

Market Update Cloud Services

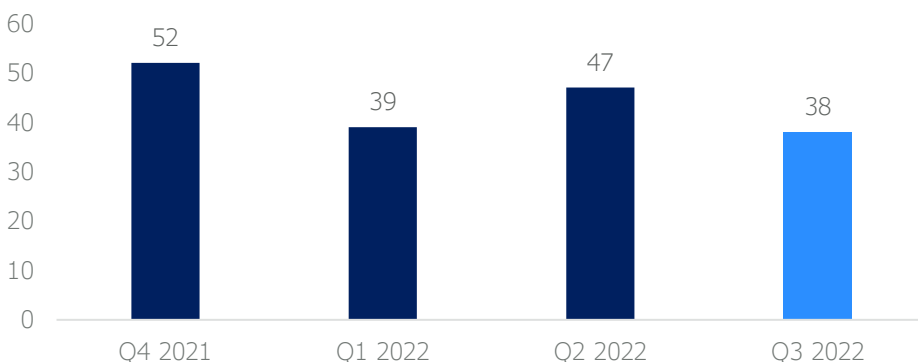
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As the global economy continues to emerge from the latest COVID-19 surge many companies are continuing to double down on their cloud services implementation, especially the hybrid cloud model. Hybrid cloud bridges the gap between Information Technology (IT) and businesses by improving agility and efficiency, as well as by rapidly delivering IT resources at a low cost. Moreover, the hybrid cloud helps small and large independent software vendors give every customer a positive experience through reassurance that their confidential information will be protected.

The hybrid cloud market has experienced significant overall growth in the past few years compared to other cloud services and is expected to grow at a [21.1% CAGR from 2021-2026](#). This growth is backed by hybrid cloud computing’s ability to give businesses the ability to scale their on-premises infrastructure up to the public cloud to handle any overflow without giving third-party data centers access to their entire sets of data, something even more important as computing and processing demand fluctuates. North America is expected to hold a prominent share of this hybrid cloud market, as many companies in this region are moving beyond solely operating in the public cloud, as a hybrid cloud strategy will help deliver improved services to customers.

7 Mile’s focus in this market update is on the cloud services space in the context of M&A activity. After a slight tick up in activity in Q2, deal activity has slowed to start the second half of 2022, but many analysts are expecting a similar Q4 to last year.

of M&A Deals in Cloud Services



7MA has completed numerous M&A transactions for companies in the cloud services space and has developed unparalleled deal expertise and knowledge of the industry trends, valuation trends, and most active strategic and financial buyers. Please contact John Cooper, Iliia Ulianchuk, Kevin Postigo, or Tyler Ratterree if you would like to learn more.

Sector Coverage Team



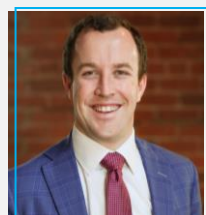
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Sector Snapshot

Quad-C Acquires Synoptek



Synoptek Inc., a leading global business and digital transformation advisory and consulting firm, was acquired by Quad-C Management. Synoptek was previously a portfolio company of Sverica Capital Management.

Synoptek is a global, full-service business and digital technology solutions provider and advisory firm that helps companies envision, transform, and evolve. As a systems integrator and managed technology group, Synoptek partners with organizations worldwide, helping them navigate the ever-changing technology landscape, and build solid tech foundations for their businesses. With its comprehensive offerings, global workforce, and strategic technology partnerships, Synoptek helps companies grow their business while optimizing and protecting their IT ecosystem.

Date: September 22, 2022

Deal Type: LBO

Target HQ: USA

Deal EV: Undisclosed

IBM Acquires Top-250 Public Cloud MSP Firm Neudesic



Neudesic, a provider of application development and cloud computing services intended to close the gap between technology and desired business outcome, was acquired by IBM. Neudesic specializes in providing application development, cloud computing, enterprise collaboration, and enterprise mobility services to businesses and organizations worldwide, thereby helping clients to leverage the cloud to reduce costs and increase flexibility.

The acquisition is aligned with IBM's strategy to invest in its hybrid cloud and AI strategy, expanding its cloud services technology, skills and capabilities to meet the growing demand of clients' hybrid cloud needs. Neudesic extends IBM Consulting's skills and certifications across the hybrid cloud ecosystem including Microsoft, AWS, Google Cloud Platform, Databricks, Snowflake, Denodo, Kubernetes, MuleSoft, RedHat, Salesforce, UiPath, SAP and Oracle.

