

DECISIONPOINT

QUARTERLY VIEWPOINT:

For the Quarter Ended September 30th, 2022 and the Latest Twelve Months

Q3 | 22

1. Market Leader for Mid-Market Technology M&A	3
2. Software	
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
3. Services	
I. IT Services	9
II. Hosted & Managed Services	10
III. IT Outsourcing	11
IV. IT Staffing	12
3. Sector to Watch	
I. Artificial Intelligence & Machine Learning	9

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.



The information in this Quarterly ViewPoint was prepared by DecisionPoint Advisors, LLC ("DecisionPoint"). DecisionPoint has issued the material contained within this report for informational purposes only. The material contained within this report is not and should not be construed as an offer to sell or solicitation of an offer to purchase or subscribe for any investment. Information presented was obtained from various sources that are believed to be reliable. DecisionPoint makes no guarantees, representations or warranties and accepts no responsibility or liability as to the accuracy or completeness of the information provided. Opinions, estimates, and analyses in this report do not necessarily reflect the opinions of DecisionPoint and are subject to change without notice. DecisionPoint has no obligation to update, modify, or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein changes or subsequently becomes inaccurate.

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 09/30/22	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Salesforce	\$143.84	\$144,127.7	\$144,112.0	4.9x	35.1x
ServiceNow	\$377.61	\$76,884.0	\$74,587.2	11.3x	NM
Workday	\$152.22	\$38,681.8	\$37,103.4	6.5x	NM
Shopify	\$26.94	\$34,181.6	\$28,407.7	5.7x	NM
Block	\$54.99	\$28,741.8	\$29,717.2	1.8x	NM
Veeva Systems	\$164.88	\$26,744.9	\$22,747.2	11.4x	43.7x
Zoom Video	\$73.59	\$22,551.8	\$16,481.5	3.8x	19.5x
LivePerson	\$9.42	\$693.7	\$1,025.3	2.0x	NM
Ebix	\$18.97	\$582.5	\$1,192.6	1.2x	8.2x
Median:	\$73.59	\$28,741.8	\$28,407.7	4.9x	27.3x

SECTOR HIGHLIGHTS

- The median SaaS index was trading at 4.9x revenue (based on Enterprise Value to Revenue) at the closing of Q3.
- The total deal count in the SaaS market decreased compared to the same period last year, from 353 to 348. With the decrease in deal count, the publicly available deal value fell drastically from \$45.5B to \$28.1B. The quick drop in deal value but relatively constant deal count shows that while the count of mega deals is down, there is still a strong pace of M&A activity for quality smaller software companies.
- Fintech use has been rapidly increasing as COVID accelerated the adoption of digital solutions. 36% of consumers have only interacted digitally with banking and financial services over the past 12 months, rising to 43% of Gen Z and 42% of Millennials. The increase in usage is not just occurring in the younger generations; Generation X and Baby Boomers have accounted for a significant boost with 65% and 50% of respective generations using payment apps. With the fast adoption of software in the financial services, banking, and insurance sectors, firms that digitally transform will retain market share and revenues.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2022-08-08	Vista Equity Partner	Avalara	8,202.6
2022-09-05	CVS Health	Signify Health	7,446.6
2022-08-30	Roper Technologies	Frontline Technologies Group	3,725.0
2022-08-01	Global Payments	EVO Payments	1,758.5
2022-09-28	EQT Private Equity	BTRS Holdings	1,562.8
2022-09-06	Commerce Technologies	ChannelAdvisor Corporation	712.3
2022-07-27	Aspen Technology	Micromine	623.0
2022-09-19	McKesson	Rx Savings	600.0
2022-07-18	Arcadis	IBI Group	562.7
2022-07-25	Cadence Design Systems	OpenEye Scientific Software	500.0
2022-08-17	Francisco Partners Management	SAP Litmos	450.0
2022-08-02	Employ	Lever	400.0

