

DECISIONPOINT

QUARTERLY VIEWPOINT:

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

Q3 | 20

In Loving Memory



Doug M. Ellis

MANAGING PARTNER AND FOUNDER
(1963-2020)

Doug Ellis, father, friend, and mentor, passed away unexpectedly this past month. He leaves behind three children and many fond memories. Doug's first love was his family. Whether he was at home, the office or on a business trip, his kids were never far from his mind. His office and home are full of photos of his kids, and he was always looking for the earliest flight back to see them sooner. He was an avid supporter of all their activities and served in several coaching capacities for their baseball, basketball, and football teams.

Doug, while being a father first, was known as a dedicated professional. He treated his clients and competitors with the utmost respect but never let the best deal get away. Doug began his career at Wallace Computer solutions after he graduated from Wake Forest. He moved to different companies including AT&T, serving in various management capacities before becoming the head of global Mergers & Acquisitions for Stanford Keene. Doug would continue his M&A career by cofounding DecisionPoint International in 1998 as well as its successor company, DecisionPoint Advisors, in 2011 and serving as Managing Partner until his passing.

Outside of his professional life, Doug was an active member of the community. He was a devoted member of the New Charlotte Church of Matthews and helped launch and grow the church. It was important to Doug to inspire and educate upcoming graduates, so he became a passionate guest lecturer at the University of North Carolina-Chapel Hill, UNC-Charlotte, Wake Forrest, and others. He served as Chairman of the Board of NC IDEA, a not-for-profit organization that serves as a catalyst for young, high-growth technology companies in the state of North Carolina.

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Market Leader for Mid-Market Technology M&A:

This Quarterly ViewPoint covers trends, public valuation multiples, and relevant M&A activity for the software and services sectors. To illustrate general capital market and M&A trends within these sectors, DecisionPoint has selected a group of representative public comparables and transactions. This data is provided for informational purposes only. All data represents publicly available information.

DecisionPoint is a unique leader in M&A advisory services for middle-market technology companies and their venture capital investors in the software, services, and healthcare IT sectors.



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Software: Software as a Service (SaaS)

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE

DP SaaS Index EV/Revenue Multiple
Latest Twelve Months



VALUATION METRICS

Company	Stock Price 09/30/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Salesforce	\$251.32	\$229,203.8	\$225,265.2	11.6x	64.5x
Shopify	\$1,017.28	\$120,294.2	\$120,136.0	57.8x	NM
ServiceNow	\$485.00	\$99,636.0	\$91,878.7	23.2x	NM
Workday	\$215.13	\$49,909.7	\$50,369.2	12.6x	NM
RealPage	\$57.64	\$5,610.4	\$6,543.1	6.1x	28.5x
LivePerson	\$51.99	\$3,335.4	\$3,468.5	10.7x	NM
Cornerstone OnDemand	\$36.36	\$2,242.6	\$3,529.8	5.6x	70.8x
Ebix	\$20.60	\$630.9	\$1,306.2	2.4x	8.8x
Median:	\$136.39	\$27,760.1	\$28,456.2	11.2x	46.5x

SECTOR HIGHLIGHTS

- The median SaaS index was trading at 11.2x revenue (based on Enterprise Value to Revenue) at the closing of Q3.
- The SaaS industry increased its total deal count from 261 in Q3 2019 to 292 in Q3 2020. While the deal count increased year-over-year, the median SaaS M&A multiple decreased from 5.2x revenue in Q3 2019 to 4.3x in Q2 2020. This increase in the deal count can be attributed to the resumption of transactions as the world became more accustomed to virtual deals.
- According to TechNavio, the SaaS sector's most considerable growth will transition from companies trying to acquire customers to companies focusing on customer retention. Large SaaS providers are now looking to verticalize and concentrate on specific industries. These larger companies, such as Salesforce, switch from being a one-stop-shop providing software to opening up as a platform-as-a-service and allowing customers to develop their solutions. Salesforce's Force.com has created the space for their current clients, helping to drive the project 10.9% CAGR over the next five years.
- While SaaS companies founded five years ago typically had 2.6 competitors, today's companies face more than 9.5 competitors. This increase in competition has led many companies to remake their marketing and outreach platforms using AI. While artificial intelligence has been growing, the use of AI marketing is growing with higher rate. Companies such as WalkMe have started to use AI to find market openings, leading to identifying their top 40% of opportunities and 80% of their new revenue.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-09-08	Apax Partners	MyCase	193.0
2020-09-02	Technology Crossover Ventures	Oversight Systems	185.0
2020-08-31	Clayton Dubilier & Rice	Epicor Software Corporation	4,700.0
2020-08-31	Cambium Learning	Rosetta Stone	792.0
2020-08-13	Roper Technologies	Vertafore	5,350.0
2020-08-03	FinTech Acquisition	Paya	1,102.0
2020-07-30	Strata Decision Technology	EPSi	365.0
2020-07-30	Corsair Capital	Multi Service Technology Solutions	300.0
2020-07-28	Zebra Technologies	Reflexis System	575.0
2020-07-28	Network International Holdings	The Direct Pay Online Group	288.0
2020-07-27	Black Knight	Optimal Blue	1,800.0
2020-07-20	Thoma Bravo	Majesco	729.0

