Livingstone

Value by Design

Consultancies Sector Newsletter - Autumn 2010

DEAL UPDATE

AECOM Acquires Davis Langdon

On 5 August 2010, AECOM Technology Corporation, the leading US provider of professional technical and management support services for government and commercial clients, announced that it had agreed to acquire Davis Langdon (DL) in a transaction valued at US$324m (£209m). London-headquartered DL's 2,800 staff provide cost and project management services, and specialist consultancy services, to clients around the world. DL's counterpart in Asia, Davis Langdon & Seah, remains independent, but will continue to collaborate with AECOM. In 2009, DL generated gross revenue of US$430m (£277m).

John Dionisio, AECOM President and CEO commented "The addition of Davis Langdon reflects our continued commitment to execute on our stated strategy of growth and diversification, especially from a global footprint standpoint." AECOM expects the transaction to be accretive to cash earnings per share (EPS) in fiscal year 2011. Under the deal, DL's shareholders are expected to receive 80% of the consideration in cash and 20% in common stock, a typical AECOM acquisition structure. The transaction is expected to finally complete in October 2010.

Tree-Huggers Come of Age

In the last 12 months, the UK's environmental consultancy sector has seen some significant deals as environmental regulation becomes an increasing obstacle to securing approvals for major infrastructure, utility and property development schemes. These deals affirm the emergence of environmental advice as a commercial professional discipline attracting premium valuations. The two largest deals saw 650-plus consultant engineering and environmental firm Entec sold to AMEC for a reported £62m ($96m) and smaller peer Enviros sold by Carillion plc to Australian group Sinclair Knight Merz (SKM) for £27m ($42m). The Enviros deal marks an escalation in SKM's ambitions to become a global technical professional services player, being a magnitude greater than most of its previous 56 deals.

Former Northumbrian Water subsidiary Entec has grown rapidly in recent years and is a major player in the water engineering, energy and waste sectors. The deal represents an important milestone in AMEC's strategic shift into professional services and provides its pre-dominantly North American Earth & Environmental division with an important UK platform, as befits a UK-listed group. The deal follows a series of acquisitions elsewhere in the world, most notably the A$106m takeover of Australian minerals specialist, GRD.

SECTOR TUNNELS HARD FOR LIGHT

So the much-heralded arrival of the major US consultancy groups finally happened, with the quick-fire acquisitions of Scott Wilson and Davis Langdon. And, heavens forbid, we had a proper old-fashioned bidding war for Scott Wilson!

It will be interesting to see if CH2M Hill has an alternative target in its sights and whether other North American groups such as Jacobs, Tetra Tech and Stantec will be hot on the heels of AECOM and URS. Two other major international groups also made noteworthy forays into the UK in the last 12 months: Australian group SKM with its £27m acquisition of Enviros and Canada's IBI with its £10m purchase of Nightingale Associates.

Add to the mix several European groups that remain on the prowl (ARCADIS, Grontmij, Poyry, Ramboll and Sweco) and the strategic interest in professional services among certain contractors (with AMEC, Amey and Balfour Beatty leading the charge), and we appear to have all the ingredients for another strong phase of M&A activity. And, indeed, M&A market conditions are improving, with a 25% increase in UK activity in the sector in the 12 months from 1 July 2009 and a 68% improvement in the six months to 30 June 2010 compared to the same period last year.

> **"M&A activity is up and valuations have stabilised"**

So M&A activity is up and valuations have stabilised, although regrettably not every firm can expect a 'Scott Wilson premium.' In fact, from an adviser's perspective, the M&A market has behaved itself well in the last 12 months. This was in part due to a solid performance by the larger listed UK consultancies which, as a community, enjoyed a 20%-plus improvement in share price. The principal variable making deals difficult to complete continues to be the uncertain outlook for many consultancies and the challenges associated with forecasting in such conditions. If a professional services firm's owner-managers are reluctant to predict the short-term future, what hope can a cynical acquirer have of getting comfortable with a potential target's medium-term prospects?

We must not let the flurry of 'big ticket' M&A activity over the summer get us carried away. These are the exceptions rather than the rule. Private professional services firms with scale (300-plus consultants), a differentiated service offering and a degree of international coverage remain in demand. Specifically, there is keen interest in consultancies serving the oil and gas, power generation and distribution, renewables, nuclear, testing and certification, and environmental fields. We have seen reasonable – but not spectacular - valuations being placed on these assets in 2010.

EVENTS: 17 NOVEMBER 2010

Public vs Private

Public sector or Private: where does the greatest mid-term opportunity sit? Public listing or Private equity: which is the most viable source of funding? Livingstone's third annual Consultancies Conference brings together CEOs, Managing Partners and Finance Directors in a networking event for technical professional services firms.

