

# Software & IT Services M&A Pulse

2020 H1 Review and COVID-19 Briefing



C O R P O R A T E F I N A N C E  
I N T E R N A T I O N A L

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# Introduction



Corporate Finance International ('CFI') is pleased to present the Software & IT Services M&A Pulse first half year 2020 Review. This report provides commentary and analysis on current market trends and M&A activity within the Software & IT Services sector.

At the time of writing, the COVID-19 pandemic impacts economic activity, including the Software & IT Services market. We will assess how this disruption plays out in markets and discuss our high-level view for 2020. We hope you find this edition informative and we would encourage you to reach out to our European sector specialists (Ramon Schuitevoerder, Clément Barbot, Andre Wassman, João Santos, Sam Forman, Mats Axell and Mario van Gasse) if you would like to discuss our perspective on current sector trends and M&A opportunities or our relevant sector and transaction experience.

CFI is a group of middle-market investment banks and corporate finance advisory boutiques with over 250 bankers specialising in cross-border acquisitions, divestitures, capital raising, and related services all over the world. CFI focuses exclusively on middle-market

transactions, with deal sizes ranging from EUR 10 million to EUR 500 million. In 2019, CFI completed over 130 M&A transactions, involving parties in 19 countries and 4 continents.

Our Software & IT Services team provides best-in-class, cross-border M&A advisory services to family and entrepreneurially owned companies, private equity funds and financial sponsors, and publicly traded companies. Our extensive sector knowledge and transaction experience spans the Adtech & Martech, BI/Big Data, Enterprise Software, Fintech, Infrastructure, IT Security, IT Services, Managed Services and Near- and Offshoring domains.

Our professionals have global relationships with leading technology companies and financial investors. Thoughtful advice, extensive experience of structuring and negotiating complex transactions, and a sector focus that supports in-depth understanding of trends and developments impacting our clients, has resulted in a track record of long-term relationships with clients seeking extraordinary value.

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# Introduction



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## Recent tombstones

CFI advised

**Plint**

in its sale to

**PRIVEQ**

CFI

CFI advised

**Blauw Gras**

in its sale to

**born05**

a portfolio company of

**QUADRUM CAPITAL**

CFI

CFI advised

**specter**

in its sale to

**VISMA**

a portfolio company of

**Hg**

CFI

CFI advised

**Inspiretec**  
Customer-first technology

in its refinancing from

**NatWest**

CFI

CFI advised

**Bolster.**  
INVESTMENT PARTNERS

in the sale of

**KRAAN**  
SOFTWARE RISK BLOWN & BUSTLED  
to

**nedvest**

CFI

CFI advised

**AUXILIUM**  
CAPITAL

in the sale of

**FRONTMEN**  
FRONTEND EXPERTS

to

**intracto**

a portfolio company of Waterland Private Equity investments

CFI

CFI advised

**MAIN**  
CAPITAL PARTNERS

and management in the sale of

**YMOR**

to

**SENTIA**

a portfolio company of Waterland Private Equity investments

CFI

CFI advised

**PYLADES**

Microsoft Partner

in its sale to

**WATERLAND**  
PRIVATE EQUITY INVESTMENTS

CFI

CFI advised

**optimind.**  
manage risk, build your future

in its refinancing from

**ARDIAN**

who joined as a minority shareholder in a EUR 25m fundraising round

CFI

CFI advised

**certus**  
a SysGroup Company

in its sale to

**SysGroup**

CFI

# Case Study 1

## Company overview

Plint offers tech-enabled services for cloud-based media localization and workflow management based on its software – Plint Core. The Company has had very strong growth, delivering growth of over 2,000% over the past five years. The customers mainly consist of international media companies, broadcasters and other well-known global companies. Thanks to its software, Plint Core, combined with a dedicated customer focus, it has been able to deliver high value to customers such as Netflix, Viacom, Premiere and NENT. The Company has offices in Gothenburg, Borås and Los Angeles. In 2019, Plint had a revenue of approximately SEK 241 million with good profitability.

## Buyer

Priveq Investment is a leading Swedish private equity company focused on small and medium-sized companies with growth potential. Priveq has a long history of building and transforming its investments into national and international industry leaders. Its current 18-company portfolio (including Plint) covers a wide range of industries, from postal management to eHealth solutions. Priveq's portfolio companies have collective revenues of around SEK 5bn (USD 510m).

## Marketing highlights

Based on its proprietary software Plint Core, Plint has been able to embrace the rapid technology shifts driven by our new ways of consuming media. While Plint's growth into 2020 seems to have been unhampered by the COVID-19 pandemic so far, the company also observed that new productions had been "temporarily put on the back burner" amid COVID-19 lockdowns. Nevertheless, orders are still strong and Plint has "several promising requests" in the works.

The Company has been acquired by Priveq Investment for 55% stake through an LBO. The remaining 45% of shares are owned by Plint CEO, Örjan Serner as well as Co-founder, Per Naucér and Studio Manager, Johan Gladh. The Company's other Co-founder, Mikael Fröling will gradually step back from the company, while the rest of the leadership will stay on. Helena Skåntorp has been appointed Chairperson of Plint's Board of Directors.

## Process highlights

CFI initiated discussions and negotiations in a narrow process, which ultimately resulted in a successful sale to Priveq, that closed on 11 May 2020.

## Transaction type

Sell-side M&A

## Sector

Enterprise Software

## Deal value

Undisclosed

## Date

May 2020



## Deal makers



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# Case Study 2

## Company overview

Founded in 2011, Blauw Gras is a digital-native agency with strong expertise in social media, social data and e-reputation. It offers a full suite of services, including strategic consulting, concepting, creation, distribution, community/content management, influencers and webcare. Through its ability to understand, manage and optimise the potential of social media to reach audiences, Blauw Gras has become the subject matter expert for solving its clients' digital communication challenges on social media channels.

## Buyer

Born05 is an independent digital agency, dedicated to combining creative vision with excellent technical understanding and execution. The Company's core service offering consists of digital strategy, front-end design and development, online marketing and full-service digital solutions. It is the digital agency of record for sophisticated clients that are at the leading edge of the digital marketplace.

## Marketing highlights

In 2019, Born05 secured growth equity from Quadrum Capital to back its ambition to become the leading full-services digital agency in the Benelux. The acquisition of Blauw Gras marks its first and very significant step in realising that ambition. By combining Blauw Gras' social media expertise with Born05's ability to adapt brand strategies in a broader context, the combined entity will be able to extend its technical and multi-channel service offering and broaden its customer base.

## Process highlights

CFI facilitated discussions and negotiations in a process, which ultimately resulted in a successful sale to Born05 that closed on 23 April 2020. Digital agencies continue to rely on CFI for its deep sector expertise, as precluded by previous transactions in the digital space such as the sale of Frontmen by Auxilium Capital to Intracto, as well as the sale of Luon and Snackbytes to Intracto, and the sale of brightONE by Aurelius Equity Opportunities to Fellowmind (from CRM Partners).

## Transaction type

Sell-side M&A

## Sector

AdTech & MarTech

## Deal value

Undisclosed

## Date

April 2020



## Deal makers



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# Case Study 3

## Company overview

Specter is a supplier of cloud-based business systems for e-commerce and omnichannel sales. The Company's key product, Specter Business Management, is a cloud-based retail ERP and business management system with a strong focus on automation and user friendliness. The solution is used by over 1,200 pure-play online and omnichannel customers in Sweden and Norway. Specter has 31 employees located in Skärhamn (HQ) and Gothenburg, Sweden.

## Buyer

With a presence across the entire Nordic region along with Benelux, Central and Eastern Europe, Visma is a leading SaaS company empowering close to one million customers running their daily business. Visma delivers software that simplifies and digitises core business process in the private and public sector. Being consistently Visma's largest investor of the past 13 years, HgCapital recently expanded its shareholding in April 2019, in a transaction that valued Visma at EUR 6.5 billion.

## Marketing highlights

With its user-friendly business system, Specter has achieved great success since its inception, streamlining everyday life for over a thousand companies and reaching a position as market leader within its niche. As a result of this, along with a scalable business model, Specter has grown its revenue to SEK 31 million with recurring revenue of almost 90%.

## Process highlights

CFI initiated discussions and negotiations in a process, which ultimately resulted in a successful sale to Visma, backed by HgCapital, that closed on 1 April 2020. With a shared vision of making processes simple and cloud-based, Visma will be perfectly suited to support Specter in becoming better and more competitive, as well as, creating synergies that will benefit both companies' current and future customers.

