



M&A Insights Q2 2022

CONSULTING, TECHNOLOGY, AND DIGITAL SERVICES INDUSTRY UPDATE

HIGHLIGHTS

IT Deal Volumes Simmer in 2022

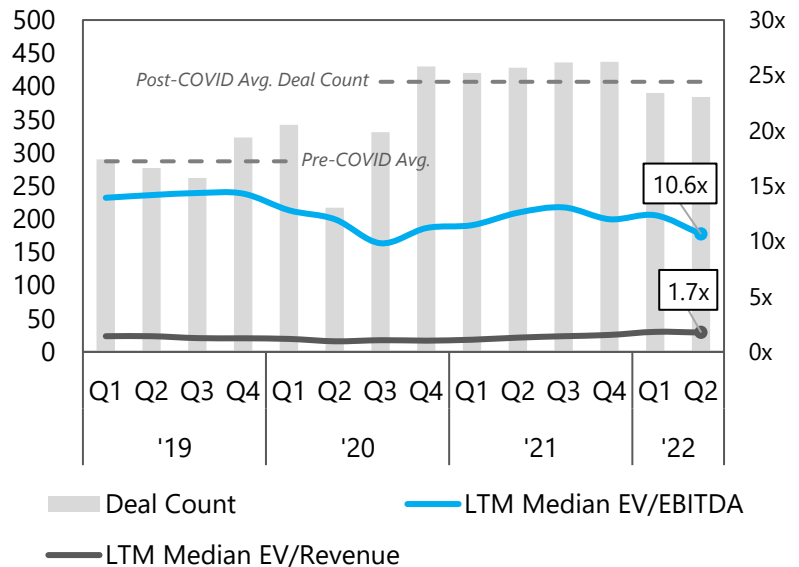
Deal volume in the IT Services sector in Q2 remained steady with the prior quarter. Q2 saw 384 deals compared to 390 in Q1. Although deal volume is slightly off record highs in 2021, the IT Services sector continues to be an area of focus for both strategic and financial buyers.

The median EBITDA multiple acquirers paid in the sector in Q2 was 6.2x while the median revenue multiple was 1.2x, both down significantly from Q1 although these figures are a product of sparse multiple data in Q2. For that reason, we've switched to an LTM measure of median multiples for this quarter. The softening in multiples during Q2 showcased that the recent drop in public IT valuations is coming to fruition in the private markets. As tech valuations came down from lofty highs, other industries have followed suit. This indicates that higher growth tech companies typically lead the curve downward in an economic slowdown due to a higher sensitivity to interest rate changes, but correspondingly emerge from their slumps sooner than other industries.

