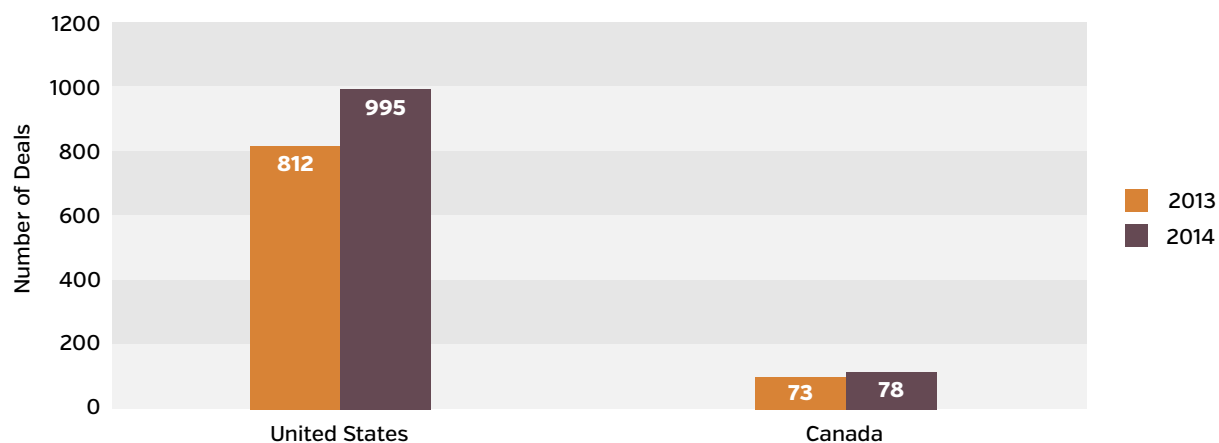
Figure 36 Two year rolling median revenue and EBITDA multiples in North America



Area	5-year median	2014 Value
Revenue Multiple	1.0x	1.0x
EBITDA Multiple	10.0x	8.8x

Table 7 Revenue and EBITDA multiples in North America – 5-year median vs 2014

Figure 37 Top 2 North American countries



Geographic overview

Europe overview

In 2014, the European M&A volumes increased by 7.4%, despite year-on-year deal volume declines since 2011. Nevertheless, deal value trends are rising for European consulting firms.

The optimism about Europe's growth was being challenged by Russia's military intervention in Ukraine and Europe's sanctions against Russia as well as an increasing threat of deflation in the western countries. In 2014, M&A activity was driven by the 3 largest European M&A markets: United Kingdom (43%), France (14%) and Germany (11%). The strong economic performance in UK was reflected by an 8.9% increase in the deal activity compared to 2013. The largest percentage increase in the M&A activity was recorded by France, a 47.4% jump over 2013. The number of German transactions climbed by 25.7% from 66 deals in 2013 to 83 in 2014. From the next top 7 countries [Figure 39] only the Netherlands saw an increase in the deal activity when comparing 2013 vs 2014. The trend in Revenue and EBITDA multiples significantly improved in 2014, with the 2014 Revenue multiple of 0.7x in line with the 5-year median value, while the EBITDA multiple of 9.3x was 16% higher than the 5-year median of 8.0x.

