

Sectorwatch: IT Consulting

November 2018

IT Consulting

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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.



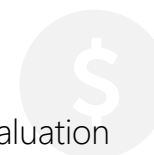
Public Basket Performance

- Summary valuation and operating metrics for a basket of comparable public companies



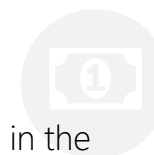
Valuation Comparison

- Graphical, detailed comparison of valuation multiples for the public basket



Recent Deals

- The most recently announced deals in the sector



Dashboard



Revenue Growth

↓ -0.01

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

↑ 0.6%

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

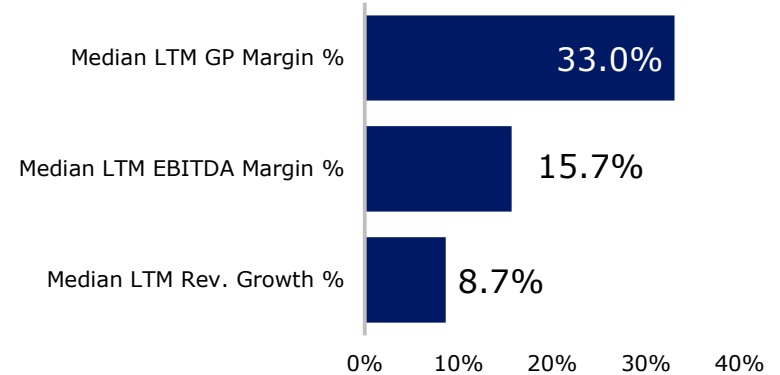
Profitability

↓ -0.04%

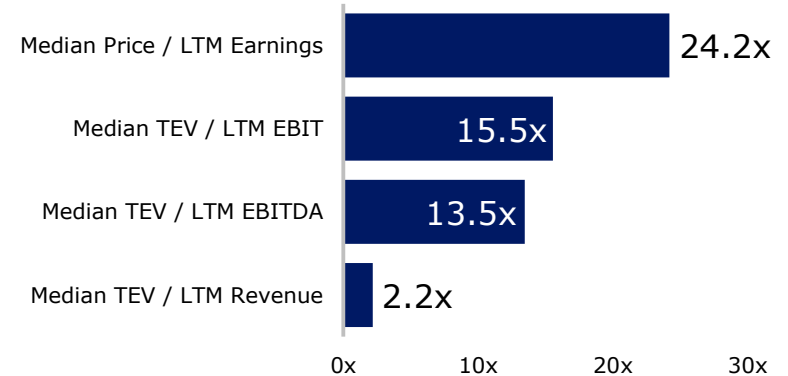
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

Operating Metrics



Valuation



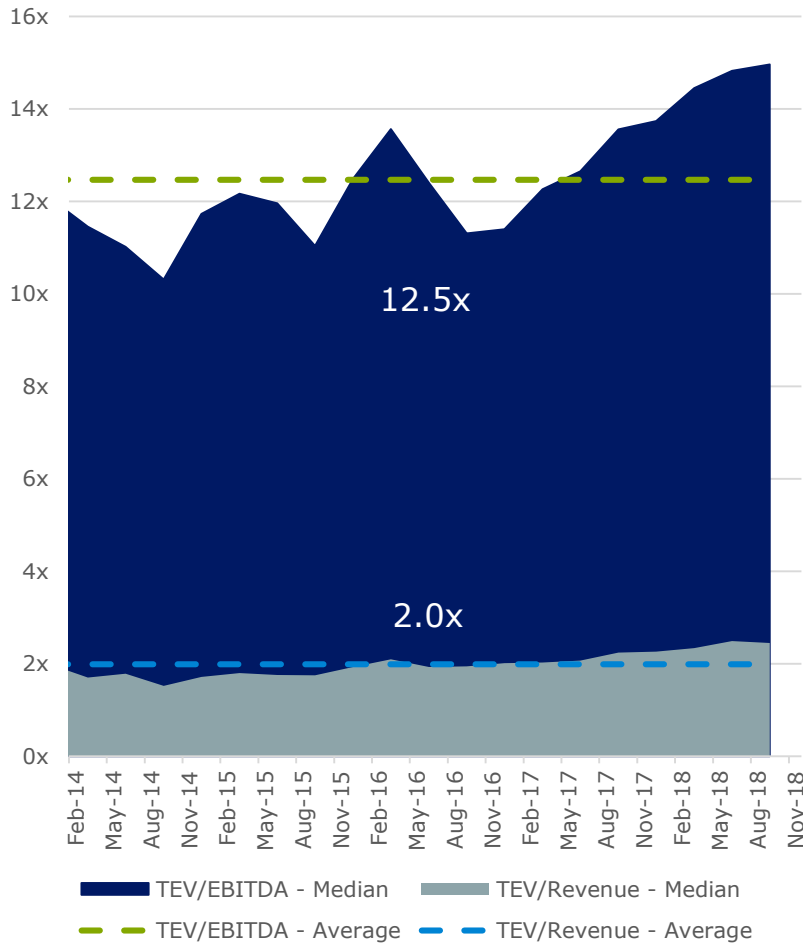
Public Basket



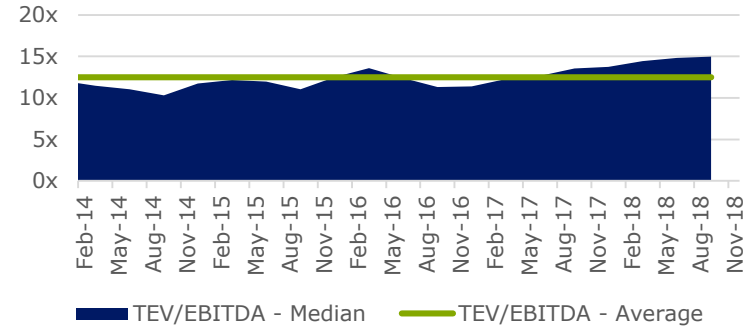
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Perficient, Inc.	875	488	4%	35%	12%	1.8	15.4	3,024	161
Reply S.p.A.	1,939	1,120	12%	15%	13%	1.8	14.1	6,456	173
EPAM Systems, Inc.	5,841	1,737	27%	35%	15%	3.4	22.3	25,962	67
CGI Group Inc.	18,773	8,902	6%	31%	17%	2.2	12.9	74,000	120
NTT DATA Corporation	19,359	18,671	7%	25%	15%	1.0	6.9	118,006	158
Capgemini SE	21,973	15,143	3%	26%	12%	1.5	12.0	199,698	76
Infosys Limited	34,592	11,313	8%	35%	27%	3.0	11.2	204,107	55
Cognizant Technology Solutions Corporation	35,323	15,824	10%	39%	21%	2.2	10.7	260,000	61
Tata Consultancy Services Limited	93,271	18,484	12%	45%	27%	4.9	18.2	394,998	47
Accenture plc	95,495	39,573	14%	31%	16%	2.4	14.8	459,000	86
Average	32,744	13,126	10%	32%	17%	2.4	13.8	174,525	101
Median	20,666	13,228	9%	33%	16%	2.2	13.5	158,852	81

