



Sectorwatch: IT Services – Microsoft Partners

July 2018

IT Services – Microsoft Partners

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- Sector Dashboard [4]
- Public Basket Performance [5]
- Operational Metrics [7]
- Valuation Comparison [10]
- Recent Deals [13]
- Appendix [14]

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.



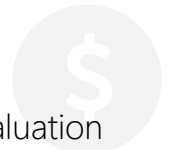
Public Basket Performance

- 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

↑0.02

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

↑0.7%

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

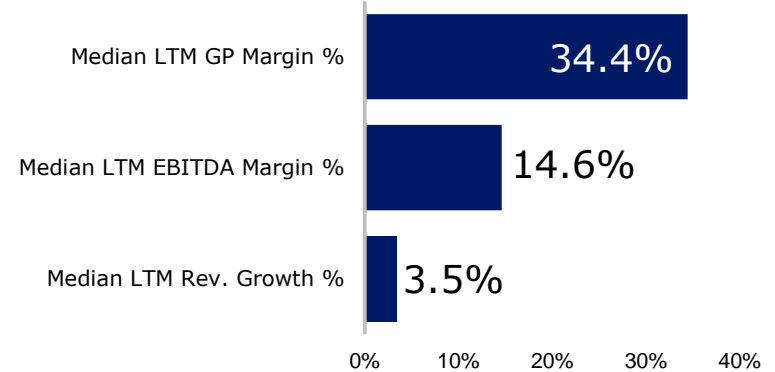
Profitability Momentum

↓-0.1%

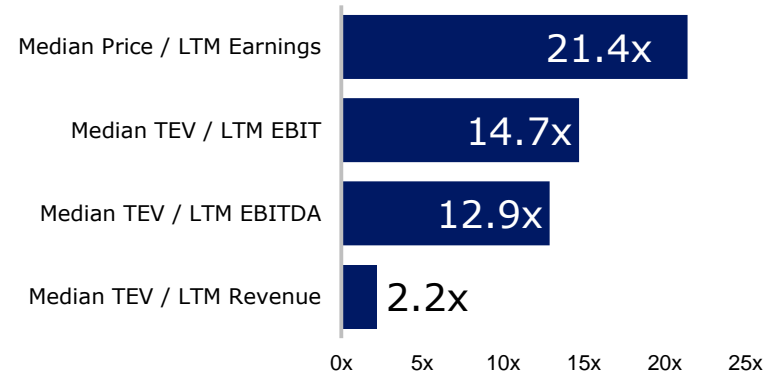
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

Operating Metrics



Valuation



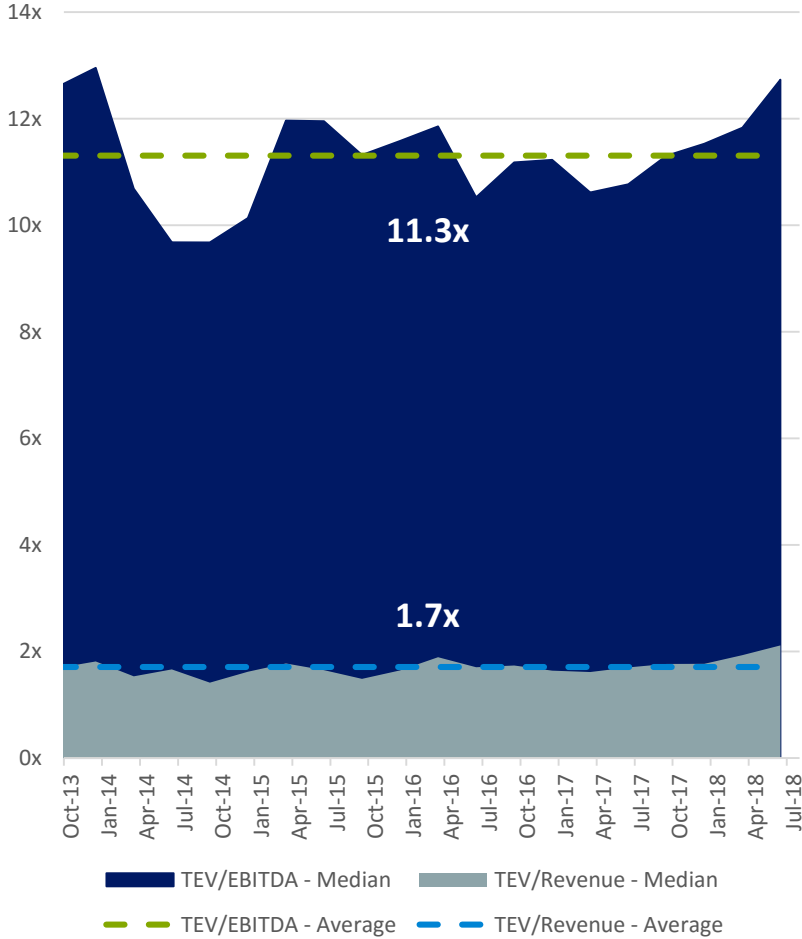
Public Basket



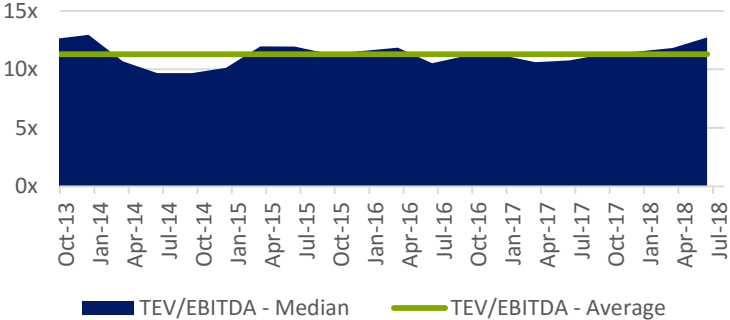
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Edgewater Technology, Inc.	75	102	-13%	37%	-2%	0.7	0.0	441	232
Perficient, Inc.	1,005	483	5%	35%	12%	2.1	18.0	3,024	160
Syntel, Inc.	3,353	943	-1%	38%	28%	3.6	12.9	22,114	43
CGI Group Inc.	19,525	8,695	5%	29%	17%	2.3	13.8	71,000	122
HCL Technologies Limited	18,369	7,838	12%	34%	23%	2.5	10.9	120,081	65
Capgemini SE	24,468	15,360	2%	26%	13%	1.6	12.9	199,698	77
Average	11,132	5,570	2%	33%	15%	2.1	11.4	69,393	117
Median	10,861	4,391	3%	34%	15%	2.2	12.9	46,557	100

