

Houlihan Lokey

# IT Services Market Update

Q2 2023

# ABOUT OUR FIRM



Houlihan Lokey is a leading global investment bank with expertise in mergers and acquisitions, capital markets, financial restructuring, and financial and valuation advisory.

Our firm is the trusted advisor to more top decision-makers than any other independent global investment bank.

We invite you to learn more about how our bankers can serve your needs:

Learn More About Corporate Finance

Learn More About Financial Restructuring

Learn More About Financial and Valuation Advisory

Learn More About Our Industry Coverage

## Key Facts and Figures



**36**  
LOCATIONS  
WORLDWIDE

**~2,000**  
TOTAL FINANCIAL  
PROFESSIONALS

**326**  
MANAGING  
DIRECTORS<sup>(1)</sup>

**2,000+**  
CLIENTS SERVED  
ANNUALLY

**\$6.5B**  
MARKET  
CAPITALIZATION<sup>(2)</sup>

**\$1.8B**  
REVENUE<sup>(3)</sup>

## Our Ranking by Service

### Corporate Finance

#### 2022 M&A Advisory Rankings Global Transactions Under \$1 Billion

Advisor	Deals
<b>1 Houlihan Lokey</b>	<b>381</b>
2 Rothschild & Co	369
3 JP Morgan	217
4 Lazard	206
5 Goldman Sachs & Co	203

Source: Refinitiv. Excludes accounting firms and brokers.

**No. 1** Global M&A Advisor for Transactions Under \$1 Billion

**Leading** Capital Markets Advisor

### Financial Restructuring

#### 2022 Global Distressed Debt & Bankruptcy Restructuring Rankings

Advisor	Deals
<b>1 Houlihan Lokey</b>	<b>58</b>
2 PJT Partners Inc	30
3 Lazard	29
4 Rothschild & Co	25
5 Moelis & Co	21

Source: Refinitiv.

**No. 1** Global Restructuring Advisor

**1,500+** Transactions Completed Valued at More Than \$3.0 Trillion Collectively

### Financial and Valuation Advisory

#### 1998 to 2022 Global M&A Fairness Advisory Rankings

Advisor	Deals
<b>1 Houlihan Lokey</b>	<b>1,232</b>
2 JP Morgan	1,030
3 Duff & Phelps, A Kroll Business	938
4 Morgan Stanley	725
5 BofA Securities Inc	710

Source: Refinitiv. Announced or completed transactions.

**No. 1** Global M&A Fairness Opinion Advisor Over the Past 25 Years

**1,000+** Annual Valuation Engagements

## Fully Integrated Financial Sponsors Coverage

**26** Senior officers dedicated to the sponsor community in the Americas and Europe

**1,000+** Sponsors covered, providing market insights and knowledge of buyer behavior

**700+** Companies sold to financial sponsors over the past five years

## Houlihan Lokey Is a Global Firm

### Americas

Atlanta Houston San Francisco  
Baltimore Los Angeles São Paulo  
Boston Miami Washington,  
Chicago Minneapolis D.C.  
Dallas New York

### Europe and Middle East

Amsterdam Madrid Stockholm  
Antwerp Manchester Tel Aviv  
Dubai Milan Zurich  
Frankfurt Munich  
London Paris

### Asia-Pacific

Beijing Mumbai Sydney  
Fukuoka Nagoya Tokyo  
Gurugram Shanghai  
Hong Kong Singapore  
SAR

(1) As of June 30, 2023. Excludes corporate managing directors. (2) As of July 2023 (3) LTM ended June 30, 2023.

# ABOUT OUR IT SERVICES TEAM



The IT services sector operates across both Houlihan Lokey's Business Services and Technology groups and has earned a reputation for providing superior service and achieving outstanding results in M&A advisory, capital-raising, restructuring, and financial and valuation advisory services.

Our clients run the gamut from early-stage businesses and mid-sized companies to large, publicly traded corporations. We understand that an industry driven by innovation and change requires the sophistication of an advisor who can think ahead of the market and utilize solid industry relationships to help advance your vision. We optimize client outcomes by running executed, competitive processes, focusing on deep domain knowledge to position for synergy and scarcity value, and leveraging our world-class strategic and private equity access to bring the right senior decision-makers to the negotiation table.

## Leadership



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## Contact Us

Please reach out to us to schedule a call to discuss this quarter's market update or to explore how we can serve your business needs.

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## Subsector Coverage



- Cyber
- Digital Transformation
- IT Consulting
- IT Solutions
- Managed Services
- Software Development/Engineering

## Featured Transactions

<p>Transaction Pending</p> <p><b>CARLYLE</b> has agreed to acquire a majority stake in <b>NEVERHACK</b> formerly known as <b>PROPHIC</b> a portfolio company of <b>IK Partners</b></p> <p>Buy-side Advisor</p>	<p><b>SPARQ</b> a portfolio company of <b>BainCapital</b> <b>DOUBLE IMPACT</b> has been acquired by <b>HARVEST CAPITAL</b> <b>ASCEN</b></p> <p>Sell-side Advisor</p>	<p><b>VISTRIA</b> has made a strategic investment in <b>MGT</b> a portfolio company of <b>TRIVEST</b></p> <p>Buy-side Advisor</p>	<p><b>TXO</b> has been acquired by <b>TOWERBROOK</b></p> <p>Sell-side Advisor</p>
<p><b>NETROM SOFTWARE</b> a portfolio company of <b>ICELAKE</b> has been acquired by <b>INVESTCORP</b> <b>TECHNOLOGY PARTNERS</b></p> <p>Sell-side Advisor</p>	<p><b>mobica</b> a portfolio company of <b>inflexion</b> has been acquired by <b>cognizant</b></p> <p>Sell-side Advisor</p>	<p><b>Deutsche Beteiligungs AG</b> has sold its stake in <b>cloudflight</b> to <b>Partners Group</b></p> <p>Sell-side Advisor</p>	<p><b>launch</b> a portfolio company of <b>TAG</b> <b>TA GROUP HOLDINGS</b> has been acquired by <b>The Planet Group</b> a portfolio company of <b>Odyssey</b></p> <p>Sell-side Advisor</p>
<p><b>MODUS CREATE</b> a portfolio company of <b>JLL Partners</b> has acquired <b>TWEAG</b></p> <p>Buy-side Advisor</p>	<p><b>KEENSIGHT CAPITAL</b> has acquired a majority stake in <b>valiantys</b></p> <p>Buy-side Advisor</p>	<p><b>OCI</b> has received a minority partnership investment from <b>CHEQUERS CAPITAL</b></p> <p>Sell-side Advisor</p>	<p><b>NEUDESIC</b> has been acquired by <b>IBM</b></p> <p>Sell-side Advisor</p>
<p><b>INTERLOCK EQUITY</b> has made a growth investment in <b>APPLY DIGITAL</b></p> <p>Buy-side Advisor</p>	<p><b>AEA</b> has acquired <b>Hero DIGITAL</b></p> <p>Buy-side Advisor</p>	<p><b>procentrix</b> has been acquired by <b>MACQUARIE</b></p> <p>Sell-side Advisor</p>	<p><b>avaap</b> <b>INFOR BUSINESS UNIT</b> a portfolio company of <b>NMS   CAPITAL</b> has been acquired by <b>ASGN</b> Incorporated</p> <p>Sell-side Advisor</p>

Tombstones included herein represent transactions closed from 2021 forward.

# IT SERVICES MARKET UPDATE

## Introduction

Public company underperformance trends carried over from Q1 into the beginning and middle of Q2, but enterprise IT spend and IT services spend will continue to grow throughout the rest of 2023 and general sentiment points toward heightened activity leading into 2024. While Gartner expects all global IT spending growth to slow to 4.5% in 2023, down from 8.4% in 2022, a rebound is expected in 2024, with growth accelerating to 7.1%. Moreover, IT services spend is expected to grow in 2023 by 8.8% with a longer-term 2022-2027 CAGR of 10.2%, particularly driven by IT consulting services (11.0% YoY) and public cloud services (22.6% YoY).

