TECHNOLOGY HOLDINGS

Investment Banking in Tech Services, Consulting, Software & Healthcare

The Road Ahead for Salesforce Partners : A Q3 2023 Update and Dreamforce Highlights

Salesforce's Strategic Roadmap, Emerging Trends in the Salesforce Ecosystem and a 2023 M&A Review

October 2023

Introduction

This report from Technology Holdings aims to capture market trends and summarize product innovation and 2023 M&A activity in the Salesforce ecosystem. It further focuses on understanding the critical trends that will impact Salesforce partners and customers in 2023. Salesforce as a cloud platform has seen enormous growth in adoption over the last decade, partly driven by the symbiotic relationship it has with a robust customer facing consulting and implementation partner ecosystem.

Market trends in the Salesforce partner ecosystem

1

Dreamforce 2023: Announcement Updates

2

Salesforce's strategic initiatives that are driving Salesforce adoption among enterprises globally

3

Analysis of M&A activity in the Salesforce partner ecosystem

4

Contents

1. About Technology Holdings — PAGE 04
2. Market Overview — PAGE 05
3. Dreamforce 2023: Announcements Update — PAGE 06
4. Salesforce: Key Strategic Initiatives — PAGE 10
5. Key Market Trends — PAGE 12
6. M&A Analysis — PAGE 20
7. Key Takeaways — PAGE 29
8. Technology Holdings' Salesforce M&A Transactions — PAGE 30

About Technology Holdings

Technology Holdings (TH) is a **global boutique investment bank** dedicated to delivering M&A and capital raising to **technology services, software, consulting, and business process management companies** globally with enterprise values ranging from **$20 million to $250 million.**

TH has a global team of over 70 people with a strong track record of closing digital transformation transactions including with Salesforce partners across Europe, North America, and the Asia Pacific.

Technology Holdings has closed the following Salesforce transactions with cumulative enterprise value of over $500 Million:

- Sale of AIOPS to Valantic
- Sale of C-Clear Partners to Valantic
- Sale of S4G Consulting to McKinsey & Co.
- Sale of BrightGen to Omnicom Group
- Sale of Lister Digital to Bounteous
- Sale of Xappia to Globant
- Sale of ABSI to PwC
- Sale of cDecisions to PwC
- Sale of PARX to Persistent Systems

Digital Transformation & Innovation

IT Services & Cloud

Analytics, Data Sciences & AI

Technology Platforms & SaaS

Consultancies

Healthcare & Lifesciences

Business Process Management

Engineering Services

Market Overview

Salesforce has achieved exceptional growth during and after the pandemic:

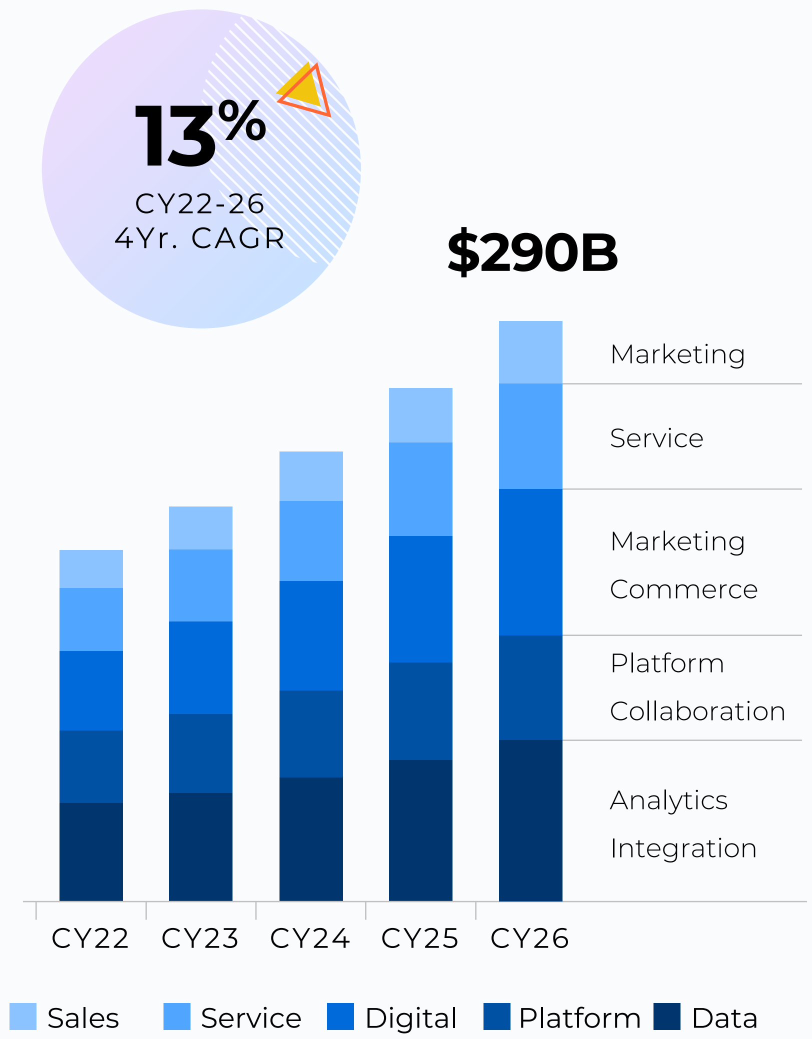
- **$31.4 billion** revenue in 2023 – **18% growth** over the last year
- Double digit growth forecasted across cloud platforms in 2023

The **total addressable market** (TAM) for enterprise applications software is projected to reach **$290 billion** (Fig. 1) in 2026

Key drivers include the **demand for AI and analytics** across cloud platforms and allied applications

Salesforce's growth has a **multiplier effect on its service partners** – every dollar spent on software licenses by its customers creates, on an average, **$5 in professional services opportunities**

Figure 1:
Total addressable market for Enterprise Applications Software

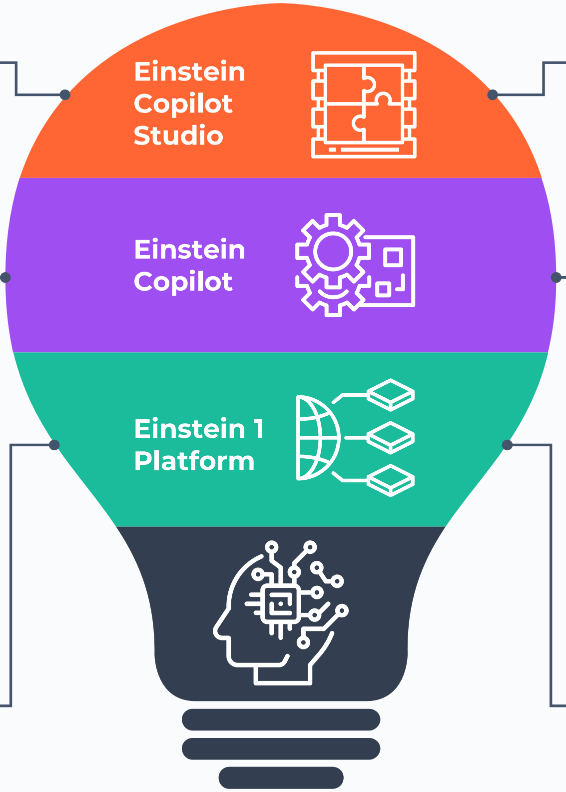


Source: Salesforce Investor relations Presentation, Sep 2022

Industry focus and incremental investments in international markets are driving the growth of Salesforce

Dreamforce 2023 Highlights: Product Announcements

AI RELATED



Einstein Copilot Studio

- **Pilot Phase:** Launching in the fall
- **Custom AI Apps:** Allows users to build AI-powered apps with custom prompts, skills, and models
- **AI-Driven Actions:** Skills builder for creating task-specific AI actions
- **Model Integration**: Supports integration with various AI models like Salesforce LLM, Amazon, Databricks, Google Cloud, and OpenAI

Einstein Copilot

- **GenAI Assistant**: conversational AI assistant in pilot mode
- **Seamless Integration:** Integrated into all Salesforce applications for natural language questions and secure answers from Salesforce Data Cloud
- **Workflow Efficiency:** Streamlines processes, ensuring secure access to trusted company data

Einstein 1 Platform

- **AI-Powered Data Integration:** Safely connects diverse data sources for building AI-powered applications
- **Metadata-Driven:** Uses metadata from Salesforce Data Cloud and Einstein AI for scalability and vast data storage
- **High Performance:** Handles 20,000 events/ second for legacy and modern systems

POTENTIAL USE CASES

- Custom sales and marketing apps
- Create educational applications
- Build content moderation tools
- Build web development tools based on natural language

- Sales and CRM Assistance
- Content Generation
- Code Development
- Language Translation

- AI-Powered sales insights
- Customer support and service
- Predictive maintenance
- Supply chain optimization

OTHER

Net Zero Cloud

- **Launch :** Spring 2024
- **Updated report builder** with materiality assessment
- **Meet CSRD requirements** with automated reporting and response suggestions
- **Empower ESG managers** with customizable surveys and visualized rankings

US$ 500 Million Investment

- AI innovators can access a **$500 million** venture capital pool
- **Einstein 1 Platform Focus:** This substantial fund is specifically designed to support developments on the Einstein 1 platform

Einstein AI is at the forefront, powered by Gen-AI and fortified with a trust layer to tackle data privacy concerns. Additionally, Salesforce has established a $500 million venture capital pool explicitly aimed at fostering advancements on the Einstein AI platform

