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# Market Update

## Managed Service Providers

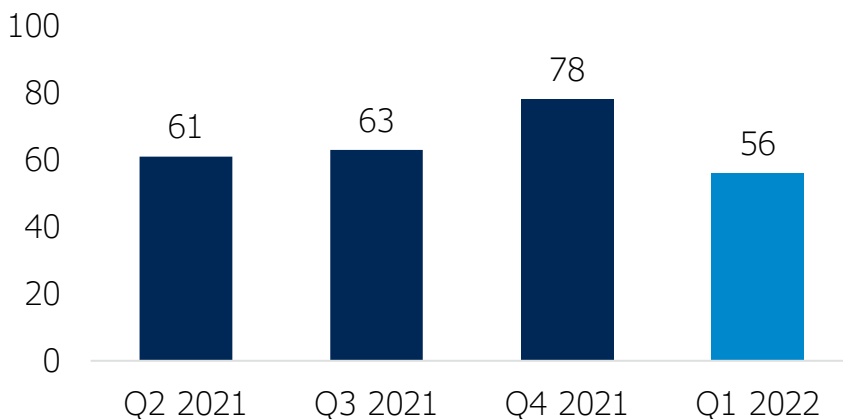
Managed Service Providers (MSPs) will remain attractive investments as buyers enjoy the nature of longer-term contracts with proven MRR. Coupled with the fact that MSPs have a customer-centric approach with a scalable land and expand model, 7MA sees M&A activity staying strong throughout 2022. Additionally, given the highly fragmented nature of the MSP space, M&A activity will continue to be abundant as sponsors and strategics look to increase scale and capture emerging technology market tailwinds to expand their geographic footprint.

According to MarketsandMarkets Research, the MSP market is expected to grow from \$242.9 billion to \$354.8 billion in 2026, with a 7.9% CAGR. Additionally, the MSSP (Managed Security Services Provider) market is expected to grow closer to 12-15% annually.

First-quarter 2022 recorded 56 deals - a 28% decrease compared with Q4 2021 most likely due to increased pressure to close Q4 2021 due to legislative discussion regarding tax increases. However, deal volumes and valuations remain high as:

- 1) Cloud adoption continues to grow - by 2023, 40% of all enterprise workloads will be employed in cloud infrastructure - Gartner
- 2) Companies implement advanced security measures to combat cyber terrorist
- 3) IT automation becomes the new normal in our data-driven society

# of MSP M&A deals - IT Services

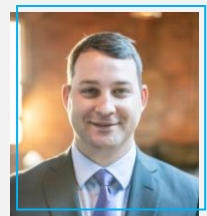


7MA has completed numerous M&A transactions in the MSP space and has developed unparalleled deal expertise and knowledge of the industry trends, valuation trends, and most active strategic and financial buyers. Please contact Tim Frye, Steve Buffington, or Tanner Lange if you would like to learn more about MSPs.

### Sector Coverage Team



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## 7MA Transaction – Xerox Acquired Powerland



Powerland, is a leading IT services provider in Canada. Powerland serves customers throughout Canada and provides a wide array of technology solutions and services including cloud, hybrid cloud, cyber security, and end-user computing solutions based on individual business needs. Powerland recently earned 2021 industry accolades including Nvidia Partner of the Year, Dell Marketing Partner of the Year North America, HPE Service Partner of the Year and Tech Data Circle of Excellence.

**Date:** Feb. 2022

**Deal Type:** M&A

**Target HQ:** Canada

## 7MA Transaction - Court Square Capital Acquired Thrive



Thrive is a leading provider of NextGen managed services designed to drive business outcomes through application enablement and optimization. The company's Thrive5 Methodology utilizes a unique combination of its Application Performance Platform and strategic services to ensure each business application takes advantage of technology that enables peak performance, scale, and the highest level of security.

