

M&A INDUSTRY REPORT

Business Services

FOCUS is a leading national M&A brand for the lower middle market. With over 40 years of experience, a global footprint, and hundreds of successful deals across myriad industries, FOCUS continues its mission to redefine the banker/client relationship.

Q2 2024



TABLE OF CONTENTS

03

Overview

04

Market Activity

05

Sector Spotlight:
Professional
Services

07

Recent
Transactions

08

Our Team

09

In the Market
Deals



OVERVIEW

Amidst a backdrop of strategic acquisitions and transformative digital trends, the business services sector is navigating a dynamic M&A landscape in 2Q 2024.

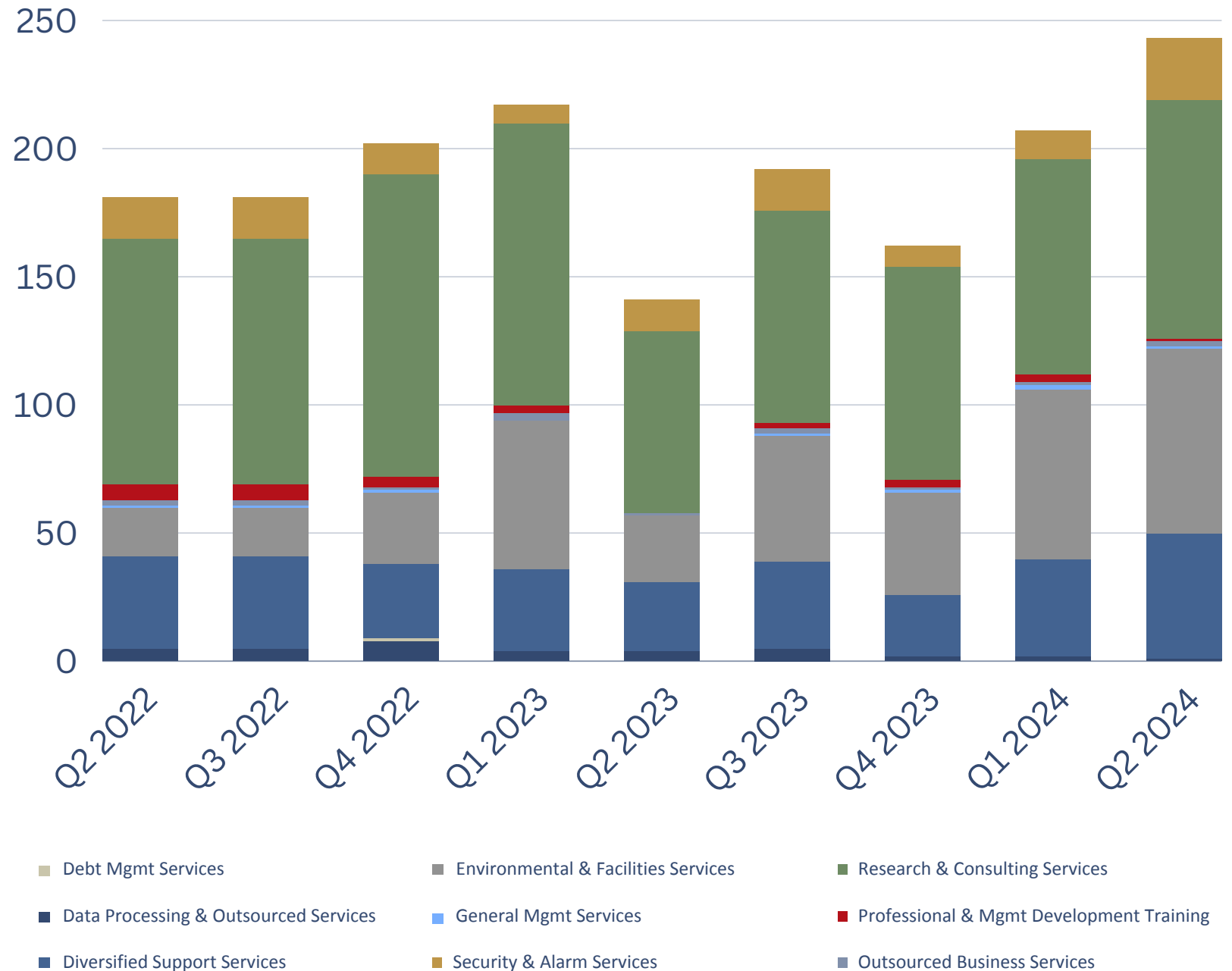
In Q2 2024, middle market M&A activity has been robust and dynamic. Several key trends have become very important:

- 1. Strategic Acquisitions:** Companies are increasingly pursuing strategic acquisitions to expand service offerings, enter new markets, or enhance operational efficiencies. This trend reflects a broader strategy of growth through consolidation and diversification.
- 2. Digital Transformation:** Business services firms are accelerating their digital transformation efforts, integrating advanced technologies like AI, cloud computing, and data analytics to improve service delivery and client engagement. M&A deals often target tech-enabled firms or innovative startups to gain a competitive edge.
- 3. Focus on ESG:** Environmental, Social, and Governance (ESG) factors are becoming integral to M&A strategies. Investors and acquirers are prioritizing targets with strong ESG practices, driven by regulatory pressures, stakeholder expectations, and the pursuit of sustainable business models.
- 4. Private Equity Activity:** Private equity firms continue to play a significant role in business services M&A, seeking platforms with scalable business models and growth potential. These investments often involve operational improvements and strategic initiatives to drive profitability and value creation.