For more details, see Back Page.

QUOTED COMPANY ANALYSIS

SOAP BOX

After a flurry of high profile deal-making by AECOM (David Langdon), URS (Scott Wilson) and Atkins (PBSJ), one could be forgiven for thinking that the UK was in the middle of a M&A boom, reminiscent of late 2007. Regrettably for shareholders and investors, and while deeply heart warming, these deals are not reflective of the temperature of the mergers and acquisitions (M&A) market for professional services organisations.

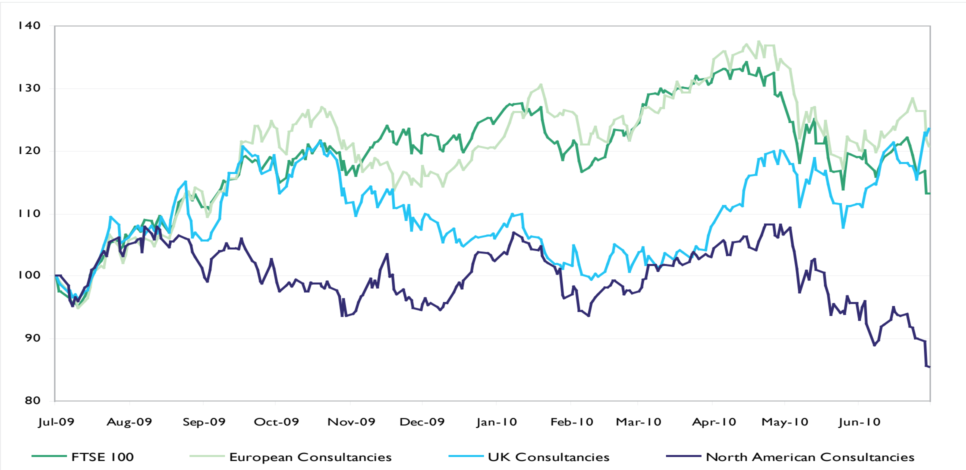
However, they underline that the trend of globalisation has fuelled much of the M&A in recent years, despite turbulent market conditions and the sector reaching a low ebb in 2010. This continues to place pressure on ambitious groups to increase their ability to service clients internationally. Come peaks or troughs, this has meant that an appetite exists among strategic buyers for technical consultancies with either a strong presence in niche markets (eg. Defence and Renewables) or scale and breadth of activities (ie. £30m plus revenues, of which 35% may be generated overseas, especially Asia).

This consolidation also reflects the natural evolution (previously foreshadowed in so many other industries) of the professional services into a small, number of very large, global multi-service groups and a proliferation of much smaller, niche specialty firms. There is a grim inevitability that the middle ground will become an increasingly uncomfortable place to occupy for all but the most agile and exceptional of consultants. The choice of 'acquire or be acquired' is one that many firms will face as global markets recover and one of the challenges that they will confront is structuring themselves to take advantage of whichever option is most compelling to them.

Having advised professional services firms for over 35 years and, indeed, as a consultancy firm that has managed our own strategic development through acquiring and divesting over that period, Livingstone is excellently positioned to offer confidential and empathetic guidance and expertise.

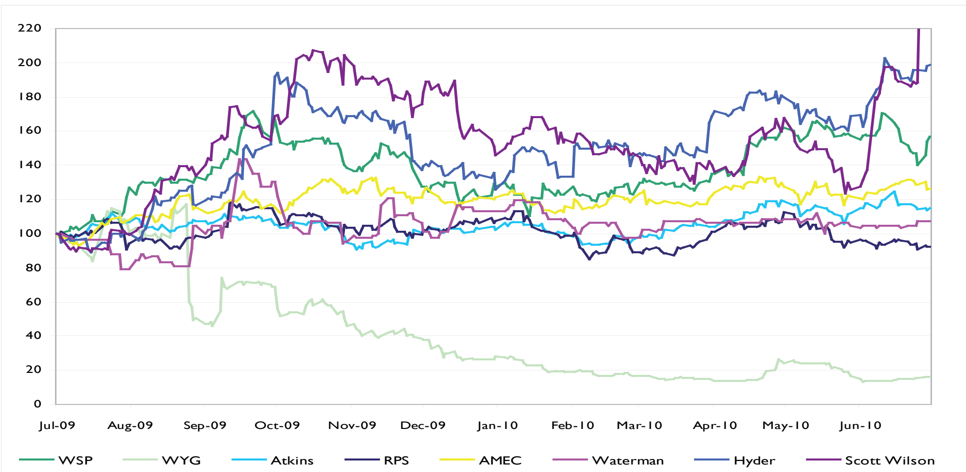
Kristian Gavan
Director, Business Services
T: 020 7484 4747
E: gavan@livingstonepartners.co.uk

Once again, we have reviewed the performance of the community of listed companies in the Consultancies sector, this time analysing the period from 1 July 2009 to 30 June 2010. As in previous newsletters, we have grouped 'representative' listed companies into three indices: UK Consultancies, European Consultancies and North American, and compared them with the FTSE 100.