share price as of 16Jul18

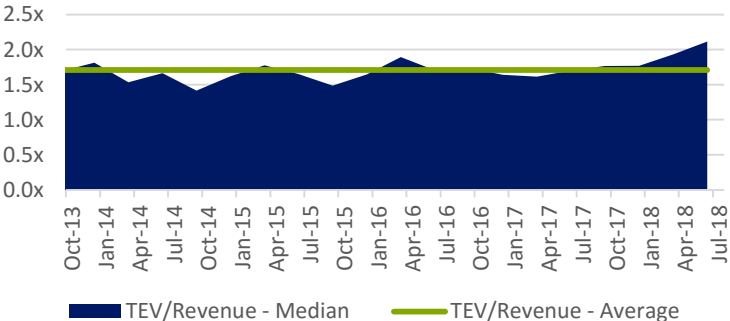
Public Basket Valuation Trends



Public EBITDA Multiples over Time



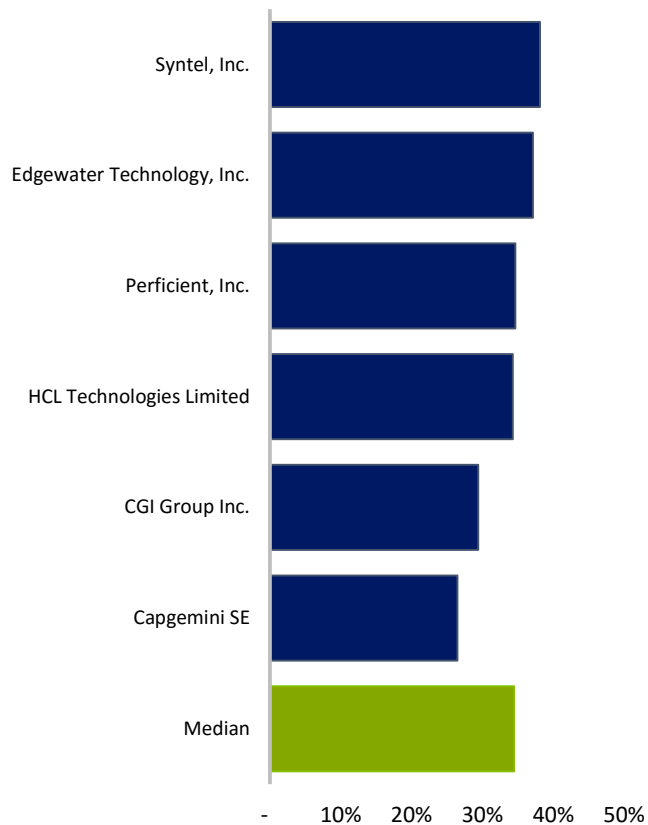
Public Revenue Multiples over Time



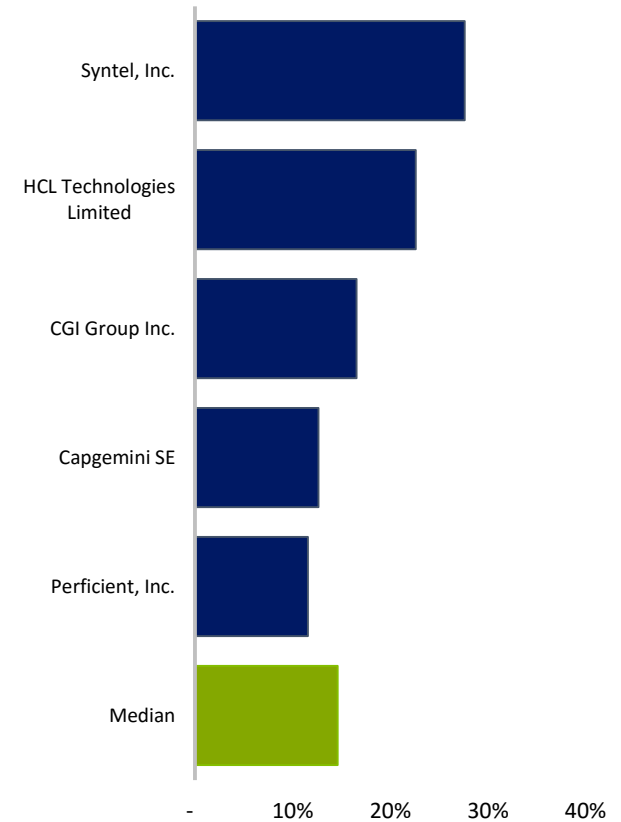
Operational Metrics



