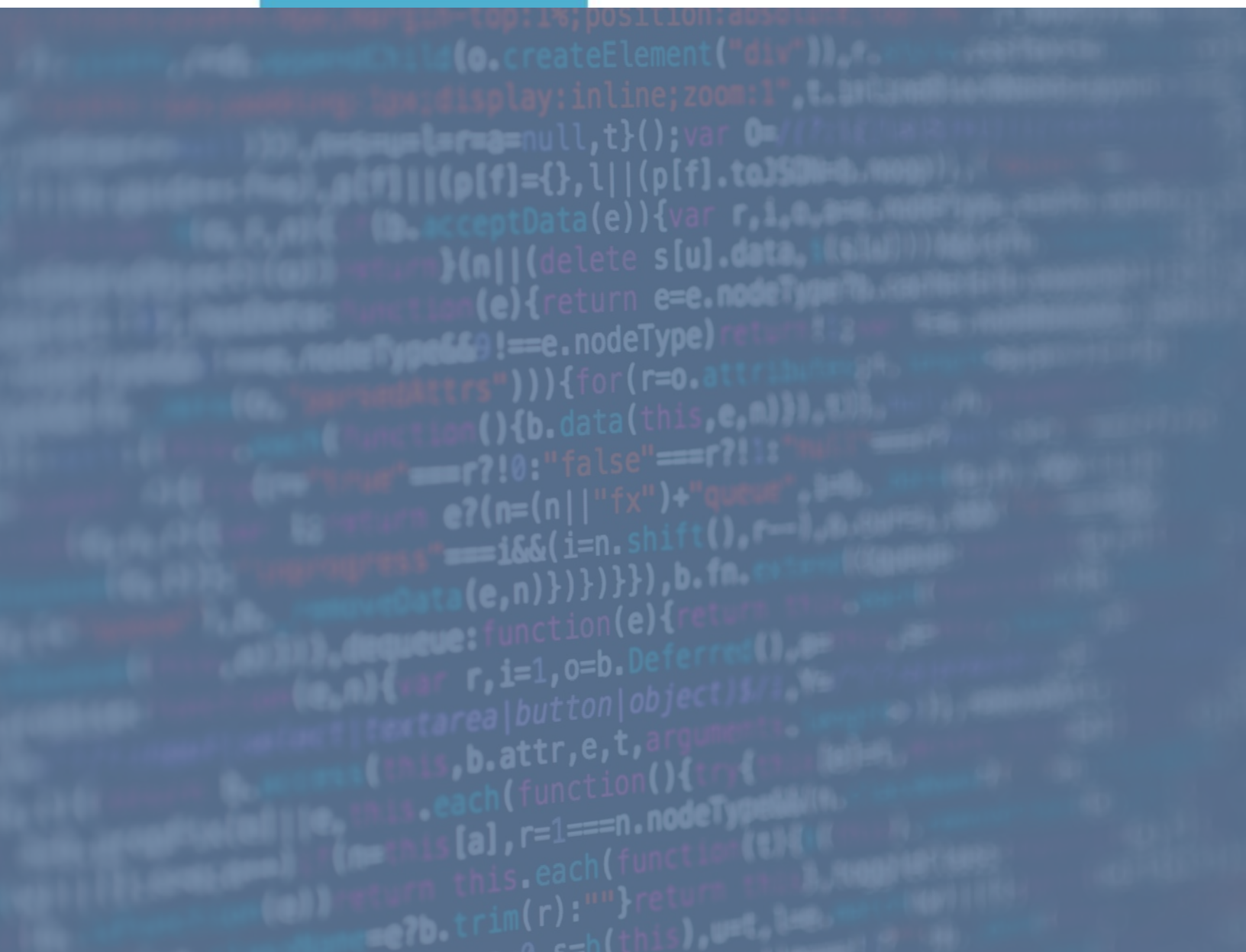


M&A Update June 2020

# Information Technology



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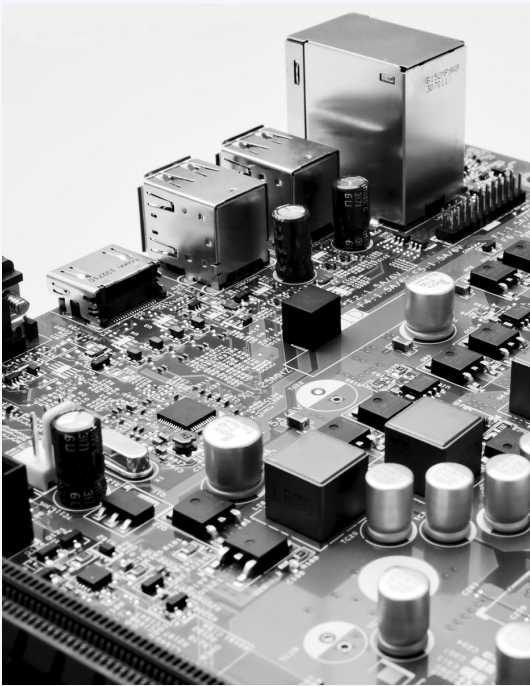
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# Summary

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## The Information Technology Sector Will Continue To Offer Lucrative Investments



### Decade of Growth Will Continue

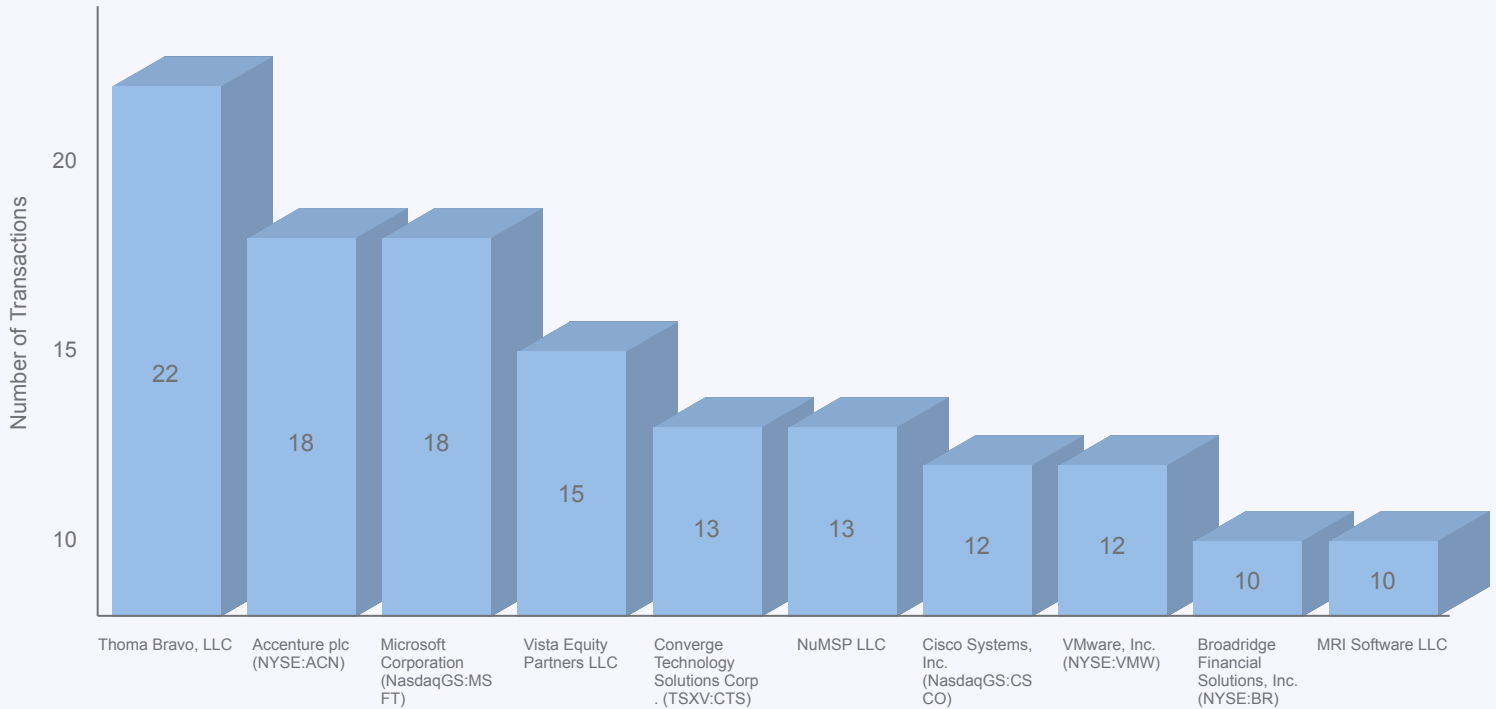
The information technology sector has seen a growing interest in the last decade, as many investors understand that advancements in technology will influence the way that business is done in the future. Investors seeking extraordinary returns and inorganic growth through M&A have looked towards the information technology sector for lucrative investments, as multiples are trading at a premium. Also, favorable tax reform has led to the IT sector more than doubling the share it occupies within the global M&A market. It is expected that these trends will continue for years to come.

