



Consulting & Digital

Quarterly Report
Q2 2021



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GREG FINCKE
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Greg is a Managing Director at Equiteq for North America. Greg works with owners to understand their goals for both themselves and their firms. He then brings together the necessary resources to deliver solutions to meet their objectives. Greg draws on his diverse business background to help owners think through what they want to achieve and when.

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The state of M&A in the Consulting & Digital segments in Q2

The late 2020 rebound shows no signs of letting up as a convergence of economic, psychological, and personal financial factors continue to drive high levels of M&A activity in both the Management Consulting and Technology Services sectors. With many sensing a corner has been turned in the fight against COVID, the combination of persisting dry powder and the ongoing, albeit uneven, re-opening of global economies, is proving too hard to ignore for buyers despite this very much remaining a sellers' market.

Looking at the data, it should come as no surprise to see significant increases in the number of deals being made year-on-year for Q2, with Management Consulting seeing a

35% increase in deal count and IT/Technology Services experiencing a 53% increase. However, while market activity remains high, deal count dropped almost 20% in the quarter for both sectors. Despite fewer deals being completed, the white-hot market has driven remarkable multiple valuations in Q2, leading to huge increases in total deal valuations over the quarter.

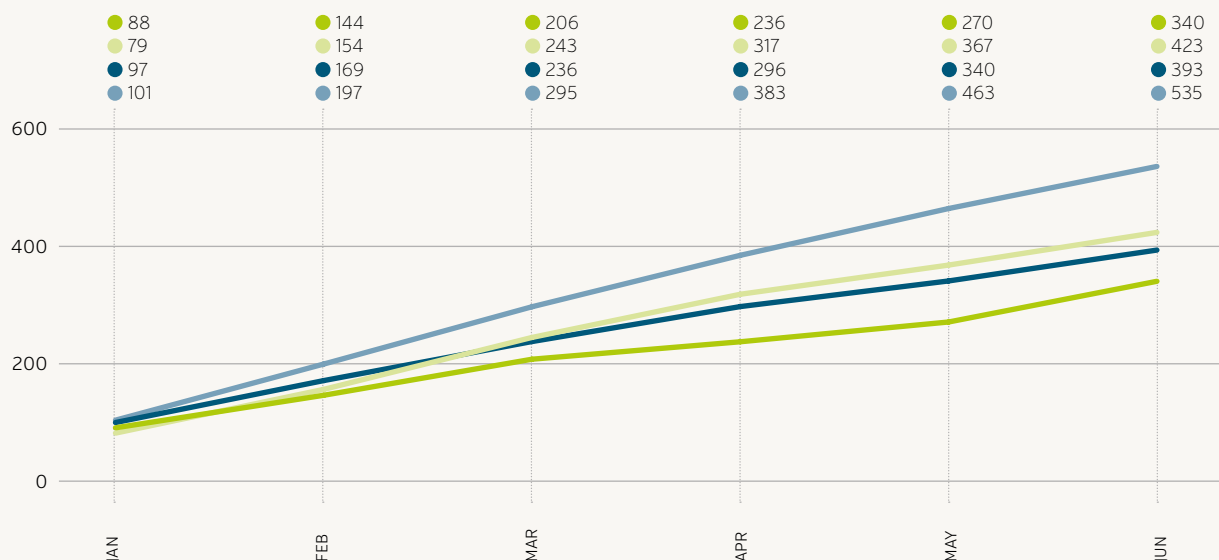
Management Consulting saw 26% fewer deals made in Q2 compared to Q1. As a result of the seasonal dip in deal volume, we also saw a lower quarterly total transaction valuation of \$3.3bn. Whereas, IT services saw a 95% increase in total deal valuation from Q1 to Q2, up from \$4.4bn to a huge \$8.8bn. Clearly the pendulum continues to

“**The strong rebound in M&A shows no signs of letting up**”

YEAR-ON-YEAR H1 CUMULATIVE DEAL COUNT

Management Consulting & IT Services

Management Consulting 2020 IT Services 2020
Management Consulting 2021 IT Services 2021



swing in sellers' favour as an ongoing scarcity of high-quality opportunities forces buyers to dig ever deeper into their pockets.

