



Solganick & Co.

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

IT Services and Tech-Enabled Services

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

Q3 2018 M&A Update

October 29, 2018

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Sources for our research and data include: MergerMarket, Wall Street Journal, Company Websites, SEC Filings, Bloomberg, TechCrunch, 451 Group, Yahoo Finance, Solganick & Co. analysis

M&A Market Brief

Worldwide

The global M&A value in Q1-Q3 2018 totaled US\$ **2.75T** via **13,575** deals, which grew **22.3%** from YTD 2017.

32 megadeals (deal value over US\$ 10B) were announced in Q1-Q3, two more than the FY 2017 total.

A **\$855.6bn Q3 2018 deal value** shows **5%** decrease from Q3 2017 and **35.4%** decrease from Q2 2018, the lowest Q3 figure since 2013.

A **53%** increase was shown in the telecommunications industry from US\$ **181.6B** in Q1-Q3 in 2017 to US\$ **277.95B** in Q1-Q3 2018.

Cross-border transactions dropped by **4%** in deal value in comparison to Q1-Q3 2017.

US Market

US M&A value in Q3 2018 totaled US\$ 333.9B, US M&A reached its second-highest total by both deal value and count for the Q1-Q3 period on record with US\$ 1.1T and 4,100 transactions tallied.

Average deal size increased **33.9%** to US\$ **279.1M** in the year to date compared to US\$ **208.5M** in Q1-Q3 2017.

There was a total of **14** megadeals (deal value over US\$10B) in Q1-Q3 2018, three more than in Q1-Q3 2017.

US M&A transactions account for **42%** of the global M&A by deal count. This is up from 40.9% Q1-Q3 2017.

There was a **19.5%** fall in the value of inbound M&A into the US overall from Q1-Q3 2017 (US\$ 247.8B) to H1 2018 (US\$ 199.4B).

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 **18.63x** followed closely by **Info Services**.

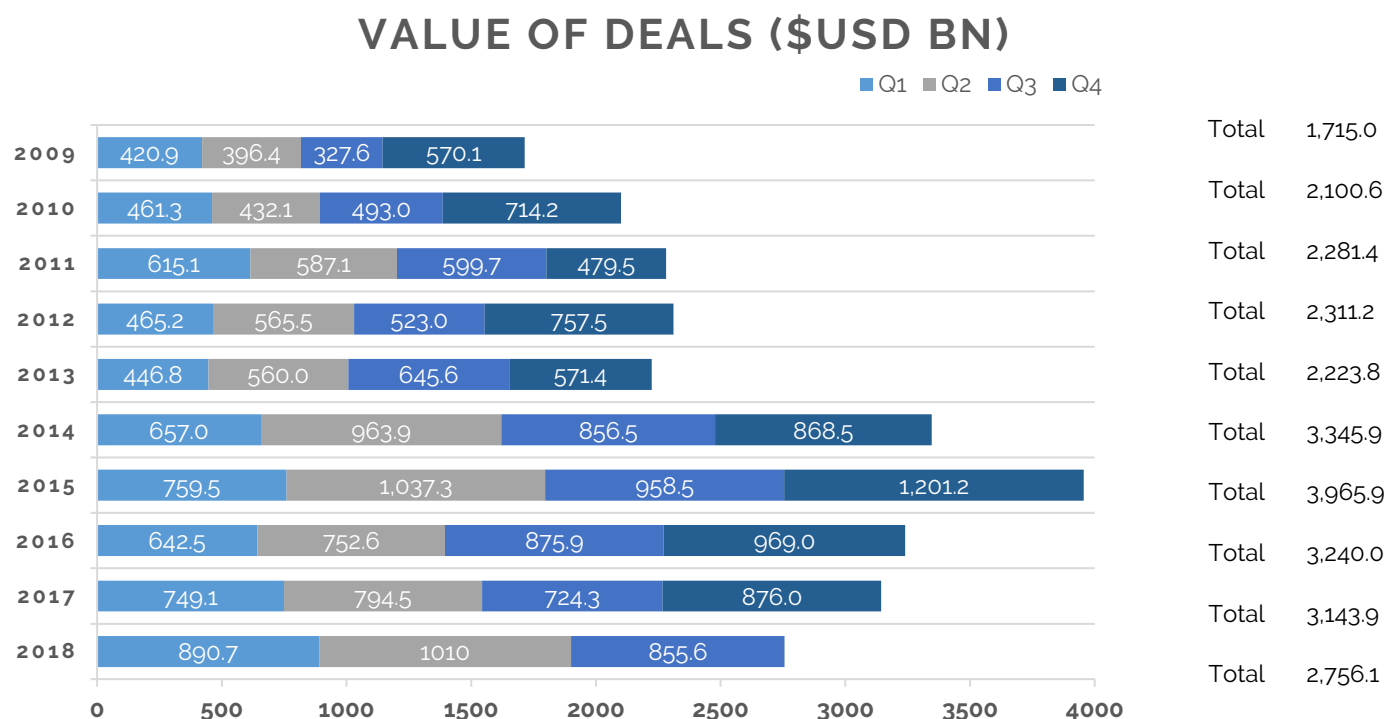
The IT services space continues to be very active:

