

DECISIONPOINT

QUARTERLY VIEWPOINT:

For the Quarter Ended June 30, 2019 and the Latest Twelve Months

Q2 | 19

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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 06/30/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Salesforce	\$151.73	\$119,070.1	\$117,677.1	8.4x	49.5x
ServiceNow	\$274.57	\$49,282.8	\$50,367.9	17.9x	NM
Workday	\$205.58	\$45,094.5	\$46,098.2	15.2x	NM
Red Hat	\$187.76	\$34,791.0	\$31,342.4	9.0x	48.4x
Shopify	\$300.55	\$32,410.3	\$31,845.3	27.0x	NM
Medidata Solutions	\$90.51	\$5,573.3	\$5,630.8	8.5x	61.8x
RealPage	\$58.85	\$5,544.7	\$6,015.6	6.7x	34.3x
LogMeIn	\$73.68	\$3,816.8	\$3,838.5	3.1x	11.2x
Cornerstone OnDemand	\$57.93	\$3,394.0	\$3,441.9	6.3x	93.4x
LivePerson	\$28.04	\$1,688.9	\$1,770.6	6.9x	NM
Ebix	\$50.22	\$1,570.4	\$2,247.7	4.2x	13.3x
Median:	\$90.51	\$5,573.3	\$6,015.6	8.4x	48.4x

SECTOR HIGHLIGHTS

- The median SaaS index was trading at 8.4x revenue (based on Enterprise Value) at the closing of Q2.
- While the absolute number of SaaS acquisitions compared to previous quarters declined, spending is still increasing with sponsors increasingly competing with strategic acquirers. According to 451 Research, PEs have acquired roughly the same number of SaaS targets as this time last year, following several years of increasing volume of deals by 25% or more each year. However, sponsors have spent more than \$20b on SaaS acquisitions so far in 2019, compared with \$24.7b for the entirety of 2018.
- 2019's largest deals are coming at a premium. So far, the median trailing revenue multiple for SaaS targets to a buyout shop or PE portfolio company stands at 4.9x, higher than any full year this decade. 451 Research shows that 2019 marks the first year that PE firms have paid higher multiples than strategic buyers, whose acquisitions of SaaS vendors carry a 4.5x median multiple this year. The increase in valuations comes as businesses are pushing more of their IT budgets into SaaS.
- The public cloud sector held significant cloud market share last quarter and is expected to continue to grow. Factors such as the inclusion of complete software programs or applications within the computing functionality of public SaaS will play a significant role in the public cloud segment's ability to maintain market position. The growth mirrors the expansion of the global SaaS market, which is expected to grow at a CAGR of 9% from 2019-2023 due to the increasing prominence of SaaS within vertical end markets.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-06-12	Dassault Systemes	Medidata Solutions	5,743.5
2019-06-11	H&R Block	Wave Financial	405.0
2019-06-06	Alphabet	Looker	2,600.0
2019-06-06	Industrial Scientific	InteleX Technologies	570.0
2019-05-29	Palo Alto Networks	Twistlock	410.0
2019-05-13	E2open	Amber Road	415.4
2019-05-03	Clearlake Capital Group	Dude Solutions	525.0
2019-04-14	Publicis Groupe	Epsilon	4,400.0
2019-04-11	SolarWinds	Samanager	350.0
2019-04-10	Deutsche Boerse	Axioma	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 06/30/19	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Amazon.com	\$1,893.63	\$948,708.6	\$951,871.2	3.9x	30.5x
Alphabet	\$1,082.80	\$760,365.2	\$641,647.0	4.5x	15.9x
Facebook	\$193.00	\$560,086.0	\$505,673.3	8.6x	18.6x
Netflix	\$367.32	\$165,894.5	\$167,556.1	10.1x	NM
Booking Holdings	\$1,874.71	\$88,251.5	\$85,430.7	5.9x	15.2x
Uber	\$46.38	\$70,754.1	\$94,168.7	8.0x	NM
eBay	\$39.50	\$37,949.6	\$39,234.3	3.6x	10.9x
Twitter	\$34.90	\$27,069.9	\$23,099.3	7.3x	25.5x
Expedia Group	\$133.03	\$20,208.0	\$20,918.5	1.8x	13.0x
IAC	\$217.53	\$19,934.4	\$19,245.5	4.4x	18.3x
Snap	\$14.30	\$18,847.0	\$18,156.9	14.3x	NM
Cimpress	\$90.89	\$2,894.7	\$4,027.7	1.5x	12.9x
Groupon	\$3.58	\$2,035.6	\$1,637.5	0.6x	17.9x
Median:	\$133.03	\$37,949.6	\$39,234.3	4.5x	16.9x

