

PEAKSTONE

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IT Services Industry Insight

February 2019

IT Services M&A Update

IT Services categories continue to see strong M&A activity

In 2018, strategic buyers accounted for 90% 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

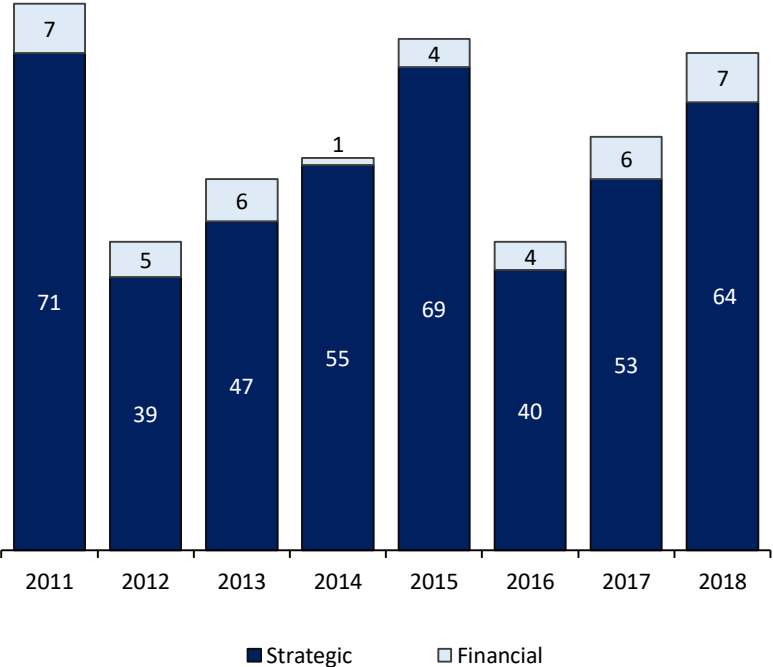
Date	Target / Issuer	Transaction Size (\$mm)	Buyers / Investors	EV / EBITDA	Transaction Comments
12/31/2018	EarthLink Consumer Internet Business of Windstream Holdings, Inc.	\$330	Trive Capital	-	Trive Capital acquired EarthLink consumer internet business of Windstream Holdings, Inc. for \$330 million on December 31, 2018. Matt Stewart of Weil, Gotshal & Manges LLP acted as legal advisor to Trive Capital.
12/11/2018	Venture Technologies, Inc.	\$92	ConvergeOne, Inc.	-	ConvergeOne, Inc. signed an agreement to acquire Venture Technologies, Inc. from FlatWorld Capital LLC and others for \$92 million on December 11, 2018.
11/08/2018	Chevron Portfolio of FleetCor Technologies, Inc	\$160	-	-	FleetCor Technologies, Inc. (NYSE:FLT) reached an agreement for the sale of Chevron portfolio for approximately \$160 million in October 2018.
11/06/2018	ConvergeOne Holdings, Inc.	\$1,652	CVC Capital Partners Limited	14.7x	CVC Capital Partners VII, LP, a fund managed by CVC Capital Partners Limited, entered into a definitive agreement to acquire ConvergeOne Holdings, Inc. (NasdaqGM:CVON) from Clearlake Capital Partners III, L.P.
11/01/2018	Flywheel Digital LLC	\$400	Ascential plc (LSE:ASCL)	-	Ascential plc (LSE:ASCL) acquired Flywheel Digital LLC for approximately \$400 million on November 1, 2018.
10/22/2018	JetPay Corporation	\$188	NCR Corporation (NYSE:NCR)	50.5x	NCR Corporation (NYSE:NCR) entered into a definitive agreement to acquire JetPay Corporation (NASDAQ:JTPY) from Flexpoint Partners II, L.P., a fund managed by Flexpoint Ford LLC, Larry Stone and others for \$78 million on October 19, 2018.
10/22/2018	Noventis Inc.	\$310	WEX Inc. (NYSE:WEX)	-	WEX Inc. (NYSE:WEX) entered into an agreement to acquire Noventis, Inc. for approximately \$310 million on October 22, 2018.
10/08/2018	360 Spear Street Data Center Facility In San Francisco, California	\$95	PGIM Real Estate; Madison Capital	-	PGIM Real Estate and Madison Capital acquired 360 Spear Street Data Center Facility In San Francisco, California from Digital Realty Trust, Inc. (NYSE:DLR) for \$95 million on October 8, 2018.
10/01/2018	FusionStorm, Inc.	\$90	Computacenter plc (LSE:CCC)	-	Computacenter plc (LSE:CCC) acquired FusionStorm, Inc. for \$90 million on September 30, 2018.