## Transaction type

Sell-side M&A

## Sector

Enterprise Software

## Deal value

Undisclosed

## Date

April 2020



## Deal makers



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### Erik Arvidsson

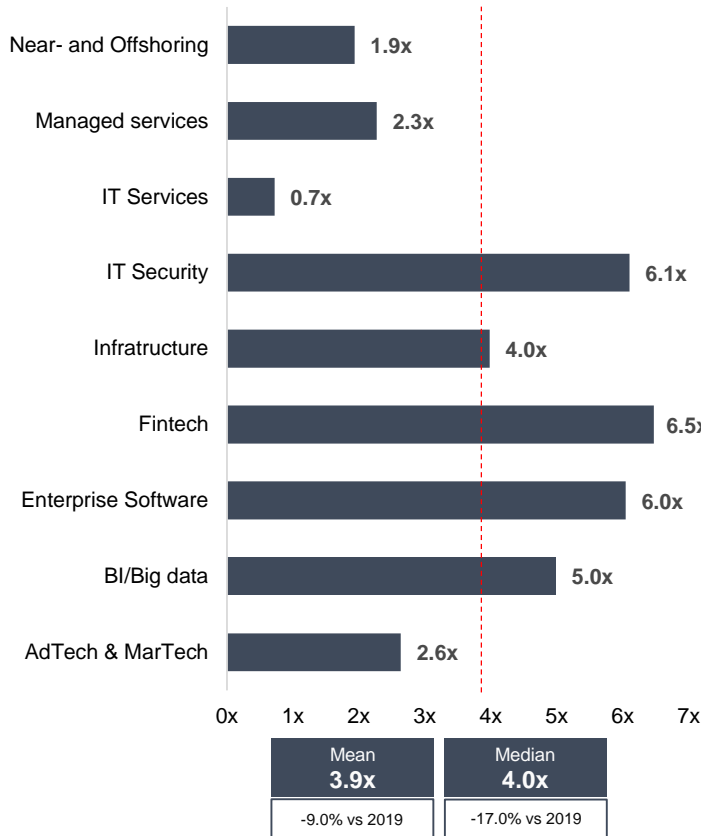
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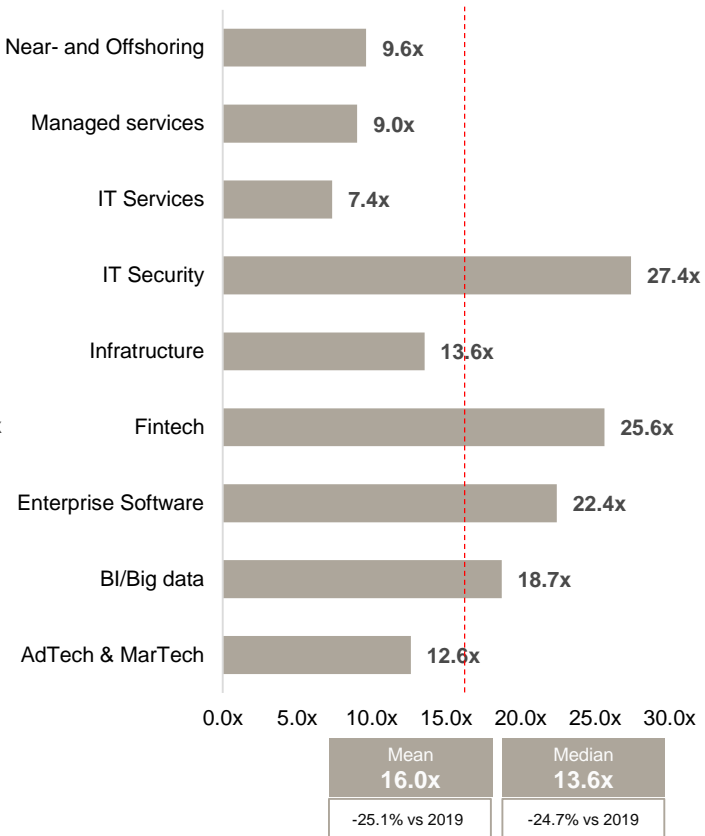
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# Summary H1 2020

