M&A Services

2021-2022

Summary Report
PWC Excerpts

ALM INTELLIGENCE
PACESETTER RESEARCH

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ALM INTELLIGENCE
PACESETTER
RESEARCH

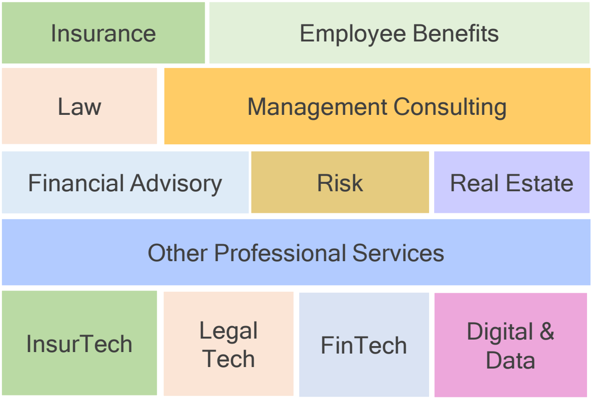
Introduction: About ALM Pacesetter Research

ALM Intelligence Pacesetter Research (APR) is a market research initiative of ALM Intelligence with an inclusive perspective of the professional services landscape. Rather than narrowly focusing on one segment of the market, APR covers a broader range that includes law, consulting, insurance, financial advisory, and other actors operating in the market defined by the research topic. The purpose of ALM Intelligence Pacesetter Research is twofold:

- *Deliver practical insights into the buying and selling of professional services in an increasingly converging marketplace*
- *Help buyers evaluate their sourcing options with objective assessments of providers' services and capabilities*

Pacesetter Advisory Council (PAC)

Market Leaders are selected by a panel of experts comprised of ALM editors, journalists, market intelligence analysts, and external professionals and academics who have experience working with professional services providers.



Research Methodology

APR analysts combine qualitative and quantitative research methods to profile Market Leaders in a given market. These providers are evaluated and scored against five core criteria to determine Pacesetter status.

1. Business model
2. Value proposition
3. Service delivery
4. Client enablement
5. Brand eminence

Audience

APR provides independent and objective analyses to providers and buyers of professional services coupled with practical insights that inform the decision-making process for strategic planning and procurement professionals.

Sell-Side

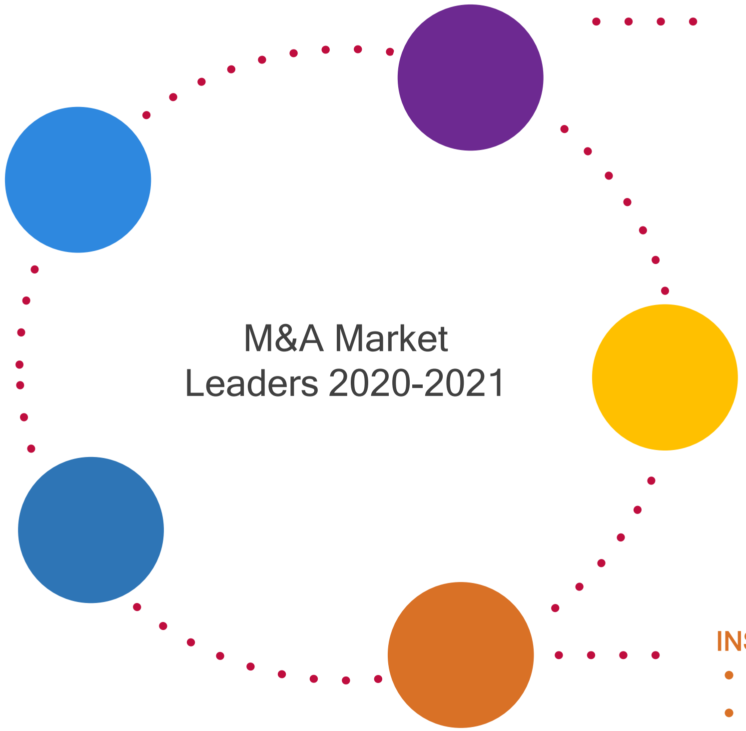
- Practice Leaders
- Analyst Relations
- Sales, Marketing & Public Relations
- Investor Relations
- Ecosystem Partners

Buy-Side

- C-suite & Board
- Business Unit Leaders
- Procurement
- Supply Chain & Ecosystem Partners
- Shareholders

Introduction: Report Scope

ALM Intelligence analyzed and profiled 21 Market Leaders across five market segments for ALM Intelligence Pacesetter Research: M&A 2021-2022. Four providers were identified as ALM Intelligence Pacesetters: Crowe, EY; Osler, Hoskin & Harcourt; and PwC(*).



LEGAL
- Goodwin Procter
- Osler, Hoskin & Harcourt*

FINANCIAL ADVISORS
- Goldman Sachs
- JP Morgan

MANAGEMENT CONSULTING
- Alvarez & Marsal
- Ankura
- Bain & Company
- Boston Consulting Group
- FTI
- L.E.K.
- McKinsey
- Mercer
- North Highland
- West Monroe Partners

MULTISERVICES
- Crowe*
- Deloitte
- EY*
- KPMG
- PwC*

INSURANCE
- Chubb
- Lockton

Note: Multidisciplinary service providers are segmented based on the core capabilities that characterize their business model's center of gravity

Market Overview

ALM INTELLIGENCE
PACESETTER RESEARCH

March 30, 2021

M&A markets were already showing stress signs in the US as 2020 dawned with 2,943 Q1 deals as opposed to the more typical 3,100-3,500 deals kicked off in Q1 since 2014.[1] But then came Q2 and the COVID-19 pandemic, which led to the shutdown of the global economy, causing the number of deals to crash. The US had 1,710 deals in Q2 2020 (mostly deals already in the pipeline), which was barely 60% of Q2 2019's 2,831 deals. The expectation in March and April 2020 was that M&A markets would grind to a halt. Professional services providers, staring into a demand abyss, immediately began slashing their transaction advisory and corporate development practice teams or shifting them into adjacent service areas like restructuring. Earn-outs became more common as deal parties desperately sought to close deals in progress. Some found consolation in the likelihood that the pandemic would serve as a structural correction, bringing sky-high valuations back to Earth.

But that is not what happened. M&A markets came back to life in Q3 and have been gaining momentum ever since. Valuations are unscathed. Why?

There are two parts to this answer. The first part is simple: both the corporate and private investor worlds are still flush with cash ("dry powder") that needs to be deployed somewhere, like the classic 6,000-ton train that needs miles of track to stop. But there is more going on, because even 6,000-ton trains eventually come to a halt. The second part of the answer is that COVID-19 has posed some profound challenges to organizations, but it has also presented some unique opportunities. While a dramatic event, COVID-19 has only accelerated trends that were already underway for years beforehand: spurring digitalization (including advanced technologies), a stronger government presence in markets, low interest rates, and accelerated/compacted deal timelines. To be sure, 2020 saw many organizations pushed over the cliff. But it has rewarded those which spent the previous years focusing on long-term resiliency, providing them the means to calmly make decisions during a crisis, and to use M&A as the precision strategy tool it can be.

