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Specialty Consulting Market Update

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Houlihan Lokey (“HL”) and Investor Group Services (“IGS”) are pleased to present a Specialty Consulting Market Update.

Specialty consulting has recovered from the early 2026 reset. Valuations have retraced their Q1 and Q2 lows, private equity platform activity has accelerated through Q3, and the market has worked through its first read on what generative AI means for professional services.

That recovery is an average, and averages hide dispersion. AI is separating the platforms that capture efficiency as margin and durable IP from those that pass it back to clients. The gap between the two is widening.

In the pages that follow, Houlihan Lokey frames the market: where valuations and deal activity stand, and what is driving them. The IGS AI team frames the diligence: what questions a sponsor should underwrite before buying, and what a specialty consulting firm should build and be able to demonstrate before going to market.

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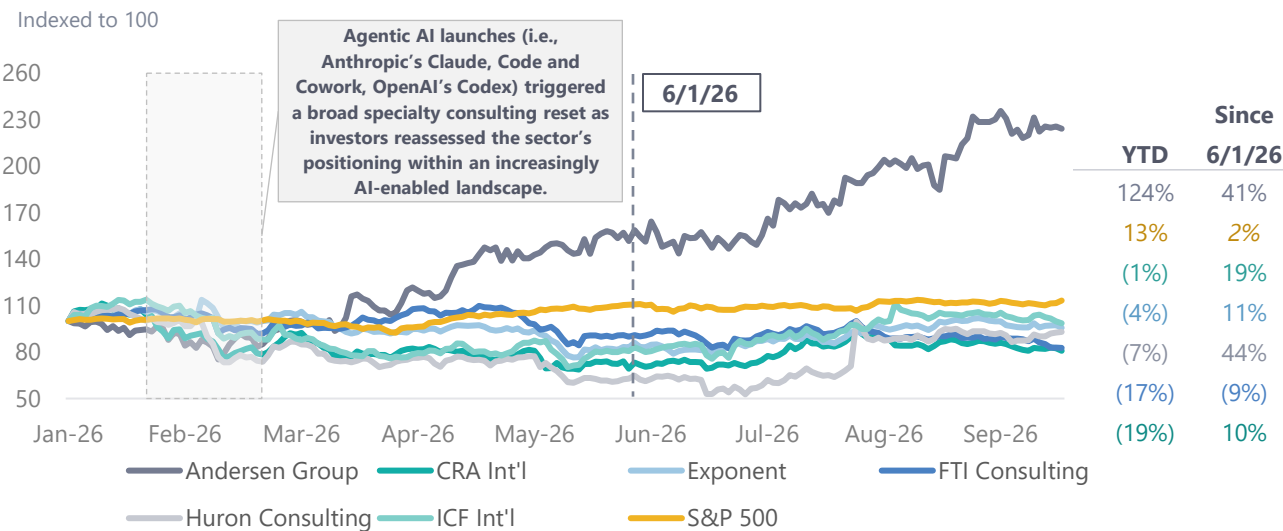


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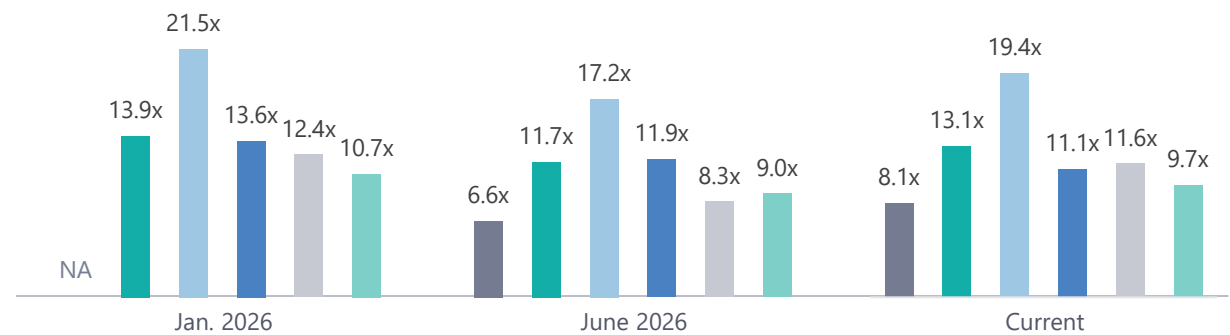
Specialty Consulting Public Company Valuation Trends

Specialty consulting comparables have retraced early 2026 losses, with valuation levels up sharply from Q1/Q2 2026 lows.

