



Q2
2023

M&A Insights
CONSULTING, TECHNOLOGY
AND DIGITAL SERVICES
INDUSTRY UPDATE



HIGHLIGHTS

IT Multiples Further Rally in Q2

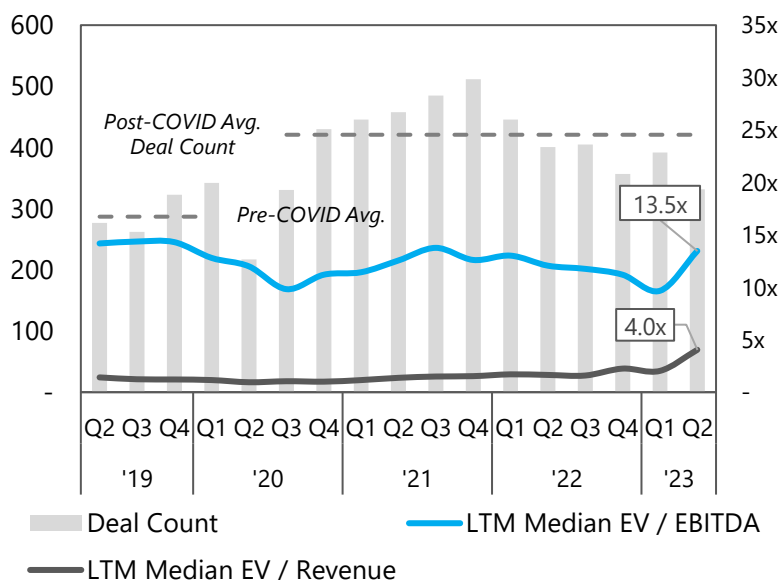
Q2 saw a 15.3% decrease in IT Services sector deal volume, with 332 deals closed compared to 392 in Q1 2023. However, multiples rose as buyers targeted companies with innovative technology advancements which demand higher valuations. Continued buyer focus on growth buyout deal structures also bolstered valuations.

Modernization Demand Intensifies with a Focus on Security and AI

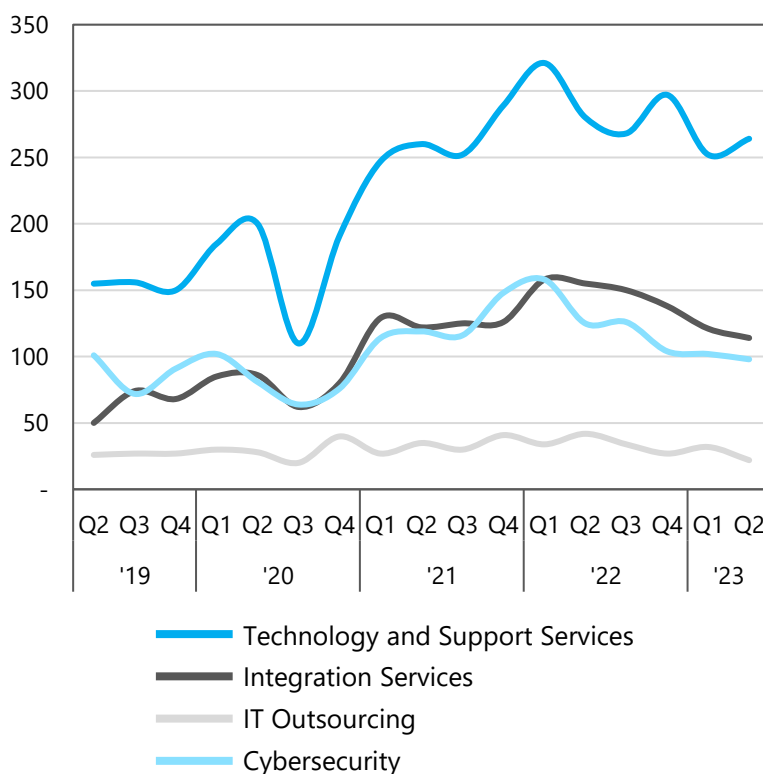
Customer demand has pressed IT service providers to replace legacy infrastructure and modernize systems, primarily security-related ones. Customers now expect 24/7 support, remote monitoring, managed network solutions, and more. Customers have continued migrating critical workloads from on-premise to off-site infrastructure and applications, which requires advanced security. Many cybersecurity threats and breaches have emerged throughout these migrations, resulting in costly disruptions. The government has also continued to reiterate the importance of advancing technology security; the '23 U.S. budget for IT at civilian Federal Agencies is up 11% from the previous year.

