



Sectorwatch: Financial Services Digital Transformation

November 2018

Financial Services Digital Transformation

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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.



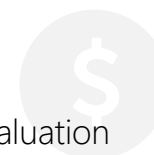
Public Basket Performance

- 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

↓ -0.05

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

↑ 2.1%

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

Current gross profit margin exceeds the average of the last 3 years gross profit margin by this amount, indicating supplier pricing power

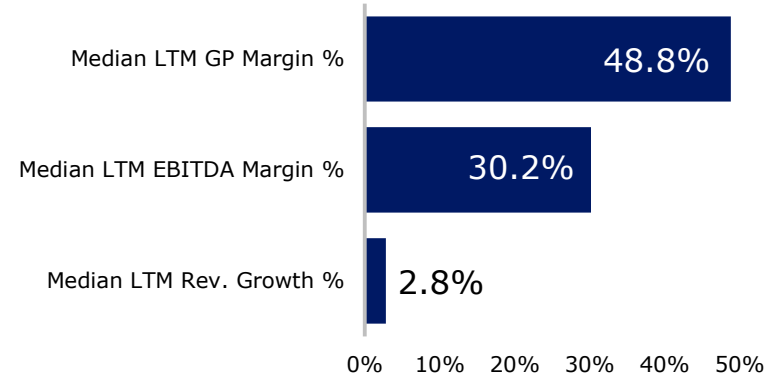
Profitability Momentum

↑ 1.8%

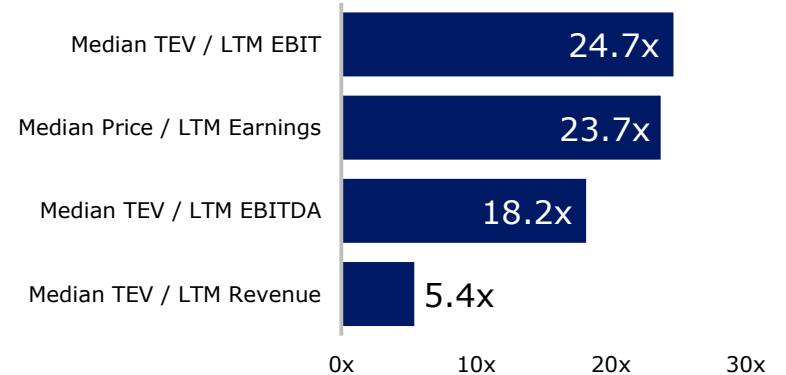
1 - year EBITDA % compared to EBITDA % average for last 3 years

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



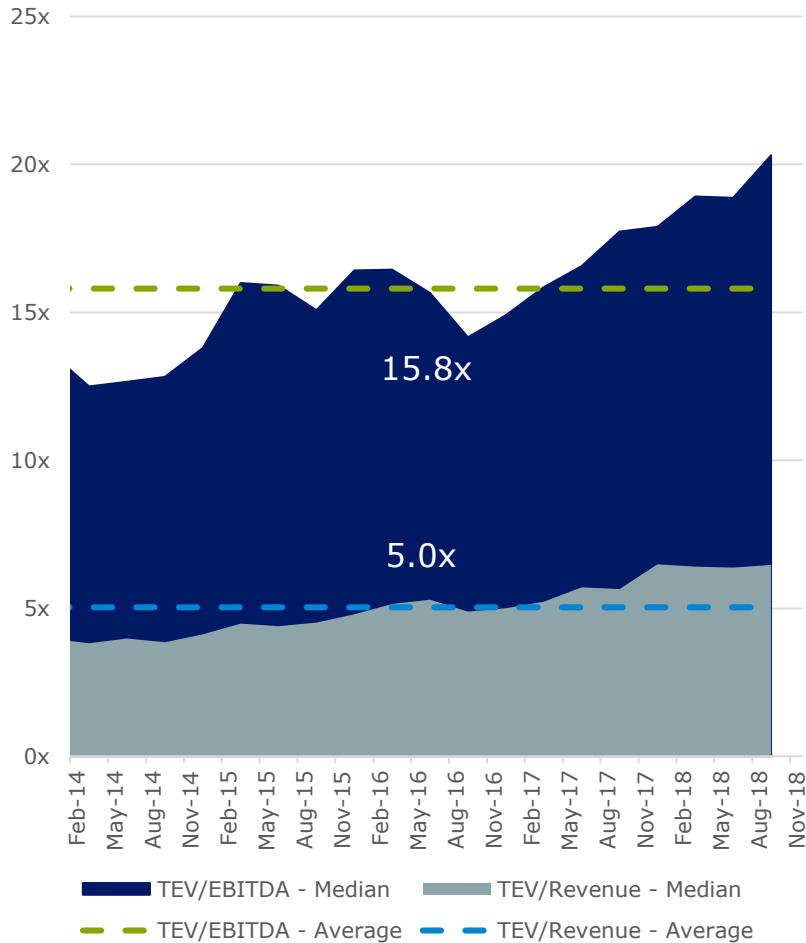
Public Basket



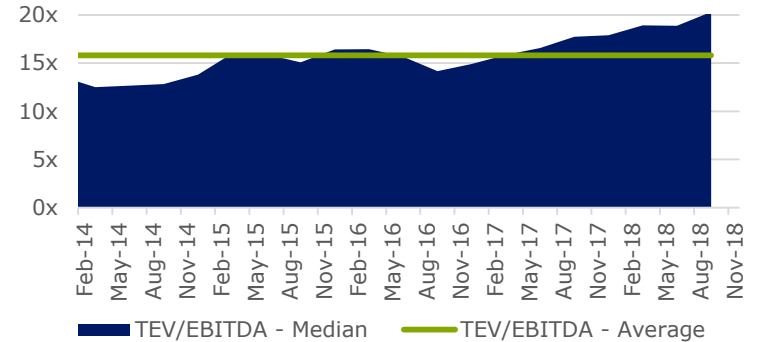
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
GFT Technologies SE	371	478	-3%	21%	9%	0.8	9.3	4,740	101
Alfa Financial Software Holdings PLC	446	100	-16%	75%	34%	4.5	13.2	329	303
Ellie Mae, Inc.	2,010	477	19%	58%	14%	4.2	29.6	1,480	322
Q2 Holdings, Inc.	2,165	226	22%	50%	-5%	9.6	0.0	844	267
Oracle Financial Services Software Limited	3,838	647	3%	54%	40%	5.9	14.7	8,818	73
ACI Worldwide, Inc.	4,105	1,016	-2%	56%	16%	4.0	25.1	3,979	255
Black Knight, Inc.	8,699	1,096	5%	46%	34%	7.9	23.1	4,430	247
Jack Henry & Associates, Inc.	10,823	1,568	8%	43%	31%	6.9	22.3	6,307	249
Fiserv, Inc.	36,575	5,788	3%	48%	32%	6.3	19.5	24,000	241
Fidelity National Information Services, Inc.	43,686	8,877	-1%	33%	29%	4.9	16.8	53,000	167
Average	11,272	2,027	4%	48%	24%	5.5	17.4	10,793	223
Median	3,971	832	3%	49%	30%	5.4	18.2	4,585	248