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 09/30/22	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Alphabet	\$95.65	\$1,280,981.7	\$1,154,471.1	4.2x	11.7x
Amazon.com	\$113.00	\$1,158,080.5	\$1,215,060.7	2.5x	24.2x
Netflix	\$235.44	\$106,764.6	\$113,115.3	3.6x	5.8x
Booking Holdings	\$1,643.21	\$67,895.0	\$63,200.7	4.3x	21.6x
Uber	\$26.50	\$51,348.9	\$60,169.8	2.4x	NM
Twitter	\$43.84	\$34,459.7	\$34,144.9	6.5x	NM
eBay	\$36.81	\$22,233.2	\$25,343.2	2.5x	NM
Snap Group	\$9.82	\$15,805.8	\$15,524.9	3.4x	NM
Expedia Group	\$93.69	\$14,482.2	\$17,699.7	1.7x	10.4x
Cimpress	\$24.48	\$638.8	\$2,236.8	0.8x	7.9x
Groupon	\$7.96	\$266.1	\$286.5	0.4x	9.8x
Median:	\$43.84	\$34,459.7	\$34,144.9	2.5x	10.4x

SECTOR HIGHLIGHTS

- The median Internet Software and Services index was trading at 2.5x revenue (based on Enterprise Value to Revenue) at the closing of Q3.
- Deal processes continued to slow in Q3, with 48 fewer deals than in the same period in 2021. Coupled with the slowing of deal processes, the deal value has decreased to \$2.4B from \$17.7B.
- Internet Software continued the rough year in the third quarter. With life and travel restarting after COVID, fewer people are spending money on Netflix and Uber eats, and more are going to restaurants and movie theaters. In order to adjust to lower demand, many companies are shifting tactics, with Netflix adding an ad-supported version and Uber expanding into long-distance trucking and retail delivery.
- Meta’s decline from one of five companies worth more than \$1 trillion to less than half of that has seen it invest heavily in building out the metaverse. Meta’s virtual reality business, Reality Labs, is losing about \$10 billion annually. These losses were not worrisome as the company more than doubled revenue from 2018 to 2021, but in Q2 of this year, it reported its first-ever quarterly sales decline. Meta and CEO Mark Zuckerberg continue to believe in the mission, with seven of the ten recent acquisitions supporting its still-developing VR business. However, a lower valuation and increased government oversight may impact their strong beliefs in the space.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced			
Date	Acquirer Name	Target Name	Enterprise Value
2022-08-11	Entain	SUPER SPORT	714.2
2022-08-08	Cox Enterprises	Axios Media	525.0
2022-07-19	Informa	Industry Dive	389.0
2022-08-22	eBa	TCGplayer	295.0
2022-07-20	Terapin Studios	Toomics Global	160.0
2022-08-09	Shift Technologies	CarLotz	121.5
2022-07-25	Asurion	Enjoy Technology	86.2
2022-09-15	Cryptyde	Forever 8 Fund	56.4
2022-07-22	upGrad Education	Harappa Learning	38.0
2022-09-22	Coinsquare	Simply Digital Technologies	21.8
2022-07-25	One Planet Group	AutoWeb	5.5

Source: 451 Research, Pitchbook



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 09/30/22	Market Cap.	Enterprise Value (EV)	EV / LTM Revenue	EV / LTM EBITDA
Microsoft	\$232.90	\$1,756,066.0	\$1,693,464.0	8.5x	17.2x
Oracle	\$61.07	\$168,400.7	\$245,437.9	5.6x	18.6x
IBM	\$118.81	\$107,896.2	\$153,191.9	3.0x	13.4x
SAP	\$82.68	\$97,315.0	\$109,373.0	3.3x	15.7x
Dassault Systemes	\$35.12	\$46,800.0	\$46,686.3	7.9x	23.2x
Autodesk	\$186.80	\$41,096.0	\$41,842.5	8.8x	43.4x
Constellation Software	\$1,405.47	\$29,784.0	\$31,403.0	5.5x	21.2x
Ansys	\$221.70	\$19,478.6	\$19,650.2	9.8x	29.7x
Tyler Technologies	\$347.50	\$14,732.1	\$15,471.5	8.5x	42.0x
PTC	\$104.60	\$12,374.6	\$13,584.6	7.1x	22.5x
Amdocs	\$79.45	\$9,808.5	\$9,741.9	2.2x	11.0x
Manhattan Associates	\$133.03	\$8,508.5	\$8,148.6	11.5x	NM
Verint Systems	\$33.58	\$2,194.7	\$2,807.0	3.1x	25.7x
Blackbaud	\$44.06	\$2,190.8	\$3,304.3	3.3x	34.1x
Stratasys	\$14.41	\$946.0	\$535.8	0.8x	NM
Median:	\$104.60	\$19,478.56	\$19,650.25	5.6x	22.5x

