



TRANSLINK

C O R P O R A T E F I N A N C E

TRANSLINK CF IT SERVICES VALUATION INDEX

Q1 2024

Disclaimer



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The information in this Report has been prepared to illustrate the current context of the IT Services market. It is not exhaustive and does not constitute all information that a potential investor or owner may require. The information in this Report has not been independently verified by TRANSLINK CF.

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This Report is designed to provide an overview of valuation trends in the IT Services sector and should not be used as a definitive view on individual company valuations, which can vary based on a range of factors that are specific to individual businesses. Please contact a member of the Translink CF team who would be delighted to talk to you about the specific circumstances of your business.

2024 IT Services sector perspective from Translink CF

In this first edition of the "Translink CF IT Services Valuation Index", we summarise the current state of business valuations in the sector, shedding light on the key trends impacting mid-market listed businesses.

In the ever-evolving landscape of IT Services valuations and M&A, periods of 'calm' are rare. Central bank policy designed to contain elevated inflation, military aggression in Ukraine and the Middle East, and the lingering impact of the COVID pandemic have all left their mark on the market. The uncertainty has impacted financial performance, with softening demand resulting in growth being harder to come by over the last year or so.

However, we appear to have passed the nadir. With green shoots of recovery starting to show, the number of profit warnings is beginning to decrease and interest rate rises appear to have peaked, all of which is positively impacting the valuations of listed businesses in the mid-market and smaller end of the large-cap market.

With the sector continually evolving and adapting to new paradigms, our inaugural IT Services sector report provides an analysis of the sector, and several sub-sectors. The index serves as an essential tool for monitoring global valuation trends within IT Services.

"LISTED VALUATIONS HAVE SETTLED AFTER THE COVID-19 BOOM CORRECTION AND ARE NOW SHOWING SIGNS OF UPWARD MOMENTUM"

70

IT SERVICES
COMPANIES
INCLUDED IN
OUR INDEX

GLOBAL IT
SERVICES MARKET
GROWTH

9.7% CAGR

TO

\$1.22TRN

(BY 2030)

Source: Grandview Research

Meet the team



MARC IRISSON
PARTNER - HEAD OF TMT GROUP

Marc is a M&A professional with over 12 years of experience. He started his career as an analyst with MK Finance and then completed his financial background with an MBA from Georgia State University, Atlanta, USA. He co-founded Financiere Monceau back in 2011, now Translink CF France, and headed up the TMT sector. He has completed dozens of transactions, both buy and sell-side, with French and foreign clients.. He has participated in various deals within the IT sector.



ANDY HAIGH
PARTNER

Andy has been providing corporate finance and deal making advice to privately owned businesses for over 15 years, both within the M&A and Private Equity team of one of the large consulting firms and now at Translink Corporate Finance. Andy is a proven deal leader and has a track record of delivering exceptional results for clients.

Andy has worked on a broad range of deals in the TMT sector.



HAMISH MORRISON
PARTNER

Hamish has over 25 years of mid-market corporate finance experience across numerous sectors including TMT, Logistics, Manufacturing and Business Services.

He advises owner-managers, corporate and private equity clients, with a particular focus on M&A strategy and execution.

The dynamic landscape of the IT Services sector

A summary of the key technological trends shaping the future of the sector

	Artificial Intelligence (AI) and Machine Learning (ML)	Blockchain technology	Cloud computing	Internet of Things (IoT)	Edge computing	Cybersecurity mesh	Quantum computing
Impact	<ul style="list-style-type: none"> Automates tasks, improves decision-making, and enhances service delivery 	<ul style="list-style-type: none"> Enhances transparency and security in transactions 	<ul style="list-style-type: none"> Provides scalable IT resources, driving cost optimisation and agility 	<ul style="list-style-type: none"> Enables interconnected devices for efficient operations and data analytics 	<ul style="list-style-type: none"> Processes data closer to its source for real-time analysis and reduced latency 	<ul style="list-style-type: none"> Provides a flexible security framework for distributed digital assets 	<ul style="list-style-type: none"> Promises efficient solutions for complex problems, affecting fields like cryptography
Adoption rate	<ul style="list-style-type: none"> Rapidly increasing across industries 	<ul style="list-style-type: none"> Growing, especially in financial services and supply chain management 	<ul style="list-style-type: none"> Continues to soar, pivotal for digital transformation 	<ul style="list-style-type: none"> Growing with advancements in connectivity and sensor technology 	<ul style="list-style-type: none"> Increasing with the demand for real-time processing and 5G deployment 	<ul style="list-style-type: none"> Gaining momentum for enhanced security posture 	<ul style="list-style-type: none"> Early stages but growing interest and investment
Implications	<ul style="list-style-type: none"> Requires workforce upskilling and infrastructure updates; raises privacy and ethical concerns 	<ul style="list-style-type: none"> Faces challenges like regulatory clarity and technical complexity 	<ul style="list-style-type: none"> Necessitates attention to security, compliance, and data sovereignty 	<ul style="list-style-type: none"> Raises data security and privacy concerns; needs interoperable standards 	<ul style="list-style-type: none"> Challenges include device management and integration with existing architectures 	<ul style="list-style-type: none"> Requires comprehensive security strategies and ongoing investment 	<ul style="list-style-type: none"> Could revolutionise various industries; necessitates new cybersecurity measures