Amidst innovations, AI remains a focus and needed investment, highlighted by its newfound security implications. Accenture reports that 3 out of 4 executives believe their company risks failure if they don't embrace AI within a few years. While economic uncertainty has caused an emphasis on these non-discretionary digital services, workplace collaboration technology R&D remains a focal point heading into Q3. IT service providers expect demand to grow regardless of economic performance as companies focus on technology modernization, presenting a positive sector outlook.

IT Services PE Buyouts & Strategic M&A Deals

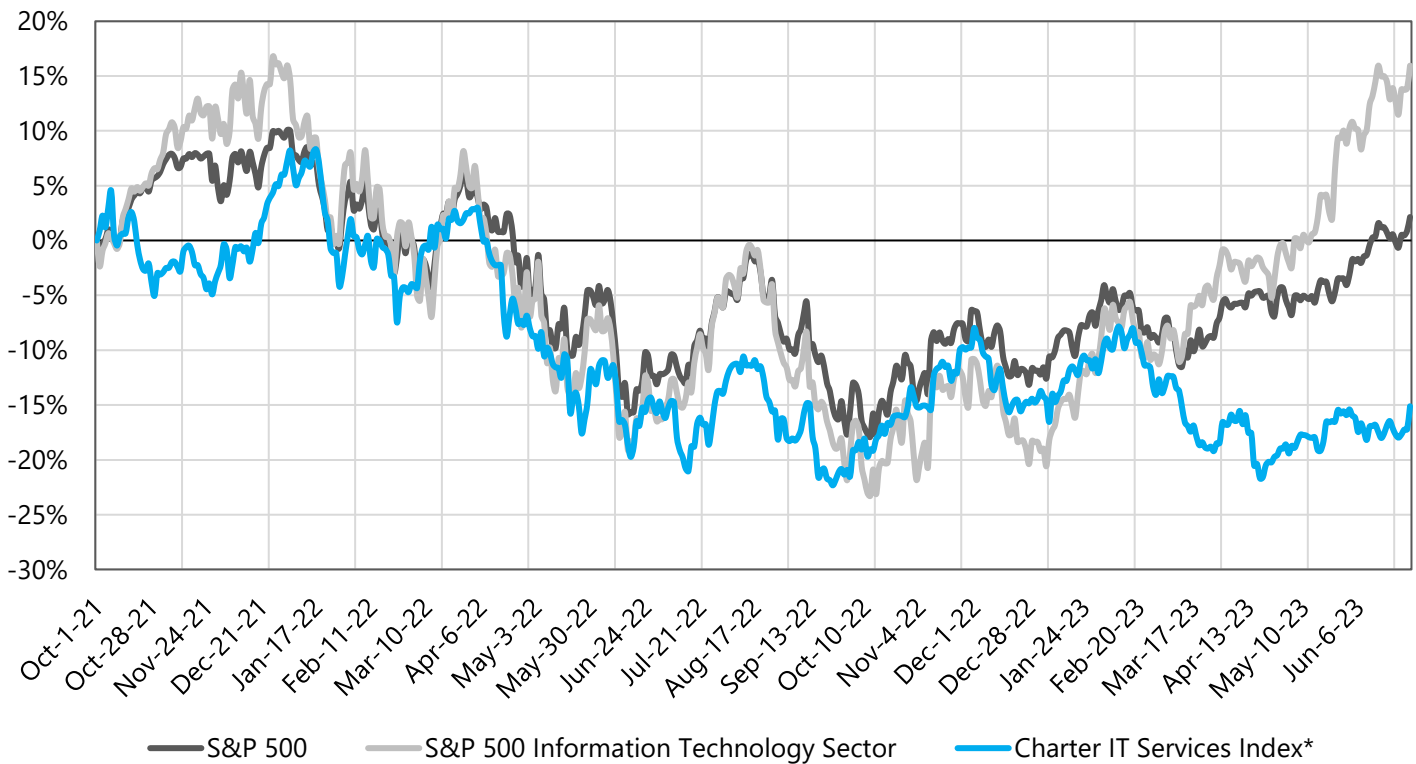


Quarterly Deal Volume by Vertical



PUBLIC COMPANIES

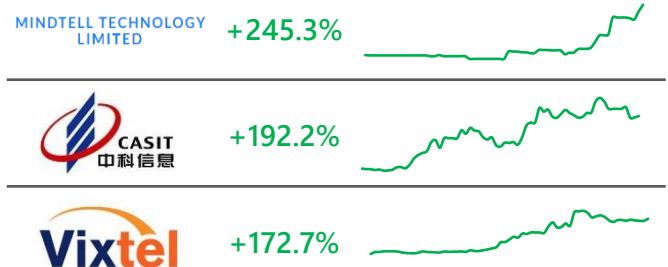
Share Price Performance Compared to the S&P 500



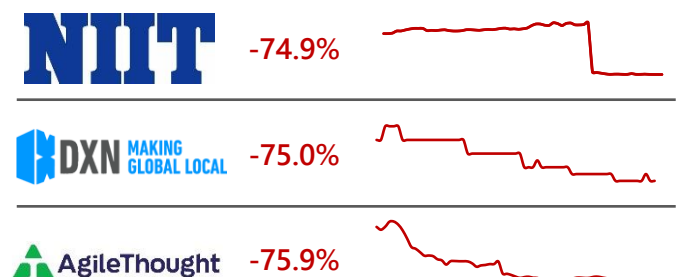
Public IT Valuations Rise in Q2

Higher beta IT companies, lagged Charter's IT Services index in Q2 2023. Meanwhile, the broader market and IT services sector valuations are up, indicating that Q2 growth was chiefly from investor confidence in matured IT providers. China led growth as the biggest stock winners in Q2 were from Chinese exchanges. Mindtell Technology (SEHK:8611) was the biggest winner in 2023 Q2. Mindtell Technology is