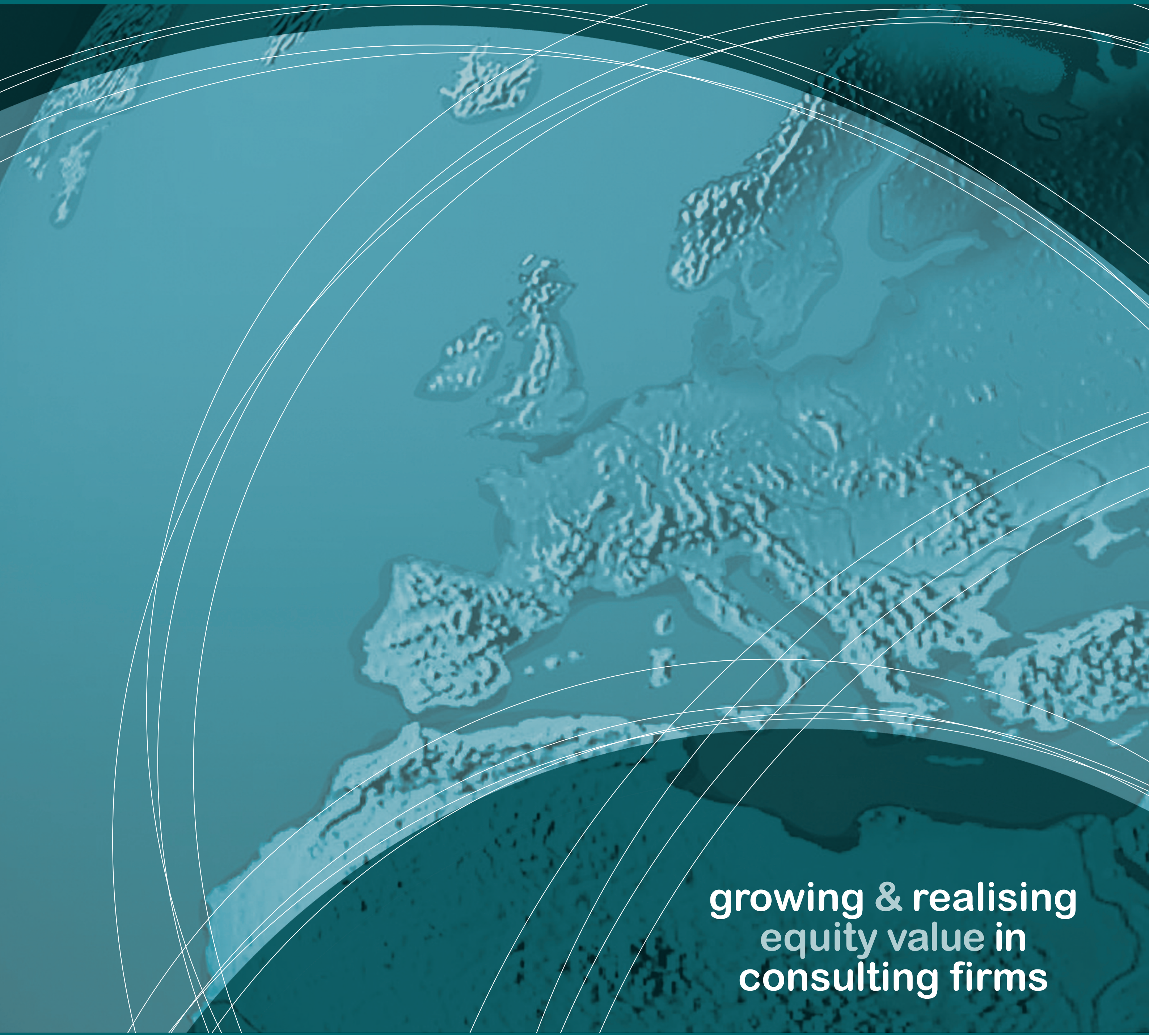
The European Consulting Mergers & Acquisitions

Report 2010

equiteq



growing & realising equity value in consulting firms

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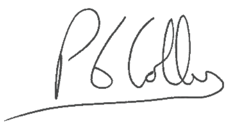
Introduction

This is the fourth year we have published the only publicly available information on the European Consulting M&A market, which covers companies providing consultancy/advisory services, including strategic, management, operations, marketing, engineering consultants and accounting and law firms. Our report shows comparative annual data for the past 6 years (2004 to 2009) on market activity and sale values achieved in relation to sales revenue and profit. It includes the changing source of buyers and a valuable commentary on how the market dynamics are changing for both buyers and sellers of consultancy firms.

2009 was another challenging year for buying and selling Consulting Firms. Deal volumes and values were well down on 2008. The 'double digit' profit multiples achieved by sellers in 2006/7, at the peak of the last economic cycle, seem part of a distant past.

However, at the time of writing this report, in April 2010, we are experiencing a period of gradual improvement, albeit within an environment of continued uncertainty in the economy, with commentators split on whether the economies of Europe have bottomed out in a 'U'-shaped recovery, or if we are in the middle of a double-dip 'W'. Consulting firm shareholders have seen share prices decline for over 2 years now and are desperate to reverse this trend. Moving into market sectors with higher than average growth and M&A are obvious growth strategies. Whilst this has built the war chests of most potential buyers in 2010, economic uncertainty continues to weigh heavily on the minds of bidders when negotiating deals. We expect deal volumes to increase in 2010, headline prices to recover marginally as compared with last year and deal structures to reflect the risk that buyers still see in the economy. Innovation in earn-out structures will reduce buyer risk, deliver fair value to sellers and enable 'win-win' deals to be completed.

The report is aimed at people involved in consulting firm valuations, sales and acquisitions. If you are involved in the running of a consultancy business, or looking to sell and/or acquire or are just interested in how much your firm is worth in today's market, then read on …



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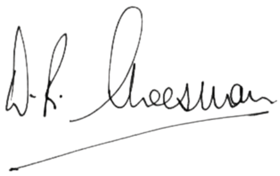

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Equiteq Analysis

The Consulting M&A Market Data …and a small disclaimer!

Equiteq tracks all reported sales of consulting firms across the European and North American markets. Our source data is extracted from several subscription-only M&A databases, our own daily M&A news feed on our web site **www.equiteq.com**, our consulting clients and many personal contacts within the consulting and corporate finance world. This annual report is the fourth of its type and the only source of publicly available information on the European Consulting M&A market showing comparative annual data for the past five years on market activity and sale values achieved in relation to sales revenue and profit. It includes the changing source of buyers and a unique valuable commentary on how the market dynamics are changing for both buyers and sellers of consultancy firms.

Obtaining the financial details of any sale transaction or 'deal' is often not easy for obvious reasons as not everyone wants you to know how much they received for their firm and not all buyers are keen to say how much they paid! Our data includes the financial details of approximately one half of all the deals that we know about. We've also excluded any deals of value less than £3m on the basis that many of these smaller deals happen with few third parties involved. Likewise when looking at reported 'EBIT multiples' one has to factor into the numbers that most privately held companies do their best to minimise reported profits in order to reduce corporation taxes.

For example, in 2009 the average reported EBIT % in our database was 7%! Most of Equiteq's clients deliver EBIT % performances of between 10% and 20%. If your firm has a similarly higher EBIT % than 7% then you should reduce the EBIT multiples in this report proportionately. Even though buyers don't value firms this way, it's actually much better to look at revenue multiples to get a more accurate comparison of the value of your firm as it is difficult to misreport sales revenues in most countries.

We've also been careful to exclude from our data any firms where the majority of their revenues are derived from either IT hardware or software sales. The data in this report represents firms in the consulting industry that make their money from selling time in its many and various different forms.

In this report we analyse the market activity for European consulting firms over the past five years back to 2005. Each quarter we update the market activity and value multiple charts to assess trends in the market. We also report on issues that will help you grow, acquire and realise the full value of your firm so that whether you are buying, selling or just looking to grow profits and value, you'll be well-equipped to understand market values.

At Equiteq, we have a rapidly growing database of over 200,000 consulting firms and 2,000 active buyers of consulting firms at various stages of growth. We have many clients where we are either assisting growth – organic and acquired - and/or exit. Our mission is to be the pre-eminent provider of transaction support, advice and information to consulting firm owners who wish to grow and/or sell their firms and to corporate development executives responsible for growth through acquisition. Our services extend to firms across all sub-sectors of Consulting, through Training companies to IT service firms. Our buy-side clients range from other Consulting/Business Service firms to IT multi-nationals to Global BPO firms to pure Financial Investors.

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!

Summary on 2009

Key facts about the European Consulting market in 2009 (2008 data in brackets)

Volumes:

- In total there were 129 (197) deals completed
- Accounting for £6.5bn (£8.4bn) of transaction value
- Deal volumes declined by 35% from 2008
- Volumes fell heavily in the first quarter, with a small rally towards the year end
- 44% of sellers (42%) and 31% (31%) of buyers were UK based companies
- 13% (13%) of bidders were USA owned

Valuations:

- 60% (71%) of deals were valued at £30m or less
- 34% (42%) of deals were valued at less than £10m
- The average revenue multiple fell to 1.10 (1.35) as compared to an average of 1.27 over the past 5 years
- The average reported EBIT multiple fell to just 10 (14.32) (See previous page for warning on reported EBIT multiples)
- Both multiples fell through the early part of the year, before recovering slightly and stabilising towards the end of 2009

Since the beginning of 2005 over 900 consulting businesses have been sold across Europe.

In 2009, the UK maintained its place as the largest bidder and seller country in Europe with 31% of all buyers and 44% of seller activity originating in the UK. However, there was a significant decrease in UK buyers and sellers as compared with 2008. The numbers of bidders (40) coming from the UK in 2009 was well below the five year average (73), reflecting the impact of the turmoil in the British economy. The USA, France and The Netherlands continued to be the next most likely places to find a buyer.

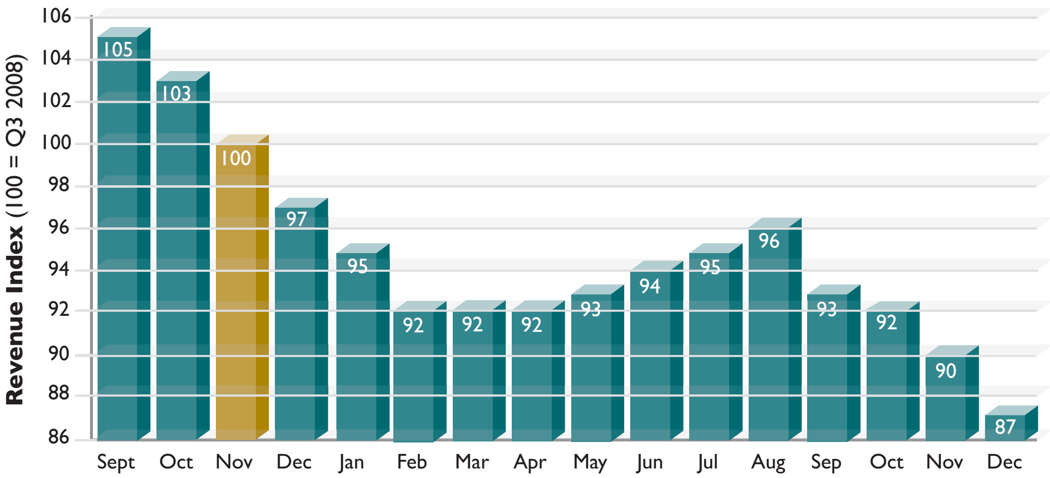
The trend for change in types of bidders continued in 2009, with Business Services (including outsourcing) buyers growing from 42% to 44%. In the meantime, consulting bidders fell dramatically from 24% to just 12%, reflecting their inability and confidence to buy. Investment House bidders (including Private Equity) increased their percentage of the buyer market at 26% (20%), largely through financial re-structuring of troubled firms. Overall we continue to see Corporate M&A dominating the market.

