Sectorwatch: IT Consulting

July 2018

7 MILE ADVISORS

The Next Generation of Middle-Market Investment Banking

IT Consulting

July 2018

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7 MILE ADVISORS

The Next Generation of Middle-Market Investment Banking

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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

0.002 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

0.5% 1 - year gross profit % compared to gross profit % average for last 3 years

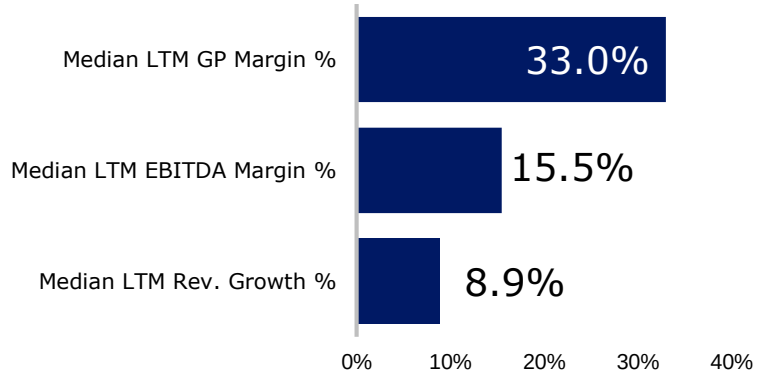
Current gross profit margin exceeds the average of the last 3 years gross profit margin by this amount, indicating supplier pricing power

Profitability Momentum

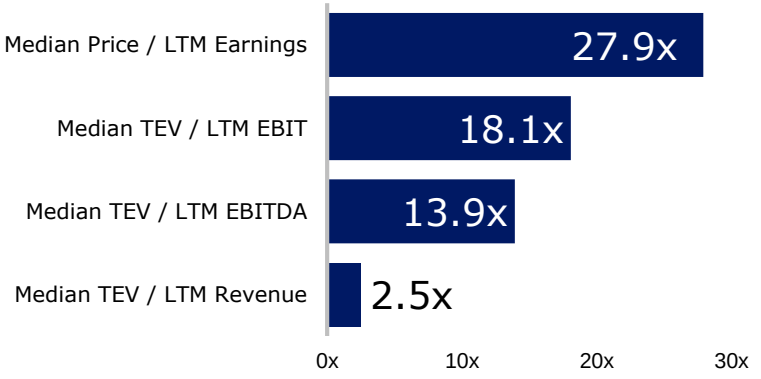
-0.2% 1 - year EBITDA % compared to EBITDA % average for last 3 years

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

Operating Metrics



Valuation

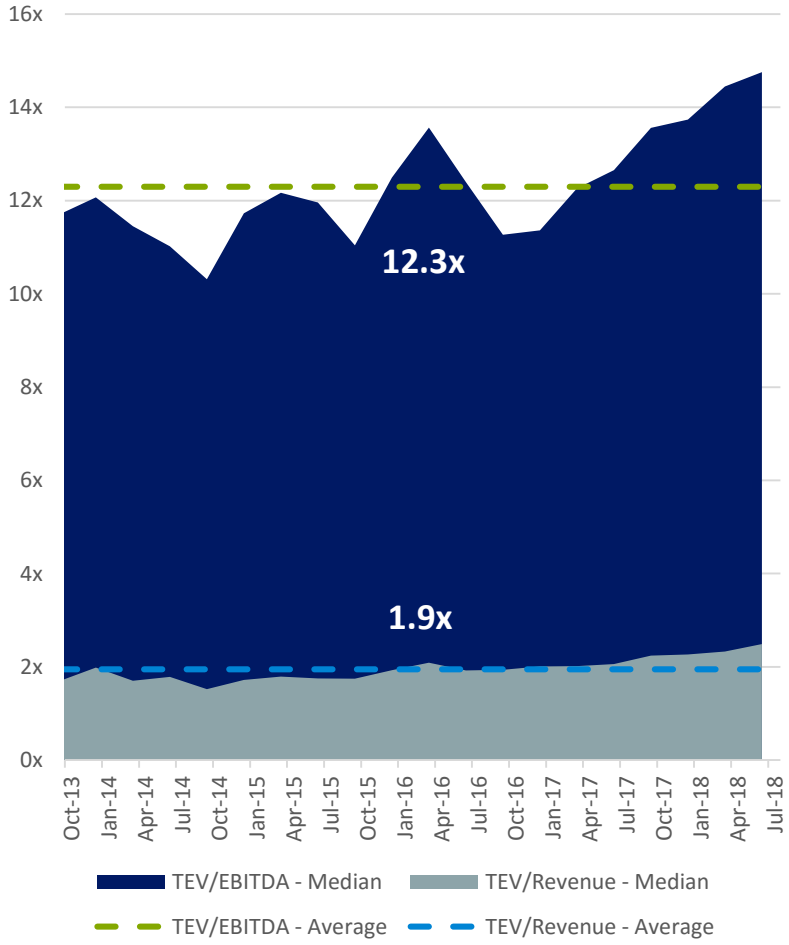


Public Basket

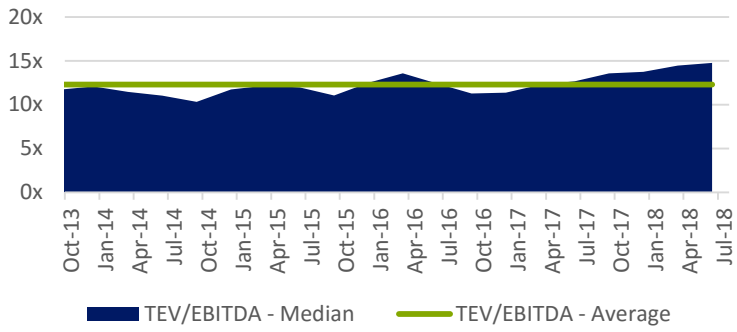
Company	TEV $m	LTM Rev $m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE $k
Perficient, Inc.	1,000	483	5%	35%	12%	2.1	17.9	3,024	160
Reply S.p.A.	2,457	1,083	13%	15%	13%	2.3	17.7	6,456	168
EPAM Systems, Inc.	6,552	1,550	27%	36%	14%	4.2	29.2	25,962	60
CGI Group Inc.	19,517	8,695	5%	29%	17%	2.3	13.8	71,000	122
NTT Data Corporation	19,768	19,935	22%	25%	15%	1.1	7.2	118,006	169
Capgemini SE	24,671	15,360	2%	26%	13%	1.6	13.0	199,698	77
Infosys Limited	38,776	11,119	7%	35%	27%	3.5	13.0	204,107	54
Cognizant Technology Solutions Corporation	43,963	15,176	10%	38%	21%	2.9	13.9	260,000	58
Tata Consultancy Services Limited	106,601	18,660	8%	44%	27%	5.7	21.3	394,998	47
Accenture plc	103,867	38,574	13%	31%	16%	2.7	16.5	425,000	91
Average	36,717	13,063	11%	31%	17%	2.8	16.4	170,825	101
Median	22,219	13,148	9%	33%	15%	2.5	15.2	158,852	84