### New Technologies Are Being Adopted Amid COVID-19

Responses to the coronavirus pandemic will accelerate technological innovation significantly in the future of data information, and Artificial Intelligence. Cloud infrastructure is being tested with public health professionals harnessing massive datasets to fight the pandemic and with increased traffic as more people are working from home. COVID-19 is also accelerating the use and development of AI, as it is finally being employed where it can gain high visibility. AI is being used to interpret chest X-rays and to enhance nurses' skills of treating COVID-19, along with helping to track the spread and predict when communities may see a rise in cases. Businesses that can scale their cloud-based services and Artificial Intelligence to meet this extensive demand can help save lives, along with building a positive brand image.

# TOTAL TRANSACTIONS BY COMPANY: 2017-2020

Most Active Investors by Number of Transactions



## Thoma Bravo Investment

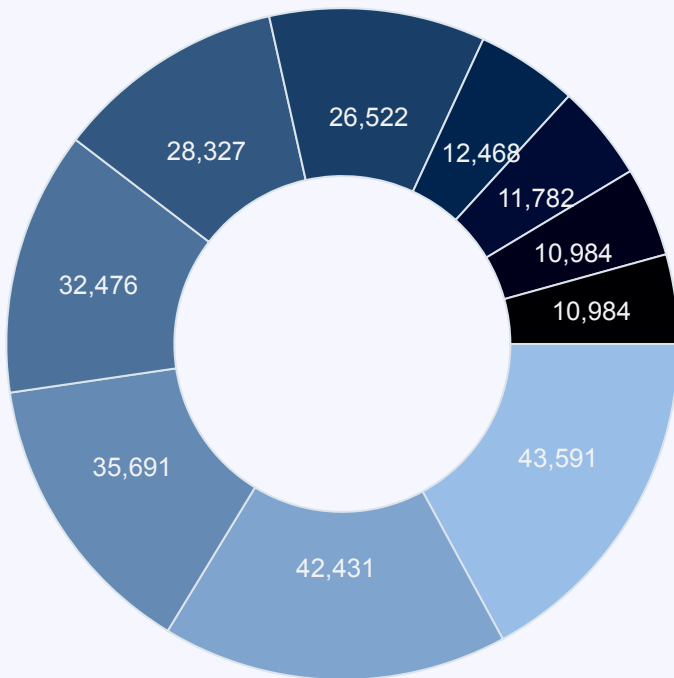
Thoma Bravo, a private equity firm that specializes in IT, has been the most active investor in this space from 2017-2020. They have been acquiring application and system software companies that leverage cloud-based technology. They believe that the cloud is the future of information technology given developments in data infrastructure. It is also more efficient since it allows customers to use the latest software releases all the time.

## Investments In Artificial Intelligence

Accenture plc provides consulting, technology, and outsourcing services worldwide. They have primarily been investing in companies that focus on IT consulting services to enhance their efficiencies and business results. Many of the companies they have acquired specialize in AI and big data technologies, and Accenture is helping scale these operations to an industrial level. These acquisitions ensure the right capabilities are in place to meet existing, as well as emerging, client needs with speed and scale.

