



BRYAN, GARNIER & CO

# Beyond IT Service Management

INDUSTRY REFERENCE REPORT



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## **IT management is as old as IT itself.**

However, it has become a genuine market for software vendors since the 1980s/90s with the wave of client-server architectures that accompanied the installation of PCs and open systems (Unix, Windows, Linux) in companies, as well as software independent of hardware providers. With the loosening of hardware manufacturers' hold over software and services, IT departments found themselves confronted with rising problems of managing their hardware and software assets, as well as IT operations and services. In response, IT departments put in place standard workflows and specific databases in order to manage their service to internal IT users and to handle and resolve IT-related incidents and problems. With the advent and ramp-up of cloud architectures, these problems have become more acute, requiring a new generation of software tools – primarily delivered as software as a service (SaaS) – for managing IT services, assets, operations and business.

## **This report will:**

- 1.** introduce the different segments in IT management software and illustrate use cases, growth drivers, and the competitive landscape;
- 2.** explain how IT management software vendors have crossed the line beyond IT, by embracing non-IT domains such as HR or facilities management;
- 3.** highlight the issues at stake in customer service management, an area that both offers significant growth opportunities for IT management software and a fiercely competitive environment, with the presence of Salesforce;
- 4.** identify the opportunities for consolidation in what is a highly fragmented market.



# Discovering the IT management landscape

“  
We are the European alternative to the global goliaths in service management. Our SaaS platform provides customers better agility, experience and TCO, and we respect and understand the local requirements for data privacy and legal compliance. Efecte’s SaaS offering is available from our public cloud hosted in Europe, and we offer also an in-country private cloud option.”

NILO FREDRIKSON | CEO | EFECTE



## MANAGING IT THROUGH STANDARD PROCESSES

IT management solutions cover a vast domain, traditionally spread across four loosely integrated segments: IT Service Management (ITSM), IT Asset Management (ITAM), IT Operations Management (ITOM), and IT Business Management (ITBM). Each one uses different technologies, and software vendors in these domains usually cover only some of them. Only the largest players cover the full spectrum.

These four segments usually use a common configuration management database (CMDB). This stores information about hardware and software assets: their state as they exist at specific points in time, and the relationships between all assets. The CMDB captures IT assets as “configuration items” (CIs) and defines the relationships between them to provide an IT service. For example, servers, software, network and infrastructure are CIs that are combined to provide an e-mail service. The maintenance of all this data allows for the reconstruction of these assets, impact analysis, root cause analysis, or change management.

IT management solutions also comply with ITIL (Information Technology Infrastructure Library) standards. Drawn up in the 1980s and subsequently improved by experts at major IT services firms, ITIL is a group of works listing good practices in IT management. This service-oriented library looks at four subjects associated with the IT system: organization, improving efficiency, reducing risks, and enhancing the quality of IT services. Via a process-based approach, ITIL enables improvement in the quality of IT systems and assists users by creating the service centre function, or the service desk, the aim of which is to centralize all IT systems management. This helps ensure better traceability of actions by the IT department and the improved monitoring is a means of permanently optimizing the services processes in order to reach maximum client or user satisfaction. ITIL V4, released in February 2019, integrates Agile and DevOps practices. Before V4, ITIL was divided into 26 processes in 5 categories. With V4, it is divided into 34 practices in 3 themes (“General Management”, “Service Management”, and “Technical Management”). Finally, ITIL V4 emphasizes the notion of “service value”.

FIG. 1: ITIL TIMELINE

Created in 1989 to standardize IT service management	Introduced in 2001 to perform a uniform structure for service delivery	Updated in 2007 with a feedback looping feature in order to improve ITIL service lifecycle	Released in 2011 as an upgraded version of V3. It clarifies processes of ITIL V3	Released in 2019, it has a flexible and integrated system for effective management of IT-enabled services
<b>ITIL V1</b>	<b>ITIL V2</b>	<b>ITIL V3</b>	<b>ITIL 2011 V3</b>	<b>ITIL V4</b>
10 core books 1 book per process / function First intro to process-based management Independent process-focused	Merged into 2 core books Service support and service delivery Interdependent process-focused	Lifecycle-based approach 5 books: Service Strategy, Design, Transition, Operation, CSI 26 processes Service-lifecycle focused		Service value-system approach 34 practices Leverages Lean, DevOps, Agile methods Guiding principles Value-chain delivery

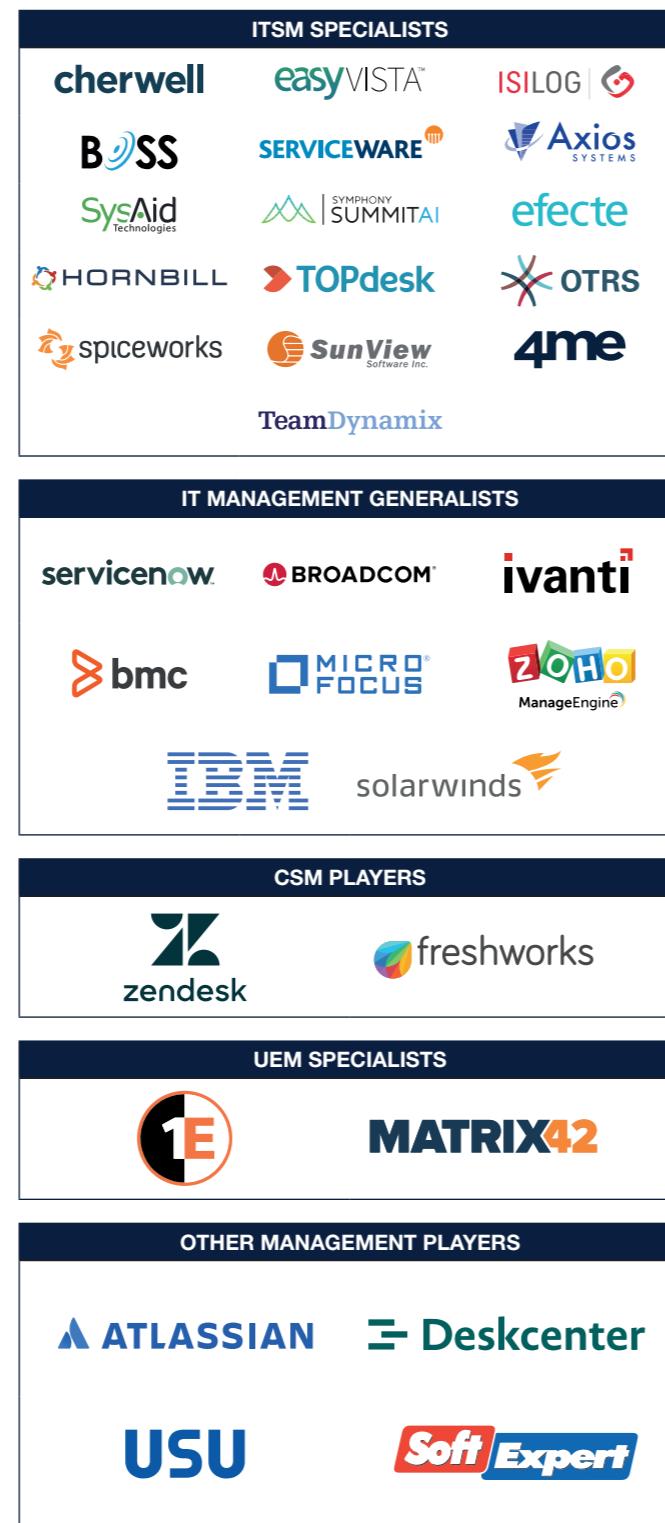
## IT SERVICE MANAGEMENT (ITSM)

The purpose of ITSM software is to design, plan, deliver, operate, control and automate IT services provided by internal IT departments or managed service providers (MSPs). It is characterized by adopting a process approach, focusing on customer needs and IT services for customers rather than IT systems. ITSM solutions use a workflow management system to record incidents and service requests, remediate problems and automate routine tasks and requests. Organizations can use them to improve their IT service experience by improving IT productivity, achieving new insights and consolidating IT services. This includes the provision of service portals where employees can request IT services, order software and hardware and submit IT incidents all in one place.

### Modern ITSM suites encompass two elements:

- An ITSM platform that covers essential ITIL processes** (from incident management to knowledge management). It comprises:
  1. A flexible interface which can integrate portals, dashboards and third-party apps;
  2. Modern and multi-device user experiences in the form of self-service role-based micro apps such as manager dashboards, customer or field technician portals;
  3. Drag-and-drop capabilities and ready-to-use templates without any heavy coding or scripting;
  4. App factory for designing app templates suited to the users' needs.
- A knowledge management platform for automating answers to users.** This uses a knowledge base and dynamic knowledge flows that enable users to interact with the knowledge base using Q&A or conversational decision-making. It is an essential ingredient for powering chatbots, virtual agents, portals and other self-service channels.

