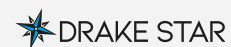




MANAGED SERVICE PROVIDER “MSP” MARKET UPDATE 2023

NEW YORK | LONDON | LOS ANGELES | PARIS | MUNICH

SAN FRANCISCO | BERLIN | DUBAI



PROVEN TRACK RECORD IN MSP M&A AND GROWTH FINANCING ADVISORY

<p>Managed Service Provider</p> <p>SALE TO</p> <p>Deal 1⁽¹⁾</p> <p>MSP</p>	<p>iccs</p> <p>TRANSACTS WITH</p> <p>nexustek nt.</p> <p>a portfolio company of</p> <p>abry partners</p> <p>Services</p>	<p>THE TNS GROUP</p> <p>SALE TO</p> <p>omega systems</p> <p>a portfolio company of</p> <p>PFINGSTEN</p> <p>MSP</p>	<p>coretelligent</p> <p>a portfolio company of</p> <p>VSS</p> <p>MAJORITY SALE TO</p> <p>N E P</p> <p>Network Equity Partners</p> <p>MSP</p>	<p>THRIVE™</p> <p>a portfolio company of</p> <p>MC PARTNERS</p> <p>SALE TO</p> <p>COURT SQUARE</p> <p>MSP</p>
<p>Synoptek</p> <p>a portfolio company of</p> <p>SVERICA</p> <p>HAS RECEIVED MAJORITY INVESTMENT FROM</p> <p>QUAD-C</p> <p>MSP</p>	<p>nexustek nt.</p> <p>RECAPITALIZATION WITH</p> <p>abry partners</p> <p>MSP</p>	<p>abacus group llc</p> <p>HAS SOLD A MINORITY STAKE TO</p> <p>WEST VIEW CAPITAL PARTNERS</p> <p>MSP</p>	<p>Med Tech Solutions</p> <p>HAS BEEN ACQUIRED BY</p> <p>SUNSTONE PARTNERS</p> <p>MSP</p>	<p>coretelligent</p> <p>a portfolio company of</p> <p>VSS</p> <p>HAS ACQUIRED</p> <p>SOUNDSHORE TECHNOLOGY GROUP</p> <p>MSP</p>
<p>CLOUDNEXA</p> <p>a portfolio company of</p> <p>ACTIVATE</p> <p>SALE TO</p> <p>GLOBAL</p> <p>MSP</p>	<p>coretelligent</p> <p>a portfolio company of</p> <p>VSS</p> <p>HAS ACQUIRED</p> <p>UTG</p> <p>MSP</p>	<p>coretelligent</p> <p>a portfolio company of</p> <p>VSS</p> <p>HAS ACQUIRED</p> <p>SoundView IT SOLUTIONS</p> <p>MSP</p>	<p>coretelligent</p> <p>PRIVATE PLACEMENT</p> <p>VSS</p> <p>MSP</p>	<p>CLEARPointe</p> <p>SALE TO</p> <p>Accountabil IT</p> <p>a portfolio company of</p> <p>WEST VIEW CAPITAL PARTNERS</p> <p>MSP</p>




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(1) Current Drake Star mandate prepping for market

OUR VALUE PROPOSITION

WHY OUR CLIENTS CHOOSE US



100% TECH-FOCUSED

Deep sector expertise in
7 core tech verticals



LEADER IN MID-MARKET TECH INVESTMENT BANKING

Only boutique in
global top 10



INDEPENDENT AND PARTNER-LED

Partner-owned investment
bank with an
entrepreneurial team



EXTENSIVE M&A AND CORPORATE FINANCE EXECUTION SKILLS

Executing wide range of
transactions including
Strategic M&A, PE Buyouts,
Private Placements, Buy
Side, and Carve Outs deals



GLOBAL REACH COMBINED WITH LOCAL PRESENCE

One of the largest tech
teams with senior
professionals in the US,
Europe and Middle East



STRONG TRANSACTION TRACK RECORD

Over 500 transactions
completed incl. numerous
tech landmark deals



RECOGNISED BY THE INDUSTRY

8x investment bank of the
year,
33x deal of the year,
5x leadership awards

OUR KEY TAKEAWAYS ON THE MSP MARKET



In the fourth quarter of 2023, there was a 54% increase in mergers and acquisitions within the managed services market compared to the previous quarter, spurred by companies aiming to expand their service offerings.



