



IT Services

INDUSTRY MARKET UPDATE



ACQUISITIONS
DIVESTITURES
FINANCINGS
RESTRUCTURINGS

Key Statistics

 **40%**

lower cost of ownership by switching to the public cloud ⁽²⁾

 **44%**

of SME currently use cloud infrastructure or hosting ⁽³⁾

 **1 in 3**

small businesses currently don't have a website of any sort ⁽⁴⁾

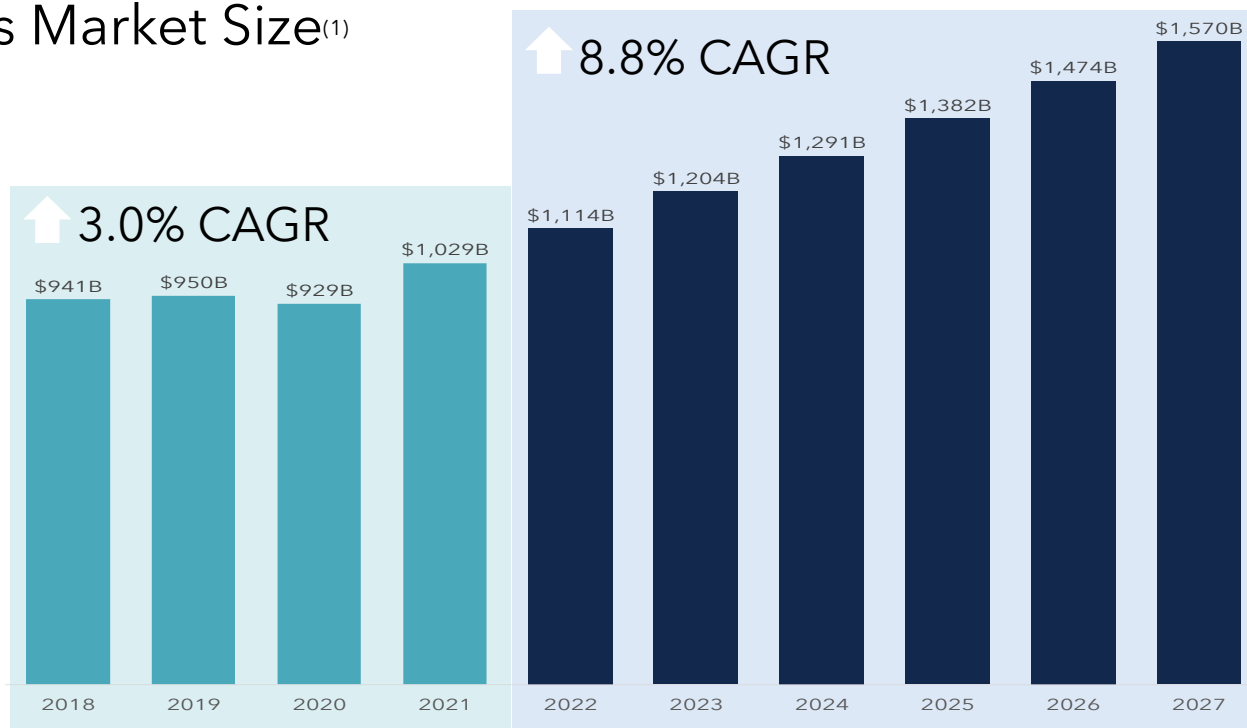
 **~5%**

of IT services industry revenue is earned by the 5 largest companies ⁽⁵⁾

Industry Overview

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%.

IT Services Market Size⁽¹⁾ 2018-2027



(1) Statista (2) Accenture; (3) TechRepublic; (4) VisualObjects; (5) IBISWorld

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.

