

DECISIONPOINT

QUARTERLY VIEWPOINT:

For the Quarter Ended March 31, 2019 and the Latest Twelve Months

Q1 | 19

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 Services	10
III. IT Outsourcing	11
IV. IT Staffing	12
V. Value Added Resellers	13

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 03/31/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Salesforce	\$158.37	\$122,736.8	\$120,937.3	9.1x	59.3x
ServiceNow	\$246.49	\$43,837.3	\$43,655.2	16.7x	NM
Workday	\$192.85	\$41,807.8	\$42,239.1	15.0x	NM
Red Hat	\$182.70	\$34,040.8	\$30,419.0	9.0x	49.3x
Shopify	\$205.32	\$21,696.9	\$20,859.8	19.4x	NM
Ultimate Software Group	\$330.13	\$10,424.8	\$10,308.6	9.0x	77.4x
RealPage	\$60.69	\$5,555.0	\$6,048.4	7.0x	36.8x
Medidata Solutions	\$73.24	\$4,479.5	\$4,409.0	6.9x	47.1x
LogMeIn	\$80.10	\$4,204.9	\$4,123.6	3.4x	10.7x
Ellie Mae	\$98.69	\$3,531.8	\$3,132.1	6.5x	36.2x
Cornerstone OnDemand	\$54.78	\$3,186.0	\$3,184.2	5.9x	NM
LivePerson	\$29.02	\$1,718.1	\$1,789.0	7.2x	NM
Ebix	\$49.37	\$1,556.8	\$2,131.0	4.3x	12.9x
Median:	\$98.69	\$5,555.0	\$6,048.4	7.2x	41.9x

SECTOR HIGHLIGHTS

- The median SaaS index was trading at 7.2x revenue (based on Enterprise Value) at the closing of Q1.
- Hellman & Friedman’s \$11b acquisition of Ultimate Software in February, the largest ever for a HR software vendor, came at an 11x revenue multiple. According to 451 Research, sizable multiples have become increasingly prominent in the HR software industry with each of the three previous years doubling historical multiples at or above 5x TTM revenue. The higher multiples have been driven by PE buyers, which made up 49% of HR software acquisitions in 2018.
- According to 451 Research, large SaaS vendors are attracting higher multiples due to a 'sizable SaaS scarcity' premium. As PE mega funds seek out acquisition targets, software companies that offer high growth, recurring revenue, and a large scale are rare and are thus being valued on high revenue multiples of 8-10x. Conversely, companies selling software on a conventional license model have attracted much lower valuations, such as BMC which sold for a 3.8x revenue multiple in 2018.
- Forbes believes that 2019 will be the year when ‘best of breed’ SaaS solutions will begin to win out against ‘all in one’ suites. The shift is driven by the proliferation of API integrations which has enabled specialized solutions to be integrated into other tools that large teams use. As decision makers contemplate software options, forward-thinking leaders are likely to use integrations to build customized technology stacks of software that best fit the needs of the organization.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-03-14	Envestnet	MoneyGuide	500.0
2019-03-11	F5 Networks	NGINX	670.0
2019-03-11	Hill-Rom	Voalte	180.0
2019-02-28	ACI Worldwide	Speedpay	750.0
2019-02-19	Palo Alto Networks	Demisto	560.0
2019-02-12	Thoma Bravo	Ellie Mae	3,700.0
2019-02-07	Carbonite	Webroot Software	618.5
2019-01-28	Dropbox	HelloSign	230.0
2019-01-22	Bridgestone	TomTom (telematics business)	1,033.9
2019-01-22	Thunder Bridge	REPAY	600.0
2019-01-15	Zix	AppRiver	275.0
2019-01-07	Motorola	VaaS	445.0

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 03/31/19	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Amazon.com	\$1,780.75	\$890,375.0	\$873,246.5	3.7x	31.7x
Alphabet	\$1,176.89	\$882,842.9	\$711,779.5	5.2x	16.9x
Facebook	\$166.69	\$486,901.5	\$435,608.6	7.8x	15.0x
Netflix	\$356.56	\$160,895.6	\$162,239.2	10.3x	NM
Booking Holdings	\$1,744.91	\$83,785.3	\$80,908.2	5.6x	15.1x
eBay	\$37.14	\$36,805.7	\$38,294.7	3.6x	10.7x
Twitter	\$32.88	\$25,405.9	\$21,724.5	7.1x	25.0x
IAC	\$210.11	\$19,187.7	\$18,380.5	4.3x	17.4x
Expedia Group	\$119.00	\$18,193.8	\$20,338.6	1.8x	12.7x
Snap	\$11.02	\$14,332.3	\$13,278.8	11.2x	NM
TripAdvisor	\$51.45	\$7,203.0	\$6,520.1	4.0x	22.2x
Cimpress	\$80.13	\$2,565.3	\$3,673.0	1.4x	12.3x
Groupon	\$3.55	\$2,011.1	\$1,416.3	0.5x	10.7x
Median:	\$119.00	\$25,405.9	\$21,724.5	4.3x	15.1x

