

# DECISIONPOINT

## QUARTERLY VIEWPOINT:

For the Quarter Ended June 30, 2020 and the Latest Twelve Months

Q2 | 20

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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.



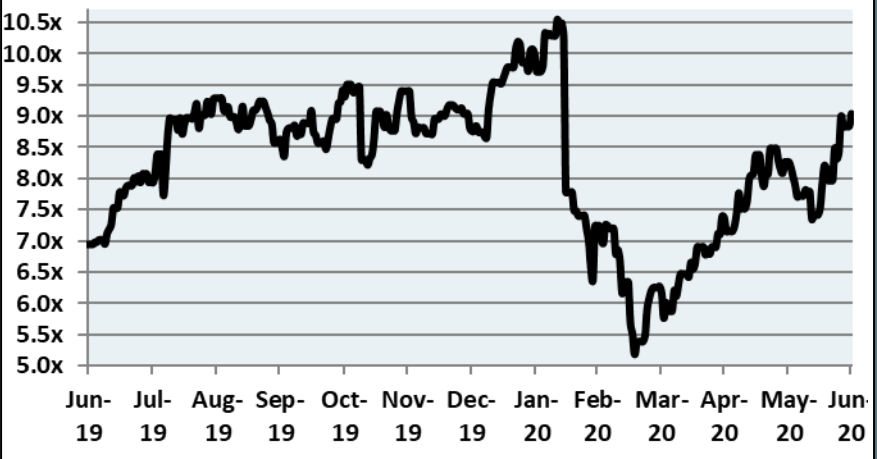
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# Software: Software as a Service (SaaS)

## HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

### MARKET PERFORMANCE

**DP SaaS Index EV/Revenue Multiple**  
Latest Twelve Months



### VALUATION METRICS

Company	Stock Price 06/30/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Salesforce	\$187.33	\$164,850.4	\$164,819.3	9.0x	62.7x
Shopify	\$944.33	\$108,124.0	\$110,527.8	64.0x	NM
ServiceNow	\$405.06	\$81,697.4	\$76,590.9	20.6x	NM
Workday	\$187.36	\$43,016.5	\$43,530.5	11.4x	NM
RealPage	\$65.01	\$6,265.1	\$7,710.2	7.5x	35.1x
LogMeIn	\$84.77	\$4,160.2	\$4,252.5	3.3x	14.7x
LivePerson	\$41.43	\$2,624.0	\$2,771.6	9.1x	NM
Cornerstone OnDemand	\$38.56	\$2,340.9	\$2,372.5	4.0x	53.6x
Ebix	\$22.36	\$684.5	\$1,391.1	2.4x	8.8x
<b>Median:</b>	<b>\$84.77</b>	<b>\$6,265.1</b>	<b>\$7,710.2</b>	<b>9.0x</b>	<b>35.1x</b>

### SECTOR HIGHLIGHTS

- The median SaaS index was trading at 9.0x revenue (based on Enterprise Value to Revenue) at the closing of Q2.
- The SaaS industry deal count decreased from 199 in Q2 2019 to 157 in Q2 2020, reflecting the impact that Covid-19 has had on the SaaS industry. SaaS M&A activity in Q2 reflected a higher percentage of distressed deals than typical, with many companies forced to take deals due to lack of liquidity.
- The emergence of Covid-19 in Q1 forced many employers to embrace a remote working environment in Q2. This caused a surge in the number of users on video and audio telecommunication platforms. M&A also reflected this increased demand with Verizon announcing its acquisition of BlueJeans for 400M at a 4.0x revenue multiple in Q2 2020. Verizon hopes to use the BlueJeans' video conferencing to expand their B2B services and believes the BlueJeans platform will be beneficial to their 5G roadmap.
- According to Data Pine, a software engineering company, one of the growing trends in the SaaS environment is micro-SaaS companies' evolution. The smaller niche-focused SaaS offerings have begun to emerge in the highly competitive SaaS climate, making a name for themselves. These micro-SaaS companies have narrow focuses and small teams but dedicated user bases and no outside funding. More of these companies will emerge over the next 12 months as larger providers continue to roll up the industry.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-06-29	Singapore Exchange	TradingScreen	128.0
2020-06-18	Facebook	Mapillary	
2020-06-16	Volkswagen Group	Voya	
2020-06-15	Kinaxis	Rubikloud Technologies	60.0
2020-06-08	Infibeam Avenues	GRIT	
2020-06-01	Change Healthcare	PDX	208.0
2020-05-19	Revance Therapeutics	Hint	180.0
2020-05-05	Sinch	SAP	250.0
2020-04-28	eLearning Brothers	Trivantis Corporation	
2020-04-22	Medallia	Voci Technologies	59.0
2020-04-03	Apple	Voysis	
2020-04-01	Nextdoor	Neighborland	