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 09/30/20	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Amazon.com	\$3,148.73	\$1,594,831.7	\$1,581,701.3	4.9x	39.5x
Alphabet	\$1,465.60	\$1,015,779.5	\$893,245.3	5.4x	19.4x
Facebook	\$261.90	\$753,617.3	\$698,396.9	9.3x	20.7x
Netflix	\$500.03	\$226,185.3	\$229,161.9	10.1x	16.6x
Booking Holdings	\$1,710.68	\$71,430.3	\$71,669.0	6.3x	17.6x
Uber	\$36.48	\$62,826.5	\$65,689.7	4.8x	NM
eBay	\$52.10	\$40,612.0	\$40,248.8	3.8x	12.1x
Snap	\$26.11	\$37,027.2	\$37,478.3	19.5x	NM
Twitter	\$44.50	\$34,999.0	\$31,564.0	9.5x	NM
Expedia Group	\$91.69	\$13,279.4	\$20,061.1	2.2x	NM
Cimpress	\$75.16	\$2,087.4	\$3,600.7	1.5x	14.6x
Groupon	\$20.40	\$578.5	\$362.7	0.2x	NM
Median:	\$83.43	\$51,719.2	\$52,969.2	5.1x	17.6x

SECTOR HIGHLIGHTS

- The median Internet Software and Services index was trading at 5.1x revenue (based on Enterprise Value to Revenue) at the closing of Q3.
- In Q3, deal processes resumed at a higher rate in the internet content and commerce sector. The sector had 133 deals and \$38.2b in deal value, up from 123 deals and \$29.9b in deal value in Q3 2019.
- In Q3, e-commerce continued its strong growth with pandemic restrictions growing. Patrons are starting to use online shopping as their primary form of shopping, with 36% of 5,000 surveyees responding that they are shopping once a week online, up from 28% a year ago. In a larger trend, when day-to-day life returns to a “new normal,” 28% say they will still prefer to shop online, more than the 24% who want to return to stores.
- Ed-tech has seen tremendous growth throughout 2020, but the purpose of ed-tech is not to replace in-person classes but to supplement traditional teaching methods. Schools are starting to see an increase in teacher productivity through AI and virtual reality, with automated grading saving 13 hours a week, and student learning outcome, with 9% increased memory retention in an immersive environment.
- Adevinta’s acquisition of eBay’s global classifieds business for \$8.87B will create a globally scaled, pure-play online classifieds leader covering a population of one billion people and receives around three billion monthly visits. In Europe, in particular, the combination will create a leading marketplace provider.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

