

IT SERVICES INDUSTRY UPDATE

Q3 2021



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OUR QUARTERLY IT SERVICES NEWSLETTER



The Drake Star Partners Global IT Services team is pleased to present the 1st edition of our quarterly IT Services Report, providing updates on industry happenings such as important news and events, mergers and acquisitions activity and insights into the present and future trends impacting major areas of investment within the industry, including:

- Digital Transformation
- Cloud Migration
- Tech-Enabled IT Services
- Cloud Providers
- Security Services
- Business Intelligence

Contact the IT Services Deal Team



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THE DRAKE VIEW FROM OUR INVESTMENT BANKERS

Gaby Silvestris, Partner, IT and Tech-Enabled Services



IT Services has seen landmark dealmaking in 2021 as the sector continues to show resilience through the global economic shocks of the pandemic. Digitalisation, technology and AI-driven solutions are crucially embedded in the new ways of working and became more important than ever in the era of global shutdowns and work from home. As such in Q3 2021, we have seen an uptick in the number of IT Services transactions with **350+ M&A deals** and **\$45bn+ disclosed** and **310+ fundraises** with **\$10bn+ disclosed**, including;

- **Hitachi Global Digital's** acquisition of 100% of the outstanding shares of **GlobalLogic** for **\$8.5bn**
- **Accenture Federal Services (AFS)**, a subsidiary of Accenture, has completed its acquisition of **Novetta** for **\$1bn**
- **CDW** has entered into a definitive agreement to acquire **Sirius Computer Solutions** for **\$2.5bn**
- **Databricks** has secured a **\$1.6bn** Series H round at a **\$38bn** valuation led by **Counterpoint**
- **Orca Security** raised **\$150m** of Series C from **Temasek Holdings**
- **Peak AI** raised **\$75m** of Series C led by **SoftBank**

Looking forward, we believe M&A appetite will remain strong for technology and tech-enabled businesses that are led by high quality management teams and are well positioned in growth markets with resilient business models. As we all know, there is significant drive to increase revenue optimisation and operational efficiencies whilst facilitating better decision-making processes. **We particularly expect strong global demand for businesses that are focused on AI-powered solutions applied to business improvement, ERP systems, big data and analytics, digital and cloud transformation programmes as well as cyber & information security.**

IT SERVICES KEY HEADLINES

SELECTED SUBSECTORS



DIGITAL TRANSFORMATION



- 53% of businesses in India are far from realising their digital transformation goals
Mint, Sep 23, 2021
- Latin America witnesses a second wave of digital transformation
TechCrunch, Sep 22, 2021
- HCL named leader in 2021 Gartner Magic Quadrant for Public Cloud IT Transformation Services
Business Wire, Aug 5, 2021



CLOUD MIGRATION



- Most IT leaders prioritise cloud migration, yet security concerns remain
Help Net Security, Sep 24, 2021
- S&P Global Market revealed that moving apps to the cloud could compress the energy footprint to 1/5
Forbes, Sep 23, 2021
- Atos and IBM work to boost Cloud migration in financial services
Consultancy.uk, Sep 20, 2021



TECH-ENABLED IT SERVICES



- Doctor Anywhere and Equicom Group form joint venture to launch a tech-enabled healthcare ecosystem in the Philippines
yahoo!finance, Sep 28, 2021
- ERP migration is a growing opportunity in the rise of tech-enabled SG&A transformation
McKinsey&Co, Sep 3, 2021

IT SERVICES KEY HEADLINES

SELECTED SUBSECTORS



CLOUD PROVIDERS



- **AWS** makes Amazon Managed Service for **Prometheus** generally available to analyse containerised applications
ITPro., Sep 30, 2021
- **Amazon, Microsoft, IBM and Google** create **EDM Council** to establish a discipline in the way companies manage data in public clouds
American Banker, Sep 28, 2021



SECURITY SERVICES



- **Google Cloud** offering two new services - Filestore Enterprise and Backup for **Google Kubernetes Engine (GKE)** to protect data in containers
CRN, Sep 16, 2021
- **Microsoft** launches 'top secret' **Azure** cloud region for US intelligence community
Computer Weekly, Aug 16, 2021



BUSINESS INTELLIGENCE



- **AWS** has launched **QuickSight Q** a new capability within its existing cloud-based business intelligence tools system
VentureBeat, Sep 27, 2021
- The New Normal: What the past 18 months have meant for enterprises and the new tectonic shift in business intelligence
Forbes, Sep 9, 2021

