



Access

BY **7MILE**
ADVISORS

ACCESS 2021

M&A Market Update

Delivered by John Cooper

Content

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- 6 General Market Trends
- 13 Target Markets, M&A Commentary, and Trends
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Industry focused
investment banking.



Introduction to 7 Mile Advisors

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7 Mile Advisors at a Glance

Advising high value-add enterprise technology companies on achieving optimal transaction outcomes

Merger & Acquisition Advisory for Enterprise Tech Services

- Founded in 2008 with a mission to deliver deeply verticalized M&A, capital placement, and market advisory to middle-market technology companies
- Full focus on tech-enabled business services and deep domain expertise in Software and Technology end-markets with an expansive network
 - Other focus sectors include:
 -  Emerging Markets
 -  Healthcare & Healthcare IT
 -  Industrial Services & Technology
 -  Consumer Products & Technology
 -  Insurance
- Offices in Charlotte, Los Angeles, Pittsburgh, West Palm Beach, and Argentina, advising a global client base

180+

Transactions Executed

30

Dedicated M&A Professionals

The 7MA Difference



Senior-led
Transactions



Industry
Expertise



Methodology
& Global Reach

7MA Momentum

29

Deals Closed
Since Oct. 2020

10+

Deals Currently
Under LOI

17+

New Employees
Since Oct. 2020

Sample Recent Transactions

ServiceNow, IT Services



Cloud Services



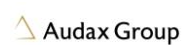
Data Cloud
Transformation in AI



Salesforce



Sample Recent Acquirors & Investors



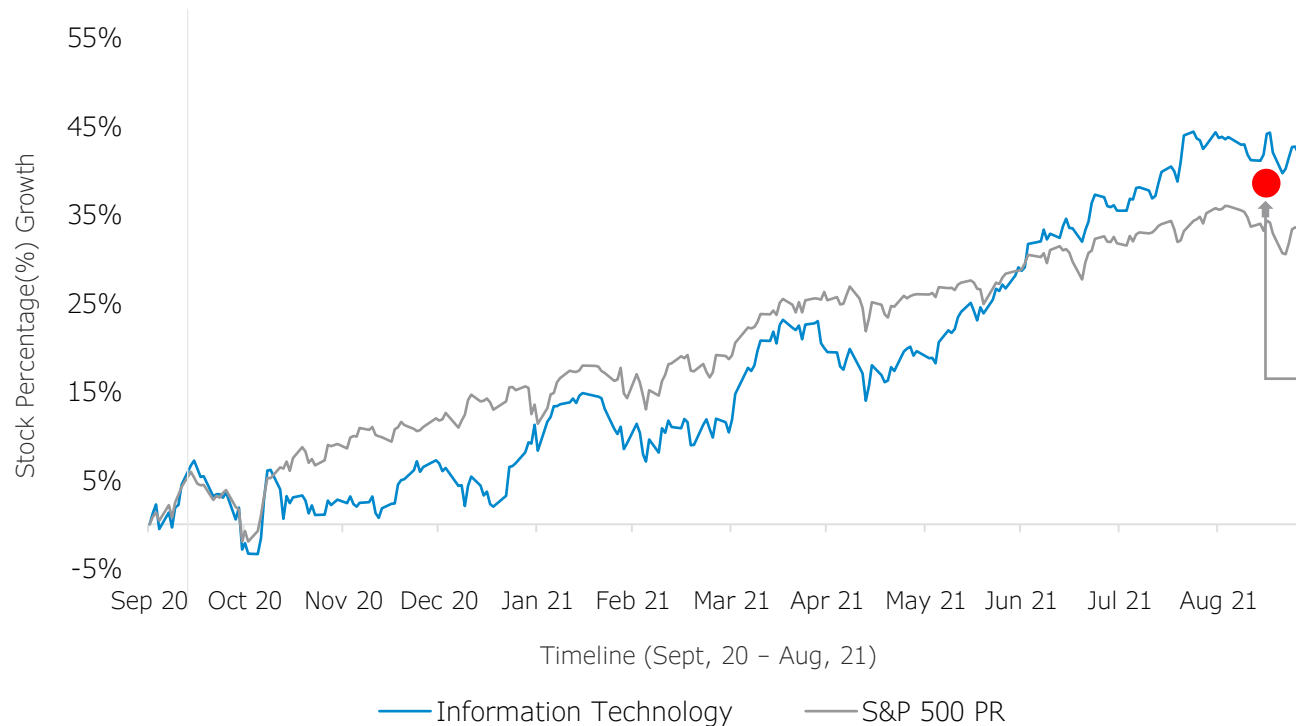
General Market Trends

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Market Performance

The recovery of Information Technology has outpaced the broader market

S&P500 LTM Stock Performance



Enterprise Software

ORACLE salesforce Microsoft Adobe

Digital Tech Services

Globant Infosys accenture epam

Digital Marketing Services

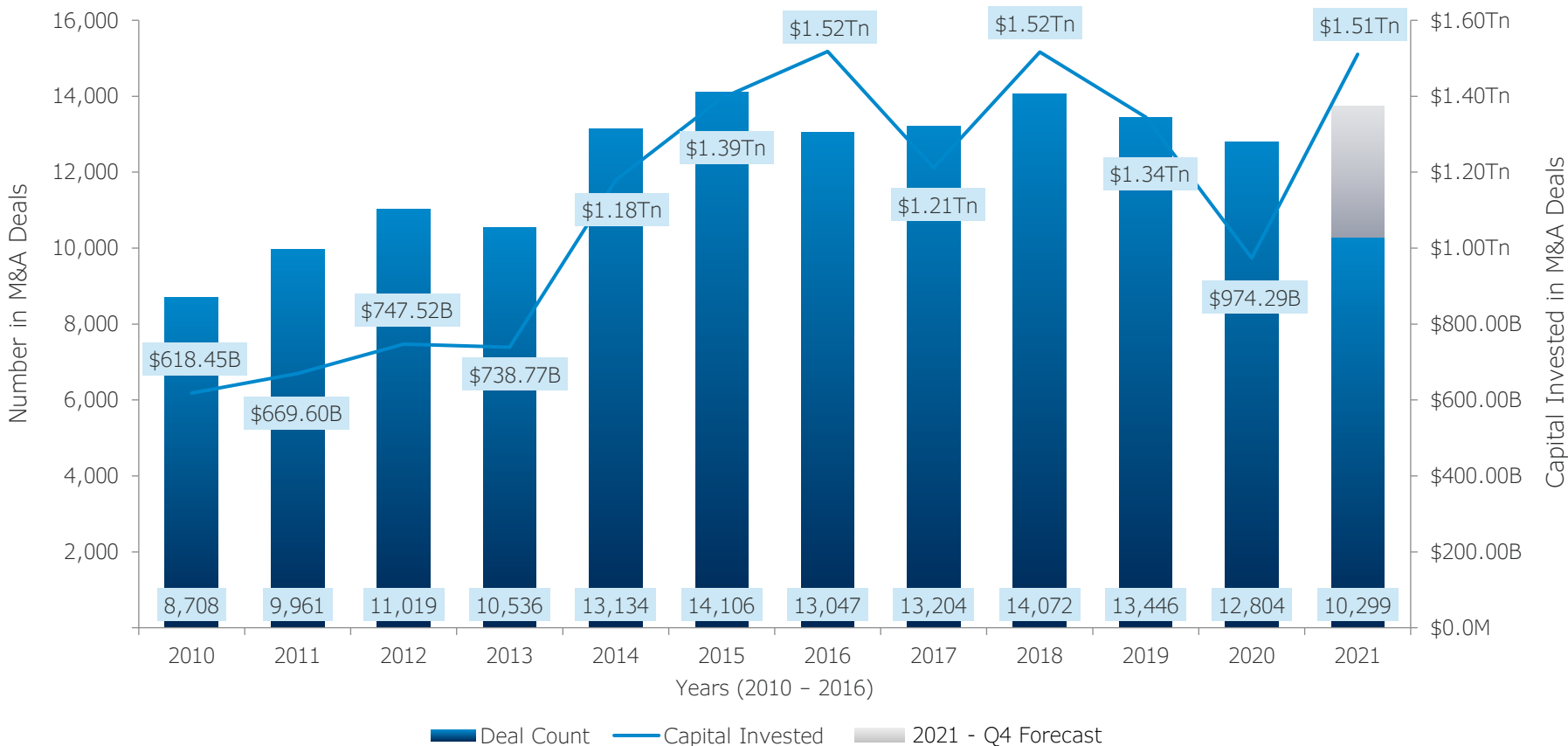
WPP OmnicomGroup dentsu group PUBLICIS GROUPE

