

# DECISIONPOINT

## QUARTERLY VIEWPOINT:

For the Quarter Ended December 31, 2020 and the Latest Twelve Months

Q4 | 20

<b>1. Market Leader for Mid-Market Technology M&amp;A</b>	<b>3</b>
<b>2. Software</b>	
I. Software as a Service (SaaS)	4
II. Internet Software & Services	5
III. Enterprise Software	6
IV. Business Intelligence Software	7
V. Infrastructure Software	8
<b>3. Services</b>	
I. IT Services	9
II. 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 12/31/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Salesforce	\$222.53	\$205,339.6	\$200,571.5	9.9x	42.3x
Shopify	\$1,127.17	\$137,023.9	\$132,197.2	53.8x	NM
ServiceNow	\$550.43	\$111,074.8	\$106,640.4	25.3x	NM
Square	\$217.64	\$104,149.0	\$96,077.8	12.6x	NM
Workday	\$239.61	\$56,163.5	\$56,788.3	13.6x	NM
RealPage	\$87.24	\$8,629.0	\$9,581.5	8.6x	39.2x
LivePerson	\$62.23	\$4,046.2	\$4,166.3	12.1x	NM
Cornerstone OnDemand	\$44.04	\$2,757.3	\$3,995.0	5.8x	51.5x
Ebix	\$37.97	\$1,165.9	\$1,841.3	3.3x	11.9x
<b>Median:</b>	<b>\$217.64</b>	<b>\$56,163.5</b>	<b>\$56,788.3</b>	<b>12.1x</b>	<b>40.8x</b>

### SECTOR HIGHLIGHTS

- The median SaaS index was trading at 12.1x revenue (based on Enterprise Value to Revenue) at the closing of Q4.
- According to Data Pine, one of the large SaaS industry drivers will be the continued expansion of white-label SaaS products. These white-label products have been and will continue to prove particularly valuable to startups looking to gain market share quickly. Having a built, tested, and finalized product delivered to the client with little customization will allow providers to focus on the value proposition, strategy, and branding.
- According to 451 research, the slump in M&A activity at the beginning of the year was made up for by considerable quarters in Q3 and Q4. Of the seven \$10B+ application software provider deals that have happened since the dot-com bubble, three occurred in 2020. While the high-end market was faring well, the overall application software M&A deal count increased to 1,414 deals, the highest yearly level recorded by 451 Research M&A Knowledge Base.
- In a recent survey of executives done by McKinsey, many of the respondents have answered that the pandemic has accelerated digitization of the customer and supply chain interactions by three to four years. This acceleration has led the worldwide public cloud services market to 6.3% growth in 2020, with the SaaS market expected to grow from \$104.7 billion to \$120.9 billion by the end of 2021.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-12-22	Honeywell International	Sparta Systems	1,300.0
2020-12-21	Thoma Bravo	RealPage	10,200.0
2020-12-18	FinServ Acquisition	Katapult Holding	962.0
2020-11-30	Francisco Partners Management	CDK Global (international business segment)	1,450.0
2020-11-10	TPG Capital	Planview	1,600.0
2020-11-09	Adobe	Workfront	1,500.0
2020-11-02	Coupa Software	Llamasoft	1,500.0
2020-10-19	South Mountain Merger	Billtrust	1,493.0
2020-10-14	CC Neuberger Principal	E2open	2,065.0
2020-10-13	WellSky Corporation	CarePort Health	1,350.0
2020-10-12	Twilio	Segment.io	3,200.0
2020-10-04	NEC	Avaloq group	2,227.1

# 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 12/31/20	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Amazon.com	\$3,256.93	\$1,656,148.9	\$1,647,284.5	4.7x	36.4x
Alphabet	\$1,752.64	\$1,209,096.8	\$1,079,106.0	6.3x	21.0x
Facebook	\$273.16	\$787,247.1	\$733,035.6	9.3x	21.7x
Netflix	\$540.73	\$245,073.7	\$246,546.6	10.4x	16.9x
Booking Holdings	\$2,227.27	\$92,220.7	\$92,229.6	10.4x	35.2x
Uber	\$51.00	\$88,423.2	\$92,983.2	7.2x	NM
Snap	\$50.07	\$71,937.9	\$73,856.7	34.3x	NM
Twitter	\$54.15	\$42,591.1	\$39,735.7	11.6x	NM
eBay	\$50.25	\$37,549.3	\$39,113.3	3.8x	11.6x
Expedia Group	\$132.40	\$18,867.1	\$26,203.5	3.7x	NM
Cimpress	\$87.74	\$2,336.3	\$3,852.2	1.6x	16.6x
Groupon	\$38.00	\$1,081.3	\$874.7	0.5x	NM
<b>Median:</b>	<b>\$110.07</b>	<b>\$80,180.6</b>	<b>\$83,043.2</b>	<b>6.7x</b>	<b>21.0x</b>