# TOTAL TRANSACTION VALUE BY COMPANY: 2017-2020

**Most Active Investors by Transaction Size**  
Values in Millions (\$)



Fidelity National Information Services, Inc. (NYSE:FIS)	43,591
Fiserv, Inc. (NasdaqGS:FISV)	42,431
International Business Machines Corporation (NYSE:IBM)	35,691
Broadcom Inc. (NasdaqGS:AVGO)	32,476
Global Payments Inc. (NYSE:GPN)	28,327
salesforce.com, inc. (NYSE:CRM)	26,522
Qatar Investment Authority	12,468
Thoma Bravo, LLC	11,782
The Blackstone Group Inc. (NYSE:BX)	10,984
Canada Pension Plan Investment Board	10,984

## Fidelity Acquiring Payment Processor

Fidelity National Information Services had the largest transaction value from 2017-2020. They acquired Worldpay for just under \$35 billion with the aim of offering best-in-class enterprise banking, payments, capital markets, and global e-commerce capabilities. This deal is the latest in a wave of consolidation in the financial software and payments technology sectors. Firms in these sectors are trying to increase their size and scope to compete with newcomers seeking to disrupt the way merchants are being paid.

## New Financial Technology Leader

Fiserv, Inc. provides financial services and technology worldwide. They acquired First Data, a payment processing company that provides merchants with point-of-sale hardware. This creates a world-leading payment and financial technology provider, which will advance their value proposition for clients. This mega deal is expected to lead to \$900 million in cost savings and \$500 million in revenue synergies over a five-year period.

# Impacts of COVID-19

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## Next Generation Technology In High Demand With COVID-19

### Software Companies Thrive In Struggling Market

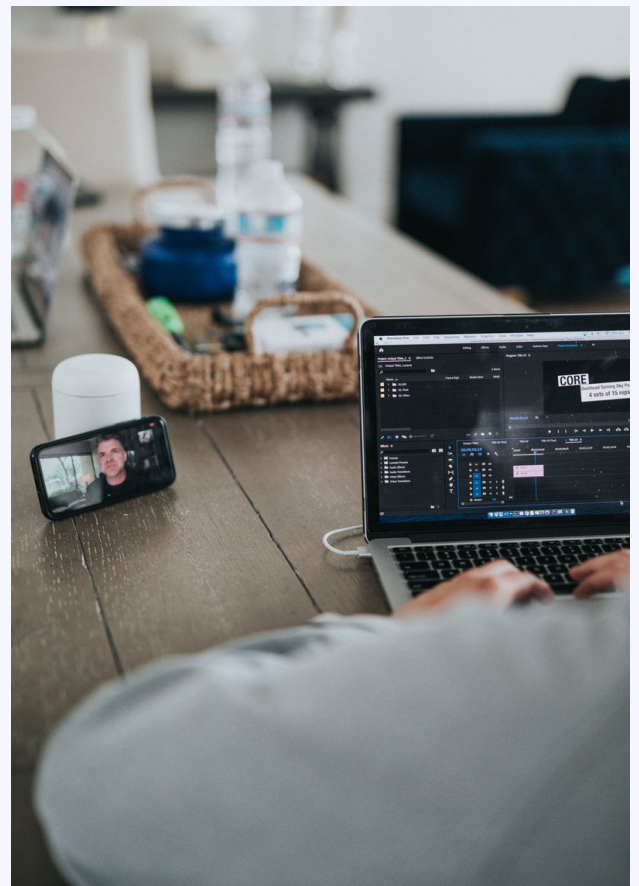
Software firms are driving the performance of the technology sector during the pandemic. Companies that include application, SAAS, and home entertainment software have been the largest beneficiaries of the stay-at-home orders. This is because businesses have needed to adapt and develop work-from-home infrastructure. This has resulted in an increased demand for all types of software, and these companies will continue to prosper in these markets.

