



Solganick & Co.

IT and Tech-Enabled Services
Investment Banking + M&A Advisory

IT Services and Tech-Enabled Services

Cloud, Managed Services, Systems Integrators, IT Consulting, IT Outsourcing

YTD 2018 M&A Update

August 10, 2018

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Sources for our research and data include: PitchBook, MergerMarket, Wall Street Journal, Company Websites, SEC Filings, Bloomberg, TechCrunch, 451 Group, Yahoo Finance

M&A Market Brief

Worldwide

The pace of Year-to-date Global M&A activity in 2018 is on track to surpass 2016 and 2017 full-year levels.

First half 2018 transaction volume declined modestly while transaction value increased dramatically by 43% versus 2017.

July proved to be a continuation of the trend of increasing Global M&A Deal Value by Quarter and looks like Q3 will surpass Q2 is the total deal value.

M&A players throughout the world are actively bidding valuations even as companies are trading at historically high multiples.

US continues to dominate the M&A market. **Cross border deals witnessed a slight increase since last year.**

US Market

U.S. merger and acquisitions activity hit an all-time high during the first half of 2018 by hitting north of \$1 trillion in deal value driven primarily by mega deals.

Technology acquisitions and expansion of customer base continue to be the primary strategic drivers for M&A activity.

Private Equity emerges as an influential enabler of large scale reorganizations this year.

As companies **cross industry lines to find new growth and profit pools**, there is also an increase in focus on **consumer data security**.

Trade wars brought on by the U.S. administration. does not hold well for longer term M&A opportunities. Especially cross-border. We expect this to be the peak of the market especially if trade wars escalate.

IT Services and Tech-Enabled Services

IT Services and Tech-Enabled Services emerged as a dominating sector in **megadeals** contributing big numbers to the overall M&A activity in 2018.

The Transaction Processing sector is trading at an all-time high **EV/EBITDA** multiple of **18.6x** followed closely by **Info Services**, which witnessed a spike at **17.4x** during Q2 2018.

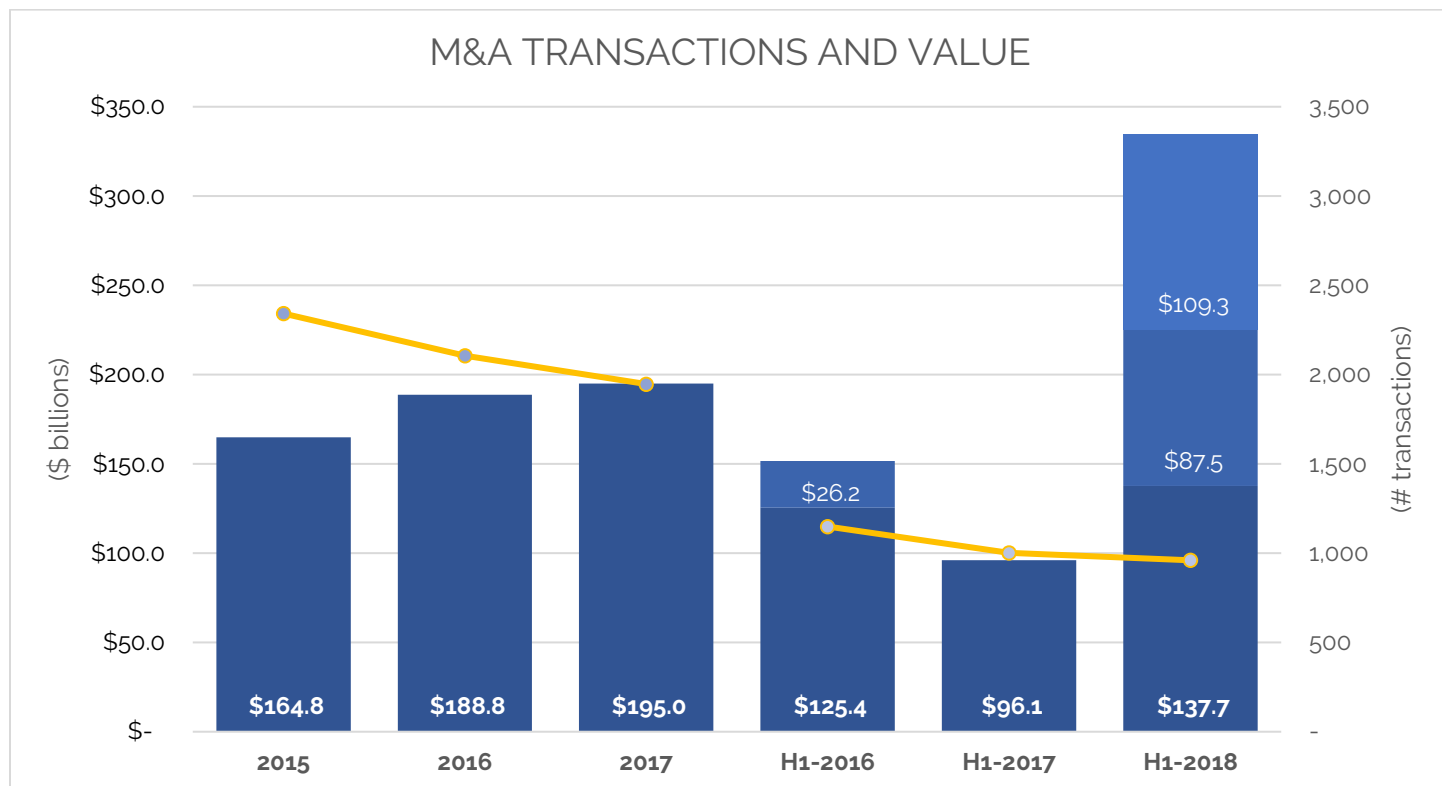
The IT services space continues to be very active:

