



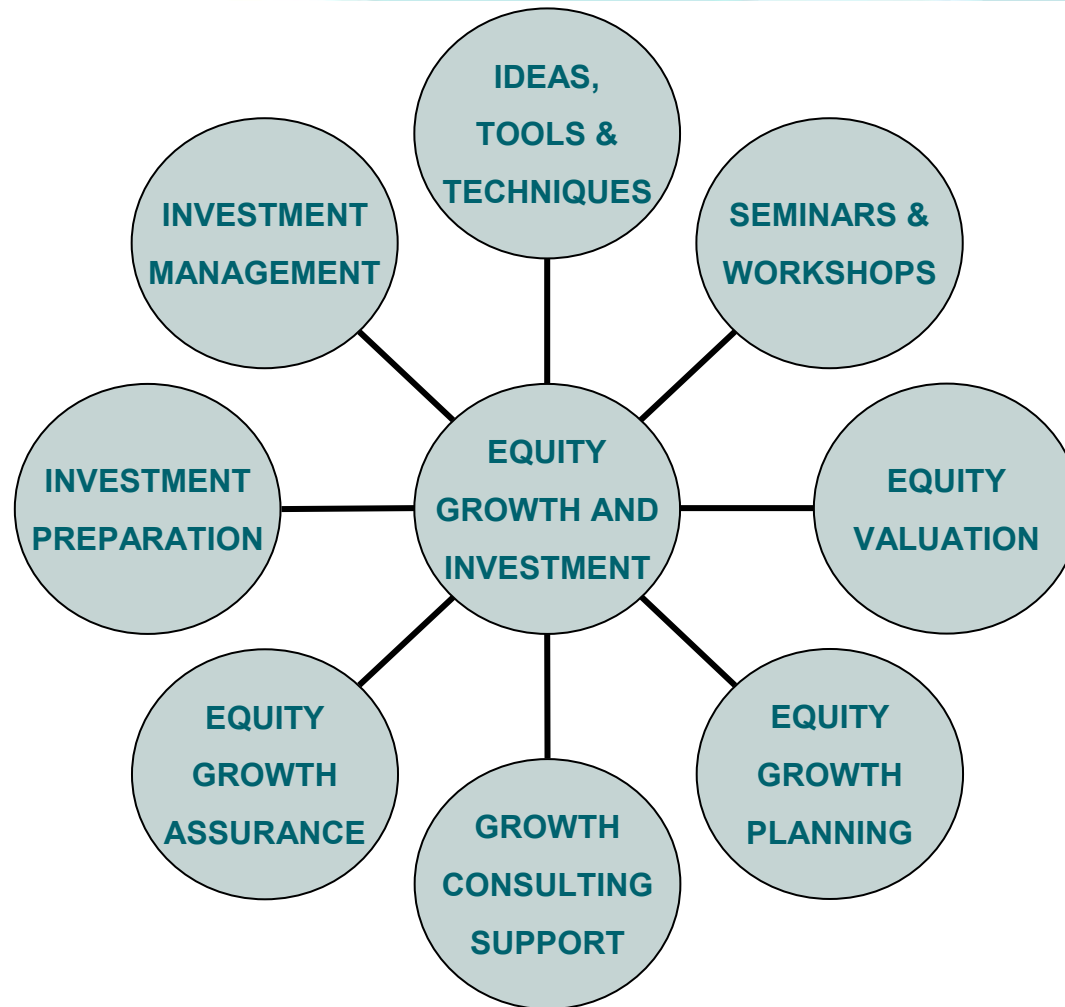
M&A Trends in the European Consulting Sector & Maximising the Value of your Firm

The Annual Consultants' Forum 2008

**growing & realising
equity value in
consulting firms**

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Equiteq helps consulting firms to grow, acquire and realise equity value



The European Consulting M&A market is bigger than North America in terms of deal volume but slightly more than half the size in deal value



N. America

733 deals have been done since 2004 with an estimated market size of \$174bn

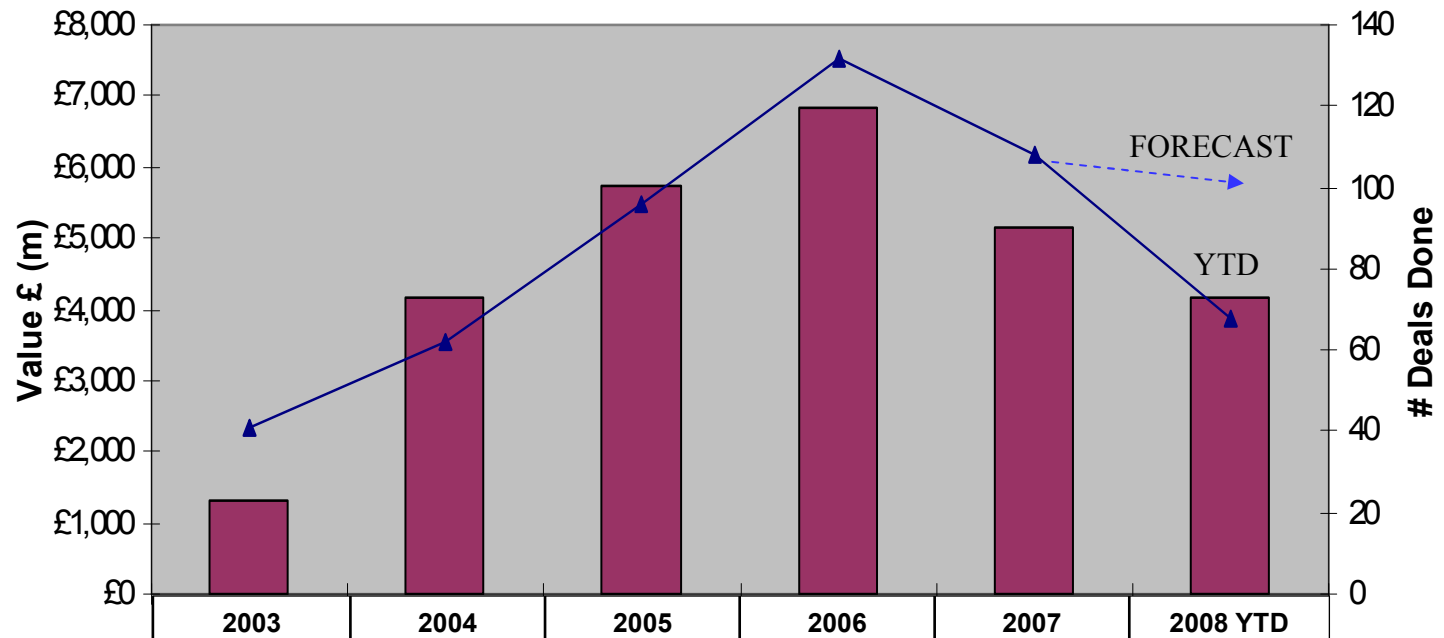


Europe

839 deals have been done since 2004 with an estimated market size of \$91bn

Activity in the market peaked in 2006, but has not slowed substantially and we forecast 2008 to almost match 2007 in terms of deals done

