



Sectorwatch: Enterprise Software

May 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

 **0.06**

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 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

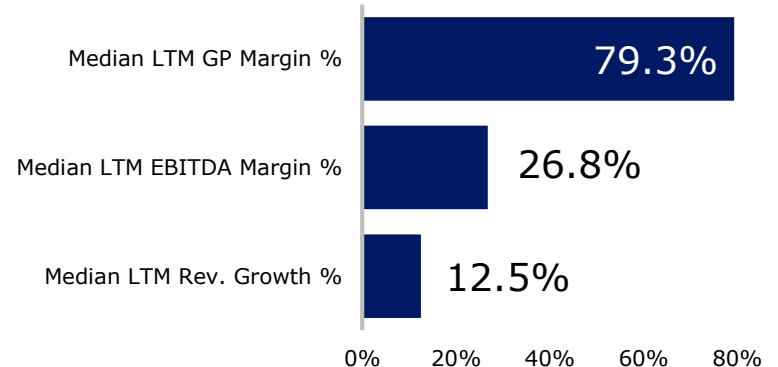
Profitability Momentum

 **1.8%**

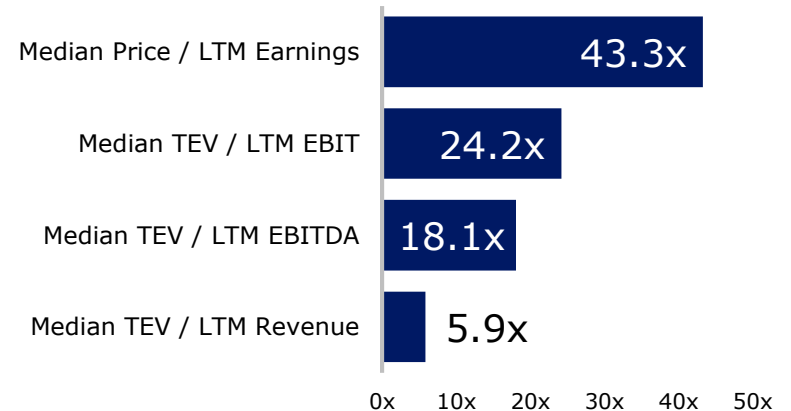
1 - year EBITDA % compared to EBITDA % average for last 3 years

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



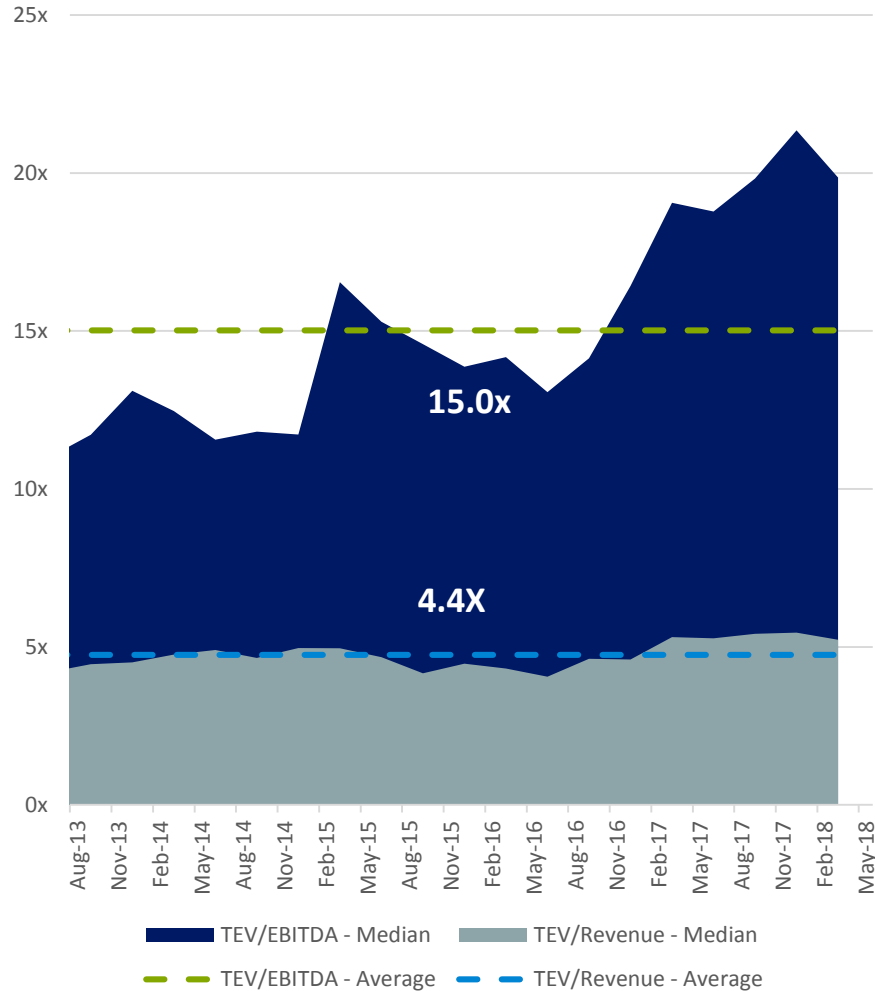
Public Basket



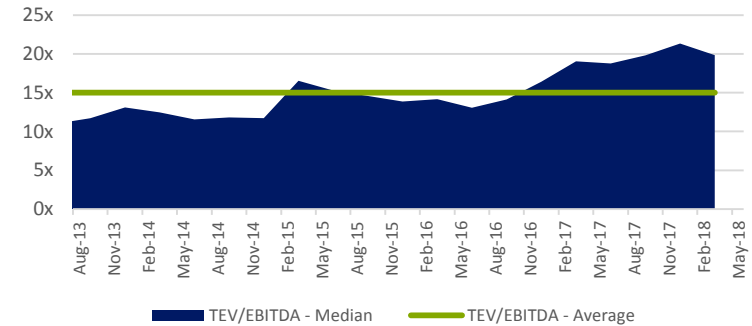
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Fortinet, Inc.	8,668	1,553	17%	75%	12%	5.6	44.7	5,066	307
Check Point Software Technologies Ltd.	13,911	1,872	6%	89%	50%	7.4	14.8	4,576	409
CA, Inc.	14,305	4,235	5%	86%	31%	3.4	10.8	11,300	375
Symantec Corporation	16,283	4,846	21%	79%	25%	3.4	13.6	-	NA
Red Hat, Inc.	27,689	2,920	21%	85%	20%	9.5	48.4	11,870	246
VMware, Inc.	48,791	7,922	33%	86%	27%	6.2	23.1	20,615	384
salesforce.com, inc.	91,593	10,480	25%	74%	9%	8.7	102.1	29,000	361
SAP SE	134,375	28,875	4%	70%	27%	4.9	18.1	88,543	326
Oracle Corporation	183,553	39,472	5%	80%	39%	4.7	11.8	138,000	286
Microsoft Corporation	706,228	99,259	8%	63%	35%	7.1	20.1	124,000	800
Average	124,539	20,143	14%	79%	28%	6.1	30.8	43,297	388
Median	38,240	6,384	13%	79%	27%	5.9	19.1	16,243	361

