



FINTECH DIGITAL TRANSFORMATION

market landscape
q4 2018

*All securities transactions are executed by
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forward

Overview

Digital Transformation is a popular phrase in today's business and IT services market with many companies stating that they provide Digital Transformation services, or assist companies in transforming digitally. But what exactly does this mean, what companies are exceeding at providing this service, and what is the market outlook for these providers?

This report takes a deeper look into how the financial services industry has seen this critically important integration of technology, how it has disrupted the market to this point, and what this means for M&A activity in the future. More specifically, the focus is on companies that have succeeded in providing digital transformation services, at a minimum, to financial service clients. In addition, the report will look into the ecosystem including companies that are technology partners and those that are in a position to utilize acquisitions or have done so recently.

Within this ecosystem, we focus on:

- Top service providers
- Technology vendors
- Strategic buyers
- Trading Multiples
- Notable M&A transactions
- Financial Sponsors
- Top conferences to attend

So what exactly does digital transformation encompass and what implications do the new technologies have on the industry? Broadly

speaking, digital transformation is the result of companies providing a digital experience for their users. This includes applications on mobile devices, tablets, internet browsers, among many other platforms. But that is not where this transformation ends. Companies need to also take into consideration what technology is used on the back end that supports client facing applications and what platform or vendors to utilize. Numerous technologies have been utilized, especially in the financial services industry, to better client/user experience, including Robotic Process Automation (RPA), Machine Learning (ML), Artificial Intelligence (AI), among many others. Additionally, within each technology, there are multiple vendors that offer their own value-add. These variables in the market have created a vibrant ecosystem that allows well-positioned companies the ability to thrive and numerous reasons for companies to utilize M&A activity to acquire new technologies and clientele.

As mentioned, companies within the IT services industry that focus on digitally transforming the financial services industry are ripe for both growth and continued M&A activity. Legacy banks are feeling the pressures to modernize and adapt to consumer demands, which are largely driven by online financial institutions, including FinTech and other digital corporations that have already transformed. As such, 7MA has kept a close eye on what companies are leading the pack, what companies have been acquisitive in the space, and what other Private Equity Groups/financial sponsors have kept a close eye on the space.

Marty Johnston
7 Mile Advisors

TOP CANDIDATES

7MA segmented Financial Services Digital Transformation service providers based on estimated employee numbers and their focus on the financial services industry overall. Leaders in the space researched, generally find themselves involved in M&A activity towards the top of the employee range due to factors that are attractive to either financial or strategic acquirors. These include clientele, service offerings / history of quality services provided, strong management teams, etc. Top industry players in this space may also provide software solutions; however, this is not a focus in ranking. This landscape services to segment the market based on estimates and subjective perception and is by no means an absolute.

This space is very attractive right now as the financial services industry is facing pressure from many newcomers, such as FinTech, and influences from other industries, such as Amazon, and other consumer good platforms. Legacy banks have found themselves lagging behind traditional competitors and new competitors, recognizing the need to adapt, and to do so quickly. This has resulted in a dramatic shift to adopt consumer friendly, omnichannel and other integrated solutions for all aspects of life. The financial services industry will not avoid the adoption of this theme. Although there are many companies in the space that have great service offerings and deliver well, 7MA did not find a clear market leader.



TECHNOLOGY VENDORS

rpa vendors

One popular technology that is rapidly entering the financial services industry is Robotics Process Automation (RPA). RPA is seeing an adoption in the industry as a way to reduce the amount of work done by humans. This is a technology that will continue to notice adoption as financial service institutions implement efficient solutions to man power.



automation anywhere

Automation Anywhere is ranked as a leader due to its strong momentum and growth and robust solutions offering. Currently, the banking and capital markets revenue accounts for 33% of their revenue.



