

# PEAKSTONE

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## IT Services Industry Insight

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September 2018

# IT Services M&A Update

## IT Services categories continue to see strong M&A activity

In 2018 YTD, strategic buyers accounted for 89% of the IT Services M&A transactions with financial buyers making up the difference; during 2017, strategic buyers accounted for approximately 90% of the transactions.

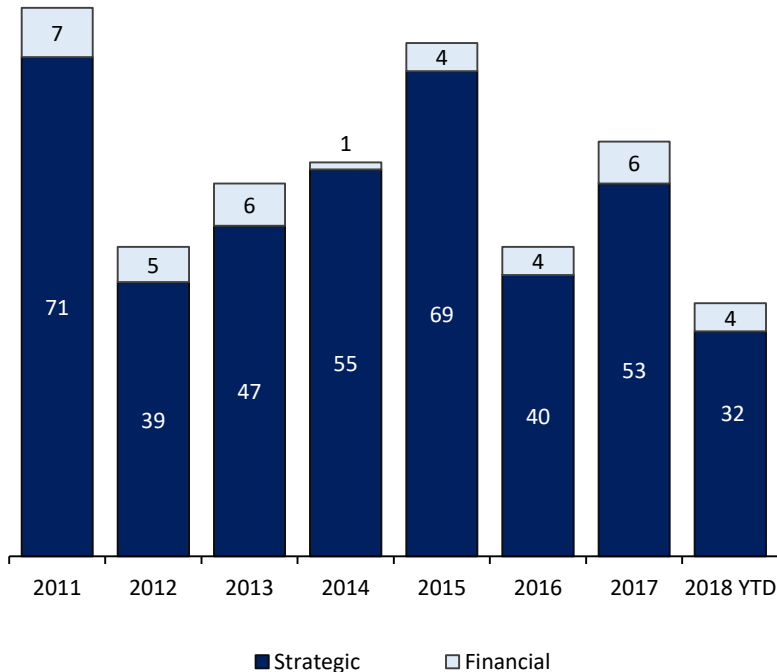
### Select Recent Notable Publicly Announced M&A Transactions

Date	Target / Issuer	Transaction Size (\$mm)	Buyers / Investors	EV / EBITDA	Transaction Comments
08/01/2018	Cardinal Solution Group, Inc.	\$79	Insight Enterprises, Inc. (NasdaqGS:NSIT)	-	Insight Enterprises, Inc. (NasdaqGS:NSIT) acquired Cardinal Solution Group, Inc. for \$79 million on August 1, 2018. The consideration was paid net of cash, and is subject to a final working capital adjustment.
07/22/2018	Syntel, Inc. (NasdaqGS:SYNT)	\$3,669	Atos SE (ENXTPA:ATO)	13.4x	Atos SE (ENXTPA:ATO) entered into a definitive merger agreement to acquire Syntel, Inc. (NasdaqGS:SYNT) for \$3.4 billion on July 20, 2018. The transaction is valued at approximately \$3.57 billion, including Syntel's net debt.
06/28/2018	Convergys Corporation (NYSE:CVG)	\$2,733	Concentrix Corporation	7.4x	Concentrix Corporation entered into an agreement and a plan of merger to acquire Convergys Corporation (NYSE:CVG) for \$2.4 billion on June 28, 2018.
06/27/2018	Molina Information Systems, LLC	\$266	DXC Technology Company (NYSE:DXC)	-	DXC Technology Company (NYSE:DXC) entered into a purchase and sale agreement to acquire Molina Information Systems, LLC from Molina Healthcare, Inc. (NYSE:MOH) for \$266 million on June 26, 2018.
06/21/2018	Data Center Colocation Operations and Assets of AT&T Corp.	\$1,100	Brookfield Infrastructure Partners L.P. (NYSE:BIP)	-	Brookfield Infrastructure Partners L.P. (NYSE:BIP) agreed to acquire data center colocation operations and assets from AT&T Corp. for \$1.1 billion on June 21, 2018.
05/21/2018	GlobalLogic Inc.	\$2,000	Canada Pension Plan Investment Board	-	Clients of Partners Group Holding AG (SWX:PGHN) and Canada Pension Plan Investment Board agreed to acquire GlobalLogic Inc. from Apax VIII, L.P., fund managed by Apax Partners LLP, and Canada Pension Plan Investment Board on May 21, 2018.
05/08/2018	Central Payment Corporation	\$126	Total System Services, Inc. (NYSE:TSS)	-	Total System Services, Inc. (NYSE:TSS) acquired 15% stake in Central Payment Corporation for approximately \$130 million in April 2018.
04/26/2018	Mattersight Corporation (NasdaqGM:MATR)	\$122	NICE Systems Inc.	-	NICE Systems Inc. ('NICE') entered into an agreement to acquire Mattersight Corporation (NasdaqGM:MATR) for \$89.7 million on April 25, 2018. NICE will commence a cash tender offer to acquire all shares of Mattersight for \$2.7 per share in cash.
03/14/2018	Wipro Data Centre and Cloud Services, Inc. and Portion of Datacenter Business In Germany and UK	\$405	Ensono, LP	-	Ensono Holdings, LLC signed a definitive agreement to acquire Wipro Data Centre and Cloud Services, Inc. and Portion of Datacenter Business In Germany and UK from Wipro Limited (BSE:507685) for approximately \$410 million on March 14, 2018.

