



# DIGITAL SERVICES

## INDUSTRY UPDATE

Q2 2023

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

JULY 2023



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# OUR QUARTERLY DIGITAL SERVICES NEWSLETTER

The Drake Star Partners Global Digital Services team is pleased to present the 8<sup>th</sup> 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

CHRISTOPHE MORVAN, MANAGING PARTNER



While 2023 has been challenging for the economy, digital transformation remains at the top of IT agendas. The financial burden and security concerns of tech debt continues to drive inorganic growth strategies as corporates turn to 'buy vs. build' in-house digital capabilities. Throughout Q2, we have seen strong appetite from the buyer community especially in the mid-market for Digital Services assets with resilient business models enabled by disruptive technologies and service offerings; with **290+ M&A deals & \$2.3bn+ disclosed** and **250+ fundraises & \$3.4bn+ disclosed** in **Q2 2023<sup>1</sup>**, including:

- **NexusTek** transacted with **ICCS** for an undisclosed amount, advised by **Drake Star Partners**
- **Globant** acquired **Pentalog** for an undisclosed amount
- **Ricoh** acquired **PFH Technology Group** for an undisclosed amount
- **Evroc** raised an undisclosed amount of seed capital from **EQT Ventures** and **Norrsken VC**
- **Sourcepass** raised **\$65m** of development capital from **Metropolitan Partners Group**
- **Labrys** raised an undisclosed amount of venture funding from **MD One Ventures** and **Offset Ventures**

Looking ahead to the second half of the year, we anticipate an uptick in dealmaking as capital markets stabilise and unlock financing opportunities. [We expect competitive tension for assets in industries benefiting from Generative AI as Strategics look to turbo-charge digitalisation and growth and PEs double down on value creation.](#)



# DIGITAL SERVICES KEY HEADLINES

## SELECTED SUBSECTORS



### DIGITAL TRANSFORMATION



**Infosys** joins hands with **Danske Bank** to accelerate Bank's digital transformation initiatives

Seekingalpha.com, Jun 26, 2023

**Generative AI:** The Next Inflection Point For Digital Transformation

Forbes, Jun 26, 2023

**Diageo** partners with **SAP** and **IBM** on five-year global digital transformation programme

Diageo.com, May 24, 2023



### CLOUD MIGRATION



**Google** Launches 'Biggest' Cloud Migration Program Ever: 6 Key Things To Know

CRN.com, May 03, 2023

**JPMorgan** has spent over \$2bn building new cloud-based datacentres

The Stack, April 12, 2023

**Unilever** Becomes a Cloud-Only Enterprise Following Massive Migration

Consumer Goods, Apr 04, 2023



### TECH-ENABLED SERVICES



**Capgemini** to acquire **BTC**, a leading Digital Services provider in Japan

Telecom TV, Jun 26, 2023

**Accenture** Makes a \$3bn Bet on AI

The New York Times, Jun 13, 2023

**Wipro** expands partnership with **Google Cloud** and to integrate Google's full suite of AI products & services

Business Today, May 24, 2023



### SECURITY SERVICES



**Daisy** completes acquisition of **ECSC** to further strengthen cybersecurity services

CRN, Jun 23, 2023

**Thales** to strengthen cybersecurity with the acquisition of security consultancy **Tesseract**

Army Technology, Jun 14, 2023

IT infra provider **Kyndryl** unveils Cybersecurity Incident Response and Forensics Service

MSSP Alert, Jun 12, 2023



### BUSINESS INTELLIGENCE & DATA ANALYTICS



France's **Mistral AI** blows in with a \$113m seed round at a \$260m valuation to take on **OpenAI**

TechCrunch, June 13, 2023

Microsoft launches unified analytics platform '**Microsoft Fabric**' to unlock the potential of data in the era of AI

Azure.Microsoft, May 23, 2023

Business intelligence market size to grow by **\$12bn** from 2022 to 2027

yahoolfinance, May 15, 2023

# SELECTED M&A DEALS IN Q2 2023

290+ DEALS AND \$2.3BN+ IN DISCLOSED DEAL ACTIVITY IN Q2 2023

Year founded
 Employees
 Sub-sector
 Total Website Visits



Undisclosed
   
 TRANSACTED WITH

## DEAL DESCRIPTION

NexusTek transacted with ICCS for an undisclosed amount, advised by Drake Star Partners. The transaction gives NexusTek further presence in the northeast US and capability in public/hybrid cloud.

May 16<sup>th</sup>, 2023

1999

31

Tech-Enabled Services

n.a.

## BUSINESS DESCRIPTION

New York City

Provider of IT, telecom and managed services including customised IT, cloud solutions, business continuity, structured cabling and technology solutions to support the diverse business requirements of its clients, helping businesses of all sizes grow by providing innovative solution design, implementation and support services.

