



Sectorwatch: Enterprise Software

March 2019

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 Momentum

↑ 7.4%

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

↑ 0.3%

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

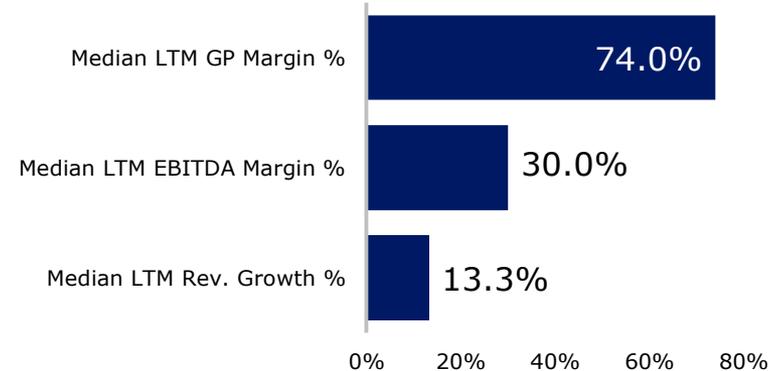
Profitability Momentum

↑ 5.8%

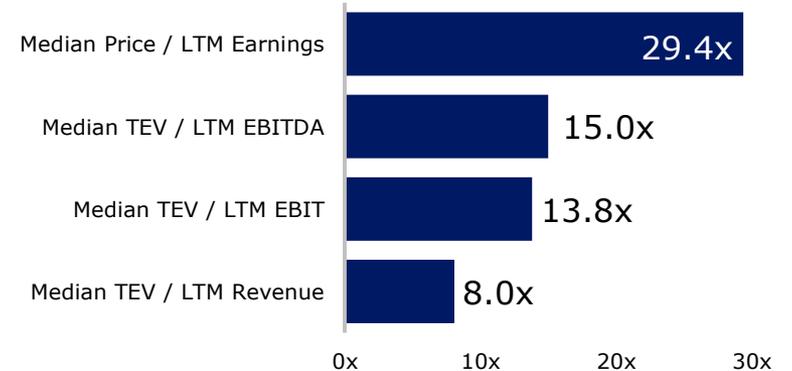
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

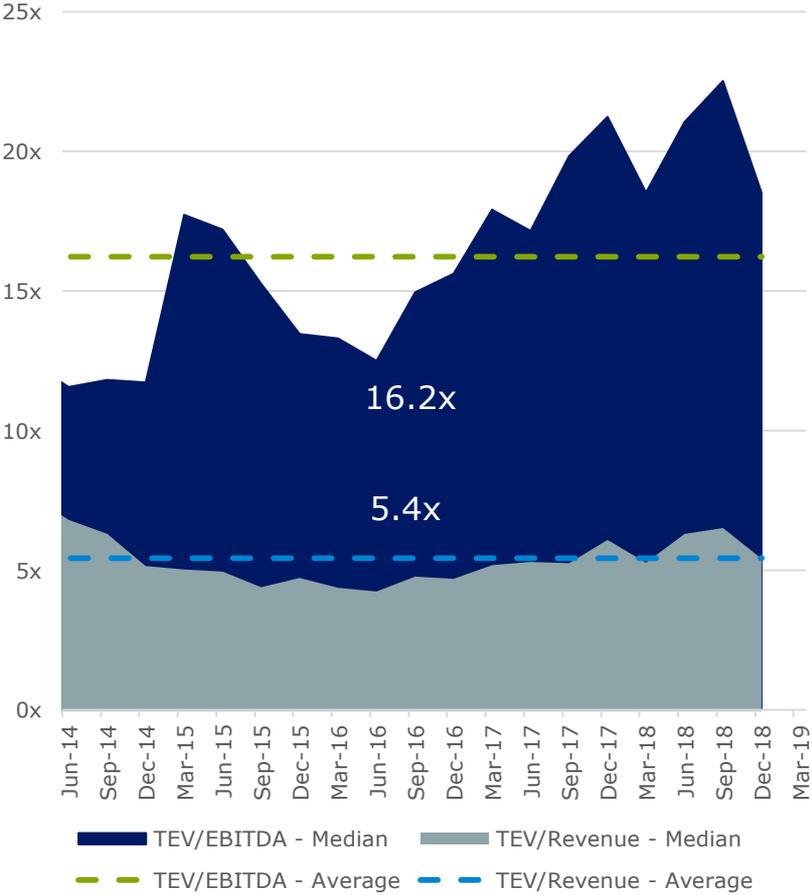


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Workday, Inc.	42,971	2,822	32%	70%	-9%	15.2	0.0	-	NA
VMware, Inc.	71,816	8,974	13%	86%	30%	8.0	26.7	-	NA
salesforce.com, inc.	126,133	12,484	25%	74%	9%	10.1	107.3	29,000	430
Adobe Inc.	128,934	9,030	24%	87%	35%	14.3	40.5	21,357	423
SAP SE	130,858	28,289	5%	71%	31%	4.7	15.0	96,498	293
International Business Machines Corporation	156,937	79,591	1%	46%	21%	2.0	9.4	350,600	227
Oracle Corporation	196,475	39,893	3%	80%	40%	4.9	12.4	137,000	291

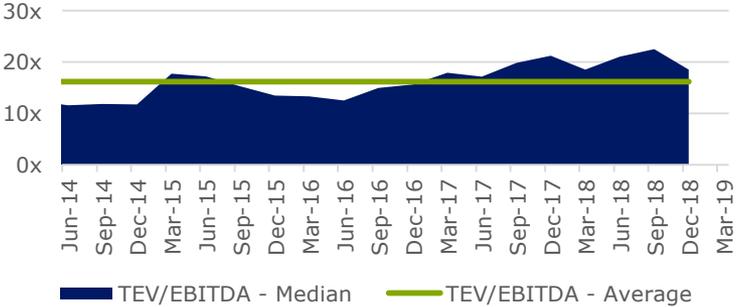
Average	122,018	25,869	15%	73%	22%	8.5	30.2	90,636	333
Median	128,934	12,484	13%	74%	30%	8.0	15.0	29,000	293

