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- The IT Nation Connect conference was held in Orlando, FL between the 6th and 8th of November.
- What was noticeable was the total absence of any discussion on the election. People had had enough. Instead, we focused on the latest developments in the MSP space. Not surprisingly, cybersecurity and AI were big themes, with several discussions around regulatory compliance, cyber-insurance, and how AI is transforming MSP workflows and business development and marketing. Other themes included M&A, lead generation to drive growth, leveraging offshoring and near-shoring resources to drive efficiency, and management and leadership essentials.
- Several M&A themes appeared and re-appeared through conversations we had with buyers and potential sellers at the conference.
 - There was strong interest amongst buyers for well run MSPs with more than \$1.0MN in EBITDA. There was a good deal of variation across the buyer base around how they planned to integrate their acquisitions, ranging from full integration to hub and spoke models which would allow acquired companies to maintain their own identities.
 - In general, buyers were interested in making acquisitions across the US. However, some regions like Colorado, New York and Tier-2 and Tier-3 towns in the Mid West were of particular interest.
 - While there is broad interest across buyers for all verticals, there are active buyers in the market looking to make niche acquisitions in areas like Healthcare, SLED and Municipals.
 - On the sell side, several MSPs with less than \$1.0MN in EBITDA approached us and expressed a clear interest in pursuing acquisitions to achieve scale before selling. While some did have prior acquisition experience, many didn't. We believe and buyers confirmed that sellers who have not done prior acquisitions should be wary of doing bolt-ons. Integrating another company is a distinct skill set and simply "slapping" two companies together can just as easily destroy value. Seek the advice of your peers and advisors before doing this.

Strong labor markets, tapering inflation, stable valuations and recovering consumer confidence remain supportive of a soft landing although tail risks remain a key concern.

- **After cutting rates by 50bp in September, the Fed cut rates by another 25bps in November.**
- **The US expanded by a strong 2.8% in Q3 down from 3.0% in Q2** and modestly above the 2.6% 2015-2019 quarterly average. Strong but slowing growth was viewed positively by equity markets. The S&P rallied 2% in Sep and 5.5% in Q3.
- **Employers added 254,000 jobs in September, significantly more than the 150,000 jobs economists were expecting** and the unemployment rate slipped to 4.1%. Revised figures also show that employers added 72,000 more jobs in July and August combined than earlier reported.
- **Inflation has crept down** to 2.41% in September from 3.1% in January even as **consumer confidence continues its slow march back up** after its sharp drop in April.
- Together these data points paint a **picture consistent with a smooth landing**. The **main risks at this point** revolve around shocks to the economy from the **escalating situation in the Middle East and labor unrest here in the US**.
- As such **we remain cautiously optimistic about M&A and funding activity for the rest of the year and 2025**.
- **IT M&A and funding activity bounced back in September from the seasonal August lull**.
- **YTD median EV/EBITDA multiple** for IT and Software deals valued at less than \$200MN stands at about **10.0x**.
- **Average public market software revenue multiples rose in September to 6.3x from 6.2x in August 2024**.

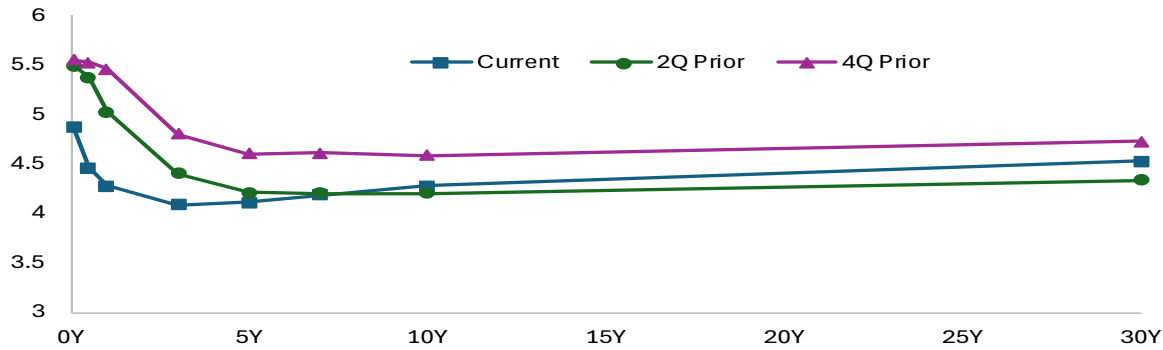
Economic indicators remain supportive of a soft landing – Strong labor markets, tapering inflation, stable equity markets

	Current	As of	1Y Ch	1Y % Ch	Current	Hist. Avg	1Q Prior	2Q Prior	3Q Prior	4Q Prior
RATES, INFLATION AND UNEMPLOYMENT										
10y Constant Maturity Tsy Yield	4.28	10/28/2024	-0.60	-12.3	4.28	3.28	4.36	4.20	3.95	4.59
CPI	2.41	9/1/2024	-1.29	-34.8	2.41	2.58	2.98	3.48	3.11	3.69
Unemployment Rate	4.10	9/1/2024	0.30	7.9	4.10	5.71	4.10	3.80	3.70	3.80
Initial Claims 4-week MA	238.50	10/19/2024	28.00	13.3	238.50	377.18	238.75	214.50	205.75	237.75
Nonfarm Payroll Change (Unrevised)	254.00	9/1/2024	8.00	3.3	254.00	139.55	118.00	310.00	256.00	246.00
INDEXES AND INDICATORS										
Sahm Recession Indicator	0.50	9/1/2024	0.30	150.0	0.50	0.49	0.43	0.30	0.20	0.20
Michigan Consumer Sentiment	70.10	9/1/2024	2.30	3.4	70.10	82.98	68.20	79.40	79.00	67.80
Chicago National Financial Conditions Index	-0.57	10/18/2024	-0.24	74.5	-0.57	-0.35	-0.52	-0.48	-0.49	-0.35
MARKETS										
S&P 500	5832.92	10/29/2024	1639.12	39.1	5832.92	-	5460.48	5254.35	4742.83	4288.05
NASDAQ	18567.19	10/28/2024	5777.71	45.2	18567.19	-	17732.60	16379.46	14765.94	13219.32
VIX	19.80	10/28/2024	0.05	0.3	19.80	19.89	12.44	13.01	13.20	17.52
ICE Corp BBB OAS	1.06	10/28/2024	-0.52	-32.9	1.06	2.02	1.17	1.15	1.31	1.51
ICE Corp HY OAS	2.82	10/28/2024	-1.22	-30.2	2.82	5.47	3.18	3.12	3.54	4.03
DELINQUENCIES										
Consumer Loan Delinquency	2.74	4/1/2024	0.36	15.1	2.74	2.83	2.68	2.60	2.52	2.38
Credit Card Delinquency	3.25	4/1/2024	0.48	17.3	3.25	3.46	3.15	3.08	2.96	2.77
Single Family Mortgage Delinquency	1.73	4/1/2024	0.00	0.0	1.73	4.35	1.71	1.70	1.72	1.73
Commercial Real Estate Loan Delinquency	1.42	4/1/2024	0.57	67.1	1.42	2.36	1.21	1.15	1.06	0.85
Business Loan Delinquency	1.13	4/1/2024	0.13	13.0	1.13	1.80	1.12	1.03	0.97	1.00

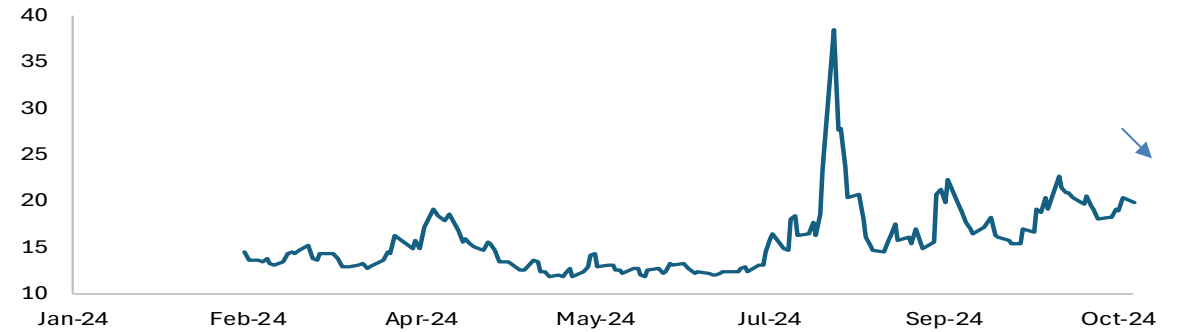
*Source: Federal Reserve, Yahoo Finance.

After cutting rates by 50bp in September, the Fed cut rates by another 25bps in November.