# 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 06/30/20	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Amazon.com	\$2,758.82	\$1,393,204.1	\$1,390,478.3	4.7x	38.6x
Alphabet	\$1,418.05	\$987,478.3	\$866,072.0	5.2x	17.6x
Facebook	\$227.07	\$652,996.6	\$597,000.9	8.1x	18.5x
Netflix	\$455.04	\$205,636.2	\$209,646.0	9.8x	16.4x
Booking Holdings	\$1,592.34	\$67,552.2	\$66,972.9	4.6x	13.3x
eBay	\$52.45	\$42,917.2	\$41,620.5	4.0x	13.5x
Uber	\$31.08	\$40,862.9	\$54,357.3	3.7x	NM
Snap	\$23.49	\$32,812.8	\$33,393.2	18.0x	NM
Twitter	\$29.79	\$23,423.3	\$19,840.4	5.7x	27.0x
Expedia Group	\$82.20	\$12,175.4	\$16,352.8	1.4x	34.6x
Cimpress	\$76.34	\$2,218.8	\$3,687.4	1.4x	11.6x
Groupon	\$18.12	\$513.4	\$366.7	0.2x	NM
<b>Median:</b>	<b>\$79.27</b>	<b>\$41,890.1</b>	<b>\$47,988.9</b>	<b>4.7x</b>	<b>17.6x</b>

### SECTOR HIGHLIGHTS

- The median Internet Software and Services index was trading at 4.7x revenue (based on Enterprise Value to Revenue) at the closing of Q2.
- Despite the continued spread of Covid-19 in Q2, the M&A deal count was not significantly impacted in the internet content and commerce sector. The sector had 100 deals and \$19b in deal value, up from 90 deals and \$7b in deal value in Q2 2019.
- In Q1, the online food delivery services market began to undergo consolidation of leading market players. With the spread of Covid-19, the food delivery industry continued its rapid growth. Just Eat announced its acquisition of GrubHub for \$7.3b at a 5.4x revenue multiple. Shortly after the announcement, rumors began to spread about Uber potentially acquiring Postmates.
- eBay underwent incredible growth in Q2 of 2020 due to the migration from physical storefronts to e-commerce caused by Covid-19. The company's stock soared from \$28 on April 1st to \$52 on June 30th, with the company raising revenue and EPS guidance for Q2.
- When the spread of Covid-19 began, schools were forced to shut down and students had to switch to virtual learning immediately. This move required the e-Learning industry to rapidly scale around the globally increased demand. Buyers in Q2 noticed the market opportunities with Chegg announcing its intent to acquire Mathway for \$100m. According to Nathan Schultz, President of Learning Services at Chegg, the company is hoping to utilize what Mathway has built to bring additional subject coverage, languages, and international reach.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