share price as of 09Nov18

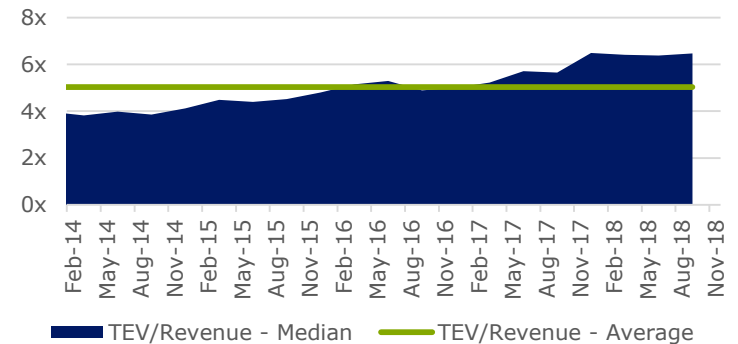
Public Basket Valuation Trends



Public EBITDA Multiples over Time



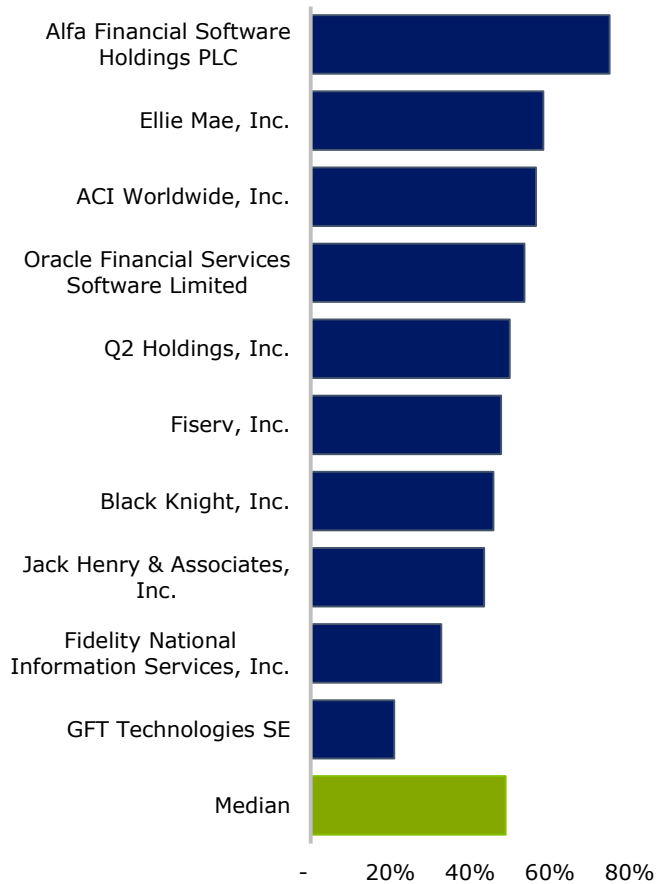
Public Revenue Multiples over Time



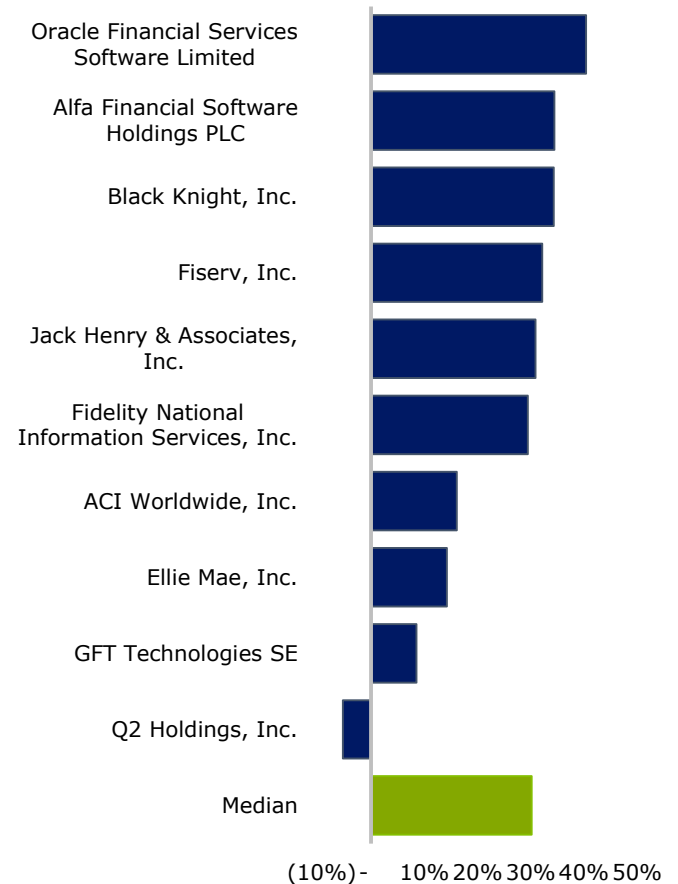
Operational Metrics



LTM Gross Profit Margin %



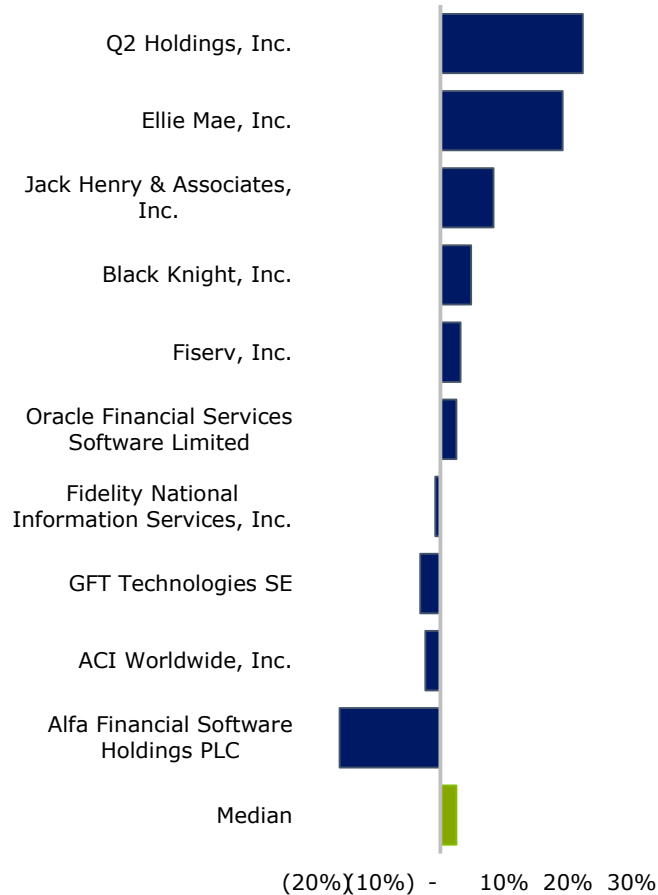
LTM EBITDA %



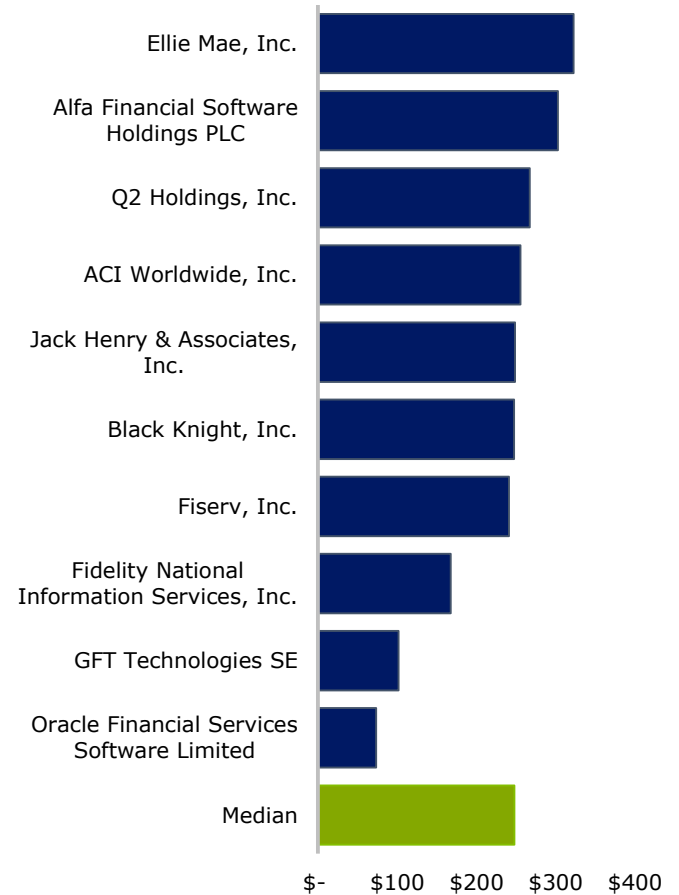
Operational Metrics



LTM Revenue Growth %



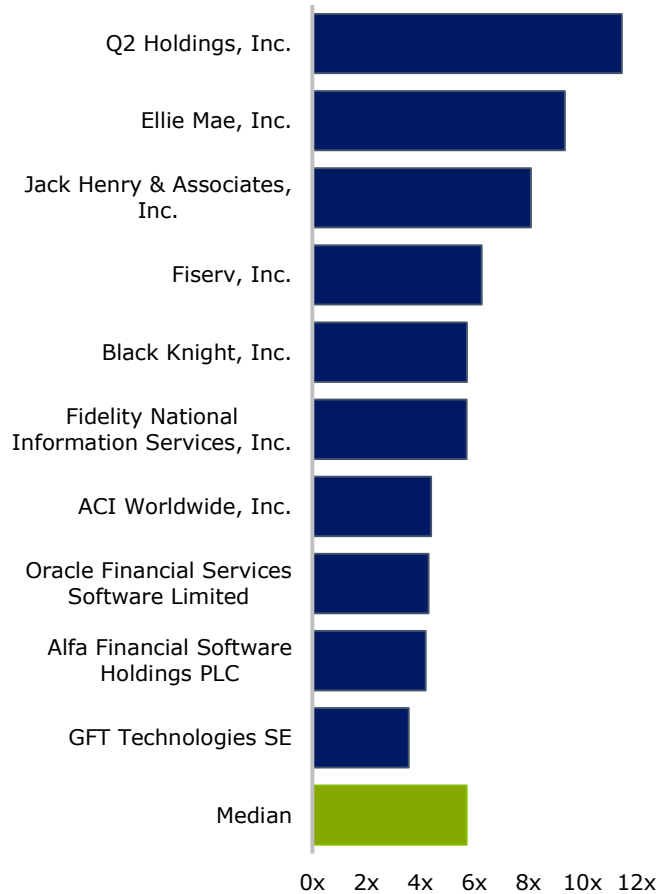
LTM Revenue per Full Time Employee x 000's



