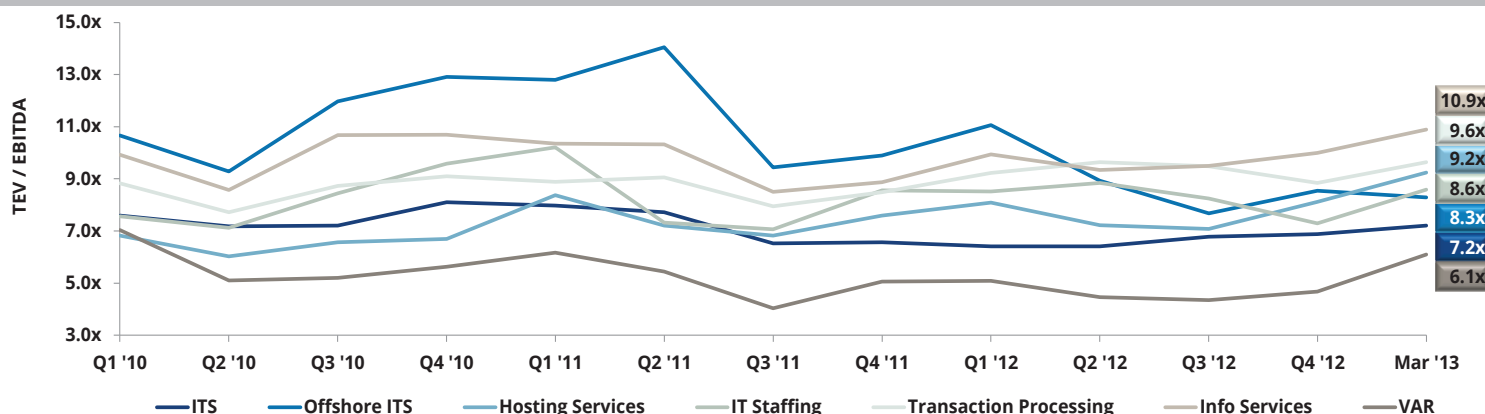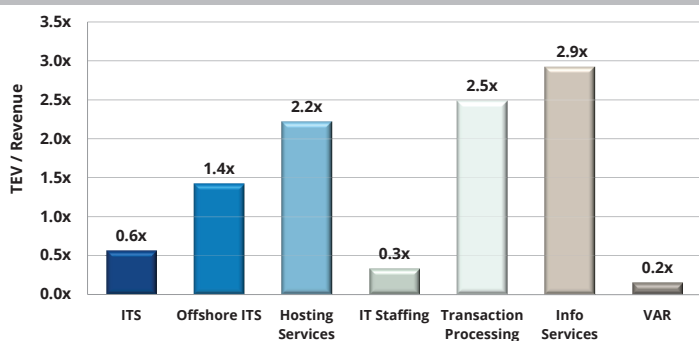## Tech-Enabled Services Market Commentary