Comment on 2009 and 2010 Outlook

2009 was undoubtedly a very challenging and difficult year for the consulting industry. After the collapse of Lehman Brothers in the autumn of 2008 many consulting businesses saw new orders dry up, particularly those companies exposed directly to the financial services, property, retail and other cyclical industries. As they entered Q1 and Q2 of 2009 existing projects drew to an end and revenues began to fall.

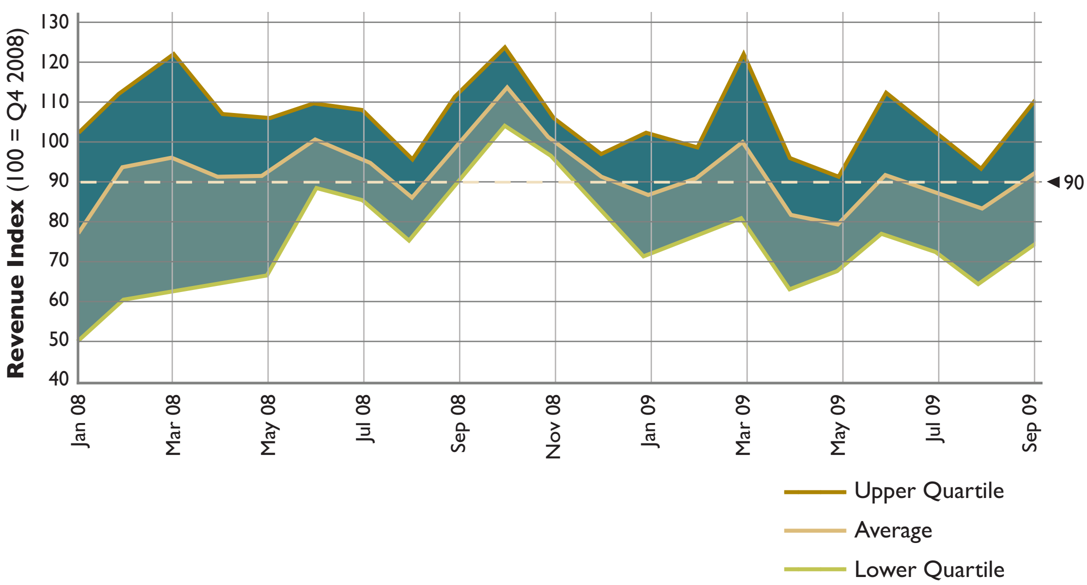
If we look at an index of revenue for the quoted US consulting businesses, these fell during the year by nearly 8% from their 'pre-credit crunch' levels.

Figure 1 US Quoted Consulting Business Revenues



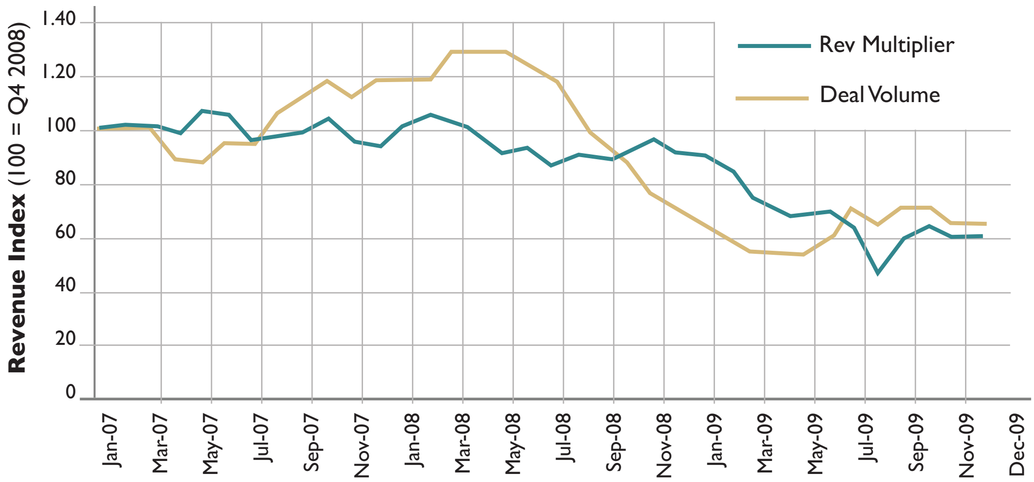
Similarly, an analysis completed by Equiteq on primarily smaller UK consulting businesses showed a 10% fall from peaks, although for some, revenues rose and for others the drop was 30% to 40%.

Figure 2 Revenue for a Range of UK Consulting Businesses



In this environment it is therefore not surprising that the year saw very subdued M&A activity in the European consulting market. The volume of deals was down by 35%.The value of deals relative to sales revenue – the best indicator of market sentiment from available data – fell by nearly 20% to an average of 1.10, and was well below that in the middle of the year.

Figure 3 Deal Volumes and Revenue Multipliers



Given the economic environment and trade levels in consulting, none of this is surprising and easily explained.

However, the questions buyers and sellers are now asking is what of the future. Is the plateau at the end of 2009 the bottom rung of an upturn or a blip in a downward trend?

Clearly there is still uncertainty in the economic environment and some significant risks. A number of European countries are in an extremely weak financial state. In the UK - the biggest consulting M&A market – the levels of government debt are worryingly high and the uncertainty (at the time of writing) over the change of government after the General Election prevents clarity on decisions to reduce this. (Added to this is a political 'football' of threats to reduce government/public sector spend on consulting). The banks are not readily lending and private equity remains subdued, removing one of the sources of cheap credit that supported the boom in the Consulting M&A market we saw 3 to 4 years ago.

On the other hand, while at the macroeconomic level the situation is weak, there are a number of forces that may indicate a recovery of the market:

1. Consolidation in the Industry: There remain compelling reasons for a number of buyer groups to enter the consulting market and/or develop their existing practices. Over the longer term, consulting offers substantial profit growth opportunities and unique opportunities for positioning other service lines. Examples include:

   a. Outsourcing groups – leverage offshore

   b. Facilities management groups – new service lines with higher gross margins

   c. Engineering groups – global project opportunities

   d. Major accounting practices (eg the 'Big Four') have made public statements that they seek to achieve substantial growth in their consulting practices, including through pro-active acquisitions (a change to their previous position). This has been substantiated by many recent deals.

2. **Investment of Cash Flow:** While banks might not be lending, they are also not providing returns on deposited cash. Cash rich corporations in the business services market are therefore looking to invest with better financial returns, and choosing consulting businesses as a way to achieve a greater mix of high-margin business.

3. **Supply and Demand:** Prices at recent levels have clearly attracted potential buyers in to the marketplace, where, often, they find that the best managed and unique consultancies in the most appealing spaces are under heavy demand. Examples:

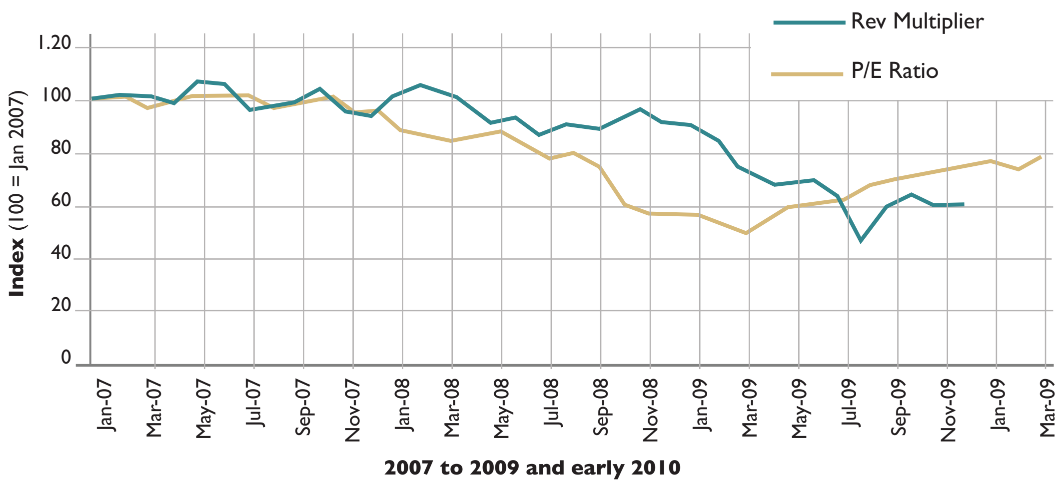
   a. Environmental Consulting firms

   b. Regulatory Consulting firms – both financial and sustainability

   c. Operations Consulting firms – in particular cost reduction or profit improvement

We see signs of an upturn in market sentiment. In the past we have seen that the long term S&P PE ratio, as a measure of sentiment in the US investment market, acts as a lead indicator for the revenue multiple – an indicator of market sentiment – in the consulting M&A sector in Europe. This PE ratio has upturned significantly in the early months of 2010 and may well predict an upturn in consulting M&A multiples.

Figure 4 **Market Sentiment: S&P PE Ratio and Revenue Multiplier**



Accordingly, we are forecasting that 2010 average multiples will be in a range of 1.15 to 1.25. Those sellers who have service offerings that are additive to the buyer in terms of product extension/expansion or sellers who can bring to buyers access to new clients/markets/geographies, coupled with strong management and good financial performance will complete deals at premium multiples. However, sellers should expect no more than 50% of a 'good deal' in upfront cash payment, and the remainder in a 2 to 3 year earn out.

As a prospective buyer, 2010 should continue to be a good time to acquire with competitive multiples compared to long term averages and potentially some 'first mover' advantage by acquiring ahead of a wave of buyers who are waiting for greater certainty before entering the market.

Achieving a 'win-win' deal in 2010

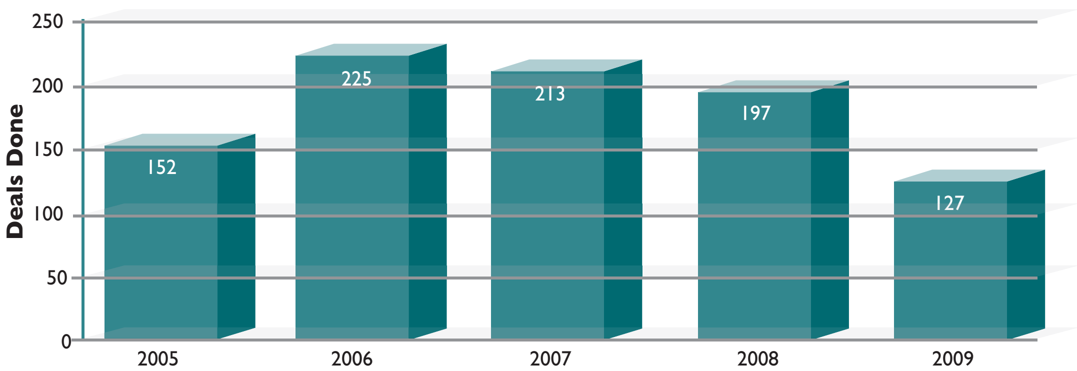
The last 2 years have been tough for most Consulting firms. Client demand has on average dropped by 10% and the economy in Europe continues to create uncertainty. Shareholders and partners in Consulting firms have seen share values and bonuses reduce. Not surprisingly they are keen to see this trend reverse. Attacking client markets and service lines with greater growth potential than others clearly makes sense. Acquisition is one strategy that could drive growth. The main question for buyers is how to acquire in the current uncertain environment without undue exposure to forecast risk. For sellers, the issue is all about price. With current price multiples at 60% of the peak of the last economic cycle, seller shareholders don't wish to lock in a price on the firm that doesn't reflect its intrinsic value. Traditionally the use of earn-outs has been the main way that buyers have de-risked their purchase. Whilst earn outs have been seen in a negative light by sellers, in today's environment they represent the key to a 'win-win' deal.