2026 YTD Share Price Performance



2026 Valuation Multiples Evolution—EV/2026E EBITDA



Key Observations

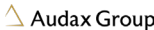
- Across the specialty consulting sector, valuation levels in 1H 2026 were impacted by not only macro market pressures (geopolitical conflict, tariff policies, inflation, and interest rates) but also the early adoption of generative AI in legal, accounting, consulting, and other professional subsectors.
- Since the impact that lowered company valuations in late Q1/early Q2 2026, performance has improved steadily, as the market has begun to digest the impact of AI on professional services and understand that AI will be less disruptive and more of an enabler of higher quality and faster delivery, along with more efficient, richer service offerings.
- Performance and valuations continue to gain momentum in late Q3 2026—corporate spending and investment are up significantly in 2026 and are expected to remain elevated in 2027, driven by strong, growing backlogs, profit growth, and the execution of long-term strategic initiatives.

Note: Houlihan Lokey selected six professional services companies to illustrate sector performance.
Source: Trading multiples are based on share price, other market data, and broker consensus future-earnings estimates from S&P Capital IQ as of 09/21/2026.

Specialty Consulting Private Equity Trends

Despite headwinds in early 2026, private equity firms have continued to invest in the broader specialty consulting sector, with new investments/platform activity gaining momentum in Q3 2026.

Specialty Consulting—Featured Private Equity Platform Transactions (2026)

Date	Acquirer	Target	Date	Acquirer	Target
09/2026			06/2026		
09/2026			06/2026		
08/2026			05/2026		
08/2026			05/2026		
08/2026			04/2026		
Q1 2026					
08/2026			03/2026		
08/2026			03/2026		
07/2026			02/2026		
07/2026			01/2026		
07/2026			01/2026		
Q2 2026					
06/2026			01/2026		
06/2026			01/2026		

Note: Date represents announcement date.

Sources: S&P Capital IQ, Mergermarket, PitchBook, and press releases as of 09/21/2026.

Key Observations

- Within the specialty consulting sector, private equity platform transaction activity has remained steady through 1H 2026, despite the macro headwinds and the emergence of generative AI.
- More recently, private equity platform activity has gained significant momentum, with numerous transactions announced already in Q3 2026.
- The buy-and-build strategy continues to be the dominant thesis—private equity acquirers prioritizing initial/platform investments (scaled, diversified, strong management, etc.); subsequently pursuing aggressive M&A strategies within the fragmented landscape to enhance capabilities, add service lines, target new clients/end markets, expand geographies, etc.
- Valuation levels for platform investments have remained at elevated and strong levels, as there is a premium ascribed to the platform, with add-on/tuck-in M&A targets transacting at lower valuation levels to buy down the overall valuation level of the total asset.

AI is a critical variable in underwriting a consulting platform. The risk is not that AI compresses consulting value broadly; rather, when implemented well, AI rewards firms that can both provide clients with strategic guidance and build the AI solutions internally to deliver their services more efficiently. Consulting platforms without a clearly defined AI strategy may end up on the wrong side of a widening valuation spread.

AI Diligence Areas of Focus for Consulting Platforms

1. AI Risk and Defensibility

What are the risks to the business model, substitution-related risk, and risks from competitors? What are the defensive moats, including regulatory, structural advantages, and proprietary workflows?

- **Pricing Model:** Fixed-fee and outcome-linked work keep savings as improved margin; time-and-materials pricing risks savings going back to client.
- **Substitution Risk:** Clients bringing strategy expertise in-house.
- **Competition Risk:** AI-native boutiques, systems integrators, and Big Four consulting firms.
- **Data Moats:** Proprietary engagement and outcome data.
- **Critical Workflow Moats:** Proprietary methodologies and AI agents embedded in client operations.

2. AI Value Creation

Where does AI create measurable, defensible value?