share price as of 26Nov18

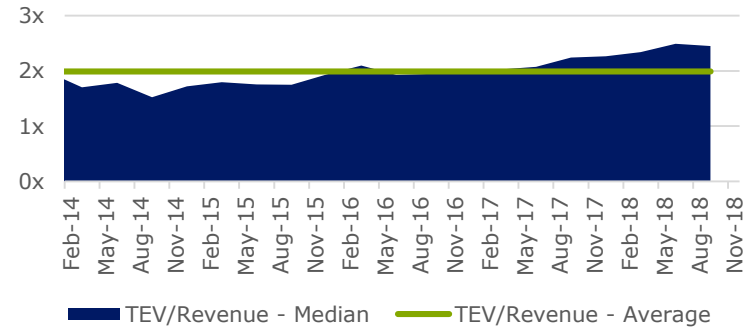
Public Basket Valuation Trends



Public EBITDA Multiples over Time



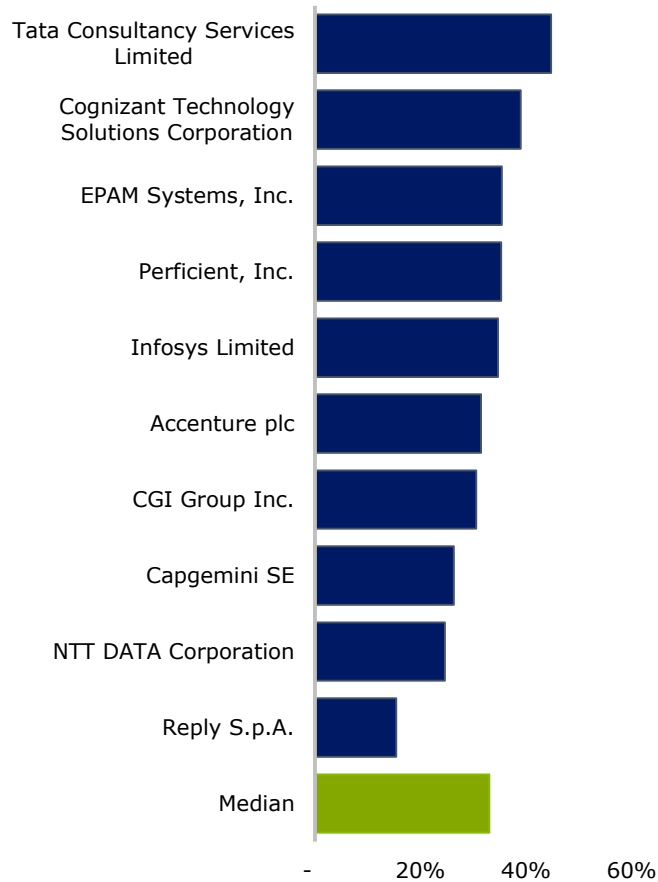
Public Revenue Multiples over Time



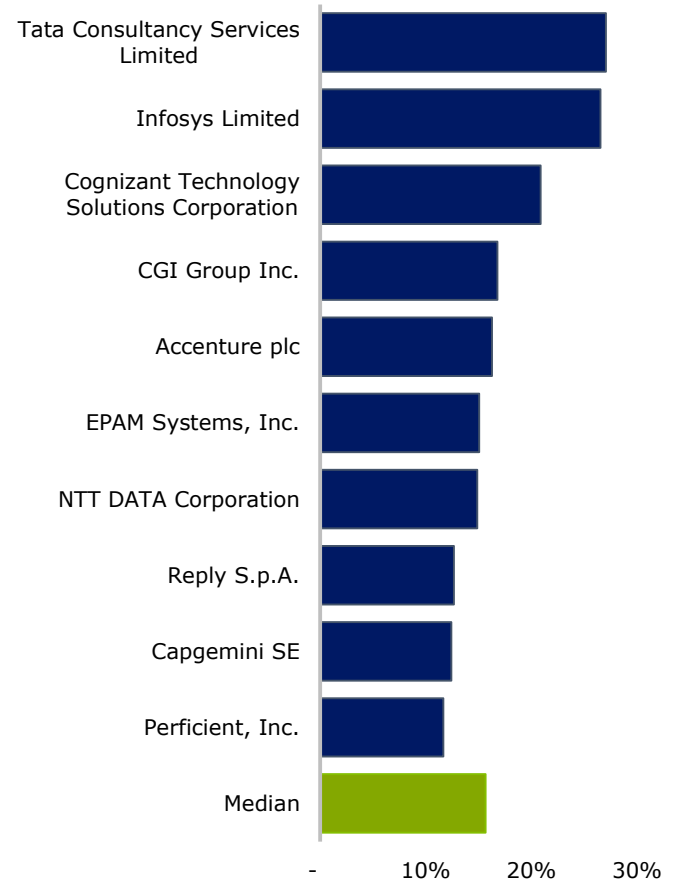
Operational Metrics



LTM Gross Profit Margin %



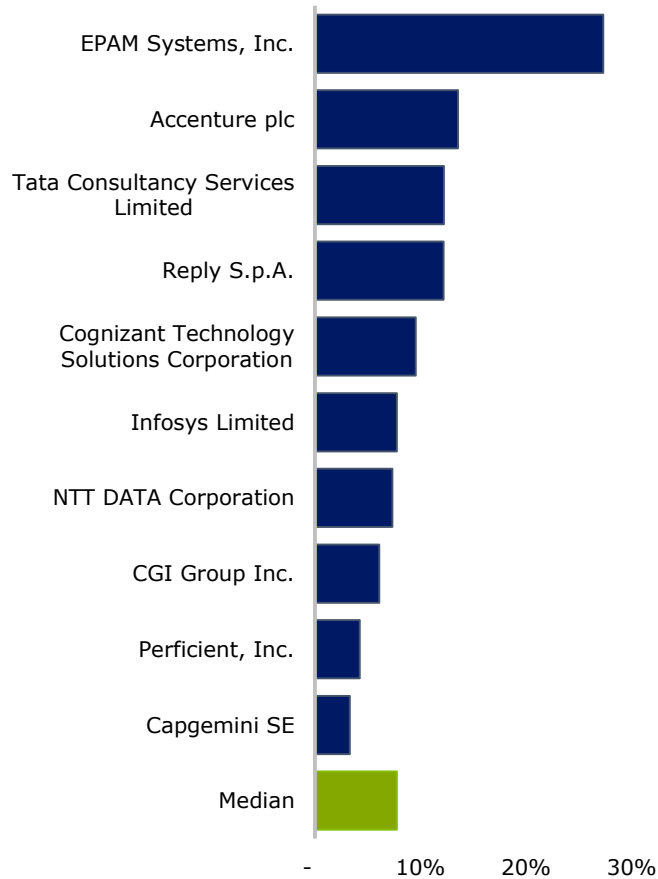
LTM EBITDA %



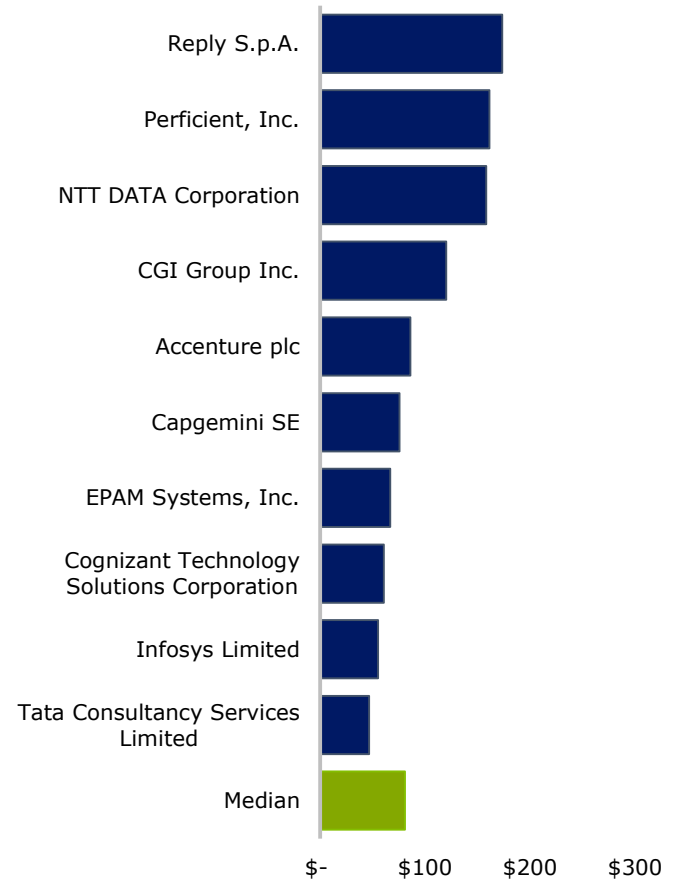
Operational Metrics



LTM Revenue Growth %



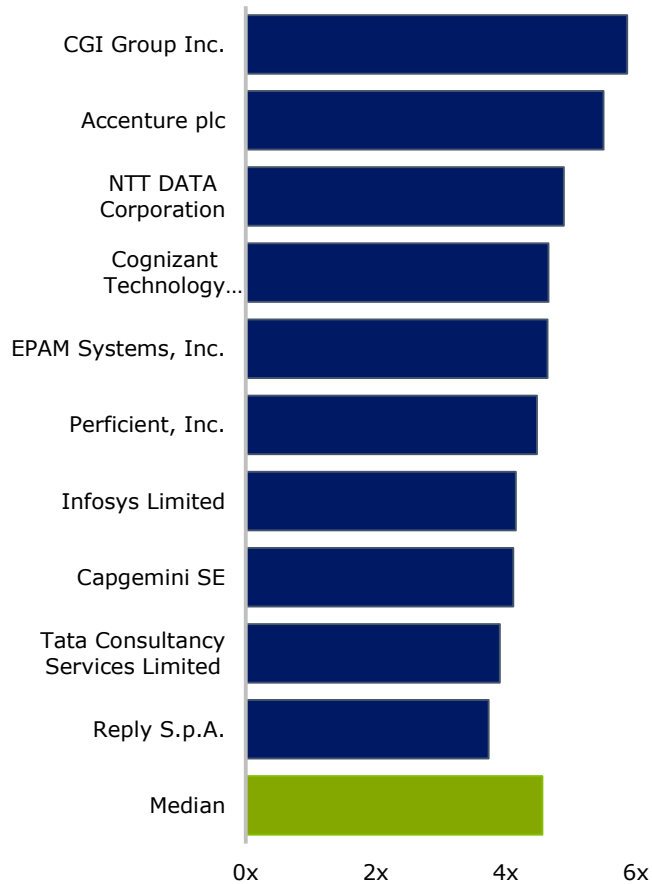
LTM Revenue per Full Time Employee x 000's



