

Technology Services

Market Monitor

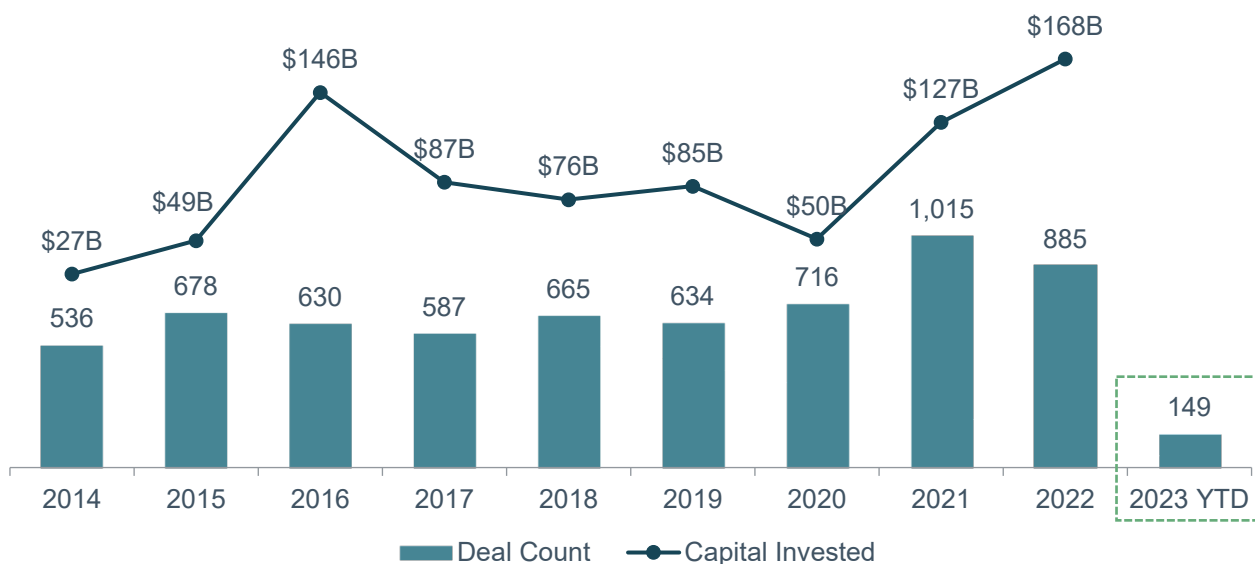
IT Services Ecosystem Consolidation



IT SERVICES ACTIVITY AND TRENDS

- As the US faces an unclear macroeconomic outlook amid rising interest rates, the work IT service providers deliver maintains strong demand due to their mission-critical support of enterprise infrastructure that enables economic resilience. With the continuing transition from legacy systems to the cloud, and the growth in the use of IoT devices, and hybrid and multi-cloud solutions, IT service providers will continue to find new ways to provide value-add solutions to their customers in 2023 and beyond.
- It has become clear that there are distinct benefits to diversifying applications and cloud infrastructure across more than one cloud provider. Embracing a multi-cloud infrastructure can protect businesses from the risk of relying exclusively on one platform to build applications and solutions and can increase flexibility across an enterprise. The increased complexity of hybrid and multi-cloud solutions provide IT partners an opportunity to contribute additional expertise.
- Increased demand for advanced security solutions has led to consolidation in the cybersecurity industry, with 40+ deals so far in 2023. The emergence of IoT connectivity solutions has increased the risk of cyber-attacks and data breaches. According to IBM's latest annual "Cost of a Data Breach" report, victims experienced a record-high loss of \$9.4 million per breach in 2022.

Recent US IT Services M&A Transaction Activity



IT Services Valuation Summary

Enterprise Value Range (\$M)	Enterprise Value (\$M)	Revenue (\$M)	TTM Rev Growth %	EBITDA Margin %	Enterprise Value / Rev	Enterprise Value / EBITDA
10 - 25	17.2	23.6	17.5	18.1	1.3x	6.9x
25 - 50	33.9	53.0	7.6	15.4	1.1x	6.5x
50 - 250	82.0	24.7	17.3	33.7	3.3x	10.3x
Total	34.3	32.2	14.6	20.3	1.6x	7.4x

