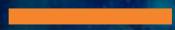




TRANSLINK

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



IT SERVICES VALUATION INDEX

Q3 2024

Disclaimer



The IT Services Valuation Index (hereafter the 'Report') has been prepared by TRANSLINK CORPORATE FINANCE ("Translink CF") for information purposes only and is based on public information and other reliable sources. The Report is presented by TRANSLINK CF.

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.

References: sources used in this report include Mergermarket, Capital IQ, Megabyte, individual company data and Translink CF research

Stuck on repeat!

For the majority of businesses that make up our index, the trading picture remains relatively unchanged from the previous half-year

The drawn-out recovery within the IT Services sector has largely continued over the first half of FY24, with valuations across the three sub-sectors remaining broadly unchanged.

FY23 was a year of change which saw the status quo from previous years of high inflation and high interest rates, military conflicts in Eastern Europe and the Middle East, and the ongoing repercussions of the COVID-19 pandemic continue to impact valuations.

At the start of FY24, many had been optimistic of a sequential uptick in trading performance as the year progressed, however this has largely failed to materialise. The recurring trends impacting valuations, and the market, include extended sales cycles and the tightening of client budgets.

For the remainder of the year, the outlook is more of the same, with the Translink CF team not expecting to see any additional seismic shifts in growth or valuations until 2025.

70

IT Services companies included in our index

DX and Trans EV from **9.9x LTM EBITDA**

(Q4 2023)

UP TO

10.1x LTM EBITDA

(Q2 2024)

IT Services EV from **11.8x LTM EBITDA**

(Q4 2023)

UP TO

11.9x LTM EBITDA

(Q2 2024)

Hosting EV from **19.6x LTM EBITDA**

(Q4 2023)

DOWN TO

14.7x LTM EBITDA

(Q2 2024)

Meet the team



MARC IRISSON
PARTNER, HEAD OF TMT GROUP

Marc is a M&A professional with more than 12 years of experience. He started his career as an analyst with MK Finance and then completed his financial expertise with an MBA from Georgia State University, Atlanta, USA. In 2011, he co-founded Financiere Monceau, now Translink CF France, and heads up the Technology, Media and Telecommunication (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 more than 15 years, both within the M&A and Private Equity team of one of the large consulting firms and now at Translink CF. 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 more than 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.

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 we have used this as the driver of the categorisation.

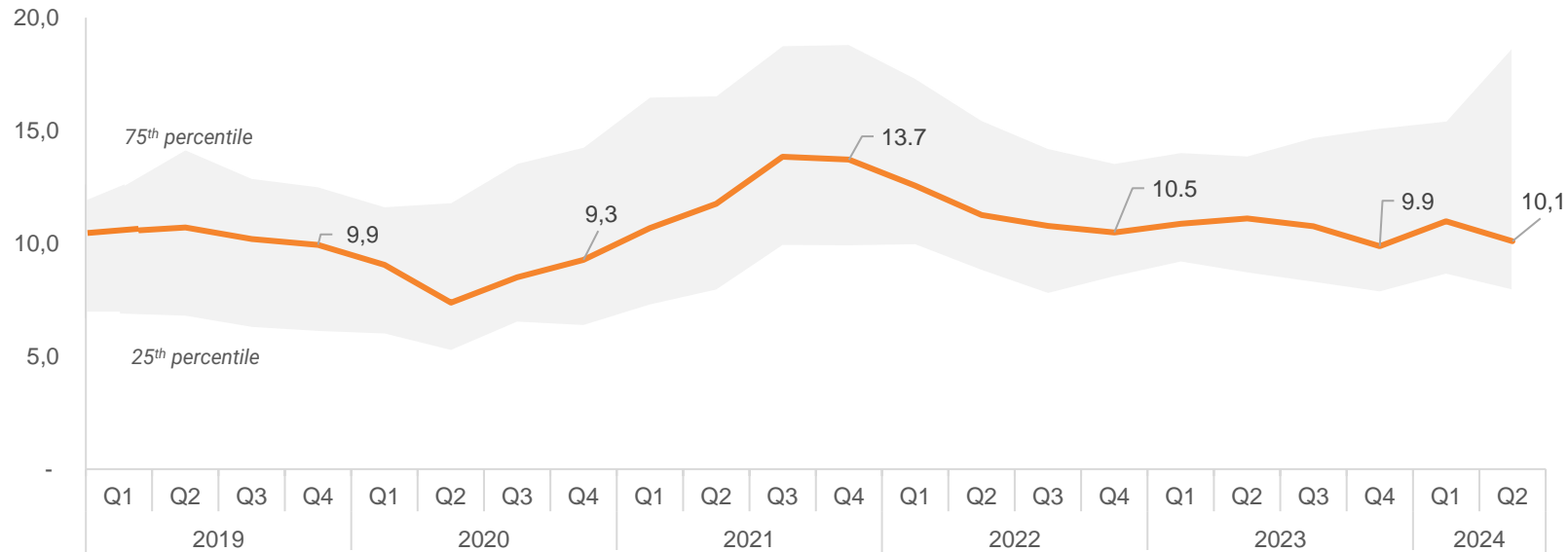
Ultimately, our goal is to provide a general overview of the overall trend and direction of travel with company valuations in the sector. Each company, whether one of those being used in the index or a market participant wishing to use the index as a benchmark, will have unique characteristics that drive 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 sub-sector focuses on businesses whose primary activities are advisory and consulting services, in a technology context, digital implementation and software integration.

