

# Market Update

## Non-Attest Advisory Services

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Over the past decade, accounting firms and pure-play consultancies alike have recognized that growth from higher-value-add advisory services will outpace legacy core compliance practices such as audit and tax. The Client Advisory Services (“CAS”) industry grew 20% annually in 2019 and 2020, where the broader accounting services market is expected to grow at a more moderate 11% CAGR through 2026. By offering greater value via specialized services than through traditional compliance-based accounting services, firms are demanding higher bill rates and generate strong gross margins, often in excess of 45%.

The momentum within non-attest advisory services and the emergence of advisory-only firms has attracted private equity investment and offered beneficial partnerships and growth capital to founders and owners.

M&A activity in the sector has accelerated in recent years driven, by private equity investment in landmark **advisory-native platform deals**, add-on acquisitions by accounting firm advisory practices, and most recently, **platform investments in accounting firm advisory practices** as new entities distinct from their legacy compliance-focused accounting firm. In this update, we highlight the landmark deals that have shaped the space to date and provide quarterly updates on activity as the space evolves.

### Sector Coverage Team



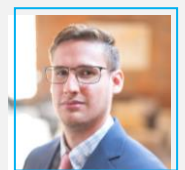
**Mark Landry**, Partner  
mark@7mileadvisors.com  
1.561.508.9360



**Tim Frye**, Managing Director  
tim@7mileadvisors.com  
1.704.973.3994

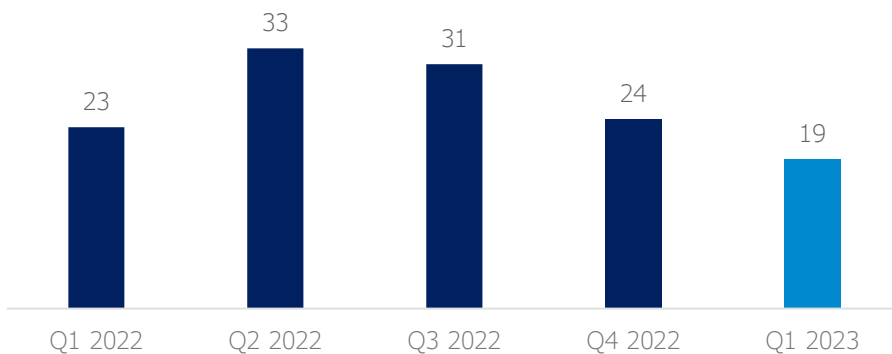


**Steve Buffington**, Vice President  
steve@7mileadvisors.com  
1.704.960.1828



**Tanner Lange**, Senior Analyst  
tanner.lange@7mileadvisors.com  
1.704.672.0611

### M&A - Non-Attest Advisory Deals



7MA has advised Non-Attest Advisory businesses throughout the sector’s evolution and recently completed several M&A transactions for companies providing these services. 7MA has developed unparalleled deal expertise and knowledge of the industry trends, valuation trends, and most active strategic and financial buyers. Please contact Mark Landry, Tim Frye, Steve Buffington, or Tanner Lange if you would like to learn more about Non-Attest Advisory Services.

# Sector Snapshot

“Nearly every business initiative – whether financial, strategic, operational, or technological – is relevant to the CFO suite.”

## Defining the Sector

7MA defines companies in the Non-Attest Advisory Services sector as providing primarily, but not limited to, specialized, value-added finance and accounting services, often and increasingly underpinned by digital or information technology capabilities. Simply stated, non-attest advisory services can include everything a client does that is not related to core compliance – such as audits, reviews, and tax preparations.

## Private Equity Investment Shaping the Space

### Advisory-Native Firms

- Commonly founded as pure-play advisory or consulting firms, these firms have never offered an attest service (i.e., a financial compilation, review, or audit) and instead have primarily **focused on serving the office of the CFO** through various accounting, finance, strategy, and technology functions.
- Several private equity investments in these firms have been exceptionally successful and have created value both through organic growth and accretive M&A.



### Legacy Accounting Firms

- Frequently born from an accounting firm’s core audit and tax practices, these firms offer an array of advisory services (referred to as Client Advisory Services or “CAS” within the industry), commonly in the form of accounting advisory, transaction advisory, valuation, governance & risk, specialty tax, cybersecurity, and digital services along with an ever-expanding scope of capabilities.
- Most of these advisory practices currently exist under the partnership structure of the broader accounting firm, but many firms are **restructuring their advisory practices into standalone non-partnership entities** to receive private equity investment and take advantage of extensive organic and inorganic growth opportunities.



# Sector Snapshot

## M&A Strategy for Non-Attest Advisory Firms

- Given that nearly every business initiative – whether financial, strategic, operational, or technological – is relevant to the CFO suite, **the universe of multidisciplinary capabilities sought by buyers in this market is extensive and expanding.**
- The capabilities relevant to a buyer will be specific to where they are in the maturity arc of their practice.** For example, a cloud-based automation business may be desirable to a buyer who is seeking to build out its technology advisory arm. However, this may be premature if the buyers’ current technology capabilities are more basic such as small-scale accounting ERP implementations or if their existing clients’ needs are not complex enough to support expansion into these services.

