



Sectorwatch: Managed Service Providers

June 2018

Managed Service Providers

June 2018

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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.

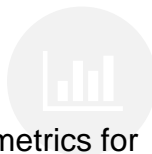
Dashboard

- Summary metrics on the sector
- Commentary on market momentum by comparing the most recent 12-month performance against the last 3-year averages.



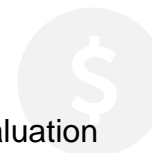
Public Basket Performance

- 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

↓ -0.02

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

↓ -0.5%

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

Current gross profit margin is less than the average of the last 3 years gross profit margins, indicating customer pricing power

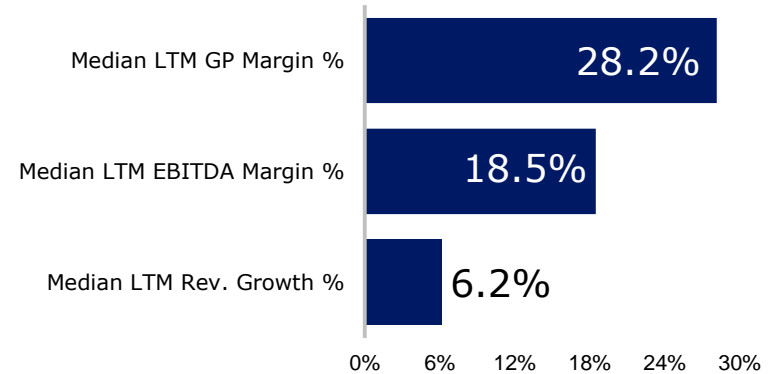
Profitability Momentum

↑ 2.2%

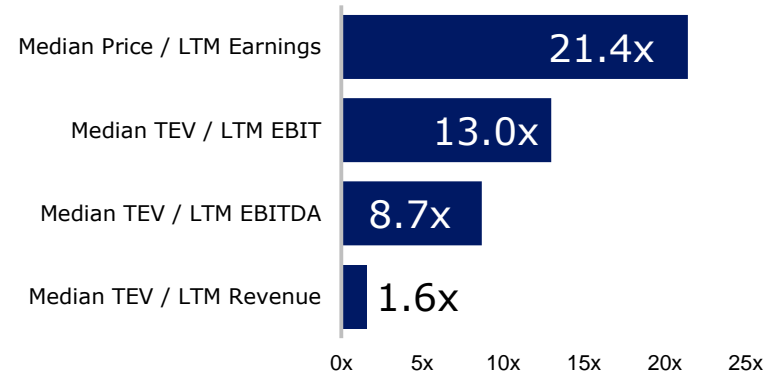
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

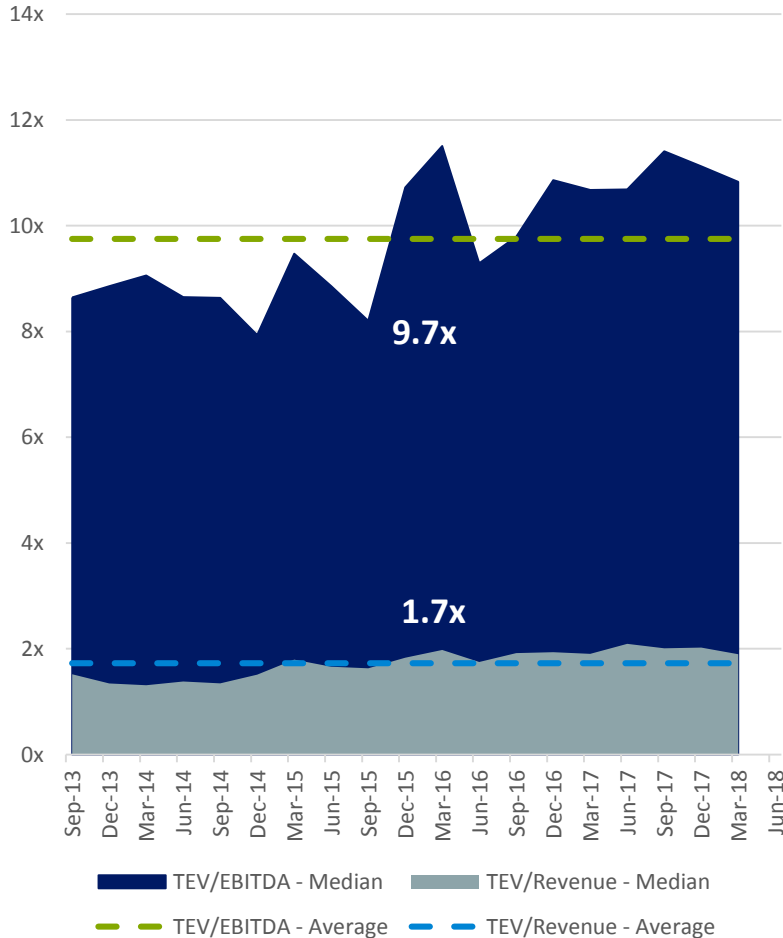


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Pivot Technology Solutions, Inc.	196	1,558	7%	11%	2%	0.1	7.7	770	2,024
Atos SE	14,398	15,239	5%	14%	13%	1.0	7.8	89,989	169
CGI Group Inc.	18,482	8,695	5%	29%	17%	2.2	13.2	71,000	122
DXC Technology Company	28,469	24,556	223%	27%	20%	1.2	5.7	150,000	164
Cognizant Technology Solutions Corporation	41,280	15,176	10%	38%	21%	2.7	13.1	260,000	58
International Business Machines Corporation	159,949	80,056	1%	46%	21%	2.0	9.6	366,600	218

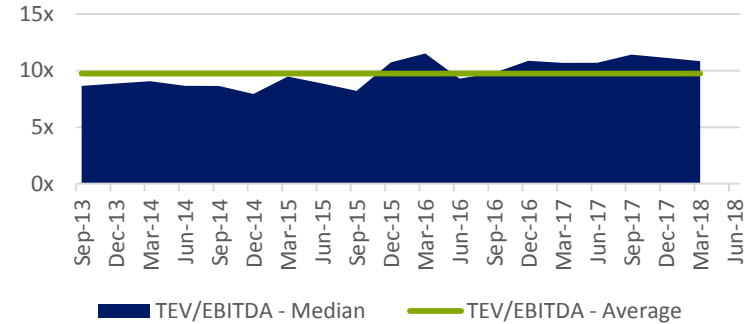
Average	43,796	24,213	42%	28%	15%	1.5	9.5	156,393	459
Median	23,475	15,208	6%	28%	18%	1.6	8.7	119,995	167