Source: Capital IQ, data as of February, 2019.

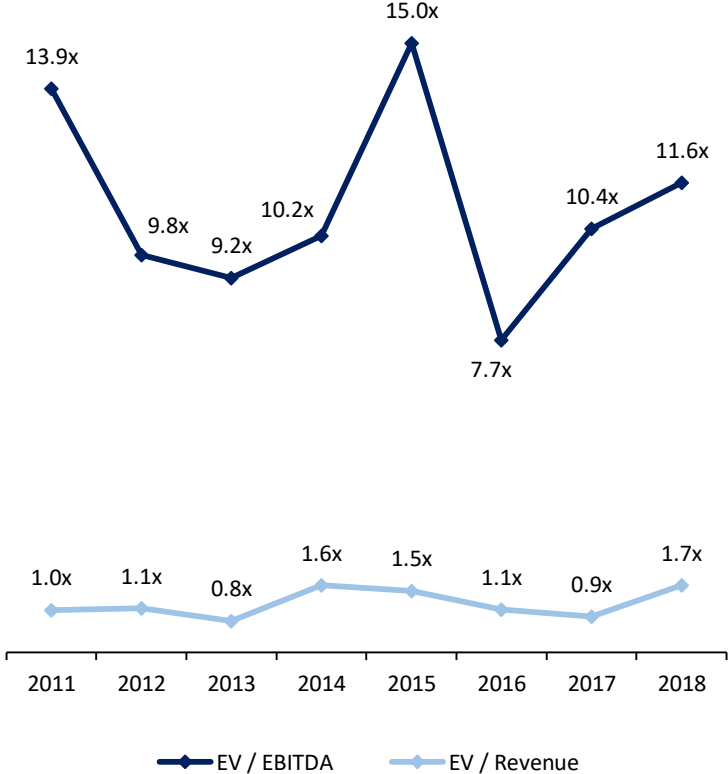
U.S. IT Services Industry – M&A Market Overview

