



Sectorwatch: Enterprise Software

July 2018

Enterprise Software

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Overview

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.

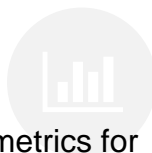
Dashboard

- 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

↓ -0.01

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

↓ -0.9%

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

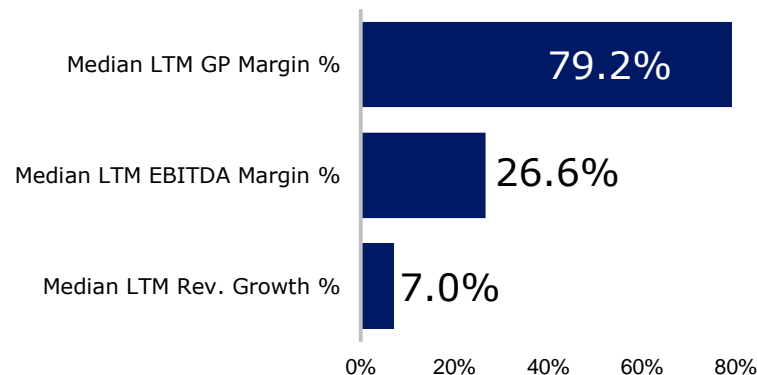
Profitability Momentum

↑ 1.6%

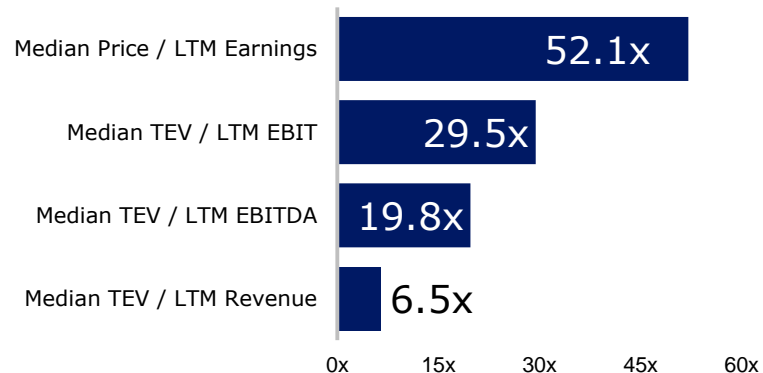
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin exceeds the average of the last 3 years EBITDA margin by this amount, a condition that may attract new entrants

Operating Metrics



Valuation



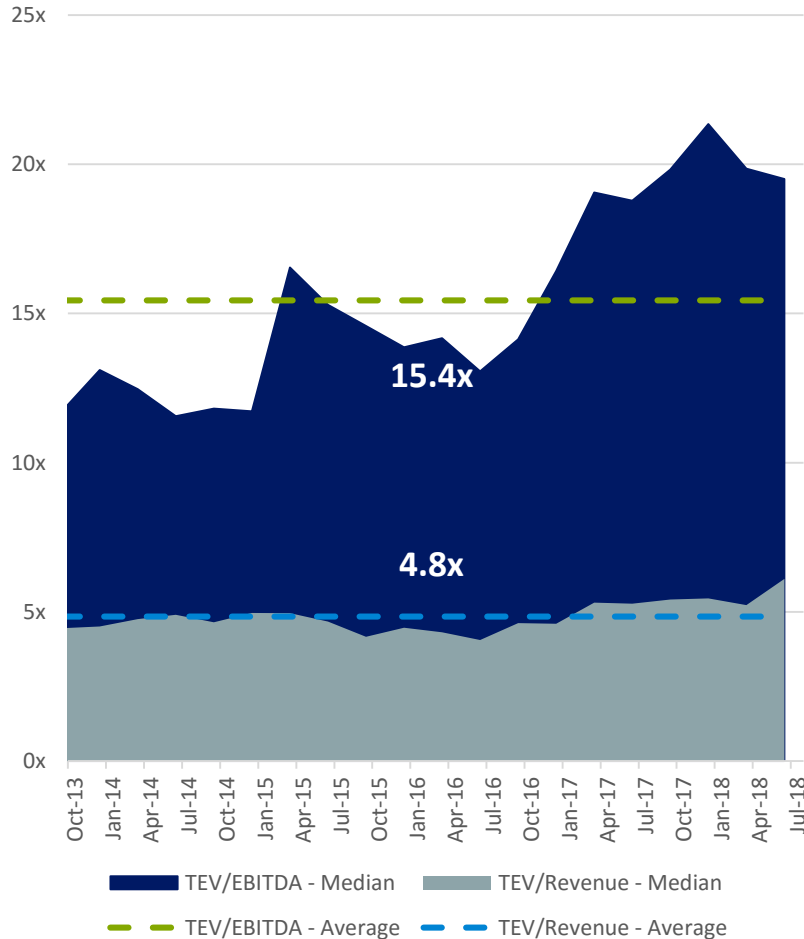
Public Basket



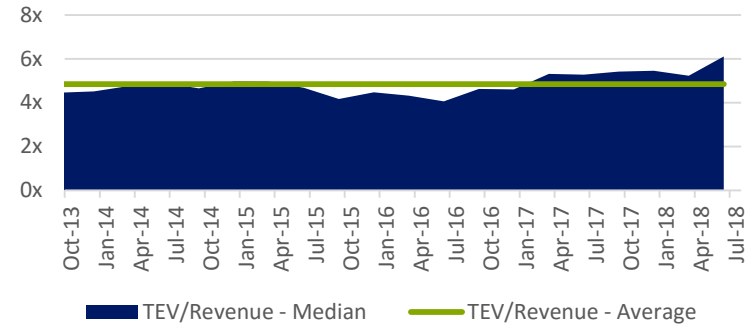
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Fortinet, Inc.	9,927	1,553	17%	75%	12%	6.4	51.2	5,066	307
Check Point Software Technologies Ltd.	16,090	1,872	6%	89%	50%	8.6	17.1	4,576	409
Symantec Corporation	16,264	4,846	21%	79%	25%	3.4	13.6	-	NA
CA, Inc.	17,923	4,235	5%	86%	31%	4.2	13.5	11,300	375
Red Hat, Inc.	24,988	3,057	21%	85%	20%	8.2	41.7	11,870	258
VMware, Inc.	54,242	8,165	0%	86%	27%	6.6	24.7	20,615	396
salesforce.com, inc.	106,661	11,089	25%	74%	9%	9.6	102.1	29,000	382
SAP SE	145,288	27,599	2%	70%	26%	5.3	19.8	88,543	312
Oracle Corporation	187,657	39,831	6%	80%	41%	4.7	11.5	137,000	291
Microsoft Corporation	764,006	99,259	8%	63%	35%	7.7	21.8	124,000	800
Average	134,305	20,151	11%	79%	28%	6.5	31.7	43,197	392
Median	39,615	6,506	7%	79%	27%	6.5	20.8	16,243	375

