



# Sectorwatch: IT Services - Africa

March 2019

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# Overview

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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

↓ -2.7%

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

↓ -1.8%

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

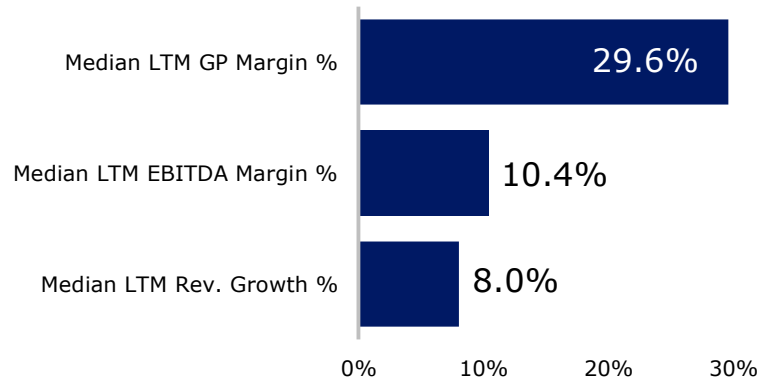
## Profitability

↓ -6.0%

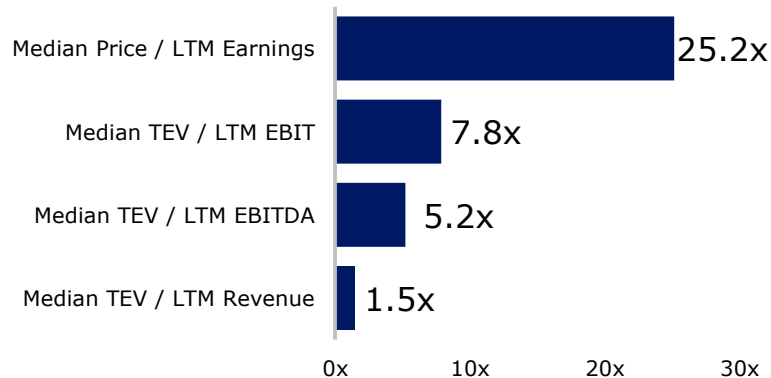
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin is less than the average of the last 3 years EBITDA margins, which may signal further consolidation

## Operating Metrics



## Valuation



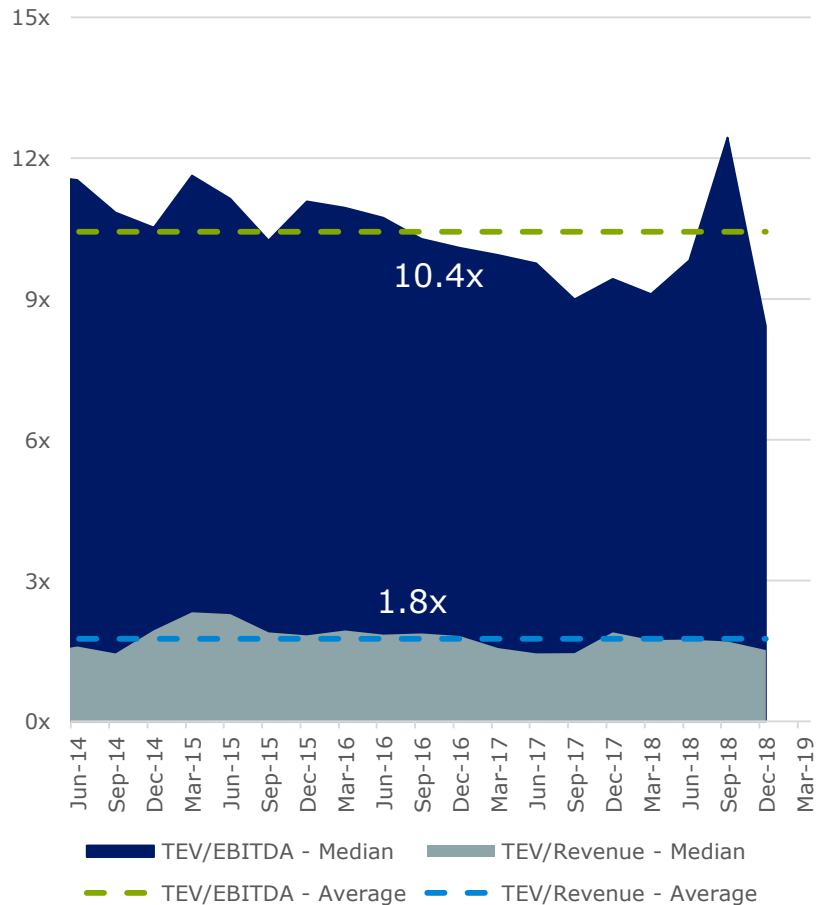
# Public Basket



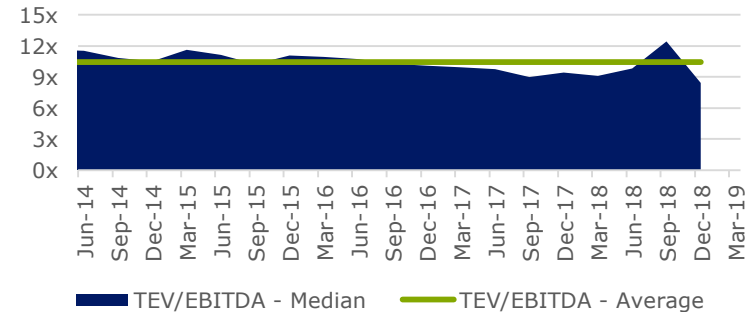
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Cassava SmarTech Zimbabwe Limited	-	210	153%	0%	NA	0.0	0.0	-	NA
Microdata S.A.	53	54	5%	16%	0%	1.0	0.0	-	NA
AYO Technology Solutions Limited	91	44	33%	31%	-2%	2.1	0.0	-	NA
Metrofile Holdings Limited	98	69	24%	58%	28%	1.5	5.2	1,615	43
Net 1 UEPS Technologies, Inc.	337	535	-11%	48%	8%	0.6	6.5	8,379	64
EOH Holdings Limited	364	1,246	8%	29%	7%	0.3	4.6	11,500	108
Wipro Limited	18,745	8,239	5%	30%	18%	2.3	12.5	163,827	50
Capgemini SE	21,859	15,110	5%	12%	13%	1.5	11.6	211,300	72
Tata Consultancy Services Limited	101,809	20,191	16%	44%	27%	5.1	18.7	394,998	51
<b>Average</b>	15,929	5,078	27%	30%	12%	1.6	6.6	87,958	65
<b>Median</b>	337	535	8%	30%	10%	1.5	5.2	8,379	57