share price as of 17Jul18

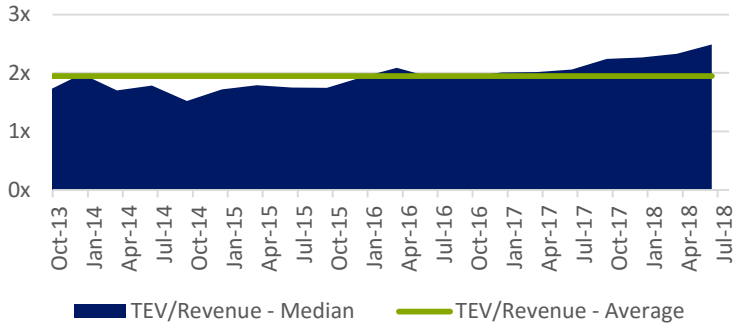
Public Basket Valuation Trends



Public EBITDA Multiples over Time

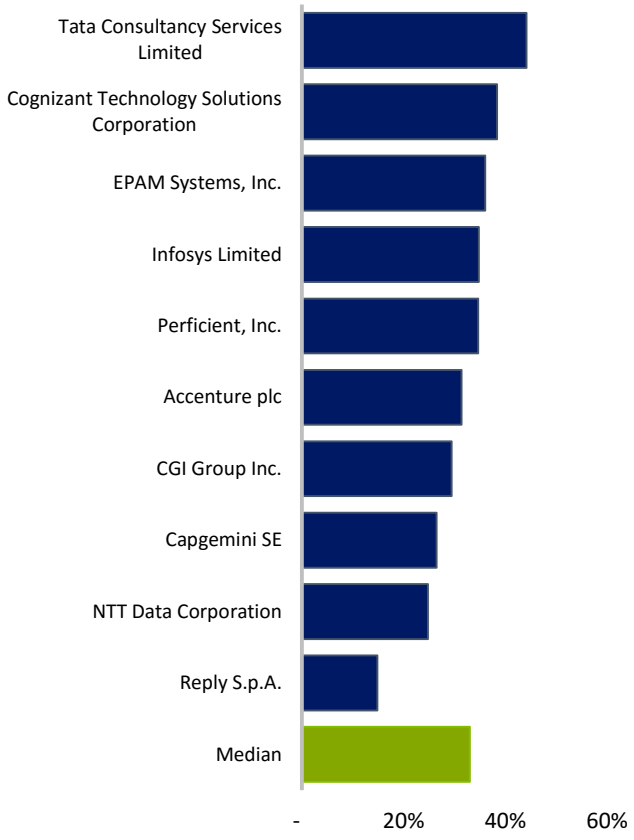


Public Revenue Multiples over Time

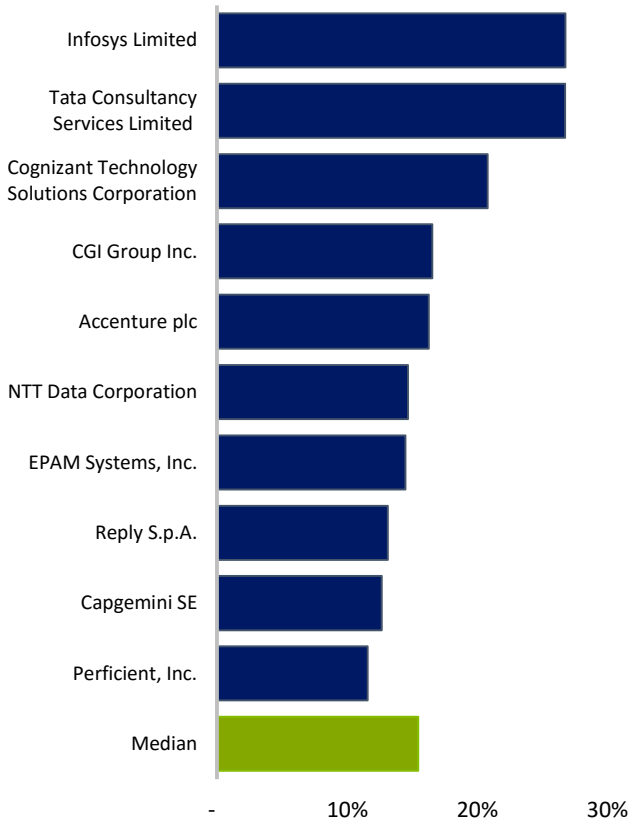


Operational Metrics

LTM Gross Profit Margin %

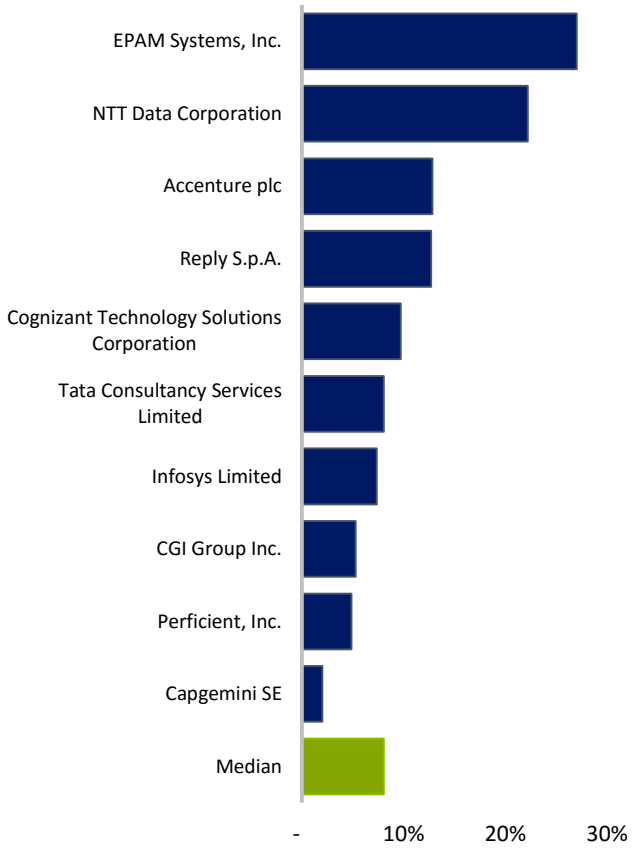


LTM EBITDA %

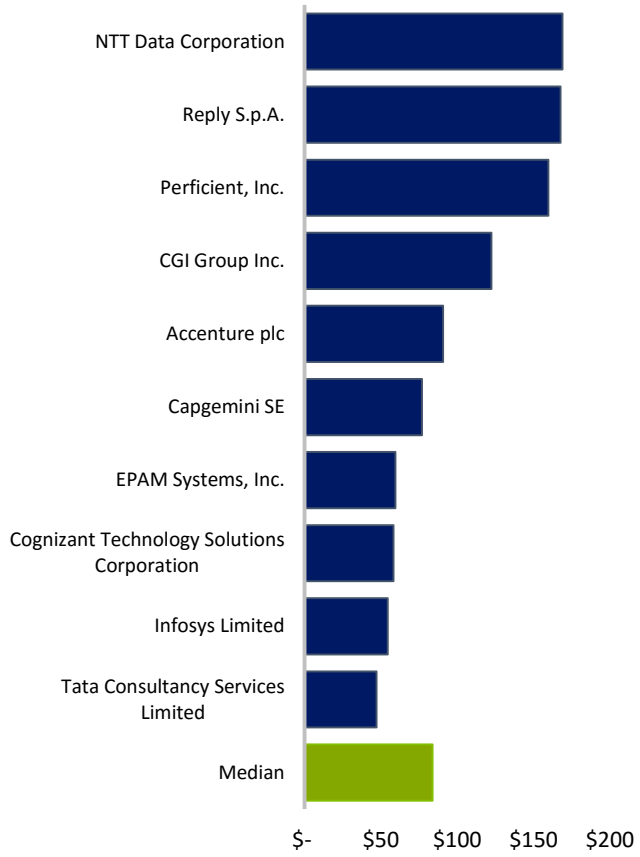


Operational Metrics

LTM Revenue Growth %

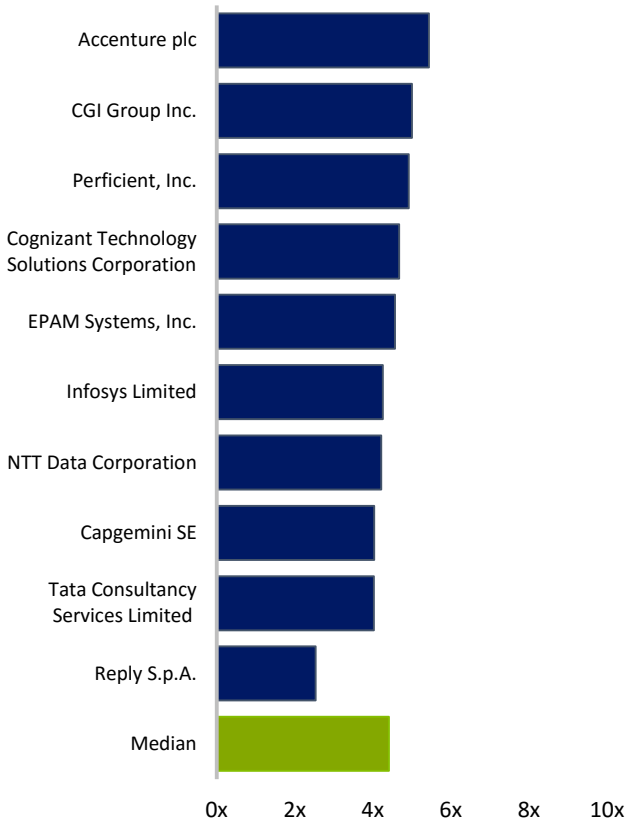


LTM Revenue per Full Time Employee x 000's

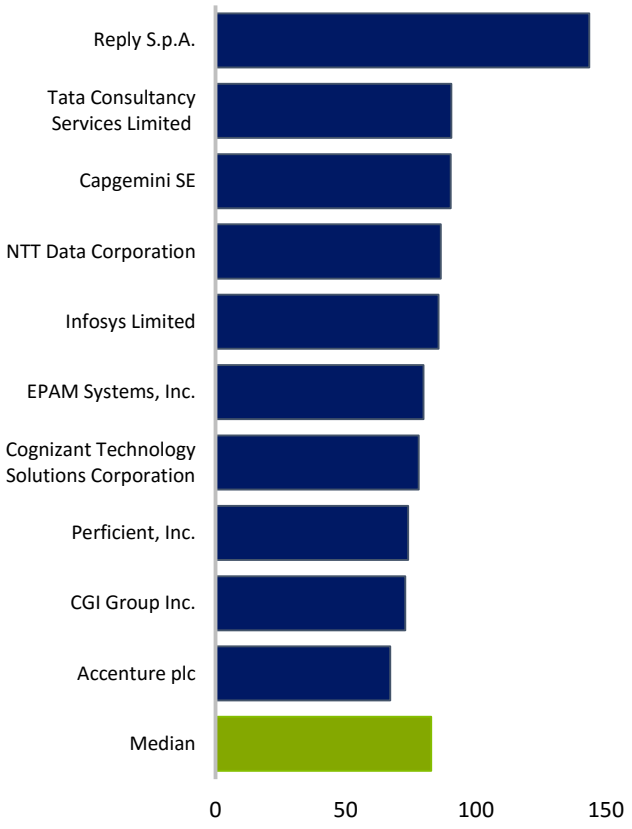


Operational Metrics

Accounts Receivable Turnover

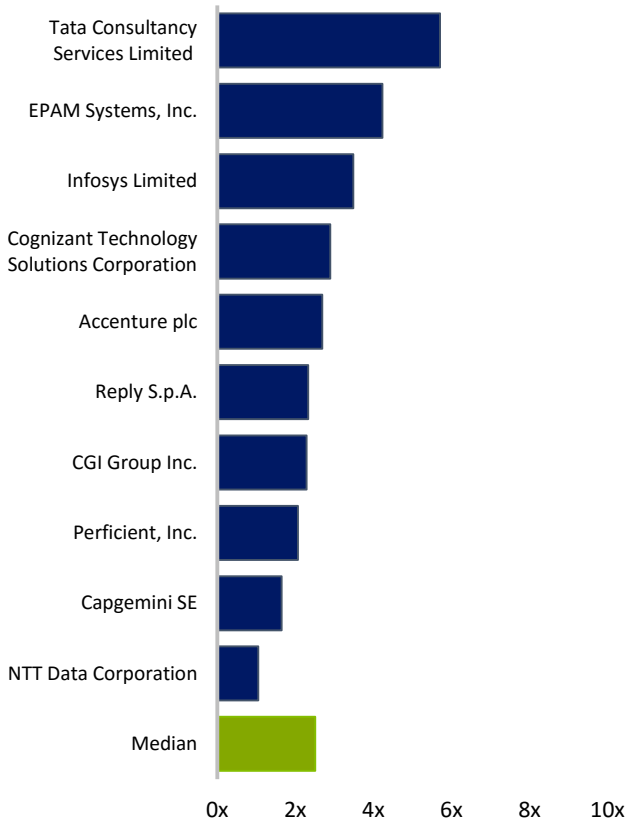


Average Days Sales Outstanding

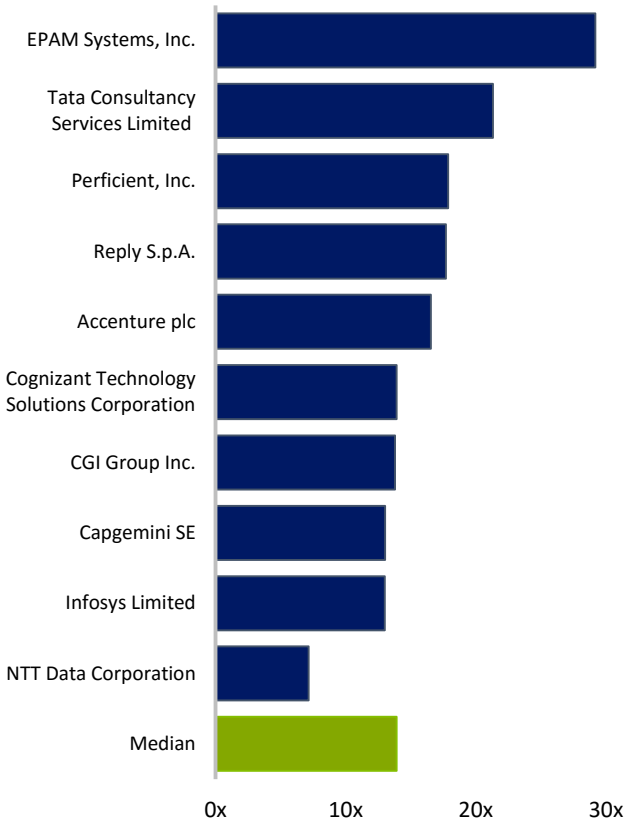


Valuation

TEV / LTM Revenue

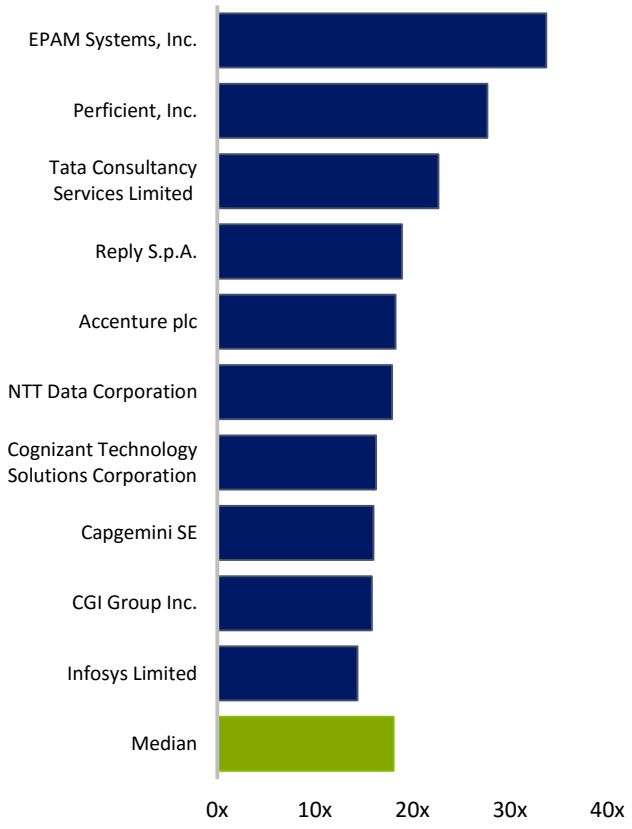


TEV / LTM EBITDA

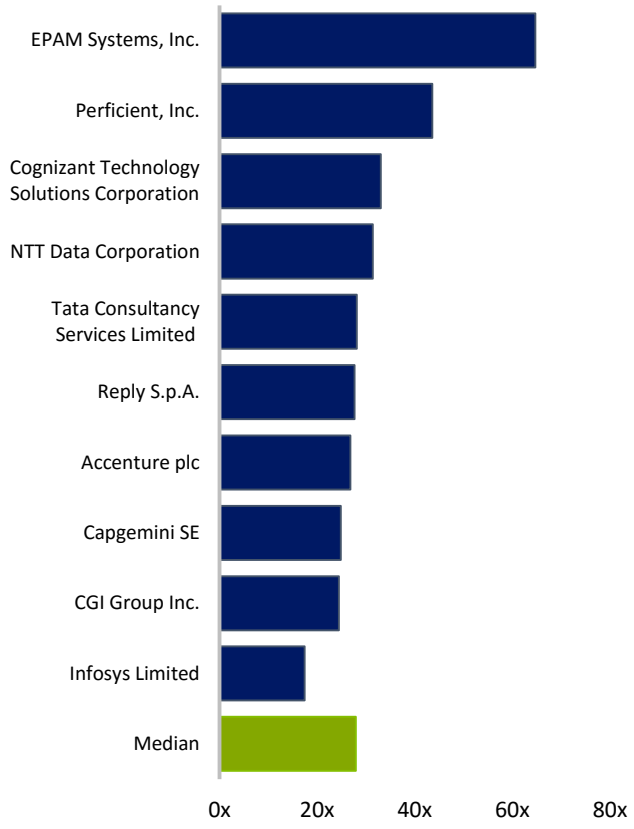


Valuation

TEV / LTM EBIT

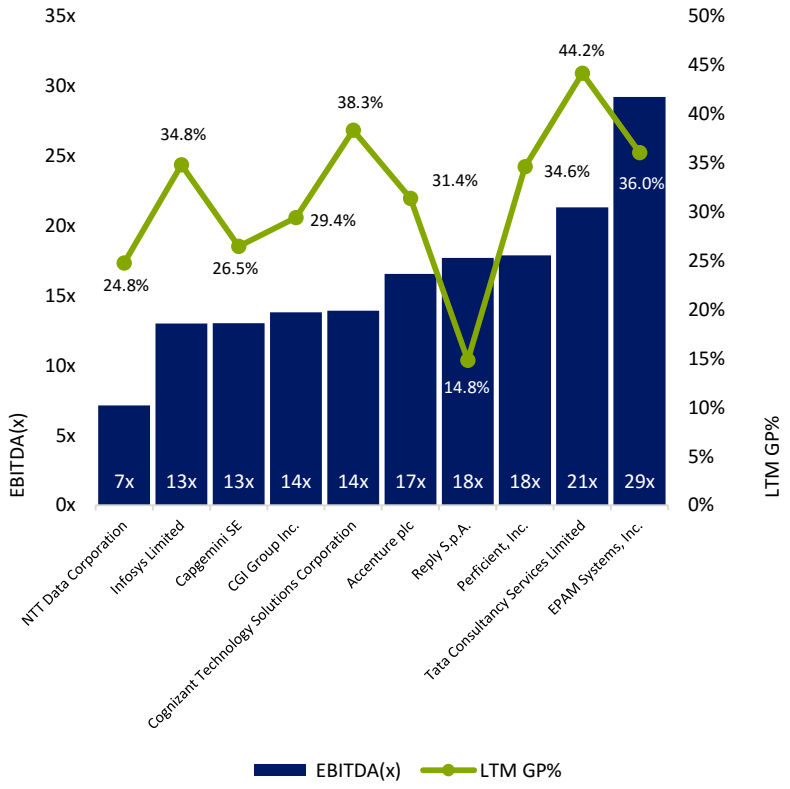


Price / LTM Earnings

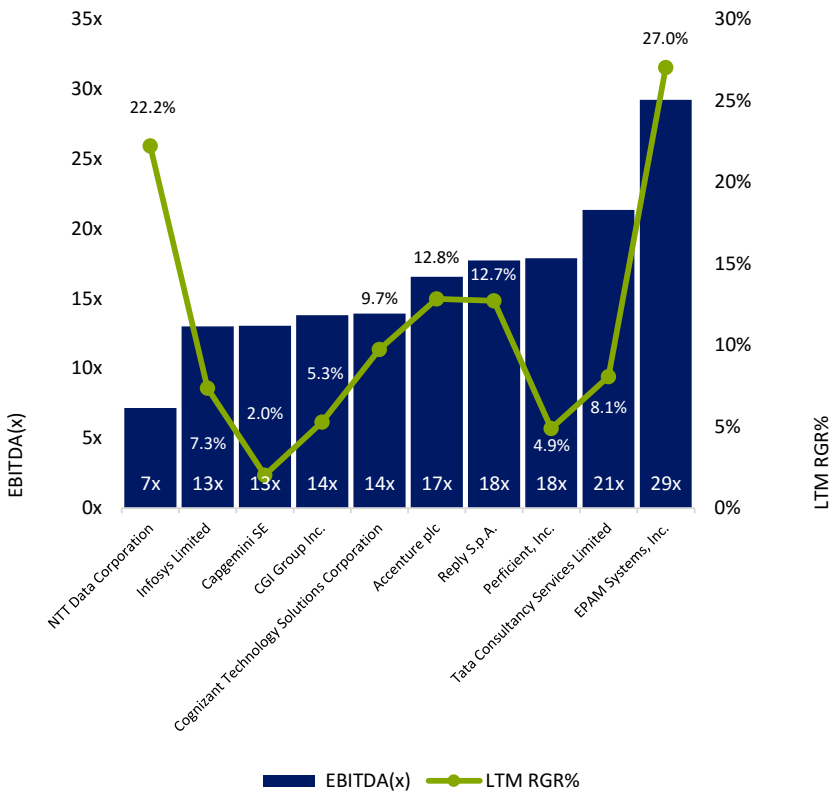


Valuation

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
2Jul18	K&R Network Solutions, Inc.	Winxnet, Inc.	-	-	-	-
1Jun18	InfoGuard LLC	CloudCover LLC	-	-	-	-
23May18	G2 Technology Group Inc.	Reliam, Inc.	-	-	-	-
22May18	Tranquilnet, Inc.	Protel Communications, Inc.	-	-	-	-