### Artificial Intelligence and COVID-19

AI is being used in the fight against COVID-19, as it is helping doctors treat patients, along with helping track the spread of the virus. Mount Sinai Health System in New York City is using AI-based personalized learning platforms to enhance the skills of nurses treating COVID-19 patients. Other hospitals are using AI to interpret chest X-rays to reduce the COVID-19 induced burden on healthcare infrastructure. The increased usage of Artificial Intelligence may result in a quicker adoption of these technologies once COVID-19 has passed. Investors that are in this space are expecting significant returns in the coming years.

### Long-Term Impact of COVID-19

IT companies have had to rapidly increase spending on resources like hardware and software to manage the new demands, which puts pressure on company servers, cloud services, virtual private networks (VPNs) and computer resources. This spending has developed the infrastructure for employees to work from home, and many companies will take advantage of this in the future. Employees who work from home will require higher levels of IT and cyber security to keep them productive and safe at home. If remote work is here to stay, which many business leaders believe will be the case, IT and cyber security will see an increased demand for the foreseeable future.



# Valuations

Over \$600 Billion of Deals Closed: 2017-2020

## Continuing A Decade of Growth

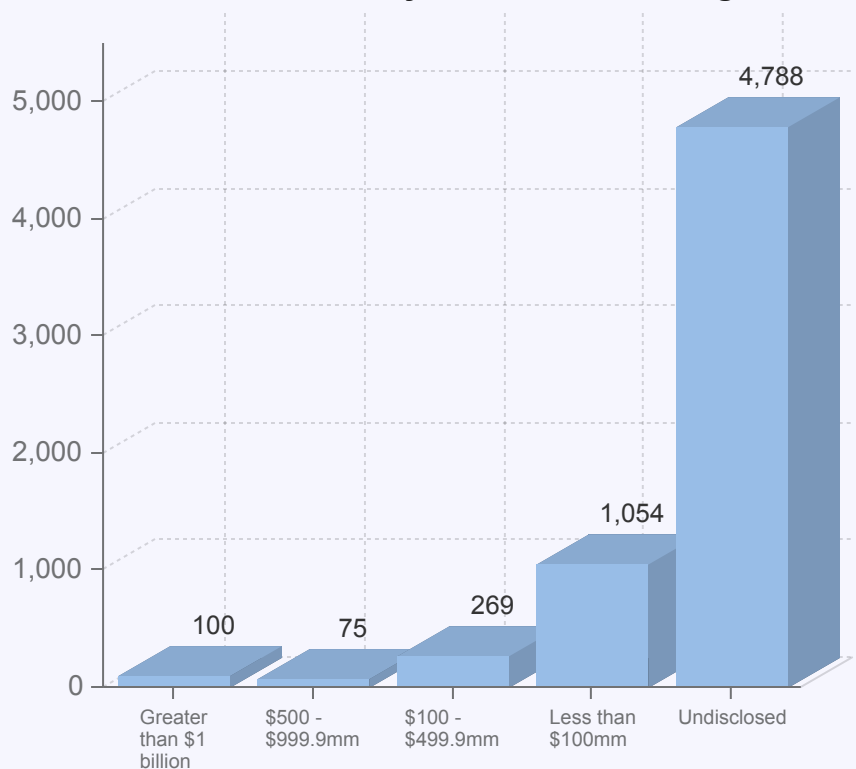
Valuations of private lower middle market IT companies have been at a premium over the last three years. The average Total Enterprise Value (TEV)/EBITDA reached over 10x, and the average TEV/Revenue was just under 2x. Valuations for technology businesses are expected to remain relatively high, driven by the influx of new investors into the space while the overall supply levels will remain relatively constant. Tech companies that received the highest valuations had the following attributes: consistent delivery on key growth metrics, above-average margins, and above-average business-relevant KPIs. It is expected that these valuation will remain high, as IT will has become an integral part of most businesses.