SECTOR HIGHLIGHTS

- The median Internet Software and Services index was trading at 4.5x revenue (based on Enterprise Value) at the closing of Q2.
- In June, Apollo Global acquired Shutterfly in the sector’s largest M&A event of Q2. Apollo plans to apply a roll-up strategy to grow the new platform investment in an increasingly commoditized photo-publishing industry, already implementing the strategy through the simultaneous acquisition of Snapfish.
- Uber followed Lyft’s late first quarter IPO with their own on May 10th and is trading 10% higher than opening price, aided by a \$500 million private placement investment by PayPal. Uber’s success is in direct contrast to Lyft, whose stock dropped 40% in the 2 months post-IPO and is still trading at a 20% discount to its IPO price.
- The internet software & services sector continues to face increasing scrutiny from US regulators as the US House Judiciary Committee had its first hearing on ‘anti-competitive’ practices among major tech companies with bipartisan support from congress. The pressure on large technology companies follows sentiment seen in Europe, which has already levied over billions in fines onto Google.
- Facebook announced its own cryptocurrency ‘Libra’ in a white paper in mid Q2. Libra is set to be released sometime in 2020 and explains Facebook’s Q1 acquisition of blockchain startup Chainspace. The cryptocurrency has received pushback from prominent politicians who fear that the currency will be misused.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced			
Date	Acquirer Name	Target Name	Enterprise Value
2019-06-25	Getaround	Nabobil	12.0
2019-06-19	Fluent	AdParlor	10.0
2019-06-13	JPJ Group	Gamesys	622.5
2019-06-13	Wesfarmers	Catch Group Holdings	160.0
2019-06-12	Maven	TheStreet	16.5
2019-06-10	Apollo Global Management	Shutterfly	2,493.1
2019-06-03	Stillfront Group	KIXEYE	90.0
2019-05-31	The Rank Group	Stride Gaming	109.6
2019-05-13	Oakley Capital Private Equity	KVH Industries - Videotel Division	90.0
2019-05-09	Apax Partners	Trade Me Group	1,700.0
2019-05-03	Magazine Luiza	Netshoes	62.0

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 06/30/19	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Microsoft	\$133.96	\$1,040,165.9	\$967,993.1	7.9x	17.4x
Oracle	\$56.97	\$212,612.0	\$208,959.6	5.3x	12.9x
SAP	\$137.30	\$163,975.0	\$173,416.8	5.9x	25.0x
IBM	\$137.90	\$125,274.0	\$159,267.1	2.0x	9.2x
Dassault Systemes	\$159.52	\$41,643.3	\$39,257.0	9.1x	29.4x
Autodesk	\$162.90	\$35,699.5	\$36,767.2	13.4x	NM
Constellation Software	\$942.50	\$19,973.0	\$19,579.0	6.2x	23.2x
Ansys	\$204.82	\$17,563.0	\$16,582.6	12.5x	30.9x
PTC	\$89.76	\$10,633.3	\$10,745.1	8.6x	NM
Amdocs	\$62.09	\$8,705.2	\$8,115.8	2.0x	12.3x
Tyler Technologies	\$216.02	\$8,653.8	\$8,291.1	8.6x	38.3x
Manhattan Associates	\$69.33	\$4,562.0	\$4,373.5	7.6x	30.6x
Blackbaud	\$83.50	\$4,001.5	\$4,665.5	5.4x	37.3x
Verint Systems	\$53.78	\$3,605.1	\$3,879.8	3.1x	19.0x
Stratasys	\$29.37	\$1,580.9	\$1,220.4	1.8x	23.1x
Median:	\$133.96	\$17,563.0	\$16,582.6	6.2x	23.2x

