Software & IT Services M&A Pulse

2020 H2 Review

March 9, 2021

CORPORATE FINANCE

INTERNATIONAL

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Introduction

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

In just a few months' time, the COVID-19 crisis has brought about years of change in the way companies in all sectors and regions do business. Companies have accelerated the digitisation of their customer and supply-chain interactions and of their internal operations by three to four years. 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 Wassmann, 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 2020, CFI completed over 140 M&A transactions, involving parties in 18 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, family offices, venture capitalists, start-ups 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.

Inside this review

Introduction

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Recent tombstones

VISEO – DIGITAL MAKERS has secured a debt financing of €120m from BlackRock. — Debt advisory

IT sector has been sold to ALTEN — sell-side

dqc has been acquired by Fellowmind (formerly known as CRM Partners Group), a portfolio company of FSN CAPITAL — sell-side

SofTek 株式会社ソフテック has been sold to CSC CYBER SECURITY CLOUD — sell-side

Plint has been sold to PRIVEQ — sell-side

iveo has been sold to storskogen — sell-side

specter has been sold to VISMA, a portfolio company of Hg — sell-side

PYLADES (Microsoft Partner) has been sold to WATERLAND PRIVATE EQUITY INVESTMENTS — sell-side

Inspiretec has undergone a refinancing from NatWest — Debt advisory

MAIN CAPITAL PARTNERS has sold YMOR to SENTIA, a portfolio company of WATERLAND PRIVATE EQUITY INVESTMENTS — sell-side

Company Overview

Created in 2000 by Olivier Dhonte and Eric Perrier, VISEO is a French IT Services & Digital player that uses technology as a powerful lever of transformation and innovation to help its clients take advantage of digital opportunities, address new usages and compete with new players who change the rules of the game.

VISEO combines agility and complementarity areas of expertise – design of new products and services, digitisation of business processes, data valuation, digital assets development, unified commerce and smart factory – to make digital a real lever of competitiveness and performance.

VISEO posted more than EUR 220 million in revenue for 2020, of which a third is delivered from international clients, and has more than 2,000 employees in 13 countries.

Funder

Founded in 1988, BlackRock is an asset manager and private equity firm based in New York, New York. The firm provides a wide range of services such as investment banking, risk management, advisory, equity, fixed income, balanced portfolios, and asset management. The firm seeks to invest in real estate, education, retail, energy, healthcare, materials, financial services, software, and information technology sectors.

Marketing Highlights

VISEO showed great resilience to the COVID-19 pandemic and the process resulted in a successful transaction with BlackRock.

This financing will be used for capital reorganisation and future acquisitions.

Process Highlights

CFI initiated discussions and negotiations in a narrow process, which ultimately resulted in a successful transaction with VISEO and Blackrock, that closed on January 18th, 2021.

Transaction Type
Unitranche debt financing

Sector
IT Services

Deal Value
EUR 120 million

Date
January 2021

Deal makers

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Case Study 2

Company Overview

Founded in 2005 in Portugal by a team of industry specialists, ITSector is an international expert in digital transformation in the financial sector. Acting in 20 countries with more than 500 employees, ITSector serves as a one-stop shop for banks and credit unions, providing high value-added services and advanced technology across the whole value chain.

Buyer

Created in 1988, and based in 25 countries with 37,000 employees, ALTEN is a European leader in Engineering and Technology Consulting. The company carries out design and research projects for the Tech and IT divisions of major clients in industry, telecoms and services. ALTEN's stock is listed in compartment A of the Euronext Paris market; it is also in the SBF 120, the IT CAC 50 index and MIDCAP100.

Marketing highlights

For ITSector, this transaction represents business expansion and the promotion of knowledge in the markets where ALTEN operates. For the buyer, the strategic acquisition not only reinforces the presence of the ALTEN Group in the field of information technology but also increases its skills and specialisation in the financial sector.

ITSector employs more than 500 people.

Process highlights

This process was conducted by the Portuguese and French IT Team advisors, amongst international industrials and private equity firms. The company showed great resilience to the COVID-19 pandemic, and the process resulted in a successful transaction with ALTEN on December 22nd, 2020.

Transaction Type
Sell-side M&A

Sector
IT Services

Deal Value
Undisclosed

Date
December 2020

IT sector

has been sold to

ALTEN

sell-side

Deal makers

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Case Study 3

Company Overview

DQC Sverige AB offers customised cloud-based digital collaboration solutions based on Microsoft 365, SharePoint and AZURE technology. The customers are well-known global companies that operate in a variety of industries. DQC operates nationwide but is established with offices in Gothenburg and Stockholm. In recent years, the company has enjoyed a very strong growth rate whilst increasing profitability markedly.

Buyer

Fellowmind is a group based in the Netherlands and is one of Europe's leading providers of digital collaboration solutions implemented on Microsoft platforms: Dynamics 365, Power Platform, Teams, Microsoft365 and AZURE. Fellowmind has about 1,400 employees and a total revenue of approx. EUR 200 million. Fellowmind's majority owner is the private equity firm FSN Capital, which manages approximately EUR 2.2 billion.

Marketing Highlights

DQC's is the market leader in Sweden within Microsoft's Modern Work technologies. A long-term strategy established in 2007, focusing on delivering premium services to enterprise customers, has resulted in strong growth and increasing profitability. The market for collaboration solutions is currently thriving due to strong external factors such as globalisation and the increasing demand for flexible workplace solutions.

Process Highlights

CFI has a long-standing relationship with the owners of DQC. Just over five years ago, CFI and DQC established a long-term plan for a change of ownership. After a few years, the company was contacted by Fellowmind who realised that DQC would complete its offering within Microsoft 365 services on the Swedish market. After many long and productive meetings, it was obvious that the match was perfect from a busines and a cultural perspective. CFI worked closely with the sellers and successfully project-led the transaction from start to finish.

Transaction Type
Sell-side M&A

Sector
Enterprise Software

Deal Value
Undisclosed

Date
November 2020

Deal makers

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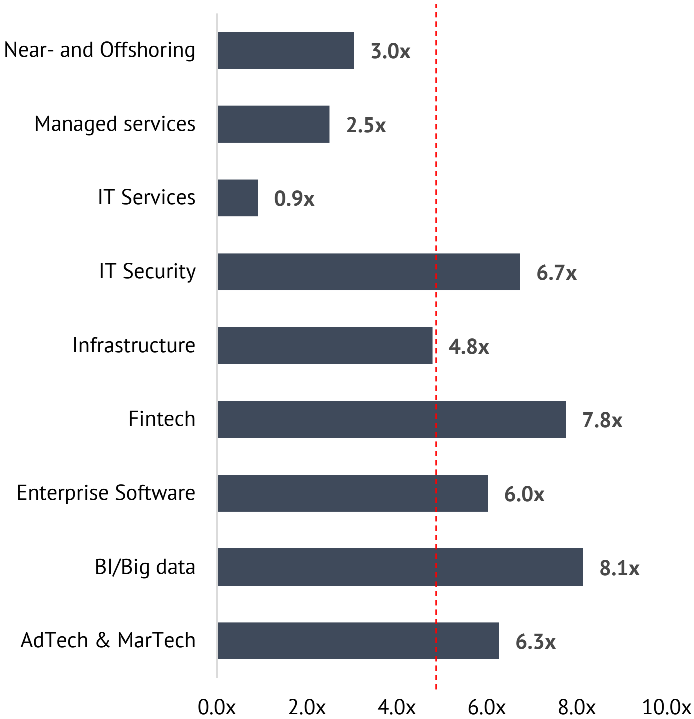
Summary H2 2020

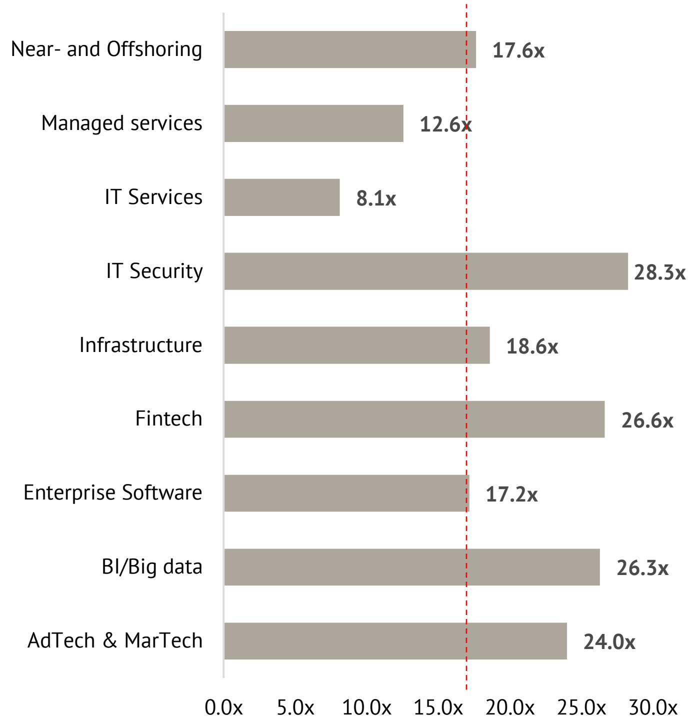
TEV/Revenue



Mean **5.2x** (+33.7% vs 2020 H1)