Treasury Yield Curve



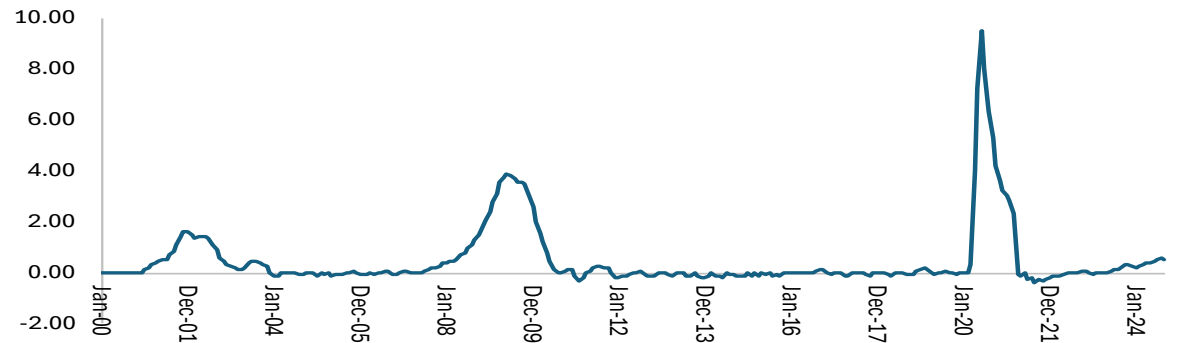
CBOE Volatility Index



Michican Consumer Sentiment Survey



SAHM Recession Index



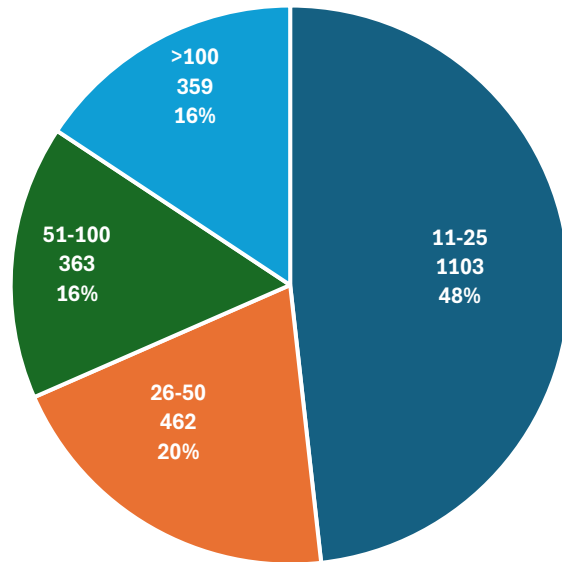
*Source: Federal Reserve, Yahoo Finance.

San Francisco, Los Angeles, San Diego and Sacramento are the sweet spot to target MSPs in CA. They have reasonable scale and either have higher than average SMB count per MSP, or they are cities with higher-than-average SMB growth profile.

- In our Jan-Aug 2024 Newsletters we provided an overview of the IT MSP space in the NY, FL, IL, Mid-Atlantic, Mountain State and Texas areas.
- This month we take a closer look at IT MSPs in California.
- We estimate there are 2,172 firms in CA providing some degree of Managed IT services, much greater than other areas we have studied which have averaged between 5000 and 1,000 MSPs. However, at 23%, CA has a smaller percentage of fast growing MSPs compared with these other areas where about 30% of MSPs have shown a greater than 10% increase in y-o-y employee count.
- the top 25 cities/towns contain 67% of MSPs in CA in line with an average value of about 68% across the regions studied so far.
- We excluded IT firms with 10 or fewer employees. 68% of the remaining MSPs have between 11-50 employees in line with other regions.
- 69% of the MSPs have shown stable y-o-y headcount growth, 23% have grown more than 10%, while 8% have shrunk by more than 10%**.
- To assess how attractive it might be to target an MSP business in a city, we look at two key metrics – SMB per MSP and SMB Growth %
 - SMB per MSP: We define this as number of Small and Medium Sized Businesses (SMBs) per MSP. The greater the number of SMBs per incumbent MSP the more desirable it would be to target an MSP in a city. Across all top 25 MSP cities***, the average value for this metric is 275.
 - SMB Growth%: We define this as the fraction of SMBs in a city that grew y-o-y headcount by over 10%. The greater this fraction the more desirable it would be to target an MSP in the city. Across all top 25 MSP cities, the average value for this metric is 14%.
 - Los Angeles (CA) has the highest SMB per MSP count at 962 while Mountainview (CA) has the highest SMB Growth % at 18%.

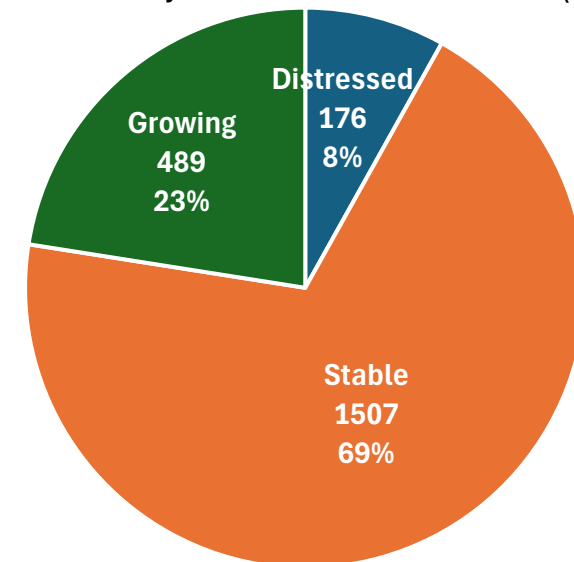
- We estimate there are 2,172 MSPs in CA providing some degree of Managed IT services.
- 48% have 11-25 employees, 20% have 26-50, 16% have 51-100 and 16% have over 100 employees.**
- 69% of the MSPs have shown stable y-o-y headcount growth, 23% have grown more than 10%, while 8% have shrunk by more than 10%***.

MSPs By Employee Count in CA (2,152)



69% of MSPs
have between
11-50 employees
~
\$2MN - \$12.5MN
in Revenue

MSP Count by Headcount Growth in CA (2,152)

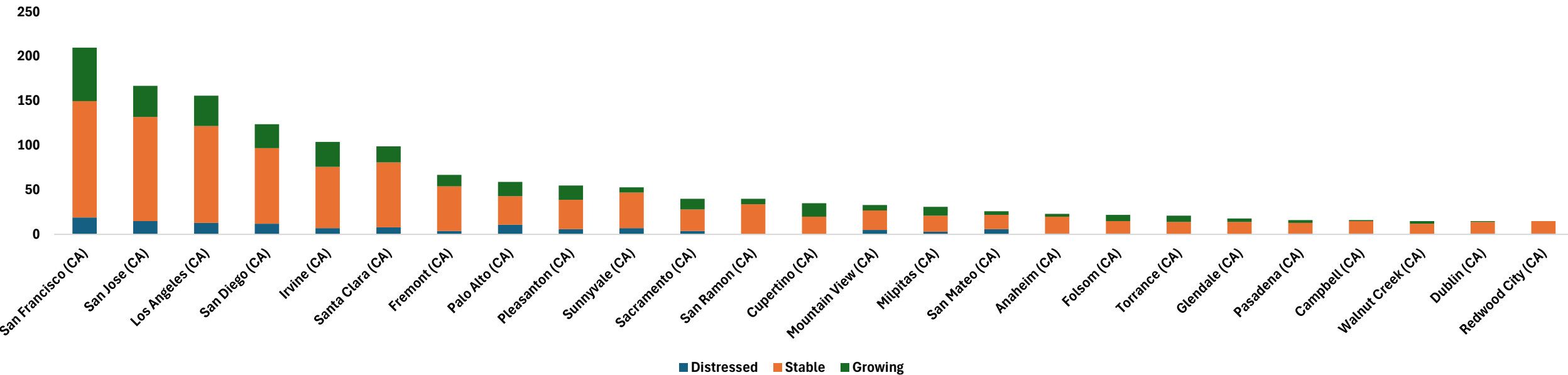


*Source: Linked-In.

We excluded firms with 10 or fewer employees for this study. *Firms exhibiting more than 10% y-o-y decrease or increase in headcount growth are categorized as Distressed or Growing respectively. The remaining firms are categorized as Stable.

- The Top-25 MSP cities have 1,460 MSPs, about 67% of the total MSP count in CA. This is similar with MSP density in the the FL area (71%), Mid-Atlantic states (73%), but lower than that in the Mountain States (81%) and Texas (89%) and higher than in NY area (47%) and IL area (51%).