21May18	Blue Chip Tek, Inc.	Converge Technology Partners Inc.	-	-	-	-
16May18	Facilite Informatique Canada Inc	CGI Group Inc.	-	-	-	-
2May18	Hedera Consulting BVBA	Cognizant Technology Solutions Corporation	-	-	-	-
16Apr18	Lenati, LLC	ProKarma Inc.	-	-	-	-
12Apr18	Actian Corporation	HCL Technologies Limited; Sumeru Equity Partners, Inc.	330.00	107.10	3.1x	8.6x
10Apr18	Valorem Consulting Group, LLC	Reply S.p.A.	-	-	-	-
5Apr18	Telerx Marketing Inc.	HCL America, Inc.	60.00	199.00	0.3x	-
2Apr18	Southport Services Group, LLC	Perficient, Inc.	21.41	17.00	1.3x	-
29Mar18	Element Solutions LLC	Hinduja Global Solutions UK limited	5.00	8.40	1.0x	-
26Mar18	INSIGHT2PROFIT, LLC	DFW Capital Partners	-	-	-	-
21Mar18	Cynosure, Inc	Zensar Technologies, Inc.	33.00	20.00	1.7x	-
18Mar18	CSRA Inc.	CACI International Inc	10,411.68	5,064.00	2.0x	-
15Mar18	Edgewater Technology, Inc.	Alithya Group Inc.	-	106.19	-	-
12Mar18	eTouch Systems Corp.	Virtusa Corporation	132.08	86.96	1.3x	9.1x
1Mar18	Sonnick Partners LLC	Pamlico Capital	-	-	-	-
15Feb18	Arrow Systems Integration, Inc.	ConvergeOne, Inc. (nka:ConvergeOne Holdings, Inc.)	30.66	-	-	-
15Feb18	Financière Soft SAS	Computer Task Group IT Solutions S.A.	20.42	31.20	0.5x	-
18Jan18	Sysorex Arabia, LLC	Sysorex Consulting, Inc.	1.04	-	-	-
10Jan18	CBIG Consulting, LLC	Trianz Holdings Pvt. Limited	-	-	-	-
