

SECTORWATCH:

Enterprise Software

January 2018

7 MILE 
ADVISORS

SECTORWATCH: Enterprise Software

January 2018

- Sector Dashboard
- Public Basket Performance
- Operational Metrics
- Valuation Comparison
- Recent Deals
- Appendix

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OVERVIEW



Dashboard

summary metrics on the sector, with 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

a more graphical, detailed comparison of valuation multiples for the public basket



Recent Deals

the most recently announced sector deals

About Us

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.

Sectorwatch

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

Let us know if we can help

Contact us if there are ways we can assist your M&A or financing strategy.

DASHBOARD

Revenue Growth Momentum

↓ -2.8%

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

Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining

Pricing / Gross Margin Momentum

↓ -1.0%

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 Momentum

↓ -3.2%

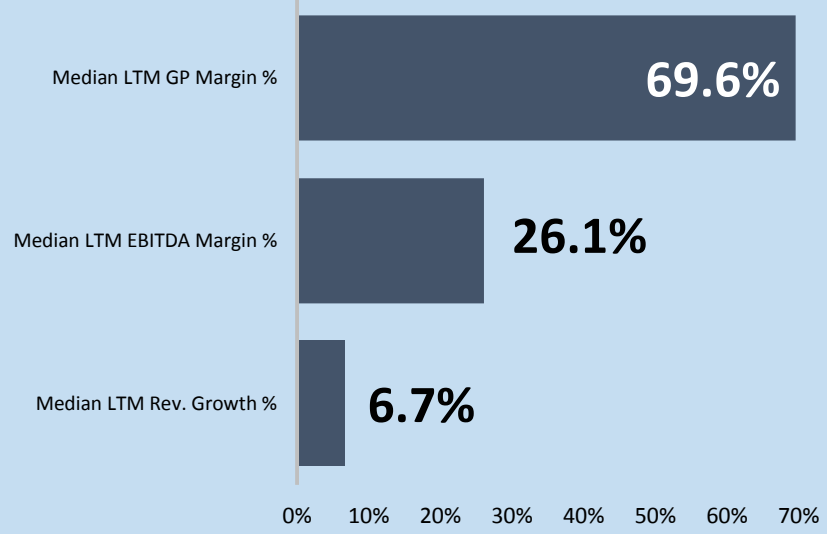
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

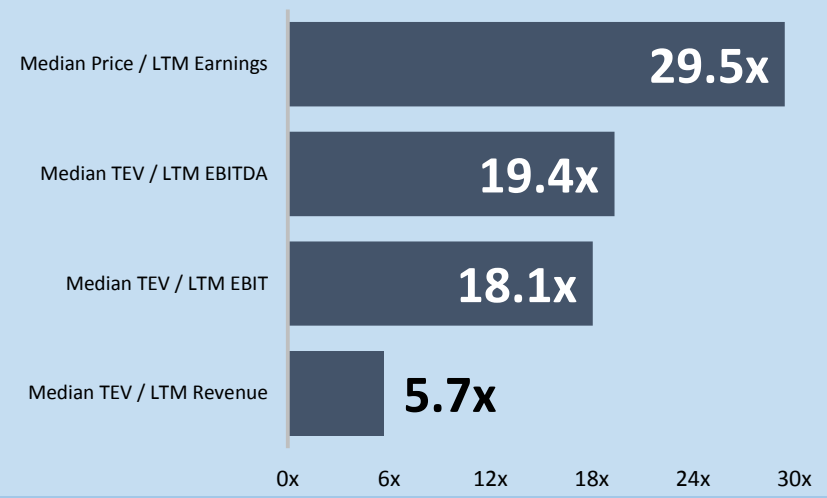
PUBLIC BASKET CONSTITUENTS

- NYSE:DATA
- NYSE:VMW
- NYSE:CRM
- NasdaqGS:CSCO
- DB:SAP
- NYSE:ORCL
- NasdaqGS:MSFT

Operating Metrics



Valuation



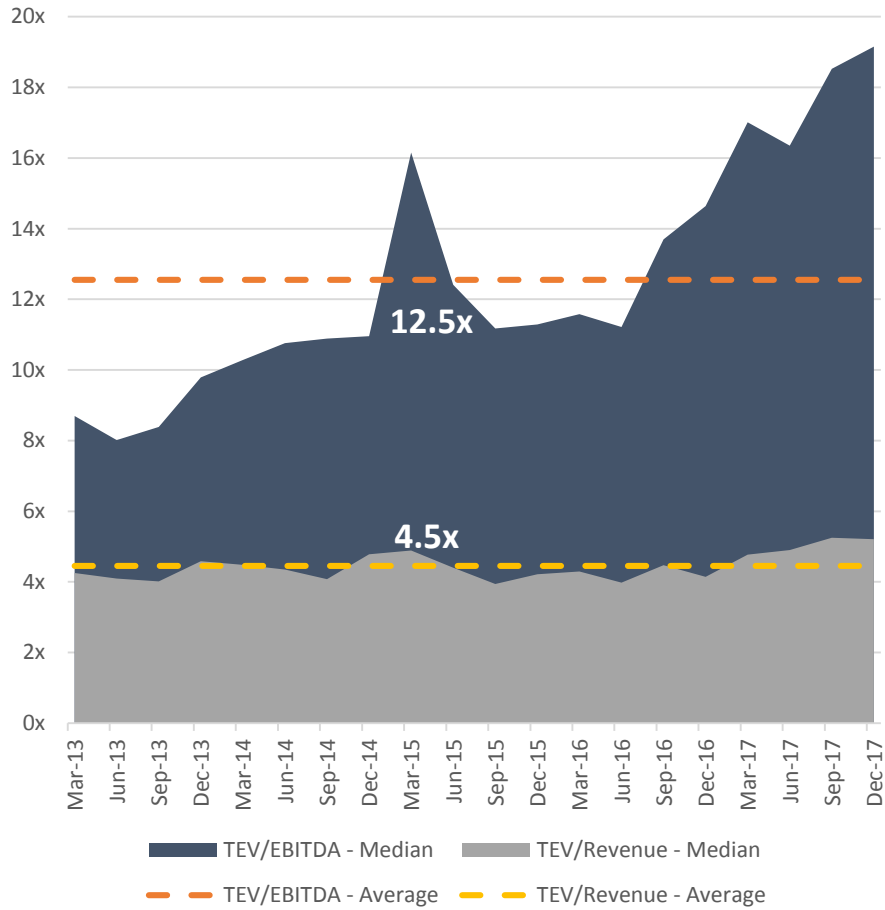
PUBLIC BASKET PERFORMANCE

Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Tableau Software, Inc.	4,999	878	13%	87%	-13%	5.7	0.0	3,223	273
VMware, Inc.	46,048	7,093	7%	85%	26%	6.5	24.9	18,905	375
Salesforce.com, inc.	78,586	9,923	25%	73%	6%	7.9	142.0	25,000	397
Cisco Systems, Inc.	166,383	47,789	-2%	63%	30%	3.5	11.5	72,900	656
SAP SE	132,892	27,631	8%	70%	25%	4.7	18.6	84,183	328
Oracle Corporation	194,480	38,907	4%	58%	39%	5.0	12.8	138,000	282
Microsoft Corporation	646,567	92,560	7%	63%	35%	7.0	20.1	124,000	746

