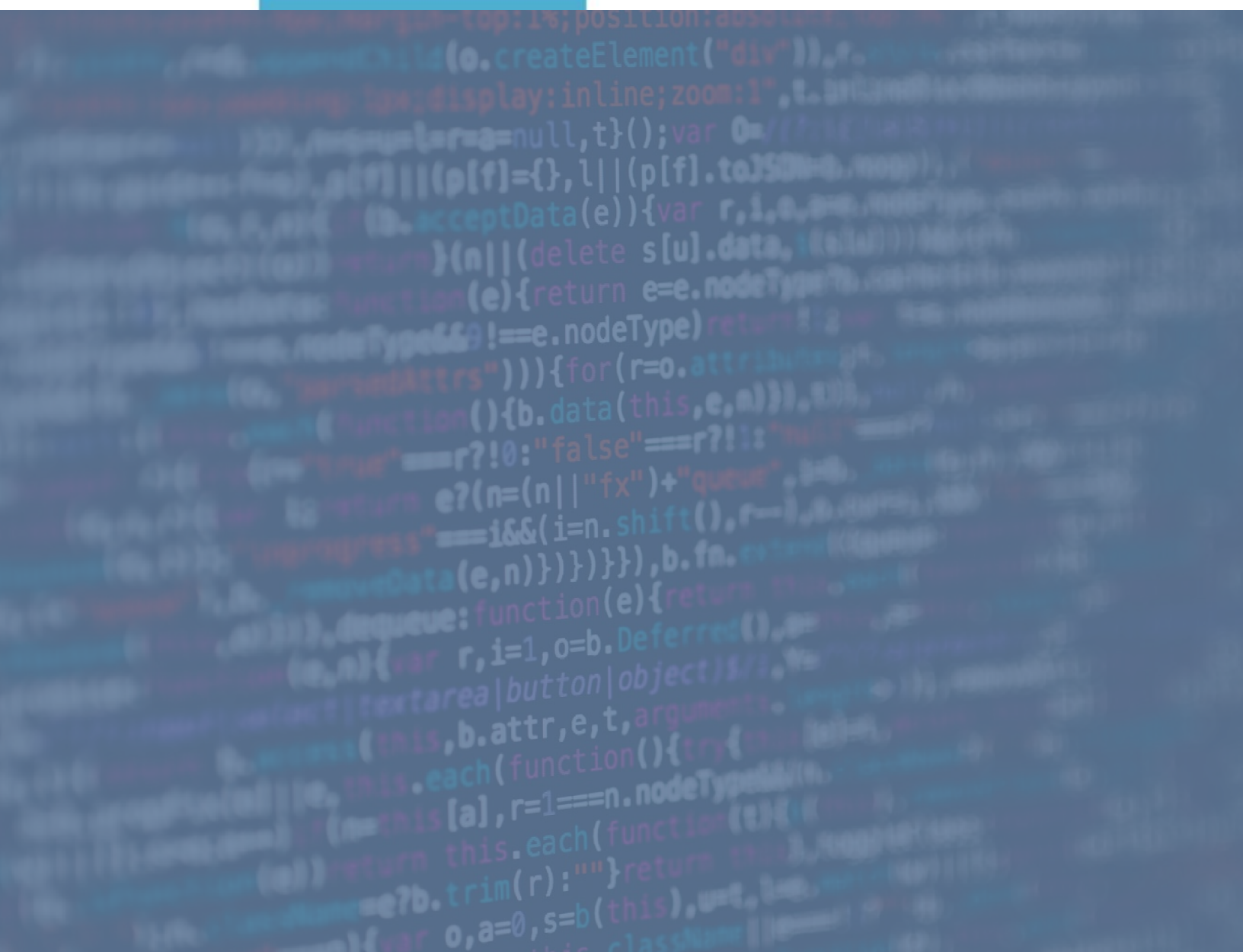




ASA Ventures Group

M&A Update June 2021-June 2022

# Information Technology



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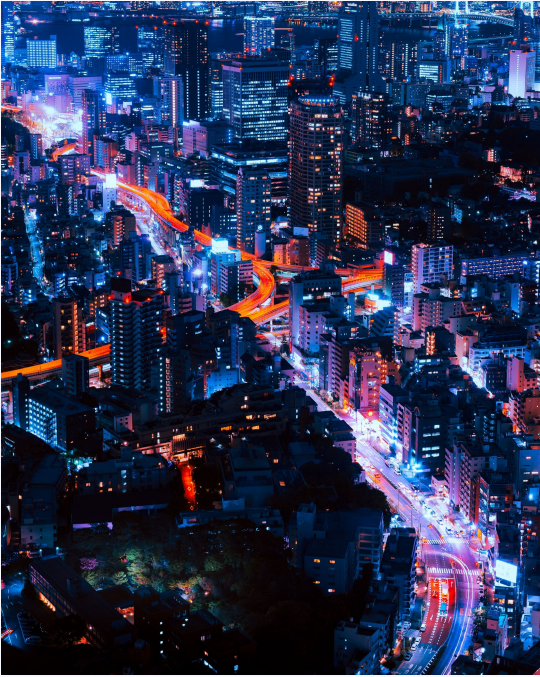
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# Summary

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The Information Technology industry will continue to be the heart of the economy

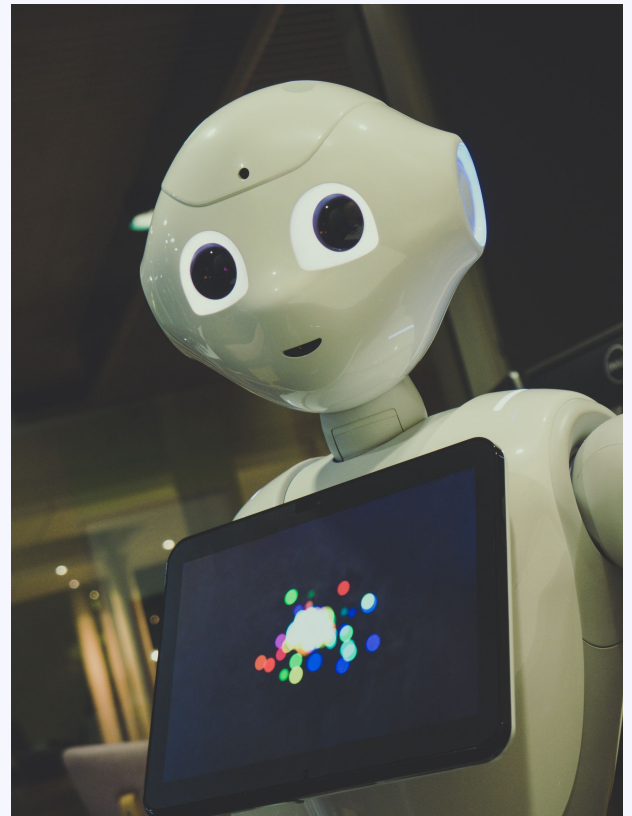


## A Booming Industry

The Information Technology world never stands still. Since the COVID-19 pandemic, the IT industry has been evolving at an incredible rate. Companies know they must accelerate the transition to digital business and remote jobs, and they are seeking more efficient digital routes to connect with customers. Artificial intelligence, blockchain, and cybersecurity are among the many emerging technologies that are leading the digital age. As the Information Technology industry continues to grow, more and more companies will be looking to expand in this area because of the enormous amount of potential.

