



CHARTER
Capital Partners

M&A Insights Q3 2021

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

HIGHLIGHTS



A New Normal

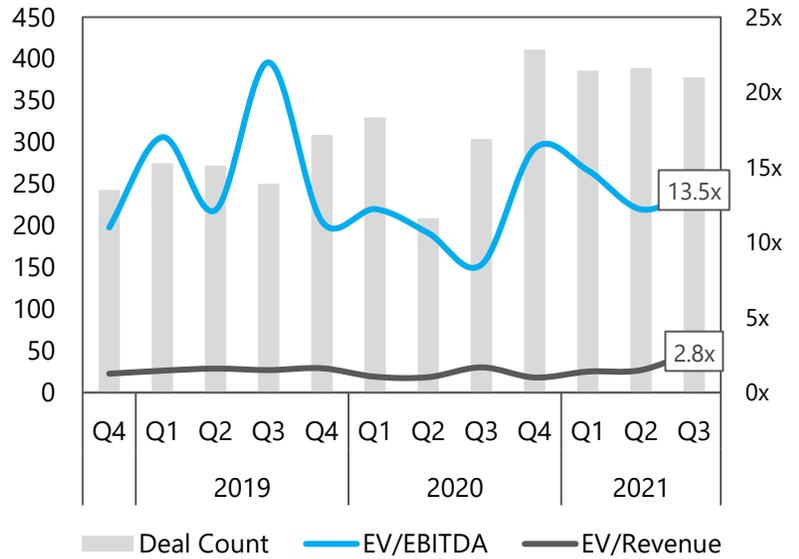
The long-tail echo of the pandemic has perversely affected many industries. Leaders in Consulting and IT Services, however, have reacted with a sustained effort to meet the accelerating trends of digitization, cloud-enablement, and big-data fluency that have emerged with force over the past six quarters. Large incumbents like Accenture, IBM, and **Deloitte** have competed with record levels of private equity dry powder deployed by firms like The Carlyle Group, Berkshire Partners, and Blackstone to acquire smaller but promising IT services businesses with talent and expertise in cloud, ERP systems, and AI, among many others.

Many dealmakers view tech M&A as essential to transforming existing offerings, back-filling capabilities, and expanding into new markets.

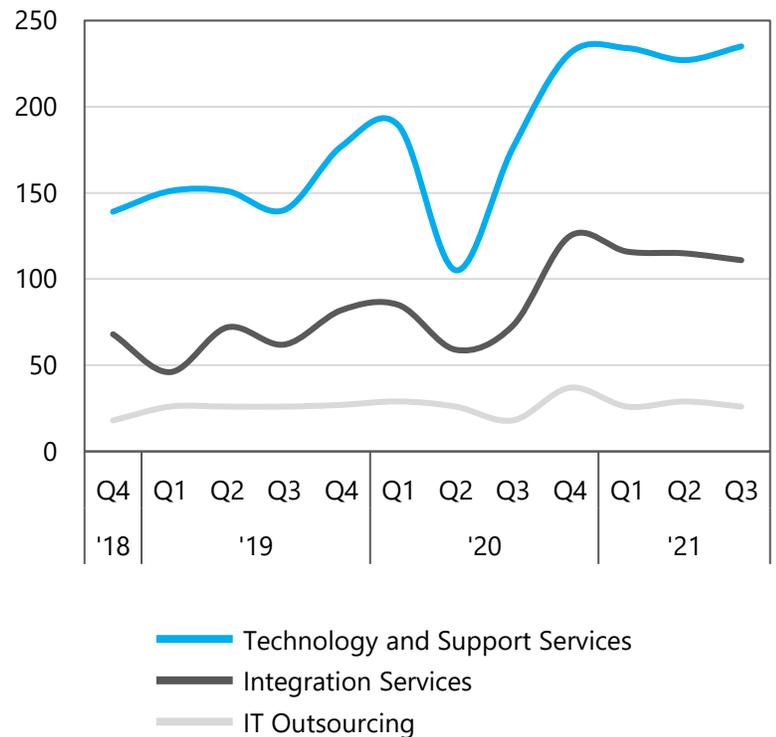
-Morrison Foerster Tech M&A Forecast

M&A deal levels across the sector as well as in our three key IT Services verticals have established a new normal compared to pre-COVID levels. This has largely been driven by serial acquirers looking to diversify their product offering or protect their economic moat. While M&A activity seems as though it has reached a peak, we believe there is still room for deal counts, multiples, and optimism in the IT Services sector to escalate as we look towards 2022, barring a deeply disruptive resurgence of COVID or over-burdensome regulatory scrutiny.

