

IT Services M&A Quarterly Update

FIRST QUARTER 2020

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IT Services Sector largely resilient from COVID-19 Impact

M&A activity slowed down slightly but we expect IT Services to remain active despite the slight pullback in IT spending for 2020

IT Services Market Outlook

Worldwide IT spending is expected to decline by 2.7%, reduced from the projected 1% growth in worldwide spending for 2020 in March by the International Data Corporation (IDC)

Direct beneficiaries of COVID-19 include companies that provide IT services around remote working and cyber security

The resilience shown by the IT Services sector through the downturn is a result of the long-term contracts in place with existing customers, providing ongoing income through the cycle

The lows of new project and software subscription are expected to be in line with the 2009 levels for the next couple of quarters

IT Services Middle-Market M&A

M&A Activity

156 IT Services transactions closed in Q1 2020, down from 165 transactions in Q1 2019. We expect overall M&A activity in IT Services to slow down in 2020



Financial Sponsors

Private equity and private equity-backed companies will continue to be opportunistic buyers as they need to continue to put capital to work



Strategic Buyers

Public and private non-sponsor backed strategics will slow down on any new major acquisitions, but this is likely pick back up by 2H 2020



“We expect both strategics and financial sponsors to remain very active in acquiring companies in the IT services sector in 2020. The current environment has proven the resilience of the sector.”

Chad Gardiner, Director
Bridgepoint Investment Banking

Notable IT Services Transactions Q1-20

Security Software Services

McAfee, announced on February 24th it agreed to acquire Light Point Security, LLC, an industry leader in browser isolation.

“Together with Light Point Security’s technology and team, we’ll continue to deliver solutions that enable our customers to protect themselves from cyber threats while accelerating their businesses and removing limitations.” – Ash Kulkarni, McAfee, EVP



Merchant Services

Fiserv, announced on March 3rd, that it acquired MerchantPro Express as part of a broader strategy to expand the Fiserv merchant services business and grow the company’s partner-based distribution.

“MerchantPro Express has been a key Fiserv distribution partner since 2009, by combining our solutions and expertise under one roof we will be able to expand and speed the delivery of solutions.” – Devin McGranahan Group President Fiserv



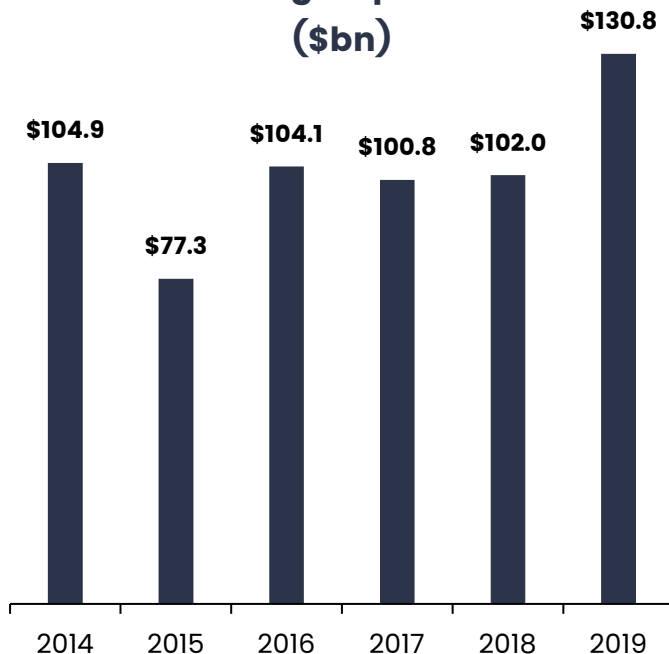
Compliance Services

On March 24th, The Riverside Company, invested in Red Nucleus Enterprises, LLC, (RN), a company that offers learning and compliance services to customers in the pharmaceutical industry. RN’s learning business designs and develops training content that includes e-learning modules, mobile apps, virtual training, workshops, games and printed materials primarily focused on the commercialization of pharmaceuticals.