Date: February 16, 2022

Deal Type: Acquisition

Target HQ: USA

Deal EV: Undisclosed

What is Driving the Activity in the Space?

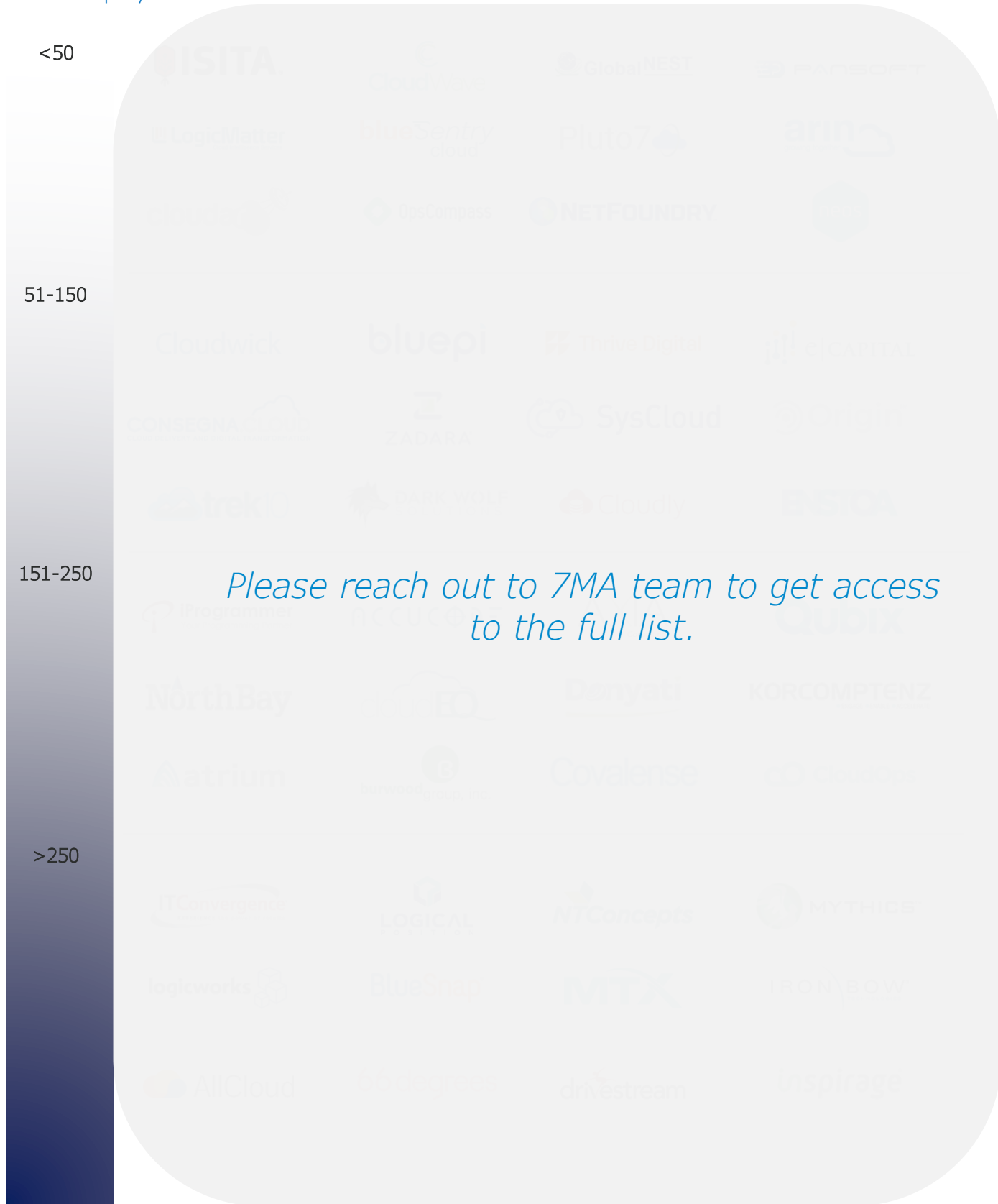
HYBRID CLOUD COMPUTING

DIGITAL TRANSFORMATION

PURSUIT OF GROWTH

Sector Snapshot

of employees

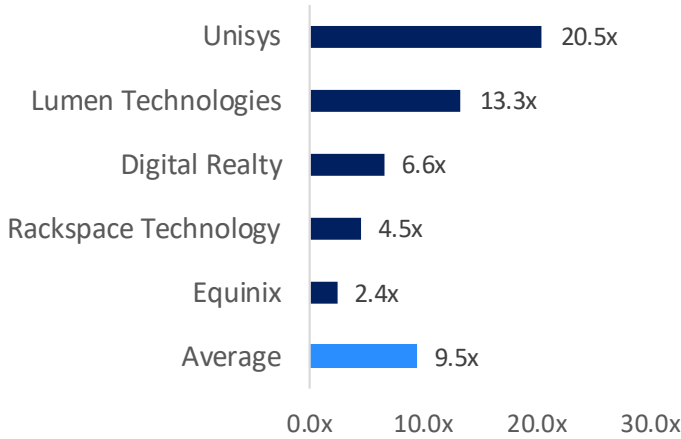


Sector Snapshot

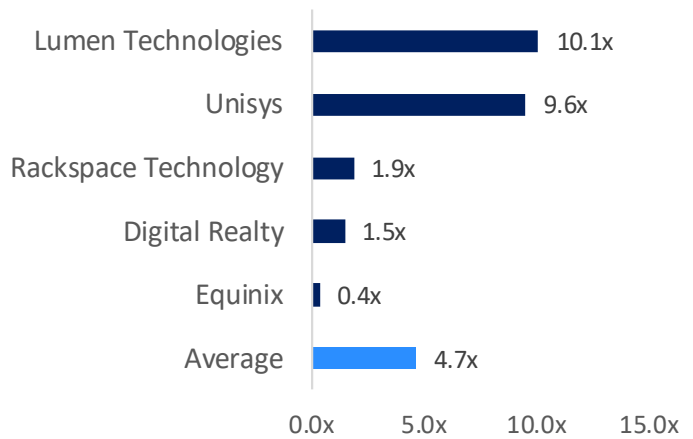
Publicly-traded Cloud Services Companies – Q3 2022

Companies	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# of FTEs	Rev / FTE \$k
Equinix	740	306	1,989	1%	26%	15%	0.4x	2.4x	16,300	5
Digital Realty	4,544	689	3,088	11%	30%	22%	1.5x	6.6x	7,705	59
Rackspace Technology	35,698	7,875	19,022	-5%	56%	41%	1.9x	4.5x	35,000	102
Lumen Technologies	45,383	3,400	4,511	13%	58%	75%	10.1x	13.3x	3,129	1,450
Unisys	66,245	3,234	6,933	11%	47%	47%	9.6x	20.5x	10,944	605
Average	30,522	3,101	7,109	6%	44%	40%	4.7x	9.5x	14,616	444
Median	35,698	3,234	4,511	11%	47%	41%	1.9x	6.6x	10,944	102