share price as of 11Mar19

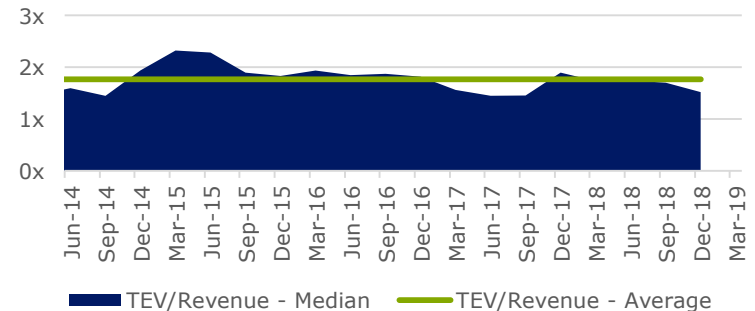
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



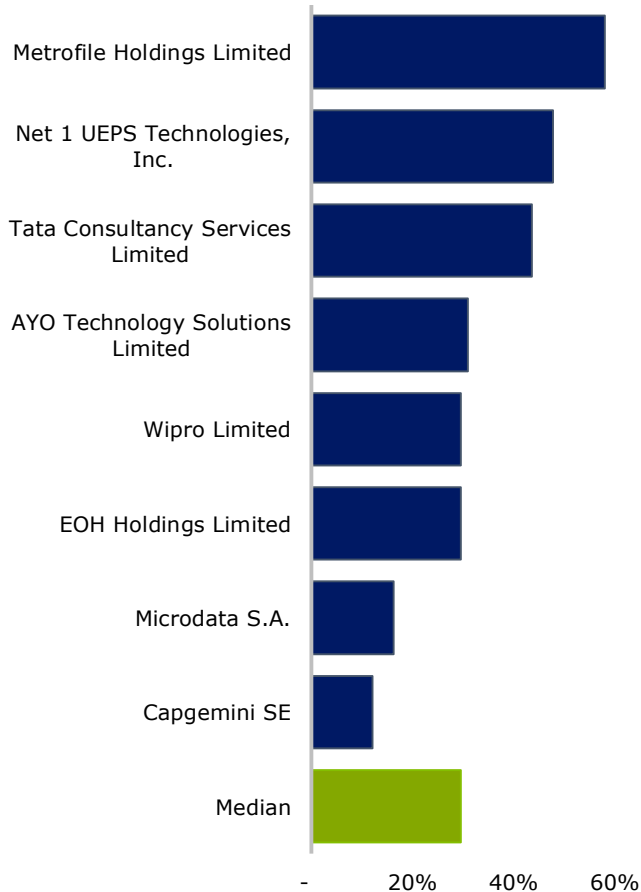
## Public Revenue Multiples over Time



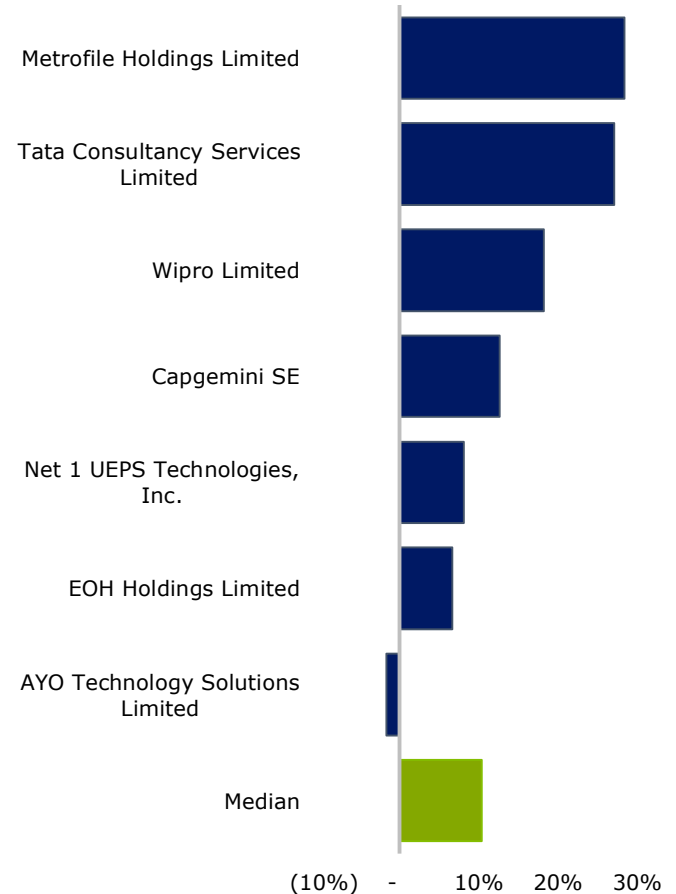
# Operational Metrics



## LTM Gross Profit Margin %



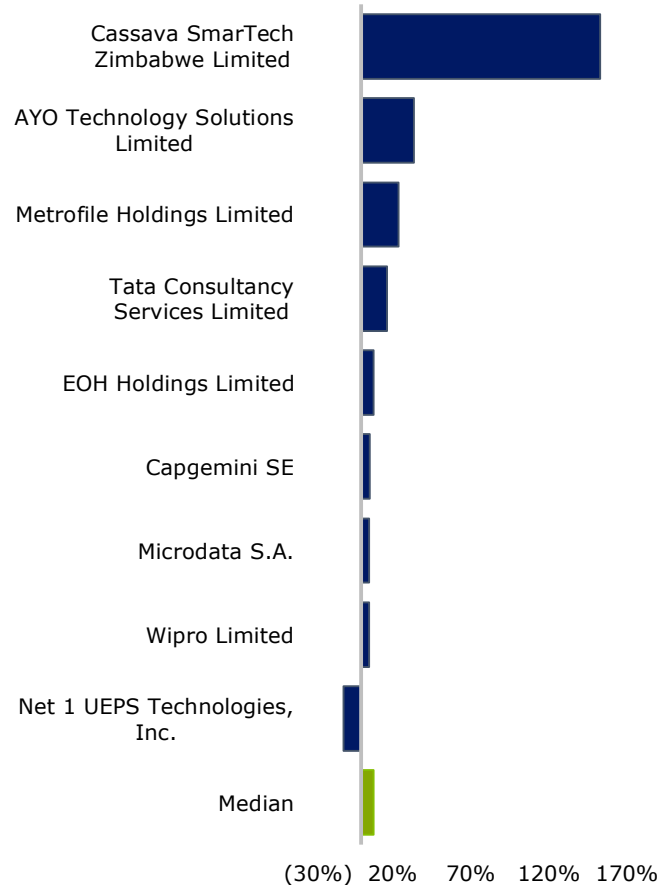
## LTM EBITDA %



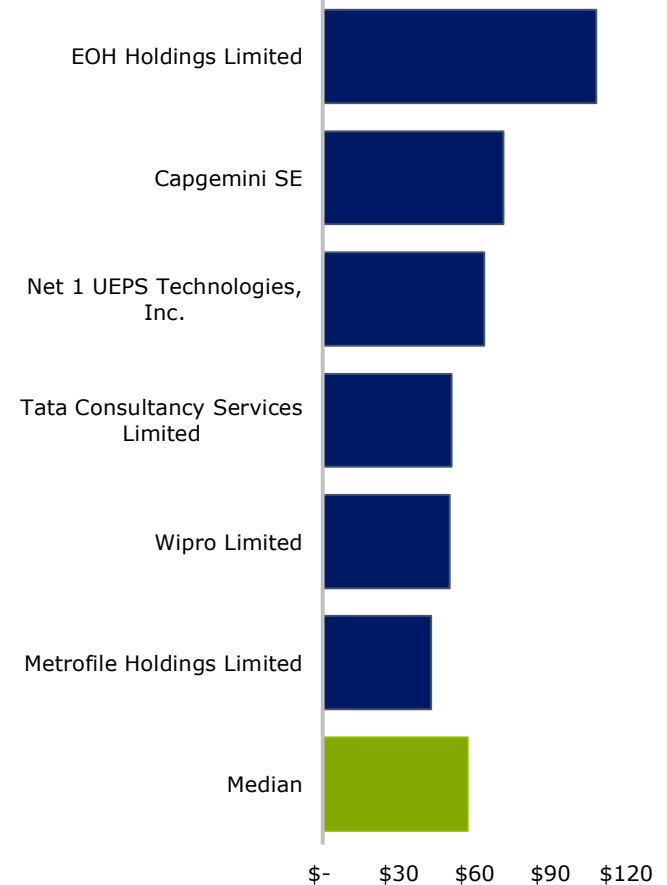
# Operational Metrics



## LTM Revenue Growth %



## LTM Revenue per Full Time Employee x 000's





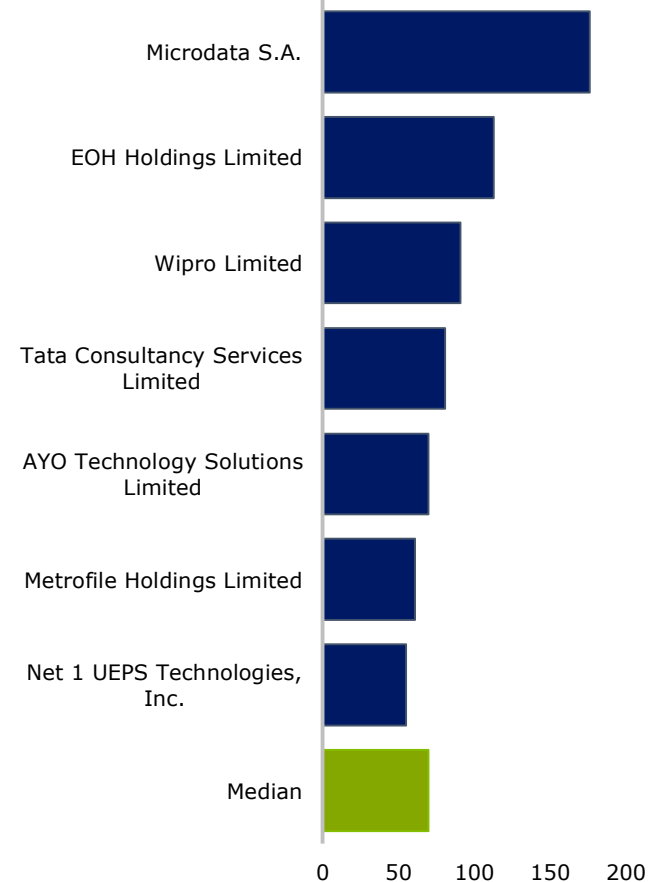
# Operational Metrics



## Accounts Receivable Turnover



## Average Days Sales Outstanding



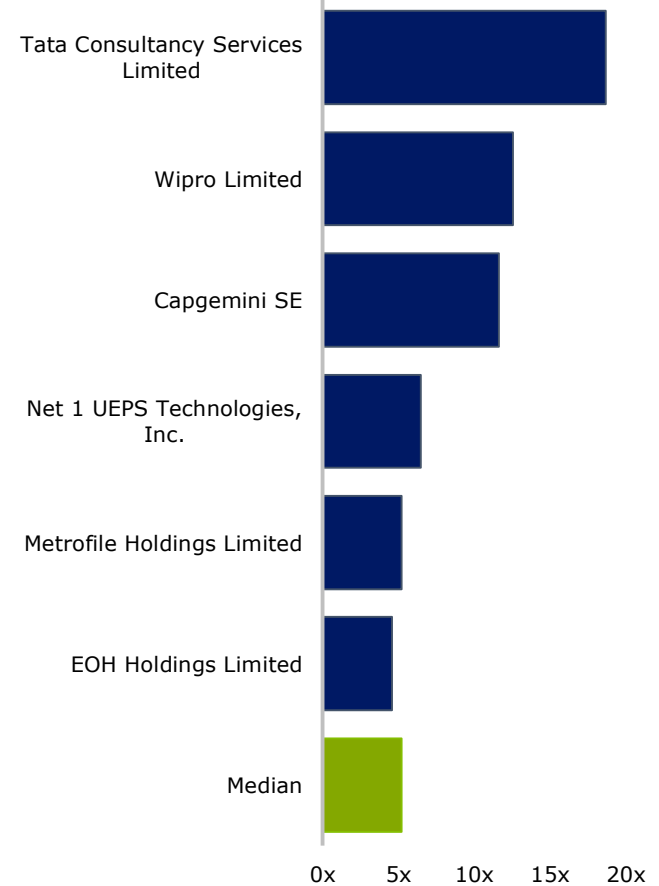
# Valuation



## TEV / LTM Revenue



## TEV / LTM EBITDA



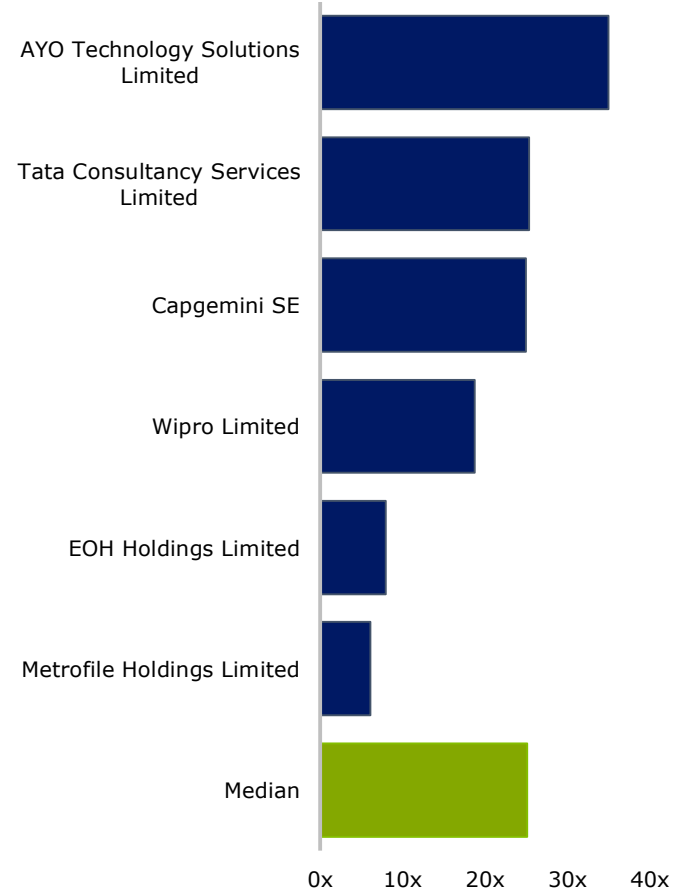
# Valuation



## TEV / LTM EBIT



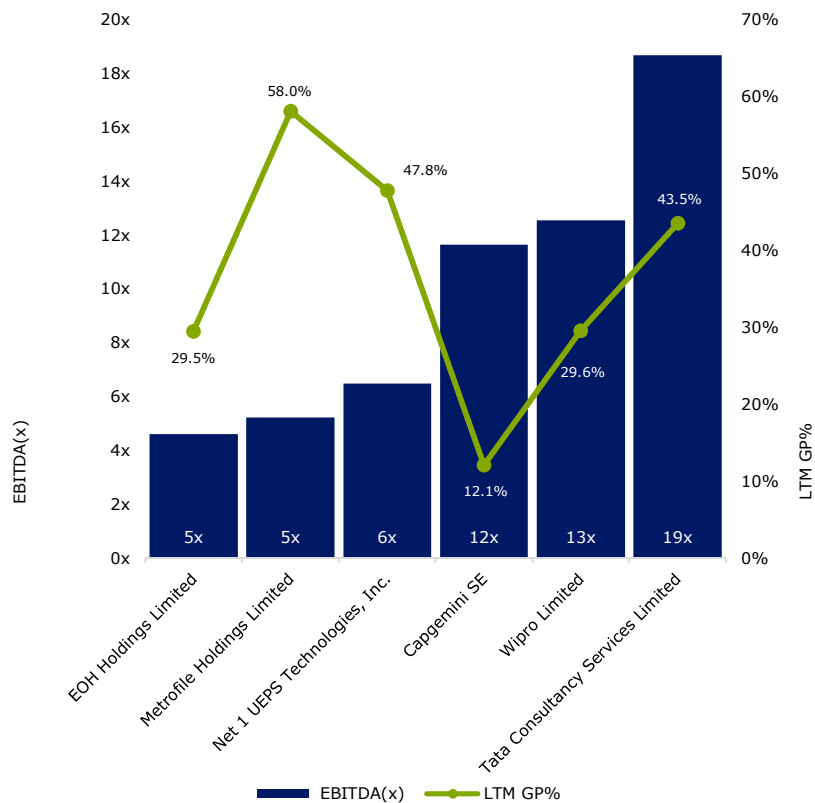
## Price / LTM Earnings



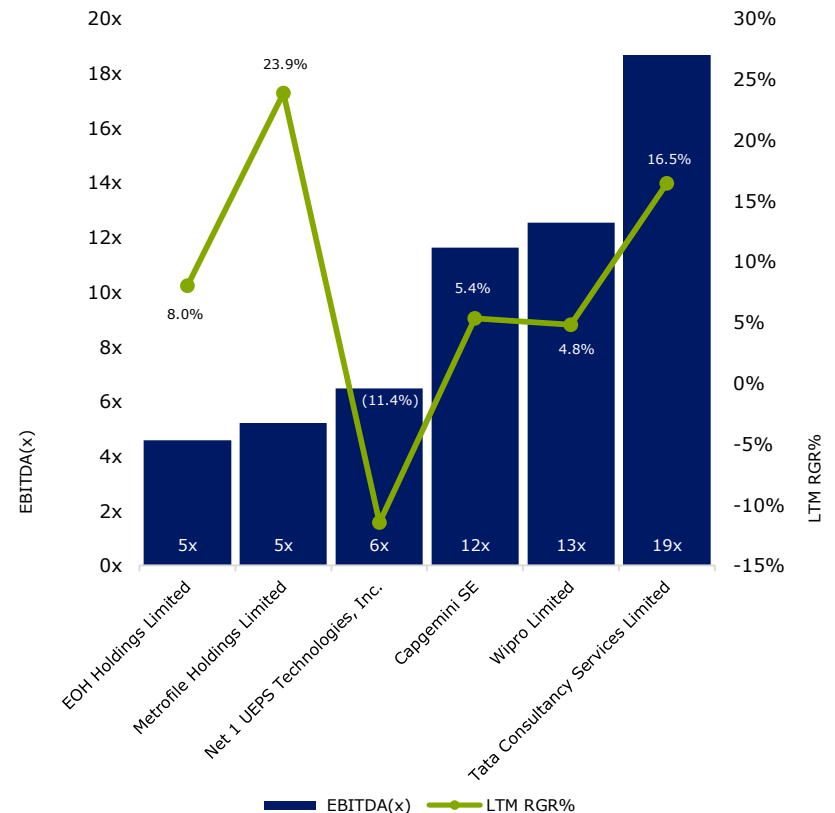
# Valuation



## 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
6Mar19	Raya Holding for Financial Investments SAE	Mona Khair Eldin & Partners Company	24.89	466.08	0.4x	5.7x
6Feb19	SAAB Grintek Technologies (Pty) Ltd	African Equity Empowerment Investments Limited	-	-	-	-