MSP Mix By City
Top-25 IT MSP Cities

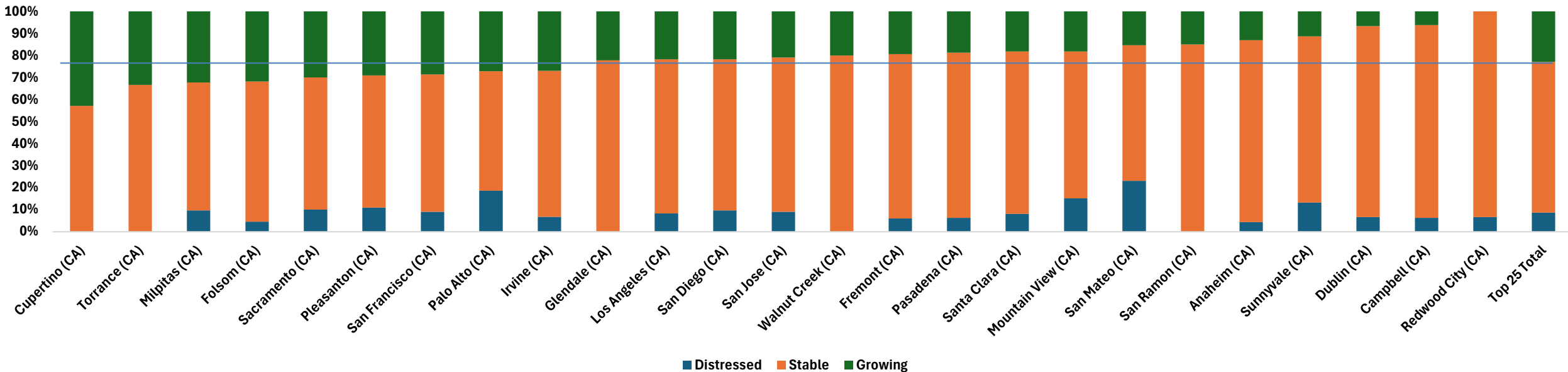


*Source: Linked-In.

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- Urban centers like San Francisco (CA), Irvine (CA) and Palo Alto (CA) have a high percentage of fast growing MSPs and a reasonable number of MSPs. For example, San Francisco has 210 MSPs and 29% of these MSPs are growing employee count at over 10%.

**Growth Mix By City
Top-25 IT MSP Cities**



*Source: Linked-In.

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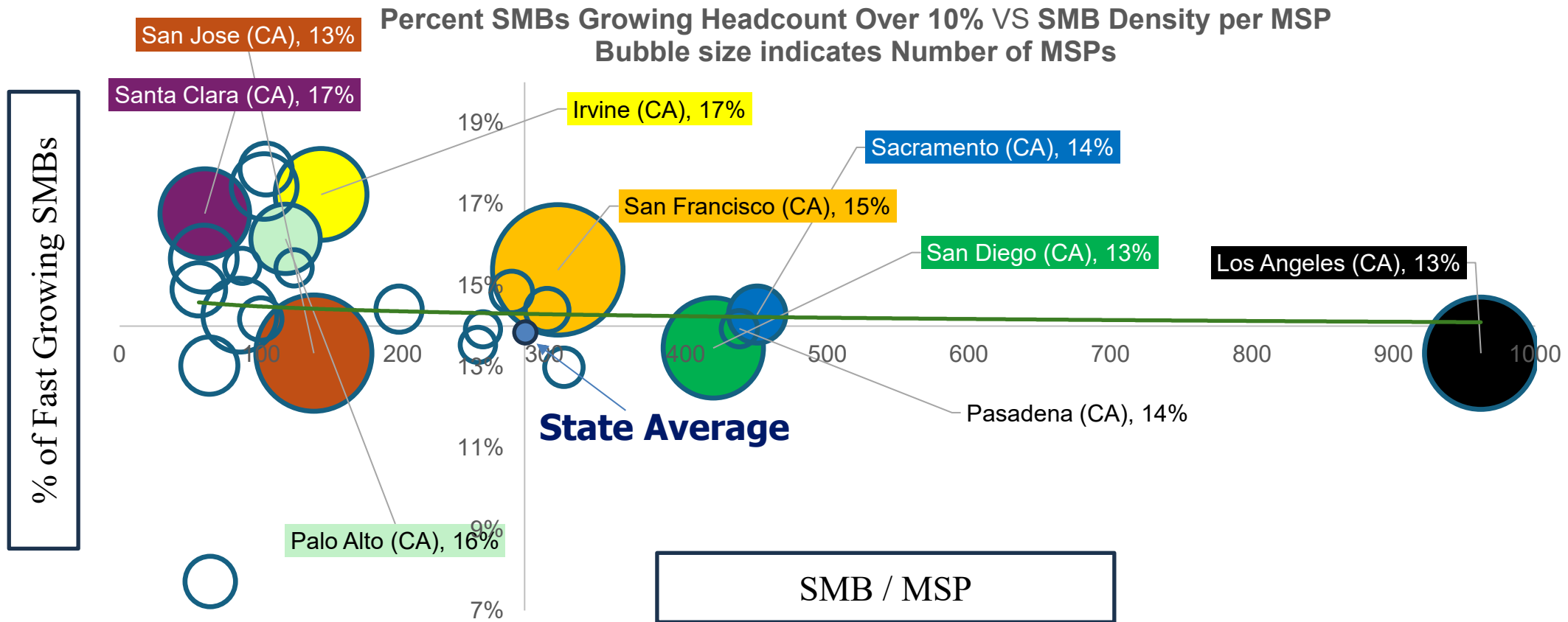
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 - SMB per MSP: The number of Small and Medium Sized Businesses (SMBs) per MSP. The greater the number of SMBs per incumbent MSP the more desirable it would be to target an MSP. Across all top 25 MSP cities, the average value for this metric is 275.
 - SMB Growth%: The fraction of SMBs in a city that grew y-o-y headcount by over 10%. The greater this fraction the more desirable it would be to target an MSP. Across all top 25 MSP cities, the average value for this metric is 14%
 - Los Angeles has the highest SMB per MSP count at 962 while Mountainview (CA) has the highest SMB Growth % at 18%.**

* % Large MBs is the proportion of SMBs with 11-500 employees

Top 25 MSP Towns	SMB (1-500) / MSP	% Large MBs*	SMB Growth%	MSP Count
San Francisco (CA)	310	16%	15%	210
San Jose (CA)	137	13%	13%	167
Los Angeles (CA)	962	11%	13%	156
San Diego (CA)	419	13%	13%	124
Irvine (CA)	142	19%	17%	104
Santa Clara (CA)	60	22%	17%	99
Fremont (CA)	85	19%	14%	67
Palo Alto (CA)	117	20%	16%	59
Pleasanton (CA)	59	21%	16%	55
Sunnyvale (CA)	102	17%	17%	53
Sacramento (CA)	450	11%	14%	40
San Ramon (CA)	63	18%	13%	40
Cupertino (CA)	56	18%	15%	35
Mountain View (CA)	103	23%	18%	33
Milpitas (CA)	64	22%	8%	31
San Mateo (CA)	197	18%	14%	26
Anaheim (CA)	302	16%	14%	23
Folsom (CA)	100	32%	14%	22
Torrance (CA)	277	14%	15%	21
Glendale (CA)	314	11%	13%	18
Pasadena (CA)	438	14%	14%	16
Campbell (CA)	123	19%	15%	16
Walnut Creek (CA)	253	16%	14%	15
Dublin (CA)	87	17%	15%	15
Redwood City (CA)	257	18%	14%	15
Top 25 Total	275	14%	14%	1460

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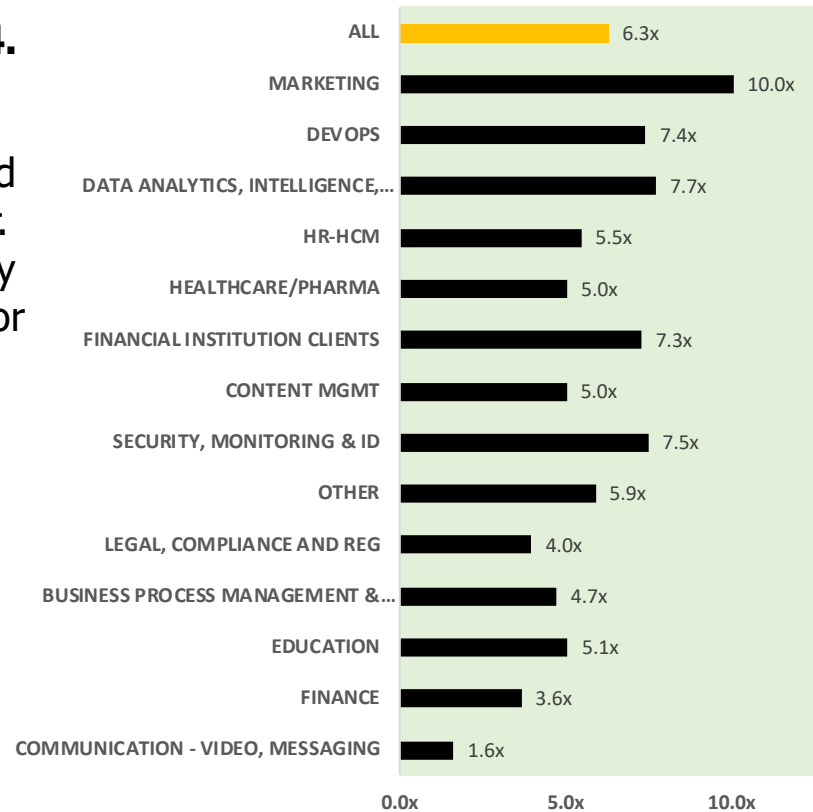


*Source: Linked-In.

