

Sectorwatch: IT Consulting

February 2019

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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.

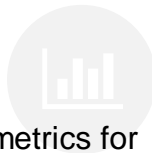
Dashboard

- 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

↓ -0.4%

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 exceeds the average of the last 3 years gross profit margin by this amount, indicating supplier pricing power

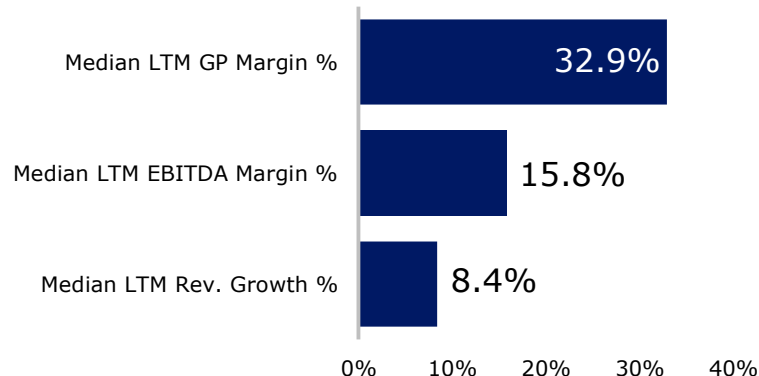
Profitability Momentum

↑ 0.12%

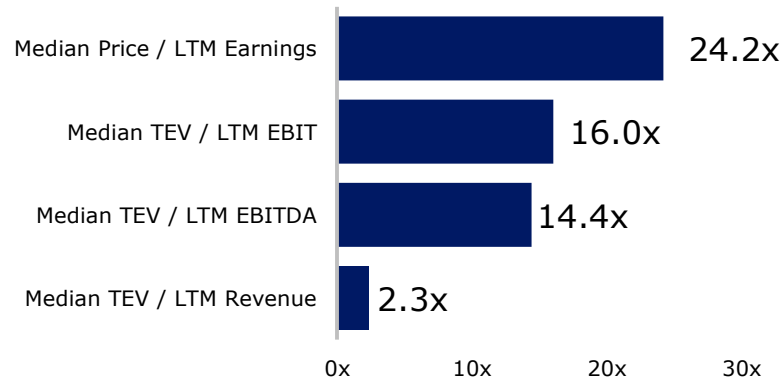
1 - year EBITDA % compared to EBITDA % average for last 3 years

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



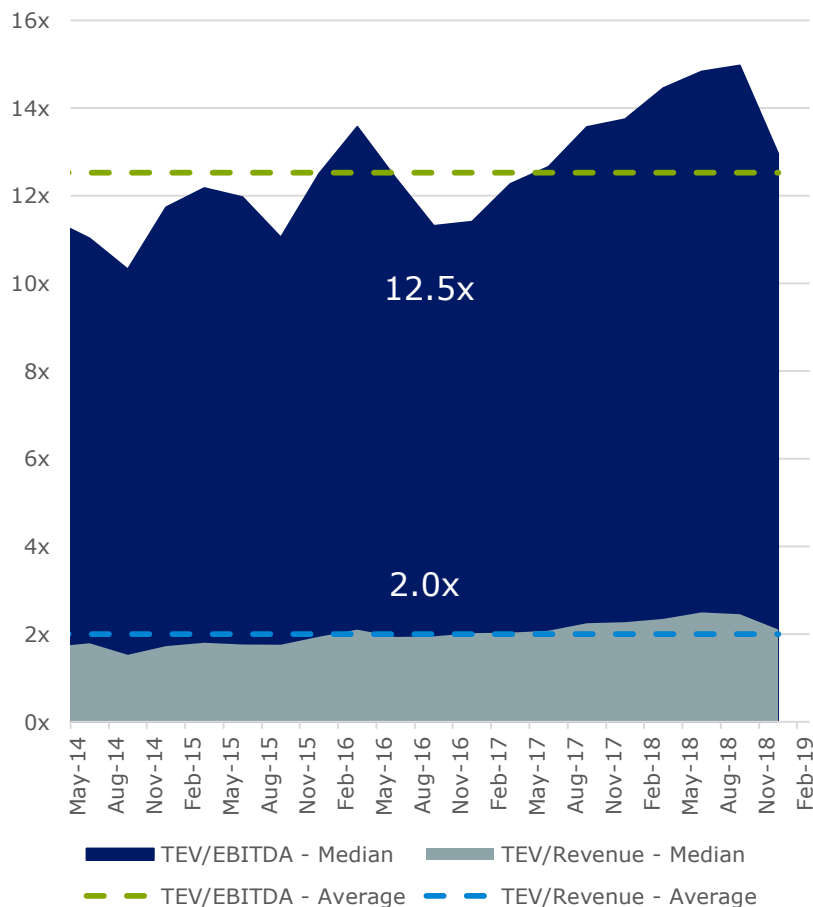
Public Basket



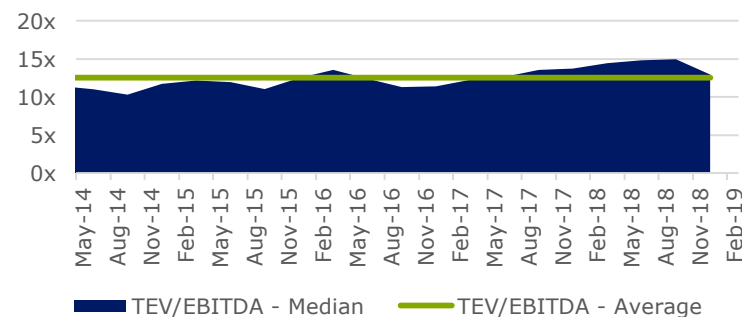
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Perficient, Inc.	1,031	498	3%	36%	12%	2.1	17.2	3,060	163
Reply S.p.A.	2,181	1,120	12%	15%	13%	2.0	15.8	6,456	173
EPAM Systems, Inc.	7,906	1,843	27%	36%	15%	4.3	28.0	30,156	61
NTT DATA Corporation	19,072	19,428	2%	25%	15%	1.0	6.5	118,006	165
CGI Inc.	19,749	8,541	6%	30%	17%	2.2	13.3	74,000	115
Capgemini SE	21,830	15,110	5%	12%	13%	1.5	11.5	211,300	72
Cognizant Technology Solutions Corporation	37,664	16,125	9%	39%	21%	2.3	11.3	281,600	57
Infosys Limited	41,755	11,545	8%	34%	26%	3.7	14.1	204,107	57
Accenture plc	98,880	40,295	11%	31%	16%	2.5	15.1	459,000	88
Tata Consultancy Services Limited	101,359	20,191	16%	44%	27%	5.1	18.9	394,998	51
Average	35,143	13,470	10%	30%	17%	2.7	15.2	178,268	100
Median	20,789	13,327	8%	33%	16%	2.3	14.6	161,057	80