SECTOR HIGHLIGHTS

- The median Internet Software and Services index was trading at 4.3x revenue (based on Enterprise Value) at the closing of Q1.
- Health Data Management projects that the underlying software behind Internet of Things (IoT) will continue to mature in 2019. As industrial and commercial customers begin to monetize the benefits of IoT, basic monitoring through IoT devices is expected to create major cost-savings for commercial monitoring enterprises. In addition, real-time data will increase in importance and is expected to represent 30% of all digital data by 2030, compared to 15% in 2015.
- The eCommerce industry is continuing a strong run, as companies search for more user-friendly customer experience. Trends from Q1 and continuing into 2019 include the use of social media as the primary instrument for eCommerce business owners, social media being leveraged as both a marketing tactic and a customer service tool to attract and retain consumers, mobile optimization as a critical function to maintain and increase the customer base, and influencer marketing as an increasingly common investment for eCommerce businesses.
- In January, Viacom announced its plans to acquire Pluto TV for \$340m. The acquisition broadcasts Viacom’s desire to provide more online video and gain insights about the viewership. The target offers an ad-supported streaming service with more than 100 channels and claims over 12 million monthly active users. That media content and viewership data could help Viacom as it pushes into streaming video in search of higher ad rates through granular audience targeting.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

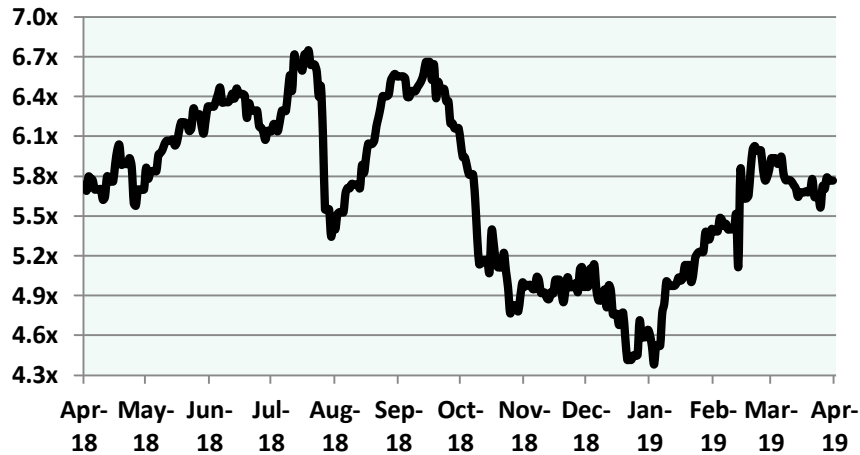
Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-03-11	Ebix	Yatra	336.0
2019-03-04	Reliance Industries	Grab A Grub	15.0
2019-03-01	Future	MoNa Mobile Nations	60.0
2019-03-01	Mail.ru	United Media Agency	97.0
2019-02-13	THQ Nordic	18POINT2	1.6
2019-02-09	Digitalbox	Mashed Productions	1.6
2019-02-06	RumbleOn	AutoSport	3.7
2019-02-04	Taptica	RythmOne	176.0
2019-01-24	Modern Media	Akazoo	469.0
2019-01-22	Viacom	Pluto TV	340.0
2019-01-21	Legion Holdings	Abrii Media	26.0

