



**CHARTER**  
*Capital Partners*

M&A Insights Q1 2021

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

# CONSULTING, TECHNOLOGY, AND DIGITAL SERVICES INDUSTRY UPDATE

## OVERVIEW



### The Momentum from 2020 Continues

While most industries took a step back in M&A activity in 2020, the IT services industry thrived. Outside a short blip in deal activity in Q2 due to COVID-19 lockdowns, 2020 was a record setting year in terms of deal activity. Many companies who were looking to prioritize digital in the coming years were forced to accelerate those plans to support the remote-based work required as a result of the COVID-19 pandemic. As such, technology service providers turned to M&A to support their clients' technology-focused initiatives. This race to acquire top tier IT talent is expected to continue, whether it be through organic or inorganic paths. Keeping a talent pipeline full to ensure support for growth across cloud, CRM integration, and data and analytics continues to be an issue for both strategic and financial buyers alike. Many have turned to M&A for help, and because integrating such a wide variety of companies and their respective cultures can be challenging, large acquirers have invested millions in full-time integration teams to ease the burden on business runners.

*"Cloud is the most disruptive and value-creating technology of our time..."*

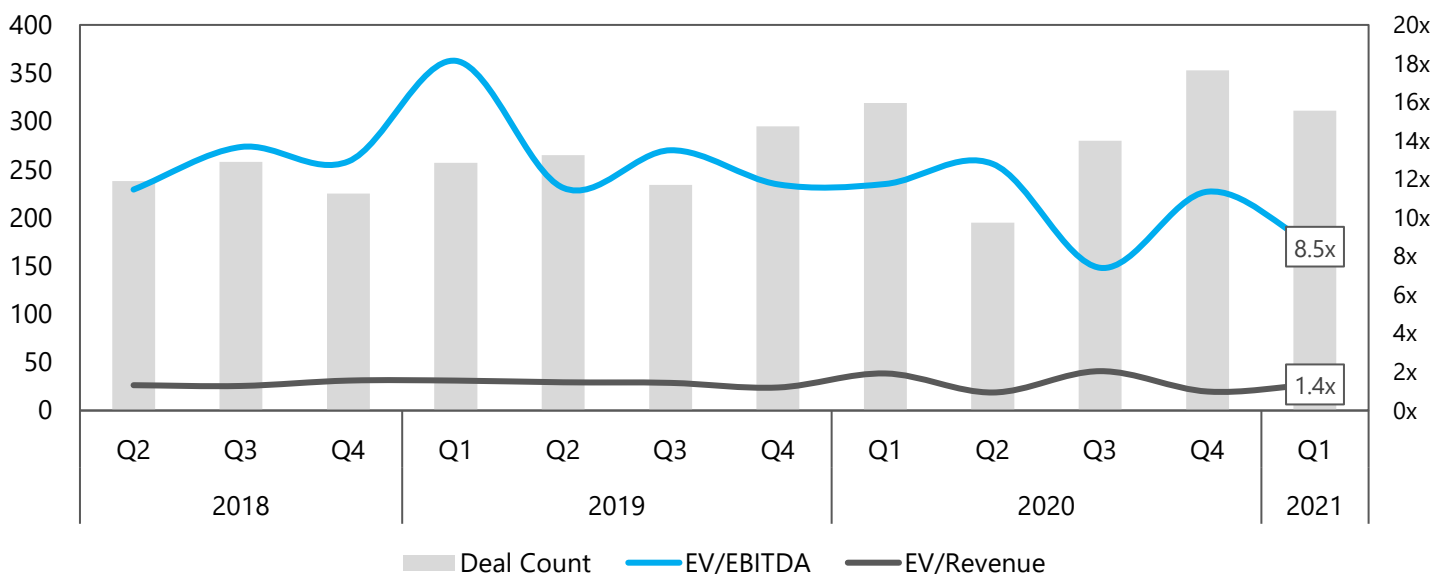
*Paul Daugherty*

*Group Chief Executive, Accenture Technology*

### Cloud a Major Focus

The growth in cloud-related offerings continues to be a major factor in M&A strategies, particularly with large, strategic acquirers. According to a recent IT industry survey published by Grandview Research, by 2022, around 60% of enterprises will utilize an external service provider's cloud-managed service offering, which is twice as many as 2018. That's only one of the reasons organizations are investing heavily to prepare for migration to the cloud. No investment stands out more than Accenture's \$3B investment in their "Cloud First" initiative, which is designed to create a new model for rapid migration to the cloud and realization of value for clients and their stakeholders.