LTM Gross Profit Margin %



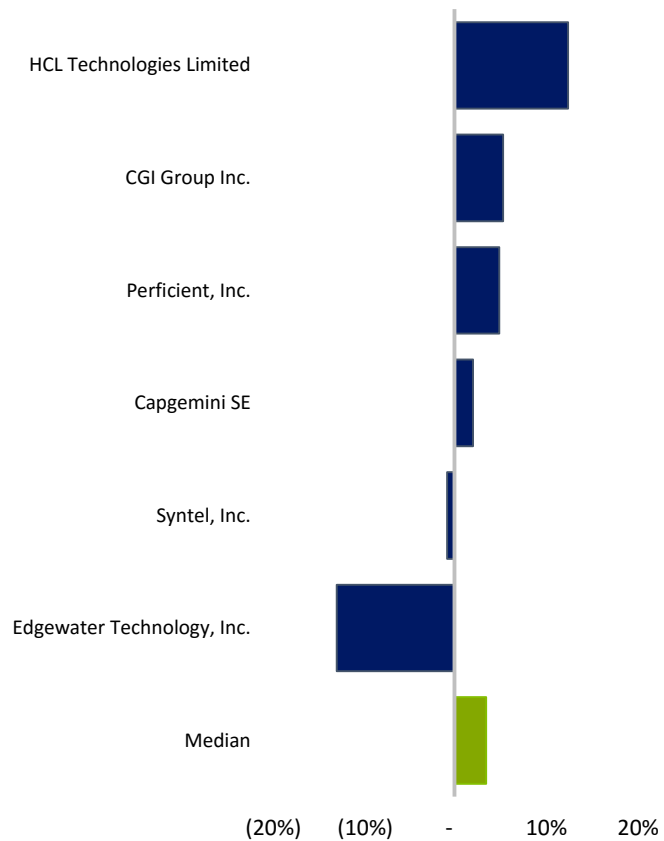
LTM EBITDA %



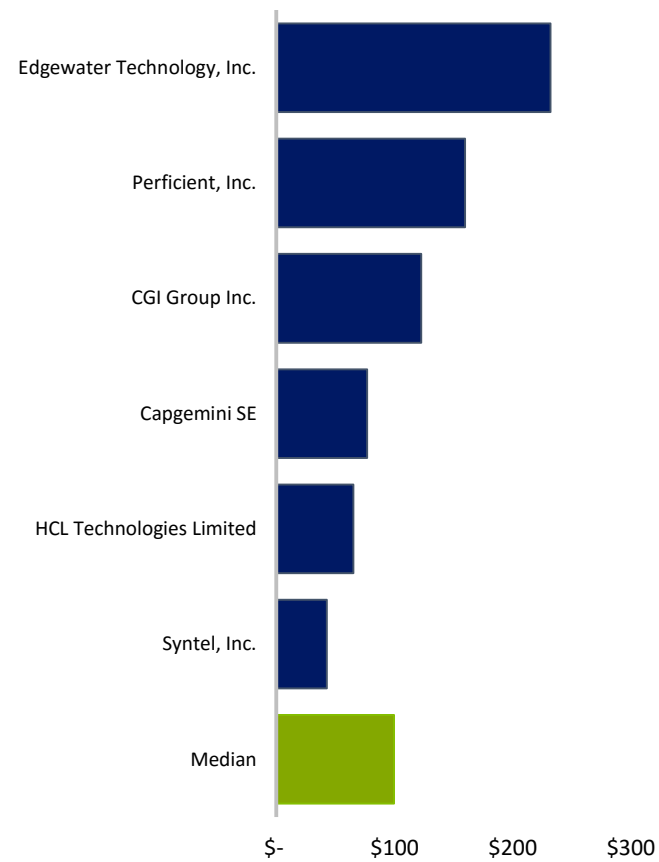
Operational Metrics



LTM Revenue Growth %



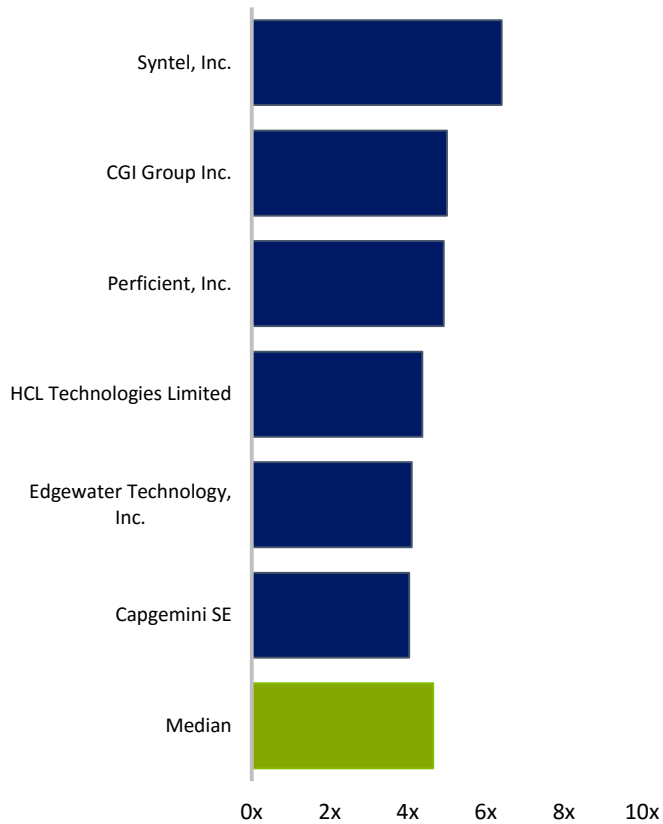
LTM Revenue per Full Time Employee x 000's