- C Spire acquisition of TekLinks
- Spire Capital investment in Dynamic Quest
- Rizing acquisition of Aasonn
- Mercer acquisition of everBe
- H.I.G. Capital investment in Eze Castle Integration
- Atos acquires Syntel
- Synnex acquires Convergys
- VirtUSA acquires eTouch

Source: Solganick & Co. Analysis.

Global M&A YTD 2018

Exhibit 1 - Global M&A Deal Value & Volume



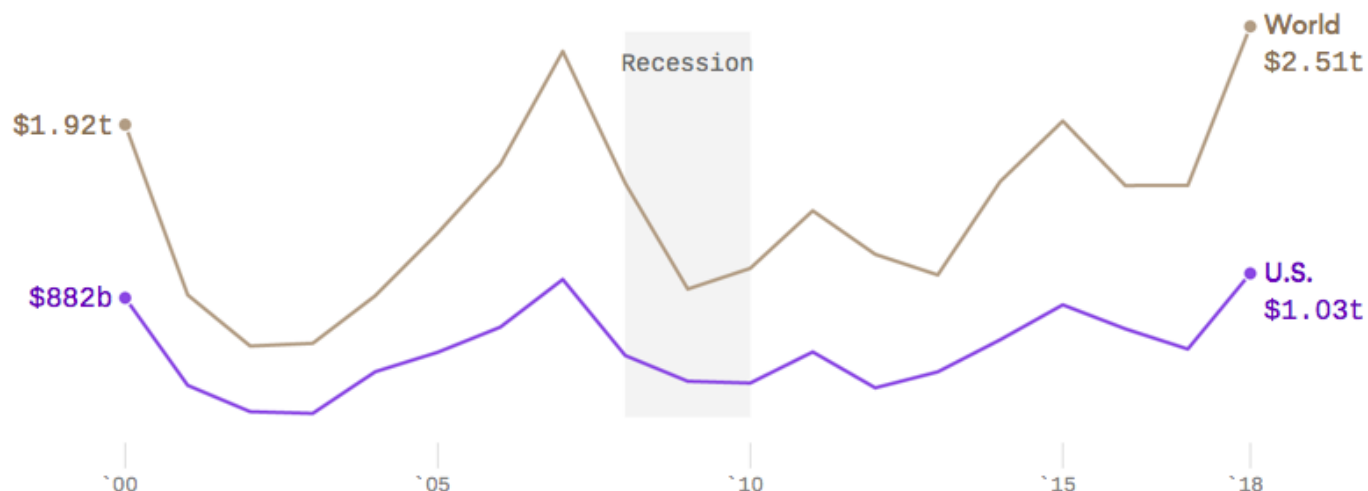
U.S. M&A YTD 2018

Exhibit 2 – U.S. M&A Deal Value

Global and U.S. merger and acquisition activity both hit all-time highs during the first half of 2018, driven by mega-deals