SELECTED M&A DEALS

350+ DEALS AND \$45BN+ IN DISCLOSED DEAL ACTIVITY IN Q3 2021



<p>GlobalLogic</p> <hr/> <p>\$8.5bn ACQUISITION by</p> <p>HITACHI</p>	<p>DATE July 13th, 2021</p> <p>DEAL DESCRIPTION Hitachi Global Digital (US subsidiary) has acquired 100% of the outstanding shares of GlobalLogic. GlobalLogic will deploy Hitachi's extensive library of digital solutions, create new Lumada solutions and enable agile app development in the cloud</p>	<p> 2000</p> <p> 16k</p> <p> Digital Transformation</p> <p> 303k</p>	<p> SAN JOSE</p> <p>BUSINESS DESCRIPTION Provider of digital product advisory intended for the communications, financial services, automotive, healthcare & life sciences, media & entertainment and semiconductor industries for over 20 years. GlobalLogic integrates design, software engineering and vertical industry expertise, helping clients design and develop software that powers products, platforms and digital experiences</p>	<p>KEY PERSONNEL Shashank Samant – President, CEO & Board Member</p> <p>KEY SHAREHOLDERS n.a.</p>
<p> NOVETTA</p> <hr/> <p>\$1bn ACQUISITION by</p> <p>accenture</p>	<p>DATE August 19th, 2021</p> <p>DEAL DESCRIPTION Accenture Federal Services (AFS), a subsidiary of Accenture, has completed its acquisition of Novetta. With the acquisition, AFS adds a new National Security portfolio to provide expertise in analytics, intelligence, cloud engineering, and cybersecurity</p>	<p> 2012</p> <p> 1k</p> <p> Tech-Enabled Services</p> <p> 50k</p>	<p> MCLEAN</p> <p>BUSINESS DESCRIPTION Novetta applies insights and disruptive technologies including AI, machine learning, cyber, cloud, and information exploitation to transform how defense, intelligence, and law enforcement organisations use data to better meet their missions and empower their workforces</p>	<p>KEY PERSONNEL Tiffany Gates – President & CEO Rich Sawchak – CFO</p> <p>KEY SHAREHOLDERS n.a.</p>
<p> SIRIUS COMPUTER SOLUTIONS</p> <hr/> <p>\$2.5bn ACQUISITION by</p> <p>CDW</p>	<p>DATE October 18th, 2021</p> <p>DEAL DESCRIPTION CDW Corporation has entered into a definitive agreement to acquire Sirius Computer Solutions. The transaction will significantly accelerate CDW's services and solutions and further enhance CDW's ability to solve customers' interconnected and complex technology challenges</p>	<p> 1980</p> <p> 3k</p> <p> Digital Transformation</p> <p> 64k</p>	<p> SAN ANTONIO</p> <p>BUSINESS DESCRIPTION Provider of IT infrastructure and data centre focused technology integration services. The company holds expertise in business continuity, converged infrastructure, asset management, application integrations, digital transformation, cloud and managed services, enabling its clients to reduce cost and complexity, improve service levels and minimise risk</p>	<p>KEY PERSONNEL Joe Mertens – President & CEO</p> <p>KEY SHAREHOLDERS n.a.</p>

Year founded Employees Sub-sector Total Website Visits

Source: Similar Web, Capital IQ, Pitchbook, LinkedIn, Company Websites

SELECTED FUNDRAISING DEALS

310+ DEALS AND \$10BN+ IN DISCLOSED FUNDRAISING ACTIVITY IN Q3 2021




databricks

\$1.6bn
PRIVATE PLACEMENT
Led By



DATE


August 31st, 2021

DEAL DESCRIPTION

Databricks has secured a \$1.6bn Series H round at a \$38bn valuation (\$600m+ ARR at 75%+ growth) led by Counterpoint Global, a Morgan Stanley fund. New investors include Baillie Gifford, UC Investments and Clearbridge

 2013

 3k

 Business Intelligence

 1.9m



SAN FRANCISCO

BUSINESS DESCRIPTION

Provides open source and commercial products for processing structured and unstructured data in one location, with the ability to execute data science and BI work without moving the underlying data is a critical change. Databricks views its market as a new technology category - "lakehouse" - a mashup of data lake and data warehouse

