

Market Update Cloud Services

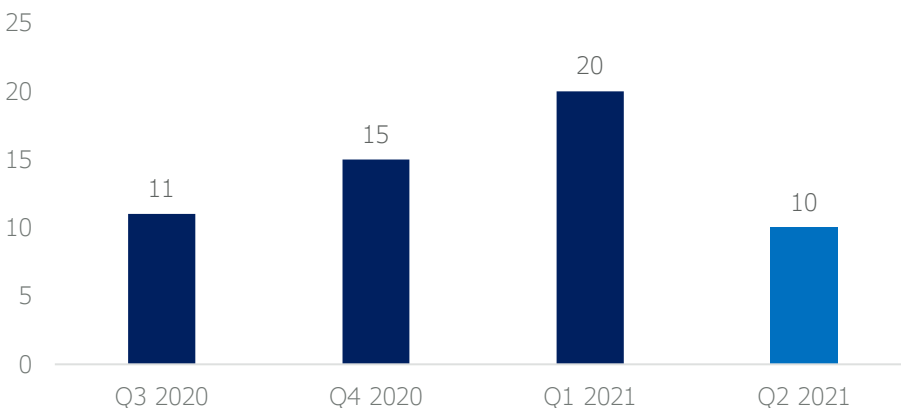
- 1 Market Overview
- 2 Sector Snapshot
- 3 Public Markets
- 4 Notable Deals

In a period of disruptions, companies accelerated their digital transformation strategies to stay competitive and prepared amid new challenges. According to Gartner, the pandemic intensified enterprises' plans to move mission-critical workloads from on-premises software to the cloud. Gartner estimates cloud spending to grow aggressively in the following months, with worldwide public cloud end-user spending forecasted to rise 23% in 2021.

Within the space, one of the leading players is Microsoft Azure. Through its platform, Microsoft offers diversity in cloud computing services such as SQL database or virtual desktop. According to Microsoft, revenue of its cloud services grew at 51% from last year's second quarter. As a result, the market for cloud services providers and Azure partners expanded more rapidly. When looking at data from the second quarter of 2021, approximately 15,700 products and services were offered on the Microsoft Azure marketplace, of which 15,377 were published by partners.

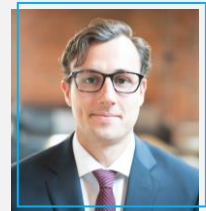
We analyzed the M&A activity in the cloud services sector, with a focus on Microsoft-Azure services providers and partners. After a quarter of intense activity in the space, the second quarter of 2021 marked a significant decrease in deal numbers.

of M&A Deals in Microsoft Cloud Services



7MA has completed numerous M&A transactions for companies in the cloud space and has developed unparalleled deal expertise and knowledge of the industry trends, valuation trends, and most active strategic and financial buyers. Please contact Garth Martin, Iliia Ulianchuk, Robin Siegel, or Kevin Postigo if you would like to learn more about Cloud Services.

Sector Coverage Team



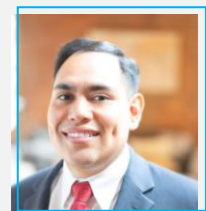
Garth Martin, *Vice President*
 garth.martin@7mileadvisors.com
 1.704.973.3997



Iliia Ulianchuk, *Senior Associate*
 ilia.ulianchuk@7mileadvisors.com
 1.704.414.8743



Robin Siegel, *Analyst*
 robin@7mileadvisors.com
 1.704.285.8173



Kevin Postigo, *Analyst*
 kevin@7mileadvisors.com
 1.704.912.4903

Thrive Acquires S7 Technology Group, Azure Partner



Thrive, a provider of premier Managed Services, announced its acquisition of S7 Technology Group. S7 Technology Group offers comprehensive end-to-end solutions and Azure Partner status. "Adding S7 and their talented management team to the Thrive family signals our continued commitment to enhance our financial services practice, particularly in New York. Thrive's Cyber Security and advanced Microsoft Digital Transformation solutions reinforce our mission to support the strategic technology needs of Private Equity firms with a unique blend of managed services, portfolio engagement services, and consulting to ensure security, compliance and performance," said Rob Stephenson, CEO of Thrive.