MARKET ACTIVITY

Business Services M&A Activity

Business services M&A activity continues to increase for the third quarter as firms strategically position themselves amid economic recovery and digital transformation trends. The sector's resilience and adaptability are evident in transactions aimed at bolstering technological capabilities and expanding service offerings to meet evolving client demands. With robust investor interest and a focus on operational efficiency, businesses are leveraging M&A as a pivotal tool for growth and competitive advantage in a rapidly changing market landscape.



Source: S&P Capital IQ and FOCUS Investment Banking research

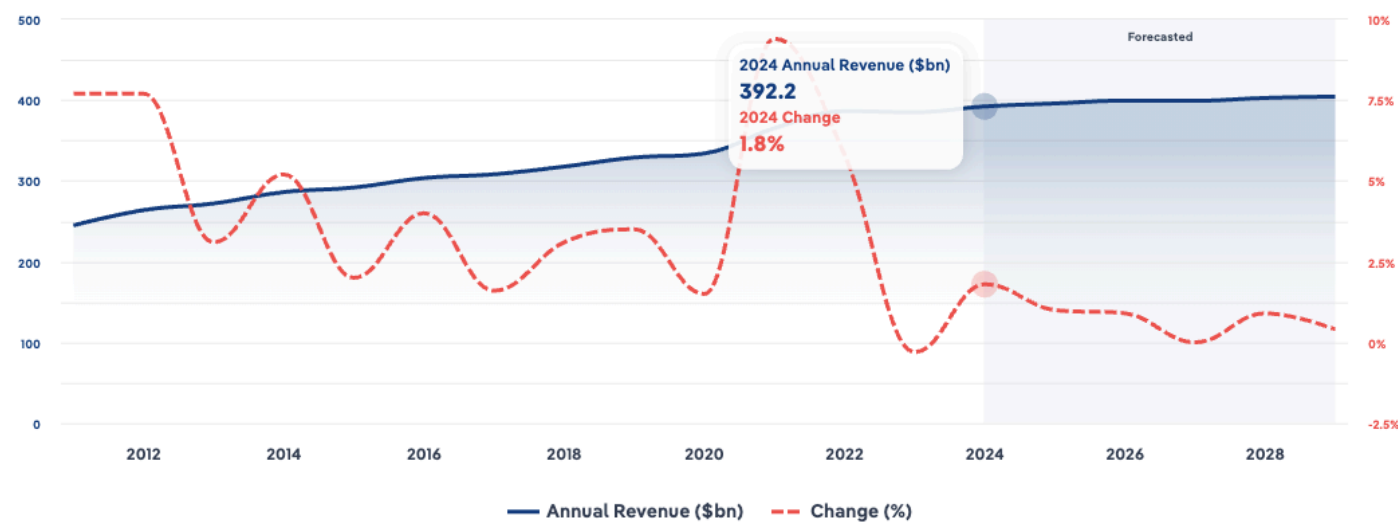
SECTOR SPOTLIGHT / PROFESSIONAL SERVICES AT A GLANCE

Logistical concern: The anticipated increase in business sentiment and aggregate private investment will boost demand

Providing varied services to diverse downstream markets with unique needs allows management consultants to weather changing economic conditions. Extreme shocks like the pandemic led to revenue declines, but sometimes clients need consulting services in bad times, which buffers revenue declines and ensures low revenue volatility. Bouncing back from pandemic-era, industry-wide revenue grew at a CAGR of 3.6% to an estimated \$392.2 billion over the past five years, including an estimated 1.8% growth rate in 2024 alone.

Technological change in client markets will drive consumers to various consulting services but challenge profit margin growth. Advisory in the age of digital transformation requires employees with unique and expert skill sets. Companies looking to advance sustainability in their businesses, further digital transformation and take advantage of big data and data analytics while marketing their products in numerous ways expand the need for experts and consultant services. The ability to hire remote workers expands the quality and scope of the labor pool. Still, at the same time, it lessens consultants' negotiating power as other firms can provide services into previously walled-off markets and hire away experts. Consulting firms in densely populated areas will no longer be tethered to locations, allowing companies to move to cities with lower facilities rent costs and find cheaper labor for some tasks, but that is true for all sized firms. Technology offers cost savings and widened markets but increased competition for labor and clients.