- **Demand Engine:** Proposal and pitch assembly drawing on prior outcomes; win-rate and cycle-time improvement.
- **Delivery Leverage:** Research, analysis, drafting, and model building, capacity increase without added headcount.
- **Knowledge Layer:** A firm's own standards, project history, and decisions, capturing judgment that today sits with a small group of senior people structured into a searchable asset a competitor cannot buy.

3. AI Readiness and Adaptability

Can the platform deploy and sustain AI through the hold?

- **People:** AI owned at the firm level with real delivery talent, versus stuck in partner-led pilots.
- **Process:** Methodologies documented and standardized enough to re-engineer.
- **Technology:** Modern data stack, plus client-grade security and hosting for engagement data.
- **Data:** Project history, deliverables, and outcomes deep and structured enough to feed AI tools.

The Impact of AI in Consulting—Pricing and Leverage in the Face of AI

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The traditional pyramid is under pressure across every knowledge industry, not just consulting, making this a much larger design problem than staffing today's engagements. As AI absorbs junior work, firms must rebuild the talent funnel that carries people into future leadership positions, not just optimize how they deliver current revenue. Both the leverage model and the talent-development path require redesign.



Near-term: A time-and-materials pricing model carries risk given AI efficiency gains. When clients see the same productivity gains the firm does, efficiency becomes a discount at renewal. Fixed-fee, outcome-linked, and subscription pricing structures allow the firm to have a better chance of keeping margin increases in-house.



Longer term: AI absorbs a growing share of junior work, compressing the leverage pyramid that funds traditional consulting margin, and, at the same time, disrupts the traditional training model for junior staff. Automation-only gains level off and gets repriced as table stakes, and a structured knowledge layer compounds with every engagement. Platforms that redesign pricing, org. structure, and talent development around AI, rather than bolting tools onto the old model, hold the durable advantage.

Guidance by Stakeholder

For Sellers and Their Advisors

- **Decide What the Firm Sells:** Advice, a working system, an outcome, or all three. The answer sets pricing, hiring, and the shape of the delivery team.
- **Move Projects Off Pure Time and Materials:** Develop case studies that show ROI per outcome.
- **Structure the Knowledge Layer:** Capture project history and outcomes into a searchable asset.
- **Stand-Up Firm-Level AI Ownership:** Document delivery methodologies so AI readiness reads as a program rather than a set of partner-led pilots.
- **Be Able to Demonstrate a Build:** Have the ability to show a working system delivered for a client, not a deck about one.

For Buyers

- **Underwrite the Pricing Model:** Determine who keeps the efficiency gain to prove whether AI is a margin gain or just a pass through to a client.
- **Separate Commoditized Automation From Firm-Owned IP:** Distinguish IP (supports multiple expansion) from automation (improves margin during the hold).
- **Diligence the Data Asset:** Have proper data structure and client-consent of the project history data that feeds proprietary models.



The Impact of AI in Consulting—Case Study: Outcome-Priced Consulting Firm (Blinded)

Situation: The firm faced the same AI narrative as its competitors (faster drafting, faster research) but is paid on outcome rather than by the hour, so efficiency gains do not translate into visible value the way they would under hourly billing.

What We Found: Since the firm is paid on outcome, AI efficiency accrues directly as margin and capacity increase, the opposite of the pass-through pressure hourly billed competitors face. The company's moat sat in decades of case history and referral relationships, which remained unstructured and inaccessible to anyone outside a handful of senior employees.

Where the Value Sits: Intake scoring to focus staff time on the highest-value work, automated pitch and board-brief preparation drawing on prior outcomes, automated reconciliation, and reporting were identified as the quicker wins. The real value identified was the firm's own knowledge of its case history, which needed to be leveraged, structured, and made searchable so it could influence outcomes in a repeatable way. This moves the firm from knowledge locked inside one person's head, as in a sole proprietor or founder-led business, to institutional knowledge and leverage that lets everyone act with the same power.

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In consulting, the AI question should focus on where the value is being created. Automation that improves efficiency but doesn't drive equity value is wasted time and money. Building AI solutions should be focused on increasing margin through a higher top line, a lower cost structure, or creating equity value through IP and ownership of a process. Automation alone gets repriced as table stakes. The platforms that increase equity value are the ones turning their own project history and judgment into a structured asset, which is what shows up in the exit multiple, not the software they bought.