31Jan19	Pragma Holdings (Pty) Ltd	Reatile Resources (Pty) Limited	-	-	-	-
24Jan19	Teraco Data Environments (Pty) Ltd.	Berkshire Partners LLC	-	-	-	-
21Jan19	Datatec Limited	Public Investment Corporation Limited	-	4,083.73	-	-
27Dec18	Raya Holding for Financial Investments SAE	-	168.53	455.24	0.4x	5.7x
27Nov18	FIBER Misr	REDCON Construction Co. S.A.E	-	-	-	-
9Nov18	Technology solutions division of PwC South Africa	Enterprise Outsourcing Pty Ltd	-	-	-	-
5Nov18	Conor Solutions (Pty) Ltd.	Adapt IT (Pty) Limited	5.63	-	-	-
31Oct18	COREX (PTY) LTD	Partner Tech Corp	-	-	-	-
11Sep18	Sizwe Africa IT Group Proprietary Limited	AYO Technology Solutions Limited	10.90	-	-	4.1x
31Aug18	Clarotech Consulting (Pty) Ltd	Logicalis SA (Pty) Ltd	-	-	-	-
15Jun18	Even Flow	Epsidon Technology Holdings (Pty) Ltd	-	-	-	-
11Jun18	iS Partners Proprietary Limited	Altron TMT Proprietary Limited	17.16	-	-	-
6Jun18	Smart Integration	Ulwembu Business Services	-	-	-	-
31May18	BT Cape (Pty) Ltd.	Randvest Technology Holdings	-	-	-	-
12Apr18	Valuepass Consulting (S.a.r.l.)	GFI Informatique SA	-	-	-	-
1Apr18	Simulation Engineering Technologies Proprietary Limited	4Sight Holdings Limited	3.69	-	-	-