share price as of 22May18

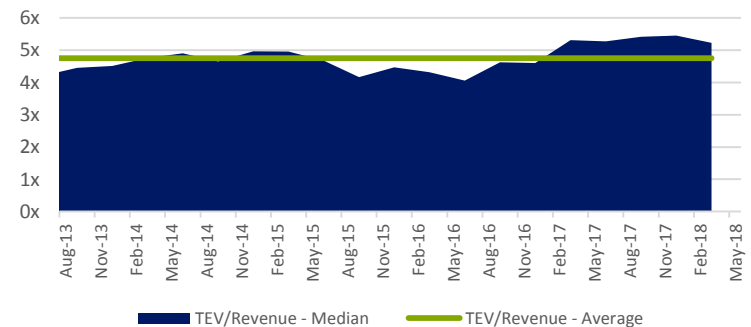
Public Basket Valuation Trends



Public EBITDA Multiples over Time



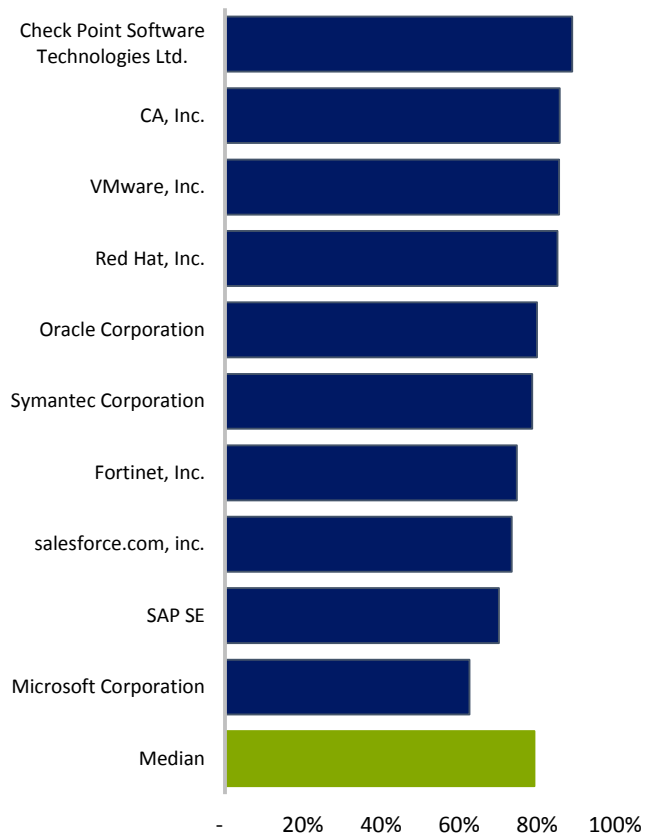
Public Revenue Multiples over Time



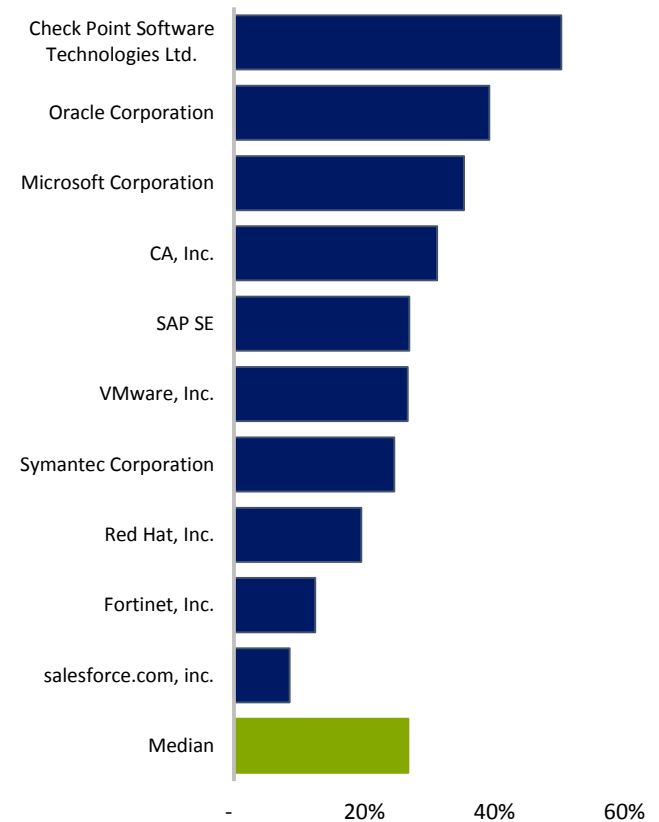
Operational Metrics



LTM Gross Profit Margin %



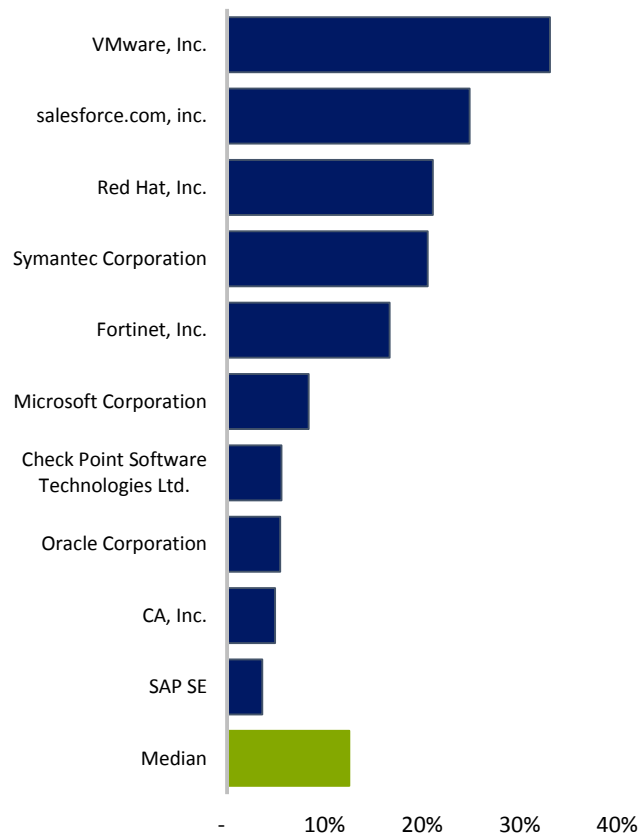
LTM EBITDA %



Operational Metrics



LTM Revenue Growth %



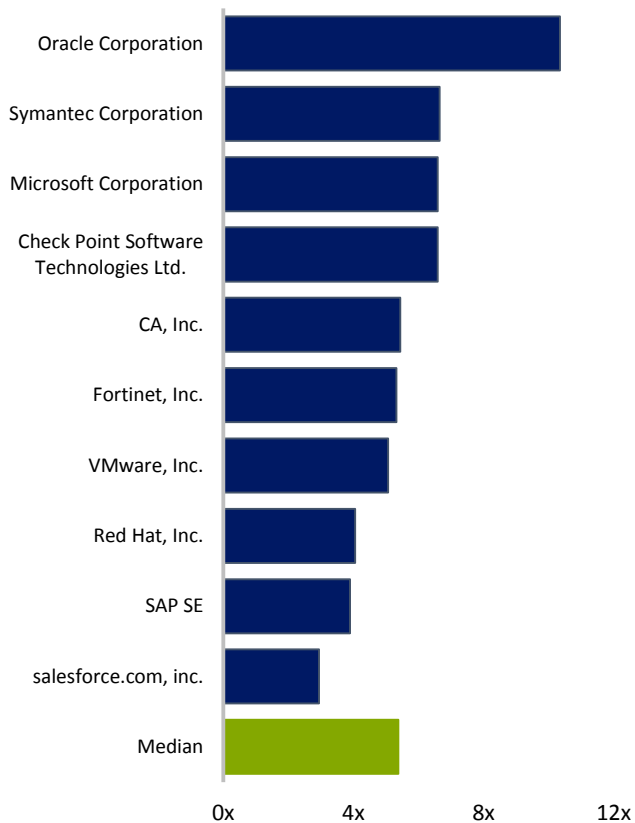
LTM Revenue per Full Time Employee x 000's