share price as of 29Jun18

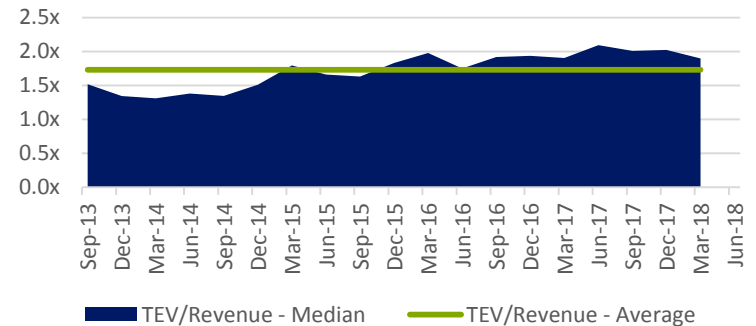
Public Basket Valuation Trends



Public EBITDA Multiples over Time



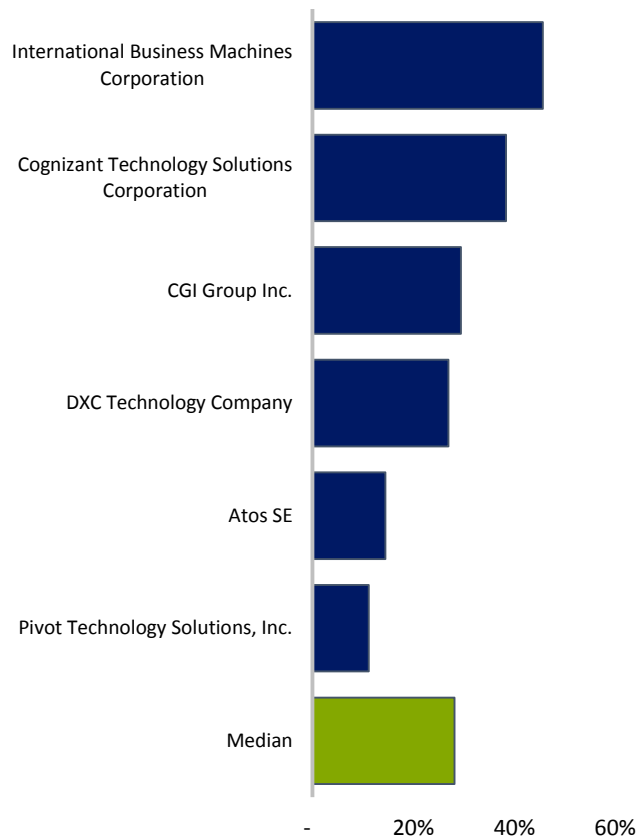
Public Revenue Multiples over Time



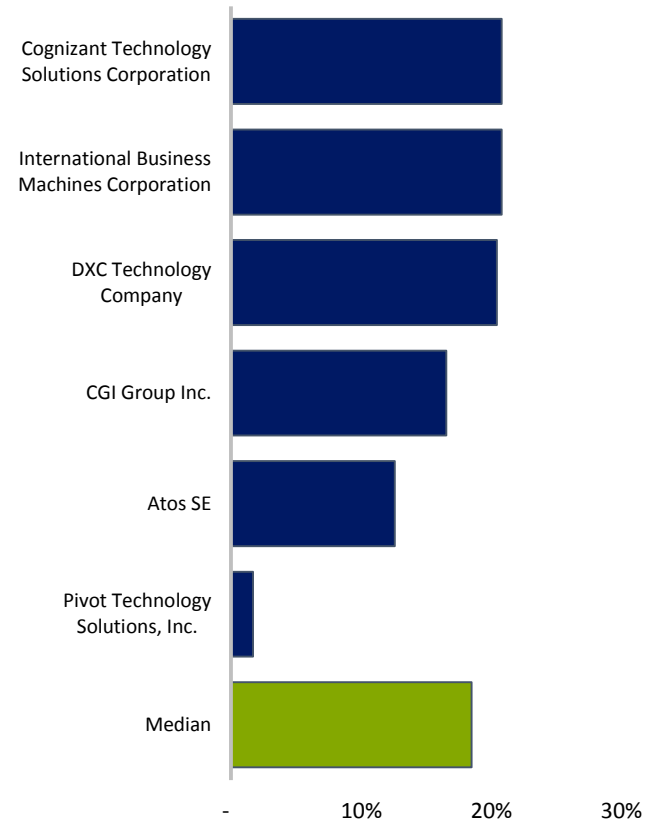
Operational Metrics



