



Sectorwatch: Enterprise Software

December 2018

Enterprise Software

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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.



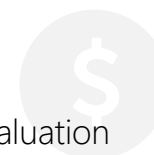
Public Basket Performance

- 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

↓ -0.04

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

↓ -1.3%

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

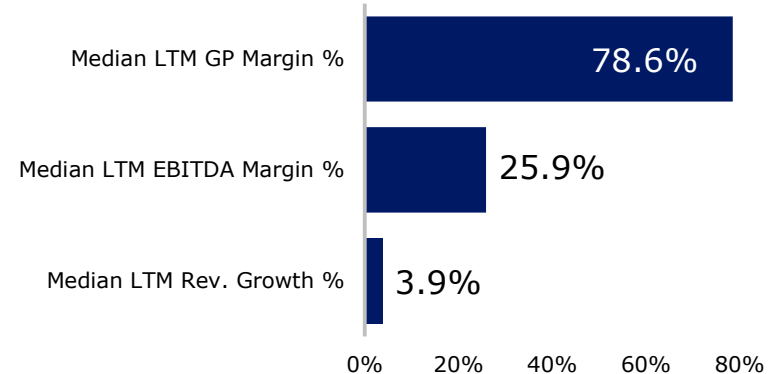
Profitability Momentum

↑ 7.4%

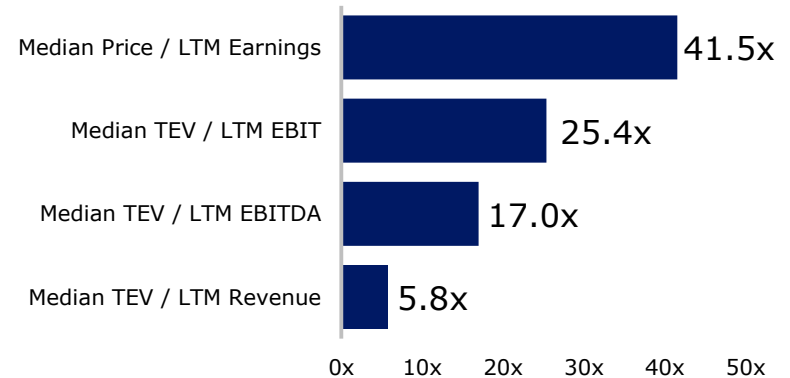
1 - year EBITDA % compared to EBITDA % average for last 3 years

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



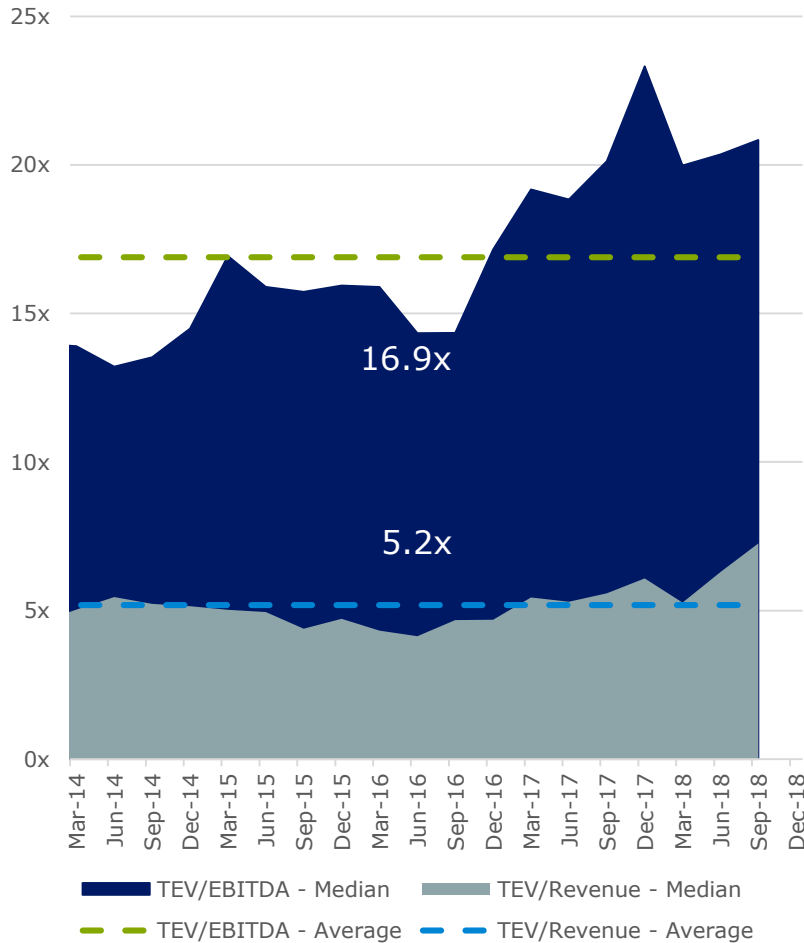
Public Basket



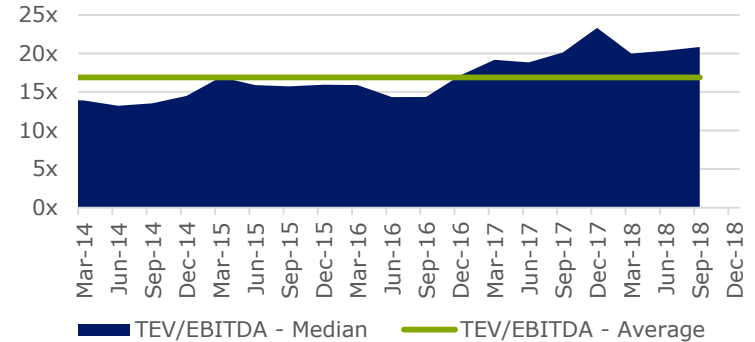
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Fortinet, Inc.	9,583	1,711	19%	75%	14%	5.6	39.1	5,066	338
Check Point Software Technologies Ltd.	13,857	1,897	3%	90%	50%	7.3	14.6	4,576	415
Symantec Corporation	14,384	4,750	4%	79%	20%	3.0	16.3	11,830	402
Red Hat, Inc.	29,251	3,255	17%	85%	18%	9.0	49.3	11,870	274
VMware, Inc.	50,143	8,669	0%	86%	27%	5.8	21.3	20,615	421
salesforce.com, inc.	94,967	12,484	25%	74%	9%	7.6	80.8	29,000	430
SAP SE	120,823	27,983	3%	70%	26%	4.4	17.0	88,543	316
Oracle Corporation	167,297	39,893	3%	80%	40%	4.2	10.5	137,000	291
Microsoft Corporation	706,319	114,906	16%	65%	41%	6.1	14.9	131,000	877
Average	134,070	23,950	10%	78%	27%	5.9	29.3	48,833	418
Median	50,143	8,669	4%	79%	26%	5.8	17.0	20,615	402