## Market Map

7MA has narrowed its focus to verticals it has observed as being particularly relevant to non-attest advisory firms’ inorganic growth strategies as those firms seek to build full-service national practices and become the go-to partner across the full spectrum of their clients’ evolving needs.

**This market map seeks to help initiate conversations around questions such as:**

- As a sponsor-backed or privately-owned non-attest advisory firm seeking to grow inorganically, where do my firm’s current capabilities fit in the context of a full-service advisory firm? What high-growth complementary areas make sense to pursue through M&A?
- As a potential seller, where does my firm’s services fit in the broader landscape of this market? Would partnering with a non-attest advisory firm through M&A be beneficial and is there demand for the capabilities my business offers?

FINANCE BPO SERVICES	PRIVATE EQUITY ADVISORY	GOVERNANCE, RISK & COMPLIANCE	INFORMATION TECHNOLOGY
<ul style="list-style-type: none"> <li>On-demand Talent</li> <li>Outsourced Finance &amp; Accounting</li> <li>Fractional / Outsourced CFO</li> <li>Tax Planning</li> <li>Wealth Management</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Management Consulting</li> <li>Financial Due Diligence / QofE</li> <li>Valuation</li> <li>Post-merger Integration</li> <li>Accounting Advisory &amp; Technical Accounting</li> <li>FP&amp;A &amp; Sponsor Reporting</li> <li>Ops Consulting &amp; Performance</li> <li>Turnaround &amp; Restructuring</li> </ul>	<ul style="list-style-type: none"> <li>Internal Audit &amp; SOX Compliance</li> <li>SOC Reporting</li> <li>ESG Strategy, Benchmarking &amp; Reporting</li> <li>Risk Management</li> <li>Regulatory Compliance</li> </ul>	<ul style="list-style-type: none"> <li>Strategy &amp; Transformation</li> <li>Data &amp; Analytics</li> <li>Automation</li> <li>Cybersecurity &amp; Data Privacy</li> <li>MSPs &amp; MSSPs</li> <li>Cloud Services</li> <li>ERP</li> </ul>
<b>KEY TRENDS SUPPORTING PILLARS</b>			
<ul style="list-style-type: none"> <li>Rising cost pressures</li> <li>War for talent</li> </ul>	<ul style="list-style-type: none"> <li>Record PE capital deployment</li> <li>Sustained M&amp;A volume</li> </ul>	<ul style="list-style-type: none"> <li>Recessionary fiscal pressures supporting risk mgmt. emphasis</li> <li>Prioritization of ESG investment &amp; ops</li> </ul>	<ul style="list-style-type: none"> <li>Accelerating digital transformation</li> <li>Increasingly complex IT environment driving demand</li> </ul>

# Market Landscape

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## Offerings

FINANCE BPO  
SERVICES

PRIVATE EQUITY  
ADVISORY

GOVERNANCE, RISK &  
COMPLIANCE

INFORMATION  
TECHNOLOGY

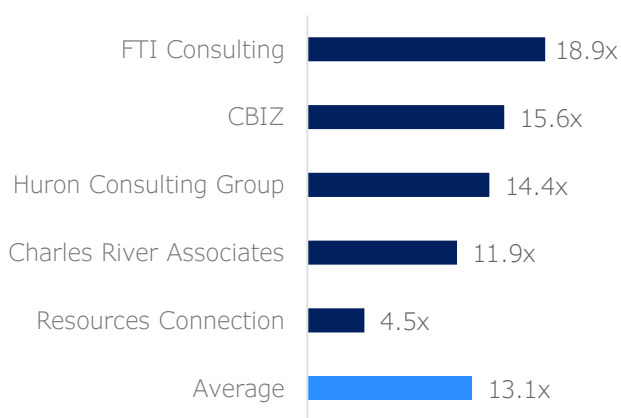
*Please reach out to 7MA team to get access  
to the market landscape.*

# Public Markets

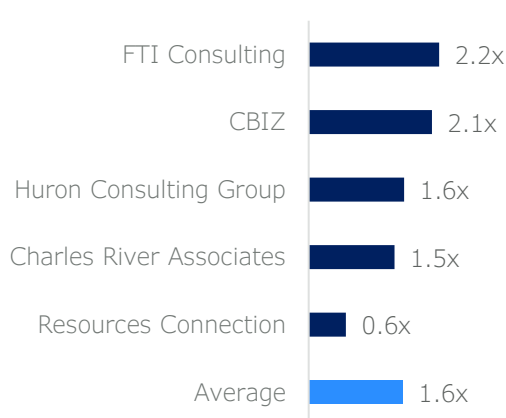
## Publicly-traded Non-Attest Advisory Services – Q1 2023

