

The Global Consulting Mergers & Acquisitions

Report 2013

2013



GROWING & REALISING EQUITY VALUE IN CONSULTING FIRMS



Welcome to the Equiteq Global Consulting Mergers & Acquisitions Market Report 2013

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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Introduction

This is the seventh year that we have published the only publicly available information on the Global Consulting M&A market. It covers consulting companies across all major industry segments including; management consulting, engineering, HR services, IT services and media consultants. (See page 7 for sector definitions.).

Equiteq's primary mission is to deliver strategic growth advice and complete successful M&A transactions for our clients. This report has been produced by Equiteq's Research department, whose job is to keep Equiteq and its clients ahead of the intelligence curve, through comprehensive data capture, synthesis and analysis. While our market research work is there to support our business activities, we are glad to share this aggregate view with our community of interest.

To reflect Equiteq's growing global work with clients across all continents, we have included all regions in the data and reported local differences. We have also extended our dataset which allows us to improve the quality and depth of our report. For this reason, you may see some slightly varying views on the data compared with previous reports. In particular, we begin with a consolidated view of all sectors, before looking at each in more detail.

This year we have again included our review of stock prices within the industry. We have noticed that references to quoted company multiples continue to be used by buyers and sellers in valuations, and so the indices can act as good benchmarks and perhaps even lead indicators on the state of the M&A market. In fact, as buyers are often quoted companies, this can offer very useful insight.

The 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.

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 willing buyer meets willing seller and agrees terms!

Definitions of Consulting Sectors

This year Equiteq has segmented the data and produced specific analysis for five consulting sub-sectors. The segmentation we have used is defined as follows. They are also colour coded to help you navigate these sections in the report.

IT Consulting

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

- Requirements planning
- Enterprise Resource Planning automation
- IT project management
- Applications design and development
- Analytics
- Information security systems implementation
- Business Intelligence automation
- Systems integration
- Software training
- Enterprise Performance Management automation
- Technical support and outsourcing
- IT Strategy and Implementation

Management Consulting

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

- Strategy advice or implementation

- Change management
- Operational performance improvement
- Project and programme management
- Human capital and organisational development
- Financial business advisory

Media Consulting

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

- Brand design agencies
- Online and offline PR and reputation management
- Corporate website design, ecommerce and portals
- Social media services
- Online marketing, search engine optimization
- Loyalty marketing services
- Digital and media advertising agencies
- Consumer insights and analytics, online and offline
- 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 transportation, or industrials like energy (nuclear; oil and gas etc), aerospace, 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 Resource Consulting

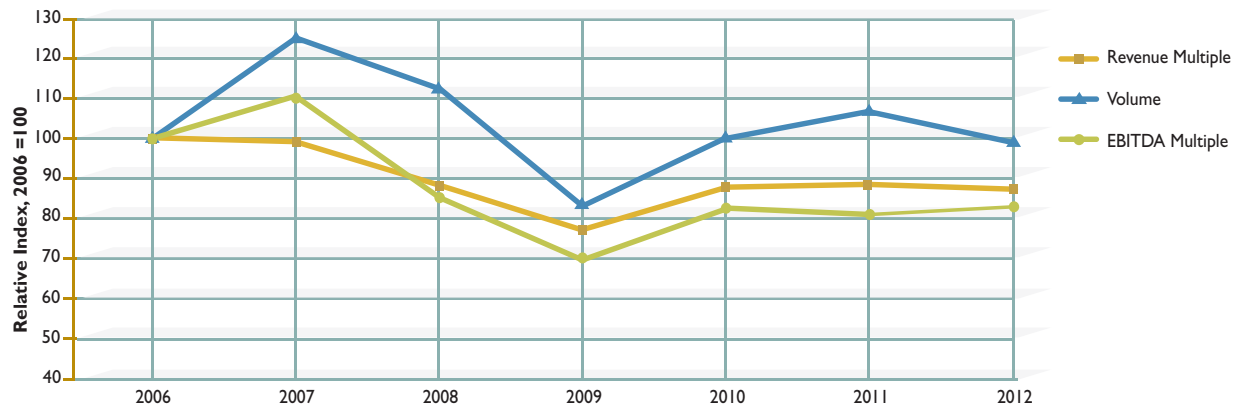
These are firms primarily engaged in recruitment, staffing and training, including:

- 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
- Recruitment processes or outsourcing

Commentary on the Market

In 2012, overall M&A activity saw a significant turndown of 6.4% across all industries and geographies. Early high expectations were dampened with the news of 'fiscal cliffs', 'triple-dip recessions' and Chinese growth slow-downs.

Figure 1 Index of Key Market Indicators by Year



Within the consulting and professionals services sector a similar picture was seen, with deal volumes falling by 7.3%. The key indicators on value and volume reversed their upward growth of 2010 and 2011, with volumes and multiples all falling.

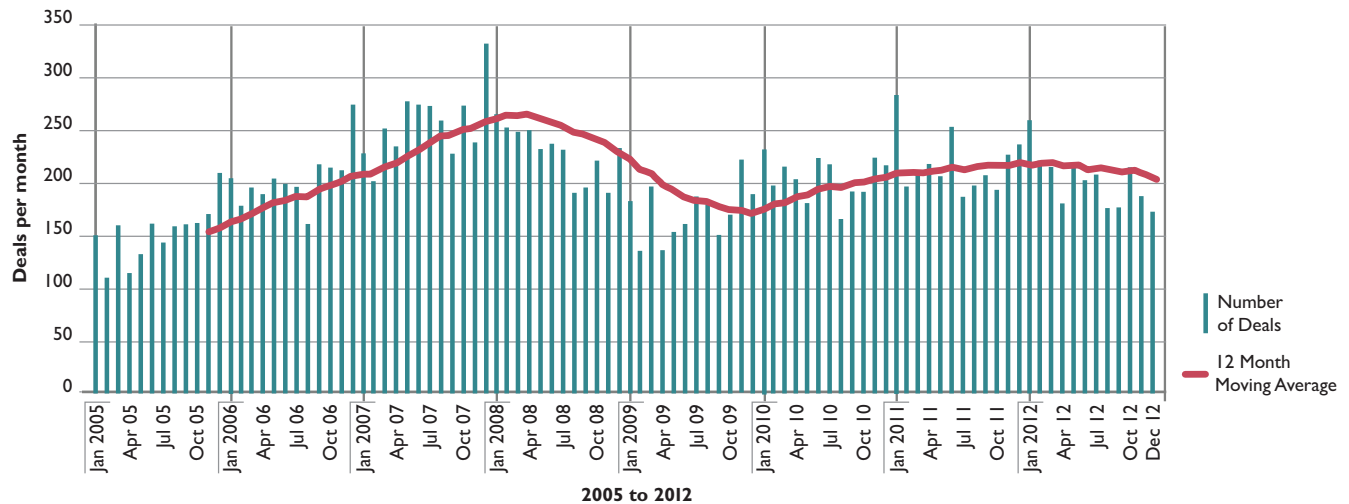
Commentary on the Market

Deal Volumes

DEAL VOLUMES

The market looked strong in early 2012, with volumes holding at previous levels. However, the third and fourth quarters saw monthly volumes fall by around 12.2% compared to first half of 2012, no doubt due to the influence of economic turmoils. Deal volumes in 2012 remain 21% below the 2007 peak.

Figure 2 Deal Volumes per Month, 12 Month Moving Average, 2005 – 2012



Commentary on the Market

Regions

REGIONS

In the global consulting market, North America continues to dominate with 41% of the deals, an increase of 3% from 2011. Noticeably, we see a rising role of African and South American regions, which both increased their shares from 2% of total deals to 3% each.

Overall, deal volumes were down by 7.3% in 2012. The greatest fall was in Europe of 15%, while North America showed positive signs with a 1.4% increase. This is in contrast to 2011, when Europe grew by 10%. Since 2007, the slowest deal volume recovery was seen in Europe.

Figure 3 Deal Volumes by Region

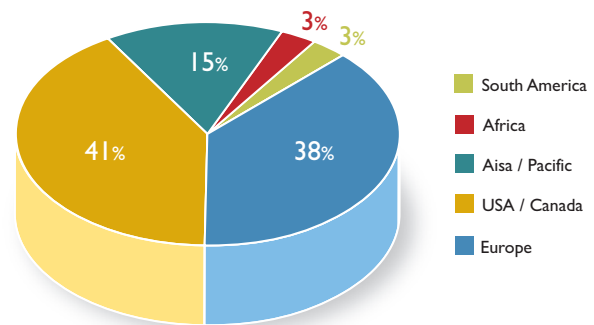
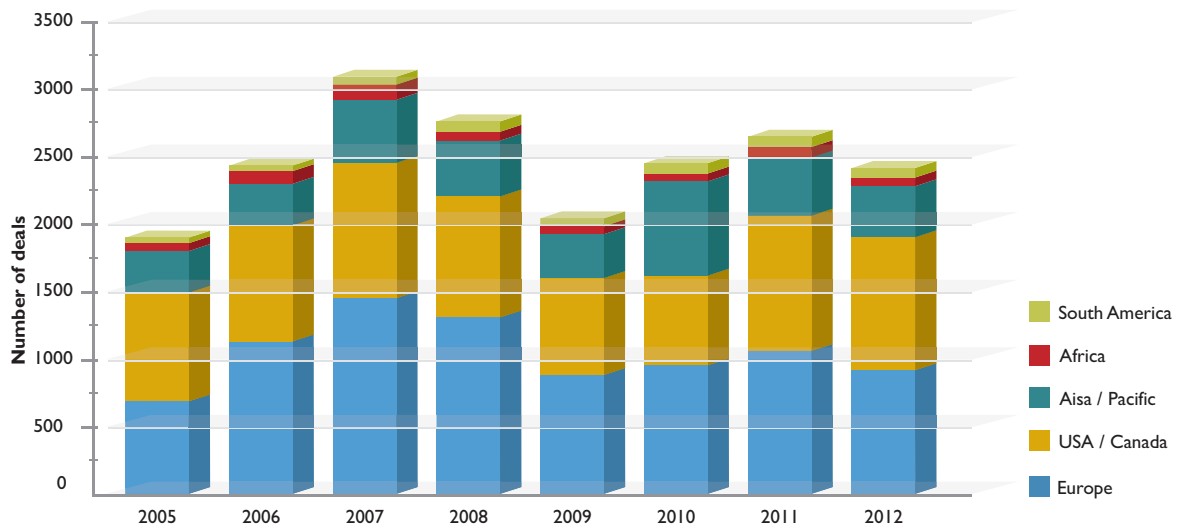


Figure 4 Deal Volumes by Region by Year



Commentary on the Market

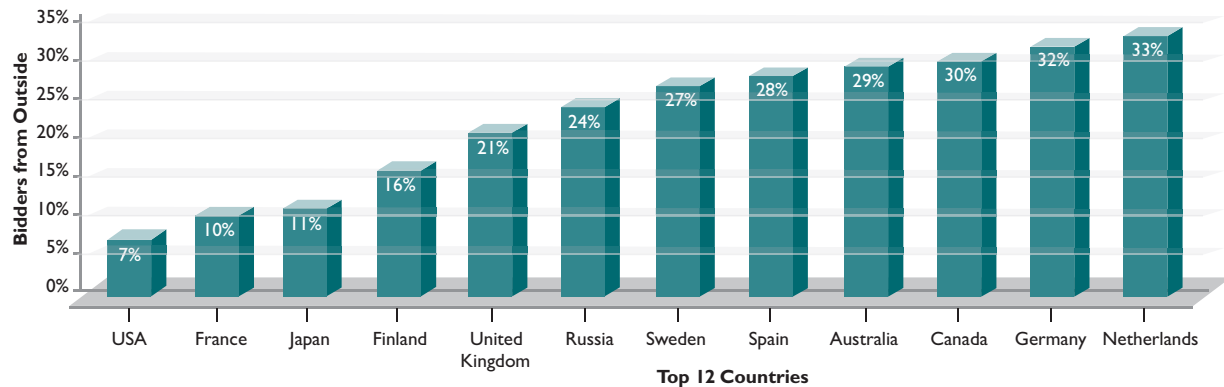
Target and Bidder Countries

TARGET AND BIDDER COUNTRIES

Generally speaking, the larger the country's economy, the larger its volume of deals and the lower its proportion of foreign buyers.

The fraction of buyers from outside a country stayed at 22%, the same as 2011, which is lower than the average of 24% during the 2005-2011 periods. If we exclude the US, the 2012 proportion would increase to 29%, as only 7% of the buyers came from outside of it. This would reduce the proportion of global deals that can be considered to be cross-border because more than a third of deals (38%) were in the United States.

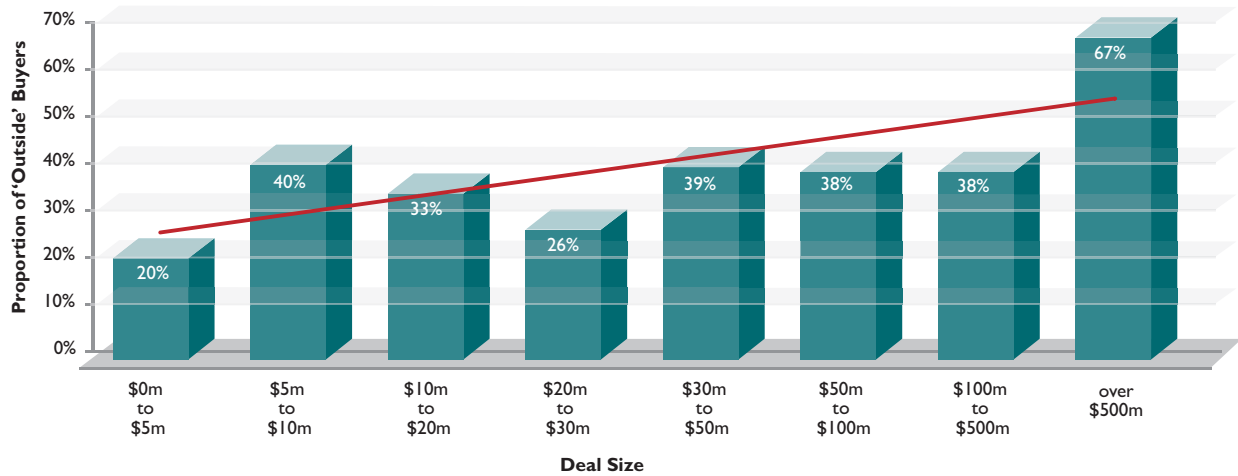
Figure 5 Proportion of Buyers from Outside Country (Top 12 Target Countries)



It is worth pointing out here that the numbers of 'internal' buyers is driven by the volume of small sales. As the deal size increases, the proportion of external buyers rises.

Commentary on the Market

Figure 6 Proportion of 'External Buyers' Relative to Size of Deal



Commentary on the Market

Figure 7 Deals by Target and Bidder Country, 2012

63% of worldwide deals in our selected consulting services were done by 5 countries: USA, UK, France, Canada and Germany.

Bidder Country	Target Country																				Total all Countries									
	United States	United Kingdom	France	Canada	Germany	Japan	Australia	Netherlands	Finland	Sweden	Russia	Norway	Spain	Denmark	Switzerland	Singapore	India	Italy	Malaysia	South Korea		China	South Africa	Belgium	Ireland	New Zealand	Brazil	Hong Kong	United Arab Emirates	Other
United States	836	14	5	14	3	2	4	1					1	1	1	2	3			1			1	4	1			1	2	897
United Kingdom	22	223	5	4	5		2	5		1		1			3	1		1		1				2				2	3	281
France	4	1	91		1			1					1		1							1								101
Canada	15	3	1	53			1								2						1								76	
Germany	7	1	5		52			1	1				1	3	2			1										2	76	
Japan	3	3	1			66									1														74	
Australia	6	3	1	1			46	1					1		1	1					1			1			2		65	
Finland	1	3							42	2		1									1								50	
Netherlands	6	4			1				33					1									2					2	49	
Sweden	2	1	1		1					2	30		2	1										1					41	
India	10	1	2		1	2		1							1	1	16	1	1								1	2	41	
Russia	3	1									28																	5	37	
Brazil	6	1	2	1	1	2	1	1						1	1									1		13		3	34	
Spain	1		1		2									21	1								1	1				1	29	
China	8		2			1								1								14					3		29	
Norway								1		4		21		2	1														29	
South Africa	2	3			2		1								2								17	1					28	
Italy	3	2			1			1									1	18										2	28	
Denmark	1							2		3		1		16															23	
Malaysia						1	1									3			18										23	
Belgium		4	6		1																		8					2	21	
Switzerland	4		1		3			1		1					7		1						1						19	
Singapore		2				1	1	2								10			1									1	18	
South Korea	2																				15								19	
New Zealand	1						2																		12			1	16	
Hong Kong	1							1													1	1					5	11		
Austria		3													1	1												5	5	
Turkey	1				3		1											1										3	9	
Chile		3		2											1													2	6	
Ireland	1	1			1		2	1																2					8	
United Arab Emirates	1	2																									4	7		
Other	12	6	5	4	1	1	2	2	1		2	1	1	1	1	3	2		2	1		1					1		7	
Total all Countries	959	284	130	79	79	76	64	54	47	41	30	28	28	26	26	24	23	22	22	19	18	18	14	13	13	13	11	8	224	

Commentary on the Market

Buyers

BUYERS

In 2012 2,426 targets were bought by 1,984 different companies.