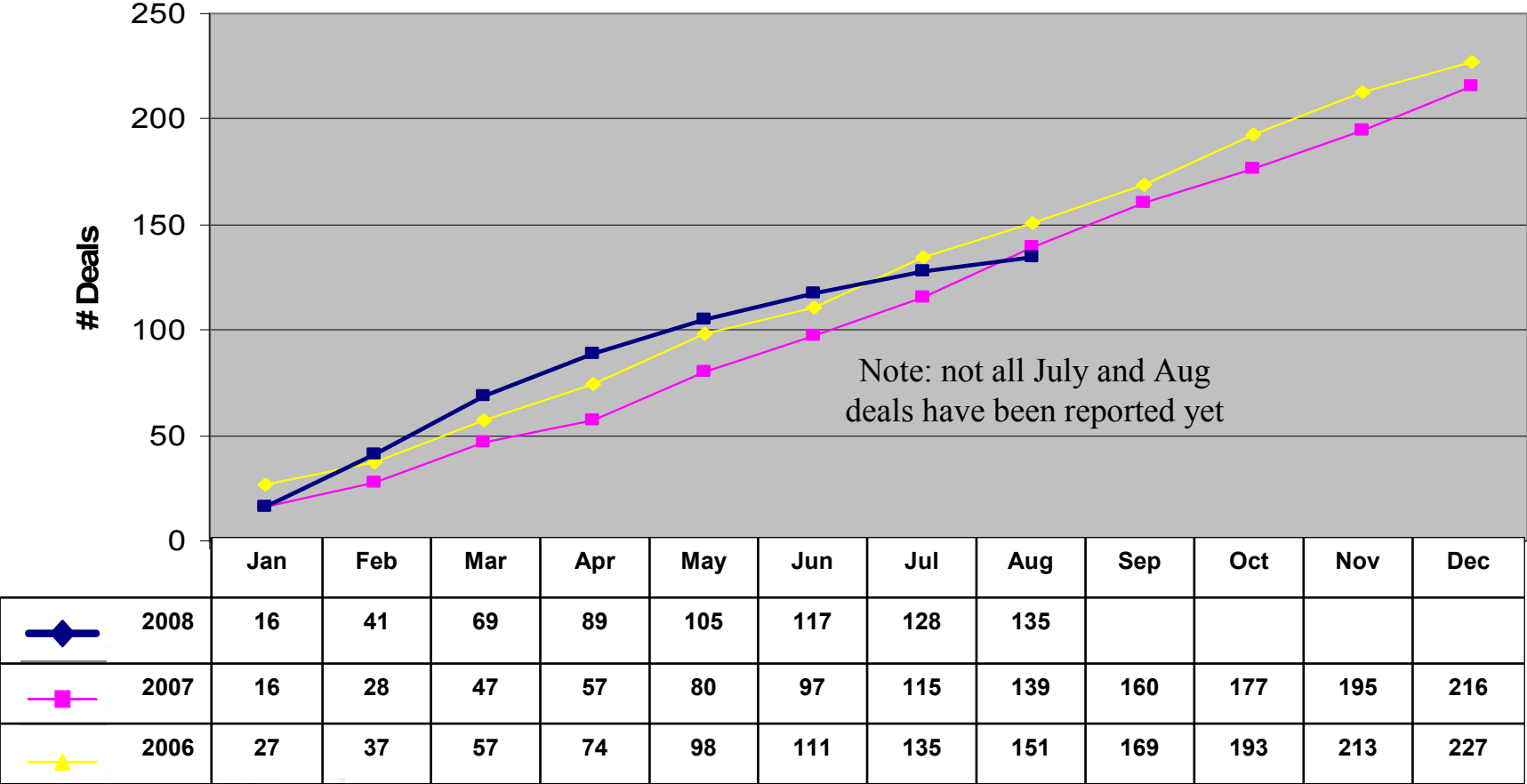
European Consulting M&A activity



■ £m Value of Deals >>	£1333	£ 4160	£ 5722	£ 6836	£ 5163	£ 4162
◆ No of deals with data & values >>	41	62	96	132	108	68

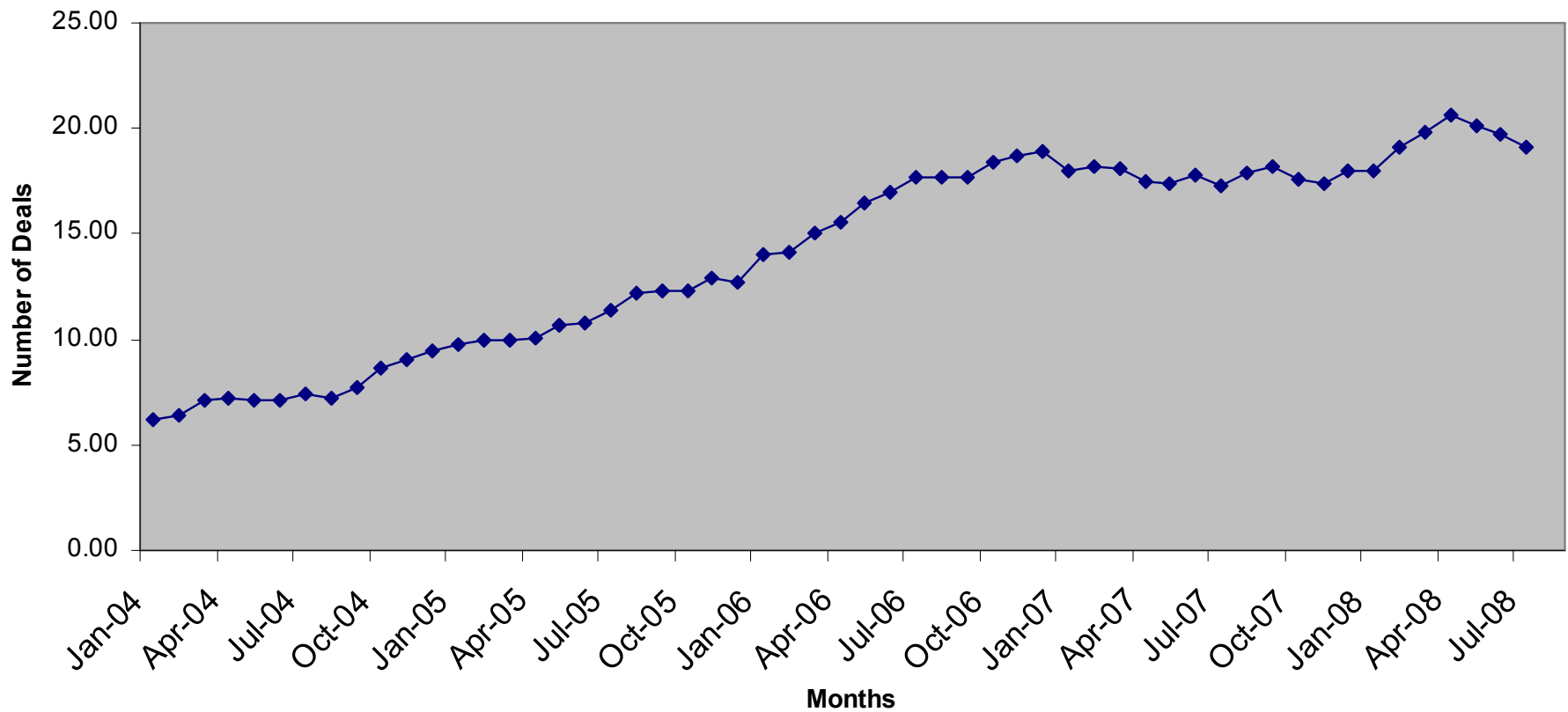
Despite the current turbulent economy deals continue to be completed at similar levels to 2006 and 2007