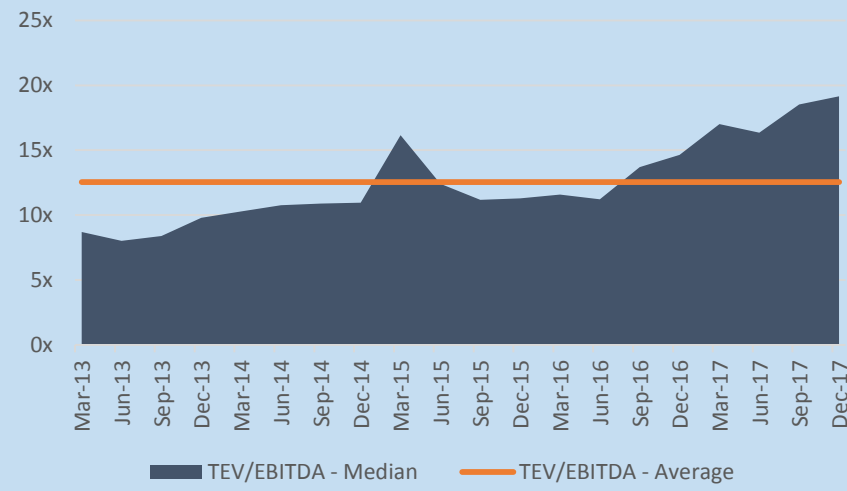
Average	181,422	32,112	9%	71%	21%	5.7	32.9	66,602	437
Median	132,892	27,631	7%	70%	26%	5.7	18.6	72,900	375

