



# DECISIONPOINT

## QUARTERLY VIEWPOINT:

For the Quarter Ended September 30, 2019 and the Latest Twelve Months

Q3 | 19

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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 09/30/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Salesforce	\$148.44	\$117,416.0	\$130,159.9	8.8x	52.1x
ServiceNow	\$253.85	\$46,161.6	\$47,050.6	15.6x	NM
Workday	\$169.96	\$37,724.2	\$38,367.0	11.8x	NM
Shopify	\$311.45	\$34,055.1	\$34,020.2	26.2x	NM
RealPage	\$62.86	\$6,027.2	\$6,403.3	6.9x	33.6x
Medidata Solutions	\$91.50	\$5,670.8	\$5,701.5	8.3x	72.1x
LogMeIn	\$70.96	\$3,620.1	\$3,705.5	3.0x	11.2x
Cornerstone OnDemand	\$54.82	\$3,237.5	\$3,300.8	6.0x	86.2x
LivePerson	\$35.70	\$2,183.3	\$2,308.3	8.6x	NM
Ebix	\$42.10	\$1,306.4	\$2,029.4	3.7x	11.6x
<b>Median:</b>	<b>\$81.23</b>	<b>\$5,849.0</b>	<b>\$6,052.4</b>	<b>8.5x</b>	<b>42.8x</b>

### SECTOR HIGHLIGHTS

- The median SaaS index was trading at 8.5x revenue (based on Enterprise Value) at the closing of Q3.
- In an average large enterprise, employees use more than 200 SaaS applications, according to SaaS management company Blissfully. Synergy Research Group research found one-fifth of enterprise software spending is currently being used on SaaS applications. One example of SaaS expansion is the spike in collaboration software adoption, now viewed as the new normal in connected workplaces. Companies like Microsoft, which has over 13 million users on Microsoft Teams, are positioned to capitalize on their reach with new ways to connect customers using Business Intelligence and SaaS capabilities.
- SaaS adoption is becoming increasingly ubiquitous. According to IDG’s 2018 Cloud Computing Survey, 73% of organizations have at least one application or a portion of their computing infrastructure already in the cloud.
- Like other asset classes, private equity is navigating the consequences of heightened competition in its traditional industries, while continuing to deal with fewer viable investment opportunities. These trends have contributed to PE’s increased appetite for investments into SaaS; a notably high-growth subsector comprised of companies that boast even higher valuations.
- Broadcom acquired the enterprise security assets of Symantec, including the Symantec brand, in a blockbuster \$10.7b deal. Broadcom is acting less as a strategic buyer and more of a financial investor in the deal, seeking to optimize returns on what the company sees as an underperforming asset, with Symantec now poised for significant change.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Date	Acquirer Name	Target Name	Value (\$m)
2019-09-26	Veeva Systems	Crossix Solutions	430.0
2019-09-26	Sinch	myElefant SAS	20.4
2019-09-24	Medallia	Zingle	42.0
2019-09-11	ANSYS	LSTC	775.0
2019-09-04	CommVault	Hedvig	207.0
2019-09-03	Carlyle Group	HireVue	400.0
2019-08-28	Temenos	Kony	509.0
2019-08-26	SyncSort	Pitney Bowes (Software Solutions)	700.0
2019-08-21	Splunk	SignalFx	1,050.0
2019-08-02	Eurazeo	Elemica	400.0

# Software: Internet Software and Services

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

### MARKET PERFORMANCE

**DP Internet Software & Services Index EV/Revenue Multiple**  
Latest Twelve Months



### VALUATION METRICS

Company	Stock Price 09/30/19	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Amazon.com	\$1,735.91	\$871,426.8	\$875,678.3	3.5x	26.6x
Alphabet	\$1,221.14	\$856,505.2	\$738,099.1	5.0x	15.1x
Facebook	\$178.08	\$514,295.0	\$467,267.4	7.5x	17.6x
Netflix	\$267.62	\$120,909.8	\$124,763.3	7.1x	12.1x
Booking Holdings	\$1,962.61	\$89,957.2	\$85,781.3	5.8x	15.1x
Uber	\$30.47	\$36,203.4	\$46,154.1	3.8x	NM
eBay	\$38.98	\$36,115.0	\$38,043.0	3.5x	10.2x
Twitter	\$41.20	\$32,085.1	\$28,655.8	8.7x	31.0x
Expedia Group	\$134.41	\$20,557.5	\$20,577.1	1.8x	11.2x
IAC	\$217.97	\$19,850.3	\$19,153.8	4.3x	20.9x
Snap	\$15.80	\$21,079.0	\$20,966.5	15.0x	NM
Cimpress	\$131.84	\$4,174.4	\$5,183.2	1.9x	14.2x
Groupon	\$2.66	\$1,514.2	\$1,286.5	0.5x	8.9x
<b>Median:</b>	<b>\$134.41</b>	<b>\$36,115.0</b>	<b>\$38,043.0</b>	<b>4.3x</b>	<b>15.1x</b>

