

# PEAKSTONE

[www.peakstone.com](http://www.peakstone.com)



## IT Services Industry Insight

---

December 2019

# IT Services M&A Update

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

In 2019 YTD, strategic buyers accounted for approximately 90% of IT Services M&A activity; during 2018, strategic buyers accounted for approximately 90% of the transactions.

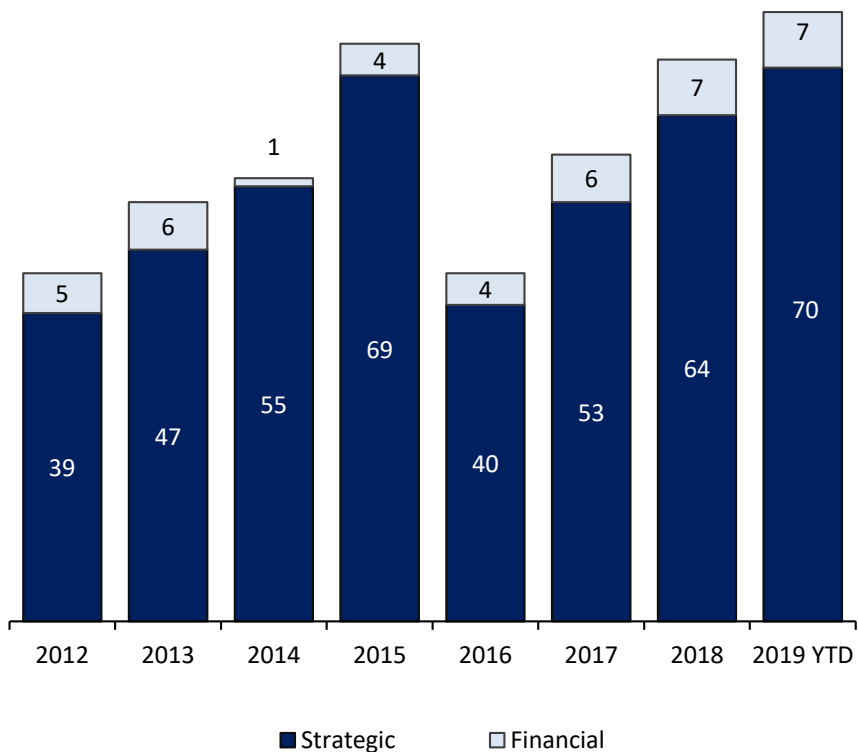
### Selected Recent Notable Publicly Announced M&A Transactions

Date	Target / Issuer	Transaction Size (\$mm)	Buyers / Investors	EV / EBITDA	Transaction Comments
11/10/2019	Carbonite, Inc. (NasdaqGM:CARB)	\$840	Open Text Corporation (NasdaqGS:OTEX)	35.0x	Open Text Corporation (NasdaqGS:OTEX) entered into a definitive agreement to acquire Carbonite, Inc. (NasdaqGM:CARB) for approximately \$840 million on November 10, 2019.
11/6/2019	Buildium, LLC	-	RealPage, Inc. (NasdaqGS:RP)	-	RealPage, Inc. (NasdaqGS:RP) entered into an agreement to acquire Buildium, LLC from Sumeru Equity Partners Fund L.P., managed by Sumeru Equity Partners, LP, and K1 Private Investors, L.P. and K1 Private Investors (A), L.P.
11/4/2019	Scout RFP, Inc.	\$540	Workday, Inc. (NasdaqGS:WDAY)	-	Workday, Inc. (NasdaqGS:WDAY) signed a definitive agreement to acquire Scout RFP, Inc. from a group of investors for approximately \$540 million on November 4, 2019. The consideration is payable in cash and is subject to adjustments. Scout RFP, Inc.
11/2/2019	ObserveIT, Inc.	\$230	Proofpoint, Inc. (NasdaqGM:PFPT)	-	Proofpoint, Inc. (NasdaqGM:PFPT) entered into a definitive agreement to acquire ObserveIT, Inc. from Bain Capital Ventures, Spring Lake Equity Partners LLC, Night Dragon Security and others for approximately \$230 million on November 2, 2019.
10/23/2019	Onshape Inc.	\$470	PTC Inc. (NasdaqGS:PTC)	-	PTC Inc. (NasdaqGS:PTC) signed a definitive agreement to acquire Onshape Inc. for approximately \$470 million on October 23, 2019. The consideration is payable in cash.
10/22/2019	Cision Ltd. (NYSE:CISN)	\$1,500	MJ23 UK Acquisition Limited	12.5x	MJ23 UK Acquisition Limited entered into a definitive agreement to acquire Cision Ltd. (NYSE:CISN) from GTCR LLC and others for \$1.5 billion on October 22, 2019.
10/21/2019	dataxu, inc.	\$150	Roku, Inc. (NasdaqGS:ROKU)	-	Roku, Inc. (NasdaqGS:ROKU) entered into an agreement to acquire dataxu, inc. for approximately \$150 million on October 21, 2019.
10/18/2019	AbleVets LLC	\$75	Cerner Corporation (NasdaqGS:CERN)	-	Cerner Corporation (NasdaqGS:CERN) entered into a definitive agreement to acquire AbleVets LLC for approximately \$75 million on October 17, 2019.
10/17/2019	Intersys Consulting, Inc.	\$67	Apex Systems, LLC	-	Apex Systems, LLC acquired Intersys Consulting, Inc. for \$67 million on October 17, 2019. The consideration is payable in cash.

