

Equiteq's perspective on the Microsoft Dynamics partner sector

Strictly Private & Confidential

August 2021



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Introduction to Equiteq

Equiteq is custom built to deliver better transaction outcomes for clients in the knowledge economy

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Focus on knowledge-specific sectors	Strong expertise in positioning knowledge economy businesses	Established relationships with the most relevant buyers	Deep understanding of client's strategic needs	Preparing companies for a successful exit is in our DNA	Global presence informs our unique approach to M&A
Through research and constant conversation with market participants, Equiteq maintains differentiated insights across the entire knowledge economy	Equiteq's experience with IT services and consulting firms ensures that we understand your business and the keys to unlocking maximum value	Equiteq's Market Intelligence team maintains continuous correspondence with the most active players in the market	Equiteq recognizes the importance of addressing all of your personal destination goals including the timing, synergy fit, and price	Equiteq boasts over a decade of proven success in running world-class, highly competitive processes and driving exceptional outcomes for clients	With six offices spread throughout North America, Europe, APAC, and Australia, Equiteq has a true global footprint

Global Reach




70
employees

7
offices


4
continents

Experienced transaction execution team




Alex Monck
Managing Director
M&A
Australia

16+ years of M&A experience across a diverse range of industries in Australia and Southeast Asia




Saahil Rakyan
Director
M&A
Australia

11+ years of M&A and capital markets experience across USA, Australia and India



Rhys Whiting
Senior Associate
M&A
Australia

8+ years of M&A and investment banking experience in Australia and NZ



Joshua Ong
Analyst
M&A
Australia

2+ years specialized in corporate finance in Australia and New Zealand

The global Knowledge Economy M&A and strategic advisory firm

Equiteq leverages its long-term engagement model and deep Knowledge Economy expertise to advise clients in the maximisation of their equity value, with our truly global presence allowing us to provide either a local or cross-border team

Long-term engagement model

Prepare

Multi-year or short-term engagement prior to a desired outcome

Sell

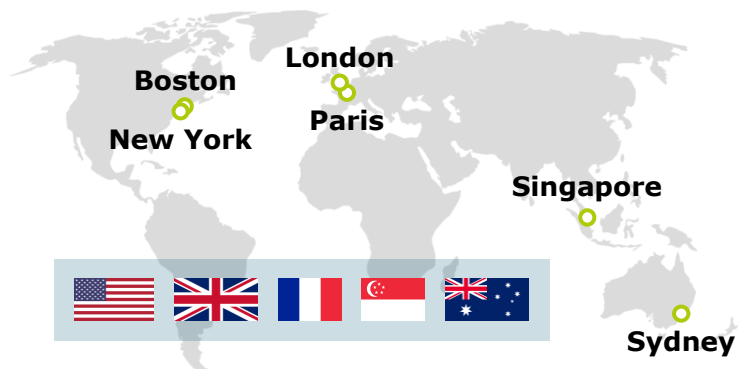
Full or partial sale to a strategic buyer or financial investor

Growing equity, realising value

70 employees

6 offices

4 continents



Why Equiteq is best-placed to deliver value to our clients



Global buyer relationships

Regular contact with an extensive database of global buyers and investors



Extensive industry experience

Assessed >1,000 clients in the Knowledge Economy and advised >500 clients on equity growth strategy



Market knowledge

>15 years working exclusively with companies in the global Knowledge Economy




Sector-specific M&A expertise

>100 completed transactions and many live mandates globally in the market, meaning regular dialogue with buyers

We are the most active M&A advisor for the Knowledge Economy worldwide

Since 2017 >60% of our transactions have been cross border and >20% with private equity

