

# IT Services Market Monitor

## IT SERVICES 2023 RECAP

Despite the economic turbulence marked by inflation and escalating interest rates in 2023, the IT services sector has shown remarkable tenacity. Valuations have remained strong, underscoring continued investor conviction in the sector's potential. Industry leaders such as Accenture, Deloitte, Cognizant, and NTT Data, along with private equity firms, have been actively seeking M&A opportunities, with focus on high-growth areas such as cloud computing and data analytics.

One of the defining trends of the year was the rise in cloud-related acquisitions, with hyperscale providers like AWS, Azure, and Google Cloud Platform catalyzing a 20% increase in deal volume. These giants continue to bolster their positions through strategic deals, expanding their capabilities and reach. In parallel, the escalating concerns around cybersecurity is driving M&A activity as industry leaders aim to enhance their capabilities by integrating smaller, specialized firms with advanced security solutions to counteract the evolving cyber threat landscape.

## IT SERVICES 2024 OUTLOOK

### Robust Partner Ecosystem:



Building on the momentum of the past year, the partner ecosystem in 2024 remains actively seeking opportunities to implement emerging technologies within vertical markets. Concurrently, technology providers are committed to refining their partner programs to align with the demands of a rapidly changing and unpredictable business environment. A notable trend that is expected to persist in 2024 is the shift away from tier-based programs, traditionally labeled with metals like bronze, silver, gold, and platinum. For example, the new Microsoft Cloud Partner Program replaces the previous Microsoft Partner Network's silver and gold levels, expanding business model coverage to include Independent Software Vendors (ISVs).

### Supporting a Broader Ecosystem:



Partner programs are taking a new approach by acknowledging partners' needs to collaborate with multiple vendors for solving customer issues. JFrog's departure from tiered structures aims to simplify partner relationships, allowing them to engage with various vendors easily. This shift is particularly beneficial in DevOps and cybersecurity, where software delivery toolchains and security solutions involve multiple vendors.

### Continued Emphasis on Cloud Cost Optimization:



Enterprises made cost optimization a top priority in 2023, amid economic challenges and tight budgets. While some factors such as inflation appear to be easing, industry executives believe organizations will keep a close watch over their IT investments next year. Business leaders in recent years have become mindful of conscious and careful cloud spending, but the current economic climate compels them to pay even more attention to cloud cost management.

### Investment in Artificial Intelligence (AI):



Swift advancements in AI will significantly influence the business outlook for consulting firms, MSPs, and systems integrators. AI holds the potential to deliver new capabilities in shorter timeframes, meeting C-Suite demand for a rapid return on investment. According to a survey of technology industry executives, 80% of respondents plan to increase their investment in AI over the next year.

**IT SERVICES SELECTED M&A ACTIVITY**
**Highlighted IT Consulting M&A Transaction**

**Wipro Acquires Aggne**

Feb 2024

**EV**  
 \$110M

**EV/Revenue**  
 6.15x

**Target Description:** Aggne is a leading consulting and managed services company serving insurance and Insurtech industries. The Company's services include IP-led consulting, implementation, and managed services with a strong focus on the Duck Creek platform - a full suite of cloud-based, low-code products that enable P&C insurers to fast-track product development.

**Investment Rationale:** Aggne's deep expertise and experience in implementing Duck Creek products, combined with Wipro's scale, insurance industry acumen, and global reach, will greatly benefit their customers.

**Highlighted Cybersecurity M&A Transaction**


SentinelOne™


**SentinelOne Acquires PingSafe**

Jan 2024

**EV**  
 \$100M

**EV/Revenue**  
 NA

**Target Description:** PingSafe is an operator of a cloud security platform intended to analyze critical vulnerabilities on the cloud and seal them before attackers can take advantage of the weaknesses.

**Investment Rationale:** SentinelOne's incorporation of PingSafe extends its reach in cloud security, merging superior cloud workload protection, AI, and analytics with an advanced, full-featured CNAPP.

