

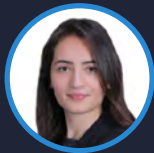
J&A Sell-Side M&A Report

# Cloud Infrastructure Modernization M&A Transactions and Valuations

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## AUTHORS

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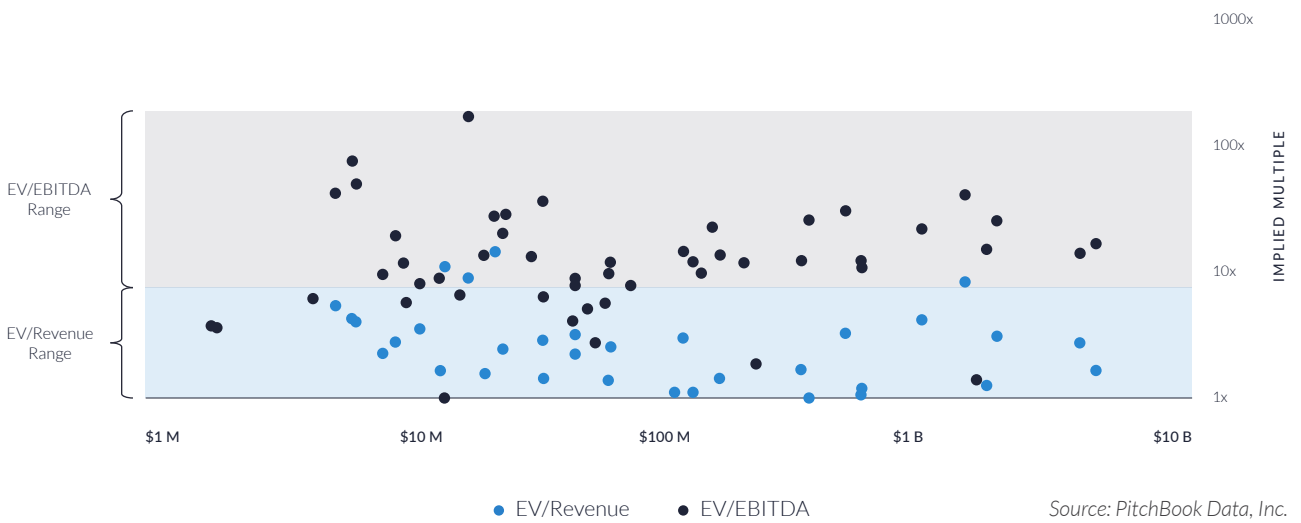


The cloud infrastructure modernization sector experienced significant growth from Q1 2020 to Q3 2024, driven by the widespread adoption of digital transformation initiatives. Organizations across industries focused on cloud migration, automation, and advanced analytics to improve scalability and operational efficiency, which increased the demand for innovative solutions. Hybrid work environments and the need for resilient, scalable infrastructure prompted higher investments in cloud technologies, making modernization essential for enterprise strategies.

This report analyzes transaction trends, valuation metrics, and regional dynamics, providing a detailed assessment of the strategic drivers influencing M&A activity in the cloud infrastructure modernization sector. Metrics such as EV/revenue and EV/EBITDA highlight investor priorities and reveal market conditions that shape valuations. Key transactions, including Blackstone's acquisition of R Systems International, BPEA EQT's investment in Virtusa, and the Blackstone-led buyout of Mphasis, illustrate the sector's focus on technological advancements, achieving scale, and consolidating market leadership. These examples demonstrate the impact of strategic M&A on the competitive landscape and offer insights to investors, advisors, and stakeholders navigating the market.



## Transaction Valuation Multiples in the Cloud Infrastructure Modernization Sector Analysis (Q1 2020 – Q3 2024)



\*The X- and Y-axes have been converted to a logarithmic scale to better visually represent the data.

