



# Sectorwatch: Digital Commerce

November 2018

# Digital Commerce

November 2018

- Sector Dashboard [4]
- Public Basket Performance [5]
- Operational Metrics [7]
- Valuation Comparison [10]
- Recent Deals [13]
- Appendix [14]

# Overview

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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. We publish our sectorwatch, a review of M&A and operational trends in the industries we focus.

## Dashboard

- Summary metrics on the sector
- Commentary on market momentum by comparing the most recent 12-month performance against the last 3-year averages.



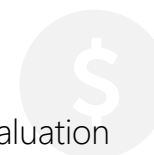
## Public Basket Performance

- Summary valuation and operating metrics for a basket of comparable public companies



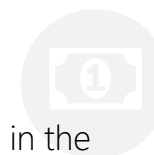
## Valuation Comparison

- Graphical, detailed comparison of valuation multiples for the public basket



## Recent Deals

- The most recently announced deals in the sector



# Dashboard



## Revenue Growth Momentum

**↑0.14**

1 - year revenue growth compared to revenue growth average for last 3 years

Current revenue growth rate exceeds the average of the last 3 years by this amount, indicating that market momentum is increasing

## Pricing / Gross Margin

**↓-9.2%**

1 - year gross profit % compared to gross profit % average for last 3 years

Current gross profit margin is less than the average of the last 3 years gross profit margins, indicating customer pricing power

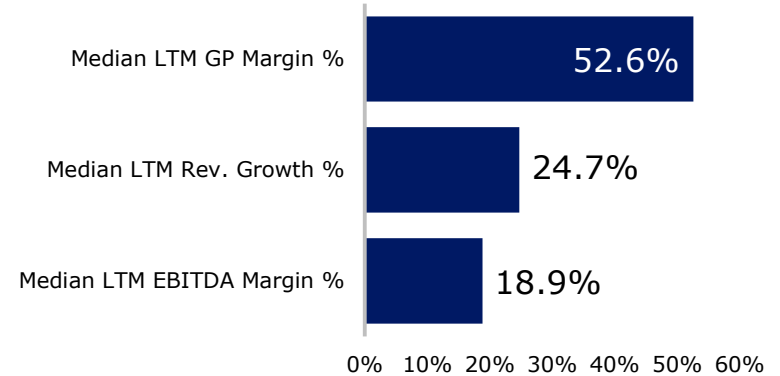
## Profitability

**↓-3.1%**

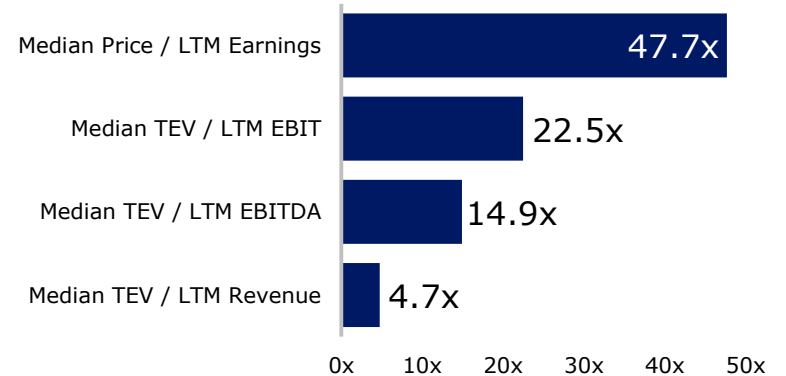
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin is less than the average of the last 3 years EBITDA margins, which may signal further consolidation

## Operating Metrics



## Valuation



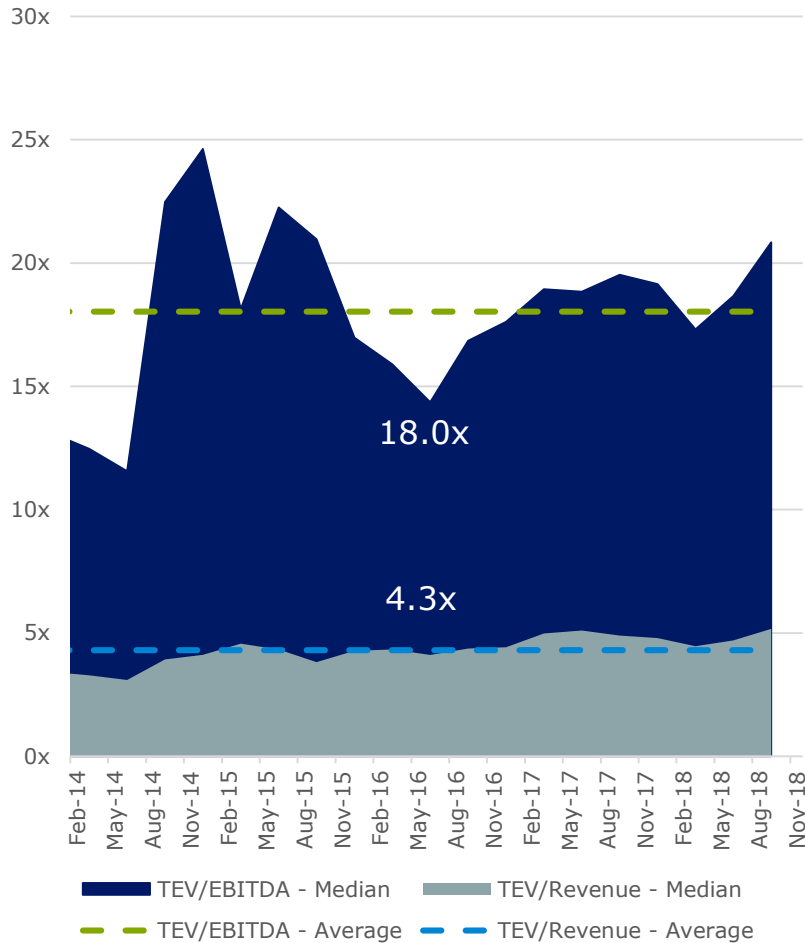
# Public Basket



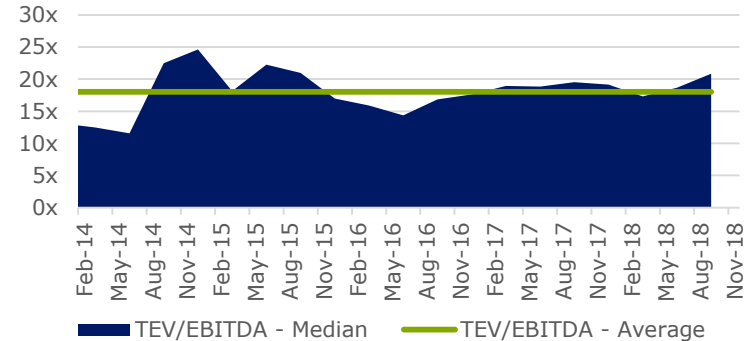
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
PFSweb, Inc.	154	267	-5%	32%	7%	0.6	8.2	2,550	105
Pitney Bowes Inc.	4,016	3,918	27%	46%	17%	1.0	6.2	14,700	267
Shopify Inc.	14,492	952	64%	56%	-7%	15.2	0.0	3,000	317
salesforce.com, inc.	101,226	11,793	25%	74%	9%	8.6	91.8	29,000	407
Adobe Inc.	114,068	8,572	24%	87%	36%	13.3	36.9	17,973	477
SAP SE	127,696	27,983	3%	70%	26%	4.6	17.9	88,543	316
International Business Machines Corporation	143,080	80,373	3%	46%	21%	1.8	8.4	366,600	219
Oracle Corporation	190,521	39,920	4%	80%	40%	4.8	11.8	137,000	291
Alibaba Group Holding Limited	406,222	45,281	58%	49%	27%	9.0	42.4	66,421	682
Amazon.com, Inc.	809,309	220,957	37%	40%	11%	3.7	32.5	566,000	390
<b>Average</b>	191,078	44,002	24%	58%	19%	6.3	25.6	129,179	347
<b>Median</b>	120,882	19,888	25%	53%	19%	4.7	14.9	47,711	317

share price as of 16Nov18

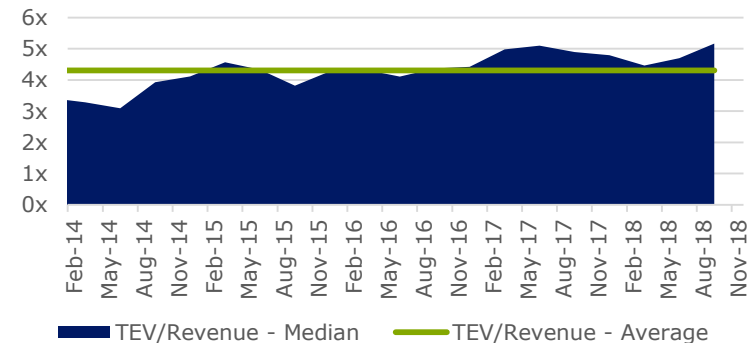
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