Trading at all time highs

- Fed maintains interest rates near zero (0 - 0.25%)
- QE reached 8.36 trillion (9/7/2021)
- Expected tapering near year end (Nov.)

M&A Activity by the Numbers

North America M&A Across All Sectors



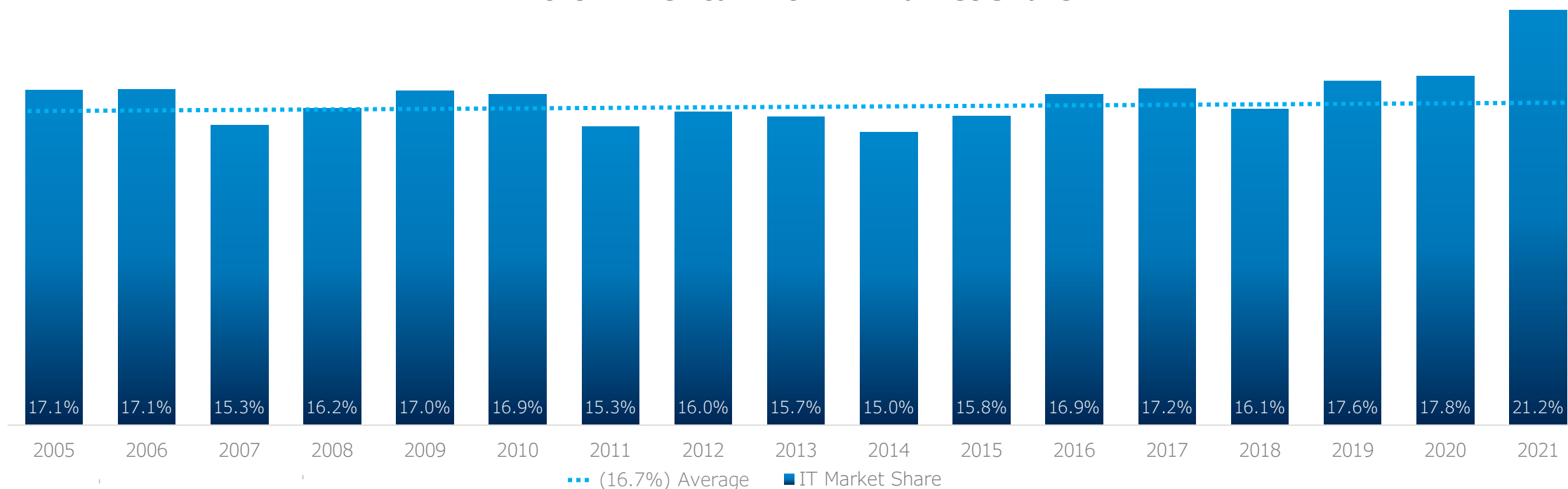
Sources: 1) Source: PitchBook Data, Inc. (as of Sept. 30) / 2) North America Statistics / 3) Refinitiv Data

- Big deals are making a comeback as corporations emerge from 2020's fallow period with an appetite for M&A. H2 is set to reach new highs buoyed by a vibrant IPO market and SPAC reverse merger activity, among other things
- M&A activity appears to be in robust health in North America. However, regulatory reforms expected from the Biden administration may temper optimism surrounding future deal activity
- Deals are being sought in fast-growing sectors such as Technology, Healthcare, and Financial Services
- 35% YoY growth in invested capital (2020-2021)
- 7% YoY growth in deal count (2020-2021)

Shift Towards IT

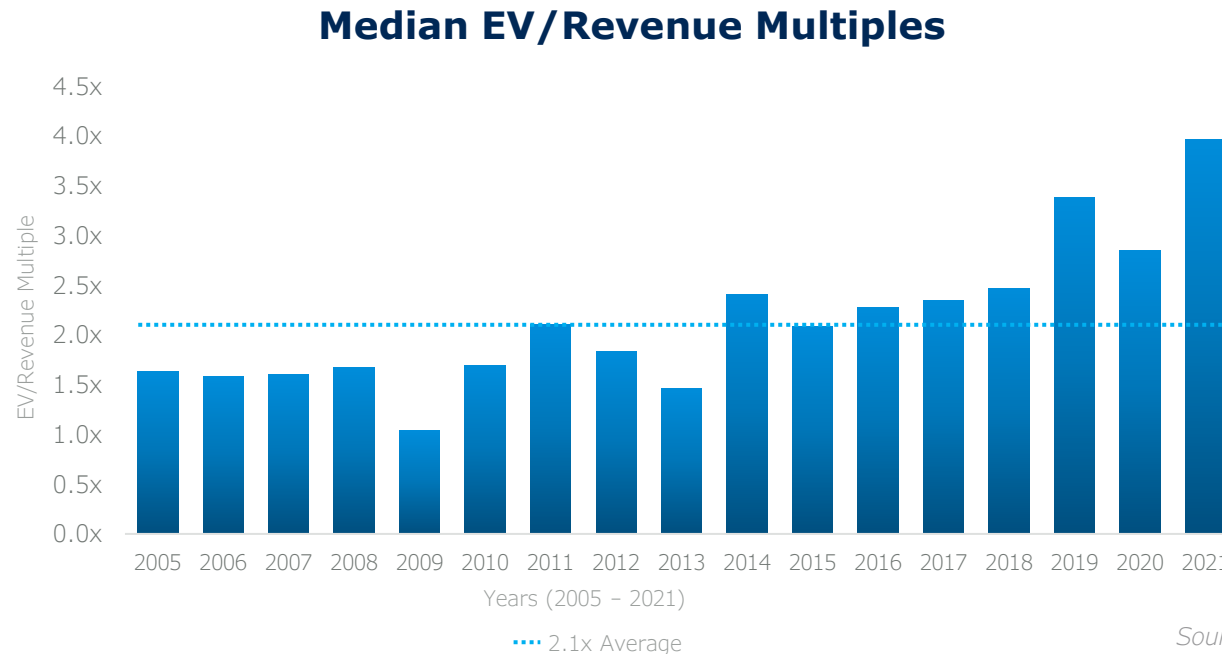
The IT M&A market share has expanded since 2005 and posted a robust YoY 15.8% growth rate from 2020 to 2021. This progression showcased the importance of technology in the remote workplace and the ability for brands to remain in contact with consumers. Most importantly, IT is becoming a predominant component of the M&A activity.