Early optimism for a strong 2024 has fallen away, taking valuations with it. Multiples finish H1 flat at c.10x v Q4 2023 for our sample.

The expected recovery failed to materialise with reports of extended sales cycles and poor conversion of strong pipelines into orderbook, despite positive customer conversations.

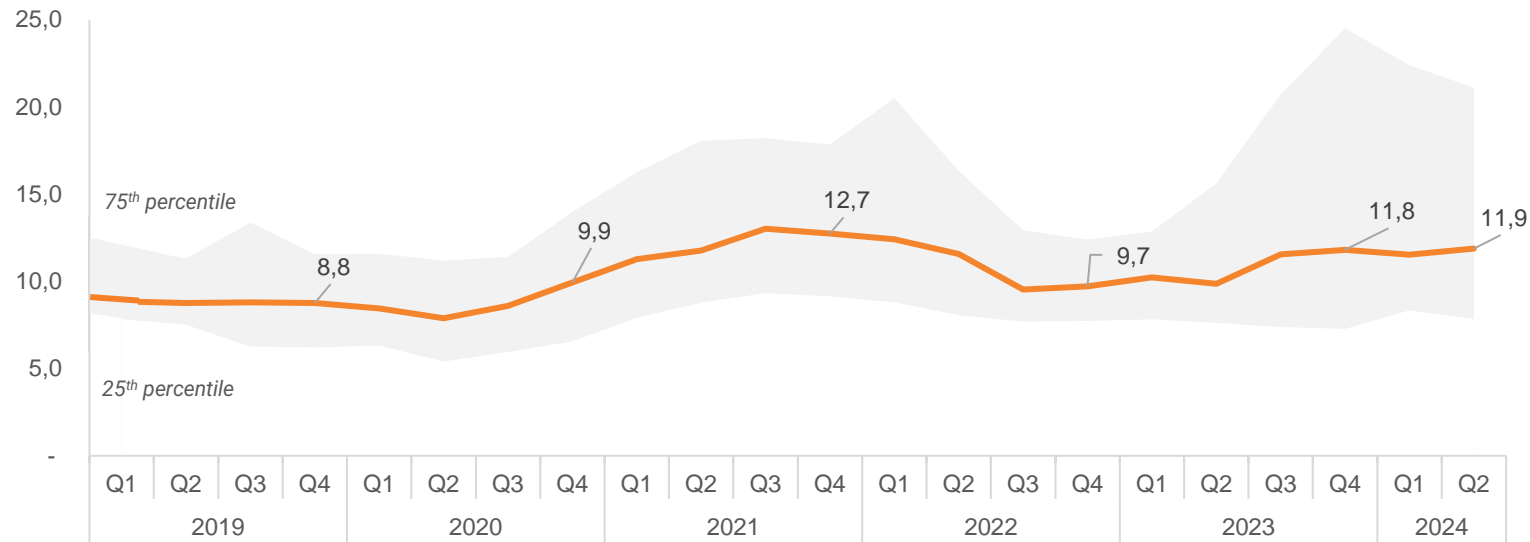
Growth is therefore hard to come by for the majority, with forecasts for the rest of the year looking flattish (c.1% growth in N12M overall). Margins are generally satisfactory and staff attrition has settled now.

