

DECISIONPOINT

QUARTERLY VIEWPOINT:

For the Quarter Ended June 30, 2018 and the Latest Twelve Months

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Market Leader for Mid-Market Technology M&A:

This Quarterly ViewPoint covers trends, public valuation multiples and relevant M&A activity for the software and services sectors. To illustrate general capital market and M&A trends within these sectors, DecisionPoint has selected a group of representative public comparables and transactions. This data is provided for informational purposes only. All data represents publicly available information.

DecisionPoint is a unique leader in M&A advisory services for middle-market technology companies and their venture capital investors in the software, services, and healthcare IT sectors.



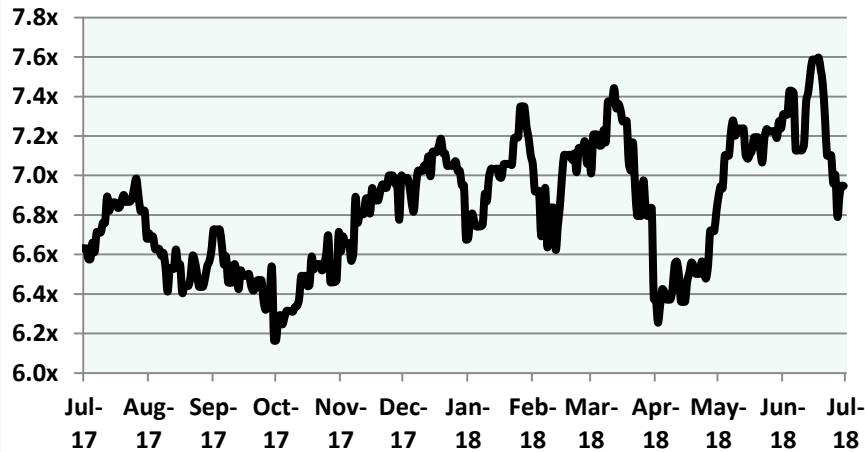
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Software: Software as a Service (SaaS)

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE

DP SaaS Index EV/Revenue Multiple
Latest Twelve Months



VALUATION METRICS

Company	Stock Price 06/30/18	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Salesforce	\$136.40	\$101,290.4	\$98,161.9	8.8x	69.8x
ServiceNow	\$172.47	\$30,450.0	\$29,740.0	14.1x	NM
Workday	\$121.12	\$25,445.3	\$24,184.6	10.6x	NM
Red Hat	\$134.37	\$25,104.9	\$22,497.6	7.4x	37.1x
Ultimate Software	\$257.31	\$7,964.0	\$6,528.3	6.6x	65.7x
Athenahealth	\$159.14	\$6,532.7	\$6,558.0	5.2x	26.1x
LogMeIn	\$103.25	\$5,567.7	\$5,024.5	4.6x	15.9x
Medidata Solutions	\$80.56	\$4,855.3	\$4,622.5	8.1x	49.9x
RealPage	\$55.10	\$4,587.4	\$5,246.4	7.3x	45.8x
Ellie Mae	\$103.84	\$3,717.9	\$3,335.3	7.5x	35.8x
Cornerstone OnDemand	\$47.43	\$2,725.2	\$2,655.6	5.3x	NM
Ebix	\$76.25	\$2,412.6	\$2,571.6	6.5x	19.4x
LivePerson	\$21.10	\$1,196.2	\$1,223.7	5.4x	NM
Evertz Technologies	\$12.05	\$920.3	\$850.9	2.7x	13.1x
Median:	\$103.55	\$5,211.5	\$5,135.4	6.9x	36.5x