Selected Completed Transactions

 <p>Development Solutions Sold to</p>  <p>Advised on the sale August 2021</p>	 <p>Retail Consulting Sold to</p>  <p>Advised on the sale July 2021</p>	 <p>Economics Consulting Sold to</p>  <p>Advised on the sale July 2021</p>	 <p>SAP EPM Specialist Sold to</p>  <p>Advised on the sale June 2021</p>	 <p>Operations Transformation Sold to</p>  <p>Advised on the sale May 2021</p>	 <p>Engineering Consulting Acquired</p>  <p>Advised on the acquisition May 2021</p>	 <p>Microsoft Gold Partner Sold to</p>  <p>Advised on the sale May 2021</p>	 <p>Cloud Transformation Acquired</p>  <p>Advised on the acquisition May 2021</p>	 <p>Healthcare Consulting Equity Financing by</p>  <p>Advised on the financing April 2021</p>	 <p>Cyber-Intelligence Sold to</p>  <p>Advised on the sale March 2021</p>
 <p>Change Consulting Sold to</p>  <p>Advised on the sale January 2021</p>	 <p>Change Consulting Merged with</p>  <p>Advised on the merger January 2021</p>	 <p>Geoengineering Solutions Sold to</p>  <p>Advised on the sale December 2020</p>	 <p>Banking Technology Sold to</p>  <p>Advised on the sale December 2020</p>	 <p>ServiceNow Partner Sold to</p>  <p>Advised on the sale December 2020</p>	 <p>IT Solutions Sold to</p>  <p>Advised on the sale November 2020</p>	 <p>Change Consulting Sold to</p>  <p>Advised on the sale October 2020</p>	 <p>Salesforce Consulting Sold to</p>  <p>Advised on the acquisition September 2020</p>	 <p>Life Sciences Consulting Received Investment from</p>  <p>Advised on the investment September 2020</p>	 <p>Salesforce Consulting Sold to</p>  <p>Advised on the sale July 2020</p>
 <p>Management consulting Acquired</p>  <p>Advised on the acquisition July 2020</p>	 <p>Joint Venture Consultancy Sold to</p>  <p>Advised on the sale July 2020</p>	 <p>Engineering Consultancy Acquired</p>  <p>Advised on the acquisition March 2020</p>	 <p>Engineering Consultancy Sold to</p>  <p>Advised on the sale March 2020</p>	 <p>Telecoms Consultancy Sold to</p>  <p>Advised on the sale March 2020</p>	 <p>Fintech Sold to</p>  <p>Advised on the sale January 2020</p>	 <p>E-procurement Sold majority to</p>  <p>Advised on the sale January 2020</p>	 <p>Sales perform. consulting Acquired</p>  <p>Advised on the acquisition November 2019</p>	 <p>Policy advisory services Sold minority to</p>  <p>Advised on the sale November 2019</p>	 <p>Financial risk management Sold to</p>  <p>Advised on the sale November 2019</p>
 <p>Technology advisory Sold to</p>  <p>Advised on the sale November 2019</p>	 <p>Management consulting Sold to</p>  <p>Advised on the sale November 2019</p>	 <p>HR transformation Sold to</p>  <p>Advised on the sale October 2019</p>	 <p>Microsoft integration Joined</p>  <p>Advised on the sale September 2019</p>	 <p>Price reporting agency Sold to</p>  <p>Advised on the sale September 2019</p>	 <p>Digital consulting Merged with</p>  <p>Advised on the merger July 2019</p>	 <p>Digital consulting Sold to</p>  <p>Advised on the sale July 2019</p>	 <p>Data consulting Sold to</p>  <p>Advised on the sale January 2019</p>	 <p>Technology consulting Sold to</p>  <p>Advised on the sale January 2019</p>	 <p>Data consulting Sold to</p>  <p>Advised on the sale December 2018</p>

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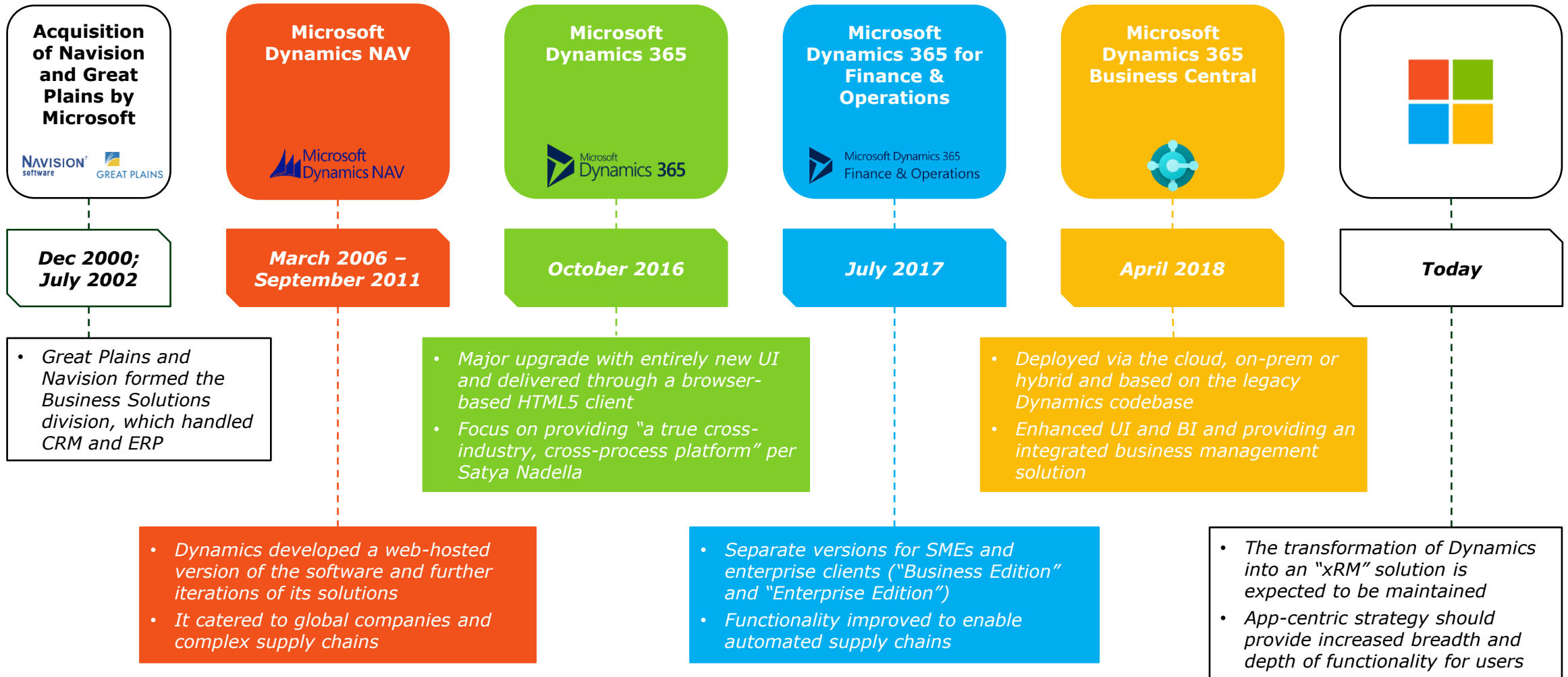
Microsoft Dynamics partners: M&A activity and analysis

