



**CHARTER**

*Capital Partners*

M&A Insights Q3 2022

**CONSULTING, TECHNOLOGY, AND  
DIGITAL SERVICES INDUSTRY UPDATE**

# HIGHLIGHTS

## Despite Broader Market Headwinds, Appetite for IT Deals Remains Robust

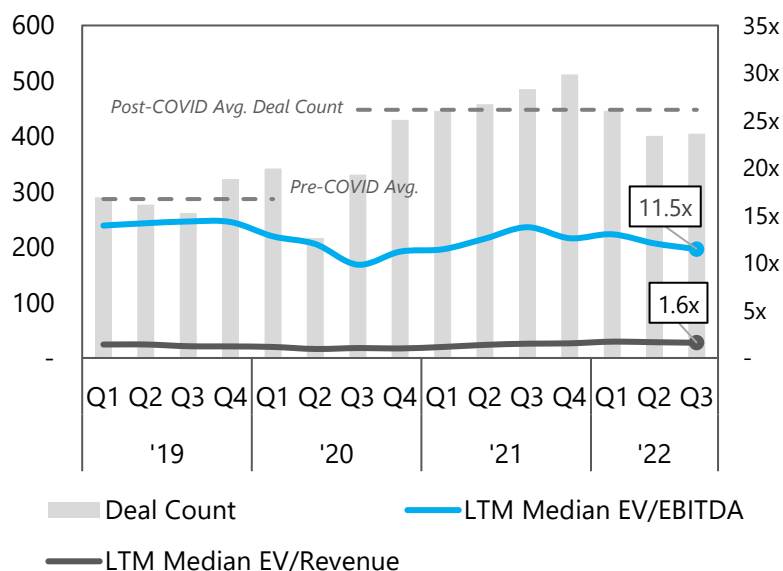
Deal volume in the IT Services sector in Q3 remained higher than pre-pandemic averages. 405 deals closed in Q3, which is slightly up from the 401 deals that closed in Q2. Although the uncertain macroeconomic outlook has been a major hit to tech stocks in the public market, privately-held, middle-market companies have continued to draw acquisition interest.

The LTM median EBITDA multiple acquirers paid in the sector in Q3 was 11.5x, still in line with historical averages. The slight multiple decrease, as shown by the graph on the right, is likely a combination of a few recent factors. The first being a pullback in public valuations leaking into the private market and the second being increased interest rates leading to cautious investor activity and lower leverage availability. Despite this, YTD deal volume is higher than historical averages, signaling that the IT Services sector is more resilient than other sectors amid market volatility.

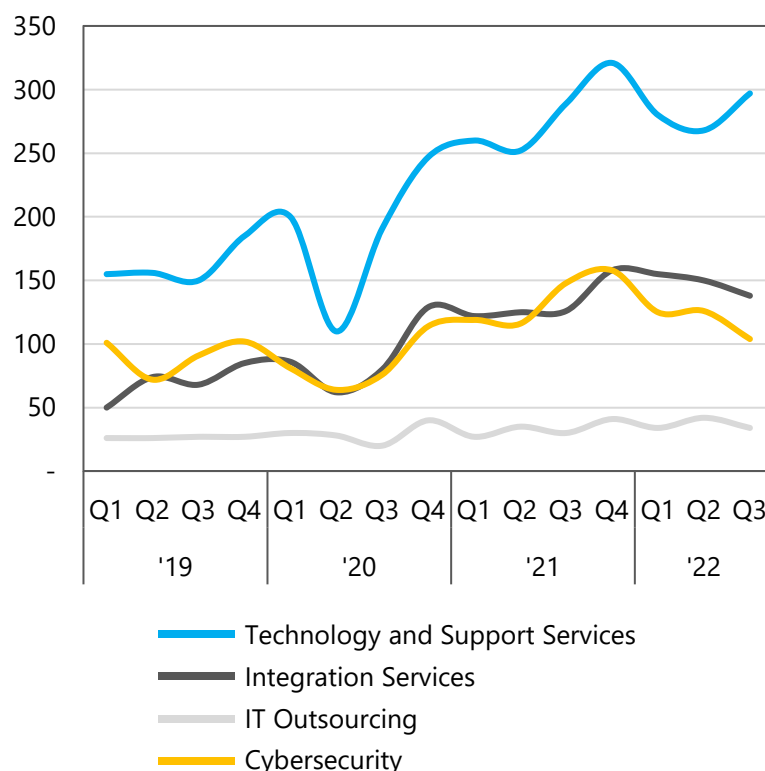
## The Deal Environment for IT Services is Expected to Remain Favorable

