



M&A Insights Q4 2022

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

HIGHLIGHTS

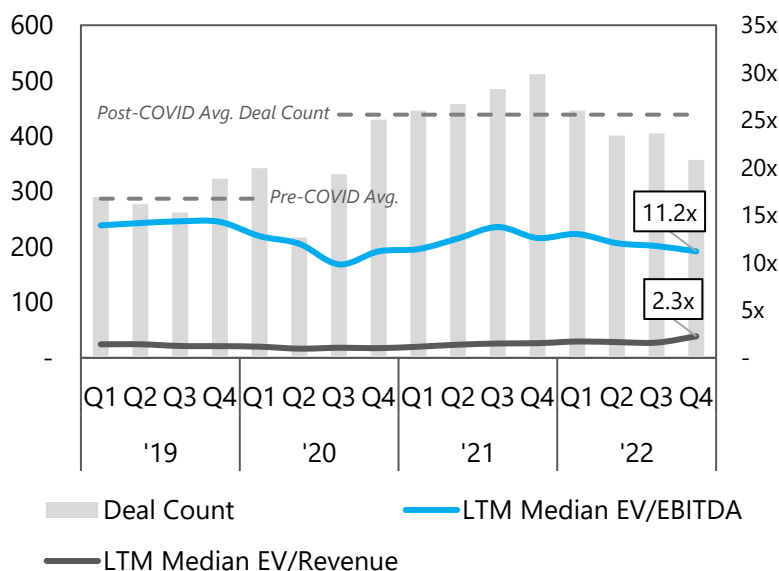
IT Dealmaking Continues Despite Market Challenges

Deal volume in the IT Services sector in Q4 remained strong, despite a continued pullback in deal activity over the previous few quarters. 357 deals closed in Q4, which was down from the 405 deals that closed in Q3. The general trend in deal activity over the previous few quarters is likely the result of higher interest rates affecting PE appetite within the IT services market. However, dealmaking was counterbalanced by strong demand amongst strategic acquirers.

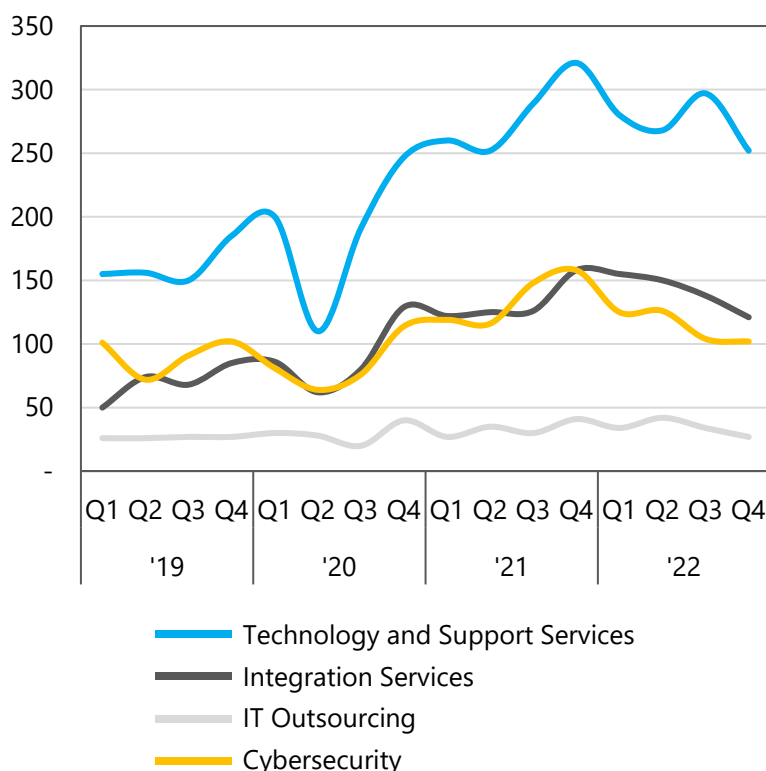
Continued IT Adoption Will Spearhead Dealmaking in 2023

Economic uncertainty complicated the dealmaking environment in 2022, and many of these uncertainties are likely to continue into 2023, but this time, signals are varied. Interest rates, rising throughout 2022, have shifted in trajectory in early 2023. Additionally, data suggests that the rampant inflation trends of 2022 have started to ease. Thus, many operators within the IT services space are viewing the economic headwinds of 2022 as crosswinds heading into 2023. With interest rates still high, companies will look to avoid capital expenditures and shift their focus to IT spend in 2023. This will mean a continued focus on digital transformation, cybersecurity, and cutting-edge technologies that will allow firms to stay at the forefront of their respective industries. With financing costs still relatively high, deal volume is expected to be higher for IT service companies of smaller scale (\$1M-\$10M EBITDA) as acquisitive PE-backed companies look to compliment and support their existing business.