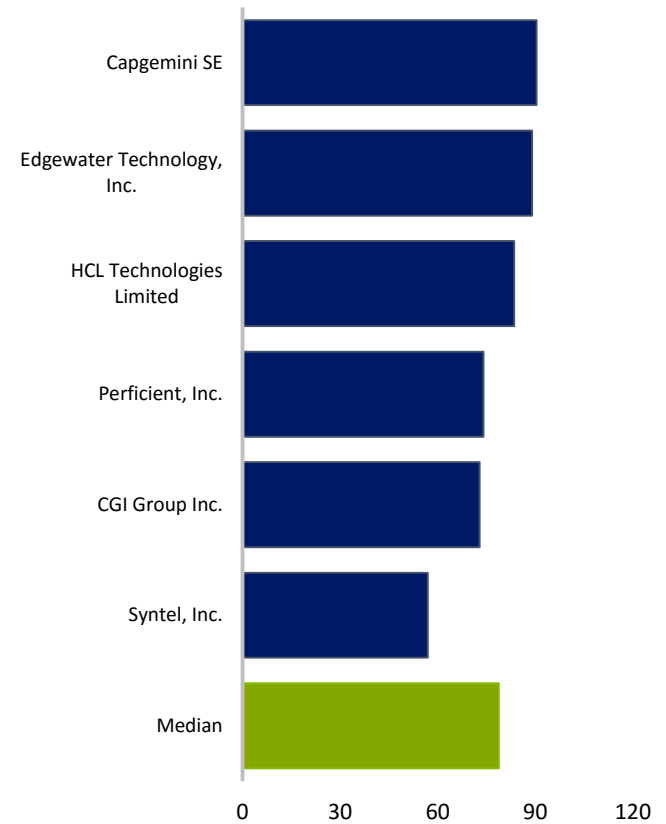
Operational Metrics



Accounts Receivable Turnover



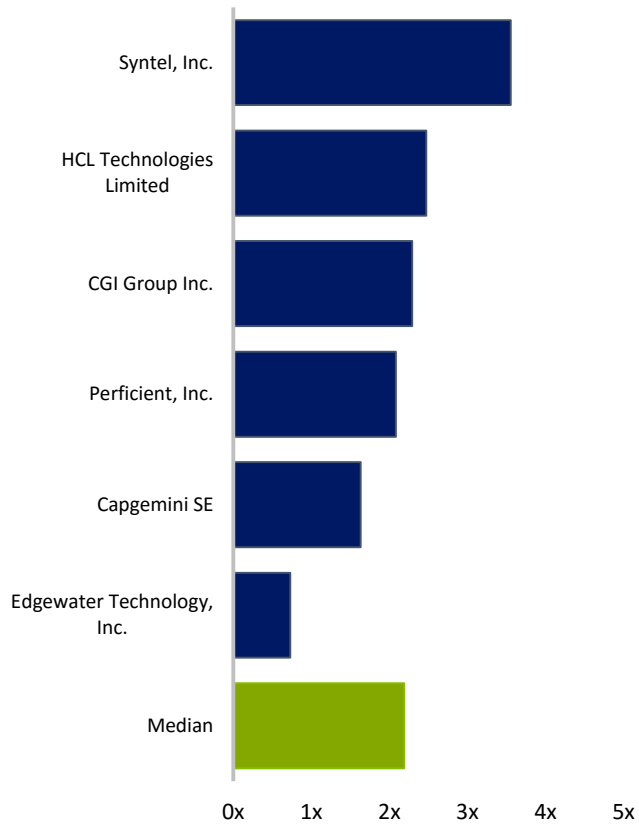
Average Days Sales Outstanding



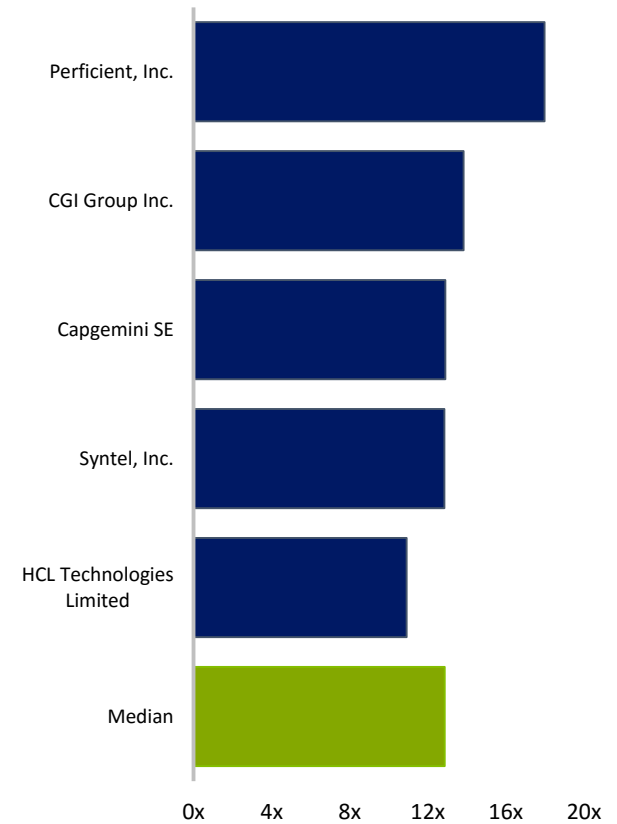
Valuation



TEV / LTM Revenue



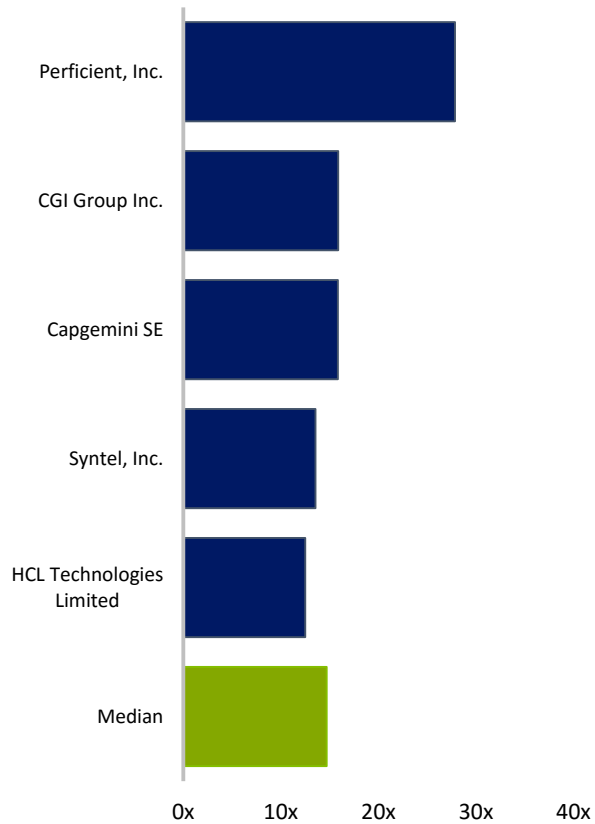
TEV / LTM EBITDA



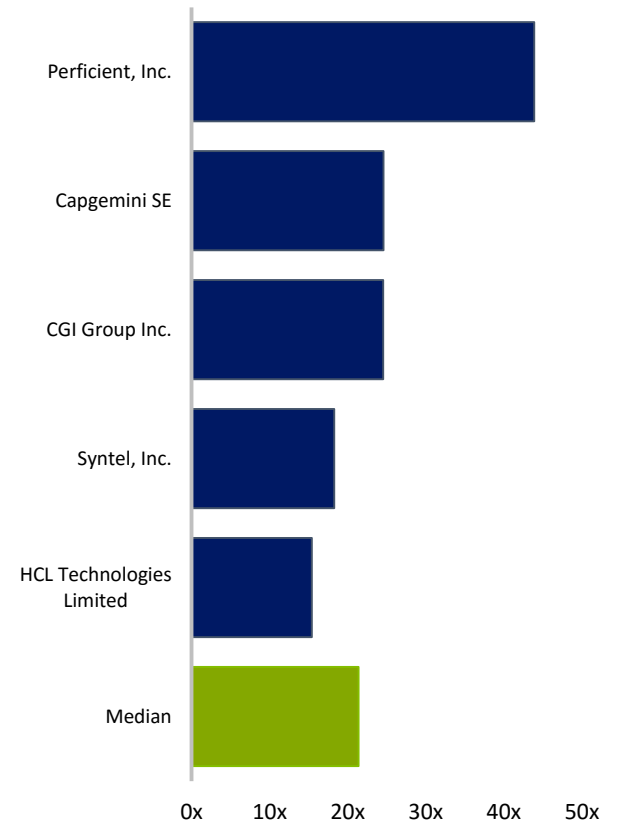
Valuation



TEV / LTM EBIT



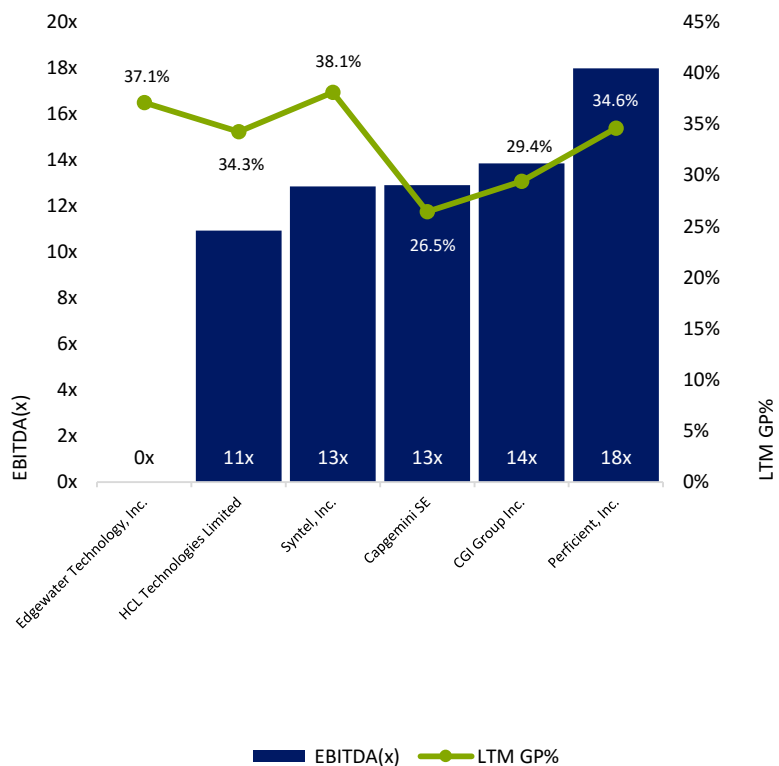
Price / LTM Earnings



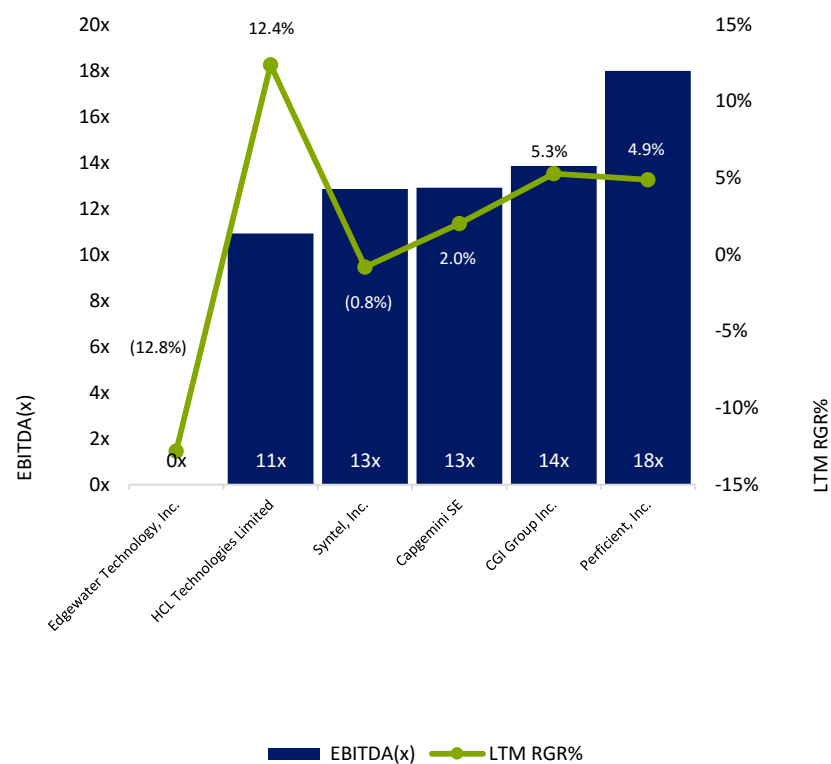
Valuation



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
10Jul18	SWC Technology Partners, Inc.	BDO USA, LLP	-	-	-	-
27Jun18	Hönigsberg & Düvel Datentechnik GmbH	HCL Technologies Limited	34.78	85.90	0.4x	-
8Jun18	Innervate Technology Solutions Limited	-	-	-	-	-
15Mar18	Edgewater Technology, Inc.	Alithya Group Inc.	-	106.19	-	-
16Mar18	Groupe conseil Era inc.	Fondation	0.65	-	-	-
3Jan18	NuSoft Solutions, Inc.	Atrio Systems, Inc.	-	-	-	-
11Oct17	Corus Group, LLC	Converge Technology Partners Inc.	-	-	-	-
29Sep17	Caase Services B.V.	Insight Enterprises, Inc.	-	-	-	-
25Sep17	Rittman Mead America Inc.	US-Analytics Solutions Group, LLC	-	-	-	-
1Jul17	Tribridge, Inc.	UXC Eclipse (USA) Inc.	152.00	-	-	-