# U.S. IT Services Industry – M&A Market Overview

U.S. IT Services transaction activity has been strong

U.S. Number of Transactions by Buyer Type



U.S. Transaction Multiples



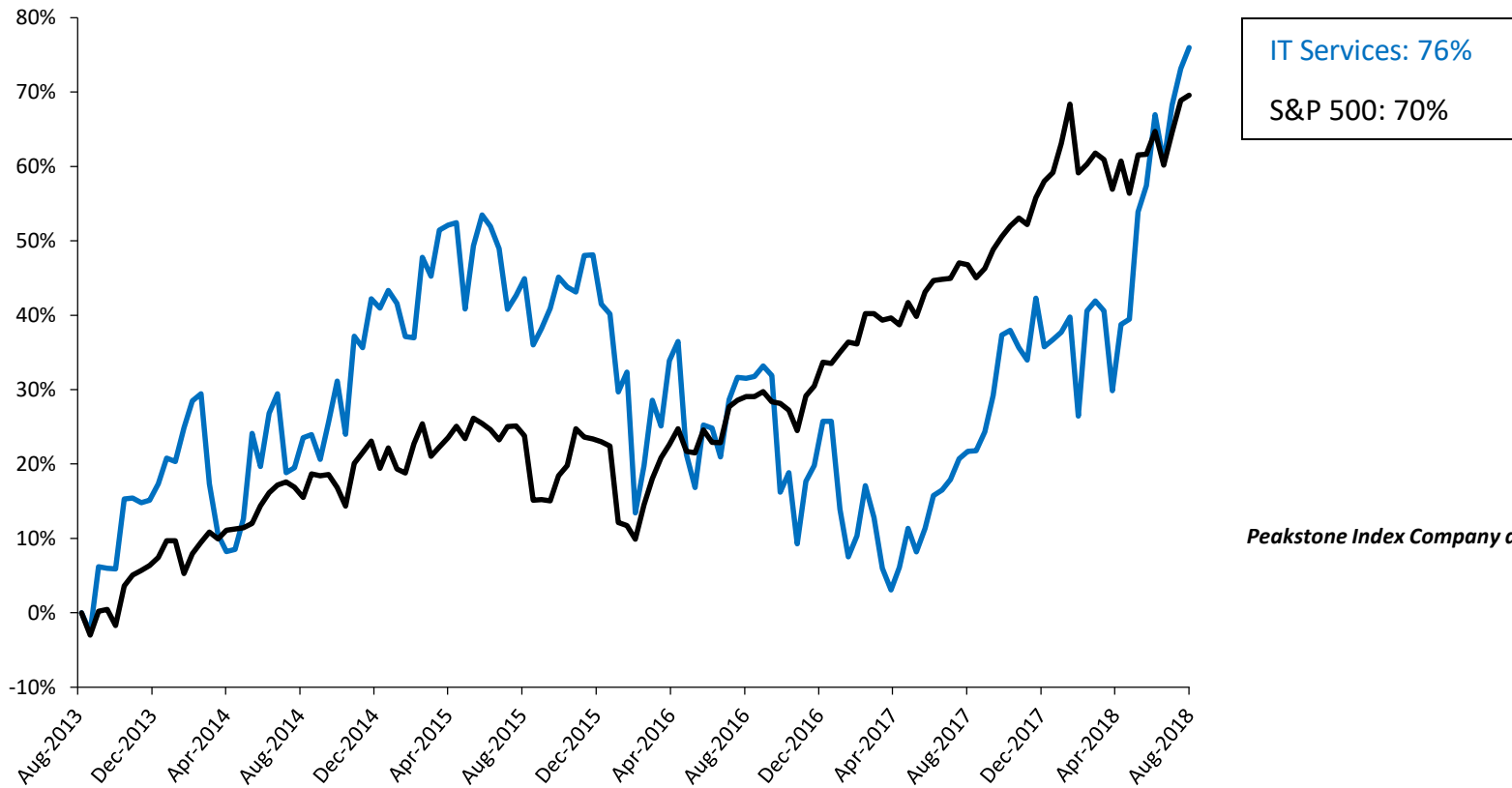
Source: Capital IQ, data as of August, 2018.