an IT-service provider that procures, installs, and manages maintenance of customized IT systems applications for corporations. Mindtell Technology's share price rose 245.3% in Q2. While technology stocks finally made a comeback despite high inflation and interest rate hikes, IT sector stocks underperformed the broader market.

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	Q2 Deal Count	Recent Industry Transactions
 accenture	4	06/01/23 - Nextira (Austin, Texas, United States) 05/31/23 - Bourne Digital (Melbourne, Australia) 05/23/23 - Einr (Oslo, Norway)
 ecit	3	06/28/23 - Kreatif (Moss, Norway) 06/16/23 - Kovert (Vikersund, Norway) 06/14/23 - ITsjefen (Trondheim, Norway)
 Deloitte.	3	06/06/23 - Australian Business (Darlinghurst, Australia) 05/22/23 - Neoxia (Paris, France) 05/22/23 - Optimal Design (Arlington Heights, Illinois, United States)
 THE 2Q	3	06/01/23 - Manus Dei (Warrenton, Virginia, United States) 05/01/23 - Computer Support Team (Los Angeles, California, United States) 04/04/23 - UNI Computers (Lawrence, Kansas, United States)
 Procure IT	3	05/05/23 - Premier Technology Advisors (Rockville, Maryland, United States) 05/04/23 - Premiere Worldwide (Irvine, California, United States) 05/02/23 - Krewe Advisory Group (Longwood, Florida, United States)