Dreamforce 2023 Highlights: Partnership Announcements

salesforce + Google Cloud

- Salesforce is the first partner integrated with **Google Workspace's Duet** AI extensions
- Google Workspace is the main **extensibility partner** for Salesforce Einstein Copilot
- Google Workspace users can **create content, update records,** and initiate **Salesforce workflows** within their platform
- Collaborating users can use **Google-hosted LLMs** like **PaLM 2** in Salesforce's Einstein Copilot Studio for GenAI solutions in Salesforce Customer 360

salesforce + aws

- Salesforce and AWS plan to integrate **data lakes and large language models (LLMs)** for users of **Amazon Redshift, EMR, Athena, Bedrock**, and **SageMaker**
- This integration offers secure data sharing without the need **for data copying or moving**
- An existing collaboration enables **contact center services** using Salesforce's agent desktop and **Amazon Comprehend, Transcribe**, and other service

salesforce + databricks

- Enhanced their partnership to seamlessly merge **Salesforce Data Cloud** and external **Databricks Lakehouse Platform** data
- Collaboration aim **to reduce data migration costs and complexity** while maintaining high security, governance, and trust standards
- Users gain access to both **Databricks and Data Cloud data**, facilitating **AI model training** and immediate access to unified customer data
- **Databricks Machine Learning** can be used to build, train, and integrate models into Data Cloud

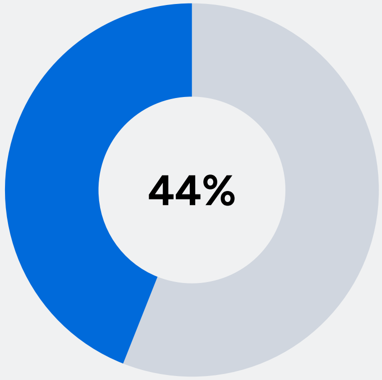
salesforce + Deloitte. Digital

- **Deloitte Digital** integrates Einstein AI into its **DigitalMIX platform** through this partnership
- DigitalMIX provides **pre-configured services** for **multi-cloud finance implementations** and seamlessly integrates with various Salesforce products, including **Sales Cloud, Service Cloud**, and **Marketing Cloud**
- Deloitte Digital and Salesforce's **BioPharma collaboration** seeks to expedite innovative therapy delivery, foster scientific and technological progress

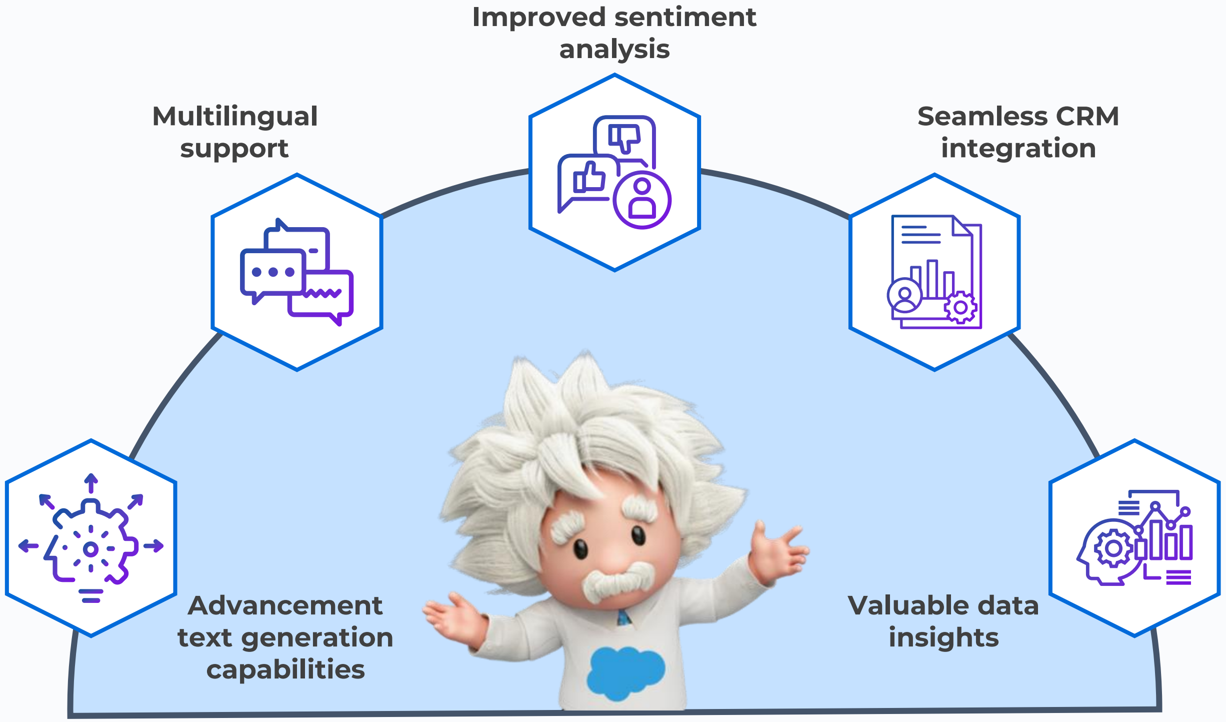
Transforming industries together: Salesforce's strategic partnerships - Empowering consulting partners and revolutionizing the industry landscape

Introduction to Salesforce AI(EinsteinGPT)

- **AI-Powered CRM:** Einstein GPT revolutionizes customer relationship management by leveraging AI to generate insights from data.
- **Next-Gen AI CRM:** It empowers sales reps with real-time guidance, automated tasks, and smarter decision-making.
- **NLP & ML:** Combines natural language processing and machine learning for predictive models and recommendations.
- **Benefits:** Improves customer relationships, drives sales, streamlines operations, enhances efficiency, and boosts data insights.
- **Tailored for Sales Teams:** Designed for sales with automatic proposal generation, lead insights, and real-time customer engagement.
- **Versatile Integration:** Supports sales, service, marketing, and development, improving productivity and engagement.



44% of executives identify the most valuable benefit of AI is the ability to provide data that can be used to make decisions



salesforce

Einstein GPT

EinsteinGPT: Transforming CRM with AI-powered insights, sales empowerment and seamless integration for informed decision-making

Source: Salesforce Analyst Relations Presentation, March 2023

EinsteinGPT Architecture and Case Study

Salesforce AI Cloud (EinsteinGPT)

- **Data Privacy & Security:** Salesforce's AI Cloud acts as a protective layer, preserving data privacy and security as enterprises integrate generative AI and large language models (LLMs)
- **Einstein Trust Layer:** This layer ensures sensitive customer data is not retained by LLMs, addressing the security concerns of enterprises

Case Studies:

Scenario: Gucci used Salesforce's AI Cloud to enhance generative AI.

Approach: Integrated LLMs with internal data to create a unique, brand-specific AI.

Outcome: Enabled personalized marketing, customer service, and product care.

Scenario: Formula 1 optimized marketing with Salesforce's AI Cloud.

Approach: Unified customer data using MuleSoft and Data Cloud.

Outcome: AI-driven personalized marketing campaigns for improved fan engagement

Scenario: AAA deployed generative AI for customer service and DevOps.

Approach: Applied AI to streamline support and DevOps operations.

Outcome: Faster issue resolution and enhanced customer experiences

Apps	Sales	Services	Marketing	Commerce	Tableau	Slack
Builders	Prompt	Prediction	App	FlowGPT	ApexGPT	
Einstein GPT Trust Layer	Secure data retrieval	Dynamic Grounding	Data making	Toxicity detection	Auditing	
Open Models	salesforce	Amazon SageMaker	ANTHROP\C	ChatGPT	aws	
Data Cloud	Lakehouse	Real-time	Zero ETL	Unified Profile	Data actions	MuleSoft Connections
Hyperforce	Data residency	Compliance	End to end encryption	Net Zero		

EinsteinGPT Architecture: Empowering Enterprise AI Innovations, Delivering Customized Solutions, and Enhancing Experiences

Source: Salesforce AI Analyst Day Conference

Salesforce: Key Strategic Initiatives (1/2)

- Ever since Salesforce's announcement of its Customer 360 platform during the 2019 Dreamforce event, the company has gradually **shifted its focus from specialty clouds to Customer 360**, which **includes applications spanning sales, service, marketing, and commerce,** integrated across all customer touch points
- The other two pillars of growth for Salesforce moving forward are its **continued investments in developing new industry-specific solutions** and **expanding its footprint beyond its core markets**, i.e. North America and Western Europe
- Customer 360 is now one of three strategic initiatives that are **accelerating Salesforce's growth momentum by driving a multi-cloud approach** within its current and new customer accounts