share price as of 18Jul18

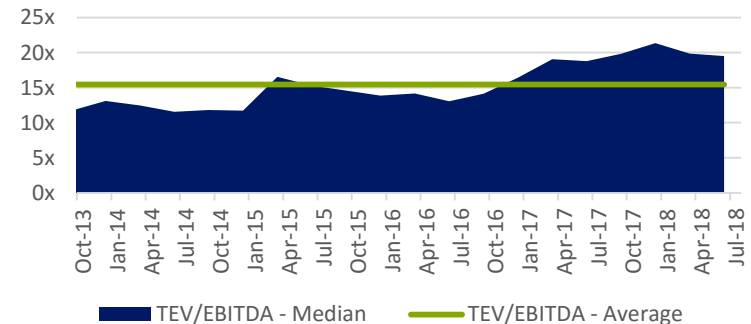
Public Basket Valuation Trends



Public EBITDA Multiples over Time



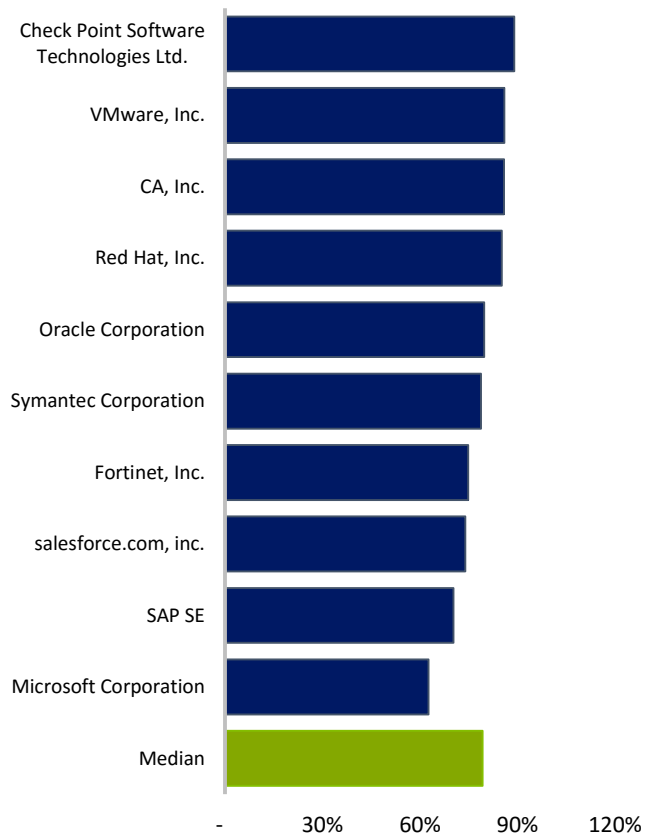
Public Revenue Multiples over Time



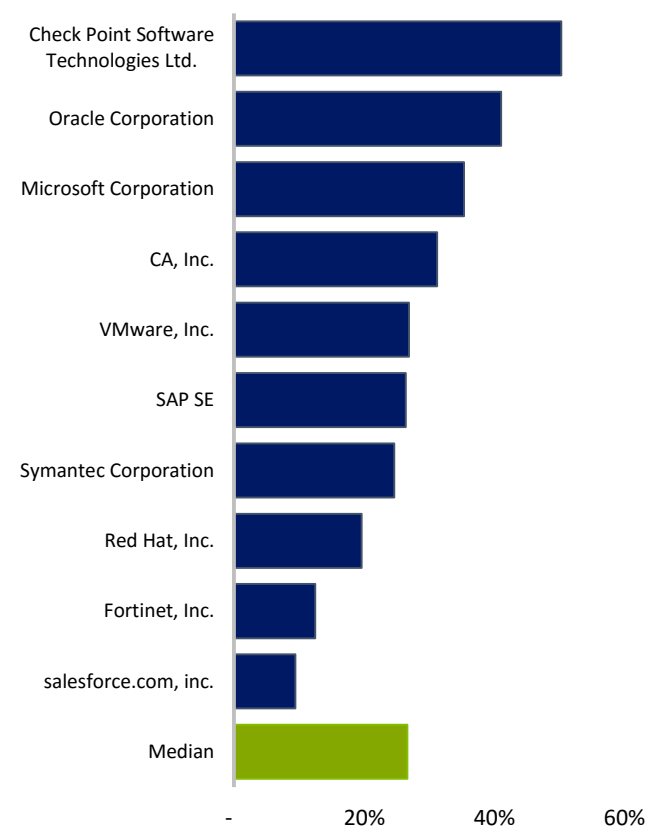
Operational Metrics



LTM Gross Profit Margin %



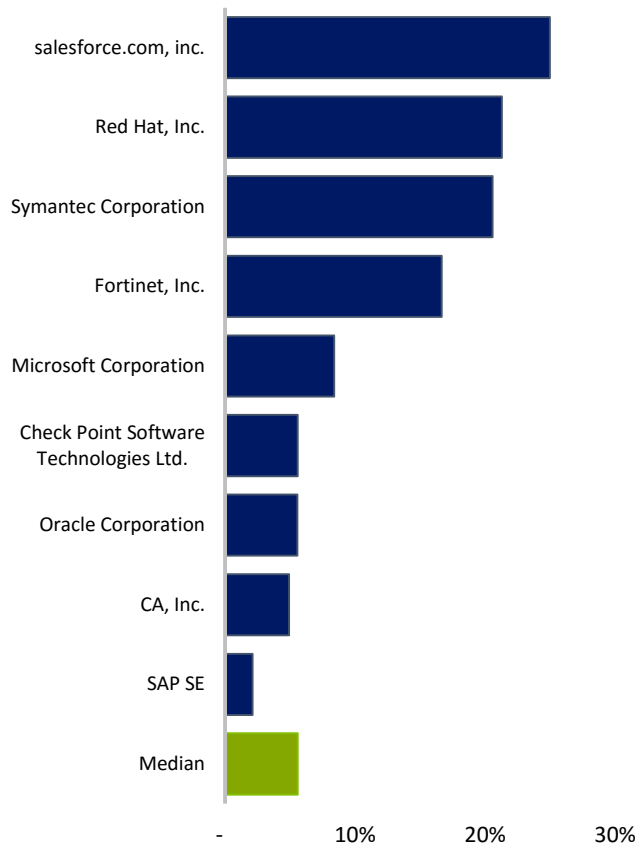
LTM EBITDA %



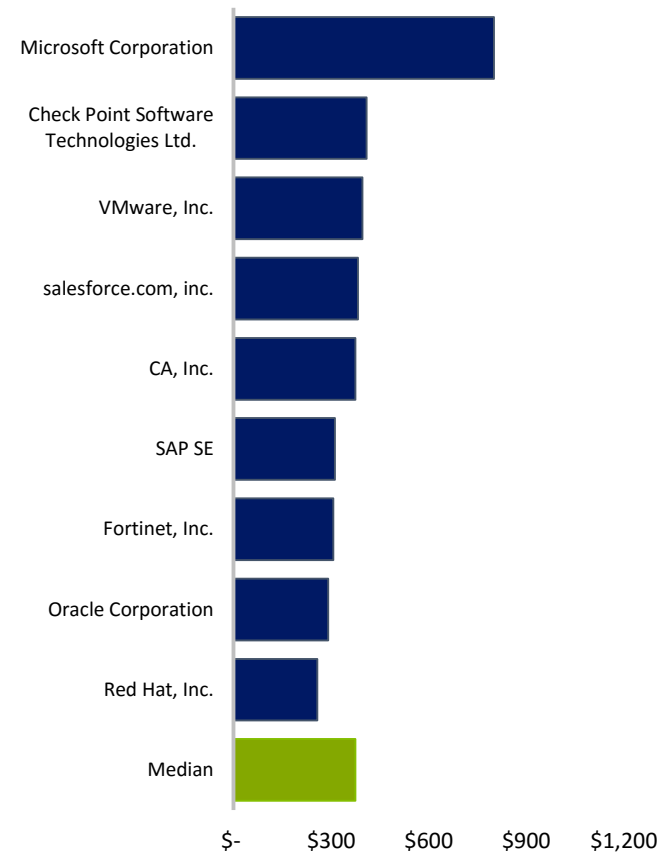
Operational Metrics



LTM Revenue Growth %



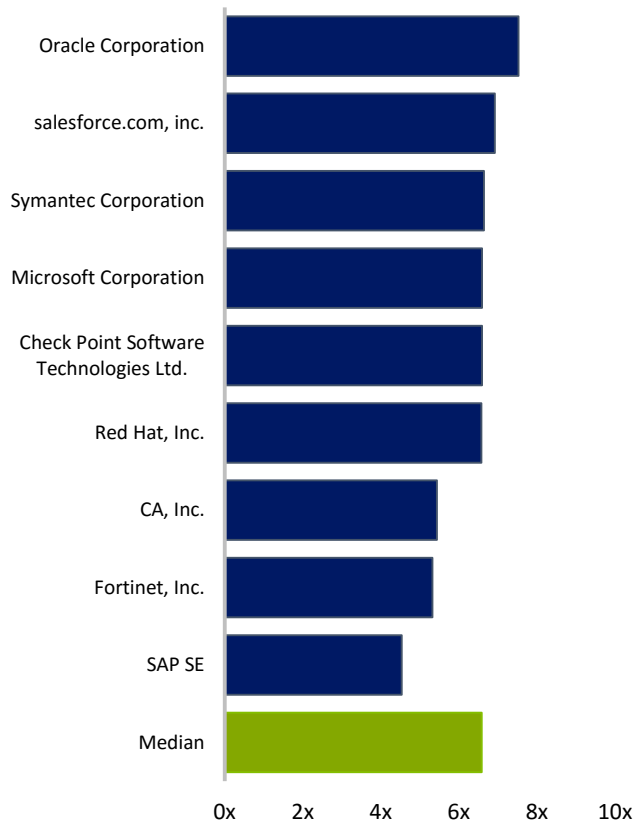
LTM Revenue per Full Time Employee x 000's