share price as of 01Mar19

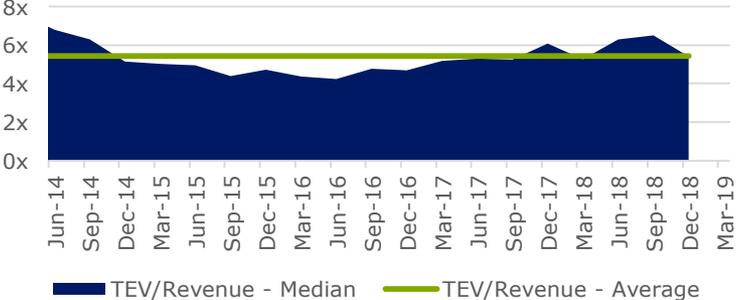
Public Basket Valuation Trends



Public EBITDA Multiples over Time



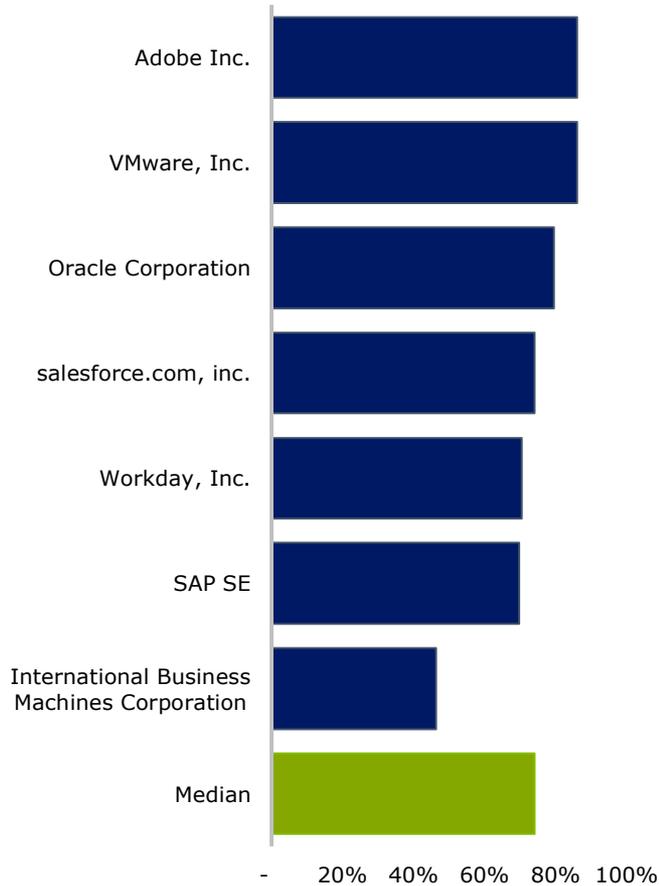
Public Revenue Multiples over Time



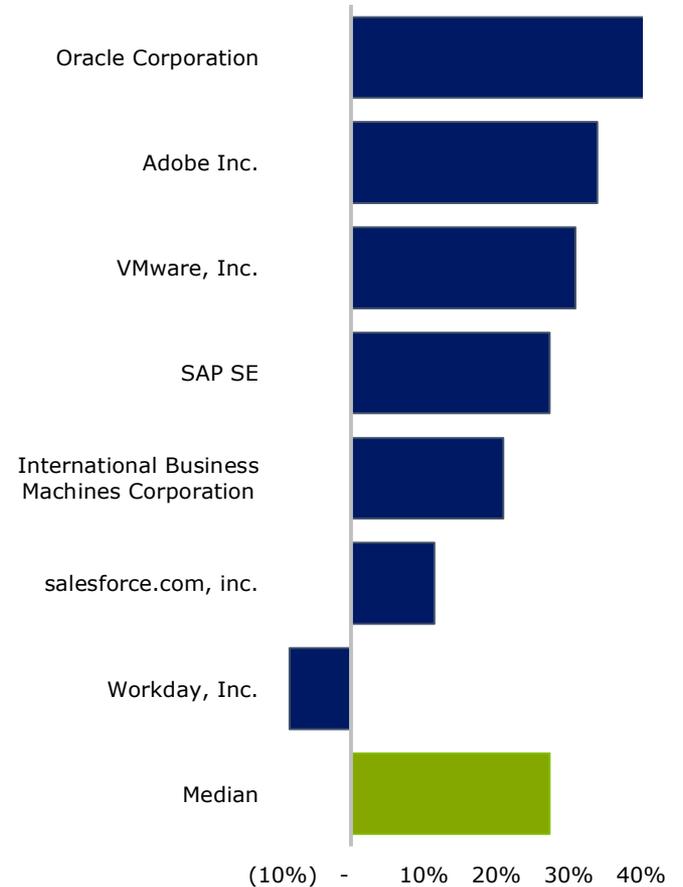
Operational Metrics