U.S. IT Services transaction activity has been strong

U.S. Number of Transactions by Buyer Type



U.S. Transaction Multiples

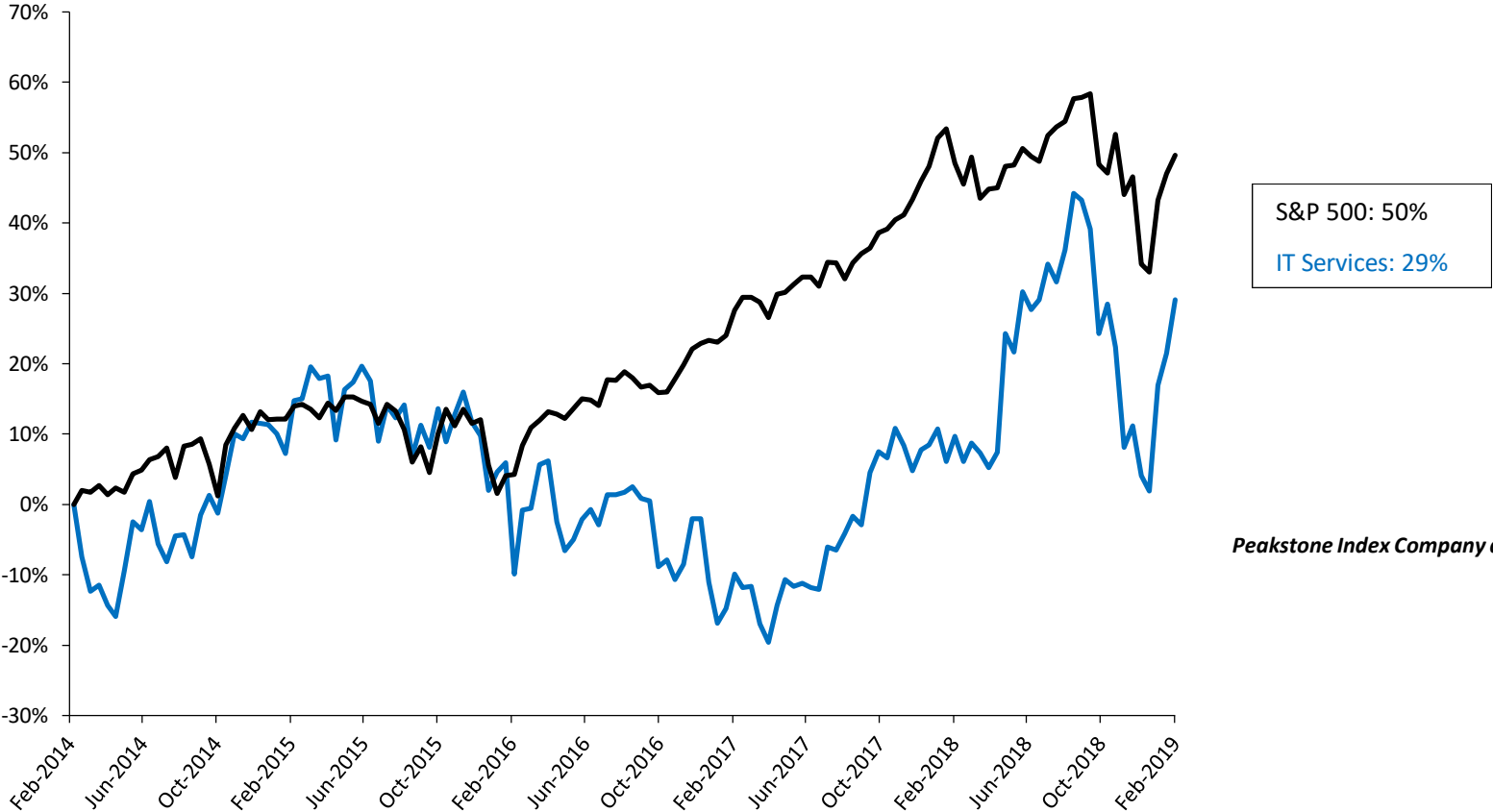


Source: Capital IQ, data as of February, 2019
Note: Includes only transactions with Total Transaction Value greater than \$1.0 M