SECTOR HIGHLIGHTS

- The median SaaS index was trading at 6.9x revenue (based on Enterprise Value) at the closing of Q2.
- In the first half of 2018, 451 Research recorded 446 SaaS M&A transactions. At the current rate, SaaS M&A activity is forecasted to grow 16% over 2017. Not only is 2018 on pace for high deal flow, but valuations are also at historic highs. Median EV/Revenue multiples were at 5.8x TTM Revenue during the first half of 2018. According to Software Equity Group, 78% of companies reported that nearly all of their apps will be SaaS by 2022, which is further driving M&A activity.
- The hottest SaaS categories in 2018 thus far have been CRM & marketing, HR/talent management, and analytics & business intelligence.
- Workday's purchase of financial modeling startup Adaptive Insights for \$1.55b was one of the largest SaaS transaction of Q2. This deal puts Workday one step closer to its goal of being the one-stop-shop for all back office services. The acquisition preempted a planned IPO for Adaptive Insights, which was estimated to have a \$705m market cap.
- Searchlight capital announced its acquisition of Mitel in late April for \$2.0B. The take-private deal is expected to close in the second half of 2018 and allow Mitel to focus on a smooth transition to the cloud for its new go-to-market strategy. Searchlight has prior experience working with legacy companies like Mitel, investing in Rackspace back in 2016.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2018-06-25	AT&T Corporation	AppNexus	1,600.0
2018-06-12	Medidata Solutions	SHYFT Analytics	195.0
2018-06-11	Workday	Adaptive Insights	1,550.0
2018-06-05	SAP	Coresystems	
2018-06-04	Vista Equity Partners	Integral Ad Science	800.0
2018-05-29	PayPal Holdings	Jetlore	
2018-05-03	IBM	Armanta	
2018-05-01	Cisco Systems	Accompany	270.0
2018-04-30	Oracle Corporation	Vocado	
2018-04-26	BASF	Bayer (digital farming division)	2,077.0
2018-04-23	Trimble	Viewpoint	1,200.0

Software: Internet Software and Services

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE

DP Internet Software & Services Index EV/Revenue Multiple
Latest Twelve Months



VALUATION METRICS

Company	Stock Price 06/30/18	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Alphabet	\$1,129.19	\$795,354.6	\$681,969.7	5.8x	18.4x
Amazon.com	\$1,699.80	\$841,401.0	\$824,465.7	4.3x	45.1x
Facebook	\$194.32	\$574,458.5	\$518,528.1	11.6x	20.2x
Netflix	\$391.43	\$175,376.0	\$174,100.4	13.6x	NM
Booking Holdings	\$1,803.70	\$89,732.2	\$100,415.8	7.6x	19.7x
eBay	\$36.26	\$37,918.9	\$40,463.6	4.1x	13.0x
Twitter	\$43.67	\$32,475.4	\$30,148.7	11.8x	NM
Snap	\$13.09	\$16,320.8	\$14,802.7	16.3x	NM
Expedia Group	\$120.19	\$18,834.6	\$19,476.3	1.9x	13.4x
IAC	\$152.49	\$13,259.2	\$13,680.7	3.9x	38.6x
Cimpress	\$144.96	\$4,639.6	\$5,363.9	2.1x	20.7x
Groupon	\$4.30	\$2,443.7	\$1,933.7	0.7x	9.8x
Pandora Radio	\$7.88	\$1,950.2	\$1,833.1	1.2x	NM
Median:	\$144.96	\$32,475.4	\$30,148.7	4.3x	19.7x

SECTOR HIGHLIGHTS

- The median Internet Software and Services index was trading at 4.3x revenue (based on Enterprise Value) at the closing of Q2.
- Amazon has continued its expansion into new industries in order to keep up its rapid pace of growth by moving into the pharmaceuticals sector with a \$1b acquisition announcement of online pharmacy PillPack on June 28th. Following the announcement, stock prices of Walgreens, Rite Aid, and CVS each fell by 10-12% with shareholders fearing that Amazon will disrupt the industry and steal market share from retail pharmacies.
- The supreme court ruling to remove the ban on sports gambling in the US represents a huge opportunity for businesses and investors, as Fortune estimates that \$150 billion is wagered illegally each year in the US. Daily fantasy sports powerhouses DraftKings and FanDuel have already revealed plans to expand their platforms to allow for sports gambling. In addition, FanDuel has announced a merger planned for Q3 with UK company Paddy Power Betfair, citing the ruling as one of the direct motivators for the deal.
- The online meal-kit industry has undergone a transformation in recent months with independent startups beginning to gain customer traction. Kroger also entered the market in May, acquiring Home Chef for up to \$700m with plans to integrate the business with its Prep + Planned in-store meal business. As the industry grows, Blue Apron has struggled to retain its market share, which fell from 57% to 40% in 2017.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2018-06-28	Amazon.com	PillPack	1,000.0
2018-06-04	Teladoc	Advance Medical	352.0
2018-05-23	Kroger	Home Chef	200.0
2018-05-23	Paddy Power Betfair	FanDuel	158.0
2018-05-11	Silver Lake Partners	ZPG	2,980.8
2018-05-09	Walmart	Flipkart.com	16,000.0
2018-05-08	Recruit Holdings Co	Glassdoor	1,200.0
2018-04-21	Stars Group	Sky Bet	4,710.5
2018-04-20	TransUnion	Callcred	1,400.0
2018-04-12	Playtech	Snaitech	1,050.0
2018-04-01	Alibaba	Ele.me	5,415.0