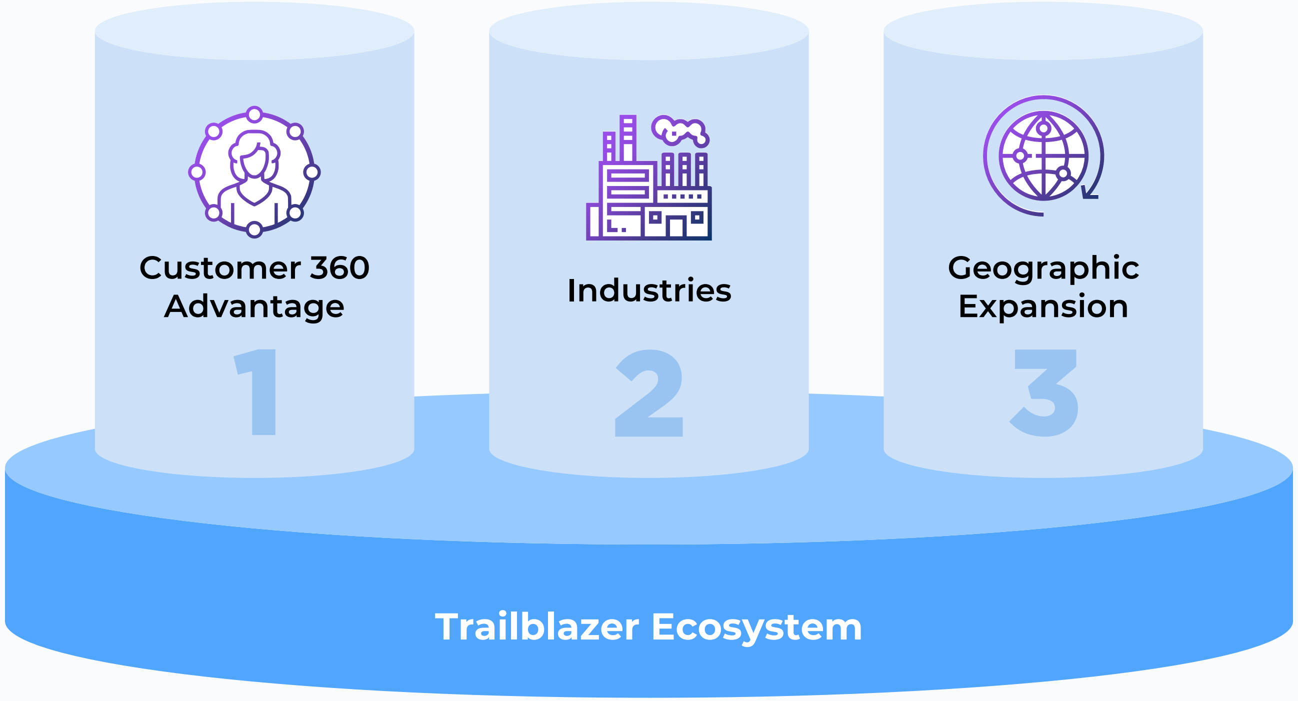


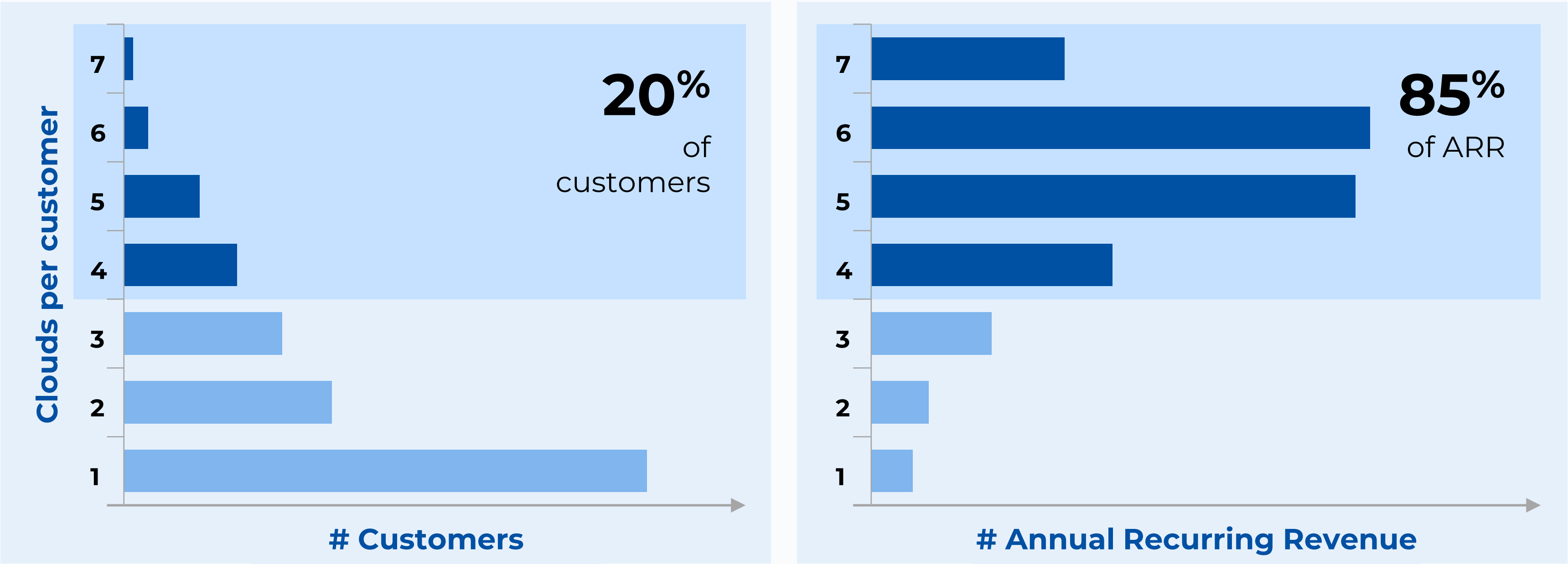
Fig 3 : Growth Pillars for Salesforce

Source: Salesforce Investor relations Presentation, Sep 2022

Multi-pronged approach to drive the next wave of growth

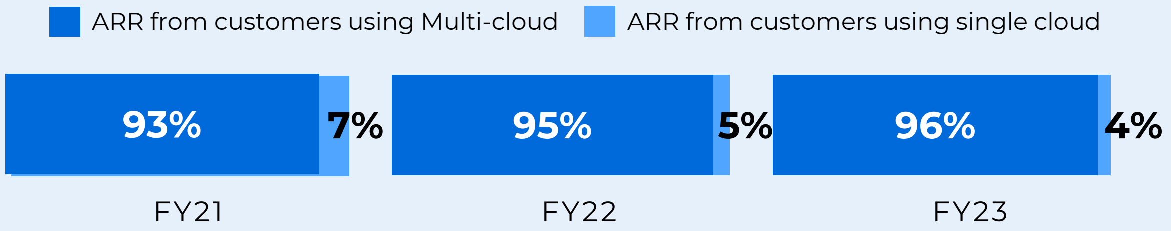
Salesforce: Key Strategic Initiatives (2/2)

Fig 4 : Contribution of customers with Multi-cloud subscription to ARR



Multi-Cloud Adoption

% of Annualized Recurring Revenue



- As of Q2 FY 23, more than **50% of Salesforce clients have subscribed are subscribing to a single cloud**, with annual recurring revenue **(ARR) contribution of just under 5%** and **attrition as high as 20%**
- On the other hand, customers subscribing to over **four clouds represent 20% of the total customer base** but drive over **85% of the total ARR**

Multi-cloud adoption resulting in higher ARR

Source: Salesforce Investor relations Presentation, Sep 2022

Emerging Trends In The Salesforce Partner Ecosystem

1 Multi-cloud adoption

Mulesoft and Tableau become foundational for multi-cloud deals, a key focus area for Salesforce

2 Strategy Alignment

Salesforce partners shift focus, enhancing their **capabilities on specific verticals**, in line with the broader Salesforce strategy

3 Offshore and Nearshore

Imperative to **set up offshore and nearshore delivery centres** in India and Eastern European countries

4 Macro Environment

Impact of the current macroeconomic environment on **partner M&A**

Salesforce partners are building capabilities to support Salesforce's push into multi-cloud and industry offerings

Market Trend: One

MuleSoft and Tableau Are Foundational To Every Multi-Cloud Deal (1/2)

COVID-19 not only **increased demand** for digital services but also **highlighted significant operational inefficiencies** and the lack of connectivity between applications

- Salesforce, through the acquisitions of MuleSoft and Tableau, has tried to **address the twin challenges of connecting applications to get a single view of data and deriving relevant insights from the data**
- Salesforce acquired MuleSoft in 2018 and **MuleSoft's Anypoint platform** is now part of Salesforce Integration Cloud. This combination **enables enterprises to access their data regardless of where it resides**, and to **deliver connected customer experiences** across all channels and touchpoints
- In 2019, Salesforce acquired **Tableau** and **integrated** it with the homegrown **AI platform Einstein**

Enterprise focus on getting a 360° view of customer data is driving investments in integration and analytics

Source: TH Salesforce M&A Tracker

Market Trend: One

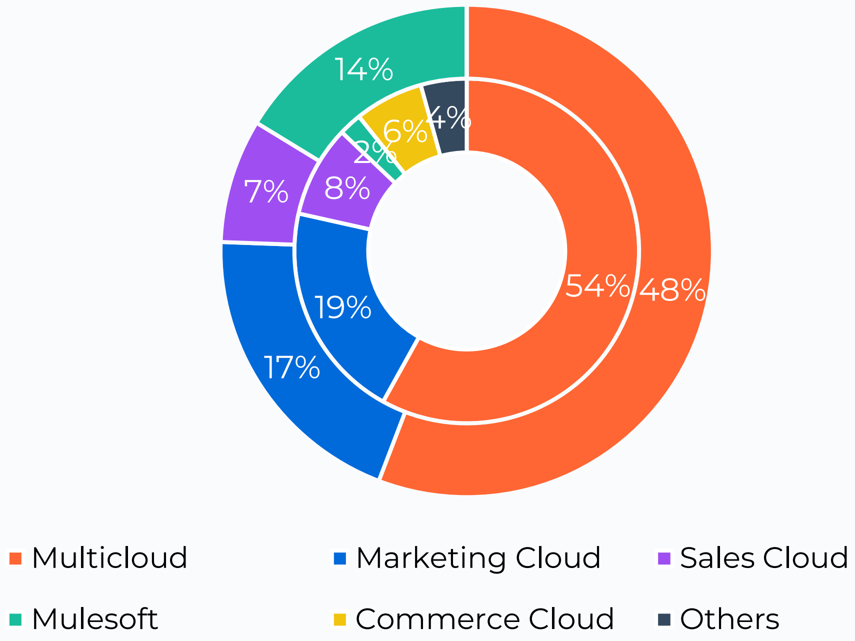
MuleSoft and Tableau Are Foundational To Every Multi-Cloud Deal (2/2)

