



DIGITAL SERVICES

INDUSTRY UPDATE

Q4 2023

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

FEBRUARY 2024



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SAM LEVY

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OUR QUARTERLY DIGITAL SERVICES NEWSLETTER

The Drake Star Partners Global Digital Services team is pleased to present the 10th 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 SERVICES
- SECURITY SERVICES
- BUSINESS INTELLIGENCE & DATA ANALYTICS

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THE DRAKE VIEW FROM OUR INVESTMENT BANKERS

GABY SILVESTRIS, PARTNER



Whilst 2023 saw a volatile and uncertain market, financial investors and corporate buyers continued to advance their strategic agendas for digital innovation and cost optimisation. This drove robust deal-making activity in the Digital Services vertical especially for tech-enabled and security businesses, as buyers search for disruptive, inherently secure and proprietary IP. Overall, the quarter saw landmark dealmaking, with **315+ & \$3.7bn+ disclosed M&A deals** and **340+ & \$4.3bn+ disclosed fundraises** in **Q4 2023¹**, including:

- **Insight Enterprises** acquired **SADA Systems** for **\$800m**
- **NTT Data Business Systems** acquired **Sapphire Systems** for an undisclosed amount
- **Thales** acquired **Tesserent** for **\$113m**
- **Viatel Technology Group** raised an undisclosed amount of development capital from **Macquarie Group**
- **Skytap** raised **\$18m** of venture funding from **Vistara Growth**
- **DSP** raised **\$93m** of development capital from **LDC**

Looking ahead in Q1 2024, we expect further market consolidation and private equity's continuous investment in bolt-on acquisitions and its abundance of dry powder to drive more investments in the space. **Digital Services will continue to spearhead M&A activity, especially workflow and operation efficiencies, AI solutions and the modernisation of legacy tech remain important investment themes in 2024.**



SPECIAL DRAKE STAR UPDATE & AWARD ANNOUNCEMENT



GABY SILVESTRIS, PARTNER

We are delighted to see the recognition from The M&A Atlas Awards for the success of the following transactions, advised by Drake Star within the Digital Services space:

Container Solutions
SALE
gcp
Cloud Native Transformation

**GLOBAL GROWTH
EQUITY
DEAL OF THE YEAR**

SysEleven
SALE TO
secuNet
Security Networks AG
Digital Transformation / Secure Cloud Services



**EUROPE
DEAL OF
THE YEAR**

iccs
TRANSACTS WITH
nexustek nt.
a portfolio company of
abry partners
IT Services



**AMERICAS IT &
SERVICES
DEAL OF THE YEAR**

DIGITAL SERVICES KEY HEADLINES

SELECTED SUBSECTORS



DIGITAL TRANSFORMATION



How IoT and digital transformation are shaping the **Paris 2024 Olympic Games**

Direct Industry, Dec 22, 2023

Jaguar Land Rover continues digital transformation with **Tara Communications** tie-up

The Business Magazine, Dec 15, 2023

Liverpool FC welcomes **Orion Innovation** as its official digital transformation partner

PRNewswire, Dec 13, 2023



CLOUD MIGRATION



LinkedIn snubs parent company **Microsoft's Azure** cloud to stay on-prem

Tech Monitor, Dec 14, 2023

Sabio Group helps **ENGIE** achieve cloud migration goals ahead of schedule

Directors Club, Dec 14, 2023

Wipro and **RSA** sign a new multi-year contract to accelerate **RSA's Cloud Migration**

Wipro, Dec 12, 2023



TECH-ENABLED SERVICES



Defence digital apps and £20m AI deal goes to **Capgemini**

UK Authority, Dec 21, 2023

Accenture and **Google Cloud** launch joint centre of excellence to help enterprises harness the value of generative AI

Accenture, Dec 13, 2023

Buyout funds **Bain, Cinven** mull buying **Indra's** tech-enabled consulting business **Minsait**,

Reuters, Dec 12, 2023



SECURITY SERVICES



SMEs 'losing' the battle against **AI-powered cyberattacks**, experts warn

Tech Monitor, Dec 13, 2023

US, UK and 16 Other Nations Agree On AI Cybersecurity Guidelines

Forbes, Nov 27, 2023

Accenture acquires **Innotec Security**, Spain-based leading cybersecurity company