Date: Jul 14, 2021

Deal Type: LBO

Target HQ: USA

Core BTS Acquires Aptera Software, a Microsoft Solutions Provider



Core BTS, an IT and managed services provider, announced its acquisition of Aptera Software, a Fort Wayne, Indiana-based software development company, specializing in Microsoft solutions. The Aptera acquisition further advances the company's application development and modernization capabilities, particularly on Microsoft Azure, enhancing Core BTS' ability to meet the accelerating client demand for modern application solutions as part of holistic digital transformation. "We are thrilled to welcome the Aptera team to Core BTS and provide our clients with enhanced application development" said Paul Lidsky, CEO of Core BTS.

Date: June 23, 2021

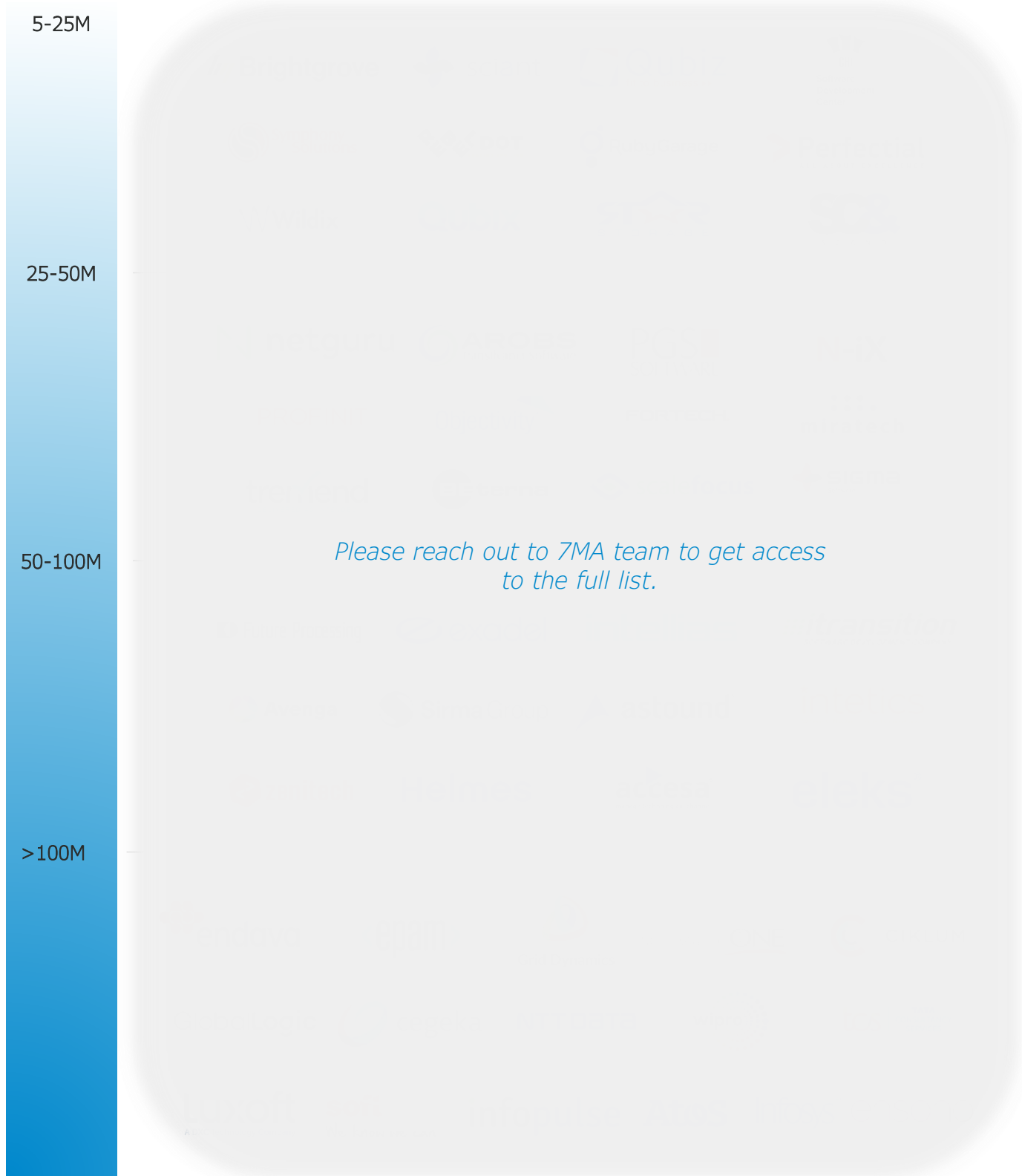
Deal Type: LBO

Target HQ: USA

What is Driving the Activity in the Space?



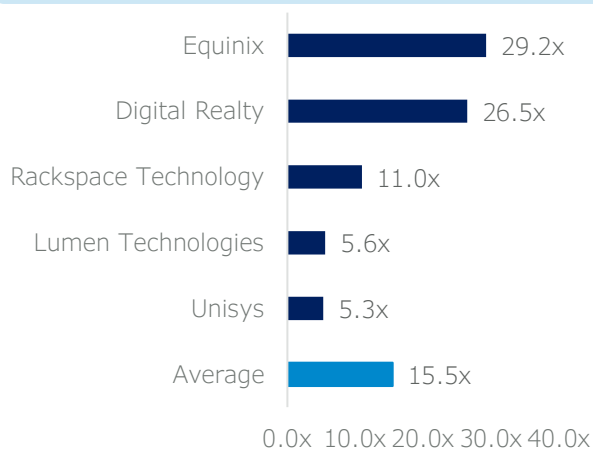
Annual Revenue, USD



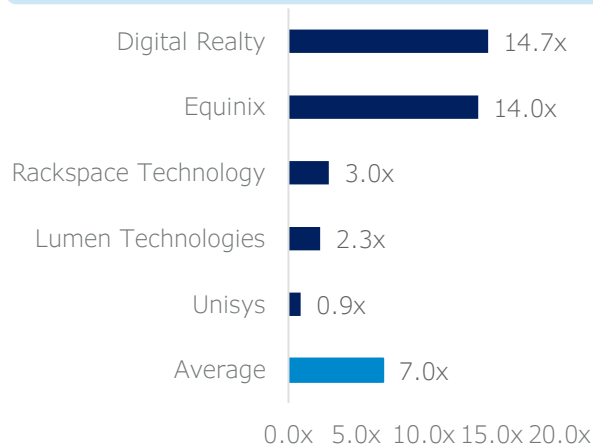
Publicly-traded Cloud Services Companies – Q2 2021

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
Unisys	1,814	342	2,021	-9%	25%	17%	0.9x	5.3x	41,168	4
Rackspace Technology	8,302	757	2,780	11%	35%	27%	3.0x	11.0x	7,139	116
Lumen Technologies	48,175	8,635	20,513	-3%	57%	42%	2.3x	5.6x	2,056	2,343
Digital Realty	61,390	2,320	4,171	22%	61%	56%	14.7x	26.5x	3,031	2,025
Equinix	86,005	2,942	6,150	8%	49%	48%	14.0x	29.2x	6,625	1,298
Average	41,137	2,999	7,127	6%	45%	38%	7.0x	15.5x	12,004	1,157
Median	48,175	2,320	4,171	8%	49%	42%	3.0x	11.0x	6,625	1,298

