

# IT Services M&A Recap

Q1 2022

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## THE LATEST IN CLOUD TRENDS

Cloud computing was well established pre-pandemic, but it came further into the spotlight as work went virtual and businesses adapted to the global pandemic. A lot of businesses accelerated their cloud journey to support new ways of working and build in new systems and practices for the future. As the post-pandemic world begins to take shape, new trends in cloud usage are beginning to emerge.

### Hybrid cloud offering continues to expand

As opposed to having to decide between “private” or “public” cloud alternatives, companies are increasingly looking to hybrid cloud solutions for a “best of both worlds” approach. Sensitive or mission-critical data is kept on private servers where data can be processed using entity-specific applications with monitored access.

Less sensitive information and data that needs quick and frequent access can be kept on public servers. The hybrid approach allows applications and components to interoperate across boundaries, between cloud instances and even between architectures. This trend has led to 80% of companies using a hybrid cloud approach. Today, all the major cloud providers are expanding their rollout of the “hybrid” models that adopt the best of public and private cloud offerings.

### Growing multi-cloud adoption strategy

The multi-cloud model helps companies choose different cloud offerings – public, private, hybrid, on-premises and edge – that are best suited to their specific business needs. As most organizations are moving ahead in their cloud adoption journey, the multi-cloud model allows companies to prioritize their needs and be less dependent on a single cloud solutions provider and instead take advantage of the growing parity among the various cloud vendors.

In some cases, companies are being advised by their customers that they want their solutions hosted by one provider over another. In the future, more organizations will need to develop entirely cloud-native applications with almost no architectural dependence on any specific cloud vendor.

<sup>1</sup> State of the Cloud Report, Flexera, [info.flexera.com](https://info.flexera.com), 2022.

### Cloud security in a hybrid work environment

As the COVID-19 pandemic has increased the already growing level of cloud adoption, this has also created new opportunities for threat actors. With a hybrid work environment increasingly becoming commonplace, many organizations have cloud security on their minds, and as a result, spending across cloud security services is expected to substantially rise in 2022.

Cybersecurity mesh offers a flexible solution that uses composable architecture to integrate across the various security services. With the use of analytics combined with “meshed” controls around ID verification, policy and information/event visibility, this will allow organizations to bring cloud services under their “zero trust architecture” and employ adaptive access control.

### Cloud savings will become a priority

Cloud usage has continued to grow at a dramatic pace as more organizations move their workloads onto the cloud. The decentralized model of consumption has raised costs significantly. Wasted cloud spend is a major issue and becomes more critical as cloud costs continue to rise. Optimizing usage of existing cloud offerings will be the top initiative for many organizations.

Innovative third-party solutions that can support organizations in getting increased insight into their cloud needs and provide them with a unified management of costs will be able to capitalize in this environment.



# Select transactions in Q1 2022\*

**\*Mar 29, 2022:** Sangoma Technologies Corporation (TSX: STC; NASDAQ: SANG) acquired **NetFortris Corporation**, a provider of unified-communications-as-a-service and cloud-based, fully managed MSP (managed service provider) solutions for businesses of all sizes and across all industries, for a transaction value of \$80 million.\* The acquisition represents an enterprise value of 1.6x expected annualized revenues.

*\*Includes earn-outs of \$12 million*

**\*Mar 28, 2022:** Converge Technology Solutions Corp. (TSX:CTS; FSE:OZB; OTCQX:CTSDF) announced the acquisition of **Interdynamix Systems**, a systems integrator focused on business, engineering and innovation, for a transaction value of \$25.7 million.\*

*\*CAD 32.3 million*

**Mar 21, 2022:** Akamai Technologies, Inc. (NASDAQ: AKAM) acquired **Linode, LLC**, a provider of cloud-based services through its infrastructure-as-a-service platform, for a transaction value of \$900 million.

**\*Mar 16, 2022:** Calian Group Ltd. (TSX: CGY) acquired assets of **Computex Technology Solutions**, a provider of IT solutions, managed services and managed security services, for a transaction value of \$30 million.

