

ESG CONSULTANCY M&A SECTOR OUTLOOK 2023

GROWING MARKET, DRIVEN BY A HOST OF DRIVERS AND INTERESTS,
UNDERPINNING INVESTMENT ATTRACTIVENESS

AS FIRMS SEEK TO DEVELOP THEIR APPROACH TO ESG, CONSULTING
FIRMS OFFER SPECIALIST ADVICE

MARKET ANALYSIS

KEY INVESTMENT AND M&A THEMES

PRIVATE EQUITY

NOTABLE DEALS



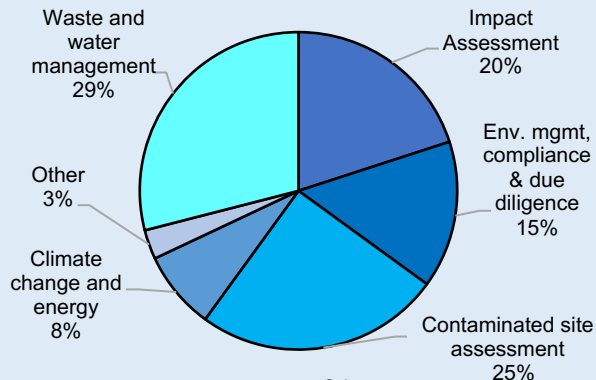
ESG & SUSTAINABILITY CONSULTING GLOBAL MARKET

CONTINUED GROWTH AGAINST MIXED MACROECONOMIC CONDITIONS

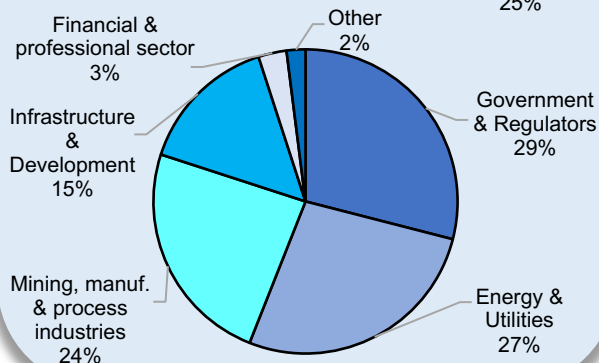
MARKET SCALE



MAIN END SERVICES



KEY CLIENT INDUSTRIES



KEY MARKET DRIVERS

Increased Scrutiny

With many companies achieving higher ESG ratings, for example with the collapse of FTX, regulators are now scrutinising ESG data more closely to lead to greater transparency

Investment Appeal

Firms active in improving their ESG measures are increasingly attractive to investors, some funds targeting ESG allocations

External Pressures

Regulatory pressures from the ISSB's newly published sustainability standards are driving demand as companies look to comply with a changing landscape

Expanding Assurance Requirements

ESG consultancies are needed due to constant streams of firms requiring independent assurance. Up to now, assurance has been voluntary, but this is now changing

Use of AI

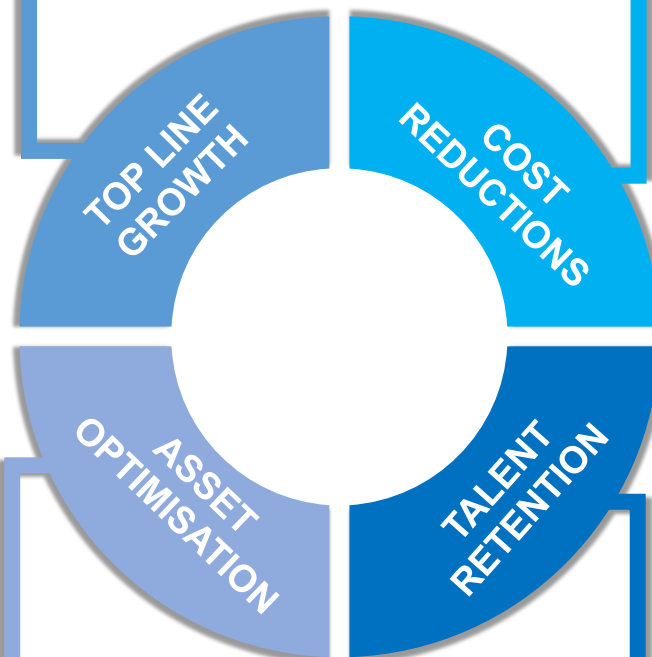
Due to the increased pressure to gather investor-grade ESG data, firms will expand their use of AI technologies to enhance this data collection and analysis

OTHER MEANS OF VALUE CREATION FROM ESG FOCUS

ESG CONSULTANCIES ADVISE ON OUTCOMES / KPIs BROADER THAN “ESG” METRICS

- Having strong ESG awareness & proactivity gives firms **credibility**, which can enable an increase in customers & contracts
- Services & products with **certified** ESG compliance can drive higher value