LTM Gross Profit Margin %



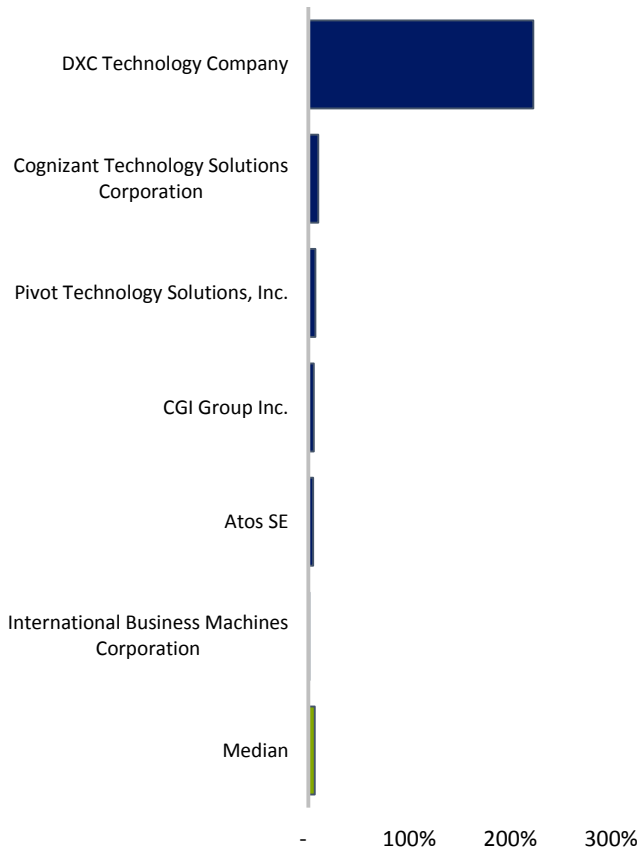
LTM EBITDA %



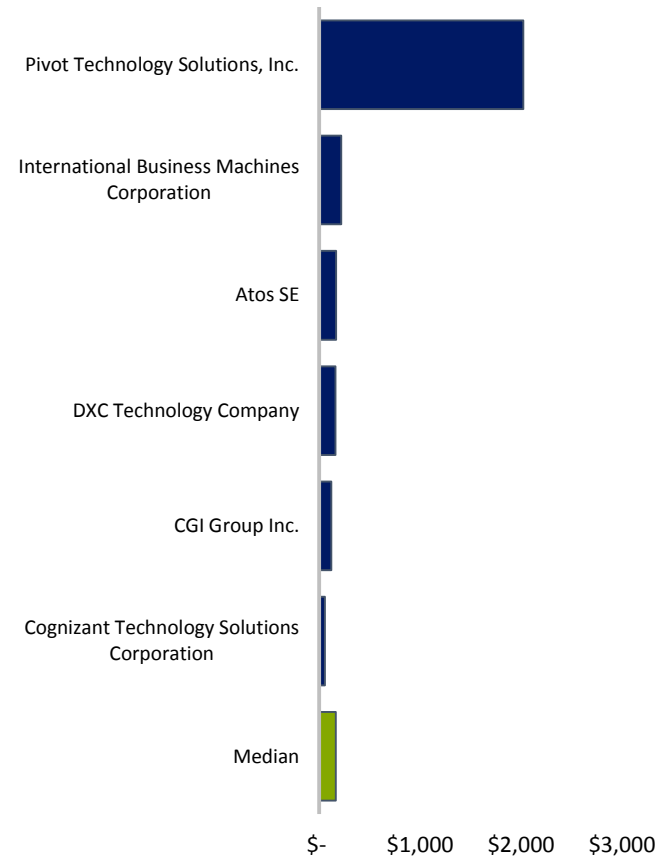
Operational Metrics



LTM Revenue Growth %



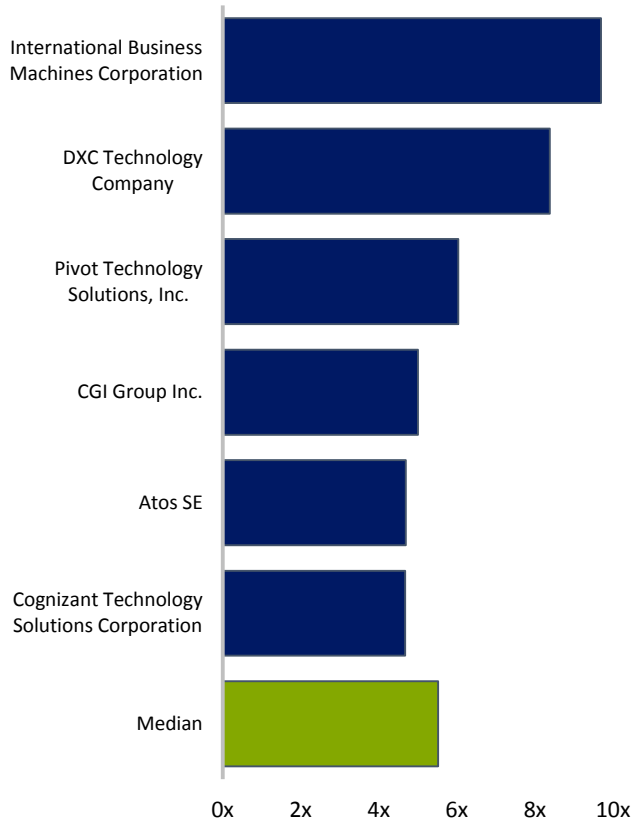
LTM Revenue per Full Time Employee x 000's



