DECISIONPOINT

QUARTERLY VIEWPOINT:

For the Quarter Ended December 31, 2017 and the Latest Twelve Months

Q4 | 17

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Market Leader for Mid-Market Technology M&A:

This Quarterly ViewPoint covers trends, public valuation multiples and relevant M&A activity for the software and services sectors. To illustrate general capital market and M&A trends within these sectors, DecisionPoint has selected a group of representative public comparables and transactions. This data is provided for informational purposes only. All data represents publicly available information.

DecisionPoint is a unique leader in M&A advisory services for middle-market technology companies and their venture capital investors in the software, services, and healthcare IT sectors.

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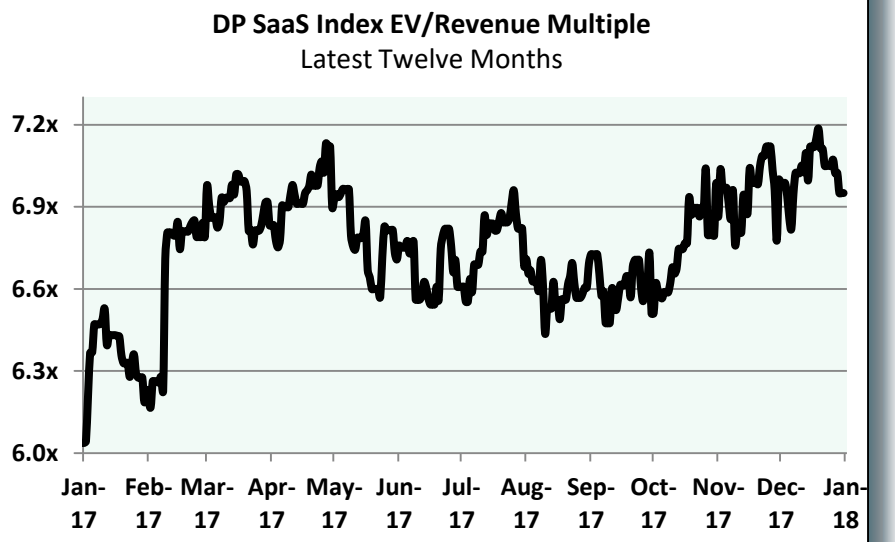
Software: Software as a Service (SaaS)

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE



VALUATION METRICS

Company	Stock Price 12/31/17	Market Cap.	Enterprise Value ($M)	EV/ LTM Revenue	EV / LTM EBITDA
Salesforce	$102.23	$73,449.3	$72,379.5	7.3x	78.2x
Workday	$101.74	$20,897.7	$19,627.7	9.8x	NM
Red Hat	$120.10	$21,932.5	$20,355.7	7.7x	42.1x
ServiceNow	$130.39	$22,022.2	$22,003.1	12.4x	NM
Ultimate Software	$218.23	$6,681.4	$6,391.2	7.1x	87.3x
Athenahealth	$133.04	$5,361.5	$5,477.7	4.6x	29.3x
Medidata Solutions	$63.37	$3,734.3	$3,581.2	6.8x	41.3x
LogMeIn	$114.50	$5,068.4	$5,756.0	7.2x	41.2x
RealPage	$44.30	$3,597.9	$3,959.9	6.3x	43.1x
Ellie Mae	$89.40	$3,131.3	$2,721.4	6.8x	29.2x
Cornerstone OnDemand	$35.33	$2,009.5	$1,982.5	4.3x	NM
Ebix	$79.25	$2,537.9	$2,774.7	8.2x	22.7x
Evertz Technologies	$14.48	$1,098.4	$1,063.3	3.4x	15.0x
LivePerson	$11.50	$644.9	$630.2	2.9x	NM
Median:	**$95.57**	**$4,401.3**	**$4,718.8**	**7.0x**	**41.3x**

SECTOR HIGHLIGHTS

- The median SaaS index was trading at 7.0x revenue (based on Enterprise Value) at the closing of Q4.
- Despite 2017 SaaS M&A deal value dropping from record 2016 numbers, deal volume increased, rising to 515 completed deals, up from 476 in 2016. Private equity buyers accounted for nearly 50% of sector deal value, spending $8.7b across 187 deals. Non-tech buyers also joined the tech M&A market with companies including IKEA, Albertsons, and Whirlpool making their first technology acquisitions.
- Many of today's cloud-enabling technologies were not designed to deal with the scale at which workloads are shifting from datacenter infrastructure to cloud services. As a result, cloud architectures differ across specialized use cases, creating a fragmented cloud environment. In order to manage these distributed workflows, new means for managing hyper-distributed cloud computing will become vital.
- A substantial shift in the database market is on the horizon as database services are finally making the transition to the cloud. While on-premise still represents 72.7% of total database revenue, the number is expected to drop to 22.4% by 2022. Database users must prepare for a future of multi-venue database deployments, as revenue is projected to be evenly split between on-premise, private cloud, IaaS, and SaaS.
- According to 451Research, as enterprises have started to understand cloud cost management, the inevitable next step is cost optimization. Industry players include broker-dealers and waste managers, both of which could be attractive M&A targets for leading SaaS vendors, MSPs, and cloud cost management software providers.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