The problem today is the size of the gap between the seller's view of the value of their firm and the price that buyers wish to pay. The buyer's price today includes very pessimistic assumptions about growth. The seller remembers the 'double digit' profit multiples achieved in 2006/7 when firms were growing at record rates and is unsurprisingly reluctant to sell at a significant discount to these prices. Even though a seller could have experienced a small decline in sales revenues in 2009, the sales pipeline could be looking more healthy today. In the past few months Equiteq has negotiated deals that de-risk the purchase for buyers yet provide double-digit EBIT multiples for sellers. A combination of some cash at close and an uncapped earn out linked to the delivery of gross margin would appear to meet the apparent conflicting requirements of minimum purchase risk for buyers and maximum price potential for sellers. In this environment, extending the period of the earn out benefits both buyers and sellers, maximising the price delivered for seller shareholders and ensuring the acquisition delivers growth over the medium term. There are synergy and integration issues to be addressed with this approach and no doubt this won't suit all buyers and sellers but it does represent a solution when the price gap appears to be insurmountable and that is likely to be a feature of many deal opportunities in 2010.

European Deal Activity

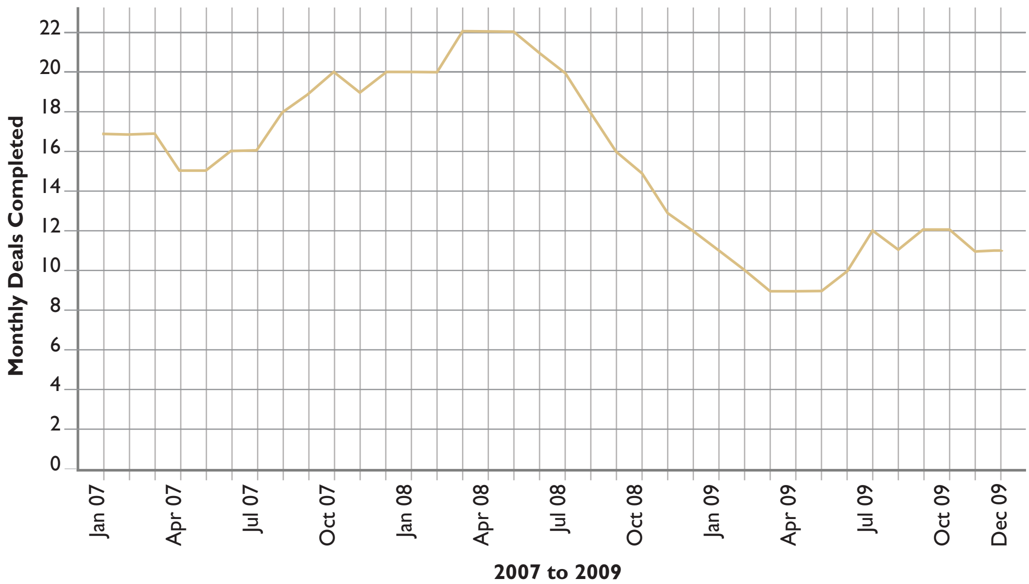
The downward trend at the end of 2008 continued into 2009. The total volume of deals completed fell 35% from 2008 to just 129, and is now at less than 60% of the peak volumes in 2006. The total value of deals fell from £8.4bn to £6.5bn.

Figure 5 Total Deals Completed



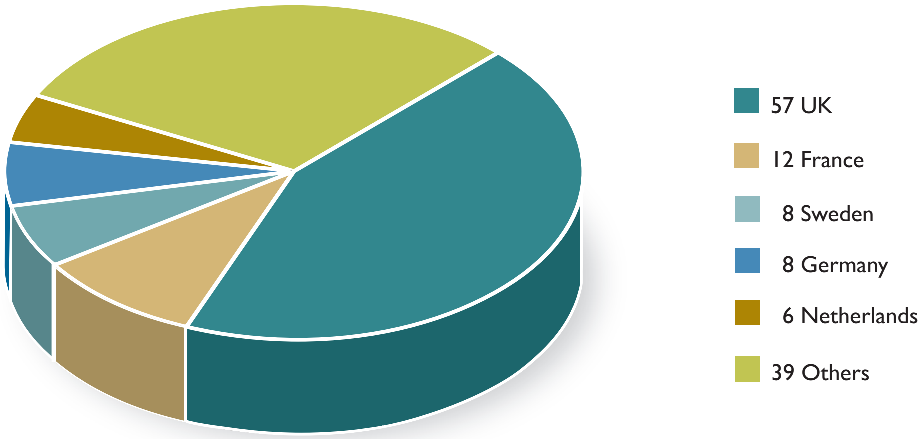
Whilst the total number of deals is down, the rate of fall bottomed at the end of the first quarter, with a slight recovery and levelling off through the remainder of the year. Despite the relatively large number of deals completed in December (19) it is difficult to determine from the data whether this is a true upturn or just volatility.

Figure 6 Total Deals per Month, 6 Month Moving Average



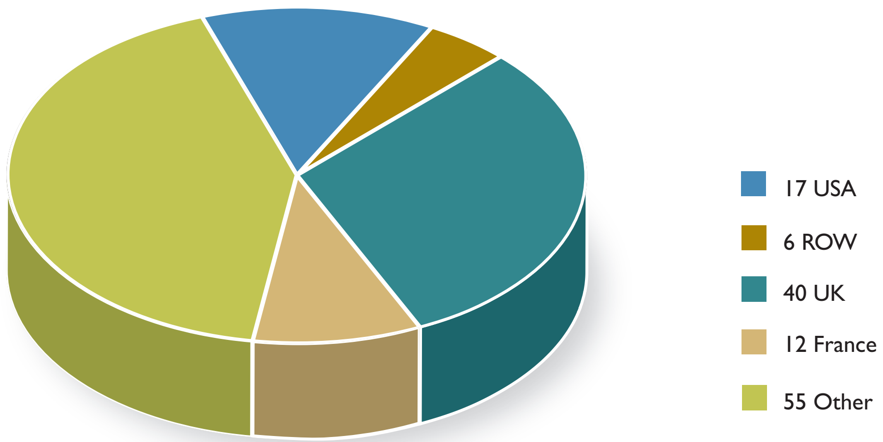
The UK continues to dominate the market for sellers with over 44% of the 131 deals completed. This compares well with the 5 year trend at 47% of deals.

Figure 7 European Deals by Target Country 2009



It is no surprise therefore that the UK also dominates bidder countries, representing 40 of the deals in 2009. Cross-border activity shrunk in 2009 to 31% of deals from 45% in 2008, after a period of growth in international activity. This may represent a fall in confidence in international expansion and the desire to stick with known markets during the recession. The USA maintained its interest in Europe and represented 12% of all acquisitions as compared with an average of 10% of deals completed over the previous 5 years.

Figure 8 European Deals by Bidder Country 2009



Bidder Types

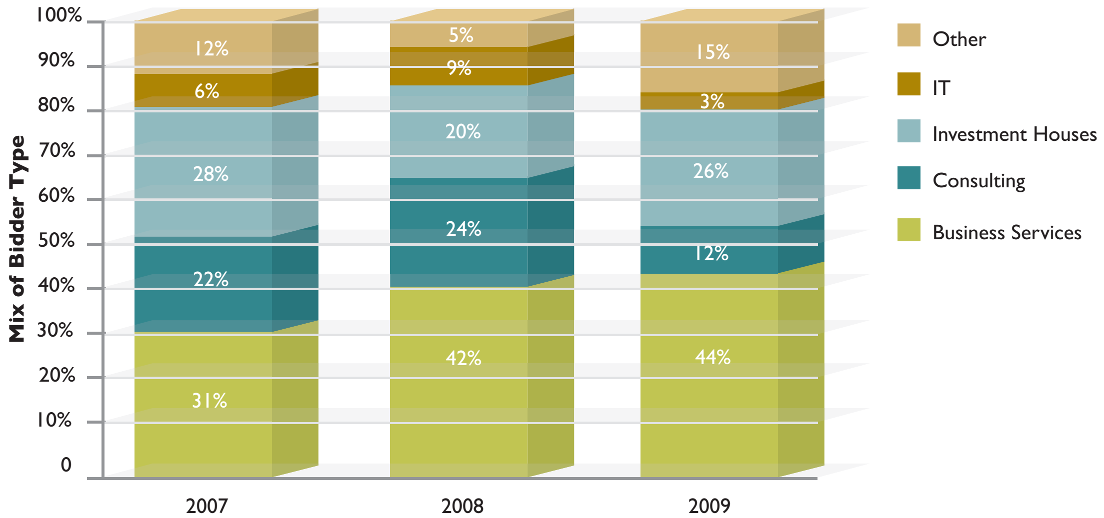
When we look at buyer groups, there has clearly been a drop-off in all sectors in line with the market. However, there are three main observations from the data:

- The role of Business Services (including outsourcing) continues to grow, and these bidders now represent over 40% of acquisitions as they seek to add high value consulting services (with their associated high margin business) to the annuity and commodity services that they provide

- Consulting businesses, as bidders, fell by half from 25% in 2008 to just 12% in 2009. This reflects the challenging market conditions that they have faced with the associated confidence and ability to complete acquisitions

- Investment Houses, including private equity have maintained a significant share of the deals, in fact growing from 20% to 26%. However, these have moved from investment/growth opportunities to re-financing of troubled consulting businesses

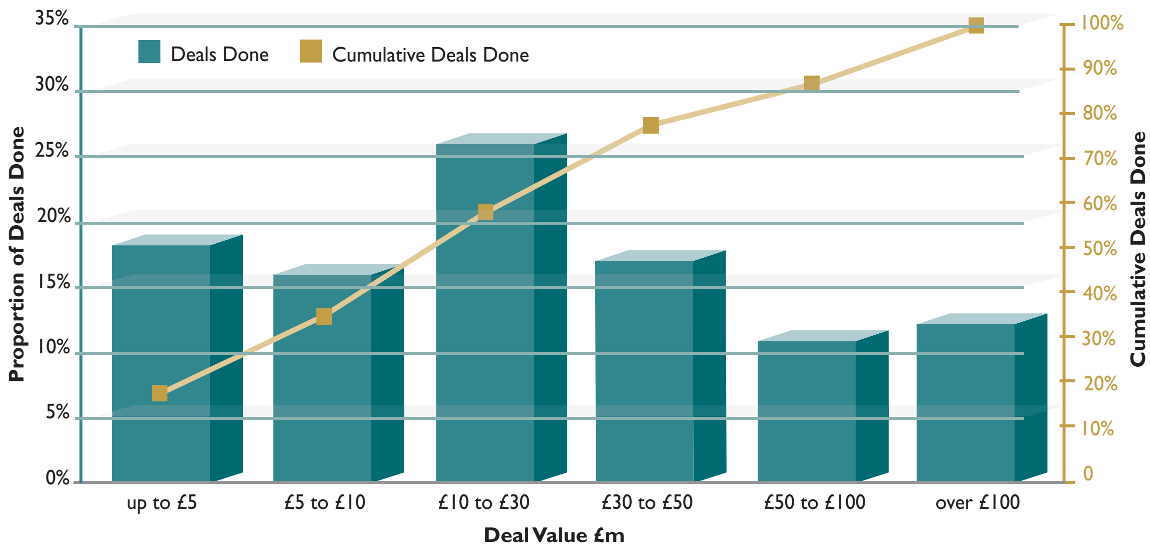
Figure 9 Bidder Type 2007 to 2009



Deals by Value

The number of deals completed by value continues to be skewed towards the smaller end. Where values are provided, 60% are at £30m value or less, which compares with 71% for the period 2004-2008. In fact, one-third of all deals completed are with firms of value £10m or less. If you add to this that we exclude deals of under £3m in value from our analysis, it is probably a fair guess that more than half of all deals completed in any one year are of value less than £10m. Owners of well run smaller consulting businesses in the sales revenue range of £3m to £10m are always in demand by buyers wishing to expand service lines, clients/markets or geographic coverage.