- Accenture's acquisition of Pillar Technology, Mindtribe, Kogentix, and Design Affairs
- Atos acquisition of Syntel for \$3.4B
- Genpact's (NYSE:G) acquisition of Barkawi Management Consultants
- H.I.G. Capital's majority investment in Eze Castle Integration
- NexusTek's acquisition of Cal Net Technology Group, Syndeo Technologies, and Decision Consultants, Inc.
- Consulting Solutions International acquires Meridian

Source: Petsky Prunier, MergerMarket, Deologic, TM Capital, Solganick & Co. estimates

Global M&A Q3 2018

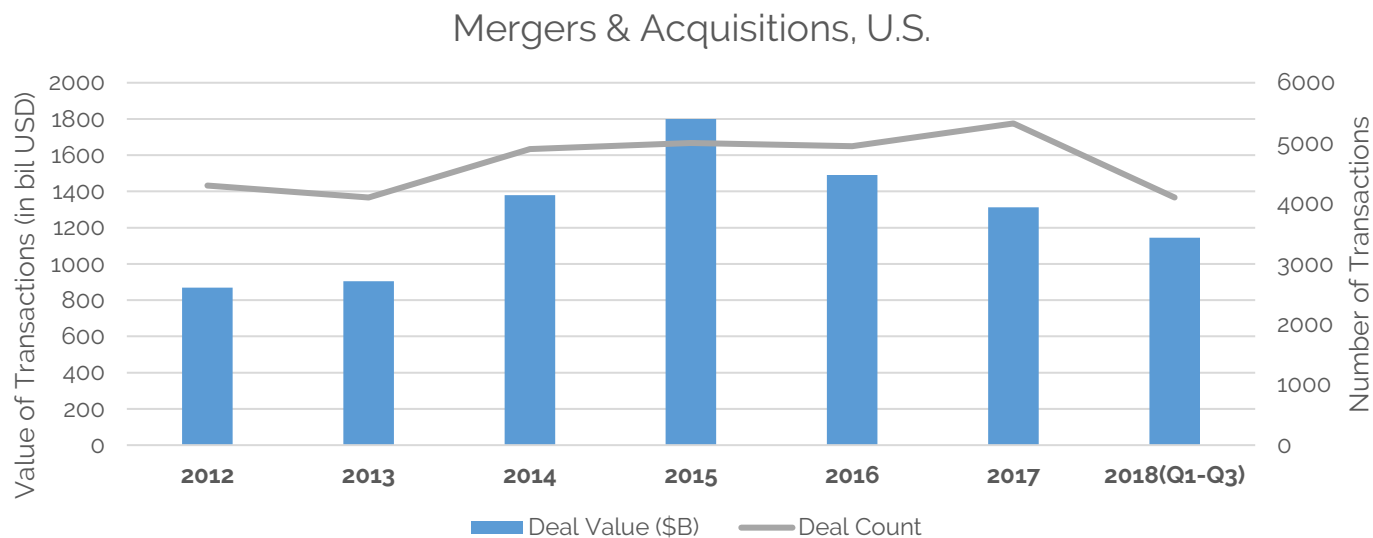
Exhibit 1 - Global M&A Deal Value



There has been **US\$ 2.75T** of deal value announced for Q1-Q3 2018.

