

M&A Update

Q4 2023



Cloud Computing

Market Leaders and Partner Ecosystems

Cloud Computing Overview

Market Commentary

- In recent years, Amazon Web Services (AWS), Microsoft Azure, and Google Cloud have matured and expanded their offerings, with cloud services segments now representing significant parts of each company's overall business profile and defining their future growth aspirations and success.
- Buyers continue to seek companies with a strong relationship with their partners, often placing a premium valuation for investment opportunities involving a differentiated service offering and profile.
- All of the leading cloud vendors rely on their partner networks to sell and implement their products and ensure customer success via the availability of related professional services.
- Demand among strategic and financial acquirers for cloud partners continues to grow, with considerable levels of capital available to deploy towards M&A in the coming years.

Thought Leadership Takeaways

"Customers have been shifting from on-demand (cloud) spending to commitments over one to three years that come with lower prices."

-Andy Jassy, Amazon CEO

"Clients are still finding ways to save money on cloud spending, a trend multiple large cloud infrastructure providers have flagged..."

-Amy Hood, Microsoft CFO

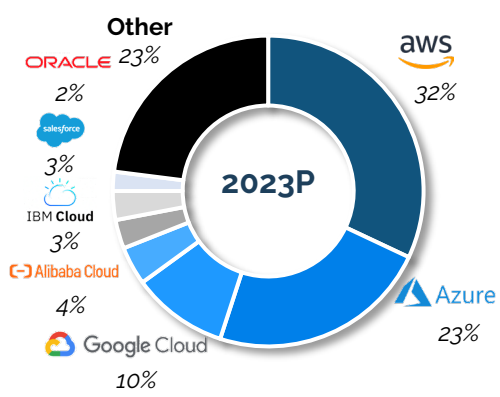
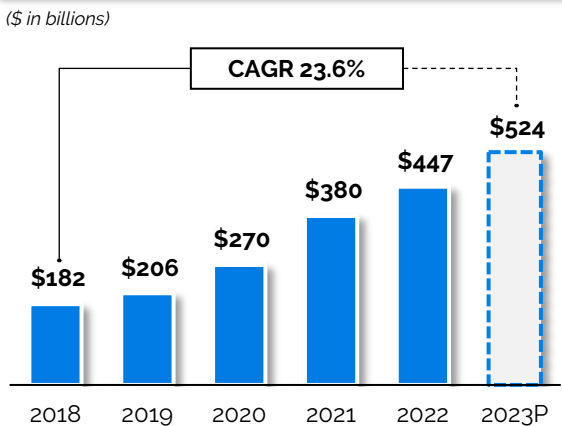
"The investment by Alphabet in artificial intelligence and cloud is paying off as growth in these two areas means huge opportunities going forward..."

-Sundar Pichai, Alphabet CEO

"...Cloud providers [are required] to offer more sophisticated capabilities as the competition for digital services heats up."

-Sid Nag, Gartner Vice President

Market Growth and Segmentation



Key Market Growth Drivers

Modernized Systems

Accelerating technology and AI/ML evolution necessitates an urgent overhaul of legacy infrastructure

Increased Outsourcing

Growing need for 24/7 support related to services such as remote monitoring and network management

Cloud Maturation

Increasing customer base is migrating vital workloads from local setups to off-site cloud infrastructure

Growing Security Risks

The number, complexity, and severity of cyber risks continues to climb, supporting continued market growth for security services providers

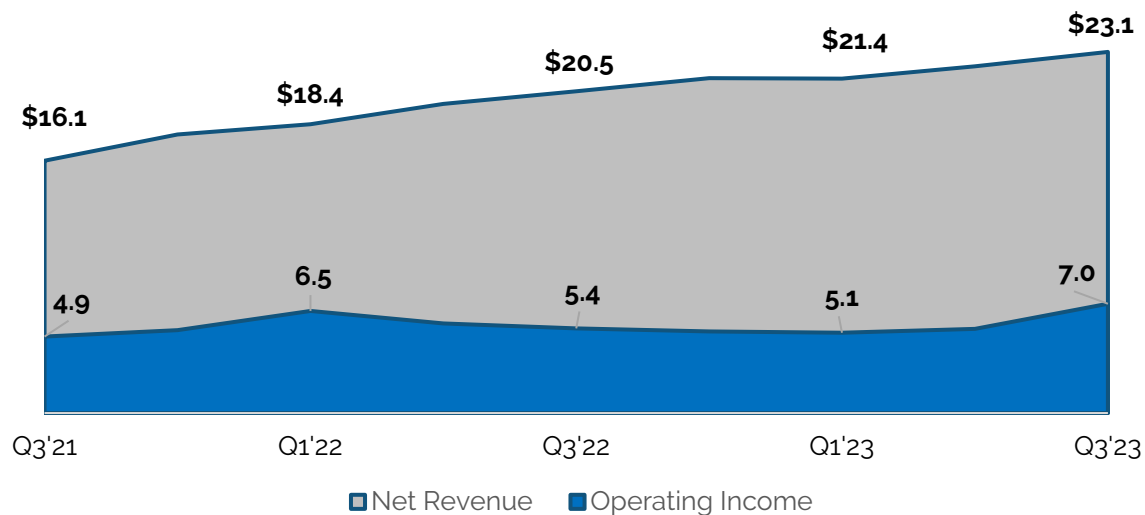
Highlighted Platform:

Quarterly Earnings Update

- AWS Q3 revenue was reported at \$23.1 billion, a 12% YoY increase, but slightly lower than analyst expectations of \$23.2 billion.
- The AWS business unit generated \$7.0 billion in operating income, up 29% and considerably more than the analyst consensus of \$5.6 billion.
- Amazon's entire business generated \$11.2 billion in operating income, thus the AWS operating margin expanded to 30.3%, the widest in two years.
- "Job cuts and slower hiring have boosted the AWS margin..." –Brian Olsavsky, Amazon CFO

AWS Performance Growth Trends

(\$ in millions)



Recent News Highlight

- During the quarter, AWS started selling its Bedrock service for running generative artificial intelligence models that compose text in response to a few words of human input. And Amazon said AI startup Anthropic would use AWS's Trainium chips to train models, a process often performed on Nvidia graphics processing units. Amazon said it would invest up to \$4 billion in the startup, which will offer models through Bedrock.

Recent M&A Transactions

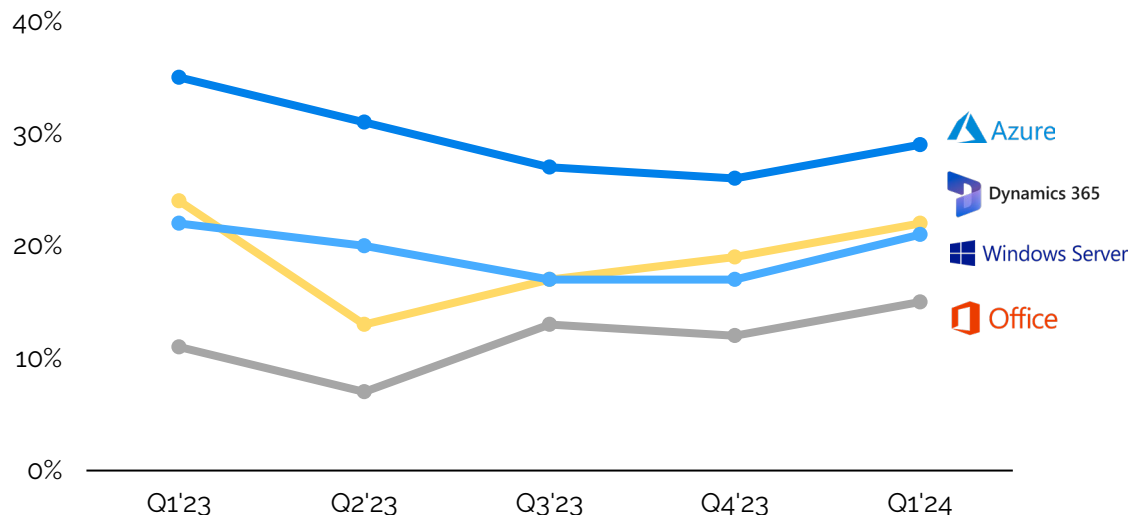
Date	Acquirer	Target	Target Description
Oct 2023	nClouds	CLOUDNEXA	• AWS Premier Partner focused on helping customers prepare their cloud infrastructure to deliver generative AI, compliance and security solutions
Aug 2023	BlueAlly SourceCapital LLC	STRATA CONSULTING	• California-based IT services firm with expertise in security, compliance, DevOps, and AWS cloud services
July 2023	Mastek	bizanalytica	• Provider of end-to-end professional data cloud and modernization services
June 2023	accenture	NEXTIRA	• AWS Premier Partner focused on AI/ML in predictive enterprise functions within gaming and media
Jun. 2023	CDW	ENQUIZIT	• AWS Premier Partner that designs, develops, and manages applications, based in Virginia
May 2023	CloudHesive	EPLEXITY	• AWS Premier Partner offering cloud consulting and next-gen cloud managed services