### SECTOR HIGHLIGHTS

- The median Internet Software and Services index was trading at 4.3x revenue (based on Enterprise Value) at the closing of Q3.
- The online food delivery sector continued its consolidation in Q3 with London-based Just Eat announcing a \$10b merger with Amsterdam-based Takeaway.com. The combined company will become the market leader in the United Kingdom, Germany, the Netherlands and Canada and hopes that the combined synergies will help stave off steep competition from Uber Eats. US-based DoorDash also inked a deal in Q3, acquiring competitor Caviar from Square for \$410m.
- Facebook has battled steep regulatory scrutiny since announcing its Libra cryptocurrency in June. The US senate banking committee expressed deep concerns over potential security issues in July and France and Germany decided to block Libra in September. As a result, partners have fled the Libra Association with companies including Visa, PayPal, Ebay, and Stripe exiting the partnership.
- Groupon is rumored to be pursuing a large acquisition as investors continue to express discontent over the stock price, which has dropped 63% since 2016. An acquisition of Yelp is one rumored target for the company as it would double EBITDA and create an online marketplace where merchants could offer deals and customers could read reviews, make reservations or purchase goods or services.
- In Q3, Big Tech came under fire with four separate antitrust investigations launched against Facebook and Google in the US. Google has received significant pushback in recent years for prioritizing its own products in search results, already receiving a \$1.7b fine in Europe. For Facebook, regulators are questioning whether it has meaningful competition in the aftermath of its privacy scandals.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value
2019-09-05	Alibaba	Kaola	2,000.0
2019-09-05	Prudential Financial	Assurance IQ	2,350.0
2019-09-04	Chegg	Thinkful	80.0
2019-08-26	Verisk Analytics	Genscape	364.0
2019-08-13	MarketAxess	LiquidityEdge	150.0
2019-08-04	Fox	Credible Labs	367.5
2019-08-01	London Stock Exchange	Refinitiv	27,029.6
2019-08-01	DoorDash	Caviar	410.0
2019-07-22	Etsy	Reverb	275.0
2019-07-17	Ebix	Yatra.com	337.8

# 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 09/30/19	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Microsoft	\$139.03	\$1,077,899.6	\$1,006,098.0	8.0x	17.3x
Oracle	\$55.03	\$197,268.8	\$199,958.9	5.1x	12.3x
SAP	\$118.03	\$140,989.1	\$157,213.6	5.3x	23.2x
IBM	\$145.42	\$131,069.3	\$160,985.0	2.1x	9.1x
Dassault Systemes	\$143.05	\$37,358.9	\$34,842.8	8.1x	26.7x
Autodesk	\$147.70	\$32,590.0	\$33,597.8	11.5x	NM
Constellation Software	\$999.51	\$21,181.1	\$21,525.1	6.6x	24.2x
Ansys	\$221.36	\$18,953.4	\$18,075.3	13.0x	32.4x
Tyler Technologies	\$262.50	\$10,474.0	\$10,125.4	10.1x	46.2x
Amdocs	\$66.11	\$9,176.2	\$8,575.2	2.1x	12.4x
PTC	\$68.18	\$8,053.4	\$8,250.9	6.7x	NM
Manhattan Associates	\$80.67	\$5,279.2	\$5,105.5	8.7x	38.0x
Blackbaud	\$90.34	\$4,343.6	\$5,071.1	5.8x	39.2x
Verint Systems	\$42.78	\$2,873.1	\$3,332.7	2.6x	17.2x
Stratasys	\$21.31	\$1,149.6	\$816.0	1.2x	15.5x
<b>Median:</b>	<b>\$118.03</b>	<b>\$18,953.4</b>	<b>\$18,075.3</b>	<b>6.6x</b>	<b>23.2x</b>