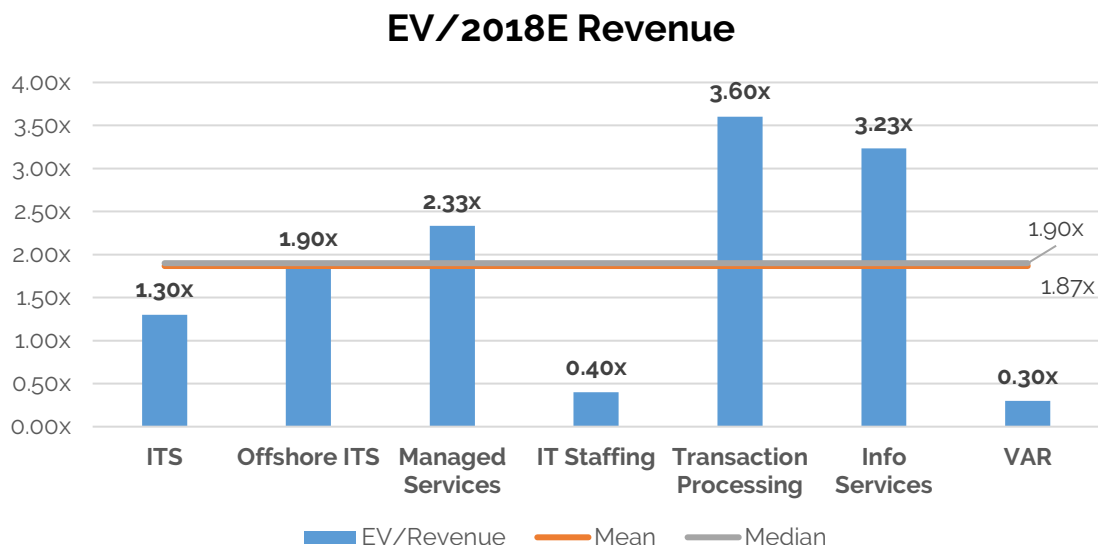
U.S. M&A Q3 2018

Exhibit 2 – U.S. M&A Deal Value



Sources: MergerMarket

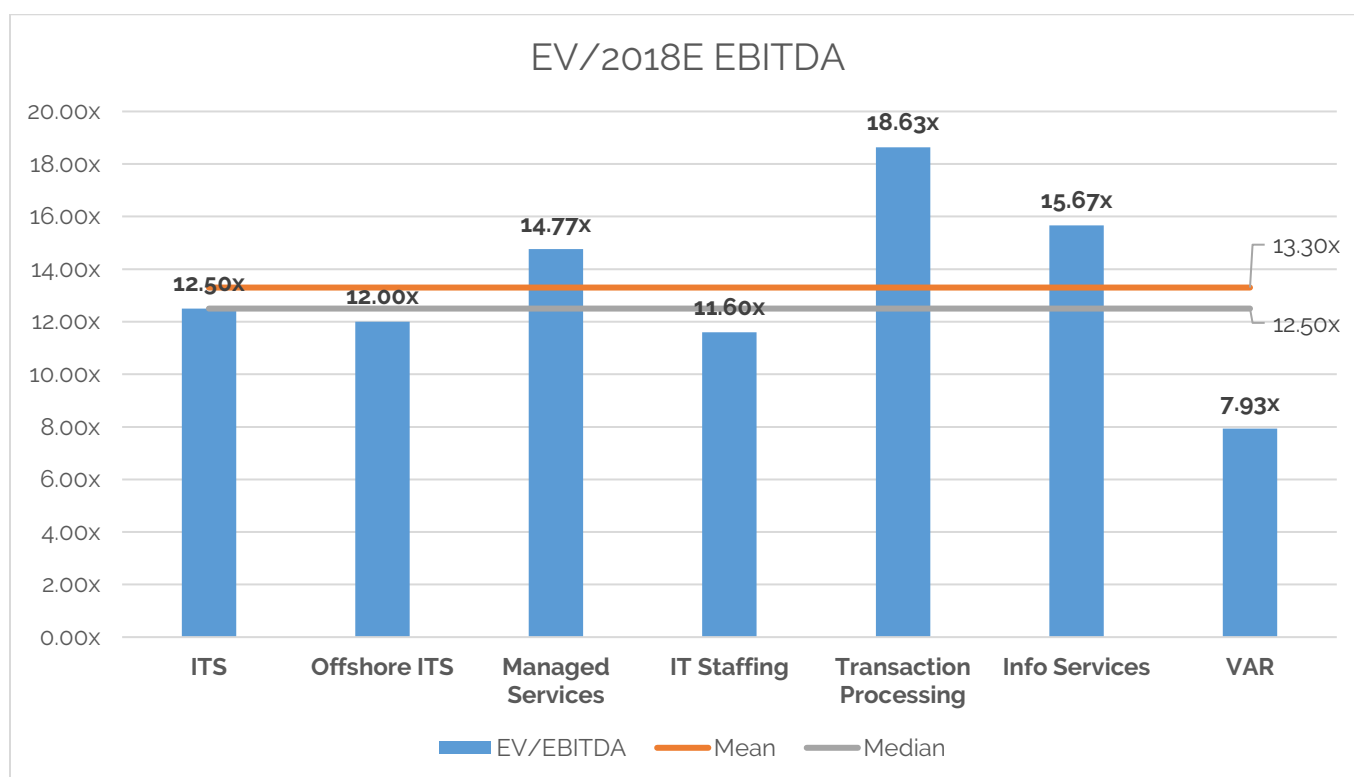
IT Services M&A Valuation Metrics – EV/LTM Revenue