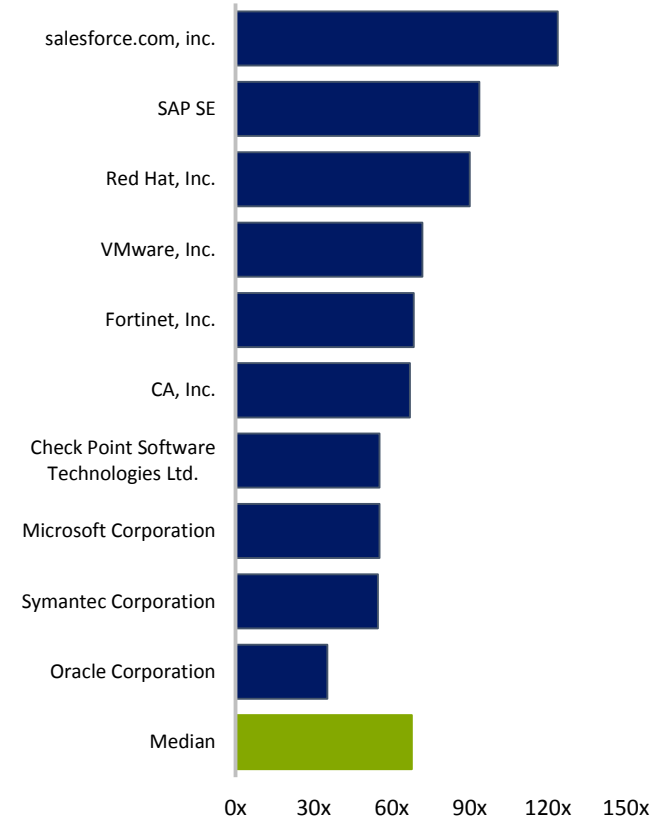
Operational Metrics



Accounts Receivable Turnover



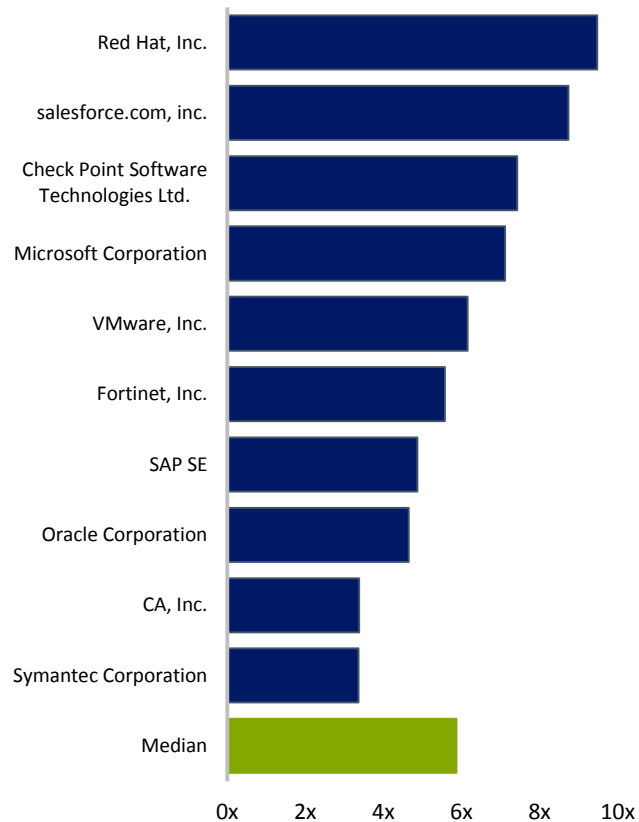
Average Days Sales Outstanding



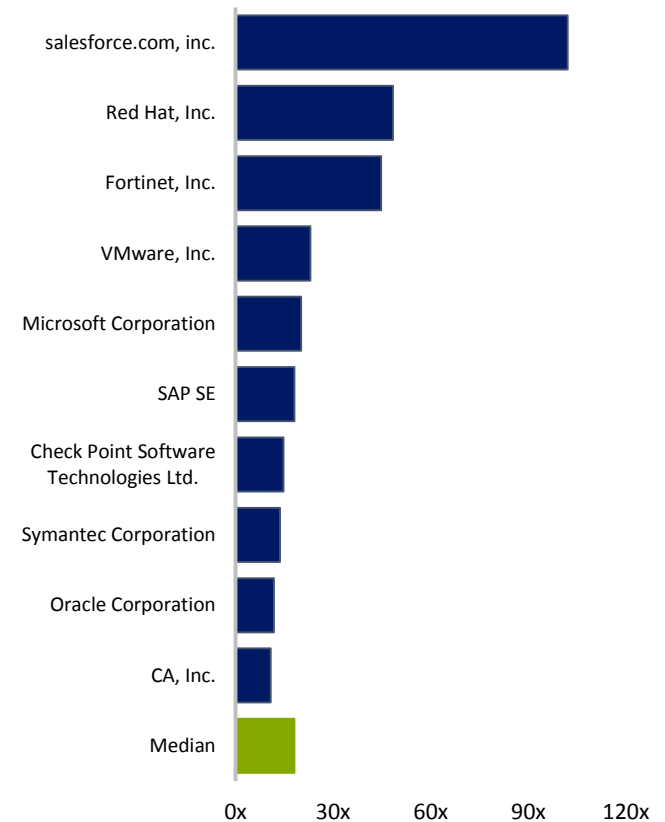
Valuation



TEV / LTM Revenue



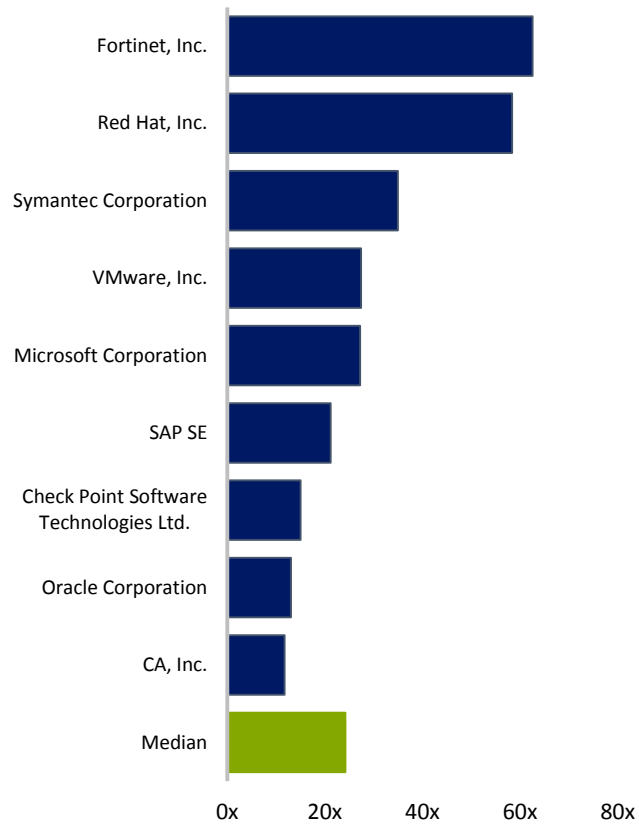
TEV / LTM EBITDA



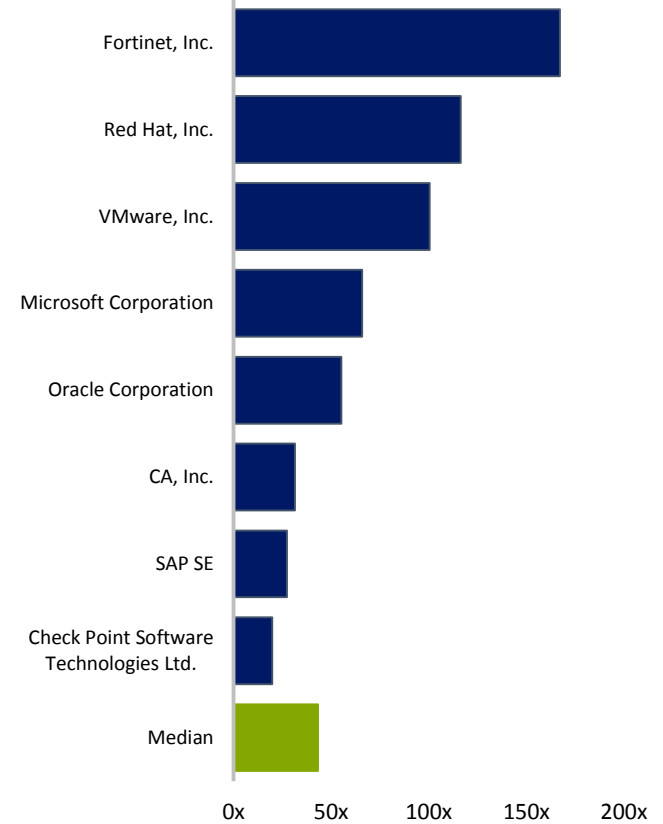
Valuation



TEV / LTM EBIT



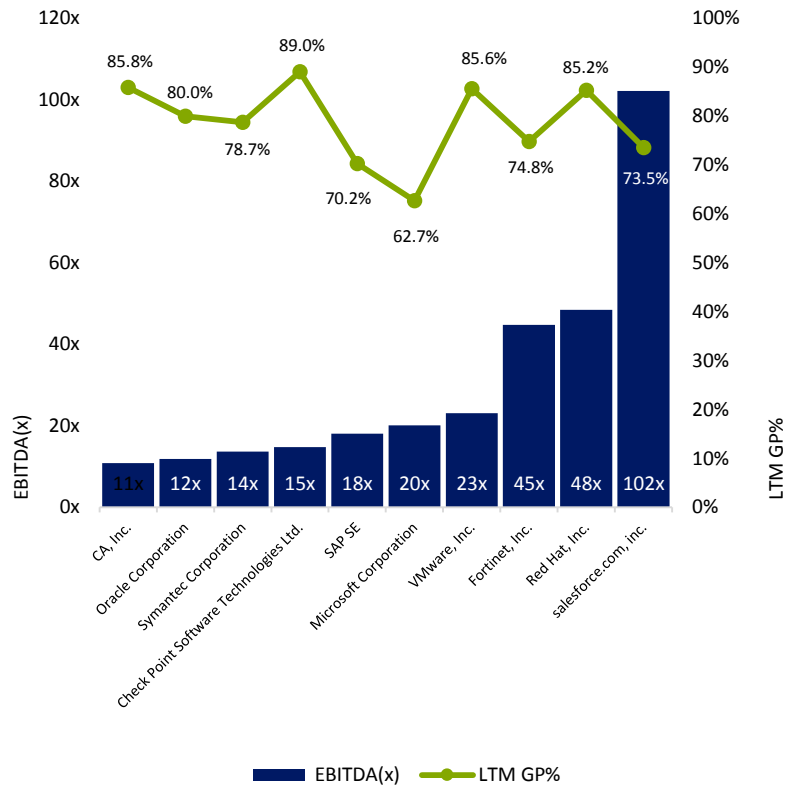
Price / LTM Earnings