Sector Highlight: Ecosystem-Driven IT Services M&A Activity

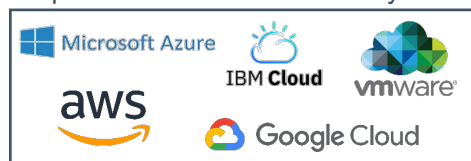
- M&A activity within the IT services space is being driven by an increase in “partner ecosystem” consolidation. Partner ecosystems are networks of 3rd party companies that have been designated by a technology platform as a preferred partner for customers to use as providers of integration, consulting, or implementation services for their products.
- Private equity-backed portfolio companies have been leading consolidation in the space through acquisitions as they acquire designated service partners to immediately establish or expand an offering in a particular technology or end market. Acquiring “partner” companies for a specific technology platform allows platform portfolio companies to immediately enter a space with the reputation and implied expertise of their inherited partner designation.
- Mature sectors like cloud services have already seen large amounts of consolidation. Other emerging segments, like identity management and workforce enablement, have yet to see the same level of acquisition activity. As newer sectors begin to mature, ecosystems will likely begin to see increased levels of M&A activity as growth slows and competition for market share heats up among larger players.
- Portfolio company preferences for add-on acquisitions are dependent on both the specific niches, sectors, and end markets each platform currently occupies and desires to penetrate. The most attractive acquisition targets will have diversified customer bases, strong EBITDA margins, and specific technologic expertise in a niche, difficult-to-penetrate end market.

Select Ecosystem Consolidation Activity:

Cloud Services Partner Ecosystem Consolidation

The cloud services industry, with a small number of large technology providers, has led to a bifurcated partner ecosystem, with smaller firms offering niche or platform-specific service offerings and large consolidators offering a broad range of cloud services for any of the major platforms.

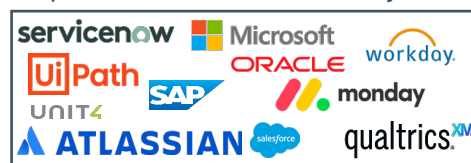
Representative Platform Ecosystems



Enterprise Software Ecosystem Consolidation

Given the diverse range of applications for enterprise software, many service providers specialize in end markets and tailor their partner networks to their customers’ specific needs. Consolidators look to acquisitions to expand their scope of services or penetrate new customer end markets.

Representative Platform Ecosystems







Cybersecurity Ecosystem Consolidation

Cybersecurity is a rapidly developing space in which customer needs can change quickly, driven by emerging threats and external factors, such as the March 2023 SEC proposal to force financial firms to significantly bolster their cybersecurity protection & reporting standards.




























Representative Platform Ecosystems








Representative Cloud “Partner” Ecosystems

Company	Segment	2022 Revenue (\$M)	# of Ecosystem Partners	# of Elite Designated Partners
 aws	Cloud	\$80,000	100,000+	150
 Microsoft Azure	Cloud	\$75,300	90,000+	65+
 Google Cloud	Cloud	\$26,280	13,000+	50+
 vmware	Private Cloud	\$12,850	20,000+	No Segmentation




























Cloud Integration Service Provider Ecosystem Roll-Up Activity

Financial Sponsor	Platform	Ecosystem Partners	Relevant “Tuck in” Acquisitions
 Crest Rock Partners Headquarters: Denver, CO	 Since 2021	  	<div style="border: 1px dashed black; padding: 5px; display: inline-block;">  May 2022 </div> <div style="border: 1px dashed black; padding: 5px; display: inline-block; margin-left: 20px;">  May 2021 </div>
 Great Hill PARTNERS Headquarters: Boston, MA	 Since 2017	 	<div style="border: 1px dashed black; padding: 5px; display: inline-block;">  May 2022 </div> <div style="border: 1px dashed black; padding: 5px; display: inline-block; margin-left: 20px;">  May 2018 </div> <div style="border: 1px dashed black; padding: 5px; display: inline-block; margin-left: 20px;">  May 2018 </div>
 Berkshire Partners Headquarters: Boston, MA	 Since 2022	  	<div style="border: 1px dashed black; padding: 5px; display: inline-block;">  Apr 2022 </div> <div style="border: 1px dashed black; padding: 5px; display: inline-block; margin-left: 20px;">  Sep 2020 </div>
 LUMERITY CAPITAL Headquarters: Sunny Isles Beach, FL	 Since 2019	 	<div style="border: 1px dashed black; padding: 5px; display: inline-block;">  Jun 2020 </div> <div style="border: 1px dashed black; padding: 5px; display: inline-block; margin-left: 20px;">  Jan 2020 </div>