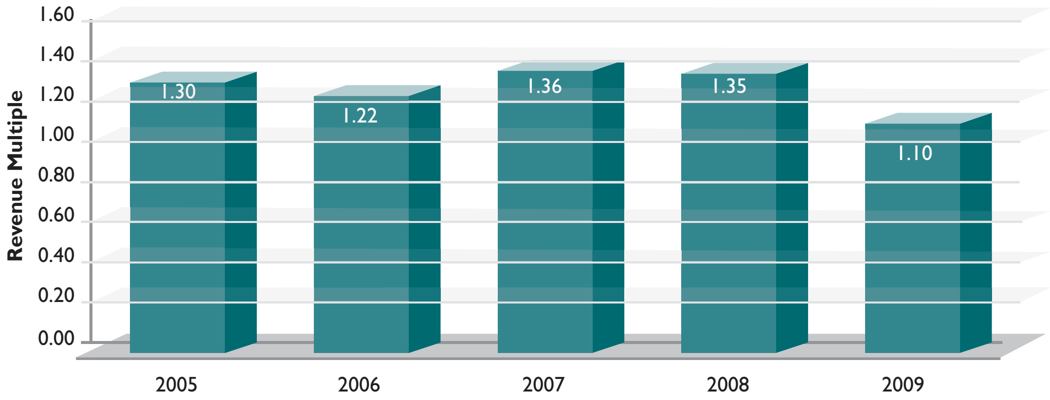
Figure 10 Deals Completed by Value, 2009



Revenue Multiples

While revenue multiples are not always used in the valuation of a consulting business per se, they provide a very useful indicator of the state of the market, as well as providing owners an indication of the possible values of their business. In 2009, average revenue multiples fell to 1.10 from 1.35 in 2008, against an average for the past 5 years of 1.27. Only in 2004 did it dip below 1.0 for a full year to 0.88 when deal activity was at the bottom of the last economic cycle.

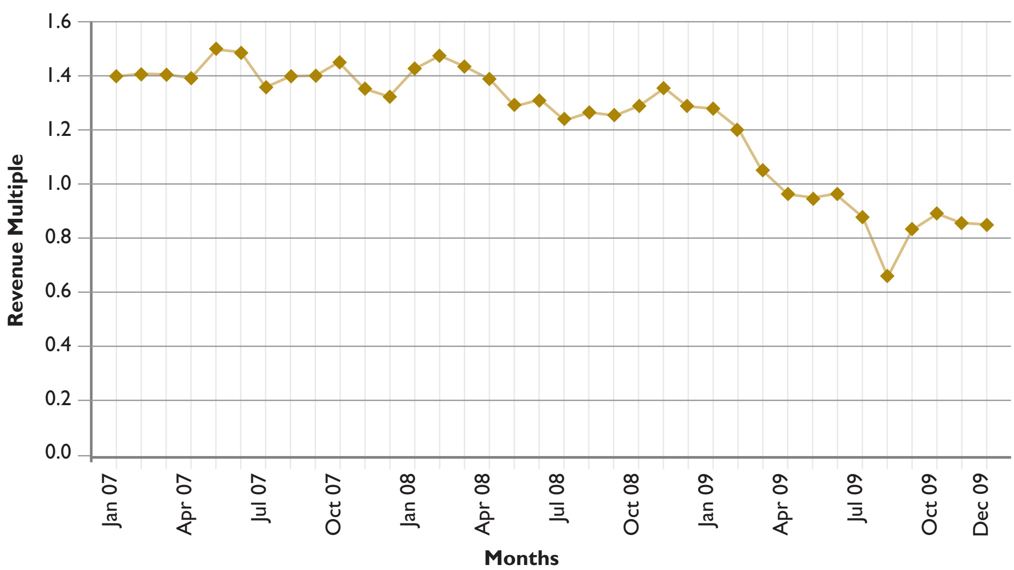
Figure 11 Average Revenue Multiple



A clearer indication of current market sentiment is provided in the monthly moving averages, where we saw the 'free fall' in multiples in the first 6 months. A low point in the middle of the year was driven by some 'fire sales', and rates finally levelled at under 0.9 in the final quarter at similar levels seen in 2004.

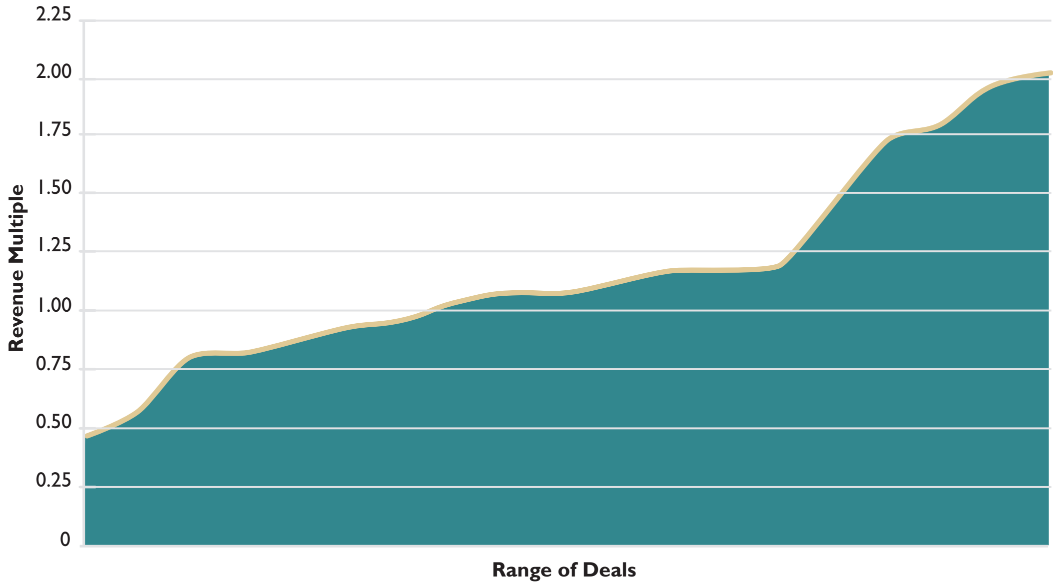
The deals completed so far this year have averaged a multiple of 1.16, which could indicate that recovery is underway.

Figure 12 Revenue Multiple 2007 to 2009, 6 Month Moving Average



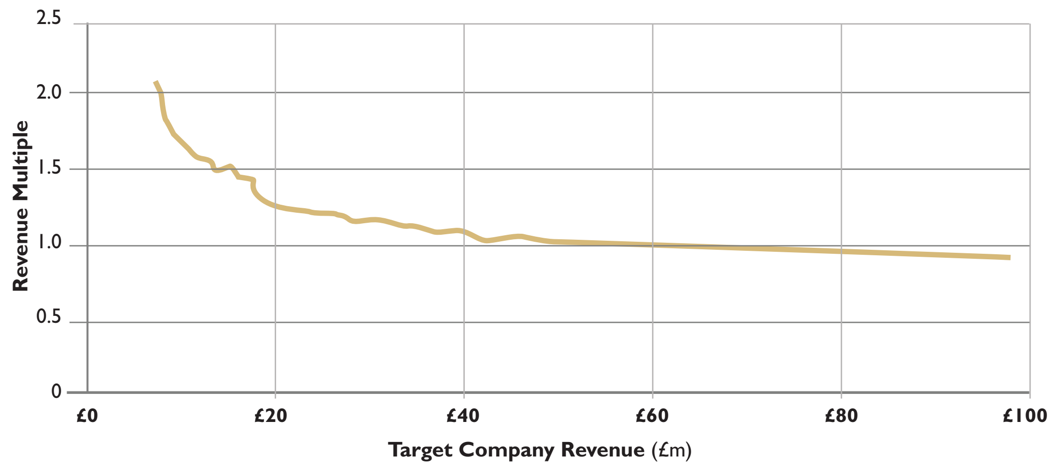
Of course, the averages for both the year and moving monthly hide a large range of values. Whilst some large deals at low multiples pulled down the average, a significant number of deals still took place around and above 1.5. Owners of consulting businesses with the right service offering good growth potential, good financial performance and strong management continue to achieve high values when selling the business.

Figure 13 Individual Deal Multiples, 2009



When you look at valuations on completed deals over the past 6 years, we also find that the higher multiples tend to be related to the smaller firms. Buyers make a return on their investment from the future and valuations are very sensitive to future growth. So, whilst 50% annual growth is plausible from a £2m revenue firm and possible at £10m, it is unlikely from one at £50m.

Figure 14 Revenue Multiple to Size Correlation (2004-2009)



EBIT Multiples

In order to answer the question 'How much is my firm worth?' we would have to look at many factors. However in very simple terms, in this industry, your firm is worth a multiple of the past 12 months' profits.

The most useful measure of profit to use in this calculation is the measure called PBIT or EBIT which is Net Profit (or Earnings) Before Interest and Tax and this is the measure used in the Figure below. You might read in the financial press about PE ratios where P = the price of the firm and E = earnings. Well just to confuse matters the 'E' in this ratio is profit or earnings after tax and because profit after tax is usually less that profit before tax then quoted PE ratios are always 30-40% greater than their equivalent EBIT or PBIT multiples. (Technically, it is normal to value a business according to multiples of EBITDA, which excludes depreciation and amortization from the costs. However, in most consulting business these two values are relatively very low and make little difference to the calculation.)

For example in the UK, a PE ratio of 14 for a mid-size firm is equivalent to a PBIT multiple of 10. We use EBIT multiples in our calculations because tax varies by country and by size of firm so it's much easier to compare values by looking at pre-tax multiples.

Most deals in 2009 didn't disclose EBIT multiple data, probably because many were completed on firms with zero or very small profits and the EBIT multiple would have been very misleading. The few data points we had for 2009 showed a dramatic decline in profit multiples achieved. Whilst the direction of the graph was certainly in line with market sentiment, we are uncomfortable with the extent of the decline, due to the small number of data points available and so we have not reproduced it here as it would not be statistically accurate.

We believe that the real EBIT multiple for the current market as of 1Q 2010 is between 6 and 8. This is for firms who have an EBIT of around 15% of sales revenue and forecast growth of 10% to 20%. This is consistent with deals that Equiteq has either led or been involved with in recent months. Our own proprietary valuation model shows that there is currently no premium in the market but neither is there a discount to a 5 year rolling average price. For comparison purposes, at the end of 2006, at the peak of the last cycle, we were using a premium of 40% in our valuation model. At the beginning of 2009 we were using a discount of 10%.

