

# DECISIONPOINT

## QUARTERLY VIEWPOINT:

For the Quarter Ended September 30, 2017 and the Latest Twelve Months

Q3 | 17

<b>1. Market Leader for Mid-Market Technology M&amp;A</b>	<b>3</b>
<b>2. Software</b>	
I. Software as a Service (SaaS)	4
II. Internet Software & Services	5
III. Enterprise Software	6
IV. Business Intelligence Software	7
V. Infrastructure Software	8
<b>3. Services</b>	
I. IT Services	9
II. IT Outsourcing	10
III. IT Staffing	11
IV. Value Added Resellers	12

# 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 09/30/17	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Salesforce	\$93.42	\$66,007.0	\$64,670.9	6.9x	82.0x
Workday	\$101.85	\$20,587.4	\$19,038.1	10.3x	NM
Red Hat	\$110.86	\$20,245.1	\$19,342.5	7.3x	38.8x
ServiceNow	\$117.53	\$19,659.1	\$19,107.0	11.7x	NM
Ultimate Software	\$189.60	\$5,783.2	\$5,682.3	6.6x	86.7x
Athenahealth	\$124.36	\$4,980.6	\$5,189.4	4.5x	27.3x
Medidata Solutions	\$78.06	\$4,545.1	\$4,448.7	8.7x	54.3x
LogMeIn	\$110.05	\$4,095.5	\$3,810.0	6.2x	48.8x
RealPage	\$39.90	\$3,184.8	\$3,255.9	5.3x	34.6x
Ellie Mae	\$82.13	\$2,829.4	\$2,495.8	6.3x	27.8x
Cornerstone OnDemand	\$40.61	\$2,285.7	\$2,218.9	5.0x	NM
Ebix	\$65.25	\$2,107.2	\$2,392.7	7.5x	19.5x
Evertz Technologies	\$13.81	\$1,043.7	\$989.9	3.2x	13.5x
LivePerson	\$13.55	\$758.9	\$704.6	3.3x	NM
<b>Median:</b>	<b>\$87.78</b>	<b>\$4,320.3</b>	<b>\$4,129.3</b>	<b>6.5x</b>	<b>36.7x</b>

### SECTOR HIGHLIGHTS

- The median SaaS index was trading at 6.5x revenue (based on Enterprise Value) at the closing of Q3.
- After years of trying to leap directly to the cloud through blockbuster acquisitions, major software vendors like Oracle and SAP have been taking a more step-by-step approach. Since the start of the current decade, the duo has done 11 SaaS deals valued at over \$1bn, according to 451 Research's M&A KnowledgeBase. However, none of those deals has come in the past 14 months, as the two companies have largely focused on the implications of their earlier 'SaaS grab.'
- According to 451 Research, cloud has fundamentally shifted IT procurement. Buyers' decision-making processes have profoundly changed due to information symmetry, and game theory explains why price cuts are being replicated across the market. Traditional vendors have lots to lose: pricing and its comparison used to be cloak-and-dagger; now it's out in the open, a domain unfamiliar to most buyers.
- Stripe's mission has been to expand the GDP of the internet by making it easier for businesses to integrate streamlined payment acceptance and processing into online and mobile experiences. It's become apparent that this value proposition is now resonating beyond Silicon Valley startups and small developers (their original customers) as more types of high-volume sellers, ranging from SaaS companies to traditional retailers, are choosing to do business with Stripe in various capacities.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

