



Technology, Media & Telecom

HOSTING AND MANAGED SERVICES | Q3 2019

 Harris Williams

Hosting and Managed Services Introduction

HARRIS WILLIAMS (“HW”) AS A FIRM

- 400+ professionals across eight offices globally
- 170+ closed transactions in the last 24 months
- 21st record year in 2018
- 100% of revenue from M&A advisory
- 10 industry groups

TECHNOLOGY, MEDIA & TELECOM (“TMT”) GROUP

- 40+ professionals across Boston, San Francisco, and London
- 50+ closed transactions since January 2017

TMT Vertical Focus Areas

- Education Technology
- Fintech
- Healthcare IT
- **Hosting and Managed Services**
- Human Capital Management
- Internet & Digital Media
- Manufacturing Technology
- Membership Management
- Public Sector Software
- Supply Chain, Transportation & Logistics
- Infrastructure and Security Software

MARKET COMMENTARY

- The third quarter of 2019 has continued on the high pace set by the previous quarter, with key consolidators like Iver, team.blue and Accenture among others continuing to pursue their aggressive acquisitive strategies;
- The spiked adoption of smart and connectivity devices along with the development of new technologies such as artificial intelligence continue to disrupt the IT services space and all its sub-segments;
- With regards to global IT spending, an ever-greater portions of enterprise IT decisions, in particular system infrastructure, will be influenced by the cloud over the next few years as it becomes increasingly mainstream;
- According to Gartner, while there is great variation in growth rates at the country level, virtually all countries will see growth in IT spending in 2019.

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Hosting and Managed Services Taxonomy

WEB HOSTING



Refers to a service in which a vendor offers the housing of business-to-business or business-to-consumer e-commerce websites via vendor-owned shared or dedicated servers and applications for enterprises at the provider-controlled facilities

Selected Market Participants



MANAGED SERVICES



Refers to the delivery of network, application, system and e-management services across a network to multiple enterprises, using a “pay as you go” pricing model

Selected Market Participants



IT OUTSOURCING



Refers to the use of external service providers to effectively deliver IT-enabled business process, application service and infrastructure solutions for business outcomes

Selected Global Market Participants



SELECTED RECENT HW HOSTING AND MANAGED SERVICES TRANSACTIONS

Hg
has invested in
combell.group

Provider of mass hosting services for SMEs, including web hosting, domains, e-commerce and application solutions with leading positions in Belgium and Denmark and a growing presence in the Netherlands, Sweden and Switzerland

Hg
has acquired
ITRelation

Provider of services allowing SMEs to move their IT infrastructure and operations into the cloud, as well as providing end user support and consulting as part of a full-service IT offering

LOOPIA & **active24**
have been acquired by
AXCEL

Provider of web domains, shared web hosting and value-added services with leading positions in Sweden and the Czech Republic, and presence in Norway, Serbia, Slovakia, Spain, Netherlands, Germany and the UK

ONEPATH
has been acquired by
MSOUTH EQUITY PARTNERS

Provider of managed technology services with national scale in the US and the capability to design, deploy and support technology solutions from cable to cloud

zitcom GROUP
has been acquired by
intelligent

Provider of SME focused hosting and cloud solutions, including domains website hosting, email for smaller customers and managed servers and applications for larger customers

is internetservices
Powered by results.
has been acquired by
kpn

Provider of managed hosting and cloud solutions specialised in managed cloud hosting, desktop-as-a-service, security and connectivity