SECTOR HIGHLIGHTS

- The median Enterprise Software index was trading at 5.6x revenue (based on Enterprise Value to Revenue) at the closing of Q3.
- Zoom’s meteoric rise at the beginning of the pandemic and subsequent fall as offices returned to in-person work has led to the company expanding offerings in hopes of rivaling competitors. With Google and Microsoft investing heavily in their respective video conferencing solutions, Zoom has attempted to challenge their capabilities by announcing mail and calendar offerings at the annual Zoom conference. After its failed acquisition of Five9, Zoom will need to invest heavily in alternative solutions to grow or even retain its market share. With the announcements of virtual agents and virtual co-working space, Zoom has started strong but will still face an uphill climb to replace the dominant players in the productivity software market.
- A hybrid office culture will continue to be a force in the world, with 48% of survey respondents expecting most of their employees to have a part in-office/work-from-home or fully remote schedule. With this continued trend, one item of note is the rising need for alternative enterprise networks. With companies following a hot-desk strategy with no permanent desks, identity access management solutions will be helpful to ensure employees have access to resources such as printers, projectors, and phones, regardless of where they sit. In addition to IAM solutions, private 5G networks are quickly growing, giving users access to higher bandwidth and core architecture features such as network slicing. Companies like Google, Amazon, and Microsoft offer 5G-specific services for service providers to host infrastructure with the advantage of global reach and lower cost than building out data centers.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

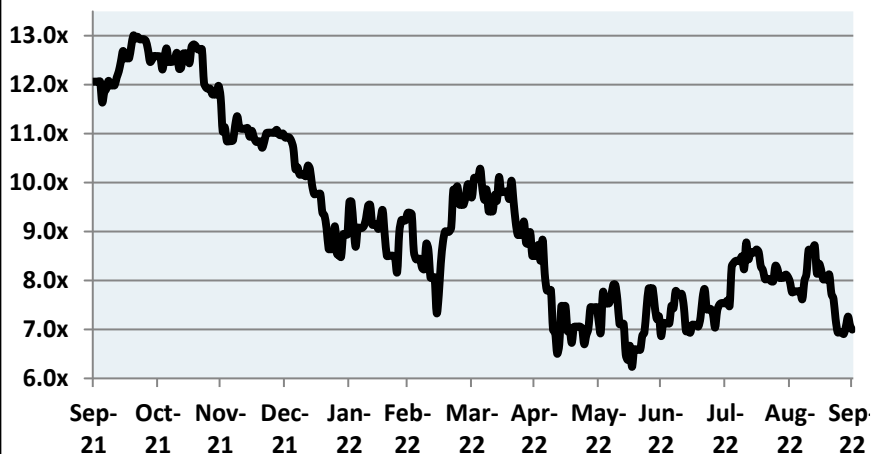
Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2022-09-27	Sendinblue	Yodel.io	
2022-09-12	Beckett Collectibles	NoXX Technologies	
2022-08-22	GrubMarket	Granite State Software	
2022-08-22	GrubMarket	Frantoni	
2022-08-09	Looking Glass Labs	Web 3.0 Holdings	1.5
2022-07-15	Siemens Digital Industries	ZONA Technology	
2022-07-11	Cadence Design Systems	Future Facilities	
2022-07-07	PDFTron Systems	PDFlib	
2022-07-05	Fiery	CADlink Technology	