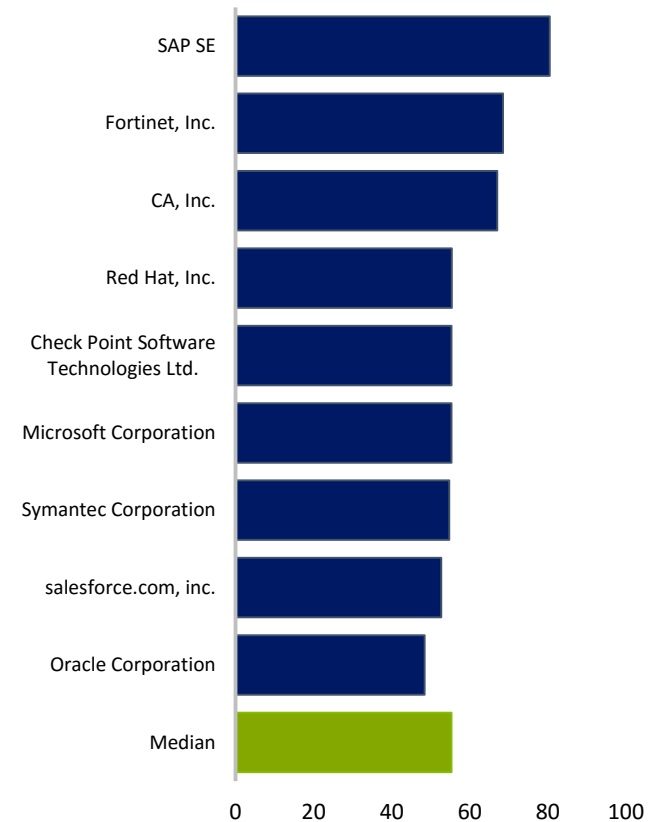
Operational Metrics



Accounts Receivable Turnover



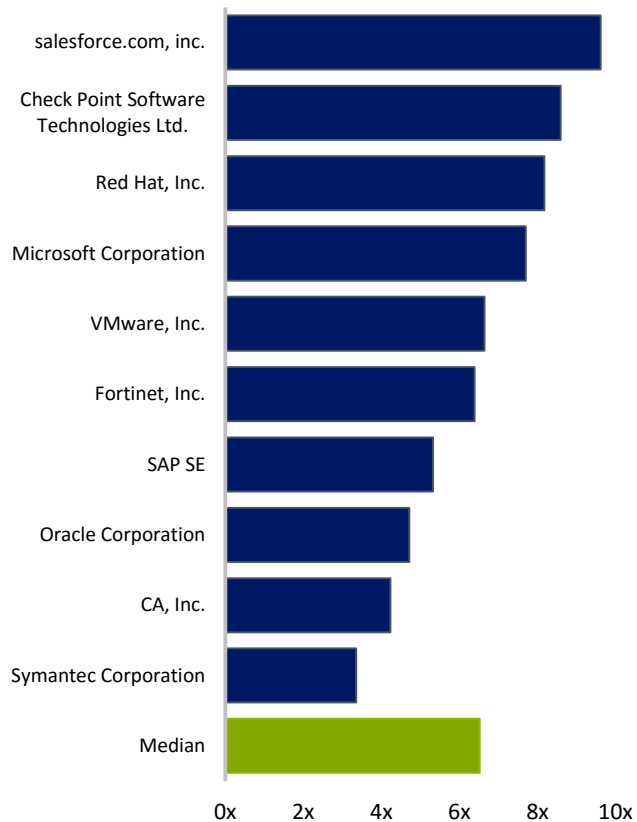
Average Days Sales Outstanding



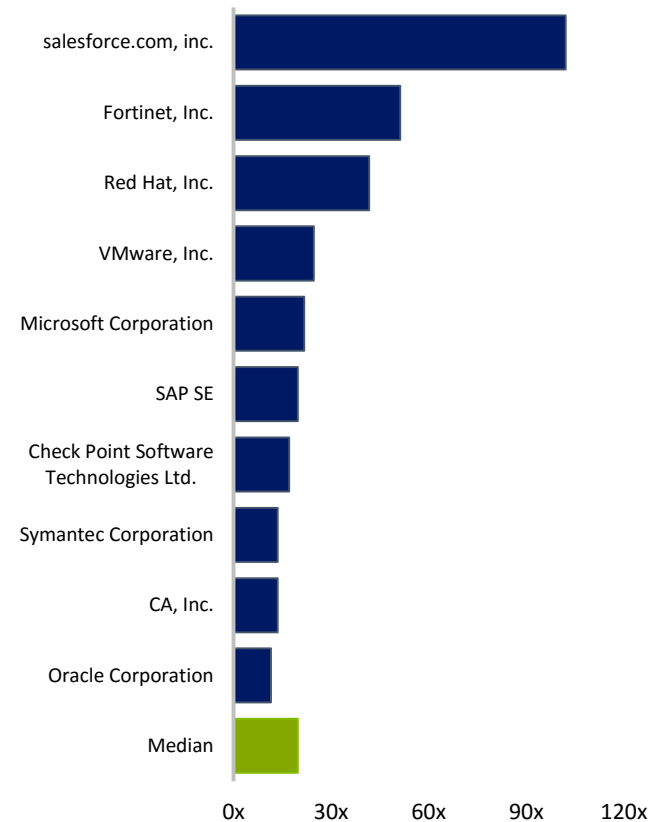
Valuation



TEV / LTM Revenue



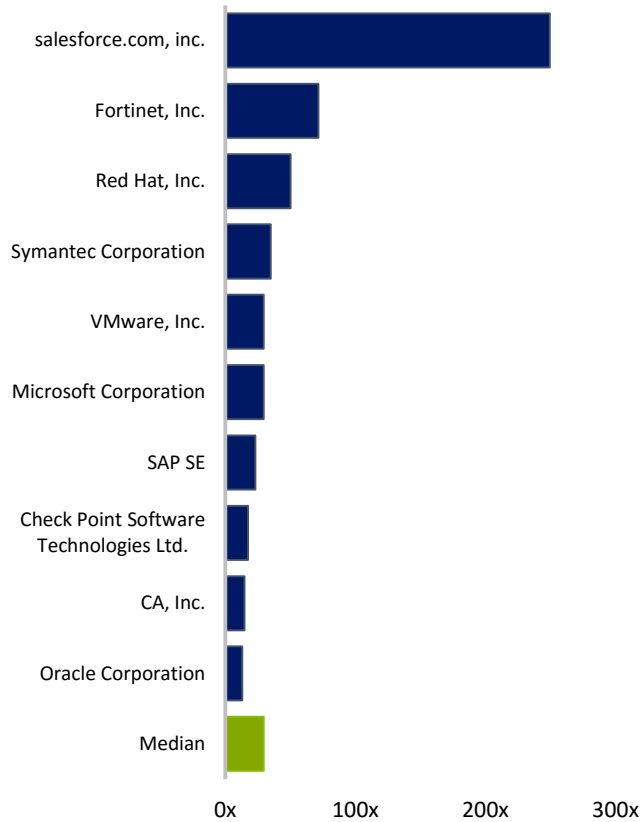
TEV / LTM EBITDA



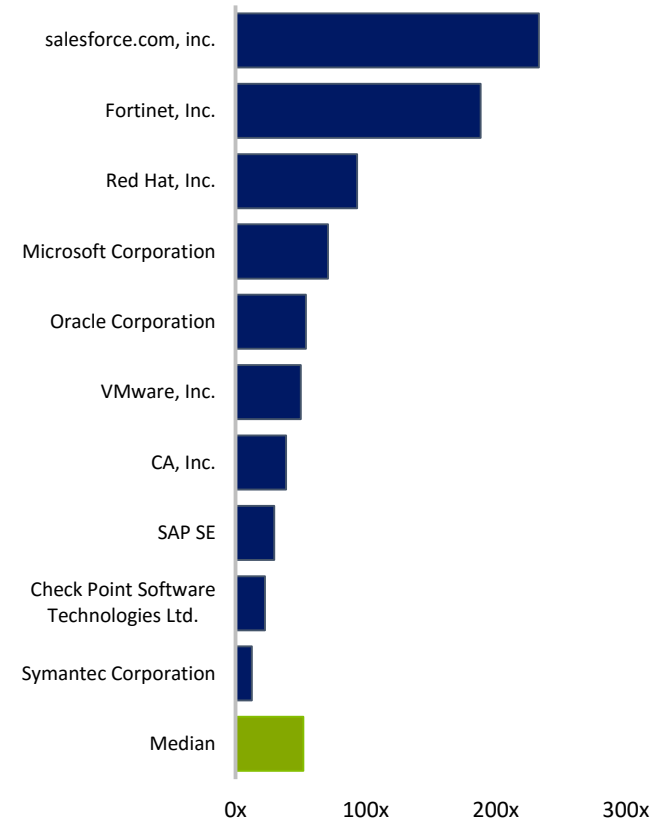
Valuation



TEV / LTM EBIT



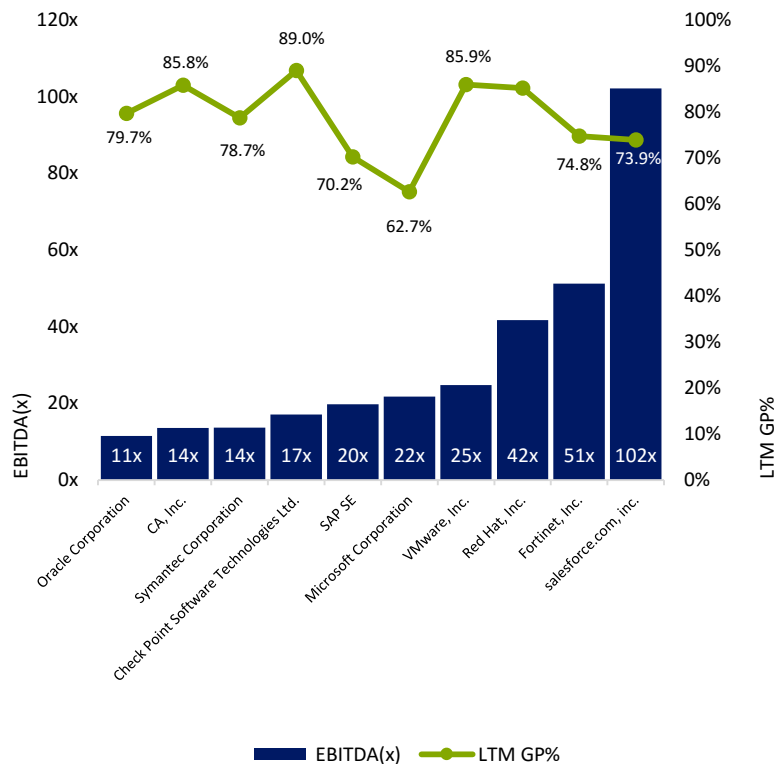
Price / LTM Earnings



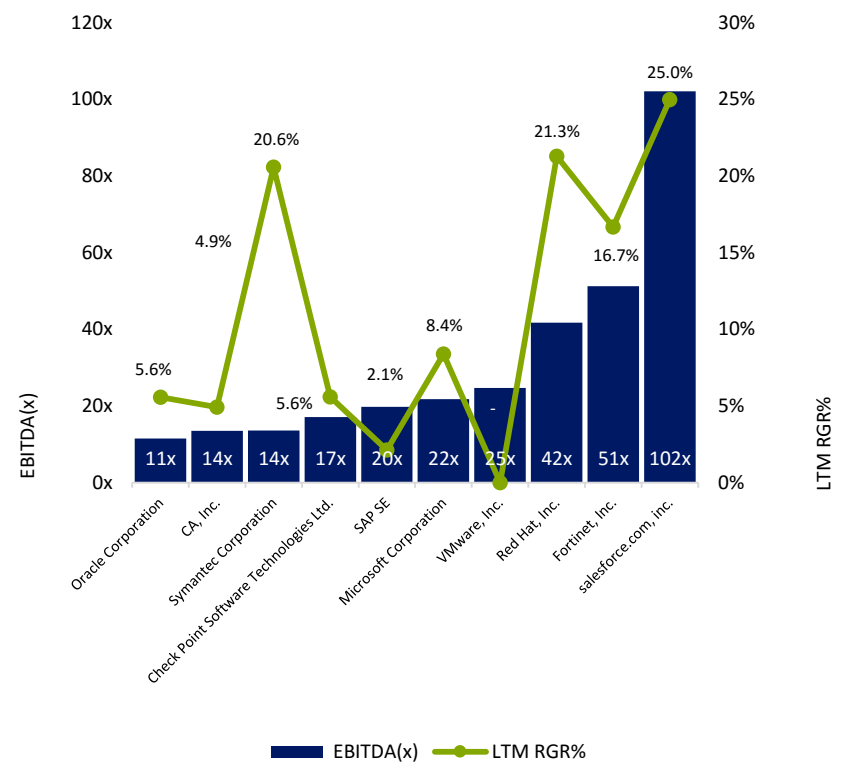
Valuation



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
11Jul18	CA, Inc.	Broadcom Inc.	21,777.02	4,235.00	4.3x	13.9x
26Jun18	TC Technology	SSP Innovations, LLC	-	-	-	-
8Jun18	Objectiva Software Solutions, Inc.	Allgeier SE	-	24.00	-	-
4Jun18	GitHub, Inc.	Microsoft Corporation	7,500.00	-	-	-
4Jun18	EMS Software, LLC	Accruent, LLC	-	-	-	-
18May18	Info Sys Management, Inc.	SWK Technologies, Inc.	1.30	-	-	-
17May18	J2 Innovations, Inc.	Siemens Industry Inc.	-	-	-	-
20Mar18	MuleSoft, Inc.	salesforce.com, inc.	6,811.58	296.46	22.3x	NM
15Feb18	WebDAM, Inc.	Bynder LLC	49.10	16.20	3.0x	-
15Feb18	Zenedge LLC	Oracle Corporation	-	-	-	-
13Feb18	Chalkup, LLC	Microsoft Corporation	-	-	-	-
2Feb18	Aljex Software Inc.	MacroPoint, LLC	32.40	-	-	-
29Jan18	Callidus Software Inc.	SAP America, Inc.	2,576.42	253.09	9.6x	NM