LTM Gross Profit Margin %



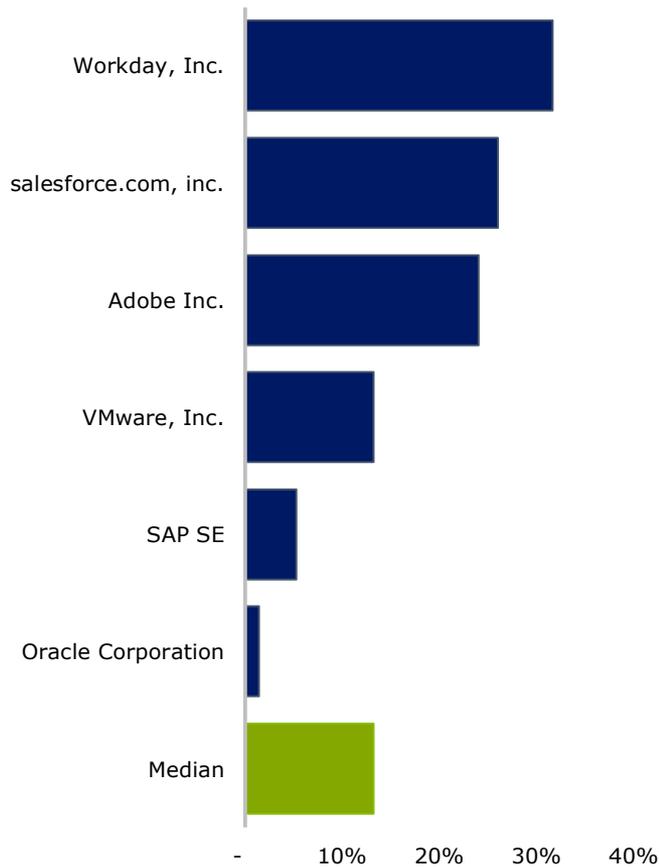
LTM EBITDA %



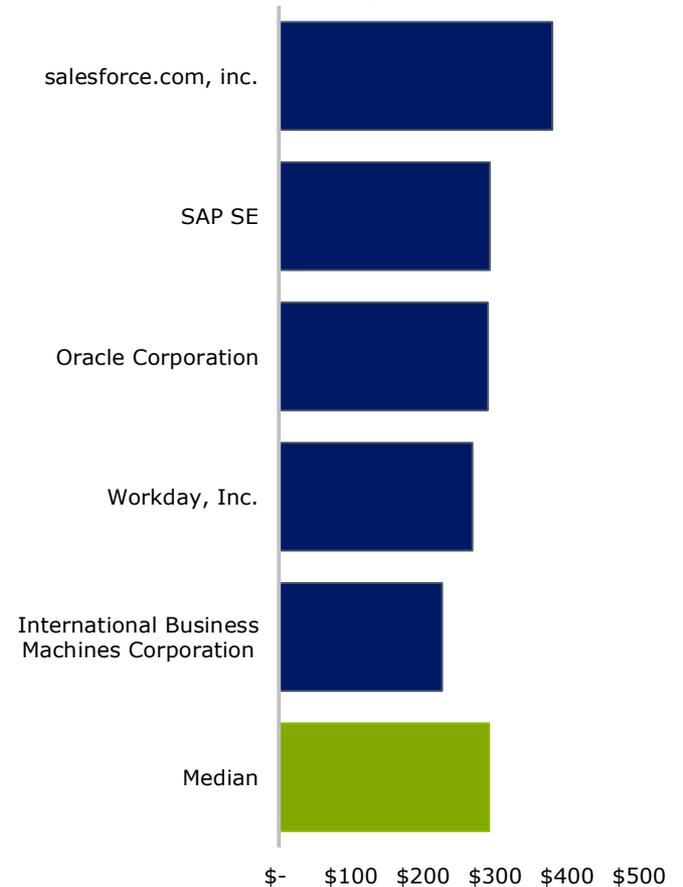
Operational Metrics



LTM Revenue Growth %



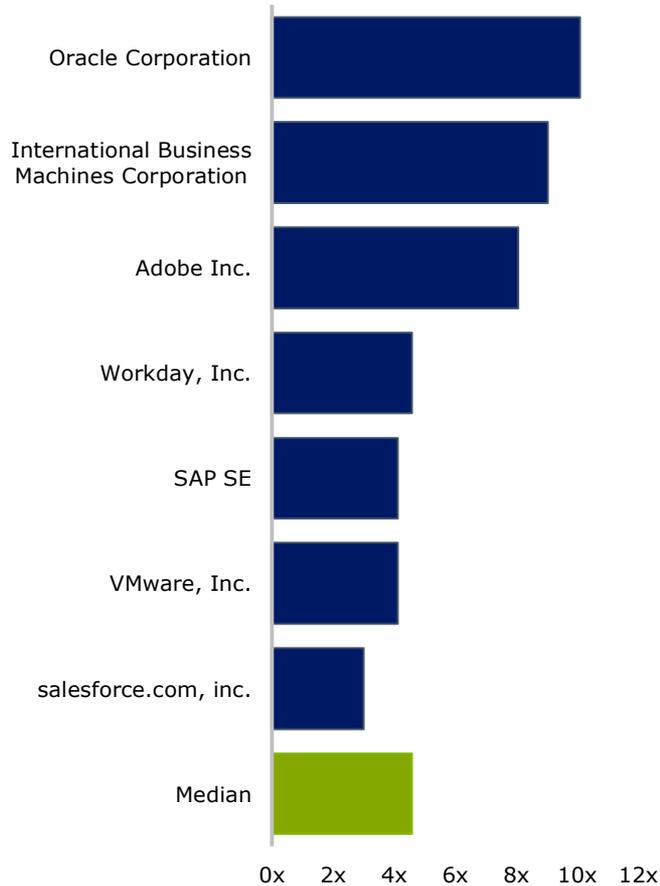
LTM Revenue per Full Time Employee x 000's