By far the most prolific buyer was WPP, boasting a total acquisition count of in excess of 40; of which 20 were of consulting-type businesses. The second most active buyers were SGS SA. Operating globally in 10 segments almost all of their targets in 2012 were from different consulting sectors and regions.

Elsewhere, notable activity was seen by the following companies:

- Bureau Veritas SA: acquired companies in emerging regions such as Asia-Pacific and South America
- Eurofins Scientific SA: acquired environmental testing and laboratory service companies
- Underwriters Laboratories Inc: focused on inspection /testing companies and IT services companies
- All Covered (a subsidiary of Konica Minolta): continued to acquire and proactively advertise
- Acosta: acquiring value-add consulting businesses
- Cardno: continuing in its inorganic growth path
- GENIVAR Inc: tripled its revenues through the acquisition of WSP Group
- Arthur J Gallagher: consistently buying small employment benefit consultancies
- Capita PLC: has been steadily growing its consulting practice
- Arrow Electronics: have been expanding their component legacy into various IT services

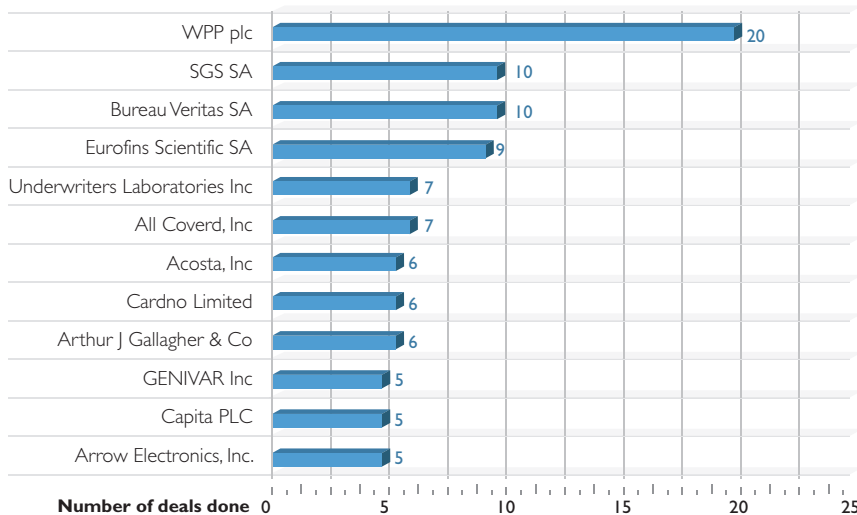


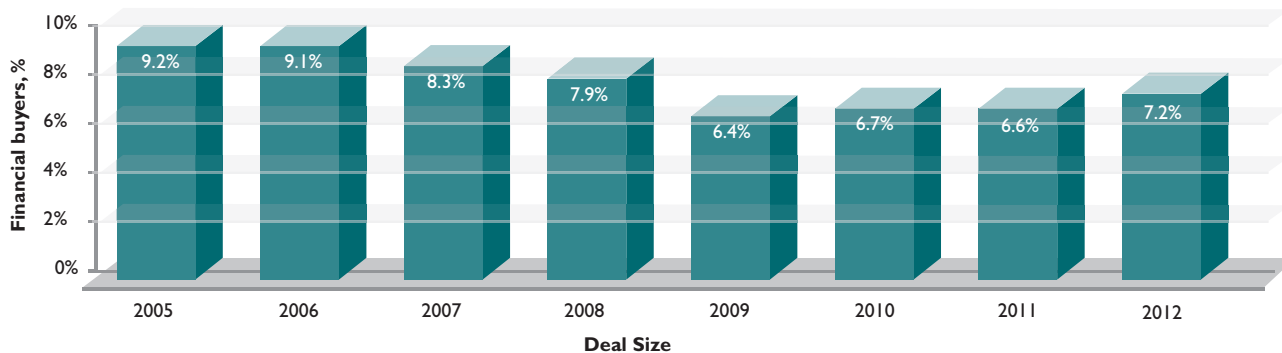
Figure 8
Top 12 Buyers of Consulting Companies, 2012

Note: Numbers only include acquisitions categorized in these sectors.

Commentary on the Market

Buyers / Values and Multiples

Figure 9 Financial Buyers, as a Proportion of Deals



The decline matches what we have seen in previous reports but the proportion is lower here, 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.

VALUES AND MULTIPLES

There are significant differences in the revenue multiples in each sector which are all driven by the average underlying profitability. In most sectors, except IT, the revenue multiples fell during the year:

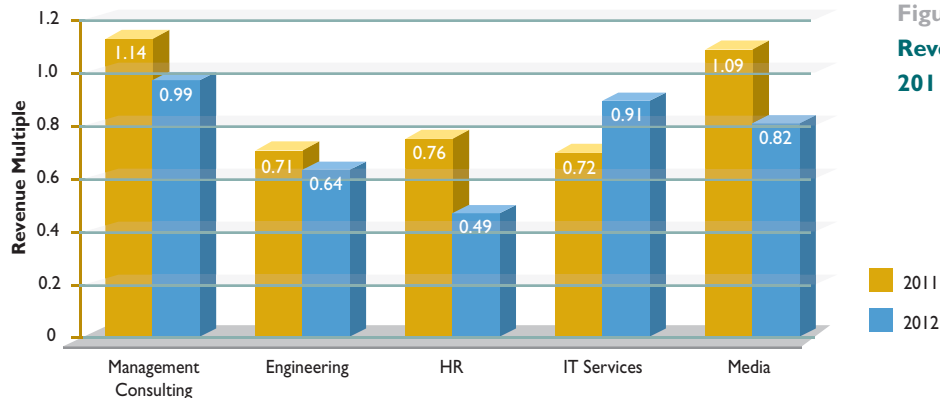


Figure 10 Revenue Multiples by Sector, 2011 and 2012

Commentary on the Market

When using these revenue multiples to estimate the value of a business, remember that they are an average of many deals, ranging from really high-value businesses through to rushed sales at the point of bankruptcy. Whilst the mid-point of deal values is around 1.0 in Management Consulting, there are plenty of strong companies selling in the range from 1 up to 2, and above.

Figure 11 Sector Profitability and Deal Multiples

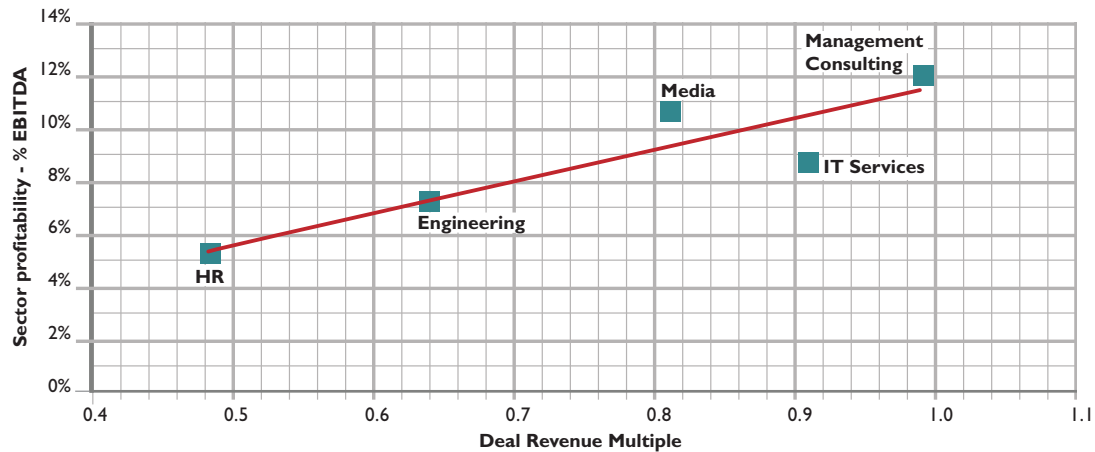
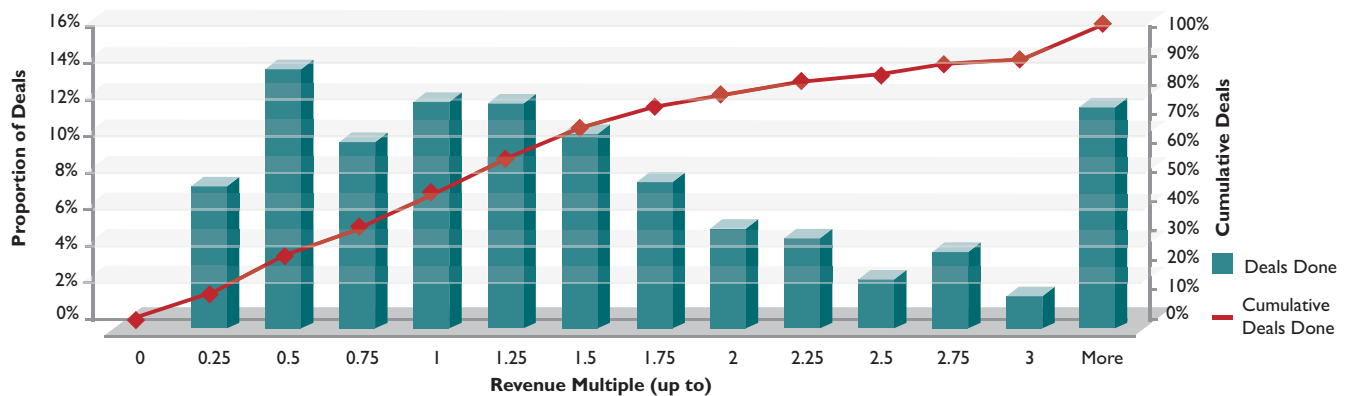
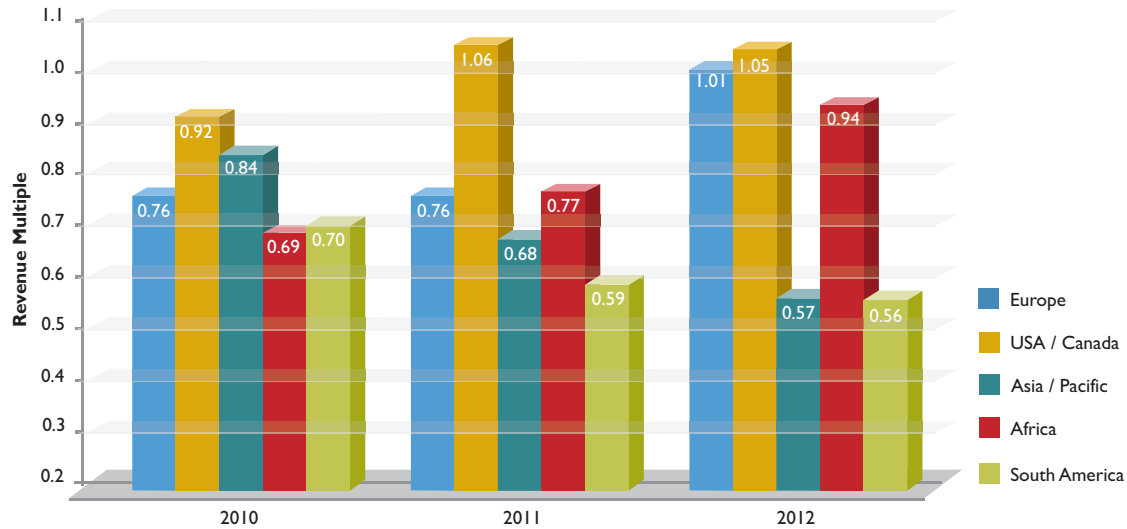


Figure 12 Range of Revenue Multiples (Management Consulting)



Commentary on the Market

Figure 13 Revenue Multiples by Region by Year



Since 2010, in the Asia-Pacific and South American regions, the revenue multiples have decreased in comparison to Europe, North America and Africa. In 2012 there were decreases of 16% in Asia-Pacific and 5% in South America, whilst North America remained constant and Europe and Africa saw increases of 33% and 22% respectively.

With regards to EBITDA multiples, these are invariably reported as being much higher than would normally be discussed in a valuation negotiation. This is because:

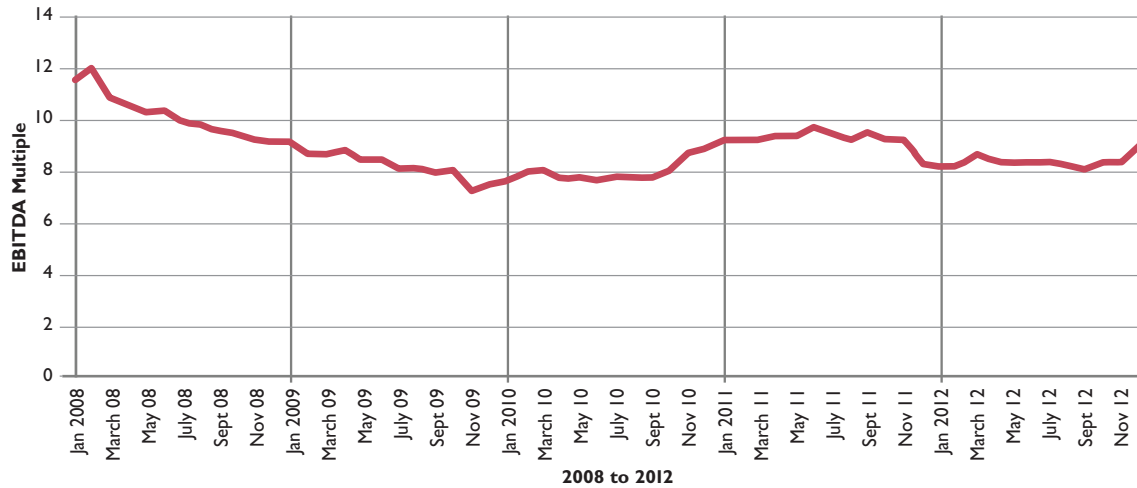
- Private companies - the majority of deal targets – tend to under report profits
- The figure used in the calculation tends to be a lower historical figure
- Negotiations are around an inflated 'adjusted' profit

All of which can contrive to increase the figure by 50% to 100%. Nevertheless, the trend can be illustrative, and the year-end saw a slight up-turn in multiples.

Commentary on the Market

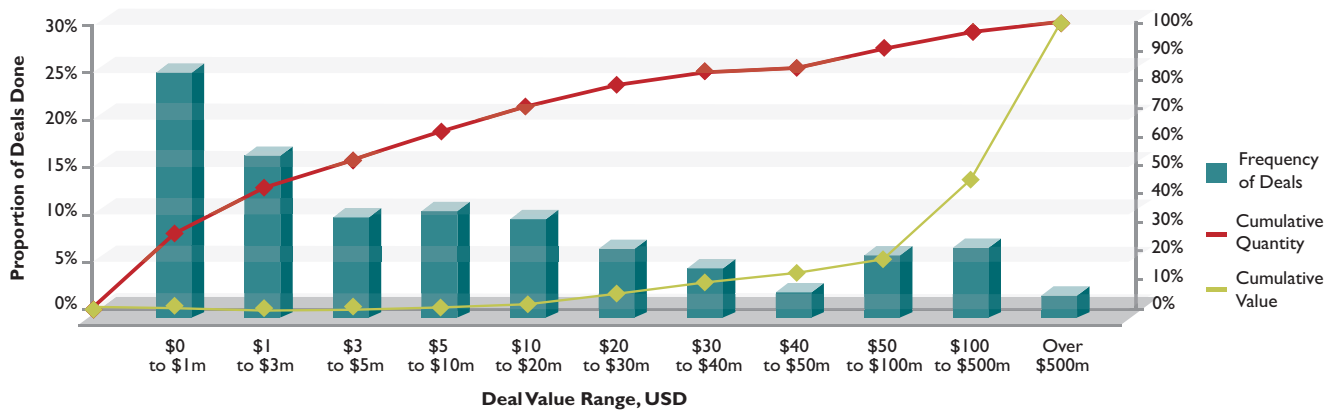
Deal Values

Figure 14 EBITDA Multiples, 12 Month Rolling Median



The proportion of deals at the lower range remained similar to previous years, but the number of larger deals saw a 36% increase in the average deal value to \$242m. This was pushed up by the high value deals in North America over \$450m, whilst Europe was a far more modest \$88m.