Major corporations are currently undergoing significant consolidation efforts, as evidenced by the top 10 consolidators each engaging in a minimum of 4 investments in Managed Service Providers. In contrast, financial investors have typically made singular investments between 2022 and 2023.



The global managed service market value was \$283 billion at year-end 2023. It's expected to reach \$552 billion by 2032 as IT complexities and cost efficiency drive demand for MSPs.

Source: Drake Star

MSP MARKET UPDATE

STRONG MARKET TRACTION DESPITE ECONOMIC UNCERTAINTY

125

MSP transactions
in 2023

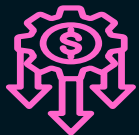
\$283bn

Global managed service
market value in 2023

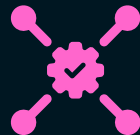
~7.7%

Expected market growth
CAGR until 2032

Top 3 Most Important Outcomes Achieved From Managed Services



Outsourcing IT services to MSPs
enables operating cost efficiencies



Assist in navigating the
complexities of advanced IT
environments

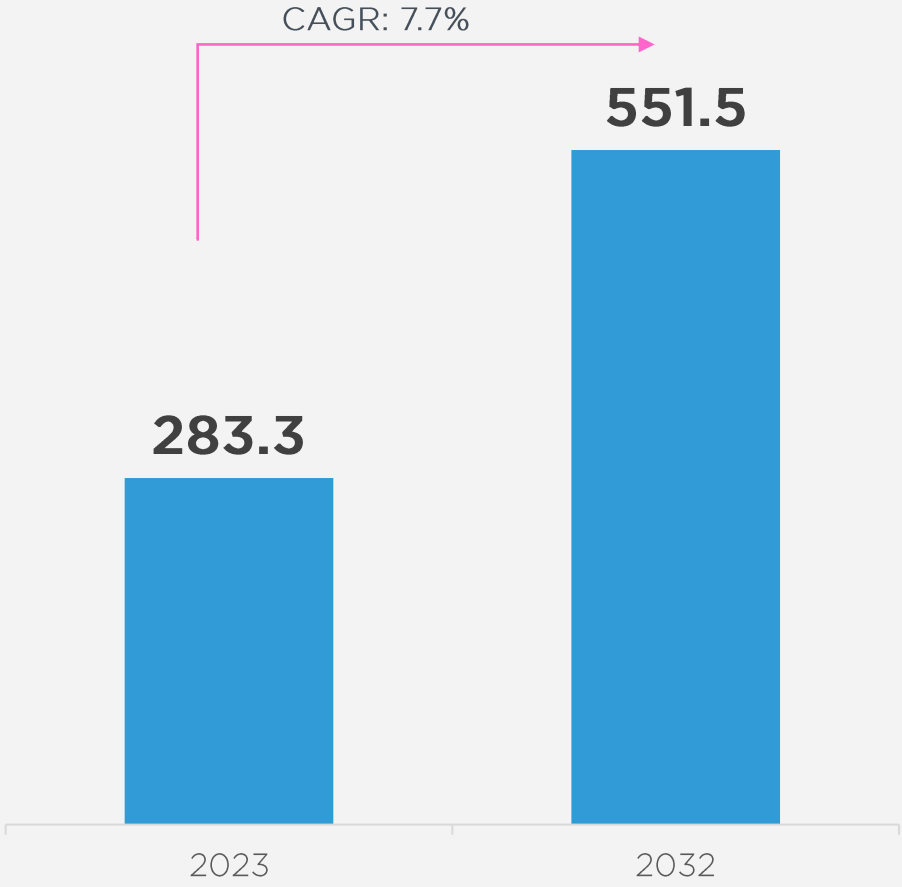


Rapid deployment of new
technology

Sources: Pitchbook, IMARC Group

IT COMPLEXITIES AND COST EFFICIENCY DRIVING MANAGED SERVICES TO REACH \$552B

MANAGED SERVICES MARKET SIZE (in \$Bn)



Sources: IMARC Group, Precedence Research

KEY DRIVERS



Increasing Complexity: The swift advancement of technology, varied software environments, and the integration of numerous platforms are driving the need for managed services.



Cost Efficiency: Managed services improve cost efficiency by optimizing resource utilization and reducing operating expenses, thereby enhancing overall profitability. Businesses are increasingly choosing to outsource to MSPs for infrastructure and tools at a predictable monthly fee, rather than investing in costly hardware and software.