Cumulative Deals Done 2006-7-8

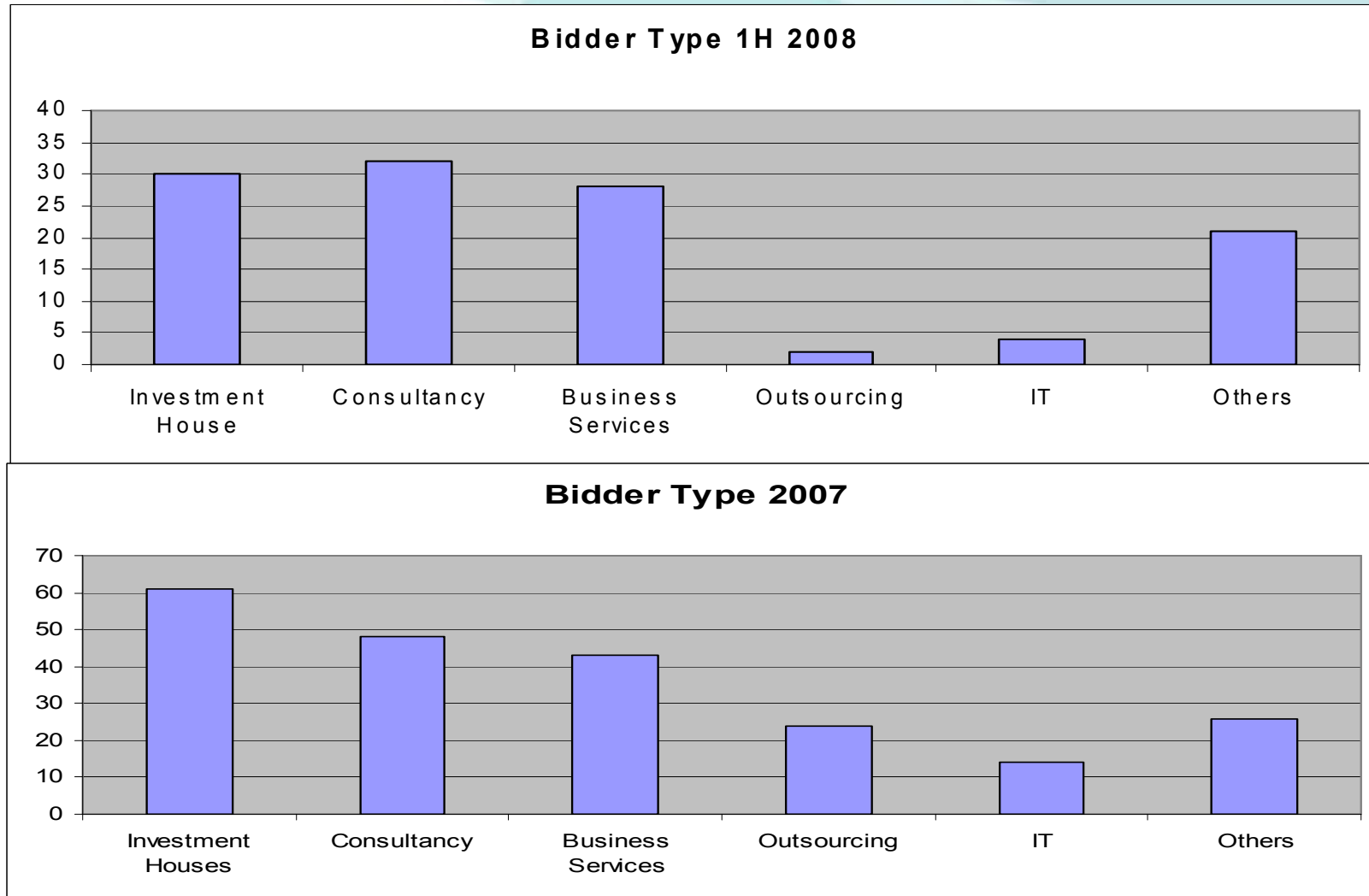


Deal activity accelerated steeply to 2006 and has remained steady ever since

12 Month Rolling Average Deals per Month

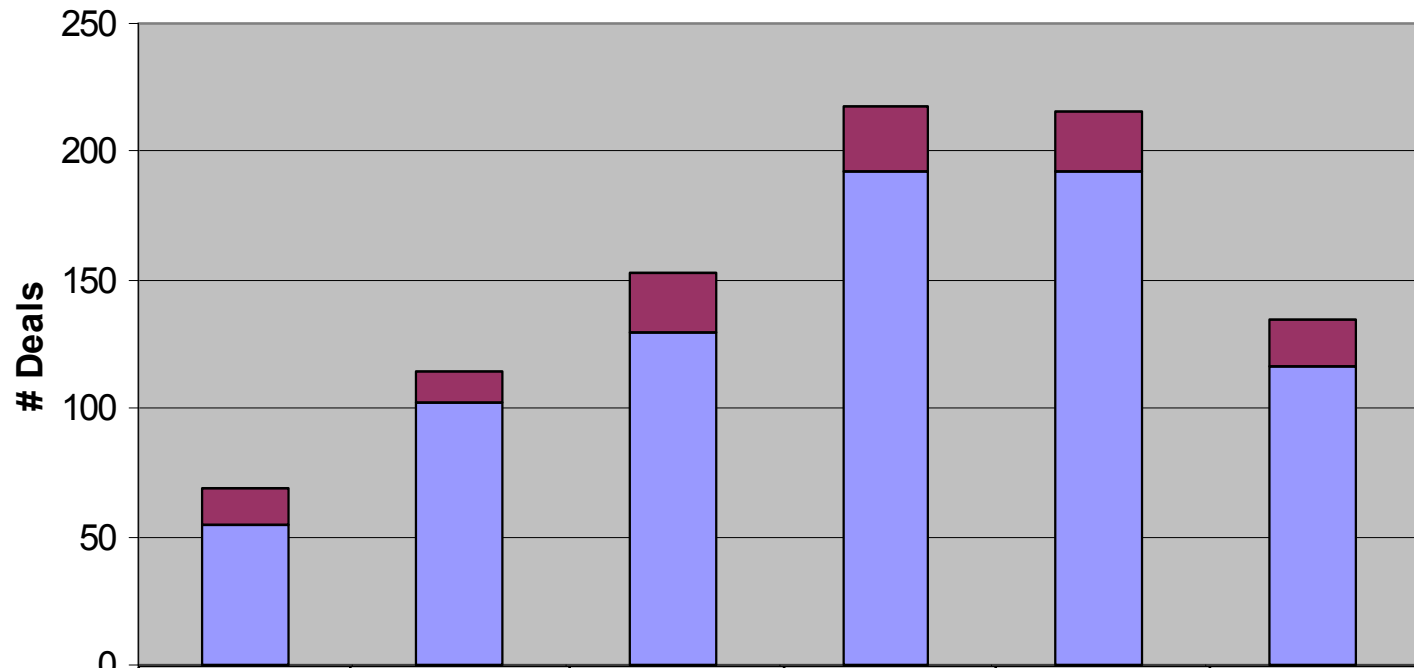


Investment houses became the biggest buyers of consulting firms in 2006 through 2007, but so far in 2008 the ground has shifted back to trade buyers



About a third of European firms are bought by UK bidders and in 2008 so far, Trans-Atlantic buyers account for about 14% of acquisitions

US & Canadian Bidders for European Targets



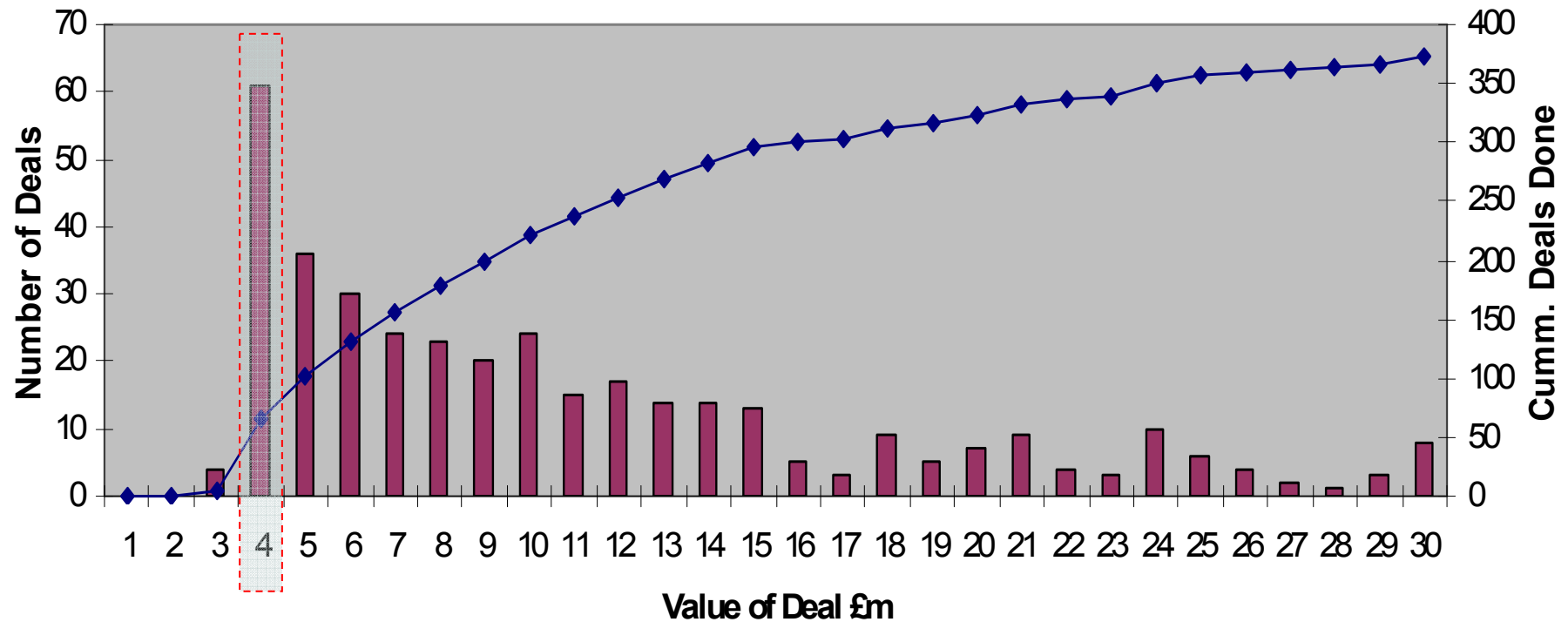
	2003	2004	2005	2006	2007	2008
US & Canada bidders for EU Targets	14	12	23	26	24	19
Europe & ROW	55	102	130	192	192	116