Highlighted Platform: Azure (Microsoft Intelligent Cloud)

Quarterly Earnings Update

- Microsoft Intelligent Cloud 2024 Q1 revenue was reported at \$24.3 billion, showing 19% quarterly growth, and above analyst expectations of \$23.5 billion.
- Revenue just from Azure jumped 29% during the quarter, higher than the 26% consensus among analysts.
- *"Clients are flocking to new generative AI tools in the cloud that are enhanced with software from Microsoft-backed startup OpenAI. The Azure OpenAI Service now has 18,000 customers, up from 11,000 customers in July... Around 3 percentage points of the quarter's Azure growth was tied to AI. Three months ago, the company had forecast 2 points of Azure AI growth..."* –Amy Hood, Microsoft CFO

Microsoft Key Business Unit Growth Trends



Recent News Highlight

- During the quarter, Microsoft introduced fresh cybersecurity services and said it would sell its Microsoft 365 Copilot AI add-on to enterprises starting Nov. 1.
- Earlier this month, Microsoft completed its \$68.7 billion acquisition of video game publisher Activision Blizzard. Microsoft has also transformed into a publishing powerhouse after the acquisition, with more than 8,500 Activision employees now joining Microsoft.

Recent M&A Transactions

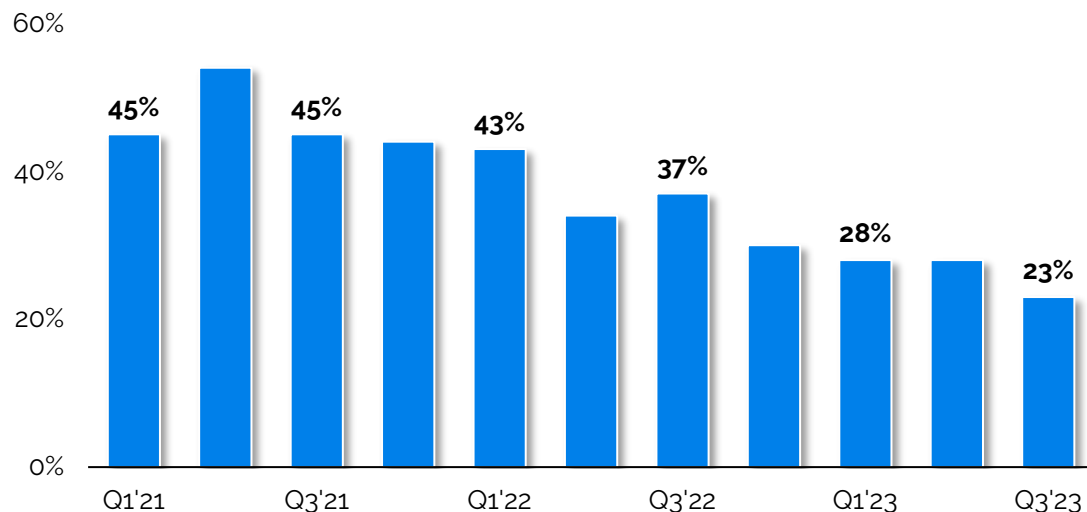
Date	Acquirer	Target	Target Description
Sep 2023	MACQUARIE	zenzero	• Microsoft Gold Partner focused on servicing UK-based SMEs with cloud migrations and other IT services.
Sep 2023	connectus	MANGOTECH	• Manchester-based cloud & IT services provider of Azure Virtual Desktop and other outsourced CTO services
Sep 2023	coretelligent NEP	ANP WORK ANYWHERE	• Pennsylvania-based IT services firm focused on implementing the Microsoft stack, especially Azure
Aug 2023	GALLANT CAPITAL	DYNTEK	• Dyntek is a CA-based Microsoft 365 and Azure partner focused on systems integration and managed services
Aug 2023	NETSURIT	Vital I/O	• Maine-based IT services firm which provides network and cloud services to clients primarily in the Northeast
July 2023	inTEC BUSINESS DUKE ROYALTY	OPAL	• UK-based IT managed services firm with a focus on providing Microsoft technologies to SME clientele

Highlighted Platform: Google Cloud

Quarterly Earnings Update

- Google Cloud third-quarter revenue rose 22.5% to \$8.4 billion, the slowest growth in eleven quarters (since early 2021), and missing analyst expectations of \$8.6 billion.
- The cloud unit reported an operating income of \$266 million, compared with an operating loss of \$440 million a year ago, showing margin improvement.
- *"The drop in Google's share price despite beating Wall Street estimates for profit and sales, shows how much investors want the company to deliver gains in artificial intelligence, and show the cloud business remains competitive against a more powerful Azure from Microsoft and Amazon's AWS."* –Max Cherney/Akash Sriram, Reuters

Google Cloud Revenue Growth Trend



Sources: Pitchbook, ChannelE2E, CNBC, Business Wire, Reuters

Recent News Highlight

- **(Nov. 1st, 2023):** Box, Inc., the leading Content Cloud, and Google Cloud announced an expanded partnership to transform work in the enterprise with generative AI. Box will integrate with Vertex AI to build new gen AI features that help customers more efficiently process and analyze data stored in the Box Content Cloud, which is also now available to customers directly through Google Cloud Marketplace.

