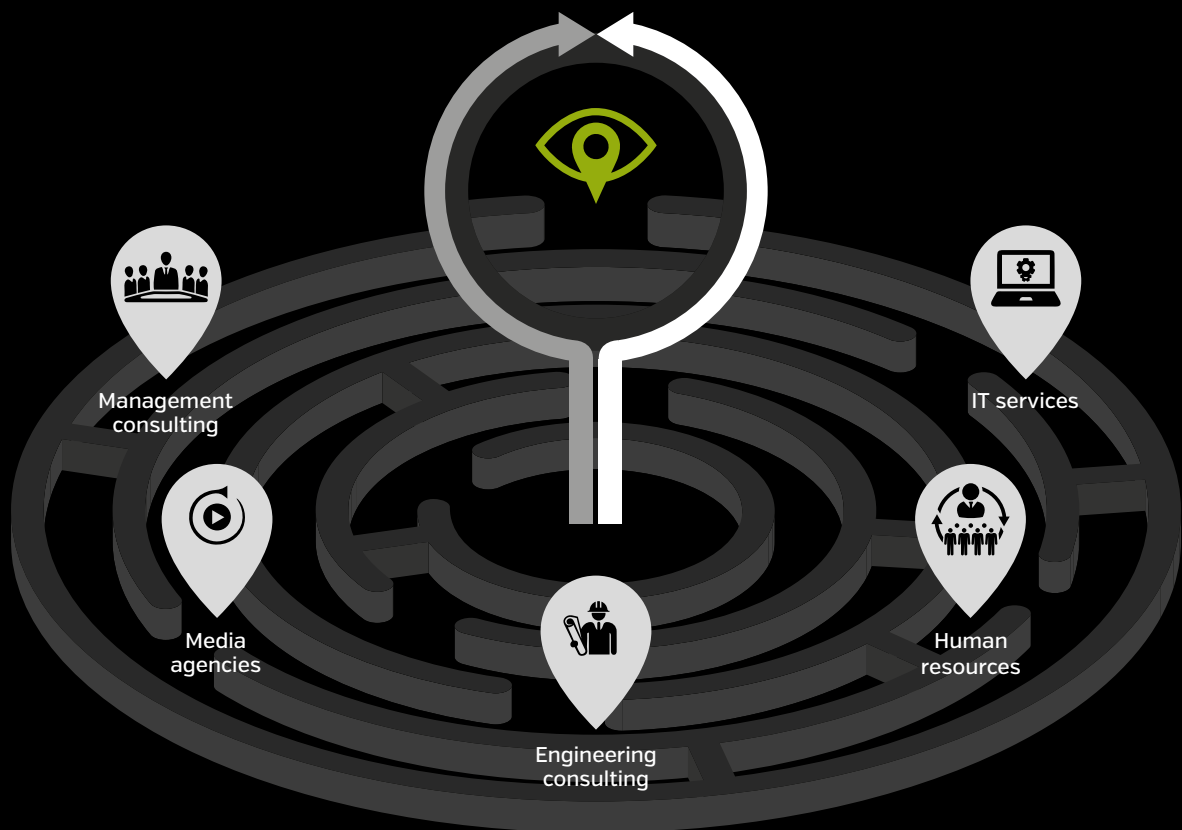


The Knowledge Economy Global Buyers Report 2020

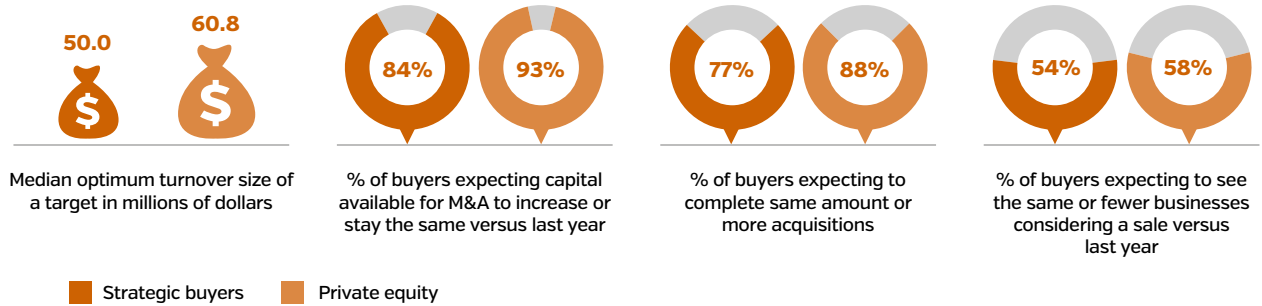
Key findings





Key findings

Strong propensity for larger deals, driven by expectations of robust levels of capital being available for M&A, particularly for private equity investors



A major driver of M&A is digital transformation, while buyers are also monitoring the potential headwinds from economic and political instability