Accenture, Nov 2, 2023



BUSINESS INTELLIGENCE & DATA ANALYTICS



FactSet's quarterly profit rises on strong demand for data, analytics

Reuters, Dec 19, 2023

Palantir gets one-year extension of **US Army** Data Management Contract

Investopedia, Dec 15, 2023

KKR in talks to buy stake in healthcare data analytics firm **Cotiviti**

Healthcare Dive, Dec 13, 2023

SELECTED M&A DEALS IN Q4 2023

315+ DEALS AND \$3.7BN+ IN DISCLOSED DEAL ACTIVITY IN Q4 2023

Year founded
 Employees
 Sub-sector
 Total Website Visits



\$800m
ACQUISITION BY
Insight

DEAL DESCRIPTION

Insight Enterprises acquired SADA Systems for \$800m. The acquisition advances Insight's strategy and further strengthens its position as a leading provider of multi-cloud solutions

December 1st, 2023

2000
 1,240
 Cloud Services
 265.2k

BUSINESS DESCRIPTION

Los Angeles

Award-winning Google Cloud partner intended to assist in the management and automation of IT operations. The company's IT consulting services include enterprise consulting, cloud platform migration, custom application development, managed IT services and IT infrastructure management.

KEY PERSONNEL

Tony Safoian – President, CEO & Board Member
Hovig Safoian – Co-Founder & Chairman
Annie Safoian – Co-Founder & Board Member

KEY SHAREHOLDERS

Insight



Undisclosed
ACQUISITION BY
NTT DATA

DEAL DESCRIPTION

NTT Data Business Solutions acquired Sapphire Systems for an undisclosed amount. The acquisition underlines NTT Data Business Solutions' ambition to consolidate medium-sized businesses.

November 8th, 2023

1993
 570
 Digital Transformation
 21.6k

BUSINESS DESCRIPTION

London

Provider of digital transformation consulting and management services intended to turn operating friction into digital business momentum. The company offers cloud consultancy, implementation, project management and a range of business intelligence tools to get full visibility across the business and find actionable insights in bulk data.

KEY PERSONNEL

Ian Caswell – Founder & Board Member
Vincent DeLuca – CEO

KEY SHAREHOLDERS

NTT DATA



\$113m
ACQUISITION BY
THALES

DEAL DESCRIPTION

Thales acquired Tesseract for \$113m. The acquisition enables Thales to accelerate its cybersecurity development roadmap and expand its footprint across Australia and New Zealand.

October 4th 2023

2002
 430
 Security & Cloud Services
 82.7k

BUSINESS DESCRIPTION

Melbourne

Full-service cybersecurity and cloud services provider for organisations across the Asia Pacific. Tesseract's 'Cyber 360' capabilities include perimeter protection, internal monitoring and alerts, secure internet connectivity and co-location to a range of client verticals including governments.

KEY PERSONNEL

Kurt Hansen – CEO

KEY SHAREHOLDERS

THALES

SELECTED FUNDRAISING DEALS IN Q4 2023

340+ DEALS AND \$4.3BN+ IN DISCLOSED FUNDRAISING ACTIVITY IN Q4 2023

Year founded
 Employees
 Sub-sector
 Total Website Visits

Undisclosed
PRIVATE PLACEMENT

DEAL DESCRIPTION

Viatel Technology Group raised an undisclosed amount of development capital from Macquarie Capital. The investment will support the continued growth and expansion of the business in Ireland and overseas.

December 15th, 2023

1991
 400
 Digital Transformation
 15.4k

BUSINESS DESCRIPTION Dublin

Provider of advanced voice, data connectivity, data centre and managed WAN services. The company offers data storage, managed services, broadband connectivity, cloud computing and cybersecurity services to clients as well as tailored services, thereby helping clients focus on their core business.

KEY PERSONNEL

Paul Rellis – CEO
Gina Laverty – CFO

KEY SHAREHOLDERS



\$18m
PRIVATE PLACEMENT

DEAL DESCRIPTION

Skytap raised \$18m of venture funding from Vistara Growth. The funds will be used to advance their technology roadmap and expand go-to-market initiatives with Microsoft Azure, IBM and other partners.