Software: Enterprise Software

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE

DP Enterprise Software Index EV/Revenue Multiple
Latest Twelve Months



VALUATION METRICS

Company	Stock Price 06/30/18	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Microsoft	\$98.61	\$769,207.3	\$702,527.1	7.1x	17.6x
Oracle	\$44.06	\$186,726.3	\$169,265.7	4.2x	10.3x
SAP	\$114.41	\$136,917.3	\$126,146.3	4.6x	16.7x
IBM	\$139.70	\$130,169.5	\$161,909.2	2.0x	10.0x
Dassault Systemes	\$138.75	\$35,907.7	\$33,250.1	8.8x	29.1x
Autodesk	\$131.09	\$28,731.7	\$29,021.4	13.6x	NM
Constellation Software	\$769.07	\$16,298.0	\$16,220.6	6.1x	24.9x
Ansys	\$174.18	\$15,081.5	\$13,744.3	12.2x	29.4x
PTC	\$93.81	\$11,116.2	\$11,172.6	9.2x	NM
Amdocs	\$66.19	\$9,575.6	\$8,930.7	2.3x	12.5x
Tyler Technologies	\$222.10	\$8,766.7	\$8,227.1	9.5x	37.4x
Blackbaud	\$102.45	\$4,908.1	\$5,413.6	6.7x	36.6x
Manhattan Associates	\$47.01	\$3,234.1	\$3,022.2	5.2x	16.7x
Verint Systems	\$44.35	\$2,823.9	\$3,230.3	2.8x	18.9x
Stratasys Ltd.	\$19.14	\$1,018.3	\$712.5	1.1x	17.3x
Median:	\$102.45	\$15,081.5	\$13,744.3	6.1x	17.6x

SECTOR HIGHLIGHTS

- The median Enterprise Software index was trading at 6.1x revenue (based on Enterprise Value) at the closing of Q2.
- Out of all IT spending, the enterprise software market is on pace to have the most impressive growth, with a predicted increase of 11.1%, to \$391 billion in 2018. The chief benefactors of this growth will be the companies that have performed well in cloud enterprise software and cloud-computing services, such as Salesforce, Microsoft and Amazon. The growth stems from a rising awareness of the need for enterprise software that has attracted end-users in the banking, manufacturing, retail, communication, insurance, and automobile industries.
- KKR will acquire U.S. business software company BMC Software in a deal valued at \$8.5 billion, including debt. The acquisition of BMC, which provides software that helps companies organize their tech support functions, comes as software companies are re-orienting themselves to focus on higher-margin businesses such as cloud computing, cyber security and data analytics. KKR expects to use BMC as a platform to make further acquisitions with the deal set to close in Q3 2018.
- So far in their inaugural reports as public companies, Dropbox, Zuora, Smartsheet and DocuSign have kept their end of the bargain they struck with investors during their IPOs. On average, these enterprise software providers are growing nearly 50%. Valuations for the quartet range from roughly 10 to 22 times trailing sales, averaging almost 18x. That's a richer valuation than virtually any of the existing SaaS kingpins, and three or four times the public market valuations for conventional software vendors.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2018-06-28	SYNNEX	Convergys	2,424.7
2018-06-04	Vista Equity Partners	Integral Ad Science	835.0
2018-05-21	IHS Markit	Ipreeo	1,855.0
2018-05-21	Roper Technologies	PowerPlan	1,100.0
2018-05-10	Gannett Company	WordStream	130.0
2018-05-01	Cisco Systems	Accompany	270.0
2018-04-26	Blackbaud	Reeher	43.0
2018-04-26	NICE Systems	Mattersight	102.7
2018-04-23	Trimble	Viewpoint	1,200.0
2018-04-02	Veritas Capital	GE Healthcare (IT Division)	1,050.0

Software: Business Intelligence Software

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE

DP BI Software Index EV/Revenue Multiple

Latest Twelve Months



VALUATION METRICS

Company	Stock Price 06/30/18	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Tableau Software	\$97.75	\$7,798.0	\$7,105.2	7.7x	NM
Pegaseystems	\$54.80	\$4,556.0	\$4,051.1	4.8x	NM
Alteryx	\$38.16	\$2,260.5	\$2,133.8	14.6x	NM
Cloudera	\$13.64	\$1,925.8	\$1,592.2	4.1x	NM
MicroStrategy	\$127.75	\$1,471.8	\$766.9	1.5x	12.7x
PROS Holdings	\$36.57	\$1,168.3	\$1,260.2	7.1x	NM
Domo	\$27.30	\$424.4	\$705.4	6.1x	NM
Datawatch	\$9.50	\$116.5	\$115.8	3.0x	NM
Median:	\$37.37	\$1,698.8	\$1,426.2	5.4x	12.7x