15Jan18	Foursight South Africa	4Sight Holdings Limited	5.82	-	-	-
22Nov17	CDR Live Limited	Adapt IT Holdings Limited	5.33	-	-	-
27Oct17	LAW Trusted Third Party Services (Pty) Ltd (nka:Etion Secure)	Ansys Limited (nka:Etion Limited)	7.72	-	-	-
13Jul17	Profitek Industrial Communications (Pty) Ltd	Ansys Limited (nka:Etion Limited)	3.84	-	-	-
10May17	MICROS-Fidelio Southern Africa (Pty) Ltd.	Adapt IT (Pty) Limited	10.20	-	-	-

# IT Services - Africa

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## APPENDIX: Public Basket Constituents

# Public Basket



## Cassava SmarTech Zimbabwe Limited

Cassava SmarTech Zimbabwe Limited, through its subsidiaries, provides digital solutions to support socio-economic development and improve quality of life in Zimbabwe. The company offers mobile financial services solutions that enable customers to complete financial transactions; and digital banking services, such as mobile and agent banking, as well as builds and operates mobile e-commerce platforms. It also underwrites funeral cover for self, friends, family, and employees, which guarantees a promised amount and/or benefit in the event of death of the insured; and various short-term insurance products that are accessible from mobile phone. The company is based in Harare, Zimbabwe.