Translink CF's valuation index

Understanding our sub sectors

IT Services presents a broad and complex landscape, with many of the participants of scale having activities that fall across several sub-sectors. Clearly this raises challenges when seeking to analyse their activities and sub-categorise them. Here we have picked out what we consider to be the primary activity of the participants of the index and used this as the driver of the categorisation.

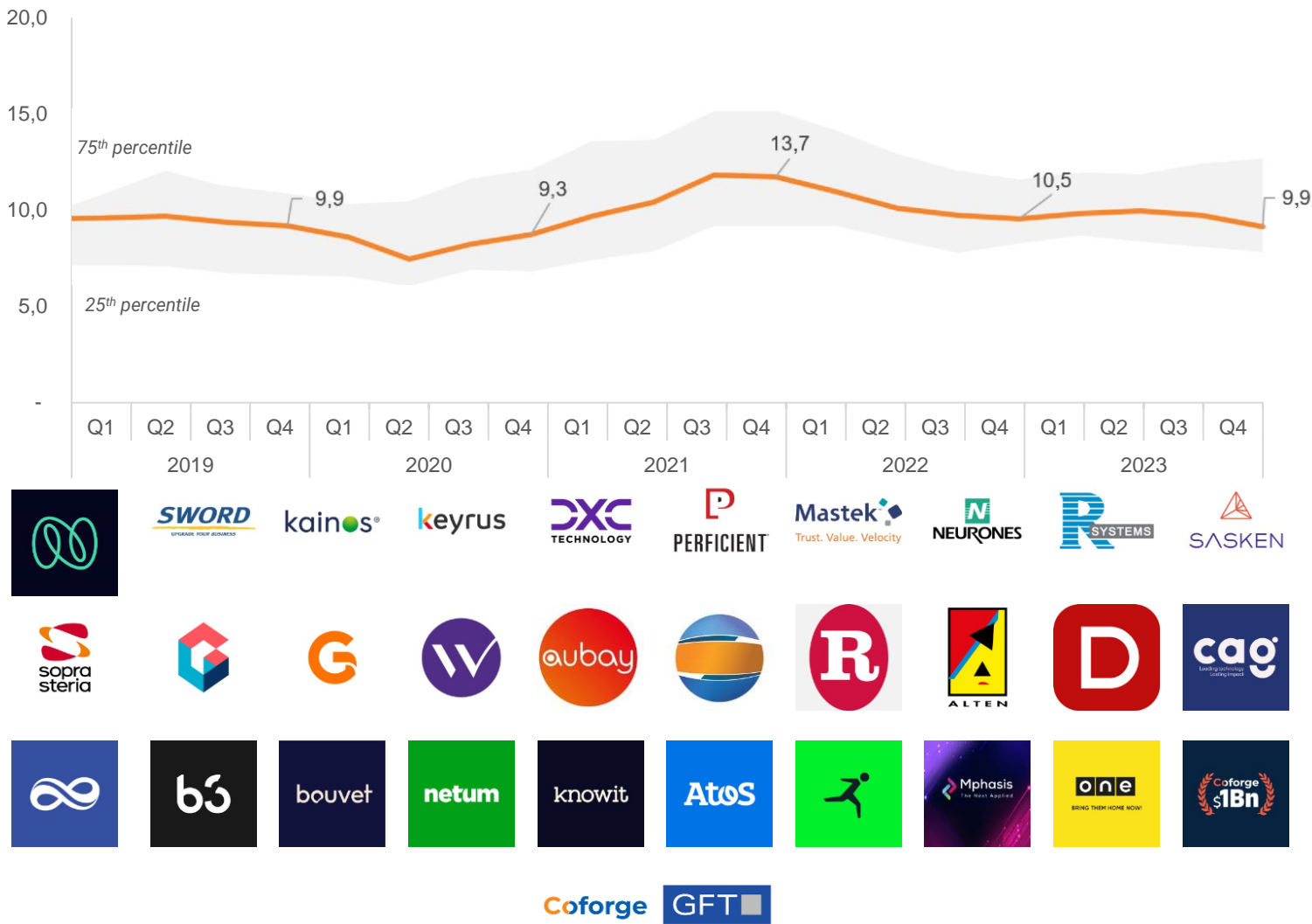
Ultimately, our goal is to provide a general overview of the overall trend and direction of travel with company valuations in the sector. Each company, whether one of those being used in the index or a market participant wishing to use the index as a benchmark, will have unique characteristics which drive its own valuation and this should be considered in conjunction with expert advice.

