Houlihan Lokey

Circular Tech

Market Update—Q4 2023



About Our Firm

Houlihan Lokey, Inc. (NYSE:HLI) is a leading global investment bank with expertise in mergers and acquisitions, capital markets, financial restructuring, and financial and valuation advisory.

Our firm is the trusted advisor to more top decision-makers than any other independent global investment bank.

CORPORATE FINANCE

2023 M&A Advisory Rankings
All Global Transactions

	Advisor	Deals
1	**Houlihan Lokey**	**352**
2	Rothschild & Co	349
3	Goldman Sachs & Co	300
3	JP Morgan	300
5	Morgan Stanley	253

Source: LSEG (formerly Refinitiv).
Excludes accounting firms and brokers.

No. 1
Global M&A Advisor

Leading
Capital Markets Advisor

FINANCIAL RESTRUCTURING

2023 Global Distressed Debt &
Bankruptcy Restructuring Rankings

	Advisor	Deals
1	**Houlihan Lokey**	**73**
2	PJT Partners Inc	64
3	Rothschild & Co	51
4	Lazard	37
5	Evercore Partners	27

Source: LSEG (formerly Refinitiv).

No. 1
Global Restructuring Advisor

1,700+
Transactions Completed Valued at More Than $3.5 Trillion Collectively

FINANCIAL AND VALUATION ADVISORY

1999–2023 Global M&A
Fairness Advisory Rankings

	Advisor	Deals
1	**Houlihan Lokey**	**1,247**
2	JP Morgan	1,035
3	Duff & Phelps, A Kroll Business	977
4	UBS	884
5	Morgan Stanley	716

Source: LSEG (formerly Refinitiv).
Announced or completed transactions.

No. 1
Global M&A Fairness Opinion Advisor Over the Past 25 Years

2,000+
Annual Valuation Engagements



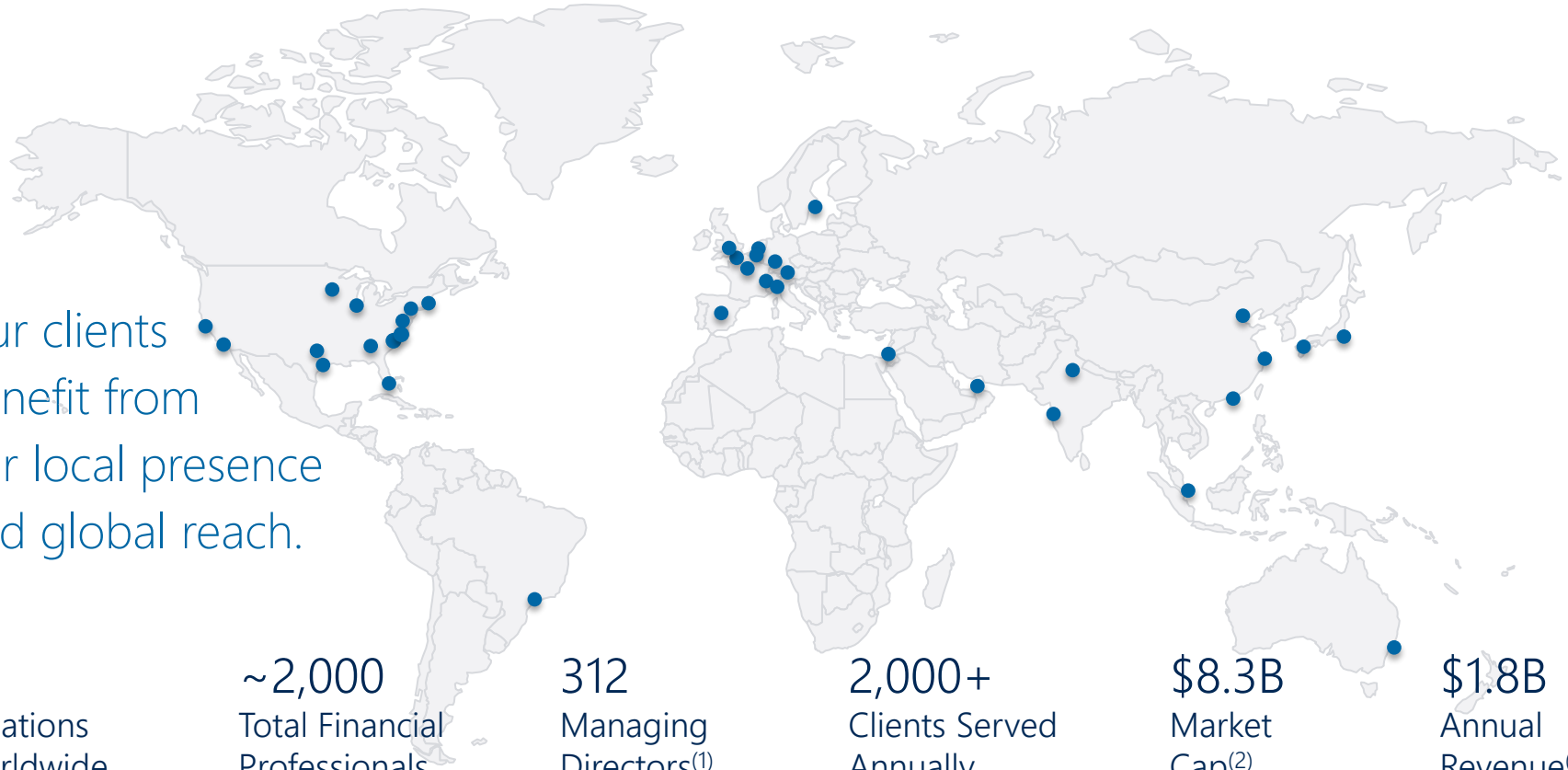
Learn more about how our advisors can serve your needs:

Corporate Finance →

Financial Restructuring →

Financial and Valuation Advisory →

Our Industry Coverage →



Our clients benefit from our local presence and global reach.

36
Locations Worldwide

~2,000
Total Financial Professionals

312
Managing Directors[1]

2,000+
Clients Served Annually

$8.3B
Market Cap[2]

$1.8B
Annual Revenue[3]

AMERICAS
Atlanta
Baltimore
Boston
Charlotte
Chicago
Dallas
Houston
Los Angeles
Miami
Minneapolis
New York
San Francisco
São Paulo
Washington, D.C.

EUROPE AND MIDDLE EAST
Amsterdam
Antwerp
Dubai
Frankfurt
London
Madrid
Manchester
Milan
Munich
Paris
Stockholm
Tel Aviv
Zurich

ASIA-PACIFIC
Beijing
Fukuoka
Gurugram
Hong Kong SAR
Mumbai
Shanghai
Singapore
Sydney
Tokyo

(1) As of December 31, 2023; excludes corporate MDs. (2) As of January 31, 2024. (3) LTM ended December 31, 2023.