FIG. 2: COMPETITIVE LANDSCAPE IN THE ITSM MARKET



Source: Bryan, Garnier & Co

1. Gartner, Market Share: All Software Markets, Worldwide, 2019, 13th April 2020  
2. Doherty, R., K. Andes, M. Cleary, Gartner, Magic Quadrant for IT Service Management Tools, Gartner, 6th October 2020

## KEY PLAYERS IN THE ITSM MARKET

- Generalist IT management software firms:** ServiceNow; BMC; Ivanti; Zoho (ManageEngine).
- ITSM specialists:** Cherwell; Boss; EasyVista; Serviceware; SysAid; Axios; TeamDynamix; TOPdesk; Efecte; OTRS.
- Customer Service Management (CSM) players:** Zendesk and Freshworks which have transposed their CSM software to an ITSM use case.
- Other IT management players:** Atlassian (Jira Software); USU Software (Valuemotion); Soft Expert; Deskcenter, which provide ITSM tools.
- Unified Endpoint Management specialists:** Matrix42 and 1E, which provide endpoint security, data protection, ITSM and SAM products.

Based on data derived from ServiceNow and Gartner<sup>1</sup>, we estimate the ITSM software market reached USD 4bn in 2019. The market is dominated by ServiceNow, which has a market share of 51% in Experience Management / ITSM based on 2019 numbers.

Following the taxonomy established by Gartner<sup>2</sup>, the ITSM software market can be split in three segments depending on the maturity of client needs. Inter-segment competition is marginal due to the specific needs of customers in each segment, which create a natural barrier to entry.

- The “Advanced” segment**, which is dominated by ServiceNow and BMC, followed by Ivanti, Micro Focus, Broadcom and IBM. This segment targets organizations with strong maturity in their IT management needs, is characterized by complex workflow capabilities, sophisticated coding and integration tools, and high prices.



*On the mid-market, there is a need for end-to-end solutions, not silo solutions. Thanks to our ‘best-of-suite’ approach, which combines unified endpoint management with enterprise service management, we have managed on this segment to replace failed ServiceNow two-year projects and implement our solution in just three months.*

OLIVER BENDIG | CEO | MATRIX42

- The “Intermediate” segment**, which is led by Cherwell, EasyVista and Atlassian. Other players include SolarWinds, Serviceware, TeamDynamix, Axios, TOPdesk, Matrix42, Efecte... This segment targets organizations with intermediate maturity in their IT management needs and is characterized by a ‘low-code’ platform. ServiceNow tried to penetrate this segment through the launch in 2014 of a dedicated solution, but it gave it up in 2018.
- The “Basic” segment**, which provides core ITSM functionalities such as incident, request and change management, and is dominated by Freshworks and Zendesk, followed by open-source ITSM solutions such as GLPI and iTop. It is characterized by ‘easy-to-use’ low-cost products with limited features and integration capabilities.

ITSM is a mature sector as virtually all large organizations have service desks. However, it benefits from a vast replacement opportunity because many installations have obsolete or nearly obsolete on-premise solutions which do not meet user expectations, corporate policies (for example, for bring-your-own-device or home working), or cost-saving requirements. These on-premise systems can be replaced by more affordable, flexible and automated cloud-based and SaaS solutions. This explains the huge success of ServiceNow, which has replaced a lot of legacy installations. According to EasyVista, around 10,000 organizations want to replace their ITSM solutions in the short and medium term. In addition, the success of cloud-based and SaaS solutions has been the opportunity for ITSM software vendors to increase their penetration of underserved market segments such as mid-market companies and small to medium-sized enterprises. Finally, once core ITSM solutions have been installed, there are significant upselling opportunities with existing customers from new functionality and add-ons such as self-service portals and self-help capabilities using knowledge bases, machine learning or chatbots.

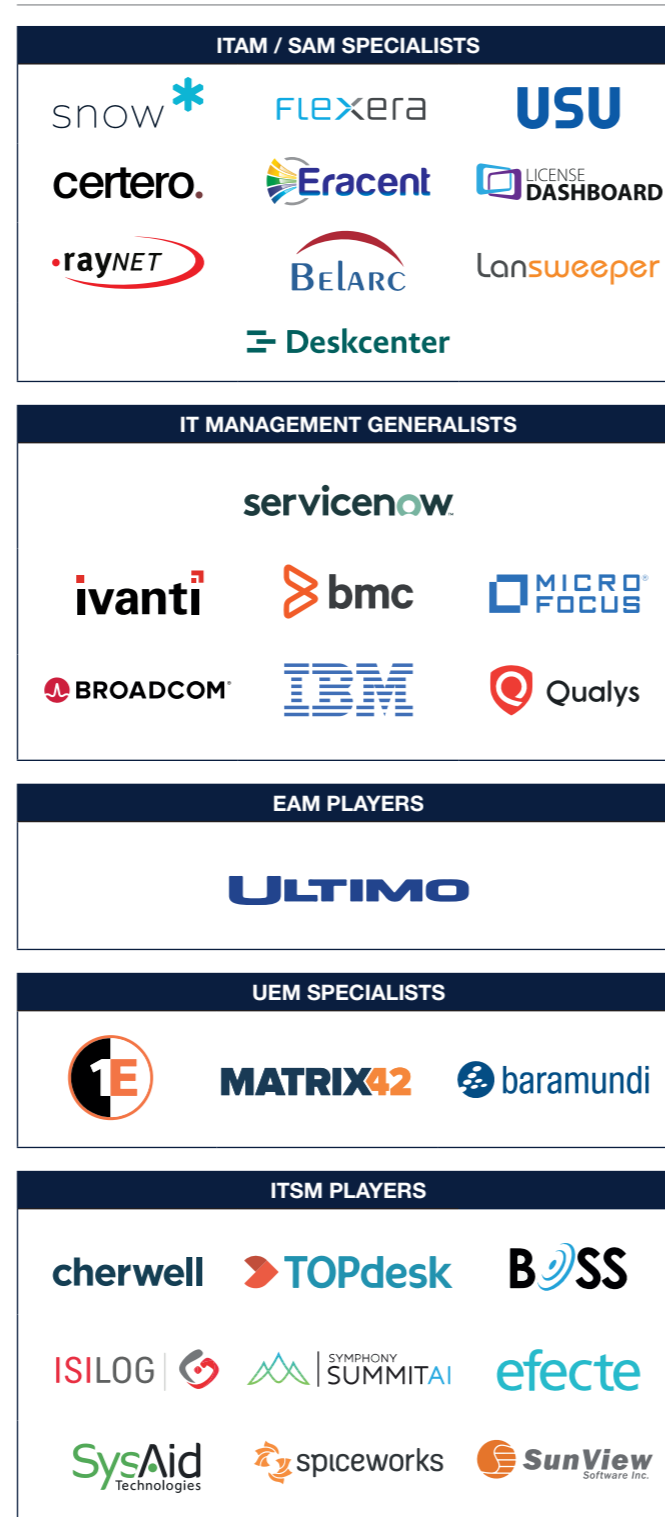


### IT ASSET MANAGEMENT (ITAM)

The purpose of IT Asset Management (ITAM) software is to automate IT asset lifecycles. It uses workflows to track the financial, contractual and inventory and risk management details of IT assets throughout their lifecycles. Assets include all elements of software and hardware that are found in the business environment, for example, servers, mobile devices, virtual machines, network components, SaaS, IaaS, PaaS, containers and patents. ITAM software users are finance, procurement, legal and IT professionals. When ITAM is only applied to software it is called Software Asset Management (SAM) - a segment that includes solutions dedicated to packaged software licences or SaaS subscriptions from vendors such as Microsoft, Adobe, Salesforce, Oracle, SAP or IBM. Software and SaaS audits are the main use case.

ITAM product suites include discovery and inventory of hardware and software components, licence and subscription management, patch and version management, request management, product and service catalogues, a fixed asset repository, and digital asset management (including digital rights and permissions). SAM product suites provide a repository for licence or SaaS subscription entitlements, in order to identify where the organization is under-licensed (at risk of a compliance audit) or over-licensed (wasting money on unnecessary software purchase), and to track licence terms and expiration dates. ITAM suites also include a CMDB. With ITAM and SAM, organizations gain visibility into the full IT asset lifecycle to help make informed IT purchasing and deployment decisions, ensure business continuity, warrant software licences and cloud subscriptions, optimize costs, standardize IT equipment and software, automate workflows, and comply with GDPR.