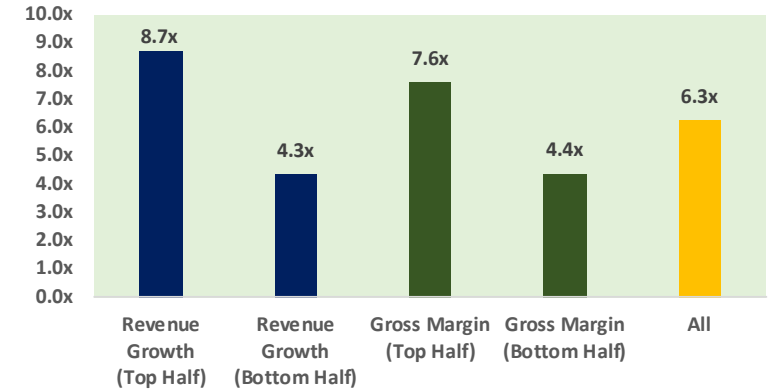
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- The aggregate SaaS TTM Revenue Multiple expanded about 0.12 pts in **September 2024** to **6.27x** from **6.15x** in **August 2024**.
- SaaS TTM multiple expanded with the broad stock market slightly rallying. **S&P 500** rallied **2%** in September and **5.5%** in third quarter. The rally in broader indexes is being driven by strong earnings report, which boosted investor confidence.
- Sector Mattered:** Multiples contracted for Horizontals like Marketing, Healthcare and expanded for Verticals like Devops.
- Quality Mattered:** The difference in multiples between Top Half and Bottom Half companies by Revenue growth and Gross Margin remained about the same from last month at about 4.4x and 3.2x respectively.

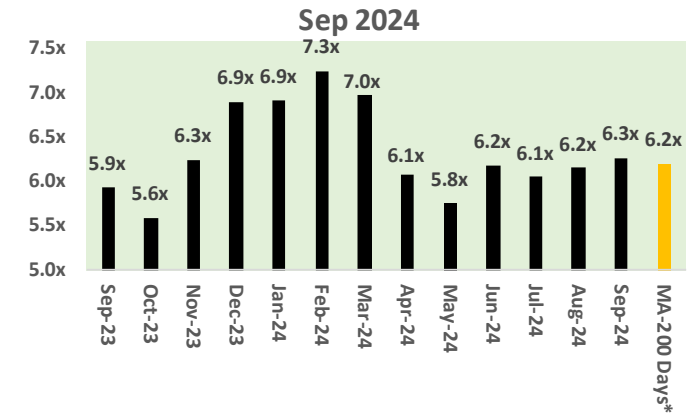
Revenue Xs By SaaS Sector (ME Sep 2024)



SaaS Revenue Xs (ME Sep 2024) By Quality

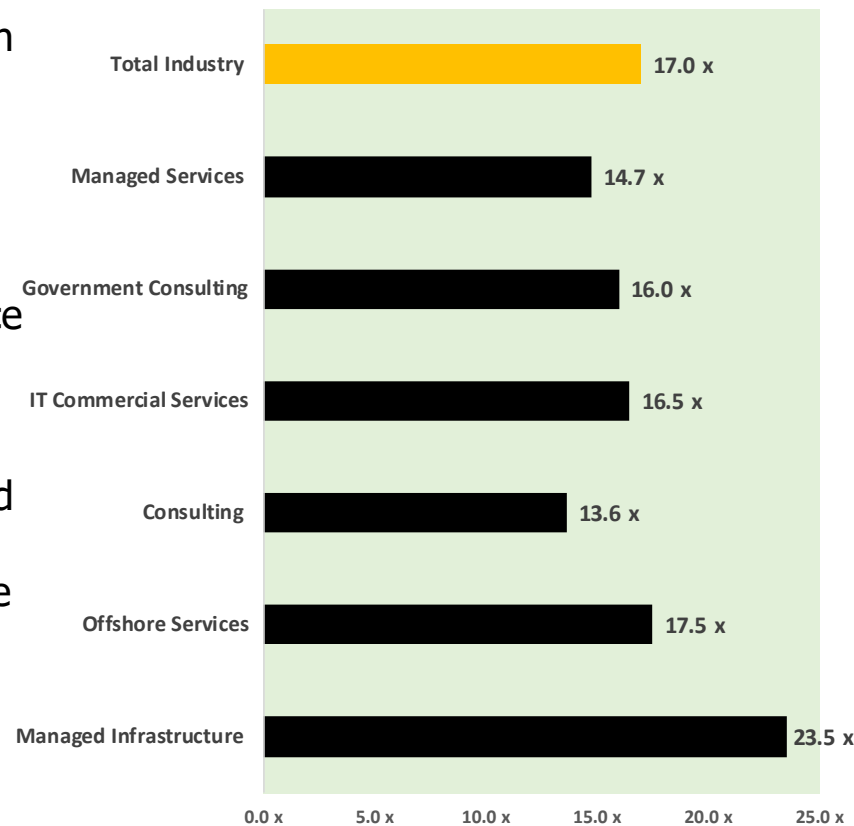


Recovery in SaaS Revenue Xs Stalled in

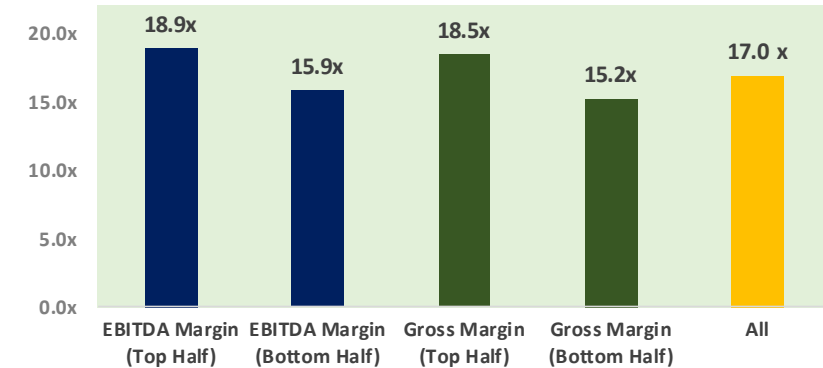


- The aggregate IT Services TTM EBITDA Multiple expanded about 0.3x pts in **September 2024** to **17.0x** from **16.7x** in **August 2024**.
- Multiples expanded across sectors with leader being Managed Infrastructure that expanded 1.6x. Multiple expansion was driven by strong equity market performance for the IT sector in September.
- The EV/ EBITDA Multiple for Top half of companies with above average EBITDA and Gross margins traded at higher multiples compared with the bottom half a theme we see for the SaaS sector as well.
- The EV/EBITDA multiple touched 52 week high at **17.0x** for **September 2024**.

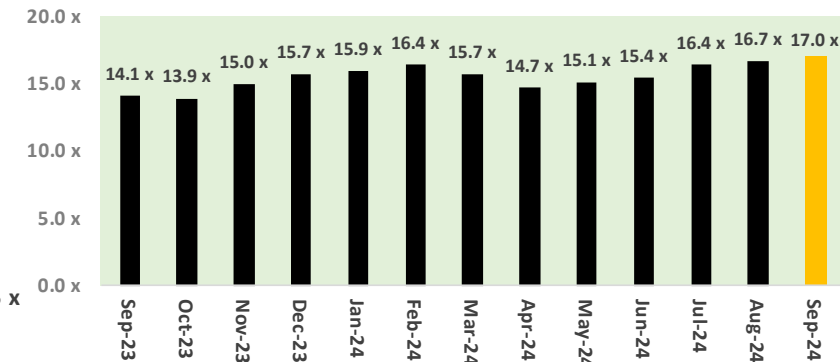
Average EV/EBITDA across Industry



EV/ EBITDA by Quality



Monthly EV/EBITDA Multiple Trend



Software and IT M&A and Funding Activity picked up in September 2024.*

- 361 M&A transactions were announced globally in September 2024, up from 284 deals announced in August 2024 and up from a monthly average pace of 306 transactions over the LTM period ended September 2024.
- YTD Median EV/EBITDA multiple for IT and Software deals, less than \$200MN in size stands at 10.0x.
- 735 private software and IT companies received some form of funding in September, up 175 (31%) from 560 in August and up 70 (11%) from the average monthly rate of 665 over the trailing twelve months (TTM) ending September 2024. Funding activity in September 2024 is on same level as in September 2023 when 734 companies received funding.
- Artificial Intelligence (AI) and Machine Learning (ML) were the dominant theme for funded companies in September, similar to TTM. AI and/or ML were mentioned as one of the capabilities for 42% of the funded companies in September, up sharply from 35% of the funded companies over the TTM.
- VC funding increased to 637 in September 2024 from 496 in August 2024 up 28%. VC funding activity in September 2024 is almost in line of activity in September 2023 when 650 companies received funding.
- Changes in global funding activity were mixed across regions although regional shares remained mostly in line with TTM average levels. North America, Western Europe and Australasia accounted for 46%, 20% and 10% of total funding activity in August with the Rest of the World accounting for the remaining 24%.