**Highlighted Cloud Computing Services M&A Transaction**

**Insight Acquires SADA**

Dec 2023

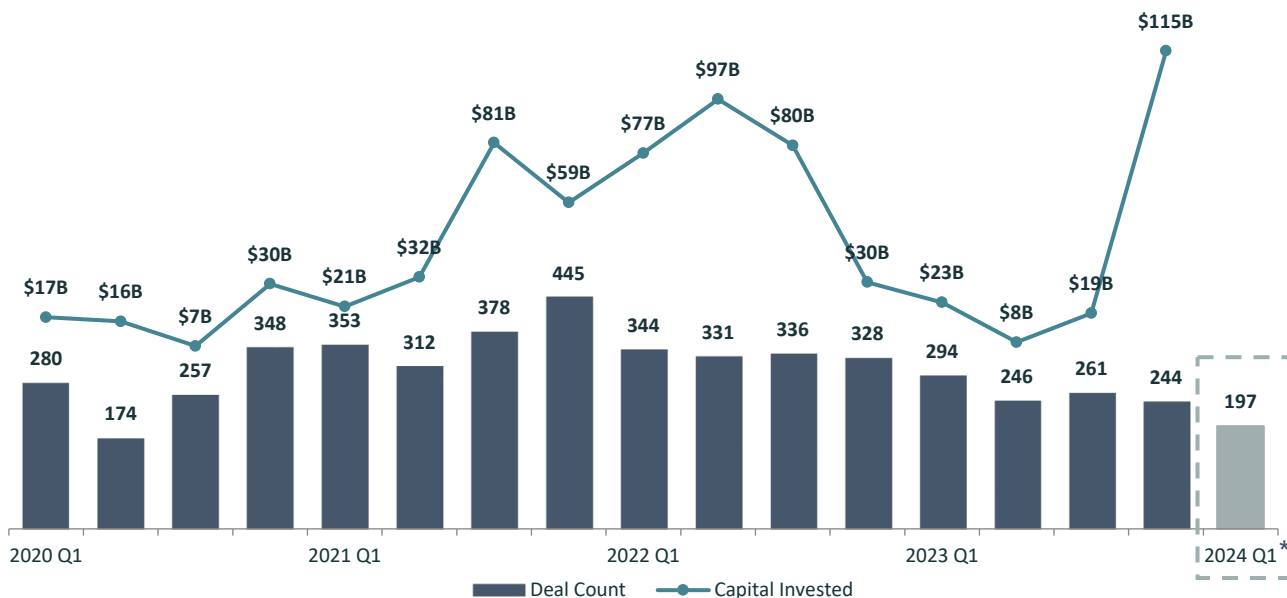
**EV**  
 \$800M

**EV/Revenue**  
 NA

**Target Description:** SADA is a Google Cloud Premier Partner with 10 Google Cloud Specializations, including security, infrastructure, cloud migration, data analytics, application development, location intelligence and machine learning.

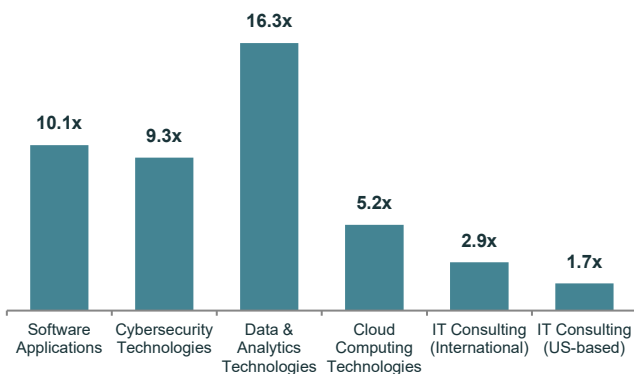
**Investment Rationale:** The acquisition bolsters Insight's role as a global provider of cloud, data, AI, cybersecurity, and intelligent edge solutions within leading hyperscale ecosystems like Microsoft Azure, Google Cloud, and Amazon Web Services (AWS).