3Jan18	knowledgeprice.com, Sabiedriba ar ierobezotu atbildibu	Sapiens International Corporation N.V.	-	-	-	-
15Dec17	Alexander Open Systems, Inc. (nka:AOS, a ConvergeOne Company)	ConvergeOne, Inc. (nka:ConvergeOne Holdings, Inc.)	65.86	-	-	-
15Dec17	Ningbo Baida Network Technology Co., Ltd	Shanghai Fukong Interactive Entertainment Co.,Ltd	206.80	-	-	-
7Dec17	Paragon Solutions, Inc.	CGI Group Inc.	60.58	-	-	-
16Nov17	Netserve365, LLC	Magna5 LLC	-	-	-	-
30Oct17	Xavient Information Systems Inc. (nka:Xavient Digital)	TELUS International, Inc.	130.00	-	-	-
11Oct17	Corus Group, LLC	Converge Technology Partners Inc.	-	-	-	-
2Oct17	Forsythe Technology, Inc.	Sirius Computer Solutions, Inc.	-	1,000.00	-	-
20Sep17	Lyons Consulting Group, LLC	Capgemini SE	-	-	-	-
6Sep17	Interactive Broadband Consulting Group, LLC	Accenture plc	-	-	-	-
22Aug17	Summa Technologies, Inc.	CGI Group Inc.	-	-	-	-
14Jul17	Annese & Associates, Inc.	ConvergeOne, Inc. (nka:ConvergeOne Holdings, Inc.)	28.50	-	-	-
7Jul17	InfoTrellis Inc.	Mastech Digital, Inc.	55.00	22.00	-	-
1Jul17	Tribridge, Inc.	UXC Eclipse (USA) Inc.	152.00	-	-	-

IT Consulting

July 2018

APPENDIX:

Public Basket

Constituents

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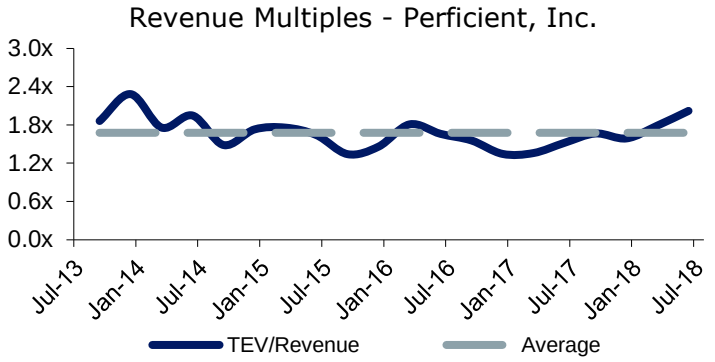
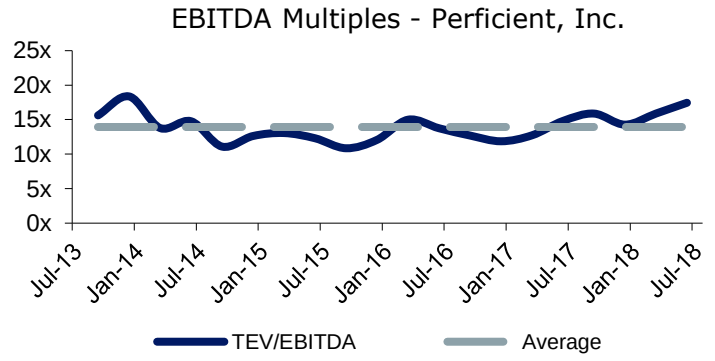
Public Basket