Buyers are becoming more international

- Of the 136 deals completed in Europe to-date in 2008, 57 (42%) are cross-border deals
- A total of 23 countries were involved in cross-border acquisition activity in the European consulting sector
- The top 5 acquiring countries are:
 - UK 48
 - USA 18
 - France 11
 - Germany 8
 - Netherlands 8
- The rest include Spain, Ireland, Sweden, Denmark, Belgium, Switzerland, Finland, Luxembourg, Turkey (all 2 plus), Austria, Canada, India, Japan, Norway, Romania, Russia, Slovakia, South Africa,

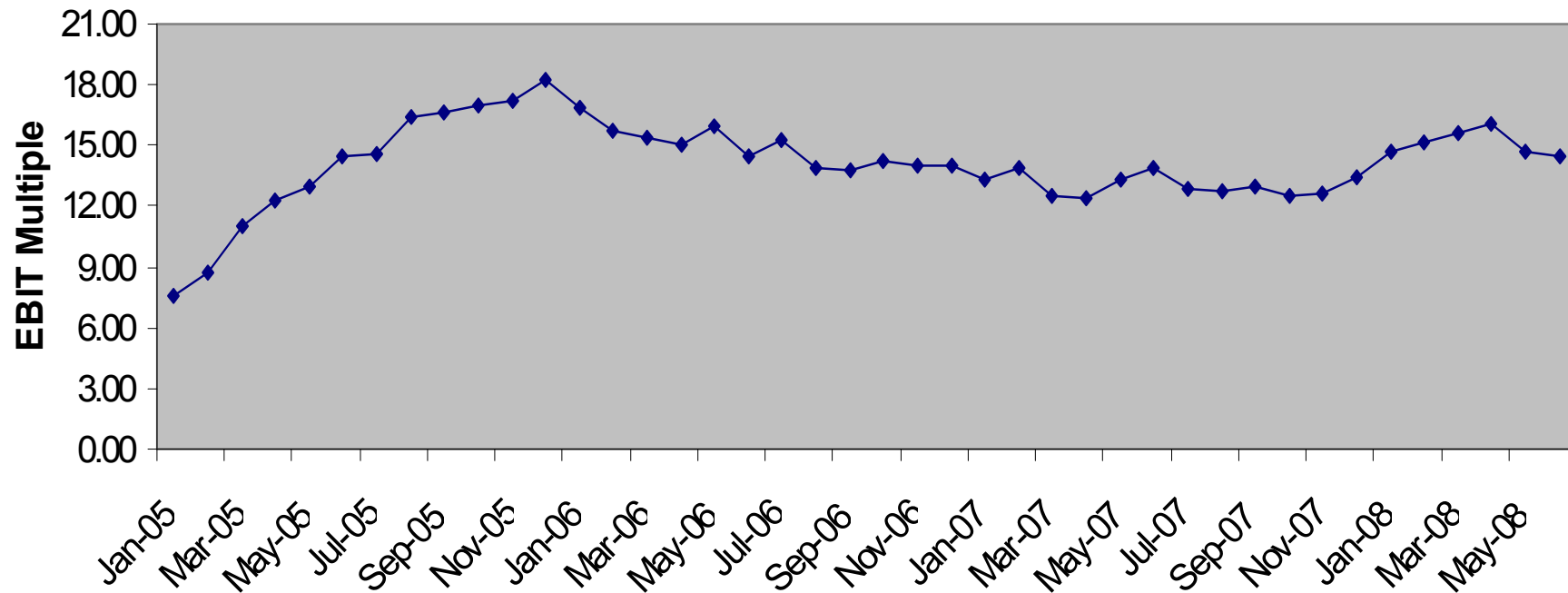
For the last 5 years £4m has been the most common deal value

Deals Done by Value 2003 - 2008



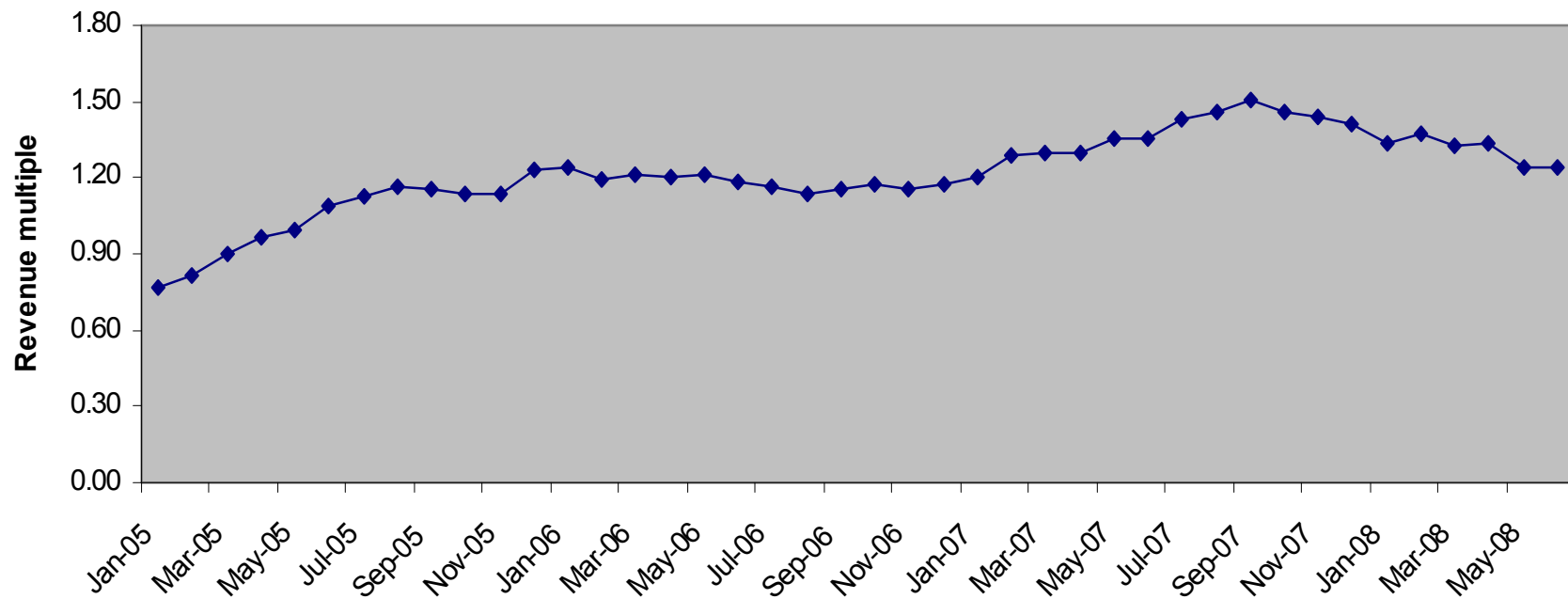
EBIT multiples have been pretty consistent since late 2005