In the dog days of 2009, it felt very much like the pounding that the UK Consultancies' share prices had suffered from investors had to stop at some point. And indeed it did - albeit briefly - as the graph above illustrates. The UK Consultancies Index rallied strongly, in line with the FTSE 100 and the European Consultancies Index, and had improved over 20% by the middle of October 2009. Unfortunately, from there the UK diverged and the flush of confidence in the sector turned to caution and virtually all the gains that had been made were wiped out over the next three months, hitting a low point in early February 2010.

Meanwhile the European Consultancies Index continued to recover, tracking the FTSE 100 until mid-April when that rally too gave up the ghost. Despite two very different stories over the 12 month period, UK Consultancies may seem vindicated, as by June 2010 they had ended marginally ahead of the European Consultancies and up circa 20% overall. An encouraging set of results announcements from the likes of AMEC and Atkins, have fuelled the most recent recovery in UK group share prices since March 2010, while the UK Consultancies Index benefited in late June from the 232% increase in Scott Wilson's share price as it became the focus of a tug of war between URS and CH2M Hill. The sudden reversal of fortune suffered by the European Consultancies Index coincides with the Greek sovereign debt crisis, which resulted in many listed European groups seeing their share prices hammered for macro- rather than company-specific reasons.



MID-MARKET M&A ANALYSIS

Of note is the relatively soggy performance of the North American Consultancies Index which has shown great strength in each of the previous two reviews that Livingstone has undertaken. By late April 2010, the North American Index had managed only a 8% improvement since Summer 2009, before it – like the Europeans and FTSE 100 - succumbed to a fit of market jitters. Finally, perhaps the 10% decline in the Index experienced in June 2010 reflects US investor discomfort with the high prices paid by URS for Scott Wilson and AECOM for Davis Langdon.

At an individual company level, the big winner over the period was clearly Scott Wilson (for more analysis of the takeover see page 6), while the booby prize goes once again to White Young Green, which has continued to suffer a gradual decline despite successfully completing its restructuring in January 2010. The jungle drums have stopped beating about possible suitors for WYG, either because investors are content for the new management team to press on with the turnaround – or perhaps as people struggle to understand where any residual value might reside.

Takeovers aside, Hyder was the strongest performer over the 12 month period, as it achieved a near doubling of its share price. WSP came second, with a circa 60% increase. Both enjoyed a vote of confidence from investors which liked their defensive spread of disciplines and – most importantly – geographic diversity. AMEC has benefited further from its shift from contracting into professional services (and its £750m cash pile!), while Atkins had a steady year. Alan Hearne, CEO of RPS, must be mildly frustrated at the near 10% fall in his group's shares. While RPS's 2009 results showed a modest decline in financial performance, the group's interim results at the end of July 2010 showed results in line with expectations.

The broadly positive performance of the larger UK groups has not been mirrored by the smaller listed groups (which do not form part of Livingstone's UK Consultancies Index). Quantity surveyor Baqus plc's shares hit a high note in late August 2009 with a 90% increase on an announcement of management changes. Its shares subsequently tumbled to finish at circa 45% of their July 2009 price, and was being punished again for a May 2010 announcement that its current year results would be below market expectations. After promising starts, construction consultancy Cyril Sweett's shares declined by over 20% and dispute resolution company Driver Group's share price halved over the period of review.

MID-MARKET M&A ANALYSIS (Selected Transactions)

