

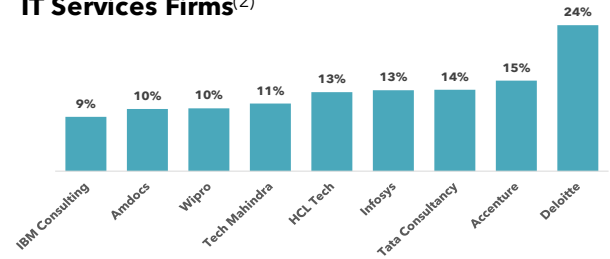
Industry Update

IT Services

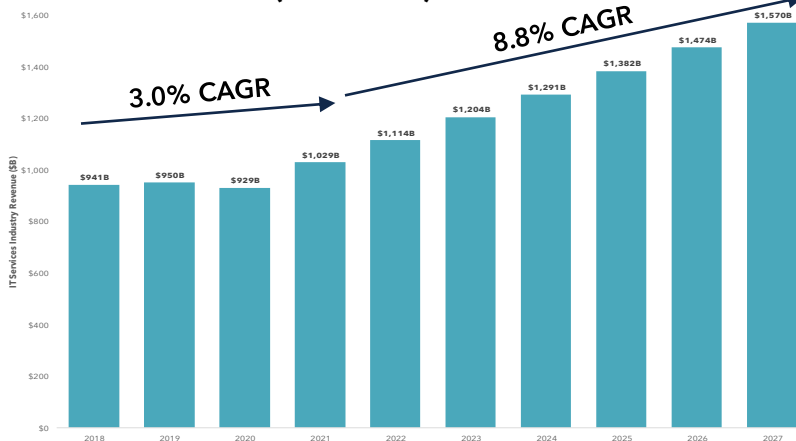


Coming out of the COVID Pandemic, the 2022 \$1.1 trillion market for IT services is experiencing its second year of record annual growth of nearly 10%. After 2020's dip due to global economic disruption, businesses have scrambled to transform into digital-first entities to more effectively accommodate remote work, challenging access to labor markets and changing customer demands. IT service providers – the largest of which experienced well over 10% top-line growth in 2022 – quickly filled the gap and experienced increased activity forecasted to continue driving the industry for the foreseeable future reaching \$1.5T per year by 2027, a CAGR of 9%.

2022 Revenue Growth by Top IT Services Firms⁽²⁾



IT Services Market Size (2016-2027)⁽¹⁾



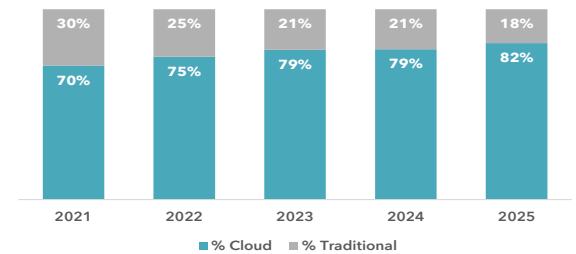
Key Trends

- » IT consultants remain busy assisting enterprise clients' cloud migrations, with Gartner now estimating more than 79% of business IT spending targeted at cloud computing and related infrastructure (cybersecurity, e-commerce and various digital transformation services) compared to less than 21% spent to sustain traditional "in-house" IT systems.
- » Similarly, Gartner predicts in less than two years cloud computing spend will represent the majority of all IT business expenditures. As a result, IT service providers have honed-in on tailored solutions for increasingly expansive cloud infrastructures for a growing rolodex of clients, many based on a pay-as-you go model.
- » The value of e-commerce sales now exceeds 25% of the entire global GDP, up from just 10% a few years ago, with B2B activity capturing roughly 75% of the total compared to B2C. E-commerce is forecasted to reach one-third of the total global GDP in a few short years, and professional IT consultants are helping clients prepare for a world dominated by the e-commerce sales channels.