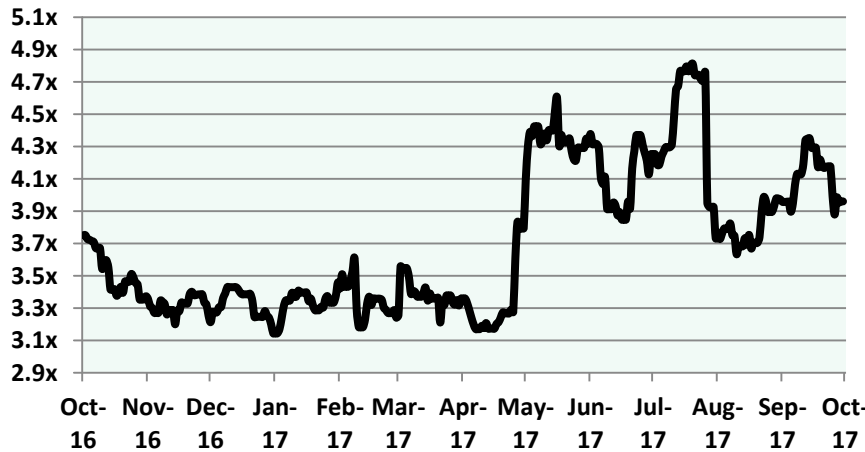
Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2017-09-29	Berkshire Partners	Accela	
2017-09-26	HIS Markit Group	automotiveMastermind	392.0
2017-09-25	Envestnet	FolioDynamix	195.0
2017-09-11	Vista Equity Partners	Gather Technologies	
2017-09-05	RhythmOne	YuMe	185.0
2017-08-31	Ellie Mae	Velocify	128.0
2017-08-31	Jack Henry & Associates	Vanguard Software Group	
2017-08-23	MassRoots	CannaRegs	12.0
2017-08-15	Descartes Systems Group	MacroPoint	107.0
2017-08-10	WeWork	Unomy	
2017-08-08	Allscripts Healthcare Solutions	McKesson Corporation	185.0
2017-08-04	Blackstone Group	Paysafe Group	3,913.6
2017-07-25	Sage Group	Intacct	850.0

# 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 09/30/17	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Alphabet	\$973.72	\$717,055.2	\$626,297.2	6.3x	20.5x
Facebook	\$170.87	\$501,289.9	\$465,837.9	14.0x	25.9x
Amazon.com	\$961.35	\$468,898.5	\$455,130.5	3.0x	34.3x
The Priceline Group	\$1,830.82	\$91,595.5	\$93,703.5	8.2x	26.7x
Netflix	\$181.35	\$80,191.2	\$82,862.8	8.1x	NM
eBay	\$38.46	\$43,036.7	\$45,485.7	5.0x	15.8x
Expedia	\$143.94	\$22,178.2	\$23,214.0	2.5x	16.9x
Snap	\$14.54	\$15,485.9	\$12,688.3	20.3x	NM
Twitter	\$16.87	\$12,056.2	\$9,722.3	4.0x	NM
IAC	\$117.58	\$9,640.0	\$9,884.5	3.2x	20.2x
Cimpress	\$97.66	\$3,055.9	\$4,066.2	1.9x	36.1x
Groupon	\$5.20	\$2,955.6	\$2,571.4	0.8x	NM
Pandora Radio	\$7.70	\$1,812.7	\$2,110.3	1.5x	NM
<b>Median:</b>	<b>\$117.58</b>	<b>\$22,178.2</b>	<b>\$23,214.0</b>	<b>4.0x</b>	<b>23.2x</b>

