



IT services sector update

February 2020

Blackpeak is a leading independent investment banking & advisory firm

- We are an independent corporate advisory firm based in Sydney providing corporate finance and strategic advice on mergers & acquisitions, strategy and capital raisings
- We strive to be our client's trusted advisor and confidant and are focused on building long term relationships with clients to assist them achieve their growth ambitions and maximise value
- **Blackpeak is the most active independent adviser to technology growth companies in ANZ, completing ~30+ technology transactions in the last 5 years**



Mergers & acquisitions

- Strategic and financial evaluation
- Execution of private and public market transactions including takeover defence
- Designing optimal sale processes to create competitive tension to maximise value
- Negotiating and structuring complex transactions



Strategic advice

- Evaluate all options to maximise shareholder value
- Identify & evaluate acquisition targets
- Portfolio review to consider value impacts of potential divestments
- Balance sheet & capital structure advice
- Capital management options including dividend policy and other initiatives



Capital raising advisory

- Private capital raising including pre-IPO financing
- Advice on IPOs and secondary equity capital raisings including both initial planning, structuring and execution
- Debt and hybrid raisings

AGC strategic alliance: leading local coverage + global distribution

AGC Partners

- **Leading tech investment bank:** AGC is ranked as the most active boutique bank dedicated to tech, having completed more than 390 M&A and growth equity transactions since inception in 2003. More than 50 professionals, including 20 partners, with offices in Boston (HQ), Silicon Valley, New York, Chicago, Dallas, Los Angeles, Minneapolis, Austin, Atlanta and London
- **Strong connectivity with buyers/ investors:** relationships with over 1,000 technology investors and strategic buyers across North America, Europe, and Asia
- **Domain knowledge:** Experience and in-depth domain knowledge across all key technology sub-sectors including Application Software, Cybersecurity, Defence Technology, Digital Media / Internet, Energy & Industrial Tech, FinTech, Healthcare IT & Life Sciences, Infrastructure / Cloud, Internet of Things, Mobility Solutions, Semiconductors and Tech-Enabled Services
- **Industry conferences:** AGC runs industry conferences in Boston, San Francisco, London and Las Vegas, providing one-on-one meetings with strategic tech acquirers, investors, and emerging growth companies

Benefits for Blackpeak's clients

- Alliance will uniquely position Blackpeak to provide global technology investment banking capabilities, combined with leading local coverage, service and support to technology growth companies in ANZ that are institutional size and quality
- Alliance enhances Blackpeak's access to strategic acquirers and investors in US and Europe as well as proprietary market intelligence and industry content (particularly relevant in the context of running sell side M&A or capital raising processes)

Blackpeak and AGC's Global Reach



- ✓ Leading local coverage to service ANZ tech Co's
- ✓ Extensive experience in tech financing + M&A
- ✓ Global investor/ buyer connectivity (APAC, USA, EU)

Blackpeak is a leading adviser to technology companies in Australia & NZ



Current
Private Raising
A\$15m
Financial Adviser




2019
Private raising
Financial Advisor




2019
Trade sale
Size undisclosed
Financial Adviser




2019
Sale of controlling stake
Financial Adviser




2019
Acquisition
HROnboard
Undisclosed
Financial Adviser




2018
Initial Public Offering
A\$79m
Financial Adviser




2018
Pre-IPO Raising
A\$25m
Financial Adviser




2018
Strategic Review
Financial Adviser




2018
Equity Raising
A\$100m
Financial Adviser




2018
Equity raising
A\$45m
Financial Adviser




2018
Series B equity raising
A\$11m
Financial Adviser




2018
Acquisition of Pivot
Remesys
A\$11m
Financial Adviser




2017
Strategic Review
Financial Adviser




2017
Trade sale
A\$44m
Financial Adviser




2017
Block Trade
A\$73m
Financial Adviser



Blackpeak is a leading adviser to technology companies in Australia & NZ

WiseTech
GLOBAL

2017
Block Trade
A\$23m
Financial Adviser



ELMO
TALENT MANAGEMENT SOFTWARE

2017
Acquisition of
Quintessential Marketing
A\$12m
Financial Adviser



straker
TRANSLATIONS

2017
Pre-IPO equity raising
NZ\$11m
Financial Adviser



audinate

2017
Initial Public Offering
A\$73m
Financial Adviser



ELMO
TALENT MANAGEMENT SOFTWARE

2017
Initial Public Offering
A\$108m
Financial Adviser



soprano

2016/ 2017
Initial Public Offering
Pending
Financial Adviser



ARMITAGE ASSOCIATES nuix

2016
Acquisition of
minority stake (size
undisclosed)
Financial Adviser



WiseTech
GLOBAL

2016
Initial Public Offering
A\$1.0bn
Financial Adviser



BAILADOR
SiteMinder

2015
Sale of minority
interest in SiteMinder
(size undisclosed)
Financial Adviser



WiseTech
GLOBAL

2015
Acquisition of
CompuClearing
A\$25m
Financial Adviser



WiseTech
GLOBAL

2015
Acquisition of Core
Freight Systems (size
undisclosed)
Financial Adviser



WiseTech
GLOBAL

2015
Acquisition of
Zsoft (size
undisclosed)
Financial Adviser



WiseTech
GLOBAL

2015
Pre-IPO debt raising
A\$45m
Financial Adviser



WiseTech
GLOBAL

2015
Pre-IPO equity raising
A\$35m
Financial Adviser



THE YIELD

2015/ 2016
Sale of strategic stake
to Bosch (size
undisclosed)
Financial Adviser



Senior corporate finance professionals

Name/ position	Prior experience	Education/ experience	Years of experience
 <p>Max Billingham Executive Chairman max@blackpeakcapital.com.au M +61 417 208 845</p>		<ul style="list-style-type: none"> Formerly a Managing Director at Credit Suisse Qualified as a chartered accountant Global experience, worked in New York and London INSEAD, MBA Bachelor of Business, University of Technology Sydney 	27
 <p>Scott Colvin Managing Director scott@blackpeakcapital.com.au M +61 416 335 455</p>		<ul style="list-style-type: none"> Prior to founding Blackpeak Capital, Scott held senior positions with Credit Suisse and Wilson HTM AGSM UNSW, Executive MBA London Business School, Masters in Finance Graduate Diploma, FINSIA Bachelor of Commerce, UNSW 	22
 <p>Jamie Taylor Director jamie@blackpeakcapital.com.au M +61 414 922 560</p>		<ul style="list-style-type: none"> Previous roles include Head of Australian Institutional Sales for Merrill Lynch (London-based), and Head of Corporate Finance For Wilson HTM (Sydney-based) Bachelor of Economics, Monash University 	33
 <p>Tom Ng Director tom.ng@blackpeakcapital.com.au M +61 490 796 752</p>		<ul style="list-style-type: none"> Formerly a senior FIG banker at Credit Suisse and regulator at Bank of England Oxford University, MPhil (Economics) B. Econ (Hons), UNSW Graduate of Royal Military College, Duntroon 	21

Agenda

1. Market snapshot
2. IT services companies trading multiples
3. Mergers and acquisitions
 - a) ANZ
 - b) Global
4. Benchmarking analysis



Market snapshot



Market snapshot

- Performance of the Blackpeak ASX IT services index has been mixed with numerous companies experiencing significant share price falls following earnings downgrades
- Nonetheless, the Australian IT services industry is forecast to grow at a 3.8% CAGR, driven by increasing demand for digital transformation, cloud connectivity, IoT, AI and big data
- Virtualisation and cloud connectivity for mission critical systems and business operations had also been a key focus for businesses
- Hayne Royal Commission is expected to boost the demand for IT services in the financial services sector, particularly in industry verticals such as regtech
- The ANZ IT services sector continues to attract financial sponsors and strategic acquirers, who are increasingly focused on expanding their capabilities



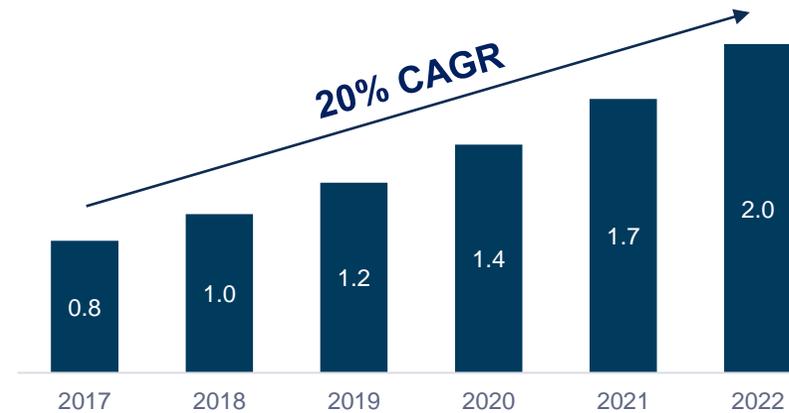
Notable Global IT services deals

- Presidio-BC Partners (\$3.6bn)
- EVERY-Tieto (\$3.3bn)
- Luxoft-DXC (\$2.9bn)
- Azimuth/ Linchpin-L3 Tech (\$313m, Azimuth is an Australian cybersecurity firm)

Australian IT services revenue 2018-2023 (A\$bn)¹



Managed cloud services in Australia (A\$bn)²

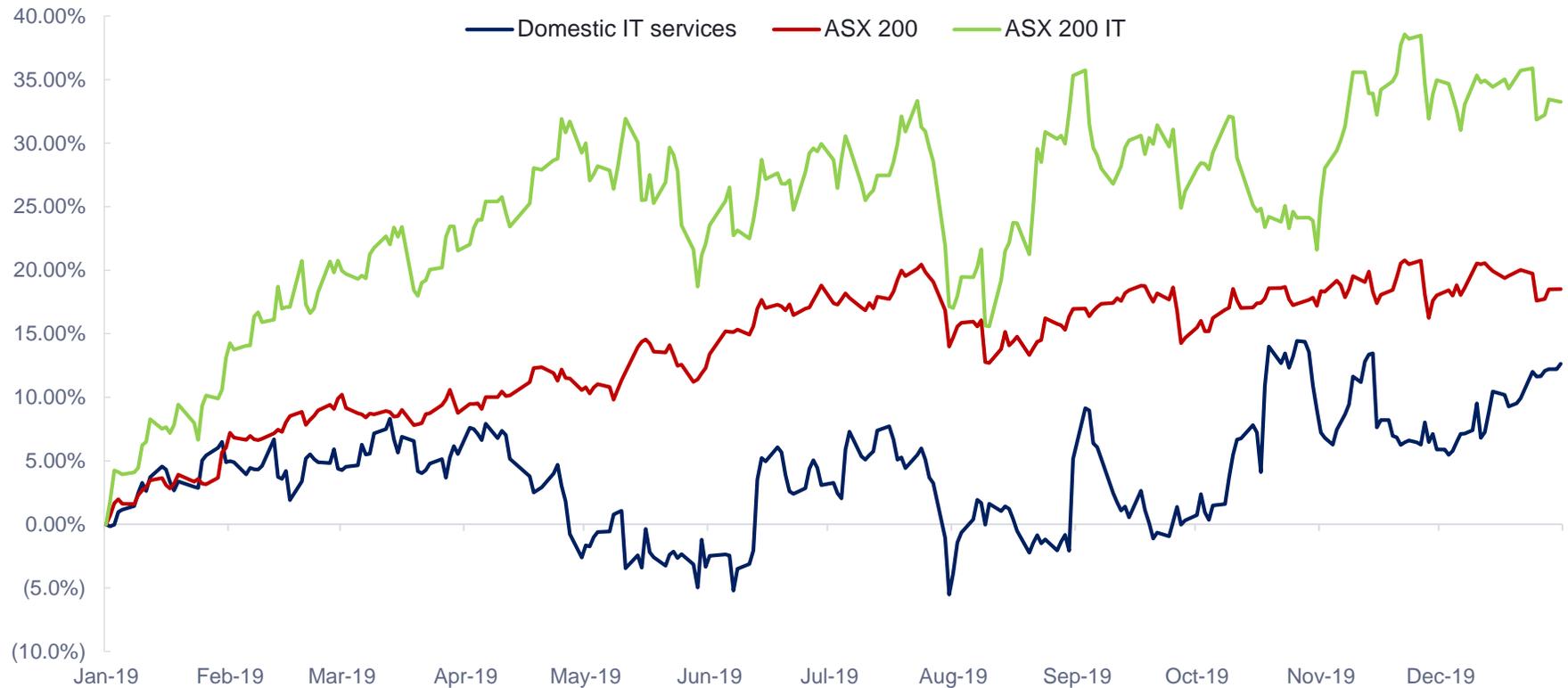


The IT services industry is expected to be have a structural tailwind based on digital transformation