Companies	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# of FTEs	Rev / FTE \$k
FTI Consulting	6,740	358	3,029	9%	32%	12%	2.2x	18.9x	7,635	88
CBIZ	2,967	190	1,412	28%	16%	13%	2.1x	15.6x	6,500	46
Huron Consulting Group	1,888	131	1,159	25%	30%	11%	1.6x	14.4x	5,660	33
Charles River Associates	865	73	591	4%	31%	12%	1.5x	11.9x	939	92
Resources Connection	525	116	826	28%	40%	14%	0.6x	4.5x	3,495	15
Average	2,597	174	1,403	19%	30%	13%	1.6x	13.1x	4,846	55
Median	1,888	131	1,159	25%	31%	12%	1.6x	14.4x	5,660	46

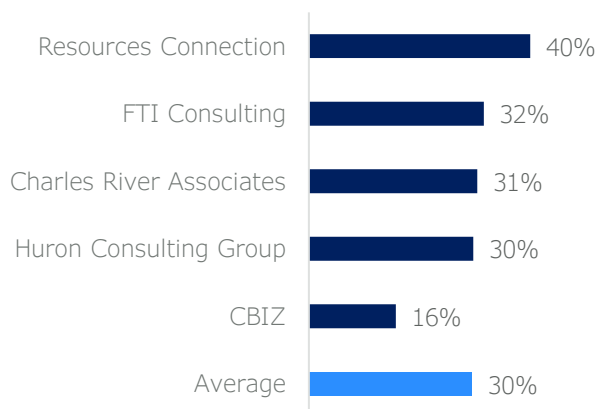
### TEV / EBITDA X



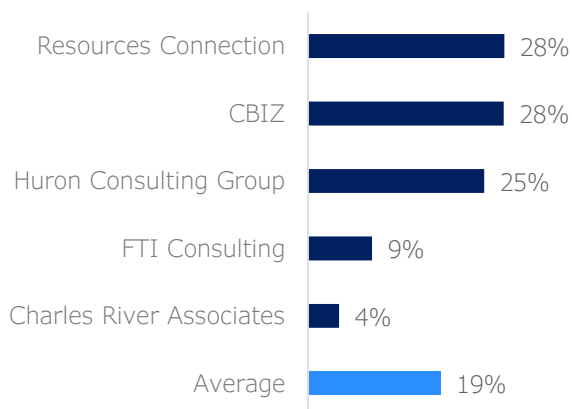
### TEV / Rev X












### Gross Margin %



### Rev Growth YoY %



## Recent M&A Transactions

Date	Target	Buyer / Investor	Description
March 2023			<p>"By partnering with Orangewood, DLA will have the additional strategic and financial resources so that we can continue to invest in our people, hire top talent, and expand our service offerings. Further, we will also seek to leverage Orangewood's deep experience and network to enter new markets and execute on our strategy to acquire firms in targeted cities."  <b>David Landau, Founder and CEO of DLA</b></p>
March 2023			<p>"Deep Water Point and Wolf Den share a commitment to serving the GovCon market with integrity, trust and collaboration. Our founders, Barry Landew and Kevin Robbins and I are thrilled to be joining with Deep Water Point and are excited that, together, we will provide a single resource for clients' full spectrum federal market growth objectives."  <b>Kimberly Pack, CEO of Wolf Den</b></p>
February 2023		RLH Equity Partners	<p>"Connors Group is well positioned to help its clients adapt to an era of rapid changes in the workforce. The combined impacts of e-commerce, rising consumer service expectations, flexible omni-channel retail, re-shoring of manufacturing, increased compensation expectations, and labor shortages create the need for significant improvements in how employees are deployed in the enterprise."  <b>Kevin Cantrell and Yumee Song, RLH Equity Partners</b></p>
February 2023			<p>"Through partnering with Sun European's team, K3 is poised to accelerate its growth in ways that were not previously attainable and will prove to be an excellent opportunity for our businesses and employees to become the best at what we do. I am excited to get started on this next phase of our story!"  <b>John Rigby, CEO of K3 Capital Group</b></p>
December 2022			<p>"The team at Interlock has deep expertise and a fantastic track record of successfully scaling top-notch professional services firms. They are the perfect partner for IGS as we prepare for our next chapter of growth."  <b>Mindy Berman, Co-Founder &amp; Senior Managing Director of IGS</b></p>

# About 7 Mile Advisors

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions and provide market assessments and benchmarking. As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. All securities transactions are executed by 7M Securities, LLC, member FINRA / SIPC. For more information, including research on the M&A markets, visit [www.7mileadvisors.com](http://www.7mileadvisors.com).



508 W. 5th Street,  
Suites 225  
Charlotte, NC 28202



+1 (704) 899-5960



[www.7mileadvisors.com](http://www.7mileadvisors.com)

## Notable 7 Mile Transactions

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Culbert  
HEALTHCARE SOLUTIONS

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