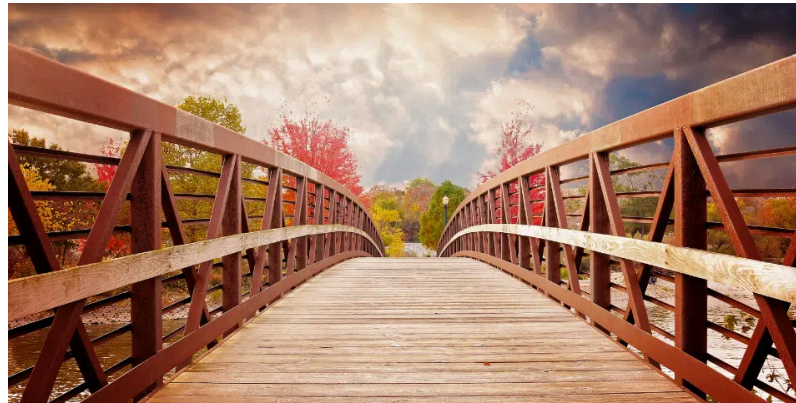
Revenue Total value (\$) and annual change from 2011 – 2029. Includes 5-year outlook.



SECTOR SPOTLIGHT

Key Takeaways: Professional Services

- Providing corporate strategy services is a strong option. These services face the highest demand among consulting offerings and could be a key driver of business growth and profitability.
- Organizational design services are key for growing companies seeking expansion. As the second most significant offering in consulting, these services provide unique and vital support to enhance structure and boost revenue potential.
- Client diversification opens various revenue niche opportunities. Serving a diverse client base from private financial companies to public government organizations allows operators to specialize and create multiple revenue streams.



Earnouts: Sometimes a “Bridge” Too Far

Earnouts in M&A deal negotiations are a vital tool, offering sellers of fast-growing companies potential extra compensation and providing buyers with a risk-reduction method. But do earnouts consistently bridge the gap between buyers and sellers in Consulting and Professional Services deals?

[Click here to read now](#)



Ownership Transfer Issues in the Sale of Professional Services Firms

Are you the owner of a Professional Services firm? If so, congratulations. Now, have you thought about how ownership stakes in privately held companies like yours get monetized? In the event of a sale, would it be you who is receiving liquidity—or are you the one providing it?

[Click here to read now](#)

DEALS

Recent Transactions

This announcement appears as a matter of record only.




has been recapitalized by




The undersigned initiated the transaction, assisted in the negotiations and acted as financial advisor to General Informatics.




This announcement appears as a matter of record only.



has been acquired by



The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Queen Consulting Group.



This announcement appears as a matter of record only.



has acquired




a wholly owned subsidiary of
Zensar



The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Business Integra.




This announcement appears as a matter of record only.




a portfolio company of


The undersigned assisted in the negotiations and acted as exclusive financial advisor to Cantey Tech Consulting.




This announcement appears as a matter of record only.




has been acquired by




The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Avar Consulting, Inc.




This announcement appears as a matter of record only.



has been acquired by



The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Stonebridge Consulting.



This announcement appears as a matter of record only.




has acquired




The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to The LABRADOR Group.




This announcement appears as a matter of record only.



has been acquired by




The undersigned assisted in negotiating the transaction and acted as financial advisor to IO Integration.




This announcement appears as a matter of record only.




has been acquired by



a portfolio company of



The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Sage Management.



This announcement appears as a matter of record only.



has been acquired by



a portfolio company of



The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to The Network Support Company, LLC.



OUR TEAM

Who We Are



Barry Calogero
Managing Director
barry.calogero@focusbankers.com



John Bradshaw
Senior Advisor
john.bradshaw@focusbankers.com



Anna Brumby White
Principal
anna.brumbywhite@focusbankers.com



Kelly Kittrell
Managing Director
kelly.kittrell@focusbankers.com



Bob Maiden
Managing Director
bob.maiden@focusbankers.com



Jim Sowers
Managing Director
jim.sowers@focusbankers.com



April Taylor
Managing Director
april.taylor@focusbankers.com



Alex Williams
Principal
alex.williams@focusbankers.com

IN THE MARKET

Accelerate (Sell Side)

Business consulting business to high tech & startup companies.

Engage (Buy Side)

Accounting firm looking for acquisition targets.

Kew (Buy Side)

Operates real estate holdings and engages in other business operations.

Surface 2 (Sell Side)

Specializes in creating renowned equestrian surfaces.

Luxe (Sell Side)

Premier appliance dealer.

Diligence (Sell Side) *Signed LOI*

Financial services firm.

ABOUT FOCUS BANKERS

FOCUS Investment Banking is a trusted name in M&A advisory services with a nationwide footprint and a global reach

Experience matters, especially when it comes to navigating the intricacies of your market. We bring senior-level experience and relatable expertise to every deal. From strategic planning to negotiations, we leverage a deep understanding of your industry to deliver customized solutions that drive the maximum value for your business.



DOWNLOAD THE FOCUS BUSINESS SERVICES INFORMATION SHEET



**Top 5
Investment
Bank 2022**