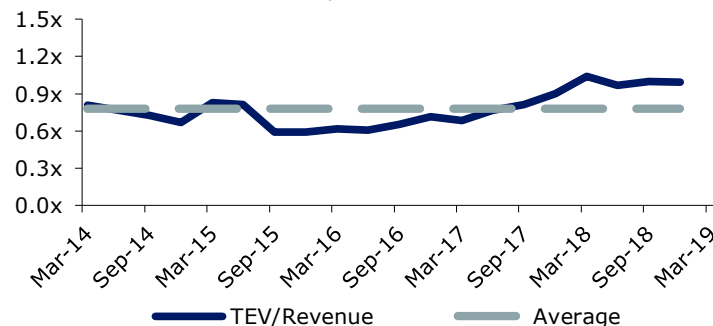
# Public Basket



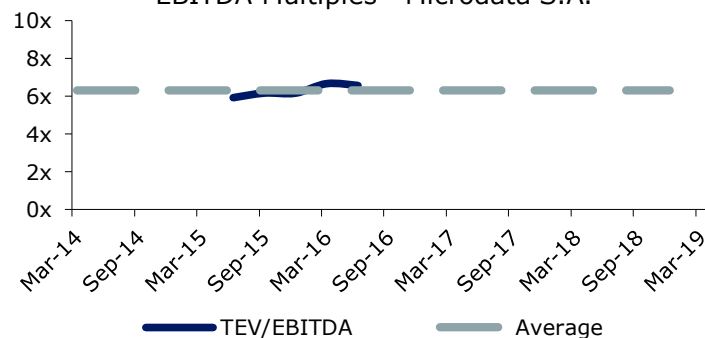
## Microdata S.A.

Microdata S.A. provides IT infrastructure integration solutions in Morocco. The company's services include architecture design, deployment, implementation, and maintenance. It offers IT equipment, including PCs, servers, storage and archiving equipment, printers, accessories, and consumables; networking equipment, such as routers, switches, and firewall; and workstations, VDIs, virtualization and backup products, imaging products, mobility and collaboration tools, and other products related to IT infrastructure. The company also provides operating systems, office and communication solutions, and specialized computer security software. It serves public and private organizations comprising banks, insurance companies, ministries and offices, telecom operators, and strategic sectors. The company was founded in 1991 and is headquartered in Casablanca, Morocco.

Revenue Multiples - Microdata S.A.



EBITDA Multiples - Microdata S.A.