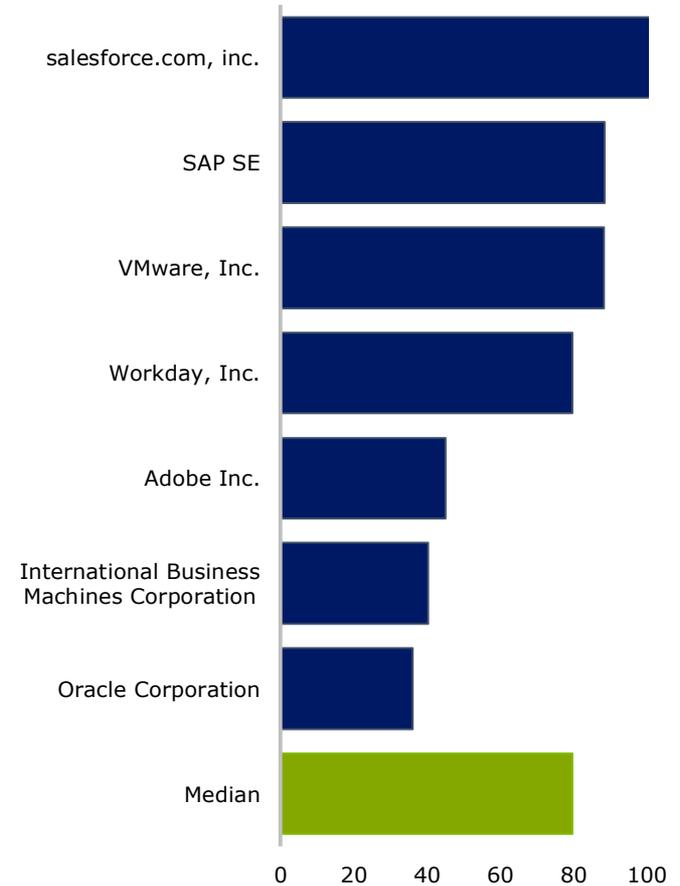
Operational Metrics



Accounts Receivable Turnover



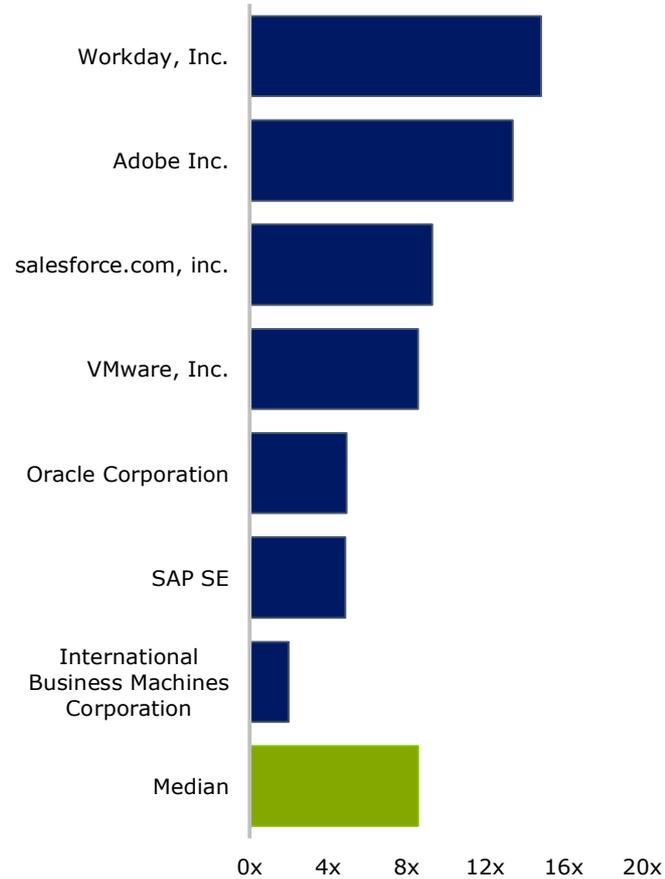
Average Days Sales Outstanding



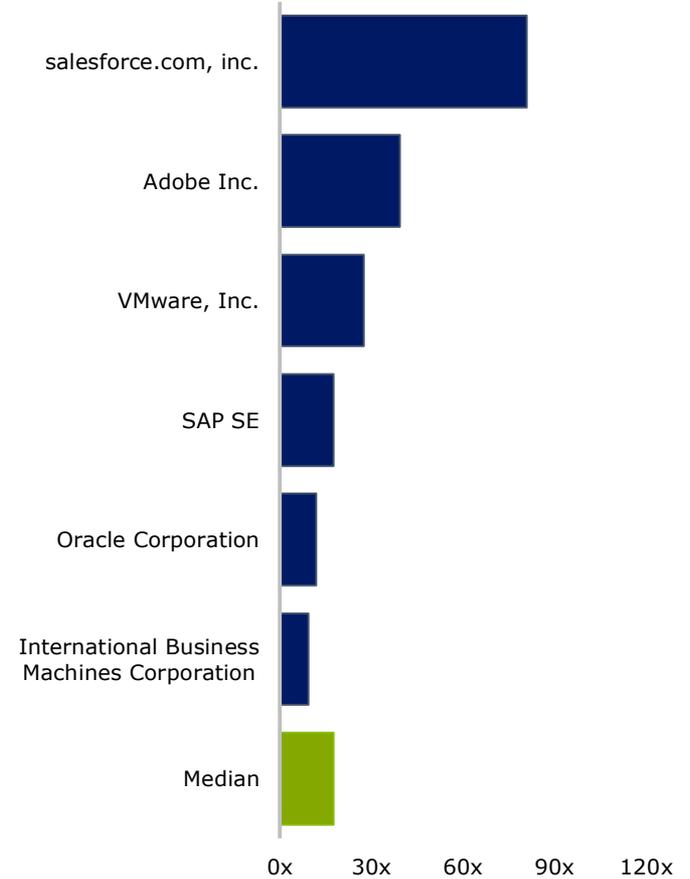
Valuation



TEV / LTM Revenue



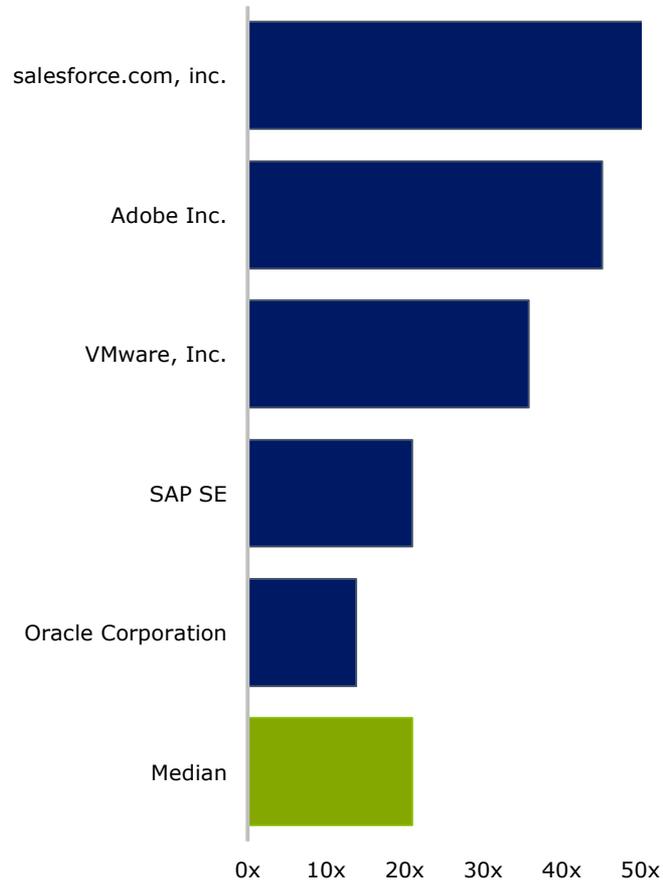
TEV / LTM EBITDA



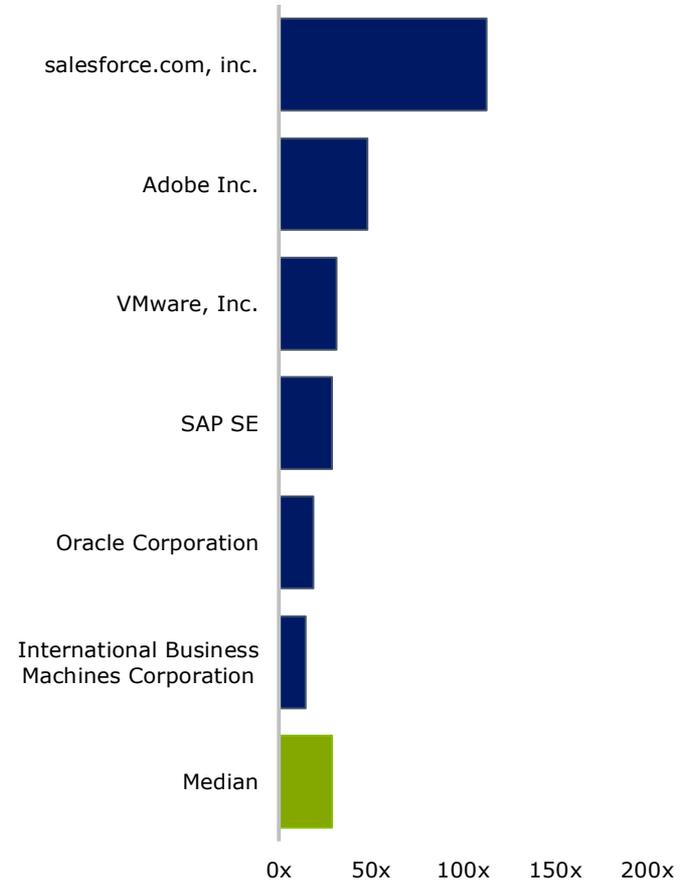
Valuation



TEV / LTM EBIT



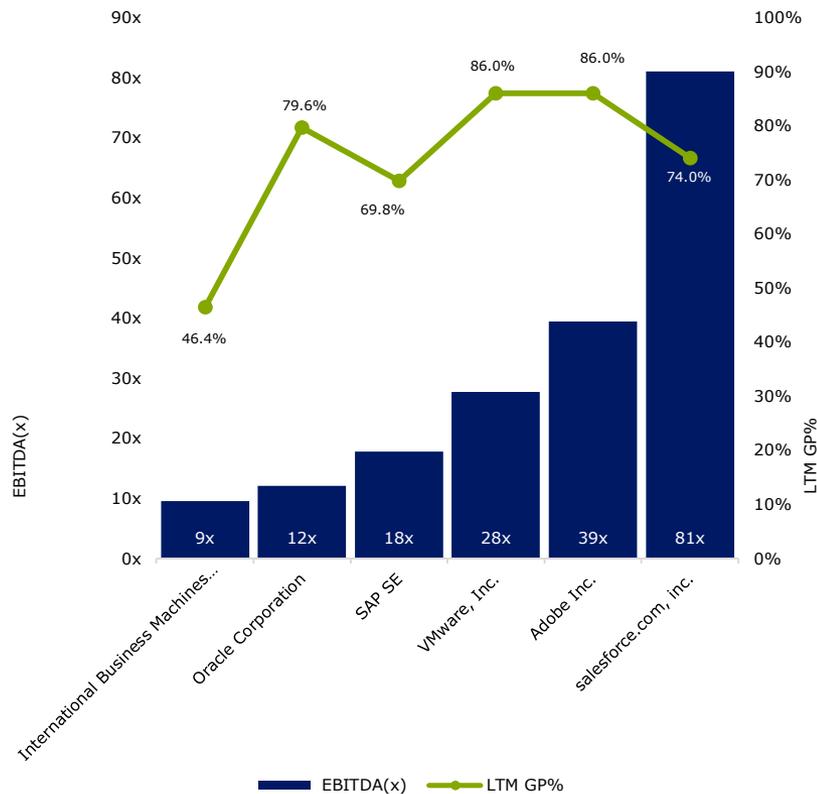
Price / LTM Earnings



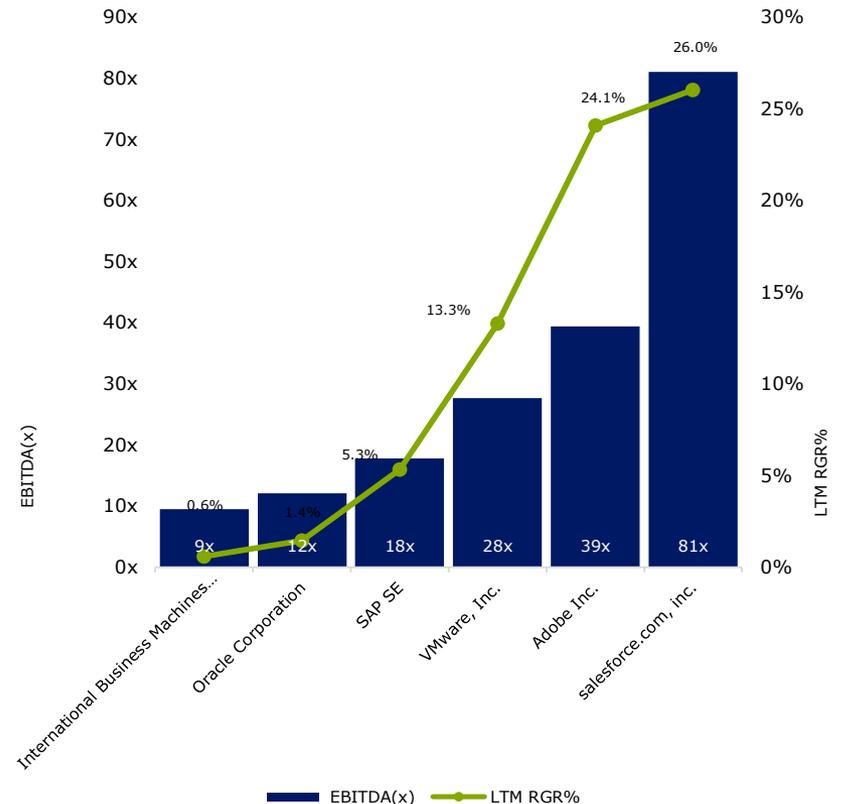
Valuation



Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions



<u>Date</u>	<u>Target</u>	<u>Buyer / Investor</u>	<u>Total Transaction Value</u>	<u>Target Revenue</u>	<u>TEV / Revenue</u>	<u>TEV / EBITDA</u>
18Mar19	AgileCraft, LLC	Atlassian Corporation Plc	166.00	-	-	-
3Feb19	The Ultimate Software Group, Inc.	Hellman & Friedman LLC; JMI Management, Inc.; The Blackstone Group L.P.; GIC Pte. Ltd.; Canada Pension Plan Investment Board	10,984.39	1,140.54	9.5x	88.0x
28Jan19	JN Projects, Inc.	Dropbox, Inc.	230.00	-	-	-
24Jan19	Citus Data, Inc.	Microsoft Corporation	-	-	-	-