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



Source: Pitchbook

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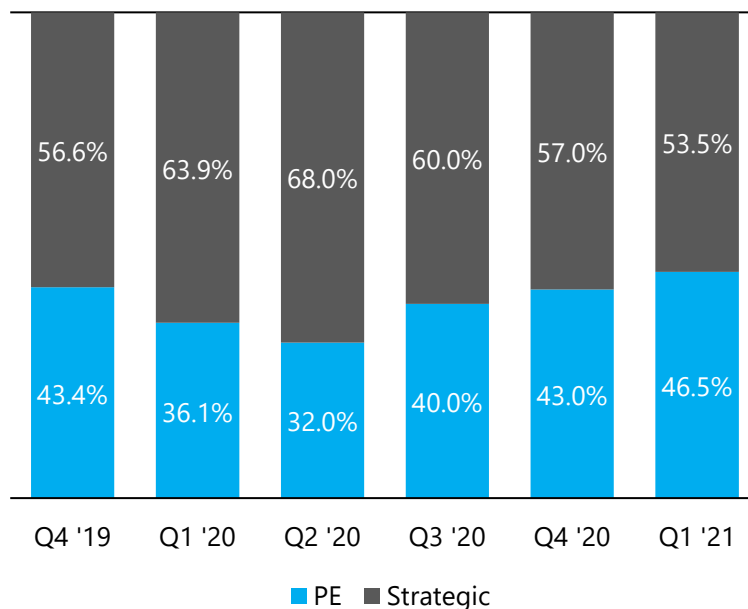
## HIGHLIGHTS



### The PE and Strategic Showdown

After last year's 2nd quarter stasis in deal activity during the initial lockdown, deal volume has erupted. Technology services companies have looked to steal market share through the consolidation of smaller targets while a continually growing number of private equity firms have sought to deploy capital in the space. While there is considerable and sustained acquisition demand from the two buyer types, cash rich strategic players commanded the lion's share of deals during Q2 2020 as the PE world shifted its focus inward towards portfolio survival. After the initial storm of uncertainty had past, PEs returned to the M&A marketplace in droves.

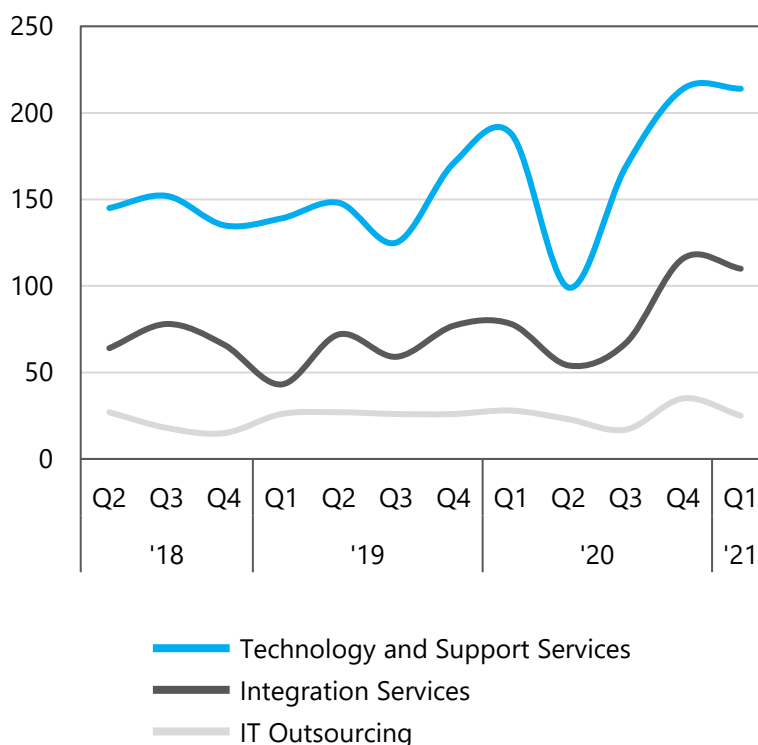
### PE vs. Strategic Share of Deal Volume