For insurance carriers, M&A is a straightforward product sale. Insurance brokers take a slightly broader risk-focused view, understanding more the role the products they sell can play in the dynamics of buyer-seller relations. Law firms similarly see M&A as an event, though a handful recognize the opportunity in being able to inform long-term client strategy. Financial advisors are very literally built around the deal process, but the more progressive (and financially able) among them have been pivoting from a focus on the deal process towards helping clients achieve larger strategic financial goals. This strays into consulting territory but financial advisors are wary; they have been here before and failed in the past to overcome the incongruency between their traditional fees and service models, and consulting-style service engagement.

Multiservice firms have ruled the M&A realm in recent years, bringing together integrated offerings that span most of the core M&A competencies, underscored by increasingly sophisticated analytical and AI capabilities. However, management consulting providers have been catching up and can often compete on price. ALM Intelligence's Pacesetter M&A 2020-2021 report examines this rapidly evolving market and the implications of the COVID-19 era for clients and providers.

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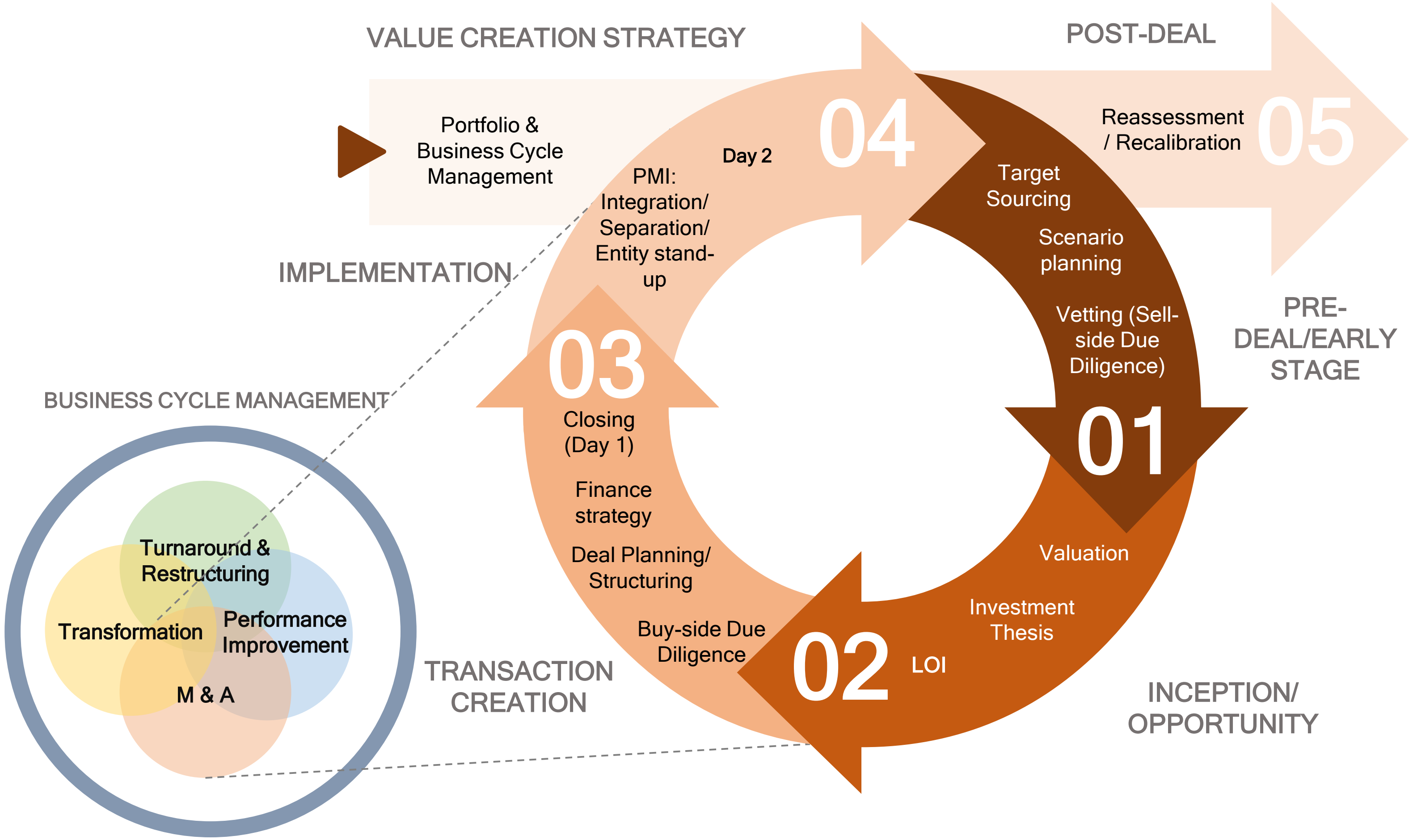
1. Pitchbook (2021, January 20). PitchBook's 2020 Annual North America M&A Report. Retrieved from https://pitchbook.com/news/reports/2020-annual-north-american-ma-report

M&A: Market Landscape

M&A has moved from being a practice or a service line for many providers to being a competency, with the emphasis shifting from the transaction process itself (which has become commoditized) to helping clients master and manage an active portfolio strategy and achieve long-term value creation



Demand Drivers in M&A in the 21st Century

COVID-19 only briefly interrupted M&A markets in 2020 and has served in as an accelerant for pre-pandemic trends in 2021.

- Low interest rates around the globe have created a glut of capital
- Sky-high valuations are driving M&A activity focused on extracting maximum value from assets
- COVID-19 has accelerated recent trends: e.g., digitalization, emphasis on long-term resiliency, remote working
- Capital-rich markets are providing opportunities across the spectrum for both cross-border mega-deals and scope (technology and talent-related) tuck-ins, add-ons

Sources of Competitive Advantage

Client focus has shifted to long-term strategy and resiliency

- Providers who have demonstrated an agile and innovative delivery model in response to COVID-19 have gained credibility with clients
- The most successful providers help clients develop internal capabilities and tools to manage their active portfolio strategy
- Accelerated/compressed deal timelines, less tolerance for late-stage surprises favors providers most effectively utilizing advanced technologies
- Heightened stakeholder and government scrutiny of deals favors providers best able to develop, support and effectively sell the investment thesis narrative to all stakeholders

M&A: Stakeholder Map

Until recently M&A was a top-down exercise with boards and the C-Suite developing strategy and issuing implementation orders, but increasingly lower-level players are being recognized as stakeholders in deal outcomes and have been gaining greater influence in shaping deal structures and strategies