### SECTOR HIGHLIGHTS

- The median Internet Software and Services index was trading at 4.0x revenue (based on Enterprise Value) at the closing of Q3.
- Following its Whole Foods acquisition in July, Amazon has continued to focus on disrupting new markets, announcing a new delivery program for third-party merchants. In addition, Amazon has been linked to the healthcare tech market, opening a secret lab called “1492” rumored to focus on medical data services.
- Twitter has continued to struggle with user growth, losing 2 million monthly users in the critical US market in Q2 2017. Furthermore, Twitter has been unable to achieve profitability and capitalize on advertising revenue, achieving a net loss of \$177m through 1H 2017. In an effort to counteract these struggles, Twitter hired a new CFO in July and has doubled the character limit for user tweets.
- According to HBS, Expedia and Priceline control over 95% of the online travel agency industry. Despite a wave of consolidation in 2015, the industry has remained largely unregulated. However, rumors continue to circulate that Airbnb and HomeAway will soon enter the industry, helping to create more competition.
- Disney has announced a move to end its distribution deal with Netflix and start its own streaming service. Disney’s streaming service will be built off technology from BAMTech, which Disney announced a \$1.58 billion intent to acquire in August. The acquisition marks a new growth strategy for Disney as it attempts to penetrate the \$30 billion online streaming market.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2017-09-11	LiveXLive	Slacker	50.0
2017-09-07	Genstar Capital	Institutional Shareholder Services	720.0
2017-09-07	ZPG	Dot Zinc [Money.co.uk]	103.8
2017-09-05	NASDAQ	eVestment Alliance	705.0
2017-08-24	Signet Jewelers	R2Net	328.0
2017-08-14	Great Hill Partners	Zoom Information	252.0
2017-08-04	Barnes & Noble	Student Brands	58.5
2017-08-03	GrubHub	Eat24.com	287.5
2017-07-31	Sony Pictures Television	Funimation Entertainment	143.0
2017-07-24	Internet Brands	WebMD	2,800.0
2017-07-14	ZZ Capital International	GKD Index Partners	506.0
2017-07-12	Spectrum Equity Management	Bitly	63.0
2017-07-03	Red Ventures	Bankrate	1,287.0

# 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 09/30/17	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Microsoft	\$74.49	\$583,405.7	\$536,618.7	6.0x	15.7x
Oracle	\$48.35	\$204,278.8	\$191,079.8	5.0x	11.8x
IBM	\$145.08	\$137,949.8	\$171,452.8	2.2x	10.0x
SAP	\$109.49	\$131,275.6	\$131,345.2	5.4x	20.5x
Dassault Systemes	\$101.10	\$26,041.0	\$24,004.6	7.2x	31.8x
Autodesk	\$112.26	\$24,820.7	\$24,697.9	12.6x	NM
Constellation Software	\$540.15	\$11,446.9	\$11,377.0	5.0x	20.0x
Ansys	\$122.73	\$10,793.0	\$9,929.5	9.6x	22.0x
Amdocs	\$64.32	\$9,485.5	\$8,522.4	2.2x	11.8x
Tyler Technologies	\$174.32	\$6,781.0	\$6,701.3	8.4x	33.9x
PTC	\$56.28	\$6,489.4	\$6,921.7	6.0x	NM
Blackbaud	\$87.80	\$4,168.0	\$4,538.4	6.0x	33.1x
Manhattan Associates	\$41.57	\$2,946.0	\$2,859.4	4.8x	14.4x
Verint Systems	\$41.85	\$2,627.7	\$3,030.3	2.8x	23.4x
Stratasys Ltd.	\$23.12	\$1,216.6	\$935.4	1.4x	NM
<b>Median:</b>	<b>\$87.80</b>	<b>\$10,793.0</b>	<b>\$9,929.5</b>	<b>5.4x</b>	<b>20.2x</b>