Domestic: Selected private equity acquisitions¹

Transaction overview			Observations
Target	Date	Acquirer	Comments
	Jan-15		<ul style="list-style-type: none"> Acquired a 60% stake in PlanIT, an Australian-based provider of software testing services The investment will focus on organically scaling PlanIT's testing services into new geographies
	Mar-18		<ul style="list-style-type: none"> Acquired a 71% stake in CDRU, an IT consultancy business focused on ICT transformation and strategy BlueSky's investment allows CDRU to expand its revenue streams and digital capabilities
	Jun-18		<ul style="list-style-type: none"> Acquired Revolution IT, provider of software testing and application quality management solutions in the Asia-Pacific Region Pemba is likely looking to grow Revolution IT organically and through selected acquisitions
	Sep-18		<ul style="list-style-type: none"> Acquired a majority stake in Servian, an Australian-based provider of data and analytics consultancy, advisory and managed services The investment allows Servian to explore growth opportunities in the global data and analytics industry
	Oct-18		<ul style="list-style-type: none"> Acquired Plan B, a New Zealand-based provider of ICT and business continuity products and services Investment from The Growth Fund helps to accelerate Plan B's growth in New Zealand, and capture strategic opportunities including new services, partnerships, joint ventures and acquisitions
	Jan-19		<ul style="list-style-type: none"> Acquired Shelde, an integrated digital, security and data analytics solutions provider in Australia Bolt-on acquisition to meet increasing service demands and strengthen Shelde's market leading position
	Jul-19		<ul style="list-style-type: none"> Acquired Nexon Asia Pacific, an end-to-end managed IT services provider in Australia EQT is planning to further enhance Nexon's offerings, growth its client portfolio, engage in inorganic growth and strengthen the scalability of Nexon's platform

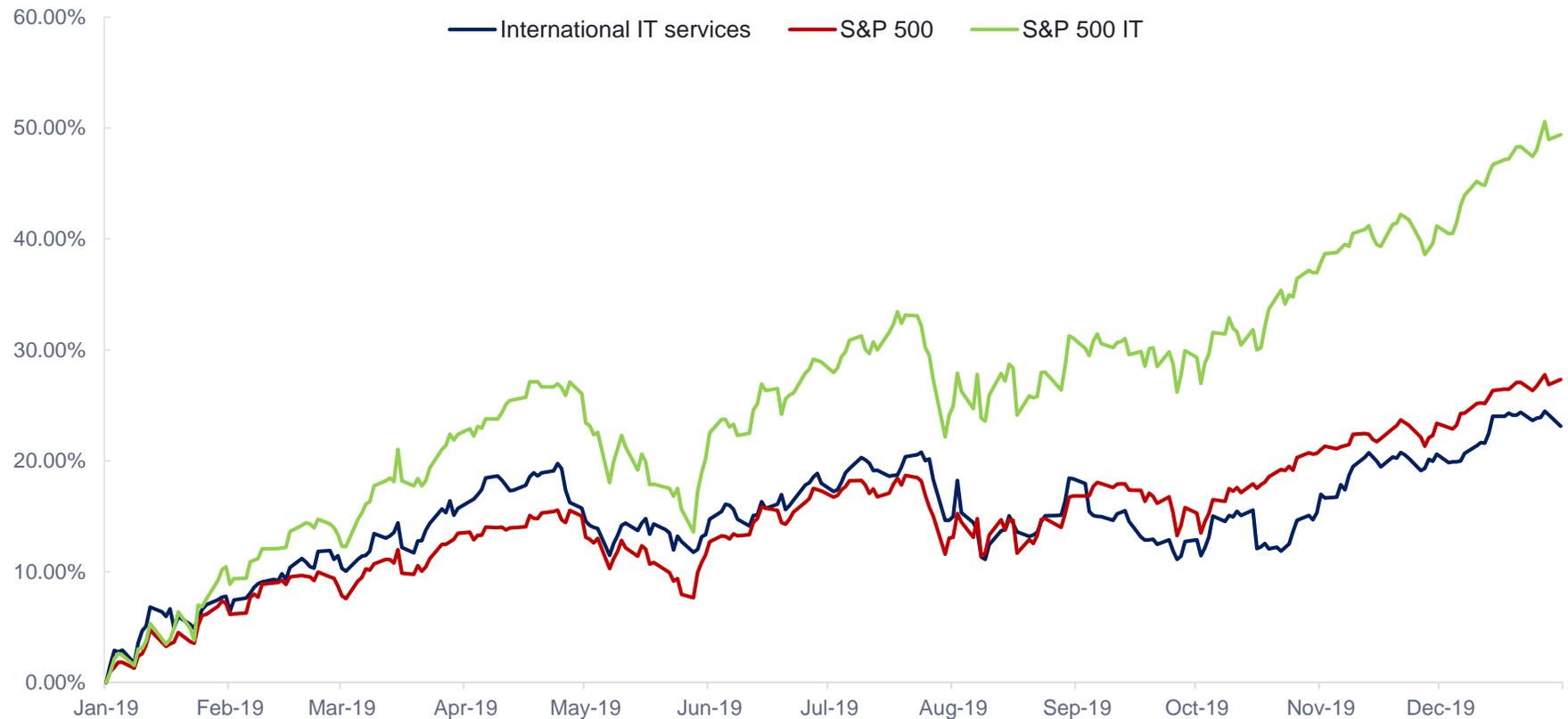
Domestic IT services index performance¹



	Domestic IT services	ASX 200	ASX 200 IT
6 months	9.1%	1.0%	3.5%
12 months	12.6%	18.5%	33.3%

Domestic IT services companies have experienced project delays, loss of customers and margin pressure due to the recent Federal election, causing them to underperform the market

International IT services index performance¹



	International IT services	S&P 500	S&P 500 IT
6 months	5.0%	9.1%	16.8%
12 months	23.1%	27.3%	49.4%

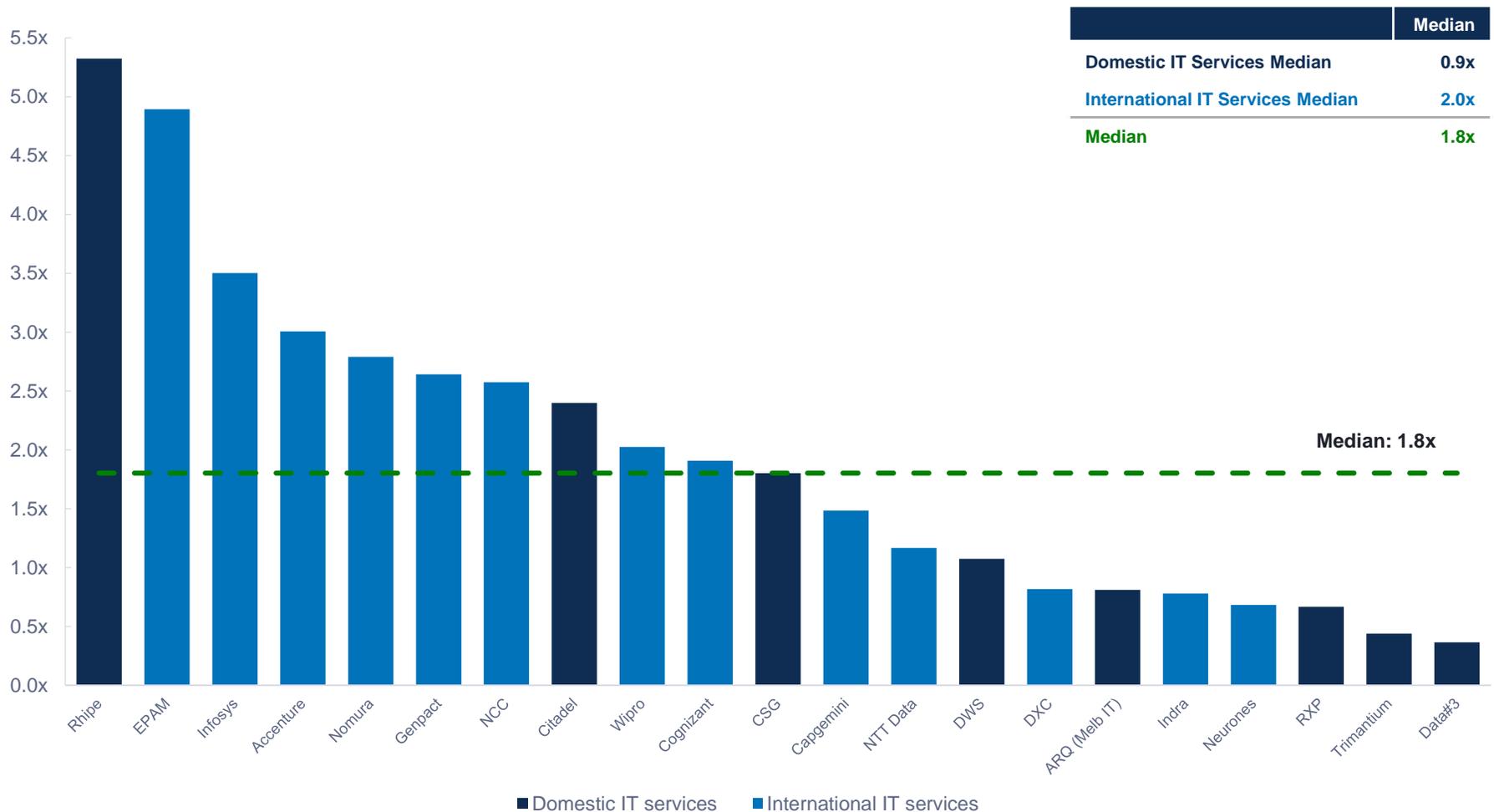
Performance of IT services companies globally has been mixed, slightly underperforming the index