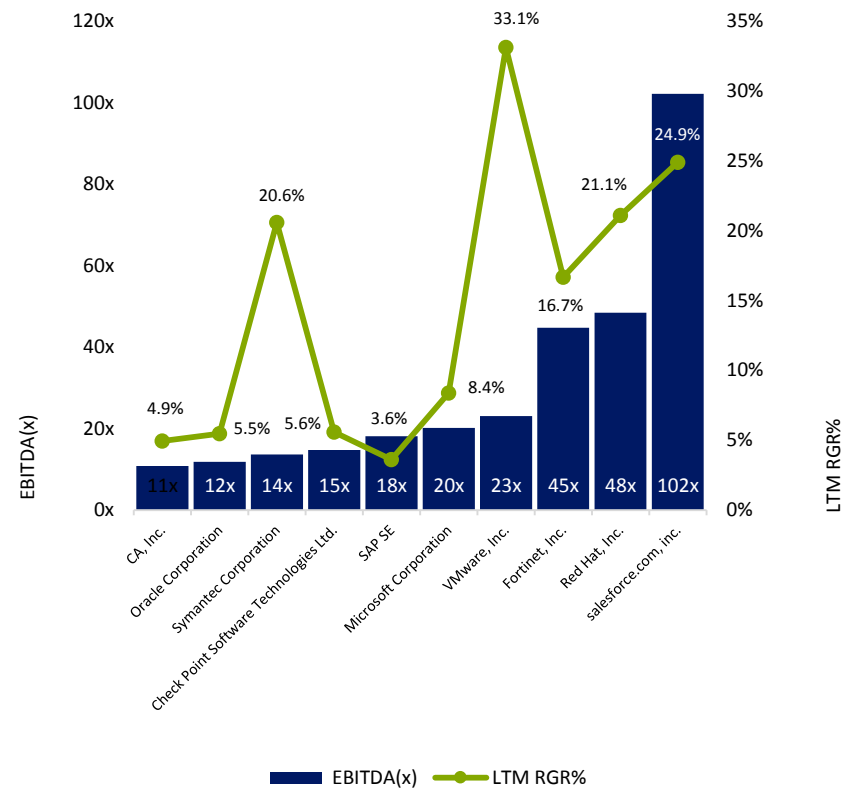
Valuation



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
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	2,128.20	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)	-	-	-	-
25Apr17	Birst, Inc.	Infor, Inc.	-	-	-	-
12Apr17	Qualtrics, LLC	Accel Partners; Insight Venture Partners LLC; Sequoia Capital	180.00	-	-	-
23Feb17	OF Software Ltd.	Eclipse Corporation	-	-	-	-