### SECTOR HIGHLIGHTS

- The median Enterprise Software index was trading at 6.6x revenue (based on Enterprise Value) at the end of Q3.
- CRM remains the largest and fastest growing enterprise software category today according to market sizing and market share research by Gartner. All four subsegments of the CRM market grew by more than 13.7%, with marketing emerging as the fastest growing segment, increasing by 18.8% and representing more than 25% of the entire CRM market. These four segments are customer service and support, digital commerce, marketing, and sales. Customer service and support retained the No. 1 position, contributing 35.7% of CRM market revenue, attaining \$17.1B in revenues in 2018.
- Enterprise software companies are among the most successful initial public stock offerings this year, according to data compiled by Renaissance Capital. There have been nine IPOs so far this year, raising a total of \$11.2b. The average return of those nine has been 54%.
- GlobalData has identified mergers and acquisitions (M&A) as one of the top themes driving the enterprise software sector. Over the last five years, the value of M&A deals in the enterprise software sector has reached \$436b, with the key disrupting themes driving many of those deals being cloud computing, artificial intelligence (AI), big data, financial technology, digitization, and collaborative working.
- M&A is especially driving enterprise software valuations higher. Large technology companies are expected to continue significant M&A activity with the aim of strengthening their skillsets in next generation technologies.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Date	Acquirer Name	Target Name	Value (\$m)
2019-09-11	Globe Telecom	Yondu	18.9
2019-09-05	Luminate Capital Partners	Thought Industries	
2019-08-22	VMware	Carbon Black	2,053.2
2019-08-09	Broadcom	Symantec	10,700.0
2019-08-08	RealWear	Kopin	3.5
2019-08-06	NAVEX Global	LockPath	100.0
2019-08-01	Everbridge	NC4	83.0
2019-07-21	AN Global	AgileThought	

# 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 09/30/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Verisk Analytics	\$158.14	\$26,440.6	\$28,491.3	11.4x	24.5x
Alteryx	\$107.43	\$7,188.1	\$6,857.8	21.3x	NM
Pegasystems	\$68.05	\$5,500.8	\$5,284.2	6.0x	NM
Elastic	\$82.34	\$4,781.9	\$6,021.8	19.8x	NM
PROS Holdings	\$59.60	\$2,233.0	\$2,312.1	10.4x	NM
Cloudera	\$8.86	\$1,974.6	\$2,284.7	3.5x	NM
MicroStrategy	\$148.37	\$1,608.8	\$1,052.6	2.2x	37.6x
Domo	\$15.98	\$429.6	\$404.8	2.6x	NM
<b>Median:</b>	<b>\$75.20</b>	<b>\$3,507.5</b>	<b>\$3,798.1</b>	<b>8.2x</b>	<b>NM</b>

### SECTOR HIGHLIGHTS

- The median Business Intelligence Software index was trading at 8.2x revenue (based on Enterprise Value) at the closing of Q3.
- The healthcare field represents a major emerging target for business intelligence software businesses. A recent study by the Society of Actuaries found that the healthcare sector is increasingly turning to business intelligence, and accordingly, demand is on the rise across the board. The study echoes the sector's growth, which has been on a steady upward trajectory for several years.
- After reporting \$4.24b in earnings in 2018, the healthcare business intelligence market is set to expand its footprint to roughly \$10.12b by 2025, with CAGR of roughly 13.23%.
- In a consolidating BI market, basic capabilities like database connectivity and data ingestion, security and data visualization have become the bare minimum, reports Forrester Research in a recent report. Forrester no longer evaluates all features of BI platforms but only what they consider differentiated capabilities, with increased technology maturity and decreasing differentiation between BI platforms driving the latest round of M&A.
- A critical way vendors are developing BI software is how it is presented, not only to analysts, but to employees across an organization. Features like Slack integrations and natural language processing, which offer more constrained but lightweight way to run queries, are becoming more appealing to customers. Forrester sees the future of BI as not simply a BI tool, but as the ability to find ways to empower everyone in the organization with data.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Date	Acquirer Name	Target Name	Value (\$m)
2019-09-20	Confluence Technologies	StatPro Group	218.2
2019-09-20	OutMatch	Eureka	
2019-08-21	Experian	Look Who's Charging	
2019-08-12	Fiix	Alchemy IoT	
2019-08-06	Merck KGaA	BSSN Software	
2019-07-17	LTI	Lymbyc Solutions	5.5
2019-07-15	Lectra	Retviews	12.9
2019-07-12	Aspen Technology	Mnubo	77.8
2019-07-10	Inpixon	Jibestream	6.1

