



DIGITAL SERVICES

INDUSTRY UPDATE

Q3 2024

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

OCTOBER 2024



**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 13th 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

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 SILVESTRIS

PARTNER

gaby.silvestris@drakestar.com

+44 777 305 2247



SAM LEVY

PARTNER

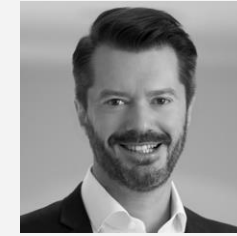
sam.levy@drakestar.com

+1 646 245 3550



THE DRAKE VIEW FROM OUR INVESTMENT BANKERS

RALF PHILIPP HOFMANN, MANAGING PARTNER & MEMBER OF THE EXCOM



H2 2024 started off strong, with consistent deal momentum in Digital Services underpinned by increased certainty around interest rates, a record amount of Private Equity dry-powder and the market's pent-up demand for dealmaking. The generative AI wave has opened opportunities for the sector, as enterprises turn to service providers to help harness the power of AI and seek to enhance their tech stacks via inorganic growth. Overall Digital Services M&A activity in Q3 increased, totaling **350+ & \$7.7bn+ disclosed M&A deals**, with consistent fundraising transactions at **470+ & \$7.1bn+ disclosed fundraises¹**, including:

- EPAM Systems acquired Neoris for \$630m
- ✦ • Cherry Bekaert, a portfolio company of Parthenon Capital, acquired Kerr Consulting for an undisclosed amount
- ✦ • slashwhy raised an undisclosed amount of growth investment from Maxburg
- VINCI Energies, a subsidiary of VINCI, acquired Fernao Group for an undisclosed amount
- QXO raised \$4.2bn of development capital from Jacobs Private Equity, Sequoia Heritage, and other undisclosed investors
- HR Path raised \$538m of growth capital from Ardian

Despite dealmakers having to adapt to dynamic market and political conditions in Q4 2024, we expect further M&A 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 HIGHLIGHTS ACROSS KEY SUBSECTORS

EUROPEAN IT SERVICES MARKET EXPECTED TO REACH \$600BN BY 2030



DIGITAL TRANSFORMATION



NHS set to spend extra **£1bn** for digital transformation

Techerati, Sep 26, 2024

NTT DATA selected as official digital transformation partner of **Arsenal**

The Fast Mode, Sep 11, 2024

Monzo adopts **SAP** and **Google Cloud** for digital transformation

Bobs Guide, Jul 30, 2024



CLOUD MIGRATION



Oracle deals with **Microsoft**, **Amazon** and **Google** seen powering new 'Cloud Migration Story'

MSN, Sep 25, 2024

Successful **cloud migrations** are a prerequisite for enterprises trying to leverage AI and other emerging tech

TechRadar, Aug 9, 2024

JPMorgan to spend \$17bn on IT this year and expects to migrate 70% of its apps to the private cloud

SiliconAngle, Jul 27, 2024



TECH-ENABLED SERVICES



European IT Services market forecast to reach **\$600bn** by 2030

GlobeNewsWire, Aug 9, 2024

Tech Mahindra expands into Baltics with new office in Riga

Consultancy.eu, Jul 12, 2024

Leveraging AI to enhance customer service: how to build **Efficient, Technology-Driven Services**

McKinsey, Jul 9, 2024



SECURITY SERVICES



SecurityHQ collaborates with **Bechtle UK** to deliver managed cybersecurity services

ABC Money, Sep 30, 2024

Telefónica Tech scales up its cyber intelligence services with **Cisco**

Telefonica, Sep 24, 2024

Vodafone Business extends **Kyndryl** cloud & security partnership

Mobile Marketing Magazine, Aug 1, 2024



BUSINESS INTELLIGENCE & DATA ANALYTICS



Infosys looking to acquire firms in data analytics and SaaS

Verdict, Aug 26, 2024

Palantir, **Microsoft** collaborate to boost cloud, AI & analytics services for defence and intelligence customers


Executive Biz, Aug 19 2024


IQVIA raises annual profit forecast on improving demand for analytics services

Reuters, Jul 22, 2024


SELECTED M&A DEALS IN Q3 2024

350+ DEALS AND \$7.7BN+ IN DISCLOSED DEAL ACTIVITY IN Q3 2024

 Deal advised by Drake Star

 Year founded

 Employees

 Sub-sector

 Total Website Visits

NEORIS
\$630m
ACQUISITION BY



DEAL DESCRIPTION

EPAM Systems acquired Neoris for \$630m. The acquisition will enable EPAM to broaden their global & nearshore delivery capabilities, strengthen their presence in LATAM & increase client value in key industries.

