

MICROSOFT ECOSYSTEM

M&A REPORT

November 2023



Equiteq
Growing equity, realizing value

Introduction

Executive Summary

- Microsoft's technology ecosystem [Microsoft AI Cloud Partner Program, or "MAICPP"] is the largest and most comprehensive in the world, comprising >400,000 businesses globally
 - Microsoft is the 2nd largest public company in the world
 - >95% of Fortune 500 companies use Azure
 - >145mm daily active users on Microsoft Teams
 - >250k businesses use Dynamics and Power Platform
- The program has been carefully refined over the past several years to optimize collaboration and co-selling among partners
- M&A activity in the ecosystem is strong and wide-ranging from a specialization and capability perspective; buyers are equally split between strategics and PE / PE-backed organizations
- Interest in the market remains robust following exceptionally strong deal volume in 2022, with buyers typically prioritizing specialized expertise / niche capabilities
- Equiteq is the leading global middle market investment bank serving the knowledge economy [our exclusive focus] with extensive transactional experience in the Microsoft partner ecosystem

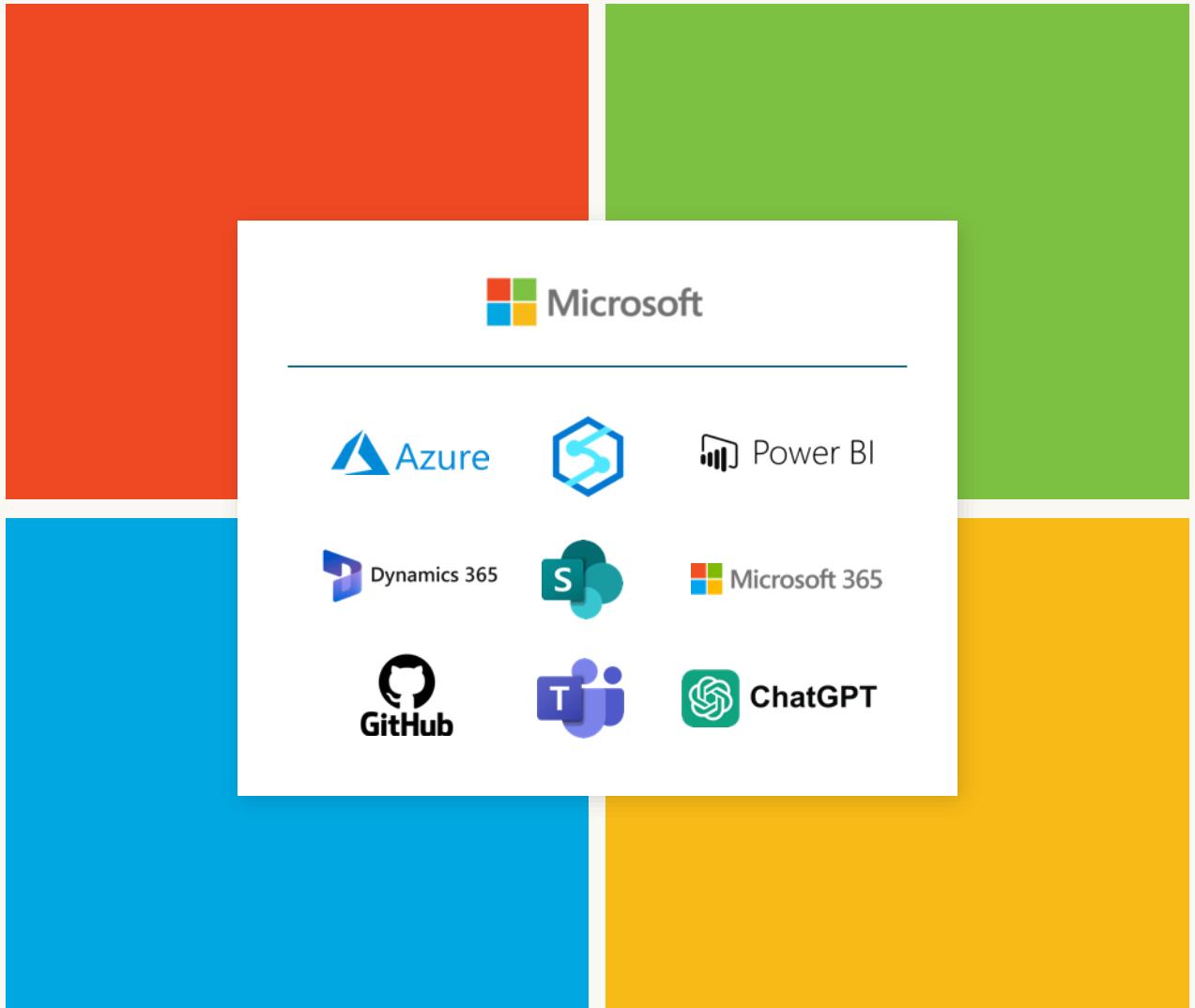


Table Of Contents

1	Microsoft Market Overview
2	Microsoft's Partner Ecosystem
3	M&A Activity in the Partner Ecosystem
4	Equiteq Overview

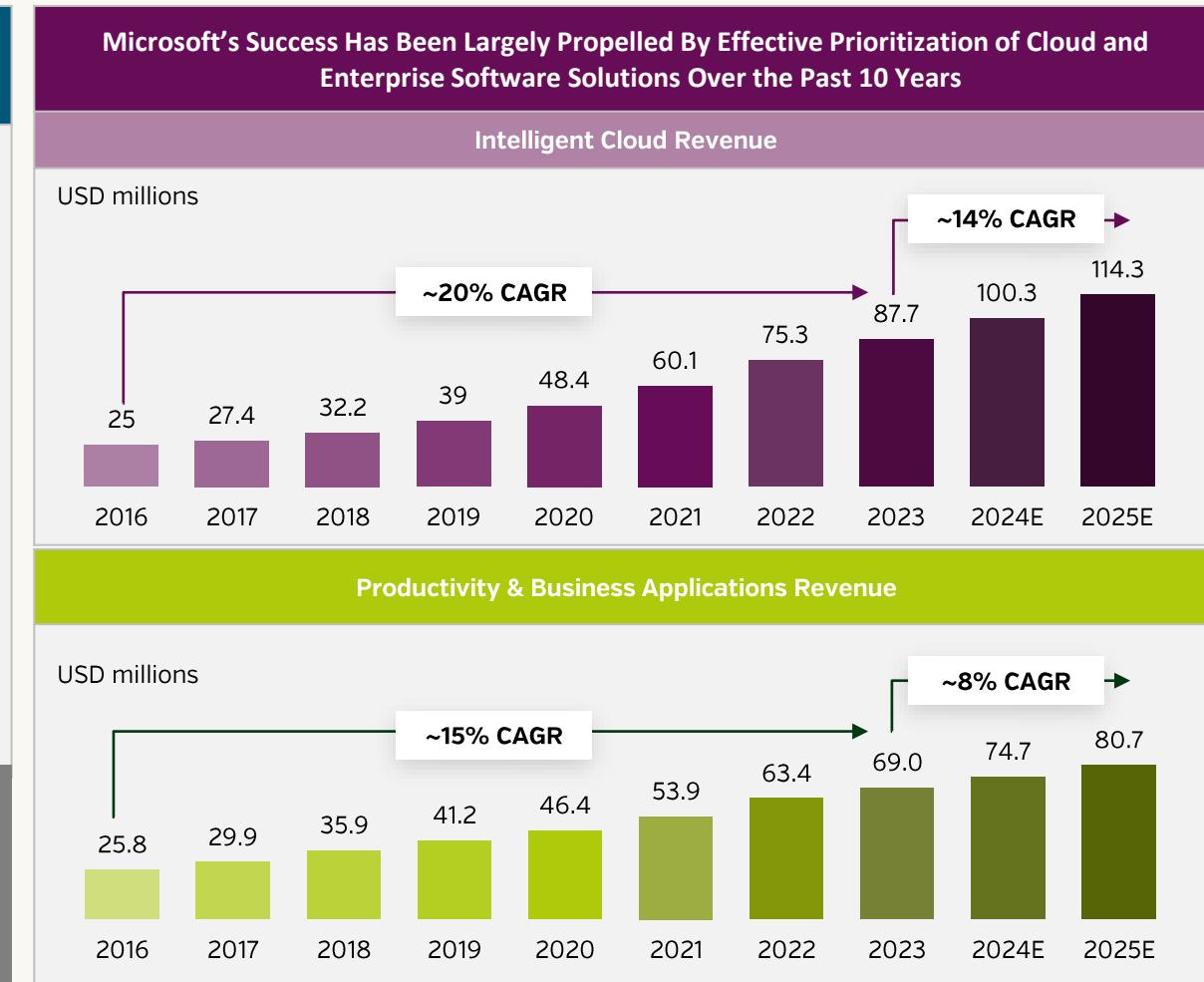
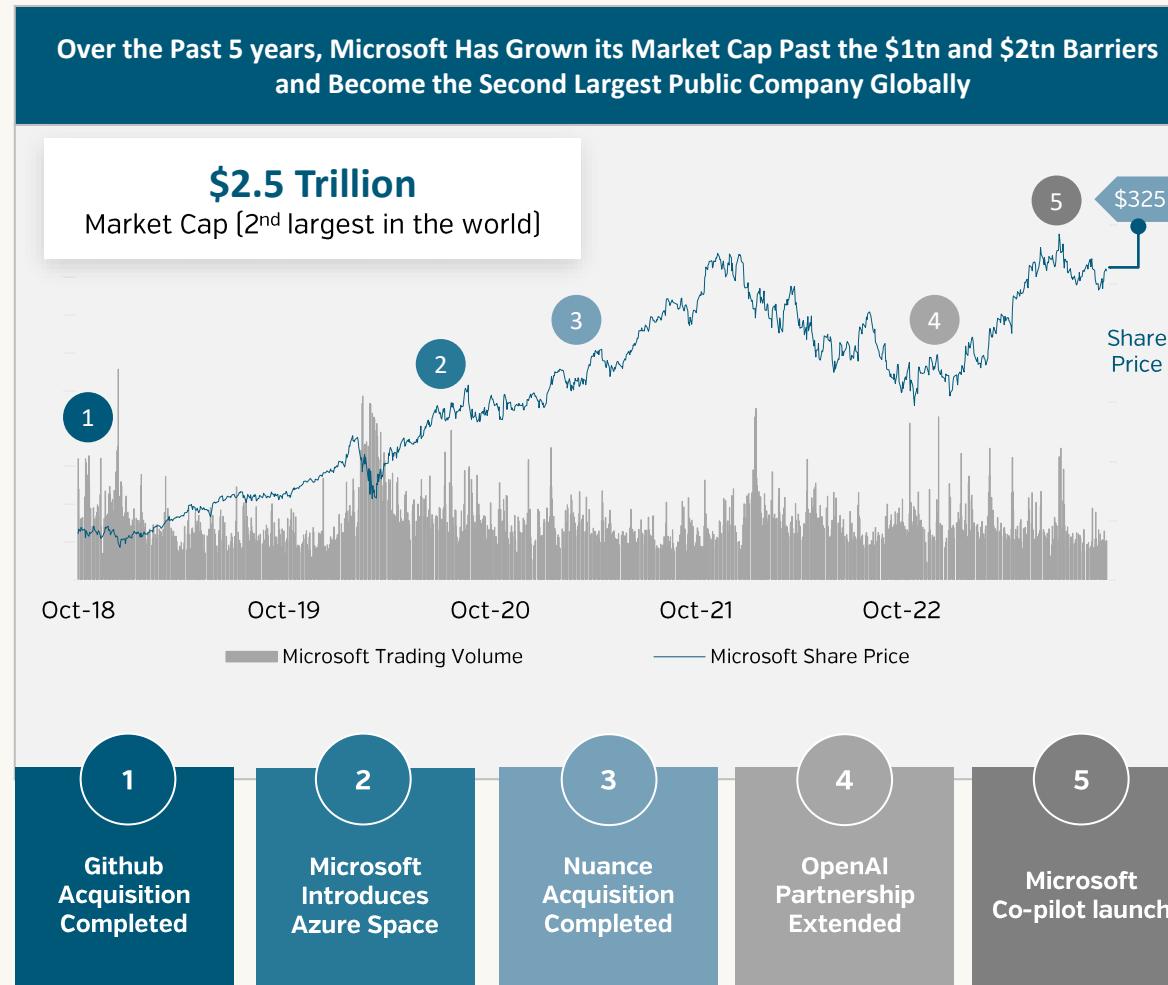
Microsoft Market Overview