FIG. 3: COMPETITIVE LANDSCAPE IN ITAM AND SAM MARKETS



Source: Bryan, Garnier & Co



“The next evolution of ITAM turns the process of creating asset inventories on its head. Rather than collecting IT asset data to meet the criteria of specific IT scenarios, we believe IT asset management should be a scenario-independent endeavour, with the goal of creating a single source of truth that informs all systems and use cases.”  
DAVE GOOSSENS | CEO | LANSWEEPER

- KEY PLAYERS IN THE ITAM MARKET**
- Generalist IT management software firms:** ServiceNow; BMC; Ivanti; Micro Focus; Broadcom; IBM.
  - ITAM/SAM specialists:** Snow Software; Flexera; Certero; Eracent; USU Software; License Dashboard; Deskcenter; Belarc; Raynet; Lansweeper, which provides a centralized IT asset discovery, tracking and inventory stack (plus associated analytics).
  - Other vendors in ITSM:** Cherwell; TOPdesk; Boss; SysAid; Efecte; Symphony SummitAI; Isilog; Spiceworks; SunView, which provides ITAM tools.
  - Unified Endpoint Management specialists:** Matrix42; Baramundi.
  - Enterprise Asset Management (EAM) players:** Ultimo, for which IT is just one kind of enterprise asset that can be managed alongside infrastructure, facilities, maintenance, fleet, medical, and safety devices.

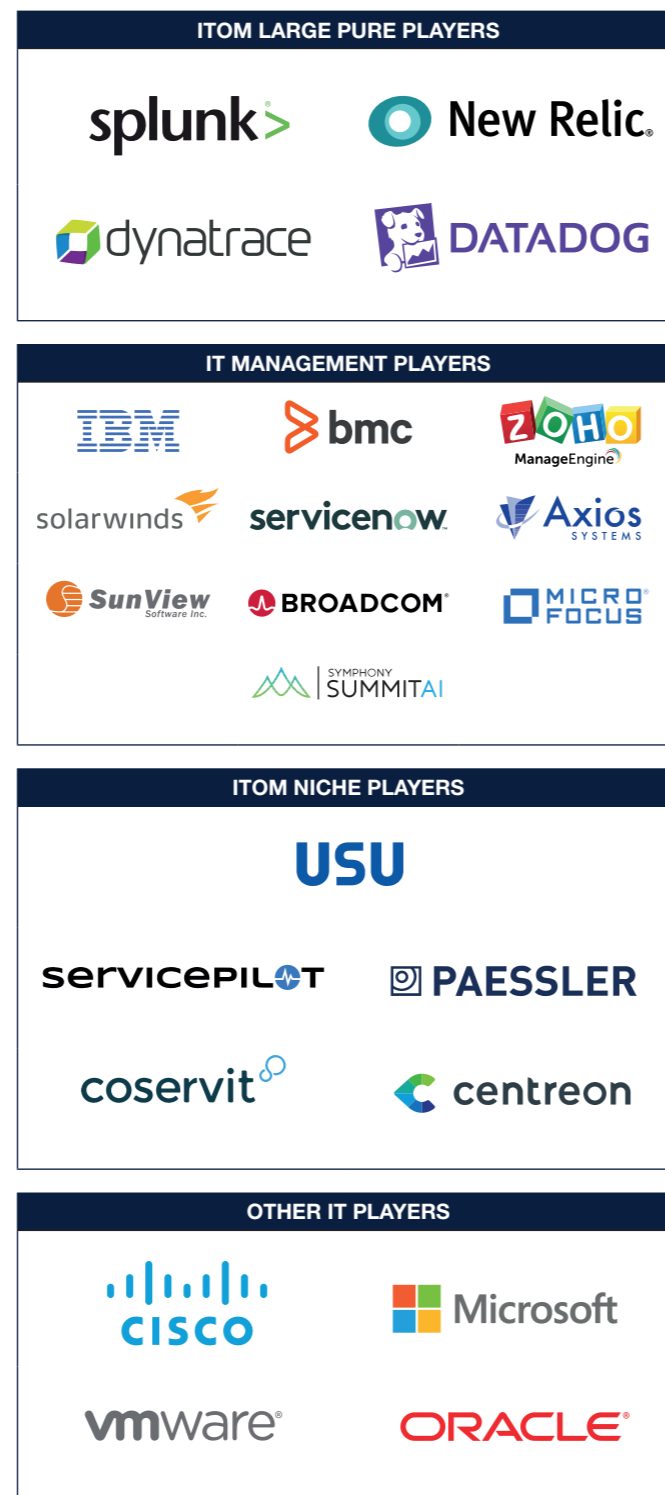
## IT OPERATIONS MANAGEMENT (ITOM)

IT Operations Management (ITOM) is responsible for maintaining the capacity, performance and availability of all the components used in organization's IT Infrastructure, as well as looking after all the aspects of applications, servers, desktop, databases, services, storage, networking and connectivity elements that are used day-to-day operations. It also maintains a single data record for all IT configurable items, which allows organizations to exercise control over their on-premise or cloud-based infrastructures and orchestrate processes and tasks. ITOM product suites include database and application management, availability and performance, event, fault and log management, network management, configuration management, job scheduling, and print and output management. With ITOM, organizations can enhance visibility of IT resources, reduce the need for infrastructure changes in order to minimize service disruption, improve IT infrastructure and service quality, resolve service failures quickly and optimize cloud delivery and spend.

IDC estimates the ITOM market to be worth USD 11.5bn in 2019 (+16% vs. 2018)<sup>3</sup>. Gartner estimates ITOM to have a larger scope (USD 30.9bn in 2019, up 10% vs. 2018) while the ITOM performance analysis segment is evaluated at USD 12.4bn (+11% vs. 2018)<sup>4</sup>. It encompasses:

- **AI Ops (Artificial Intelligence for IT Operations) and IT Infrastructure Monitoring (ITIM)**, which include automation, performance monitoring and event correlations. This segment is dominated by Splunk, IBM, Microsoft, SolarWinds, and Datadog.
- **Application Performance Management (APM)**, which includes tools for the monitoring and management of performance and availability of software applications. It is dominated by Cisco (AppDynamics), New Relic, Dynatrace, Splunk, and Broadcom.
- **Network Performance Monitoring & Diagnostics (NPMD) tools**. This segment is dominated by NetScout, SolarWinds, Viavi Solutions, Broadcom and Riverbed.

FIG. 4: COMPETITIVE LANDSCAPE IN THE ITOM MARKET (EXCLUDING NETWORKS)



Source: Bryan, Garnier & Co

3. Grieser, T. and S. Elliott, Worldwide IT Operations Management Software Market Shares, 2019- Strong Growth Ahead of COVID-19 Disruption; IDC, June 2020  
 4. Wurster, L. and S. Baul, Market Share Analysis: ITOM, Performance Analysis Software, Worldwide, 2019, Gartner, 17th June 2020

### KEY PLAYERS IN THE ITOM MARKET

1. **IT management vendors:** IBM; Broadcom; SolarWinds; Micro Focus; ServiceNow; BMC; Zoho (ManageEngine); Axios.
2. **Large ITOM specialists:** Splunk; New Relic; Dynatrace; Datadog.
3. **ITOM niche players:** USU; Paessler; Coservit; ServicePilot; Centreon.
4. **Other large IT players:** Cisco; Microsoft; VMware; Oracle.

## IT BUSINESS MANAGEMENT (ITBM)

IT Business Management (ITBM) manages IT priorities, including the scope and cost of IT projects, the development of software related to those projects and the overall management of the customer's IT project portfolio. ITBM product suites include Application Portfolio Management (APM), IT Financial Management (ITFM), Project & Portfolio Management (demand management, resource management, project portfolio, project financials), and Agile Delivery Execution (time card, agile development, test management). With ITBM, organizations increase visibility, track progress, and continuously plan and optimize IT resources as priorities shift.