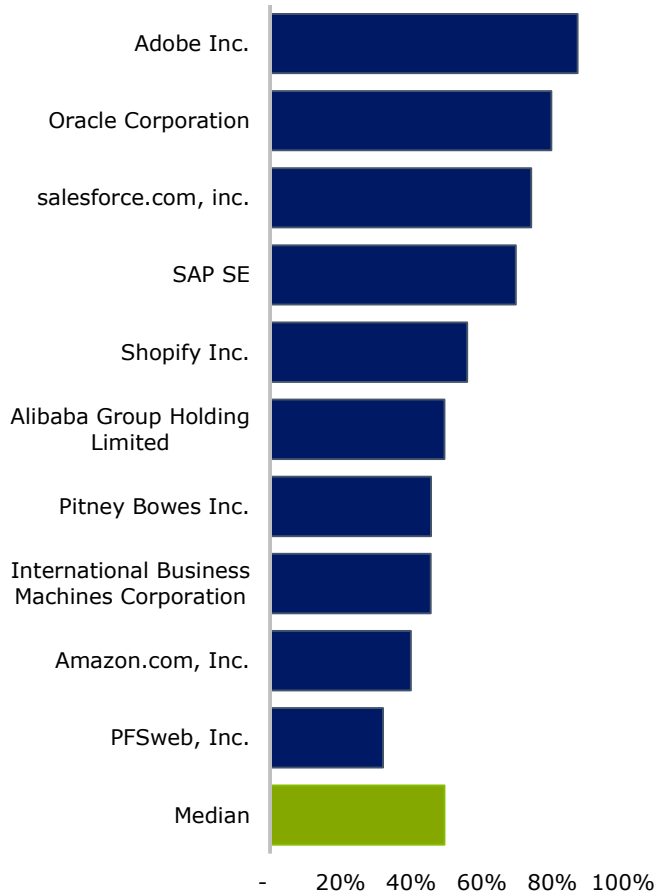
## Public Revenue Multiples over Time



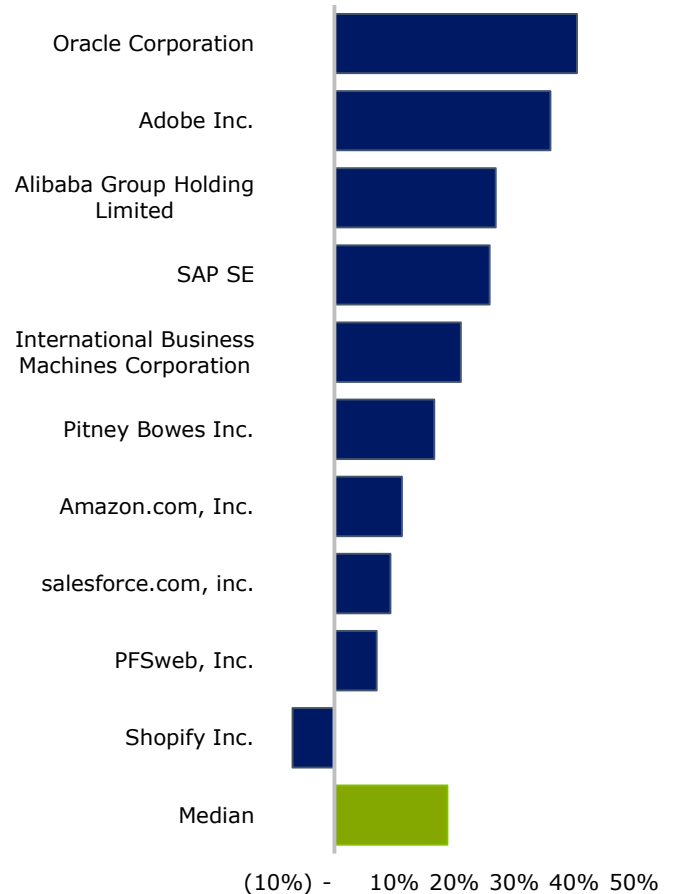
# Operational Metrics



LTM Gross Profit Margin %



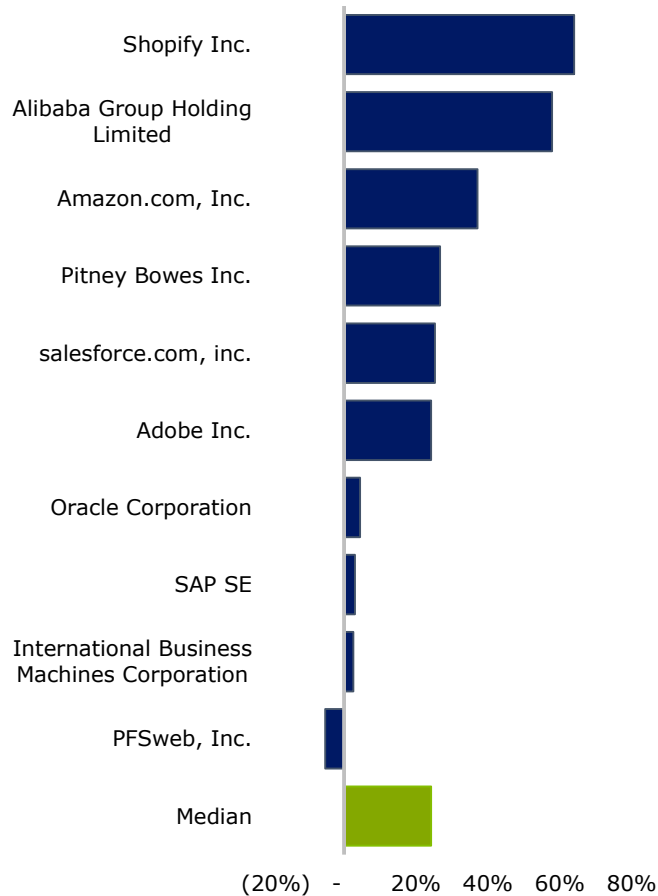
LTM EBITDA %



# Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's

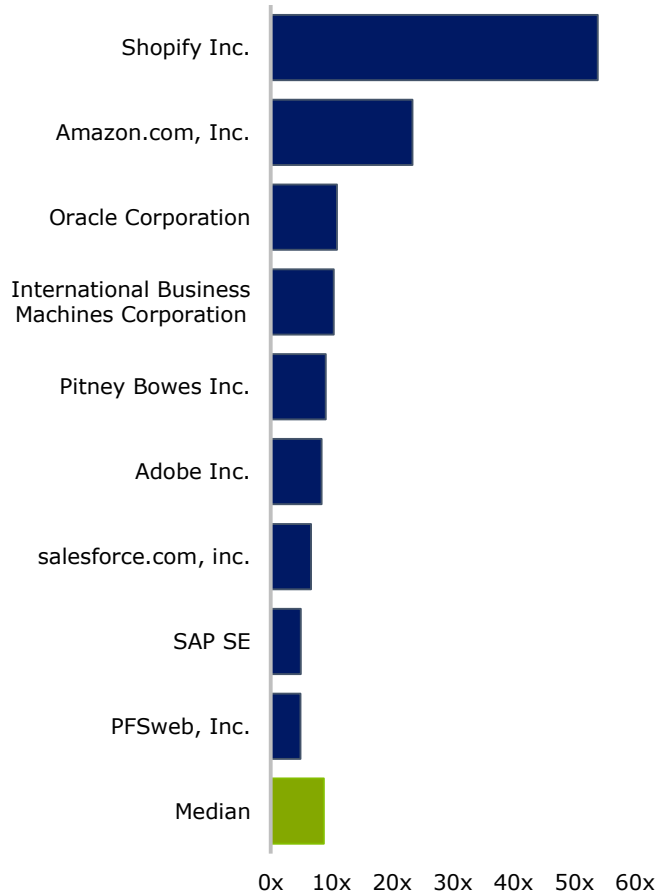




# Operational Metrics



## Accounts Receivable Turnover



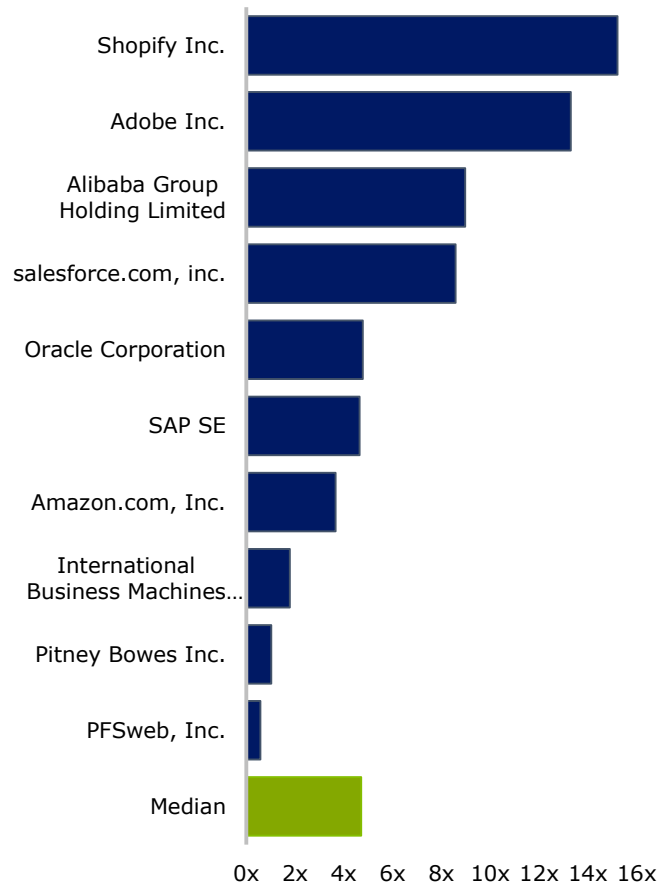
## Average Days Sales Outstanding



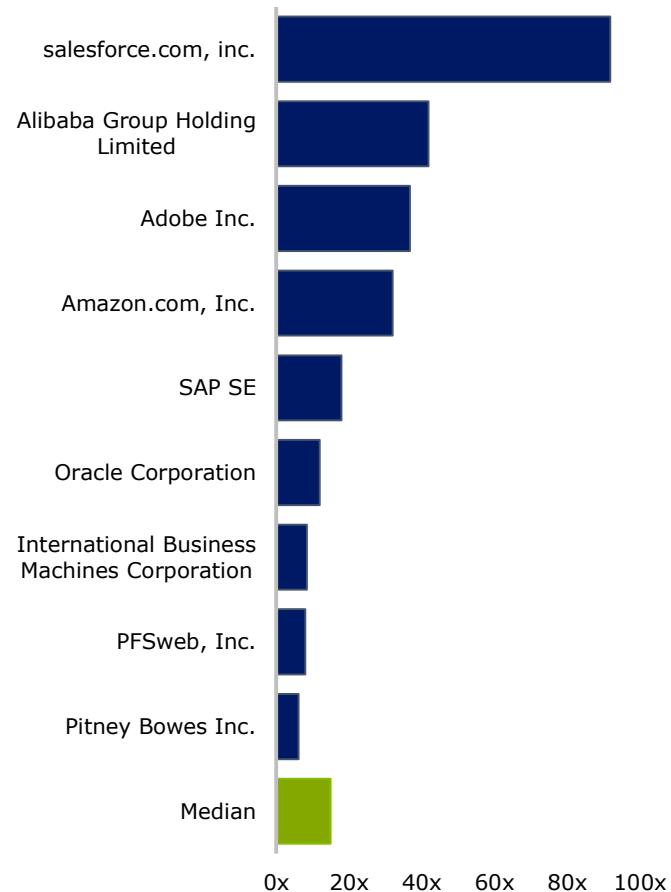
# Valuation



TEV / LTM Revenue



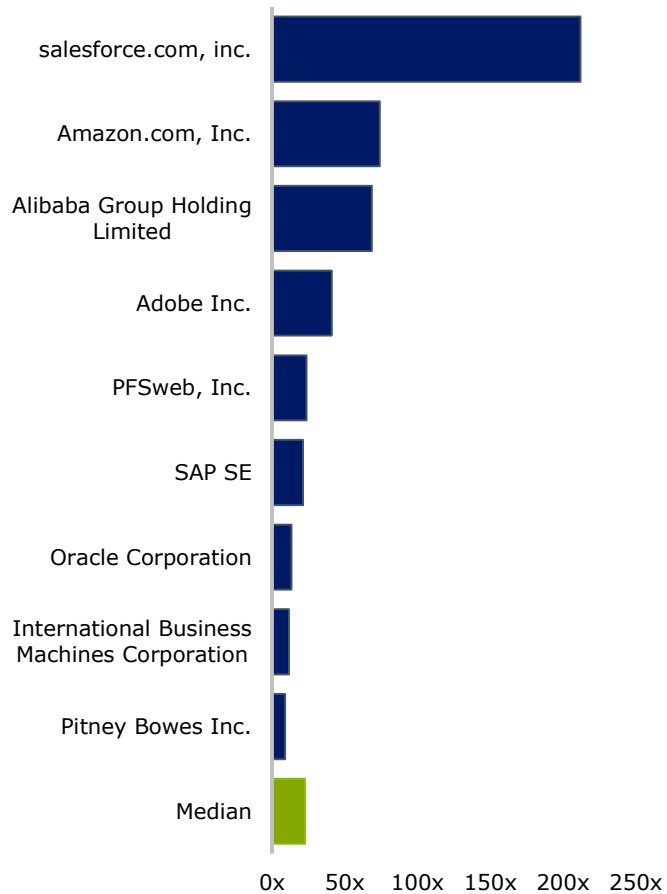
TEV / LTM EBITDA



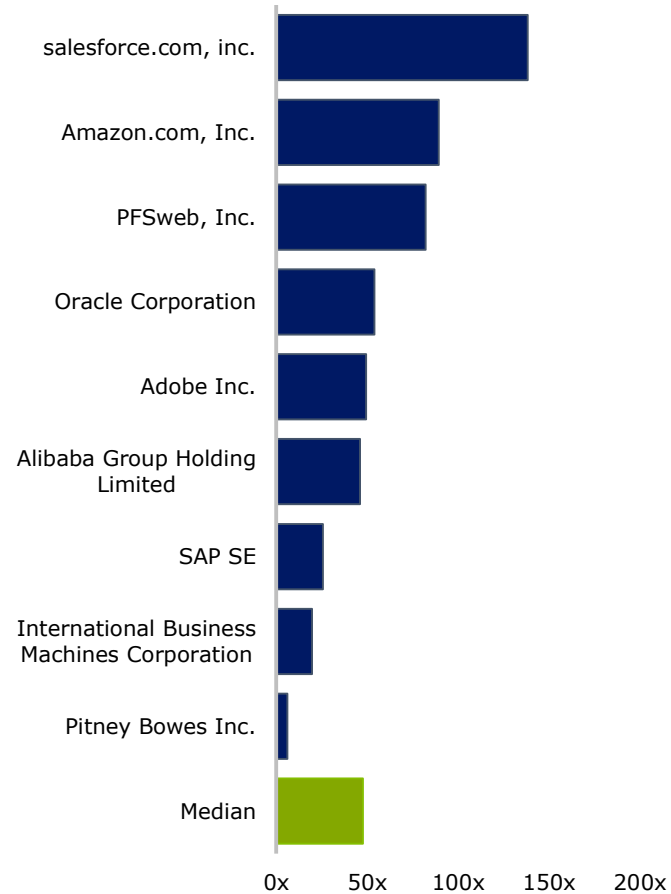
# Valuation



TEV / LTM EBIT



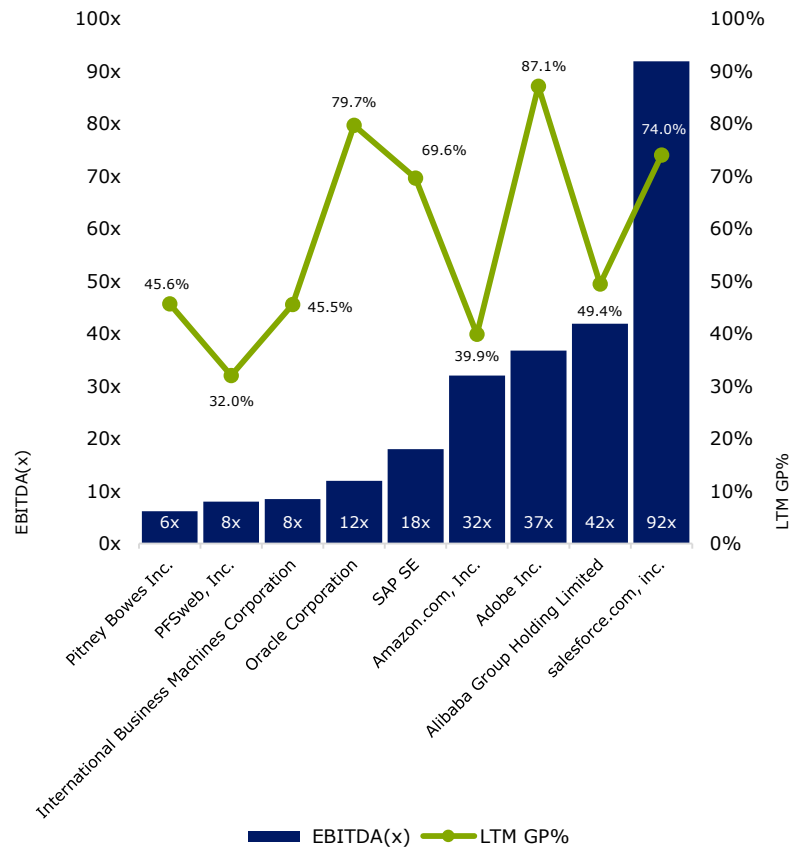
Price / LTM Earnings



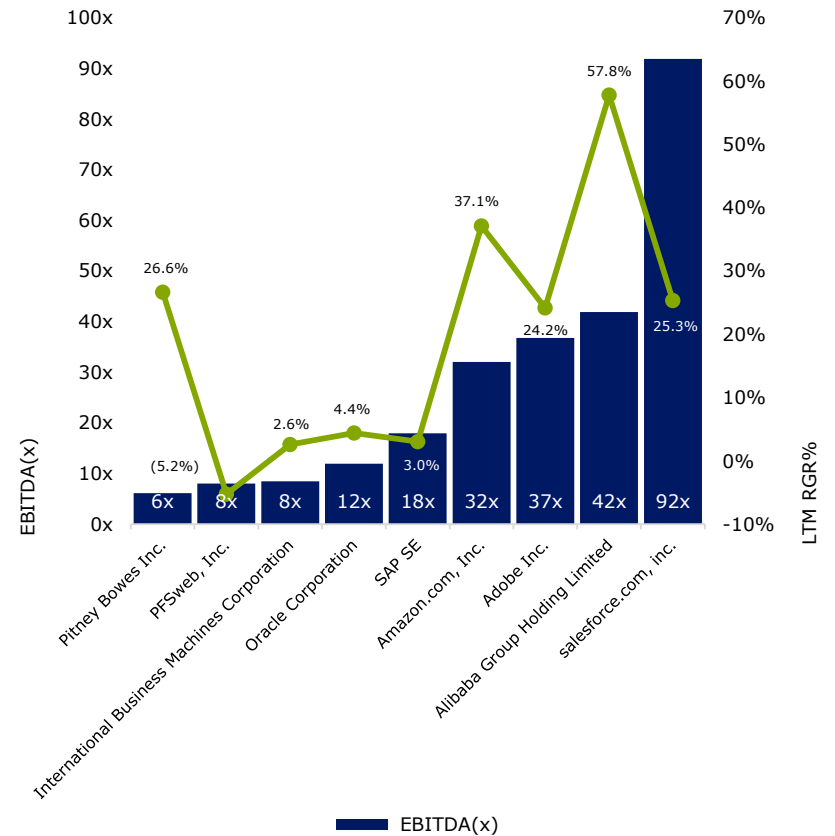
# Valuation



## Historical Valuation Multiples versus Gross Profit



## Historical Valuation Multiples versus Revenue Growth Rate



# Recent Transactions



Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
4Oct18	Softvision, LLC	Cognizant Technology Solutions Corporation	-	-	-	-
8Aug18	Gorilla, Inc.	Wunderman Commerce	-	40.00	-	-
19Jun18	e2y Limited	Dimension Data Holdings plc	-	-	-	-
21May18	Magento, Inc.	Adobe Systems Incorporated (nka:Adobe Inc.)	1,680.00	150.00	11.2x	-