Directly involved in scoping and purchasing services

Key influencer; accountable/ responsible for executing strategy

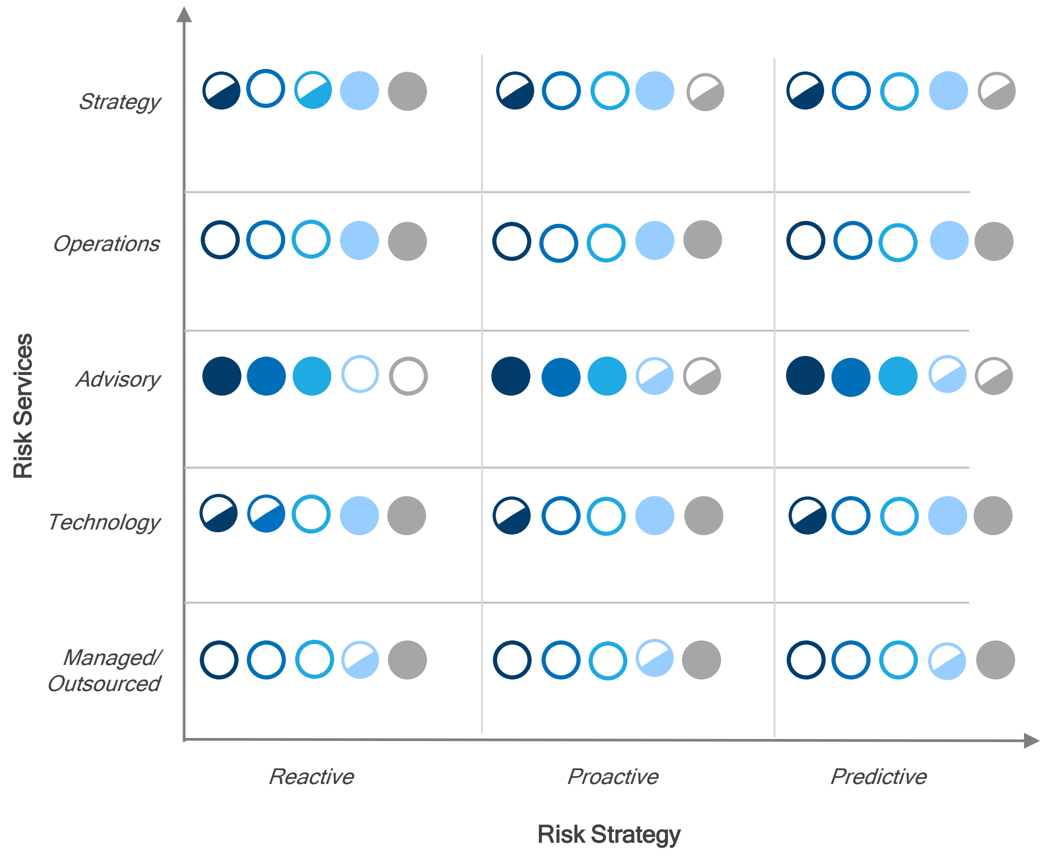
Some influence on purchasing decision

Not involved in purchasing decision

Stakeholders	M&A service provider segments					Stakeholder roles and interests
	Financial Advisors	Insurance	Legal	Management Consulting	Multiservice	
CEO						For the CEO, M&A has moved beyond mere inorganic growth to a key value creation driver, and CEOs need to build internally organizational deal "muscle memory" for a more active portfolio strategy
CFO						Finance and quality-of-earnings due diligence are at the heart of an M&A transaction but the CFO must now be able to integrate their domain with operations, technology, HR and etc. in deals
COO						COOs, along with CHROs, are increasingly involved with M&A implementation strategy and execution
GC						The general counsel role in M&A has moved from a reactive crisis manager to a more active voice in valuations, risk, due diligence, tax, and regulatory compliance
CHRO						The CHRO has gained stature in deals as stakeholders (including regulators) now recognize the importance of organization structure and culture in deal success
In-house M&A/ Corp. Dev Lead						A growing number of organizations are developing in-house M&A or corporate development teams, less to supplant providers than to complement them with in-house mechanisms and capabilities to support more vigorous portfolio strategies
Unit-level managers						The recognition of the importance of the operational elements in deal success has elevated the importance of unit-level manager input and cooperation in deals
External stakeholders						In an era of retrenched localized regulations and both investor and customer concern about issues like ESG, the external stakeholder voice is strong in deals

Acronyms: CEO – chief executive officer; CFO – chief financial officer; COO – chief operating officer; GC – general counsel; CRO – chief risk officer; CCO – chief compliance officer; CHRO – chief HR officer

M&A: Risk Matrix



See Appendix for Risk Matrix definitions.

Source: ALM Intelligence, 2021

Segment Key: Financial Advisors · Insurance · Law firms · Management Consulting · Multiservice

Gradient Key: Core service · Non-core services; often provided through ecosystem partner(s) · Does not provide

The Risk Matrix positions peer groups in terms of their capabilities to create client impact through a mix of services supporting a spectrum of risk and risk-related strategies. See the Appendix for detailed risk matrix definitions.

- **Financial advisors**, **insurance** and **law firms** play limited roles in deals, mostly approaching M&A as transactional events rather than components to client business model strategy or long-term relationship opportunities
- Law firms have the narrowest area of focus, but the largest opportunity for project-share expansion in deals (and after), through providing strategic guidance in early deal stage thinking as well as for corporate legal departments struggling with increased responsibility and more frequent portfolio activity
    - Insurance carriers are in part constrained by a lack of historical data on claims payouts on R&W insurance, but the rise in interest in R&W insurance itself presents an opportunity in the form of risk data and risk management (during and after deals)
    - Financial advisors have historically been assured a seat at the deal table but are threatened by disintermediation as multiservice and consulting providers build in-house captive capital raising groups, as well as from SPACs and alternative solutions
- **Management consulting** and **multiservice** providers have come to specialize in managing complex deals and have taken a long-term view of deals, capitalizing on their deep institutional knowledge of client organizations gained through M&A and non-M&A (e.g., auditing) projects to build long-term relationships
    - Both management consulting and multiservice providers are mastering and deploying advanced technologies in the deal process, but for multiservice providers the technology component overshadows consulting to the extent many attempt to automate as much of the deal process as possible (supplemented by adjacent in-house capabilities in capital raising and legal services), while concentrating on post-deal managed services and as-a-service offerings

M&A: Demand Drivers

Trends

The most important take away for M&A is that it has emerged as a key tool in a broader business lifecycle management process flow. The agile business model of 2021 is regularly revisited and renewed, and M&A – when wielded effectively – can be the precision tool to build or refocus capabilities.

- Markets flush with capital and low interest rates translate into highly competitive bids for even sub-par assets; providers note many new, first-time M&A entrants
- Valuations remain sky-high, which translates into buyers being forced to squeeze as much value out of acquired assets as they can, via cost take-outs, revenue synergies, operating/business model changes, etc., making value extraction the central theme for buyers in deals
- This has shifted thinking to long-term value creation for both strategic and financial buyers looking at asset performance
- Many providers expected a wall of distress-driven sell-side deals in 2020, but that didn't materialize – yet, as some believe many distressed assets are masked currently by government stimulus aid, suggesting an eventual shake out
- Deal drivers include opportunity buys, debt/cost-driven asset sales, strategic hole-plugging, capability (usually tech or talent) enhancement, operating model re-engineering, with fewer broad platform deals, more add-ons and tuck-ins
- For reasons of speed, clients in 2020 were more willing to consider creative M&A options like earnouts or joint ventures, but buyer beware: joint venture-related capabilities among M&A providers are scarce
- Evidence suggests clients with well-honed internal M&A teams and active portfolios achieve the most value, with providers getting more requests for team development
- Conversely, one-off deals by inexperienced clients are proving risky, most likely to destroy long-term value
- Workforce management and culture are belatedly being recognized as key to deal success as well
- COVID-19 has pushed even resistant clients into cloud and tech-enabled business models, so that deals in 2021 are transformation events with cybersecurity implications
- COVID-19 has also impacted deal timelines and processes through bungled data, team, communications management
- COVID-19 and compressed/accelerated deal timelines have led to a rise in interim deal services, with opportunities for long-tail, post-deal engagement (e.g., BPO)
- Providers also expect more government intervention in markets in 2021 in terms of increased antitrust deal scrutiny
- Stakeholders have elevated the importance of ESG issues in deals (especially climate change and diversity), adding a new dimension to due diligence and integration planning