EBIT Rolling Multiple

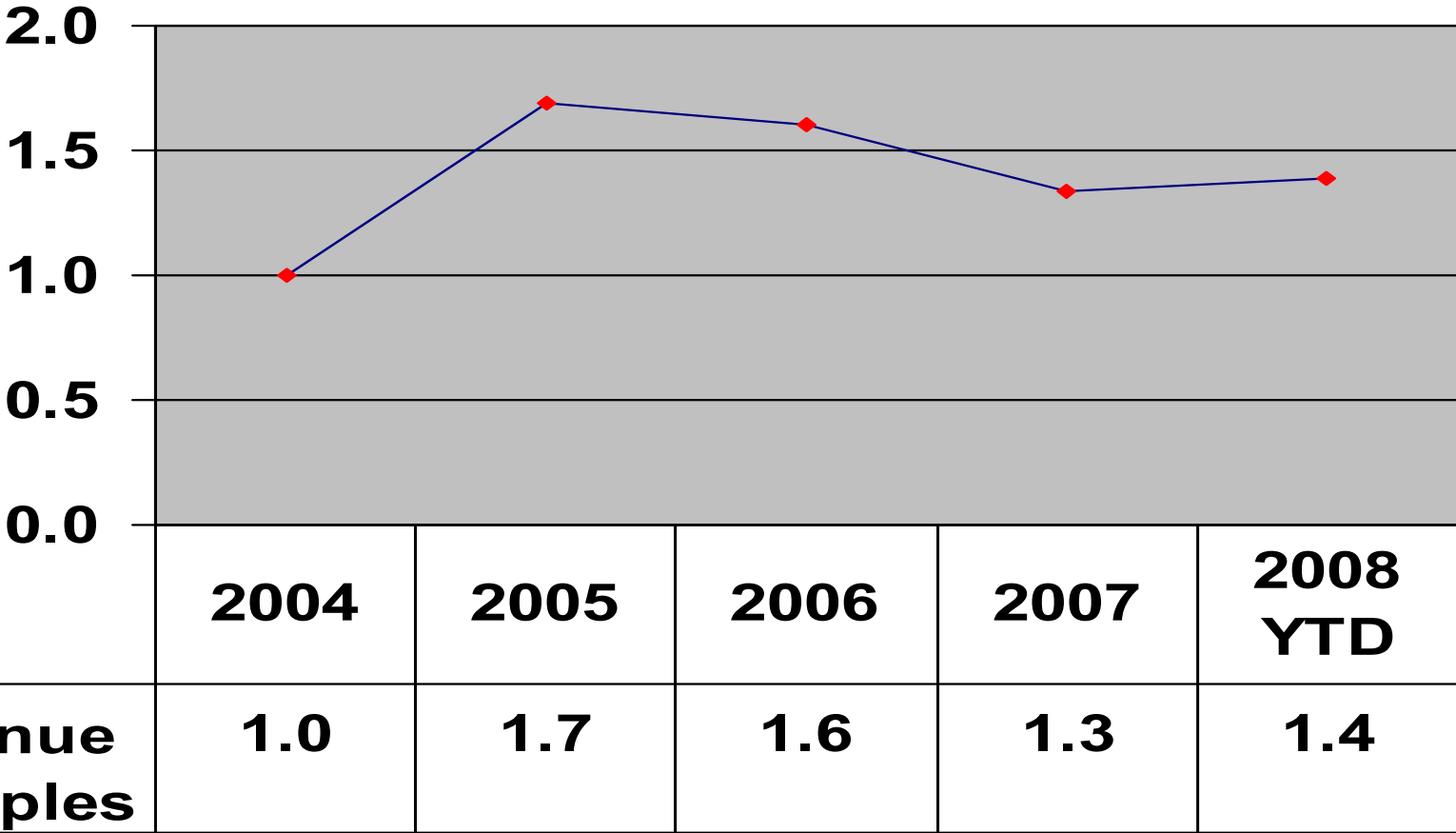


Average rolling revenue multiple peaked in Sept 2007

Rolling revenue multiple averages

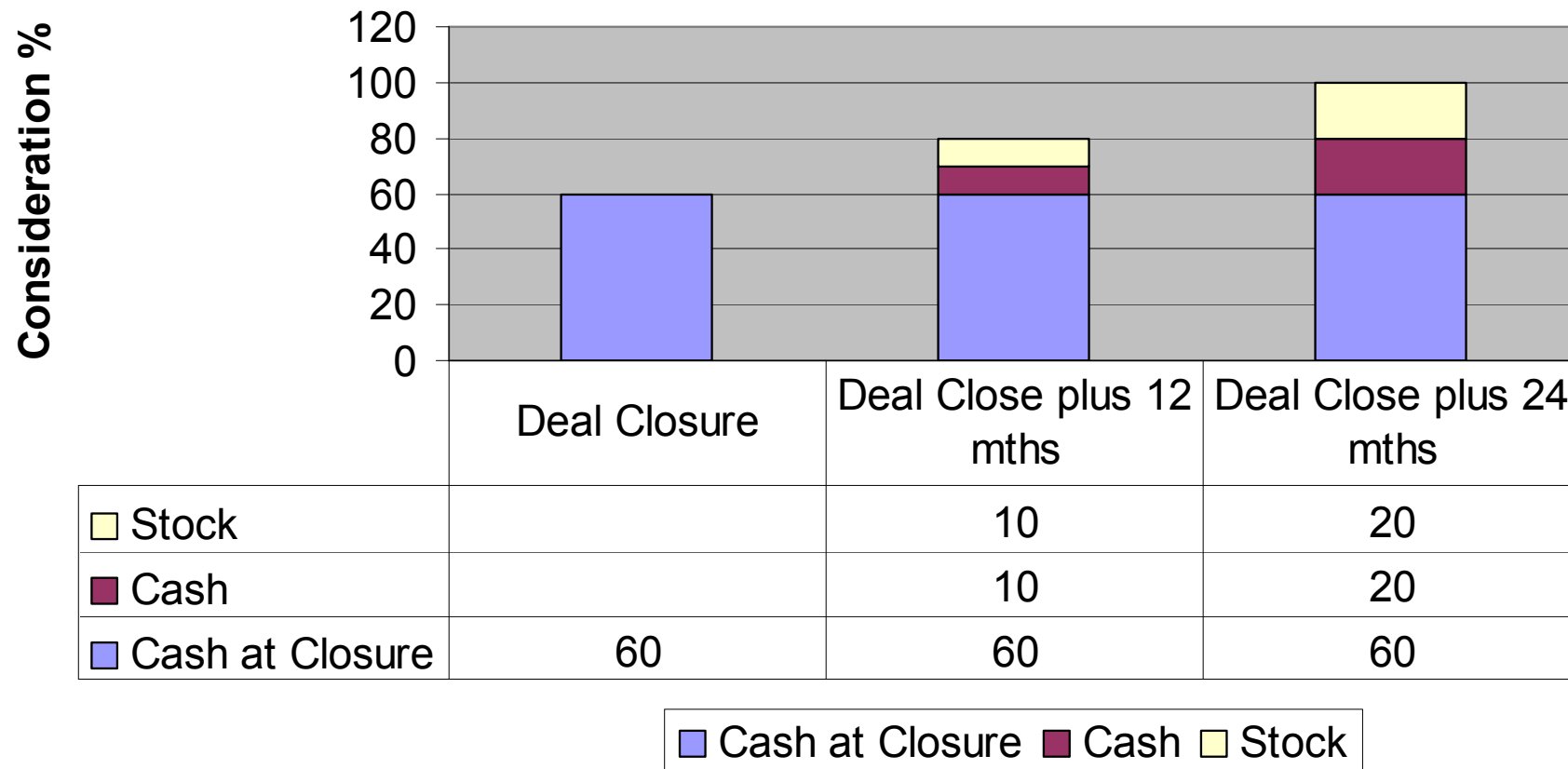


The annual average revenue multiple over the past 2 years continues to be in the range of 1.3 to 1.4