Mergers and acquisitions value

In USD, Jan. to June



Sources: Solganick & Co. Analysis, Thomson Reuters Mergers and Acquisitions

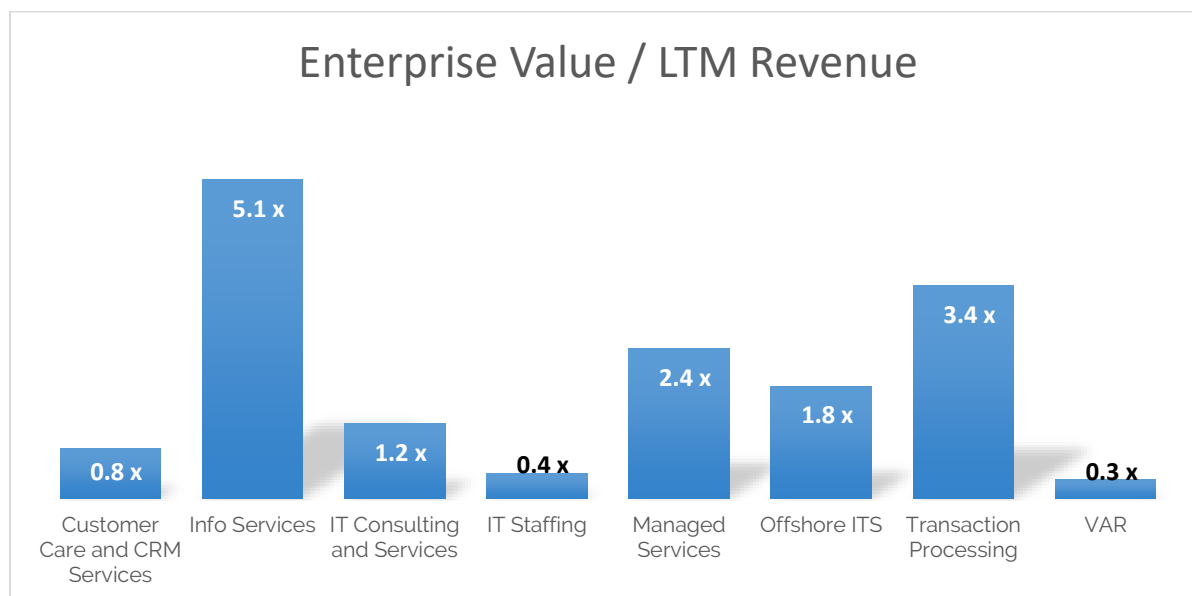
Tech-Enabled Services Companies Dominate Megadeals

The tech-enabled services sector dominated the quarter's megadeals, both in deal volume and in transaction value. Tech-enabled services accounted for five mega-deal transactions totaling \$24 billion in value, or approximately 48%, of the \$50 billion total, substantially more than any other sector reporting a megadeal. Two of these transactions, with \$6+ billion values, will likely remain in the top 20 transactions of 2018.

Overall, the tech-enabled services sector saw a strong quarter, with **total deal value** (for all transactions) **increasing 207%**, from \$10.2 billion in Q1 2017 to **\$31.3 billion in Q1 2018**. Deal volume in the sector stayed relatively flat quarter over quarter.