14Dec18	CloudEndure Ltd.	Amazon Web Services, Inc.	-	-	-	-
13Dec18	ServiceMax, Inc.	Silver Lake	-	-	-	-
19Nov18	Frustum, Inc.	PTC Inc.	70.00	-	-	-
20Nov18	PlanGrid, Inc.	Autodesk, Inc.	875.00	-	-	-
11Nov18	Qualtrics International Inc.	SAP America, Inc.	8,000.00	372.39	-	-
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	53.6x
11Oct18	Tour de Force, Inc.	Compass Sales Solutions	-	-	-	-
8Oct18	Rocket Software, Inc.	Bain Capital Private Equity, LP	-	450.00	4.4x	-
20Aug18	Strategic BCP, Inc.	SAI Global Pty Limited	-	-	-	-
13Aug18	Quorum Business Solutions, Inc.	Thoma Bravo, LLC	-	-	-	-
2Aug18	Duo Security, Inc.	Cisco Systems, Inc.	2,350.00	-	-	-
26Jul18	RedKix	Facebook, Inc.	-	-	-	-
11Jul18	Cosential Inc.	JMI Management, Inc.	34.00	-	-	-
11Jul18	CA, Inc.	Broadcom Inc.	21,776.02	4,148.00	4.4x	16.4x
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	-	-	-

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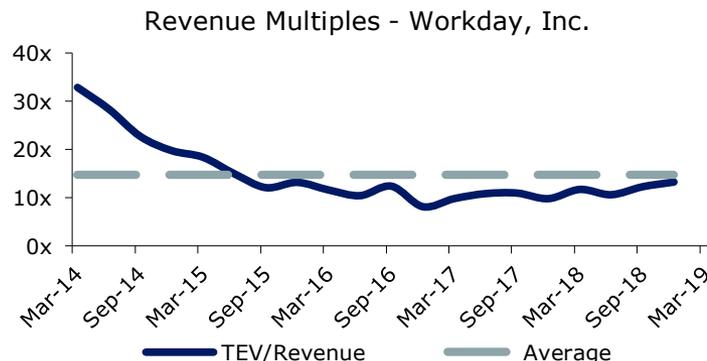
APPENDIX:
Public Basket
Constituents

Public Basket



Workday, Inc.