Generative enterprise AI continues to dominate headlines as companies rush to release new capabilities that will meet the demands of clients who want to be at the forefront of AI. The likes of Accenture, Capgemini, Cognizant, EPAM, Grid Dynamics, HCL Tech, Kin and Carta, and Tata Consultancy Services all announced an expansion of AI capabilities in some form or another during Q2—all eight announced partnerships or partnership expansions with Google Cloud to do so. On that note, of the hyperscalers, Google Cloud appears to lead the way in AI platform capabilities, with AWS relatively less active compared to both GCP and Microsoft. That said, according to FactSet, consensus estimates expect AWS growth to expand later in the year and above the 20% mark in the first half of next year, with 7% of AWS customers already purchasing AI cloud solutions.<sup>(1)</sup> Per Gartner, cloud infrastructure-as-a-service spend is expected to approach \$148 billion this year, growing at 22.6% year-over-year, and the consulting and implementation services required to deliver on these will mirror this trend.

The massive amounts of cloud spend on the horizon translate to services in many ways. First, AWS, Azure, and Google are all similar, but each requires specific expertise, not to mention the push for industry-verticalized cloud platforms. As such, service providers with the appropriate talent and expertise remain in demand. But AI extends far beyond just cloud platforms. For example, as SAP writes in “11 ERP Trends for 2023 and Beyond”, “[AI-generated] IoT on its own is fascinating, but the data needs to be fed into an ERP system to really make the magic happen with trust and confidence.”

Strategic buyers and private-equity-backed strategics once again led M&A activity in Q2. Accenture, Globant, and Endava completed multiple acquisitions, including Globant's acquisition of Pentalog. Brillio, Capgemini, and Grid Dynamics also made acquisitions. While these transactions are not necessarily transformative on their own, they show the appetite for growth through the expansion of capabilities and geographies.

Sources: Gartner (data as of June 30, 2023), earnings call transcripts, SAP: “11 ERP Trends for 2023 and Beyond”  
(1) “Amazon has a Lot of Pumps to Prime”, Wall Street Journal, July 11, 2023.

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## Notable Quotes

*“The rapid rise of generative AI interest among our clients highlights yet again that all [business] strategies lead to technology, particularly cloud, data, AI and security.”* – Julie Sweet, Accenture CEO and Chairman, Q3 2023 Earnings Call (June 22, 2023)











*“Most clients are grappling with similar challenges, with variations by industry. Their cost basis reflects the higher growth levels seen during the pandemic era, prompting an intensified focus on optimizing cost and efficiency and building greater resilience. They need to digitize workflows, enhance customer and employee experiences, and boost the efficiency of commercial and operational teams.”* – Ravi Kumar Singiseti, Cognizant CEO, Q1 2023 Earnings Call (May 3, 2023)

*“Our primary [partner] focus is to develop go-to-market partnerships with the hyperscale cloud providers, including AWS, GCP, and Azure. Directionally, our goal is to drive 25% of our revenue growth by working with partners.”* – Guo Xiao, Thoughtworks President and CEO, Q1 2023 Earnings Call (May 9, 2023)






# FEATURED SECTOR NEWS

Notable events from Q2 2023 include the continued investment in hyperscaler partnerships to advance generative AI capabilities, collaboration between Cognizant and ServiceNow to drive automation, and the breakdown of EY's proposed consulting split.

Date	Company	Description	Article Link
6/28/2023	 cognizant servicenow.	Cognizant and ServiceNow forge a strategic alliance, propelling the widespread adoption of AI-driven automation and fueling digital transformation across diverse industries and enterprises.	<a href="#">Read More</a>
6/22/2023	 wipro	Wipro expands into Africa with the opening of an office in Cape Town, South Africa. This expansion enhances global outreach and service capabilities, catering to diverse client needs.	<a href="#">Read More</a>
6/21/2023	 accenture	Accenture and AWS collaborate to unleash the full potential of generative AI, empowering businesses to swiftly integrate and propel innovation and efficiency.	<a href="#">Read More</a>
6/15/2023	 <epam>	EPAM's global partnership with Google Cloud brings advanced AI capabilities to enterprises to facilitate modernization and transformation while revolutionizing the way businesses operate.	<a href="#">Read More</a>
6/15/2023	 HCLTech	HCLTech and Microsoft amplify their collaborative efforts to drive innovation and wider adoption of generative technologies while fostering digital evolution and business success.	<a href="#">Read More</a>
6/15/2023	 Persistent	Persistent opened a new global hub in Texas to focus on private equity value creation, which Persistent views as a transformative growth avenue.	<a href="#">Read More</a>
5/23/2023	 Infosys	Infosys launches Topaz, an AI-first offering to accelerate business value for global enterprises using generative AI.	<a href="#">Read More</a>
5/22/2023	 Persistent	Persistent opens a new location in Poland, reaffirming its commitment to European clients and providing state-of-the-art digital solutions and expanding its presence in the region.	<a href="#">Read More</a>
5/17/2023	 IBM	IBM's innovative Hybrid Cloud Mesh empowers enterprises to regain control of their multicloud infrastructure to ensure seamless operations, scalability, and enhanced business agility.	<a href="#">Read More</a>
5/16/2023	 Atos	Atos' Eviden launches ElevateNow, a customer-centric solution for SAP transformation and process optimization.	<a href="#">Read More</a>

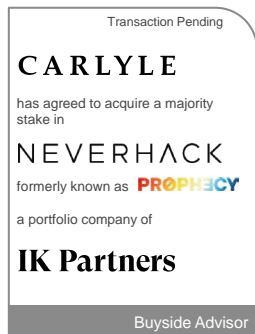
Sources: Company websites, press releases.

# FEATURED SECTOR NEWS (cont.)

Date	Company	Description	Article Link
05/15/2023		Wipro's FullStride Cloud Studio and Google join forces to expedite clients' cloud journeys with advanced solutions to drive seamless adoption and digital transformation for enterprises.	<a href="#">Read More</a>
04/24/2023		Accenture and Google Cloud strengthen collaboration to enhance cybersecurity resilience to combat evolving threats and empower businesses with cutting-edge defenses.	<a href="#">Read More</a>
04/11/2023		Ernst & Young decides to remain one entity, halting the long-debated breakup plan and preserving unity between the fast-growing consulting business and the legacy accounting and audit practice.	<a href="#">Read More</a>

# SELECTED TRANSACTIONS EXECUTED BY HOULIHAN LOKEY'S IT SERVICES TEAM

## Houlihan Lokey Advises Carlyle



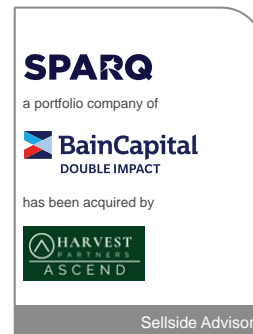
- Carlyle (NASDAQ:CG) is a multinational investment firm with leading industry expertise across three business segments: global private equity, global credit, and global investment solutions.
- Founded in 2021 and headquartered in Paris, France, NEVERHACK (f.k.a. PR0PH3CY) is a leading French cybersecurity pure player. The firm helps global businesses and governmental agencies tackle their critical security challenges through its one-stop-shop cybersecurity offering consisting of cyber strategy, risk and identity management, audit, configuration of security software and hardware (Net/DevSecOps), training and upskilling services, and AI tools.
- Houlihan Lokey was mandated for its strong track record and expertise in the cybersecurity and IT services space. The firm served as the exclusive financial advisor to Carlyle and assisted it throughout the transaction.

## Houlihan Lokey Advises Vistria



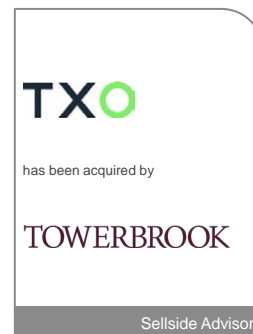
- The Vistria Group is a leading next-generation private equity investment firm dedicated to holistic value creation with deep middle-market expertise and partnerships in the healthcare, knowledge and learning solutions, and financial services verticals.
- Founded in 1975 and headquartered in Tampa, Florida, MGT is a national public sector management consulting and technology services provider with a growing global presence. The firm serves state, local, and education (SLED) clients with broad expertise in various education, technology, and performance social impact solutions, as well as a history of successful portfolio expansion via M&A.
- Houlihan Lokey served as the exclusive financial advisor to The Vistria Group, further supporting the firm's momentum and expertise in the IT services and public sector spaces.

