

M&A Insights & Growth Strategies for ServiceNow Boutiques

A guide for owners and investors

July 9th, 2024



iconica.


Equiteq


Growing equity, realizing value

Growing and realizing value in ServiceNow boutiques

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Equiteq

KPI				
	16+ Member partners	€40m Aggregated revenues	10+ CMAs & CTAs	15+ Country locations across EMEA and Americas
Summary	Iconica is an exclusive alliance in the ServiceNow ecosystem , uniting boutique consultancies to achieve extraordinary results. With over 300 certified consultants , we offer bespoke solutions, expert insights, and transformative applications . Our mission is to foster collaboration and innovation, and empowering our members to deliver exceptional value and drive success in a rapidly evolving digital landscape			
Key alliance benefits	 Visibility Enhance your visibility and market reach	 Resource pool Leverage a network of 370 experts	 Sales pipeline New leads brought by alliance and its members	 Lobbying Support and defend your interests
	 Leaders community Join a network of founders and executives	 Monthly roundtable Discussions, and mastermind exchanges	 Annual Summits Two annual summits for networking and learning	 Knowledge Sharing Peer-to-peer sharing for growth and support

Focused	Exclusively focused advisory business for technology services M&A
Honest	Hands-on, straightforward advice
Global	A truly integrated global team of 80+ headcount
Growing equity, realising value	
170+ Completed transactions in consulting and technology services segments	6 Global offices - London, New York, Paris, Singapore, Boston, Sydney
~40 Average number of active mandates	85%+ Sell-side vs buy-side
 Notable ServiceNow transactions advised by Equiteq	100+ Acquirers who mentioned ServiceNow as top 2024 priority to us

Today's Speakers



Jerome Glynn-Smith
Managing Director, Head of Europe



Michel Regueiro
Co-founder



Sylvaine Masson
Managing Director, Head of APAC



Why we are running this webinar

1

Iconica and Equiteq are well-positioned to help ServiceNow service providers

- Iconica is an alliance of ServiceNow partners that aims to help supercharge growth and equity value
- Equiteq is the largest global M&A advisor catering exclusively to the “Knowledge Economy”, having worked on several ServiceNow transactions

2

ServiceNow’s success is driving exciting opportunities for its partners

- ServiceNow’s roaring success has seen it rely more than ever before on its network of over 2,000 partners to implement and manage its platform
- The advent of GenAI on the NOW platform has seen complex implementations that require strong expertise

3

The heightened levels of interest is leading to strong consolidation activities

- While transaction volumes were dampened during 2022 and 2023 due to macroeconomic concerns, the market has picked up in 2024
- Increased buyer interest has led to heightened valuations in the space

4

A plethora of options exist for the founders of ServiceNow service providers

- A plethora of options ranging from traditional trade acquisitions to PE-backed add-on transactions and PE platform investments have resulted in a very complex M&A market to navigate for uninitiated sellers

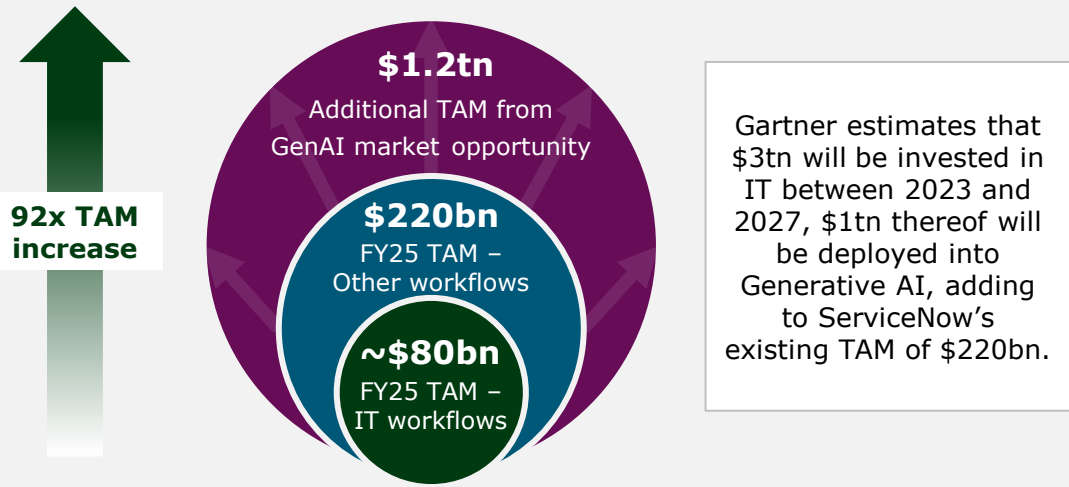
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The aim of this webinar is to help you navigate the best pathway for your business