2Jul17	NCI, Inc.	H.I.G. Capital, LLC; HIG Middle Market LBO Fund II	289.24	325.44	0.9x	9.6x
22Jun17	Clarity Consulting, Inc.	Perficient, Inc.	9.44	27.00	0.3x	-
30Apr17	RoseASP, Inc.	ESW Capital, LLC	-	-	-	-
11Apr17	3 Li Business Solutions SAS	Industries & Finances; Industrie & Finance Investissements 3	-	18.27	-	-
30Mar17	SDGblue, LLC	Crowe LLP	-	-	-	-
17Mar17	M4 Systems Ltd	SAGlobal (Europe) Ltd	-	3.71	-	-
28Feb17	Infusion Development Corporation	Avanade Inc.	-	-	-	-
21Feb17	Paradigm Systems Ltd.	New Signature UK Limited	-	-	-	-
16Feb17	Cloudreach Holdings Limited	The Blackstone Group L.P.	-	-	-	-
18Jan17	Navantis, Inc.	Datavail Corporation	-	-	-	-
13Jan17	CynergisTek, Inc. (nka:CTEK Security, Inc.)	Auxilio, Inc. (nka:Cynergistek, Inc.)	34.17	15.00	2.3x	6.3x
9Jan17	Tridea Partners, LLC (nka:Tridea - a Columbus company)	Columbus A/S	8.78	-	-	-
29Dec16	Stratiform, Inc.	PCM, Inc.	2.87	4.10	0.7x	-
12Dec16	Lionbridge Technologies, Inc.	H.I.G. Capital, LLC	459.13	556.65	0.8x	11.2x
6Nov16	Datalink Corporation	Insight Enterprises, Inc.	297.92	756.55	0.3x	11.7x
25May16	IdentityMine, Inc.	Valorem Consulting Group, LLC	-	-	-	-
18Mar16	Optevia Ltd.	International Business Machines Corporation	-	-	-	-