SECTOR HIGHLIGHTS

- The median Enterprise Software index was trading at 6.2x revenue (based on Enterprise Value) at the end of Q2.
- In April, PE giant EQT Partners acquired Acumatica, a prominent maker of cloud-based ERP software for small and mid-sized businesses, merging the company with IFS. The acquisition highlights continued interest from financial sponsors to make acquisitions in the SMB-focused enterprise software space as the market for CRM, ERP, and other types of enterprise software matures.
- Salesforce announced its intent to acquire Tableau in June in a bid valued at \$15.7 billion. The transaction highlights the importance the software giant is placing on the future of business analytics, but the all-stock deal did raise some eyebrows. Some analysts questioned the price paid, at about 13x revenue, though the integration of the companies does prevent anyone else in the highly competitive space from acquiring Tableau's capabilities in the future.
- Gartner predicts Robotic Process Automation (RPA) spending will reach \$1.3 billion in 2019, a 63.1% increase from 2018. Banking, insurance, telecommunications, and utility companies are forecast to be the biggest spenders as RPA offers easy integration of legacy infrastructure companies depend on everyday.
- Hewlett Packard Enterprise is planning a major push into the enterprise software industry over the next three years through its Greenlake software line. The move comes with a slight adjustment in business model as HPE pivots to a "pay-as-you-go" model in both its hardware and software business.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-06-06	Passport Labs	Complus Data Innovations	
2019-05-21	Computer Generated Solutions	Visual Next	
2019-05-21	Stream	Selerio	
2019-05-20	IBS Software Services	AD OPT Technologies	
2019-05-01	Tracsis	Bellvedi	
2019-04-16	Emerson Electric	Bio-G	
2019-04-12	Royal HaskoningDHV	Ambiental Technical Solutions	
2019-04-08	i3 Verticals	NET Data	24.0

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 06/30/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Verisk Analytics	\$146.46	\$24,559.3	\$26,414.8	10.8x	22.8x
Alteryx	\$109.12	\$7,174.0	\$6,633.7	23.1x	NM
Pegasystems	\$71.21	\$5,834.6	\$5,416.9	6.2x	NM
Elastic	\$74.66	\$4,098.3	\$5,327.9	19.6x	NM
PROS Holdings	\$63.26	\$2,263.2	\$2,377.5	11.6x	NM
MicroStrategy	\$143.31	\$1,593.9	\$916.4	1.9x	NM
Cloudera	\$5.26	\$1,004.6	\$997.7	1.8x	NM
Domo	\$27.32	\$619.8	\$692.0	4.6x	NM
Median:	\$72.94	\$3,180.8	\$3,852.7	8.5x	NM

SECTOR HIGHLIGHTS

- The median Business Intelligence Software index was trading at 8.5x revenue (based on Enterprise Value) at the closing of Q2.
- In June, Google strengthened its presence in the enterprise software space with its \$2.6b acquisition of Looker, a prominent provider of visualization software for data analytics. The transaction highlights an active market in analytics software as traditional software makers rush to incorporate features into their offerings and will position Google to better compete in the cloud market.
- According to Gartner’s Strategic Technology Trends for Midsize Enterprises, the use of Business Intelligence will help CIOs deliver more business value by enabling the delivery of more advanced insights to a broader range of users and promoting faster time to value. Additionally, according to the 2019 Gartner CIO Survey, 48% of MSE respondents report that business intelligence (BI) data and analytics is the technology area that will have the largest amount of new or additional spending for 2019.
- In a Forbes Article that drew data from Dresner Advisory Associates Business Intelligence Market Study, it was concluded that BI is one of the most critical business objectives for enterprises to improve revenue. Business leaders commonly rely on executive-level expertise to design their applications and add new features to their proprietary capabilities. Tech companies’ Operations & Sales team were valued as being the most effective at driving BI adoption. Additionally, reporting, dashboards, data integration, advanced visualization, and end-user self-service are the most important strategic BI initiatives underway in enterprises today.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-06-10	Atrys Health	Real Life Data	
2019-06-10	Logi Analytics	Zoomdata	
2019-06-06	Alphabet	Looker	2,600.0
2019-06-06	EveryAction	DonorTrends	
2019-05-28	Intuit	Origami Logic	
2019-05-20	Zebra Technologies	Profitect	
2019-05-02	inishgtsoftware.com	Jet Global Data Technologies	
2019-05-04	Celonis	Banyas	
2019-04-04	Alteryx	ClearStory Data	20.0