Figure 15 Deal Value Range, 2012



Commentary on the Market

Deal Structures

DEAL STRUCTURES

When agreeing the terms of a deal, there are generally four key elements under consideration:

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

As a rule-of-thumb, the seller generally gets 50% - 60% of the payment up-front, with the remainder 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.

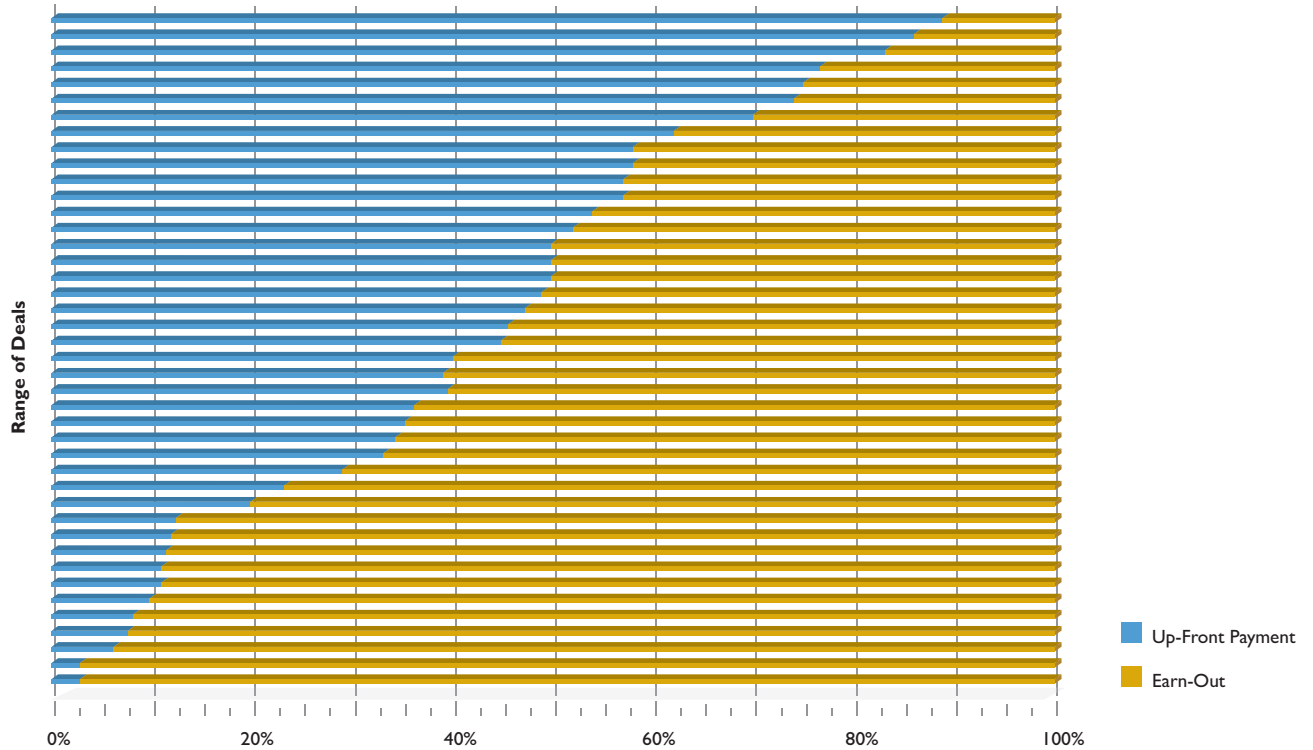
Whilst we obviously see the details behind multiple offers on sell-side and buy-side engagements, these are not often publicised in deal announcements. The chart below details some deal structures where these are available.

We found that in 2012:

- 41% of sample deals were fully paid by cash
- 32% of deals paid by cash and earn-out
- 21% by cash/equity
- 6% by cash/equity/earn-out

Commentary on the Market

Figure 16 Deal Structures – Mix of Up-Front and Earn-out Payments



Commentary on the Market

Outlook and Implications for Sellers

OUTLOOK AND IMPLICATIONS FOR SELLERS IN 2013

This time last year Equiteq forecast caution in the market and witnessed a decrease in volumes and values.

From what we are seeing in the market and in conversations with many different buyers, we expect a small but steady upturn during 2013, with a return to volumes and values more in line with those realized in 2011. The large corporations have cash to buy, and the large services companies must grow to maintain their value and will use acquisitions as a route to that end. The fact that there may be a short-term redundancy programme of trimming 'old' skills is no reason why there will not be a simultaneous acquisition of new skills.

However, what we are also seeing is a far more discerning buyer: 'Generalists' do not appeal to buyers, but 'specialists' do. Focus is absolutely paramount, not just in the service delivered and the sector served, but also in the level of geographical dispersion. If, as an owner of a consulting business you are seeking greater apparent security in diversifying into new markets or locations, you will be severely disadvantaging the potential sale-value of your company. We talk in the following sections about trends in what has been bought. However, the new areas we see being relevant in 2013 and repeatedly asked for by European and US buyers are a combination of interests in:

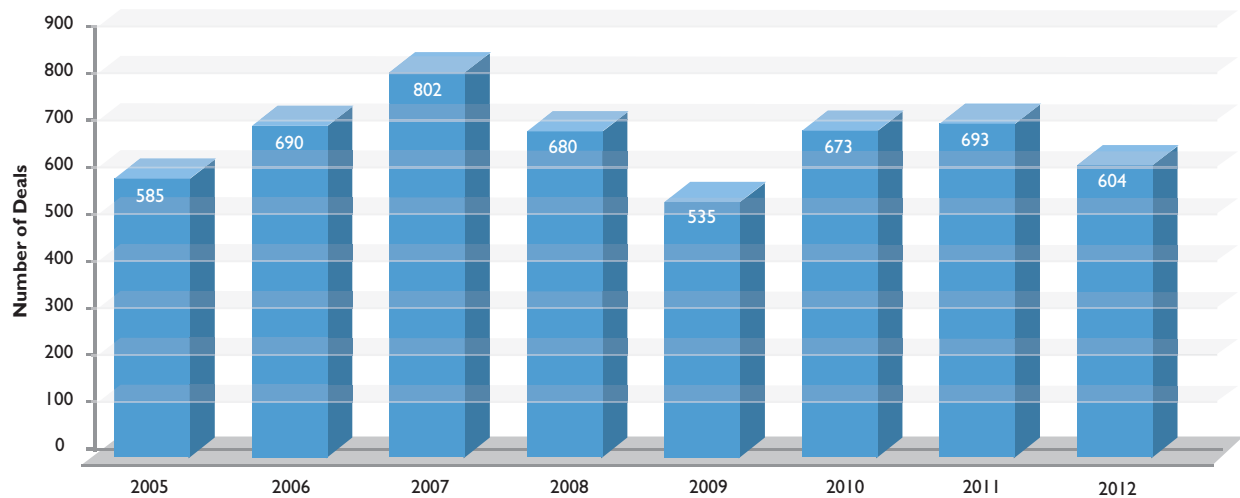
- Geography: Asia and South America
- Capabilities: Big Data and Analytics, Social Media and the Cloud
- Focus: Healthcare and Regulatory

IT Consulting

In 2012 there were 604 deals (25% of all deals) associated with IT consulting companies. Within this sector, the deal volumes fell steadily through the year finishing down at 13%, a rate of below 50 deals per month.

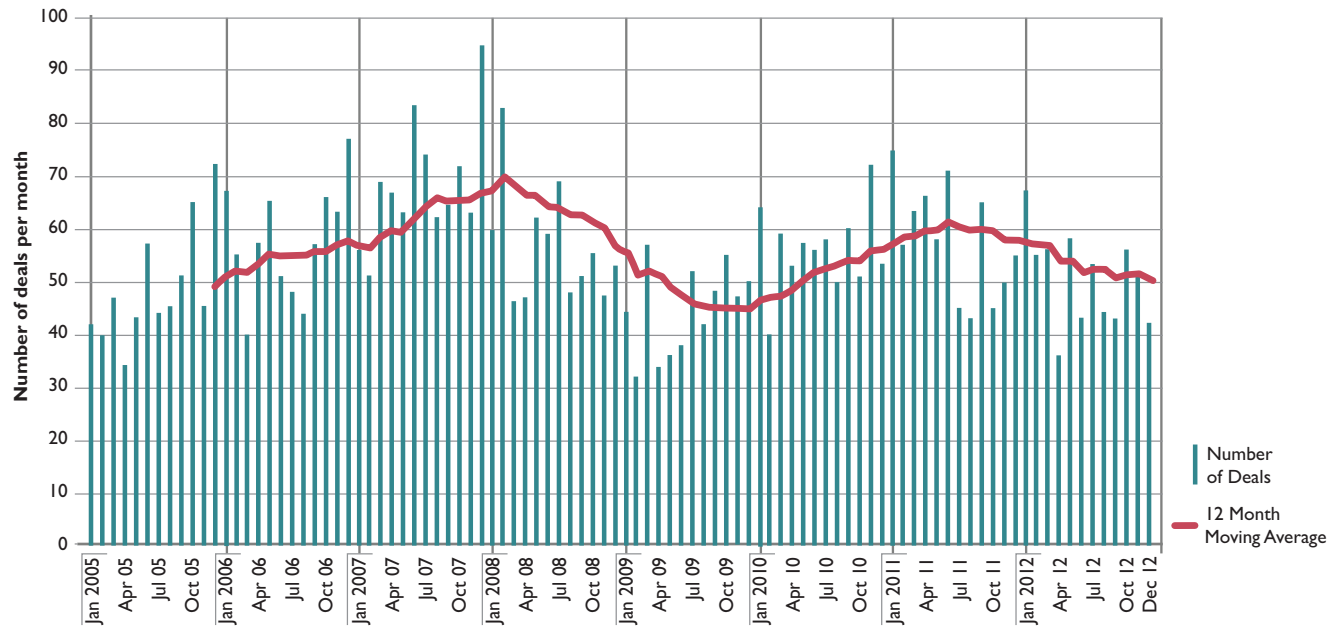
The values in terms of revenue and EBITDA multiples continued to recover; reflecting a steady increase since 2009. This in turn shows that many of the current in-demand service specialisms are within this sub-category.

Figure 17 IT Consulting Deals per Year



IT Consulting

Figure 18 IT Consulting Deals per Month



IT Consulting

Figure 19 IT Consulting Revenue Multiples

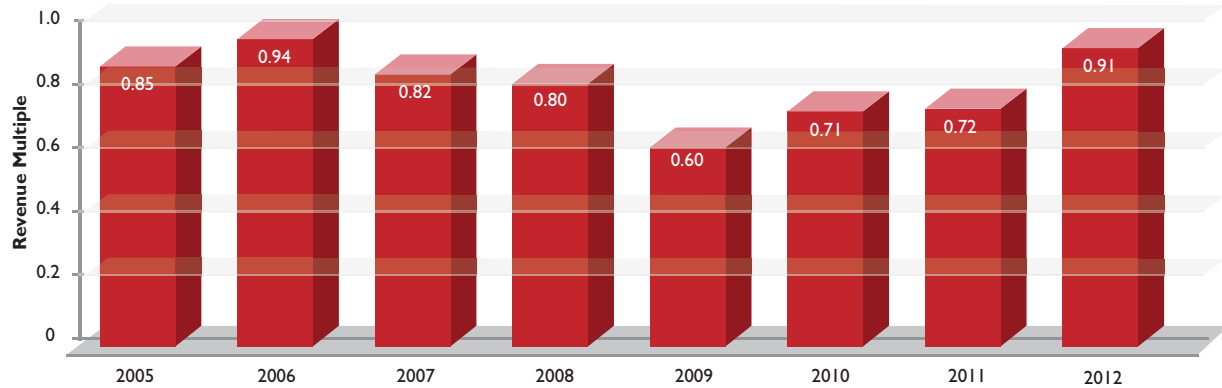
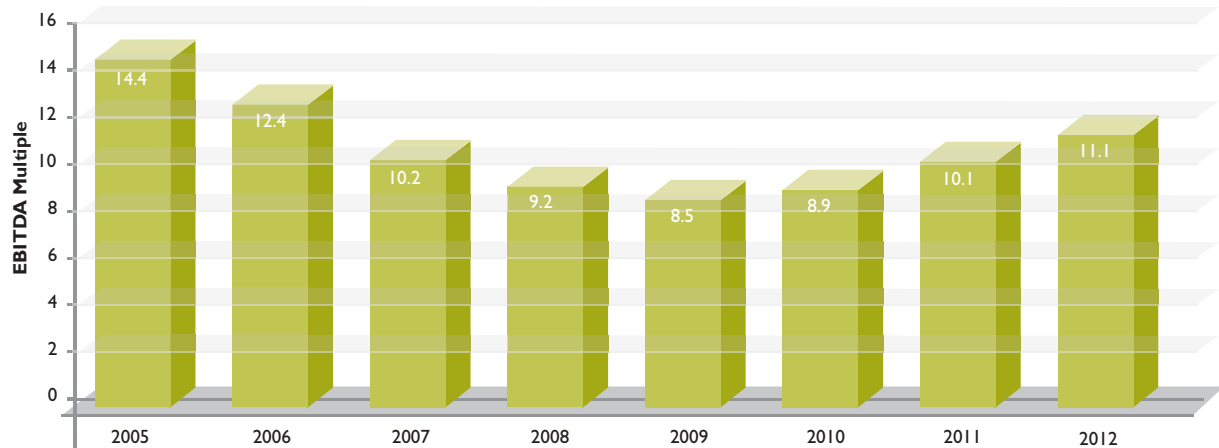


Figure 20 IT Consulting EBITDA Multiples



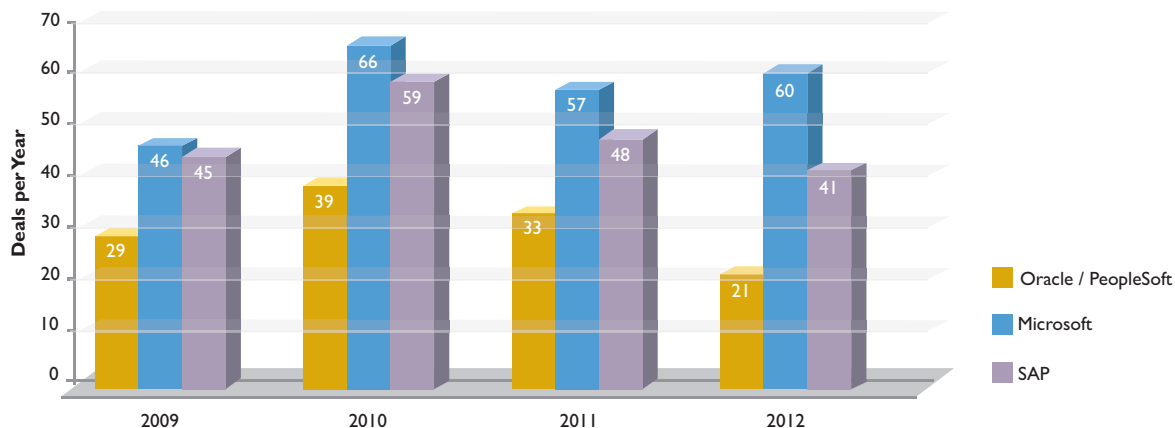
IT Consulting

There were no significant volume buyers in the IT consulting sector; though in the US, Perficient continued its prolific acquisition rate with three purchases, each around \$10-15m in value. Other deals to note were:

- CGI Group Holdings Europe Ltd and Logica PLC: the Canadian BPO business acquiring Logica plc was by far the largest deal in the sector
- NTT DATA EUROPE GmbH and itelligence AG purchase of itelligence, the German SAP services provider that has itself been a prolific acquirer of businesses, including in 2013, picking up Blueprint Systems in the UK and Elsys in Turkey.
- The other large SAP acquisition was Infosys Ltd and Lodestone Management Consultants AG purchase of the Swiss consultancy Lodestone which is possibly the last available player with a global footprint.

Implementers of ERP systems continue to make up a large and constant proportion of deals. As a technology platform, SAP continued to be a component of many deals; along with Microsoft and Oracle (these deals cover the full range of products, not just ERP).

Figure 21 Annual Deals by Technology Platform



At the other end of the spectrum we see virtually no deals for implementers of smaller systems such as Infor and Epicor; and none yet for NetSuite, the fast-growing cloud-based solution.