The Revenue Multiple graph in Figure 12 would suggest that 2009 started with EBIT multiples of around 12 and ended the year with EBIT multiples of around 9. This assumes an average business with an EBIT% of 10%. If your EBIT% is, say, 15%, then you would need to modify these EBIT multiples to 9 and 6, respectively. Returning to the first quarter of 2010, it would seem that the market is slowly recovering so a range of 7 to 10 for similar performing firms would be a good result as at time of writing (April 2010) and perhaps a further 10% upswing by the end of 2010.

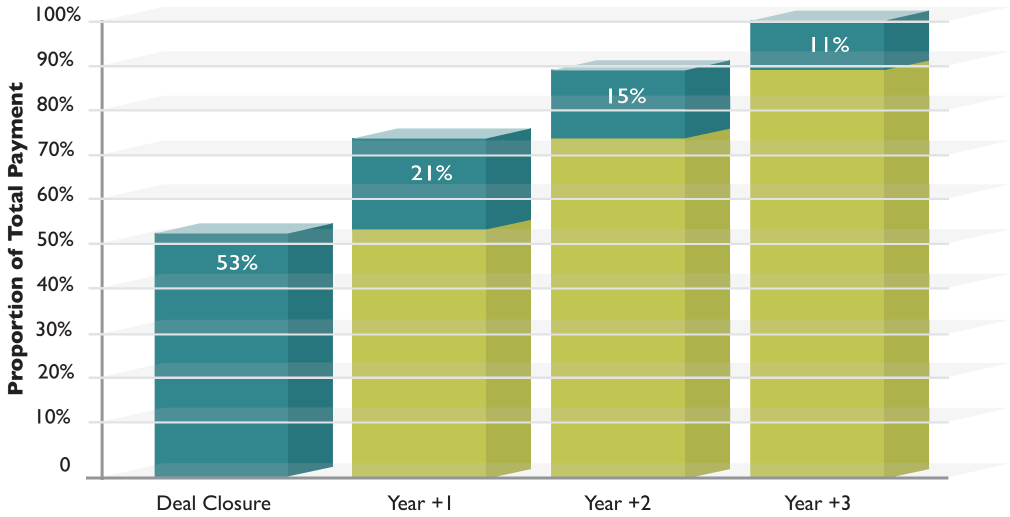
Only 43 (22%) deals disclosed deal structures in 2008. The reason for such a low disclosure of financial details can be attributed to the increased volume of deals by corporate buyers. Of those that were disclosed, 23 settled on close and 20 had deferred payment elements.

As we progress in 2009, our expectation is that as buyers attempt to de-risk deals during economic turmoil, the trend will be towards increased earn-out periods and reduced up front cash payments.

Deal Structure

Too few deals in 2009 provided enough data on deal structures, so the graph below represents Equiteq's experience of deal closures over the past 15 months. Our experience is that buyers are continuing to minimize up-front payments and are pushing earn out periods from the 1 to 2 years of 2006/7 to 2 to 3 years. Sellers should expect offers with up to 50% upfront cash at closure and plan on earning the remainder of the consideration through a contingent revenue or profit-linked earn out. Stock has become less popular for buyers as a feature of an earn-out because the share prices of buyers are often depressed and so paying in cash has more attractions for the buyer … and in many cases the seller also.

Figure 15 **Typical European Deal Structure**



As already mentioned in our 2010 Outlook, innovative deal structures are proving to be critical in getting deals agreed in the current economy. Whilst buyers are wishing to put an increasing percentage of the sale consideration at risk for sellers by linking the deferred consideration to future profit performance, there exists the potential for a material upside for sellers by making the deferred consideration uncapped and delivered over a longer period, thus increasing the quantum of the total consideration and creating a 'win-win' deal.

Comparison with the IT Market

The IT sector covers companies that provide advice and assistance on implementing, maintaining and upgrading a company's IT system. The falls in the M&A market in this sector have been even greater than those in the consulting arena. The total value of deals completed in 2009 fell over 60% from the previous year. The market for IT services firms is now just 20% of the size it was at the peak of the market in 2007 (which included SAP's acquisition of Business Objects, and the takeovers of Northgate and Xansa), the fall being driven by a combination of the decline in both deal volumes and average deal size.

Figure 16 IT Consulting Market Total Deal Value

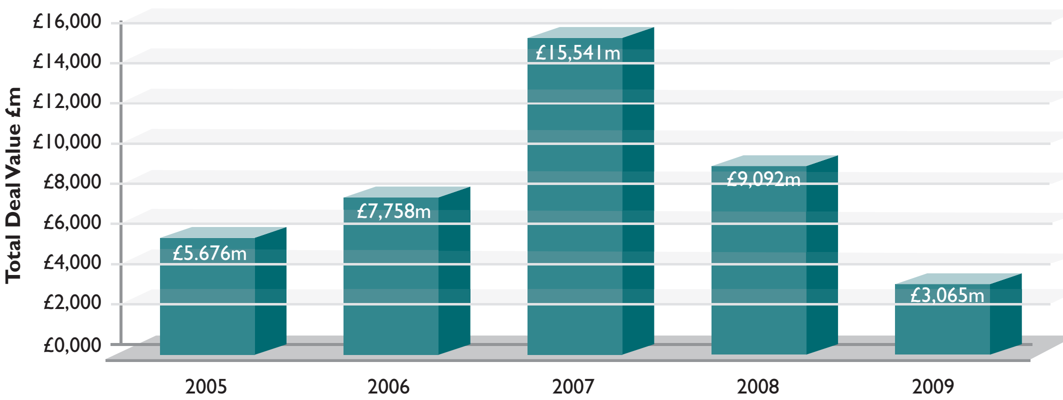
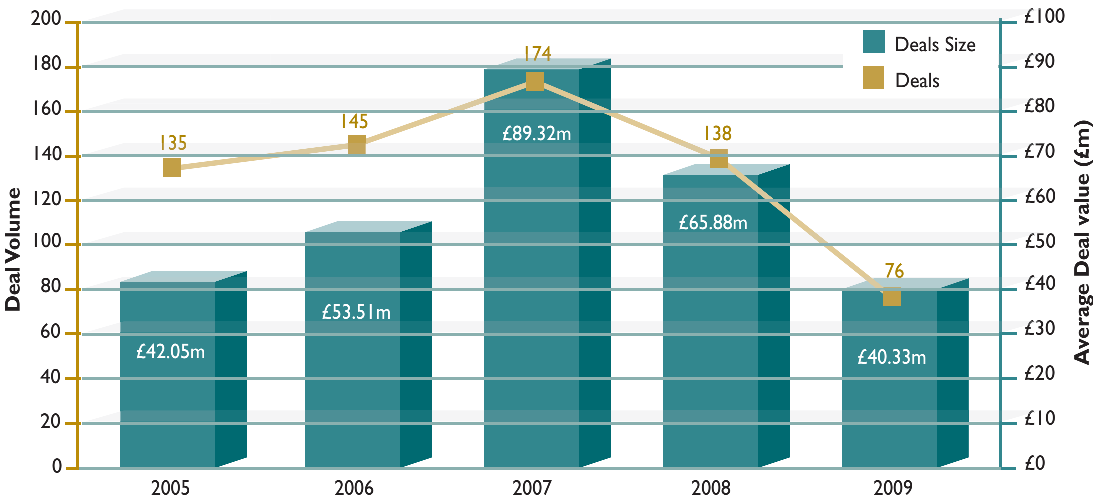
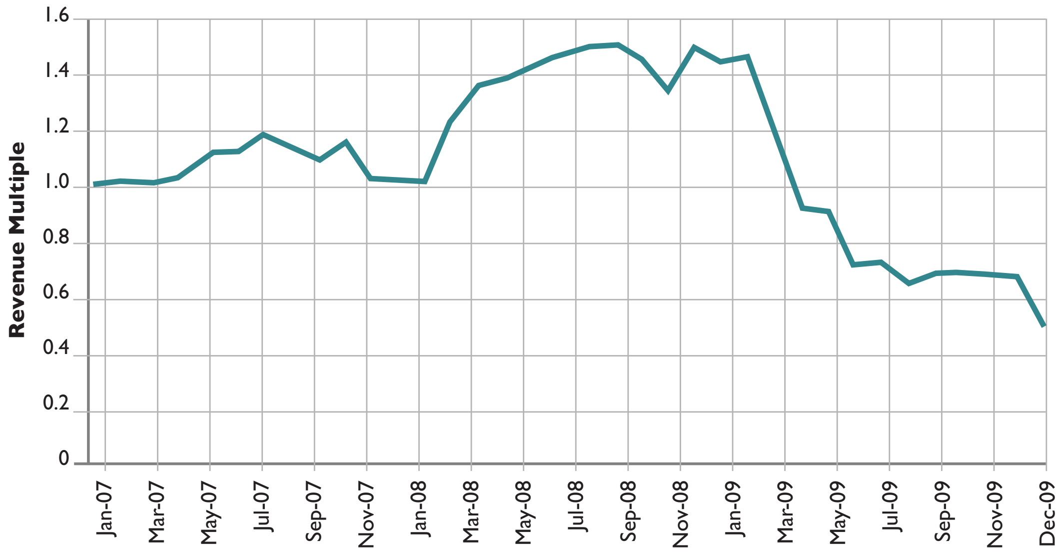


Figure 17 IT Market, Deal Volumes and Average Size



Not only have volumes and values combined to fall faster than the consulting market, but we also see little upturn in sentiment in terms of revenue multiples in 2010. These averaged at 0.8 for 2009, but fell dramatically during the year from over 1.4 to below 0.6, with no signs yet of a correction.

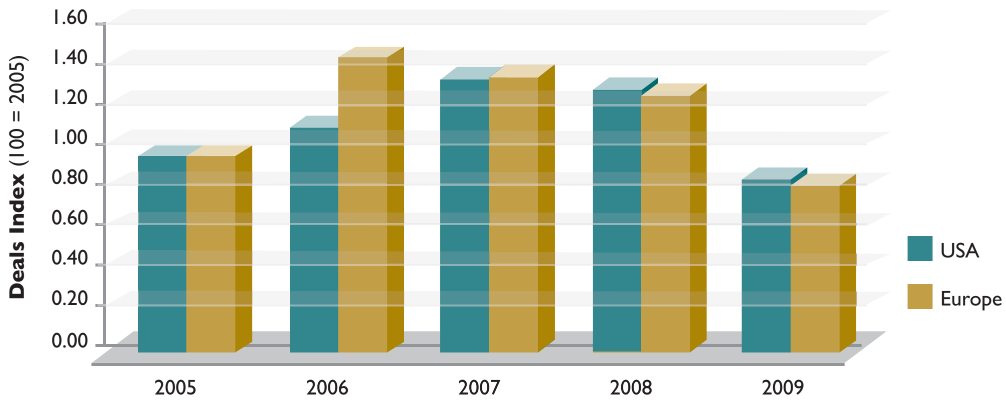
Figure 18 IT Market Revenue Multiple, 6 Month Moving Average



A Comparison with the USA Market

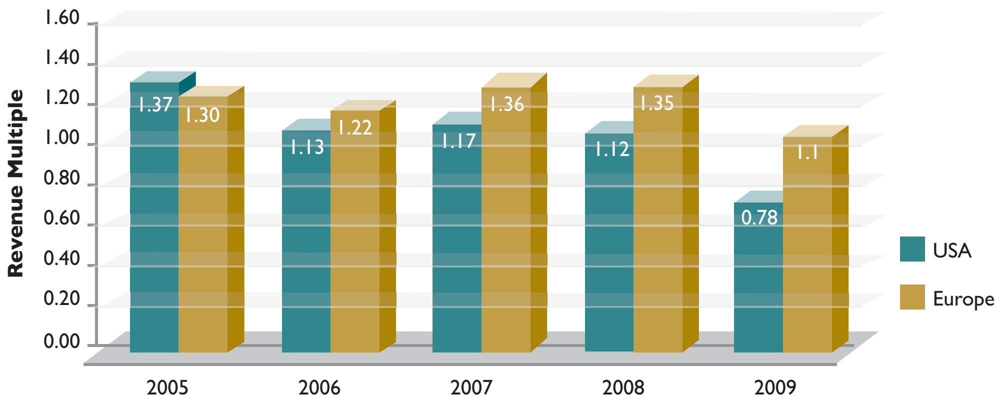
In terms of the number of deals, the USA market has been consistently at a similar size to Europe, with 141 deals completed in 2009 compared to 129 in Europe, following a similar pattern to previous years. However, the difference in the markets is in the size of deals - the total value of the market in the USA was £28.5bn in 2009 compared to Europe's £6.5bn, with typical deals four times the average £50m deal size in Europe.