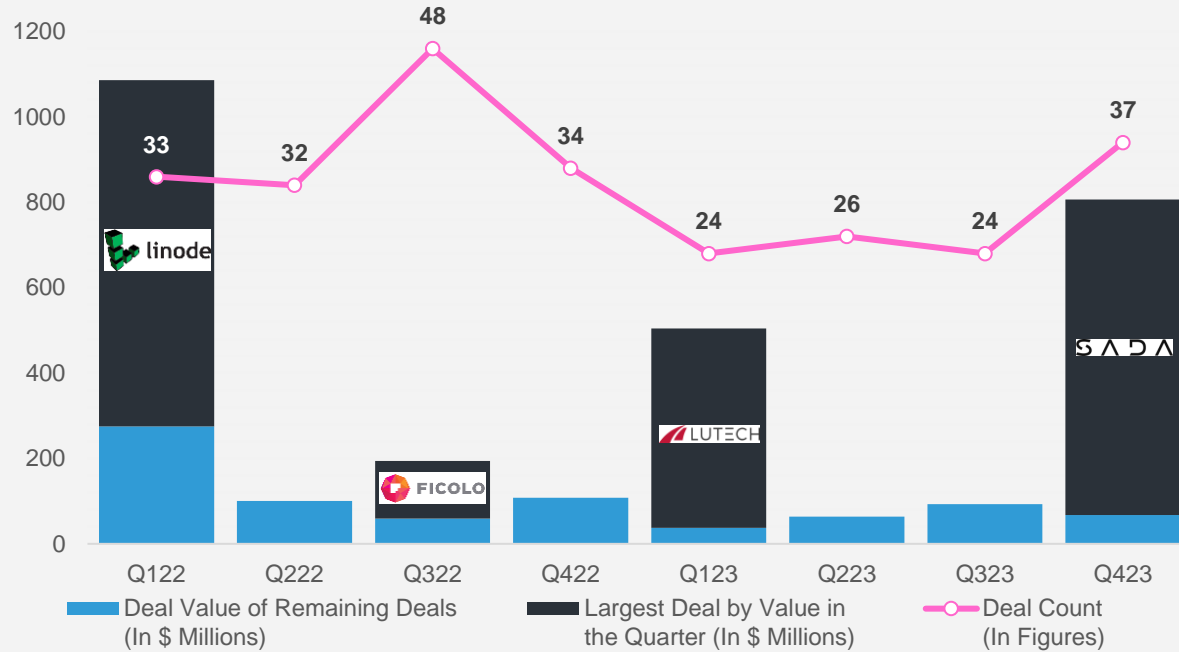
Cybersecurity Challenges: The rising incidence of cybersecurity threats is fueling the need for MSPs, who provide specialized solutions such as 24/7 monitoring and threat detection. These services are vital for safeguarding sensitive data and ensuring compliance with regulations.



Enhanced Business Agility: Managed services offer the flexibility to promptly adapt IT resources to changes in the market, customer requirements, and emerging opportunities. This capability allows for swift responses without being constrained by fixed infrastructure.

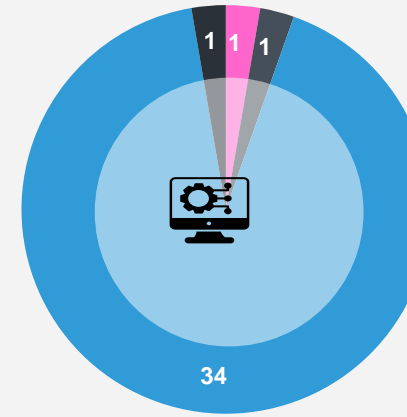
M&A ACTIVITY: Q4 WAS THE MOST ACTIVE IN 2023