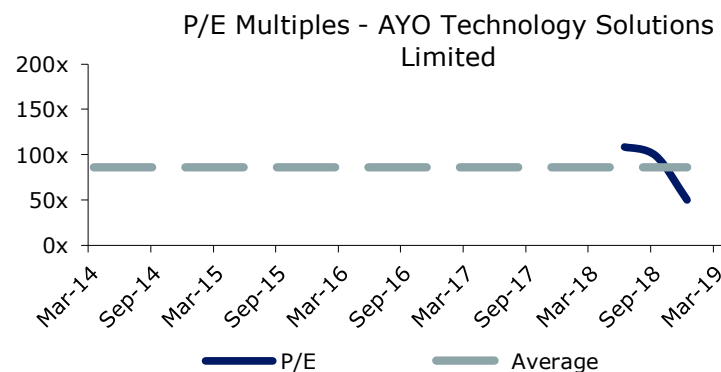
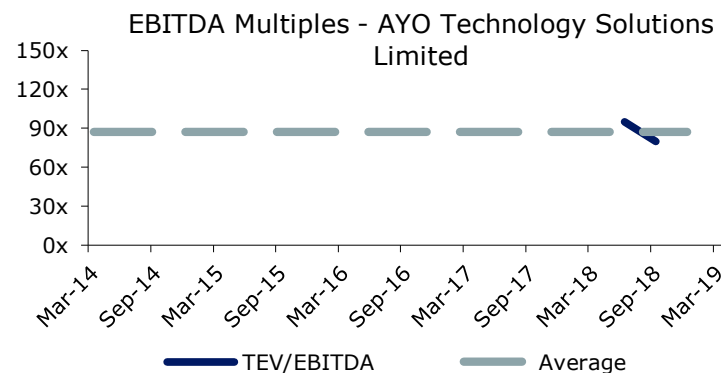
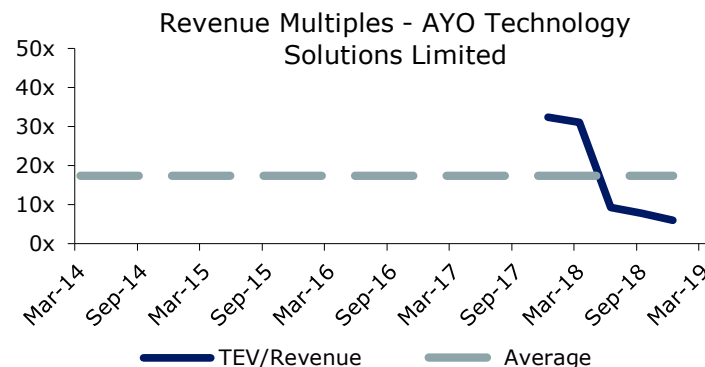
# Public Basket



## AYO Technology Solutions Limited

AYO Technology Solutions Limited, through its subsidiaries, offers information and communication technology (ICT) solutions to public and private sectors in the African continent, North America, Europe, and Mauritius. It offers data analytics, systems integration, business process management, software development, Internet of things, data security, cloud services, digital transformation, advisory, and training services. The company also offers healthcare ICT solutions; product solutions and professional services to blue-chip organizations; and scalable digital solutions to retailers, media groups, and brand agencies. In addition, it offers tracking solutions, enterprise application, and solution development services, as well as imports and distributes headsets. The company was formerly known as Sekunjalo Technology Solutions Limited. Ayo Technology Solutions Limited was founded in 1996 and is headquartered in Cape Town, South Africa.

Date	Key Development Headline
9/10/18	Ayo Technology Solutions Limited (JSE:AYO) entered into a binding offer to acquire 55% stake in Sizwe Africa IT Group Proprietary Limited from Alexisource (Pty) Ltd, Loxisource (Pty) Ltd and Rev Vukile Mahana Ltd for approximately ZAR 170 million.
5/15/18	AYO Technology Seeks Acquisitions



# Public Basket

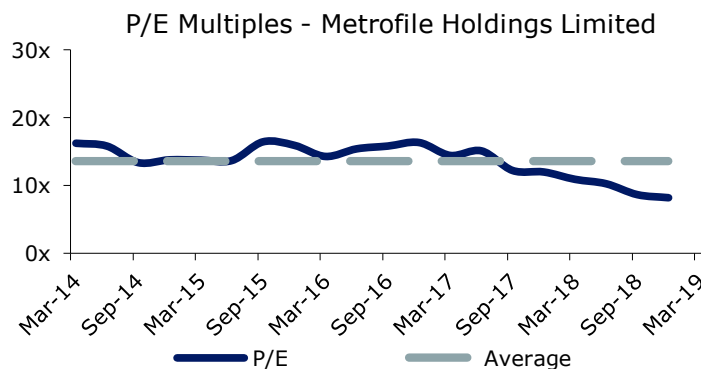
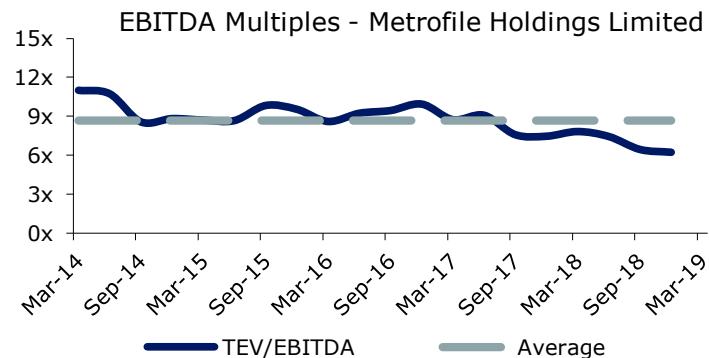
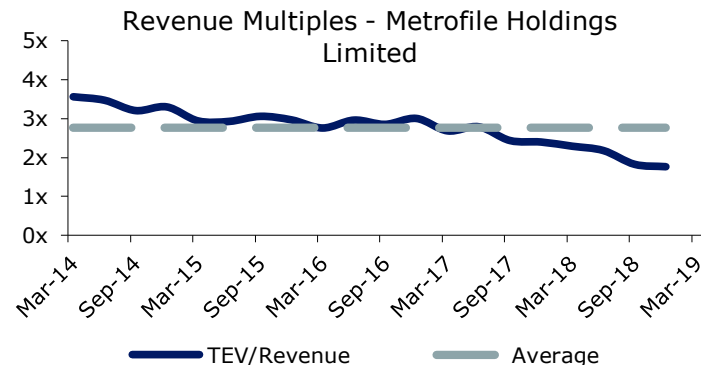


## Metrofile Holdings Limited

Metrofile Holdings Limited, an investment holding company, provides records and information management services in South Africa, Nigeria, Kenya, Zambia, Botswana, Mozambique, Egypt, and the Middle East. It engages in the conversion of paper and analogue records to digital formats; rotation management and storage of backup media; the provision of professional consultancy and records management software; and sale and maintenance of document handling equipment. In addition, the company provides business continuity and IT continuity, file plan development, cartons storage, hardware equipment maintenance, paper recycling and shredding, technical, scanning and other image processing, and other services. Further, it supplies, installs, and supports a range of business equipment, such as exam marking systems, library security systems and solutions, scanners, mailing systems and packaging plants, time and attendance management systems, and microfilm solutions, as well as dustless keyboards for operating theatres; and hardware, consumables, spare parts, paper media, and software solutions. Metrofile Holdings Limited was founded in 1983 and is based in Johannesburg, South Africa.