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 06/30/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Red Hat	\$187.76	\$34,791.0	\$31,342.4	9.0x	48.4x
Check Point Software	\$115.61	\$18,433.7	\$16,205.0	8.5x	17.7x
Symantec	\$21.76	\$14,383.4	\$15,860.9	3.4x	17.8x
Citrix Systems	\$98.14	\$14,190.4	\$13,039.3	4.4x	16.6x
F5 Networks	\$145.63	\$8,887.0	\$7,379.6	3.4x	10.7x
Trend Micro	\$44.58	\$6,240.3	\$4,773.7	3.3x	10.2x
CommVault Systems	\$49.62	\$2,362.0	\$1,808.3	2.5x	NM
Progress Software	\$43.62	\$1,988.5	\$2,110.5	5.4x	17.0x
Radware	\$24.73	\$1,205.7	\$869.5	3.6x	34.1x
Magic Software	\$9.01	\$431.5	\$397.9	1.4x	8.9x
Allot Communications	\$7.21	\$243.8	\$144.7	1.5x	NM
Median:	\$44.58	\$6,240.3	\$4,773.7	3.4x	17.0x

SECTOR HIGHLIGHTS

- The median Infrastructure Software index was trading at 3.4x revenue (based on Enterprise Value) at the closing of Q2.
- A 2019 IDC study predicts that global spending on public cloud services and infrastructure will grow from \$229 billion in 2019 to \$500 billion in 2023. This growth in global spending is driven by the increased rate of adoption of public cloud services by businesses that are looking to shift from traditional infrastructure to IaaS.
- IDC expects the system infrastructure software (SIS) market segment will be driven by applications purchases of security software and system & service management software. IDC also expects three industries to be responsible for one-third of the public cloud spending: professional services, discrete manufacturing, and banking.
- Nginx, the developer of enterprise application platform for enterprises undergoing digital transformation, was acquired by F5 Networks for \$670m in May 2019. The transaction will allow F5 Network's security platform to integrate products within open source projects.
- Infrastructure Software M&A activity continued to be strong in Q2, totaling \$777.7m across 29 deals. M&A activity will continue to be strong as global spending on IaaS and PaaS increases and as businesses look to develop a complete suite of public cloud solutions to compete with AWS, Azure, and IBM.
- Broadcom is reportedly in talks to acquire Symantec, Tibco, or another infrastructure software company in an effort to move into the software space and broaden the company's customer profiles.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