14Feb18	Surge, LLC	Catalyst IT Services, Inc.	-	-	-	-
8Jan18	Altima SAS	Accenture plc	-	-	-	-
7Nov17	BrandShop LLC	Beringer Capital; Beringer Capital Fund III L.P.	-	-	-	-
20Sep17	Lyons Consulting Group, LLC	Capgemini SE	-	-	-	-
6Sep17	Newgistics, Inc.	Pitney Bowes Inc.	475.00	-	1.0x	-
22Jun17	Clarity Consulting, Inc.	Perficient, Inc.	9.44	27.00	0.3x	-
21Jun17	Orchestra Inc.	Mediagrif Interactive Technologies Inc.	1.53	-	-	-
15May17	Media Hive	Accenture plc	-	-	-	-
28Apr17	ECommerce Systems, Inc.	CGI Group Inc.	-	-	-	-
12Apr17	Govenda, LLC	Digital Evolution Group LLC	-	-	-	-
7Apr17	EDL Consulting, Inc.	Simplus	-	-	-	-
3Apr17	Blue Acorn, LLC	Beringer Capital; Beringer Capital Fund III L.P.	-	-	-	-
23Mar17	ITELIOS SAS	Cap Gemini S.A. (nka:Capgemini SE)	-	-	-	-
30Sep16	BT Expedite Limited	Aptos, Inc.	-	-	-	-
28Jul16	NetSuite Inc.	Oracle Corporation	7,082.96	897.49	9.7x	NM

# Digital Commerce

November 2018

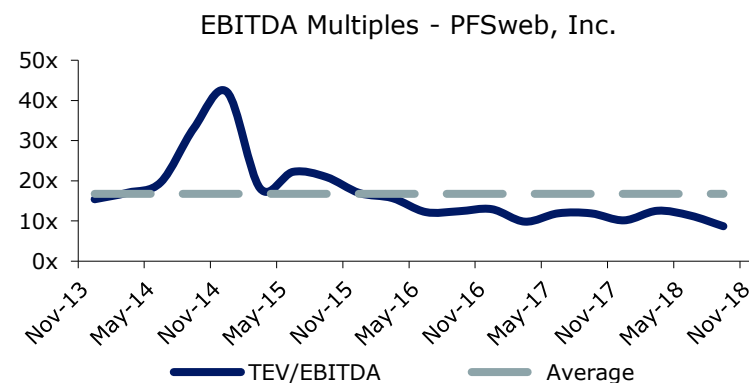
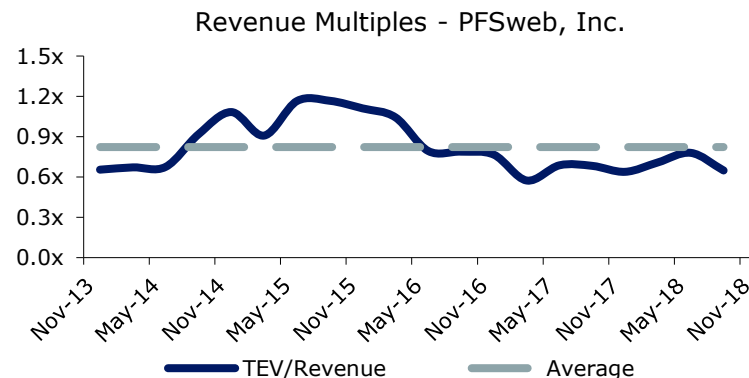
APPENDIX:  
Public Basket  
Constituents

# Public Basket



## PFSweb, Inc.

PFSweb, Inc. provides omni-channel commerce solutions in the United States, Europe, Canada, and India. It operates through two segments, PFSweb, and Business and Retail Connect. The company offers strategic commerce consulting services, including commerce strategy, omni-channel consulting, digital opportunity audit, organizational/operational readiness, and platform evaluation/selection services; and strategy, design, and digital marketing services, such as digital strategy, design, user experience, interactive development, SEO and paid search, affiliate marketing, conversion optimization, storefront management, email marketing, and digital analytics. It also provides technology services comprising commerce platform development, managed, quality assurance, and training services; order fulfillment services, including distribution facilities and infrastructure, facility operations and management, and kitting and assembly services; and order management services, such as technology collaboration and information management services. In addition, the company offers customer care services comprising customer service application, customer assistance, quality monitoring, and customer self-help; and financial services consisting of business-to-business and direct-to-consumer financial management services. PFSweb, Inc. was founded in 1999 and is headquartered in Allen, Texas.