29Jan18	PlayFab, Inc.	Microsoft Corporation	-	-	-	-
16Jan18	N2W Software Inc.	Veeam Software AG	42.50	-	-	-
11Jan18	DST Systems, Inc.	SS&C Technologies Holdings, Inc.	5,751.57	2,218.20	2.6x	11.5x
1Jan18	A&B Groep B.V.	Calero Software, LLC	-	-	-	-
11Jan18	Addedo AG	TALENTIA SOFTWARE FRANCE SAS	-	13.25	-	-
11Jan18	RepPro LLC	RetireUp, LLC	-	-	-	-
11Jan18	Kenandy, Inc.	The Danville Group, Inc.	-	-	-	-
10Jan18	Perforce Software Inc.	Clearlake Capital Group, L.P.	-	-	-	-
10Jan18	Aerserv LLC	InMobi Technologies Private Limited	90.00	-	-	-
9Jan18	HiGH Software B.V.	Columbus A/S	8.97	-	-	-
8Jan18	Attic Labs, Inc.	Quip, Inc.	-	-	-	-
4Jan18	PrintFleet Inc.	ECi Software Solutions, Inc.	-	-	-	-
3Jan18	Avere Systems, Inc.	Microsoft Azure	-	-	-	-
2Jan18	Doe Pics Hit Inc.	Apple Inc.	-	-	-	-
18Dec17	Aconex Limited	Vantive Australia Pty Ltd	1,258.87	127.39	9.7x	NM
2Nov17	VeloCloud Networks, Inc.	VMware, Inc.	-	-	-	-
24Sep17	Gigya, Inc.	hybris AG	350.00	-	-	-
14Aug17	ECi Software Solutions, Inc.	Apax Partners LLP	-	-	-	-
4Aug17	Frontline Technologies Group LLC	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)	-	-	-	-

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APPENDIX: Public Basket Constituents

Public Basket



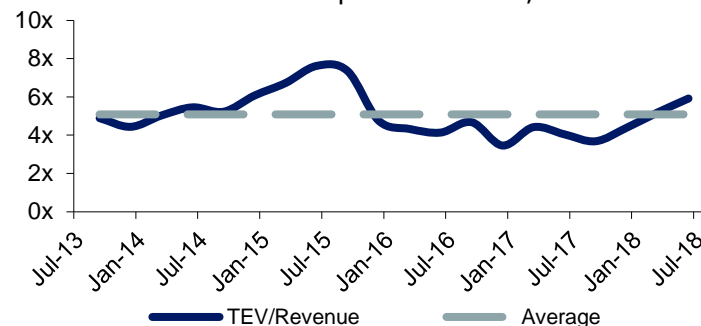
Fortinet, Inc.

