



DIGITAL SERVICES

INDUSTRY UPDATE

Q4 2022

NEW YORK | LONDON | PARIS | MUNICH | SAN FRANCISCO
LOS ANGELES | BERLIN | DUBAI

JANUARY 2023



**RALF PHILIPP
HOFMANN**

MANAGING PARTNER &
MEMBER OF THE EXCOM



**CHRISTOPHE
MORVAN**

MANAGING
PARTNER



GABY SILVESTRIS

PARTNER



SAM LEVY

PARTNER

OUR QUARTERLY DIGITAL SERVICES NEWSLETTER

The Drake Star Partners Global Digital Services team is pleased to present the 6th edition of our quarterly Digital Services Report. This provides updates on industry happenings such as important news and events, mergers and acquisitions activity, and insights into the present and future trends impacting major areas of investment within the industry, including:

- DIGITAL TRANSFORMATION
- CLOUD MIGRATION
- TECH-ENABLED IT SERVICES
- CLOUD PROVIDERS
- SECURITY SERVICES
- BUSINESS INTELLIGENCE

CONTACT THE DIGITAL SERVICES TEAM



RALF PHILIPP HOFMANN

MANAGING PARTNER & MEMBER OF THE EXCOM

ralf.hofmann@drakestar.com

+49 173 3930070



CHRISTOPHE MORVAN

MANAGING PARTNER

christophe.morvan@drakestar.com

+33 6 87 99 05 37



GABY SILVESTRISS

PARTNER

gaby.silvestris@drakestar.com

+44 777 305 2247



SAM LEVY

PARTNER

sam.levy@drakestar.com

+1 646 245 3550



THE DRAKE VIEW FROM OUR INVESTMENT BANKERS

GABY SILVESTRIS, PARTNER



In the face of considerable economic headwinds, the Digital Services industry remains active and resilient in Q4 2022. Cloud Services in particular was an area of notable activity, showcasing strong market appetite for cloud software, support and consulting services that optimise product offerings and business efficiencies. Furthermore, all sub-verticals saw significant deal making; with **330+ M&A deals & \$14bn+ disclosed** and **290+ fundraises & \$4bn+ disclosed** in **Q4 2022¹**, including:

- **Omega Systems** acquired **TNS Group** for an undisclosed amount, advised by **Drake Star Partners**
- **Synoptek** raised an undisclosed amount of majority investment from **Quad-C**, advised by **Drake Star Partners**
- **Farner International** acquired **VIM Group** for an undisclosed amount, advised by **Drake Star Partners**
- **Audensiel** acquired **Cognodata** for an undisclosed amount, advised by **Drake Star Partners**
- **Endava** acquired **Lexicon Digital** for **\$63m**
- **Capgemini** acquired **Quantmetry** for an undisclosed amount
- **FSN Capital** acquired **ilionx** for an undisclosed amount
- **Tredence** raised **\$175m** of Series B funding from **Advent International**
- **TEHTRIS** raised **\$43m** of Series B funding led by **Jolt Capital**
- **Celebal** raised **\$32m** led by **Norwest Venture Partners**

Digital Services continue to be the cornerstone of tech industry's growth and are viewed as some of its most attractive investments, while increased consolidation creates opportunities for investors worldwide. We expect to see rapid and enthusiastic consolidation by the larger players in the market, and interest from the global PE community for companies with robust profitability and cash conversion profiles that are led by experienced management teams.

DIGITAL SERVICES KEY HEADLINES

SELECTED SUBSECTORS



DIGITAL TRANSFORMATION



PETRONAS to collaborate with **Emerson** to drive digital transformation and decarbonisation initiatives

Business Wire, Dec 12, 2022

EY announces alliance with **EXL** to support digital transformation initiatives in insurance, financial services and health care sectors

EY, Dec 8, 2022

Cognizant completes acquisition of **AustinCSI**, expanding consulting expertise

Cognizant, Nov 29, 2022



CLOUD MIGRATION



Kyndryl announces new cloud native services for faster app modernisation

ITPro, Dec 16, 2022

Wipro launches Data Intelligence Suite at **AWS re:Invent**

Yahoo Finance, Nov 30, 2022

HashiCorp and **Intel** collaborate to help platform teams improve cloud adoption and migration efforts

Global News Wire, Oct 19, 2022



TECH-ENABLED IT SERVICES



IBM to acquire **Octo**, provider of US federal government contractor services

Yahoo Finance, Dec 7, 2022

Majorel Group Luxembourg completes acquisition of CX Tech services provider **IST Networks**

boersenNEWS.de, Dec 1, 2022

Keysight combines 5G and Global Navigation Satellite System to accelerate location-based services implementation