### SECTOR HIGHLIGHTS

- The median Enterprise Software index was trading at 5.4x revenue (based on Enterprise Value) at the closing of Q3.
- Amazon Web Services responded to its increasing engagement with enterprises that are involved in significant technology shifts and cloud-migration efforts by releasing a variety of new products in Q3 including an ETL data-handling service called Glue, a data-cataloging service called Macie and a major update to its hardware security module service called CloudHSM.
- According to a recent survey by 451 Research, enterprises are coming to grips with the convergence of the tech stacks among key departments, confronting overlapping feature sets and new data sources. More than half of respondents say that the strategies of their sales, marketing and service departments are aligned when it comes to purchasing, goal setting and measurement.
- Following a few false starts at becoming a major enterprise software player over the years, Google has found, in machine learning, its foot in the door to the enterprise. Google has known for some time that its secret sauce was the volume of data it had. As Peter Norvig, Director of Research at Google, once said, "We don't have better algorithms, we just have more data."
- As the Internet of Things (IoT) matures, its promise has accelerated enterprise interest and experimentation. The ecosystem of vendors offering IoT enablement continues to grow in alignment with its long-term promise and early returns.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2017-09-29	Apple	Regaind	
2017-09-28	IFS	WorkWave	
2017-09-27	Nielsen Holdings	Visual IQ	180.0
2017-09-26	Alibaba Group Holding	Cainiao Smart Logistics Network	807.0
2017-09-24	SAP	Gigya	
2017-09-20	HubSpot	Motion AI	
2017-09-11	HCL Technologies	ETL Factory	
2017-09-05	Verint Systems	eg solutions	34.1
2017-08-03	Global Payments	Active Network	1,200.0
2017-07-26	Opentext	Guidance Software	240.0
2017-07-13	Upland Software	Waterfall International	25.9
2017-07-11	NICE Systems	Satmetrix Systems	
2017-07-05	SEI Investments Company	Archway Technology Partners	80.0

# 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 09/30/17	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Tableau Software	\$74.89	\$5,742.9	\$4,750.0	5.5x	NM
Pegasystems	\$57.65	\$4,697.1	\$4,517.0	5.6x	NM
MicroStrategy	\$127.71	\$1,475.8	\$843.4	1.6x	7.2x
Pros Holdings	\$24.13	\$745.5	\$749.0	4.7x	NM
Datawatch	\$11.55	\$138.1	\$108.7	3.1x	NM
<b>Median:</b>	<b>\$57.65</b>	<b>\$1,475.8</b>	<b>\$843.4</b>	<b>4.7x</b>	<b>7.2x</b>

### SECTOR HIGHLIGHTS

- The median Business Intelligence Software index was trading at 4.7x revenue (based on Enterprise Value) at the closing of Q3.
- According to Dresner Advisory Services, data use at large corporations is still dominated by BI experts, over 65% of which utilize advanced BI applications often, compared to 30% of executives. Developing advanced data visualization and reporting dashboards are the greatest priorities for BI initiatives, with over 90% of respondents considering development of these capabilities a priority.
- Big data is undergoing expansion past Hadoop as storage solutions expand their big data feature sets into fields such as video, image and click stream analytics. As enterprises shift their focus towards utilizing data across all types of databases, platforms that are data agnostic are projected to become increasingly prominent.
- Market Research Future forecasts the BI market to grow at an 11% CAGR to \$34.3 billion by 2022. The integration of information for better performance management and the rapid increase in demand for BI solutions from SMBs are expected to be major drivers for the growth.
- AI and machine-learning algorithms are becoming one of the most disruptive forces in analytics. Major players in the industry include both startups, currently numbering over 30, and large software vendors such as Microsoft, IBM, and SAP. However, the crowded industry is expected to consolidate as the AI environment matures and becomes a default component of the software landscape.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2017-09-12	Napa Logic	InsightXM	
2017-08-23	MassRoots	CannaRegs	12.0
2017-08-22	CGI	Affecto	115.2
2017-08-17	Qualcomm Technologies	Scyfer	
2017-08-16	Decision Resources Group	Context Matters	
2017-08-16	eSolutions	RemitDATA	
2017-08-08	Intertrust Technologies	Planet OS	
2017-08-01	NextGen Healthcare	EagleDream Health	26.0
2017-07-28	Meltwater Group	Cosmify	
2017-07-25	Compeat	Ctuit	
2017-07-25	NASDAQ	Sybenetix	
2017-07-25	Synthesio	Social Karma	