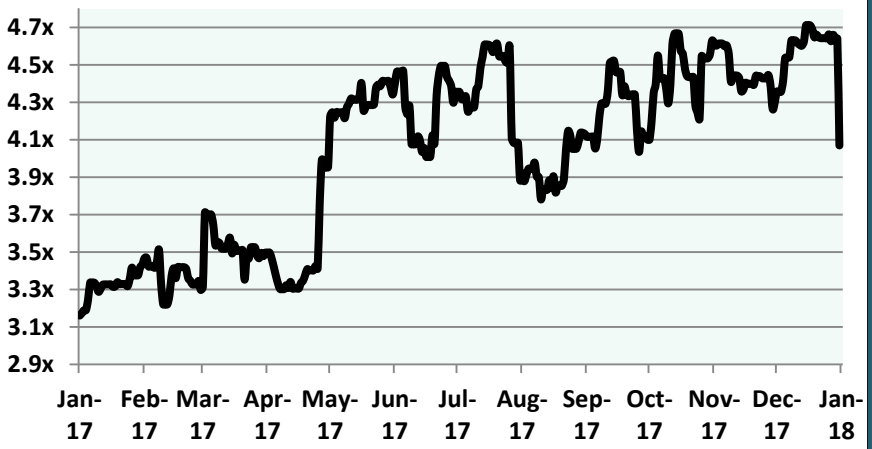
Announced Date	Acquirer Name	Target Name	Enterprise Value ($m)
2017-12-21	Verint Systems	Next IT Corporation	30.0
2017-12-14	Cigna	Brighter	
2017-12-07	Nexstar Media Group	LKQD	90.0
2017-11-30	Verisk Analytics	PowerAdvocate	200.0
2017-11-17	Upland Software	Qvidian Corporation	50.0
2017-11-15	Airbnb Inc.	AdBasis	
2017-11-08	West	ECaTS	
2017-10-23	Insight Venture Partners	Bullhorn	500.0
2017-10-19	E*Trade	Trust Company of America	275.0
2017-10-10	Express Scripts	eviCore Healthcare	3,600.0
2017-10-04	MRI Software	Qube Global Software	
2017-10-03	Compusearch	FedBid	

Software: Internet Software and Services

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE

DP Internet Software & Services Index EV/Revenue Multiple
Latest Twelve Months



VALUATION METRICS

Company	Stock Price 12/31/17	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Alphabet	$1,053.40	$739,877.1	$633,279.2	6.1x	20.1x
Amazon.com	$1,169.47	$573,917.4	$563,935.1	3.5x	40.7x
Facebook	$176.46	$520,424.7	$474,470.0	13.0x	23.6x
The Priceline Group	$1,737.74	$86,956.9	$87,121.9	7.1x	18.7x
Netflix	$191.96	$85,683.4	$83,067.1	NM	NM
eBay	$37.74	$41,400.8	$43,390.1	4.6x	10.0x
Expedia	$119.77	$18,559.6	$20,331.5	2.1x	14.0x
Twitter	$24.01	$17,351.8	$15,348.9	6.3x	NM
Snap	$14.61	$16,613.7	$17,594.3	18.8x	NM
IAC	$122.28	$10,195.8	$10,898.9	3.4x	31.0x
Cimpress	$119.88	$3,813.5	$4,654.9	2.1x	24.5x
Groupon	$5.10	$2,880.4	$2,439.6	0.8x	28.5x
Pandora Radio	$4.82	$1,151.2	$1,450.7	1.0x	NM
Median:	**$119.88**	**$18,559.6**	**$20,331.5**	**4.1x**	**23.6x**

SECTOR HIGHLIGHTS

- The median Internet Software and Services index was trading at 4.1x revenue (based on Enterprise Value) at the closing of Q4.
- HelloFresh stock has grown 15% since its November IPO, a stark contrast to Blue Apron's 70% drop since its July IPO. The underlying issue relates to growth, as HelloFresh achieved 48% YoY Q3 growth compared to Blue Apron's growth of 2.5%. Retailers have also entered the $4.5b meal kit industry, with Walmart selling meal kits via partnerships and Kroger testing its own meal kit service.
- Spotify, which recently reached 70 million subscribers, plans to file for IPO in 2018 with many projecting it as the 2nd largest IPO of 2018. The IPO follows a rough Q4 for Spotify, which lost out to Apple on the acquisition of Shazam, rumored at $400m, and was hit with a $1.6b lawsuit from Wixen Music Publishing.
- Uber continues to face numerous setbacks, announcing that a data breach of 57 million customer accounts was concealed for more than a year and the European Court ruling that Uber is a taxi service, subjecting Uber to stricter regulations. Meanwhile, Uber's main competitor Lyft excelled in 2017, more than doubling rides given and expanding internationally to Canada in December.
- As production companies continue to move media into proprietary ecosystems, Netflix has realized the need to grow content internally. Netflix plans to spend $8b on original content in 2018 with the goal to make its library 50% original content. Netflix has a high level of customer loyalty, with only 20% of customers subscribing to other streaming services, compared to 64% of Hulu subscribers.