### SECTOR HIGHLIGHTS

- The median Internet Software and Services index was trading at 6.7x revenue (based on Enterprise Value to Revenue) at the closing of Q4.
- Deal activity in the Internet Software and Services industry increased to 127 deals in Q4 of 2020 from 97 deals in the same period of 2019. This increase in deal count correlated with a rise in total deal value from \$49.2b to \$59.6b in 2020. This increase in deal value was primarily due to S&P Global's all-stock acquisition of IHS Markit for \$39.4b.
- The COVID pandemic has led to an increased attraction of more functional software and away from costly devices. The smaller applications for websites such as chatbots and augmented reality have improved the overall online shopping experience and expand e-commerce. Whether lowering customer service costs with a highly functioning chatbot or using augmented reality to try clothes on one's own body, the workhorse software will continue to grow with the pandemic's help.
- A shift towards cloud due to the pandemic has increased the overall need to keep customers engaged via mobile applications. The increased need to finish tasks without in-person interaction has driven growth in the internet software and services industry. While the costs are high, the continued growth in mobile device usage has led companies to undertake large and expensive projects.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

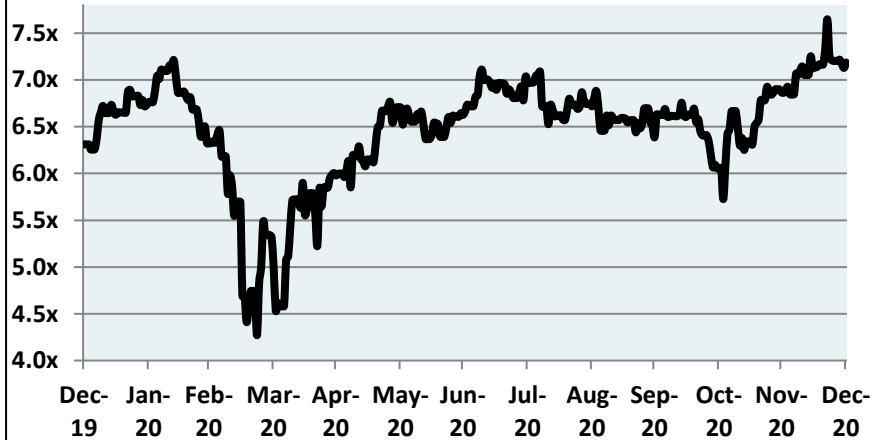
Announced Date	Acquirer Name	Target Name	Enterprise Value
2020-12-13	Vista Equity Partners Management	Pluralsight	2,951.8
2020-12-09	Funimation Global Group	Crunchyroll [AT&T]	1,175.0
2020-11-30	S&P Global	IHS Markit	39,397.0
2020-11-16	Baidu	JOYY (China-based live streaming entertainment business)	3,600.0
2020-11-01	Advent International	Nielsen Holdings (Nielsen Global Connect business)	2,700.0
2020-10-30	Nestle USA	Freshly	950.0
2020-10-22	Acamar Partners	CarLotz	1,148.0
2020-10-19	Kainos Capital	Nutrisystem	575.0
2020-10-13	Churchill Capital	SkillSoft	1,300.0
2020-10-07	Dun & Bradstreet	Business Information Group	818.0
2020-10-01	Oaktree Acquisition	Hims	1,926.6

# 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 12/31/20	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Microsoft	\$222.42	\$1,704,793.7	\$1,614,933.5	11.0x	22.6x
Oracle	\$64.69	\$203,579.4	\$223,337.6	5.7x	13.0x
SAP	\$131.37	\$155,771.6	\$169,422.1	5.4x	19.4x
IBM	\$125.88	\$112,698.9	\$167,085.3	2.2x	11.0x
Autodesk	\$305.34	\$67,938.2	\$67,624.4	18.5x	NM
Dassault Systemes	\$204.36	\$54,108.9	\$55,814.3	11.3x	41.9x
Ansys	\$363.80	\$31,697.7	\$30,925.1	20.0x	NM
Constellation Software	\$1,296.25	\$27,469.4	\$27,540.4	7.2x	25.9x
Tyler Technologies	\$436.52	\$17,990.5	\$17,047.9	15.2x	NM
PTC	\$119.61	\$13,906.7	\$14,870.8	10.2x	45.0x
Amdocs	\$70.93	\$9,451.4	\$9,391.4	2.3x	11.9x
Manhattan Associates	\$105.18	\$6,783.3	\$6,543.1	11.0x	NM
Verint Systems	\$67.18	\$4,451.7	\$4,870.5	3.9x	26.0x
Blackbaud	\$57.56	\$2,796.3	\$3,356.6	3.7x	25.4x
Stratasys	\$20.72	\$1,134.4	\$853.6	1.6x	NM
<b>Median:</b>	<b>\$125.88</b>	<b>\$27,469.42</b>	<b>\$27,540.42</b>	<b>7.2x</b>	<b>24.0x</b>