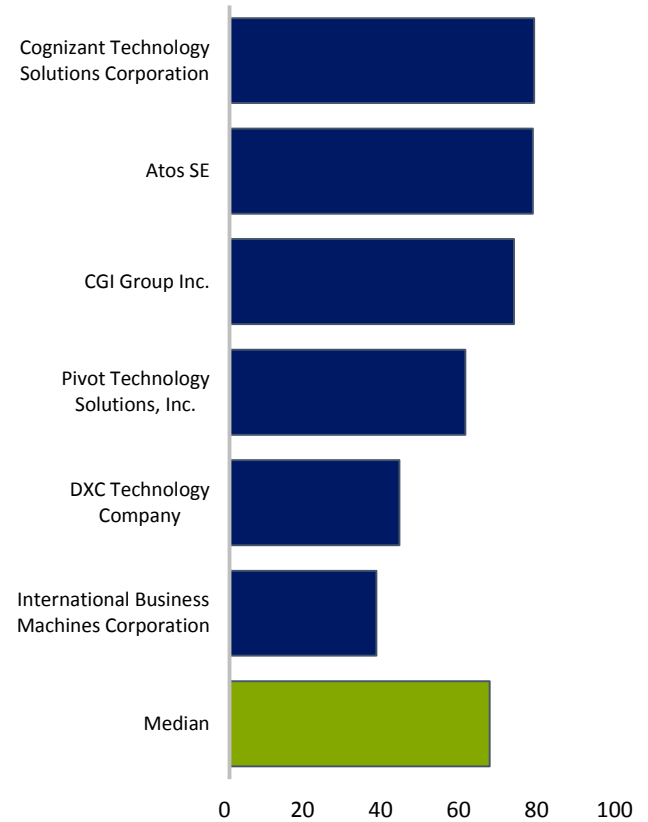
Operational Metrics



Accounts Receivable Turnover



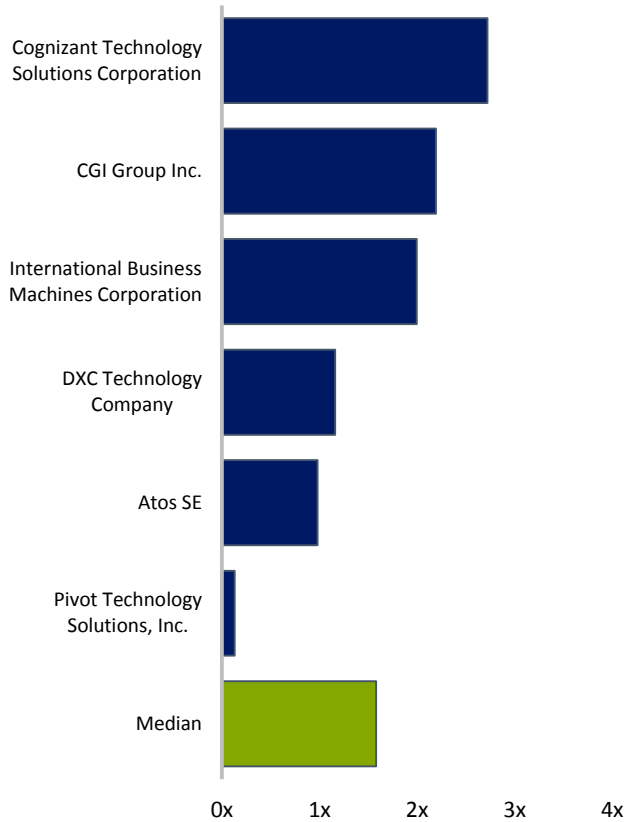
Average Days Sales Outstanding



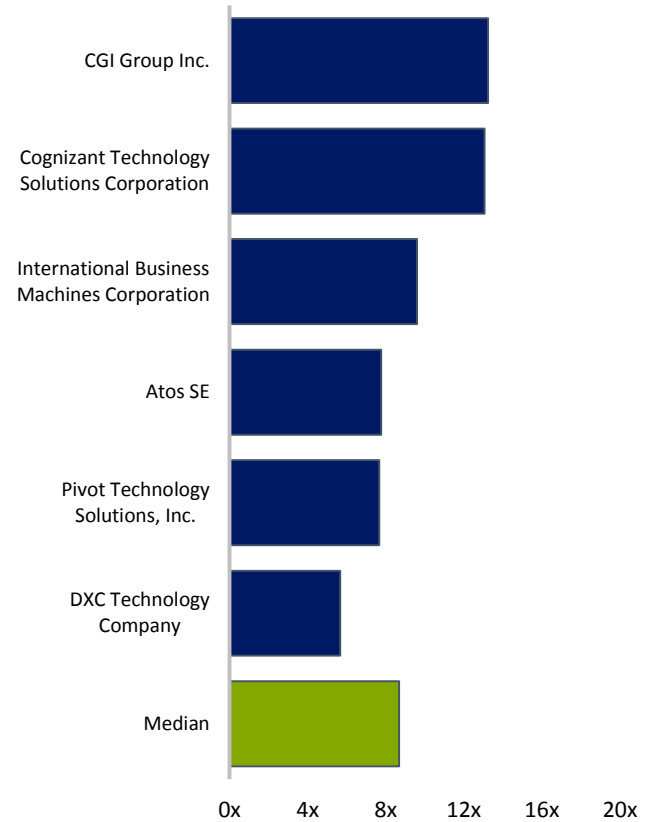
Valuation



TEV / LTM Revenue



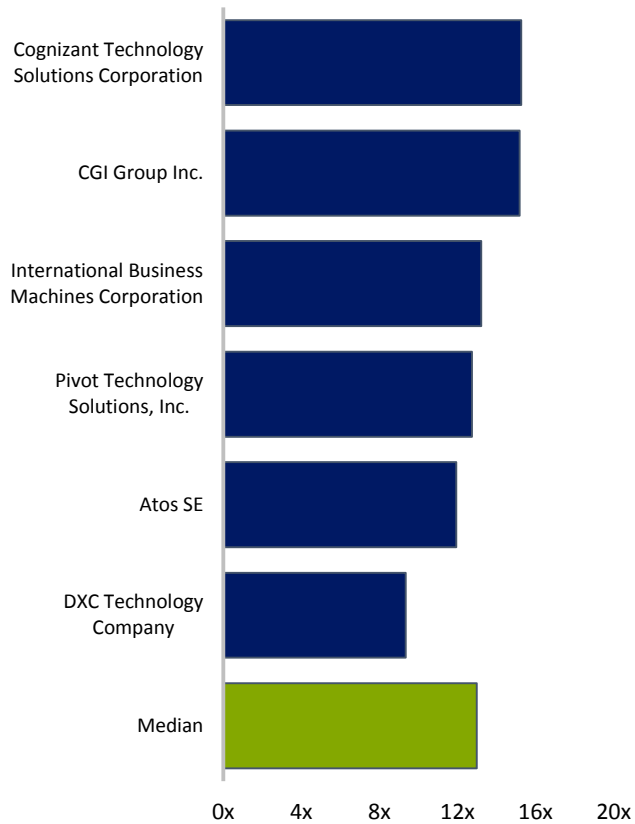
TEV / LTM EBITDA



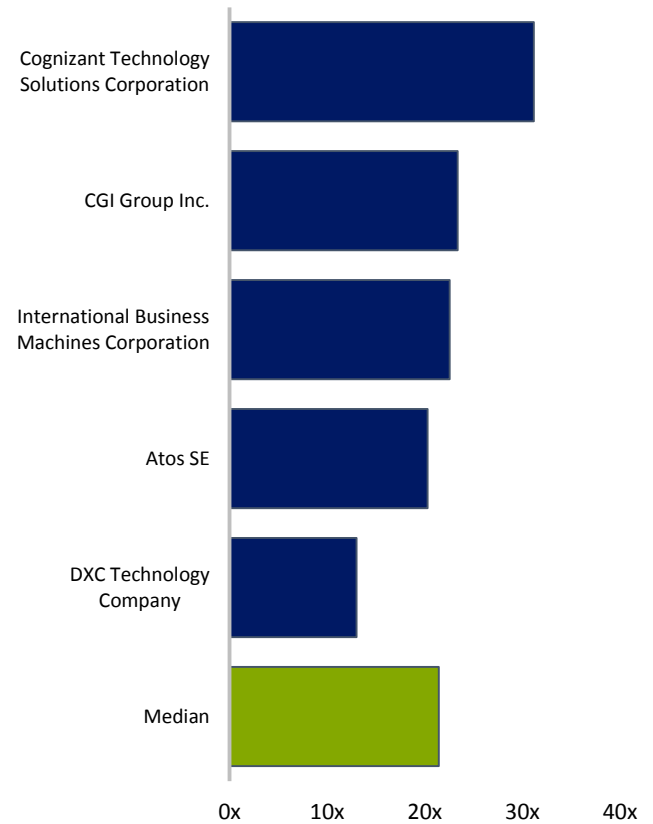
Valuation



TEV / LTM EBIT



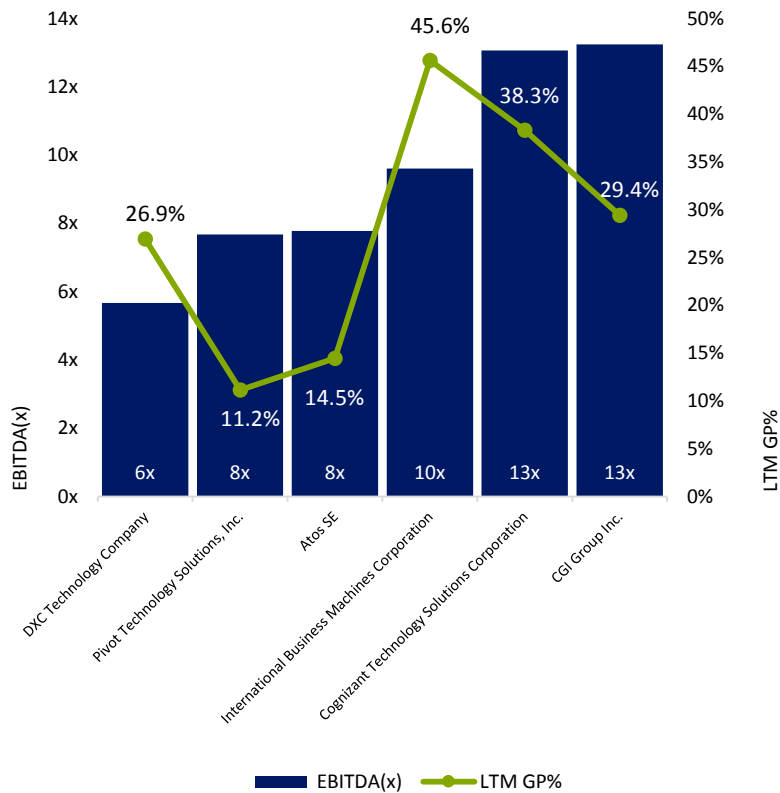
Price / LTM Earnings



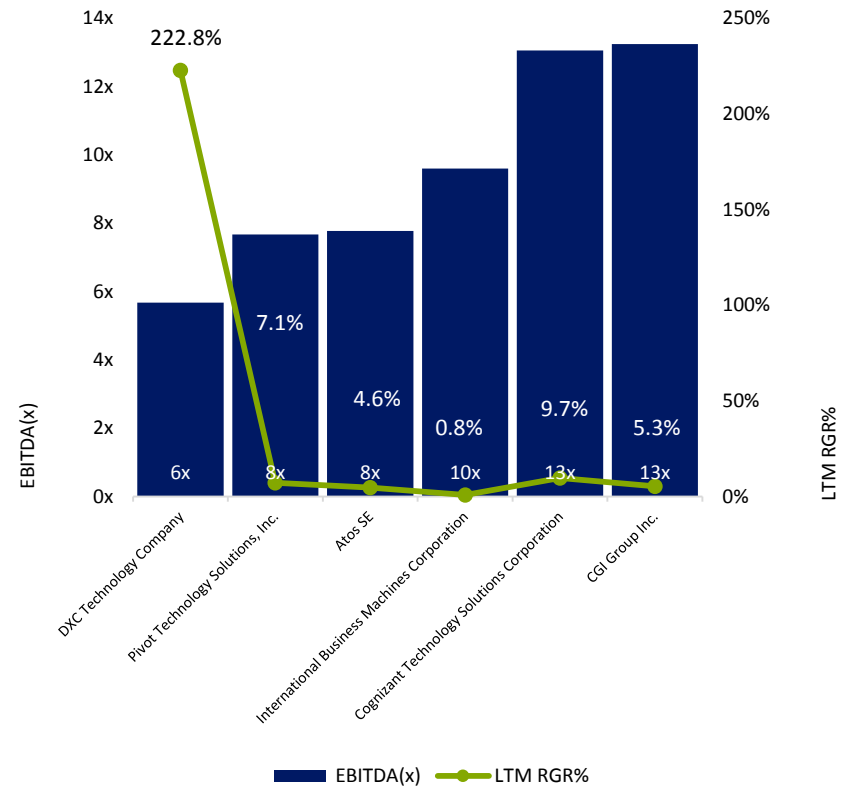
Valuation



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
5Jun18	Managed Services (US) Division of PTS Consulting Group Ltd	Business Technology Partners, Inc.	-	-	-	-
1Jun18	Fargo Branch of Netrix Information Technologies, Inc.	TrueIT LLC	-	-	-	-
31May18	Infront Consulting Group Inc.	Green House Data, Inc.	-	-	-	-
30Apr18	Red Sky Solutions LLC	Presidio, Inc.	-	-	-	-
11Apr18	Ontai	Operational Technology Integrators	-	-	-	-
22Mar18	TekTegrity, Inc.	CIO Solutions, Inc.	-	-	-	-
15Mar18	Bluelock, LLC	InterVision Systems, LLC	-	-	-	-
19Feb18	Performance Vision SA	Accedian Networks Inc.	-	-	-	-
5Feb18	Datos IO, Inc. (nka:Rubrik Datos IO)	Rubrik, Inc.	-	-	-	-
15Dec17	Alexander Open Systems, Inc. (nka:AOS, a ConvergeOne Company)	ConvergeOne, Inc. (nka:ConvergeOne Holdings, Inc.)	65.86	-	-	-
13Dec17	Nexus Technologies, Inc.	ABRY Partners, LLC	-	-	-	-
12Dec17	Mercury Technology Group, Inc.	Velocity Technology Solutions, Inc.	-	-	-	-
16Nov17	Netserve365, LLC	Magna5 LLC	-	-	-	-