Long-term trends in increased digitalization and tech innovation are expected to create acquisition demand that outpaces current market headwinds. Anticipate increased cybersecurity attention, consolidation plays, and add-on activity as the primary investment themes used by acquirers throughout the rest of 2022. Buyers will likely look to find attractive private targets that face less valuation dislocation than companies in the public market.

## IT Services PE Buyouts & Strategic M&A Deals



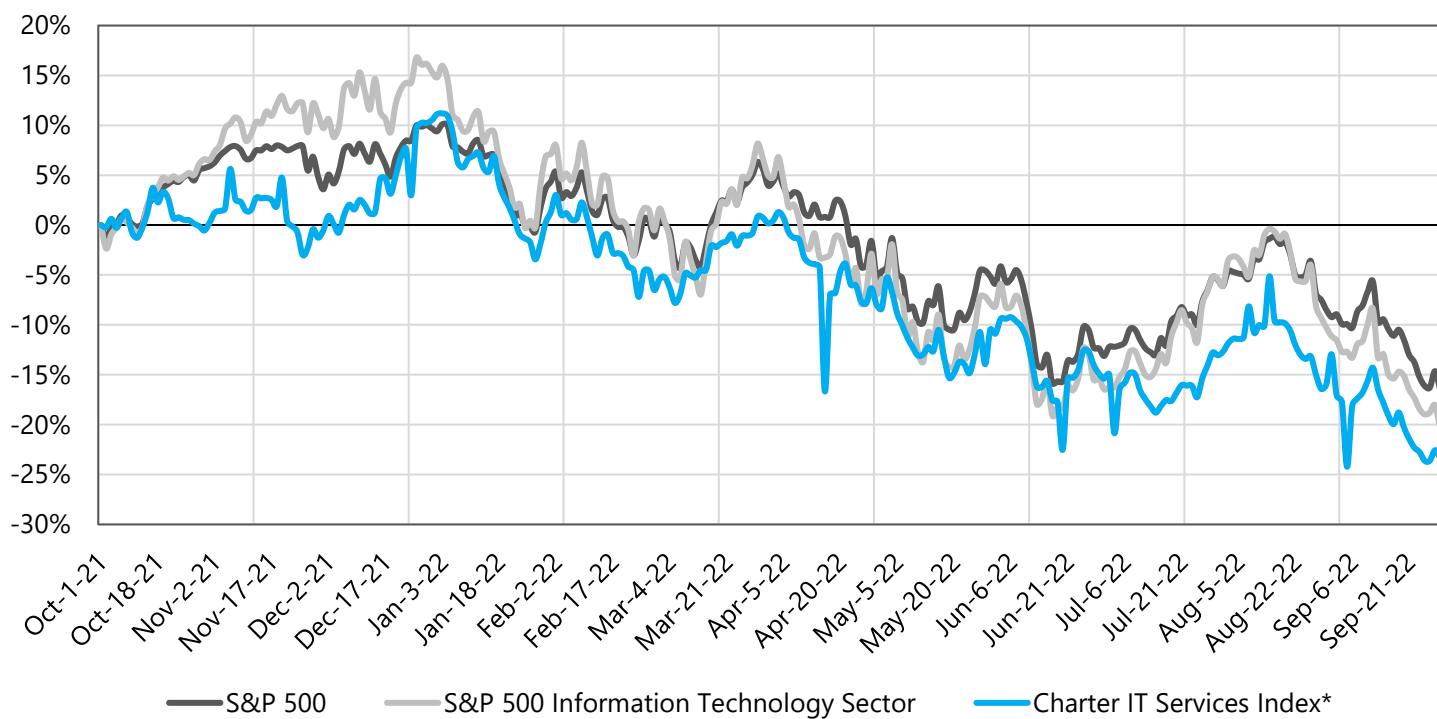
## Quarterly Deal Volume by Vertical



## PUBLIC COMPANIES



## Share Price Performance Compared to the S&amp;P 500

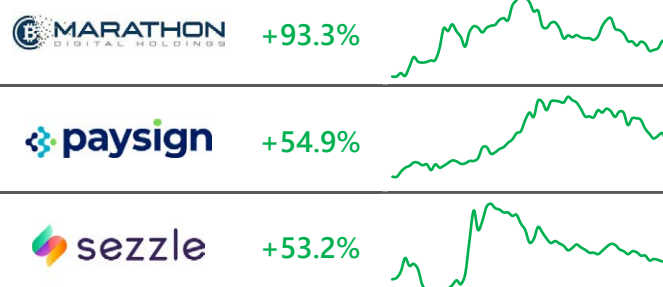


### Pressured Public IT Valuations Continued Throughout Q3

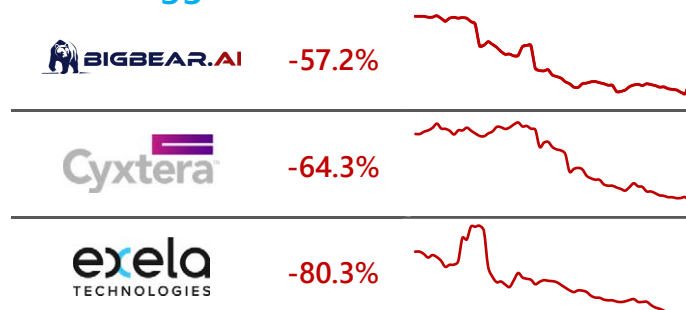
Charter's IT Services index, being comprised of higher growth, higher beta IT companies, saw continued headwinds in Q3 along with the broader indices. Despite this, there were a few bright spots. Marathon Digital Holdings (NASDAQ: MARA), the worst performer in Q2, saw a significant turnaround in Q3 and finished with the top performance in the space.

Another strong performer was Paysign (NASDAQ: PAYS), a prepaid debit card payment solutions provider. Paysign pointed to continued top line growth stemming from judicial rulings that occurred in Q3. Lastly, after experiencing hardships in Q2, Sezzle (ASX:SZL) rebounded into the big winners list. Despite public valuations pulling back, investors are expected to put capital to work in the IT services space during the remainder of 2022.