share price as of 26Feb19

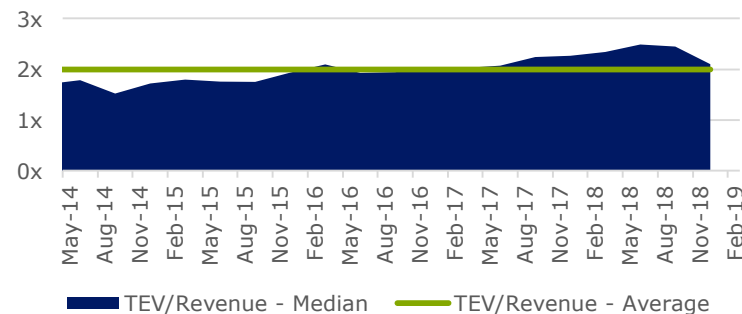
Public Basket Valuation Trends



Public EBITDA Multiples over Time



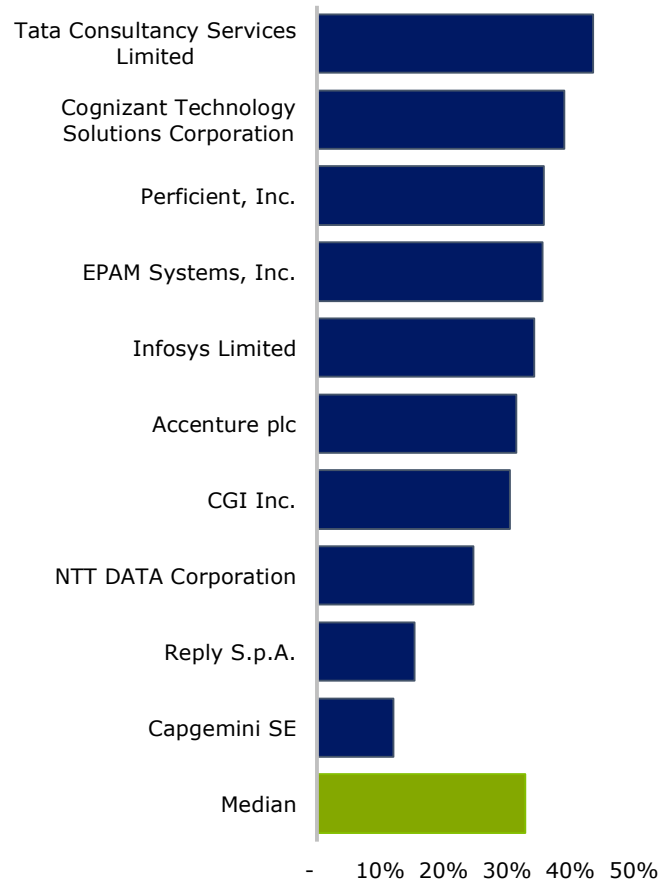
Public Revenue Multiples over Time



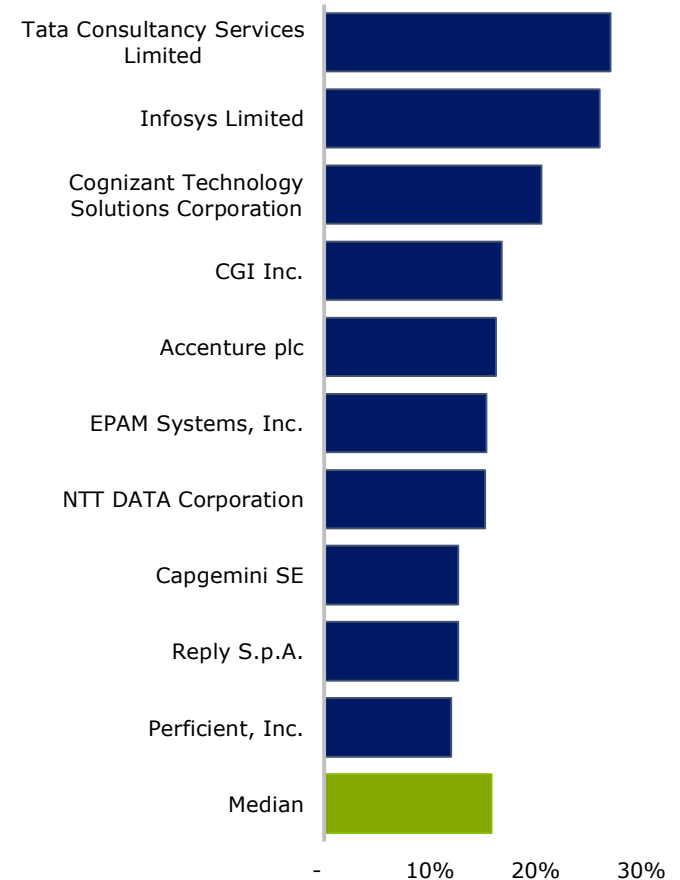
Operational Metrics



LTM Gross Profit Margin %



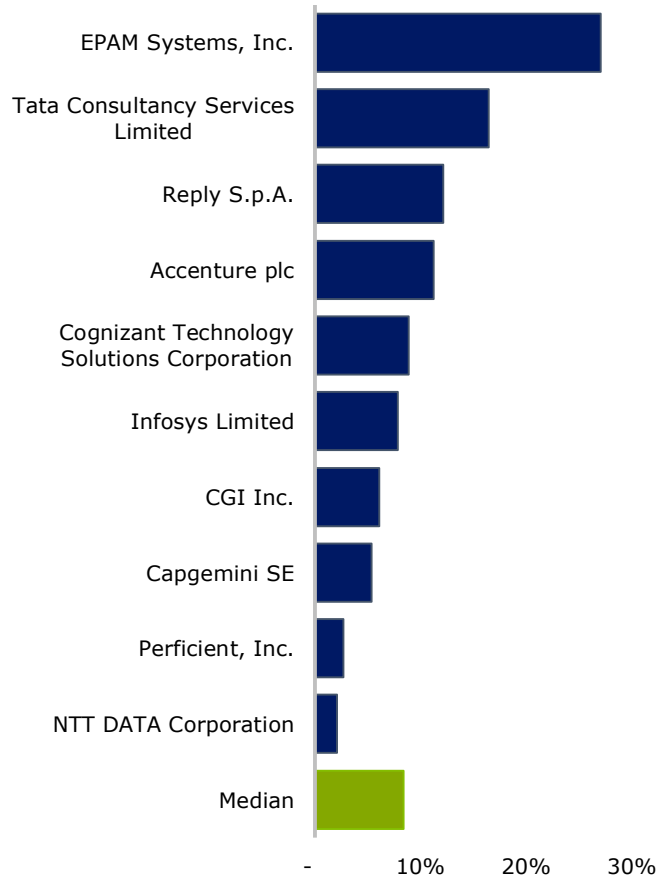
LTM EBITDA %



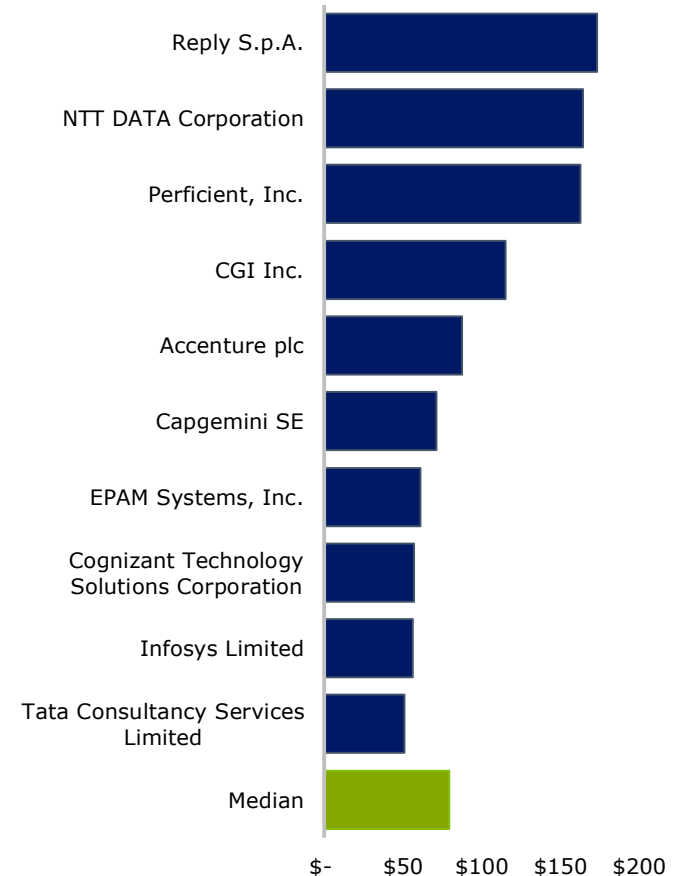
Operational Metrics



LTM Revenue Growth %



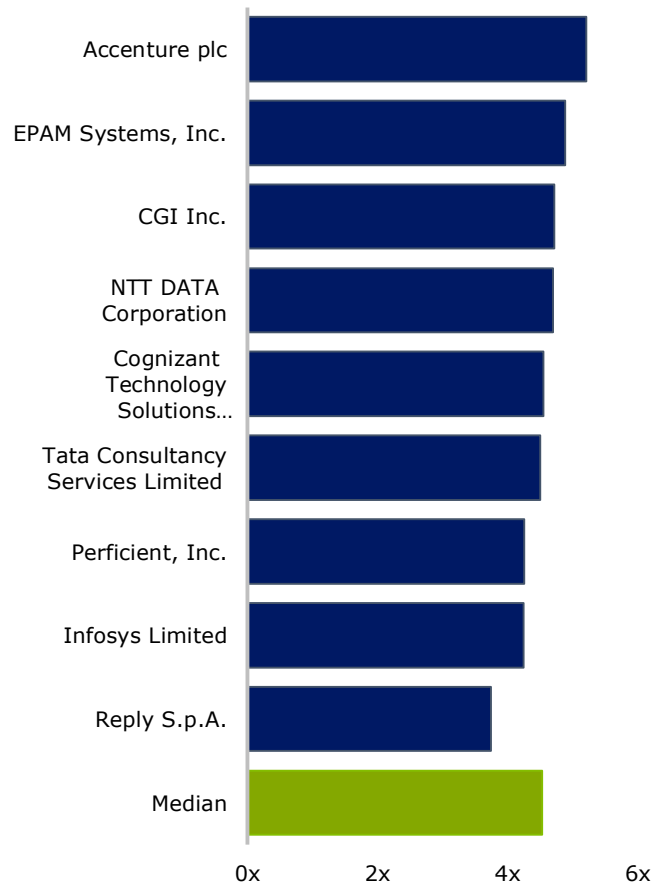
LTM Revenue per Full Time Employee x 000's