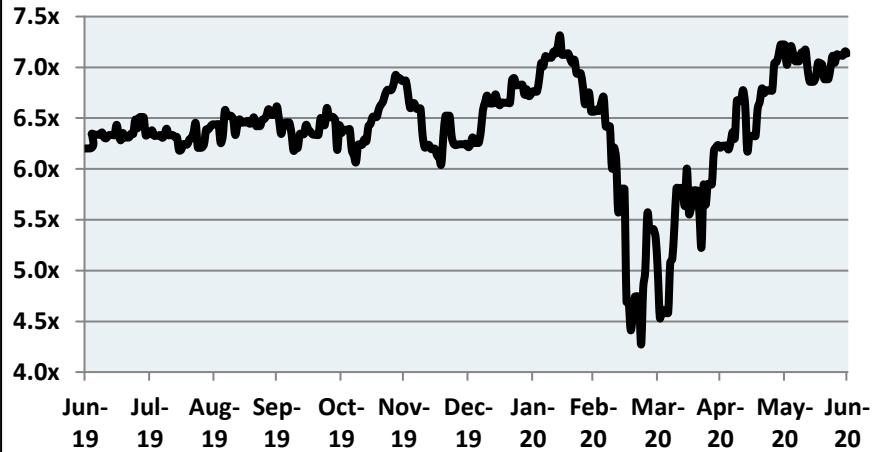
Announced			
Date	Acquirer Name	Target Name	Enterprise Value
2020-06-29	Empower Retirement	Personal Capital	825.0
2020-06-15	Warburg Pincus	58.com	8,700.0
2020-06-10	Just Eat	Grubhub	7,104.9
2020-06-04	Chegg	Mathway	100.0
2020-05-13	CoStar	REDC	190.0
2020-04-30	Polsat	Interia	100.7
2020-04-28	Macarthur Fortune Holding	Jagex	530.0
2020-04-21	Morningstar	Sustainalytics	59.8
2020-04-20	Fandango	Vudu	45.0
2020-04-09	Super ROI Global Holding	Jumei International Holding	131.9
2020-04-07	SoFi	Galileo Financial Technologies	1,200.0

# 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 06/30/20	Market Cap.	Enterprise Value (EV)	EV / LTM Revenue	EV / LTM EBITDA
Microsoft	\$203.51	\$1,567,739.3	\$1,479,537.9	10.7x	22.1x
Oracle	\$55.27	\$182,059.4	\$198,789.1	5.1x	12.0x
SAP	\$139.82	\$166,943.8	\$176,007.4	5.7x	25.1x
IBM	\$120.77	\$107,858.3	\$164,948.7	2.2x	10.6x
Autodesk	\$239.19	\$53,321.4	\$53,046.4	15.5x	NM
Dassault Systemes	\$172.75	\$45,584.0	\$47,451.2	10.2x	35.1x
Ansys	\$291.73	\$25,203.7	\$24,783.4	16.5x	46.4x
Constellation Software	\$1,122.34	\$23,784.1	\$24,010.1	7.1x	25.4x
Tyler Technologies	\$346.88	\$14,046.8	\$13,474.2	12.1x	NM
PTC	\$77.79	\$9,059.1	\$9,993.8	7.4x	48.1x
Amdocs	\$60.88	\$8,214.4	\$8,035.5	1.9x	10.2x
Manhattan Associates	\$94.20	\$6,112.4	\$5,936.2	9.5x	48.6x
Verint Systems	\$45.18	\$3,012.5	\$3,431.1	2.7x	20.1x
Blackbaud	\$57.08	\$2,771.1	\$3,449.2	3.8x	28.4x
Stratasys	\$15.86	\$862.9	\$564.5	0.9x	25.2x
<b>Median:</b>	<b>\$120.77</b>	<b>\$23,784.07</b>	<b>\$24,010.07</b>	<b>7.1x</b>	<b>25.2x</b>

### SECTOR HIGHLIGHTS

- The median Enterprise Software index was trading at 7.1x revenue (based on Enterprise Value to Revenue) at the closing of Q2.
- 451 Research recently published *Voice of the Enterprise: Digital Pulse, Coronavirus Flash Survey June 2020*, under which 48% of respondents reported that their organization is currently experiencing lower customer demand due to COVID-19. 60% of respondents indicated that coronavirus has reduced their company's access to clients and prospects.
- Technavio, a leading global market research and advisory company, has been monitoring the enterprise resource planning (ERP) software market and expects growth in the industry of \$18.91 billion during 2020-2024 at a CAGR of over 9%. Technavio believes that these companies will focus on the fast-growing cloud segments during the COVID-19 pandemic to promote growth.
- The coronavirus pandemic has increased the occurrence of phishing attacks (the second most cited pain point in 451 Research's end-user studies). Attackers are targeting employees who are currently struggling to find new ways of accessing enterprise resources.
- The Virtualization Software Market was valued at USD 14.69 billion in 2019 and is expected to reach USD 33.76 billion by 2025, registering a CAGR of 15.2%. The market will benefit from organizational transitions to reduce energy consumption, improve hardware efficiency, and boost sustainability.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-06-30	Mastercard International	Finicity	
2020-06-30	CloudEngage	AnswerDash	
2020-06-25	National Instruments	OptimalPlus	7.2
2020-06-23	Total Specific Solutions	Topicus	
2020-06-23	Pharmagest Interactive	Asca Informatique	
2020-06-22	Garmin	Firstbeat Analytics Oy	
2020-06-02	Insurity	Epic-Premier Insurance Solutions	
2020-05-20	Akerna	Trellis Solutions	1.8
2020-04-08	TOTVS	Wealth Systems Informtica	1
2020-04-08	Inpixon	Systat Software	
2020-04-02	Simulations Plus	Lixoft	3.2

