Managed IT & Cloud Services

Quarterly Report

Content

01 Perspectives

Digital Transformation Services: Business Model Overview

In this report, we cover the latest market trends across the Managed IT & Cloud Services sector, including recent M&A activity and the growth in demand for digital transformation services. Digital transformation services encompasses a variety of solutions and has attracted significant investment from both strategic and private equity investors looking to deploy capital into the burgeoning segment.

Digital Transformation: Re-Occurring Revenues Drive Investor Interest

It is well covered in investment literature that private equity return modeling ascribes significant value to the recurring revenue model. The ease of projections and stable cash flow return generation on high growth businesses provides the basis for platform investments that lead to premium exits. In this well-trodden space, this investor preference is priced into entry multiples. As multiples have risen and returns compressed on recurring revenue business models, investors have looked elsewhere to acquire high margin businesses. Seeking a stable base of cash flows that can be built into platform investments fueled by acquisitive growth investors and acquirers have turned to digital transformation providers.

Digital transformation is a broadly used term but the simplest way to divide this broad category is to look at the three main service pillars and their revenue profiles.

1) **On-Prem Migration to Cloud:** One-time revenues related to a singular event in a company's digital transformation journey

2) **Business Application Automation & Modernization:** Re-occurring revenues that involve the implementation of applications that fulfill a variety of ever-evolving business case needs

3) **Traditional Managed IT:** Recurring revenues tied to full-scale IT environment and spend management services

The ability of companies focused on the second pillar of digital transformation to generate re-occurring revenue, coupled with significant expected market growth, a growing need for customized, high-touch solutions and implementations, and the fragmented nature of operators in the space, is attracting significant investment.

> Re-occurring revenue models, specifically those related to digital transformation services, have become a target of private equity acquisitions, as investors seek high-growth platform investments that can be fueled by stable cash flow generating assets.

01 Perspectives *(cont'd)*
Digital Transformation Services: Provider Trends

Currently, over 91%[1] of businesses are engaged in some form of digital transformation, with total global spend expected to exceed $3.4T[2] by 2026. As companies look to transition more business processes to cloud applications and automated platforms, many have opted to bring in outside experts to facilitate this transition and customize off the shelf solutions.

These growing business needs are currently being serviced by a wide-ranging set of market actors that can be broken down into three main classifications:

1) **Generalist Digital Consulting Providers:** Scaled and diversified technology and IT Service providers offering multi cloud and multi platform solutions across a variety of verticals. This ecosystem contains several large publicly traded digital consulting providers.

2) **Target Market DX Specialists:** Cloud providers with a target market led approach by either vertical/industry, geography, or end market focus (SMB vs Enterprise). Popular category for private equity platform investments given compelling growth strategies through M&A.

3) **Cloud Partner DX Specialists:** Specialized cloud providers with a 'partner- driven' approach across specific enterprise applications or cloud infrastructure platforms. Providers in this segment are popular private equity platform investments as well as bolt-on targets for players looking to diversify existing offerings.

Digital Transformation Categories: Illustrative Providers

Generalist Digital Consulting Providers	Target Market DX Specialists	Cloud Partner DX Specialists