October 19th, 2023

2006
 160
 Tech-Enabled Services
 272.6k

BUSINESS DESCRIPTION Seattle

Developer of a cloud automation platform designed to modernise traditional IBM Power workloads in the public cloud. The company's platform integrates into an existing process and makes it easy to build, run, and evolve hybrid applications by rapidly migrating traditional workloads to the cloud.

KEY PERSONNEL

Hank Levy – Co-Founder
Steven Gribble – Co-Founder
Bradley Schick – CEO & Board Member

KEY SHAREHOLDERS



\$93m
PRIVATE PLACEMENT

DEAL DESCRIPTION

DSP raised \$93m of development capital from LDC. The investment will enhance the company's Oracle Cloud services capability and its acquisitive growth strategy in North America & Europe.

October 9th, 2023

1999
 320
 Digital Transformation
 25.2k

BUSINESS DESCRIPTION London

Enterprise database management specialist delivering managed services & consulting for Oracle, SQL server & Multi-Cloud technology. The company's services include data platform cloud migration, multi-cloud data management, managed services, consulting services, delivering stable, optimised data platforms.































KEY PERSONNEL

Simon Goodenough – Co-Owner & CEO
David Chislett – CFO

KEY SHAREHOLDERS



SELECTED M&A DEALS IN 2023

TARGET	COUNTRY	ACQUIRER	SIZE	DATE	DESCRIPTION
			\$800m	01.12.23	Award-winning Google Cloud partner assisting in management and automation of IT operations
			Undisclosed	08.11.23	Provider of digital transformation consulting and management services
			\$113m	04.10.23	Full-service cybersecurity and cloud services provider for organisations across the Asia Pacific
			Undisclosed	03.08.23	Helps companies turn visitors into buyers by designing and executing valuable marketing and sales strategies on top of their integrated platform, the Lead Activation Hub
			Undisclosed	31.07.23	Operator of a machine learning and artificial intelligence solutions company
			Undisclosed	21.07.23	Provider of application development services for web and mobile platforms and other digital transformation services
			Undisclosed	16.05.23	Provider of IT, telecom and managed services including customised IT, cloud solutions, business continuity, structured cabling and technology solutions
			Undisclosed	15.05.23	Provider of software development and digital services
			Undisclosed	03.04.23	Provider of consulting services including IT, data management, data centre and management, digital workspace, cloud and infrastructure and cybersecurity services
			Undisclosed	24.03.23	Tech-enabled provider of business intelligence and data-driven IT talent solutions to blue-chip global financial services, technology and life sciences clients

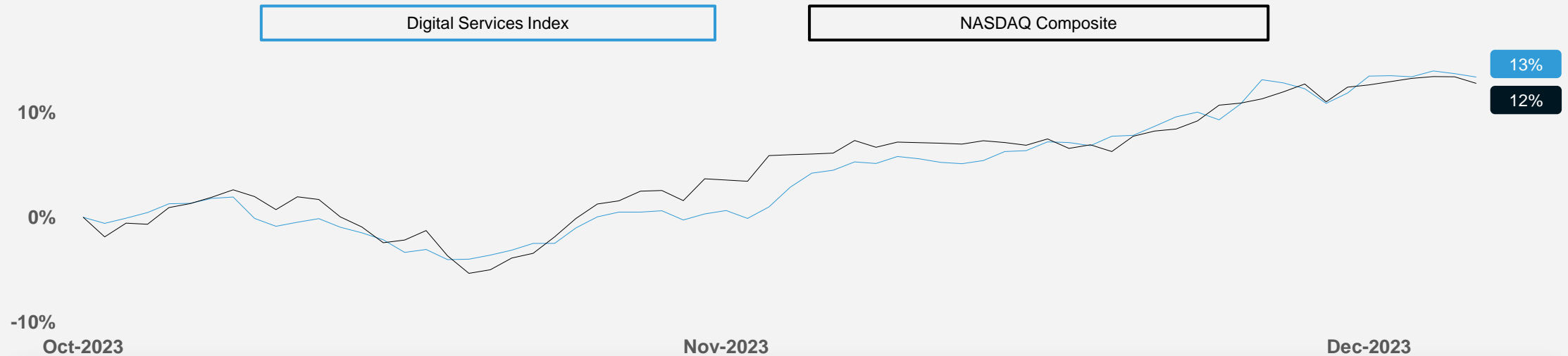
Sources: Similar Web, Capital IQ, Pitchbook, LinkedIn, Company Websites
 Note: Apart from those indicated as such, Drake Star Partners did not act as financial advisor on the transactions listed on this page