13Nov17	Secure-24, Inc.	NTT Communications Corporation	-	93.00	-	-
2Oct17	Forsythe Technology, Inc.	Sirius Computer Solutions, Inc.	-	1,000.00	-	-
8Aug17	Data Intensity, LLC	EQT Partners AB; EQT Mid Market US	-	-	-	-
8Aug17	We Are IT LLC	Versent Group LLC	-	-	-	-
20Jul17	Performance Data LLC	Park Place Technologies, Inc.	-	-	-	-
9Jul17	OnX Holdings LLC	Cincinnati Bell Inc.	199.00	614.00	0.3x	6.9x
12Jun17	ViaWest, Inc.	Peak 10 Holding Corporation (nka:Flexential Intermediate Corporation)	1,675.00	-	-	-
7Jun17	Arizona Internet, L.L.C.	Nexus Technologies, Inc.	-	-	-	-
25May17	TriCore Solutions, LLC	Rackspace Hosting, Inc.	-	-	-	-
16May17	OneCloud Consulting Inc.	ePlus Technology, inc.	13.30	-	-	-
9May17	Strut Digital Pty Ltd	Deloitte Touche Tohmatsu Australia	-	-	-	-
8May17	InsideTrack, Inc.	Strada Education Network, Endowment Arm	-	-	-	-
28Apr17	Verizon Communications Inc., Cloud and Hosting Service Business	International Business Machines Corporation	-	-	-	-
1May17	Paradigm Technology Consulting, LLC	Geisinger Medical Management Corporation	-	-	-	-
18Apr17	NetSPI, Inc.	Sunstone Partners	-	-	-	-
12Apr17	Softech Limited	Eamon Moore IT Solutions Ltd.	-	-	-	-
27Mar17	Velocity Managed Services, Inc., Medical Cloud Hosting Division	Trapp Technology, Inc.	-	-	-	-
27Mar17	Day1 Solutions LLC	Deloitte Digital	-	-	-	-
6Mar17	Maintech, Incorporated	Oak Lane Partners, LLC	18.30	-	-	-
24Jan17	DSM Computing Solutions Inc.	Apogee IT Services, Inc.	-	-	-	-