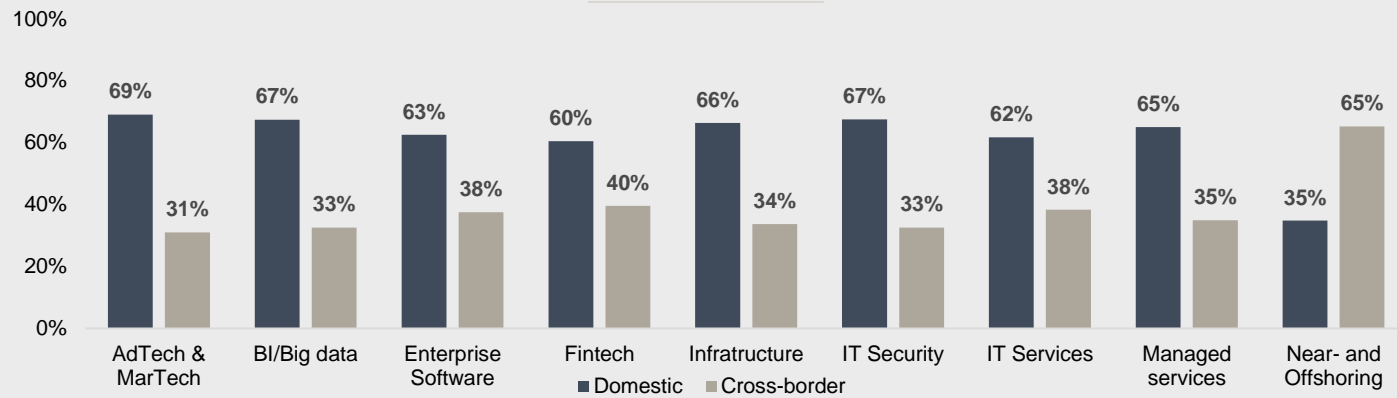
## TEV/Revenue



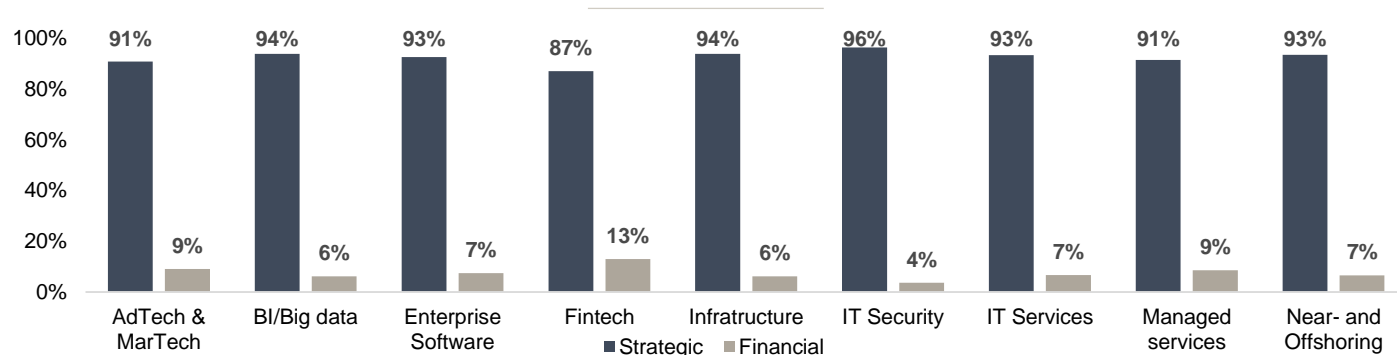
## TEV/EBITDA



## Type of Deals

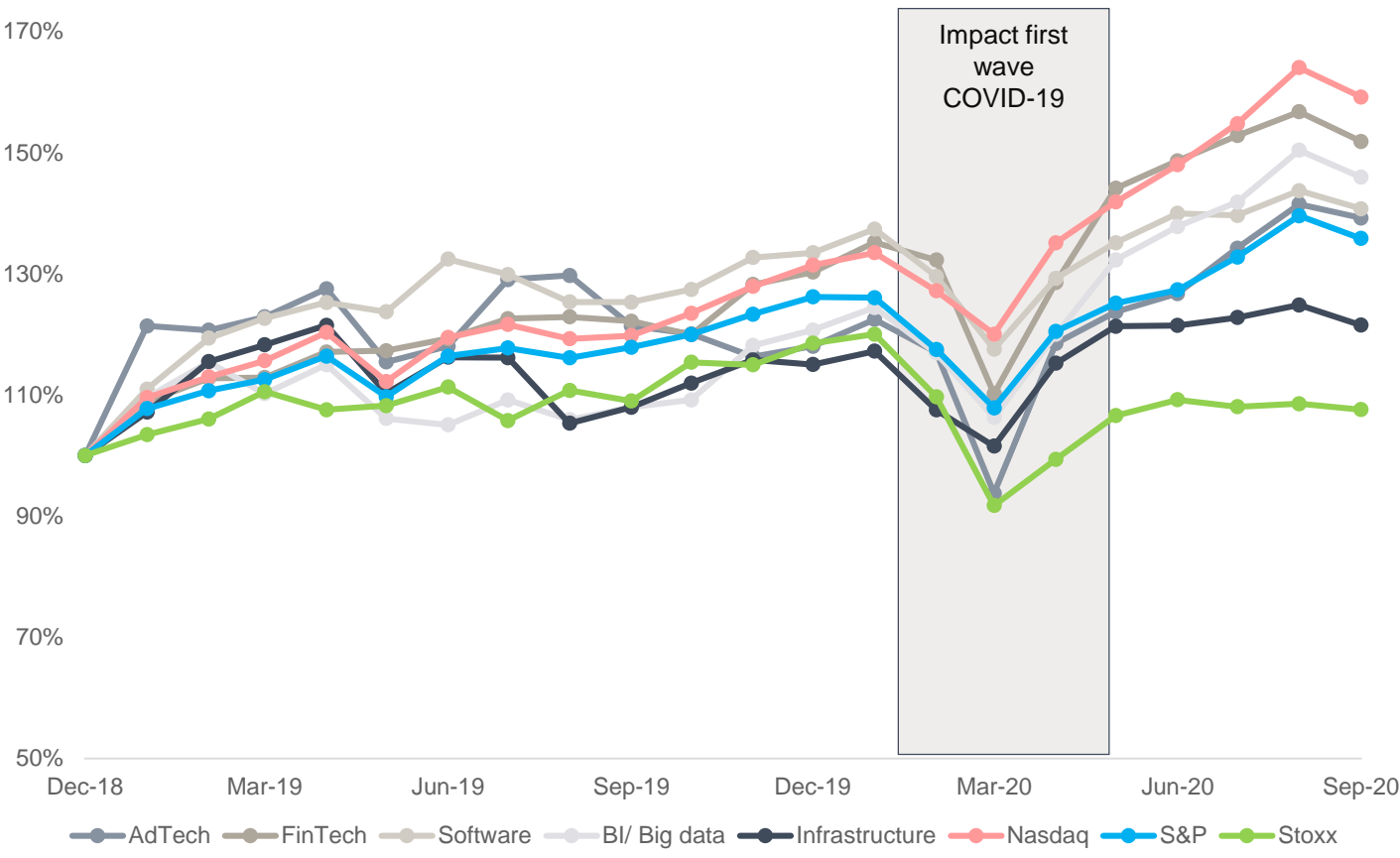


## Type of Buyers

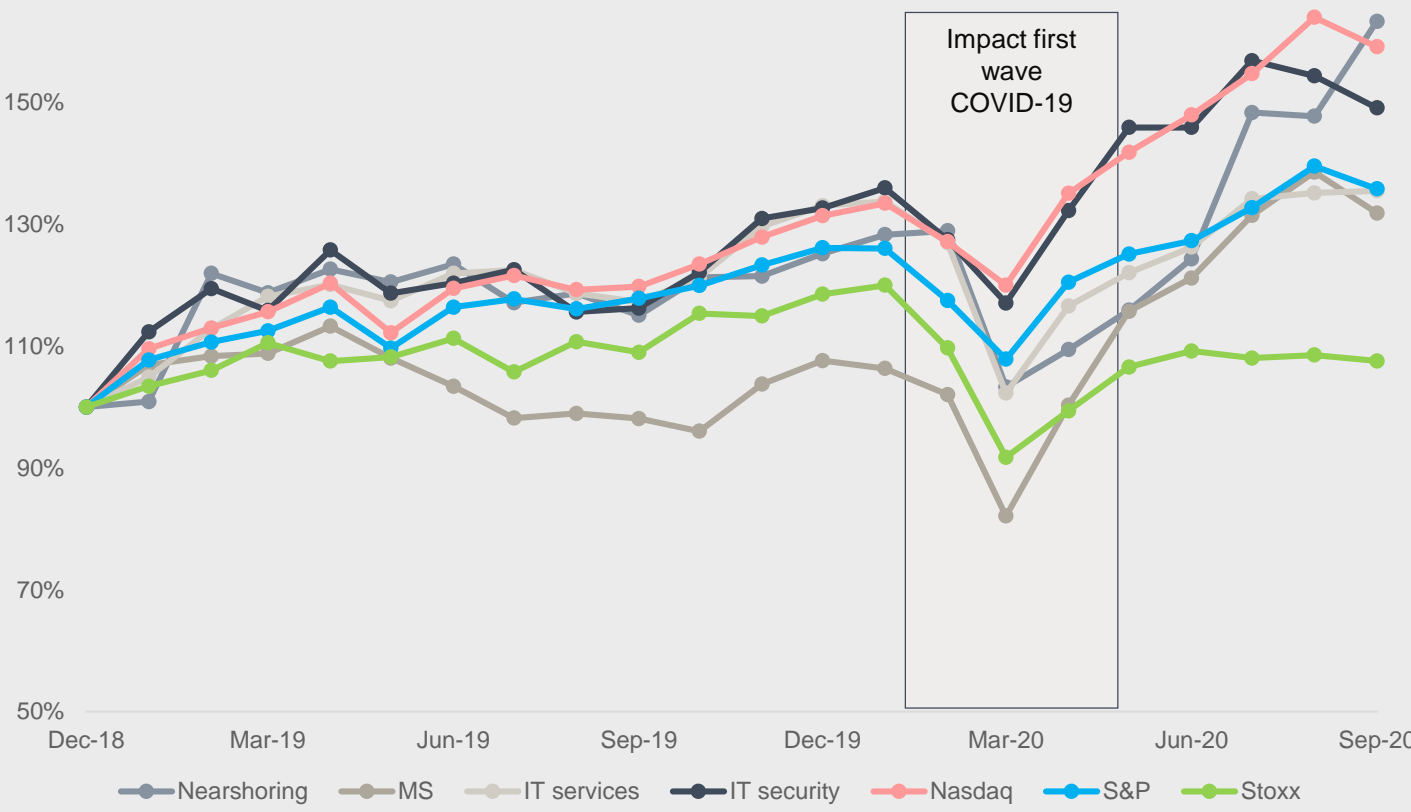


# Stock Performance

## Stock Market Performance (LTM)



## Stock Market Performance (LTM)

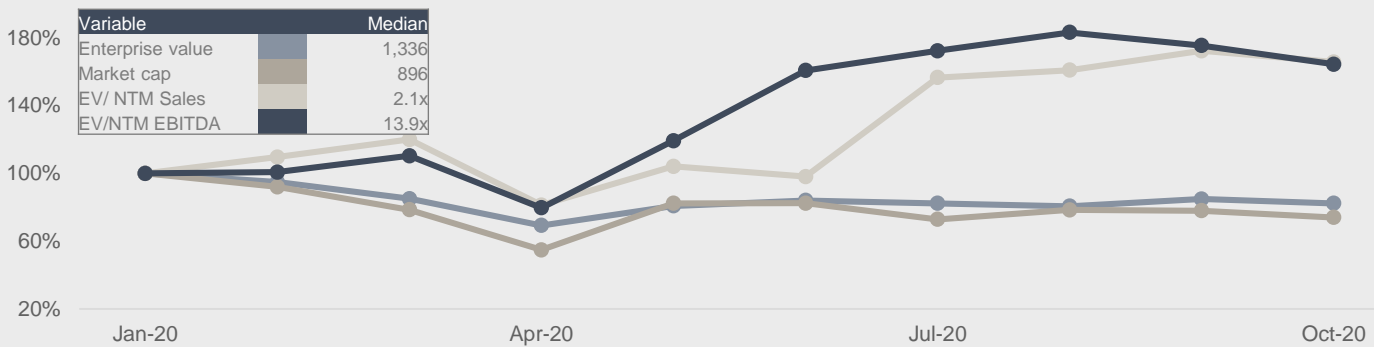


# AdTech & MarTech

## Trends

- AdTech is key for development in the advertising industry and is expected to record exponential growth during the coming years.
- Technologies that provide solutions to those challenges, such as ad fraud, transparency and privacy issues will be attractive targets going forward.
- COVID-19 and lockdown measures will boost e-commerce and related services significantly.
- From almost exclusively being used by big organisations, AI and machine learning is starting to gain serious traction within smaller companies.
- In addition, there is a trend of breaking the trend of employing typical platforms like Apple and Google and instead use third-party tools for designing, directing and promoting ads.
- AdTech is still an active market for M&A, with interest shown from both technology focused strategic buyers and financial buyers such as private equity and venture investors.

## Rolling CTA Index



## Stock Market Valuation (in EURm)

Company	Revenues FY 2019	Revenues FY 2020	Revenues FY 2021	EBITDA FY 2020	Market Cap	Enterprise value	EV/Revenues	EV/EBITDA current	EV/EBITDA 3-year avg	EV/EBITDA next FY
Facebook, Inc. Class A	63,165	68,624	85,406	32,891	486,589	539,724	7.9x	16.4x	15.4x	13.2x
BrightView Holdings, Inc.	2,132	2,110	2,241	234	1,046	2,071	1.0x	8.8x	9.6x	8.3x
Brightcove Inc.	165	163	178	7	273	268	1.6x	39.4x	55.3x	28.3x
Criteo SA Sponsored ADR	2,020	642	676	128	615	423	0.7x	3.3x	7.8x	7.5x
HubSpot, Inc.	603	718	868	69	8,715	8,491	11.8x	123.3x	219.2x	130.7x
Marin Software, Inc.	44				9	12				
Matomy Media Group Ltd.	66				5	0			17.0x	
New Relic, Inc.	414	596	692	55	3,671	3,384	5.7x	61.9x	101.3x	54.8x
Tremor International Ltd.	291	270	378	14	223	117	0.4x	8.2x	9.2x	5.9x
Rubicon Project, Inc.	140	163	213	-3	638	590	3.6x	(210.3x)	69.5x	28.6x

<b>Mean</b>	<b>4.1x</b>	<b>6.4x</b>	<b>56.0x</b>	<b>34.6x</b>
<b>Median</b>	<b>2.6x</b>	<b>12.6x</b>	<b>17.0x</b>	<b>20.7x</b>

## Selected Transactions

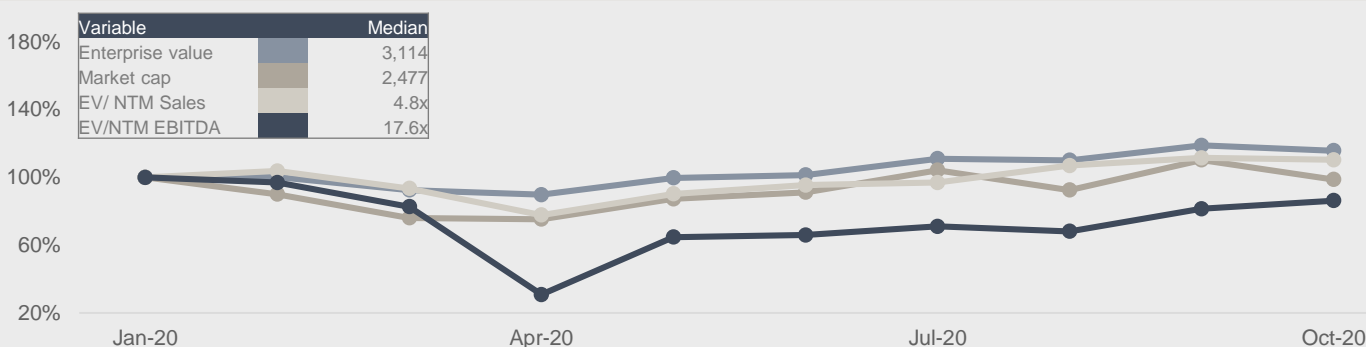
Announced date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Jan-20	Tremor International Ltd.	Unruly Group Ltd.	17	-	-
Feb-20	Indufin Capital Partners	Springbok	-	-	-
Mar-20	Spotler Group	Flowmailer	-	-	-
Mar-20	TNL Media Group	Ad2iction	-	-	-
Apr-20	Born05	BlauwGras	CFI Confidential		
May-20	Twitter	CrossInstall	-	-	-
May-20	Constellation software	Tune	-	-	-
Jun-20	Moving Walls Group	Ahoy	-	-	-
Jun-20	Spotler Group	Measuremail, Tripolis,	-	-	-
Jun-20	CMerTV, Inc.	relaido, Inc.	-	-	-

# Business Intelligence/Big Data

## Trends

- The COVID-19 pandemic led to an increase in demand for data visualisation to enhance the ability in making business decisions in a cost-effective and scalable way. The data visualisation capability helps companies identify business drivers and KPIs through BI solutions and helps eliminate unnecessary data to discover patterns, insights and trends.
- Despite the obvious benefits, the high initial investments costs pose a major challenge as BI tools are still in the early stage of the maturation cycle.
- COVID-19 has expedited the need for all companies to put their data to work to speed-up the decision-making process. Comprehensive BI practices can help companies define proper metrics to survive a crisis better, as lockdowns worldwide impose a major slowdown to the growth of companies and economies.
- Data integration is expected to be the prime challenge to BI vendors. As demand for cloud-based BI solutions is high, cloud deployments face several challenges such as security and integration issues with on-premises data. Integration of various analytics software, BI, big data and analytics applications is a challenge to the industry.