March M&A activity remained strong across the Tech-Enabled Services vertical. We continue to see a clear trend towards the convergence between traditional IT services and software and much of the M&A activity to date has been driven by the desire of strategic and financial acquirers to build robust Tech-Enabled Services platforms. In March, **Rackspace** continued its acquisition spree by acquiring **Exceptional Cloud Services, Inc.** to broaden the portfolio of tools that it can offer to cloud developers. In the red-hot IT security services sector, **Staffing 360° Solutions, Inc.** acquired **The Revolution Group** to enter the staffing market for cyber security professionals, and **Agio Technology, LLC** acquired **Secure Enterprise Computing, Inc.** to build its data security offering. In the data center services sector, where quality acquisition targets remain scarce, **DataBank Holdings Ltd.** acquired **VeriSpace** to tap into the emerging data center market in Minnesota. In the large cap category, **Dentsu Inc.**'s acquisition of **Aegis Group plc** (announced last July) finally closed after months of Chinese regulatory approvals processes. TM Capital is encouraged by the volume of M&A transactions we've been seeing in the Tech-Enabled Services space and, based on the activity we've seen firsthand with our clients and other relationships, we are confident the consolidation wave will remain strong over the next few quarters.
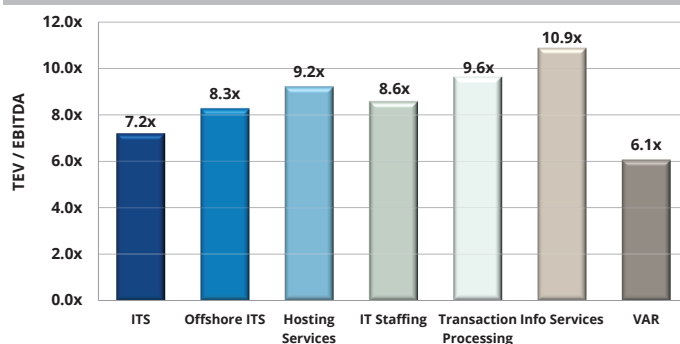
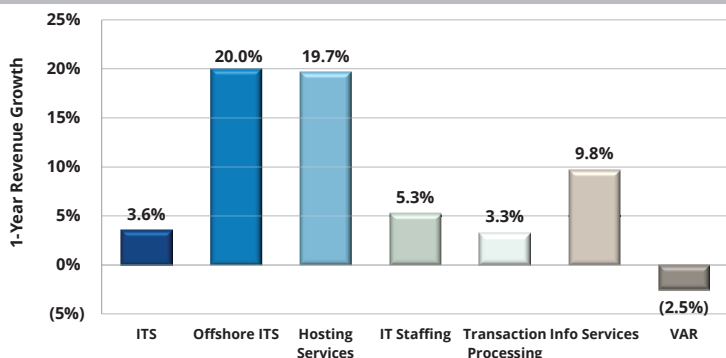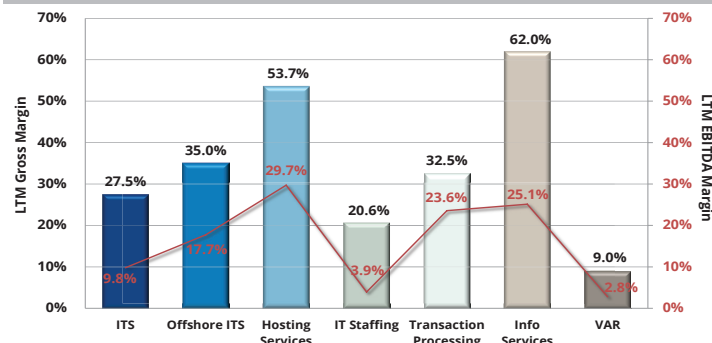## TEV / EBITDA Multiples Over Time

Legend: ITS, Offshore ITS, Hosting Services, IT Staffing, Transaction Processing, Info Services, VAR

Labeled values at Mar '13: 10.9x, 9.6x, 9.2x, 8.6x, 8.3x, 7.2x, 6.1x

TEV / Revenue

- ITS: 0.6x
- Offshore ITS: 1.4x
- Hosting Services: 2.2x
- IT Staffing: 0.3x
- Transaction Processing: 2.5x
- Info Services: 2.9x
- VAR: 0.2x

TEV / EBITDA

- ITS: 7.2x
- Offshore ITS: 8.3x
- Hosting Services: 9.2x
- IT Staffing: 8.6x
- Transaction Processing: 9.6x
- Info Services: 10.9x
- VAR: 6.1x

1-Year Revenue Growth

- ITS: 3.6%
- Offshore ITS: 20.0%
- Hosting Services: 19.7%
- IT Staffing: 5.3%
- Transaction Processing: 3.3%
- Info Services: 9.8%
- VAR: (2.5%)

LTM Gross & EBITDA Margins

Gross Margin:
- ITS: 27.5%
- Offshore ITS: 35.0%
- Hosting Services: 53.7%
- IT Staffing: 20.6%
- Transaction Processing: 32.5%
- Info Services: 62.0%
- VAR: 9.0%

EBITDA Margin:
- ITS: 9.8%
- Offshore ITS: 17.7%
- Hosting Services: 29.7%
- IT Staffing: 3.9%
- Transaction Processing: 23.6%
- Info Services: 25.1%
- VAR: 2.8%

