

SECTOR SNAPSHOT – H2-2022

ICT SERVICES M&A



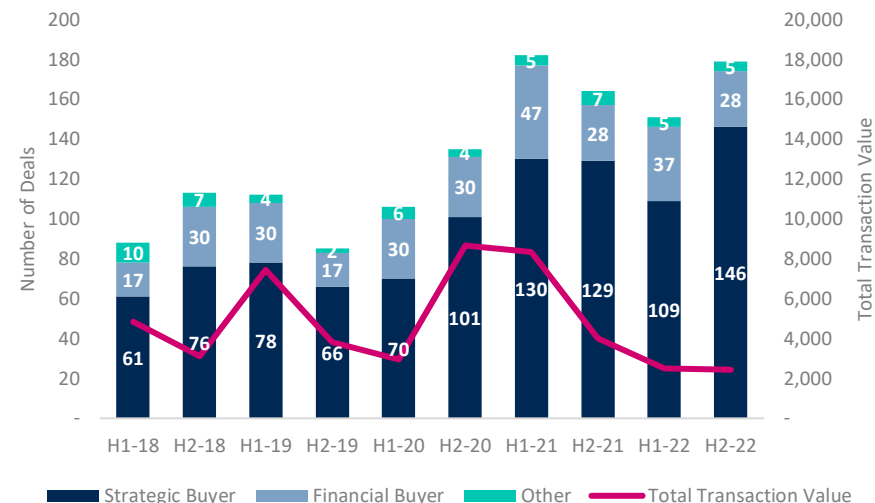
Shah Zaki
Partner



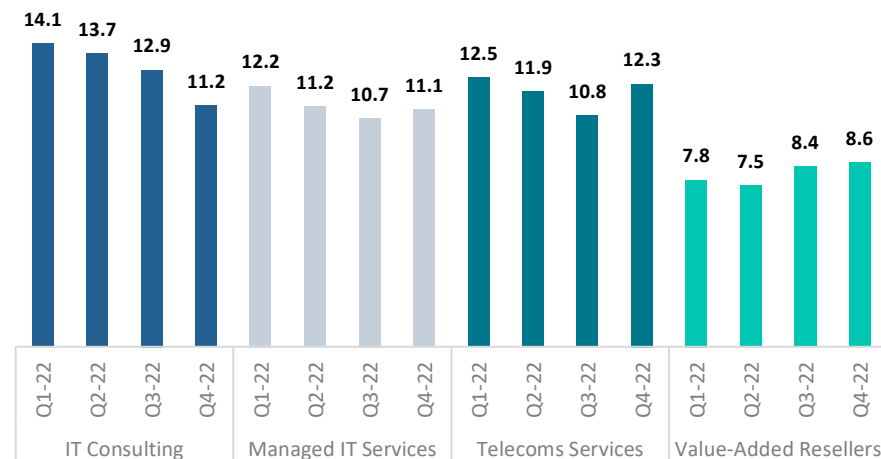
Nick Wall
Associate
Director

- The volume of ICT Services M&A deals has risen from 151 in H1-22 to 179 in H2-22, representing a 19% increase.
- Trade deals recovered strongly in the second half of 2022 with 146 deals completed, a 34% increase in trade deals on H1-22. After the drop in volume in the first half of this year, this recent growth represents a return to the high-volume of deals experienced in 2021 and the outlook for the sector remains strong.
- The high level of activity from trade buyers demonstrates the underlying strength of the M&A market across the ICT Services sector with corporations increasingly turning to acquisitions to enhance their own service capabilities and acquire new blue chip customers.
- The ICT Services sector remains attractive to financial buyers as there are many opportunities to acquire strong, stable, platform businesses and grow quickly through bolt on acquisitions. This has been demonstrated by the 28 acquisitions completed by private equity firms in H2-22. Increased competition amongst financial buyers for high quality assets in growing sub-sectors has helped to maintain high deal multiples.
- EBITDA valuations for all disclosed transactions in the ICT Services sector on a trailing 12-month basis (covering the 2022 calendar year) have shown reasonable stability across H2-22. Multiples in the Telecom Services sector have grown strongly and while IT Consulting multiples have experienced a decline in H2-22, the multiples are expected to stabilise in 2023.
- M&A activity within the Telecoms Services sector continues to grow as larger telecoms firms, both in the UK and overseas, continue to use M&A to expand their service portfolio, and companies operating in other sub-sectors are looking to enter the market through acquisitions.
- In one of the larger H2-22 deals, Telit, a global leader in Internet of Things (IoT) Solutions, agreed to acquire Thales’s cellular IoT products business. The combined business, to be named Telit Cinterion, will hope to leverage Thales’ expertise in IoT security across SIM technology, modules and connectivity.