## Rolling CTA Index



## Stock Market Valuation (in EURm)

Company	Revenues FY 2019	Revenues FY 2020	Revenues FY 2021	EBITDA FY 2020	Market Cap	Enterprise value	EV/Revenues	EV/EBITDA current	EV/EBITDA 3-year avg	EV/EBITDA next FY
Altair Engineering Inc. Class A	410	402	438	30	1,480	2,555	6.4x	85.5x	73.1x	57.5x
Cloudera, Inc.	409	747	821	152	3,345	3,162	4.2x	20.7x	46.4x	15.6x
Inovalon Holdings, Inc. Class A	574	609	668	202	1,305	3,339	5.5x	16.5x	17.1x	14.8x
MicroStrategy Incorporated Class A	435	423		39	814	649	1.5x	16.7x		
Open Text Corporation	2,515	2,833	3,057	1,006	10,237	12,723	4.5x	12.6x	12.3x	11.1x
Splunk Inc.	1,537	2,166	2,715	16	28,106	28,217	13.0x	1,761.1x	594.0x	97.0x
Dynatrace, Inc.	372	569	702	147	10,153	10,552	18.5x	71.9x	93.3x	57.2x
Teradata Corporation	1,697	1,589	1,642	270	2,009	2,159	1.4x	8.0x	8.6x	6.4x

Mean		6.9x	249.1x	120.7x	37.1x
Median		5.0x	18.7x	46.4x	15.6x

## Selected Transactions

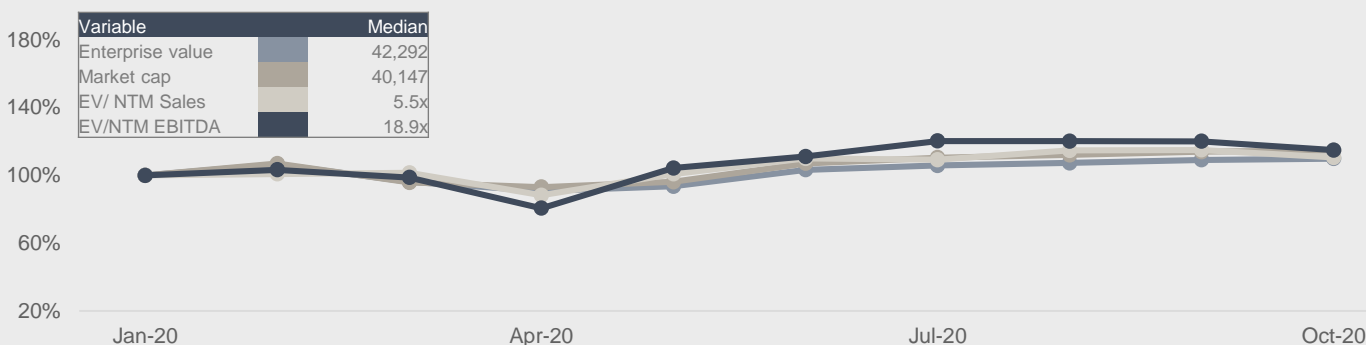
Announced date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Jan-20	Cubic	Pixia	221	-	-
Jan-20	Apple	Xnor.ai	179	-	-
Feb-20	Facebook	Atlas ML	36	-	-
Feb-20	SalesForce	Evergage	90	-	-
Feb-20	Moody's Analytics	RDC	634	-	-
Feb-20	Cornerstone OnDemand, Inc.	Saba Software, Inc.	1,221	-	-
Feb-20	DocuSign, Inc.	Seal Software, Inc.	173	-	-
May-20	MSCI	Burgiss Group	430	-	-
Jun-20	SalesForce	Vlocity	1,098	13.8x	-
Jun-20	National Instruments	Optimel+	334	7.2x	-

# Enterprise Software

## Trends

- The COVID-19 pandemic has impacted the global economy, but M&A activity has continued in the Enterprise Software sector with a total of 392 deals during H1 2020.
- The sector landscape is always evolving, even during the pandemic, with startups in new product categories disrupting established vendors and well-known names combining to stay on top of the market.
- Cloud-based apps have driven rapid change in the sector both in terms of the software that runs in the cloud and the hardware that powers it.
- From an M&A standpoint, both private equity and strategic buyers seem to be focusing their sights on companies helping to improve communications, streamline processes or facilitate remote working capabilities.
- Businesses that help fuel the e-commerce boom, like supply chain logistics software, critical for improving last-mile fulfilment, and healthcare and medtech software are particularly sought after assets.

## Rolling CTA Index



## Stock Market Valuation (in EURm)

Company	Revenues FY 2019	Revenues FY 2020	Revenues FY 2021	EBITDA FY 2020	Market Cap	Enterprise value	EV/ Revenues	EV/EBITDA current	EV/EBITDA 3-year avg	EV/EBITDA next FY
AVEVA Group plc	869	878	941	261	7,271	7,236	8.2x	27.8x	28.7x	24.6x
Constellation Software Inc.	3,118	3,533	4,159	952	21,236	21,357	6.0x	22.4x	21.9x	18.8x
Dassault Systemes SA	4,018	4,559	4,976	1,585	40,589	42,607	9.3x	26.9x	27.7x	23.7x
Enghouse Systems Limited	258	345	389	111	2,607	2,547	7.4x	22.9x	24.5x	20.6x
IBM Corp.	68,927	64,877	66,300	14,614	95,762	145,780	2.2x	10.0x	9.5x	8.9x
Intuit Inc.	5,968	6,600	7,067	2,341	68,769	66,600	10.1x	28.4x	29.4x	25.3x
Micro Focus International plc	2,979	2,649	2,537	966	1,590	5,524	2.1x	5.7x	5.4x	5.9x
Microsoft Corporation	110,016	125,888	139,074	58,430	1,374,087	1,343,677	10.7x	23.0x	23.7x	21.0x
Oracle Corporation	34,539	34,454	35,541	16,940	151,009	190,198	5.5x	11.2x	11.6x	11.0x
SAP SE	27,553	28,012	30,117	9,307	152,728	157,608	5.6x	16.9x	17.3x	15.0x
Sage Group plc	2,190	2,029	2,056	507	8,062	8,384	4.1x	16.5x	16.0x	16.6x
<b>Mean</b>							<b>6.5x</b>	<b>19.3x</b>	<b>19.6x</b>	<b>17.4x</b>
<b>Median</b>							<b>6.0x</b>	<b>22.4x</b>	<b>21.9x</b>	<b>18.8x</b>

## Selected Transactions

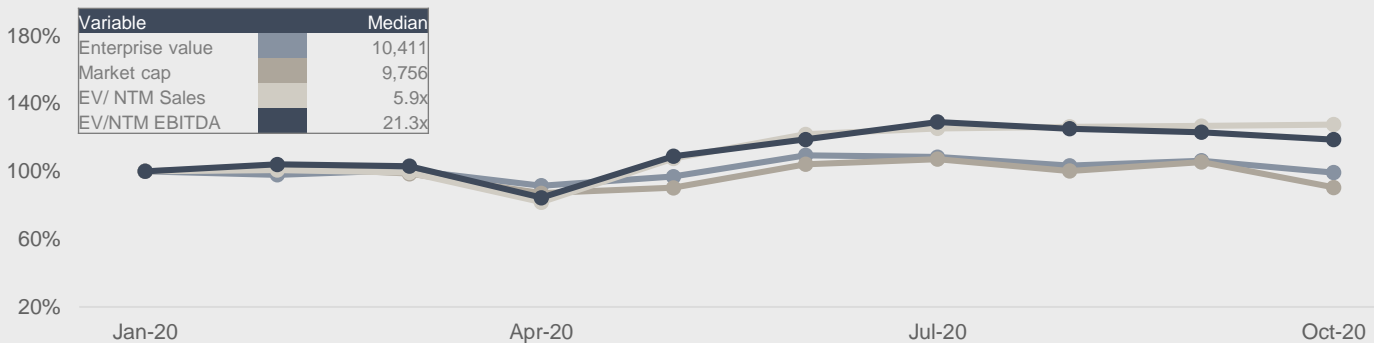
Announced date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Jan-20	Insight Venture Management	Veeam Software Group	4,497	-	-
Feb-20	Schneider Electric	RIB Software	1,293	5.9x	26.8x
Feb-20	Visma	OnGuard Holding	37	-	-
Apr-20	Visma	Specter	CFI Confidential		
May-20	Total Specific Solutions	Topicus	-	-	-
May-20	Ergon Capital Partners	Sofico	-	-	-
May-20	Priveq	Plint	CFI Confidential		
Jun-20	National Instruments	OptimalPlus	328	7.2x	
Jun-20	Sinch	ACL Mobile	63	1.1x	4.9x
Jun-20	Keysight Technologies	Eggplant Group	343	7.0x	

# Fintech

## Trends

- The financial industry is broad and the downturn on certain services will be more severe than on others. Decreased consumer spending due to the COVID-19 pandemic will be negative for (retail) payment service providers, although increased e-commerce could prove beneficial. Commercial insurtech providers will struggle with increased payouts, but pandemic-related protection could drive new product opportunities.
- Trading and capital market platforms will benefit from temporarily increased market volatility but still face ongoing sector challenges of commoditisation. Despite the probable acceleration of demand among banks for digital transformation, spending on new technology initiatives could remain muted until the economy recovers.
- In H1 2020, cumulative global investment activity across VC, PE and M&A for Fintech companies was just under USD 28 billion, much lower than the USD 39.4 billion observed in H1 2019.
- However, the long-term opportunity to provide innovative, digital financial services is expected to remain intact.

