

# IT Services *M&A Quarterly Update*

Fourth Quarter 2020

## IT Services industry remains ripe for M&A activity as the industry remains fragmented and companies are looking to consolidate the market

The IT Services sector has largely remained resilient through COVID-19 and valuations have rebounded from March lows as near-term hopes for a vaccine rise

### IT Services Market Outlook

**IT professional services industry expected to grow at a 8.4% CAGR to reach \$1.07tn total market size by 2025**, this is due to knowledge-based services and preference for flexible and customizable professional services

**Work-From-Home mandates have highlighted mission-critical enterprise operations** as employees work from home having technology and services that allow for speed, security, quality to keep and/or increase overall efficacy of services provided

**Healthcare IT services is the fastest growing and largest subsector**, largely due to the adoption of telehealth from small and medium-sized enterprises that have bolstered the growth in the industry

### Notable Recent IT Services Transactions

#### Finance Services



**On November 11, 2020** Thinking Capital Financial announced it acquired Ario. Ario provides a leading-edge-finance-as-a-service technology platform.

"In an economy that became substantially more digital over the last months, the Ario transaction will allow us to build on a cutting-edge cloud-based financial platform, designed from the ground up to serve small businesses." – *Stephane Marceau, CEO, Thinking Capital Financial*



#### Support Services



**On November 16, 2020** 365 Data Centers announced it acquired Atlantic Metro Communications. They provide tailored colocation, network and cloud services to large and mid-size enterprises around the US.

"365's acquisition of a highly respected business with a track record of providing customers with high touch, hybrid infrastructure solutions is a tribute to Atlantic Metro's management and employees, who will become part of the 365 team." – *Bob DeSantis, CEO, 365 Data Centers*



#### IT Services



**On November 10, 2020** Trace3 announced it acquired Groupware Technology. Groupware Technology specializes in making businesses more efficient with data center, integration and cloud computing solutions.

"Now, together, we will offer clients in Silicon Valley and the greater northern California region the absolute best technical consulting and services capabilities available." – *Rich Fennessy, CEO, Trace3*



### IT Services Middle-Market M&A

#### M&A Activity



429 IT Services transactions closed YTD at the end of November, down from 545 for 2019. We expect overall M&A activity in IT Services to increase as vaccine hopes become reality

#### Financial Sponsors



Private equity and private equity-backed companies continue to deploy capital into the space and represent 88% of the deals done this year

#### Strategic Buyers

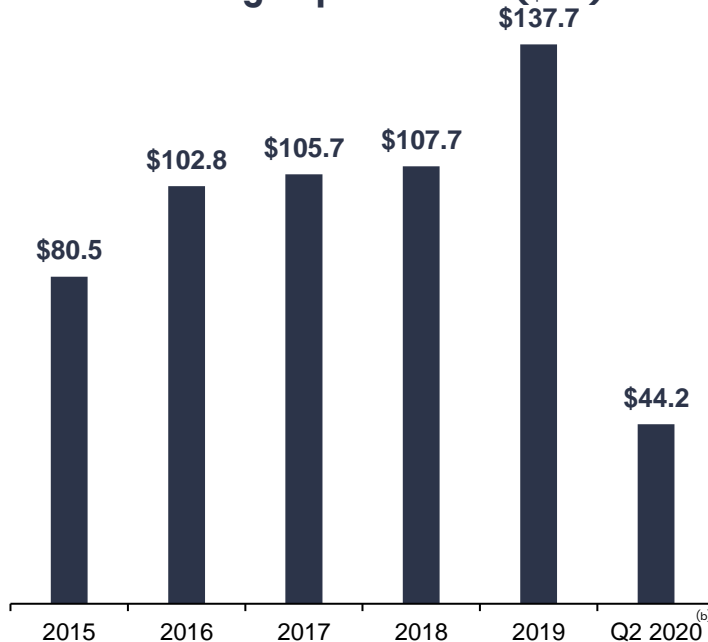


Most public and private non-sponsor backed strategics are holding onto capital until more predictable conditions are present in the space

“ Sponsor backed strategic acquirors remained active during COVID-19 continuing the consolidation trend. IT Services clients' revenues were less effected compared to other industry sector clients' demonstrating sector's resilience. ”

**Subhash Marineni, Vice President**  
Bridgepoint Investment Banking

### 2015-2020 PE Middle Market<sup>(a)</sup> Fundraising Capital Raised (\$bn)



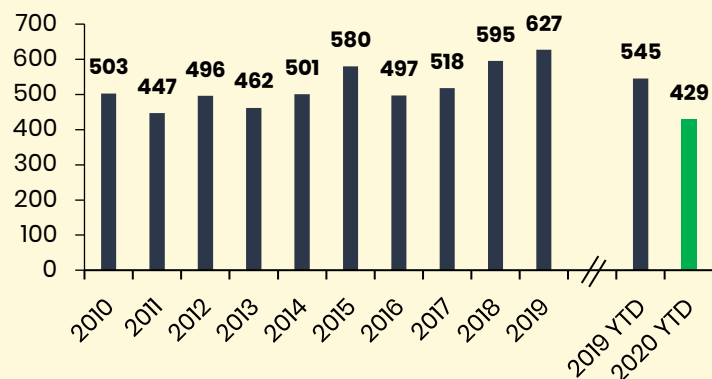
(a) Middle Market = Companies \$50mm-\$1bn TEV.