Recent M&A Transactions

Date	Acquirer	Target	Target Description
Oct 2023			• NZ-based IT services firm specialized in Google cloud, disaster recovery, business continuity and cloud backup
Oct 2023	 MARLIN EQUITY PARTNERS		• UK-based Google Premier Partner which focuses on Agile Systems Integrations and managed IT services
Oct 2023			• Consulting firm which leverages its suite of proprietary products to automate the process of migrating and modernizing workloads to Google Cloud
Aug 2023			• Illinois-based IT services firm focused on cloud migration, application modernization, and platform engineering
July 2023			• Solutions provider of IT consulting, public cloud, cloud hosting, google cloud platform and private cloud services
Jan 2023			• Offers cloud transformation services and software products that help build and manage scalable, secure cloud infrastructure, through its Google-certified experts

Public Market Analyses

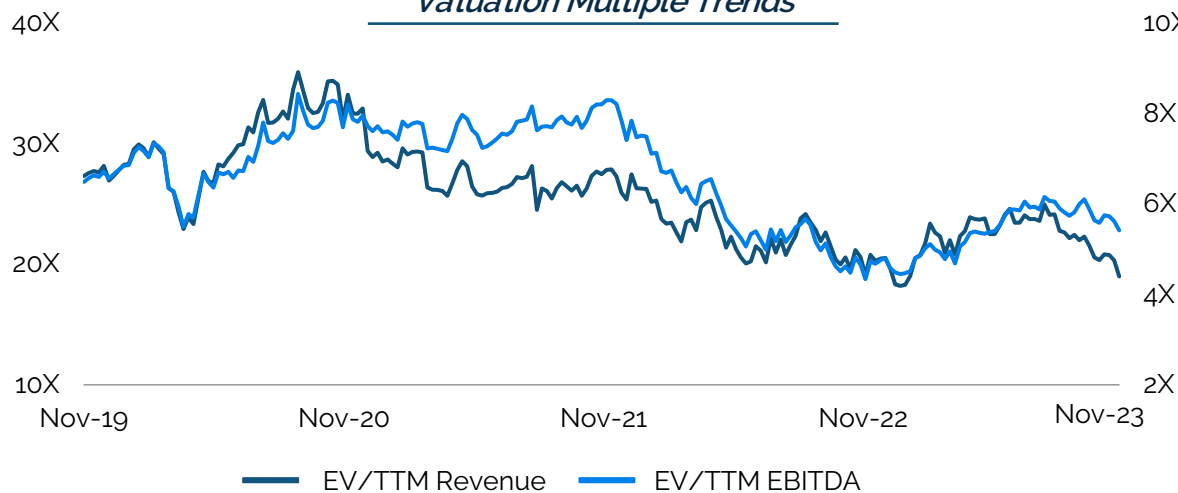
Financial Performance Data

Name	Market Data (\$ millions)				EV/ Rev Multiples		EV/ EBITDA Multiples		Revenue Growth	EBITDA Margin
	Market Cap	Enterprise Value	TTM (A) Revenue	NTM (E) EBITDA	TTM (A)	NTM (E)	TTM (A)	NTM (E)	NTM (E)	TTM (A)
		Value	Revenue	EBITDA	TTM (A)	NTM (E)	TTM (A)	NTM (E)	NTM (E)	TTM (A)
Microsoft	\$2,622,102	\$2,563,146	\$218,310	\$126,729	11.7x	10.2x	23.4x	20.2x	15%	51%
Google	\$1,623,086	\$1,532,197	\$297,132	\$134,870	5.2x	4.6x	16.4x	11.4x	11%	41%
Amazon	\$1,432,297	\$1,505,117	\$554,028	\$118,187	2.7x	2.4x	20.6x	12.7x	11%	19%
Oracle	\$295,990	\$373,319	\$50,962	\$27,704	7.3x	6.8x	15.9x	13.5x	7%	51%
Alibaba	\$215,708	\$181,884	\$129,013	\$29,884	1.4x	1.3x	6.0x	6.1x	6%	22%
Salesforce	\$201,868	\$202,271	\$33,071	\$14,771	6.1x	5.4x	17.5x	13.7x	13%	39%
Mean	\$1,065,175	\$1,059,656	\$213,753	\$75,357	5.7x	5.1x	16.6x	12.9x	11%	37%