**IT Services U.S. M&A Activity**

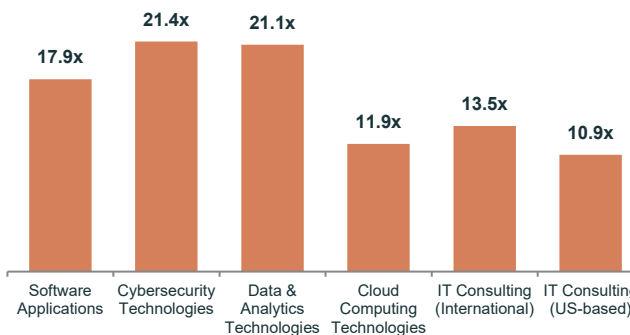


**IT Services Public Valuation Multiples and Metrics**

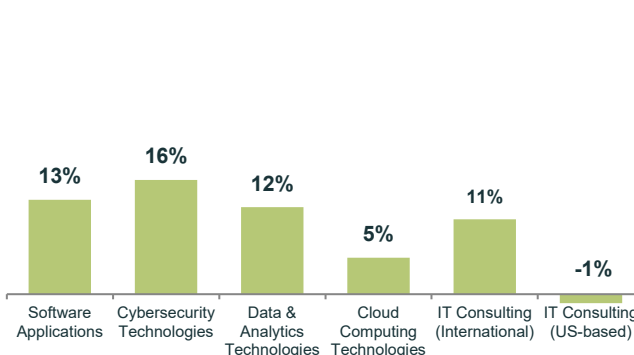
**EV / Revenue FY2024E**



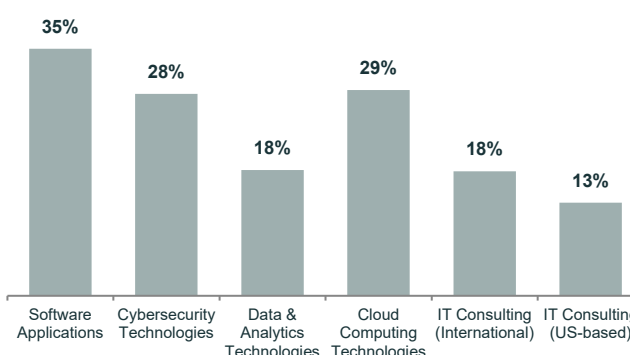
**EV / EBITDA FY2024E**



**TTM Revenue Growth**



**EBITDA Margin FY2024E**





## SELECT IT SERVICES M&A TRANSACTIONS

Deal Date	Companies	Investors	Description	EV (\$ in M)	EV/Revenue	EV/EBITDA
Feb-24	GalaxE.Solutions	Endava	Provider of IT consulting and security services	\$405	0.8x	nd
Feb-24	Veritas Technologies (Data Protection Business)	Cohesity	Operator of a data protection business	\$3,000	nd	nd
Feb-24	Aggne	Wipro	Provider of IT consulting services and several proprietary solutions	\$110	6.2x	nd
Feb-24	Computer Design & Integration	AHEAD (Berkshire Partners)	Provider of IT infrastructure consulting and managed services	\$705	nd	nd
Feb-24	Sophos Solutions	GFT Technologies	Provider of software development and technology consulting services	\$95	nd	nd
Jan-24	Spalding Consulting	Saalex	Provider of Information Technology services	\$75	1.0x	nd
Jan-24	Cytera Technologies	Evoque Data Center Solutions (Brookfield Infrastructure Partners)	Provider of data center colocation and interconnection services	\$775	nd	nd
Jan-24	Thompson Software Solutions	Lynx Software Technologies (OceanSound Partners)	Provider of information technology consulting services	\$32	nd	nd
Dec-23	SADA Systems	Insight Enterprises	Provider of business and cloud technology consulting services	\$800	nd	nd
Nov-23	Nomios	Keensight Capital	Provider of digital infrastructure security and management services	\$751	nd	nd
Nov-23	Cytera Technologies	Brookfield Infrastructure Partners, Digital Realty	Provider of data center colocation and interconnection services	\$1,300	nd	nd
Nov-23	Symbio	Aussie Broadband, Superloop	Provider of software development services	\$332	nd	nd
Oct-23	RTX	Blackstone	Provider of information technology services	\$1,300	nd	nd
Oct-23	Compass Datacenters	Brookfield Infrastructure Partners	Developer of data-centers	\$5,500	nd	nd
Sep-23	Bluware	Computer Modelling Group	Provider of technology consulting and development services	\$22	nd	nd
Sep-23	Net@Work	Barings BDC	Provider of business consultancy and IT services	\$130	nd	nd
Aug-23	Sealing Technologies	Parsons	Provider of cyber security services	\$200	nd	nd
Aug-23	ProCom Consulting	Amdocs	Operator of information technology services	\$37	nd	nd