Figure 19 USA and European Deal Quantity



When we look at revenue multiples, the US continues to lag behind the European levels, and saw a greater fall in 2009 to an average of below 0.8.

Figure 20 USA and European Revenue Multiples



Building Equity Value in Consulting Firms

How to establish a market valuation of your firm

At Equiteq we support both buyers and sellers of consulting firms. Valuation of firms is crucial to both areas of our activity. We have developed a model that helps a buyer to assess the value of any acquisition or a consulting firm owner to place a value on their own firm. Figure 13 below shows the 4 elements of our valuation model.

Figure 21 **Equiteq Valuation Model**

Step 1 in the model is a straight forward assessment of the return a financial investor would expect from investing in the average consulting firm with the financial risk profile inherent in the consulting sector. For the accountants or corporate financiers amongst you, we use several different techniques including DCF on forecasted cash flows, an EVA/MVA model and we validate our results against our deals database that includes over 3,500 transactions in the sector over the past eight years. The result of this calculation is expressed as a multiple of EBIT.

Step 2 is about comparing the risks in your firm versus the average firm in the sector of achieving forecasted cash flows – more of this in a moment. The result is a Risk Factor of between 0 and 1 – typically less than 1.

Step 3 looks at where we are currently in the economic cycle. At the beginning of 2007 when demand far exceeded supply of quality firms to acquire and the market outlook was positive, we would have applied a factor of 1.4 ie a market premium due to demand of 40%. At time of writing somewhere around 1 is more representative of the current market.

So far the first 3 steps have all been about your firm and the market but independent of the buyer.

Step 4 assesses the potential synergy between you and the individual buyer. For sellers we are also able to predict what type of buyer should produce the highest synergy and hence price premium – see section on buyer/seller synergy.

Using the above valuation model produces the most accurate prediction you will find of the value of your firm in today's market. Find out more at **www.equiteq.com/Valuation**

Understanding the Eight Levers of Equity Value

The second step in our valuation model uses what we call the 'Eight Levers of Equity Value' to determine the risk factor to be applied to the prevailing market profit multiple for any specific firm. Everything we have learnt about how to build a sustainable high equity value consulting firm is built into this benchmark database.

Here's how it works

In very simple terms, the equity value of any consulting business is calculated based on a multiple of the last twelve months' profit. When someone invests in your firm they are gambling that profits will continue to be made or indeed will grow over time and produce sufficient 'free cash' through shareholder dividends and/or share equity growth to provide an adequate return on their initial investment. The multiple of profit that is used to calculate value varies from 1 or 2 up to 20 to 30 and is based on many factors but most of them can be linked to your ability to predictably grow profit.

The importance of predictability cannot be overstated. For example, a loose group of associate consultants, however large, working together on short-term contracts have virtually no equity value to sell as their ability to predict the financial outcome of their efforts this year or next is very poor. No-one would gamble on this proposition. On the other hand, a firm of 100 consultants that had grown from 50 over the past three years; had built a lead generating 'machine' independent of any individual; had locked their staff into the future of the firm through profit-sharing and share options; could demonstrate long-term relationships with blue-chip clients that always paid on-time; had a management structure with breadth and depth of firm leadership and management as well as the capability to enable founders to exit at the right time; and also generated profits of 20% on sales with a solid track record over three years of doing so. Well now we have some value to talk about!

At first sight it would appear that all the assets of a consulting firm reside in potentially very mobile employees. This would lead the casual observer to place very little value on 'people based' companies. Indeed this would largely be true if the management of the firm have done nothing to de-risk the stability and predictability problems inherent with short-term contracts and a mobile workforce. As already indicated, the secret to maximising equity value has everything to do with achieving predictability of growth in profits.

So you see it helps to understand the factors in your business that drives up this 'multiple' of profit in order to maximise equity value. Get those right and you are probably building a real pension fund. Get them wrong and you might just have to live off your annual income for a long time!

Equiteq's Equity Value Model can be used not only to value a business (when combined with the market data in this report), but also as a planning tool to drive equity value in the right direction.

Figure 22
Equity Growth Wheel

The 'Eight Levers of Equity Value' are shown in Figure 22 above. Each segment in the wheel represents an area of opportunity to either increase or decrease the probability of the firm delivering robust growth in profits. Using this assessment technique enables an overall risk factor to be developed which can be applied to the current market multiples to determine an equity valuation. The 'benchmark' scores that result in each segment also create an improvement plan which can be used by firms to reduce growth risk and therefore increase value relative to profits.

Equiteq has used this valuation and improvement technique successfully since its formation, resulting in improved valuations on sale for those firms that used the method. We call this the Equity Growth Accelerator, find out more at **www.equiteq.com/EGA**

Predicting Synergy between Buyer and Seller

It is often said that the biggest single factor that determines the price of a firm and indeed the success of any acquisition is the synergy between buyer and seller. In the Appendix to this report we look at some of the reasons why buyers acquire consulting firms but largely they fall into two categories: to get a good return on investment and/or for 'strategic fit' purposes. The former reason is often associated with pure financial investors in the sector (see more about this in the Appendix).

Figure 23
Synergy Cube

The latter relates more to 'trade' buyers ie those in the same or similar line of business who can see a 'fit' between their business and yours. This fit could be access to new clients or markets; access to new methods or IP; or geographic expansion needs to serve global clients. Whatever the need, if you are a seller, it is important to understand these points of synergy because the price you receive for your firm could depend on 'selling' this synergy to buyers. For buyers, understanding where synergy exists could be the difference between a successful acquisition integration or complete loss of acquired value within a few years. It really is that important!

In recognition of this importance, at Equiteq we have invested in a software development, including a database of some 200,000 European and North American consulting firms, that can not only be used to identify buyers or target acquisitions but it can assess the synergy between buyer and seller. Figure 15 shows how this works.

Any one of the 200,000 firms in our database can be described by the combination of service lines/market sector/location/financials etc. A couple of specific examples will illustrate its use:

1. One USA client wanted to make their first move into Europe. To de-risk that investment they wanted to find a firm of 25 – 50 consultants who provided the same services as them to the same market sector – ideally the same global clients, but based in the UK. Our database was able to identify six firms that met that very specific requirement.

2. One UK client wanted to sell their firm but recognised that it was access to their client base that would be the most valuable asset for the right 'synergistic' buyer as opposed to the value of their own future profits. By working with the client to identify the type of buyer that would benefit financially from access to their clients we were able to use the database to identify 55 potential strategic buyers.

As we enter a period of economic uncertainty it will be an understanding of buyer/seller synergy that will produce the best deals for both parties and provide long-term assurance that equity value will continue to grow.

Further Resources

100 Tips for Consulting Firms to Survive and Grow in a Recession

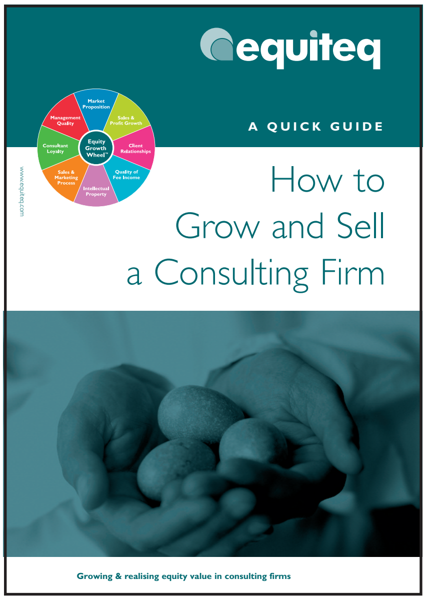
This guide contains practical tips to maintain cashflow, profitability and growth during the downturn.

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

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

Download for free at
www.equiteq.com/GrowSellGuide



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.

Download the briefing pack at
www.equiteq.com/EGA

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.

Find out more at
www.equiteq.com/Valuation

About Equiteq

Equiteq was founded in 2004 to provide M&A transaction support, information and advice to buyers and sellers of consulting firms. We help owners of consulting firms grow rapid equity value and ultimately realise that value through a sale to a third party. On the acquisition side we provide sophisticated tools and expertise to fast find a wide pool of target firms that meet the ideal profile of the buyer.

All the client-facing staff in Equiteq have been involved in the growth and sale of their own consulting firms over the past fifteen years. Our advice is down-to-earth and based on what we know works in practice – no textbook theories! We provide this advice in a number of different ways to suit both your personal needs and stage in the growth of your firm. Our current clients range from independent consulting contractors who want to build a firm, to firms that want to grow faster, to firms that are ready to find a buyer to global businesses that wish to invest in European consulting firms. You can read our client testimonials at **www.equiteq.com**.

We provide a wide range of information, tools and advice via our web-site, **www.equiteq.com** for those who just want a source of available information to dip into as and when the need arises. For those with more serious growth and investment aspirations we can act as Board advisor or CEO mentor on a quarterly basis to assure growth. Our aim with this approach is to ensure that you have a solid equity growth plan and that at least quarterly you get to work ON the business as opposed to in it! We can also provide hands-on consulting support to help you remove barriers to growth like lead generation or sales support.

We also have access to investment funds to support growth, turnaround and distress situations, or management buy-outs. In certain circumstances we will co-invest with fund providers ourselves.

When the time is right we help sellers to prepare for sale and then manage the marketing of your firm, acting as lead advisor together with legal, tax and accounting experts. We are happy for our fees at this stage to be contingent upon a successful sale or investment.

Our consulting firm and deals database gives us instant access to 200,000 consulting firms, over 2,000 active buyers and the details of 3,500 past deals. 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 an unrivalled capability to search for the right firm with the perfect combination of size, financials, skills and market reach. Put us to the test!

Disclaimer

Equiteq LLP is an advisory firm that exists to provide you, the owners of consulting firms, with the best possible information, advice and experience to help you make decisions about the growth and potential sale of your firm. In producing this report we have reported on actual events in the market and have added our commentary on the potential implications for the value of your firm. What follows is a legal disclaimer to ensure that you are aware that if you act on this advice, Equiteq cannot be held liable for the results of your decisions.

We have obtained the information provided in this report from sources which we believe to be reliable, and we make reasonable efforts to ensure that it is accurate. However, the information is not intended to provide tax, legal or investment advice. We make no representations or warranties in regard to the contents of and materials provided in this report and exclude all representations, conditions and warranties, express or implied arising by operation of law or otherwise, to the extent that these may not be excluded by law.