**Date:** Jan. 2021

**Deal Type:** Majority Recap

**Target HQ:** USA

## 7MA Transaction - Pfingsten Acquired Omega Systems



Omega provides managed IT solutions, including cloud-based data hosting, incident management, cybersecurity, help desk support, storage, backup, disaster recovery, hosted infrastructure support, and network health monitoring. The Company also provides professional IT support services and hardware and software configuration. Omega serves small and medium sized businesses within financial services, insurance, manufacturing, healthcare, professional services, education, and local government industries. The Company brings enterprise-caliber IT solutions and support to organizations facing demanding data processing and compliance requirements.

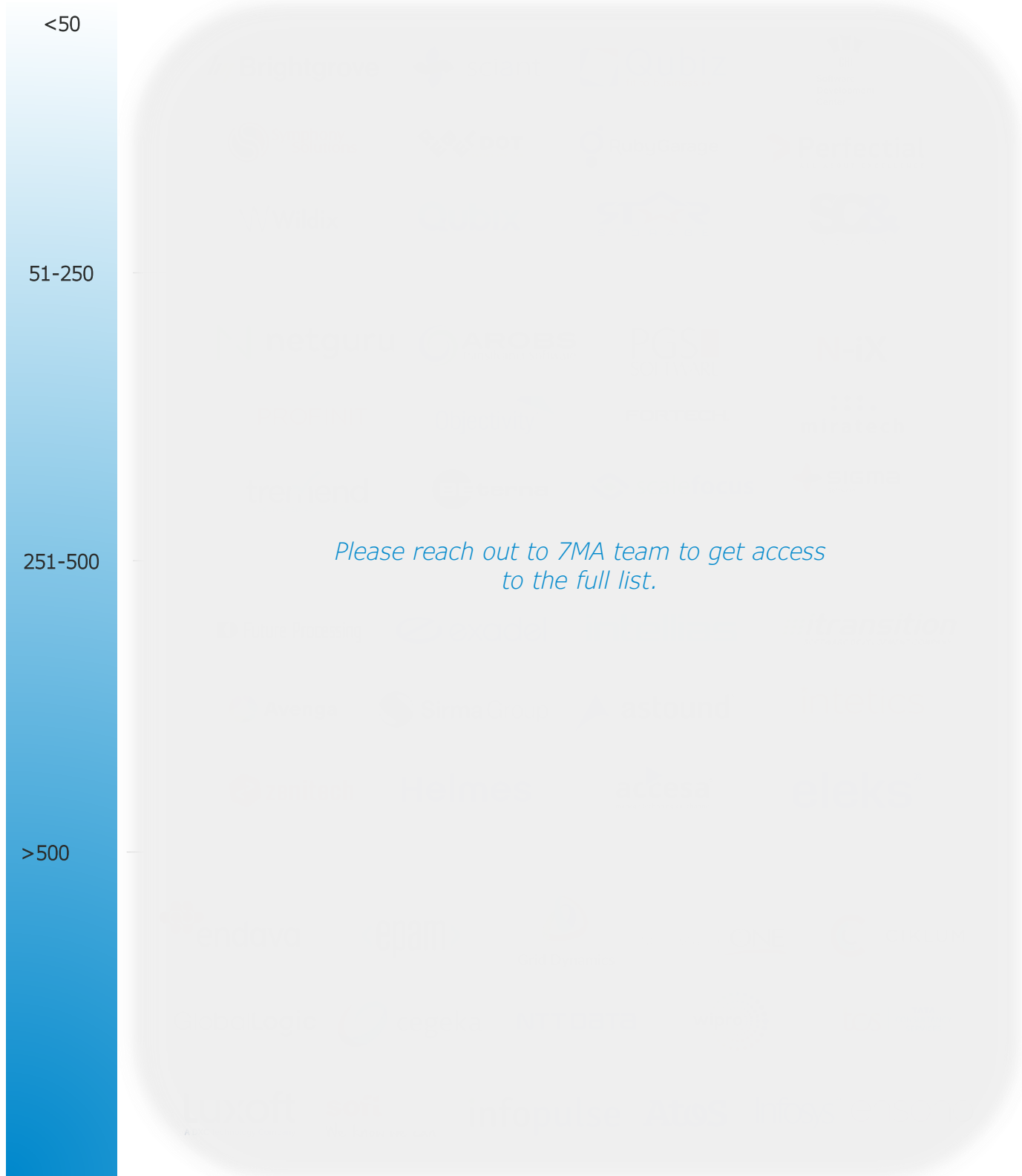
**Date:** Feb. 2021

**Deal Type:** M&A

**Target HQ:** USA

# Market Landscape

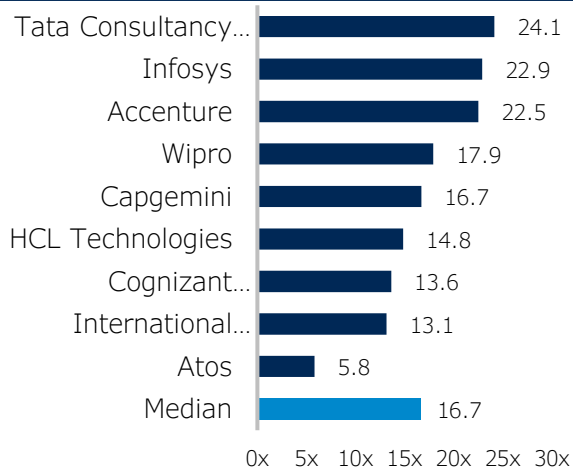
## # of Employees



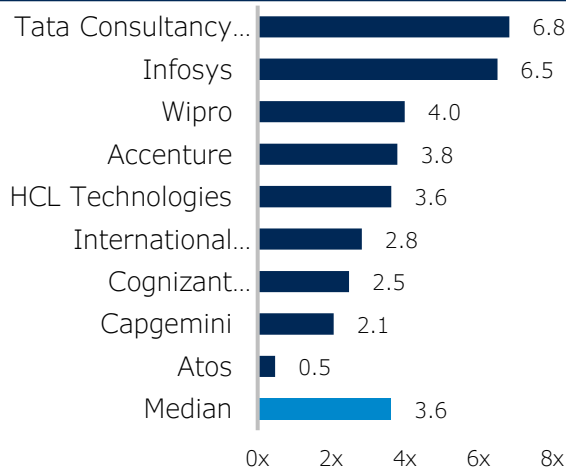