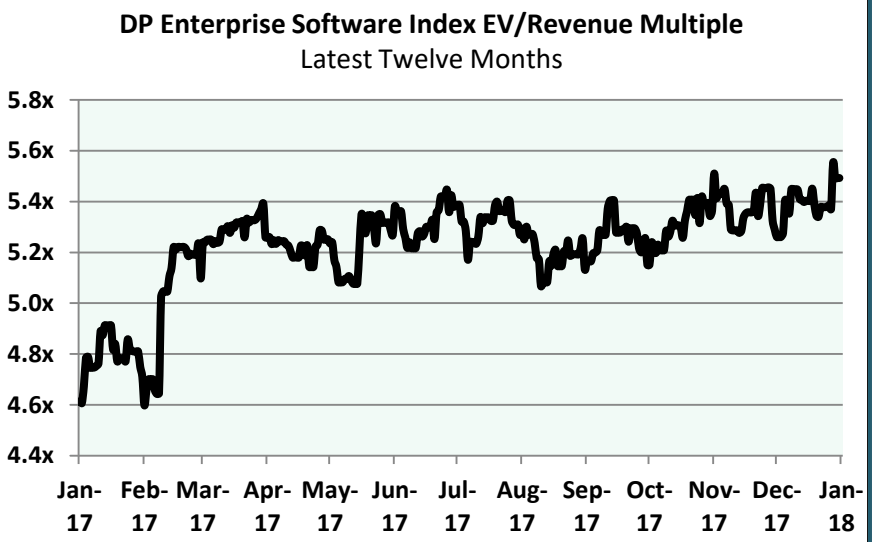
MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value ($m)
2017-12-21	Home Depot	The Company Store	
2017-12-19	Gocompare.com	MyVoucherCodes	48.6
2017-12-13	Target	Shipt	550.0
2017-12-06	Stillfront	Goodgame Studios	320.2
2017-11-17	Spotify	Soundtrap	
2017-11-16	Lyft	Kamcord	
2017-10-31	Ebix	Via.com	74.9
2017-10-30	Strayer	Capella Education	912.0
2017-10-24	LeoVegas	Royal Panda	70.7
2017-10-19	Nelnet	Great Lakes Educational Loan Services	150.0
2017-10-13	IGN	Humble Bundle	
2017-10-05	Deltek	Onvia	70.0
2017-10-04	Navient	Earnest	155.0

Software: Enterprise Software

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE



VALUATION METRICS

Company	Stock Price 12/31/17	Market Cap.	Enterprise Value (EV)	EV/ LTM Revenue	EV / LTM EBITDA
Microsoft	$85.54	$668,794.5	$612,678.0	6.6x	17.7x
Oracle	$47.28	$200,798.2	$185,241.4	4.8x	11.9x
IBM	$153.42	$144,955.6	$176,275.9	2.2x	10.4x
SAP	$111.56	$133,733.5	$135,920.1	5.3x	20.1x
Dassault Systemes	$105.76	$27,262.0	$24,824.3	7.0x	26.0x
Autodesk	$104.83	$23,107.2	$23,222.1	11.7x	NM
Ansys	$147.59	$12,859.4	$11,597.9	10.9x	25.6x
Constellation Software	$606.36	$12,850.0	$12,748.7	5.4x	22.4x
Amdocs	$65.48	$9,576.8	$8,443.9	2.2x	11.7x
PTC	$60.77	$7,131.7	$7,470.9	6.4x	NM
Tyler Technologies	$177.05	$6,924.2	$6,486.9	7.9x	31.7x
Blackbaud	$94.49	$4,496.3	$4,864.9	6.3x	34.2x
Manhattan Associates	$49.54	$3,468.1	$3,285.2	5.5x	16.7x
Verint Systems	$41.85	$2,645.2	$3,129.2	2.8x	22.9x
Stratasys Ltd.	$19.96	$1,058.4	$784.1	1.2x	40.8x
Median:	**$94.49**	**$12,850.0**	**$11,597.9**	**5.5x**	**22.4x**

SECTOR HIGHLIGHTS

- The median Enterprise Software index was trading at 5.5x revenue (based on Enterprise Value) at the closing of Q4.
- Despite large enterprise software vendors including Microsoft and IBM having a quiet 2017 as they focused on other strategic initiatives, SMB software companies stayed active, with enterprise software companies completing 372 deals in 2017, up from 350 in 2016.
- As Salesforce focuses on growing revenue to $20bn by 2022, it has honed in on its partner program, building tools to better facilitate partnership growth and providing training opportunities on the importance of customer success. In order to augment its mid-market partner ecosphere, Salesforce set up a $50m venture fund, which provides capital for partners to build up their Salesforce practice.
- IBM and Maersk announced in December that they are collaborating to create a Blockchain-based supply chain company. The solution will alleviate issues with documentation, which plagues the supply chain industry, utilizing smart contracts to create a more secure and simplistic environment.
- According to a recent IFS study, only 16% of IoT decision makers at industrial enterprises consume IoT data in ERP software. The most common use case for IoT is condition-based maintenance, rather than utilizing data to determine additional uptime capacity. However, significant revenue opportunities exist If enterprises begin to integrate IoT data with ERP demand and scheduling systems.

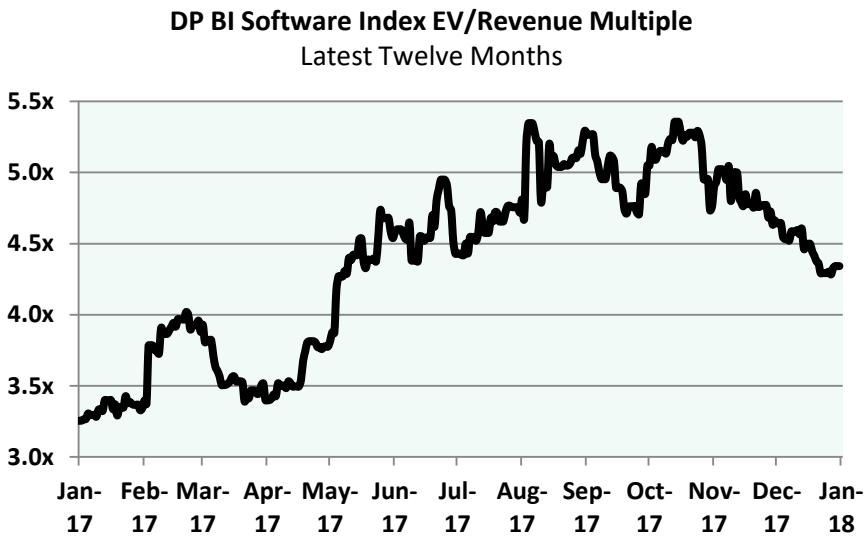
MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value ($m)
2017-12-13	WiseTech Global	Microlistics	
2017-12-05	Aptean	Influence Health (Connect business)	
2017-12-05	Intuit	TSheets.com	340.0
2017-12-04	CallidusCloud	Learning Seat	26.4
2017-11-20	AvidXchange	Ariett	
2017-11-17	Upland Software	Qvidian Corporation	50.0
2017-11-16	MYOB	Reckon (accounting and tax compliance software)	137.3
2017-11-14	Volaris Group	CaterTrax (assets)	
2017-10-24	Delphi Automotive	nuTonomy	400.0
2017-10-16	Emerson	Paradigm	510.0
2017-10-16	SmartTrans	Resource Connect	13.1
2017-10-02	Francisco Partners	Dynamo Software	