**\*Mar 16, 2022:** Tinkerine Studios Ltd. (TSX-V: TTD) announced a business combination agreement with **Electrum Charging Solutions Inc.**, an electrical vehicle charging solutions company that offers end-to-end electrical infrastructure to corporations, governments, utilities, developers, OEM manufacturers and residential users, for a transaction value of \$32 million.

**\*Mar 15, 2022:** Zebra Technologies (NASDAQ: ZBRA) announced the acquisition of **Matrox Electronic Systems Ltd.**, a developer of advanced machine vision components and systems, offering platform-independent software, software development kits, smart cameras, 3D sensors, vision controllers, input/output cards and frame grabbers, for a transaction value of \$875 million. The acquisition represents an enterprise value of 8.8x revenues.

**Mar 07, 2022:** Limelight Networks, Inc. (NASDAQ: LLNW) announced the acquisition of **Edgecast, Inc.**, a provider of edge security, content delivery and video services, for a transaction value of \$371.5 million.\* The acquisition represents an enterprise value of 1.0x revenues.

*\*Includes earn-out payments of up to \$100 million*

**Mar 03, 2022:** DataBank Holdings, Ltd. acquired four existing data centers from **CyrusOne**, comprising more than 300,000 square feet of raised-floor data center capacity in Houston, Texas, for a transaction value of \$670 million.

**Mar 01, 2022:** Shift4 (NYSE: FOUR) announced the acquisition of **Finaro**, formerly known as Credorax Bank Ltd., a global cross-border payment provider and online merchant bank, for a transaction value of \$575 million.

**Feb 24, 2022:** Delwinds Insurance Acquisition Corp. (NYSE: DWIN) announced a business combination agreement with **FOXO Technologies Inc.**, a provider of saliva-based epigenetic biomarker underwriting technology and consumer engagement services to the global life insurance industry, for a transaction value of \$300 million.\* The forward revenue multiple is 2.5x.

*\*Includes earn-out payments of up to \$100 million*

**Feb 22, 2022:** Verisk Analytics, Inc. (NasdaqGS: VRSK) acquired **Infutor Data Solutions, LLC**, a provider of data-driven consumer identity management and identity resolutions, for a transaction value of \$223.5 million.