YTD Median EV/EBITDA and EV/Revenue multiples stand at 14.5x and 3.4x.

YTD Median EV/EBITDA and EV/Revenue multiples for deals less than \$200MN stand at 10.0x and 1.3x respectively.

Date	Target	Acquiror(s) / Investor(s)	Deal Size (US\$m)	EV/ EBITDA	EV/ Revenue	Sector	Target Business Description
Jan-24	Flywheel Digital LLC	Omnicom Group Inc. (NYSE:OMC)	910	34.7x	NA	Application Software	Target provides managed services and specializes in accelerating brand growth in digital retail.
Jan-24	Message Broadcast, LLC	Energy Impact Partners LLC; OceanSound Partners, LP	260	14.1x	NA	Application Software	Target designs and develops customer engagement and communication solutions for blue-chip enterprise customers in the U.S.
Jan-24	Appshark Software, Inc.	Cambridge Technology Enterprises Limited	5	NA	1.2x	IT Consulting and Other Services	Target operates as a Salesforce consulting and custom development company.
Jan-24	EngageSmart, Inc.	Vista Equity Partners Management, LLC	2,172	73.6x	9.7x	Application Software	Target provides vertically-tailored customer engagement and integrated payments solutions to SMBs in health and wellness
Mar-24	Stuzo, LLC	ParTech, Inc.	189	13.5x	4.7x	IT Consulting and Other Services	Target provides managed services and technology solutions for brands and agencies in the United States and internationally.
Mar-24	LZG International, Inc.	Genius Group Limited (NYSEAM:GNS)	35	NA	2.0x	Application Software	Target operates as an artificial intelligence (AI) solutions company
Mar-24	Splunk Inc.	Cisco Systems, Inc. (NASDAQGS:CSCO)	28,500	169.8x	7.4x	Application Software	Target develops and markets cloud services and licensed software solutions in the United States and internationally including unified security and observability platform
Mar-24	Alteryx, Inc.	Insight Venture Management, LLC; Clearlake Capital Group, L.P.	4,323	NA	4.8x	Application Software	Target automates tasks for workers across the analytics value chain.
Apr-24	Red Lion Controls, Inc.	HMS Networks AB (publ) (OM:HMS)	345	NA	2.7x	Electronic Equipment and Instruments	Target manufactures communication, monitoring, and control products for industrial automation and networking.
Apr-24	CAM2 Technologies, LLC	908 Devices Inc. (NASDAQGM:MASS)	76	NA	5.6x	IT Consulting and Other Services	Target offers IT consulting services.
May-24	MTL Holdings, Inc.	Carlisle Companies Incorporated (NYSE:CSL)	413	NA	3.1x	Technology Distributors	Target manufactures Plastic Products, Specializing In Flat Panels (100%).
May-24	ZeroFox Holdings, Inc.	Haveli Investment Management LLC; Haveli Investments Software Fund I, L.P.	323	NA	1.4x	Systems Software	Target engages in the provision of software-as-a-service-based external cybersecurity solutions that focuses on exposing, disrupting, and responding to threats outside the traditional corporate perimeter.
May-24	Map Dynamics, LLC	ARway Corporation (CNSX:ARWY)	1	4.2x	0.9x	Application Software	Target develops and offers self-service event management tools through its event home base technology.
Jun-24	Transphorm, Inc.	Renesas Electronics Corporation (TSE:6723)	337	NA	18.0x	Semiconductors	Target develops, manufactures, and sells semiconductor components for high voltage power conversion applications
Jun-24	Model N, Inc.	Vista Equity Partners Management, LLC	1,161	117.9x	4.5x	Application Software	Target provides cloud revenue management solutions for life sciences and high-tech companies in the United States and internationally.

*Source: Federal Reserve, Yahoo Finance.

Date	Target	Acquiror(s) / Investor(s)	Deal Size (US\$mn)	EV/ EBITDA	EV/ Revenue	Sector	Target Business Description
Jun-24	TSR, Inc.	-	20	7.8x	0.2x	IT Consulting and Other Services	Target operates as a staffing company in the United States. It primarily focus on recruiting information technology (IT) professionals.
Jul-24	VectorVMS1 LLC	PIXID SAS	50	NA	4.4x	Application Software	Target operates as a vendor management platform
Jul-24	Everbridge, Inc.	Thoma Bravo, L.P.; Thoma Bravo Discover Fund IV, L.P.	1,518	96.8x	3.4x	Application Software	Target operates as a software company that enables customers to anticipate, mitigate, respond to, and recover from critical events in North America and internationally.
Jul-24	Inrad Optics, Inc.	Luxium Solutions, LLC	17	7.2x	1.3x	Electronic Components	Target manufactures and sells glass, crystal, and metal based optical components, and sub-assemblies. The company offers UV-IR optics and assemblies
Jul-24	DecisionPoint Systems, Inc.	Barcoding, Inc.	86	12.5x	0.8x	IT Consulting and Other Services	Target designs, consults, and implements mobility-first enterprise solutions and retail solutions centered on point-of-sale systems and services.
Jul-24	Blockware Mining, LLC	Riot Platforms, Inc. (NASDAQCM:RIOT)	140	NM	NM	Application Software	Target operates as a bitcoin mining company, provides bitcoin mining infrastructure and colocation services.
Jul-24	MariaDB plc	K1 Investment Management, LLC; Mdk Limited Partners; K5 Private	63	NA	1.0x	Systems Software	Target operates as a cloud database company.
Jul-24	AuditBoard, Inc.	HgCapital LLP; HgCapital Trust plc (LSE:HGT); Hg Saturn 3 LP	3,000	NA	15.0x	Application Software	Target operates as a cloud database audit, risk, and compliance management software company.
Aug-24	Altium Limited	Renesas Electronics Corporation (TSE:6723)	5,735	60.3x	20.7x	Application Software	Target develops and sells computer software for the design of electronic products.
Aug-24	Starfish Associates, LLC	Persistent Systems, Inc.	21	NA	2.5x	Application Software	Target operates as a application software company.
Aug-24	Sendrcrypt Technologies Inc	eMudhra INC	3	NA	6.0x	IT Consulting and Other Services	Target operates as an email security product and solutions company.
Aug-24	Micromeritics Instrument Corporation	Malvern Panalytical Limited	683	NA	5.8x	Electronic Equipment and Instruments	Target manufactures and markets materials characterization analytical laboratory instrumentation and services.
Sep-24	CompoSecure, Inc.	Resolute Holdings I, LP	372	9.7x	3.5x	Technology Hardware, Storage and Peripherals	Target manufactures and designs metal, composite, and proprietary financial transaction cards in the United States and internationally
Sep-24	Strong Global Entertainment, Inc.	Fundamental Global Inc. (NASDAQGM:FGF)	4	15.0x	0.5x	Electronic Equipment and Instruments	Target manufactures and distributes large format projection screens and custom screen support structures
	25th Percentile			10.4x	1.3x		
	Median			14.5x	3.4x		
	75th Percentile			70.3x	5.8x		

*Source: Federal Reserve, Yahoo Finance.

Notable Service Provider Deals in September

Managed Service Provider

Managed Service Provider



Acquiror – Perpetual Capital Partners

Target – Novatech

Acquiror – Kingsway Financial Services

Target – Image Solutions

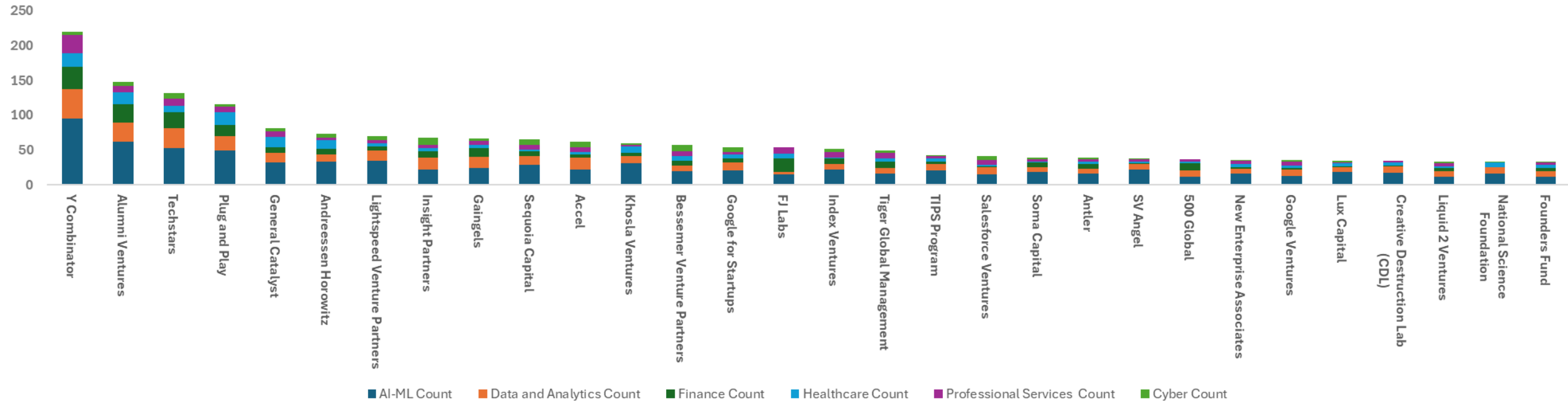
- Perpetual Capital Partners acquired Novatech.
- Perpetual is a private investment firm focused on acquiring lower middle market firms and making control-oriented capital investments
- Novatech is an award-winning managed IT services provider specializing in managed print, document, cloud, and cybersecurity.
- Prior to being acquired, Novatech was held by another PE firm, Trivest, and had itself completed several acquisitions to expand its offerings. The company is estimated to have over 500 employees.