SECTOR HIGHLIGHTS

- The median Business Intelligence Software index was trading at 5.4x revenue (based on Enterprise Value) at the closing of Q2.
- Gartner projects the value of global business that is derived from artificial intelligence to total \$1.2 trillion in 2018, a 70% increase over 2017.
- Machine learning is becoming increasingly integrated into business intelligence processes. As the two continue to become interwoven, the change is expected to make adoption easier and more user friendly for decision-makers who might not always have an analytics background.
- With machine learning on the rise, that doesn't mean big data is going anywhere. According to research by Forrester, the global big data software market will be worth \$31B this year, growing 14% from 2017. The growth of the market is largely attributed to the cost savings that big data can often deliver. According to NewVantage Venture Partners, big data enterprises decrease expenses (49.2%) and create new avenues for innovation and disruption (44.3%).
- GDPR continues to be a hot button issue even after its launch in May 2018. According to a survey by McKinsey in May, 100% of companies feel that they still have major or minor gaps in their compliance. Furthermore, only 25% of companies currently feel adequately prepared to meet the new requirements for a data breach. As GDPR becomes more widespread, many companies are taking a pragmatic approach by opting to use a center of excellence until they have a better indication of the scale of customer data requests.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2018-06-27	Magnitude Software	Every Angle	
2018-06-21	Reflektive	Shape Analytics	
2018-06-20	Microsoft	Bonsai AI	
2018-06-13	Tableau Software	Empirical Systems	
2018-06-12	Software AG	TrendMiner	70.0
2018-05-16	Oracle Corporation	DataScience.com	
2018-05-03	IBM Corporation	Armanta	
2018-05-01	EXL	SCIO Health Analytics	236.5
2018-04-18	Tyler Technologies	Socrata	150.0
2018-04-16	Findyr	Leviathan Analytics	
2018-04-12	HCL Technologies/Sumeru Equity Partners	Action	330.0

Software: Infrastructure Software

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE

DP Infrastructure Software Index EV/Revenue Multiple
Latest Twelve Months



VALUATION METRICS

Company	Stock Price 06/30/18	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Red Hat	\$134.37	\$25,104.9	\$22,497.6	7.4x	37.1x
Symantec	\$20.65	\$13,794.2	\$15,698.8	3.2x	11.0x
Check Point Software	\$97.68	\$16,112.8	\$14,024.2	7.5x	15.3x
Citrix Systems	\$104.84	\$15,988.9	\$14,880.9	5.2x	19.0x
F5 Networks	\$172.45	\$10,908.5	\$9,514.5	4.5x	14.7x
Trend Micro	\$57.18	\$7,946.0	\$6,520.5	4.8x	13.9x
CommVault Systems	\$65.85	\$2,979.2	\$2,539.0	3.6x	NM
Progress Software	\$38.82	\$1,844.9	\$1,722.3	4.3x	12.9x
Radware	\$25.28	\$1,106.0	\$1,018.4	4.7x	NM
Magic Software	\$8.31	\$370.9	\$358.5	1.3x	9.2x
Allot Communications	\$5.31	\$177.3	\$91.0	1.1x	NM
BSQUARE	\$2.70	\$34.1	\$12.8	0.2x	NM
Median:	\$48.00	\$5,462.6	\$4,529.8	4.4x	14.3x

SECTOR HIGHLIGHTS

- The median Infrastructure Software index was trading at 4.4x revenue (based on Enterprise Value) at the closing of Q2.
- According to Market Watch, the global Software Defined Infrastructure (SDI) market will experience a CAGR of 24% from 2016-2022. The notable market drivers that are expected to fuel this growth include the growth of cloud computing, high demand for aligned IT infrastructure and the growth of data creation exceeding current storage capabilities.
- Infrastructure as a Service (IaaS) is the fastest growing segment of the cloud market and is on course to grow by 35.9% this year reaching a market value of \$40.8 billion. The top 10 largest cloud providers are expected to account for around 70% of the IaaS market by 2021, up from 50% in 2016.
- Amazon Web Services, Google Cloud Platform, and Microsoft Azure are leading the IaaS market while Oracle, IBM, and Alibaba are “competing for last place”. Although Google does not provide the same levels of service as Amazon or Microsoft, it is differentiating itself from IBM and Oracle in this space by making significant investments in analytics and machine learning, hoping to use these capabilities to drive growth in the future.
- TIBCO has announced the acquisition of Scribe Software, a cloud-based integration PaaS (iPaaS) provider that connects and automates data flows across SaaS applications and on-premises systems. The move is an attempt by TIBCO to strengthen its Connected Intelligence Cloud strategy and capture iPaaS market share, which it has failed to do in earlier attempts.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