# 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 09/30/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Check Point Software	\$109.50	\$17,157.3	\$15,398.8	7.9x	17.2x
Symantec	\$23.63	\$15,725.8	\$17,576.1	3.6x	16.5x
Citrix Systems	\$96.52	\$13,695.9	\$13,014.1	4.3x	17.1x
F5 Networks	\$140.42	\$8,513.9	\$7,457.0	3.4x	11.6x
Trend Micro	\$47.61	\$6,662.0	\$5,127.7	3.5x	11.0x
CommVault Systems	\$44.71	\$2,128.3	\$1,588.3	2.3x	NM
Progress Software	\$38.06	\$1,727.5	\$1,853.3	4.7x	15.6x
Radware	\$24.26	\$1,177.8	\$905.7	3.7x	32.6x
Magic Software	\$9.03	\$442.0	\$403.5	1.4x	9.0x
Allot Communications	\$8.06	\$273.7	\$182.6	1.8x	NM
<b>Median:</b>	<b>\$41.39</b>	<b>\$4,395.1</b>	<b>\$3,490.5</b>	<b>3.6x</b>	<b>16.1x</b>

### SECTOR HIGHLIGHTS

- The median Infrastructure Software index was trading at 3.6x revenue (based on Enterprise Value) at the closing of Q3.
- Splunk's \$1.1 billion acquisition of SignalFx came at a massive 21x revenue multiple. SignalFx will provide Splunk with a strong metrics-based monitoring offering enabling Splunk to manage the three data sources that have emerged as key to system performance monitoring: logs, metrics and distributed trace.
- 451 Research projects the application container market to reach \$5.5 billion by 2023, growing at a CAGR of 29%. The momentum behind the container market is driven by continuing enterprise adoption and new product development initiatives. Most of the large incumbent technology vendors are active in this market, alongside a growing list of container pure plays and startups.
- According to 451 Research, IBM is modernizing the mainframe for the cloud era as it uses its Red Hat acquisition to make its Z mainframe range cloudier, with support for OpenShift, pre-bundled Cloud Paks, cloud-native development and pay-as-you-go pricing. While the new features offer IBM the potential to bring mainframes to a new audience, IBM is focused on growing and sustaining existing customers rather than winning brand-new ones.
- A report from Synergy Research Group found that companies focused on the cloud brought in \$150 billion in revenue through the first half of 2019. In aggregate, spending on cloud services is now far greater than spending on supporting data center infrastructure. However, Amazon, Microsoft, and Google still control half of the market, raking in \$75 billion from their cloud services in the first half of the year.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-06-17	GitHub	Pull Panda	
2019-06-07	Sony Semiconductor Solutions Corporation	Midokura	
2019-06-04	Flexera Software	RISC Networks	45.0
2019-06-03	i3 Verticals	Pace Payment Systems	52.7
2019-05-16	Apptio	Cloudability	160.0
2019-05-01	Pluralsight	GitPrime	170.0
2019-04-18	Quest Software	ApexSQL	
2019-04-16	Marlin Equity Partners	Skuid	
2019-04-11	SolarWinds	Samange	350.0



# 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 09/30/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Accenture	\$192.35	\$125,239.1	\$116,819.2	2.7x	16.8x
Capgemini	\$118.27	\$20,240.7	\$22,406.4	1.4x	9.9x
NTT Data	\$12.91	\$18,109.3	\$22,357.7	1.1x	7.8x
CDW	\$123.24	\$18,578.4	\$21,005.5	1.2x	16.0x
DXC Technology	\$29.50	\$8,152.3	\$17,282.9	0.8x	4.9x
Booz Allen	\$71.02	\$10,103.7	\$11,768.2	1.7x	17.0x
CACI International	\$231.26	\$5,872.8	\$7,347.2	1.5x	15.8x
ManTech International	\$71.41	\$2,857.6	\$3,993.9	2.0x	23.3x
ICF International	\$84.47	\$1,633.4	\$2,015.6	1.4x	16.0x
Percient	\$38.58	\$1,259.2	\$1,384.1	2.6x	21.2x
The Hackett Group	\$16.46	\$534.7	\$486.9	1.8x	14.3x
<b>Median:</b>	<b>\$71.41</b>	<b>\$8,152.3</b>	<b>\$11,768.2</b>	<b>1.5x</b>	<b>16.0x</b>