Implications for Buyers

- Internal M&A teams are key to success
    - Active portfolio managers are most successful in achieving growth
    - Few clients have the resources to run deals themselves; internal teams "own" the strategy and use external vendors to fill capability gaps
    - Internal M&A/corp. dev. teams can also drive performance optimization
    - An internal team should include C-Suite leaders, a board member, and cover finance (accounting), tax, GRC, technology, communications, HR, legal, operations, sales & marketing
- Cost reduction is central in deals now but use the opportunity for a broader strategic review
- Less tangibly, M&A professionals thrive on in-person meetings; the COVID-19 era of Zoom meetings has upended engagement dynamics in your favor, weakening their ability to read body language and allowing you to bring more relevant people on to calls early on

ALM Intelligence Pacesetters

What makes a Pacesetter in M&A?

Seamless integration: The days of discreet, siloed services in M&A are long in the past. Deals continue to see compressed, accelerated timelines but the focus remains on achieving the deal thesis goals – and not just on Day Two, but one-to-five years down the road as well. In 2019, being able to provide a fully integrated due diligence experience for clients, for instance, that considers all the inter-woven elements of finance, operations, human capital, legal, IT, etc., was innovative – but in 2021, it is table stakes. Clients want outcomes, not services, and providers must be able to efficiently use whatever internal (and external) resources required to get clients across the threshold.

Context: Providers that treat M&A as a single event are in effect following the plumber's model, showing up to fix problems on a checklist. This was the mainstream approach for M&A and TAS practice areas ten years ago, simply focusing on executing a process. A few years ago some progressive clients began realizing that M&A was not an end unto itself but a means to a goal. In 2021, with the global impact of the COVID-19 crisis, clients across the board are laser-focused on survival, followed by long-term resiliency. Providers best able to creatively manage for clients both the immediate M&A thesis goal needs as well as the long-term goal context (e.g., through strategy evolution, performance management, compliance tweaking, etc.) make the most strides in client relationships.

Agility and speed: One facet of deals favoring Pacesetters with advanced technology capabilities and integrated offerings is the client need to compress and accelerate deal timelines. This need spans corporate and private clients. Corporate clients are concerned about stakeholder and regulatory interventions that can derail a deal, while private equity and other financial investor clients are worried about winning bids in an extremely competitive market environment. The provider that can -- in an age of remote delivery models -- combine agile processes and technology to deliver both timely and accurate results are market leaders. Some clients, recognizing the "burning the candle at both ends" aspect of compressed deal timelines, accept the need to be willing to absorb more deal risk. This is particularly true of private equity clients, and this has pushed them to develop internal operational risk management capabilities mirroring their traditional financial expertise. While putting tremendous pressure on providers during the deal, it also opens the door for post-deal, follow-up right-sizing services.

Outcomes: In recent years the emphasis in deals shifted from automating and accelerating the process to more closely helping clients achieve the deal thesis. The sinking economy of 2019 and the subsequent COVID-19 era economy have now forcefully moved the focus from deal thesis realization to long-term value creation. The problem Pacesetters are solving now is not just "how do we fully realize the deal thesis goals?" but also, "how do we ensure those thesis goals help the client meet their long-term value creation goals?"

M&A Pacesetters 2020

Market Segment	Provider
Multiservice	PwC
Multiservice	Firm 1
Law	Firm 2
Multiservice	Firm 3

Methodology Notes

The ALM Pacesetter Research methodology evaluates Market Leaders against five core criteria.

1. Business model
2. Value proposition
3. Service delivery
4. Client enablement
5. Brand eminence

Providers whose aggregate score is 85 and above qualify as an ALM Pacesetter.

In this research, elements of three criteria are weighted due to their importance in achieving competitive differentiation in cybersecurity services: ecosystem and innovation (business model) and risk management (service delivery)

See Appendix for detailed definitions of the five core criteria

The ALM Intelligence Pacesetters

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M&A SERVICES 2021 – 2022

PwC	Primary Practice	Deals

Global professional services multiservice provider PwC addresses M&A through its Deals practice, though as usual with the Big Four multiservice providers, PwC brings a closely-integrated offering that spans nearly all its practice areas and industry lines. PwC puts M&A in a broader value creation context, viewing the COVID-19 crisis as both a “shake-out” recessionary event that is clearing out underperforming assets but also accelerating longer-term fundamental structural change in markets, providing opportunity for growth and differentiation. M&A is a key tool, according to PwC, for organizations to both optimize performance and unlock hidden value.

PwC provides what they call the “complete deal” -- a full, end-to-end hypothesis-led, data and insights-informed solution that addresses client M&A needs -- whether the client need relates to acquisitions, divestitures, capital markets, or turnaround and restructuring-- from deal strategy through implementation, and beyond, and includes both interim and managed services. The deal process is informed and in part managed through PwC’s Junction cloud-based data platform which provides detailed, customized insights and analysis and a single source of truth for deal parties. Regardless of deal size, PwC focuses on value creation, helping clients identify value levers across strategic positioning, operational excellence and capital efficiency. PwC has built a sizeable ecosystem of provider partners, and has been active in its own portfolio strategy, acquiring cloud-native transformation company EagleDream Technologies in late 2020.

Part of PwC’s value proposition rests on the transformation it has put itself through. Over 2020, the firm moved a significant portion of the deals resources in its Assurance practice into its Consulting practice, for instance. Going back to 2018, PwC aggressively began to upskill its own workforce in digital technologies, working to facilitate a “digital native” workforce that is not only comfortable using digital tools but is able to leverage its digital fluency as it builds processes from the bottom-up with the voice of the customer in mind, for instance automatically lending itself to a digital delivery model with a remote workforce. To that end, PwC created digital academies in 2018, and Digital Lab and Digital Hub as innovation incubators. Already anticipating in 2019 a recession (though not due to a global pandemic), the firm was then pivoting and adapting this design thinking-based approach via its BXT (Business-eXperience-Technology) methodology to reimagine the post-recession client organization of the future, and reconfigure its approach to M&A in anticipation of those needs.