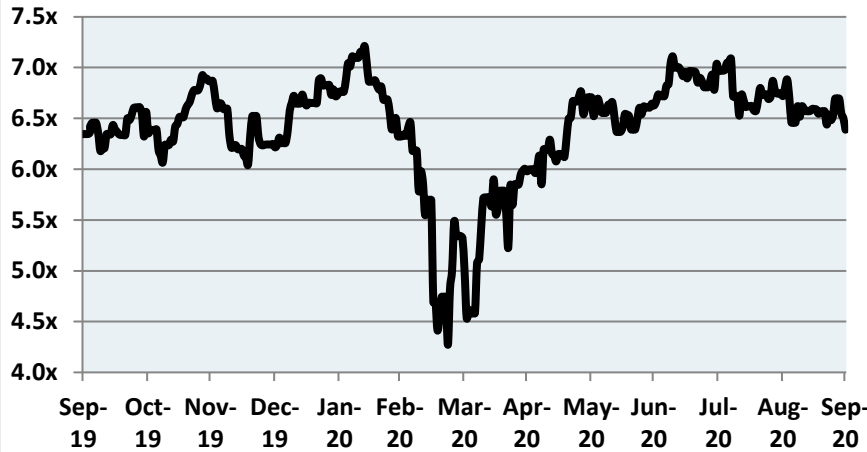
Announced	Date	Acquirer Name	Target Name	Enterprise Value
	2020-09-29	Tencent	Sogou	3,500.0
	2020-09-28	New Wave Holdings	SINA	2,590.0
	2020-09-15	Social Capital Hedosophia Holdings	Opendoor Labs	6,307.0
	2020-09-11	Adtalem Global Education	Walden University	1,480.0
	2020-09-10	EQT Partners	idealista	1,533.3
	2020-08-17	Yinke Holdings	Yintech Investment Holdings	540.0
	2020-08-05	The Blackstone Group	Ancestry.com	4,700.0
	2020-07-31	PropTech Acquisition	Porch	728.0
	2020-07-27	dMY Technology	Rush Street Interactive	1,495.0
	2020-07-21	Adevinta	eBay Inc. (global classifieds business, minus Denmark assets)	8,870.0
	2020-07-06	Uber	Postmates	2,650.0

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 09/30/20	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Microsoft	\$210.33	\$1,615,965.4	\$1,526,175.4	10.7x	22.3x
Oracle	\$59.70	\$192,129.5	\$208,886.0	5.3x	12.4x
SAP	\$155.87	\$185,404.2	\$198,456.1	6.4x	22.3x
IBM	\$121.67	\$108,787.9	\$164,154.7	2.2x	11.0x
Autodesk	\$231.01	\$51,365.1	\$51,219.4	14.5x	NM
Dassault Systemes	\$187.56	\$49,551.8	\$51,518.4	10.8x	38.8x
Ansys	\$327.23	\$28,389.5	\$27,855.1	18.3x	NM
Constellation Software	\$1,105.39	\$23,424.9	\$23,561.9	6.4x	23.8x
Tyler Technologies	\$348.56	\$14,279.8	\$13,643.0	12.3x	NM
PTC	\$82.72	\$9,635.5	\$10,542.8	7.5x	36.0x
Amdocs	\$57.41	\$7,696.8	\$7,525.1	1.8x	9.6x
Manhattan Associates	\$95.49	\$6,173.0	\$5,970.4	9.9x	49.1x
Verint Systems	\$48.18	\$3,180.9	\$3,622.2	2.9x	19.4x
Blackbaud	\$55.83	\$2,707.4	\$3,331.3	3.6x	25.8x
Stratasys	\$12.47	\$680.6	\$391.9	0.7x	NM
Median:	\$121.67	\$23,424.89	\$23,561.89	6.4x	22.3x

SECTOR HIGHLIGHTS

- The median Enterprise Software index was trading at 6.4x revenue (based on Enterprise Value to Revenue) at the closing of Q3.
- The Enterprise Software in Q3 saw a massive increase in deal count, growing from 223 in Q3 of 2019 to 375 in Q3 2020, but conversely, the average M&A multiple decreased from 4.1x revenue to 2.7x revenue.
- The growing list of SaaS applications has led to a fragmentation and efficiency problem. While the applications allow for new growth paths, it also leads to a lack of operational agility and too much siloed information. Many companies are looking for ways to allow their employees to make their own interconnected solutions to improve efficiency in employees' day-to-day work.
- With the increase in work from home measures, businesses are seeing a sharp decline in group collaboration. In 451 Research's Voice of the Enterprise, 37.7% of people asked said that their top IT focus will be improving employee collaboration and productivity tools.
- Clarivate's acquisition of CPA will help bolster their comprehensive suite of IP related products and services. CPA is a global leader in Intellectual Property software and tech-enabled services. The combined entity will now offer thousands of law firms and corporate customers IP solutions from leading brands covering patent and trademark research solutions, expanded IP services capabilities, and renewal solutions.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-09-18	New Millennium Iron	Abaxx Technologies	38.4
2020-09-16	iLOOKABOUT	Starcap Marketing (assets)	5.6
2020-09-09	MaxLinear	NanoSemi	26.8
2020-08-20	VitalHub	Intouch with Health	5.1
2020-08-18	Social Capital	Hustle	30
2020-08-18	RightBridge Ventures	Gamma Innovations	1
2020-08-12	Omicell	Pharmaceutical Strategies Group (340B Link business)	225
2020-08-07	Intercontinental Exchange	Ellie Mae Inc. [Thoma Bravo LLC]	11,000
2020-07-29	Clarivate Analytics plc [NYSE:CCC]	CPA Global Limited	6,800
2020-07-23	Monaker Group	HotPlay Enterprise Limited	2.0
2020-07-16	CloudMD Software & Services	Snapclarity	2.5