- Salesforce's revenue from its **data offering, comprising MuleSoft and Tableau**, grew from **$1.7 billion** in 2020 to **$4.3 billion** in 2023
- This trend is also visible in M&A transactions – Salesforce partners **with MuleSoft specialization constituted 14%** of the total transactions for YTD 2023
- Representative transactions include Dentsu's acquisition of Aware Services, a **MuleSoft integration specialist** based in Australia, Wipfli's acquisition of integration specialist ApostleTech and Studio Science acquiring RevTech 360, a MuleSoft consulting firm based out of Indianapolis

Fig . 5 – Salesforce Revenue from MuleSoft and Tableau

Source: Salesforce FY 23 Investor relations Presentation,

Fig . 6 – M&A by Target Specialization



Source: Technology Holdings, M&A Tracker 2023

MuleSoft and Tableau help unlock data across cloud and legacy applications and enable connected customer experiences

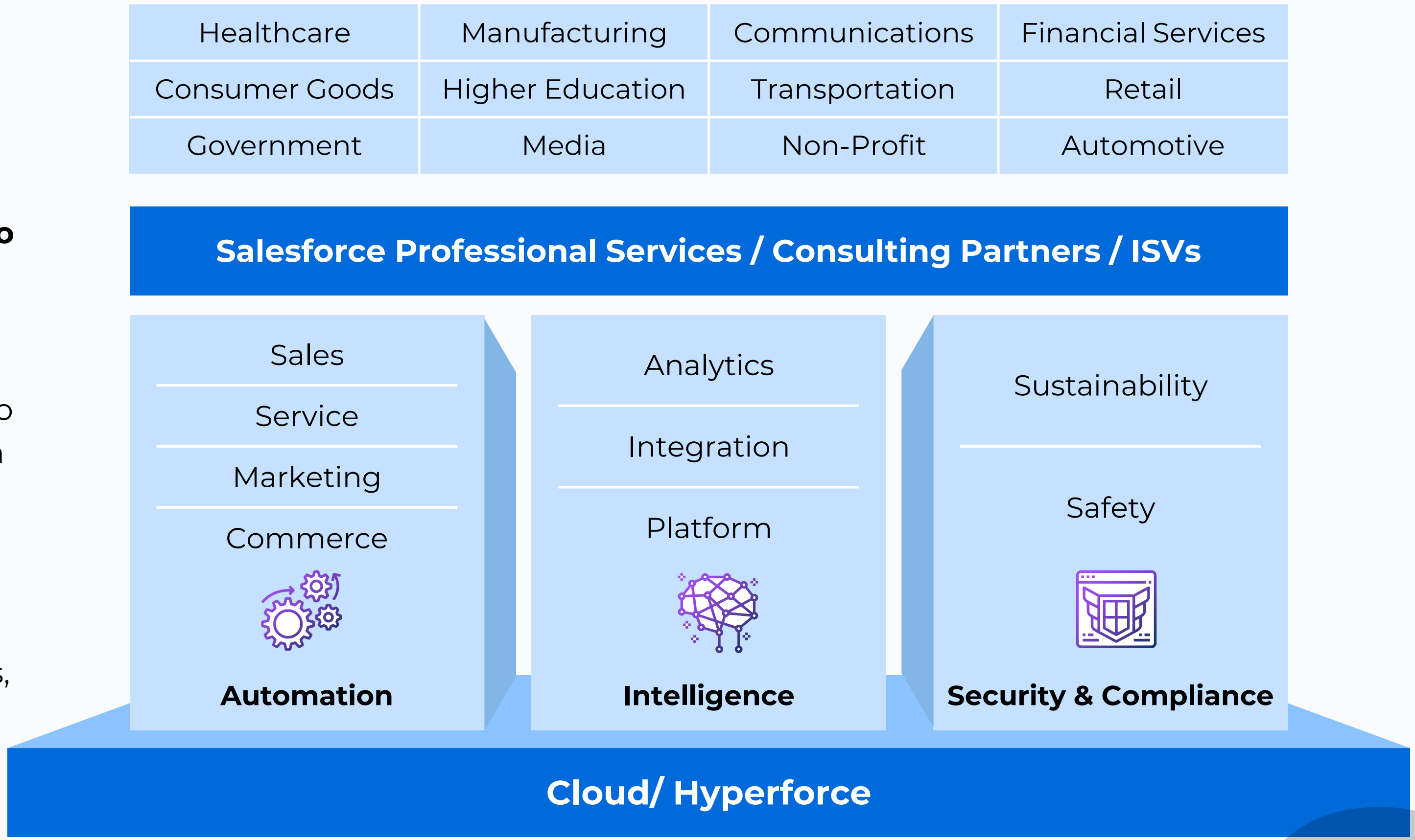
Market Trend: Two

Verticalization Is Imperative To Unlock The Next Phase Of Growth (1/2)

Salesforce Strategic Roadmap

- Salesforce started with a horizontally focused approach, providing solutions for functions such as sales, service, and marketing to companies across industries. It is **now focused on building industry-specific solutions in a bid to customize and increase the relevance of its offerings**
- Salesforce's acquisitions of **Steelbrick (2015)** and **Vlocity (2020)** paved the way to add industry-specific capabilities to existing products. **Industry cloud generated $3.8 billion in ARR for Salesforce** during FY 23 and is **expected to grow rapidly**, leading to incremental TAM in FY 23 and beyond
- During Dreamforce 2022, Salesforce **reaffirmed its commitment towards industries** such as financial services, automotive, manufacturing, and media by **announcing innovations** leveraging industry-specific AI

Fig . 7 – Overview of Salesforce Verticalization Strategy



Salesforce is investing significantly to build industry-specific platforms for financial services, manufacturing, automotive and media sectors

Market Trend: Two

Verticalization Is Imperative To Unlock The Next Phase Of Growth (2/2)

What's in it for Salesforce consulting partners?

- Better opportunity to meet customers where they are, and **offer industry best practices** that are **easy to adopt** and leads to **tangible impact**
- Pre-packaged solution sets which **reduce complexity** and **lower implementation efforts**
- Salesforce has moved its **Partner Account Managers (PAMs)** to align with industries as opposed to the earlier segmentation of PAMs based on partner revenue
- Investments from **Salesforce Ventures**. For instance, in early 2022 Salesforce Ventures invested in a **US-based consulting and implementation partner** that was pureplay Healthcare and Life Sciences focused

Key takeaways from M&A in 2022

- **17%** of the M&A transactions in 2022 (10% in 2021) were **aimed toward benefiting** from the **vertical expertise** of the sellers
- **Vertical-focused** Salesforce partners **command premium valuations**
- Representative transactions include: Diabsolut's acquisition of Emelar Consulting Group (**healthcare and food safety**), Valtech's acquisition of CloudCo (**finance and insurance, education and real estate**)

Large consulting organizations are looking to make strategic acquisitions that will add industry-specific expertise

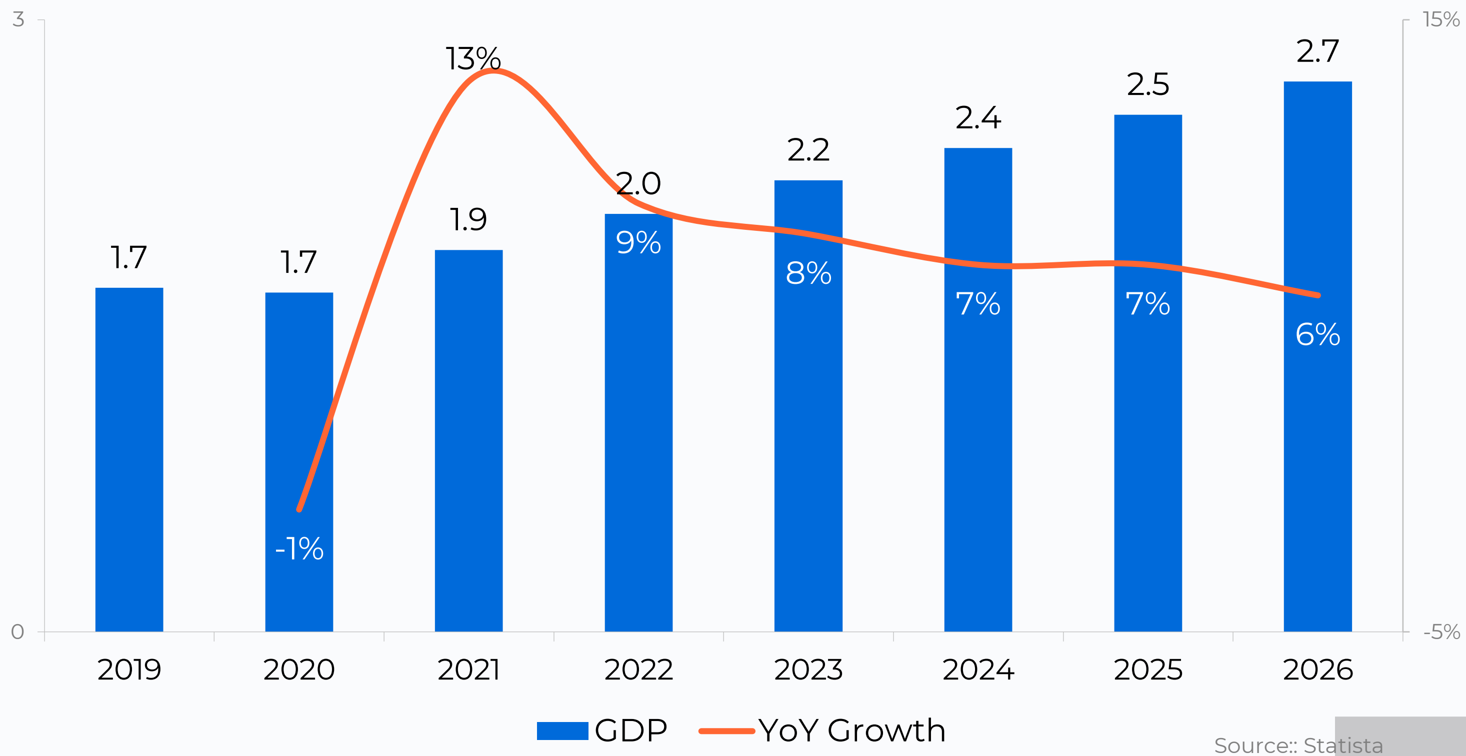
2

Market Trend: Three

Offshore and Nearshore Delivery Centres In Central & Eastern European Countries (1/2)