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 03/31/19	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Microsoft	\$117.94	\$917,337.3	\$850,367.9	7.2x	15.8x
Oracle	\$53.71	\$209,213.9	\$200,215.2	5.1x	12.3x
SAP	\$115.64	\$138,071.9	\$140,631.5	4.8x	17.0x
IBM	\$141.10	\$129,292.1	\$159,509.1	2.0x	9.8x
Dassault Systemes	\$149.04	\$38,862.1	\$36,574.4	8.9x	31.0x
Autodesk	\$155.82	\$34,109.0	\$35,342.1	13.8x	NM
Constellation Software	\$842.92	\$17,862.8	\$17,642.6	5.8x	21.9x
Ansys	\$182.71	\$15,697.2	\$14,528.6	11.2x	27.2x
PTC	\$92.18	\$10,937.5	\$11,411.0	9.0x	NM
Tyler Technologies	\$204.40	\$8,201.1	\$7,660.6	8.2x	35.2x
Amdocs	\$54.11	\$7,660.4	\$7,110.4	1.8x	11.1x
Verint Systems	\$59.86	\$3,965.4	\$4,305.3	3.5x	21.6x
Blackbaud	\$79.73	\$3,830.6	\$4,228.6	5.0x	30.6x
Manhattan Associates	\$55.11	\$3,661.2	\$3,459.2	6.2x	24.1x
Stratasys	\$23.82	\$1,280.3	\$920.5	1.4x	17.0x
Median:	\$115.64	\$15,697.2	\$14,528.6	5.8x	21.6x

SECTOR HIGHLIGHTS

- The median Enterprise Software index was trading at 5.8x revenue (based on Enterprise Value) at the closing of Q1.
- The buzz around blockchain for the enterprise continues to develop. Mindsight Futures Report 2019 contends that even though these aren't new technology trends, blockchain and the cloud led conversations throughout 2018. The difference now is how businesses will utilize these tech tools for their operational security, which is likely to make dramatic transformations a reality in the coming years.
- FIS's announcement to buy Worldpay for \$35b in March continues the trend of mega-deals in payments as large incumbents seek to drive scale and unite adjacent capabilities to unlock new value in the face of rapid technological and competitive transformation. A major question is what type of impact another large merger will have on Worldpay's client relationships, and if this could open doors for sales conversions for emerging processors and gateways.
- Firms looking to boost their digital enterprises last year pushed the value of deals in the enterprise-software sector to \$182.2 billion. The competition among companies across all industries pushed both the value and volume of M&A last year in the global enterprise-software sector to a five-year high. The surge in activity also highlights the tight labor market for skilled IT workers. The deals include acquisitions over the past year by large industry players such as Microsoft, Oracle, Salesforce, Adobe Systems, and SAP.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-03-18	Larsen & Toubro	MindTree	1,150.9
2019-03-11	F5 Networks	Nginx	670.0
2019-02-11	Morgan Stanley Private Equity	Solium Capital	843.8
2019-02-11	Tech Mahindra	Jobvite	200.0
2019-02-11	Thoma Bravo	Ellie Mae	3,700.0
2019-02-08	Vista Equity/TA Associates	Aptean	1,000.0
2019-02-04	Hellman & Friedman	Ultimate Software Group	11,000.0
2019-01-23	SAP	Qualtrics	8,000.0
2019-01-03	Dassault Systems	IQMS	425.0
2019-01-01	Edenrad	CSI Enterprises	600.0
2019-01-01	Thoma Bravo	Veracode	950.0

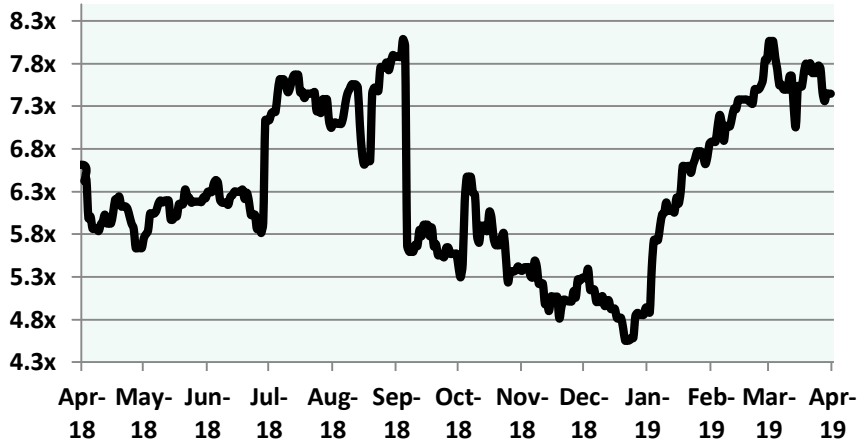
Software: Business Intelligence Software

