

## Was 2015 the high water point of the current phase of consolidation in the consulting industry?

- We were in New York the day Capgemini's acquisition of Fahrenheit 212 was announced in February 2016. Without exception, every consulting firm we met that day claimed to have looked at Fahrenheit 212. Some were dismissive about the value the deal would create for Capgemini, which is tempting to ascribe to sour grapes. However, the more serious and thoughtful people we spoke to raised questions over the amount paid.
- Valuation levels were certainly one of the factors the people we interviewed for our report, **M&A: Is it adding any value?**, pointed to to explain what most felt to be a bit of a slowdown in activity, but it wasn't the only one. Some pointed to a dearth in the number of attractive acquisition targets, reinforcing Source's First Law of M&A, that the companies you'd most like to buy aren't for sale, and those that are for sale are the ones you'd least like to buy. Others argued that, with so many deals, some sizeable, concluded in the previous year, consolidation would need to be consolidated—at least for the moment.
- Focusing on acquisitions by or of consulting firms (and we have a fairly strict definition of what constitutes "consulting"), we've counted 168 deals up to the end of August. To put this in context, 2015 saw two and a half times as many acquisitions by consulting firms than 2014 (we counted almost 400)—and that was on top of a similar increase the year before. However, at the current rate of progress, based on a like-for-like comparison with previous years up to the end of August, we expect the figure for 2016 to be down by about 20%.

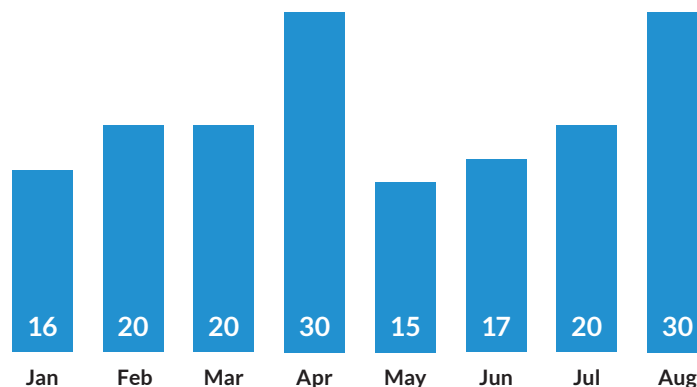
## Who's shopping in 2016?

- Technology firms. In 62 of the 168 deals we've counted this year so far, the acquirer has been a technology firm, 10 of which were by Accenture, and seven by IBM. The Big Four have been the next most acquisitive bunch, making 34 acquisitions over the same period. Deloitte, EY, and PwC have all carried out a similar number of deals, but KPMG, perhaps because it's been so successful in concluding deals over the last couple of years, was less obviously active. Type S firms, however, remain the least acquisitive segment within the consulting industry overall.

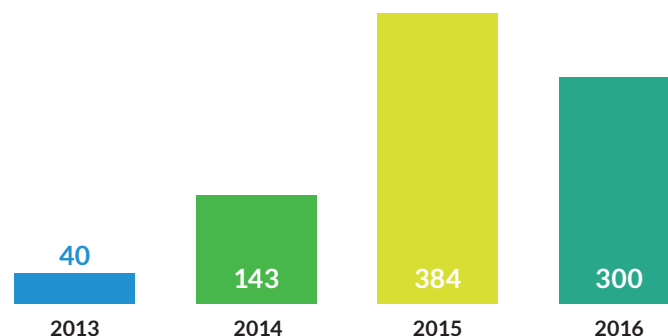
## Who are the "other"?

- A sixth of deals this year have been done by firms outside mainstream consulting. However, if you think that means digital agencies, media and advertising companies, think again. The most active "other" group so far this year have been property and real estate companies, such as Cushman & Wakefield, Savills, and Jones Lang LaSalle. Resourcing and temporary staffing companies (e.g., Adecco and Reed Group) have also completed deals, suggesting that the line between bona fide consulting and contracting/staff augmentation looks set to become even more blurred. In the insurance broking and consulting space, Marsh & McLennan Agency has made several acquisitions.