share price as of 21Dec18

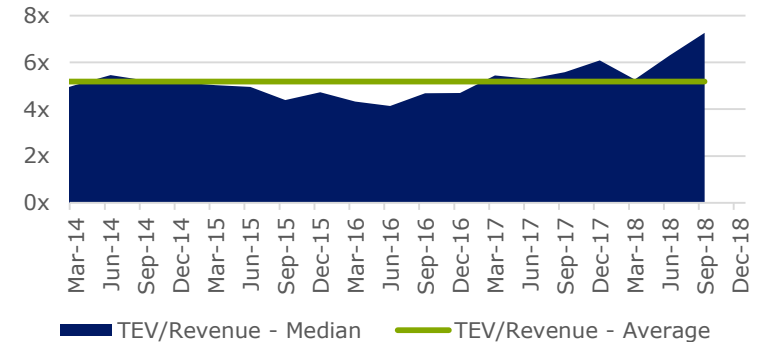
Public Basket Valuation Trends



Public EBITDA Multiples over Time



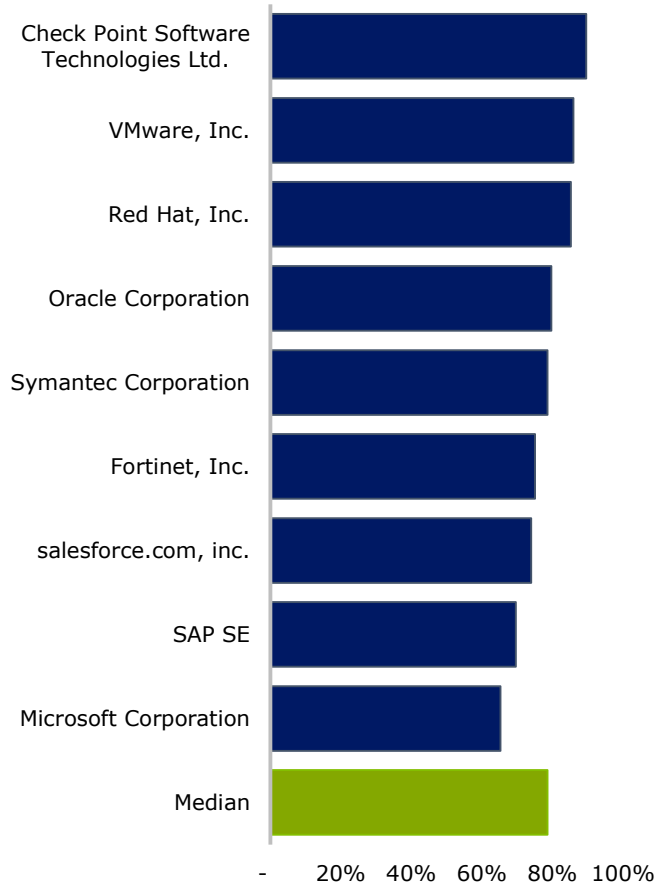
Public Revenue Multiples over Time



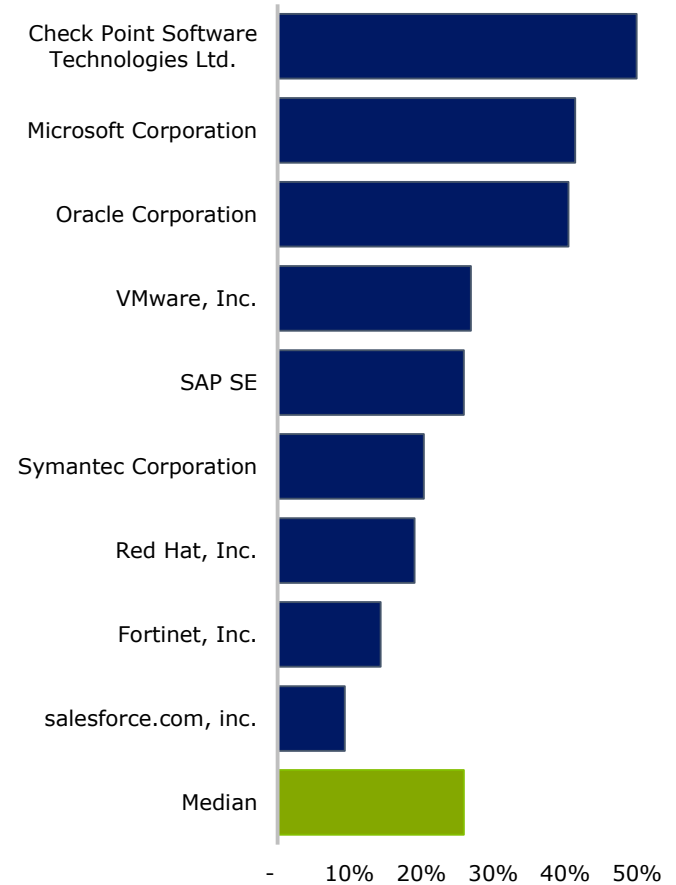
Operational Metrics



LTM Gross Profit Margin %



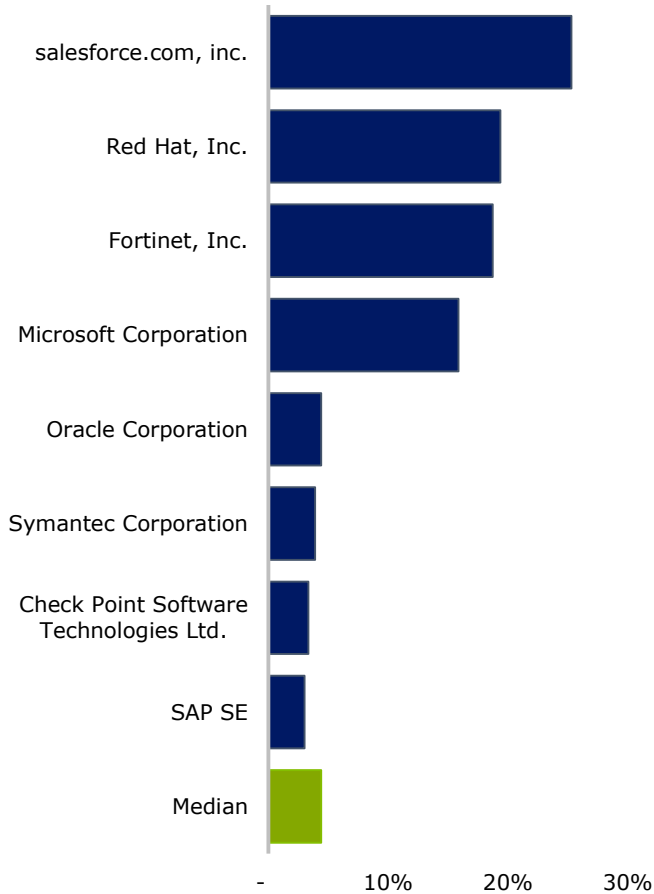
LTM EBITDA %



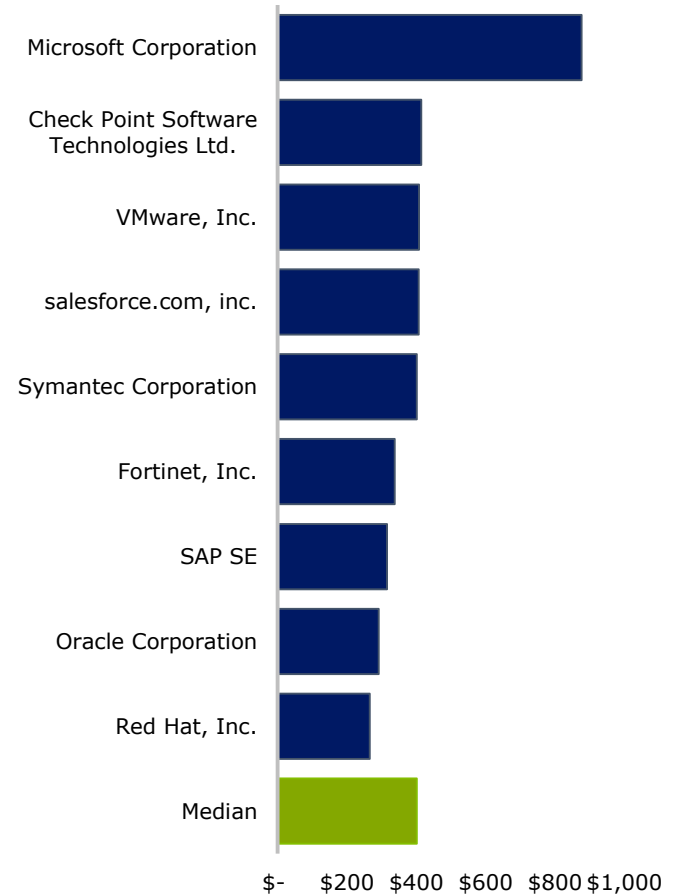
Operational Metrics



LTM Revenue Growth %



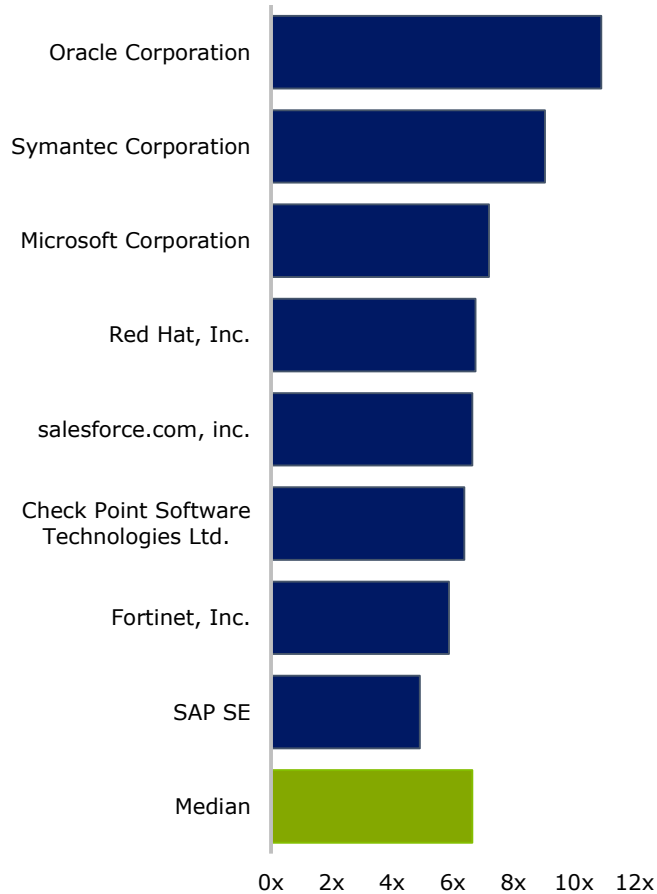
LTM Revenue per Full Time Employee x 000's