- Fig. 8 represents the GDP forecast for the Central and Eastern European region, comprising ten countries including **Poland, Romania, Czech Republic, and Hungary**
- European companies prefer nearshore outsourcing. In 2020, 67% of Dutch companies that outsourced IT-related tasks relied on European service providers
- The presence of multinational ICT organizations like **Accenture, Infosys, IBM, Wipro, and TCS** – with their global offshore and nearshore delivery centres - has further accelerated this

Fig . 8 – GDP forecast for CEE Region : 2019-2026



Source:: Statista

Ready access to a technical talent pool, similar time zone, and a great price-quality ratio makes the CEE region attractive for outsourcing

*Source:: Demand for IT Outsourcing Services in European Markets by Centre for the Promotion of Imports from Developing Countries (CBI)

Market Trend: Three

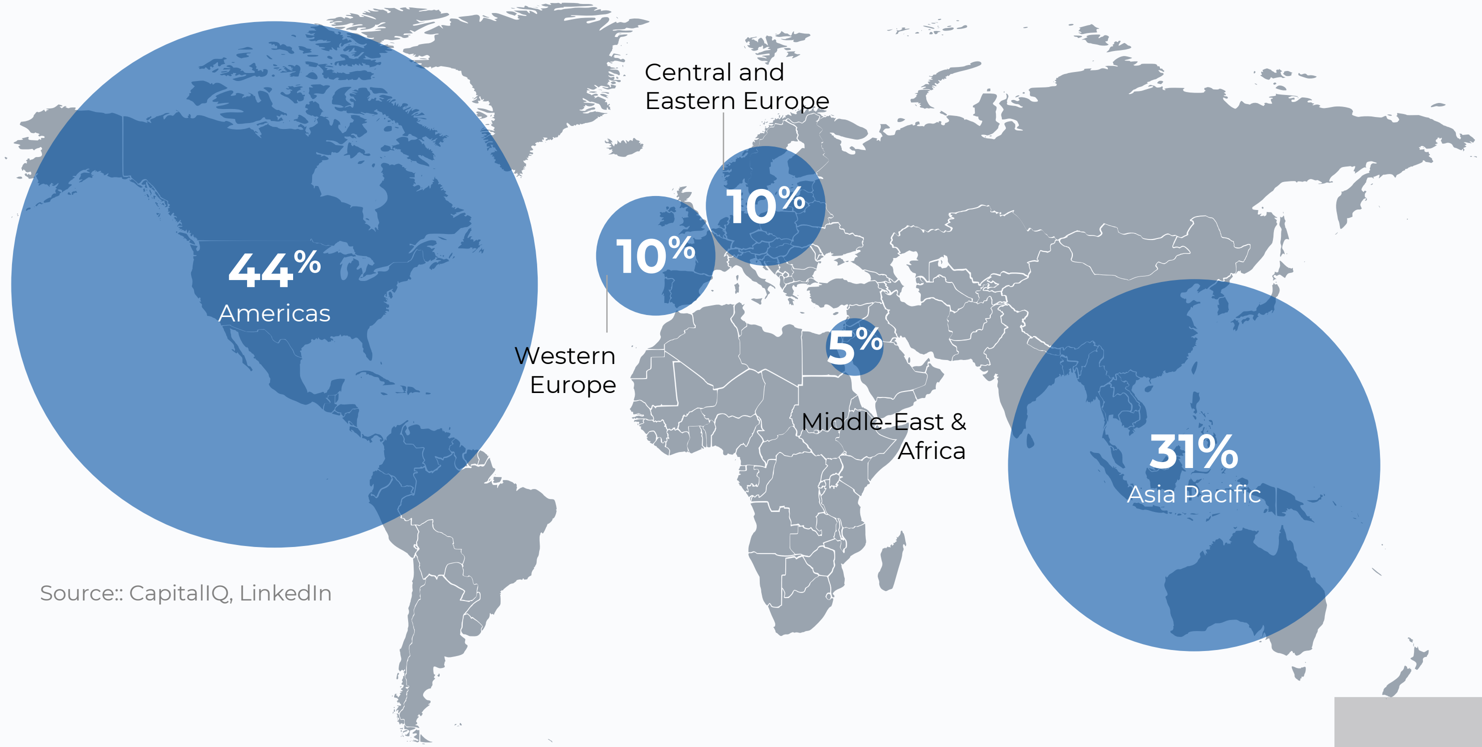
Offshore and Nearshore Delivery Centres in Central & Eastern European Countries (2/2)

- **Cultural affinity** with the west and **tech entrepreneurial ecosystem** is the other factors encouraging Salesforce professional services organizations to set up, partner with, or acquire companies to build their bases in the region

- Fig. 8 shows the geographical mix of employees of Salesforce Consulting services companies with Europe or the United States as a headquarters location

- As of October 2022, **Central and Eastern Europe** (CEE) represents around **10%** of the **Salesforce technical talent** available globally, making it a desirable location, primarily as a nearshore delivery location on account of increased demand for Salesforce services in Western Europe

Fig. 9 – Employee base by region for the companies with HQ in US & EU.



Source:: CapitalIQ, LinkedIn

10% of global Salesforce technical talent resides in the Central and Eastern European region

Market Trend: Four

Impact of the Macroeconomic Environment on Salesforce M&A

On Salesforce

- Delay in plans for large scale M&A by Salesforce, although **smaller opportunistic acquisitions will continue**
- **Lower employee attrition** and greater ease of hiring talent

On Enterprise Clients

- **Tighter budgets** leading to more **focused spend**
- **Increased focus on sustaining business** as opposed to **growth** previously

On Salesforce Partner Organizations

- **Longer sales cycle** and more delays in projects
- Lower employee attrition

On Salesforce Certified Talent Pool

- Shift in job opportunities to **lower-cost offshore** or **nearshore delivery** centres
- Salesforce partners developing **in-house excellence centres** to train and upskill their existing employees
- **Lower compensation increment**

Macroeconomic or geopolitical headwinds will compel enterprises to accelerate their digital transformation initiatives for increased efficiency

4

M&A Drivers For Salesforce Partners

1

Specialized Expertise

Access to proven expertise, industry knowledge, solution assets, and client access across industries

2

Complementary Capabilities

Global management consulting firms moving downstream adding CRM implementation capabilities to complement their core growth transformation offerings – **McKinsey's acquisition of S4G** is a representative transaction

3

Low-Cost Delivery

Imperative to **set up offshore and nearshore delivery centers** in India, Eastern European countries and emerging nearshore locations

4

Private Equity Participation

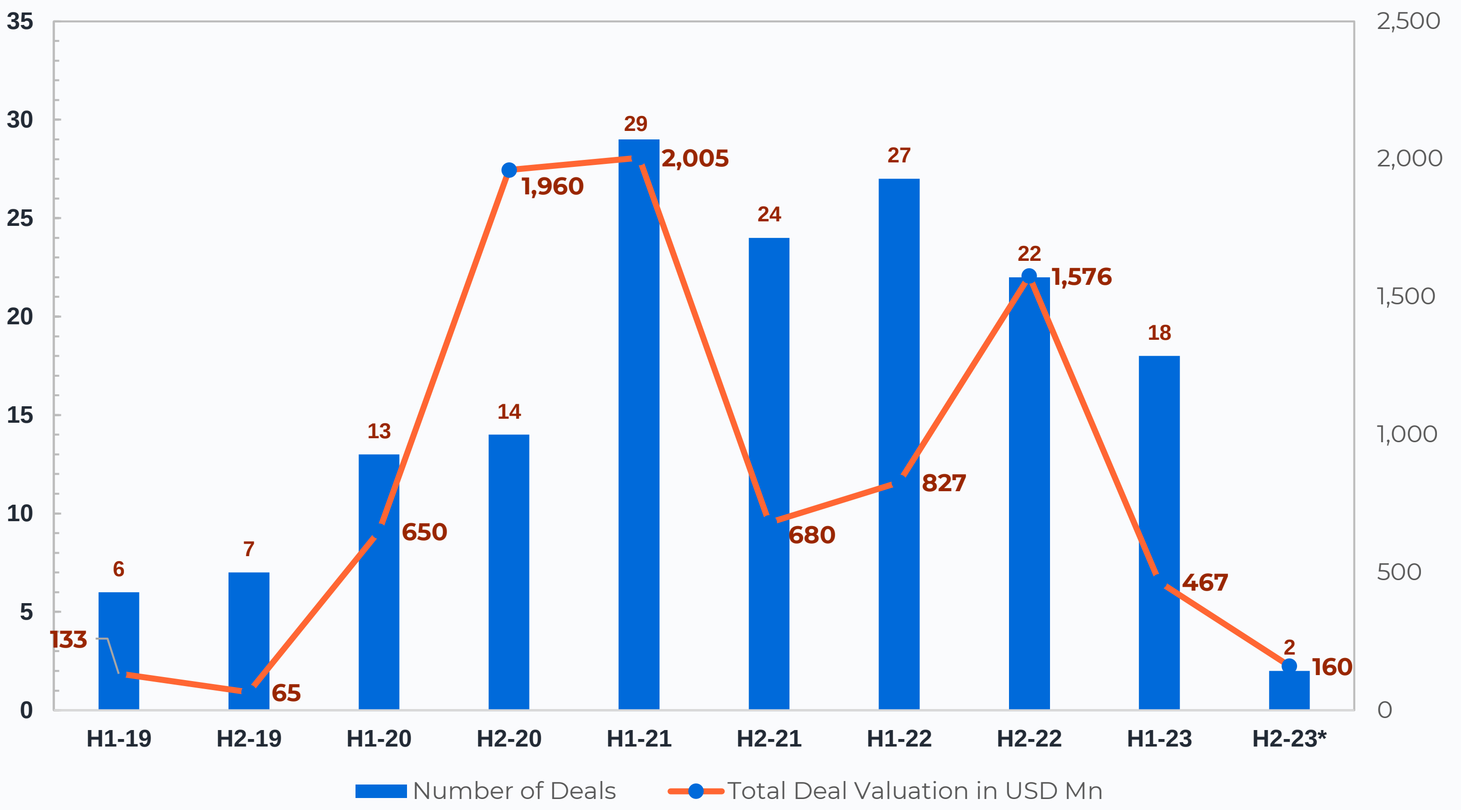
Renewed interest from private equity firms on account of rapid growth in Salesforce consulting services