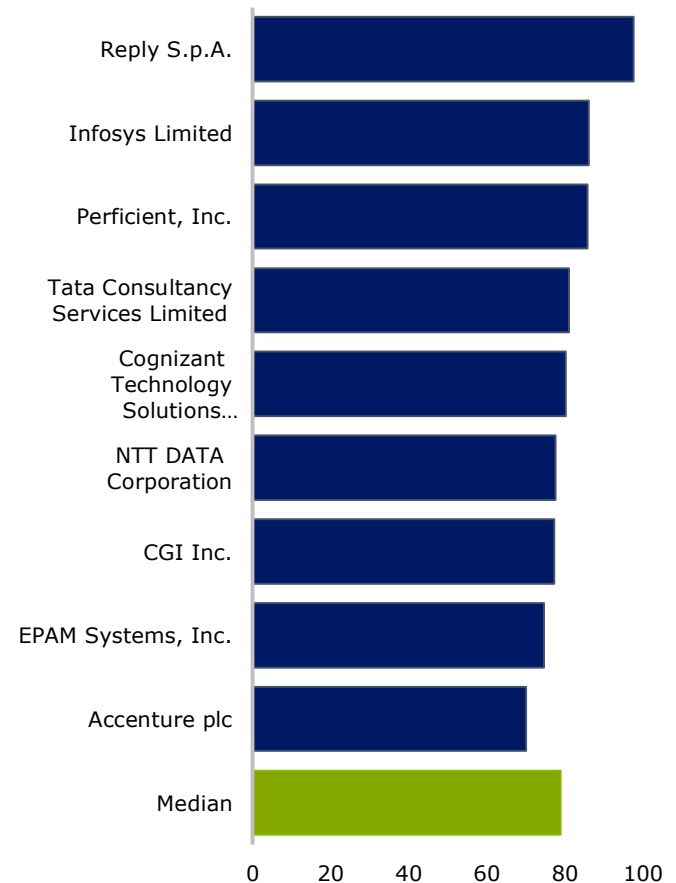
Operational Metrics



Accounts Receivable Turnover



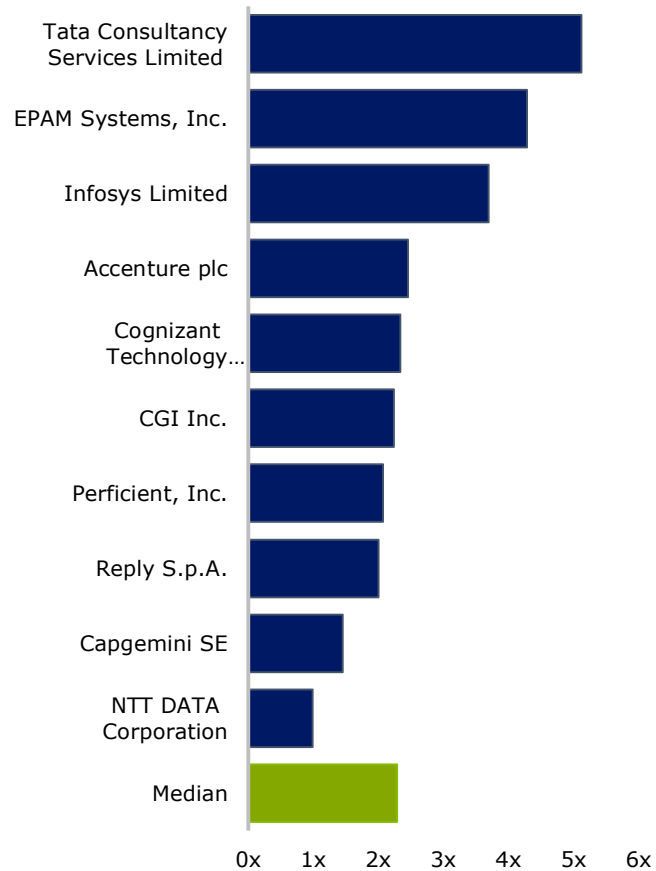
Average Days Sales Outstanding



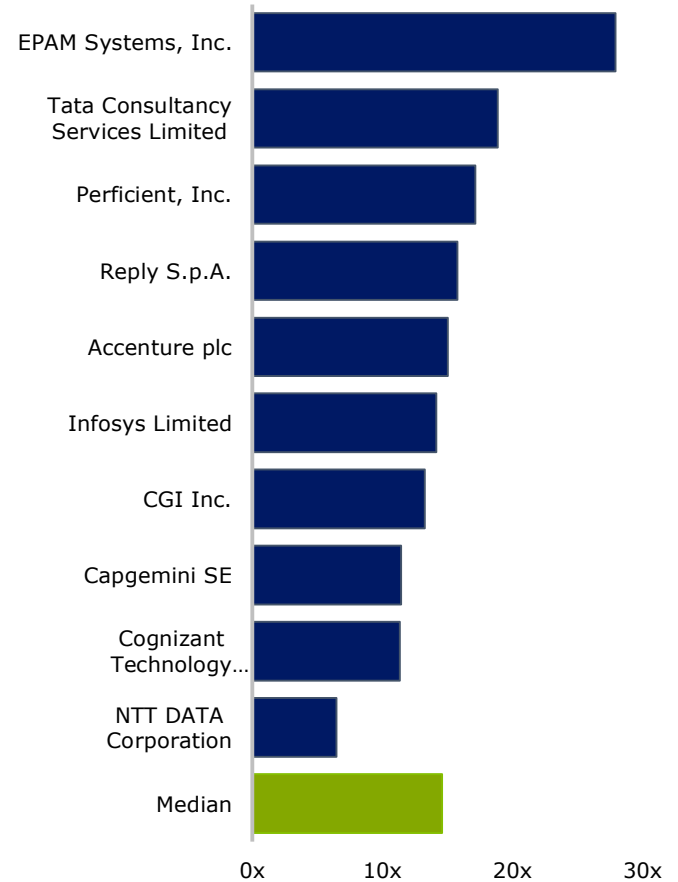
Valuation



TEV / LTM Revenue



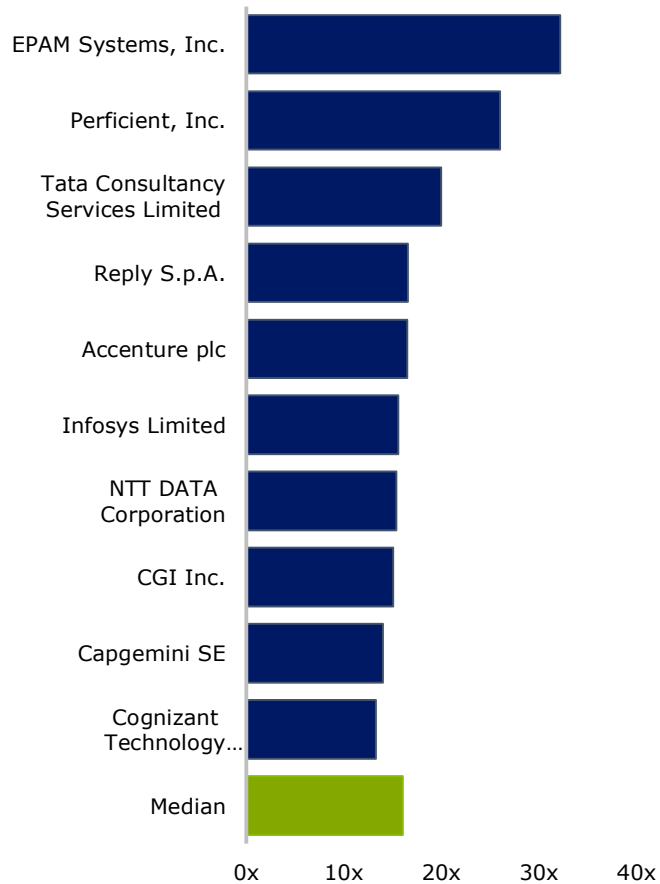
TEV / LTM EBITDA



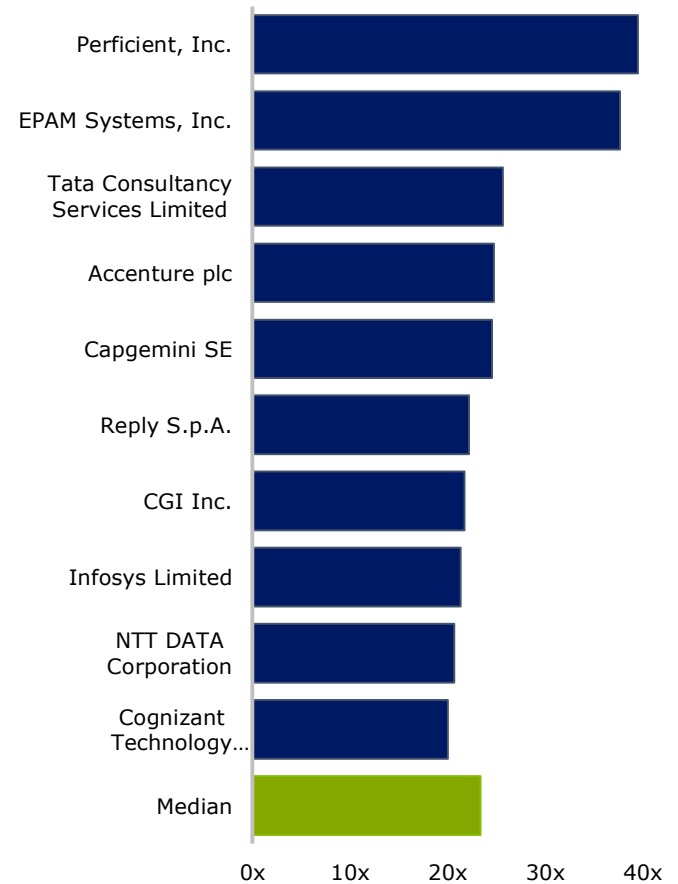
Valuation



TEV / LTM EBIT



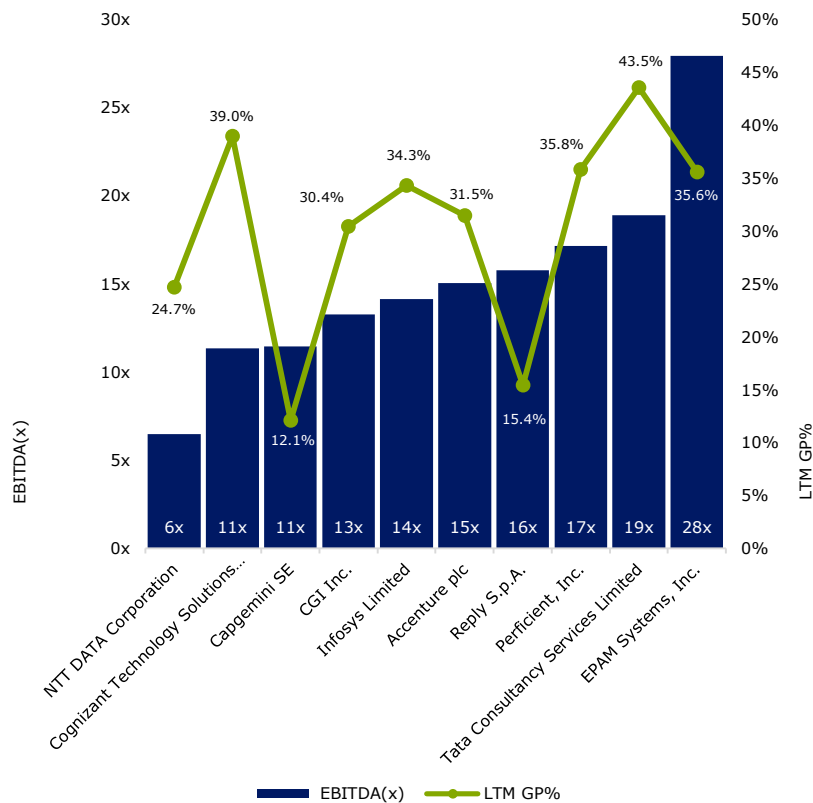
Price / LTM Earnings



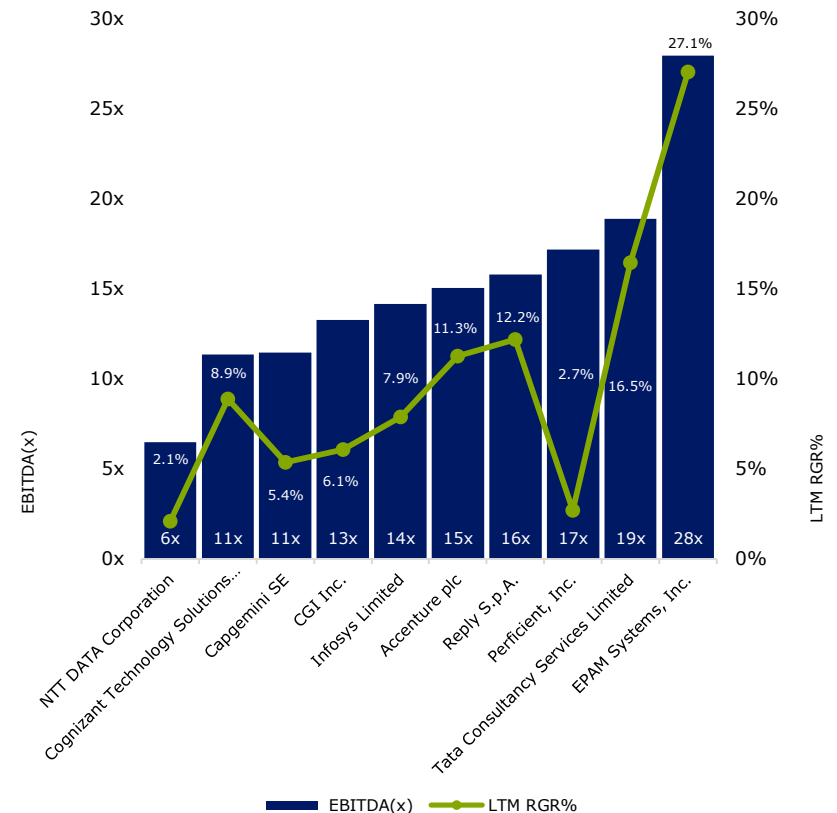
Valuation



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
21Jan19	Software Information Systems, LLC	Converge Technology Solutions Corp.	15.36	89.00	0.2x	5.9x
7Jan19	InterGlobe Technologies Private Limited	Apollo Global Management, LLC; ICICI Venture Funds Management Company Limited; AION Capital Partners Ltd; Goldman Sachs Asia Strategic Pte. Ltd.	22.92	-	-	-
6Dec18	The Athene Group	Insight Venture Partners LLC; Salesforce Ventures; Berenson Holdings LLC; Sagewind Capital LLC	-	-	-	-
5Nov18	Intrigo Systems, Inc.	Accenture plc	-	-	-	-
1Nov18	BusinessNow/TESM Limited	Fruition Partners UK	-	-	-	-
9Oct18	COMPAREX AG	SoftwareONE AG	-	2,907.15	-	-
2Oct18	Dev9, LLC	Nortal AS	-	-	-	-
30Sep18	FusionStorm, Inc.	Computacenter plc	90.00	595.50	0.2x	-
18Sep18	Advanced Technology Group, Inc.	Cognizant Technology Solutions Corporation	-	-	-	-