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 03/31/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Tableau Software	\$127.28	\$10,517.4	\$9,934.7	8.6x	NM
Alteryx	\$83.87	\$5,430.1	\$5,025.8	19.8x	NM
Pegasystems	\$65.00	\$5,399.2	\$4,891.3	5.5x	NM
Elastic	\$79.87	\$4,111.8	\$5,548.4	23.1x	NM
Cloudera	\$10.94	\$1,748.4	\$2,461.5	5.1x	NM
MicroStrategy	\$144.25	\$1,646.2	\$906.3	1.8x	NM
PROS Holdings	\$42.24	\$1,455.8	\$1,521.5	7.7x	NM
Domo	\$40.33	\$1,062.2	\$954.3	7.2x	NM
Median:	\$72.44	\$2,930.1	\$3,676.4	7.4x	NM

SECTOR HIGHLIGHTS

- The median Business Intelligence Software index was trading at 7.4x revenue (based on Enterprise Value) at the closing of Q1.
- According to Gartner’s 2019 Strategic Technology Trends report, Artificial Intelligence, and specifically real-time data analytics, will continue to be a major trend in 2019. Real-time data analysis is combining with the commercial debut of the IoT (Internet of Things) ecosystem. This combination is also bringing a massive amount of data, which will promote statistical analysis and management at the top of the priorities list for businesses. However, businesses today want to go further and predictive analytics is another trend to be closely monitored.
- Qlik’s announcement to acquire Attunity for \$560m in February continues its push deeper into data management. While Qlik’s historic focus has been on business intelligence, Qlik has expanded its data management capabilities in recent years, completing 7 acquisitions since 2015. The acquisition should significantly boost Qlik’s capabilities to process data, as Attunity has an array of software products designed to help the enterprise move records from different business systems into their analytics applications, one of the most complex parts of data preparation.
- A record high of 48% of organizations say that cloud BI is either “critical” or “very important” to their operations in 2019, according to the Dresner 2019 Business Intelligence Market Study. Among other relevant finds, Forbes found that marketing & sales leaders place the highest importance on cloud BI, and that small businesses are the most enthusiastic adopters and supporters of cloud BI.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-03-26	Carbonite	Webroot	618.5
2019-03-20	SimplyBiz	Defaqto	97.2
2019-03-11	Nvidia	Mellanox Technologies	7,000.0
2019-02-27	TAS Group	Mantica	
2019-02-21	Qlik	Attunity	560.0
2019-02-06	HelpSystems	Core Security	
2019-01-23	Cision US	TrendKite	225.0
2019-01-15	Culmen International	Centrifuge Systems	
2019-01-15	Bolton Labs	Pandora Labs	
2019-01-14	Science Applications International	Engility	1,600.0
2019-01-09	Nordic Capital	BOARD International	500.0

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 03/31/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Red Hat	\$182.70	\$34,040.8	\$30,419.0	9.0x	49.3x
Check Point Software	\$126.49	\$20,168.5	\$18,364.5	9.6x	19.7x
Symantec	\$22.99	\$14,771.1	\$17,161.6	3.6x	23.2x
Citrix Systems	\$99.66	\$14,543.8	\$13,822.7	4.6x	17.0x
F5 Networks	\$156.93	\$9,657.0	\$8,195.5	3.8x	12.0x
Trend Micro	\$48.70	\$6,807.2	\$5,160.1	3.6x	11.0x
CommVault Systems	\$64.74	\$3,042.3	\$2,513.4	3.5x	NM
Progress Software	\$44.37	\$2,022.7	\$1,955.3	5.0x	15.7x
Radware	\$26.13	\$1,246.2	\$847.6	3.6x	49.0x
Magic Software	\$8.43	\$394.6	\$358.0	1.3x	8.1x
Allot Communications	\$7.94	\$267.7	\$167.6	1.7x	NM
Median:	\$48.70	\$6,807.2	\$5,160.1	3.6x	17.0x