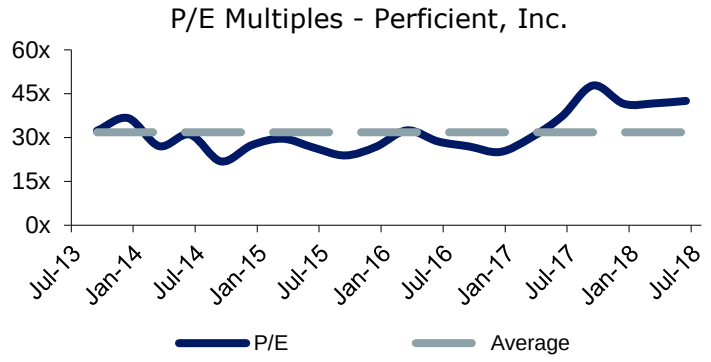
Perficient, Inc.

Perficient, Inc. provides information technology and management consulting services in the United States. The company designs, builds, and delivers solutions using middleware software products developed by third-party vendors. Its solutions include portals and collaboration, such as searchable data systems, collaborative systems for process improvement, transaction processing, unified and extended reporting, and other services; and platform implementations services, including application server selection, architecture planning, installation and configuration, clustering for availability, performance assessment and issue remediation, security, and technology migrations. The company also offers management consulting services in the areas of organizational change management, business analytics, project management, process excellence, and other; and cloud services comprising architecture, business value and health checks assessments, strategy and road maps, and vendor evaluation and selection services. In addition, it provides product configuration digital marketing services, including search engine marketing, user experience and design, and conversion rate optimization; commerce solutions; and content management solutions. Perficient, Inc. was founded in 1997 and is headquartered in St. Louis, Missouri.

Date	Key Development Headline
7/15/18	Perficient, Inc. (NasdaqGS:PRFT) acquired Stone Temple Consulting Corporation.





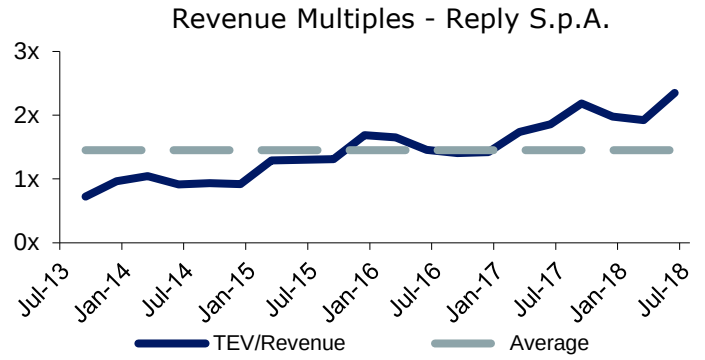


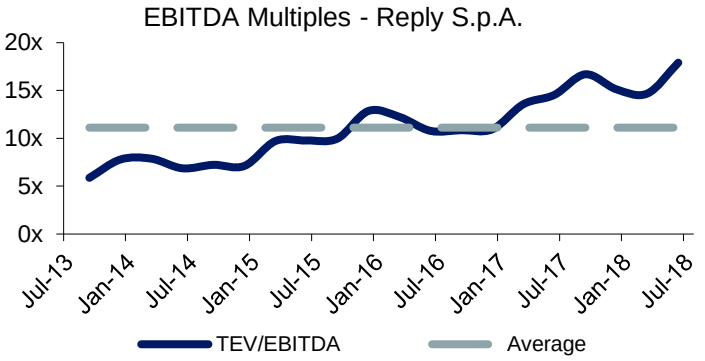
Public Basket

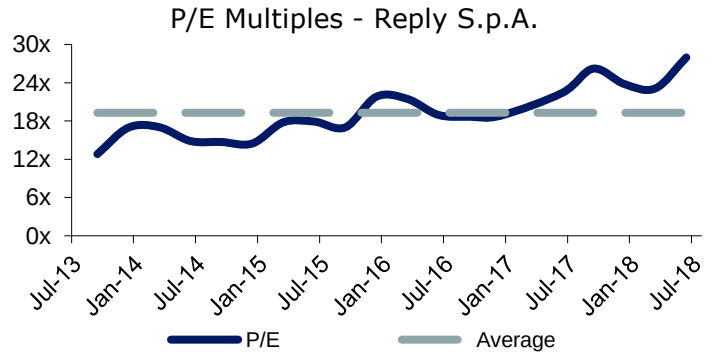
Reply S.p.A.

Reply S.p.A. provides consulting, system integration, application management, and business process outsourcing services in Italy and internationally. The company implements solutions based on communication channels and digital media. It provides Brick Reply, a manufacturing operations management platform for the management and control of a smart factory; Click Reply, a supply chain execution platform; Definio Reply, a technological platform for collection, analysis, control, processing, and distribution of financial data; Discovery Reply, a platform for the digital media management projects; and Gaia Reply platform for use in the field of mobility and multimedia. The company also offers Hi engage, a commercial contextual marketing solution; Pay Reply platform that provides mobile payment solutions, as well as helps banks, financial institutions and telecommunications companies, utilities, and retailers to create and deliver remote and proximity payment services; SideUp Reply, a software application for warehouse management; Starbytes, an online employment service for freelancers and ICT specialists; The company was founded in 1996 and is headquartered in Turin, Italy.

Date	Key Development Headline
4/9/18	Reply S.p.A. (BIT:REY) acquired a majority stake in Valorem Consulting Group, LLC.





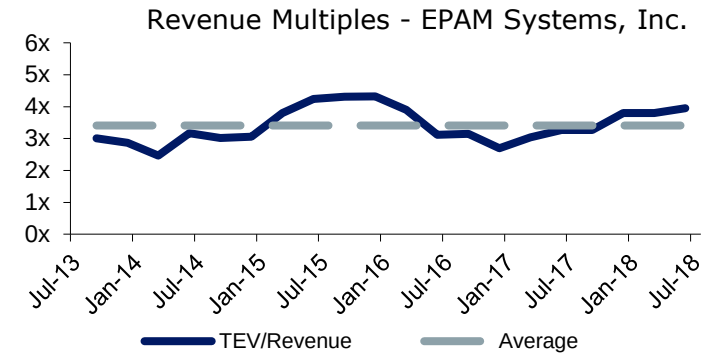


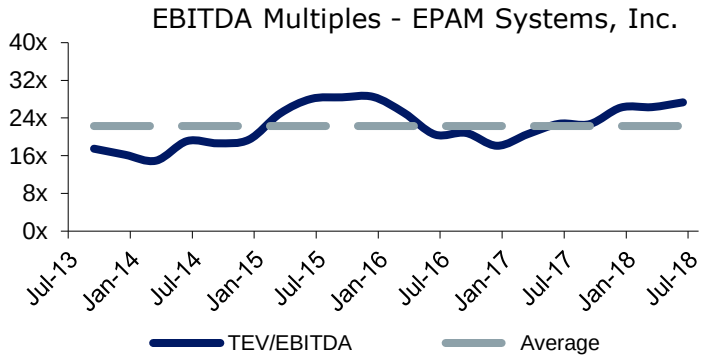
Public Basket

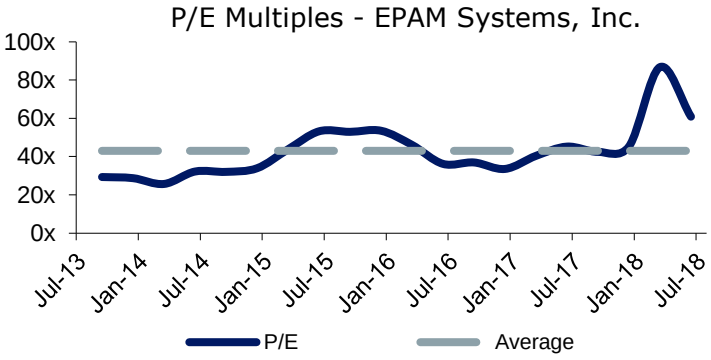
EPAM Systems, Inc.