# Public Basket

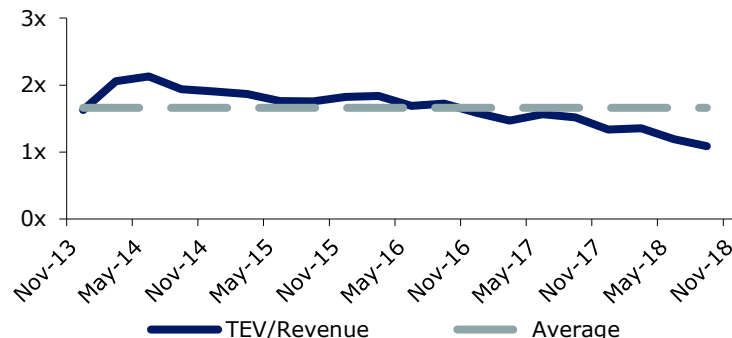


## Pitney Bowes Inc.

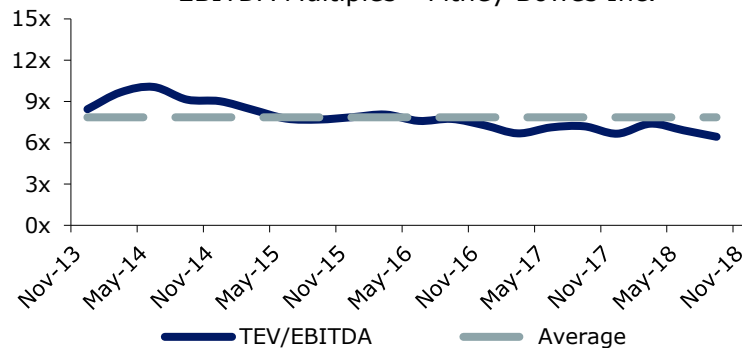
Pitney Bowes Inc. offers customer information management, location intelligence, and customer engagement products and solutions in the United States and internationally. The company operates in three segments: Small & Medium Business Solutions; Enterprise Business Solutions; and Digital Commerce Solutions. The Small & Medium Business Solutions segment provides mailing and office solutions; and financing services and supplies for small and medium businesses. The Enterprise Business Solutions segment offers equipment and services that enable large enterprises to process inbound and outbound mail. This segment also provides production mail inserting and sortation equipment, production print systems, and supplies and related support services, as well as mail presort services. Pitney Bowes Inc. was founded in 1920 and is headquartered in Stamford, Connecticut.

Date	Key Development Headline
7/1/18	Platinum Equity, LLC completed the acquisition of Pitney Bowes Document Messaging Technologies Limited from Pitney Bowes Inc. (NYSE:PBI).
6/4/18	NIIT Signs Learning and Development Partnership with Pitney Bowes
4/29/18	Platinum Equity, LLC entered into a definitive agreement to acquire Pitney Bowes Document Messaging Technologies Limited from Pitney Bowes Inc. (NYSE:PBI) for approximately \$360 million.

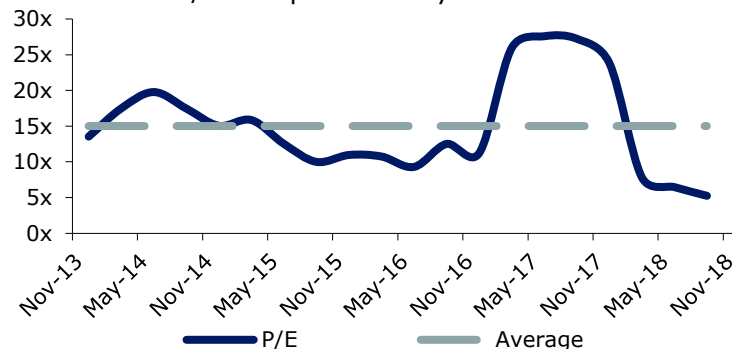
Revenue Multiples - Pitney Bowes Inc.



EBITDA Multiples - Pitney Bowes Inc.



P/E Multiples - Pitney Bowes Inc.



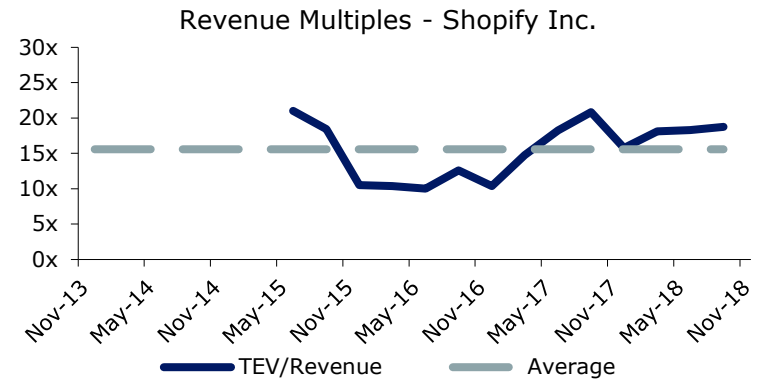


# Public Basket



## Shopify Inc.

Shopify Inc. provides a cloud-based multi-channel commerce platform for small and medium-sized businesses in Canada, the United States, the United Kingdom, Australia, and internationally. Its platform provides merchants with a single view of business and customers in various sales channels, including Web and mobile storefronts, physical retail locations, social media storefronts, and marketplaces; and enables to manage products and inventory, process orders and payments, ship orders, build customer relationships, leverage analytics and reporting, and access financing. The company was formerly known as Jaded Pixel Technologies Inc. and changed its name to Shopify Inc. in November 2011. Shopify Inc. was founded in 2004 and is headquartered in Ottawa, Canada.



Date	Key Development Headline
6/25/18	Shopify Inc. (NYSE:SHOP) acquired Solutions Alveo Inc.
5/1/18	Shopify Seeks Acquisitions

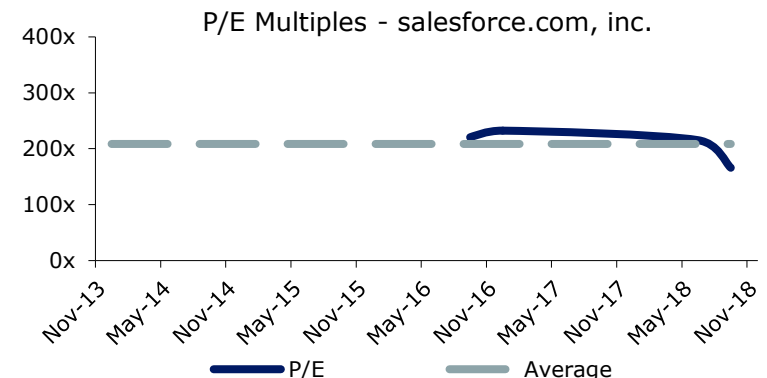
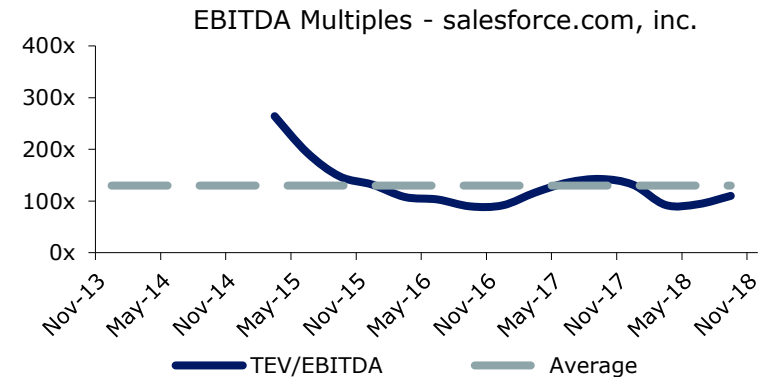
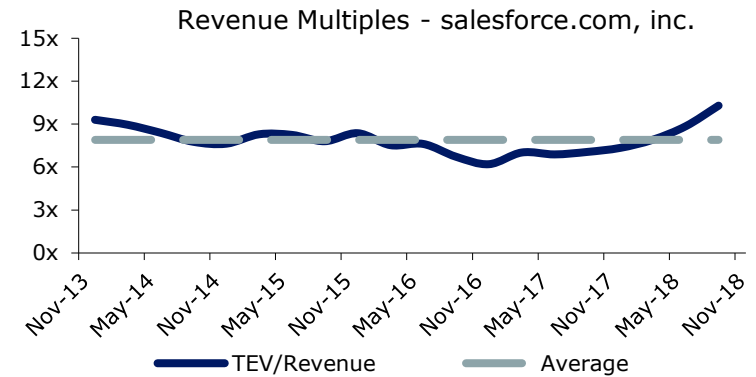
# Public Basket



## salesforce.com, inc.

salesforce.com, inc. develops enterprise cloud computing solutions with a focus on customer relationship management. The company offers Sales Cloud to store data, monitor leads and progress, forecast opportunities, and gain insights through analytics and relationship intelligence, as well as deliver quotes, contracts, and invoices. It also provides Service Cloud, which enables companies to deliver personalized customer service and support, as well as a field service solution that enables companies to connect agents, dispatchers, and mobile employees through a centralized platform, on which they can schedule and dispatch work, and track and manage jobs in real-time. The company was founded in 1999 and is headquartered in San Francisco, California.

Date	Key Development Headline
10/30/18	Vonage Holdings Corp. (NYSE:VG) completed the acquisition of NewVoiceMedia Limited from a consortium of sellers.
10/4/18	salesforce.com, inc. (NYSE:CRM) entered into a definitive agreement to acquire Rebel.
9/25/18	Salesforce and Amazon Web Services, Inc. Expand Global Strategic Alliance to Accelerate Enterprises' Digital Transformations
9/24/18	Apple and Salesforce Announce Strategic Partnership
9/19/18	Vonage Holdings Corp. (NYSE:VG) entered into an agreement to acquire NewVoiceMedia Limited for \$340 million.