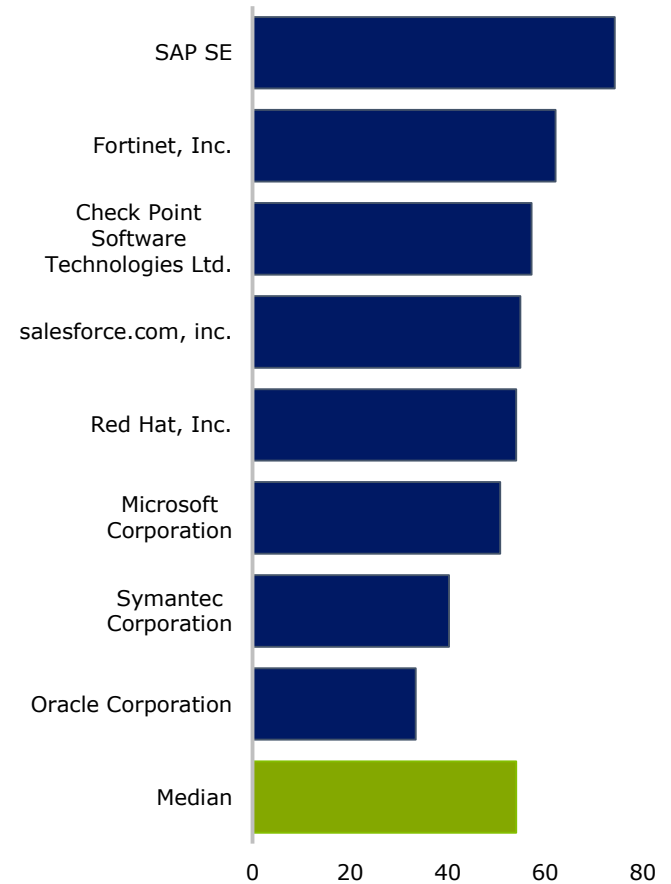
Operational Metrics



Accounts Receivable Turnover



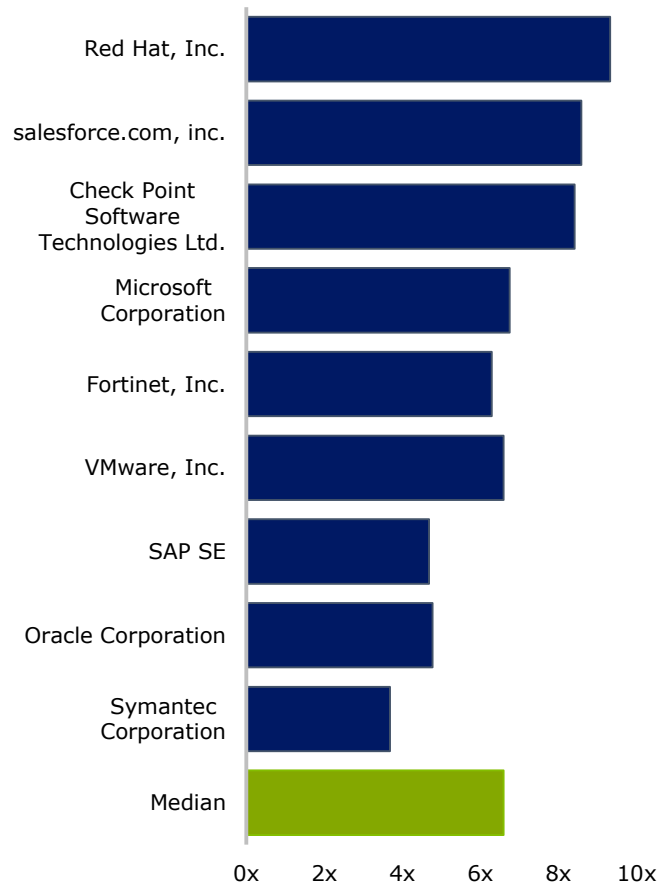
Average Days Sales Outstanding



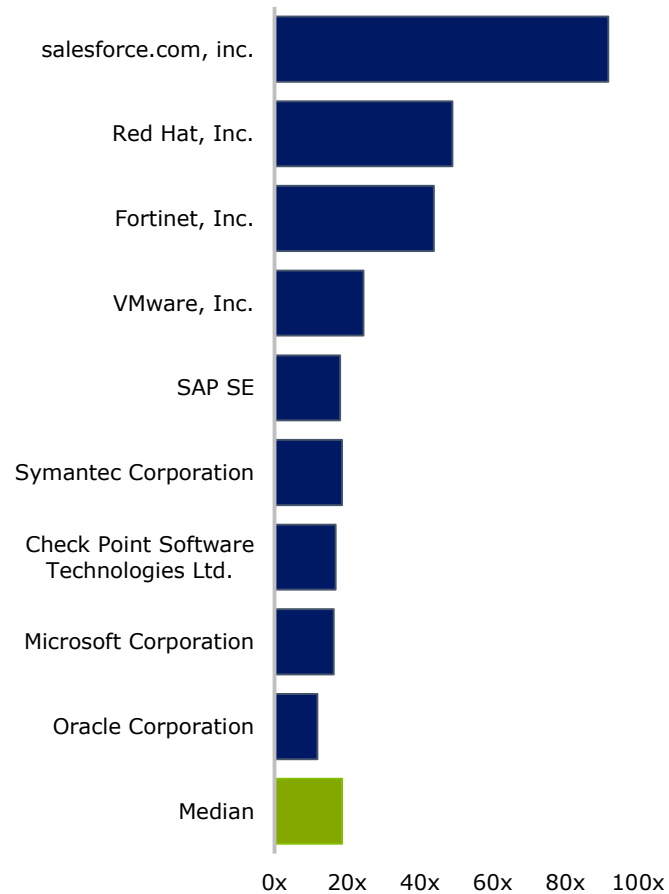
Valuation



TEV / LTM Revenue



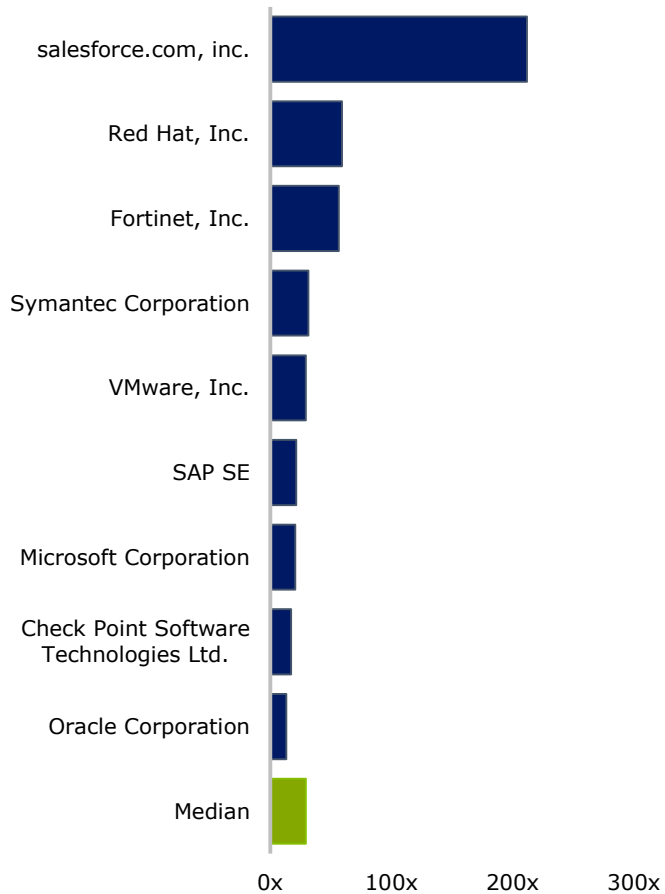
TEV / LTM EBITDA



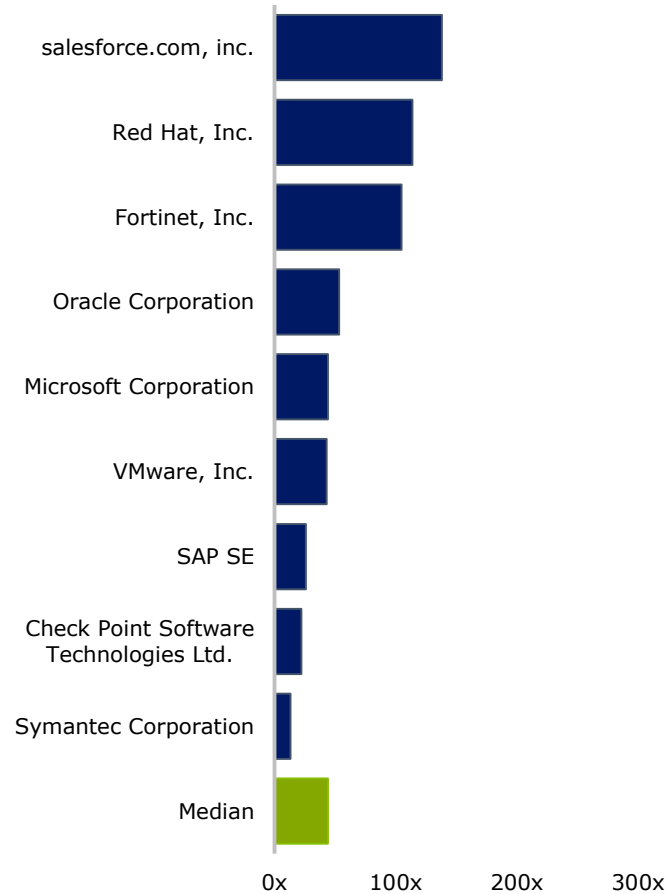
Valuation



TEV / LTM EBIT



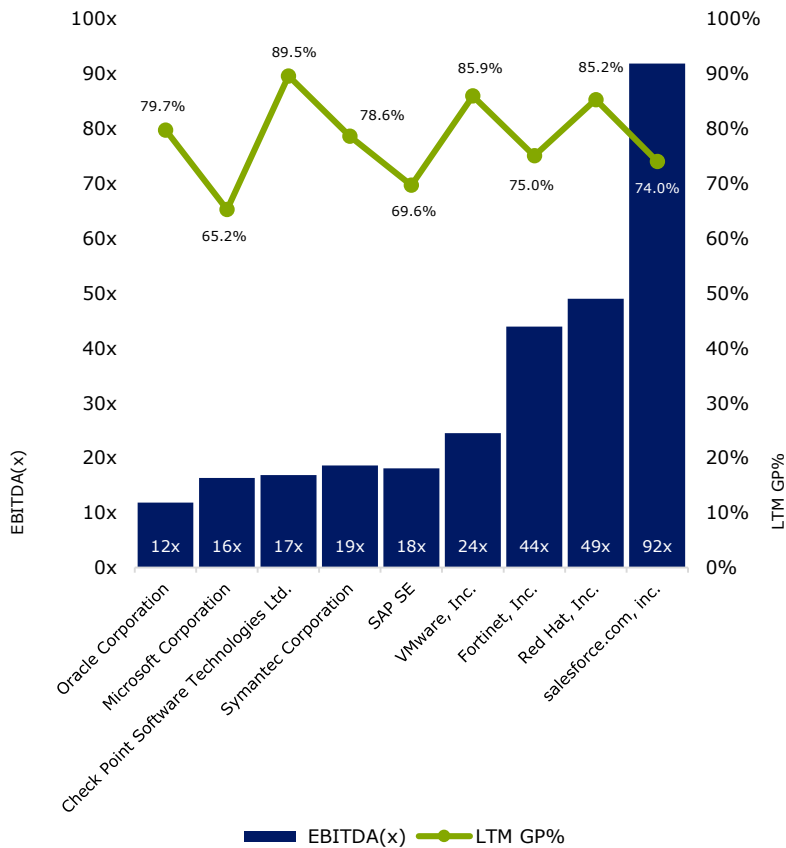
Price / LTM Earnings



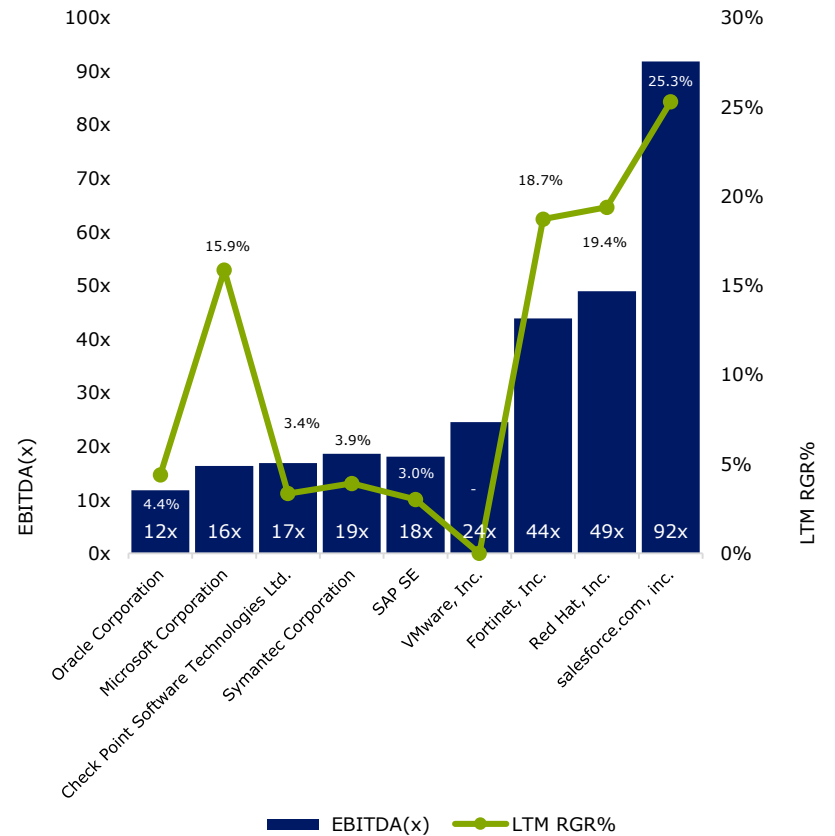
Valuation



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
13Dec18	ServiceMax, Inc.	Silver Lake	-	-	-	-
19Nov18	Frustum, Inc.	PTC Inc.	70.00	-	-	-
20Nov18	PlanGrid, Inc.	Autodesk, Inc.	875.00	-	-	-
30Oct18	See-out Pty Ltd	Clarivate Analytics (US) LLC	-	-	-	-
28Oct18	Red Hat, Inc.	International Business Machines Corporation	35,690.94	3,156.59	10.7x	56.9x
11Oct18	Tour de Force, Inc.	Compass Sales Solutions	-	-	-	-
8Oct18	Rocket Software, Inc.	Bain Capital Private Equity, LP	-	450.00	4.4x	-
20Sep18	Allure Global Solutions, Inc.	Creative Realities, Inc.	13.60	9.45	1.4x	NM
20Aug18	Strategic BCP, Inc.	SAI Global Limited	-	-	-	-
15Aug18	IMI Mobile PLC	-	12.22	150.71	1.4x	15.2x
13Aug18	Quorum Business Solutions, Inc.	Thoma Bravo, LLC	-	-	-	-
2Aug18	Duo Security, Inc.	Cisco Systems, Inc.	2,350.00	-	-	-
26Jul18	RedKix	Facebook, Inc.	-	-	-	-