Keysight.com, Oct 31, 2022

DIGITAL SERVICES KEY HEADLINES

SELECTED SUBSECTORS



CLOUD PROVIDERS



Cisco AppDynamics launches business transaction insights in AppDynamics Cloud

Benzinga, Nov 29, 2022

Duke Energy enters into **Amazon Cloud** deal

WSJ, Nov 22, 2022

CoreSite to launch new 'Open Cloud Exchange Automation' and 'Direct to Cloud' capabilities with **Google Cloud**

Morningstar, Nov 17, 2022



SECURITY SERVICES



Hitachi Vantara expands Application Reliability Centres with new cloud security services

Markets Insider, Dec 8, 2022

Cisco: 62% of firms say security impacted operations

Newswire, Dec 6, 2022

Caverion acquires **LukkoPro** and broadens its offering in smart security services in Finland

News.cision, Nov 30, 2022



BUSINESS INTELLIGENCE



EY builds data and analytics with **Bridge Business Consulting** acquisition

ARN, Nov 21, 2022

Capgemini signs agreement to acquire **Quantmetry** to enrich AI and data consulting capabilities in France

Capgemini, Oct 28, 2022

Kings Mortgage Services adds 'eClosing' and business intelligence from **SimpleNexus**

SimpleNexus, Oct 13, 2022

SELECTED M&A DEALS IN Q4 2022

330+ DEALS AND \$14BN+ IN DISCLOSED DEAL ACTIVITY IN Q4 2022

Year founded
 Employees
 Sub-sector
 Total Website Visits



DEAL DESCRIPTION

Endava acquired Lexicon Digital and Lexicon Consolidated Holdings for an undisclosed amount. The acquisition furthers Endava's presence in Australia and South East Asia.

October 6th, 2022

2016

156

IT Services

n.a.

BUSINESS DESCRIPTION Melbourne

Provider of consulting design and engineering services intended to build new digital products and accelerate large-scale transformation. The company offers agile software delivery, project management, product design, software development and mobile development as well as digital ventures, digital transformation and platform acceleration.

KEY PERSONNEL

Chris Carydias – Co-Founder & Managing Director
David Zheng – Co-Founder

KEY SHAREHOLDERS



DEAL DESCRIPTION

Capgemini reached a definitive agreement to acquire Quantmetry. The acquisition will strengthen capabilities in France to deliver data transformation at scale, and to develop innovative AI products.

October 28th, 2022

2011

168

Business Intelligence

7.8k

BUSINESS DESCRIPTION Paris

Operator of an IT consulting firm intended to provide clients with full-stack solutions by identifying issues for the verticalised application of AI; offering a wide range of IT consultancy services along with data analytics, data science, online learning, and managed data services.

KEY PERSONNEL

Jeremy Harroch – VP, Capgemini Invent (previously Founder & CEO, Quantmetry)

KEY SHAREHOLDERS



DEAL DESCRIPTION

FSN Capital reached a definitive agreement to acquire ilionx. FSN will accelerate the growth of the company, with an investment strategy focusing on continued organic growth and selected add-on acquisitions.

December 1st, 2022

2002

1.1k

Digital Transformation

13.9k

BUSINESS DESCRIPTION Utrecht

Provider of information and communications technology consulting services intended for healthcare institutions, government agencies, multinationals and financial institutions. The company offers data analytics, application development, business innovations, management consulting, and mobile and security assistance.

KEY PERSONNEL

Jan Veltman – CEO
Pascal Peer – CFO
Hans Bijlsma - COO

KEY SHAREHOLDERS



SELECTED FUNDRAISING DEALS IN Q4 2022

290+ DEALS AND \$4BN+ IN DISCLOSED FUNDRAISING ACTIVITY IN Q4 2022

Year founded
 Employees
 Sub-sector
 Total Website Visits



DEAL DESCRIPTION

Tredence raised \$175m of Series B funding from Advent International to accelerate data-fueled growth and AI value realisation for industries. The transaction values the company at \$500m.

December 22nd, 2022

2013

1.7k

Business Intelligence

55.5k

BUSINESS DESCRIPTION San Jose

Provider of data analytical services designed for telecom, pharma and retail industries. The company's services include data visualisation, data management to advanced analytics, big data and machine learning.