### SECTOR HIGHLIGHTS

- The median Enterprise Software index was trading at 7.2x revenue (based on Enterprise Value to Revenue) at the closing of Q4.
- The Enterprise Software industry in Q4 saw an increase in deal count, growing from 201 in Q4 of 2019 to 370 in Q3 2020. Q4 saw a rise in total public deal value from \$9.23b in 2019 to \$30.73b.
- One of the Enterprise Software industry's main themes throughout 2020 has been the growing emphasis on customer experiences. Traditional investment in high-touch support has been costly, but recent advances in automation have created cost-efficient opportunities for businesses to enhance their customer experiences. By combining front-end customer service interactions with back-end service ticket logs, organizations can use automation to show a holistic customer experience ecosystem that improves customer satisfaction and streamlines internal workflows.
- The increase in Q4 deal value was led by Thoma Bravo's acquisition of RealPage on December 21, 2020. RealPage, a property management software provider and SaaS for the multifamily property real estate sector, will help Thoma Bravo enter the quickly growing real estate software sector.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-12-22	Honeywell International	Sparta Systems	1,300.0
2020-12-21	Thoma Bravo	RealPage	10,200.0
2020-12-14	PTC	Arena Solutions	715.0
2020-11-30	Francisco Partners Management	CDK Global (international business segment)	1,450.0
2020-11-02	Coupa Software	Llamasoft	1,500.0
2020-10-27	dMY Technology Group	Genius Sports Group	1,500.0
2020-10-14	CC Neuberger Principal Holdings	E2open	2,065.0
2020-10-13	WellSky	CarePort Health	1,350.0
2020-10-12	Twilio	Segment.io	3,200.0
2020-10-04	NEC	Avaloq group	2,227.0
2020-10-01	SAP	Emarsys eMarketing Systems	940.0

# 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 12/31/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Verisk Analytics	\$207.59	\$34,396.5	\$36,968.9	13.5x	27.6x
Pegasystems	\$133.26	\$10,661.1	\$10,862.1	10.9x	NM
Elastic	\$146.13	\$12,177.9	\$12,456.2	24.4x	NM
Alteryx	\$121.79	\$8,641.1	\$8,156.0	16.6x	NM
Cloudera	\$13.91	\$4,165.6	\$3,798.7	4.4x	NM
MicroStrategy	\$388.55	\$3,850.0	\$3,643.6	7.5x	NM
PROS Holdings	\$50.77	\$2,187.8	\$2,137.9	8.3x	NM
Domo	\$63.77	\$1,834.0	\$1,931.5	9.7x	NM
<b>Median:</b>	<b>\$127.53</b>	<b>\$6,403.3</b>	<b>\$5,977.3</b>	<b>10.3x</b>	<b>NM</b>

### SECTOR HIGHLIGHTS

- The median Business Intelligence Software index was trading at 10.3x revenue (based on Enterprise Value) at the closing of Q4.
- The total deal value in the Business Intelligence Software increased from \$20.5m in Q4 2019 to \$671.3m in Q4 2020.
- Two of the most significant growth areas in the business intelligence software will be the increased offering and use of predictive analytics and prescriptive analytics tools. BI applications' ability to take in large amounts of historical and real-time information to predict scenarios will become extremely important for future business practices. BI tools' ability to tell a full story of the data it is collecting will impact decision making for years to come. The prescriptive analysis goes further than predictive by considering how future decisions will affect the company and how today's leaders can make changes to minimize the disruption of future decisions.
- According to Data Pine, the need for real-time data and analytics will continue to grow. As the pandemic has shown, the need for live charts and numbers to plan strategies for fighting the virus has offered BI tools an opportunity. BI providers will need to have active and live data sets for their clients to allow ad hoc analysis to adapt to the challenges this year has shown.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

