

Consolidating the cloud: M&A trends in Microsoft IT services integration

Webinar date: 1 October 2025

Speakers:

- **Bart Delusinne**, Managing Director, Oaklins, Belgium
- **Frederik van der Schoot**, Managing Partner, Oaklins, Netherlands
- **Jan P. Hatje**, Managing Partner, Oaklins Germany
- **Cecilia Flombaum**, Agent Ecosystem Lead, Business & Industry Solutions, Microsoft, USA

Transcript

Bart Delusinne

Good afternoon, or good morning to some of you. My name is Bart Delusinne. I'm Managing Director at Oaklins KBC Securities and heading the tech advisory group in Belgium.

Together with my colleagues Jan and Frederik, I have the honor today to welcome you to our first in a series of webinars focusing on ecosystems in the tech space. The series is the brainchild of the three of us, as we wanted to provoke a kind of reflection moment on how these ecosystems actually shape the way we work today and how they drive the M&A landscape, which obviously is of particular interest to us as M&A advisors.

Today, we are thrilled to kick off with the Microsoft ecosystem.

A quick overview of today's agenda. I will provide a short introduction to the Microsoft ecosystem and Oaklins' TMT franchise. Frederik will then zoom in on our credentials in the Microsoft space and provide an update on the M&A market. Afterwards, Jan will interview our keynote speaker today, Ms. Cecilia Flombaum from Microsoft. Time permitting, we will finish with a Q&A session.

We plan to fly through all these topics in about an hour and would like to finish by 18:00 CET. I will keep an eye on the clock to make sure we monitor the timing as much as possible.

A few practical points. First, as you probably noticed, this session is being recorded and will be made available to participants afterward in a personal email, as well as published on the Oaklins webpage.

Secondly, you have the opportunity at any time during the webinar to submit questions using the Q&A button at the bottom of the screen that appears when you scroll down. Time permitting, we will address questions at the end of the session.

Zooming in on the Microsoft ecosystem, I don't think I have to introduce you to Dynamics NAV and Business Central, which recently have been grouped under the Microsoft Dynamics 365 suite. Microsoft Dynamics offers a comprehensive set of ERP solutions for both large enterprises and SMEs, and actually everything in between.

The Microsoft ERP proposition has been a huge success, given its modularity, the wide array of functionalities and, most of all, the fact that it offers solutions that are very much operationally interlinked and allow for end-to-end business management. I think the best example of that is Power BI, which has evolved into a very powerful and market-leading MIS tool.

So it is no wonder that the Microsoft solution stack ranks very high in the league tables, as highlighted on the slide, with a top position in the Gartner Magic Quadrant and very high scores in the IDC MarketScape analysis. This underlines how important Microsoft has become as a leader in the ERP space globally.

But this success has also driven a consolidation wave among implementation partners. Especially in Belgium, the Netherlands and Germany, we have seen a flurry of private equity-backed platforms that continue to consolidate the market of service partners. Frederik will dig into that subject further in a minute, but this is just to underline how relevant today's discussion is.

As some of you might not know us already, I would like to provide a short introduction to Oaklins and our tech advisory capabilities. Oaklins is an international mid-market M&A organization with around 60–65 offices in 40 countries and about 850 M&A professionals.

Our services span the traditional range of investment banking activities. However, our bread and butter, so to speak, is M&A sell-side mandates. We have closed around 7,000 deals over the past years and have about 500 live mandates at any given moment in time.

If there are two elements, I would like you to remember about Oaklins and our DNA, the first is that we are deeply sector-focused, with 16 sector verticals that run through the entire organization, down to the level of the individual offices. The second is that about half of our deals are cross-border, illustrating the intense cooperation we foster throughout the whole of our organization.

TMT is one of the most important sector verticals, with a global team of around 65 tech M&A bankers who work very closely together, as you can see from the composition of today's panel. Our TMT vertical covers media, telecom and technology. Within technology, we cover a wide array of sub-markets, with software and IT services being the most prominent ones.

We close on average about 50–60 deals per year in the tech space, nearly half of which are cross-border. This gives us a very solid position in the league tables, both at the European level and in markets such as Germany and the Benelux.