The highest EV/LTM Revenue multiple of **3.60x** was Transaction Processing and the lowest was Value-Added Resellers (VAR) at **0.30x**

Sources: Solganick & Co. Analysis, TM Capital



IT Services M&A Valuation Metrics – EV/LTM EBITDA



The highest EV/LTM EBITDA multiple was Transaction Processing/BPO at **18.63x** and the lowest was Value-Added Resellers (VAR) at **7.93x**

Sources: Solganick & Co. Analysis, TM Capital

Notable Tech-Enabled Services M&A Transactions, Q3 2018

Date Announced	Acquirer	Target	Sector	Enterprise Value
9/26/2018		APERIO 	Managed Services	NA
9/20/2018			IT Services	NA
9/14/2018			Info Services	\$190M
9/10/2018	accoun ⁺ ability LLC		Managed Services	NA
9/6/2018	 Physical. Virtual. Cloud.		Info Services	NA
9/3/2018			Managed Services	NA
8/28/2018		infolinks	Info Services	NA
8/26/2018	ONICA		IT Services	NA
8/23/2018	 Cognizant	SAASFOCUS	IT Services	NA

Source: Solganick & Co. Analysis, TM Capital, Company News

Date Announced	Acquirer	Target	Sector	Enterprise Value
8/21/2018	 Peach Technologies	 Taylor Made COMPUTER SOLUTIONS	IT Services	NA
8/20/2018	 AdEPT	 shift ^{F7}	Managed Services	\$8,000M
8/20/2018	 F12.net TM Consider IT done.	 Apps OnTap PARADIGM Network Solutions	IT Services	NA
8/12/2018	 TeleComputing	 excanto i dag i morgen i molnet	IT Services	NA
8/10/2018	 transip	 IT-ERNITY	Managed Services	NA
8/9/2018	 accenture	 PILLAR TECHNOLOGIES	IT Services	NA
8/7/2018	 NEXUS TM TECHNOLOGIES, INC.	 calnet TECHNOLOGY GROUP	IT Services	NA
8/7/2018	 NEXUS TM TECHNOLOGIES, INC.	 DECISION CONSULTANTS	IT Services	NA
8/2/2018	 COMPUTEX TECHNOLOGY SOLUTIONS	 SYNETRA STRUCTURED CABLING	Managed Services	NA
8/1/2018	 compass ^{MSP}	 INTEGRITY CONSULTING GROUP	Managed Services	NA

Source: Solganick & Co. Analysis, TM Capital, Company News

Date Announced	Acquirer	Target	Sector	Enterprise Value
8/1/2018			IT Services	NA
8/1/2018			Managed Services	NA
7/31/2018			IT Services	NA
7/26/2018			Managed Services	NA
7/18/2018			IT Services	NA
7/12/2018			Managed Services	NA
7/12/2018			IT Services	NA
7/9/2018			Info Services	\$2.467M
7/5/2018			IT Services	NA
7/2/2018			Managed Services	NA