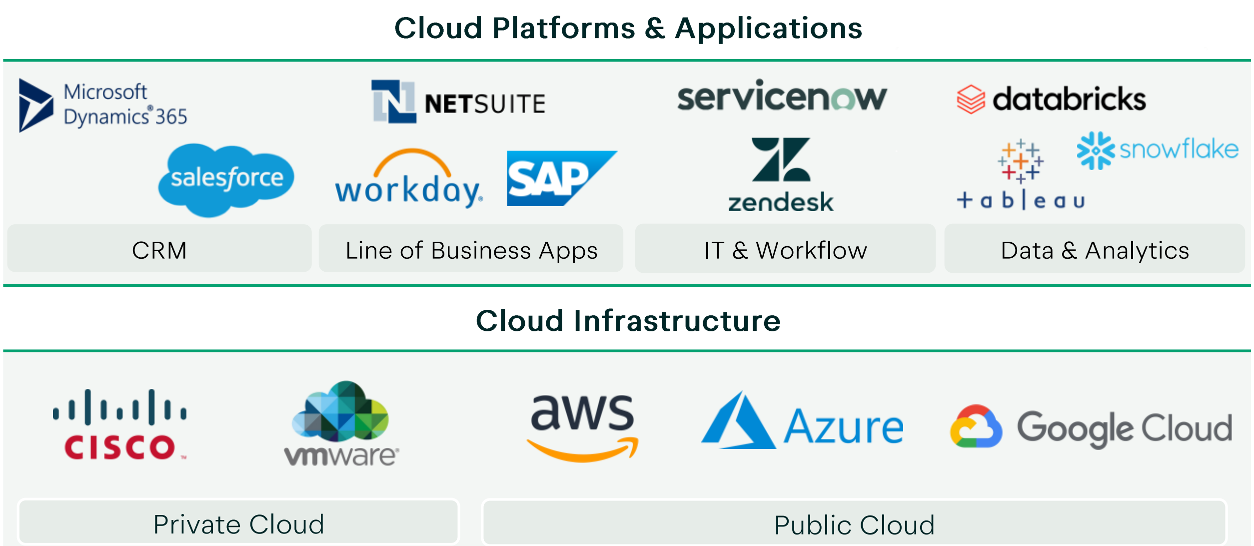
Source: (1) IDC; (2) Gartner

01 Perspectives *(cont'd)*

Digital Transformation Services: Technology Trends

As part of a digital transformation services strategy, it is important to understand the key technology and infrastructure players and how these players are driving innovation and fit into a broader digital strategy. DX specialists are coalescing around these emerging leaders in the Cloud Platforms & Applications and the Cloud Infrastructure segments.

Digital Transformation: Illustrative Technology Ecosystem



The ecosystem for Cloud Platforms & Applications is diversified with vendors spanning CRM, line of business applications, enterprise workflow, data, and AI/analytics platforms. Several IT solutions firms have emerged that have built sizable digital consulting businesses on one of the market leading platforms such as Salesforce, NetSuite, ServiceNow and Snowflake.

Conversely, the cloud infrastructure market continues to be dominated by the top three hyperscalers, AWS, Microsoft Azure, and Google Cloud. A strong knowledge base and capabilities set utilizing these infrastructures has become integral to success in the digital transformation space and often result in higher valuations. Several DX service providers have emerged that primarily focus on one of the three 'clouds' utilizing a 'Premier Partner' status with deep expertise in the specific cloud and proven leadership in their target market or geography.

As platforms and infrastructures become increasingly customizable for tailored use cases, demand for digital transformation service providers that can handle a wide variety of functions, while provisioning hands-on customization and deployment, will continue to drive M&A and investment activity in the Managed IT sector.

02 Featured Case Study
Storagepipe Solutions acquired by Thrive

Sell Side Advisor

STORAGEPIPE

Acquired by

THRIVE

A portfolio company of

COURT SQUARE

The Company

Founded in 2001, Storagepipe Solutions, Inc. ("Storagepipe") provides fully-managed, leading class BaaS, DRaaS, security, and managed services whether hosted in private, public, or multi-cloud environments. The Company is based in Toronto and serves small-to-medium sized enterprises across North America.

The Situation

After receiving inbound interest from potential acquirors, Storagepipe was seeking an advisor to assist them in navigating an expedited sale and due diligence process. Q Advisors was able to take control of the process and utilize extensive experience and expertise in the space to complete the transaction quickly and efficiently.

Q Advisors' experienced team worked closely with the founders to evaluate interest, negotiate with and select an ultimate acquiror, and manage a rapid and extensive due diligence process. The team's deep expertise in transactions within this industry, and familiarity with top players, allowed Q Advisors' to respond to issues before they arose. Freeing up the management team to focus less on transacting and more on what they do best, running and growing the business.

The Result

Storagepipe's shareholders were seeking a majority partner that would allow inactive shareholders to take chips off the table while active shareholders on the management team rolled equity and assisted in growing the merged enterprise.