Fully Integrated Financial Sponsor Coverage

29
Senior officers dedicated to the sponsor community in the Americas and Europe

1,100+
Sponsors covered, providing market insights and knowledge of buyer behavior

730+
Companies sold to financial sponsors over the past five years

HLI LISTED NYSE

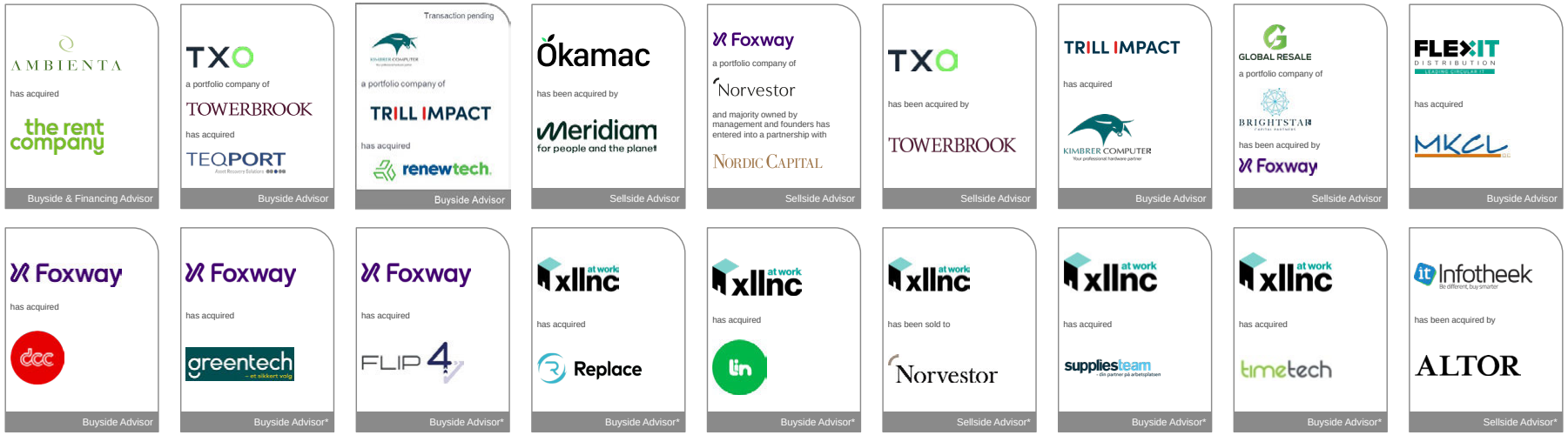
About **Our Circular Tech Team**

The Circular Tech Team, situated within the Corporate Finance Group of Houlihan Lokey, is a dedicated and highly skilled group of professionals committed to delivering exceptional services in the realms of M&A and capital raises. The focus extends specifically to companies operating within the circular economy, showcasing a distinctive expertise in navigating the intricacies of this sustainable business model.

This specialized team brings unparalleled experience to the table, particularly in collaborating with recommerce platforms, product-as-a-service ventures, value recovery enterprises, and other circular enablers. Their extensive track record demonstrates a consistent ability to generate outstanding returns for investors while simultaneously fostering positive impacts for both people and the planet.

By aligning their efforts with businesses entrenched in the circular economy, the Circular Tech Team positions itself at the forefront of financial innovation, recognizing the importance of sustainable practices in today's dynamic market.

Featured Transactions



*Notes: * Selected transactions were executed by Houlihan Lokey professionals while at other firms*

Leadership



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Contact us

Please reach out to us to schedule a call to discuss this quarter's market update or to explore how we can serve your business needs.

Request a Meeting

Request Market Insights Report

Circular Tech Market Update
An Introduction

Various evolving dynamics are currently shaping the Circular Tech landscape, driving the demand for IT asset management, IT asset disposal, trade-in, and recommerce services. These dynamics include, among others, the increasing awareness of environmental sustainability, regulatory pressures for responsible IT equipment and disposal of electronic waste, and the growing emphasis on circular economy principles within corporate strategies. As a result, organizations are seeking comprehensive solutions for managing their IT assets throughout their lifecycle, from procurement to disposal, and are turning to specialized providers for efficient and ethical handling of these resources.

While Gartner expects all global IT spending growth to slow to 4.5% in 2023, down from 8.4% in 2022, a rebound is expected in 2024, with growth accelerating to 7.1%. Moreover, IT services spend is expected to grow in 2023 by 8.8% with a longer-term 2022–2027 CAGR of 10.2%.

With positive tailwinds from the global IT services market and a rebound in IT spend, the landscape of the circular tech sector continues to evolve, with both financial and strategic investors particularly looking for high-quality assets with strong circular competencies. Currently, the following dynamics shape the landscape:

- OEMs are starting to feel more and more pressure from EU regulation to offer refurbished devices in their RFP; however, they are still reluctant to move into IT asset disposal (ITAD) directly.
- Device-as-a-service (DaaS), or device leasing, is a preferred option for OEMs to keep control over devices and then work with ITAD partners to handle returning devices.
- Leasing providers, such as CHG and Econocom, intend to increase their capabilities for value recovery; however, they are not very active in terms of M&A yet.
- U.S. players are looking at Europe and recognize that the market is more advanced, which makes these companies more of a target than acquirer.
- There is increasing interest from private equity in the Circular Tech markets.

The Circular Tech industry is currently very dynamic and being consolidated not only by various OEMs, IT distributors, and VAR but also by private equity-backed platforms.

Note: Data as of December 31, 2023.



Why Are We So Excited About Circular Tech?

A circular economy eliminates waste through circularity products, with Circular Tech being a cornerstone.

Circular Tech

One of the key pillars to enable a circular economy and to reduce e-waste.

Rapid Adoption

Rising practice and increasing adoption over the past four to five years.

Large and Growing Market

Sizable market supported by strong underlying ITAM/ ITAD/recommerce trends.



Untapped Opportunities

Numerous (consolidation) opportunities at hand, yet to be properly assessed.

Regulatory Tailwind

More stringent regulations were and are being introduced to drive Circular Tech.