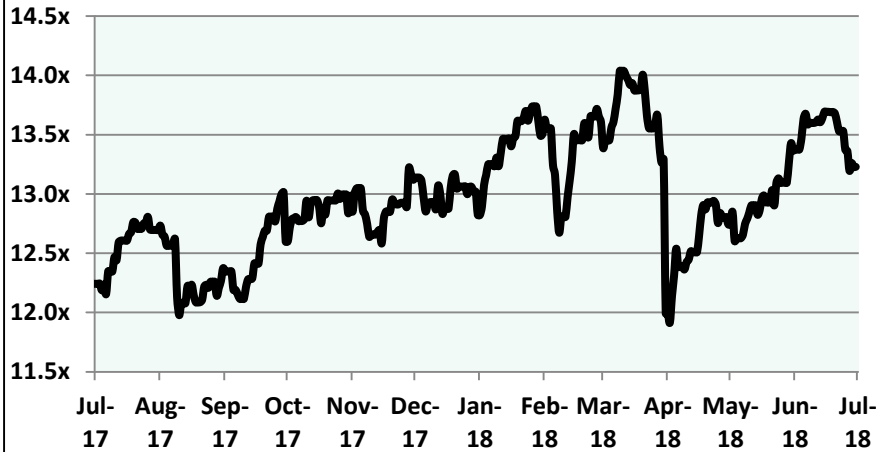
Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2018-06-19	PayPal	Hyperwallet Systems	400.0
2018-06-13	Veeva	Virtuosys	
2018-06-11	Splunk	VictorOps	120.0
2018-06-04	Microsoft	GitHub	7,500.0
2018-05-29	KKR	BMC Software	8,400.0
2018-05-09	Google	Velostrata	
2018-04-26	Square	Weebly	265.0
2018-04-17	Vista Equity Partners	LogicMonitor	300.0
2018-04-09	CA Technologies	SourceClear	

Services: IT Services

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE

DP IT Services Index EV/EBITDA Multiple
Latest Twelve Months



VALUATION METRICS

Company	Stock Price 06/30/18	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Accenture	\$163.59	\$107,383.8	\$101,380.8	2.5x	15.5x
DXC Technology	\$80.61	\$23,358.4	\$28,970.2	1.2x	7.4x
Capgemini	\$133.20	\$22,920.7	\$23,628.2	1.6x	14.0x
NTT Data	\$11.55	\$16,191.5	\$20,072.5	1.1x	7.7x
Atos	\$135.22	\$14,260.0	\$14,504.4	1.0x	9.2x
CDW	\$80.79	\$12,619.4	\$15,275.1	1.0x	13.1x
Booz Allen	\$43.73	\$6,461.1	\$7,802.7	1.3x	13.3x
CACI International	\$168.55	\$4,250.0	\$5,190.8	1.2x	12.6x
ManTech International	\$53.64	\$2,110.7	\$2,176.1	1.2x	15.6x
ICF	\$71.05	\$1,362.6	\$1,548.4	1.3x	13.9x
Perficient	\$26.37	\$895.0	\$975.0	2.0x	19.2x
The Hackett Group	\$16.07	\$515.5	\$467.9	1.6x	13.0x
Median:	\$75.83	\$9,540.3	\$11,153.5	1.2x	13.2x

SECTOR HIGHLIGHTS

- The median IT Services index was trading at 13.2x EBITDA (based on Enterprise Value) at the closing of Q2.
- In the past six months, Converge Technology Partners has focused on assembling a national platform of IT infrastructure firms with a regional focus by conducting five buy-side acquisitions. Most recently, Converge acquired integration specialist BlueChipTek in May. The strategic rationale comes from customer demand for integrators that can provide the full lifecycle of IT services and the desire from smaller companies to utilize the Converge brand to help scale at a faster rate.
- According to industry body Nasscom, the Indian IT Services industry dropped from 170,000 new jobs in 2017 to a projected 100,000 in 2019. The shift to digital and the advent of robotic process automation have caused the displacement of many entry-level jobs. As companies spend less on foreign IT services, they are instead investing in Indian global in-house centers, an industry which is projected to add 110,000 to 140,000 jobs in 2018.
- According to Search IT Channel, the IT Services industry's pace of change has compelled smaller, regional partners and integrators to transform their businesses from a data center and hardware focus to a broader portfolio of services that may include managed services, cloud, AI and blockchain. In particular, as blockchain continues to evolve, blockchain consulting is expected to expand as the complex integration process is often overwhelming for enterprises.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2018-06-20	Polaris Private Equity	ProData Consult	
2018-06-20	F-Secure Corporation	MWR InfoSecurity	106.2
2018-05-21	Parsons	Polaris Alpha	
2018-05-15	Logicalis Group	Coasin Chile	20.2
2018-05-10	Presidio	Red Sky Solutions	40.8
2018-05-02	AMETEK	SoundCom Systems	40.0
2018-04-30	Accenture	Certus Solutions	
2018-04-18	RigNet	Automation Communications Engineering	
2018-04-18	RigNet	SAFCON	
2018-04-10	Hewlett Packard Enterprises	RedPixie	
2018-04-03	Converge Technology Partners	KeyInfo	
2018-04-02	Perficient	Southport Services	14.8