Aug-23	Computer Task Group	Cegeka (Gimv, Noshaq)	Provider of information technology services	\$151	0.5x	16.7x
Jul-23	Scalian	Wendel Group	Provider of IT consulting services	\$1,066	2.0x	nd
May-23	Accuris	Kohlberg Kravis Roberts	Operator of an engineering data and technology company	\$975	2.0x	nd
Apr-23	Arroyo Consulting	BGSF	Provider of on-shore technology services	\$17	1.0x	nd
Mar-23	American Virtual Cloud Technologies	Skyvera	Provider of enterprise networking solution and managed services	nd	nd	nd
Mar-23	Mobica	Cognizant Technology Solutions	Provider of integration software engineering and development services	\$325	4.0x	21.2x
Jan-23	Amyx	Tetra Tech	Provider of technology support services	\$121	40.3x	nd
Dec-22	Switch	DigitalBridge Group (IFM Investors)	US-based technology infrastructure company	\$10,959	16.4x	16.8x
Oct-22	Ameex	Perficient	Provider of digital technology solutions	\$36	1.9x	nd
Sep-22	AHEAD	Berkshire Partners	Provider of consulting and enterprise cloud services	\$3,000	1.2x	13.0x
Sep-22	ManTech International	The Carlyle Group	Provider of technology solutions and services	\$4,153	1.6x	16.3x
Aug-22	Stratus Technologies	SMART Global Holdings	Provider of fault-tolerant server platforms and support solutions	\$275	1.6x	nd
Jul-22	GlideFast Consulting	ASGN	Provider of IT consulting and development services	\$350	3.7x	nd
Jul-22	Business IT Source	Computacenter	Provider of IT consulting and equipment services	\$76	0.3x	nd
Jun-22	Datto	Temasek Holdings (Insight Partners)	Provider of cloud-based software and technology solutions	\$6,009	9.3x	53.5x
May-22	CynergisTek	Clearwater Compliance (Altaris Capital Partners)	Provider of cybersecurity, privacy, and compliance services	\$16	1.0x	nd
May-22	Rizing	Wipro	Provider of SAP functional and technical consulting services	\$540	2.8x	nd
Apr-22	Convergence Acceleration Solutions	Wipro	Provider of consulting and program management services	\$80	2.9x	nd
Apr-22	Creative Breakthroughs	Converge Technology Solutions	Provider of IT risk management services	\$47	0.5x	6.5x
Mar-22	NetFortris	Sangoma Technologies	Provider of managed IT network services	\$80	1.6x	nd
Mar-22	CyrusOne	Global Infrastructure Partners (KKR)	Provider of corporate colocation services	\$14,654	12.2x	25.1x
Mar-22	Linode	Akamai Technologies	Provide cloud hosting services	\$899	9.0x	nd
				Mean	5.5x	21.1x
				Medium	2.0x	16.8x