KEY PERSONNEL

Ali Ghodsi – Co-Founder & CEO

KEY SHAREHOLDERS




orca
security

\$150m
PRIVATE PLACEMENT
Led By

TEMASEK

DATE

July 4th, 2021

DEAL DESCRIPTION

The company has more than 200 people and grew revenue by 800% this year. Raised \$150m of Series C to deploy into three areas: engineering to continue to deliver more functionality, to extend its global reach and on go-to-market

 2019

 219

 Security Services

 50k



LOS ANGELES


BUSINESS DESCRIPTION

Developer of a cloud-based security platform designed to deliver comprehensive full-stack visibility into cloud infrastructure. The company's platform offers cloud-wide, workload-deep security and compliance for AWS, Azure, and GCP

KEY PERSONNEL

Avi Shua – Co-Founder & CEO
Gil Geron – Co-Founder & CPO

KEY SHAREHOLDERS

PEAK

\$75m
PRIVATE PLACEMENT
Led By

SoftBank Vision Fund

DATE


August 31st, 2021

DEAL DESCRIPTION

Raised \$75m of Series C led by SoftBank. Arete Capital Partners, Octopus Ventures, MMC Ventures, Praetura Ventures and Oxx also participated in the round. The funds will be used to build out its platform as well as to expand into new markets and hire additional employees

 2014

 435

 Business Intelligence

 50k



MANCHESTER

BUSINESS DESCRIPTION

Developer of a decision intelligence platform intended to offer data analysis services. The company's platform breaks down organisational data silos and leverages AI to create a unified layer of intelligence, enabling sales, marketing, planning and supply chain management of businesses to improve and automate decision making