## Rolling CTA Index



## Stock Market Valuation (in EURm)

Company	Revenues FY 2019	Revenues FY 2020	Revenues FY 2021	EBITDA FY 2020	Market Cap	Enterprise value	EV/Revenues	EV/EBITDA current	EV/EBITDA 3-year avg	EV/EBITDA next FY
Basware Oyj	148	146	165	17	430	477	3.3x	28.3x	31.6x	20.6x
Bottomline Technologies (de), Inc.	370	392	419	83	1,986	1,890	4.8x	22.7x	25.6x	20.7x
PayPal Holdings Inc	15,666	17,988	21,090	4,888	182,143	180,638	10.0x	37.0x	40.1x	31.1x
Fidelity National Information Services	9,232	11,018	12,008	4,720	73,762	91,423	8.3x	19.4x	19.6x	16.5x
Fiserv, Inc.	9,102	12,460	13,361	4,962	58,189	79,391	6.4x	16.0x	17.7x	14.4x
Ingenico Group SA	3,370	2,889	3,150	572	9,047	10,571	3.7x	18.5x	17.7x	16.5x
Jack Henry & Associates, Inc.	1,361	1,513	1,595	487	12,554	12,477	8.2x	25.6x	24.4x	24.8x
PayPoint plc	240	120	130	60	451	428	3.6x	7.1x	6.4x	6.3x
QIWI Plc Sponsored ADR Class B	543	334	382	125	754	612	1.8x	4.9x	4.4x	3.5x
SimCorp A/S	455	451	508	121	3,885	3,877	8.6x	32.2x	27.8x	25.0x
Temenos AG	868	848	955	375	10,188	10,970	12.9x	29.3x	25.2x	26.6x
Worldline SA	2,382	2,357	2,576	578	14,092	15,258	6.5x	26.4x	25.1x	22.5x
Square, Inc. Class A	4,211	4,670	5,764	168	33,915	40,677	8.7x	242.5x	140.3x	86.3x
<b>Mean</b>							<b>6.7x</b>	<b>39.2x</b>	<b>31.2x</b>	<b>24.2x</b>
<b>Median</b>							<b>6.5x</b>	<b>25.6x</b>	<b>25.1x</b>	<b>20.7x</b>

## Selected Transactions

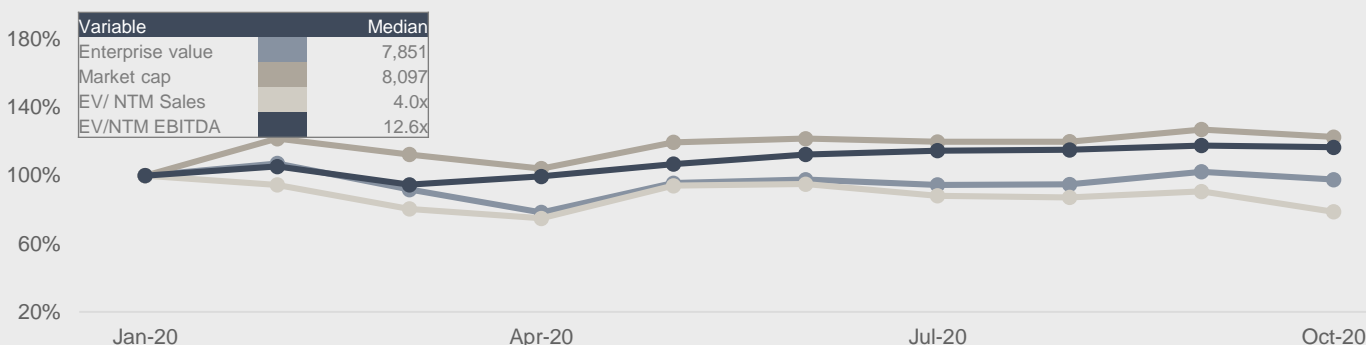
Announced date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Jan-20	SoFi	Galileo	1,079	12.0x	-
Jan-20	Visa	Plaid	4,758	35.3x	-
Feb-20	Intuit	Credit Karma	6,491	7.1x	-
Mar-20	WorldLine	Ingenico	6,986	2.3x	14.5x
Mar-20	Group of investors	N26	523	11.9x	-
Mar-20	EML Payments	Prepaid Financial Services	162	2.0x	35.3x
Apr-20	Group of investors	Stripe	850	7.0x	-
Jun-20	IPO	Open Lending	2,779	15.0x	23.0x
Jun-20	Kohlberg Kravis Roberts	Heidelpay	600	11.1x	24.7x
Jun-20	Lightspeed POS	Gastrofix	100	8.0x	-

# IT Infrastructure

## Trends

- Post COVID-19 there will be an enhanced focus on more digitally connected components. As a result, cloud, network and modern IT infrastructure will enable enterprises to navigate the new reality.
- With many companies actively managing cash flow and expenses, cloud infrastructure and opex projects are being favored over capex heavy investment and upgrading of older hardware and system architecture.
- This is likely to increase competition amongst vendors and create pressure to enhance features, strengthen security and improve reliability, some aspects of which will need to be gained via acquisition rather than organic development.
- The M&A market is mostly dominated by US acquirers, but still delivered 34% cross-border transactions in H1 2020.

## Rolling CTA Index



## Stock Market Valuation (in EURm)

Company	Revenues FY 2019	Revenues FY 2020	Revenues FY 2021	EBITDA FY 2020	Market Cap	Enterprise value	EV/Revenues	EV/EBITDA current	EV/EBITDA 3-year avg	EV/EBITDA next FY
Akamai Technologies, Inc.	2,585	2,765	2,949	1,191	15,473	16,879	6.1x	14.2x	15.0x	13.1x
Arista Networks, Inc.	2,154	1,977	2,265	763	14,157	12,418	6.3x	16.3x	15.6x	14.1x
Broadcom Inc.	20,105	21,002	22,316	11,682	113,016	151,263	7.2x	12.9x	13.6x	11.8x
Citrix Systems, Inc.	2,690	2,829	2,917	944	16,257	17,504	6.2x	18.5x	19.9x	17.8x
CommVault Systems, Inc.	614	583	613	77	1,591	1,298	2.2x	16.9x	20.4x	15.2x
F5 Networks, Inc.	1,988	2,067	2,169	689	7,563	7,352	3.6x	10.7x	11.3x	9.8x
Micro Focus International plc	2,979	2,649	2,537	966	1,590	5,524	2.1x	5.7x	5.4x	5.9x
NetApp, Inc.	5,349	4,582	4,803	971	8,763	8,222	1.8x	8.5x	7.5x	7.5x
NetScout Systems, Inc.	786	783	825	173	1,644	1,737	2.2x	10.0x	11.0x	9.2x
Pegasystems Inc.	814	946	1,129	32	7,214	7,271	7.7x	227.8x	626.7x	79.6x
Software AG	891	854	871	196	2,657	2,371	2.8x	12.1x	10.7x	11.3x
Progress Software Corporation	369	393	392	162	1,545	1,664	4.2x	10.3x	11.3x	10.1x
Radware Ltd.	225	220	240	28	973	821	3.7x	28.8x	27.0x	22.0x
NTT DATA Corporation	16,857	18,644	19,445	2,730	13,878	18,014	1.0x	6.6x	6.7x	6.0x
ServiceNow, Inc.	3,092	3,867	4,809	1,176	68,777	71,631	18.5x	60.9x	71.7x	49.3x
VMware, Inc. Class A	8,195	10,237	11,316	3,596	15,419	60,523	5.9x	16.8x	19.1x	15.1x
<b>Mean</b>							<b>5.1x</b>	<b>29.8x</b>	<b>55.8x</b>	<b>18.6x</b>
<b>Median</b>							<b>4.0x</b>	<b>13.6x</b>	<b>14.3x</b>	<b>12.5x</b>

## Selected Transactions

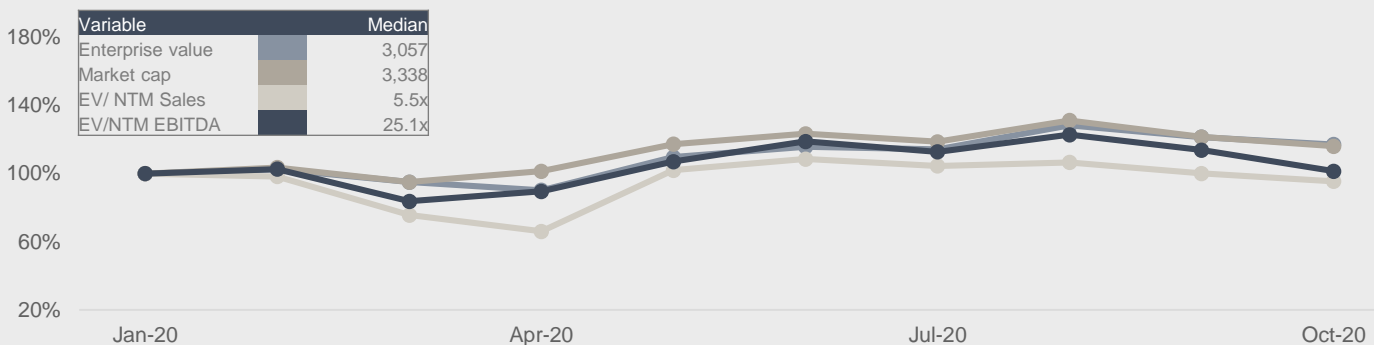
Announced date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Jan-20	Equinix	Packet	335	-	-
Feb-20	Enghouse Systems	Dialogic Group	52	0.9x	-
Feb-20	Arista Networks	Big Switch Networks	-	-	-
Apr-20	Vantage Data Centers	Next Generation Data	-	-	-
Jun-20	Equinix	Bell Data Centres	750	7.1x	15.0x
Jun-20	NetApp	Spot	450	-	-

# IT Security

## Trends

- Cyber security has become an emerging discipline and has driven the focus of many global organisations and governments to invest in advanced security solutions.
- Even though the M&A deal flow has declined in 2020 due to the Covid-19 pandemic, IT Security activity remains strong with USD 13bn of transactions for the 10 biggest deals.
- M&A activity is expected to return as companies focus less on capital preservation and start seeking new opportunities.
- Some IT security companies affected by COVID-19 will take a closer look at their existing businesses to evaluate which areas are core and potential areas to divest.