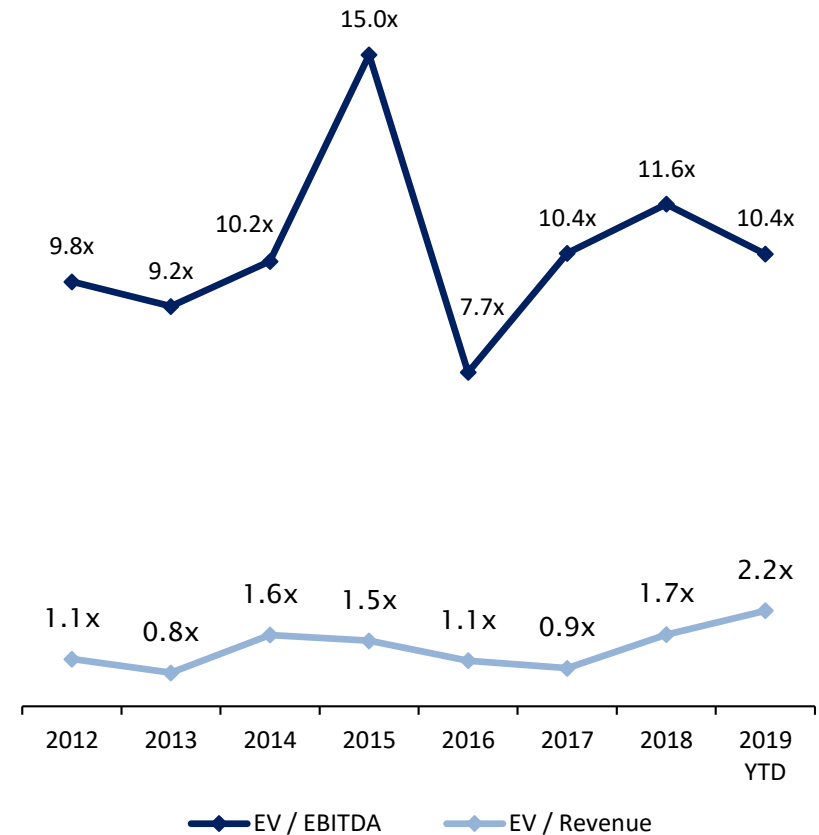
Source: Capital IQ, data as of December 2019