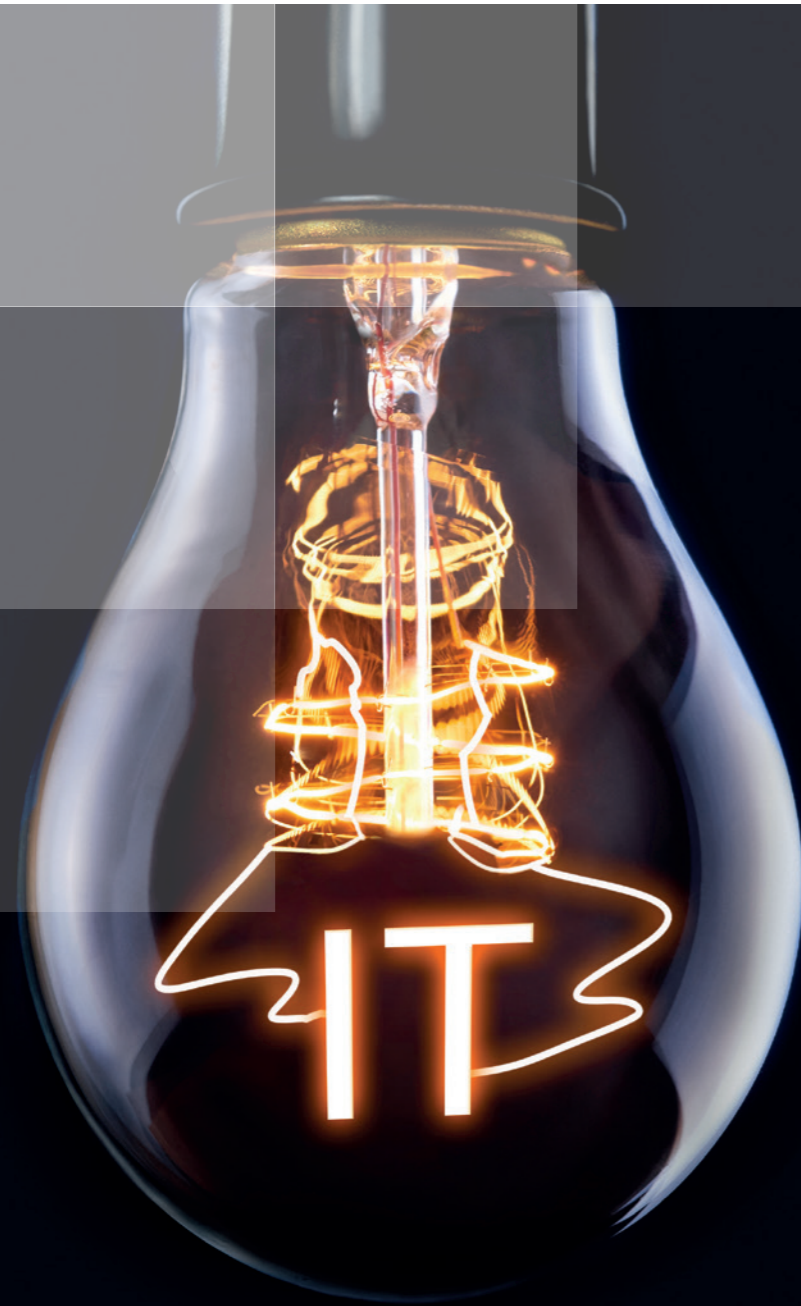
### KEY PLAYERS IN THE ITBM MARKET

1. **IT management software generalists:** ServiceNow; Micro Focus; Broadcom.
2. **ITBM specialists:** Apptio (acquired by Vista Equity Partners in 2019 for USD 1.94bn or an est. 8.3x 2018 EV/sales multiple); Planview (specialized in PPM, acquired by TPG and TA Associates from Thoma Bravo in late 2020 for USD 1.6bn); Changepoint and Clarizen (both specialized in PPM and in process to be acquired by Planview); Acciod (specialized in ITFM).
3. **ITSM players:** Cherwell (on PPM); USU (on ITFM); Serviceware (on ITFM); Axios (on ITFM); TeamDynamix (on PPM).
4. **Other IT players:** VMware; Upland (USD 1.4bn market cap, est. USD 285m revenues for 2020); Soft Expert (on PPM).

FIG. 5: COMPETITIVE LANDSCAPE IN THE ITBM MARKET



Source: Bryan, Garnier & Co



## IT Service Management crossing the IT border



*ITSM is at the heart of the digital transformation of companies. Global organizations are looking for workflow simplification but, also, innovative and competitive modes of interaction, for the management of their IT services dedicated to internal users and their customers. These needs support the extension of the historical market to the more global one of ESM, which is addressed thanks to flexible and user friendly solutions, in particular virtual agents.*

SYLVAIN GAUTHIER | CEO | EASYVISTA



### FROM IT SERVICE MANAGEMENT TO ENTERPRISE SERVICE MANAGEMENT

The general use of ITIL standards has led ITSM software vendors to extend their functional scope from the IT department to non-IT departments such as HR, finance, facilities, legal, education, security, sales, marketing, field service, R&D), using the same products for similar workflows involving internal support. Typical use cases involving ITSM-like processes include obtaining an access badge, booking a meeting room or a desk, obtaining an attestation of employment, hiring a car, closing financial statements, or ordering spare parts, furniture or other supplies. All these domains have been recently labelled under the abbreviation ESM (Enterprise Service Management).

#### Principal areas addressed by ESM:

- **HR Service Management (HRSM)** solutions manage and automate HR services related to employee requests: case management, employee self-service, knowledge management and employee lifecycle events (onboarding, transfers, offboarding).
- **Finance Operations Management (FOM)** solutions are designed to complement ERP systems and digitize workflows to accelerate the financial statement close process. Users can connect their finance teams, tasks and systems in a centralized workspace.
- **Facilities Management (FM)** solutions, sometimes amalgamated with Computerized Maintenance Management Systems (CMMS) solutions, are designed to digitize workflows related to the purchase, the maintenance and the disposal of corporate facilities or fixed assets such as buildings, amenities, machines, catering, cleaning and hospitality.
- **Field service management (FSM)** solutions allow field service agents to be assigned, deployed and managed on the same underlying customer service management platform that created and managed the customer incident.

The distinction between ITSM and ESM markets remains blurred as ESM continues to be seen as another use case for ITSM platforms. However, during the last few years, ITSM vendors including Ivanti, Atlassian, and ServiceNow re-labelled their addressable market as ESM. In November 2020, Atlassian announced its official move to the ESM market with the launch of Jira Service Management, which is the new name of its Jira Service Desk ITSM platform.

In addition, while Gartner continues to talk about ITSM, Forrester reviews the market as ESM and also includes Customer Service Management in ESM.

ITSM software providers largely derive additional ESM revenues from additional users in non-IT departments, and do not compete with HCM, ERP, CRM or FM players on their core competencies.

Some players address ESM segments as independent markets from ITSM:

- ServiceNow – HR/Finance/Legal/Field Service
- USU – HR/Facility/Field service
- Cherwell and TeamDynamix – HR/Facilities
- Efecte – HR/Finance
- TOPdesk – Facilities
- SysAid and Hornbill – HR

ServiceNow launched its HR Service Management offering in 2010, while its first Finance Operations Management offering was released in 2016. Other players (BMC, Ivanti, Micro Focus, Zendesk, Zoho (ManageEngine), EasyVista, ServiceNow, Axios, Atlassian, Matrix42, 4me...) address ESM as a generic extension of ITSM.



FIG. 6: COMPETITIVE POSITIONING IN THE ESM SPACE



Source: Bryan, Garnier & Co

**PENETRATING THE CUSTOMER SERVICE MANAGEMENT MARKET**

Customer service management (CSM) is a subsegment of the CRM market that addresses call centres and customer service centres dedicated to after-sales support. CSM software defines, structures, consolidates, manages and automates customer service cases and requests. It also allows common customer requests such as password resets, to be automated with self-service, and for other cases it routes work from the customer service agent to field service, engineering, operations, finance or legal personnel to resolve the underlying issues.

We deem the addressable market for CSM is significantly bigger than ITSM and ESM, as it involves a much larger number of users. According to Gartner, the CRM software

market reached USD 57bn in 2019<sup>5</sup>, of which c.USD 17bn is for Service Management. This market is driven by the need for process optimization and call reduction (for example, the use of FAQs, self-help and chatbot tools), the need for an efficient diagnosis process, raising the value of customer support assistants. The Service Management software market is mature and largely dominated by Salesforce. However, it offers growth opportunities for ITSM or ESM software vendors for two reasons: 1) customer service processes are pretty similar to those that exist in ITSM or ESM; 2) mainstream or legacy CRM and call centre software players such as Salesforce, Oracle, Genesys, SAP, Verint, NICE and Microsoft supply generic platforms which are not designed for addressing CSM specific issues related to IT. ITSM and ESM players' presence in the CSM market is therefore based on their ITSM and ESM expertise, which is complementary to CRM and call centre platforms as it improves their functional coverage.

5. Poulter, J., Y. Dharmasthira, N. Gupta, V. Mehta, Market Share Analysis: Customer Experience and Relationship Management Software, Worldwide, 2019, Gartner, October 2020.

FIG. 7: COMPETITIVE LANDSCAPE IN THE CSM MARKET



In that perspective, we have identified complementary strategies from ITSM players in CSM:

- **Direct presence with specific offerings.** This is the case for Zendesk (the company launched its first ticketing system in 2007), Freshworks (Freshdesk was launched in 2011), and ServiceNow (which has launched its CSM offering in 2016).
- **CSM as an extension of ITSM or ESM.** This is the case for BMC, EasyVista, ServiceWare, Axios, Atlassian and it addresses CSM as a generic extension of ITSM or ESM. Depending on the success of their ITSM or ESM offering on customer service business cases, these players brand a separate CSM product in the future.
- **Integration partnerships.** Most of ITSM, ESM and CSM software vendors have formed partnerships with the main players in the CRM/CX and call centre spaces. This is the case for ServiceNow (QuickConnect on AppExchange), BMC (Helix Remedyforce on AppExchange), EasyVista (EV Self Help for Salesforce) and Freshworks (Freshdesk on Salesforce), which are integrated with the Salesforce Customer Cloud through Salesforce AppExchange marketplace. On call centre solutions, Zendesk is integrated with NICE InContact CXone.



Source: Bryan, Garnier & Co





# Significant room for market consolidation



Customers are realizing the strategic value of combining IT workflows with everything from HR, customer service, security, compliance, financial close and DevOps to deliver greater value across the entire enterprise. And best of all, everything is powered by one platform, one data model, one architecture.