## Rolling CTA Index



## Stock Market Valuation (in EURm)

Company	Revenues FY 2019	Revenues FY 2020	Revenues FY 2021	EBITDA FY 2020	Market Cap	Enterprise value	EV/Revenues	EV/EBITDA current	EV/EBITDA 3-year avg	EV/EBITDA next FY
Check Point Software Technologies	1,782	1,791	1,843	880	13,914	12,223	6.8x	13.9x	14.2x	13.7x
SecureWorks Corp. Class A	442	500	528	15	124	702	1.4x	46.4x	70.2x	33.0x
CyberArk Software Ltd.	388	406	483	82	3,423	3,029	7.5x	37.0x	31.5x	27.2x
FireEye, Inc.	794	792	838	72	2,416	2,495	3.2x	34.6x	89.2x	25.5x
Fortinet, Inc.	1,926	2,222	2,572	608	19,756	18,894	8.5x	31.1x	33.3x	25.9x
Intercede Group plc	11	12		2	42	46	3.8x	23.1x		
F-Secure Oyj	217	218	231	26	456	464	2.1x	18.0x	18.8x	14.8x
Palo Alto Networks, Inc.	2,551	3,009	3,531	693	19,726	19,625	6.5x	28.3x	37.6x	24.8x
Proofpoint, Inc.	794	909	1,065	125	5,669	5,551	6.1x	44.4x	57.1x	33.0x
Qualys, Inc.	287	318	360	135	3,608	3,528	11.1x	26.1x	27.5x	22.7x
Sophos Group Plc	446									
VeriSign, Inc.	1,100	1,120	1,162	795	21,277	21,811	19.5x	27.4x	27.3x	25.9x
Varonis Systems, Inc.	227	227	271	-22	2,479	2,437	10.8x	(109.5x)	(96.8x)	2,614.9x
Trend Micro Incorporated	1,354	1,435	1,502	422	6,981	5,414	3.8x	12.8x	12.5x	12.3x
OneSpan Inc.	227	229	251	22	1,003	907	4.0x	42.0x	33.5x	26.1x
Zix Corporation	155	190	210	45	350	599	3.2x	13.3x	16.4x	12.4x
<b>Mean</b>							<b>6.5x</b>	<b>19.3x</b>	<b>26.6x</b>	<b>208.0x</b>
<b>Median</b>							<b>6.1x</b>	<b>27.4x</b>	<b>29.5x</b>	<b>25.7x</b>

## Selected Transactions

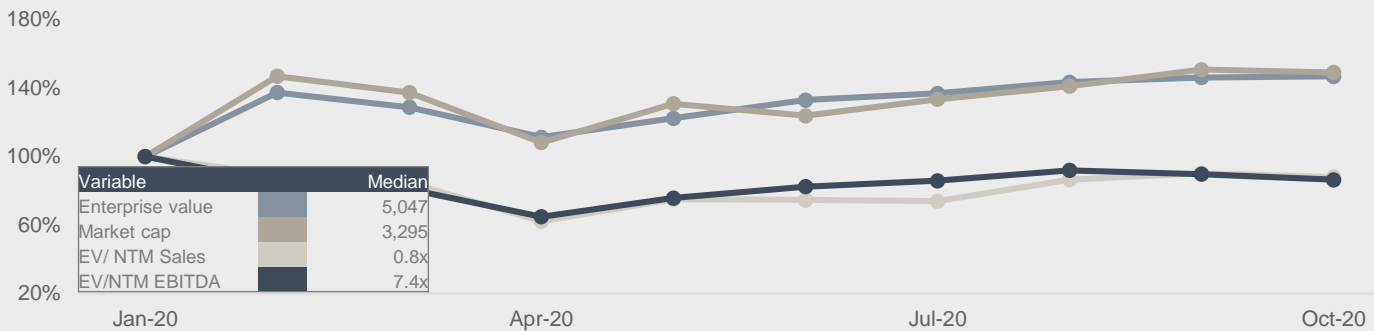
Announced date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Jan-20	BAE Systems	Raytheon Co.	248	-	-
Jan-20	Thoma Bravo	Sophos	3,240	5.0x	46.6x
Jan-20	FireEye	Cloudvisory	12	-	-
Mar-20	Marlin Management	Heimdal Security	-	-	-
Apr-20	Wayside Technology Group	Interwork Technologies	4	-	-
Apr-20	Blackrock	Cofense	10	-	-
Apr-20	Accenture	Symantec	-	-	-
Apr-20	Accenture	Revolutionary Security	-	-	-
May-20	Zscaler	Edgewise Networks	36	-	-
Jun-20	FIG LLC (Private Equity)	Finjan Holdings	12	-	4.9x

# IT Services

## Trends

- The growth of IT Services is expected to be fueled by the introduction of digitisation trends prompting the SMBs and other large enterprises to opt for IT infrastructure, which is further responsible for driving the growth in the adoption of IT operation solutions.
- IT Services deal values fell in Q2 2020 after 2 consecutive quarters of increase, but generally in line with quarterly averages. Deal value and volume declined since investors focused on liquidity and short-term protection.
- However, this sector remains strong due to changes in working practices, which will push companies to use remote systems.
- It is expected that both value and volume of IT Services to go up in the second half of 2020 as all other sectors view technology as the essential enabler for digital transformation and growth.

## Rolling CTA Index



## Stock Market Valuation (in EURm)

Company	Revenues FY 2019	Revenues FY 2020	Revenues FY 2021	EBITDA FY 2020	Market Cap	Enterprise value	EV/Revenues	EV/EBITDA current	EV/EBITDA 3-year avg	EV/EBITDA next FY
Accenture Plc Class A	38,142	39,243	40,851	7,127	121,626	121,209	3.1x	17.0x	17.5x	16.6x
Atos SE	11,588	11,301	11,437	1,459	8,288	10,343	0.9x	7.1x	6.4x	6.6x
Bechtle AG	5,374	5,709	6,292	340	6,594	6,813	1.2x	20.0x	20.1x	18.0x
Capgemini SE	14,125	15,727	17,000	2,303	17,275	24,612	1.6x	10.7x	10.4x	9.5x
Capita plc	4,193	3,676	3,855	365	810	2,201	0.6x	6.0x	5.1x	5.1x
Computacenter Plc	5,759	5,568	5,662	219	2,061	2,043	0.4x	9.3x	8.6x	9.1x
CGI Inc. Class A	8,092	7,881	8,221	1,542	12,869	16,728	2.1x	10.8x	11.1x	10.3x
DXC Technology Co.	17,931	15,511	14,565	2,243	3,728	11,340	0.7x	5.1x	4.0x	4.5x
Devoteam SA	762	744	783	72	607	522	0.7x	7.3x	6.0x	5.6x
Fujitsu Limited	30,794	30,611	31,384	2,772	21,559	20,446	0.7x	7.4x	7.7x	6.8x
Ordina N.V.	372	354	354	42	170	178	0.5x	4.3x	4.3x	4.0x
NEC Corp.	22,699	24,701	25,422	2,259	11,114	14,848	0.6x	6.6x	7.2x	6.0x
Neurones SA	510	471	491	46	499	340	0.7x	7.3x	6.4x	6.7x
Nippon T&T Corporation	92,559	97,015	98,384	25,077	80,980	131,812	1.4x	5.3x	5.1x	5.1x
Reply S.p.A.	1,183	1,220	1,348	187	2,688	2,569	2.1x	13.7x	13.5x	12.0x
Sopra Steria Group SA	4,434	4,320	4,485	397	2,253	3,111	0.7x	7.8x	6.9x	6.6x
<b>Mean</b>							<b>1.1x</b>	<b>9.1x</b>	<b>8.8x</b>	<b>8.3x</b>
<b>Median</b>							<b>0.7x</b>	<b>7.4x</b>	<b>7.0x</b>	<b>6.7x</b>

## Selected Transactions

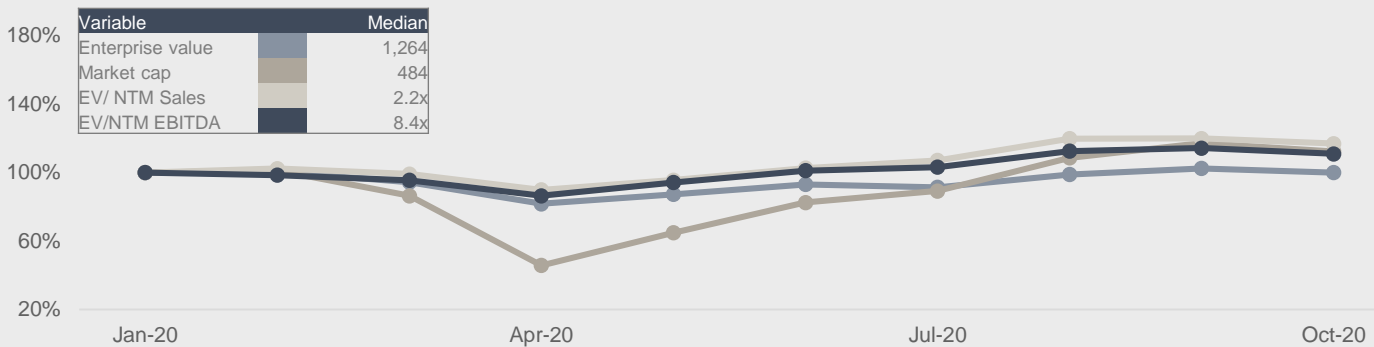
Announced date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Jan-20	Baidu (China) Co., Ltd.	Yusys Technologies Co., Ltd.	2,919	-	-
Feb-20	GetSwift Ltd.	Logo doo	9	-	-
Feb-20	Wipro Digital	Rational Interaction, Inc.	48	-	-
Feb-20	Central Information Systems Co. Ltd.	Finity Co. Ltd.	7	1.7x	-
Feb-20	Eliassen Group LLC	The Armada Group, Inc.	-	-	-
Feb-20	Indis & Co. Ltd. /Lee/	Indis & Co., Ltd.	4	-	-
Mar-20	Pylades/ Ad Ultima	Cayentis	-	-	-
Apr-20	Capgemini	Altran Technologies	3,700	0.3x	16.7x
May-20	Bregal Milestone	Anywhere365	-	-	-
Jun-20	Lloyds Bank	FlyForm	-	-	-

# Managed Services

## Trends

- While managed services providers in select end-markets such as hospitality and travel have been materially impacted by the pandemic, the broader Managed Services market has evolved well, with several companies accelerating ongoing cloud migration as workforces for both small and large enterprises shift to working-from-home.
- This shift, which is expected to persist in a post-COVID-19 era, has driven significant demand for remote-centric solutions, particularly security services.
- c.57% of MSPs project that critical on-premise client workloads will move to the cloud in the next three years.
- M&A volume for Managed Services has, however, decreased y-o-y, with a total of 692 deals (vs. 721 in H1 2019).
- Amid this decrease, the trend is not expected to prevail, as the continuity given by multi-year contracts provides downside protection in times of uncertainty from COVID-19.
- For this reason, legacy IT service providers are exhibiting an increasing hunger to acquire smaller niche managed services specialists.