Pacesetter Criteria					Pacesetter Impact Score
Business Model	Value Proposition	Service Delivery	Client Enablement	Brand Eminence	

Impact Scale: None Low Moderate Significant High Very High

M&A Service Focus

- Data, technology tools & solutions
- Accounting & auditing
- Consulting services
- Forensic investigations
- Function-focused advisory services
- Interim, managed & outsourcing services
- Legal services
- Client internal M&A function support
- Risk assurance services
- Risk transfer services
- Portfolio Strategy
- Pre-Deal/Early Stage
- Inception/Opportunity
- Transaction Creation
- Implementation
- Post-Deal

Services offered
Services not offered

How PwC is moving the needle

Pacesetter Criteria	Qualitative Assessment
Business Model	PwC puts M&A in a larger value-creation context, focusing on identifying hidden, unrealized value in client portfolios and strategy with a model able to telescope from over-arching corporate development and strategy down to any element of transaction detail, delivering one of the most comprehensive approaches to M&A
Client Enablement	More so than most of its peers, PwC has utilized the living laboratory model by internally implementing the systems and programs it prescribes for clients, e.g., ecosystem development and management or digital fluency upskilling, and including its design thinking based on the BXT methodology
Brand Eminence	PwC has been producing actionable research for years pertinent to M&A such as its M&A Integration survey or its Global CEO survey, generating impactful thought leadership, underscored by its extensive ecosystem of alliance partnerships

The ALM Intelligence Market Leaders

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M&A: Market Convergence

There is a chasm of difference in service approach to deals between financial advisors, insurance and law firms on the one hand - who view deals as events - and management consultants and multiservice providers on the other which see a larger value-creation story with opportunities for expanded client relationships

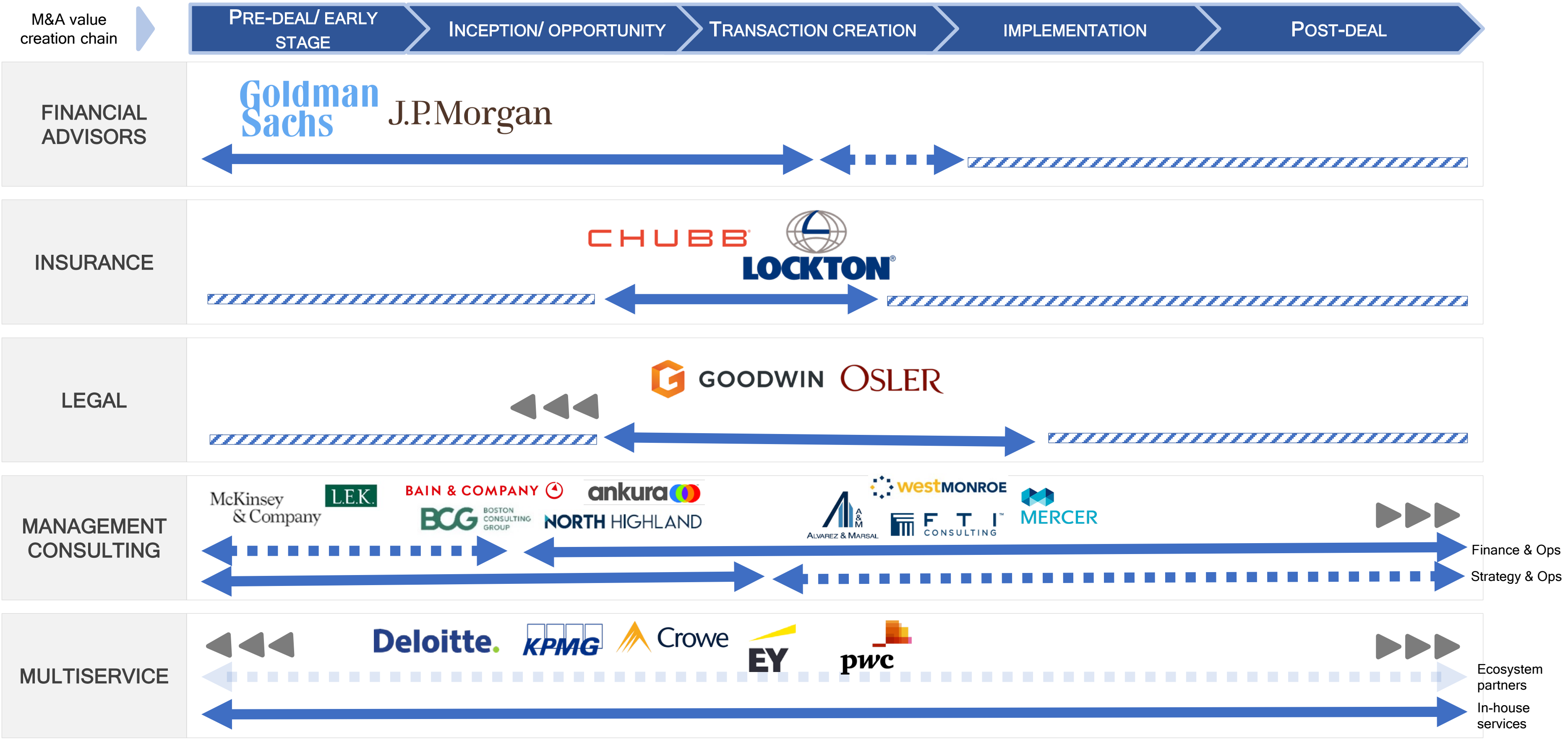
Key:

Core services

Services provided by/in connection with ecosystem partners

Services not provided

Market leader investments to capture more projectshare



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M&A SWOT: Financial Advisors

STRENGTHS

- Financial advisors have a long history of building relationships with boards and the C-suite, giving financial advisors an edge in the early stages of deals and influence in vendor selection
- Market leaders have been developing data-based target sourcing and assessment tools
- Investment banks are widely seen as being the ultimate industry and market experts, and are well-supported with data
- Financial advisors have a corner on financing and financially structuring deals – albeit a diminishing one
- Financial advisors are also widely seen as experts in stakeholder (particularly shareholder) communications and management in deals

WEAKNESSES

- Boutique investment banks and smaller, resource-constrained financial advisors have struggled to emulate the technology transformation of bulge-bracket investment banks
- Shifting talent models have upset traditional career paths, highlighting weaknesses such as a perceived lag in diversity
- Reducing costs, risk and schedules through automation is not enough, as financial advisors need to adjust their fee structures to more closely align with more active client portfolio strategies
    - Financial advisors are under pressure to accelerate deal timelines, which can currently take months or even a year as providers negotiate with all shareholders

Financial advisory market leaders increasingly ground financing and market expertise in empirically -driven insights while focusing their human capital on higher-end, value-add deal activities

OPPORTUNITIES

- While market leaders have become more data-driven, the focus has primarily been on market dynamics, leaving opportunity to develop stronger client-facing regulatory risk capabilities
- These same capabilities are being internally deployed in some market leaders to improve controls, enhancing relations with regulators and assuring clients of provider integrity and commitment to their goals
- Many financial advisors have benefitted from ecosystem relationships with other segments but have not been very aggressive in building ecosystem partnerships to boost their own capabilities

THREATS

- Disintermediation is a growing threat for financial advisors
- The use of less risky, more affordable SPACs (special purpose acquisition companies) for IPOs has expanded significantly in recent years, driven in particular by private equity clients
- Multiservice and consulting M&A practices are also increasingly developing capabilities to help clients use the SPAC option
- Many multiservice and consulting firms are building their own internal financial advisory capabilities, mostly targeting middle-tier clients but capable of at least supporting client financing and portfolio strategy and often with far more technology resources than financial advisors
- Some companies, most notably giant tech companies, have eschewed the use of financial advisors in deals altogether

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M&A SWOT: Insurance Market

STRENGTHS

- Like legal, insurance is a niche space in M&A cordoned off by regulation
- As pioneers in data management and applied analytics, insurance providers are well-positioned to manage “short runway” products such as R&W insurance, to shepherd them until a longer history helps clarify product viability and optimal client use
- With their long term asset management experience, insurance carriers bring important insights about long term investments
- Demand for R&W insurance arose less from marketing by brokers and more from client need as valuations skyrocketed, complicating early stage buyer-seller negotiations