The Indian offshores are the exception in the growth department. They have been taking market share via an ability to deploy at lower cost and maintain margins.

Deal activity is generally fairly low, especially compared with the same period last year. Hotspots are in data services and cyber security.

02 IT SERVICES VALUATION INDEX

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



birlasoft

The General IT Services sub-sector focuses on businesses providing mission-critical IT infrastructure, systems and software on an outsourced basis.

The drawn-out recovery of General IT Services valuations continued in H1 2024, with growth slowing following positive movement during 2023. The valuations at the top end have fallen, most likely due to bullish growth assumptions at the end of last year not coming through as expected.

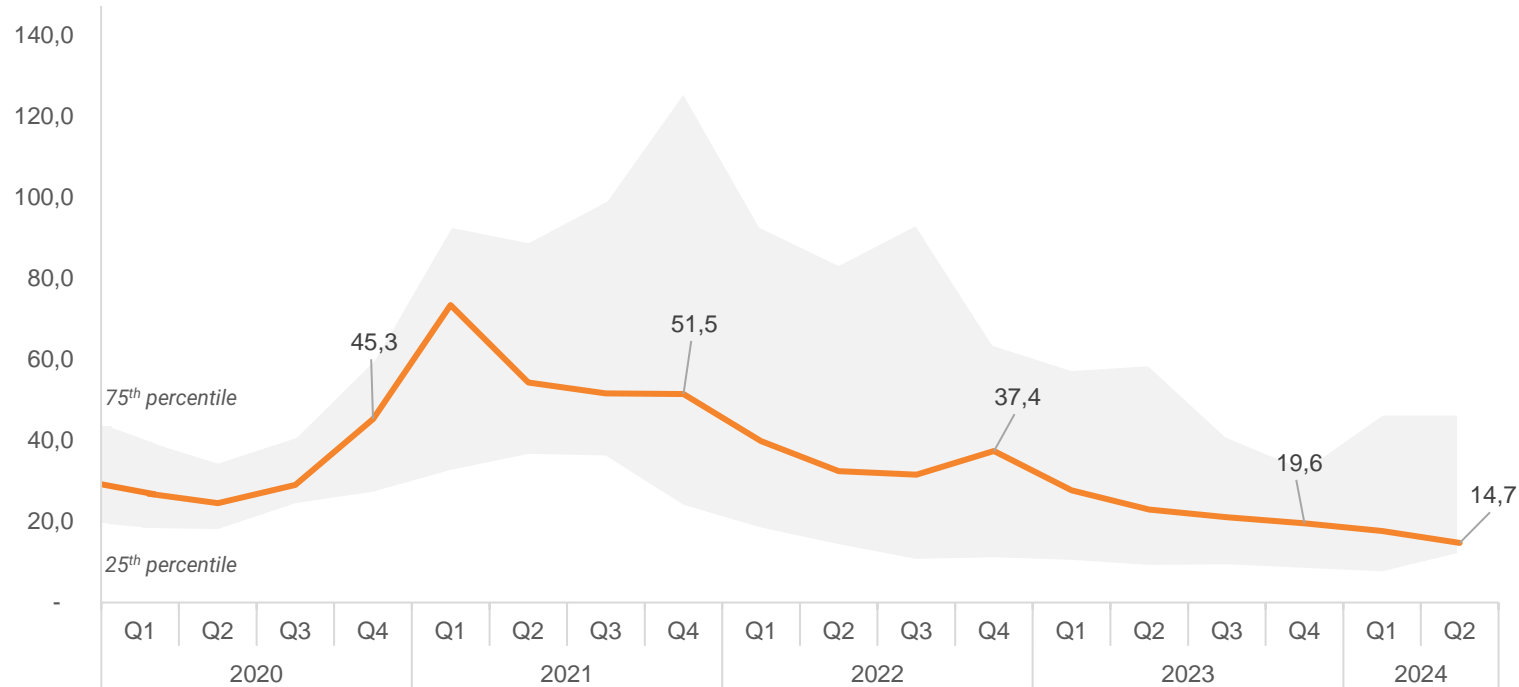
Overall, valuations across our sample show little movement from H2 2023. As with DX valuations, the tightening of customer budgets and an elongated sales cycle have impacted revenue growth expectations, with businesses taking a more focussed stance towards profits.