- Kingsway Financial Services acquired Image Solutions Inc for \$19.64 Mn.
- Kingsway Financial Services Inc. is a holding company focused on acquiring and managing subsidiaries in the extended warranty and business services sectors.
- Image Solutions provides managed IT, managed print, and audiovisual solutions for businesses.
- Kingsway Financial Services reported a operating income of \$24 Mn in FY 23.

*Source: Crunchbase, Cap IQ.

More than 6,700 funds globally provided some form of funding to early-stage companies YTD through September 2024. The top 30 investors accounted for about 10% of the total funding by count.

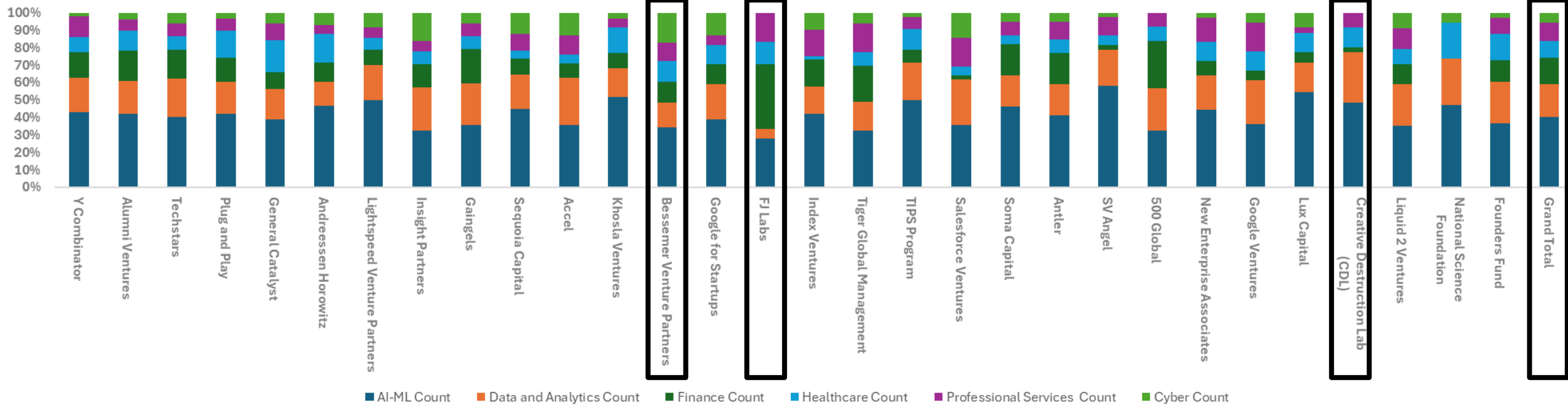
Top Investors by Count in Key Software and IT Sectors (YTD Through September 2024)



*Source: Crunchbase.

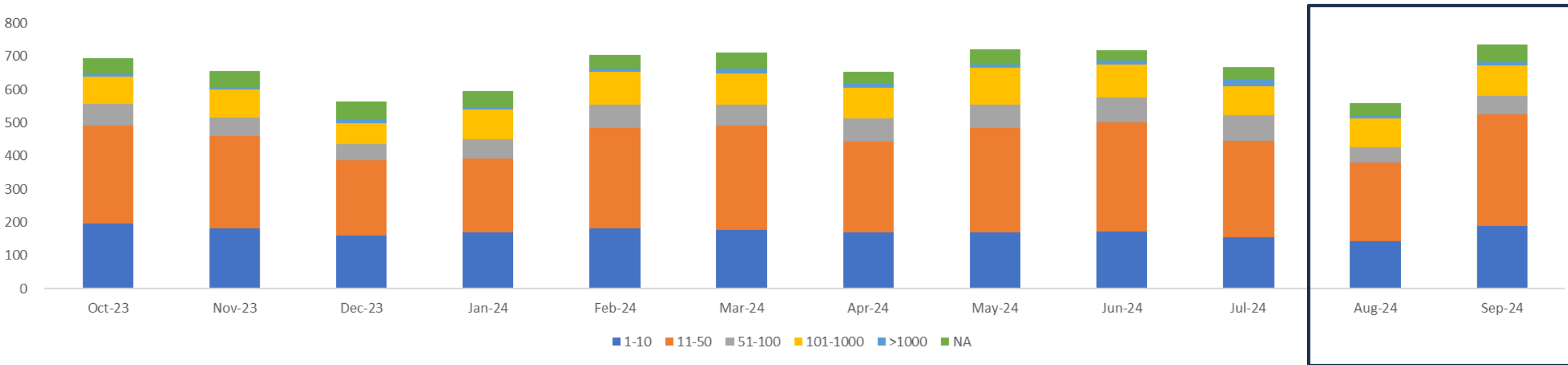
At the aggregate level funding across key sectors was diversified. But some firms chose to focus on specific themes. For example, 69% of NVIDIA's investments were in AI-ML, 29% of CDL's investments were in Data Analytics, 17% of Bessemer Venture Partners investments were in Cybersecurity and 37% of FJ Labs investments were in Finance.

Investment Mix by Count in Key Software and IT Sectors (YTD Through September 2024)



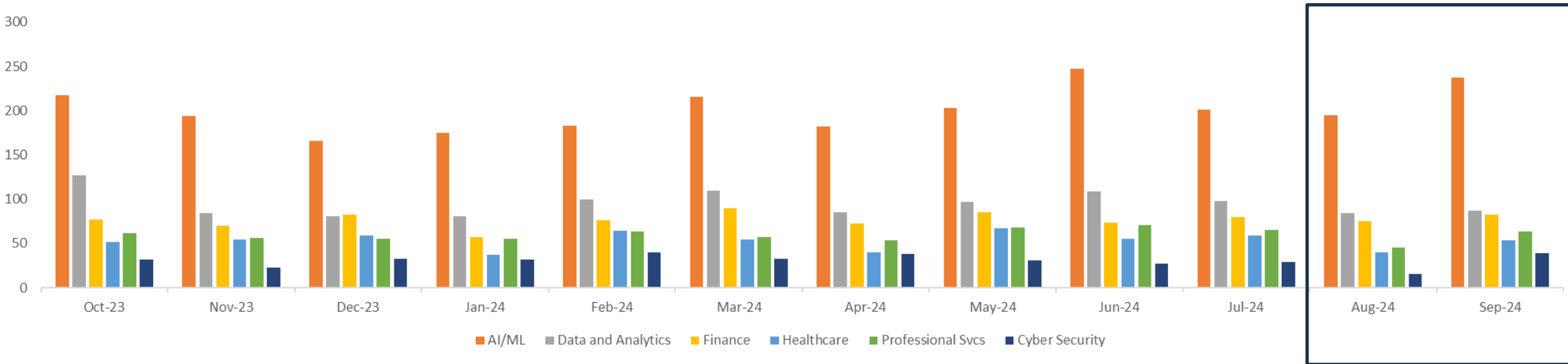
*Source: Crunchbase.

Funding for Software and IT Firms By Firm Headcount: Increased 31% from Levels in August 2024



735 private software and IT companies received some form of funding in September, up 175 (31%) from 560 in August and up 70 (11%) from the average monthly rate of 665 over the trailing twelve months (TTM) ending September 2024. Funding activity in September 2024 is on same level as in September 2023 when 734 companies received funding.