### Resurgence in Deal Activity

The **technology and support services** vertical has resumed its explosion in deal activity following the pandemic, enhanced by an ever-greater need for digital communications, cybersecurity, and data connectedness. The **integration services** vertical has seen an even more pronounced growth in deal activity, with 40.2% more completed deals in the period following the pandemic compared to the period leading up to it. The proliferation of the leading ERP systems; ServiceNow, Workday, SAP, and Salesforce, necessitates growth in implementation partners like SAP integrator Optimum Consulting who was acquired by SoftwareONE in January of this year. Each of the three verticals pictured right posted record deal volumes in Q4 2020, with activity staying elevated through the first quarter of 2021.

### Quarterly Deal Volume by Vertical

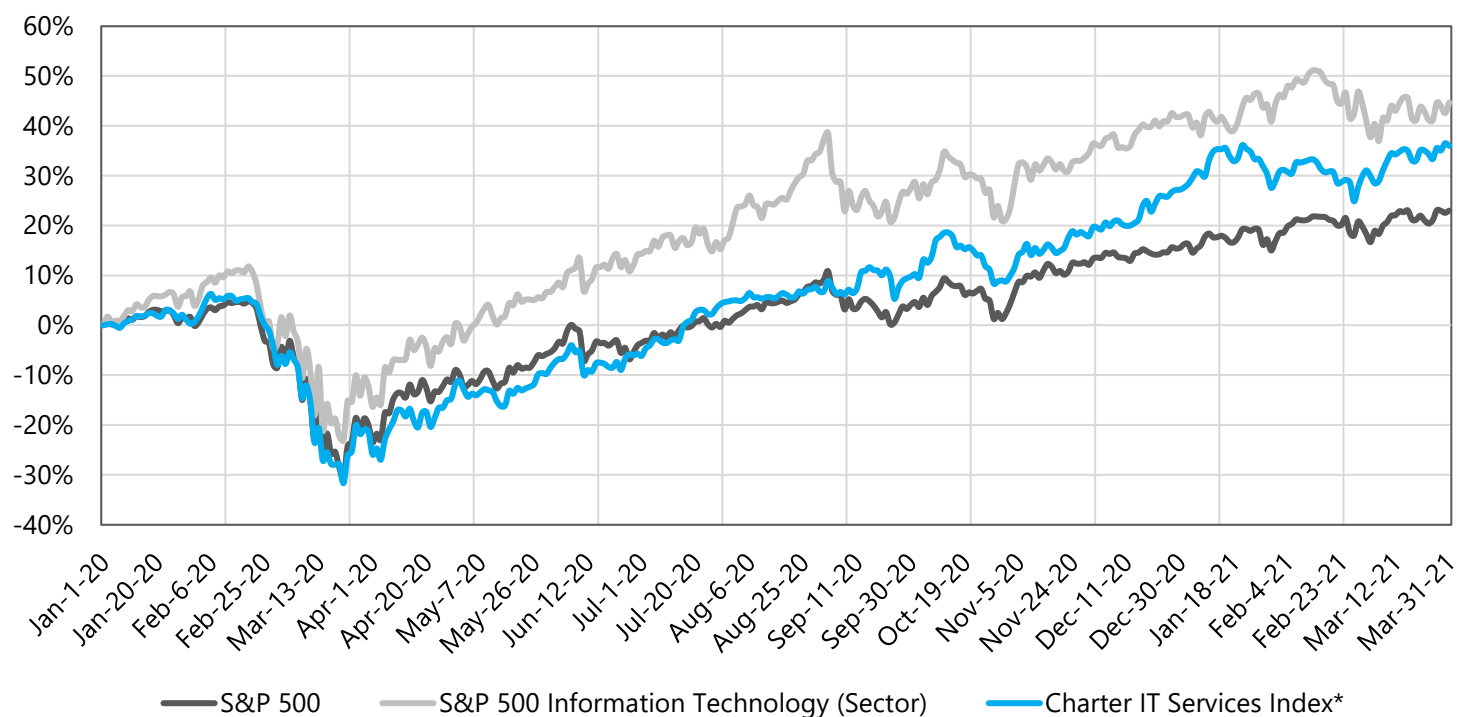


# CONSULTING, TECHNOLOGY, AND DIGITAL SERVICES INDUSTRY UPDATE

## PUBLIC COMPANIES



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



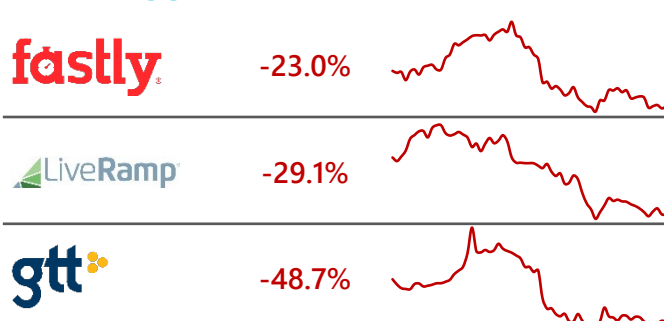
### Lower Lows and Higher Highs

The share price performance of Charter's selected IT services players was negative to end Q1 2020, outpacing the S&P 500 to the downside as large-scale technology projects were halted by clients in order to focus on core expenses. However, these players saw a stronger recovery compared to the S&P as they mobilized their workforces to capture pent-up demand for spending on technology and digital business transformation initiatives. One such outperformer in Q1 was New York-based IT