North American M&A IT Market Share



North American IT M&A Commentary

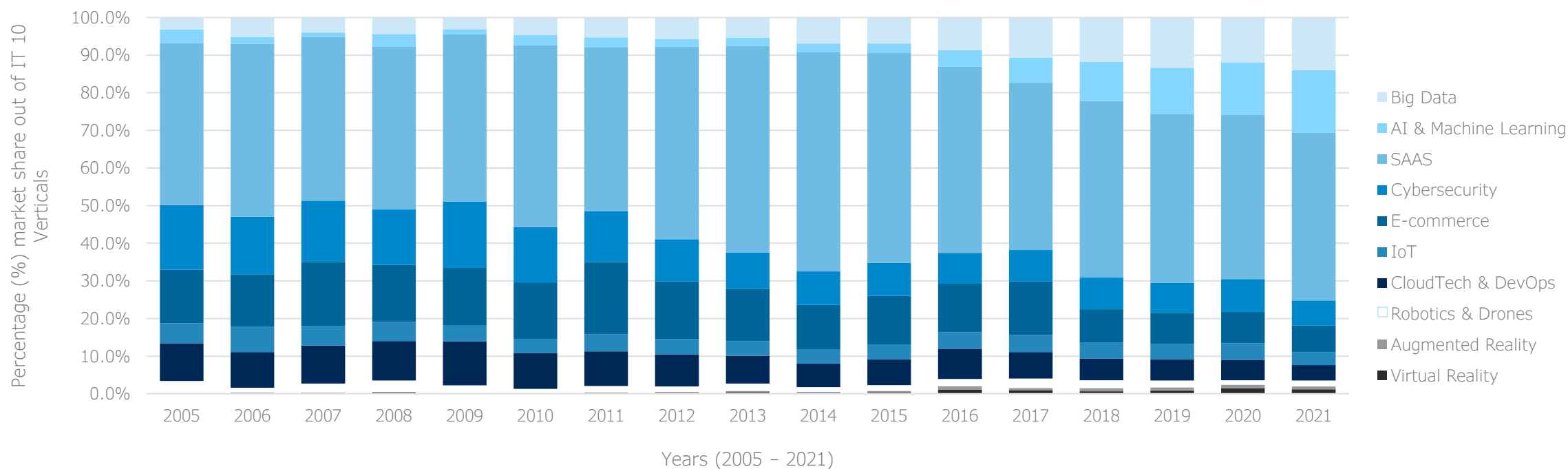
- Revenue multiples have experienced continued expansion since the last recession and the IT market has been trading at a premium to historical averages due to sector growth rates as well as services firms creatively shifting revenue models to higher visibility re-occurring revenue
- A healthy stock market, the availability of inexpensive debt, sector growth and an upbeat sentiment to resilient business models have all contributed to North America M&A activity bouncing back during H1'21



IT Verticals Shift

- The IT industry is composed of a variety of verticals characterized by constant innovation, growth, and evolution. Software as a Service (SAAS, 51.9%), AI & Machine Learning (19.3%), and Big Data (14.0%) are the top 3 leaders of deal activity in the IT M&A market
- The AI/ML (15.4% CAGR) and Big Data (10.0% CAGR) verticals have experienced the most M&A deal activity growth since 2015

North American M&A IT Market Share Activity



LATAM Market Landscape

- Over the course of the last decade, the emergence of the **Latin American technology market** has been a driver for economic growth in the region. The technology sector was further bolstered by the challenges COVID-19 created for businesses including remote work, communication, cash management, digital marketplaces, and cyber security solutions. Within the IT Services ecosystem, the LATAM region has risen to the forefront as a **leading outsourced services provider of digital transformation capabilities**. As business and technology strategies become ever more intertwined many business leaders are finding that the technology choices of the past are now limiting the business strategies of the future.
- IT service companies in Latin America have been a **stand-out choice** for any company looking to outsource and grow their software development platforms. The advantages Latin American firms enjoy are their **geographic location**, highly skilled engineers, inexpensive labor force relative to their developed-economy counterparts, and agile delivery methodologies.