IT Services PE Buyouts & Strategic M&A Deals



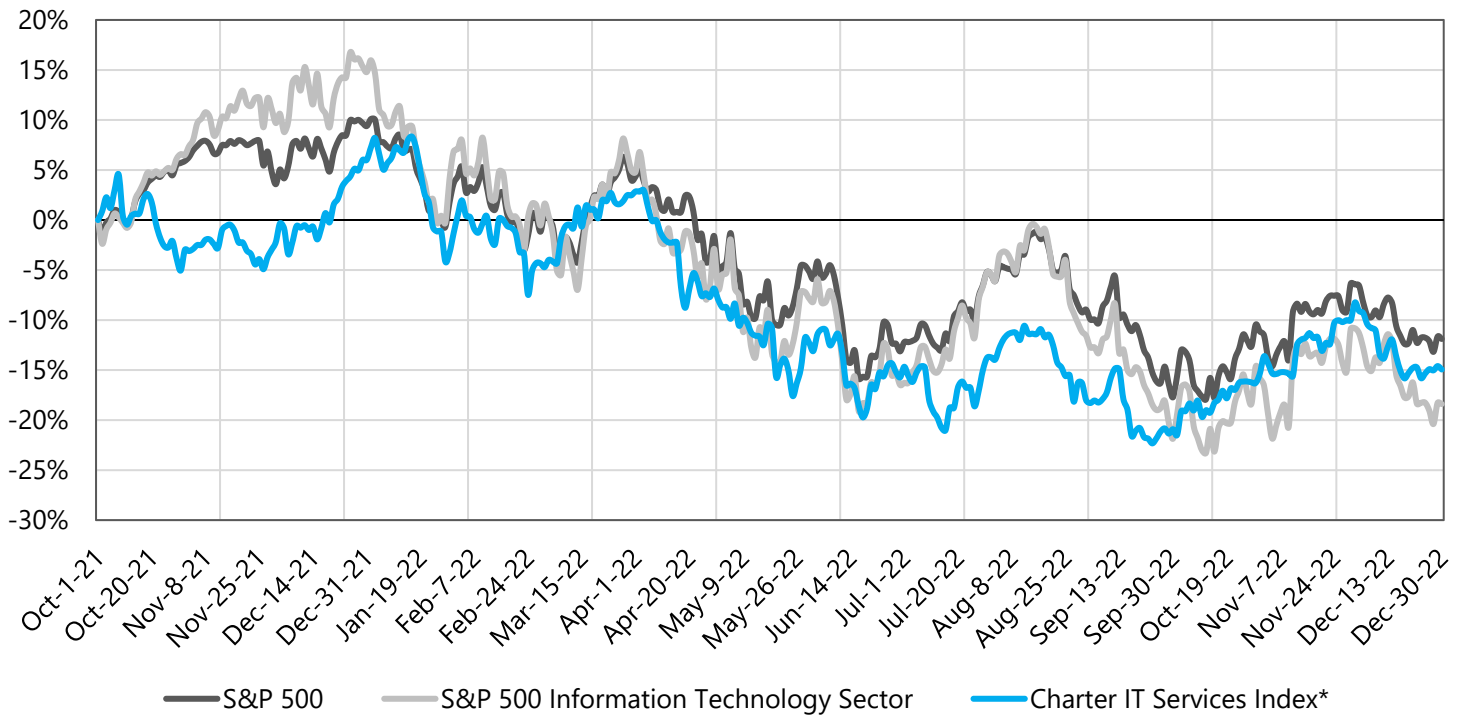
Quarterly Deal Volume by Vertical



PUBLIC COMPANIES



Share Price Performance Compared to the S&P 500



Public IT Valuations Slide Lower

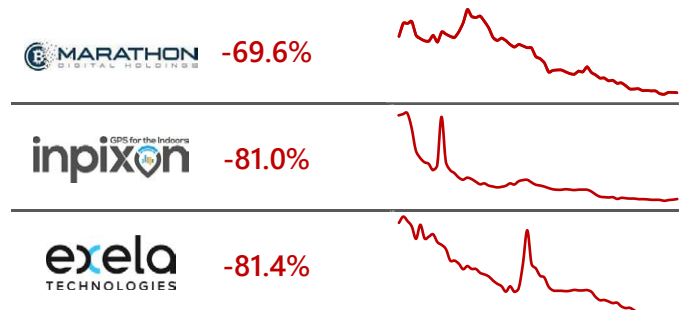
Charter's IT Services index, being comprised of higher growth, higher beta IT companies, saw little if any improvement in Q4 2022. The biggest winner in the quarter was Kyndryl (NYSE:KD), an IT infrastructure services provider. Kyndryl's share price rose approximately 38% in Q4 whereas the share price of Q3's biggest winner rose by approximately 93%, a substantial difference in the top performing stocks.