Biggest drivers of M&A activity

- Latest capabilities to advise clients on new digital technologies
- New industry specialisms
- Broader service offering
- New service-enhancing digital tools

Biggest potential headwinds that could dampen M&A in the next 12 months

- An economic downturn
- An industry specific slowdown
- Interest rate rises
- Political instability or uncertainty

Clients are demanding advisory services around these technologies

- Immersive technologies, like virtual reality
- Artificial intelligence & machine learning
- Blockchain
- Robotics & process automation
- Cyber security
- Cloud computing
- Internet of Things and connected systems
- Data analytics
- Application modernization

Note: Tag clouds show importance of the tags from our buyer survey results, as reflected by font size. Larger fonts indicate higher average importance and smaller font size indicate lower average importance.

A competitive M&A market is maintaining upward pressure on pricing and deal structures

The mean adjusted EBITDA valuation multiples buyers would expect to apply to a 20% EBITDA margin acquisition opportunity have risen since last year's survey



The anticipated mean deal structure targeted by buyers has become more competitive as compared with last year's survey

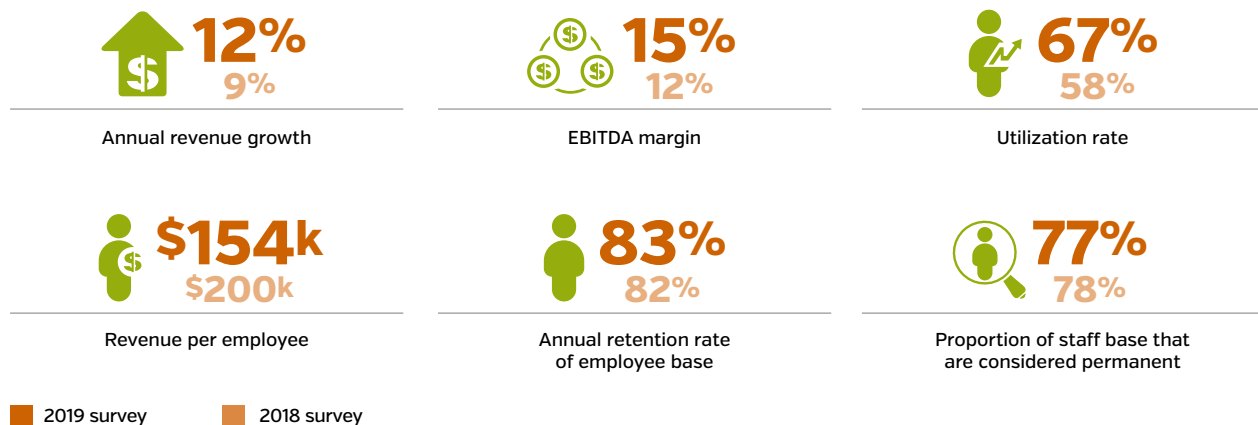


Pricing and deal structures are dependent upon an assessment of a variety of quantitative and qualitative metrics

Top 3 business attributes assessed by buyers remain broadly consistent with last year's survey

Quantitative	Qualitative
Revenue growth	Size and quality of client base
EBITDA margin	Quality of management
EBITDA growth	Strategy of the business

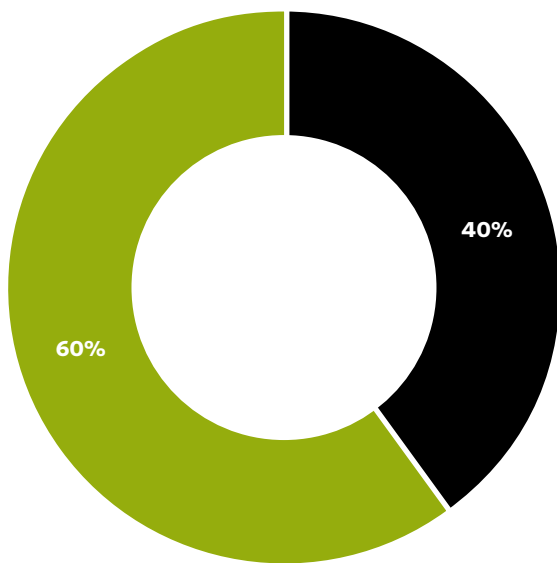
Minimum acceptable revenue per employee has reduced, whereas thresholds for revenue growth, EBITDA margin and utilization have increased