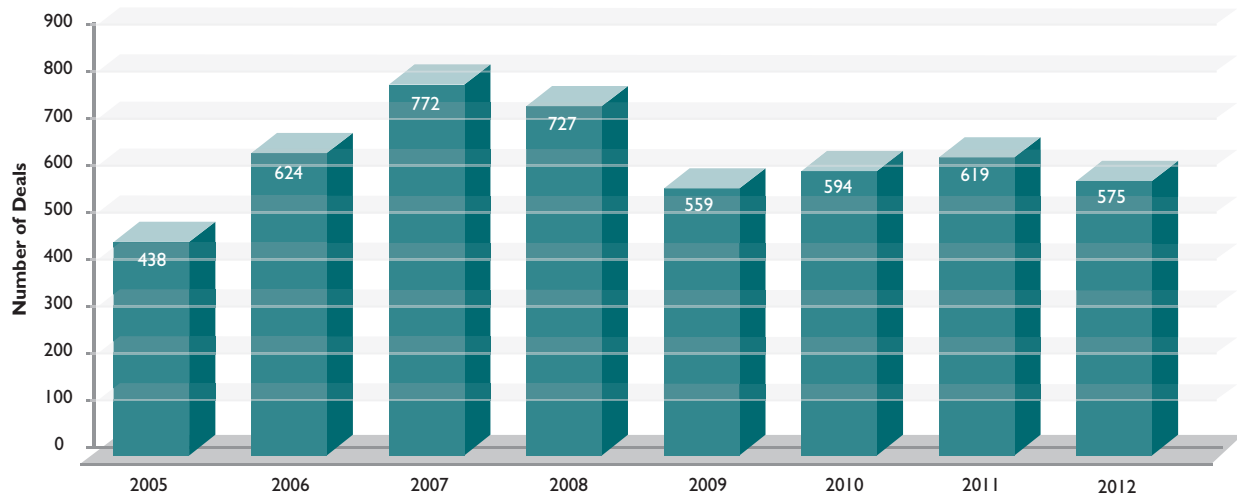
In terms of other technology areas, Business Intelligence (BI) and Analytics continue to perform strongly, with cloud capability being a common attribute of target companies. Interestingly, we have yet to see any consolidation in the QlikView implementation partner space.

Management Consulting

The management consulting sector comprises 24% (575 deals) of the total deals in 2012. Within this sector we saw volumes fall by 4%, with a steady decline through the year to just under 50 deals per month.

The softening of the market is reflected in the values, where the revenue multiples fell to just below the indicator of 1. EBITDA multiples (as reported) did rise to just under 10, but this is most likely a reflection of the low historical profitability used in the calculation.

Figure 22 Management Consulting Deals per Year



Management Consulting

Figure 23 Management Consulting Deals per Month

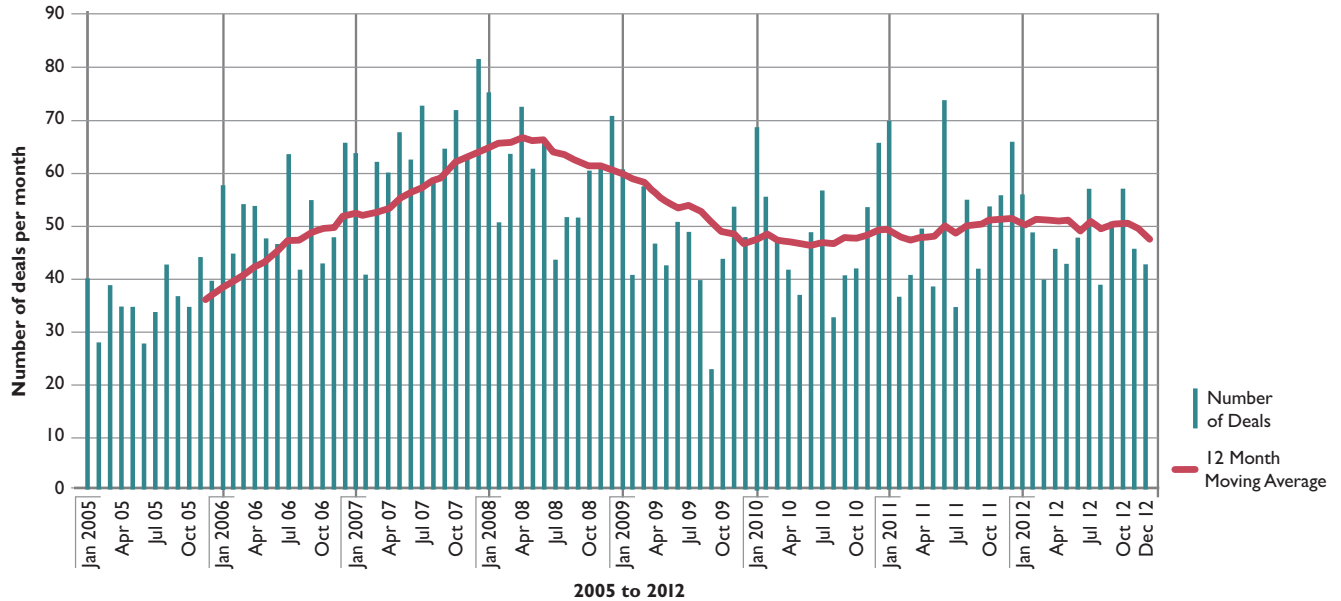
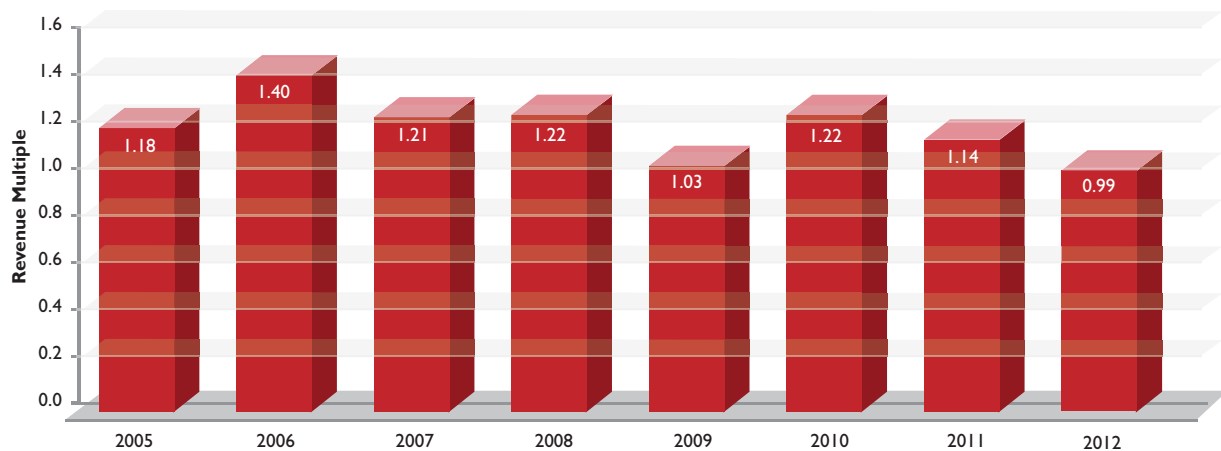
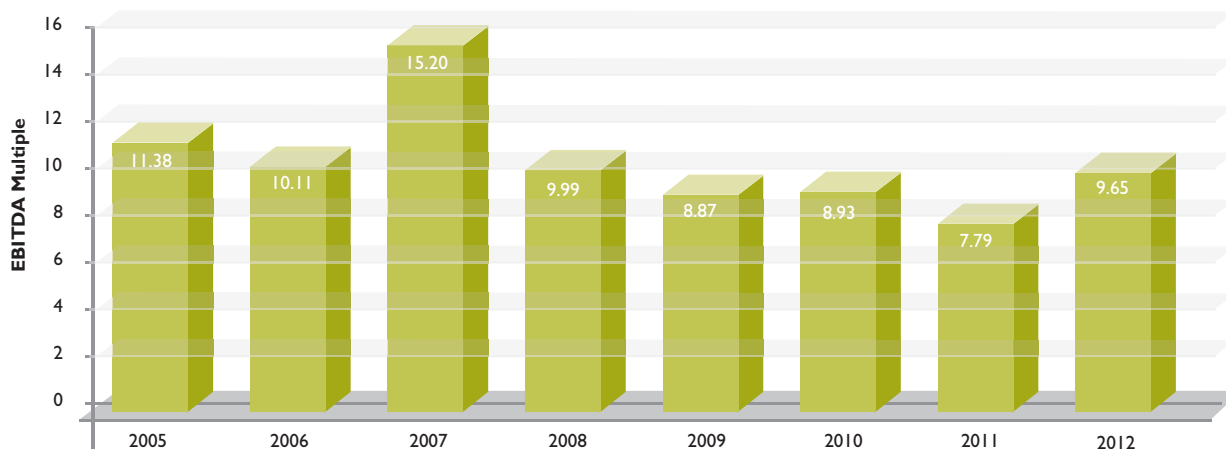


Figure 24 Management Consulting Revenue Multiples



Management Consulting

Figure 25 Management Consulting EBITDA Multiples

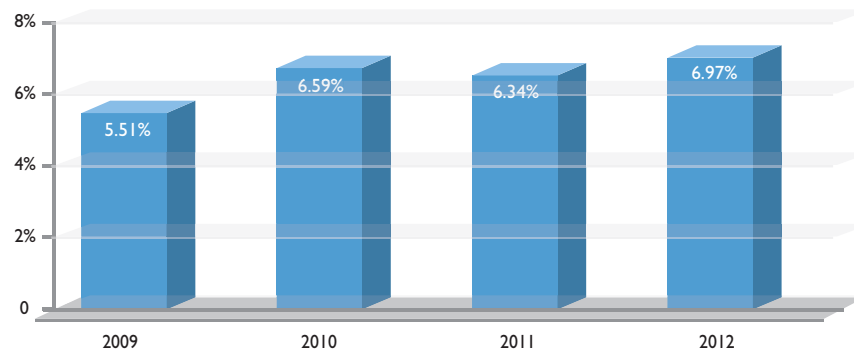


The large deals were dominated by businesses that had developed a 'service' which was backed-up by strong IP or data sets, and healthcare continued to be a driving force in the sector:

- Experian plc acquired Serasa S.A, a Brazilian economic and financial analysis information company for over \$3bn.
- Amadeus IT Holding SA acquired airconomy aviation intelligence GmbH, a strategy consultancy providing market intelligence services for the aviation networks and airline industry for \$1.5bn.
- Piramal Enterprise Limited acquired Decision Resources Group, a research and advisory company, focused on healthcare insights and analysis.
- At the other extreme, Chime Communications plc acquired pH associates, a small UK consulting business with data understanding for NHS drug suppliers.
- Navigant Consulting Inc, picking up the pharmaceutical consultancy 'Easton Associates LLC' citing a particular interest in their Asian footprint.

Management Consulting

Figure 26 Proportion of Deals Related to Healthcare by Year



There is an interesting development in the acquisition of consulting businesses in that a total 64% of deals were done by companies outside the sector. This is exemplified by:

- MITIE Group PLC and Utiylx Limited: the facilities management business acquired Utiylx the UK energy purchasing advisory business, to enhance the service they provide to their customers.
- Capita PLC and Smiths Consulting Limited: another outsourcing company, continued the growth of its consulting business with the purchase of SAP consultant Smiths.
- In the US, Direct Energy Purchasing Limited was acquired by Inspired Energy plc.

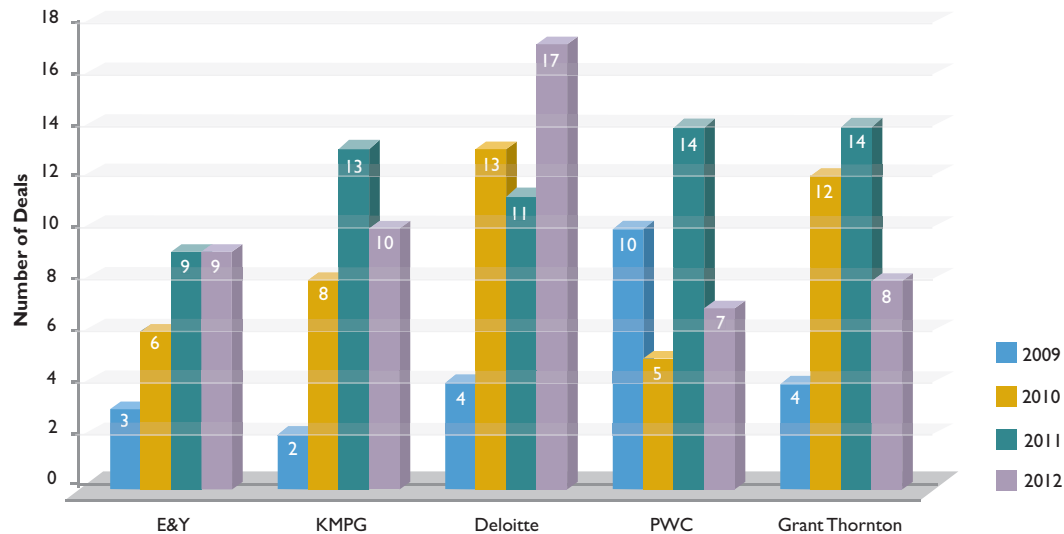
Whilst the traditional area of consulting across a broad-range of operational improvement activity is certainly not a 'booming' arena, deals continue to be completed. Elsewhere, Hitachi Ltd extended their global reach and capability through the acquisition of Celerant, and TeleTech Holding Inc, a company with customer-service focus acquired Guidon Performance Solutions from TBM Consulting.

Generally we saw a move away from interests in training/leadership/change-management type businesses, although Korn/ferry the executive recruitment business, acquired Personnel Decisions, the leadership development and coaching company.

Management Consulting

Of the 'Big-4 plus Grant Thornton', Deloitte continues to lead the way in terms of the number of deals it completed, with PwC falling behind in the race for inorganic growth. At the end of the year Deloitte picked up the remnants of Monitor group, the strategy consultancy with illustrious roots in Harvard co-founded by the legendary Michael Porter, which was on the verge of bankruptcy. In 2013 it will be interesting to see which other mid-size consulting businesses are acquired due to their inability to maintain a global footprint at their scale.

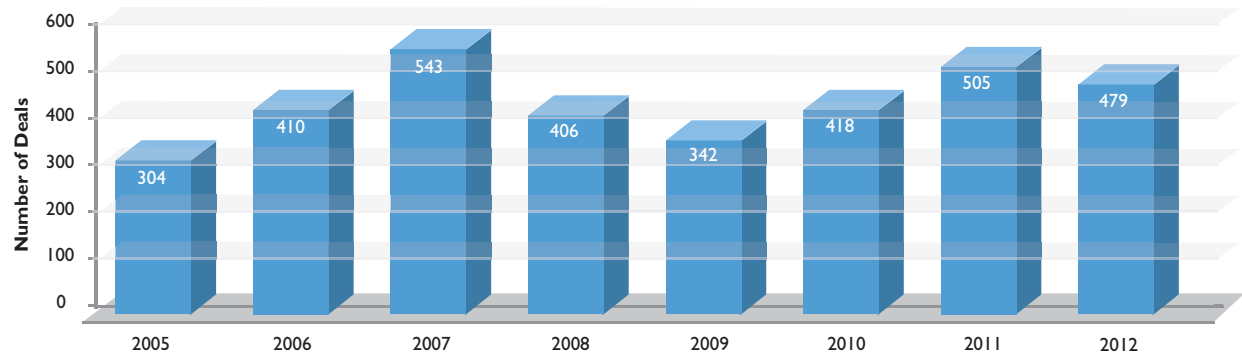
Figure 27 Big-5 Accountancy Firm Acquisitions – All Industries



Media Consulting

In 2012, there were 479 deals (20% of all deals) associated with media consulting companies. We found revenue multiples fell by 25% and EBITDA multiples rose by 62%. The average deal value is \$48m compared to \$62m in 2011. With half of the targeted media consulting firms located in United States, we can expect activity levels to rise in Europe in 2013.