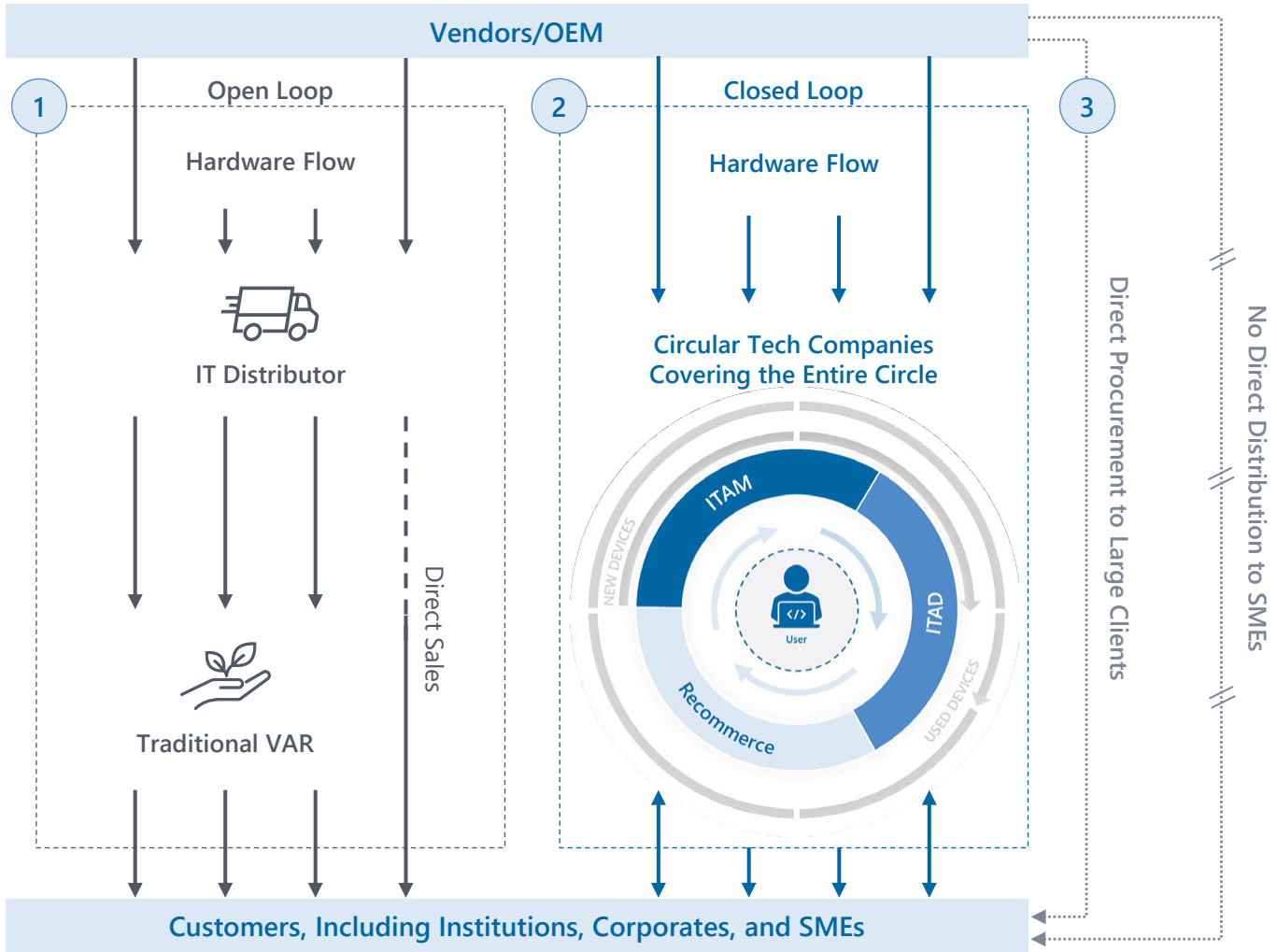
Increasing Awareness

Corporates have realized the importance of a sustainable IT lifecycle and are implementing strategies.

Circular tech encompasses a comprehensive range of services that approach IT lifecycle management holistically, integrating circular thinking. It includes all aspects of the IT journey, starting from procurement and encompassing services related to IT assets, all the way through responsible disposal to companies (ITADs) within the Circular Tech space that provide secure data wiping and value recovery of utilized devices, which ultimately are resold into the markets in their second and third lives before secure and responsible recycling.

Circular Tech Is a Cornerstone of the Circular Economy Model

The Circular Tech offering covers IT asset management (ITAM), ITAD, and recommerce.



1 Distributors

- Distributors work with high volumes from vendors/OEMs and usually have large warehouses to store assets.
- They are selling either directly to end customers or through VARs and are frequently educating resellers about new products.

2 Circular Tech Companies

- Offer full lifecycle from procurement to disposal and remarketing/refurbishing of IT devices.
- Enable circularity and sustainability with complete end-of-life solutions.

3 VAR

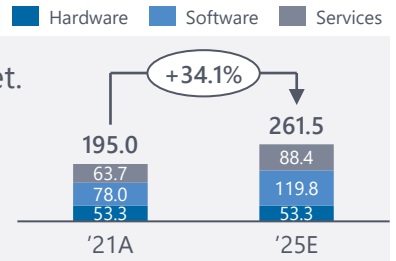
- VARs resell software, hardware, and networking products to end clients along with added services, including consulting, design, implementation, and training services.
- VARs source directly from distributors and, in some rare cases, directly from IT vendors.

The "Specialist" Circular Tech Market Is Highly Fragmented

It is a market with players focused on single services and an opportunity to build Circular Tech platforms.

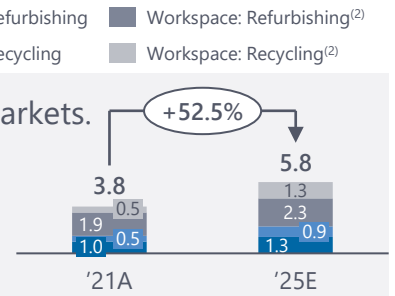
ITAM Strongly Driven by Device-as-Service Trend

- Numerous assets are available in almost every market.
- Assets usually available for ~8.0x EV/EBITDA.
- Critical to pick the right asset and make the right combinations.



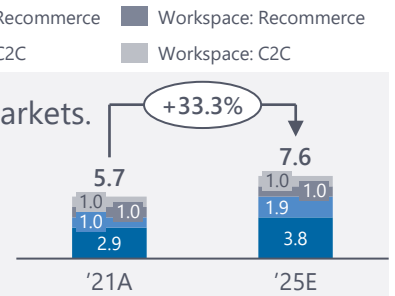
ITAD[1] Driven by Regulations and Sustainability

- Only a few sizable assets are available in a few key markets.
- Assets usually available for ~9.0x EV/EBITDA.
- Critical to evaluate the supply side.



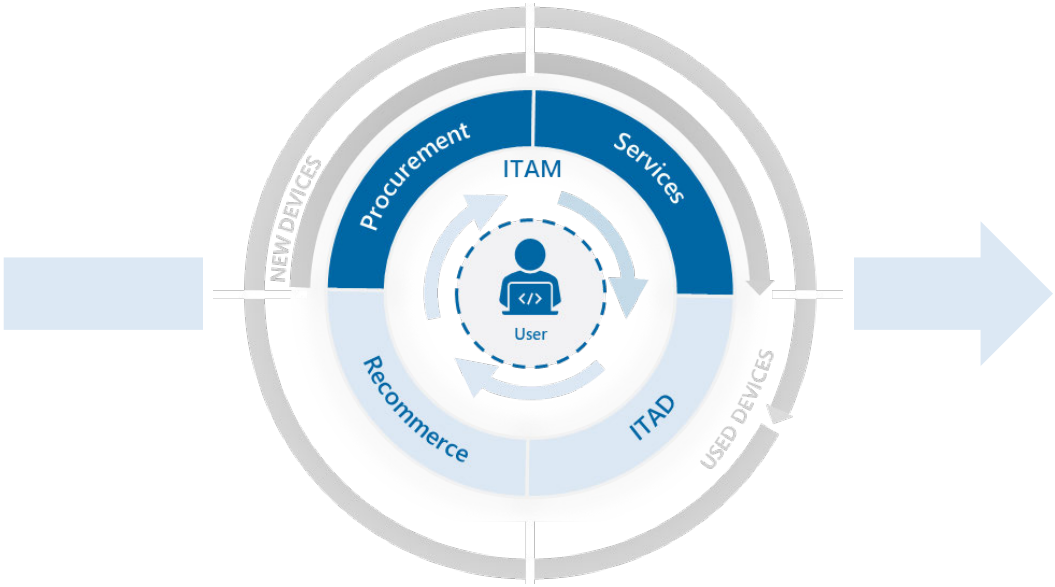
Recommerce Entails Purchasing, Inspecting, and Repricing

- Only a few sizable assets are available in a few key markets.
- Assets usually available for ~10.0x EV/EBITDA.
- Critical to evaluate the supply and demand side.



Full Circular Tech Platforms

- Critical to work on positioning to secure a premium valuation.
- Very scarce assets, trading at a significantly higher valuation than players focused on single services.



- Positioning around sustainability implies several conditions:
  - Proper reporting of internal ESG KPIs.
  - Quantification of external impact of stakeholders (e.g., clients).
  - Implementation of ESG programs (e.g., carbon neutral program).

Note: European market figures.
Source: Boston Consulting Group. Estimates based on source material
(1) ITAD market figures, excluding server, storage, and network. (2) Workspace refers to computers and laptops.