Notable Acquirers



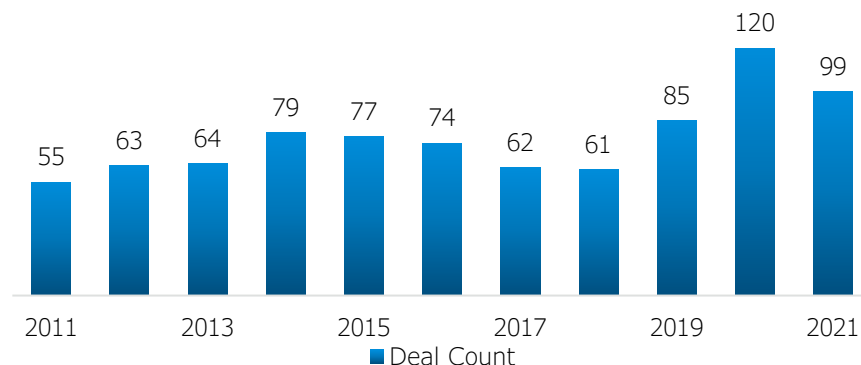
Leading Regions

Argentina	
Colombia	
Costa Rica	
Mexico	

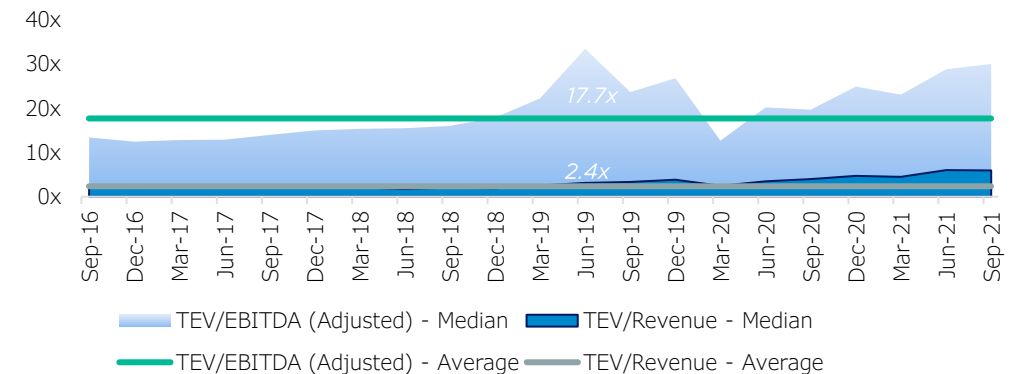
7MA LATAM Experience



LATAM IT Services Deal Count



Public Basket Valuation Metrics

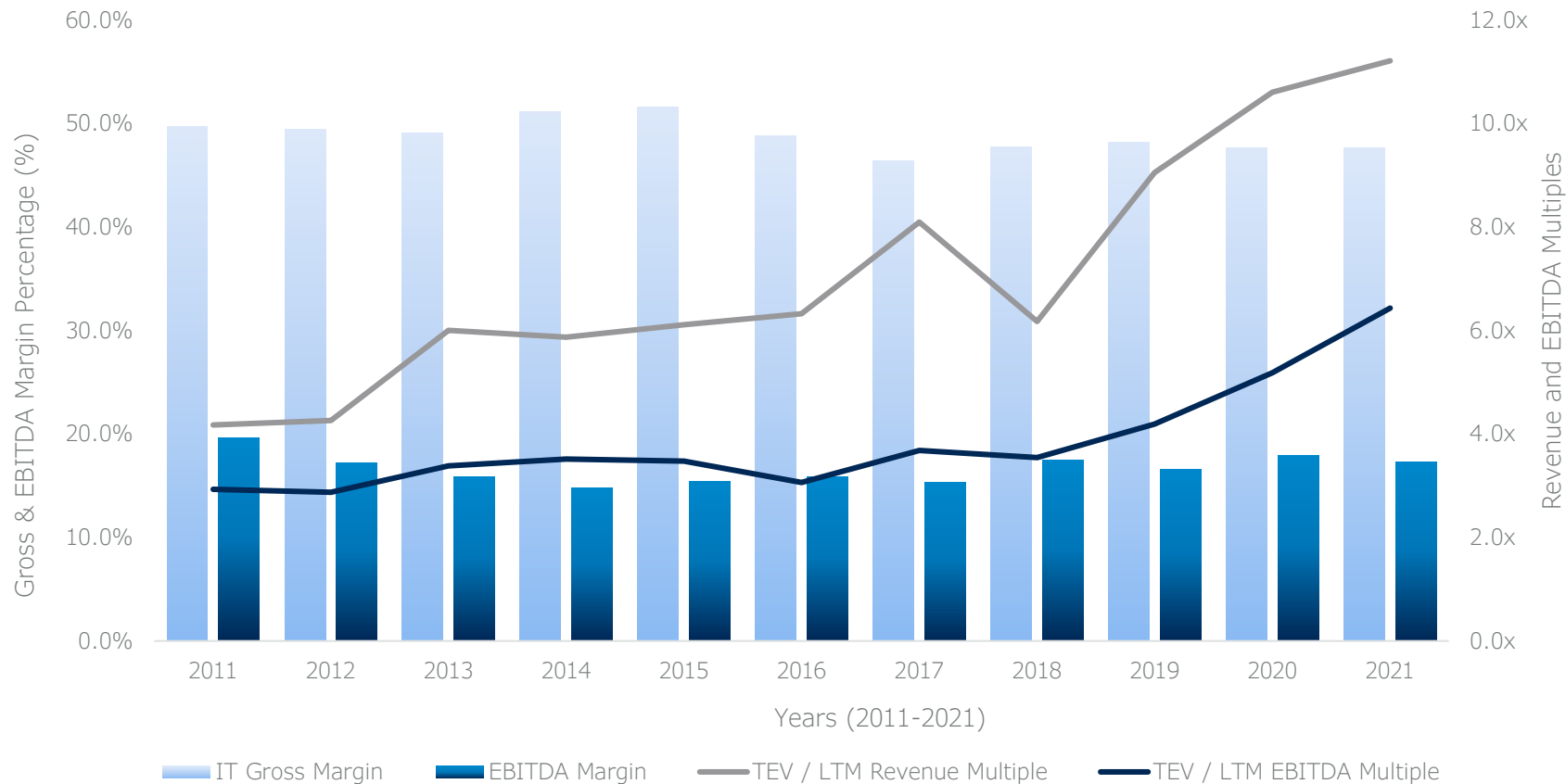


Target Markets, M&A Commentary, and Trends

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Publicly Traded IT Services Companies: Margins & Multiples

IT Margins & Multiples



Multiples:

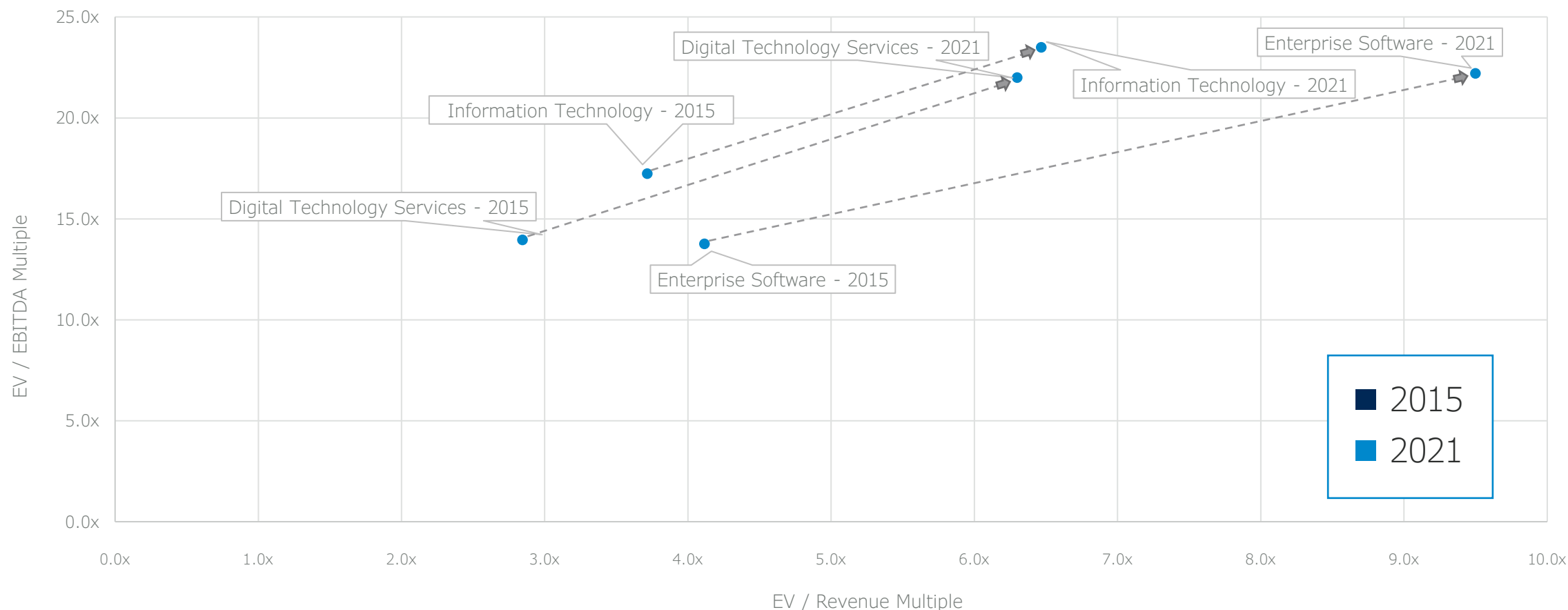
- TEV/LTM Revenue Multiple: **9.4%** CAGR (2011-2021)
- TEV/LTM EBITDA Multiple: **7.4%** (2011-2021)
- Areas such as E-commerce, MarTech, Digital Engineering, Data, and Cloud are trading at all time highs