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

U.S. Number of Transactions by Buyer Type



U.S. Transaction Multiples



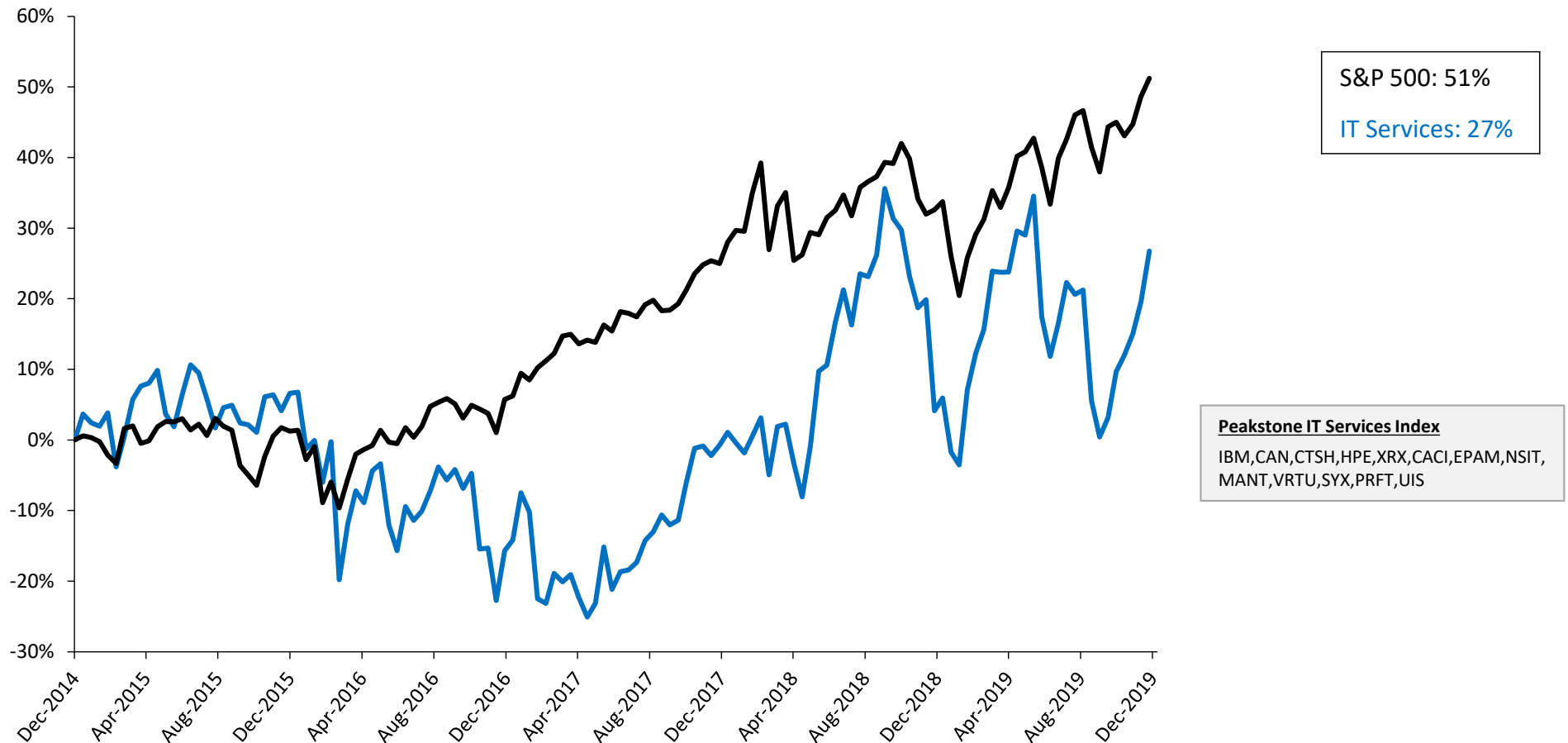
Source: Capital IQ, data as of December 2019

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



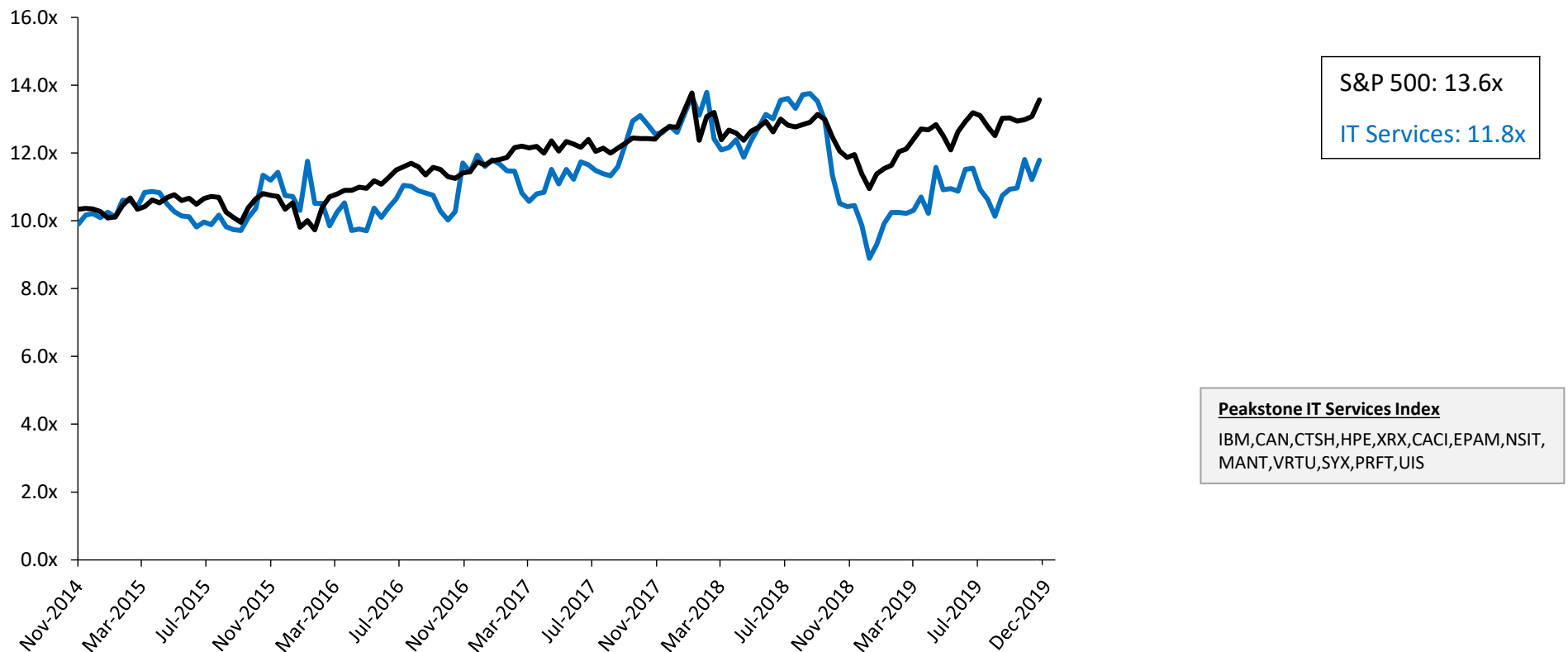
Source: Capital IQ, data as of December 2019  
Note: Peakstone Indexes are equally weighted