## IT SERVICES PUBLIC VALUATIONS

(\$ in millions)		19-Mar-24	Enterprise	YoY Revenue	EBITDA	FY 2024E	FY 2024E	EV /	EV /
Company Name	Ticker	Share Price	Value	Growth	Margin	Revenue	EBITDA	FY 2024E Rev	FY2024E EBITDA
<b>Software Applications</b>									
Oracle	NYS: ORCL	\$129	\$441,520	9%	48%	\$49,856	\$24,024	8.9x	18.4x
Salesforce	NYS: CRM	\$301	\$295,021	11%	39%	\$34,800	\$14,130	8.5x	20.9x
SAP	ETR: SAP	\$188	\$219,310	6%	29%	\$33,823	\$9,680	6.5x	22.7x
ServiceNow	NYS: NOW	\$757	\$153,027	24%	32%	\$8,938	\$2,981	17.1x	NM
Workday	NAS: WDAY	\$273	\$67,969	17%	26%	\$7,254	\$1,951	9.4x	NM
<b>Mean</b>		<b>\$330</b>	<b>\$235,369</b>	<b>13%</b>	<b>35%</b>	<b>\$26,934</b>	<b>\$10,553</b>	<b>10.1x</b>	<b>17.9x</b>
<b>Median</b>		<b>\$273</b>	<b>\$219,310</b>	<b>11%</b>	<b>32%</b>	<b>\$33,823</b>	<b>\$9,680</b>	<b>8.9x</b>	<b>18.4x</b>
<b>Cybersecurity Technologies</b>									
Cisco Systems	NAS: CSCO	\$49	\$186,769	8%	36%	\$56,844	\$20,399	3.3x	9.2x
CrowdStrike Holdings	NAS: CRWD	\$321	\$75,491	36%	25%	\$3,050	\$756	24.7x	NM
Fortinet	NAS: FTNT	\$68	\$51,984	20%	30%	\$5,302	\$1,562	9.8x	33.3x
F5 Networks	NAS: FFIV	\$189	\$10,807	4%	35%	\$2,808	\$943	3.8x	11.5x
Rapid7	NAS: RPD	\$51	\$3,734	14%	16%	\$774	\$118	4.8x	31.7x
<b>Mean</b>		<b>\$136</b>	<b>\$65,757</b>	<b>16%</b>	<b>28%</b>	<b>\$13,756</b>	<b>\$4,755</b>	<b>9.3x</b>	<b>21.4x</b>
<b>Median</b>		<b>\$68</b>	<b>\$51,984</b>	<b>14%</b>	<b>30%</b>	<b>\$3,050</b>	<b>\$943</b>	<b>4.8x</b>	<b>21.6x</b>
<b>Data &amp; Analytics Technologies</b>									
Snowflake	NYS: SNOW	\$158	\$48,103	41%	6%	\$2,794	\$289	17.2x	NM
MicroStrategy	NAS: MSTR	\$1,418	\$25,679	(1%)	16%	\$505	\$84	50.9x	NM
Informatica	NYS: INFA	\$35	\$10,914	6%	30%	\$1,582	\$457	6.9x	23.9x
Teradata	NYS: TDC	\$38	\$4,063	2%	21%	\$1,832	\$438	2.2x	9.3x
Alteryx	NYS: AYX	\$48	\$3,984	13%	16%	\$957	\$132	4.2x	30.2x
<b>Mean</b>		<b>\$339</b>	<b>\$18,549</b>	<b>12%</b>	<b>18%</b>	<b>\$1,534</b>	<b>\$280</b>	<b>16.3x</b>	<b>21.1x</b>
<b>Median</b>		<b>\$48</b>	<b>\$10,914</b>	<b>6%</b>	<b>16%</b>	<b>\$1,582</b>	<b>\$289</b>	<b>6.9x</b>	<b>23.9x</b>
<b>Cloud Computing Technologies</b>									
Microsoft	NAS: MSFT	\$421	\$3,153,218	12%	56%	\$211,548	\$103,381	14.9x	NM
Alphabet	NAS: GOOGL	\$147	\$1,788,104	9%	38%	\$306,237	\$122,556	5.8x	14.6x