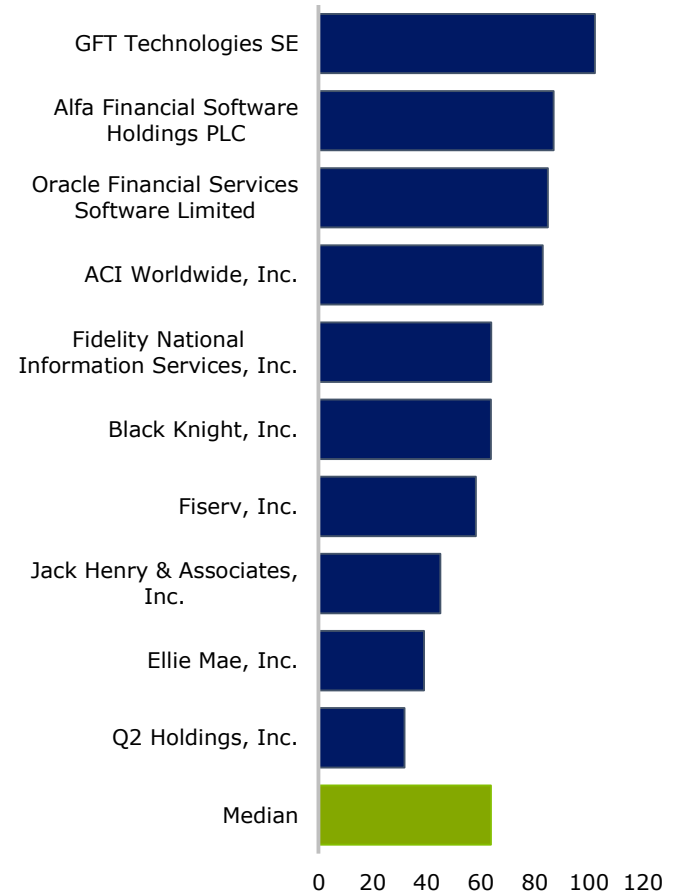
Operational Metrics



Accounts Receivable Turnover



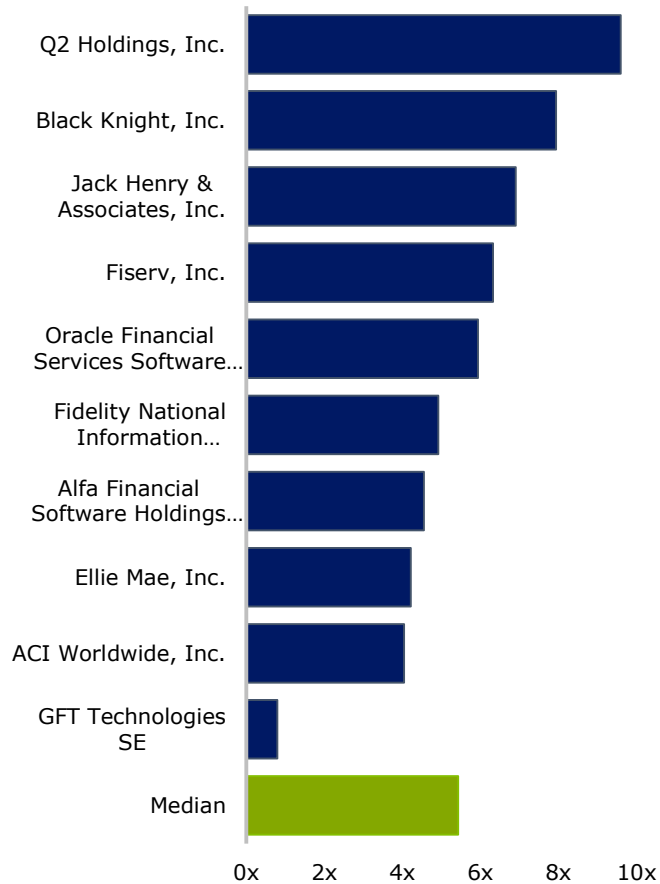
Average Days Sales Outstanding



Valuation



TEV / LTM Revenue



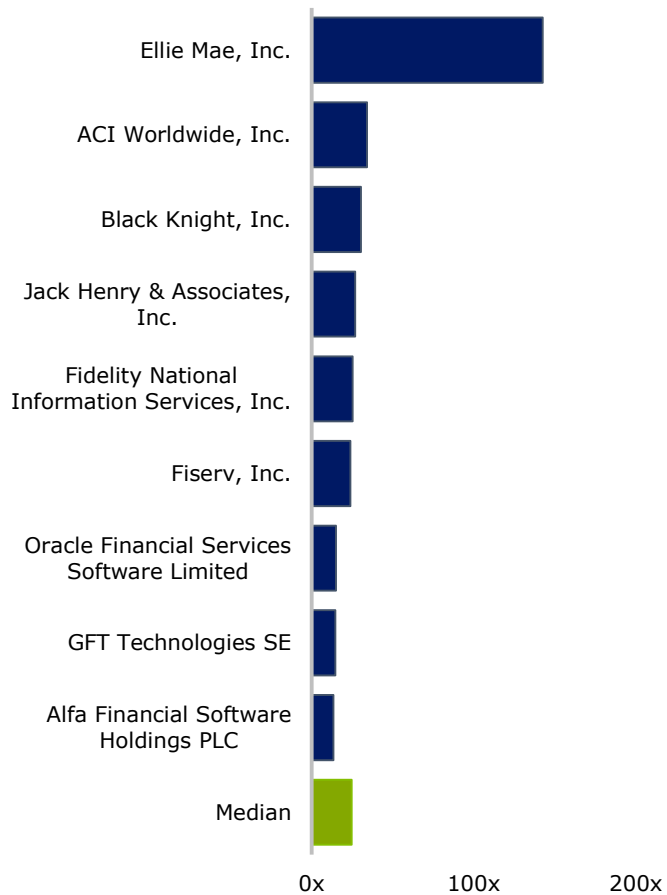
TEV / LTM EBITDA



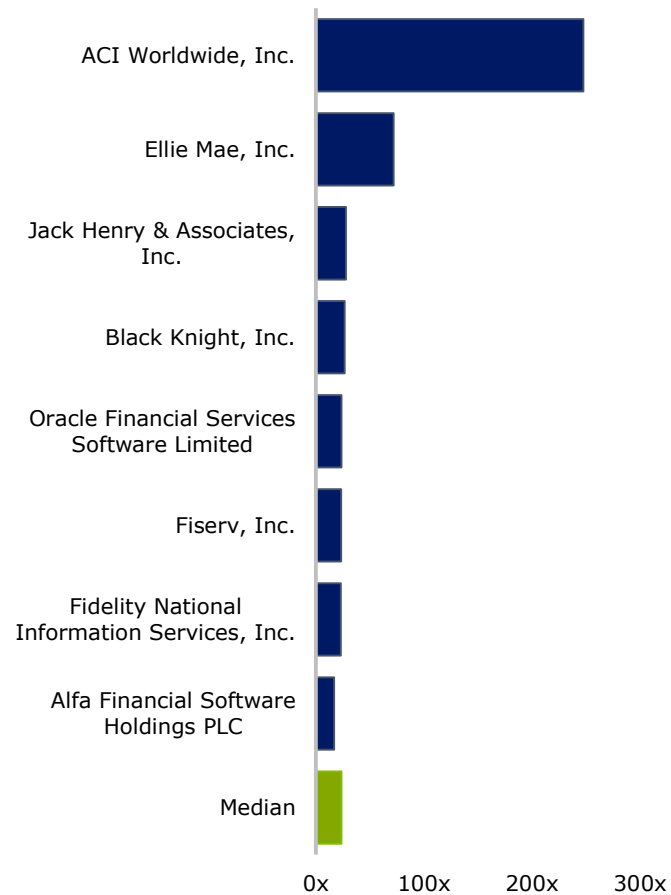
Valuation



TEV / LTM EBIT



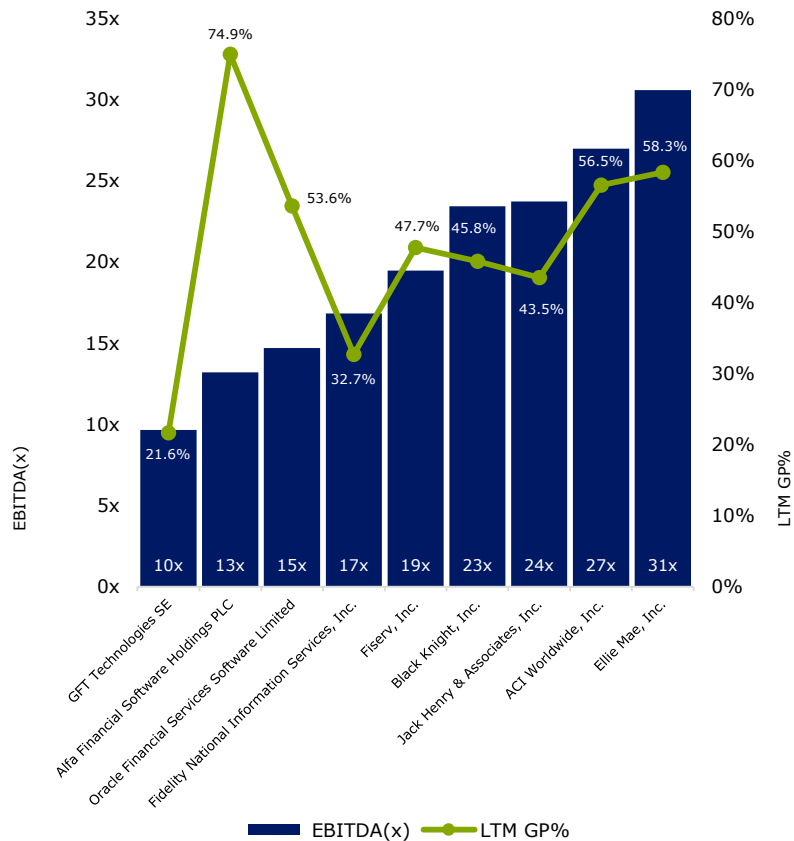
Price / LTM Earnings



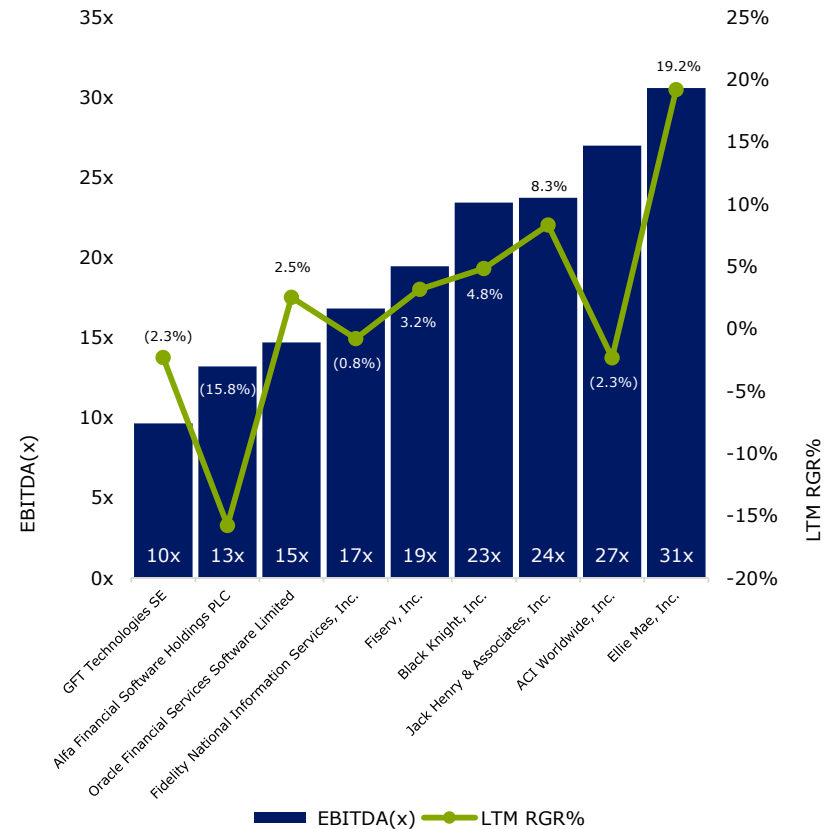
Valuation



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
8Oct18	BOLTS Technologies, Inc.	Jack Henry & Associates, Inc.	-	-	-	-
10Oct18	Agiletics, Inc.	Jack Henry & Associates, Inc.	-	-	-	-
25Sep18	ATM and Debit Servicing business of Elan Financial Services	Fiserv, Inc.	690.00	-	-	-
19Sep18	Probanx Information System Ltd.	iSignthis Ltd	-	-	-	-
17Aug18	BestX, Ltd.	State Street Corporation	-	-	-	-
24Jul18	Arrow Digital LLC	Softvision, LLC	-	-	-	-
20Jul18	Atos Syntel	Atos SE	3,670.09	966.19	3.7x	13.4x
28Jun18	Convergys Corporation	Concentrix Corporation	2,744.14	2,738.70	0.9x	7.0x
27Jun18	3C Deutschland GmbH	Arvato Financial Solutions	-	-	-	-
18Jun18	Malauzai Software, Inc.	Finastra Group Holdings Limited	-	-	-	-
12Jun18	CRIF Corporation	Thoma Bravo, LLC	-	-	-	-
19May18	Ipreo Holdings LLC	Markit North America, Inc.	1,855.00	-	-	-
17May18	iovation Inc.	TransUnion	-	-	-	-
25Apr18	Mattersight Corporation	NICE Systems Inc.	118.92	49.27	2.2x	NM
19Apr18	Paybox Corp.	Output Services Group, Inc.	-	-	-	-
5Apr18	MainStreet Technologies, Inc.	Banker's Toolbox, Inc.	-	-	-	-