Operational Metrics



Accounts Receivable Turnover



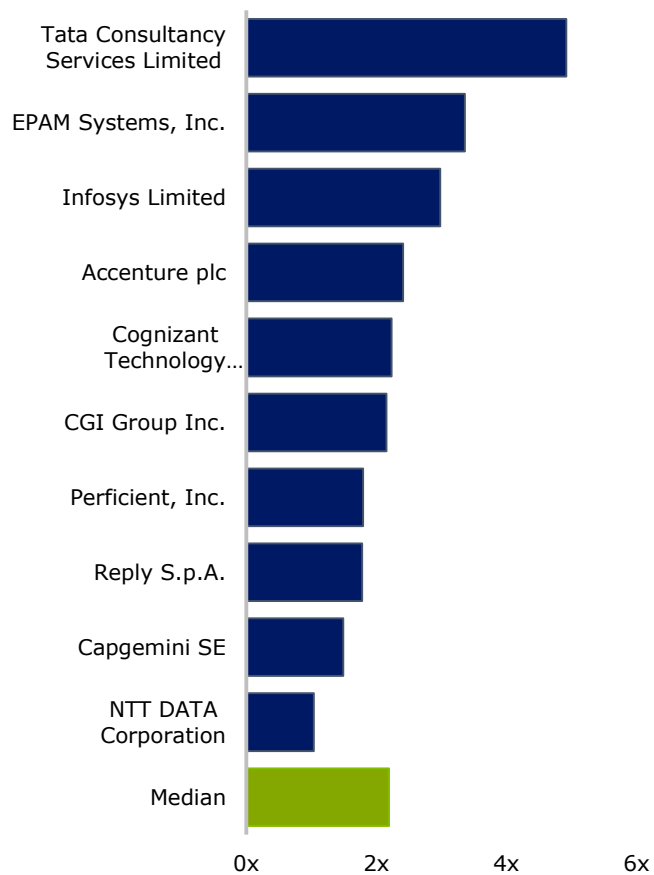
Average Days Sales Outstanding



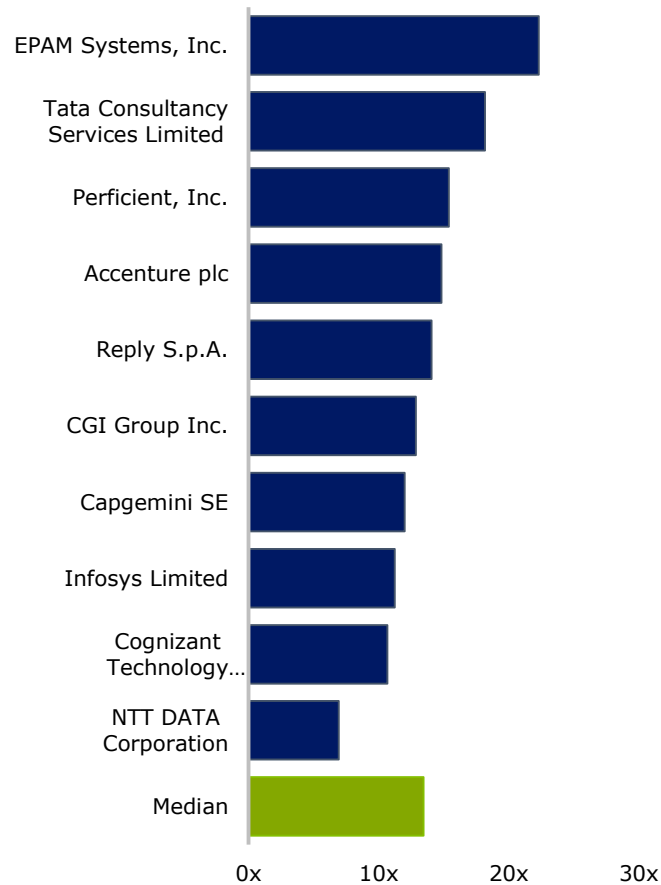
Valuation



TEV / LTM Revenue



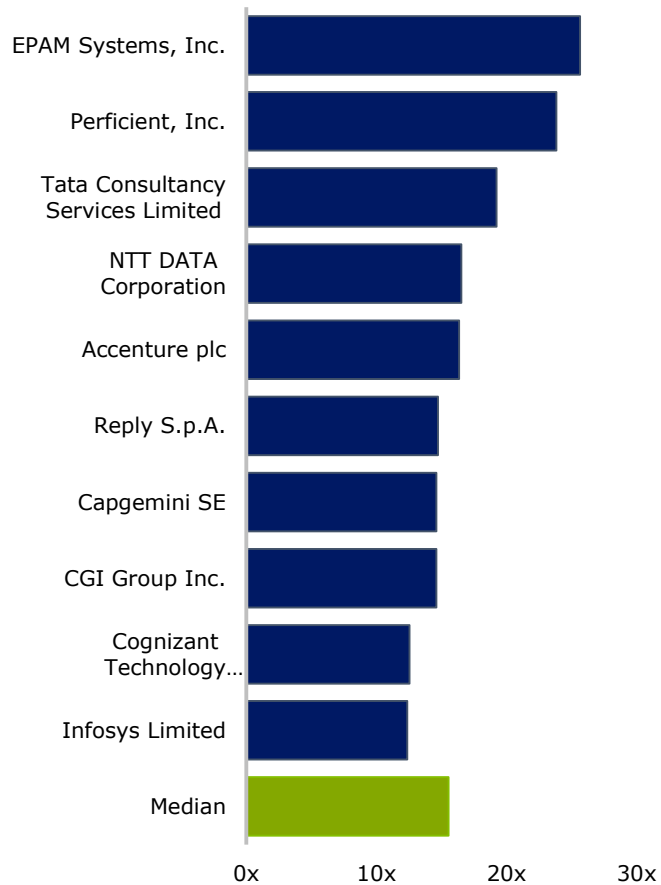
TEV / LTM EBITDA



Valuation



TEV / LTM EBIT



Price / LTM Earnings

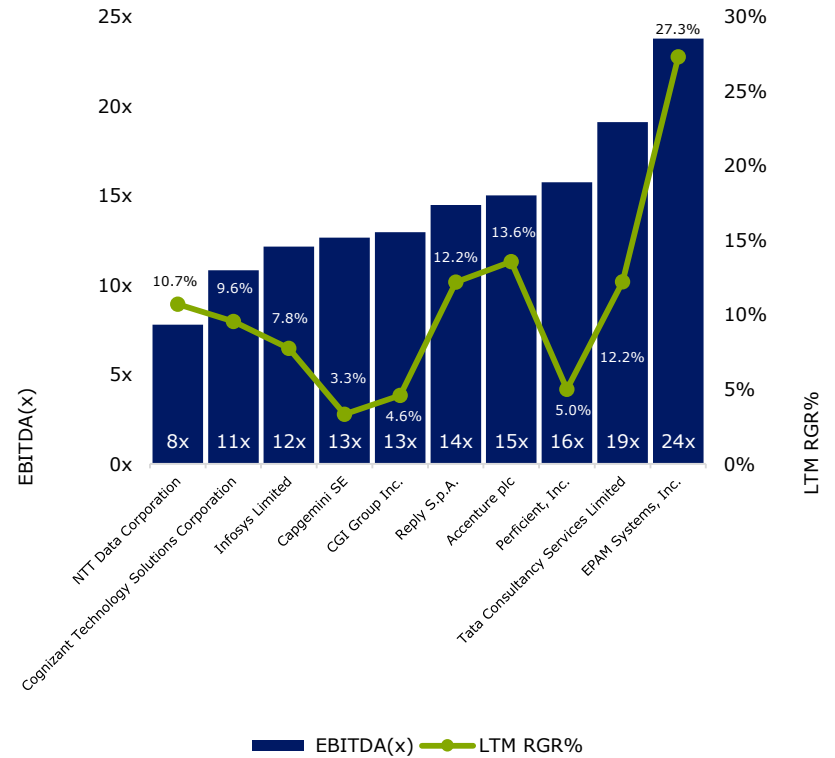
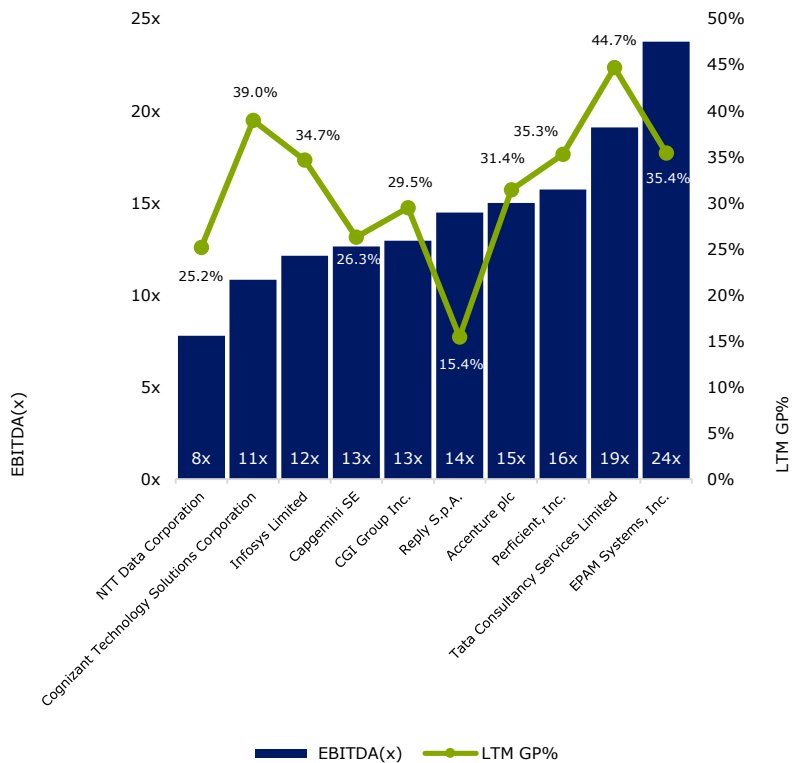


Valuation



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
5Nov18	Intrigo Systems, Inc.	Accenture plc	-	-	-	-
1Nov18	BusinessNow/TESM Limited	Fruition Partners UK	-	-	-	-
9Oct18	COMPAREX AG	SoftwareONE AG	-	2,907.15	-	-
2Oct18	Dev9, LLC	Nortal AS	-	-	-	-
30Sep18	FusionStorm, Inc.	Computacenter plc	90.00	595.50	0.2x	-
18Sep18	Advanced Technology Group, Inc.	Cognizant Technology Solutions Corporation	-	-	-	-
9Aug18	Pillar Technology Group LLC	Accenture plc	-	52.00	-	-
31Jul18	ThinkIT Solutions, LLC	NuMSP LLC	-	-	-	-
1Aug18	Integrity Consulting Group	CompassMSP, LLC	-	-	-	-
16Jul18	Basefarm AS	Orange Business Services SAS	409.79	117.08	3.5x	-
3Jul18	V-NEO Inc.	GFT Technologies SE	-	-	-	-
2Jul18	K&R Network Solutions, Inc.	Winxnet, Inc.	-	-	-	-
1Jun18	InfoGuard LLC	CloudCover LLC	-	-	-	-
23May18	G2 Technology Group Inc.	Reliam, Inc.	-	-	-	-
21May18	Blue Chip Tek, Inc.	Converge Technology Partners Inc. (nka:Converge Technology Solutions Corp.)	-	-	-	-
21May18	Tranquilnet, Inc.	Protel Communications, 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	Telerox 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.	59.00	20.00	3.0x	-
18Mar18	CSRA Inc.	CACI International Inc	10,411.68	5,064.00	2.0x	-
15Mar18	Edgewater Technology, Inc.	Alithya Group Inc.	-	106.19	-	-