Justin Bass,
IGS Chief AI Officer

How the IGS AI Team Can Help



AI Diligence (Buyside and Sellside)

Run alongside CDD, evaluate risk and defensibility, value creation potential, and a firm's readiness to adapt AI by service line, and deliver an IC-ready or CIM-ready AI point of view.



AI Strategy

Build a prioritized, financially grounded roadmap across the demand engine, delivery model, and back office.



AI Activation and Transformation

Deploy agentic automation in weeks using real technology that moves the needle on margin and capacity, not proofs-of-concept that only look good on a blog post.

About IGS

IGS is a strategy consulting firm that helps private equity investors and management teams achieve better business outcomes through smarter strategic decisions. For almost 30 years, our partner-led teams have combined proprietary research, senior expertise, and judgment across more than 4,000 engagements spanning commercial due diligence, growth strategy, pricing, go-to-market, and AI diligence, strategy, and transformation.

Featured Transaction Experience



IGS is evaluating (commercial & AI diligence) Blinded – Active Engagement CONSULTING FIRM on behalf of a private equity sponsor	IGS is supporting Blinded – Active Engagement LAW FIRM MSO on AI strategy and transformation	IGS evaluated (commercial & AI diligence) Civil Litigation Law Firm LAW FIRM MSO on behalf of a private equity sponsor
IGS evaluated F2 STRATEGY WEALTHTECH CONSULTING FIRM on behalf of a private equity sponsor	IGS evaluated Bowman ENGINEERING SERVICES on behalf of a private equity sponsor	IGS evaluated CHARTIS HEALTH SYSTEM CONSULTING on behalf of a private equity sponsor
IGS supported Trinity Consultants EHS CONSULTING FIRM with internal strategic initiatives	IGS evaluated Prosperity SPECIALTY TAX AND ACCOUNTING on behalf of a private equity sponsor	IGS evaluated HARBOR COMPLIANCE TECH-ENABLED COMPLIANCE SERVICES on behalf of a private equity sponsor
IGS evaluated resolution economics ECONOMIC & LITIGATION CONSULTING on behalf of a private equity sponsor	IGS evaluated K2 SERVICES FORREST epic TECH-ENABLED MSO SERVING LAW FIRMS on behalf of a private equity sponsor	IGS evaluated Lovelytics DATA AND ANALYTICS CONSULTING on behalf of a private equity sponsor



Transaction Pending HBK H.I.G. CAPITAL HBK has agreed to receive a strategic growth investment from an affiliate of H.I.G. Capital Sellside Advisor	GRIDIRON CAPITAL van den boom & associates Gridiron Capital has partnered with van den Boom & Associates Buyside Advisor	THOMAS & COMPANY bv INVESTMENT PARTNERS Thomas & Company has received an investment from BV Investment Partners Sellside Advisor
COUNCIL ADVISORS TCG Tayeh Capital Group Council Advisors received a majority investment from Tayeh Capital Group Sellside Advisor	outsolve LNC PARTNERS Riverside OutSolve, LLC, a portfolio company of LNC Partners, has been acquired by Riverside Sellside Advisor	Oakley Capital G3 Oakley Capital has acquired G3 Buyside Advisor
LEVINE LEICHTMAN CAPITAL PARTNERS Expert Institute SPECTRUM EQUITY Levine Leichtman Capital Partners has acquired Expert Institute, a portfolio company of Spectrum Equity Buyside Advisor	INTENSITY TIDEROCK Secretariat JLL Partners Intensity, LLC, a portfolio company of Tide Rock, has been acquired by Secretariat International, Inc., a portfolio company of JLL Partners Sellside Advisor	INVESTCORP CROSSCOUNTRY CONSULTING Investcorp has acquired CrossCountry Consulting Buyside Advisor
OCEAN TOMO BOW RIVER CAPITAL JSHELD KELSO Ocean Tomo, LLC, a portfolio company of Bow River Capital, has been acquired by JS Held, a portfolio company of Kelso Sellside Advisor	E78 PARTNERS Further Global E78 Partners has been acquired by Further Global Sellside Advisor	resolution economics LLC LL Resolution Economics, LLC has been acquired by Levine Leichtman Capital Partners and existing management team members Sellside Advisor

Houlihan Lokey tombstones included herein represent transactions closed from 2020 forward.

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