Managed Service Providers

June 2018

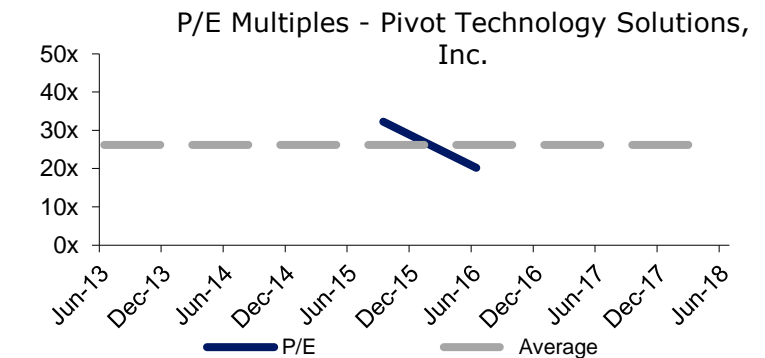
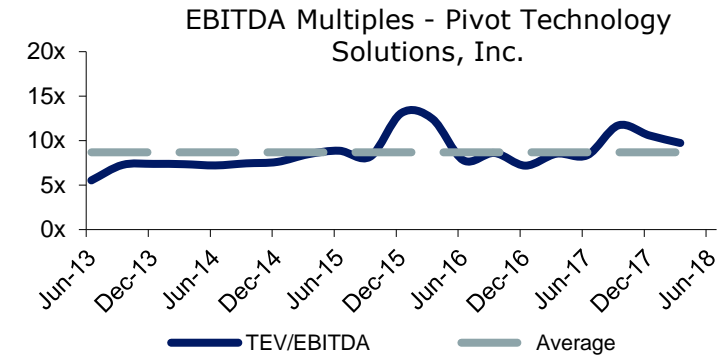
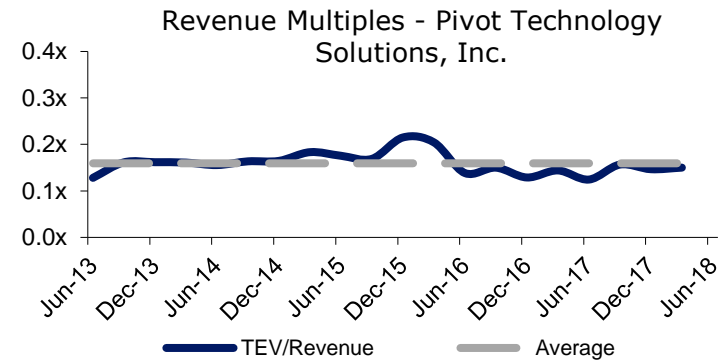
APPENDIX:
Public Basket
Constituents

Public Basket



Pivot Technology Solutions, Inc.

Pivot Technology Solutions, Inc. provides IT solutions to businesses, government, and education institutions, and healthcare organizations in North America and Europe. The company operates through ACS, ARC, ProSys, Sigma, and TeraMach segments. The ACS segment provides systems, storage, security, and networking solutions. The ARC segment offers analysis, planning, design, procurement, installation, and consultation services. The ProSys segment provides IT infrastructure, hardware, and software solutions, as well as professional services. The Sigma segment offers implementation, maintenance, data centers, cloud, and mobility services. The TeraMach segment provides technical solutions, staffing, and cloud services. The company serves in IT spectrum, including data centers, unified communications, networking and storage, mobile and handheld devices, laptops and desktops, and computer peripherals. Pivot Technology Solutions, Inc. has a strategic partnership with VIQ Solutions Inc. The company was founded in 2010 and is headquartered in Toronto, Canada.



Date	Key Development Headline
11/12/17	Pivot Technology Solutions, Inc. (TSX:PTG) acquired 40% stake in Applied Computer Solutions, Inc. for \$14.2 million.

Public Basket

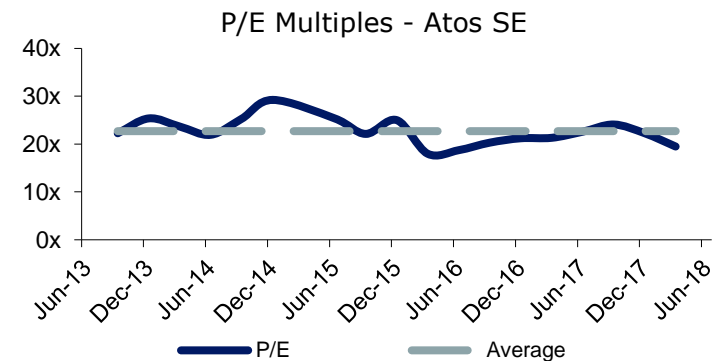
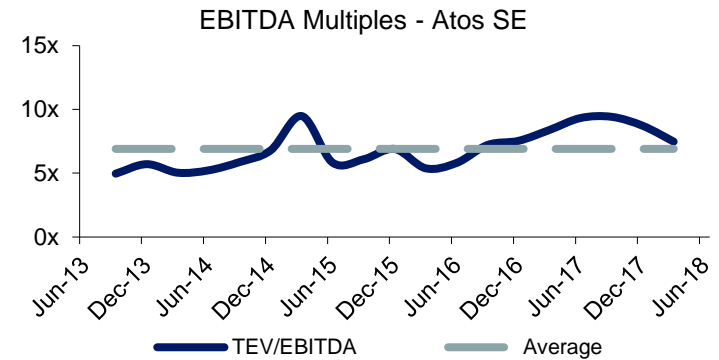
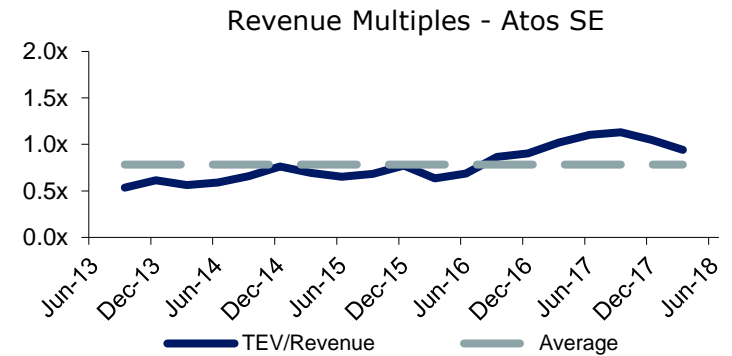


Atos SE

Atos SE provides information technology services and solutions worldwide. It offers infrastructure and data management services, including cloud services and digital workplace services, business and platform solutions, big data, and cybersecurity products and services, as well as transactional services. The company's solutions include automated help and interaction centers, cloud and mobile solutions, unified communications and collaboration tools; Atos Codex, a suite of business-driven analytics and IOT solutions and services; business process outsourcing; business and platform solutions for mobile apps and devices, as well as SaaS integration; and computing platforms, security solutions, software appliances, and services. It also offers payments and transactional services. The company primarily operates under the Atos, Atos Consulting, Atos Worldgrid, Bull, Canopy, Unify, and Worldline brands. It serves defense, financial services, health, manufacturing, media, utilities, public sector, retail, telecommunications, and transportation sectors. The company has a strategic partnership with OutSystems. Atos SE was incorporated in 1982 and is headquartered in Bezons, France.

Date	Key Development Headline
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4/25/18	Atos Seeks Acquisitions
4/11/18	OutSystems Announces New Strategic Partnership in UK and Ireland with Atos
4/10/18	Atos SE (ENXTPA:ATO) acquired Air-Lynx SAS.