24Jul18	Arrow Digital LLC	Softvision, LLC	-	-	-	-
11Jul18	Cosential Inc.	JMI Management, Inc.	34.00	-	-	-
11Jul18	CA, Inc.	Broadcom Inc.	21,776.02	4,148.00	4.4x	16.4x
26Jun18	TC Technology	SSP Innovations, LLC	-	-	-	-
8Jun18	Objectiva Software Solutions, Inc.	Allgeier SE	-	24.00	-	-
4Jun18	GitHub, Inc.	Microsoft Corporation	7,500.00	-	-	-
4Jun18	EMS Software, LLC	Accruent, LLC	-	-	-	-
18May18	Info Sys Management, Inc.	SWK Technologies, Inc.	1.30	-	-	-
16May18	J2 Innovations, Inc.	Siemens Industry Inc.	-	-	-	-
20Mar18	MuleSoft, Inc.	salesforce.com, inc.	6,811.58	296.46	22.3x	NM
15Feb18	WebDAM, Inc.	Bynder LLC	49.10	16.20	3.0x	-
15Feb18	Zenedge LLC	Oracle Corporation	-	-	-	-
13Feb18	Chalkup, LLC	Microsoft Corporation	-	-	-	-
2Feb18	Aljex Software Inc.	MacroPoint, LLC	32.58	-	-	-
29Jan18	Callidus Software Inc.	SAP America, Inc.	2,576.42	253.09	9.6x	NM
29Jan18	PlayFab, Inc.	Microsoft Corporation	-	-	-	-
16Jan18	N2W Software Inc.	Veeam Software AG	42.50	-	-	-
11Jan18	DST Systems, Inc.	SS&C Technologies Holdings, Inc.	5,751.57	2,218.20	2.6x	11.5x
1Jan18	A&B Groep B.V.	Calero Software, LLC	-	-	-	-
11Jan18	Addedo AG	TALENTIA SOFTWARE FRANCE SAS	-	13.25	-	-
11Jan18	RepPro LLC	RetireUp, LLC	-	-	-	-

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APPENDIX:
Public Basket
Constituents