EV / REVENUE			
MEAN 3 X	MEDIAN 2 X	MINIMUM 1 X	MAXIMUM 14 X
EV / EBITDA			
MEAN 18 X	MEDIAN 12 X	MINIMUM 1 X	MAXIMUM 167 X

- Valuation multiples are based on a sample set of private and public M&A transactions in the cloud infrastructure modernization sector, using data collected on December 9, 2024.
- The data shows a wide range of implied multiples for both EV/revenue and EV/EBITDA, reflecting the high level of fragmentation in the sector and the varying maturity levels of companies. Early-stage firms with niche technologies often report lower multiples due to limited revenue or scalability. In contrast, companies with differentiated offerings, strong customer bases, and robust growth trajectories achieve higher valuation multiples.
- Larger companies achieve higher EV/EBITDA multiples by leveraging economies of scale, diversified revenue streams, and

stronger profitability metrics. Investors often favor these companies for their scalability and stability. However, higher EV/EBITDA multiples without corresponding revenue growth may signal expectations of future operational efficiency or market expansion.

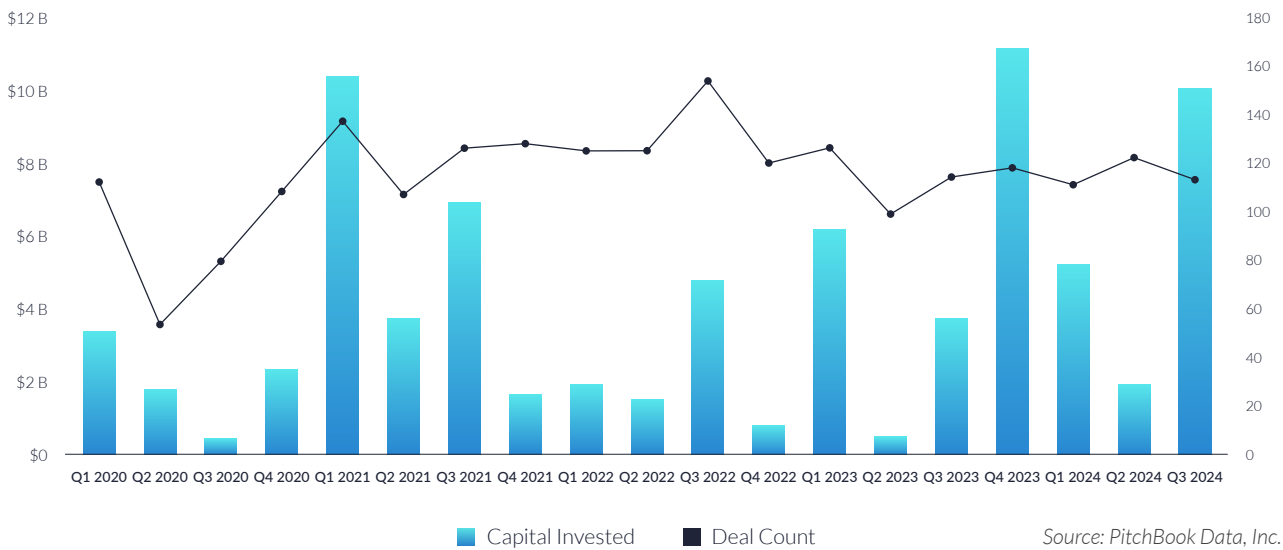
- Mid-sized firms, with enterprise values ranging from \$10 million to \$100 million, dominate the EV/revenue spectrum. These firms typically maintain established revenue bases but may not yet generate the profitability required to achieve high EV/EBITDA multiples. Outliers within this group include fast-growing firms with innovative products or services, which attract attention as acquisition targets in the cloud modernization sector.



## CAPITAL MARKETS ACTIVITIES

The data highlights transaction trends, valuation metrics, and regional dynamics in the cloud infrastructure modernization sector. The widespread adoption of cloud technologies and the growing demand for scalable, efficient infrastructure solutions have driven deal activity and shaped valuations. Investors have utilized varied deal structures and geographic approaches to capitalize on opportunities, influencing M&A dynamics and redefining the competitive landscape.