### SECTOR HIGHLIGHTS

- The median IT Services index was trading at 16.0x EBITDA (based on Enterprise Value) at the closing of Q3.
- On its Q2 earnings call, print OEM Xerox announced that it plans to grow IT services in the SMB market, which it views as fragmented with primarily regional players. Xerox plans to sell IT services through its Xerox Business Services (XBS) business unit and hopes to roll out IT services across all XBS locations by the end of 2020. Reseller partners fear that the move could cannibalize their business if Xerox looks to complete work in-house in major markets.
- According to 451 Research, the business models of IT service providers are being disrupted by the requirements of enterprise digital transformation projects. The traditional, siloed segmentation of the IT services market into systems integration and managed services has become problematic because design, transition and operation have become a bundled wheel of services. To thrive, IT services players must move to a platform-powered way of delivering their services by providing smart, technology-augmented services.
- In August, BC Partners made an announcement to acquire Presidio for an enterprise value of \$2.2 billion at an EBITDA multiple of 10.6x. The acquisition will make BC Partners the fourth owner of Presidio, which underwent an IPO in 2017, since 2011. Once completed, BC Partners is likely to utilize inorganic growth to help expand Presidio's position in the fragmented IT services market.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-09-26	Avanade	Alnamic	
2019-09-03	Logicalis	Orange Networks	
2019-08-23	HKBN	JOS	50.0
2019-08-14	Accenture	Analytics8	
2019-08-14	BC Partners	Presidio	2,052.8
2019-08-02	Guidehouse	Navigant	1,136.8
2019-08-01	Perspecta	Knight Point	250.0
2019-07-31	Resources Global Professionals	Veracity Consulting Group	30.6
2019-07-25	Ernst & Young	C Centric Solutions	
2019-07-02	Altus	One11	

# 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 09/30/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Equinix	\$576.80	\$47,331.9	\$59,560.7	11.1x	25.2x
Interxion	\$81.46	\$5,950.4	\$8,132.0	11.9x	26.4x
SAIC	\$87.35	\$4,564.0	\$6,909.2	1.2x	18.7x
Cancom	\$54.16	\$1,794.2	\$1,792.1	1.3x	13.6x
Presidio	\$16.90	\$1,493.7	\$2,108.9	0.7x	11.0x
ePlus	\$76.09	\$1,030.5	\$1,077.7	0.8x	9.8x
NCC Group	\$2.14	\$598.1	\$620.4	1.9x	11.2x
iomart	\$4.42	\$491.2	\$531.7	3.9x	10.3x
Sify Technologies	\$1.41	\$219.6	\$252.6	0.8x	5.4x
Redcentric	\$1.05	\$157.9	\$179.3	1.5x	8.4x
Maintel Holdings	\$5.31	\$76.8	\$106.6	0.6x	5.0x
<b>Median:</b>	<b>\$11.11</b>	<b>\$814.3</b>	<b>\$849.1</b>	<b>1.3x</b>	<b>11.0x</b>

### SECTOR HIGHLIGHTS

- The median Hosted & Managed Services index was trading at 11.0x EBITDA (based on Enterprise Value) at the end of Q3.
- NuMSP continued its roll-up of the MSP market in Q3 with the acquisition of NTConnections. Since being founded in early 2018, NuMSP has acquired 12 managed services providers focused on the SMB space. NuMSP plans to use M&A to build out a national footprint with the hope of creating a nationwide company that delivers advanced IT services and security solutions rivaling the solutions leveraged by Fortune 500 companies.
- 451 Research believes that the datacenter industry has strayed too far from its core strength in disaster recovery by focusing on initiatives such as public cloud, IoT, and the edge. In order to grow their competitive advantage, data center providers must focus on traditionally important metrics such as reliability, uptime, and interconnectability. 451 Research's data center survey echoes this sentiment with 53% of respondents reporting that their number one data center usage is for disaster recovery.
- Grand View Research expects the managed services market to hit \$376b by 2025, growing at a CAGR of 11.7%. Growing dependence of enterprises on IT assets for driving their business productivity coupled with the need for specialized MSPs and cloud-based managed services is expected to drive the growth. MSPs in the healthcare sector, in particular, are expected to rapidly grow due to the need for hospitals to efficiently manage and organize large volumes of patient data.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-09-19	SBA	New Continuum Data Centers	
2019-09-16	Mapletree Investments	Digital Realty (Powered Base Building portfolio)	557.0
2019-09-16	Mapletree Investments	Digital Realty Trust (3 VA data centers)	1,013.8
2019-09-13	Ernst & Young	ElevatedPrompt Solutions	
2019-09-06	Red River	CWPS	
2019-08-26	ePlus	ABS Technology	
2019-08-13	NexusTek	NotOnsite	
2019-07-25	Pensare	Computex	65.0
2019-07-23	Ntiva	HigherGround	
2019-07-11	Thrive	Tier1Net	