DATE	TARGET	TARGET DESCRIPTION	ACQUIRER	D/V £M	T/O X	EBITDA X
Jun 2010	XPD8 Solutions Ltd	Oil & gas consultancy & software	MBO / Maven Capital Partners UK LLP	6.0	1.5x	-
Jun 2010	Scott Wilson Group plc	Environmental & engineering consultancy	URS Corp.	221.6	0.7x	10.4x
Jun 2010	TNEI Services Ltd	Power technical engineering consultancy	Petrofac Ltd	7.5	-	-
Jun 2010	Nightingale Associates Ltd	Health & education architectural practice	IBI Group	10.3	0.6x	7.9x
Apr 2010	Data Sound Ltd	Health & safety consultancy	Managed Support Services plc	2.8	1.2x	14.7x
Mar 2010	Systems Integration & Automation Ltd	Oil & gas services consultancy	CSE-Global (UK) Ltd	10.1	1.1x	3.8x
Mar 2010	Entec UK Ltd	Environmental & engineering consultancy	AMEC plc	61.2	1.0x	6.8x
Feb 2010	NB Real Estate Group	Commercial property management	Capita Symonds Ltd	10.0	0.2x	4.3x
Jan 2010	McKinnon & Clarke Ltd	Energy, utility & telecoms markets consultancy	MBO / Lyceum Capital Partners LLP	22.0	0.8x	7.9x
Dec 2009	Fulcrum Consulting	Sustainable energy consultancy	Mott MacDonald	-	-	-
Oct 2009	Enviros Ltd	Environmental consulting group	Sinclair Knight Merz	27.0	-	-

The 12 months to 30 June 2010 saw 66 deals completed in the UK Consultancies sector, up from 49 in the same period in 2008/09. This 25% increase in M&A activity is encouraging evidence of an improvement in sector confidence and persistent structural drivers (see Comment, page 2) but still represents a fall of 27% from the 93 deals concluded at the peak of the M&A boom in 2007/08.

Despite the increase in activity levels, aggregate deal value has fallen from £818m in 2008/09 to £565m in 2009/10. While the 2008/09 total deal value was somewhat skewed by the £553m sale of Wood Mackenzie, just two deals – the £222m takeover of Scott Wilson and £61m acquisition of Entec – accounted for 50% of the 2009/10 aggregate value. This simply reinforces the fact that most M&A in the sector over the last 12 months has involved relatively small deals: even including Scott Wilson and Entec, the average UK deal value for 2009/10 was £23.6m.

On the face of it valuations have crept up, with a median historic EBIT (or operating profit) multiple of 7.4x compared to 6.4x in 2008/09. However, the data sets for this type of analysis are very limited and notoriously flawed and, although it pains us to say so, this multiple over-states the prevailing market norm, which we observe to be 6.0x to 6.5x current year EBIT for 'average' consultancies.

PLOTTING THE RIGHT ROUTE TO GROWTH

by Dan Adler

Dan Adler
Partner
D: 0207 632 2480
www.lyceumcapital.co.uk

LYCEUM CAPITAL

The combined impact of a flat economy and the UK Government's tough fiscal policies is creating uncertainty for all businesses, but there is an acute sense of unease in those professional services firms which have relied on public sector spending to fuel their growth. Despite the significant short-term threat this environment poses, there remain strong underlying growth trends in the consultancy industry as demand for outsourced services which provide compelling lower-cost or efficiency returns is rising across both the private and public sectors.

For those businesses capable of demonstrating real added value, these changing dynamics are providing the chance to create long-term sustainable commercial relationships, particularly in sizeable international markets.

To pursue new expansion opportunities, significant capital investment is often required but the most suitable route to securing that funding is not always clear.

Floating on a Sea of Cash?

For many consultancies an IPO is often thought of as the ideal means of fuelling a growth strategy. Whilst the process of going public is expensive, the theory is that a listing increases capitalisation and provides the ability to tap into vast markets for the funding needed to progress opportunities such as acquisitions or geographical expansion. Companies also hope that their valuation and debt-to-equity ratio will improve after going public, making it possible for a firm to receive much better terms from traditional lenders than a private business might. Whilst this sounds like the magic bullet many mid-sized consultancies have been looking for, the equity markets' volatility means that circumstances beyond a company's control can supress share prices, eroding shareholder value rather than enhancing it. This uncertainty is closely linked to the short-term nature of the stock market. Listed businesses' plans are at the mercy of markets which may not take the time to fully appreciate the nuances of a specific growth strategy or be willing to take a longer term view on the delivery of returns, focusing instead on short-term cash generation.

Operating in the Spotlight

Public companies are often considered to have higher prestige and profile than private firms, as listed status brings with it valuable international visibility and credibility. Whilst these benefits are clear, life in the public glare of the stock market is not suited to all firms. Management teams can find the bureaucracy which comes with being listed onerous, slowing decision making and often discouraging the innovation and controlled risk taking which can be the driver of significant value creation. Consultancies operating in highly competitive environments may also find that the level of public disclosure required puts them at a disadvantage with their non-listed peers.