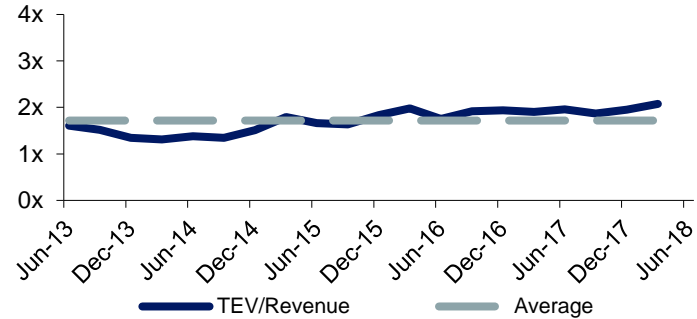
Public Basket



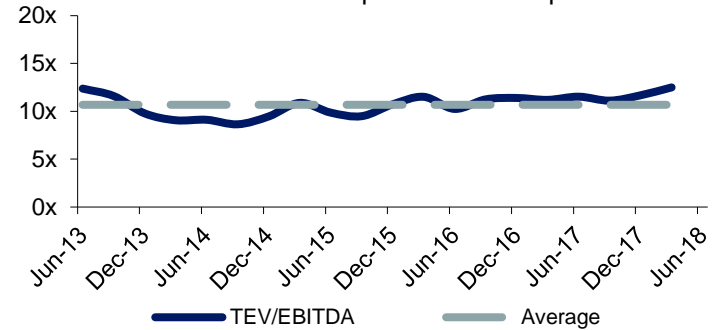
CGI Group Inc.

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.

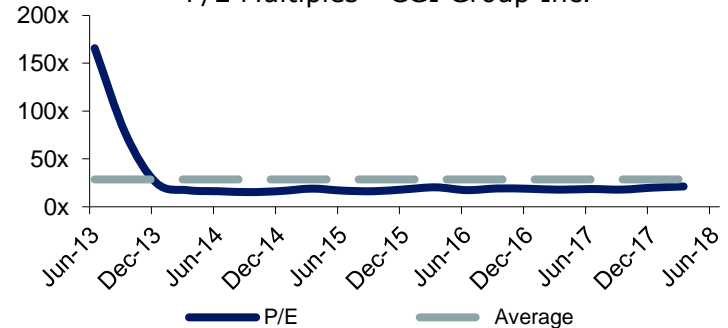
Revenue Multiples - CGI Group Inc.



EBITDA Multiples - CGI Group Inc.



P/E Multiples - CGI Group Inc.



Date	Key Development Headline
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5/15/18	CGI Group Inc. (TSX:GIB.A) acquired Facilite Informatique Canada Inc.
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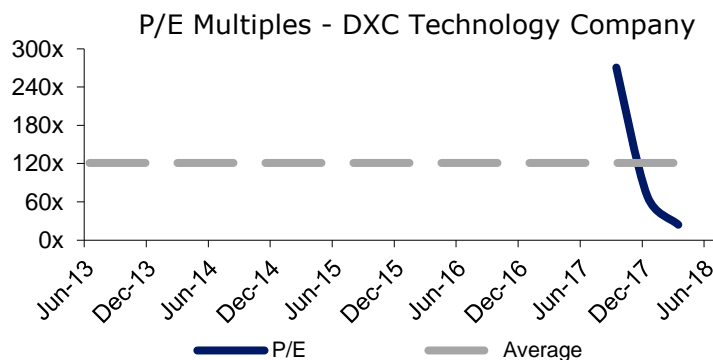
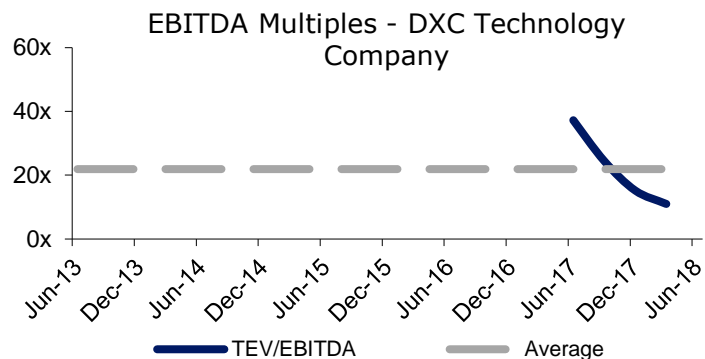
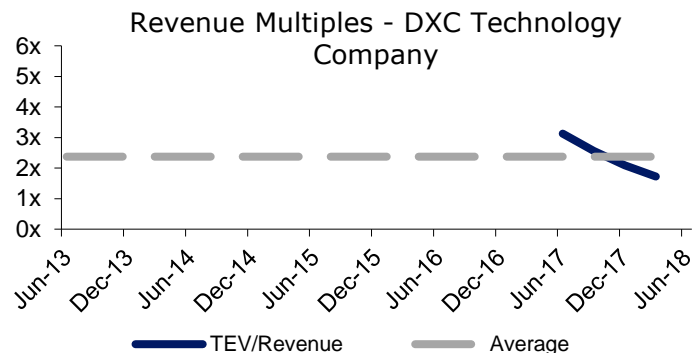
5/2/18	CGI Seeks Acquisitions
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Public Basket



DXC Technology Company

DXC Technology Company, together with its subsidiaries, provides information technology services and solutions primarily in North America, Europe, Asia, and Australia. The GBS segment offers technology solutions comprising enterprise, cloud application, and consulting services; application services; analytics services; business process services; and industry software and solutions. The GIS segment offers cloud and platform services; workplace, mobility, and Internet of Things services; and security solutions. The USPS segment delivers IT services and business solutions to all levels of government in the United States. DXC Technology Company was founded in 1959 and is headquartered in Tysons, Virginia.



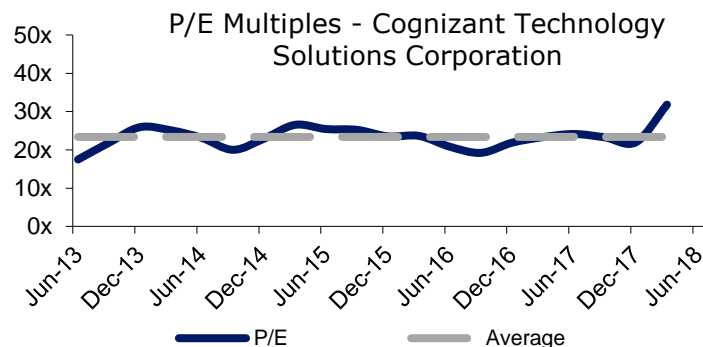
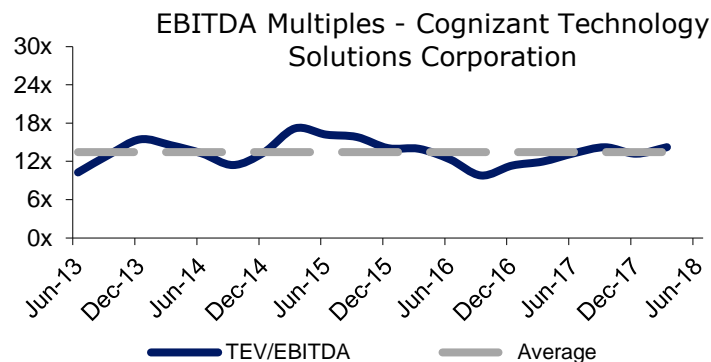
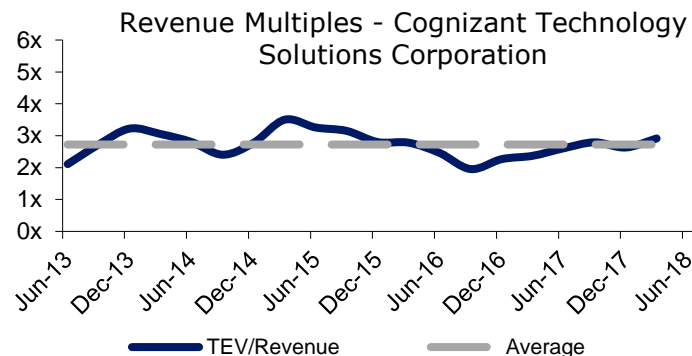
Date	Key Development Headline
6/26/18	DXC Technology Company (NYSE:DXC) entered into a purchase and sale agreement to acquire Molina Information Systems, LLC from Molina Healthcare, Inc. (NYSE:MOH) for \$266 million.
5/30/18	KeyPoint Government Solutions, Inc. and Vencore Holding Corp. completed the acquisition of U.S. Public Sector Business from DXC Technology Company (NYSE:DXC) in a Reverse Morris trust transaction on June 1, 2018.
5/24/18	DXC Technology Mulls Acquisitions
4/3/18	DXC Technology Company (NYSE:DXC) acquired Sable37 and eBECS.
2/8/18	DXC Technology 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.