Multiple Regulations and Policies Are a Tailwind for Circular Tech

A combination of stringent legislation in Europe and voluntary sustainability initiatives drive Circular Tech.

1 ETS[1] DIRECTIVE

In Application Since 2003

Cornerstone of the EU's policy to achieve objectives of climate neutrality by 2050 and c. 55% by 2030, with a system of GHG emission trading.

Implementation

Cap and trade system principle, with a cap set on the total amount of certain GHG emissions in installations covered by the system in the EU and EEA[2] and EFTA via threat of heavy fines.

2 ECODESIGN DIRECTIVE

In Application Since 2009

Legal framework for design standards and labels for energy-consuming products to verify the materials and energy consumed, expected emissions, and waste.

Implementation

Framework directive, i.e., minimum ecological requirements are defined and adopted through specific measures for each product type.

3 WEEE[3] DIRECTIVE

In Application Since 2012

Series of EU rules, including mandatory EPR,[4] to prevent and reduce the adverse impacts of the production, consumption, and end-of-life management of WEEE.

Implementation

Targets for collection, recovery, and recycling of WEEE with responsibility put on producers for items' end-of-life collection.

4 SUSTAINABLE PRODUCTS INITIATIVE

Commission Adoption in Q2 2022

Proposed revision of Ecodesign Directive with additional legal measures and widening product scope, making products more durable and reusable.

Implementation

Establishment of common LCA[5] methodologies and improved data collection, applied to any company placing products on the EU market.

5 CIRCULAR ELECTRONICS INITIATIVE

Updated in 2023

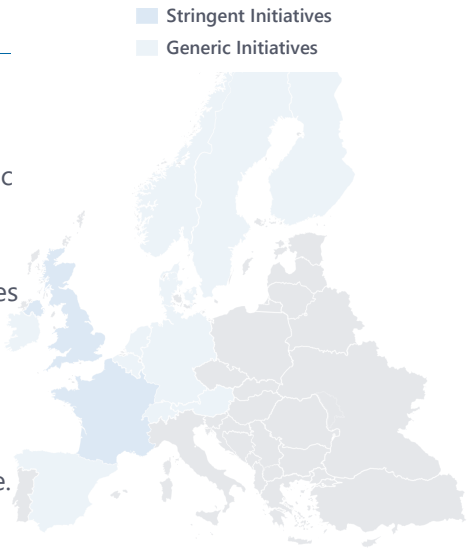
As part of CEAP,[6] the CEI addresses shortcomings in electronics' circular design, durability, hazardous substances, e-waste, repair, recycling, reuse, and more.

Implementation

Improved PLC[7] with specific regulatory measures under the Ecodesign Directive, such as "right to repair," improved collection, and waste treatment and restrictions.

Direct Procurement Rules and Increased Government Regulation

- In August 2021, NL, BE, DE, NO, the U.K., AU, and CH signed an international Circular and Fair IT Pact, committing to work together on making laptop and smartphone procurement more sustainable, circular, and fair. Although specific targets are not elaborated, the initiative has developed a framework to secure and codify governmental commitment.
- France implemented additional strategies in 2021, inter alia, that public services must procure a minimum of 20% IT from refurbished, reused, or recycled sources.
- The U.K. committed through the IT and Digital Services Strategy to use 100% renewable energy and/or carbon neutral suppliers, produce no landfill and increase re-usage, and promote transparency with traceability of IT end-of-life.
- Nordic countries implemented strategies for sustainable, circular public procurement to accelerate the transition toward repairing IT.



Voluntary Sustainability Initiatives

PUSH TO NET ZERO

C. 7,000 Companies Committing to Net-Zero Emissions Following SBTi

- Market-wide megatrend pushing companies to formulate net-zero targets by abating CO2 emissions from operations and their supply chains with timelines.
- ICT equipment is an important contributor to upstream scope 3 emissions of most service companies. Scope 3 emissions are typically hard to abate as they lie outside of the companies' boundaries.

SHIFT TO CIRCULAR AND "AS-A-SERVICE"

Megatrend Hitting Consumers and Corporates

- Consumers are increasingly shifting to as-a-service models to optimize budgets while benefitting from guaranteed quality and reduced complexity.
- As a response, industry organizations have identified circular offerings as a key to becoming more sustainable. As an example, GSMA has predicted that the refurbished mobile market will grow 300% in 10 years.

Sources: Anthesis Group, EU Commission, EUR-Lex, Recycling Magazine, Repair EU, and Tech Crunch.
(1) Emissions Trading System; (2) Iceland, Liechtenstein, and Norway; (3) Waste from Electrical and Electronic Equipment; (4) Extended Producer Responsibility; (5) Lifecycle Assessment; (6) EU's Circular Economy Action Plan; (7) Product Life Cycle.

Tech Giants Prioritize Sustainability: Circular Models Rise

Established players are seeking M&A to acquire "specialist" Circular Tech capabilities.

Dustin

"Dustin has been investing in circular business models. […] Over the past five years, Dustin has taken back over 200,000 end-of-life electronic products as a service. Of these products, 90% could be reused, and Dustin is currently 16% circular; the goal is to have a fully circular offering by 2030."

November 2023

amazon Microsoft

"Companies such as Amazon and Microsoft, as well as government departments, shred millions of data-storing devices each year despite a growing chorus of industry insiders who say there is another, better option."

October 2023

BECHTLE

"As an IT company, we are always looking for ways to extend the value of hardware, in particular. By extension, this means we have to give priority to information security, data protection, and a responsible use of resources even at the end of a product's life."

August 2023

CHG

"In terms of lifecycle thinking, CHG-MERIDIAN relies on refurbishment and reuse to extend product lifecycles."

August 2023

SAMSUNG

"Samsung has committed to a number of goals, including achieving net zero by 2050, maximizing resource circularity across the entire product life cycles…Samsung plans to 'double down on efforts to improve the resource circularity of electronics over the entire lifecycle of a product.'"

July 2023

hp

"We work with production suppliers to encourage waste measurement and reporting, reduce waste volumes, and drive progress toward a circular economy."

June 2023

econocom

"As the leading general digital company in Europe, we must meet the challenges of a society that is moving forward. Econocom has been a pioneer in the digital circular economy and aims to establish its leadership in the coming years."

April 2023

"Apple is committed to extending the lifetime of its products through refurbishment. Ultimately, Apple aims to use only renewable or recyclable materials in its products."

March 2023

CDW

"In response to greater demand from both partners and customers, CDW expanded its ITAD program in 2022. CDW expects to further scale the effort, which would enable it to provide service throughout the lifecycle."

March 2023

Lenovo

"With a vision for a net-zero future, the company knows the transition to a circular economy is critical…To help scale circular economy solutions in the IT industry, the company has established a target to enable the recycling and reuse of 800 million pounds of end-of-life products by 2026."

March 2023

Sources: Company website and press releases.