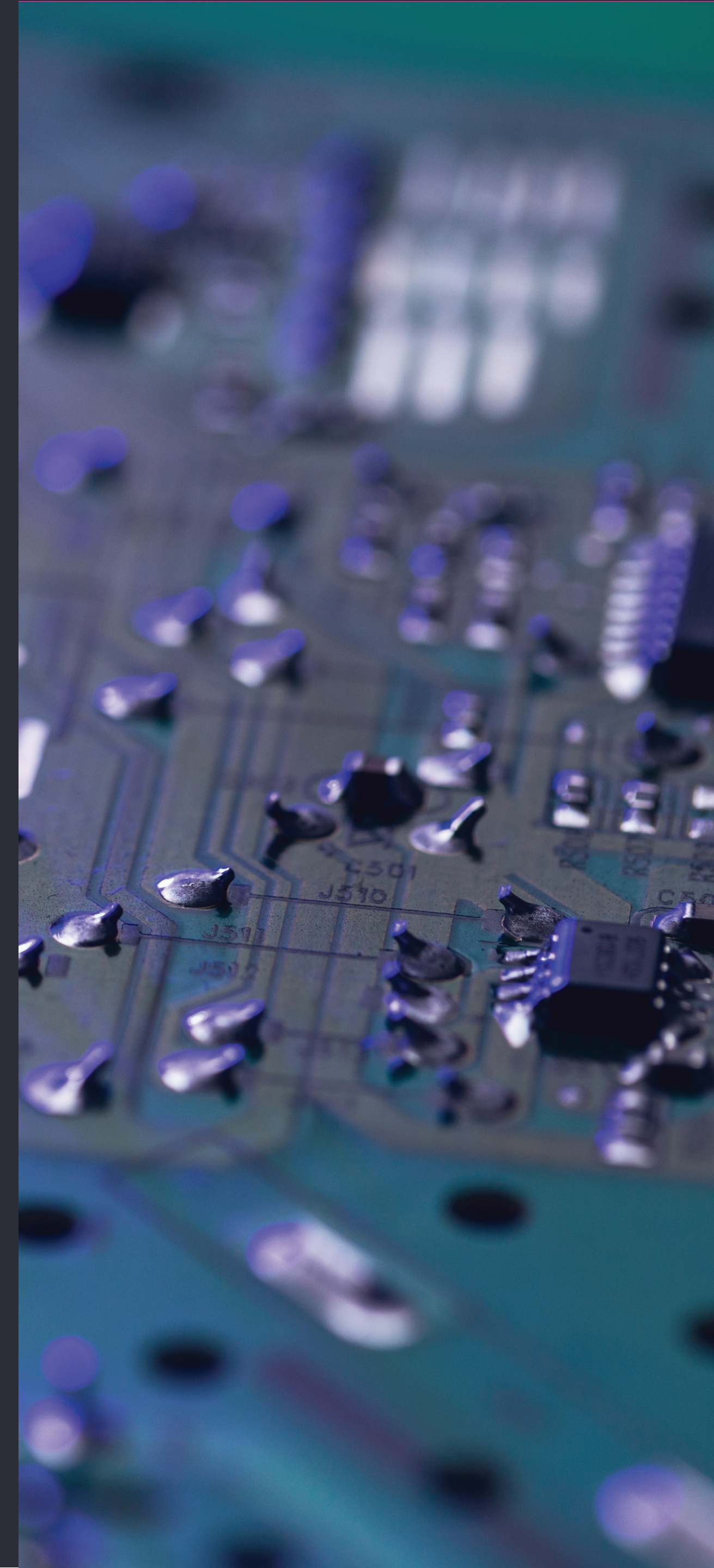
**\*Feb 10, 2022:** TELUS Corporation (TSX: T) acquired **Fully Managed Inc.**, a provider of managed IT services, technology strategy and network management, for a transaction value of \$137 million.

**\*Feb 08, 2022:** DPCM Capital, Inc. (NYSE: XPOA) announced the acquisition of **D-Wave Systems Inc.**, a provider of quantum computing systems, software and services, for a transaction value of \$1.2 billion.

*\*Deals indicated are Canadian deals*

*All currencies are in US\$*

*Sources: Press release, investor presentations, mergermarket and capitalIQ*







**\*Feb 01, 2022:** Alithya Group inc. (TSX: ALYA) acquired **Vitalyst, LLC**, a provider of transformative change enablement via the on-demand, subscription-based Adaptive Learning proprietary platform, for a transaction value of \$50.2 million. The acquisition represents an enterprise value of 1.9x revenues and 5.0x adjusted EBITDA.

**\*Jan 31, 2022:** Hut 8 Mining Corp. (NASDAQ: HUT) acquired the Cloud and Colocation data center business from **TeraGo Inc.**, a provider of information technology that includes a complete selection of scalable cloud services, for a transaction value of \$24 million.

**Jan 26, 2022:** CACI International Inc (NYSE: CACI) acquired **ID Technologies, LLC**, an enterprise IT, infrastructure-as-a-service, and network modernization provider with NSA-compliant commercial solutions for classified technology, for a transaction value of \$225 million.

**Jan 25, 2022:** Cloud Capital acquired the asset of COPT DC-6, the Wholesale Data Center reporting segment of **Corporate Office Properties Trust**, for a transaction value of \$222.5 million.

**\*Jan 10, 2022:** Converge Technology Solutions Corp. (TSX: CTS) acquired **Paragon Development Systems, Inc.**, a provider of IT solutions ranging from cloud and security to servers and infrastructure to healthcare, public sector and corporate, for a transaction value of \$52 million. The acquisition represents an enterprise value of 0.3x revenues and 5.8x adjusted EBITDA.