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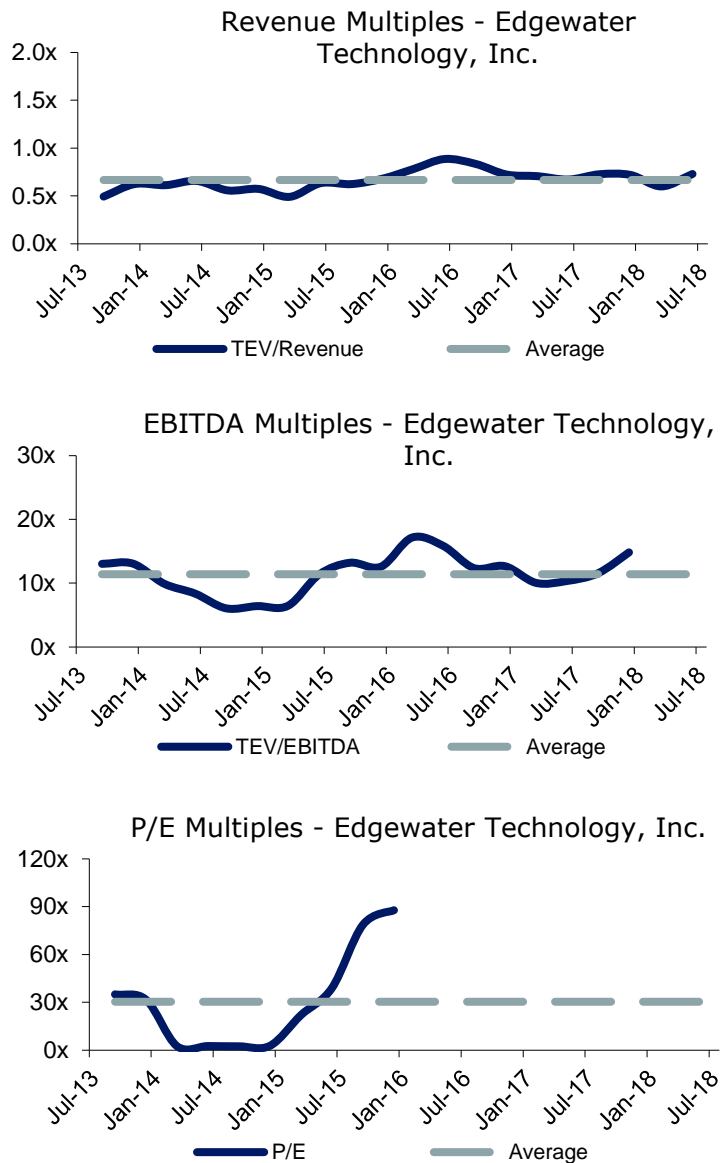
APPENDIX:
Public Basket
Constituents

Public Basket



Edgewater Technology, Inc.

Edgewater Technology, Inc. provides business and technology services, and channel-based solutions in the United States, Canada, and internationally. It offers digital transformation; CFO/CIO advisory; business improvement roadmaps; organizational change management; program/project management; business process rejuvenation and integrated social media practices; specialized operational, due diligence, and technology management services to mergers and acquisitions, private equity, and venture capital; and strategic advice, costing, estimates to complete, and failing or failed programs or project initiatives. The company also provides independent package selection and request for information or proposal process design and implementation; domain; technical architecture, roadmaps, and design; strategic technology selections; data analytics and reporting; custom component design and implementation; customer intelligence solutions using Web/mobile analytics; cloud architecture, integration, and phasing solutions; on-going support; and infrastructure optimization and redesign, disaster recovery, and business continuity specialized design and assistance services. Edgewater Technology, Inc. was founded in 1992 and is headquartered in Wakefield, Massachusetts.



Date	Key Development Headline
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3/15/18	Alithya Group Inc. entered in an arrangement agreement to acquire Edgewater Technology, Inc. (NasdaqGM:EDGW) from group of shareholders in a reverse merger transaction.
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Public Basket

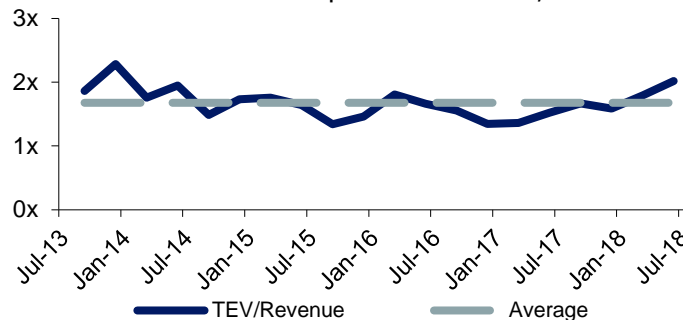


Perficient, Inc.

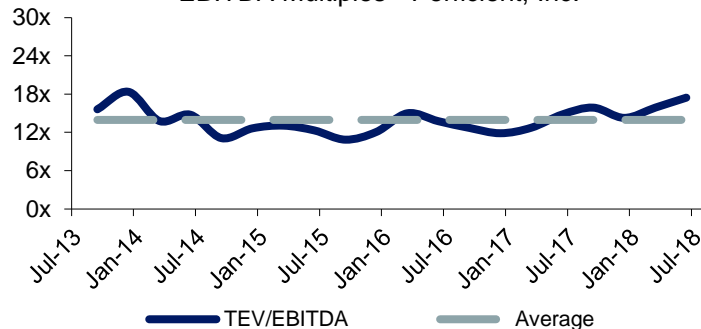
Perficient, Inc. provides information technology and management consulting services in the United States. The company designs, builds, and delivers solutions using middleware software products developed by third-party vendors. Its solutions include portals and collaboration, such as searchable data systems, 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. 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.
5/1/18	Perficient Seeks Acquisitions
4/30/18	Perficient and Pivotal Expand Collaboration to Accelerate Cloud-Native Development on Pivotal Cloud Foundry to Enterprise Customers

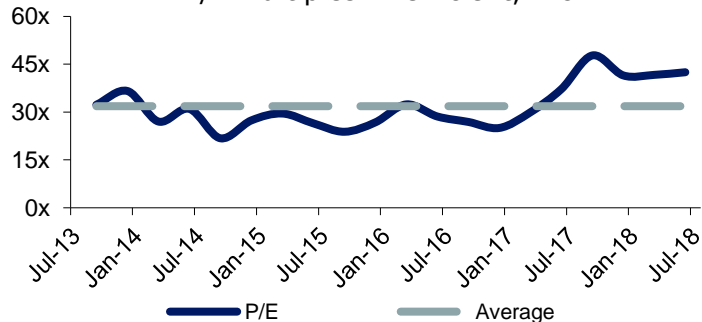
Revenue Multiples - Perficient, Inc.



EBITDA Multiples - Perficient, Inc.



P/E Multiples - Perficient, Inc.