Featured Transactions
Executed by Houlihan Lokey's Circular Tech Team

The Rent Company

AMBIENTA
has acquired
the rent company
Buyside & Financing Advisor

- Based in the Netherlands, The Rent Company is a fast-growing European company with operational footprints extending to Belgium and the United Kingdom. Its mission revolves around providing DaaS solutions that specifically target the education market, enabling schools to enhance accessibility to digital education for every student.
- Currently, The Rent Company serves an impressive installed base of approximately 325,000 devices distributed across approximately 700 partner schools throughout Europe. In 2023 alone, the company plans to deliver approximately 127,000 new devices to students. The comprehensive service proposition, which encompasses insurance, maintenance, repair, and customer support, ensures a seamless and hassle-free digital education solution for parents, students, and schools alike.
- Supported by Ambienta, The Rent Company will aim to capitalize on the surging demand for sustainability and digitalization within the education sector. It is strategically positioned to leverage the growing economies of scale, driving both expansion and a sustained positive impact. Recent high-profile customer partnerships, coupled with the strategic acquisition and market entry in the United Kingdom, underscore Ambienta's confidence in The Rent Company's robust business model and long-term strategy.
- Houlihan Lokey served as the exclusive buyside and financing advisor to Ambienta on its acquisition of The Rent Company and assisted in structuring and negotiating the transaction, as well as providing debt advisory services that allowed Ambienta to raise the desired debt capital structure. The close collaboration between the Corporate Finance and Capital Markets teams facilitated a strong outcome for both Ambienta and The Rent Company.

Okamac

Ökamac
has been acquired by
Meridiam
for people and the planet
Sellside Advisor

- Based in France, Okamac offers one of the widest choices on the market in the MacBook, iMac, Mac Mini, and Mac Pro segments. Its integrated model and development strategy are based on maximum demands in terms of innovation and quality while preserving an efficient economic model focused on social and environmental impact.
- All the computers in its catalog are fully inspected, tested, cleaned, and then refurbished to the highest standard of quality and reliability possible. In addition to a high level of performance and attractive price points, these computers have a tangible and positive impact on the environment. Over the past three years, more than 19,000 tonnes of CO2 have been avoided thanks to the tens of thousands of computers sold each year by Okamac.
- In partnership with the management team, including Okamac founder Alban Régnier and Managing Director Juliette Vogler, Meridiam GIGF's (Green Impact Growth Fund) investment will support the company's significant growth, strengthening its leading position in the French B2C/B2B markets and accelerating its international development while continuing its efforts in innovation and R&D.
- Houlihan Lokey served as the exclusive sellside advisor to Okamac and its shareholders on its sale to Meridiam GIGF, a growth equity fund dedicated to the ecological transition.

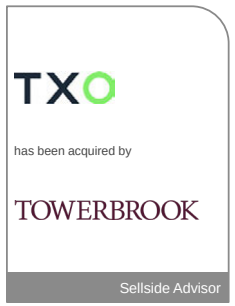
Featured Transactions (cont.)
Executed by Houlihan Lokey's Circular Tech Team

Foxway



- Foxway is a fast-growing European company based in Sweden, with offices in Europe, Asia, and the U.S. By providing circular IT services in more than 100 countries, Foxway has supported its customers to make sustainability an integral part of its businesses. Foxway helps its customers increase efficiency and business success and reduce their tech footprint by recovering and remarketing IT devices and providing the infrastructure necessary to ensure a sustainable lifecycle. With circularity inherent to the business model, Foxway sources, finances, and refurbishes more than 1.5 million devices annually in the circular flow, avoiding 120,948 tonnes of CO_2 emissions in 2022.
- Foxway is uniquely positioned to benefit from secular tailwinds of increasing sustainability demands from customers, digitalization trends, and the increasing economies of scale to drive growth and make a lasting positive impact. Several recent high-profile customer partnerships, together with acquisitions completed in Spain, Germany, and the U.K., reinforce Nordic Capital's belief in Foxway's business model and long-term strategy.
- Houlihan Lokey previously advised the founders of Foxway on the partnership with Norvestor and played a major role in the initiated buy-and-build strategy. This transaction marks the tenth deal the Houlihan Lokey Circular team has advised Foxway or its shareholders on since 2018.
- Houlihan Lokey served as the exclusive sellside advisor and assisted in marketing, structuring, and negotiating the transaction as well as performing lender education on behalf of the shareholders. The close collaboration with the Capital Markets team facilitated strong and comprehensive non-binding offers and provided prospective buyers with an indication of the financing options early in the process.

TXO



- Headquartered in the United Kingdom, TXO has a physical presence in Continental Europe, North America, South America, and Australia and is able to service customers globally. The company operates four primary lines of business: (i) telecom hardware sourcing, recovery, and resale; (ii) support solutions and services for telecom operators and critical communications clients, including testing, repair, infrastructure decommissioning, warehousing and inventory management, and logistics; (iii) recycling of telecom equipment and precious metal recovery; and (iv) distribution of complementary multi-vendor compatible accessories. TXO is differentiated through its ability to address customers' pain points on the back of its capacity to aggregate market supply and offer a large and diverse breadth of inventory.
- TowerBrook has been actively pursuing a thesis in the circular economy. The team has been seeking to build a leader in the IT asset disposition and asset management (practice built around reusing, recycling, repurposing, repairing, or disposing of unwanted equipment in a safe and environmentally responsible way) or recommerce space with the ambition of contributing significantly to reducing the carbon footprint of the IT and telecommunications industry and supporting its commitment to a more circular model. The acquisition of TXO represents TowerBrook's first investment from the impact-focused TowerBrook Delta fund.
- As part of the growth and value creation plan, TowerBrook further intends to support TXO's ambitious business model transformation into a more sustainable and recurrent revenue-driven product-as-a-service provider, assist with the operational improvement of the business, and accelerate TXO's international expansion
- Houlihan Lokey served as the exclusive M&A and capital markets advisor to the TXO shareholders.

Peer Companies Overview and Rationale

Peer groups comprise ITAM/ITAD and IT distribution companies.

Overall Considerations

The Circular Tech peer group universe is divided into two main peer groups. This is simply due to the fact that, currently, there are no publicly traded and purely focused Circular Tech players. We consider the selected peer groups as the best proxies for a still-nascent industry. The relatively large valuation gap between these peer groups arises from the fact that ITAM/ ITAD players offer comprehensive and value-added services to customers, whereas IT distributors mainly provide substitutable/less value-added services.

Public Companies Peer Groups

ITAM/ITAD	IT Distribution
ATEA, BECHTLE, CANCOM, CDW, Dustin, Computacenter, econocom, Insight, kontron	AB PL Digital World, ALSO, ARROW, ASBIS, AVNET

Rationale

ITAM/ITAD

- Involves strategic management of IT assets, including hardware and software.
- Aims to optimize asset lifecycle, reduce costs, and ensure regulatory compliance.
- Includes responsible disposal practices to minimize environmental impact and data risks.

IT Distribution

- Facilitates the distribution of IT hardware and software devices.
- Acts as a crucial link between manufacturers and end users, streamlining the supply chain.
- Offers a wide range of products, services, and support to meet diverse technological needs.