IT Services PE Buyouts & Strategic M&A Deals



Quarterly Deal Volume by Vertical

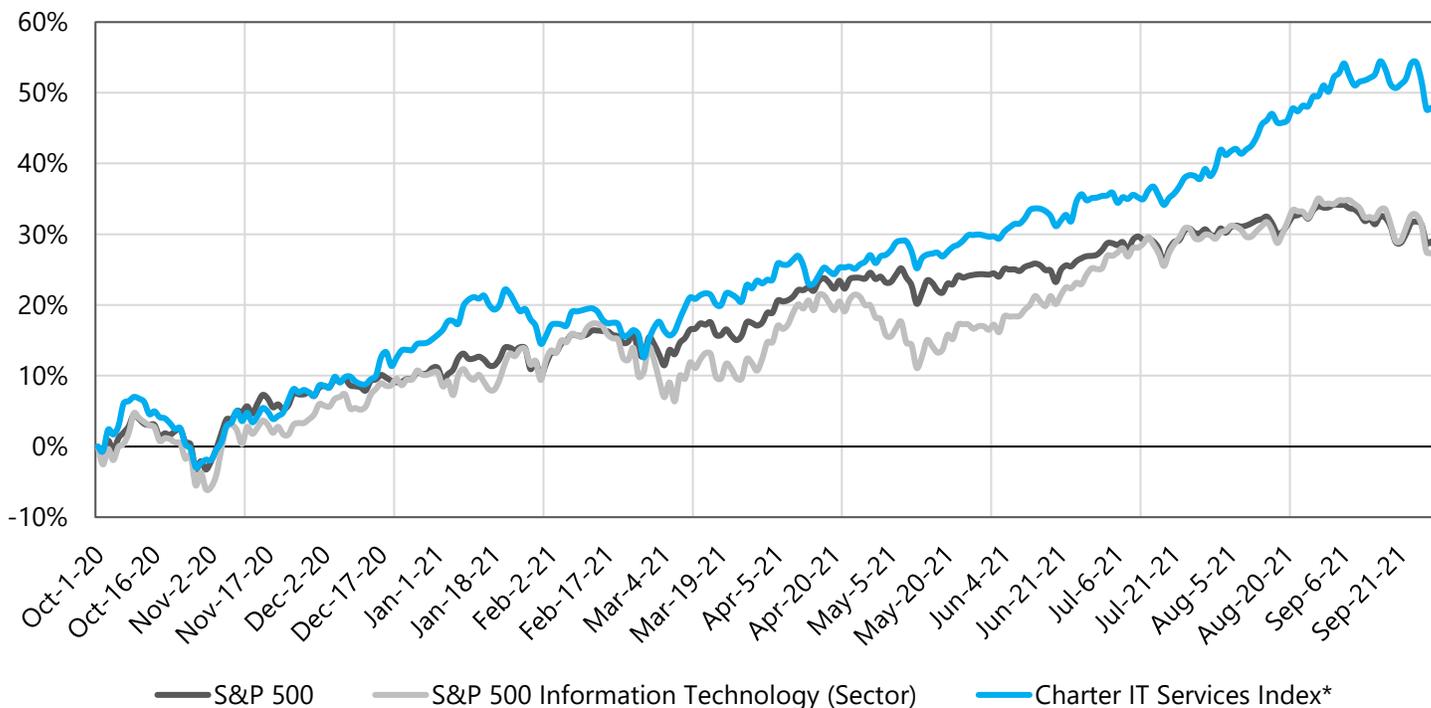


Data Source: Pitchbook

PUBLIC COMPANIES



Share Price Performance Compared to the S&P 500

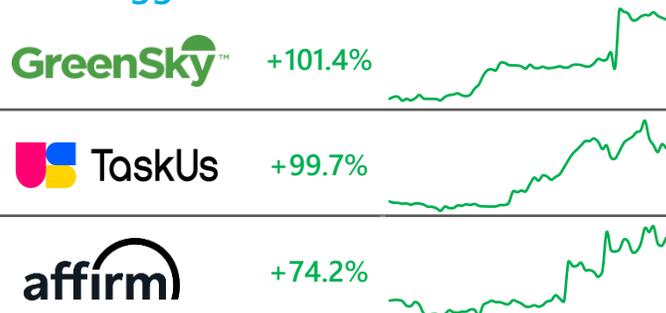


IT Services Share Prices Soar

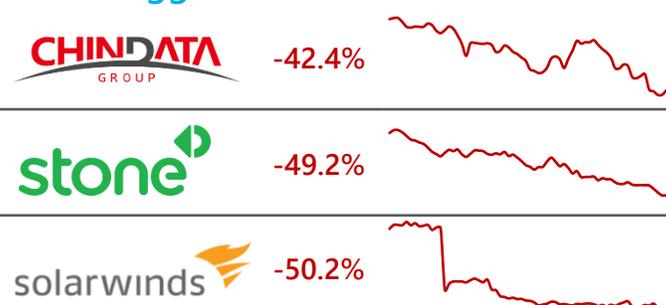
HCL Technologies (NSEI:HCLTECH), an India-based IT services and consulting company, led the Charter IT Services Index upward during Q3 with a 29.8% quarterly gain as the company rides the ongoing wave of accelerating demand for digital and cloud offerings. The Q3 runner up in the index was Gartner (NYSE:IT) who has now posted four consecutive quarters of 10%+ share price growth.

Two other big winners during Q3 were Greensky and Affirm, both players in the “buy now pay later” (BNPL) vertical. Greensky’s share price surged upward in response to Goldman Sachs announcement that they will be acquiring the company for \$2.2B. BNPL has rapidly gained popularity among e-commerce companies and small businesses. Some might view this level of consumer credit availability, in combination with recent federal stimulus packages, as a sign that the economy has over-heated and needs cooling off.

Biggest Winners this Quarter



Biggest Losers this Quarter



Source: S&P Capital IQ

*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
	13	9/20/21 - BIIT Consulting (Kuala Lumpur, Malaysia) 9/10/21 - Blue Horseshoe (Carmel, Indiana, United States) 9/02/21 - Gevity Consulting (Victoria, Canada)