Information Technology – Services and Software



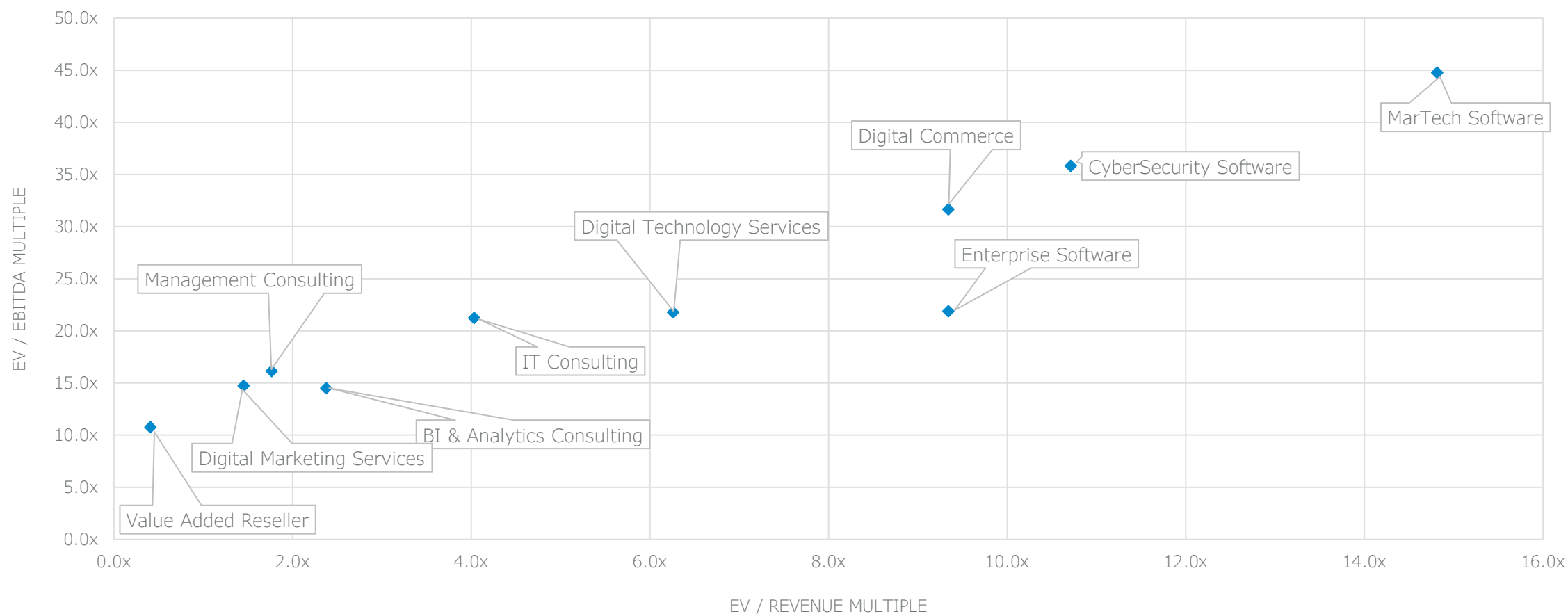
Change in Trading Multiples - L5Yrs

Growth / market opportunity has proven to be the largest influencer of valuation multiples



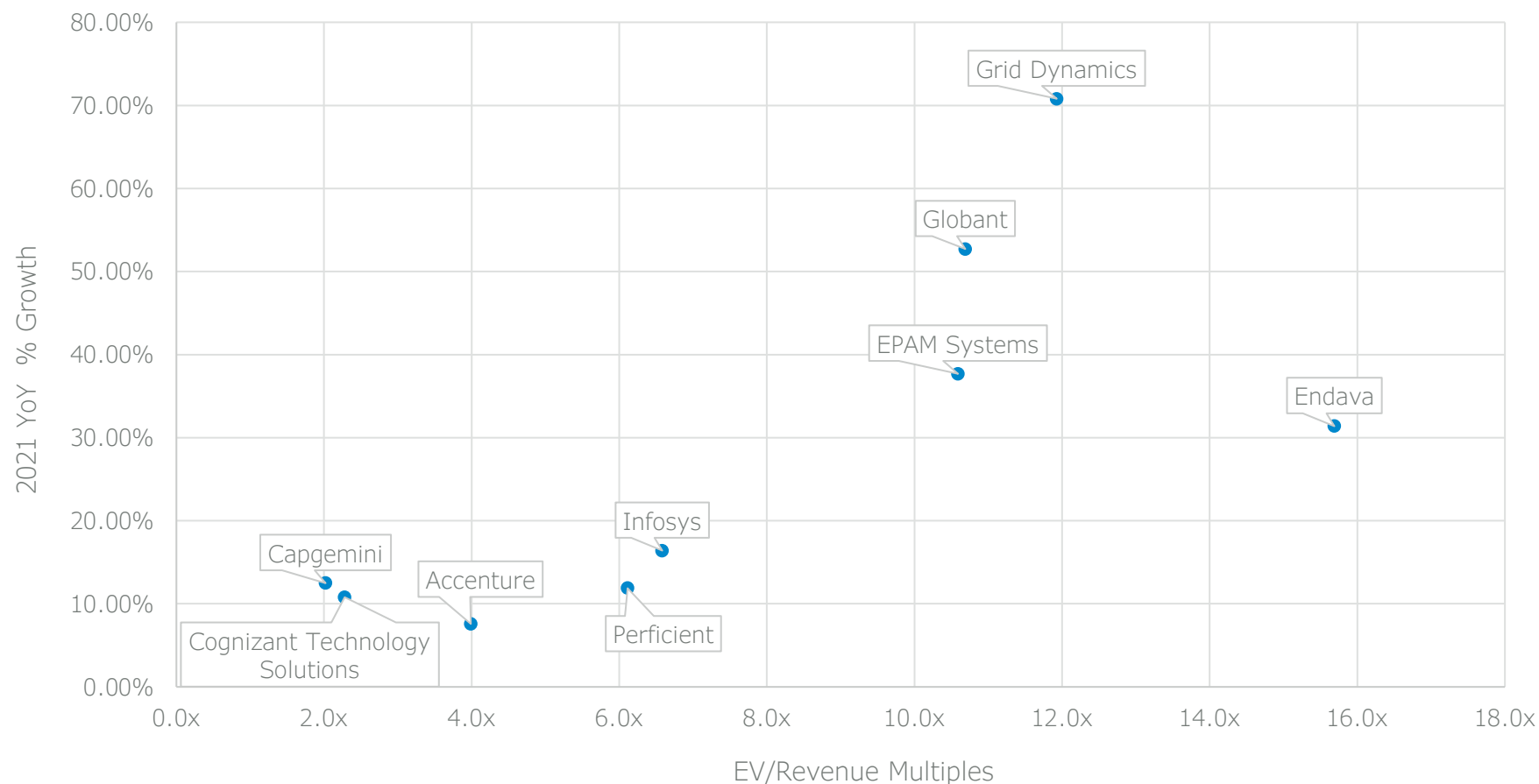
Current Trading Multiples by Sub-Sector










Information Technology - 2021



Digital Technology Services Growth to EV/Revenue

2020-2021



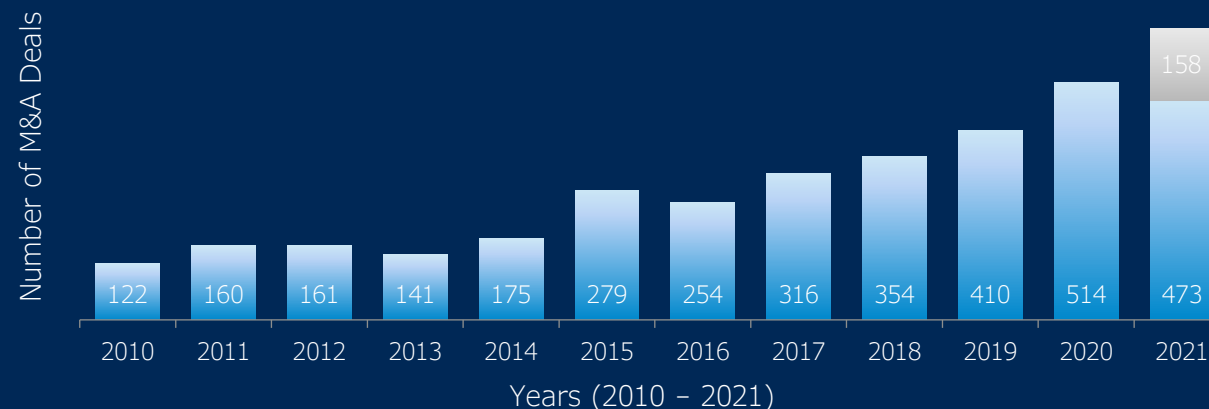
Public Comparables	2019	2020	2021	Total
 accenture	29	37	48	114
 Cognizant	4	10	6	20
 Capgemini	4	7	8	19
 Globant	3	3	6	12
 <epam>	4	2	6	12
 Infosys	3	5	3	11
 PERFICIENT	1	3	1	5
 endava	2	1	2	5
 Grid Dynamics	-	2	1	3