September 4th, 2024

 2000

 4,700

 Digital Transformation

 N/A

TARGET DESCRIPTION

 Miami, FL

Provider of digital engagement and transformation services for clients in the Americas and Europe, across industries including manufacturing, telco, banking and others.

KEY PERSONNEL

Martín Méndez – CEO
Diego Echeverry – CFO

BUYER DESCRIPTION

 Newtown, PA

Global IT services firm that offers platform engineering, software development, and consulting services.

KEY PERSONNEL

Arkadiy Dobkin – President, CEO & Chairman




Undisclosed
ACQUISITION BY



DEAL DESCRIPTION

Cherry Bekaert, a portfolio company of Parthenon Capital, acquired Kerr Consulting for an undisclosed amount. The acquisition will enhance Cherry Bekaert's solutions portfolio.

August 6th, 2024

 1987

 95

 IT Services

 4.2k

TARGET DESCRIPTION

 Houston, TX

Kerr operates as an end-to-end managed services administrator, specialising in business applications and cloud technology.

KEY PERSONNEL

Dave Kerr – Co-Founder, CEO & Managing Partner
Koray Ozturk CTO & COO

BUYER DESCRIPTION

 Raleigh, NC

Cherry Bekaert is an accounting, advisory and tax firm delivering digitally driven and industry-aligned solutions to elevate their clients from mid-market players to market leaders.

KEY PERSONNEL

Michele Thompson – CEO

fernao
Undisclosed
ACQUISITION BY

DEAL DESCRIPTION

VINCI Energies, a subsidiary of VINCI, acquired Fernao Group for an undisclosed amount. The acquisition will enable VINCI Energies to develop its expertise in cybersecurity, IT services & cloud services.

August 21st, 2024

 1992

 770

 Security Services

 5.6k

TARGET DESCRIPTION


 Cologne

Provider of cyber security services intended to serve corporate networks. The company offers services including data analytics, monitoring and consulting & implementation services.

KEY PERSONNEL

Nico Birk – CEO
Constantin Stammen – CFO

BUYER DESCRIPTION

 Nanterre


VINCI is a global infrastructure owner and operator. VINCI Energies provides IT and communications technology services through its Axians brand.

KEY PERSONNEL

Arnaud Grison – Chairman and CEO, VINCI Energies

SELECTED FUNDRAISING DEALS IN Q3 2024

470+ DEALS AND \$7.1BN+ IN DISCLOSED FUNDRAISING ACTIVITY IN Q3 2024

 Deal advised by Drake Star

 Year founded  Employees  Sub-sector  Total Website Visits







/why
Undisclosed
PRIVATE PLACEMENT
MAXBURG


DEAL DESCRIPTION

slashwhy has raised an undisclosed amount of growth investment from Maxburg. The capital will be used to grow services to existing customers and expand into new markets.

August 1st, 2024

-  2016
-  250
-  Digital Transformation
-  5.3k

TARGET DESCRIPTION


 Osnabruck

Developer of user-centered software, specialising in the development of applications & embedded software and solutions in the areas of IoT, cloud, machine learning and UI/UX design.

KEY PERSONNEL

Ludger Ahlers – Co-Founder & Partner
Timo Seggelmann – Co-Founder & Partner

LEAD INVESTOR DESCRIPTION

 Munich

Leading investment management company focusing on the DACH region, seeking long-term investments in stable and profitable SMEs with a view towards lasting and sustainable value creation.

KEY SHAREHOLDERS





MAXBURG

QXO
\$4.2bn
PRIVATE PLACEMENT
JPE
SEQUOIA HERITAGE

DEAL DESCRIPTION

QXO raised \$4.2bn of development capital via a PIPE transaction from Jacobs Private Equity, Sequoia Heritage, and other undisclosed investors. The capital will be used to make acquisitions.