WEAKNESSES

- Differentiation of R&W insurance products from one carrier to another is difficult, tied only to risk and data management
- Supporting data for regulatory jurisdictions with less active M&A markets are problematic
- In essence insurance carriers became used to disintermediation long ago, but insurance brokers still only have very limited penetration of client organizations, with limited opportunities for client access
  - Despite a long legacy of statistical analysis and data science, insurance companies (especially carriers) have been very slow to adapt new technologies including data analytics software

While serving a niche element of M&A deals, insurance providers (carriers and brokers) offer a unique product that has deflated some of the early-stage angst about asset representations in deals

OPPORTUNITIES

- M&A deals are rapid, short-term events but are increasingly seen in the context of long-term value creation strategy; market leaders have the opportunity to apply the long-term risk management consulting services they have been developing to clients developing more active portfolio strategies
- Market leaders developing their data analytics capabilities have the opportunity to offer middle-tier clients data management-related interim services (during deals) and managed services for enhanced risk management, providing access to client data
- A much-anticipated wave of sales and carve-outs in later 2021 or beyond offers the opportunity of insurance products (beyond R&W insurance targeting distressed deals

THREATS

- R&W insurance often relies on input from other deal parties (e.g., multiservice or consulting providers) who help generate the underlying diligence, leaving both insurance carriers and brokers dependent on parties who are interested in getting a deal on track and can influence the client purchase decision, but who do not necessarily have any preference for any particular insurance provider or product line
- The acceptance of R&W insurance is relatively new in deals and while all signs point to it continuing to be an integral part of the deal process, its short track record leaves it vulnerable to more difficult M&A markets or other innovations

M&A SWOT: Legal Market

STRENGTHS

- The M&A process contains elements that are discreetly and exclusively the domain of lawyers
- With increased government scrutiny of deals (e.g., antitrust), the right law firm brand can serve to assuage regulator concerns
- Some providers have developed deep expertise around specific industry compliance challenges in deals
- As a revenue-leader, M&A inspires some innovation in market leaders, e.g., encouraging creative billing approaches that incentivize a focus on client outcomes over piling up billable hours
- M&A is also one of the areas inspiring cross-team cooperation and coordination in market leaders

WEAKNESSES

- Lack of engagement early in the deal process relegates law firms to more process-oriented part of deals
- Widespread automation of the deal process is forcing law firms to specialize in increasingly complex deals, requiring more resources, eating into margins
- Some market leaders are developing consulting services around strategy, labor law, etc. for deals, but the legal world needs to develop separate engagement models – involving billing, client relationships, etc. – to succeed where others (e.g., financial advisors) have failed
  - Some multiservice and consulting providers have developed truly global "single P&L" delivery models in M&A for cross-border deals; law firms have to surmount greater jurisdictional barriers to achieve the same

Law firms bring powerful expertise around law, industry, compliance and risk to deals that, while under-utilized, make legal providers key partners for clients

OPPORTUNITIES

- Clients are already requesting simplified preliminary due diligence services from other segment providers earlier in the deal process as they assess targets and opportunities, opening the door for law firms to partner with clients and form a long-term relationship with a wider range of client decision makers
- As clients develop their in-house capabilities around more active portfolio management, law firms can develop a retainer-style M&A legal advisory-as-a-service-type offering
- Many multiservice and consulting providers are developing offerings around helping client legal departments and general counsel optimize their offices; law firms can also help GCs organize for a more active portfolio management strategy

THREATS

- Technology capabilities around forensic investigations, data governance, contract review, e-discovery, TSAs, negotiations and litigation support in deals are the subject of intense investment by many multiservice and consulting providers
- Many of the Big Four multiservice providers' technology investments in their law practices target M&A processes
- The IPO market is big for law firm revenues so the rise of SPACs is a threat, showing that financial advisors are not the only ones vulnerable to client interest in alternative solutions
- In more liberal legal markets (e.g., the UK), C-suites have been looking for savings through the unbundling of M&A services, asking their law firms to work with ALSPs and other providers

M&A: Management Consulting Market

STRENGTHS

- Whether focused more on performance improvement or restructuring, management consulting providers are process experts, and are often seen (e.g., in restructuring, strategy, performance improvement) as the specialists
- Often develop particularly deep expertise in a handful of industries
- While not as advanced as multiservice providers, management consulting firms have invested heavily in advanced technologies capabilities and integrated them closely into their M&A offering
- Strength and sophistication of multidisciplinary service approach
- Built to tackle the full range of deals and deal types but some focus on the most complex, regulatorily-challenged deals

WEAKNESSES

- Many not be as global as multiservice providers
- Lack the armies of accountants, assurance and tax professionals that multiservice providers can field
- Some are developing in-house investment banking services but are less able to deploy adjacent services (financial advisory, legal, auditing) than multiservice providers
- Some have become too dependent on a single client category – particularly private equity
  - Must partner on deals for parts of the deal process; rarely able to complete deals end-to-end alone

Management consulting firms are seen as the M&A problem solvers by bringing together integrated domain expertise and technology, combined with a focus on client deal outcomes

OPPORTUNITIES

- Market leaders have already positioned M&A as part of a long-ter transformative journey, and can use that expertise to help clients design the post-COVID workforce, office footprint, real estate strategy, technology infrastructure, etc.
- Interim services targeting higher-level client functions (e.g., CFO, CIO, COO) during the deal can be dealmakers/breakers for middle-tier clients
- Helping less experienced acquirers develop the in-house capabilities to become more active portfolio strategy managers – not just an in-house M&A office, but one spanning HR, IT, corporate legal – could open up new long-term client relationships

THREATS

- Offer comprehensive, bespoke services but some clients only need simpler, template-style out-of-the-box solutions
- Although nascent, other are also segments (insurance, law) developing consulting units/teams
- Difficult for finance-focused consulting providers to penetrate early-stage deal phases and develop relationships upstream, pre-LOI
- Stronger-brand strategy-focused consulting providers seen as expensive, and their downstream capabilities remain less well known
- Client in-house M&A teams can be complementary and help make deals go smoother – but can also reduce client need for external services, as well as weaken consultants' PMO value-add in deals

M&A SWOT: Multiservice Market

STRENGTHS

- Multiservice providers have been more successful bridging the finance-operations-strategy divide management consulting and other providers struggle with
- They offer a full, end-to-end M&A experience
- Their investments in technology have resulted in not just a broad array of technology capabilities but an IT capacity rivaling the largest IT firms, allowing them to manage global workstreams and data flows seamlessly
- They were the first segment to begin developing an integrated, cross-disciplinary service model and have honed that approach particularly targeting M&A
- They are especially impactful for cross-border deals
- They have been gaining particular traction recently with their managed services, as-a-service and BPO offerings

WEAKNESSES

- Despite the explosion in their capabilities in recent years and high service marks, many providers still struggle to penetrate deals earlier than the due diligence stage – a side effect of their (by now dated) reputation as quality-of-earnings due diligence specialists
- Similarly, despite intense investments in industry expertise in recent years, many clients still view them as industry generalists
  - When the COVID-19 crisis hit after years of historically booming M&A markets, many multiservice providers reacted by aggressively reducing M&A practice headcount and shifting resources to other practice areas, leaving them somewhat flat-footed when M&A markets unexpectedly revived later in 2020