I would say that is enough by way of introduction. Let's plunge into the topic at hand. I would like to pass the floor to Frederik.

Frederik, the floor is yours.

Frederik van der Schoot

Thank you, Bart. Pleased to be meeting everybody today. Maybe we can move on to the next slide.

I have a few slides covering our experience in the Microsoft ecosystem and some trends and valuation perspectives from a market point of view. After that, we will hand over to Cecilia and Jan to take the perspective from the Microsoft side and discuss what is actually happening there.

As Bart mentioned when he showed our TMT track record and rankings in the league tables, much of that is underpinned by transactions in the Microsoft space. Here you see a selection. We have been active across the ecosystem: the modern workplace and managed services, business applications—where we have done a lot of work—as well as, more recently, the cloud service provider side of the ecosystem around Azure.

Some notable transactions that have just closed, or are about to close:

We recently represented a Dutch company called True, the largest and last sizeable Microsoft-focused managed service provider in the Dutch market, with around USD 100 million in revenues. We sold the company to a new large platform called Building Beyond Technology, backed by IceLake Capital, which is purely focused on Microsoft and already has around 2,500 professionals. They rapidly consolidated three firms and are about to do a lot more.

We also represented the majority sale of HSO, a former portfolio company of Carlyle—or about to be a former portfolio company—in teaming up with Bain Capital. HSO is one of the leading players in the Dynamics 365 space, generating around USD 500 million in revenues. It is a great platform that has consistently delivered over 20% revenue growth year over year on an autonomous basis, not including the excellent acquisitions they have made.

And then, together with Jan on the call, we are very excited about a deal in the German market. We have just sold an SME-focused Microsoft cloud services business generating around USD 30 million in revenues and an impressive 25% year-over-year growth to a new private-equity-backed platform focused on cloud services with the ambition to become a unicorn. We are really excited about the deal and look forward to announcing it when we can. Especially on the cloud services side of the business, we expect a lot of deal flow over the next 12 to 24 months.

Being active in this space for a long time, we have built a lot of insight into the relevant value drivers and where true buyer appetite lies. To highlight our long-standing presence, we can move to the next slide.

Just digging in a little bit on HSO. HSO was really our starting point in looking deeply into the Microsoft ecosystem. That collaboration started more than 10 years ago when we began working with the founder on defining his strategic objectives. Initially, that resulted in a stand-alone growth trajectory over three to four years.

At that point, HSO had built sufficient scale in Europe as one of the early adopters and leading players in Dynamics. It then became clear they needed to become a truly global player, adding the US to Europe. We carefully selected a financial sponsor that could back them in that challenge, which resulted in a partnership with Carlyle, as you can see on the slide.

It has been an amazing journey. In six years, they completed six acquisitions, grew revenues by around 400% and increased EBITDA by more than 600%. HSO is also an important partner for Microsoft, which I expect Cecilia will talk about as well.

But their journey is not done. Six years ago, “global” was often defined as “Europe and the US.” Today, global really means adding Latin America, more of Southern and Northern Europe and also the APAC region. So it was time for the next step. This led to a new partnership with Bain Capital, bringing deeper resources in many aspects—financial, operational and strategic—to help them scale globally. Carlyle was the perfect partner for the US expansion phase, and Bain will now support them in going all over the globe.

For us, this is exactly the kind of work we like to do: working over many years with founder-owned companies—or companies in general—and helping them realize their ambitions.

We can move on to the next slide to look at the deals we have been talking about and what we see happening from a market perspective.

I am a little bit humble as Cecilia is here and really knows what is going on, but from a market perspective, this is what we see.

We look at complexity and lock-in. We see that business applications combined with data, AI and the Power Platform—Bart already mentioned that—still form the most complex part of the ecosystem, create the strongest lock-in and capture most of the value. This is followed by Azure and the modern workplace and managed services space. You will see that reflected in valuations, with value flowing from higher to lower, depending on the product segment.

Dynamics 365 is a truly global product. International delivery is becoming increasingly important if you want to serve the largest and most complex clients, and that is where you can capture most of the value.