### Announced M&A Transactions in the Cloud Infrastructure Modernization Sector (Q1 2020 – Q3 2024)



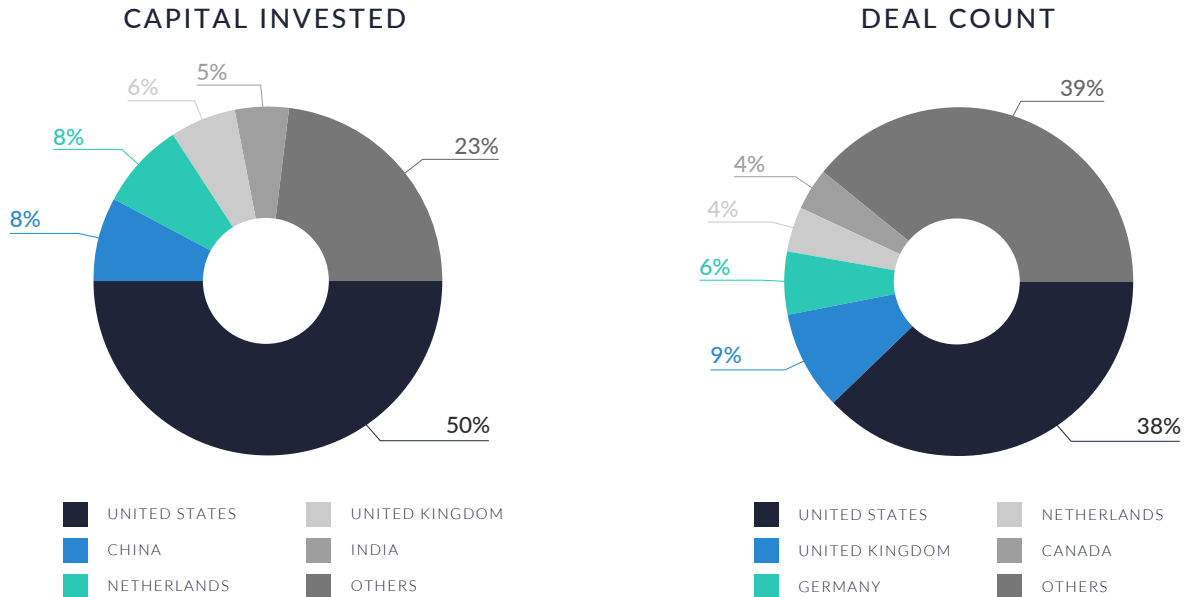
- Between Q1 2020 and Q3 2024, investors allocated approximately \$79 billion across 2,196 deals in the cloud infrastructure modernization sector. This level of capital investment and deal volume demonstrates strong and sustained activity, emphasizing the sector's importance in supporting digital transformation across industries.
- Capital investment peaked in Q1 2021 and Q4 2023, with each quarter exceeding \$10 billion. These peaks suggest strategic responses to technological advancements

and significant mergers and acquisitions during these periods. In contrast, the lower investment levels in early 2022 indicate possible event-driven variations in the sector.

- The sector maintained consistent deal activity through 2024, even with fluctuating capital investments. This suggests that investors remain engaged, adapting their strategies toward selective, high-value projects and adjusting their approaches in response to evolving market conditions.

The graphs below present the geographic distribution of transactions, providing additional detail on regional trends and investment dynamics.

## Breakdown of Announced M&A Transactions in the Cloud Infrastructure Modernization Sector by Country (Q1 2020 – Q3 2024)



Source: PitchBook Data, Inc.