SELECTED FUNDRAISING DEALS IN 2023

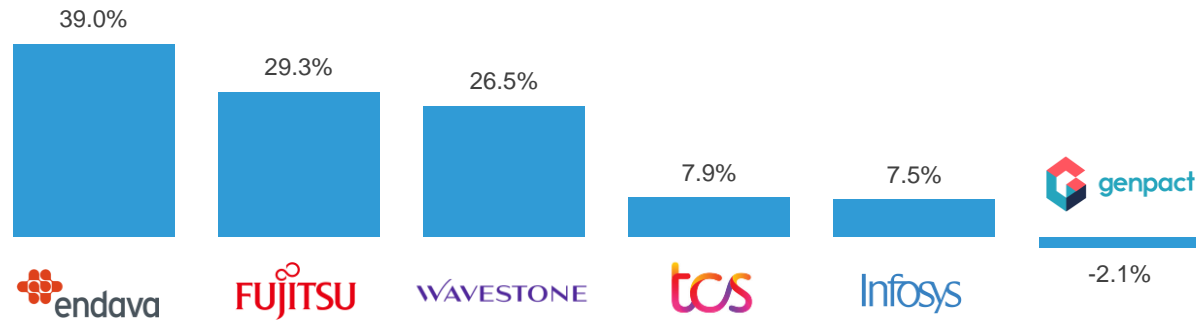
TARGET	COUNTRY	INVESTOR	SIZE	DATE	DESCRIPTION
			Undisclosed	15.12.23	Provider of a range of digital services including digital transformation, data storage, managed services, cloud computing and cybersecurity
			\$18m	19.10.23	Developer of automation platform for cloud migration
			\$93m	09.10.23	Enterprise database management specialist delivering managed services & consulting for Oracle, SQL server & Multi-Cloud technology
			\$336m	14.09.23	Developer of real-time data integration platform
			Undisclosed	26.07.23	Provider of digital marketing and technological services intended to provide strategic, operational and technical support
			Undisclosed	06.06.23	Provider of next-generation cloud infrastructure and services intended to offer networking and computing services
			Undisclosed	08.03.23	Provider of specialised technology consulting services and solutions including application managed services, implementation and consulting
			Undisclosed	02.03.23	Provider of IT management services intended to design, develop and manage complex critical application landscapes
			\$50m	08.02.23	Developer of a cybersecurity management platform that addresses security challenges in large, complex networks
			Undisclosed	23.01.23	Provider of digital transformation services including cloud structures, microservices infrastructure and application migration

DIGITAL SERVICES AHEAD OF NASDAQ IN DEC-23

POSITIVE MARKET CONDITIONS RETURN WITH DIGITAL SERVICES AHEAD OF NASDAQ



TOP 3 RISERS & FALLERS OCTOBER - DECEMBER 2023



KEY HIGHLIGHTS

- **Endava** (+39.0%) beat earnings estimates for Q3, bouncing back after a difficult year
- **Wavestone** (26.5%) rose against expectations of continued earnings growth
- **Infosys** (+7.5%) has failed to perform due to a lack of confidence surrounding leadership and succession plans
- **Genpact** (-2.1%) stock fell, with Q3 revenue below expectations

LANDMARK DEALMAKING IN THE DIGITAL SERVICES SPACE

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



LANDMARK DEALMAKING IN THE DIGITAL SERVICES SPACE

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



M&A AND CORPORATE FINANCE ADVISORY FOR LEADING GLOBAL TECH COMPANIES

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

5
countries



+500
transactions



+70%
cross-border
transactions



8
offices



3
continents



+100
professionals



DRAKE STAR

BELIEVE IN INNOVATION CHANGE THE WORLD

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