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 09/30/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Verisk Analytics	\$185.31	\$30,753.4	\$33,209.5	12.3x	29.6x
Pegasystems	\$121.04	\$9,643.2	\$9,783.8	9.9x	NM
Elastic	\$107.89	\$8,758.8	\$8,991.7	19.3x	NM
Alteryx	\$113.55	\$7,672.1	\$7,525.6	16.2x	NM
Cloudera	\$10.89	\$3,185.7	\$3,139.2	3.8x	NM
MicroStrategy	\$150.56	\$1,520.1	\$1,025.8	2.2x	30.8x
PROS Holdings	\$31.94	\$1,359.8	\$1,309.8	5.0x	NM
Domo	\$38.33	\$1,084.2	\$1,152.9	6.0x	NM
Median:	\$110.72	\$5,428.9	\$5,332.4	8.0x	NM

SECTOR HIGHLIGHTS

- The median Business Intelligence Software index was trading at 8.0x revenue (based on Enterprise Value) at the closing of Q3.
- The total deal count in the Business Intelligence Software increased from 31 in Q3 2019 to 37 in Q3 2020.
- The use of data and analytics is arguably more valuable than ever in shaping corporate strategic decision-making to ensure an organization’s long-term viability. The scarcity of data scientists and data analysts has led BI oriented tools to become more highly prized than ever. This high demand and low supply should lead to a wave of M&A in business intelligence software; with the high amount of value and an already overcrowded market, companies such as IBM could look to further bolster their platforms.
- E-commerce sales have increased by 209% year-over-year, which has created an immense opportunity for fraud while seeing the significant improvement due to the pandemic. By the end of 2021, it is estimated that e-commerce companies will lose around \$6.4B due to fraud. Companies like Fraudlabs Pro use data analytics and AI-based systems to analyze what actual customer behavior looks like and how react to fraudulent behavior.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-09-10	Compliance Solutions Strategies	AMFINE Services and Software SAS	
2020-09-08	LPA Group	Acarda	
2020-09-07	PS&C Limited	Asset Vision	7.3
2020-09-02	TCV	Oversight Systems	185.0
2020-09-02	FDS	Amplicare	
2020-09-01	Digimax Global Solutions	DataNavee	1.7
2020-08-31	VitalHub	Transforming Systems	7.9
2020-08-27	Citadel Group	eQstats	0.8
2020-08-13	Class Limited	Assuriti	3.0
2020-08-12	Terra Nova Resources	CBDS Health	9.6
2020-07-30	Roper Technologies Inc.	EPSi	365.0
2020-07-22	Perion Network	Pub Ocean Ltd	4.0

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 09/30/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Citrix Systems	\$137.71	\$17,903.3	\$18,074.1	5.6x	24.1x
Check Point Software	\$120.34	\$17,708.0	\$15,280.1	7.5x	17.0x
Trend Micro	\$60.66	\$8,461.0	\$6,713.6	4.3x	12.9x
F5 Networks	\$122.77	\$7,496.8	\$7,201.9	3.1x	14.2x
CommVault Systems	\$40.80	\$1,879.1	\$1,551.4	2.3x	NM
Progress Software	\$36.68	\$1,665.0	\$1,735.1	4.0x	15.8x
Radware	\$24.24	\$1,167.4	\$921.9	3.7x	38.8x
Magic Software	\$13.19	\$646.9	\$631.4	1.8x	12.9x
Allot Communications	\$9.10	\$314.7	\$241.0	2.0x	NM
Median:	\$40.80	\$1,879.1	\$1,735.1	3.7x	15.8x