# 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 06/30/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Verisk Analytics	\$170.20	\$28,313.6	\$30,745.8	11.5x	28.6x
Alteryx	\$164.28	\$11,201.2	\$10,819.9	24.0x	NM
Pegasystems	\$101.17	\$8,029.0	\$8,117.7	8.4x	NM
Elastic	\$92.21	\$7,266.1	\$7,602.3	17.8x	NM
Cloudera	\$12.72	\$3,647.6	\$3,557.8	4.4x	NM
PROS Holdings	\$44.43	\$1,848.4	\$1,813.1	7.0x	NM
MicroStrategy	\$118.29	\$1,212.9	\$716.0	1.5x	12.7x
Domo	\$32.17	\$897.3	\$952.7	5.3x	NM
<b>Median:</b>	<b>\$96.69</b>	<b>\$5,456.8</b>	<b>\$5,580.0</b>	<b>7.7x</b>	<b>NM</b>

### SECTOR HIGHLIGHTS

- The median Business Intelligence Software index was trading at 7.7x revenue (based on Enterprise Value) at the closing of Q2.
- In Q2 2020, the business intelligence sector did not experience a change compared to Q2 2019 in terms of deal flow. In both Q2 2019 and 2020, there were a total of 33 deals completed.
- With US retailers seeing a 68% YoY growth in E-Commerce as of Mid-April, they are turning to dynamic pricing to drive sales and increase margins. According to Quantzig, dynamic pricing models help companies determine the optimal price for products based on current inventory availability, market saturation, and customer demand. Kinaxis capitalized on this trend with its recent acquisition of Rubikloud Technologies, which will bolster Kinaxis' existing demand forecasting and price-optimization software.
- According to 451 Research, tighter corporate budgets resulting from the pandemic will slow the pace of innovation in the analytics software sector and may negatively affect sales. Instead, corporations will focus on investments in conventional and proven techniques for business decision-making. However, we could see an acceleration in the adoption of new SCM optimization software to repair damaged supply chains.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-06-30	Garmin	Firstbeat Analytics	
2020-06-22	Mitratech Holdings	CMPG	
2020-06-15	Kinaxis	Rubikloud Technologies	60.0
2020-06-11	UnitedLex	Paul Hastings LLP (data science, analysis, & investigations assets)	
2020-06-10	Synopsys	Qualtera	
2020-06-10	PSI Software	Prognos Energy	
2020-06-02	National Instruments	OptimalPlus	365.0
2020-05-19	Perseus Operating Group	TUNE	
2020-05-18	Accenture	Byte Prophecy	
2020-05-04	IHS Markit	Catena Technologies	
2020-04-14	W2O Group	Symlur	

# 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 06/30/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Citrix Systems	\$147.91	\$19,543.8	\$19,641.4	6.2x	24.7x
Check Point Software	\$107.43	\$16,058.1	\$13,318.3	6.6x	14.9x
F5 Networks	\$139.48	\$8,477.2	\$8,475.1	3.7x	16.3x
Trend Micro	\$55.95	\$7,798.8	\$6,331.2	4.1x	12.2x
CommVault Systems	\$38.70	\$1,772.2	\$1,471.6	2.2x	NM
Progress Software	\$38.75	\$1,759.1	\$1,849.7	4.3x	18.3x
Radware	\$23.59	\$1,146.5	\$949.1	3.8x	35.5x
Magic Software	\$11.39	\$558.0	\$533.8	1.6x	11.3x
Allot Communications	\$10.47	\$360.3	\$290.9	2.6x	NM
<b>Median:</b>	<b>\$38.75</b>	<b>\$1,772.2</b>	<b>\$1,849.7</b>	<b>3.8x</b>	<b>16.3x</b>