Those with a cyber security focus are outperforming however, with growing geopolitical tensions driving demand.

There has been a softening of corporate M&A activity in the sub-sector compared to last year in terms of both valuations and deal multiples, but there remains a reasonable level of activity.

02 IT SERVICES VALUATION INDEX

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



The Hosting sub-sector incorporates businesses offering a range of services including cloud infrastructure, website hosting and domain registration.

The deceleration in growth experienced across 2022 and 2023 that resulted in several businesses downgrading earnings forecasts and negatively impacted valuations, finally subsided in H1.

The last six months has seen growth in valuations of the upper and lower quartiles, with these showing a decrease driven by DigitalOcean reporting a slowdown in growth in recent periods (12% revenue growth in Q1, compared to 20% and 34% in 2023 and 2022 respectively). The focus on individual developers and small businesses has resulted in churn and a lack of expansion opportunities.

In May, Squarespace's share price was boosted by the announcement of a \$6.9bn acquisition agreement from Premira Private Equity.

IT Services

The global perspective



Key impacts shaping the sector in FY24 and beyond...

H1 FY24 key takeaways

Recovery during the last six months has continued to be protracted, with valuations in the IT Services sector showing some limited momentum towards an upward trajectory, albeit at a relatively slow growth rate.

Recurring themes including tougher trading conditions, with healthy pipelines not converting into paid work, which in turn is leading to extended sales cycles, and budgetary pressure from customers have continued to impact the market.

In H1 FY24, there was change in the global macro-economic environment of high inflation and high interest rates, although this has taken longer to settle down and only really started to show towards the latter part of the half-year.

There remains a consistent flow of M&A activity in the IT Services sector (robust but down on the same period last year) however the deal environment remains challenging. Buyers are much more selective over the assets they will look at and due diligence processes are typically longer and more in-depth. This appetite combined with lower arbitrage opportunity and continued higher interest rates have a downward drag on private company M&A.

Limited growth expectations for H2 FY24

Hopes of a strong second half to the year are looking more and more unlikely, with many businesses downgrading trading forecasts for the remainder of the year.

General elections in the UK and France don't appear to have had much impact on the markets as there is still an uncertainty over the impact on the economic outlook. The US election later in the year is expected to have a bigger impact, alongside wider jitters over the economic situation in that market.

Many organisations still have commitments to mission critical projects and companies that can leverage emerging technologies, prioritise cybersecurity, and offer scalable, sustainable solutions will be well-positioned to capitalise on the opportunities in this rapidly evolving landscape.

The general feeling is that growth is coming, although we may need to wait a little longer than anticipated to see growth of any real significance start to materialise. Most commentators now expect growth to be limited until at least 2025.

Spotlight on: Translink CF landmark deals

Translink CF advised the shareholders of Kaito (Northern Europe's only Snowflake Elite Partner) of its strategic acquisition by twoday (one of the leading digital transformation partners in Northern Europe).