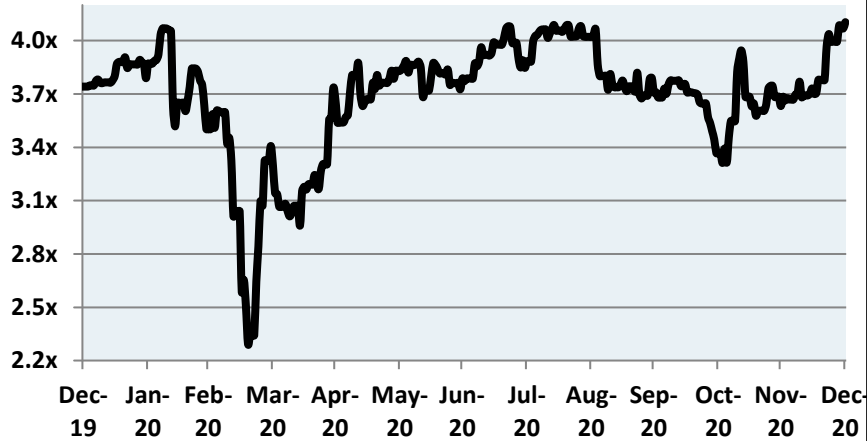
Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-12-24	Bloomberg	Second Measure	
2020-12-21	DigiCrypts Blockchain Solutions	Darwin Ecosystem (assets)	0.3
2020-12-21	Biomedion	arivis (compliance division)	
2020-12-15	Digia	Climber International	9.8
2020-12-14	LERETA	Wolters Kluwer Governance, Risk & Compliance (Flood Determinations Solution business)	
2020-11-17	Integrated Payment Technologies	Comply Path	14.2
2020-11-10	Smarsh	Digital Reasoning Systems	
2020-11-05	Avalara	Business Licenses (operational assets)	97.0
2020-10-29	Definitive Healthcare	Monocl	
2020-10-22	TIBCO Software	Information Builders	550.0
2020-10-22	Stewart Appraisals Management	Pro Teck Services	
2020-10-20	FactSet Research Systems	Truvalue Labs	

# 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 12/31/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Check Point Software	\$132.91	\$19,318.5	\$17,027.0	8.3x	18.5x
Citrix Systems	\$130.10	\$16,662.9	\$17,020.9	5.3x	24.6x
F5 Networks	\$175.94	\$10,798.8	\$10,312.9	4.4x	21.0x
Trend Micro	\$57.35	\$8,000.2	\$6,196.6	3.9x	11.8x
CommVault Systems	\$55.37	\$2,563.0	\$2,235.7	3.3x	NM
Progress Software	\$45.19	\$2,052.0	\$2,121.4	4.9x	17.7x
Radware	\$27.75	\$1,330.8	\$1,019.0	4.1x	49.7x
Magic Software	\$15.80	\$774.6	\$772.3	2.2x	15.0x
Allot Communications	\$10.52	\$366.0	\$270.1	2.1x	NM
<b>Median:</b>	<b>\$55.37</b>	<b>\$2,563.0</b>	<b>\$2,235.7</b>	<b>4.1x</b>	<b>18.5x</b>

### SECTOR HIGHLIGHTS

- The median Infrastructure Software index was trading at 4.1x Revenue (based on enterprise value) at the end of Q4.
- Public deal value in the Infrastructure Software industry decreased heavily in the fourth quarter. While two more deals were completed in Q4 than the same year prior, the total public deal value dropped to \$36m from \$937.5m in 2019.
- According to 451 Research's Voice of the Enterprise survey, 95% of service providers indicated their IT environments would have to transform at least partially to support future needs. Many of the changes will need to address the pain points of storage capacity crunch, challenges handling scaling, and cost controls. Software-defined storage (SDS) enables users and organizations to uncouple or abstract storage resources from the underlying hardware platform for greater flexibility by making storage resources programmable. Many services providers are already planning to or have started implementing SDS, with 38% saying they have SDS technology in production and 37% saying SDS is either currently in a testing stage or is in the 12-24 month adoption plans. According to the survey, the products in place live up to or exceed expectations in scalability, lower costs, and ability to extend the life of existing storage assets.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-12-16	MessageBird	Pusher	35.0
2020-12-09	ControlUp	Avacee	
2020-12-03	ConsenSys	any.sender	
2020-11-18	ServiceAide	Wendia International	
2020-11-17	GramLabs	StormForger	
2020-11-04	JDL Technologies	IVDesk Holding (assets)	1.0
2020-10-22	Atos	SEC Consult	
2020-10-21	Microchip Technology	LegUp Computing	
2020-10-20	Splunk	Plumbr	
2020-10-14	Celonis	Integromat	



