

IT & PROFESSIONAL SERVICES MARKET UPDATE – MARCH 2018

TRENDS

Application Development: Everyone Wants It

- Corporations are feeling the strain of keeping pace with the technology requirements of developing and maintaining both customer-facing applications and those serving their internal teams
- Mobile application development outsourcing is becoming a key component of corporate IT strategy as mobile applications are growing at least 5 times faster than internal IT organizations' capacity to deliver them
- With over 5 billion smartphones and over 45% of the population owning a device, the application development market is massive and expected to generate \$189 billion in revenue by 2020

IT Outsourcers Show Appetite for US Companies

- Large IT Outsourcing firms have long been a staple in the US corporate ecosystem for their ability to provide low-cost technology resources for a wide array of IT needs
- Recently, however, these large foreign firms have begun looking for more direct inroads into the US market and often pursuing higher-end services with which they can attract new clients or entrench existing relationships

Capgemini Acquires LiquidHub: Two Trends for the Price of One

- Capgemini's \$500m acquisition of LiquidHub exemplifies the confluence of these two trends: large IT outsourcer acquiring an application development company in order to gain technical capabilities in a rapidly growing sector
- Paul Hermelin, Chairman and CEO of Capgemini Group, summed up the growing appetite of IT Outsourcers and the strong appeal of application development in his description of LiquidHub, stating, "LiquidHub's passion to help clients uncover new ways to engage with their customers, supported by robust digital expertise and a strong track record in complex technology execution, was a natural fit with the end to end digital services that Capgemini provides enterprises around the world."

CHILDSCONNECT CONFERENCE

Our 9th annual conference, CHILDSConnect, will be on May 10th in Atlanta at The St. Regis Hotel in Buckhead. Last year over 400 owners, executives, and investors interested in middle market growth opportunities were in attendance.

Key Note Presentation

Amazon: Frenemy or Foe?

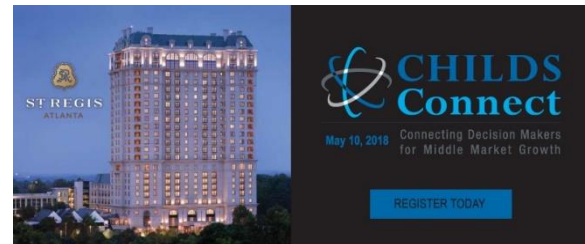
Presented by Clay Cowen, McKinsey Partner in Marketing Practice, and Steve Stafford, McKinsey Senior Advisor

Highlights

- Unique and valuable network opportunities
- Five sector updates: Healthcare, HCM, Industrial Services, IT & Professional Services, and Software
- Middle market M&A trends
- Roundtable discussions

Learn More & Register

www.childsadvisorypartners.com/childsconnect



UPCOMING CONFERENCES

Conference	Date	Location	Conference	Date	Location
	April 10 - 12	Chicago, IL		June 5 - 7	Orlando, FL
	May 7 - 10	Las Vegas, NV		June 10 - 14	Orlando, FL
	May 21 - 24	Anaheim, CA		August 6 - 8	San Diego, CA

NOTABLE TRANSACTIONS – IT & PROFESSIONAL SERVICES



has been acquired by



Announced – February 2018

Intermedix provides revenue cycle management, practice management and data analytics services to more than 15,000 individual healthcare providers across the nation



has been acquired by



Announced – February 2018

LiquidHub is a digital customer engagement firm that specializes in developing and delivering compelling customer experiences



has strategically combined with



January 2018

Aegis is pre-eminent US healthcare compliance services firm widely recognized for providing leading industrywide compliance and privacy-related services and for its strength in the clinical research arena



has been acquired by



(Portfolio company of WestView Capital Partners)

December 2017

HSG provides consulting resources that address the technology needs of healthcare organizations, including providers, payers, and related technology and services vendors

NOTABLE TRANSACTIONS – MANAGED SERVICE PROVIDERS

SINGLEHOP[®]

has been acquired by

INAP[™]

February 2018

SingleHop provides hosted IT infrastructure and cloud computing services for businesses and enterprises worldwide


Secure-24

has been acquired by


NTT Communications

November 2017

Secure-24 specializes in delivering effective, comprehensive managed services that leverage proprietary, highly automated operation tools

NOTABLE TRANSACTIONS – VAR / SYSTEM INTEGRATORS

ARROW

(Systems Integration business)

has been acquired by

 **ConvergeOne**

March 2018

Arrow Electronics is a global provider of products, services and solutions to industrial and commercial users of electronic components and enterprise computing solutions