**Jan 07, 2022:** Cerberus Cyber Sentinel Corporation (OTC: CISO) acquired **True Digital Security, Inc.**, a provider of managed compliance and cybersecurity solutions, for a transaction value of \$170.7 million.

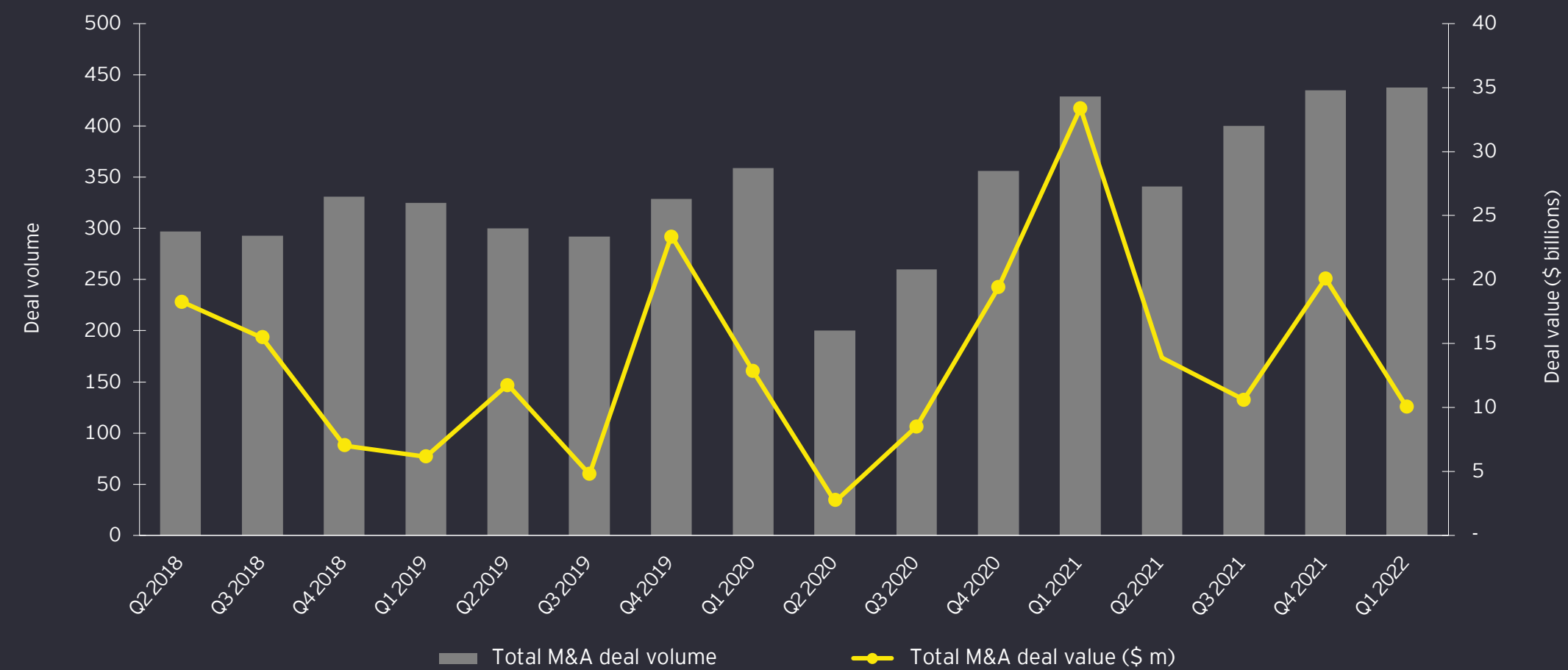
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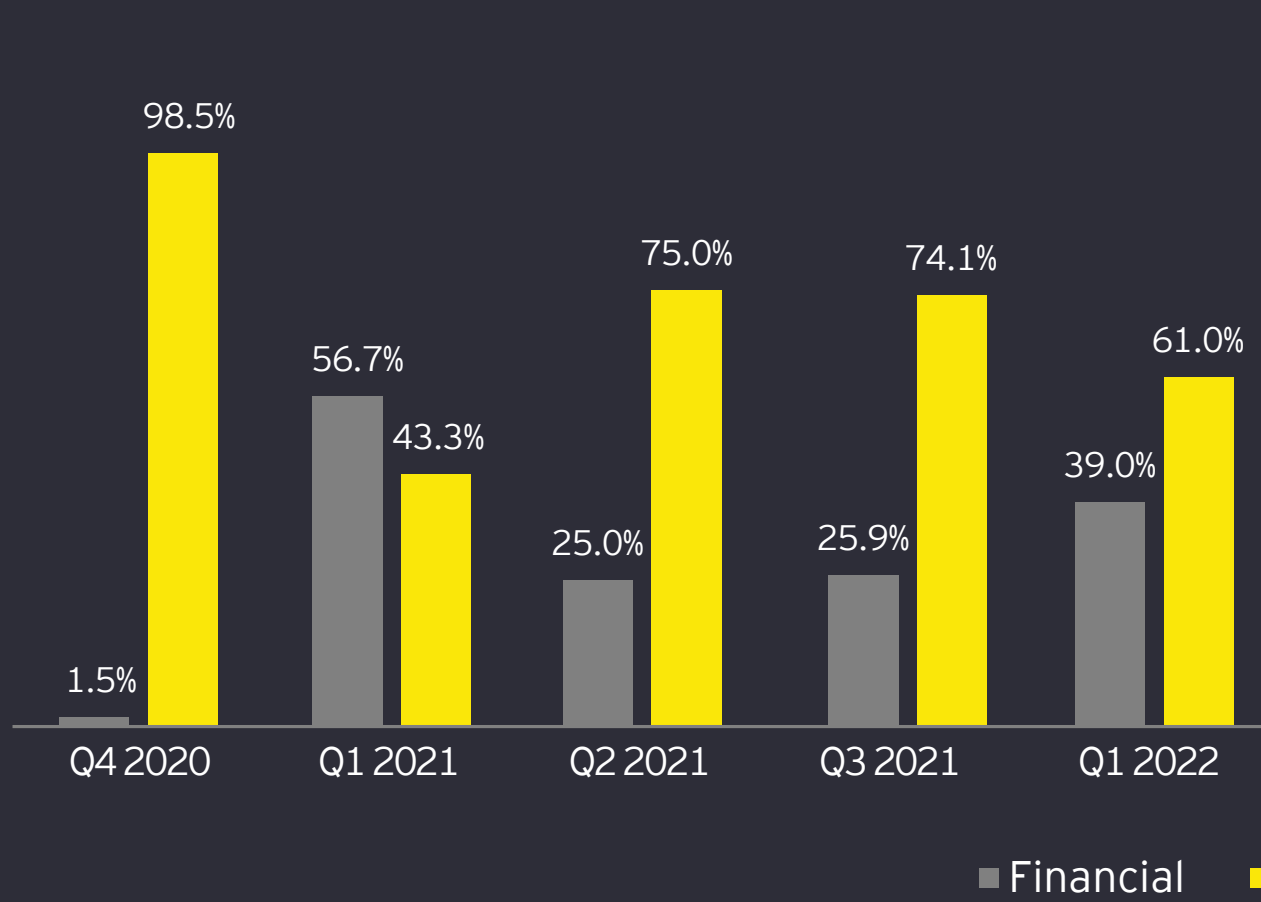