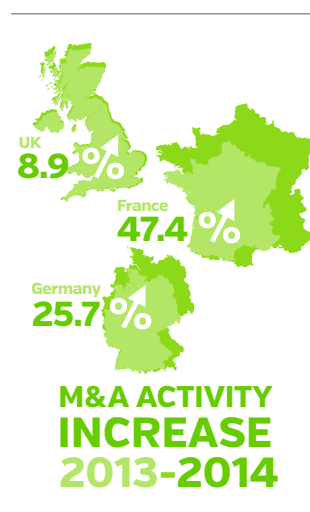


Figure 38 Deals in Europe by year

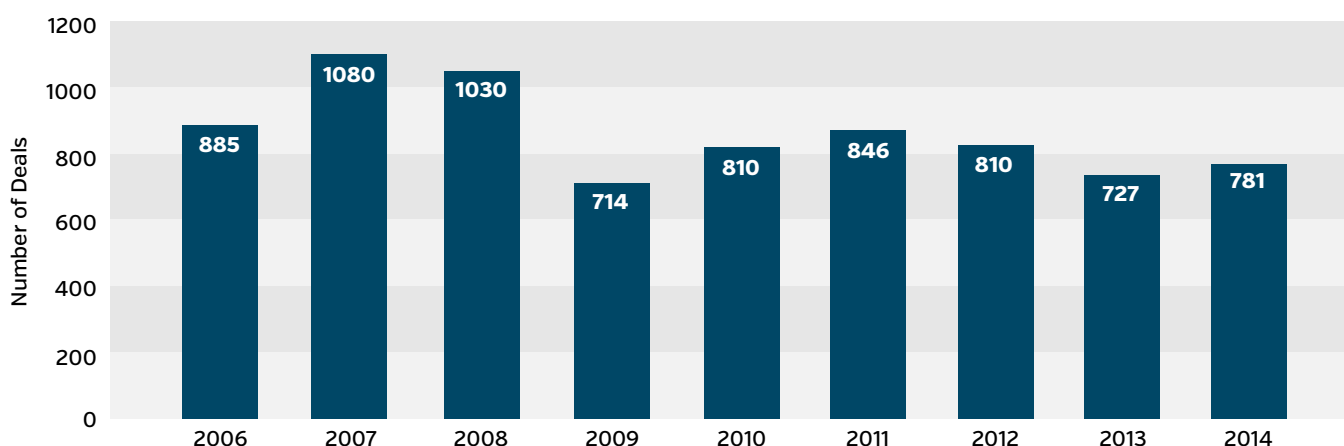
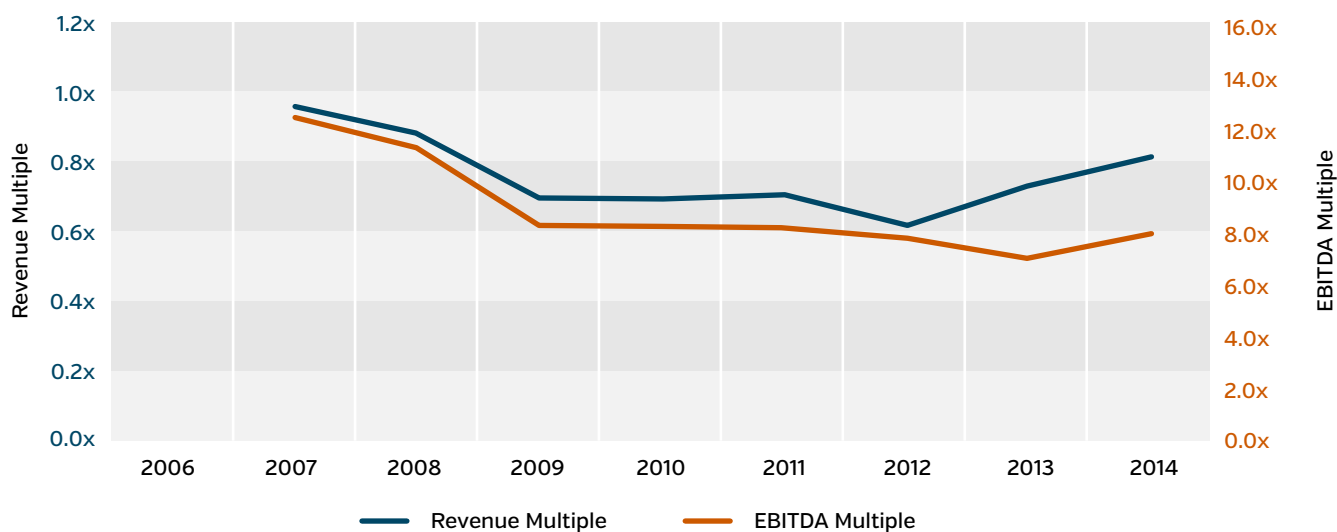


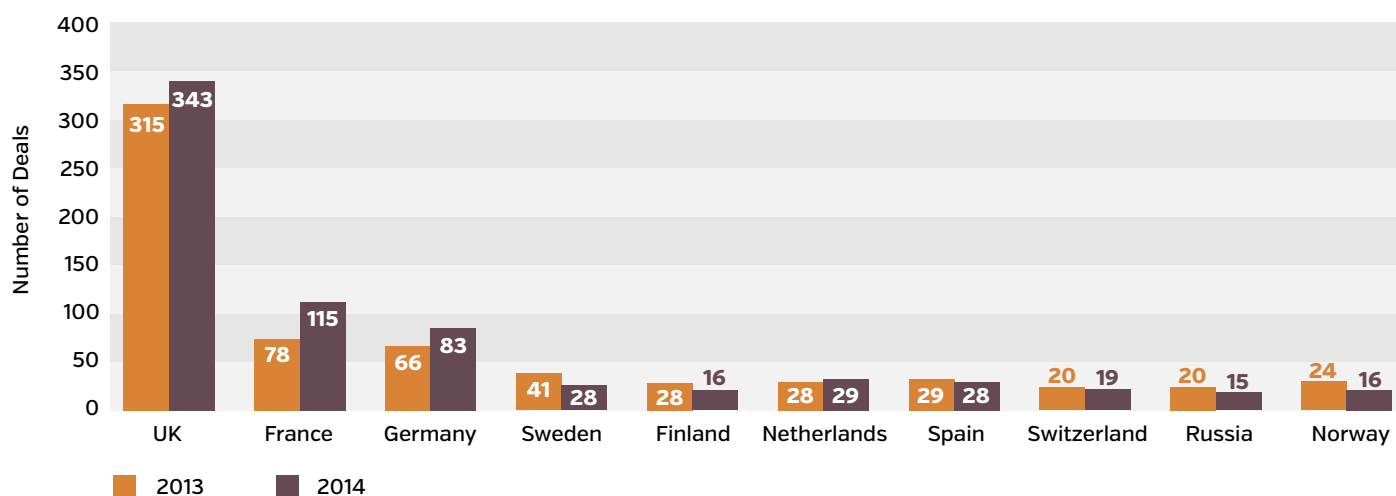
Figure 39 Two year rolling median of revenue and EBITDA multiples in Europe



Area	5-year median	2014 Value
Revenue Multiple	0.7x	0.7x
EBITDA Multiple	8.0x	9.3x

Table 8 Revenue and EBITDA multiples in Europe – 5-year median vs 2014

Figure 40 Top 10 European countries

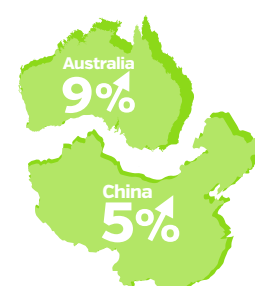


Geographic overview

Asia Pacific overview

After a steep period of growth in deal volumes from 2009 to 2011, Asia Pacific consulting deals have stabilised at approximately 300 deals per year. The effect of slowing growth in China was balanced by strong activity in the Australian market.