share price as of 12Jan18

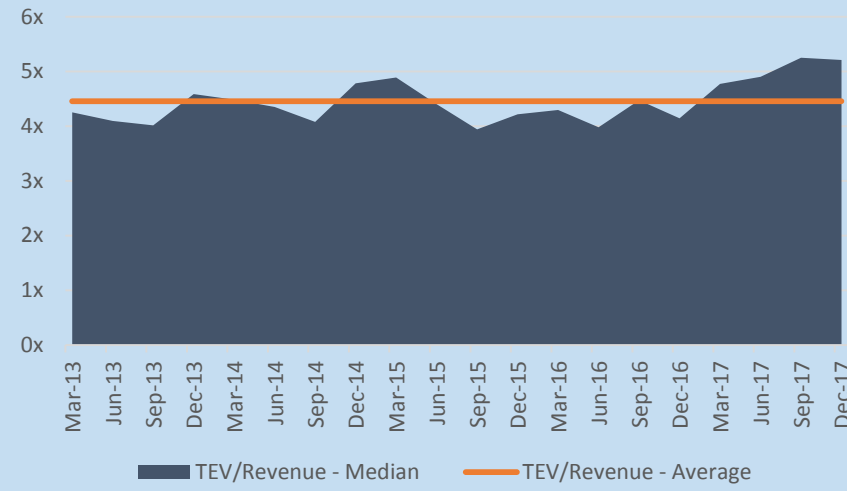
PUBLIC BASKET VALUATION TRENDS



Public EBITDA Multiples Over Time



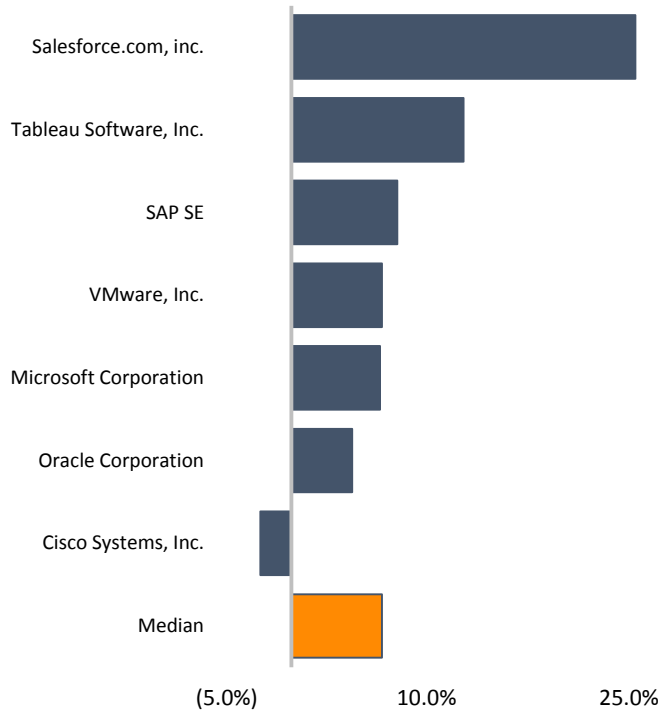
Public Revenue Multiples Over Time



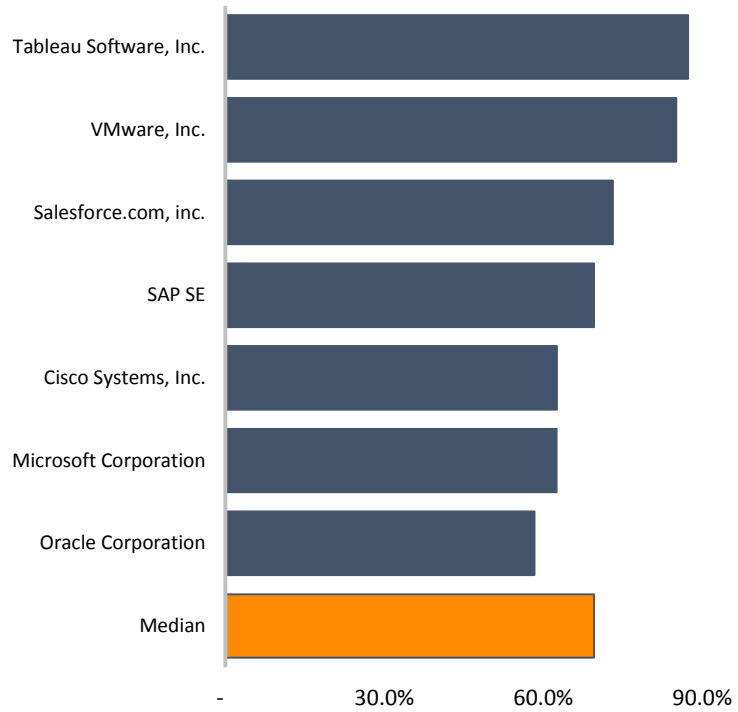
OPERATIONAL METRICS



LTM Revenue Growth %



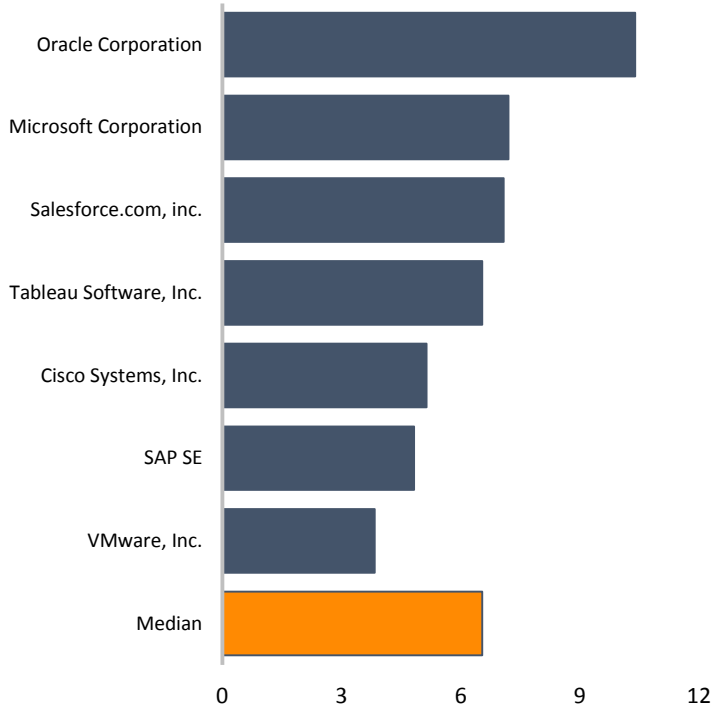
LTM Gross Profit Margin %



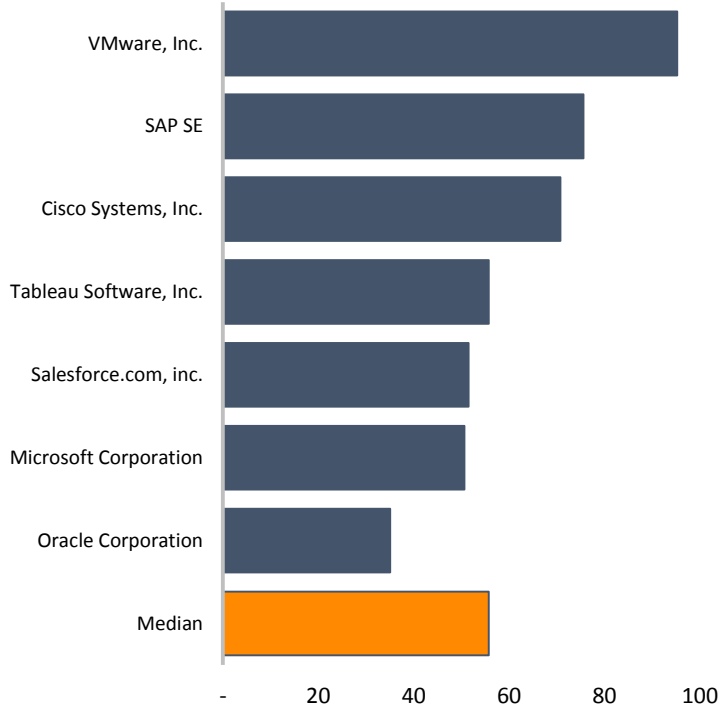
OPERATIONAL METRICS



Accounts Receivable Turnover



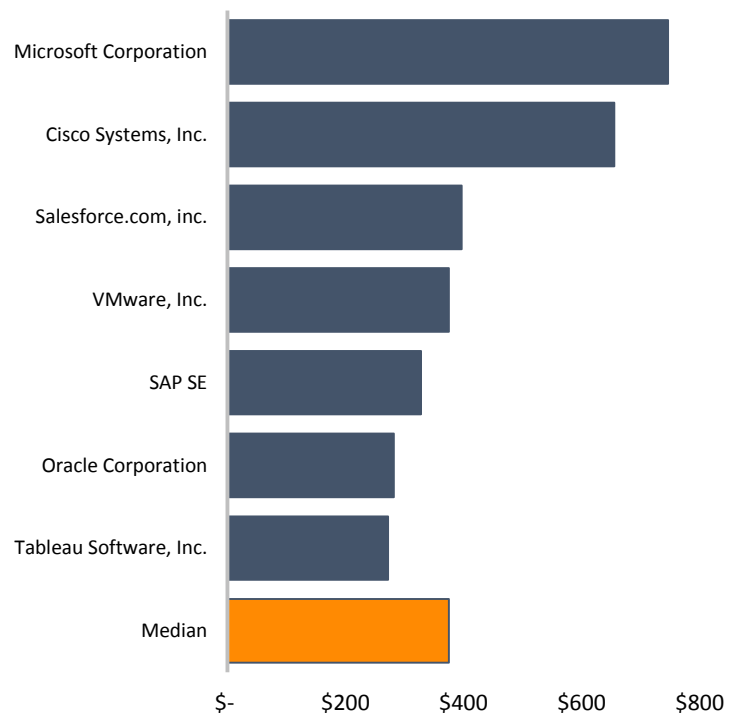
Average Days Sales Outstanding



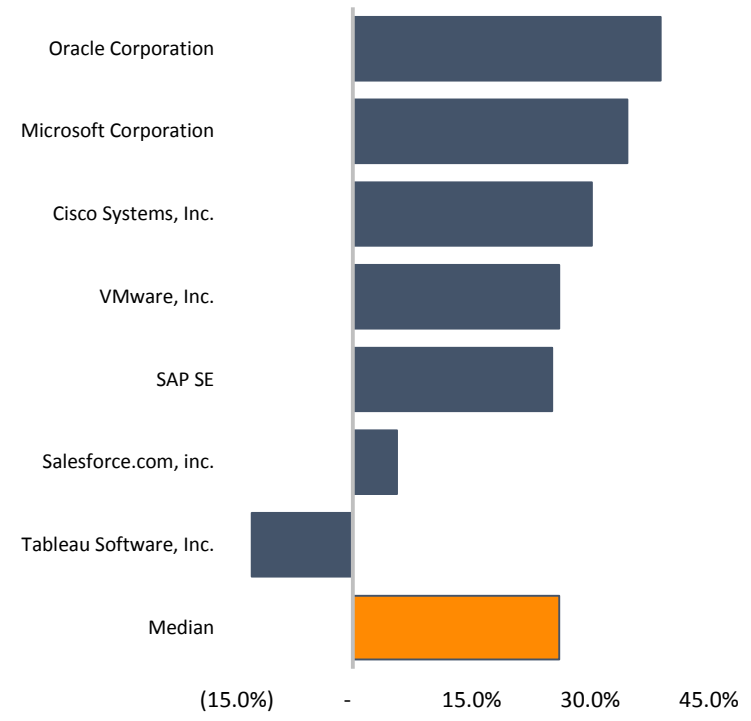
OPERATIONAL METRICS



LTM Revenue per Full Time Employee x 000's



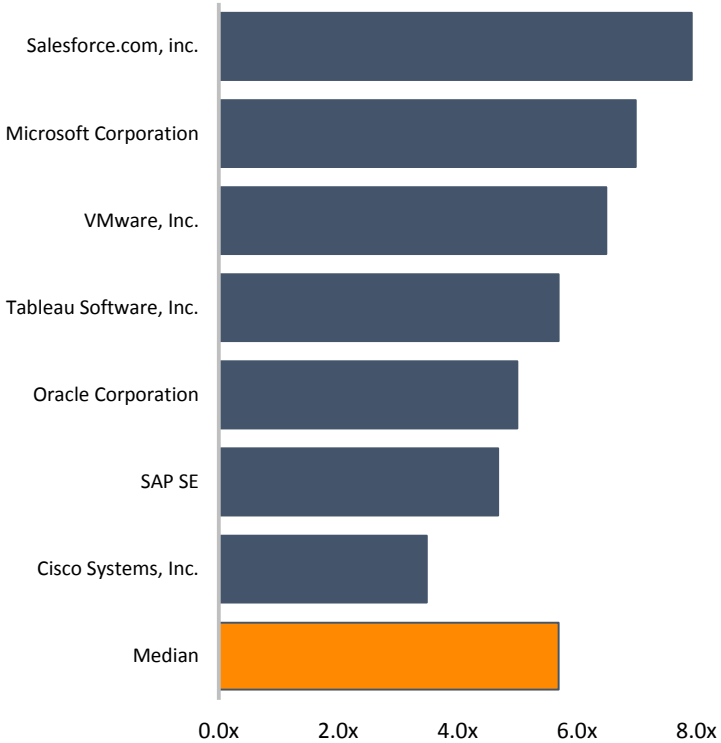
LTM ADJ. EBITDA %



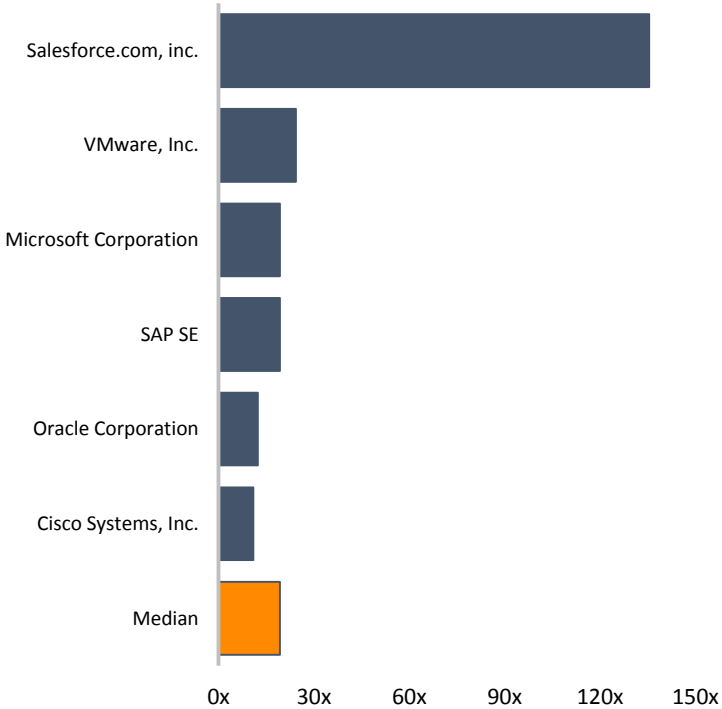
VALUATION



TEV / LTM Revenue



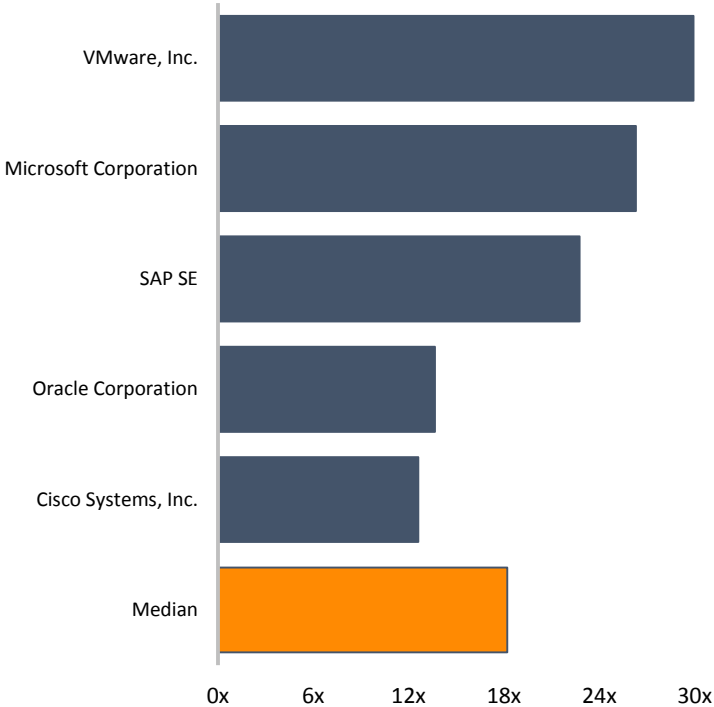
TEV / LTM EBITDA



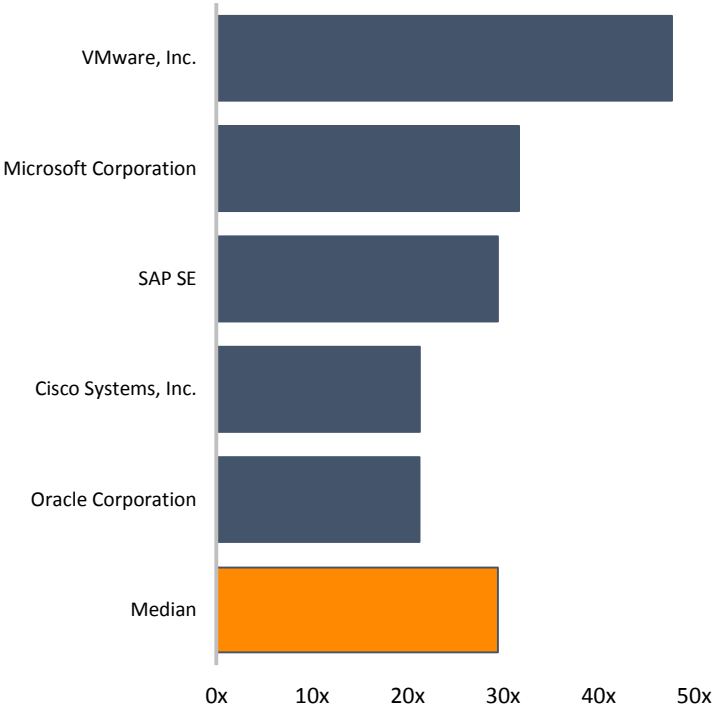
VALUATION



TEV / LTM EBIT



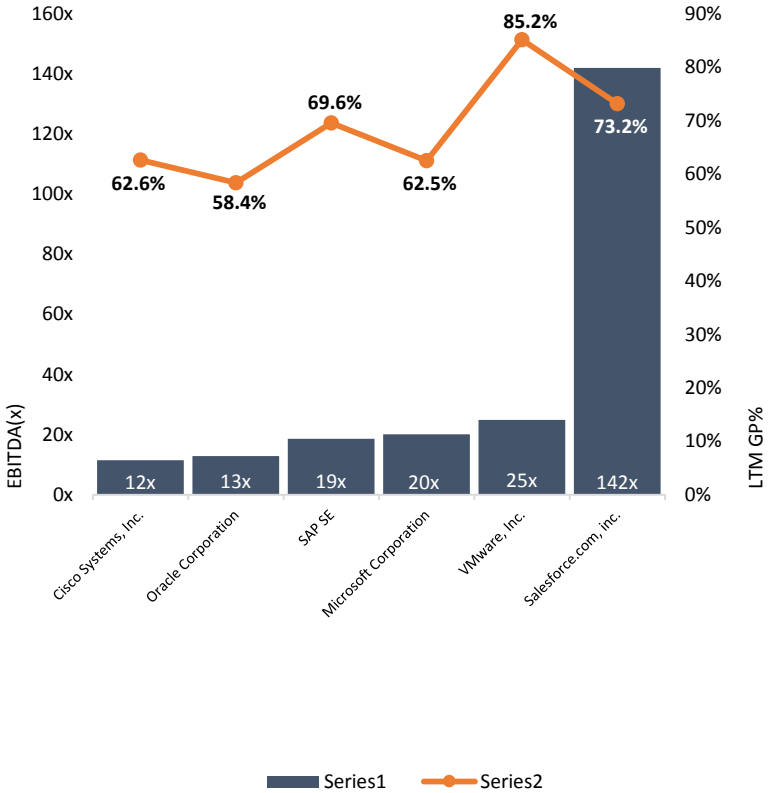
Price / LTM Earnings



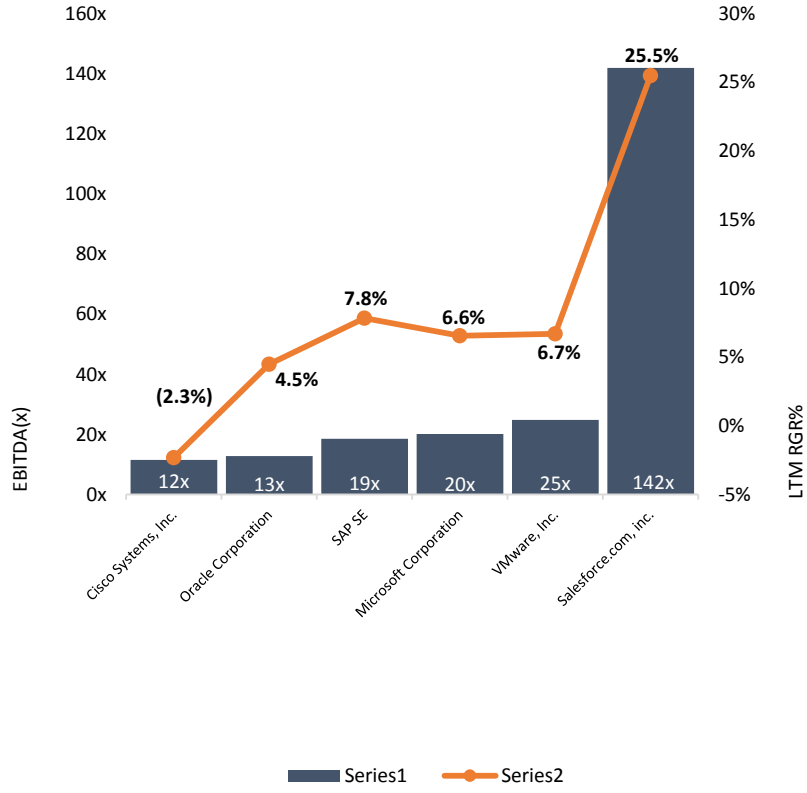
VALUATION



Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



RECENT TRANSACTIONS

Date	Target	Buyer	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
	Kenandy, Inc.	The Danville Group, Inc.	-	-	-	-
8Jan18	Attic Labs, Inc.	Quip, Inc.	-	-	-	-
3Jan18	Avere Systems, Inc.	Microsoft Azure	-	-	-	-
2Jan18	Doe Pics Hit Inc.	Apple Inc.	-	-	-	-
18Dec17	Aconex Limited	Vantive Australia Pty Ltd	1,258.88	123.62	10.0x	NM
24Sep17	Gigya, Inc.	hybris AG	350.00	-	-	-
14Aug17	ECi Software Solutions, Inc.	Apax Partners LLP	-	-	-	-
4Aug17	Frontline Education, Inc.	Thoma Bravo, LLC	-	-	-	-
3Aug17	CCI, Inc.	Zyme Solutions, Inc.	-	-	-	-
25Jul17	Intacct Corporation (nka:Sage Intacct, Inc.)	The Sage Group plc	850.00	88.00	9.7x	-
24Jul17	Civica Group Limited	-	1,374.61	-	-	-