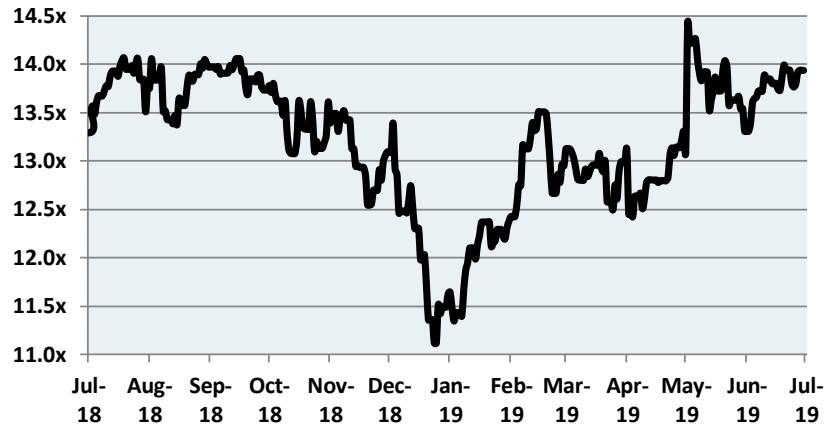
Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-06-17	GitHub	Pull Panda	
2019-06-07	Sony Semiconductor Solutions Corporation	Midokura	
2019-06-04	Flexera Software	RISC Networks	45.0
2019-06-03	i3 Verticals	Pace Payment Systems	52.7
2019-05-16	Apptio	Cloudability	160.0
2019-05-01	Pluralsight	GitPrime	170.0
2019-04-18	Quest Software	ApexSQL	
2019-04-16	Marlin Equity Partners	Skuid	
2019-04-11	SolarWinds	Samange	350.0

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 06/30/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Accenture	\$184.77	\$120,303.8	\$113,548.0	2.7x	16.3x
Capgemini	\$124.33	\$21,347.2	\$21,910.5	1.4x	11.8x
NTT Data	\$13.31	\$18,672.6	\$21,932.3	1.1x	7.9x
CDW	\$111.00	\$16,894.2	\$19,206.8	1.2x	15.0x
DXC Technology	\$55.15	\$15,520.9	\$19,530.2	0.9x	5.2x
Booz Allen	\$66.21	\$9,478.4	\$10,747.2	1.6x	16.1x
Atos	\$83.59	\$8,863.1	\$14,244.7	1.0x	9.0x
CACI International	\$204.59	\$5,188.4	\$6,752.2	1.4x	14.9x
ManTech International	\$65.85	\$2,630.1	\$2,601.6	1.3x	15.6x
ICF	\$72.80	\$1,409.5	\$1,597.5	1.2x	13.0x
Perficient	\$34.32	\$1,136.3	\$1,224.1	2.4x	20.3x
The Hackett Group	\$16.79	\$544.8	\$496.2	1.8x	12.9x
Median:	\$69.51	\$9,170.7	\$12,495.9	1.4x	13.9x

SECTOR HIGHLIGHTS

- The median IT Services index was trading at 13.9x EBITDA (based on Enterprise Value) at the closing of Q2.
- In 2018, Capgemini revealed a cloud platform with cloud services in a single cloud management platform. This cloud platform aids businesses in their digital transformation processes which require data-centric IT skills. Recently, firms such as Deloitte, EY, PwC, as well as Bain & Co and McKinsey have started competing for digital projects.
- DXC Technology has unveiled a new platform (Platform DXC) which was created to ensure that business models stay stable for the service provider. The platform will allow for a host of new opportunities, including the ability to complete outsourcing projects and aid customers with new product and service developments.
- Accenture is continuing to expand upon its current service offerings in response to consolidation happening in the IT Services space. 451 Research states that Accenture has “rotated” ~60% of its \$39.6b business to digital, cloud, and security projects. The Asia-Pacific market is proving to be extremely high growth due to changes in Japan, China, and Singapore’s economies.
- Recently, concerns about the corporate credit market have risen due to the US - China trade war. However, 451 Research predicts that the IT Services vertical will not be affected by this trend since ~50% of outstanding debt was issued by the largest cash-rich firms.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-06-27	Digia	Accountor Enterprise Solutions	10.7
2019-06-26	Oracle	Oxygen Systems	
2019-06-24	Insight Enterprises	PCM	504.7
2019-06-18	Tieto	EVERY	2,234.9
2019-06-14	Iteris	Albeck Gerken	10.7
2019-06-12	The Panoply Holdings	FutureGov	15.1
2019-06-05	Wipro	International TechneGroup	
2019-06-03	Accenture	BRIDGE Energy Group	
2019-05-07	Orange	SecureLink Group	576.6
2019-05-01	Comcast	Deep Blue Communications	
2019-04-24	Hitachi	JR Automation Technologies	1,425.0