# 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 9/30/2019	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Tata Consultancy Services	\$29.77	\$103,342.2	\$96,302.1	5.2x	18.5x
Automatic Data	\$161.42	\$70,637.4	\$70,060.7	4.9x	20.3x
Infosys	\$11.42	\$49,616.3	\$45,988.5	3.8x	16.4x
Cognizant Technology	\$60.27	\$34,682.5	\$31,906.8	1.9x	10.3x
CGI Group	\$79.14	\$22,206.0	\$22,778.7	2.5x	14.2x
Wipro	\$3.40	\$20,487.7	\$14,985.2	1.8x	8.6x
CSG International	\$51.68	\$1,683.6	\$2,120.2	2.2x	11.4x
Unisys	\$7.43	\$466.7	\$696.9	0.2x	2.2x
<b>Median:</b>	<b>\$ 40.73</b>	<b>\$ 28,444.23</b>	<b>\$ 27,342.76</b>	<b>2.4x</b>	<b>12.8x</b>

### SECTOR HIGHLIGHTS

- The median IT Outsourcing index was trading at 12.8x EBITDA (based on Enterprise Value) at the closing of Q3.
- Companies are outsourcing more of their total IT budgets, after a drop last year, according to a study from Computer Economics. The study found the percentage of the total IT budget being spent on outsourcing increased from 9.4% in 2018 to 12.7% in 2019, hitting a five-year high. Small companies are especially driving this increase, while midsize and large companies saw smaller increases in average outsourcing.
- Companies tend to outsource fewer functions during strong economies and outsource more when the economy is performing poorly, but the economy grew steadily during the first half of 2019. However, given that companies are increasingly outsourcing functions, the research suggests that companies are becoming more comfortable shifting functions as the transformation to cloud technologies continues.
- India's nearly \$170b IT outsourcing industry, which has seen its growth shrink over the past decade, is now facing the challenge of global in-house contact centers taking a substantial amount of their work. Contact centers are typically offshore units that emerged during the 1990s as large companies, such as GE, Texas Instruments, Citigroup and American Express, began embracing the model to perform designated operations, mostly related to technology. According to an Everest Group report, GICs account for about 25% of the global offshore services market.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Date	Acquirer Name	Target Name	Value (\$m)
2019-09-18	Commercial Vehicle Group	First Source Electronics	34.0
2019-09-02	Doro	Invicta Telecare	6.1
2019-08-14	Repay	Trisource Solutions	60.0
2019-08-06	Mastercard	Nets Holding	3,190.0
2019-08-02	GBL	Webhelp Group	1,459.6
2019-07-30	Volex	Servatron	21.9
2019-07-24	Grow Capital	Bombshell Technologies	9.0
2019-07-22	EnPro	LeanTeq	305.0
2019-07-15	Securitas	MSM Security Services	10.9
2019-07-02	Data Respons	inContext	7.5

# 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 09/30/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Robert Half International	\$55.66	\$6,626.4	\$6,544.6	1.1x	9.7x
ManpowerGroup	\$84.24	\$5,243.9	\$5,740.3	0.3x	6.9x
ASGN	\$62.86	\$3,348.0	\$4,404.7	1.2x	11.5x
Kforce	\$37.84	\$947.9	\$935.4	0.7x	11.3x
Computer Task Group	\$5.00	\$67.0	\$92.4	0.2x	14.7x
Mastech Digital	\$6.00	\$67.2	\$100.4	0.5x	5.4x
RCM Technologies	\$3.00	\$38.1	\$75.3	0.4x	9.1x
<b>Median:</b>	<b>\$37.84</b>	<b>\$947.9</b>	<b>\$935.4</b>	<b>0.5x</b>	<b>9.7x</b>