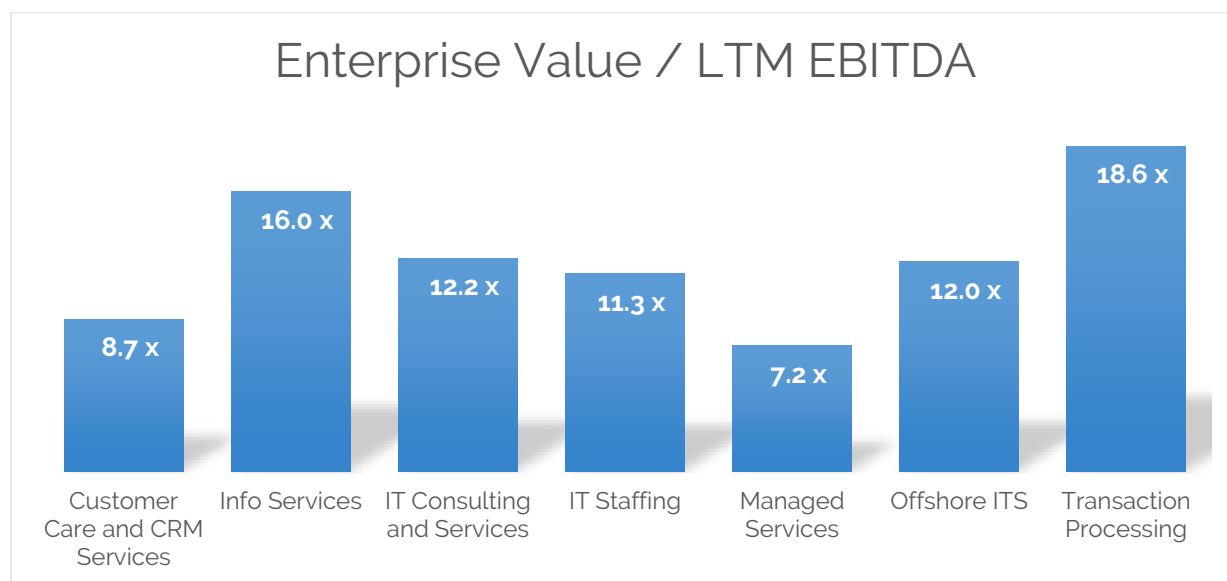
Sources: Solganick & Co. Analysis

M&A Valuation Metrics – EV/LTM Revenue



The highest EV/LTM Revenue multiple of 5.1x was Information Services and the lowest was VAR at 0.3x

M&A Valuation Metrics – EV/LTM EBITDA



The highest EV/LTM EBITDA multiple was Transaction Processing/BPO at 18.6x and the lowest was Managed Services at 7.2x

Notable Tech-Enabled Services M&A Transactions, YTD 2018

Date Announced	Acquirer	Target	Sector	Enterprise Value
7/22/2018	Atos	Syntel	IT Services	\$3,400
7/19/2018	Payscout	Paywire	IT Services	NA
7/10/2018	NexusTek	Zumasys	Managed Services	NA
6/28/2018	Consulting Solutions International	Meridian	IT Staffing	NA
6/28/2018	SYNNEX	Convergys Corporation	IT Services	\$2,449.0
6/28/2018	ALSO Holding AG	DistriWAN	VAR	NA
6/27/2018	HCL Technologies	H&D International Group	IT Services	NA
6/27/2018	FPE Capital	The NAV People	IT Services	NA

Date Announced	Acquirer	Target	Sector	Enterprise Value
6/25/2018	DXC Technology Company	Molina Information Systems	IT Services	266
6/25/2018	F-Secure Oyj	MWR InfoSecurity Limited	IT Services	144.8
6/11/2018	Rizing	Aasonn	IT Services	NA
6/5/2018	Deloitte Digital	Third Wave Consulting Inc.	IT Services	NA
6/4/2018	HIG Capital	EzeCastle	Managed Services	NA
6/1/2018	SWK Technologies	Information Systems Management	VAR	NA
5/29/2018	CoVant Management, Inc.	LinQuest Corporation	IT Services	NA
5/23/2018	Reliam, Inc.	G2 Technology Group, Inc.	Managed Services	NA
5/21/2018	Partners Group Holding AG	GlobalLogic Inc.	IT Services	NA
5/15/2018	Cumberland Consulting Group, LLC	LinkEHR, LLC.	Managed Services	NA
5/12/2018	Presidio, Inc.	Red Sky Solutions LLC	VAR	40.8
4/24/2018	Reliam, Inc.	Stratalux Inc.	Managed Services	NA
4/13/2018	Infosys Limited	Wongdoody Inc	IT Services	NA