Section 1

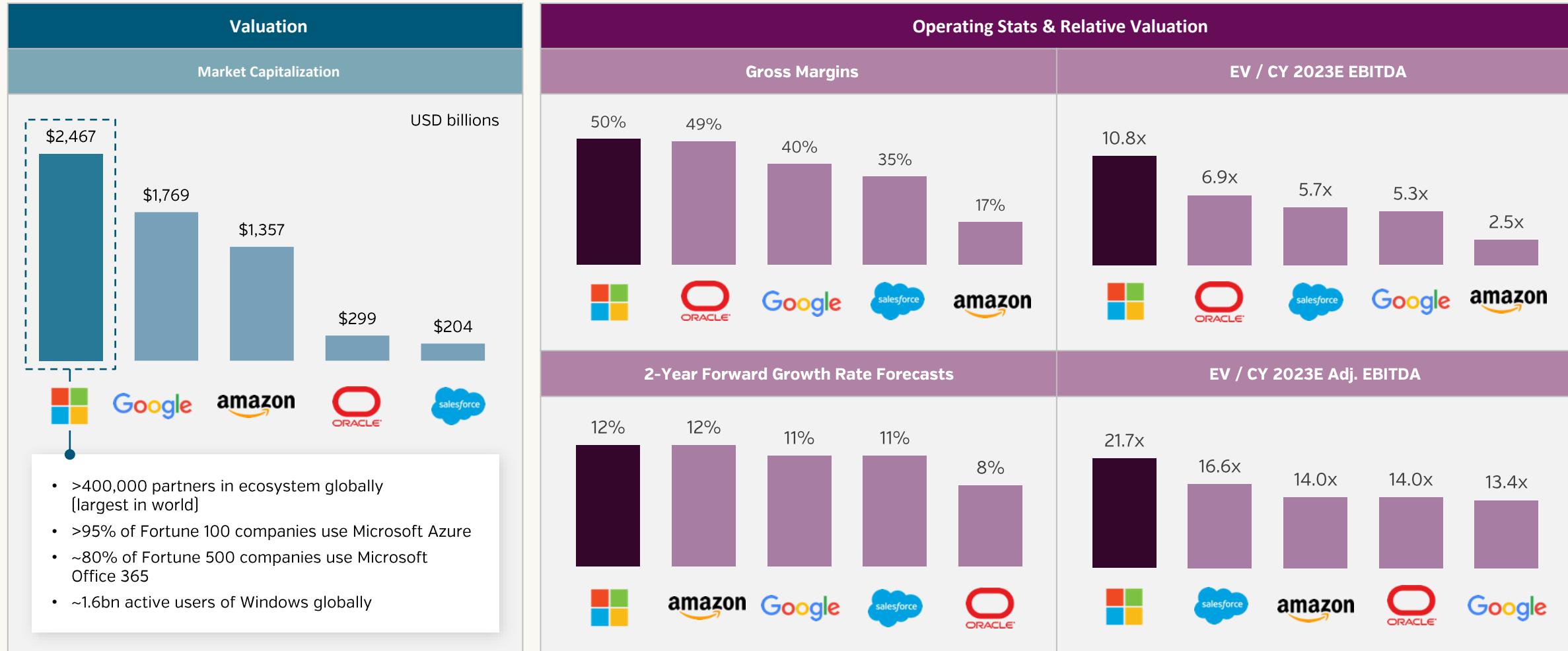
 **Equiteq**

Growing equity, realizing value

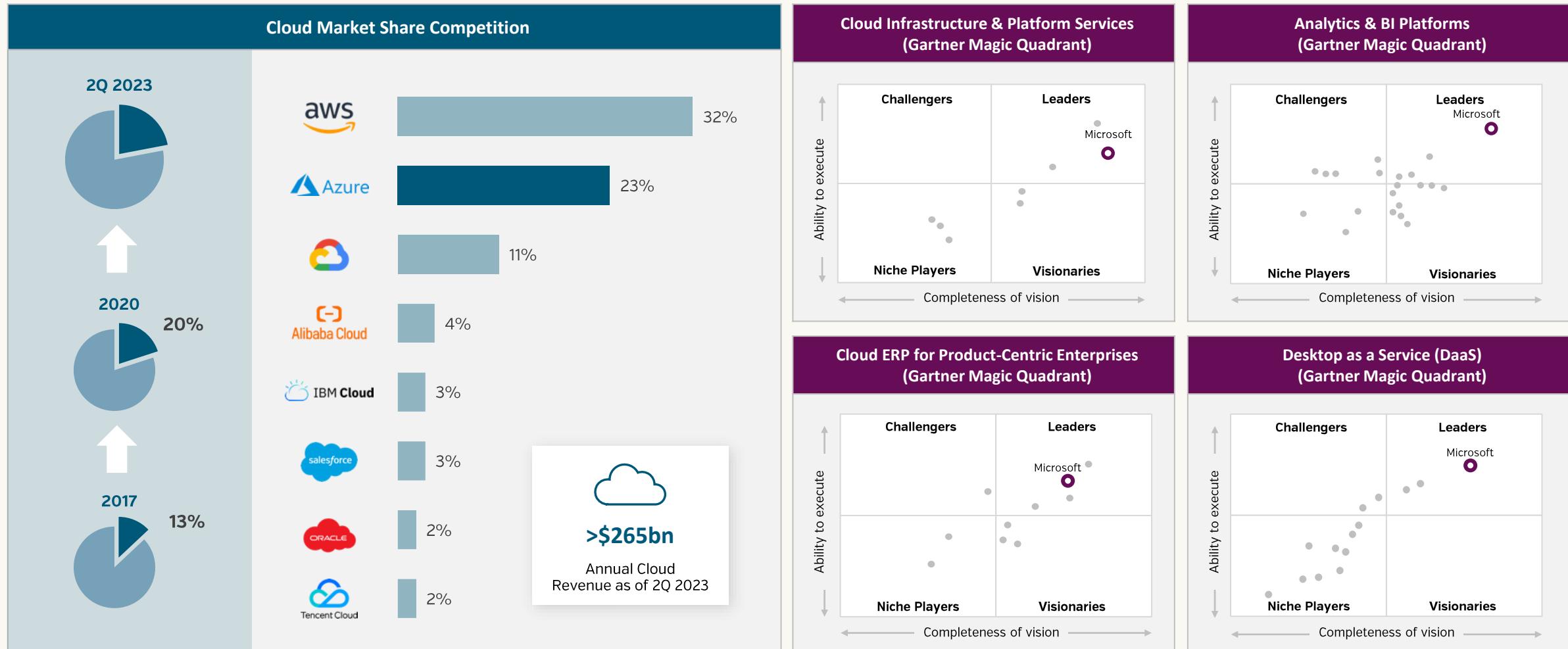
Microsoft Has Grown to Become the Largest Technology Ecosystem in the World Over the Past 5-Years With Dominant Cloud & Business App Platforms...