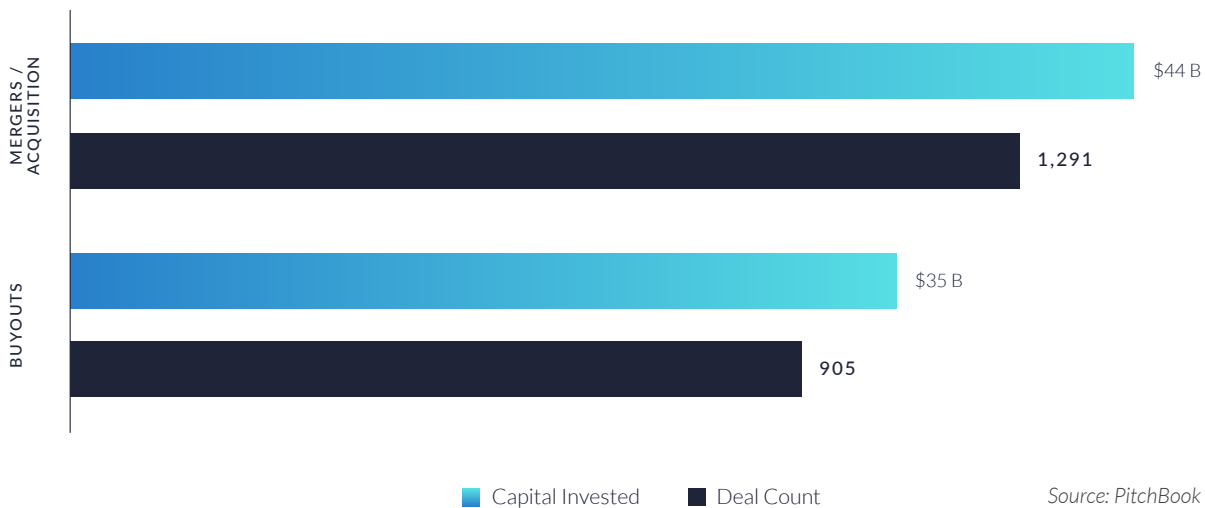
- The United States accounts for 50% of the capital invested and 38% of the deal count in the cloud infrastructure modernization sector. This high level of activity reflects the country's advanced cloud market and strong investor confidence in its scalability and innovation. US-based transactions often involve significant capital outlays in well-established companies, as well as a steady stream of deals targeting emerging cloud technologies, driving global trends in modernization.
- The United Kingdom contributed to 9% of the deal count and 6% of the capital invested. The UK's activity is characterized by smaller- to medium-sized transactions, often supporting early-stage firms and niche technology providers. This focus creates opportunities for diverse investors to back innovation while fostering a competitive and vibrant market for cloud technologies.

Key areas of investment include cloud migration services, hybrid cloud solutions, and cybersecurity enhancements, which align with the region's growing demand for advanced IT infrastructure.

- Smaller and emerging markets represent 39% of the deal count and 23% of the capital invested. These markets collectively drive significant global activity through numerous smaller-scale transactions, with investments frequently targeting localized cloud solutions, infrastructure automation, and data management technologies. This broad participation highlights a global trend toward adopting cloud technologies and demonstrates the potential for smaller markets to influence overall sector growth. By attracting investments across various regions, these markets contribute to a diversified and resilient ecosystem of cloud modernization.

The deal-type dynamics below set the stage for understanding how capital flows and how strategic priorities shape the cloud infrastructure modernization sector's growth and landscape.

## Breakdown of Announced M&A Transactions in the Cloud Infrastructure Modernization by Deal Type (Q1 2020 – Q3 2024)



- M&A activity accounted for \$44 billion across 1,291 deals, showing a strategic focus on growth through consolidation. Companies in the cloud infrastructure modernization sector use M&A to acquire complementary technologies, expand their geographic reach, and strengthen service offerings. This approach plays a critical role in enabling firms to remain competitive in a market shaped by technology integration and digital transformation.
- Buyouts accounted for \$35 billion across 905 deals, reflecting a higher average capital deployment per transaction. Investors prioritized established, high-value targets with proven business models and revenue streams. Private equity firms often focus on mature companies that provide steady returns or act as platforms for additional acquisitions, aligning these investments with long-term value-creation strategies.
- The high deal count in M&A—1,291—compared to buyouts—905—demonstrates that the cloud infrastructure modernization sector remains fragmented, with many smaller or mid-sized players being acquired. Larger firms continue to integrate smaller innovators or capture new capabilities to meet the rising demand for cloud solutions. This activity demonstrates ongoing consolidation efforts and highlights the dynamic nature of the sector, where new entrants and emerging technologies consistently reshape the competitive landscape.