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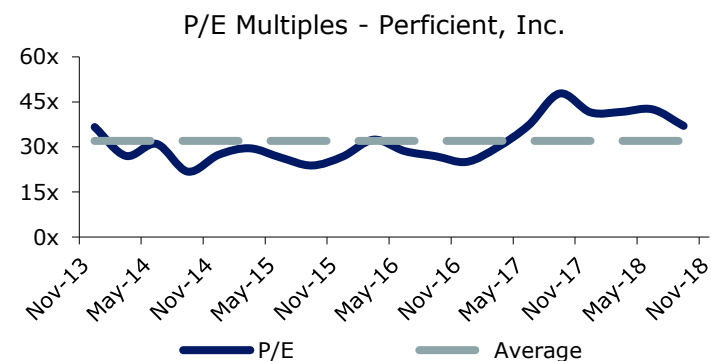
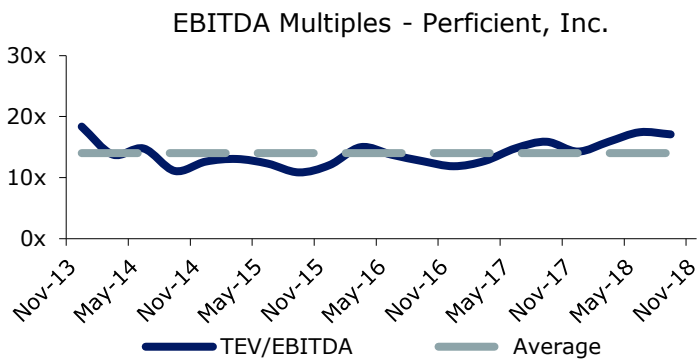
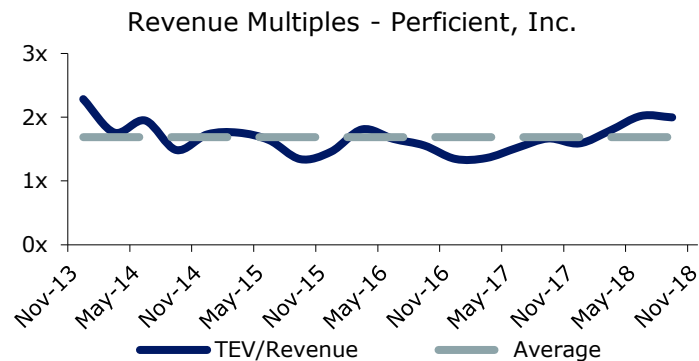
APPENDIX: Public Basket Constituents

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
10/28/18	Perficient Inc. (NASDAQ:PRFT) acquired Elixiter Inc.

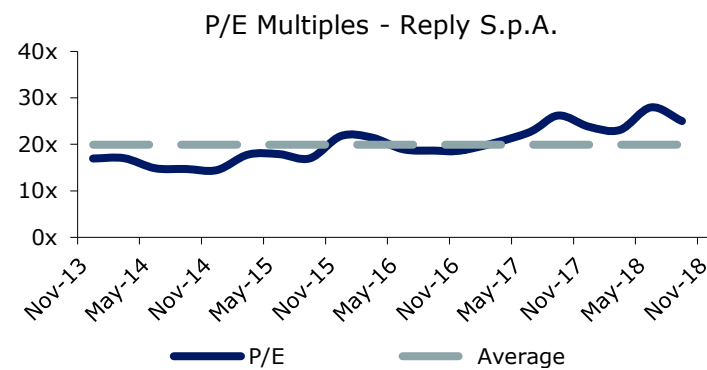
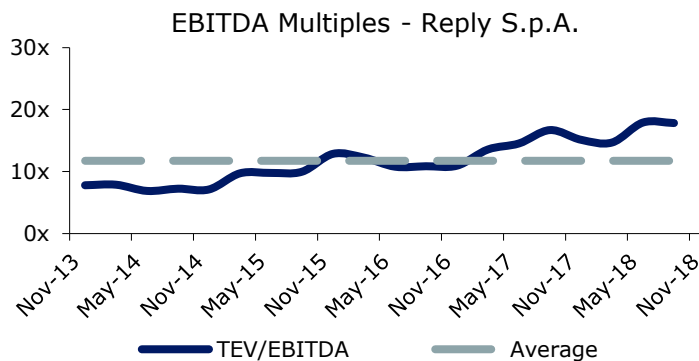
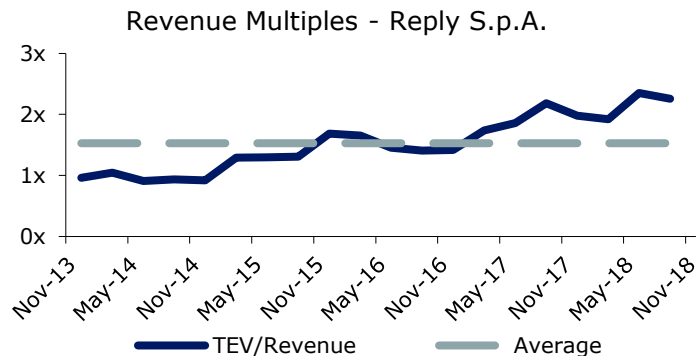
Public Basket



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.

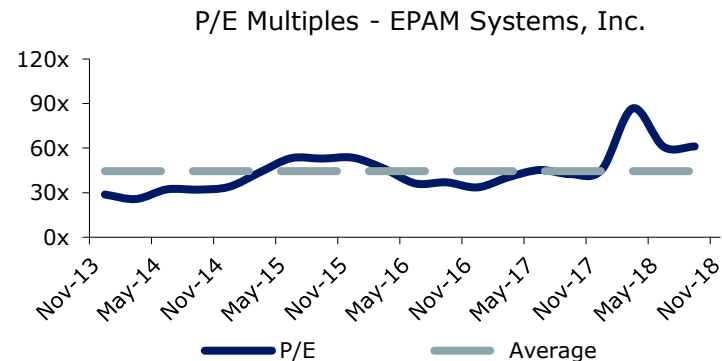
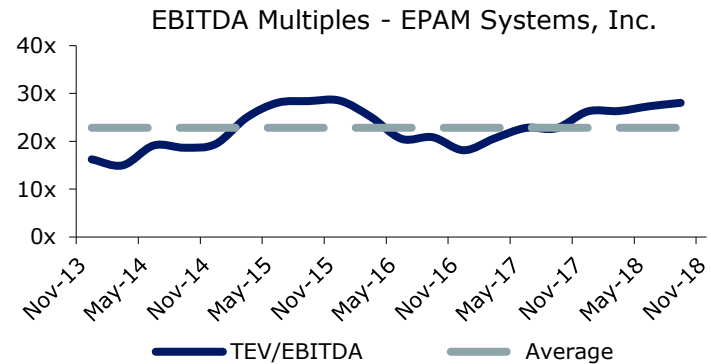
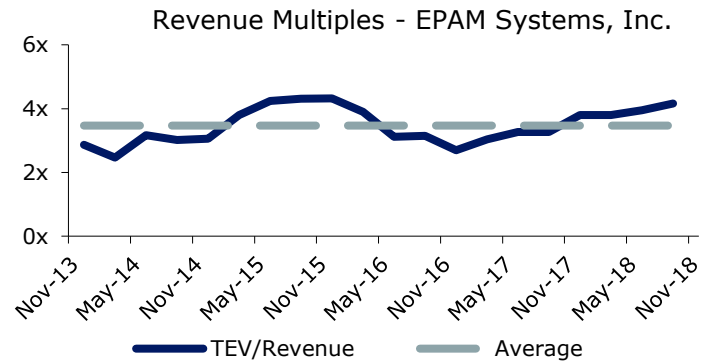