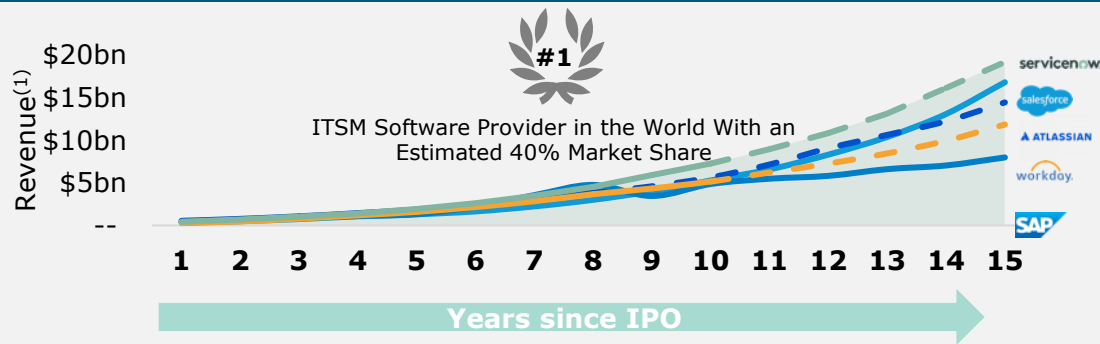
- As experts in the ServiceNow ecosystem, Iconica and Equiteq would like to join hands in helping you identify the best fit for your business both in terms of the type of transaction as well as choosing the right buyer

ServiceNow's strong growth and positioning has led to a large universe of partners

Strong growth in ServiceNow's core markets...



...combined with high levels of fundamental growth...