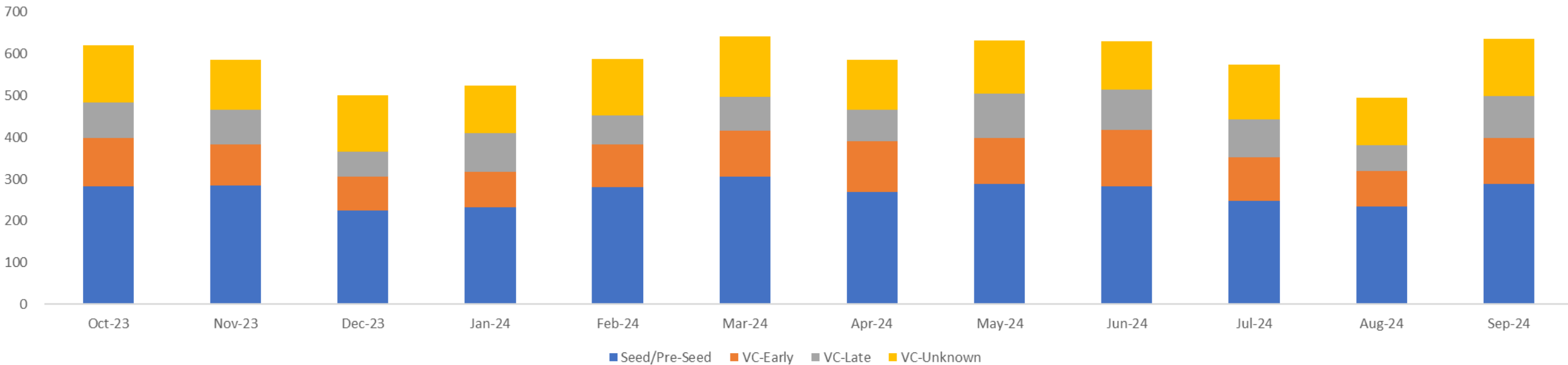
Funding for Software and IT Firms By Industry Mix: AI/ML Continue to be the Dominant Theme



Artificial Intelligence (AI) and Machine Learning (ML) were the dominant theme for funded companies in September, similar to TTM. AI and/or ML were mentioned as one of the capabilities for 42% of the funded companies in September, up sharply from 35% of the funded companies over the TTM.

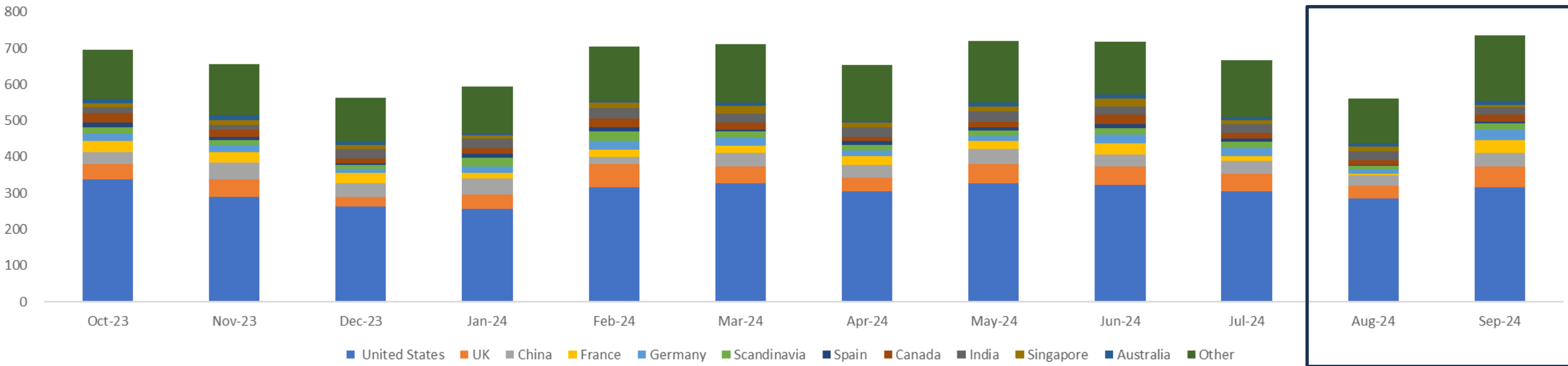
*Source: Crunchbase.

VC Funding for Software and IT Firms By Stage over TTM: VC funding increased 28%; 62% Early Stage



VC funding increased to 637 in September 2024 from 496 in August 2024 up 28%. The share of Early-stage VC (Angel, Seed and Series-A) funding was slightly down at 62% in September 2024, from 64% in August 2024. Early-stage VC funding is almost in line with its TTM share of 64%. VC funding activity in September 2024 is almost in line of activity in September 2023 when 650 companies received funding.

Funding for Software and IT Firms By Regional Mix: NA (46%), W. Europe (20%), Australasia (10%)



Changes in global funding activity were mixed across regions although regional shares remained mostly in line with TTM average levels. North America, Western Europe and Australasia accounted for 46%, 20% and 10% of total funding activity in August with the Rest of the World accounting for the remaining 24%.

*Source: Crunchbase.

Appendix - IT Services Comparable Company Analysis

Sector	Market Data	LTM Financials		
	% 52 week high	Gross Margin (%)	EBITDA Margin (%)	Net Profit Margin (%)
Managed Infrastructure Mean	89%	54%	45%	14%
Managed Infrastructure Median	90%	54%	42%	12%
Offshore Services Mean	90%	33%	19%	12%
Offshore Services Median	94%	35%	20%	12%
Consulting Mean	83%	36%	12%	9%
Consulting Median	93%	39%	12%	9%
IT Commercial Services Mean	70%	27%	17%	10%
IT Commercial Services Median	85%	27%	17%	11%
Government Consulting Mean	92%	27%	11%	5%
Government Consulting Median	94%	24%	11%	6%
Managed Services Mean	91%	29%	16%	8%
Managed Services Median	93%	27%	16%	7%
Total Industry Mean	86%	34%	20%	10%
Total Industry Median	93%	31%	16%	10%

Valuation Multiples		
EV/ LTM EBITDA	EV/ LTM Revenue	Price/ Earnings
23.6 x	10.4 x	61.2 x
21.8 x	11.9 x	54.4 x
17.5 x	3.3 x	28.3 x
19.0 x	3.3 x	28.8 x
13.7 x	1.5 x	18.9 x
13.9 x	1.7 x	22.6 x
14.8 x	1.7 x	24.3 x
13.0 x	1.8 x	23.6 x
15.0 x	1.6 x	25.3 x
15.7 x	1.7 x	25.1 x
14.7 x	2.3 x	28.5 x
14.8 x	1.8 x	25.6 x
16.5 x	3.5 x	31.1 x
15.2 x	1.8 x	25.4 x

Company	Market Data					LTM Financials					Valuation Multiples		
	HQ Country	Stock Price	% 52 week high	Mcap (\$ Mn)	Enterprise Value (\$)	LTM Revenue	LTM Net Income	Gross Margin (%)	EBITDA Margin (%)	Net Profit Margin (%)	EV/ LTM EBITDA	EV/ LTM Revenue	Price/ Earnings
Managed Infrastructure													
Equinix Inc	US	\$887.63	94%	\$84,276	\$100,258	\$8,457	\$1,035	49%	42%	12%	28.2 x	11.9 x	81.4 x
Digital Realty Trust	US	\$161.83	83%	\$52,985	\$68,443	\$5,460	\$1,124	54%	61%	21%	20.4 x	12.5 x	47.2 x
Digital Ocean Holdings	US	\$40.39	90%	\$3,718	\$4,914	\$735	\$68	60%	31%	9%	21.8 x	6.7 x	54.4 x
Managed Infrastructure Mean			89%					54%	45%	14%	23.5 x	10.4 x	61.0 x
Managed Infrastructure Median			90%					54%	42%	12%	21.8 x	11.9 x	54.4 x
Offshore Services													
Tata Consultancy Services	IN	\$50.92	93%	\$184,234	\$179,615	\$28,737	\$5,476	45%	28%	19%	22.2 x	6.3 x	33.6 x
Infosys Limited	IN	\$22.37	94%	\$92,673	\$90,653	\$18,659	\$3,206	30%	24%	17%	20.4 x	4.9 x	28.9 x
HCL Technologies Limited	IN	\$21.43	95%	\$57,982	\$57,952	\$13,583	\$2,007	40%	24%	15%	17.7 x	4.3 x	28.9 x
Cognizant Technology Solutions	US	\$77.18	96%	\$38,255	\$37,287	\$19,265	\$2,195	34%	18%	11%	10.6 x	1.9 x	17.4 x
Wipro Limited	IN	\$6.46	93%	\$33,750	\$29,947	\$10,579	\$1,401	30%	23%	13%	12.3 x	2.8 x	24.1 x
LTI Mindtree Limited	IN	\$74.49	95%	\$22,055	\$21,156	\$4,352	\$555	36%	20%	13%	24.3 x	4.9 x	39.7 x
Tech Mahindra Limited	IN	\$18.81	90%	\$16,632	\$16,129	\$6,238	\$390	26%	12%	6%	21.3 x	2.6 x	42.6 x
Genpact Limited	BM	\$39.21	98%	\$6,986	\$7,944	\$4,589	\$648	35%	17%	14%	9.9 x	1.7 x	10.8 x
Globant S.A.	LU	\$198.14	79%	\$8,548	\$8,611	\$2,285	\$169	36%	10%	7%	36.5 x	3.8 x	50.6 x
WNS Holdings Limited	IN	\$52.71	73%	\$2,328	\$2,516	\$1,320	\$137	36%	21%	10%	8.9 x	1.9 x	17.0 x
Mphasis Limited	IN	\$35.91	94%	\$6,793	\$6,655	\$1,635	\$190	30%	20%	12%	20.2 x	4.1 x	35.7 x
Sonda S.A.	CL	\$0.39	77%	\$336	\$546	\$1,671	\$34	14%	6%	2%	5.3 x	0.3 x	9.8 x
Offshore Services Mean			90%					33%	19%	12%	17.5 x	3.3 x	28.3 x
Offshore Services Median			94%					35%	20%	12%	19.0 x	3.3 x	28.9 x