A Private Life

When considering the most suitable route to growth, consultancies must take into account their current stage of development, immediate requirements and the medium to long-term vision for the future. The risks and rewards of an IPO will vary depending on the specific business but for many mid-sized consultancies, remaining private ensures they have the flexibility, control and speed of reaction to maximise growth opportunities. For those firms, private equity can provide an ideal means of securing certainty of funding as well as an experienced shareholder who takes an active role in the strategic and operational development of the business. Private equity's longer-term perspective on value creation can also be a significant advantage over the short-termism which the markets can often exhibit. Rather than flit between stock, private equity backers form a partnership with management and have a vested interest in remaining committed and achieving a shared vision. For many consultancies, private equity not only drives growth, but is also the mechanism through which they can build a robust company with the infrastructure and scale to more easily weather economic challenges. In this regard, the rigour and discipline private equity brings to the development of the business model and the professionalisation of reporting structures pays dividends.

This is borne out by research conducted by Private Equity News which found that listed firms previously backed by private equity investors regularly perform better than the wider IPO market. The latest data from Ipreo also shows that businesses where private equity retains an interest post-float outperformed the Standard & Poor's 500 stock index by an average of 7 per cent in the first half of 2010.

CASE STUDY: M&C Energy Group

Lyceum Capital identified the consultancy M&C Energy Group as the perfect platform from which to consolidate the highly fragmented but rapidly growing energy procurement and compliance sector.

M&C Energy Group advises business users on energy and environmental usage and legislation in regulated and deregulated markets across the globe.

Management were keen to maximise the deep client relationships it had built over time by expanding its international footprint and adding complementary services.

After the company chose private equity as its preferable route to growth, Lyceum Capital invested £22 million in December 2009 and immediately:

- Implemented a rigorous programme of operational enhancement which includes investment in strengthening M&C Energy Group's infrastructure.
- Developed a comprehensive organic growth strategy to open up new commercial opportunities within the client base by harnessing significant geographical and cross-selling synergies.
- Commenced a comprehensive market consolidation strategy targeting firms which further extend M&C Energy Group's service offering and geographical coverage.

The expansion strategy has created significant new growth opportunities, resulted in a acquisition within six months of Lyceum investing and the business is well on its way to achieving its ambitious growth plan.

THE PRICE FOR BREACHING AN NDA

by Michael Archer

Non-disclosure agreements (NDAs) are in common usage in the world of corporate finance and in any situation where one party decides to share confidential information with another. However, the recent case, decided in March 2010, of *Vercoe and Others v Rutland Fund Management Limited and Others* [2010] EWHC shows that, when things go wrong, the remedy available to the innocent party for breach of their NDA is not as generous as might be hoped. And if the Courts cannot penalise the guilty party by denying them some of their ill-gotten gains, does this mean it is open season for the unscrupulous to take a calculated gamble? Let us hope not.

The case concerned two former professional racing drivers, Mr Vercoe and Mr Pratt. Their business interests were far removed from fast cars and the glamour of the track. Instead, they had identified a possible business opportunity in a more mundane sector altogether. The business plan they developed was for a management buy-in of a pawn-broking business called Harvey & Thompson Limited (H&T). But they needed finance to make it happen. They approached a number of venture capital companies including Rutland Fund Management Limited (Rutland) who they made to sign an NDA with the intention of protecting the confidential information they were disclosing.

The information about H&T supplied to Rutland was confidential and of commercial value and contained original research and analysis of the business. It identified the opportunity for business growth and a substantial profit on a subsequent exit. But when, after the business was bought, it was later floated on AIM, netting its owners the vast profit that the plan had anticipated, it was not Mr Vercoe or Mr Pratt in the driving seat. The celebratory champagne was not theirs. The one holding the trophy in fact was Rutland. Somehow, our racing drivers had been nudged off into the gravel.

What had Happened?

Rutland liked their idea and recognised that indeed this was a business that represented a real opportunity. They initially included Mr Vercoe and Mr Pratt in negotiations to buy the business. Rutland were prepared to fund the project. But there was just one problem. They did not feel that Mr Vercoe and Mr Pratt were the right people to drive the business forward. So, in unceremonious fashion, they dumped them and used a different management team. They then proceeded with their own acquisition of H&T without the two who had bought the opportunity to them in the first place.

What about the NDA that Rutland had Signed?

Not surprisingly, a case was brought against Rutland for breach of the NDA. The Judge found that the two Claimants had been 'led on' and that their treatment in being ousted from the project was "shabby and underhand". The NDA bound Rutland to use the confidential information disclosed for only the "permitted purpose" – of an MBI involving the two claimants. The Court had little difficulty in finding that Rutland had been in breach by proceeding to acquire the H&T business without including the claimants in the deal.