The average European deal delivers 100% of the consideration in 22 months

The Typical European Trade Deal Structure

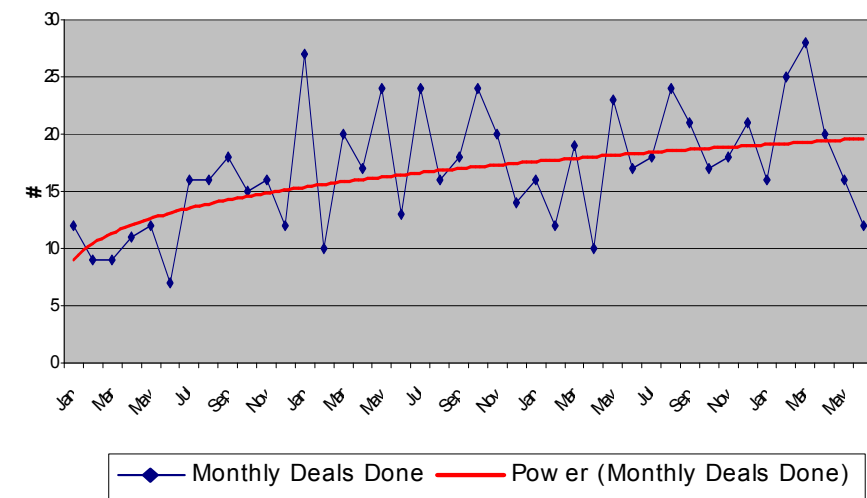
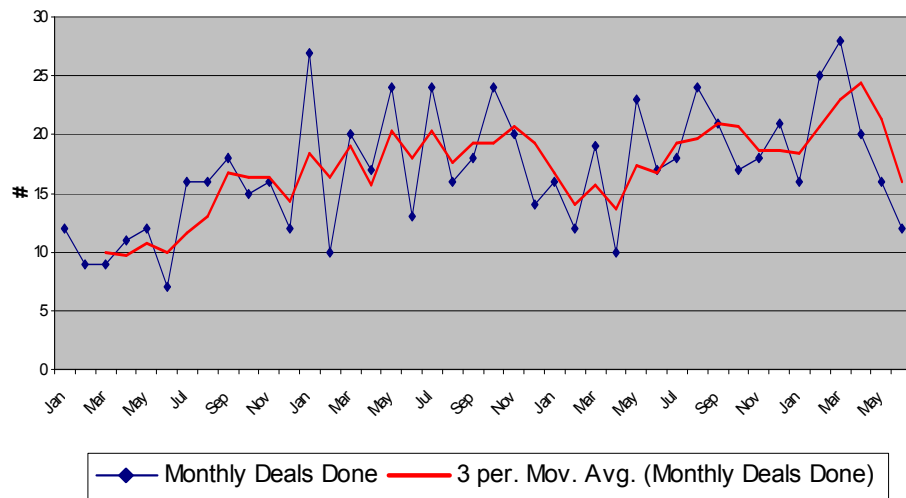
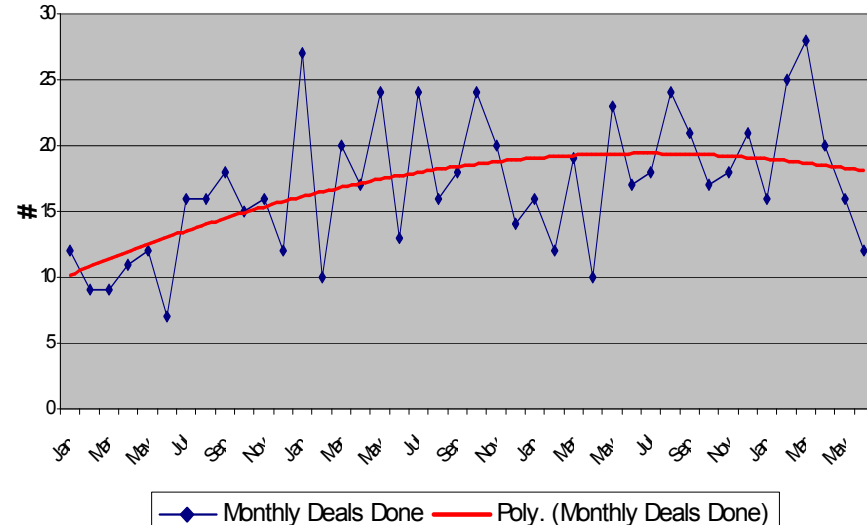
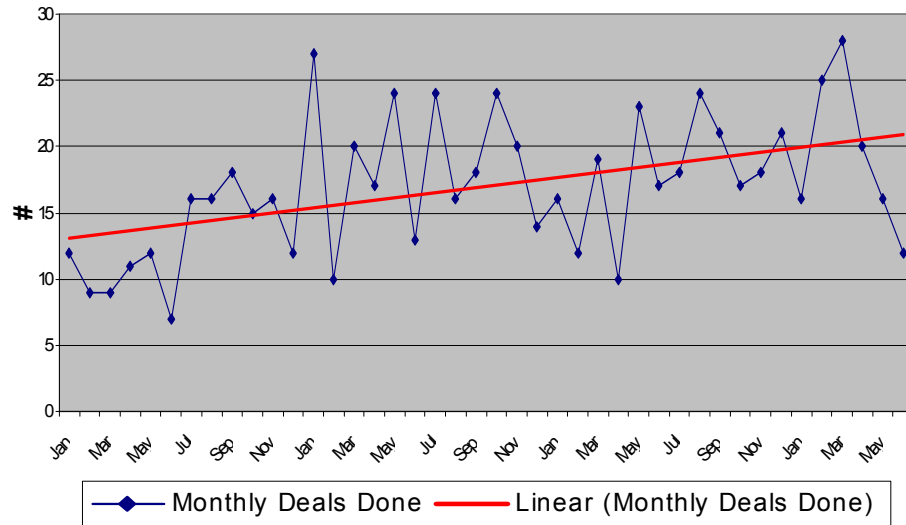


In Summary 2008

- Deal activity continues at near record levels
- Tax changes in the UK caused an early blip in deal activity
- Interest from Consulting & Business Service Companies is maintaining high levels
- Buyers are becoming more international
- EBIT and Revenue multiples are trending down
- The trends are expected to approach long term averages
- Multiples of 7-10 true EBIT are still achievable

Which way is the European market going? Depends which story you want to tell!

M&A Activity 2005-08 YTD Aug





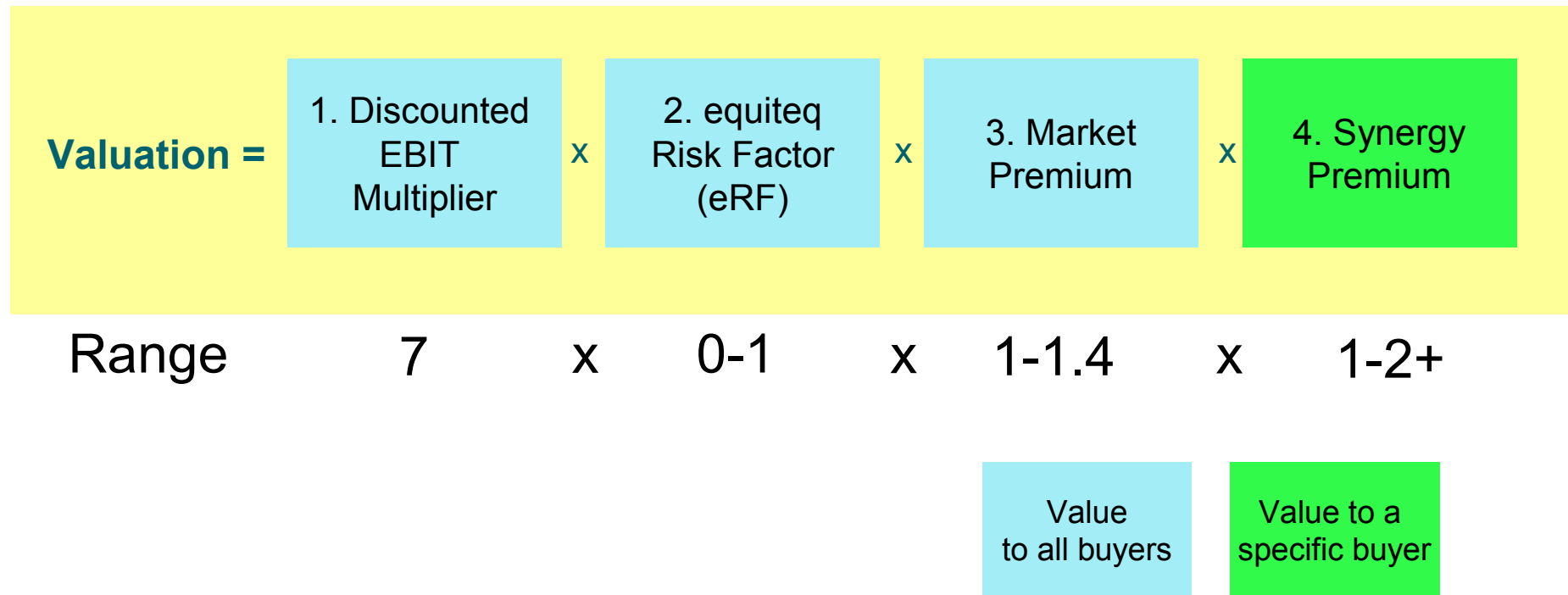
Creating Maximum Value in a Consulting Business

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Preparing your firm for sale and finding the right buyer can totally offset any market effect!

