



bridgepoint

INVESTMENT
BANKING

IT Services
M&A Quarterly Update
SECOND QUARTER 2020

IT Service M&A remains active as customers shift their focus to technological advancement to survive COVID-19

The IT Services sector has rebounded from the March trough and remains of interest to buyers with dry powder

IT Services Market Outlook

Companies have decreased their discretionary IT spend due to COVID-19, but continue to require support for their remote workforce in an effort to weather the pandemic

Cloud-based solution spending projected for 2023 and 2024 will show up as early as 2022, cloud-based conferencing is expected to grow 24.3% in 2020

67% of companies expect Work-From-Home (WFH) to be permanent / long-lasting, this will continue to drive demand for outsourced IT support solutions

IT Services Middle-Market M&A

M&A Activity

89 IT Services transactions closed in Q2 2020, down from 147 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 the most active buyers with over \$1 trillion in dry powder to put to work



Strategic Buyers

Most public and private non-sponsor backed strategics are focused on internal operations but remain cautiously opportunistic for the right acquisition



“ Expect a dramatic increase in M&A activity in IT services in 2021.

Chad Gardiner, Director
Bridgepoint Investment Banking



Notable IT Services Transactions Q2-20

IT Services



On June 29, 2020 Loffler Companies announced that it acquired MinnDak Computer Services. MinnDak Computer Services provides managed IT services.

“We welcome their loyal clients as well and look forward to provide opportunities for them to take advantage of the integrated suite of managed business technology and services Loffler provides.” – James Loffler, Managing Partner and VP, Loffler Companies



Support Services



On June 10, 2020 Cyemptive Technologies announced that it acquired Interpreting Technology. Interpreting Technology, a leading provider in IT services and support company.

“Interpreting Technology is an award-winning organization with an impressive team that has built an excellent reputation for quality, innovation and customer service.” – Rob Pike, CEO and Founder, Cyemptive Technologies



Compliance Services

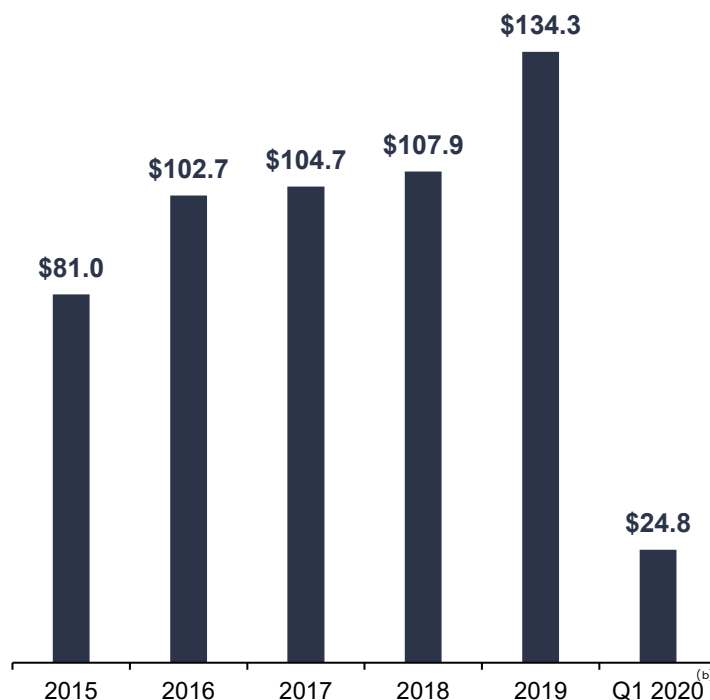


On April 22, 2020 Sylogist announced that it acquired Information Strategies. Information Strategies, is a leading provider in the D.C. are for IT and professional services.

