

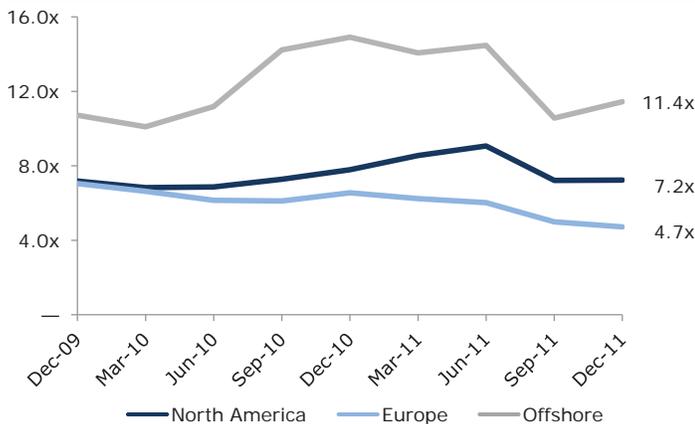


IT Services Commentary

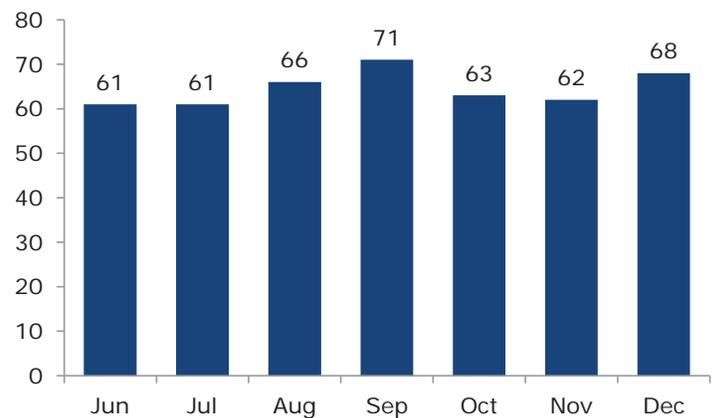
December 2011

The IT Services industry closed 2011 more quietly than expected. Usually the year end brings about one or more landscape-shifting transactions, but no such headlines were made in December. Instead, middle market activity led the way, with larger strategic platforms making tactical acquisitions to bolster service offerings and expand into new markets. Similar to prior months, managed services, business intelligence, performance management, e-security and SaaS services were hot areas. Looking towards 2012, we fully expect favorable industry dynamics, solid corporate balance sheets and enhanced discretionary spending to continue to promote growth and M&A in the IT Services sector. Mid-market and cross-border activity should remain robust. We even expect the pace of large deals to significantly accelerate as the offshore crowd becomes more aggressive and global systems integrators defend their turf by expanding into high growth geographies like Asia and South America and domain areas like managed services and cloud computing. Overall we're very bullish and looking forward to an exciting 2012.

IT Services Valuation Environment (TEV/EBITDA)



IT Services Transaction Volume by Month



IT Services M&A

- Fishnet Consulting**, an IT security services firm and VAR, acquired **LogicTrends**, a provider of identity access and management services
- Appirio**, a SaaS-focused IT Services provider, acquired **SaaSPoint**, a competitive cloud computing consulting firm
- Tribridge**, a Microsoft-focused system integrator, acquired **ePartners**, a Microsoft Dynamics implementation specialist
- NTT Data** acquired **Accellence**, a Thailand-based IT services platform focused on strategy consulting, risk and performance management
- Deloitte & Touche Canada** acquired **Skura Business Intelligence Group**, a Canadian IT Services provider focused on implementation of Oracle business intelligence and performance management tools
- Ongoing Operations**, a managed services platform, acquired **Cloudworks**, an IT infrastructure outsourcing provider of hosted email, disaster recovery and business continuity services
- ICF International** acquired **Ironworks Consulting**, an interactive, internet portals, social, mobile and digital media services platform
- Intelligence AG** acquired assets of **PlanOrg Informatik GmbH**, a German IT and business strategy consulting firm focused on SAP technologies
- BG Staffing**, an IT staffing provider, acquired **Extrinsic LLC**, a staffing firm focused on SAP technologies
- Itegralis**, a German infrastructure services provider, acquired **Secode AB**, a Swedish managed security service platform

IT Services News

Glasshouse Technologies, an IT consulting and managed services provider focused on data infrastructure, formally withdrew its plans for an IPO due to poor market conditions. It is the second time in three years the company has abandoned its IPO plans.

IT Services Rumor Mill

- Stefanini IT Solutions** announced it has set aside \$120 million for acquisitions in 2012 and 2013. Half of these funds will be used for M&A outside of its home territory, Brazil
- HCL Technologies** announced it is seeking acquisitions in continental Europe, specifically in the Nordic countries, France and Germany
- Satyam Computer Services** announced it has allocated up to \$570 million for M&A and is seeking targets in Europe, China and the US
- Genpact** announced it has nearly \$400 million available for strategic acquisitions and is considering opportunities in healthcare, insurance, pharmaceuticals, life sciences and infrastructure

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Hitachi Consulting

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has acquired



Navigation capital partners

has acquired



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has obtained a majority investment from



PROACTIVITY

has been acquired by



TELVENT

has acquired



Optura

has been acquired by



CEDARCRESTONE

has acquired



About TM Capital

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TM Capital's IT Services Practice

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