Median **6.0x** (+50.6% vs 2020 H1)

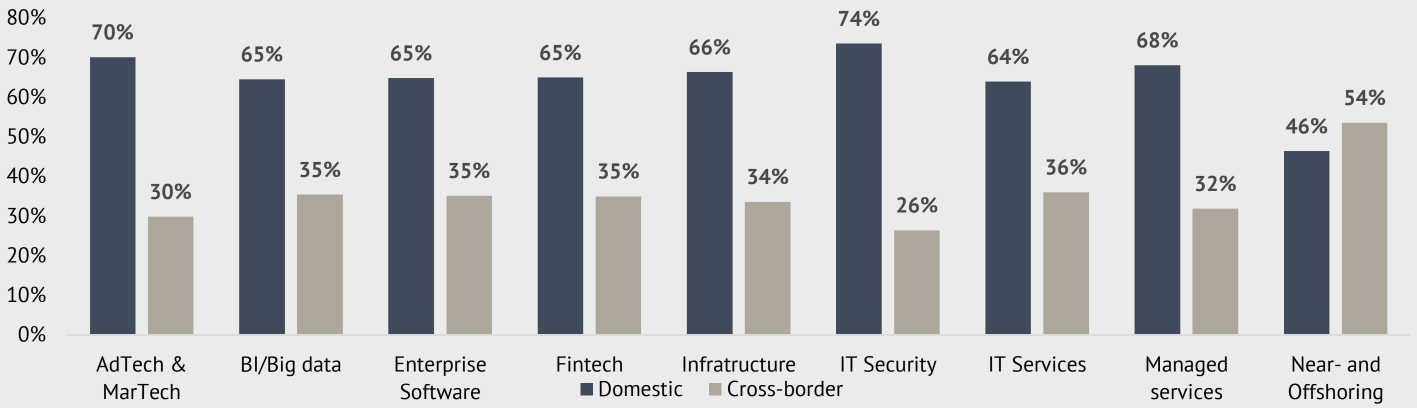
TEV/EBITDA



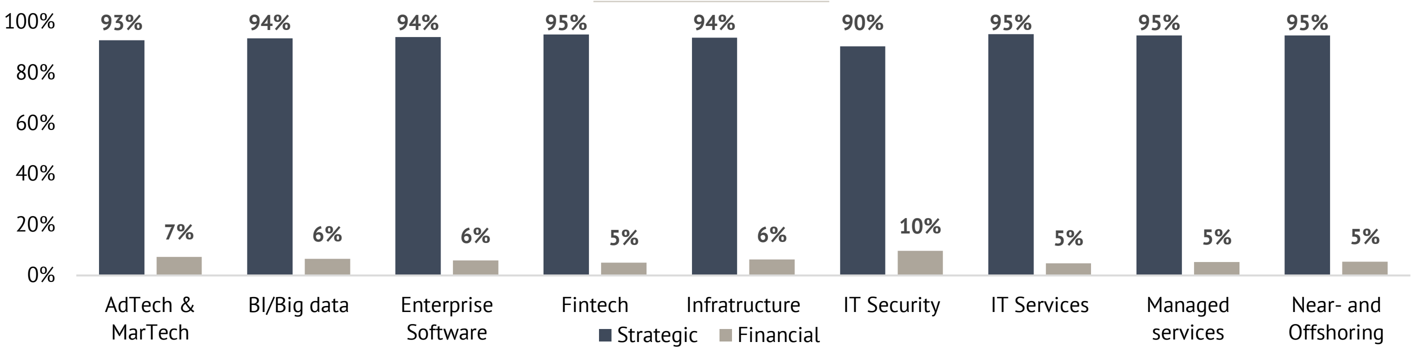
Mean **19.8x** (+23.8% vs 2020 H1)

Median **18.6x** (+36.8% vs 2020 H1)