Software: Business Intelligence Software

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE



VALUATION METRICS

Company	Stock Price 12/31/17	Market Cap.	Enterprise Value ($M)	EV/ LTM Revenue	EV / LTM EBITDA
Tableau Software	$69.20	$5,372.2	$4,575.0	5.2x	NM
Pegasystems	$47.15	$3,798.4	$3,476.7	4.3x	NM
MicroStrategy	$131.30	$1,517.8	$856.9	1.7x	8.3x
Pros Holdings	$26.45	$826.4	$896.9	5.5x	NM
Datawatch	$9.50	$114.7	$86.0	2.4x	NM
Median:	**$47.15**	**$1,517.8**	**$896.9**	**4.3x**	**8.3x**

SECTOR HIGHLIGHTS

- The median Business Intelligence Software index was trading at 4.3x revenue (based on Enterprise Value) at the closing of Q4.
- While announced BI deal value dropped in 2017, deal volume remained strong as the sector completed 89 deals, compared to 90 deals in 2016. As enterprises continue to seek big data solutions, high BI deal flow is likely to continue into 2018, with the focus revolving around the development of multi-cloud AI solutions and sophisticated visualization tools.
- As organizations seek to expand AI capabilities, a shortage of qualified AI experts has proven to be a large barrier of entry. Furthermore, there are still significant challenges even at organizations with qualified AI experts, as an integrated AI strategy must include AI knowledge across all analyst positions.
- TIBCO has undergone an acquisition spree in recent months, utilizing inorganic growth to build a full spectrum of analytic capabilities. Since May 2017, TIBCO has made four analytics acquisitions, including advanced analytics vendors Statistica and Alpine Data Labs. As TIBCO attempts to catch leaders IBM and SAS, its focus will now turn to integration and moving solutions to the cloud.
- Industry leaders SAP, IBM, and Oracle released new analytics features in Q4 as they battle for market share. New releases included SAP's Analytics Hub, which provides a centralized locations for users to find BI content, Oracle's AI Platform Cloud Service and IBM's Data Catalog, giving enterprises greater data governance.

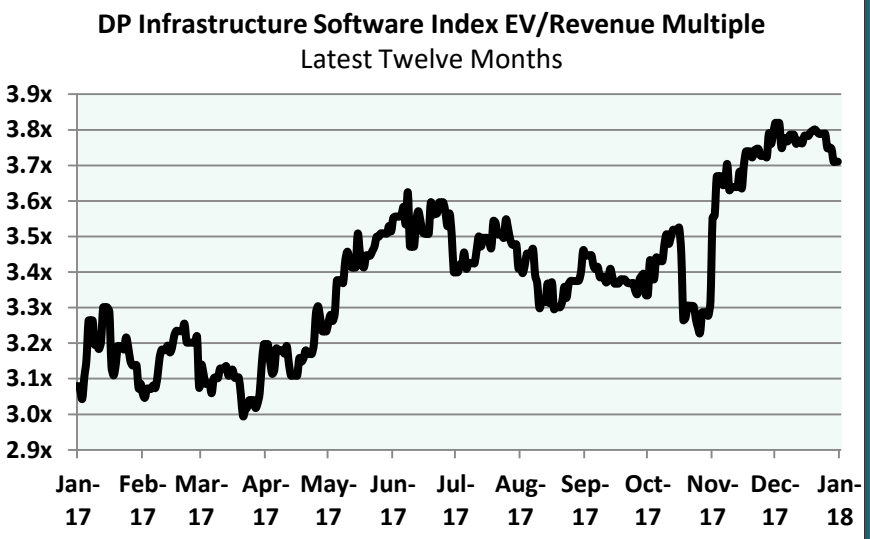
MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value ($m)
2017-12-26	Ascential	Clavis Insight	119.0
2017-12-19	DocuSign	Appuri (IP and talent assets)	
2017-11-29	ZPG	Calcasa	35.3
2017-11-24	Royal Philips	Analytical Informatics	
2017-11-17	Roche	Viewics	
2017-11-15	TIBCO	Alpine Data	
2017-11-02	CBOE	Silexx Financial Systems (assets)	
2017-10-26	CDK Global	Dashboard Dealership Enterprises	
2017-10-26	Marlin Equity Partners	Logi Analytics	130.0
2017-10-23	Panasonic	Arimo	
2017-10-12	Sportradar	MOCAP Analytics	
2017-10-10	TransUnion	eBureau	