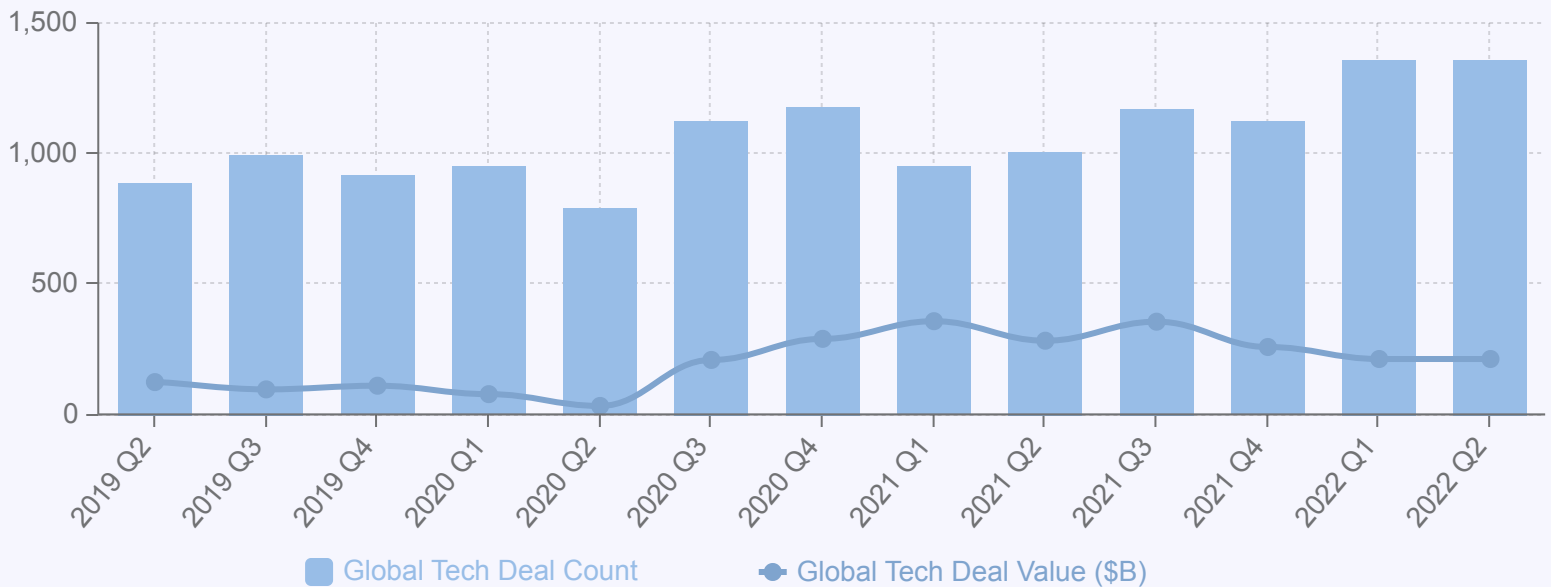
## Tech Values Dive, While Volumes Hit Record

After record M&A activity in 2021, investors experienced some whiplash in the first quarter when equity values fell, and acquisition values plummeted to the lowest totals since Q2 of 2020. While 2021 saw \$1 trillion in deals, acquirers agreed to only \$216 billion in Q1 of 2022, versus \$360.9 billion in transactions in Q1 of 2021. Though the values came down, momentum of delay was just as powerful as records from previous quarters. There were 1,362 technology M&A transactions announced in Q1 of 2022, which is more than any quarter in over a decade. Activity is due to increase at a greater rate as investors use the drop in valuations as a buying opportunity in the current discounted market.