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 09/30/22	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Snowflake(Database Software)	\$169.96	\$52,886.0	\$50,675.8	30.9x	NM
Verisk Analytics	\$170.53	\$27,567.6	\$30,050.3	9.9x	17.0x
Elastic	\$71.74	\$6,700.7	\$6,559.3	7.1x	NM
Alteryx	\$55.84	\$3,780.3	\$4,362.5	6.9x	NM
Pegasystems	\$32.14	\$2,625.5	\$3,018.7	2.5x	NM
MicroStrategy	\$212.26	\$2,296.3	\$4,777.5	9.5x	NM
PROS Holdings	\$24.70	\$1,106.2	\$1,232.6	4.7x	NM
Domo	\$17.99	\$595.7	\$663.1	2.3x	NM
Median:	\$63.79	\$3,202.9	\$4,570.0	7.0x	17.0x

SECTOR HIGHLIGHTS

- The median Business Intelligence Software index was trading at 7.0x revenue (based on Enterprise Value) at the closing of Q3.
- Similar to Application Software, Business Intelligence Software saw a significant decrease in total publicly available deal value, with only \$18M in deal value in Q3 2022. Interestingly, the total deal count only decreased from 64 deals last year to 62 in Q3 of 2022.
- Data-driven decision-making is quickly becoming more important throughout businesses. Surprisingly, only 26.3% of respondents said that nearly all strategic decisions were data-driven. With the economic uncertainty, many companies are looking for more intelligence and data around decisions, especially in the consumer goods and manufacturing industries. One company to watch in the sector is Peak AI. Peak seeks to make a self-serve decision-making solution using machine learning to help business leaders achieve a specific business outcome, such as inventory optimization or digital marketing personalization.
- Another leader in data-driven decision-making is private-equity-backed InsightSoftware. The company understands finance teams' needs and amassed a significant amount of technology to support a variety of styles of embedded analysis. The company's analytics strategy will allow it many future revenue opportunities. Still, the company's extensive portfolio of overlapping functionalities may create a potential for confusion and steer away self-serve customers.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2022-09-30	ZenBusiness	Ureeka	
2022-09-26	Aquila Software	Neosoft	
2022-09-26	Cloudenablers	Optio3	
2022-09-23	CaseWare International	Audicon	
2022-09-21	Biomed Industries	MedAware Systems	18.0
2022-09-21	SIH ACA Topco	Ethos Impact	
2022-09-20	Alphabet	BreezoMeter	
2022-09-20	Viral Nation	MediaKits	
2022-09-20	Cority Software	Reporting 21	
2022-09-15	TA Associates	Addinsoft	
2022-09-15	Planful	Plannuh	
2022-09-12	Bright Data	Market Beyond	

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 09/30/22	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Check Point Software	\$112.02	\$14,613.0	\$12,377.0	5.5x	13.9x
F5 Networks	\$144.73	\$8,903.5	\$8,545.3	3.2x	16.2x
Citrix Systems	\$103.23	\$13,123.5	\$15,777.4	4.8x	27.9x
Trend Micro	\$54.13	\$7,561.4	\$5,833.7	3.4x	9.4x
CommVault Systems	\$53.04	\$2,474.0	\$2,131.7	2.7x	46.6x
Progress Software	\$42.55	\$1,896.8	\$2,267.7	3.9x	12.8x
Radware	\$21.79	\$1,025.4	\$755.5	2.5x	30.2x
Magic Software	\$15.67	\$769.8	\$796.7	1.5x	11.7x
Allot Communications	\$3.92	\$143.2	\$84.7	0.6x	NM
Median:	\$53.04	\$2,474.0	\$2,267.7	3.2x	15.1x