Fortinet, Inc. provides broad, automated, and integrated cybersecurity solutions worldwide. It offers FortiGate hardware and software licenses that provide various security and networking functions, including firewall, intrusion prevention, anti-malware, virtual private network, application control, Web filtering, anti-spam, and WAN acceleration; and FortiSandbox technology that delivers proactive detection and mitigation services; and FortiSIEM family of products, which offers a cloud-ready security information and event management solution for enterprises and service providers. The company also provides FortiSwitch product family that offers secure switching solutions for connecting customers end devices, such as computers and laptops, as well as an expanding field of Internet of Things devices; and Fortinet Management and Analysis products consisting of FortiManager and FortiAnalyzer hardware and software products. In addition, it provides security subscription, technical support, professional, and training services. Fortinet, Inc. was founded in 2000 and is headquartered in Sunnyvale, California.

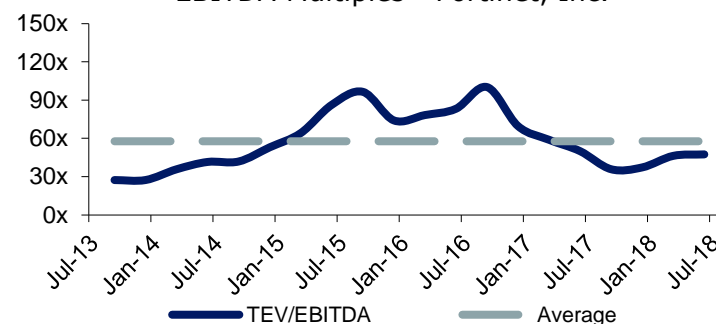
Date Key Development Headline

6/3/18 Fortinet, Inc. (NasdaqGS:FTNT) acquired Bradford Networks, Inc.

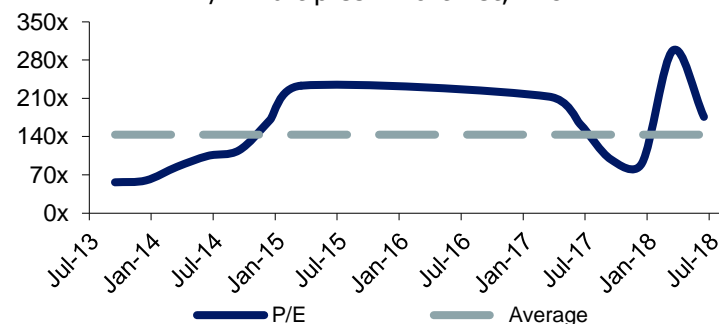
Revenue Multiples - Fortinet, Inc.



EBITDA Multiples - Fortinet, Inc.



P/E Multiples - Fortinet, Inc.



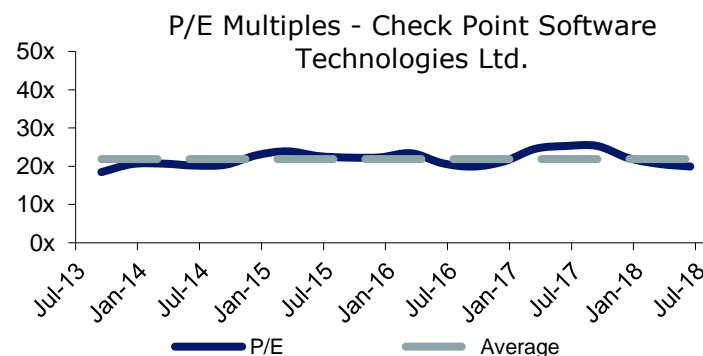
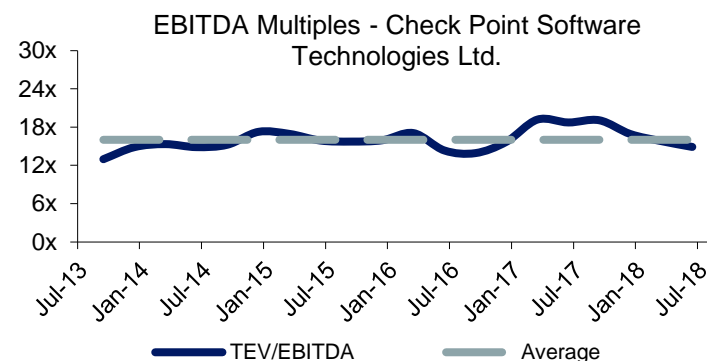
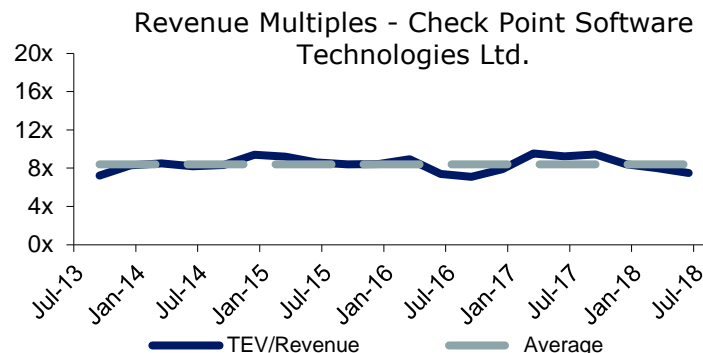
Public Basket



Check Point Software Technologies Ltd.

Check Point Software Technologies Ltd. develops, markets, and supports a range of products and services for IT security worldwide. The company offers a portfolio of network and gateway solutions, management solutions, and data and endpoint security solutions. It provides Check Point Infinity Architecture, a cyber security architecture that protects against 5th generation mega cyber-attacks across various networks, endpoint, cloud, and mobile; security gateways from platforms for small business and small office locations, high end and high demanding data centers, and perimeter environments; and Check Point SandBlast family for threat prevention and zero-day protections. The company also offers Check Point CloudGuard cloud security product that delivers threat prevention security for enterprise cloud networks, data, and applications; Check Point SandBlast Mobile for mobile security in iOS and Android devices; and Check Point Security Management, which offers security management through a single console that streamlines security operations and provides visibility into policy administration and threat analysis. Check Point Software Technologies Ltd. was founded in 1993 and is headquartered in Tel Aviv, Israel.

Date	Key Development Headline
4/25/18	Check Point Software Seeks Acquisitions
2/5/18	Orange Cyberdefense and Check Point Software Technologies Team Up to Deliver New Orange Service Called Mobile Threat Protection



Public Basket

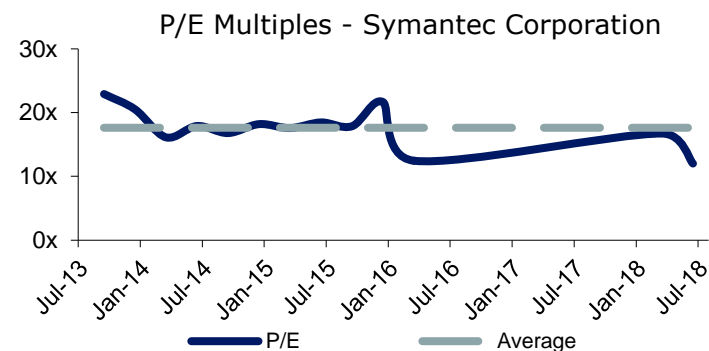
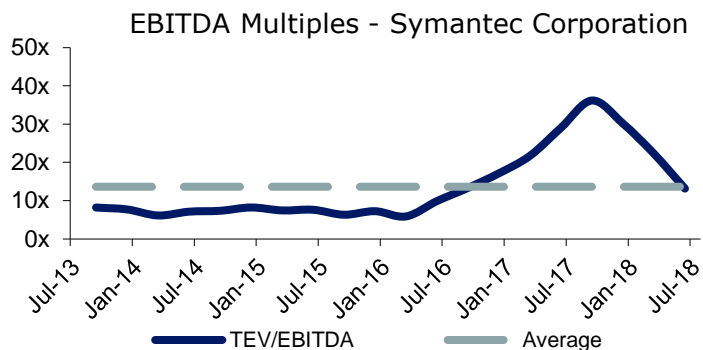
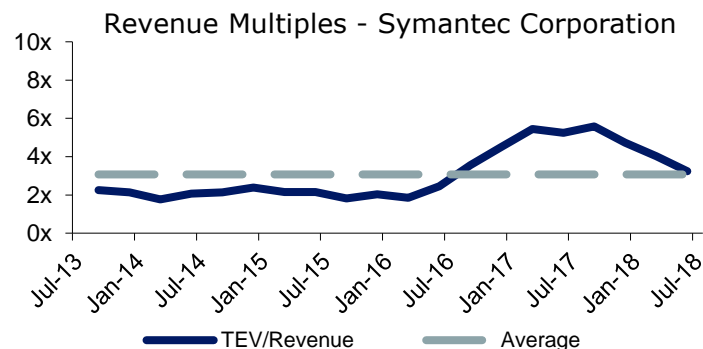