### SECTOR HIGHLIGHTS

- The median Infrastructure Software index was trading at 3.8x Revenue (based on enterprise value) at the end of Q2.
- While many businesses experienced short-term disruptions in demand due to COVID-19, 451 Research believes that most trends within the applied infrastructure segment will persist and possibly accelerate from the need to work remotely. For example, the cloud-native crossover trend will not experience disruption as DevOps teams within large organizations will continue to seek cloud-native advantages during the pandemic, including agility, efficiency, and portability. A recent survey found 55% of enterprise DevOps teams at full or some adoption of containers and more than 42% of DevOps teams at full or some adoption of Kubernetes.
- More businesses are expecting application testing to take place earlier in the development lifecycle. Unlike past practices, testing will be carried out by developers, not security specialists. This new approach is meant to ensure that teams receive results early to address security problems as part of their typical workflow.
- In June, NetApp announced its acquisition of Spot, a developer of compute management and cost optimization software for the public cloud, for \$325 million. Spot's software, combined with NetApp's existing cloud platform, will enable enterprises to save up to 90 percent of their compute and storage cloud expenses by minimizing idle and over-provisioned infrastructure resources.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-06-22	ServiceNow	Sweagle	
2020-06-15	Sinch	ACL Mobile	70.5
2020-06-09	DataRobot	Boston Consulting Group (SOURCE AI technology asset)	
2020-06-03	NetApp	Spot	325.0
2020-05-28	Cisco	ThousandEyes	
2020-05-27	Keysight Technologies	Eggplant	330.0
2020-05-12	Atlassian	Halp	
2020-05-04	Kaufman Hall	Change Healthcare (Connected Analytics assets)	55.0
2020-04-29	NetApp	CloudJumper	
2020-04-09	Zscaler	Cloudneeti	



# 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 06/30/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Accenture	\$214.72	\$139,270.7	\$134,332.7	3.0x	16.8x
Capgemini	\$114.66	\$19,612.3	\$20,582.1	1.3x	9.4x
CDW	\$116.18	\$17,046.5	\$19,921.5	1.1x	14.0x
NTT Data	\$11.14	\$15,628.5	\$21,072.5	1.0x	6.9x
Booz Allen	\$77.79	\$10,986.9	\$12,511.6	1.7x	16.7x
CACI International	\$216.88	\$5,525.9	\$7,191.0	1.3x	14.0x
DXC Technology	\$16.50	\$4,266.4	\$12,344.9	0.6x	NM
ManTech International	\$68.49	\$2,764.7	\$2,910.9	1.2x	14.0x
ICF International	\$64.83	\$1,245.2	\$1,841.2	1.2x	14.7x
Perficient	\$35.78	\$1,159.6	\$1,311.6	2.3x	16.8x
The Hackett Group	\$13.54	\$439.3	\$391.9	1.4x	11.3x
<b>Median:</b>	<b>\$68.49</b>	<b>\$5,525.9</b>	<b>\$12,344.9</b>	<b>1.3x</b>	<b>14.0x</b>

### SECTOR HIGHLIGHTS

- The median IT Services index was trading at 14.0x EBITDA (based on Enterprise Value to EBITDA) at the closing of Q2.
- It is now very difficult to differentiate between service design, transition, and operation or find a provider with a single solution. According to 451 Research, consultancies are now also offering managed services to provide a more complete solution.
- The growth in the IT Services industry will be primarily fueled by digitization trends. It will prompt large organizations to improve their IT infrastructure, thereby helping to optimize the business operations, minimize waste, and increase organizational revenues.
- According to 451 Research's Voice of the Enterprise: Digital Pulse, Workloads and Key Projects 2019 survey, a significant minority (42%) are now strategically preparing for the changes they face over the next decade by digitizing business processes/assets, while another 26% are in the research phase of digital transformation strategy planning.
- Accenture has continued its growth strategy by remaining extremely active in the IT Services M&A market. Accenture acquired six more firms in the second quarter, including Revolutionary Security, a security integration service. Accenture continues to roll up the industry and will continue to improve across their ecosystem through inorganic growth.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-06-24	Atos	AliA Consulting	
2020-06-15	Accenture	Sentelis	
2020-06-09	CloudScale365	Moore Communications Systems	
2020-06-03	Navisite	Privo IT	
2020-06-01	Cegeka Groep	CTB (Dynamics 365 business)	
2020-06-01	Sirius Computer Solutions	Advanced Systems Group	
2020-05-28	HCL Technologies	Broadcom (Symantec Enterprise Division)	
2020-05-05	Cognizant	Collaborative Solutions	
2020-04-22	Sylogist	InfoStrat	2.5
2020-04-20	Accenture	Gekko	
2020-04-20	Century Park Capital Partners	Prolog Partners	