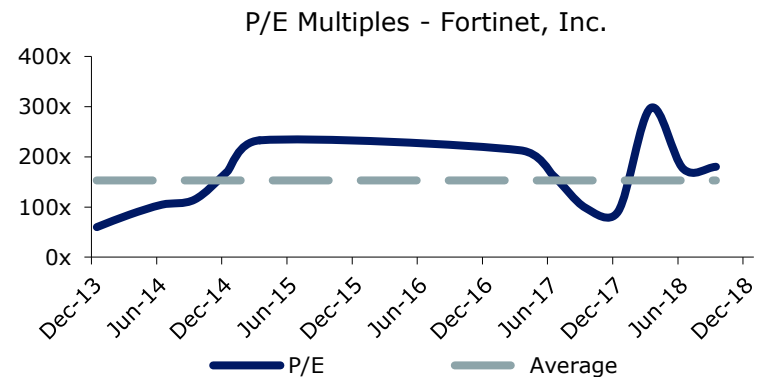
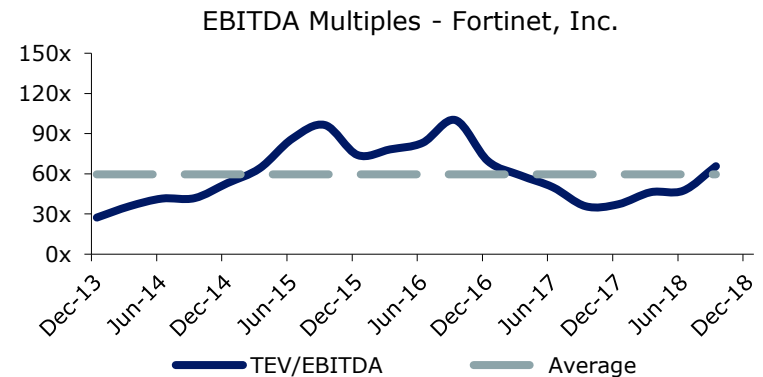
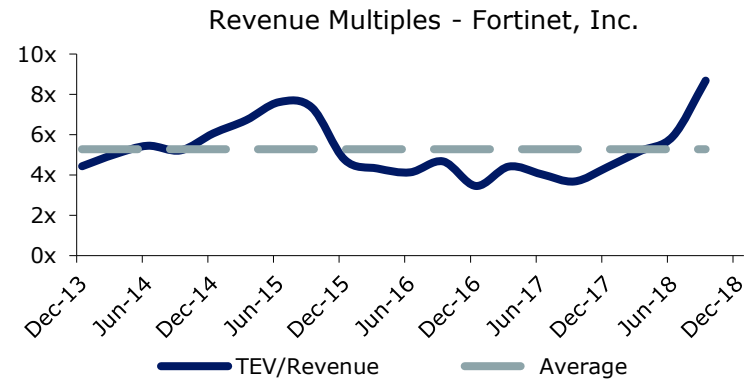
Public Basket



Fortinet, Inc.

Fortinet, Inc. provides broad, automated, and integrated cybersecurity solutions worldwide. It offers FortiGate hardware and software licenses that provide various security and networking functions, including firewall, intrusion prevention, anti-malware, virtual private network, application control, Web filtering, anti-spam, and WAN acceleration; and FortiSandbox technology that delivers proactive detection and mitigation services; and FortiSIEM family of products, which offers a cloud-ready security information and event management solution for enterprises and service providers. The company also provides FortiSwitch product family that offers secure switching solutions for connecting customers end devices, such as computers and laptops, as well as an expanding field of Internet of Things devices; and Fortinet Management and Analysis products consisting of FortiManager and FortiAnalyzer hardware and software products. In addition, it provides security subscription, technical support, professional, and training services. Fortinet, Inc. was founded in 2000 and is headquartered in Sunnyvale, California.

Date	Key Development Headline
11/1/18	Fortinet Intends To Seek Acquisitions



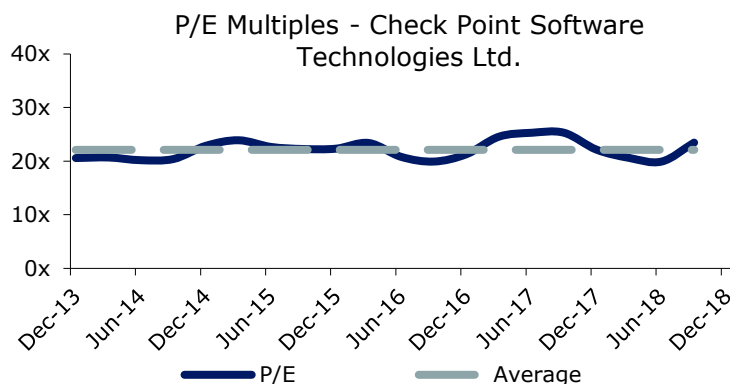
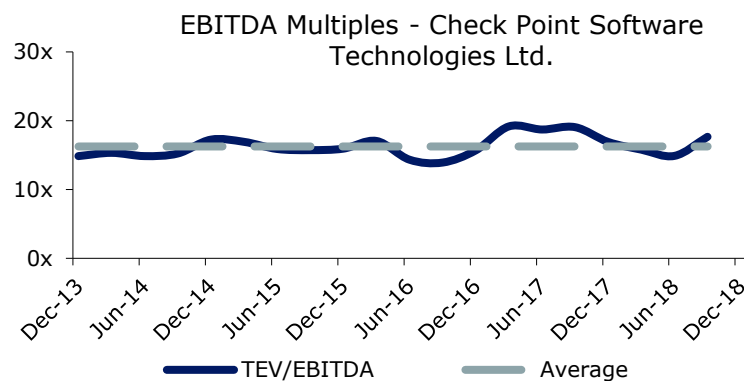
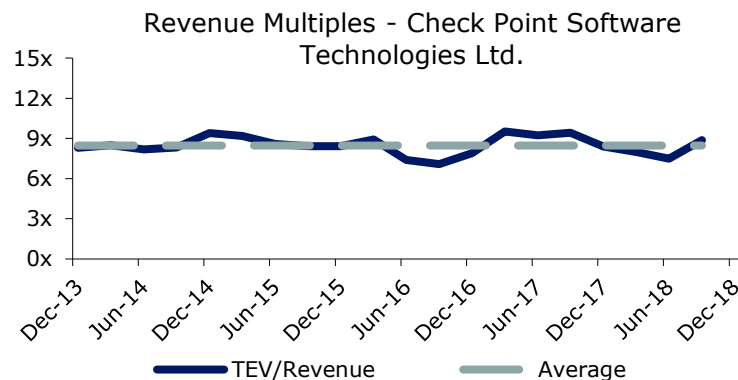
Public Basket



Check Point Software Technologies Ltd.

Check Point Software Technologies Ltd. develops, markets, and supports a range of products and services for IT security worldwide. It provides Check Point Infinity Architecture, a cyber security architecture that protects against 5th generation mega cyber-attacks across various networks, endpoint, cloud, and mobile; security gateways from platforms for small business and small office locations, high end and high demanding data centers, and perimeter environments; and Check Point SandBlast family for threat prevention and zero-day protections. The company also offers Check Point CloudGuard cloud security product that delivers threat prevention security for enterprise cloud networks, data, and applications; Check Point SandBlast Mobile for mobile security in iOS and Android devices; and Check Point Security Management, which offers security management through a single console that streamlines security operations and provides visibility into policy administration and threat analysis. Check Point Software Technologies Ltd. was founded in 1993 and is headquartered in Tel Aviv, Israel.

Date	Key Development Headline
10/23/18	Check Point Software Technologies Ltd. (NasdaqGS:CHKP) completed the acquisition of Dome9 Security Ltd..
4/25/18	Check Point Software Seeks Acquisitions
2/5/18	Orange Cyberdefense and Check Point Software Technologies Team Up to Deliver New Orange Service Called Mobile Threat Protection



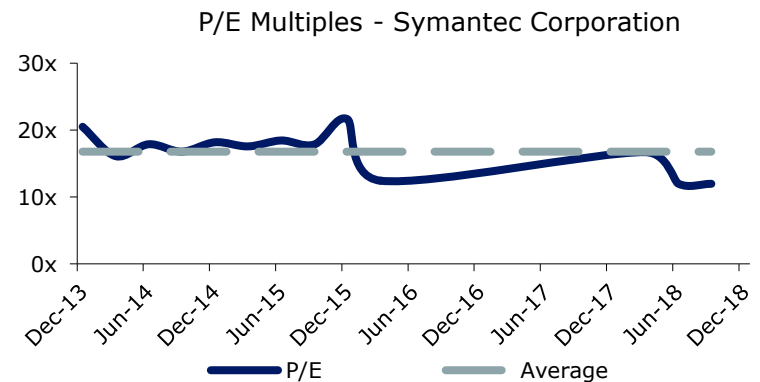
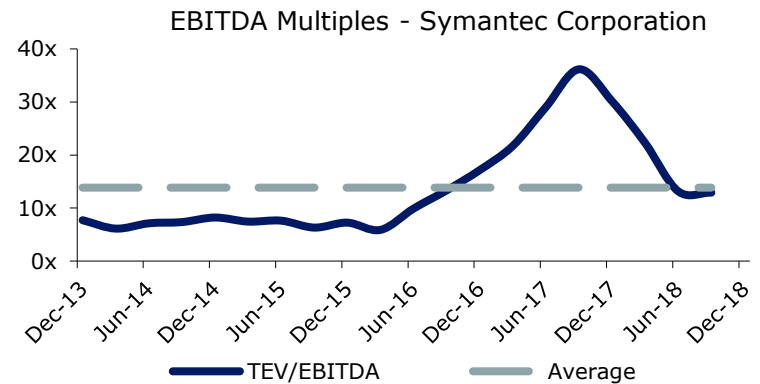
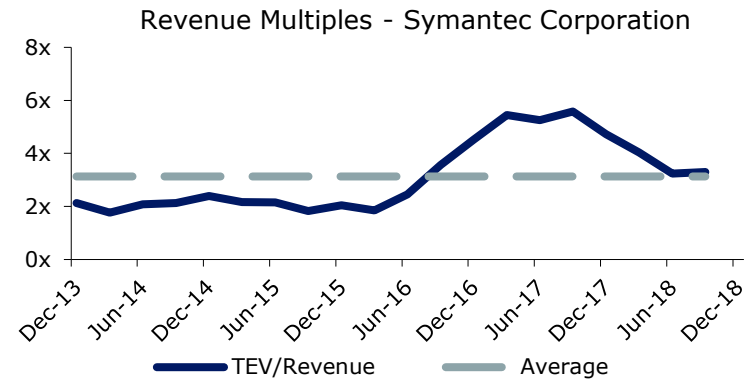
Public Basket