## KEY PERSONNEL

Isaac Braca – Co-Founder & CEO  
Morris Braca – Co-Founder, CFO & COO

## KEY SHAREHOLDERS

Undisclosed
   
 ACQUISITION BY

## DEAL DESCRIPTION

Globant acquired Pentalog for an undisclosed amount. The acquisition will support Globant's plans to expand its footprint and services in France.

May 6<sup>th</sup>, 2023

1993

1,170

Tech-Enabled Services

75.1k

## BUSINESS DESCRIPTION

La Chapelle-Saint-Mesmin

Provider of software development and digital services. The company specialises in offering customer-oriented IT support services in application and website development, infrastructure management and embedded system engineering, thereby helping companies access high-quality and cost-effective digital services.

## KEY PERSONNEL

Frédéric Lasnier – Co-Founder, CEO & Chairman  
Denis Lavaud - CFO

## KEY SHAREHOLDERS

Undisclosed
   
 ACQUISITION BY

## DEAL DESCRIPTION

Ricoh Europe acquired PFH Technology Group for an undisclosed amount. The acquisition helps Ricoh Europe to offer a full spectrum of services to its clients.

April 3<sup>rd</sup> 2023

1985

579

Digital Transformation, Cloud & Security Services

29.4k

## BUSINESS DESCRIPTION

Dublin

Digital infrastructure and managed services company, providing IT and communications as a service in a range of areas including cybersecurity and digital transformation, helping businesses to design, implement and manage IT systems to support their operations and drive efficiency.

## KEY PERSONNEL

Paul Hourican – Founder & Chairman  
Paul Callaghan – CEO

## KEY SHAREHOLDERS

# SELECTED FUNDRAISING DEALS IN Q2 2023

250+ DEALS AND \$3.4BN+ IN DISCLOSED FUNDRAISING ACTIVITY IN Q2 2023

Year founded
 Employees
 Sub-sector
 Total Website Visits



## DEAL DESCRIPTION

The company raised an undisclosed amount of seed funding from EQT Ventures and Norrskan VC. The funds will be used to build company's launch team in anticipation of a \$3.2bn fundraise.

June 6<sup>th</sup>, 2023

2022

9

Cloud Services

n.a.

## BUSINESS DESCRIPTION Stockholm

Provider of next-generation cloud services intended to offer networking and computing services. The company's cloud infrastructure helps to control the geographic location and the security of data in order to deliver a cloud infrastructure which enables clients to get sustainable European data sovereignty.

## KEY PERSONNEL

Mattias Åström – Co-Founder & CEO  
Andreas Birnik – Co-Founder, VP Strategy & Sustainability

## KEY SHAREHOLDERS



## DEAL DESCRIPTION

The company received \$65m of development capital from Metropolitan Partners Group. The funds will be used to further advance their strategic initiatives and to fund acquisitions.

May 2<sup>nd</sup>, 2023

2020

267

Digital Transformation & Security Services

11.9k

## BUSINESS DESCRIPTION Huntington

Operator of an IT services company designed to empower small and mid-sized businesses to develop and execute IT strategies that enable their future growth. The company offers managed IT services, digital transformation, cybersecurity, physical security, consulting services and web services.

## KEY PERSONNEL

Chuck Canton – Co-Founder, CEO & Chairman  
Roli Points – Co-Founder & VP of Strategic Alliances

## KEY SHAREHOLDERS



## DEAL DESCRIPTION

The company raised an undisclosed amount of venture funding from MD ONE Ventures and Offset Ventures.

April 1<sup>st</sup>, 2023

2017

6

Tech-Enabled Services

n.a.

## BUSINESS DESCRIPTION London

Developer of information and operational services. The company's platform provides the tools needed to dynamically manage individuals and teams of any type or size, in any environment, enabling clients to visualise their people and networks globally in real-time.

## KEY PERSONNEL































August Lersten – Co-Founder, CEO & Board Member  
Luke Wattam – Co-Founder, COO & Board Member

## KEY SHAREHOLDERS





## SELECTED M&A DEALS IN 2023

TARGET	COUNTRY	ACQUIRER	SIZE	DATE	DESCRIPTION
			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
			\$4.8bn	29.03.23	Provider of tech-enabled CRM outsourcing 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
			Undisclosed	01.03.23	Provider of data and technology services intended to transform digital business
			Undisclosed	13.02.23	Provider of CRM consulting services intended to create innovative experiences that connect customers and organisations
			Undisclosed	11.02.23	Developer and provider of cyber defence and risk management
			\$75m	05.01.23	Provider of professional and managed services to accelerate salesforce eCommerce growth
			Undisclosed	05.01.23	Provider of software development and digital services