# Services: Hosted & 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 06/30/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Equinix	\$702.30	\$60,181.8	\$74,046.1	13.1x	30.5x
Digital Realty	\$142.11	\$30,333.3	\$53,756.9	16.7x	27.9x
SAIC	\$77.68	\$4,554.0	\$7,407.7	1.1x	15.1x
Cancom	\$53.08	\$1,920.5	\$1,700.2	0.9x	21.6x
ePlus	\$70.68	\$948.2	\$953.8	0.6x	8.1x
NCC Group	\$2.18	\$609.9	\$675.4	2.1x	11.4x
iomart	\$4.31	\$480.5	\$541.8	3.8x	9.8x
Redcentric	\$1.52	\$228.7	\$274.9	2.4x	11.4x
Sify Technologies	\$0.78	\$132.2	\$267.9	0.8x	5.7x
<b>Median:</b>	<b>\$28.70</b>	<b>\$779.0</b>	<b>\$814.6</b>	<b>2.1x</b>	<b>11.4x</b>

### SECTOR HIGHLIGHTS

- The median Hosted & Managed Services index was trading at 11.4x EBITDA (based on Enterprise Value) at the closing of Q2.
- The managed services industry is moving away from on-premise solutions with 57% of managed service providers (MSPs) projecting that critical on-premise client workloads will move to the cloud in the next 3 years. The shift marks the growing adoption and acceptance of cloud-hosted solutions by enterprise customers, putting pressure on MSPs to optimize their digital transformation offerings for the cloud. According to a recent CRN survey, 44% of MSPs do not maintain a data center, instead opting to use a cloud provider for offsite computing and storage.
- Datto's Global State of the MSP Report showed MSPs have continued to find opportunities for growth during the Covid-19 pandemic. Almost 40% of MSPs reported annual revenue of \$2.5M as these providers continue to be of critical importance to small and medium businesses. MSPs have continued to find opportunities for growth in cloud adoption and increasing automation in IT environments. Emerging technologies, namely 5G technology and faster wireless networks, also provide MSPs future growth opportunities through assisting their clients in testing and implementing new technologies.
- According to 451 Research, MSPs should focus on cloud-native capabilities to offer the most value to clients. In Q2, these capabilities were more likely to be included in MSPs' managed services charges, showing a preference for automation to manage infrastructure more efficiently.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

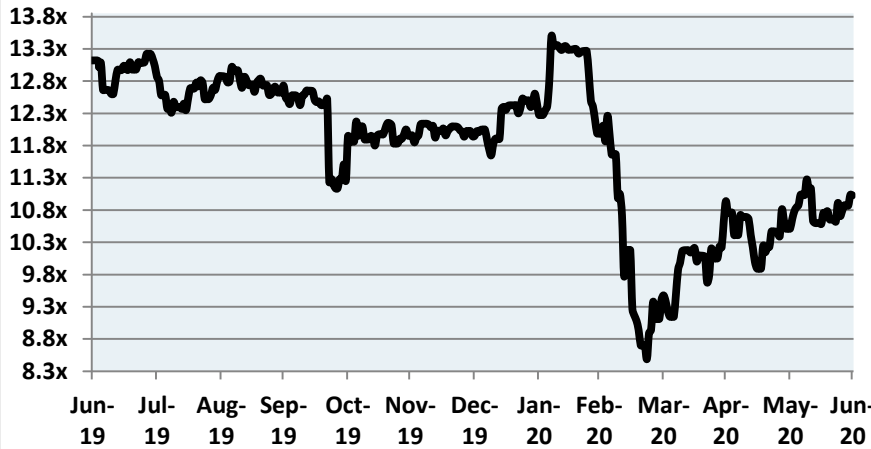
Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-06-26	Spirit Telecom	Voice Print & Data Australia	14.0
2020-06-24	Atos	Paladion	
2020-06-24	Apple	Fleetsmith	
2020-06-16	Calligo	Itomic Voice & Data	
2020-06-09	FirstLight Fiber	TruePath Technologies	
2020-06-01	Equinix	BCE (13 Bell datacenter sites)	750.0
2020-05-20	Open Systems AG	Born in the Cloud	
2020-05-20	Saalex IT	Arctic MSP	
2020-05-14	Single Digits	Inviacom	
2020-04-17	Globe Telecom	Cascadeo	4.0
2020-04-17	StarPower ON Systems	Bioem Oversea Development	8.6