	3	9/03/21 - Visual BI Solutions (Plano, Texas, United States) 9/01/21 - Cryptovision (Gelsenkirchen, Germany) 7/27/21 - IDEAL GRP (Vantaa, Finland)
	3	7/29/21 - Boxboat Technologies (Bethesda, Maryland, United States) 7/15/21 - Bluetab Solutions (Madrid, Spain) 7/01/21 - Waeg (Brussels, Belgium)
	3	9/10/21 - HeleCloud (London, United Kingdom) 7/20/21 - SE16N (Warsaw, Poland) 7/14/21 - ITST Consultoria (Sao Paulo, Brazil)
	2	8/16/21 - Cubiq Analytics (Helsinki, Finland) 7/01/21 - Optima Nexus Consulting (Basel, Switzerland)

Most Active Private Equity Acquirers

Firm	Q3 Deal Count	Recent Industry Transactions
	6	9/21/21 - OSS Networks (Riga, Latvia) 9/01/21 - g-company (Utrecht, Netherlands) 8/26/21 - Awave (Stockholm, Sweden)
	5	8/24/21 - Trusted Concepts (Herndon, Virginia, United States) 8/03/21 - Lux Machina (Los Angeles, California, United States) 8/03/21 - Prysm Collective (Burbank, California, United States)
	4	9/22/21 - MOC4 Consulting (Irvine, California, United States) 8/10/21 - CloudAdvise (New York, New York, United States) 7/29/21 - LanYap Networks (Phoenix, Arizona, United States)
	3	8/31/21 - Quality Technology Services (Overland Park, Kansas, United States) 8/10/21 - Mphasis (Bangalore, India) 8/10/21 - Steele Compliance Solutions (San Francisco, California, United States)
	3	9/21/21 - 8020 (IT Consulting and Outsourcing) (Dumfries, United Kingdom) 8/19/21 - 5 Rings Group (Lancing, United Kingdom) 8/09/21 - Concert Networks (Winsford, United Kingdom)

