

# Market Update IT Services & Software in Latin America

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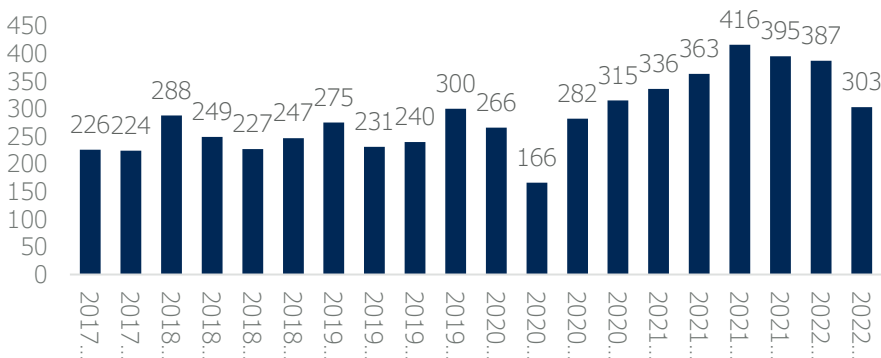
Latin America's IT Services sector continued upon trends that began in 2020, entering into an unprecedented tech and tech services boom, as private capital is being heavily infused into the region. Q2 2022 was characterized by rising inflationary pressures and recessionary fears worldwide as the Russia-Ukraine turmoil in Eastern Europe has caused markets to trend starkly downwards. The US Fed hiked up interest rates in an attempt to combat rising inflation, but markets continue trending downward with a looming uncertainty, causing valuation multiples to also drop. However, these rising global economic concerns enable opportunity for LATAM as various companies have identified the region as a means to lower costs and maintain higher margins. The FinTech sector has already set a precedent for M&A investment in LATAM and other sectors will likely grow in the region as a consequence of global economic fears.

Q2 saw a total of 303 related M&A deals across a myriad of associated verticals, exhibiting a slight decline YoY because of the macroeconomic situation described. Deal flow was mainly focused in the FinTech, SaaS, Business and Productivity Software, and E-Commerce sectors. Similar to Q1, there was a geographic concentration of M&A deal activity in Brazil, along with Chile, Colombia, Mexico, and Argentina.

Many companies in the Americas have identified the LATAM region as a cost-effective and valuable nearshore center for delivery, production, and innovation. This has enabled the growth of the tech services space within LATAM, as strategic buyers and private equity firms, especially from Southeast Asia continue to invest private capital into the region.

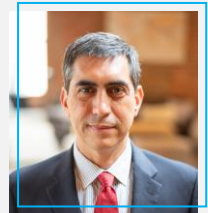
For example, the FinTech sector continues to pose a huge investment opportunity from outside investors, as the region is poised to be an emerging leader in the global FinTech space. Brazil and Mexico particularly have taken the spotlight, as FinTech investment has starkly accelerated within the two nations. With evolving consumer preferences and the rise of outside capital being invested, LATAM is on the brink of rapid growth within FinTech and the IT realm as a whole.

# of M&A Deals in Latin America



7MA has completed important M&A transactions for companies with outsourced operations and/or delivery centers in Latin America and has developed unparalleled deal expertise and knowledge of the industry trends, valuation trends, and most active strategic and financial buyers. Please contact Horacio Yenaropulos or Kevin Postigo if you would like to learn more about the landscape in Latin America.

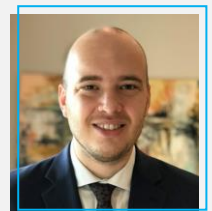
## Sector Coverage Team



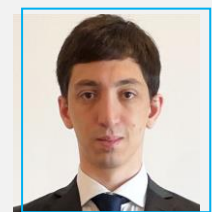
**Horacio Yenaropulos**, *Managing Director*  
horacio@7mileadvisors.com  
+54.261.4617300



**Kevin Postigo**, *Associate*  
kevin@7mileadvisors.com  
1.704.912.4903



**Alejo Vidal**, *Analyst*  
alejo@7mileadvisors.com  
+54.261.4617314



**Tomas Adduci**, *Analyst*  
tomas@7mileadvisors.com  
+54.261.4617313

## Everflow Acquired by Pegasystems



Everflow is a Brazil-based process mining and machine learning platform that caters primarily to the finance insurance and telecommunications sectors. The company was acquired by Pegasystems, a US-based software company that develops customer relationship management and business process management software for its clients.