IT services companies trading multiples



Trading multiples: EV/ LTM revenue



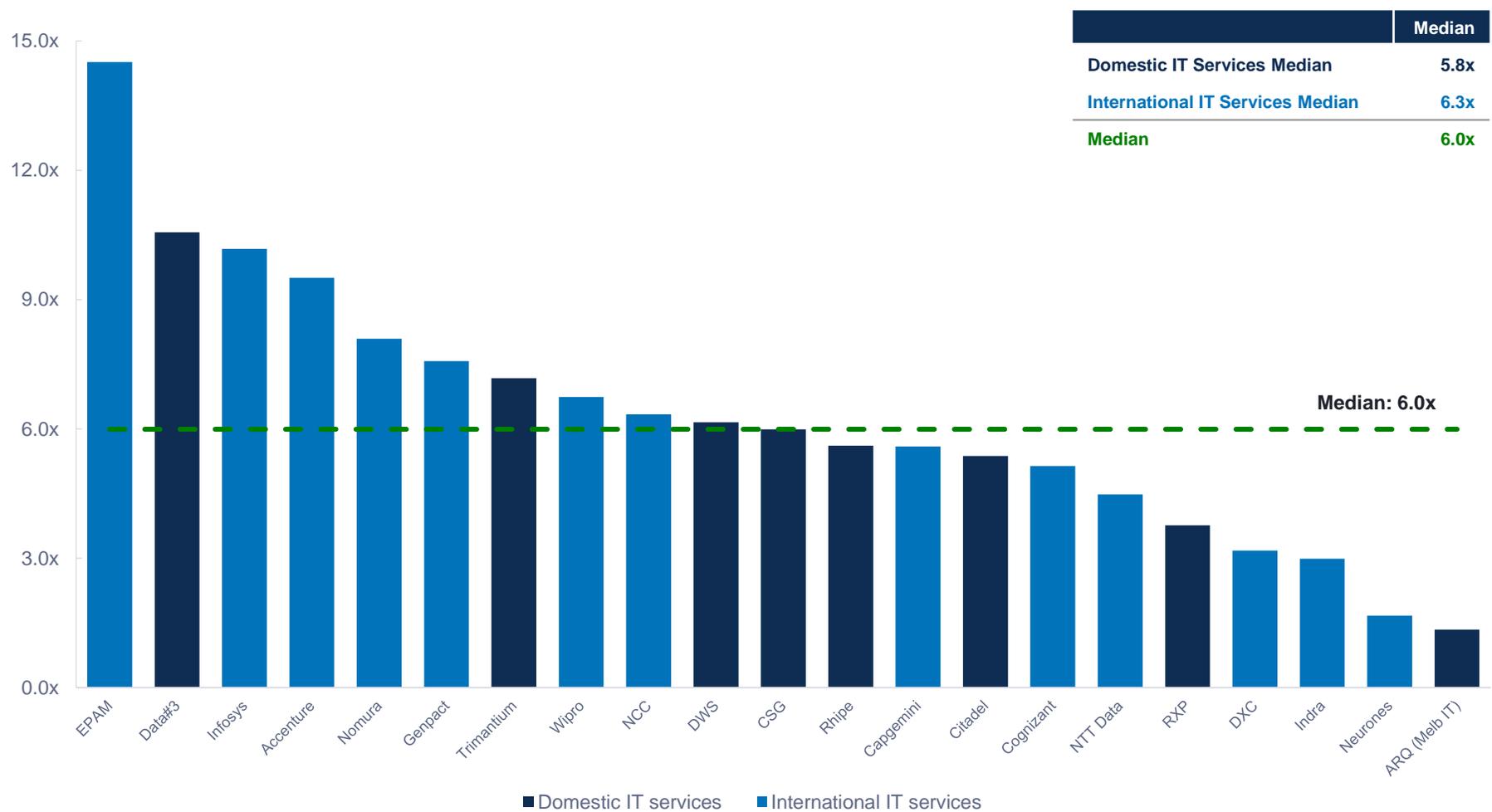
International IT services companies trade at materially higher LTM revenue multiples

Trading multiples: EV/ NTM revenue



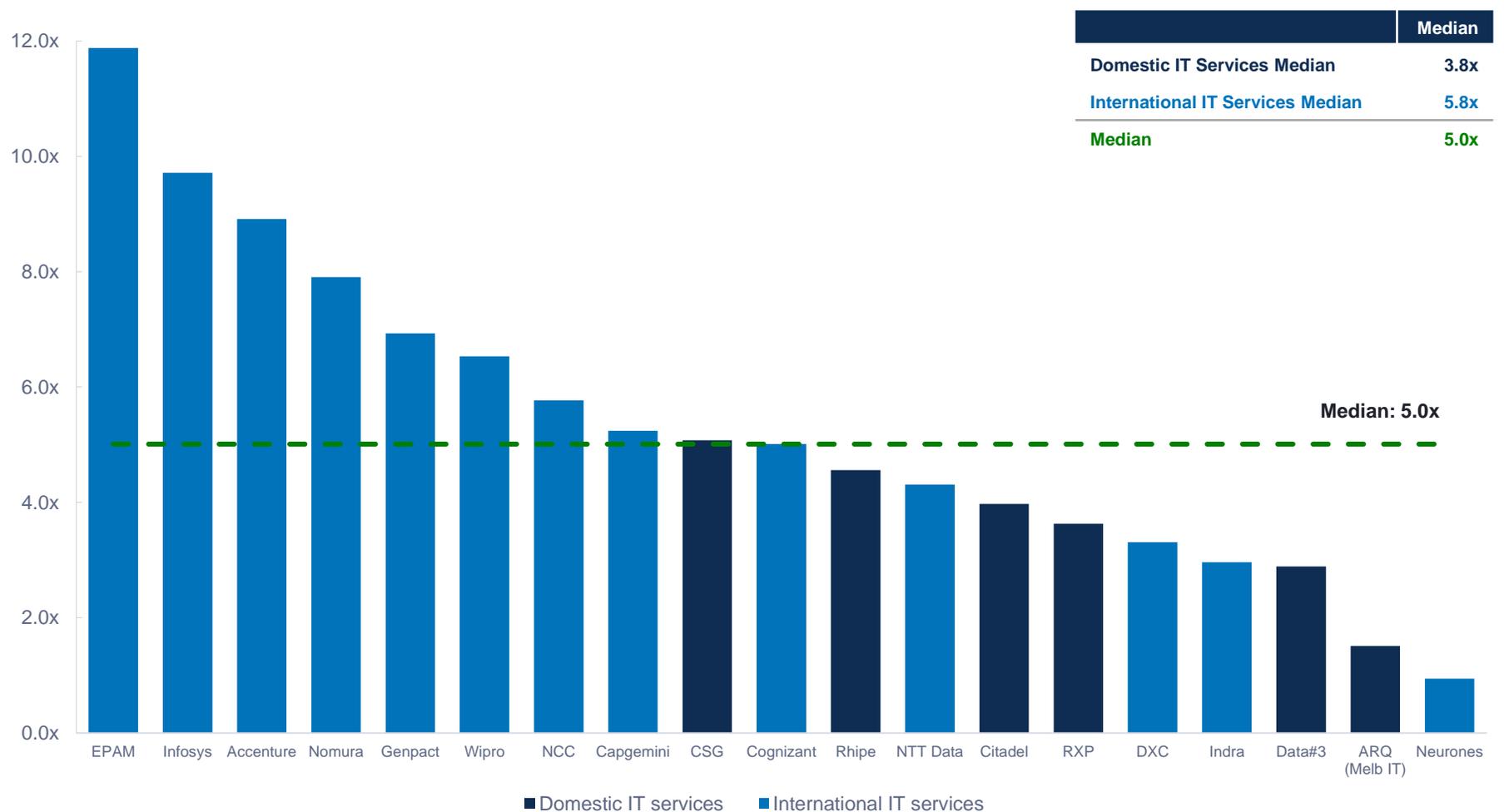
International IT services companies tend to trade at a premium compared to their ANZ peers

Trading multiples: EV/ LTM gross profit¹



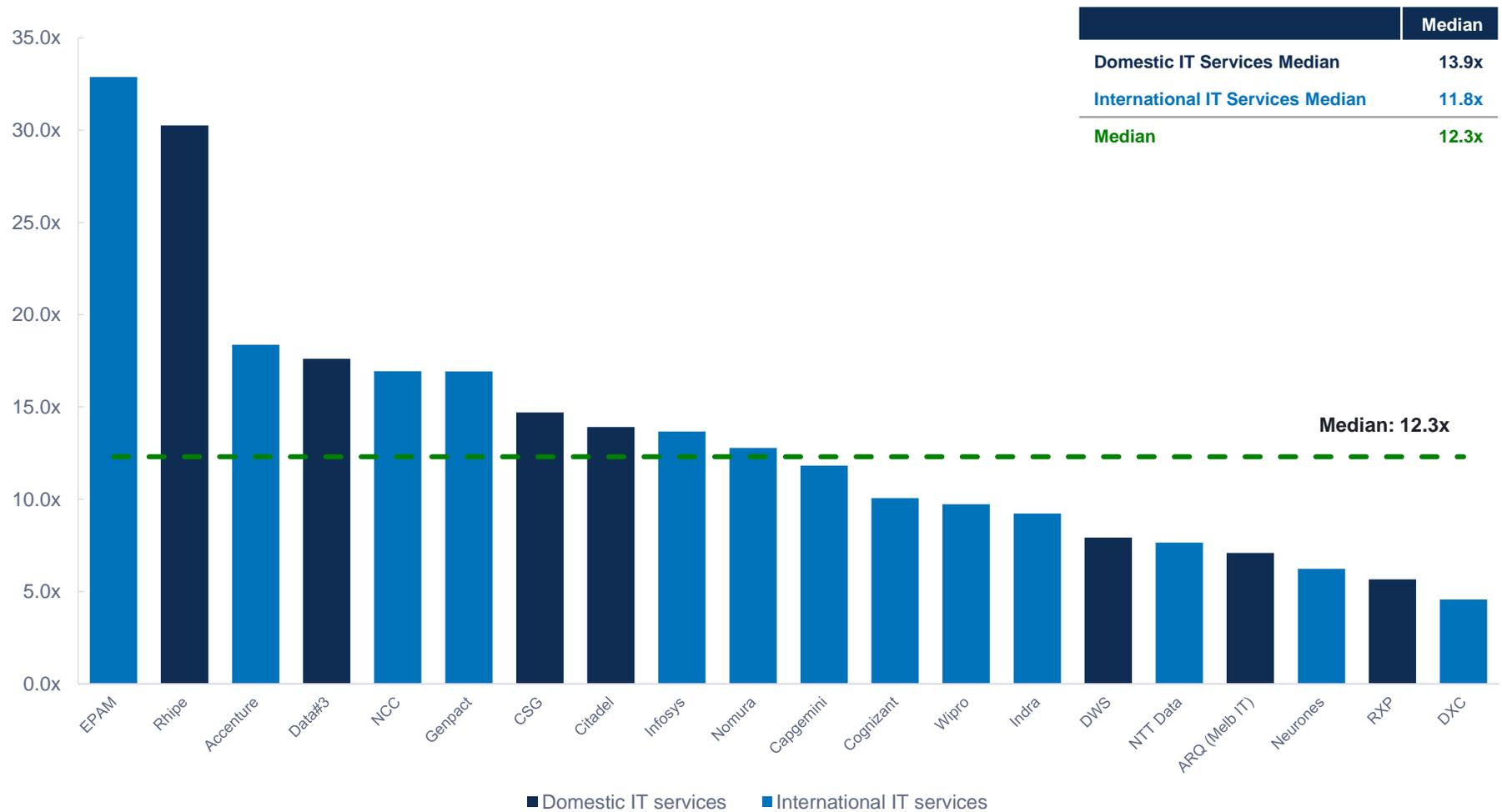
Domestic and international IT services companies trade at similar LTM gross profit multiples