Symantec Corporation

Symantec Corporation provides cybersecurity products, services, and solutions worldwide. The company operates through two segments, Enterprise Security and Consumer Digital Safety. The Enterprise Security segment provides endpoint and information protection products, including endpoint security, advanced threat protection, and information protection solutions and their related support services; and network and Web security products, such as network security, Web security, and cloud security solutions and their related support services. It also offers consulting, premium support, and cyber security services. The Consumer Digital Safety segment provides Norton Security solutions as a subscription service providing protection for devices against malware, viruses, adware, and ransomware on various platforms; and LifeLock identity theft protection solution that provides identity monitoring, alerts, and restoration to its customers, as well as Norton Wi-Fi Privacy services. Symantec Corporation was founded in 1982 and is headquartered in Mountain View, California.

Date	Key Development Headline
12/19/18	Ernst & Young LLP Announces a Strategic Alliance with Symantec Corp
12/12/18	Cymulate and Symantec Announce Shared Research of Email-Based Attacks



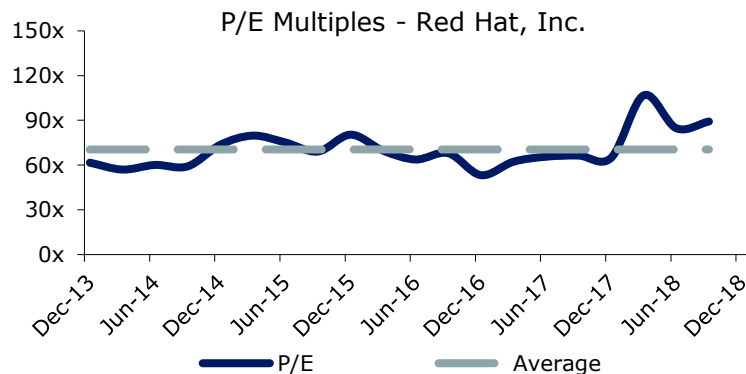
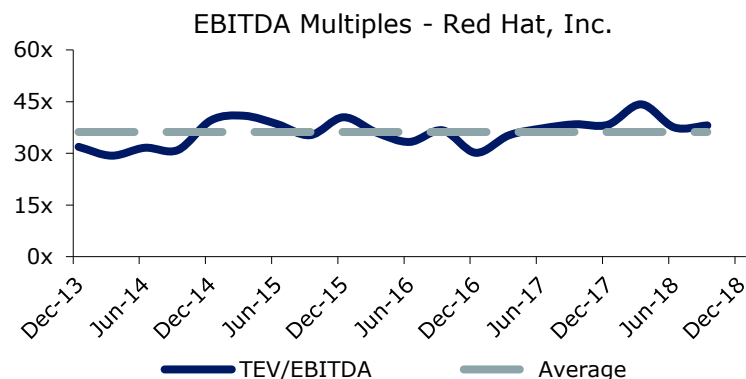
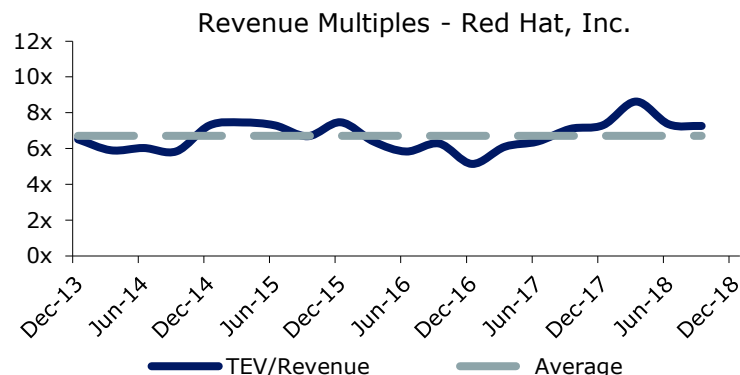
Public Basket



Red Hat, Inc.

Red Hat, Inc. provides open source software solutions to develop and offer operating system, virtualization, management, middleware, cloud, mobile, and storage technologies to various enterprises worldwide. It offers infrastructure-related solutions, such as Red Hat Enterprise Linux, an operating system platform that runs on hardware for use in hybrid cloud environments; Red Hat Satellite, a system management offering that helps to deploy, scale, and manage in hybrid cloud environments; and Red Hat Enterprise Virtualization, a software solution that allows customers to utilize and manage a common hardware infrastructure to run multiple operating systems and applications. Red Hat, Inc. was founded in 1993 and is headquartered in Raleigh, North Carolina.

Date	Key Development Headline
12/18/18	Tata Consultancy Services Extends Collaboration with Red Hat to Build Microservices-Based Open Source Solutions and Frameworks
11/26/18	Red Hat, Inc. (NYSE:RHT) acquired NooBaa Inc., from OurCrowd Ltd., Jerusalem Venture Partners and others.
10/29/18	International Business Machines Corporation, Red Hat, Inc. - M&A Call
10/27/18	International Business Machines Corporation (NYSE:IBM) entered into a definitive agreement to acquire Red Hat, Inc. (NYSE:RHT) from BlackRock, Inc. (NYSE:BLK), The Vanguard Group, Inc., Prudential Financial, Inc. (NYSE:PRU), T. Rowe Price Associates, Inc., FMR LLC and others for \$34.6 billion.



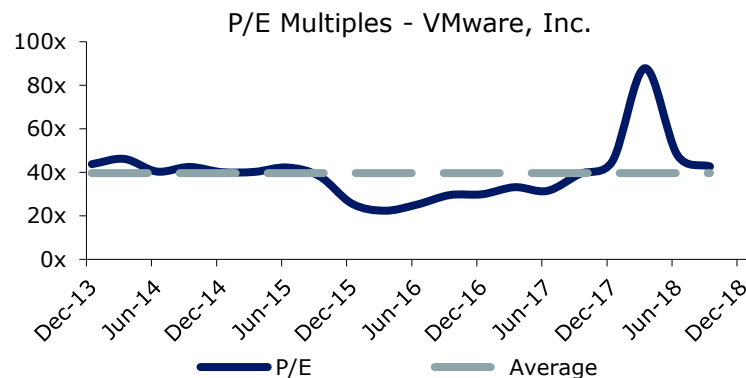
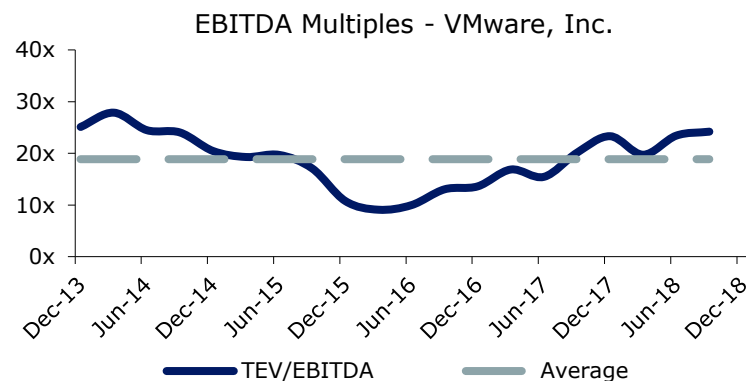
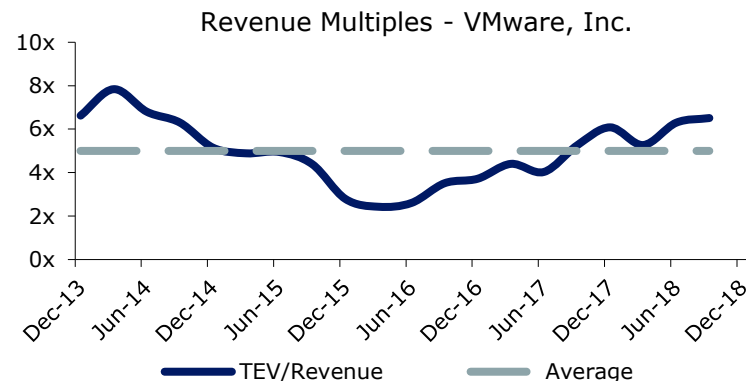
Public Basket



VMware, Inc.