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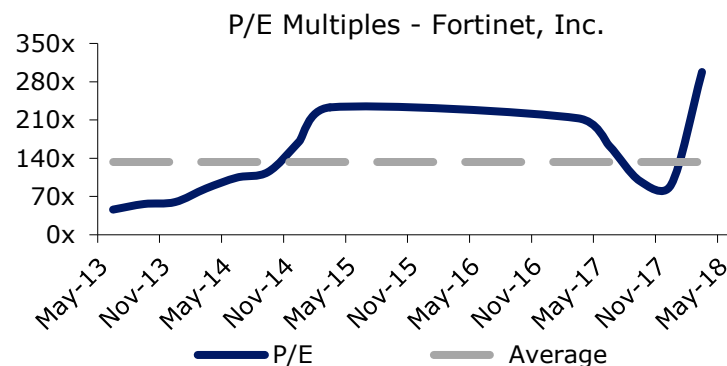
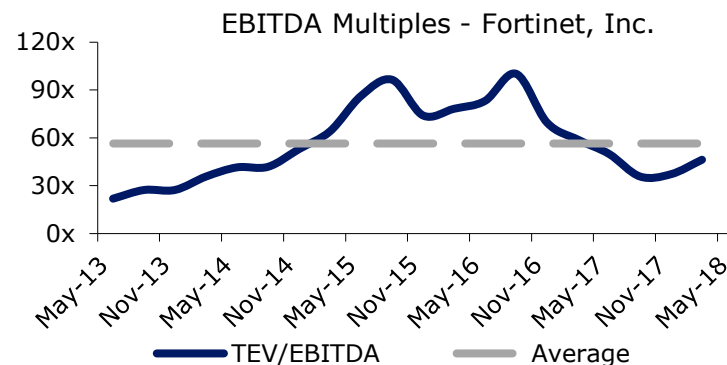
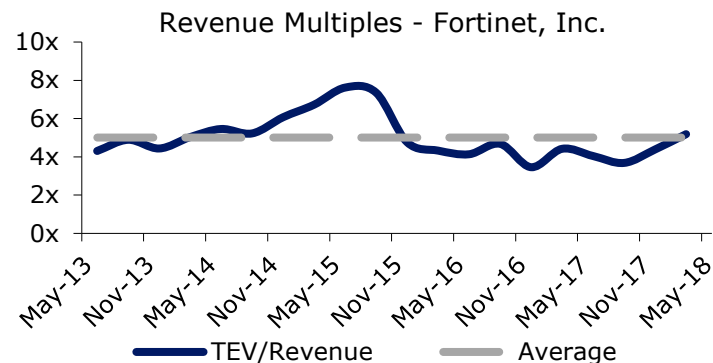
APPENDIX: Public Basket Constituents

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

2/13/18 Fortinet Mulls Acquisitions

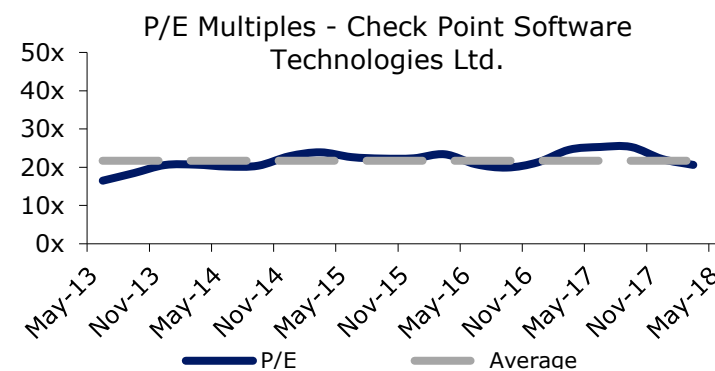
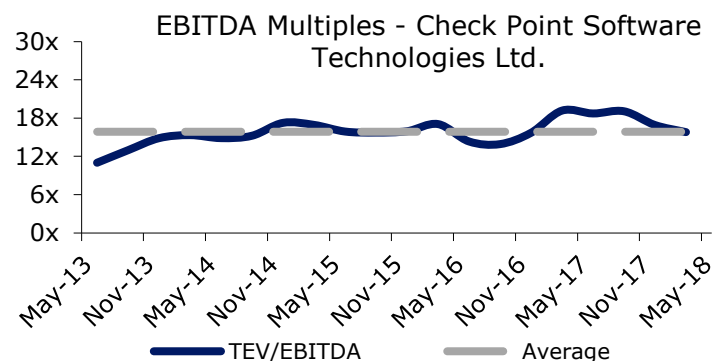
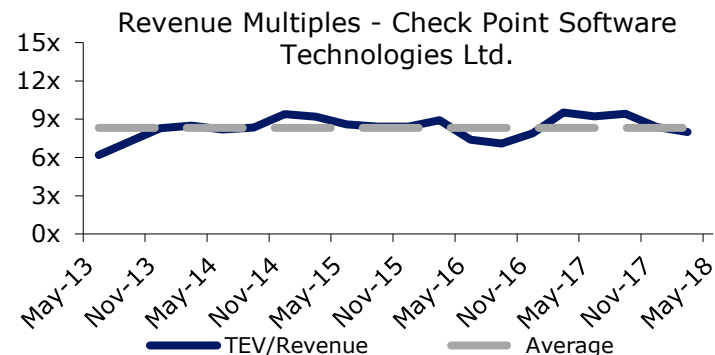
Public Basket



Check Point Software Technologies Ltd.

Check Point Software Technologies Ltd. provides hardware and software products and services for IT security worldwide. The company offers a portfolio of network security, endpoint security, data security, and management solutions. It provides security gateways to protect the networks and prevent the threats of enterprises, data centers, and small and large branch offices; security gateway appliances, including platforms for small business and small office locations, high end and high demanding data centers, and perimeter environments; and security management software, 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



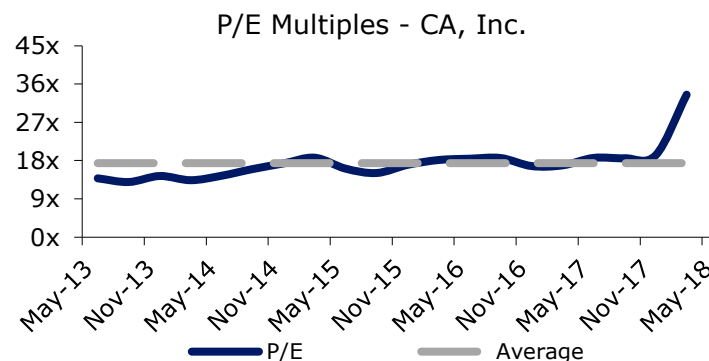
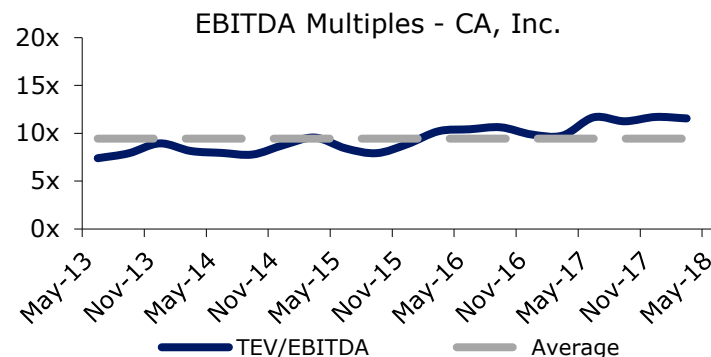
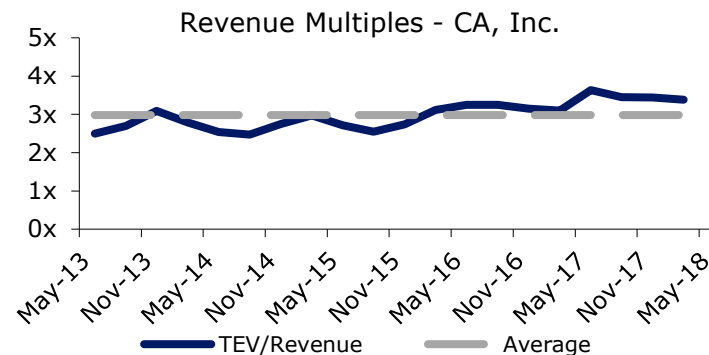
Public Basket



CA, Inc.