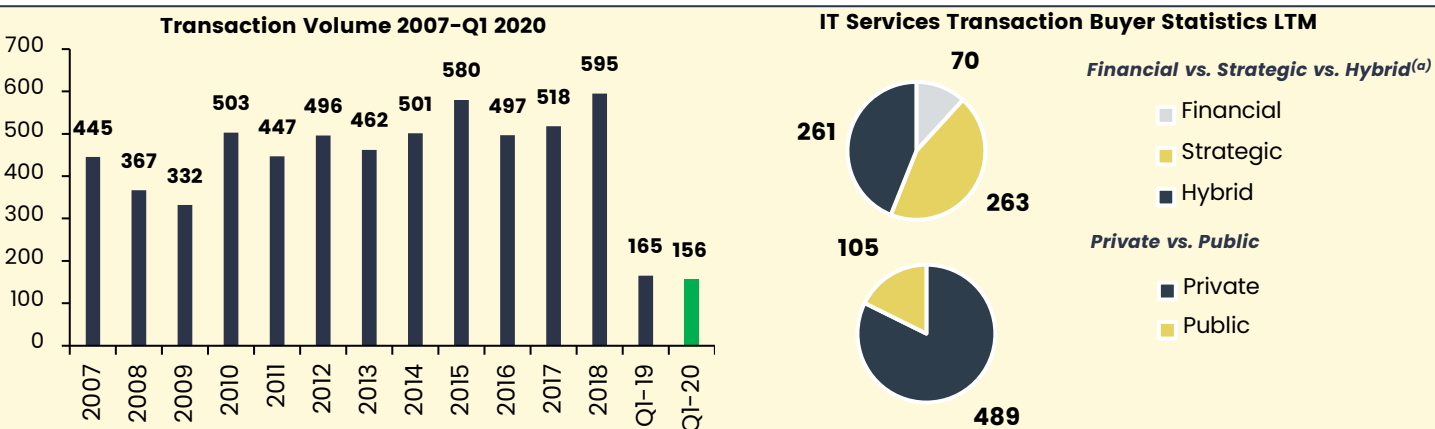
2014-2019 PE Middle Market^(a)

Fundraising Capital Raised (\$bn)



(a) Middle Market = Companies \$50mm-\$1bn TEV. Sources: S&P Capital IQ, Duestsche Bank Research, IDC, Businesswire, pitchbook