EPAM Systems, Inc. provides software product development and digital platform engineering services primarily in North America, Europe, Asia, and Australia. It offers software product development services, including product research, customer experience design, prototyping, program management, component design and integration, lifecycle software testing, product deployment, end-user customization, performance tuning, product support and maintenance, managed services, and porting and cross-platform migration. The company provides custom application development services, such as business and technical requirement analysis, user experience design, solution architecture creation and validation, development, component design and integration, quality assurance and testing, deployment, performance tuning, support and maintenance, legacy applications re-engineering/refactoring, porting and cross-platform migration, and documentation. It also offers application testing services, including software application testing, testing for enterprise IT, and consulting services; The company was founded in 1993 and is headquartered in Newtown, Pennsylvania.

Date	Key Development Headline
3/14/18	EPAM Systems, Inc. (NYSE:EPAM) acquired Continuum LLC.
1/11/18	Epam Systems and Black Box Create In-Store Dynamic Advertising Solution Using Instant Facial Recognition





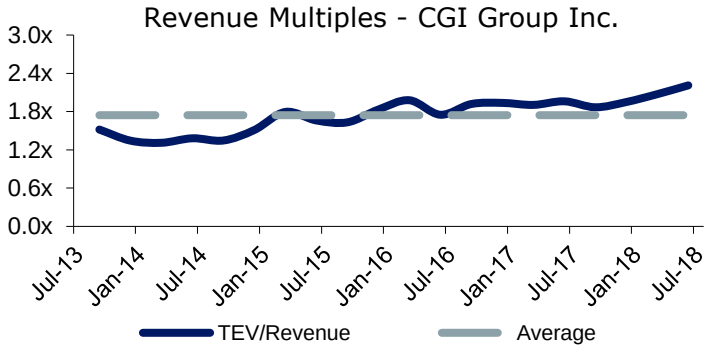


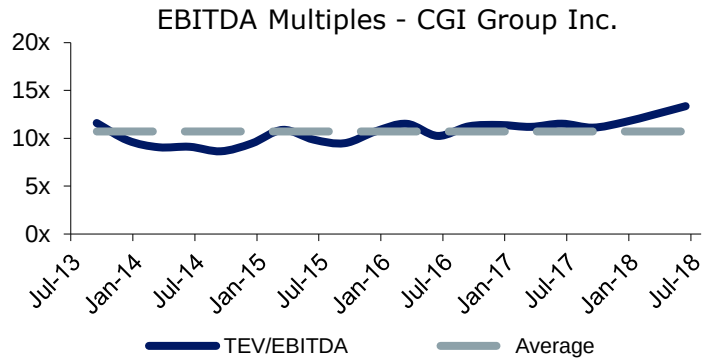
Public Basket

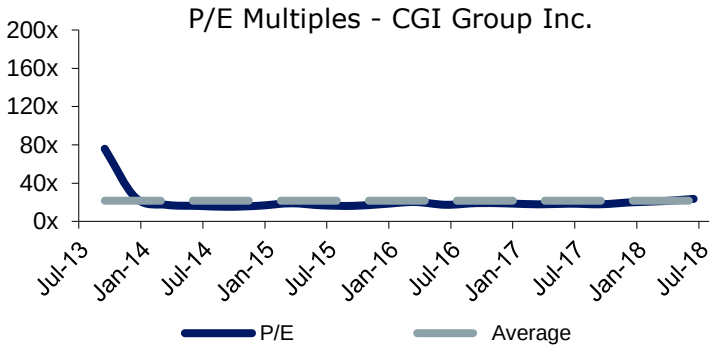
CGI Group Inc.

CGI Group Inc. provides information technology and business process services in Canada and internationally. It offers application development and maintenance, portfolio management, quality assurance and testing, modernization, and migration services; agile, business transformation, change management, CIO advisory, cybersecurity, data analytics, digital enterprise, project management, and industry-specific business consulting services; business-to-business and customer operations support, purchase management, revenue management, and supplier payment services; and data center facilities and management, technical service desk, printing and document management, remote infrastructure, transformation, storage as a service, data vaulting, disaster recovery and archiving as a service, bottomless edge-to-core storage, and file sync and share as a service, as well as infrastructure solutions and consulting services. The company was founded in 1976 and is headquartered in Montreal, Canada.

Date	Key Development Headline
5/15/18	CGI Group Inc. (TSX:GIB.A) acquired Facilite Informatique Canada Inc.
5/2/18	CGI Seeks Acquisitions
12/6/17	CGI Group Inc. (TSX:GIB.A) acquired Paragon Solutions, Inc. for 60.6 million.
11/8/17	CGI Group Seeks Acquisitions
8/22/17	CGI Group Inc. (TSX:GIB.A) acquired Summa Technologies, Inc.





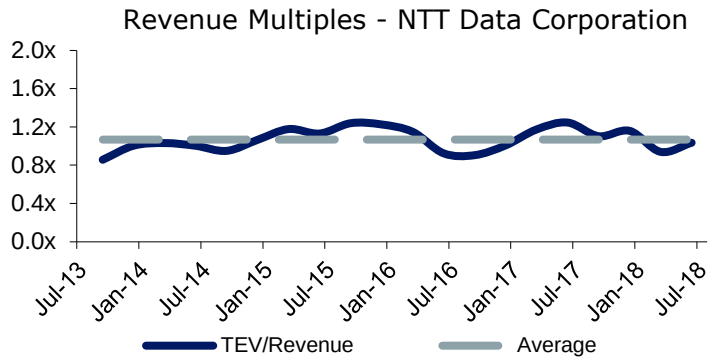


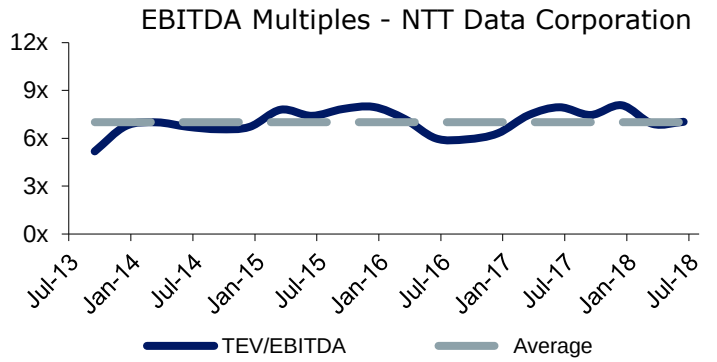
Public Basket

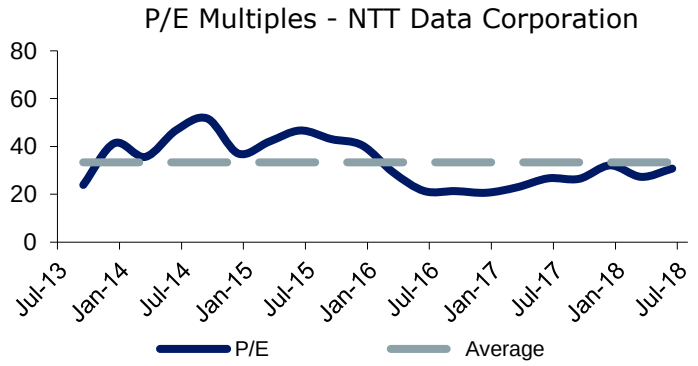
NTT Data Corporation

NTT DATA Corporation provides consulting, system development, and business information technology (IT) outsourcing services worldwide. The company operates through four segments: Public & Social Infrastructure, Financial, Enterprise & Solutions, and Global. It offers business consulting services, such as business strategy, business process optimization, and organizational change management; and IT consulting services, including IT strategy and governance, information and knowledge management, and program management office consulting services. NTT DATA Corporation is a subsidiary of Nippon Telegraph and Telephone Corporation.

Date	Key Development Headline
5/21/18	NTT DATA Corporation and MapmyIndia Partners to Develop First Large-Scale 3D Map Datasets, Named AW3D India
4/2/18	NEXTY Electronics Corporation and NTT Data Corporation (TSE:9613) agreed to acquire 71.5% stake in Cats Co., Ltd. from NTT Data MSE Corporation.
8/31/17	DigitalGlobe, Inc. and NTT Data Corporation Extends Strategic Partnership to Use the DigitalGlobe GBDX Platform to Create AW3D Vector Building Models
7/30/17	NTT Data Corporation (TSE:9613) completed acquisition of 51% stake in Mhi Information Systems Co., Ltd. from Mitsubishi Heavy Industries, Ltd. (TSE:7011).
7/26/17	DTS Corporation (TSE:9682) completed the acquisition of remaining 49.97% stake in DataLinks Corporation (JASDAQ:2145) from a group of sellers.