SECTOR HIGHLIGHTS

- The median Infrastructure Software index was trading at 3.6x revenue (based on Enterprise Value) at the closing of Q1.
- According to Gartner, 48% of PaaS offerings are cloud-only. The segment is still highly fragmented, with 360 vendors operating across 21 market segments, 90% of which are focused on one market segment. As cloud computing continues to gain mainstream trust, Gartner predicts that strategic leaders will shift their focus to cloud computing with the PaaS market projected to reach \$34b by 2022.
- Computerworld UK predicts that 2019 might finally be the year where organizations adopt true hybrid-cloud infrastructure. AWS has started preparing itself for the shift by positioning itself as more hybrid-cloud friendly by announcing a preconfigured racks offering called Outposts in November. In order to compete, Cloudera predicts that public & private cloud vendors may use M&A to broaden their product offerings for hybrid cloud deployment.
- Infrastructure Software M&A activity continued to be strong in Q1 with \$3.4b in M&A activity across 35 deals, continuing the momentum in the sector from 2018. CRN forecasts M&A activity to continue for the remainder of 2019 as public cloud providers may look to M&A to build solution sets that compete with the combined IBM - Red Hat entity, which is set to close in the second half of 2019. Prompting the high M&A activity is the rapid transition to cloud-based services, as a recent 451 Research survey found that only 16% of firms expect their workloads to reside in on-premise facilities in 2020, down from 44% in 2018.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

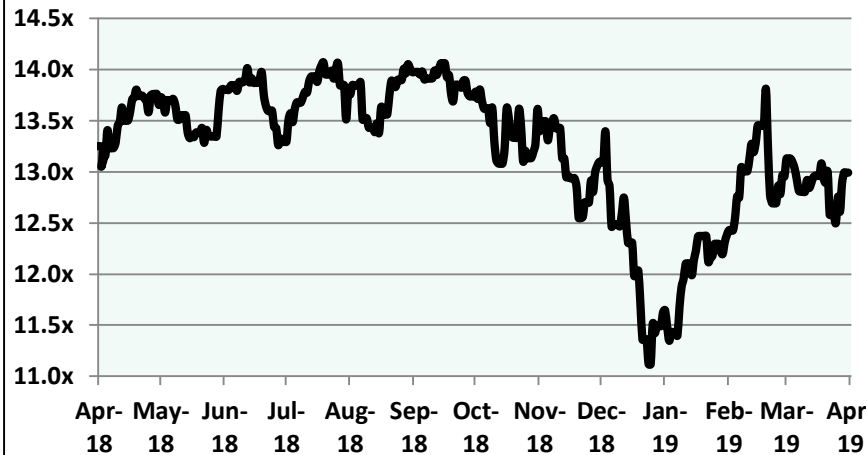
Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-03-20	Evolv Technology	Sentient (Sentient Ascend product)	
2019-03-18	Atlassian	AgileCraft	166.0
2019-03-07	Okta	Azuqua	52.5
2019-02-25	Marlin Equity Partners	Worksoft	
2019-02-14	Apple	DataTiger	
2019-02-06	New Relic	SignifAI	37.0
2019-01-23	Epic Games	Agog Labs	
2019-01-22	Just Eat	Flyt	28.0
2019-01-22	Perforce Software	Rogue Wave Software	480.0
2019-01-14	Vista Equity Partners	Quick Base	1,100.0
2019-01-08	Plaid	Quovo	200.0
2019-01-08	Smile	SensioLabs	

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 03/31/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Accenture	\$176.02	\$114,848.1	\$108,377.3	2.5x	15.7x
Capgemini	\$121.36	\$20,826.6	\$22,592.4	1.5x	13.0x
DXC Technology	\$64.31	\$18,402.1	\$22,671.5	1.0x	5.4x
NTT Data	\$11.03	\$15,471.8	\$19,177.3	1.0x	6.7x
CDW	\$96.37	\$14,802.4	\$17,174.9	1.1x	13.7x
Atos	\$96.55	\$10,237.2	\$15,553.5	1.1x	9.8x
Booz Allen	\$58.14	\$8,389.0	\$9,705.8	1.5x	14.8x
CACI International	\$182.02	\$4,610.8	\$5,509.9	1.2x	12.0x
ManTech International	\$54.02	\$2,153.6	\$2,150.6	1.1x	13.0x
ICF	\$76.08	\$1,471.0	\$1,620.1	1.2x	13.6x
Perficient	\$27.39	\$917.6	\$983.7	2.0x	17.5x
The Hackett Group	\$15.80	\$510.8	\$464.4	1.6x	12.1x
Median:	\$70.20	\$9,313.1	\$12,629.6	1.2x	13.0x