July 22nd, 2024

-  2002
-  195
-  Tech-Enabled Services
-  32.7k

TARGET DESCRIPTION


 Greenwich, CT

Provider of technology services to clients in the manufacturing, distribution and services sectors including consulting, professional services, ERP planning, software resale and implementation.

KEY PERSONNEL

Brad Jacobs – CEO & Chairman
Matt Fassler – CSO

LEAD INVESTOR DESCRIPTION

 Greenwich, CT

Jacobs Private Equity is a private equity company formed to oversee Brad Jacobs' control investments. The firm has made investments in logistics and technology firms.

KEY SHAREHOLDERS





JPE **SEQUOIA HERITAGE**

HR Path
Your way to people success
\$538m
PRIVATE PLACEMENT
ARDIAN

DEAL DESCRIPTION

HR Path raised \$538m of growth capital from Ardian. The funds will be used to support further growth and international expansion in Europe, North America and Australia.

July 3rd, 2024

-  2001
-  1,800
-  Tech-enabled Services
-  29.8k

TARGET DESCRIPTION

 Paris

Provider of human capital management services dedicated to supporting businesses in their digital transformation.

KEY PERSONNEL

François Boulet – Co-Founder & CEO
Cyril Courtin – Co-Founder & CEO

LEAD INVESTOR DESCRIPTION

 Paris

Ardian is a global investment firm operating private equity, real asset and credit strategies. Private equity strategies include buyout, expansion, growth and secondary investments.



























KEY SHAREHOLDERS

ARDIAN **SOCIETE GENERALE** **RE-SOURCES**
Capital Partenaires CAPITAL INVESTISSEMENT




































Sources: Similar Web, Capital IQ, Pitchbook, LinkedIn, Company & Investor 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 M&A DEALS IN LAST 12 MONTHS

TARGET	COUNTRY	ACQUIRER	SIZE	DATE	DESCRIPTION
NEORIS			\$630m	04.09.24	Provider of digital engagement and transformation services
fernao			Undisclosed	21.08.24	Provider of cyber security services intended to serve corporate networks including data analytics, monitoring and consulting & implementation services
			Undisclosed	06.08.24	Provider of end-to-end managed services, specialising in business applications and cloud technology
			\$1.3bn	10.06.24	Provider of engineering project management and technical staffing services
			\$3.0bn	04.05.24	Leading global digital consultancy
ITMAGINATION			Undisclosed	04.04.24	Provider of IT services and software development solutions
			Undisclosed	18.03.24	Provider of information technology projects and systems management services
SADA			\$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



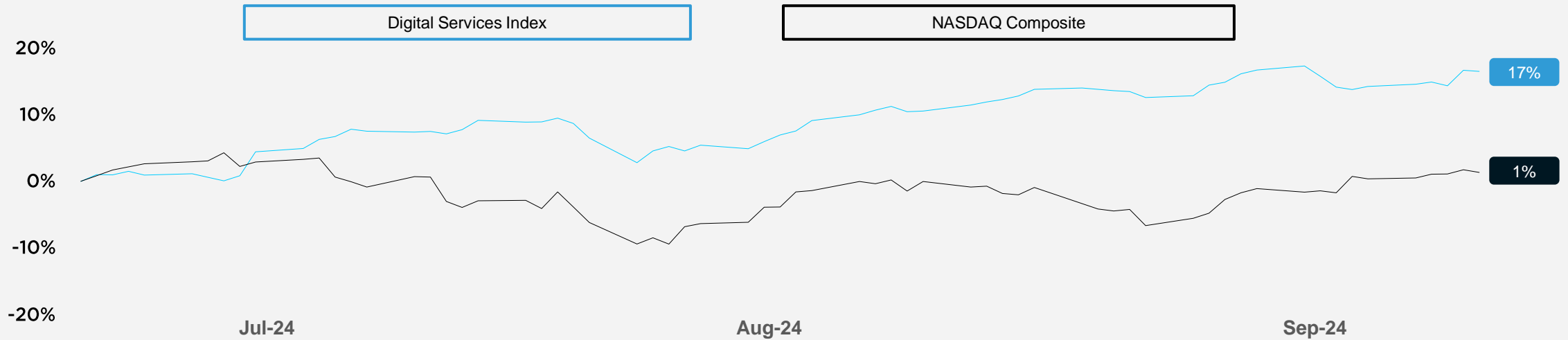
SELECTED FUNDRAISING DEALS IN LAST 12 MONTHS