The regions two largest M&A markets, Australia and China, grew by 9% and 5% respectively in 2014. The strengthened deal activity in Australia is a result of a strong demand, improved confidence and stabilized valuations. As competition has been increasing in China, we saw a strengthened consolidation in the domestic economy. On the other hand, Japan and India slowed down in 2014. Stagnant economic growth and demographic problems continue to hinder Japanese deal activity, with a 13% drop compared to 2013. Stringent regulatory environment and depreciating Rupee in India led to 4% fewer transactions. In 2014, both Revenue and EBITDA multiples significantly improved, changing their course of direction compared to 2013. The Revenue multiple of 1.0x was 43% higher in 2014 compared to a 5-year median of 0.7x, while the EBITDA multiple of 9.0x was 29% higher than a 5-year median of 7.0x.



**M&A MARKET
LEADERS GROWTH
2013-2014**

Figure 41 Deals in Asia Pacific by year

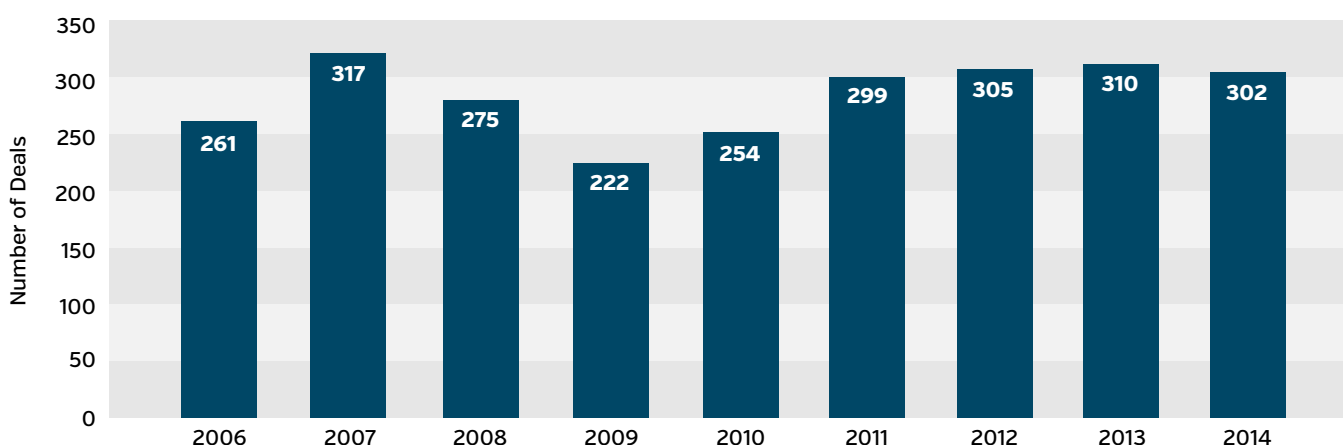
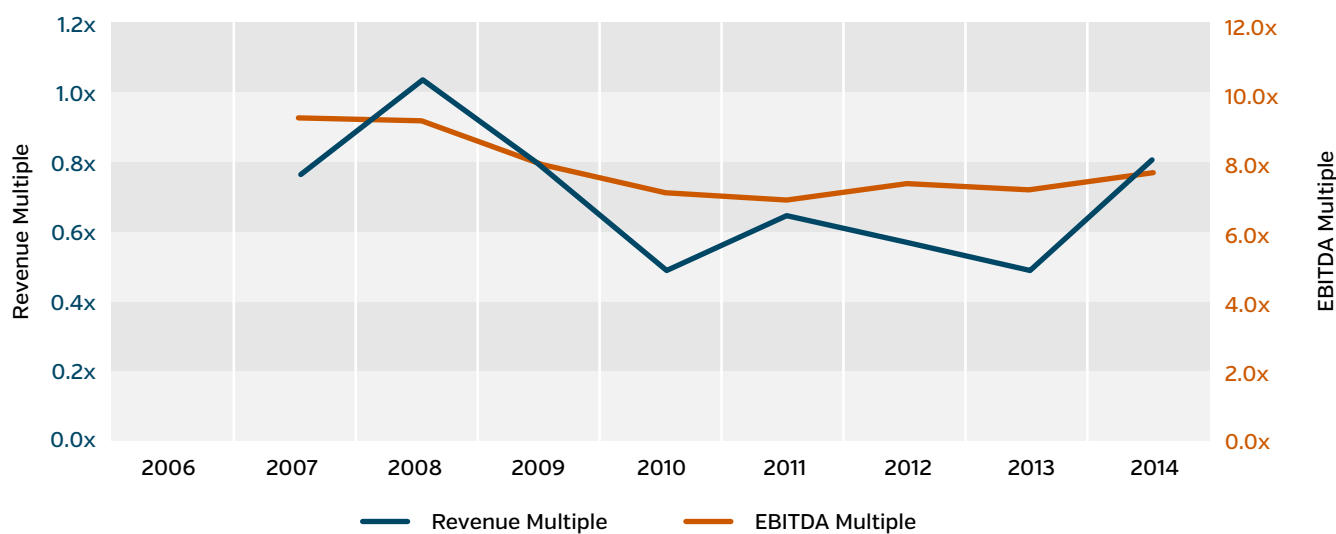