What the Court had to consider was what remedy Rutland should be made to pay. Rutland had made a huge profit of £29m but it also had used its own finance to achieve that success and had, whatever might be thought of its methods, established a successful management team.

The Judge decided that to focus on the profit made as a consequence of the breach of the NDA was contrary to legal principles. Instead, the Judge said he should reflect what the Claimants would have accepted to release Rutland from the restrictions of the NDA. Making an assessment of the characters of the Claimants, he decided that they would have settled for a share of equity – Mr Vercoe 5% and Mr Pratt 2.5%. A more risk-averse Claimant however, might have settled for a smaller cash sum and so that is all a court would have awarded.

This approach follows established case law. But what is the effect in practical terms? Take Rutland: if they or anyone in the same position find that they need to get out of an NDA, their options are to negotiate compensation for their release or go ahead and breach the NDA anyway. Either way, the cost is going to be the same! Such a calculated gamble however will not work in other circumstances where misuse of confidential information may cause damage (the usual concern when businesses disclose information in an IM, for example) or where an injunction can be obtained to restrain misuse. The case described is not one in that category.

For disclosing parties, the case teaches a few home truths. The signing of an NDA should not remove the need for natural caution in disclosing and monitoring disclosure of information to a limited number of trusted recipients. The words of the NDA should be chosen carefully so that it is tailored to the type of confidential information being disclosed and, if possible, expresses the basis of compensation if it is breached. Finally, no one should expect civil law to punish treachery.

Michael Archer
Partner
D: 0207 420 8705
www.beale-law.com
BEALE
AND COMPANY

OVER-PRICED OR UNDER-VALUED?

The Battle for Scott Wilson

You'd be forgiven for thinking it was still the mid-80s based on events of this summer: Gary Lineker was the stand-out English footballer at the World Cup, a Tory Chancellor was fighting to tame inflation and the words "bidding war" regularly rang out through the City of London.

Over just a few days, Scott Wilson elicited offers topping out at 290p per share and in doing so recorded the second highest UK takeover premium since records began in 1992. Having started the week at 87p, an initial recommended offer of 210p looked more than decent and many analysts reckoned it a 'done deal' – particularly given its all cash nature.

The strategic value of a UK consulting platform and access to talent with skills relevant to growth sectors was recognised by more than just North American giant URS, resulting in Scott Wilson's board having already received multiple approaches before that bid went live. Under most circumstances, that would have been that. But it was CH2M Hill who really set things alight with a counter offer of 245p later the same day, giving bankers and fund managers cause to reassess their views of the sector.

CH2M Hill's offer represented a further premium to an already attractive gain against previous values, but was not ultimately enough to deter URS from securing the prize. With hindsight, the decision for CH2M Hill to take a stake of c.13% in Scott Wilson at their 245p offer price could be seen as more than just a hedged bet – perhaps it was a sign that they knew the final price would be one even they should be sellers at!

At a final take-out price of 290p, URS have paid a PE multiple of 15.8x against a sector average of around 8x. Were it not for the bidding war that drove them to it, the usual comment would focus on this alone and whether it represents a bargain or not. But the deeper question it prompts is why the sector as a whole is valued so lowly when multiple acquirers have seen the value to be had within it.

Scott Wilson was one of a small number of UK listed PLCs whose scale was sufficient to justify its public status but insufficient to make it a sector power-house. The results being produced were also, on the face of them, not wildly exciting when looking back over the longer term. The group had been going through a necessary re-balancing of its turnover, reducing the dependency on the property sector and growing its international revenue share (helped in part by a fall of £20m in UK turnover). Despite the cautious management of its costs and net debt position, the reality was that even Scott Wilson's chairman couldn't hide the flat growth in the UK business representing over 60% of revenues.

So what prompted two US heavyweights to slug it out for this asset, and should we expect more to come from the tide of imported consolidation? Without a doubt, the infrastructure focus of Scott Wilson and its strong project list in rail and transport infrastructure make it a strategically significant asset for URS. The challenge for smaller listed groups is often how to compete for the biggest and best projects, particularly on an international basis, and under larger ownership there is potentially substantial upside to be had there. Furthermore, the growth of its practices in emerging markets (India and Asia-Pac in particular) is a sign of a management team that has read the winds well. Having missed out on Scott Wilson despite a valiant fight, CH2M Hill have made a clear statement of intent and boards looking for a transformational uplift in shareholder value could do worse than take the call from Denver, Colorado.