Select Tech-Enabled Services Transactions Announced in March

Annc. Date	Sector	Acquirer	Target	Target Description	Enterprise Value	Comments
03/28/13	Hosting Services	Rackspace Hosting, Inc.	Exceptional Cloud Services, Inc.	Develops applications for cloud computing that provide the ability to track errors in web apps, make managing Redis instances easier and collect errors generated by other applications and aggregate the results for review.	NA	Expands Rackspace's toolset for cloud developers to include error tracking and Redis-as-a-Service capabilities and comes as Rackspace's third acquisition to assist developers since August (Mailgun and ObjectRocket).
03/28/13	IT Services	Mobiquity, Inc.	Vertical Performance Partners, Inc.	Provides mobile technologies to help organizations elevate their human performance including tools to analyze key performers, influencers, and actual performance levels.	NA	Tuck-in acquisition that adds core competency in the pharma vertical along with blue chip customers including Bristol-Myers Squibb and Johnson & Johnson.
03/27/13	IT Staffing	Staffing 360° Solutions, Inc.	The Revolution Group Ltd.	Offers staffing services in IT and information security fields, such as infrastructure, development, project management, and business analysis within healthcare, financial, technology, retail, and services industries.	NA	As a tuck-in to Staffing 360's new Cyber 360 Solutions division, the acquisition provides significant upside for revenue growth given the rapid expansion in the market for cyber security professionals.
03/26/13	IT Services	Agio Technology, LLC	Secure Enterprise Computing, Inc.	Offers security consulting, network design, compliance management, security assessment, data loss prevention, security information for event management, secure remote access, and mobile security services.	NA	Gives Agio a greater level of operational security to ease regulator and investor concerns as the number of high profile data security breaches continues to rise.
03/26/13	IT Services	Collaborative Consulting, LLC	Maxiom Consulting Group, Inc.	Provides strategic business and IT consulting services for the life sciences industry including services for commercial launch and marketing, supply chain management, software package implementation, and system integration.	NA	Adds strong business expertise and management consulting services to Collaborative's existing systems architechture and implementation capabilities.
03/25/13	Hosting Services	ProSource, Inc.	Infitech, LLC	Offers onsite and remote computer and network services, website design and hosting, search engine optimization, software and web application development, email and web filtering, and managed web hosting services.	NA	Infitech's managed network and web hosting services complement ProSource's more traditional outsourced office solutions.
03/21/13	VAR	Sysorex Global Holdings Corp.	Lilien, LLC	Provides IT infrastructure services including enterprise computing, data management, virtualization, business continuity, and IT consulting solutions.	$5.4	Expands Sysorex's market penetration and service offerings, combining its existing government-oriented services with Lilien's analytics, big data and traditional hardware solutions for the commercial market.
03/18/13	Hosting Services	DataBank Holdings Ltd.	VeriSpace, LLC	Operates as a commercial data center that provides collocation space and services including disaster recovery services, installation oversight, and managed hosting services for enterprise-level customers with complex server requirements.	NA	Provides access to an emerging data center market in Minnesota which is appealing for its economic incentives, decreased cooling costs and seismic zone rating of zero.
03/13/13	Hosting Services (SaaS)	Oracle Corporation	Nimbula, Inc.	Provides cloud infrastructure software that enables enterprises and service providers to build private, public, or hybrid clouds.	NA	Gives Oracle a means to access the OpenStack cloud management system and adds dynamic talent in the form of Nimbula's two founders who were both key architects in Amazon's cloud computing platform EC2.
03/13/13	IT Services	PayPal, Inc.	Duff Research, LLC	A software development company that specializes in mobile application development across various platforms and devices, such as iPad / iPhone, Android, Kindle Fire, and Windows Phone.	NA	Adds software development and user experience expertise in the mobile app space to advance PayPal's competitive position against rival mobile payment systems such as Google Wallet.
03/12/13	IT Services	Corporation Service Company, Inc.	Melbourne IT Digital Brand Services, Inc.	Offers digital brand services such as online brand creation, protection and management, and reputation optimization to public and private organizations.	$157.3	Expands CSC's global capabilities and establishes a premier partnership for companies seeking to promote and protect their brands online.
03/11/13	IT Services	Tripwire, Inc.	nCircle Network Security, Inc.	Provides automated security and compliance auditing solutions including a vulnerability and risk management solution that delivers a view of network risk.	NA	Forms one of the largest IT security companies behind Symantec and McAfee with more than 7,000 customers and combined revenues over $140mm.
03/07/13	IT Services	ABILITY Network, Inc.	Ivans, Inc.	Provides managed network, EDI, and agency-company interface solutions to insurance, healthcare, retail, manufacturing, and business services organizations.	NA	The combination of Ivans' data exchange platform and ABILITY's workflow tools creates a leading healthcare network to manage interaction between providers and payers, particularly with respect to Medicare.
03/06/13	Transaction Processing	WorldPay Ltd.	YESpay International Ltd.	Provides payment processing services for internet, electronic POS, and contactless and magnetic credit and debit cards to merchants operating within retail, kiosk, hospitality, mail order/telephone order, and e-commerce payment environments.	NA	Allows WorldPay to provide integrated payment processing services capable of spanning the in-store, mobile and online buying demands of today's shopper.
03/06/13	Info Services	Wired Real Estate Group, Inc.	Applied Computer Research, Inc.	Publishes "The Directory of Top Computer Executives" database of IT executives covering the 35,000 largest IT users in the US and Canada.	NA	The combined entity covers the current and historical buying behavior of more than 70,000 IT and data center decision makers, allowing WiredRE to provide a more comprehensive view into the data center design market.
03/04/13	IT Services	The Gores Group, LLC	GE Healthcare Strategic Sourcing Corporation	Offers electronic billing and electronic medical records outsourcing solutions to the healthcare industry.	NA	Private equity acquisition to advance GE Healthcare Strategic Sourcing as an independent platform, building on its unique ability to provide electronic billing and medical record services to some of the largest healthcare systems in the US.
03/04/13	Hosting Services	Elijah Ltd.	eDirect Impact, LLC	Provides discovery workflow management solutions and litigation data hosting services to law firms and corporate counsel departments.	NA	EDI's technology and project management systems enhance Elijah's forensic capabilities by providing expanded data hosting services and 24/7 project staffing.
03/01/13	Info Services	Oil Price Information Service, LLC	GasBuddy Organization, Inc.	Operates a group of local websites that offer an online method for visitors to post and view recent retail gasoline prices in the US and Canada.	NA	Access to OPIS's extensive database of petroleum pricing enhances GasBuddy's ability to help consumers find the lowest available gas prices.