SECTOR HIGHLIGHTS

- The median Infrastructure Software index was trading at 3.2x revenue (based on enterprise value) at the end of Q3.
- One of the most significant take-private transactions was just completed, with Elliot Management and Vista Equity paying all cash to take Citrix private. Elliot and Vista will merge Citrix with TIBCO in a move that shows financial acquirers will continue to fight for acquisitions in the software sector. At \$16.5B enterprise value, the deal was first agreed to in January 2022 and is seen as a rich multiple as markets have fallen since the beginning of the year.
- Despite efforts to limit or stop the use, paper-based forms and workflow remain common ways to conduct business with associates. Processing documents, however, is inefficient. A new form of technology is quickly addressing this issue with intelligent document processing. For years, most document management was focused on capturing, interpreting, and digitizing data to become machine-readable. Still, it lacked the required sophistication to complete the analysis autonomously. New technologies are promising to address the autonomy limitations by incorporating artificial intelligence. As more business leaders become comfortable with and confident in their use of AI, IDP solutions should grow rapidly as long as they improve accuracy rates and decrease human intervention.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2022-09-16	Access PaySuite	Pay360	179.3
2022-08-31	ConnectWise	Wise-Sync Australia	
2022-08-25	Open Text	Micro Focus I	2,189.2
2022-08-23	Peaberry Software	AYMLab	
2022-08-11	Qt Group	Axivion	45.6
2022-08-09	Qualitest	ZEN QUALITY ASSURANCE	
2022-07-23	Chain	Measurable Foundation	100.0
2022-07-21	Peaberry Software	Bourbon	
2022-07-15	UMT United Mobility Technology	MEXS	13.1
2022-07-06	N-able	Spinpanel	

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 09/30/22	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Accenture	\$257.30	\$165,700.0	\$158,827.0	2.6x	14.1x
Capgemini	\$162.67	\$28,493.9	\$32,839.5	1.4x	10.5x
CDW	\$156.08	\$21,492.2	\$27,697.1	1.2x	15.6x
NTT Data	\$12.92	\$18,117.0	\$20,961.4	0.9x	5.5x
Booz Allen Hamilton	\$92.35	\$12,375.4	\$14,793.2	1.7x	16.5x
CACI International	\$261.06	\$6,181.1	\$8,115.1	1.3x	12.9x
DXC Technology	\$24.48	\$6,107.1	\$9,608.4	0.6x	3.6x
ASGN	\$90.37	\$4,753.5	\$5,141.4	1.2x	10.4x
Perficient	\$65.02	\$2,361.9	\$2,638.7	3.1x	19.8x
ICF International	\$109.02	\$2,080.2	\$2,707.9	1.7x	18.8x
The Hackett Group	\$17.72	\$575.3	\$502.3	1.7x	9.1x
Median:	\$92.35	\$6,181.1	\$9,608.4	1.4x	12.9x

* After the acquisition of ManTech International by The Carlyle Group, ASGN has now been added to our public IT services comps, in their place

SECTOR HIGHLIGHTS

- The median IT Services index was trading at 12.9x EBITDA (based on Enterprise Value to EBITDA) at the closing of Q3.
- One of the largest pure-play IT service providers, Atos, announced recently that it plans to spin off its engineering, IoT and other digital capabilities to form part of a new company called Evidian. The overall Atos business has faltered, leading to talks with DXC Technology Co. about a possible merger (now off the table). The management team then came up with the bold plan in June to separate the newer technology capabilities from the older core competencies. This separation will give the management teams the opportunity to focus on stabilizing revenue and profits without a vast array of services to monitor. Both division are expected to be listed separately next year.
- A growing trend in the IT Services sector is the increased demand for supply chain modernization talent. With the supply chain issues due to the pandemic and Russian invasion of Ukraine, businesses from all industries are rethinking how they can deliver their products. This trend is shaping deal activity for supply chain modernization IT service providers as consultancies and system integrators also have an appetite for acquiring small supply chain analytics service specialist as they expand their portfolios. With less than 10 deals in 2018, 2019, and 2020, 2021 and 2022 have surpassed these totals with 15 deal YTD in 2022. The total deal value has drastically increased as well with totals almost doubling from 2020 to 2022 YTD.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$M)
2022-09-29	Rhodium Enterprises	SilverSun Technologies	650.4
2022-09-29	Accenture Japan	ALBERT	294.1
2022-09-07	WESCO International	Rahi Systems	217.0
2022-08-15	Baker Hughes Holdings	Quest Integrity Business of Team	280.0
2022-08-10	Axians	Kontron (IT services business)	409.1
2022-08-10	Alcadon Group	Networks Centre Holding Company	38.0
2022-08-05	QinetiQ North America	Avantus Federal	590.0
2022-07-25	MasTec	Infrastructure and Energy Alternatives	680.5
2022-07-18	Northleaf Capital Partners	Aotearoa Towers	1,044.4
2022-07-18	Mastek	MST Solutions	76.6
2022-07-11	Ontario Teachers Pension Plan	Spark New Zealand	556.6