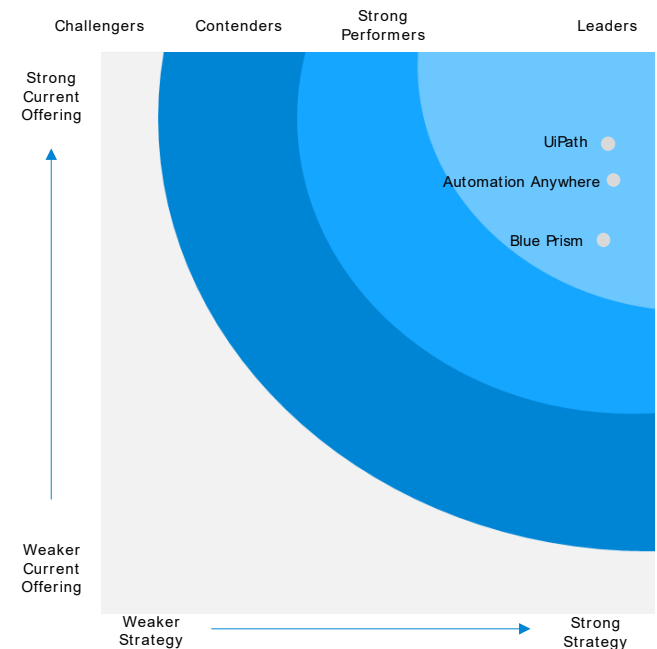
uipath

UiPath is considered a leader in the RPA industry due to a wide solutions offering that can cover a range of tasks and multiple methods of organizing activity. UiPath solutions are also easily integrated with third-party solutions.

blueprism

blue prism

Blue Prism is viewed as a leader due to notable revenue growth and continued plans to grow the company. Customers have referenced approval of how Blue Prism plans to meet ongoing changes in the marketplace.



Source: Forrester (July 2018)

TECHNOLOGY VENDORS

mobile app development platforms

Another notable technology that is prevalent in the digital transformation within the financial services industry is: Mobile Application Development Platforms (MADP). Accessing information or services instantaneously has become the norm for consumers in a world where they are able to order products and make decisions from their mobile device or tablet. MADP providers will continue to see increases to work as the financial services institutions feel pressure to create and update their platforms.



i-exceed

I-exceed is considered a niche player due to its small customer base (fewer than 80), yet has seen consistent growth in customer acquisition. With nearly all of their customers being from the banking, finance and insurance industries they have shaped banking-specific microapps and accelerators.



kony

Kony is consistently included as a leader in mobile app development and was one of the original MADP vendors. Due to strong relationships with industry partners such as CDW, Diebold Nixdorf, SoftBank and Tech Data (Avnet), Kony has access to the financial services industry. Kony offers pre-packaged digital banking SaaS applications on top of its platform, which enabled it to target business buyers in the banking sector.



Source: Gartner (July 2018)

TECHNOLOGY VENDORS

management consulting

The third vendor highlighted is Management Consulting firms that are leaders in providing CRM and Customer Experience Implementation services, worldwide. The IT services industry is oversaturated with different platforms, services and options for financial services companies that are rapidly needing to innovate to keep up with legacy institutions, new technologies (such as FinTech and Online Banks) and consumer demands. We highlight five firms that are seen as leaders in the space and have experience working with large financial institutions. All five institutions highlighted have greater than 10% of their revenue attributable to the financial services industry, which includes banking/securities/insurance [3]

accenture

accenture

Accenture has a vision to expand its current digital and business transformation offering, making it a leader in this industry. Currently, Gartner estimate Accenture as one of the two largest CRM and CX Service providers, with over 10% coming from the banking/securities an insurance industries.

Capgemini

capgemini

Capgemini has an above-average market growth and a focus on solutions for large or complex proejcts. Estimated to be one of the four largest CX and CRM implementation providers worldwide (revenue of \$2,6 billion), with over 10% coming from the banking/securities and insurance industry markets.

Cognizant

cognizant

Cognizant has a strong market presence and strong growth rates, with over 10% of its r evenue coming from the banking/securities and insurance markets.

