

# Technology Services Overview

September 2021

# HW Technology Services Select Subsector Focus Areas

## MANAGED SERVICES

### Market Observations

- Across industries, organizations are taking advantage of outsourced service offerings for non-core and in some cases core business operations - from networking, communications, web and email hosting, backup and recovery, help desk, data management, network and security monitoring, application development to many other industry specific needs
- At a lower cost, and with the ability to leverage the latest technology without corresponding investment in skilled labor, these offerings are extremely attractive to both SMB and large blue-chip organizations

### Select Market Participants



### Recent Transactions



## MANAGED SECURITY & COMPLIANCE

### Market Observations

- Security is a key component of managed services and as businesses are leveraging more connected technologies, the threat surface is increasing, exposing them to emerging security risks
- Managed security providers can leverage common frameworks / technologies and labor to help businesses stay on top of these threats and respond appropriately
- Compliance works alongside security as organizations need to remain compliant with emerging regulations across industries and countries

### Select Market Participants



### Recent Transactions



## DIGITAL TRANSFORMATION & APPLICATION DEVELOPMENT

### Market Observations

- Customer experience and related mobile, social and web applications have become critical for customer engagement and retention
- Cost effectiveness and the skill gap makes this another very attractive outsourced offering
- In many cases organizations are relying on legacy technologies like mainframe to run core applications but utilize next generation technologies enabled by outsourced providers to power these experiences
- Emerging technologies like IoT, social, and mobile are creating attractive opportunities, as well as newer software development tools and methodologies like Agile

### Select Market Participants



### Recent Transactions



# HW Technology Services Select Subsector Focus Areas (cont'd)

## APPLICATION PARTNER ECOSYSTEMS

### Market Observations

- In many business areas (ERP, sales, marketing, service and support, IT operations, HCM) specific applications have emerged as leaders – including SAP / Oracle, Salesforce, Marketo, Zendesk, Service Now, and Workday
- While considered Software as a Service (“SaaS”) they often need to be customized and implemented based on specific needs of an organization and industry, and require updates as the underlying software is updated / changed
- This creates a need for service partners as application partners are themselves not interested in diluting SaaS revenue streams or taking on the SLA requirements

### Select Market Participants



### Recent Transactions



## CLOUD PARTNER ECOSYSTEMS

### Market Observations

- AWS, Azure and Google Cloud, have emerged as the leading cloud players
- Organizations are embracing cloud technologies and moving data workloads, and in some cases mission-critical workloads to the cloud
- Implementations that add a vertical specific capability (around compliance or otherwise) or unique capabilities around data management are more valued than straight up implementation partners

### Select Market Participants



### Recent Transactions



## DATA & ANALYTICS

### Market Observations

- Data is growing at an exponential rate as organizations collect and strive to analyze data to improve business operations and outcomes
- Data analytics can be a labor-intensive task requiring highly skilled resources and multiple steps from collecting and extracting structured and unstructured data from multiple sources, provisioning it according to the needs of the business, and running useful analysis on it using AI / ML
- Business analytics use cases are becoming complex with AI / ML being used along with specific applications that leverage them

### Select Market Participants



### Recent Transactions



1. EQT Infrastructure V has signed an agreement to co-invest alongside EQT Infrastructure IV, which invested in EdgeConneX in August 2020.

# Broad Range of Investor Activity in Technology Services

## Financial Sponsors with an Existing Technology Services Experience

### Rationale

- › There is an existing, active universe of private equity funds with current technology services investments
- › Many have used this period to successfully pursue add-on investments while a number are actively looking to broaden their focus areas within technology services and pursued new platform investments

### Representative Parties



## Financial Sponsors Pursuing an Initial Technology Services Investment

- › Prior to 2020, a number of funds that historically never invested in technology verticals started digging into IT outsourcing opportunities which has only accelerated since COVID ramped this year
- › There is a growing desire from investors to put money to work across technology subsectors but with a focus on recurring revenue models which continued to perform well during COVID



## Strategic Parties


- › Strategic buyers remain active with a number successfully closing multiple add-ons since March
- › Strategics tend to focus on larger / blue-chip customer base and specific capabilities (application / cloud partner ecosystems) rather than on broader technology services platforms