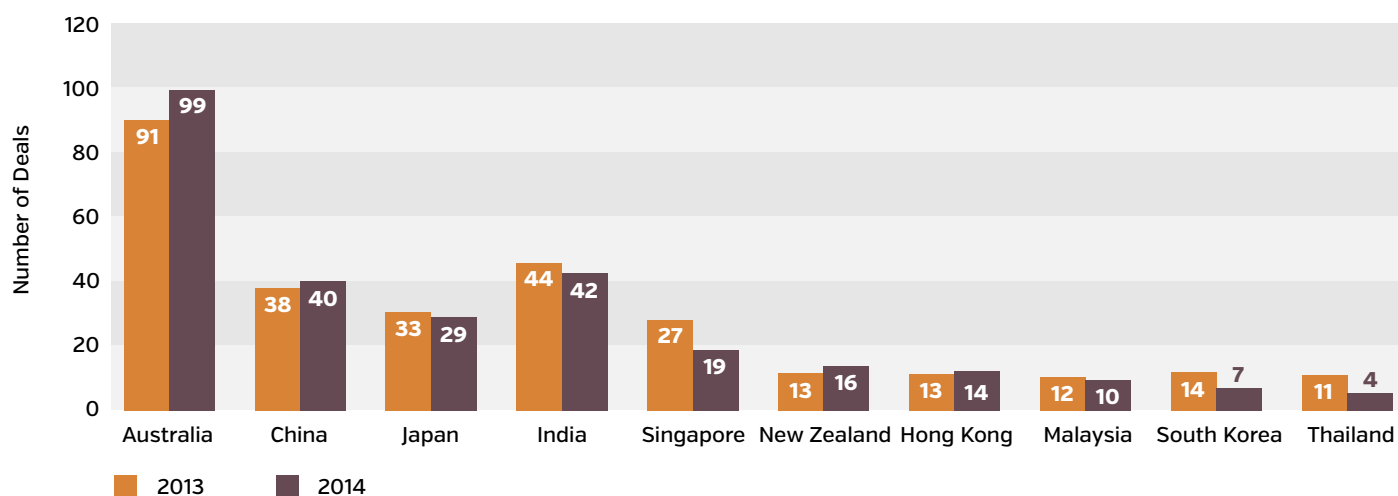
Figure 42 Two year rolling median revenue and EBITDA multiples in Asia Pacific



Area	5-year median	2014 Value
Revenue Multiple	0.7x	1.0x
EBITDA Multiple	7.0x	9.0x

Table 9 Revenue and EBITDA multiples in Asia Pacific – 5-year median vs 2014

Figure 43 Top 10 Asia Pacific countries



Geographic overview

Africa and Middle East overview

In 2014, consulting deals in Africa and the Middle East were up 74% compared to the lowest point in 2010, and was just 12% shy of the 9-year high in 2007. Nevertheless, uncertainty across many regions cast doubt on the sustainability of the upward trends in deal volumes and values.

The region is a relatively small proportion of the global M&A Consulting market, with an average of 2.3% of total deals a year. As investors bet on the continent's growth prospects, the number of deals grew by 36% compared to 2013. The increasing deal activity is supported by a steady GDP per capita growth and improved governance in Africa. The region is being driven by South Africa with 45% of total deals. Revenue multiple of 1.1x in 2014 is 10% higher than the 5-year median. However, despite the positive outlook for the region, there are still issues which might slow down the progress, such as high level of corruption, attacks on media, inequality between poor and rich, increasing unemployment and governments' failure to build long term institutions.