Notes: USD in millions
Source: Capital IQ, Company SEC Filings, industry research and TM Capital estimates

Select TM Capital Tech-Enabled Services Experience

aerometric
a portfolio company of
HKW
has been acquired by
Arlington Capital Partners

HOME SERVICE STORE
a portfolio company of
JUPITER PARTNERS LLC
has been acquired by
ROARK CAPITAL GROUP

BWise
BUSINESS IN CONTROL
has been acquired by
NASDAQ OMX

POWERSTEERING SOFTWARE
a portfolio company of
Advent International and Hudson Ventures
has been acquired by
SILVERBACK
Enterprise Group

CENTiV
marketing on demand
has been acquired by
Riverside

CEDARCRESTONE
has been acquired by
GOLDEN GATE CAPITAL

About TM Capital

TM Capital Corp. is a partner-owned investment banking firm based in New York, Boston and Atlanta, which has completed over 250 transactions with a combined value in excess of $13.5 billion. Since 1989, we have advised clients navigating a full range of critical transactions, including complex mergers, acquisitions, debt and equity financings, minority and majority recapitalizations, restructurings, and advisory services including takeover defense, fairness and solvency opinions, valuations, as well as litigation support. 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 M&A professionals in 40 countries. Members have closed over 1,300 transactions totaling more than $75 billion in value over the past five years. For more information, visit www.tmcapital.com.
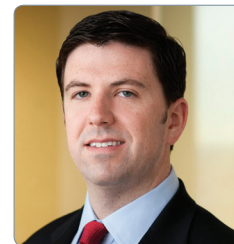
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