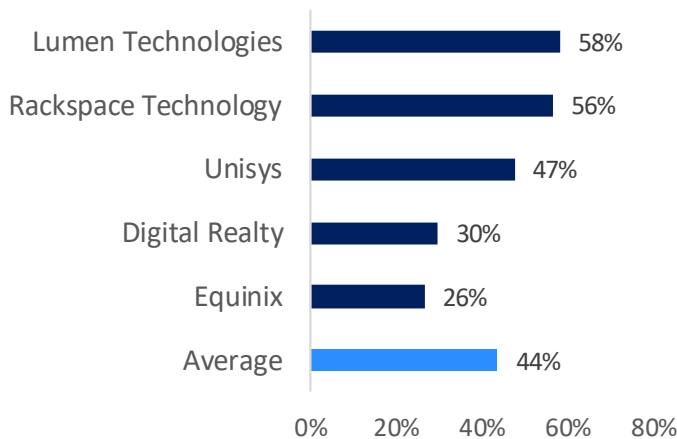
TEV / EBITDA X



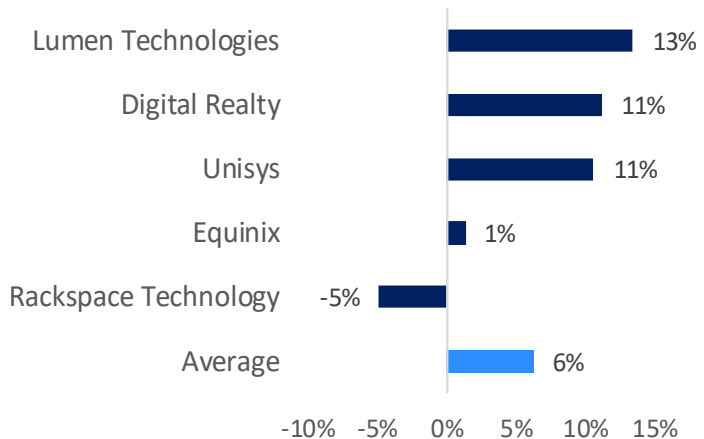
TEV / Rev X



Gross Margin %















Rev Growth YoY



Sector Snapshot

Q3 2022 M&A Transactions

Date	Target	Buyer / Investor	Target Description
September 2022	 CLOUDWAYS	 DigitalOcean	<ul style="list-style-type: none"> Cloudways, a developer of a managed cloud hosting software designed to deploy, scale and manage web applications, was acquired by DigitalOcean, a developer of a cloud hosting and app management platform intended to simplify cloud computing. Cloudways's platform leverages trusted and reliable infrastructure from DigitalOcean and Amazon Web Services and can handle web applications of all shapes and sizes, enabling clients to have improved digital experiences and maximize their growth potential.
September 2022	 Morphio®		<ul style="list-style-type: none"> Morphio, a developer of AI-driven anomaly platform created for agile growth marketers, was acquired by Hawke Media, a provider of data-driven marketing services intended to help businesses realize its potential. Morphio's platform integrates all Google, Facebook, Microsoft, and LinkedIn marketing analytics products so that digital marketers and business leaders can assign and automatically track financial results in addition to measuring, monitoring, and optimizing tactical key performance indicators (KPIs), enabling clients to increase their profit.
September 2022	 NORTHPOINT		<ul style="list-style-type: none"> NorthPoint Group, a provider of technology and management consulting services to help identify the root causes of instability, was acquired by Argano, via its financial sponsor Trinity Hunt Partners. NorthPoint Group offers services in roadmapping, implementation, and managed support for Oracle ERP cloud software, HCM cloud and Oracle platform-as-a-service technologies, helping clients by providing a detailed report of the challenges with recommendations for stabilization and optimization based on industry standards.
August 2022	 Q ASSOCIATES	 LOGICALIS	<ul style="list-style-type: none"> Q Associates, a Microsoft Partner and Data Security expert, was acquired by Logicalis Group, a subsidiary of Datatec Group (JSE: DTC), for an undisclosed amount on August 8, 2022. The acquisition adds complementary capabilities to Logicalis Group's core expertise in digital infrastructure, networking & cloud, enabling a broader portfolio of best-in-class solutions and services for customers operating in the digital-enabled world.
August 2022	 DXC TECHNOLOGY	 sa.global <small>AGILE, CAPABLE AND COMMITTED</small>	<ul style="list-style-type: none"> Sa.global, a leading Microsoft Dynamics Business Solutions Partner, announced that they have completed the acquisition of DXC Technology's ReQlogic and HomebuilderONE solutions and some strategic clients. These are key acquisitions for sa.global and will form a part of the core go-to-market in the region. ReQlogic is an eProcurement, requisition, AP automation, time tracking, and expense management solution that integrates with Microsoft Dynamics Business Central, GP, SL, and NAV, to drive efficiency and cost control. ReQlogic has been sold through the Microsoft Dynamics channel through partners for well over a decade and currently has over 60,000 users worldwide. HomebuilderONE is a cloud-based solution built on Microsoft Dynamics 365 Finance and SCM and is designed to help homebuilders maximize resources and seamlessly track complex projects, enabling them to deliver on-time and at higher margins.
July 2022	 brightred		<ul style="list-style-type: none"> Brightred Resourcing, an operator of an IT recruitment company, specializing in contract and fixed-term DevOps, cloud and AWS roles in and around London, was acquired by Sammons Group. Brightred Resourcing provides specialized services in cybersecurity, automation and cloud-based services thereby helping businesses to grow.

About 7 Mile Advisors

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions and provide market assessments and benchmarking. As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. All securities transactions are executed by 7M Securities, LLC, member FINRA / SIPC. For more information, including research on the M&A markets, visit www.7mileadvisors.com.



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Notable 7 Mile Transactions

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brillio

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a portfolio company of HADLEY

a portfolio company of BainCapital

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Daxos

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softwareONE

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Deloitte.

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3Cloud

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EY

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TRINITY HUNT PARTNERS