**AFRICA &
MIDDLE EAST**
36%
**DEALS INCREASE
2013-2014**

Figure 44 Deals in Africa / Middle East by year

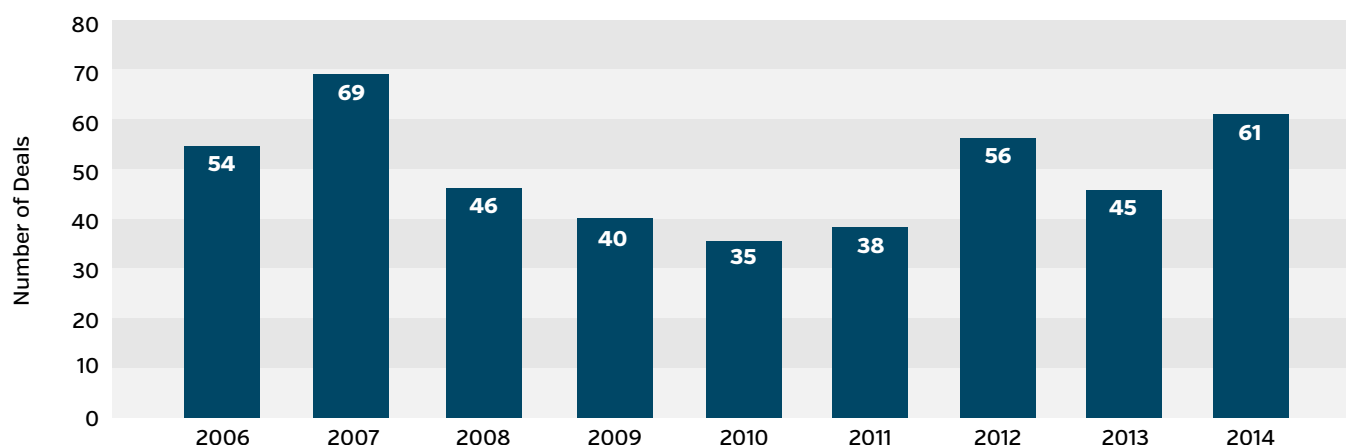
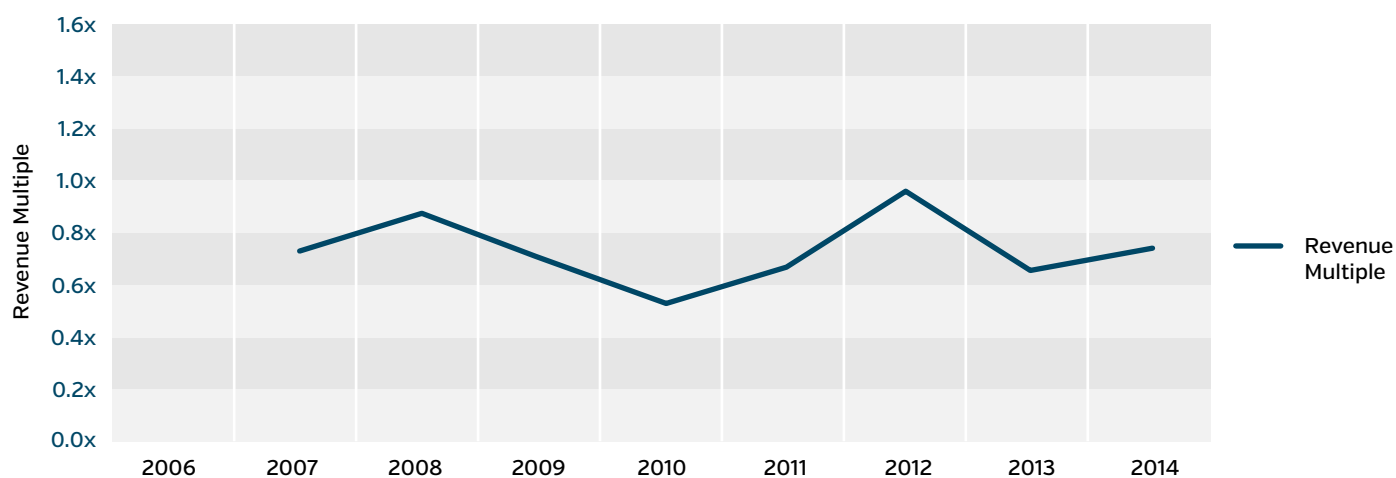


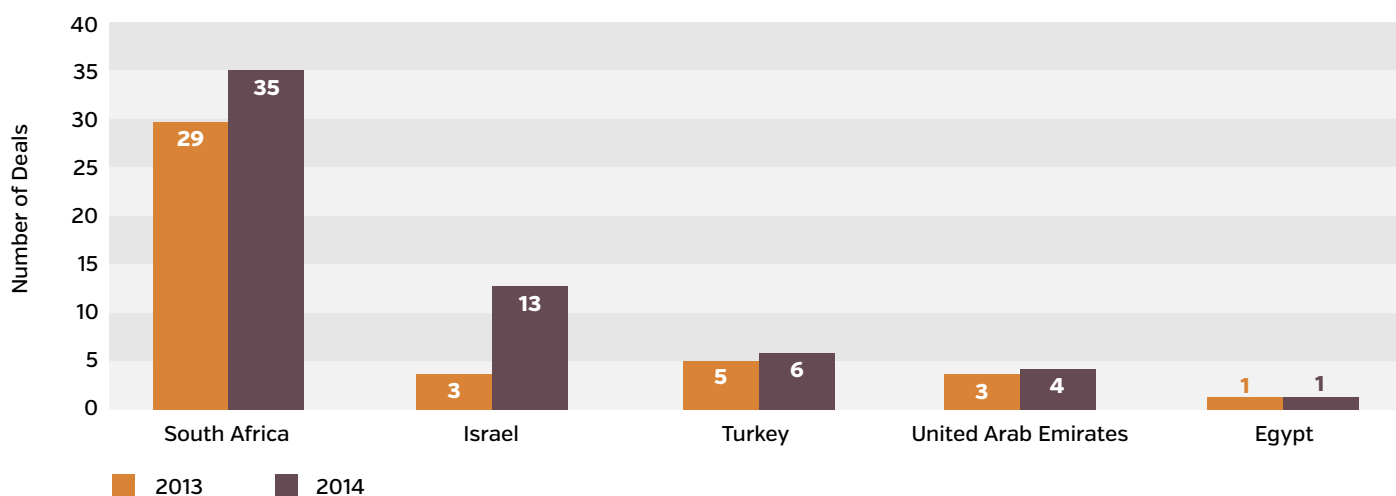
Figure 45 Two year rolling median Revenue multiple in Africa / Middle East



Area	5-year median	2014 Value
Revenue Multiple	1.0x	1.1x

Table 10 Revenue multiple in Africa / Middle East – 5-year median vs 2014

Figure 46 Top 5 Africa / Middle East countries



Geographic overview

South America overview

After a sharp drop in 2013, the deal volumes started to recover with a 19% increase in 2014. A slowing Brazilian economy is likely to have a negative effect on M&A in the region going forward.

A strong growth in Brazil was the main driver in the region's recovery. On average, 51% of total yearly deals take place in Brazil, this rose to 65% in 2014. In Brazil, the number of deals increased by 42% from 26 in 2013, to 37 in 2014. Although, the Revenue multiple has been strengthening over the last 2 years it was still about 50% lower than in 2008, however, it is at the same level as a 5-year median of 0.6x.