VMware, Inc. provides compute, cloud, mobility, networking, and security infrastructure software to businesses in the United States and internationally. The company offers compute products, including VMware vSphere, a data center platform, which enables users to deploy hypervisor, a layer of software that resides between the operating system and system hardware to enable compute virtualization; storage and availability products that provide data storage and protection options; network and security products; and cloud management and automation products to manage and automate overarching IT processes involved in provisioning IT services and resources to users from initial infrastructure deployment to retirement. VMware, Inc. is a subsidiary of Dell Technologies Inc.

Date	Key Development Headline
11/5/18	VMware, Inc. (NYSE:VMW) agreed to acquire Heptio Inc.
10/17/18	VMware To Seek Acquisitions
10/3/18	VMware, Inc. (NYSE:VMW) completed the acquisition of CloudHealth Technologies, Inc. from Kleiner Perkins Caufield & Byers, MeriTech Capital Partners, Sapphire Ventures LLC, Scale Venture Partners, .406 Ventures, LLC, Sigma Prime Ventures and others.
9/27/18	Blue Cedar Collaborates With OpenSSL, Akamai, NetApp, and VMware to Develop Next-Generation FIPS Module



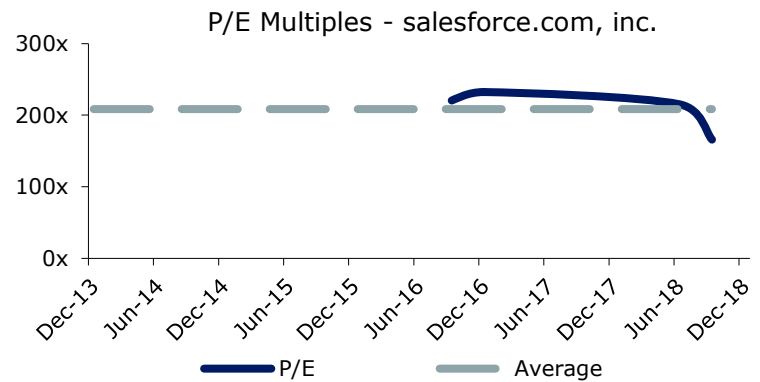
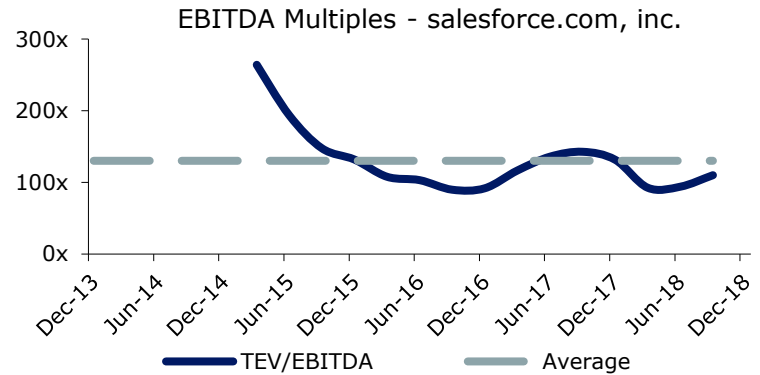
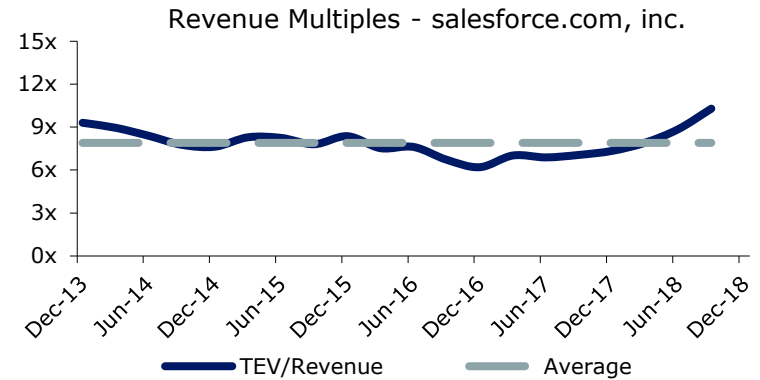
Public Basket



salesforce.com, inc.

salesforce.com, inc. develops enterprise cloud computing solutions with a focus on customer relationship management. The company offers Sales Cloud to store data, monitor leads and progress, forecast opportunities, and gain insights through analytics and relationship intelligence, as well as deliver quotes, contracts, and invoices. It also provides Service Cloud, which enables companies to deliver personalized customer service and support, as well as a field service solution that enables companies to connect agents, dispatchers, and mobile employees through a centralized platform, which helps to schedule and dispatch work, and track and manage jobs in real-time. The company was founded in 1999 and is headquartered in San Francisco, California.

Date	Key Development Headline
10/30/18	Vonage Holdings Corp. (NYSE:VG) completed the acquisition of NewVoiceMedia Limited from a consortium of sellers.
10/4/18	salesforce.com, inc. (NYSE:CRM) entered into a definitive agreement to acquire Rebel.
9/25/18	Salesforce and Amazon Web Services, Inc. Expand Global Strategic Alliance to Accelerate Enterprises' Digital Transformations
9/24/18	Apple and Salesforce Announce Strategic Partnership
9/19/18	Vonage Holdings Corp. (NYSE:VG) entered into an agreement to acquire NewVoiceMedia Limited for \$340 million.



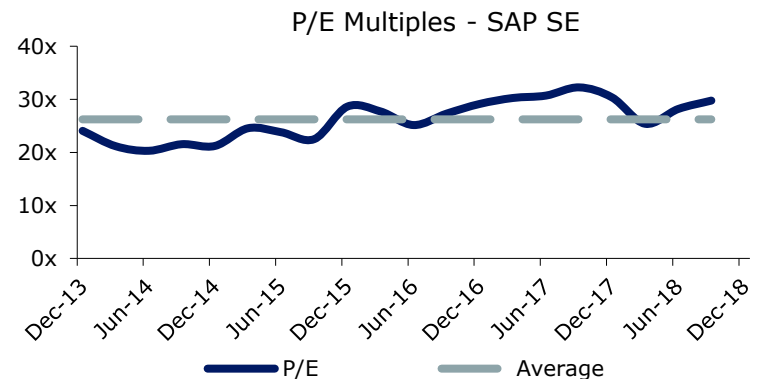
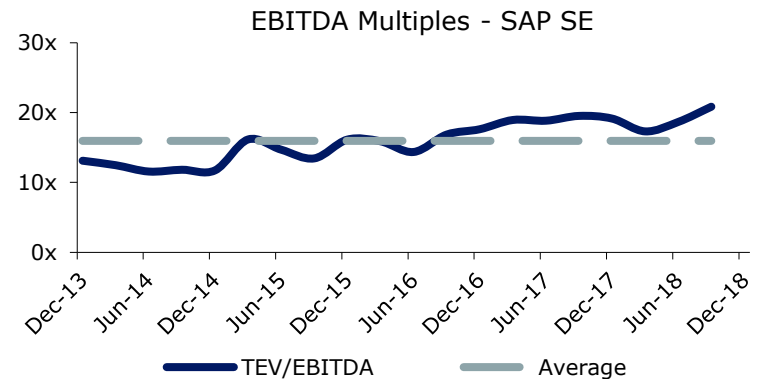
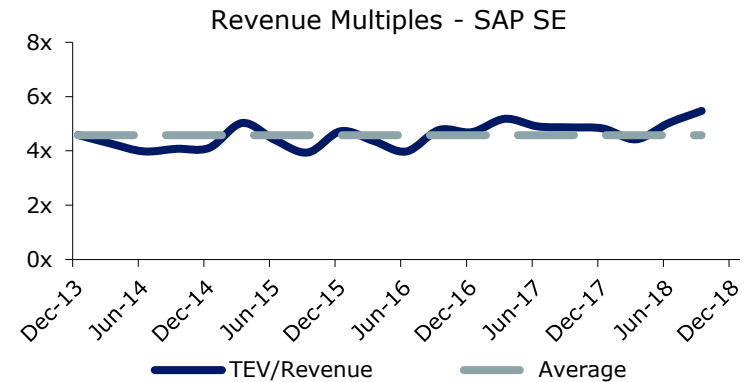
Public Basket



SAP SE

SAP SE operates as an enterprise application software, and analytics and business intelligence company worldwide. It offers SAP HANA, which enables businesses to process and analyze live data; SAP Data Hub, a solution that enables businesses to manage data from various sources; SAP Cloud Platform, which enables businesses to connect and integrate applications; SAP BW/4HANA, a data warehouse solution; SAP Leonardo, a system that enables customers to make business sense and opportunity of disruptive technologies; and SAP Analytics Cloud, which leverages the intersection of business intelligence, planning, and predictive analytics. SAP SE was founded in 1972 and is headquartered in Walldorf, Germany.