**BILL MCDERMOTT** | CEO | SERVICE NOW



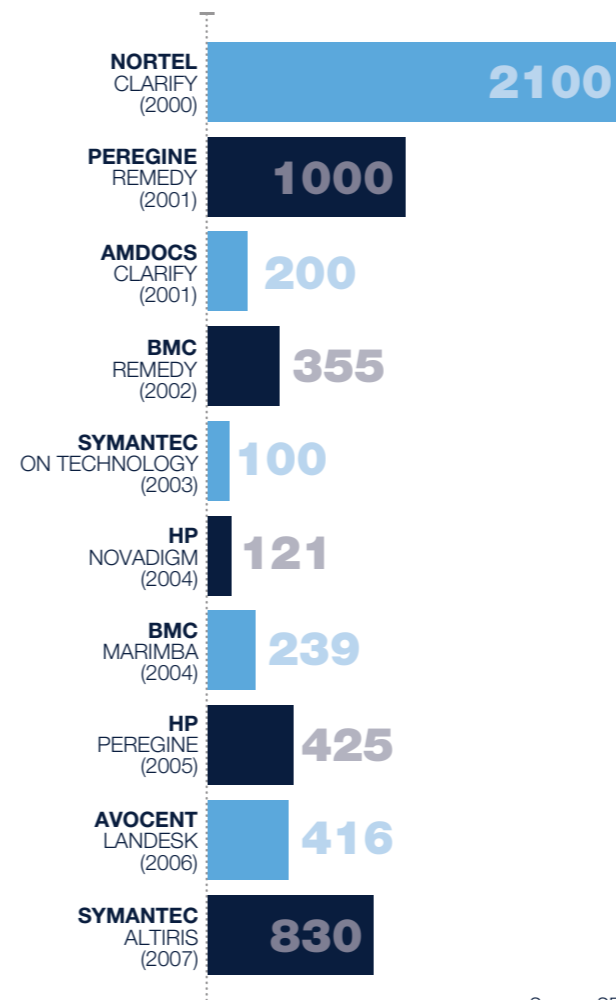
## THE FIRST CONSOLIDATION TOOK PLACE TWO DECADES AGO

The first generation of IT management software was part of the systems administration market. This period saw the emergence of software firms such as Remedy, CA, BMC, Novell, Peregrine, Clarify, and hardware manufacturers such as IBM (Tivoli) and HP (OpenView), and Intel (via the acquisition of LANDesk in 1991). In addition, a number of niche players enjoyed sky-high growth during the internet bubble (Novadigm, Marimba, ON Technology, Altiris, Tally Systems) before collapsing and being bought out.

The bursting of the internet bubble led to the disappearance of the main players, with the takeover of Clarify by Nortel in 2000 followed by its resale to Amdocs in 2001, the takeover of Remedy by Peregrine in 2001 followed by its resale to BMC in 2002, the bankruptcy of Peregrine in 2002 followed by its takeover by HP in 2005, the disposal of LANDesk by Intel in 2002 followed by its sale to Avocent in 2006 then to Thoma Bravo in 2010, and many other consolidations.

The IT management market then reconsolidated around HP, IBM, BMC, CA, Novell, and Symantec. However, with the emergence of ITIL standards, the Cloud and software-as-a-service (SaaS), new players also began to enter the IT management game during the 2000s: ServiceNow, Zendesk, Cherwell, FrontRange, EasyVista and Axios.

FIG. 8: CONSOLIDATION IN THE IT MANAGEMENT MARKET (2000-2010) (USDM)



Source: SEC filings

## HOW SERVICE NOW THREW OUT THE INCUMBENTS

Founded in 2004 and headed since 2019 by former SAP CEO Bill McDermott, ServiceNow has become the clear leader in ITSM software, 100% SaaS-delivered. For 2020, the company reported, on a non-GAAP basis, subscription revenues of USD 4,272m (+31% vs. 2019) - out of total revenues of USD 4,505m (+30% vs. 2019) - and an operating margin of 24.9% (+3.9ppt vs. 2019). According to Gartner, ServiceNow's market share in ITSM has grown to more than triple that of its closest competitor and former market leader BMC. The company has become the undisputed leader in ITSM and ESM markets, replacing legacy vendors with a SaaS solution that offers better ROI than legacy on-premise solutions, flexible product architecture, and a user-friendly interface. ServiceNow has become indispensable at the top end of the market, with a SaaS approach targeting mature clients with large IT organizations and a global presence, and continuous expansion of its addressable market beyond ITSM with a single platform, data model and architecture. Like Salesforce in CRM or SAP and Oracle in ERP, it has succeeded in building a global ecosystem of partners, including Accenture, Cognizant, DXC, Deloitte, Infosys, Atos, Fujitsu, Wipro, IBM, KPMG, EY, HCL, Capgemini and TCS.

ServiceNow's share price has multiplied 23x since its July 2012 IPO. As of 1 February 2021, its market capitalization was USD 109bn or c.18x 2021e EV/sales and 76x 2021e EV/EBIT multiples, based on Refinitiv analyst consensus estimates. At the time of the IPO, the company generated only USD 244m revenues with non-GAAP operating margin of -4%, against USD 2.2bn and 33.6%, respectively, for BMC.

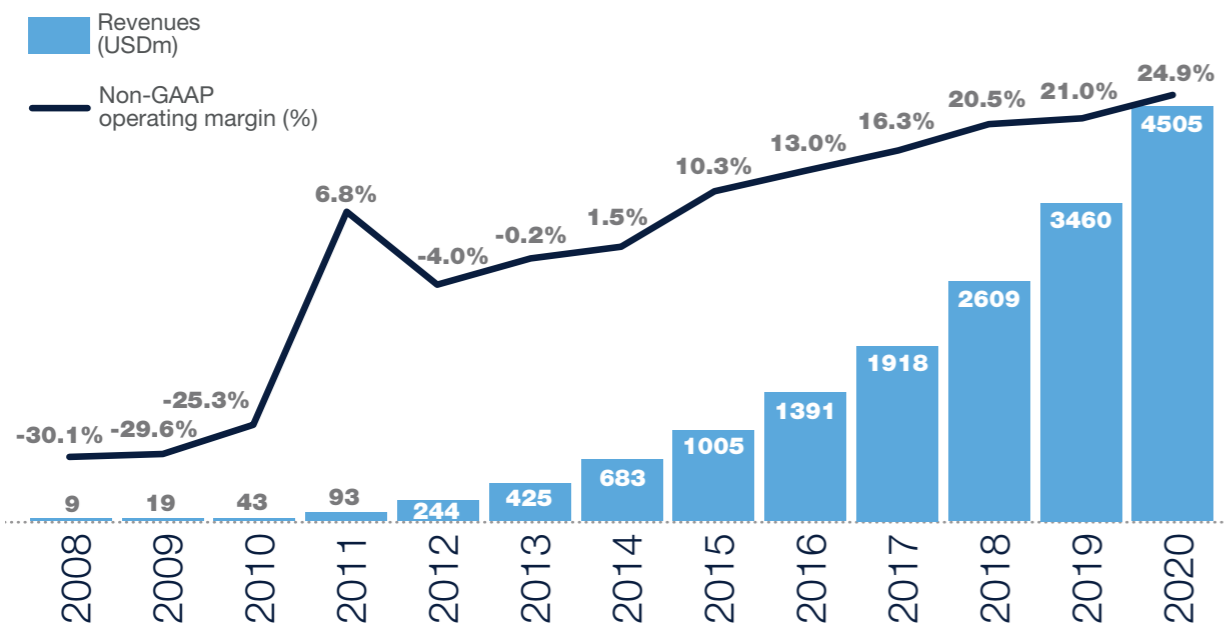
The company reached breakeven in 2013-2014 and has constantly increased profitability over time, while revenues have been up almost 45% per year on average since 2012. Despite the ongoing crisis, the company has guided for 2021 subscription revenues up 25%. Finally, although most of ServiceNow's revenue growth is organic, the company has spent USD 359m in 15 acquisitions since 2012, or an average USD 24m per deal.

Behind ServiceNow, the former IT management market leaders (BMC, HP, CA, IBM) have remained solid incumbents in these markets thanks to the strength of their installed base, but all have struggled to keep their respective positions and fight back after many years of losing market share.

- BMC was acquired in 2013 by Bain Capital and Golden Gate Capital for USD 6.9bn, then in 2018 by KKR for USD 8.3bn, and increased its investment in mainframe software rather than IT management software – as testified by its acquisition of Compuware.