12Jul17	Waterfall International Inc.	Upland Software, Inc.	25.90	-	-	-
6Jul17	Syncsort Incorporated	Centerbridge Partners, L.P.	1,260.00	-	-	-
5Jun17	FDM Software Ltd.	Aptean, Inc.	-	-	-	-
31May17	MarkLogic Corporation	NTT Data Corporation	-	-	-	-
24May17	Codenvy, S.A .	Red Hat Limited (Ireland)	-	-	-	-
25Apr17	Birst, Inc.	Infor, Inc.	-	-	-	-
12Apr17	Qualtrics, LLC	Accel Partners; Insight Venture Partners LLC; Sequoia Capital	180.00	-	-	-
2Mar17	C3, Inc.	Sutter Hill Ventures; TPG Growth; Breyer Capital; Wildcat Venture Partners, LP	-	-	-	-
22Feb17	Halogen Software Inc.	Saba Software, Inc.; 6883621 Canada Inc.	212.29	72.26	2.4x	26.2x
23Feb17	OF Software Ltd.	Eclipse Corporation	-	-	-	-
8Feb17	Comptel Oyj	Nokia Solutions and Networks Oy	382.45	106.70	3.5x	38.3x
24Jan17	AppDynamics LLC	Cisco Systems, Inc.	4,032.75	206.23	18.9x	NM
17Jan17	Apiary Inc.	Oracle Corporation	-	-	-	-
17Jan17	The Marcus Buckingham Company, Inc	Automatic Data Processing, Inc.	-	-	-	-
17Jan17	SimpliVity Corporation	Hewlett Packard Enterprise Company	650.00	-	-	-
17Jan17	Donya Labs AB	Microsoft Corporation	-	-	-	-
18Dec16	ISCS, Inc.	Guidewire Software, Inc.	160.00	-	-	-
6Dec16	Deltek, Inc.	Roper Technologies, Inc.	2,800.00	-	-	-
29Nov16	Trillium Software, Inc. And Harte-Hanks Trillium UK And Harte-Hanks Trillium Software Germany	Syncsort Incorporated; Syncsort GmbH; Syncsort Limited	112.00	-	-	-
16Nov16	Infor, Inc.	Koch Equity Development, LLC	2,000.00	2,803.70	-	-
29Sep16	Marquis Software Solutions, Inc.	Falfurrias Capital Partners	-	-	-	-
27Sep16	Altiscale, Inc.	SAP SE	-	-	-	-
7Sep16	Apigee Corporation	Google Inc.	630.07	92.03	6.1x	NM

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Appendix: Public Basket
Constituents

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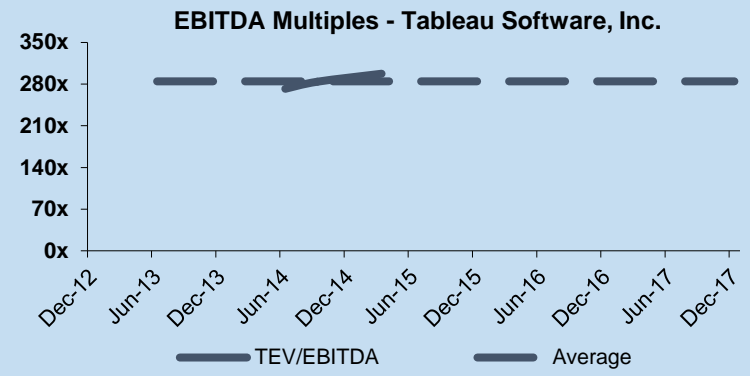