But how long will this last? It's hard to say when the factors driving such tailwinds continue to blow strongly with little sign of letting up. While we may not have seen megadeals on the same scale as Q1, we are seeing a real push for lots of big market deals among acquirers. Private Equity buyers remain keen to both deploy liquidity and to rapidly build up and bolt on capabilities. Case in point, BC Partners acquisition of a major stake in the UK-based digital services agency, Valtech - a \$1.4bn deal that enables greater access to digital services and CX capabilities.

KEY DRIVERS

Driving such activity is a number of factors. The stock market is in and around an all-time high, dry powder remains plentiful, and interest rates are still low, all of which is enabling buyers to pay the higher multiples that we are currently seeing. Likewise, time is a key factor. Both in terms of making the most of the remaining time

before expected capital gains taxes are implemented in the US next year, and in having seen enough time pass since the start of the pandemic last year.

"Now that we're in July 2021, the trailing 12-month performance for most companies is pretty good. People are looking at their financials and feeling like they're in a good place to do a deal," notes Greg Fincke, Managing Director at Equiteq in Boston, USA. "Whereas earlier in the year, they still had the impact of COVID during April, May, and June 2020 in their rear-view window and that would've impacted valuations."

Alongside this 12-month trailing breathing space, sits the increased recognition of the value that management consultancies and technology services firms can offer in enabling large enterprises to move at pace in a digital economy. From helping companies adopt digital transformation strategies and adapt their workforce to a changing environment, to the more technical sides of standing up technology platforms and integrating them across the enterprise as a way to drive transformation. As a result of COVID such activities are now not only seen

as more important than they were previously, but they are increasingly recognised as recurring revenue opportunities by acquirers.

"Previously, we never thought of implementing software as a kind of recurring revenue," says Fincke. "But there are always going to be more Salesforce and SAP projects to implement and integrate, which means you can see them more as recurring revenue than just one-off projects that never materialize again."

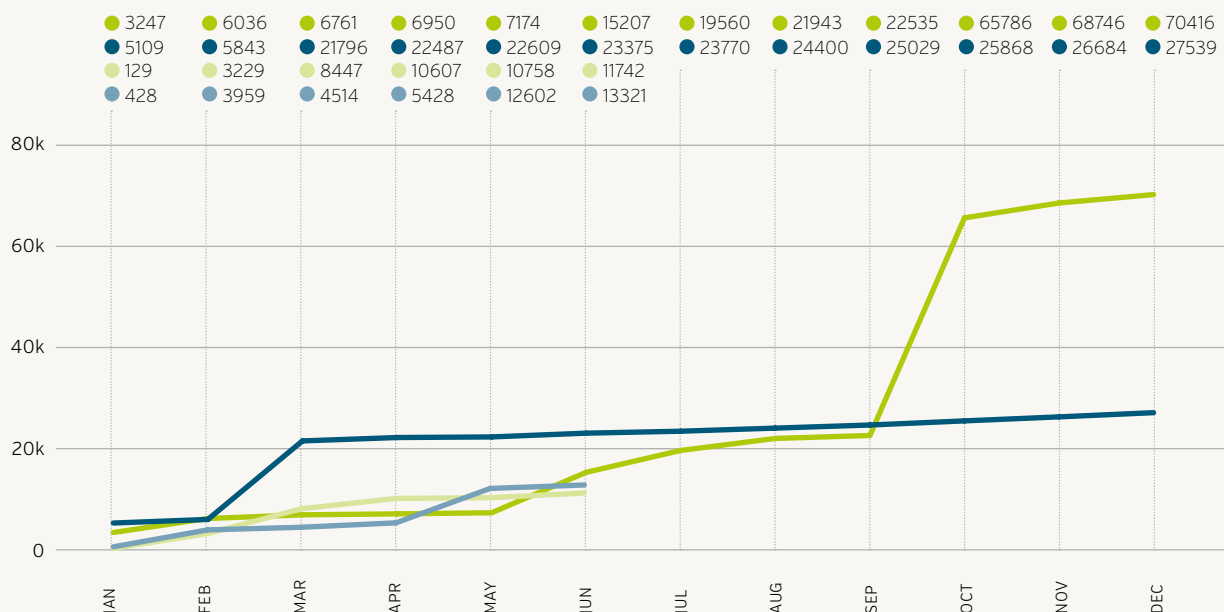
In fact, both the SAP and Salesforce ecosystems have come on strong again during Q2, especially with SAP looking to move users onto their latest technology platform HANA, which is only fuelling the need for even more implementation support. Likewise, the pent-up demand to move onto the public cloud means that the Google Cloud, Azure and AWS ecosystems are bursting at the seams with backlogs larger than revenues. Add to this a scarcity of talent and firms that know how to execute such transformations and it's clear where buyer interests lie.