Peakstone Index Company details on page 5

# Peakstone IT Services Index – Trading Statistics

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

## Comparable Valuation Trends – Enterprise Value / EBITDA



Source: Capital IQ, data as of December 2019  
Note: Peakstone Indexes are equally weighted

Peakstone Index Company details on page 5

# Public Trading Comparables by Sector

## Selected IT Services Public Trading Comparables

(\$ in millions)

(\$ in millions)	Market Cap	Enterprise Value	Enterprise Value /			Forward P/E Ratio	Gross Margin %	EBITDA Margin %
Company Name			Revenue	EBITDA	EBIT			
IT Services								
International Business Machines Corporation	\$119,030	\$179,836	2.3x	10.8x	16.1x	10.3x	47%	22%
Accenture plc	124,987	119,298	2.8x	17.2x	18.9x	25.2x	31%	16%
Cognizant Technology Solutions Corporation	34,705	33,328	2.0x	10.5x	12.5x	15.5x	37%	19%
Hewlett Packard Enterprise Company	22,496	31,542	1.1x	6.0x	11.6x	9.6x	32%	18%
Xerox Holdings Corporation	8,526	13,004	1.4x	8.5x	10.9x	9.9x	40%	15%
EPAM Systems, Inc.	11,310	10,687	4.9x	31.5x	36.1x	33.9x	35%	16%
CACI International Inc	5,812	7,740	1.5x	15.9x	19.7x	18.4x	34%	9%
Insight Enterprises, Inc.	2,280	3,268	0.5x	11.5x	13.3x	10.3x	15%	4%
ManTech International Corporation	3,146	3,266	1.5x	17.9x	25.1x	31.1x	15%	9%
Virtusa Corporation	1,284	1,654	1.3x	16.0x	22.0x	14.7x	28%	8%
Perficient, Inc.	1,322	1,438	2.6x	19.8x	27.7x	18.0x	37%	13%
Unisys Corporation	684	1,039	0.3x	4.1x	4.8x	4.1x	24%	8%
Systemax Inc.	838	811	0.9x	12.1x	12.9x	15.7x	34%	7%
Atos Syntel	\$0	\$0	0.0x	0.0x	0.0x	0.0x	38%	27%
IT Services Median	\$4,479	\$5,504	1.5x	11.8x	14.7x	15.1x	34%	14%
Total IT Services Median	\$4,479	\$5,504	1.5x	11.8x	14.7x	15.1x	34%	14%

Source: Capital IQ, data as of December 2019

# Peakstone Momentum

  M&A Advisor PEAKSTONE	  M&A Advisor PEAKSTONE	  M&A Advisor PEAKSTONE	 The Purcell Companies M&A 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	 CENTRE LANE PARTNERS  M&A Advisor PEAKSTONE	  M&A Advisor PEAKSTONE	  M&A Advisor PEAKSTONE	 Strategic Investor & Financial Investor M&A 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	  M&A 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	  M&A Advisor PEAKSTONE	  M&A Advisor PEAKSTONE	  M&A Advisor PEAKSTONE	  M&A Advisor PEAKSTONE	  M&A Advisor PEAKSTONE

# Contact Us

---

## 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).

### Contact

**Alex Fridman**

Managing Director

[alex@peakstone.com](mailto:alex@peakstone.com)

312-204-7300

**Andrew Machoskie**

Analyst

[amachoskie@peakstone.com](mailto:amachoskie@peakstone.com)

312-346-7304