Market Observations

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">MANAGED SERVICES</p>	<p>Key Public Comparables</p> <p>Enterprise Value / LTM Rev. LTM EBITDA 2019E EBITDA</p> <p>1.5x 9.0x 8.4x</p>	<p>Indexed stock price performance*¹</p>	<p>Transaction Spotlight August 26, 2019</p> <p>Enterprise Value: NA</p>	<p>Market Observations²</p> <p>On the back of the growing need of advanced connected devices, the global IT managed services market is forecast to grow at a CAGR of 8.4% during the period 2016-2023, reaching \$262.5bn by the end of 2023</p> <p><u>In the News</u> Arq Group accelerates data capability as it welcomes Informatica to its partner portfolio</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">GLOBAL IT SERVICES</p>	<p>Key Public Comparables</p> <p>Enterprise Value / LTM Rev. LTM EBITDA 2019E EBITDA</p> <p>2.3x 11.1x 9.7x</p>	<p>Indexed stock price performance*¹</p>	<p>Transaction Spotlight August 5, 2019</p> <p>Enterprise Value: NA</p>	<p>Market Observations³</p> <p>Worldwide IT spending is projected to total \$3.7tn in 2019, an increase of 0.6% from 2018, which is slightly down from the previous quarter's growth forecast of 1.1%</p> <p><u>In the News</u> Aiman Ezzat: next Chief Executive Officer of Capgemini</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">LOCAL IT SERVICES</p>	<p>Key Public Comparables</p> <p>Enterprise Value / LTM Rev. LTM EBITDA 2019E EBITDA</p> <p>0.9x 12.8x 8.9x</p>	<p>Indexed stock price performance*¹</p>	<p>Transaction Spotlight August 19, 2019</p> <p>Enterprise Value: NA</p>	<p>Market Observations³</p> <p>As cloud becomes increasingly mainstream over the next few years, the cloud opportunity is expected to expand to cover additional application software segments, including office suites, content services and collaboration services</p> <p><u>In the News</u> Cancom Weighs Options After Receiving Takeover Approaches</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">WEB HOSTING</p>	<p>Key Public Comparables</p> <p>Enterprise Value / LTM Rev. LTM EBITDA 2019E EBITDA</p> <p>4.8x 15.9x 17.4x</p>	<p>Indexed stock price performance*¹</p>	<p>Transaction Spotlight July 17, 2019</p> <p>Enterprise Value: c.\$41m</p>	<p>Market Observations⁴</p> <p>Similarly to most industries worldwide, AI is increasingly transforming the web hosting sector, enabling hosters to streamline daily operations, reduce workloads and consistently improve service quality</p> <p><u>In the News</u> GoDaddy Appoints Aman Bhutani as CEO; Scott Wagner Steps Down for Health Reasons</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">DATA CENTERS / COLOCATION</p>	<p>Key Public Comparables</p> <p>Enterprise Value / LTM Rev. LTM EBITDA 2019E EBITDA</p> <p>10.7x 22.1x 19.4x</p>	<p>Indexed stock price performance*¹</p>	<p>Transaction Spotlight September 30, 2019</p> <p>Enterprise Value: NA</p>	<p>Market Observations⁵</p> <p>Like the webhosting industry, AI is increasingly used by data center companies to improve safety and reliability, efficiency and even to reduce energy consumption via sound analyses</p> <p><u>In the News</u> Equinix and GIC Agree to Form Joint Venture to Develop and Operate Hyperscale Data Centers in Europe</p>

*Group weighted average stock price performance over the past year based on market capitalisations



Select Hosting and Managed Services M&A Transactions

Announced July 5, 2019



Iver's acquisition of IT Gården⁶

Local IT Services

- IT Gården is an IT services outsourcing provider to small and medium-sized enterprises in the Skåne region
- The Company delivers IT services within IT outsourcing and infrastructure, virtualisation and client platforms as well as related products
- The acquisition will help Iver to increase its geographical presence in southern Sweden while also providing IT Gården with adequate resources to broaden its customer base and increase its volume

Announced August 26, 2019



Remote DBA Experts' acquisition of Navisite⁶

Managed Services

- Navisite is a US-based provider of managed cloud services
- The company offers multi-cloud management, Disaster-Recover-as-a-Service, cloud security and compliance, application and hosting services
- The acquisition increases the depth of RDX's customer base, expands its global network of data centers and adds hundreds of certified experts in cloud-based infrastructure and application managed services

Announced September 5, 2019



team.blue's acquisition of Register Group⁶

Webhosting

- Register Group is an international leader in digital services for professionals
- The merged entity will be able to serve its customers better, with their combined expertise across domains, hosting, email, VPS and applications
- The combined group will generate revenues of €275m with Hg further investing in the combined group while also providing the operational support to the new group

Announced September 9, 2019



One.com's acquisition of Digital Garden⁶

Webhosting

- Norway-based web hosting business operating three data centers with around 100,000 domain names and approximately 40,000 active customers
- The combination strengthens both companies' footprint in the Nordics with an attractive brand and product
- The transaction is part of Cinven's buy and build strategy to support One.com organically and through acquisitions into other geographic markets