# 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 09/30/17	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Red Hat	\$110.86	\$20,245.1	\$19,342.5	7.3x	38.8x
Symantec	\$32.81	\$20,235.6	\$24,131.6	5.6x	NM
Check Point Software	\$114.02	\$19,423.4	\$17,824.4	9.9x	19.9x
Citrix Systems	\$76.82	\$12,080.3	\$12,121.6	3.5x	13.2x
F5 Networks	\$120.56	\$7,927.4	\$6,913.1	3.3x	10.8x
Trend Micro	\$50.46	\$6,968.1	\$5,762.3	4.6x	13.1x
CommVault Systems	\$60.80	\$2,757.8	\$2,276.9	3.4x	NM
Progress Software	\$38.17	\$1,868.8	\$1,750.3	4.3x	NM
Radware	\$16.86	\$736.2	\$664.8	3.3x	NM
Vasco Data Security	\$12.05	\$479.7	\$323.5	1.8x	23.5x
Magic Software	\$8.70	\$387.6	\$334.0	1.4x	9.2x
Allot Communications	\$5.39	\$178.6	\$91.8	1.1x	NM
Bsquare	\$5.20	\$65.0	\$37.7	0.4x	NM
<b>Median:</b>	<b>\$38.17</b>	<b>\$2,757.8</b>	<b>\$2,276.9</b>	<b>3.4x</b>	<b>13.2x</b>

### SECTOR HIGHLIGHTS

- The median Infrastructure Software index was trading at 3.4x revenue (based on Enterprise Value) at the closing of Q3.
- Oracle continues to augment its infrastructure capabilities to better compete with industry giant AWS. Over the past few months, Oracle has announced cloud procurement with a single SKU, a more flexible PaaS offering, and a new autonomous database. However, AWS still controls over 40% of the cloud infrastructure market, making it difficult for competitors to grow market share.
- According to HIT Infrastructure, healthcare organizations are rapidly digitizing their IT infrastructure as new technologies have become more tied to value-based care. However, interoperability and reporting requirements are still posing massive challenges to the industry as healthcare organizations seek to improve infrastructure flexibility, utilize virtualization and develop mobile solutions.
- Alibaba, after achieving 31% growth in its IaaS segment in 2016, has overtaken Google as the fourth largest player in the infrastructure market. Much of Alibaba's growth has come from the Chinese market, but Alibaba now seeks to expand geographically, targeting the US as a potential area for expansion.
- Gartner projects India's Cloud IaaS market to eclipse \$2.1 billion by 2022 as Indian companies continue to find value in the speed to market and innovation that IaaS capabilities offer. SMBs are projected to be drivers for the industry growth, as more than 50% of Indian companies plan to utilize IaaS over the next 3 years.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2017-09-28	CA Technologies	Runscope	
2017-09-27	Synova Capital	Syslink Group	
2017-09-20	Puppet Labs	Distelli	
2017-09-12	Avi Networks	StacksWare	
2017-09-12	Flexera Software	BDNA Corp	
2017-09-07	Datadog	Logmatic.io	
2017-08-29	Syncsort	Metron Technology	
2017-08-16	NetApp	Greencloud	
2017-08-15	Microsoft	Cycle Computing	
2017-07-27	Tricentis	Flood IO	
2017-07-13	Teradata	StackIQ	
2017-07-06	TIBCO Software	Nanoscale	
2017-07-05	Ivanti Software	RES Software	55.0