CompuCom[®]

has been acquired by

**Office
DEPOT[®]**

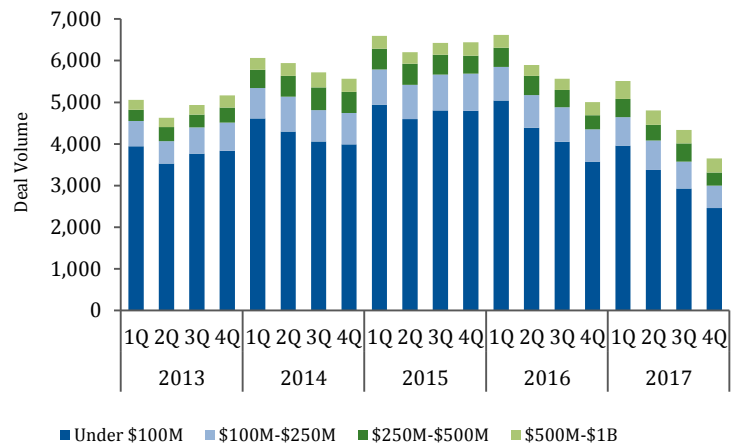
November 2017

CompuCom provides information technology (IT) managed services, infrastructure solutions, consulting, and products to Fortune 1000 companies

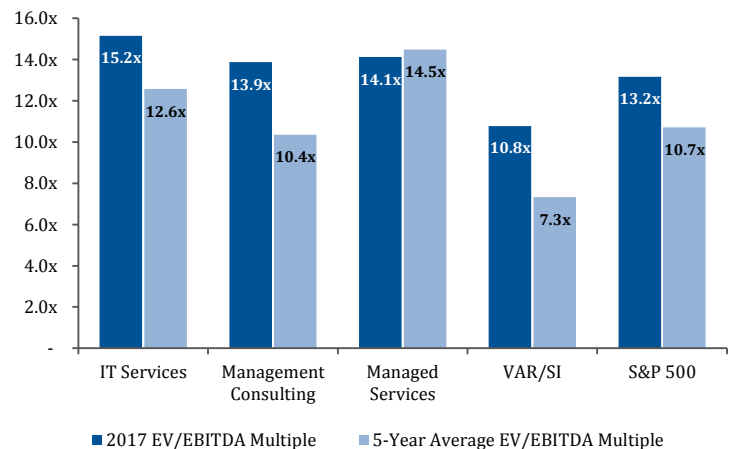
M&A ACTIVITY AND TRENDS

- Transaction volume across the mid-market was down in 2017, and flat for the IT & Professional Services sector. In the first few months of 2018, M&A activity has been strong, with both strategic and financial buyers actively pursuing deals and paying healthy multiples
- Volume for ITPS deals was flat, with 277 deals closed in Q4 2018 versus 269 deals closed in Q4 2017
- Across most sectors, ITPS deals through the first half of the year have traded at a premium to the 5 year average of EV/EBITDA multiples; the exception is the managed services sector, with the average multiple just below the 5 year average
- Large strategics and private equity backed platforms were the most active buyers in Q4 2017, with that trend continuing into 2018
- Opportunities for high-quality growth deals continue to be well received by buyers
- Valuations for publicly traded ITPS companies continue to steadily increase
 - ITPS companies have maintained stable growth, slightly outpacing the S&P benchmark
- ITPS companies across all sectors continue to have multiple attractive exit options
 - Strategics continue to look for acquisitions to supplement organic growth and buy versus build into hot sectors
 - Private Equity funds have raised unprecedented funds as of late, resulting in large amounts of dry powder needing to be invested