## Houlihan Lokey Advises Sparq



- Founded in 2004 and based in Atlanta, Georgia, Sparq empowers agile and experienced software engineering teams across the country with a disciplined, product-oriented approach and the collaborative infrastructure to meet and exceed customer needs. The company offers a growing suite of software engineering capabilities, including product strategy and design, digital engineering, application modernization, artificial intelligence solutions, and data and analytics services.
- Harvest Partners Ascend was launched by Harvest Partners, LP, an established New York-based private equity investment firm, in 2022 to act on compelling platform investment opportunities at the lower end of the middle market in the business and technology services sectors.
- Houlihan Lokey served as the exclusive financial advisor to Sparq. This transaction further strengthens Houlihan Lokey's leadership in the digital engineering universe and highlights its continued momentum in the IT services sector.

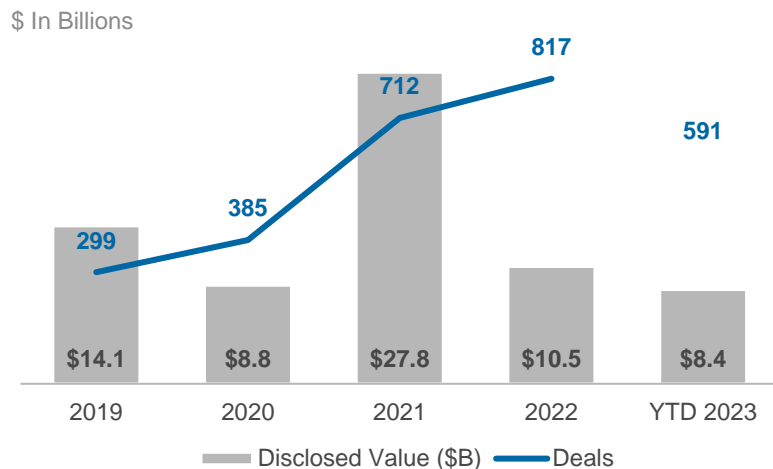
## Houlihan Lokey Advises TXO



- Headquartered in Chepstow, United Kingdom, TXO serves customers globally with a physical presence in Continental Europe, North America, South America, and Australia. The firm operates four primary lines of business: (1) telecom hardware sourcing, recovery, and resale; (2) support solutions and services for telecom operators and critical communications clients, including testing, repair, infrastructure decommissioning, warehousing and inventory management, and logistics; (3) recycling of telecom equipment and precious metal recovery; and (4) distribution of complementary multi-vendor compatible accessories.
- TowerBrook Capital Partners, the first mainstream private equity investment firm to receive B Corp certification for its environmental performance, sought to build a leader in IT asset disposition and management or re-commerce space.
- Houlihan Lokey served as the exclusive M&A and capital markets advisor to the TXO shareholders, exemplifying the continued success of the firm's dedicated global coverage of the tech-enabled services sector.

# ADDITIONAL Q2 IT SERVICES M&A HIGHLIGHTS

## Transaction Value and Deal Volume



## Key Takeaways

- Q2 2023 deal activity increased quarter-over-quarter from Q1, up 13% in total volume and 45% in disclosed transaction value.
- Strategic acquirers remain more active than financial sponsors, given the significant cost of borrowing. A handful of acquisitive strategic buyers made multiple acquisitions during Q2, continuing to show that transformative M&A can take form in small but thoughtful transactions that add or expand specific capabilities or geographies.
- Notable Q2 deals include Globant's acquisition of Pentalog to expand its footprint in France; Wendel's acquisition of Scalian; and Capgemini's Japanese expansion through the acquisition of BTC Corp.

## Additional Notable Transactions

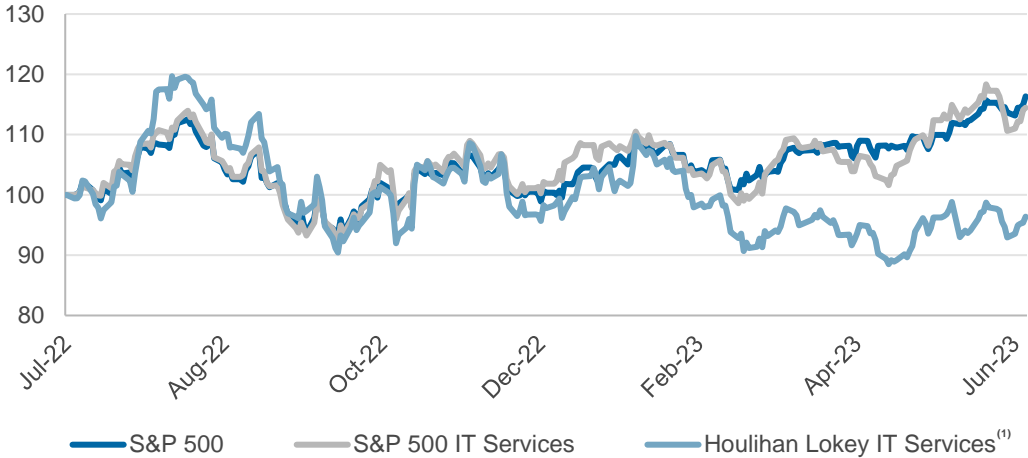
Date	Acquirer	Target(s)
06/28/2023	BLEND360	montevideo labs
06/23/2023	Capgemini	NBTC DX Accelerator
06/15/2023	INTERLOCK EQUITY	Lovelytics
06/07/2023	softserve	HOVERSTATE
06/05/2023	publicis sapient	C O R R A
05/17/2023	RECOGNIZE	December Labs +  moove IT =  Qubika
05/16/2023	nexustek nt	iccs
05/15/2023	Globant	Pentalog
05/02/2023	brillio	CLOUD STRATVEX
04/24/2023	CANCOM	Pentalog
04/17/2023	WENDEL	SCALIAN
03/30/2023	ARDIAN	mfg minocon flowable group
Q2 2023	accenture	BOURNE DIGITAL  NEXTIRA  Objectivity
Q2 2023	THE 20 MSP	UNI COMPUTERS  Manus Dei An Intelligent Technology Company  THE 20 MSP  CYBERSECURE IPE
Q2 2023	endava	Mudbath an Endava company  dek



# EQUITY MARKET INDEX PERFORMANCE

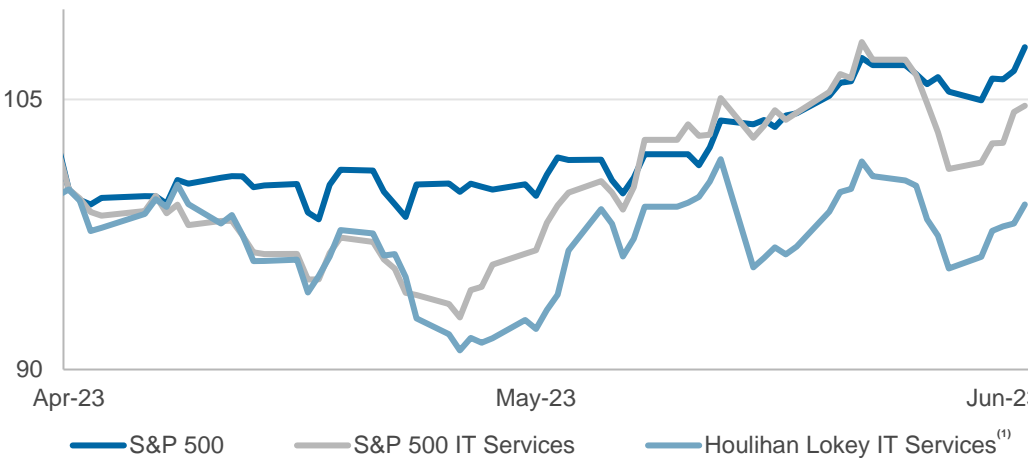
- From April to June, the Houlihan Lokey IT Services Index and the S&P 500 IT Services Index underperformed the S&P 500, with the Houlihan Lokey IT Services Index further underperforming the S&P 500 IT Services Index in May. This general underperformance is particularly driven by next-gen IT services companies.
- Q2 underperformance within next-gen IT services was primarily driven by EPAM (-24%), Endava (-22%), and Grid Dynamics (-20%). However, Globant and Netcompany each finished the quarter positively, up 14% and 13% to end the quarter, respectively.
- Offshore IT services firms continue to outperform next-gen IT services companies, and even the global IT services firms, as offshore outsourcing demand has been strong while IT services capital spend has decreased in the current interest rate environment.