SECTOR HIGHLIGHTS

- The median Infrastructure Software index was trading at 3.7x Revenue (based on enterprise value) at the end of Q3.
- As more businesses take on a “virtual first” mode of office life, less money is spent on real estate and more on the infrastructure software to support the user experience. More and more companies are beginning to improve their infrastructure to decrease latency and disruption in their remote workers’ day. The COVID-19 has also prompted an accelerated investment/deployment of infrastructure software to mitigate the growing computer virus and ransomware trends.
- Previously, many of the infrastructure software solutions focused on on-prem infrastructure and will continue to try and get the rest of their products' profit. Still, many companies are now focusing on cloud infrastructure. According to 451's Voice of the Enterprise, only 6% of companies will focus on non-cloud infrastructure in two years.
- In July, SUSE announced the acquisition of Rancher Labs, a provider of open source Kubernetes management SaaS for DevOps teams and businesses. Rancher Labs software will help take another step in assembling a Kubernetes portfolio. With this deal, SUSE gets an experienced open-source software team, and a suite of Kubernetes software as the use of that container management technology accelerates.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-09-21	PagerDuty	Rundeck	100.0
2020-09-08	Progress Software	Chef Software	220.0
2020-08-27	Emerson Electric	Open Systems International	1,600.0
2020-08-25	AVEVA Group	OSIsoft	5,000.0
2020-08-12	Waystar	eSolutions	
2020-08-10	Gofore	Qentinel	10.5
2020-07-29	Gresham Technologies	Inforalgo Information Technology	3.0
2020-07-23	Device42	ArrayIQ	15.0
2020-07-15	Sumeru Equity Partners	SocialChorus	100.0
2020-07-08	SUSE	Rancher Labs	600.0

Services: IT Services

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE

DP IT Services Index EV/EBITDA Multiple

Latest Twelve Months



VALUATION METRICS

Company	Stock Price 09/30/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Accenture	\$225.99	\$146,580.6	\$138,976.8	3.1x	16.3x
Capgemini	\$128.85	\$22,158.4	\$29,226.8	1.8x	13.9x
NTT Data	\$12.70	\$17,813.0	\$22,334.9	1.1x	7.3x
CDW	\$119.53	\$17,421.5	\$20,132.4	1.1x	13.7x
Booz Allen	\$82.98	\$11,679.3	\$13,191.5	1.7x	17.4x
CACI International	\$213.16	\$5,432.4	\$7,024.2	1.2x	12.4x
DXC Technology	\$17.85	\$4,555.8	\$13,089.4	0.7x	NM
ManTech International	\$68.88	\$2,788.8	\$2,886.7	1.2x	13.2x
Perficient	\$42.74	\$1,384.0	\$1,576.9	2.7x	23.7x
ICF International	\$61.53	\$1,180.0	\$1,756.6	1.2x	13.9x
The Hackett Group	\$11.18	\$362.6	\$307.5	1.2x	15.3x
Median:	\$68.88	\$5,432.4	\$13,089.4	1.2x	13.9x

SECTOR HIGHLIGHTS

- The median IT Services index was trading at 13.9x EBITDA (based on Enterprise Value to EBITDA) at the closing of Q3.
- According to Gartner, overall IT Services spending will decline by 6.8% compared to spending in 2019. The spending decline is not due to companies canceling projects but more due to projects' postponement into 2021. The 2021 Gartner projections expect demand to pick back up and the overall IT Services market to grow 5.5% by the end of 2021.
- The banking and securities industry will need to increase their IT spending to better respond to customer needs amid ongoing economic closure. With a better understanding of the COVID-19 effects, banks are reaching for process automation, and higher spending on IT services to protect their customer data and improve their experience.
- KBR, an engineering, construction & services company, announced in mid-August their acquisition of Centauri, a defense systems integrator in Virginia. Centauri provides systems integration services for the intelligence and national security sectors. The acquisition will expand KBR's military and space intelligence business and build upon its existing cybersecurity and missile defense solutions.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-09-08	The Panoply Holdings	Difrent	11.7
2020-09-01	Apex Systems	LeapFrog	72.0
2020-08-31	Cyient L	Integrated Global Partners	8.5
2020-08-28	LVP Technology Services Pty Ltd	PS&C	16.6
2020-08-19	KBR Inc.	Centauri	800.0
2020-08-19	Stockwik Forvaltning	Run Communications	9.2
2020-08-05	TTEC Digital	VoiceFoundr	48.0
2020-08-03	Globant	Grupo ASSA Worldwide	62.0
2020-07-23	Tesseract Limited	Seer Security	10.6
2020-07-21	GSH Private Capital	Getronics	228.5
2020-07-09	Sopra Steria	Sodifranc	66.7

