

TechReview 2022: IT and Managed Services M&A

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Even before the financial market volatility set in, IT and managed services had become a lucrative and in some ways almost defensive sector coming out of a pandemic which had so clearly underlined the need to accelerate digitisation and therefore engage outside specialists. But as the year wore on and the recession became a much more likely prospect, investors looked a lot more closely at how easily budgets to these service providers might be cut.

Peak services

It is perhaps no surprise that one of the tech sector's biggest deals of the year, Bain Capital's E2bn (US\$2.1bn) acquisition of French IT services and software firm Inetum [following a process TMT Finance first revealed in 2021](#), took place in January and completing in July.

IT services was also buoyant in the Middle East, with [Saudi Arabia-owned IT and digital services group ELM raising over SR2.98bn \(US\\$816m\) in its IPO](#).

Apax Partners was active in the Netherlands acquiring [Dutch IT and cloud services provider Odin Groep from Fortino Capital](#), while [Partners Group's acquisition in April of Irish IT services firm Version1](#) for what is thought to have been significantly in excess of the 16-times multiple of the company's E44m EBITDA will have pleased sellers Volpi Capital.

Another much smaller deal symptomatic of what one IT services deal adviser described as the “peak performance” stage of the market was Beech Tree Private Equity’s sale of northern England IT and managed services provider BCN to ECI Partners for 15 times EBITDA of £10m (US\$12.1m). What followed was a “reversion to the centre with people wanting more recurring managed services but not going all the way back because there are still staff shortages”.

Momentum meets market volatility

In March with the new conflict in Ukraine casting a shadow over some advisers’ estimates on the value of such companies, [Austrian telecom group S&T \[XTRA: SANT\] plotted a Houlihan Lokey-led sale of its IT services division](#). But the business, which sources suggested to TMT Finance generated around E50m EBITDA, was sold in August to VINCI Energies.

The DACH region’s much bigger operator, [Deutsche Telekom, however failed to sell its IT](#)

[services company T-Systems, pulling in September the process for the loss-making business.](#)

In common with other parts of the technology sector, very large IT services deals floated in the still confident days of the first quarter or simply failed to materialise. [Italian cloud and IT services group Deda, for example, began exploring an initial public offering which could value the company at over E1bn](#), though a deal seems to be awaiting better market conditions. And in October, [TMT Finance was able to confirm that a similar-sized sale of French IT services provider Expleo was now unlikely to proceed](#).

As software began to take a battering, some at this point in the year started to talk about IT and managed services as a more defensive space, though the robustness of these companies' stories, unique selling propositions and their readiness for sale came under no less scrutiny.

The sale of French digital translation service Acolad, [a E40m EBITDA company TMT Finance disclosed in early April as being prepared for market](#), has not yet materialised. In the Netherlands too, where [TMT Finance revealed a process for the collection of IT services companies which Quadrum Capital had assembled into its Interstellar platform](#), seller expectations of E600m did not align with a more conservative buyer approach looking hard at the numbers and integration of recent acquisitions, [resulting in another process suspension](#).

The other larger Dutch IT services postponement was Nomios, [which TMT Finance disclosed in November had also been delayed into the new year](#).

Outliers and compromises

There were nonetheless some signs that some very specific deals at the smaller end could prosper if they had a strong story to tell.

TMT Finance revealed in August, for example, that LDC's [Clearwater-led sale of UK IT services and cybersecurity consultant LittleFish](#), which had also begun earlier in the year, had achieved an enterprise value of £150m, 21 times the company's £7m EBITDA because of what sources said were unusually high growth rates of up to 40%.

The sale of EBITDA £10m UK IT support services and cloud solutions business Acora to LDC, [the process for which TMT Finance revealed in late September](#), also appears to have been a lucrative exit for Palatine Private Equity, [which claimed to have tripled its original investment made in 2020](#).

Oakley Advisory, later to be acquired by Houlihan Lokey, also managed [to sell EBITDA £12m UK managed services business Digital Space to Graphite Capital](#) albeit after a longer-than-expected process, the start of which [TMT Finance had originally disclosed in May](#).

In the digitisation software services space, [Partners Group picked up Cloudflight for just under E400m](#), apparently E100 less than Deutsche Beteiligungs AG [ETR: DBAN] had initially wanted for the business.

TMT Finance also revealed that by December [Horizon Capital had not secured the £500m-or-above bids it had wanted for UK call centre and customer experience \(CX\) company Sabio and postponed the process.](#)

Other processes were in the meantime consolidating like Intermediate Capital Group's Spanish business process optimisation (BPO) software and outsourced contact centre company [Konecta, which in April merged with Carlyle-owned Italian competitor Comdata](#) to create the sixth largest player in the CX BPO market with combined revenues of nearly E2bn and EBITDA of E300m.