I mentioned autonomous growth. In the IT market in general, the quick buy-and-build strategies that were very popular in the past are being looked at in a different way. Everyone is now digging into whether there is real autonomous growth potential within a company. It is relatively easy to put together a buy-and-build platform. Building a genuine autonomous growth engine is much harder. It requires long-term work, a strong culture and deep investments in innovation within the company. Those that can demonstrate strong autonomous growth are considered the leaders of tomorrow.

That also comes with scale. You need to invest more and more to increase the quality of your organization. Life is getting a little tougher out there, so you need to stay ahead of the pack. You also need investments in your intellectual property. There is a layer of vertical IP that is still a key differentiator. In future, part of that may be replaced by higher-level agents created by the firms themselves, but today locking in verticals is very important.

In ecosystems like this, talent is scarce. In order to grow, you often need that initial project. You need people, and those who can deliver initial projects in the most efficient way can turn the highest number of customers into long-term recurring customers. You need to invest in standardized project delivery to grow faster than the companies around you.

The last point—and Jan and Cecilia will talk about this as well—is where we really see a shift. Six to twelve months ago, anything with “AI” in the proposition was treated like platinum. Today, AI is as much a threat as it is an opportunity. The companies that really understand how to apply it best within their organizations will be the winners of tomorrow. It is not just about “using AI.” It is a complete organizational change you need to go through with your company.

This is what we see happening in the market over the past years. If we now link that to valuations, we can move to the next slide.

Overall, we see that valuations are still below the all-time highs of 2021–2022. However, they have stabilized at what we still consider to be very attractive levels.

If we look at valuation drivers, many of the factors we just discussed come back: recurring revenues, client churn, the maturity of your client base and the remaining migration potential of your clients. Often, for example in the Microsoft space, it is attractive if clients are not yet fully mature in their adoption. That creates a lot of potential to do future business and help them transform into tomorrow’s winners. We spend a lot of time uncovering this, and it is one of the topics we work on with our clients most intensively.

Looking at the valuation bands, you see them follow the complexity of the business. For modern workplace and managed services firms, we see the majority of deals—around 70–80%—happening between 9x and 11x EBITDA. For cloud services, valuations are around 10x to 12x, and we see that shifting slightly upwards. For business applications, data and Power Platform-type plays, most deals are happening between 11x and 13x EBITDA. Of course, individual companies can fall outside these ranges, but this is where most transactions occur within the ecosystem.

Wrapping up and moving to the next slide, we still consider the Microsoft ecosystem to be highly attractive to be active in and to invest in. Overall IT services and digital transformation market growth remains consistently high, and Microsoft is a clear winner in that market.

There are many opportunities—large and small—which are also driven by the significant number of companies that are now owned by private equity. Many of them were acquired around 2019–2021, and there is a natural exit window coming up. You see a selection of those companies on the slide.

We are excited about what is happening. We believe all these opportunities coming to market are worthwhile to assess, and we hope this gives you some guidance on how to best evaluate them so you can spot tomorrow's winners and make great investments.

I think this is a good moment to hand over to Cecilia and Jan to give the inside perspective from the market side. Thank you for your time, and I am pleased to hand over.

Jan P. Hatje

Thank you very much, Frederik, for this comprehensive overview of the market. Before we start with the interview, Cecilia, you also have some views on the market and prepared some slides, which can serve as an introduction.

We have with us today Ms. Cecilia Flombaum, who has been with Microsoft for more than 20 years. She has seen the development and growth of the company over more than two decades and can hopefully share many insights with us, especially on the evolution of the Microsoft partner ecosystem, where she is now Agent Ecosystem Lead and can show us how Microsoft partners need to position themselves.

But before I speak too much, Cecilia, let me hand over to you.

Cecilia Flombaum

Thank you and thank you for having me today.

As a quick introduction, my name is Cecilia Flombaum. I have been at Microsoft for about 25 years, and almost 20 of those—around 19 years—have been in the business applications space, which has always been a very interesting part of Microsoft. It has historically been a little less scalable than the Office business that everyone knows, and certainly less visible than our cloud platform business, which has been so pervasive and viral across the world.