Kerv's acquisition of cloudThing, one of the UK's fastest growing tech companies, in May is indicative of such trends, bolting on much

MONTHLY CUMULATIVE DEAL VALUE (US \$, MILLIONS)

Management Consulting & IT Services

Management Consulting 2020 IT Services 2020
Management Consulting 2021 IT Services 2021



desired digital transformation capabilities to Kerv's existing cloud managed services and infrastructure transformation skillset.

The growth of many tech services companies is now constrained by lack of talent. The acquisition of those companies which have that talent, or that can develop it quickly, is likely to trend upwards for the foreseeable future. In this sense, we are also likely to continue seeing the broader nearshoring trend persist.

"The ability to solve that resource scarcity is a key factor," says Jerome Glynn-Smith, Managing Director at Equiteq in London, UK. "Companies in Western Europe or the US that have a significant amount of delivery in Central or Eastern Europe, or LATAM, and can offer the ability to scale, to deploy a team of 10 or 15 overnight on a project, are very attractive right now."

THE PREVALENCE OF PRIVATE EQUITY

It's for this reason that we have seen a great deal of activity in both sectors from major PE and Strategic players, with Accenture alone closing 16 deals in Q2. Among these was one of the global consulting giant's biggest deals in recent times in the acquisition of German engineering advisory company Umlaut, with this bolt-on adding an additional 4,000 professionals to Accenture's Industry X intelligence offering.

In turn, the high multiples and levels of activity among Strategics like Accenture, has also built greater confidence among PE buyers that if they do make a deal, then not only will there be plenty of interested parties if they seek an exit in a few years' time but that they will likely see a comparable return on their equity investment.

Despite still being relative newcomers to both sectors, PE's increasing presence and activity in the space also signals a step change in understanding among sellers, who are becoming more accepting of how private equity works and how that can be a good fit for their business.

"We're actually seeing more of our clients have an interest in private equity," says Finke. "And this is because in our space they're not cost-cutters. They're actively looking to grow equity value and help entrepreneurs take their business to the next level, which can be



There is a great deal of activity in both sectors from major PE and Strategic players

very financially rewarding for all parties."

However, even with greater PE activity in the space, especially among PE-backed Strategics who are one of the most significant buyer groups across all processes right now, it will be worth keeping tabs on just how long this interest persists.

"If market trends head where we expect, it'll be interesting to see whether Private Equity gets comfortable with valuations that are higher than what they paid for the initial platform," adds Glynn-Smith.

THE DIRECTION OF TRAVEL

So what is the direction of travel for H2? With more and more sellers coming out the woodwork, lured by a combination of abnormally high activity over the past two quarters and a desire to participate in the consolidation of their ecosystem, many are already looking at the horizon towards the viability of a deal in 2022.

While the re-opening of global economies and travel routes may facilitate more cross-border deals, particularly between mid-market companies, with capital gains tax increases on the cards in the US and the broader spectre of inflation in Europe, we predict that the acceleration in deal volumes may start to falter.

The question then is what knock-on effect this has on multiples - we're already at record highs, so will this increase even further as buyer demand outstrips supply and higher multiples are demanded to satisfy net cash requirements?