## Rolling CTA Index



## Stock Market Valuation (in EURm)

Company	Revenues FY 2019	Revenues FY 2020	Revenues FY 2021	EBITDA FY 2020	Market Cap	Enterprise value	EV/Revenues	EV/EBITDA current	EV/EBITDA 3-year avg	EV/EBITDA next FY
Endurance International Group	995	967	983	246	504	1,937	2.0x	7.9x	7.3x	7.6x
GoDaddy, Inc. Class A	2,667	2,888	3,190	724	10,790	12,469	4.3x	17.2x	19.9x	16.2x
iomart Group plc	118	128	134	49	420	495	3.9x	10.2x	10.2x	9.7x
Proact IT Group AB	322	325	350	28	156	168	0.5x	5.9x	5.7x	5.2x
Redcentric Plc	106	95	100	23	202	241	2.5x	10.3x	10.6x	9.1x
United Internet AG	5,194	5,293	5,458	1,262	7,316	8,940	1.7x	7.1x	7.1x	6.9x

<b>Mean</b>	<b>2.5x</b>	<b>9.8x</b>	<b>10.1x</b>	<b>9.1x</b>
<b>Median</b>	<b>2.3x</b>	<b>9.0x</b>	<b>8.7x</b>	<b>8.4x</b>

## Selected Transactions

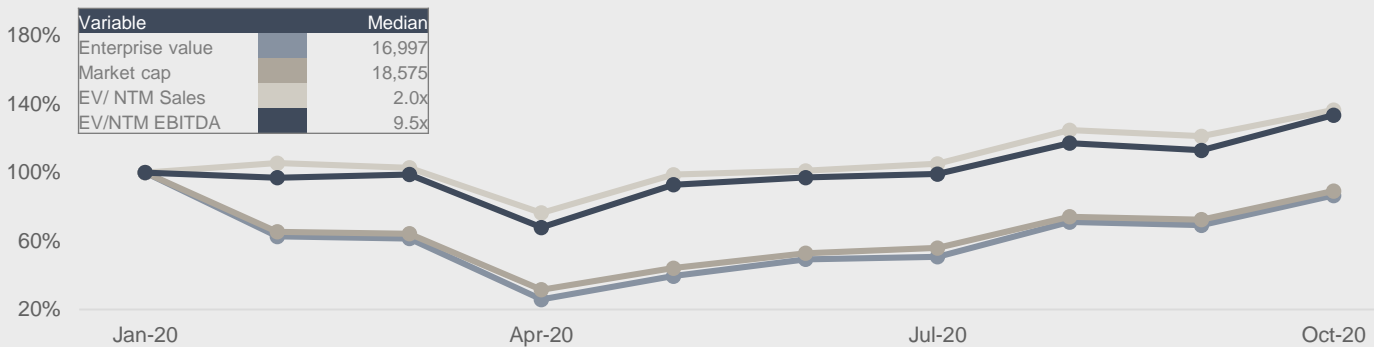
Announced date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Jan-20	Solution Design	Mamezou Holdings	246	1.0x	-
Feb-20	Science Applications International	Unisys Corp.	1,091	1.7x	-
Feb-20	The Citadel Group	Wellbeing Software Group	123	6.2x	16.0x
Mar-20	Netadmin System i Sverige	Collab	6	-	-
Mar-20	Dematic Corp.	Digital Applications International Ltd.	120	3.0x	-
Mar-20	Macquarie Infrastructure	AirTrunk Pte	2,026	-	-
Mar-20	One.com	Hostnet	-	-	-
Apr-20	Digital Colony Management	UOL Diveo	369	-	-
Jun-20	Alinda Capital Partners	Glide Student & Residential	222	-	-
Jun-20	Team.Blue	Natro	27	-	-

# Near- & Offshoring

## Trends

- Critical mass and scale of service offering are key drivers of valuation in the sector.
- The sector is shifting away from hourly rates to outcome-based economics, which is increasing the value of wide service capability.
- COVID-19 has caused disruption due to a large reliance on office-based working within the sector which has distracted some M&A processes and has benefitted those with more automated services.
- Cross-border activity is a key driver in the sector, accounting for over 65% of all transactions, which has contributed to a lower level of activity during COVID-19.
- The sector will still remain key as businesses look to manage expenditure and evaluate the benefits and cost saving of outsourcing IT and technology processes.

## Rolling CTA Index



## Stock Market Valuation (in EURm)

Company	Revenues FY 2019	Revenues FY 2020	Revenues FY 2021	EBITDA FY 2020	Market Cap	Enterprise value	EV/Revenues	EV/EBITDA current	EV/EBITDA 3-year avg	EV/EBITDA next FY
Cognizant Technology Solutions										
Corporation Class A	14,995	14,320	14,905	2,472	27,348	26,376	1.8x	10.7x	9.6x	9.3x
HCL Technologies Limited	7,465	8,665	9,406	2,042	17,802	17,573	2.0x	8.6x	8.8x	7.8x
Infosys Limited	10,213	10,903	11,904	2,649	36,960	34,356	3.2x	13.0x	12.5x	11.6x
Larsen & Toubro Infotech Ltd	1,167	1,386	1,550	257	4,028	3,758	2.7x	14.6x	14.4x	12.7x
Persistent Systems Limited	415	436	475	60	572	457	1.0x	7.6x	6.7x	6.5x
Tata Consultancy Services Limited	18,093	18,645	20,355	4,908	92,135	88,516	4.7x	18.0x	17.4x	16.2x
Tech Mahindra Limited	4,292	4,375	4,764	655	6,192	5,063	1.2x	7.7x	6.8x	6.5x
Wipro Limited	7,237	7,121	7,437	1,362	14,805	11,495	1.6x	8.4x	8.1x	7.9x
<b>Mean</b>							<b>2.3x</b>	<b>11.1x</b>	<b>10.5x</b>	<b>9.8x</b>
<b>Median</b>							<b>1.9x</b>	<b>9.6x</b>	<b>9.2x</b>	<b>8.6x</b>

## Selected Transactions

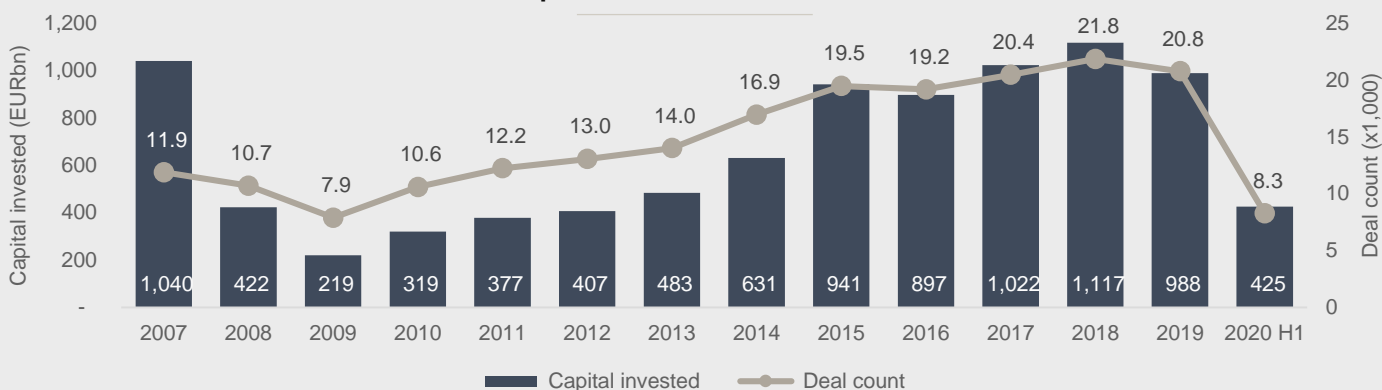
Announced date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Feb-20	Develop'Invest	Alixio	-	-	-
Feb-20	Tech Mahindra	Zen3 Infosolutions	44	1.2x	-
Mar-20	Seidor	ProCons-4it	-	-	-
Mar-20	PrimSoft Solutions	iGenero Web Solutions	-	-	-
Apr-20	ProData Consult	Amesto Consulting	-	-	-
June-20	Perficient	Productora de Software	-	-	-

# Private Equity

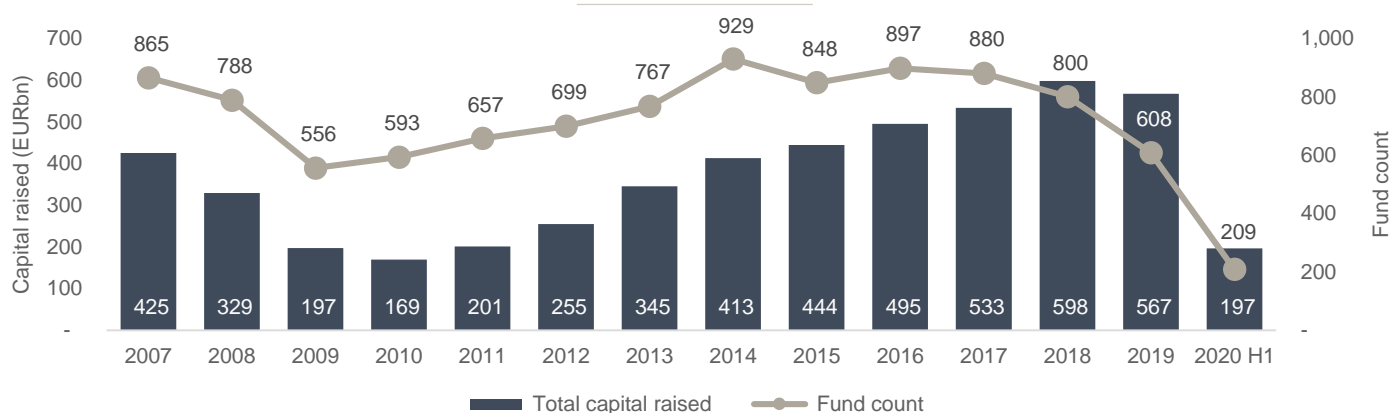
## Trends

- Global PE deal volume fell in Q2 2020 to its lowest quarterly figure since Q3 2013, driven by the uncertainty caused by COVID-19.
- Multiples are expected to sustain in the short to medium term, and carveout activity should progressively rise in H2 2020.
- PE exit value in 2020 is apace for its lowest annual total in six years with exit volume disproportionately affected by the pandemic.
- PE fund count in 2020 is trending towards a new low, with capital raised also constrained.
- Lenders concentrated on existing loans, which saw leveraged lending activity fall; and most GPs either paused or outright cancelled transactions citing MAC clauses, as crisis management took precedent. Managers instead went into triage mode with their portfolio crisis response teams. They focused on defending portfolio companies they deemed could ride out and thrive post crisis by identifying pandemic-related risks and opportunities, while still trying to assess consequences related to the wider macroeconomic environment.