Key Private Equity Exits

Seller:			
Target:			
Acquirer:			
Date:	September 1 '21	August 19 '21	August 12 '21

Source: Pitchbook

KEY DEALS SPOTLIGHT



Cloud Services Subsector Spotlight



LightEdge, a leading provider of colocation, cloud and managed service solutions, announced its acquisition of Cavern Technologies, a premier enterprise-grade data center provider in Kansas City on September 22. Jim Masterson, CEO of LightEdge, said, "This is the first acquisition under our new ownership by GI Partners, and we are very pleased to acquire an outstanding company such as Cavern... This acquisition unlocks new opportunities for us and further positions LightEdge as a leading infrastructure provider in the Midwest." Xiao Tsai, Principal of GI Partners, which acquired LightEdge the month prior said, "We are excited to support LightEdge's expansion in Kansas City... The acquisition accelerates LightEdge's vision to be the leading hybrid-IT infrastructure platform serving Tier II markets in the Midwest." [Read more about this deal online.](#)

Strategic Buyer Spotlight



Global consulting and technology leader Accenture acquired Carmel, Indiana-based Blue Horseshoe on September 10, a supply chain management and strategy consulting firm and systems integrator specializing in fulfillment and distribution solutions. Blue Horseshoe helps clients across industries, including food and beverage, consumer packaged goods, retail distribution, and transportation and logistics, define and plan their enterprise strategy, connect and collaborate with business applications, and optimize and execute supply chain operations. Accenture's acquisition of Blue Horseshoe will bolster its supply chain & operations group and its capabilities in building connected and intelligent supply chains. The move continues Accenture's investment drive in its cloud consulting capabilities. [Read more about this deal online.](#)

Financial Buyer Spotlight



Chicago-based private equity firm, Periscope Equity, invested in Austin, Texas-based leading IT services and business process management consulting firm Praecipio Consulting on October 26 alongside the company's management team. "In terms of scale and leadership in the space, Praecipio has differentiated itself as a true enterprise-level strategic advisor..." said Periscope Equity Principal Eric Hinkle. "Our partnership with Periscope Equity aligns remarkably well with our vision for what's next in the digital landscape and the important role that businesses play in elevating the human experience and creating meaningful change," said Christian Lane, CEO and Founding Partner of Praecipio Consulting. As part of the transaction, Periscope Equity plans to commit significant incremental capital to fund future acquisitions and new growth opportunities. [Read more about this deal online.](#)

PRIVATE TRANSACTIONS



Recent Transactions in Select Verticals

Technology & Support Services (T&SS), IT Outsourcing (ITO), and Integration Services (IS)