# 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 12/31/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Accenture	\$261.21	\$169,047.2	\$168,104.2	3.8x	23.5x
Capgemini	\$155.96	\$26,820.0	\$33,146.4	2.0x	15.7x
CDW	\$131.79	\$19,132.6	\$22,286.2	1.2x	14.7x
NTT Data	\$13.62	\$19,107.3	\$23,842.7	1.1x	7.6x
Booz Allen	\$87.18	\$12,205.7	\$13,459.8	1.7x	17.4x
DXC Technology	\$25.75	\$6,542.9	\$15,143.1	0.8x	NM
CACI International	\$249.33	\$6,351.3	\$8,155.1	1.4x	13.5x
ManTech International	\$88.94	\$3,607.2	\$3,604.1	1.5x	16.1x
Perficient	\$47.65	\$1,547.5	\$1,751.6	2.9x	23.1x
ICF International	\$74.33	\$1,423.5	\$1,923.7	1.3x	15.1x
The Hackett Group	\$14.39	\$466.2	\$396.3	1.6x	26.1x
<b>Median:</b>	<b>\$87.18</b>	<b>\$6,542.9</b>	<b>\$13,459.8</b>	<b>1.5x</b>	<b>15.9x</b>

### SECTOR HIGHLIGHTS

- The median IT Services index was trading at 15.9x EBITDA (based on Enterprise Value to EBITDA) at the closing of Q4.
- Q4 saw a slight increase in deal count compared to the year prior, with 118 deals in the IT Services industry. The increase in the deal count was met with large deals such as Platinum Equity's acquisition of Ingram Micro for \$7.2b. The larger acquisitions helped the total deal value more than double from \$6.6b in 2019 to \$14.7b in 2020.
- According to Gartner, nearly 40% of organizations will deliver a blended virtual and physical customer, stakeholder, and employee experience using anywhere operations by 2023. This immense undertaking will fuel the IT project-based spending with the requirement of ongoing support to make sure these offerings do not experience delays.
- IT Services should thrive in 2021 due to its low-cost operations and the increased demand for enterprises to globally maintain seamless operations with remote management. The focus on automation seen throughout deals in 2020 should continue as companies accelerate their growth in cloud-based online services and online working platforms out of strategic necessity.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

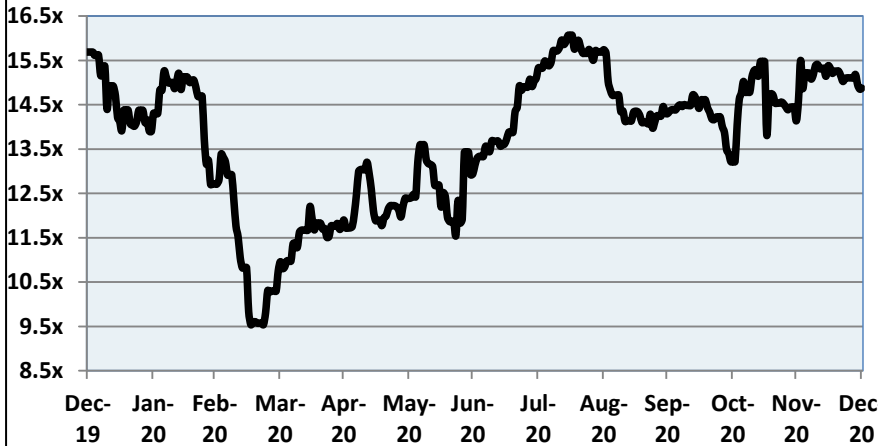
Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-12-28	Vectrus	Zenetex	112.0
2020-12-18	Globant	BlueCap Management Consulting	121.8
2020-12-17	SPS Commerce	Data Masons Software	100.0
2020-12-16	Securitas	FE Moran Security	82.0
2020-12-14	Primoris Services	Future Infrastructure	620.0
2020-12-09	Platinum Equity	Ingram Micro	7,200.0
2020-12-07	Veritas Capital Fund Management	Northrop Grumman (federal IT & mission support services business)	3,400.0
2020-11-30	Jacobs Engineering Group	PA Knowledge	2,345.0
2020-11-16	Pacific Architects and Engineers	METIS Solutions	92.0
2020-10-26	Pacific Architects and Engineers	CENTRA Technology	208.0
2020-10-22	Triton Investment Management	HiQ International	416.8