Company	Market Data										LTM Financials					Valuation Multiples		
	HQ Country	Currency	Ticker	Stock Price	% 52 week high	Shares o/s	Mcap (\$ Mn)	Total Debt	Cash	Enterprise Value (\$)	LTM Revenue	LTM Net Income	Gross Margin (%)	EBITDA Margin (%)	Net Profit Margin (%)	EV/ LTM EBITDA	EV/ LTM Revenue	Price/ Earnings
Consulting																		
FTI Consulting	US	USD	FCN	\$227.56	93%	35,944,300	\$8,179	\$253	\$386	\$8,046	\$3,728	\$312	33%	12%	8%	17.8 x	2.2 x	26.2 x
Huron Consulting Group	US	USD	HURN	\$108.70	94%	17,791,100	\$1,934	\$558	\$24	\$2,468	\$1,462	\$80	30%	13%	5%	13.5 x	1.7 x	24.2 x
Resources Connection	US	USD	RGP	\$9.70	66%	33,471,300	\$325	\$25	\$90	\$260	\$826	\$76	40%	12%	9%	2.5 x	0.3 x	4.3 x
The Hackett Group	US	USD	HCKT	\$26.27	95%	27,651,900	\$726	\$30	\$19	\$737	\$303	\$35	40%	17%	11%	13.9 x	2.4 x	20.9 x
Information Services Group	US	USD	III	\$3.30	66%	48,892,400	\$161	\$78	\$12	\$228	\$266	(\$1)	39%	4%	-	21.0 x	0.9 x	-
Consulting Mean					83%								36%	12%	9%	13.7 x	1.5 x	18.9 x
Consulting Median					93%								39%	12%	9%	13.9 x	1.7 x	22.6 x
IT Commercial Services																		
Accenture plc	IE	USD	ACN	\$353.48	91%	624,856,000	\$220,874	\$4,121	\$5,010	\$219,985	\$64,896	\$7,265	33%	17%	11%	19.7 x	3.4 x	30.4 x
Capgemini SE	FR	EUR	CAP.PA	\$215.99	85%	168,159,008	\$36,321	\$7,370	\$2,864	\$40,827	\$22,426	\$1,538	26%	14%	7%	13.0 x	1.8 x	23.6 x
CGI Inc	CA	CAD	GIB-A.TO	\$115.04	97%	203,788,000	\$23,444	\$2,252	\$857	\$24,840	\$10,736	\$1,235	16%	20%	12%	11.6 x	2.3 x	19.0 x
Atos SE	FR	EUR	ATO.PA	\$0.79	9%	112,059,000	\$88	\$6,539	\$854	\$5,774	\$11,908	(\$3,832)	33%	-	-	-	0.5 x	-
Unisys Corporation	US	USD	UIS	\$5.68	70%	69,335,504	\$394	\$526	\$345	\$575	\$1,988	(\$377)	27%	-	-	-	0.3 x	-
IT Commercial Services Mean					70%								27%	17%	10%	14.8 x	1.7 x	24.3 x
IT Commercial Services Median					85%								27%	17%	11%	13.0 x	1.8 x	23.6 x
Government Consulting																		
Booz Allen Hamilton Holding Corporati	US	USD	BAH	\$162.76	86%	127,773,000	\$20,796	\$3,615	\$559	\$23,852	\$11,429	\$829	55%	13%	7%	15.8 x	2.1 x	25.1 x
CACI International Inc	US	USD	CACI	\$504.56	88%	22,408,200	\$11,306	\$2,207	\$442	\$13,071	\$7,867	\$454	9%	11%	6%	15.7 x	1.7 x	24.9 x
Science Applications International Corj	US	USD	SAIC	\$139.27	94%	49,520,100	\$6,897	\$2,325	\$48	\$9,174	\$7,518	\$269	11%	8%	4%	14.8 x	1.2 x	25.6 x
Maximus, Inc.	US	USD	MMS	\$93.16	99%	60,177,000	\$5,606	\$1,291	\$103	\$6,794	\$5,250	\$294	24%	12%	6%	11.2 x	1.3 x	19.1 x
ICF International, Inc.	US	USD	ICFI	\$166.79	94%	18,757,000	\$3,128	\$637	\$8	\$3,757	\$1,986	\$99	36%	11%	5%	17.5 x	1.9 x	31.7 x
Government Consulting Mean					92%								27%	11%	5%	15.0 x	1.6 x	25.3 x
Government Consulting Median					94%								24%	11%	6%	15.7 x	1.7 x	25.1 x

Company	Market Data					LTM Financials					Valuation Multiples		
	HQ Country	Stock Price	% 52 week high	Mcap (\$ Mn)	Enterprise Value (\$)	LTM Revenue	LTM Net Income	Gross Margin (%)	EBITDA Margin (%)	Net Profit Margin (%)	EV/ LTM EBITDA	EV/ LTM Revenue	Price/ Earnings
Managed Services													
Accenture plc	IE	\$353.48	91%	\$221,414	\$220,474	\$64,476	\$6,953	33%	17%	11%	20.4 x	3.4 x	31.8 x
Tata Consultancy Services	IN	\$50.92	93%	\$184,234	\$179,615	\$28,737	\$5,476	45%	28%	19%	22.2 x	6.3 x	33.6 x
International Business Machines Corp	US	\$221.08	93%	\$203,647	\$249,795	\$62,363	\$8,430	56%	24%	14%	16.5 x	4.0 x	24.2 x
Infosys Limited	IN	\$22.37	94%	\$92,673	\$90,653	\$18,659	\$3,206	30%	24%	17%	20.4 x	4.9 x	28.9 x
Capgemini SE	FR	\$215.99	85%	\$36,613	\$41,119	\$22,426	\$1,538	26%	14%	7%	13.1 x	1.8 x	23.8 x
Cognizant Technology Solutions	US	\$77.18	96%	\$38,255	\$37,287	\$19,265	\$2,195	34%	18%	11%	10.6 x	1.9 x	17.4 x
Wipro Limited	IN	\$6.46	93%	\$33,750	\$29,947	\$10,579	\$1,401	30%	23%	13%	12.3 x	2.8 x	24.1 x
DXC Technology Company	US	\$20.75	83%	\$3,752	\$7,277	\$13,457	\$81	23%	14%	1%	4.0 x	0.5 x	46.3 x
Rackspace Technology, Inc	US	\$2.45	77%	\$554	\$3,766	\$2,828	(\$814)	20%	-	-	-	1.3 x	-
CGI Group	CA	\$115.04	97%	\$23,444	\$24,840	\$10,736	\$1,235	16%	20%	12%	11.6 x	2.3 x	19.0 x
ePlus	US	\$98.34	95%	\$2,642	\$2,452	\$2,196	\$109	25%	8%	5%	13.5 x	1.1 x	24.2 x
Insight Enterprises	US	\$215.39	94%	\$7,019	\$7,976	\$9,043	\$305	19%	6%	3%	14.9 x	0.9 x	23.0 x
Leidos	US	\$163.00	87%	\$21,958	\$26,297	\$16,008	\$436	16%	8%	3%	21.5 x	1.6 x	50.4 x
NTT Data	JP	\$17.91	96%	\$25,117	\$39,915	\$30,390	\$932	27%	16%	3%	8.5 x	1.3 x	27.0 x
Science Applications Int.	US	\$139.27	94%	\$6,897	\$9,174	\$7,518	\$269	11%	8%	4%	14.8 x	1.2 x	25.6 x
Softchoice	CA	\$13.85	83%	\$836	\$976	\$564	\$28	44%	10%	5%	16.5 x	1.7 x	29.4 x
Managed Services Mean			91%					29%	16%	8%	14.7 x	2.3 x	28.6 x
Managed Services Median			93%					27%	16%	7%	14.8 x	1.8 x	25.6 x



Madhur has over 20 years of experience in middle market IT and software Mergers & Acquisitions and Consulting.

Prior to joining Excendio, Madhur worked in various senior transaction advisory and middle market SME roles at firms such as Citibank, Barclays, Lehman Brothers, New York Life, KPMG, Moody's and KBRA.

He has worked extensively with companies in the \$10MN-\$1BN revenue range across a range of strategic initiatives including exits and acquisitions, working capital optimization, IT implementation, financial planning, valuation and debt restructuring.

Middle market businesses are personal and can often be someone's passion and life's work. As such, Madhur focuses not just on the specifics of the transaction, but also on how it fits into the life goals of the owner and the importance of career transition for them.

Madhur will often connect founders looking to exit with the right industry participants to ensure founders can confidently exit knowing they've maximized their business's value, gaining the clarity, confidence, and peace of mind they deserve.

Madhur has a PhD in Financial Economics from UC Berkeley, Haas School of Business. He lives with his wife and son in New Jersey. He loves tennis, wine, the outdoors and spending time with family and friends.

Madhur Duggar

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