Announced September 5, 2019



Liquid Web's acquisition of Nexcess⁶

Managed Services

- Nexcess is a US-based web hosting provider for e-commerce platforms
- The acquisition will strengthen Liquid Web's presence in the web professional hosting market while expanding its product offerings
- The combined company will have a total workforce of 650 employees with 11 data centers and a full-service Application Web Hosting and Managed Cloud portfolio

IT & Tech-Enabled Services – Trading Comparables

VALUATION¹

As of September 30, 2019 (\$ in millions)

Hosting and Managed Services Company	Enterprise Value	Market Capitalization	% of 52 Week High	1-Year Stock Performance	3-Year Stock Performance	Revenue Growth		2019 EBITDA Margin	Enterprise Value /			
						2019E	2020P		'19E Rev.	'20P Rev.	'19E EBITDA	'20P EBITDA
MANAGED SERVICES												
Internap	\$784	\$66	19.4%	(79.6%)	(60.9%)	(7.5%)	5.5%	33.4%	2.7x	2.5x	8.0x	7.1x
iomart	\$541	\$481	79.0%	(21.8%)	22.1%	3.2%	6.5%	39.9%	4.0x	3.8x	10.1x	9.5x
Redcentric	\$179	\$157	92.5%	(9.4%)	(54.6%)	(5.6%)	4.9%	18.8%	1.6x	1.5x	8.4x	8.0x
Proact IT	\$158	\$142	58.0%	(21.3%)	(6.5%)	(6.3%)	3.6%	8.3%	0.5x	0.4x	5.5x	4.7x
Arq Group	\$95	\$31	14.9%	(85.2%)	(82.8%)	(20.7%)	5.1%	9.3%	0.8x	0.8x	8.6x	6.8x
Managed Services Median	\$179	\$142	58.0%	(21.8%)	(54.6%)	(6.3%)	5.1%	18.8%	1.6x	1.5x	8.4x	7.1x

GLOBAL IT SERVICES												
Accenture	\$116,867	\$122,554	94.8%	13.0%	57.4%	8.6%	6.6%	16.7%	2.7x	2.5x	16.0x	14.8x
Tata Consultancy Services	\$106,511	\$111,493	91.4%	(1.3%)	62.9%	9.1%	8.0%	26.9%	4.8x	4.5x	18.0x	16.7x
Infosys	\$45,962	\$48,330	95.1%	13.3%	46.6%	8.1%	7.2%	24.4%	3.7x	3.4x	15.1x	13.7x
CGI	\$23,552	\$21,253	98.2%	22.8%	66.2%	9.1%	4.6%	18.4%	2.5x	2.4x	13.7x	13.0x
Capgemini	\$22,411	\$19,471	91.6%	(6.4%)	20.3%	2.4%	5.3%	15.4%	1.4x	1.4x	9.4x	8.9x
HCL Technologies	\$20,918	\$20,745	91.0%	2.0%	27.4%	14.3%	9.6%	22.4%	2.2x	2.0x	9.7x	8.6x
Wipro	\$15,133	\$19,302	79.5%	1.3%	26.2%	2.7%	2.8%	20.4%	1.8x	1.7x	8.8x	8.8x
Atos	\$12,177	\$7,661	61.2%	(40.8%)	(34.6%)	(10.3%)	2.1%	14.7%	1.0x	0.9x	6.6x	6.3x
Indra Sistemas	\$2,493	\$1,526	75.1%	(24.6%)	(35.5%)	(3.7%)	3.2%	11.0%	0.7x	0.7x	6.5x	6.1x
Global IT Services Median	\$22,411	\$20,745	91.4%	1.3%	27.4%	8.1%	5.3%	18.4%	2.2x	2.0x	9.7x	8.9x