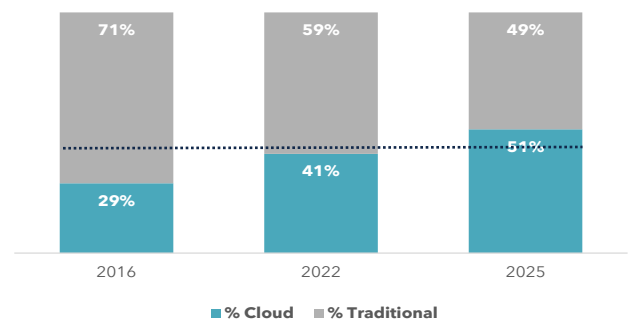
2023 Key Statistics

- 👛 **40%** lower cost of ownership by switching to the public cloud⁴
- ☁️ **44%** of SME currently use cloud infrastructure or hosting⁵
- 🌐 **1 in 3** small businesses currently don't have a website of any sort⁶
- 📊 **~5%** of IT services industry revenue is earned by the 5 largest companies⁷

New IT Spend Widely Favors the Cloud⁽³⁾



Cloud Computing Crossing the Rubicon⁽³⁾



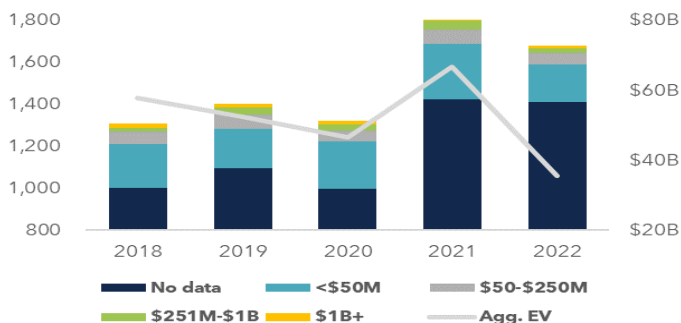
Sources: (1) Statista, (2) CP Research, (3) Gartner, (4) Accenture, (5) TechRepublic, (6) VisualObjects, (7) IBISWorld

Investor Interest Continues to Drive Deal Volume

The IT services industry continues to garner significant investment from both private equity and strategic buyers. While the dollar volume decreased in 2022, the transaction count remains strong. Though 2022 saw a modest 7% drop, deal count was 25% higher than the prior three years. Favorable industry characteristics should further interest in the sector:

- » Recurring revenue growth in all aspects of technology services
- » Cloud-based technology advancements allow adoption by companies of all sizes, while complexity increases demand for implementation services
- » Transformation to digital-first supports long-term business demand for IT services combined with security solutions that address the growing threat of cyberattacks
- » The ability to extract actionable business insights from data analytics is driving demand for data analytics professional services companies serving all sectors of the economy

M&A Transaction Count Resilient



Select Private Equity Groups



Select Cascade IT Services Experience

Buy-Side Advisor	Sell-Side Advisor	Investor	Financing
 has acquired 	 NWP's Open-C division has been acquired by 	 has been acquired by 	 has secured a growth capital investment from

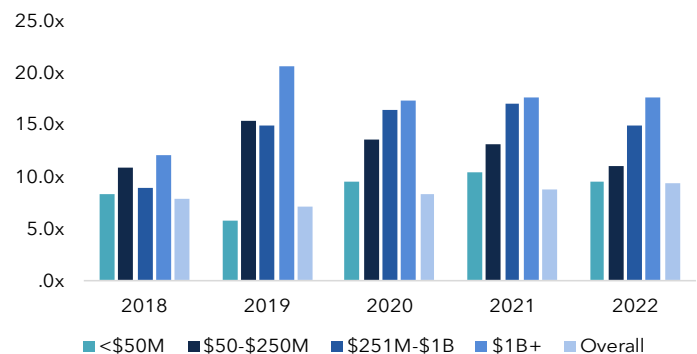
Recent M&A Activity

Date	Target	Acquirer
Jan-23	Freicon GmbH & Co.	Valsoft Corporation
Jan-23	Relevance Lab	CIGNEX Datamatics; Excellent Tech. Solutions
Jan-23	Priority Networking Pty	Diverger Ltd (ASXL DVR)
Jan-23	Wells Tech Advisors	The Next Solutions Group
Jan-23	Qubix International	Version1 Software
Jan-23	Enterprise Blueprints	Bain & Company
Jan-23	CloudOps	Aptum Technologies
Jan-23	Mythics	OEP Capital Advisors
Jan-23	Wise Man Consultants	Resolve Tech Solutions
Jan-23	Computer Technology Resources	Applications Software Technology
Jan-23	Corelia	RICOH
Dec-22	Network Infrastructure Services	Baymark Partners

Valuations Remain Strong

Depending on the size, valuations have moderated slightly due to recent global economic and geopolitical headwinds, but aggregate multiples actual increased in 2022.

Median EV/EBITDA



Contact

Ron Reed
 248.419.1466
 ronreed@cascade-partners.com

David Thomas
 248.430.6264
 davidt@cascade-partners.com

Elliot Kim
 248.430.6264
 elliotk@cascade-partners.com