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Evolution of the Dynamics codebase

Microsoft has bought and developed its codebase to a core ERP and CRM solution that includes supply chain, sales process, project delivery, HR and financial management and acts as a platform that users can build upon to suit bespoke needs



Source: Equiteq research

Summarising the Microsoft Dynamics family

While SAP and Oracle continue to dominate the ERP market, the interoperability with other Microsoft applications and the option of hybrid cloud and on-premise deployments are two of the key drivers for selecting Microsoft Dynamics products

Current market scenario

DYNAMICS STILL GROWING BUT DRIVEN BY CLOUD DEPLOYMENT

- Microsoft Dynamics growth has been reasonable overall but cloud-based Dynamics 365 growth has been particularly strong

MICROSOFT DYNAMICS – IMPLEMENTATION PARTNERS TRENDS

- 45% of Dynamics services to date have been implementation but consulting and support services are expected to see good growth in the next few years
- 20% of business comes from up-front consulting and managed services

Potential risks

THREAT OF COMPETITION AND CANNIBALISATION

- Not only are the traditional on-premise ERP Suites offered by Microsoft facing significant competition, it also has the threat of being replaced by the highly growing cloud-based Dynamics 365 Suite









DIFFICULTY SELLING INTO LARGER ACCOUNTS

- Microsoft has started selling to large enterprises with its Dynamics AX product but SAP and Oracle continue to dominate
- Microsoft is limiting its target market for most modules to SMEs

	Dynamics AX	Dynamics GP	Dynamics CRM	Dynamics 365
Original product	IBM Axapta	Great Plains (which also acq'd SL from Solomon in 2001)	iCommunicate	Developed by Microsoft
Acquisition date	2002 (Merged with Navision in 2000)	2001	2001	n/a
Price point	High	Medium	Medium	Low
Target market	Large enterprise	SME (Up to \$1bn in revenues)	SME (Up to \$1bn in revenues)	SME (Up to \$1bn in revenues)
Deployment	On-premise or hosted by Azure	On Premise or Hosted by Azure	On Premise or Hosted by Azure	Cloud (SaaS Delivery)
Competitors	SAP, Oracle, Sage, Infor	SAP, Oracle, Sage, Infor	Salesforce, SAP CRM	SAP, Oracle, Sage, Salesforce, Infor
Customisation capacity	High	Medium	Medium	Low (purchase add-ons from AppSource)

Key opportunities for Dynamics partners

The evolution of the Microsoft product suite and increasing proportion of cloud deployment results in opportunities for the partners, notably Azure-related recurring revenue and scope for a high degree of industry or capability specialisation

Key trends		Dynamics partner opportunity
 <i>Microsoft's growth in Dynamics revenue is driven largely by Azure-hosted sales</i>	➔	 Partners can seek to offer managed services relating to Azure, providing them with recurring revenue, meaning predictability of revenue and cash flow
 <i>Microsoft has moved to an app platform-type offering with Business Central, with the focus on bespoke functionality</i>	➔	 The platform nature of Microsoft's current software allows more sophisticated partners to develop apps 'on top of' the Business Central platform and sell them to end users
 <i>Microsoft specifically values partnerships that are industry or geography specific, meaning more 'niche' firms can still be highly valued partners</i>	➔	 There is value in firms focusing on marketing to specific industry segments, perhaps building out products and services that targets these industries or specialising in particular Dynamics applications
 <i>Microsoft's ERP software vendor share is healthy and, notably, its ERP revenue grew at a impressive rate of ~14% in 2020</i>	➔	 Overall growth should support partners, aside from the specific cloud-based growth, with the expected continued success in the "xRM" approach driving demand

Sources: Equiteq research, Apps Run The World, Company filings

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Analysing trends in Microsoft Dynamics M&A

Most of the transactions in the Dynamics Space have happened with niche players acquiring targets within their same local markets, primarily to become regional leaders in the space