Drivers of Growth

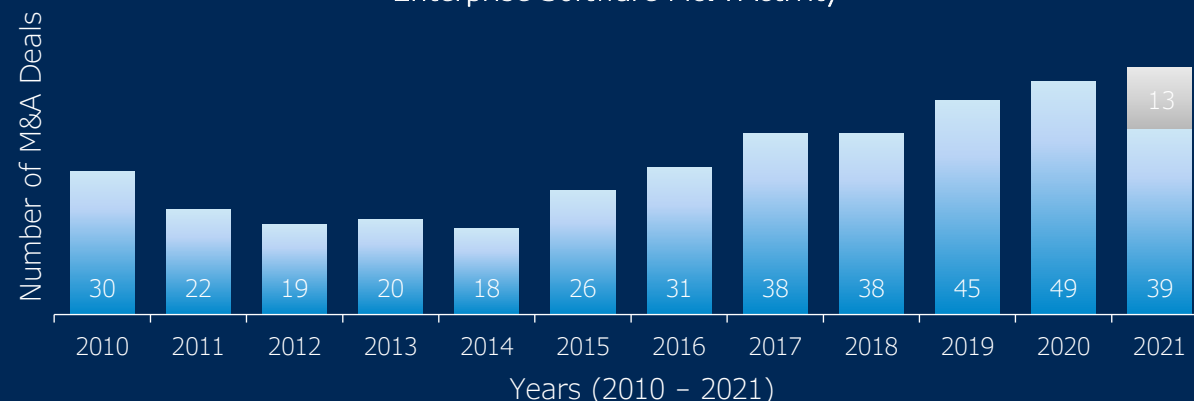
Information Technology Tailwinds

- The Global Digital Transformation market size has been estimated to value at \$589.7 million in 2021 and is projected to grow at a **CAGR of 15.6%** during the forecast period.
- Following a strong year of U.S. tech-focused investment, 2021 has seen momentum continue with a heavy focus on SaaS. According to PitchBook, PE firms have spent more than \$49b acquiring U.S.-based software companies in H1 of 2021, an increase of **100%** over the same two quarters last year.
- As companies adapt to a hybrid work environment and continue to adopt innovative and necessary digital technologies to complement video calling and other communications tools widely implemented during the pandemic, private equity investment in rapidly growing **B2B and enterprise software** companies will be a trend that continues **long after** the health crisis subsides.

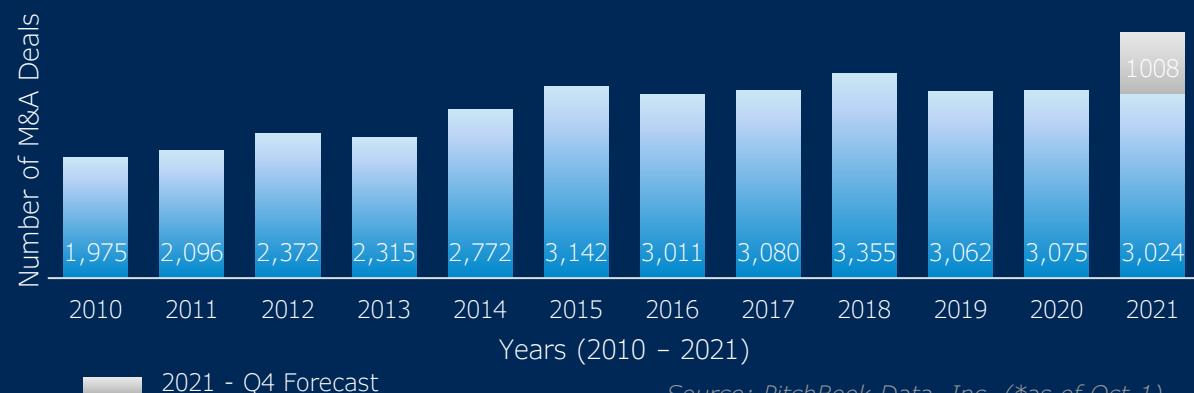
Digital Technology Services M&A Activity



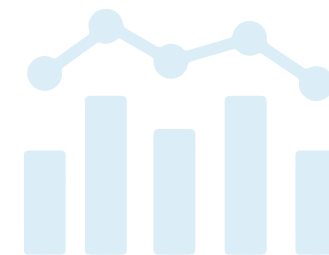
Enterprise Software M&A Activity



Information Technology Services M&A Activity



Market Outlook – Next 12 Months



- Inflation to remain high in 2021, but to decline in early 2022. The U.S. Fed is likely to **begin tapering back on asset purchases** before the end of the year, making rate hikes unlikely before the second half of 2023.
- The U.S. economy is likely to sustain **above-trend growth into 2022** while interest rates are expected to **remain low** for the rest of the year, providing ready access to cheap capital.
- Higher corporate taxes could subtract about 4 percentage points from S&P 500 earnings growth in 2022.
- Morgan Stanley strategists forecast cash to outperform U.S. equities, government bonds, and credit over the next 12 months. **76% of CEOs** expect global economic growth to improve in the next 12 months.
- Deal activity in the first half of 2021 included a record number of announced megadeals (>\$5b).
- TMT companies accounted for a **third of all megadeals** in the first half of 2021. However, this number increases to over a half when companies with a technology-orientated business model (regardless of their sector) are considered.
- PE involvement increased from 27% in early 2019 to **38% in the first half of 2021**. PE deal values have risen as the PE industry's appetite for larger and more complex deals has increased. Investors are willing to pay more for revenue synergies that fuel long-term growth.
- Highly sought-after deals for technology and other innovative capabilities are likely to continue to command a premium. PE's have more than **\$1.9 trillion of dry powder** - this buying power along with other private markets capital has never been higher.
- Despite macroeconomic headwinds, the pursuit of strategic advantage is powering deals. SPACs are set to challenge both corporate and PE buyers for the best assets, pressuring dealmakers to prioritize revenue growth over cost synergies to justify high valuations.

Premium Valuation Considerations



Scale

A solid operating system and proven business procedures create an infrastructure capable of handling growth as well as delivering revenue in excess of \$25 to \$30m



Revenue Growth

While healthy revenue growth of 20% plus (dependent upon scale) during the last 2-3 years establishes credibility, a solid pipeline and projections for the current year and 12 months ahead creates value



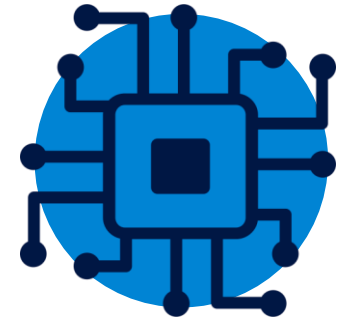
Gross Profit

A gating metric for acquirers, 40%+/- is ideal and indicative of scale, utilization management, and strong bill rates. Ultimately, gross margin is a sign of value add to your clients



IP

Comprised of trademarks, patents, copyrights, or a developed process. Strong IP is a barrier to entry for competitors and a differentiator when vying for business against competition



Technical Capabilities

The capability of a firm or organization to possess or acquire new technologies and technical resources for R&D, practices, and processes

Thank you!