We shall not be liable in contract, tort (including negligence) or otherwise for indirect, special, incidental, punitive or consequential losses or damages, or loss of profits, revenue, goodwill or anticipated savings or for any financial loss whatsoever, regardless of whether any such loss or damage would arise in the ordinary course of events or otherwise, or is reasonably foreseeable or is otherwise in the contemplation of the parties in connection with this report. No liability is excluded to the extent such liability may not be excluded or limited by law. Nothing in this statement shall limit or exclude our liability for death or personal injury caused by our negligence. We hope that's very clear! .

Appendix

Example Consulting M&A Deals in 2009

There were 129 consulting M&A deals completed in 2009. In this appendix we've included details of 16 deals to give a flavour of the size and type of deals that completed last year. They range in deal size from £4m to £553 and cover a variety of bidder types from other consulting firms to the world of Private Equity.

Target Company	Bidder Company	Value (£m)
Wood Mackenzie Limited	Charterhouse Capital Partners LLP	£553
CTR Leyton	Pragma Capital, GIMV NV	£89
EcoSecurities Group Plc	JPMorgan Chase & Co	£80
BearingPoint (EMEA practice)	BearingPoint Inc's EMEA	£42
Enviros Group Ltd	Sinclair Knight Merz	£27
Helix Energy Limited	Baker Hughes Limited	£17
Performance Improvements (PI) Group Limited	Amec Plc	£14
Fountains Plc	Connaught Plc	£13
International Resources Group Limited	Odgers (MBO Vehicle)	£12
Chks Limited	The Capita Group PLC	£12
Fin Posillipo SpA	Cofares, Cofares Sociedad Cooperativa Farmaceutica Espanola	£8
Newchurch Limited	Tribal Group PLC	£6
Accuma Insolvency Practitioners Limited, Wilson Phillips Limited	Grant Thornton UK LLP	£5
Albihns IP AB	Zacco A/S	£5
Sypol Limited	Sovereign Capital Partners LLP	£5
YKems	Beijaflore	£4

Target Company	Bidder Company
Wood Mackenzie Limited	**Charterhouse Capital Partners LLP**
UK based provider of consulting services and research products to the Energy and Metals and Mining industries	UK based private equity firm investing in companies headquartered in Western Europe

Month June

Deal Value GBP (m) £553.0

Deal Description

Charterhouse Capital Partners Llp has agreed to acquire Wood Mackenzie Limited, from the management of Wood Mackenzie and Candover Partners Limited, the UK based subsidiary of Candover Investments Plc, the listed UK based Private Equity firm.

The disposal will generate total proceeds of GBP 36.2m for Candover, which will enable it to enhance its cash reserves. Hellman & Friedman Llc, Warburg Pincus Llc and Bain Capital Llc, the US based Private Equity firms, had also presented bids for acquiring Wood Mackenzie. The enterprise value Includes GBP 230m of senior debt and GBP 40m of mezzanine funding. Candover owns A 67% stake In Wood Mackenzie while the management holds the remaining stake in the company.

Deal Type	Acquisition, Private, Domestic, Exit, IBO, Secondary buyout, Auction
Enterprise Value GBP(m)	£553.0
Revenue GBP(m)	-
EBITDA GBP(m)	-
EBIT GBP(m)	-
Revenue Multiple	-
EBIT Multiple	-
EBITDA Multiple	-
PE Multiple	-
Consideration	-

Target Company	Bidder Company
CTR Leyton	**Pragma Capital, GIMV NV**
France based consulting firm specialised in the reduction of costs	France based family holding company owned by Jacky Lorenzetti AND Listed Belgian PE firm

Month	February
Deal Value GBP (m)	£89.0
Deal Description	The management team of CTR Leyton, has acquired the company in a management buyout transaction backed by Pragma Capital and GIMV NV. For the year ending 30 June 2008, CTR Leyton reported revenues of EUR 33m. The company employs over 280 staff. In 2006, CTR Leyton was acquired in a management buyout transaction, or EUR 58m.

Deal Type	Acquisition, Private, Domestic, Exit, MBO, Secondary Buyout
Enterprise Value GBP(m)	£88.8
Revenue GBP(m)	£26.1
EBITDA GBP(m)	-
EBIT GBP(m)	-
Revenue Multiple	3.4
EBIT Multiple	-
EBITDA Multiple	-
PE Multiple	-
Consideration	-

Target Company	Bidder Company
EcoSecurities Group Plc	**JPMorgan Chase & Co**
Ireland based provider of emission reduction and consulting services	US based financial services group, formed via the merger of JP Morgan and Chase Manhattan.

Month November

Deal Value GBP (m) £80.0

Deal Description

Eco Securities Group Plc has signed a definitive agreement to be acquired by JP Morgan Chase & Co. The transaction will be conducted via a scheme of arrangement. The transaction will be carried out through Carbon Acquisition Company ltd, an acquisition vehicle.

The cash consideration payable by Carbon Acquisition Company under the terms of the offer is being funded using existing resources from within the wider Carbon Acquisition Company group.

JP Morgan will retain the current management team of Eco Securities to be directly involved in formulating the integration, marketing and growth strategies in the future. This will include assessing an appropriate integration strategy and identifying synergies.

Deal Type	Acquisition, Cross Border, Transatlantic, Public
Enterprise Value GBP(m)	£80.3
Revenue GBP(m)	£66.5
EBITDA GBP(m)	£22.2
EBIT GBP(m)	£24.1
Revenue Multiple	1.2
EBIT Multiple	-
EBITDA Multiple	-
PE Multiple	-
Consideration	-

Target Company	Bidder Company
BearingPoint (EMEA practice), BearingPoint Europe Holdings BV	**BearingPoint Inc's EMEA practice (MBO Vehicle), BE Partners BV**
Germany based business of BearingPoint Inc providing management and technology consulting services; Netherlands based management and IT consulting firm	US based management vehicle formed by European management team of BearingPoint Inc for the acquisition

Month August

Deal Value GBP (m) £42.0

Deal Description

The European management team of BearingPoint has agreed to acquire the Europe, Middle East and Africa (EMEA) business of BearingPoint Inc, the us based management and technology consulting company, for a consideration of USD 69m.

Under the terms of the agreement, BearingPoint's EMEA practice will operate as a separate entity but under the BearingPoint brand and will be managed by the EMEA management led by Peter Mocker. BearingPoint Inc filed a voluntary petition for relief under chapter 11 of the US Bankruptcy code in February 2009. The transaction was subject to bankruptcy court approval.

Deal Type	Acquisition, Cross Border, Private, Transatlantic, MBO, Insolvency
Enterprise Value GBP(m)	£42.2
Revenue GBP(m)	-
EBITDA GBP(m)	-
EBIT GBP(m)	-
Revenue Multiple	-
EBIT Multiple	-
EBITDA Multiple	-
PE Multiple	-
Consideration	-

Target Company	Bidder Company
Enviros Group Ltd	**Sinclair Knight Merz**
UK group of consulting companies operating in the environmental, products, software and technology sectors.	Australia based engineering, sciences and project delivery firm

Month October

Deal Value GBP (m) £27.0

Deal Description

Sinclair Knight Merz has agreed to acquire Enviros Group Ltd from Carillion plc, the UK based company which provides a range of integrated solutions for the infrastructure and the buildings and services markets, for a cash consideration of GBP 27m (EUR 29.33m).

Enviros was acquired by Carillion in 2007 when it acquired Alfred McAlpine plc, the UK based support services business providing integrated solutions to built environment by creating and maintaining the country transport and utilities infrastructure.

Carillion will use the sale proceeds to reduce its net borrowing to below GBP 146m, as on 30 June 2009. The acquisition will allow SKM to offer better services to its clients, which further enhance its position in Europe.

Enviros employees more than 500 people operating across more than 50 countries. The transaction was subject to completion balance sheet adjustments.

Deal Type	Acquisition, Cross Border, Private
Enterprise Value GBP(m)	£27.0
Revenue GBP(m)	-
EBITDA GBP(m)	-
EBIT GBP(m)	-
Revenue Multiple	-
EBIT Multiple	-
EBITDA Multiple	-
PE Multiple	-
Consideration	-

Target Company	Bidder Company
Helix Energy Limited	**Baker Hughes Limited**
UK based provider of reservoir and well technology and consultancy services to oil and gas industry.	The group provides equipment and services for the oil, gas and process industries.

Month April

Deal Value GBP (m) £17.0

Deal Description

Baker Hughes Limited, the UK based provider of reservoir and well technology and consultancy services to oil and gas industry and a subsidiary of Baker Hughes Inc, the listed US based oilfield services company, has acquired Helix Energy Limited, from Helix Energy Solutions UK Limited, a subsidiary of Helix Energy Solutions Group Inc for a total consideration of USD 25m.

Helix Energy UK had acquired Helix Energy Limited in November 2005. The sale is in line with the strategy of Helix Group to concentrate on its deepwater construction and well intervention services.

Deal Type	Acquisition, Cross Border, Private, Transatlantic, Divestment
Enterprise Value GBP(m)	£17.1
Revenue GBP(m)	-
EBITDA GBP(m)	-
EBIT GBP(m)	-
Revenue Multiple	-
EBIT Multiple	-
EBITDA Multiple	-
PE Multiple	-
Consideration	-

Target Company	Bidder Company
Performance Improvements (PI) Group Limited	**Amec Plc**
UK based company leading independent engineering consultancy within the oil and gas industry	UK based project management company and provider of engineering services

Month	January
Deal Value GBP (m)	£14.0
Deal Description	Amec Plc has agreed to acquire Performance Improvements Group (PI) Limited, for a consideration of GBP 14m. Amec will pay a cash consideration of GBP 19m, of which GBP 14m is payable as of announcement, with the balance being subject to performance. The acquisition is in line with Amec's strategy of acquiring companies, with a focus towards enhancement of services for customers in the oil and gas sector industry. The acquisition marks Amec's fourth in the natural resources division over the last 18 months. The acquisition will benefit PI in expand their capabilities internationally, with the support of Amec's global reach.
Deal Type	Acquisition, Private, Domestic
Enterprise Value GBP(m)	£14.0
Revenue GBP(m)	-
EBITDA GBP(m)	-
EBIT GBP(m)	-
Revenue Multiple	-
EBIT Multiple	-
EBITDA Multiple	-
PE Multiple	-
Consideration	-

Target Company	Bidder Company
Fountains Plc	**Connaught Plc**
UK based environmental consultant	Property related services, providing planned capital programmes, reactive maintenance, estate management and gas servicing for the social housing sector

Month October

Deal Value GBP (m) £13.0

Deal Description

Connaught Plc has acquired the entire issued and to be issued ordinary share capital of Fountains Plc through a scheme of arrangement.

0.2377 new Connaught shares were offered for each Fountains share held by scheme shareholders. The offer represented a premium of 38.6% over the Fountains closing price on 14 July 2009. The offer also provided a 74% premium over the average Fountains closing price for the six month period prior to the announcement date.

The transaction provides Connaught with enhanced operational capabilities in the environmental market, thus expanding its existing service offering and ensuring long term growth prospects. The transaction would enable Fountains to ensure cost effectiveness and thus enhance its business operations.