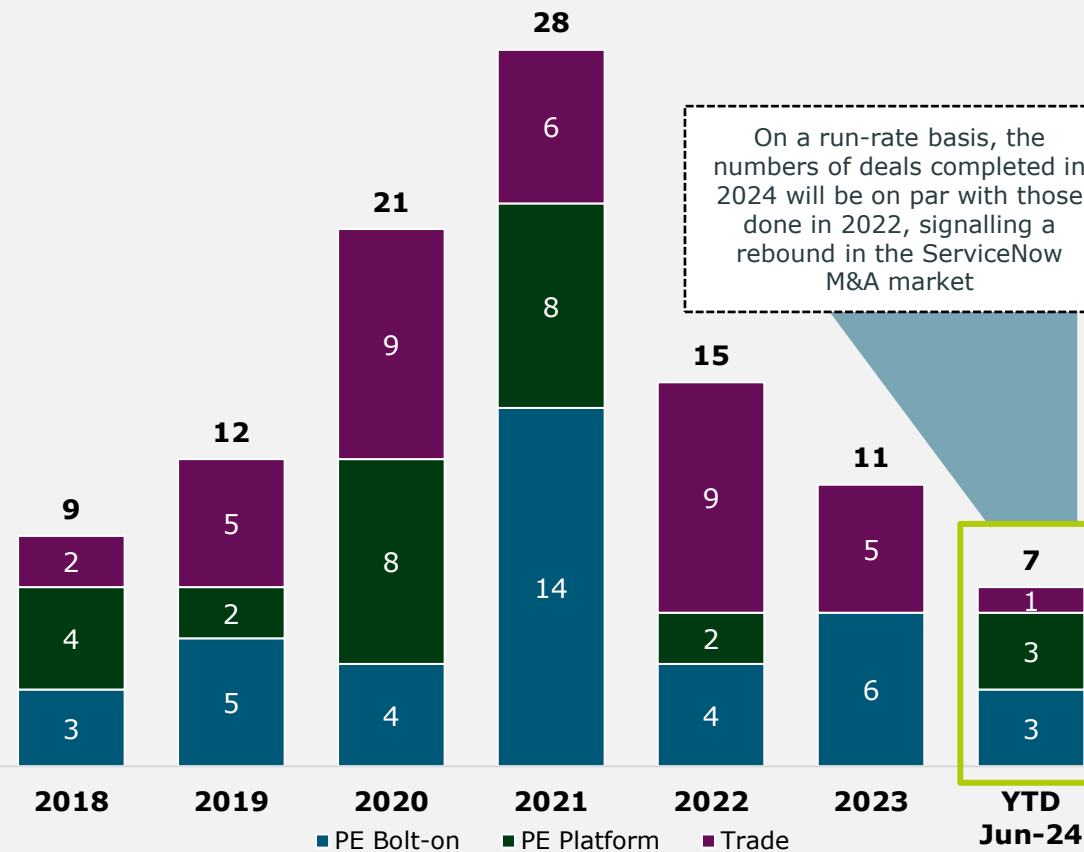


...has resulted in a vast network of over 2,000 partners



A rebound in transaction volume is already underway in 2024, with several marquee transactions being executed in the first half of the year

A large number of ServiceNow focused transactions have taken place...



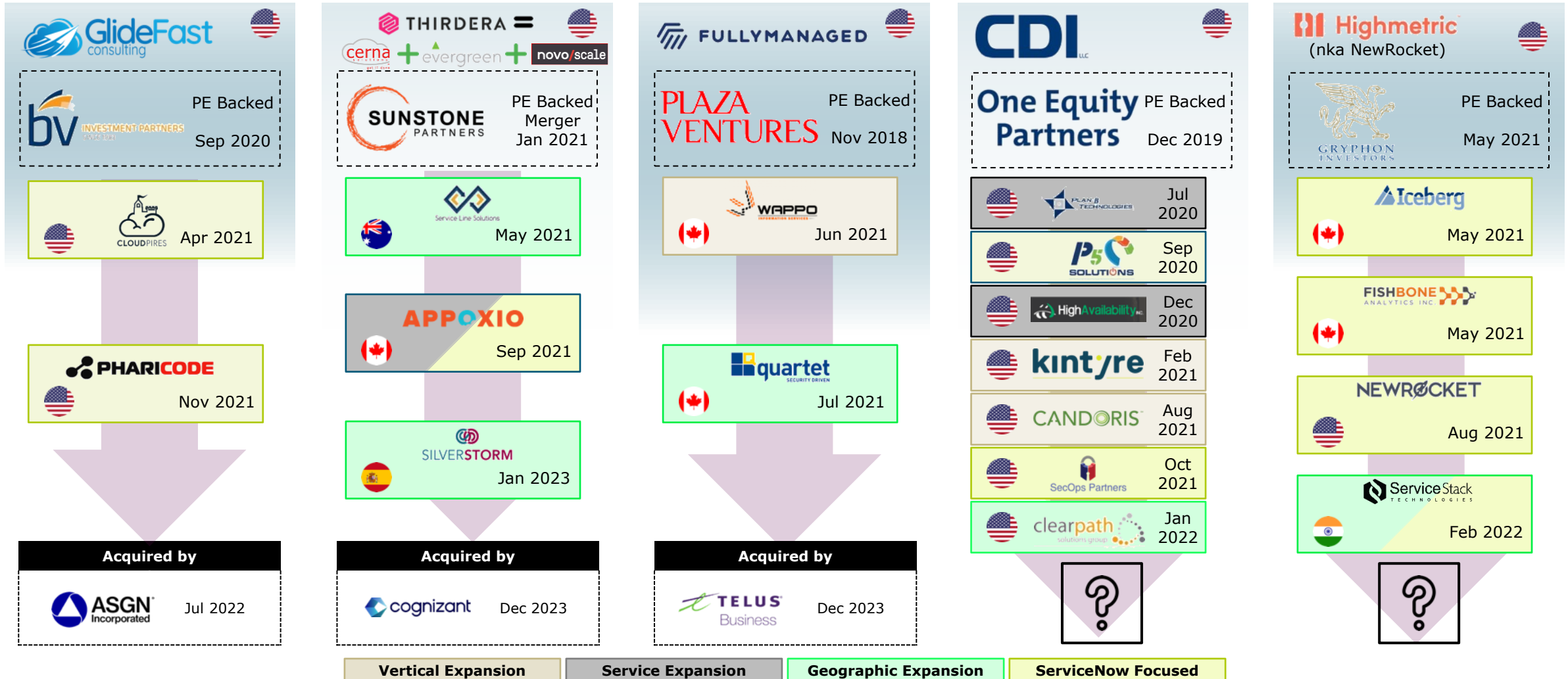
...with several IT services majors and financial firms taking part