With business applications, we grew steadily but more slowly. What is interesting about this part of the business, which is certainly my favorite one in the company, is that it has become highly strategic when it comes to artificial intelligence and the impact AI will have on business processes and business outcomes. We will talk more about that in a minute.

I am now in a role within the engineering team—the part of Microsoft that actually builds the products—but as an ecosystem lead, so I get to have more strategic impact than before, when I spent most of my time on the commercial side and was very focused on fiscal-year performance.

Let's go through my slides, just to set the stage.

Because I have been in this company and in this division for so many years, I have seen what software has done for processes and for things that were previously done on paper. Software has enabled the digitalization of business processes and has clearly changed the world—from how we worked 20–30 years ago to how we work today. That change has been driven by software.

Now, what is happening is that AI is changing software: the way software is made and the way we imagine applications. All of this is being reinvented from the ground up.

When we talk about AI, I know many decision-makers get quite nervous. Let's go to the next slide.

I try to talk to a lot of customers, and what they really want to know is: "That's a very trendy word. I understand it is incredible. I can go to ChatGPT and Copilot, and I can see how it helps me prepare dinner or solve a problem at home, but what is AI going to do for my business? What additional revenues can I expect? What increase in productivity can I expect? What cost reductions can I expect from AI?"

Those are the questions every CEO wants answered, and that brings us to the role of partners, which is what we are going to discuss today.

The impact of AI, we believe, will be felt in three ways—two that we know, and one that we do not yet fully know.

The first is general employee productivity. This covers how we build reports, prepare presentations, create pivot tables, write emails and manage our workday with Copilot telling us what we have to do today and keeping track of our tasks. Meeting summaries, task extraction—this is employee productivity. We know a large share of the impact of AI will be there.

The second area, and the one closest to my division, is process improvement. At the end of the day, every company sells something—people's time, products or services. The questions are: How are we going to sell more? How are we going to spend less? How are we going to ship more product? How are we going to improve business processes? This process-level improvement will be a very big area and is the one I spend most of my time on.

The third area is similar to every technological revolution we have seen before: there will be things we simply cannot yet imagine. Thirty years ago, we did not really foresee a device that we call a phone on which we can practically manage our entire lives. That was created by the cloud and mobile revolution. We do not yet know which new experiences will be created with AI, but we know they will appear.

That is the world we are moving into and already living in—probably for the last two or three years—and it is transforming the ecosystem. With that, we can start our conversation, Jan.

Jan P. Hatje

Thank you very much for this introduction, Cecilia. Before we dive into more detailed questions, let me start with something broader.

In the past, we have seen "iPhone moments," where entirely new categories emerged, but we have also seen "Nokia moments," where successful companies lost relevance very quickly. Do you think AI will accelerate these kinds of shifts, and could we see dramatic changes in company influence in the future?

Cecilia Flombaum

The AI transformation will be much faster than the cloud transformation.

In the software world, everything started on-premise, and then we moved to the cloud. In business applications specifically, we are still moving. SAP has tens of thousands of customers still on-premise. We also have thousands of customers on-premise. That transformation began more than 10 years ago and is still not complete.

We believe the AI transformation will be equally impactful—if not more impactful—but it will happen much faster.

What has happened in the past two or three years alone is already very impressive. There are many startups focused on AI, and there is intense competition among large players to invest in the infrastructure needed to power these models, as well as in innovation and performance. AI behaves differently from traditional software. It is not deterministic—it operates in a world of probabilities and approximations.

So we are investing heavily in accuracy and stability. Businesses need predictable outcomes. There are huge investments from the big players and many new startups entering the space. Some will fail, some will disrupt, and some will consolidate.

In my leadership team, we often compare this to the shift when smartphones emerged. We went from a world where “there’s an app for that” for almost anything in our personal lives, to now entering a world where there will be an agent for that in business.

Jan P. Hatje

Let’s go back a little. How has the Microsoft partner strategy evolved in recent years? You have been with the company for a long time, so you have seen many changes.

Cecilia Flombaum

A lot has changed. Many years ago, partners were very transactional. They acted mainly as resellers. Microsoft sold software boxes that needed to be installed and implemented. But we have moved far beyond that. Partners today are complex, solution-oriented businesses.