4Apr18	WorkFusion, Inc.	iNovia Capital; NGP Capital; Georgian Partners Growth LP; Declaration Partners; Hawk Equity LLC	50.00	-	-	-
7Feb18	Fiserv Solutions, LLC	Warburg Pincus LLC	419.00	-	-	-
5Feb18	Ohpen B.V.	Amerborgh International N.V.	31.04	-	-	-
5Feb18	Micronotes, Inc.	TTV Capital; Vestigo Ventures LLC	3.07	-	-	-
25Jan18	Digiliti Money, Inc.	FinTech Imaging Solutions, Inc.	2.62	-	-	-
18Jan18	Applied Blockchain Ltd.	Shell Trading International Limited; Calibrate Partners	-	-	-	-
9Jan18	Innofis Esgm SL	Crealogix Holding AG	-	10.18	-	-
9Jan18	RGI S.P.A.	Corsair Capital LLC	-	-	-	-
22Dec17	Comviva Technologies Limited	Tech Mahindra Limited	51.34	-	-	-
20Dec17	Lender Performance Group, LLC	Insight Venture Partners LLC; Georgian Partners Growth LP	-	-	-	-
28Nov17	Ensenta Corporation	Jack Henry & Associates, Inc.	130.00	27.00	4.8x	-
14Nov17	Jwaala Inc.	Goldleaf Enterprise Payments (GEPI), Inc.	-	-	-	-
30Oct17	Xavient Information Systems Inc. (nka:Xavient Digital)	TELUS International, Inc.	130.00	-	-	-
31Aug17	Velocify, Inc.	Ellie Mae, Inc.	128.00	-	-	-
26May17	SMS Management & Technology Limited	ASG Group Limited	106.18	244.69	0.4x	14.4x
3Apr17	Genfour Ltd	Accenture plc	-	-	-	-
13Mar17	DH Corporation	Misys Limited (nka:Finastra Group Holdings Limited)	3,502.03	1,249.98	2.8x	14.8x

Financial Services Digital Transformation

November 2018

APPENDIX:
Public Basket
Constituents

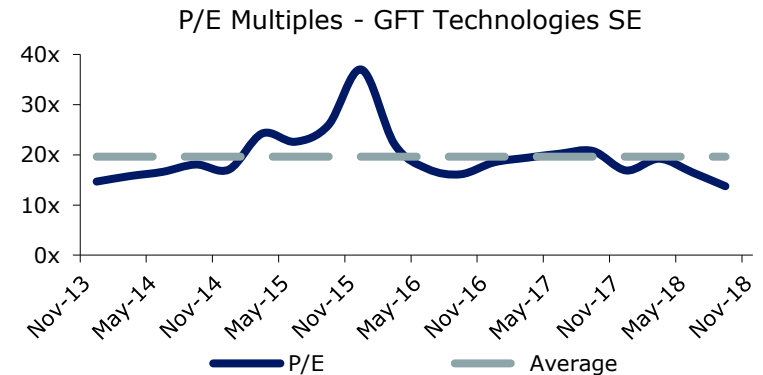
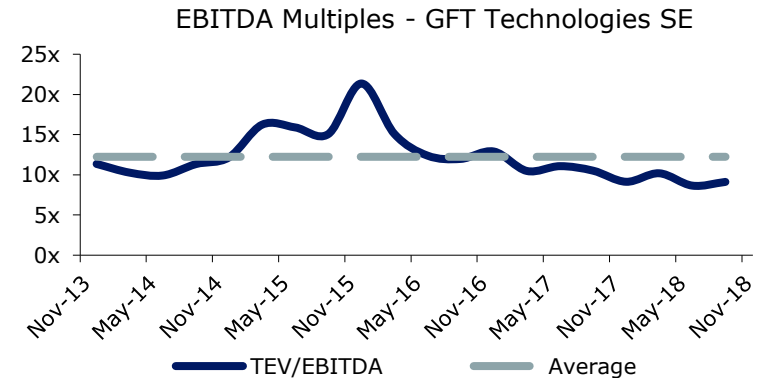
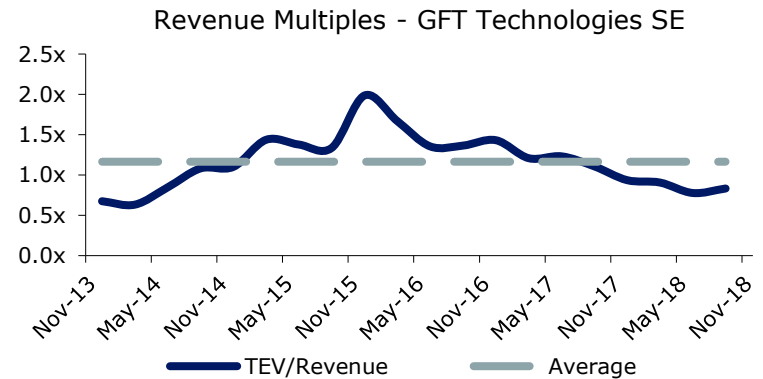
Public Basket