M&A VOLUMES BY TYPE

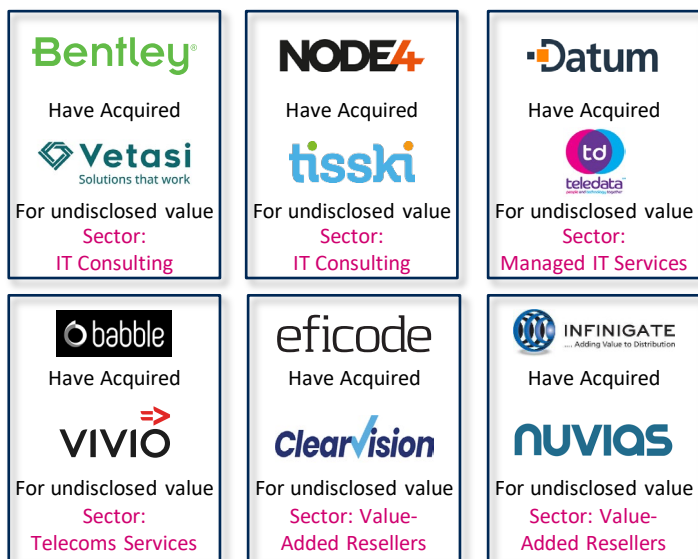


AVERAGE EV/EBITDA MULTIPLES



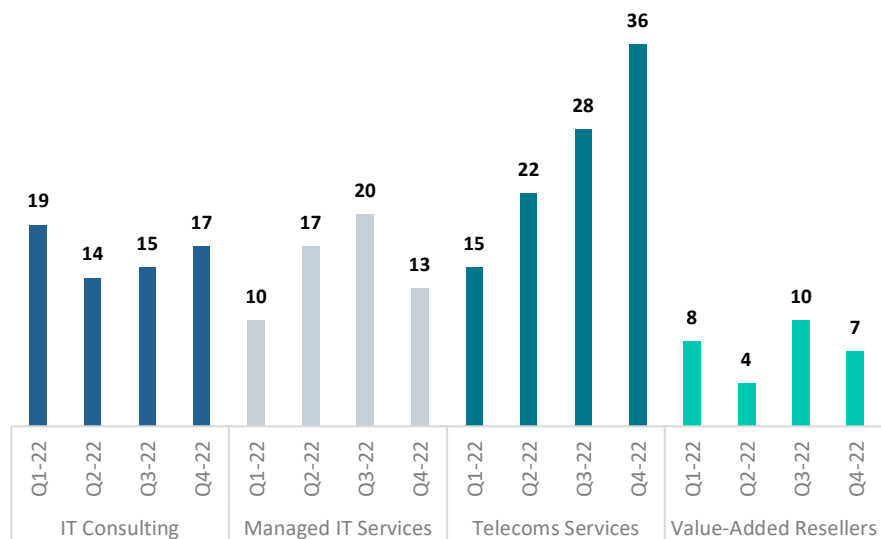
KEY TRANSACTIONS – H2 2022

STRATEGIC TRADE TRANSACTIONS



NOTABLE TRADE DEALS IN H2 2022

- Bentley Systems announced that its digital integrator business, Cohesive Group, has acquired Vetasi, a leading provider of enterprise asset management solutions with a specialism in IBM Maximo Managed Services. Cohesive Group will hope to benefit from the global reach of Vetasi in addition to bolstering its strategic advisory capabilities.
- Leading cloud-based platform and IT solutions provider, Node4, acquired Tisski, a UK based Microsoft Business applications partner. The acquisition will strengthen Node4's capabilities in Customer Experience and Relationship Management within Microsoft Dynamics.
- In September 2022 Datum Datacentres announced the acquisition of Teledata UK, a colocation data centre in Manchester. The acquisition represents Datum's first bolt-on regional acquisition of Datum as part of its expansion strategy.
- Babble added significant scale to their mobile business with the acquisition of Vivio and elsewhere Infinigate bolstered its cyber security offering with the acquisition of Nuvias Group.



UK ICT SERVICES TRADE DEAL VOLUMES BY QUARTER

- The second half of 2022 has seen 146 deals completed by trade buyers within the ICT services sector, as trade M&A activity sees a 34% increase from H1 2022 with numbers remaining strong post-pandemic.
- Telecoms Services experienced sizeable growth in deals completed, growing from 37 to 64 in the second half of 2022, marking a 73% increase from the first half of the year.
- The volume of trade deals for Value-Added Resellers also grew strongly in the second half of 2022 up to 17 deals from 12 signifying a 42% increase in deals completed.
- Both the IT Consulting and Managed IT Services sectors saw trade M&A volumes maintain a strong level throughout 2022 with 65 and 60 completed in each sector, respectively.