	Smaller players	Mid-sized integrators	Large integrators	Professional services	Financial investors
Diversified IT, including Dynamics	     	     	     	     	     
Multiple Dynamics Capabilities		     	     	     	     
Dynamics CRM	   	     	     		 
Dynamics AX	   	   			 
Dynamics 365/NAV	     		     	 	 
				Key  	

Source: Equiteq research

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Recent transactions in the Microsoft partner sector (1/4)

Recent transactions involving Microsoft Dynamics partners as targets illustrates the prevalence of sector consolidators, interest from global SI and professional services firms and regularity of investments and buyouts from private equity firms





























Date	Target	Buyer	Commentary
Jul-21	 empire3	 Capgemini	Provides end-to-end capabilities in cloud and data to enable the digital transformation
Jul-21	 rhiipe	 Crayon	Provides business advisory and deep domain technical expertise in the growing cloud market
Jun-21	 UNIFY SQUARE	 UNISYS	Provides Microsoft software solutions, and consulting and managed services
May-21	 Pythagoras	 EY	Provides Microsoft consultancy services and software solutions
Mar-21	 cloud Thing	 kerv	Digital transformation and specialist in Microsoft Dynamics & Power Platform
Feb-21	 DAPASOFT	 CALIAN Group Ltd.	Provides Microsoft-based systems integration and IT consulting services
Jan-21	 SKYLINE	 core BTS INC	Provides IT consulting services in Microsoft cloud, data analytics, and application development
Jan-21	Rise IT Group	 Tridius	Specialists in Microsoft technology in managed services and IT consulting
Jan-21	 aConTech	 tecce group	Strengthens tecce's position in the Microsoft ecosystem across Germany
Dec-20	 N1i	 scala	Extend's Uztech's Microsoft services offering in Brazil
Sep-20	 axxon	 Fellowwind	Offers Microsoft cloud-based applications and infrastructures to organizations
Sep-20	 AZEOT talents & technology	 avanade	Strengthens Avanade's position in the Microsoft ecosystem across France
Sep-20	 10th MAGNITUDE	 Cognizant	Underscores Cognizant's commitment to Microsoft, in particular Azure
Sep-20	 Pragmatic Works	 3Cloud	Form the largest Azure pure-play services firm in the U.S

Source: Equiteq research

 Equiteq advised transaction

Recent transactions in the Microsoft partner sector (2/4)

Recent transactions involving Microsoft Dynamics partners as targets illustrates the prevalence of sector consolidators, interest from global SI and professional services firms and regularity of investments and buyouts from private equity firms

Date	Target		Buyer		Commentary
Aug-20					Implementation, training, consulting, service and support of Microsoft Dynamics
Jul-20	NEWSIGNATURE		Cognizant		Expands Cognizant's hyperscale cloud advisory services
Jun-20					Extends Calligo's IT services offering
Jun-20					Creates a comprehensive solution stack service offering
May-20					Expands Open Systems' Extended Detection and Response (XDR) capabilities
Apr-20	PROACTIVE ²		Fellowwind		Microsoft partner providing IT consulting services
Apr-20					Strengthens CentriLogic's cloud services practice
Mar-20					IT Lab building out its Azure capabilities with this acquisition to complement Dynamics services
Mar-20	altius				Altius specialises in data performance management and AI solutions
Mar-20	BROAD HORIZON				Dedicated Microsoft Partner providing cloud hosting, managed services and data analytics
Mar-20					Global leader in Microsoft cloud consulting and managed services; Insight a leading M'soft partner
Mar-20	vysiion				Gold Microsoft partner with specialism in infrastructure services
Mar-20					Important implementation partner for Dynamics in the Czech and Slovak markets
Nov-19					ERP expertise and 365 Business Central reseller with a range of Microsoft competences

Source: Equiteq research ■ Equiteq advised transaction

Recent transactions in the Microsoft partner sector (3/4)

Recent transactions involving Microsoft Dynamics partners as targets illustrates the prevalence of sector consolidators, interest from global SI and professional services firms and regularity of investments and buyouts from private equity firms

























