## Publicly-traded Managed Service Providers – Q1 2022

Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Accenture	198,276	9,064	53,736	20.1%	32.3%	16.9%	3.7x	21.9x	674,000	80
Tata Consultancy Services	167,316	7,086	25,003	15.2%	47.1%	28.3%	6.7x	23.6x	509,058	49
International Business Machines	160,973	12,357	57,351	3.9%	54.9%	21.5%	2.8x	13.0x	307,600	186
Infosys	98,801	4,256	15,644	19.0%	33.5%	27.2%	6.3x	22.2x	279,617	56
Cognizant Technology Solutions	45,171	3,380	18,507	11.1%	37.3%	18.3%	2.4x	13.4x	330,600	56
Capgemini	40,175	2,503	20,239	15.5%	26.3%	12.4%	2.0x	16.0x	289,501	70
HCL Technologies	39,646	2,737	11,184	11.3%	43.3%	24.5%	3.5x	14.5x	197,777	57
Wipro	39,378	2,250	10,073	21.3%	30.5%	22.3%	3.9x	17.5x	220,000	46
Atos	5,932	-2,397	12,815	-3.1%	32.3%	-18.7%	0.5x	#N/A	105,000	122
<b>Average</b>	<b>88,408</b>	<b>4,582</b>	<b>24,950</b>	<b>12.7%</b>	<b>37.5%</b>	<b>17.0%</b>	<b>3.5x</b>	<b>17.8x</b>	<b>323,684</b>	<b>80</b>
<b>Median</b>	<b>45,171</b>	<b>3,380</b>	<b>18,507</b>	<b>15.2%</b>	<b>33.5%</b>	<b>21.5%</b>	<b>3.5x</b>	<b>16.8x</b>	<b>289,501</b>	<b>57</b>