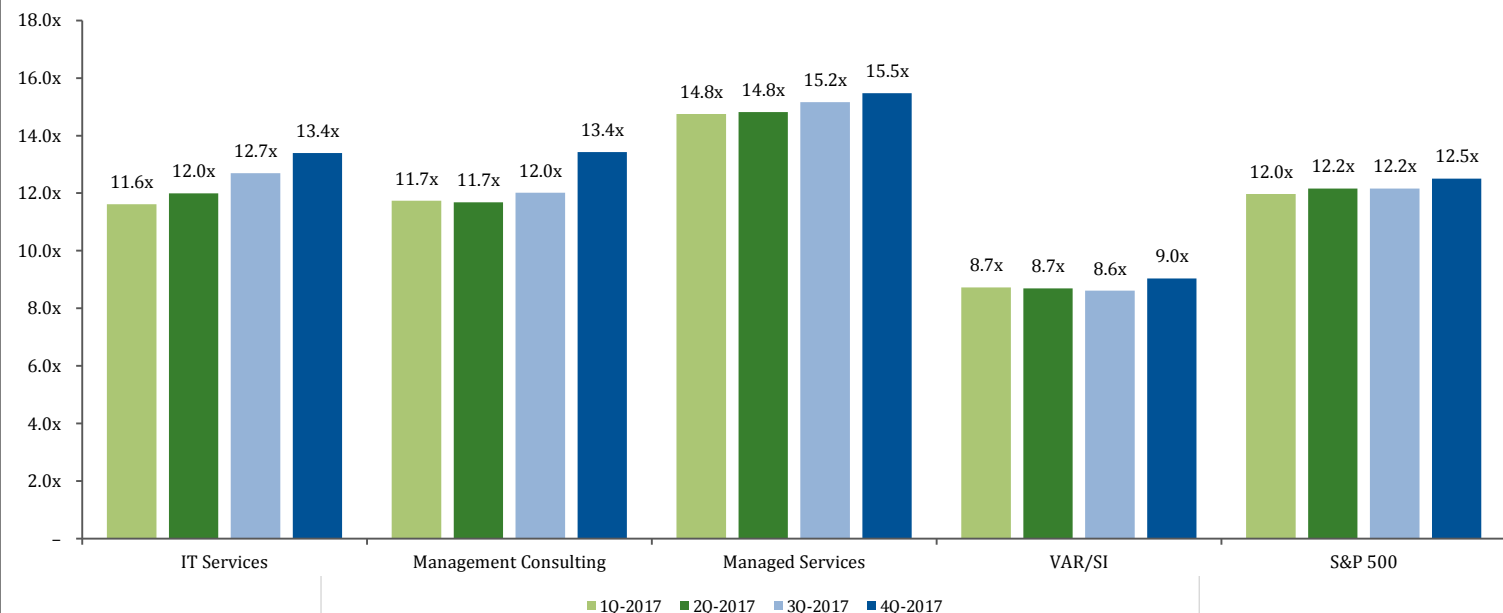
MID MARKET M&A TRANSACTION VOLUME



EV/EBITDA MULTIPLE COMPARISON



IT & PROFESSIONAL SERVICES EV/EBITDA MULTIPLES - QUARTERLY TRENDS



CHILDS Advisory Partners

IT & PROFESSIONAL SERVICES PUBLIC TRADING STATISTICS

IT SERVICES

<i>(USD in millions, except for stock price)</i>													
Company Name	Market Data				Operating Statistics			EV as a Multiple of:				Growth	
	Stock Price 2/28/18	% of 52 Week High	Market Cap.	Enterprise Value	LTM			LTM		CY2017		16 - '17 Growth	3 Year Rev CAGR
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA		
Cognizant Technology Solutions	\$82.0	97.9%	\$48,232.0	\$44,049.0	\$14,810.0	\$3,032.0	20.5%	3.0x	14.5x	2.6x	11.6x	9.8%	13.0%
Computer Task Group, Incorporated	8.0	95.3%	123.5	116.7	301.2	6.7	2.2%	0.4x	17.4x	0.4x	7.7x	(6.6%)	(8.5%)
Edgewater Technology, Inc.	6.2	77.5%	86.6	78.8	110.8	5.4	4.8%	0.7x	14.7x	0.7x	9.5x	(11.0%)	2.1%
EPAM Systems, Inc.	113.1	94.9%	5,999.9	5,442.3	1,450.4	209.6	14.5%	3.8x *	26.0x *	2.7x	15.1x	24.9%	25.7%
Globant S.A.	52.1	97.4%	1,833.2	1,777.6	413.4	51.5	12.5%	4.3x	34.5x	3.0x	17.5x	26.7%	27.5%
Huron Consulting Group Inc.	35.0	74.7%	741.6	1,067.8	732.6	104.0	14.2%	1.5x	10.3x	1.4x	10.9x	1.3%	5.3%
ICF International, Inc.	57.0	96.3%	1,061.4	1,255.8	1,229.2	112.7	9.2%	1.0x	11.1x	1.0x	10.1x	1.9%	5.4%
Infosys Limited	18.0	96.0%	39,071.2	35,533.8	10,703.0	2,876.0	26.9%	3.4x *	12.6x	3.0x	11.1x	8.8%	7.4%
Perficient, Inc.	19.5	96.0%	679.7	742.2	472.9	53.3	11.3%	1.6x	14.5x	1.7x	10.4x	(6.3%)	2.5%
PFSweb, Inc.	7.2	80.6%	136.2	174.6	281.3	17.7	6.3%	0.6x	9.9x	0.6x	7.3x	0.0%	12.2%
Syntel, Inc.	26.9	97.3%	2,227.6	2,463.5	923.8	248.1	26.9%	2.7x	9.9x	2.6x	10.3x	(6.9%)	0.5%
Tech Mahindra Limited	9.4	97.1%	9,200.5	8,144.5	4,649.6	642.7	13.8%	1.8x	12.6x	1.6x	9.3x	13.3%	11.9%
TTEC Holdings, Inc.	35.7	81.5%	1,634.5	1,817.8	1,477.4	185.0	12.5%	1.3x	10.6x	1.1x	8.2x	12.7%	6.0%
The Hackett Group, Inc.	18.0	88.0%	516.7	518.2	263.3	41.1	15.6%	2.0x	12.6x	1.7x	9.3x	(0.8%)	7.2%
Wipro Limited	4.5	87.7%	20,198.5	17,823.3	8,418.9	1,681.5	20.0%	2.1x	10.8x	2.0x	10.3x	6.3%	5.6%
Mean		90.5%			\$3,082.5	\$617.8	14.1%	1.8x	14.0x	1.7x	10.6x	4.9%	8.2%
Median		95.3%			\$923.8	\$112.7	13.8%	1.6x	12.6x	1.7x	10.3x	1.9%	6.0%