Workday, Inc. provides enterprise cloud applications for finance and human resources worldwide. It provides applications for customers to manage critical business functions to optimize their financial and human capital resources. The company offers Workday Financial Management application that provides functions of general ledger, accounting, accounts payable and receivable, cash and asset management, employee expense and revenue management, projects, procurement, inventory, and grants management. It also provides Workday Human Capital Management application, which includes human resources management, such as workforce lifecycle and organization management, compensation, absence, and employee benefits administration; and global talent management comprising goal and performance management, succession planning, and career and development planning. In addition, the company offers Workday Financial Performance Management application; Workday Learning application; Workday Payroll application for enterprise payroll; Workday Planning application to create, collaborate, and take action on financial and workforce plans. Workday, Inc. was founded in 2005 and is headquartered in Pleasanton, California.



Date	Key Development Headline
7/31/18	Workday, Inc. (NasdaqGS:WDAY) completed the acquisition of Adaptive Insights, Inc. (NYSE:ADIN) from a group of sellers.

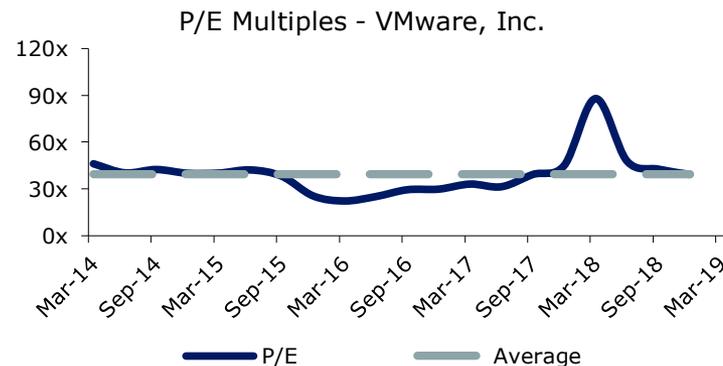
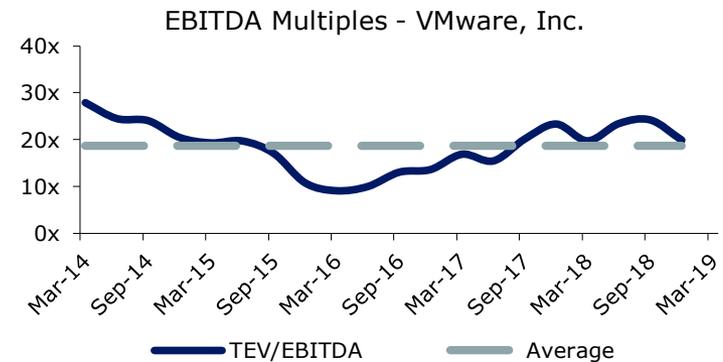
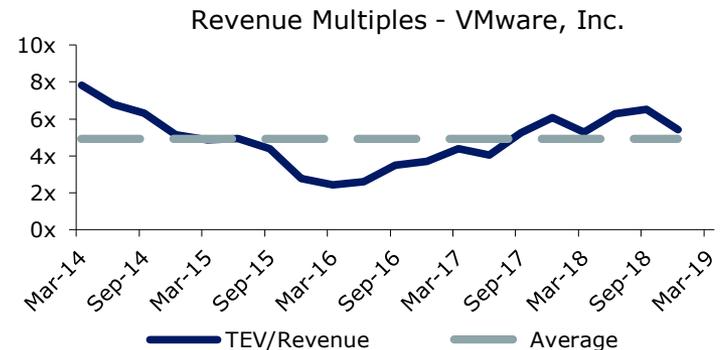
Public Basket



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
2/4/19	VMware, Inc. (NYSE:VMW) agreed to acquire AetherPal Inc. from New Venture Partners LLC, PJC and others.
11/5/18	VMware, Inc. (NYSE:VMW) agreed to acquire Heptio Inc.
10/17/18	VMware To Seek Acquisitions



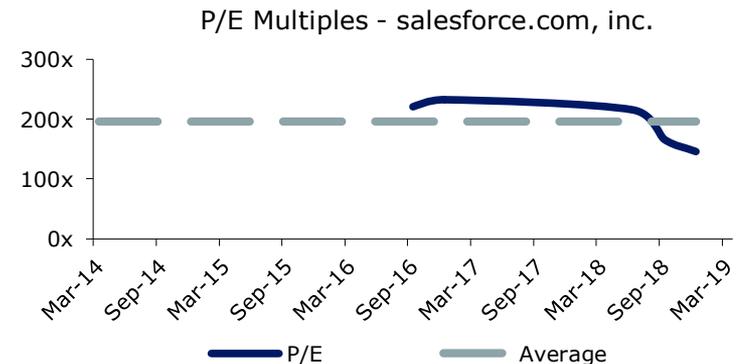
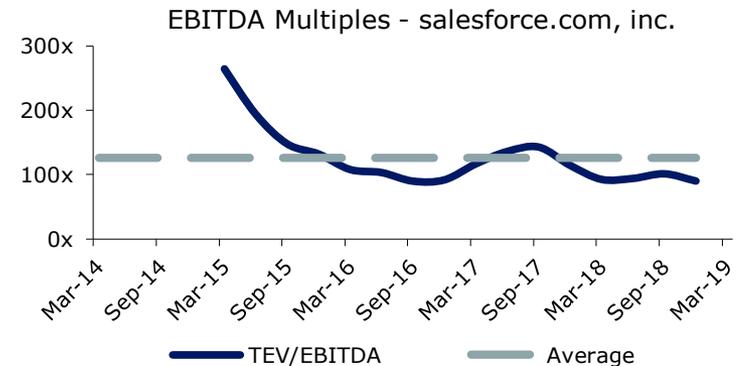
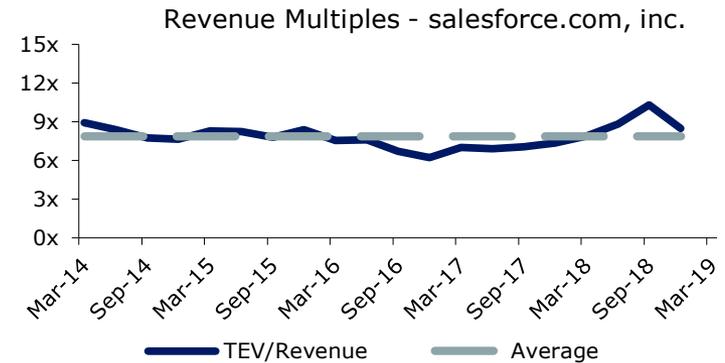
Public Basket



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
1/27/19	Salesforce.com, inc. (NYSE:CRM) agreed to acquire Griddable Inc.
10/30/18	Vonage Holdings Corp. (NYSE:VG) completed the acquisition of NewVoiceMedia Limited from a consortium of sellers.