Equity Market Index Performance
Circular Tech

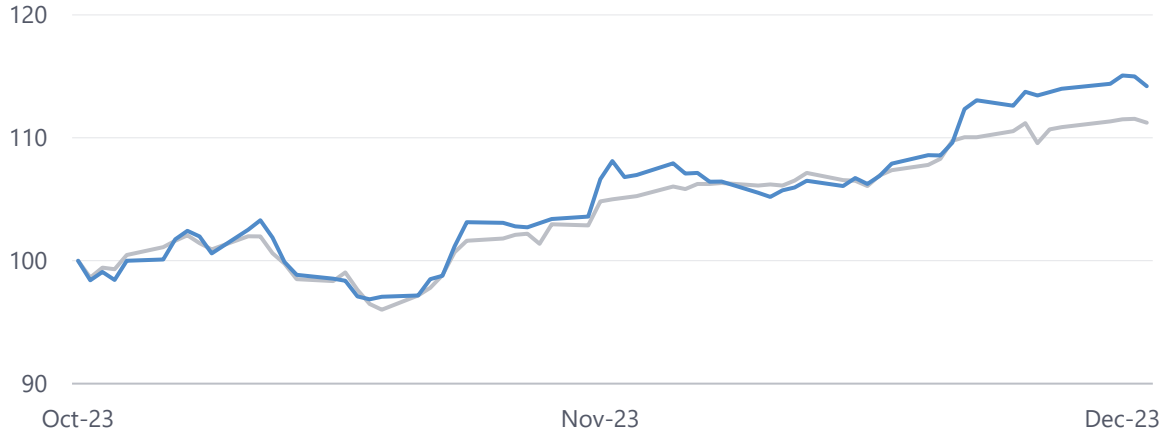
LTM December 2023 Performance



40.3% Houlihan Lokey Circular Tech Index(1)

24.7% S&P 500

October–December 2023 Performance



14.2% Houlihan Lokey Circular Tech Index(1)

11.2% S&P 500

Source: S&P Capital IQ.
Notes: Data as of December 31, 2023. All share prices rebased to 100.
(1) The Houlihan Lokey Circular Tech Index consists of a diversified set of companies across the circular tech sector. See pages 17 and 18 for a complete list.

Key Takeaways

- In 2023, the Houlihan Lokey Circular Tech Index moved in almost lockstep with the S&P 500 through the first half of the year and then overperformed the S&P 500 significantly in the second half of the year.
- This general overperformance is driven by both subsector peer groups, IT distribution, and ITAM/ITAD, even though the general sentiment remains slightly pessimistic.
- Q4 overperformance within ITAM/ ITAD was primarily driven by Insight Enterprises (+22.3%), Cancom (+19.6%), and Kontron (+18.3%). However, CDW and Computacenter each finished the quarter positively, up +13.1% and +11.1% to end the quarter, respectively. Econocom, Bechtle, and Atea were rather stable. Dustin Group underperformed significantly (-52.1%).
- Overperformance within IT distribution was clearly driven by Poland-based AB (+23.8%), with ALSO Holding (+9.1%), ASBIS (+4.4%), and Avnet (+4.1%) also performing strongly. Arrow Electronics lost 2.4% in Q4.

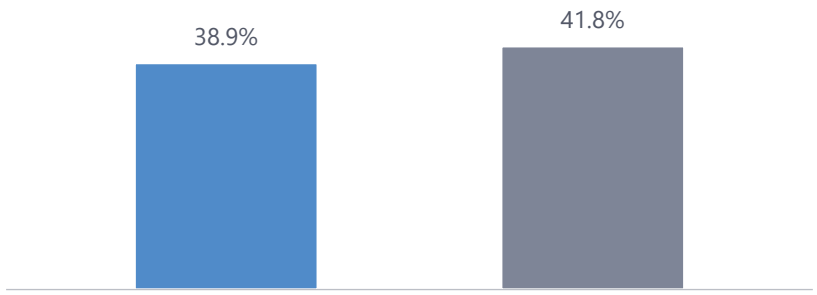
Equity Market Index Performance

Circular Tech: ITAM/ITAD and IT Distribution Companies

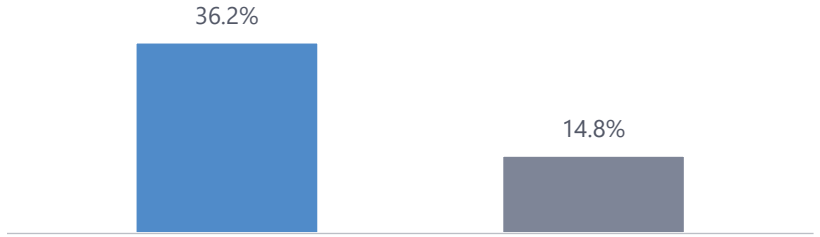
LTM December 2023 Performance by Subsector



2023 Performance



Three-Year Performance



Source: S&P Capital IQ.
Notes: Data as of December 31, 2023. All share prices rebased to 100.

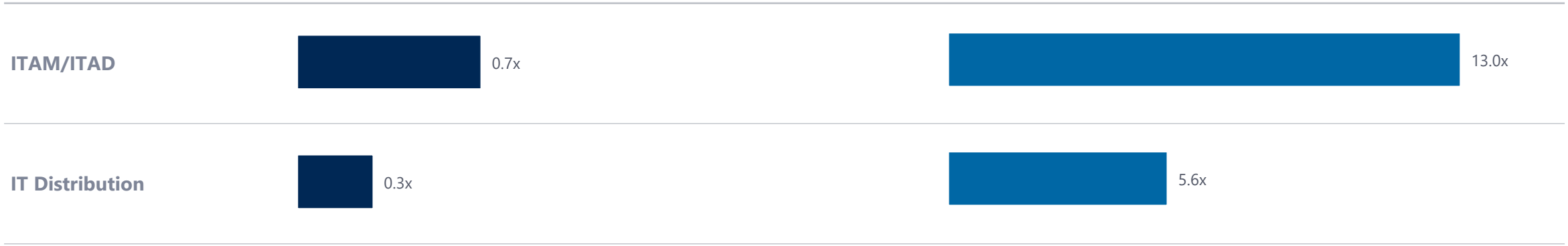
Key Takeaways

- During the LTM, the IT Distribution, as well as ITAM/ITAD peer groups, exhibited robust returns of +41.8% and +38.9%, respectively. Over a three-year span, these peer groups recorded solid performances, with returns standing at 14.8% for IT Distribution and 36.2% for ITAM/ITAD.
- Remarkably, IT distribution surpassed ITAM/ITAD companies, even outperforming the S&P 500 index during LTM. However, looking ahead, there is an anticipation that the ITAM/ITAD peer group will once again seize the lead and outshine the IT distribution peer group in the long term. Share price drivers could include:
  - Asset Lifecycle Management Focus
  - Sustainable Practices and Environmental Responsibility
  - Risk Mitigation and Compliance
  - Revenue Diversification
  - Long-Term Cost Savings for Clients
  - Adaptation to Technology Trends
  - Recurring Revenue Potential

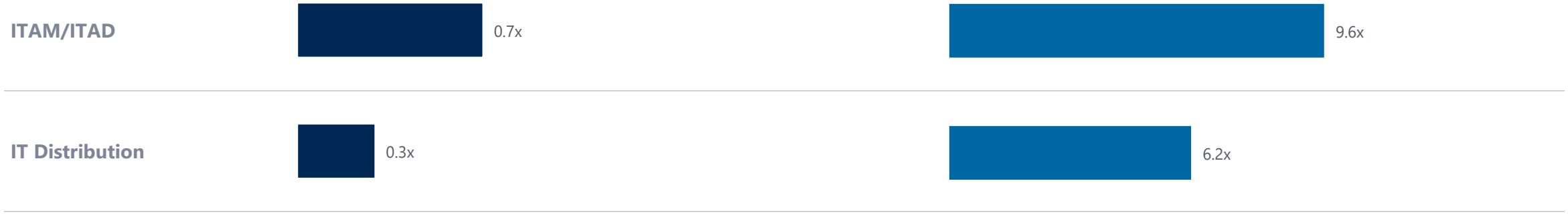
Public Company Valuations

Circular Tech: ITAM/ITAD and IT Distribution Companies

LTM December 2023 Valuations



2023E Valuations



Source: S&P Capital IQ.
Note: Data as of December 31, 2023.