Representative Enterprise Software “Partner” Ecosystems

Company	Segment	2022 Revenue (\$M)	# of Ecosystem Partners	# of Elite Designated Partners
 ORACLE	ERP	\$42,440	25,000+	18
 SAP	ERP	\$32,562	500+	70+
 salesforce	CRM	\$31,352	1,900+	No Segmentation
 servicenow	Enterprise Enablement	\$7,245	800+	No Segmentation
 ATLISSIAN	Enterprise Enablement	\$2,803	500+	30+





















Enterprise Software IT Service Provider Ecosystem Roll-Up Activity

Financial Sponsor	Platform	Ecosystem Partners	Relevant “Tuck in” Acquisitions		
 BLUESTONE INVESTMENT PARTNERS Headquarters: McLean, VA	 CBeyondData <small>Seeing information beyond your data</small> Since 2021	 SAP  ORACLE  UiPath	 UMMIT2SEA Feb 2023	 Alta Via Consulting <small>For a Better Use of Information</small> Mar 2022	
 KEENSIGHT CAPITAL Headquarters: Paris, France	 valiantys Since 2022	 ATLISSIAN	 ADDTEQ Nov 2022	 Expium Dec 2022	
 TRINITY HUNT PARTNERS Headquarters: Dallas, TX	 argano Since 2021	 SAP  salesforce  ORACLE	 In The Know <small>Solutions Group</small> Oct 2022	 echelon <small>SECURITY GROUP</small> Jun 2022	 NORTHPOINT Jun 2022
 QUAD-C Headquarters: Charlottesville, VA	 apps associates [®] Since 2021	 salesforce	 Forcivity Mar 2022	 AEI Feb 2022	 Ethos Jan 2021
TOWERBROOK Headquarters: London, UK	Talan [★] Since 2020	 ORACLE  SAP  IBM	 insum <small>A Talan Company</small> Feb 2022	 CREATECH <small>A Talan Company</small> Jan 2022	

Representative Cybersecurity “Partner” Ecosystems

Company	Segment	2022 Revenue (\$M)	# of Ecosystem Partners	# of Elite Designated Partners
 FORTINET	Cyber Security	\$4,417	1,309	150
 CROWDSTRIKE	Cyber Security	\$1,145	150+	20+
 zscaler	Cyber Security	\$1,091	120+	No Segmentation
 SONICWALL	Cyber Security	\$400+	N/A	No Segmentation
 SentinelOne	Cyber Security	\$205	160+	No Segmentation
 Cynet <small>HOLISTIC SECURITY SIMPLIFIED</small>	Cyber Security	nd	100+	No Segmentation

Cybersecurity IT Service Provider Ecosystem Roll-Up Activity

Financial Sponsor	Platform	Ecosystem Partners	Relevant “Tuck in” Acquisitions
 ABS Capital Headquarters: Washington DC	N/A Since 2018	 	<div style="display: flex; gap: 10px;"> <div style="border: 1px dashed black; padding: 5px; text-align: center;">  deepwatch Feb 2023 </div> <div style="border: 1px dashed black; padding: 5px; text-align: center;">  GUIDEPOINT SECURITY Jul 2020 </div> </div>
 Frontenac Headquarters: Chicago, IL	 Integrus Since 2021	  	<div style="display: flex; gap: 10px;"> <div style="border: 1px dashed black; padding: 5px; text-align: center;">  SECURITY 7 Sep 2022 </div> <div style="border: 1px dashed black; padding: 5px; text-align: center;">  EN Oct 2022 </div> <div style="border: 1px dashed black; padding: 5px; text-align: center;">  ICONIC IT <i>better together</i> Jan 2022 </div> </div>
 OVAL PARTNERS Headquarters: Palo Alto, CA	 New Charter TECHNOLOGIES Since 2018	  	<div style="display: flex; gap: 10px;"> <div style="border: 1px dashed black; padding: 5px; text-align: center;">  nettech Mar 2022 </div> <div style="border: 1px dashed black; padding: 5px; text-align: center;">  ADNET TECHNOLOGIES Aug 2021 </div> </div>