Date	Target		Buyer		Commentary
Sep-19			 SYVANTIS TECHNOLOGIES		Silver certified ERP partner, competences including Dynamics NAV / Dynamics 365
Aug-18	 + 		 WATERLAND PRIVATE EQUITY INVESTMENTS		Dutch Microsoft Gold Partners covering Microsoft Dynamics ERP, CRM, and BI solutions
Jul-19			 THE CARLYLE GROUP		Established Microsoft SI with solutions based on Dynamics 365 and Azure
Jul-19			 Velosio		Microsoft Certified Gold Partner specialising in business applications for the services industry
May-19			 avtex the point of interaction		Microsoft Gold Partner providing SI and digital services; Avtex is a PE-backed CX services firm
May-19			 Synoptek		Microsoft Gold Partner VAR; Synoptek is a broader IT services provider
Mar-19			 TVH consulting 100 ERP experts		Cosmos is a pure-play specialist in BI and data solutions; TVH covers Microsoft and SAP
Feb-19			 HARREN EQUITY PARTNERS		Leading Microsoft Dynamics partner across the entire portfolio, with both ERP and CRM expertise
Feb-19			 DXC.technology		Leading Nordic 365 partner; DXC integrated it as part of their DXC Eclipse business unit
Jan-19			 DEUTSCHE PRIVATE EQUITY		Full service provider of ERP services across Germany, Austria and Switzerland
Jan-19			 ARBELA		Dynamics CX, BI and cloud services; Arbela provides Microsoft services and pre-built solutions
Dec-18			 Dunedin		Secondary private equity sale from Maven to Dunedin; Microsoft AX, NAV and CRM partner
Nov-18			 Alithya		Take-private of Edgewater driven by its Microsoft and Oracle enterprise and cloud capabilities
Sep-18			 Deloitte		Offers Microsoft integration consulting; Equiteq were exclusive advisors to the sellers

Source: Equiteq research

 Equiteq advised transaction

Recent transactions in the Microsoft partner sector (4/4)

Recent transactions involving Microsoft Dynamics partners as targets illustrates the prevalence of sector consolidators, interest from global SI and professional services firms and regularity of investments and buyouts from private equity firms