Services: Hosted Services

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE

DP Hosted Services Index EV/EBITDA Multiple
Latest Twelve Months



VALUATION METRICS

Company	Stock Price 06/30/18	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Equinix	\$429.89	\$34,006.7	\$43,211.1	9.3x	22.5x
Interxion	\$62.42	\$4,472.0	\$5,517.7	9.3x	22.3x
SAIC	\$80.93	\$3,558.9	\$4,299.1	0.9x	13.9x
Cancom	\$50.58	\$1,771.3	\$1,654.1	1.2x	16.2x
ePlus	\$94.10	\$1,314.3	\$1,223.2	0.9x	12.1x
Presidio	\$13.10	\$1,303.3	\$1,864.2	0.7x	9.6x
NCC Group	\$2.68	\$741.7	\$803.0	2.5x	NM
iomart	\$4.90	\$537.1	\$567.8	4.4x	11.3x
Sify Technologies	\$1.85	\$279.5	\$389.0	1.2x	8.2x
Redcentric	\$1.14	\$171.4	\$242.3	1.8x	10.5x
Maintel Holdings	\$10.79	\$156.1	\$190.2	1.1x	12.3x
Median:	\$11.94	\$1,022.5	\$1,013.1	1.2x	12.2x

SECTOR HIGHLIGHTS

- The median Hosted Services index was trading at 12.2x EBITDA (based on Enterprise Value) at the closing of Q2.
- Cloud services are adding value on top of infrastructure through the bundling of managed services. Backup migration and monitoring services are the most popular add-ons. Continued consolidation is expected in the market as larger MSPs continue to compete to differentiate themselves.
- Delivering security services has become both the greatest opportunity and challenge for SMB-focused MSPs. While MSPs have traditionally offered basic security service capabilities such as firewall management and web filtering, most lack the expertise and capacity to provide more advanced security services. To provide these services, MSPs have turned to security technology vendors, but are struggling to find suppliers that understand the SMB space.
- The top 10 data center mergers and acquisitions in 2018 have accounted for \$5.6b in deal value. The largest one thus far was Equinix's purchase of Metronode for \$791m in April. This transaction makes Equinix one of the largest colocation providers in the nation.
- According to 451 Research, retail colocation providers are increasingly differentiating with DCIM software, with networking services (such as cross-connects and interconnection) and with efficient datacenter technologies that help them become more price competitive. There is also a trend toward offering managed and hosted services in addition to their core colocation businesses.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2018-06-26	C Spire Wireless	TekLinks	
2018-06-21	Brookfield Infrastructure Partners	AT&T Corporation (31 datacenters)	1,100.0
2018-06-15	FutureTech Holding Company	A2U	
2018-06-14	Continuum Managed Services	CARVIR	
2018-06-13	TriSpan/Long Point Capital	CentriLogic	
2018-06-04	Immedion	Data Cave	
2018-05-30	Iron Mountain	EvoSwitch NL	235.0
2018-05-29	DC BLOX	Infrapoint	
2018-05-11	PhishLabs	BrandProtect	
2018-05-07	Keppel DC REIT	Kingsland Data Center	221.0
2018-05-01	Claranet	Union Solutions	
2018-04-12	ABRY Partners	SiteLock	