# Historical M&A activity

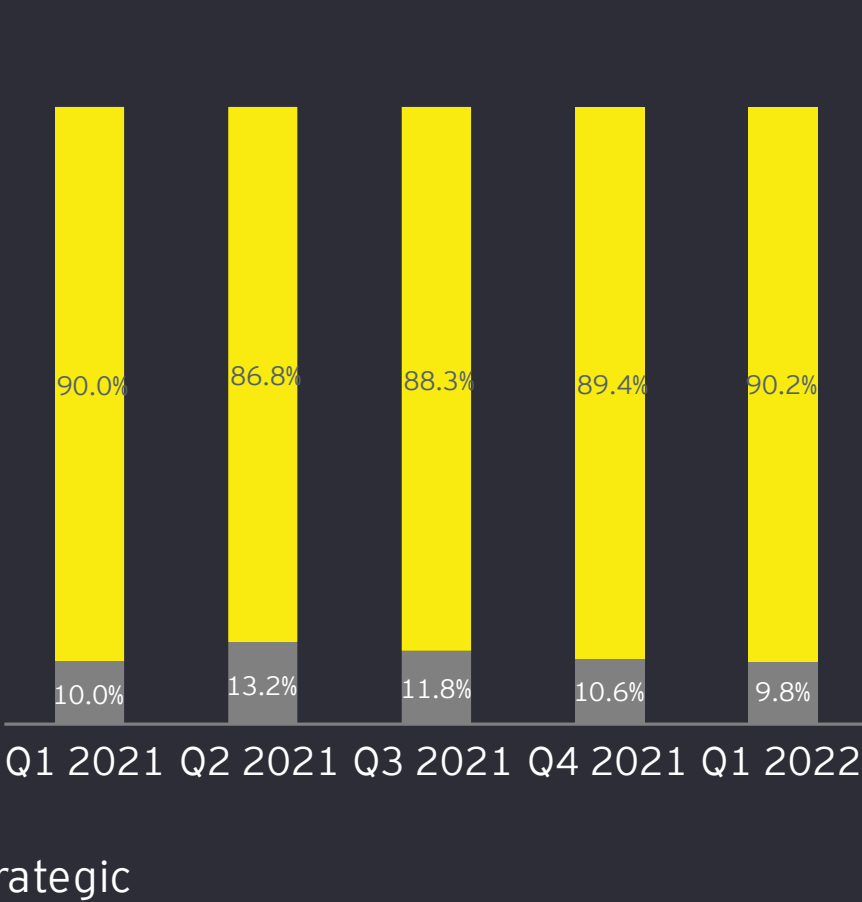
Deal volumes remain relatively stable, with deal values slipping significantly compared to Q1 2021 levels.



Deal value by type of acquirer



Deal Volume by type of acquirer



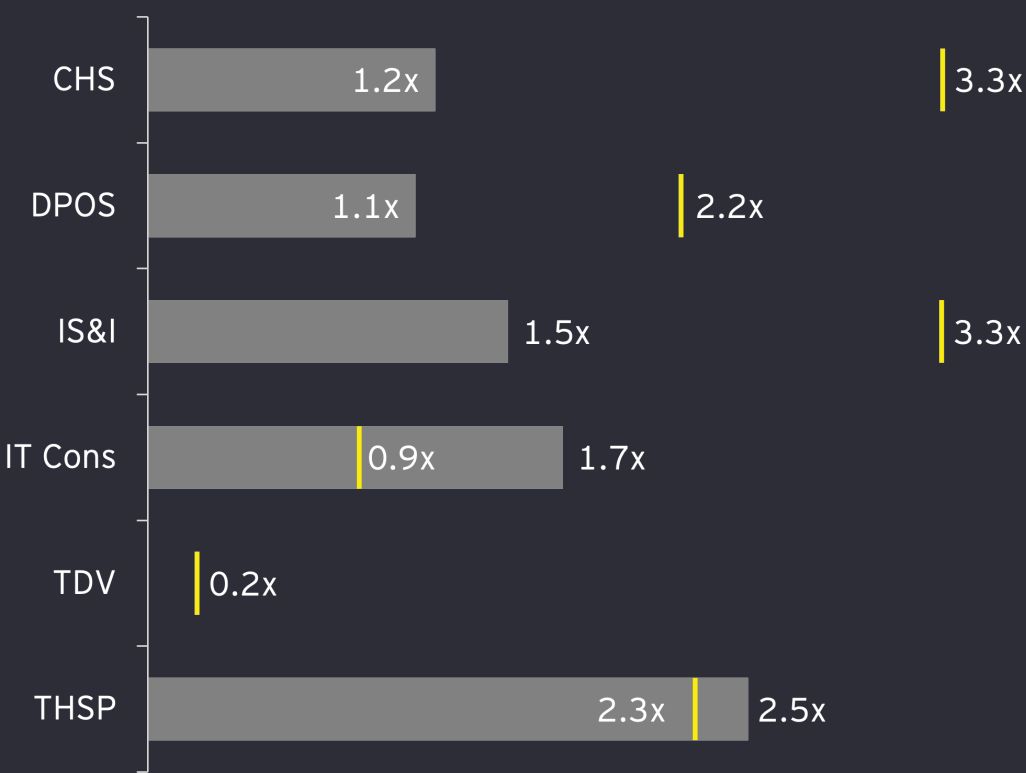
Public company multiples dip in early Q1 2021 before mostly stabilizing over the remainder of the quarter.