“Interpreting Technology is an award-winning organization with an impressive team that has built an excellent reputation for quality, innovation and customer service.” – Rob Pike, CEO and Founder, Cyemptive Technologies



2015-2020 PE Middle Market^(a) Fundraising Capital Raised (\$bn)



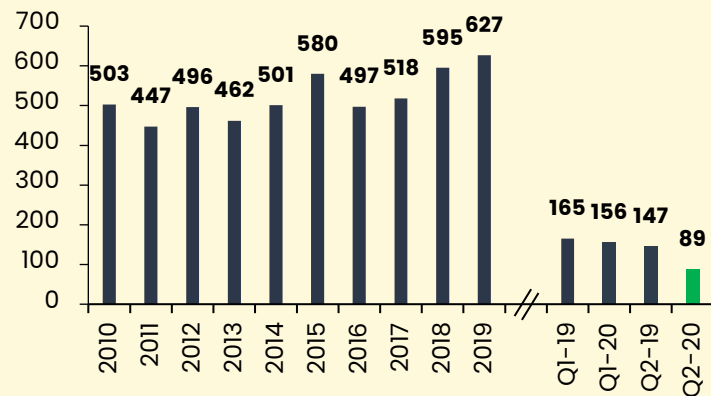
(a) Middle Market = Companies \$50mm-\$1bn TEV.

(b) As of 3/31/2020.

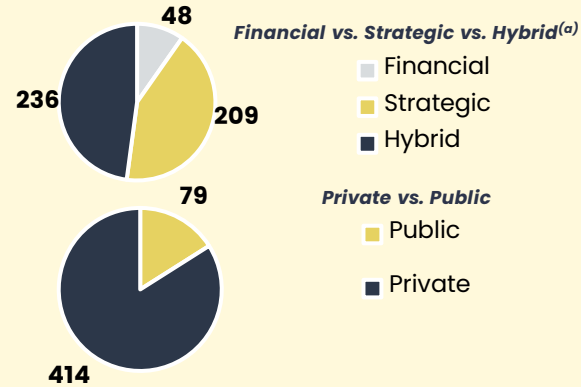
Sources: S&P Capital IQ, Grand View Research, INSIDERPRO, CIO, Infosecurity, MSP TECH NEWS, Gartner, Smallbiz Trends