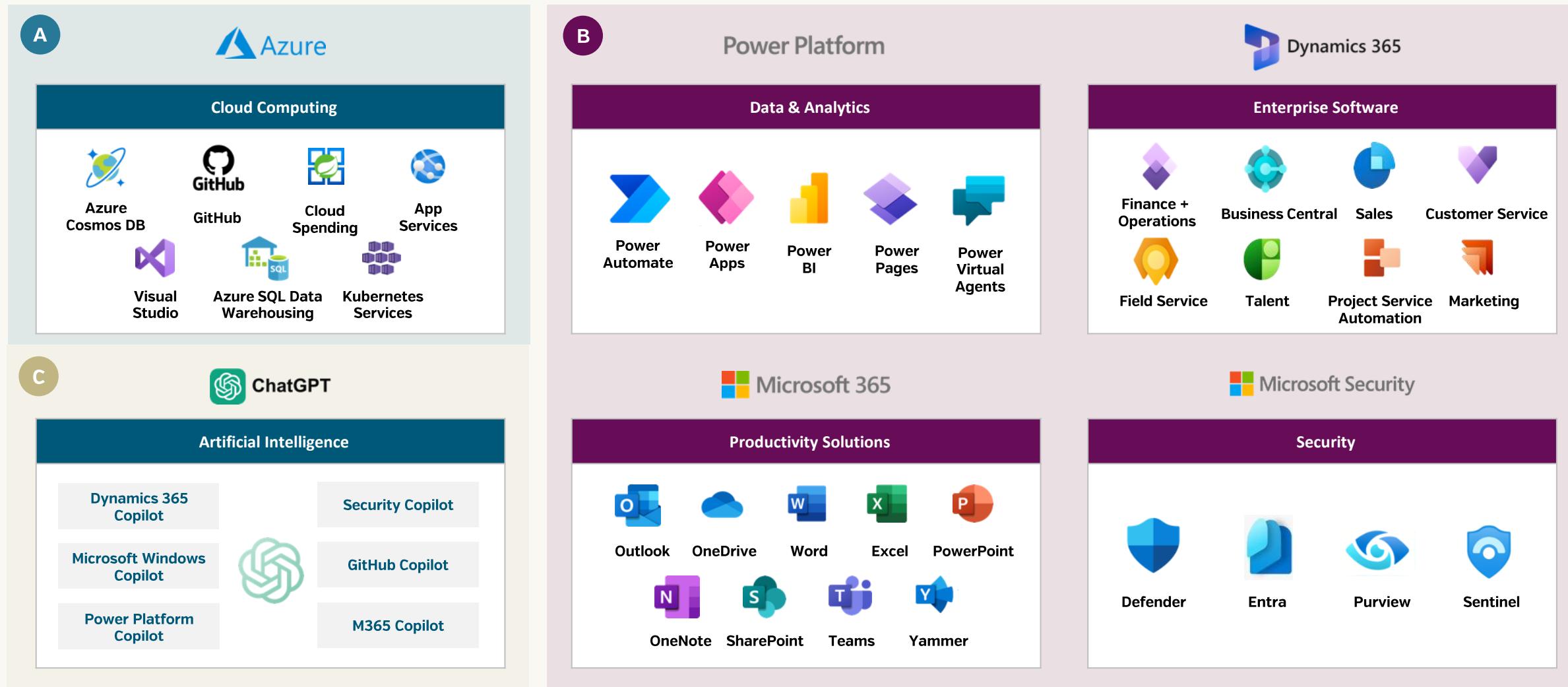
... And This Is Exemplified by the Company's Leading Margin, Revenue Growth, and Relative Valuation Metrics



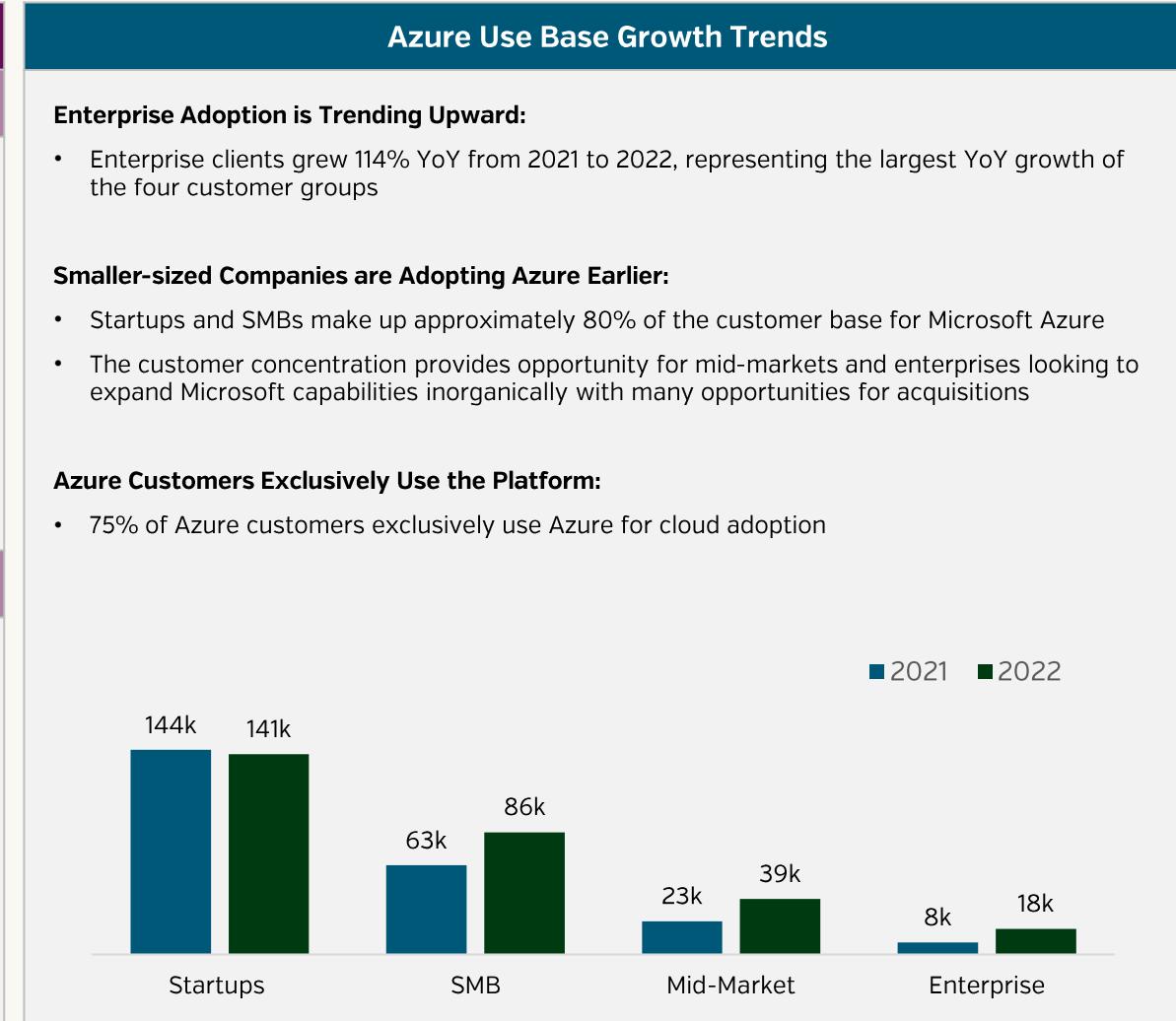
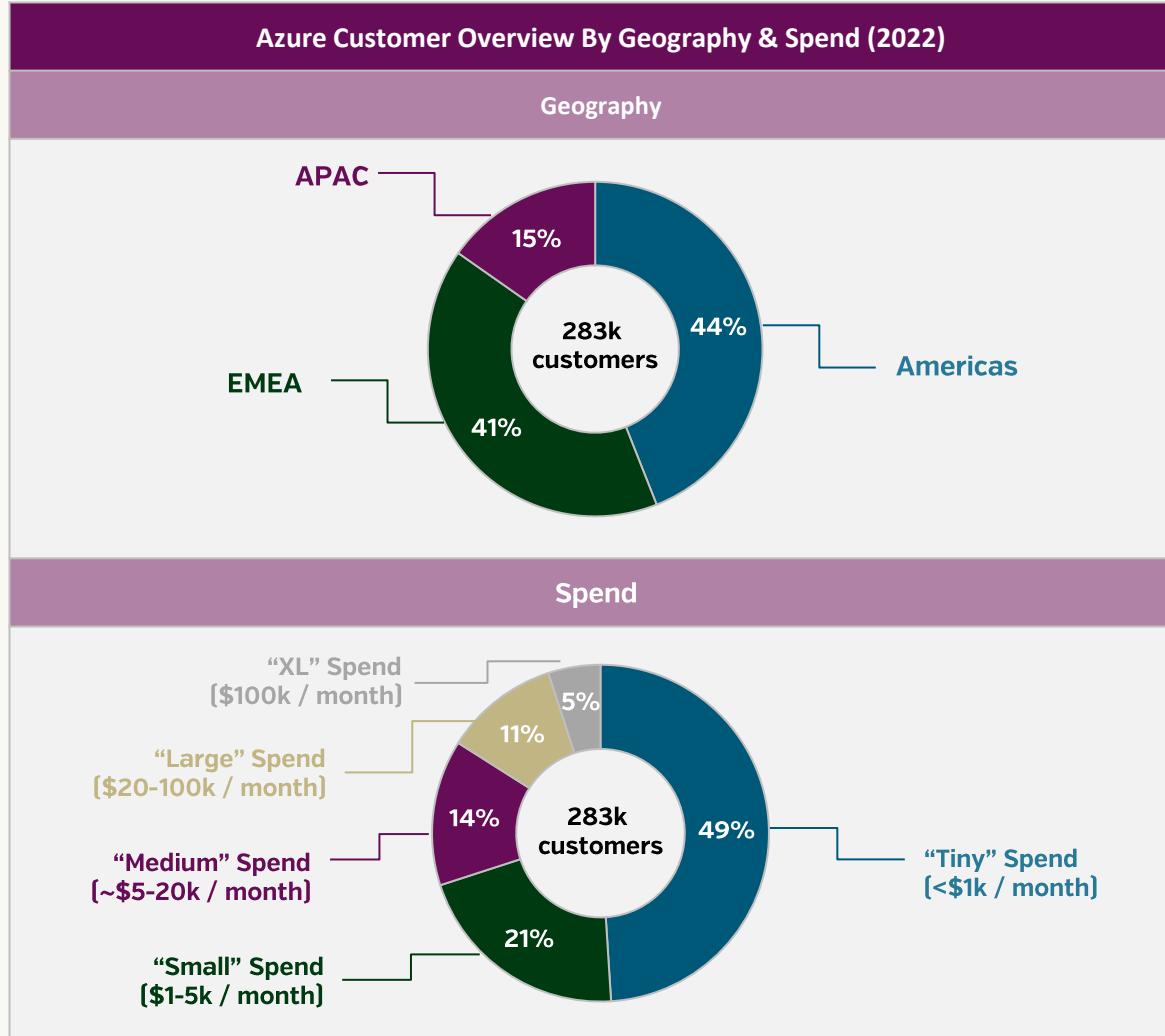
Microsoft is Catching up to AWS in the Cloud Market and Has Leading Positions in Key High-Impact Verticals Serving Growing Enterprises