M&A was an important stepping stone service focus for multiservice providers, helping them hone their global, inter-disciplinary, client outcome-focused service approach

OPPORTUNITIES

- Increased scrutiny of deals by governments over antitrust and other issues feeds into multiservice providers' traditional strengths in regulations and GRC, stakeholder management and capital strategy
- COVID-19 is transforming business models and how clients deploy resources and organize assets, and multiservice providers are well-positioned in M&A to lead the charge in helping clients adapt to the new workplace realities
- With the global economy still straitjacketed by COVID-19, multiservice providers have the opportunity more so than other segments to attract talent from industries, government agencies and adjacent segments to rebuild their M&A teams

THREATS

  - Their auditing services can indirectly support their M&A offering but serve as an irritant through legal firewalls, auditor rotation rules and regulator concern about conflicts of interest
- Despite healthy M&A volume levels, clients are still under intense economic pressure, in turn pushing fees low, which is a particular challenge for multiservice providers given their increasing reliance on expensive technology capabilities and assets
- Client in-house M&A teams have stolen some of the thunder from their full, end-to-end offerings, reducing them to gap-fillers and precision fire departments in some deals, leaving their PMO capabilities under utilized

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Appendix

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Research Methodology: Overview

The goal of ALM Pacesetter Research is to help buyers of professional services navigate an increasingly complex landscape with confidence. We use a multidisciplinary perspective to identify best-in-class providers of legal, consulting, financial, insurance, employee benefits, and other professional services, and analyze how they are evolving as an ecosystem of interdisciplinary service providers. Our research is grounded in over 50 years of accumulated market insights and qualitative research models that combine knowledge of management science with case studies and other sources of knowledge to understand patterns of market supply, demand, behavior, and ways of doing business.

IDENTIFY

- The ALM Pacesetter Advisory Council (PAC) convenes in advance of the research project kick-off; members include ALM journalists and editors, and external experts such as consultants, general counsel, and industry thought leaders
- The PAC selects the set of Market Leaders that will be covered in the research topic from a larger group of providers that members have identified in the normal course of their work
- PAC members also provide expert knowledge and insights to the ALM Pacesetter team throughout the research and analysis process

RESEARCH

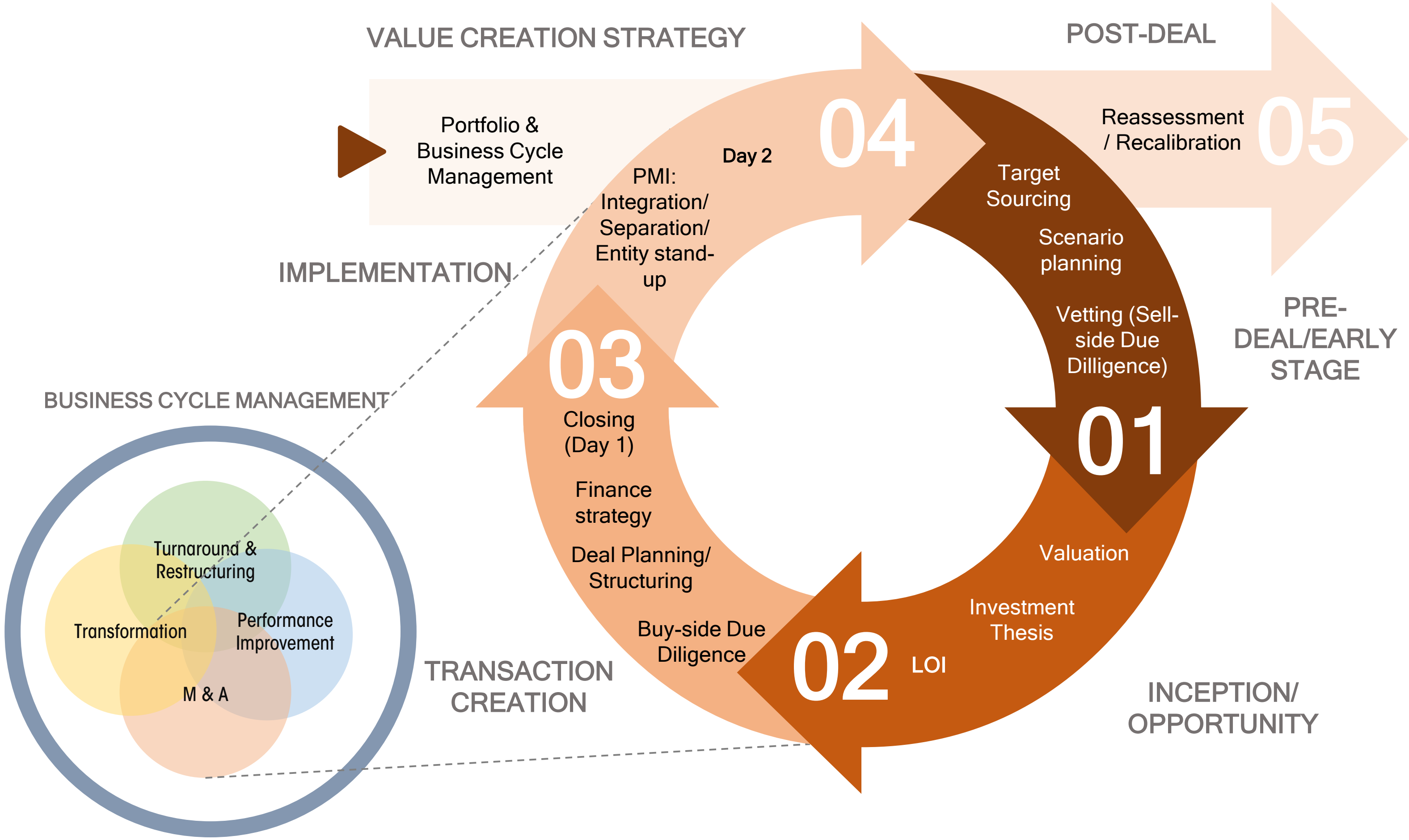
- The ALM Pacesetter Team within ALM Intelligence conducts primary and secondary research
- Primary research includes in-depth interviews with practice leaders at the provider firms covered in the research; satisfaction interviews with clients referred by those providers; and in-depth interviews with thought leaders, recruiting professionals, and other sources
- Secondary research includes data gathered from annual reports and earnings calls, management presentations, public filings, case studies, press releases, journals and publications, online information databases and other publicly available resources

ANALYZE

- ALM Pacesetter analysts evaluate and score the Market Leaders against five core criteria
  1. Business model
  2. Value proposition
  3. Service delivery
  4. Client impact
  5. Brand eminence

  See criteria definitions on next page
- Market Leaders that achieve a Pacesetter Impact Score equal to or over 85 are designated as ALM Pacesetters
- Pacesetter analysts map markets and stakeholders and write market trends
- Market segment overviews are peer reviewed by the appropriate PAC member

Definitions: M&A



M&A (Mergers & Acquisitions) refers to all transactional events that bring structural change to organizations: mergers, acquisitions, sales, divestitures, carve-outs, IPOs, joint ventures (equity and non-equity), strategic alliances, partnership model changes, etc. As this report explores, M&A has increasingly been put into a larger business/asset lifecycle context, and as such has become a vehicle for not just structural change but business model and operational transformation as well.