# 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 12/31/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Equinix	\$714.18	\$62,459.0	\$74,717.6	12.8x	31.4x
Digital Realty	\$139.51	\$34,156.9	\$54,154.2	14.9x	27.2x
SAIC	\$94.64	\$5,541.2	\$8,090.4	1.2x	14.9x
Cancom	\$55.58	\$2,108.1	\$1,852.3	1.0x	14.2x
ePlus	\$87.95	\$1,179.2	\$1,078.5	0.7x	9.0x
NCC Group	\$3.43	\$963.3	\$1,015.7	3.1x	18.3x
iomart	\$4.36	\$489.3	\$551.4	3.8x	10.4x
Redcentric	\$1.66	\$250.0	\$281.5	2.4x	9.8x
Sify Technologies	\$1.27	\$228.5	\$327.0	1.1x	6.9x
<b>Median:</b>	<b>\$29.97</b>	<b>\$1,071.3</b>	<b>\$1,047.1</b>	<b>2.4x</b>	<b>14.2x</b>

### SECTOR HIGHLIGHTS

- The median Hosted & Managed Services index was trading at 14.2x EBITDA (based on Enterprise Value) at the closing of Q4.
- The total deal count in the Hosted & Managed Services sector decreased on a year-over-year basis from 56 in Q4 of 2019 to 45 total deals in Q4 of 2020. The decrease in M&A activity also led to a lower median multiple of 2.1x revenue compared to 3.2x revenue in the same period in 2019.
- The pandemic's unpredictability and the cloud's ability to scale have made the cloud crucial for survival. Companies have put time and effort into immediate survival and revenue generation rather than longer-term growth projects. Thus, many companies turn to hosted and managed service providers to help lower costs and improve security. The cloud platform expertise (37%), cloud-native engineering (36%), and security expertise (30%) were the main areas that respondents of 451 Research's Voice of the Enterprise felt they were lacking.
- The quick shift to cloud, coupled with hiring freezes and talent shortage, will lead many SMBs to seek hosted and managed service providers to handle their cloud capabilities. With the lower prices, better security, and more expertise, many companies are hiring managed services providers to maintain continuity in a time of unpredictability.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

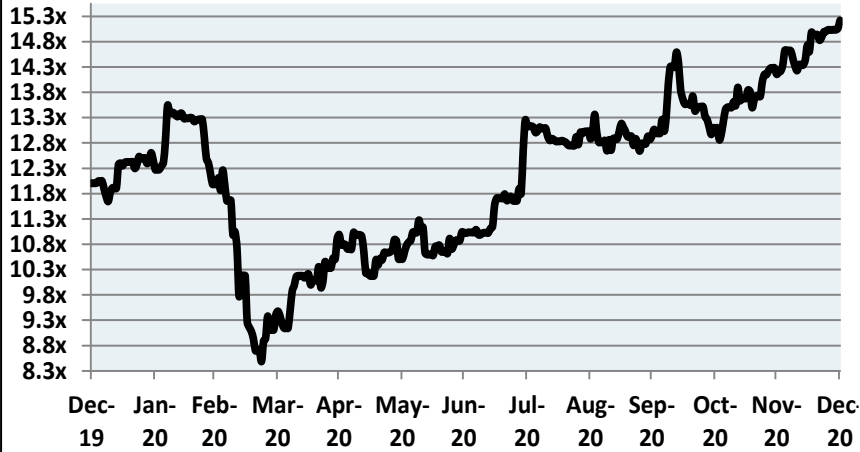
Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-12-21	Viasat	RigNet	130.0
2020-12-10	Leidos Holdings	1901 Group	215.0
2020-12-10	CleanSpark	ATL Data Centers	19.4
2020-12-03	Spirit Technology Solutions	Intalock Technologies	11.0
2020-11-10	ConnectWise	Perch Security	75.0
2020-11-10	ConnectWise	StratoZen	25.0
2020-11-03	Clearlake Capital Group	Endurance International Group Holdings	1,337.0
2020-10-23	Ntiva	eGuard Technology Services	
2020-10-13	BlueVoyant	Managed Sentinel	
2020-10-02	Over the Wire Holdings	Digital Sense Hosting	19.3
2020-10-01	Mastech Digital	AmberLeaf Partners	9.5

# 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 12/31/2020	Market Cap.	Enterprise Value (\$M)	EV / LTM Revenue	EV / LTM EBITDA
Tata Consultancy	\$38.98	\$103,342.2	\$96,302.1	6.6x	24.9x
Automatic Data	\$176.20	\$76,003.9	\$76,268.2	5.2x	20.1x
Infosys	\$17.10	\$72,632.9	\$69,711.6	5.4x	21.0x
Cognizant Technology	\$81.95	\$44,662.8	\$42,721.8	2.6x	15.9x
Wipro	\$5.26	\$30,013.4	\$25,662.5	3.1x	15.0x
CGI Group	\$79.20	\$21,074.9	\$21,860.8	2.4x	14.0x
CSG International	\$45.07	\$1,457.2	\$1,749.5	1.8x	10.0x
Unisys	\$19.68	\$1,235.4	\$701.9	0.3x	9.5x
<b>Median:</b>	<b>\$ 42.02</b>	<b>\$ 37,338.09</b>	<b>\$34,192.17</b>	<b>2.8x</b>	<b>15.5x</b>