Services: Hosted and Managed 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 06/30/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Equinix	\$504.29	\$40,750.3	\$53,146.0	10.2x	23.6x
Interxion	\$76.09	\$5,482.7	\$7,259.9	11.0x	26.9x
SAIC	\$86.56	\$4,176.5	\$6,907.9	1.4x	21.3x
Cancom	\$53.12	\$1,880.0	\$1,736.9	1.3x	13.6x
Presidio	\$13.67	\$1,240.4	\$1,860.0	0.6x	9.7x
ePlus	\$68.94	\$936.1	\$907.1	0.7x	8.5x
NCC Group	\$2.07	\$580.1	\$633.7	2.0x	9.9x
iomart	\$4.11	\$450.0	\$498.1	3.6x	9.7x
Sify Technologies	\$1.37	\$213.4	\$337.2	1.1x	7.1x
Redcentric	\$1.03	\$153.0	\$176.0	1.4x	7.6x
Maintel Holdings	\$5.65	\$81.8	\$112.9	0.6x	7.9x
Median:	\$9.66	\$758.1	\$770.4	1.4x	9.7x

SECTOR HIGHLIGHTS

- The median Hosted & Managed Services index was trading at 9.7x EBITDA (based on Enterprise Value) at the end of Q2.
- In April, Equinix announced a \$5 billion push into hyperscale data centers in Europe in a joint venture with Singapore’s Sovereign Wealth Fund GIS. The hosting provider is limiting access at its ‘xScale’ data centers to its 12 largest clients, including Amazon, Microsoft, and Oracle, but has hopes of expansion in the future. The move comes on the back of Equinix’s April acquisition of Meronode for \$795 million, demonstrating the provider’s commitment to growing an environmentally-conscious global presence.
- In May, Sunstone Partners acquired and merged Sword & Shield, Terra Verde, & TruShield, three managed security services providers, in a roll-up creating a new national cybersecurity provider. The combined entity will cover the entire United States and serve more than 1,800 customers in a rapidly growing industry.
- Consolidation in the hosted PBX market continues with numerous transactions occurring during the second quarter. Large UCaaS (Unified Communications as a Service) providers like 8x8, Dialpad, and Broadvoice have announced expansion initiatives this past quarter, indicating the market will continue its hot streak.
- CenturyLink Telecom strengthened its relationship with VMware and Dell EMC this quarter. With the partnership, CenturyLink has created a new platform called the CenturyLink Private Cloud platform which is built on VMware and deployed on Dell EMC servers. CenturyLink is facing intense competition from companies looking to develop complete hosted private cloud solutions.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-06-03	Sophos	Rook Security	
2019-05-31	NTT Group	CAPSiDE	
2019-05-08	Asterion Industrial Partners	Telefonica (11 datacenters)	616.0
2019-04-30	QTS	TCN SIG Telehousing (2 Netherlands datacenters)	44.0
2019-04-22	NuMSP	AZBS	
2019-04-17	j2 Global	Armada Cloud (certain assets)	
2019-04-11	Nuspire Networks	GBprotect	
2019-04-09	DATAGROUP	UBL Informationssysteme	
2019-04-01	Thoma Bravo	Mailgun Technologies	270.0

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 6/30/2019	Market Cap.	Enterprise Value (\$M)	EV / LTM Revenue	EV / LTM EBITDA
Tata Consultancy Services	\$32.12	\$103,342.2	\$96,302.1	5.5x	19.5x
Automatic Data	\$165.33	\$72,546.8	\$72,132.4	5.2x	24.0x
Infosys	\$10.56	\$45,955.5	\$41,903.2	3.6x	14.0x
Cognizant Technology	\$63.39	\$36,797.9	\$33,164.8	2.0x	10.9x
Wipro	\$4.04	\$24,352.1	\$20,168.6	2.4x	11.7x
CGI Group	\$76.88	\$21,770.4	\$22,277.6	2.5x	14.0x
Synthomer	\$4.73	\$1,616.3	\$1,906.6	0.9x	7.8x
CSG International	\$48.83	\$1,596.2	\$1,839.2	2.0x	10.4x
Unisys	\$9.72	\$660.7	\$717.4	0.3x	2.4x
Median:	\$ 32.12	\$ 24,352.08	\$ 22,277.63	2.4x	11.7x