MANAGEMENT CONSULTING

Company Name	Market Data				Operating Statistics			EV as a Multiple of:				Growth	
	Stock Price 2/28/18	% of 52 Week High	Market Cap.	Enterprise Value	LTM			LTM		CY2017		16 - '17 Growth	3 Year Rev CAGR
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA		
Accenture plc	\$161.0	97.2%	\$99,289.7	\$96,423.8	\$35,857.9	\$5,853.8	16.3%	2.7x	16.5x	2.4x	14.0x	6.6%	5.5%
CRA International, Inc.	50.0	94.3%	405.4	351.3	370.1	25.5	6.9%	0.9x	12.6x	0.9x	0.0x *	12.1%	6.5%
Exponent, Inc.	77.8	96.0%	2,003.5	1,807.2	329.7	78.3	23.8%	5.5x	23.1x	4.9x	18.6x	11.2%	4.5%
FTI Consulting, Inc.	47.7	93.9%	1,741.0	1,947.3	1,807.7	186.9	10.3%	1.1x	10.4x	1.0x	8.8x	(0.5%)	1.0%
Navigant Consulting, Inc.	19.9	81.2%	895.9	1,020.4	939.6	125.8	13.4%	1.1x	8.1x	1.0x	7.8x	2.1%	7.0%
Resources Connection, Inc.	15.6	89.4%	487.9	479.6	590.4	46.4	7.9%	0.8x	10.3x	0.0x *	0.0x *	(0.3%)	0.3%
Mean		92.0%			\$6,649.2	\$1,052.8	13.1%	2.0x	13.5x	2.1x	12.3x	5.2%	4.1%
Median		94.1%			\$765.0	\$102.1	11.9%	1.1x	11.5x	1.0x	11.4x	4.3%	5.0%

MANAGED SERVICES

Company Name	Market Data				Operating Statistics			EV as a Multiple of:				Growth	
	Stock Price 2/28/18	% of 52 Week High	Market Cap.	Enterprise Value	LTM			LTM		CY2017		16 - '17 Growth	3 Year Rev CAGR
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA		
Akamai Technologies, Inc.	\$67.5	97.0%	\$11,411.0	\$11,362.0	\$2,503.0	\$645.3	25.8%	4.5x	15.2x	4.3x	11.2x	6.4%	8.4%
Equinix, Inc. (REIT)	392.1	79.2%	31,065.3	39,733.2	4,368.4	1,897.5	43.4%	9.1x	20.9x	7.5x	15.4x	20.8%	21.4%
Internap Corporation	13.0	58.2%	256.6	756.3	280.7	86.0	30.6%	2.7x	9.6x	2.3x	6.6x	(6.2%)	(5.7%)
j2 Global, Inc.	74.0	80.9%	3,583.2	4,234.2	1,117.8	410.0	36.7%	3.8x	9.7x	3.6x	8.5x	30.0%	23.1%
Limelight Networks, Inc.	4.0	66.8%	447.7	398.4	184.4	18.0	9.7%	2.2x	22.2x *	2.1x	10.5x	9.4%	4.3%
Mean		76.4%			\$1,690.9	\$611.4	29.3%	4.4x	13.9x	3.9x	10.4x	12.1%	10.3%
Median		79.2%			\$1,117.8	\$410.0	30.6%	3.8x	12.5x	3.6x	10.5x	9.4%	8.4%