Public Basket



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
10/31/18	EPAM Systems, Inc. (NYSE:EPAM) acquired Think Limited.
9/17/18	EPAM Systems, Inc. Partners with Positive, on Research-Driven Cybersecurity R&D Lab

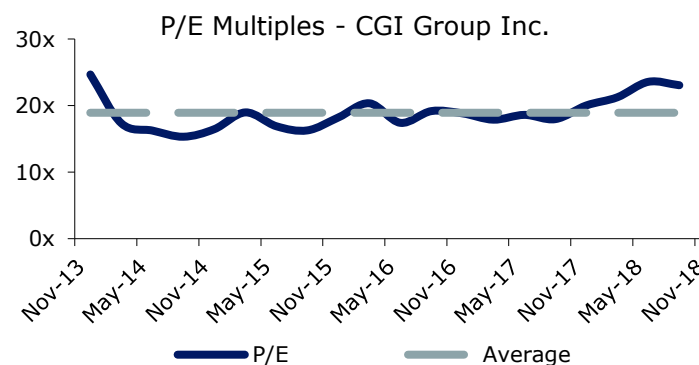
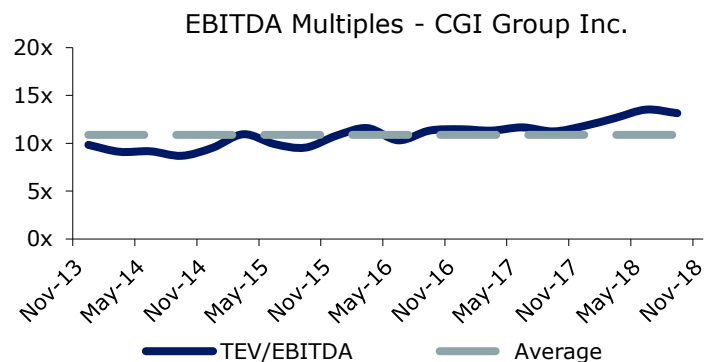
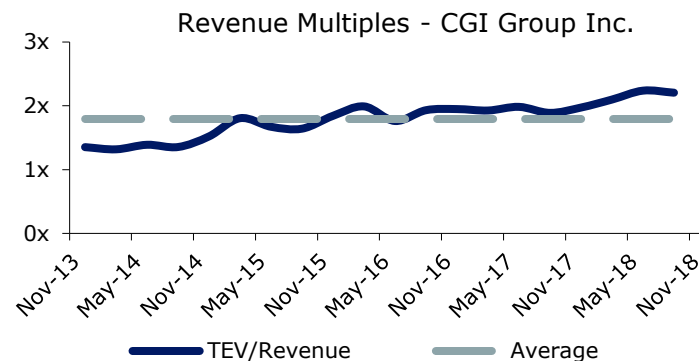
Public Basket



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
9/19/18	CGI Group Inc. (TSX:GIB.A) entered into a definitive agreement to acquire ckc ag.
9/6/18	GE and CGI Partner to Advance the Digital Grid of the Future
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.



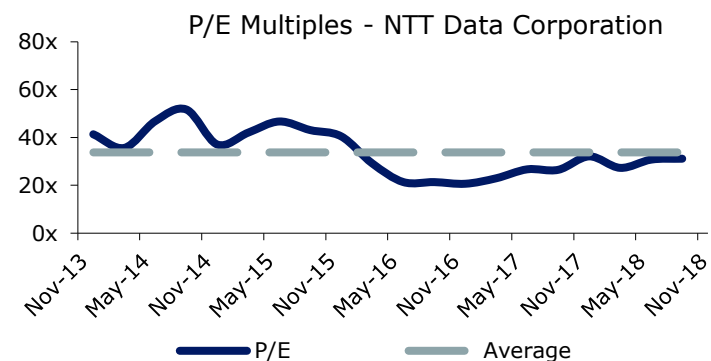
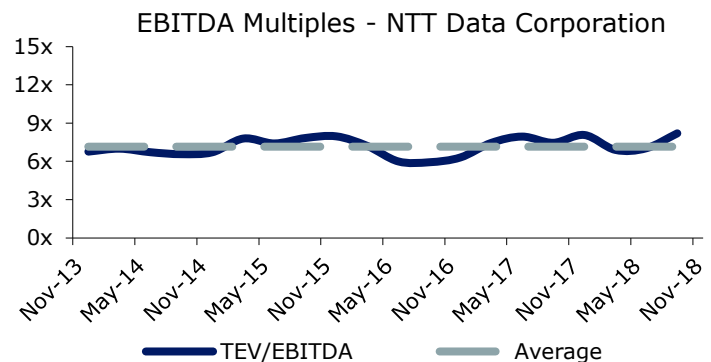
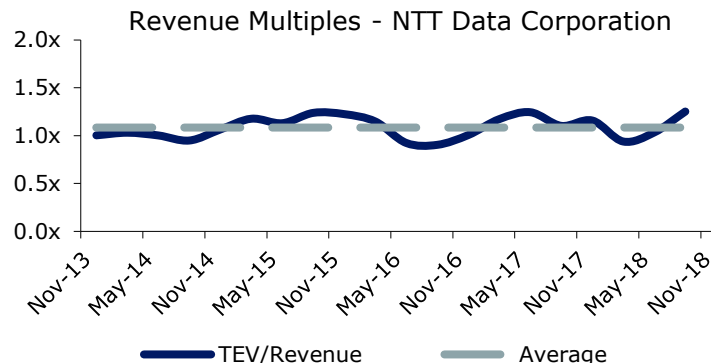
Public Basket



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. The company also provides architecture strategy and design, application development and system integration, quality assurance and testing, application management and outsourcing, legacy modernization, mobility, and online services; embedded and real-time systems; and application development technologies. 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