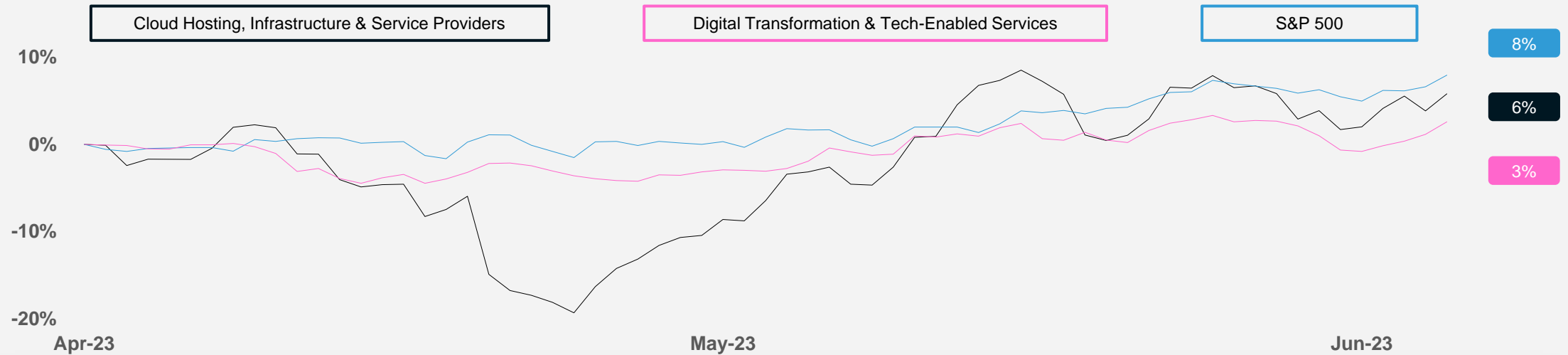
## SELECTED FUNDRAISING DEALS IN 2023

TARGET	COUNTRY	INVESTOR	SIZE	DATE	DESCRIPTION
 evroc		 <b>&lt;norrskan&gt;</b>	Undisclosed	06.06.23	Provider of next-generation cloud infrastructure and services intended to offer networking and computing services
SOURCEPASS		 METROPOLITAN	\$65m	02.05.23	Provider of managed IT services, digital transformation, cybersecurity, physical security, consulting services and web services
 Labrys		 	Undisclosed	01.04.23	Developer of information and operational services for dynamically managing people and teams, globally, in real time
 STRATUS			Undisclosed	08.03.23	Provider of specialised technology consulting services and solutions including application managed services, implementation and consulting
Brainsquare			Undisclosed	02.03.23	Provider of IT management services intended to design, develop and manage complex critical application landscapes
 Hakkōda			Undisclosed	01.03.23	Provider of data engineering consultancy services and other business services
 ETIX EVERYWHERE			\$47m	24.02.23	Developer of local data centres, offering construction, monitoring and operative responsibility
 SKYBOX SECURITY			\$50m	08.02.23	Developer of a cybersecurity management platform that addresses security challenges in large, complex networks
 Cloud			\$119m	26.01.23	Operator of a cloud-based platform for providing integrated services including network interface and database management
 TERASKY			Undisclosed	23.01.23	Provider of digital transformation services including cloud structures, microservices infrastructure and application migration

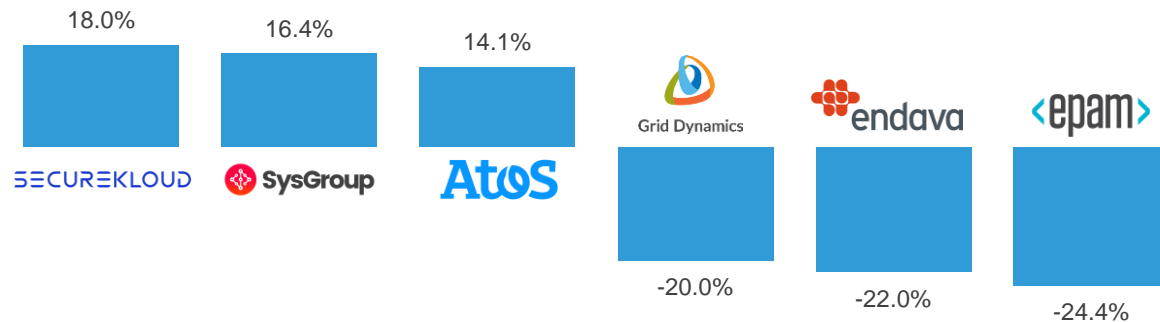


# DIGITAL SERVICES FIRMS DISPLAY RESILIENCE OVER Q2

DIGITAL TRANSFORMATION & TECH-ENABLED SERVICES REMAIN STABLE



## TOP 3 RISERS & FALLERS APRIL - JUNE 2023



## KEY HIGHLIGHTS

- **SecureKloud** (+18.0%) has benefitted from the buzz surrounding Cloud Services, recovering ground from its price collapse in Q1
- **SysGroup** (+16.4%) announced positive end of financial year results, with revenues up by 47%
- **Endava** (-22.0%) fell following the release of their quarterly report estimating a drop in revenues
- **EPAM** (-24.4%) stock fell following an announcement of reduced Q2 revenue and earnings forecasts, owing to slower than expected business growth