Appendix

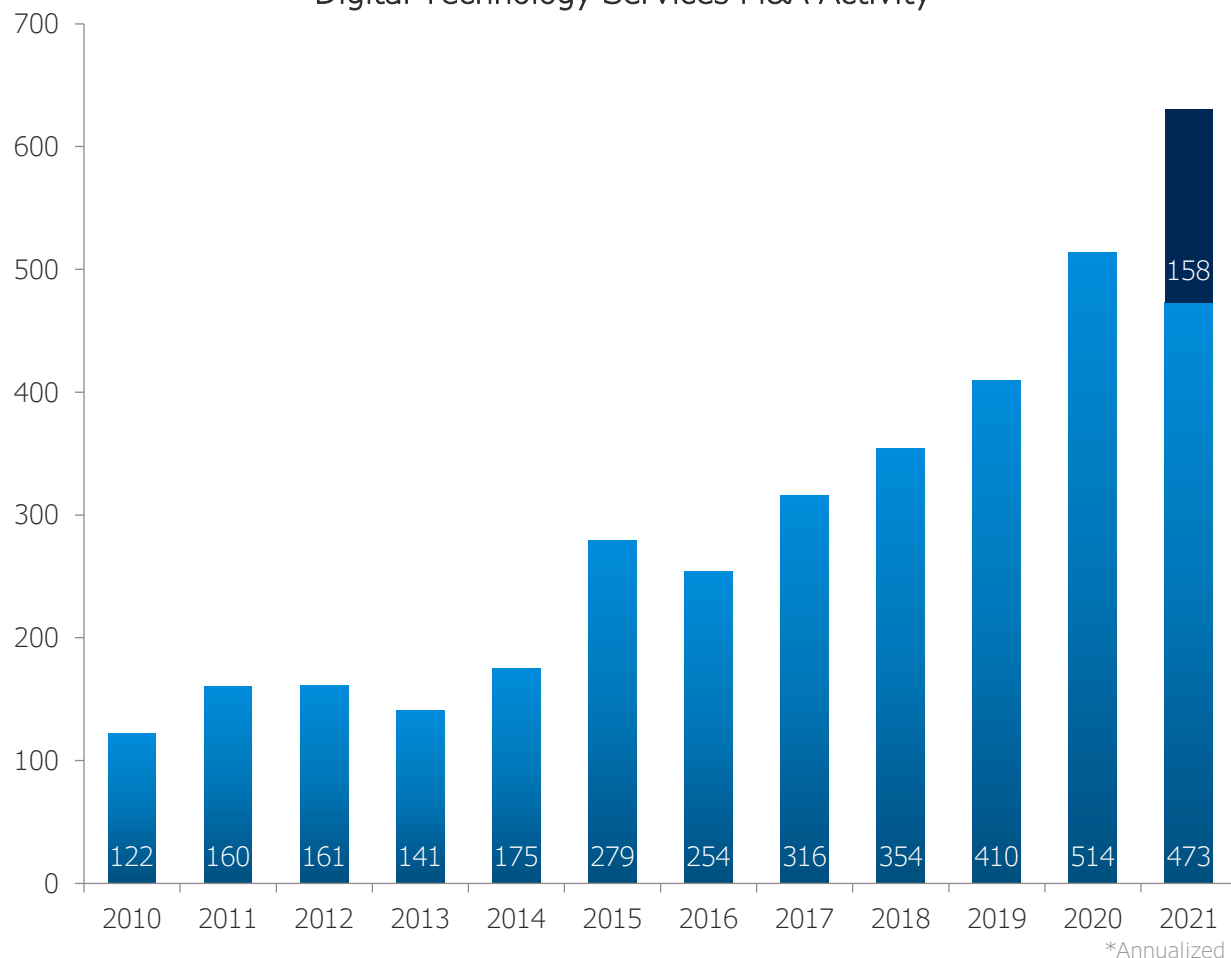
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Digital Technology Services

Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Grid Dynamics	1,780	-3	143	21.2%	40.9%	-2.1%	12.4x	-605.4x	1,551	92
Perficient	3,999	149	674	15.8%	38.3%	22.2%	5.9x	26.8x	4,277	158
Endava	7,675	125	600	27.2%	34.5%	20.9%	12.8x	61.2x	7,139	84
Genpact	10,211	793	3,820	4.6%	35.8%	20.7%	2.7x	12.9x	104,000	37
Globant	11,289	146	1,015	39%	38%	14%	11.1x	77.4x	19,400	52
EPAM Systems	31,144	671	3,038	21.3%	34.4%	22.1%	10.3x	46.4x	41,168	74
Capgemini	42,089	2,875	20,239	15.5%	26.3%	14.2%	2.1x	14.6x	289,501	70
Cognizant Technology Solutions	40,197	3,128	17,413	3.9%	37.2%	18.0%	2.3x	12.9x	301,200	58
Infosys	92,850	4,259	14,223	11.4%	34.9%	29.9%	6.5x	21.8x	259,619	55
Accenture	200,989	8,007	47,949	7.6%	32.0%	16.7%	4.2x	25.1x	569,000	84
Average	44,250	2,223	10,911	16.8%	35.2%	18.1%	7.1x	-42.6x	159,686	76
Median	21,357	793	3,429	15.7%	35.3%	20.7%	6.2x	21.8x	72,584	72

Digital Technology Services

Digital Technology Services M&A Activity



Notable Transactions

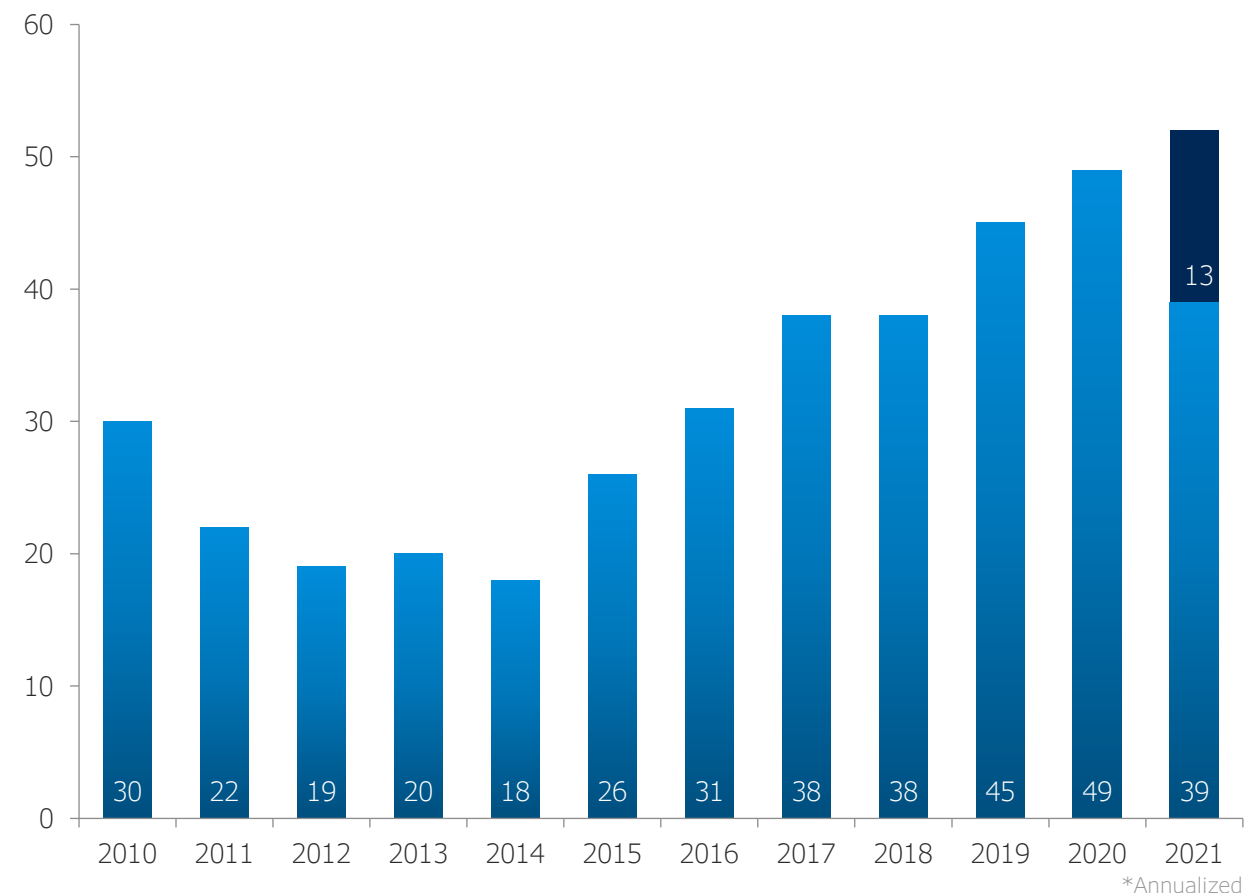
Target	Acquiror	Enterprise Value (\$m)	Revenue (\$m)	EV / Revenue	EV / EBITDA
ThoughtWorks	Fidelity	\$9,883	901	5.73x	29.73x
Luxoft	DXC	\$2,000	\$904	2.2x	16.3x
AgileThought	LIC Capital Acquisition	532	165	3.2x	-
Belatrix	Globant	\$65	\$35	1.9x	-