Most Active Private Equity Acquirers

Firm	Q2 Deal Count	Recent Industry Transactions
 WATERLAND PRIVATE EQUITY INVESTMENTS	5	06/01/23 - CONTENiT (Bocholt, Germany) 05/17/23 - Glöckler & Lauer (Neu-Ulm, Germany) 05/10/23 - nitsche (Kaufering, Germany)
 Capital A INVESTMENT PARTNERS	4	06/06/23 - Amista (Belgium) (Aartselaar, Belgium) 06/06/23 - Blents (Aartselaar, Belgium) 05/10/23 - Venéco (Wateringen, Netherlands)
 TRINITY HUNT PARTNERS	4	06/21/23 - RevelSec (Houston, Texas, United States) 06/02/23 - altr (Salem) (Salem, Massachusetts, United States) 05/02/23 - Jump Analytics (Vancouver, Canada)
 AVEDON CAPITAL PARTNERS	3	04/05/23 - Detron (Veenendaal) (Veenendaal, Netherlands) 04/05/23 - Zetacom (Zoetermeer, Netherlands) 04/04/23 - Valori (Nieuwegein, Netherlands)
 LDC	3	06/07/23 - Worth Digital (Reading, United Kingdom) 05/17/23 - NTE (UK) (Sunderland, United Kingdom) 04/19/23 - Monochrome Consultancy (Hook, United Kingdom)

Key Private Equity Exits

Seller:	MADISON DEARBORN PARTNERS	GALATYN PRIVATE EQUITY	REDBIRD CAPITAL PARTNERS	TUSK PRIVATE INVESTMENT
Target:	 Liquid Web™	 COMPASS datacenters.	 BCS	
Acquirer:	HAUSER PRIVATE EQUITY One Equity Partners	Brookfield Infrastructure Partners	ONTARIO TEACHERS' PENSION PLAN	Undisclosed
Date:	April 19 '23	June 20 '23		April 1 '23

Source: Pitchbook

KEY DEALS SPOTLIGHT

Cybersecurity Subsector Spotlight



On May 16th, IBM acquired Israeli startup Polar Security, a Data Security Posture Management ("DSPM") provider for cloud and SaaS data, at an estimated \$60.0 million. IBM is aiming to strengthen its cybersecurity capabilities. Polar Security's agentless platform automatically classifies sensitive data, including Personally Identifiable Information ("PII"), Protected Health Information ("PHI"), and Payment Card Industry ("PCI") data, enabling security teams to protect sensitive data effectively. "With this acquisition, we are solidifying our commitment to providing our clients with comprehensive data security solutions in today's dynamic cloud environment," said Arvind Krishna, CEO of IBM. By integrating Polar's innovative technology into its current suite of data security products, IBM hopes to meet the growing demand for DSPM solutions in hybrid and multi-cloud environments. [Read more about this deal online.](#)

Strategic Buyer Spotlight



On June 5, 2023, iomart acquired Extrinsica Global ("Extrinsica"), aligning with iomart's secure hybrid cloud strategy. Extrinsica, a Microsoft Azure Cloud solution provider, reported revenues of approximately \$10.3 million and EBITDA of approximately \$0.14 million for the year ending March 31, 2023. The acquisition's set to enhance iomart's cloud capabilities, fortify its position, and foster growth in the competitive cloud computing sector. Extrinsica's Microsoft Azure Cloud services expertise brings valuable synergy to iomart's technology solutions, reinforcing their commitment to delivering cutting-edge services. The strategic integration, led by Simon Smith, Extrinsica's CEO, is set to further reinforce iomart's presence in the cloud computing market. This union is poised to expand service offerings, elevate client experiences, and pave the way for a prosperous future for both Extrinsica and iomart.