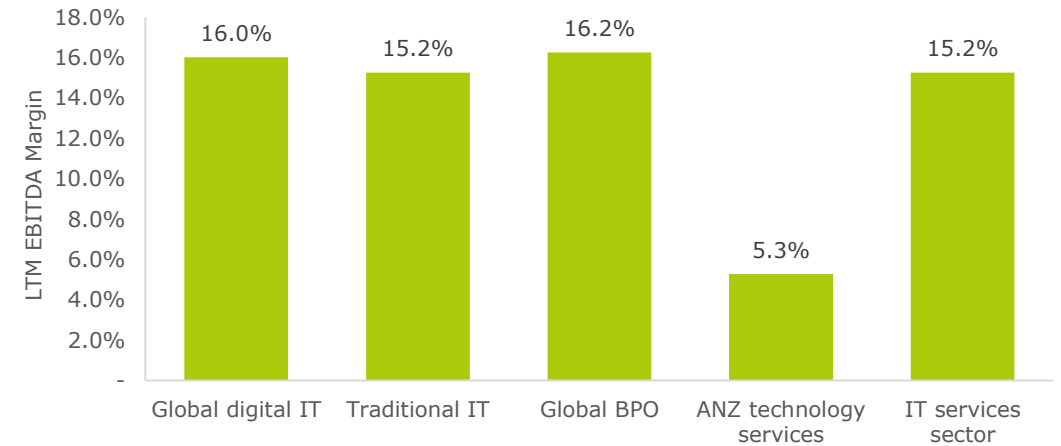
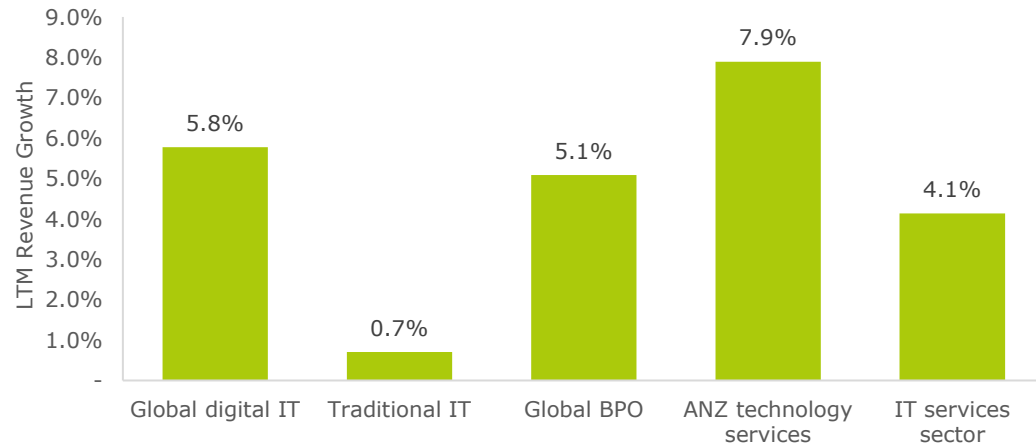
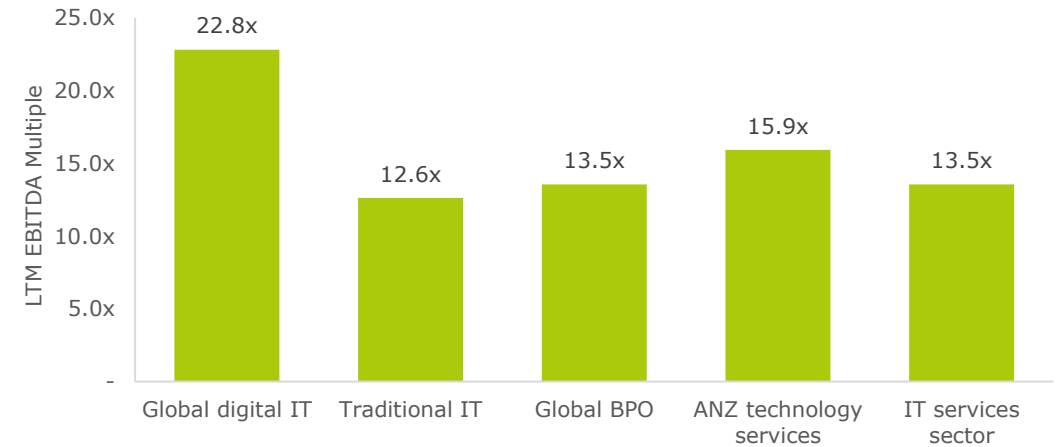
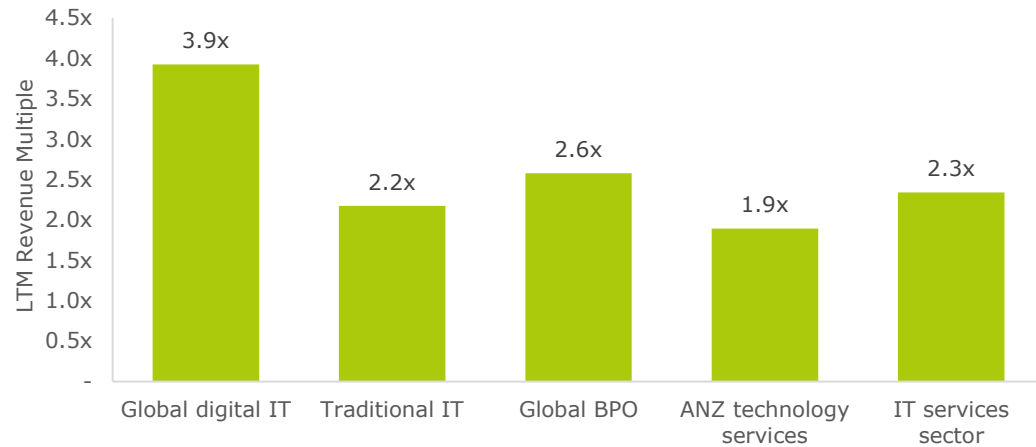
Date	Target		Buyer		Commentary
Jul-18	 INDUSA Powering Business through Technology		 Synoptek		Indusa's coverage of Microsoft applications appealed to Synoptek as part of its buy-and-build
Jun-18	 TheNAVPeople The365People		 FPE CAPITAL		UK's leading VAR of Microsoft NAV ERP software; Equiteq were exclusive advisors to the sellers
Apr-18	 Castle computer services		 KICK ICT		KICK acquired Castle, providing managed and other services with a focus on Dynamics CRM
Apr-18	 eBECS		 DXC technology		VAR and managed services providers across the Dynamics suite
Mar-18	 sonoma PARTNERS		 EY		Microsoft Dynamics strategy, design, development and implementation
Apr-17	 3U		 BEE UP CAPITAL		Microsoft SI, business solutions and training across various target sectors
Mar-17	 VERSION 1		 VOLPi CAPITAL		Version1's technology consulting features a focus on Dynamics CRM consulting.
Jan-17	 TRIDEA PARTNERS		 Columbus		Dynamics Partner with CRM and ERP specialism; Columbus provides industry-specific software
Dec-16	 eBusiness SOLUTIONS		 Incremental Group		Dynamics ERP expertise and a O&G, FS and public sector client base across Scotland
Dec-16	 Porini TECHNOLOGIES		 Sesa		Microsoft Partner providing digital transformation across the Microsoft Dynamics platform
Dec-16	 CAMBRIDGE ONLINE IT BUSINESS AND SERVICES		 Columbus		Specialism in Microsoft CRM and ERP-related services
Sep-16	 TVH consulting the ERP expert		 SPARRING CAPITAL		VAR and SI of Dynamics AX ERP; Sparring Capital looking to provide inorganic growth support
Aug-16	 ignia		 Insight		App design and development solutions based on the Microsoft technology stack
Jun-16	 itlab		 eci building successful businesses		Dynamics NAV and GP specialist; ECI invested with a buy-and-build growth strategy in mind

Source: Equiteq research

■ Equiteq advised transaction

Trading multiples and metrics (1/3)