IN Q4 2023, 37 ANNOUNCED M&A DEAL DEALS IN UNITED STATES AND EUROPE



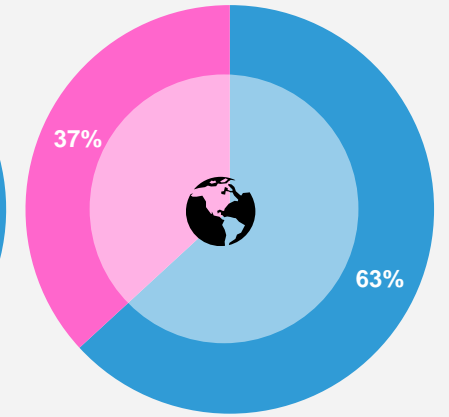
DEAL COUNT BY SEGMENT

Total - 37

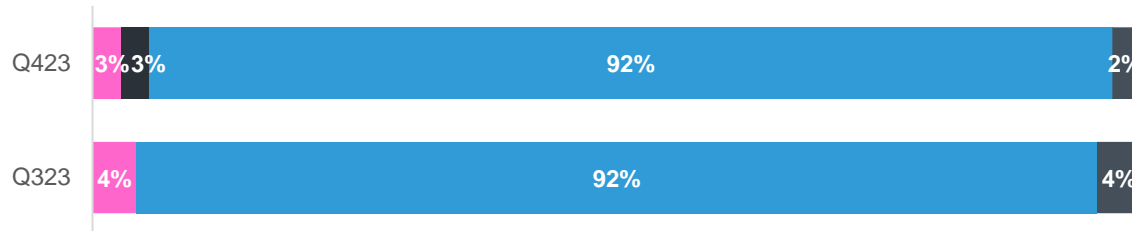


DEAL COUNT BY GEO

Total - 37



DEAL COUNT BY SEGMENT



IT Services



Commercial Services



Computer Hardware



Business/Productivity/
Application Software

Sources: Pitchbook, Drake Star Analysis. **Note:** Deal value reflects solely the capital invested by those deals that disclose their specific value. Not all transactions report deal value.

LARGE CORPORATIONS ARE CONSOLIDATING THE MARKET TO STRENGTHEN AND EXPAND THEIR SERVICE OFFERING

TOP 10 MOST ACTIVE STRATEGIC CONSOLIDATORS*

















































TOP 10 MOST ACTIVE FINANCIAL CONSOLIDATORS**

Includes deals since 2022. *Ranked by total deal count. **Each financial investor has only made a single investment in MSP companies, thus, the companies listed under them do not adhere to any ranking.

Sources: Pitchbook, Drake Star Analysis

STRATEGICS FROM MULTIPLE SECTORS EXPRESS INTEREST IN MSPs

Q4 2023



COMPANY	COUNTRY	EMPLOYEES	REVENUE (\$ Mn)	DEAL SIZE (\$ Mn)	EV/REV.	EV/EBITDA	ACQUIRER	ACQUIRER COUNTRY	DATE
 INN OVEX		3,300	--	--	--	--	  		Dec-23
 SADA		500	--	\$739.3	--	--			Dec-23
 DU		201-500	--	--	--	--	 		Dec-23
 falanx Cyber		51-200	--	--	--	--	 	 	Dec-23
 Bluecube An  company		159	--	--	--	--	 	 	Dec-23
 CM		11-50	15.0	--	--	--			Dec-23
 Accesspoint Technologies		11-50	4.6	\$8.0	1.7	8.2			Dec-23
 Astadia		201-500	--	\$0.08	--	--			Nov-23
 APIXIT Corporate Segment		201-500	--	\$50.0	--	--			Oct-23
 rmsource		11-50	--	\$9.0	--	--			Oct-23



Note: Drake Star did not act as financial advisor on transactions listed on this page

Sources: Pitchbook, Drake Star Analysis

STRATEGIC FIT IS KEY FOR MSP M&A DEALS



37 DEALS AND \$806M IN DISCLOSED DEAL ACTIVITY




\$739.3M
 ACQUISITION BY
 

- SADA Systems, a cloud technology consulting service provider was acquired by Insight Enterprises for \$739.3M
- The acquisition will strengthen Insight's strategy and its position as a leading solutions integrator, offering multicloud solutions

Dec-2023


\$50.0M
 ACQUISITION BY
 

- APIXIT Group, an IT service provider was acquired by Bechtle, a subsidiary of Bechtle Schweiz, for \$50.0M.
- The acquisition will enable the expansion of Bechtle's IT services portfolio into a sixth European country, following Germany, Austria, Switzerland, Great Britain, and the Netherlands.

Oct-2023


\$8.0M
 ACQUISITION BY
 




- Accesspoint Technologies, a managed information technology and consultancy service provider was acquired by iomart for \$8.0M.
- The acquisition furnishes iomart with extensive industry expertise and a highly capable team with a strong reputation within the legal sector.