Software: Infrastructure Software

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE



VALUATION METRICS

Company	Stock Price 12/31/17	Market Cap.	Enterprise Value ($M)	EV/ LTM Revenue	EV / LTM EBITDA
Red Hat	$120.10	$21,932.5	$20,355.7	7.7x	42.1x
Check Point Software	$103.62	$17,405.9	$15,688.3	8.5x	17.6x
Symantec	$28.06	$17,270.9	$21,579.7	4.7x	NM
Citrix Systems	$88.00	$13,800.1	$13,172.3	3.8x	14.6x
F5 Networks	$131.22	$8,499.8	$7,196.6	3.4x	11.3x
Trend Micro	$56.60	$7,830.6	$6,503.4	5.0x	14.2x
CommVault Systems	$52.50	$2,459.2	$1,943.7	2.9x	NM
Progress Software	$42.57	$2,076.1	$1,966.8	4.9x	NM
Radware	$19.40	$845.4	$759.2	3.7x	NM
Vasco Data Security	$13.90	$553.2	$399.6	2.1x	21.4x
Magic Software	$8.47	$377.3	$355.4	1.4x	9.8x
Allot Communications	$5.31	$176.2	$88.3	1.1x	NM
BSQUARE	$4.65	$58.7	$32.0	0.4x	NM
Median:	**$42.57**	**$2,459.2**	**$1,966.8**	**3.7x**	**14.6x**

SECTOR HIGHLIGHTS

- The median Infrastructure Software index was trading at 3.7x revenue (based on Enterprise Value) at the closing of Q4.
- The infrastructure management industry continued its heavy M&A activity in 2017, spending $8.5b across 92 transactions. High multiples dominated the sector, including Cisco's $3.7b of AppDynamics at a 17.1x revenue multiple, the highest ever for an acquisition with more than $50m in revenue, and 9 out of the top 10 largest transactions above a 3.5x multiple.
- 451Research projects infrastructure software M&A to maintain its heavy deal flow into 2018 as organizations continue to grapple with an increasingly complex IT environment. The increased prominence of cloud solutions, which are expected to increase from 45% to 60% by 2019, have caused infrastructure tools to become indispensable.
- Despite growing demand for cloud IaaS solutions, Gartner predicts that 90% of native cloud IaaS providers will fail by 2019. 60% of the IaaS industry is controlled by 5 major players who have significantly more computing power, creating a natural barrier to entry and forcing enterprises to choose from industry leaders.
- AWS continues to dominate IaaS, posting a Q3 run rate of $18b. In Q4, AWS announced AWS Fargate, which simplifies container deployments. As AWS releases new cloud solutions, its challenge will revolve around complexity of solutions and helping users differentiate between its growing AWS solution set.

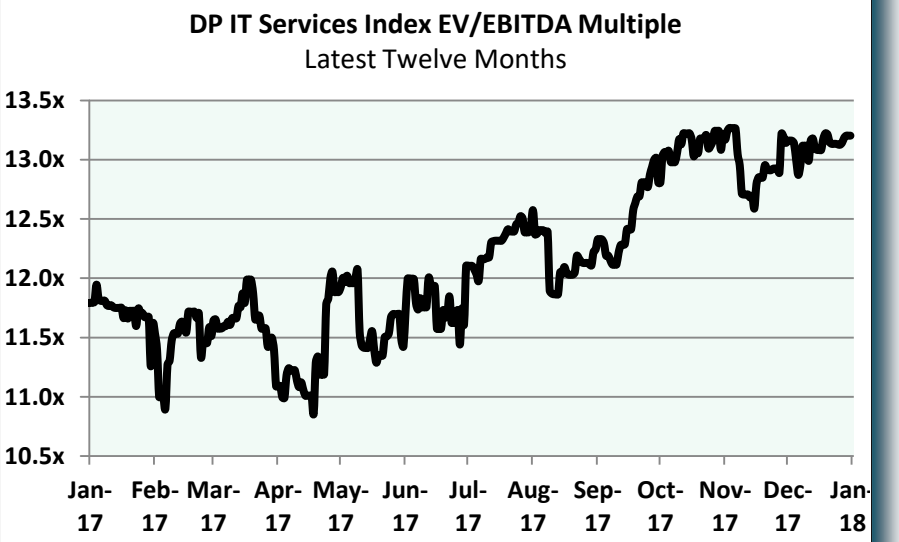
MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value ($m)
2017-12-19	Micro Focus International	COBOL-IT	13.3
2017-12-12	STMicroelectronics	Atollic AB	7.0
2017-12-07	Cisco Systems	Cmpute.io	
2017-11-14	Intelligent Wave	Hypori (assets)	
2017-11-09	Green House Data	Ajubeo	
2017-10-27	TMX	Trayport	726.2
2017-10-26	Fintrax Group	Planet Payment	250.0
2017-10-24	Intercontinental Exchange	Virtu Financial	400.0
2017-10-23	IDERA	Ranorex	
2017-10-19	Cisco	Perspica	
2017-10-09	Splunk	Rocana (assets)	30.2
2017-10-05	TIBCO	Cisco Systems (data virtualization business)	

Services: IT Services

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE



VALUATION METRICS

Company	Stock Price 12/31/17	Market Cap.	Enterprise Value ($M)	EV/ LTM Revenue	EV / LTM EBITDA
Accenture	$153.09	$100,924.0	$91,539.8	2.4x	16.3x
Capgemini	$118.06	$21,141.4	$21,457.4	1.5x	13.8x
NTT Data	$11.86	$16,629.7	$20,266.7	1.1x	21.2x
Atos	$144.87	$15,105.7	$15,130.4	1.2x	10.9x
CDW	$69.49	$11,187.9	$13,968.3	0.9x	13.4x
Booz Allen	$38.13	$5,716.0	$7,076.8	1.2x	12.6x
CACI International	$132.35	$3,324.9	$4,360.9	1.0x	11.9x
Sopra Steria Group	$186.05	$3,738.4	$4,331.2	1.0x	13.0x
ManTech International	$50.19	$1,950.4	$1,808.4	1.1x	14.5x
ICF	$52.50	$1,012.8	$1,202.3	1.0x	10.6x
Perficient	$19.07	$653.1	$728.2	1.5x	14.6x
The Hackett Group	$15.71	$508.9	$456.0	1.6x	12.6x
Edgewater Technology	$6.24	$82.5	$79.7	0.7x	NM
Median:	**$52.50**	**$3,738.4**	**$4,360.9**	**1.1x**	**13.2x**