## M&A TRANSACTIONS CASE STUDIES

Three notable M&A transactions in the cloud infrastructure modernization sector highlight strategic growth through enhanced market leadership, advanced technological capabilities, and increased scalability. These deals prioritized global expansion, operational efficiency, and innovation, reshaping the competitive landscape. Investors applied targeted strategies to promote sustainable growth and deliver long-term value in this fast-evolving industry.



### CASE STUDY 01 VIRTUSA

virtusa

Virtusa Corporation, based in the US, helps businesses accelerate innovation and improve efficiency by providing digital transformation services, IT consulting, and engineering solutions, with expertise in cloud migration, artificial intelligence, data analytics, and application modernization.

TRANSACTION TYPE	DEAL DATE	ACQUIRERS
BUYOUT	FEBRUARY 11, 2021	BPEA EQT, CPP INVESTMENTS, AND GIC PRIVATE
ENTERPRISE VALUE	EBITDA MULTIPLE	
\$2 BILLION	107 X	



## TRANSACTION STRUCTURE

Virtusa Corporation's acquisition was funded through a blend of equity and debt. The equity component was contributed by a consortium of buyers, including BPEA EQT, CPP Investments, and GIC, while over \$1 billion in debt financing underpinned the transaction.

## MARKET AND CUSTOMER SEGMENTS COMBINATION

Virtusa serves a wide range of industries, including financial services, healthcare, telecommunications, media, and technology, offering expertise in digital transformation and IT consulting. The acquisition enabled access to complementary markets and customer segments across the Asia-Pacific region and beyond, utilizing Virtusa's capabilities to deliver value to enterprises undergoing modernization.

## ACQUISITION STRATEGIC RATIONALE

The acquisition aimed to capitalize on Virtusa's strong position in digital transformation, cloud services, and application modernization to enhance its growth potential in a rapidly evolving IT landscape. Virtusa gained strategic resources and financial support to expand its global reach, deepen its offerings in high-demand sectors, and strengthen its ability to compete in a challenging market. The transaction also aligned with the consortium's investment focus on innovative, high-growth technology businesses.

### KEY INTANGIBLE ASSETS



Technological  
Expertise and IP



Client  
Relationships



Workforce and  
Knowledge Capital



Enhancing  
Competitive Positioning



Scalability and  
Synergies



Expansion into  
High-Growth Markets

### TRANSACTION RATIONALE



## CASE STUDY 02

# MPHISIS



Mphasis Limited, based in India, is a multinational IT services and consulting company. It specializes in infrastructure technology, application outsourcing, architecture guidance, application development and integration, and application management services, serving industries such as financial services, telecom, logistics, and technology.

TRANSACTION TYPE

DEAL DATE

ACQUIRERS

BUYOUT

AUGUST 10, 2021

BLACKSTONE  
AND ABU DHABI  
INVESTMENT  
AUTHORITY

ENTERPRISE VALUE

EBITDA MULTIPLE

\$3 BILLION

269 X

## TRANSACTION STRUCTURE

Blackstone, in partnership with co-investors ADIA, UC Investments, and GIC, acquired a controlling stake in Mphasis Limited through a public-to-private leveraged buyout valued at approximately \$3 billion. The transaction involved transitioning the company into continuation funds—an investment vehicle designed to maintain ownership and drive further growth—resulting in a valuation of approximately \$4 billion.