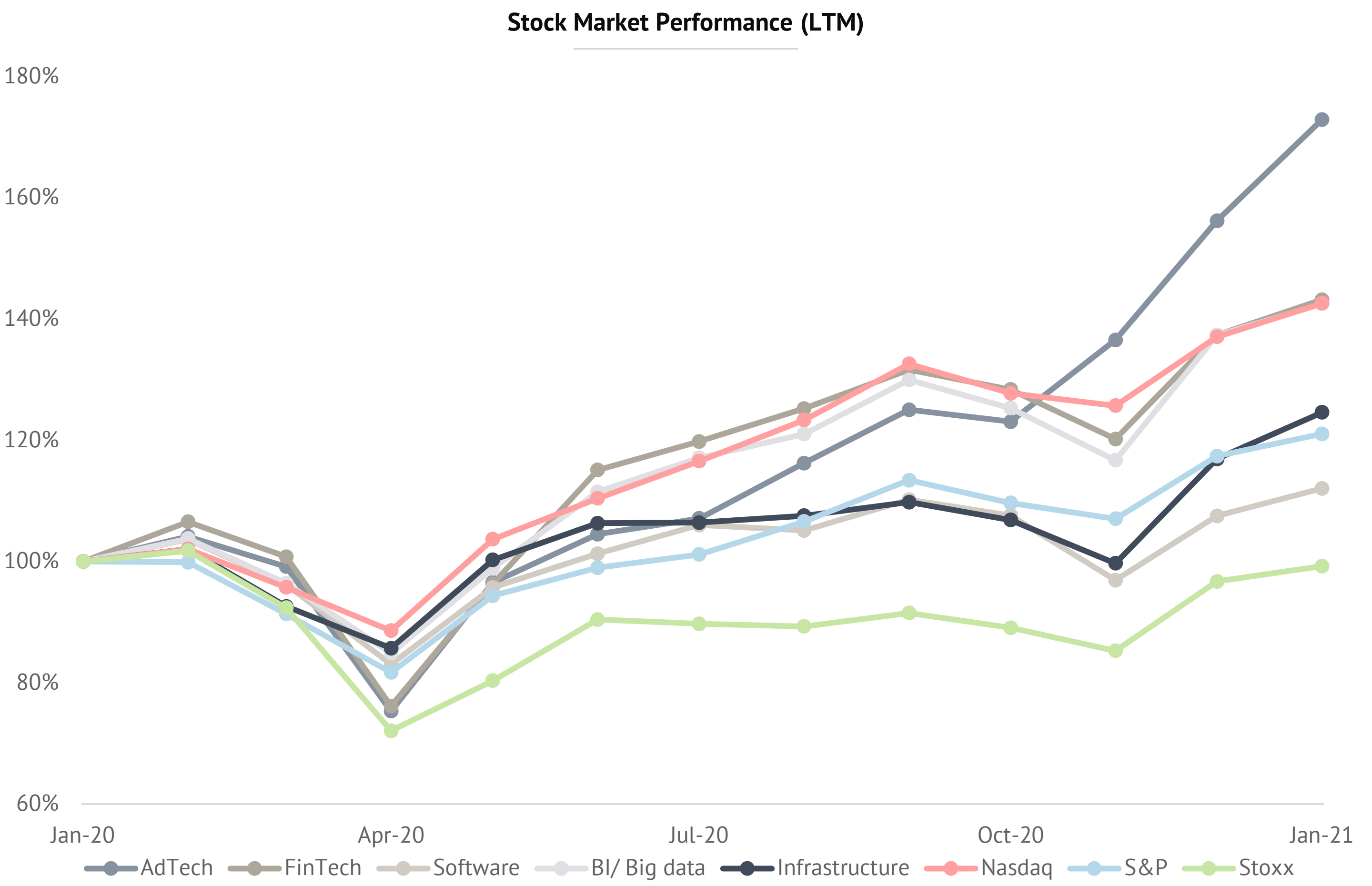
Type of Deals

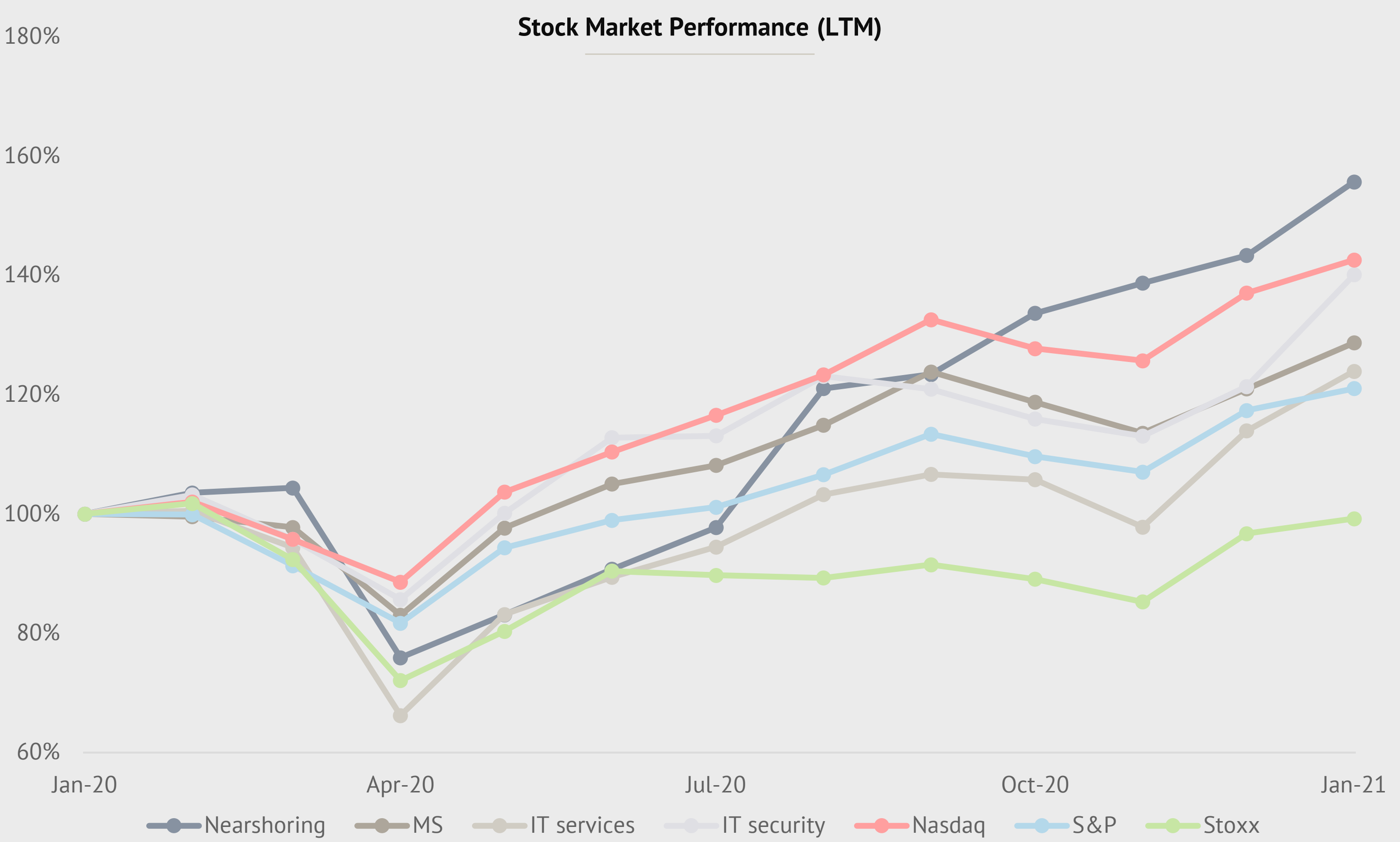


Type of Buyers



Stock Performance



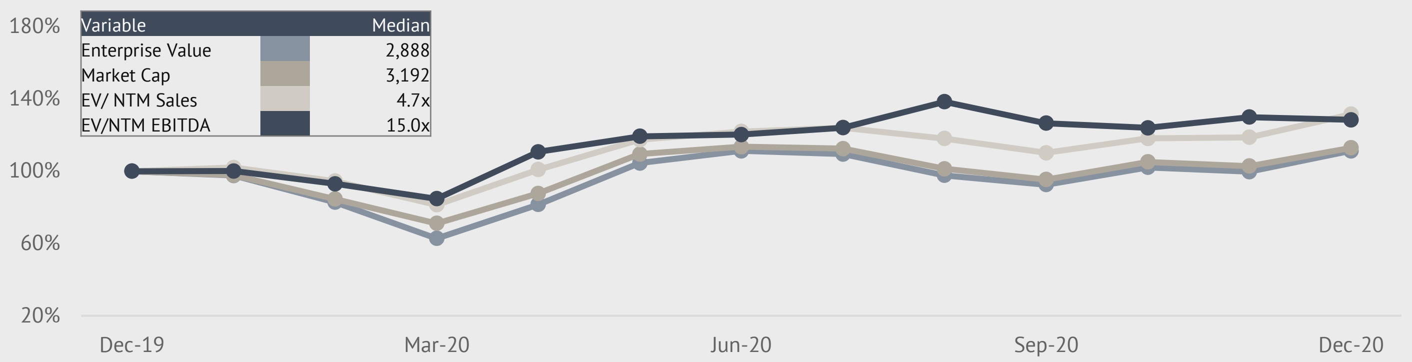


AdTech & MarTech

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 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 growing trend away from 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	63,165	75,410	88,578	34,679	515,930	577,733	7.7x	16.7x	15.9x	13.2x
BrightView	2,132	2,096	1,993	199	1,422	2,342	1.1x	11.7x	10.4x	10.0x
Brightcove	165	173	177	10	751	722	4.2x	69.0x	68.0x	33.2x
Criteo	2,020	1,830	707	177	1,785	1,435	0.8x	8.1x	7.2x	6.6x
HubSpot	603	775	954	-10	20,163	19,098	24.7x	-	606.2x	159.7x
Twitter	3,091	3,260	3,882	458	46,354	43,312	13.3x	94.6x	58.3x	-
Alphabet	144,206	159,960	185,730	48,022	1,066,247	1,152,011	7.2x	24.0x	27.3x	-
New Relic	414	540	545	42	3,202	2,885	5.3x	69.1x	124.6x	90.9x
Tremor International	291	334	395	49	932	639	1.9x	13.2x	13.3x	11.4x
Magnite	140	181	226	31	5,616	4,658	25.8x	152.1x	170.7x	98.3x
Mean							**9.2x**	**50.9x**	**110.2x**	**52.9x**
Median							**6.3x**	**24.0x**	**42.8x**	**23.2x**

Selected Transactions

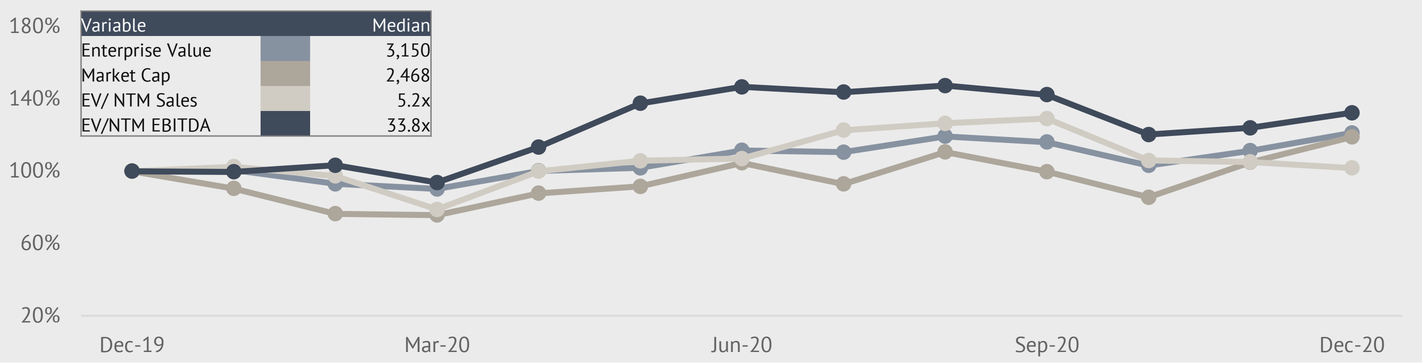
Announced Date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Dec-20	BrandBee	Cloud Republic	4.1	1.7x	10.8x
Dec-20	Storskogen	IVEO	CFI Confidential		
Oct-20	SAP	Emarsys	-	-	-
Oct-20	Sichuan Tourism	Simei Media	735.12	1.9x	20.4x
Sep-20	SEMrush	Prowly	-	-	-
Jul-20	Mediaocean	4C Insights	150	-	-
Jul-20	AMM	MediaMob	3.67	1.3x	10.8x
Jul-20	Endurance International	WaJao	29.73	3.5x	-

Business Intelligence/Big Data

Trends

- When COVID-19 hit, organisations using traditional analytics techniques that rely heavily on large amounts of historical data realised one important thing: many of these models might no longer be relevant. Essentially, the pandemic changed everything, rendering a lot of data useless.
- In turn, forward-looking data and analytics teams are pivoting from traditional AI relying on big data to a class of analytics that requires less, or 'small' and more varied data.
- Complementary to the transitioning from big data to small data, several distinct themes dominate the BI/Big data domain, including (1) the acceleration of change in data and analytics: leveraging innovations in AI, improved composability and more efficient integration of more diverse data sources and (2) operationalising business value trough more effective XOps, herewith enabling better decision-making and turning data and analytics into an integral part of business.