TARGET	COUNTRY	INVESTOR	SIZE	DATE	DESCRIPTION
			Undisclosed	01.08.24	Provider of software development services in the areas of IoT, cloud, machine learning and UI/UX design
		 SEQUOIA HERITAGE 	\$4.2bn	22.07.24	Provider of technology services to clients in the manufacturing, distribution and services sectors
			\$538m	03.07.24	Provider of human capital management services dedicated to supporting businesses in their digital transformation
			\$250m	09.05.24	Technology-enabled professional services
			\$60m	10.04.24	Provider of digital consultancy services including data analytics, cloud, bioinformatics and program management
		  	\$47m	25.03.24	Provider of financial screening services including sanctions transactions screening, compliance and watchlist screening
			Undisclosed	01.03.24	Provider of cloud-based business management services including implementation of process automation, business intelligence and analytics solutions
			Undisclosed	20.02.24	Provider of IT consulting services including data-led digital transformation, hyper-automation, systems consulting, and cybersecurity services
			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

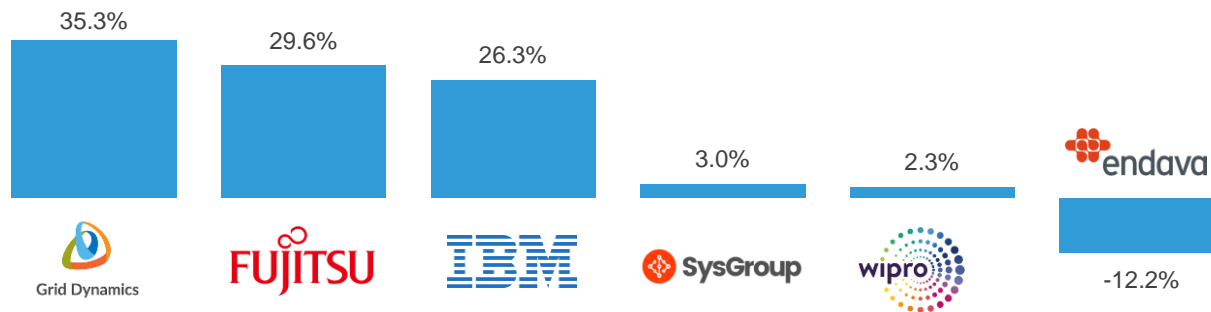


STRONG QUARTER FOR DIGITAL SERVICES

EXCELLENT PERFORMANCE AGAINST A STAGNANT NASDAQ



TOP RISERS & FALLERS JULY - SEPTEMBER 2024



KEY HIGHLIGHTS

- **Grid Dynamics (+35.3%)** rose with record, better than expected revenues being announced
- **Fujitsu (29.6%)** saw strong performance despite the continuing Horizon / British Post Office scandal
- **IBM (26.3%)** beat analyst expectations and rose against strong quarterly performance
- **Endava (-12.2%)**, the only faller in the index, fell following lower-than-anticipated quarterly results and full year 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



GLOBAL REACH COMBINED WITH LOCAL PRESENCE

ONE OF THE LARGEST TECH TEAMS ACROSS NORTH AMERICA, EUROPE AND ASIA



5
countries



8
offices



500+
transactions



+40
Deal of the Year
Awards



+70%
cross-border
transactions



+30
Partners &
Senior Advisors





DRAKE STAR

BELIEVE IN INNOVATION CHANGE THE WORLD

Drake Star is an award-winning global tech investment bank that has completed over 500 transactions since 2013. Drake Star team of over 30 partners and senior advisors across 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.

Past performance does not guarantee future results.

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.

Drake Star did not act as a financial advisor for the transactions in this report if not stated otherwise.

Drake Star is the marketing name for the global investment bank Drake Star Partners Limited and its subsidiaries and affiliates. In the USA, all securities are transacted through Drake Star Securities LLC. In the USA, Drake Star Securities LLC is regulated by FINRA and is a member of SIPC. Drake Star UK Limited (FRN 942020) is an appointed representative of Razlin Ltd (FRN 730805), which is authorized and regulated by the FCA. © 2024 Drake Star Partners Limited.

For more information, visit www.drakestar.com.

*Partner Office

For Institutional Use Only.

© Copyright 2024 Drake Star