Figure 28 Media Deals per Year



Media Consulting

Figure 29 Media Deals per Month

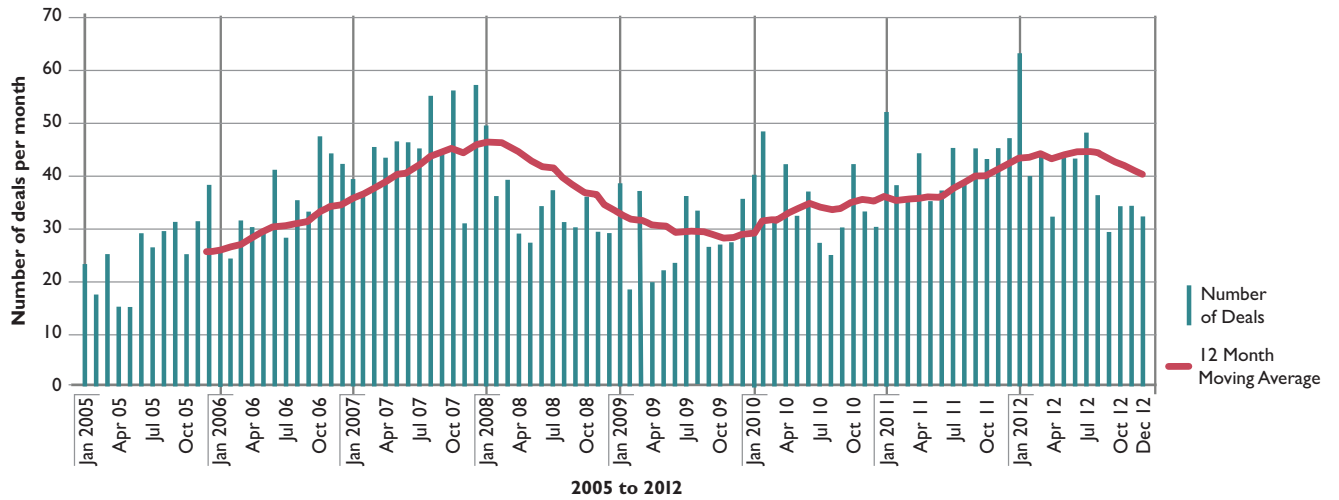
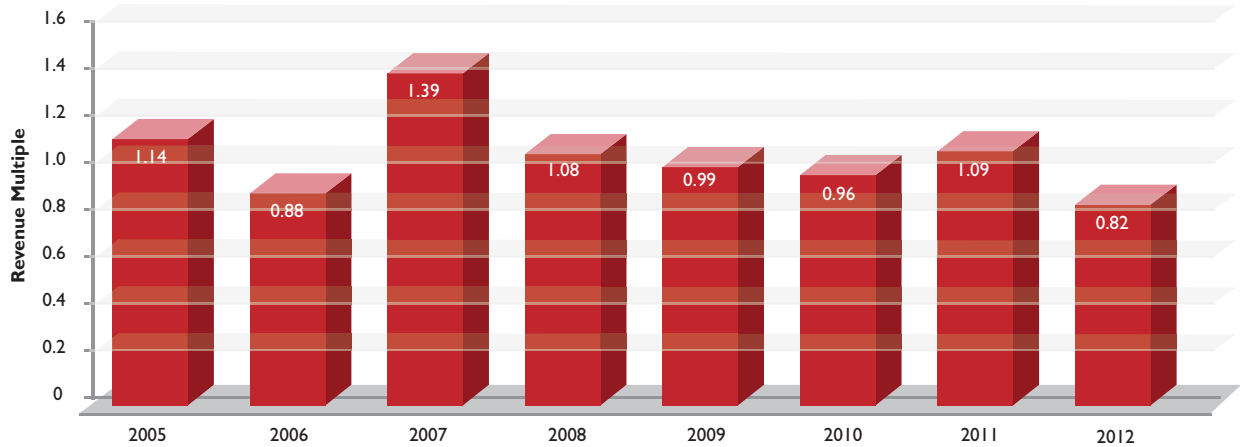
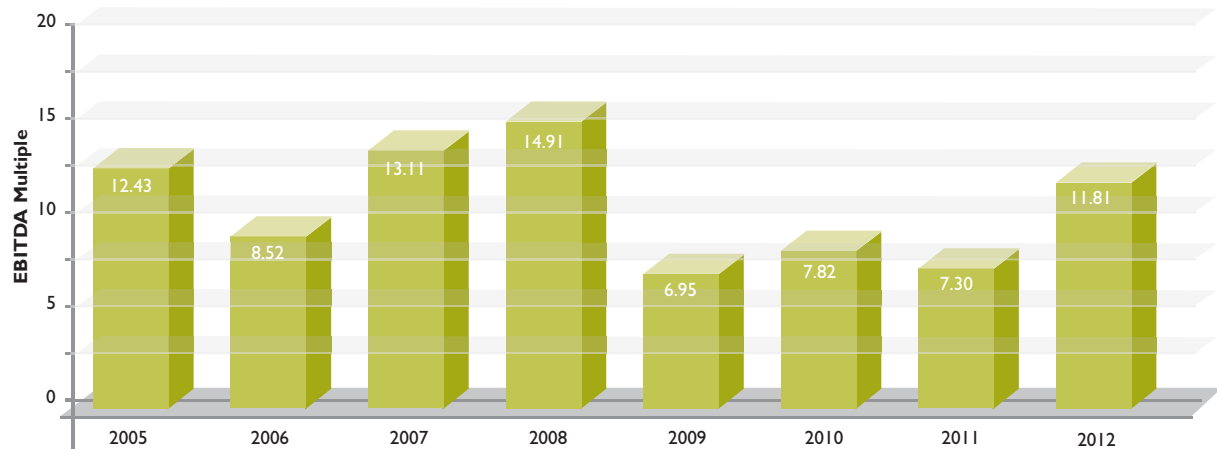


Figure 30 Media Revenue Multiples



Media Consulting

Figure 31 Media EBITDA Multiples



As mentioned in the sector summary, the big buyer in the industry is WPP. They are responsible for the largest acquisition in this sector; the \$540m purchase of the digital agency AKQA, Inc. WPP's other deals included:

- A 35% stake in Barrows Design and Manufacturing (PTY) Ltd, a South African retail marketing services company
- A 20% increase in their stake in Chime Communications plc

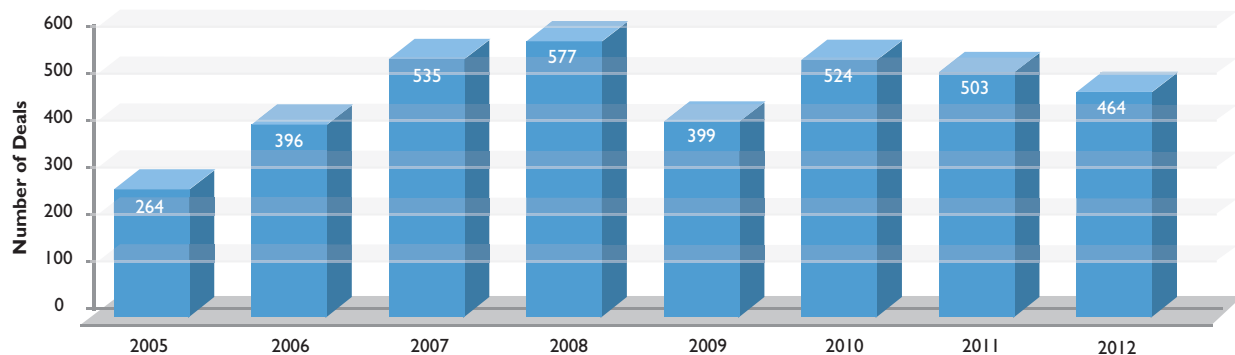
Aegis, another frequent buyer whose 2012 targets included; a Finnish marketing agency, a marketing effectiveness analytics consultancy, and a mobile advertising agency, now sees itself about to be acquired by Dentsu, the Japanese marketing services company (completed at the time of writing).

As a good example of non-consulting services businesses moving into the sector, Menzies the UK newspaper distribution business acquired Orbital Marketing Services.

Engineering Consulting

In 2012, there were 464 deals (19% of all deals) associated with engineering consulting companies. The volume has dropped by 8% since 2011 with revenue and EBITDA multiples dropping by 10% and 24% respectively. The most active buyer was Australian Cardno Limited, a professional infrastructure and environmental services company, acquiring five companies. They were followed by USA's Bowman Consulting Group, Ltd acquiring three and Canada's GENIVAR Inc, acquiring two.

Figure 32 Engineering Deals per Year



Engineering Consulting

Figure 33 Engineering Deals per Month

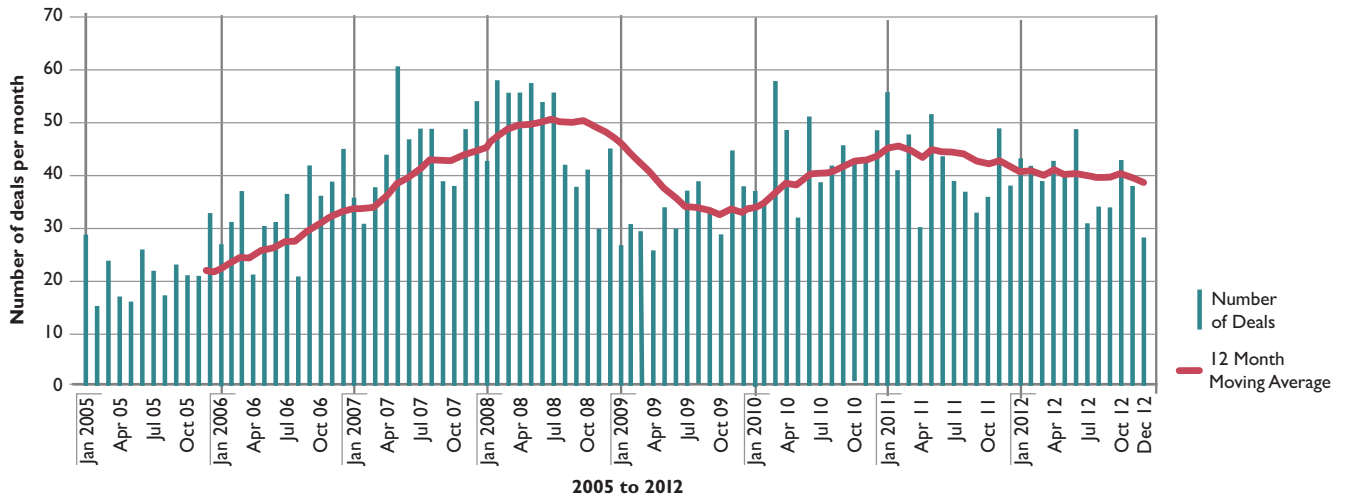
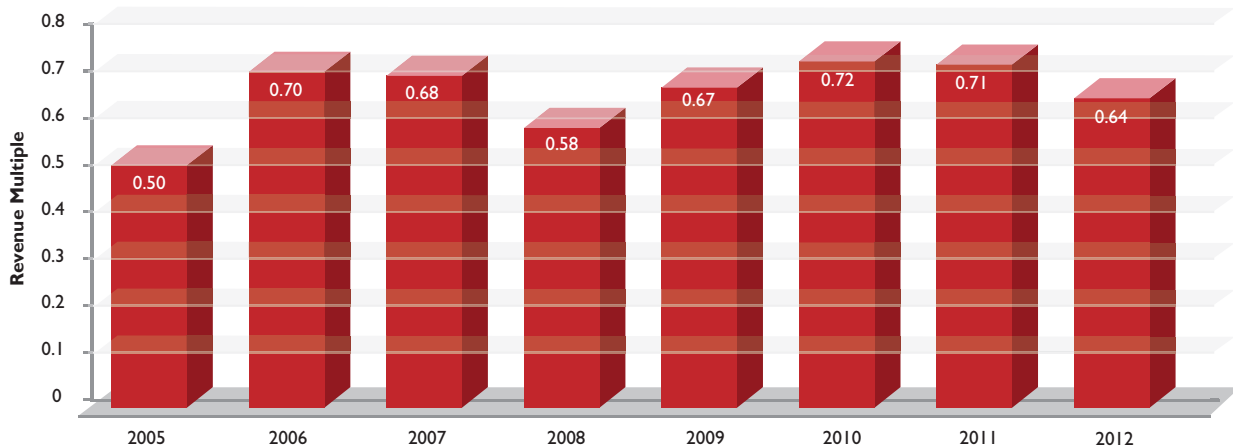
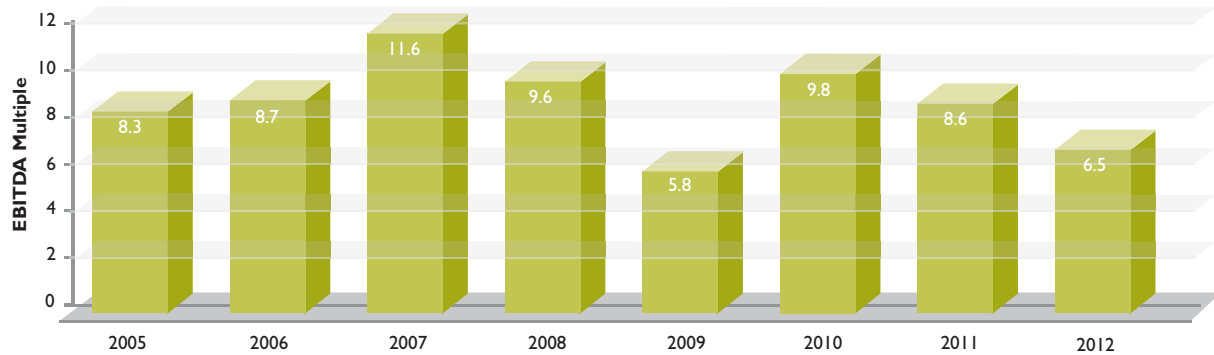


Figure 34 Engineering Revenue Multiples



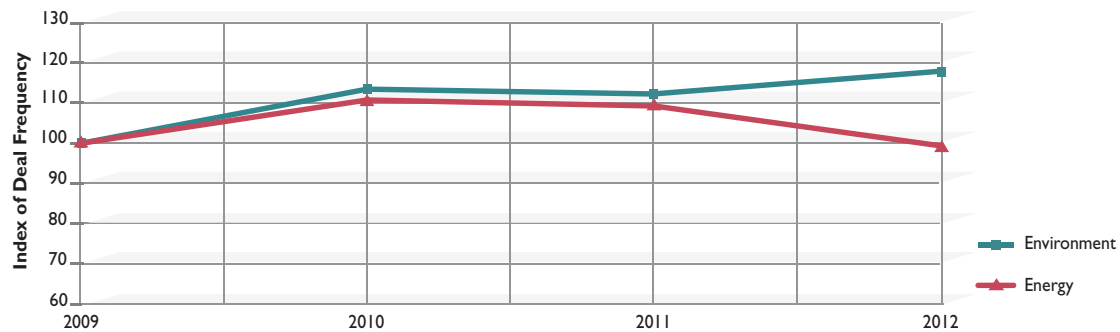
Engineering Consulting

Figure 35 Engineering EBITDA Multiples



Whilst volumes and price softened, there was very little change in the mix of the type of businesses acquired in this very traditional sector. The focus on acquiring companies with an environment capability continued to be a big theme, with interest in energy capability companies having a small fall-off.

Figure 36 Proportion of Deals Related to Environment and Energy by Year



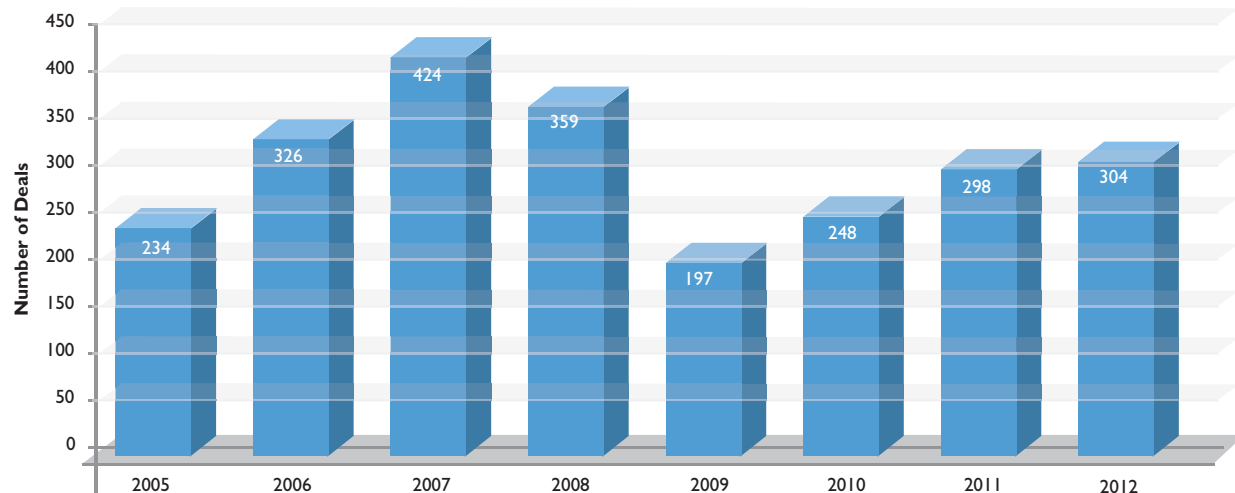
Human Resource Consulting

In 2012, there were 304 deals (12% of all deals) associated with HR consulting companies. Although this is the smallest sub-sector overall, it has had a 2% increase on 2011, continuing its steady growth path since 2009.