- Hewlett-Packard was split in 2015 into two companies, and Hewlett Packard Enterprise (HPE) was the entity that kept HP's Enterprise Software business, which was sold in 2017 to Micro Focus for USD 8.8bn.
- CA was acquired by Broadcom for USD18.9bn in 2018, while Broadcom acquired Symantec's Enterprise Security Business in 2019 – which included ITSM software – for USD10.7bn.
- LANDesk was sold by Thoma Bravo in 2017 to Clearlake Capital for USD 1.1bn and was immediately merged with Heat Software – itself founded in 2015 by Clearlake through the acquisition of FrontRange Solutions by Lumension – in order to form Ivanti. In August 2020, TA Associates has joined Clearlake in backing Ivanti by making a strategic growth investment in the company. Finally, in January 2021, Ivanti signed a definitive agreement to acquire Cherwell – which had been backed by KKR since 2017 – for an undisclosed sum.

FIG. 9: SERVICENOW – REVENUES AND NON-GAAP OPERATING MARGIN (2008-2020E)



Source: SEC filings

### STILL FREE SPACE FOR SMALLER PLAYERS TO COMPETE

The undisputed market leadership of ServiceNow and the ongoing market share loss of incumbent players have left a “free space” for small and mid-sized IT management players to compete. This is especially true for the low end of the large organization segment or mid-sized organizations, as solutions sold by ServiceNow and incumbents are too complex, too expensive and insufficiently user-friendly for them. That said, in order to differentiate itself from the pack of ITSM vendors, and diversify into non-ITSM domains, ServiceNow now identifies itself as a platform managing digital enterprise workflows.

Besides ServiceNow, BMC, Micro Focus, Broadcom, Ivanti and IBM, the challengers and ITSM niche players position themselves as follows:



GLOBAL PLAYERS	
	Listed on NYSE since 2014, helpdesk software
	ManageEngine, IT management tools
	Listed on the NYSE since 2018, IT management software
	Listed on Nasdaq since 2015, team management software

NICHE PLAYERS	
	Backed by Accel, Sequoia Capital, Steadview Capital and Tiger Global Management, service desk management software
	backed by Goldman Sachs, professional network for IT
	Listed on the Prime Standard market since 2000, IT and knowledge management software
	Germany, backed by Emeram Equity Partners since 2015 after the acquisition from Asseco Poland for EUR46m, which acquired Matrix42 in 2008 for EUR26m, unified endpoint management software
	UK, unified endpoint management software

REGIONAL PLAYERS	
	USA
	Backed by Israel Growth Partners
	USA
	Backed by the SymphonyAI fund, India
	Backed by the SymphonyAI fund, India
	Listed on the Prime Standard market since 2018, Germany
	Listed on the Basic Board since 2009, Germany
	Listed on Euronext Growth in Paris over 2005-2021 and now backed by Eurazeo, France
	France
	Listed on Nasdaq First North in Helsinki since 2017, Finland
	UK
	UK, workflow automation software)
	Belgium

“  
In CSM, a handful of new players have emerged, such as Zendesk and Freshworks.”



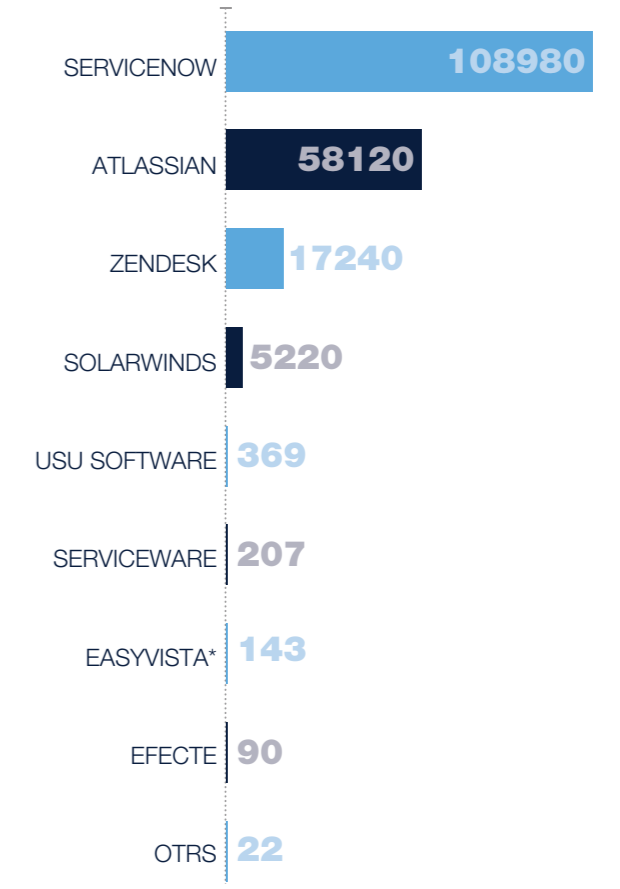
In CSM, a handful of new players have emerged, such as Zendesk and Freshworks. These have been followed by many specialist vendors, such as Gladly (2015, backed by Future Fund, Glynn Capital and GGV Capital), Glia (2012, backed by Insight Partners), Dixa (2015, backed by Notion Capital and Project A Ventures), MindTouch (2004, backed by PeakSpan Capital), Help Scout (2011), Deskero (2007), Kayako (2001, acquired by ESW Capital in 2018) and HappyFox (2011).

Vendors from other spaces have made their way in the ITSM domain: Atlassian (coming from DevOps), SolarWinds (coming from ITOM, through LogicNow and SAManage

acquisitions), Zoho (coming from office suites), USU (coming from ITBM and ITAM).

Atlassian made its entrance in the ITSM market in 2013 when it launched Jira Service Desk, which now has 25,000 customers. Since then, it has acquired OpsGenie (2018, incident service management), Mindville (2020, CMDB) and Halp (2020, internal help desk solution on top of Slack). This led to the launch in November 2020 of Jira Service Management. In contrast, some ITAM and ITOM players have not yet entered the ESM space: Snow, Flexera, Certero, Eracent, Paessler, Coservit, Lansweeper and ServicePilot.

FIG. 10: MARKET CAP OF IT MANAGEMENT SOFTWARE VENDORS (USDM – AS OF 1/02/2021)



Source: Refinitiv

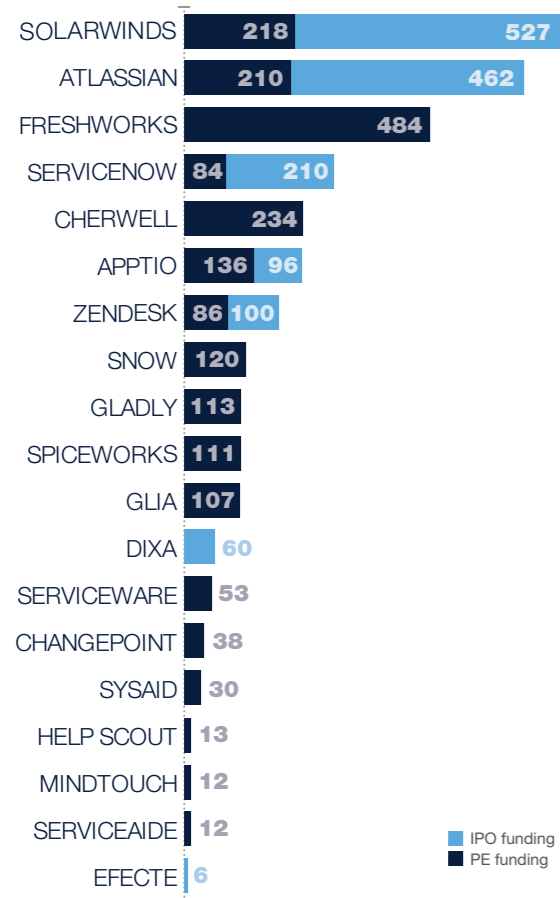


### SIGNIFICANT FUNDING FROM PRIVATE EQUITY AND EQUITY MARKETS

This vibrant competitive environment has led to significant funding, both on private equity and equity markets: See fig. 11.

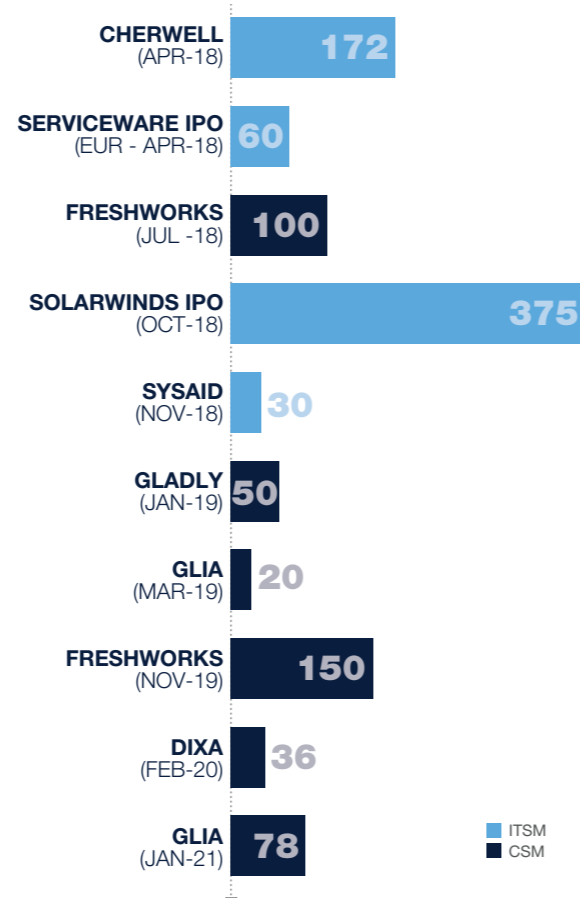
Since early 2019, virtually all funding has gone to CSM vendors. We consider this to be a sign that something is happening in the CSM market, with next-generation players founded 5-6 years ago trying to capture the growth potential led by Salesforce, other CRM vendors and call centre players. The most recent PE rounds were for Glia, Dixia, Freshworks and Gladly.