9Aug18	Pillar Technology Group LLC	Accenture plc	-	52.00	-	-
31Jul18	ThinkIT Solutions, LLC	NuMSP LLC	-	-	-	-
1Aug18	Integrity Consulting Group	CompassMSP, LLC	-	-	-	-
16Jul18	Basefarm AS	Orange Business Services SAS	409.79	117.08	3.5x	-
3Jul18	V-NEO Inc.	GFT Technologies SE	-	-	-	-
2Jul18	K&R Network Solutions, Inc.	Winxnet, Inc.	-	-	-	-
1Jun18	InfoGuard LLC	CloudCover LLC	-	-	-	-
23May18	G2 Technology Group Inc.	Reliam, Inc.	-	-	-	-
21May18	Blue Chip Tek, Inc.	Converge Technology Partners Inc. (nka:Converge Technology Solutions Corp.)	-	-	-	-
21May18	Tranquilnet, Inc.	Protel Communications, Inc.	-	-	-	-
16May18	Facilite Informatique Canada Inc	CGI Group Inc. (nka:CGI Inc.)	32.77	-	-	-
2May18	Hedera Consulting BVBA	Cognizant Technology Solutions Corporation	-	-	-	-
16Apr18	Lenati, LLC	ProKarma Inc.	-	-	-	-
12Apr18	Action Corporation	HCL Technologies Limited; Sumeru Equity Partners, Inc.	330.00	107.10	3.1x	8.6x
10Apr18	Valorem Consulting Group, LLC	Reply S.p.A.	-	-	-	-
5Apr18	Telerx Marketing Inc.	HCL America, Inc.	60.00	199.00	0.3x	-
2Apr18	Southport Services Group, LLC	Perficient, Inc.	21.41	17.00	1.3x	-

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APPENDIX: Public Basket Constituents

Public Basket

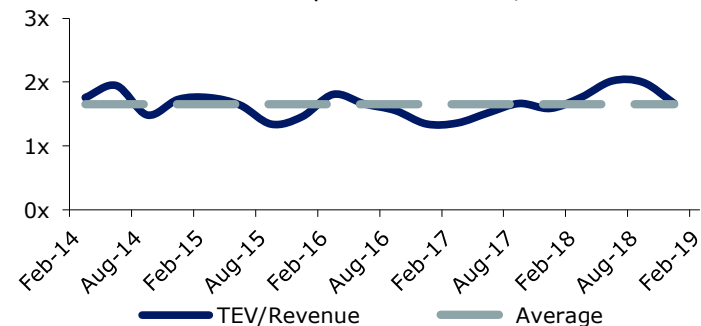


Perficient, Inc.