- Carbon reduction, a key goal in many ESG strategies, will **improve the efficiency** of a business' processes, in time reducing operating costs
- By reducing carbon emissions, business travel and energy consumption reduce leading to **financial savings**



- The **reallocation** of capital to long-term ESG favourable projects can **protect** the long-term value of assets
- Growth in ESG and related consulting market projects is generating **new, faster growing investments** with potential for higher returns

- Increasingly, there is an expectation from employees for companies to **bring impact and meaning** into the workplace through ESG initiatives and commitments
- Failure to do so will lead to **loosing top talent** as ESG is an EX ('employee experience' differentiator)

DIFFERING M&A OPPORTUNITIES

RATIONALE FOR M&A DEALS ACROSS THIS FAST-MOVING MARKET

1. SUSTAINABILITY & ESG SPECIALIST CONSULTANCIES

Specialist providers of ESG and sustainability consulting are becoming more commonplace due to increased demand for focused ESG & sustainability strategies

The high growth opportunity that some ESG platform businesses provide to build global scale through buy and build strategy leads to considerable interest from private equity



Anthesis, one of the UK's fastest growing companies and the largest global group of dedicated sustainability professionals secured a significant investment from Carlyle Group, with Palatine reinvesting

Continued buy and build investment strategy.

2. LARGE PROFESSIONAL SERVICES FIRMS DIVERSIFYING

Increased demand for ESG consultancies has led to many professional services firms acquiring ESG/Sustainability specialist's practices to integrate into their existing consulting operations

Through acquisition growth and the reposition of existing services, these acquirers are growing extensive ESG services



Accenture, acquired the ESG consultancies, Zest Group, Avieco and Greenfish in the last 18 months

These acquisitions, and a multitude of others, boost Accenture's wide range of current service offerings and allows for ESG consultancy to become an integral part in their operations.

3. INTERNATIONAL ENGINEERING CONSULTANCIES

The addition of ESG & Sustainability related strategies across the infrastructure and manufacturing industries has led to an increase in the inorganic growth of many global firms operating in this space, who wish to reinforce in-house ESG capabilities



Leading global provider of consulting and engineering services, Tetra Tech acquired RPS. The deal strengthens parts of Tetra Tech's current operation (such as their UK water practice) and will allow the advancement of their long-term strategy to enhance their standing as the premier global high-end consulting and engineering firm.

ESG CONSULTANCIES ATTRACT PREMIUM VALUATIONS

TOP QUARTILE KPIs AND CAPITALISING ON VALUE DRIVERS DRIVE PREMIUM VALUATIONS

ESG SECTOR VALUE DRIVERS

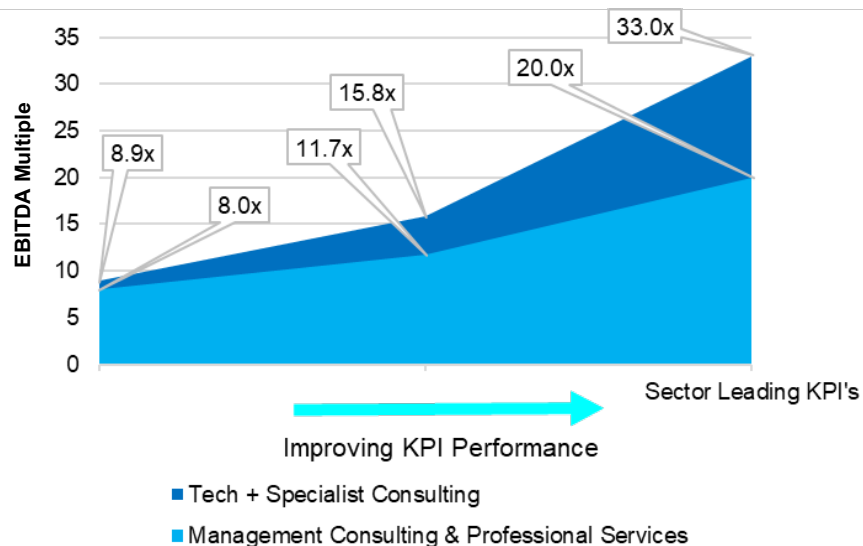
Market Leading KPIs
such as ARR/ retention