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 09/30/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Equinix	\$760.13	\$65,733.0	\$77,977.9	13.6x	32.0x
Digital Realty	\$146.76	\$33,579.1	\$56,403.0	16.5x	27.1x
SAIC	\$78.42	\$4,583.6	\$7,347.3	1.1x	14.3x
Cancom	\$51.78	\$1,919.5	\$1,842.4	1.1x	17.7x
ePlus	\$73.20	\$980.7	\$958.8	0.6x	8.0x
NCC Group	\$2.26	\$635.1	\$685.4	2.1x	12.3x
iomart	\$4.57	\$509.9	\$570.1	4.0x	10.3x
Redcentric	\$1.83	\$271.2	\$325.5	2.9x	12.4x
Sify Technologies	\$1.02	\$184.3	\$300.1	0.9x	6.4x
Median:	\$28.17	\$807.9	\$822.1	2.1x	12.4x

SECTOR HIGHLIGHTS

- The median Hosted & Managed Services index was trading at 12.4x EBITDA (based on Enterprise Value) at the closing of Q3.
- The total deal count in the Hosted & Managed Services sector increased on a year-over-year from 41 in Q3 of 2019 to 51 total deals in Q3 of 2020. The increase in M&A activity also led to a higher median multiple of 5.3x revenue compared to 1.5x revenue in the same period in 2019.
- While there has been a decline in the hosted non-cloud services for several years, the COVID-19 crisis will further accelerate this decline. With the decrease in revenues and the growth of remote working, end users are scrutinizing every dollar spent on IT. While non-cloud was a preferred method of storing information due to the high-security levels, the significant improvement in cloud security has left no attributes unique to hosted non-cloud services.
- One of the Hosted and Managed Services sector's significant trends will be the increased consolidation due to customers looking for one provider for all the organization's services. The inability to service a particular aspect of their customer base causes attrition and is forcing MSPs to acquire more IP, managed security services, and other skills.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-09-19	Walther Italia Information Technology	myLoc managed IT	59.0
2020-09-16	Gigas Hosting	MyCloud	2.6
2020-08-28	Tesseract Limited	Ludus Cybersecurity	1.1
2020-08-26	Tesserent	Airloom Holdings	10.0
2020-08-25	Palo Alto Networks	The Crypsis Group	265.0
2020-08-24	21Vianet Group	Shanghai Shuzhong Investment Management	5.3
2020-08-11	Equinix	GPX Global Systems (India operations)	161.0
2020-07-20	HelpSystems	GlobalSCAPE	177.7
2020-07-20	Ascend Technologies	Infogressive	
2020-07-08	5G Networks Limited	Colocation Australia (assets)	2.0
2020-07-01	TINC Comm. VA	Datacenter United	13.5

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 9/30/2020	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Tata Consultancy	\$33.64	\$103,342.2	\$96,302.1	5.8x	21.6x
Automatic Data	\$139.49	\$60,357.3	\$60,399.7	4.1x	16.0x
Infosys	\$13.61	\$57,831.0	\$55,490.6	4.3x	17.4x
Cognizant Technology	\$69.42	\$37,972.7	\$36,527.4	2.2x	13.6x
Wipro	\$4.23	\$24,411.1	\$20,395.9	2.4x	11.4x
CGI Group	\$67.52	\$18,166.9	\$19,874.7	2.2x	12.2x
CSG International	\$40.95	\$1,326.6	\$1,662.4	1.7x	9.3x
Unisys	\$10.67	\$657.0	\$178.8	0.1x	4.9x
Median:	\$ 37.29	\$ 31,191.92	\$28,461.63	2.3x	12.9x