## LTM June 2023 Performance



<b>S&amp;P 500</b>	<b>16.3%</b>
S&P 500 IT Services Index	14.5%
<b>Houlihan Lokey IT Services Index</b>	<b>(3.6%)</b>

## April–June 2023 Performance



<b>S&amp;P 500</b>	<b>7.9%</b>
S&P 500 IT Services Index	4.7%
<b>Houlihan Lokey IT Services Index</b>	<b>(0.8%)</b>

Source: S&P Capital IQ. Data as of June 30, 2023. All share prices rebased to 100.

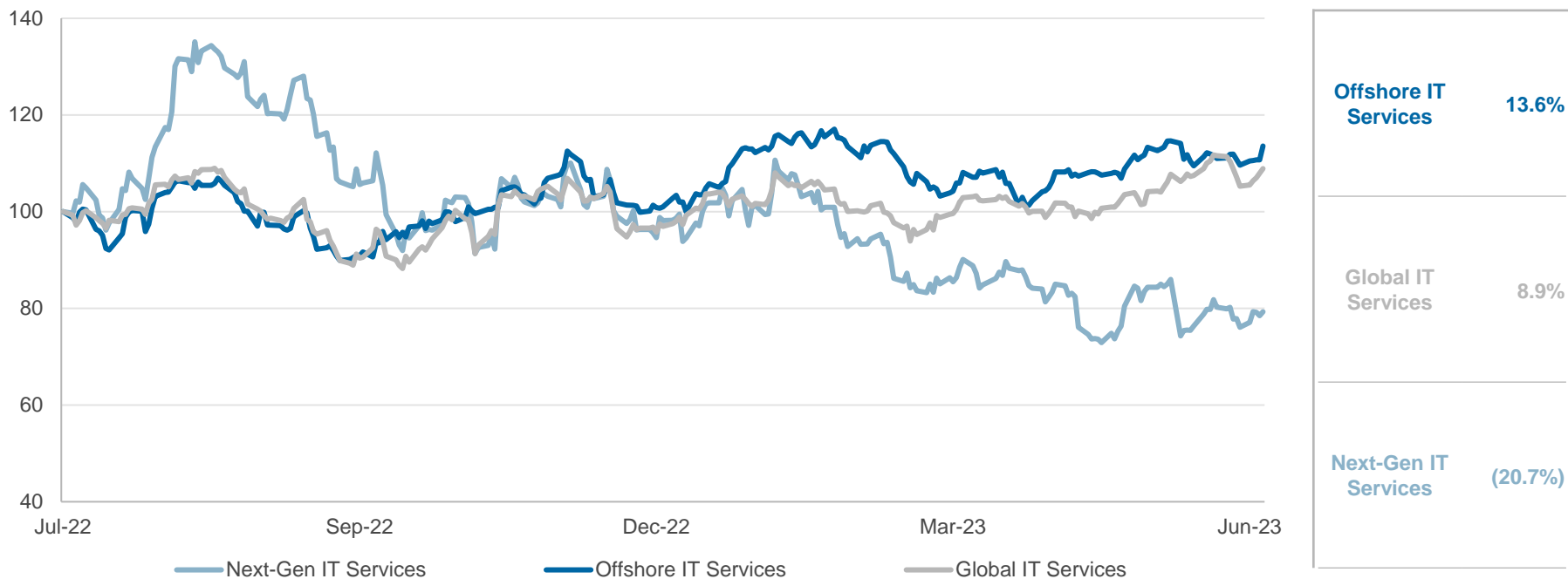
(1) The Houlihan Lokey IT Services Index consists of a diversified set of 19 companies across the IT services sector. See pages 13 and 14 for a complete list.

# EQUITY MARKET INDEX PERFORMANCE

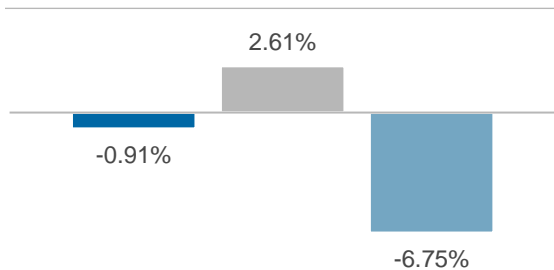
## IT SERVICES SUBSECTORS

Over the LTM period, offshore IT services and global IT services have returned 14% and 9%, respectively. On a three-year basis, offshore IT services have returned 144%, global IT services are up 25%, and next-gen IT services are down 4%.

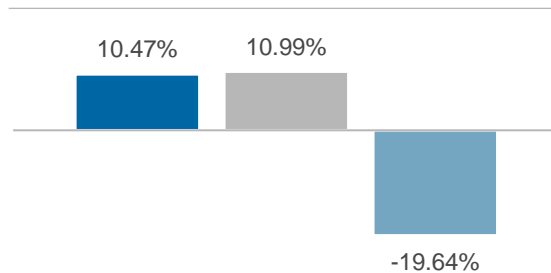
### LTM June 2023 Performance by Subsector