Symantec Corporation

Symantec Corporation, together with its subsidiaries, provides cybersecurity solutions worldwide. It operates through two segments, Consumer Digital Safety and Enterprise Security. The Consumer Digital Safety segment provides Norton-branded services that provide multi-layer security services across desktop and mobile operating systems, public Wi-Fi connections, and home networks to defend against online threats to individuals, families, and small businesses. This segment also offers LifeLock-branded identity protection services, such as identifying and notifying users of identity-related and other events, and assisting users in remediating their impact; and digital safety platform designed to protect information across devices, customer identities, and the connected homes and families. The Enterprise Security segment provides endpoint protection products, endpoint management, messaging protection products, information protection products, cyber security services, Website security, and advanced Web and cloud security offerings. Its enterprise endpoint, network security, and management offerings supports evolving endpoints and networks, as well as provides an integrated cyber defense platform. Symantec Corporation was founded in 1982 and is headquartered in Mountain View, California.

Date Key Development Headline

5/10/18 Symantec Eyes Acquisitions
2/14/18 Symantec May Seek Acquisitions



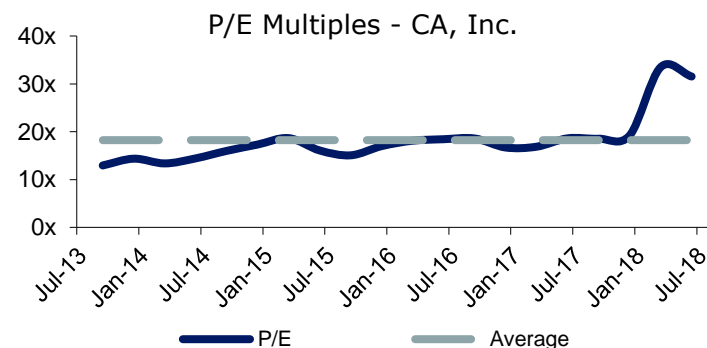
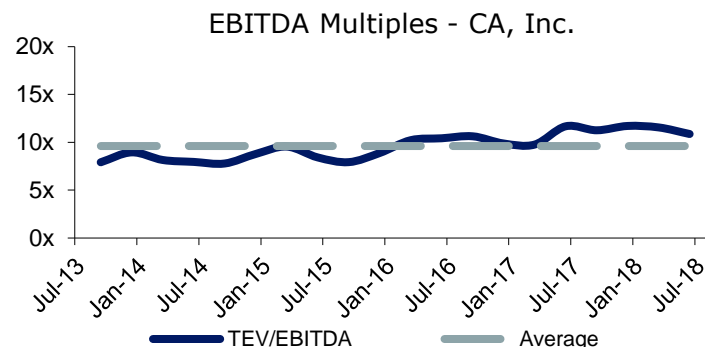
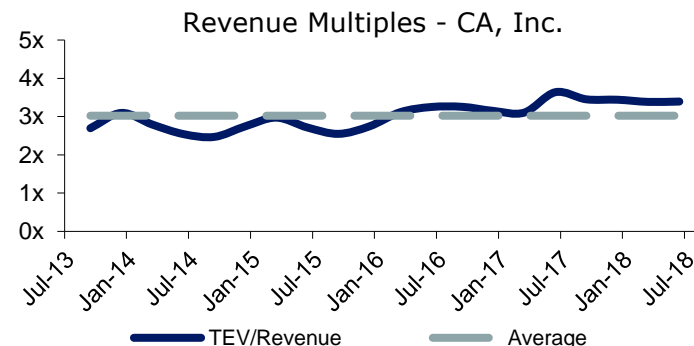
Public Basket



CA, Inc.

CA, Inc., together with its subsidiaries, develops, markets, delivers, and licenses software products and services in the United States and internationally. It operates through three segments: Mainframe Solutions, Enterprise Solutions, and Services. The Mainframe Solutions segment offers solutions for the IBM z Systems platform, which runs various mission critical business applications. Its mainframe solutions enable customers enhance economics by increasing throughput and lowering cost per transaction; increasing business agility through DevOps tooling and processes; increasing reliability and availability of operations through machine intelligence and automation solutions; and protecting enterprise data with security and compliance. The Enterprise Solutions segment provides a range of software planning, development, and management tools for mobile, cloud, and distributed computing environments. It primarily provides customers secure application development, infrastructure management, automation, and identity-centric security solutions. CA, Inc. was founded in 1974 and is headquartered in New York, New York.

Date	Key Development Headline
7/10/18	Broadcom Inc. (NasdaqGS:AVGO) entered into a definitive agreement to acquire CA, Inc. (NasdaqGS:CA) from Careal Holding Ag and others for \$19 billion.
5/8/18	CA Seeks Acquisitions
9/27/17	CA, Inc. (NasdaqGS:CA) acquired Runscope Inc. from True Ventures and other shareholders.



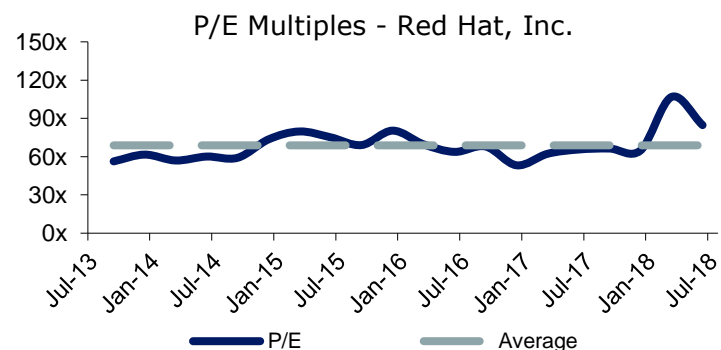
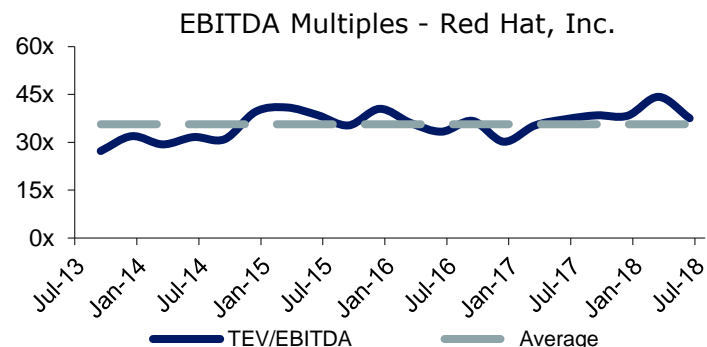
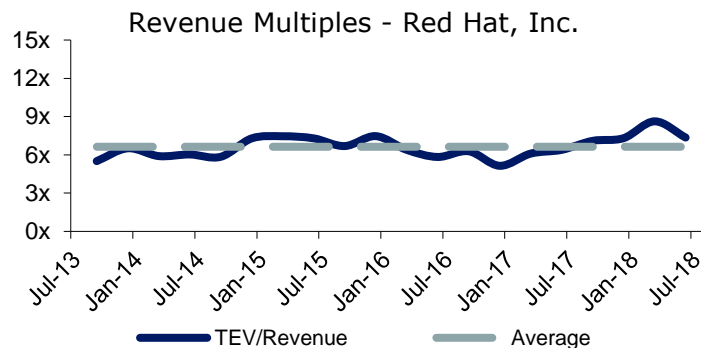
Public Basket



Red Hat, Inc.

Red Hat, Inc. provides open source software solutions to develop and offer operating system, virtualization, management, middleware, cloud, mobile, and storage technologies to various enterprises worldwide. It offers infrastructure-related solutions, such as Red Hat Enterprise Linux, an operating system platform that runs on hardware for use in hybrid cloud environments; Red Hat Satellite, a system management offering that helps to deploy, scale, and manage in hybrid cloud environments; and Red Hat Enterprise Virtualization, a software solution that allows customers to utilize and manage a common hardware infrastructure to run multiple operating systems and applications. Red Hat, Inc. was founded in 1993 and is headquartered in Raleigh, North Carolina.