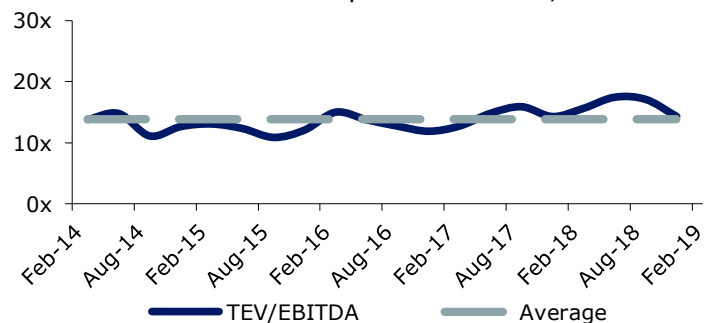
Perficient, Inc. provides information technology and management consulting services in the United States. The company designs, builds, and delivers solutions using middleware software products developed by third-party vendors. Its solutions include portals and collaboration, such as searchable data systems, collaborative systems for process improvement, transaction processing, unified and extended reporting, and other services; and platform implementations services, including application server selection, architecture planning, installation and configuration, clustering for availability, performance assessment and issue remediation, security, and technology migrations. The company also offers management consulting services in the areas of organizational change management, business analytics, project management, process excellence, and other; and cloud services comprising architecture, business value and health checks assessments, strategy and road maps, and vendor evaluation and selection services. In addition, it provides product configuration digital marketing services, including search engine marketing, user experience and design, and conversion rate optimization; commerce solutions; and content management solutions. Perficient, Inc. was founded in 1997 and is headquartered in St. Louis, Missouri.

Date	Key Development Headline
10/28/18	Perficient Inc. (NASDAQ:PRFT) acquired Elixiter Inc.

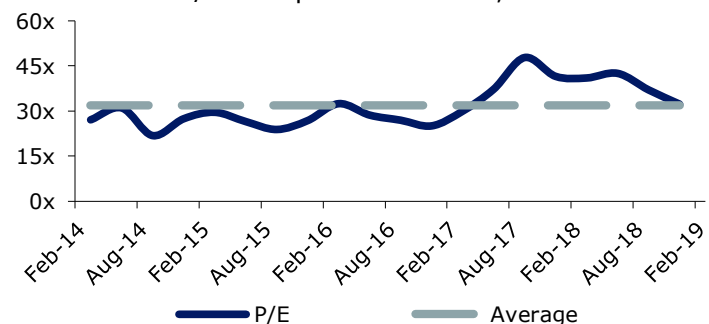
Revenue Multiples - Perficient, Inc.



EBITDA Multiples - Perficient, Inc.



P/E Multiples - Perficient, Inc.



Public Basket



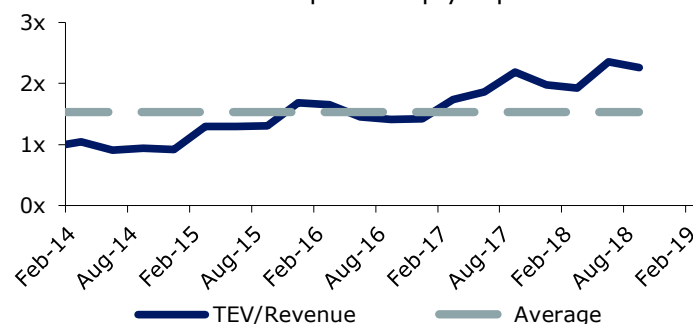
Reply S.p.A.

Reply S.p.A. provides consulting, system integration, application management, and business process outsourcing services in Italy and internationally. The company implements solutions based on communication channels and digital media. It provides Brick Reply, a manufacturing operations management platform for the management and control of a smart factory; Click Reply, a supply chain execution platform; Definio Reply, a technological platform for collection, analysis, control, processing, and distribution of financial data; Discovery Reply, a platform for the digital media management projects; and Gaia Reply platform for use in the field of mobility and multimedia. The company also offers Hi engage, a commercial contextual marketing solution; Pay Reply platform that provides mobile payment solutions, as well as helps banks, financial institutions and telecommunications companies, utilities, and retailers to create and deliver remote and proximity payment services; SideUp Reply, a software application for warehouse management; Starbytes, an online employment service for freelancers and ICT specialists; The company was founded in 1996 and is headquartered in Turin, Italy.

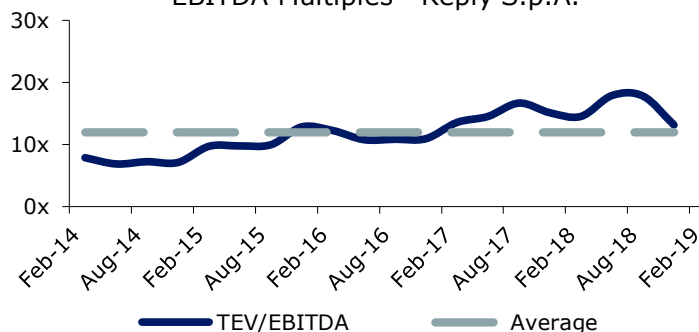
Date Key Development Headline

Date	Key Development Headline
4/9/18	Reply S.p.A. (BIT:REY) acquired a majority stake in Valorem Consulting Group, LLC.

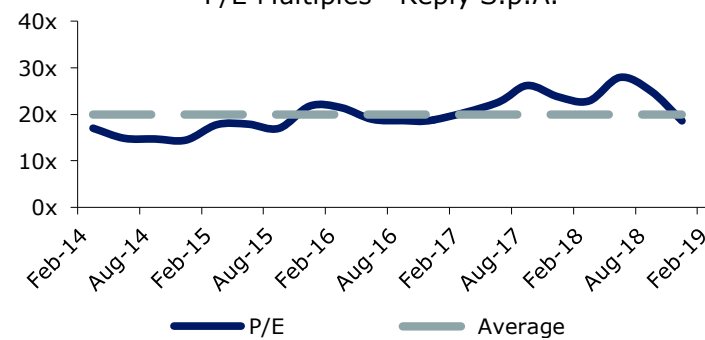
Revenue Multiples - Reply S.p.A.



EBITDA Multiples - Reply S.p.A.



P/E Multiples - Reply S.p.A.



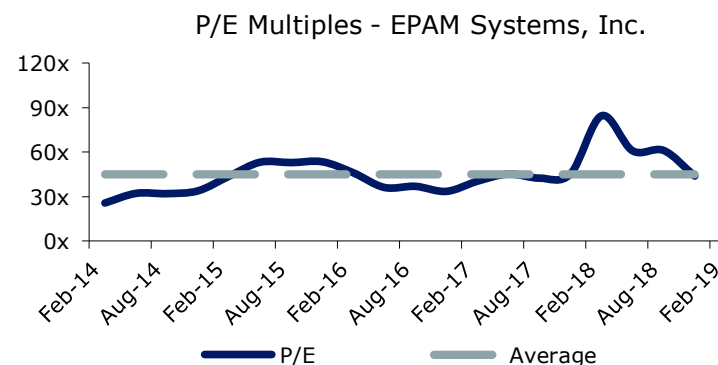
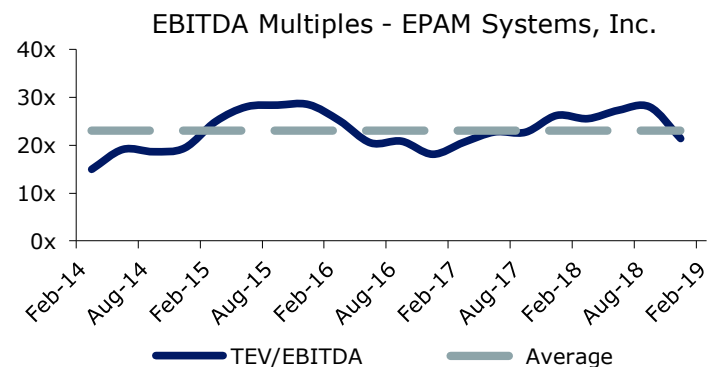
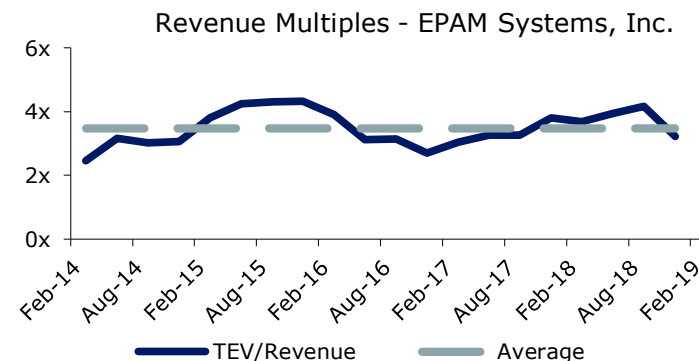
Public Basket



EPAM Systems, Inc.