About the survey & scoring methodology

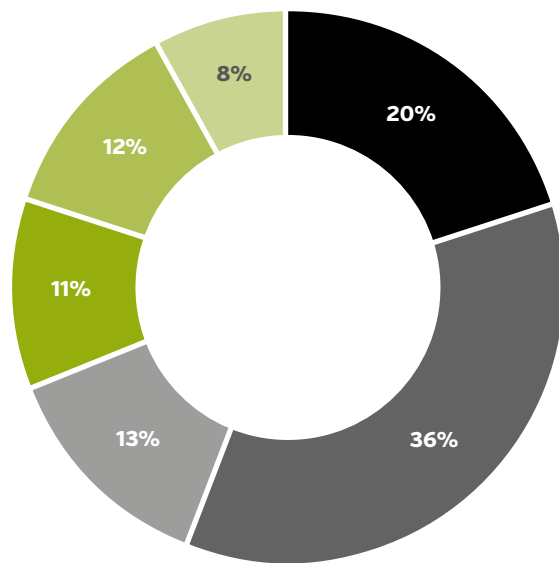
We commissioned independent research of partners, board members and M&A leads, as well as their reporting staff, responsible for buying knowledge economy firms around the globe. In total 101 interviews were carried out by **RONIN International** during July, August and September. The breakdown of participants is as follows:

Buyer type



- Private equity
- Strategic buyers






Seniority level of survey respondent



- Board level
- M&A lead
- Reporting into the board
- Reporting into the M&A lead
- Portfolio manager
- Reporting to portfolio manager

Key definitions

Equiteq segments the **knowledge economy** into the following five key segments, which span a broad array of **knowledge-intensive** or **knowledge-led businesses**:

 Management consulting Firms engaged in strategic or operationally-focused business advisory services.	 Engineering consulting Firms involved in professional services relating to engineering and construction.
 IT services Firms focused on IT architecture, strategy, implementation or maintenance.	 Human resources Firms engaged in human capital management or related technology consulting, employee benefit services, leadership consulting, training and recruitment.
 Media agencies Firms in this space cover all the main disciplines relating to the advertising and marketing process.	

For the purposes of this report we have broken down buyers into two groups, defined further below:

Private equity or financial buyers Investment firms investing private capital into businesses, which are typically held and exited after a hold-period.	Strategic or trade or corporate buyers Non-private equity investors that have existing businesses, which will typically make acquisitions that form part of their existing operations.
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Other important definitions of terms discussed within our findings are:

Revenue The income a business generates from normal business activities.	Retention rate The attrition rate is equal to [number of employees resigned during the year / average number of employees during the year] x 100. The retention rate is 100% minus the attrition rate.
EBITDA Earnings before interest, tax, depreciation and amortization (EBITDA) is a measure of a company's operating cash flow.	Permanent employees These are all employees hired on a permanent basis and excludes those staff considered temporary workers or contractors.
Valuation multiples The typical metrics used by a buyer to value a knowledge-led services business are enterprise value (EV) as a multiple of a seller's revenue and EV as a multiple of a seller's EBITDA (referred to as "valuation multiples"). EV is a measure of the total value of a company including debt and equity.	

About Equiteq

Equiteq is the global leader in providing strategic advisory and merger & acquisition services to owners of IP-rich technology and services businesses.

There are unique challenges to value growth and equity realization for shareholders and investors in the knowledge economy. Equiteq helps owners transform equity value and then realize maximum value through global sale processes.

Selected recent Equiteq advised deals

<p>Equiteq advised on the transaction</p> <p>Presence of IT Workforce management and HR consulting</p> <p>Sold to</p> <p>Deloitte</p>	<p>Equiteq advised on the transaction</p> <p>Mitrais Software development</p> <p>Sold to</p> <p>CAC Holdings</p>	<p>Equiteq advised on the transaction</p> <p>LRI Leading price reporting agency</p> <p>Sold to</p> <p>S&P Global Platts</p>	<p>Equiteq advised on the transaction</p> <p>WGroup IT management consulting</p> <p>Merged with</p> <p>Wavestone</p>
<p>Equiteq advised on the transaction</p> <p>Orbium Business & technology consulting</p> <p>Sold to</p> <p>Accenture</p>	<p>Equiteq advised on the transaction</p> <p>RevUnit Digital strategy & product studio</p> <p>Received strategic investment from</p> <p>Mountaingate Capital</p>	<p>Equiteq advised on the transaction</p> <p>Cervello Data analytics consulting</p> <p>Sold to</p> <p>A.T. Kearney</p>	<p>Equiteq advised on the transaction</p> <p>LightStream Data analytics</p> <p>Sold to</p> <p>ABeam Consulting</p>

Note: Images in the headers of the report relate to entrepreneurs that Equiteq have advised on the sale of their businesses.

Join Equiteq Edge, a source of information, advice, and insight to help you prepare for sale and sell your knowledge economy firm. Equiteq Edge gives you access to the findings of research conducted among buyers of knowledge-intensive firms from around the world, insight from those who have sold their businesses and expert strategic M&A advice.

Join Equiteq Edge at equiteq.com/equiteq-edge

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Equiteq has global reach through its offices in New York, London, Paris, Singapore and Sydney.

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