Selected IT Services M&A Transaction Statistics

Transaction Volume 2007-Q2 2020



IT Services Transaction Buyer Statistics LTM



Selected IT Services Report Q2-20 M&A Transactions

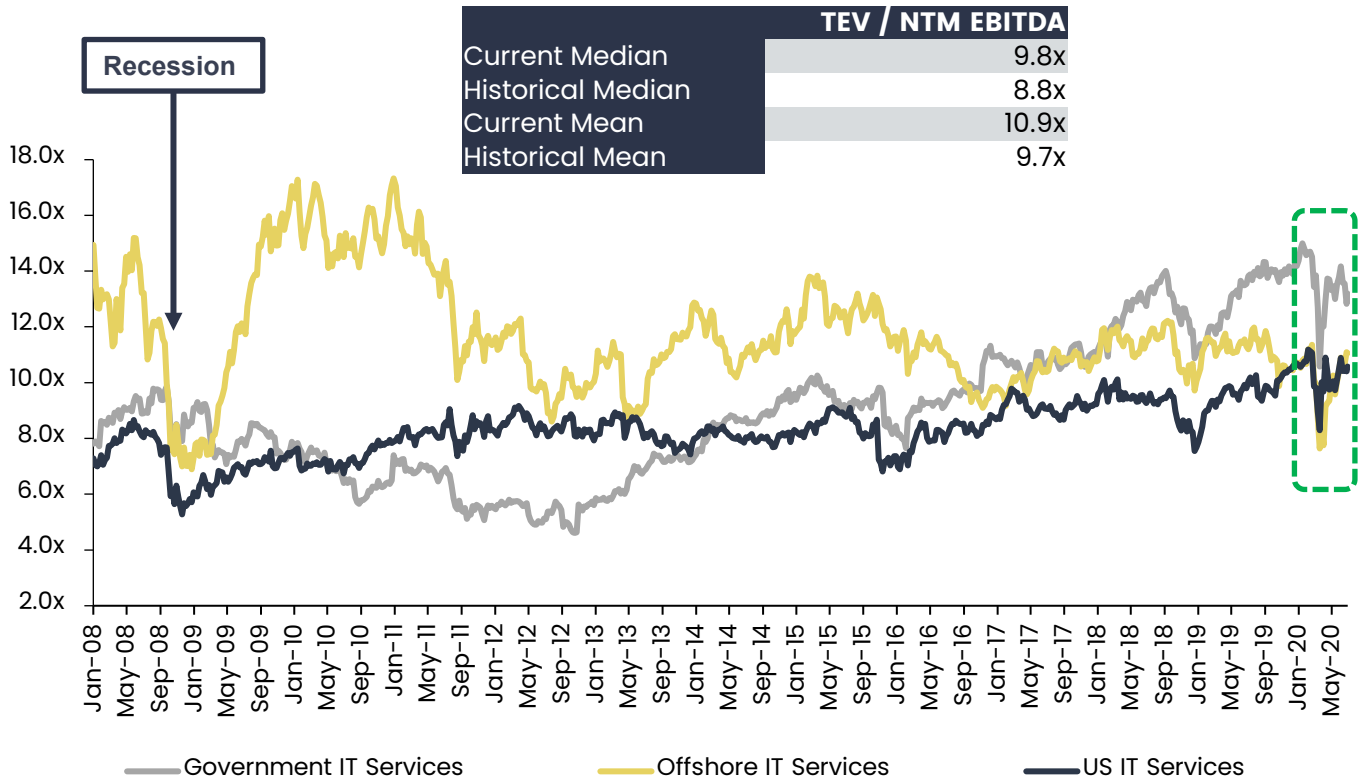
Date	Target	Buyer	Business Description
06/30/2020	VitalGrid	NetObjex	Business technology and management consulting services
06/29/2020	MinnDak Computer Svcs	Loffler Companies	Managed information technology services
06/26/2020	Blizzard Internet Marketing	Ten Twenty Four	Website design, hosting, and booking engine businesses
06/25/2020	Titus International	HelpSystems	IT consulting and training services company
06/24/2020	Precision Design Services	National Technologies	Telecommunications and data communications systems
06/22/2020	NuWave Solutions	AE Industrial Partners ^(b)	Data management, cloud technologies to customers
06/10/2020	Interpreting Technology	Cyemptive Technologies	Operates as an IT services and support company
06/05/2020	Phase Integration	The Suddath	Technology consulting and project management
06/01/2020	Virtual Enterprises	Sirius Computer Solutions	Consulting services for data center infrastructure
06/01/2020	IV4	ProArch IT Solutions	IT consulting services
05/29/2020	Level II	DirectApps	User experience and software development services
05/27/2020	LucentPay	Base Commerce	Payment processing services businesses
05/26/2020	UnitedLex	Ankura Consulting Group	Managed cybersecurity services
05/12/2020	StanSource	Stellar IT Solutions	Information technology consulting services
05/05/2020	Collaborative Solutions	Cognizant Technology Solutions	Strategic consulting services, technology integration
04/29/2020	FTC IT Solutions	Farmers Telephone Cooperative	Offers network design, IT services
04/28/2020	Avalution Consulting	Assurance Software	IT disaster recovery, and IT consulting services
04/22/2020	Information Strategies	Sylogist	IT professional services
04/16/2020	Accelalpha	Century Park Capital Partners ^(b)	Business and IT consulting services to the retail
04/15/2020	Barquin and Associates	Waterleaf International	IT consulting services for government agencies
04/01/2020	MassDeploy	Business Technology Partners ^(b)	IT engineering services

(a): Hybrid – Sponsored-backed strategics.

(b): Private Equity Firm

Sources: S&P Capital IQ

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



= IT Services sector has bounced back from initial pandemic lows

SELECT BRIDGEPOINT IT SERVICES TRANSACTION EXPERIENCE

A DMR COMPANY

Has been acquired by

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

WEST VIEW CAPITAL PARTNERS

Sell-side Advisor

Has been acquired by

stefanini POWERING YOUR BUSINESS

Buy-side Advisor

Has been acquired by

ABSOLUTE

Sell-side Advisor

infinite CONFERENCING

Has been acquired by

Onstream Meetings • Webinars

Buy-side Advisor

Has been acquired by

Ad.Venture Partners, Inc.

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

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



Business & IT Services



Technology



Healthcare



Consumer & Retail



Industrials & Transportation

229

YEARS OF EXPERIENCE

MORE THAN
\$108B

IN TRANSACTIONS

163

TOTAL TRANSACTIONS