### SECTOR HIGHLIGHTS

- The median IT Staffing index was trading at 9.7x EBITDA (based on Enterprise Value) at the closing of Q3.
- US IT staffing is expected to exhibit its 10th consecutive year of growth in 2019. This consistent growth is reflected in the expanding list of US IT staffing firms making SIA's annual Largest Staffing Firms in the US report, which ranks all American staffing firms across all business sectors. This growth is increasingly attributed to changes to the H-1B visa program, as well as large enterprises seeking to outsource internal IT expertise.
- Information technology staffing and consulting companies are heavy users of the H-1B visa program, but the names of companies where they place those foreign workers have always been confidential. However the Labor Department, for the first time, has begun publishing the names of companies where H-1B holders are working, even if they're employed by another company that provides staffing or consulting services. The public decision is the latest in a series of President Trump's administration policies targeting the specialty occupation visa program, which it sees as taking jobs away from Americans.
- Agile, an IT Staffing and research company, reports a continued expectation that IT professionals will remain in strong demand, with Staffing especially strong among software engineering and software development. Changes to immigration law continues to encourage the use of near-shore and onshore IT professionals, driving up wages and employment rates for American IT consultants and contractors.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$m)
2019-09-27	Lyneer Staffing Solutions	Anchor Staffing	
2019-09-05	DISYS	ALTEK Information Technology (assets)	
2019-08-21	S.i. Systems	Keen Technology Consulting	
2019-08-01	Xen Tegra	Babb Technology 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 09/30/19	Market Cap.	Enterprise Value (\$M)	EV/ LTM Revenue	EV / LTM EBITDA
Arrow Electronics	\$74.58	\$6,453.7	\$9,421.0	0.3x	19.0x
Synnex	\$112.90	\$5,304.9	\$8,832.9	0.4x	9.0x
TechData	\$104.24	\$3,910.7	\$4,398.5	0.1x	6.5x
Insight Enterprises	\$55.69	\$2,007.2	\$1,928.3	0.3x	7.0x
ALSO Holding	\$143.85	\$1,845.2	\$2,226.5	0.2x	11.7x
PC Connection	\$38.90	\$1,037.6	\$965.8	0.4x	8.6x
<b>Median:</b>	<b>\$89.41</b>	<b>\$2,959.0</b>	<b>\$3,312.5</b>	<b>0.3x</b>	<b>8.8x</b>

### SECTOR HIGHLIGHTS

- The median VAR was trading at 8.8x EBITDA (based on Enterprise Value) at the end of Q3.
- Ingram Micro is rumored to be on the market with RRJ Capital considering a majority investment in the distribution giant. The news follows a year of speculation that Ingram Micro may be looking for a new owner with Apollo Global and Synnex also discussed as potential suitors.
- Synnex has continued to expand its ServiceSolv portfolio by announcing a new dedicated portfolio of security offerings targeted towards MSSPs in Q2. Synnex plans to solve a critical need for MSSPs as a vendor-agnostic, end-to-end provider offering services including NOC and installation support. The announcement echoes Boomtown’s prediction that VARs will focus on offering managed security offerings in 2020 as IT security spending continues to grow.
- According to the VAR 100 2019 report, laggard industries are finally embracing the cloud. As companies are realizing that the cloud is secure, VARs have begun to see a shift from inflexible legacy accounting solutions to a stronger demand for modern, cloud-centric and AI-gearred solutions. For VARs, understanding specialized vertical needs and providing tailored solutions will be key to successfully meeting cloud implementation needs.
- As VARs continue to transition towards a cloud focused model, the report expects that there will be growing pains. In addition to subscription models changing cash flow considerably, VARs have noticed that companies are focused on lower-cost implementations. Talent also continues to be another pain point for cloud-focused VARs which have difficulty finding creative mindsets that go beyond technical skills.

### MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer	Target	Enterprise Value (\$m)
2019-09-09	Akamai Technologies Inc.	Exceda	
2019-09-04	The Carlyle Group	Euro Techno Com	
2019-08-07	PCCW Solutions	HCL Insys	
2019-07-16	ECi Software Solutions	Spruce Computer Systems	
2019-07-15	Givex	Easy Information Solutions	
2019-07-11	D3 Technologies	CADMIN Services	
2019-07-01	ScanSource	intY	

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