# Update on Existing Managed Services Platforms

	 	 	 	 	 
CEO	Wayne Kiphart	David Eisner	Brian Harmison	Javier Gomez	James Hwang
Headquarters	Chicago, IL	Rockville, MD	Centreville, MD	Greensboro, NC	Kennesaw, GA
Year of Investment	2019	2019	2018	2018	2017
Number of Acquisitions Since Investment	5	1	3	7	1
Most Recent Acquisition	Switchfast Technologies (May-21)	Wireless Watchdog (July-21)	Symplexity (Oct-19)	Integrated Solutions (Apr-21)	Paradigm Computer Consulting (Jan-18)
Estimated Revenue	~\$35M	~\$50M	~\$40M	~\$20M	~\$60M
Vertical Focus	Financial Services, Healthcare, Heavy Industries	Financial Services, Healthcare, Heavy Industries, Government	Healthcare, Government, SMB	Financial Services, Healthcare, Heavy Industries, SMB	Financial Services, Healthcare
Horizontal Focus	Application Hosting, Data, Cloud, Security	Application Hosting, Cloud, Security	Application Hosting, Cloud, Security	Cloud, Data, Security	Application Hosting, Cloud, Digital Marketing, Security
Commentary	Combined Gratia and West Monroe Managed Services to create Ascend; focused on pursuing a roll up strategy in the Midwest	Focused on expanding outside current geographic footprint and building a competitive East Coast platform	Completed three acquisitions in a relatively short amount of time; continues to look for opportunities in the Southeast and introduced a new CEO to lead the business	Starting to consider large add-on opportunities as well as MSPs outside of the Southeast; looking to expand further into professional services verticals	Focused on streamlining the business to the core MSP offering; believes there is an opportunity to service customers through a national platform

# A Growing Number of Recent Managed Services Investments

	 			 	 	 
CEO	Alan Dumas	Sandy Reeser	Mark Caswell	Rob Stephenson	Mitch Morgan	Gabe Damiani & David Degitz
Headquarters	Claremont, NH	Columbia, SC	Indianapolis, IN	Foxborough, MA	N/A	Atlanta, GA
Year of Investment	2021	2021	2021	2021	2020	2020
Number of Acquisitions Since Investment	0 <sup>1</sup>	0 <sup>2</sup>	1 <sup>3</sup>	2 <sup>4</sup>	6	0
Most Recent Acquisition	N/A	N/A	Tempus Nova (Feb-2021)	ONI (June-21) Howard Tech Advisors (Mar-21)	The Tech Group (Sep-20)	N/A
Estimated Revenue	~\$900M	~\$30M	~\$90M	~\$75M	~\$50M	~\$55M
Vertical Focus	Healthcare, Heavy Industries, Government	Government, SMB	Government, SMB	Financial Services, Healthcare	SMB	Financial Services, Legal Services
Horizontal Focus	Cloud, Data, Security	Cloud, Consulting, Security	Cloud, Data, Security	Cloud, Data, Security	Cloud, Data, Security	Cloud, Security
Commentary	Looking for commercial sector add-ons within cloud and security focused on highly-regulated industries such as healthcare and financial services	Managed services provider focused on local government agencies and the healthcare and financial sectors	Combines mix of government and private sector IT Services with large number of data engineers	Northeast-focused MSP continues to execute inorganic growth plan; still pursuing several targets and looking to expand into compliance services	Combined 4 businesses to create a decentralized MSP model that continues to support founders that join the company	CIVC partnered with two founders to focus on building iVision's capabilities to expand outside of their Southeast geographic footprint

1. Two acquisitions completed under prior ownership; four acquisitions completed in total

2. One acquisition completed under prior ownership

3. Two acquisitions completed under prior ownership

4. Nine acquisitions completed under prior ownership

# Deals in the Market



## Key Business Information

**Year of Investment:** 2018

**CEO:** John Cahaly

**HQ:** Boston, MA

**# of Acquisitions:** 2

**Est. Revenue:** ~\$100M

## Strategic Focus

**Vertical Focus:**  
Financial Services

**Horizontal Focus:**  
Application Hosting, Cloud,  
Data, Security

**Commentary:**  
Mostly focused on financial services vertical spanning hedge funds, investment banks, and private equity firms



## Key Business Information

**Year of Investment:** 2018

**CEO:** Robert Offley

**HQ:** Mississauga, Canada

**# of Acquisitions:** 2

**Est. Revenue:** ~C\$120M

## Strategic Focus

**Vertical Focus:**  
Financial Services, Healthcare

**Horizontal Focus:**  
Application Hosting, Cloud,  
Data, Security

**Commentary:**  
Currently focused on integrating acquisitions with plans for a potential exit in 2021



## Key Business Information

**Year of Investment:** 2015

**CEO:** Scott Frock

**HQ:** Broomfield, CO

**# of Acquisitions:** 4

**Est. Revenue:** ~\$65M

## Strategic Focus

**Vertical Focus:**  
Mid-market and Enterprise

**Horizontal Focus:**  
Application Hosting, Cloud,  
Database Management

**Commentary:**  
~400 managed services customers and has partnerships with AWS, MongoDB, Oracle and Microsoft



## Key Business Information

**Year of Investment:** 2016

**CEO:** Kevin Routhier

**HQ:** Westwood, MA

**# of Acquisitions:** 3

**Est. Revenue:** ~\$40M

## Strategic Focus

**Vertical Focus:**  
Financial Services

**Horizontal Focus:**  
Cloud, Security

**Commentary:**  
Vertically focused on a diverse set of financial services sub-sectors, including private equity, venture capital, hedge funds, and family offices; performed well through COVID and is actively pursuing add-on opportunities



# Expected IT Services Market Activity