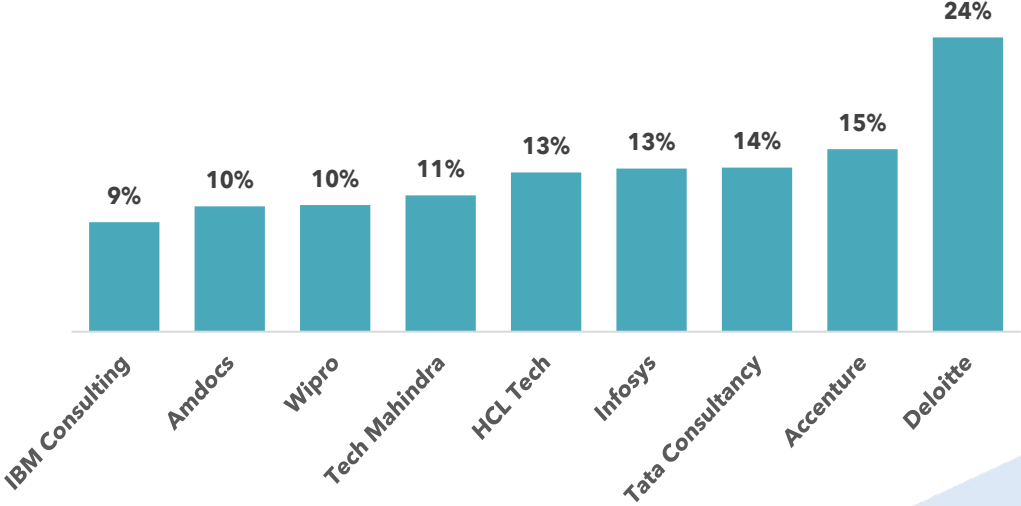


Similarly, Gartner predicts in less than two years cloud computing spend will represent the majority of all IT business expenditures. As a result, IT service providers have honed-in on tailored solutions for increasingly expansive cloud infrastructures for a growing rolodex of clients, many based on 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.

2022 Revenue Growth by Top IT Services Firms⁽⁶⁾



(6) CP Research

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:

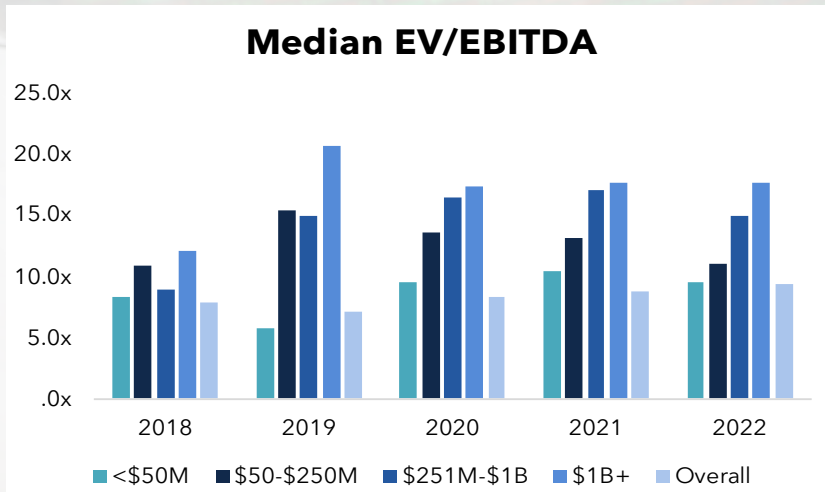
Increased Investor Interest

- » 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

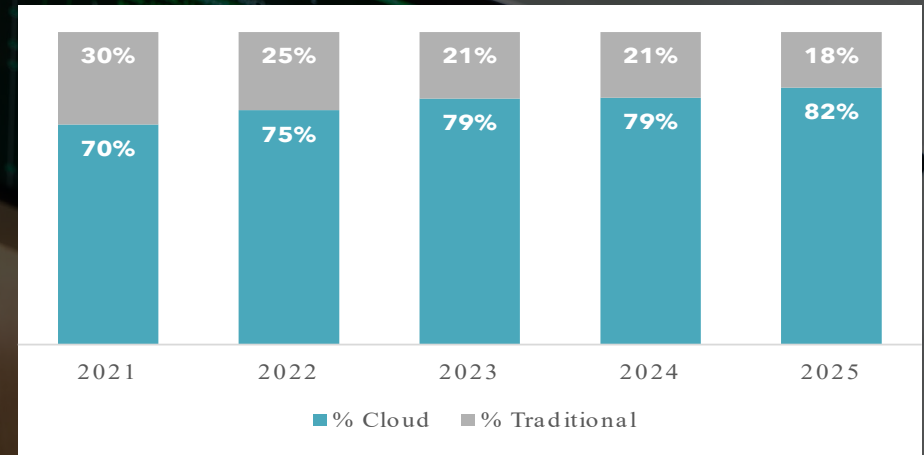


Valuations Strong

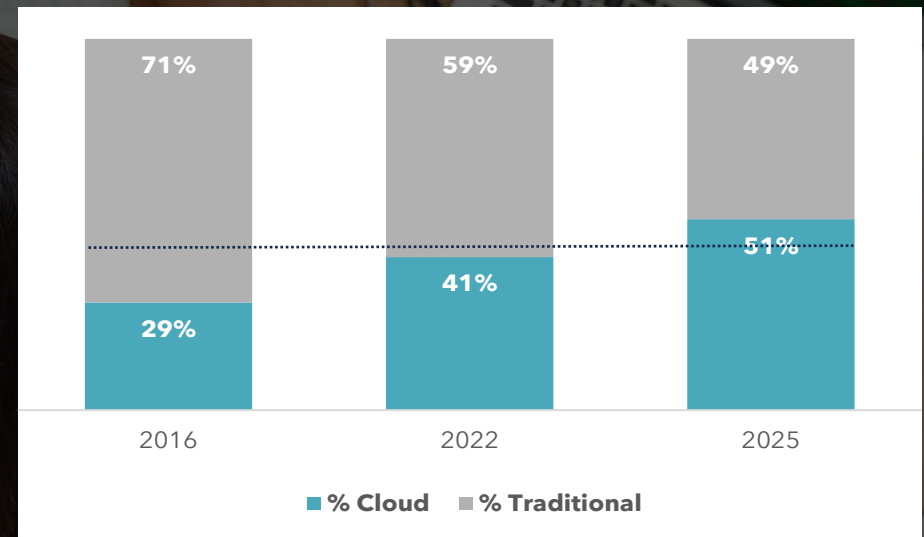
Depending on the size, valuations have moderated slightly due to recent global economic and geopolitical headwinds, but aggregate multiples actual increased in 2022.



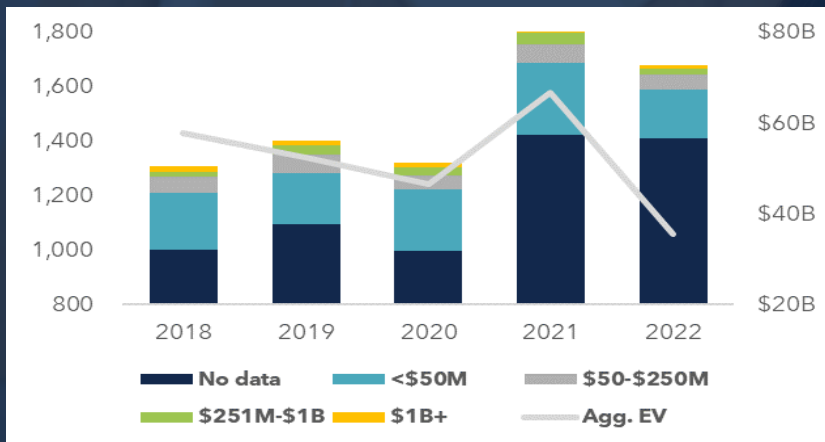
New IT Spend Favors Cloud (7)



Cloud Computing Crossing Rubicon (7)



Resilient M&A Transaction Count



(7) Gartner

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

Select Private Equity Groups

BAYMARK PARTNERS



COMVEST PARTNERS



TAILWIND CAPITAL

THOMABRAVO



VERITAS CAPITAL



WARBURG PINCUS

Select Transactions

Financing




has secured unitranche financing from


BRIGHTWOOD

Learn more about the transaction here.

Buy-Side Advisor



has acquired



Learn more about the transaction in the case study here.

Buy-Side and Financing



has acquired



Learn more about the transaction here.

Financing



has secured a growth capital investment from



Learn more about the transaction in the case study and view Surgere's Cascade Difference testimonial here.

Sell-Side Advisor



NWP's Open-C division has been acquired by



Investor



has been acquired by



About Cascade Partners

Cascade Partners is a boutique investment banking firm focused on middle-market businesses in industrials, healthcare, business services and manufacturing. Manufacturing and related business services are passions and specialties at Cascade Partners.

With more than 250 years of combined experience, we work with business owners and shareholders to achieve their objectives and explain the impact and opportunity of their options. Our experience extends beyond just being transaction advisors, too. We have been operators, served on boards and made personal investments in services firms. From buy-side and sell-side advisory services to securing growth financing, restructurings or recapitalizing your business, our expertise and insight goes deeper than the economic factors of a deal.

We recognize and respect the long-term impacts of a transaction on our clients' company, employees, family, wealth and personal lives and are committed not only to creating long-term value for companies but to creating transformative solutions for people.

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