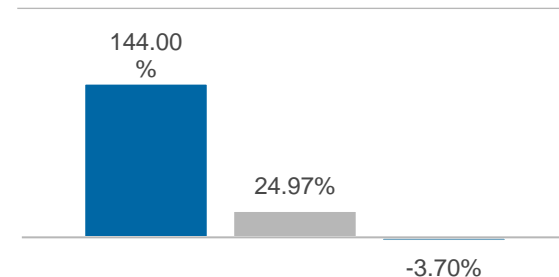
### Monthly Performance



### YTD Performance

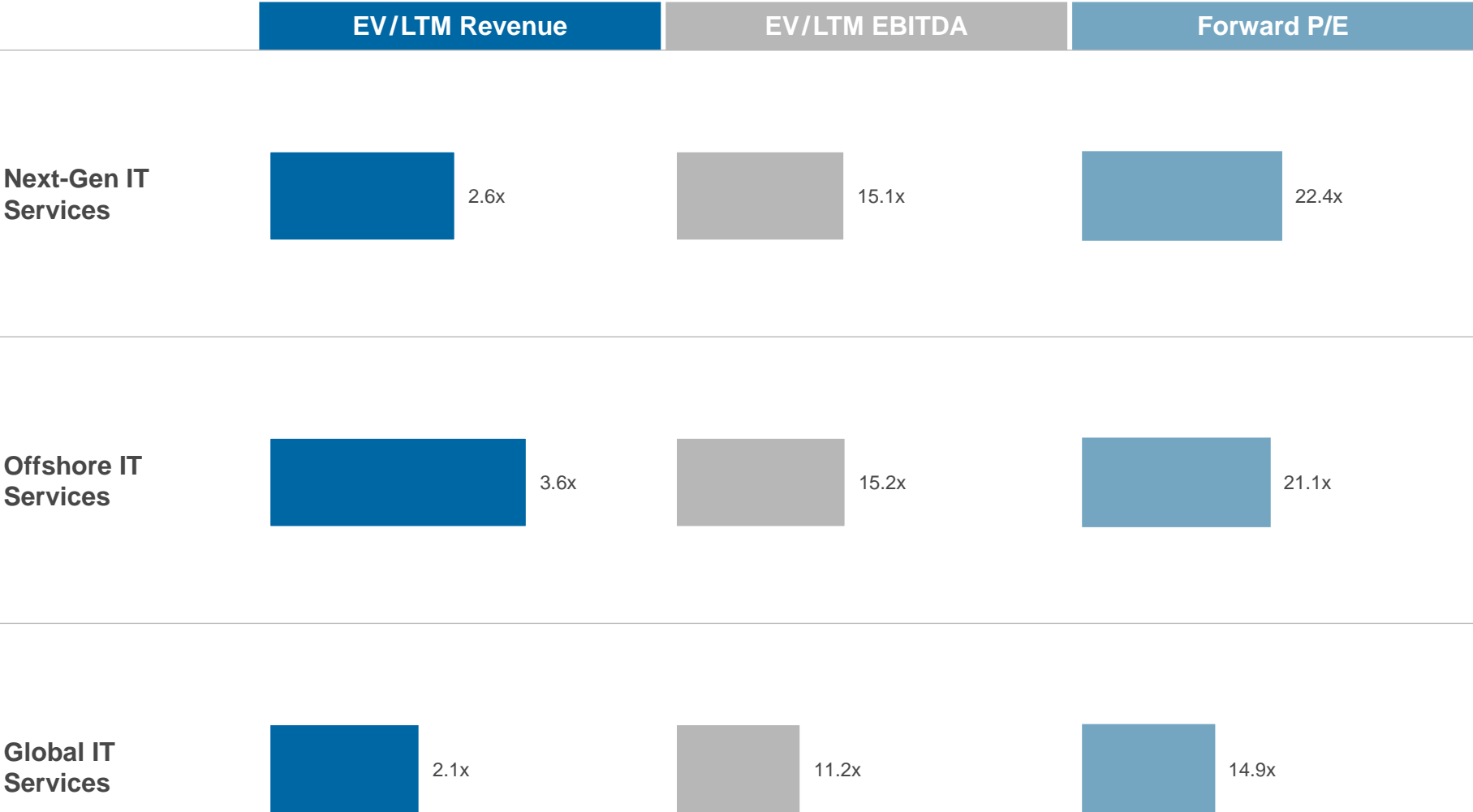


### Three-Year Performance



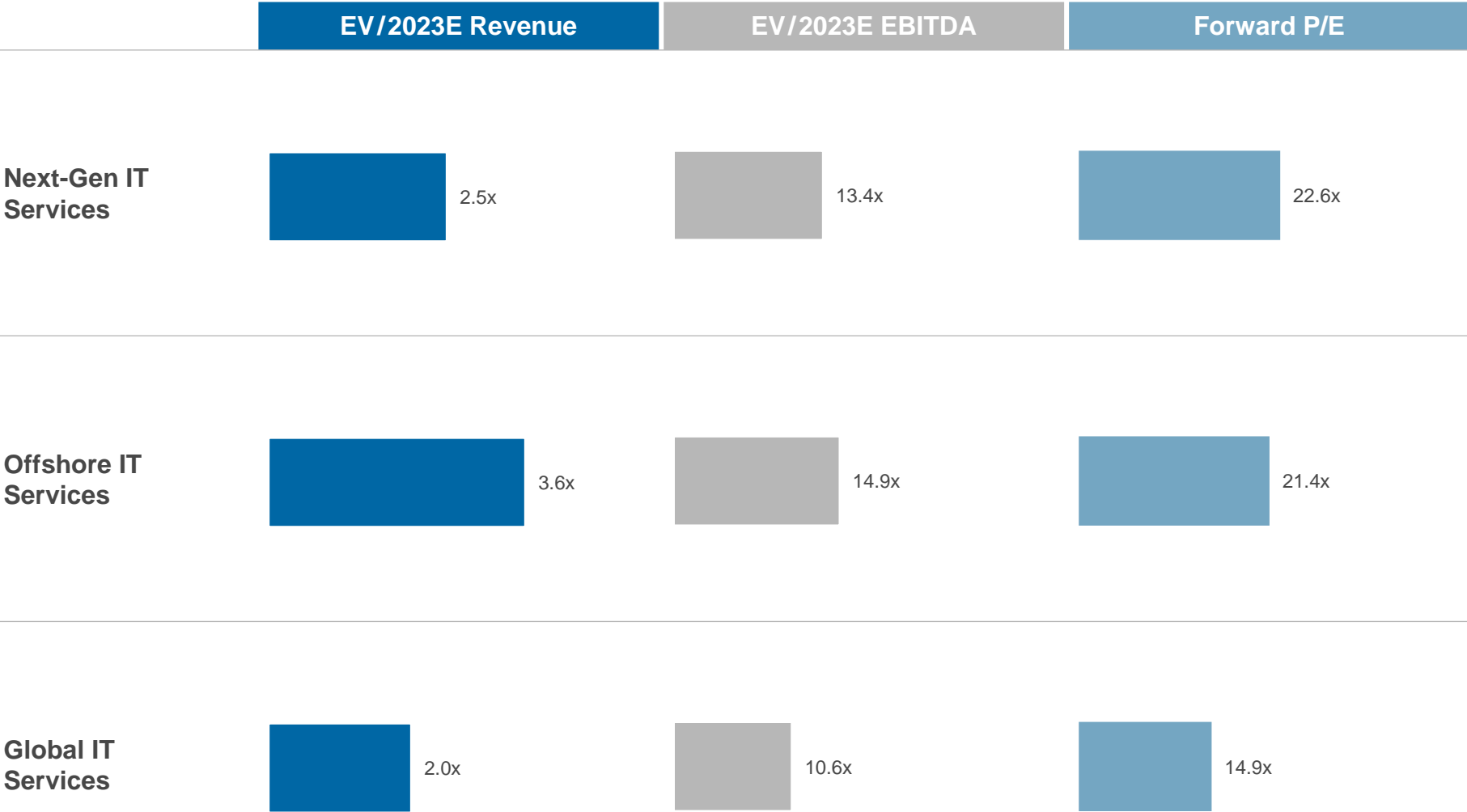
Source: S&P Capital IQ. Data as of June 30, 2023. All share prices rebased to 100.

# PUBLIC COMPANY VALUATIONS (LTM JUNE 2023)



Source: S&P Capital IQ. Data as of June 30, 2023.

# PUBLIC COMPANY VALUATIONS (2023E)



Source: S&P Capital IQ. Data as of June 30, 2023.