solutions leader Computer Task Group (Nasdaq: CTG), which saw explosive share price growth as it continued its buildout of world class digital transformation talent and capabilities in agile, IoT, and cloud. Other outperformers included communications leader Concentrix (Nasdaq: CNXC) and BPO provider Conduent (Nasdaq: CNDT).

### 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



# CONSULTING, TECHNOLOGY, AND DIGITAL SERVICES INDUSTRY UPDATE

## PRIVATE TRANSACTIONS



### Most Active Strategic Acquirers

Company	LTM Deal Count	Recent Industry Transactions
 <b>accenture</b>	17	3/10/21 - <b>Imaginea</b> (Mountain View, California, United States) 3/3/21 - <b>REPL Group</b> (Henley-In-Arden, United Kingdom) 2/15/21 - <b>Edenhouse Solutions</b> (Coleshill, United Kingdom)
 <b>Cognizant</b>	8	2/1/21 - <b>Linium</b> (Albany, New York, United States) 2/1/21 - <b>Magenic</b> (St. Louis Park, Minnesota, United States) 11/3/20 - <b>Bright Wolf</b> (Durham, North Carolina, United States)
 <b>Atos</b>	6	2/24/21 - <b>Motiv ICT Security</b> (IJsselstein, Netherlands) 1/20/21 - <b>In Fidem</b> (Montreal, Canada) 12/18/20 - <b>SEC Consult</b> (Zurich, Switzerland)
 <b>IBM</b>	6	2/11/21 - <b>Taos Mountain</b> (San Jose, California, United States) 12/29/20 - <b>Instana</b> (Chicago, Illinois, United States) 12/23/20 - <b>7Summits</b> (Milwaukee, Wisconsin, United States)
 <b>CONVERGE</b>	5	2/12/21 - <b>Accudata Systems</b> (Houston, Texas, United States) 1/6/21 - <b>CarpeDatum Consulting</b> (Aurora, Colorado, United States) 1/4/21 - <b>Vicom Computer Services</b> (Farmingdale, New York, United States)