SECTOR HIGHLIGHTS

- The median IT Services index was trading at 13.2x EBITDA (based on Enterprise Value) at the closing of Q4.
- The hosted services industry experienced a second consecutive year of $15b in M&A spending across 155 deals. In 2017, the sector experience a record median EBITDA multiple of 16.1x, driven by the consolidation of medium sized players in the market. The trend is expected to continue into 2018 as enterprises continue to push services into the cloud and MSPs seek to expand geographically.
- ConvergeOne announced that it entered into a definitive agreement to combine with Forum Merger Corporation, a blank check company, in December, which will list it on Nasdaq at an estimated $1.2b valuation. ConvergeOne has utilized M&A to expand in recent years, completing 13 buy-side transactions since 2009.
- Kaseya predicts that a trend of "super" managed services companies is materializing, driven by the recent consolidation in the IT services industry and newly emerging collaboration between large IT service players. However, while large enterprise customers are likely to be controlled by super MSPs, an opportunity exists for smaller IT service companies to penetrate the SMB market.
- IBM believes that the IT services industry is shifting towards a technology-led, people-assisted environment. As technology becomes increasingly automated, most standard tasks will be executed by data-driven and cognitive machines, which will provide information to experts, allowing them to focus on discovering insights.

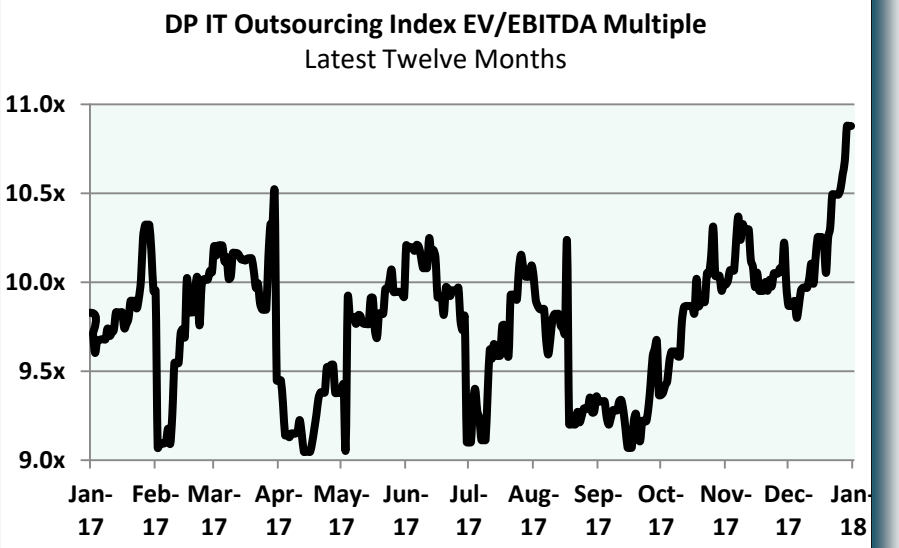
MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value ($m)
2017-12-18	ConvergeOne	Alexander Open Systems	
2017-12-18	Telia	Inmics	88.6
2017-12-07	CGI	Paragon	
2017-12-01	Forum Merger Corporation	ConvergeOne	1,200.0
2017-11-30	Altran Technologies	Aricent	2,000.0
2017-11-13	NTT Communications	Secure-24	
2017-10-30	TELUS International	Xavient Information Systems	162.5
2017-10-20	Booz Allen Hamilton	Morphick	
2017-10-19	ADT	Gaston Security	
2017-10-17	CSRA	Praxis Engineering	235.0
2017-10-09	Volpi Capital	Digital Barriers (video business)	33.6
2017-10-03	Iron Mountain	Bonded Services	77.0
2017-10-03	Office Depot	CompuCom Systems	1,000.0

Services: IT Outsourcing

HIGHLIGHTS, VALUATION METRICS, AND RECENT M&A ACTIVITY

MARKET PERFORMANCE



VALUATION METRICS

Company	Stock Price 12/31/2017	Market Cap.	Enterprise Value ($M)	EV/ LTM Revenue	EV / LTM EBITDA
Tata Consultancy	$42.17	$82,089.4	$80,693.4	5.9x	21.7x
Automatic Data	$117.19	$52,583.2	$51,611.1	4.1x	17.9x
Cognizant Technology	$71.02	$42,612.0	$37,986.6	2.6x	13.5x
Infosys	$16.27	$37,158.0	$31,910.0	3.0x	10.0x
Wipro	$4.89	$23,755.0	$20,065.6	2.4x	10.9x
CGI Group	$54.35	$16,483.5	$16,959.4	2.1x	12.0x
DST Systems	$62.07	$3,952.3	$4,242.0	2.1x	6.4x
Syntel	$22.99	$1,927.5	$2,183.8	2.4x	8.9x
CSG International	$43.82	$1,440.6	$1,544.7	2.0x	10.9x
Capital Stage	$7.71	$911.6	$810.7	6.6x	5.4x
Unisys	$8.15	$410.0	$433.8	0.2x	3.5x
Median:	**$ 42.17**	**$ 16,483.47**	**$16,959.39**	**2.4x**	**10.9x**