EPAM Systems, Inc. provides software product development and digital platform engineering services primarily in North America, Europe, Asia, and Australia. It offers software product development services, including product research, customer experience design, prototyping, program management, component design and integration, lifecycle software testing, product deployment, end-user customization, performance tuning, product support and maintenance, managed services, and porting and cross-platform migration. The company provides custom application development services, such as business and technical requirement analysis, user experience design, solution architecture creation and validation, development, component design and integration, quality assurance and testing, deployment, performance tuning, support and maintenance, legacy applications re-engineering/refactoring, porting and cross-platform migration, and documentation. It also offers application testing services, including software application testing, testing for enterprise IT, and consulting services; The company was founded in 1993 and is headquartered in Newtown, Pennsylvania.

Date	Key Development Headline
10/31/18	EPAM Systems, Inc. (NYSE:EPAM) acquired Think Limited.
9/17/18	EPAM Systems, Inc. Partners with Positive, on Research-Driven Cybersecurity R&D Lab



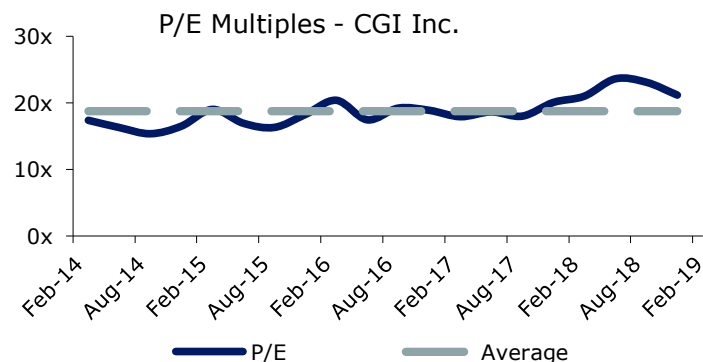
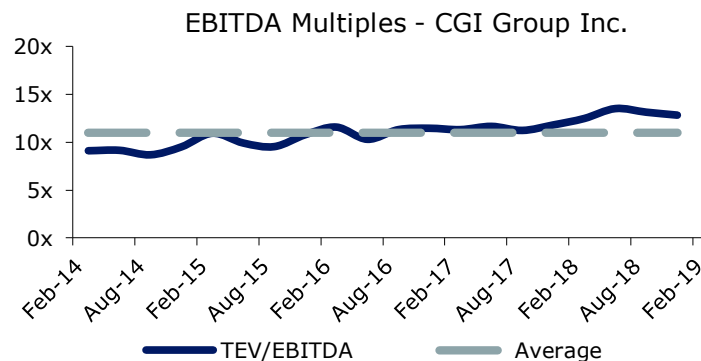
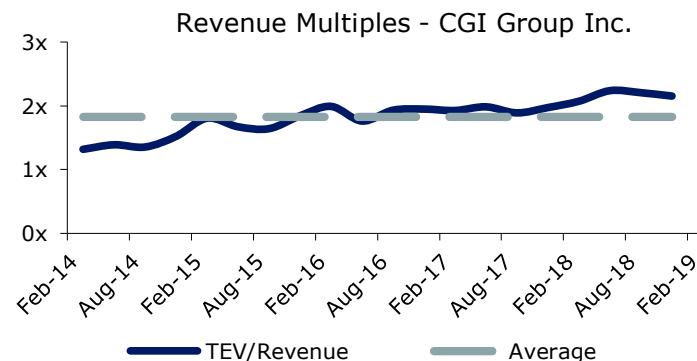
Public Basket



CGI Group Inc.

CGI Group Inc. provides information technology and business process services in Canada and internationally. It offers application development and maintenance, portfolio management, quality assurance and testing, modernization, and migration services; agile, business transformation, change management, CIO advisory, cybersecurity, data analytics, digital enterprise, project management, and industry-specific business consulting services; business-to-business and customer operations support, purchase management, revenue management, and supplier payment services; and data center facilities and management, technical service desk, printing and document management, remote infrastructure, transformation, storage as a service, data vaulting, disaster recovery and archiving as a service, bottomless edge-to-core storage, and file sync and share as a service, as well as infrastructure solutions and consulting services. The company was founded in 1976 and is headquartered in Montreal, Canada.

Date	Key Development Headline
12/12/18	NASBA Launches Long-Term Collaboration with CGI for Managed IT Services
11/8/18	CGI Group May Sell Shares
9/19/18	CGI Group Inc. (TSX:GIB.A) entered into a definitive agreement to acquire ckc ag.
9/6/18	GE and CGI Partner to Advance the Digital Grid of the Future
5/15/18	CGI Group Inc. (TSX:GIB.A) acquired Facilite Informatique Canada Inc for CAD 42 million.



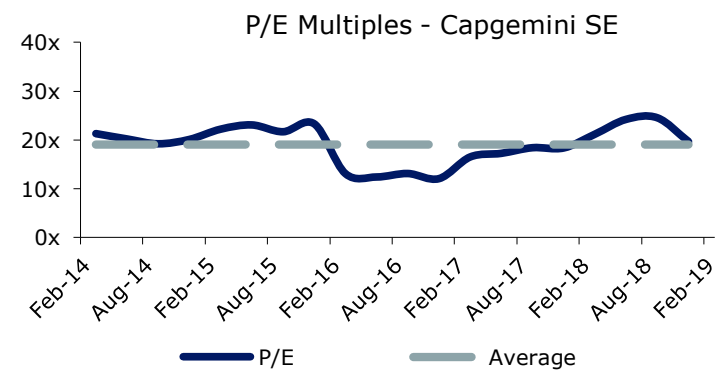
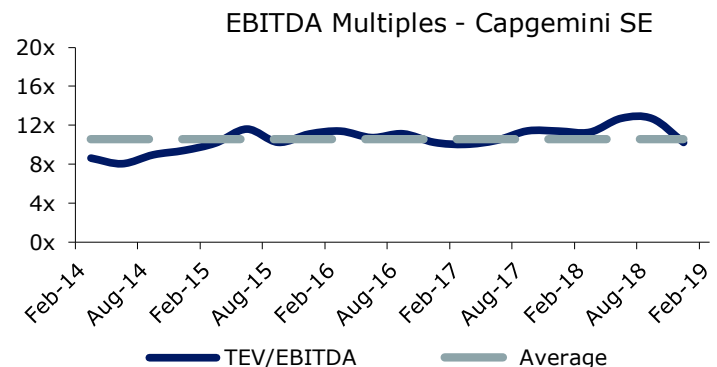
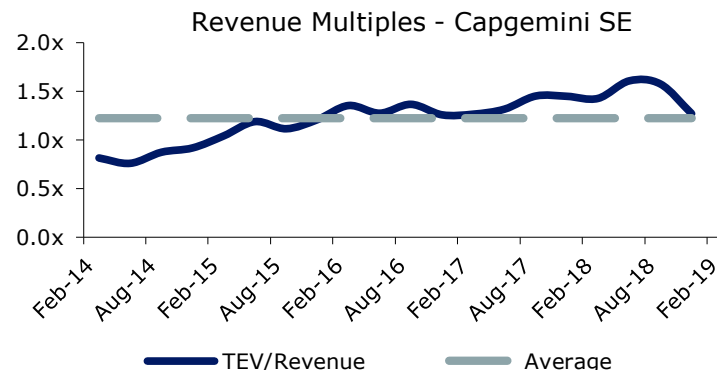
Public Basket



Capgemini SE

Capgemini SE provides consulting, technology, outsourcing, and other managed services. The company's Consulting Services segment offers services to enhance the performance of organizations based on the knowledge of client industries and processes. Its Technology & Engineering Services segment provides assistance and support to internal IT teams of client companies. The company's Application Services segment designs, develops, implements, and maintains IT applications, including system integration and application maintenance services. Its Other Managed Services segment integrates, manages, and/or develops client's IT infrastructure systems, as well as provides transaction, on-demand, and/or business process outsourcing services. Capgemini SE was founded in 1967 and is based in Paris, France.