Public Company Valuations Comparables (LTM December 2023)
Circular Tech: ITAM/ITAD and IT Distribution Companies

		Market Cap USDm	EV USDm	Net Debt USDm	Net Debt/ LTM EBITDA	LTM				Forward P/E	TEV/	
						Revenue USDm	EBITDA USDm	EBITDA Margin	EPS		LTM EBITDA	LTM Revenue
ITAM/ITAD	CDW Corp.	$30,451.9	$36,501.5	$5,880.8	2.8x	$21,795.8	$2,086.9	9.6%	$8.0	21.9x	17.5x	1.7x
	Bechtle	6,321.6	6,682.2	345.3	0.7x	6,662.9	514.1	7.7%	2.2	21.3x	13.0x	1.0x
	Insight Enterprises	5,772.3	6,470.1	697.9	1.4x	9,442.4	494.2	5.2%	7.3	16.4x	13.1x	0.7x
	Computacenter	4,021.5	3,821.4	(209.4)	N/M	9,186.2	432.8	4.7%	2.1	15.9x	8.8x	0.4x
	Atea	1,414.9	1,583.6	160.4	0.9x	3,293.7	176.5	5.4%	0.7	14.6x	9.0x	0.5x
	Kontron	1,466.5	1,429.5	(37.4)	N/M	1,295.3	90.3	7.0%	0.3	16.3x	15.8x	1.1x
	Cancom	1,189.2	1,179.9	(9.2)	N/M	1,517.0	74.7	4.9%	0.8	21.7x	15.8x	0.8x
	Econocom Group	508.6	996.0	412.6	2.7x	3,022.7	152.0	5.0%	0.3	5.3x	6.6x	0.3x
	Dustin Group	440.9	918.0	426.3	4.9x	2,177.2	86.3	4.0%	0.1	2.5x	10.6x	0.4x
Median				$345.3	2.1x	$3,293.7	$176.5	5.2%	$0.8	16.3x	13.0x	0.7x
Mean				$851.9	2.2x	$6,488.1	$456.4	5.9%	$2.4	15.1x	12.2x	0.8x
IT Distribution	Arrow Electronics	$6,621.0	$10,559.6	$3,870.4	2.0x	$34,581.0	$1,897.6	5.5%	$18.1	9.0x	5.6x	0.3x
	Avnet	4,560.5	7,692.7	2,891.8	2.2x	26,122.4	1,330.7	5.1%	8.6	8.9x	5.8x	0.3x
	ALSO Holding	3,733.8	3,363.8	(349.2)	N/M	11,852.8	270.9	2.3%	12.3	21.1x	12.4x	0.3x
	ASBISc Enterprises	402.3	598.7	176.4	1.5x	2,948.3	120.2	4.1%	1.4	5.0x	5.0x	0.2x
	AB	304.3	368.5	62.0	0.9x	3,744.5	72.7	1.9%	2.4	6.8x	5.1x	0.1x
Median				$176.4	1.8x	$11,852.8	$270.9	4.1%	$8.6	8.9x	5.6x	0.3x
Mean				$1,330.3	1.6x	$15,849.8	$738.4	3.8%	$8.6	10.2x	6.8x	0.2x
Overall Median				$260.9	1.8x	$5,203.7	$223.7	5.1%	$2.2	15.2x	9.8x	0.4x
Overall Mean				$1,022.8	2.0x	$9,831.6	$557.1	5.2%	$4.6	13.3x	10.3x	0.6x

Source: S&P Capital IQ.
Note: Data as of December 31, 2023.

Public Company Valuations Comparables (2023E)
Circular Tech: ITAM/ITAD and IT Distribution Companies

		Net Debt/ 2022 EBITDA	EV/Revenue		EV/EBITDA		P/E		2021–2023E CAGR		EBITDA Margin		Forward P/E	
			2022	2023E	2022	2023E	2022	2023E	Revenue	EBITDA	2022	2023E	2022	2023E
ITAM/ITAD	CDW Corp.	2.8x	1.5x	1.7x	17.1x	16.6x	28.0x	23.0x	2.0%	13.3%	9.0%	10.2%	22.3x	21.9x
	Bechtle	0.7x	1.0x	0.9x	13.8x	12.0x	23.6x	21.6x	8.2%	9.1%	7.5%	7.8%	23.4x	21.3x
	Insight Enterprises	1.4x	0.6x	0.7x	12.9x	12.1x	23.1x	18.1x	(0.5%)	14.1%	4.8%	5.7%	19.8x	16.4x
	Computacenter	N/M	0.5x	0.4x	9.3x	8.4x	18.6x	16.2x	16.9%	0.0%	5.3%	4.9%	18.1x	15.9x
	Atea	0.9x	0.5x	0.5x	9.0x	7.9x	16.6x	16.0x	3.6%	5.2%	5.3%	5.8%	14.6x	14.6x
	Kontron	N/M	1.2x	1.0x	22.5x	9.6x	N/M	18.6x	8.3%	36.0%	5.3%	11.0%	27.3x	16.3x
	Cancom	N/M	0.9x	0.7x	15.6x	9.1x	34.0x	26.7x	7.7%	(0.3%)	5.4%	7.6%	20.7x	21.7x
	Econocom Group	2.5x	0.3x	0.3x	6.0x	5.5x	7.1x	5.6x	7.5%	4.2%	5.7%	5.8%	5.4x	5.3x
	Dustin Group	4.2x	0.4x	0.4x	9.1x	9.9x	8.2x	2.3x	8.4%	(5.2%)	4.4%	4.2%	1.9x	2.5x
Median		1.9x	0.6x	0.7x	12.9x	9.6x	20.8x	18.1x	7.7%	5.2%	5.3%	5.8%	19.8x	16.3x
Mean		2.1x	0.8x	0.7x	12.8x	10.1x	19.9x	16.5x	6.9%	8.5%	5.9%	7.0%	17.1x	15.1x
IT Distribution	Arrow Electronics	1.6x	0.3x	0.3x	4.5x	6.0x	5.6x	7.3x	(2.0%)	(3.5%)	6.3%	5.3%	6.8x	9.0x
	Avnet	2.3x	0.3x	0.3x	5.6x	6.3x	5.7x	7.1x	8.8%	19.2%	5.2%	4.8%	7.7x	8.9x
	ALSO Holding	N/M	0.3x	0.3x	11.9x	10.9x	23.4x	22.0x	(4.8%)	2.1%	2.3%	2.6%	21.0x	21.1x
	ASBISc Enterprises	1.5x	0.2x	N/A	5.2x	N/A	5.3x	5.0x	(100.0%)	(100.0%)	4.3%	N/A	5.8x	5.0x
	AB	1.0x	0.1x	0.1x	5.9x	4.9x	8.5x	7.2x	10.0%	21.2%	1.8%	1.9%	7.6x	6.8x
Median		1.6x	0.3x	0.3x	5.6x	6.2x	5.7x	7.2x	(2.0%)	2.1%	4.3%	3.7%	7.6x	8.9x
Mean		1.6x	0.2x	0.2x	6.6x	7.0x	9.7x	9.7x	(17.6%)	(12.2%)	4.0%	3.6%	9.8x	10.2x
Overall Median		1.6x	0.4x	0.4x	9.2x	9.1x	16.6x	16.1x	7.6%	4.7%	5.3%	5.7%	16.4x	15.2x
Overall Mean		1.9x	0.6x	0.6x	10.6x	9.2x	16.0x	14.1x	(1.8%)	1.1%	5.2%	6.0%	14.5x	13.3x

Source: S&P Capital IQ.
Note: Data as of December 31, 2023.

Latest Business Performance and Market Updates

Slightly pessimistic to resilient top-line growth contradicted by price pressure for the new IT devices market.