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 09/30/22	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Equinix	\$568.84	\$51,766.4	\$66,244.6	9.6x	23.6x
Digital Realty	\$99.18	\$28,234.0	\$45,383.1	10.1x	14.2x
SAIC	\$88.43	\$5,040.5	\$7,410.0	1.0x	12.1x
ePlus	\$41.54	\$1,114.0	\$1,242.9	0.7x	7.7x
Cancom	\$23.94	\$897.3	\$574.0	0.4x	4.2x
NCC Group	\$2.44	\$758.6	\$867.4	2.1x	11.9x
Sify Technologies	\$1.71	\$320.0	\$492.9	1.3x	6.0x
iomart	\$1.82	\$203.7	\$254.4	1.8x	5.0x
Redcentric	\$1.25	\$198.4	\$216.0	1.7x	6.7x
Median:	\$13.19	\$828.0	\$720.7	1.7x	7.7x

SECTOR HIGHLIGHTS

- The median Hosted & Managed Services index was trading at 7.7x EBITDA (based on Enterprise Value) at the closing of Q3.
- Digital transformation and modernization are two of the most extensive requirements for businesses. With the growth in these areas over the past few years, increased competition has entered the space, and people can no longer afford to be a stand-alone cloud migration or optimization firm. These service providers have been forced to expand their offerings, with companies that have traditionally focused on advisory becoming involved in ongoing management services and vice versa. Many of the legacy managed services firms that offered operations, monitoring, or security are looking to move earlier in the process to areas like assessment, migration, and consulting as a way to win business.
- Google Cloud has been focusing its strategic investments in partnerships and products to boost growth in Delhi's recently started cloud region. They plan to open a new office in Pune later this year; thus, investing in human capital is extremely important. The group is on a hiring spree for product engineering, technical support, and customer success talent to support these growth locations. In addition to the hiring spree, Google Cloud is partnering with companies like Deloitte, Tata Consultancy Service, and Wipro to enable joint development and speed up migration.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2022-09-16	Parlement Technologies	Dynascale	
2022-09-15	Waterdog Computer Works	ITCadence	
2022-09-07	Magna5 International	Interphase Systems	
2022-08-25	Meriplex Communications	CPI Solutions (assets)	
2022-08-23	DigitalOcean	Cloudways	350.0
2022-07-28	Cipherpoint	Excite IT	1.6
2022-07-26	Clearwater Compliance	TECH LOCK	
2022-07-15	Meriplex Communications	Verma Systems (assets)	
2022-07-15	Capital A Investment	ESC	
2022-07-12	NetGain Technologies	Capital City Consulting	
2022-07-05	SEI	iTech Solutions	