Trading multiples: EV/ NTM gross profit¹



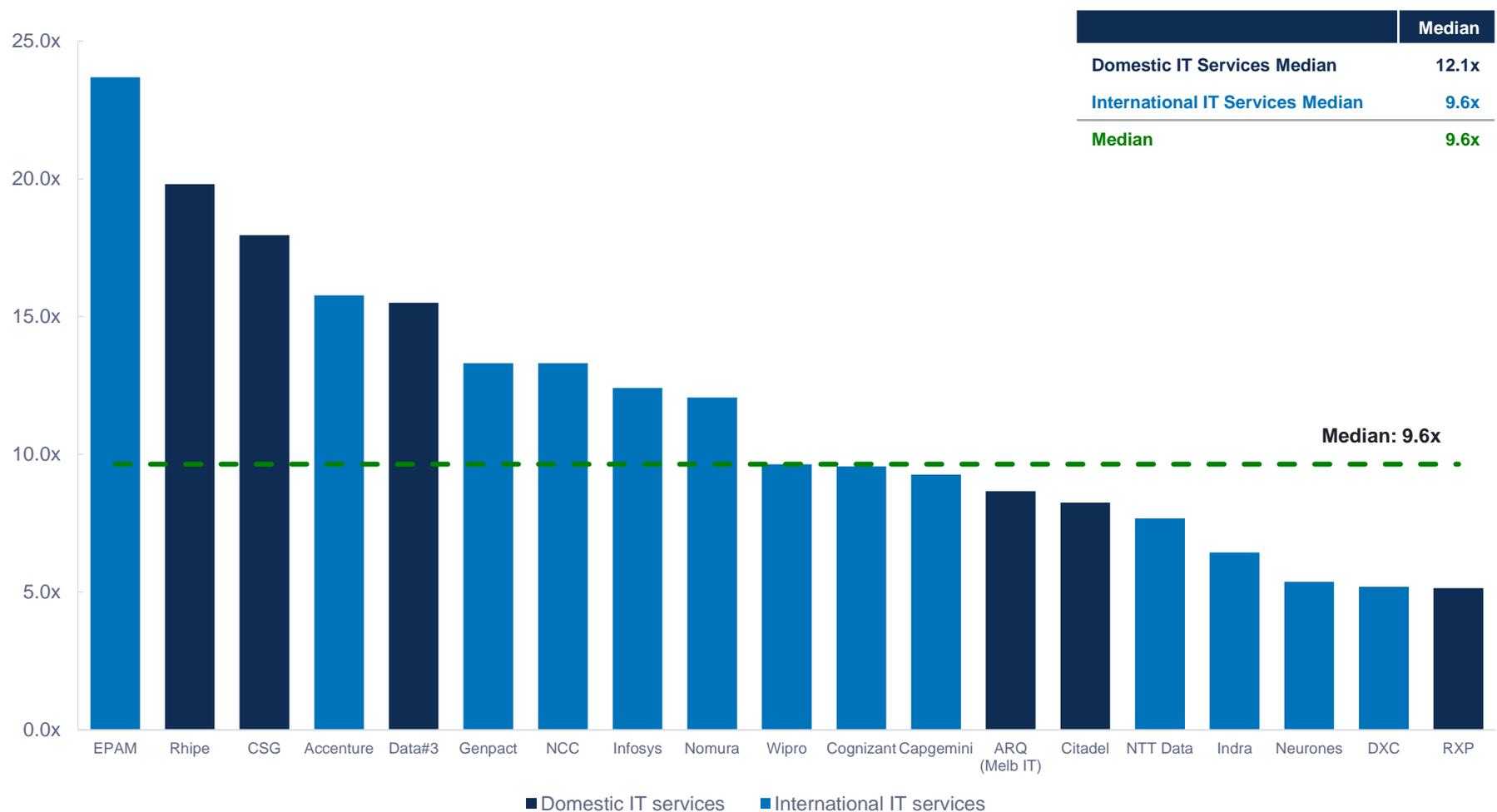
Domestic IT services companies trade at materially lower forward gross profit multiples

Trading multiples: EV/ LTM EBITDA



Domestic IT services companies demonstrate stronger EBITDA multiples than global peers

Trading multiples: EV/ NTM EBITDA



Domestic IT services companies demonstrate stronger EBITDA multiples than global peers



Global: Mergers and acquisitions



Domestic: Selected strategic mergers and acquisitions (> A\$10m)¹

Transaction overview				Multiples	
Target	Date	Acquirer	Transaction value (A\$m) ²	EV/ LTM revenue	EV/ LTM EBITDA
	Jan-18		28.5	0.6x	9.1x
	Apr-18		12.6	0.7x	n.a.
	Jun-18		43.0	2.4x	n.a.
 	Jul-18		313.0	n.a.	n.a.
	Sep-18		22.0	n.a.	n.a.
	Oct-18		23.3	n.a.	n.a.
	Oct-18		19.8	1.3x	6.3x
	Dec-18		31.0	1.1x	n.a.
	Jan-19		17.0	n.a.	n.a.
	Jun-19		20.0	2.2x	n.a.
	Aug-19		13.1	0.9x	8.8x
	Aug-19		25.0	1.7x	n.a.
PS&C Security Division	Oct-19		13.8	0.8x	6.0x
	Oct-19		397.8	1.7x	15.7x
Median				1.2x	8.8x

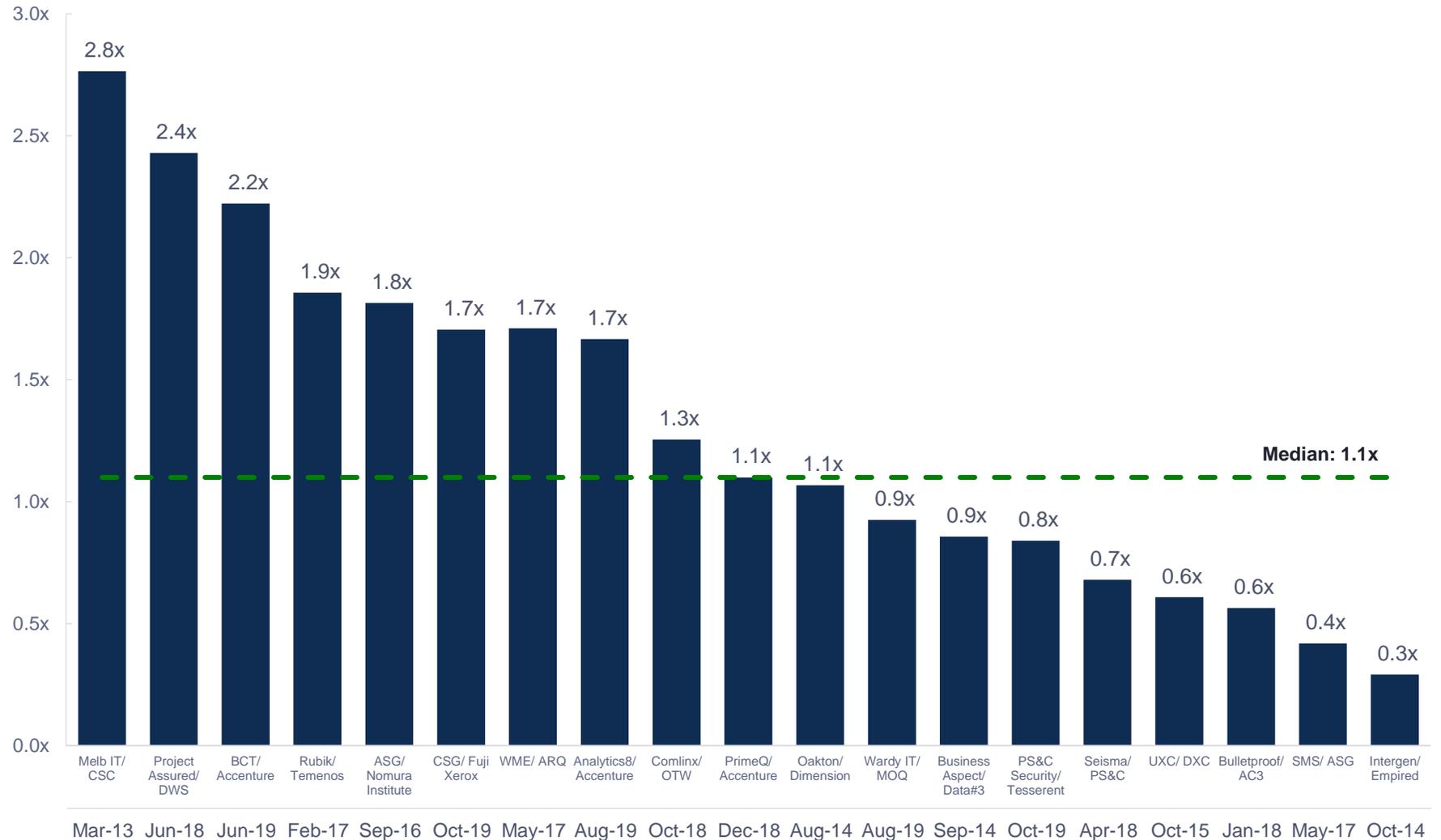
International: Selected mergers and acquisitions (> A\$100m)¹

Transaction overview				Multiples	
Target	Date	Acquirer	Transaction value (A\$m) ²	EV/ LTM revenue	EV/ LTM EBITDA
 ECS	Jan-18	 On Assignment	959.7	1.4x	11.9x
 liquidhub	Feb-18	 Capgemini	630.5	2.1x	n.a.
 CSRA	Feb-18	GENERAL DYNAMICS	12,942.4	2.0x	11.8x
 REALDOLMEN	Feb-18	 gfi	304.3	0.6x	10.1x
 continuum [®]	Mar-18	 <epam>	75.6	n.a.	n.a.
 MWR	Jun-18	 F-Secure	187.5	4.9x	n.a.
 ProData consult	Jun-18	POLARIS	105.2	0.6x	6.6x
POMEROY	Jul-18	 Getronics	1,100.3	0.9x	n.a.
 SYNTEL	Jul-18	 Atos	4,952.0	3.8x	14.0x
 cardinal	Aug-18	 Insight	106.7	n.a.	n.a.
 fluida	Sep-18	 Infosys [®]	105.6	n.a.	n.a.
FUSIONSTORM	Oct-18	 Computacenter	124.6	0.2x	9.8x
 softvision	Oct-18	Cognizant	763.9	4.1x	n.a.
 KMD	Dec-18	NEC	1,739.6	1.4x	7.3x