Microsoft Has a Wide Range of Technology Pillars, Each of Which Has Its Own Network of Partners



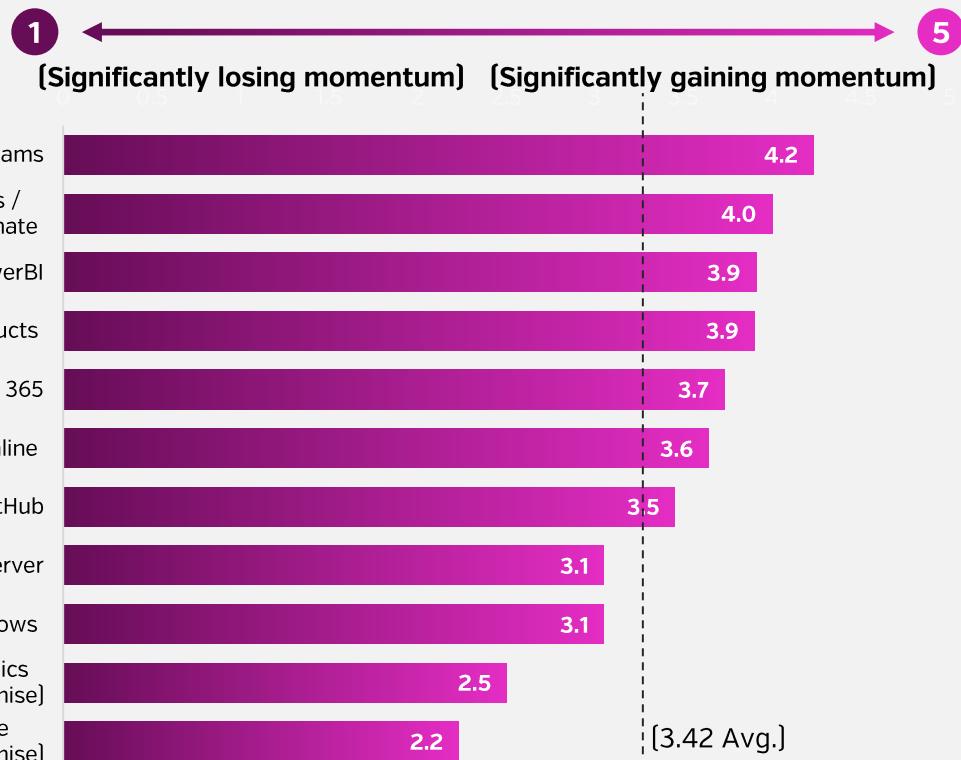
Azure Purchase Trends are Fluidly Changing to Reflect a Healthy Balance Among Several Buyer Categories



Microsoft Teams, Power Platform, and Security Products Continue to Gain Outsized Growth and Attention Among Businesses Globally

Recent Momentum Trends in Microsoft Products

JPMorgan Survey of MSFT Partners: Please rate the following Microsoft products in terms of their momentum within your base of customers and prospects:



Commentary & Observations

Microsoft Teams:

- Teams implementations have grown along with new and complementary collaboration tools

Power Platform:

- Currently facing large adoption trends, often completed with Power Apps and Power Automate functionalities
- Power Platform products are often getting significant attention along with Defender and Sentinel products
- Growth continues to generally exceed expectations within ecosystem

Security:

- Security remains a high-priority focus of Microsoft customers and “mission critical” in assessing cloud infrastructure solutions
- Defender and Sentinel continue to be key product solutions in demand within Microsoft’s security portfolio

Other

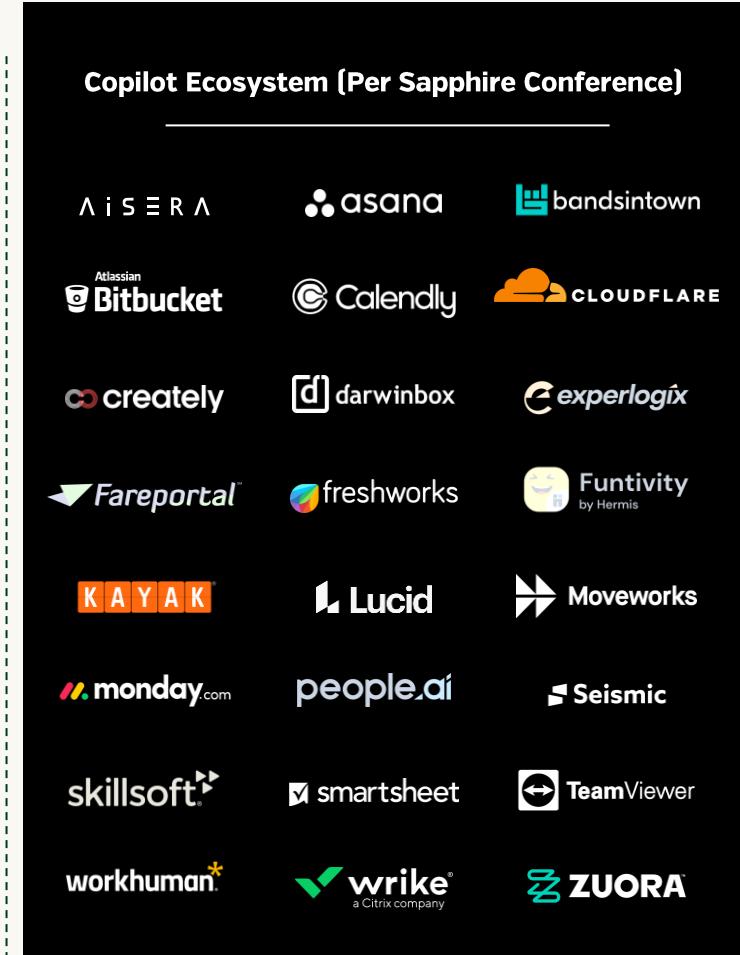
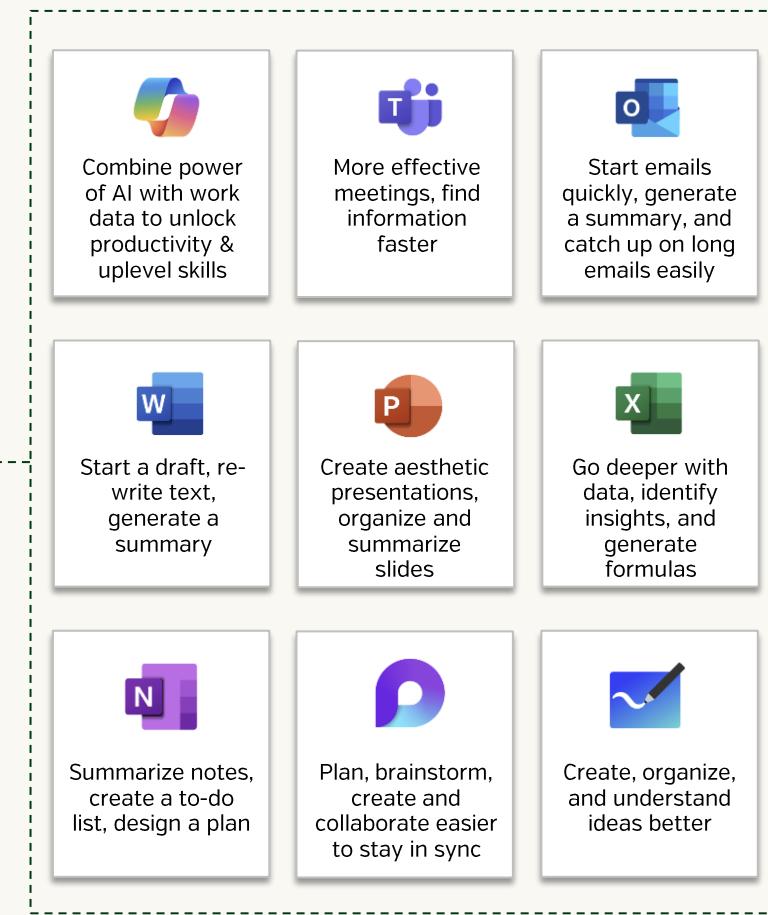
- Momentum in Microsoft’s product offerings continues to grow, particularly with the launch of ChatGPT and the anticipated integration of generative AI

Microsoft is Deploying Next Generation AI In Novel Ways Across its Product Suite and Cloud Platforms