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	410	374	401	35	2,253	3,825	10.2x	109.9x	110.9x	100.3x
Cloudera	409	711	713	-179	4,828	4,639	6.5x	-	-	26.0x
Inovalon	574	586	623	166	1,606	3,810	6.5x	22.9x	20.9x	17.1x
MicroStrategy	435	422	-	72	6,068	8,134	19.3x	113.5x	189.8x	-
Open Text	2,515	2,813	2,757	1,013	10,506	12,437	4.4x	12.3x	12.4x	11.8x
Splunk	1,537	2,113	1,784	-175	22,662	23,036	10.9x	-	-	-
Dynatrace	372	491	576	-94	12,342	12,673	25.8x	-	423.8x	72.1x
Teradata	1,697	1,611	1,555	165	4,205	4,387	2.7x	26.6x	20.5x	13.4x
Mean							**10.8x**	**57.0x**	**129.7x**	**40.1x**
Median							**8.4x**	**26.6x**	**65.9x**	**21.6x**

Selected Transactions

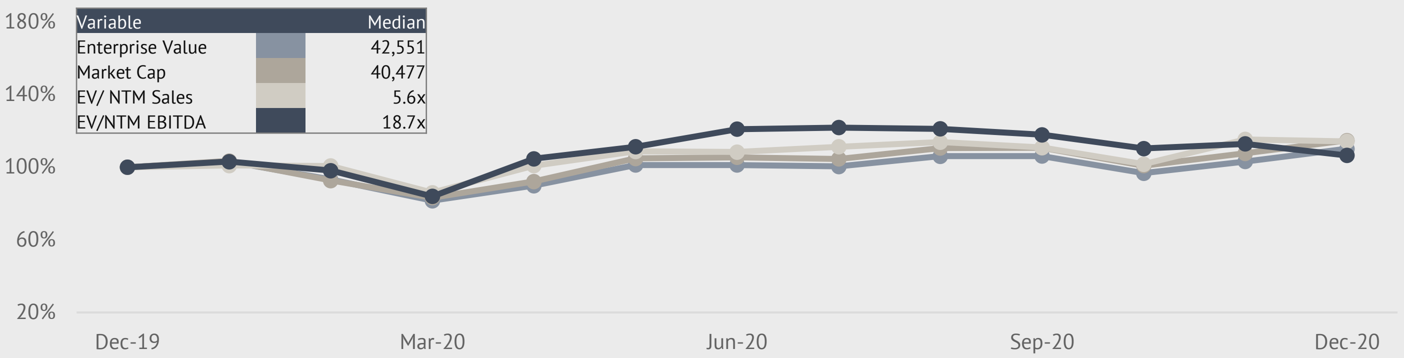
Announced Date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Dec-20	Conclusion	Hot Item	-	-	-
Oct-20	TIBCO Software	Information Builders	842	3.6x	-
Oct-20	Twilio	Segment	2,468	-	-
Aug-20	Emerson Electric	Open Systems International	1,354	9.3x	22.6x
Aug-20	American Express	Kabbage	845	4.4x	-
Jul-20	Black Knight	Optimal Blue	1,548	15.7x	-
Jul-20	Hewlett-Packard Enterprise	Silver Peak Systems	781	8.8x	-

Enterprise Software

Trends

- Strong M&A activity has continued in the Enterprise Software sector with a total of 438 deals during H2 2020, with software deals proving to be resilient to the effects of lockdowns.
- 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, private equity has shown a large appetite for enterprise software companies, being attracted by the subscription models that allow predictable and recurring cash flows that are suited to leveraged buyouts.
- Strategic buyers seem to be focusing their sights on companies helping to improve communications, streamline processes or facilitate remote working capabilities.

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	869	953	921	275	12,053	8,419	8.8x	30.7x	33.8x	31.1x
Constellation Software	3,118	3,482	3,936	1,040	23,886	23,851	6.9x	22.9x	23.5x	20.4x
Dassault Systemes	4,018	4,452	4,774	1,312	48,292	50,369	11.3x	38.4x	35.4x	29.3x
Enghouse Systems	258	333	359	117	2,129	2,004	6.0x	17.2x	19.1x	16.6x
International Business Machines	68,927	64,580	61,185	12,942	87,571	130,879	2.0x	10.1x	9.1x	8.5x
Intuit	5,968	6,932	7,358	2,215	93,107	87,322	12.6x	39.4x	39.4x	33.5x
Micro Focus International	2,979	2,667	2,330	1,042	1,626	5,199	1.9x	5.0x	5.1x	6.2x
Microsoft	110,016	129,365	135,037	59,030	1,501,096	1,475,582	11.4x	25.0x	25.9x	22.8x
Oracle	34,539	35,336	33,006	15,540	148,643	181,285	5.1x	11.7x	11.5x	10.8x
SAP	27,553	27,338	26,929	9,009	127,298	131,698	4.8x	14.6x	15.7x	15.2x
Sage Group	2,190	2,166	2,135	571	7,405	7,596	3.5x	13.3x	14.1x	15.7x
Mean							**6.8x**	**20.7x**	**21.1x**	**19.1x**
Median							**6.0x**	**17.2x**	**19.1x**	**16.6x**

Selected Transactions

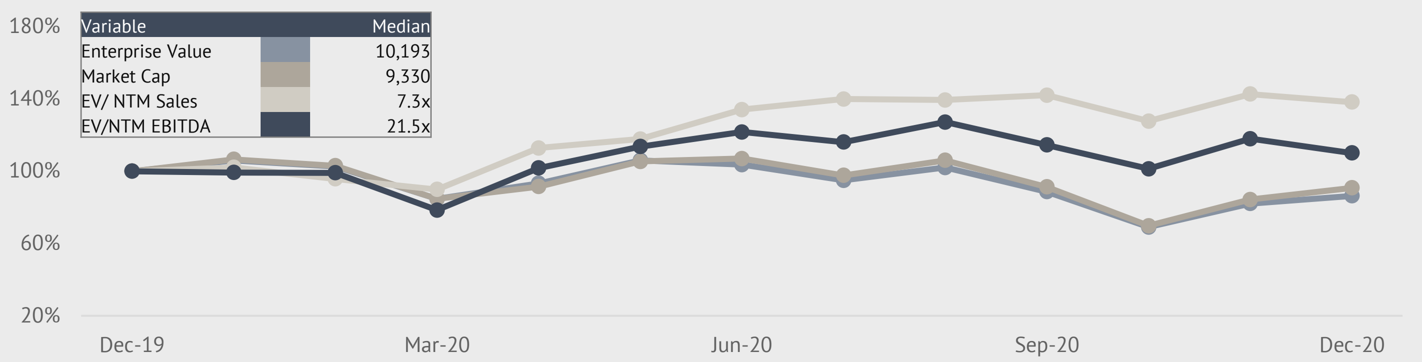
Announced Date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Dec-20	Gilde Buy-Out Partners	To-Increase	113	-	-
Dec-20	Main Capital Partners	Exody E-Business Intelligence	-	-	-
Nov-20	IK Investment Partners	GeoDynamics	-	-	-
Nov-20	Allgeier IT Solutions	AURELO	-	-	-
Sep-20	Techstep	Optidev	19	1.1x	7.7x
Jul-20	Eurazeo PME	Easy Vista	120	2.9x	19.5x
Jul-20	Help/Systems	GlobalSCAPE	187	5.3x	12.4x
Jul-20	Clarivate	CPA Global	5,995	-	-
Jul-20	Amdocs	Openet Telecom	155	2.6x	-

Fintech

Trends

- Despite mixed headwinds and pandemic-related challenges facing the industry, COVID-19 also has been changing consumer behavior in favour of the industry through increased usage of digital payments and online products/service channels.
- Governments are likely to continue engaging in the fintech sector, hereby primarily focusing on regulation.
- Even though safety will be the primary focus, governments will foster investments in the fintech domain to encourage growth.
- Since many early stage fintech companies are having difficulties in attracting funding, it is expected that a trend of consolidation will become apparent within the fintech domain in 2021.
- Larger companies, such as POS lending companies Klarna and Affirm, will enjoy continued investor interest, evidenced by recent financing rounds of EUR 100 million plus.
- While 2020 has seen a pullback in total deal activity and a shakeout among the less-capitalised startups, continued M&A focus on fintech opportunities is expected.