Selected IT Services M&A Transaction Statistics

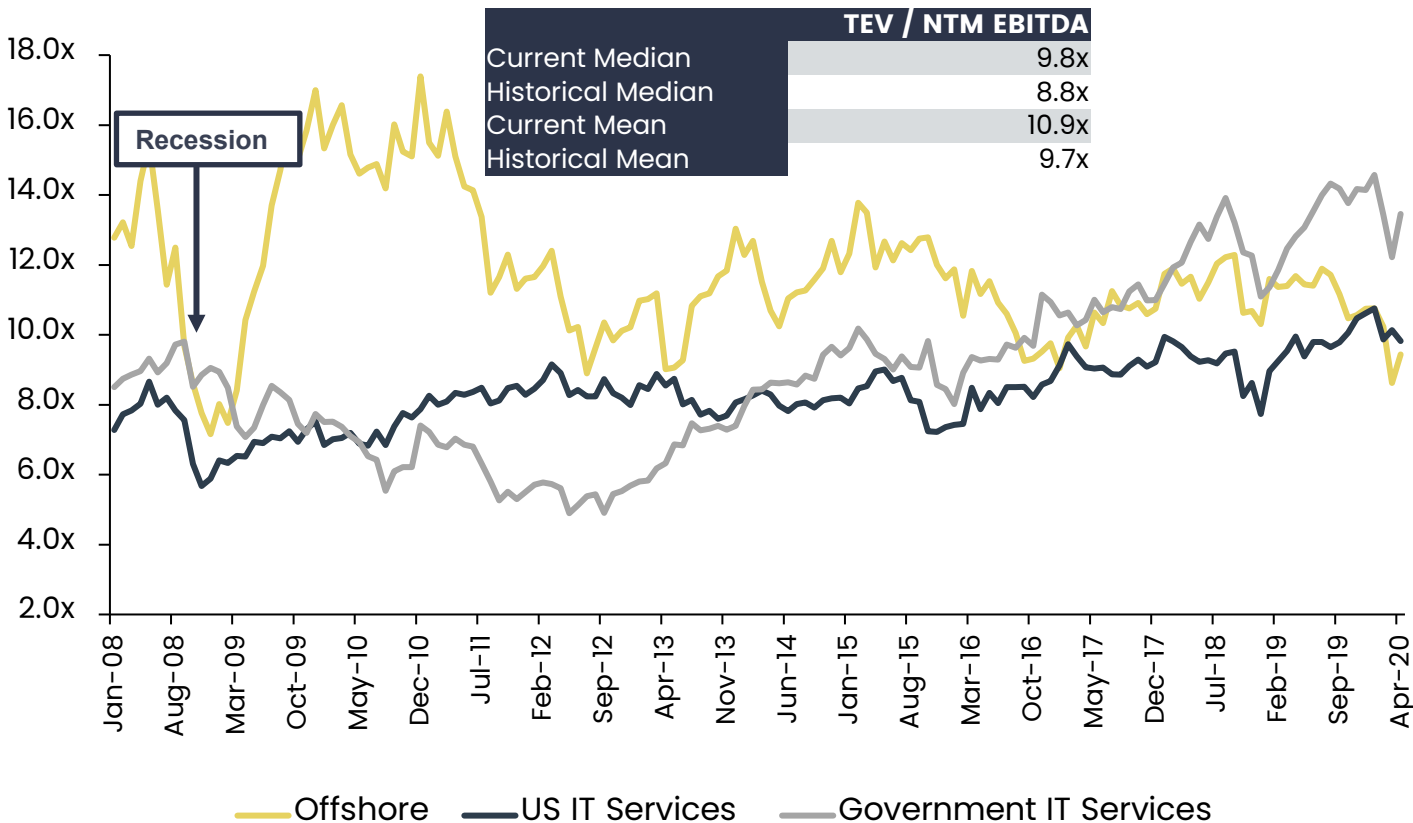


Selected IT Services Report Q1-20 M&A Transactions

Date Announced	Target	Buyer	Business Description
3/31/2020	AboutWeb	Penacity	Cyber security and IT consulting
3/26/2020	Affirmed Networks	Microsoft	Mobile content cloud solutions
3/23/2020	Catalyst Networks	Perficient	IT network consulting
3/17/2020	House of Brick Technologies	OpsCompass	IT consulting services
3/16/2020	AASKI Technology	MAG Aerospace.	Software engineering and intelligence
3/10/2020	Bexar Ventures	Wedge Networks	Software development and testing platform
3/7/2020	AffiniPay	TA Associates Management.	Online payment solutions
3/5/2020	PureColo	LeoNovus	Datacenter operator in Canada
3/3/2020	MerchantPro Express	Fiserv,	Point of sale equipment and processing
3/3/2020	BCL Technologies	PDFTron Systems	PDF document creation solutions
2/26/2020	NexuWeb	LANDRY et associés	E-commerce security and development
2/26/2020	Thread Learning	CentralReach	Care and therapy platform for autism
2/25/2020	Segue Technologies	Tetra Tech,	Application development and data services
2/18/2020	Paradigm Growth 360	HearWorks	SEO and PPC advertising services
2/18/2020	CardWorks	Ally Financial	Payment processing for third-party cards
2/18/2020	Chroma Labs	Twitter	Storytelling platform
2/12/2020	FLS	CoreOnyx.	CMS and cloud service for defense and intel
2/4/2020	Computer Habits	Pact-One Solutions	Technology integration and maintenance
2/3/2020	Citadel Information Group.	Miller, Kaplan, Arase & Co.	Security management services to non-profits
1/29/2020	CompuVault	Access Corp	Secure data backup and storage services
1/24/2020	DABARC Data Systems	Data Migration Resources	SAP data migration services in Latin America
1/15/2020	General Proximity	Atiba Holdings	Web development and hosting for healthcare
1/6/2020	Dataprise.	Trinity Hunt Partners	IT support services

(a): Hybrid – Sponsored-backed strategies.
Sources: S&P Capital IQ

Rolling TEV / NTM EBITDA by Sector Index January 2008–April 2020



SELECT BRIDGEPOINT IT SERVICES TRANSACTION EXPERIENCE

DMR

Has acquired

Dabarc
A DMR COMPANY

Buy-side Advisor

DMR

Senior and uni-tranche debt capital raise for recapitalization

JPMORGAN CHASE & CO. GRAYCLIFF PARTNERS

Sole Financial Advisor

PROVIDEA
CONFERENCING

Has been acquired by

WESTVIEW CAPITAL PARTNERS

Sell-side Advisor

stefanini
POWERING YOUR BUSINESS

Has acquired

oxi

Buy-side Advisor

Palisade
SYSTEMS

Has been acquired by

ABSOLUTE

Sell-side Advisor

Onstream
Meetings • Webinars

Has acquired

infinite
CONFERENCING

Buy-side Advisor

Ad.Venture
Partners, Inc.

Has acquired

180 CONNECT

Buy-side Advisor

BirdDogHR

Bridge debt and equity capital raise

Sole Bookrunner

Note: Sector Index Companies – Offshore IT Services Index: CTSH, INFY, 507685, SYNT, and VIRT; US IT Services Index: IBM, ACN, HPE, EPAM, PRFT, and UIS; Government IT Services: CSRA, BAH, SAIC, CACI, MANT, ICFI, and NCIT.

Note: Selected transactions listed above include those executed by bankers at firms outside of Bridgepoint Investment Banking.

Sources: S&P Capital IQ

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FIRST QUARTER 2020

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

229+ years cumulative investment banking experience spanning 163 transactions

\$108+ billion of M&A, capital raising, corporate finance and M&A transaction advisory service experience

73 completed M&A assignments spanning more than \$34 billion

90 completed corporate finance transactions, raising more than \$74 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

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SECTORS OF FOCUS



IT Services



Business Services & Staffing



Healthcare



Consumer & Retail



Industrials & Transportation

229

YEARS OF EXPERIENCE

MORE THAN
\$108B

IN TRANSACTIONS

163

TOTAL TRANSACTIONS

bridgepointib.com