Copilot is One of Microsoft's Latest AI Product Developments That Will Enhance All Cloud Environments

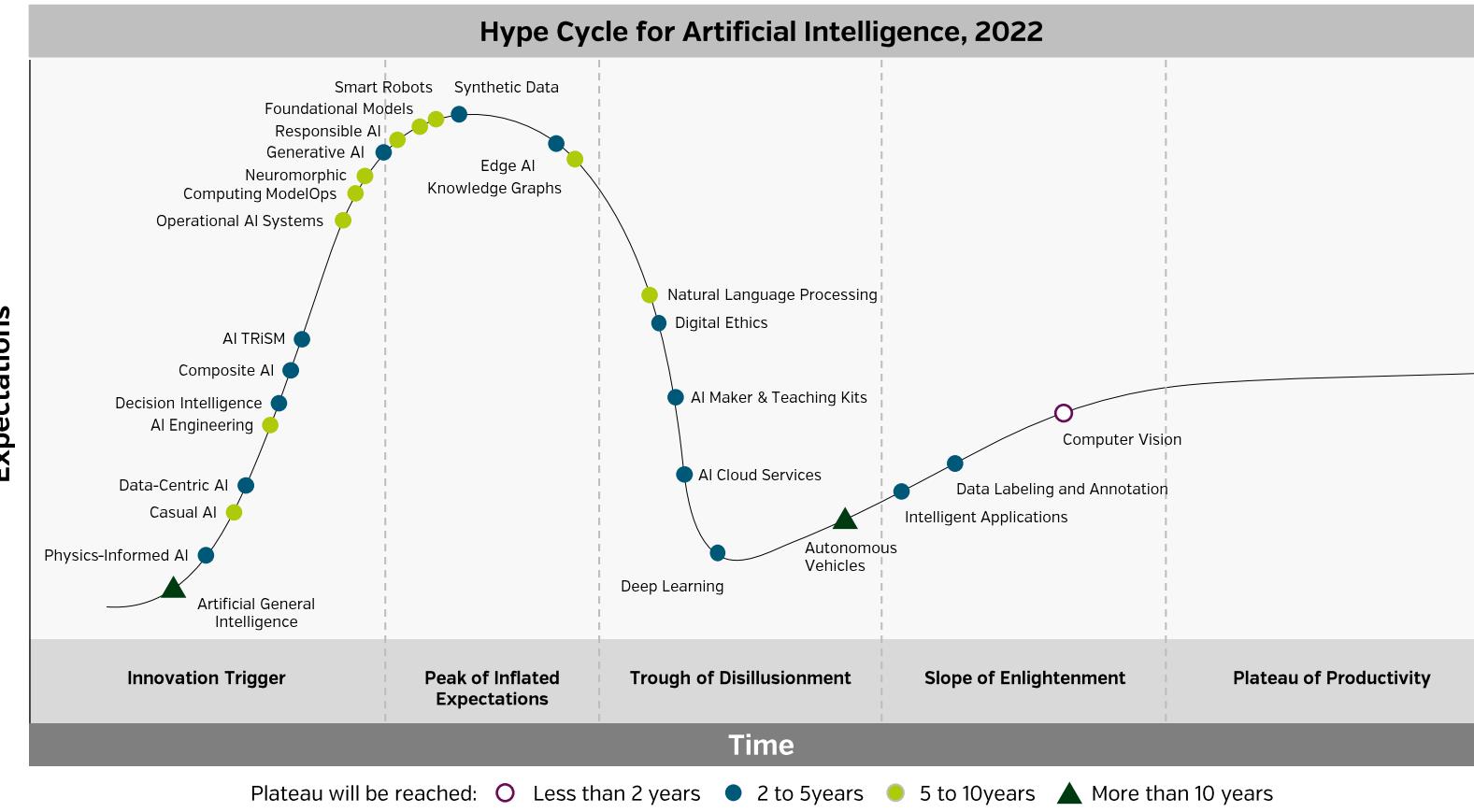
Microsoft Copilot combines the power of large language models with an organization's data to create one of the most powerful productivity tools in the world. Copilot provides real-time intelligence assistance, enabling users to enhance their creativity, productivity, and skills

Copilot in Power Platform	Dynamics 365 Copilot	Microsoft 365 Copilot
Enables customized analytical, BI, and related solutions	Turbocharges a user's workforce with a copilot for every job role	Works alongside user in the apps used every day
A Copilot for every Microsoft Cloud experience		
Microsoft Security Copilot	Windows Copilot	Github Copilot
Real-time, machine-speed defense and insights on security	The first centralized AI assistance on a platform	Increases developer productivity to accelerate innovation



Expectations For ChatGPT and New Generation AI Are High, But the Real-World Impact Is Still on a Longer Timeline

Artificial Intelligence Is In the Early Phases of Maturation & Is Expected to Have a Significant Impact on Future Growth & Productivity



- All regions of the global economy will experience benefits from generative AI
- Based on a PwC study, AI will contribute \$15.7tn to the global economy by 2030 (14% increase), which is greater than the current output of China and India combined



The greatest economic gains from AI are expected to materialize in China (26% boost to GDP in 2030) and North America (14.5% increase)



Labor productivity improvements are expected to account for >55% of all GDP gains from AI through 2030



Microsoft's Partner Ecosystem

Section 2

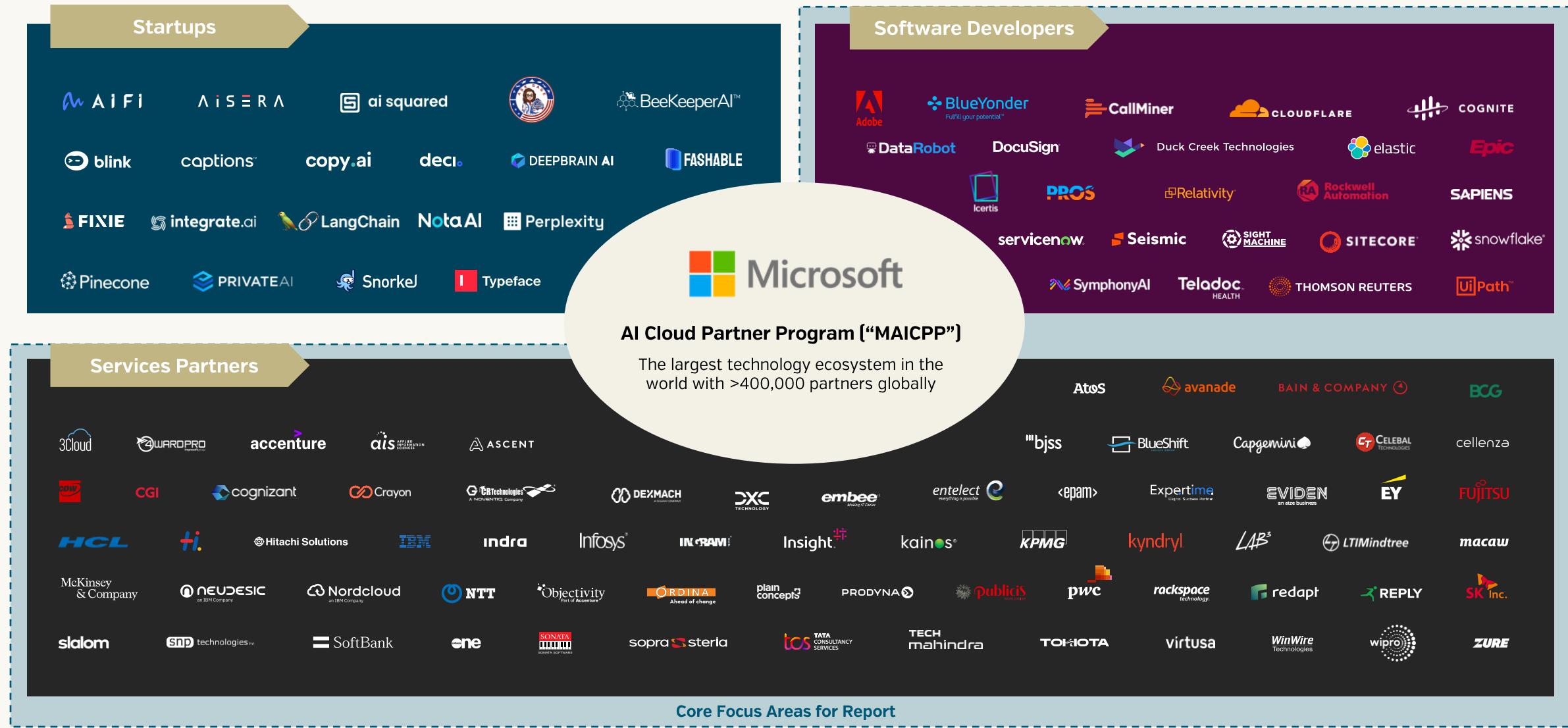
Equiteq
Growing equity, realizing value

Microsoft's Technology Ecosystem is The Largest and Most Comprehensive in the World...