Enterprise Software

Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k	Rev / FTE \$k
Workday	61,428	311	4,673	17%	72%	7%	13.1x	197.6x	12,500	374	374
VMware	62,528	3,758	12,290	8%	82%	31%	5.1x	16.6x	34,000	361	361
International Business Machines	175,181	13,454	74,404	-1%	49%	18%	2.4x	13.0x	375,300	198	198
SAP	172,545	9,302	32,295	-4%	72%	29%	5.3x	18.5x	103,876	311	311
Oracle	291,190	18,553	40,840	4%	80%	45%	7.1x	15.7x	132,000	309	309
Salesforce.com	272,431	6,048	23,539	21%	74%	26%	11.6x	45.0x	56,606	416	416
Adobe Systems	274,247	5,735	14,389	19%	88%	40%	18.2x	43.4x	22,516	639	639
Microsoft	2,068,063	82,217	168,088	18%	69%	49%	12.3x	25.2x	181,000	929	929
Average	422,202	17,422	46,315	10%	73%	31%	9.4x	46.9x	114,725	442	442
Median	223,806	7,675	27,917	13%	73%	30%	9.4x	21.9x	80,241	368	368

Enterprise Software

Enterprise Software M&A Activity



Notable Recent Transactions

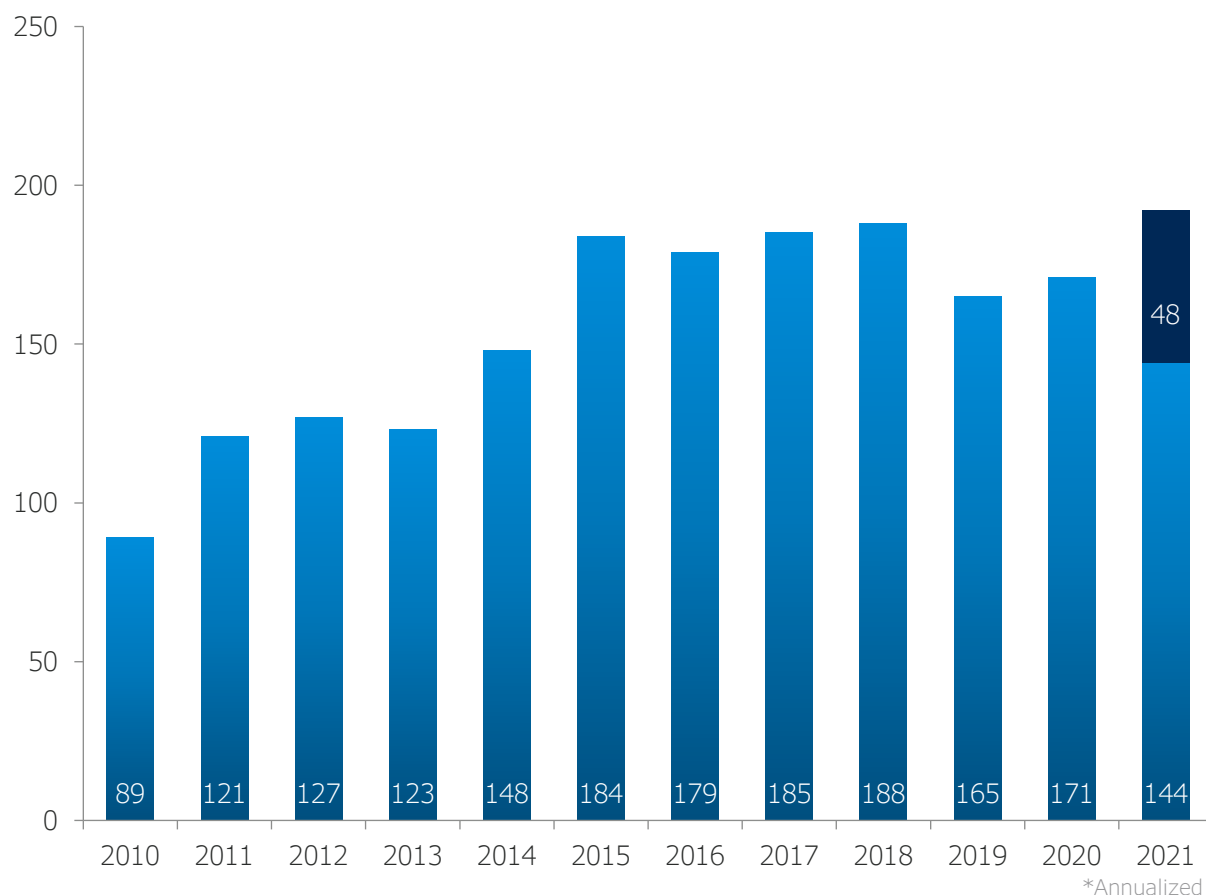
Target	Acquiror	Enterprise Value (\$m)	Revenue (\$m)	EV / Revenue	EV / EBITDA
Slack	Salesforce	\$26,058	\$974	28.4x	4.07x
Tableau Software	Salesforce	\$15,700	\$1,231	12.8x	89.2x
Precisely	Clearlake Capital Group	\$3,500	\$600	5.83x	12.07x
Star2Star Communications	Sangoma Technologies	\$354	\$79	4.46x	24.1x

Digital Marketing Services

Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k	Rev / FTE \$k
S4 Capital	6,122	10	646	79%	85%	2%	9.5x	689.0x	3,247	199	199
Dentsu Group	11,833	10	9,134	-4%	89%	0%	1.3x	1241.7x	8,701	1,050	1,050
The Interpublic Group of Companies	17,672	1,283	9,442	-3%	19%	14%	1.9x	13.8x	52,800	179	179
Omnicom Group	18,566	2,367	13,962	0%	20%	17%	1.3x	7.8x	64,100	218	218
Publicis Groupe	20,446	2,718	13,116	-4%	#N/A	21%	1.6x	7.8x	82,592	159	159
WPP	21,427	2,172	16,878	1%	17%	13%	1.3x	15.6x	102,822	164	164
Average	16,011	1,427	10,530	12%	46%	11%	2.8x	329.3x	52,377	328	328
Median	18,119	1,728	11,279	-1%	20%	13%	1.4x	14.7x	58,450	189	189

Digital Marketing Services

Digital Marketing Services M&A Activity



Notable Recent Transactions

Target	Acquiror	Enterprise Value (\$m)	Revenue (\$m)	EV / Revenue	EV / EBITDA
Taboola	ION Acquisition Corp 1	1,375	1,200	2.2x	24.5x
Epsilon	Publicis	\$4,400	\$1,900	2.3x	9.1x
Aarki	Skillz	\$157	\$30	5.2x	-