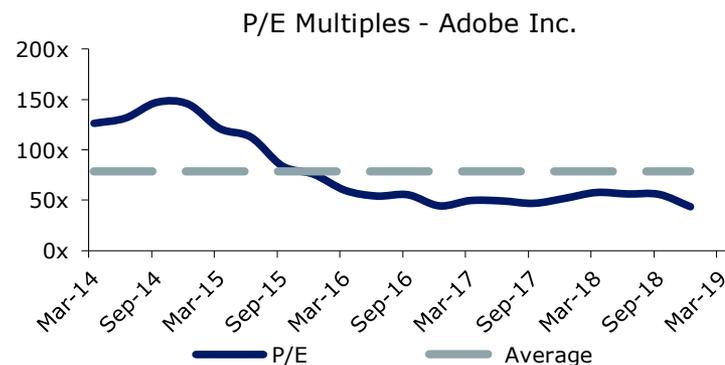
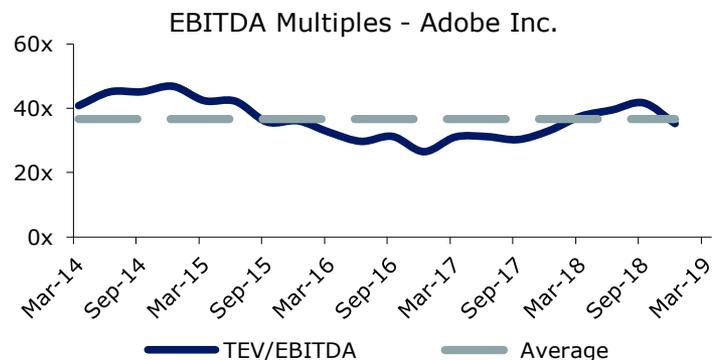
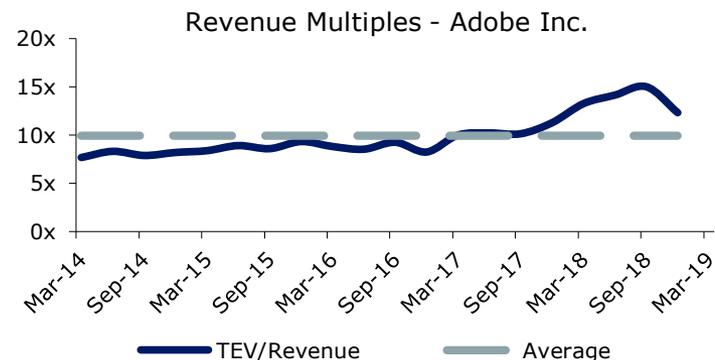
Public Basket



Adobe Inc.

Adobe Inc. operates as a diversified software company worldwide. Its Digital Media segment provides tools and solutions that enable individuals, small and medium businesses, and enterprises to create, publish, promote, and monetize their digital content. Its flagship product is Creative Cloud, a subscription service that allows customers to download and install the latest versions of its creative products. This segment serves traditional content creators, Web application developers, and digital media professionals, as well as their management in marketing departments and agencies, companies, and publishers. The company's Digital Marketing segment offers solutions for how digital advertising and marketing are created, managed, executed, measured, and optimized. The company was founded in 1982 and is headquartered in San Jose, California.

Date	Key Development Headline
1/22/19	Adobe Inc. (NasdaqGS:ADBE) acquired Allegorithmic SAS.
1/8/19	Adobe Inc. (NasdaqGS:ADBE) acquired unknown minority stake in Marketo KK from SunBridge Partners, Inc.
10/30/18	Adobe Inc. (NasdaqGS:ADBE) completed the acquisition of Marketo, Inc. from Vista Equity Partners LLC.
10/9/18	Adobe Accelerates Experience-Driven Commerce with Major Advancements to Magento Commerce Cloud
9/20/18	Adobe Systems Incorporated, Marketo, Inc. - M&A Call



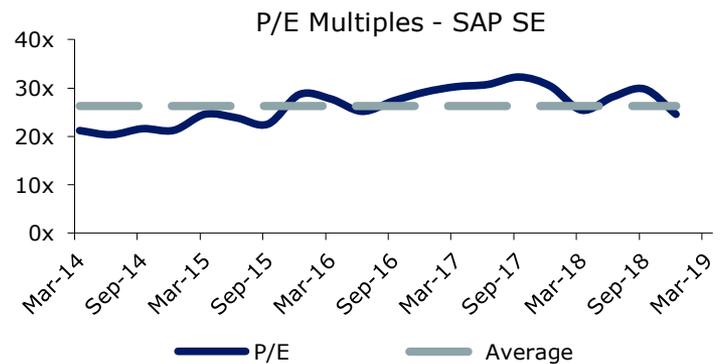
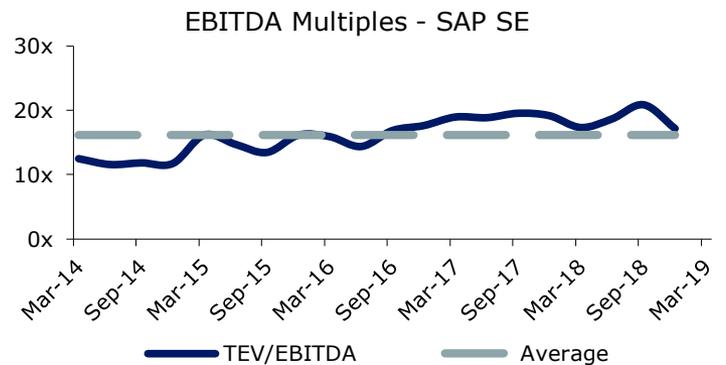
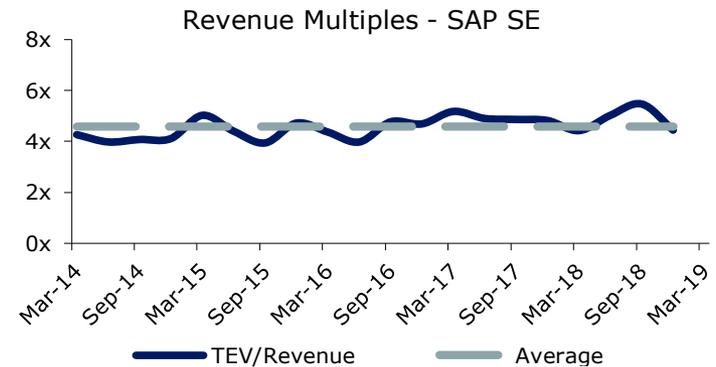
Public Basket



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
2/24/19	Verisk 3E signed a definitive agreement to acquire Content as a Service business of SAP SE (DB:SAP).
12/17/18	SAP and Software AG Launch Joint Platform for Smart Cities
12/17/18	Lition 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 from K Partners and others.