NTT DATA

Trusted Global Innovator

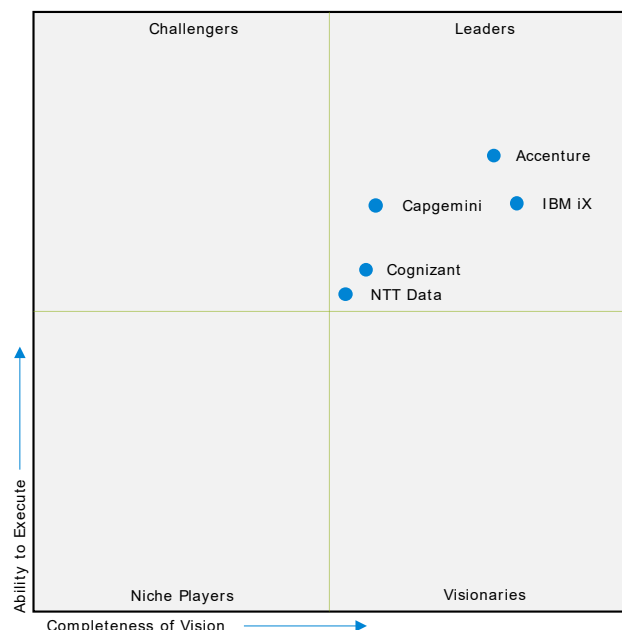
ntt data

NTT Data offers CX consulting and CRM technology implementation that attributes more than 10% of its global revenue to the banking/securities and insurance industries.

IBM

ibm ix

IBM has a vision and ability to integrate solutions, and like its other leaders has over 10% of its revenue coming from banking/securities and insurance industries.



Source: Gartner (January 2018)

TECHNOLOGY VENDORS

Public information as of December for 2018 LTM [4] is depicted for the various technology partners within the above mentioned groups. Notably, the companies that provide Mobile Application Development Platforms are delivering higher Gross Profits, resulting in a higher revenue multiple. Currently, the average and median gross profit for the group is 71% and 70%, resulting in average and median revenue multiples of 5.7x and 4.6x respectively. Trailing closely behind is the Robotics Process Automation (RPA) group, gross profit of 66% and revenue multiple of 4.7x, and lagging is the Management Consulting group, that focuses on CRM and Customer Experience Implementation Services. The gross profit average and median for the last group is 37% & 34% respectively, resulting in average and median revenue multiples of 2.6x and 2.2x.

Public Management Consulting Vendors

Company	TEV \$m	LTM Rev \$m	Rev Gr. YoY	GP %	EBITDA %	TEV / Rev X
Virtusa Corporation	1,432	1,151	25%	29%	8%	1.2
Tech Mahindra	7,864	4,513	9%	34%	17%	1.7
Wipro	18,388	7,719	2%	29%	17%	2.4
HCL Technologies	18,558	8,179	11%	35%	23%	2.2
Capgemini	19,847	15,143	3%	26%	21%	2.2
NTT Data	20,271	18,671	7%	25%	15%	1.1
Cognizant	35,202	15,824	10%	39%	21%	2.2
Infosys	38,619	11,313	8%	35%	27%	3.4
Accenture	94,463	39,573	14%	31%	16%	2.4
Salesforce.com	105,777	12,484	25%	74%	9%	8.5
IBM	141,680	80,373	3%	46%	21%	1.8

Public Mobile App Development Vendors

Company	TEV \$m	LTM Rev \$m	Rev Gr. YoY	GP %	EBITDA %	TEV / Rev X
Progress	1,542	402	1%	89%	37%	3.8
Appian	1,595	217	36%	63%	-18%	7.3
Pegasystems, Inc	3,657	842	1%	65%	-3%	4.3
RedHat	29,947	3,157	19%	85%	19%	9.5
Salesforce.com	105,777	12,484	25%	74%	9%	8.5
SAP	124,151	27,983	3%	70%	26%	4.6
IBM	141,680	80,373	3%	46%	21%	1.8
Oracle	175,253	39,920	4%	80%	40%	4.4
Microsoft	766,204	114,906	16%	65%	41%	6.7

Public RPA Vendors

Company	TEV \$m	LTM Rev \$m	Rev Gr. YoY	GP %	EBITDA %	TEV / Rev X
Pegasystems, Inc	3,657	842	1%	65%	-3%	4.3
NICE Systems	6,880	1,426	13%	66%	25%	5.0

STRATEGIC BUYERS

Strategic buyers represent real potential buyers that 7MA felt were the most relevant in this space. Relevancy was determined by taking into account a blend of: 1) current market offering(s), 2) market share, and 3) relevant deals completed in the space, similar to 7MA's "Top Industry Players".

fiserv (NASDAQ:FISV)

A leader in providing financial services technology worldwide, driving innovation in payments, processing services, risk and compliance, customer and channel management, and business insights and optimization. Winner of numerous awards and recognition, including "Bank Customer Experience Awards 2018: Best Mobile Experience for CardValet", CUNA Councils Speed Round 2017 for "Voice Banking with Amazon Alexa" presentation, among others. Ranked #1 for their market share as well as recent acquisitions of companies such as Dovetail Group among others to modernize software and services leading to a better digital experience for financial services' customers.