KEY PERSONNEL

Shub Bhowmick – Co-Founder & CEO
Sumit Mehra – Co-Founder & CTO
Shashank Dubey – Co-Founder & Head Analytics Delivery

KEY SHAREHOLDERS

Advent International
GLOBAL PRIVATE EQUITY

CHICAGO PACIFIC
FOUNDERS



DEAL DESCRIPTION

TEHTRIS raised \$43m of Series B funding led by Jolt Capital, a deeptech specialist. The funds will be used to support its international expansion in the fight against cyber attacks.

October 12th, 2022

2010

224

Security Services

12.7k

BUSINESS DESCRIPTION Pessac

Developer of malware cybersecurity software and services. The company develops and markets a platform capable of detecting and neutralising digital threats such as cyber spying and cyber sabotage in a real-time and automated manner, enabling clients to help protect corporate infrastructures from cyber attacks.

KEY PERSONNEL

Éléna Poincet – Co-Founder & Co-CEO
Laurent Oudot – Co-Founder & Co-CEO

KEY SHAREHOLDERS

Jolt Capital

Open CNP
La Corporate Héritière par CNP Assurances

TIKEHAU
CAPITAL



DEAL DESCRIPTION

Celebal raised \$32m led by Norwest Venture Partners and other undisclosed investors. The funds will be used to strengthen the company's foothold in existing markets and to fuel its expansion in new territories.

November 23rd, 2022

2015

1.8k

Cloud Migration

14.7k

BUSINESS DESCRIPTION Jaipur

Provider of IT consulting services intended to manage the digital needs of the organisations. The company offers business intelligence, supply chain analytics, data science-powered analytics, and software development, helping clients to leverage the analysis for improved decision-making.

KEY PERSONNEL

Anirudh Kala – Co-Founder & CEO
Anupam Gupta – Co-Founder & Chief Architect

KEY SHAREHOLDERS

NORWEST
VENTURE PARTNERS

+ UNDISCLOSED INVESTORS

SELECTED DEALS IN Q4 2022

EXCLUSIVELY ADVISED BY DRAKE STAR



THE TNS GROUP
Undisclosed SALE TO
omega systems

DEAL DESCRIPTION

TNS, a regional managed service provider, was acquired by Omega Systems, a leading MSP to mid market organisations, and a portfolio company of Pfingsten Partners.

December 12th, 2022

- 1996
- 55
- IT Services
- n.a.

BUSINESS DESCRIPTION

Stamford

Provider of managed security and IT services intended to develop clients' business strategies through technology. The company offers disaster recovery, system availability and security, risk management, network infrastructure, virtualisation, business continuity and consulting services.

KEY PERSONNEL

Ami Soifer – Co-Founder & CEO

KEY SHAREHOLDERS

PFINGSTEN



VIM GROUP
Undisclosed PRIVATE PLACEMENT
FARNER

DEAL DESCRIPTION

VIM Group was acquired by Farner International, a leading Swiss integrated communications consulting firm, as part of Farner's multi-year expansion plans.

November 4th, 2022

- 1991
- 124
- Tech-enabled services
- n.a.

BUSINESS DESCRIPTION

London

Provider of marketing services focused on branding strategy. The company specialises in brand analysis, rebrand support, brand management and technology, enabling clients to reduce incremental spending whilst maximising brand coherency.

KEY PERSONNEL

Marc Cloosterman – CEO
Rene Kroeze – Managing Partner
Laurens Hoekstra – CCO

KEY SHAREHOLDERS

FARNER



cognodata,
Undisclosed SALE TO
AUDENSIEL

DEAL DESCRIPTION

Cognodata was acquired by Audensiel, a fast-growing French digital transformation company.

October 5th, 2022

- 2001
- 175
- AI-enabled services
- 10.1k

BUSINESS DESCRIPTION

Madrid

Provider of business analytics services intended to serve financial services, retail and travel sectors. The company specialises in AI applications, machine learning, BPO, marketing service management, customer insights, marketing automation, and digital transformation services.