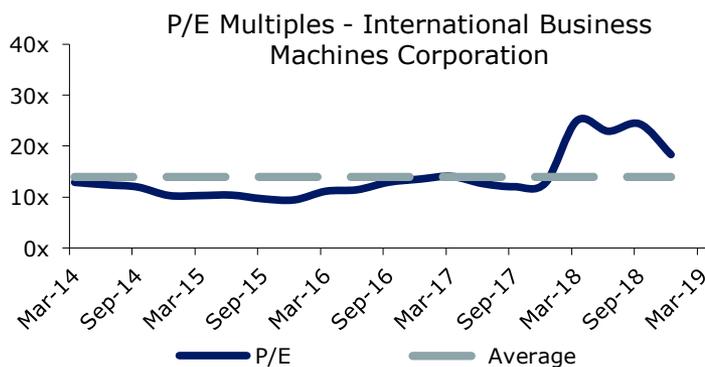
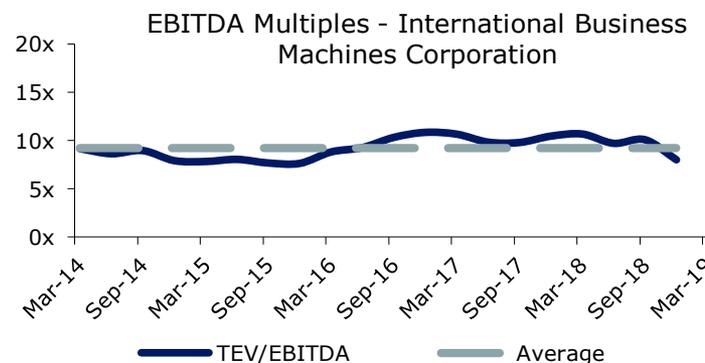
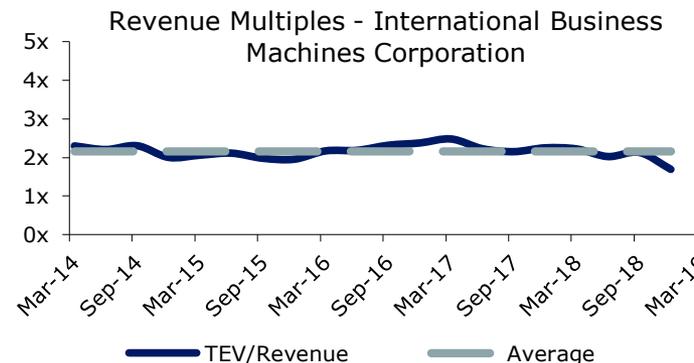
Public Basket



International Business Machines Corporation

International Business Machines Corporation operates as an integrated technology and services company worldwide. Its Cognitive Solutions segment offers Watson, a computing platform that interacts in 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 tailored industry solutions; and transaction processing software that runs mission-critical systems in banking, airlines, and retail industries. The company was founded in 1911 and is headquartered in Armonk, New York.

Date	Key Development Headline
2/26/19	SEAT & IBM Revolutionize Urban Mobility with AI
2/14/19	HCL Technologies Announces Collaboration with IBM to Help Advance the Hybrid Cloud Journeys of Organizations Worldwide
2/4/19	McCormick & Company, Incorporated and IBM Announces Collaboration Pioneering the Use of Artificial Intelligence in Flavor and Food Product Development
1/24/19	Aetna, Anthem, Health Care Service Corporation, PNC Bank and IBM Announce Collaboration to Establish Blockchain-Based Ecosystem for the Healthcare Industry
1/12/19	International Business Machines Corporation (NYSE:IBM) agreed to acquire mainframe service business from T-Systems International GmbH.



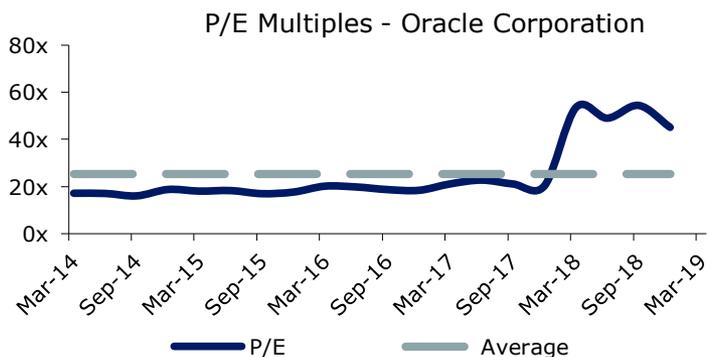
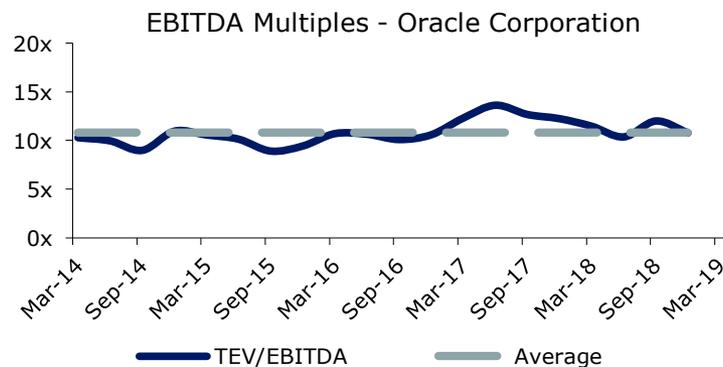
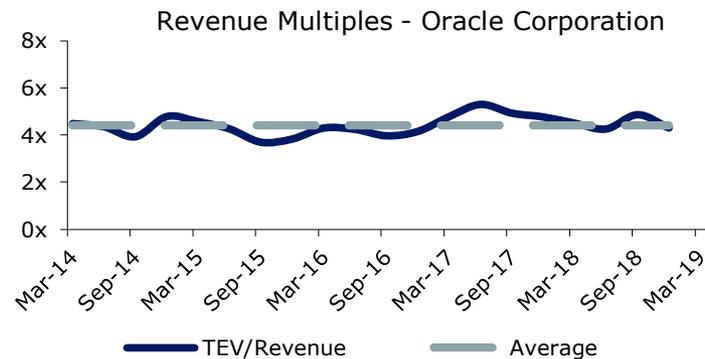
Public Basket



Oracle Corporation

Oracle Corporation develops, manufactures, markets, sells, hosts, and supports application, platform, and infrastructure solutions for information technology (IT) environments worldwide. 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
1/10/19	The San Francisco Giants and Oracle Announces 20-Year Partnership
11/14/18	Oracle Corporation (NYSE:ORCL) entered into an agreement to acquire Talari Networks, Inc.
11/14/18	Tele2 Russia, Oracle Expand Cooperation on Cloud Services
11/8/18	Oracle Corporation (NYSE:ORCL) completed the acquisition of goBalto, Inc.
10/30/18	Oracle Corporation (NYSE:ORCL) completed the acquisition of DataFox Intelligence, Inc.



CONTACT INFO

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
Mark Landry, Managing Director	561.972.0609	mark@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	rorry@7mileadvisors.com
Garth Martin, Associate	704.973.3997	garth.martin@7mileadvisors.com
Dennis Fox, Associate	704.706.9168	dennis@7mileadvisors.com
Steve Buffington, Associate	704.960.1828	steve@7mileadvisors.com
Emily Halstenberg	704.409.9912	emily@7mileadvisors.com