Date	Key Development Headline
12/17/18	SAP and Software AG Launch Joint Platform for Smart Cities
12/17/18	Litton Signs a Co-Innovation Agreement with SAP SE
11/20/18	Tata Consultancy Services Partners with SAP to Build Intelligent Rail Digital Maintenance
11/18/18	SAP SE (DB:SAP) acquired Contextor SAS.
11/16/18	SAP To Seek Acquisitions



Public Basket

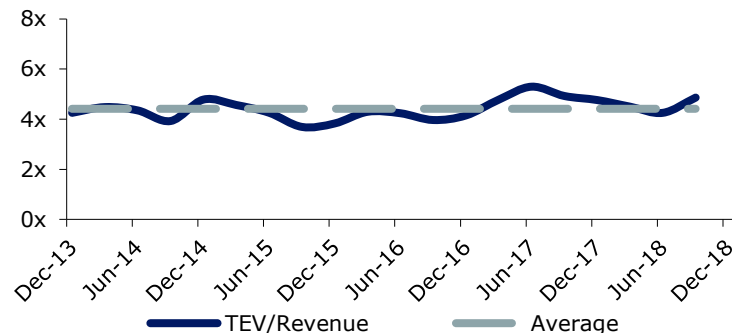


Oracle Corporation

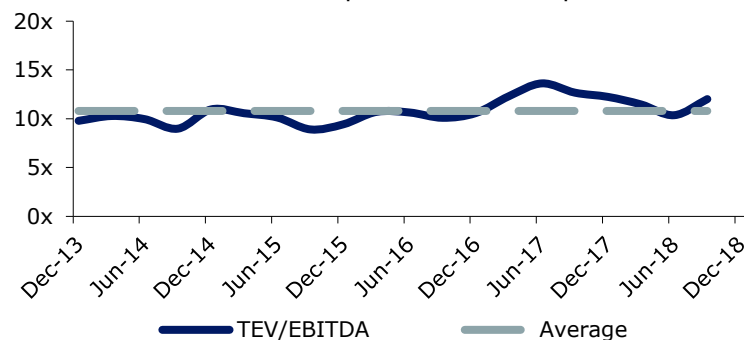
Oracle Corporation develops, manufactures, markets, sells, hosts, and supports application, platform, and infrastructure solutions for information technology (IT) environments worldwide. The company provides services in three primary layers of the cloud: Software as a Service, Platform as a Service, and Infrastructure as a Service. It offers human capital and talent management, enterprise resource planning, customer experience and relationship management, procurement, supply chain management, project portfolio management, business analytics and enterprise performance management, and industry-specific application software, as well as financial management and governance, and risk and compliance applications. Oracle Corporation was founded in 1977 and is headquartered in Redwood City, California.

Date	Key Development Headline
11/14/18	Tele2 Russia, Oracle Expand Cooperation on Cloud Services
10/21/18	Oracle Corporation (NYSE:ORCL) signed an agreement to acquire DataFox Intelligence, Inc.
10/16/18	Oracle Corporation (NYSE:ORCL) entered into an agreement to acquire goBalto, Inc.
9/25/18	Oracle Corporation (NYSE:ORCL) acquired an unknown minority stake in Screening Room Inc. for \$2.5 million.
9/19/18	Oracle Corporation (NYSE:ORCL) signed an agreement to acquire Iridize Ltd.

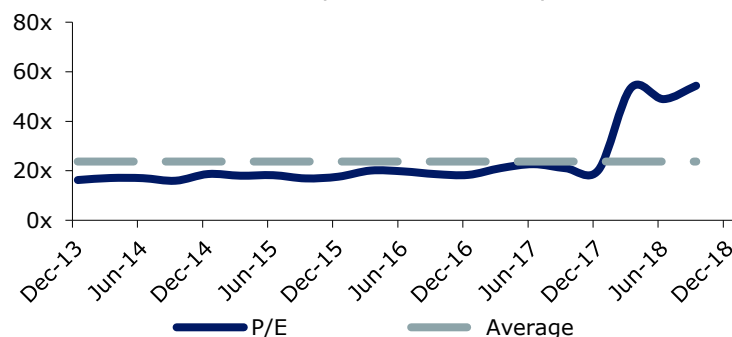
Revenue Multiples - Oracle Corporation



EBITDA Multiples - Oracle Corporation



P/E Multiples - Oracle Corporation



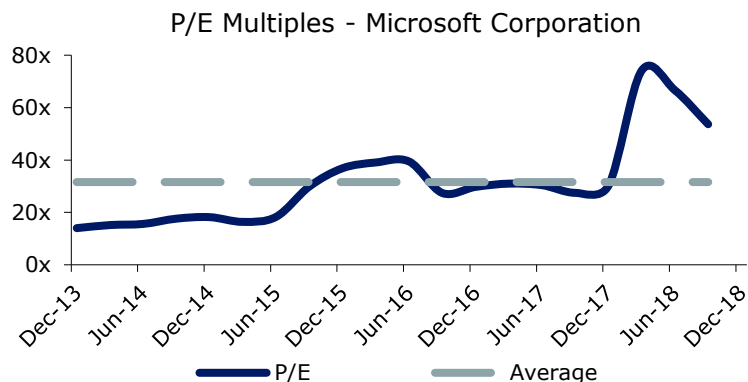
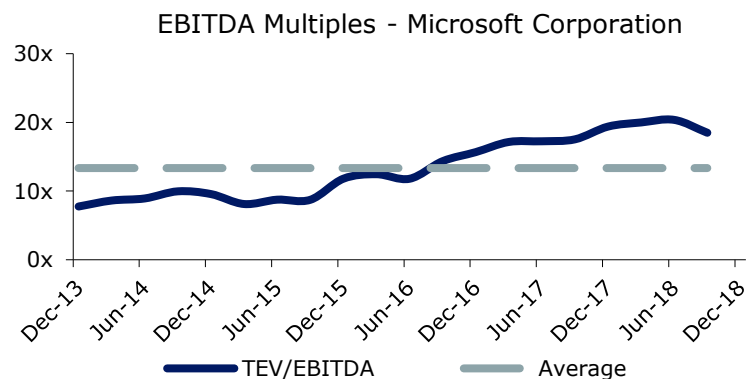
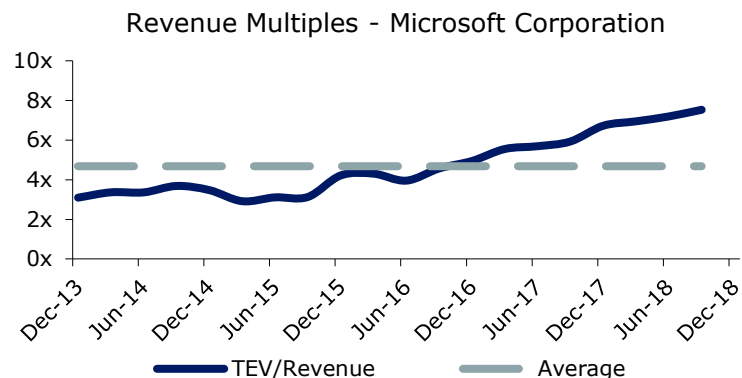
Public Basket



Microsoft Corporation

Microsoft Corporation develops, licenses, and supports software, services, devices, and solutions worldwide. Its company's Productivity and Business Processes segment offers Office 365 commercial products and services for businesses, such as Office, Exchange, SharePoint, Skype for Business, Microsoft Teams, and related Client Access Licenses (CALs); Office 365 consumer services, including Skype, Outlook.com, and OneDrive; LinkedIn online professional network; and Dynamics business solutions comprising financial management, enterprise resource planning, customer relationship management, supply chain management, and analytics applications for small and medium businesses, large organizations, and divisions of enterprises. The company was founded in 1975 and is headquartered in Redmond, Washington.

Date	Key Development Headline
12/3/18	Mastercard and Microsoft Join Forces to Advance Digital Identity Innovations
11/18/18	Microsoft Corporation (NasdaqGS:MSFT) acquired FSLogix, Inc.
11/13/18	Microsoft Corporation (NasdaqGS:MSFT) signed an agreement to acquire XOXCO, Inc.
11/13/18	Microsoft and Nielsen Announce Strategic Alliance
11/9/18	Microsoft Corporation (NasdaqGS:MSFT) acquired Obsidian Entertainment, Inc. and inXile entertainment, Inc. from gumi Inc. (TSE:3903) and others.
11/5/18	Walmart and Microsoft Announce Extension of Strategic Partnership



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
Ben Lunka, Managing Director	704.496.2995	ben@7mileadvisors.com
Jeff Stoecklein, Managing Director	312.796.9330	jeff@7mileadvisors.com
Kristina Sergueeva, Director	704.899.5149	kristina@7mileadvisors.com
Neil Churman, Director	281.742.9340	neil@7mileadvisors.com
John Cooper, Director	704.973.3996	john@7mileadvisors.com
Tim Frye, Director	704.973.3994	tim@7mileadvisors.com
Nicholas Prendergast, Financial Analyst	704.973.3995	nicholas@7mileadvisors.com
Ariail Siggins, Marketing Director	704.981.2908	ariail@7mileadvisors.com
Sydney Larese, Associate	704.973.3998	sydney@7mileadvisors.com
Marty Johnson, Associate	704.973.3999	marty@7mileadvisors.com
Rory Julyan, Associate	704.981.2520	rory@7mileadvisors.com
Garth Martin, Associate	704.973.3997	garth.martin@7mileadvisors.com
Chevonese Dacres, Analyst	704.981.2342	chevonese@7mileadvisors.com