Nevertheless, the question persists how the City could underestimate Scott Wilson's value so badly. Many will point to the cliché of "short termism" by the stock markets, but Scott Wilson was a small PLC within the sector and could easily have carried a take-out premium in its share price without upsetting the markets. More likely, both bidders realised the rarity of businesses at this scale that offer high quality talent in vast numbers. The cost, complexity and time required to build that from scratch is immense, making M&A a compelling option. The markets may have missed the ball on Scott Wilson, but bidding wars thrive on scarcity of good targets.

SWIMMING AGAINST THE SPILL?

Atkins takes on the US from Bottom Up

WS Atkins plc announced in early August that it had agreed to purchase Florida's PBSJ for $280m in cash. The acquisition is a material strategic step for the UK headquartered consultancy, at a time when the reputation of British business in America is at a low ebb thanks to BP. In acquiring 3,500 people across 80 offices, Atkins will be bringing a top 30 US firm into the fold as a national business within its "multi-skill, multi-local" strategy.

Both firms have talked up the cultural fit and focus on high quality service, as anyone would expect, but the change for PBSJ from employee ownership is likely to be the most dramatic. Talking about the deal, Robert Paulsen, PBSJ's CEO, noted that despite a robust performance during the economic turmoil the firm's growth ambitions could not be supported within the limitations of employee financing. In this regard, Atkins brings a level of balance sheet strength from which PBSJ can benefit hugely in tendering for larger, multinational projects.

The price represents 6.0x historic EBITDA to 30 September 2009, but PBSJ hasn't been without its issues in the current year. Down-sizing of around 200 staff and the costly investigation into the conduct of international contracts have cost around $10m of EBITDA for the first half of 2010. Against this backdrop, both buyer and sellers will be glad to have traded the risk of ownership for a sensible level of cash value.

The prize for Atkins is access to the lucrative North American market at a time when the constraints on growth in its domestic market are plain to see. Once the acquisition is completed, Atkins will generate just over half its revenues from the UK and a third from the US. PBSJ also brings a strong focus on the transportation sector and a first-rate selection of public sector client relationships.

The timing of the acquisition may jar with news headlines following the BP spill, but Atkins is making a long term commitment to its growth plans – just as Balfour Beatty did with the Parsons Brinkerhoff acquisition last year.

Jo Penny
Analyst, Business Services
T: 020 7484 4716

INTRODUCING LIVINGSTONE

MID-MARKET SPECIALISTS

Established in 1976, Livingstone is an international corporate finance boutique focused on company sales and acquisitions with deal values of between £10 million and £100 million plus. In 2009, the firm's 70 staff advised on 35 transactions and was voted Mid-Market Adviser of the Year at the 2010 Acquisitions Monthly Awards and Independent Corporate Finance House at the 2010 Private Equity Awards.

Livingstone stands out for its cross-border credentials: the firm has completed over 200 cross-border transactions in the last 15 years. By combining a sector-based strategy with an international office infrastructure, Livingstone has ready access to acquirers, targets and investors around the world. With our own teams in Chicago, Madrid and Düsseldorf, and established relationships with M&A advisers in 30 other countries, we are able to deliver the best available strategic solutions from across the globe to our clients' doorstep.

Livingstone has a strong focus on advising entrepreneurs and growth companies throughout their development, providing advice on acquisitions, succession planning, exit options, management buy-outs and company sales. For further information, please contact Jeremy Furniss on 020 7484 4703 or at furniss@livingstonepartners.co.uk.

THE BUSINESS SERVICES TEAM

Livingstone focuses on four sectors: Business Services, Consumer, Industrial and media:tech. The Business Services team draws from professional staff across the firm's international offices to deliver expert corporate finance advice in the Facilities Services, Outsourcing, Consultancies, Environmental Services and Human Capital arenas.

In recent years, the Business Services team has advised on deals in these markets with an aggregate value over £400 million. We have had the privilege of working with many exceptional management teams over a wide range of activities including:

- Architecture
- Environmental
- Engineering
- Infrastructure
- Planning
- Project Management
- Quantity Surveying
- Renewables
- Systems Engineering

Unlocking the cash value of many years' hard work in a Professional Services business requires an acute understanding of our clients' requirements, the drivers that will underpin an attractive deal, and the strategies and priorities of acquisitive groups and investors around the world. Our focus on the Consultancies sector has equipped us to provide this.

Jeremy Furniss	Neil Collen	David Sulaski	Christian Grandin
Livingstone London	Livingstone Madrid	Livingstone Chicago	Livingstone Düsseldorf
T:020 7484 4703	T: 0034 963 524 594	T: 001 312 670 5900	T: 00 49 211 300 495 21

www.livingstonepartners.com

ENTEC HOLDINGS LTD

AMEC PLC

Sale of one of the UK's leading environmental and engineering consultancies to AMEC Earth & Environmental.