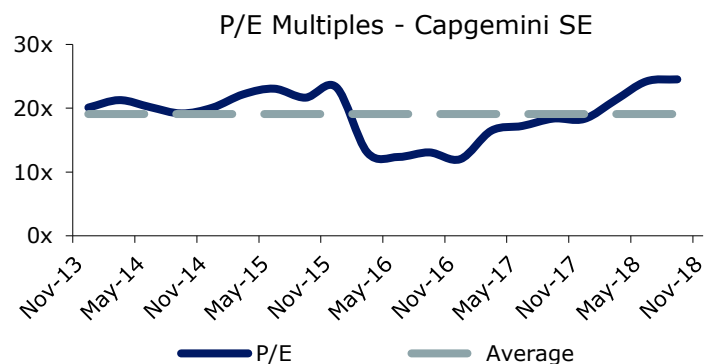
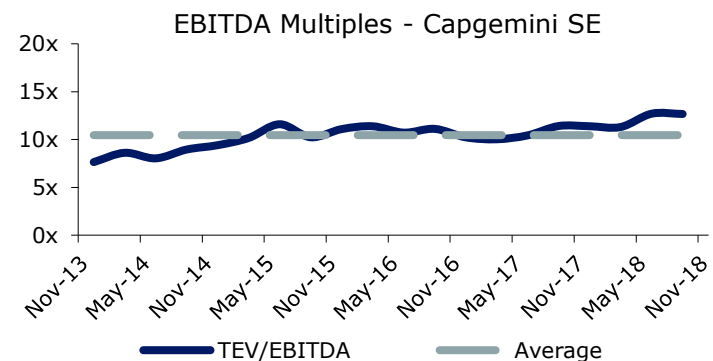
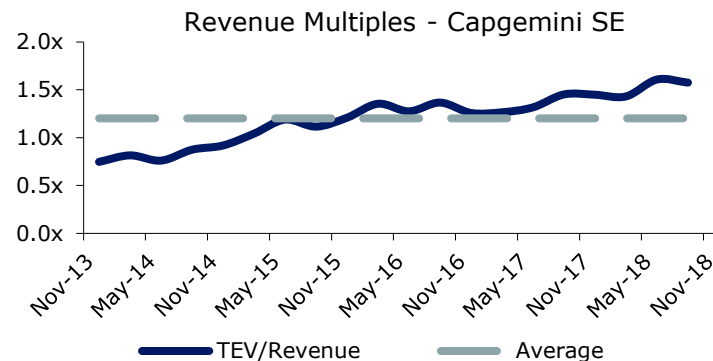
Public Basket



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



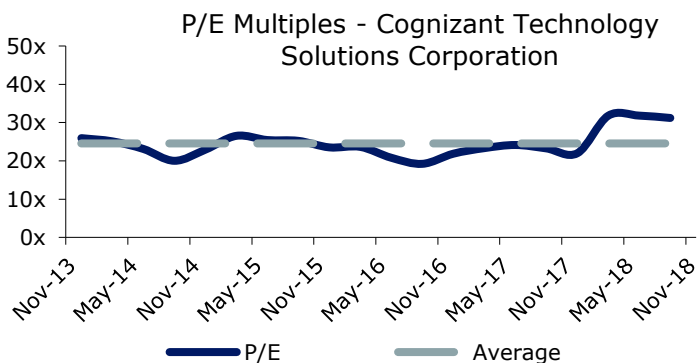
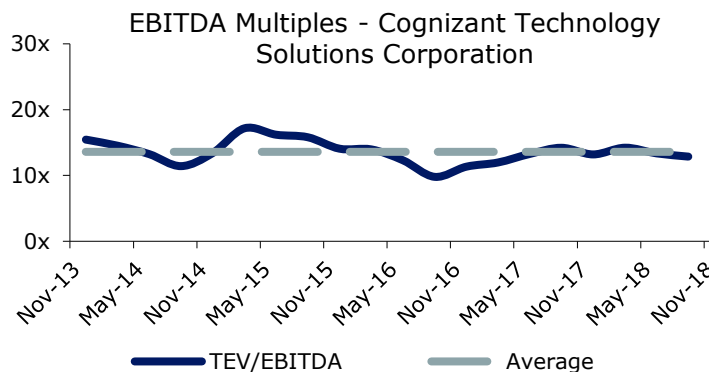
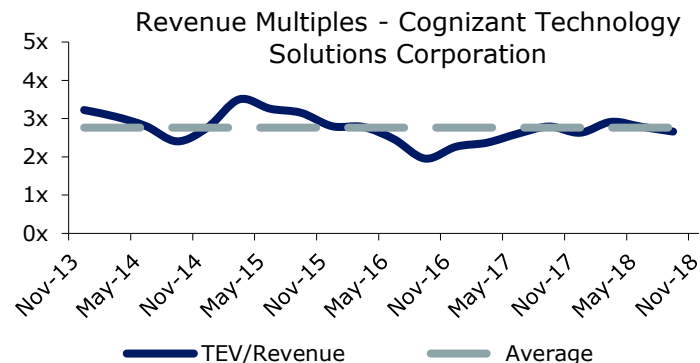
Public Basket



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
10/3/18	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) entered into a definitive agreement to acquire Softvision, LLC from Tower Arch Capital.
9/17/18	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) entered into agreement to acquire Advanced Technology Group, Inc.
8/22/18	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) agreed to acquire SaaSforce Consulting Pvt Ltd.
5/6/18	Cognizant Technology Solutions Eyes Acquisition
5/1/18	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) acquired Hedera Consulting BVBA.

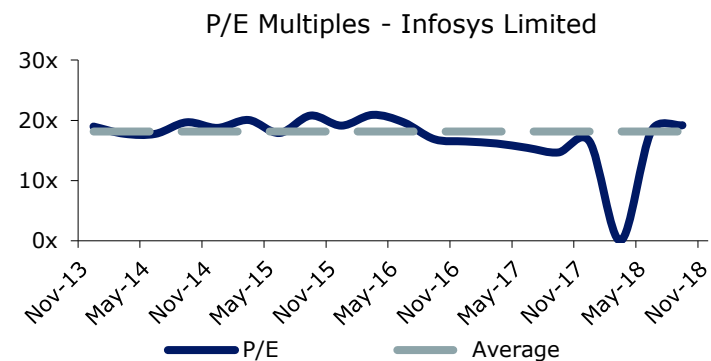
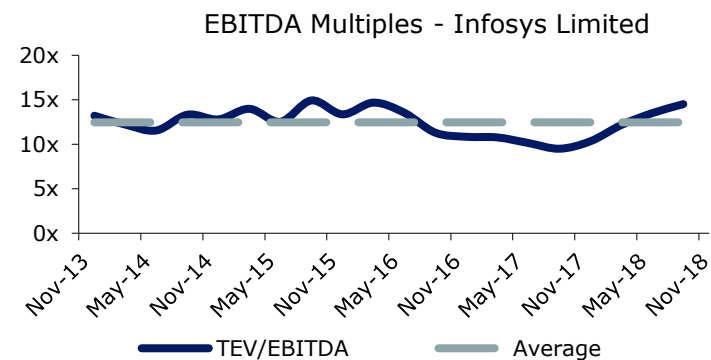
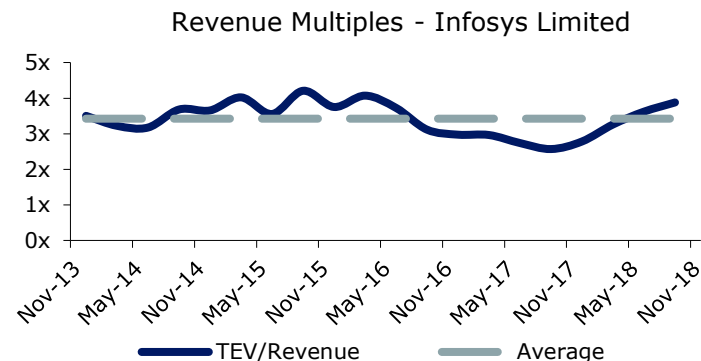


Public Basket



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. Infosys Limited was founded in 1981 and is headquartered in Bengaluru, India.