### Biggest Winners this Quarter



### Biggest Losers this Quarter



Sources: S&P Capital IQ, Pitchbook

\*Index includes: ACN, CAP, CTSH, DXC, IT, HCL, INFY, IBM, TCS, Wipro, Fujitsu, GIB.A, ATO, UIS

## PRIVATE TRANSACTIONS



## Most Active Strategic Acquirers

Company	Q3 Deal Count	Recent Industry Transactions
 <b>accenture</b>	6	9/6/22 - <b>Inspirage</b> (Bellevue, Washington, United States) 9/1/22 - <b>MacGregor Partners</b> (Raleigh, North Carolina, United States) 8/2/22 - <b>Sentia</b> (Netherlands, Belgium and Bulgaria businesses) (Netherlands)
 <b>EY</b>	4	8/1/22 - <b>Digital Detox</b> (London, United Kingdom) 8/1/22 - <b>Q4 Associates</b> (Auckland, New Zealand) 7/6/22 - <b>Fabernovel</b> (Paris, France)
 <b>MIROVIA</b>	4	8/3/22 - <b>Cloudgruppen</b> (Malmo, Sweden) 7/13/22 - <b>Repona</b> (Lund, Sweden) 7/4/22 - <b>Rebendo</b> (Kista, Sweden)
 <b>HORSA GROUP</b>	3	9/15/22 - <b>Hr Servizi</b> (Maranello, Italy) 9/15/22 - <b>Pentasoftware</b> (Bologna, Italy) 7/11/22 - <b>Aglea</b> (Milan, Italy)
 <b>THE 20 MSP</b>	3	9/30/22 - <b>WolfGuard IT</b> (Bozeman, Montana, United States) 9/21/22 - <b>MITS</b> (San Antonio, Texas, United States) 9/1/22 - <b>Peterson Technology Group</b> (Madison, Wisconsin, United States)