Technology stocks, amid high inflation and multiple interest rate hikes, were one of the worst performing public sectors and the drop in public market valuations trickled into the private market throughout 2022. However, the same positive trends expected to drive lower middle-market deal demand for IT services companies are expected to help drive public valuations in a positive direction.

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

CONSULTING, TECHNOLOGY, AND DIGITAL SERVICES INDUSTRY UPDATE

PRIVATE TRANSACTIONS

Most Active Strategic Acquirers

Company	Q4 Deal Count	Recent Industry Transactions
	5	12/1/22 - Code Red Networks (Plymouth, Michigan, United States) 11/30/22 - CSP Technologies (Sedona, Arizona, United States) 10/12/22 - JS Computek (Columbia, Missouri, United States)
	4	12/20/22 - Compass Solutions (Cuyahoga Falls, Ohio, United States) 12/14/22 - Helm Partners (Plymouth Meeting, Pennsylvania, United States) 11/21/22 - Isymplify (Saint Charles, Missouri, United States)
	3	12/14/22 - Rozdoun (Hamilton, New Jersey, United States) 12/7/22 - Nimaworks (Athens, Greece) 11/30/22 - Veniture (Rochester, New York, United States)
	2	12/1/22 - Allgemeines Rechenzentrum (Innsbruck, Austria) 10/4/22 - Blackcomb Consultants (Warrenville, Illinois, United States)
	2	11/21/22 - Bridge Business Consulting (Sydney, Australia) 10/7/22 - Red Moki (Auckland, New Zealand)

Most Active Private Equity Acquirers

Firm	Q4 Deal Count	Recent Industry Transactions
	4	11/15/22 - ComSol (Germany) (Cologne, Germany) 11/8/22 - Do iT Lean (Leiria, Portugal) 10/12/22 - Valantic (Munich, Germany)
	3	12/13/22 - Projectbinder (Ballerup, Denmark) 11/1/22 - Cenvation (Copenhagen, Denmark) 10/5/22 - IT Relation (Herning, Denmark)
	3	12/21/22 - Geos Consult (Milan, Italy) 12/21/22 - Zerouno Informatics (Brescia, Italy) 12/20/22 - Microsys (IT Consulting) (Milan, Italy)
	3	11/29/22 - CVC IT (Saint-Cloud, France) 10/27/22 - HISI Group (Nanterre, France) 10/13/22 - Group DIS (Lille, France)
	3	12/5/22 - Key Technology Solutions (Wixom, Michigan, United States) 10/24/22 - Chrein (New York, New York, United States) 10/3/22 - IS Concepts (Azusa, California, United States)

Key Private Equity Exits

Seller:	 ALTIMETER		
Target:			
Acquirer:			
Date:	October 4 '22	October 11 '22	December 2 '22

Source: Pitchbook



Cybersecurity Subsector Spotlight



MarkMonitor™



newfold
digital

On November 1st, MarkMonitor, a Clarivate company, was acquired by Newfold Digital via its financial sponsor Clearlake Capital for approximately \$303 million. At the time of the transaction, MarkMonitor achieved \$35 million in EBITDA, equating to an EV/EBITDA transaction multiple of 8.7x. MarkMonitor is a San Francisco, CA-based provider of online brand protection solutions. MarkMonitor helps eliminate confusing and potentially fraudulent online brand use. Additionally, MarkMonitor enables enterprises to prevent, detect, and mitigate malware and phishing attacks. "Beyond its expertise in domain management and protection, MarkMonitor brings industry experience and a commitment to security" said Sharon Rowlands, CEO of Newfold Digital. [Read more about this deal online.](#)

Strategic Buyer Spotlight



hgs

On December 8th, TekLink International ("TekLink") was acquired by Hinduja Global Solutions ("HGS") for \$59 million. Based in Warrenville, IL, TekLink is a full-service financial planning and analytics service provider. TekLink's services include design, implementation and application management services. TekLink supports over 60 clients in industries including consumer products, retail, pharmaceuticals, utilities and others. The acquisition is expected to strengthen HGS' digital solutions business. "We are excited to become part of the HGS family to compliment their already established digital customer engagement, digital experience, intelligent automation, and cloud & security portfolio with our world-class data platform and analytics solutions and services" said Pankaj Gupta, Founder and CEO of TekLink.