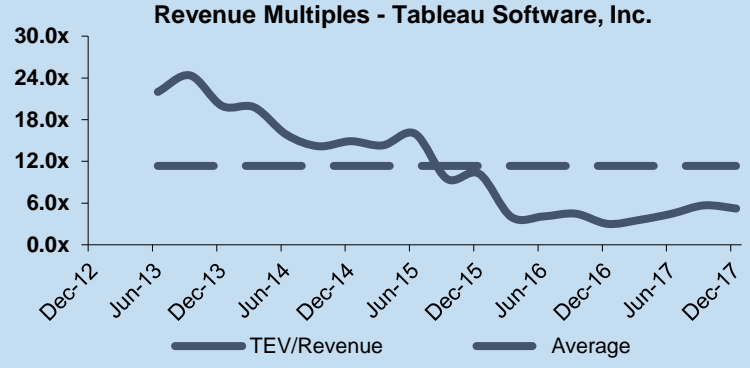


PUBLIC BASKET CONSTITUENTS

Tableau Software, Inc.

Tableau Software, Inc. provides business analytics software products. It offers Tableau Desktop, a self-service analytics product that empowers people to access and analyze data independently; and Tableau Server, a business intelligence platform with data management and scalability to foster sharing of analytics, as well as to improve the dissemination of information across an organization and promote improved decision-making. The company also provides Tableau Online, a hosted SaaS version of Tableau Server; and Tableau Public, a cloud-based platform that allows users of various backgrounds, such as bloggers, journalists, researchers, and government workers to visualize public data on their Websites. In addition, it offers Vizable that turns data into graphs, as well as allows it to be shared from an iPad; Live Query Engine, which interprets abstract queries generated by VizQL into syntax understandable by popular database systems; In-Memory data engine that allows to analyze large amounts of data independently of database systems; and maintenance and support, training, and professional services. The company serves organizations in various industries, including business services, energy and telecommunications, financial services, life sciences and healthcare, manufacturing and technology, media and entertainment, public sector, education, retail, consumer, and distribution industries. Tableau Software, Inc. was founded in 2003 and is headquartered in Seattle, Washington.

Date	Key Development Headline
8/8/17	Tableau Software, Inc. (NYSE:DATA) acquired ClearGraph from RRE Ventures LLC, Great Oaks Venture Capital LLC and others.