### SECTOR HIGHLIGHTS

- The median IT Outsourcing index was trading at 15.5x EBITDA (based on Enterprise Value) at the closing of Q4.
- In Q4 2020, the IT outsourcing sector increased the number of deals with 60 deals from 53 in Q4 2019. This decrease in the deal count was met with higher multiples on deals growing from 0.3x revenue in 2019 to 3.9x revenue in Q3 of 2020.
- The mostly successful transition to remote working has boosted confidence in managing and delivering projects remotely. The large increase in confidence and significant cost-savings should allow for considerable growth in both offshoring and onshoring outsourcing practices.
- Medium sized businesses are starting to use outsourcing more often and for larger projects. While outsourcing was historically considered for many small tasks and allowed IT employees to focus on more important projects, many medium-sized businesses are beginning to outsource high-end processes. By outsourcing these projects, companies are obtaining new knowledge and better results quickly. These outsource providers and their clients work towards quality over quantity, where testing results play a more valuable role.
- The largest deal in the IT outsourcing industry was the ONEX acquisition of outsourced HR provider OneDigital Health and Benefits for \$960m at the beginning of October. ONEX plans to expand OneDigital into the adjacent verticals of insurance and financial services.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

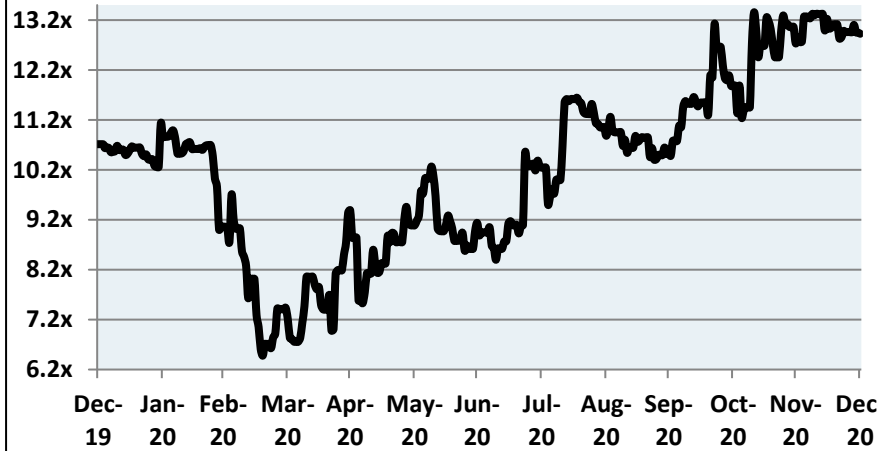
Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-12-21	Gilde Buy Out Partners	To-Increase	138.4
2020-12-11	eClerx	Eclipse Global Holdings	34.0
2020-12-10	Electrocomponents	Synovos	145.0
2020-11-09	NNIT	Excellis Health Solutions	29.4
2020-11-06	TELUS	Lionbridge AI	935.0
2020-11-03	Arribatec	Innit	6.4
2020-10-28	CloudMD Software & Services	HumanaCare	10.0
2020-10-27	Epsilon Net	Data Communication	7.5
2020-10-13	Wipro	Eximius Design	80.0
2020-10-08	ONEX Corporation	OneDigital Health and Benefits	960.0
2020-10-08	BSA	Catalyst ONE	1.4

# 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 12/31/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV/ LTM EBITDA
Robert Half International	\$62.48	\$7,109.8	\$6,834.5	1.3x	13.4x
ManpowerGroup	\$90.18	\$5,289.1	\$5,023.8	0.3x	16.2x
ASGN	\$83.53	\$4,441.7	\$5,323.4	1.3x	14.1x
Kforce	\$42.09	\$908.7	\$943.9	0.7x	12.4x
Mastech Digital	\$15.90	\$187.1	\$189.1	1.0x	10.9x
Computer Task Group	\$6.12	\$87.6	\$86.1	0.2x	6.4x
RCM Technologies	\$2.07	\$26.0	\$41.6	0.3x	NM
<b>Median:</b>	<b>\$42.09</b>	<b>\$908.7</b>	<b>\$943.9</b>	<b>0.7x</b>	<b>12.9x</b>