## Most Active Private Equity Acquirers

Firm	Q3 Deal Count	Recent Industry Transactions
 <b>HARVEST PARTNERS</b>	6	9/13/22 - <b>Sherlock Services</b> (Barberton, Ohio, United States) 9/12/22 - <b>MVP Tech</b> (Dubai, United Arab Emirates) 9/1/22 - <b>Outflank</b> (Amsterdam, Netherlands)
 <b>ARES</b>	5	9/22/22 - <b>Solution IP Communications</b> (Bristol, United Kingdom) 8/3/22 - <b>Ojo Technology</b> (Fremont, California, United States) 7/21/22 - <b>Catalyst Technology Group</b> (Indianapolis, Indiana, United States)
 <b>Berkshire Partners</b>	4	9/27/22 - <b>Digital Planet Communications</b> (Lake Elmo, Minnesota, United States) 9/26/22 - <b>AHEAD</b> (Chicago, Illinois, United States) 9/15/22 - <b>Stellar Connect</b> (Thousand Oaks, California, United States)
 <b>CLAIRVEST</b>	3	9/29/22 - <b>F1 Solutions</b> (Huntsville, Alabama, United States) 8/25/22 - <b>CPI Solutions</b> (Camarillo, California, United States) 7/14/22 - <b>Verma Systems</b> (Baton Rouge, Louisiana, United States)
 <b>KEENSIGHT CAPITAL</b>	3	9/15/22 - <b>Synotis</b> (Lausanne, Switzerland) 9/5/22 - <b>Cyberprotect</b> (Bron, France) 7/18/22 - <b>effution</b> (Augsburg, Germany)

## Key Private Equity Exits

Seller:	 <b>Centerbridge</b>	 <b>BEE UP CAPITAL</b>	 <b>CAPITAL Grandest</b>
Target:	 <b>AHEAD</b>	 <b>CYLLENE</b>	 <b>diatem</b>
Acquirer:	 <b>Berkshire Partners</b>	 <b>Amundi</b> ASSET MANAGEMENT	 <b>CHEQUERS CAPITAL</b>
Date:	September 26 '22	July 25 '22	July 21 '22

Source: Pitchbook



## KEY DEALS SPOTLIGHT

## Cybersecurity Subsector Spotlight



ALTARIS

On September 1<sup>st</sup>, CynergisTek was acquired by Clearwater Compliance via its financial sponsor Altaris Capital Partners, a healthcare focused investment firm, for approximately \$17 million. CynergisTek is an Austin, TX-based leader in healthcare cybersecurity, privacy, and audit services. The acquisition is expected to allow the combined entity the opportunity to scale as a managed service provider and enhance its comprehensive portfolio of services. "We are incredibly excited to bring together two of the top healthcare focused cybersecurity companies" said Steve Cagle, CEO of Clearwater Compliance, "and I look forward to working hand in hand with colleagues at CynergisTek to support our customers and proactively address their growing cybersecurity and compliance needs." [Read more about this deal online.](#)

## Strategic Buyer Spotlight



On August 29<sup>th</sup>, Stratus Technologies ("Stratus"), a global leader in simplified, protected, and autonomous computing solutions, was acquired by SMART Global Holdings ("SGH") for \$225 million. Based in Maynard, MA, Stratus has provided 40+ years of zero-touch computing services to Fortune 500 companies. Stratus' platforms provide small-to-medium sized business with the ability to securely turn data into actionable intelligence. Under terms of the agreement, SGH will pay \$225 million in cash at closing and provide an earn-out payment of up to \$50 million based on Stratus' performance over the next 12 months. SGH identified Stratus' large-scale, global customer base, differentiated technology, and comprehensive services as motivation for the acquisition. Stratus will operate within SGH's Intelligent Platform Solutions (IPS) business group.

[Read more about this deal online.](#)

## Private Equity Buyer Spotlight



On August 25<sup>th</sup>, Turn/River Capital ("Turn/River") completed its acquisition of Tufin, a developer and marketer of policy-centric, software-based IT solutions. The acquisition was an all-cash transaction valued at approximately \$570 million. Tufin's stock, which was previously listed on the New York Stock Exchange, has ceased trading and will no longer be listed. Turn/River, an operationally-focused, software investment firm was motivated to acquire Tufin due to its positional leadership within the network security policy management space. "Tufin enables enterprises to maintain a robust network and cloud security posture, while also delivering significant customer value through powerful automation" said Matthew Amico, Principal at Turn/River. In partnership with Turn/River, Tufin is expected to further expand its cloud product offerings, driving significant growth.