Deal Type	Acquisition, Domestic, Public
Enterprise Value GBP(m)	£12.7
Revenue GBP(m)	£41.8
EBITDA GBP(m)	£1.3
EBIT GBP(m)	£0.0
Revenue Multiple	0.3
EBIT Multiple	282.4
EBITDA Multiple	9.7
PE Multiple	0.8

Target Company	Bidder Company
International Resources Group Limited	**Odgers (MBO Vehicle)**
Executive search and selection, interim management and management consultancy	UK based acquisition vehicle created by Odgers management and senior employees and the Odgers Employee Benefit Trust

Month	-
Deal Value GBP (m)	£12.0

Deal Description

The management and senior employees of International Resources Group Limited (Odgers), have agreed to acquire 50.5% stake in the company in a management buyout transaction, from OPD Group plc, the listed UK based recruitment services organization, for a consideration of GBP 11.5m. The consideration comprises GBP 5.05m in cash and GBP 6m by issue of loan note.

Odgers employs 370 employees, predominantly from 8 offices in the UK and 5 overseas offices. The proceeds from the sale will in the first instance be retained by the OPD .

In December 2005, OPD acquired an initial 70% stake in Odgers from certain members of the senior management and others, for GBP 19.8m in cash together with 1.43m OPD shares. The balance of the issued share capital of Odgers was acquired by OPD in three equal tranches at a valuation based on Odgers' earnings for each of the three financial years ended 31 December 2008.

Deal Type	Acquisition, Domestic, MBO, Public
Enterprise Value GBP(m)	£16.0
Revenue GBP(m)	£76.1
EBITDA GBP(m)	£7.6
EBIT GBP(m)	£6.7
Revenue Multiple	0.2
EBIT Multiple	£2.4
EBITDA Multiple	£2.1
PE Multiple	£3.5
Consideration	-

Target Company	Bidder Company
Chks Limited	**The Capita Group PLC**
Information products, accreditation and consultancy services to enable clinicians and managers to improve patient care and to manage their healthcare services more efficiently and effectively	The group is engaged in customer services, human resources services, commercial services software systems and strategic services and property related services across local and central government, education, private sector and the health sector

Month	February
Deal Value GBP (m)	£12.0
Deal Description	Capita Group Plc, has acquired Chks Limited, from Healthcare Knowledge International, the UK based provider of healthcare intelligence, for a total consideration of GBP 11.6m. The acquisition adds depth and breadth of expertise to Capita's existing services for the health market, which includes running the NHS Choices programme. Chks made an operating profit, on a pro forma basis, for its financial year to 31 December 2008 of GBP 1.6m on a turnover of GBP 8m. Chks employs around 80 staff based mainly in Alcester, Cardiff and London.
Deal Type	Acquisition, Private, Domestic
Enterprise Value GBP(m)	£11.6
Revenue GBP(m)	£8.0
EBITDA GBP(m)	-
EBIT GBP(m)	-
Revenue Multiple	1.5
EBIT Multiple	-
EBITDA Multiple	-
PE Multiple	-

Target Company	Bidder Company
Fin Posillipo SPA	**Cofares, Cofares Sociedad Cooperativa Farmaceutica Espanola**
Italy based financial and business consulting firm	Spanish pharmaceutical distributor; Spain based pharmaceutical distributor

Month	July
Deal Value GBP (m)	£8.0
Deal Description	Cofares has acquired Fin Posillipo SPA, from Grupo Petrone di Napoli, the Italy based company engaged in importing and exporting and distributes brand and generic pharmaceuticals products, for a consideration of EUR 8.78m.
Deal Type	Acquisition, Private, Domestic
Enterprise Value GBP(m)	£7.6
Revenue GBP(m)	-
EBITDA GBP(m)	-
EBIT GBP(m)	-
Revenue Multiple	-
EBIT Multiple	-
EBITDA Multiple	-
PE Multiple	-

Target Company	Bidder Company
Newchurch Limited	**Tribal Group PLC**
Consultancy and development services to the healthcare market	Subsidiaries engaged in the provision of consultancy and professional support services. Customers lie within education, health and local authority sectors

Month	January
Deal Value GBP (m)	£6.0

Deal Description

Tribal Group plc has acquired Newchurch limited for a total consideration of GBP 7.475m. Under the terms of agreement, the consideration structure comprised of up to GBP5m, which included GBP 6.75m as the enterprise value of Newchurch, GBP 0.725m of surplus cash balances and GBP 3.0m in respect of carried forward tax losses. GBP 5m paid by Tribal in terms of cash and equity on the completion of transaction, GBP 3m paid on or before 31 March 2009 depends upon the profit of Newchurch for the years ended 31 December 2008 and GBP 2.5m paid as combine of cash and tribal loan notes by way of deferred consideration. The transaction enables Tribal to improve its growing health practice and also help Newchurch to provide a broader range of expertise and services to the clients. Post acquisition, Newchurch's management team remain in place and Kingsley Manning, the Managing Director of Newchurch, joins as the senior executive of Tribal's health business

Deal Type	Acquisition, Private, Domestic
Enterprise Value GBP(m)	£6.8
Revenue GBP(m)	£3.4
EBITDA GBP(m)	-
EBIT GBP(m)	£1.1
Revenue Multiple	2.0
EBIT Multiple	6.1
EBITDA Multiple	-
PE Multiple	-

Target Company	Bidder Company
Accuma Insolvency Practitioners Limited, Wilson Phillips Limited	**Grant Thornton UK LLP**
UK based licensed insolvency practitioners	Accounting, business assurance, insolvency and restructuring, transaction advisory and tax services in the UK

Month June

Deal Value GBP (m) £5.0

Deal Description

Grant Thornton UK llp, has acquired Accuma Insolvency Practitioners limited (AIP) and Wilson Phillips limited (WPL), from Accuma group plc, the listed UK based provider of advice and customized financial solutions to debt ridden individuals, for a total consideration of GBP 5.6m. The deal value consists of direct cost of approximately GBP 0.3m and certain tax liabilities of GBP 2.6m. Additionally, Accuma Group has agreed with its principal landlord to make certain payments to relinquish its leasehold interests in 18,000 square feet of office space in Manchester city centre. AIP and WPL represented unaudited annual 2008 turnover of GBP 5m with an operating profit of approximately GBP 1m and a net assets of approximately GBP 0.5m. The disposal is in line with Accuma's view that the new IVA cases were significantly below the numbers achieved in prior periods due to general market conditions and concluded that it would not create fair value to these businesses.

Deal Type	Acquisition, Domestic, Public
Enterprise Value GBP(m)	£5.3
Revenue GBP(m)	£5.0
EBITDA GBP(m)	-
EBIT GBP(m)	£1.0
Revenue Multiple	1.1
EBIT Multiple	5.3
EBITDA Multiple	-
PE Multiple	-

Target Company	Bidder Company
Albihns IP AB	**Zacco A/S**
Sweden based intellectual property rights consultancy company	Scandinavian intellectual property rights consultancy with company HQ in Denmark

Month June

Deal Value GBP (m) £5.0

Deal Description

Zacco A/S has acquired Albihns IP AB for a consideration of USD 8.17m.

The combined entity will have approximately 600 employees in 6 countries and 210 attorneys. The offices in Sweden and Germany will be renamed as Albihns.Zacco. Hans Bertil Hakansson, the CEO of Zacco, will continue with his position and Michael Gaarmann, Albihns's CEO, will become deputy CEO of Zacco.

The acquisition is part of Zacco expansion strategy. With this acquisition, Zacco will enable to offer high quality IP services in turn to meet its customers growing demand. Moreover, the acquisition will allow the combined entity to strengthen its position in international market by integrating their wide network.

Deal Type	Acquisition, Cross Border, Private
Enterprise Value GBP(m)	£5.0
Revenue GBP(m)	-
EBITDA GBP(m)	-
EBIT GBP(m)	-
Revenue Multiple	-
EBIT Multiple	-
EBITDA Multiple	-
PE Multiple	-

Target Company	Bidder Company
Sypol Limited	**Sovereign Capital Partners LLP**
Health, safety and environmental consultancy and training	Investment management and services to a series of private equity funds

Month	August
Deal Value GBP (m)	£5.0
Deal Description	Sovereign Capital Partners LLP has acquired Sypol Limited for a cash consideration of GBP 4.5m (EUR 5.2m). Sovereign Capital has committed GBP 20m (EUR 23.16m) to Sypol to tap market opportunities and expand the business. Sypol assists a client base of 600 with an employee base of 50.

Deal Type	Acquisition, Private, Domestic, IBO
Enterprise Value GBP(m)	£4.5
Revenue GBP(m)	-
EBITDA GBP(m)	-
EBIT GBP(m)	-
Revenue Multiple	-
EBIT Multiple	-
EBITDA Multiple	-
PE Multiple	-

Target Company	Bidder Company
YKems	**Beijaflore**
France based consulting firm	France based provider of management consultancy services

Month	April
Deal Value GBP (m)	£4.0
Deal Description	Deal Description Beijaflore, has acquired YKems for a consideration of EUR 5m. YKems expertise will enhance Beijaflore's activity in the industry and will enable it to offer a complete consulting service range from strategy to business consulting.
Deal Type	Acquisition, Private, Domestic
Enterprise Value GBP(m)	£4.4
Revenue GBP(m)	-
EBITDA GBP(m)	-
EBIT GBP(m)	-
Revenue Multiple	-
EBIT Multiple	-
EBITDA Multiple	-
PE Multiple	-

Author Biographies

Paul Collins, Managing Partner

Equiteq founder and renowned industry figure Paul Collins is one of the few people in the UK to successfully grow and sell an SME consulting firm. As CEO of World Class International (WCI), Paul grew the consulting firm from 20 consultants and £4m revenues in 1995 to £63m in sales and 350 staff in 2002 when 30% of the business was sold to Private Equity at an enterprise value of £50m. The phenomenal growth of WCI was no accident. In 1995 a five year plan was developed to create a business that would have sufficient size to attract an equity investment. Paul, a frequently-requested speaker on the art of selling consulting services and M&A Strategy, is enthusiastic and passionate about sharing the lessons he has learnt on why, when and how to sell a consulting business for maximum value. Paul began his career at IBM in the early 980s where he met David Cheesman and discovered the 'World Class Manufacturing' and 'Just in Time' techniques that led to the formation of WCI Consulting in 1986.

Key Facts on Paul:

1. Grew his consulting firm from £4m revenues to £63m in seven years
2. Made 11 millionaires in his senior team due to a successful sale to a venture capitalist
3. Is a twice winner of Sunday Times 'Best Company to Work For' Award
4. As a consultant, helped Microsoft transform their entire European supply chain
5. Is a keen fly fisherman and finds it the ideal way to relax after a hectic day's consulting!

David Cheesman, Partner

Director David Cheesman describes his job as 'the short-term pain of looking at how you operate, for the long-term gain of building a valuable business.' Having overseen the award winning operations of one of the UK's highest performing SME consulting firms, David has a wealth of knowledge in the key areas for focus when growing and realising equity. David has successfully delivered many large operational change programmes, including transforming a loss making business into one that generated double digit profit and growth, developing innovative new business models that help serve clients better, and overseeing a number of lucrative mergers and acquisitions. David – a keen sailor – lives in Hamble, Hampshire, and has enjoyed a long and varied working relationship with Equiteq founder, Paul Collins. Whilst at IBM David met Paul and became his first employee when Paul started his consulting firm WCI back in 1986. Together they grew it from scratch to a thriving £63m business with clients such as Microsoft, the NHS and Pfizer.

Key Facts on David:

1. Led a team who won a prestigious award for their Supply Chain Consulting for a Media client (award from the Supply Chain Council)
2. Developer of innovative new business models for consulting firms
3. Sector experience outside of professional services includes Financial Services, Healthcare, Life Sciences and Manufacturing
4. Masterminded the operations of one of the UK's premier SME consulting firms
5. If he has vanished and the wind is up, David can probably be found on his yacht near the Hamble!

notes

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