Sector consolidation
potential

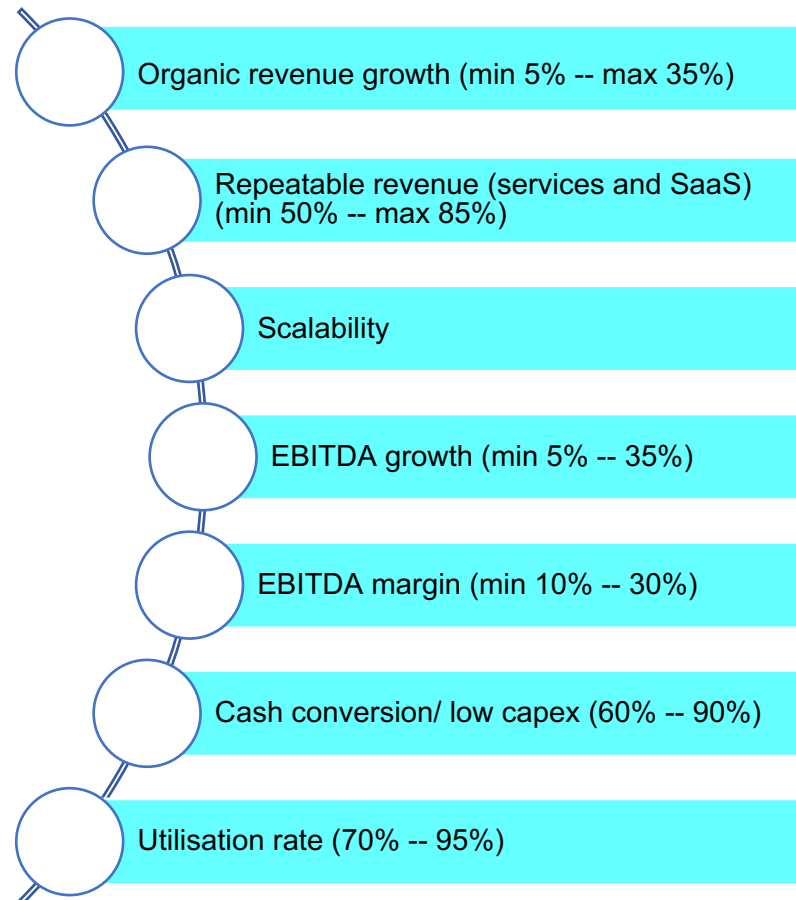
Specialist, impactful
proposition

Large and high growth
end markets

HIGHER EBITDA SALE MULTIPLES FOR THOSE FIRMS WITH SECTOR-LEADING KPI's



CONSULTING BUSINESSES WITH TOP QUARTILE KPI'S ATTRACT A PREMIUM IN THE M&A MARKET



M&A HIGHLIGHTS

CONTINUED M&A IN ESG CONSULTING



- **Simply Sustainable** received investment by **Agathos**, the UK PE
- Allows Simply Sustainable to become a platform for a strategic growth plan, which includes organic growth and acquisitions



- **ClearLead Consulting**, energy and sustainability consultancy acquired by **SLR Consulting**, via its financial sponsor **Charterhouse**
- Further strengthens SLR's leadership in climate and strategic environmental consulting



- ESG consultancy **Wallbrook Advisory**, which focuses on anti-corruption, investigations and business ethics was acquired by the **Anthesis Consulting**, the Carlyle PE backed global sustainability consultancy



- The US-based energy utility group holding company **Edison International** acquired energy and sustainability consultancy **Alfa Energy**



- Portfolio company of KKR & Co, **ERM Group** acquired the dynamic and growing strategic energy consultancy **Element Energy**, who work with companies to implement low-carbon technologies



- **Imug rating**, the German-based provider of ESG strategy and sustainability assessments, was acquired by **EthiFinance**, a European rating, research and advisory group for the sustainable finance market





14 DEALS COMPLETED
IN LAST 24 MONTHS

£450M
TOTAL DEAL VALUE

£32M
AVERAGE SIZE

80%
DEALS INVOLVING PE

CP'S GOOD BUSINESS MANIFESTO



Looking after our people

We are the core of our business. BCorp is a pledge that our people wellbeing will always come first



Going the extra mile for clients

The work we deliver for our clients has impact beyond profit and we need to continue to offer value to our customer base



Caring for our planet

We aim to minimise the impact we have on the environment, so we implement activities that minimises the harm we do. Focus now is on emissions and waste



Honoring our legal commitments

We have made a legally binding commitment to manage the business as a force for good

MARK BROCKWAY

Partner

Mark joined Cooper Parry in 2022 as an M&A partner with 25 years' experience of selling a range of companies, focusing on business & professional services sector deals.

He spent 16 years with EY Corporate Finance where he was head of London mid-market M&A. He has advised on over 50 buyouts involving PE.

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LOREN DOCKSEY

Senior Analyst

Loren joined Cooper Parry Corporate Finance in 2020 as an analyst, assisting the team with deal origination and market research.

Loren has experience of both private equity and corporate clients, assessing investment criteria, mapping markets and originating acquisition targets.

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NIAL CHANTRILL

Associate Partner

Niall joined Cooper Parry Corporate Finance in 2015 having spent four years in the firm's audit practice.

He has advised on a wide variety of transactions, including privately owned companies and institutional investors across Services, Tech & Healthcare.

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KATIE CASH

Assistant Manager

Katie joined the Cooper Parry Corporate Finance team in 2021 after having worked in the CP audit team beforehand.

Katie has recently advised on deals in the professional services and healthcare sectors.

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We have achieved B Corp certification

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