CA, Inc. provides software and solutions that help organizations to plan, develop, manage, and secure applications and enterprise environments in the United States and internationally. The company operates through three segments: Enterprise Solutions, Mainframe Solutions, and Services. The Mainframe Solutions segment offers DevOps solutions and tools for development, testing, and deployment that support collaboration across the software development lifecycle and mobile to mainframe teams; operations intelligence and automation solutions; and security and compliance solutions. The Enterprise Solutions segment provides products that are designed for distributed and cloud computing environments and run on industry standard servers. CA, Inc. was founded in 1974 and is headquartered in New York, New York.

Date	Key Development Headline
5/8/18	CA Seeks Acquisitions
9/27/17	CA, Inc. (NasdaqGS:CA) acquired Runscope Inc. from True Ventures and other shareholders.

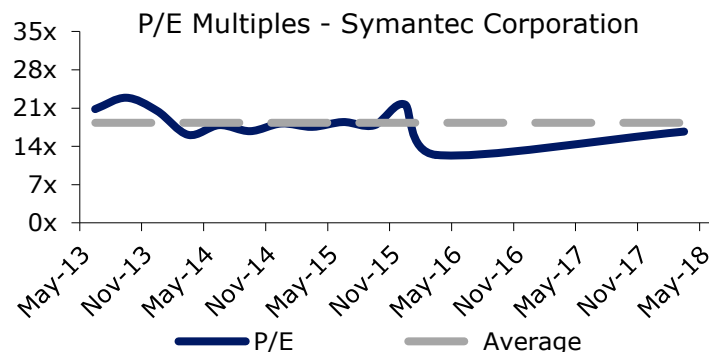
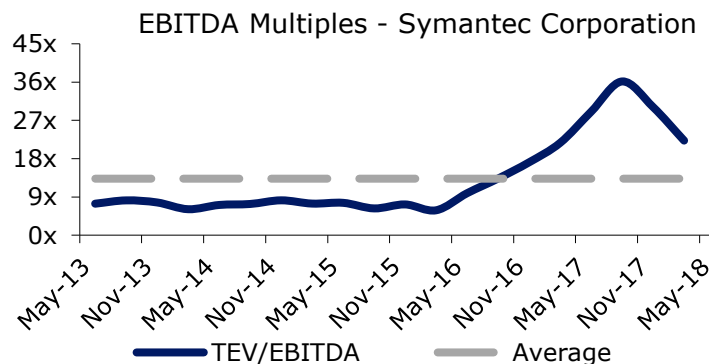
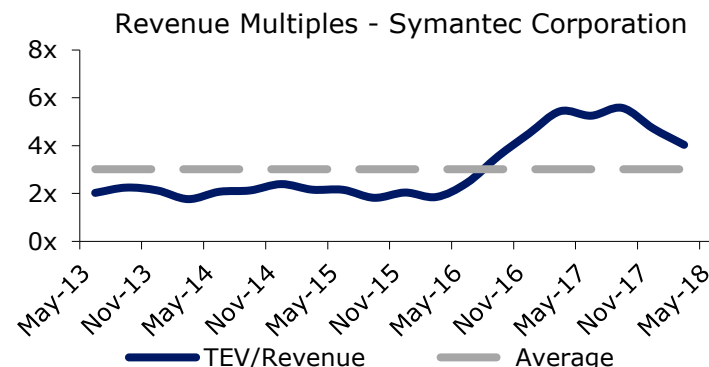


Public Basket



Symantec Corporation

Symantec Corporation, together with its subsidiaries, provides cybersecurity solutions worldwide. 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. Symantec Corporation was founded in 1982 and is headquartered in Mountain View, California.



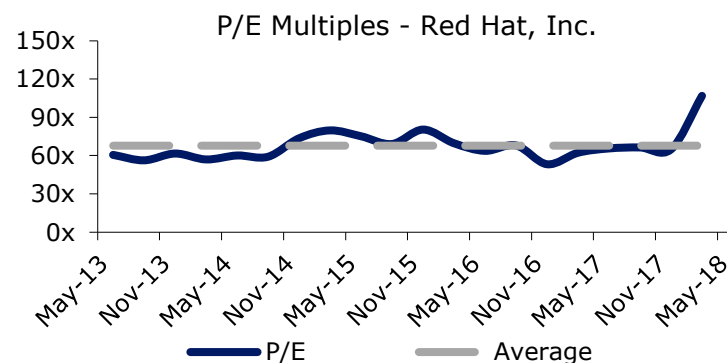
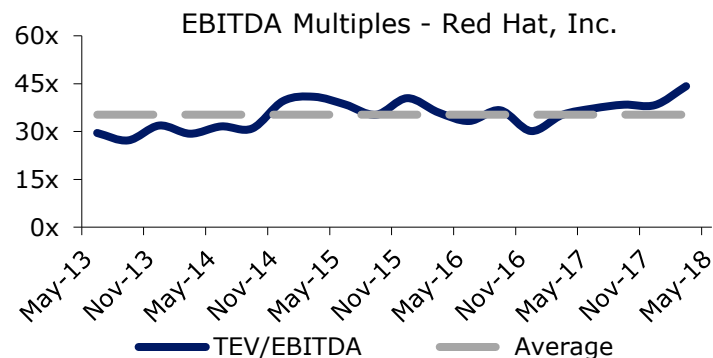
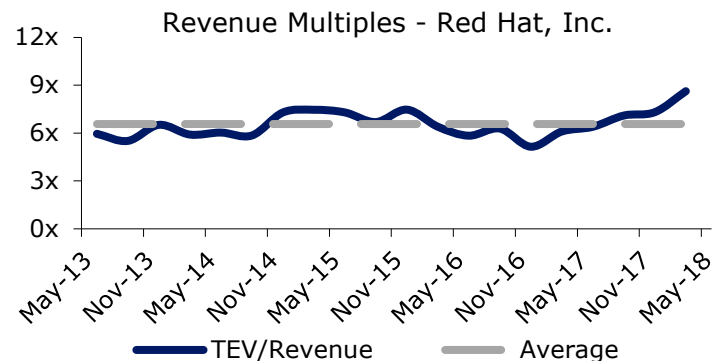
Date	Key Development Headline
2/14/18	Symantec May Seek Acquisitions
11/5/17	Symantec Corporation (NasdaqGS:SYMC) acquired SurfEasy, Inc. from Opera Software ASA (OB:OPERA) for an enterprise value of \$38.5 million.
10/30/17	DigiCert, Inc. completed the acquisition of website security and related PKI solutions business of Symantec Corporation (NasdaqGS:SYMC).
10/5/17	Symantec May Seek Acquisitions
10/1/17	Honeywell International Seeks Acquisitions

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.