SECTOR HIGHLIGHTS

- The median IT Outsourcing index was trading at 12.9x EBITDA (based on Enterprise Value) at the closing of Q3.
- In Q3 2020, the IT outsourcing sector increased the number of deals with 68 deals from 60 deals in Q3 2019. This increase was met with a higher multiple on deals from 1.1x revenue in 2019 to 1.8x revenue in Q3 of 2020.
- With higher scrutiny of each dollar spent, companies are continuing to reevaluate their IT departments. The average annual salary for an IT technician is \$73,825, not including benefits. Most companies looking to outsource need a range of IT resources but not an employee working a full 40 hours a week. The larger companies that need in-house IT technicians will usually focus their employees on specialized jobs while outsourcing to handle day-to-day tasks.
- Outsourcing is quickly becoming more accessible to smaller businesses. Most medium and large companies can afford to outsource their IT processes but smaller companies struggle to do the same transformation. 52% of small companies already outsourced their IT at the beginning of 2020, and the amount is expected to grow. Outsourcing can offer adjustment to specific business needs such as scalability, full-cycle developments and allows management to focus only on the critical tasks, thus avoiding the necessity to monitor IT-related operations.
- The largest IT Outsourcing deal was Conyers Park acquisition of Advantage Solutions for \$3.3B. The addition of Advantage Solutions will grow Conyers' omnichannel solution and give Advantage greater financial flexibility to invest in its business as a publicly listed company.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-09-23	Cerberus Cyber Sentinel	Clear Skies Security	4.7
2020-09-10	Baring Private Equity Partners Asia	Virtusa	2,000.0
2020-09-08	Conyers Park II	Advantage Solutions	3,300.0
2020-08-17	Endava (UK)	Comtrade Digital Services	71.0
2020-08-11	Over the Wire Holdings Limited	J2 Global Inc. (Australian and New Zealand voice businesses)	25.8
2020-08-10	Welltel	Intellicom Ireland	6.5
2020-08-04	Senior Solution	Itau Unibanco Holding	15.7
2020-07-29	ESC Corporate Services	Paragon Inc. (assets)	52.3
2020-07-20	Synaptics	DisplayLink Corp.	305.0
2020-07-14	QinetiQ	Naimuri	31.5
2020-07-14	Wipro	IVIA Servicios de Informatica	22.4

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 09/30/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Robert Half International	\$52.94	\$6,057.3	\$5,848.0	1.0x	10.3x
ManpowerGroup	\$73.33	\$4,341.1	\$4,199.8	0.2x	9.1x
ASGN	\$63.56	\$3,387.7	\$4,259.0	1.1x	11.0x
Kforce	\$32.17	\$712.1	\$773.5	0.6x	10.8x
Mastech Digital	\$18.01	\$208.3	\$218.8	1.1x	13.5x
Computer Task Group	\$4.97	\$70.7	\$73.3	0.2x	5.8x
RCM Technologies	\$1.41	\$18.3	\$39.3	0.2x	NM
Median:	\$32.17	\$712.1	\$773.5	0.6x	10.5x

SECTOR HIGHLIGHTS

- The median IT Staffing index was trading at 10.5x EBITDA (based on Enterprise Value) at the closing of Q3.
- The third quarter of 2020 saw an increase in deal count over the same period in the prior year. While three transactions were completed in Q3 2019, 6 deals were complete during Q3 2020. Led by Futuris Technology Services and Gi Group, with both acquiring two companies during the quarter to spread into new markets. Gi Group acquired companies in Poland and Brazil, while both of Futuris Technology Services were in New Jersey.
- On June 22, the United States government halted all H-1B visas citing unusually high unemployment rates, but the ruling has negatively impacted the IT industry. While there was 14.7% unemployment in April 2020, unemployment in the IT industry remained relatively low. In January before the pandemic, the unemployment rate for IT jobs was around 3%, and at the end of September, the rate was 3.5%. Without the ability to bring people from other countries into the United States, the industry faced a shortage of IT workers. Almost every IT position has witnessed an increase in demand with a lack of homegrown talent. This increase in demand creates an excellent opportunity for US-based IT staffing firms to quickly fill these positions with highly qualified individuals.
- In 451 Research's Voice of the Enterprise, 25% of the companies surveyed expect to see an increase in the number of full-time IT staff over the next 12 months. This growth is primarily driven by small and medium sized organizations as well as younger ones (fewer than 10 years of age). This is contrasted by 30% of organizations surveyed with more than 10,000 staff who plan on downsizing their IT departments.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