FIG. 11: PRIVATE EQUITY AND IPO FUNDING IN IT MANAGEMENT/ESM/CSM (USDM)



Source: Crunchbase

FIG. 12: EQUITY FINANCING ROUNDS IN ITSM AND CSM SINCE EARLY 2018 (USDM)



Source: Crunchbase



The acquisition of Cherwell will allow Ivanti to not only strengthen our market leading position in the IT service management market but also fuel further expansion in the high growth enterprise service management space to manage workflows for business units beyond IT.

JIM SCHAPER | CEO | IVANTI



### LIMITED CONSOLIDATION IN ITSM, EXCEPT FOR IVANTI

Over the last decade, the ITSM software market has pursued limited consolidation. The only significant M&A moves were related to the Ivanti build-up orchestrated by Clearlake Capital (and now TA Associates as well). This involved the merger of Lumension and FrontRange in 2015 to form Heat Software, then Heat Software and LANDesk merged in 2017 to form Ivanti, and Ivanti acquired Cherwell in 2021.

The reason consolidation has otherwise been limited is that merging two ITIL-standard-based ITSM platforms requires a multiyear integration journey that provides no added value. It is costly and time-consuming, and mobilizes resources that could be deployed more efficiently in the development of new functionality. The rationale behind Ivanti's acquisition of Cherwell is to expand the reach of its platform to provide end-to-end service and asset management from IT to lines

of business. Ivanti will continue to maintain and invest in both Cherwell and Ivanti ITSM/ESM platforms while working to converge the best aspects of each. Cherwell's product portfolio is expected to allow Ivanti to capitalize on Cherwell's solid presence in healthcare and higher education, while Cherwell's customers are expected to benefit from Ivanti's "zero trust" and unified endpoint management product portfolio.

#### Alongside Ivanti, we have seen two types of move in ITSM to date:

- Many sales to private equity funds: BMC, Cherwell, the Ivanti build-up, EasyVista, and Matrix42.
- The only non-ITSM player that has entered the ITSM market through acquisitions has been SolarWinds. The company bought LogicNow in 2016 for USD 500m and SAMange in 2019 for USD 342m.

FIG. 13: M&A IN ITSM SOFTWARE

DATE	ACQUIRER	ACQUIREE	COUNTRY	POSITIONING	PRICE
2021	Ivanti	Cherwell Software	USA	ITSM Software	N/A
30-04-19	SolarWinds	SAMange	USA	IT service desk management software	USD 342m
23-01-17	Heat Software (via Clearlake Capital)	LANDesk	USA	ITSM, endpoint security management, ESM, ITAM, and mobile device management	USD 1,1bn
28-05-16	SolarWinds	LogicNow	UK	Cloud-based IT Service Management for MSPs	USD 500m
12-02-15	Lumension (via Clearlake Capital)	FrontRange Solutions	USA	IT service management software and unified endpoint management software	N/A

Source: Company Data; Bryan, Garnier & Co estimates

### THE MOVE TO “INTELLIGENT SERVICE AUTOMATION”

The battlefield in ITSM and ESM markets has moved from functional and ITIL process coverage to user experience and more recently, the infusion of artificial intelligence (AI) in the service management process. This move has been called Intelligent Service Automation. For service management, this provides more powerful back-office tools for automating service management processes; and for digital experience, it delivers more powerful front-office tools for engaging employees and connecting with customers.

Adding AI to ITSM/ESM platforms provides faster and cheaper assistance to users, 24/7. Until a few years ago, the user requests for assistance were typically dealt with

using knowledge bases with FAQs, predefined answers with tree structures in dropdown menus, or by simply calling or emailing the service desk. Using AI in ITSM, ESM and CSM suites can make service desks more efficient by enabling users deal with their own requests. Technologies involved include speech recognition, chatbots or conversational agents, natural language processing, and deep neural networks.

Over the past eight years, most of the ITSM/ESM M&A activity has been focused on AI and machine learning to improve the intelligent capabilities of ITSM/ESM solutions. ServiceNow acquired eight companies in this space, including three in 2020-2021 (Loom Systems, Passage AI, and Element AI). Freshworks acquired three companies in AI and machine learning, while BMC, Atlassian, Serviceware and EasyVista made one acquisition.

FIG. 14: M&A IN THE IT MANAGEMENT ARTIFICIAL INTELLIGENCE SPACE

DATE	ACQUIRER	ACQUIREE	COUNTRY	POSITIONING	PRICE
Q1-21	ServiceNow	Element AI	Canada	AI-assisted workflow software	N/A
13-10-20	BMC Software	ComAround	USA	AI and NLP-based advanced knowledge management technology	N/A
11-05-20	Atlassian	Halp	USA	Conversational ticketing solution for IT teams	USD 186m
26-02-20	Freshworks	AnswerIQ	India	AI tools for self-service solutions and agent-assisted use cases	N/A
07-02-20	ServiceNow	Passage AI	USA	AI-powered chatbots	USD 33m
06-02-20	ServiceNow	Loom Systems	Israel	AI-powered software log data analysis	USD 58m
23-10-19	ServiceNow	Attivio's cognitive search assets	USA	AI-powered answers and insights platform	N/A
10-10-18	ServiceNow	FriendlyData	USA	Natural language query (NLQ) technology	USD 13m
30-07-18	Serviceware	Sabio	Germany	Knowledge management solutions	EUR 7m
03-05-18	ServiceNow	Parlo	USA	AI and natural language understanding (NLU) workforce solution	<USD 25m
20-07-17	Freshworks	JoeHukum	India	Chatbot development platform	N/A
30-06-17	EasyVista	Knowesia	France	Knowledge management solutions	EUR 3m
19-05-17	ServiceNow	Qlue	USA	Virtual agent messaging	USD 7m
20-01-17	ServiceNow	DxContinuum	USA	Machine-learning technology	USD 15m
18-10-16	Freshworks	Chatimity	India	Social chat platform using AI and chatbot technology	N/A

Source: Company Data; Bryan, Garnier & Co estimates

“

Over the past eight years, most of the ITSM/ESM M&A activity has been focused on AI and machine learning to improve the intelligent capabilities of ITSM/ESM solutions.

”



### CONSOLIDATION IN ITAM AND ITOM REMAINS ACTIVE

Most of the acquisitions in ITAM and SAM have been from ITAM players. The most acquisitive company was Flexera, with seven M&A deals since 2014 in software usage analytics, cloud migration analytics, cloud cost optimization, and SaaS spend management. Snow made acquisitions in hybrid cloud management, IT automation and mobile device management. USU acquired companies in software licence management.

ITSM players acquired ITAM or SAM companies as well, with ServiceNow acquiring targets in SaaS management and cloud management, Atlassian buying a software vendor specialising in ITAM and configuration management, Ivanti purchasing a SaaS management firm, and Cherwell acquiring

an ITAM company. ITSM software vendors without an ITAM/SAM offering seem perfectly capable of making acquisitions in this space.

In ITOM, acquisitions from ITSM software players have been focused on database performance management, website and server monitoring, and IT orchestration, with large M&A deals made by SolarWinds (N-able, Confio and VividCortex) and ServiceNow (Neebula). The acquisition of Sweagle has helped ServiceNow users to manage configuration data for cloud environments, microservices, containers and serverless computing. The purchase of Neebula has automated ServiceNow's discovery, mapping, and monitoring of IT-enabled enterprise service capabilities. The table below does not mention acquisitions made by pure ITOM players such as Splunk, New Relic, Dynatrace and Datadog as they have no presence in ITSM nor ESM.