SECTOR HIGHLIGHTS

- The median IT Services index was trading at 13.0x EBITDA (based on Enterprise Value) at the closing of Q1.
- Data from the USCIS in February revealed that the IT services sector has gotten hit the hardest from the H-1B visa crackdown. During 2018, the USCIS denied 80% of Capgemini visa requests, 61% of Cognizant visa requests, and 47% of Syntel visa requests, compared to only 1% of Amazon and Microsoft H-1B visa requests.
- According to TCS, the key focus areas for digital transformation in 2019 will revolve around enterprising implementing IoT initiatives, AI becoming mainstream within organizations and blockchain becoming implemented globally. In order to thrive, IT services providers must have knowledge around these areas in order to facilitate the full digital transformation process.
- Forbes believes that the IT services industry is undergoing restructuring as industry players seek to position themselves as all-service digital transformation providers while simultaneously divesting non-core parts of their businesses. In particular, Accenture and DXC have been leaders in the digital acquisitions strategy with Accenture completing over 60 IT services related transactions in the last 3 years.
- A Capgemini report found that banks and insurers underestimated the magnitude of the digital transformation challenge with 62% of bank respondents reporting that they do not have the digital capabilities required for transformation. These failures are serving as a wake-up call for the industry with large players realizing the need to partner with third parties to successfully transform their businesses.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-03-29	Accenture	Caltec Scube (assets)	
2019-03-11	CGI	Acando	451.4
2019-02-27	Alight Solutions	Wipro (Workday and Cornerstone OnDemand business)	100.0
2019-02-25	DPE	Valantic	
2019-01-30	CACI	LGS Innovations	750.0
2019-01-28	ASGN	DHA Group	46.0
2019-01-22	ePlus	SLAIT Consulting	
2019-01-21	Converge Technology	SIS	11.5
2019-01-18	Globant	Avanxo	40.9
2019-01-11	CDW	Scalar Decisions	
2019-01-03	CTG	Tech-IT	10.3

Services: Hosted Services

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE

DP Hosted Services Index EV/EBITDA Multiple
Latest Twelve Months



VALUATION METRICS

Company	Stock Price 03/31/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Equinix	\$453.16	\$36,342.1	\$48,719.7	9.6x	22.5x
Interxion	\$66.73	\$4,808.3	\$6,045.7	9.1x	21.3x
SAIC	\$76.95	\$3,393.5	\$6,430.7	1.4x	23.6x
Cancom	\$45.11	\$1,590.2	\$1,422.7	1.1x	11.5x
Presidio	\$14.80	\$1,377.3	\$1,972.8	0.7x	11.2x
ePlus	\$88.54	\$1,208.1	\$1,187.4	0.9x	11.4x
NCC Group	\$1.83	\$511.3	\$565.3	1.8x	8.8x
iomart	\$4.56	\$499.2	\$536.9	3.9x	10.5x
Sify Technologies	\$1.63	\$248.3	\$366.2	1.1x	7.8x
Redcentric	\$1.00	\$148.3	\$177.9	1.4x	7.7x
Maintel Holdings	\$7.28	\$105.3	\$136.2	0.7x	9.5x
Median:	\$11.04	\$859.7	\$876.4	1.4x	11.2x

SECTOR HIGHLIGHTS

- The median Hosted Services index was trading at 11.2x EBITDA (based on Enterprise Value) at the closing of Q1.
- In February, Cogeco Communications announced the planned divestiture of its Cogeco Peer 1 subsidiary, which has experienced declining revenue over the past few years, to investment firm Digital Colony for \$550m. Digital Colony plans to leverage Cogeco Peer 1's broad portfolio of assets, including fiber networks and 16 global data centers, to take a host neutral stance and win new logos.
- Datto believes that the MSP industry is evolving as SMBs begin to embrace IT outsourcing. According to CRN, Datto has identified five key trends pivotal for MSPs to succeed which include offering predictive analytics solutions, enabling management of shadow IT, providing solutions for remote employees, offering managed security services, and offering data protection on a per user basis.
- 451 Research projects the managed security services market to grow at a CAGR of 19.6% to reach \$24.3b by 2022. The report notes that increasing compliance and requirements, sophisticated attacks, and executive-board awareness are driving opportunities for providers as businesses shift their security spending from in-house tools and applications to third-party supplied security services.
- 451 Research believes the African data center market is about to undergo seismic growth in 2019 as large providers focus on expanding in the region. While Africa has traditionally been dominated by homegrown operators, large players such as Microsoft, AWS & Huawei are moving into the market.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-03-19	Tucows	Ascio	29.4
2019-03-04	Cologix	Metro Optic	
2019-02-27	Digital Colony	Cogeco Peer 1	547.4
2019-02-25	Silverpeak / Legacy / Oaktree	PNC Bank (Cleveland & Cincinnati datacenters)	
2019-02-18	OffsiteDataSync	Data Harbor Company (assets)	
2019-02-01	Orange	SecureData	
2019-01-29	NuMSP	Salient IT	
2019-01-25	Berkshire Partners	Teraco	
2019-01-23	Ntiva	Network Alliance	
2019-01-21	EdgeConneX	Vodafone (Munich datacenter)	
2019-01-08	Hostway	HOSTING.com	
2019-01-08	M/C Partners	Carbon60 Networks	