# PUBLIC COMPARABLES (2023E)

## IT SERVICES

	Net Debt/ 2022 EBITDA	EV/Revenue		EV/EBITDA		P/E		2021-23E CAGR		EBITDA Margin		Forward P/E		
		2022	2023E	2022	2023E	2022	2023E	Revenue	EBITDA	2022	2023E	2022	2023E	
Next-Gen IT Services	EPAM Systems, Inc.	N/M	2.4x	2.4x	13.4x	14.4x	31.7x	22.7x	11.8%	5.9%	17.6%	16.9%	19.1x	22.6x
	Globant S.A.	N/M	4.2x	3.6x	22.8x	17.4x	N/M	31.2x	26.4%	33.9%	18.4%	20.8%	31.3x	29.9x
	Endava plc	N/M	3.1x	2.7x	16.1x	11.7x	26.5x	19.6x	17.6%	26.3%	19.1%	22.9%	17.0x	N/A
	Thoughtworks Holding, Inc.	20.6x	2.0x	2.1x	N/M	12.4x	N/M	24.3x	8.7%	66.9%	0.7%	16.7%	15.5x	20.2x
	Netcompany Group A/S	1.7x	2.9x	2.6x	15.0x	14.4x	23.7x	23.6x	27.3%	9.7%	19.4%	17.9%	18.6x	N/A
	Kainos Group plc	N/M	4.2x	3.4x	26.3x	18.4x	41.2x	27.1x	16.7%	17.0%	16.0%	18.7%	28.7x	26.3x
	Grid Dynamics Holdings, Inc.	N/M	1.4x	1.4x	N/M	9.7x	N/M	25.7x	22.6%	199.7%	0.1%	14.4%	20.3x	N/A
	Kin and Carta plc	1.0x	0.7x	0.7x	6.0x	6.2x	N/M	9.7x	7.6%	11.3%	11.1%	10.9%	5.4x	9.6x
<b>Median</b>	<b>1.7x</b>	<b>2.6x</b>	<b>2.5x</b>	<b>15.5x</b>	<b>13.4x</b>	<b>29.1x</b>	<b>23.9x</b>	<b>17.2%</b>	<b>21.6%</b>	<b>16.8%</b>	<b>17.4%</b>	<b>18.9x</b>	<b>22.6x</b>	
<b>Mean</b>	<b>7.8x</b>	<b>2.6x</b>	<b>2.4x</b>	<b>16.6x</b>	<b>13.1x</b>	<b>30.8x</b>	<b>23.0x</b>	<b>17.4%</b>	<b>46.3%</b>	<b>12.8%</b>	<b>17.4%</b>	<b>19.5x</b>	<b>21.7x</b>	
Offshore IT Services	Tata Consultancy Services Ltd.	N/M	5.4x	4.9x	20.6x	18.6x	30.0x	26.6x	8.6%	5.0%	26.4%	26.3%	27.2x	25.9x
	Infosys Ltd.	N/M	3.7x	3.6x	15.4x	14.9x	22.9x	21.9x	9.0%	1.8%	23.9%	23.9%	21.8x	21.4x
	HCL Technologies Ltd.	N/M	3.0x	2.8x	14.2x	12.8x	21.4x	20.3x	8.6%	3.6%	21.2%	22.0%	20.9x	20.1x
	Wipro Ltd.	N/M	2.2x	2.0x	11.7x	10.6x	19.0x	17.6x	6.7%	(0.5%)	18.6%	19.2%	18.1x	17.1x
	Persistent Systems Ltd.	N/M	4.7x	3.8x	26.5x	20.6x	44.4x	34.6x	28.4%	35.5%	17.8%	18.7%	37.1x	32.6x
<b>Median</b>	<b>NA</b>	<b>3.7x</b>	<b>3.6x</b>	<b>15.4x</b>	<b>14.9x</b>	<b>22.9x</b>	<b>21.9x</b>	<b>8.6%</b>	<b>3.6%</b>	<b>21.2%</b>	<b>22.0%</b>	<b>21.8x</b>	<b>21.4x</b>	
<b>Mean</b>	<b>NA</b>	<b>3.8x</b>	<b>3.4x</b>	<b>17.7x</b>	<b>15.5x</b>	<b>27.5x</b>	<b>24.2x</b>	<b>12.3%</b>	<b>9.1%</b>	<b>21.6%</b>	<b>22.0%</b>	<b>25.0x</b>	<b>23.4x</b>	
Global IT Services	Accenture plc	N/M	3.0x	2.9x	16.5x	16.4x	28.0x	27.4x	9.8%	7.7%	18.4%	17.8%	26.6x	25.9x
	International Business Machines Corp.	3.0x	2.7x	2.7x	12.2x	11.1x	N/M	14.3x	4.2%	4.6%	22.5%	23.9%	13.9x	13.9x
	Capgemini SE	1.1x	1.6x	1.5x	10.5x	10.2x	20.2x	15.0x	10.4%	8.2%	14.9%	14.3%	15.2x	14.6x
	Cognizant Technology Solutions Corp.	N/M	1.7x	1.7x	8.4x	9.7x	14.8x	15.2x	2.6%	(4.9%)	19.7%	17.0%	14.4x	15.2x
	CGI Inc.	1.0x	2.7x	2.4x	14.6x	12.2x	23.2x	19.2x	7.0%	9.3%	18.6%	19.8%	21.3x	18.9x
	Atos SE	2.5x	0.4x	0.4x	4.0x	3.5x	N/M	5.3x	(0.9%)	475.9%	8.9%	10.3%	7.9x	5.3x
<b>Median</b>	<b>1.8x</b>	<b>2.2x</b>	<b>2.0x</b>	<b>11.3x</b>	<b>10.6x</b>	<b>21.7x</b>	<b>15.1x</b>	<b>5.6%</b>	<b>7.9%</b>	<b>18.5%</b>	<b>17.4%</b>	<b>14.8x</b>	<b>14.9x</b>	
<b>Mean</b>	<b>1.9x</b>	<b>2.0x</b>	<b>1.9x</b>	<b>11.0x</b>	<b>10.5x</b>	<b>21.6x</b>	<b>16.1x</b>	<b>5.5%</b>	<b>83.4%</b>	<b>17.2%</b>	<b>17.2%</b>	<b>16.5x</b>	<b>15.6x</b>	
<b>Overall Median</b>	<b>1.7x</b>	<b>2.7x</b>	<b>2.6x</b>	<b>14.6x</b>	<b>12.4x</b>	<b>23.7x</b>	<b>21.9x</b>	<b>9.0%</b>	<b>9.3%</b>	<b>18.4%</b>	<b>18.7%</b>	<b>19.1x</b>	<b>20.2x</b>	
<b>Overall Mean</b>	<b>4.4x</b>	<b>2.7x</b>	<b>2.5x</b>	<b>15.0x</b>	<b>12.9x</b>	<b>26.7x</b>	<b>21.1x</b>	<b>12.3%</b>	<b>48.2%</b>	<b>16.5%</b>	<b>18.6%</b>	<b>20.0x</b>	<b>20.0x</b>	



# PUBLIC COMPARABLES (LTM JUNE 2023)

## IT SERVICES

	Market Cap USD(M)	EV USD(M)	Net Debt USD(M)	Net Debt/ LTM EBITDA	LTM				TEV/			
					Revenue USD(M)	EBITDA USD(M)	EBITDA Margin	EPS	Forward P/E	LTM EBITDA	LTM Revenue	
Next-Gen IT Services	EPAM Systems, Inc.	\$13,014.3	\$11,393.1	(\$1,781.5)	N/M	\$4,864.0	\$785.0	16.1%	\$7.3	22.6x	14.5x	2.3x
	Globant S.A.	7,596.7	7,490.3	(154.0)	N/M	1,851.3	335.2	18.1%	3.4	29.9x	22.3x	4.0x
	Endava plc	2,943.5	2,776.3	(167.2)	N/M	971.6	183.7	18.9%	2.1	N/A	15.1x	2.9x
	Thoughtworks Holding, Inc.	2,395.2	2,632.2	188.9	3.3x	1,282.4	57.6	4.5%	(0.2)	20.2x	45.7x	2.1x
	Netcompany Group A/S	2,053.4	2,318.8	263.2	1.7x	833.2	154.4	18.5%	1.7	22.1x	15.0x	2.8x
	Kainos Group plc	1,953.0	1,817.2	(132.3)	N/M	463.7	73.1	15.8%	0.4	26.5x	24.9x	3.9x
	Grid Dynamics Holdings, Inc.	692.8	443.3	(258.4)	46.5x	319.2	(5.6)	(1.7%)	(0.5)	N/A	N/M	1.4x
	Kin and Carta plc	138.6	168.6	29.1	1.0x	250.6	27.9	11.1%	(0.2)	9.7x	6.0x	0.7x
<b>Median</b>			<b>(\$143.1)</b>	<b>2.5x</b>	<b>\$902.4</b>	<b>\$113.7</b>	<b>15.9%</b>	<b>\$1.0</b>	<b>22.4x</b>	<b>15.1x</b>	<b>2.6x</b>	
<b>Mean</b>			<b>(\$251.5)</b>	<b>13.1x</b>	<b>\$1,354.5</b>	<b>\$201.4</b>	<b>12.7%</b>	<b>\$1.8</b>	<b>21.8x</b>	<b>20.5x</b>	<b>2.5x</b>	
Offshore IT Services	Tata Consultancy Services Ltd.	\$147,236.0	\$142,720.7	(\$4,607.6)	N/M	\$27,454.4	\$7,216.1	26.3%	\$1.4	25.6x	19.8x	5.2x
	Infosys Ltd.	67,339.9	66,079.0	(1,312.0)	N/M	18,212.0	4,350.0	23.9%	0.7	21.1x	15.2x	3.6x
	HCL Technologies Ltd.	39,190.5	37,323.2	(1,865.0)	N/M	12,586.0	2,740.0	21.8%	0.7	19.9x	13.6x	3.0x
	Wipro Ltd.	25,974.0	23,229.8	(2,749.5)	N/M	11,018.8	2,053.7	18.6%	0.3	16.9x	11.3x	2.1x
	Persistent Systems Ltd.	4,448.3	4,410.1	(38.2)	N/M	1,016.9	183.6	18.1%	1.5	32.2x	24.0x	4.3x
<b>Median</b>			<b>(\$1,865.0)</b>	<b>N/A</b>	<b>\$12,586.0</b>	<b>\$2,740.0</b>	<b>21.8%</b>	<b>\$0.7</b>	<b>21.1x</b>	<b>15.2x</b>	<b>3.6x</b>	
<b>Mean</b>			<b>(\$2,114.5)</b>	<b>N/A</b>	<b>\$14,057.6</b>	<b>\$3,308.7</b>	<b>21.7%</b>	<b>\$0.9</b>	<b>23.1x</b>	<b>16.8x</b>	<b>3.6x</b>	
Global IT Services	Accenture plc	\$194,650.8	\$189,936.6	(\$8,485.7)	N/M	\$63,550.2	\$11,804.3	18.6%	\$11.2	25.9x	16.1x	3.0x
	International Business Machines Corp.	121,505.6	165,855.6	41,319.0	3.0x	60,585.0	13,843.5	22.8%	2.2	13.9x	12.0x	2.7x
	Capgemini SE	32,572.4	36,681.5	4,005.6	1.1x	23,506.5	3,492.6	14.9%	9.4	14.6x	10.5x	1.6x
	Cognizant Technology Solutions Corp.	33,128.1	32,154.1	(1,835.0)	N/M	19,414.0	3,801.5	19.6%	4.5	15.2x	8.5x	1.7x
	CGI Inc.	24,580.4	26,522.1	1,900.4	1.0x	10,104.5	1,877.5	18.6%	4.7	18.8x	14.1x	2.6x
	Atos SE	1,565.6	4,350.5	2,718.8	2.5x	12,120.3	1,080.5	8.9%	(9.8)	5.3x	4.0x	0.4x
<b>Median</b>			<b>\$2,309.6</b>	<b>1.8x</b>	<b>\$21,460.2</b>	<b>\$3,647.0</b>	<b>18.6%</b>	<b>\$4.6</b>	<b>14.9x</b>	<b>11.2x</b>	<b>2.1x</b>	
<b>Mean</b>			<b>\$6,603.8</b>	<b>1.9x</b>	<b>\$31,546.7</b>	<b>\$5,983.3</b>	<b>17.2%</b>	<b>\$3.7</b>	<b>15.6x</b>	<b>10.9x</b>	<b>2.0x</b>	
<b>Overall Median</b>			<b>(\$154.0)</b>	<b>2.1x</b>	<b>\$10,104.5</b>	<b>\$1,080.5</b>	<b>18.5%</b>	<b>\$1.5</b>	<b>20.2x</b>	<b>14.8x</b>	<b>2.7x</b>	
<b>Overall Mean</b>			<b>\$1,423.1</b>	<b>7.5x</b>	<b>\$14,231.8</b>	<b>\$2,845.0</b>	<b>16.5%</b>	<b>\$2.1</b>	<b>20.0x</b>	<b>16.3x</b>	<b>2.6x</b>	