Dec-2023


\$9.0M
 ACQUISITION BY
 



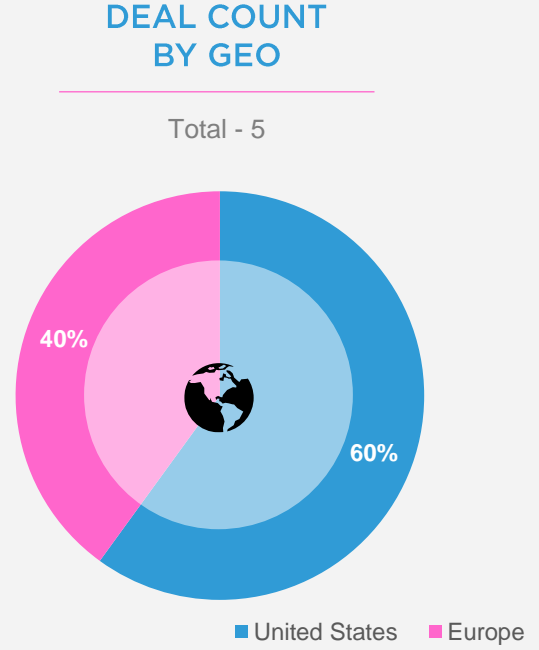
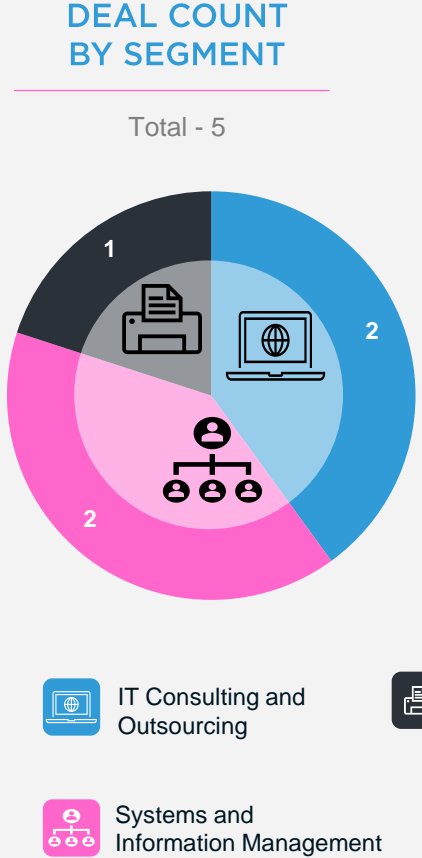
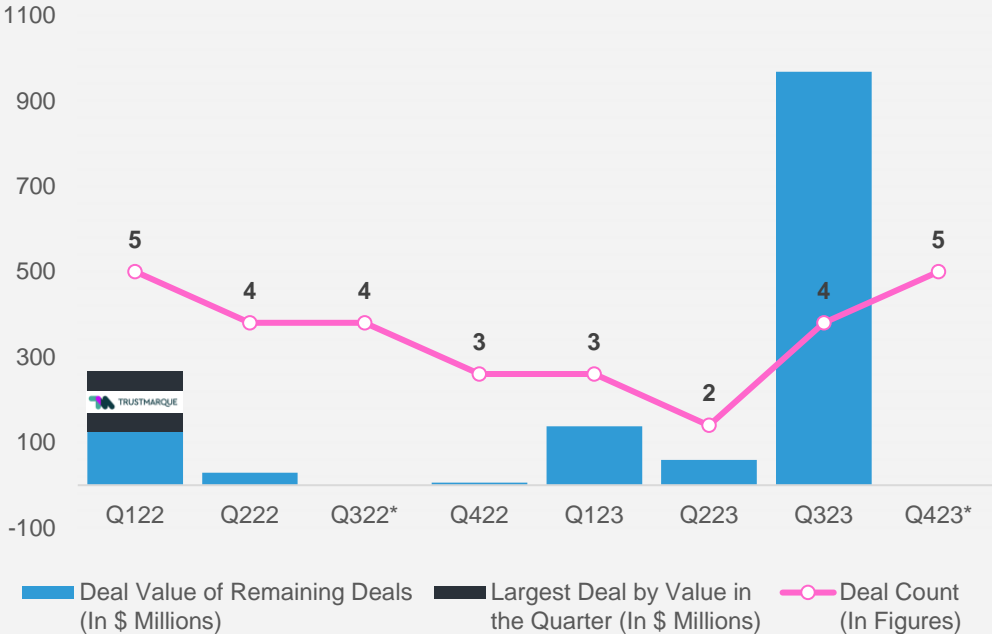

- RMSource, a managed security, cloud, and IT service provider, was acquired by Check Point Software Technologies for \$9 million.
- The acquisition will strengthen Check Point Software Technologies' managed services capabilities.