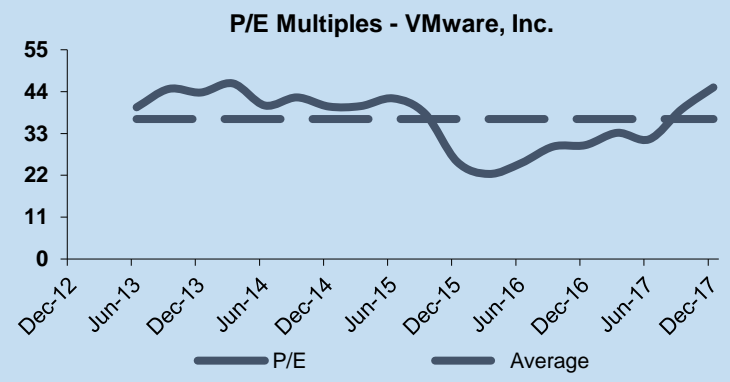
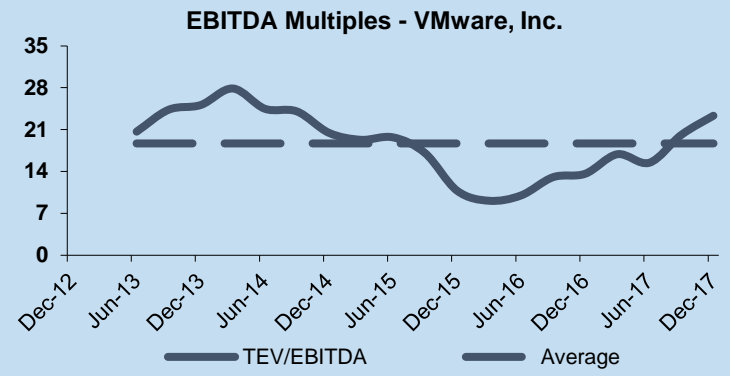
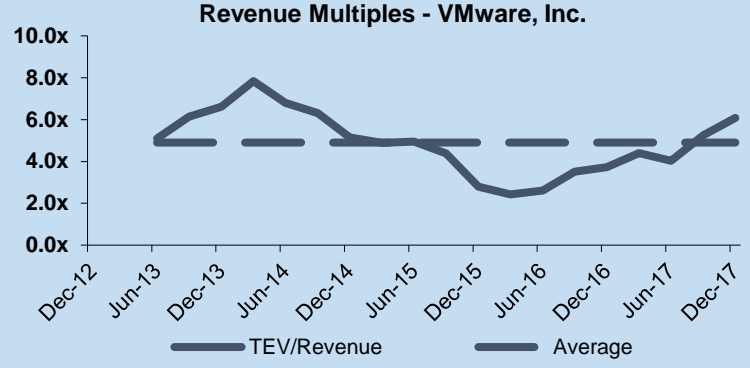


PUBLIC BASKET CONSTITUENTS

VMware, Inc.

VMware, Inc. provides virtualization and cloud infrastructure solutions in the United States and internationally. Its virtualization infrastructure solutions includes a suite of products and services designed to deliver a software-defined data center(SDDC), run on industry-standard desktop computers, servers, and mobile devices; and supports a range of operating system and application environments, as well as networking and storage infrastructures. The company offers VMware vSphere, a data center platform, which enables users to deploy hypervisor, a layer of software that resides between the operating system and system hardware to enable compute virtualization; storage and availability products that provide data storage and protection options; network and security products; and management and automation products to manage and automate overarching IT processes involved in provisioning IT services and resources to users from initial infrastructure deployment to retirement. It also provides SDDC suites, including VMware vCloud suite, vSphere with Operations Management, and VMware vRealize suite for building and managing a cloud infrastructure for use with the vSphere platform. In addition, the company offers Cloud Foundation, a SDDC delivery independent platform that can be deployed on-premises or run as-a-service. The company was incorporated in 1998 and is headquartered in Palo Alto, California. VMware, Inc. is a subsidiary of Dell Technologies Inc.

Date	Key Development Headline
11/8/17	VMwar Reportedly Mulls Acquisitions
11/1/17	VMware, Inc. (NYSE:VMW) signed a definitive agreement to acquire VeloCloud Networks, Inc.
10/9/17	VMware, Inc. Teams Up with SAP to Accelerate and Streamline Enterprise IoT Initiatives

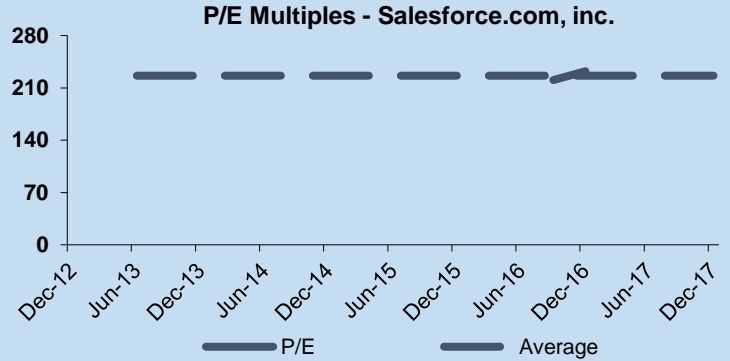
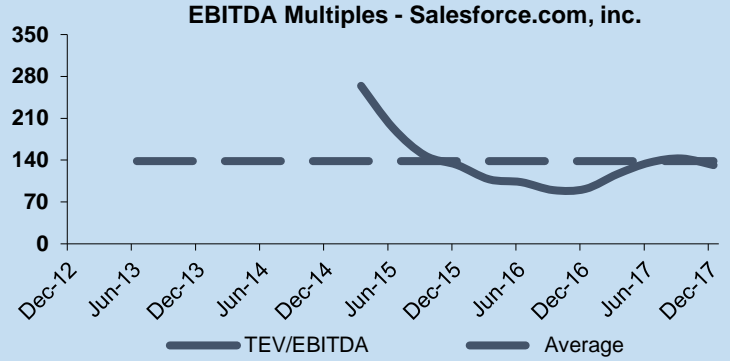
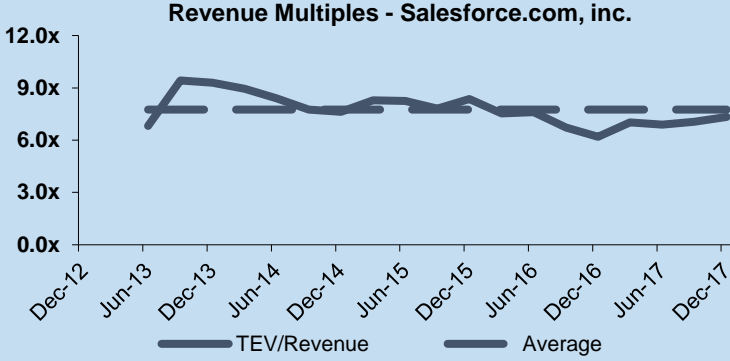


PUBLIC BASKET CONSTITUENTS

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, gain insights through relationship intelligence, and collaborate around sales on desktop and mobile devices, as well as solutions for partner relationship management. It also provides Service Cloud, which enables companies to deliver personalized customer service and support, as well as connects their service agents with customers on various devices; and Marketing Cloud to plan, personalize, and optimize one-to-one customer interactions. In addition, the company offers Commerce Cloud to deliver a digital commerce experience; Community Cloud to create and manage branded digital destinations for customers, partners, and employees; Internet of Things Cloud that provides insights to companies enabling them to sell, service, and market to their customers in personalized ways, as well as engage with them in real time; and Analytics Cloud that enables employees across an organization to explore business data, uncover new insights, make decisions, and take action from various devices. Further, it provides Salesforce Quip, a next-generation productivity solution for teams with a mobile-first strategy to collaborate without email; and Salesforce Platform for building enterprise apps. The company was founded in 1999 and is headquartered in San Francisco, California.

Date	Key Development Headline
11/7/17	Salesforce.com Seeks Acquisition
3/7/17	Amazon Web Services, Inc. acquired Do.com from salesforce.com, inc. (NYSE:CRM), Sherpa Ventures, Sherpa Foundry, Mark Pincus and others.