Average Deal Value (Millions of \$)	162.08
Average TEV/Revenue	1.91
Average TEV/EBITDA	10.52

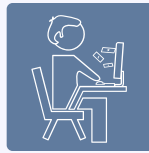
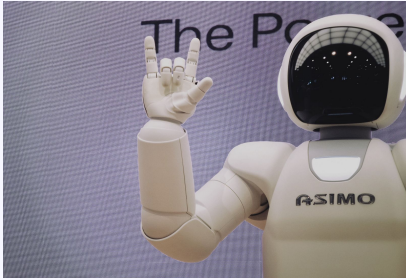
## Cloud-Based Lower Middle Market

In the past three years, \$1 billion in valuations in the cloud technology sector have brought more attention to lower middle market technology companies. There has been a growing number of M&A deals and investments from firms in this space. As an example, Palo Alto Networks, a cloud-based cyber security leader, acquired Aporeto Inc, a machine identity-based microsegmentation company. This deal will further strengthen the company's cloud security capabilities and continue their commitment to helping customers secure their migrations to the cloud.

## Number of Deals by Transaction Range



# Conclusion



## Increased Remote Work

With stay at home orders, firms are having to invest heavily in work from home infrastructure like IT and other forms of technology. This demand is putting a strain on technology companies that offer software and cloud-based services. Businesses that are able to respond to this increased demand will see higher returns in the coming years, as the remote work culture will continue even after COVID-19 passes.



## Decade of Growth Will Continue

Many investors look towards the IT sector for lucrative investments, as multiples are trading at a premium and there has been favorable tax reform. This is because there has been an influx of new investors into the space while the number of companies in the M&A market has remained relatively constant. Technology has been integral to the development of society and investments in this space will continue into the future.



## Growing Investments In AI

As Artificial Intelligence is seeing an increased usage to help manage coronavirus, many investors are starting to understand the potential of AI. If AI can become an important tool for society to address coronavirus, there may be an uptick in investments in this space.



## Senior Management Team



Jim Audette is a founding partner and President of ASA Ventures. He has broad experience in building high performance companies as a C-level executive and strategist. In addition, his experience includes M&A, debt and equity financings, and corporate restructurings, in a wide range of industries including technology, consumer products, promotional products, healthcare, manufacturing, energy and industrials.

[jaudette@asaventuresgroup.com](mailto:jaudette@asaventuresgroup.com)



John Allen is a Managing Director, founding partner of ASA Ventures and is a CPA. He brings over 30 years of direct P&L and general management experience. His diverse background includes a unique combination of operations, financial and sales management, which has enabled him to lead companies to dramatic increases in revenue and profitability. He has served as President, General Manager, and Chief Financial Officer. He has an extensive sales background, has closed numerous transactions in the technology sector, as well as, integrating acquisitions.

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Bill Schloth is a Managing Director and founding partner of ASA Ventures. Bill has significant experience in mergers and acquisitions. He has worked on transactions in many sectors including renewable energy, cloud computing, data analysis, construction and manufacturing. These transactions have ranged in enterprise value from \$5 million to \$200 million. His focus has always been on exceeding client expectations through detail-oriented due diligence, transparency and thorough marketing efforts.

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# ASA Ventures Group

## Investment Banking for Private Companies: We Make a Market to Sell Your Company

### Trusted Advisors

Trust is one of the most important assets your business has—the trust of your customers, your stakeholders and your partners. As the financial advisor to leading middle market companies worldwide, we know exactly how valuable that trust can be when it comes to navigating strategic and financial alternatives both at home and abroad. We've been providing clients with straightforward, insightful and candid advice for over 25 years. As a leading, mid-market, investment bank, we draw on our deep industry expertise, comprehensive financial advisory and capital markets capabilities, and extensive transaction experience to generate the highest exit value for our clients.

### Why Us?

For 25 years our team has been dedicated to providing merger and acquisition representation for business owners who wish to sell their companies.

ASA clients are typically companies with EBITDA up to \$25 million and enterprise values of \$3 million to \$250 million. ASA is focused on clients in the manufacturing, distribution, industrial, construction, technology and service sectors. Our emphasis is on industry leaders, niche markets, efficient operations and recurring revenue.

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