Date	Key Development Headline
5/22/18	Red Hat, Inc. and Juniper Networks, Inc. Expand Collaboration to Provide Simplified and More Secure Path to Multicloud
5/8/18	Red Hat Seeks Acquisitions
4/26/18	Red Hat Seeks Acquisitions
1/29/18	Red Hat, Inc. (NYSE:RHT) acquired CoreOS, Inc. from a group of sellers for \$250 million.
12/10/17	Synopsys, Inc. (NasdaqGS:SNPS) completed the acquisition of Black Duck Software, Inc.



Public Basket

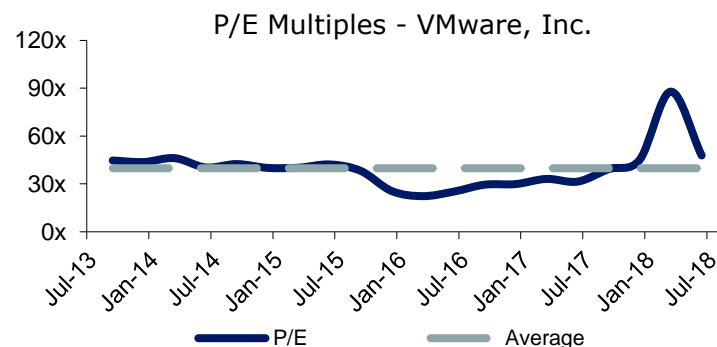
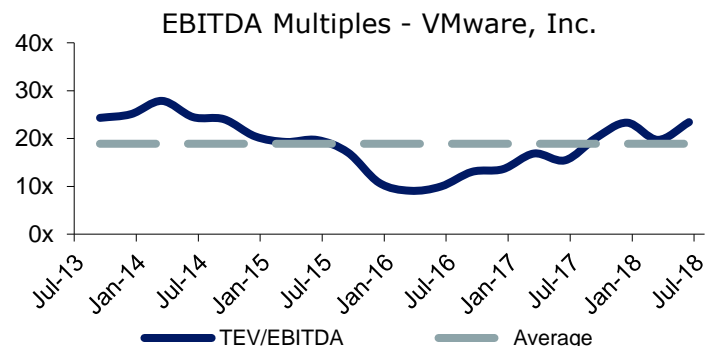
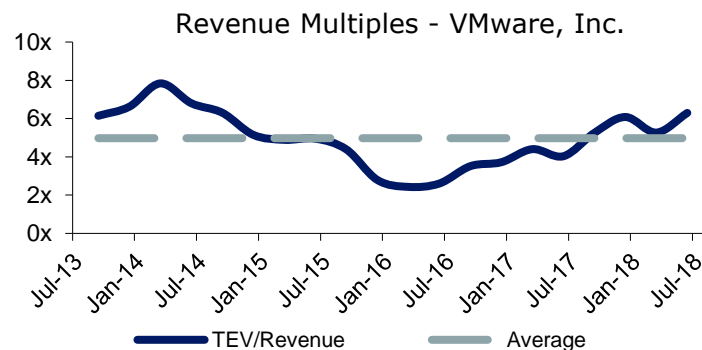


VMware, Inc.

VMware, Inc. provides compute, cloud, mobility, networking, and security infrastructure software to businesses in the United States and internationally. The company offers compute products, including 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 cloud 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 software-defined data center 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. VMware, Inc. is a subsidiary of Dell Technologies Inc.

Date Key Development Headline

6/28/18	NTT Communications Corporation and VMware, Inc. Expand Global Cloud Partnership
5/10/18	Ixia Enables VMware NSX Partners to Accelerate Testing and Reduce Certification Time from Months to Weeks
3/27/18	VMware, Inc. (NYSE:VMW) acquired E8 Security Inc.
2/13/18	VMware, Inc. (NYSE:VMW) acquired CloudCoreo, Inc.
2/1/18	Apptio, Inc. (NasdaqGM:APTI) acquired Digital Fuel SV, LLC from Skyview Capital LLC and others for \$42.9 million.



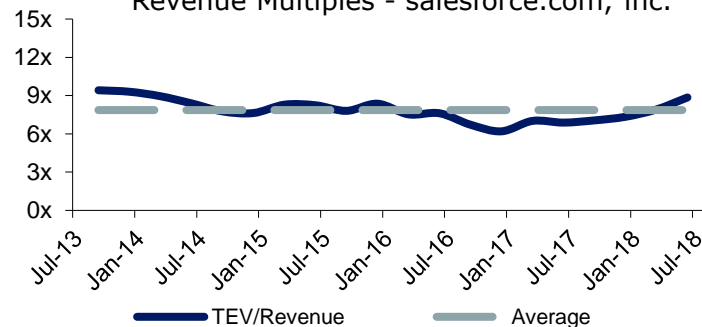
Public Basket



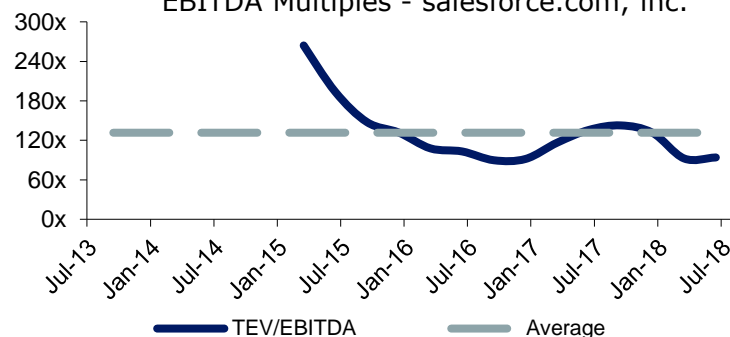
salesforce.com, inc.

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.

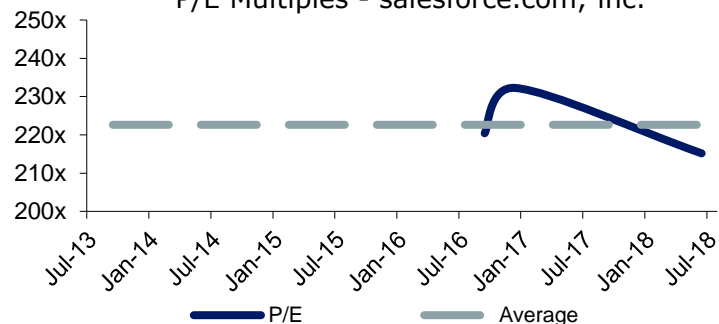
Revenue Multiples - salesforce.com, inc.



EBITDA Multiples - salesforce.com, inc.



P/E Multiples - salesforce.com, inc.



Date	Key Development Headline
7/15/18	salesforce.com, inc. (NYSE:CRM) signed a definitive agreement to acquire Datorama.
4/30/18	salesforce.com, inc. (NYSE:CRM) completed the acquisition of MuleSoft, Inc. (NYSE:MULE).
3/20/18	MuleSoft, Inc., salesforce.com, inc. - M&A Call
3/19/18	salesforce.com, inc. (NYSE:CRM) entered into a definitive agreement to acquire MuleSoft, Inc. (NYSE:MULE) for \$6.1 billion.
3/11/18	salesforce.com, inc. (NYSE:CRM) signed a definitive agreement to acquire CloudCraze Software LLC.

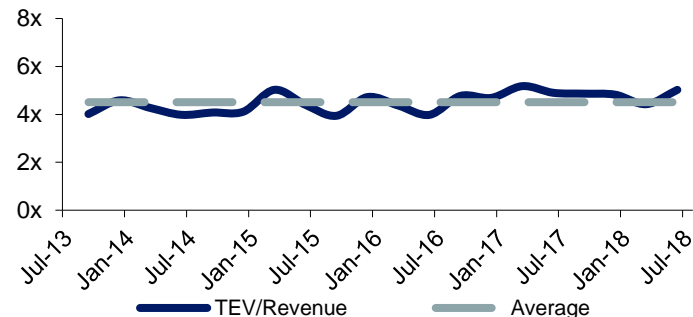
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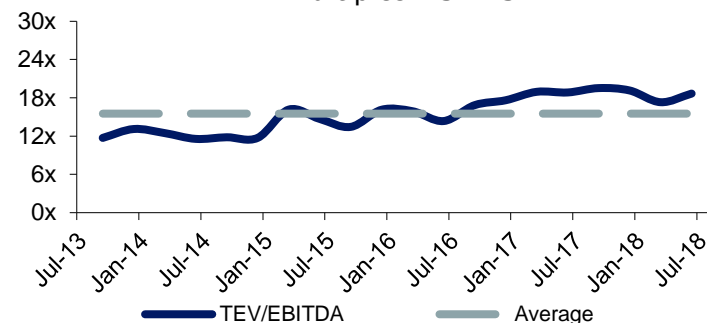
SAP SE

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.