Services: IT Outsourcing

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE

DP IT Outsourcing Index EV/EBITDA Multiple
Latest Twelve Months



VALUATION METRICS

Company	Stock Price 6/30/2018	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Tata Consultancy	\$26.85	\$103,342.2	\$96,302.1	5.0x	18.4x
Automatic Data	\$134.14	\$59,678.9	\$58,800.5	4.5x	21.5x
Cognizant Technology	\$78.99	\$46,643.6	\$42,223.2	2.8x	13.9x
Infosys	\$18.99	\$42,879.5	\$37,256.3	3.4x	11.9x
CGI Group	\$62.84	\$18,575.4	\$17,946.5	2.1x	16.7x
Wipro	\$3.80	\$18,072.9	\$14,739.6	1.7x	8.7x
Syntel	\$32.09	\$2,679.6	\$2,885.1	3.1x	11.0x
Distell Group	\$9.28	\$2,037.3	\$2,339.9	1.3x	11.2x
CSG International	\$40.87	\$1,348.4	\$1,515.6	1.9x	10.4x
Unisys	\$12.90	\$723.4	\$678.3	0.2x	2.9x
Median:	\$ 29.47	\$ 18,324.15	\$16,343.02	2.4x	11.5x

SECTOR HIGHLIGHTS

- The median IT Outsourcing index was trading at 11.5x EBITDA (based on Enterprise Value) at the closing of Q2.
- The growth in the business process outsourcing market is being fueled by the emergence of cloud services, big data analytics, and process automation services. North America still accounts for the majority of the BPO market share, but the Asia Pacific region is expected to grow at the highest CAGR due to its emerging IT market and skilled workforce.
- On June 16th, 2018, Xerox Corporation announced that the BPO section of their business will be separated into its own entity, splitting Xerox into two publicly traded companies. The BPO sector will be named Conduent Inc.
- IT services giant Synnex Corporation acquired Convergys on June 28th, 2018 in a cash and stock deal for \$2.8 billion. The deal is expected to produce significant returns for Synnex Corporation due to BPO providers generally experiencing larger percentages of recurring revenue.
- According to 451 Research, in order to stay relevant as organizations shift new spend to digital services using newer technologies, service providers have to switch from older lift-and-shift business models and waterfall-style projects. To be seen as a modern service provider, a company must demonstrate its ability to bring technology startups into the portfolio, be seen as an innovative co-creator of services and share ways to address skills shortages. Arguably all of these areas form the requirements for New Age Delivery.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2018-06-28	SYNNEX	Convergys	2,424.7
2018-06-19	Verisk Health	Cotiviti	4,900.0
2018-05-24	Electrocomponents	IESA Works	118.0
2018-05-15	Harvey Nash	eMenKa	1.2
2018-05-03	Charles Taylor	Inworx	50.5
2018-05-02	Cognizant	Hedera Consulting	
2018-05-01	HGGC	RPX Corporation	555.0
2018-05-01	Schneider Electric	Larsen & Toubro (Electrical and Automation business)	2,105.9
2018-04-24	DISYS	Xtreme Consulting Group (assets)	
2018-04-05	HCL Technologies	C3i Solutions	60.0

Services: IT Staffing

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE

DP IT Staffing Index EV/EBITDA Multiple
Latest Twelve Months



VALUATION METRICS

Company	Stock Price 06/30/18	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Robert Half International	\$65.10	\$8,073.0	\$7,752.7	1.4x	13.1x
ManpowerGroup	\$86.06	\$5,811.2	\$6,166.9	0.3x	7.0x
ASGN	\$78.19	\$4,151.9	\$4,577.7	1.7x	16.0x
Kforce	\$34.30	\$874.0	\$1,020.9	0.7x	13.5x
Computer Task Group	\$7.74	\$118.4	\$109.1	0.4x	20.3x
Mastech Digital	\$16.10	\$84.4	\$125.8	0.8x	14.8x
RCM Technologies	\$4.94	\$60.1	\$92.0	0.5x	33.4x
Hudson Global	\$1.62	\$52.0	\$9.0	0.0x	9.9x
Median:	\$25.20	\$496.2	\$573.3	0.6x	14.2x