Source: Solganick & Co. Analysis, Pitchbook, TM Capital Report

Date Announced	Acquirer	Target	Sector	Enterprise Value
4/2/2018	Thrive Networks, Inc	BizCompass, LLC	Managed Services	NA
4/5/2018	HCL Technologies	C3i Solutions	IT Services	60
3/21/2018	Zensar Technologies	Cynosure Interface Solutions	IT Services	NA
3/15/2018	Acacia Partners	Red River Computer Company	IT Services	NA
3/14/2018	Ness Technologies	Linium	IT Services	NA
3/12/2018	Virtusa Corporation	eTouch Systems	IT Services	140
2/27/2018	By Light Professional IT Services	Axom Technologies	IT Services	NA
2/23/2018	Gfi Informatique	RealDolmen	IT Services	205
2/21/2018	American CyberSystems	GGK Technologies	IT Staffing	NA
2/21/2018	Anexinet	Propelics	IT Services	NA
1/4/2018	Columbus Consulting	C3 Management Consulting	IT Services	NA
1/4/2018	RFE Investment Partners	ThreeBridge Solutions	IT Services	NA
1/4/2018	Hilltop Consultants, Inc.	Strategic Integration Partners	Managed Services	NA
1/23/2018	Spaulding Ridge	Plan Rocket Consulting	IT Services	NA
1/29/2018	The CJS Solutions Group (d.b.a. The HCI Group)	Infinity HIT	IT Services	NA

Source: Solganick & Co. Analysis, Pitchbook, TM Capital Report

Publicly Traded Tech-Enabled Services Firms Valuation Table

IT Consulting	Ticker	Stock Price (as of 8/7/18)	Market Cap (mm)	EV/ Revenue	EV/ EBITDA
CRA International	CRAI	\$55.16	\$445.68	1.14x	15.98x
FTI Consulting	FCN	\$81.18	\$3,026.00	1.67x	12.71x
Huron Consulting Group	HURN	\$47.55	\$1,024.00	1.81x	15.1x
Information Services Group	III	\$4.17	\$184.9	0.97x	11.11x
Navigant Consulting	NCI	\$25.03	\$1,131.00	1.32x	9.98x
Resources Connections	RECN	\$16.20	\$517.15	0.81x	10.33x
The Hackett Group	HCKT	\$18.32	\$538.78	1.99x	12.74x

Average	1.39x	12.56x
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System Integrators	Ticker	Stock Price (as of 8/7/18)	Market Cap (mm)	EV/ Revenue	EV/ EBITDA
Accenture	ACN	\$161.20	\$103,290.00	2.63x	16.17x
Capgemini	CAP.PA	\$109.75	\$18,290.00	1.60x	12.67x
CGI Group	GIB	\$63.26	\$17,530.00	2.31x	13.94x
Edgewater Technology	EDGW	\$5.19	\$74.71	0.72x	Unavailable
The Hackett Group	HCKT	\$18.32	\$538.78	1.99x	12.74x
Perficient	PRFT	\$27.73	\$965.27	2.01x	17.18x

Average	1.88x	14.54x
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Value Added Resellers (VAR)	Ticker	Stock Price (as of 8/7/18)	Market Cap (mm)	EV/ Revenue	EV/ EBITDA
CDW Corporation	CDW	\$85.98	\$13,010.00	1.04x	13.76x
ePlus	PLUS	\$104.30	\$1,430.00	1.04x	14.4x
Insight Enterprises	NSIT	\$52.97	\$1,880.00	0.29x	7.98x

Average	0.79x	12.05x
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Outsourcing	Ticker	Stock Price	Market Cap (mm)	EV/ Revenue	EV/ EBITDA
Accenture	ACN	\$161.20	\$103,290.00	2.63x	16.17x
Atos	ATO.PA	\$99.94	\$10,500.00	0.99x	7.84x
Hewlett-Packard	HPQ	\$23.99	\$38,640.00	0.7x	8.4x
IBM	IBM	\$147.01	\$134,190.00	2.07x	9.81x
Unisys	UIS	\$15.95	\$813.66	0.31x	3.23x

Average	1.34x	9.09x
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Offshore	Ticker	Stock Price	Market Cap (mm)	EV/ Revenue	EV/ EBITDA
Cognizant Technology Solutions	CTSH	\$78.07	\$45,300.00	2.71x	13.13x
Infosys	INFY	\$20.60	\$44,670.00	3.44x	12.74x
Syntel	SYNT	\$40.57	\$3,370.00	3.63x	13.26x
Virtusa	VRTU	\$54.22	\$1,610.00	1.61x	22.25x
Wipro	WIT	\$5.10	\$18,760.00	2.49x	13.05x

Average	2.78x	14.89x
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Sources: Solganick & Co. Analysis, Yahoo Finance

M&A Spotlight



Atos buys Syntel in \$3.4B U.S. push for Amex, FedEx

July 22, 2018 – Atos SE agreed to buy Syntel Inc. in a \$3.4 billion cash deal to help it get better access to U.S. financial customers like American Express Co. and State Street Corp.