# 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 09/30/17	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Accenture	\$135.07	\$89,530.2	\$86,882.4	2.4x	15.6x
Capgemini	\$117.13	\$20,975.7	\$22,605.5	1.7x	15.0x
NTT Data	\$10.97	\$15,380.5	\$18,859.3	1.1x	18.7x
Atos	\$155.04	\$16,166.0	\$16,081.5	1.3x	12.1x
CDW	\$66.00	\$10,769.6	\$13,986.9	1.0x	12.8x
Booz Allen Hamilton	\$37.39	\$5,617.4	\$7,141.7	1.2x	13.1x
CACI International	\$139.35	\$3,493.4	\$4,659.5	1.1x	12.6x
Sopra Steria Group	\$185.51	\$3,727.5	\$4,295.2	1.1x	13.1x
ManTech International	\$44.15	\$1,710.2	\$1,602.0	1.0x	12.8x
ICF	\$53.95	\$1,042.0	\$1,310.5	1.1x	11.4x
Perficient	\$19.67	\$679.2	\$741.5	1.6x	16.0x
The Hackett Group	\$15.19	\$493.7	\$499.2	1.7x	13.5x
Edgewater Technology	\$6.52	\$86.1	\$78.0	0.6x	NM
<b>Median:</b>	<b>\$53.95</b>	<b>\$3,727.5</b>	<b>\$4,659.5</b>	<b>1.1x</b>	<b>13.1x</b>

### SECTOR HIGHLIGHTS

- The median IT Services index was trading at 13.1x EBITDA (based on Enterprise Value) at the closing of Q3.
- IBM announced a services platform designed to bring the cognitive computing services of Watson to help manage and automate IT operations. Although autonomous, the platform will interact conversationally with customers, utilizing Watson's ability to understand natural language. As advanced AI continues to evolve, IT infrastructure automation will likely disrupt the IT services industry.
- As the world becomes increasingly automated, MSPs are realizing the need to build service offerings that augment automated features. In order to compete, MSPs will need to identify and grow services that cannot be automated, such as network planning, security, data recovery, and hardware maintenance.
- The world of IT procurement and operations has changed, where more providers are now offering broader portfolios of services. Companies are now seeking all-inclusive solutions and a strong opportunity exists for service providers offering a set of cloud services that includes infrastructure and application hosting.
- Rackspace continues to grow through acquisitions, acquiring Tricore Solutions in May and announcing its intent to acquire Datapipe in September. The acquisition of Datapipe will enable Rackspace to add colocation solutions and compete on a larger geographic scale. In addition, Rackspace hopes the acquisition will enable it to better compete in the enterprise market for multi-cloud managed services.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2017-09-18	ManTech International	InfoZen	180.0
2017-09-11	Equinix	Itconic	259.0
2017-09-11	Rackspace US	Datapipe	
2017-08-28	Fusion	Birch Communications (business cloud and communications assets)	281.1
2017-08-03	Infosys	Brilliant Basics	9.9
2017-07-31	AE Industrial Partners	CDI Corporation	154.2
2017-07-28	Iron Mountain	Mag Datacenters	128.0
2017-07-18	BC Partners	PlusServer	443.4
2017-07-18	ConvergeOne	Annese & Associates	
2017-07-10	Cincinnati Bell	OnX Enterprise Solutions	201.0
2017-07-06	Grupo Cimcorp	Getronics	249.8
2017-07-03	H.I.G. Capital	NCI Information Systems	283.0

# 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 9/30/2017	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Tata Consultancy	\$38.08	\$75,024.4	\$67,925.2	3.8x	12.3x
Automatic Data	\$109.32	\$49,226.8	\$48,448.8	3.9x	16.6x
Cognizant Technology	\$72.54	\$43,823.2	\$40,436.2	2.9x	14.0x
Infosys	\$14.07	\$32,160.4	\$25,975.6	2.5x	9.4x
Wipro	\$4.39	\$21,324.1	\$17,856.8	2.1x	8.6x
CGI Group	\$51.34	\$15,741.6	\$16,811.1	2.0x	11.7x
DST Systems	\$54.88	\$3,554.9	\$4,061.2	2.2x	6.1x
Syntel	\$19.65	\$1,651.2	\$1,962.1	2.1x	7.8x
CSG Systems	\$40.10	\$1,315.7	\$1,407.6	1.8x	9.3x
Capital Stage	\$7.46	\$794.6	\$2,330.5	11.1x	11.7x
Unisys	\$8.50	\$426.8	\$487.3	0.2x	3.4x
<b>Median:</b>	<b>\$ 38.08</b>	<b>\$ 15,741.56</b>	<b>\$16,811.14</b>	<b>2.2x</b>	<b>9.4x</b>