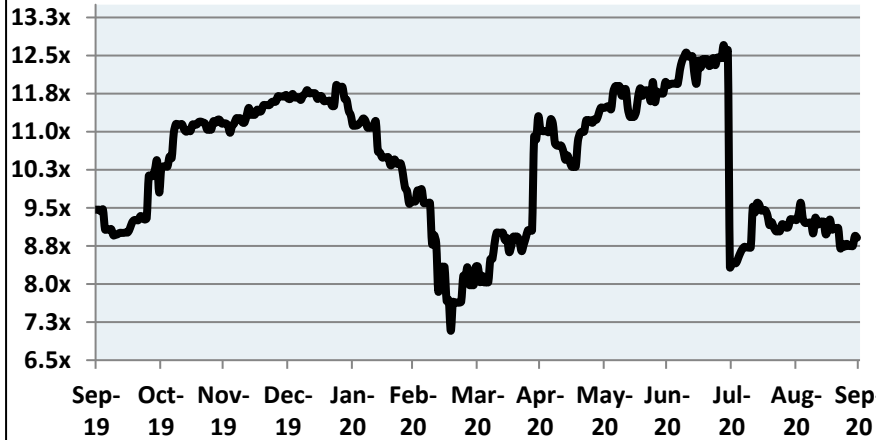
Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2020-09-30	CorroHealth	Trust Healthcare Consulting	
2020-09-09	Futuris Technology Services	FORTEK Fourth Technologies	
2020-09-09	Futuris Technology Services	Soft2001	
2020-08-25	Gi Group	Work Service	
2020-08-20	Gi Group	Kelly Services (Brazilian Operations)	
2020-07-09	Xduce	Sans Consulting Services	

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 09/30/20	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Arrow Electronics	\$78.66	\$6,380.4	\$8,298.1	0.3x	9.1x
Synnex	\$140.06	\$7,148.4	\$8,614.0	0.4x	7.6x
Avnet	\$25.84	\$2,596.2	\$3,807.3	0.2x	16.0x
ALSO	\$264.25	\$3,385.1	\$3,513.1	0.3x	16.8x
Insight Enterprises	\$56.58	\$2,016.1	\$2,267.9	0.3x	7.5x
PC Connection	\$41.06	\$1,085.1	\$918.3	0.3x	8.6x
Median:	\$67.62	\$2,990.7	\$3,660.2	0.3x	8.9x

SECTOR HIGHLIGHTS

- The median Value Added Resellers index was trading at 8.9x EBITDA (based on Enterprise Value) at the closing of Q3.
- In Q3, there was not a high number of M&A activity, but Exclusive Network Group acquired two companies. To expand their reachable market, ENG acquired JJNET, a value-added distributor in Hong Kong, and Veracomp, a value-added reseller in middle and eastern Europe. These acquisitions will allow ENG to further grow its market share in new regions.
- Value-added resellers will need to completely change their business model over the next five years to be competitive in the market. With the falling costs of hardware, increased competition from OEMs, and pricing transparency, the VAR business model is quickly losing margin on their products. To stay relevant in the market and as a business, the VARs will need to pivot away from their business's reseller aspect to the value-add part. These companies are closer to the customer and can deliver quality local service that helps build long-term relationships.
- One of the growing trends in the VAR industry will be the expansion into new markets. While there is little margin for new companies in the United States, companies are beginning to look for VARs in country's like Nigeria. There is a high demand for local customer services, local inventory, systems upgrades, and field services capabilities to facilitate their digitalization trends. Companies like Siemens are spreading into the previously underserved market and looking for partners to help grow in the areas.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer	Target	Enterprise Value (\$m)
2020-09-07	Exclusive Networks Group	Veracomp	
2020-09-02	Exclusive Networks Group	JJNET International	
2020-08-15	MasterGraphics	D3 Technologies (3D print business)	
2020-07-20	Arrow Business Communications	Altinet Limited	
2020-07-02	Axcel	AddPro	

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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