SECTOR HIGHLIGHTS

- The median IT Staffing index was trading at 14.2x EBITDA (based on Enterprise Value) at the closing of Q2.
- On a year-over-year basis, IT employment grew by 0.85% since May 2017 adding 44,900 IT workers. Some IT experts are concerned about the shortage of IT professionals in the space as demand continues to increase. “There are simply not enough qualified IT professionals to meet demand. This shortage has only been further exacerbated by the restrictive immigration policies of this Administration,” stated Mark Roberts, CEO of TechServe Alliance.
- The IT segment accounts for \$66 billion, or 37% of the global professional staffing industry. IT staffing remains the largest professional staffing segment by a wide margin, more than twice the size of the next largest professional segments. Approximately \$30 billion of the \$32 billion temporary IT staffing market in the Americas is derived from the US.
- IT staffing to the financial services industry represents nearly one-quarter of the entire US IT staffing market. Banking and securities firms have been allocating the highest percentage of revenue to IT budgets of any industry and spend more than twice the average amount across all industries. These buyers of IT staffing cited digital transformation, regulatory pressures, and legacy system replacement cycle as the primary drivers of their temporary agency activity in 2018.
- The Adecco Group announced a definitive agreement to acquire General Assembly, a US-based technology education provider, for an enterprise value of \$412.5M. The Adecco Group stated that the acquisition will position them as a leader in the fast-growing up-/re-skilling segment, complementing existing solutions and creating significant synergies in Talent Development & Career Transition and Professional Staffing & Solutions.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2018-06-14	HgCapital	IT Relation Front Data	21.4
2018-06-14	Brightstar Capital Partners	QualTek	
2018-06-13	Belcan	Allegiant International	
2018-06-13	PeopleScout	TMP Worldwide	25.0
2018-05-15	Harvey Nash Group	eMenKa	1.2
2018-04-30	Littlejohn & Co.	Motion Recruitment Partners	
2018-04-17	DFW Capital Partners	ReSource Pro	

Services: Value Added Resellers

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE

DP VAR Index EV/EBITDA Multiple
Latest Twelve Months



VALUATION METRICS

Company	Stock Price 06/30/18	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Arrow Electronics	\$75.28	\$6,729.2	\$9,667.8	0.3x	10.9x
Synnex	\$96.51	\$3,844.3	\$5,284.1	0.3x	8.2x
Tech Data	\$82.12	\$3,160.7	\$4,421.0	0.1x	7.8x
Insight Enterprises	\$48.93	\$1,772.6	\$1,895.6	0.3x	7.7x
Also Holding	\$118.87	\$1,524.2	\$1,725.7	0.2x	9.9x
PC Connection	\$33.20	\$893.2	\$815.8	0.3x	8.7x
PCM	\$15.15	\$193.5	\$388.0	0.2x	13.8x
Median:	\$75.28	\$1,772.6	\$1,895.6	0.3x	8.7x

SECTOR HIGHLIGHTS

- The median VAR index was trading at 8.7x EBITDA (based on Enterprise Value) at the closing of Q2.
- Ingram Micro has continued to develop its everything as a service platform, announcing the launch of its software platform CloudBlue and its partnership with Microsoft in April. The platform focuses exclusively on selling Ingram Micro's cloud commerce platform and services directly to service providers. The move is consistent with Ingram Micro's strategy to move towards cloud services in recent years as it works to expand out of a low margin distribution environment.
- Channelnomics has found that IoT is reshaping the way solution providers think about going to market, with many resellers developing offerings of their own in order to solve customer problems. As customer needs are becoming more complex due to IoT, an opportunity exists for smaller VARs to thrive by targeting business outcomes rather than IT and building annuity streams around connectivity by owning and charging maintenance on connectivity gateways.
- According to Channel Futures, an enterprise-led transition in the data-center networking industry has led to a shift in the relationship between VARs and agents. While VARs were traditionally focused on reselling commoditized servers, that market is now dying as hardware has moved towards higher-end servers with more features. In order to compensate for the new model, both agents and VARs are now converging into the managed services industry, creating overlap between business models. However, as neither can offer a fully-tailored technology suite to meet all enterprise needs, a new relationship has emerged with the two channels creating partnerships to better meet enterprise demands.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2018-06-28	ALSO Holding	DistriWan	
2018-06-22	Daisy Group	DV02	
2018-06-15	DecisionPoint Systems	Royce Digital Systems	
2018-06-15	Visiativ	Innova Systems	
2018-05-08	Hawk Ridge Systems	Cimtronics Midwest	
2018-04-13	Permira Funds	Exclusive Group	
2018-04-06	Sentinel Capital Partners	UBEO Business Services	
2018-04-04	DXC Technology Company	Sable37	
2018-04-03	Cognosec	Itway	12.3

Our team of professionals brings a unique combination of technological, financial, and operational experience to our clients and their transactions. With backgrounds and deal experience spanning Wall Street investment banks, multi-billion dollar corporations, and high growth start-ups, we have an exceptional understanding of how to successfully achieve our clients' strategic initiatives.



DecisionPoint

3420 Toringdon Way
Suite 350

Charlotte, NC 28277

Phone: 704.248.1111

Fax: 704.248.1121

www.decisionpointint.com

Research Inquiries Can Be Directed To:

Chase Thompson

Analyst

cthompson@decisionpointint.com

704.750.1006

Holden Sasser

Analyst

hsasser@decisionpointint.com

704.989.8824