EBITDA multiples remained at similar levels to 2011 with an insignificant decline, whereas revenue multiples dropped by 35%.

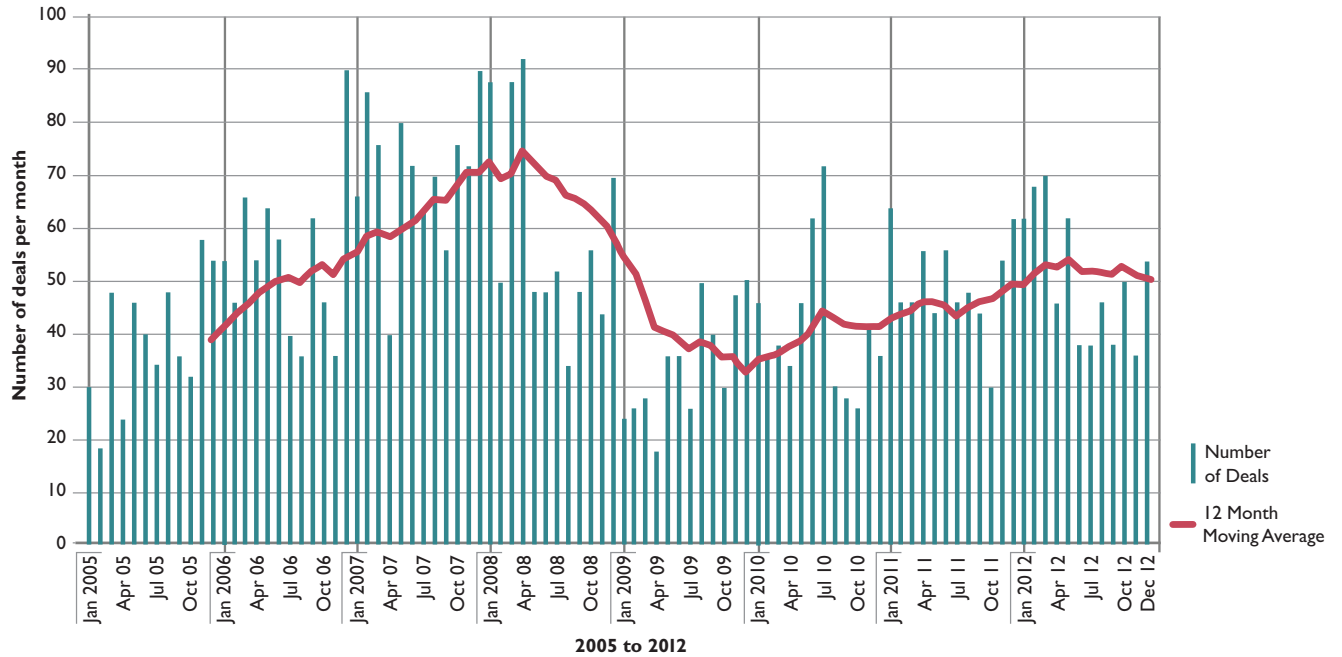
Management teams across the board have recognised their people as a critical asset and the resulting investment and M&A in this area has ensured this sub-sectors steady growth.

Figure 37 HR Consulting Deals per Year



Human Resource Consulting

Figure 38 HR Consulting Deals per Month



Human Resource Consulting

Figure 39 HR Consulting Revenue Multiples

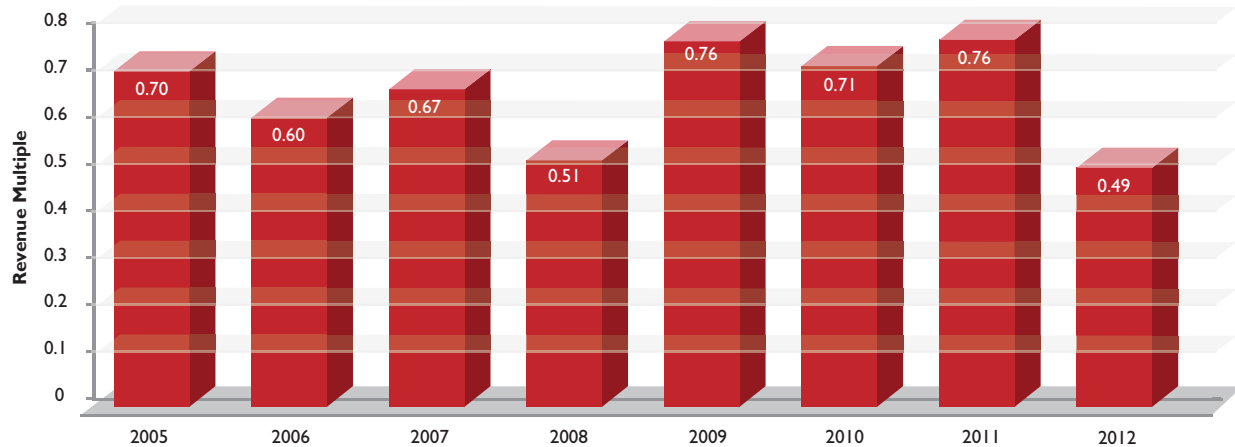
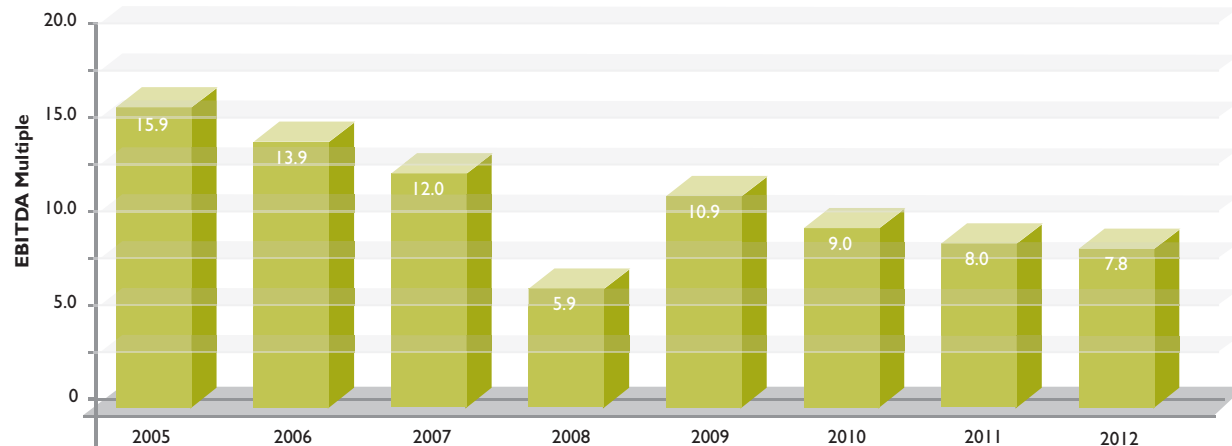


Figure 40 HR Consulting EBITDA Multiples



North America Overview

North American M&A activities have been slowing down with growing concerns about the United States fiscal cliff negotiations, Dodd-Frank regulatory changes, unpredictable markets and the continued pressures of risks in the Eurozone.

However, the North American deal volume recovered strongly after the first quarter, with an overall 1.4% increase. This is due in part to the US end-of-the-year deals being done in preparation for the 2013 tax hikes, which caused a significant amount of economic activity moving from 2013 into 2012. Revenue multiples stayed constant in the region while EBITDA multiples dropped by 11%.

Figure 41 Deals in North America by Year

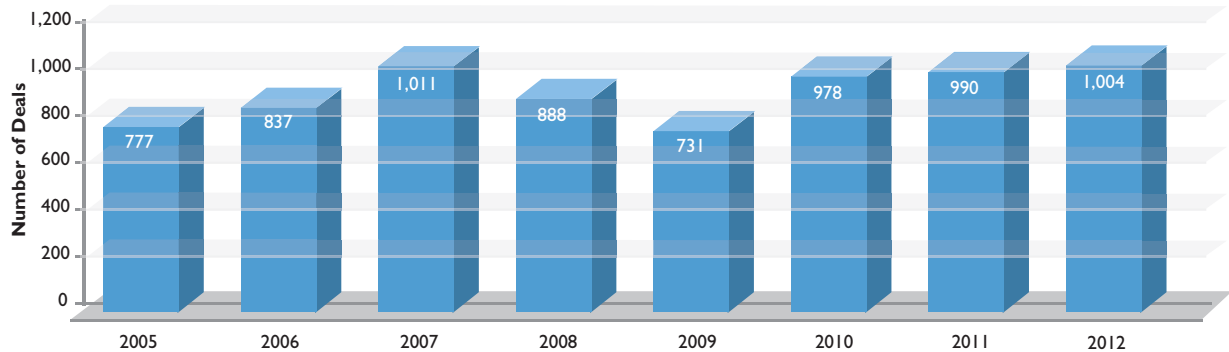
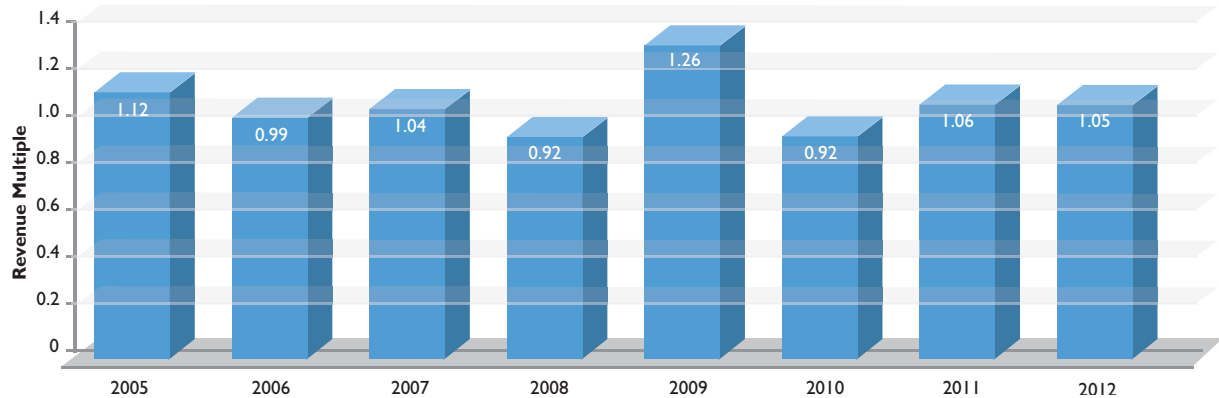


Figure 42 Revenue Multiples in North America



North America Overview

Figure 43 Deals in North America per Month

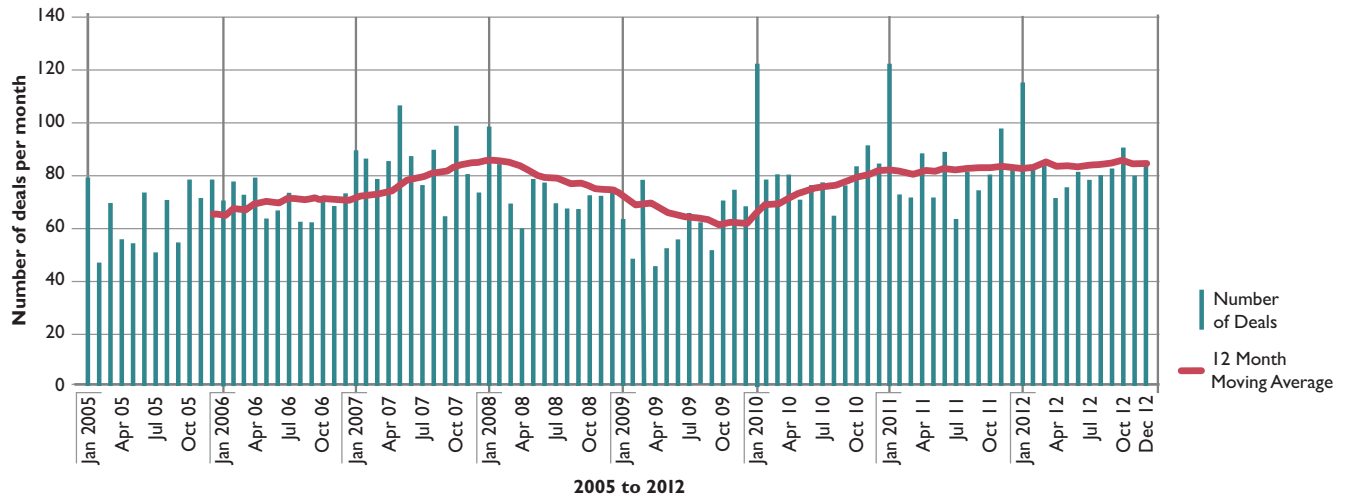
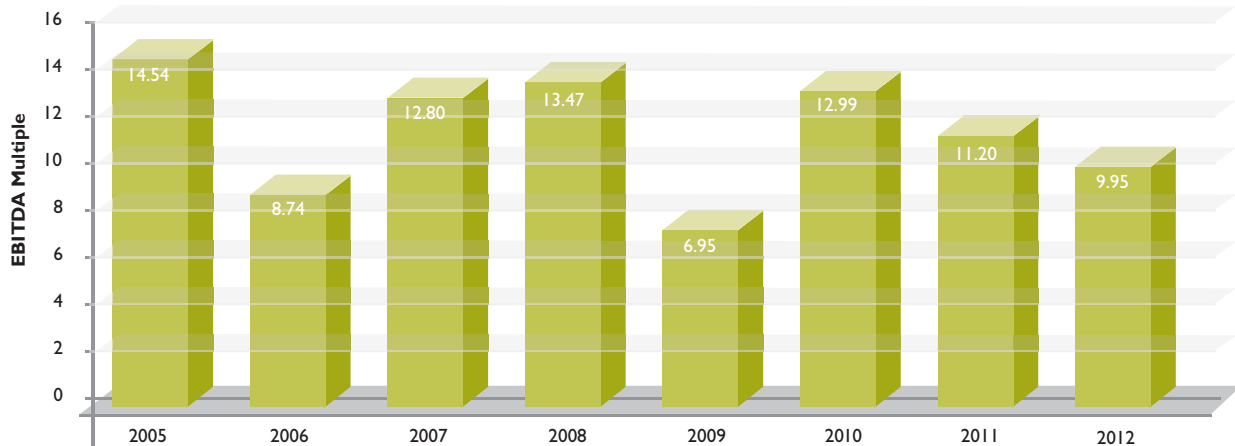


Figure 44 EBITDA Multiples in North America



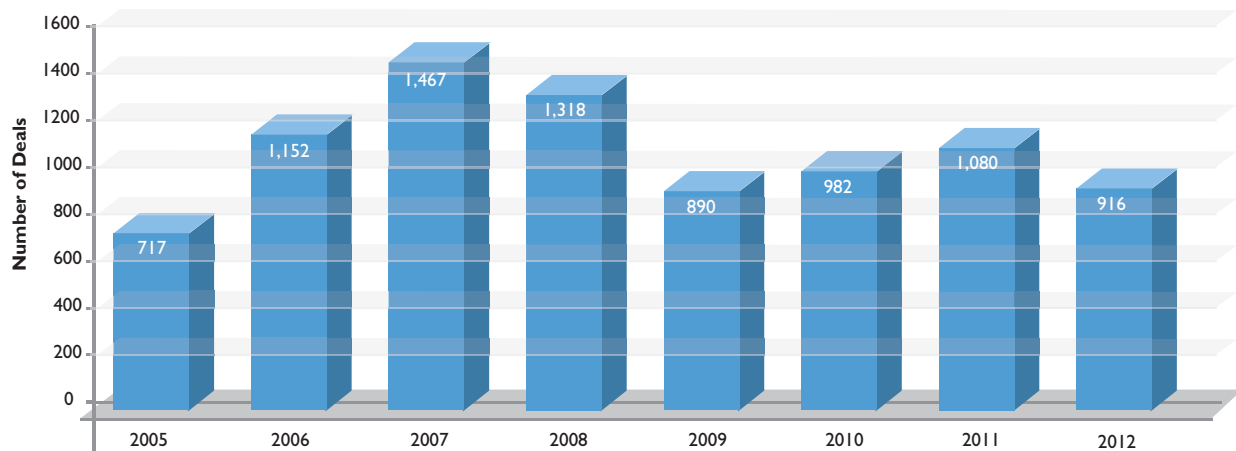
Europe Overview

2012 was an uncertain and volatile year due to the threats of Greece leaving the Eurozone, overall economic instability and the questionable future of the single currency.