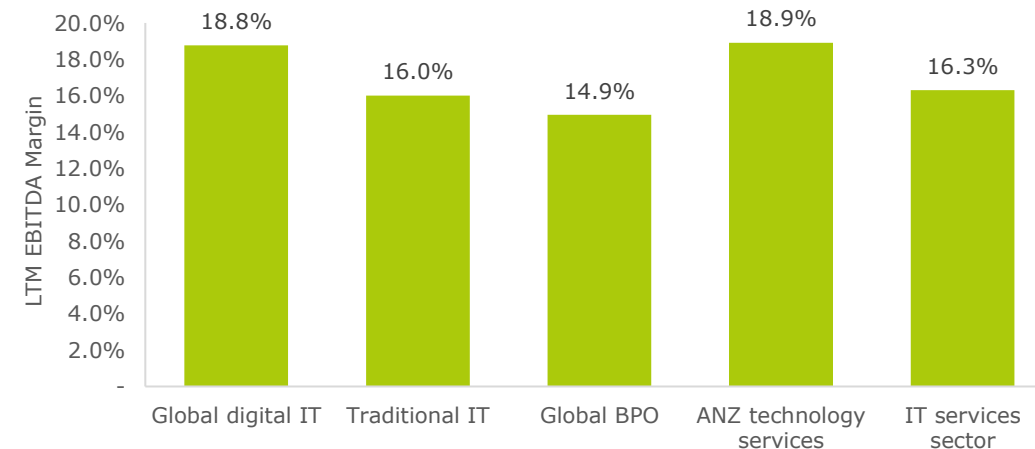
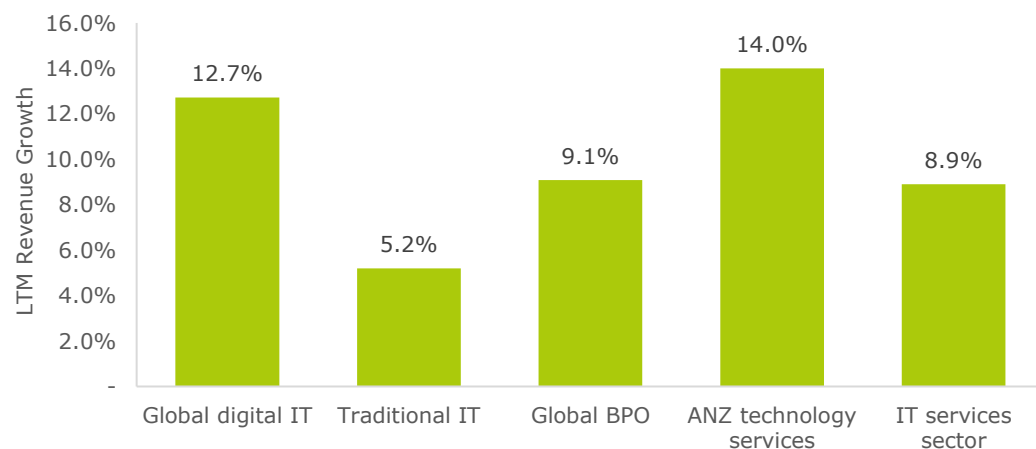
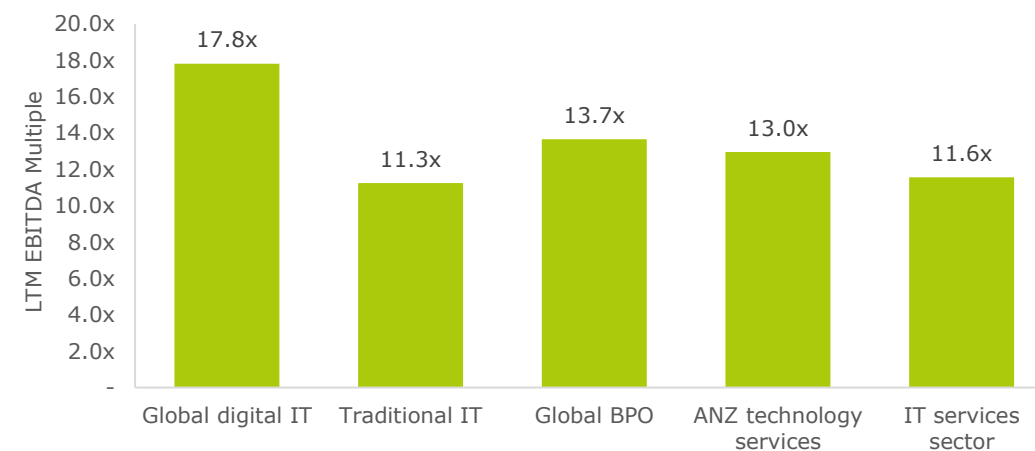
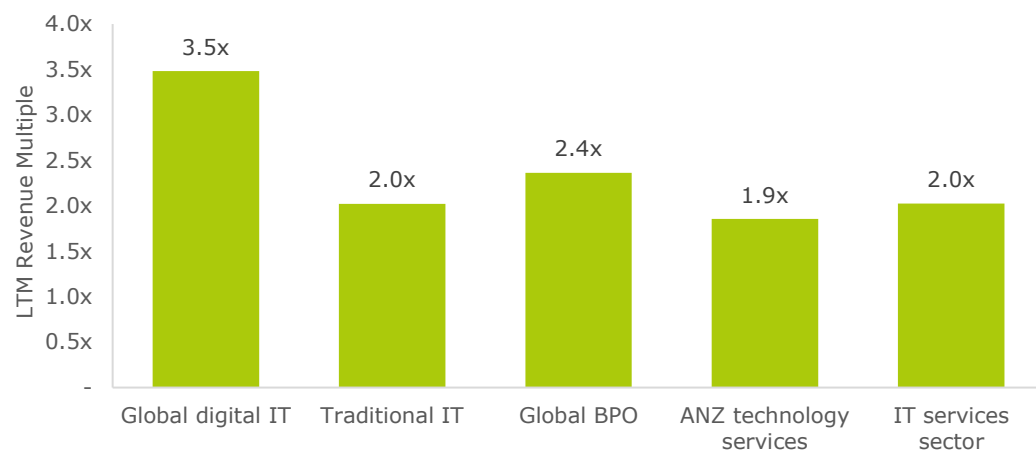
The charts below show current trading multiples and metrics for selected public IT services companies over the last twelve months (LTM). The public companies have been grouped based on business model and operations.