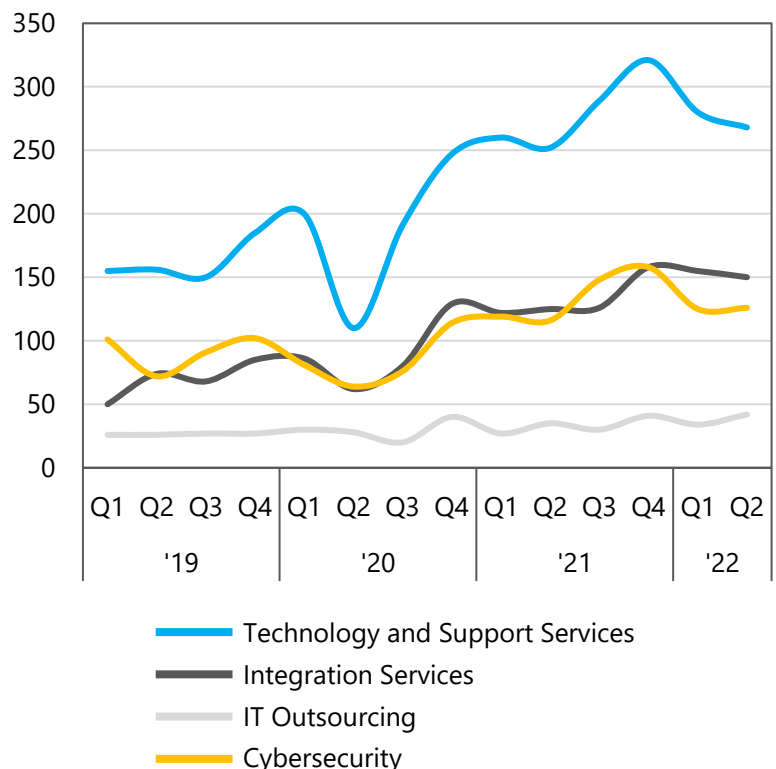
Utilizing M&A to Improve Offerings

Buyer demand remained healthy throughout Q2 and continued to drive momentum in our key verticals. The cybersecurity vertical included mega-deals like Broadcom's \$65 billion acquisition of VMware as well as lower middle-market deals such as Clearwater Compliance's \$17 million acquisition of CynergisTek. Acquisitions continue to be the focus for many strategics looking to supplement current product offerings, complement core capabilities, and bolster their talent base. Increasing digitalization and need for technological innovation will likely remain powerful trends for technology and digital services companies going forward.