### Date Key Development Headline

Date	Key Development Headline
12/6/18	Clients of Sanlam Investment Management Proprietary Limited acquired 5.05% stake in Metrofile Holdings Limited (JSE:MFL).

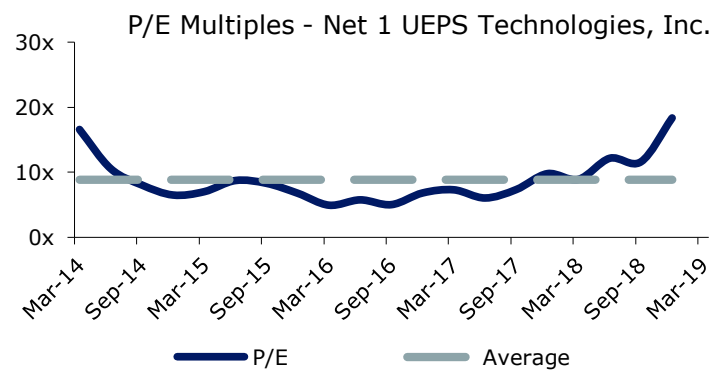
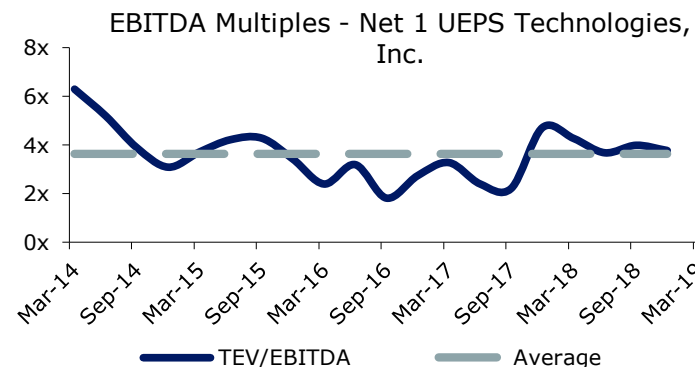
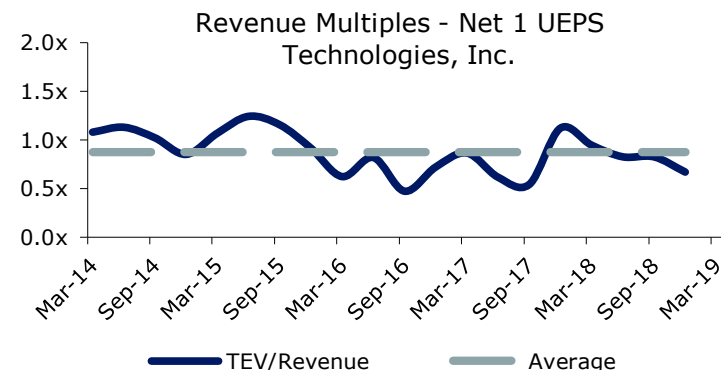


# Public Basket



## Net 1 UEPS Technologies, Inc.

Net 1 UEPS Technologies, Inc. provides transaction processing services, financial inclusion products and services, and secure payment technologies in South Africa, the Republic of Korea, and internationally. The company develops and markets transaction processing solutions, including smart card-based alternative payment systems for the unbanked and under-banked populations of developing economies and for mobile transaction channels. It operates through three segments: South African Transaction Processing, International Transaction Processing, and Financial Inclusion and Applied Technologies. The South African Transaction Processing segment primarily offers welfare benefit distribution services for the South African government; and transaction processing for retailers, utilities, and banks. The International Transaction Processing segment offers payment processing services to merchants and card issuers. The Financial Inclusion and Applied Technologies segment provides short-term loans and bank accounts. It also sells prepaid products, such as electricity and airtime, hardware and software, and life insurance products. The company was founded in 1989 and is headquartered in Johannesburg, South Africa.



Date	Key Development Headline
12/7/18	Net 1 UEPS To Seek Acquisitions
10/4/18	Net 1 UEPS Technologies, Inc. Partners with Zapper to Deploy QR Payment Technology Across Africa

# Public Basket

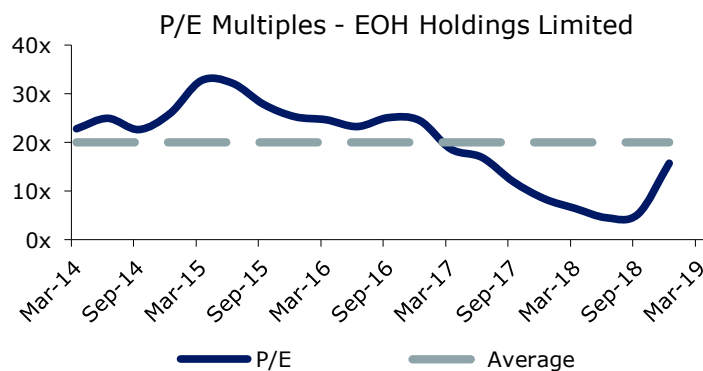
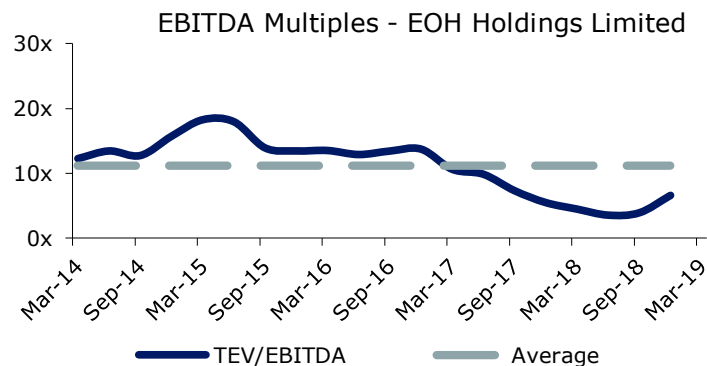
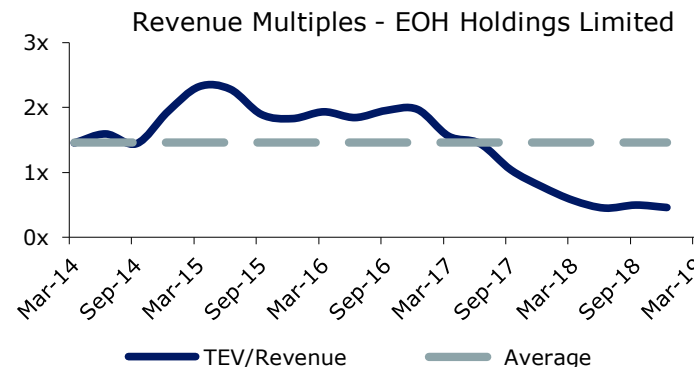