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 3/31/2019	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Tata Consultancy Services	\$28.79	\$103,342.2	\$96,302.1	5.2x	17.4x
Automatic Data	\$159.74	\$70,373.5	\$68,804.2	5.0x	24.0x
Cognizant Technology	\$72.45	\$42,310.8	\$37,899.9	2.4x	12.1x
Wipro	\$3.66	\$16,545.4	\$18,449.5	2.2x	11.2x
Infosys	\$10.70	\$47,532.3	\$42,626.1	3.7x	15.7x
CGI Group	\$68.38	\$19,580.9	\$20,066.5	2.2x	12.8x
Synthomer	\$4.95	\$1,691.6	\$1,981.5	0.9x	8.1x
CSG International	\$42.30	\$1,389.8	\$1,592.3	1.8x	9.5x
Unisys	\$11.67	\$856.1	\$695.8	0.2x	1.9x
Median:	\$ 28.79	\$ 19,580.86	\$ 20,066.54	2.2x	12.1x

SECTOR HIGHLIGHTS

- The median IT Outsourcing index was trading at 12.1x EBITDA (based on Enterprise Value) at the closing of Q1.
- In January, DXC, which has acquired 10 companies since the start of 2018, announced its intent to acquire Luxoft for \$2b. DXC, like many of its' competitors, has a major challenge in recruiting and retaining digital talent and the acquisition of Luxoft will bring significant IT resources to DXC. The retention of the Luxoft brand illustrates the brand value the target has among software engineers. However, buying a large skill base is always fraught with risk, and with predicted significant core revenue declines at Luxoft, the retention of its CEO beyond a year will be significant in realizing the deal's long-term value.
- Indian IT giants Tata Consultancy Services, Infosys and HCL Technologies are expected to post exceptionally strong Q1 results. The industry has thrived as outsourcing deals surged over the past year. Still, the trade showdown between the U.S. and China has stoked fear of a global economic downturn that may force clients to claw back spending on technology. However strong quarters have set all three companies on course for increased expansion in revenue growth in the the near-term future.
- A Statista report showed that India and China are the leading outsourcing countries, making about \$150 billion in IT exports. An increase in outsourcing of product development to India has increased over the past few years. However, these two countries will likely face stiffer competition from countries in Eastern and Central Europe that have become fresh bases for offshore software development.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-03-26	Bowmark Capital	Tax Systems	148.6
2019-03-26	Novatech	DynaSis	
2019-03-19	Blucora	1st Global Advisors	180.0
2019-03-18	FIS	Worldpay	35,500.0
2019-03-04	Reliance Industries	C-square Info Solutions	11.4
2019-01-22	Baxter	True Process	
2019-01-18	ePlus	SLAIT Consulting	
2019-01-17	WEX	Discovery Benefits	425.0
2019-01-16	Fiserv	First Data	22,000.0
2019-01-07	DXC	Luxoft	1,916.8
2019-01-04	Platinum Equity	PCI	194.0

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 03/31/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Robert Half International	\$65.16	\$7,923.6	\$7,483.2	1.3x	11.5x
ManpowerGroup	\$82.69	\$5,383.1	\$5,521.8	0.3x	6.3x
ASGN	\$63.49	\$3,368.8	\$4,401.7	1.3x	12.4x
Kforce	\$35.12	\$886.8	\$981.8	0.7x	11.5x
Mastech Digital	\$6.16	\$68.8	\$107.9	0.6x	7.3x
Computer Task Group	\$4.30	\$59.4	\$53.5	0.1x	9.9x
RCM Technologies	\$3.94	\$48.7	\$77.8	0.4x	11.2x
Median:	\$35.12	\$886.8	\$981.8	0.6x	11.2x