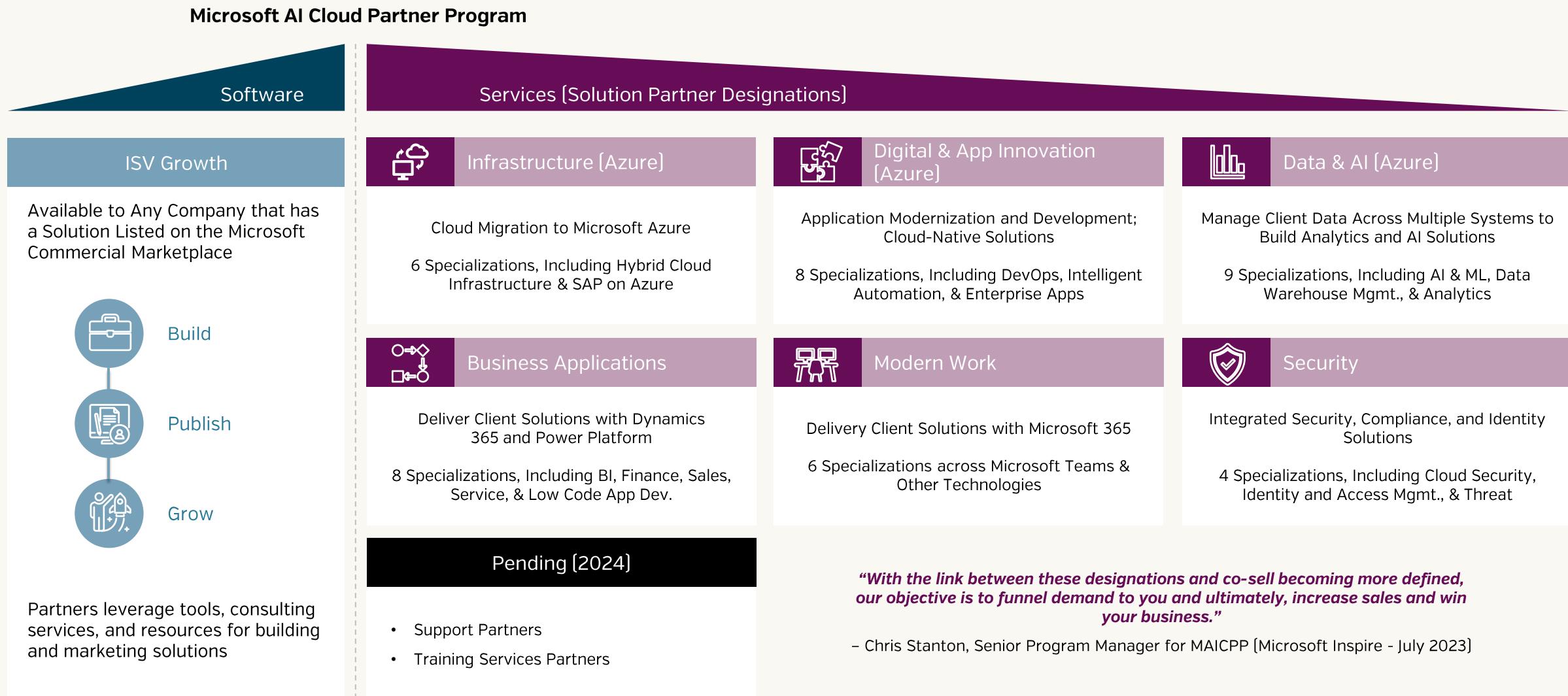
400k+ active partners employing 11M+



... And Comprised of a Diverse Mix of High-Quality Partners Offering Bespoke Solutions and Complementary Services



MAICPP Is Well-Organized and Comprehensive, With Six Solution Partner Designations and a Broad Range of Specializations

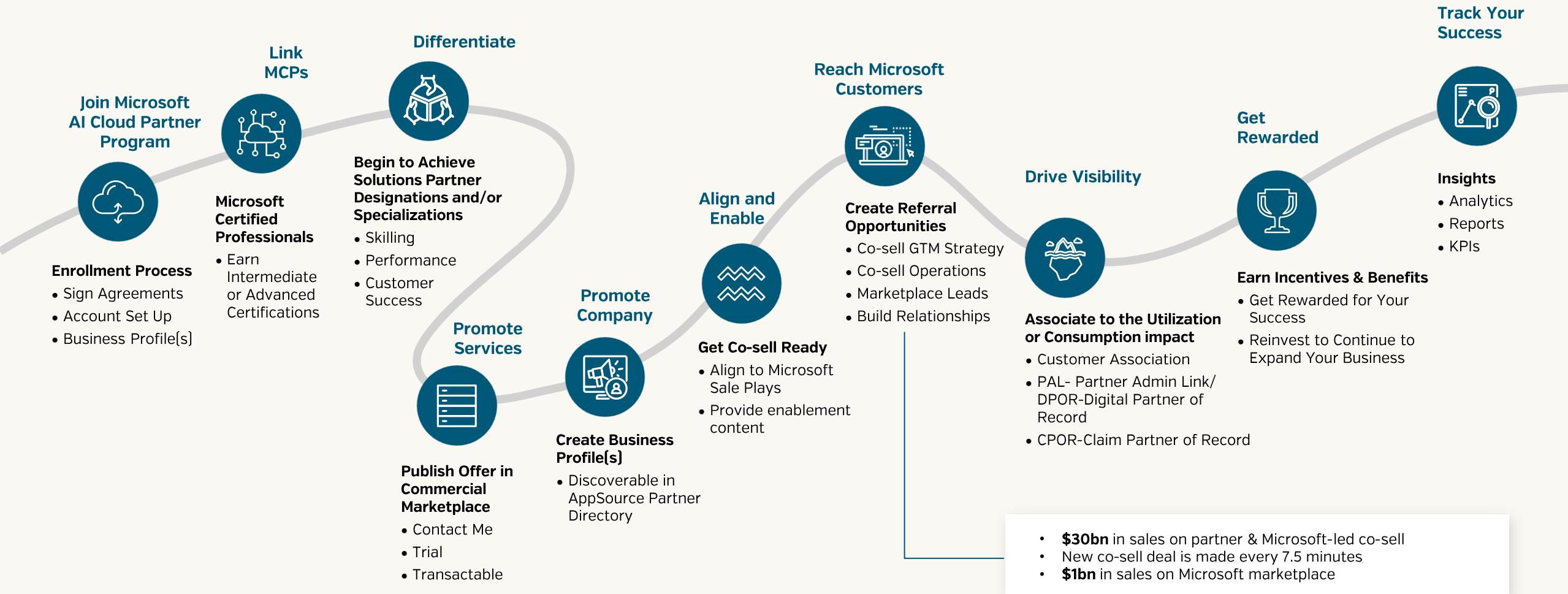


Members Can Also Attain Azure Expert Managed Services Provider Qualifications, Gaining Top Priority in the Microsoft Referral Engine

Azure Expert MSPs	Select Microsoft Expert MSPs
<p>Microsoft Azure Expert Managed Service Providers are recognized for their skills, expertise, and customer success in delivering Azure-based solutions, and are provided with exclusive co-selling and business development benefits</p> <p>Requirements: Must have an active Solutions Partner for:</p> <ul style="list-style-type: none">InfrastructureDigital & App InnovationData & AI <p>Subject to additional business prerequisites surrounding Azure MSP offerings and certifications</p>	

Illustrative Journey for a Microsoft MAICPP Services Partner

Microsoft services partners benefit from ample support and opportunities that are specifically designed to drive growth