Source: S&P Capital IQ

Trading multiples and metrics (2/3)

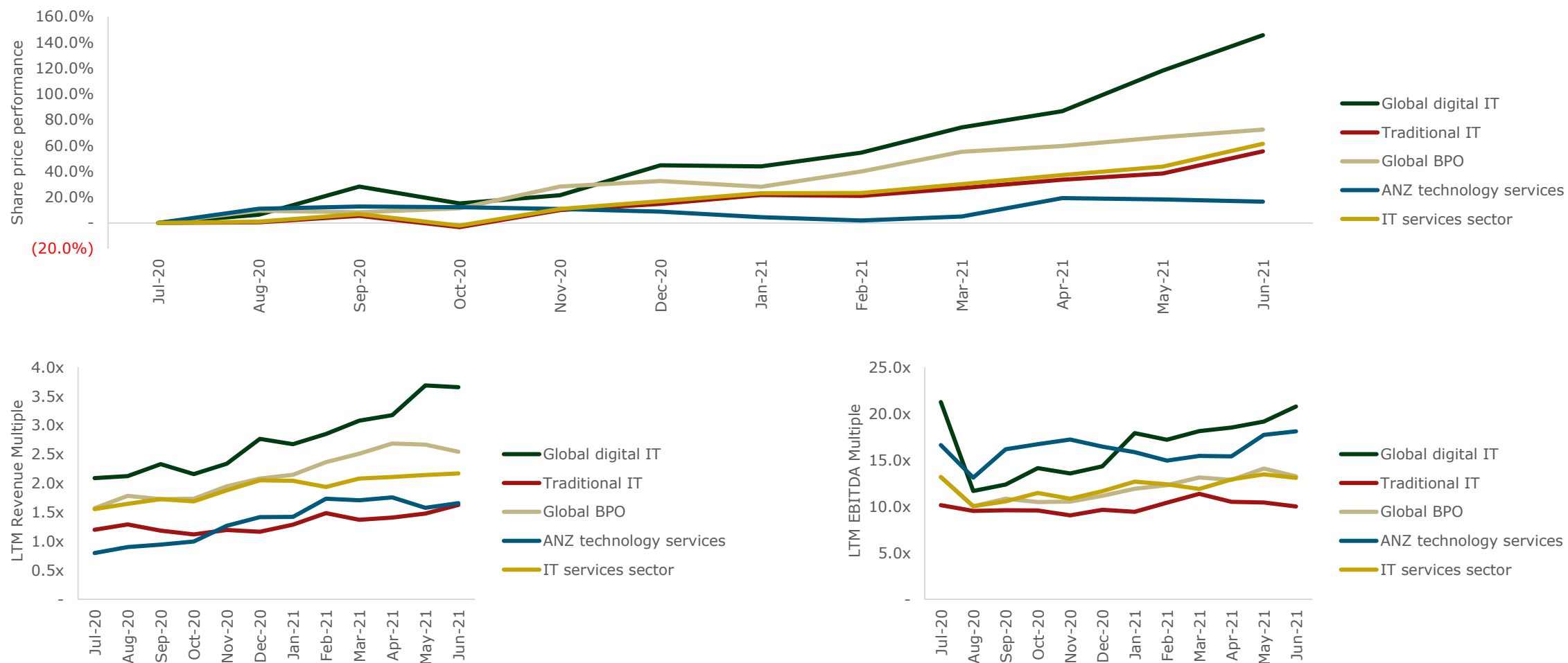
The charts below show current trading multiples and metrics for selected public IT services companies over the next twelve months (NTM). The public companies have been grouped based on business model and operations.



Source: S&P Capital IQ

Trading multiples and metrics (3/3)

The charts below show the share price performance, EV/Revenue, and EV/EBITDA multiples over the last twelve months at month end. The public companies have been grouped based on business model and operations.



Source: S&P Capital IQ

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