Buyer	Target	Date	Type	Rationale
cprime	INRY	May-24	PE Bolt-on	Geographic Expansion, Capabilities Expansion, Increased Scale
devoteam	procori	May-24	PE Bolt-on	Geographic Expansion, Capabilities Expansion, Increased Scale
NEWSPRING HOLDINGS	core.x	May-24	PE Platform	Geographic Expansion, Capabilities Expansion, Increased Scale
Insight	infocenter	May-24	Trade	Geographic Expansion, Capabilities Expansion, Increased Scale
tqul	AoraNow	Mar-24	PE Platform	Geographic Expansion, Capabilities Expansion, Increased Scale
virtusa	BRIGHT	Feb-24	PE Bolt-on	Geographic Expansion, Capabilities Expansion, Increased Scale
KEENSIGHT CAPITAL	PLATOMATION	Feb-24	PE Platform	Geographic Expansion, Capabilities Expansion, Increased Scale
cognizant	THIRDERA	Dec-23	Trade	Geographic Expansion, Capabilities Expansion, Increased Scale
inetum	unifii	Dec-23	PE Bolt-on	Geographic Expansion, Capabilities Expansion, Increased Scale
RGP	Cloud	Nov-23	Trade	Geographic Expansion, Capabilities Expansion, Increased Scale
inetum	proceed	Sep-23	PE Bolt-on	Geographic Expansion, Capabilities Expansion, Increased Scale

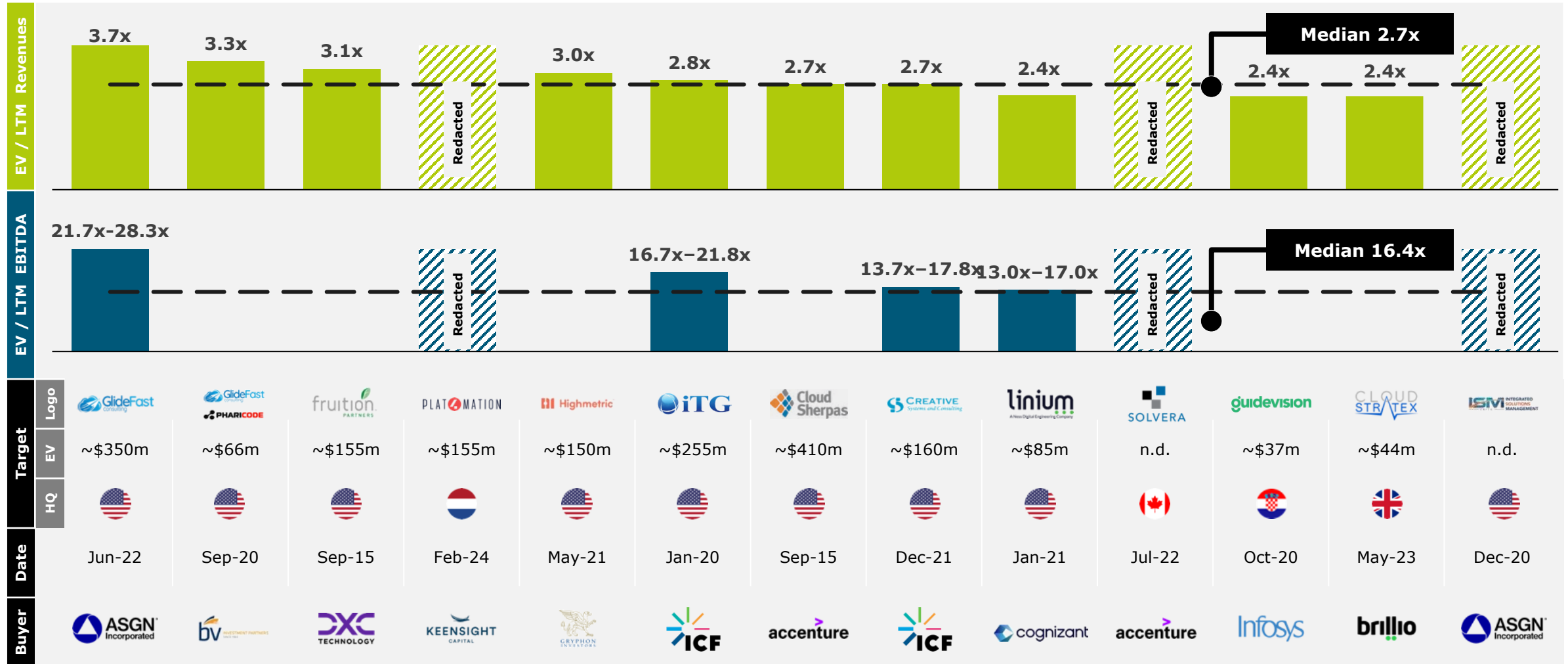
We estimate M&A volume being strongly driven by well-invested platforms increasing focus on ServiceNow