SECTOR HIGHLIGHTS

- The median IT Staffing index was trading at 11.2x EBITDA (based on Enterprise Value) at the closing of Q1.
- According to the American Staffing Association's most current annual staffing report from 2018, the staffing industry has been growing nearly twice as fast as the economy, on average, since the end of the Great Recession. Among other findings from ASA include the widespread structural realignment of the staffing industry, focusing on creating a focus on flexible work schedules and locations, which is a major positive for the IT staffing industry.
- In Agile's 2019 IT Staffing trends report, it pointed to tax reform as playing an important role in the industry, leading to more hiring for full-time positions as last year's tax reform plan comes into play. Leaders are also anticipating continuous economic growth for the next 12 months, and therefore many industry leaders are investing their dollars in human capital.
- The Brookings Institute predicts that the influence of automation in the workplace will change the way the industry operates, necessitating higher demand for employees in the data sciences, coding, digital platforms, and eCommerce spaces. In contrast to the prevailing expectations on the future of the American economy, IT workers can expect to benefit from these changes
- CorTech announced plans to acquire IT staffing firm Sullivan and Cogliano in early April. Atlanta-based CorTech is one of the countries' largest staffing agencies and has stated that it continues to aim for more acquisitions. The company has been active in M&A in recent years, acquiring industrial and clerical staffing provider V-Force and diversity temp staffing provider Victory Professional Services in 2018. .

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-03-27	Dovre Group	Tech4Hire	2.4
2019-03-25	Diversant	Alliance of Computer Professionals	
2019-02-27	Crosslantic Capital Management	CareerTeam	
2019-02-11	TeamLease Services	eCentric Solutions	
2019-02-11	Investcorp Technology	Revature	
2019-01-14	Trustpoint	Kelly Services	
2019-01-08	Kelly Services	NextGen Global Resources	

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 03/31/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Arrow Electronics	\$77.06	\$6,815.5	\$9,591.8	0.3x	7.3x
Synnex	\$95.39	\$4,215.1	\$8,164.7	0.4x	9.5x
TechData	\$102.41	\$3,924.0	\$4,390.8	0.1x	6.9x
Insight Enterprises	\$55.06	\$1,982.7	\$2,009.0	0.3x	7.4x
ALSO Holding	\$128.41	\$1,646.4	\$1,826.8	0.2x	10.4x
PC Connection	\$36.67	\$984.7	\$876.2	0.3x	8.5x
PCM	\$36.63	\$455.6	\$563.7	0.3x	10.3x
Median:	\$77.06	\$1,982.7	\$2,009.0	0.3x	8.5x

SECTOR HIGHLIGHTS

- The median VAR index was trading at 8.5x EBITDA (based on Enterprise Value) at the closing of Q1.
- Ingram Micro has continued to enhance its cloud services offering, announcing a new sales and marketing hub, user interface, and marketplace API designed to attract more partners at its Cloud Summit event in March. In addition, the company also announced a IaaS center of excellence and an IoT marketplace in Q1, continuing its shift towards cloud services.
- Following the initiative started by Ingram Micro, D&H Distributing has focused on initiating and growing its cloud services business, hiring an Ingram Micro cloud veteran in February. The unit will focus on empowering VARs to grow their cloud services businesses by delivering end-to-end enablement resources.
- Following a revenue miss in Q4 2018 sending stock falling 9%, Tech Data announced that it will be more aggressive in cutting out areas of its business that yield low returns. According to CRN, rather than cut entire business segments, Tech Data is more likely to exit vendor relationships that do not yield profits, outlining options to either negotiate with the vendor community to increase margins, increase prices, or divest certain low performing units.
- According to ConnectWise, 2019 will be the “year of the customer” where VARs will need to extract and learn customers' needs by focusing on leveraging technology to help solve customer problems. Differentiation for VARs in the sector will focus on providing education and delivering a high level of professionalism and communication to customers, rather than offering the lowest price.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-03-26	Apiary Capital	G3 Comms	
2019-03-25	ABCOM	SmartSource Rentals	
2019-03-20	QBS	Zedsphere	
2019-03-18	UBEO	Braswell Office Systems	
2019-03-08	RJ Young	Automated Imaging	
2019-03-04	Computacenter	PathWorks	
2019-02-19	Exclusive Group	SecureWave	
2019-02-11	Staples	DEX Imaging	
2019-01-07	Asure Software	Payroll Maxx	11.0
2019-01-02	DAS Health	Altex Business Solutions	

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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