Amazon.com	NAS: AMZN	\$176	\$1,894,374	12%	19%	\$570,873	\$105,893	3.3x	17.9x
Alibaba Group	HKG: 09988	\$9	\$123,903	7%	21%	\$126,233	\$23,992	1.0x	5.2x
Dell Technologies	NYS: DELL	\$108	\$98,422	(13%)	11%	\$88,286	\$9,946	1.1x	9.9x
<b>Mean</b>		<b>\$172</b>	<b>\$1,411,604</b>	<b>5%</b>	<b>29%</b>	<b>\$260,636</b>	<b>\$73,154</b>	<b>5.2x</b>	<b>11.9x</b>
<b>Median</b>		<b>\$147</b>	<b>\$1,788,104</b>	<b>9%</b>	<b>21%</b>	<b>\$211,548</b>	<b>\$103,381</b>	<b>3.3x</b>	<b>12.2x</b>
<b>IT Consulting (International)</b>									
Tata Consultancy Services	NSE: TCS	\$48	\$170,715	10%	27%	\$28,078	\$7,368	6.1x	23.2x
Infosys	NSE: INFY	\$19	\$76,342	3%	NA	\$18,212	\$4,560	4.2x	16.7x
HCL Technologies	NSE: HCLTEC	\$19	\$50,341	11%	24%	\$12,635	\$3,005	4.0x	16.8x
Capgemini	PAR: CAP	\$242	\$46,197	2%	16%	\$24,371	\$3,984	1.9x	11.6x
Wipro	NSE: WIPRO	\$6	\$30,524	8%	NA	\$11,269	\$2,204	2.7x	13.8x
NTT Data	TKS: 9613	\$16	\$35,932	37%	14%	\$25,780	\$3,934	1.4x	9.1x
Atos	PAR: ATO	\$2	\$3,850	3%	7%	\$11,924	\$1,072	0.3x	3.6x
<b>Mean</b>		<b>\$50</b>	<b>\$59,129</b>	<b>11%</b>	<b>18%</b>	<b>\$18,895</b>	<b>\$3,733</b>	<b>2.9x</b>	<b>13.5x</b>
<b>Median</b>		<b>\$19</b>	<b>\$46,197</b>	<b>8%</b>	<b>16%</b>	<b>\$18,212</b>	<b>\$3,934</b>	<b>2.7x</b>	<b>13.8x</b>
<b>IT Consulting (US based)</b>									
Accenture	NYS: ACN	\$378	\$237,244	4%	18%	\$64,180	\$12,679	3.7x	18.7x
Cognizant Technology Solutions	NAS: CTSH	\$75	\$36,378	(0%)	19%	\$19,349	\$3,322	1.9x	11.0x
EPAM Systems	NYS: EPAM	\$296	\$15,540	(3%)	17%	\$4,671	\$825	3.3x	18.8x
Kyndryl Holdings	NYS: KD	\$22	\$7,532	(4%)	14%	\$16,921	\$1,941	0.4x	3.9x
ASGN	NYS: ASGN	\$103	\$5,935	(3%)	12%	\$4,430	\$514	1.3x	11.5x
DXC Technology	NYS: DXC	\$21	\$7,995	(7%)	3%	\$14,708	\$2,269	0.5x	3.5x
Huron Consulting Group	NAS: HURN	\$95	\$2,229	21%	12%	\$1,365	\$168	1.6x	13.3x
Rackspace Technology	NAS: RXT	\$2	\$3,585	(5%)	13%	\$2,952	\$385	1.2x	9.3x
ThoughtWorks	NAS: TWKS	\$2	\$994	(13%)	10%	\$1,142	\$129	0.9x	7.7x
<b>Mean</b>		<b>\$110</b>	<b>\$35,270</b>	<b>-1%</b>	<b>13%</b>	<b>\$14,413</b>	<b>\$2,470</b>	<b>1.7x</b>	<b>10.9x</b>
<b>Median</b>		<b>\$75</b>	<b>\$7,532</b>	<b>-3%</b>	<b>13%</b>	<b>\$4,671</b>	<b>\$825</b>	<b>1.3x</b>	<b>11.0x</b>