### SECTOR HIGHLIGHTS

- The median IT Staffing index was trading at 12.9x EBITDA (based on Enterprise Value) at the closing of Q4.
- The fourth quarter of 2020 saw a decrease in deal count over the same period in the prior year. While nine transactions were completed in Q4 2019, eight deals were completed during Q4 2020. Led by Coupa Software's acquisition of outsourcing, staffing, and developing provider Llamasoft for \$1.5b. The acquisition should boost Coupa's ability to address COVID-19 related supply chain disruptions, a concern that Coupa executives emphasized in a recent earnings call.
- The tech talent shortage will worsen over the coming years leading to an increase in unfilled positions. In the US alone, the gap between 1.4 million open tech vacancies and only 400,000 CS graduates could result in an unrealized output of \$162 billion in 2021. The global tech talent shortage amounted to 40 million unfilled jobs in 2020, with a projected deficit of 85.2 million workers by 2030. This shortage will force hire wages on companies and could lead to a more considerable amount of outsourcing. By 2030, the US and Russia are estimated to have a deficit of 6 million workers, with China facing double. While it has long been thought that AI and robots would take over more jobs, the lack of highly skilled workers could result in about \$8.5 trillion in unrealized annual revenues by 2030, according to Korn Ferry.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-12-03	ASTEK Canada	Meritek	
2020-12-03	Cielo	Talent Function Group	
2020-11-05	Navisite	Dickinson + Associates	
2020-11-04	AE Industrial Partners	Linkware Group	
2020-11-02	Coupa Software	Llamasoft	1,500.0
2020-10-22	Harvey Nash	Latitude 36	
2020-10-20	Futuris Technology Services	TalentBeacon International	
2020-10-12	HealthStream	ShiftWizard	32.0

# 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 12/31/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Arrow Electronics	\$97.30	\$7,777.8	\$9,444.1	0.3x	9.6x
Synnex	\$81.44	\$4,164.7	\$5,778.1	0.2x	5.1x
ALSO	\$286.12	\$3,665.3	\$3,837.8	0.3x	18.4x
Avnet	\$35.11	\$3,490.5	\$4,670.8	0.3x	28.4x
Insight Enterprises	\$76.09	\$2,701.4	\$2,891.5	0.3x	8.9x
PC Connection	\$47.29	\$1,247.8	\$1,140.4	0.4x	11.9x
<b>Median:</b>	<b>\$78.77</b>	<b>\$3,577.9</b>	<b>\$4,254.3</b>	<b>0.3x</b>	<b>10.8x</b>

### SECTOR HIGHLIGHTS

- The median Value Added Reseller index was trading at 10.8x EBITDA (based on Enterprise Value) at the closing of Q4.
- In Q4, there was an increase in deal count and total deal value. The VAR industry saw twelve deals and \$34.3m in Q4 of 2020 compared to the eight deals and \$24.6m in the year prior.
- As seen throughout 2020, many VARs will need to leave behind the notion of specializing in one architecture to a broad set of skills. With the quick transition to work from home, companies needed to stand infrastructure up in a shortened amount of time. With a relatively small amount of time, companies can place a heavier reliance upon third parties to help with the process. VARs will need to support multiple architectures, from security to cloud, to provide a one-stop-shop for many small to medium-sized businesses. Overall, VAR health will be driven by weaving solutions cross-architecture, managing, and securing them in the near term.
- Strong relationships will continue to be the defining characteristic for VARs. We previously have seen the need for support, but as the user experience becomes more important to developers and easier for the user, VARs will need to show their agility. VARs are not as necessary for training with the UX of modern software but keeping strong client relationships and a broad base of infrastructure knowledge will allow VARs to continue serving their clients' needs.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer	Target	Enterprise Value (\$m)
2020-12-22	Appfire Technologies	Artemis Software	
2020-12-02	Convergent Technologies	Innovative Medical	
2020-11-30	itelligence	Pasafin	
2020-11-24	Exclusive Networks	Nuaware	
2020-11-11	Park Place Technologies	Curvature	
2020-11-09	Wayside Technology Group	CDF Group	17.4
2020-11-02	Hexatronic Group	Qubix	16.9
2020-10-20	Accscient	Mission Critical Systems	
2020-10-19	Elanders	Azalea Global IT	
2020-10-07	Applied Industrial Technologies	Advanced Control Solutions	
2020-10-07	ABBYY Software	Pericom Imaging	
2020-10-01	AddLife	Zafe Care Systems	

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