



# Technology Services Overview

September 2021

# HW Technology Services Select Subsector Focus Areas

MANAGED SERVICES	MANAGED SECURITY & COMPLIANCE	DIGITAL TRANSFORMATION & APPLICATION DEVELOPMENT																
<p><b>Market Observations</b></p> <ul style="list-style-type: none"><li>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</li><li>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</li></ul> <p><b>Select Market Participants</b></p> <p><b>Recent Transactions</b></p> <table><tbody><tr><td>August 2021 COMCAST BUSINESS</td><td>July 2021 MASERGY</td></tr><tr><td>June 2021 cerberus</td><td>March 2021 NAUTIC</td></tr><tr><td>February 2021 INVESTCORP</td><td>January 2021 THRIVE</td></tr></tbody></table>	August 2021 COMCAST BUSINESS	July 2021 MASERGY	June 2021 cerberus	March 2021 NAUTIC	February 2021 INVESTCORP	January 2021 THRIVE	<p><b>Market Observations</b></p> <ul style="list-style-type: none"><li>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</li><li>Managed security providers can leverage common frameworks / technologies and labor to help businesses stay on top of these threats and respond appropriately</li><li>Compliance works alongside security as organizations need to remain compliant with emerging regulations across industries and countries</li></ul> <p><b>Select Market Participants</b></p> <p><b>Recent Transactions</b></p> <table><tbody><tr><td>August 2021 WARBURG PINCUS</td><td>June 2021 STG</td></tr><tr><td>February 2021 Apax PARTNERS</td><td>February 2021 HERJAVEC GROUP</td></tr></tbody></table>	August 2021 WARBURG PINCUS	June 2021 STG	February 2021 Apax PARTNERS	February 2021 HERJAVEC GROUP	<p><b>Market Observations</b></p> <ul style="list-style-type: none"><li>Customer experience and related mobile, social and web applications have become critical for customer engagement and retention</li><li>Cost effectiveness and the skill gap makes this another very attractive outsourced offering</li><li>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</li><li>Emerging technologies like IoT, social, and mobile are creating attractive opportunities, as well as newer software development tools and methodologies like Agile</li></ul> <p><b>Select Market Participants</b></p> <p><b>Recent Transactions</b></p> <table><tbody><tr><td>August 2021 NMC</td><td>March 2021 HITACHI</td></tr><tr><td>January 2021 GlobalLogic</td><td>January 2021 SIEMENS</td></tr><tr><td>August 2021 bounteous</td><td>January 2021 ThoughtWorks</td></tr></tbody></table>	August 2021 NMC	March 2021 HITACHI	January 2021 GlobalLogic	January 2021 SIEMENS	August 2021 bounteous	January 2021 ThoughtWorks
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# 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

July 2021



May 2021



January 2021



## 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

July 2021



March 2021



February 2021



## 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

August 2021<sup>1</sup>



June 2021



February 2021



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

- › 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

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

## Representative Parties



# 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

	 cerberus	 NAUTIC	 INVESTCORP	 COURT SQUARE	 OVAL PARTNERS	 CIVC PARTNERS
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



EzeCastle  
INTEGRATION

## 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



CentriLogic

## 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



datAvail

## 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



coreintelligent  
THE POWER OF IT

## 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