Private Equity firms have been active in rolling-up the North American landscape through buy-and-build strategies





Notable transactions in the space highlight strong valuation multiples of 2.7x LTM revenue and 16.4x LTM EBITDA



We don't see the 'runway' running out, and the opportunity is far from over

While partners have great room for optimism...	
 <p>Strong demand for ESM</p>	Factors driving growth in the ESM market encompass heightened expenditure in the IT sector, a shift toward cloud migration, and an amplified emphasis on enterprise digital transformation
 <p>ServiceNow's partner focus</p>	ServiceNow has consistently relied on its network of partners to implement its products worldwide. With initiatives such as ServiceNow Ecosystem Ventures, this trend is only expected to accelerate
 <p>Established buyer universe</p>	Over the course of the years, we have seen increased interest from both strategic and financial buyers, resulting in a strong "seller's market"
 <p>Strong valuations</p>	Valuations have stuck to the top quartile of the IT services sector, ranging from 15x-17x LTM EBITDA on average

...individual circumstances need consideration...	
 <p>Deal complications</p>	Several complications such as increased tax exposure in some jurisdictions need to be taken into consideration
 <p>Transaction timing</p>	While it is usually difficult to "time a deal", careful consideration around specific external and internal circumstances will be required

...with a focus on three key areas	
<p>1</p>	Run your business as if you're preparing to sell, focusing on the financial metrics buyers prioritize
<p>2</p>	Concentrate on essential 'goodwill' value drivers that enhance your transaction attractiveness
<p>3</p>	Prepare your business to be 'transaction ready' – and ready to execute rapidly