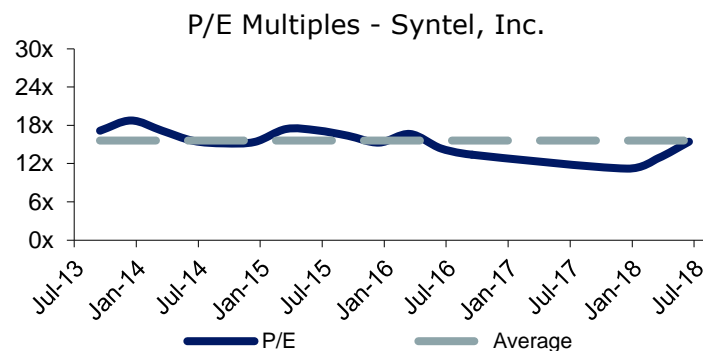
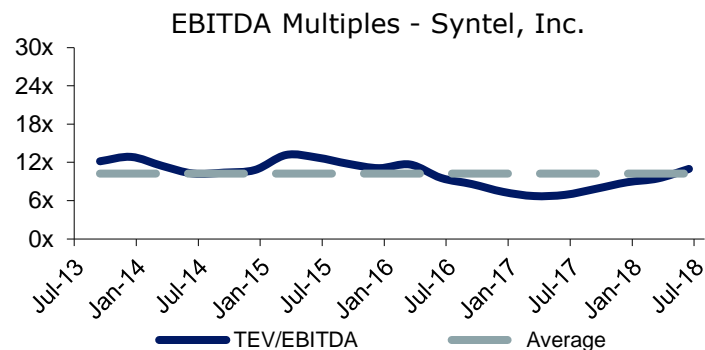
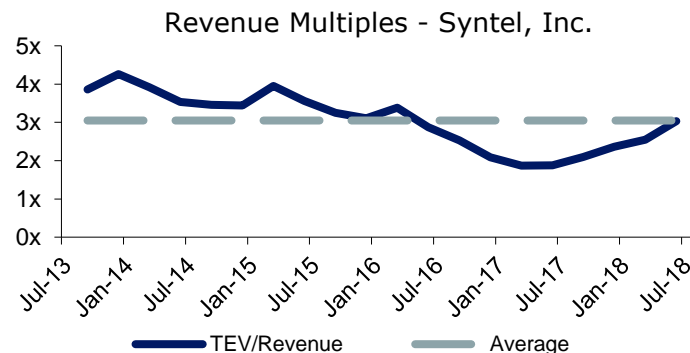


Public Basket



Syntel, Inc.

Syntel, Inc. provides digital transformation, information technology (IT), and knowledge process outsourcing (KPO) services worldwide. The company operates through Banking and Financial Services; Healthcare and Life Sciences; Insurance; Manufacturing; and Retail, Logistics, and Telecom segments. It provides end-to-end, integrated application, and infrastructure management services; develops software applications; and offers legacy modernization services, such as software analysis, language conversion, reverse engineering, database migration, code optimization, cloud onboarding and migration, ecosystem migration, testing, and management. The company also provides consulting, implementation, and management services for enterprise architecture, data warehousing, business intelligence, and enterprise application integration, as well as mobility, big data, analytics, and Internet of Things technologies. In addition, it offers KPO services that provide outsourced solutions for knowledge and business processes. The company offers its products to various companies in the banking and financial services, healthcare and life sciences, insurance, manufacturing, retail, logistics, and telecom industries. Syntel, Inc. was founded in 1980 and is headquartered in Troy, Michigan.



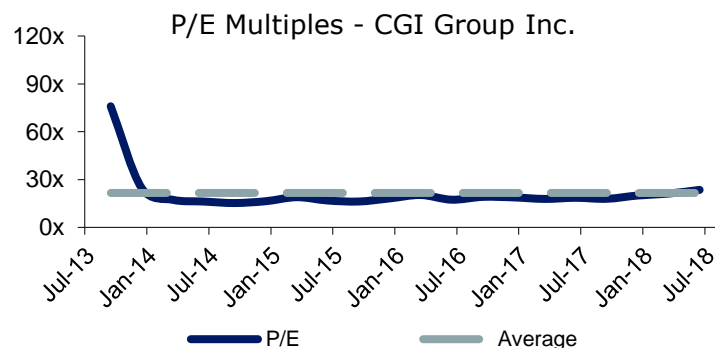
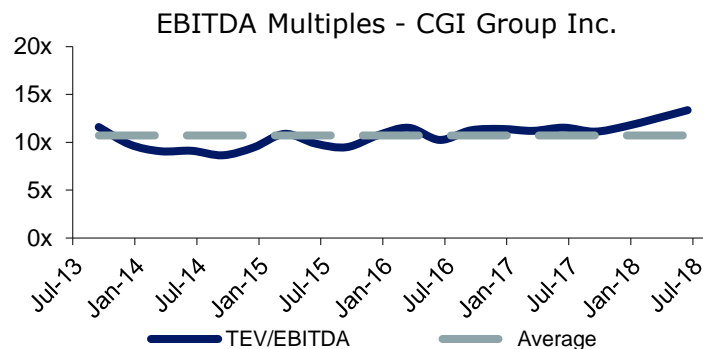
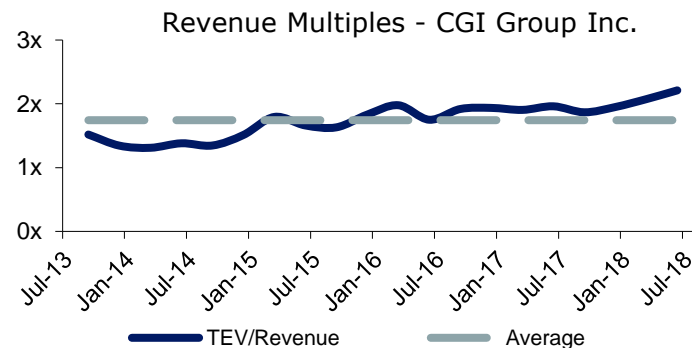
Date	Key Development Headline
4/9/18	Syntel, Inc. Partners with Esko for Life Sciences Labeling and Packaging Solutions

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.



