

ARTICLE

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Specialist Consulting Firms Increasing Market Share

In Megafund PE
Due Diligence



Megafund investors and enterprises are increasingly turning to specialist consultancies for critical due diligence and strategy engagements – but why?

To answer these questions, it is important to understand the theory of disruption. No, not the buzzword, tech-bro-hijacked disruption, but the real economic theory.



Disruptive innovation, a term of art coined by Clayton Christensen, describes a process by which a product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves up market, eventually displacing established competitors.”

[ClaytonChristensen.com](https://claytonchristensen.com)



Over the last decade, specialist consultants have developed tailored products and services designed for LMM and MM funds and portCo's. Concise voice of the customer (VoC) surveys designed to answer very specific questions. Actionable, bottom-up market models give a precise estimate of the size of a single MSA. Scrappy operational improvement teams drive immediate pricing or margin uplift. Hands-on, impact driven specialists lead the analysis, training, and implementation of their recommendations.

These specialists started by becoming experts in specific industries, typically with smaller-scale targets. Each project alone is not worthwhile for a large firm, but in aggregate a specialist can develop capabilities to tackle meaningful problems.

The nature of PE, however, is these assets grow and trade up as they continue to roll-up more assets.

As the companies scale, megafunds become increasingly interested in the assets.

And while some megafunds prefer to continue to leverage their incumbent partners, others consider who has the most expertise in the target market.



Ducker Carlisle
has relentlessly
moved up market,
displacing
incumbents.



Key drivers of selection include:

01

Ducker Carlisle had a longstanding relationship with the portCo. Earlier this year, Ducker Carlisle won a large due diligence engagement of a mid-sized auto aftermarket vendor for a top 5 PE fund. The Ducker Carlisle team had been working with management over the last 2 decades. They had developed an intimate understanding of the market, operational challenges and leadership of the company. When the asset went to market, it was clear Ducker Carlisle knew the business better than any large incumbent could ever learn in a 4-week diligence process. With the appropriate conflicts cleared, Ducker Carlisle was best positioned.

02

Ducker Carlisle's volume of small transactions in a fragmented market. "Roll-up" strategies have become commonplace in the PE world, especially in many services businesses. Ducker Carlisle has developed valuable, fast-moving commercial due diligence services at a conservative fee structure to support these transactions. For example, there have been nearly 50 acquisitions of plumbing or HVAC contractors over the last 3 years. The vast majority of these transactions are <\$50M, which doesn't justify a large due diligence effort. Ducker Carlisle's purpose-fit add-on teams, however, have supported more than a dozen of these transactions. This allows Ducker Carlisle to become an expert in a market with very few scaled assets. Ducker Carlisle now has relevant, current expertise in a market where incumbents may have only looked at the space 3-5 years ago. Savvy investors value this expertise, because they know the investors are not paying for the Ducker Carlisle team to "get smart" on a new space.



In conclusion

Specialist consultancies, like Ducker Carlisle, utilize expertise and customized services to win lower and upper end contracts.

The shift towards specialist firms is attributed to the concept of disruptive innovation – specialist providers offered tailored solutions to the underserved segment of LMM and MM PE. These specialists focus on providing services to clients that were previously overlooked by larger consulting firms. By adapting to the needs of smaller funds and portfolio companies, specialist consultancies have become experts in niche markets, offering specific solutions. With this capability, the specialist consultancies have been successful in relentlessly moving up market to serve even some of the largest megafunds in the world.



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Jared Tate is a Managing Director at Ducker Carlisle where he operates as the Head of the West Coast and specializes in Private Equity and M&A advisory engagements. Jared holds a bachelor's degree in business management from Brigham Young University. He has nearly a decade of experience leading commercial due diligence and growth strategy engagements across industries and client types. Clients value Jared's ability to ramp up quickly on niche topics, identify critical investment themes, and drive immediate results.

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