The Index comprises listed businesses from countries across the Translink CF network, with a market capitalisation of c.€50m up to c.€5bn.



02 IT SERVICES VALUATION INDEX

DIGITAL CONSULTANCY & TRANSFORMATION - QUARTERLY EV / LTM EBITDA MULTIPLE (SAMPLE MEDIAN)



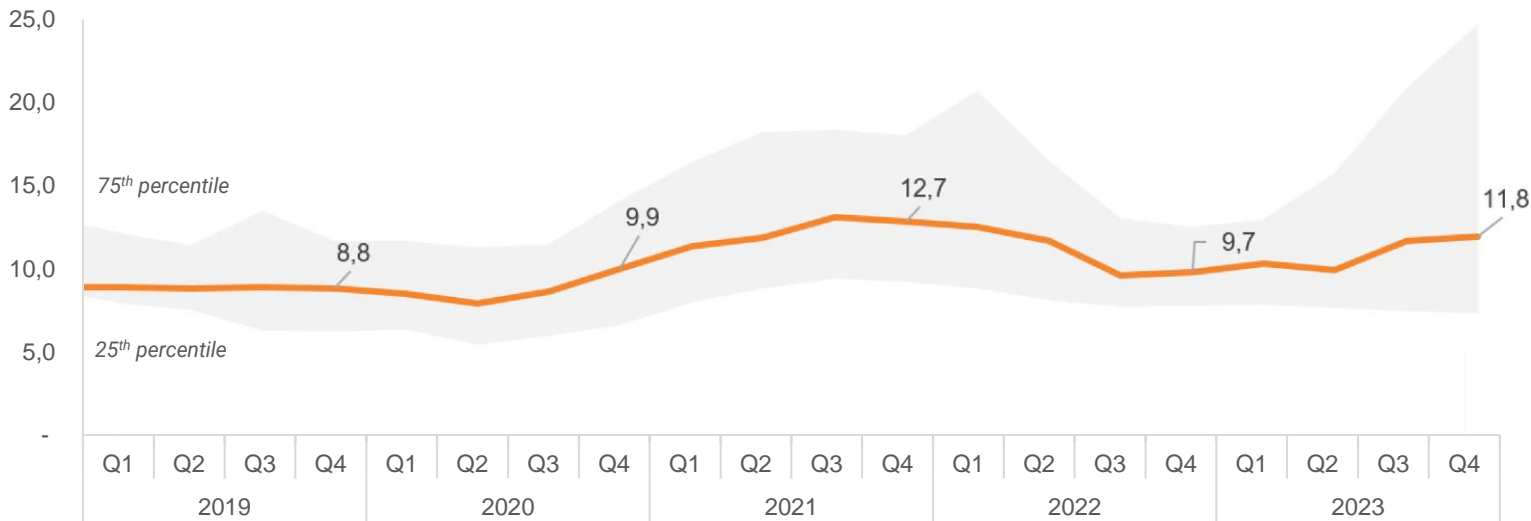
The Digital Consultancy and Transformation subsector focuses on businesses whose primary activity are advisory and consulting services in a technology context, digital implementation and software integration.

Valuation multiples in this subsector are seeing a post Covid-19 correction, with valuations broadly in line with levels seen in 2019 and 2020, driven by businesses experiencing softening demand and projects being deferred or slowed. We see minimal variability among the quartiles, especially for companies trading at lower multiples, which indicates a consistent approach to valuation across the sector.

Whilst many industries have been through significant digital transformation already, demand within the DX landscape will continue to be driven by evolving business needs in a tech context, especially the shift to generative AI integration. As client confidence increases, demand will recover, indicating potentially favourable future valuation growth for companies within the sector.