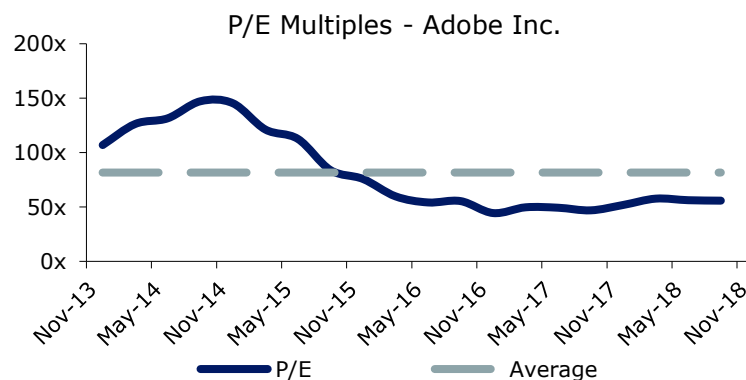
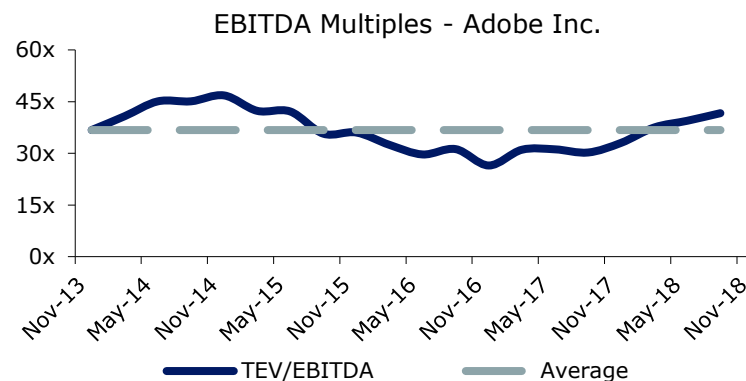
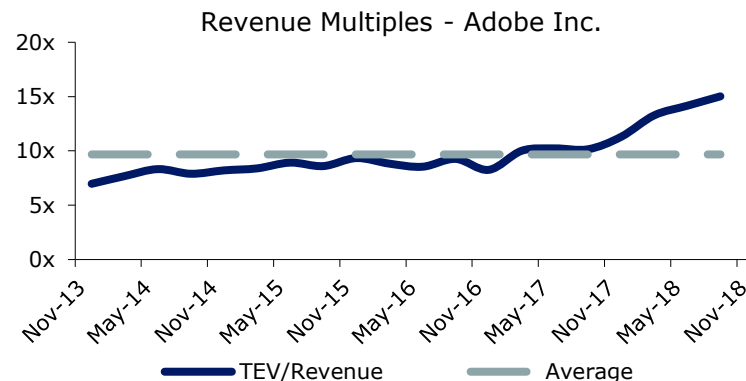
# Public Basket



## Adobe Systems Incorporated

Adobe Systems Incorporated operates as a diversified software company worldwide. Its Digital Media segment provides tools and solutions that enable individuals, small and medium businesses, and enterprises to create, publish, promote, and monetize their digital content. Its flagship product is Creative Cloud, a subscription service that allows customers to download and install the latest versions of its creative products. This segment serves traditional content creators, Web application developers, and digital media professionals, as well as their management in marketing departments and agencies, companies, and publishers. The company's Digital Marketing segment offers solutions for how digital advertising and marketing are created, managed, executed, measured, and optimized. The company was founded in 1982 and is headquartered in San Jose, California.

Date	Key Development Headline
10/30/18	Adobe Inc. (NasdaqGS:ADBE) completed the acquisition of Marketo, Inc. from Vista Equity Partners LLC.
10/9/18	Adobe Accelerates Experience-Driven Commerce with Major Advancements to Magento Commerce Cloud
9/20/18	Adobe Systems Incorporated, Marketo, Inc. - M&A Call
9/19/18	Adobe Systems Incorporated (NasdaqGS:ADBE) entered into a definitive agreement to acquire Marketo, Inc. from Vista Equity Partners LLC for \$4.8 billion.
6/18/18	Adobe Systems Incorporated (NasdaqGS:ADBE) completed the acquisition of Magento, Inc. from Permira Advisers Ltd. and Hillhouse Capital Management, Ltd.



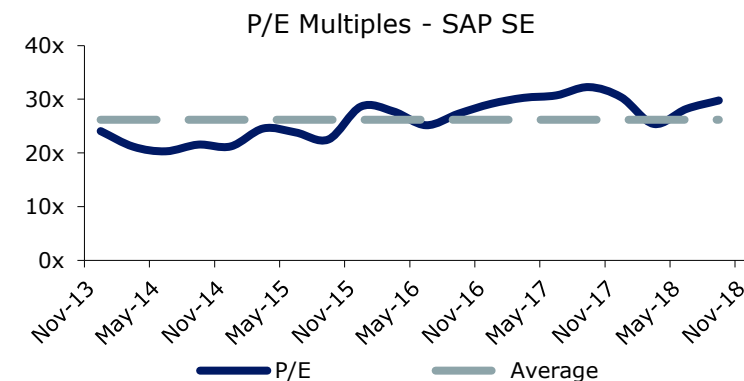
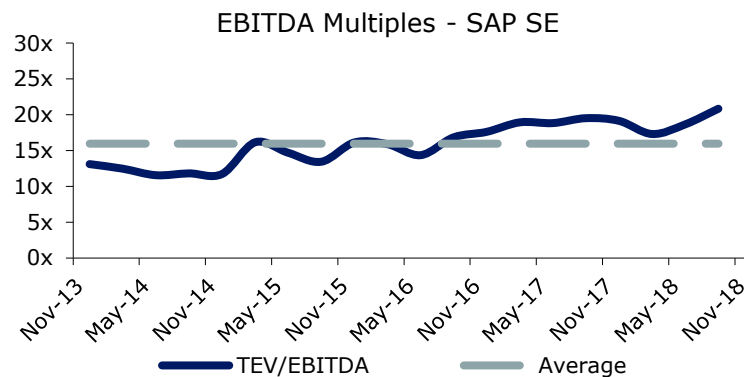
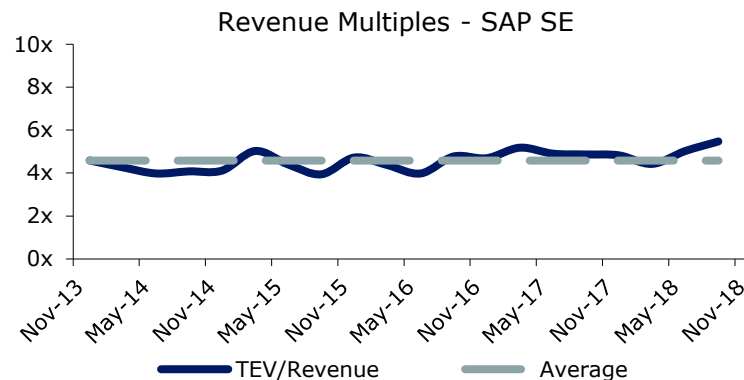
# Public Basket



## SAP SE

SAP SE operates as an enterprise application software, and analytics and business intelligence company worldwide. It offers SAP HANA, which enables businesses to process and analyze live data; SAP Data Hub, a solution that enables businesses to manage data from various sources; SAP Cloud Platform, which enables businesses to connect and integrate applications; SAP BW/4HANA, a data warehouse solution; SAP Leonardo, a system that enables customers to make business sense and opportunity of disruptive technologies; and SAP Analytics Cloud, which leverages the intersection of business intelligence, planning, and predictive analytics. SAP SE was founded in 1972 and is headquartered in Walldorf, Germany.