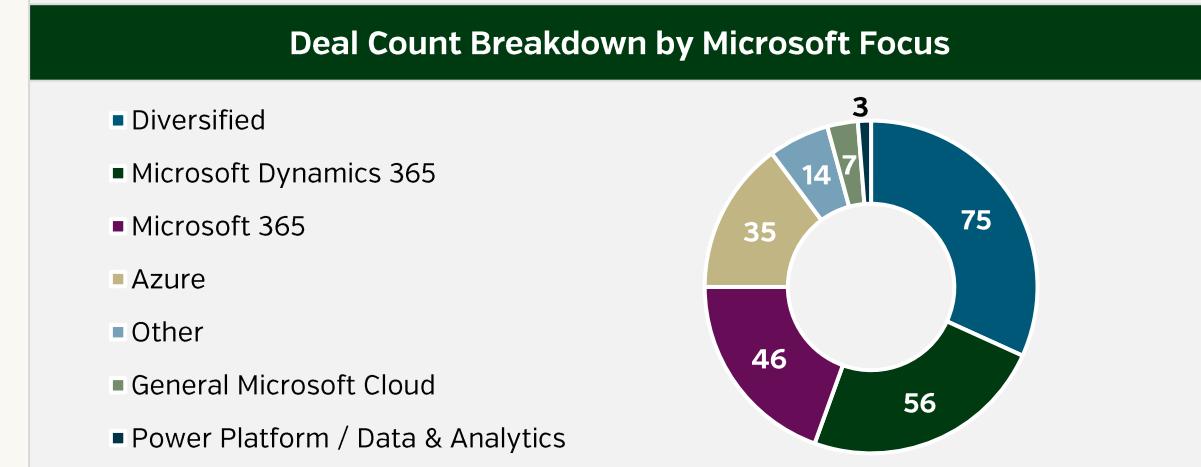
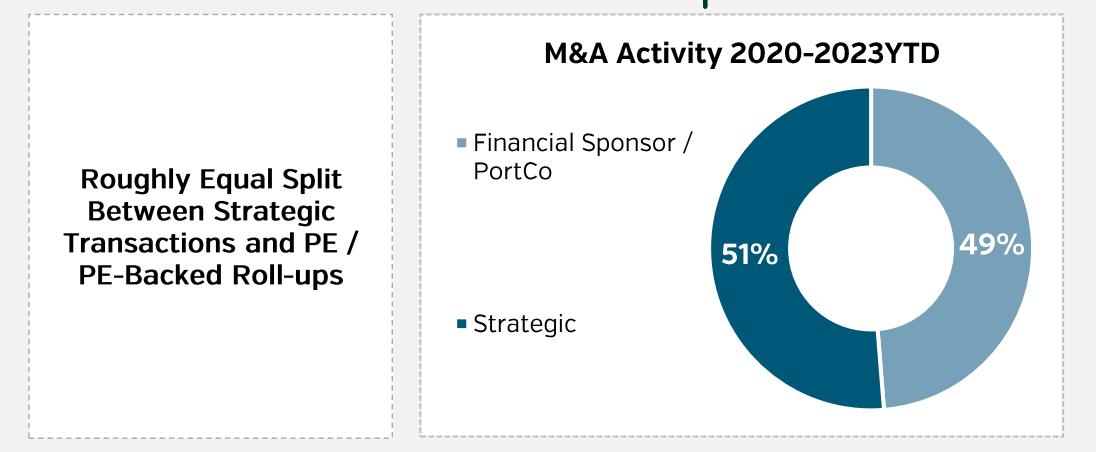
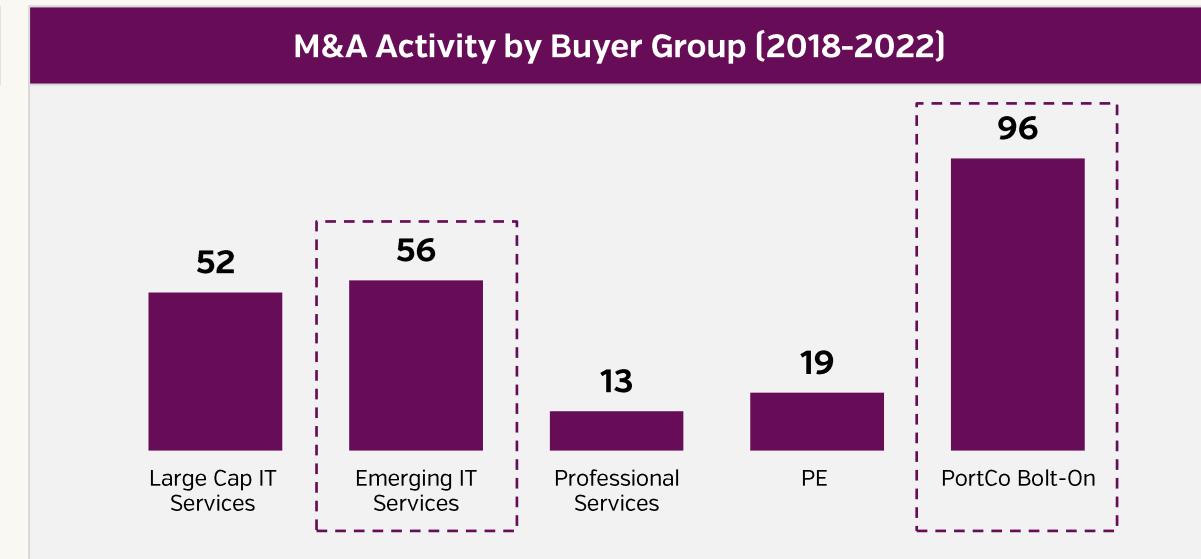
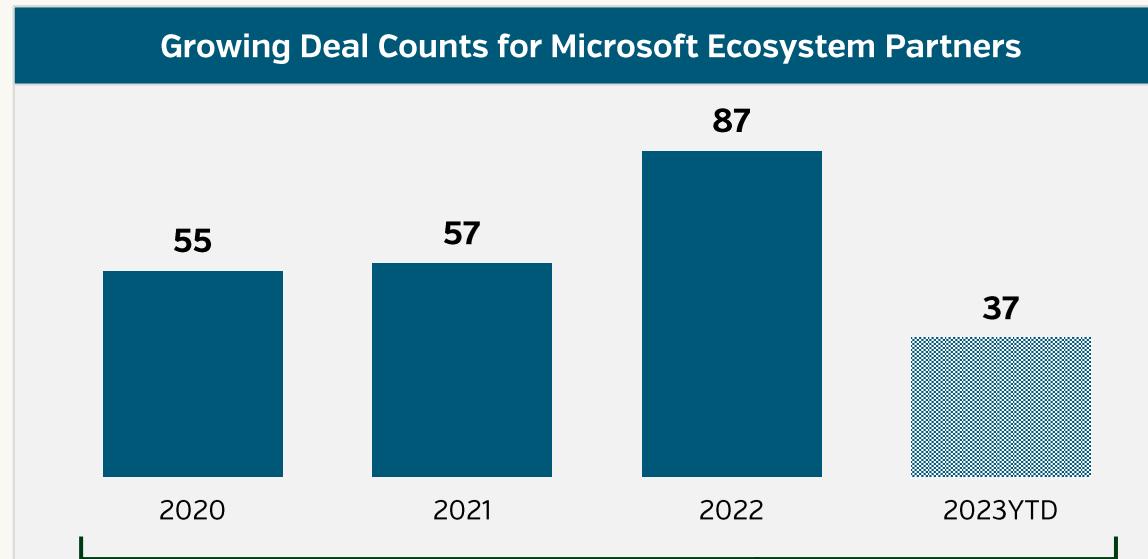


M&A Activity in the Partner Ecosystem

Section 3

Equiteq
Growing equity, realizing value

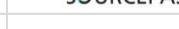
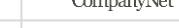
M&A Deal Volume in the Microsoft Ecosystem Has Been Very Healthy Over The Past Few Years Underpinned by Significant Consolidation Trends



Select Recent Microsoft Ecosystem M&A Activity Demonstrates the Diversity of Buyer Groups and Investors

Strategic consolidation has continued within the Microsoft ecosystem with broad-ranging interest across different technology platforms and verticals

M&A activity has been most pronounced in the lower-middle-market space with a broad range of buyer groups [strategics being the most prevalent]

Date	Target	HQ	Acquirer	HQ	Headcount	Target Description / Commentary
Sep-23	 <small>better results</small>		 <small>HVERDAGENS IT SUPERHØLTE</small>		~70	Provider of IT services focused on Microsoft 365 and Dynamics 365. The company offers services such as document management, cloud printing, network security, IT outsourcing and backup services.
Aug-23	 <small>BI solutions for business</small>				~1	Provider of Microsoft Power Platform / Data & Analytics training services catering to individuals and corporates
Jul-23					~178	Provider of ERP, CRM, SCM, and BI services through leveraging Microsoft Dynamics 365
Mar-23					~14	Provider of cloud-based solutions intended to work for software manufacturers. The company offers solutions such as Microsoft 365, Veritas Cloud, Azure and offers software solutions for Microsoft
Feb-23					~32	Middle market and Enterprise CRM consultants in North and South America across the full Microsoft 365 Suite
Dec-22					~128	Provider of cloud-based IT services intended to deploy, manage, and optimize virtual desktops in Microsoft Azure.
Dec-22					~26	Provider of managed cloud hosting services for businesses, including public and private cloud infrastructure, cloud roadmap creation, and cybersecurity
Oct-22					~5	Provider of business software and consulting services focused on Microsoft Dynamics 365 and Dynamics GP software platforms
Sep-22					~114	Specialization in Microsoft Azure and Microsoft 365 solutions software development systems
Aug-22					~214	IT consultancy focused on the implementation of Microsoft Dynamics 365 ERP software
Aug-22					~8	Provider of full-stack Microsoft services, including cloud migration and hosting and cybersecurity
Jul-22					~92	Provider of Microsoft Azure cloud migration and business process automation across several industries
Jul-22			 <small>Empowering business to do more</small>		~149	Provider of IT consultancy services leveraging the Microsoft Cloud, including services of training and adoption, cybersecurity, digital transformation and IP licensing
May-22					N/A	Operator of an application platform that leverages Dynamics 365 to provide cutting-edge ERP systems
May-22					~146	Trusted Microsoft partner with expertise in Microsoft 365 and Azure, providing IT managed services, cloud security, and data governance and compliance
Feb-22					~365	Provider of Microsoft Azure cloud migration, application modernization and managed services to blue-chip enterprise customers
Nov-21	 <small>an Atos company</small>				~134	Provider of data analytics and data science consulting services through Microsoft Azure
Aug-21					~118	Provider of professional business and consulting services and systems using the General Microsoft Cloud, including the Power Platform, Microsoft Azure, and Dynamics 365

Select Major Investor Groups Active in the Microsoft Ecosystem

There are a wide range of buyer categories within the Microsoft consulting space, each of which have their own unique characteristics and motivations

Illustrative Buyer Group	Rationale	Illustrative Buyers	Illustrative Buyer Group	Rationale	Illustrative Buyers
Major, Global Microsoft Consulting Firms	<ul style="list-style-type: none"> Augment or enhance existing Microsoft offerings, end-market expertise, geographic expansion, resource capabilities, and business scale May be able to support outsized valuations due to synergy potential 	         	PE-Backed PortCos	<ul style="list-style-type: none"> Increase scale of platform, add complementary capabilities / areas of expertise, enhance competitive positioning in market, partner with like-minded entrepreneurs / leaders, create shareholder value 	           
Mid-Cap Microsoft Consultancies, Diversified IT Services	<ul style="list-style-type: none"> Diversified IT services firms are looking to strengthen their expertise within the Microsoft ecosystem Unique solution offerings would be highly complementary to many potential IT consulting buyers, providing them with a more comprehensive service offering 	       	Private Equity	<ul style="list-style-type: none"> Find a platform investment to gain entry into the Microsoft market and grow practice to a larger enterprise via organic growth and bolt-on M&A 	
Professional Services & Consulting Firms	<ul style="list-style-type: none"> Professional services and consulting players are constantly seeking an edge to outpace the rest of the field through the acquisition of unique platforms with technical expertise, which allow them to meet the demand for increasingly complex digital objectives 	         			

Private Equity Interest in the Microsoft Ecosystem Remains Strong With Potential for Platform Roll-Up Opportunities