At \$41 a share, the transaction is also a way for acquisitive French computer-services provider Atos to recover from a rebuffed bid 8 months ago for Gemalto NV, which secures digital payments for banks and other clients. The total price is \$3.57 billion including Syntel debt, the companies said Sunday in a statement.

Financial Transaction Details:

- Atos plans to acquire Syntel for \$41 a share in cash for each of Syntel's roughly 83.6M outstanding shares – valuing Syntel at a total cost of \$3.57B, including assumed net debt.
- The per-share figure is 4.8 percent more than Syntel's closing price of \$39.13 on July 20.
- The transaction is expected to close by the end of the year
- Valuation:
 - EV/LTM Revenues: 3.60x;
 - EV/LTM EBITDA: 13.10x

Source: [Atos](#)



SYNNEX' Concentrix Division Announces Acquisition of Convergys

June 28, 2018 – SYNNEX Corporation (NYSE: [SNX](#)) and Convergys, today announced they have reached a definitive agreement in which SYNNEX would acquire Convergys, and integrate it with Concentrix, a wholly-owned subsidiary and top global provider of customer engagement CRM BPO services. The transaction is expected to close by the end of the 2018 calendar year, subject to the approval of shareholders of both companies, regulatory requirements, and customary closing conditions.

This transaction accelerates Concentrix' leadership position in the industry and creates a premier global customer engagement services company providing next generation customer experience and business improvements to market-leading brands. Concentrix strengthens its profile in the delivery of high value services to a strong, diverse client portfolio that includes high growth market-disruptor companies and a strong representation of Fortune 1000 clients. The acquisition brings together a skilled global talent pool both credentialed in operational excellence and highly experienced in strategic verticals and digital transformation services. The geographic reach combined will be one of the most robust global footprints in the industry.

Financial Transaction Details:

- SYNNEX to acquire Convergys for \$26.50 per share, which includes \$13.25 per share in cash and 0.1193 SYNNEX common shares for each share of Convergys common stock, subject to a two-way collar
- Purchase price of approximately \$2.43 billion
- Valuation: EV/Revenues: 1.04x, EV/EBITDA: 8.4x

Source: [Synnex Convergys](#)



F-Secure Takes A Big Step Towards Cyber Security Leadership By Acquiring MWR InfoSecurity

June 18, 2018 – F-Secure has acquired all the outstanding shares of MWR InfoSecurity, a privately held cyber security consultancy company operating globally from its main offices in the UK, the US, South Africa and Singapore. The acquisition is a significant milestone in the execution of F-Secure's growth strategy and makes it the largest European single source of cyber security services and detection and response solutions.

Today businesses are challenged by a dynamic advanced threat landscape in which attackers continuously use well-designed technology to circumvent traditional protection. Security perimeters are no longer enough to protect organizations and developing better security capabilities on their own is out of reach for many organizations. Due to the shortage of skilled cyber security experts in-house there is a huge demand for both products and services to proactively search for newly emerging threats, detect and respond faster and especially stop future incidents. F-Secure's combination of man and machine – an approach shared by MWR InfoSecurity – uniquely positions the company to support businesses to fight advanced attacks with its cyber security products and services.

Summary of key drivers and benefits of the acquisition

- Digitalization and the rapidly increasing number of cyber-attacks create significant cyber security risks for companies, driving customer demand for new types of cyber security products and services.
- One of the fastest growing market segments is detection and response solutions (EDR), and managed detection and response services (MDR). Currently, only a fraction of companies has the capabilities needed to consistently counter targeted attacks.
- F-Secure has a strong offering for detection and response solutions and services and continues to see significant business opportunities in these emerging markets. F-Secure aims to be a key player in this segment. Combining the acquired technologies with F-Secure's existing capabilities enables the company to offer truly industry-leading detection and response solutions.
- The acquisition makes F-Secure one of the few truly global technical cyber security advisors, uniquely positioning it to support both midmarket companies and large enterprises across the globe. It also makes F-Secure the largest European single source of cyber security services and detection and response solutions.