IT Services PE Buyouts & Strategic M&A Deals

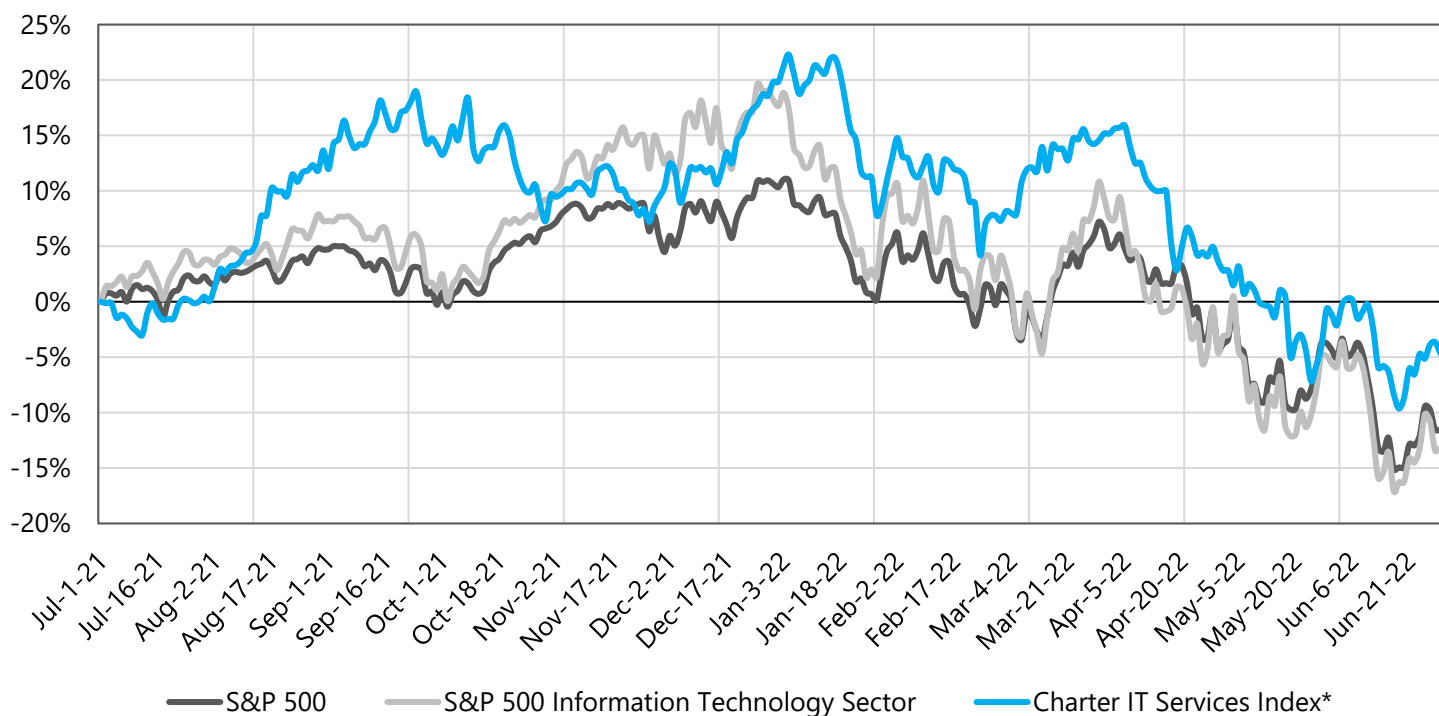


Quarterly Deal Volume by Vertical





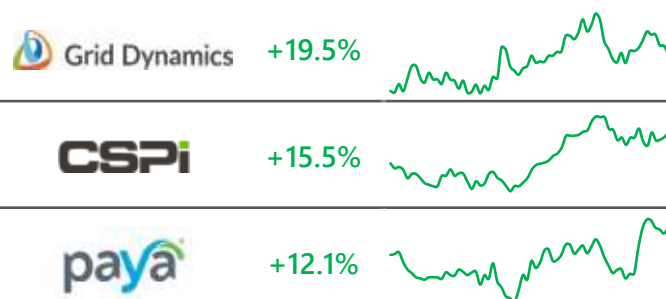
Share Price Performance Compared to the S&P 500



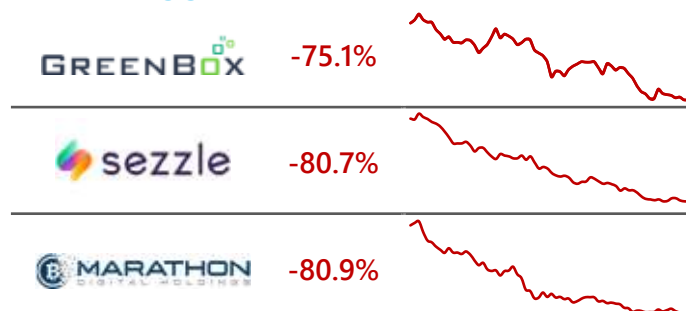
Continued Pressure on Public IT Valuations throughout Q2 2022

Charter's IT Services index saw downward pressure in Q2 but out-performed the broader IT sector and S&P 500. Grid Dynamics (NASDAQ:GDYN), one of the worst performers in Q1 of 2022, rebounded in Q2 with the top performance in the index. The rebound can largely be attributed to scaled global presence with new locations, expanding partnerships, and new customers. Paya Holdings (NASDAQ:PAYA) was another strong performer in Q2 with share prices up 12.1% as revenue grew 13.5% from the prior quarter. Sezzle (ASX:SZL), a Minneapolis, MN-based technology-driven payment platform experienced rough waters during Q2. The plunge in share price is related to investor disappointment in a proposed deal between Sezzle and Zip Co. which collapsed during the quarter, as well as broadly softening consumer spending on products.

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, GIBA, ATO, UIS

PRIVATE TRANSACTIONS





Most Active Strategic Acquirers

Company	Q2 Deal Count	Recent Industry Transactions
 accenture	5	6/30/22 - XtremeEDA (Ottawa, Canada) 6/6/22 - Advocate Networks (Norcross, Georgia, United States) 4/1/21 - Beecker (Shenandoah, Texas, United States)
 CONVERGE TECHNOLOGY SOLUTIONS	5	6/15/22 - Gesellschaft Für Digitale Bildung (Hamburg, Germany) 6/15/22 - Institut für moderne Bildung (Tutzing, Germany) 5/19/22 - Technology Integration Group (San Diego, California, United States)
 Deloitte.	3	6/6/22 - IT Security Services (Bogota, Colombia) 6/1/22 - Integrated Enterprise Solutions (Hong Kong, Hong Kong) 4/1/22 - GLO Integration (Utrecht, Netherlands)
 DIGITAL 360 EMPOWERING INNOVATION	3	6/30/22 - CryptoNet Labs (Milan, Italy) 6/14/22 - Business Publications Spain (Madrid, Spain) 4/26/22 - ICT LAB PA (Rome, Italy)
 docker	2	5/10/22 - Nestybox (San Jose, California, United States) 4/11/22 - InfoSiftr (Las Vegas, Nevada, United States)