LOCAL IT SERVICES												
Bechtel	\$4,661	\$4,275	84.3%	0.2%	75.8%	14.6%	7.7%	5.7%	0.8x	0.8x	14.4x	13.3x
Capita	\$4,615	\$2,950	96.3%	(4.4%)	(79.6%)	(9.7%)	0.5%	14.1%	1.0x	1.0x	7.2x	7.3x
Tieto	\$2,284	\$1,895	80.9%	(17.2%)	(18.9%)	(3.2%)	3.1%	15.6%	1.3x	1.2x	8.3x	8.2x
Netcompany	\$2,126	\$1,959	95.6%	10.8%	NM	16.1%	22.6%	27.7%	5.8x	4.7x	21.0x	16.7x
Atea	\$1,572	\$1,409	88.6%	(20.6%)	27.1%	2.3%	4.7%	4.0%	0.4x	0.4x	9.6x	8.3x
NNIT	\$401	\$303	39.1%	(55.6%)	(60.2%)	(2.8%)	(5.9%)	15.7%	0.9x	0.9x	5.7x	5.9x
Local IT Services Median	\$2,205	\$1,927	86.4%	(10.8%)	(18.9%)	(0.3%)	3.9%	14.8%	1.0x	1.0x	8.9x	8.2x

IT & Tech-Enabled Services – Trading Comparables

VALUATION¹

As of September 30, 2019 (\$ in millions)

Hosting and Managed Services Company	Enterprise Value	Market Capitalization	% of 52 Week High	1-Year Stock Performance	3-Year Stock Performance	Revenue Growth		2019E EBITDA Margin	Enterprise Value /			
						2019E	2020P		'19E Rev.	'20P Rev.	'19E EBITDA	'20P EBITDA
WEB HOSTING												
Shopify	\$35,168	\$35,943	76.1%	89.5%	626.1%	43.4%	34.1%	3.9%	22.8x	17.0x	NM	NM
VeriSign	\$22,899	\$22,328	85.1%	17.8%	141.1%	1.5%	5.1%	71.0%	18.6x	17.7x	26.2x	24.7x
GoDaddy	\$13,459	\$11,676	77.7%	(20.9%)	91.1%	12.4%	11.1%	22.3%	4.5x	4.1x	20.2x	16.4x
United Internet	\$9,656	\$7,111	79.2%	(24.6%)	(19.4%)	(1.9%)	5.0%	24.9%	1.7x	1.6x	6.7x	6.2x
Wix.com	\$5,631	\$5,971	75.0%	(2.5%)	168.8%	26.6%	25.3%	15.9%	7.4x	5.9x	46.3x	33.0x
Endurance	\$2,332	\$548	37.3%	(57.4%)	(57.1%)	(2.1%)	1.5%	27.7%	2.1x	2.0x	7.5x	7.4x
Tucows	\$683	\$578	60.0%	(2.9%)	69.3%	(1.2%)	9.4%	13.7%	2.0x	1.8x	14.5x	11.8x
Web Hosting Median	\$9,656	\$7,111	76.1%	(2.9%)	91.1%	1.5%	9.4%	22.3%	4.5x	4.1x	17.4x	14.1x

DATA CENTERS / COLOCATION												
KDDI	\$76,732	\$61,231	89.0%	(5.5%)	(15.0%)	3.8%	1.2%	31.2%	1.6x	1.6x	5.1x	5.0x
Equinix	\$59,578	\$48,924	94.6%	33.2%	60.1%	10.1%	9.2%	48.1%	10.7x	9.8x	22.2x	20.1x
CenturyLink	\$49,946	\$13,613	56.2%	(41.1%)	(54.5%)	(4.9%)	(3.0%)	40.7%	2.2x	2.3x	5.5x	5.6x
Digital Realty Trust	\$40,767	\$27,045	99.8%	15.4%	33.7%	5.8%	6.0%	58.2%	12.5x	11.8x	21.5x	20.3x
CyrusOne	\$11,682	\$8,951	99.2%	24.8%	66.3%	19.3%	13.1%	51.9%	11.9x	10.5x	23.0x	20.0x
InterXion	\$8,154	\$6,231	98.8%	21.0%	124.9%	8.1%	15.2%	51.0%	11.7x	10.2x	23.0x	19.8x
CoreSite Realty	\$6,082	\$4,495	99.8%	9.6%	64.6%	5.8%	11.1%	53.6%	10.6x	9.5x	19.7x	17.5x
QTS Realty Trust	\$4,813	\$2,850	99.5%	20.5%	(2.7%)	5.1%	12.2%	53.0%	10.2x	9.1x	19.2x	16.9x
Switch	\$2,376	\$1,317	92.2%	44.6%	NM	10.1%	11.5%	50.8%	5.3x	4.8x	10.5x	9.4x
Internap	\$784	\$66	19.4%	(79.6%)	(60.9%)	(7.5%)	5.5%	33.4%	2.7x	2.5x	8.0x	7.1x
Data Centers / Colocation Median	\$9,918	\$7,591	96.7%	17.9%	33.7%	5.8%	10.2%	50.9%	10.4x	9.3x	19.4x	17.2x