VAR / SYSTEM INTEGRATOR

Company Name	Market Data				Operating Statistics			EV as a Multiple of:				Growth	
	Stock Price 2/28/18	% of 52 Week High	Market Cap.	Enterprise Value	LTM			LTM		CY2017		16 - '17 Growth	3 Year Rev CAGR
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA		
Atos SE	\$132.5	80.1%	\$13,925.2	\$14,239.1	\$15,239.1	\$1,917.1	12.6%	0.9x	7.3x	0.9x	6.6x	23.6%	11.9%
Black Box Corporation	2.0	18.2%	30.3	159.4	788.8	10.0	1.3%	0.2x	15.9x	0.0x	0.0x *	(100.0%)	(7.2%)
ePlus inc.	76.6	78.3%	1,067.8	1,130.9	1,413.3	99.9	7.1%	0.8x	11.3x	0.7x	0.0x *	9.3%	7.6%
ITS Group	8.4	92.2%	64.1	68.8	208.7	8.3	4.0%	0.3x	7.8x	0.3x	5.3x	9.7%	4.4%
Insight Enterprises, Inc.	34.9	65.7%	1,251.8	1,778.6	6,703.6	237.8	3.5%	0.3x	7.5x	0.3x	6.3x	20.2%	8.0%
Mean		67.2%			\$4,412.5	\$508.8	6.2%	0.6x	10.6x	0.5x	6.0x	(14.3%)	4.2%
Median		79.2%			\$1,101.1	\$54.9	5.5%	0.6x	9.5x	0.5x	6.0x	9.5%	6.0%