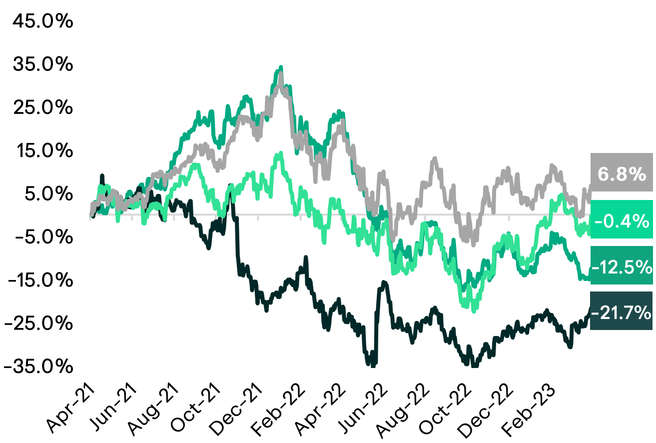
In Thrive, the Company found a partnership that checked all the boxes. The partnership allows Storagepipe to expand its service offering to current customers and continue to drive growth and consolidation in the Canadian marketplace with the backing of a strong PE platform. Storagepipe's leadership will benefit from the support of Thrive's vast network of professionals while maintaining autonomy in the operational execution of strategies for growth in Canada.

03 Industry Spotlight

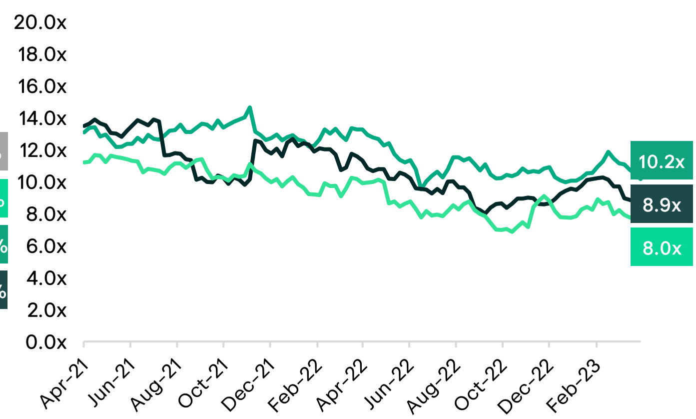
Managed IT & Cloud Services Valuation Trends & M&A

Managed IT & Cloud Services: Public Market Data[1]

→ **PUBLIC MANAGED IT & CLOUD SERVICES**
Share Price Relative Performance[2]



→ **PUBLIC MANAGED IT & CLOUD SERVICES**
LTM TEV / EBITDA



IT Services & Cloud Consulting | Managed IT & Cloud Infrastructure | VAR/IT Hardware | S&P 500

Recent Transaction Activity (Target / Buyer)

ClearShark / Optiv — Consulting & MSP

Advizex / Fulcrum IT Partners — MSP & IT Solutions

Mobica / Cognizant — Software & Technology Services

LAN Logic / Quest Technology Management — Managed Infrastructure & Security Services

Livingstone Group / Trustmarque — IT Services

Digitech / Noventiq — Microsoft Cloud Services

Kirey Group, Synergyc / One Equity Partners — IT Services

INS Industrial Networking Solutions / CIVC Partners — VAR & Consulting

Highlander / FluidOne — IT Services

(1) Public comparables segment composition included in appendix
(2) Market Cap weighted cumulative returns

04 Q Advisors Profile

Global Boutique Investment Bank Focused on TMT

→ Founded in 2001 as a Partner-owned and operated boutique investment bank that combines a sector focused approach with depth in experience. We´re not just bankers by training, we´re also operators, lawyers, and consultants.