GFT Technologies SE

GFT Technologies SE provides information technology (IT) consulting and solutions for retail and investment banking clients. The company's services include consulting on the development and realization of IT strategies, development of bespoke IT solutions, implementation of bank specific software, and maintenance and development of banking applications. It operates in the United Kingdom, the United States, Canada, Brazil, Costa Rica, Mexico, Germany, Italy, Poland, Switzerland, and Spain. The company was founded in 1987 and is headquartered in Stuttgart, Germany.

Date	Key Development Headline
7/30/18	GFT Technologies SE (XTRA:GFT) completed the acquisition of V-NEO Inc.

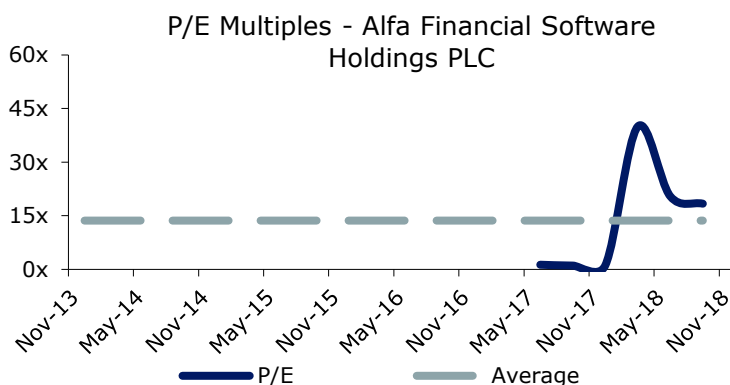
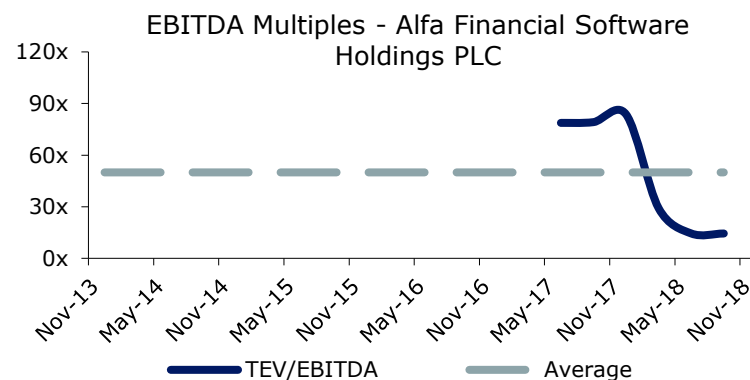
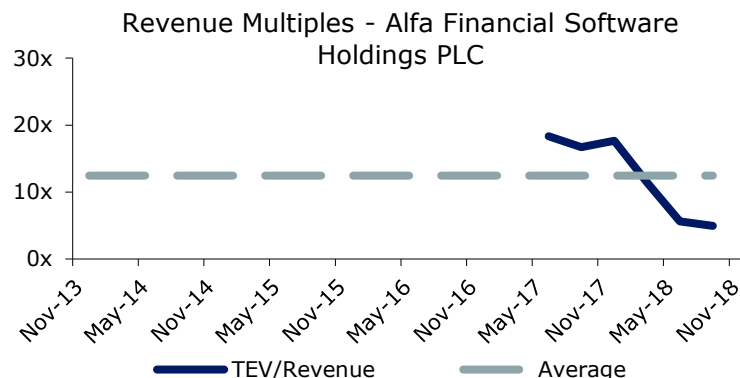


Public Basket



Alfa Financial Software Holdings PLC

Alfa Financial Software Holdings PLC, through its subsidiaries, provides software solutions and consultancy services to the asset finance industry in the United Kingdom, the United States of America, rest of Europe, and the Asia Pacific. Its solutions include point of sale, such as Web-based quotation, multiple channels, and templates and business rules; originations, including credit and document management, and workflow and business rules; contract management comprising leases and loans, reporting and business intelligence, customer, asset and contract management, and bad debt management; and wholesale consisting of dealer portal, audit, and entire unit lifecycle. The company also offers professional services, such as business process consultancy, UI design, cloud hosting, project management, and training consultancy. It primarily serves equipment and automotive finance markets. The company was founded in 1990 and is headquartered in London, the United Kingdom. Alfa Financial Software Holdings PLC is a subsidiary of CHP Software and Consulting Limited.



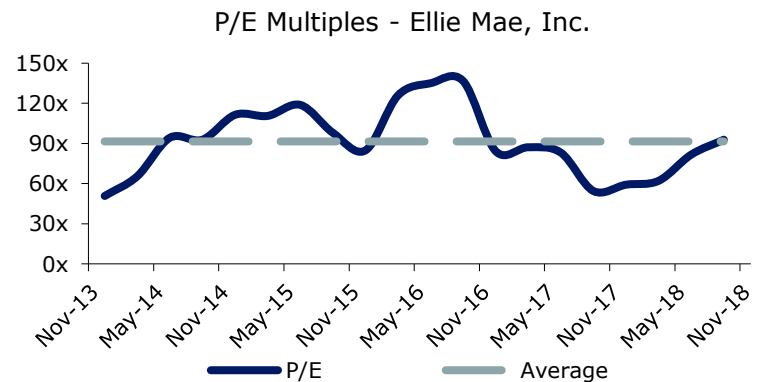
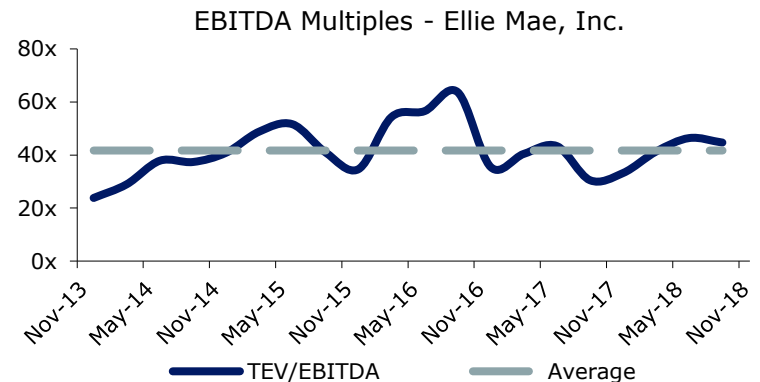
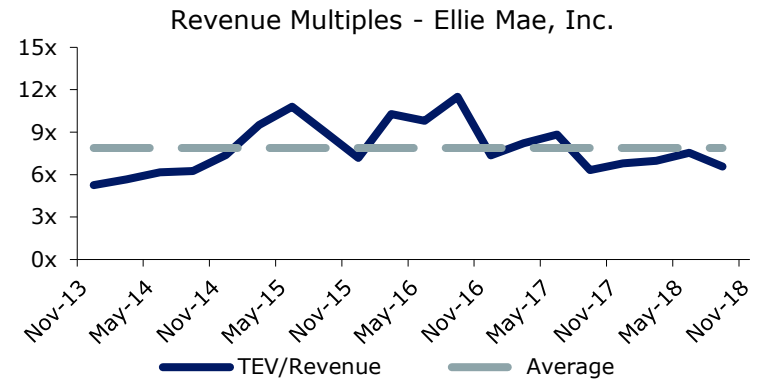
Public Basket



Ellie Mae, Inc.

Ellie Mae, Inc. provides cloud-based platform for the mortgage finance industry in the United States. The company provides Encompass, a proprietary software solution that combines lead management; loan origination and processing; underwriting; preparation of mortgage applications, disclosure agreements, and closing documents; loan funding and closing; compliance with regulatory and investor requirements; and enterprise management. Its platform also offers Encompass Lending Platform and Encompass Developer Connect Solution, and Encompass Data Connect; and sales and marketing solutions, such as Encompass CRM, Velocify, Encompass WebCenter, Encompass Consumer Connect, Encompass TPO WebCenter, Encompass TPO Connect, and Encompass Loan Officer Connect. In addition, the company provides loan quality and compliance solutions, including Ellie Mae Total Quality Loan Program, Encompass Compliance Service, Encompass 4506-T Service, Encompass Flood Service, and Encompass Fraud Service. Ellie Mae, Inc. was founded in 1997 and is headquartered in Pleasanton, California.