(b) As of 3/31/2020.

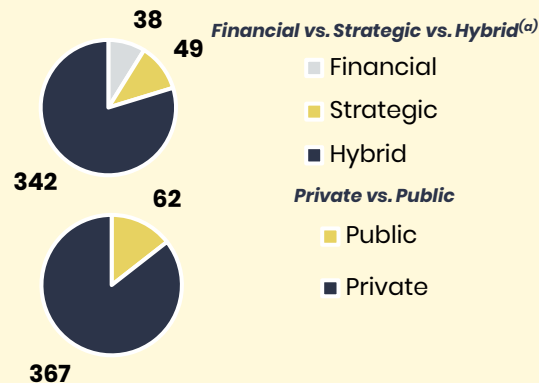
Sources: S&P Capital IQ, Grand View Research, Markets and Markets, Modar Intelligence, PNewsWire

## Selected IT Services M&A Transaction Statistics

Transaction Volume 2007–2020 YTD



IT Services Transaction Buyer Statistics YTD

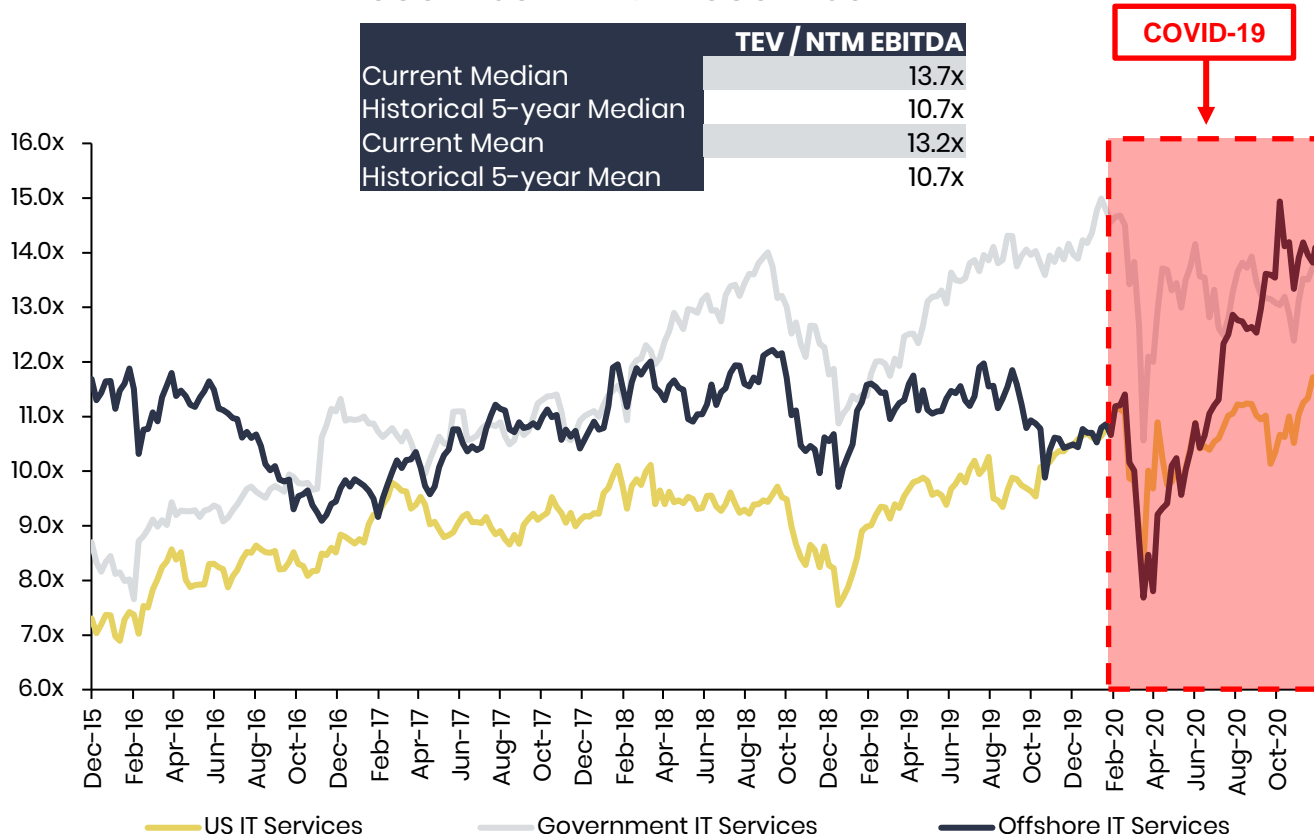


## Recent IT Services Report M&A Transactions

Date	Target	Buyer	Business Description
11/19/2020	Sinu	Electric AI	Provides managed information technology support services to professional organizations and nonprofits
11/18/2020	AVISTA	Belcan	Provides hardware and software engineering services to aerospace, defense, and medical industry
11/17/2020	Rightstar	Xtivia	Provides information technology service management and application lifecycle management solutions
11/17/2020	StormForge	StormForger	Provides artificial intelligence drive solutions to data centers
11/17/2020	Mutually Human Software	Century Technology Group	Operates as a custom software development company
11/16/2020	CD Photocopy Service	Lexitas	records company that focuses on the defense side of workers' comp and civil liability cases
11/16/2020	CTI Solutions	Velocity, A Managed Services Company	Designs and develops custom digital signage and media content management solutions
11/16/2020	Atlantic Metro Communications	365 Operating Company	Offers infrastructure as a services solutions
11/13/2020	HGS Digital	Hinduja Global Solutions	Offers digital consulting, data-driven marketing, and cloud managed services
11/12/2020	Minerva Engineering	ManTech International	Engaged in the systems and software engineering, information assurance and trust engineering, cyber operations, and cryptographic systems businesses
11/12/2020	USPCNet	Executech Utah	Provides IT support services for small and medium sized businesses in various metro areas
11/12/2020	MissionTech Solutions	Avantus	Is a consulting and solutions company that specializes in harnessing data and technology to solve national security challenges
11/12/2020	B & C Business Solutions	Net@Work	Offers technology solutions to businesses
11/11/2020	Curvature	Park Place Technologies	Provides new and pre-owned hardware, third-party maintenance, and IT services
11/10/2020	Groupware Technology	Trace3	Operates as an information technology solution provider
11/10/2020	Ario	Thinking Capital Financial	Operates a software-as-a-service platform that provides data driven banking and lending solutions to enterprises
11/09/2020	20/20 Teknology	Gcom Software	Offers IT infrastructure, unified communication, and managed services