One thing for sure is that with the persisting tailwinds of "post"-pandemic activity still blowing strongly and a strong trailing 12-months behind them, now is the time for both buyers and sellers to start thinking a little differently about their plans for M&A. ●

35%

more Management Consulting deals completed in Q2 2021 than in Q2 2020

53%

more IT Services deals completed in Q2 2021 than in Q2 2020

Q2 2021

Consulting & Digital segment key deals

1

Accenture acquires
Novetta



- Accenture has entered into an agreement to acquire Novetta, an advanced analytics company serving U.S. federal organizations
- Novetta's team of 1,300 – which include software developers, data scientists, and specialists in AI, machine learning, cyber, cloud, and information exploitation – will join Accenture Federal Services' group of more than 10,500 employees.
- The sale of Novetta represents an exit by The Carlyle Group, which first acquired that company in 2015 from fellow private equity firm Arlington Capital.

2

NTT Data acquires
Nexient



- NTT Data closed its acquisition of Nexient, the US's largest wholly domestic software services provider.
- Nexient's team of several hundred software developers represent a substantial addition of talent to NTT Data's portfolio, bringing expertise in agile, cloud-native application design and development.
- The deal marks the seventh acquisition close for NTT DATA Services in the last two and a half years.

3

Accenture acquires
Root



- Accenture has acquired Root Inc, onboarding 130 experts with years of experience helping Global 2000 organizations activate strategies and transform cultures.
- The acquisition follows hot on the heels of Accenture's recent Talent & Organization / Human Potential acquisitions – fable+, Cirrus, Future State (profiled in our last quarterly report), and Kates Kesler
- It comes as Accenture continues to invest in those change and people management competencies that augment its aggressive drive into digital transformation services.

4

Business Integration
Partners acquires
Advantis



- CVC Capital Partners acquired a majority stake in Business Integration Partners (BIP) from Apax Partners earlier this year. Through this partnership, the company will build out its digital transformation offerings and focus on international expansion.
- As part of its growth efforts, BIP has acquired Advantis, a 40-person IT strategy consultancy based in Colombia.
- With this acquisition, Advantis' digital transformation expertise and client base will be leveraged by BIP. BIP also further increases its industry expertise and presence in Colombia.

5

Rizing
acquires AttuneRIZING
attune

- Rizing has announced the acquisition of attune Consulting, the SAP S/4HANA partner that focuses on solutions for fashion.
- attune's team of 500 joins Rizing's professional services firm focused exclusively on SAP with offices in 11 countries
- One Equity Partners backed Rizing in January 2018 - attune is the fourth and largest acquisition made by the Rizing platform since this investment.

6

Alpha FMC acquires
Lionpoint HoldingsAlpha
LIONPOINT

- Equiteq advised Lionpoint Group, a 150-person technology enablement and operations advisory firm based in New York, on its sale to Alpha FMC.
- Through Lionpoint's global footprint, Alpha FMC will now enter the North American markets with more exposure to alternative investments.
- With Lionpoint's offerings, client base, and partnerships, Alpha FMC expects this acquisition to help double the business within four years.

7

UKFast
acquires ANSUKFAST®
ans

- Inflexion investment UKFast to acquire ANS's team of 270 digital transformation specialists.
- The newly combined group will bring together ANS's public cloud, DevOps, applications, and data expertise with UKFast's leadership in private cloud, hosting and security.
- Together, the companies seek to exploit the rapid market growth opportunity for digital and cloud services.

8

Kerv Group acquires
cloudThingkerv
cloud
«Thing»

- With a focus on its growth trajectory in 2021, Kerv has made its fifth and largest acquisition within a year. Equiteq advised Kerv on its acquisition of cloudThing, a 220-person UK based market leader in digital transformation.
- The major demand in digital transformation over the past year makes the acquisition of cloudThing a significant opportunity for Kerv to enter into this hot space.
- cloudThing will function as a division of Kerv and combine its digital transformation offerings with Kerv's focus on cloud managed services and infrastructure transformation.