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 9/30/2022	Market Cap.	Enterprise Value (\$M)	EV / LTM Revenue	EV / LTM EBITDA
Tata Consultancy	\$36.87	\$136,023.4	\$134,301.2	5.1x	17.9x
Infosys	\$17.35	\$72,945.2	\$70,724.0	4.2x	16.4x
Automatic Data	\$226.19	\$95,248.6	\$95,992.9	6.0x	24.6x
Cognizant Technology	\$57.44	\$30,156.0	\$28,992.6	1.5x	8.3x
Wipro	\$4.84	\$26,538.4	\$25,026.3	2.3x	11.2x
CGI Group	\$76.04	\$18,627.7	\$20,450.3	2.1x	10.3x
CSG International	\$52.88	\$1,681.6	\$2,028.4	1.9x	13.3x
Unisys	\$7.55	\$508.5	\$739.2	0.4x	NM
Median:	\$ 44.88	\$ 28,347.22	\$27,009.42	2.2x	13.3x

SECTOR HIGHLIGHTS

- The median IT Outsourcing index was trading at 13.3x EBITDA (based on Enterprise Value) at the closing of Q3.
- The IT Outsourcing sector was one of the only sectors currently tracked by DecisionPoint to see an increase in total deal count and median EV/EBITDA multiple. Total deals increased from 67 deals last year to 77 in Q3 of 2022, while the median multiple increased from 11.3x EBITDA to 13.3x.
- An increasingly important trend to follow is the necessity of outsourcing organizations to have solid talent management and HR functionalities. With high amounts of outsourced work and staff turnover, companies focus on their vendors' internal talent retention. Many companies are retreating from their prior ways of thinking and focusing on talent management strategies to ensure service continuity and scalability during the talent wars.
- HIG-backed software development firm 3Pillar acquired another company in the third quarter with their deal for The Jonah Group. With Jonah Group, 3Pillar is receiving a talented team of over 160 employees with a focus on the banking, financial services, and insurance sectors in Toronto. This is the latest in a line of strategic acquisitions and hires by 3Pillar as a part of its accelerated growth plan.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2022-09-29	Computer Task Group	Eleviant Technologies	18.6
2022-08-20	Centerbridge	Computer Services	1,594.8
2022-08-18	ABM Industries	Ravenvolt	450.0
2022-08-16	CI&T	Transpire Technology	16.1
2022-08-11	HUMBL	Agora Digital Holdings	65.0
2022-07-21	Accenture	Eclipse Automation	
2022-07-20	West Shore Home	Design Center	
2022-07-14	IPS Solutions	Fram Venture 11	3.6
2022-07-12	Solid State	Custom Power	30.0
2022-07-08	NOTE	Dynamic Precision Solutions	1.9
2022-07-04	HANZA	Budelmann Elektronik	1.0

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 09/30/22	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Robert Half International	\$76.50	\$8,468.1	\$8,041.6	1.1x	8.3x
ManpowerGroup	\$64.69	\$3,528.8	\$4,116.0	0.2x	5.7x
ASGN	\$90.37	\$4,753.5	\$5,141.4	1.2x	10.4x
Kforce	\$58.65	\$1,226.3	\$1,225.9	0.7x	10.4x
Mastech Digital	\$14.77	\$177.9	\$180.1	0.7x	8.3x
Computer Task Group	\$6.70	\$100.6	\$87.4	0.2x	5.1x
RCM Technologies	\$16.69	\$184.3	\$170.7	0.6x	5.6x
Median:	\$58.65	\$1,226.3	\$1,225.9	0.7x	8.3x

