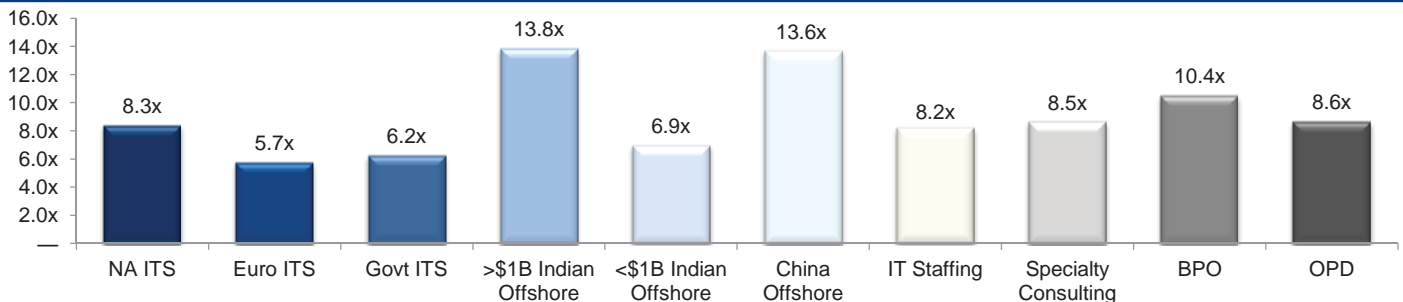




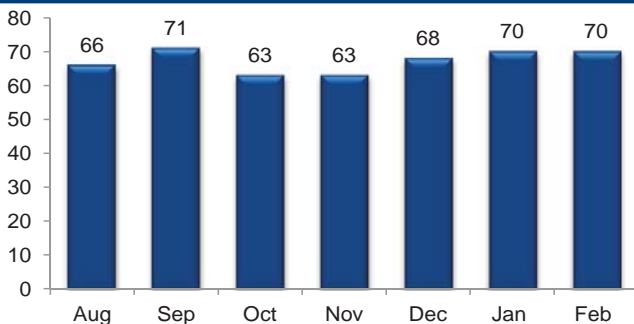
IT Services Commentary

The IT services sector continued to make positive strides in February. Our market checks highlight strengthening fundamentals while at the same time, M&A transaction volumes have held steady and valuations have up-ticked across a number of major categories. This recent performance provides support to our bullish industry outlook for the next four to six quarters and bodes well for both global systems integrators and smaller industry specialists. During February, M&A was highly focused on infrastructure services (network, security, data center) and packaged applications (Microsoft, Oracle). Cross-border deal making was very active in the month, and we also observed a number of corporate divestitures, particularly in Europe, as diversified platforms shed non-core divisions and assets in an effort to strengthen balance sheets and redeploy capital toward higher growth pursuits. Looking forward, the whispers around the industry "water cooler" have been noticeably increasing, and we expect this to translate into some formidable M&A headlines over the next couple of months. Stay tuned.

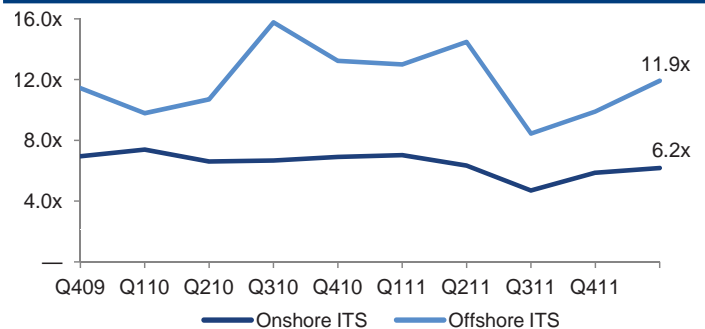
Current Valuations by IT Services Category (TEV/EBITDA)



IT Services Transaction Volume by Month



Valuation Trends Over Time (TEV/EBITDA)



IT Services M&A

Rackspace, a managed hosting and cloud computing platform, acquired **SharePoint911**, a Microsoft SharePoint consulting specialist

Perficient, a publicly traded systems integrator, acquired **Pointbridge Solutions**, a Microsoft services specialist

ePlus, a diversified VAR and technology solutions company, acquired **Pacific Blue Micro**, a Cisco-focused reseller and technology provider

Salient Federal Solutions, a government systems integrator, acquired **ATS Corporation**, an IT solutions and software development platform focused on the public sector

All Covered, the SMB IT outsourcing arm of **Konica Minolta**, acquired **Service Assurance Corp.**, an IT support, outsourcing and managed services provider

Sopra Group announced two carve-out acquisitions, purchasing the UK assets and division of **Business & Decision** and the financial products group of **Tieto Corporation**

IT Services Rumor Mill

NEC, **NTT** and **Dell** are reportedly in competitive discussions to acquire a controlling stake in **Hexaware Technologies** from its founder and lead investors, **General Atlantic** and **Chryscapital**

Cap Gemini announced it is seeking tactical acquisitions in the US to help increase the company's footprint and capabilities in specific areas

Mindtree Limited announced it is looking for industry-focused acquisitions in the \$60-100 million revenue range in the consumer, manufacturing, travel and BFSI verticals

IT Services News

EPAM Systems, an outsourced software development firm, successfully orchestrated a downsized 6 million share IPO at a share price of \$12.00, well below its filing range of \$16.00-\$18.00; EPAM opened with a market capitalization of \$488 million based on its IPO pricing

The Hackett Group announced a \$55 million equity buy back at a price ranging from \$4.25 to \$5.00, allowing it to repurchase 27% of the total shares outstanding at the high end of the pricing range

TM Capital has ongoing relationships with the companies mentioned above. If your company fits the acquisition criteria, or to learn more about additional sell-side and buy-side opportunities, contact Jarrad Zalkin at 617.259.2207 or jzalkin@tmcapital.com.

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About TM Capital

TM Capital Corp. is an independent investment banking firm based in New York, Boston and Atlanta, which has completed 250 mergers, acquisitions and financings with a combined value of \$13 billion. Since 1989, TM Capital has advised clients navigating a wide range of complex mergers, acquisitions, financings, restructurings, and other critical strategic and financial transactions. We have built deep industry expertise in key sectors and our team regularly publishes research highlighting current and emerging trends in targeted industries and markets. TM Capital is a member firm of M&A International Inc., the world's leading alliance of mid-market investment banks with over 600 professionals operating in every major financial center. Member firms have closed over 1,400 transactions worth more than \$85 billion in the past five years. For more information, visit www.tmcapital.com.

TM Capital's IT Services Practice

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