# 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 6/30/2020	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Tata Consultancy	\$27.49	\$103,342.2	\$96,302.1	4.5x	16.4x
Automatic Data	\$148.89	\$64,640.6	\$64,646.7	4.4x	17.1x
Infosys	\$9.72	\$41,440.8	\$38,785.8	3.0x	11.9x
Cognizant Technology	\$56.82	\$31,407.3	\$29,832.8	1.8x	10.4x
CGI Group	\$62.62	\$17,099.6	\$18,929.0	2.1x	11.5x
Wipro	\$2.90	\$16,961.7	\$13,375.7	1.6x	7.5x
CSG International	\$41.39	\$1,342.9	\$1,707.1	1.7x	8.8x
Unisys	\$10.91	\$641.2	\$622.9	0.2x	4.2x
<b>Median:</b>	<b>\$ 34.44</b>	<b>\$ 24,253.44</b>	<b>\$24,380.90</b>	<b>1.9x</b>	<b>11.0x</b>

### SECTOR HIGHLIGHTS

- The median IT Outsourcing index was trading at 11.0x EBITDA (based on Enterprise Value) at the closing of Q2.
- In Q2 2020, the IT outsourcing sector increased the number of deals with 31 deals from 29 deals in Q2 2019. However, the total value was down significantly to \$16M from the total deal value of \$5b in Q2 2019. The significant decline in total value is due to less public deals in Q2.
- Covid-19 continues to impact the delivery process of IT outsourcing in Q2 2020. Outsourcing workers have not fully returned to the office after being sent to work from home in Q1 of 2020 in India. Companies have been distracted trying to ensure that their employees have the tools necessary to work from home. Covid-19 has presented new tactical issues and opportunities that have not been seen before, especially in ensuring privacy and security measures.
- The industry will continue moving towards an outcome-based sourcing strategy rather than paying for programming hours. The hope is that this change will make IT outsourcing a more value-driven industry.
- With more reliable security measures being enacted, industries are becoming more confident in moving their confidential information to outsourced IT developers. Some industries have struggled with the idea of outsourcing because of security and privacy issues. However, industries such as healthcare and financial services are some of the most recent to begin gaining this trust with outsourcing after the progression of security measures. Due to this expansion into these sectors, IT outsourcing is expected to grow at a CAGR of 8.3%.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-06-29	Kohlberg & Co.	Ground Penetrating Radar Systems	
2020-06-10	Black Box Network Services	Pyrios	
2020-05-25	Escale SEO Marketing Digital	Cobmax	
2020-05-25	Escale SEO Marketing Digital	Cobmax	
2020-05-15	Sumo Digital	LAB42	0.6
2020-05-11	Phoenix Logistics	Riptide Software	
2020-04-24	NCAB Group	Bare Board Group	12.4
2020-04-14	Recruit Rooster	RocketBuild	
2020-04-09	StoneAge	Breadware	
2020-04-02	Trackwise Designs	Stevenage Circuits	3.1
2020-04-02	Toyota Motor	Revolution Software Services	

# 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 06/30/20	Market Cap.	Enterprise Value (\$M)	EV / LTM Revenue	EV / LTM EBITDA
Robert Half International	\$52.83	\$6,095.7	\$6,080.8	1.0x	9.1x
ManpowerGroup	\$68.75	\$4,111.3	\$4,270.3	0.2x	5.9x
ASGN	\$66.68	\$3,562.4	\$4,604.3	1.2x	11.9x
Kforce	\$29.25	\$672.2	\$728.9	0.5x	9.2x
Mastech Digital	\$25.93	\$294.2	\$314.3	1.6x	14.9x
Computer Task Group	\$4.03	\$56.9	\$61.6	0.2x	5.5x
RCM Technologies	\$1.34	\$17.5	\$53.0	0.3x	NM
<b>Median:</b>	<b>\$29.25</b>	<b>\$672.2</b>	<b>\$728.9</b>	<b>0.5x</b>	<b>9.1x</b>