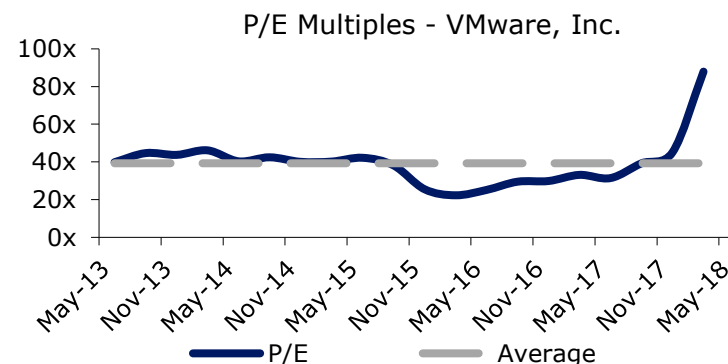
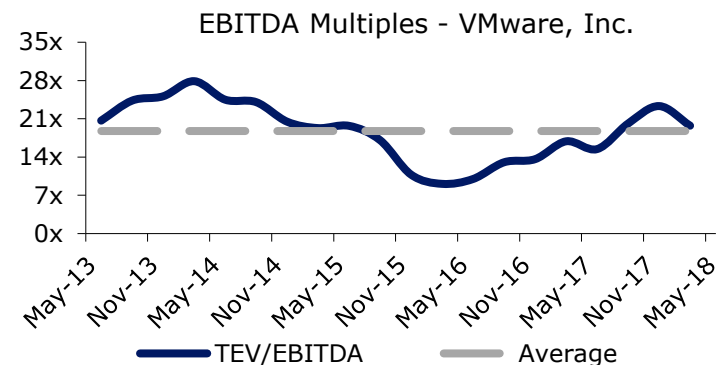
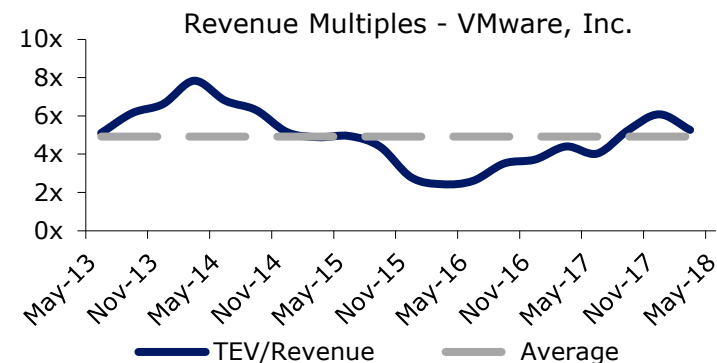
Date	Key Development Headline
5/22/18	Red Hat, Inc. and Juniper Networks, Inc. Expand Collaboration to Provide Simplified and More Secure Path to Multicloud
4/26/18	Red Hat Seeks Acquisitions
1/29/18	Red Hat, Inc. (NYSE:RHT) acquired CoreOS, Inc. from a group of sellers for \$250 million.
12/10/17	Synopsys, Inc. (NasdaqGS:SNPS) completed the acquisition of Black Duck Software, Inc.
11/1/17	Synopsys, Inc. (NasdaqGS:SNPS) signed a definitive agreement to acquire Black Duck Software, Inc. for approximately \$570 million.

Public Basket



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. VMware, Inc. is a subsidiary of Dell Technologies Inc.



Date	Key Development Headline
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.
12/11/17	VMware, Inc. (NYSE:VMW) completed the acquisition of VeloCloud Networks, Inc.

Public Basket

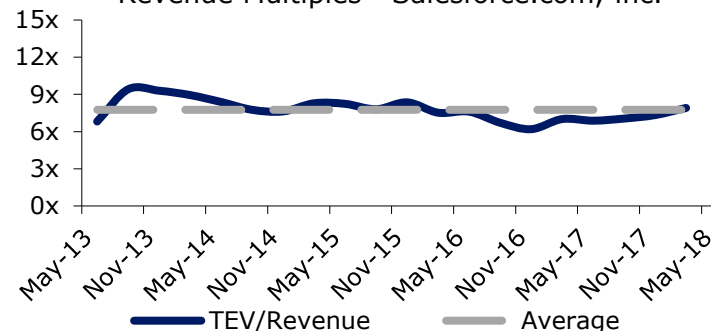


Salesforce.com, inc.

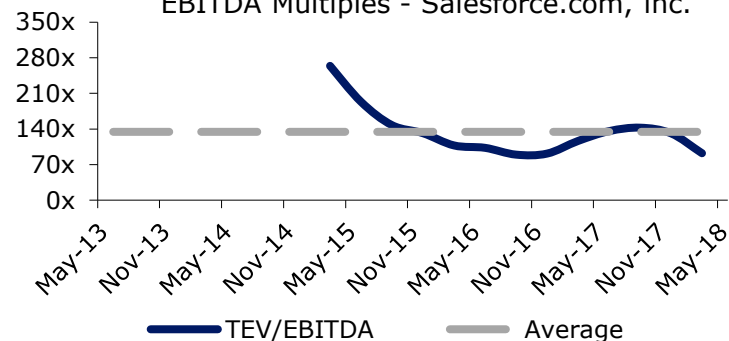
Salesforce.com, inc. develops enterprise cloud computing solutions with a focus on customer relationship management. The company offers Sales Cloud to store data, monitor leads and progress, forecast opportunities, gain insights through relationship intelligence, and collaborate around sales on desktop 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. The company was founded in 1999 and is headquartered in San Francisco, California.

Date	Key Development Headline
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.
3/5/18	Salesforce.com Mulls Acquisitions

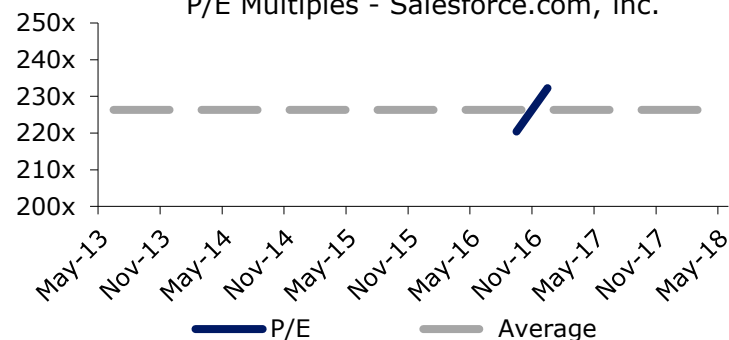
Revenue Multiples - Salesforce.com, inc.



EBITDA Multiples - Salesforce.com, inc.



P/E Multiples - Salesforce.com, inc.

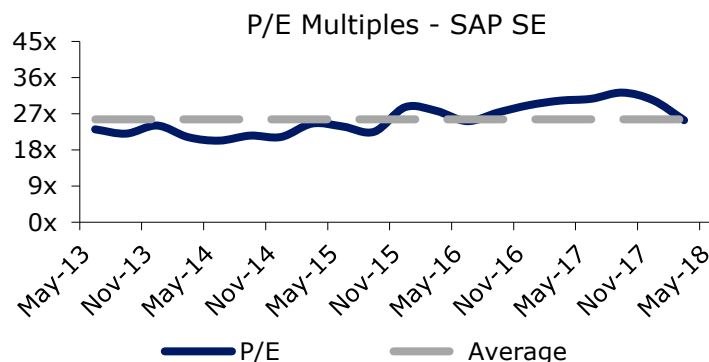
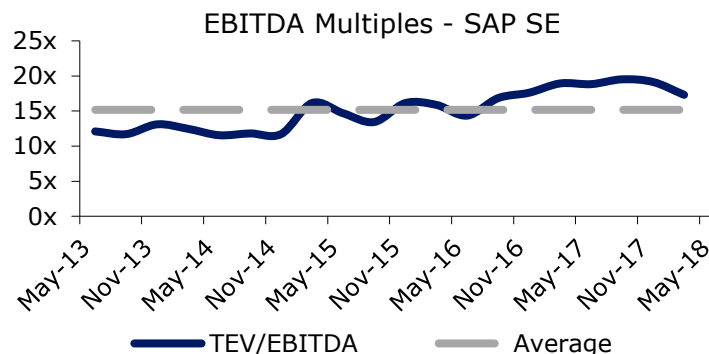
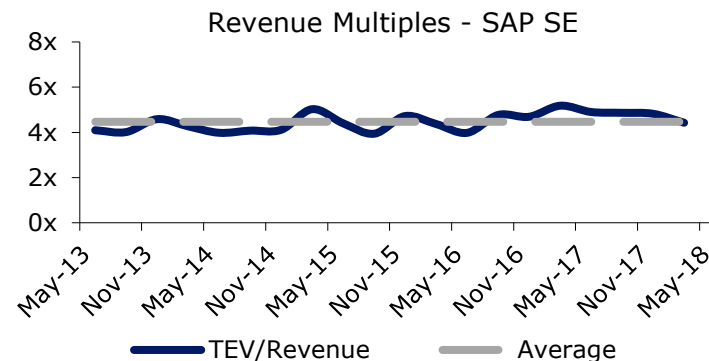


Public Basket



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.