Sources: [Globenewswire](#)



Third Wave Consulting joins Deloitte Digital to further expand digital transformation capabilities

June 5, 2018 – Deloitte is acquiring a leading technology consulting firm, Third Wave Consulting Inc. to better help clients and capitalize on opportunities within the energy sector. Third Wave, headquartered in Halifax, focuses on providing quick-to-outcome, high-value, business solutions on the market-leading cloud-based platform from Salesforce. The Third Wave team in each of their current Halifax, Calgary and Houston locations will join existing Deloitte practices and operate under the Deloitte Digital brand in each place.

"We've been crossing paths and looking to collaborate with Third Wave since 2015," said Tony Krajewski, Customer and Marketing Partner, at Deloitte Digital. "Its strong brand and reputation with its clients and the SF community in Canada is well-known. We are very excited about taking a big step towards servicing our clients with new talent, Intellectual Property and experience, especially in the markets where both Third Wave and Deloitte are strong today in Eastern Canada and Calgary."

"Deloitte will welcome Third Wave's North American operations," said Tim Christmann, Managing Partner, Consulting at Deloitte Canada. "The connections from Third Wave will help drive superior growth from priority clients in the energy sector and help us forge new relationships within the sector." Deloitte will also gain three new leaders. Steve Davies, the founder and co-owner of Third Wave Consulting Inc., will join the firm as the Atlantic Canada Salesforce leader while Alex Campbell and George Heal will join as leaders focused on the Oil and Gas sector.

Sources: [Deloitte](#)



Virtusa Expands Digital Engineering Capabilities with the Acquisition of eTouch

March 12, 2018 – Virtusa Corporation (NASDAQ GS:VRTU), a global provider of digital engineering and IT outsourcing services that accelerate business outcomes for its clients, has acquired eTouch Systems Corp. ("eTouch US") and eTouch Systems Pvt. Ltd ("eTouch India," together with eTouch US, "eTouch"). The Company completed the acquisition of eTouch US on March 12, 2018 and expects to complete the acquisition of eTouch India in March, pending the final settlement of eTouch India shares. Headquartered in Fremont, CA, eTouch provides cutting edge digital engineering, digital marketing, cloud, analytics, and data security solutions, primarily to tech companies.

The acquisition of eTouch expands Virtusa's digital engineering expertise and broadens its digital service offerings. It also establishes a strong innovation hub in the heart of Silicon Valley and allows Virtusa to better address the needs of both fast-growing tech companies and global enterprises. Further, the acquisition expands Virtusa's team of highly-skilled digital engineers, deepens its tech domain expertise, and adds marquee names to its client portfolio, including a leading Silicon Valley-based multinational technology and Internet company to its top-ten list of clients.

Under the terms of the purchase agreement, Virtusa will acquire all of the outstanding shares of eTouch for approximately \$140.0 million in cash, subject to certain adjustments, with up to an additional \$15.0 million set aside for retention bonuses to be paid to eTouch management in equal installments on the first and second anniversary of the transaction. The purchase price will be paid in three tranches with \$80.0 million paid at closing, \$42.5 million on the 12-month anniversary of the close of the transaction, and \$17.5 million on the 18-month anniversary of the close of the transaction, subject in each case, to certain adjustments. Virtusa will use \$70.0 million of a delayed draw term-loan from its existing credit facility and \$10.0 million of cash on hand to make the payments due at closing.

For the fiscal fourth quarter ending March 31, 2018, Virtusa management currently expects eTouch to contribute revenue of approximately \$5.0 million and to be approximately (\$0.04) dilutive to Virtusa's earnings per share on a U.S. GAAP basis, inclusive of approximately \$1.2 million of acquisition related charges net of \$0.4 million of tax adjustments, and neutral to earnings per share on a Non-GAAP basis. Virtusa expects the eTouch acquisition to be dilutive to GAAP earnings per share for the fiscal year ending March 31, 2019 and accretive to non- GAAP earnings per share for the fiscal year ending March 31, 2019

Sources: [Businesswire](#)

About Solganick & Co.

Solganick & Co., Inc. is an independent investment banking and M&A advisory firm focused exclusively on the global Software, IT Services, and Digital Media industry sectors. We advise buyers and sellers of companies and efficiently execute M&A transactions that help increase shareholder value. Our professionals have advised on \$20+ billion in M&A transactions to date and have current clients and relationships globally with entrepreneurs, companies and leading private equity firms within the sectors we cover.

Please contact us for information regarding this report or to inquire about an M&A transaction.



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