Scalability, geographic expansion, low cost delivery and increased wallet share from existing clients are the key factors driving acquisitions

M&A Activity: Salesforce Partner Ecosystem

- **18 Salesforce M&A transactions** were closed in **H1 2023** compared to **27 in H1 2022** and **22** in **H2 2022**
- Year to date in 2023, **20 M&A transactions** were completed with an aggregate transaction value of over **$650 million**
- The majority of the transactions (~80%) had a transaction value of less than **$50 million**
- During the period, some of the largest M&A deals included Salesforce's acquisition of **OmegaCRM by Dentsu** and the private equity investment in **Certinia**. Certinia is a SaaS-based ISV with customer success and ERP-based solutions built on the Salesforce platform, and the investment was made by **Haveli Investments**

Fig . 10 – Salesforce Partner M&A deals (H1-2019 to YTD-2023)



*July - October 2022

Continued interest in acquiring Salesforce partners post-COVID

Salesforce Partner Deals In 2023

Date	Head Quarters	Target	Investor
Add New Complementary Practice			
Mar-23		SURYADATTA GROUP OF INSTITUTES	Stryve
Mar-23		Isochronix	TVHconsulting the ERP expert
Jan-23		FENOM DIGITAL	WPP
Mar-23		REVTECH 360	Studio Science
Apr-23		PRACEDO	Collabera Digital
Jun-23		Cymetrix	
Jan-23		OMNICHANNEL A Hero Digital Company	Hero DIGITAL
Expand Vertical Presence			
Apr-23		CARNAC GROUP	VISEO POSITIVE DIGITAL MAKERS
Feb-23		be Intelligent	pwc
Jan-23		COPILOT	VASS
Feb-23		tquila	publicis sapient
Apr-23		omega	dentsu group

Date	Head Quarters	Target	Investor
Growth Funding			
Jul-23		certinia	HAVELI
Jun-23		Lovelytics	databricks
Mar-23		ADEPTIA	PARIS
Feb-23		COPADO	INSIGHT PARTNERS
Strengthen Existing Practice			
Mar-23		QUANT SYSTEMS	SONATA SONATA SOFTWARE
Aug-23		FROGWELL	m3.com
Apr-23		Preserva	inspireXT
Strengthen Geographical Presence			
Jan-23		TWO21	8 SQUAD human strategies at work

Source: Technology Holdings, M&A Tracker 2023

Salesforce Partner Deals In 2022

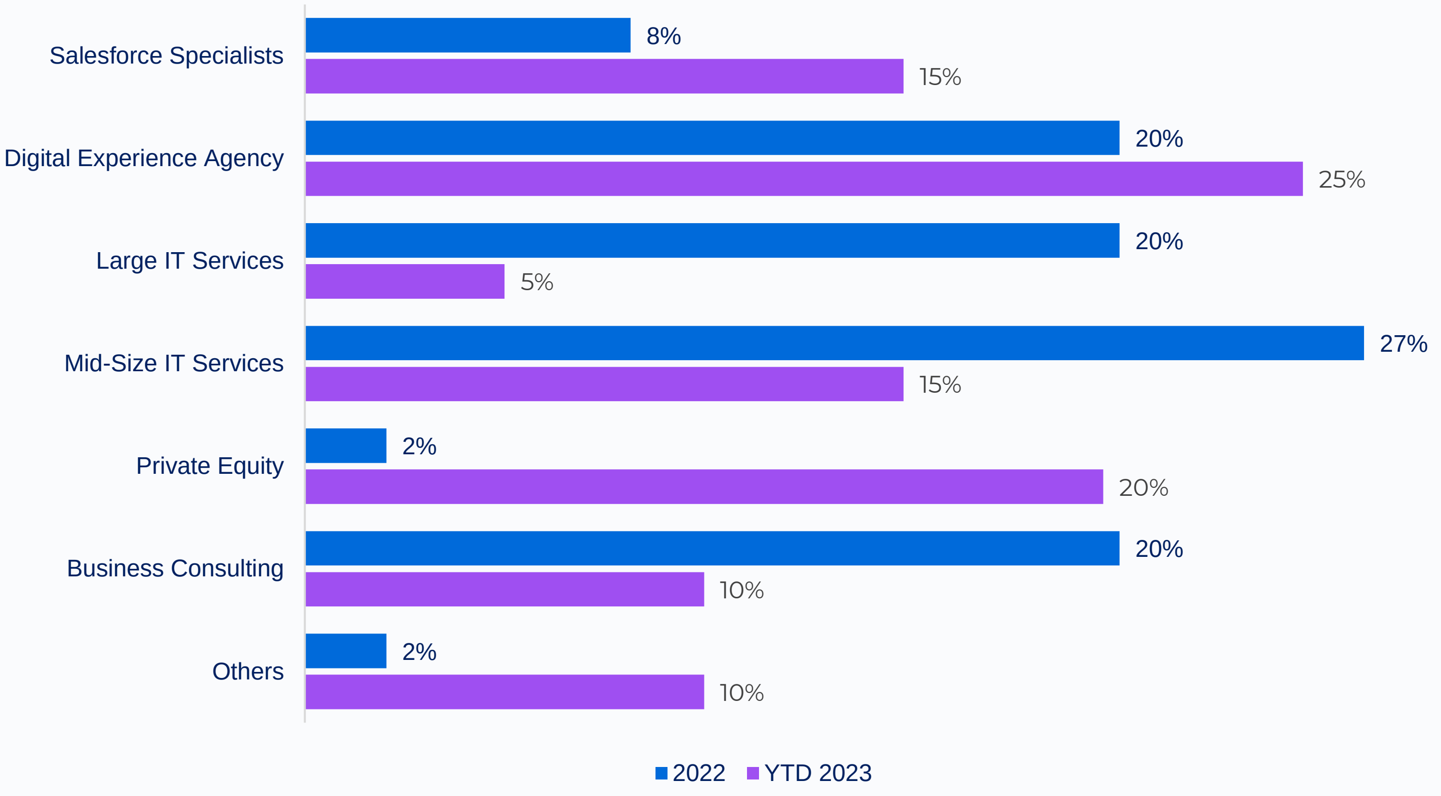
Date	Head Quarters	Target	Investor
Rationale: Add Complementary Practice			
Dec-22		dentsu group	AWARE
Dec-22		WIPFLI	Apostle Tech
Oct-22		SIG	akaCRM
Jul-22		OSF DIGITAL	MARIN
Jul-22		PROVISIONS GROUP	INSIGHT POWERED
Jun-22		OSF DIGITAL	kolekto
Mar-22		Deloitte. Digital	BLENDED DIGITAL
Mar-22		Deloitte. Digital	NEW REPUBLIQUE
Mar-22		Deloitte. Digital	Venntifact.
Jul-22		ACCELIRATE	[illegible]
Oct-22		neostella	work-relay
Jul-22		ACCELIRATE	[illegible]
May-22		McKinsey & Company	s4g
Apr-22		spindox	tmlab
Apr-22		UNEECOPS	digiCloud solutions
Mar-22		BDO DIGITAL	DEMANDGEN
Feb-22		K2	CREVALLE GROUP
Jan-22		THE NRB GROUP	ink consulting
Jan-22		SPAULDING RIDGE	SPAULDING RIDGE
Rationale: Private Equity/Growth Funding			
Sep-22		KELSO	EMTEC

Date	Head Quarters	Target	Investor
Rationale: Strengthen Geographical Presence			
Nov-22		OSF DIGITAL	[illegible]
Sep-22		PERFICIENT	Flection Point
Aug-22		ACCSCIENT	vyomlabs
Aug-22		dentsu group	EXTENTIA
Jun-22		valantic	C CLEAR; ATOM
Mar-22		OSF DIGITAL	netnomics
Jan-22		GYANSYS	GROUNDSWELL CLOUD SOLUTIONS
Jan-22		OSF DIGITAL	Datarati
Rationale : Expand Vertical Presence			
Nov-22		CitiusTech	WILCO SOURCE
Aug-22		Deloitte.	vyomlabs
Aug-22		Diabsolut	EMELAR CONSULTING GROUP
Jun-22		ACACIA	[illegible]
Apr-22		valtech_	cloudco
Mar-22		apps associates	Forcivity
Feb-22		Salesforce	Traction on Demand
Jan-22		K2	Cloud Pacific
Rationale: Strengthen Existing Practice			
Dec-22		CANIDIUM	ALLYN
Oct-22		IPG	RafterOne
Sep-22		NTT DATA	[illegible]
Sep-22		Capgemini	[illegible]
Jul-22		Mastek	MST
Jun-22		dentsu group	Pexlify
Jun-22		pwc	Netrovert
Jun-22		pwc	venerate
Mar-22		A5	SNAP
Feb-22		pwc	Stratus360
Jan-22		ASSIST	comselect.

