To Clients, Partners, and Friends of ***martin****wolf* M&A Advisors,

Happy Holidays, and Happy New Year!

2017 was a strong year for our firm, for the IT industry and for the US economy.

I hope you'll join me in looking back at some of the instrumental developments of 2017—and what the ***martin****wolf* team looks forward to as we enter the new year.

A Top Performance

If last year's economy were to be graded, it would receive an A. And the Federal Reserve would agree.

In light of the economy's continued growth, the Fed lifted its benchmark interest rate a quarter point to a range of 1.25 percent to 1.5 percent on December 13—the third rate hike this year and the fifth since the financial crisis. The Dow—which rose for five straight sessions and closed at a record four straight times—ended at a record after the rate increase, rising 0.3% to 24,585.43.

Unemployment is at the lowest level in 17 years, and is expected to fall even further in 2018. Increasing business investments and robust spending have contributed to an economic expansion that is now the third longest in U.S. history. The current expansion, if continued into the second half of 2019, can possibly exceed the 10-year growth from the economic boom during the Clinton Administration.

Continued Channel M&A

In the IT space, 2017 was a year that marked more than just a few blockbuster deals. Intel's $15 billion acquisition of Mobileye, Cisco's $3.7 billion acquisition of AppDynamics and $1.9 billion acquisition of Broadsoft, HPE's $1 billion acquisition of Nimble Storage and Office Depot's $1 billion acquisition of CompuCom Systems made headlines this year. Acquisitions have continued to shed light on the intensifying competition to capture resources in software, services and the cloud.

The quick pace of change in the channel has led to traditional resellers shedding their previous roles as they pivot to the services sector, and has also solidified a trend we forecast years ago: the increasing role of private equity. As anticipated, private equity's influence in the channel has continued to drive big deals in 2017, while conversely, the IPO market has seen a slowdown.

Apollo Global Management bought West Corp. for $5.1 billion, KKR & Co. completed its $2 billion acquisition of Optiv Security, and Thoma Bravo acquired Barracuda Networks for $1.6 billion this past year. With many major players in our space backed up by private equity, such as Sirius, ConvergeOne, and DecisionOne, the advantage of capital has led to a series of smart strategic acquisitions. As a result, we expect to see more of private equity's hand in the future, as the path toward a successful exit increasingly looks to involve a private sale.

Opening Up the Floodgates

While the past year has been an active one, we anticipate 2018 to leave a mark in the history books.

The biggest catalyst to intense economic growth will be the implementation of the much-debated tax reform plan. With the Senate passing the $1.5 trillion tax reform bill, tangible results will follow.

martin*wolf's* response to the tax package, echoing the likes of industry leaders, is overwhelmingly positive. We anticipate it will stimulate the U.S. economy by creating opportunity at every level—but especially for smaller companies in the IT space.

The lower corporate taxes, down to 21 percent from the current 35 percent, will undoubtedly benefit large corporations. The combination of greater and a lower cost of capital through accelerated depreciation will create more opportunities for significant M&A. But much of the conversation surrounding the tax plan has failed to take note of how smaller domestic companies, which currently have the highest marginal tax rates, will see the biggest impact.

In particular, I see opportunities for domestic companies in the IT space, such as Presidio and Insight. Consider Insight: the company had an effective tax rate of 38.1 percent according to the most recent historical data. Compare that to Apple, with an effective tax rate of 24.6 percent, or GE, who famously pays nothing. With the implementation of the tax plan, new freed-up capital will help those smaller companies by creating opportunities for investment in the business, capital return via buybacks or dividend enhancements, or M&A.

In addition, the repatriation of corporate profits held overseas, totaling $3 trillion, will be profoundly impactful for US companies, with the imposition of a one-time tax rate as low as 10 percent—whether it's through the buyback of stock, capital expenditures, dividend payments or M&A.

What This Year Has Meant for Us

This year has been a very good year for our firm. Earlier in the year, Insight closed its acquisition of Datalink, and in February, AST received equity investment from Tailwind Capital. We were the strategic advisor for Insight and AST in those transactions.

We're also proud to highlight the content brought to you this year through our ***martin****wolf* Intelligence network:

- Eight thought pieces and op-eds about major industry trends published via LinkedIn and Business Insider
- Sixty-eight Spotlight emails detailing noteworthy M&A or other business news

And, of course:

- Quarterly market and industry analysis in our IT Index publication
- Quarterly commentary and industry multiples in our Valuation and Deal Insights publication
- Monthly interviews with leading industry executives through our Executive Perspective series
- Weekly Tracker and Scoreboard publications detailing financial statistics and notable transactions

We are happy to announce that our intelligence network readership has grown globally by 100 percent this past year, and commit to provide timely, insightful analysis you can profit from in the future.

As we prepare to celebrate our twenty-first anniversary as a firm in 2018, I want to thank you personally for the role that you have played in our success. I wish you all Happy Holidays, a Happy New Year, and, as always, Happy Selling!

Sincerely,

Martin D. Wolf