Date	Key Development Headline
11/9/17	Ellie Mae Mulls Acquisitions

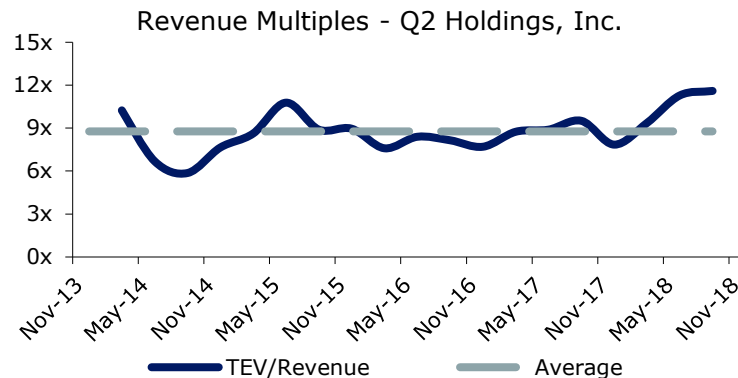


Public Basket



Q2 Holdings, Inc.

Q2 Holdings, Inc. provides cloud-based digital banking solutions to regional and community financial institutions (RCFIs) in the United States. It offers Q2online, a browser-based digital banking solution that delivers RCFI-branded digital banking capabilities; Q2 Sentinel, a security analytics solution; Q2 Corporate to support RCFIs to attract and retain larger commercial accounts; and Q2 SMART, a targeting and messaging platform. The company also provides Q2 Account Opening solution; Q2 Active/Active that operates various data centers; and Q2 Patrol, an event-driven validation product. In addition, it offers Q2mobility App, a mobile and tablet digital banking solution; Q2mobile Remote Deposit Capture, a partnered solution that allows remote check deposit capture; Q2 Person-to-Person Payments, a partnered secure and integrated person-to-person payments solution; Detection Monitoring Service, a security threat tracking solution; and Q2 CardSwap that allows account holders receiving newly issued cards to automatically change their payment information with existing subscription and digital point-of-sale services. Q2 Holdings, Inc. was founded in 2005 and is headquartered in Austin, Texas.



Date	Key Development Headline
2/20/18	Q2 Holdings Seeks Acquisitions

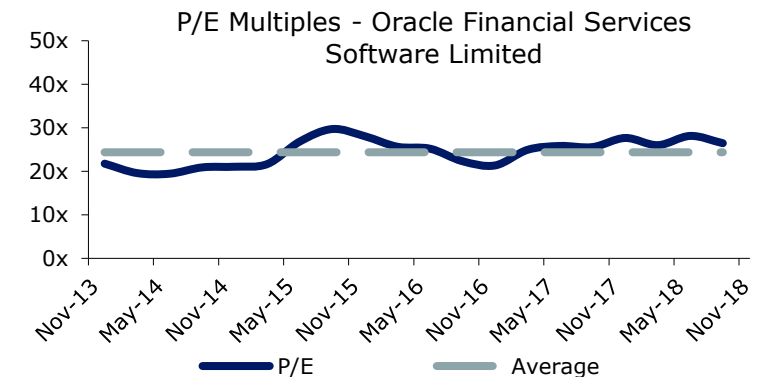
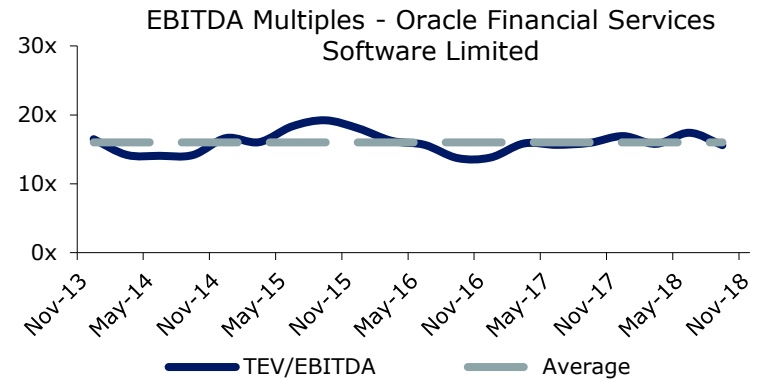
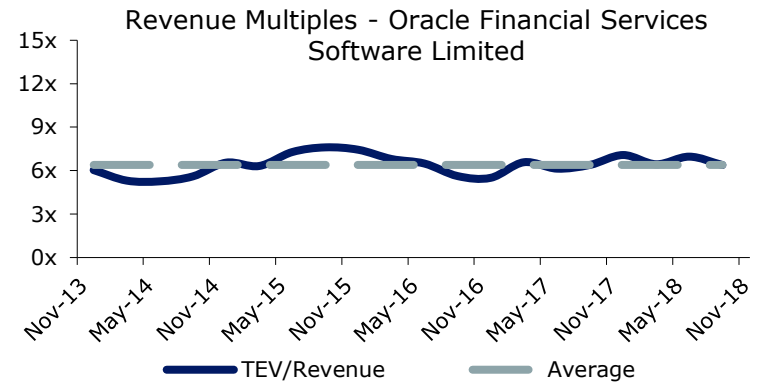
Public Basket



Oracle Financial Services Software Limited

Oracle Financial Services Software Limited provides information technology (IT) solutions and business processing services to the financial services industry worldwide. It operates through three segments: Product Licenses and Related Activities, IT Solutions and Consulting Services, and Business Processing Outsourcing Services. The company offers Oracle Banking Digital Experience, a digital transformation providing digital account and loan origination, digital wallet, and mobile payments; Oracle Banking Platform, a suite of business applications for banks; Oracle FLEXCUBE, a banking product suite for consumer, corporate, investment, private wealth management, consumer lending, asset management, and investor servicing with payments; and Oracle FLEXCUBE Enterprise Limits and Collateral Management that enables centralized collateral management, limits definition, tracking, and exposure measuring, as well as provides Oracle Banking Enterprise Collections; Oracle Banking Enterprise Originations; Oracle Banking Corporate Lending; Oracle Banking Liquidity Management; and Oracle Banking Payments. Oracle Financial Services Software Limited is a subsidiary of Oracle Global (Mauritius) Limited.

Date	Key Development Headline
7/9/18	Profile Systems & Software A.E. (ATSE:PROF) cancelled the acquisition of Login S.A from Oracle Financial Services Software Limited (BSE:532466) and others.



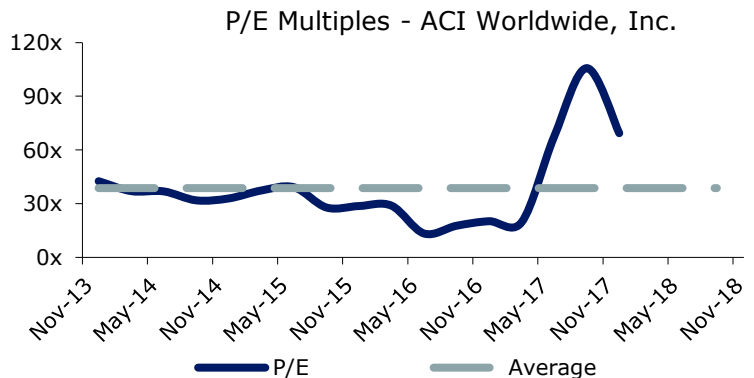
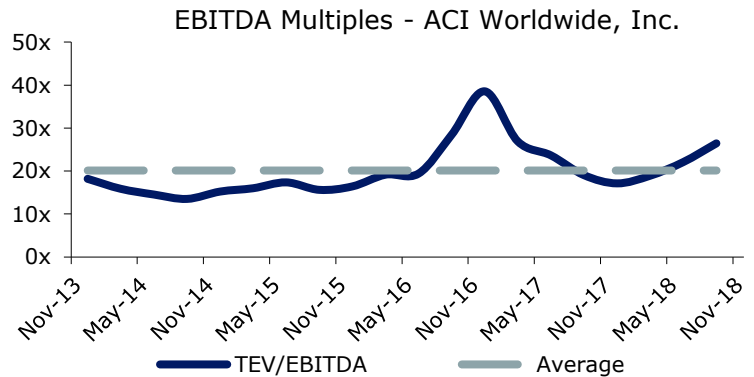
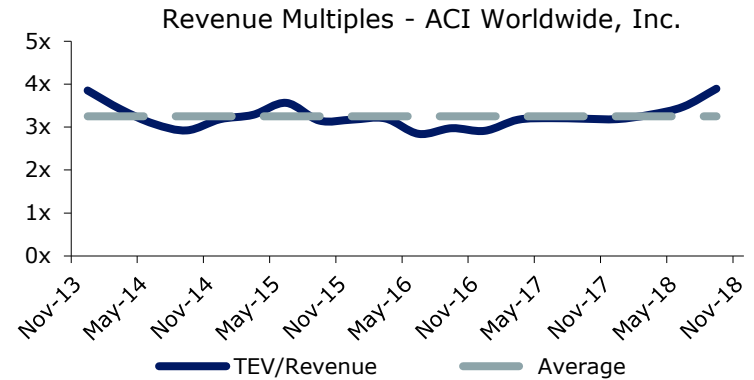
Public Basket



ACI Worldwide, Inc.