02 IT SERVICES VALUATION INDEX

GENERAL IT SERVICES - QUARTERLY EV / LTM EBITDA MULTIPLE (SAMPLE MEDIAN)



birlasoft

This subsector index incorporates businesses that are typically providing mission-critical IT infrastructure, systems and software on an outsourced basis.

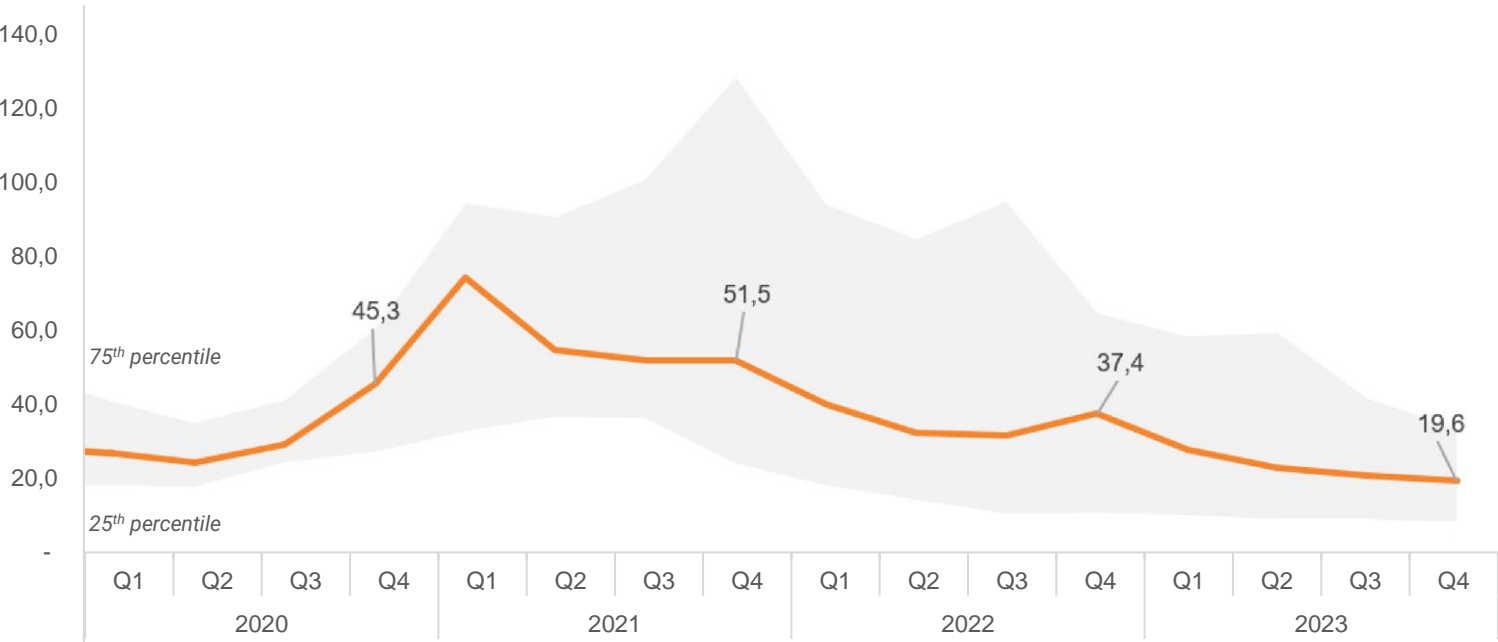
General IT Services valuations saw similar increases during 2021, followed by a post Covid-19 correction. The recent uptick in valuation multiples in the sub-sector is supported by long-term structural growth trends in the market.

Despite the various external economic and political factors, companies in this sector generally maintain resilient business models, with a greater element of recurring revenues helping to drive higher valuations in market conditions that value greater levels of certainty, compared with Digital Consultancy and Transformation.

The subsector includes several high growth businesses, such as All E Technologies and Sahana Systems, which saw significant increases in their share price during 2023, which in turn drove an increase in the valuations towards the upper end of the index.

02 IT SERVICES VALUATION INDEX

HOSTING - QUARTERLY EV / LTM EBITDA MULTIPLE (SAMPLE MEDIAN)




IONOS










SQUARESPACE

The Hosting subsector covers businesses offering a range of services including cloud infrastructure, website hosting and domain registration.

The initial caution at the beginning of the Covid-19 pandemic faded as there was an accelerated shift to platforms for businesses and individuals, leading to a surge in demand for web hosting services.

The online sector also experienced substantial growth during the same period, with consumers turning to online shopping during the various lockdowns.