KEY PERSONNEL

Richard Potter – CEO
David Leitch – Co-Founder & CIO

KEY SHAREHOLDERS

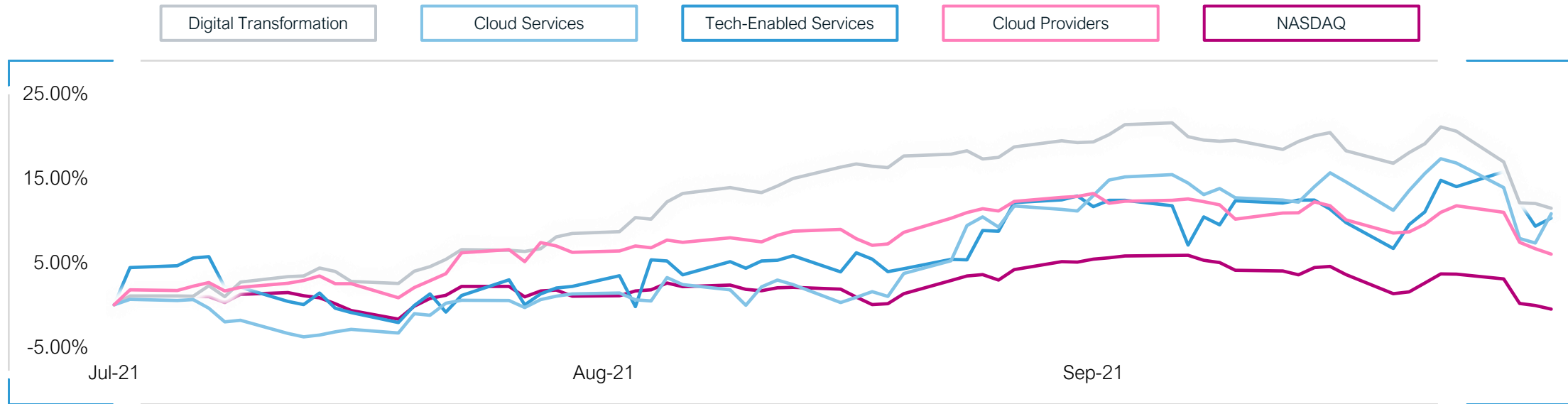


 Year founded  Employees  Sub-sector  Total Website Visits

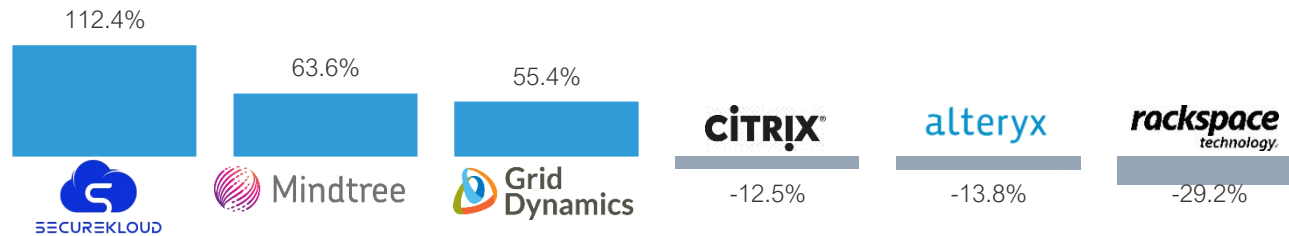
Source: Similar Web, Capital IQ, Pitchbook, LinkedIn, Company Websites

SHARE PRICES BROADLY STABLE SINCE JULY

WITH DIGITAL TRANSFORMATION IN THE LEAD



Top 3 Risers & Fallers Q3 2021 ⁽¹⁾



KEY HIGHLIGHTS

- SecureKloud's (+112.4%) stock rose whilst the board approved a proposal to raise up to \$100m via its subsidiary Blockedge Technologies
- Mindtree (+63.6%) gain momentum due to sustained investments in Europe and Asia-Pacific
- Rackspace Technology's stock (-29.2%) fell due to issues arising out of mounting debt

Source: Capital IQ as of September 30th 2021

Tech-Enabled Services: AKKA, Elixirr, Wavestone

Digital Transformation: Accenture, Caggemini, Cognizant, EPAM, Grid Dynamics, HCL, tcs, Tech Mahindra, Wipro

Cloud Services: Mindtree, Rackspace, Splunk, SecureKloud

Cloud Providers: Alphabet, Citrix, Dropbox, IBM, Microsoft, Oracle, Salesforce, SAP, Tencent, VMware

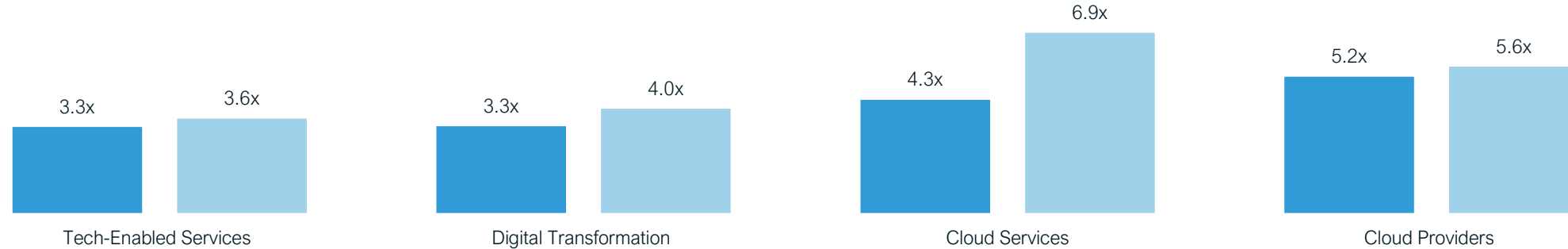
SECTOR VALUATIONS ARE BROADLY UP VS. THE START OF THE QUARTER WITH CLOUD SERVICES SEEING THE LARGEST JUMP



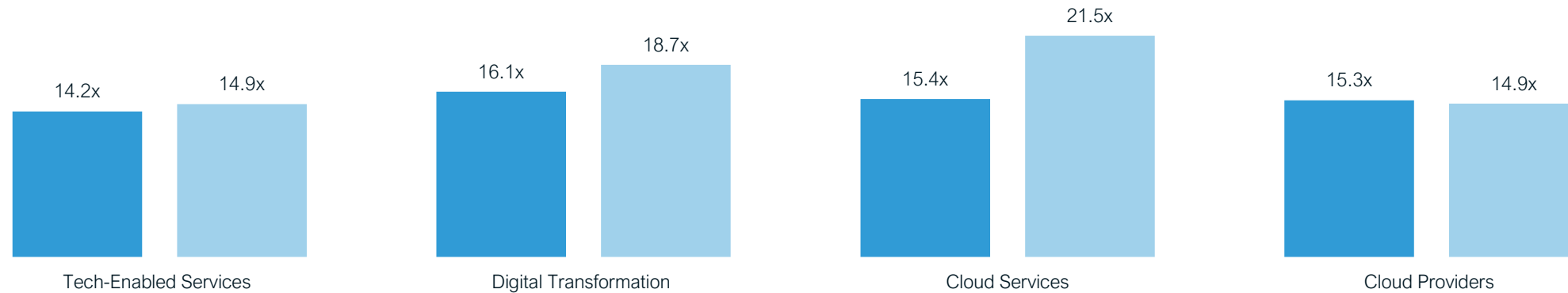
Median TEV / 2022F Estimated Forward Revenue