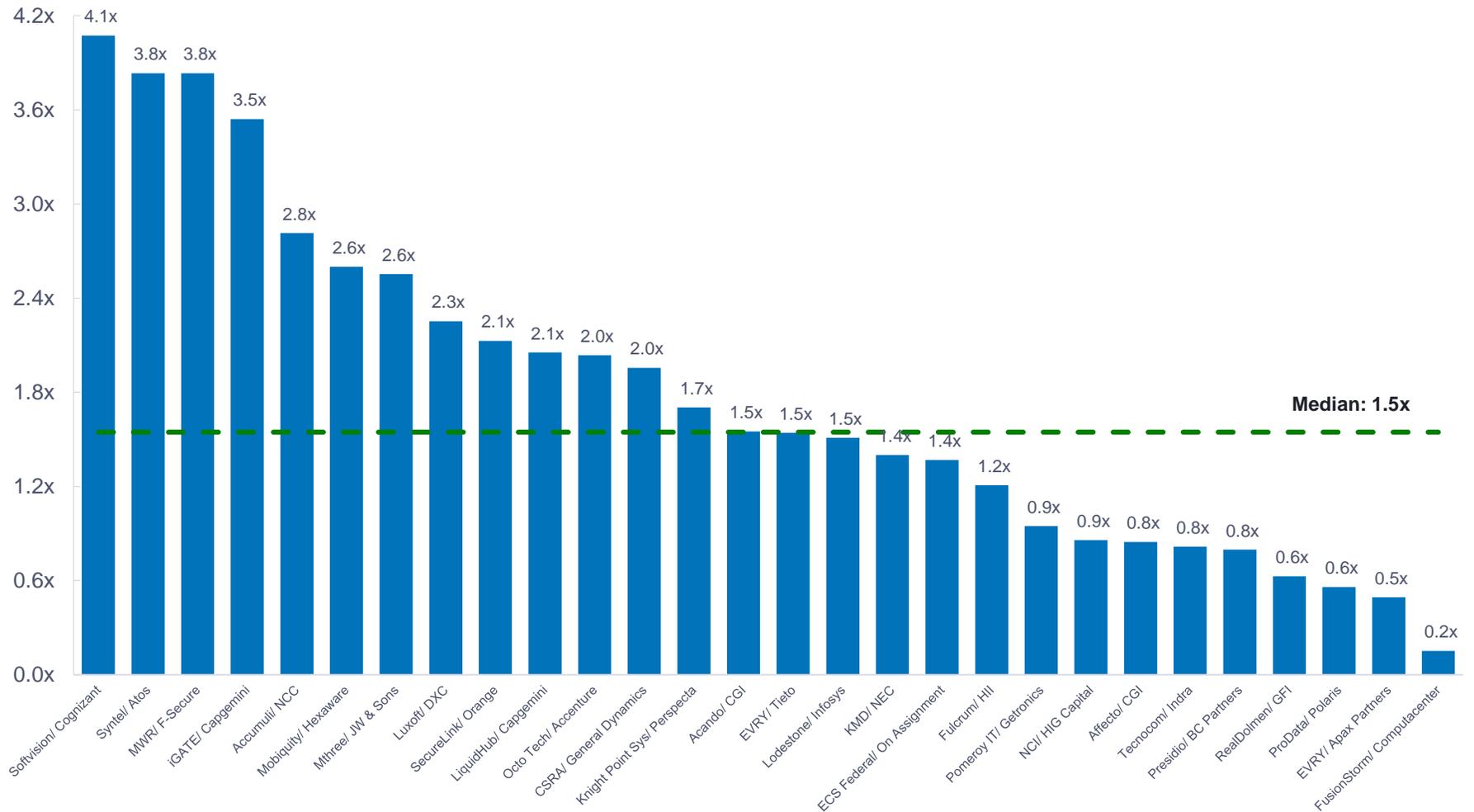
International: Selected mergers and acquisitions (> A\$100m)¹

Transaction overview				Multiples	
Target	Date	Acquirer	Transaction value (A\$m) ²	EV/ LTM revenue	EV/ LTM EBITDA
	Jan-19		2,906.2	2.3x	21.4x
	Jan-19		316.0	n.a.	n.a.
	Jan-19		271.8	1.2x	12.9x
	Mar-19		520.6	1.5x	15.2x
	May-19		515.0	2.1x	n.a.
	Jun-19		264.7	2.6x	n.a.
	Jun-19		3,275.2	1.5x	16.2x
	Jul-19		146.2	n.a.	n.a.
	Aug-19		386.2	1.7x	n.a.
	Aug-19		3,561.1	0.8x	10.8x
	Oct-19		278.0	n.a.	n.a.
	Jan-20		186.1	2.6x	n.a.
Median				1.6x	11.8x

Domestic: Selected mergers and acquisitions EV/ LTM revenue

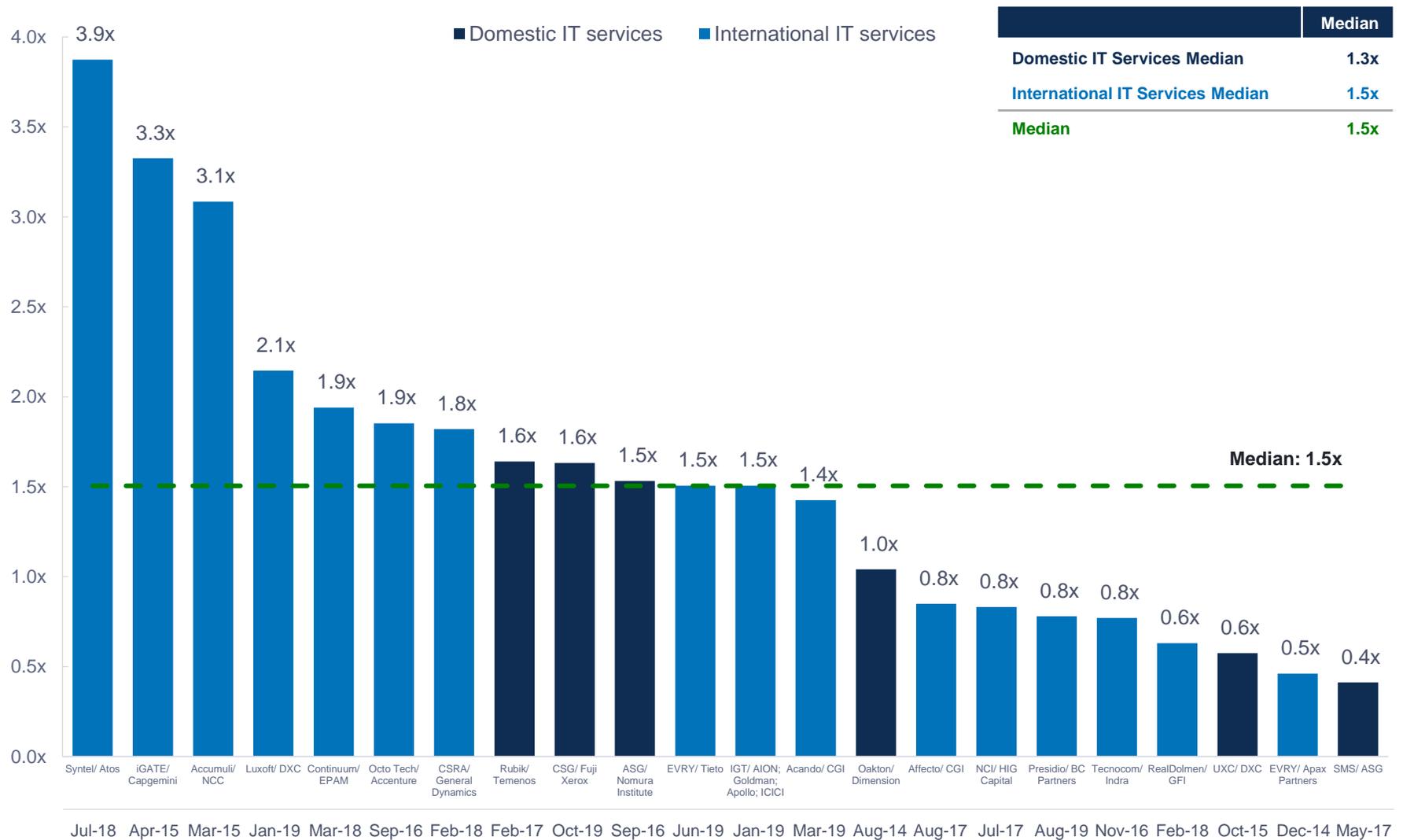


International: Selected mergers and acquisitions EV/ LTM revenue

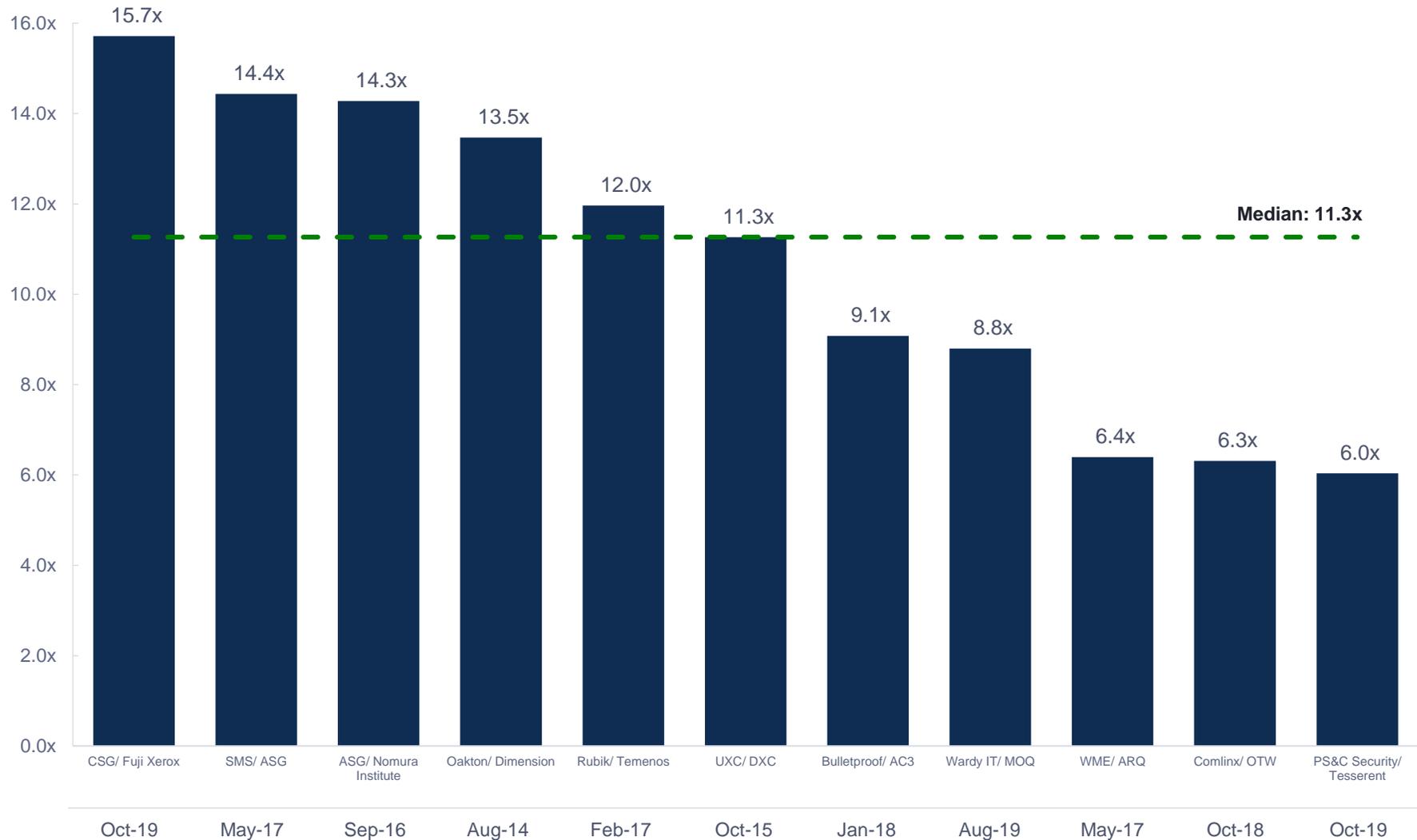


Oct-18 Jul-18 Jun-18 Apr-15 Mar-15 Jun-19 Jan-20 Jan-19 May-19 Feb-18 Sep-16 Feb-18 Aug-19 Mar-19 Jun-19 Sep-12 Dec-18 Jan-18 Jan-19 Jul-18 Jul-17 Aug-17 Nov-16 Aug-19 Feb-18 Jun-18 Dec-14 Oct-18