The vague situation was reflected in the number of deals, which dropped to its lowest level since 2009 (a 15% drop compared to 2011). On the other hand, revenue and EBITDA multiples significantly increased for the region. Revenue multiples reached an 8 year high with a 33% increase on 2011, while EBITDA multiples jumped by 39%.

Good companies still sell and can realize competitive prices even if the underlying economy is shaky. Buyers still need to grow and have money to spend to fund acquisitions. The problem in recent years in Europe has been the availability of robust growing targets to acquire. The volumes may be down but for the right target firm good prices can still be achieved.

Figure 45 Deals in Europe by Year



Europe Overview

Figure 46 Deals in Europe per Month

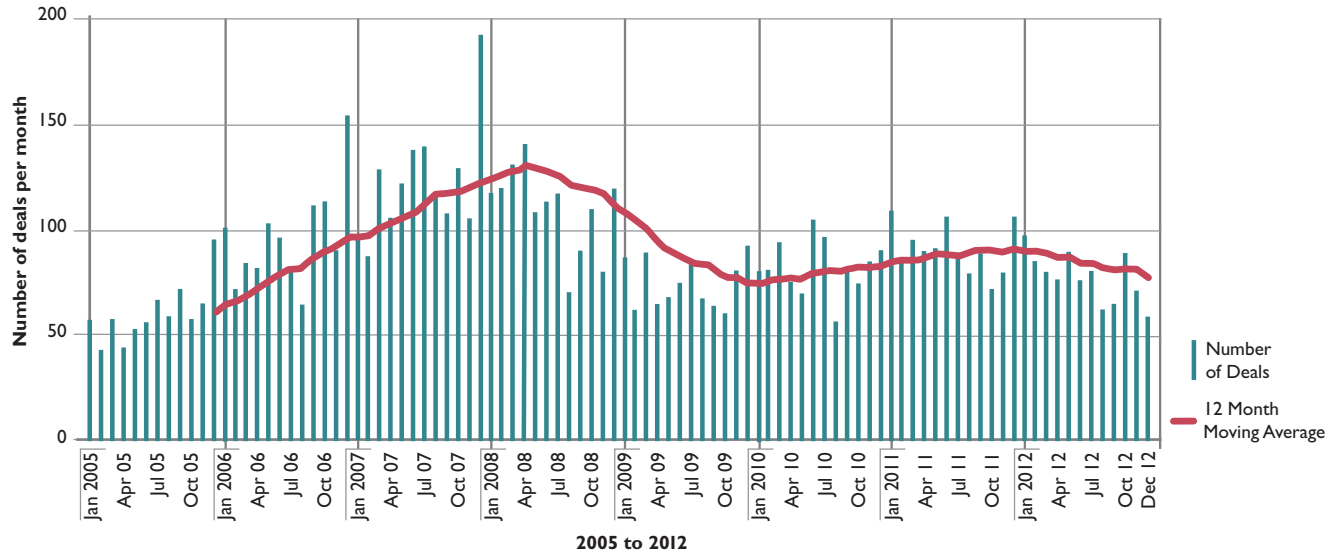
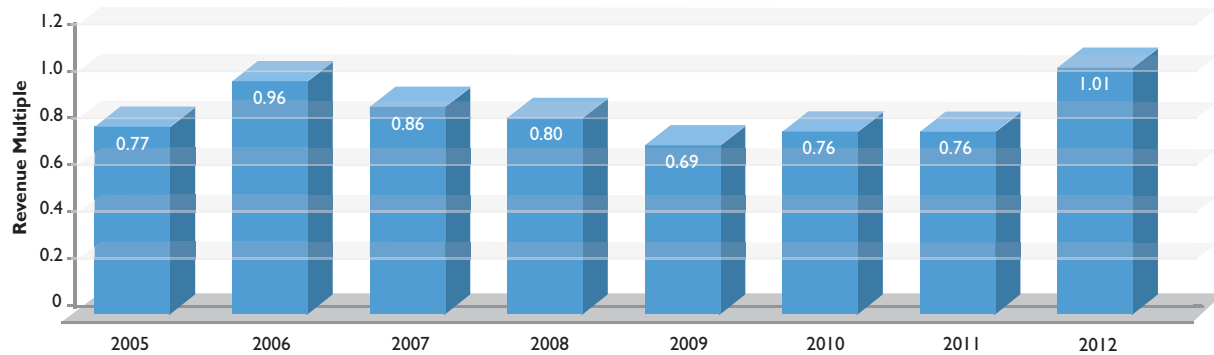
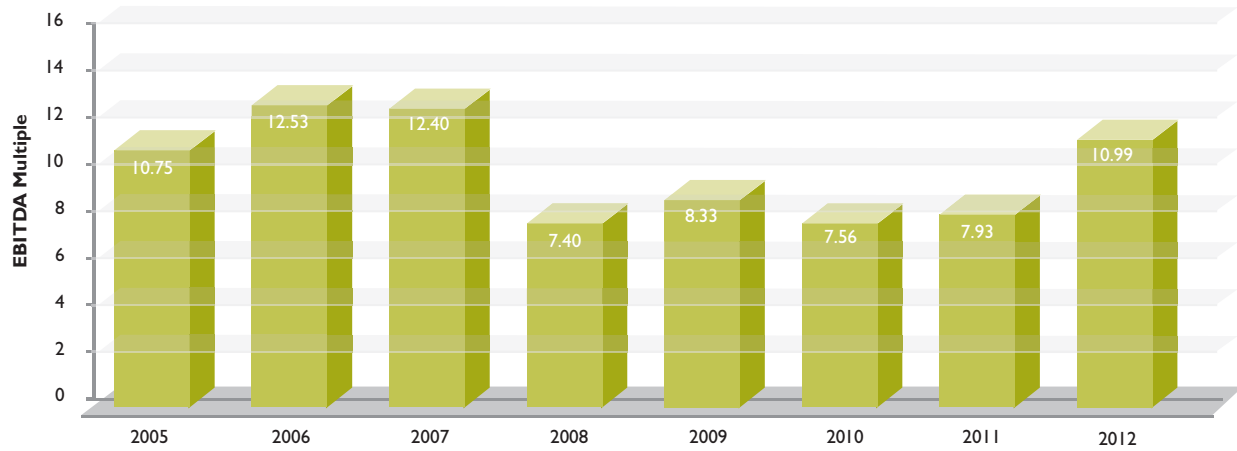


Figure 47 Revenue Multiples in Europe



Europe Overview

Figure 48 EBITDA Multiples in Europe

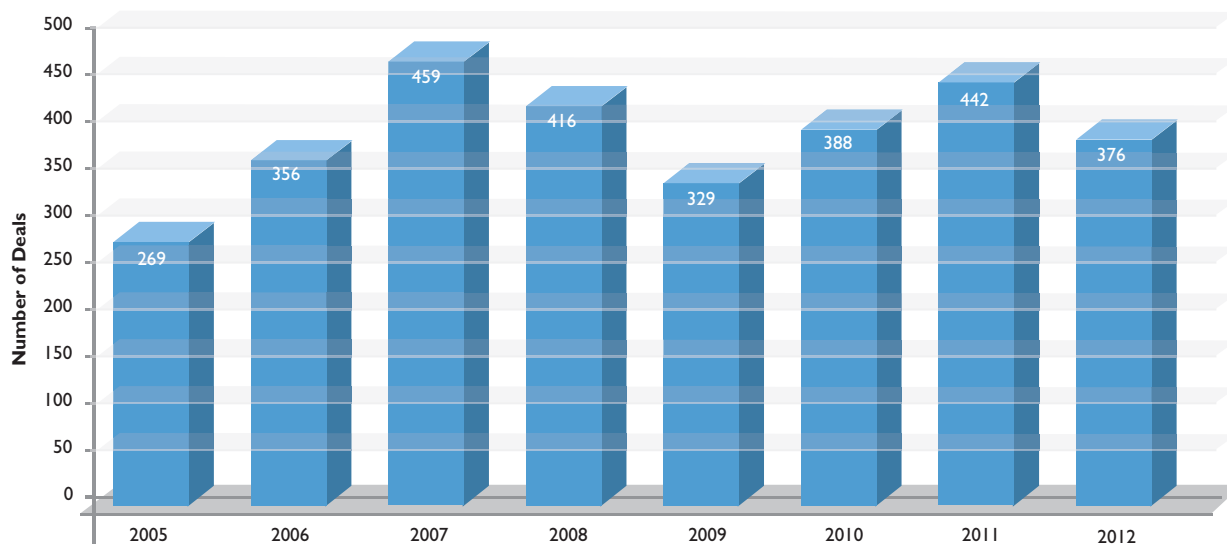


Asia Pacific Overview

The turbulent global economic environment continues to have the biggest impact on M&A activity, but in the Asia-Pacific region it is concerns about unrealistic price expectations, protectionism and/or regulatory issues that are suppressing M&A activity.

With the number of deals dropping sharply in the second half of 2012, we saw 28% of the deals in this region associated with IT consultancies, reflecting the dominance of that sub-sector. The number of deals in Australia decreased by 18% compared to 2011. This significant slowdown in Australian M&A activity was caused by the strengthened Australian dollar (which has increased cost of resources production). In the region, 23% of all deals were made in Japan, followed by Australia (18%) and China (13%).

Figure 49 Deals in Asia Pacific by Year



Asia Pacific Overview

Figure 50 Deals in Asia Pacific per Month

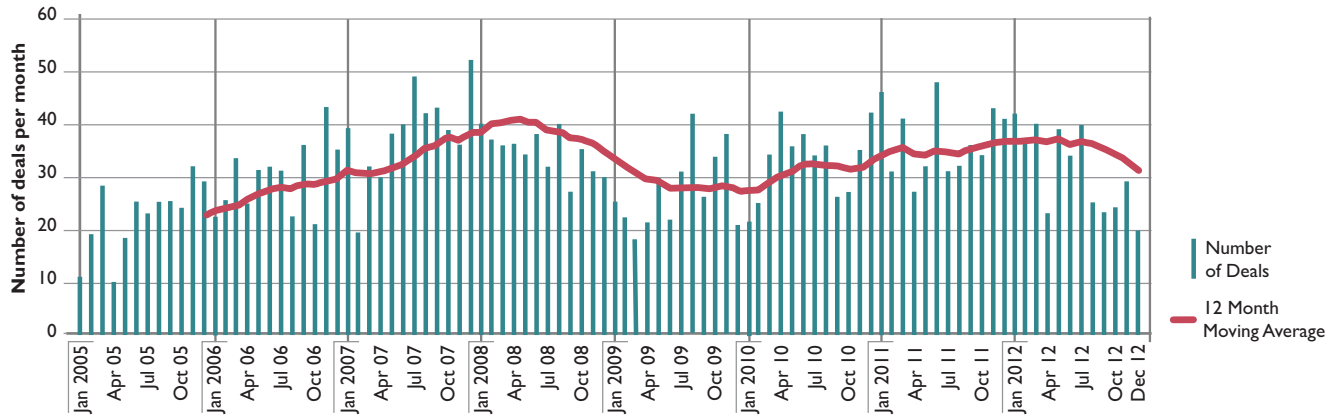
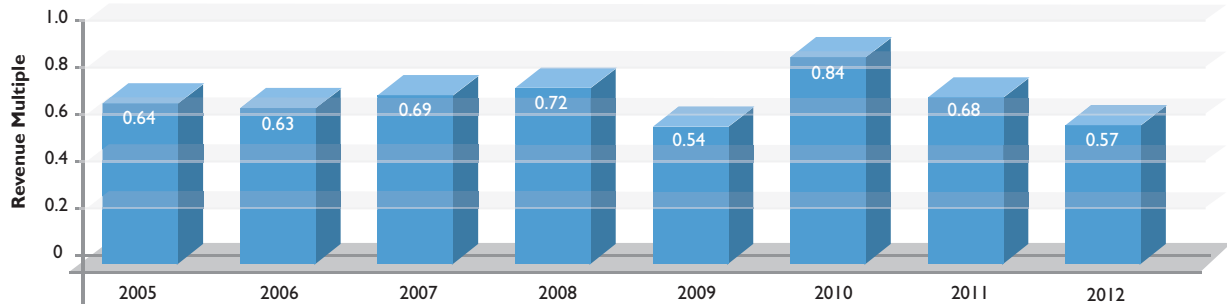
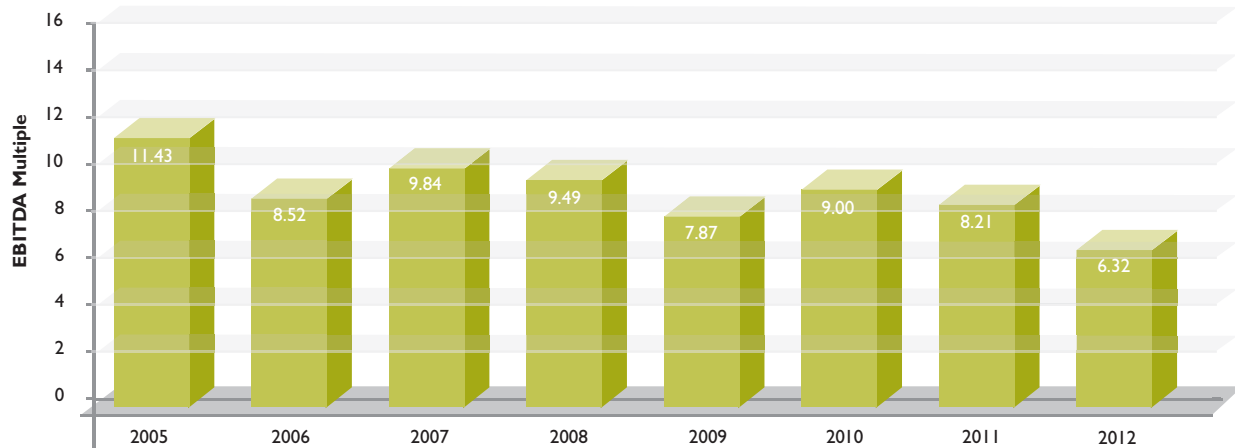


Figure 51 Revenue Multiples in Asia Pacific



Asia Pacific Overview

Figure 52 EBITDA Multiples in Asia Pacific



The lower deal volumes in Asia-Pacific caused deal prices to reduce in recent years. Economic uncertainty in traditional buyer geographies like the USA and Europe has driven those buyers to look closer to home for acquisition targets. Both Revenue and EBITDA multiples have been in steady decline since 2010 and current valuations represent good value compared to other regions in this report.

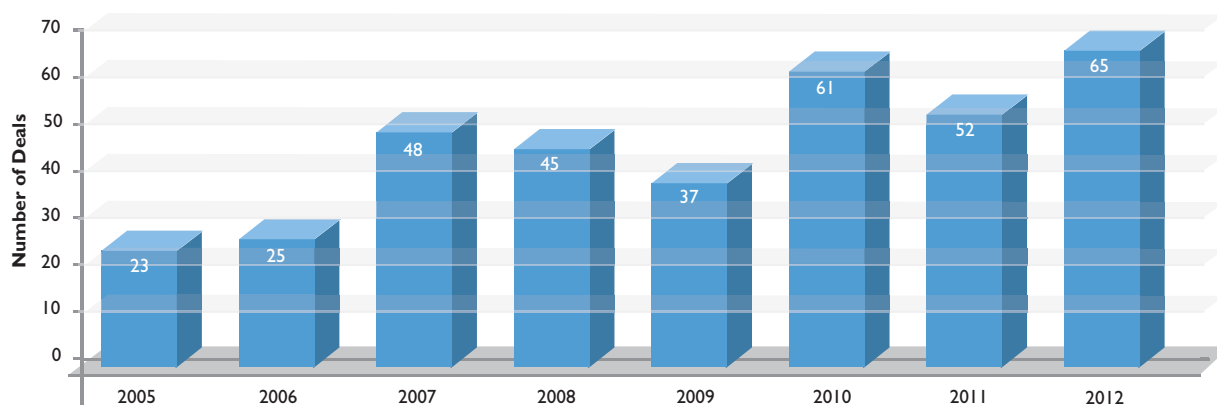
South America Overview

The South American region had its highest number of deals over the last 8 years, albeit from a very small base, and this is despite the slowed down activity in Brazil.

A sluggish economy, concerns about protectionism and increasing government intervention, and recently introduced anti-trust laws, were the main factors causing stagnant M&A activity in Brazil. Outside Brazil, transaction activity was increasing, reflecting political stability and healthy economic performance indicators (in terms of inflation, domestic demand and consumption, and public debt), with many areas opened to foreign investors.