FIG. 15: M&A IN THE ITAM AND SAM SPACES

DATE	ACQUIRER	ACQUIREE	COUNTRY	POSITIONING	PRICE
30-07-20	Atlassian	Mindville	Sweden	IT asset and configuration management software	N/A
07-05-20	Matrix42	FireScope	USA	Asset intelligence solutions	N/A
05-02-20	Flexera	Revulytics	USA	Software usage analytics	N/A
03-12-19	Snow Software	Embotics	Canada	Hybrid cloud management software	N/A
04-06-19	Flexera	RISC Networks	USA	Cloud migration analytics platform	N/A
26-09-18	Flexera	RightScale	USA	Cloud management and cost optimisation software	N/A
03-05-18	Flexera	Brainwaregroup	Switzerland	SAM	N/A
02-05-18	Flexera	Meta SaaS	USA	SaaS spend management	N/A
25-04-18	ServiceNow	VendorHawk	USA	SaaS management software	<USD 25m
19-09-17	Flexera	BDNA	USA	Software data repository	N/A
12-04-17	Ivanti	Concorde Solutions	USA	SaaS software asset management solutions	N/A
01-01-17	USU Software	Easytrust	France	Software licence management software	EUR 5m
27-10-16	Flexera	Palamida	USA	Software Composition Analysis solutions for open source software	N/A
08-04-16	ServiceNow	ITapp	USA	Cloud management software	USD 15m
25-02-15	Snow Software	Igap Technology	Sweden	IT Automation solutions	N/A
18-02-15	Snow Software	The Institution	Sweden	Mobile Device Management solutions	N/A
01-01-15	USU Software	SecurIntegration	Germany	Software licence management software	EUR 1m
12-08-14	Cherwell Software	Express Metrix	USA	IT and software asset management software	N/A

Source: Company Data; Bryan, Garnier & Co estimates

Finally, acquisitions in CSM have essentially been made by CSM players with a presence in ITSM, rather than by ITSM vendors. For example, even ServiceNow has made no acquisition in CSM and has launched its CSM offering in 2016 from its existing ITSM platform. We believe this is because ITSM and ESM software vendors have developed their CSM offerings by applying expertise in helpdesk processes they inherited from their ITSM legacy.

The main acquisitions in CSM have been made by Zendesk and Freshworks, on CSM-specific topics such as customer success management, online collaboration, mobile user engagement, or social recommendation. The table below does not mention acquisitions made by pure CSM players such as Gladly, Gliia, MindTouch or Dixa as they have no presence in ITSM or ESM.

FIG. 16: M&A IN THE ITOM SPACE

DATE	ACQUIRER	ACQUIREE	COUNTRY	POSITIONING	PRICE
23-10-20	SolarWinds	SentryOne	USA	Database performance management software	N/A
01-07-20	ServiceNow	Sweagle	Belgium	Configuration data management software	USD 25m
10-12-19	SolarWinds	VividCortex	USA	Database performance monitoring software	USD 118m
05-05-17	SolarWinds	Scout's SaaS server monitoring technology	USA	Server monitoring technology	USD 6m
30-01-15	SolarWinds	Librato	USA	Real-time operations analytics	USD 40m
09-07-14	ServiceNow	Neebula Systems	Israel	Discovery, mapping, and monitoring automation of IT-enabled enterprise services	USD 100m
18-06-14	SolarWinds	Pingdom	Sweden	Website and server monitoring software	USD 64m
07-10-13	SolarWinds	Confio Software	USA	Database performance management software	USD 103m
28-05-13	SolarWinds	N-able Technologies	Canada	IT management and automation solutions for managed service providers	USD 121m

FIG. 17: M&A IN THE CSM SPACES

DATE	ACQUIRER	ACQUIREE	COUNTRY	POSITIONING	PRICE
14-05-19	Freshworks	Natero	USA	AI-powered customer success management software	N/A
22-02-16	Freshworks	Framebench	India	Online collaboration platform	N/A
16-12-15	Freshworks	Konotor	India	Mobile first user engagement platform	N/A
13-10-15	Zendesk	We Are Cloud	France	Analytics software	USD 46m
02-10-15	Freshworks	Frilp	India	Social recommendation platform	N/A
18-08-15	Freshworks	1Click.io	India	Live video chat and co-browsing platform	N/A
21-03-14	Zendesk	Zopim Technologies	Singapore	Live chat software	USD 16m

Source: Company Data; Bryan, Garnier & Co estimates

## Conclusion



*The market for IT management software has grown significantly in the past 12 months and, beyond the COVID-19 crisis, it is likely to keep growing.*



**The market for IT management software is primarily a replacement market from legacy solutions implemented 15-20 years ago.** However, it has grown significantly. Beyond the COVID-19 crisis, it is likely to keep growing, driven by the need for modernization and automation using SaaS and cloud solutions, the growing need for organizations to have a holistic view of their IT systems and the need for each euro of IT spending to be spent as efficient as possible.

The large number of players offers the opportunity for further consolidation, as demonstrated by the recent announcement of the acquisition of Cherwell by Ivanti. It is probable that over time, ITSM and its adjacent markets will be forced closer together by the need for further cost savings and efficiency gains. This is likely to happen through cross-segment acquisitions, while ITSM software vendors may make a more aggressive move towards the CSM market if company valuations remain reasonable. However, in our view, this will not prevent the continued existence of smaller and niche players, as a best-of-breed solution remains more appropriate than an end-to-end suite in many cases. In addition, we cannot rule out the advent of innovative players who, like ServiceNow 10-15 years ago, will break the rules or change the value proposition. But we do not see this change happening right now.

We therefore consider that ServiceNow will remain the indisputable leader in IT management software for the foreseeable future, given its huge ITSM market share. However, over time, we see ITSM software vendors increasingly competing against CSM players, including Salesforce. As Salesforce is the clear leader in CSM software, we doubt it will be seriously challenged by ITSM or ESM players. That said, as a generic CRM platform, Salesforce, in our view, is likely to increasingly attract ITSM vendors in its ecosystem in order to provide the most specialized solutions for any industry or business case. This is why we see leeway for additional partnerships between ITSM vendors and CRM players on customer service.

## White paper authors

**Greg Revenu**  
Managing Partner  
Technology  
grevenu@bryangarnier.com

**Jonathan Bohbot**  
Director  
Technology  
jbohbot@bryangarnier.com

**Gregory Ramirez**  
Equity Research Analyst  
Software & IT Services  
gramirez@bryangarnier.com

**David Vignon, CFA**  
Equity Research Analyst  
Software & Payments  
dvignon@bryangarnier.com

## Technology team

### INVESTMENT BANKING

**Greg Revenu**  
Managing Partner  
Paris  
grevenu@bryangarnier.com

**Olivier Beaudouin**  
Partner  
Paris  
obeaudouin@bryangarnier.com

**Thibaut De Smedt**  
Partner  
Paris  
tdesmedt@bryangarnier.com

**Stanislas de Gmeline**  
Partner  
Paris  
sdegmeline@bryangarnier.com

**Falk Müller-Veerse**  
Partner  
Germany  
fmuellerveerse@bryangarnier.com

**Tor Berthelius**  
Partner  
Sweden  
tberthelius@bryangarnier.com

**Jonathan Bohbot**  
Director  
Paris  
jbohbot@bryangarnier.com

### EQUITY RESEARCH ANALYST TEAM

**Thomas Coudry**  
Managing Director  
Telecoms & Media  
tcoudry@bryangarnier.com

**Olivier Pauchaut**  
Managing Director  
Financials & Fintech  
opauchaut@bryangarnier.com

**Eric Lemarié**  
Equity Research Analyst  
Building Solutions  
elemarie@bryangarnier.com

**Xavier Regnard**  
Equity Research Analyst  
Cleantech & Energy Transition  
xregnard@bryangarnier.com

**Gregory Ramirez**  
Equity Research Analyst  
Software & IT Services  
gramirez@bryangarnier.com

**David Vignon**  
Equity Research Analyst  
Software & Payments  
dvignon@bryangarnier.com

### EQUITY CAPITAL MARKETS

**Pierre Kiecolt-Wahl**  
Partner  
Head of ECM  
pkiecoltwahl@bryangarnier.com

### EQUITY DISTRIBUTION

**Nicolas d'Halluin**  
Partner  
Head of US Distribution  
ndhalluin@bryangarnier.com

**Guillaume Hannebelle**  
Managing Director  
Head of European Distribution  
ghannebelle@bryangarnier.com

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# BRYAN, GARNIER & CO

## LONDON

Beaufort House  
15 St. Botolph Street  
London  
EC3A 7BB  
UK

**T: +44 20 7332 2500**

Authorized and regulated by the  
Financial Conduct Authority (FCA)

## PARIS

26 Avenue des Champs Elysées  
75008 Paris  
France

**T: +33 1 56 68 75 00**

Authorized by Autorité de Contrôle  
prudentiel et de résolution (ACPR)

## MUNICH

Widenmayerstrasse 29  
80538 Munich  
Germany

**T: +49 89 242 262 11**

## STOCKHOLM

Nybrokajen 5  
111 48 Stockholm  
Sweden

**T: +46 722 401 080**

## NEW YORK

750 Lexington Avenue  
New York, NY 10022  
USA

**T: +1 212 337 7000**

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## PALO ALTO

To be announced shortly

## OSLO

Beddingent 8, Aker Brygge  
Postbox: 0117 Oslo  
0250 Oslo  
Norway

**T: +47 908 45 025**

## REYKJAVIK

Höfðatorg, Katrínartún 2  
105 Reykjavik  
Iceland

**T: +354 554 78 00**

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Head of Research at the branch office in France: **Mr Thomas COUDRY**

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