Date	Key Development Headline
11/16/18	SAP To Seek Acquisitions
11/12/18	Qualtrics International Inc., SAP SE - M&A Call
11/10/18	SAP SE (DB:SAP) entered into an agreement to acquire Qualtrics International Inc. from Smith family and other sellers for \$8 billion.
9/18/18	Accenture Teams with SAP to Develop Cloud Solution to Digitally Transform Oil and Gas Upstream Operations
8/15/18	Metalloinvest Opens Innovation Centre and Signs Memorandums of Cooperation with SAP and Accenture



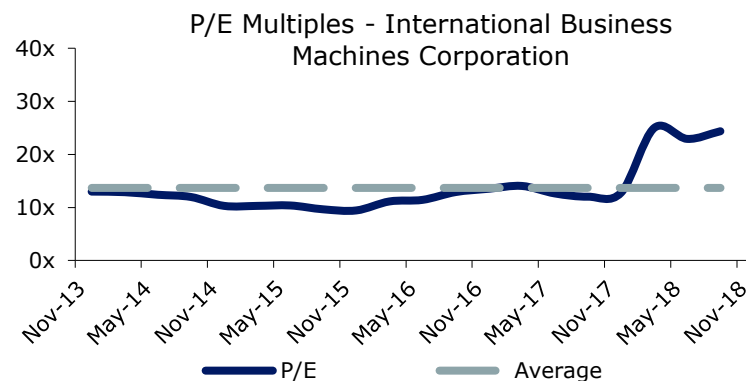
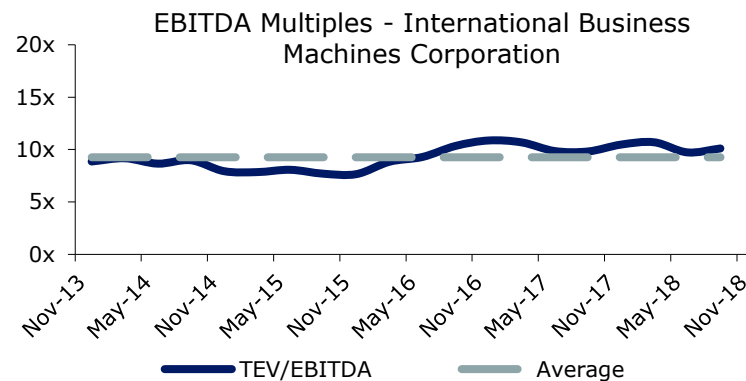
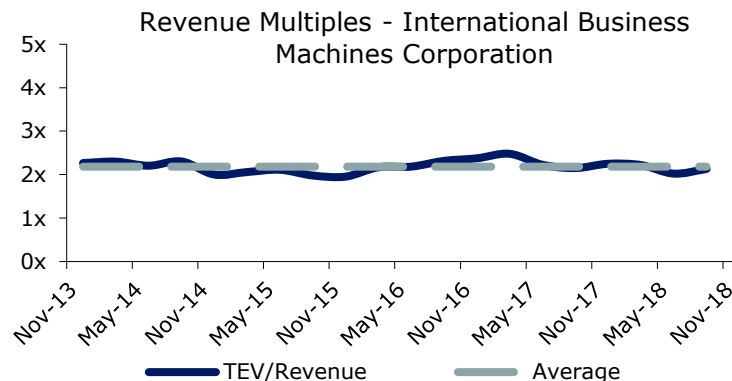
# Public Basket



## International Business Machines Corporation

International Business Machines Corporation operates as an integrated technology and services company worldwide. Its Cognitive Solutions segment offers Watson, a cognitive computing platform that interacts in natural language, processes big data, and learns from interactions with people and computers. This segment also offers data and analytics solutions, including analytics and data management platforms, cloud data services, enterprise social software, talent management solutions, and solutions tailored by industry; and transaction processing software that runs mission-critical systems in banking, airlines, and retail industries. International Business Machines Corporation was founded in 1911 and is headquartered in Armonk, New York.

Date	Key Development Headline
11/13/18	Seagate Technology plc and IBM Work Together to Help Reduce Global Hard Drive Counterfeiting with Blockchain Technology
11/8/18	TruSTAR Technology, LLC Announces Partnership with IBM and Rackspace for the Development of Cloud Fraud Exchange
11/5/18	Kronos and IBM Watson Announces Collaboration to Leverage Ai for the Hourly Workforce
10/29/18	International Business Machines Corporation, Red Hat, Inc. - M&A Call
10/27/18	International Business Machines Corporation (NYSE:IBM) entered into a definitive agreement to acquire Red Hat, Inc. (NYSE:RHT) for \$34.6 billion.



# Public Basket

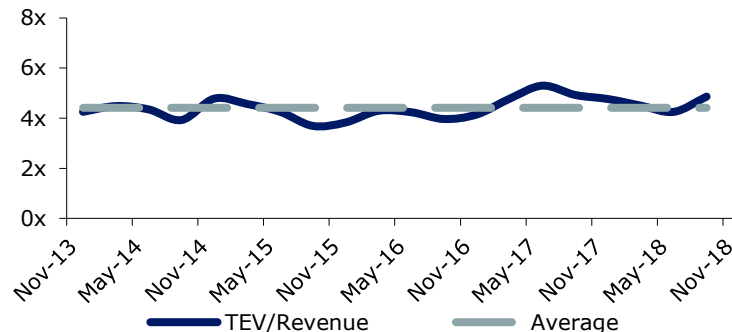


## Oracle Corporation

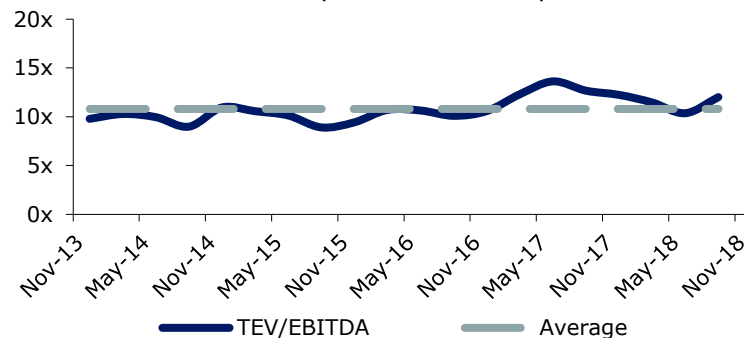
Oracle Corporation develops, manufactures, markets, sells, hosts, and supports application, platform, and infrastructure solutions for information technology (IT) environments worldwide. The company provides services in three primary layers of the cloud: Software as a Service, Platform as a Service, and Infrastructure as a Service. It offers human capital and talent management, enterprise resource planning, customer experience and relationship management, procurement, supply chain management, project portfolio management, business analytics and enterprise performance management, and industry-specific application software, as well as financial management and governance, and risk and compliance applications. Oracle Corporation was founded in 1977 and is headquartered in Redwood City, California.

Date	Key Development Headline
11/14/18	Oracle Corporation (NYSE:ORCL) entered into an agreement to acquire Talari Networks, Inc.
11/14/18	Tele2 Russia, Oracle Expand Cooperation on Cloud Services
10/21/18	Oracle Corporation (NYSE:ORCL) signed an agreement to acquire DataFox Intelligence, Inc.
10/16/18	Oracle Corporation (NYSE:ORCL) entered into an agreement to acquire goBalto, Inc.
9/25/18	Oracle Corporation (NYSE:ORCL) acquired an unknown minority stake in Screening Room Inc. for \$2.5 million.