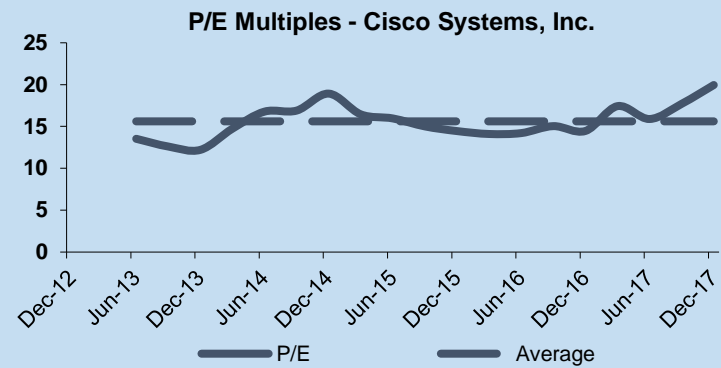
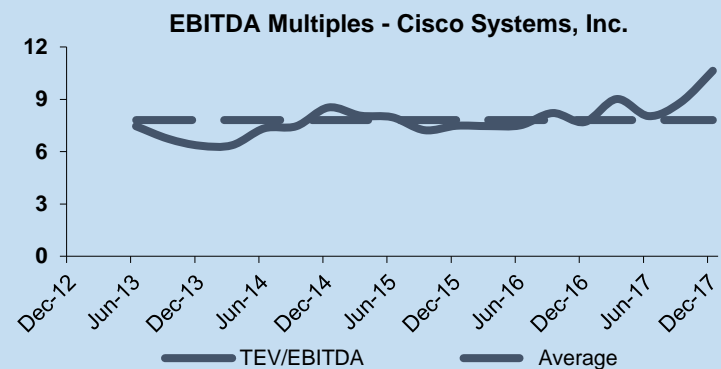
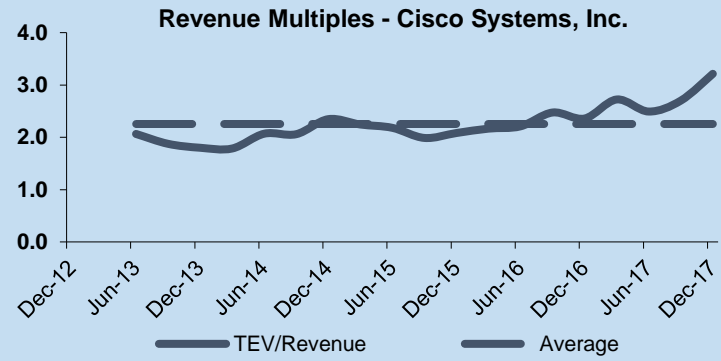


PUBLIC BASKET CONSTITUENTS

Cisco Systems, Inc.

Cisco Systems, Inc. designs, manufactures, and sells Internet Protocol (IP) based networking and other products related to the communications and information technology industry worldwide. The company offers switching products, including fixed-configuration and modular switches, and storage products that provide connectivity to end users, workstations, IP phones, wireless access points, and servers; and next-generation network routing products that interconnect public and private wireline and mobile networks for mobile, data, voice, and video applications. It also provides collaboration products comprising unified communications products, conferencing products, collaboration endpoints, and business messaging products; data center products, such as blade and rack servers, series, fabric interconnects, and management software solutions; wireless products consisting of wireless access points, WLAN controllers, cloud and appliances based services, and integrated software services. The company was founded in 1984 and is headquartered in San Jose, California.

Date	Key Development Headline
12/12/17	Cisco Systems Reportedly Looks For Acquisitions
12/6/17	Cisco Systems, Inc. (NasdaqGS:CSCO) agreed to acquire 47Line Technologies Inc.
12/4/17	On December 4, Jinan Innovation Zone, Inspur and Cisco Systems, Inc. Sign Memorandum of Strategic Cooperation
10/31/17	TIBCO Software Inc. completed the acquisition of Composite Software LLC from Cisco Systems, Inc. (NasdaqGS:CSCO).
10/25/17	Cisco Systems Mulls Acquisitions

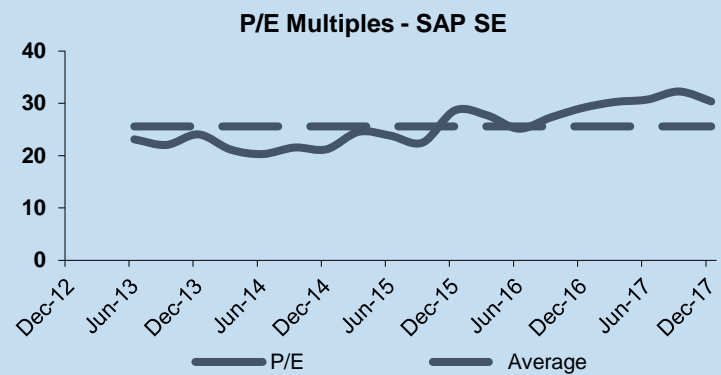
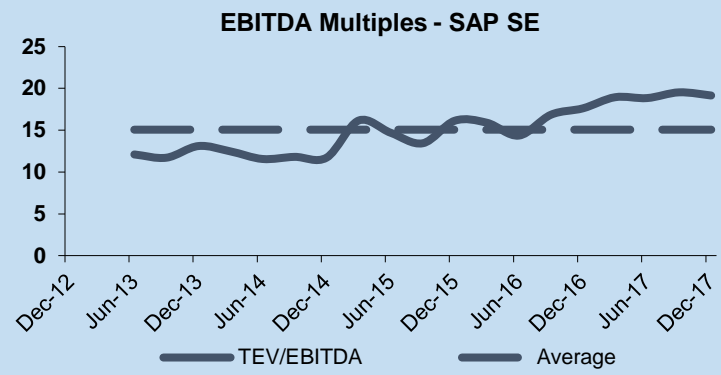
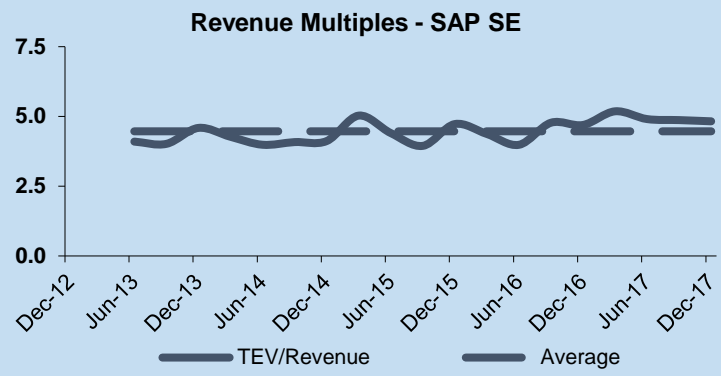


PUBLIC BASKET CONSTITUENTS

SAP SE

SAP SE operates as an enterprise application software and database company worldwide. It offers SAP HANA and SAP S/4HANA, which are in-memory computing platforms that store and process huge data, and eliminate the maintenance of separate legacy systems and siloed data; SAP BW/4HANA, a data warehouse software; SAP S/4HANA Cloud, a software-as-a-service solution that provides the scalability, ease of management, and security; SAP SuccessFactors, a suite of human capital management solutions to develop, manage, engage, and empower the workforce; SAP Concur, a travel and expense management solution; SAP Ariba, a guided buying, light enablement, and open platform solution; and SAP Fieldglass, a solution to procure and manage external workforce. The company also provides SAP Cloud Platform, an in-memory platform-as-a-service to build, run, and extend business applications; SAP BusinessObjects Cloud, a cloud analytics solution; SAP Digital Boardroom, a solution to access company data in real time; and SAP Leonardo, a solution to digitize manufacturing, logistics, and asset management processes, as well as maintenance, consulting, and training services. SAP SE was founded in 1972 and is headquartered in Walldorf, Germany.