Date	Key Development Headline
10/16/18	Infosys Seeks Investments Opportunities
10/10/18	Infosys Limited (NSEI:INFY) completed the acquisition of FLUIDO LTD. from the management team of FLUIDO, Salesforce Ventures and CapMan Oyj (HLSE:CAPMAN).
10/1/18	Infosys Enters into Three-Year Collaboration with Cornell University to Reshape the Workforce Driving Digital Transformation by Advancing Employee Education and Research
9/13/18	Infosys Limited (NSEI:INFY) entered into a definitive agreement to acquire FLUIDO LTD. from the management team of FLUIDO, Salesforce Ventures and CapMan Oyj (HLSE:CAPMAN) for €65 million.
9/7/18	Infosys and Temasek Announce Joint Venture in Singapore

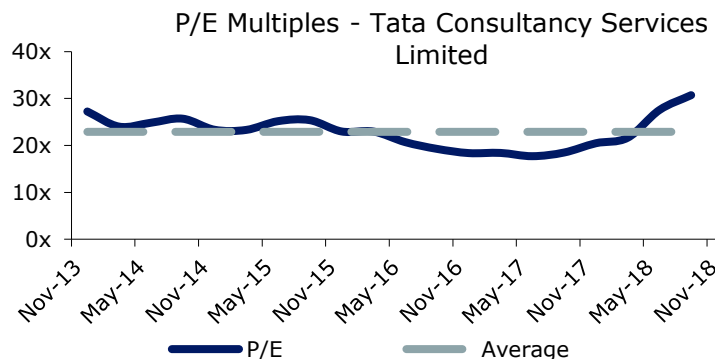
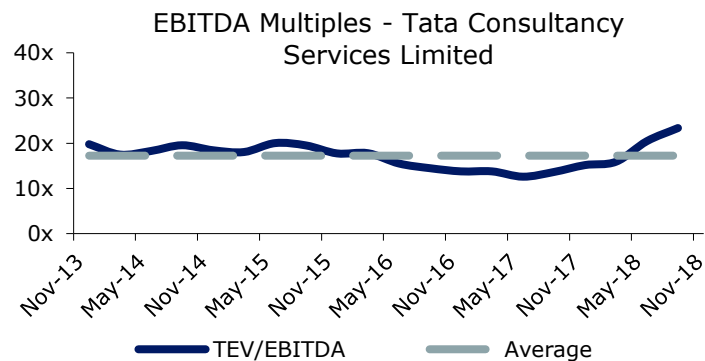
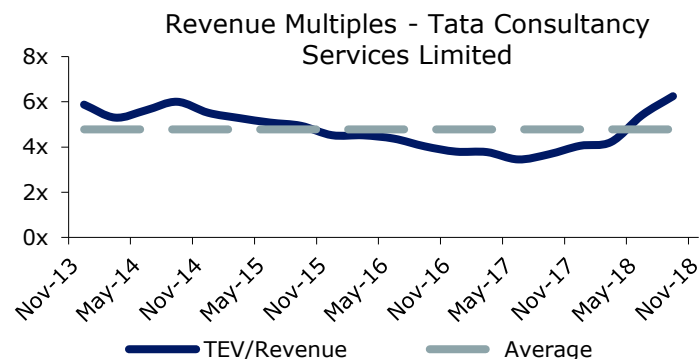
Public Basket



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-retain 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. Tata Consultancy Services Limited is a subsidiary of Tata Sons Limited.

Date	Key Development Headline
10/31/18	Tata Consultancy Services Limited (NSEI:TCS) acquired W12 Studios.
10/4/18	Tata Consultancy Services Limited and Institute of Industrial Science, University of Tokyo Signs A Memorandum of Understanding to Collaborate
8/28/18	TCS Partners with Discovery Education for Innovation Student Challenge
6/19/18	NCR Corporation and Tata Consultancy Services Limited Enter into Strategic Alliance
6/15/18	TCS Seeks Acquisitions
6/5/18	Alcatel-Lucent Enterprise Partners with Tata Consultancy Services to Digitally Transform Their Products to be IP-Centric and Cloud Ready



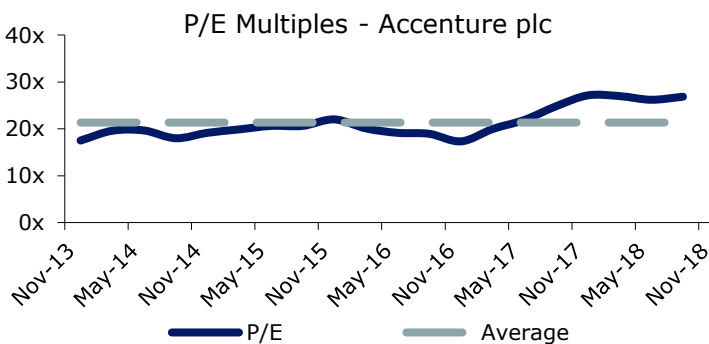
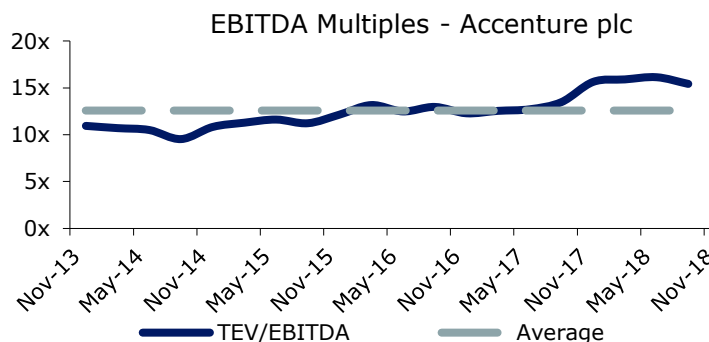
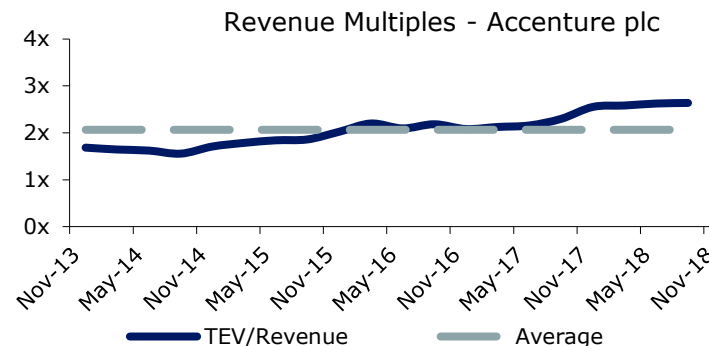
Public Basket



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
10/21/18	Accenture plc (NYSE:ACN) entered into an agreement to acquire New Content.
10/20/18	Accenture plc (NYSE:ACN) acquired DAZ Systems, Inc..
10/18/18	Accenture and ServiceNow Announce Collaboration to Drive Innovation in Europe
10/16/18	Accenture plc (NYSE:ACN) acquired TargetST8.
9/18/18	Accenture Teams with SAP to Develop Cloud Solution to Digitally Transform Oil and Gas Upstream Operations
9/17/18	Accenture and Merck Collaborates with Amazon Web Services to Launch a Research Platform to Drive Innovation in Drug Discovery and Scientific Research
8/19/18	Accenture plc (NYSE:ACN) completed the acquisition of Pillar Technology Group LLC.



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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