# Total Transactions: 2021-2022

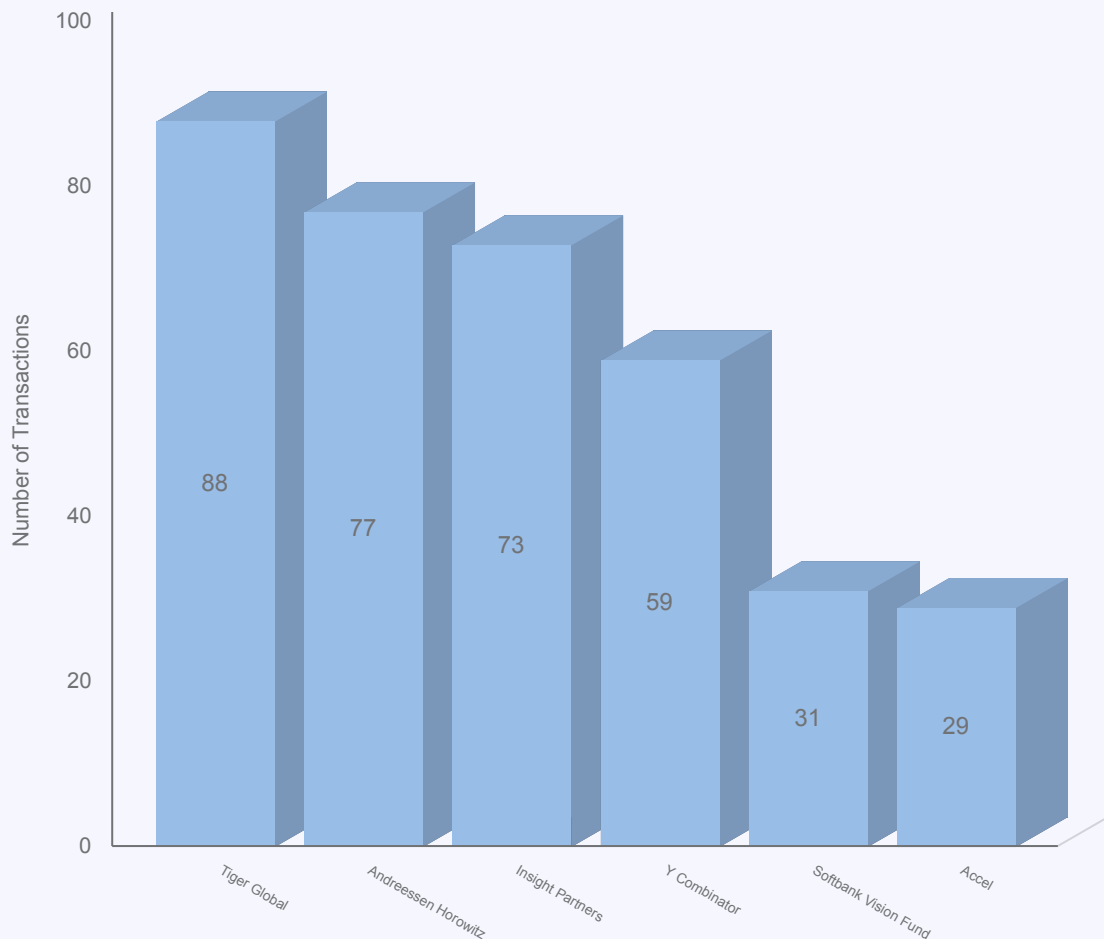
## Global Tech M&A Overview



## The Rise of Andreessen Horowitz and Tiger Global

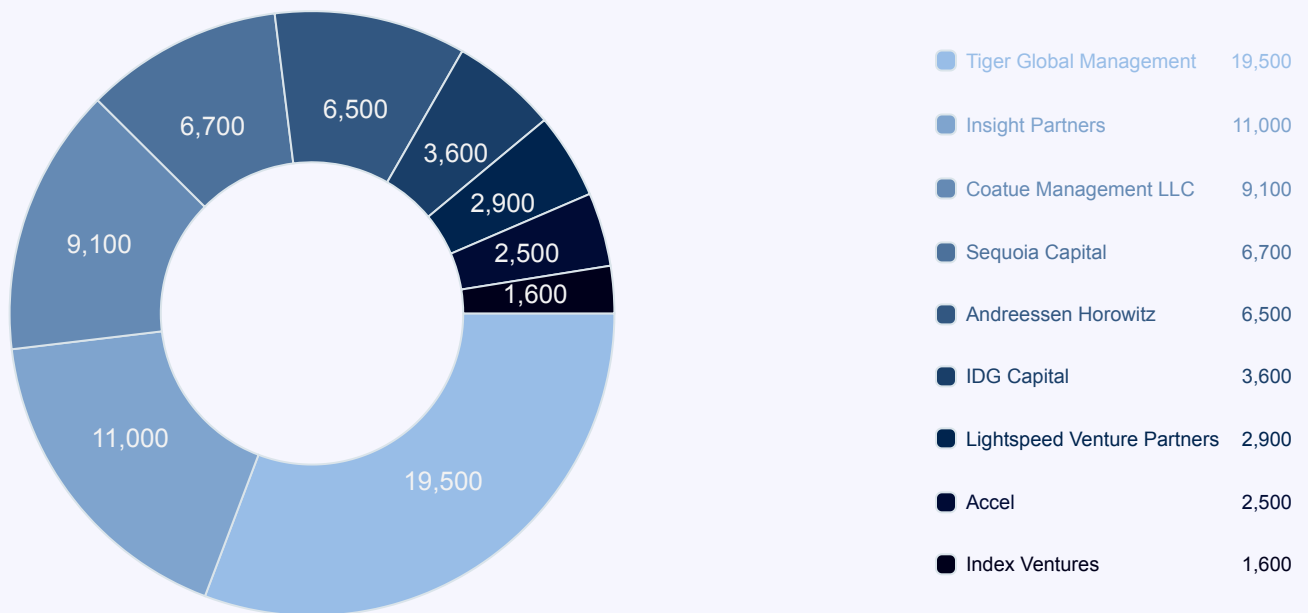
Andreessen Horowitz and Tiger Global came out on top as the most active investors in U.S.-based startups from 2021-2022. This year, Anderson Horowitz zeroed in on placing early investments on the blockchain and crypto companies shaping our current financial system. The first invested \$25 million dollars into Coinbase in 2013, a time at which crypto was still a budding industry. Tiger Global also backed Coinbase, investing \$300 million in 2018. Though they were later to the game, when Coinbase went public in 2021, Tiger had about a 10% stake in the company, and even continued to add to the shares following the IPO. Coinbase is now considered the largest U.S. cryptocurrency exchange, and is valued at \$11.35B.