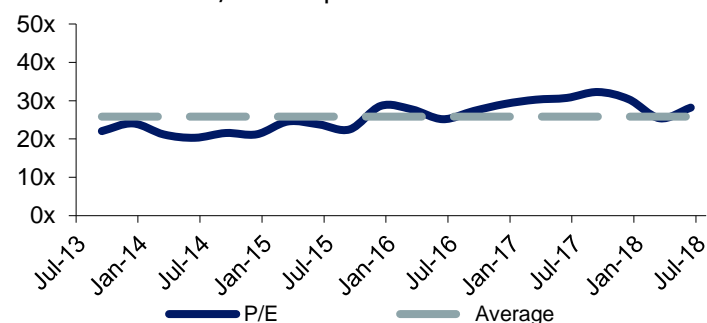
Revenue Multiples - SAP SE



EBITDA Multiples - SAP SE



P/E Multiples - SAP SE



Date	Key Development Headline
6/4/18	SAP SE (DB:SAP) acquired Coresystems AG.
6/4/18	SAP SE to Team with Accenture, Capgemini and Deloitte to Accelerate Customer Adoption of SAP S/4Hana(R) Cloud in Target Industries
5/8/18	Accenture plc Teams with SAP SE to Help High-Tech Companies Create Digital As-A-Service Business Models Quickly and Easily
3/20/18	Accenture and SAP Build and Deploy Extended Planning Solutions on SAP S/4HANA®
2/12/18	SAP Seeks Acquisition

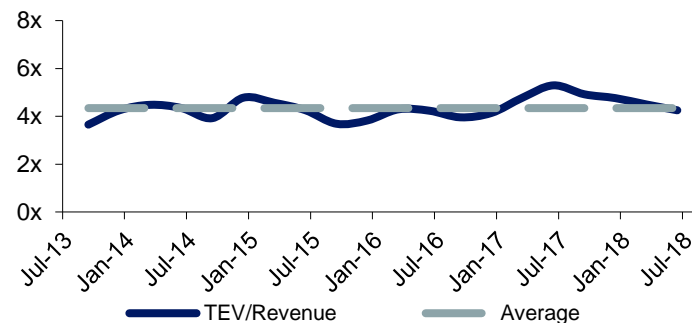
Public Basket



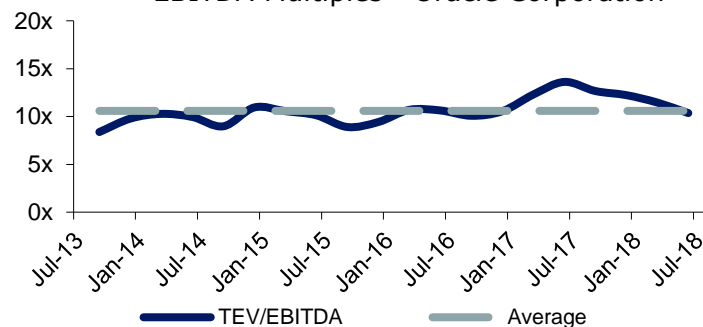
Oracle Corporation

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.

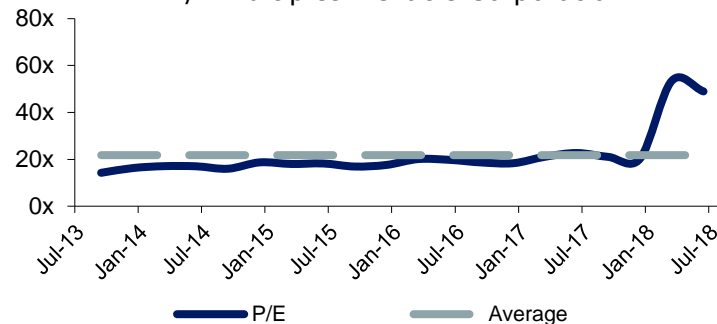
Revenue Multiples - Oracle Corporation



EBITDA Multiples - Oracle Corporation



P/E Multiples - Oracle Corporation



Date	Key Development Headline
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6/19/18	Oracle Mulls Acquisitions
5/15/18	Oracle Corporation (NYSE:ORCL) signed an agreement to acquire DataScience.com.
5/14/18	Oracle Corporation (NYSE:ORCL) completed the acquisition of Grapeshot Limited from Albion Technology & General VCT PLC (LSE:AATG), Albion Capital Group LLP and others for approximately £330 million.
4/29/18	Oracle Corporation (NYSE:ORCL) acquired Vocado, LLC.
4/23/18	Oracle Corporation (NYSE:ORCL) signed an agreement to acquire Grapeshot Limited from Albion Technology & General VCT PLC (LSE:AATG), Albion Capital Group LLP and others.

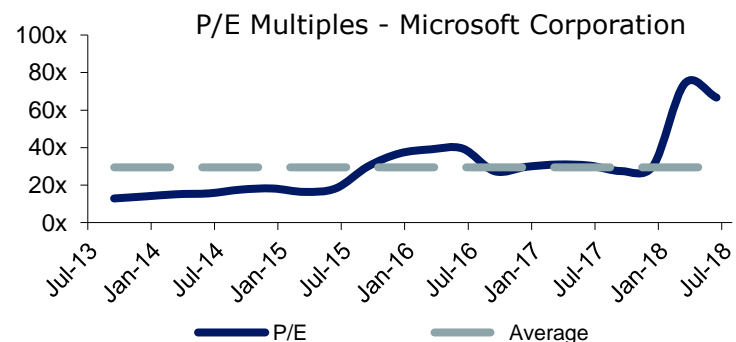
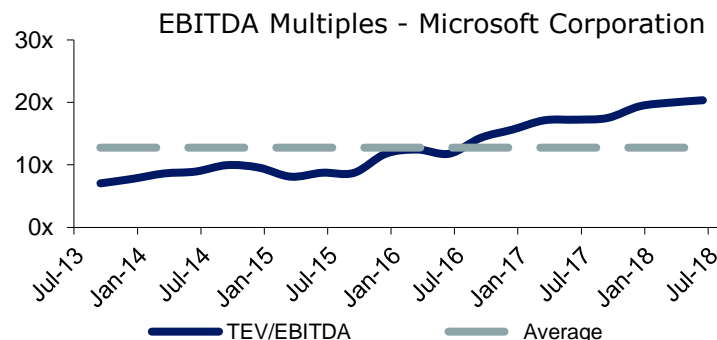
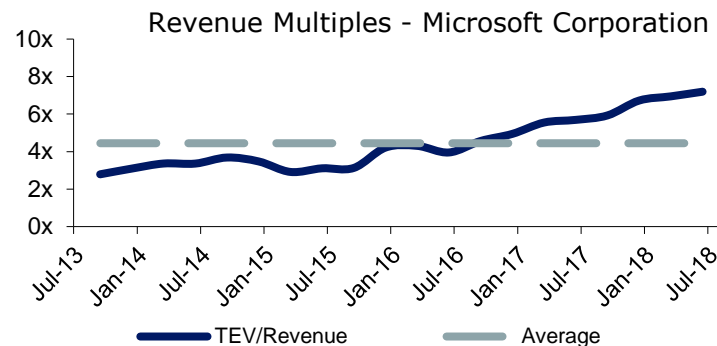
Public Basket



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
7/18/18	Advantech, Behr Technologies, Hitachi Solutions and Microsoft Collaborate to Develop IIoT Connectivity Solutions
7/18/18	Namogoo and Microsoft Develop GDPR Compliance Solution on Azure
7/15/18	Microsoft Corp. Announces Partnership with Campbell Soup Co. to Drive IT Transformation on Azure
6/19/18	Microsoft Corporation (NasdaqGS:MSFT) entered into an agreement to acquire Bonsai AI.
6/17/18	Microsoft Corporation (NasdaqGS:MSFT) acquired Flipgrid, Inc.



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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