Everflow's software capabilities are instrumental in data analytics and identifying bottlenecks and inefficiencies in the business processes of their clients. Pega aims to combine Everflow's software with its marketing leading AI-powered decision and workflow automation capabilities in order to expand the analytics and hyperautomation solutions it offers to its enterprise clients.

**Date:** May 24, 2022

**Deal Type:** M&A

**Target HQ:** Brazil

## Ergo Renova Acquired by Accenture



Ergo Renova is a data-centered business located in Buenos Aires that advises and helps companies to expand their data driven capabilities by leveraging big data, analytics and artificial intelligence. The company combines its technology expertise and consumer-focused consulting to integrate data and AI across the enterprise to source insights, enabling its various clients to establish data-driven decision making.

Ergo's team of 200 will make the transition to Accenture and continue to expand the data and AI offerings under Accenture's Cloud First initiatives. This transaction is one of Accenture's many recent acquisitions as they continue to try and expand their cloud capabilities.

**Date:** April 21, 2022

**Deal Type:** M&A

**Target HQ:** Argentina

## Most Active M&amp;A Subsectors in Q2 2022 in Latin America



Business &  
Productivity  
Software

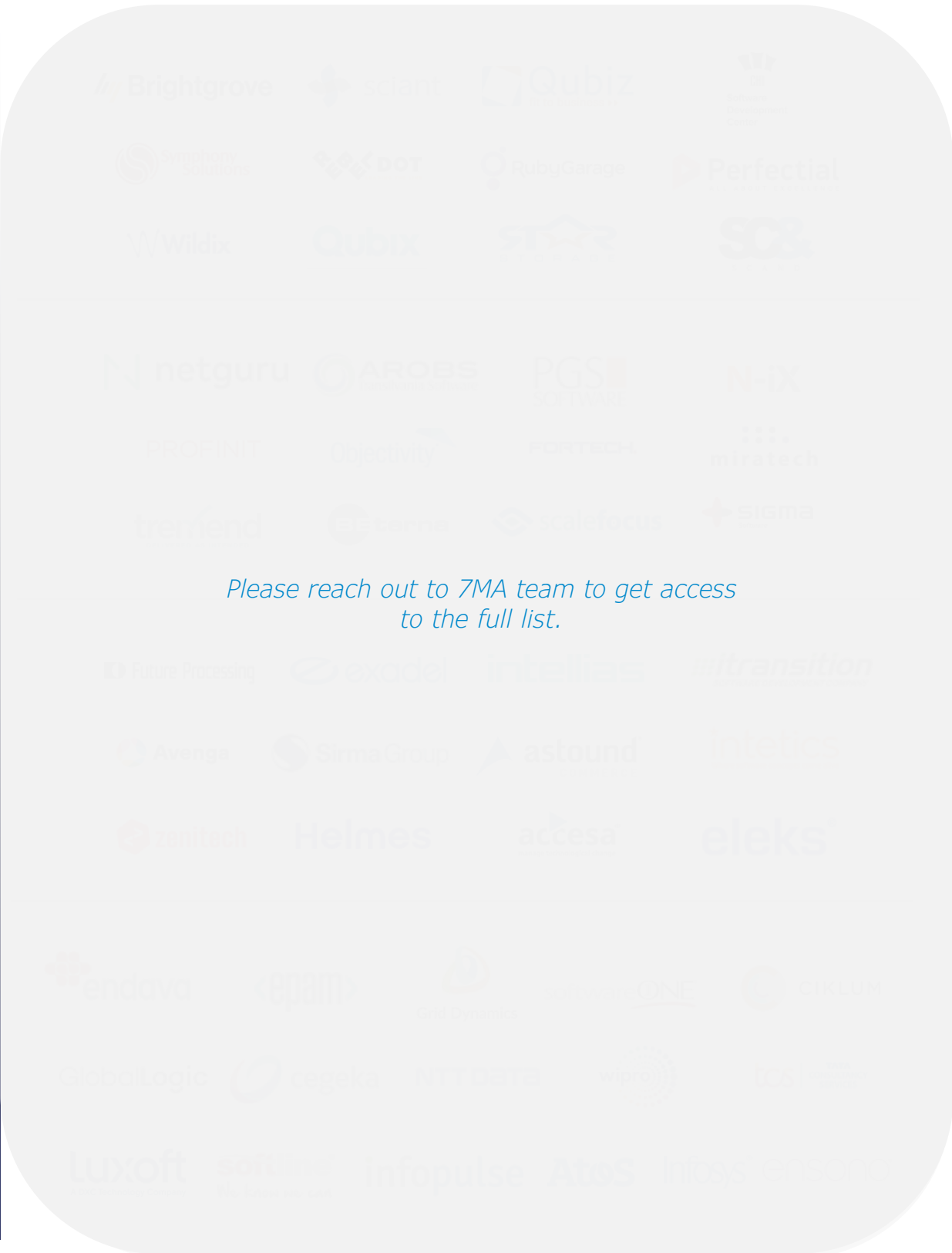
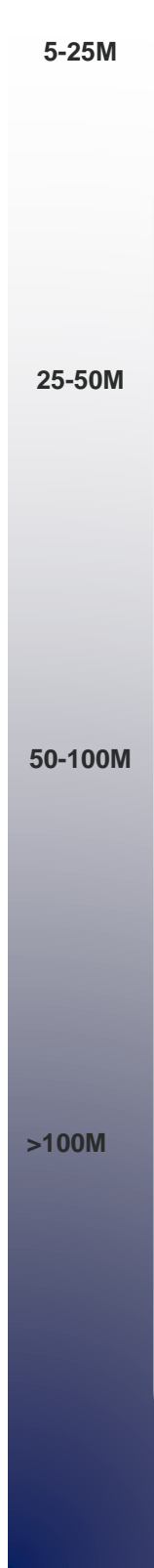