Source: Technology Holdings, M&A Tracker 2023

M&A Analysis: Salesforce Partner Ecosystem

Fig . 11 – M&A's by type of buyers CY 2022 vs YTD 2023



- Amongst the buyers, **IT services companies** (20% of total deals vs 47% in 2022) continued to acquire **boutique Salesforce consulting** firms as they seek to expand their offerings
- The **strategic rationale** for these acquisitions includes **adding Salesforce consulting practices** to their portfolio, **strengthening geographical presence,** and **growing capabilities to new verticals**
- There were a few deals in the range of **$5 million to $10 million** that were done **tactically** to **add a Salesforce certified talent base** or to add **niche capabilities**

Significant growth in the number of transactions by management consulting firms is driven by their need to increase wallet share from existing customers

Source: Technology Holdings, M&A Tracker 2023

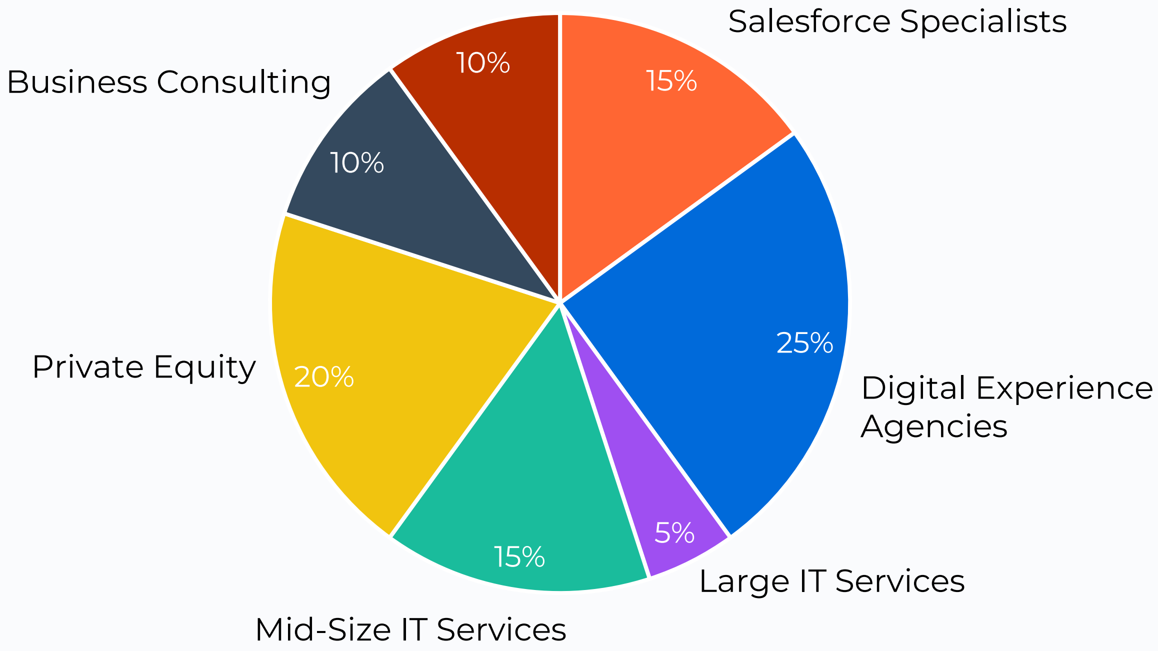
M&A Analysis: Key Buyers

M&A activity in the Salesforce partner ecosystem has lately seen a **shift in buyer focus**, to acquiring partners with **specialist capabilities** and **vertical expertise**. Such deals often **command a premium valuation**. IT services companies, business consulting firms, digital agencies, Salesforce specialists and financial sponsors have closed **20** acquisitions so far in 2023 vs 49 deals in 2022

- **Large and mid-size IT companies** continue to **expand their offerings** and scale through acquisitions to gain higher wallet share from their existing client base. One such transaction was Mastek acquiring MST solutions to strengthen its Customer Experience service line

- **Specialist Salesforce partners**, given the high demand for specialist skills, **are acquiring smaller partners** to strengthen their Salesforce practice

Fig .12 – EV Share by Buyer Type for YTD 2023



Some large IT consulting companies such as Accenture and Capgemini are being more selective with making Salesforce acquisitions given their scale

Source: Technology Holdings, M&A Tracker 2023

M&A Analysis: Strategic Intent of Buyers

- **Digital agencies** continue to **strengthen** their **existing cloud capabilities** and **expand into newer geographies** through acquisitions. Since April 2022, Dentsu Group added four new acquisitions – Pexlify, Extentia, OmegaCRM and Aware Services to Merkle's existing Salesforce capabilities, adding scale and expanding its geographical presence in the UK, Ireland, and India
- **Consulting firms** have been very active in the Salesforce M&A market. The majority of their acquisitions since 2022 were centered around strengthening their geographical presence to address demand from their current global clientele. **McKinsey's acquisition of S4G is a marquee transaction** in this space given the move from management consulting to execution
- **In 2023**, there was a resurgence of interest in the Salesforce ecosystem by **financial sponsors** and portfolio companies of private equity firms. Notably, two significant transactions included Haveli Investments' acquisition of Certinia and Insight Partners' further acquisition of Copado, an **integration specialist** with **Mulesoft expertise**

Buyer Type / Rationale	Business Consulting Firms	Digital Experience Agencies	Large & Mid-Size IT Services	Salesforce Specialists
Strengthen Vertical Presence	8%	8%	63%	21%
Strengthen Geographical Presence	4%	29%	61%	7%
Technology Acquisition	22%	20%	49%	10%
Strengthen Existing Practice	11%	11%	68%	11%

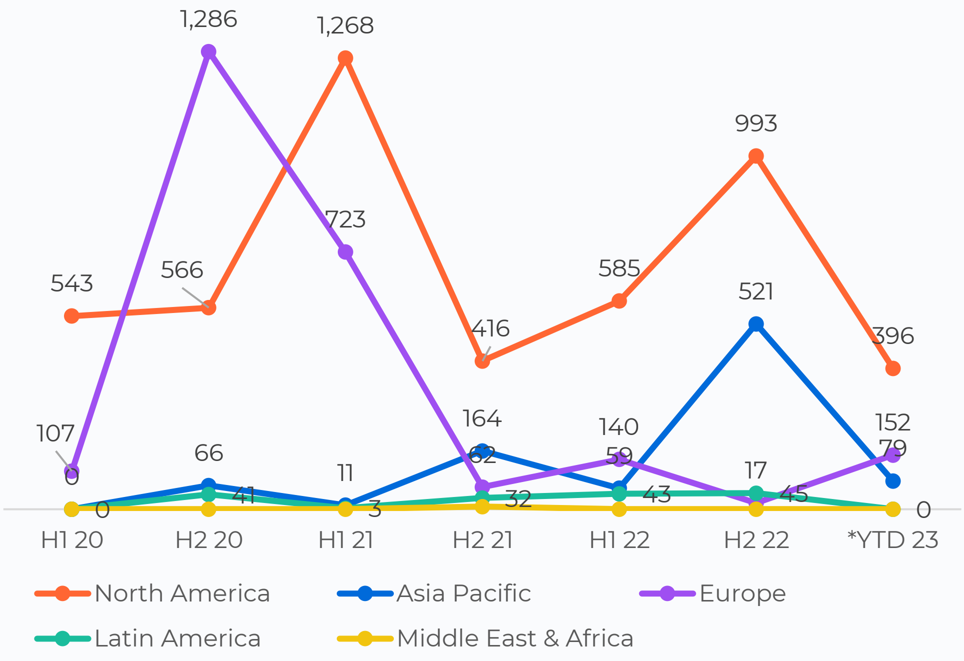
The key priority across buyer categories is geographical expansion and gaining access to more industry verticals

Source: Technology Holdings, M&A Tracker 2023

M&A Analysis: Regional Trends

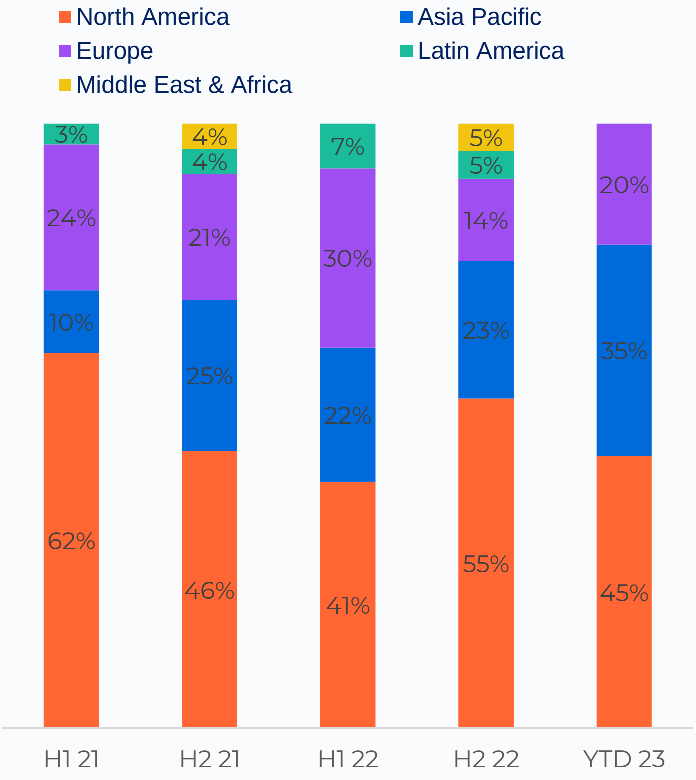
- As per Future Market Insights, global Salesforce services revenue is estimated to grow at a **CAGR of 14.4% to reach $33.5 billion in 2029**
- Service providers are **taking a strong inorganic approach**, with **tuck-in acquisitions to fill gaps** in their Salesforce services portfolio and to further expand their geographic footprint
- Globally, **North America continues to lead** in the adoption of Salesforce products and services, with a **CAGR of 18%** since 2018. Other regions like **EMEA and APAC** are catching up fast on account of large-scale transformation projects leading to higher IT spending in these regions