Investor confidence in hosting companies was high, and in turn this drove higher valuations, with both DigitalOcean and Squarespace both going public at the height of the market.

The period of hyper growth, was followed by a deceleration in growth, which has resulted in several businesses downgrading earnings forecasts, which has negatively impacted valuations.

02 IT SERVICES VALUATION INDEX

IT Services

The global perspective



FY23 key takeaways, FY24 and beyond...

FY23 key takeaways

IT Services valuations are showing strong signs of recovery and are largely back to, or trading ahead of, pre-pandemic levels. In FY21 the sector experienced an unprecedented increase in valuations, fuelled by a low interest rate environment and market uncertainty, which was followed by a period of 'market correction' during FY22.

Rising interest rates, inflation, and geopolitical risk have meant that many investors have diverted their focus from riskier investments, to more stable assets.

General IT services saw the most significant rise in annual valuations, with the certainty offered by proportionally higher levels of recurring revenues and higher cash conversion rates, and ultimately greater stability, clearly being valued. This was further reflected in a divergence in valuations for some of the top performing companies in the index, especially those that experienced high growth during 2023.

...what to expect in FY24 and beyond?

At Translink CF we remain optimistic about growth prospects in the sector during FY24, despite the continued backdrop of global uncertainty amidst the ongoing conflicts in the Middle East and Ukraine.

The continued rapid development and adoption of cutting-edge technologies such as cloud computing, machine learning and AI, will drive demand for specialist services, as many businesses lack the internal expertise and will lean heavily on providers to support them with their integration and utilisation of such technologies.

Another key growth factor is the increased requirement for digitisation, with businesses requiring on-going digital transformation and development programmes to maintain competitiveness. As business confidence increases, we expect the leading DX businesses to grow their valuations as they increase staff utilisation rates.

Whilst a significant amount of consolidation has happened in the sector, we expect M&A activity will continue, fuelled by several factors including continued PE investment and the need to acquire specialist or niche services to stay ahead of the game.

Spotlight on: Translink CF landmark deals

STORDATA has established itself as a key partner in the digital transformation for companies (mainly large corporates). As an expert in the architecture, administration and maintenance of data security and management systems, particularly in the cloud, the company provides critical continuous access services enabling its customers to value their data.

The company has been fast-growing over the past few years and is soon to exceed €100m revenues. Its ambition is now to reinforce its market leadership and become a leading European platform through organic and external growth.

Translink CF acted as the exclusive advisor to STORDATA shareholders in all transactional aspects: financial analysis and equity story, negotiation, and process management up to closing.

Elyan Partners acquired a majority stake in STORDATA to support the company's ambitious growth plan: strengthening historical data management expertise and accelerating the development of cloud and cybersecurity offerings.



ACQUIRED



Advisor to the seller

January 2024 | France

Spotlight on: Translink CF landmark deals

Translink CF acted as the exclusive advisor to SEA TPI in all aspects of the transaction, supporting the shareholders with the equity investment and with securing the senior debt for the transaction.

SEA TPI assists its clients in the implementation of tailor-made IT Service Centers. The company operates in three complementary areas: the operation of central information systems, the operation of digital uses, and cybersecurity operations with a 24/7 Security Operation Center (SOC).

With nearly €30 million in revenue by the end of 2022, SEA TPI aims to double its business volume by 2027, leveraging its historical product offer and its new cybersecurity offering to address its clients' critical cyber resilience challenges.

Crédit Mutuel
Equity

&

CA
SOFIPACA
CAPITAL INVESTISSEMENT

Invested in

sea tpi
Team & Power IT

Advisor to vendor

August 2023 | France

Spotlight on: Translink CF landmark deals

Translink CF advised the shareholders of SolutionPath, a leading Ed-tech data analytics and solutions business on its sale to Kortext, a private equity backed supplier of digital learning platforms to the education sector.

Solution Path's services support higher education establishments to measure and understand student engagement across all aspects of their academic journey. This facilitates assessment of risk to progression and proactive support to ensure student retention, attainment and wellbeing. The core product, StREAM, is deployed to universities in the UK, USA and beyond.

Translink CF acted as the exclusive advisor to Solution Path's shareholders, providing multi-disciplinary support including transactional advice, tax structuring advice and SPA advisory support.

Kortext

ACQUIRED

SOLUTIONPATH

Advisor to the seller

United Kingdom

Translink CF

Recent sector deals

For more information on Translink’s expertise in Technology, Media and Telecommunication (TMT), visit:

www.translinkcf.com/industry-sectors/TMT/



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