SECTOR HIGHLIGHTS

- The median IT Outsourcing index was trading at 10.9x EBITDA (based on Enterprise Value) at the closing of Q4.
- The BPO industry surged in 2017, completing $9.1b in deal value across 113 transactions, higher than any other year in history. The high deal price was driven by unusually high revenue multiples, as companies averaged a 2.4x multiple in an industry typically characterized at a 1x multiple.
- Cognizant believes that IT is shifting to an off-the-shelf approach, prompting it to invest significantly into its Cloud360 platform. Cognizant's strategic shift mimics the industry shift, as IT's role is expanding to a broker of services across organizations. Cognizant's largest issue moving forward will revolve around geographic expansion, as transformational services typically require a local faciliatory presence.
- Infosys announced the appointment of Salil Parekh as CEO in December, poaching him from rival Capgemini. Parekh joins Infosys following a tumultuous 2017, which included irregularities regarding Infosys's Panaya acquisition and a leadership dispute. Infosys must now refocus, determining how to adapt to a changing cloud environment and to inevitable overhauls to the HB-1 program.
- McKinsey predicts that more than 50% of the 3.9 million employed in the Indian IT sector will become "irrelevant" in the next four years as technology becomes increasingly automated. In order to adapt, organizations will need to invest in emerging technologies, refocus geographically, and adapt to a digital marketplace.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value ($m)
2017-12-13	Keywords Studios	Sperasoft	27.0
2017-12-04	ANS Group	Webantic	
2017-11-20	The Carlyle Group	BenefitMall	
2017-11-15	Deloitte	CBIG Consulting (personnel assets)	
2017-11-04	Columbus	iStone	
2017-11-02	SDI Presence	NexLevel Information Technology	
2017-11-01	Resources Global Professionals	Accretive Solutions	37.5
2017-10-26	QuEST Global Services	IT Six Global Services	
2017-10-24	Keywords Studios	Volt Information Sciences (quality assurance testing business)	66.4
2017-10-18	Spectris	The Omnicon Group	29.0
2017-10-17	Intelligent Decisions	Manning Services	
2017-10-02	Diplomat Pharmacy	8th Day Software and Consulting	

Services: IT Staffing

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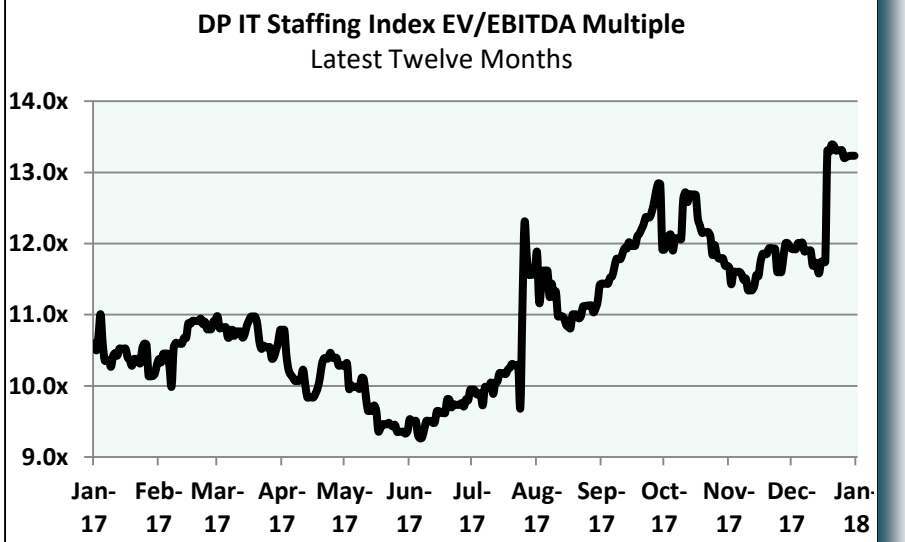

VALUATION METRICS

Company	Stock Price 12/31/17	Market Cap.	Enterprise Value ($M)	EV/ LTM Revenue	EV / LTM EBITDA
ManpowerGroup	$126.11	$8,663.8	$8,703.5	0.4x	10.5x
Robert Half International	$55.54	$7,004.8	$6,614.5	1.3x	11.4x
On Assignment	$64.27	$3,432.7	$3,925.0	1.5x	14.6x
Kforce	$25.25	$648.9	$796.5	0.6x	11.5x
Computer Task Group	$5.10	$78.8	$67.6	0.2x	11.9x
RCM Technologies	$6.25	$76.1	$83.7	0.5x	16.1x
Hudson Global	$2.25	$72.9	$61.7	0.1x	18.6x
Mastech Digital	$10.06	$47.7	$95.1	0.7x	22.9x
Median:	**$17.66**	**$363.9**	**$445.8**	**0.5x**	**13.2x**