Livingstone initiated the transaction, advised the vendors and assisted in the negotiations.

MCKINNON & CLARKE LTD

MBO TEAM/LYCEUM CAPITAL

Sale of leading energy consultancy and utility management services provider to Lyceum Capital.

Livingstone initiated the transaction, advised the vendors and assisted in the negotiations.

SUSTAINABLE FINANCE LTD

PRICEWATERHOUSECOOPERS

Sale of one of the world's leading sustainable finance consultancies to PwC.

Livingstone initiated the transaction, advised the vendors and assisted in the negotiations.

![Livingstone]

PUBLIC vs PRIVATE

08.30 Registration

09.15 Welcome & Opening Remarks
Kristian Gavan, Director, Livingstone Partners

09.30 Panel Session: Public or Private? Growth Sectors for 2011
As UK Government spending cuts bite in earnest, where should successful consultancies be looking for growth across the public and private sectors? A panel of experienced PLC business developers share their thoughts on where the greatest opportunities reside - and also reflect on the areas with the bleakest outlook.

10.30 Keynote Speaker:
A CEO of a successful consulting group shares his/her experience of developing a successful group, of how he/she has met the challenges of the last two years and the short- to medium term outlook.

11.00 Coffee Break

11.30 Panel Session: Private or Public? Raising Capital and Pleasing Investors in a Challenging Market
Our team of experts discuss the pros and cons of being a listed company during a uniquely turbulent time, how to keep the markets happy, and whether raising private equity is a sensible alternative or complimentary strategy.

12.30 Closing Remarks:
Jeremy Furniss, Partner, Livingstone Partners

12.40 Lunch & Networking Session

13.30 Conference Ends

WEDNESDAY, 17th NOVEMBER 2010
THE SOHO HOTEL, LONDON W1D 3DH

Public sector or Private: where does the greatest mid-term opportunity sit? Public listing or private equity: which is the most viable source of funding? Livingstone Partners' third annual Consultancies Conference brings together CEOs, Managing Partners and Finance Directors in an event tailored for technical professional services firms.

This half-day event will combine expert insight into the medium-term opportunity for technical consulting businesses with plenty of audience interaction and a chance to network with like-minded individuals from across the consultancies sector.

From being perceived as a safe haven for many consulting businesses just 18 months ago, the outlook for the public sector has suffered a massive reversal, with the threat of major schemes being axed, often in an arbitrary manner. But will the curtailment of investment in the transport infrastructure and schools building programmes be offset by 'new' nuclear, renewable energy projects and the Green Deal, and the few major capital projects that may survive the cull? In which sectors should ambitious consultancies be focusing their energies over the next 24 months?

As fear recedes and confidence grows, successful professional services firms may need to raise external funding to rebuild balance sheets, provide working capital and make selective acquisitions. An IPO might be an option, but how have the small- and mid-cap listed consultancy groups fared over a turbulent two years? Has the stock market delivered what was promised? Is there another way?

Key Issues to be Addressed

- Private or private sectors: what is the right balance?
- When and how are Government spending cuts impacting hardest?
- Where are there still opportunities for growth?
- Can a private sector recovery take up the slack?
- Is the grass greener abroad?
- How has the market treated PLCs in the sector recently?
- Is a flotation an option - what are the pros and cons?
- Is private equity investment a more viable alternative to an IPO?
- What are investors' criteria - and how do I meet them?

The Speakers
Livingstone has assembled a group of seasoned senior executives from a range of high-profile PLCs and growing companies to share their thoughts and experiences of building successful businesses in some of the harshest market conditions in living history.

Co-hosted with:

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Booking Form

Date: Wednesday, 17th November 2010

Venue: The Soho Hotel, 4 Richmond Mews, London W1D 3DH

Cost: £110 + VAT for the first delegate and £100 for each delegate thereafter

Please return your form with payment to:
Rosemarie Lamanno, Livingstone Partners LLP
15 Adam Street, London WC2N 6RJ

For further queries please email Rosemarie Lamanno at lamanno@livingstonepartners.co.uk

Conditions: A VAT receipt will be sent with your confirmation. If you are unable to attend, please telephone with your substitute's name. No refunds are available for cancellation received less than 14 days before the Conference.

Surname ____

First Name(s) ____

Job Title ____

Name of Additional Guest(s) ____

Company ____

Address ____

Post Code ____

Tel No. ____

Email ____

Signature ____

Payment Details: I would like to book ____ place(s)
I am enclosing a cheque for ____
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