Financial Software



Media &  
Information  
Services

Annual Revenue, USD



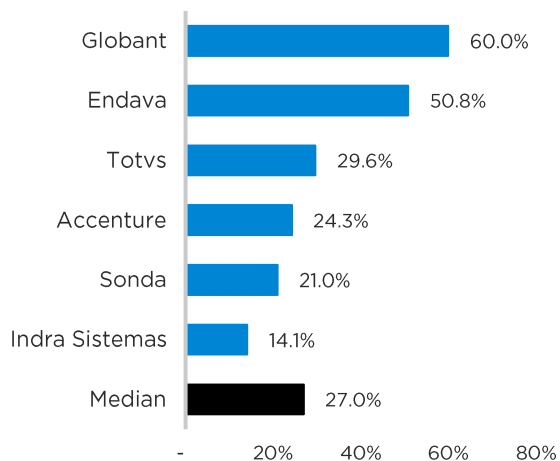
*Please reach out to 7MA team to get access to the full list.*

## Publicly-traded IT Services &amp; Software Companies – Latin America – Q2 2022

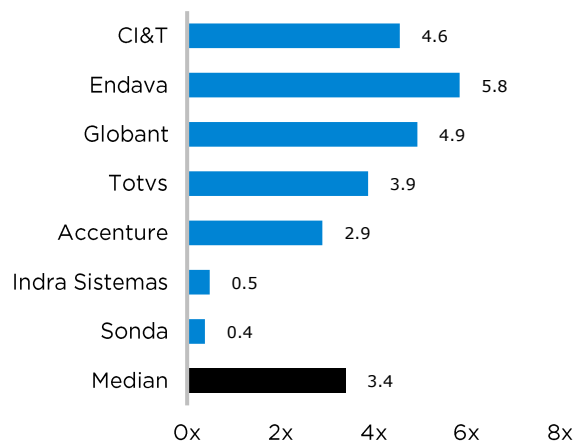
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Accenture	173,030	9,960	59,590	24.3%	32.3%	16.7%	2.9x	17.4x	40,247	1,481
Globant	7,056	252	1,428	60.0%	38.1%	17.7%	4.9x	28.0x	24,504	58
Endava	4,857	193	830	50.8%	33.8%	23.3%	5.8x	25.1x	11,001	75
Totvs	2,559	182	659	29.6%	67.6%	27.6%	3.9x	14.1x	10,000	66
Indra Sistemas	1,944	416	4,054	14.1%	35.5%	10.3%	0.5x	4.7x	53,287	76
Sonda	455	138	1,190	21.0%	17.3%	11.6%	0.4x	3.3x	13,314	89
CI&T	1,402	#N/A	307	#N/A	34.4%	#N/A	4.6x	#N/A	6,435	48
<b>Average</b>	27,329	1,857	9,723	33.3%	37.0%	17.9%	3.3x	15.4x	22,684	270
<b>Median</b>	2,559	223	1,190	27.0%	34.4%	17.2%	3.9x	15.7x	13,314	75