9

Sapphire Systems
acquires Opal Wavesapphire
OPAL
WAVE

- Equiteq advised Opal Wave, a 40-person UK-based enterprise performance management and business intelligence specialist, on its acquisition by Sapphire Systems.
- The acquisition of Opal Wave marks Sapphire Systems' fourth of the year as they continue to focus on growing the company organically and inorganically.
- Opal Wave joins a larger organization and benefits from Sapphire Systems' digital operations offerings and large client base. As experts in SAP, Opal Wave advances Sapphire Systems' capabilities in EPM, BI, and cloud.

Case study

Opal Wave joins Sapphire Systems

Opal Wave is a specialist SAP Enterprise Performance Management (EPM) consulting firm, which provides software, lifecycle services, managed and cloud hosting services to enterprise customers across a wide range of industries and international geographies. The firm's EPM expertise includes SAP Business Planning and Consolidation (SAP BPC), SAP Analytics Cloud (SAC), S/4 HANA Finance Group Reporting as well as leading SAP Platform and Hosting services.

Equiteq has worked with Opal Wave since 2017, providing strategic guidance on how to maximise equity value across multiple areas – from definition of value proposition, to account management, sales and marketing, business planning and leadership development.


Consequently, Opal Wave's team delivered a substantial strengthening in the company's operating platform and demonstrated increasingly best-in-class growth and other financial metrics, giving a strong position to navigate the inevitable inbound interest in the company.

Equiteq helped Opal Wave's shareholders deal with these approaches, ultimately resulting in a transaction with Sapphire Systems, a leading enterprise software applications and digital operating technology provider to 1,000 mid-market and enterprise customers worldwide.

Sapphire themselves represent a classic Knowledge Economy story: high growth and profitability since inception. Having grown to over 250 people by 2020, a significant investment by Horizon Capital constituted that fund's first platform investment in the ERP space. With plans to quadruple the size of its business over the next three years, Opal Wave represented Sapphire's fourth acquisition of 2021.

Sapphire faces some competition, however, in the intensely active SAP services partner M&A market. Not only

are there a number of other financial-sponsor-backed platforms seeking similar assets (e.g. Rizing), but in-sector consolidation continues apace with dominant strategic players continuing to gain market share inorganically.

We believe the SAP partner ecosystem will continue to go through this major phase of consolidation. Sellers that have developed a niche offering / geographic presence will make a particularly appealing acquisition target for a larger firm that is 'underweight' in their area and cannot easily rectify this through organic growth. 

Client testimonial

"We have worked with Equiteq over a number of years, benefitting from their guidance in growing the business ahead of them supporting us through our sale to Sapphire Systems. Throughout the transaction, the Equiteq team was crucial, helping us understand and deal with everything in what was a complex and intense process. Their efforts and support allowed us to not only complete what was an excellent deal, but also manage to do that with minimum disruption to the business which, in retrospect, was quite a feat."

Simon Bell,
Director & Founder, Opal Wave

Equiteq comment

"It was a pleasure to support the Opal Wave trio of shareholders in their transaction with Sapphire Systems. It's great to have played a part in their growth journey through to this exciting outcome, joining an ambitious UK private equity-backed platform in enterprise technology transformation. This transaction reflects the value of specialist capabilities such as data and analytics as part of successful private equity buy-and-build strategies; meeting the needs of customers that are increasingly requiring end-to-end solutions to complex transformation projects."

Jerome Glynn-Smith,
Managing Director, Equiteq

Meet **Equiteq's** Consulting & Digital team

We are the leading global investment bank
for the Knowledge Economy

Equiteq is the leading specialist in Knowledge Economy investment thanks to our first-hand insight and research, our close relationship with the key acquirers in the sector, and through the deals we complete.

Who are we?

Equiteq is a fast-growing, global M&A specialist in the Management Consulting and Technology Services space. We buy and sell the world's smartest knowledge-based and technology firms. Being close to active buyers and investors helps us to understand their acquisition needs and this informs how we can add value to founders who want to sell their businesses.


Heading up our Management Consulting and Technology Services divisions are our Managing Directors, **Greg Fincke** and **Adam Tindall**, who oversee North America, and **Jerome Glynn-Smith**, who oversees Europe.

Why Equiteq?