→ Proven capabilities in structuring and negotiating M&A and financing transactions for private and public companies

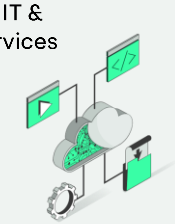
Facts & Figures

500+	26	24
Closed approx. 500+ transactions since inception with value over $23B	Team of approx. 26 professionals with offices in Denver, San Francisco, and Munich	Record 24 deals closed in 2022

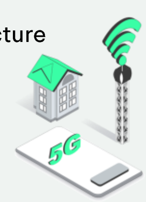
Sector Expertise

Cloud Communications & Collaboration

Managed IT & Cloud Services



Digital Infrastructure



Software & Technology

Service Offering

M&A Advisory

- Sell and Buy-Side M&A
- Divestitures
- Carve-Outs

Private Placements

- Equity and Debt Financings
- Recapitalizations
- Minority Interest

Strategic Financial Advisory

- Valuation Analysis
- Strategic Competitive
- Analysis
- Fairness Opinions

Financial Restructuring

- Balance Sheet Re-organization
- Corporate and Operational Analysis

04 Q Advisors Profile
Dedicated Specialist Across the US and Europe

Managed IT & Cloud Services Sector Team

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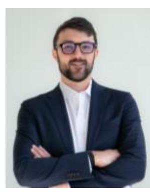

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Firm Transaction Experience (Select Recent Transactions)

Sell Side Advisor
StoragePipe
Acquired by
Thrive
A portfolio company of
Court Square

Sell Side Advisor
Meriplex
A portfolio company of
Clairvest
Acquired by
Vitruvian Partners

Excl. Financial Advisor
calltower
Acquired
onestream networks

Excl. Financial Advisor
BR1DG3P01NT3
YOUR SIGNAL IN THE NOISE
Equity recapitalization by
Charlesbank

Buy Side Advisor
11:11 Systems
A portfolio company of
Tiger Infrastructure Partners
Acquired
SunGard Availability Services

Sell Side Advisor
Westpole
Italian business unit acquired by
cegeka

Sell Side Advisor
WCS We make your network
Acquired by
bcm one
A portfolio company of
Thompson Street Capital Partners

Sell Side Advisor
brodynt
Acquired by
expereo
A portfolio company of
Vitruvian Partners apax

Financial Advisor
bcm one
Equity recapitalization by
Thompson Street Capital Partners

Sell Side Advisor
Calligo
A portfolio company of
Investcorp
Debt financing by
Cordet

A Appendix: Public Comparables Segment Composition

IT Services & Cloud Consulting

Apex Systems *(NYSE:ASGN)*

Atos SE *(ENXTPA:ATO)*

Capgemini SE *(ENXTPA:CAP)*

CGI Inc *(TSX:GIB.A)*

Cognizant Technology Solutions Corp *(Nasdaq:CTSH)*

Infosys Ltd *(NSEI:INFY)*

NTT Data Corp *(TSE:9613)*

Sopra Steria Group *(ENXTPA:SOP)*

Wipro Ltd *(BSE:507685)*

Tech Mahindra Ltd *(NSEI:TECHM)*

Managed IT & Cloud Infrastructure

Backblaze Inc *(Nasdaq:BLZE)*

Converge Technology Solutions Corp *(TSX:CTS)*

Datagroup SE *(XTRA:D6H)*

Iomart Group Plc *(AIM:IOM)*

Open Text Corp *(Nasdaq:OTEX)*

Rackspace Technology Inc *(Nasdaq:RXT)*

Redcentric Plc *(AIM:RCN)*

VMware Inc *(NYSE:VMW)*

VAR / IT Hardware

ALSO Holding AG *(SWX:ALSN)*

Arrow Electronics Inc *(NYSE:ARW)*

Avnet Inc *(Nasdaq:AVT)*

Cancom SE *(XTRA:COK)*

CDW Corp *(Nasdaq:CDW)*

Computacenter Plc *(LSE:CCC)*

ePlus Inc *(Nasdaq:PLUS)*

Insight Enterprises Inc *(Nasdaq:NSIT)*

PC Connection Inc *(Nasdaq:CNXN)*

Scansource Inc *(Nasdaq:SCSC)*