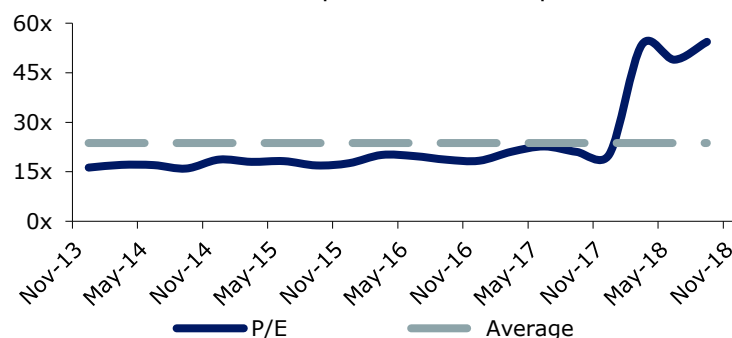
Revenue Multiples - Oracle Corporation



EBITDA Multiples - Oracle Corporation



P/E Multiples - Oracle Corporation



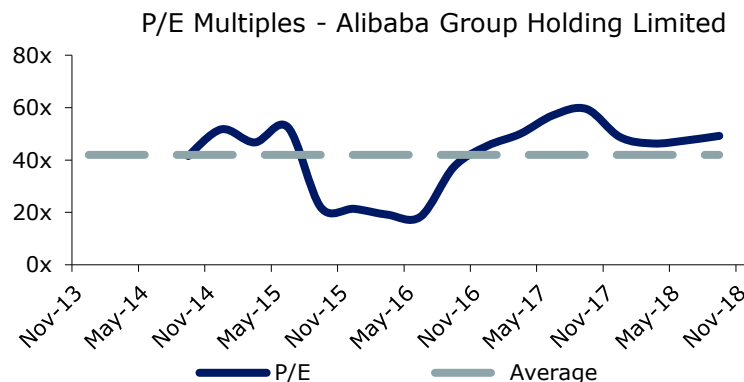
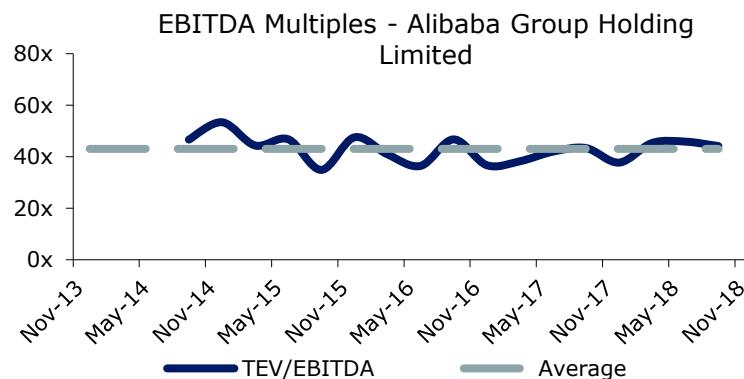
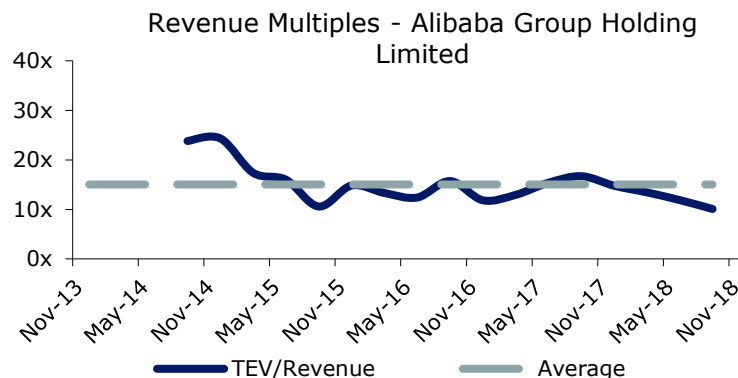
# Public Basket



## Alibaba Group Holding Limited

Alibaba Group Holding Limited, through its subsidiaries, operates as an online and mobile commerce company in the People's Republic of China and internationally. It operates Taobao Marketplace, a mobile commerce destination; Tmall, a third-party platform for brands and retailers; Rural Taobao program that enables rural residents and businesses to sell agricultural products to urban consumers; 1688.com, an online wholesale marketplace; Alibaba.com, an online wholesale marketplace; AliExpress, a retail marketplace; Lazada, an e-commerce platform; and Lingshoutong, a digital sourcing platform. The company was founded in 1999 and is based in Hangzhou, the People's Republic of China.

Date	Key Development Headline
11/2/18	Alibaba Group Seeks Acquisitions
10/26/18	Richemont and Alibaba Group Announce Global Strategic Partnership
9/11/18	Russian Direct Investment Fund, Alibaba Group, PJSC "MegaFon" and Mail.Ru Group Launch New Social Commerce Joint Venture in Russia and the CIS
5/31/18	Canada Goose Plans to Open Two Stores in Beijing and Hong Kong, E-Commerce Operations in Partnership with Alibaba Group
5/17/18	Alibaba Group Holding Limited (NYSE:BABA) acquired a minority stake in ORDRE.
5/7/18	Alibaba Group Holding Limited (NYSE:BABA) acquired entire share capital of Jade E Services Pakistan (Pvt) Limited from Rocket Internet SE (XTRA:RKET).



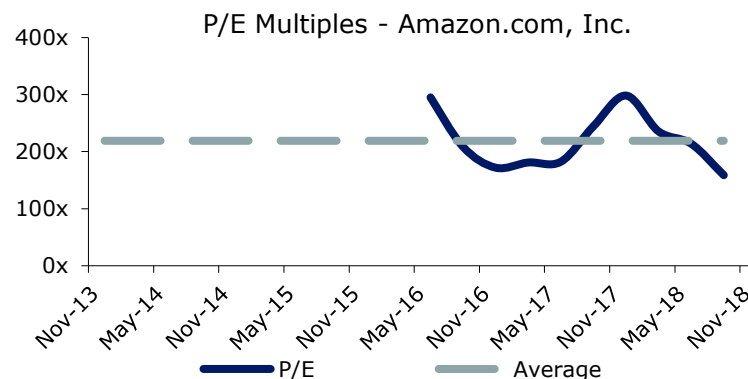
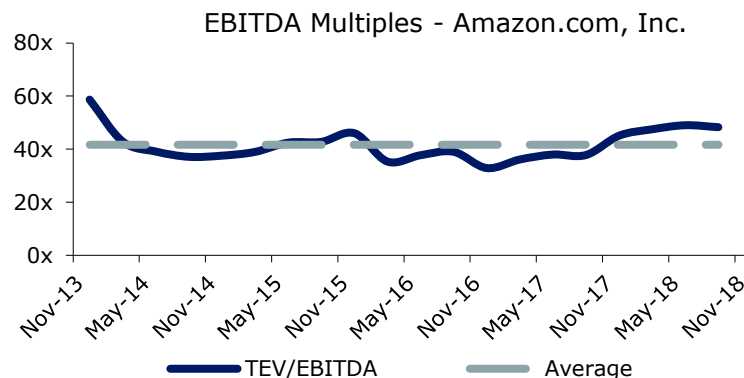
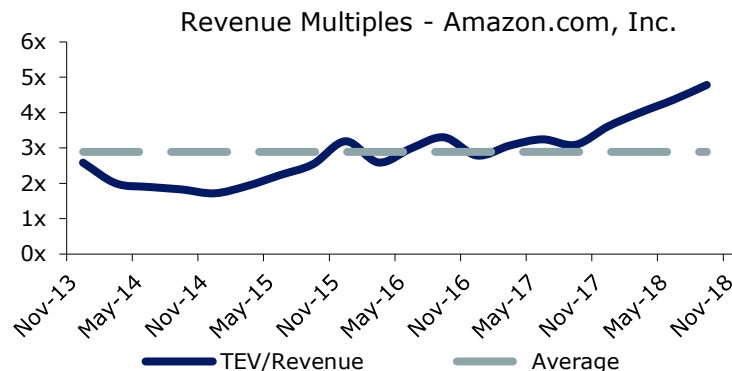
# Public Basket



## Amazon.com, Inc.

Amazon.com, Inc. engages in the retail sale of consumer products and subscriptions in North America and internationally. It sells merchandise and content purchased for resale from vendors, as well as those offered by third-party sellers through physical stores and retail Websites, such as amazon.com, amazon.ca, amazon.com.mx, amazon.com.au, amazon.com.br, amazon.cn, amazon.fr, amazon.de, amazon.in, amazon.it, amazon.co.jp, amazon.nl, amazon.es, and amazon.co.uk. As of September 4, 2018, Amazon.com, Inc. operated three Amazon Go cashier less convenience stores in Seattle. The company was founded in 1994 and is headquartered in Seattle, Washington.

Date	Key Development Headline
9/10/18	Amazon.com, Inc. (NasdaqGS:AMZN) completed the acquisition of PillPack, Inc.
7/24/18	Amazon Expands Grocery Delivery from Whole Foods Market to Fort Lauderdale, Miami, Palm Beach, Long Island and New York City
6/27/18	Amazon.com, Inc. (NasdaqGS:AMZN) entered into a definitive merger agreement to acquire PillPack, Inc.
6/20/18	Amazon, Berkshire Hathaway and JPMorgan Chase Appoint Atul Gawande as Chief Executive Officer of New Company; Amazon, Berkshire Hathaway and JP Morgan Chase Announce the Formation of New Company
4/11/18	Amazon.com, Inc. (NasdaqGS:AMZN) completed the acquisition of Ring Inc. for approximately €810 million.





# Contact Information

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. Securities offered through 7M Securities LLC.

Leroy Davis, Partner	704.899.5962	leroy@7mileadvisors.com
Tripp Davis, Partner	704.899.5762	tripp@7mileadvisors.com
Andy Johnston, Partner	704.899.5961	andy@7mileadvisors.com
Ben Lunka, Managing Director	704.496.2995	ben@7mileadvisors.com
Jeff Stoecklein, Managing Director	312.796.9330	jeff@7mileadvisors.com
Kristina Sergueeva, Director	704.899.5149	kristina@7mileadvisors.com
Neil Churman, Director	281.742.9340	neil@7mileadvisors.com
John Cooper, Director	704.973.3996	john@7mileadvisors.com
Tim Frye, Director	704.973.3994	tim@7mileadvisors.com
Nicholas Prendergast, Financial Analyst	704.973.3995	nicholas@7mileadvisors.com
Ariail Siggins, Marketing Director	704.981.2908	ariail@7mileadvisors.com
Sydney Larese, Associate	704.973.3998	sydney@7mileadvisors.com
Marty Johnson, Associate	704.973.3999	marty@7mileadvisors.com
Rory Julyan, Associate	704.981.2520	rory@7mileadvisors.com
Garth Martin, Associate	704.973.3997	garth.martin@7mileadvisors.com
Chevonese Dacres, Analyst	704.981.2342	chevonese@7mileadvisors.com