black knight

A behemoth in the space, Black Knight offers technology and analytic solutions to the mortgage and capital markets verticals. They help leading financial institutions overcome complex business challenges within their verticals with leading automated and intelligent solutions. Services also include analytics which allows financial institutions the ability to make more intelligent decisions based on the information at hand.

gft

A leader in digital transformation, with a focus on the financial services industry. Services include advising banking clients on old technology, as well as emerging technology, such as blockchain, AI, IoT, among others. The company has been acquisitive since 2016, acquiring companies such as WG Systems and V-Neo.

temenos

Provides software and service solutions for their customers, which is over 3,000 banks in 150 countries. As a result, Tememos is a proven leader in the market and will continue to be in the future.

avalog

Serves financial institutions across multiple countries, providing core banking software and digital technology.

finastra

Formed by the merger of Misys and D+H in 2017, Finastra is leading the next generation of technology, by delivering next-generation financial software. Finastra serves global financial institutions, including 130+ countries of all sizes and is driving digital transformation across the industry. Ranked #2 for their complete offerings of solutions across all financial service functions, they work with the top 90 of 100 banks globally, and their acquisition of Malauzai. Malauzai is a provider of mobile and Internet banking solutions for community financial institutions that will enable these firms to innovate, embrace digital transformation and compete.

genpact

A leader in providing digital products and solutions, including the company's 'Cora' products. The company serves a large list of clients that includes Capital Markets, Commercial & Consumer Banks, and Insurance corporations. The company recently acquired TandemSeven, a provider of consulting services that accelerates digital transformation.

jack henry & associates

JH&A was founded under the idea to excel in financial services and has been able to achieve on this mission. JH&A offers services to help corporations transform their businesses and move forward in a time that has constant change. They have been acquisitive recently, acquiring companies such as Ensenta Corporation and BOLTS technology.

fis

Provides solutions across four verticals – Banking & Wealth, Payments, Institutional & Wholesale and Corporate Solutions. Historically the company has been a leader in the market and will continue to deliver solutions that power customer service excellence.

ss&c

Delivers a combination of innovative technology and expert services to help investment and financial firms thrive in a dynamic global market.

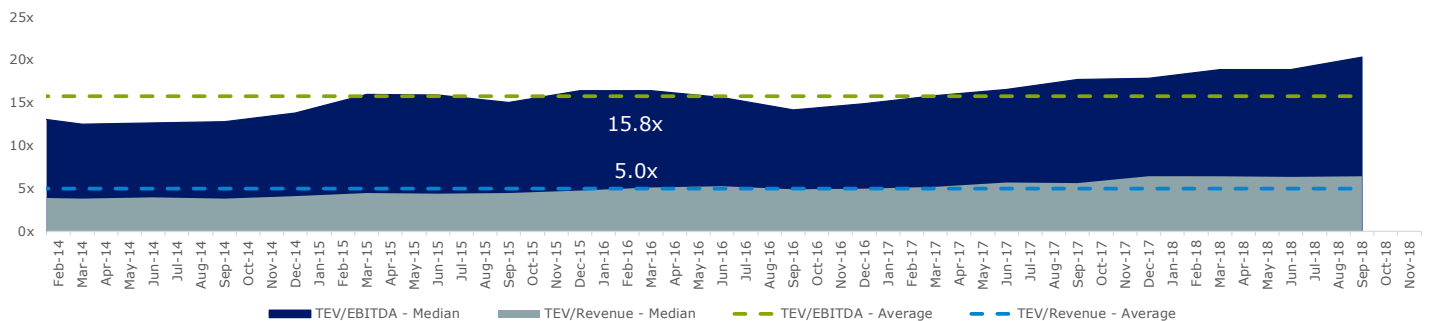
BENCHMARKING

To benchmark financial performance and multiples in this sector, 7MA conducted a public basket comparison showing LTM financial performance for Digital Transformation service companies that have a strong focus on the financial services industry. The historical chart depicts TEV / EBITDA and TEV / REV multiples in this sector. On the following page, 7MA compiled a list of related transactions in this sector.

Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
GFT Technologies SE	371	482	-2%	22%	8%	0.8	9.6	4,740	102
Alfa Financial Software Holdings PLC	446	100	-16%	75%	34%	4.5	13.2	329	303
Ellie Mae, Inc.	2,076	477	19%	58%	14%	4.4	30.6	1,480	322
Q2 Holdings, Inc.	2,178	226	22%	50%	-5%	9.7	0.0	844	267
Oracle Financial Services Software Limited	3,838	647	3%	54%	40%	5.9	14.7	8,818	73
ACI Worldwide, Inc.	3,956	1,016	-2%	56%	16%	4.0	27.0	3,979	255
Black Knight, Inc.	8,806	1,096	5%	46%	34%	8.0	23.4	4,430	247
Jack Henry & Associates, Inc.	11,030	1,568	8%	43%	31%	7.0	23.7	6,307	249
Fiserv, Inc.	36,400	5,788	3%	48%	32%	6.3	19.5	24,000	241
Fidelity National Information Services, Inc.	43,755	8,877	-1%	33%	29%	4.9	16.8	53,000	167
Average	11,286	2,028	4%	48%	23%	5.6	17.8	10,793	223
Median	3,897	832	3%	49%	30%	5.4	18.1	4,585	248

share price as of 09Nov18

- Current revenue growth rates largely vary among the group, indicating that the market may be flattening or that the market is steady and not experiencing exponential growth. Even with the lack of exponential growth across all companies, revenue and EBITDA multiples continued to see growth over the past three years.



source: capitaliq

BENCHMARKING

digital transformation

Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue
10.8.18	BOLTS Technologies	Jack Henry & Associates			
10.1.18	Agiletics, Inc.	Jack Henry & Associates			
9.25.18	ATM & Debit Servicing bus. of Elan Financial Services	Fiserv, Inc.	690.00		
9.19.18	Probanx Information System	iSignthis Ltd.			
8.17.18	BestX, Ltd.	State Street Corporation			
7.24.18	Arrow Digital LLC	Softvision, LLC			
7.20.18	Atos Syntel	Atos SE	3,670.09	966.19	3.7x
6.28.18	Convergys Corporation	Concentrix Corporation	2,744.14	2,738.70	0.9x
6.27.18	3C Deutschland GmbH	Arvato Financial Solutions			
6.18.18	Malauzai Software	Finastra Group Holdings			
6.12.18	CRIF Corporation	Thoma Bravo, LLC			
5.19.18	Ipree Holdings	Markit North America	1,855.00		
5.17.18	iovation Inc.	TransUnion			
4.25.18	Mattersight Corporation	NICE Systems, Inc.	118.92	49.27	2.7x
4.19.18	Paybox Corp.	Output Services Group			
4.5.18	MainStreet Technologies	Banker's Toolbox, Inc.			
4.4.18	WorkFusion Inc.	iNovia Capital; NGP Capital; Georgian Partners Group LP; Declaration Partners; Hawk Equity LLC	50.00		
2.7.18	Fiserv Solutions, LLC	Warburg Pincus LLC	419.00		
2.5.18	Ohpen .V.	Amerborgh International	31.04		
2.5.18	Micronotes, Inc.	TTV Capital; Vestigo Venture	3.07		
1.25.18	Digiliti Money, Inc.	FinTech Imaging Solutions	2.62		
1.18.18	Applied Blockchain Ltd.	Shell Trading, Calibrate Ptnrs			
1.9.18	Innofis Esgm SL.	Crealogix Holding AG		10.18	
1.9.18	RGI S.P.A.	Corsair Capital LLC			
12.22.17	Comviva Technologies	Tech Mahindra Ltd	51.34		
12.20.17	Lender Performance Group	Insight Ventures; Georgian Partners Growth LP			
11.28.17	Ensenta Corporation	Jack Henry & Associates	130.00	27.00	4.8x
11.14.17	Jwaala Inc.	Goldleaf Enterprise Payments			
10.30.17	Xavient Information Systems	TELUS International	130.00		
8.31.17	Velocify, Inc.	Ellie Mae, Inc.	128.00		
5.26.17	SMS Management & Technology Limited	ASG GRoup	106.18	244.69	0.4x

7MA TRANSACTIONS



Arrow Digital

7MA acted as the exclusive sell-side advisor Arrow Digital, a West Palm Beach based digital consulting firm, in their sale to Softvision, a transformational partner, working at the intersection of engineering, design and strategy. The acquisition strengthens Softvision's Robotic Process Automation (RPA) expertise and capabilities for the Financial Services industry. RPA is a fast growing business process automation technology, based on the idea of software robots and artificial intelligence workers automating well-defined business tasks for superior efficiency.