CHS - Communication and hosting services; DPS - Data processing and outsourced services; IS&I - Internet services and infrastructure; IT Cons - IT consulting and other services; TDV - Technology distributors and VARs; THSP - Technology hardware, storage and peripherals.

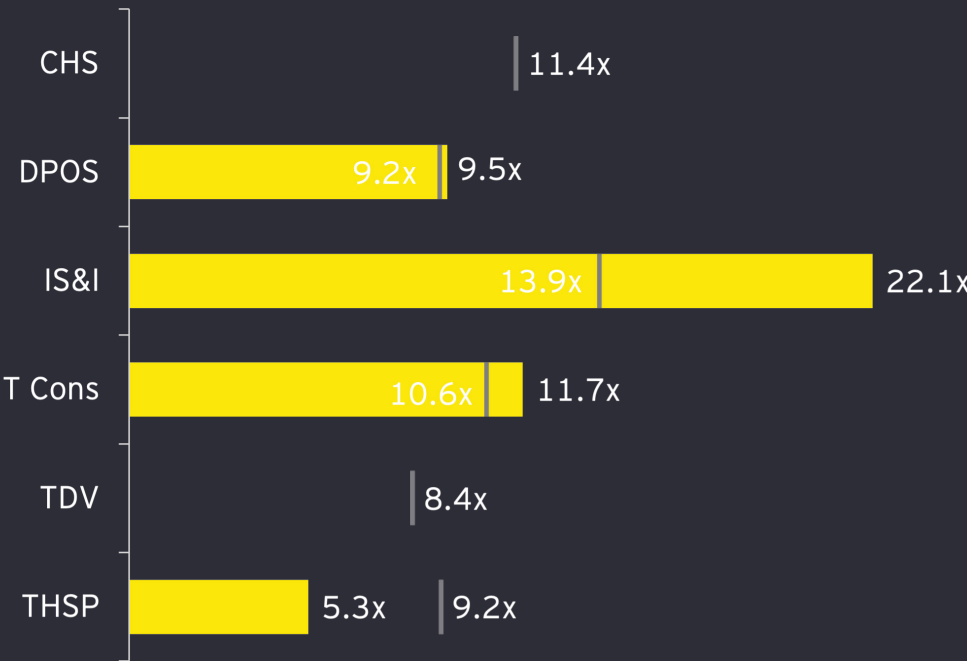
As 2022 kicks off, revenue and EBITDA transaction multiples in Q1 2022 shows increased volatility compared to that of Q1 2021 and Q4 2021.

Enterprise Value/ Revenue



\*Median is 1.5x  
\*Yellow line indicates Q1 2021 comparison

Enterprise Value /EBITDA



\*Median is 10.1x  
\*Grey line indicates Q1 2021 comparison

# Our national deal team

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