SELECT IT SERVICES M&A TRANSACTIONS

Deal Date	Company	Investor	Description	EV (\$ in M)	EV/ Revenue	EV/ EBITDA
Mar-23	ClearShark	Optiv	Provider of customized and integrated IT services intended to offer secure networks to public sector companies	-	-	-
Mar-23	ACT Business Machines	Trivest	Provider of IT services offering document management, managed technology solutions, and business communication services	-	-	-
Feb-23	Quant Systems	Sonata Software	Provider of information technology services catering to enterprises	\$160	-	-
Feb-23	HyperVelocity Consulting	Isos Technology	Provider of business consulting services intended to offer full-service Atlassian consulting	-	-	-
Feb-23	Sigmaways	HeartCore	Operator of an IT consulting and services company	\$1	-	7.3x
Jan-23	Cross Application Consulting	Norvestor	Provider of IT consulting services intended for application services linked to SAP	\$10	1.7x	9.9x
Jan-23	Cprime	Everstone Capital	Provider of IT consulting services focused on the digital transformation of businesses	\$360	-	-
Dec-22	Phreedom Technologies	Nuvodia	Provider of managed services, technology services, support service, and cloud services	-	-	-
Dec-22	Myers Network Solutions	Xobee Networks	Provider of IT services intended to serve small and medium business owners across different industries	\$2	-	-
Dec-22	Blended Perspectives	Contegix	Provider of a full range of technical consulting services built on Atlassian products	-	-	-
Nov-22	R Systems International	Blackstone	Provider of IT services and solutions	\$644	3.4x	24.6x
Nov-22	Wilco Source	Bain Capital	Provider of IT consulting and implementation services catering specifically to the healthcare and life sciences industries	-	-	-
Oct-22	QVine	Godspeed Capital	Provider of agile software development services intended to serve critical intelligence community customers	\$40	-	-
Sep-22	AHEAD (Chicago)	Berkshire Partners	Provider of consulting and enterprise cloud services intended to create a platform for digital businesses	\$3,000	1.2x	13.0x
Sep-22	Rahi	WESCO International	Provider of complete IT services catering to equip enterprises	\$217	-	-
Sep-22	Trust-It	InfraCom Group	Provider of IT services to assist companies with application management and Microsoft 365	\$5	1.0x	7.0x
Jul-22	GlideFast Consulting	ASGN	Provider of IT consulting and development services	\$352	3.7x	-
Apr-22	Creative Breakthroughs	Converge Technology Solutions	Provider of IT risk management services intended to keep bulk organization data secure, confidential and compliant	\$47	0.5x	6.5x
Mar-22	Data Glove	Persistent Systems	Provider of information technology consulting services	\$91	1.9x	-
Jan-22	Paragon Development Systems	Converge Technology Solutions	Provider of information technology services	\$56	0.3x	6.2x
Median				\$73	1.4x	7.3x
Average				\$356	1.7x	10.6x

Meridian Capital Sector Coverage

- Healthtech
- Healthcare IT
- Cloud Technology Solutions
- Enterprise Solutions
- FinTech
- Data & Business Analytics
- E-Commerce
- Infrastructure & Ops Software
- IT Infrastructure
- Software
- SaaS – Vertical
- SaaS – Horizontal

Meridian Capital Transaction Experience

<p>Office Ally</p>  <p>- Acquired by -</p> 	<p>Health Perspectives Group</p>  <p>- Acquired by -</p> 	<p>Crosslake Technologies</p>  <p>- Acquired by -</p> 	<p>Subsplash</p>  <p>- Growth Equity Financing by -</p> 	<p>Thomson</p>  <p>- Buy-side Advisory -</p> 
<p>Pushpay</p>  <p>- Buy-side Advisory -</p> 	<p>TINYpulse</p>  <p>- Acquired by -</p> 	<p>Accelalpha</p>  <p>- Recapitalized by -</p> 	<p>QC Data</p>  <p>- Acquired by -</p> 	<p>Cyient</p>  <p>- Buy-side Advisory -</p> 
<p>Growler</p>  <p>- Acquired by -</p> 	<p>Bridger Technologies</p>  <p>- Acquired by -</p> 	<p>Xtreme Consulting</p>  <p>- Acquired by -</p> 	<p>Nirvana Soft</p>  <p>- Acquired by -</p> 	<p>Apollo Video Technology</p>  <p>- Acquired by -</p> 

GeekWire
AWARDS
May 18, 2023
Seattle, WA

Meridian Capital's Technology Team is pleased to be a Gold Sponsor of the 2023 GeekWire Awards, which brings together more than 400 technology leaders every year. Meridian will present the Startup of the Year Award, which recognizes the most innovative new companies of the year.



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

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Tailored Processes

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

Meridian Capital has been helping middle market business owners their M&A and corporate finance goals since 1995.

A West Coast 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 20 years. The firm differentiates itself through its deep industry insights, highly customized service approach, and end-to-end commitment to execution.

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