BRAZIL
42%
DEALS INCREASE
2013-2014

Figure 47 Deals in South America by year

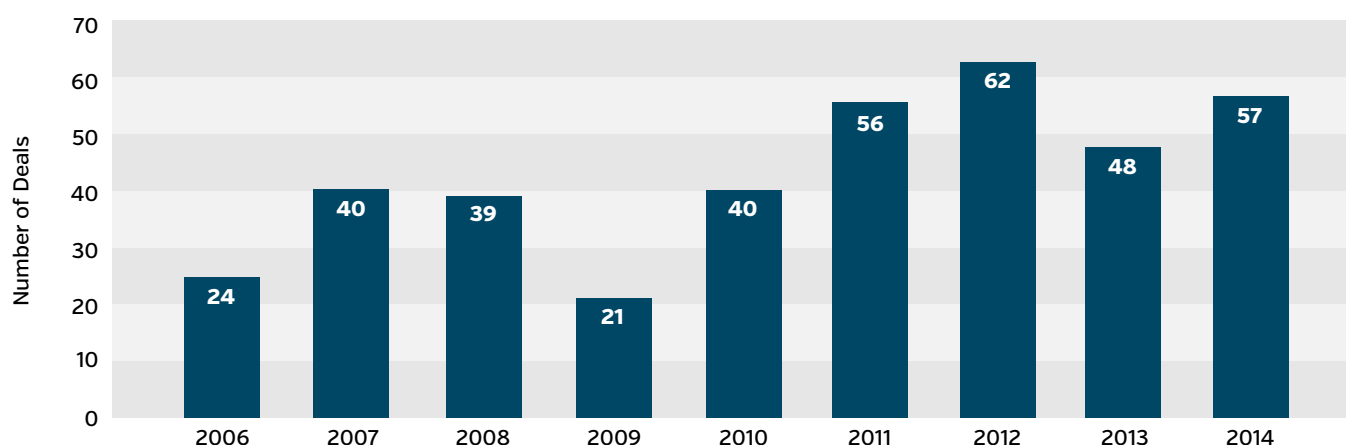
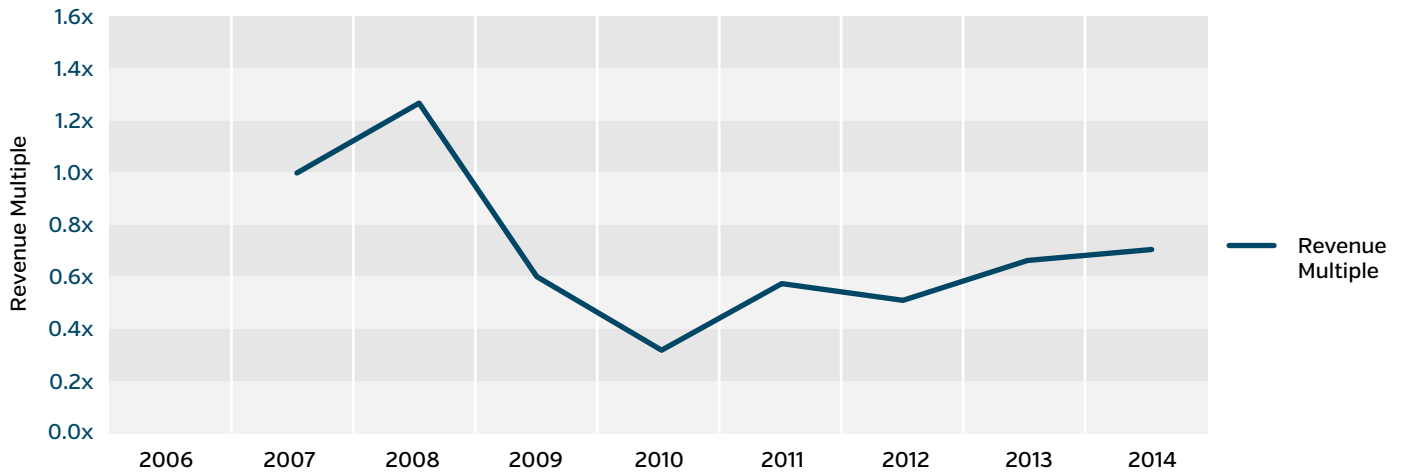


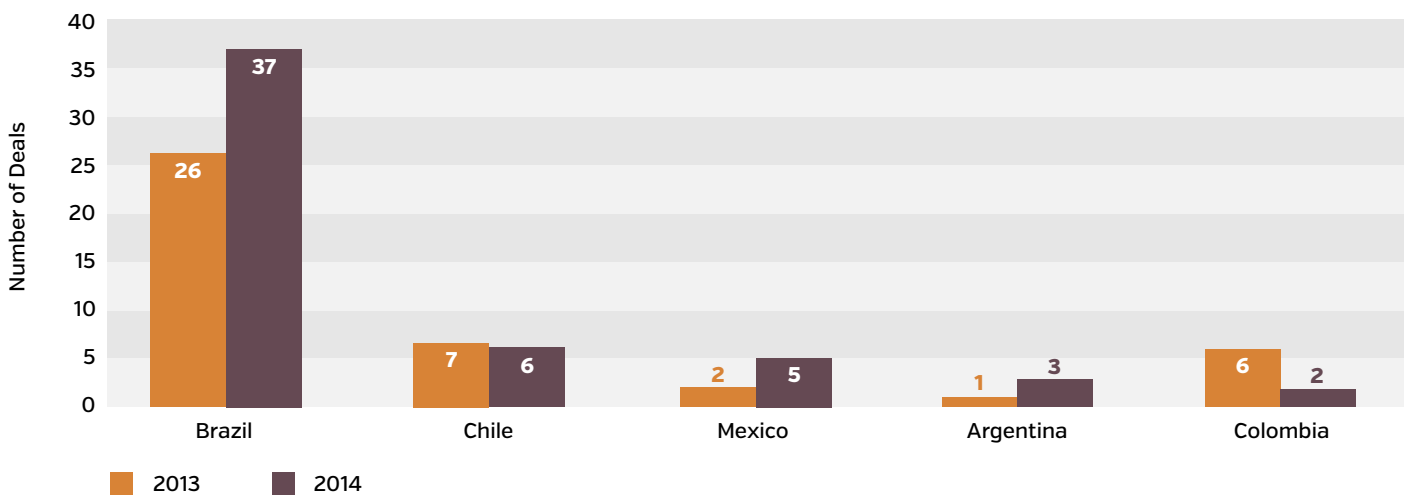
Figure 48 Two year rolling median Revenue multiple in South America