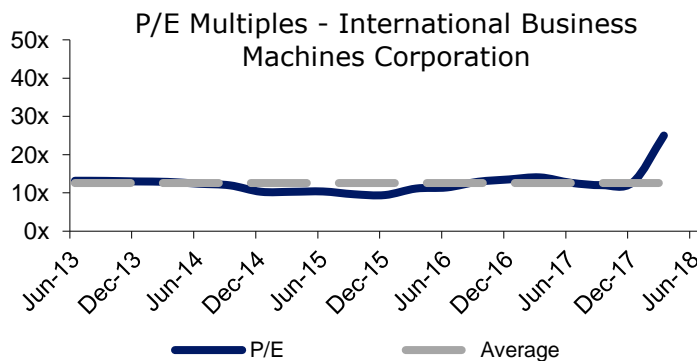
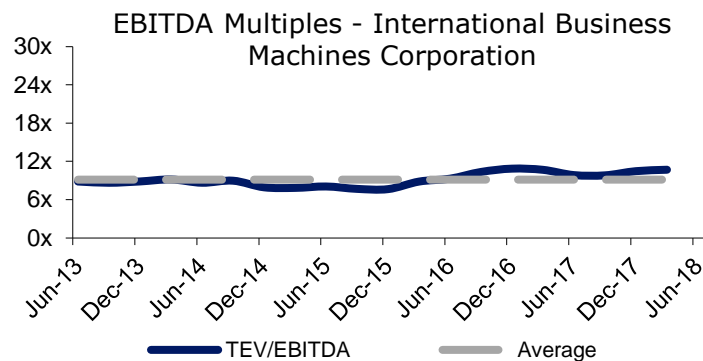
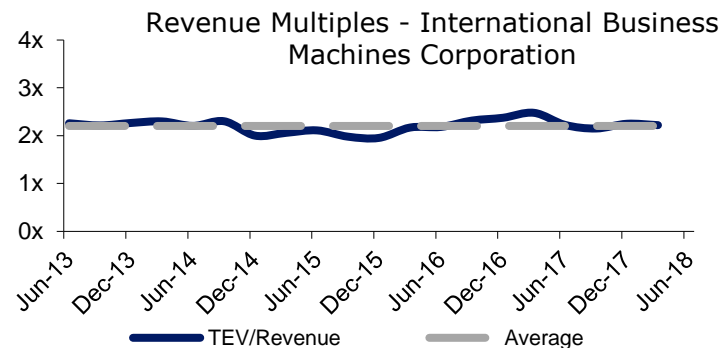
Date	Key Development Headline
5/6/18	Cognizant Technology Solutions Eyes Acquisition
5/1/18	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) acquired Hedera Consulting BVBA.
4/18/18	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) completed the acquisition of Bolder Healthcare Solutions 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.
11/29/17	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) completed the acquisition of Netcentric AG.

Public Basket



International Business Machines Corporation

International Business Machines Corporation operates as an integrated technology and services company worldwide. Its Cognitive Solutions segment offers Watson, a cognitive computing platform that interacts in natural language, processes big data, and learns from interactions with people and computers. This segment also offers data and analytics solutions, including analytics and data management platforms, cloud data services, enterprise social software, talent management solutions, and solutions tailored by industry; and transaction processing software that runs mission-critical systems in banking, airlines, and retail industries. International Business Machines Corporation was founded in 1911 and is headquartered in Armonk, New York.



Date	Key Development Headline
6/14/18	International Business Machines Corporation (NYSE:IBM) acquired Oniqua Pty Ltd. from ASCO Holdings Limited.
6/7/18	Intellect Design Arena Limited and International Business Machines Corporation to Deliver Seamless Digital Transformation to the Large Banks with IBM Cloud
4/26/18	Host Hotels & Resorts, Inc. Announces Joint Development Agreement with IBM Research
2/22/18	Industrial Realty Group, LLC completed the acquisition of the Rochester, Minnesota technology campus of International Business Machines Corporation (NYSE:IBM) for \$33.9 million.
2/15/18	IBM and SpaceBelt Collaborate on Innovative Architecture for Secure Cloud Management and Storage in Space

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
Tom Dinnegan, Managing Director	310.426.2410	tom@7mileadvisors.com
Ben Lunka, Managing Director	704.496.2995	ben@7mileadvisors.com
Jeff Stoecklein, Managing Director	312.373.3737	jeff@7mileadvisors.com
Kristina Sergueeva, Director	704.899.5149	kristina@7mileadvisors.com
Neil Churman, Director	704.899.5960 x 121	neil@7mileadvisors.com
John Cooper, Director	704.973.3996	john@7mileadvisors.com
Tim Frye, Director	704.973.3994	tim@7mileadvisors.com
Casey Augustine, Business Development - Manager	704.973.3999	casey@7mileadvisors.com
Nicholas Prendergast, Financial Analyst	704.899.5960	nicholas@7mileadvisors.com
Ariail Siggins, Marketing Director	704.899.5960 x 123	ariail@7mileadvisors.com
Sydney Larese, Associate	704.899.5960	sydney@7mileadvisors.com
Marty Johnson, Associate	704.899.5960	marty@7mileadvisors.com
Rory Julyan, Associate	704.899.5960	rory@7mileadvisors.com
Garth Martin, Associate	704.899.5960 x 109	garth.martin@7mileadvisors.com
Chevonese Dacres, Analyst	360.499.1502	chevonese@7mileadvisors.com