Note: Includes only transactions with Total Transaction Value greater than \$1.0 M

# Peakstone IT Services Index – Trading Statistics

IT Services categories performed favorably compared to the S&P 500

## Relative Stock Performance



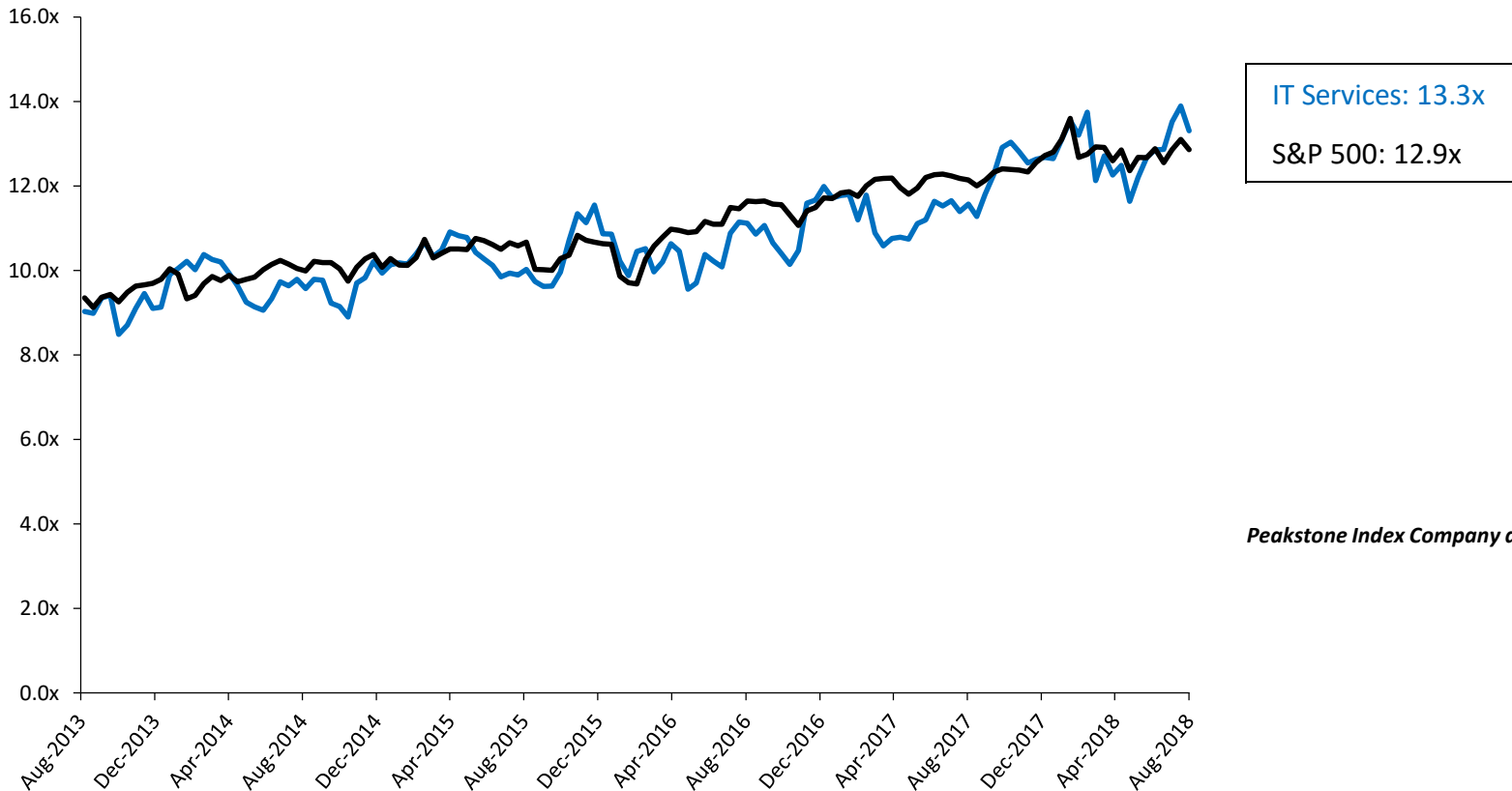
Peakstone Index Company details on page 5