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	152	156	21	531	573	3.8x	27.1x	36.2x	27.2x
Bottomline Technologies	370	400	390	47	1,774	1,699	4.2x	36.5x	28.9x	20.6x
PayPal	15,666	18,802	21,142	4,033	264,244	265,106	14.1x	65.7x	60.9x	42.7x
Fidelity National Information Services	9,232	11,011	11,241	4,614	69,357	85,417	7.8x	18.5x	19.1x	17.0x
Fiserv	9,102	13,028	12,464	4,407	62,617	81,295	6.2x	18.4x	19.4x	15.7x
Adyen	2,657	960	1,337	582	65,309	62,708	65.3x	107.7x	110.7x	75.8x
Lightspeed POS	67	109	172	-34	8,598	7,178	66.1x	-	-	-
PayPoint	240	244	116	77	459	437	1.8x	5.7x	6.5x	8.2x
Qiwi	543	288	241	145	470	94	0.3x	0.7x	0.7x	0.7x
SimCorp	455	495	546	145	4,286	4,224	8.5x	29.1x	27.9x	25.4x
Temenos	868	813	893	368	9,066	9,649	11.9x	26.2x	22.4x	23.8x
Worldline	2,382	2,786	5,286	663	20,937	14,846	5.3x	22.4x	17.6x	11.4x
Square	4,211	7,781	10,849	353	86,101	105,798	13.6x	299.7x	279.2x	191.5x
Mean							**16.1x**	**54.8x**	**52.5x**	**38.3x**
Median							**7.8x**	**26.6x**	**25.2x**	**22.2x**

Selected Transactions

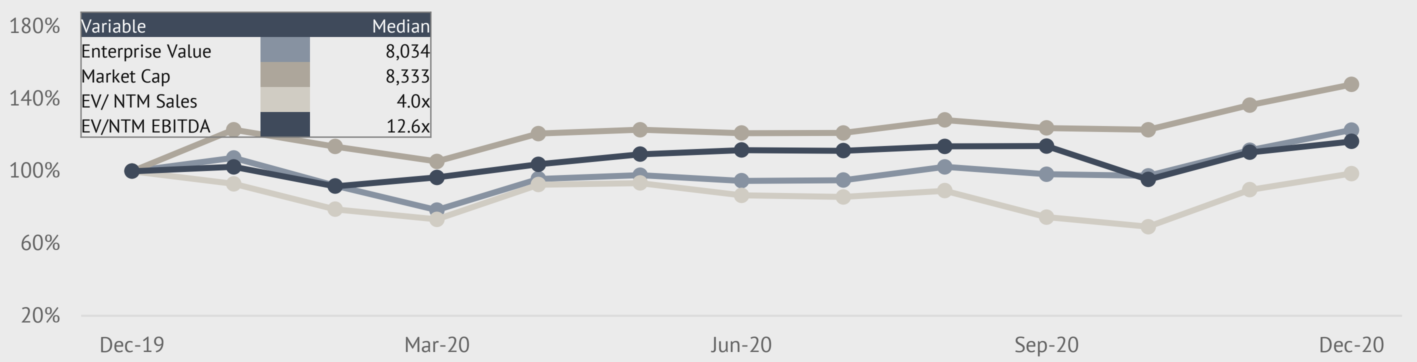
Announced Date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Dec-20	SumUp	Tiller Systems	-	-	-
Dec-20	NEC Corporation	Avaloq	2,300	4.2x	26.4x
Nov-20	Lightspeed	ShopKeep	372	8.4x	-
Nov-20	Nexi	Nets	7,800	10.8x	54.0x
Nov-20	Nuvei	Smart2Pay	221	-	-
Oct-20	Clearstream	FondCenter	425	-	-
Sep-20	Silver Lake Management	Klarna	587	11.0x	-
Jul-20	TCV	Revolut	580	24.6x	-
Jul-20	Tencent	N26	570	119.0x	-
Jul-20	PayPal	Honey Science	4,000	14.6x	-

IT Infrastructure

Trends

- Whilst many industries have witnessed considerable shifts in light of the global pandemic, IT infrastructure has proven to be one of the most resilient sub-sectors.
- The mass adoption of cloud-based technology and the renewed focus on IT infrastructure by international governments have been key drivers of growth in H2 2020.
- The sustained growth has attracted private equity funds, accompanied by an estimated USD 853 billion of dry powder, to the sub-sector. Private equity transactions accounted for 22% of IT infrastructure deals in H2 2020.
- As more capital is deployed in the sector this is likely to spur innovation, while inadvertently prompting a wave of M&A activity as large corporates substitute R&D expenditure and organic development to focus on acquisitions strategies.
- Throughout 2020, the M&A market has been dominated by US acquirers with cross-border transactions remaining above 30% during H2 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	2,585	2,805	2,813	1,035	13,309	14,862	5.3x	14.4x	14.1x	12.1x
Arista Networks	2,154	2,033	2,210	667	19,604	18,134	8.9x	27.2x	23.9x	21.1x
Broadcom	20,105	21,228	21,735	10,008	165,199	199,641	9.4x	19.9x	18.9x	15.7x
Citrix Systems	2,690	2,839	2,769	727	13,503	14,752	5.2x	20.3x	18.5x	15.5x
CommVault Systems	614	604	589	16	2,625	2,386	4.0x	151.7x	43.6x	19.9x
F5 Networks	1,988	2,100	2,107	521	10,123	9,686	4.6x	18.6x	16.4x	13.2x
Micro Focus International	2,979	2,667	2,330	1,042	1,626	5,199	1.9x	5.0x	5.1x	6.2x
NetApp	5,349	4,884	4,629	1,060	13,164	12,440	2.5x	11.7x	11.3x	12.0x
NetScout Systems	786	803	685	131	1,781	1,820	2.3x	13.9x	13.6x	11.3x
Pegasystems	814	893	1,022	-93	9,770	9,808	11.0x	-	-	188.4x
Software AG	891	835	828	178	2,775	2,555	3.1x	14.3x	12.7x	15.3x
Progress Software	369	391	427	141	1,643	1,943	5.0x	13.7x	14.1x	12.3x
Radware	225	219	223	15	1,043	849	3.9x	57.9x	35.0x	25.7x
NTT DATA	16,857	18,766	17,678	2,736	17,730	21,850	1.2x	8.0x	8.6x	8.6x
ServiceNow	3,092	3,965	4,732	603	92,439	94,661	23.9x	157.0x	118.2x	66.2x
VMware	8,195	9,683	9,653	1,840	13,450	52,387	5.4x	28.5x	20.7x	13.7x
Mean							**6.1x**	**37.5x**	**25.0x**	**28.6x**
Median							**4.8x**	**18.6x**	**16.4x**	**14.5x**

Selected Transactions

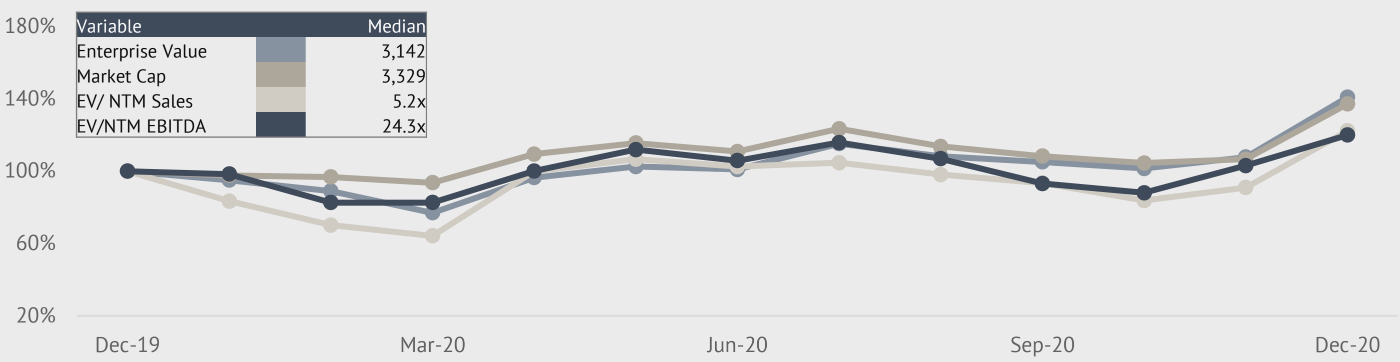
Announced date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Nov-20	365 Services	Atlantic Metro Communications	-	-	-
Oct-20	I Squared Capital	GTT	2,150	5.7x	12.0x
Sep-20	Telefonaktiebolaget LM Ericsson	CradlePoint	929	8.0x	-
Sep-20	DataBank	Zayo Group	1,202	-	-
Jul-20	Hewlett-Packard Enterprise	Silver Peak Systems	817	-	-