IT & Tech-Enabled Services – Transaction Activity

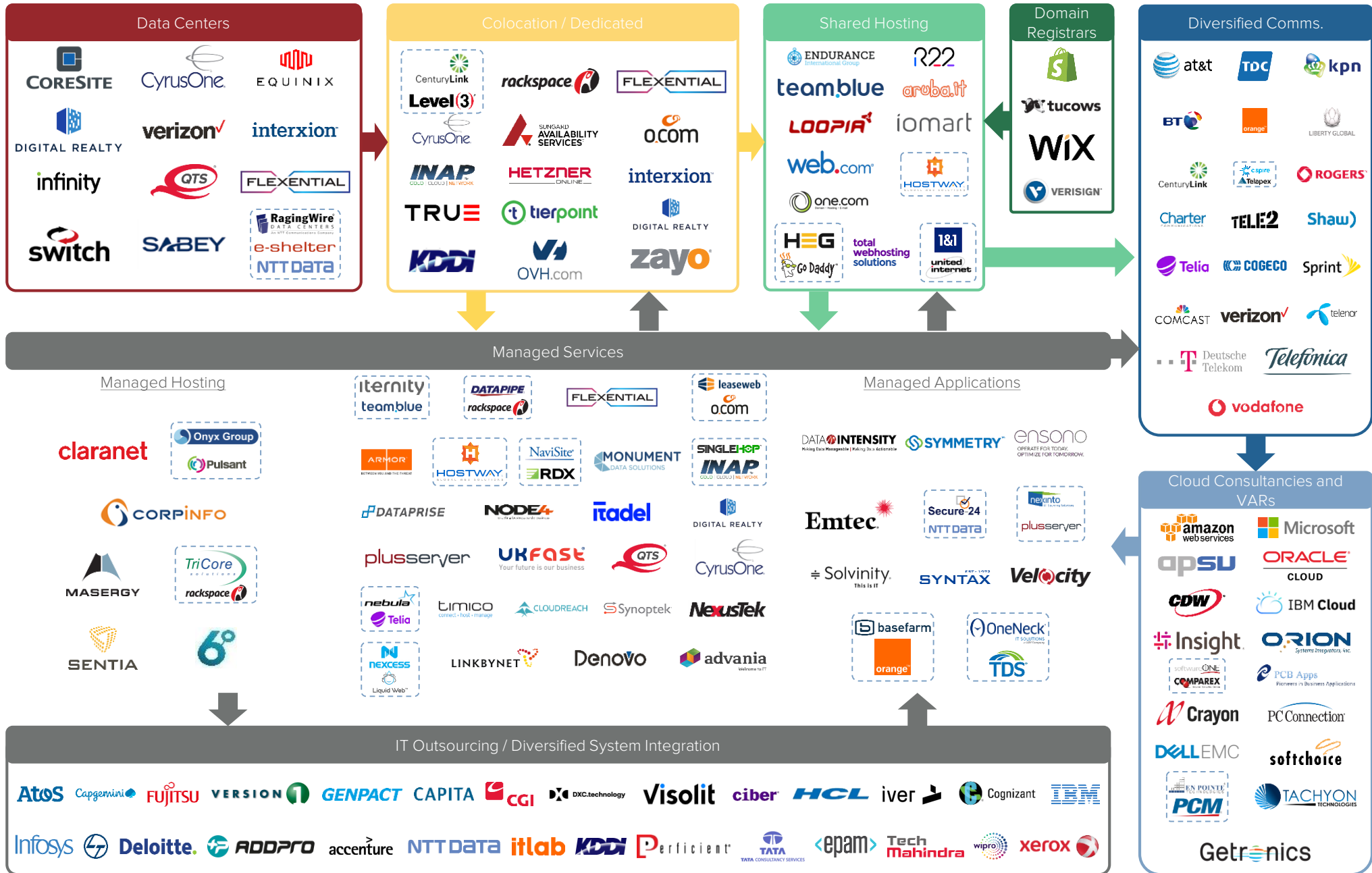
SELECT RECENT M&A TRANSACTIONS*6

Announced Date	Target / Issuer	Buyer	Description
07/05/2019	IT Garden	Candidator DGC	Sweden-based IT services outsourcing provider to SMEs
07/17/2019	Binero Group's mass hosting business	Loopia	Web hosting business in Sweden and Germany offering web hosting and domain registration services to SMEs and prosumers
07/19/2019	Bitfusion	Vmware	US-based provider of graphics processing unit virtualisation software for artificial intelligence services, autonomous vehicles and big data analysis
07/29/2019	Konexus Consulting	Cappgemini	Germany-based strategy and management consultancy advising energy companies, municipal utilities, mobility companies and new digital players
08/04/2019	Mediana	Lutech	Italy-based software group focusing on business processes in the energy and utilities sector relating to the billing of final clients
08/05/2019	Northstream	Accenture	Sweden-based consultancy-to-communications service provider and networking services vendor
08/12/2019	Miracle42	IT Relation	Denmark-based hosting, service desk, support, application management and database related services company
08/13/2019	Campusspeicher.de	dogado	Germany-based provider of webhosting, server, virtualisation and domain administration services
08/15/2019	Analytics8	Accenture	Australia-based big data and analytics consultancy
08/19/2019	Itello	Advania	Norway-based supplier of technology hardware and software related products to large and medium-sized customers
08/20/2019	Parker Fitzgerald	Accenture	UK-based strategic advisor and consulting partner to leading global financial institutions
08/21/2019	Syscome	DXC Technology	US-based provider of service management and security consulting and solutions
07/25/2019	Test IO	EPAM	Germany-based self-service crowdtesting platform for app and web developers
08/26/2019	Navisite	Remote DBA Experts (RDX)	US-based managed cloud services provider