### Most Active Private Equity Acquirers

Firm	LTM Deal Count	Recent Industry Transactions
 <b>WATERLAND</b> PRIVATE EQUITY INVESTMENTS	11	2/25/21 - <b>Marlon (Ghent)</b> (Ghent, Belgium) 1/7/21 - <b>Arxes-tolina</b> (Berlin, Germany) 12/4/20 - <b>Xebia Group</b> (Hilversum, Netherlands)
<b>One Equity Partners</b>	9	2/23/21 - <b>Kintyre Solutions</b> (Wilmington, Delaware, United States) 2/8/21 - <b>Tellence Technologies</b> (Bucharest, Romania) 12/24/20 - <b>High Availability</b> (Eden Prairie, Minnesota, United States)
 <b>THE CARLYLE GROUP</b>	9	3/8/21 - <b>Cedacri</b> (Collecchio, Italy) 1/21/21 - <b>HSO ProServ</b> (Marietta, Georgia, United States) 1/14/21 - <b>Interact Digital</b> (Zurich, Switzerland)
 <b>AUGUST</b> equity	8	3/16/21 - <b>Acrinax</b> (London, United Kingdom) 3/2/21 - <b>Concise Technologies</b> (Northwich, United Kingdom) 3/2/21 - <b>InfoTech Solutions</b> (Rochester, United Kingdom)
 <b>ae</b>   Industrial Partners	7	3/2/21 - <b>GreenZone Solutions</b> (Arlington, Virginia, United States) 12/3/20 - <b>BigBear</b> (San Diego, California, United States) 11/18/20 - <b>Avista</b> (Platteville, Wisconsin, United States)

Key  
Private  
Equity  
Exits

Seller:  
Target:  
Acquirer:  
Date:

 **Shift4Capital**  
CAPITAL WITH CONNECTION  
 **ERP Maestro**  
 **SailPoint**  
 March 15 '21

 **BOWMARK**  
CAPITAL  
 **NODE4**  
 **PROVIDENCE EQUITY**  
 March 3 '21

 **eci**  
**EDENHOUSE**  
 **accenture**  
 February 15 '21

Source: Pitchbook

## 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	EV / Revenue	EV / EBITDA	Verticals		
								T&SS	ITO	IS
3/26/21	RXP Services	Information and communication technology solutions.	Capgemini	M&A	62.5	0.8x	46.6x	●		●
3/24/21	E&M Computing	Computing architecture and infrastructure solutions.	FIMI Opportunity Funds	PE	199.6	0.5x	7.4x	●		
3/8/21	Cedacri	IT outsourcing services for the banking sector.	ION Group, The Carlyle Group	PE	1,811.7	-	-	●	●	●
3/4/21	ThirdSpace	IT services for continuous threat monitoring.	BGF	PE	76.4	-	-	●		
3/4/21	Nordland Systems	Digital signage system integration services.	ZetaDisplay	M&A	0.2	0.1x	0.3x	●		●
3/2/21	Complete Networks	Telecomm consulting and network management.	Arrow Business Communications	PE	10.0	-	-	●		
3/1/21	Keep IT Simple	IT support and transformation services.	The Panoply Holdings	M&A	36.0	2.9x	10.4x	●		
3/1/21	Simple	IT products and solutions.	Total Specific Solutions	M&A	19.8	1.7x	8.5x	●		
2/26/21	Starcom Technologies	Collaborative cloud-hosted and managed services.	Bowmark Capital	PE	20.3	1.6x	-	●		
2/22/21	Dapasoft	Systems and software for healthcare providers/payers.	Calian Group	M&A	62.1	-	-	●		●
2/16/21	Accolite Digital	IT services.	New Mountain Capital	PE	237.5	-	-	●		
2/10/21	Newfold Digital	Cloud-based web hosting, design, online marketing.	Clearlake Capital Group	PE	2,200.0	-	-	●		
2/1/21	Magenic Technologies	Digital technology consulting services.	Cognizant Technology Solutions	M&A	240.0	-	-	●		
2/1/21	Northrop Grumman	Federal IT and mission support services.	Peraton	PE	3,400.0	1.5x	-	●		
1/26/21	Brainspace	Visual analytics for eDiscovery and investigations.	K1 Investment Management	PE	200.0	-	-	●		
1/22/21	HC Solutions	Software development and maintenance services.	S&T	M&A	0.9	0.1x	-			●
1/22/21	Corvallis	IT services for banking, insurance, public administrations.	Tinexta	M&A	43.5	-	-	●	●	●
1/21/21	Mexis	IT management and security services.	Aggity	M&A	0.1	-	-	●		
1/15/21	Embee Software	IT services to drive digital transformation.	Da Vinci Capital Management	PE	29.0	0.3x	-	●		
1/14/21	1901 Group	Managed IT services and cloud solutions.	Leidos	M&A	214.0	2.4x	-	●		
1/11/21	Space 48	E-commerce consulting services.	Foresight Group	PE	5.4	-	-	●		
1/7/21	Climber International	Business consulting services.	Digia	M&A	16.4	-	-			●
1/1/21	n3k Informatik	IT services.	Invision	PE	97.3	-	-	●		●
12/31/20	HHB Systems	IT technology services using agile methods.	Vectrus	M&A	15.5	-	-	●		●
12/31/20	Systems Mgt Planning	IT solutions.	ePlus	M&A	27.1	-	-	●		
12/31/20	Vicom Comp Services	Multi-cloud infrastructure services.	Converge Technology Solutions	M&A	41.9	0.4x	8.5x	●		●
12/18/20	E-Merge Systems	Industrial automation services.	Gray Matter Systems	PE	15.0	-	-			●
12/18/20	Bluecap Mgt Consulting	Consulting services for financial institutions.	Globant	M&A	179.9	-	-			●
12/17/20	Devoteam	Digital strategy/transformation consulting firm.	Kohlberg Kravis Roberts	PE	1,599.8	1.9x	15.1x	●		
12/16/20	Quanto Group	IT consulting firm specializing in SAP.	Adesso	M&A	19.6	-	-	●		●
12/14/20	Daxx	Software development/technology consulting services.	Grid Dynamics	M&A	23.3	-	-	●		
12/11/20	Tapestry Technologies	Cybersecurity solutions.	ManTech International	M&A	46.3	-	-			●
12/10/20	Virtusa	IT services.	Baring Private Equity Asia	PE	1,699.3	1.3x	18.3x	●	●	●
12/9/20	Software Mind	IT services.	Enterprise Investors	PE	59.4	2.5x	12.1x	●		