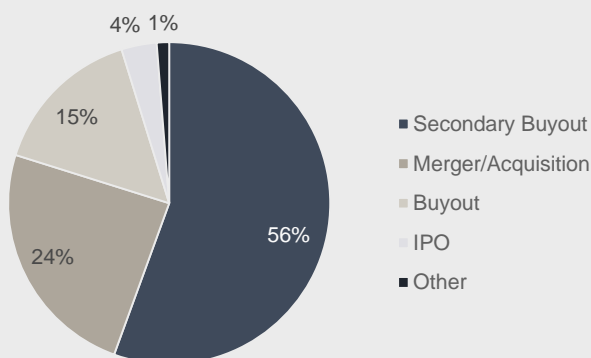
### Capital Invested & Deal Count



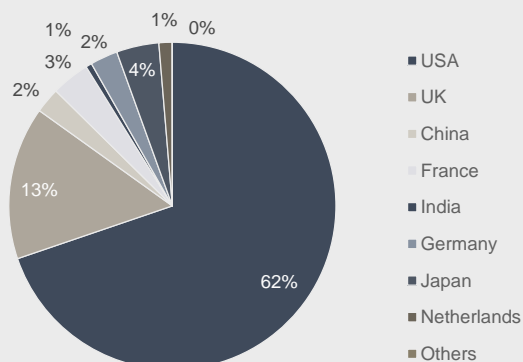
### Total Capital Raised & Fund Count



### Capital Invested by Exit Type



### Capital Raised by Countries

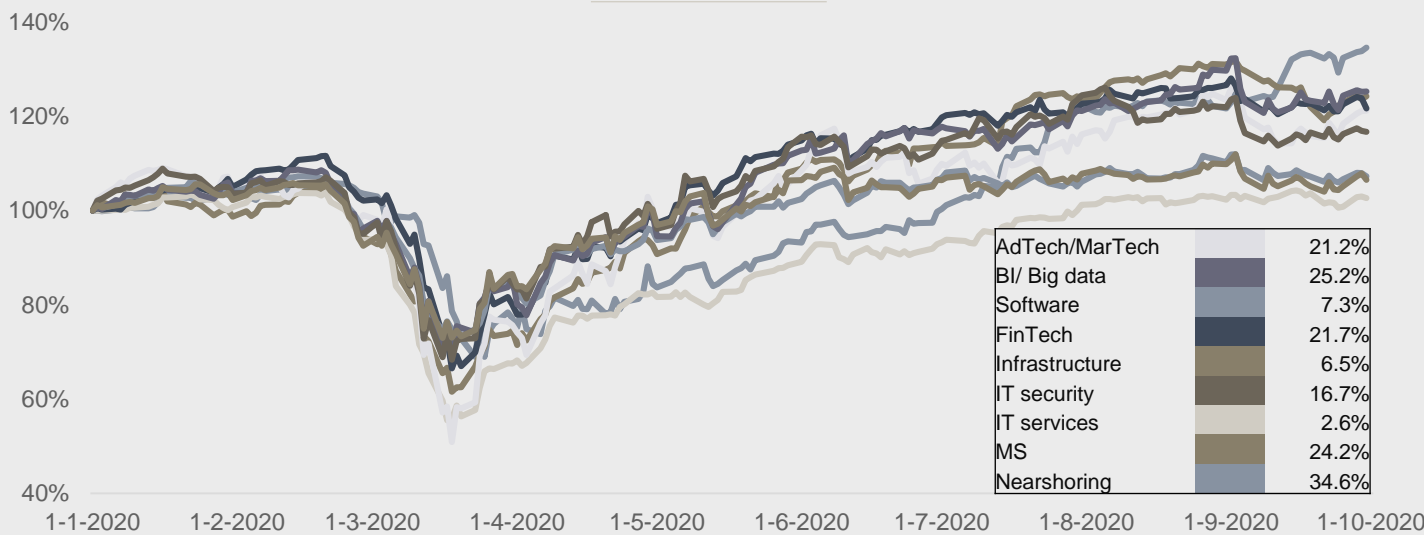


# COVID-19 Impact on Public Valuations

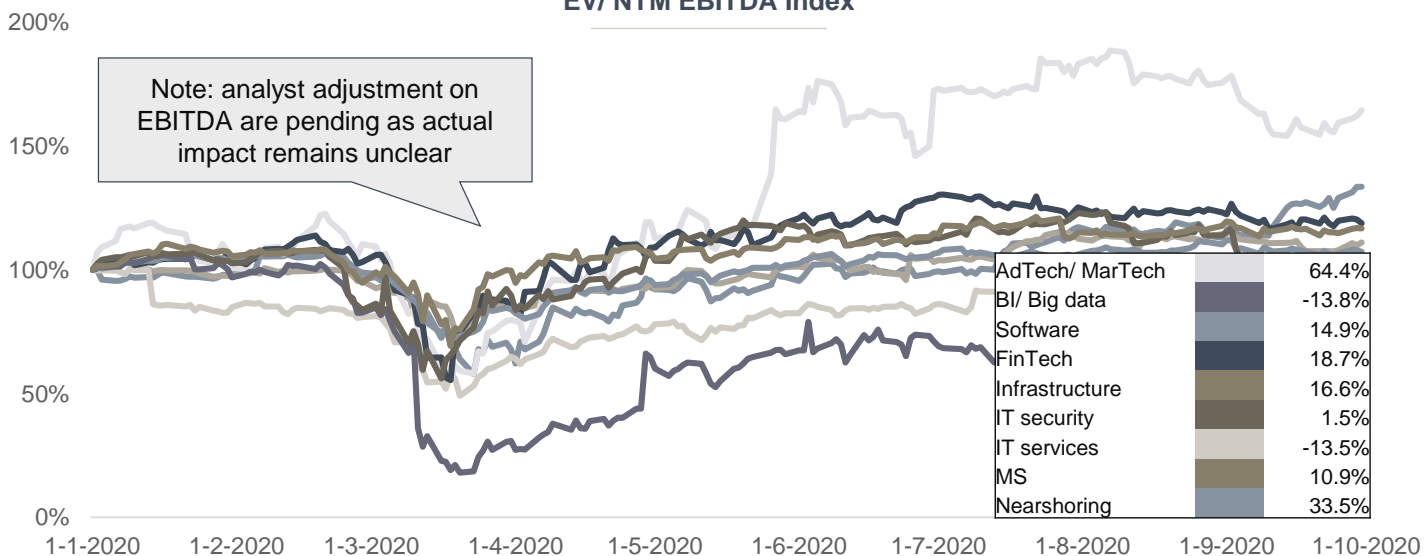
## Trends

- The technology sector has been one of the least impacted by the COVID-19 pandemic, and deal activity across the industry has carried on despite lockdown restrictions.
- The growth and durability of the technology sector's performance through the disruption of the pandemic and lockdowns has provided enough stability to support M&A transactions.
- Technology and software companies have largely stepped in to fill the void caused by social distancing, allowing us to stay connected, shop from home and keep businesses operating. This increased reliance on digital has been a wake-up call for businesses to accelerate digital transformation in order to drive greater resiliency and innovation in the face of COVID-19 challenges.
- Digital adoption will likely expand to more segments of the market, broadening stock market performance to more digital leaders, and driving structurally higher levels of technology investment.
- Another factor that is driving tech stocks higher is near-zero interest rates, which are suppressing discount rates for valuation-based investors, enhancing returns against other asset classes like bonds and providing a historically low cost of capital for corporates.
- The future M&A market is believed to be a convergence of emerging technologies including IoT, 5G, data analytics, and edge computing. The tech M&A market is expected to remain among the key areas of investment for corporate as well as financial buyers.

### Stock Price Index



### EV/ NTM EBITDA Index



# Tombstones



CFI advised

**Plint**

in its sale to

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**COMMITTED CAPITAL**

in the sale of

**DataExpert**

to

**QUADRUM CAPITAL**

CFI

CFI advised

**dotweb**

in its sale to

**VISMA**

a portfolio company of

**Hg**

CFI

CFI advised

**Galitt**

in its sale to

**sopra steria**

CFI

CFI advised

**certus**  
a SysGroup Company

in its sale to

**SysGroup**

CFI

CFI advised

**ERGON CAPITAL**

in the acquisition of

**TMC** PEOPLE DRIVE TECHNOLOGY

from

**Gilde Buy Out Partners**

CFI

CFI advised

**Critical manufacturing**

in its sale to

**ASM Pacific Technology**

CFI

CFI advised

**onevinn**

in its sale to

**HAVEN**  
CYBER TECHNOLOGIES

CFI

CFI advised

**QISS-IT**  
IT IS ALL ABOUT PEOPLE

in its sale to

**univativ**  
YOUNG POTENTIALS  
A portfolio company of

**Triton**

CFI

CFI advised

**T-GAIA**

has acquired a majority share of

**PCT**  
PCテクノロジー

CFI

CFI advised

**optimind.**  
manage risk, build your future

in its refinancing from

**ARDIAN**

who joined as a minority shareholder in a EUR 25m fundraising round

CFI

CFI advised

**GleSYS**

in its sale to

**VIA equity**

CFI

CFI advised

**DOBCO MEDICAL SYSTEMS**

in its sale to

**FORTINO CAPITAL**

CFI

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