Area	5-year median	2014 Value
Revenue Multiple	0.6x	0.6x

Table 11 Revenue multiple in South America – 5-year median vs 2014

Figure 49 Top 5 South American countries



Stock market review





Stock market review

Some comparisons can be made between the values of private M&A deals and publicly traded shares across the consulting sector. It should however be noted that publicly listed shares often trade at higher multiples than those seen in M&A transactions.

Shares of publicly listed consulting companies frequently trade in the open market. This provides liquidity of the shares and allows the share value to be set according to views of the entire market. Conversely, the shares of privately owned consulting companies are much less liquid, as the share value is only realized when a transaction takes place.

Figure 50 Share price Revenue multiples by sector

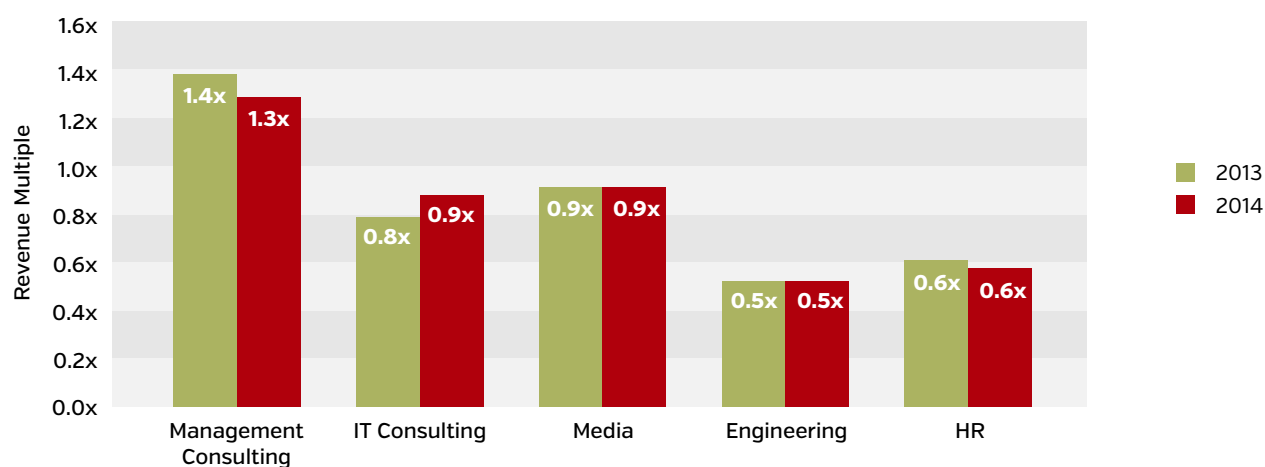


Figure 51 Share price EBITDA multiples by sector

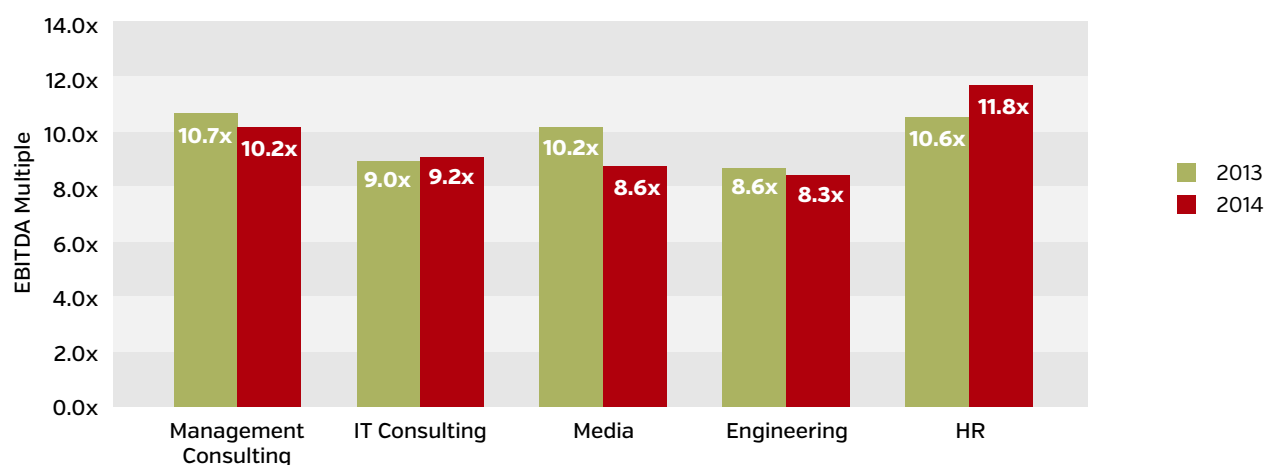
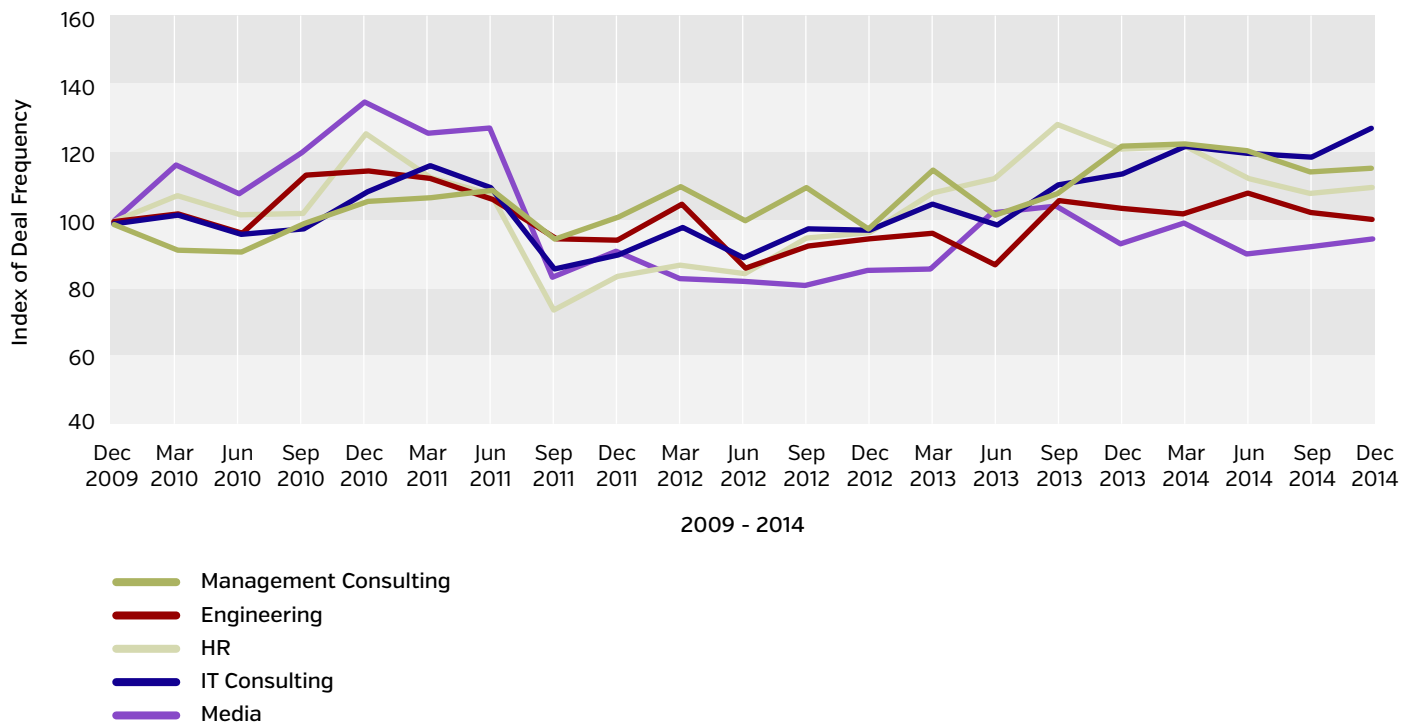


Figure 52 Share price index, 5-year trend



Appendix





Segmentation of professional services sectors

For the purposes of the report we have segmented the consulting sector into five key consulting sub-sectors, which span the broad array of advisory businesses. These sub-sectors are further segmented below.

Management consulting

Firms engaged in business performance improvement consulting at the strategic or operational levels, including:

- Strategy advice or implementation
- Change management
- Operational performance improvement
- Project and programme management
- Human capital and organisational development
- Financial business advisory
- Economics advisory
- Real Estate Advisory
- Healthcare consulting
- Risk Management

IT consulting