IT Security

Trends

- The need for security is an emerging megatrend that increases awareness of businesses and creates manifold use cases.
- Cybercrime becomes better organised and damage has increased tremendously; permanent innovation in the Tech sector to build solutions against fraud is required.
- Work is being organised more and more through decentral hub solutions caused by COVID-19 regulation – leading to far higher requirements to security standards. This in a consequence leads to more inorganic add-ons to product portfolios.
- As the pandemic caused companies to re-evaluate their structure and focus on core business, the resulting divestments are sure to drive M&A activity. One of the biggest deals, Northrop, underlines this trend.
- The amount of available capital in the market and the resulting pressure to allocate it are generally favourable conditions.
- Significant value increase of Tech providers, especially represented by players from tech hubs such Israel.

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	1,811	1,758	817	13,418	12,211	6.7x	14.9x	14.9x	14.6x
SecureWorks Corp. Class A	442	495	462	-8	160	921	1.9x	-	274.2x	37.2x
CyberArk Software Ltd.	388	407	406	19	5,239	4,856	11.9x	252.5x	99.9x	155.4x
FireEye, Inc.	794	825	828	-28	3,914	3,935	4.8x	-	1,018.3x	31.3x
Fortinet, Inc.	1,933	2,276	2,519	492	23,174	22,356	9.8x	45.5x	42.3x	30.8x
Intercede Group plc	11	12	13	2	58	52	4.4x	30.9x	36.1x	24.8x
F-Secure Oyj	217	220	234	33	611	597	2.7x	18.0x	20.7x	16.4x
Palo Alto Networks, Inc.	2,551	3,077	3,398	294	31,752	31,497	10.2x	107.1x	80.6x	39.5x
Proofpoint, Inc.	794	921	988	25	6,595	6,650	7.2x	270.8x	105.4x	40.1x
Qualys, Inc.	287	318	330	114	3,302	3,211	10.1x	28.3x	28.3x	24.4x
Sophos Group Plc	446	489	-	-49	-	-	-	-	-	-
VeriSign, Inc.	1,100	1,110	1,133	764	18,490	19,364	17.4x	25.4x	25.5x	25.9x
Varonis Systems, Inc.	227	257	300	-52	5,913	5,425	21.1x	-	-	395.1x
Trend Micro Incorporated	1,354	1,430	1,417	511	6,202	4,477	3.1x	8.8x	9.8x	10.7x
OneSpan Inc.	227	169	186	7	867	769	4.5x	106.8x	48.0x	48.4x
Zix Corporation	155	179	201	43	477	703	3.9x	16.5x	19.8x	14.8x
Mean							**8.0x**	**71.2x**	**121.6x**	**60.6x**
Median							**6.7x**	**28.3x**	**36.1x**	**30.8x**

Selected Transactions

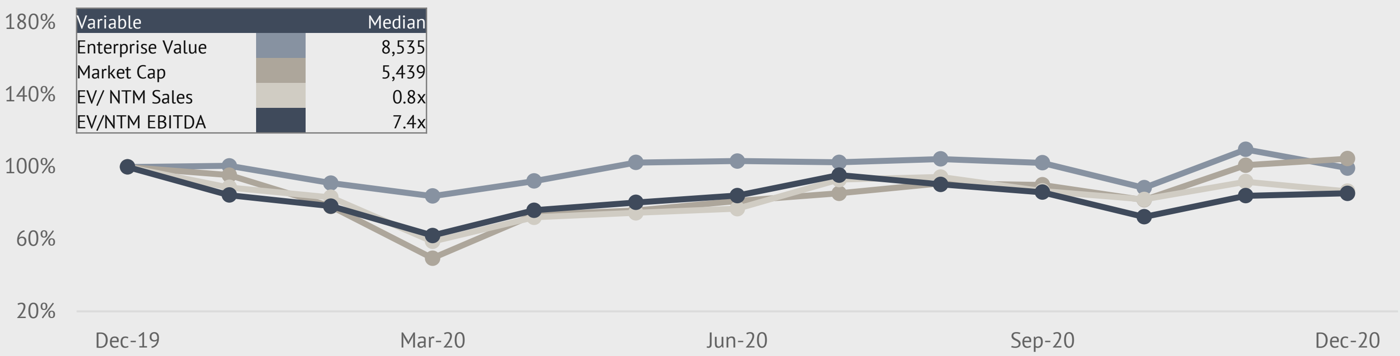
Announced Date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Dec-20	Defensury	Zer0Data	31	-	-
Dec-20	NortonLifeLock	Avira	359	5.2x	39.5x
Dec-20	Atos	Motiv ICT Security	-	-	-
Dec-20	Veritas Capital	Northrop Grumman	2,800	-	-
Nov-20	Nasdaq	Verafin	951	-	-
Nov-20	Palo Alto Networks	Expanse	567	-	-
Nov-20	FireEye	Respond Software	168	-	-
Oct-20	Francisco Partners	Forcepoint	931	1.6x	-
Sep-20	Infocert(Tinexa)	Authada	-	-	-
Aug-20	Fastly	Signal Sciences	657	-	-

IT Services

Trends

- M&A activity in IT Services slowed slightly overall during the first half of 2020, as companies reduced or eliminated many forms of spending in response to the pandemic. However, after a few months of adjusting to the crisis, low interest rates — coupled with a potential vaccine in sight — improved M&A activity dramatically in the second half of the year in the sector.
- Furthermore, while the pandemic has hurt the broader economy, the IT Services sector has been less impacted, as consumers and businesses have looked for technology solutions to support digital transformation.
- Although deal volume stayed low compared to prior years in 2020, tech deal-makers appear to have increasing levels of optimism, which could lead to record-breaking activity in 2021.

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	38,142	39,825	39,379	7,489	138,856	131,909	3.3x	17.6x	18.7x	18.0x
Atos	11,588	11,181	11,319	1,523	7,000	9,036	0.8x	5.9x	5.4x	5.4x
Bechtle	5,374	5,807	6,417	368	6,804	6,928	1.2x	18.8x	19.5x	17.2x
Capgemini	14,125	15,848	16,838	2,649	23,470	32,055	2.0x	12.1x	12.7x	11.7x
Capita	4,193	3,786	3,922	351	767	2,154	0.6x	6.1x	5.1x	5.2x
Computacenter	5,759	6,306	7,264	295	2,883	2,866	0.5x	9.7x	10.0x	9.7x
CGI	8,092	8,076	8,036	1,489	14,184	18,087	2.2x	12.2x	12.1x	11.0x
DXC Technology	17,931	17,621	14,539	2,731	5,427	8,903	0.5x	3.3x	3.1x	4.3x
Devoteam	762	756	787	90	845	786	1.0x	8.7x	8.6x	8.7x
Fujitsu	30,794	31,937	28,388	3,573	25,740	24,675	0.8x	6.9x	8.3x	8.0x
Ordina	372	369	382	51	320	319	0.9x	6.3x	7.0x	6.6x
NEC	3,204	3,044	3,131	232	1,324	1,966	0.6x	8.5x	6.6x	6.2x
Neurones	22,699	25,624	23,371	2,504	13,418	18,721	0.7x	7.5x	9.1x	8.5x
Nippon Telegraph and Telephone	510	525	551	68	651	493	0.9x	7.3x	7.3x	6.9x
Reply	92,559	98,509	91,402	26,930	85,954	144,944	1.5x	5.4x	5.6x	6.0x
Sopra Steria Group	1,183	1,242	1,397	199	3,865	3,757	3.0x	18.9x	19.0x	16.6x
Mean							**1.3x**	**9.7x**	**10.0x**	**9.5x**
Median							**0.9x**	**8.1x**	**8.4x**	**8.2x**