We are the recognized specialist advisor in the Knowledge Economy where intellectual property has historically been delivered through people in consulting firms, but more and more is delivered in combination with technology. As marketplace change accelerates, our specialist division heads are ideally placed to support both the buying and selling of Management Consultancies and Technology Services firms within Knowledge Economy.

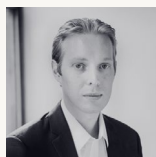
Our benchmarking studies – produced for the last 15 years – have become the industry standard and are supported with detailed insight reports on a range of disciplines within our sector.

Our aim

It's simple – our goal is to bring you to the smartest deal. 



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Equiteq Services

Our clients sit at the heart of every transaction we advise upon, whether helping you to dramatically increase your return on M&A or by helping you to achieve the best possible valuation.

Our services in the Knowledge Economy cover four key areas:

Buy Advisory

Equiteq supports strategic acquirers and financial sponsors seeking to dramatically increase their returns on M&A in knowledge-based and technology services businesses. After 15 years exclusively advising owners of firms towards exit, we have the assets, systems and experience to help you enhance and execute your M&A strategy.

Sell Advisory

Equiteq supports owners of innovative knowledge-based and technology firms seeking to realize equity value. We advise on all aspects of M&A, from helping ambitious owners find capital to inject into their business to accelerate growth, through to a full company sale. We use our unparalleled understanding, experience and access to find you the right buyer or investor, at the best price and terms.

Corporate Divestitures

We work with corporations to meet their divestiture objectives, including disposal of non-core or underperforming assets that either have synergistic potential within other businesses or could form part of a private equity portfolio investment. After 15 years exclusively advising owners of firms in the sector towards exit, Equiteq has the people, processes, sector insight and market access to deliver your transaction at the right price and with preferred deal terms.

Strategic Deal Origination

We work with strategic acquirers and financial sponsors to develop detailed, insight-driven plans for investment into new markets. By leveraging our sector insight and purpose-built methodology, we can rapidly convert an attractive investment thesis 'on paper' into an actionable plan to realize the opportunity, helping you to exploit key innovation trends through a less crowded, lower risk route. 

Equiteq Q2 highlights

Our team remained active throughout Q2, advising on deals to ensure the best results for all parties, as well as sharing their expertise in our market-leading reports and webinars.

Here are our Q2 highlights. To find out more please click the 'find out more' link beneath the relevant topic.

Reports

Cloud Services Report 2021

Key market themes and observations, market valuation drivers and recent M&A transactions in the cloud services market.

[Find out more](#)

Microsoft Dynamics Partner Report 2021

Key market themes and observations, market valuation drivers and recent M&A transactions in the Microsoft partners ecosystem.

[Find out more](#)

M&A Trends 2021 Report

Read our team's expert opinions on the eight key trends shaping M&A activity in the Knowledge Economy and the impact they will have in 2021.

[Find out more](#)

M&A activity in the Knowledge Economy Report Q2 2021

This report compiles quarterly M&A activity and trends insights from our team of experts across the Knowledge Economy. Its goal is to keep you well-informed and improve your critical business decision-making capabilities.

[Find out more](#)

Events

M&A Update: How to stand out in a crowded market

Equiteq's prediction for global M&A activity in the Knowledge Economy is for a full-throttle boom of activity in 2021. In this webinar, the Equiteq team provide a global perspective, supported by direct research and recent deals.

[Find out more](#)

Environmental Analyst Global Business Summit

Equiteq was an event Partner for this four-day summit across June 2021. Watch the discussion on global M&A in the environmental and sustainability services market here:

[Find out more](#)

Deals

Equiteq advises economics consultant Economists Incorporated on its sale to Secretariat (Jul 2021)

[Find out more](#)

Equiteq advises Opal Wave on its acquisition by Sapphire Systems (June 2021)

[Find out more](#)

Equiteq advises Lionpoint Group on its sale to Alpha FMC (May 2021)

[Find out more](#)

Equiteq advises Pythagoras Communications on its sale to E&Y (May 2021)

[Find out more](#)

Equiteq advises Kerv on its acquisition of cloudThing (May 2021)

[Find out more](#)

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