## Most Active Investors by Number of Transactions (U.S 2021-2022)



# TOTAL TRANSACTION VALUE BY COMPANY: 2021-2022

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



## Dominating Investors

While there was no dramatic pullback, deal counts and lead round tallies reveal that funding activity peaked in Q4 of 2021 and has been declining in 2022. Investment firms such as Tiger Global and Insight Partners that have been at the top of the ranks as the largest and most active startup investors continue to dominate. In Q1 of 2022, both Tiger Global and Insight partners are way ahead of their fellow investors, and are two of several firms that have really been stepping up early stage investment activity in the past few quarters.

## Insight Partners Acquires Datto

In April of 2022, Kaseya, owned by Insight Partners, acquired Datto from Vista Equity Partners. This \$6.2 billion deal, with a share price of \$35.50, created a massive MSP technology provider that is considerably larger than its rivals. The acquisition of Datto will strengthen Kaseya's IT Complete platform with an improved lineup of best-in-class solutions to help enhance MSP productivity and profitability. Kaseya plans to build on what Datto has already created so that MSPs can gain maximum value at an affordable price.



# Moving on From COVID-19

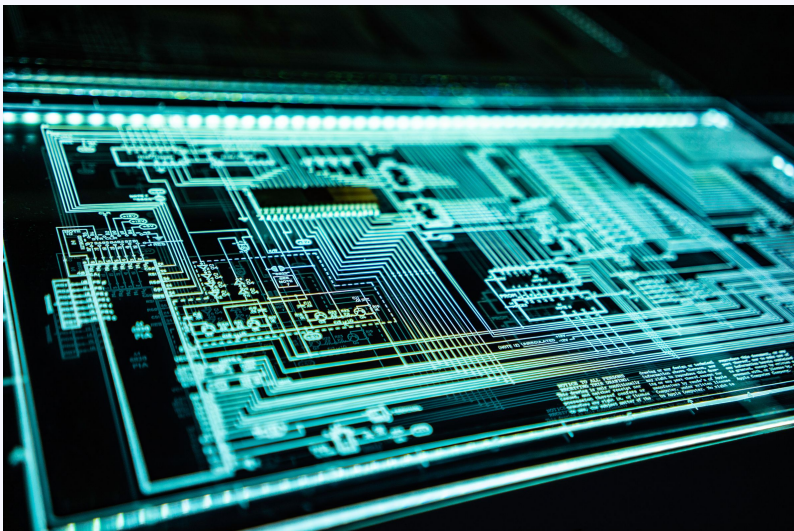
The transition from a year of recovery to a year of acceleration and innovation

## Technology Leads Global Economic Growth

The IT industry has experienced some extraordinary growth over the past two years, and it doesn't seem to be slowing down anytime soon. Companies are once again making plans to dive into emerging technologies or to accelerate digital transformation programs. Investment firms are welcoming the shift to new business models to guarantee both continued industry relevance, competitive distinctness, and innovation in the years to come. Global spending in the IT industry is forecasted to reach \$4.4 trillion in 2022, a 4% increase from 2021. These investments are expected to grow 5.5% to more than \$4.67 trillion through 2023.

## High Demand for Cybersecurity

With the majority of people in 2022 working either entirely remote or in a hybrid setting, most sectors have experienced some form of digitalization, integrating technologies such as artificial intelligence and cloud computing into their day-to-day business. Companies switching to remote operations have an increasing need for protection to combat hackers and cybercriminals. By developing a comprehensive cybersecurity strategy, businesses can avoid devastating financial losses and data breaches. In Q1 of 2022, cybersecurity was the technology with the highest number of respondents expressing increased positive sentiment, a trend that will continue throughout 2022. Cybercriminals are constantly inventing highly advanced ways to commit malicious activities on digital networks, so companies will have an increasing need to hire skilled professionals to create sophisticated systems to resist their attacks.



## Other Key Players in IT

2022 will see the implementation of practical AI on a much larger scale. It will be integrated into software, gaining tangible benefits such as improved customer satisfaction, fewer production obstacles, streamlined processes, and increased revenues. Blockchain technology has also been growing in popularity due to its ability to offer security for things such as supply chain management, making falsifications basically impossible at all of its stages.