### SECTOR HIGHLIGHTS

- The median IT Staffing index was trading at 9.1x EBITDA (based on Enterprise Value) at the closing of Q2.
- While firms across nearly every industry have slowed hiring amid the pandemic, IT hiring has not been affected as negatively. According to a Staffing Industry Analysts survey, temporary staffing revenue across industries declined by a median 18% YoY in April compared to a decline of just 4% for IT staffing firms. The small decline is attributed to firms delaying non-essential IT projects at the onset of the pandemic.
- The hiring market is showing signs of stabilizing. A CompTIA report found that only 25% of technology companies were postponing interviews in June compared to 32% in April. The report also found that 14% of the firms surveyed were planning to onboard new staff in June.
- An executive order in June suspended the entry of foreign workers with H-1B visas through 2020. The suspension was put in place to protect American workers at this time of high unemployment. Mark Roberts, CEO of TechServe Alliance, claims that this will be a “longer-term obstacle” for IT staffing firms trying to meet demand as the order only affects visa holders who are not already in the country.
- In June, Central Research, Inc. (CRI) announced its acquisition of Virginia-based Skyline Ultd Inc for an undisclosed amount. Skyline provides IT staff augmentation to federal, state, and local government agencies. As CRI’s second acquisition within 90 days, CRI is looking to expand its service offerings into niche sectors.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-06-05	CRI	Skyline	
2020-05-13	The Boston Group	People Prime Worldwide	
2020-04-28	Orion	Tekmark	

# 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 06/30/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Arrow Electronics	\$68.69	\$5,654.5	\$7,857.1	0.3x	NM
Synnex	\$119.77	\$6,109.7	\$7,857.6	0.3x	6.4x
Avnet	\$27.89	\$2,854.6	\$4,248.1	0.2x	22.8x
ALSO	\$244.98	\$3,140.9	\$3,287.3	0.3x	15.2x
Insight Enterprises	\$49.20	\$1,763.6	\$2,413.1	0.3x	8.2x
PC Connection	\$46.36	\$1,227.6	\$1,111.6	0.4x	8.6x
<b>Median:</b>	<b>\$58.95</b>	<b>\$2,997.7</b>	<b>\$3,767.7</b>	<b>0.3x</b>	<b>8.6x</b>

### SECTOR HIGHLIGHTS

- The median Value Added Resellers index was trading at 8.6x EBITDA (based on Enterprise Value) at the closing of Q2.
- In Q2, companies continued to focus on opportunities provided through value added resellers (VARs). In April, Comstar and 8x8 announced an enhanced strategic VAR channel partnership to allow companies to move to cloud communications. Cloud based communication solutions have become extremely important during the Covid-19 pandemic for many companies who previously relied on legacy, on-premise systems due to stay-at-home orders and social distancing. Going forward, VARs will continue to find opportunities in helping customers make transitions in their technology and IT systems.
- VARs found opportunities for growth in Q2 in differentiating their offerings. In April, Latronix announced its SmartEdge Partner Program to help VARs and systems integrators drive revenues by expanding their offerings to include IoT, out-of-band management, and mobility solutions. Strategic partnership opportunities will be a significant driver of growth going forward for VARs.
- Founded in November 2019, the Multi-Cloud Leadership Alliance (MCLA) has grown to 107 members at the start of June 2020. The alliance aims to share best practices for cloud platform operators, offer collaboration and networking opportunities for members, and provide customized strategies for VARs and MSPs. According to 451 Research, 72% of businesses with deployments in public cloud report using more than one public cloud supplier. As a result, there is significant opportunity for VARs to grow by staying up to date on multi-cloud trends and the work of the MCLA.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer	Target	Enterprise Value (\$m)
2020-06-09	Paydarfar Industries	Apex Digital Manufacturing Solutions	
2020-06-04	On Computer Services	Power BackUPS	
2020-05-18	Xalles Holdings	Argus Technology Partners	
2020-05-06	Sole Source Capital	Supply Chain Services	
2020-04-27	Arkphire	Generic Technologies	
2020-04-23	Chesapeake Systems	StorExcel	
2020-04-22	Wayside Technology Group	Interwork Technologies	

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