

IT Managed Services M&A SNAPSHOT

MARKET TRENDS

Clouding the future

The prospect of reduced expenditure combined with greater flexibility is driving cloud adoption into the next phase of growth. The Covid-19 pandemic has created fertile ground for cloud providers, with market showing resilience in the face of harsh economic conditions.

Demand-pull on valuations

Demand for assets with a strong recurring revenue base and growth dynamics has risen considerably in the last twelve months. Subsequently, valuations in the sector have climbed, currently sitting at an average of 12.5x. Half of the deals have been in the telecoms space, with resellers buying smaller managed services businesses.

Accelerating digitisation

The next chapter of digitisation is underway, very much centred around cloud adoption and taking it to scale in the public sector. The pandemic harshly exposed Cloud transformation laggards and those companies are now playing catch-up, presenting a substantial short-term growth opportunity for tech companies.

KEY MID-MARKET INVESTORS



Beech Tree
PRIVATE EQUITY

No. of sector investments LTM*: 3

Average deal value: £26.5m

Investment Perspective

- Beech Tree is a mid-market private equity house that invests in fast-growing businesses with a typical deal value between £10m-£35m.
- They have made 6 investments in IT Services with 7 subsequent bolt-on acquisitions.



No. of sector investments LTM*: 3

Average deal value: n/d

Investment Perspective

- LDC have been highly active in the IT Services market, currently holding 6 IT services firms in its portfolio.
- They have made a number of bolt-on acquisitions, for example a portfolio company, Babble Cloud has acquired 3 businesses



No. of sector investments LTM*: 3

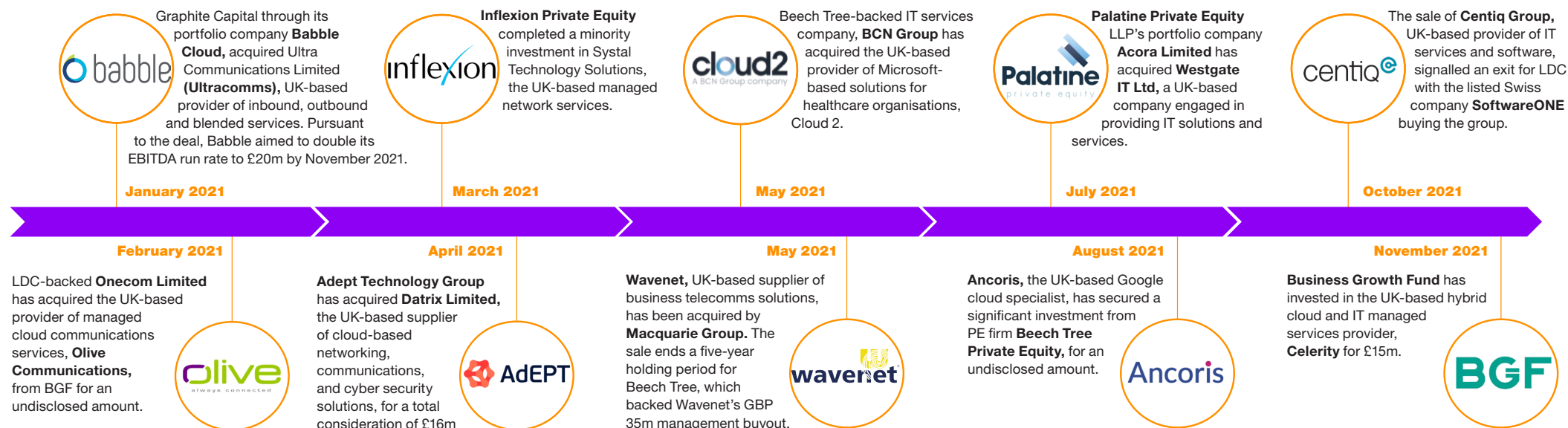
Average deal value: £9.1m

Investment Perspective

- BGF are a highly active growth fund in the lower mid-market.
- They have recently exited a number of investments in the IT Services space, including HeleCloud, Semafone and Olive Communications.



SELECTED M&A TRANSACTIONS



Source: (1) Mergermarket; (2) Press releases/investor presentations; (3) Beauhurst (4) Megabytte CEO Summit
* - inclusive of bolt-on acquisitions