# Valuations

Nearly \$400 Billion  
of Disclosed Deal  
Value: June 2021-  
June 2022

Average Deal Value (Millions of \$)	132.2
Average TEV/Revenue	2.8
Average TEV/EBITDA	10.3

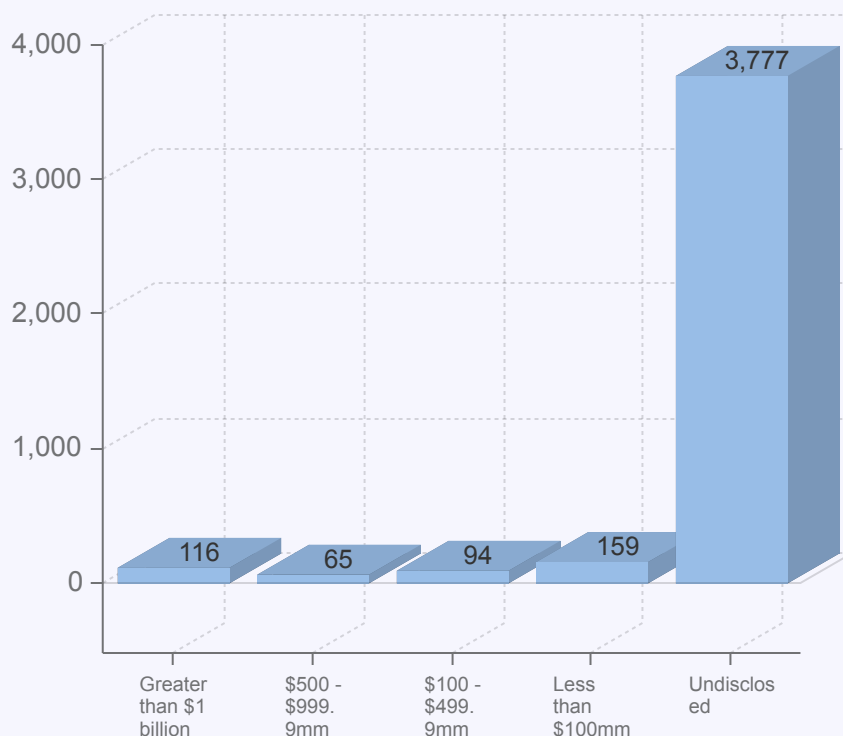
## Growth for Tech Companies Continues

Though the beginning of 2022 saw valuations for tech companies plummet, the numbers are beginning to level off halfway through the year. The data in the table shown to the left is for all transactions announced in the U.S. from June 2021 to June 2022. The average Total Enterprise Value (TEV)/EBITDA reached over 10x, and the average TEV/Revenue was just under 3x. Valuations for information technology businesses are expected to plateau, and then may gradually decrease over the next few years.

## Megadeals Buoy Tech M&A Totals

The tech M&A megadeals of 2022 are setting records, coming in higher than those announced in 2021. The rate of transactions in 2022 is expected to match or exceed 2021's record pace. Up until May, 2,272 industry transactions were signed for 2022, totaling \$386.95 billion. In comparison, the full year of 2021 saw 4,321 deals signed for an aggregate value of \$790.94 billion. The fact that megadeals in 2022 are exceeding megadeals announced in 2021 suggests that record months of 2022 are mostly dependent upon singular massive deal values.

Number of Tech M&A Deals by Transaction Range



# Conclusion

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## Remote Work is Here to Stay

With almost 70% of the global population vaccinated, the world has recovered from the COVID-19 pandemic remarkably fast. Though lockdown orders have been lifted for quite some time now, and the global economy is making an incredible comeback, 25% of all U.S. jobs will remain online throughout 2022. Remote work will persist because the experience of it has been better than expected, and because workers and firms have invested a lot of time and money into improving it further.



## Increased Need for Cybersecurity

Companies that do not adopt a zero-trust approach will be more likely to fall victim to a cyberattack in 2022. A zero-trust approach includes assuming that any entity trying to gain access is untrustworthy until its identity is verified. The main form of cyberattack that will be seen in 2022 is double extortion, and companies that deal with large amounts of user data or handle networks that operate crucial national infrastructure will be most at risk. As long as we have hackers, cybersecurity will continue to be a trending technology because it will constantly evolve to defend against those hackers.



## The IT Industry Will Continue to Grow

When the pandemic began two years ago, it hurled many organizations into the future, and rapidly expedited digital transformation. As of April 2022, there were 5 billion internet users worldwide, which is 63% of the global population. It is predicted that there will be 6 billion internet users by the end of 2022, 75% of the projected world population of 8 billion. To enable the next wave of growth, technology companies should double down on advancing technologies such as AI, blockchain data, edge computing, and cybersecurity.



# Senior Management Team



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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.



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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.

# 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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