Kaito is a leading data analytics and technology consulting company formed in 2019, and has established itself as a leader in modernising enterprise data platforms and delivering advanced analytics solutions for enterprise clients across industrial, financial services and retail industries.

The combined entity will now boast more than 700 data engineering and AI experts, enhancing their ability to deliver impactful digital solutions to both private and public enterprises.

Translink CF ran a well-structured, global auction process involving 175 buyer candidates from 11 countries, receiving a total of 15 offers, of which seven offers were increased, resulting in a sales price well-above the sellers' expectations.

twoday

Acquired

KAITO

Advisor to the seller

August 2024 | Finland & Denmark

Spotlight on: Translink CF landmark deals

Miss Group is an international digital solutions provider, offering a comprehensive range of hosting-related services to over 800,000 customers and is backed by Perwyn, a leading European Private Equity and Growth Equity investor

Over the last five years, Miss Group has grown rapidly, increasing EBITDA fivefold from €8m to €40m, and in 2023 achieved a landmark SEK1 billion in revenue

Translink CF acted as advisor to the buyer for the acquisition of Domeneshop, the largest hosting company in Norway

The acquisition strengthens Miss Group's market position as the leading web hosting companies in the Nordics, increasing the Group's portfolio to three hosting provider companies in Norway and collectively providing more than half of the country's 850,000 .no domains. Together, the three businesses now serve more than 570,000 customers



Acquired



Advisor to the buyer

August 2024 | Sweden & Norway

04 ABOUT TRANSLINK CF AND IT SERVICES
SECTOR EXPERTISE

Translink

Recent IT Services sector deals

For more information on Translink's expertise in TMT, visit:

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

Month/Year	Location	Deal Details	Translink Role
August 2024	Sweden Norway	Miss Group acquired domeshop	Advisor to the buyer
August 2024	Finland Denmark	twoday acquired KAITO	Advisor to the seller
April 2024	Germany	COHEMI (a portfolio company of Silver Investment Partners) acquired sycor (a subsidiary of sycor GmbH)	Advisor to the seller
March 2024	The Netherlands	OneXillium acquired BM CONSULTANTS	Advisor to the seller
January 2024	France	elyan enters into exclusivity to acquire a majority stake in Stordata	Advisor to the seller
October 2023	United States	Centre Technologies (a portfolio company of MAINSI Capital Corporation) has acquired NETLINK SOLUTIONS	Advisor to the buyer
August 2023	France	Crédit Mutuel Equity invested in SOFIPACA and sea tpi (Team & Power IT)	Advisor to the seller
July 2023	Sweden	Sareq acquired a majority stake in LANGIA	Advisor to the seller
June 2023	France	Valmen Groupe acquired Vivit	Advisor to the buyer
June 2023	Norway	ecit acquired isjefen	Advisor to the buyer

04 ABOUT TRANSLINK CF AND IT SERVICES
SECTOR EXPERTISE

Translink


Recent TMT sector deals


For more information on Translink's expertise in TMT, visit:


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





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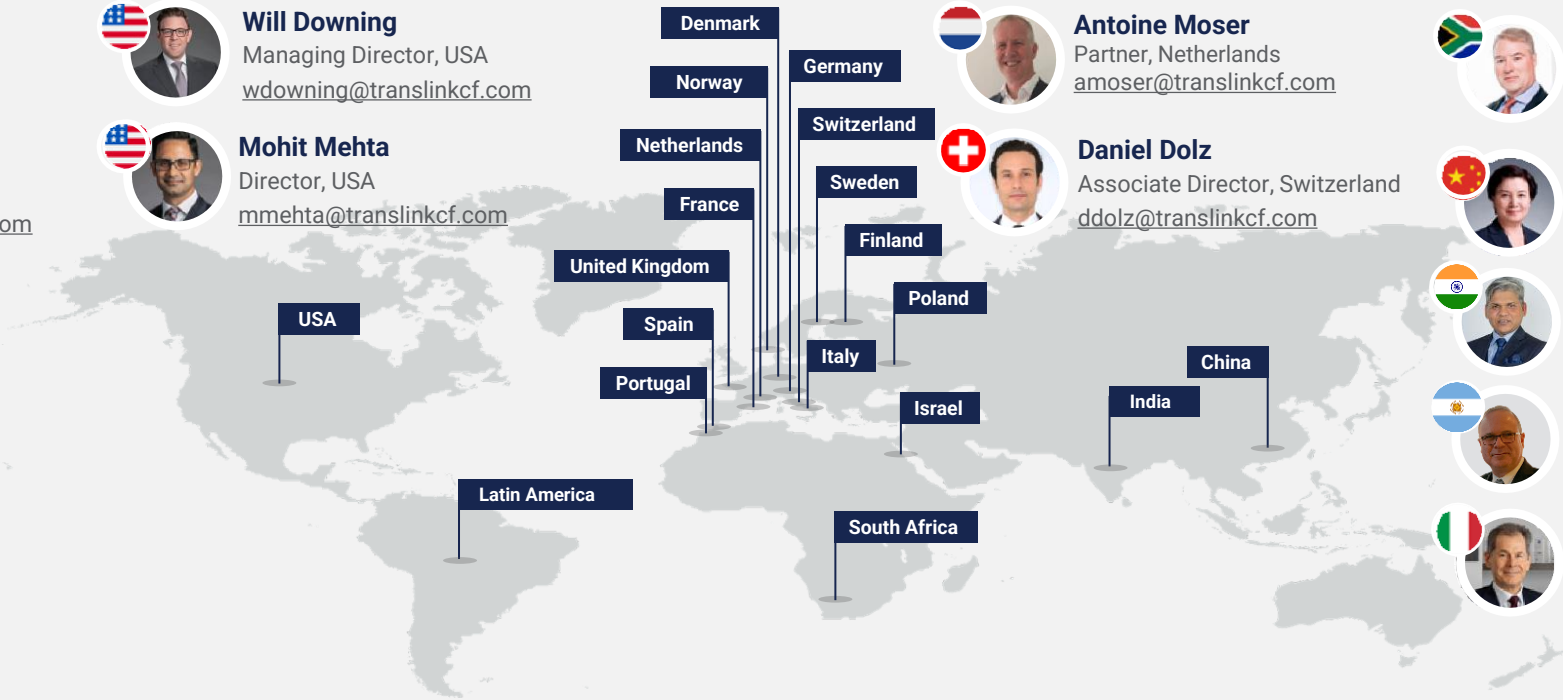
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05 APPENDIX 1

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)	Cybersecurity mesh	Quantum computing	Big data and analytics
Impact	<ul style="list-style-type: none"> Automates repetitive tasks, enhances decision-making and helps drive innovation and new business models 	<ul style="list-style-type: none"> Enhances transparency and security in transactions and increases efficiency 	<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"> Provides a transformative approach by decentralising and distributing security perimeters 	<ul style="list-style-type: none"> Promises efficient solutions for complex problems, affecting fields like cryptography 	<ul style="list-style-type: none"> Enables data-driven decision making, improving efficiency, customer experiences and innovation
Adoption rate	<ul style="list-style-type: none"> Increasingly widespread across numerous industries 	<ul style="list-style-type: none"> Growing, especially in financial services, healthcare 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"> Gaining momentum for enhanced security posture 	<ul style="list-style-type: none"> Early stages but growing interest and investment 	<ul style="list-style-type: none"> Widespread, with significant momentum
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 such as regulatory clarity and technical complexity 	<ul style="list-style-type: none"> Necessitates attention to security, compliance, privacy and data sovereignty 	<ul style="list-style-type: none"> Raises data security and privacy concerns; needs interoperable standards 	<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 	<ul style="list-style-type: none"> Presents challenges to data privacy, security and technical complexities

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