SECTOR HIGHLIGHTS

- The median IT Staffing index was trading at 8.3x EBITDA (based on Enterprise Value) at the closing of Q3.
- The Computer Task Group continued its string of acquisitions with their 4th in the past five years. The group acquired Eleviant Technologies primarily to expand its expertise in cutting-edge technology. The addition brings significant talent in AI, ML, and intelligent automation while growing their capabilities in cloud migration, mobile application development, and emerging technologies, including blockchain. CTG paid out \$17.4M million in cash at close and \$1.2M in stock with the opportunity to earn another \$5M based on the achievement of unspecified performance milestones for the 250-employee business.
- IT unemployment remains a good problem, with overall unemployment in the US at 3.8% but 2.2% for the IT sector. With the high demand and low supply, the median technology staffing firm saw 18% year-over-year growth, with median gross margins improving to 27.6% and 32% for high-profit firms. While controlling operating expenses is often the primary driver of profitability, due to demand, staffing firms were able to increase prices and achieve a median of 6.3% net profitability, up from the historical norm of 4%.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2022-09-28	Caymus Equity Partners	Seneca Resources	
2022-09-07	S.I. Systems	xiBOSS Corporation	
2022-08-29	Digital Intelligence Systems	MAKE Corporation (assets)	
2022-08-18	Walmart	Delivery Drivers	
2022-08-01	Korn Ferry	Infinity Consulting Solutions	
2022-07-26	My Job Matcher	PrincetonOne	
2022-07-14	Rekrut India Private	Wolves Recruitment & Staffing	
2022-07-12	AMS	FlexAbility HR Solutions	
2022-07-11	APFS	Harmony Healthcare	
2022-07-07	Consulting Solutions	iBridge Solutions	

Artificial Intelligence & Machine Learning

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE

DP AI & ML Index EV/Revenue Multiple

Latest Twelve Months



VALUATION METRICS

Company	Stock Price 09/30/22	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Nvidia	\$121.39	\$307,541.6	\$296,916.1	10.0x	32.0x
International Business Machines	\$118.81	\$107,896.2	\$153,191.9	3.0x	13.4x
ServiceNow	\$377.61	\$76,884.0	\$74,587.2	11.3x	NM
CrowdStrike Holdings	\$164.81	\$37,977.0	\$36,934.4	20.1x	NM
Palantir Technologies	\$8.13	\$16,401.3	\$14,581.0	8.4x	NM
SentinelOne	\$25.56	\$6,890.1	\$5,990.1	19.8x	NM
C3.ai	\$12.50	\$1,319.7	\$451.4	1.7x	NM
Sumo Logic	\$7.50	\$850.8	\$575.3	2.1x	NM
Median:	\$72.19	\$27,189.1	\$25,757.7	9.2x	22.7x

SECTOR HIGHLIGHTS

- The median AI & ML index was trading at 9.2x Revenue (based on Enterprise Value) at the closing of Q3.
- The AI & ML sector has slowed after seeing their valuations soar during the pandemic. With public comps falling from around 30x revenue to 9.2x at the end of Q3 2022. In addition to the lower valuations, the overall M&A deal count has also fallen from 112 deals in Q3 of 2021 to 82 in Q3 of 2022.
- With the tech talent wars continuing, firms are searching for ways to automate services and find more talent. This has led to an increase in M&A demand for services companies as well as startup solutions to mitigate workload and increase capabilities.
- More firms are taking a foray into the world of AI & ML to improve margins and cut down on mundane tasks. As pointed out earlier in this report, Intelligent Document Processing has become a primary method to test AI or ML value. IDP software takes care of large amounts of physical papers and worktime while allowing business leaders to test out the impact and viability of new technologies in their day-to-day business. As more document management systems incorporate IDP, expect management teams to start understanding the impact of AI and look for an alternative methods to implement.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2022-09-29	Accenture Japan	ALBERT	294.1
2022-09-29	Computer Task Group	Eleviant Technologies	18.6
2022-09-21	Biomed Industries	MedAware Systems	18.0
2022-09-13	Altair Engineering	RapidMiner	100.0
2022-08-29	N. Harris Computer	NexJ Systems	9.4
2022-08-02	Employ	Lever	400.0
2022-07-25	Nexion Group	Aiscorp	5.1
2022-07-25	Nexion Group	Silicon Systems	3.8
2022-07-20	Terapin Studios	Toomics Global	160.0
2022-07-11	Ontario Teachers Pension Plan	Spark New Zealand Limited	556.6
2022-07-08	Nano Dimension	Formatec Holding	12.9
2022-07-01	Boyd Corporation	Sensata Technologies	219.0

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:

Henry Haskins

Associate

haskins@decisionpointint.com

704.412.9860