ACI Worldwide, Inc. provides software products and services for facilitating electronic payments to banks, intermediaries, merchants, and corporates worldwide. It offers UP Retail Payments solution that enables banks to accept, authorize, route, and secure payment transactions; and ACI Card and Merchant Management solutions, including credit, debit, smart card, and prepaid card issuance and management, as well as merchant account management and settlement. The company also provides UP Immediate Payments solution, which provides connectivity to country-level real-time payment schemes and create various products; and UP Real-Time Payments solution that allows banks to address RTGS, SWIFT messaging, and real-time faster payments. In addition, it offers Postilion; ACI PAY.ON Payments Gateway; ACI ReD Shield, a real-time fraud prevention solution, as well as UP eCommerce Payments solution; and UP Payments Risk Management solution and ACI Universal Online Banker platform. ACI Worldwide, Inc. was founded in 1975 and is headquartered in Naples, Florida.

Date	Key Development Headline
3/20/18	UnionPay International Announces Strategic Partnership with ACI Worldwide



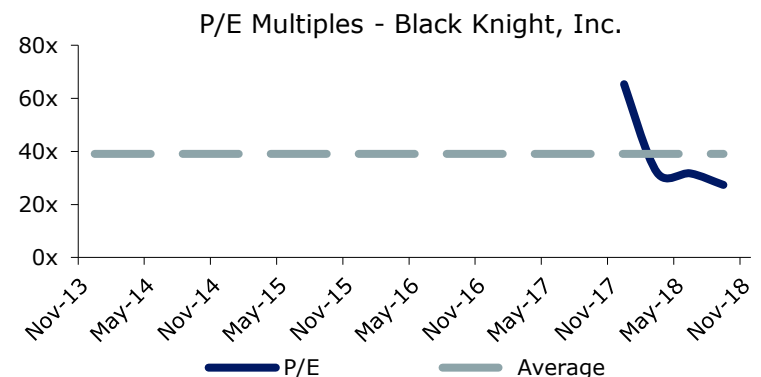
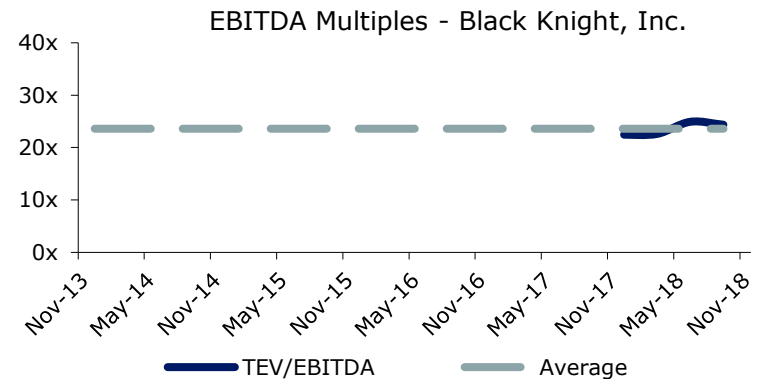
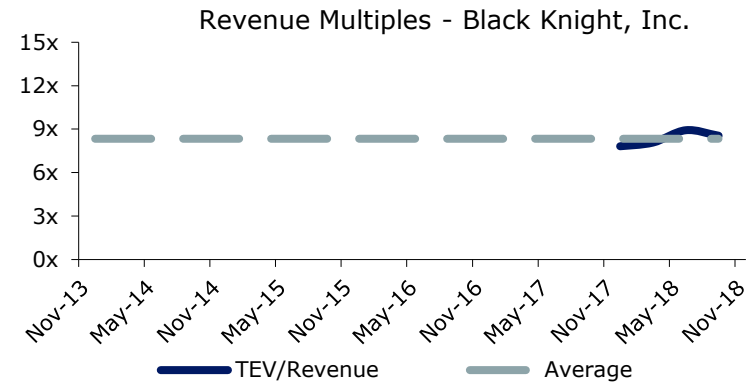
Public Basket



Black Knight, Inc.

Black Knight, Inc. provides software, data, and analytics solutions to the mortgage and consumer loan, real estate, and capital market verticals primarily in the United States. It operates through two segments, Software Solutions, and Data and Analytics. The Software Solutions segment offers software and hosting solutions, including LoanSphere mortgage servicing platform, a software as a service application that automates loan servicing to the secondary mortgage market and investor reporting; and LoanSphere Bankruptcy and LoanSphere Foreclosure solutions, which are Web-based workflow information systems for managing and automating a range of workflow processes involving non-performing loans. It also provides LoanSphere Invoicing to organize images of paper documents within a particular file, capture information from imaged documents, manage invoices, and offer various users access to data needed for monitoring and process management. Black Knight, Inc. was founded in 2013 and is headquartered in Jacksonville, Florida.

Date	Key Development Headline
11/5/18	Black Knight, Inc. (NYSE:BKI) acquired Ernst Publishing Co., LLC.
7/30/18	Black Knight Seeks Acquisitions
6/3/18	Black Knight, Inc. (NYSE:BKI) acquired HeavyWater Solutions, Inc. from Soofi Safavi.
2/7/18	Black Knight Mulls Acquisitions



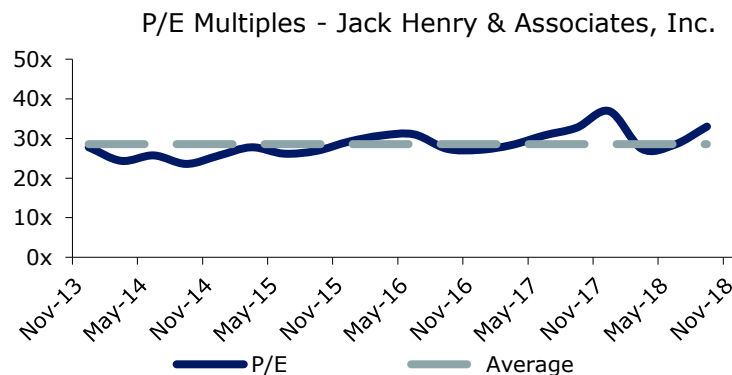
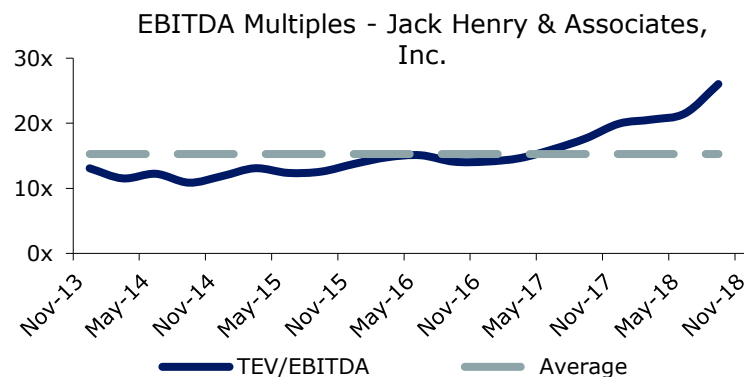
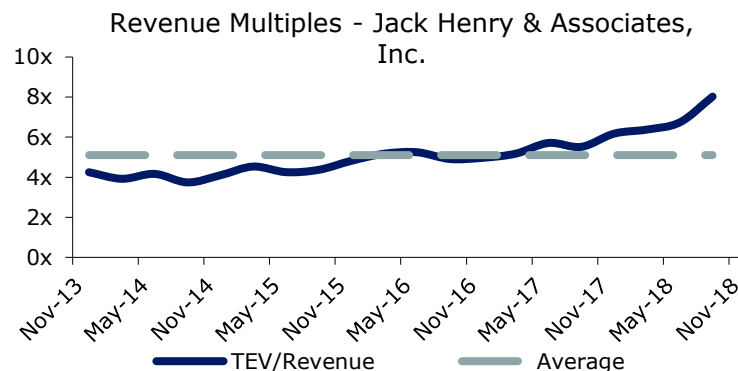
Public Basket



Jack Henry & Associates, Inc.

Jack Henry & Associates, Inc. provides technology solutions and payment processing services primarily for financial services organizations in the United States. The company offers information and transaction processing solutions for banks ranging from community to multi-billion dollar institutions under the Jack Henry Banking brand; core data processing solutions for various credit unions under the Symitar brand; and specialized financial performance, imaging and payments processing, information security and risk management, retail delivery, and online and mobile solutions to financial institutions and corporate entities under the ProfitStars brand. Jack Henry & Associates, Inc. was founded in 1976 and is headquartered in Monett, Missouri.