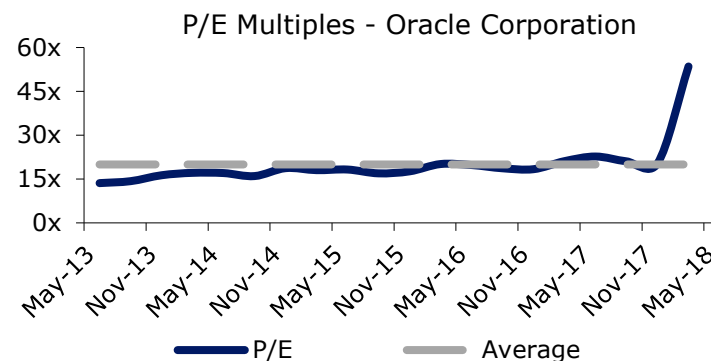
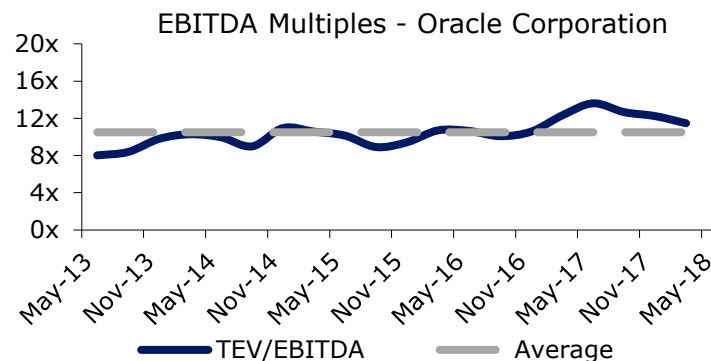
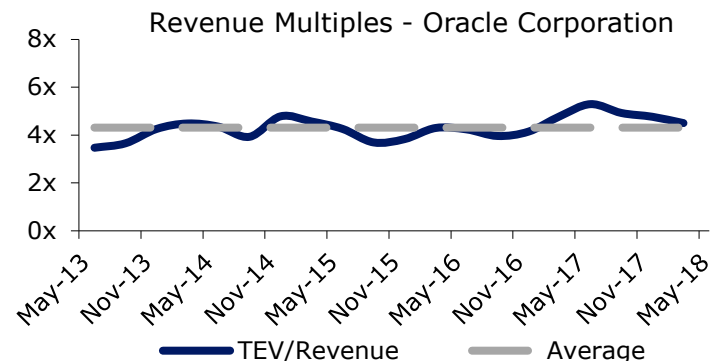
Date	Key Development Headline
5/8/18	Accenture plc Teams with SAP SE to Help High-Tech Companies Create Digital As-A-Service Business Models Quickly and Easily
3/20/18	Accenture and SAP Build and Deploy Extended Planning Solutions on SAP S/4HANA®
2/12/18	SAP Seeks Acquisition
2/1/18	Virtual Power Systems Joins SAP and Schneider Electric to Prove Software-Defined Power Optimizes Energy Utilization in Data Centers and Clouds
11/14/17	EY Collaborates with SAP to Continue Advancement of Blockchain Deployment Across Industries Worldwide

Public Basket



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.



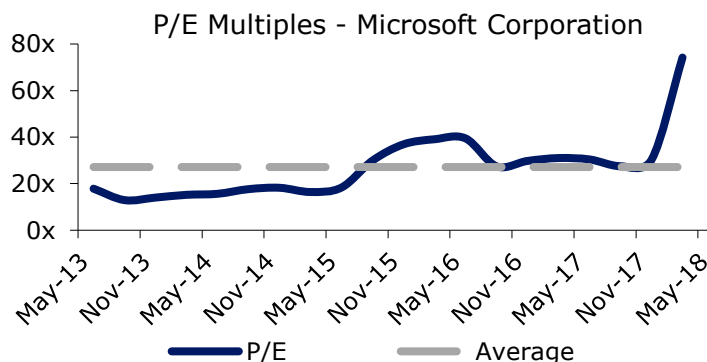
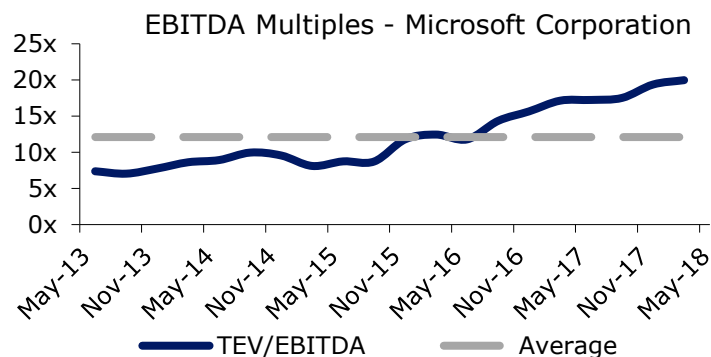
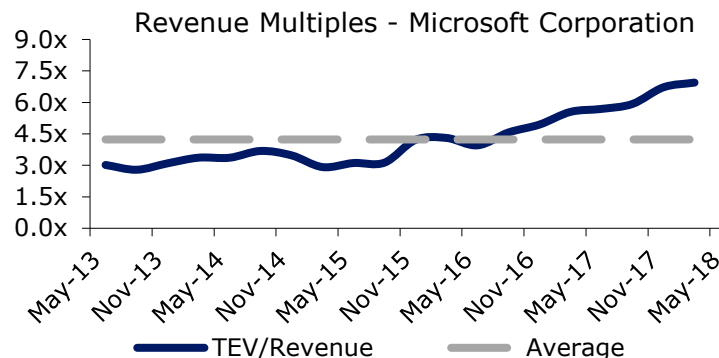
Date	Key Development Headline
5/15/18	Oracle Corporation (NYSE:ORCL) signed an agreement to acquire DataScience.com.
4/29/18	Oracle Corporation (NYSE:ORCL) acquired Vocado, LLC.
4/23/18	Oracle Corporation (NYSE:ORCL) signed an agreement to acquire Grapeshot Limited.
3/21/18	Oracle Seeks Acquisitions
2/14/18	Oracle Corporation (NYSE:ORCL) entered into an agreement to acquire Zenedge LLC.

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. The company was founded in 1975 and is headquartered in Redmond, Washington.



Date	Key Development Headline
5/19/18	Microsoft Corporation (NasdaqGS:MSFT) acquired Semantic Machines, Inc.
5/2/18	Ingram Micro Inc. and Microsoft Corp. Announces Strategic Alliance to Accelerate Service Provider's Digital Transformation with the CloudBlue Platform
4/24/18	Eagle Investment Systems LLC, Collaborates with Microsoft to Create New Cloud-Based Data Management Platform
4/19/18	PCL Construction and Microsoft Joins Forces to Fuel Joint Innovation and Development of Smart Building Implementations
3/19/18	BlackBerry Limited and Microsoft Corp. Partner to Empower the Mobile Workforce

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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