Peakstone IT Services Index – Trading Statistics

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

Relative Stock Performance



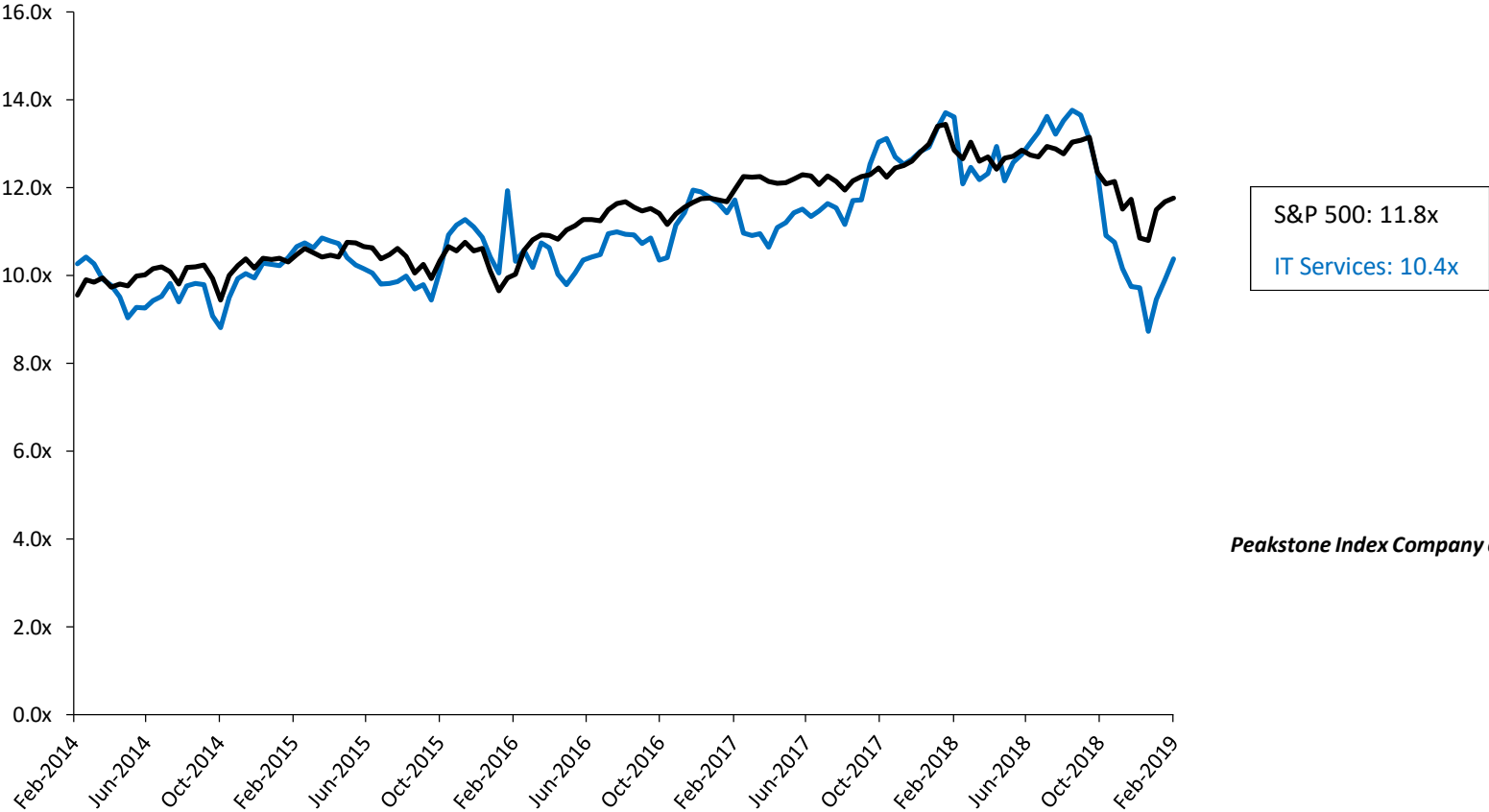
Peakstone Index Company details on page 5

Source: Capital IQ, data as of February, 2019
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 February, 2019
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			
IT Services								
International Business Machines Corporation	\$124,977	\$158,926	2.0x	9.0x	12.0x	9.9x	46%	22%
Accenture plc	\$100,736	\$96,770	2.4x	14.7x	16.2x	21.7x	31%	16%
Cognizant Technology Solutions Corporation	\$42,456	\$38,690	2.4x	11.8x	13.7x	16.0x	39%	20%
Hewlett Packard Enterprise Company	\$22,100	\$29,396	1.0x	7.9x	25.2x	10.2x	30%	12%
Xerox Corporation	\$6,889	\$11,283	1.1x	7.9x	12.5x	8.0x	40%	14%
EPAM Systems, Inc.	\$8,079	\$7,419	4.3x	28.3x	32.6x	29.9x	35%	15%
CACI International Inc	\$4,399	\$5,383	1.2x	11.8x	13.9x	18.1x	34%	10%
ManTech International Corporation	\$2,273	\$2,258	1.2x	14.0x	20.4x	25.9x	14%	8%
Insight Enterprises, Inc.	\$1,717	\$2,112	0.3x	8.0x	9.3x	10.6x	14%	4%
Virtusa Corporation	\$1,555	\$1,760	1.5x	19.1x	26.7x	19.6x	29%	8%
Perficient, Inc.	\$886	\$960	2.0x	16.9x	26.2x	16.4x	35%	12%
Unisys Corporation	\$738	\$786	0.3x	2.3x	2.6x	7.4x	25%	12%
Systemax Inc.	\$899	\$597	0.4x	6.6x	7.0x	18.1x	28%	7%
Atos Syntel	\$0	\$0	0.0x	0.0x	0.0x	0.0x	38%	27%
IT Services Median	\$3,336	\$3,820	1.2x	10.4x	13.8x	16.2x	32%	12%
Total IT Services Median	\$3,336	\$3,820	1.2x	10.4x	13.8x	16.2x	32%	12%

Source: Capital IQ, data as of February, 2019

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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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.

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