Most Active Private Equity Acquirers

Firm	Q2 Deal Count	Recent Industry Transactions
 Hgc	5	6/28/22 - Raidboxes (Munster, Germany) 6/24/22 - DutySheet (Leatherhead, United Kingdom) 6/20/22 - Business-DNA Solutions (Zurich, Switzerland)
 GIC	4	6/24/22 - DutySheet (Leatherhead, United Kingdom) 6/7/22 - Hyper.sh (New York, New York, United States) 5/23/22 - Mandü (Lima, Peru)
 TA ASSOCIATES	3	6/24/22 - DutySheet (Leatherhead, United Kingdom) 6/9/22 - DNS Made Easy (Reston, Virginia, United States) 4/8/22 - Terranova Security (Laval, Canada)
One Equity Partners	3	6/9/22 - One Inside (Liestal, Switzerland) 5/24/22 - Movetia (Barcelona, Spain) 4/1/22 - Trustmarque Solutions (York, United Kingdom)
 THE CARLYLE GROUP	3	6/9/22 - SHEA Global (Richmond Hill, Canada) 6/7/22 - Hyper.sh (New York, New York, United States) 4/4/22 - River Loop Security (Washington, District of Columbia, United States)

Key Private Equity Exits

Seller:	 Cloud Equity	 cerberus	 OPENGATE CAPITAL
Target:	 cloud access.net	 RIZING	 Aurotech
Acquirer:	 Miss Group	 wipro	 DMI
Date:	May 27 '22	May 20 '22	April 5 '22

Source: Pitchbook

KEY DEALS SPOTLIGHT

Cybersecurity Subsector Spotlight



On April 1st, Liberty Strategic Capital (“Liberty”) acquired Dallas, Texas, headquartered Zimperium, a leading mobile security platform for enterprise environments, for \$525 million. Liberty, founded in 2021 and led by former Secretary of the Treasury, Steven Mnuchin, is a firm focused on strategic investments in technology, financial services, and fintech. Zimperium’s mobile-security platform provides on-device mobile threat defense to protect the growing and evolving mobile environments. The investment by Liberty is expected to enable Zimperium to continue accelerating its growth, both organically and through strategic acquisitions. As the use of mobile devices and cyber threats proliferate, securing mobile endpoints and applications will be ever more important stated Mnuchin. [Read more about this deal online.](#)

Strategic Buyer Spotlight



On June 3rd, ASGN Incorporated (NYSE: ASGN), a leading provider of IT services and solutions, announced its acquisition of GlideFast Consulting (“GlideFast”), an IT consulting, implementation, and development company for \$350 million. GlideFast provides tailored solutions for ServiceNow implementations, integrations, and managed support. GlideFast has completed over 1,500 ServiceNow projects to date. The acquisition of GlideFast is consistent with ASGN’s three-year strategic growth plan to acquire in-demand commercial consulting companies to bolster sales and market reach. GlideFast’s customer base is across multiple industry verticals, providing a long runway ahead for the combined companies. The significant client synergies along with cultural similarities of the two companies are expected to build a world-class ServiceNow consulting team.

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

Private Equity Buyer Spotlight



On May 13th, The Carlyle Group, a Washington DC-based private equity firm, acquired ManTech International (“ManTech”) for \$4.2 billion. ManTech is a leading provider of innovative technologies and solutions for national security programs. In business for more than 53 years, ManTech has been servicing the U.S. defense, intelligence, and federal civilian agencies with a full-spectrum of cyber, IT, and software solutions. “ManTech’s talented employees and leadership team have built a remarkable Company with strong market positions across the federal government stated Dayne Baird, a Managing Director at The Carlyle Group. The Carlyle Group expects to use this partnership to leverage their sector expertise and resources to accelerate growth and innovation at ManTech.