KEY TRANSACTIONS – H2 2022

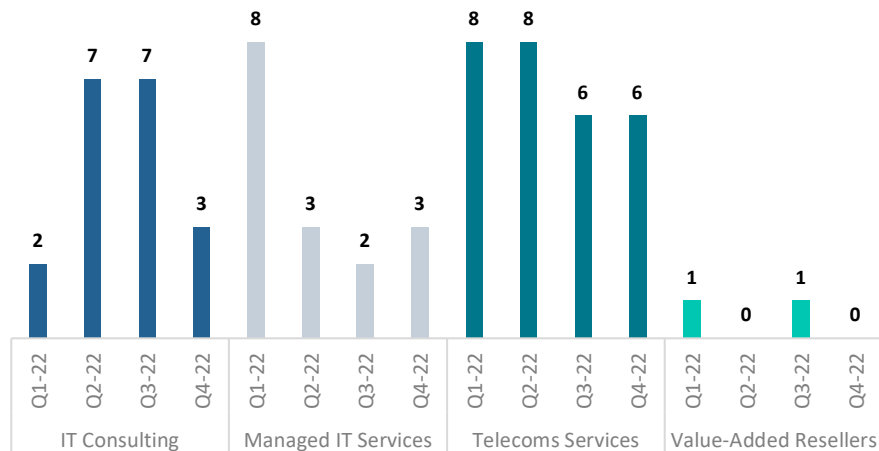
PRIVATE EQUITY TRANSACTIONS



NOTABLE PRIVATE EQUITY DEALS IN H2 2022

- LDC have made a significant investment in IT Consultancy firm, Etrading Software. Etrading Software provides capital markets technology, specialising in the provision of market and reference data used by international financial institutions. LDC aim to support Etrading Software in expanding its range of services.
- Palatine made a significant investment into Redmoor Health, a rapidly-growing, digital healthcare services partner. Redmoor provides a range of digital transformation solutions from design through to implementation and analytics.
- Mid-market private equity firm, Bowmark Capital, has invested in, Xperience, a leading provider of IT services, specialising in digital transformation. Xperience provides end-to-end digital solutions across managed IT services, cloud solutions and cyber security.
- In October 2022, Volpi Capital announced an investment into Xalient, a UK-based supplier of global networking and cybersecurity services. Elsewhere Scottish Equity Partners completed a significant growth equity investment in Pelion, a global Internet of Things connectivity business headquartered in Glasgow.

UK ICT SERVICES PRIVATE EQUITY DEAL VOLUMES BY QUARTER



- Private Equity interest in the ICT Services sector remains strong despite a slight decrease in deal volumes in the second half of the year. Total Private Equity deal volumes fell from 37 to 28 between H1-22 and H2-22.
- In 2022, there has been significant competition for high quality assets, particularly in the Telecoms Services, IT Consulting and Managed IT Services sectors.
- The Telecoms Services sector has seen strong, consistent, interest from financial buyers across 2022 with 16 and 12 deals completed across H1-22 and H2-22.
- Value-added resellers (“VAR”) saw little investment from Private Equity firms in 2022, with only 1 acquisition occurring in both H1-22 and H2-22. Gross Profit and EBITDA Margins in this sector are often less appealing to financial buyers with deals typically occurring where the business is operating in a high growth niche sub sector or possesses a distinctive USP.

LISTED VALUATION MULTIPLES

ICT SERVICES SUBSECTORS

EBITDA multiples are performing strongly across the IT services sector with revenue multiples ranging from 0.5x to 6.6x revenue

IT CONSULTING

COMPANY	EV / REV MULTIPLE	EV / EBITDA MULTIPLE
Alpha	3.1	14.6
endava	5.0	20.5
kainos®	6.1	29.8
nccgroup	2.3	12.4
TPXimpact	0.8	13.2

MANAGED IT SERVICES

COMPANY	EV / REV MULTIPLE	EV / EBITDA MULTIPLE
Beeks	6.6	17.5
redcentric	2.8	11.1
RM™	0.5	7.4
Shearwater Group	0.6	5.3
SysGroup	1.1	5.5

VALUE-ADDED RESELLERS

COMPANY	EV / REV MULTIPLE	EV / EBITDA MULTIPLE
BYTES	2.0	18.5
Computacenter	0.3	6.2
Midwich	0.6	13.2
NORTHAMBER Total distribution™	0.1	9.1
Softcat	0.9	16.4