Source: Pitchbook

## KEY DEALS SPOTLIGHT



## Integration Services Subsector Spotlight



Cognizant Technology Solutions, a leading professional services and technology company headquartered in New Jersey, acquired Linium from Ness Digital Engineering on February 2nd. Linium is a cloud transformation consultancy group specializing in the ServiceNow platform and solutions for smart digital enterprise workflows. Completing this transaction will further accelerate Cognizant's cloud strategy, marking the company's seventh cloud-related acquisition since January 2020, and continued investment in expanding capabilities in the strategic focus areas of cloud, data and artificial intelligence, digital engineering, and Internet of Things. Including Linium, Cognizant has announced approximately \$1.4 billion in acquisitions over the past 12 months in these areas. [Read more about this deal online](#)

## Strategic Buyer Spotlight



Accenture, a global professional services company with leading capabilities in digital, cloud and security, has completed its acquisition of Mountain View, California-headquartered Imaginea. Imaginea is a cloud native product and platform engineering firm that helps companies drive innovation through disruptive technologies to transform their businesses digitally and capture new opportunities. Imaginea will further enhance the global capabilities of Accenture Cloud First. Powered by 70,000 cloud professionals, and a \$3 billion investment over the next three years, the Accenture Cloud First group brings together unmatched depth and breadth of cloud expertise, industry cloud solutions, ecosystem partner capabilities, and assets that help clients realize greater value from cloud at speed and scale. [Read more about this deal online](#)

## Financial Buyer Spotlight



New York-based middle-market private equity firm Court Square Capital Partners has acquired Foxborough, Massachusetts-based Thrive Operations. Thrive is a leading provider of NextGen managed services designed to drive business outcomes through application enablement and optimization. Thrive will accelerate its formidable investments in its Next Generation Technology including ServiceNow, Automation and AI. In addition, the Company intends to expand its customer success, sales and marketing teams, technical talent, Cybersecurity, and other product offerings, in addition to continued geographic expansion, both organically and via acquisition. Through its acquisition, Court Square will support Thrive's continued consolidated strategy in the sector. Thrive completed eight add-on acquisitions prior to the recapitalization and has completed two since. [Read more about this deal online](#)

## CHARTER TEAM INDUSTRY EXPERTISE



## Industry Practice Team

**Mark Streekstra***Director**mstreekstra@chartercapitalpartners.com*

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**aebels@chartercapitalpartners.com*

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"><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>

## Charter Advisory Team

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