Tracked as of:

■ 01 July 2021 ■ 30 September 2021



Median TEV / 2022F Estimated Forward EBITDA



Source: Capital IQ as of September 30th 2021
 Tech-Enabled Services: AKKA, Elixirr, Wavestone
 Digital Transformation: Accenture, Caggemini, Cognizant, EPAM, Grid Dynamics, HCL, tcs, Tech Mahindra, Wipro
 Cloud Services: Mindtree, Rackspace, Splunk, SecureCloud
 Cloud Providers: Alphabet, Cirtix, Dropbox, IBM, Microsoft, Oracle, Salesforce, SAP, Tencent, VMware

UNPARALLELED TRACK-RECORD IN THE IT SERVICES SPACE

WE HAVE SUCCESSFULLY EXECUTED 35+ IT SERVICES TRANSACTIONS IN THE PAST 5 YEARS

 and portfolio company cloudbakers INVESTMENT IN & MERGER WITH IT Services	 SALE TO CARBON 60 a portfolio company of IT Services	 cloud at scale™ SALE TO IT Services	 a portfolio company of MAJORITY SALE TO Nerved Equity Partners IT Services	 SALE TO IT Services	 SALE TO * S&P Global Platts Tech-Enabled	 SALE TO * gobeyond KKR Tech-Enabled / Digital Transformation	 a portfolio company of SALE TO IT Services	 SALE TO * IT Services
 HAS RECEIVED INVESTMENT FROM IT Services	 HAS RECEIVED INVESTMENT FROM IT Services	 SALE TO a portfolio company of IT Services	 SAIF TO * accenture Tech-Enabled	 SALE TO * Tech-Enabled	 ACQUISITIONS & COMBINATION OF novoscale IT Services	 a portfolio company of HAS ACQUIRED IT Services	 SALE TO Accountabil IT a portfolio company of IT Services	 Cloud Management Solutions SALE TO a portfolio company of IT Services
 HERE TO STAY SALE TO * Apax PARTNERS Tech-Enabled / Digital Transformation	 RECAPITALIZATION WITH abry partners IT Services	 SALE TO * DECISION INC. IT Services	 PRIVATE PLACEMENT Digital health insurance	 SALE OF SHARES TO EMERAM CAPITAL PARTNERS AND ROLLOVER OF MANAGEMENT SHARES Digital Transformation Services	 SALE TO IT Services	 SALE TO * WORKFORCE INSIGHT IT Services	 SALE TO * Waud Capital Tech-Enabled	 SALE TO * RAG STIFTUNG Tech-Enabled
 MAJORITY SALE TO findosinvestor AND ROLLOVER OF MANAGEMENT SHARES Digital Transformation Agency	 Business & Intelligence SALE TO * GFT IT Services	 MINORITY GROWTH INVESTMENT IT Services	 THE POWER OF IT™ PRIVATE PLACEMENT IT Services	 SALE TO * Deloitte. IT Services	 SALE TO Digital Transformation specialist	 PRIVATE PLACEMENT FONDS de solidarité FTQ IT Services	 REFINANCING & CAPITAL REORGANIZATION bpifrance IT Services and Digital Marketing	 SALE TO IT Services and Software



* Denotes transactions led by current partners at Drake Star, prior to joining the firm

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DRAKE STAR PARTNERS

A LEADING GLOBAL TECH SPECIALIST INVESTMENT BANK

400+
TRANSACTIONS
COMPLETED

70%
CROSS-BORDER
DEALS

100+
BANKERS

10
OFFICES GLOBALLY



NEW YORK



LONDON



MUNICH



SINGAPORE*



SAN
FRANCISCO



DUBAI*



LOS ANGELES



PARIS



BERLIN



GENEVA

*Partner Offices



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