Deal numbers January–August 2016



Estimated/expected number of deals 2013–2016



### Source firm categorisation

**Type A:** Consulting alongside audit, tax, and corporate finance services

**Type E:** Engineering consulting

**Type M:** Management consulting/boutiques

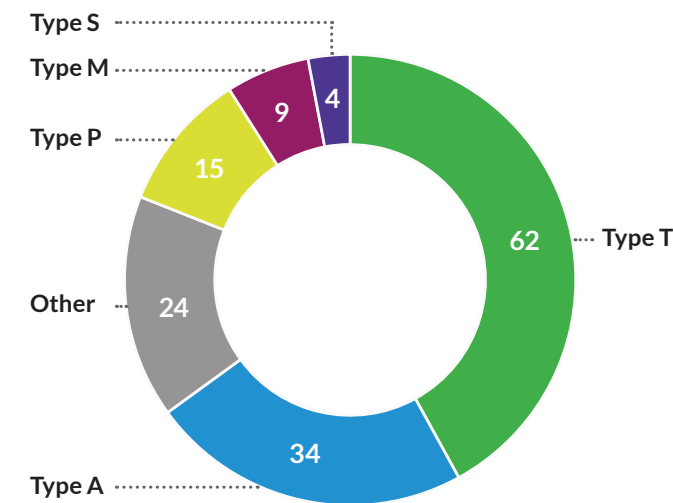
**Type P:** Consulting on people-related issues, but also investment advice, risk and benefits management

**Type O:** Non-consulting firms including private equity

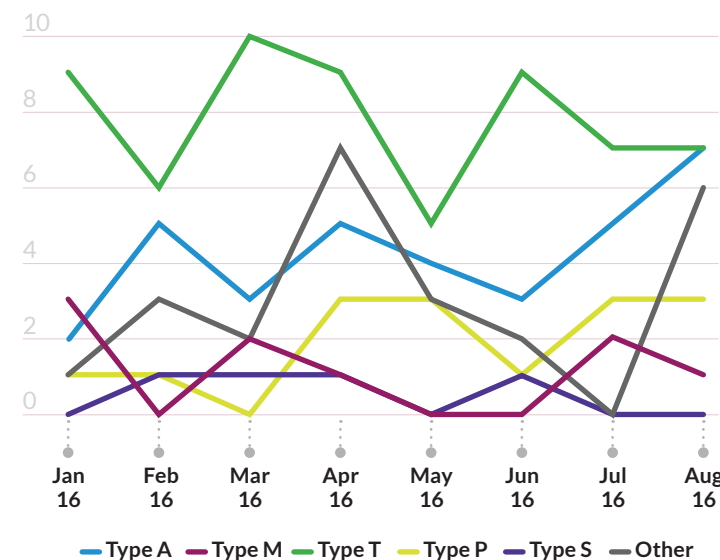
**Type S:** Consulting on strategic decisions and operations alongside M&A-related work

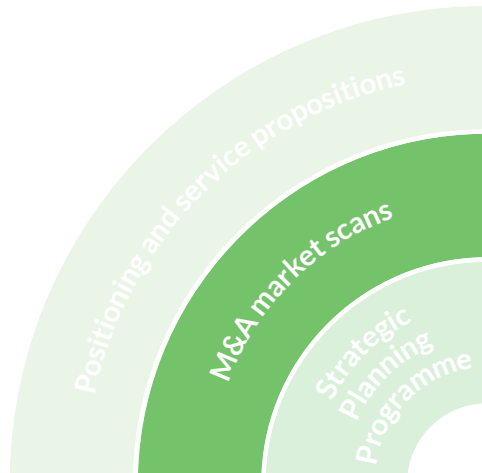
**Type T:** Firms that either specialise in technology or combine technology, outsourcing, and management consulting

Number of deals by type of firm



Number of deals by month and type of firm





## Margaret Cameron-Waller

Margaret has been at Source since April 2013. She has a depth of experience in management consulting, having worked for some of the world's leading consulting firms including PricewaterhouseCoopers and Booz & Co. She has also been a client for consulting services through her six year career at Prudential UK.



## M&A market scans

### What it is

We're frequently approached by the world's leading consulting firms to help them identify targets for acquisition, or with whom to form strategic partnerships. In many cases we have a head start: Our knowledge of the market and our relationships mean that we usually have ideas about potential targets before we even start work on the project. We take them from longlist to shortlist and on to in-depth profiling of potential targets where required.

### Who it's for

Our work in this area tends to be bought by the most senior people within consulting firms, and particularly by those responsible for M&A.

### How it helps

We get you to the right target, quickly.

### Why us?

Our customers come to us because we are independent and can quickly give them a clear picture of the opportunities open to them. We also have the relationships, data, knowledge and experience to find them the right targets, quickly.

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