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

Private Equity Buyer Spotlight



On April 19, 2023, One Equity Partners ("OEP") and Hauser Private Equity ("HPE") jointly acquired Liquid Web, forming CloudOne Digital for an undisclosed amount. The deal aimed to consolidate and expand cloud hosting offerings. "With the addition of Cloud Sites, we further our mission to empower web professionals all over the world to create content and commerce without worry, free of problems and devoid of even one bit of hesitation by providing absolutely flawless web hosting," said Liquid Web CEO Jim Geiger. Post-transition, CloudOne Digital now serves over 187,000 businesses globally, offering managed hosting services, applications, software solutions, and tools for e-commerce applications. CloudOne Digital's customer support and innovation focus positions them as a leading cloud computing provider, signaling a promising future for the newly formed holding company.

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

PRIVATE TRANSACTIONS

Recent Transactions in Select Verticals

Technology & Support Services (T&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
6/30/23	Port Engineering	Provider of agile software development services.	Coconala	M&A	1.8	–	–	•			
6/27/23	Nomios	Provider of IT Consulting services.	Keensight Capital	PE	768.1	–	127.9x	•		•	
6/27/23	MKD Technologies	Operator of a cybersecurity holding company.	Cetus Capital Acquisition	M&A	230.0	–	–	•	•		
6/22/23	ECSC Group	Provider of IT Consulting services.	Daisy Group	PE	6.8	–	–			•	•
6/20/23	Compass Datacenters	Provider of cybersecurity services.	Brookfield Infrastructure Partners	PE	5,500.0	–	–	•			
6/12/2023	Kingdom Fortune	Developer of security technology.	Shenzhen Kingdom	M&A	1,007.50	26.0x	–			•	
6/3/23	Nisshin Software	Provider of IT solutions.	CIJ	M&A	17.0	–	–	•	•		
6/2/23	Extrinsica Global	Provider of cloud-based software services.	iomart	M&A	5.4	0.6x	44.6x	•		•	
5/26/23	Rhei	Provider of Information technology services.	Neosperience	M&A	6.9	3.1x	92.7x			•	
5/19/23	Ikon Tech Services	Developer of an enterprise automated network threat defense platform.	Emudhra	M&A	3.1	0.5x	–	•			
5/17/23	Metaco	Operator of large-scale, carrier and cloud-neutral, multi-customer data centers.	Ripple	M&A	250.0	–	–				•
5/16/23	Polar Security	Provider of information technology services.	International Business Machines	M&A	60.0	–	–				•
5/16/23	Reevo	Developer of a software.	Nebula Aurea BidCo	M&A	79.9	4.9x	19.5x				•
5/16/23	Resulting IT	Provides identity intelligence solutions.	YFM Equity Partners	PE	30.0	–	–	•			
5/14/23	Neo Games	Provider of IT consultancy services.	Aristocrat Leisure	M&A	1,155.6	5.7x	29.5x	•			
5/11/23	Absolute Software	Developer and operator of a wholesale data center.	Crosspoint Capital Partners	PE	819.8	3.7x	37.5x				•
5/11/23	CloudExtel	Provider of data center network infrastructure design and deployment services.	Macquarie Capital	PE	196.0	–	–	•			
5/8/23	K-Businesscom	Provider of financial planning and analytics services.	Cancom	M&A	181.8	–	–	•		•	
5/8/23	Cheetah Mobile	Solutions provider for IT consulting, development and software.	Kooapps	M&A	–	3.0x	–				•
5/5/23	360 Smart Networks	Operator of a telecommunication mobile technology company.	Footbridge Partners	PE	34.8	–	–	•			•
5/5/23	Out of The Box Technology	Provider of IT consultancy services.	Next Coast ETA	M&A	–	–	–	•			
5/4/23	Axis Security	Developer of privacy technology.	Hewlett Packard Enterprise	M&A	500.0	–	–				•
5/2/23	MSP Corp	Provider of data center network infrastructure design and deployment services.	Alfar Capital	PE	100.0	–	–	•			
4/26/23	SmartPoint Technologies	Provider of information and technology services.	rfXcel	M&A	8.5	–	4.1x			•	
4/24/23	Ttek	Switch Inc is a US-based technology infrastructure company.	Maqta Gateway	M&A	12.9	1.6x	–	•		•	
4/24/23	Arroyo Consulting	Provider of data center network infrastructure design and deployment services.	BGSF	M&A	16.5	1.0x	–	•			
4/21/23	LookingGlass Cyber Solutions	Provider of information and communication technology solutions.	ZeroFox	M&A	26.0	–	–				•
4/17/23	Scalian	Developer of customized software solutions.	Wendel Group	M&A	1,050.2	–	–	•	•		•
4/14/23	IPKeys	Provider of enterprise brand protection services.	Parsons	M&A	43.0	–	–				•
4/13/23	Action CRM	Provider of IT consultancy services.	Spot Metrics	M&A	9.3	–	–	•			
4/11/23	ICY Security	Developer of security platform for data protection.	Columbus	M&A	18.1	–	328.9x				•
4/11/23	DATA4	Developer of authentication platform.	Brookfield Asset Management	PE	3,784.8	–	–		•		
4/6/23	Magnet Forensics	Developer and designer of cyber security solutions.	Thoma Bravo	PE	1,170.0	11.8x	136.9x				•
4/4/23	Incipy	Developer of custodian technology for digital assets.	Knowmad Mood	M&A	1.1	0.9x	–	•		•	