Selected Transactions

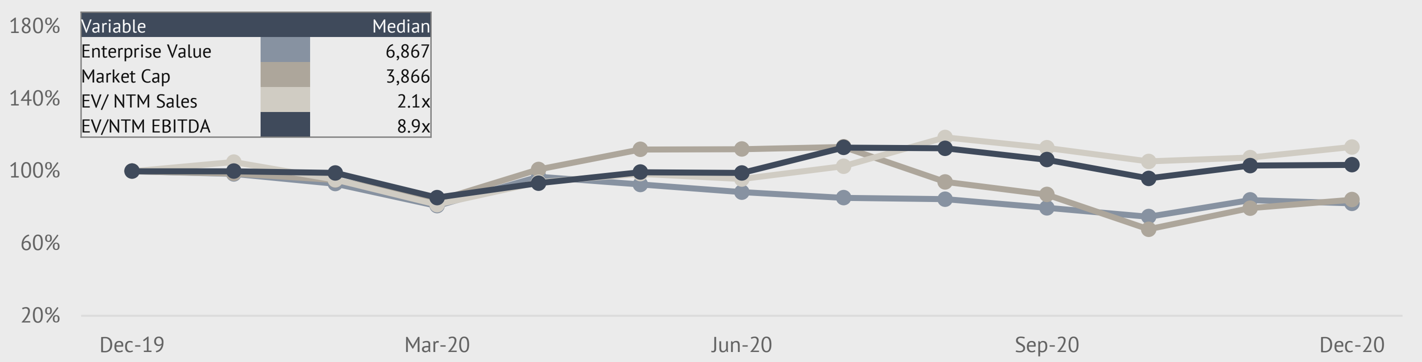
Announced Date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Dec-20	Netrix	Prosum (IT Services Business Unit)	-	-	-
Dec-20	Alten	IT Sector	CFI Confidential		
Nov-20	Ratiodata	Accesa IT Systems	-	-	-
Nov-20	Tata Consultancy Services	Postbank Systems	-	-	-
Oct-20	China Reform Culture	Beijing Huatec Information Tech.	138	-	-
Oct-20	Rightpoint Consulting	Somethingdigital	-	-	-
Sep-20	Devoteam	Fourcast	-	-	-
Aug-20	Triton Investment Management	HiQ International	367	-	17.0x
Jul-20	Wipro	IVIA Serviços de Informática	20	1.7x	-
Jul-20	Qvest Media	Dimensional	-	-	-

Managed Services

Trends

- The Managed Services sector has remained robust during the pandemic, backed by the continuity given by multi-year contracts which provides downside protection in times of uncertainty from COVID-19.
- This sentiment is shared by the segment as a whole. However, the gains are expected to be concentrated among the players that are the most mature and the most competitive in their markets.
- MSPs in select end-markets such as hospitality and travel have been, on the other hand, materially impacted by the pandemic.
- Several companies are 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.
- For this reason, legacy IT service providers are exhibiting an increasing hunger to acquire smaller niche managed services specialists.
- M&A volume for Managed Services has followed this trend with an y-o-y increase, with a total of 963 deals (vs. 865 in H2 2019).

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
Amdocs	3,624	3,724	3,497	702	8,316	7,925	2.1x	11.3x	11.0x	10.5x
GoDaddy	2,667	2,907	3,051	452	11,483	13,510	4.6x	29.9x	24.6x	16.7x
Softcat	1,124	1,226	1,372	113	3,519	3,444	2.8x	30.6x	30.8x	27.6x
Rackspace Technology	2,178	2,375	2,493	500	3,486	6,250	2.6x	12.5x	10.6x	9.6x
HCL Technologies	7,465	8,972	8,592	2,228	28,359	28,131	3.1x	12.6x	13.5x	12.3x
Proact IT Group	322	346	391	35	298	295	0.9x	8.3x	8.4x	7.2x
Redcentric	106	100	107	9	221	237	2.4x	27.3x	12.8x	8.4x
United Internet	5,194	5,362	5,529	1,162	7,360	8,931	1.7x	7.7x	7.4x	7.3x
Mean							**2.5x**	**17.5x**	**14.9x**	**12.4x**
Median							**2.5x**	**12.6x**	**11.9x**	**10.1x**

Selected Transactions

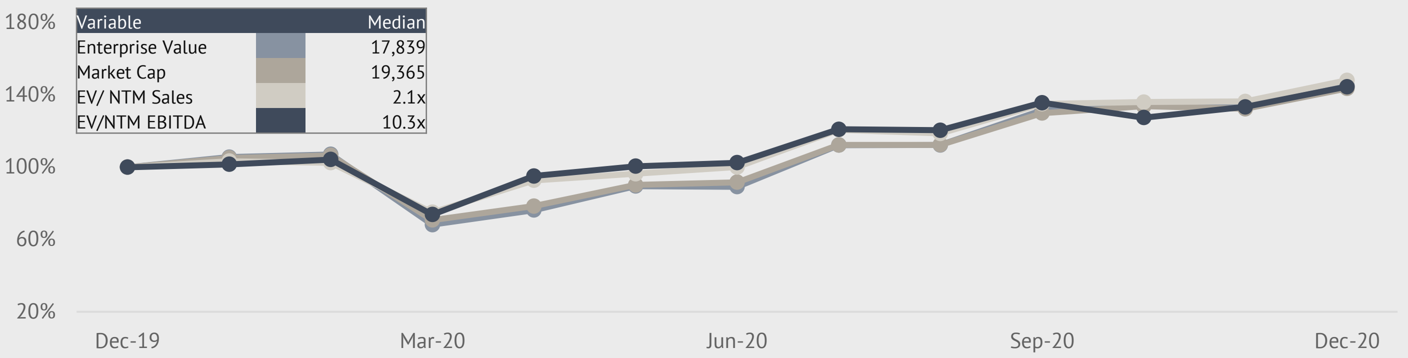
Announced Date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Nov-20	SIGEFI Private Equity	PACK Solutions	-	-	-
Oct-20	Netcall	Oakwood Technologies	-	-	176.0x
Oct-20	Stonecourt Capital	365 Services	-	-	-
Sep-20	Groupe DFM	Nevox	-	-	-
Sep-20	Cognizant Technology Solutions	10th Magnitude	112	7.4x	-
Sep-20	Holding Baelen Gaillard	Factoria	-	-	-
Sep-20	MML Capital Partners	Click Networks	-	-	-
Sep-20	WIIT	myLoc managed IT	50	3.1x	6.8x
Sep-20	Vosko Networking	Damecon Group	-	-	-
Jul-20	GSH Private Capital	Getronics Belgium	200	-	-

Near- & Offshoring

Trends

- The pandemic has accelerated the transition to remote working which has subsequently boosted corporates' confidence in managing and delivering projects remotely.
- Remote working is expected to drive cost-savings enabling growth in both offshoring and onshoring outsourcing practices.
- Corporates are likely to accelerate their outsourcing operations with purchasing decisions being driven by speed, quality, flexibility, and cost as opposed to more traditional factors such as geography.
- As geographic location becomes a less influential factor in purchasing decisions, cross-border transactions are likely to become more prevalent as acquirers look to foreign markets for growth and cost saving opportunities. In the H2 2020, over 50% of transactions were cross-border transactions.

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	14,995	14,607	14,698	2,531	32,273	32,133	2.2x	12.7x	11.7x	11.6x
HCL Technologies	7,465	8,972	8,581	2,228	28,429	27,555	3.1x	12.4x	13.2x	12.0x
Infosys	10,213	11,525	11,397	2,875	61,383	59,019	5.1x	20.5x	20.5x	18.7x
Larsen & Toubro Infotech	1,167	1,381	1,404	263	7,554	7,257	5.3x	27.5x	27.1x	23.6x
Persistent Systems	415	451	474	64	1,441	1,286	2.9x	20.2x	17.9x	16.7x
Tata Consultancy Services	18,093	19,923	18,642	5,345	126,496	120,605	6.1x	22.6x	23.4x	23.1x
Tech Mahindra	4,292	4,680	4,314	744	10,479	8,595	1.8x	11.5x	11.2x	11.1x
Wipro	7,237	7,746	7,020	1,552	26,136	23,395	3.0x	15.1x	15.0x	13.9x
Mean							**3.7x**	**17.8x**	**17.5x**	**16.3x**
Median							**3.0x**	**17.6x**	**16.5x**	**15.3x**