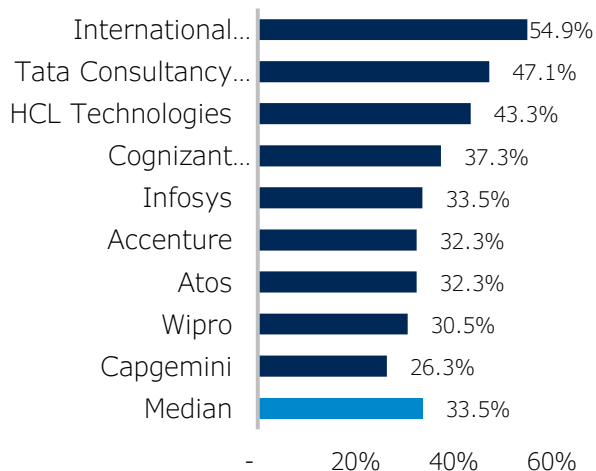
### TEV / EBITDA X



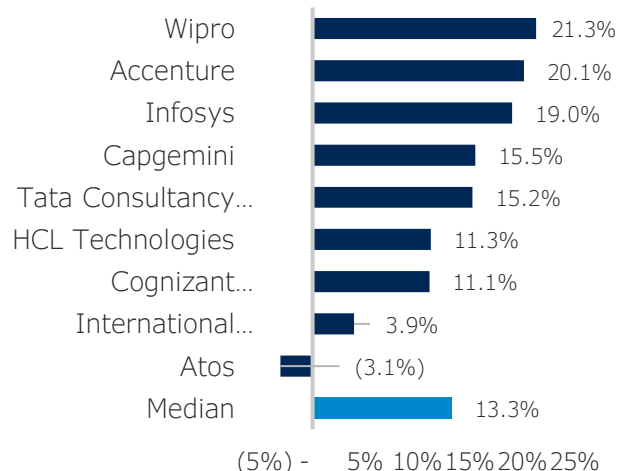
### TEV / Rev X



### Gross Margin %



### Rev Growth YoY



Q1 2022 M&A Transactions

Date	Target	Buyer / Investor	Target Description
March 2022			<ul style="list-style-type: none"> <li>• <b>SouthTech</b>, a managed technology solutions leader on the Florida West Coast. For almost three decades, SouthTech has provided award-winning IT support to over 275 companies in southwest Florida. The Company offers a complete suite of tailored IT solutions, including managed services, Cloud and hosting solutions, backup and disaster recovery services, unified communications, compliance auditing, and data security.</li> </ul>
February 2022			<ul style="list-style-type: none"> <li>• <b>Preemo</b>, a responsive, award-winning technology services firm based in Miami, FL. Preemo has been providing top-quality IT services and proactive, innovative solutions to South Florida companies for nearly a decade, currently serving more than 200 businesses across a multitude of different industries but specializing in the legal and private equity spaces.</li> </ul>
January 2022	 Straosphere Network MSP Division		<ul style="list-style-type: none"> <li>• <b>Stratosphere Networks</b> is an IT managed service provider focused on delivering comprehensive technology services and solutions that meet and exceed the always-changing, diverse business needs for all types of industries.</li> </ul>
January 2022			<ul style="list-style-type: none"> <li>• <b>GDT</b> is a leading multi-vendor IT solutions provider ("ITSP") with a services-driven approach serving blue chip enterprises and government agencies across the globe. Founded in 1996, the Company offers its customers comprehensive solutions, including professional services, managed services, and the design, architecture and resale of OEM hardware, software, and maintenance.</li> </ul>

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](http://www.7mileadvisors.com).



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## Notable 7 Mile Transactions

Omega Systems  
PARTNERED WITH  
Pfingsten Partners  
PFINGSTEN

3Cloud, A Gryphon Investors  
Portfolio Company  
ACQUIRED  
Pragmatic Works  
PRAGMATIC  
WORKS

SOURCE  
SUPPORT  
Source Support Services  
ACQUIRED BY  
Capitala  
Capitala

Court Square Capital  
RECAPITALIZED  
Thrive  
THRIVE

Blue Chip  
Blue Chip Consulting Group  
ACQUIRED BY  
Core BTS  
A Tailwind Capital Portfolio Company  
CORE  
BTS INC

POWERLAND  
Powerland  
ACQUIRED BY  
Xerox  
XEROX