[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
6/30/22	Invenco	Provider of data and analytics consulting services.	Innofactor	M&A	7.1	-	-	•		•	
6/29/22	Ennova	Provider of digital services.	TXT e-Solutions	M&A	12.0	-	-	•			
6/28/22	Stratus Technologies	Provider of fault-tolerant server platforms and support solutions.	SMART Global Holdings	M&A	275.0	-	-	•			
6/28/22	Net-Admin	Provider of IT consulting services.	Planetel	M&A	1.6	1.3x	6.2x				•
6/27/22	DataArt	Provider of IT services.	N3 Group	PE	29.6	-	-	•			
6/27/22	Infinity SDC	Operator of a data center business.	Azrieli Group	PE	64.3	-	-	•			
6/24/22	Acurus	Provider of technology consultancy and systems integration services.	Superloop	M&A	14.1	-	-	•		•	
6/23/22	Datto	Provider of cloud-based software and technology solutions.	Insight Partners	PE	6,008.8	9.3x	53.5x	•			
6/23/22	netIP	Provider of information technology services.	Adelis Equity Partners	PE	53.5	-	-	•	•		
6/23/22	NTT Application Security	Developer of a risk management platform.	Synopsys	M&A	330.0	-	-				•
6/22/22	Akquinet	Provider of IT outsourcing and cloud services.	Deutsche Beteiligungs	PE	212.4	-	-	•		•	
6/20/22	Levi	Developer of IoT security and device identity management technology.	Comcast	M&A	50.0	-	-				•
6/14/22	Miracle	Provider of IT consultancy services.	Knowit	M&A	23.0	-	-	•		•	
6/14/22	PCCW Lenovo Technology Solutions	Provider of information technology services.	Lenovo	M&A	730.5	-	-	•		•	
6/14/22	Syntell	Provider of systems lifecycle management services.	C.A.G Group	M&A	7.0	0.6x	9.3x			•	
6/10/22	Thirdware Solution	Provider of IT consulting services.	Tech Mahindra	M&A	42.0	-	-	•		•	
6/10/22	Radiance Communications	Provider of unified communication services.	NxGen Communications	M&A	0.9	-	-				•
6/3/22	GlideFast Consulting	Provider of IT consulting and development services.	ASGN	M&A	350.0	-	-	•		•	
6/2/22	Hayes IS	Provider of consultancy and information support services.	Anatas	M&A	11.6	-	-	•			
6/1/22	Digital Shadows	Developer of cyber threat protection platform.	FTV Capital, Kohlberg Kravis Roberts	PE	160.0	-	-				•
6/1/22	Utimaco	Developer of cloud-based hardware security appliances and compliance software.	SGT German Private Equity	PE	449.4	-	-				•
5/31/22	Web Financial Group	Provider of digital transformation services.	Allfunds Bank	M&A	153.2	-	-	•			
5/30/22	Rowanwood Professional Service	Provider of housing asset management services.	Pluribus Technologies	M&A	4.5	-	-				•
5/26/22	VMware	Provider of virtualized IT infrastructure.	Broadcom	M&A	65,281.0	5.0x	19.6x				•
5/25/22	Stemo	Provider of information and communication services.	A1 Bulgaria	M&A	26.8	-	-	•		•	
5/23/22	CynergisTek	Provider of cybersecurity, privacy, and compliance services.	Altaris Capital Partners, Clearwater Compliance	PE	16.5	1.0x	-	•			•
5/23/22	Xator	Provider of security, intelligence and IT services.	Parsons	M&A	400.0	-	-				•
5/20/22	MYCOM OSI	Provider of automation and analytics services.	Amdocs	M&A	188.0	-	-	•	•		
5/20/22	Rizing	Provider of SAP functional and technical consulting services.	Wipro	M&A	540.0	-	-	•			
5/20/22	Etion	Provider of technology-driven engineering solutions.	Reunert	M&A	9.0	-	-				•
5/19/22	Technology Integration Group	Provider IT consulting services.	Converge Technology Solutions	M&A	74.0	-	-	•		•	

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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