Source: Pitchbook

CHARTER TEAM INDUSTRY EXPERTISE

Industry Practice Team



Mark Streekstra

Managing Director

mstreekstra@chartercapitalpartners.com

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

aebels@chartercapitalpartners.com

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.



Dylan Stenzinger

Analyst

dstenzinger@chartercapitalpartners.com

Dylan Stenzinger is an analyst primarily focused on supporting the firm's M&A advisory services with a strong background in M&A financial modeling, analysis, and deal execution. He joined Charter in 2023 and brings valuable experience to his role after interning at Calder Capital, Auxo Investment Partners, and Raymond James throughout college. Dylan holds a Bachelor's degree from Cornerstone University, where he majored in Finance, Economics, and Creative Thinking and Innovations.

Relevant Transactions Advised by Charter Team Members

SELL-SIDE	SELL-SIDE	BUY-SIDE	BUY-SIDE	BUY-SIDE	BUY-SIDE

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">Go-to-market sell-side advisoryBuy-side growth strategiesExit planningFairness opinions
Capital Raise	<ul style="list-style-type: none">Equity or debt capital raiseDividend recapitalizationSolvency opinionsMinority investors
Valuation Opinions	<ul style="list-style-type: none">Buy-sell agreementsGift, estate, and income tax mattersShareholder disputesPurchase price allocations
Capital Management	<ul style="list-style-type: none">Licensed Fund ManagementRegistered Investment Advisers

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Charter Advisory Team

John Kerschen

*President and Managing Partner
jkerschen@chartercapitalpartners.com*

Mike Brown

*Partner and Managing Director
mbrown@chartercapitalpartners.com*

Mike Palm

*Partner and Managing Director
mpalm@chartercapitalpartners.com*

Mark Streekstra

*Partner and Managing Director
mstreekstra@chartercapitalpartners.com*

Hector Bultynck

*Managing Director
hbultynck@chartercapitalpartners.com*

Jenny Dakoske

*Director
jdakoske@chartercapitalpartners.com*

Elisa Berger

*Vice President
eberger@chartercapitalpartners.com*

Zach Wiersma

*Vice President
zwiersma@chartercapitalpartners.com*

AJ Ebels

*Senior Associate
aebels@chartercapitalpartners.com*

Justin Pinto

*Senior Associate
jpinto@chartercapitalpartners.com*

Wendy McGinnis

*Business Development Associate
wmcginnis@chartercapitalpartners.com*

Michael Pohl

*Associate
mpohl@chartercapitalpartners.com*

Keegan Ensing

*Analyst
kensing@chartercapitalpartners.com*

Dylan Stenzinger

*Analyst
dstenzinger@chartercapitalpartners.com*

Drew Dow

*Analyst
ddow@chartercapitalpartners.com*

Travis Read

*Analyst
tread@chartercapitalpartners.com*