1 Run your business as if you're preparing to sell, focusing on the financial metrics buyers prioritize

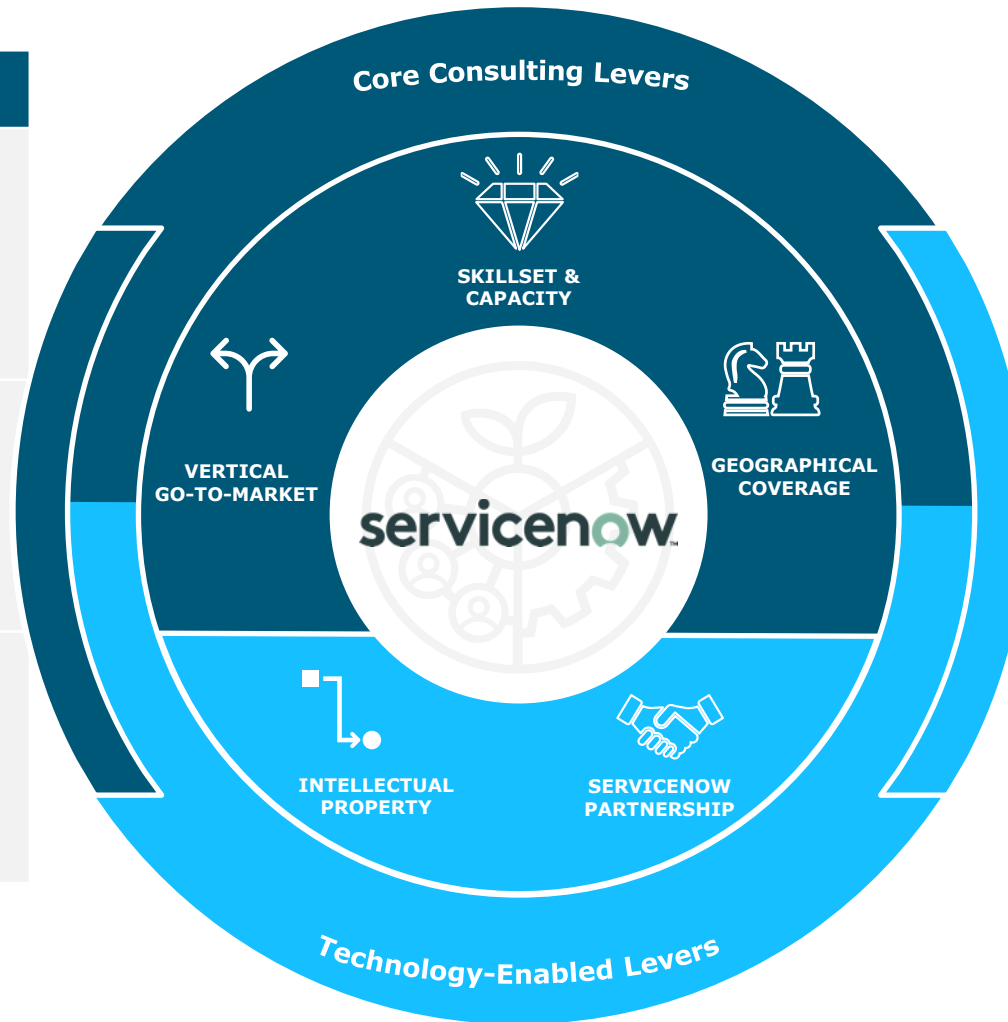
Metric	KPIs				
	<< High risk << >> Low risk >>				
Revenue Growth Last / Next 3 Year CAGR	<0%	0%-10%	10%-15%	15%-20%	>20%
Revenue Growth Consistency Years of growth	None	1	2	3	4
Revenue Scale €/£/\$	>2m	2-5m	5-10m	10-15	>15
Recurring Revenue In % of total revenue	0%	0%-10%	10%-20%	20%-30%	>40%
Gross Margin In %	<35%	35%-40%	40%-45%	45%-50%	>50%
EBITDA Margin In %	<5%	5%-10%	10%-15%	15%-20%	>20%
Rule of 40 Sum of revenue growth + EBITDA margin	<20%	20%-25%	25%-35%	35%-40%	>40%

2 Concentrate on essential 'goodwill' value drivers that enhance your transaction attractiveness

IRRESITIBILITY		RESILIENCY	
Metric	Premium Zone	Metric	Premium Zone
Sales predictability	Pipeline 3x your revenue forecast	Client concentration	Top 1 customer = 8% of sales, Top 5 customers = 25% of sales
Client acquisition and longevity	> 30% of new clients > 80% of client retention	Strength of leadership team	Highly skilled team that can operate without the founders
Go-to-market model	Proven model, dedicated budget and team beyond founders	Operating model	Fully documented and maintained operating models
Brand awareness	Recognizable brand as a decision factor	Data maturity	Fully data-driven decisions
Client base	Recognizable brands, blue-chip, multinationals		
INNOVATION		IMPACT	
Metric	Premium Zone	Metric	Premium Zone
Market proposition	Offering positioned to solve C-Suite strategic agenda	Customer satisfaction	High CSATs, NPS scores
Value portfolio	Optimum model with onshore senior resources and nearshore / offshore centers	ServiceNow Partner status	Elite Status
Solutions & IP	Productized services with repeatable sales, standard delivery, playbook	Employee attrition	< 10% annual attrition
		Talent development	Efficient strategies for Talent recruitment, L&D, Career Paths