Date	Key Development Headline
10/7/18	Jack Henry & Associates, Inc. (NasdaqGS:JKHY) acquired BOLTS Technologies, Inc.
9/30/18	Jack Henry & Associates, Inc. (NasdaqGS:JKHY) acquired Agiletics, Inc.
5/7/18	Jack Henry & Associates Seeks Acquisitions
2/5/18	An unknown buyer acquired ATM Manager product line of Jack Henry & Associates, Inc. (NasdaqGS:JKHY).
12/20/17	Jack Henry & Associates, Inc. (NasdaqGS:JKHY) completed the acquisition of Ensenta Corporation from Level Equity Management, LLC and other shareholders for approximately \$130 million.



Public Basket

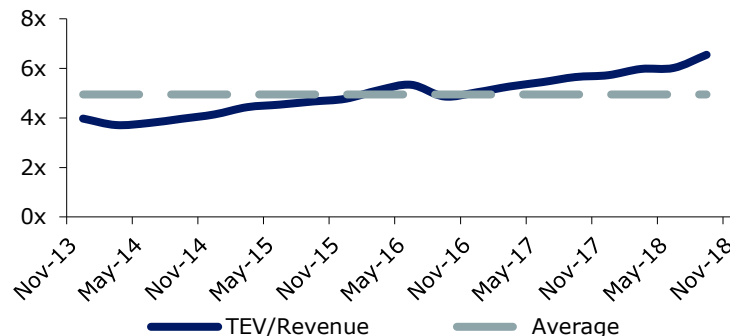


Fiserv, Inc.

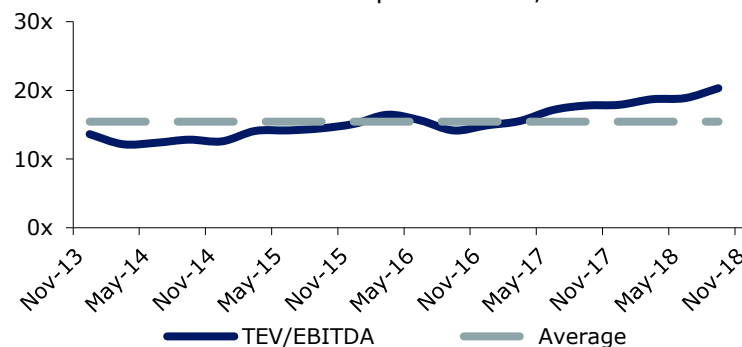
Fiserv, Inc., together with its subsidiaries, provides financial services technology worldwide. The company's Payments and Industry Products segment provides electronic bill payment and presentment services; mobile banking software and services; account-to-account transfers; person-to-person payment services; debit and credit card processing and services; payments infrastructure services; and other electronic payments software and services. The company was founded in 1984 and is headquartered in Brookfield, Wisconsin.

Date	Key Development Headline
10/30/18	Fiserv, Inc. (NasdaqGS:FISV) completed the acquisition of ATM and Debit Servicing business of Elan Financial Services from U.S. Bank National Association.
9/24/18	Fiserv, Inc. (NasdaqGS:FISV) entered into an agreement to acquire ATM and Debit Servicing business of Elan Financial Services from U.S. Bank National Association for approximately \$690 million.
6/5/18	Fiserv Seeks Acquisitions
3/30/18	Warburg Pincus LLC completed the acquisition of 55% stake in Fiserv Solutions, LLC from Fiserv, Inc. (NasdaqGS:FISV) for approximately \$420 million.
2/6/18	Warburg Pincus LLC entered into a definitive agreement to acquire 55% stake in Fiserv Solutions, LLC from Fiserv, Inc. (NasdaqGS:FISV) for approximately \$400 million.

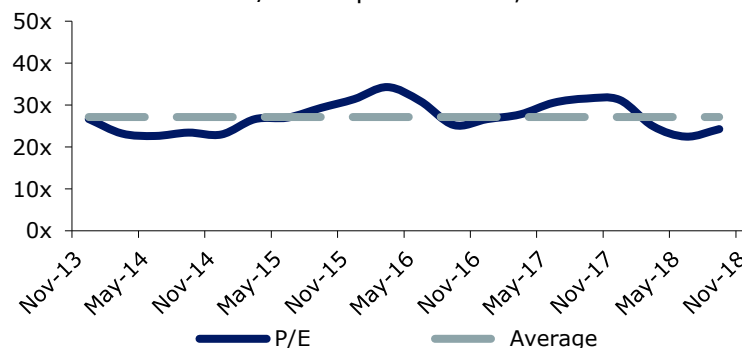
Revenue Multiples - Fiserv, Inc.



EBITDA Multiples - Fiserv, Inc.



P/E Multiples - Fiserv, Inc.



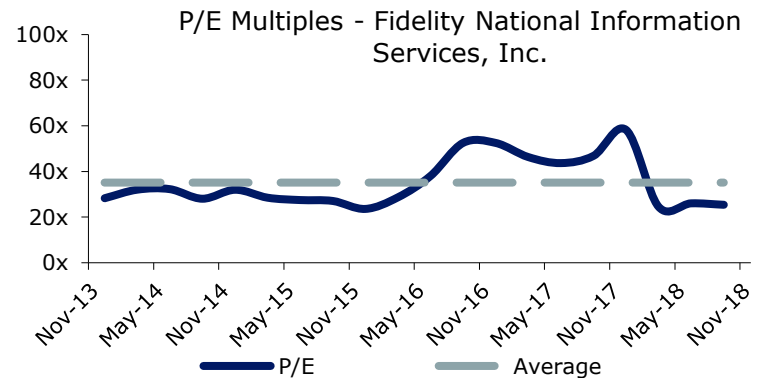
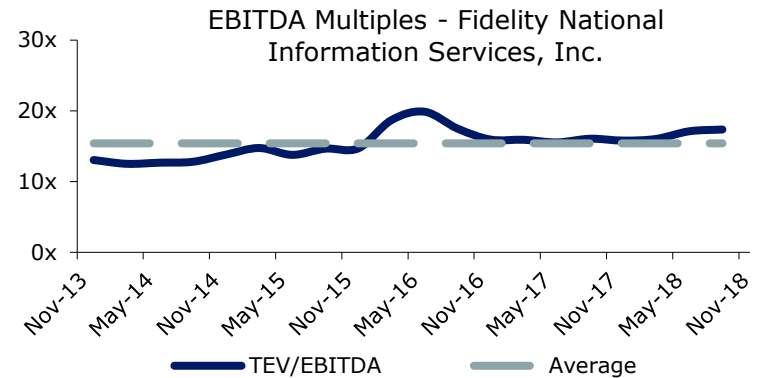
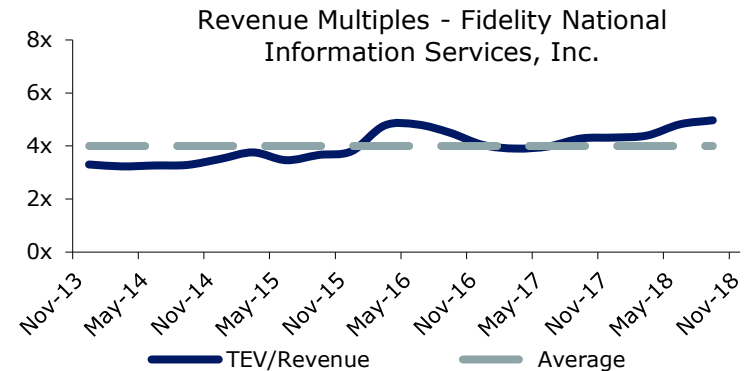
Public Basket



Fidelity National Information Services, Inc.

Fidelity National Information Services, Inc. operates as a financial services technology company in the United States and internationally. It operates through Integrated Financial Solutions and Global Financial Solutions segments. The Integrated Financial Solutions segment offers core processing and ancillary applications; digital solutions, including Internet, mobile, and e-banking; fraud, risk management, and compliance solutions; electronic funds transfer and network services; card and retail solutions; corporate liquidity and wealth management services; item processing and output services; government payments solutions; and e-payment solutions. The company was founded in 1968 and is headquartered in Jacksonville, Florida.

Date	Key Development Headline
10/21/18	Kestra Financial, Inc. entered into an agreement to acquire Reliance Trust Company of Delaware from Fidelity National Information Services, Inc. (NYSE:FIS).
9/3/18	Variante Equity Advisors, LLC acquired substantially all assets of Certegy Check Services, Inc.
5/1/18	Fidelity National Seeks Acquisitions
3/30/18	Shanghai Zhongping Capital Co., Ltd. completed the acquisition of SunGard Kingstar Data System (China) Co., Ltd. from Fidelity National Information Services, Inc. (NYSE:FIS).
11/15/17	Shanghai Zhongping Capital Co., Ltd. signed an agreement to acquire SunGard Kingstar Data System (China) Co., Ltd. from Fidelity National Information Services, Inc. (NYSE:FIS).



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