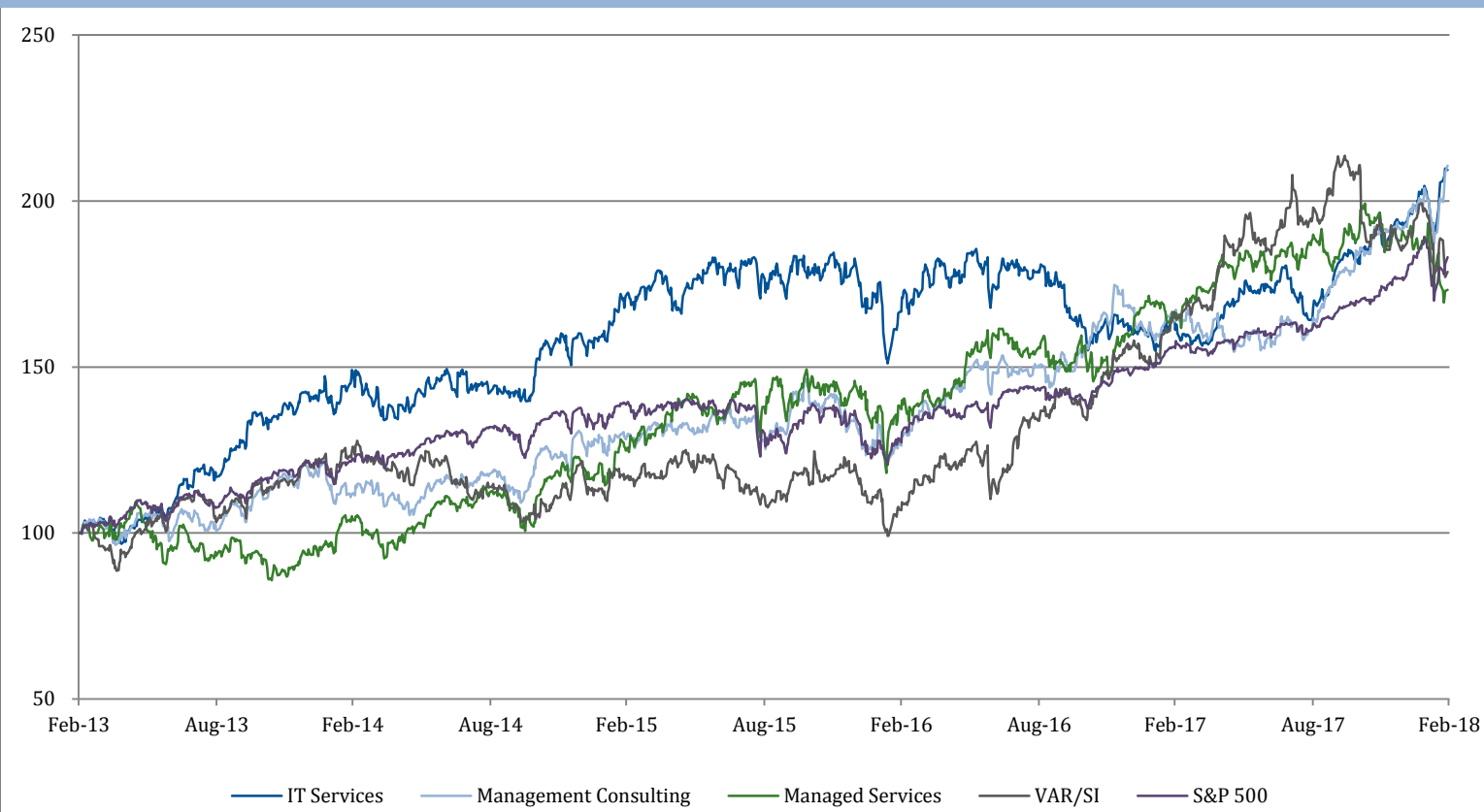
Source: Capital IQ

* Denotes figure excluded from mean/median calculation

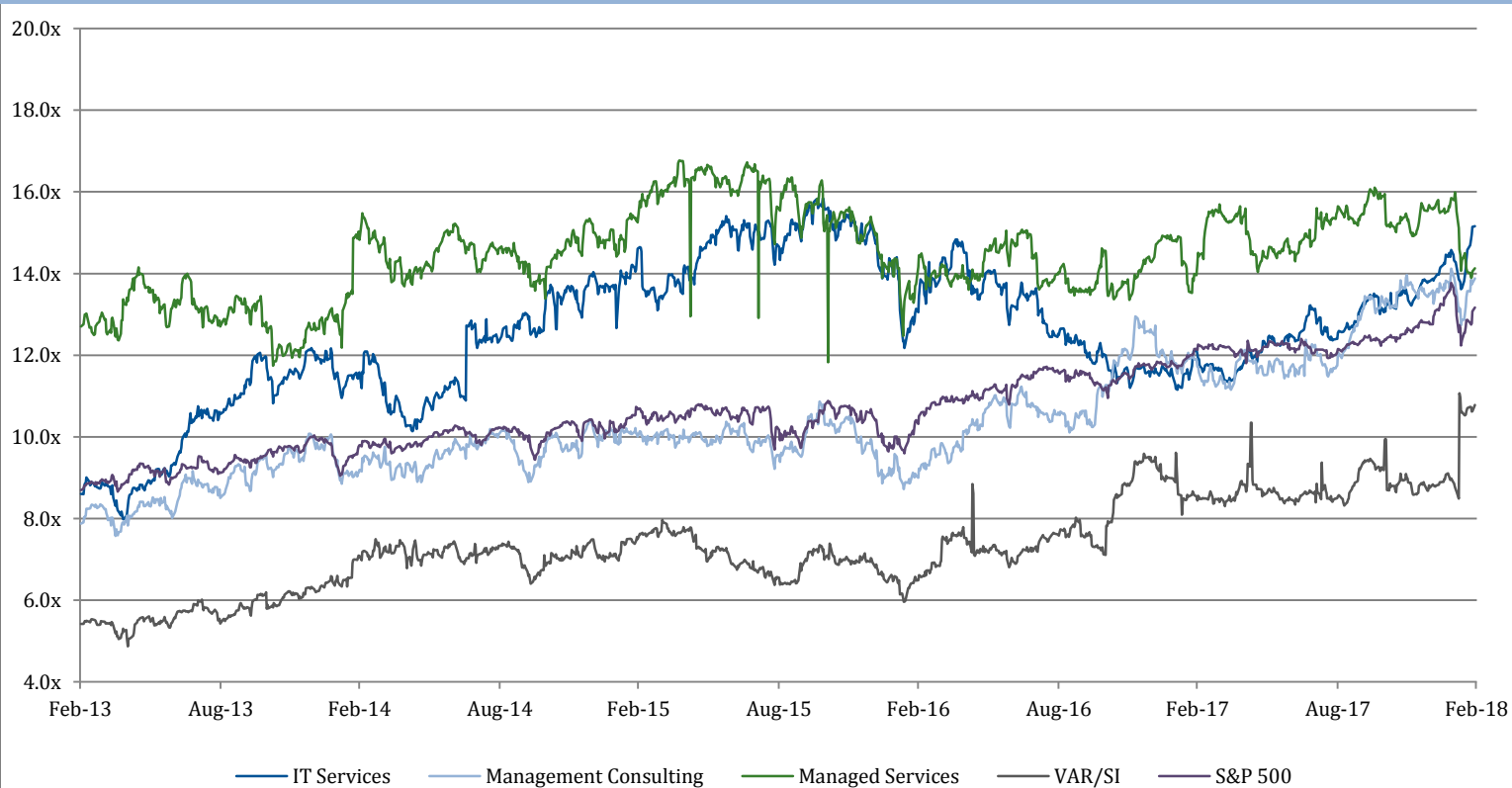
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STOCK MARKET FUNDAMENTALS