Date	Key Development Headline
6/21/18	Capgemini Seeks Acquisitions in India
6/6/18	Capgemini SE (ENXTPA:CAP) entered into an agreement to acquire Leidos Cyber, Inc.
6/4/18	SAP SE to Team with Accenture, Capgemini and Deloitte to Accelerate Customer Adoption of SAP S/4Hana(R) Cloud in Target Industries
3/8/18	Indosuez Wealth Management and Capgemini Collaborate on Wealth Platform
3/7/18	Capgemini Seeks Acquisitions



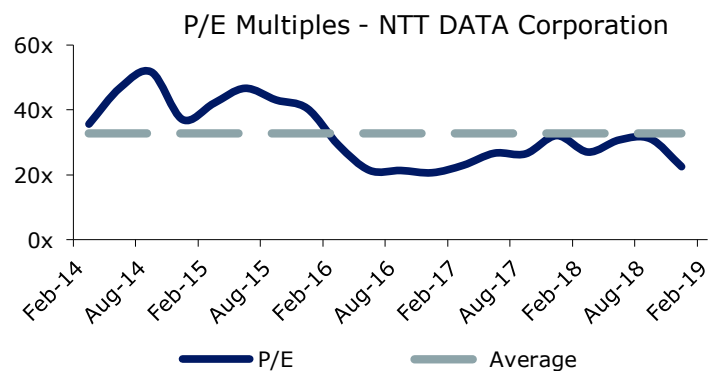
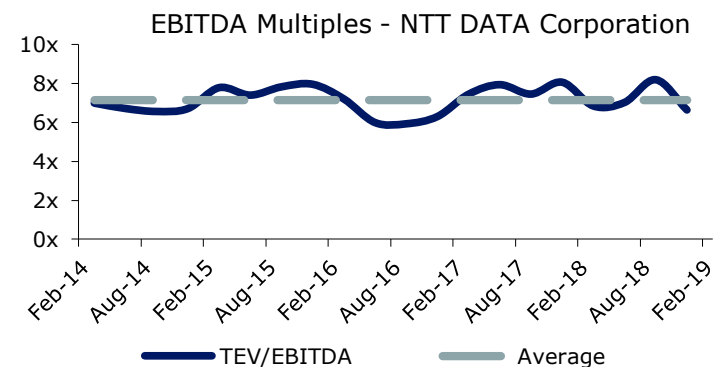
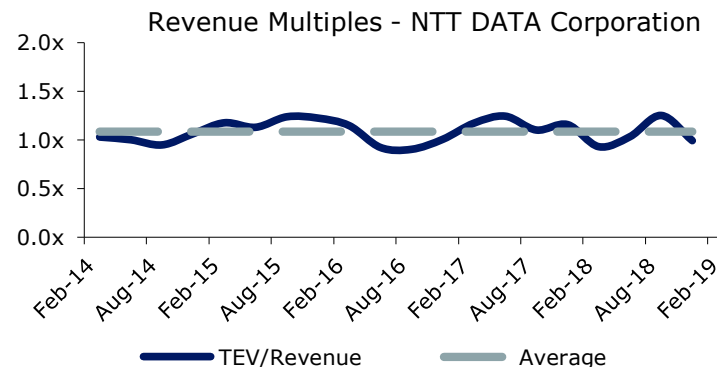
Public Basket



NTT DATA Corporation

NTT DATA Corporation provides consulting, system development, and business information technology (IT) outsourcing services worldwide. The company operates through four segments: Public & Social Infrastructure, Financial, Enterprise & Solutions, and Global. It offers business consulting services, such as business strategy, business process optimization, and organizational change management; and IT consulting services, including IT strategy and governance, information and knowledge management, and program management office consulting services. NTT DATA Corporation is a subsidiary of Nippon Telegraph and Telephone Corporation.

Date	Key Development Headline
1/30/19	NTT DATA Corporation (TSE:9613) entered into an agreement to acquire 50% stake in Paygent Co.,Ltd. frm DeNA Co., Ltd. (TSE:2432) for ¥6.3 billion.
1/28/19	GI Partners, LLC acquired two technology intensive properties from NTT DATA Corporation (TSE:9613).
12/30/18	NTT DATA Corporation (TSE:9613) completed the acquisition of 55.35% stake in atom technologies Ltd. from 63 moons technologies limited (BSE:526881).
11/26/18	NTT DATA Corporation (TSE:9613) entered into an agreement to acquire 55.35% stake in atom technologies Ltd. from 63 moons technologies limited (BSE:526881) for \$9.2 million.
5/21/18	NTT DATA Corporation and MapmyIndia Partners to Develop First Large-Scale 3D Map Datasets, Named AW3D India



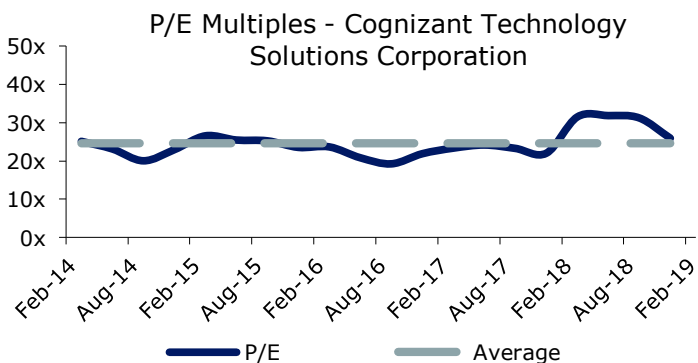
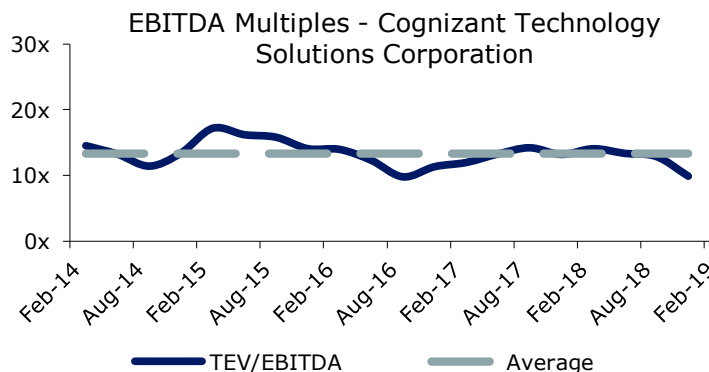
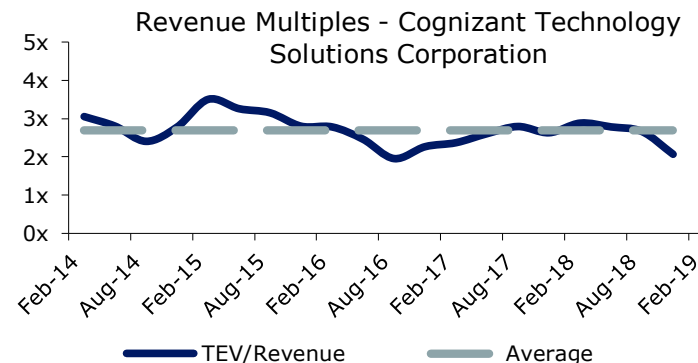
Public Basket



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
1/22/19	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) agreed to acquire Oy Samlink AB from Posti Group Oyj, Aktia Bank p.l.c. (HLSE:AKTIA), Oma Säästöpankki Oyj (HLSE:OMASP), Savings Bank Group, Svenska Handelsbanken AB (publ), Asset Management Arm, POP Pankkiliitto osk and other minority shareholders.
12/10/18	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) agreed to acquire Mustache LLC.
12/4/18	Cognizant Technology Intends To Seek Acquisitions
10/3/18	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) entered into a definitive agreement to acquire Softvision, LLC from Tower Arch Capital.
9/17/18	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) entered into agreement to acquire Advanced Technology Group, Inc.



Public Basket

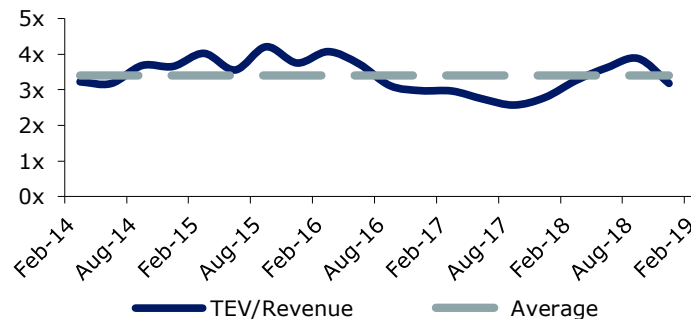


Infosys Limited

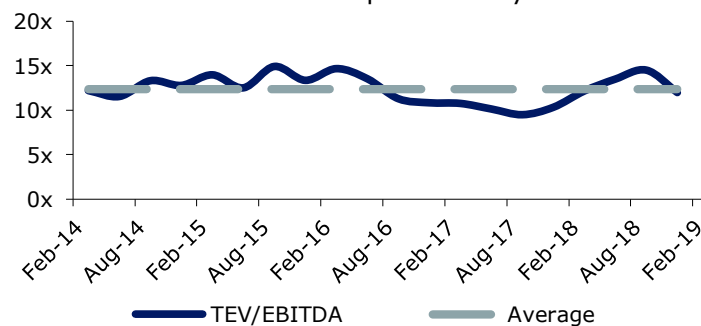
Infosys Limited, together with its subsidiaries, provides consulting, technology, and outsourcing services in North America, Europe, India, and internationally. It provides business information technology services, including application development and maintenance, independent validation, infrastructure management, and business process management services, as well as engineering services, such as engineering and life cycle solutions; and consulting and systems integration services comprising consulting, enterprise solutions, systems integration, and advanced technologies. Infosys Limited was founded in 1981 and is headquartered in Bengaluru, India.