DNB

"While year-over-year momentum in Atea's business is likely to be a tad on the muted side, we see several encouraging data points from Atea's supply side in terms of the underlying trends and outlook. For example, some of Atea's most significant technology vendors are seemingly set up for accelerating top-line growth from Q4 2023 through 2024. In addition to an expected PC refresh cycle next year, investments in AI-related hardware and software are accelerating materially from Q2–Q4 2024 and into next year."

January 2024



BARCLAYS

"Mixed last quarters with continued top-line pressures amid uncertain macro—demand for client devices remains weak as the IT industry continues to exhibit caution with elongation of sales cycles and delayed spend."

November 2023

William Blair

"Commentary on 2024 was limited, but negative sentiment continues to impact spending prospects. However, M&A activity remains a current strategic priority, and management is targeting companies with in-demand capabilities."

November 2023



ABG SUNDAL COLLIER

"Global PC and smartphone shipments continue to decline year over year…and are expected to remain weak in the near-term while recovering in H2 2024, putting 2024 at a small positive growth overall. We expect that the current momentum has a negative impact on SMB,(1) which could cause some price and margin pressure in the segment from more desperate peers. At the same time, Dustin faces tough comps in LCP,(2) and before the transition from gross to net revenue recognition in some revenue streams in Q2 last year."

January 2024



UBS

"Bechtle's midsized customers continued to be reluctant around classical infrastructure, and while order intake was positive in July, the trend reversed in August and September 2023. On the call, management noted, 'It remains to be seen whether this situation will change by the end of this year,' while it also said, 'We already see the first signs of recovery.' Overall, we expect Q4 2023 to be the inflection point in revenue growth, although we caution there remains uncertainty around the budget flush."

November 2023

(1) Small- and medium-sized businesses. (2) Larger companies and public sector.

Key Transaction Multiples
Circular Tech: ITAM/ITAD

ITAM/ITAD

Date	Dec-23	Dec-23	Nov-23	Nov-23	Oct-23	Sep-23	Jun-23	Feb-23	Dec-22	Nov-22	Feb-22	Jan-22
EV (EUR $M)	n/d	n/d	n/d	188	n/d	n/d	n/d	n/d	n/d	n/d	918	802
EBITDA (EUR $M)	n/d	n/d	n/d	n/a	n/d	n/d	n/d	n/d	n/d	n/d	46	67
EBITDA Margin (%)	n/d	n/d	n/d	n/a	n/d	n/d	n/d	n/d	n/d	n/d	n/a	n/a
EV/EBITDA Median: 10.4x	n/d	n/d	n/d	7.5x(1)	n/d	n/d	n/d	n/a	n/d	n/d	20.0x	12.0x
Target	TEQPORT	the rent company	renew tech.	regency technologies	Foxway	Ókamac	TXO	teqcycle	KIMBRER COMPUTER		TES	ITRENEW
Target Country												
Target Description	Provider of specialized asset recovery services.	Provider of educational technology devices through DaaS offering.	Provider of IT/tech lifecycle management solutions and services.	Provider of IT/tech recycling services.	Full circular tech provider of sourcing, financing, and refurbishment solutions.	Refurbisher and online marketer of Apple products.	Provider of telecom asset management and asset disposal services.	Provider of IT/tech products trade-in services.	Supplier of refurbished and used IT/ tech hardware intended for data centers.	Provider of IT/tech lifecycle management solutions.	Provider of IT/tech lifecycle management solutions.	Provider of IT/tech lifecycle management solutions.
Acquirer	TXO	AMBIENTA	KIMBRER COMPUTER	IRON MOUNTAIN	NORDIC CAPITAL	Meridiam for people and the planet	TOWERBROOK	Foxway	TRILL IMPACT	Foxway	SK ecoplant	IRON MOUNTAIN
Acquirer Country												
Houlihan Lokey Transactions	*	*	*		*	*	*		*	*		

Sources: S&P Capital IQ, Mergermarket, and PitchBook as of December 31, 2023.
Note: Confidential Houlihan Lokey transactions are not disclosed (n/d) but included in the median calculations.
(1) Excluding performance-based earn-out, which would be payable in 2027, if earned.

Key Transaction Multiples

Circular Tech: ITAM/ITAD (cont.)

ITAM/ITAD

Date	Jul-21	Jun-21	Jun-21	May-21	Oct-20	Oct-19	Aug-19	Jul-19	Apr-19	Sep-18	Jun-18
EV (EUR $M)	398	n/d	425	n/d	n/d	n/d	470	400	n/d	68	n/d
EBITDA (EUR $M)	25	n/d	28	n/d	n/d	n/d	48	31	n/d	6	n/d
EBITDA Margin (%)	16.3%	n/d	4.0%	n/d	n/d	n/d	2.5%	16.0%	n/d	30.0%	n/d
EV/EBITDA Median: 10.4x	15.8x	n/d	15.2x	n/d	n/d	n/d	9.9x	13.0x	n/d	11.8x	n/d
Target	CANCOM	greentech	centralpoint	FLIP4NEW	Redeem Holding	Replace	PCM	evernex	lin	equigroup	supplieslean
Target Country											
Target Description	Provider of managed services in advanced IT, cybersecurity, and multi-cloud solutions.	Provider of IT assets refurbishment and replacement services.	Online retailer of technology products.	Operator of an e-commerce platform intended to serve as an online marketplace.	Provider of recycling and recommerce solutions for mobile phones and tech.	Provider of refurbished mobile and IT equipment.	Marketer and supplier of technology products for businesses.	Provider of maintenance services for computer equipment.	Provider of IT hardware and digital services.	Provider of technology financing services.	Provider of IT service and lifecycle management services.
Acquirer	Telefónica	Foxway	Dustin	Foxway	xllnc	xllnc	Insight		xllnc	CHG	xllnc
Acquirer Country											
Houlihan Lokey Transactions		*		*		*			*		*

Sources: S&P Capital IQ, Mergermarket, and PitchBook as of December 31, 2023.
Note: Confidential Houlihan Lokey transactions are not disclosed (n/d) but included in the median calculations.
**Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company.*

Key Transaction Multiples
Circular Tech: IT Distribution

IT Distribution

Date	Jul-22	Apr-22	Apr-22	Jun-20	Jun-19	Jul-18
EV (EUR $M)	5,948	202	n/d	5'081	65	n/d
EBITDA (EUR $M)	826	31	n/d	593	14	n/d
EBITDA Margin (%)	2.1%	2.1%	n/d	1.8%	1.3%	n/d
EV/EBITDA Median: 6.5x	7.2x	6.5x	n/d	8.6x	4.6x	n/d
Target	Ingram Micro	Excelpoint	dcc	TechData	Vicis New Investments (formerly ABC Data)	timetech
Target Country						
Target Description	Company engaged in distribution of IT products and supply chain solutions.	Electronic components distributor that provides components, engineering design services, and supply chain management.	Distributor of surplus products of laptops, desktop, servers, storage, and spare parts.	Distributor of IT software and hardware products and provider of logistics management and other value-added services.	Distributor of IT hardware, software, and consumer electronics.	Distributor of a broad range of information and communication technology equipment.
Acquirer	Platinum Equity	WT Microelectronics	Foxway	Apollo	ALSO The Technology Provider	xllnc at work
Acquirer Country						
Houlihan Lokey Transactions			*			*

Sources: S&P Capital IQ, Mergermarket, and PitchBook as of December 31, 2023.
Note: Confidential Houlihan Lokey transactions are not disclosed (n/d) but included in the median calculations.
**Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company.*

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