2 Concentrate on essential 'goodwill' value drivers that enhance your transaction attractiveness

Key rationale	
	<p>Skillset & Capacity Gap filling: build leading ServiceNow capabilities and/or scale to attract buyer interest</p>
	<p>Vertical Go-To-Market Deep sector track record, as well as specific Enterprise logos can lead to premium valuation</p>
	<p>Geographical Coverage Local ServiceNow champion status can attract significant interest from international buyers</p>



Key rationale	
	<p>Intellectual Property Given the nature of services being non-scalable, build repeatable sales & delivery processes underpinned by accelerators, templates, tools and methodologies</p>
	<p>ServiceNow Partnership Demonstrate strength in your relationship with ServiceNow, as well as full autonomy in securing new logos from your S&M engine</p>

3 Prepare your business to be 'transaction ready' – and ready to execute rapidly

Step	Description	Key Considerations	Do's	Don'ts
 Understand the M&A Process	Learn the steps involved and how to approach them strategically	Understand each phase: preparation, go-to-market, due diligence, negotiation, and closing	Educate yourself on M&A terminology and processes. Check what type of buyer/transaction suits you best	Don't start conversations before being familiar with the process
 Start with an internal strategic decision	Discuss internally the reasons and strategy triggering the exit process	Assess internal motivations, leadership alignment, and strategic goals	Ensure all key stakeholders are aligned with the exit strategy. Agree on exit amount range	Don't overlook internal conflicts or misaligned goals.
 Understand valuation logics	Demystify the factors that contribute to your company's worth	As seen in this webinar, financial, goodwill and USP metrics	Regularly update your valuation with current market data	Don't rely solely on internal assessments for valuation.
 Choose the right partners	Identify the right professionals to guide you through your exit journey	Experienced M&A advisors, legal counsel, and financial (and tax!) experts.	Build a team of trusted advisors with M&A experience	Don't initiate a process conversations without having hired first a M&A advisor
 Manage disruption	Prepare for the time and effort required, and know how to minimize operational impact	Establish a Task Force team and develop a detailed plan to maintain business continuity	Make sure you have a team backing up the Task Force team for daily activities	Don't postpone internal and external projects (slow down) and don't over-hire (accelerate)!
 Manage risk	Be aware of the pitfalls that could derail your exit strategy and how to navigate them	Recognize that the process might not conclude or could be put on hold for various internal and external reasons	Conduct thorough risk assessments, stay prepared for contingencies, and maintain a balanced approach	Don't go all-in; keep a cold head and be ready for potential delays or cancellations

Take-aways and Q&A

Three areas to focus on

1

Run your business as if you're preparing to sell, focusing on the financial metrics buyers prioritize

2

Concentrate on essential 'goodwill' value drivers that enhance your transaction attractiveness

3

Prepare your business to be 'transaction ready' – and ready to execute rapidly

Selection of pre-registered Q&A



M&A and Value Enhancement

- What are the traps to avoid when talking to buyers? [or: What should I do if approached by an acquirer interested in my business?]
- What are the different types of acquirers and deal structure and how would I choose?
- Should I grow value in my firm or look for a transaction?
- Have I missed the optimum timing window (2020-21?)



Value Enhancement:

- Should I focus on revenue growth or profitability ?
- Is there value in building diversified capabilities?
- Is there more value in being a local champion or having European scale ?

Further help

For a confidential discussion, please make contact with today's panellists:



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The Exclusive ServiceNow Alliance



16 members	40M€ revenue	15 countries
370+ consultants	10 CMA/CTAs	4.7 CSAT



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