Their economics come much more from their own value-added offerings—whether that’s proprietary IP addressing specific industry scenarios or differentiated service offerings that deliver customer success.

We, at Microsoft, transformed alongside our partners. We completely redesigned our programs and incentive structures to measure customer success. At the end of the day, the only metric that matters is usage. If customers use what they buy, it means the solution is delivering the outcomes promised during the sales cycle.

We now measure partners by customer success, and this is the center of our universe.

Looking forward, we will add more AI-driven metrics. One thing that has never changed—and will not change—is our emphasis on industry specialization. The best partners choose their verticals wisely and build deep expertise, sometimes with strong IP, sometimes with specialized services and often with both.

Jan P. Hatje

Is this the best way to position yourself as a Microsoft partner? What should partners focus on to increase their position within the ecosystem?

Cecilia Flombaum

Positioning as a successful partner is a combination of several things.

In the Dynamics ecosystem, partners sell a lot on our behalf. They specialise in industries, often better than we do, which means they are best positioned to speak to customers about their specific needs. That is why, when partners fail, it is often because they tried to sell in a vertical where they had no real track record or IP.

So first: sell where you are strong.

We look at revenue impact and product usage, but also at technical capability. Being a great partner requires strong technical certifications and proven delivery excellence.

Our best partners also expand across the Microsoft Cloud. When they build trust in ERP, they can naturally extend to analytics, AI, modern work or custom development. This is a differentiator.

Jan P. Hatje

As investment bankers, we help build platforms, often with private equity. How do you see the consolidation of Microsoft partners? Does it help or create challenges?

Cecilia Flombaum

I am very close to many private equity firms investing in Dynamics partners, and there is huge interest.

What I see most commonly are three expansion strategies:

1. Expanding capabilities across the Microsoft Cloud
For example, a Business Applications partner acquires an Azure analytics or AI boutique.
2. Expanding industry presence
A partner strong in professional services might acquire a partner in manufacturing or retail.
3. Expanding geographic scale
This is the HSO example. Starting in Europe, adding the US and then expanding globally.

These are the three patterns I see when partners receive investment and pursue rapid growth.

Consolidation also has two impacts: size and technical depth. And yes, with size comes more importance to Microsoft.

Jan P. Hatje

Many partners used to be pure service providers, but now they are developing their own products. Does Microsoft support partners in scaling their IP globally?

Cecilia Flombaum

Yes, absolutely.

The IP of the future will be a collection of agentic, automated business processes. Traditional apps will evolve into agent-driven experiences, but the core concept remains: addressing specific vertical business processes.

We are pivoting our programs toward helping partners build, deploy, manage and secure agentic experiences.

Regarding go-to-market support, Microsoft has always operated in a highly collaborative partner ecosystem. Partners work together often. We have community events, programs and a marketplace where partners can publish, promote and transact their solutions. Our sellers can also discover these solutions and bring them into customer conversations via our CRM systems.

Jan P. Hatje

You mentioned Amazon's new Alexa+ yesterday. Do you think we'll see one unified agent in the future, or many different agents?

Cecilia Flombaum

Agents will follow business processes.

Each job to be done will have an agent designed for that job. We will have personal productivity copilots and agents embedded in every business process.

Microsoft's key differentiators are:

- We are open across the entire Microsoft Cloud
- Our agents run on an open model context protocol
- We integrate productivity (Microsoft 365) with business processes (Dynamics 365) and infrastructure (Azure)

This openness and integration make Microsoft unique compared to pure ERP or CRM vendors, who have more to protect and do not expose their applications in the same way.

Jan P. Hatje

How is AI transforming business applications more concretely?

Cecilia Flombaum

In three fundamental ways:

1. The user interface (UI)
Copilot becomes the new UI. Instead of clicking through menus, users will tell Copilot what they want to do.
2. Workflows become agent-driven

Today, workflows are static. Changing them is a huge effort. In the future, agents will execute dynamic workflows that adapt based on context. Dynamics 365 is being redesigned so that agents orchestrate processes based on learning and pattern recognition.