Equiteq Value Added



The Buyers' Wish List – Qualitative Factors

- **Services niche expertise**
 - Growing, attractive, niche services offerings
- **Industry vertical expertise**
 - Deep business domain understanding
- **Leadership team**
 - Highly capable
 - Empowered
 - Locked-in place
- **Focus on the numbers**
 - Not just the Finance Director
- **Strong sales & marketing engine**
 - Predictable new business flow
- **Culture/personality fit**
 - Will the synergies be delivered

The Buyers' Wish List – Quantitative Factors

- **Size/critical mass**
 - £3 million minimum; £5 million+ preferred
- **Strong sales turnover growth**
 - 15% minimum; 20%+ preferred
- **Strong gross margins**
 - 40% minimum; 50%+ preferred
- **Strong PBIT margins**
 - 15% minimum; 20%+ preferred
- **Strong backlog and pipeline**
 - 75% of next 3 months turnover
 - 50-60% of next 6 months turnover
- **Modest client concentration**
 - Difficult factor for small firms
- **Attractive key operating metrics**
 - > Average bill rate attracts a premium
 - Repeat business rate: 75% minimum; 90%+ preferred
 - Employee attrition rate: <15% minimum; <10% preferred



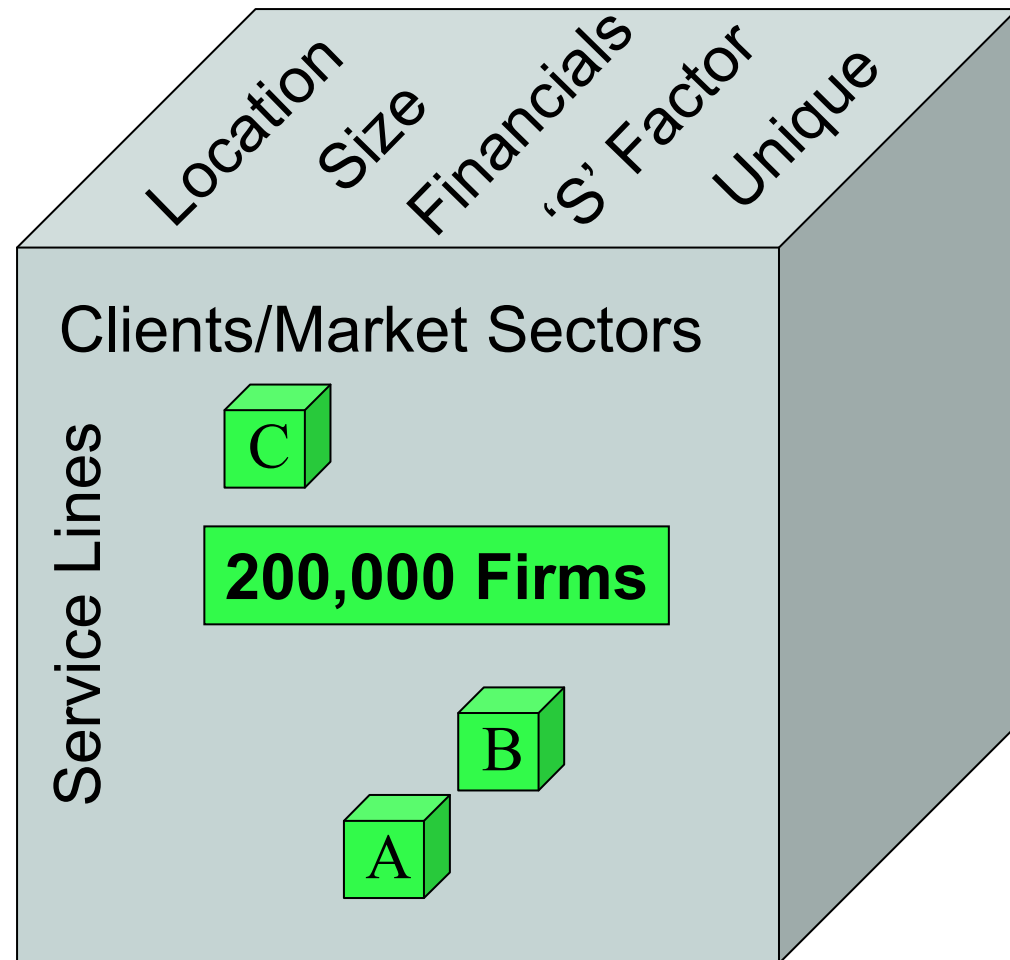
Finding the ideal target firms for acquisition

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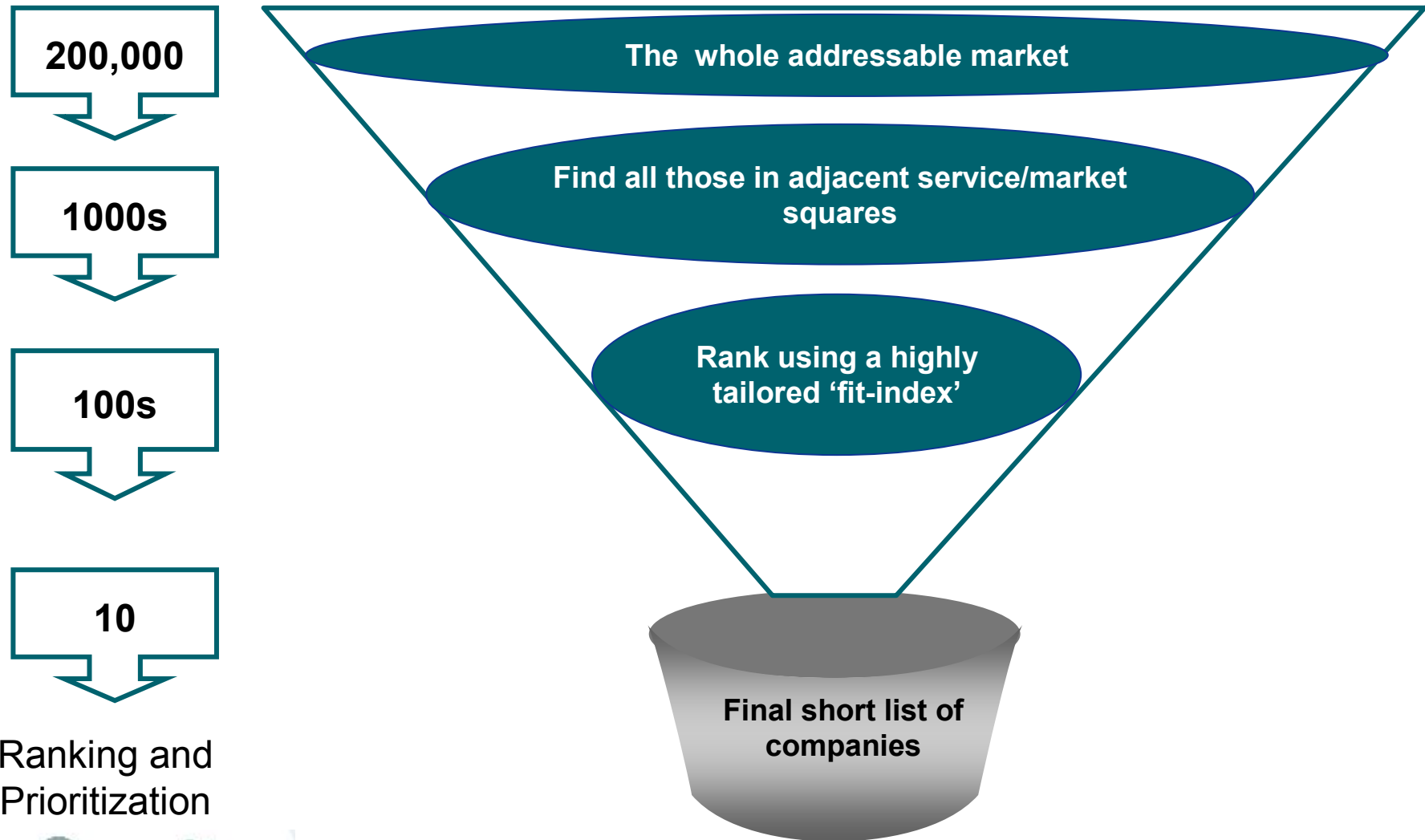
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Successful M&A starts by selecting the right synergistic firm that will deliver $2+2 = 5$

- Without synergy there will be no EVA from an acquisition
- The Equiteq 'S' cube will identify and rank those firms that are most likely to create the most synergy with your firm
- Our '8 levers of Equity Value' model minimises the risk of successful execution



A systematic, 'top-down' market analysis yields a high quality shortlist of synergistic targets