KEY PERSONNEL

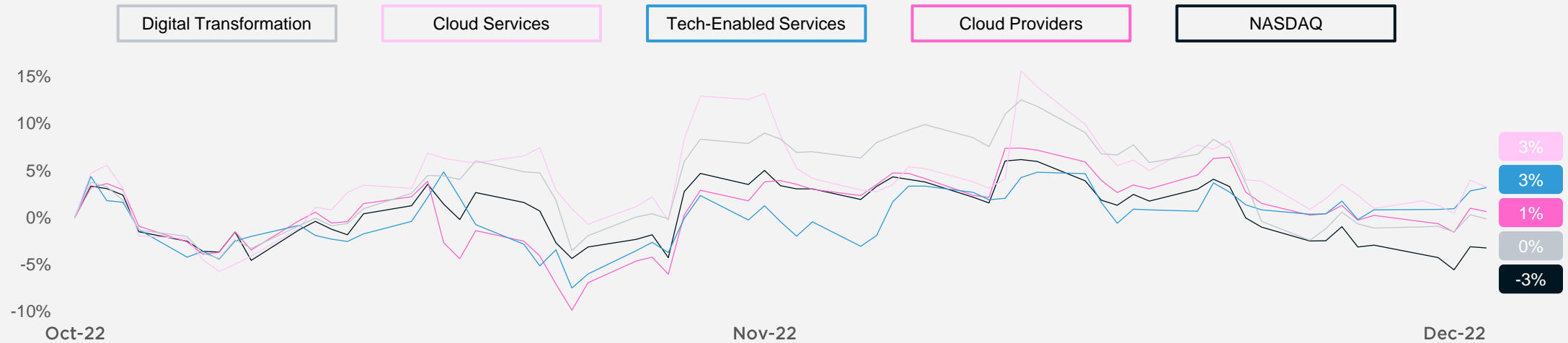
Raul Monclus – Co-Founder, CEO and Senior Partner
Fernando Corbacho – Co-Founder, Managing Partner and General Manager

KEY SHAREHOLDERS

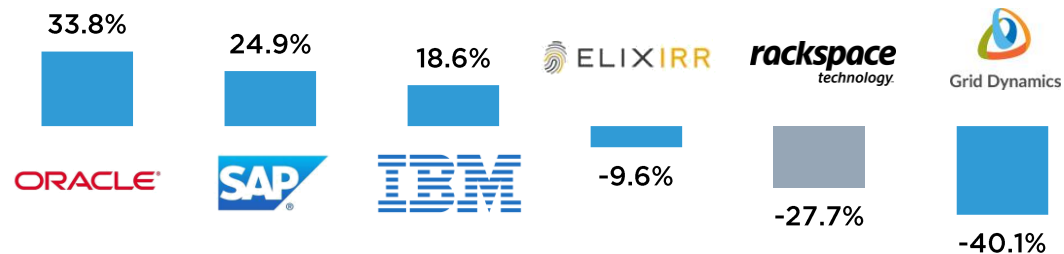
AUDENSIEL

VOLATILE QUARTER FOR DIGITAL SERVICES

TECH-ENABLED SERVICES, CLOUD SERVICES AND PROVIDERS OUTPERFORM NASDAQ



TOP 3 RISERS & FALLERS OCTOBER - DECEMBER 2022¹



KEY HIGHLIGHTS

- Oracle (+33.8%) share price gained momentum after reporting results which topped analysts' estimates; management attributed this to growth in demand for cloud services
- Despite revenue growth, Grid Dynamics (-40.1%) slid after EPS missed analyst estimates and remained negative
- Rackspace Technology (-27.7%) continued to fall in Q4, having missed Q2 targets and suffering a ransomware outage for more than 2 weeks