Companies in this sector offer IT consulting, design, implementation and maintenance services at the application and infrastructure levels, transcending enterprise, mobile, social, digital and cloud technologies, including:

- IT Strategy and Architecture
- IT operating model design
- IT sourcing / outsourcing
- Enterprise Resource Planning
- IT programme & project management
- Application design and development
- Information security / Cyber
- Business Intelligence, Data management & Data Analytics
- System integration
- Infrastructure design and implementation

Media

Firms in this space cover all the main disciplines at the execution end of the marketing process, including:

- Brand design agencies
- Online and traditional PR and reputation management

- Corporate web design, ecommerce and portals
- Social media services
- Digital marketing and search engine optimisation
- Loyalty management services
- Digital and media advertising agencies
- Consumer insights and analytics, online and traditional
- Email marketing
- Usability testing and benchmarking
- Customer Management and Experience
- Marketing and brand strategy

Engineering consulting

Firms involved in professional engineering services within the building or infrastructure environment, or transport, or industrials like energy (nuclear, oil, gas, etc.), aerospace, or automotive. This includes:

- Architecture, surveying and building design services
- Project management
- Environmental engineering
- Risk assessment and audit
- Energy and renewable energy
- Security
- Pipeline engineering

Human resources consulting

Firms primarily engaged in recruitment, staffing and training, including:

- Recruitment agencies
- Recruitment processes or outsourcing
- Executive search and selection
- Professional Training and education
- Staffing agencies providing contractors
- Outplacement services
- HR management services
- Employee benefits consulting

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