### SECTOR HIGHLIGHTS

- The median IT Outsourcing index was trading at 9.4x EBITDA (based on Enterprise Value) at the closing of Q3.
- GE announced several cost control initiatives including cutting its senior executive company car program, cutting expenses related to its new corporate headquarters and overhauling its \$1B IT outsourcing program as part of its overall plan to take out \$2B in costs by the end of 2018.
- Indian IT outsourcing giant Infosys is less than two months removed from seeing its shares slump on news that Vishal Sikka, the former SAP CTO who had been named CEO in 2014, is stepping down following a long-running dispute with then-Chairman Narayana Murthy and other founders. Not long afterwards, the founders carried out a board coup, along the way naming one of their own – Nandan Nilekani, who was CEO from 2002 to 2007 – as non-executive chairman.
- Gartner forecasts that worldwide information security spending will grow 7 percent to reach \$86.4 billion (USD) in 2017 and will climb to \$93 billion next year. Gartner's forecast focuses on corporate IT and includes categories such as IT security outsourcing, managed security services, consulting and implementation.
- Despite healthcare organization's mixed perceptions of outsourced IT services, many are expanding use of outsourcing—82 percent of surveyed hospitals have signed IT departmental outsourcing contracts since the third quarter of 2016 or are selecting a vendor, Black Book reports.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2017-09-28	ESW Capital	Sitriion Systems	
2017-08-28	cPrime	Blue Agility	
2017-08-23	Apax Partners	ThoughtWorks	
2017-08-23	CGI Group	Summa Technologies	
2017-08-23	Vista Equity Partners	Applause	420.0
2017-08-22	Avnet	Dragon Innovation	
2017-08-10	Open Systems	Precise Software	
2017-08-09	QA Mentor	Zado Infotech Solutions	
2017-08-08	Accenture	Concrete Solutions	
2017-07-25	NAVER	Company AI	
2017-07-17	Carlyle Group	ZeroChaos	
2017-07-17	Sabio	DataPoint Europe	
2017-07-11	Google	Halli Labs	

# 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 09/30/17	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
ManpowerGroup	\$117.82	\$8,135.5	\$8,540.4	0.4x	10.5x
Robert Half International	\$50.34	\$6,399.2	\$6,102.3	1.2x	10.3x
On Assignment	\$53.68	\$2,875.1	\$3,435.9	1.4x	13.0x
Kforce	\$20.20	\$522.4	\$646.2	0.5x	9.4x
Computer Task Group	\$5.36	\$83.3	\$74.8	0.2x	NM
RCM Technologies	\$5.72	\$70.0	\$79.7	0.5x	18.8x
Mastech Digital	\$12.78	\$57.9	\$66.8	0.5x	13.0x
Hudson Global	\$1.46	\$47.8	\$39.7	0.1x	13.0x
<b>Median:</b>	<b>\$16.49</b>	<b>\$302.8</b>	<b>\$363.0</b>	<b>0.5x</b>	<b>13.0x</b>