Definitions: Pacesetter Evaluation Criteria

Core Criteria	Definition
Business Model	Provider's ability to reposition core competencies around new products, services, and business models to adapt to shifting patterns of market supply, demand, behavior, and ways of doing business
	Detailed Criteria: Scope of services, Supply chain, Ecosystem, Corporate Development, Innovation Capability
Value Proposition	Provider’s ability to deliver on its value proposition, i.e., the positioning statement that communicates the benefits and economic value a prospect will receive by purchasing the provider's products and services over a competitor's
	Detailed Criteria: Differentiated services, Risk management, Measurable outcomes, Evidence-based solutions, pricing options
Service Delivery	Provider's ability to mobilize resources and configure assets to serve clients
	Detailed Criteria: Solutions design, Engagement model, Talent and culture, Project management, Enabling tools
Client Enablement	Provider's ability to help clients affect continuous, sustainable change, improve performance, and achieve growth
	Detailed Criteria: Client relationship management, Business case development, Stakeholder conversations, Change management and capability development, Living laboratory
Brand Eminence	Provider's ability to leverage brand and marketing strategies to differentiate in its marketplace as an expert practitioner and thought leader
	Detailed Criteria: Thought leadership, Intellectual property (IP), External research partnerships, Sales and marketing, Case studies

Definitions: Acronyms

Acronym	Definition	Line of Defense	Areas of Risk Responsibility
CCO	Chief Compliance Officer	2nd	Responsible for establishing standards and implementing procedures to ensure compliance programs effectively identify, prevent, detect and correct noncompliance with applicable laws and regulations
CEO	Chief Executive Officer	1st	Collaborates with Board in fiduciary oversight role; responsible for enterprise risk management strategy overall
CFO	Chief Financial Officer	1st	Manages funding of risk resources, programs and insurance; analyzes impact of risk events on bottom line; monitors and reports on ROI of risk investments, including insurance
CHRO	Chief Human Resources Officer	1st	Contributes to development of risk policies and procedures related to workforce and workplace matters; central source of risk training, communications, and change management for employees, managers and leaders
CIO	Chief Information Officer	1st	Responsible for monitoring and enforcing risk policies, procedures and practices related to information technology
CISO	Chief Information Security Officer	1st	Responsible for monitoring and enforcing risk policies, procedures and practices related to corporate data
CMO	Chief Marketing Officer	1st	Manages, monitors and mitigates organization's brand and reputational risk; leads external crisis communications
COO	Chief Operating Officer	1st	Assesses, controls and mitigates risks impacting day-to-day operations and business processes
CPO	Chief Procurement Officer	1st	Manages and audits third party risk; collaborates with CFO and GC on insurance procurement
CRO	Chief Risk Officer	2nd	Primary responsibility for enterprise risk management strategy and operations; leads corporate risk function; collaborates with GC and CPO to procure insurance in line with organization's risk strategy and appetite
GC	General Counsel	2nd	Advises Board and senior management on governance, compliance, risk and legal matters; responsible for developing, implementing and monitoring programs to support the business' risk owners
IA	Internal Audit	3rd	Provides independent assurance that the organization's risk management, governance and internal control processes are operating effectively

Definitions: Risk Matrix

Risk Matrix Definitions	
Risk Services	
Strategy	Project-based management consulting services designed to enhance business growth opportunities
Operations	Project-based management consulting services focused on improving the functional capabilities and resources required to operationalize the business strategy
Advisory	Ongoing services provided by professionals who are licensed or certified in a specific functional discipline that may be regulated by a body of law or practiced according to industry-based technical standards
Technology	Services designed to enhance productivity and/or business performance through the utilization of enabling technologies for strategic and operational decision support, business process automation, digital risk management, and information technology (IT) enterprise and network security
Managed/ Outsourced	Managed and outsourced services involve the provision of technology-enabled process management services by an external provider. Managed services differentiate from outsourcing in several ways. They are provided by highly skilled talent with deep domain expertise who are capable of making risk-based decisions on behalf of the client; contracts are structured on an outcomes-based pricing model rather than hourly billing; the relationship is long-term compared to outsourcing's typical five- to seven-year contract; and they are typically deployed using cloud technologies.
Risk Strategy	
Reactive	Actions in response to a risk occurrence, e.g., mitigating damage from risk event, implementation of business continuity plans during a risk event, and root-cause analysis of risk events
Proactive	Actions that address perceived risks before they occur, e.g., identification and prioritization of risks, risk monitoring, and implementation of risk controls
Predictive	Actions that forecast future, potential risk occurrences, e.g., risk assessments, case studies/use cases/claims scenarios, risk scenario planning, and simulated war games

Definitions: Pacesetter Profile Service Indicator Graphic Definitions

Service(s)	Definition
Data, technology tools & solutions	Any and all internal or client-facing technology assets and data management tools applied to a client solution
Accounting & auditing services	All accounting and auditing services requiring licensing from state and national authorities (in most jurisdictions)
Consulting services	All management consulting services which provide expert strategic and operational advice designed to drive significant change in client organizations
Forensic investigations	Any investigative services designed to recover evidence concerning misconduct, a crime, or operational failures; with different types of forensic investigations including financial, physical, operational, data & technological, etc.
Function-focused advisory services	Non-consulting advisory services such as investment banking, transaction advisory, tax advisory, law practice (separate from legal services), asset management, etc.
Interim, managed & outsourcing services	All short and long-term services by which an external vendor takes over some degree of client functions, whether for reasons of capacity, affordability, temporary stewardship (e.g., interim CFO), monitorship, expertise, etc.
Law practice	A practice that is fully accredited and licensed to practice law in a jurisdiction
Legal services	Services provided in support of the practice of law, usually high volume, low value work (e.g., contract review), and usually dependent on advanced technology for delivery
Risk assurance services	Services related to the controls and compliance side of auditing and risk management
Risk transfer services	All services related to risk transfer, including insurance

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About ALM Intelligence

ALM Intelligence provides proprietary data, analysis, tools, and knowledge that empower our clients to succeed. The product suite and vast data repository arm professionals with the critical business information required to make the most impactful and informed decisions possible. The exhaustive data repository and product functionality enable professionals to combat competitive challenges head-on with the confidence to remain ahead of the field. The depth of ALM Intelligence's expertise across the benefits, insurance, consulting, and legal industries provide a broad spectrum of actionable intelligence to facilitate & execute strategy. Please visit www.alm.com/intelligence for more information.

About ALM

ALM, an information and intelligence company, provides customers with critical news, data, analysis, marketing solutions and events to successfully manage the business of business. ALM serves a community of over 6 million business professionals seeking to discover, connect and compete in highly complex industries. Please visit www.alm.com for more information, and visit www.alm.com/events/ to learn about our upcoming events. Please follow us on Twitter at @ALMMedia.

30+	65+	250+	2.65M	2.85M	1.08M
Publications	Events hosted globally	Intelligence reports developed	website visitors per month	Newsletter subscribers	Mobile visitors per month

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