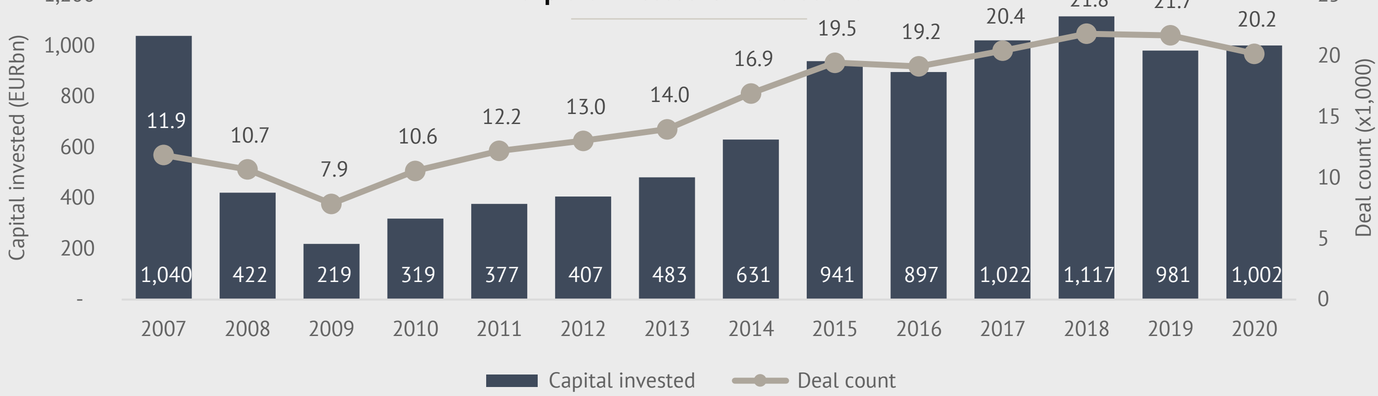
Selected Transactions

Announced Date	Buyer	Target	EV (EURm)	EV/Revenue	EV/EBITDA
Oct-20	Accenture	Zag	26	-	-
Oct-20	TenPearls	TCT Computing Group	-	-	-
Oct-20	Inflexion Private Equity Partners	Sparta Global	-	-	-
Aug-20	Ant Capital Partners	Softbrain	174	2.2x	15.0x
Jul-20	Planlogic	SW Business Solutions	-	-	-
Jul-20	Wipro	IVIA Serviços de Informática	20	1.7x	-

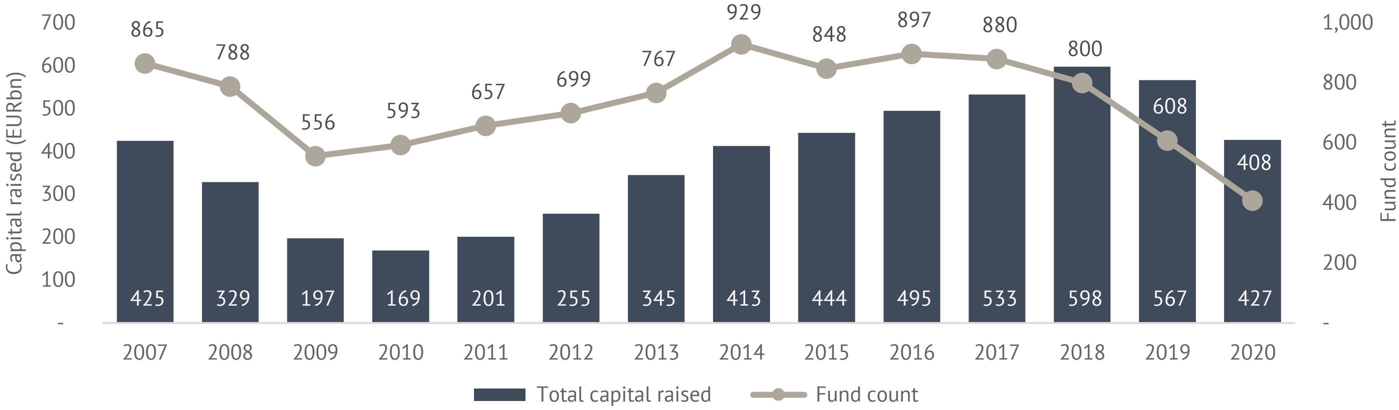
Trends

- After a fall in Q2 2020, PE deal activity came booming back in H2 2020 to record its third-highest annual value in over a decade. Meanwhile, quarterly deal volume hit a fresh peak in Q4 2020.
- Managers moved quickly to close on assets that benefitted from the IT adoption and transformation trend, highlighted by IT deal volume proportions hitting a new high.
- IT exit volume proportions substantially increased in 2020, hitting a new high. Close to 20% of all exit volume came from the sector, up from 12% a decade ago, predictably mirroring the trend seen in deal making.
- PE fundraising experienced an extremely strong year, with capital raised hitting its third-highest value ever, though fund counts dipped to a new trough.
- Looking to 2021, we expect sector confidence will propel deal activity to a new high, fueled by tight credit spreads, low interest rates, and a healthy fundraising environment

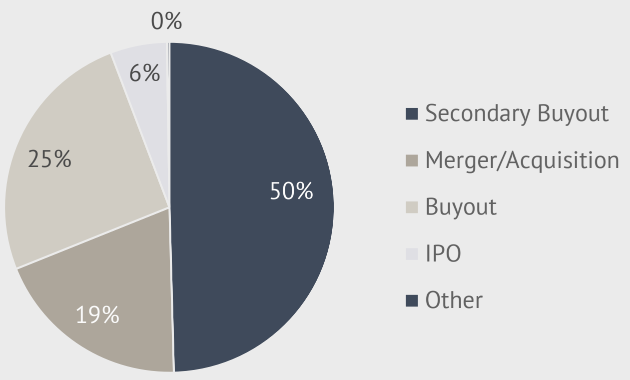
Capital Invested & Deal Count



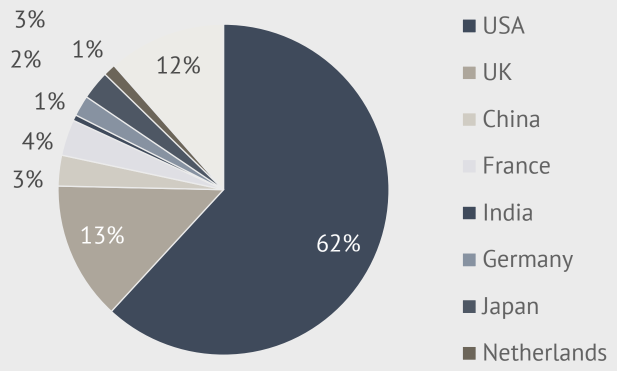
Total Capital Raised & Fund Count



Capital Invested by Exit Type



Capital Raised by Countries



Tombstones

VISEO
DIGITAL MAKERS
has secured a debt financing of €120m from
BlackRock
Debt advisory

IT sector
has been sold to
ALTEN
sell-side

dqc
has been acquired by
Fellowmind
formerly known as CRM Partners Group
a portfolio company of
FSN CAPITAL
sell-side

SofTek
株式会社ソフテック
has been sold to
CSC
CYBER SECURITY CLOUD
sell-side

Plint
has been sold to
PRIVEQ
sell-side

iveo.
has been sold to
storskogen
sell-side

specter
has been sold to
VISMA
a portfolio company of
Hg
sell-side

PYLADES
Microsoft Partner
has been sold to
WATERLAND
PRIVATE EQUITY INVESTMENTS
sell-side

Inspiretec
has undergone a refinancing from
NatWest
Debt advisory

MAIN
CAPITAL PARTNERS
has sold
YMOR
to
SENTIA
a portfolio company of
WATERLAND
PRIVATE EQUITY INVESTMENTS
sell-side

Blauw Gras
has been sold to
Ace
(formerly known as Born05 Group)
a portfolio company of
QUADRUM CAPITAL
sell-side

AUXILIUM CAPITAL
has sold
FRONTMEN
FRONTEND EXPERTS
to
intracto
a portfolio company of
WATERLAND
PRIVATE EQUITY INVESTMENTS
sell-side

Bolster.
INVESTMENT PARTNERS
has sold
KRAAN
to
nedvest
sell-side

COMMITTED CAPITAL
has sold
DataExpert
to
QUADRUM CAPITAL
sell-side

dotweb
has been sold to
VISMA
a portfolio company of
Hg
sell-side

Galitt
has been sold to
sopra steria
sell-side

bigdata republic
and
JCORE
jdriven
have been sold to a consortium including
QUADRUM CAPITAL
NAVITAS
sell-side

SNACKBYTES
has been sold to
intracto
a portfolio company of
WATERLAND
PRIVATE EQUITY INVESTMENTS
sell-side

onevinn
has been acquired by
HAVEN
CYBER TECHNOLOGIES
sell-side

optimind.
manage risk, build your future
welcomes
ARDIAN
as a minority shareholder in a € 25 million fundraising round
sell-side

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