share price as of 30Jun22

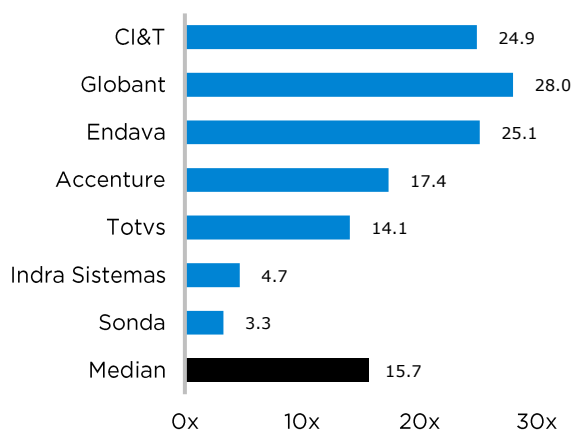
## Rev Growth YoY



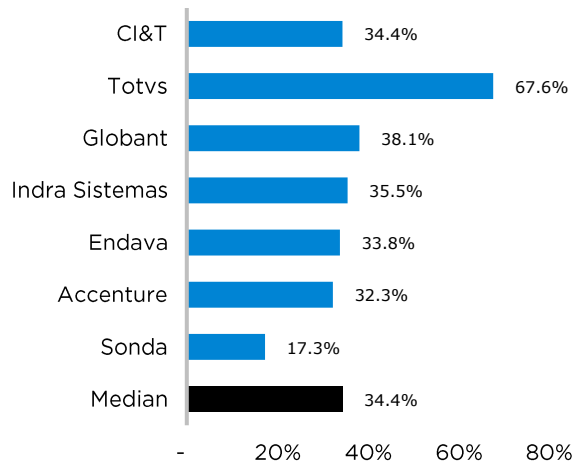
## TEV / Rev X



## TEV / EBITDA X



## Gross Margin %



## Q2 2022 M&amp;A Transactions

Date	Target	Buyer / Investor	Target Description
6 June 2022	 IT-SS Expertos en SI & Ciberseguridad	 Deloitte.	Provider of IT security and consultancy services intended to advise the company to comply with the requirements established by the Financial Superintendence of Colombia and the ICT Ministry. The company offers services in information security, vulnerability management & remediation, secure architecture, blockchain, cybersecurity, business continuity and digital architecture thereby helping businesses meet their objectives through adequate information assurance and risk management.
31 May 2022	 wingg	 BCG	Developer of software intended to harness potential of companies' sales staff. The company develops personalized virtual assistant software thereby leveraging people-science and machine-learning techniques.
26 April 2022	 gestta	 THOMSON REUTERS <sup>®</sup>	Developer of accounting work automation software based in Sao Paolo, Brazil. The company offers an accounting system to automate workflows, people management, customer service, secure document archiving, performance analysis, resource monitoring and task and process management to clients, thereby providing high precision and performance accounting.
20 April 2022	 GeneXus <sup>™</sup>	 Globant	Developer of software applications. The company's platform provides online learning, developer tools and features to develop a software, enabling clients with developer products and solutions to create better applications.
12 April 2022	 TOTVS	 Itaú	Provider of specialized technological services intended for retail companies. The company offers specialized consulting services in the different areas of retail such as points of sale, means of payment, treasury, stock control, replacement, integration, logistics, eCommerce and B2B, ensuring clients technological solutions to solve various business problems.

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions and provide market assessments and benchmarking. As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. All securities transactions are executed by 7M Securities, LLC, member FINRA / SIPC. For more information, including research on the M&A markets, visit [www.7mileadvisors.com](http://www.7mileadvisors.com).



508 W. 5th Street,  
Suites 140 & 225  
Charlotte, NC 28202



+1 (704) 899-5960




[www.7mileadvisors.com](http://www.7mileadvisors.com)

## Notable 7 Mile Transactions

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  We accelerate businesses.

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a portfolio company of  

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