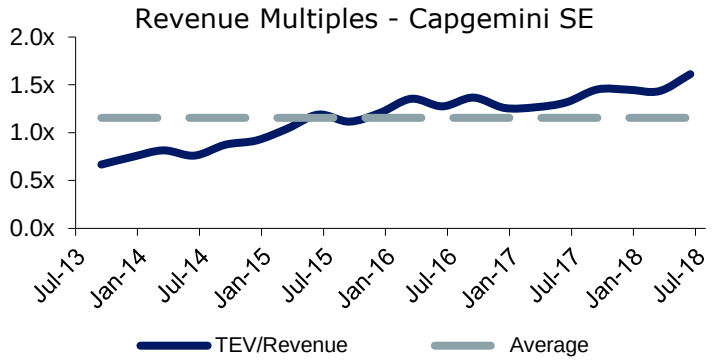


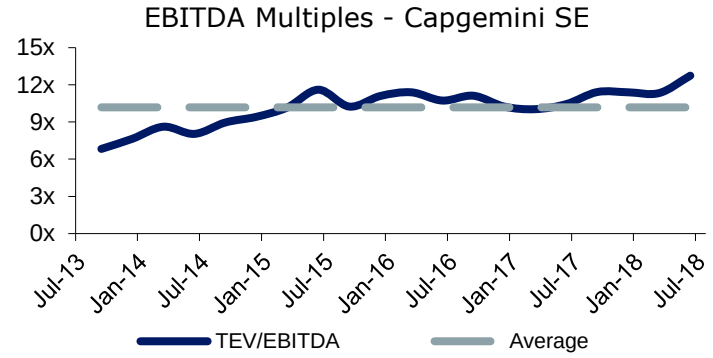
Public Basket

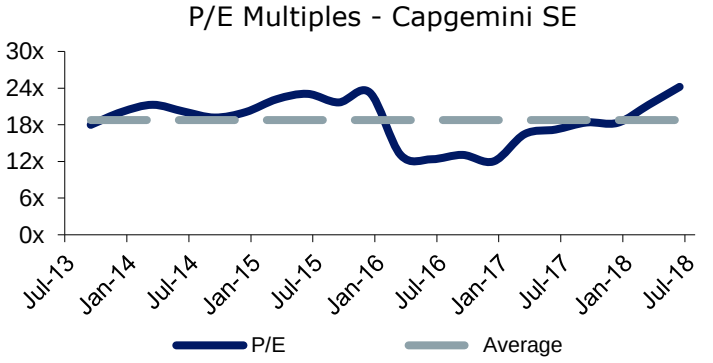
Capgemini SE

Capgemini SE provides consulting, technology, outsourcing, and other managed services. The company's Consulting Services segment offers services to enhance the performance of organizations based on the knowledge of client industries and processes. Its Technology & Engineering Services segment provides assistance and support to internal IT teams of client companies. The company's Application Services segment designs, develops, implements, and maintains IT applications, including system integration and application maintenance services. Its Other Managed Services segment integrates, manages, and/or develops client's IT infrastructure systems, as well as provides transaction, on-demand, and/or business process outsourcing services. Capgemini SE was founded in 1967 and is based in Paris, France.

Date	Key Development Headline
6/21/18	Capgemini Seeks Acquisitions in India
6/6/18	Capgemini SE (ENXTPA:CAP) entered into an agreement to acquire Leidos Cyber, Inc.
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
3/8/18	Indosuez Wealth Management and Capgemini Collaborate on Wealth Platform
3/7/18	Capgemini Seeks Acquisitions





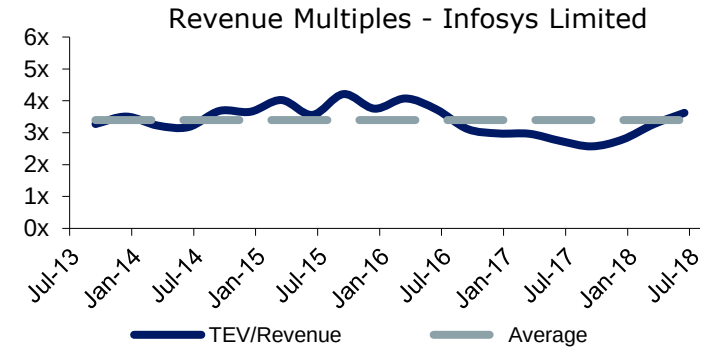


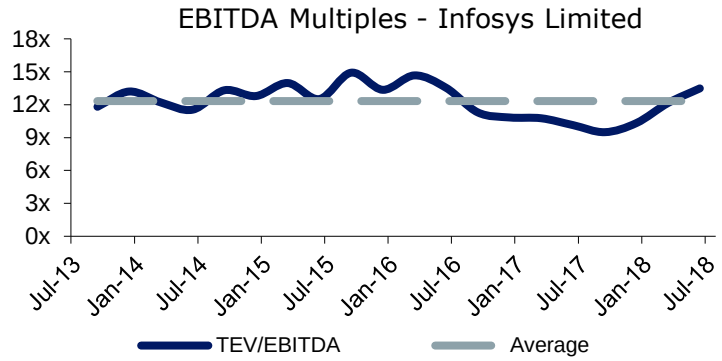
Public Basket

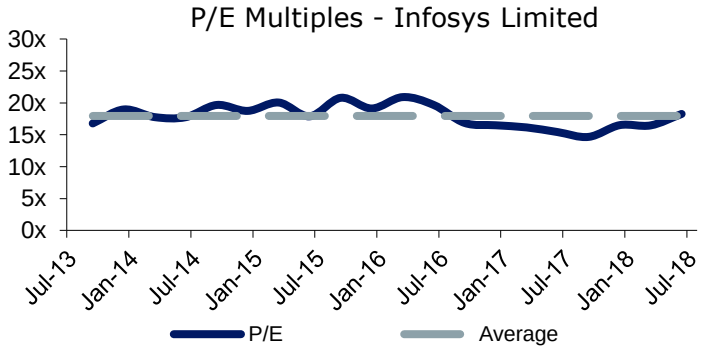
Infosys Limited

Infosys Limited, together with its subsidiaries, provides consulting, technology, and outsourcing services in North America, Europe, India, and internationally. It provides business information technology services, including application development and maintenance, independent validation, infrastructure management, and business process management services, as well as engineering services, such as engineering and life cycle solutions; and consulting and systems integration services comprising consulting, enterprise solutions, systems integration, and advanced technologies. The company's products include Finacle, a banking solution that provides analytics, core banking, consumer e-banking, corporate e-banking, Islamic banking, mobile banking, origination, payments, SME enable, treasury, wealth management, and youth banking solutions. Its products also comprise Infosys Mana, a knowledge-based AI platform; Infosys Limited was founded in 1981 and is headquartered in Bengaluru, India.

Date	Key Development Headline
7/5/18	Infosys Limited Partners with Siemens to Develop Advanced IoT Engineering Solutions on MindSphere
5/29/18	Infosys Limited (NSEI:INFY) completed the acquisition of Wongdoody Holding Company, Inc.
5/2/18	Infosys and Astound Partner to Deliver Better Service Experience Through an AI Enhanced Enterprise Service Management Café
4/18/18	Infosys Mulls Acquisitions
4/13/18	Infosys Seeks Sell Of Panaya and Skava





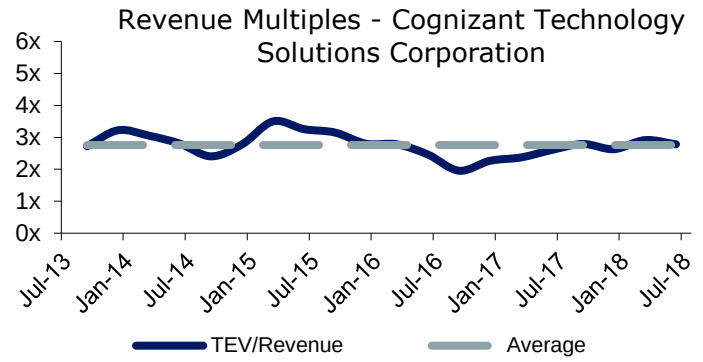


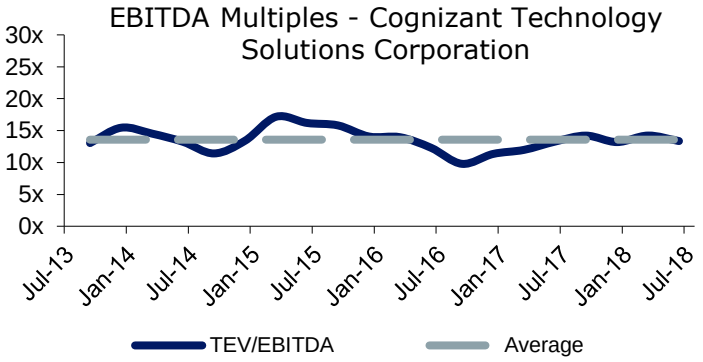
Public Basket

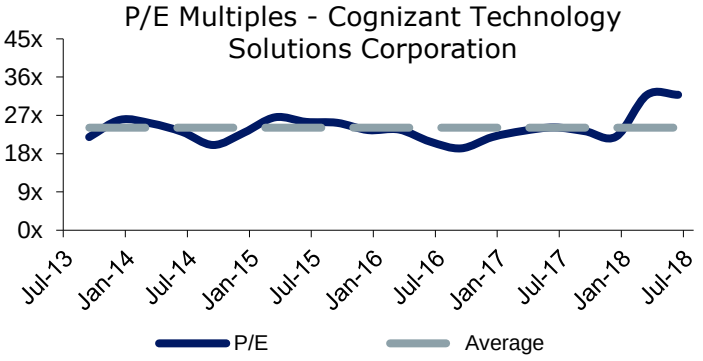
Cognizant Technology Solutions Corporation

Cognizant Technology Solutions Corporation, a professional services company, provides consulting and technology, and outsourcing services worldwide. The company operates through four segments: Financial Services; Healthcare; Products and Resources; and Communications, Media and Technology. It offers business, process, operations, and technology consulting services; application design and development, and systems integration services; application testing, consulting, and engineering services; and enterprise information management services. The company was founded in 1994 and is headquartered in Teaneck, New Jersey.