SECTOR HIGHLIGHTS

- The median IT Staffing index was trading at 13.2x EBITDA (based on Enterprise Value) at the closing of Q4.
- According to Robert Half, 21% of CIOs plan to add additional technology professionals in the first half of 2018 and an additional 63% plan to maintain current employment levels. In particular, technology leaders hope to build on critical initiatives such as cybersecurity by bringing on more professionals with specialized skills. Some of the areas of demand identified in the survey included database management, BI services, and wireless network management.
- The US Bureau of Labor Statistics projects the US IT industry to grow to 4.8 million jobs by 2026, up 546,100 jobs from 2017. Software developers for applications are projected to comprise the largest growth rate at 30.5%, adding 253,400 additional jobs. IT ranks fourth in projected rate of employment growth, behind only healthcare-related occupational groups.
- Digital staffing platforms continue to disrupt the IT staffing industry as firms evaluate the effects from disruptive business models including Upwork, Shiftgig and Catalant. However, perceived impact is split, with a recent Bullhorn report revealing that 21% of staffing companies approve digital platforms, 16% oppose digital platforms and 63% are uncertain on the impact to the staffing industry.
- According to Bullhorn, the staffing industry is still in the early phases of adopting automation technology, but the learning curve is quick. When considering automation initiatives, onboarding is a logical place to start, as many of the tasks are standardized. However, despite the practical use cases, only 24% of firms are using automation to a great extent in the onboarding process and 27% are still not using automation at all.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value ($m)
2017-12-06	System One	GAP Solutions	
2017-11-28	Appen	Leapforce	
2017-11-27	ApTask	Planet Consulting	
2017-10-16	Gaston Capital Partners	UltraForce Staffing	
2017-10-16	TeamLease Services	Evolve Technologies and Services	5.6
2017-10-12	Talent Sonar	Talent Function	

Services: Value Added Resellers

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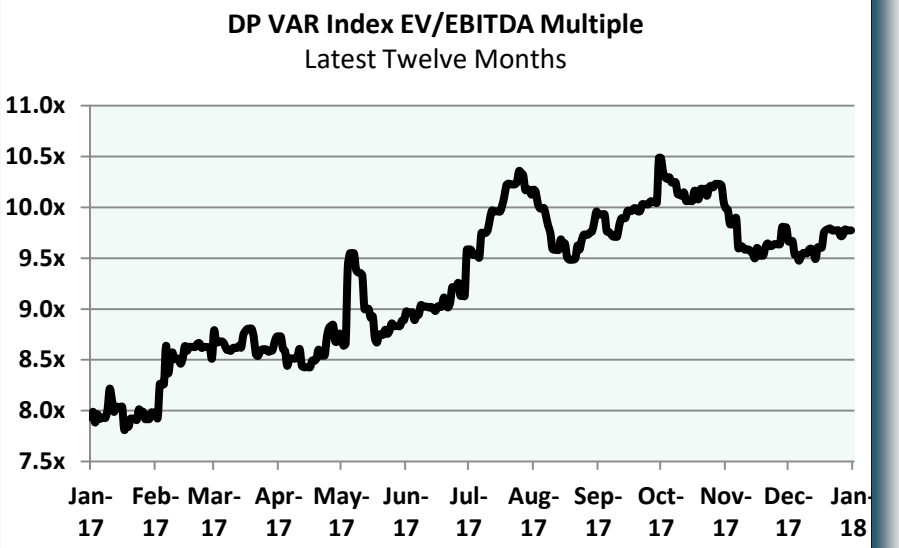

VALUATION METRICS

Company	Stock Price 12/31/17	Market Cap.	Enterprise Value ($M)	EV/ LTM Revenue	EV / LTM EBITDA
Arrow Electronics	$80.41	$7,276.1	$9,718.8	0.4x	9.8x
Tech Data	$97.97	$3,669.5	$5,095.1	0.2x	10.4x
Also Holding	$136.87	$1,754.8	$1,922.5	0.2x	12.1x
Insight Enterprises	$38.29	$1,383.4	$1,683.8	0.3x	7.9x
ePlus	$75.20	$1,052.3	$1,042.6	0.7x	10.1x
PC Connection	$26.21	$703.6	$640.5	0.2x	7.2x
PCM	$9.90	$129.0	$313.9	0.1x	8.9x
Median:	**$75.20**	**$1,383.4**	**$1,683.8**	**0.2x**	**9.8x**

SECTOR HIGHLIGHTS

- The median VAR index was trading at 9.8x EBITDA (based on Enterprise Value) at the closing of Q4.
- According to GTDC, distributors have increasingly recognized cloud-services as an area that has become ubiquitous in the channel and touching nearly every element of technology. As distributors work to help customers build their IT framework, it has become imperative to understand the hybrid environment, utilizing both on-premise and cloud components.
- ChannelFuture reports that 68% of VARs are now offering managed services as the traditional channel of pure-play VARs is rapidly disappearing. As offering flexibility and SaaS models have gained prominence, VARs have transitioned their business models to better meet customer demands, providing IT knowledge and systems integration expertise to satisfy clients.
- A recent GTDC survey revealed that 75% of distributors believe security to be the most active category for new vendor relationships. The need is driven by customers, with many demanding that distributors have a complete end-to-end security portfolio addressing the full continuum of threat protection.
- According to 451Research, the VAR industry has transitioned from a "Sell Through" to a "Sell With" marketplace. As distributors seek to meet the needs of customers, it has become important to utilize a consultative approach, working with clients to determine product needs and creating long-term sustainable relationships. Enterprises now seek value-added information during the sales process, forcing distributors to create customizable solution sets that tailor to organizational needs.

MERGERS & ACQUISITIONS (SAMPLE DEALS)

Announced Date	Acquirer Name	Target Name	Enterprise Value ($m)
12/21/2017	Mobilezone	TPHCom	59.1
12/20/2017	Ingram Micro	Cloud Harmonics	
12/20/2017	Network Security Group	Waytek Software	
12/07/2017	CGI	Paragon Solutions	
12/06/2017	RKL eSolutions	Arxis Technology	
12/01/2017	InterVision Systems	Independent Technology Group	
11/15/2017	Toshiba America Business Solutions	Electro Imaging Systems	
11/06/2017	Global Imaging Systems	G-Five	
11/02/2017	Wynnchurch Capital	America II	
10/17/2017	Hawk Ridge Systems	Symmetry Solutions	
10/09/2017	Micro Strategies	Siwel Consulting (VAR business)	

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