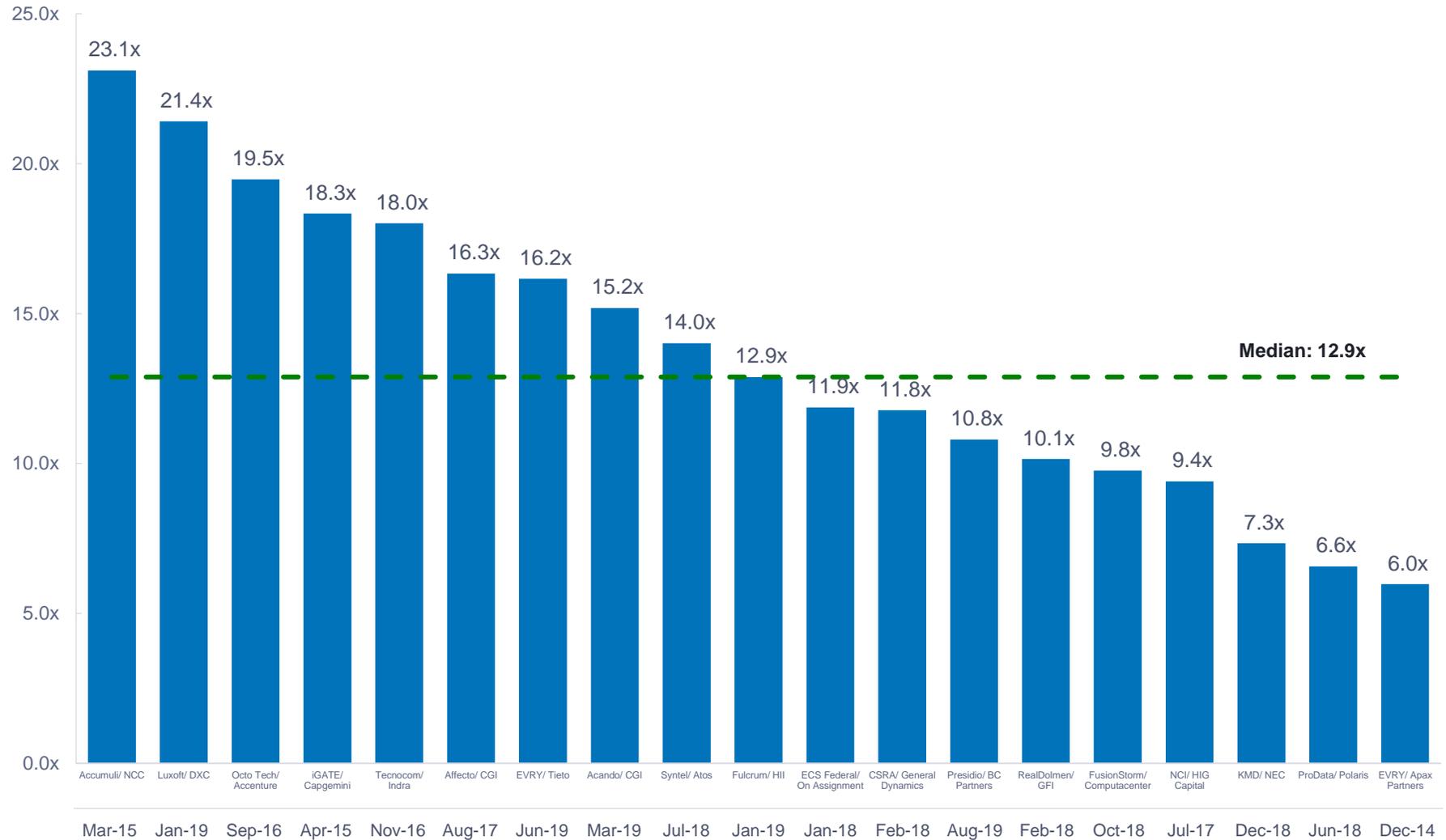
Selected mergers and acquisitions EV/ NTM revenue



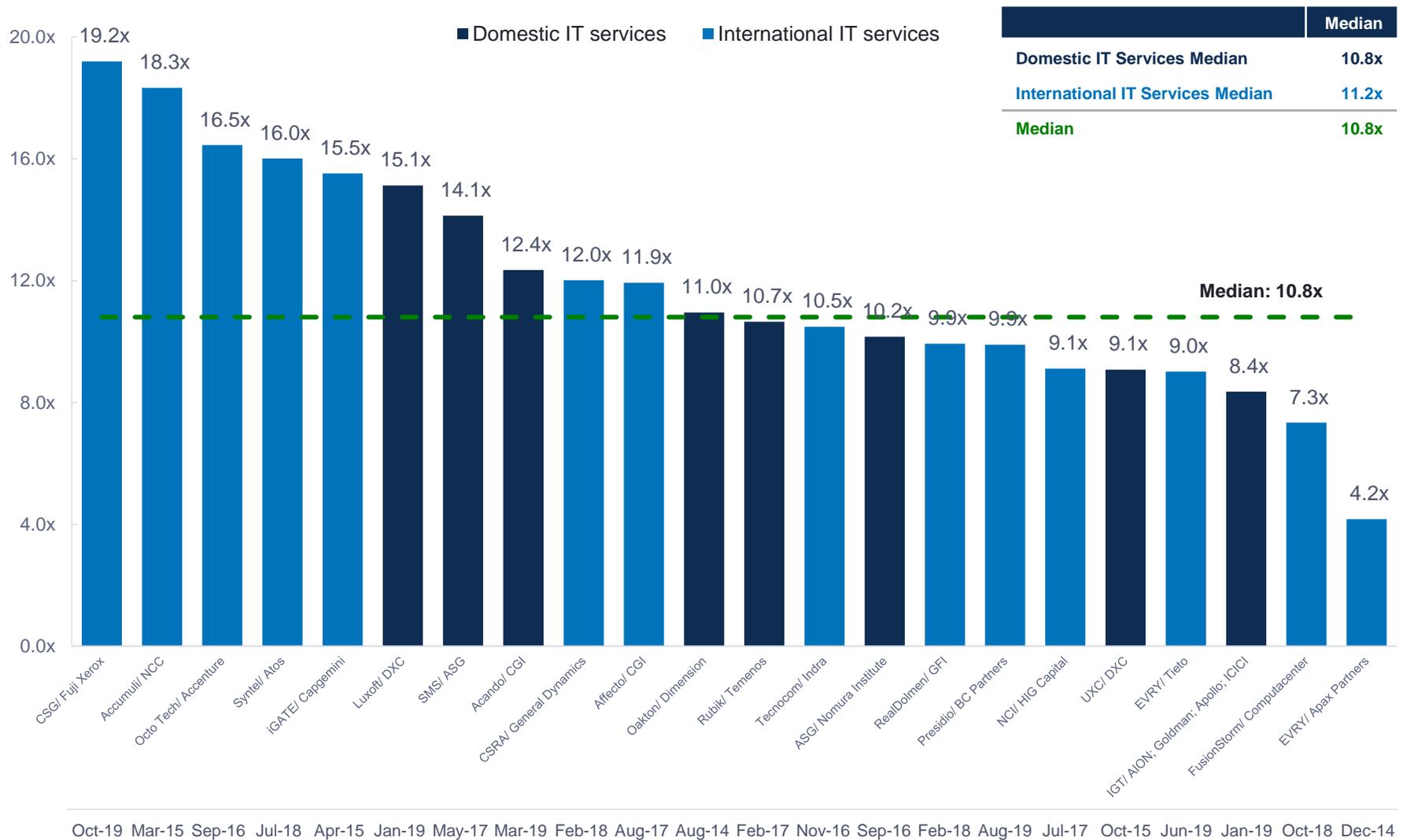
Domestic: Selected mergers and acquisitions EV/ LTM EBITDA