Note: "NM" indicates companies with evolving profitability; excluded from average EBITDA calculations to avoid misleading results

## Case Study: Meridian Capital Advises Accelalpha On Its Recapitalization By Century Park Capital Partners

### Utilizing a Multi-phase Process in Response to Strategic Interest



- Recapitalized by -



CENTURY PARK CAPITAL PARTNERS

Meridian Capital LLC, a leading middle market capital sourcing and M&A advisory firm is excited to announce the successful recapitalization of its client, Accelalpha, Inc. (“Accelalpha”) by Century Park Capital Partners (“Century Park”).

Accelalpha is a premier business and IT consulting firm providing services across a breadth of industries including retail, technology, automotive, and aerospace and defense. The Company primarily focuses on providing end-to-end enterprise solution implementation services. With offices in the U.S., India, and Europe, Accelalpha has established a market-leading position across multiple practice areas serving blue-chip clients around the world.

Patrick Ringland, Managing Director and Head of the Technology Practice at Meridian Capital, stated, *“Working with Ganesh and the Accelalpha team has been an absolute pleasure. They have built out deep practice areas and executed their strategic initiatives brilliantly, earning them a deserved, market-leading position. We’re thrilled with the outcome for the shareholders and look forward to seeing what the Company can achieve in its next chapter.”*

*“Meridian Capital has served as a valuable advisor over the past few years and played a critical role in attaining a successful result. The team remained unwavering in its dedication to achieve the best outcome for shareholders. Their experience navigating and negotiating the details and complexities of the transaction proved invaluable. We are very proud of what we have achieved up to this point and look forward to the next phase of our Company’s growth story alongside Century Park.”*

Nat Ganesh, CEO and Founder  
Accelalpha

# TECHNOLOGY PRACTICE OVERVIEW

## Meridian Capital Sector Coverage

- IT Infrastructure
- Software
- SaaS
- Healthtech
- Enterprise Solutions
- Construction Tech
- PropTech
- Real Estate Tech
- CPM Software
- Cloud Technology Solutions
- FinTech
- Data & Business Analytics
- E-Commerce
- Infrastructure & Ops Software

## Meridian Capital Transaction Experience

<p>Accelalpha</p>  <p>- Recapitalized by -</p>  <p>CENTURY PARK CAPITAL PARTNERS</p>	<p>Crosslake Technologies</p> <p>CROSSLAKE </p> <p>- Acquired by -</p>  <p>FALFURRIAS</p>	<p>Xtreme Consulting</p>  <p>- Acquired by -</p>  <p>DISYS</p>	<p>QC Data</p>  <p>- Acquired by -</p>  <p>EN Engineering</p>	<p>AbsolutData*</p>  <p>ABSOLUTDATA</p> <p>- Acquired by -</p>  <p>infogain Engineering Business Outcomes</p>
<p>Growler</p>  <p>- Acquired by -</p>  <p>THE MEET GROUP</p>	<p>Subsplash</p> <p>SUBSPASH*</p> <p>- Growth equity financing by -</p>  <p>Enterprise Software Investors</p>	<p>LegitScript</p>  <p>- Recapitalized by -</p>  <p>PSG   PROVIDENCE STRATEGIC GROWTH</p>	<p>Office Ally</p>  <p>- Acquired by -</p>  <p>FP FRANCISCO PARTNERS</p>	<p>OneStream*</p>  <p>OneStream™</p> <p>- Received an investment by -</p>  <p>KKR</p>
<p>Seagate*</p>  <p>- Strategic Advisory -</p>  <p>MERIDIAN CAPITAL</p>	<p>Cyient</p> <p>CYIENT</p> <p>- Buy-side Advisory -</p>  <p>MERIDIAN CAPITAL</p>	<p>Health Perspectives Group</p>  <p>Health Perspectives Group LLC</p> <p>- Acquired by -</p>  <p>424 CAPITAL</p>	<p>Frontdesk*</p>  <p>FRONTDESK</p> <p>- Received an investment by -</p> <p>Investor Consortium</p>	<p>Imprev*</p>  <p>Imprev™</p> <p>- Acquired by -</p>  <p>MoxiWorks</p>
<p>TINYpulse</p>  <p>- Strategic Advisory -</p>  <p>MERIDIAN CAPITAL</p>	<p>American Megatrends*</p>  <p>ami™</p> <p>- Received an investment by -</p>  <p>HGGC</p>	<p>SphereBuilder*</p>  <p>SPHEREBUILDER™</p> <p>- Strategic Advisory -</p>  <p>MERIDIAN CAPITAL</p>	<p>Hilti*</p>  <p>HILTI</p> <p>- Buy-side Advisory -</p>  <p>FIELDWIRE</p>	<p>Apollo Video Technology</p>  <p>APOLLO Apollo Video Technology</p> <p>- Acquired by -</p>  <p>LUMINATOR TECHNOLOGY GROUP</p>



\* Transactions completed by Meridian bankers while at previous firms



Helping **middle market business** owners with their M&A and corporate finance goals **since 1995.**

## Meridian Capital's Technology Team

### Team Leadership



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**KIERAN VRKLAN**  
Analyst



**GAVIN PRENTICE**  
Analyst



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### Transaction Expertise

Mergers & Acquisitions  
Growth Capital  
Strategic Advisory



### Tailored Processes

High-Touch Approach  
Multidisciplinary Deal Team  
End-to-End Services

A leading independent middle market investment bank and M&A advisory firm, which has served as a trusted advisor to business owners on complex corporate finance, M&A, and strategic challenges for over 29 years. The firm differentiates itself through its deep industry insights, highly customized service approach, and end-to-end commitment to execution.

## Our Locations



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