UNPARALLED TRACK-RECORD IN THE DIGITAL SERVICES SPACE

WE HAVE SUCCESSFULLY EXECUTED 50+ DIGITAL SERVICES TRANSACTIONS OVER THE PAST 7 YEARS

 <p>SALE TO</p>  <p>a portfolio company of</p>  <p>IT Services</p> 	 <p>SALE TO</p>  <p>a Waterland Private Equity Fund VIII company</p> <p>Digital Services</p> 	 <p>SALE TO</p>  <p>Digital Services</p> 	 <p>a portfolio company of</p>  <p>HAS RECEIVED MAJORITY INVESTMENT FROM</p>  <p>Digital Transformation</p> 	 <p>RECAPITALIZATION</p>  <p>Digital Transformation</p> 	 <p>SALE</p>  <p>Cloud Native Transformation</p> 	 <p>SALE TO</p>  <p>Security Networks AG</p> <p>Digital Transformation / Secure Cloud Services</p> 	 <p>HAS RECEIVED INVESTMENT FROM</p>  <p>Digital Services</p> 
 <p>SALE TO</p>  <p>a portfolio company of</p>  <p>Nick Morrison Capital</p> <p>Digital Services</p> 	 <p>SALE TO</p>  <p>a portfolio company of</p>  <p>CAPITAL PARTNERS</p> <p>Cloud Services</p> 	 <p>SALE TO</p>  <p>(A Portfolio Company of Waterland)</p> <p>Cloud Infrastructure</p> 	 <p>SALE OF SHARES TO</p>  <p>CAPITAL PARTNERS</p> <p>AND ROLLOVER OF MANAGEMENT SHARES</p> <p>Digital Transformation Services</p> 	 <p>PRIVATE PLACEMENT</p>  <p>bpifrance swisscom Habert Dassault Finance</p> <p>Social media analytics platform</p> 	 <p>and portfolio company</p>  <p>INVESTMENT IN & MERGER WITH</p>  <p>IT Services</p> 	 <p>cloud at scale™</p> <p>SALE TO</p>  <p>IT Services</p> 	 <p>SALE TO *</p>  <p>Tech-Enabled</p> 
 <p>SALE TO *</p>  <p>KKR</p> <p>Tech-Enabled / Digital Transformation</p> 	 <p>a portfolio company of</p>  <p>SALE TO</p>  <p>IT Services</p> 	 <p>SALE TO *</p>  <p>IT Services</p> 	 <p>HAS RECEIVED INVESTMENT FROM</p>  <p>IT Services</p> 	 <p>HAS RECEIVED INVESTMENT FROM</p>  <p>IT Services</p> 	 <p>SALE TO</p>  <p>a portfolio company of</p>  <p>IT Services</p> 	 <p>ACQUISITIONS & COMBINATION OF</p>  <p>CERNA SOLUTIONS - novo/scale</p> <p>IT Services</p> 	 <p>SALE TO</p>  <p>IT Services</p> 

UNPARALLELED TRACK-RECORD IN THE DIGITAL SERVICES SPACE

WE HAVE SUCCESSFULLY EXECUTED 50+ DIGITAL SERVICES TRANSACTIONS OVER THE PAST 7 YEARS

 Cloud Management Solutions SALE TO a portfolio company of IT Services 	 SALE TO a portfolio company of IT Services 	 HERE TO DARE SALE TO * Tech-Enabled / Digital Transformation 	 RECAPITALIZATION WITH IT Services 	 SALE TO * IT Services 	 SALE TO IT Services 	 SALE TO a portfolio company of IT Services 	 a portfolio company of HAS ACQUIRED IT Services
 a portfolio company of MAJORITY SALE TO Special Equity Partners IT Services 	 SALE TO Digital Transformation Specialist 	 Business & Intelligence SALE TO * IT Services 	 SALE TO positive digital flow IT Services and Software 	 PRIVATE PLACEMENT Digital health insurance 	 SALE TO IT Services 	 SALE TO Tech-Enabled 	 SALE TO * Tech-Enabled
 MINORITY GROWTH INVESTMENT IT Services 	 SALE TO * IT Services 	 MAJORITY SALE TO AND ROLLOVER OF MANAGEMENT SHARES Digital Transformation Agency 	 SALE TO * Tech-Enabled 	 SALE TO * Tech-Enabled 	 PRIVATE PLACEMENT IT Services 	 THE POWER OF IT™ PRIVATE PLACEMENT IT Services 	 REFINANCING & CAPITAL REORGANIZATION IT Services and Digital Marketing

GLOBAL REACH COMBINED WITH LOCAL PRESENCE

ONE OF THE LARGEST TECH TEAMS WITH OVER 100 PROFESSIONALS IN THE US, EUROPE, AND MIDDLE EAST

5
countries



+450
transactions



+70%
cross-border
transactions



8
offices



3
continents



+100
professionals



DRAKE STAR

BELIEVE IN INNOVATION

CHANGE THE WORLD

Drake Star is an award-winning global tech investment bank that has completed over 450 transactions since 2003. Drake Star's team of over 100 senior professionals over offices in New York, London, Paris, Munich, San Francisco, Los Angeles, Berlin, and Dubai focuses on mergers & acquisitions and corporate finance services worldwide in Consumer & Retail Technology, Digital Media, FinTech, Mobility & Sustainability, Software/SaaS, Digital Services, and Industrial Tech sectors.

This report is published solely for informational purposes and is not to be construed as an offer to sell or the solicitation of an offer to buy any security. The information herein is based on sources we believe to be reliable but is not guaranteed by us, and we assume no liability for its use. Any opinions expressed herein are statements of our judgment on this date and are subject to change without notice.

All product and company names are trademarks™ or registered® trademarks of their respective holders. Use of them does not imply any affiliation with or endorsement by them.

Past performance does not guarantee future results. All investing involves risks, including the loss of principal.

© 2023 Drake Star