Select Private Equity Transactions



Select Bolt-On M&A Activity	
(Aug 2023)	BEST PRACTICE IT Solutions GmbH (blue square logo) and Aptean (black logo)
(Jul 2023)	WESTERN COMPUTER (blue square logo) and Evergreen Services Group (green globe logo)
(Jan 2023)	PGSI (blue stick figure logo) and 3Cloud (blue cloud logo)
(Dec 2022)	WatServ (blue and green logo) and Centrilogic (orange and yellow logo)
(Jul 2022)	risUAL (grey and yellow logo) and NODE4 Empowering business to do more (orange logo)
(Dec 2021)	app/labs (grey logo) and Fellowwind (black logo)
(Apr 2021)	TPG Team Performance Group (blue logo) and Aptean (black logo)
(Dec 2020)	DAXIOMATIC (blue and white logo) and Fellowwind (black logo)
(Jul -2020)	Bonair PART OF FELLOWWIND (pink and yellow logo) and Fellowwind (black logo)
(Jul 2020)	AppliedCloud (red and grey logo) and 3Cloud (blue cloud logo)

Equiteq Overview

Section 4

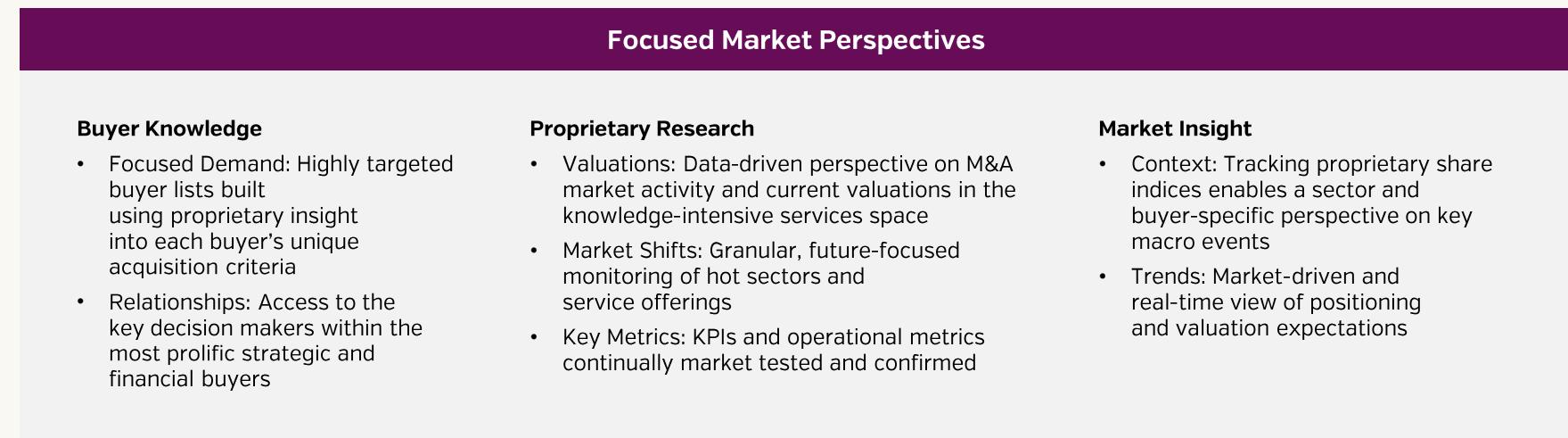


Equiteq
Growing equity, realizing value

Equiteq is the Leading, Global Investment Bank Serving the Knowledge Economy

Equiteq is custom built to deliver better transaction outcomes for clients in the Knowledge Economy

- 1 Focus on knowledge-specific sectors
- 2 Strong expertise in positioning Knowledge Economy businesses
- 3 Established relationships with the most relevant buyers
- 4 Deep understanding of client's strategic needs
- 5 Preparing companies for a successful exit is in our DNA
- 6 Global presence informs our unique approach to M&A



We are the most active M&A advisor for the Knowledge Economy worldwide

We are the most active M&A advisor for the Knowledge Economy worldwide

Apax  Acquired	tquila  Intelligent Automation Consultancy Acquired	bizanalytica  Data Management Solutions Provider Sold to	INTERLOCK  Private Equity Firm Invested into	aquient  Salesforce Gold Partner Sold to	TSA  Project Management and Advisory Firm Acquired	zebu  Web3 Technology-Focused Marketing Agency Sold to	TSA  Project Management and Advisory Firm Acquired	nvm  Private Equity Invested in	cg consus  Procurement and Supply chain solutions provider Sold to
KIN+CARTA  Advised on the acquisition October 2023	elementBlue  Advised on the acquisition September 2023	Mastek  Trust. Value. Velocity	Lovelytics  Advised on the sale August 2023	INTERLOCK  Advised on the investment June 2023	aquient  Advised on the sale June 2023	DGA  Advised on the acquisition June 2023	flightstory  Advised on the acquisition May 2023	Henry Riley  Advised on the acquisition May 2023	YCP Holdings  Advised on the sale April 2023
Project Aristotle  Leading Microsoft Azure Consultancy	MML  Private Equity Firm Invested in	Talan  Digital Transformation Specialist Acquired	BAIN & COMPANY  Management Consultancy [ET] Acquired	CLEARTELLIGENCE  Data & Analytics Consultancy Recapitalized by	Delivery Associates  Public Sector Impact Consultancy Sold to	HBR CONSULTING  Legal Consultancy Sold to	BIOS  Managed Cloud Provider Sold to	VALUE POINT  Cybersecurity Solutions & Services Sold to	LEXICON  Digital Consultancy Sold to
Confidential Private Equity Firm  Advised on the sale March 2023	KICKMAKER.  Advised on the investment February 2023	Gemserv  Advised on the acquisition January 2023	Enterprise Blueprints  Advised on the acquisition January 2023	ALIGN CAPITAL PARTNERS  Advised on the sale January 2023	TRILL IMPACT  Advised on the sale November 2022	RENOVUS CAPITAL  Advised on the sale November 2022	ZQIN TECH  Advised on the sale October 2022	softline  Advised on the sale October 2022	endava  Advised on the sale October 2022
ALLATA  CSD & Digital Transformation Consultancy Received investment from	NOVATIO  RPA Consultancy Received investment from	SOLVERA  Digital Transformation Services Sold to	risual  Azure Partner & Cloud Specialist Sold to	SCANOMI  Anaplan Gold Partner Sold to	Pexlify  Platinum Salesforce Partner Sold to	BEDFORD Consulting  Anaplan Gold Partner Received investment from	grit.  Design & Innovation Consultancy Sold to	infrata  Infrastructure Consultancy Receives majority investment	ist  CX Tech Consultancy Sold to
CIVIC PARTNERS  Advised on the sale September 2022	KEYSTONE CAPITAL  Advised on the sale August 2022	accenture  Advised on the sale July 2022	NODE4  Empowering business to do more	VICEO  Advised on the sale July 2022	VISEO  Advised on the sale June 2022	dentsu group  Advised on the sale June 2022	KEENSHIGHT CAPITAL  Advised on the investment May 2022	CYIENT  Advised on the sale April 2022	Lonsdale Capital Partners  Advised on the investment April 2022
360  PE-backed Cybersecurity Specialist Acquired	Montville  Financial Services Consultancy Sold to	JUST ANALYTICS  AI & Analytics Specialist Sold to	4 MILE ANALYTICS  Data Consultancy Sold to	sa.global  Microsoft Gold Partner Growth Financing By	enowa.  SAP Consulting Sold to	KARTESIA  Advised on the financing January 2022	REPLY  Advised on the sale January 2022	GROUNDSWELL CLOUD SOLUTIONS  Advised on the sale January 2022	Gyansys  Advised on the sale January 2022
CARETOWER  Advised on the acquisition February 2022	bip.  Advised on the sale February 2022	rackspace technology  Advised on the sale January 2022	4 MILE ANALYTICS  Data Consultancy Sold to	SCANOMI  Anaplan Gold Partner Sold to	enowa.  SAP Consulting Sold to	KARTESIA  Advised on the financing January 2022	REPLY  Advised on the sale January 2022	Gyansys  Advised on the sale January 2022	SPARK DIGITAL  Advised on the acquisition December 2021
BOYDAK AUTOMATION  AI & Automation Consultancy Sold to	Beterna  Advised on the sale December 2021	Stax  Private Equity Invested into	intive  Digital Consulting Acquired	BLUEPOINT  Advised on the acquisition December 2021	SPARK DIGITAL  Advised on the investment December 2021	Stax  Advised on the investment December 2021	Boydak Automation  Advised on the sale December 2021	Boydak Automation  Advised on the sale December 2021	Boydak Automation  Advised on the sale December 2021

The Equiteq Team is Comprised of Deeply Experienced M&A Professionals With Extensive Experience in the Microsoft Market

Americas



Adam Tindall
Managing Director
New York



Greg Fincke
Managing Director
Boston



Alex Floess
Director
New York



Ravi Dosanjh
Vice President
New York



Charles Kahn
Analyst
Boston

+1 917 828 6119
adam.tindall@equiteq.com

+1 917 828 5090
greg.fincke@equiteq.com

+1 518 320 5837
alexander.floess@equiteq.com

+1 917 566 6037
ravi.dosanjh@equiteq.com

+1 347 640 0761
charles.kahn@equiteq.com

EMEA



Jerome Glynn-Smith
Managing Director
London



Emmanuel Kostucki
Managing Director
London



Alexandre Steiner
Managing Director
France

+44 (0) 7415 534557
jerome.glynn-smith@equiteq.com

+44 (0) 789 181 8997
emmanuel.kostucki@equiteq.com

+33 603014591
alexandre.steiner@equiteq.com

Coverage



John Gannon
Director
New York

+1 804 833 9659
john.gannon@equiteq.com



Tristan Kuhl Bamford
Vice President
New York

+1 212 256 1120
tristan.kuhlbamford@equiteq.com

APAC



Alex Monk
Managing Director
Australia



Sylvaine Masson
Managing Director
Singapore

+61 (0) 477 672 625
alex.monck@equiteq.com

+65 8284 6383
sylvaine.masson@equiteq.com



Growing equity, realizing value

New York - Boston - London - Paris - Singapore - Sydney

www.equiteq.com