Date	Key Development Headline
11/14/17	EY Collaborates with SAP to Continue Advancement of Blockchain Deployment Across Industries Worldwide
10/9/17	VMware, Inc. Teams Up with SAP to Accelerate and Streamline Enterprise IoT Initiatives
8/29/17	BASF and SAP SE Bring Multiple Business Partners Together in Global Network for Technical Assets
6/19/17	ASE Group Establishes Competence Center in Partnership with SAP
6/12/17	SAP SE and Accenture Expand Collaboration to Build Breakthrough Digital Solutions on SAP Leonardo

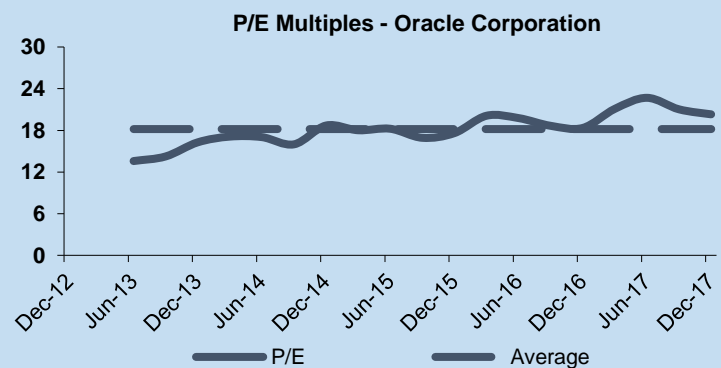
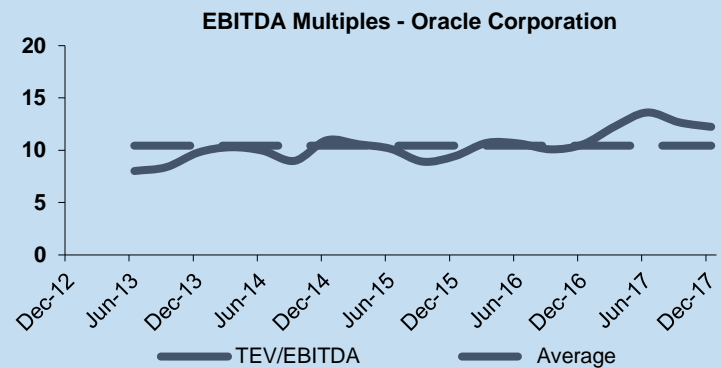
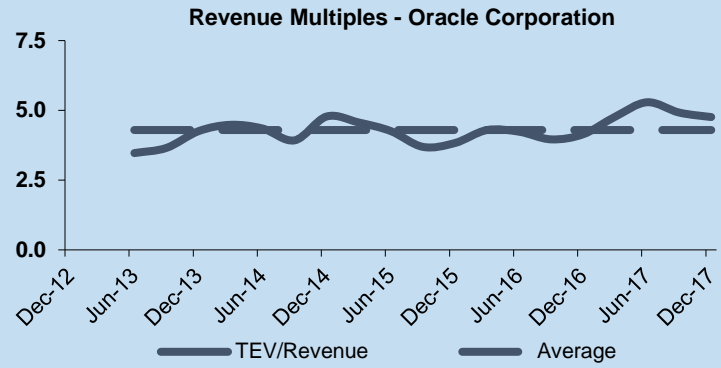


PUBLIC BASKET CONSTITUENTS

Oracle Corporation

Oracle Corporation develops, manufactures, markets, sells, hosts, and supports application, platform, and infrastructure technologies for information technology (IT) environments worldwide. It provides services in three primary layers of the cloud: Software as a Service, Platform as a Service, and Infrastructure as a Service. The company licenses its Oracle Database software, which enables storage, retrieval, and manipulation of data; and Oracle Fusion Middleware software to build, deploy, secure, access, and integrate business applications, as well as automate their business processes. It also provides software for mobile computing to address the development needs of businesses; Java, a software development language; and big data solutions. The company was founded in 1977 and is headquartered in Redwood City, California.

Date	Key Development Headline
11/7/17	Oracle Corp. Mulls Acquisitions
6/26/17	Unieuro S.p.A. (BIT:UNIR) acquired Oracle Retail Demand Forecasting and Oracle Retail Allocation & Replenishment from Oracle Corporation (NYSE:ORCL).
5/30/17	interRel Consulting Partners, LLP acquired Oracle Analytics Cloud from Oracle Corporation (NYSE:ORCL).
5/24/17	Oracle Corporation (NYSE:ORCL) completed the acquisition of Moat, Inc. from First Round Capital, Insight Venture Partners LLC, Lerer Hippeau Ventures, Mayfield Fund, MHS Capital and others.
4/24/17	Azerbaijani Holdings Inc. acquired Engine Yard, Inc. from New Enterprise Associates, DAG Ventures, LLC, Bay Partners, LLC, Presidio STX, LLC, Top Tier Capital Partners, LLC and others.

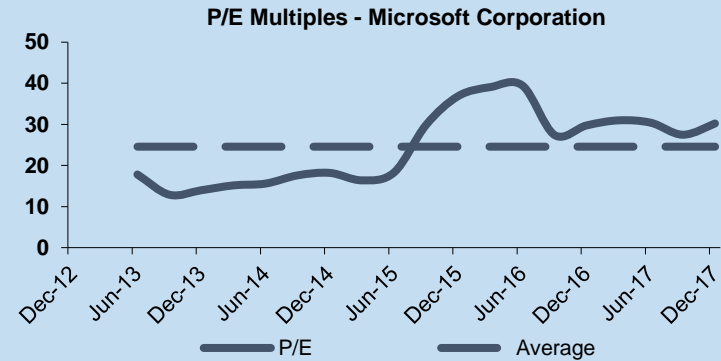
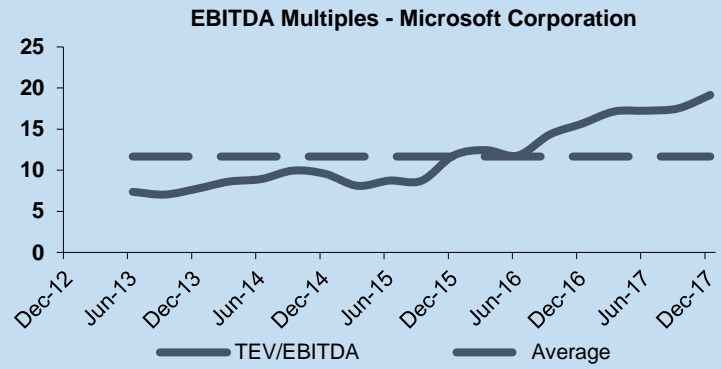
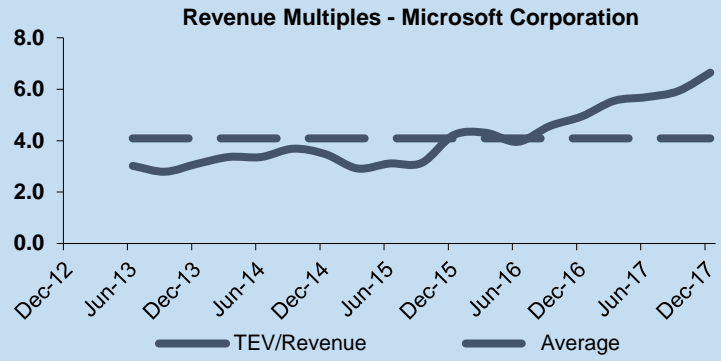


PUBLIC BASKET CONSTITUENTS

Microsoft Corporation

Microsoft Corporation develops, licenses, and supports software products, services, and devices worldwide. The company's Productivity and Business Processes segment offers Office 365 commercial products and services for businesses, including Office, Exchange, SharePoint, Skype for Business, and related Client Access Licenses (CALs); Office 365 consumer services, such as Skype, Outlook.com, and OneDrive; Dynamics business solutions, such as financial management, enterprise resource planning, customer relationship management, supply chain management, and analytics applications for small and mid-size businesses, large organizations, and divisions of enterprises; and LinkedIn online professional network. The company was founded in 1975 and is headquartered in Redmond, Washington.

Date	Key Development Headline
12/21/17	Fujitsu Limited and Microsoft Corporation Announces Agreement to Collaborate in the Field of Artificial Intelligence to Accelerate the Transformation of the Ways People Work in Companies
12/13/17	Cheetah Mobile Inc. Collaborates with Microsoft Corporation on AI Services
12/1/17	M.A.T.I. Lan acquired Online Partner from Microsoft Corporation (NasdaqGS:MSFT).
11/15/17	Sandell Asset Management Corp. proposed to acquire remaining 98.62% stake in Barnes & Noble, Inc. (NYSE:BKS) from Leonard Riggio and others for approximately \$650 million.
11/5/17	Microsoft Corporation (NasdaqGS:MSFT) acquired Swing Technologies.



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.

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