Source: Capital IQ, data as of August, 2018.  
Note: Peakstone Indexes are equally weighted.

# Peakstone IT Services Index – Trading Statistics

IT Services categories performed favorably compared to the S&P 500

Comparable Valuation Trends – Enterprise Value / EBITDA



Peakstone Index Company details on page 5

Source: Capital IQ, data as of August, 2018.  
Note: Peakstone Indexes are equally weighted.

# Public Trading Comparables by Sector

## Select IT Services Public Trading Comparables

Company Name	Market Cap	Enterprise Value	Enterprise Value /			Forward P/E Ratio	Gross Margin %	EBITDA Margin %
			Revenue	EBITDA	EBIT			
<b>IT Services</b>								
International Business Machines Corporation	\$134,186	\$168,188	2.1x	9.9x	13.5x	10.7x	46%	21%
Accenture plc	\$103,289	\$99,741	2.6x	15.9x	17.5x	23.1x	31%	16%
Cognizant Technology Solutions Corporation	\$45,299	\$41,801	2.7x	13.0x	15.3x	16.5x	39%	21%
Hewlett Packard Enterprise Company	\$24,420	\$31,645	1.0x	10.9x	43.6x	10.8x	29%	10%
Xerox Corporation	\$6,793	\$11,005	1.1x	7.9x	11.7x	8.0x	39%	14%
EPAM Systems, Inc.	\$7,057	\$6,498	3.9x	26.7x	30.7x	28.5x	36%	15%
CACI International Inc	\$4,446	\$5,473	1.2x	13.3x	16.0x	21.7x	33%	9%
Syntel, Inc.	\$3,366	\$3,505	3.6x	13.3x	13.9x	21.1x	38%	27%
ManTech International Corporation	\$2,500	\$2,523	1.4x	16.9x	24.1x	29.7x	15%	8%
Insight Enterprises, Inc.	\$1,877	\$2,094	0.3x	8.1x	9.5x	11.4x	13%	4%
Virtusa Corporation	\$1,613	\$1,796	1.8x	24.3x	36.8x	24.6x	29%	7%
Systemax Inc.	\$1,397	\$1,300	0.9x	14.8x	15.7x	26.6x	27%	6%
Perficient, Inc.	\$965	\$1,011	2.1x	17.7x	27.5x	17.6x	35%	12%
Unisys Corporation	\$814	\$909	0.3x	3.4x	4.0x	7.6x	23%	10%
<b>IT Services Median</b>	<b>\$3,906</b>	<b>\$4,489</b>	<b>1.6x</b>	<b>13.3x</b>	<b>15.8x</b>	<b>19.3x</b>	<b>32%</b>	<b>11%</b>
<b>Total IT Services Median</b>	<b>\$3,906</b>	<b>\$4,489</b>	<b>1.6x</b>	<b>13.3x</b>	<b>15.8x</b>	<b>19.3x</b>	<b>32%</b>	<b>11%</b>

Source: Capital IQ, data as of August, 2018.

# Peakstone Momentum

  M&A Advisor PEAKSTONE	 Strategic Investor Financial Advisor PEAKSTONE	  M&A Advisor PEAKSTONE	  M&A Advisor PEAKSTONE	  M&A Advisor PEAKSTONE	 M&A Advisor PEAKSTONE	   M&A Advisor PEAKSTONE	  M&A Advisor PEAKSTONE
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## About Peakstone

Peakstone is an investment bank that specializes in mergers and acquisitions advisory and capital raising for middle market clients. Our team is comprised of senior investment banking professionals who have decades of experience and have executed hundreds of transactions totaling billions of dollars. For additional information, visit [www.peakstone.com](http://www.peakstone.com).

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