Investing in Latin America requires additional planning compared with deals in other regions, as a result of the unique risks associated with this growth market. To reduce political risk, investors may wish to invest along with local governments or look for the best possible Bilateral Investment Treaties. Some of the risk factors are the poor availability of financing, the inflexible exit opportunities and tax planning. However for those investors looking for high growth relative to more mature markets and willing to manage potential risks, prices of firms are very attractive.

Figure 53 Deals in South America by Year



South America Overview

Figure 54 Revenue Multiples in South America

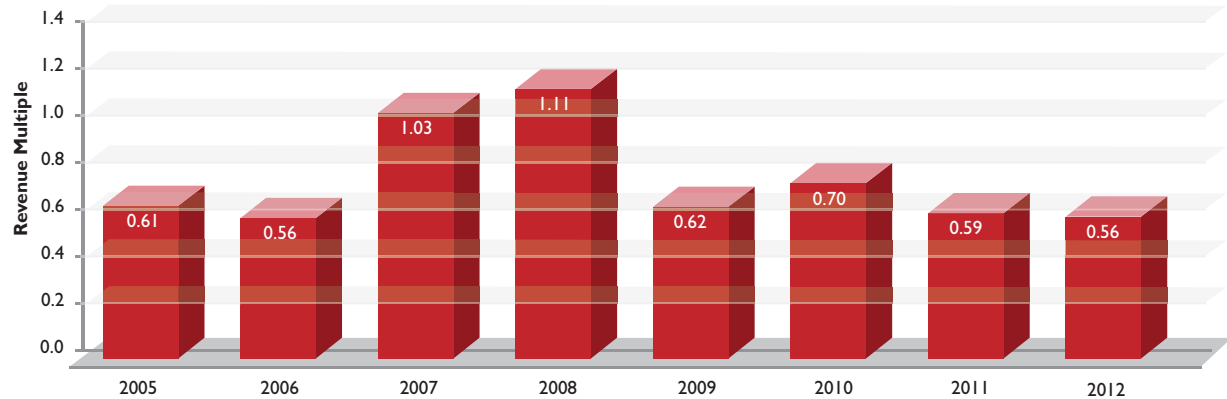
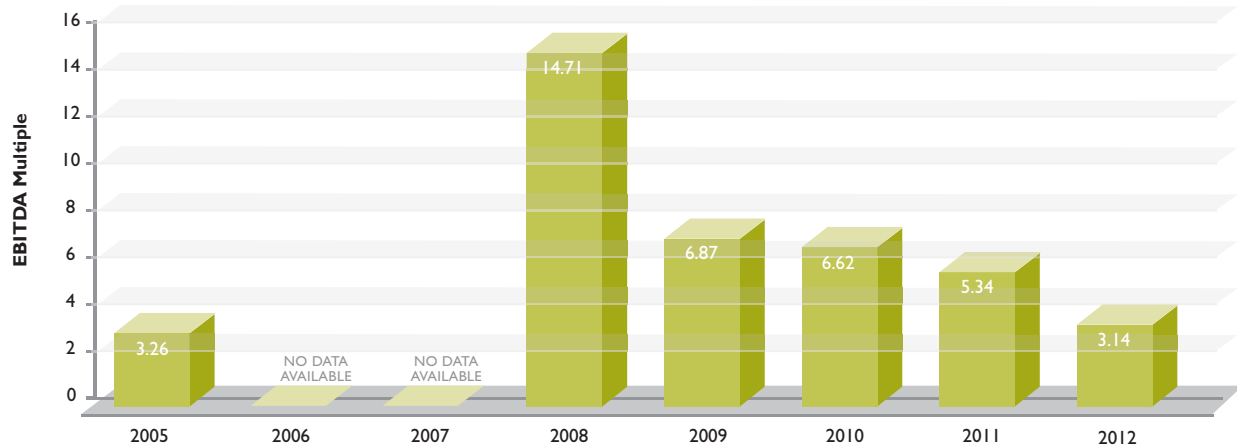


Figure 55 EBITDA Multiples in South America

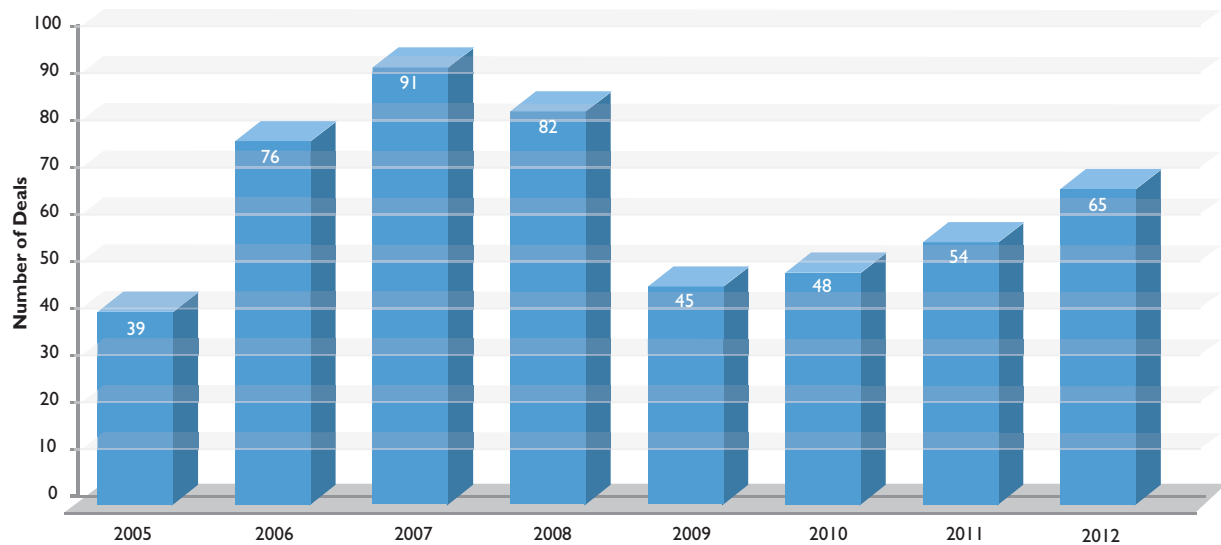


Africa Overview

This is the first time we have commented on consulting deals in Africa. Deal volumes have followed the trend in other more mature M&A markets and have been growing, albeit from a small base, over the past four years.

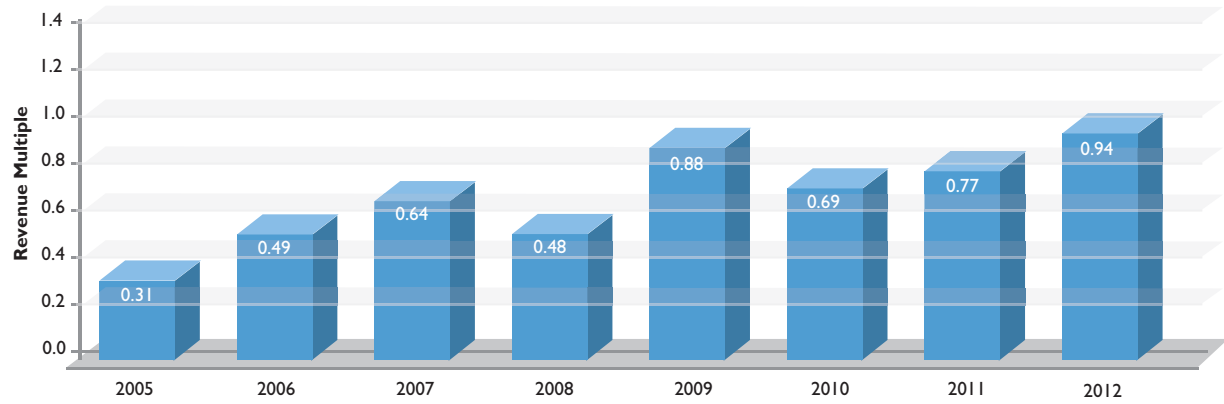
We don't have sufficient data to comment on profit multiples in the region but revenue multiples today appear in line with other more mature markets. This could reflect the large growth opportunity that exists in this region compared to others.

Figure 56 Deals in Africa by Year



Africa Overview

Figure 57 Revenue Multiples in Africa



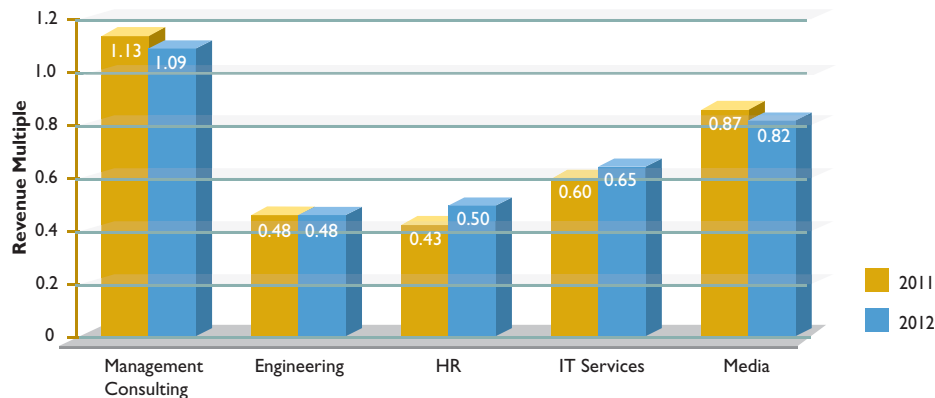
Stock Market Review

Some comparisons between stock values and M&A deals can be made, though sellers of businesses need to be aware that values of freely traded shares are normally significantly higher than privately-held companies.

However, that said, the Revenue and EBITDA valuation multiples do provide some useful comparisons with deals.

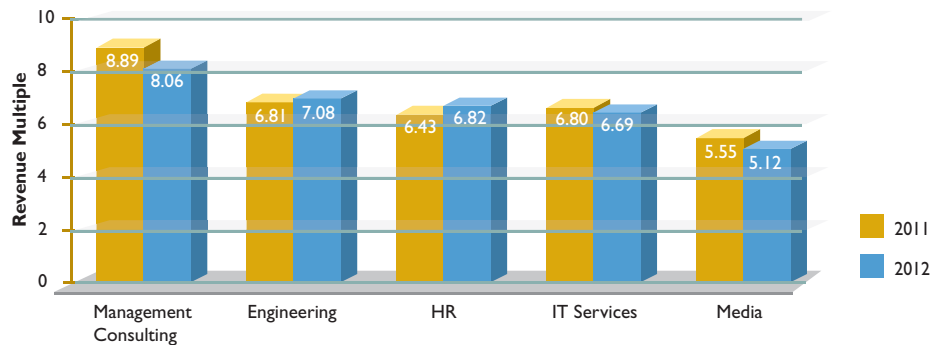
We see the Engineering businesses at much lower revenue multiples than other businesses, generally due to their lower EBIT performance. Within the IT space, we see a significant range of values which reflects the varied nature of IT consulting firms, some of whom have product revenues and others that have long-term annuity managed service contracts as well as traditional consulting fees.

Figure 58 Share Price Revenue Multiples by Sector



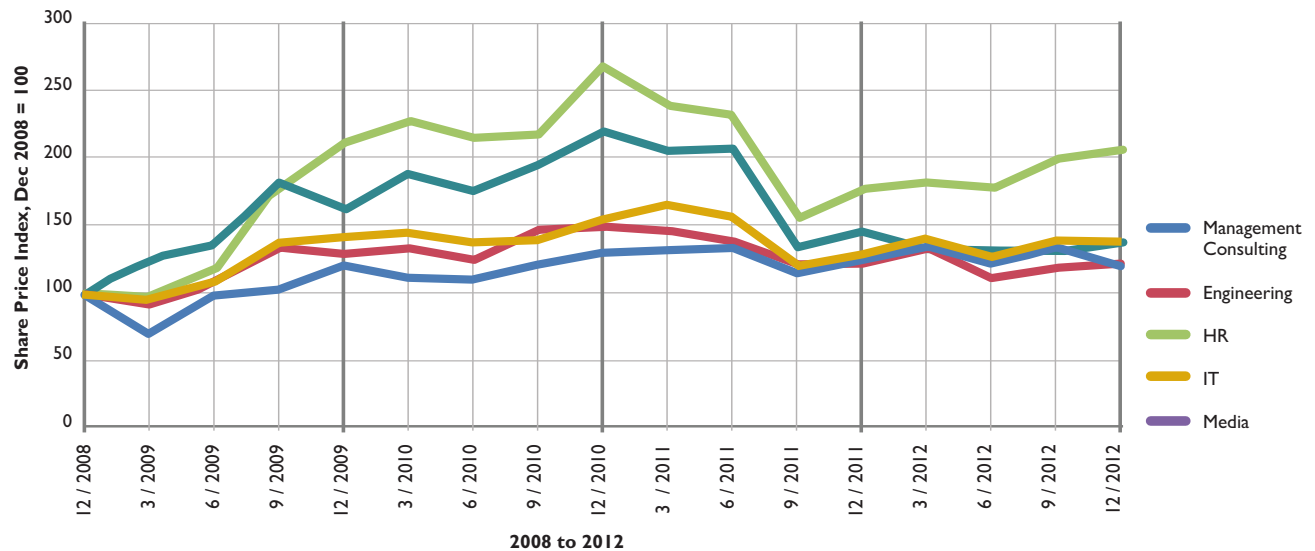
Stock Market Review

Figure 59 Share Price EBITDA Multiples by Sector



In order to track M&A valuations against the stock market we have created a number of indices from businesses in the USA and Europe.

Figure 60 Share-Price Index, 4-year Trend



Further Resources

100 Tips for Consulting Firms to Accelerate Profit and Value Growth

This guide contains practical tips to build sustainable growth in cash flow, profit and equity value.

Download for free at www.equiteq.com/100ConsultingGrowthTips

Equity Growth Accelerator

Create a clear direction for your firm with a prioritised and quantified growth plan using the '8 levers of Equity Value' and 80 best practice operating metrics.

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Valuation and Market Risk Assessment

Get a robust valuation of your firm and a thorough risk assessment before you put your business up for sale. It enables you to plug the gaps before you enter buyer due diligence and produces a substantiated valuation that will not be undermined.

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How to Grow and Sell a Consulting Firm

This quick guide aimed at SME consulting firm owners who want to create a growth business with high equity value, making it attractive to buyers so that they can sell it in the future

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All the client-facing staff at Equiteq have been involved in the growth and sale of their own consulting firms. Our advice is down-to-earth and based on what we know works in practice – no textbook theories! Our clients currently span 27 countries and 6 continents, transcending all the professional services sectors. They range from SME firms who want to grow faster, to those that are ready to find a buyer, up to strategic buyers or financial investors that wish to invest in acquisitions.

For those with serious growth and sale aspirations we engage with our Equity Growth Accelerator service www.equiteq.com/EGA. We will work with you to determine the current value of the business and agree what valuation target is achievable. Our Valuation Model produces the most accurate prediction of value you will find for your firm in today's market.

Figure 61 Equiteq Valuation Model

$$\text{Price} = \mathbf{1} \begin{array}{|c|} \hline \text{Discounted} \\ \text{EBIT} \\ \text{Multiplier} \\ \hline \end{array} \times \mathbf{2} \begin{array}{|c|} \hline \text{equiteq} \\ \text{Risk Factor} \\ \text{eRF} \\ \hline \end{array} \times \mathbf{3} \begin{array}{|c|} \hline \text{Market} \\ \text{Premium} \\ \hline \end{array} \times \mathbf{4} \begin{array}{|c|} \hline \text{Synergy} \\ \text{Premium} \\ \hline \end{array}$$

We then benchmark your current equity growth performance against the 80 key performance indicators in our Equity Growth Wheel. By understanding the gaps and those things that are dragging value down, we can then prioritize the actions that will maximise growth, create a plan to get there and help you make it happen.

When the time is right we help sellers to prepare for sale and then manage the marketing of your firm. We are experts at finding a strong pool of relevant buyers, nurturing their interest, helping them to understand the true value of your business to them and closing a deal that maximizes your value.

For buyers, our understanding of the consulting sector is unparalleled. We are often asked to put that capability to work supporting the acquisition needs of growing firms globally who wish to find the perfect consulting firm to acquire. We have sophisticated tools and capability to search for the right firm with the perfect combination of size, financials, skills and market reach. Our consulting firm and deals database gives us instant access to 250,000 consulting firms, over 2,000 active buyers and the details of over 5,000 past deals.

For more information on all of our services, visit www.equiteq.com



Figure 62 Equiteq Growth Wheel



Figure 63 Synergy Cube

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