08/28/2019	LINKIT Consulting	valantic GmbH	Germany-based SAP finance- and controlling expert
08/28/2019	Mirus IT	IT Lab	UK-based provider of managed services for SMEs as well as enterprise-level customers
08/31/2019	Planeetta	Loopia Group	Finland-based web hosting specialist providing sustainable, cloud-based web hosting and ecommerce solutions for businesses of all sizes
09/03/2019	Sonlinc	EG	Denmark-based IT company optimising business processes and developing IT solutions for moving utilities
09/05/2019	Ymor	Sentia Group	Netherlands-based Application Performance Management and IT Operations Analytics software publisher
09/05/2019	Nexcess	Liquid Web	US-based premier managed web hosting provider for eCommerce platforms
09/05/2019	Register Group	team.Blue	Italy-based IT company providing European domains, hosting services and brand protection
09/10/2019	Ecomdash	Endurance	US-based inventory management, distribution and marketplace listings firm
09/10/2019	Digital Garden	One.com	Norway-based web hosting business operating three data centers with around 100,000 domain names and approximately 40,000 active customers
09/11/2019	Pragsis Bidoop	Accenture	Spain-based IT consultant with expertise in big data, artificial intelligence and advanced analytics
09/17/2019	Mobius Networks	NVM Private Equity	UK-based mobile virtual network operator
09/26/2019	Infront IT-Partner	RTS	Sweden-based supplier of IT products and services within the B2B space
09/30/2019	Data Essential	Linkbynet	Luxembourg-based company specialising in the consulting and integration of cloud solutions
09/30/2019	Inexio	EQT Infrastructure	Germany-based company providing fiber infrastructure to small towns and rural communities

*Conversion to USD based on FX rate as of announcement date

IT & Tech-Enabled Services – Representative Landscape

REPRESENTATIVE IT & TECH-ENABLED SERVICES PROVIDERS



Disclaimer

SOURCES

1. CapIQ; market data as of 30 September 2019.
2. MarketWatch.
3. Gartner.
4. Plesk.
5. Data Centre Dynamics.
6. Merger Market.

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