Date	Target	Description	Investor(s)	Deal Type	Enterprise Value (\$M)	EV / Sales	EV / EBITDA	Verticals		
								T&SS	ITO	IS
9/30/21	zenbox	Provider of cloud hosting services intended to offer a new approach to the cost settlement system.	H88	M&A	4.6	-	-	•		
9/20/21	Wizeline	Provider of technology services to build digital products and platforms.	Caisse de dépôt et placement du Québec	PE	300.0	-	-	•		
9/20/21	Beso	Provider of data predictive services intended for the implementation of in-house digital marketing teams.	LLYC	M&A	6.4	-	-	•		•
9/1/21	Electronic Transaction Consultants	Designer and installer of highway tolling systems software based in Richardson, Texas.	Quarterhill	M&A	120.0	-	-	•		
8/31/21	Quality Technology Services	REIT involved in the ownership and management of data centers located throughout the US.	Blackstone	PE	8,972	15.3x	34.2x	•		
8/31/21	Infinity Systems Software and Vicom Infinity	Provider of information technology solutions.	Converge Technology Solutions	M&A	15.0	0.2x	-	•		•
8/30/21	Remote Intelligence	Provider of intelligence consultation services focused on aerial drone systems.	DarkPulse Technologies	M&A	0.8	-	-	•		
8/27/21	Cipher Mining	Industrial-scale Bitcoin mining company in the United States.	Good Works Acquisition	M&A	-	-	-	•		
8/26/21	Ironstone	Provider of cloud technology and IT services intended to serve large corporations as well as small and medium-sized enterprises.	Canica, Komplet	PE	16.8	-	-	•	•	
8/23/21	ITSOFT	Product of software product services based in Rishon LeTsiyon, Israel.	Commit	M&A	3.1	-	-		•	
8/19/21	Novetta	Provider of scalable advanced analytics and technology services.	Accenture	M&A	1,000	10.7x	-	•		
8/18/21	Loop Secure	Provider of cybersecurity management services to organizations, governments and individuals.	Tesseract	M&A	9.9	0.7x	-	•		•
8/18/21	AgileThought	AgileThought Inc is a full-service digital transformation and consulting firm.	LIV Capital Acquisition	M&A	-	-	-	•		•
8/17/21	Smoothwall	Developer of web filtering technologies and applications designed for the safety and wellbeing of students.	Family Zone Cyber Safety	M&A	104.5	-	-	•		
8/10/21	Mphasis	IT solutions provider which offers application development and integration, BPO, and infrastructure services.	Blackstone	PE	3,733	2.7x	13.5x	•	•	•
8/10/21	Robosoft Technologies	Provider of digital transformation services and mobile application development services.	TechnoPro	M&A	107.5	4.3x	-	•		
8/9/21	ITPrepared	Provider of information technology support services based in Bucharest, Romania.	Bittnet Systems	M&A	0.7	-	-	•		
8/6/21	Ampion	Provider of software assurance, security and digital transformation services based in Australia.	Wipro	M&A	86.5	-	-	•		•
8/4/21	Pico Quantitative Trading	Provider of technology services intended for the financial markets community.	FTAC Athena Acquisition	M&A	-	-	-	•		
8/1/21	DataVard	Consulting services for SAP data management, system decommissioning, and system landscape transformation.	SNP Schneider-Neureither & Partner	M&A	35.5	-	-			•
8/1/21	ProData Consult	Provider of information technology (IT) consulting services in København, Denmark.	Axcel Management	PE	1,149	-	-	•		
8/1/21	Infoway Software	Provider of IT consultancy services based in Sayreville, New Jersey.	Sagarsoft	M&A	2.2	-	-	•		
7/30/21	Cirrus Networks	Provides information technology services and related third-party product sales.	Webcentral Group	M&A	21.2	0.3x	9.3x	•		
7/29/21	Cancom UK&I	Provider of on-premise information technology (IT) solutions.	Telefónica	M&A	35.5	-	-	•		
7/28/21	Cyxtera Technologies	Engaged in data center colocation and interconnection services.	Starboard Value Acquisition	M&A	21.2	-	-	•		
7/27/21	Mivitec	Provider of cloud-based managed hosting and outsourcing services for clients in the area of Munich, Germany.	MyLoc Managed IT	M&A	21.2	-	-	•	•	
7/26/21	Lumen Technologies	Provider of communications and information technology services.	AustralianSuper, Stonepeak	PE	21.2	-	-	•		
7/21/21	Core Scientific	Provider of high-performance blockchain infrastructure and hosting solution intended for application development.	Power & Digital Infrastructure Acq.	M&A	21.2	-	-	•		•
7/20/21	Defcon Solutions	Provider of information technology services catering to the defense and security sectors.	MilDef Group	M&A	21.2	-	-	•		•
7/19/21	Summa Solutions	Operator of digital commerce agency intended to develop reliable technology platforms.	Infracommerce	M&A	21.2	-	-	•		

Source: Pitchbook

CHARTER TEAM INDUSTRY EXPERTISE



Industry Practice Team



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

Prior to joining Charter, Mark led Corporate Development at Chamberlain Group, a Chicago-based global leader in connected access solutions, where he was responsible for all inorganic growth activity including acquisitions, minority investments, strategic partnership and divestitures.

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
Associate
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AJ Ebels has been with Charter Capital Partners since 2016. In his current role as Associate, he 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 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.

AJ graduated with Honors from Grand Valley State University in 2017 with a BBA in Finance and Business Economics. He is a past member of the executive board of the Investment Portfolio Organization (IPO) at GVSU and is a member of ACG West Michigan and the Seidman Alumni Association.

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

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