Date	Key Development Headline
5/6/18	Cognizant Technology Solutions Eyes Acquisition
5/1/18	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) acquired Hedera Consulting BVBA.
4/18/18	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) completed the acquisition of Bolder Healthcare Solutions LLC from Bolder Capital, LLC and The Edgewater Funds.
3/11/18	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) agreed to acquire Bolder Healthcare Solutions LLC from Bolder Capital, LLC and The Edgewater Funds.
10/25/17	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) agreed to acquire Zone Ltd from Business Growth Fund plc and others.





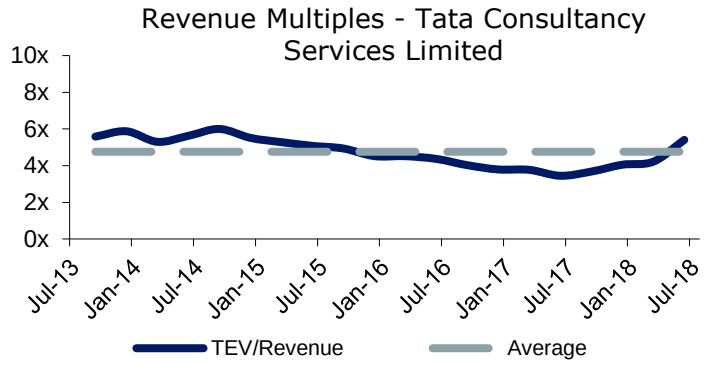


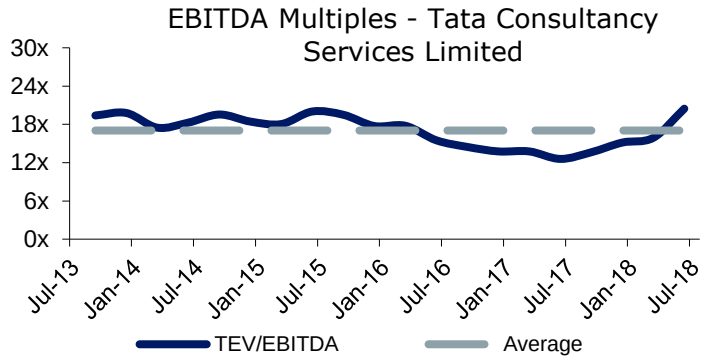
Public Basket

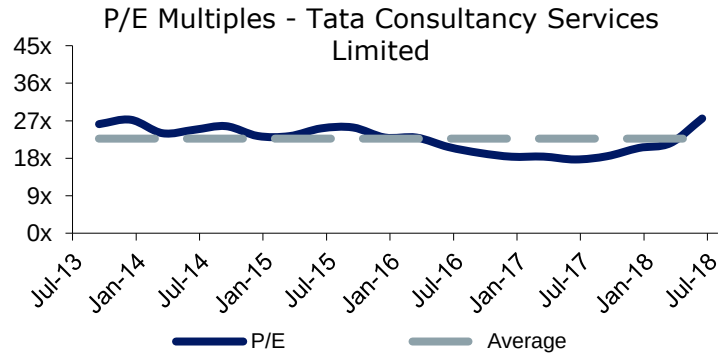
Tata Consultancy Services Limited

Tata Consultancy Services Limited provides information technology (IT) and IT enabled services worldwide. It offers CHROMA, a cloud-based talent management platform for enterprises to drive next generation employee experiences across the requisition-to-retire employee lifecycle; ignio, a cognitive automation system for IT operations in enterprises; iON, an assessment solution; TAP, an accounts payable platform; and TCS MasterCraft, a digital platform to automate and manage IT processes. The company also provides customer intelligence and insight solutions to deliver personalized retail, banking, and communications experiences; Tata Consultancy Services Limited is a subsidiary of Tata Sons Limited.

Date	Key Development Headline
6/19/18	NCR Corporation and Tata Consultancy Services Limited Enter into Strategic Alliance
4/22/18	Tata Consultancy Services Open To Acquisitions In Digital Space
3/5/18	Virgin Atlantic Extends Strategic Partnership with Tata Consultancy Services Limited
10/26/17	Tata Consultancy Services and ACORD Collaborate on Digital Transformation Enhancements for the Insurance Industry
10/25/17	National University Signs Pact with Tata Consultancy Services to Enhance Filipinos' Employability Skills





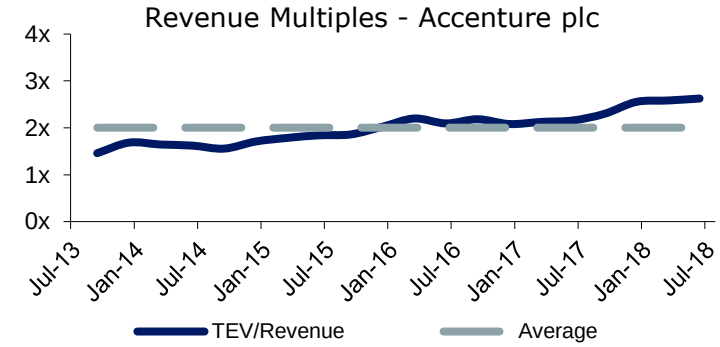


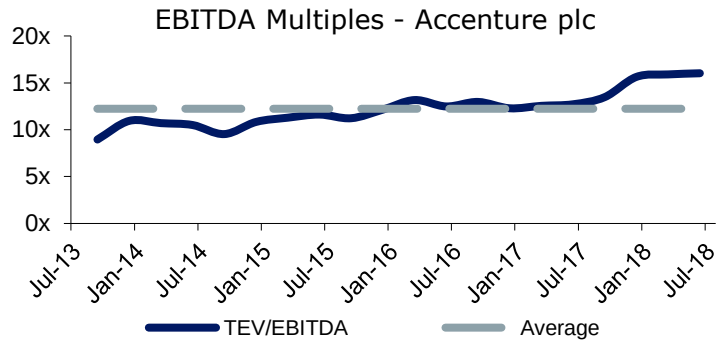
Public Basket

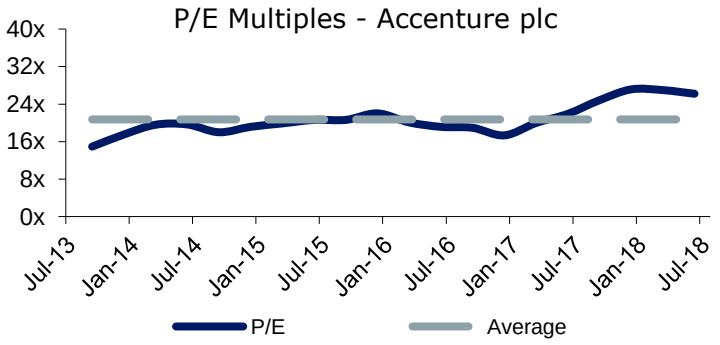
Accenture plc

Accenture plc provides consulting, technology, and outsourcing services worldwide. Its Communications, Media & Technology segment provides professional services that help clients accelerate and deliver digital transformation, and enhance business results through industry-specific solutions for communications, media, and high tech industries, as well as for software platforms. The company's Financial Services segment offers services that address profitability pressures, industry consolidation, regulatory changes, and the need to continually adapt to new digital technologies. This segment serves clients in banking, capital markets, and insurance industries. Accenture plc was founded in 1989 and is based in Dublin, Ireland.

Date	Key Development Headline
7/11/18	Accenture plc (NYSE:ACN) acquired Kogentix Inc.
6/30/18	Accenture Reportedly Seeks Acquisitions
6/7/18	Accenture plc (NYSE:ACN) entered into an agreement to acquire designaffairs GmbH.
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
5/22/18	Accenture plc (NYSE:ACN) agreed to acquire HO Communication.
5/8/18	Accenture plc Teams with SAP SE to Help High-Tech Companies Create Digital As-A-Service Business Models Quickly and Easily







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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