SECTOR HIGHLIGHTS

- The median IT Outsourcing index was trading at 11.7x EBITDA (based on Enterprise Value) at the closing of Q2.
- 451 Research recorded \$7.14b in deal volume across 43 deals in the IT outsourcing sector in Q2 of 2019, a significant increase from the 40 deals worth \$2.85b during Q1. A large part of this increase can be accounted for by large acquisitions from Capgemini and HealthEquity.
- Capgemini made the largest acquisition of the quarter in the sector with their \$4b acquisition of Altran Technologies. The acquisition creates a combined entity with over \$17b in revenue and a quarter-of-a-million employees. The move will allow for the rapid continuation of digitization of the industrial sector.
- According to 451 Research, companies in Q2 have been decreasing their IT budgets, likely as a result of increased worries over US trade disputes and concerns over the complexity and ramifications of messy Brexit proceeding. Despite the decrease, the survey still indicates that the majority of companies have a 'green light' for normal discretionary IT spending (56%).
- Eastern European countries such as Poland, Ukraine, Romania, and Belarus are competing heavily with India and China as IT outsourcing destinations. Ukraine has become a hotbed for IT outsourcing with more than 166,000 IT specialists in the country already. A recent PwC analysis predicts that the IT Outsourcing market in Ukraine could reach \$5.7b by 2020.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-06-27	HealthEquity	WageWorks	1,148.9
2019-06-24	Capgemini Group	Altran Technologies	5,650.2
2019-06-14	CGI Group	SCISYS	102.1
2019-05-22	Scanfil	HASEC-Elektronik	11.4
2019-04-22	Jacobs Engineering Group	KeyW Corporation	781.9
2019-04-02	Lear Corporation	Xevo	320.0
2019-03-19	Blucora	1st Global	180.0
2019-01-17	WEX	Discovery Benefits	425.0
2019-01-07	DXC Technology	Luxoft Holding	1,916.8
2019-01-04	Platinum Equity	PCI	134.6

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 06/30/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Robert Half International	\$57.01	\$6,862.4	\$6,489.9	1.1x	9.8x
ManpowerGroup	\$96.60	\$6,146.2	\$6,342.6	0.3x	7.6x
ASGN	\$60.60	\$3,221.6	\$4,271.8	1.2x	11.2x
Kforce	\$35.09	\$885.4	\$975.3	0.7x	11.6x
Computer Task Group	\$4.01	\$54.0	\$55.8	0.1x	9.2x
Mastech Digital	\$4.75	\$53.2	\$88.9	0.5x	6.2x
RCM Technologies	\$4.00	\$50.1	\$83.8	0.4x	12.1x
Median:	\$35.09	\$885.4	\$975.3	0.5x	9.8x