Source: Solganick & Co. Analysis, TM Capital, Company News

Publicly Traded Tech-Enabled Services Firms Valuation Table

IT Consulting	Ticker	Stock Price (as of 10/26/18)	Market Cap (mm)	EV/ Revenue	EV/ EBITDA
CRA International	CRAI	\$41.92	\$338.70	0.90x	12.59x
FTI Consulting	FCN	\$69.12	\$2560.00	1.46x	11.16x
Huron Consulting Group	HURN	\$46.22	\$995.72	1.86x	15.54x
Information Services Group	III	\$4.10	\$184.92	1.00x	10.76x
Navigant Consulting	NCI	\$21.04	\$946.89	1.17x	8.94x
Resources Connections	RECN	\$16.41	\$517.62	0.80x	9.71x
The Hackett Group	HCKT	\$19.92	\$586.88	2.19x	14.02x

Average	1.34x	11.82x
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System Integrators	Ticker	Stock Price (as of 10/26/18)	Market Cap (mm)	EV/ Revenue	EV/ EBITDA
Accenture	ACN	\$154.45	\$98,960.00	2.46x	14.41x
Capgemini	CAP.PA	\$102.70	\$17,090.00	1.53x	12.27x
CGI Group	GIB	\$58.58	\$16,450.00	2.19x	13.04x
Edgewater Technology	EDGW	\$4.84	\$70.72	0.73x	Unavailable
The Hackett Group	HCKT	\$19.92	\$586.88	2.19x	14.02x
Perficient	PRFT	\$24.74	\$861.19	1.91x	16.38x

Average	1.84x	14.02x
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Value Added Resellers (VAR)	Ticker	Stock Price (as of 10/26/18)	Market Cap (mm)	EV/ Revenue	EV/ EBITDA
CDW Corporation	CDW	\$79.67	\$12,060.00	1.02x	13.45x
ePlus	PLUS	\$83.89	\$1,150.00	0.95x	12.85x
Insight Enterprises	NSIT	\$48.32	\$1,710.00	0.27x	7.53x

Average	0.75x	11.28x
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Outsourcing	Ticker	Stock Price (as of 10/26/18)	Market Cap (mm)	EV/ Revenue	EV/ EBITDA
Accenture	ACN	\$154.45	\$98,960.00	2.46x	14.41x
Atos	ATO.PA	\$71.20	\$7,480.00	0.79x	6.28x
Hewlett-Packard	HPQ	\$14.63	\$21,530.00	1.00x	10.04x
IBM	IBM	\$124.79	\$113,900.00	1.89x	9.12x
Unisys	UIS	\$18.51	\$944.25	0.38x	3.93x

Average	1.30x	8.76x
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Offshore	Ticker	Stock Price (as of 10/26/18)	Market Cap (mm)	EV/ Revenue	EV/ EBITDA
Cognizant Technology Solutions	CTSH	\$70.53	\$40,920.00	2.52x	12.21x
Infosys	INFY	\$9.02	\$38,020.00	3.33x	12.56x
Syntel	SYNT	\$40.99	\$3,400.00	3.66x	13.39x
Virtusa	VRTU	\$50.34	\$1,500.00	1.60x	21.15x
Wipro	WIT	\$5.11	\$19,900.00	2.51x	13.54x

Average	2.72x	12.93x
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Sources: Solganick & Co. Analysis, Yahoo Finance

M&A Spotlight



Accenture Completes Acquisition of Pillar Technology to Expand Industry X.o Capabilities

COLUMBUS, OH; Aug. 27, 2018 – Accenture (NYSE: ACN) has completed the acquisition of smart embedded software company Pillar Technology, significantly expanding its Industry X.o practice in North America.

Headquartered in Columbus, Ohio, Pillar Technology has a team of 320 people and offices in Des Moines, Iowa; Ann Arbor, Michigan; and Palo Alto, California. Pillar Technology brings more than 20 years of experience in the rapid, agile development of high-quality and user-friendly embedded software used in smart, connected products such as autonomous vehicles.

Accenture first announced the acquisition two weeks ago, together with the acquisition of San Francisco-based hardware engineering firm Mindtribe. The two complementary deals boost Accenture Industry X.o's ability to help companies redefine smart connected software and physical products.

Accenture Industry X.o helps companies address the shift to digital products and services, transform their engineering, manufacturing and field operations, and digitize their enterprises.

Source: Accenture



NexusTek Acquires Cal Net Technology Group, Syndeo Technologies and Decision Consultants, Inc.