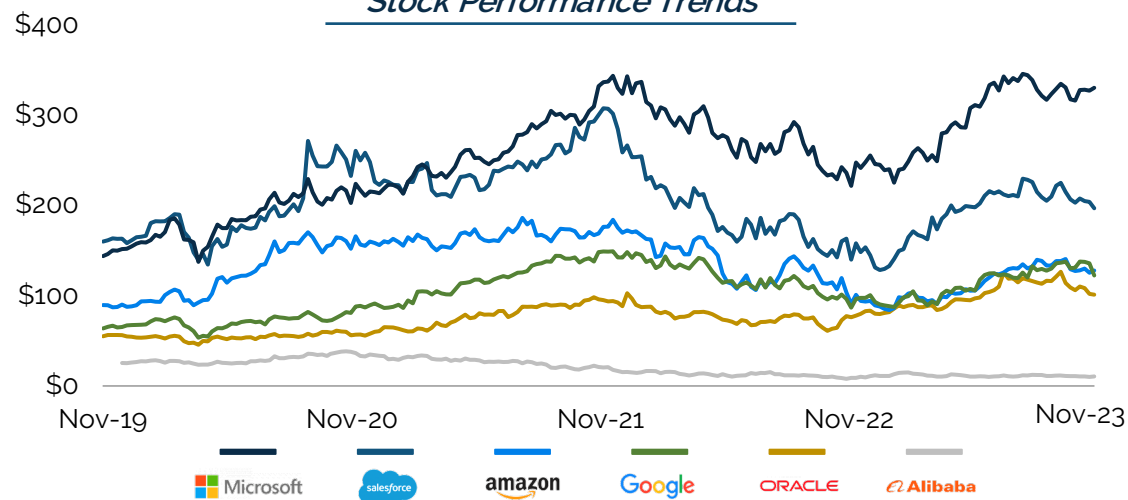
Representative Companies

*Considered but Excluded**

Valuation Multiple Trends



Stock Performance Trends



* 'Considered but Excluded' applies to companies who are applicable to the market segment, but have data significantly outside normal parameters, thus skewing data and misleading key takeaways from this report

Solganick Transaction Experience

Technology Services has been acquired by 	Technology Services has merged with backed by	Technology Services has been acquired by 	Technology Services has been recapitalized by 	Technology Services has merged with
Technology Services has been recapitalized by 	Technology Services has been acquired by 	Technology Services has been acquired by backed by	Technology Services has been acquired by 	Software has been recapitalized by
Software has been recapitalized by 	Software has been acquired by 	Healthcare IT has been acquired by backed by	Healthcare IT has been acquired by backed by	Healthcare IT has been acquired by

Highlighted Transaction: *Nextira*

Solganick & Co. Advises Nextira in its Sale to Accenture

- Nextira, an **AWS Premier Partner** headquartered in Austin, TX, uses AWS to deliver cloud-native innovation, artificial intelligence, predictive analytics, and immersive experiences for their clients.
- Because of Solganick & Co.'s deep experience within technology services, including the buyer universe, valuation drivers, and overall M&A environment, Solganick & Co. was engaged to run a highly targeted, efficient and competitive M&A process.
- The Solganick team worked closely with Nextira management to attractively position the business and ultimately receive several attractive offers exceeding initial valuation expectations.
- Solganick & Co. supported the entire M&A process, including the client's initial selection of Accenture as well as successful transaction negotiations.
- The transaction was completed in June 2023.

Technology Services

 has been acquired by

Artificial Intelligence

Cloud Computing

Data & Analytics

Questions? Contact Us

LOCATIONS

LOS ANGELES

840 Apollo St.
Suite 100
El Segundo, CA 90245

mergers@solganick.com

Phone: (310) 684-3130

DALLAS

6860 Dallas Pkwy
Ste 200
Plano, TX 75024

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SENIOR COVERAGE TEAM



AARON SOLGANICK
CEO
aaron@solganick.com
(310) 713-4764



CAMERON O'LEARY
Managing Director
coleary@solganick.com
(508) 726-9387



SAM DISALVO
Managing Director
sdisalvo@solganick.com
(614) 506-6677



NICO BROUWER
Associate
nbrouwer@solganick.com
(207) 317-6096