

## **MWS Tracker Spotlight: PWC Acquires Diamond Management & Technology**

**August 26, 2010**

### **Financial Overview:**

Transaction Value: \$378M	Enterprise Value: \$315M
Revenue: \$226M	EV / Revenue: 1.39x
EBITDA: \$22M	EV / EBITDA: 14.5x
Deal Premium: 1 Day – 31.0%	7 Day – 25.8%
	30 Day – 16.5%

### **Deal Overview:**

PricewaterhouseCoopers LLP signed a definitive agreement to acquire Diamond Management & Technology Consultants, Inc. (NasdaqGS: DTPI) for approximately \$378 million in cash on August 23, 2010. Under the terms of agreement, PricewaterhouseCoopers will pay \$12.5 per share in cash. The option holders/SARs will receive in excess of the offer price of \$4.39.

PWC said that consideration paid to common stock holders will be financed through working capital and other available sources of liquidity. Diamond Management & Technology Consultants is headquartered in Chicago, Illinois and posted revenue of \$226 million and EBITDA of \$22 million for the LTM period ending June 30, 2010. PWC's purchase price implies an Enterprise Value to Revenue multiple of 1.4x and an Enterprise Value to EBITDA multiple of 14.5x.

The deal is expected to close in the fourth quarter. Should the deal fall through, Diamond management will need to pay a termination fee of \$9 million to PricewaterhouseCoopers. Diamond Management & Technology Consultants, Inc. provides strategic management consulting services through its 500 plus consultants worldwide. It has offices in Chicago, Hartford, New York, Washington D.C., London, and Mumbai.

**14.5x EV/EBITDA represents 54<sup>0</sup>% premium to the EV/EBITDA median multiple for similar large publicly traded IT Services Companies.**

*Note: Data courtesy of Capital IQ*

### **MWS Intelligence:**

In 2002, PwC sold its technology consulting practice to IBM for \$3.5 billion at a time when many large accounting firms were spinning off or selling their consulting units in the wake of Sarbanes-Oxley and the Enron and WorldCom accounting scandals. Since then, it has been steadily rebuilding its technology and management consulting services within its Advisory practice.

Diamond, which employs more than 500 consultants worldwide and earns a third of its total revenue from financial services consulting, had said it expects continued revenue and earnings growth for the rest of fiscal 2011. Post closing, Diamond will join PwC's Advisory practice, one of the largest consulting service providers in the world.

The acquisition clearly provides an attractive cash opportunity for Diamond's shareholders. Furthermore, the two companies will be able to cross-sell their services to each of their newly

acquired client bases through shared culture and value system. Additionally, the combined entity should expect significant cost savings through consolidating back-office operations and other redundant costs associated with running a public company.

These factors contributed to the high premium of 16.5% over the 30-day period.

This transaction comes at a time when there is an increased activity in M&A across industries. The relatively stable market index given that Dow has been around 10,000 for nearly a year, relatively low interest rates and uncertain organic growth prospects provide the right conditions growth through acquisitions. If this pace of M&A activity continues or grows further, it will result in restructuring of industries and creation of new leaders in their respective marketplaces.

### **About Martin Wolf Securities**

Based in the San Francisco Bay Area, Martin Wolf Securities is a leading middle market investment bank focused on companies with services-based business models. Since 1997, our team has completed nearly 100 transactions in 6 countries. We are a 5 year member of the Merrill Lynch PS Referral Network, and effective June 25, 2010, have been selected as ICICI Bank's (India's leading private bank) exclusive strategic partner for acquiring U.S. IT companies. You would be hard pressed to find a more experienced and knowledgeable team in our space. We work with high integrity, always focused on achieving the best results possible for our clients. For more information, visit [www.martinwolf.com](http://www.martinwolf.com).