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

Private Equity Buyer Spotlight



GEMSPRING
CAPITAL

On December 13th, Gemspring Capital ("Gemspring") completed its acquisition of Amplix ("the Company"), a leading provider of technology advisory services and software, formed through the merger of 3 companies. Services provided by Amplix include data connectivity, security and managed services, cloud optimization, and data center solutions, amongst others. The services help customers streamline decision making, enhance performance, and drive down costs. "Bringing the combined talent and resources of these three organizations together as Amplix empowers us to deliver greater value to our customers throughout the full lifecycle of their technology investments" said Joe DeStefano, CEO of Amplix. Gemspring plans to build upon on the success already achieved by Amplix and help accelerate the Company's growth.

[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
12/30/22	Attained Group	Provider of IT consultancy and solution services.	DC Two	M&A	1.4	-	-				•
12/30/22	Prodigy Labs	Provider of IT consulting services.	UST Global	M&A	9.2	-	-			•	
12/29/22	Kontron	Provider of IT services.	VINCI Energies	M&A	414.4	-	-	•			
12/22/22	Magnasphere	Developer of security technology.	discoverIE Group	M&A	22.0	-	-				•
12/14/22	Myers Network Solutions	Provider of information technology services.	Xobee Networks	M&A	1.7	-	-		•		
12/13/22	Fungible	Developer of a full-stack infrastructure software.	Microsoft	M&A	190.0	-	-	•			
12/9/22	Dataware Consulting	Provider of information and technology services.	Bittnet Systems	M&A	5.6	0.5x	5.0x	•			
12/8/22	TekLink International	Provider of financial planning and analytics services.	Hinduja Global Solutions	M&A	58.8	-	-			•	
12/6/22	Switch	Technology infrastructure company.	DigitalBridge Group	PE	10,958.8	16.4x	16.8x	•			
12/2/22	GK8	Developer of custodian technology for digital assets.	Galaxy Digital Holdings	M&A	12.6	-	-				•
12/1/22	Three Square Markets	Provider of software and self-service kiosk-based point of sale solutions.	Cantaloupe	M&A	41.0	-	-	•			
11/29/22	Asco Tlc	Operator of a telecommunications company.	Ascopiave	M&A	41.2	-	-				•
11/16/22	Atos Italia	Provider of information technology services.	Apax Partners	PE	465.8	-	-				•
11/14/22	MobileSoft	Software developer.	DigiTouch	M&A	6.0	-	-			•	
11/11/22	EdgeCore Internet Real Estate	Developer and operator of a wholesale data center.	Partners Group	PE	1,200.0	-	-	•			
11/11/22	Intunor Services	Solutions provider for IT consulting, development, and software.	ECIT	M&A	20.3	-	-			•	
11/11/22	Mobimedia International	Operator of a telecommunication mobile technology company.	Emerge Gaming	M&A	0.4	-	-	•			
11/2/22	Stattice	Developer of privacy technology.	Anonos	M&A	50.0	-	-				•
11/2/22	Bludis	Provider of information and communication technology solutions.	Esprinet	M&A	8.6	-	-			•	
11/1/22	eMundo	Developer of customized software solutions.	Gofore	M&A	7.9	-	-				•
11/1/22	MarkMonitor	Provider of enterprise brand protection services.	Clearlake Capital Group	PE	302.5	3.8x	8.6x				•
10/24/22	Quality of Service Holding	Provider of IT support and cloud services.	InfraCom Group	M&A	2.4	-	-	•			
10/20/22	Cider	Developer of security platform for data protection.	Palo Alto Networks	M&A	300.0	-	-				•
10/20/22	Diateam	Developer and designer of cyber security solutions.	CY4Gate	M&A	17.8	-	-				•
10/11/22	ForgeRock	Next-generation cloud identity company.	Thoma Bravo	PE	1,999.2	9.9x	-				•
10/11/22	Maxive Cybersecurity	Operator of a cybersecurity holding company.	Thales Group	M&A	118.2	-	-				•
10/11/22	Å-data Infosystem	Provider of IT solutions.	Mavshack	M&A	0.9	-	-	•			
10/10/22	Authlogics	Developer of authentication platform.	Intercede Group	M&A	6.2	9.3x	-				•
10/7/22	QVine	Provider of agile software development services.	Godspeed Capital	PE	40.0	-	-			•	
10/5/22	Netbull	Provider of cybersecurity services.	ADACOM	M&A	6.2	-	-				•
10/5/22	Yagaan	Developer of cybersecurity software.	Pradeo	M&A	1.2	-	-				•
10/5/22	ClaimsXten	Provider of payment services.	TPG	PE	2,200.0	-	-			•	

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">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

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

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