IT & PROFESSIONAL SERVICES SECTOR INDICES VS. S&P 500



VALUATION TREND DATA (EV/LTM EBITDA)



IT Services: CTSH, CTG, EDGW, EPAM, GLOB, HURN, ICFI, INFY, PRFT, PFSW, SYNT, TECHM, TTEC, HCKT, WIPRO
 Management Consulting: ACN, CRAI, EXPO, FCN, NCI, RECN

Managed Services: AKAM, EQUIX, INAP, JCOM, LLNW
 VAR/SI: ATO, BBOX, ITS, PLUS, NSIT

FIRM OVERVIEW

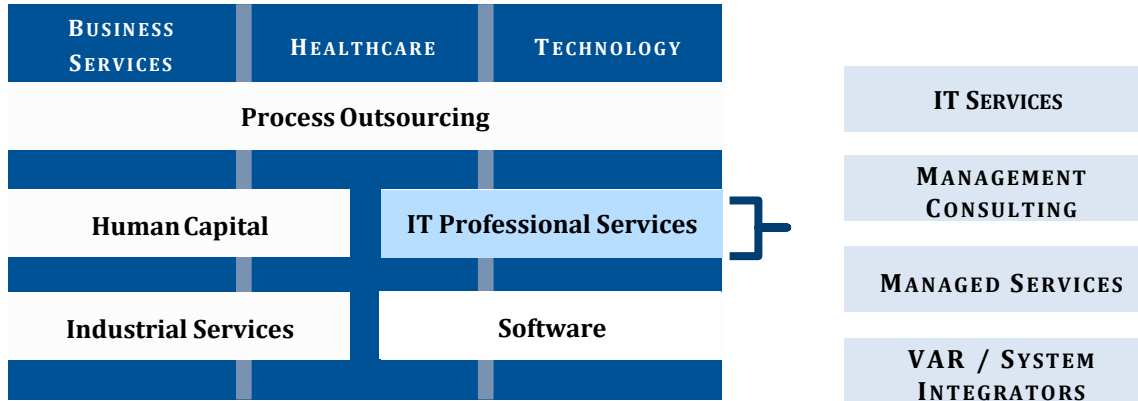
QUICK FACTS

- **45** professionals across four offices in the US with headquarters in Atlanta
- **83** total transactions closed since the beginning of 2014
- Over **450** transactions completed in the middle market (Enterprise Value less than \$1.0 billion)
- **60%** of transactions since 2013 have involved a strategic buyer; **40%** a financial sponsor
- Market leading close rate

ACCOLADES

- **2016 U.S. Boutique Investment Bank of the Year**
- 2016 Ranked #1 by 451 Group for IT Services transactions in the U.S.
- 2014 Cross-Border Transaction of the Year Finalist
- 2014 Professional Services Transaction of the Year Finalist
- 2013 Strategic Acquisition of the Year Winner
- 2013 U.S. Boutique Investment Bank of the Year Finalist

CORE COVERAGE



CHILDS ADVISORY PARTNERS SERVICES

MERGERS & ACQUISITIONS

CAPITAL RAISES

FINANCIAL & STRATEGIC ADVISORY

CHILDS Advisory Partners

TEAM'S EXTENSIVE EXPERIENCE IN IT SERVICES & TECHNOLOGY


talent rover
has been acquired by





AEGIS
COMPLIANCE & ETHICS
has strategically combined with



HOLLAND
SQUARE
GROUP
apply leverage. drive results.
has been acquired by

FROM START TO FINISH
ALKU
(Portfolio company of WestView
Capital Partners)


dsg
has been recapitalized by



aim
consulting
has been acquired by

Addison Group
(Portfolio company of Odyssey
Investment Partners)