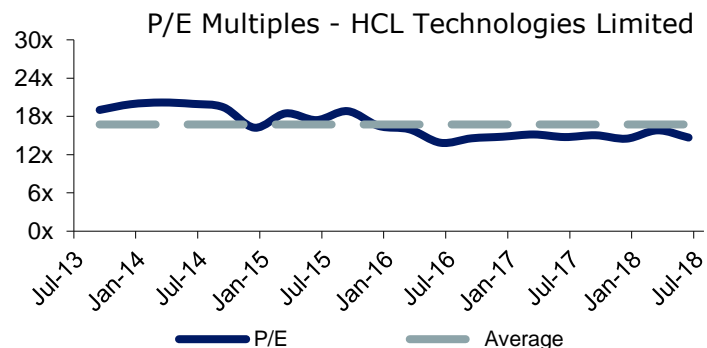
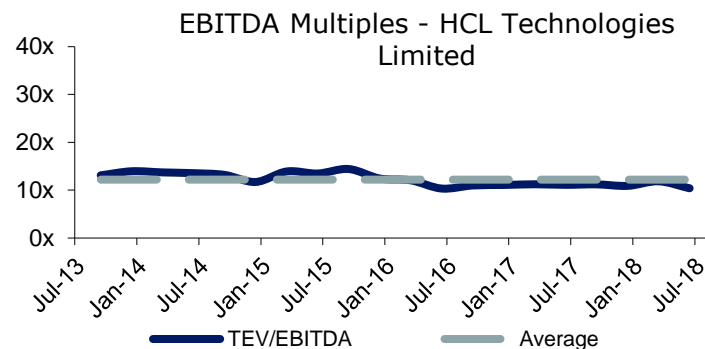
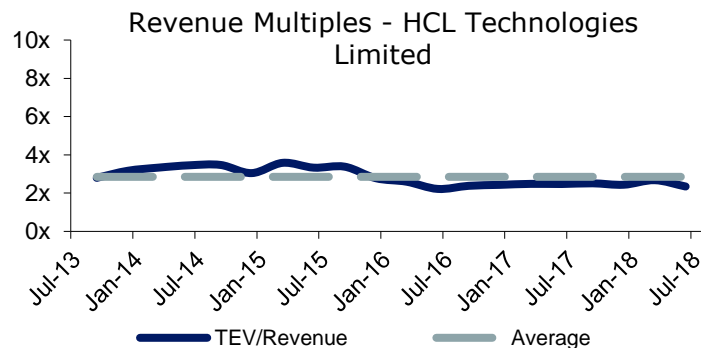
Date	Key Development Headline
5/15/18	CGI Group Inc. (TSX:GIB.A) acquired Facilite Informatique Canada Inc.
5/2/18	CGI Seeks Acquisitions
12/6/17	CGI Group Inc. (TSX:GIB.A) acquired Paragon Solutions, Inc. for 60.6 million.
11/8/17	CGI Group Seeks Acquisitions
8/22/17	CGI Group Inc. (TSX:GIB.A) acquired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

Public Basket



HCL Technologies Limited

HCL Technologies Limited provides software, business process outsourcing, and information technology (IT) infrastructure services worldwide. The company offers IT infrastructure management, cloud computing, data center, managed mainframe and maintenance, network, service integration and management, and workplace services, as well as autonomies and orchestration services, products, and platforms.. HCL Technologies Limited was founded in 1976 and is headquartered in Noida, India.



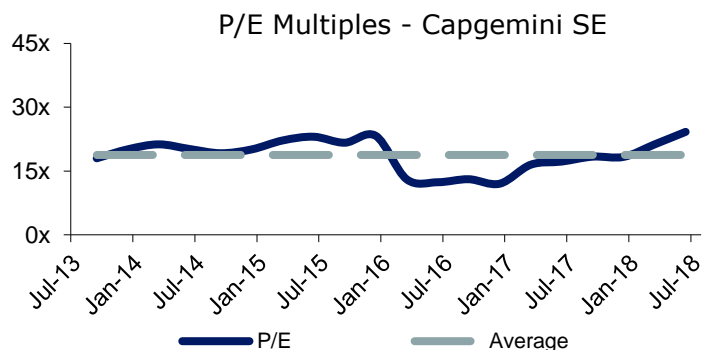
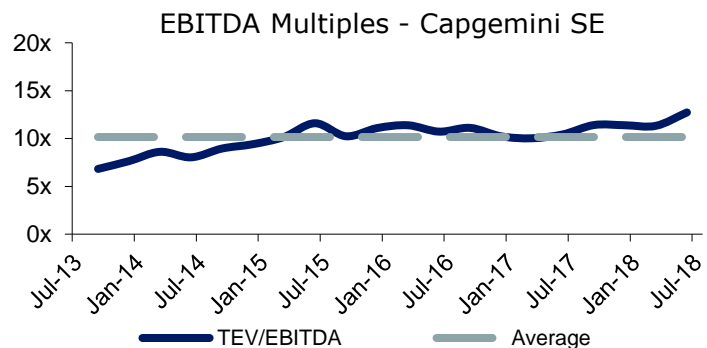
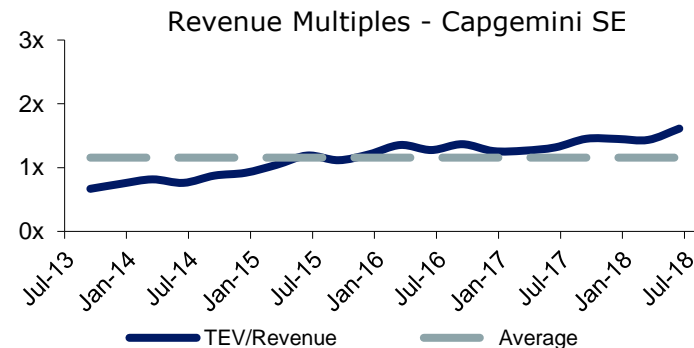
Date	Key Development Headline
6/26/18	HCL Technologies Limited (NSEI:HCLTECH) signed a definitive agreement to acquire Hönigsberg & Düvel Datentechnik GmbH for €30 million.
6/1/18	JDA and HCL Technologies Announce Alliance Agreement for JDA Commerce, SofTechnics, and PRM Solutions
5/2/18	HCL Seeks Acquisitions
4/11/18	HCL Technologies Limited (NSEI:HCLTECH), Sumeru Equity Partners, Inc. and Rohit DeSouza, the Chief Executive Officer and President of Actian Corporation, signed a definitive agreement to acquire Actian Corporation from Garnett & Helfrich Capital and others for \$330 million.
3/22/18	HCL Comnet Ltd. acquired HCL Training and Staffing Services Pvt. Ltd. from HCL Technologies Limited (NSEI:HCLTECH) for INR 23.5 million

Public Basket



Capgemini SE

Capgemini SE provides consulting, technology, and digital transformation services. It addresses clients' opportunities in the world of cloud, digital, and platforms, as well as enables organizations to realize business ambitions through an array of services from strategy to operations. The company's Consulting Services segment offers strategy and transformation consulting services primarily in digital transformation that enhance the performance of organizations based on intimate client relationships, and the knowledge of client industries and processes. Its Technology & Engineering Services segment provides assistance and support to internal IT teams of client companies. 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

Contact Information

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