# Houlihan Lokey Ecosystem Spotlight: SAP

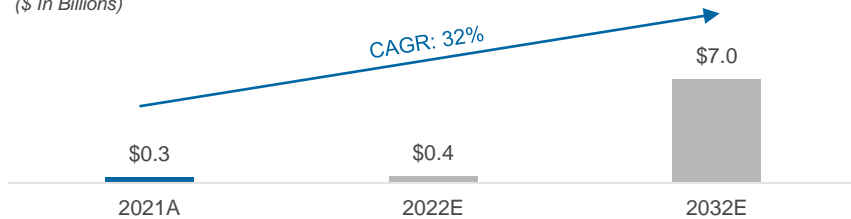
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## Introduction to SAP (Systems, Applications, and Products)

### SAP Cloud Platform Services Market Size<sup>(1)</sup>

(\$ In Billions)



**Founded:** 1972

**HQ:** Walldorf, Germany

**Chairman and CEO:** Christian Klein

- SAP provides enterprise resourcing planning (ERP) products for mission-critical operations on-premise or from the cloud.
- In 2015, SAP released S/4HANA, the next-gen ERP suite built on the SAP HANA platform, driving demand for implementation from service providers.

## SAP is a Leader in Cloud, ERP, and Data Integration Services<sup>(2)</sup>

### Cloud Database Management Systems



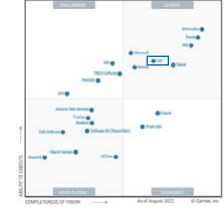
### Cloud ERP for Product-Centric Enterprises



### Cloud ERP for Service-Centric Enterprises



### Data Integration Tools



## SAP Partner Program Overview

The SAP Partner program offers four engagement models—build, sell, service, and run – with three levels denoting the partner’s experience and skills.



Within the SAP PartnerEdge program, the Silver Partner level is as an entry-level contractual agreement between SAP and the partner.

A Silver Partner can move into Gold status by accruing value points, SAP PartnerEdge’s tracking incentive mechanism.

A Platinum Partner is the highest status, and invitation is only extended by the SAP Executive Board.



## What Does This Mean for the SAP Services Market?

### Demand for SAP Service Partners

- 1 Demand for SAP implementation services, particularly migration to S/4HANA.
- 2 Opportunity for partners to integrate advanced technologies into the SAP platform and enhance capabilities.
- 3 Ability for partners to achieve Silver, Gold, or Platinum status and catalyze growth with SAP’s support.
- 4 Dispersed market with thousands of base-level SAP partners offers opportunity to spur growth and expertise with selected add-ons.

### Heightened M&A Activity

The SAP space draws interest from private equity firms seeking platform investments and strategic players looking to acquire high-quality assets to bolster their offerings.

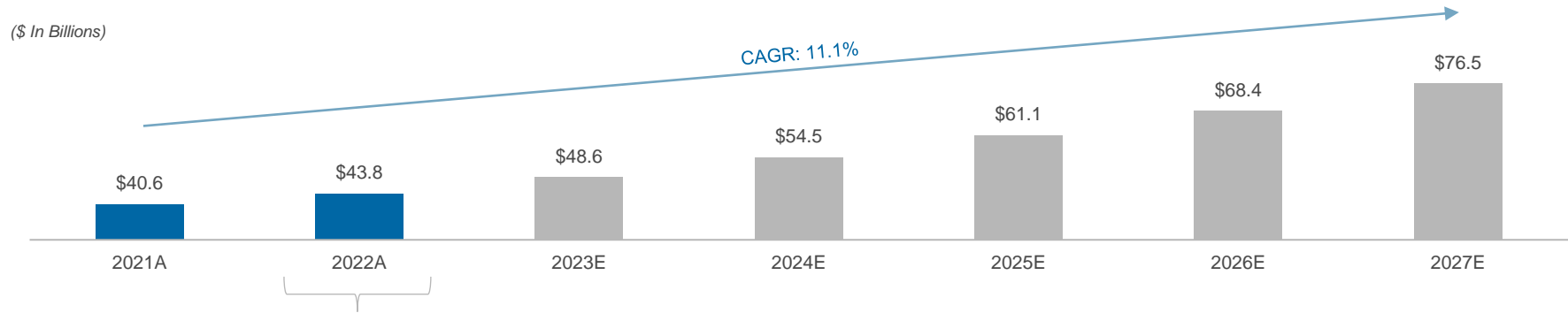


Reach out to the Houlihan Lokey IT Services team for our full market primer at [AScott@HL.com](mailto:AScott@HL.com)

# SAP'S POSITION IN THE MARKET



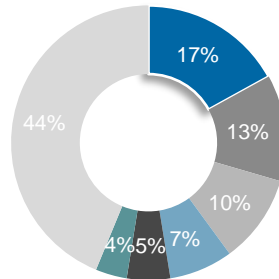
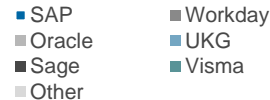
## Global Enterprise Resource Planning Software Market<sup>(1)</sup>



## Global ERP Software Market Share<sup>(1)</sup>

(\$ In Billions)

Vendor Revenue	2022A
SAP	\$7.4
Workday	\$5.5
Oracle	\$4.6
UKG	\$3.3
Sage	\$2.2
Visma	\$1.6
Other	\$19.1
<b>Total</b>	<b>\$43.8</b>



- SAP is well-positioned in core subsectors.
  - **SAP SuccessFactors Human Experience Management (HXM) Suite** is a cloud-based HR software that enables organizations to effectively manage their human capital and realize better employee experiences.
  - **SAP Financial Management Software** helps organizations manage their financial processes effectively. A key component is S/4HANA cloud for finance, SAP's cloud ERP designed to unify transactions, analytics, and planning with an extensive portfolio of software for every finance need.

## Commentary

- The global ERP market can be broken down into enterprise asset management (EAM), financial management systems (FMS), human capital management (HCM), and core manufacturing and operations management submarkets.
  - The largest subsectors are HCM and FMS, with 51% and 40% market share in 2022, respectively.<sup>(1)</sup>
- The global ERP software market is estimated to grow at an 11% CAGR (2021-2027), driven by several trends.
  - **The transition from on-premise to cloud ERP:** Cloud ERP is the quickest path for companies to realize digital transformation. The changing workforce (i.e., talent scarcity, the Great Resignation, remote labor models), is also contributing to the shift to cloud ERP.
  - **Integration with AI and IoT:** AI/ML automates business processes, touching all workflows of an enterprise. When combined with data from IoT, the connection of devices through technology, ERP presents new and innovative business solutions.
  - **Composable ERP:** Composable ERP is the assembly of “pieces” of software suites to address changing conditions. Composable ERP enables a business to be “recomposable,” adapting to change with a new level of agility.



- SAP is a global market leader in enterprise application software, supporting companies of all sizes and industries with an end-to-end suite of applications and services.
- Recently, SAP invested in shifting its predominantly on-premise products towards cloud-based ones.
- SAP service partners share SAP's vision, investing in tools to accelerate enterprises' migration to the cloud with mitigated risk.