[Read more about this deal online.](#)

## PRIVATE TRANSACTIONS



## Recent Transactions in Select Verticals

Technology &amp; Support Services (T&amp;SS), IT Outsourcing (ITO), Integration Services (IS), and Cybersecurity (CS)

Date	Target	Description	Investor(s)	Deal Type	Enterprise Value (\$M)	EV / Sales	EV / EBITDA	Verticals			
								T&SS	ITO	IS	CS
9/30/22	Deep Consulting	Provider of ICT solutions.	Spindox	M&A	11.6	-	-	•			
9/30/22	Citrix Systems	Provider of virtualization software.	Elliott Management, Vista Equity Partners	PE	15,627.2	4.7x	25.7x				•
9/29/22	Eleviant Technologies	Provider of digital transformation services.	Computer Task Group	M&A	18.6	-	-	•			
9/29/22	Evidian	Developer of identity and access management software.		PE	4,168.6	1.7x	-				•
9/28/22	Emircom	Provider of IT management services.	International Holding Company	M&A	126.0	-	-	•			
9/28/22	Innovative Network Designs	Operator of IT and cybersecurity services company.	ReachOut IT	M&A	6.6	-	-				•
9/28/22	Ricoh Corporate IT Partner	Provider of IT workplace and secure printing services.	Qlosr Group	M&A	4.2	-	-	•			
9/26/22	AHEAD	Provider of consulting and enterprise cloud services.	Berkshire Partners	PE	3,000.0	-	-		•		
9/26/22	Atrion Communications Resources	Provider of information technology products and services.	Aurora Systems Consulting	M&A	2.9	-	-			•	
9/22/22	Aiuken Cybersecurity	Provider of managed security and cloud security solutions.	Allurity	M&A	50.0	-	-				•
9/21/22	Technica Engineering	Provider of testing and validating vehicle technologies.	KPIT Technologies	M&A	110.0	-	-	•			
9/16/22	MC Hologram	Holographic technology provider.	Golden Path Acquisition	M&A	-	-	-	•			
9/15/22	Coeus Consulting	Provider of IT consultancy services.	Wavestone	M&A	20.5	-	-			•	
9/14/22	ManTech International	Provider of mission-focused technology solutions.	The Carlyle Group	PE	4,153.3	1.6x	16.3x			•	
9/12/22	Mandiant	Incident response focused cybersecurity firm.	Alphabet	M&A	3,763.0	7.2x	-				•
9/12/22	Uplogix	Provider of security management platform.	Lantronix	M&A	8.0	-	-				•
9/11/22	MailInBlack	Developer of anti-spam software.	Apax Partners	PE	50.2	-	-				•
9/9/22	Lansol	Provider of hosting and data center services.	MyLoc Managed IT	M&A	18.2	-	-		•		
9/9/22	MarkMonitor	Provider of enterprise brand protection services.	Clearlake Capital Group	PE	302.5	-	-				•
9/8/22	Shape Games	Provider of digital B2B platform and services.	Kambi Group	M&A	78.5	-	-	•			
9/7/22	Rahi	Provider of complete IT services.	WESCO International	M&A	217.0	-	-		•		
9/6/22	Security Lab	Provider of managed cybersecurity services.	Reevo	M&A	4.2	-	-				•
9/5/22	Adaptara	Provider of IT services and consultancy.	PERFORMANCE Technologies.	M&A	3.0	-	-	•			
9/1/22	BASE Life Science	Developer of a digital technology platform.	Infosys	M&A	111.2	-	-	•			
9/1/22	CynergisTek	Provider of cybersecurity, privacy, and compliance services.	Altaris Capital Partners, Clearwater Compliance	PE	16.3	1.0x	-				•
8/31/22	RockOn	Provider of product information management solutions.	PunaMusta Media	M&A	5.5	-	-			•	
8/29/22	Stratus Technologies	Provider of fault-tolerant server platforms and support solutions.	SMART Global Holdings	M&A	275.0	-	-	•			
8/25/22	Tufin	Software-based solutions provider.	Turn/River Capital	PE	491.6	4.1x	-				•
8/22/22	Piteco	Developer of software solutions.	Dedagroup	M&A	252.4	-	-			•	
8/18/22	Boardgent	Developer of a network management platform.	Auvik Networks, Great Hill Partners	PE	10.0	-	-				•
8/16/22	SailPoint Technologies	Provider of enterprise identity governance solutions.	Thoma Bravo	PE	8,052.6	16.3x	-				•
8/15/22	Concepta Capital	Provider of IT services.	iomart	M&A	17.5	-	-	•			