## MARKET AND CUSTOMER SEGMENTS COMBINATION

Mphasis brings its IT services and consulting expertise to a broad spectrum of industries, including financial services, telecommunications, logistics, and technology. Blackstone and its co-investors leveraged the acquisition to capitalize on Mphasis’s established market presence and extensive customer base, which created synergies with Blackstone’s other portfolio companies and broadened Mphasis’s footprint in emerging and global markets.

## ACQUISITION STRATEGIC RATIONALE

The acquisition supported Blackstone’s strategy of investing in high-growth IT services and digital transformation businesses. Mphasis’s expertise in cloud services, application modernization, and infrastructure technology established its role as a pivotal player in the digital economy. Leveraging continuation funds, the deal facilitated long-term investments to expand Mphasis’s capabilities, foster innovation, and seize emerging opportunities in global IT markets.

### KEY INTANGIBLE ASSETS



Strong Industry Expertise



Proprietary Frameworks and Solutions



Brand Equity and Market Reputation

### TRANSACTION RATIONALE



Global Market Synergies



Growth in Digital Transformation Markets



Value Creation Through Continuation Funds





## CASE STUDY 03

# R SYSTEMS



R Systems International, based in India, delivers cutting-edge digital IT services, focusing on product engineering, advanced analytics, artificial intelligence, cloud enablement, and robotic process automation, helping businesses accelerate innovation and enhance operational efficiency.

TRANSACTION TYPE

DEAL DATE

ACQUIRER

BUYOUT

NOVEMBER 16, 2022

BLACKSTONE

ENTERPRISE VALUE

EBITDA MULTIPLE

\$360 MILLION

26 X

## TRANSACTION STRUCTURE

Blackstone acquired a controlling 52% stake in R Systems International for approximately \$360 million, equating to an average price of \$3 per share. Following this initial acquisition, the firm launched a delisting offer at the same price of \$3 per share to purchase the remaining publicly held shares. This delisting process was aimed at transitioning R Systems from a publicly traded company to a privately held entity under Blackstone's management.

## MARKET AND CUSTOMER SEGMENTS COMBINATION

R Systems serves global enterprises across diverse industries, including technology, financial services, healthcare, and telecommunications, with its specialized digital IT services. Blackstone's acquisition created synergies with its portfolio companies, expanded R Systems's reach into new markets and customer segments, and strengthened its position in high-demand sectors such as AI, cloud, and automation.

## ACQUISITION STRATEGIC RATIONALE

The acquisition aligned with Blackstone's strategy to invest in high-growth digital transformation companies. R Systems's expertise in advanced technologies, including AI and cloud enablement, complemented Blackstone's focus on scaling innovative businesses. The transaction positioned R Systems to leverage Blackstone's resources for accelerated growth, improved operational efficiency, and deeper penetration into global markets.

### KEY INTANGIBLE ASSETS



Technological Expertise



Established Client Relationships



Skilled Workforce

### TRANSACTION RATIONALE



Market Expansion



Value Creation Through Private Ownership



Capitalizing on High-Growth Sectors



The cloud infrastructure modernization sector continues to evolve as a critical enabler of digital transformation, with M&A activity at its core. Strategic acquisitions reflect a focus on enhancing technological capabilities, consolidating market presence, and addressing the growing demand for scalable and innovative solutions. Key transactions highlight the importance of operational efficiency, product differentiation, and geographic expansion in maintaining competitive advantage.

As businesses increasingly prioritize digital transformation, the sector is poised for sustained growth, offering significant opportunities for value creation. The continued focus on strategic investments and innovation positions companies to capitalize on emerging technologies and evolving market needs. These trends not only shape the trajectory of the sector but also underscore its vital role in driving global economic and technological progress.



# JAHANI & ASSOCIATES

Jahani and Associates (J&A) is a global investment bank headquartered in New York City. J&A has deep connections in the Middle East, Southeast Asia, Latin America, and North America. The firm provides investment banking advisory, investment banking transaction, and corporate development expertise to clients all over the world.

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