Fig .13 – Salesforce Partner M&A Deals by Region (H1-20 to YTD-23)



*July - October 2022

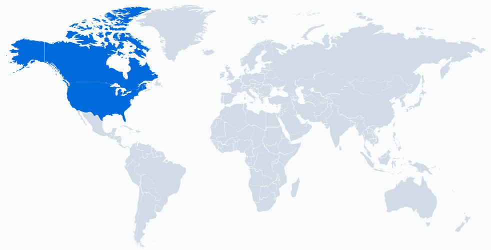
Fig .14 – Enterprise Value of M&A by Region (H1-21 to YTD-23)



North America and Western Europe dominates Salesforce M&A, while Asia Pacific continues to gain ground

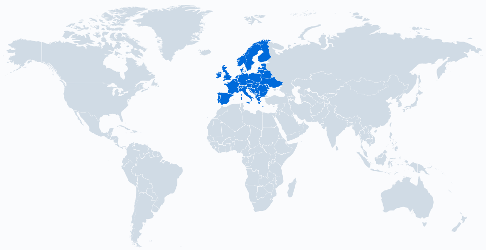
Source: Technology Holdings, M&A Tracker 2023

M&A Analysis: Regional Trends



North America

- On the M&A front, North America accounted for half of the **49 transactions** concluded until in 2022 and 9 out of 20 deals until August 2023
- The combined deal value from the transaction was **$1.5 billion** in 2022 and **$400 million** in 2023
- While those acquisitions were **largely carried out by IT services companies**, the primary **targets** were Salesforce **partners with multi-cloud capabilities**

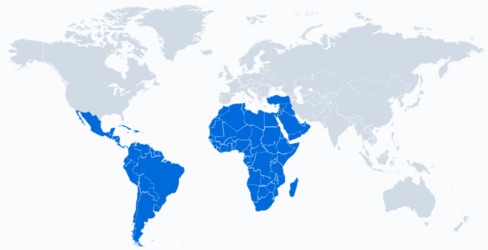


Europe

- Europe accounted for **20%** of M&A deals during the year, and in the last two years has also **attracted comparatively higher PE interest** to fuel the growth of regional cloud services partners

Asia Pacific

- Asia Pacific garnered a **higher level of interest,** on account of the growing number of **cost-effective** offshore delivery centres in the region, particularly India



Latin America and MEA

- Latin America and MEA are the two regions where the Salesforce ecosystem **is yet to see significant investments**

Harnessing the untapped potential in the emerging markets of Asia Pacific and the Middle East will be key for future M&A

Key Takeaways: Specialization Will Drive M&A for Salesforce Partners

On Salesforce Technology and M&A trends

- Salesforce partners **shift focus**, enhancing their **capabilities** in **specific verticals**, **in sync with the broader Salesforce strategy**
- **Manufacturing, banking and financial services, and automotive will be key verticals** of focus for Salesforce in the immediate future, to grow market share
- As enterprises adopt multi-cloud platforms – **Mulesoft plays a critical role** in providing seamless connectivity between applications in Salesforce and other existing applications in legacy on-prem platforms
- Year to date in 2023, 20 M&A transactions were completed with an aggregate transaction value of over **$650 million**
- With the introduction of **EinsteinGPT**, **enhancing AI capabilities** is becoming a priority, poised to have a significant impact on Salesforce products, **enabling more intelligent and data-driven solutions**

On Talent Acquisition

- Countries like **Poland, Romania, Czech Republic** continue to attract interest from partners to set up **nearshore delivery centres**
- Salesforce partners will play a key role in **cultivating homegrown specialists** by transitioning employees with relevant skills such as Java which is an important underpinning technology for Salesforce

On Economic Impact

- Salesforce **partners** with good growth, scale, enterprise client base, end-to-end capabilities or **deep vertical expertise** will continue to **command a premium multiple.**
- **Deal activity** will continue to be **strong** given that Salesforce remains at the top of buyers' M&A priority

Technology Holdings' Salesforce Transaction Track Record

Technology Holdings (TH) is exclusively focused on investment banking in technology services and software and is the IT services and digital transformation advisor of choice globally. Over 22 years, TH has built deep expertise in digital platforms, with global reach and extensive strategic buyer and private equity relationships to help clients navigate through a sale and/or capital raise process, and to secure premium valuations.

2023 THE M&A ADVISOR INTERNATIONAL M&A AWARD WINNER — **Boutique Investment Bank of the Year Award**

2023 THE M&A ADVISOR INTERNATIONAL M&A AWARD WINNER — **M&A Deal of the Year Award** ($100M - $250M)

2022 THE M&A ADVISOR AWARD WINNER — **Cross-Border Deal of the Year Award**

FM. M&A Awards2022 WINNER — **Mid-Market M&A Advisory Firm of the Year Award**

Technology Holdings has successfully closed nine Salesforce transactions with a total enterprise valuation of over $500 million

Company		Acquirer	Date
AIOPSGROUP	Strategic sale to	valantic	APRIL 2023
C·CLEAR PARTNERS	Strategic sale to	valantic	JUNE 2022
S4G Consulting	Strategic sale to	McKinsey & Company	MAY 2022
LISTER digital	Strategic sale to	bounteous (NMC New Mountain Capital PORTFOLIO COMPANY)	SEPTEMBER 2021
brightgen	Strategic sale to	CREDERA OmnicomGroup	NOVEMBER 2021
XAPPIA	Strategic sale to	Globant	NOVEMBER 2020
absi (far beyond system integration)	Strategic sale to	pwc	JUNE 2019
cDecisions	Strategic sale to	pwc	DECEMBER 2017
PARX	Strategic sale to	Persistent	JULY 2017

Technology Holdings won the Cross-Border Deal of the Year award for the acquisition of Salesforce Platinum Partner, S4G Consulting by McKinsey & Company at the 21st Annual M&A Advisor Awards

Client Testimonials

"We started our journey with Technology Holdings 2 years back pre-COVID and we can confidently say we're extremely happy with our decision to appoint them to help us find the right partner for BrightGen - we're delighted with the outcome and would like to thank TH for their incredible efforts. From our first meeting at Dreamforce in the US, TH recognized our unique proposition as the largest independent Salesforce partner in the region and ran a structured and highly professional sale process to find the optimal strategic partner and achieve a premium valuation for the business. They secured numerous offers from buyers globally, leveraging their extensive buyer relationships and deep expertise in the Salesforce ecosystem and delivered a fantastic outcome for us! The TH team worked incredibly hard and were always by our side throughout the process as we navigated through the twists and turns of the transaction, providing us with sound advice and helping us find solutions to the challenges and complexities of the deal. We have found a great partner in Omnicom, and we look forward to working with them in the next phase of BrightGen's journey."

Rob Stevens
Co-CEO and Co-Founder, BrightGen

Martin Tyte
Co-CEO and Co-Founder, BrightGen

far beyond system integration

"A strategic sale process can be long, tiring and full of surprises, yet we found ourselves well prepared and supported at every stage of the transaction because of the structured and thorough approach of the TH team. Extraordinary support was provided at all phases of the transaction, including the negotiation stage that helped us achieve a good deal. TH's knowledge of the Salesforce ecosystem and their strong relationships with buyers globally interested in the space made this typically complex journey an interesting and satisfying one. We certainly recommend the TH team to other business owners looking for a strategic sale. Undoubtedly, they are the go-to advisors for Salesforce partners and other companies."

Doubi Ajami,
Founder & CEO, ABSI

Client Testimonials

XAPPIA

"Technology Holdings is very knowledgeable about the Salesforce ecosystem and the strategic buyers looking to invest in the space. They are also well connected with all the relevant stakeholders. Their strategic rationale for Globant being the most suitable partner for us was spot on. It was a pleasure working with the team and we deeply appreciated their inputs through the process."

Dario Bak
Founder & CEO, Xappia

cDecisions

"Both Joel and I would like to say a huge thank you for the support you have provided to get the sale across the line. This has been a 9 year project for Joel and I and to be able to complete it in this way has been fantastic. Your contribution and skills have been invaluable to us and we certainly wouldn't have achieved it without you."

Nigel Runnalls,
Founder and Director, cDecisions

"I just wanted to extend a huge thank you for your support and professionalism in getting our deal over the line. I have been very impressed with your team throughout. We could not have done it without you!"

Joel Versluys,
Founder and Managing Partner, cDecisions

PARX

"We selected Technology Holdings because of their global presence and their impressive track record in our industry. In Technology Holdings, we found an advisor who thoroughly understood our company and our proposition. The Information Memorandum that you prepared effectively brought out our unique value proposition and capabilities. You brought us access to all the relevant strategic buyers in Europe, Asia and North America, which led to us receiving 7 offers! We are also very pleased with the support that you gave us at every step of the process, including through due diligence, negotiations and all the way to closing. In all, we are very happy with our decision to have chosen you as our advisor and would be happy to recommend you to any company considering a strategic sale."

Andreas Von Gunten,
Founder and Chairman, PARX

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