Beacon Consulting Group

7MA acted the exclusive sell-side advisor to Beacon Consulting Group, a trusted advisor and management consultant to the North American asset management community, in their sale to Accenture, a leading global professional services company. This acquisition significantly expands Accenture's asset management consulting capabilities and enhances its ability to help global investment managers, institutional investors and asset servicers gain an edge in increasingly competitive markets.



Redkite

7MA acted as the exclusive sell-side advisor to Redkite, a Salesforce Gold Partner offering end-to-end solutions in cloud consulting services through a proprietary client-focused approach, in their sale to Liquid Hub, a digital integrator that partners with businesses to improve customer engagement and drive growth.

InvestTech Systems

7MA acted as the exclusive sell-side advisor to InvestTech, a market leader in investment technology systems-integration and consulting services, in their sale to Accenture, a leading global professional services company. The acquisition will further expand Accenture's capabilities to help global investment managers, institutional investors and asset servicers strengthen their competitiveness by staying in front of new and emerging digital innovations and technology paradigms.



CONFERENCES



| Banking & Finance Congress

Description: Presented by IDC, financial institutions are paired with IT providers to analyze solutions and present a digital vision for the future.

Date: January **Location:** Riyadh, Saudi Arabia

| Future Digital Finance

Description: FDF brings together some of the brightest minds at America's most innovative financial institutions. Strategies to meet changing consumer expectations and to create meaningful long-term relationships are discussed.

Date: February **Location:** Amelia Island, FL

| Retail Banking Tech Summit

Description: This Summit highlights what other top banks are doing in order to follow the digital trends, keep their position at the competitive market and how to keep their customers thanks to the innovations that drive success.

Date: February **Location:** Vienna, Austria

| Bank Innovation Ignite

Description: The conference takes you "Where Disruption Meets Banking" to explore the new ideas and startups in the industry to walk away with knowledge on what's next in banking innovation.

Date: March **Location:** Seattle, WA

| RBI EU

Description: RBI EU takes a deep dive into how banks are responding to the multiple drivers of technology, customers behavior, competition & regulation and their impacts.

Date: April **Location:** London, England

| Digital Banking

Description: One of the largest digital banking events in the industry. Innovation in financial services for consumer and commercial customers are discussed with senior level executives in the space.

Date: June **Location:** Austin, TX

| Money 20/20

Description: TFinTech and financial services industry congregate to connect and create the future for money.

Date: October **Location:** Las Vegas, NV

| Connect

Description: Backbase's annual conference that showcases digital banking transformation success. Attendees are able to tap into lessons already learned and connect with pioneers in the space.

Date: Oct. / Nov. **Location:** Amsterdam

| Mobey Day

Description: Mobey Day brings together thought leaders to identify and understand commercial drivers for a better customer experience. The goal is to benefit the community of members, bringing together banks, technology companies and financial institutions.

Date: May

CONCLUSION

This report provided insights on the M&A Market Landscape within digital transformation service companies that focus on the financial services industry. This is a very active space within the IT services market and 7MA sees room for organic growth and acquisitions. 7MA found that legacy institutions have found themselves lagging competition in both the financial services industry, as well as other industries, driving a consumer demand for digitization. A large appetite by consumers to have access to what they want, when they want it has created a market where financial institutions must transform with digital solutions and services,

less they fall out of the competition. Strategic firms are looking to acquisitions, and paying a premium, to obtain the right service offering, adding capabilities serving these heavily regulated corporations. As a result, gaining access to clientele that are very hard to get. At 7MA we anticipate high market demand for the service providers with strong transformative services, throughout the foreseeable future as most corporations are looking to improve their capabilities, especially with large financial institution clients.

CONTACT



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SOURCES

- [1] – Forrester Wave: Robotic Process Automation, Q2 2018
- [2] – Gartner Mobile App Development Report
- [3] – Gartner CRM and UX Management Consulting Report
- [4] – CapitalIQ



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