1. Data becomes knowledge

Instead of static tables, data is reasoned over by AI.

Context, history and trends transform data into usable insights.

Together, this completely transforms how applications are built.

Jan P. Hatje

A more critical question. Will we end up with agents emailing each other without human involvement? What does that mean for the workforce?

Cecilia Flombaum

Yes, agents will interact with agents. Processes will be automated. But this is not new—Excel also automated work humans used to do.

Every technological shift creates new roles. In fact, with higher expectations and more advanced experiences, some industries now employ more people than before.

There will be new jobs, new creators and new designers. And businesses will be able to do more with the people they have.

Jan P. Hatje

Coding used to be an art. With AI writing code, how has software development changed inside Microsoft?

Cecilia Flombaum

Dramatically.

AI already writes entry-level code. But we now need far more:

- data scientists
- designers
- evaluators
- model-tuners
- accuracy engineers

Agentic experiences require continuous testing and refinement. Productivity gains only matter if outcomes are accurate. Financial statements, orders, shipments — these must be correct.

So software development evolves, but many new functions emerge alongside automation.

Bart Delusinne

Sorry to jump in, Jan and Cecilia. We have about five minutes left. Jan, perhaps a few key questions, and maybe we can take one or two from the audience.

Jan P. Hatje

Of course. Cecilia, what will the Microsoft ecosystem of the future look like? How do partners create long-term customer lock-in?

Cecilia Flombaum

Customers know that when they invest in Dynamics 365, they are not just buying an application — they are investing in a platform. AI strengthens this significantly.

We see CEOs and CIOs moving away from best-of-breed back to best-of-suite, because integrated stacks allow AI to deliver the most value.

This increases consolidation among partners as they try to serve clients across the entire Microsoft Cloud.

Microsoft will continue supporting both large consolidated partners and smaller partners. But consolidation also means we align more resources around our largest partners, while AI helps us provide more programmatic support to smaller ones.

Jan P. Hatje

If you were a Microsoft partner starting today, what would you focus on first?

Cecilia Flombaum

Pick a lane.

Specialize. Choose a market segment or an industry where you can differentiate. Then invest in:

1. Technical capability
2. Go-to-market strength

I am biased, but I would tell any new partner to focus on business processes or data, because these will be the most transformative areas for AI.

Customers with poor data quality will struggle with AI adoption — so data partners are in very high demand.

Jan P. Hatje

Last question from my side. Should partners diversify into multiple technologies (Microsoft + SAP, for example), or should they stay focused?

Cecilia Flombaum

For most partners, choosing multiple ecosystems is not a good strategy. It becomes too difficult to build deep skills, strong IP and a compelling offering in more than one.

Large global system integrators can do it because of scale, but mid-sized partners should pick one ecosystem — Microsoft, SAP, Salesforce, etc. — and focus.

Diversification only works when it is complementary, such as selling SAP on Azure. But being in two core business application ecosystems at once is increasingly difficult.

Closing

Bart Delusinne

Thank you very much, Jan, for guiding this discussion, and thank you, Cecilia, for your valuable insights. I think participants appreciated both the outside-in view we bring as advisors and the inside view you shared from Microsoft.

I noted a few highlights I would like to share as we close.

The Microsoft ecosystem fully embraces AI. Cecilia, you do not see AI as a threat, but rather as a tremendous opportunity. It will reshape interaction models, processes and partner roles across the ecosystem.

The Microsoft tech stack itself is evolving toward a platform for agentic experiences, and the traditional IP that partners develop will increasingly evolve into combinations of agents.

The ecosystem of the future is AI-first and agentic. Service partners that focus on AI integration and agent development will lead the market.

Service partners will also continue to play an increasingly important role in the ecosystem — winning the “heart” of their customers through integration, specialization and trust.

And, as you highlighted, Cecilia, the future ecosystem is one that nurtures innovation through openness and connectivity. Open protocols and extensibility will be key.

On that positive note, I want to thank all of you for your interest and participation today. Thank you also to those who submitted questions — apologies that we could not address all of them. Jan, Frederik and I look forward to welcoming you again soon for the next episode in this webinar series.

Thank you very much.