International: Selected mergers and acquisitions EV/ LTM EBITDA



Selected mergers and acquisitions EV/ NTM EBITDA

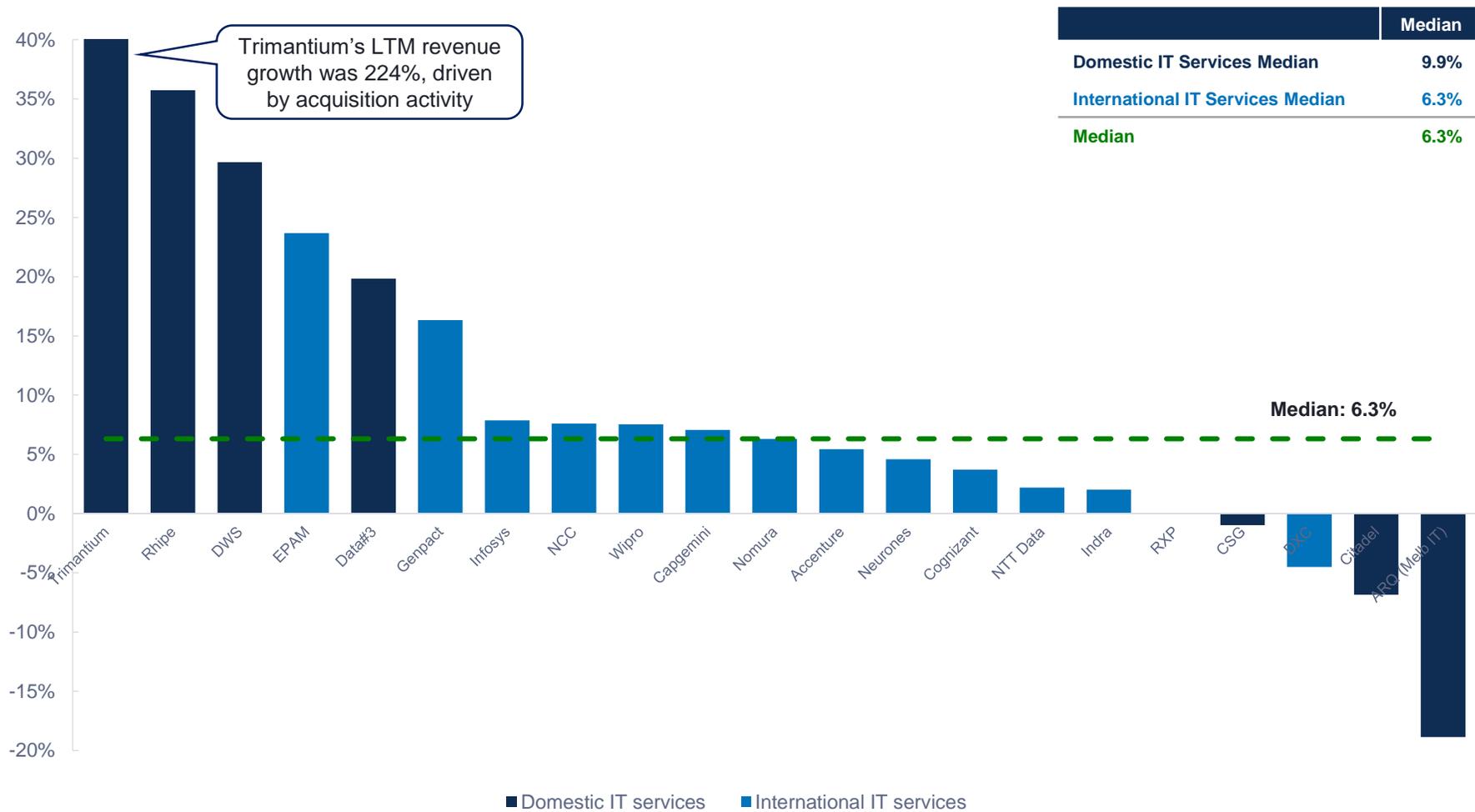




Benchmarking analysis

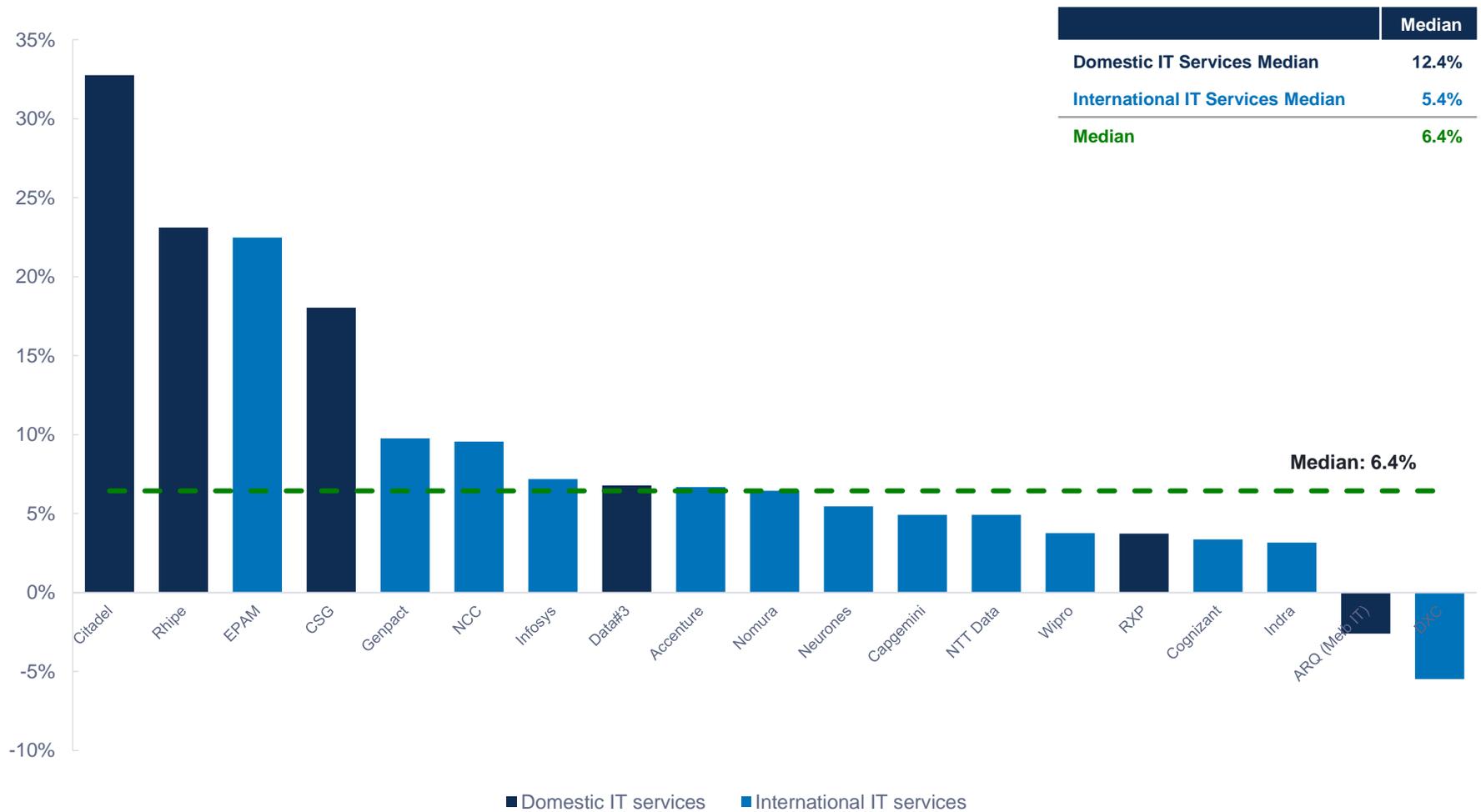


Benchmarking: LTM revenue growth



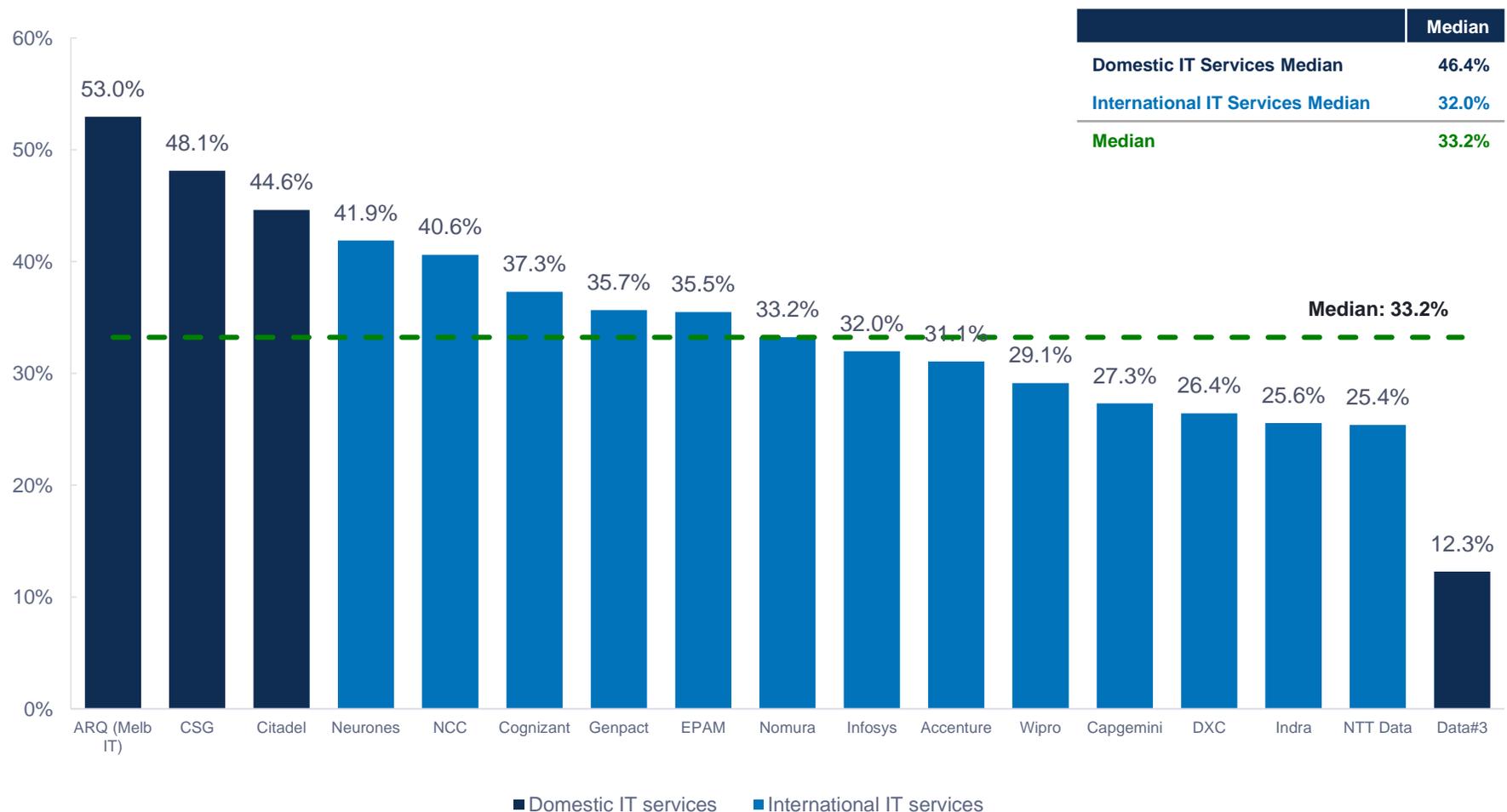
Domestic IT services' LTM revenue growth outstripped that of their international comparables

Benchmarking: NTM revenue growth



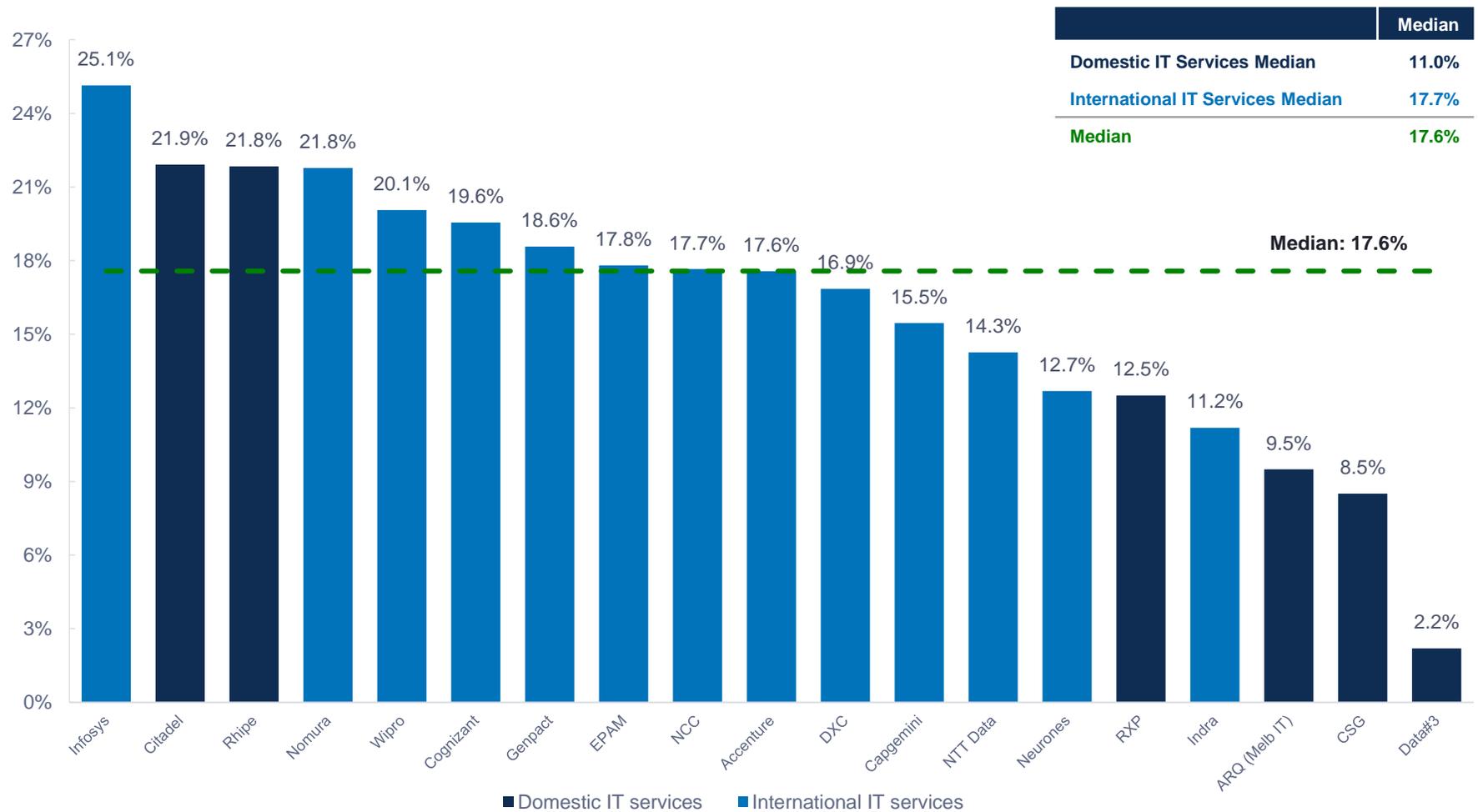
Most of the IT services companies are expected to grow ~5-10% in the next year