11/06/2020	AWS Communications	MOTIVE Energy Telecommunications Group	Provides communications infrastructure installation, maintenance/upgrades, network assessments
11/06/2020	Right Size Solutions	Hosting Enterprises	Provides IT management and cloud-based cybersecurity solutions



## Rolling TEV / NTM EBITDA by Sector Index December 2015–December 2020



## SELECT BRIDGEPOINT IT SERVICES TRANSACTION EXPERIENCE

**Dabarc**  
A DMR COMPANY

Has been acquired by

**DMR**

Buy-side Advisor

**DMR**

Senior and uni-tranche debt capital raise for recapitalization

JPMORGAN CHASE & CO. GRAYCLIFF PARTNERS

Sole Financial Advisor

**PROVIDEA**  
CONFERRING

Has been acquired by

WESTVIEW CAPITAL PARTNERS

Sell-side Advisor

**oxi**

Has been acquired by

**stefanini**  
POWERING YOUR BUSINESS

Buy-side Advisor

**Palisade**

Has been acquired by

**ABSOLUTE**

Sell-side Advisor

**infinite**  
CONFERRING

Has been acquired by

**Onstream**  
Meetings • Webinars

Buy-side Advisor

**180**  
CONNECT

Has been acquired by

Ad.Venture Partners, Inc.

Buy-side Advisor

**BirdDogHR**

Bridge debt and equity capital raise

Sole Bookrunner

**Market-leading boutique investment bank providing M&A and capital raising advisory solutions focused on the IT services industry**

- 259+ years cumulative investment banking experience spanning 163 transactions
- \$121+ billion of M&A, capital raising, corporate finance and M&A transaction advisory service experience
- 96 completed M&A assignments spanning more than \$36 billion
- 118 completed corporate finance transactions, raising more than \$85 billion in capital

**Bridgepoint's experience, process, and deep connectivity to real, national funders and buyers provides IT Service Companies tailored, value add capital solutions**

**Services / Solutions**

- ✓ Rescue & Bridge Financing
- ✓ Debt Restructuring
- ✓ Debt & Equity Recapitalization
- ✓ Growth / Acquisition Financing
- ✓ M&A Advisory

**Outcomes**

- ✓ Increased Cash Flow
- ✓ Debt Service Reduction / Flexibility
- ✓ Shareholder Liquidity
- ✓ Committed Capital Partner
- ✓ Optimal Transaction Result

**Chad Gardiner**  
Director



**Office: 402.817.7900**

**Email: cgardiner@bridgepointib.com**

**Subhash Marineni**  
Vice President



**Office: 402.817.7960**

**Email: smarineni@bridgepointib.com**

**SECTORS OF FOCUS**



Business & IT  
Services



Technology



Healthcare



Consumer &  
Retail



Industrials &  
Transportation

**259**

YEARS OF EXPERIENCE

MORE THAN

**\$121B**

IN TRANSACTIONS

**214**

TOTAL TRANSACTIONS