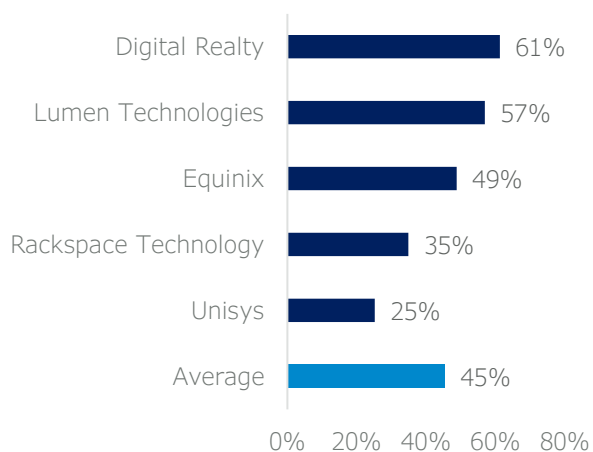
TEV / EBITDA X



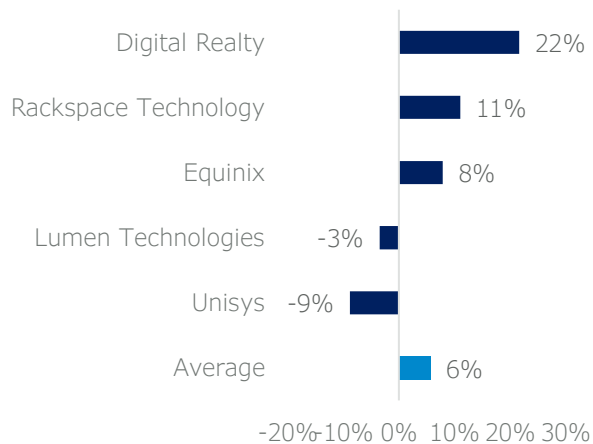
TEV / Rev X



Gross Margin %



Rev Growth YoY



Q2 2021 M&A Transactions

Date	Target	Buyer / Investor	Target Description
July-14, 2021			<ul style="list-style-type: none"> Thrive announced its acquisition of S7 Technology Group. S7 Technology Group, headquartered in Midtown Manhattan, is a value-driven technology firm that provides full-service IT solutions and ongoing support and managed services to financial institutions. Its Azure Partner status and focus on the Private Equity support industry provide a competitive advantage for financial firms seeking to maximize their technology return on investment.
July-9, 2021			<ul style="list-style-type: none"> Tech Mahindra has acquired Brainscale, a NJ-based cloud consulting firm. Founded in 2007, Brainscale provides cloud enablement, migration, analytics, and managed services, with an expertise in Microsoft Azure. Brainscale is a Microsoft Gold Partner for cloud platform, application development, and data analytics, as well as a Google Cloud Partner and an AWS Consulting Partner.
June-23, 2021			<ul style="list-style-type: none"> Core BTS announced its acquisition of Aptera Software, a Fort Wayne, Indiana-based software development company, specializing in Microsoft solutions. The Aptera acquisition further advances the company's application development and modernization capabilities, particularly on Microsoft Azure.
May-27, 2021			<ul style="list-style-type: none"> Gryphon Investors has acquired the ServiceNow division of Highmetric, a global digital IT services provider, from The Acacia Group ("Acacia"). Gryphon has also announced its first two additions to the Highmetric family, with definitive agreements to acquire Fishbone Analytics, Inc. and Iceberg Networks.
Apr-20, 2021			<p>Performanta announced the acquisition of Identity Experts. Identity Experts is a Microsoft Gold Security Partner and Identity & Access Management (IAM) specialist consultancy-based in the UK. The acquisition will allow Performanta to extend important security capabilities further across the Microsoft portfolio, including AzureAD, Sentinel, ATP, O365, and IAM.</p>
Apr-1, 2021			<ul style="list-style-type: none"> Bosworx, an IT-sharing cloud solutions, Microsoft public cloud solutions, analysis and IT scans and compliance scan services, was acquired by Avensus Nederland, via its financial sponsor Holland Capital.

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.



508 W. 5th Street,
Suites 140 & 225
Charlotte, NC 28202



+1 (704) 899-5960



www.7mileadvisors.com

Notable 7 Mile Transactions

7MA
centare
a portfolio company of **HADLEY**

RURAL SOURCING
a portfolio company of **BainCapital**
DOUBLE IMPACT

7MA
esc eSource Capital

Daxos

7MA
GRYPHON INVESTORS | **3Cloud**

PRAGMATIC WORKS

7MA
ZILKER TECHNOLOGY

EY