Denver; Los Angeles; Phoenix; Boston (August 7, 2018) NexusTek today announced the following three acquisitions: Cal Net Technology Group (Cal Net), a Southern California-based, award-winning managed IT service, professional services, and technology solutions provider; Syndeo Technologies (Syndeo) of Andover, MA; and Decision Consultants, Inc. (DCI) of Phoenix, AZ.

NexusTek's growth rate in 2018 is in excess of 100%; the company now serves almost 2,700 organizations in 47 states. With a national workforce of more than 300 employees providing customers with strategic guidance, technical support and professional services, NexusTek is fast becoming one of the most complete service providers for businesses of all sizes and in all markets.

The Cal Net, DCI and Syndeo acquisitions mark five M&A transactions for NexusTek in 2018, and eight in four years, each of which directly benefits customers by augmenting the company's core competencies and ability to execute best practices. NexusTek is backed by Abry Partners, an experienced media, communications, business and information services-focused private equity firm with over \$77 billion of leveraged transactions under its belt.

With the acquisitions of Cal Net and DCI, NexusTek inherits a strong presence in the Western United States, extending its reach and ability to create IT solutions that combine unified communications, voice-over-IP (VoIP), infrastructure, storage, virtualization, data protection, and networking technologies from the industry's leading vendors.

Source: NexusTEK



AdEPT Teleome Acquires IT Services Provider Shift F7 for up to £7.9mln

AdEPT (AIM: ADT), a leading UK independent provider of award-winning managed services for IT, unified communications, connectivity and voice solutions, is pleased to announce that it has signed an agreement to acquire the entire issued share capital of Shift F7 Group Limited ("Shift F7") and its subsidiaries Shift F7 Limited and Greencorn Limited, a well-established UK based specialist provider of IT services to the commercial sector ("the Acquisition").

AdEPT said the acquisition further expands its commercial IT capability and customer base, while maintaining the geographical focus on London and the southeast.

Acquisition highlights

- Initial cash consideration of £5 million less net debt and tax liabilities of Shift F7 at July 31, 2018
- Expected to be earnings enhancing from completion
- Approximately 75% of Shift F7's gross margin is from recurring revenue streams
- Highly complementary product set for telecommunication and IT convergence
- Shift F7's customer focus on London and South East
- Highly experienced senior management team that will remain with Shift F7
- Pre-existing commercial relationship of more than 10 years between AdEPT and Shift F7
- AdEPT annualized group revenue run rate anticipated to increase by approximately 10%

Sources: AdEPT



NuMSP Expands to Northern California with Purchase of Aperio IT

CLIFTON, N.J. and SACRAMENTO, Calif., Sept. 26, 2018 /PRNewswire/ -- NuMSP, a growing national managed service provider offering managed IT and cybersecurity solutions, today announced its entrance into the California SMB IT services market with the acquisition of Aperio IT, a full-service information technology managed service provider, offering comprehensive IT solutions for small and mid-sized businesses throughout the greater Sacramento area.

This acquisition continues to expand the growing NuMSP family of managed service offerings across the US, targeted to the small and midsize business (SMB) market. SMB organizations face rapid advances in technology, making it increasingly difficult for smaller businesses to stay current and realize the full ROI on their IT investments. To meet this challenge, NuMSP is building a nationwide company with the scale and resources to deliver advanced IT services to SMBs that will rival incumbent solutions at Fortune 500 companies.

"By combining talent and capabilities with Aperio IT, NuMSP anticipates broadening the options available to business owners in the Sacramento area and beyond," said Jim Griffith, CEO of NuMSP. "The synergies from combining forces will enhance the choices we can offer to the SMB market, resulting in higher customer satisfaction and improved IT ROI."

"I'm proud of what we built at Aperio IT over the past 18 years," added Cary Warner, co-owner of Aperio IT. "As we embark on this next step in our company's growth, we are pleased to join the NuMSP nationwide platform, and we will continue to exceed our clients' requirements and expectations as we expand our offerings."

"Aperio IT's mission has always been to become a trusted adviser to our clients by delivering best of breed technology solutions," said Gene Munger, co-owner of Aperio IT. "We are excited to be able to further expand and deepen our ability to serve our customers by joining forces with NuMSP." The transaction closed on September 25, 2018.

Sources: CISION PR Newswire

About Solganick & Co.

Solganick & Co., Inc. is an independent investment banking and M&A advisory firm focused exclusively on the global software and IT services 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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