SECTOR HIGHLIGHTS

- The median IT Staffing index was trading at 9.8x EBITDA (based on Enterprise Value) at the closing of Q2.
- Forty-five percent of the IT staffing market is derived from the US, where revenue growth is forecasted at 3% in 2019, representing the 10th consecutive year of expansion. M&A transactions of staffing firms headquartered in North America increased 27% year-over-year in 2018, representing a return to pre-recession deal volumes. Targets were most frequently found within professional staffing segments, led by healthcare and IT staffing firms, constituting 24% and 15% of deal volumes, respectively.
- IT services, staffing and consulting firms in the United States are finding their own business models under stress due to increased denial rates for H-1B visas. Staffing companies hire nearly 17 million temporary and contract employees annually in the US, of which 13% are in engineering, IT and science. IT consultants have begun to see denial rates as high as 40%, compare that to the 1% for big tech companies like Microsoft, Google, and Amazon. This has made it difficult for these firms to plan deployments at clients, with some clients now preferring to not contract H-1B workers because of the uncertainty.
- According to Agile's 2019 IT Staffing Trend, based on opportunities afforded by recent changes to the U.S. tax code, companies will expand and accelerate their staffing efforts. Private businesses in a recent PWC report expected to receive an average 5% increase to their bottom line. As a result, many of these companies are investing their dollars in human capital. Additionally, IT unemployment will remain low as the growing gap between the number of open IT positions and the number of professionals to fill them will continue to challenge employers in 2019.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-06-27	RELEX Solutions	Zenopt	
2019-06-12	Go-Jek Indonesia	AirCTO	
2019-04-03	Eliassen Group	Project One	
2019-04-02	Truli Technologies	Genesys Talent (recruiting assets)	
2019-04-02	Truli Technologies	Recruiter.com	

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 06/30/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
CDW	\$111.00	\$16,894.2	\$19,206.8	1.2x	15.0x
Arrow Electronics	\$71.27	\$6,255.0	\$9,453.2	0.3x	7.1x
Avnet	\$45.27	\$5,134.8	\$6,160.8	0.3x	8.6x
Synnex	\$98.40	\$4,348.1	\$8,290.1	0.4x	9.6x
TechData	\$104.60	\$3,973.6	\$4,439.9	0.1x	6.7x
Insight Enterprises	\$58.20	\$2,093.4	\$2,070.9	0.3x	7.5x
Anixter	\$59.71	\$2,037.6	\$3,302.3	0.4x	8.6x
ALSO Holding	\$142.91	\$1,832.2	\$2,012.7	0.2x	11.5x
PC Connection	\$34.98	\$935.9	\$841.8	0.3x	8.0x
ScanSource	\$32.56	\$837.9	\$1,164.3	0.3x	9.3x
PCM	\$35.04	\$444.8	\$538.4	0.2x	9.5x
Median:	\$58.96	\$2,065.5	\$2,686.6	0.3x	8.6x

SECTOR HIGHLIGHTS

- The median VAR was trading at 8.0x EBITDA (based on Enterprise Value) at the end of Q2.
- Scansource acquisition announcement to acquire intY, a British cloud services provider, is a move to position the company to compete in the growing space of cloud for distribution. Scansource will now compete with the likes of Ingram Micro Cloud, Pax8, and Connectwise in offerings its clients competitive cloud-based products through its resale business.
- Ingram Micro has acquired French IT-security solutions distributor Abbakan in a growing bid to cement itself as a leader in Europe, Middle East, and Asia (EMEA) distribution. The company has said it will establish a new system of cybersecurity Centers of Excellence (COE) with particular focus on EMEA. HNA Holdings still has a majority ownership of Ingram Micro, however, the company has been rumored to have held talks over the past two quarters with potential acquirers.
- A series of recent acquisitions continues the push to cloud-based and data-driven channel management. Channel Portal, Channel Insight, and E2Open have fully built into the space over the past year, all offering solutions for full-service customer and partner integration.
- Insight Enterprises has entered an agreement to buy California-based PCM in a blockbuster deal valued at over \$580 million. If approved, the acquisition will provide Insight significant expertise in key vertical markets and give Insight operations in an additional 40 locations across 4000 employees.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer	Target	Enterprise Value (\$m)
2019-06-24	Insight Enterprises	PCM	504.7
2019-06-11	Siemens	ESTEIQ (certain assets)	
2019-05-28	Ingram Micro	Abbakan	
2019-05-13	Perficient	Sundog Interactive	
2019-05-02	Synoptek	Dynamics Resources	
2019-05-01	HMS Networks	Raster Products	
2019-04-29	Marco Technologies	Accent Business Solutions	
2019-04-06	Esri	NIIT GIS	
2019-04-03	Francisco Partners	EG	556.3

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.



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