Oct-2023

Note: This slide displays deals that have disclosed their sizes.

Sources: Pitchbook, Drake Star Analysis

Q4 SAW THE MOST MSP PRIVATE PLACEMENT INVESTMENTS IN THE PAST YEAR



Note: Deal value reflects solely the capital invested by those deals that disclose their specific value. Not all transactions report deal value. Information on deal count and value by stage is available. Drake Star did not act as financial advisor on transactions listed on this page.
 *No deal values disclosed for Q3 2022 and Q4 2023.
 Sources: Pitchbook, Drake Star Analysis

CONTINUED PE INVESTMENTS IN MSPs

2023


COMPANY	SUBSECTOR	COUNTRY	REVENUE	DEAL SIZE	EMPLOYEES	SELECT INVESTOR	DATE
 Kocho	Systems and Information Management		48.2	--	201-500		Dec-23
 FOCUS TECHNOLOGY	IT Consulting and Outsourcing		--	--	151		Nov-23
 TTNL	Systems and Information Management		--	--	51-200		Oct-23
 Intelligently Managed	Printing Services		--	--	11-50		Oct-23
 ANCHOR POINT	IT Consulting and Outsourcing		--	--	11-50		Oct-23
 HARRIS	IT Consulting and Outsourcing		--	0.6	20-25		Sep-23
 elastisys	IT Consulting and Outsourcing		--	2.5	42		Sep-23
 SCALIAN	IT Consulting and Outsourcing		25.5	965.0	5,500		Jul-23
 OSTERTAG DeTeWe	IT Consulting and Outsourcing		94.4	--	201-500		Jun-23
 SOURCEPASS™	IT Consulting and Outsourcing		95.1	59.1	500		May-23

Sources: Pitchbook, Drake Star Analysis

PRIVATE EQUITY FIRMS CONTINUE TO DEPLOY CAPITAL IN MSPs IN 2023


SCALIAN
5,550
EMPLOYEES





- Scalian was acquired by Wendel Group through a EUR 965 million LBO.

Jul-23


Kocho
201-500
EMPLOYEES





- Kocho received development capital from BGF.

Dec-23


201-500
EMPLOYEES





- Ostertag DeTeWe was acquired by Apera Asset Management.
- Ostertag DeTeWe will further develop the market for uniform platforms, integrated communication, and collaboration environments with cloud-based communication solutions in medium-sized businesses.

Jun-23


TTNL
51-200
EMPLOYEES





- TTNL was acquired by Fields Group through an LBO.
- The aim of the acquisition is to build on the successful heritage of the company and to grow it into a leading provider in Europe.

Oct-23


150
EMPLOYEES





- Focus Technology Solutions was acquired by Seacoast Capital and its management through an LBO.
- The transaction was supported by debt financing. As a result of the transaction, the company was recapitalized.

Nov-23


11-50
EMPLOYEES





- Cartridge Technologies was acquired by CenterGate Capital through an LBO.
- The investment will provide Cartridge Technologies with the capital and strategic resources to continue its growth trajectory while increasing.

Oct-23

Sources: Pitchbook, Drake Star Analysis

GLOBAL REACH COMBINED WITH LOCAL PRESENCE

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



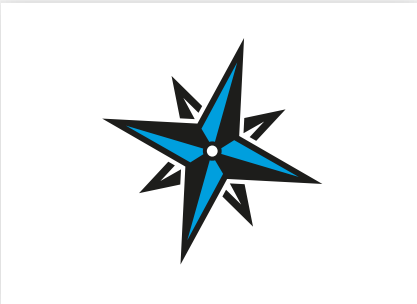
5
countries



8
offices



500+
transactions



+35
Deal of the Year
Awards



+70%
cross-border
transactions



+30
Partners &
Senior Advisors





MSP

2023 MARKET UPDATE

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A low-angle, wide shot of the Tower Bridge in London during the "blue hour" of dusk. The bridge's two massive stone towers are the central focus, with their Gothic-style architecture and ornate windows clearly visible. The bridge's blue-painted suspension cables and steel framework create a strong geometric pattern against the sky. In the foreground, the lower legs and feet of a person wearing dark trousers and high-heeled shoes are visible, suggesting they are walking across the bridge. The sky is filled with soft, wispy clouds, and the overall lighting is a mix of the cool blues of twilight and the warm oranges of the setting sun.

 DRAKE STAR

**BELIEVE IN INNOVATION
CHANGE THE WORLD**