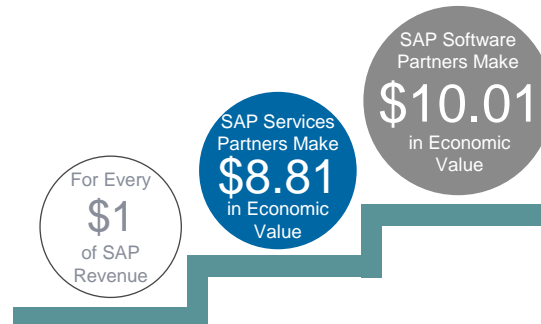
- SAP partners collaborate with SAP to provide various services, solutions, and expertise to SAP customers.
- Partners undergo a rigorous certification process and work closely with SAP to maintain best practices.
- In a recent survey, 93% of SAP partners expect accelerated growth in SAP-related revenue with healthy margins (in 2022, service gross margin was ~34% and resale was ~21%).<sup>(1)</sup>

- 430,000+ SAP customers, including 99 of the 100 largest global companies.
- Recently, enterprise expectations have evolved from traditional ERP modernizations to industry-focused solutions tailored to customer and employee experience.
- SAP and service providers are working together to address increasing demand for client-centric solutions, contributing to a vibrant ecosystem of applications and services.

## SAP Solutions

Business Technology Platform	Customer Relationship Management
Enterprise Resource Planning	Financial Management System
Human Capital Management	Supply Chain Management

## SAP Partner Economic Value<sup>(1)</sup>



## Growing Customer Base




# SAP SERVICES ECOSYSTEM GARNERS INTEREST FROM STRATEGIC PLAYERS



## Recent Strategic Transactions



## SAP Solutions Driving Interest



- In 2020, the pandemic exposed vulnerabilities in essential global supply chains.
- Organizations were forced to revamp their SCM operations to improve efficiency, quality, and customer satisfaction, driving consumption of SAP's SCM solutions.



- S/4HANA is core to SAP's strategy to help customers realize digital transformation.
- In 2015, SAP released S/4HANA to make ERP faster and more agile through a simplified in-memory database with the ability to integrate technologies such as AI/ML and IoT.

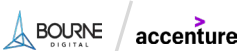




- Service providers can build AI/ML, IoT, and advanced analytics directly into modern ERPs as part of the technology stack rather than as add-ons and integrations.
- Ingesting data in real time enhances organizations' ERPs, allowing them to capitalize on their investment.



- Customers expect increasingly tailored solutions, driving service providers to combine vertical-relevant capabilities such as IaaS, PaaS, SaaS, and cloud ERP into a cohesive solution.
- Industry clouds are composable, adapting and innovating to specific industry requisites.

## Spotlight on Accenture

	Company Overview
<p>JUNE 2023</p> 	<ul style="list-style-type: none"> <li>• Australian digital agency focused on SAP</li> <li>• Specializes in SAP BTP</li> <li>• 66 employees</li> </ul>
<p>APRIL 2023</p> 	<ul style="list-style-type: none"> <li>• Norwegian consulting company focused on SAP</li> <li>• Specializes in high-volume logistics solutions</li> <li>• 42 employees</li> </ul>
<p>JULY 2022</p> 	<ul style="list-style-type: none"> <li>• Canadian consulting and managed services company</li> <li>• Specializes in SAP, ServiceNow, and Microsoft across several verticals</li> <li>• 450 employees</li> </ul>

## Management Commentary

*Organizations need to digitize business processes in an increasingly compressed timeframe... **With the acquisition of Bourne Digital, we will strengthen our SAP digital design and user experience capabilities to help our clients better utilize their SAP solutions.***

- Matt Coates, Technology Lead of Accenture in Australia and New Zealand

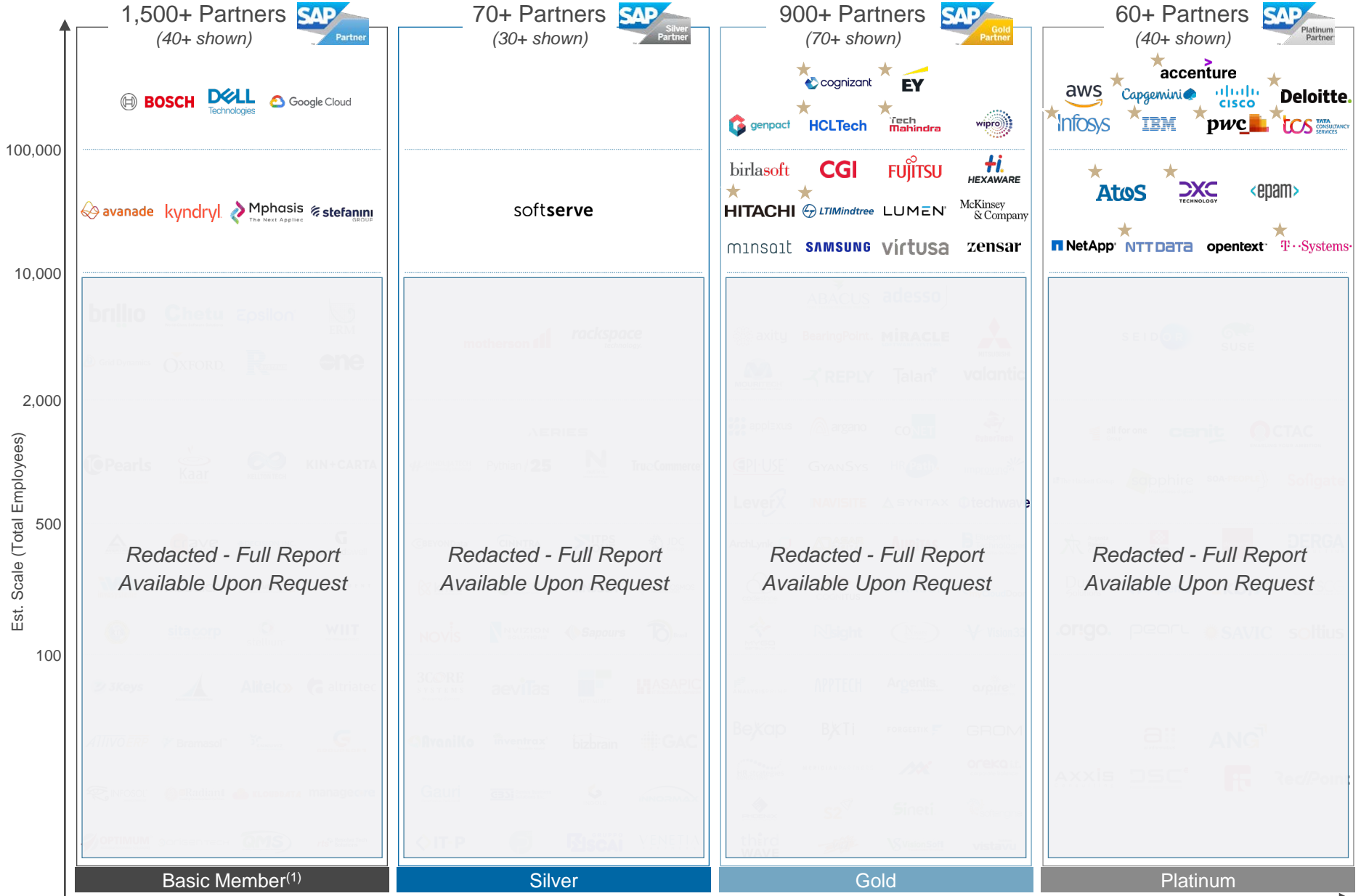
*Organizations need to reinvent their supply chains to meet rapidly changing customer expectations... **With the acquisition of Einr, we will strengthen our SAP supply chain and logistics capabilities, which help our clients move to more responsive, resilient, and sustainable supply chains.***

- Emma McGuigan, Senior Managing Director and Enterprise and Industry Technologies Lead, Accenture

*Adding Solvera Solutions' digital transformation capabilities... means we are even better positioned to support our clients across Western Canada... **Clients across industries will benefit as we help them take advantage of the cloud and enhanced service delivery capabilities to transform their service and customer operations.***

- Jeffrey Russell, President of Accenture in Canada

# SAP PARTNERS LANDSCAPE



(1) Partner has a history of working with SAP as a basic member in the SAP PartnerEdge open ecosystem, but has not received a formal designation of Silver, Gold, or Platinum.

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