datAvail
has acquired



FINELINE
TECHNOLOGIES
has been recapitalized by



THE CHANNEL CO.
has been acquired by



Falcon
CONSULTING GROUP
has been acquired by

avaap
innovation | solutions | outcome


COLLABORATIVE
SOLUTIONS
has been recapitalized by



datAvail
has acquired

Art of BI Software
Enterprise Collaboration Technology


peoplenet
has been recapitalized by



PTC
has acquired



HMS
SOLUTIONS GROUP
has been acquired by



MCKINNIS
CONSULTING SERVICES
has been acquired by



IGXGLOBAL
has been acquired by



celerity
has been acquired by



Channelinsight
has been acquired by



CDI Corporation
has acquired





Sagacious
consultants
has been acquired by



STOWE GROUP
has been acquired by





group:basis
has been acquired by



TAOS
has been recapitalized by



AGORA group
has been acquired by



intelenex
has been acquired by



solstice
MOBILE
has been acquired by



BEAR
DATA SOLUTIONS
has been acquired by




itelligence
has acquired



zanett
has been acquired by



Vonlay
has been acquired by


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CHILDS IT & PROFESSIONAL SERVICES TEAM

CHILDS OFFERS THE SENIOR LEVEL ATTENTION AND ADVISORY FOCUS OF A BOUTIQUE FIRM
COUPLED WITH BANKERS THAT HAVE BULGE BRACKET EXPERIENCE

Jim Childs
Managing Director & CEO
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- Former CEO of Impact Innovations, an IT Services firm
- Former Robinson Humphrey Investment Banker
- Over 20 years of experience as an investment banker and owner/operator
- Personally led over 100 M&A and financing transactions
- MBA from Harvard Business School

Tom Donahue
Managing Director
tdonahue@childsap.com
617.290.5433



- 19 years of investment banking experience executing M&A transactions and raising capital
- Co-founder of Bulger Capital Partners
- Co-head of East Coast Services and Software for Needham & Company
- MBA from F.W. Olin School of Business at Babson College and a B.A. from Hobart College

Don Holbrook
Managing Director
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949.375.4949



- Over 20 years of investment banking experience solely focused on technology & services
- Don has sourced and executed over 50 transactions in the technology industry
- Don maintains close contact with all strategic buyers
- MBA from McColl School of Business and undergraduate from Roger Williams University

Scott Rhodes
Managing Director
srhodes@childsap.com
404.461.4621



- Corporate Development executive for Equifax and Waste Management. CEO of PE-backed Bagster, sold to Fortune 500 strategic
- 14 years of investment banking experience including Citigroup and BofA
- Executed over 80 M&A and capital markets transactions
- MBA from Kellogg School at Northwestern University (Beta Gamma Sigma) and BA from UNC Chapel Hill (Phi Beta Kappa)

Ravi Bhagavan
Managing Director
rbhagavan@childsap.com
917.216.2012



- 18 years of investment banking experience advising clients on M&A and capital raising
- Managing Director and Head of Tech-Enabled Services at Headwaters MB
- Prior experience at Galileo Global Advisors and Goldman Sachs
- Corporate Development leader at Zephyr Communications
- MBA from The University of Chicago Booth School, MS from SUNY Buffalo, and B.Tech from IIT Madras

Ross DeDeyn
Managing Director
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- Investment banking experience with UBS, Piper Jaffray, and Duncan-Williams
- 15 years focused predominantly on healthcare services & technology M&A and Capital Markets transactions
- MBA from Columbia Business School and JD from University of Georgia School of Law

Justin Bentley
Director
jbentley@childsap.com
404.461.4648



- 7 years of investment banking experience with Morgan Stanley and KPMG
- Executed 15 M&A and capital markets transactions (over \$15 billion in value)
- MBA from Darden School of Business at the University of Virginia and undergraduate from the University of Virginia

Steve Carr
Vice President
scarr@childsap.com
404.461.4613



- 8 years of investment banking experience
- Current and past clients include companies such as Sagacious, Taos, Symmetry, Aggressor, and HighPoint Consulting
- Former investment banker at SunTrust Robinson Humphrey
- Graduated cum laude from Washington & Lee University

R.B. McCutcheon
Vice President
rmccutcheon@childsap.com
404.461.4615



- 7 years of investment banking experience
- Current and past clients include companies such as Channelinsight, Aggressor, Aegis, Cumberland Consulting, FineLine Technologies, Solstice Mobile, and Utopia
- Graduated cum laude from the University of Georgia