Source: Pitchbook

# CHARTER TEAM INDUSTRY EXPERTISE



## Industry Practice Team



### Mark Streekstra

*Managing Director*

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Mark has more than 14 years of diversified advisory and deal execution experience, 11 of which were spent in the Consulting, Technology, and Digital services industry. At Charter, Mark primarily focuses on helping clients achieve their goals through sell side and buy side advisory work.

The majority of Mark's career was spent at Accenture, where he led acquisitions in support of Accenture's inorganic growth strategy. During his time in that role, Accenture purchased over 100 companies in the consulting, technology, and digital services space while becoming the most acquisitive company in the world. Mark has personally led transactions with total enterprise value in excess of \$700 million.



### AJ Ebels

*Senior Associate*

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AJ focuses on M&A deal execution, private debt and equity investment diligence, business valuation analysis, and technical financial modeling for companies in the technology and manufacturing industries, among others. He also leads initiatives related to internal technology and software implementation and development.

AJ graduated with Honors from Grand Valley State University with a BBA in Finance and Business Economics and was a graduate of the Frederik Meijer Honors College. He is currently pursuing his MBA from the University of Chicago Booth School of Business in the weekend program with anticipated concentrations in finance, economics, entrepreneurship, and business analytics.



### Keegan Ensing

*Analyst*

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Keegan joined Charter Capital Partners in 2021 as an intern. In his current role as analyst, his responsibilities include supporting M&A client engagement projects and preparing industry research for Charter's coverage teams, including the consulting, technology, and digital services industry practice.

## Relevant Transactions Advised by Charter Team Members

SELL-SIDE	BUY-SIDE	BUY-SIDE	BUY-SIDE	BUY-SIDE	BUY-SIDE
SPEND MEND	accenture	accenture	accenture	accenture	accenture
SHERIDAN CAPITAL PARTNERS	Kurt Salmon	SOLUTIONS IQ	Knowledgegent	ENDGAME.	pillar TECHNOLOGY

Some of the transactions presented represent Charter principals acting in their capacity as representatives of a FINRA broker-dealer or while at previous firms.



## About Charter

Founded in 1989, Charter Capital Partners is a premier investment banking firm headquartered in Grand Rapids, Michigan. We offer a comprehensive range of investment banking advisory services, including buy-side and sell-side M&A, succession planning, business valuation, and capital raise.

Charter was named one of the top 100 most referred middle-market advisory firms in the US, according to a survey of 1,000 private equity firms, strategic acquirers, and family offices compiled by Axial, a network of middle market investors, advisors, and CEOs. Our mission is to deliver superior professional guidance throughout the complete business lifecycle.

## Advisory Services Snapshot

Type	Expertise
M&A Advisory	<ul style="list-style-type: none"><li>Go-to-market sell-side advisory</li><li>Buy-side growth strategies</li><li>Exit planning</li><li>Fairness opinions</li></ul>
Capital Raise	<ul style="list-style-type: none"><li>Equity or debt capital raise</li><li>Dividend recapitalization</li><li>Solvency opinions</li><li>Minority investors</li></ul>
Valuation Opinions	<ul style="list-style-type: none"><li>Buy-sell agreements</li><li>Gift, estate, and income tax matters</li><li>Shareholder disputes</li><li>Purchase price allocations</li></ul>
Capital Management	<ul style="list-style-type: none"><li>Licensed Fund Management</li><li>Registered Investment Advisers</li></ul>

Broker dealer services offered through M&A Securities Group, Inc., Member FINRA/SIPC, a separate entity from Charter Capital Partners.

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