### SECTOR HIGHLIGHTS

- The median IT Staffing index was trading at 13.0x EBITDA (based on Enterprise Value) at the closing of Q3.
- Even for companies that want their staff based at HQ full time, workplace flexibility is on the rise. In the tech industry, remote work is essentially an expectation in 2017, says Lynette Estrada, director of global talent acquisition at Nutanix. “We’ve seen workplace flexibility become a major trend for the tech industry, both in IT and across all job functions,” Estrada says. At her own company, “employees are encouraged to talk to their managers about flexible time, including working at home during the week or leaving early on occasion for external commitments,” Estrada says. The aim is to achieve greater work-life balance, she says — which can help with retention and stems burnout.
- Technology companies are increasing contract-based staffing that is predominantly based on project durations in order to combat business volatility. Reports suggest that IT services companies have hired more than 1,000 people every month through this route in the past three months.
- Artificial intelligence is set to change the way the recruitment industry and organizations search for and acquire talent, according to international recruitment firm Hays. Alistair Cox, CEO of Hays, thinks AI will revolutionize key areas of recruitment like conducting more efficient and fairer candidate screening, ensuring a better candidate fit and helping safeguard future talent pipelines.
- Thoughtonomy, a new robotic process automation (RPA) startup, provides a Virtual Workforce software robot that automates human activities by emulating the way they interact with technology – applications, systems, tools and devices – and the structured decisions they make. A key differentiator is that its Virtual Worker is a SaaS-based service that uses AI and machine-learning techniques to support unstructured data.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2017-09-21	51job	Lagou Information	119.0
2017-09-19	Staffing 360 Solutions	CBS Butler	19.3
2017-09-19	Staffing 360 Solutions	firstPRO Georgia	8.0
2017-09-12	Harvey Nash Group	Crimson	10.6
2017-08-03	Vaco	Lannick	

# 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 09/30/17	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Arrow Electronics	\$80.41	\$7,324.3	\$10,017.4	0.4x	9.7x
Tech Data	\$88.85	\$3,259.3	\$4,494.1	0.1x	10.2x
ePlus	\$92.45	\$1,290.9	\$1,229.1	0.9x	11.9x
Also Holding	\$141.63	\$1,815.9	\$1,983.1	0.2x	13.1x
Insight Enterprises	\$45.92	\$1,659.8	\$1,765.9	0.3x	8.5x
PC Connection	\$28.19	\$755.6	\$727.5	0.3x	8.1x
PCM	\$14.00	\$181.9	\$317.6	0.1x	7.1x
<b>Median:</b>	<b>\$80.41</b>	<b>\$1,659.8</b>	<b>\$1,765.9</b>	<b>0.3x</b>	<b>9.7x</b>

### SECTOR HIGHLIGHTS

- The median VAR index was trading at 9.7x EBITDA (based on Enterprise Value) at the closing of Q3.
- Ingram Micro has unveiled plans to expand its partner ecosystem in the cloud by targeting ISVs. Ingram Micro has already hired leading cloud sales executives and is currently investing heavily in technology for their Cloud Platform Group. As technology distributors attempt to enter the channel, the largest problems continue to revolve around lack of readiness from emerging vendors.
- According to VAR Guy, the traditional volume and referral-based distribution models have collided. Customers now want distributors to not only understand discrete applications and workloads, but also guide the customers through the decision-making process on the front-end, forcing distributors to become knowledge experts across many solutions.
- As the artificial intelligence industry continues to evolve, it is critical for VARs to understand how to market AI capabilities into their sales channel. AI capabilities are become increasingly incorporated on-top of existing solutions, rather than resold as standalone offerings, creating a need for VARs to focus on educating customers about the new process workflow capabilities during the selling cycle.
- The general disruption in technology is causing more vendors to turn to distributors for stability, reduction in overhead costs and better customer service to partners. As technology continues to evolve and becomes more complex, distributors will increasingly alter their models to offer services, resources and staffing that help solution providers build capabilities around new areas.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
09/28/2017	Sirius Computer Solutions	Forsythe Technology	1,000.0
09/19/2017	Speridian Technologies	Xellation	
09/15/2017	Konica Minolta Business Solutions	Document Scanning Systems and	
09/06/2017	Applied Technology Group	CADSoft Consulting	
09/05/2017	GP Strategies Corporation	CLS Performance Solutions	3.0
08/22/2017	CABLExpress Corporation	Atlantix Global Systems	
08/08/2017	Aderant Holdings	Handshake Software	
08/03/2017	Accenture	Search Technologies Corp.	
08/01/2017	IFS	Field Service Management	
07/25/2017	iRobot	Robopolis	156.7

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