Date	Key Development Headline
1/11/19	Infosys Drops Plan To Sell Panaya, Skava and Kallidus
1/9/19	Amazon Web Services, Inc. completed the acquisition of CloudEndure Ltd. from Infosys Limited (NSEI:INFY) and others.
12/26/18	Infosys Seeks Investments
12/14/18	Amazon Web Services, Inc. entered into an agreement to acquire CloudEndure Ltd. from Infosys Limited (NSEI:INFY) and others.
12/13/18	Infosys Announces Joint Venture with Hitachi, Panasonic and Pasona in Japan

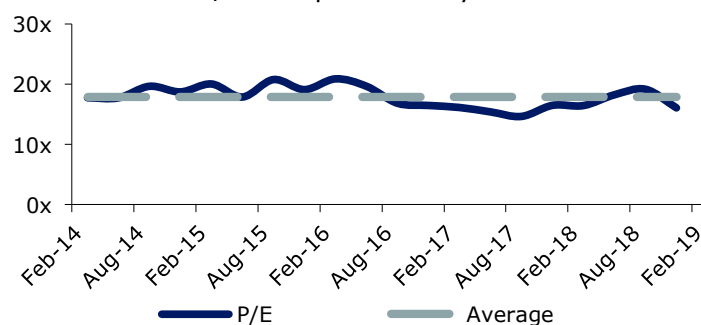
Revenue Multiples - Infosys Limited



EBITDA Multiples - Infosys Limited



P/E Multiples - Infosys Limited



Public Basket

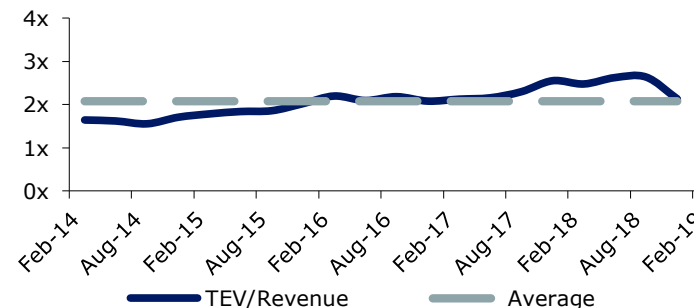


Accenture plc

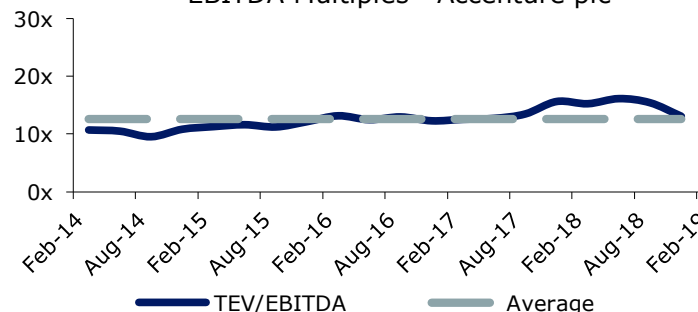
Accenture plc provides consulting, technology, and outsourcing services worldwide. Its Communications, Media & Technology segment provides professional services that help clients accelerate and deliver digital transformation, and enhance business results through industry-specific solutions for communications, media, and high tech industries, as well as for software platforms. The company's Financial Services segment offers services that address profitability pressures, industry consolidation, regulatory changes, and the need to continually adapt to new digital technologies. This segment serves clients in banking, capital markets, and insurance industries. Accenture plc was founded in 1989 and is based in Dublin, Ireland.

Date	Key Development Headline
2/4/19	Accenture Plc, Microsoft Corporation and Avanade Announce the Launch of the Accenture Microsoft Business Group
1/16/19	Accenture plc (NYSE:ACN) completed the acquisition of Knowledge Group Inc.
1/8/19	Accenture plc (NYSE:ACN) agreed to acquire Orbium Holding Ag.
12/19/18	Accenture plc (NYSE:ACN) entered into an agreement to acquire Knowledge Group Inc.
12/19/18	Accenture plc (NYSE:ACN) acquired Adaptly Inc.
12/12/18	Accenture plc Enters into an Agreement to Form a Strategic Alliance with Zafin Global Holdings Corp
12/11/18	Accenture plc (NYSE:ACN) entered into an agreement to acquire professional services assets from Zafin Labs Technologies Ltd.

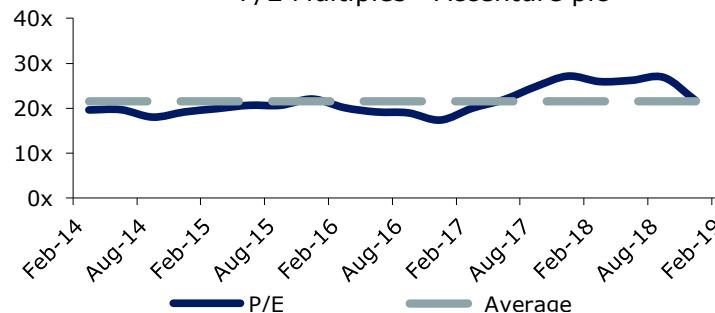
Revenue Multiples - Accenture plc



EBITDA Multiples - Accenture plc



P/E Multiples - Accenture plc



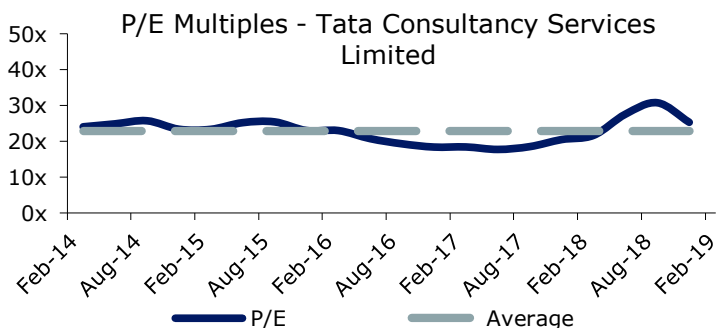
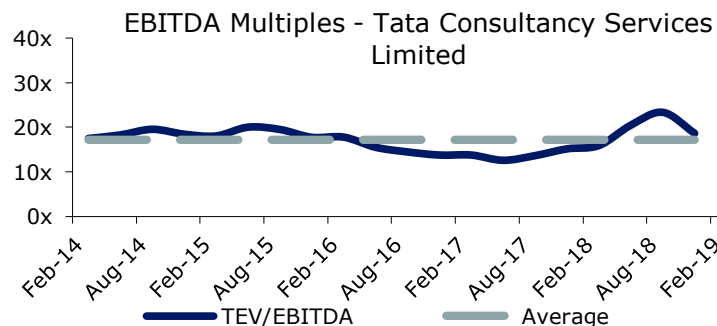
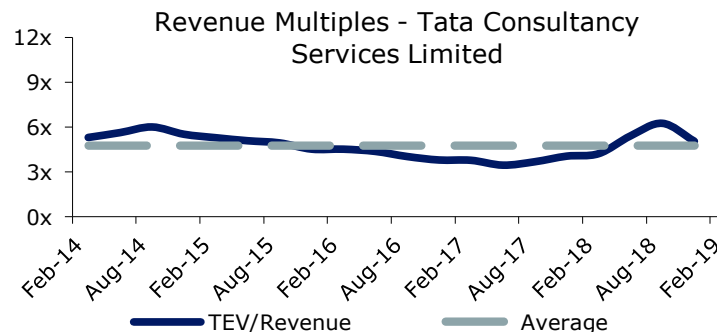
Public Basket



Tata Consultancy Services Limited

Tata Consultancy Services Limited provides information technology (IT) and IT enabled services worldwide. It offers CHROMA, a cloud-based talent management platform for enterprises to drive next generation employee experiences across the requisition-to-retain employee lifecycle; ignio, a cognitive automation system for IT operations in enterprises; iON, an assessment solution; TAP, an accounts payable platform; and TCS MasterCraft, a digital platform to automate and manage IT processes. Tata Consultancy Services Limited is a subsidiary of Tata Sons Limited.

Date	Key Development Headline
1/10/19	TCS Seeks Acquisitions
12/18/18	Tata Consultancy Services Extends Collaboration with Red Hat to Build Microservices-Based Open Source Solutions and Frameworks
11/27/18	Tata Consultancy Services Limited (NSEI:TCS) acquired Assets of BridgePoint Group, LLC.
11/20/18	Tata Consultancy Services Partners with SAP to Build Intelligent Rail Digital Maintenance
11/11/18	Tata Consultancy Services Partners with ENGIE Laborelec to Protect Critical Infrastructures Against Cyber Attacks
11/2/18	Tata To Seek Acquisitions
10/31/18	Tata Consultancy Services Limited (NSEI:TCS) acquired W12 Studios for £7 million.
10/4/18	Tata Consultancy Services Limited and Institute of Industrial Science, University of Tokyo Signs A Memorandum of Understanding to Collaborate



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.

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