TELECOMS SERVICES

COMPANY	EV / REV MULTIPLE	EV / EBITDA MULTIPLE
AdEPT	1.0	5.5
BT	1.6	4.3
Gamma	2.2	10.4
loopup	0.7	11.7
VIANET DATA. REIMAGINED.	1.8	9.9

OGL

IT Services and Cyber Security

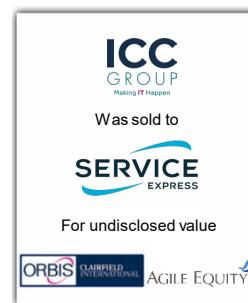


Advisor to OGL

- **OGL Computer Support** and **CyberGuard** are an eminent IT Solutions and Cyber Security Services provider.
- **OGL** has been delivering first-class IT solutions to over 1,000 UK businesses for over 45 years and is accredited by the world's leading IT and Cyber Security vendors including Microsoft, HP, WatchGuard and VMware.
- **Wavenet**, backed by Macquarie Capital, is now one of the largest providers of Unified Communication, Cloud Solutions and Cyber Security Services in the UK.

ICC Group

IT Services

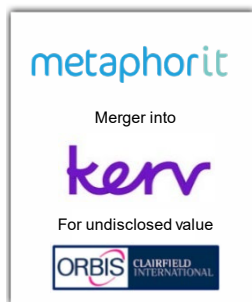


Advisor to ICC Group

- **ICC Group**, a market leading provider of data center maintenance and managed services solutions, was sold to US Headquartered, Service Express International.
- **ICC Group** delivers customer-first solutions tailored to unique business needs with the help of its technical team across the U.K.
- **Service Express** is an international business specialising in data centre maintenance for server, storage and networking equipment with over 4000 customers and 600 employees.

Metaphor

IT Services

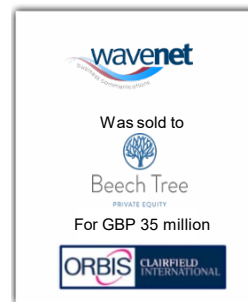


Advisor to Metaphor IT

- **Metaphor IT**, has merged with **DoubleEdge Professional Services** and **Foehn** to form **Kerv**, a transaction backed by LDC with a combined value of £30m.
- **Kerv** will enter the market with revenues of £20 million and over 100 employees.
- **Metaphor IT** delivers three core solutions, Cloud Services, Digital Workspaces and IT Managed Services providing disruptive solutions in these specialist areas which set it apart from its larger competitors.

Wavenet

Telecom Services



Advisor to Wavenet

- **Wavenet** is a specialist provider of unified communications solutions to the SME and corporate markets, including products and services across data connectivity, fixed and mobile voice, hosted voice.
- **Beech Tree** invested £35 million to meet shareholder's personal requirements and fund the future growth plans. The funding package provided by Beech Tree and RBS includes a financing to support acquisitions.

Orbis is an independent corporate finance advisory firm, working with business owners, management teams and investors to advise them through every aspect of corporate finance.

The partners have over 100 years of deal-making experience and combine their broad network of global relationships with deep sector knowledge and investor skills to deliver a specialist M&A experience.

Orbis is the UK partner for Clairfield International, a global investment bank, offering clients access to over 400 corporate finance professionals situated in over 20 countries across the globe.

ORBIS PARTNERS: SERVICES

A complete range of M&A services providing a wealth of experience to our clients

- Company Sales**
 - Extensive mid market M&A expertise and experience across the team.
 - International reach – over 20 countries and growing.
 - Over 90% of all sale mandates involve an overseas party.
- Acquisition Support**
 - Research and origination - internal research team and tools.
 - Strategic and financial assessment.
 - Deal management.
- Due Diligence**
 - Experienced and informed advice.
 - Extensive experience within the UK and of international transactions.
 - Partner Led
- Management Buy Out**
 - Deal leadership and fund raising.
 - Align interests with management team.
 - Co-investors on 15 deals.
- Capital Raising**
 - Supporting existing business to fund development.
 - Supportive investor bringing focus on value creation.
 - Co-investors on 3 deals.
- Business Improvement**
 - Independent advice and planning strategy led by sector insights.
 - Turnaround and profit improvement credentials.
 - Leading the team through uncertainty whilst developing a game plan.

TMT CREDENTIALS

 Was sold to For undisclosed value	 Was sold to For undisclosed value	 Merger into For undisclosed value	 Was sold to For GBP 35 million
 Was sold to For undisclosed value	 Was sold to For undisclosed value	 Was sold to For undisclosed value	 Acquired For undisclosed value



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