# LANDMARK DEALMAKING IN THE DIGITAL SERVICES SPACE

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

 TRANSACTED WITH  a portfolio company of  HR Tech-Enabled / Digital Transformation	SALE TO  <b>AXIOM</b> PARTNERS HR Tech-Enabled / Digital Transformation	 SALE TO  a portfolio company of <b>PFINGSTEN</b> IT Services	 SALE TO  a Waterland Private Equity Fund VIII company Digital Services	 SALE TO  Digital Services	 a portfolio company of  HAS RECEIVED MAJORITY INVESTMENT FROM  Digital Services	 RECAPITALISATION <b>ICG</b> Digital Transformation	 SALE TO  Cloud Native Transformation
 SALE TO  Security Networks AG Digital Transformation / Secure Cloud Services	 HAS RECEIVED INVESTMENT FROM  Digital Services	 SALE TO  Transforming the Future. Now a portfolio company of  Digital Services	 SALE TO  a portfolio company of  Cloud Services	 SALE TO  (a portfolio company of Waterland) Cloud Infrastructure	 SALE TO  CAPITAL PARTNERS AND ROLLOVER OF MANAGEMENT SHARES Digital Transformation Services	<b>BLOOM</b> PRIVATE PLACEMENT     Social media analytics platform	 and portfolio company  INVESTMENT IN & MERGER WITH  IT Services
 cloud at scale™ SALE TO  IT Services	 excellence in people SALE TO*  IT Services	 SALE TO*  Tech-Enabled / Digital Transformation	 a portfolio company of  SALE TO  IT Services	 SALE TO*  IT Services	 HAS RECEIVED INVESTMENT FROM  IT Services	 HAS RECEIVED INVESTMENT FROM  IT Services	 SALE TO  a portfolio company of  IT Services

# LANDMARK DEALMAKING IN THE DIGITAL SERVICES SPACE

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

 <p>ACQUISITIONS &amp; COMBINATION OF</p>    <p>IT Services</p> 	 <p>SALE TO</p>  <p>IT Services</p> 	 <p>SALE TO</p>  <p>a portfolio company of</p>  <p>IT Services</p>  	 <p>SALE TO</p>  <p>a portfolio company of</p>  <p>IT Services</p> 	 <p>HERE TO DARE</p> <p>SALE TO *</p>  <p>Tech Enabled/Digital Transformation</p>  	 <p>RECAPITALISATION WITH</p>  <p>IT Services</p> 	 <p>SALE TO *</p>  <p>IT Services</p>  	 <p>SALE TO</p>  <p>IT Services</p> 
 <p>SALE TO</p>  <p>a portfolio company of</p>  <p>IT Services</p>  	 <p>a portfolio company of</p>  <p>HAS ACQUIRED</p>  <p>IT Services</p> 	 <p>a portfolio company of</p>  <p>MAJORITY SALE TO</p>  <p>Norwest Equity Partners</p> <p>IT Services</p> 	 <p>SALE TO</p>  <p>Digital Transformation Specialist</p>  	 <p>SALE TO *</p>  <p>IT Services</p>   	 <p>SALE TO</p>  <p>IT Services &amp; Software</p>   	 <p>PRIVATE PLACEMENT</p>   <p>Digital Health Insurance</p> 	 <p>SALE TO *</p>  <p>IT Services</p> 
 <p>SALE TO *</p>   <p>Tech-Enabled</p>  	 <p>SALE TO *</p>  <p>Tech-Enabled</p>  	 <p>MAJORITY GROWTH INVESTMENT</p>  <p>IT Services</p> 	 <p>SALE TO *</p>  <p>Tech-Enabled</p>  	 <p>MAJORITY SALE TO</p>  <p>AND ROLLOVER OF MANAGEMENT SHARES</p> <p>Digital Transformation Agency</p> 	 <p>SALE TO *</p>  <p>Tech-Enabled</p> 	 <p>SALE TO *</p>  <p>Tech-Enabled</p>  	 <p>SALE TO</p>  <p>IT Services</p> 

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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

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