Benchmarking a consulting business for equity value and profit growth

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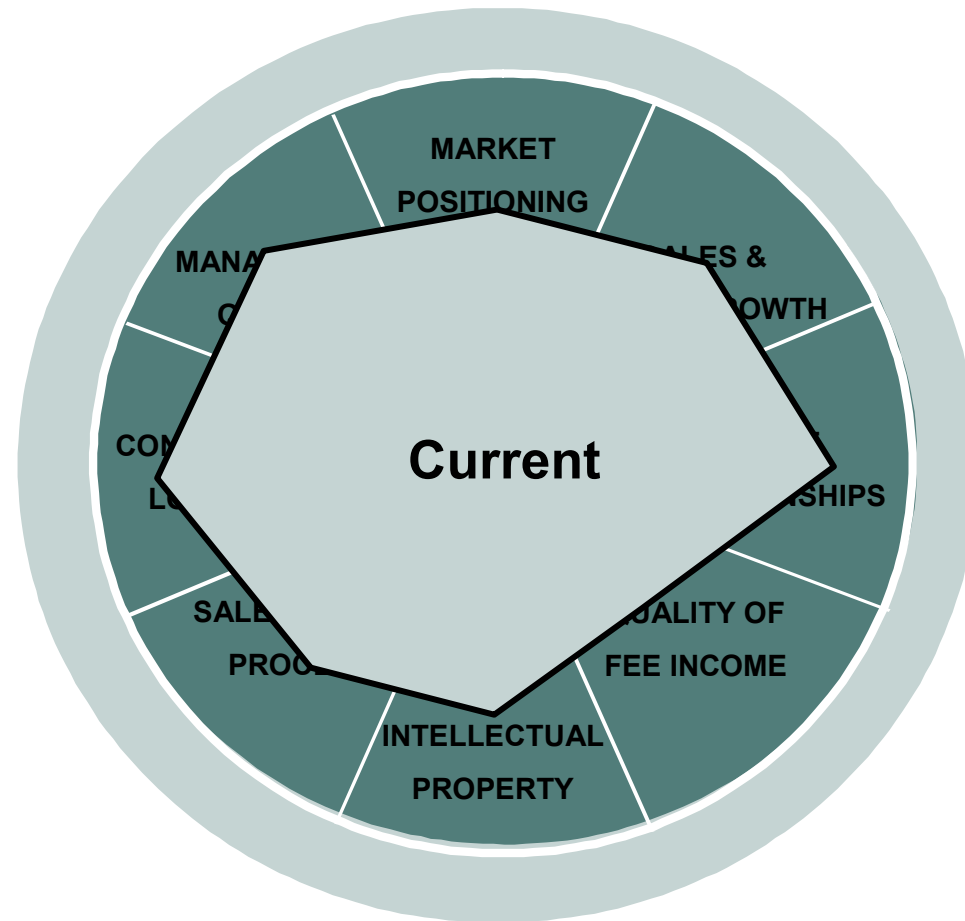
The 8 levers of Equity Value

1. **Consistent Sales and Profit growth**
2. **A UNIQUE value proposition**
3. **A sales & marketing machine**
4. **Evidence of strong (repeat) client relationships**
5. **The quality of fee income from clients**
6. **Transportable intellectual property (IP)**
7. **The quality of the management team**
8. **Consultant loyalty & key staff lock-in**

How do you measure up?



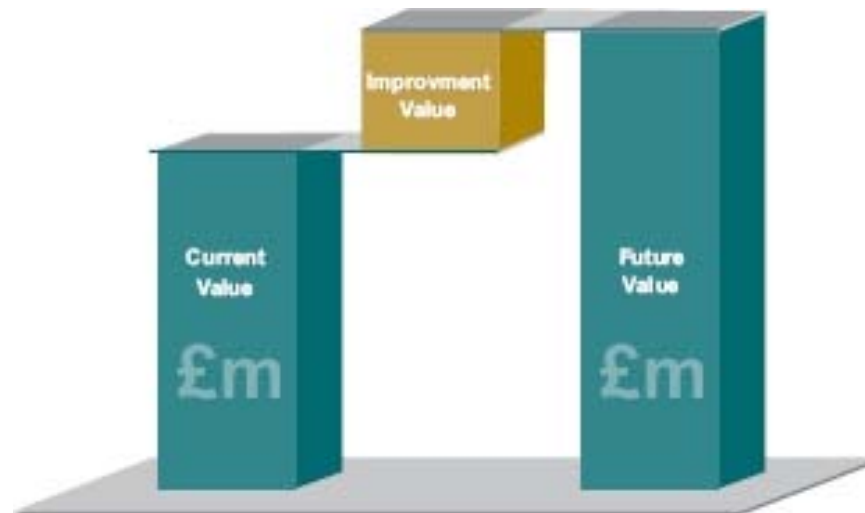
How do you measure up?



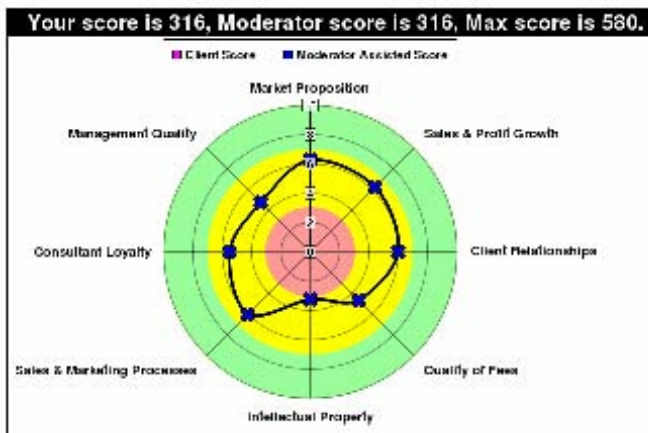
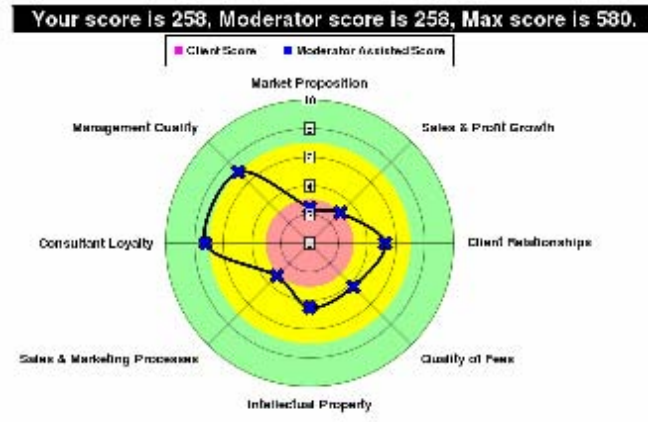
How do you measure up?



Identify the biggest financial gains in the shortest period of time



Which is the strongest business and which has the greatest equity value?



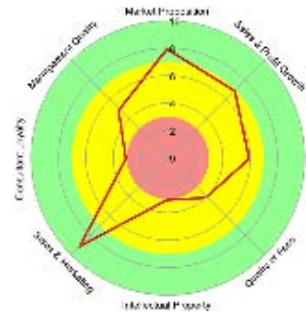
Actual benchmark results

Further Resources



The European
Consulting
M&A Report
2008

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More on the 8
lever benchmark
and how it helps
profit growth &
sale

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Free advice and
information on
growth and exit

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Equiteq Services

In summary the advisory services Equiteq provide are:

1. **Performance Benchmarking and Valuation:** using our structured business performance benchmark
2. **Growth Consulting:** focussed on the prioritised issues and gaps identified using the Benchmark
3. **Sale Process:** preparation for Sale, Valuation, Identification of Bidders, Negotiation, Project Management, etc.
4. **Acquisition Process:** Identification of Targets, Performance Assessment, Negotiation and Project Management, etc.
5. **M&A Research:** Focused sector specific studies into M&A activity, Potential Targets and Potential Bidders/Investors



Thank you!

The screenshot shows the Equiteq website homepage. At the top left is the Equiteq logo. To the right of the logo is the tagline "growing & realising equity value in consulting firms". Below the logo is a navigation menu with items: PARTNERSHIP, S&P Guide, Buy Side, The Equity Club, Growth & Performance, Company & People, Press Centre, Contact Us, and Contact Us. The main content area features a "Free Download" section for "Valuation multiples, Deal values, Trends & volumes, Deal structures and much more..." with a "More & Download" button. To the right of this is a section titled "Merger and Acquisition (M&A) Services for the Consulting & IT Services Industry" with an image of a report cover. Further right is a section titled "Here's your route to greater cash and equity value" with an image of a report cover and the text "If you want to increase the equity value, cash and cash flow in your firm, then download our new business pack now and try our our self assessment tool now". At the bottom left of the screenshot is a "Top 10 most used resources on this site" list with items: 1. [Doing the M&A Deal](#), 2. [The Equity Club](#), and 3. [Growth & Performance](#).

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