Benchmarking: LTM gross margins¹



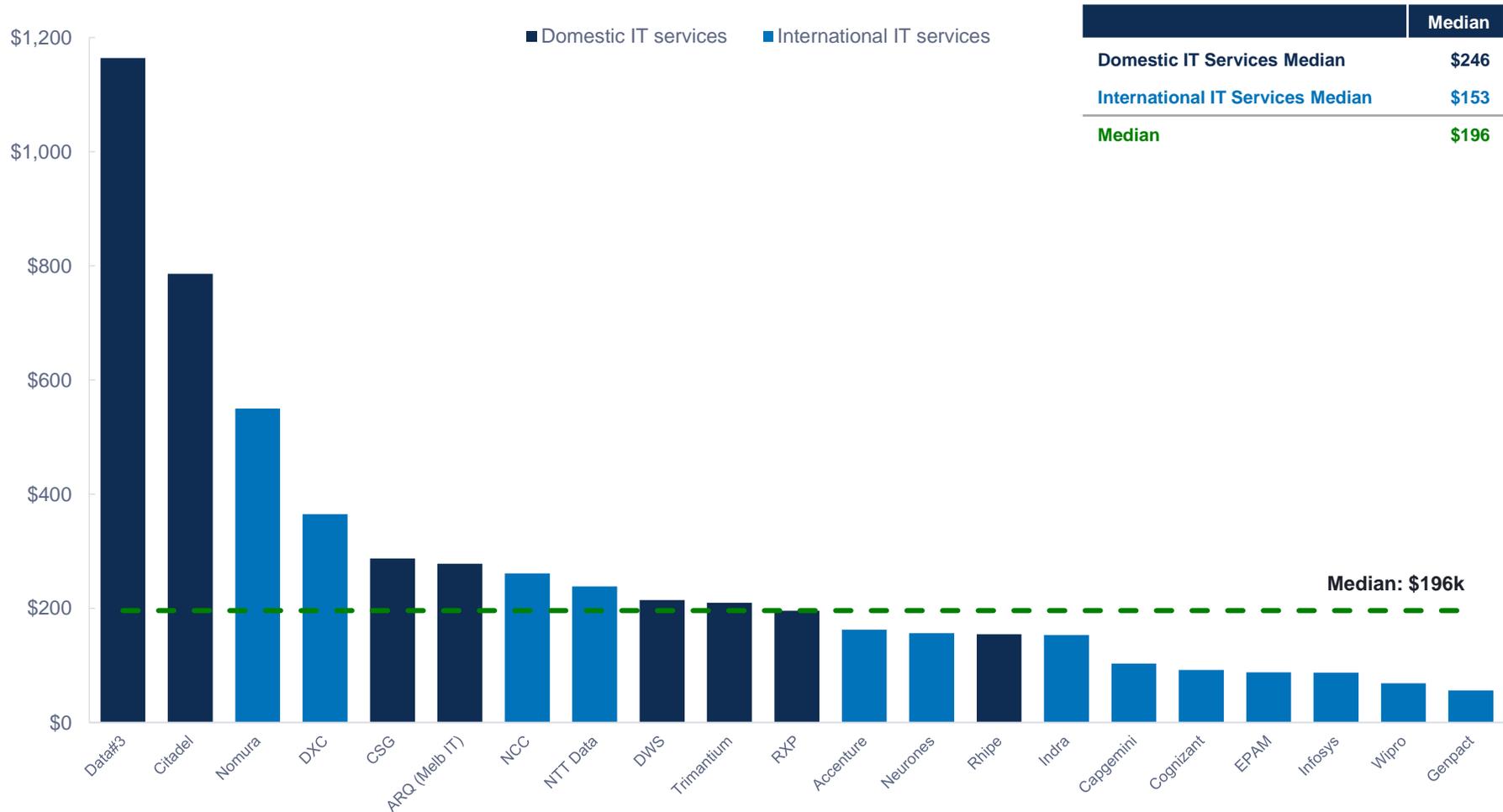
Certain domestic IT services companies have higher gross margins than their international peers, partly driven by higher-margin managed IT services offerings and software solutions

Benchmarking: NTM EBITDA margins



IT services companies tend to generate EBITDA margins of ~12-20%

Benchmarking: Revenue per employee (\$'000)



Domestic IT services companies generate significantly more revenue per employee compared to their international comparables, attributable to their scalable managed IT services offerings



Appendix: Index constituents



Domestic: IT Services Constituents

Company	Capitalisation		Multiples						Operating metrics						
			EV/ Revenue		EV/ EBITDA		EV/ GP		Margins (LTM)		Revenue growth		EBITDA margin		
	Equity Value (A\$m)	Enterprise Value (A\$m)	FY2019	NTM	LTM	NTM	LTM	NTM	Gross	EBITDA	FY2019	FY2020E	NTM	FY19	FY20
Domestic IT services															
Citadel	237.7	235.6	2.4x	1.8x	13.9x	8.2x	5.4x	4.0x	44.6%	17.2%	(6.8%)	32.8%	21.9%	23.7%	21.9%
Data#3	635.9	514.8	0.4x	0.3x	17.6x	15.5x	3.0x	2.9x	12.3%	2.1%	19.8%	6.8%	2.2%	2.1%	2.2%
DWS	142.4	175.5	1.1x	n.a.	7.9x	n.a.	n.a.	n.a.	n.a.	13.6%	29.7%	n.a.	n.a.	13.6%	n.a.
ARQ (Melb IT)	45.2	140.2	0.8x	0.8x	7.1x	8.7x	1.4x	1.6x	53.0%	10.3%	(18.9%)	(2.6%)	9.5%	-	10.4%
CSG	137.0	347.2	1.8x	1.5x	14.7x	18.0x	3.7x	3.2x	48.1%	12.3%	(1.0%)	18.0%	8.5%	8.9%	8.5%
Rhipe	283.0	257.5	5.3x	4.3x	30.2x	19.8x	5.6x	4.6x	94.9%	17.6%	35.7%	23.1%	21.8%	26.6%	21.8%
Trimantium	12.5	30.3	0.4x	n.a.	3.5x	n.a.	0.5x	n.a.	85.2%	12.5%	224.2%	n.a.	n.a.	12.5%	n.a.
RXP	83.8	94.1	0.7x	0.6x	5.7x	5.1x	0.7x	0.7x	89.8%	11.8%	0.1%	3.7%	12.5%	11.9%	12.5%
Median			0.9x	1.2x	10.9x	12.1x	3.0x	3.0x	53.0%	12.4%	9.9%	12.4%	11.0%	12.2%	11.5%
Max			5.3x	4.3x	30.2x	19.8x	5.6x	4.6x	94.9%	17.6%	224.2%	32.8%	21.9%	26.6%	21.9%
Min			0.4x	0.3x	3.5x	5.1x	0.5x	0.7x	12.3%	2.1%	(18.9%)	(2.6%)	2.2%	-	2.2%

International: IT Services Constituents

Company	Capitalisation		Multiples						Operating metrics						
			EV/ Revenue		EV/ EBITDA		EV/ GP		Margins (LTM)		Revenue growth		EBITDA margin		
	Equity Value (A\$m)	Enterprise Value (A\$m)	FY2019	NTM	LTM	NTM	LTM	NTM	Gross	EBITDA	FY2019	FY2020E	NTM	FY19	FY20
International IT services															
Accenture	190,944.5	187,436.2	3.0x	2.8x	18.4x	15.8x	9.5x	8.9x	31.1%	16.1%	5.4%	6.7%	17.6%	16.7%	17.4%
Capgemini	29,499.2	33,853.1	1.5x	1.4x	11.8x	9.3x	5.6x	5.2x	27.3%	12.9%	7.1%	4.9%	15.5%	-	15.5%
Cognizant	47,986.9	46,000.3	1.9x	1.9x	10.1x	9.6x	5.1x	5.0x	37.3%	19.1%	3.7%	3.4%	19.6%	-	19.3%
DXC	13,048.3	24,470.2	0.8x	0.9x	4.6x	5.2x	3.2x	3.3x	26.4%	18.4%	(4.5%)	(5.5%)	16.9%	22.6%	17.0%
Genpact	11,680.3	13,310.2	2.6x	2.5x	16.9x	13.3x	7.6x	6.9x	35.7%	16.0%	16.3%	9.8%	18.6%	-	17.8%
Indra	2,876.5	4,055.2	0.8x	0.8x	9.2x	6.8x	3.0x	3.0x	25.6%	8.3%	2.0%	3.2%	11.2%	-	11.2%
Infosys	62,877.1	59,597.8	3.5x	3.1x	13.7x	12.4x	10.2x	9.7x	32.0%	23.9%	7.9%	7.2%	25.1%	25.6%	24.9%
NCC	1,187.3	1,225.6	2.6x	2.3x	16.9x	13.3x	6.3x	5.8x	40.6%	15.2%	7.6%	9.6%	17.7%	17.4%	17.7%
Neurones	799.5	564.1	0.7x	0.7x	6.2x	5.4x	1.7x	0.9x	41.9%	11.2%	4.6%	5.4%	12.7%	-	12.7%
Nomura	18,205.9	18,610.5	2.8x	2.6x	12.8x	12.1x	8.1x	7.9x	33.2%	21.0%	6.3%	6.4%	21.8%	20.3%	21.3%
NTT Data	26,974.2	33,594.6	1.2x	1.1x	7.6x	7.7x	4.5x	4.3x	25.4%	14.9%	2.2%	4.9%	14.3%	14.1%	13.9%
Wipro	28,786.2	23,956.8	2.0x	1.9x	9.7x	9.5x	6.8x	6.5x	29.1%	20.5%	7.5%	3.8%	20.1%	20.4%	20.4%
EPAM	16,991.7	16,093.2	4.9x	4.2x	32.9x	23.7x	14.5x	11.9x	35.5%	15.7%	23.7%	22.5%	17.8%	-	18.3%
Median			2.0x	1.9x	11.8x	9.6x	6.3x	5.8x	32.0%	16.0%	6.3%	5.4%	17.7%	14.1%	17.7%
Max			4.9x	4.2x	32.9x	23.7x	14.5x	11.9x	41.9%	23.9%	23.7%	22.5%	25.1%	25.6%	24.9%
Min			0.6x	0.7x	4.6x	5.2x	n.a.	0.9x	8.3%	8.3%	(5.5%)	(5.5%)	-	-	11.2%

Source: Capital IQ, company filings, Blackpeak Capital.



40-42 Young St
Sydney, New South Wales, 2000

www.blackpeakcapital.com.au

Copyright © blackpeak capital Pty Ltd (ABN 52 601 350 841). All rights reserved.
Australian Financial Services Licence: 472221