## EOH Holdings Limited

EOH Holdings Limited provides consulting, technology, and outsourcing solutions in South Africa. The company offers IT management services, including applications, infrastructure, unified communication, network solutions, and IT infrastructure hardware and software; IT Applications, such as enterprise applications, information management, software development and integration, digital solutions, and customized application development services; and IT outsourcing and managed services, IT performance management and optimization, IT security and governance, data center and virtualization, and end user computing and mobility services, as well as managed workspace, IT infrastructure/hosting, print, security, applications, and network and cloud services. It primarily serves various industries, such as financial services, telecommunications, manufacturing and logistics, public sector, mining, and retail. EOH Holdings Limited is based in Bedfordview, South Africa.

### Date Key Development Headline

3/28/18	EOH Seeks Acquisitions
3/15/18	EOH Holdings Mulls Acquisitions



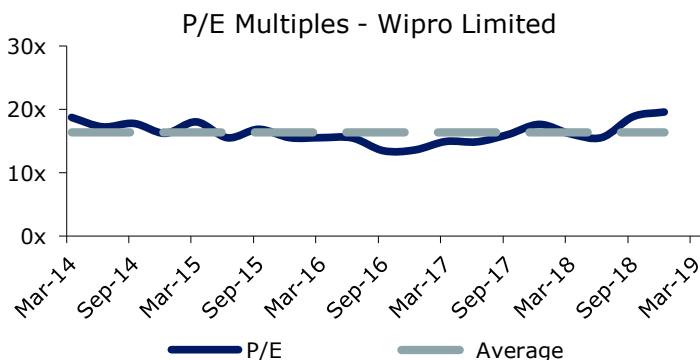
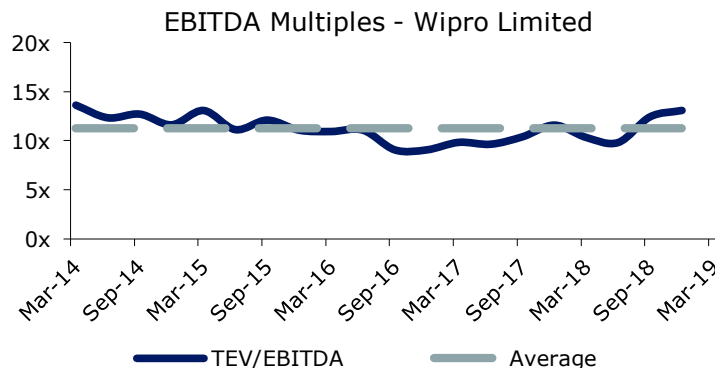
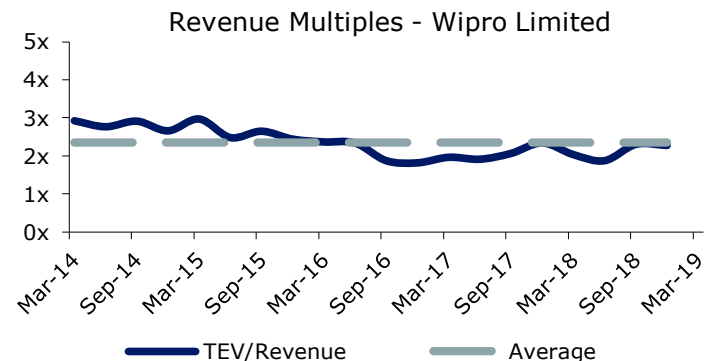
# Public Basket



## Wipro Limited

Wipro Limited operates as an information technology (IT), consulting, and business process services (BPS) company worldwide. The company's IT Services segment offers a range of IT and IT-enabled services, including digital strategy advisory, customer centric design, technology consulting, IT consulting, custom application design, development, re-engineering and maintenance, systems integration, package implementation, infrastructure services, analytics services, BPS, research and development services, and hardware and software design services to various enterprises. Wipro Limited was founded in 1945 and is headquartered in Bengaluru, India.

Date	Key Development Headline
2/26/19	Alight Solutions LLC entered into an agreement to acquire Workday and Cornerstone OnDemand business from Wipro Limited (BSE:507685) for approximately \$110 million.
8/30/18	Wipro Limited (BSE:507685) completed the acquisition of Alight HR Services India Pvt Ltd from Alight Solutions.
7/27/18	Wipro Seeks Acquisitions
7/19/18	Wipro Limited (BSE:507685) signed an agreement to acquire Alight HR Services India Pvt Ltd from Alight Solutions for approximately \$120 million.
6/26/18	Ensono Holdings, LLC completed the acquisition of Wipro Data Centre and Cloud Services, Inc. and Portion of Datacenter Business In Germany and UK from Wipro Limited (BSE:507685).



# Public Basket

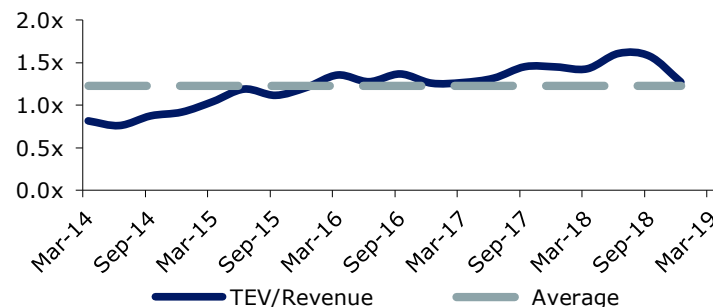


## Capgemini SE

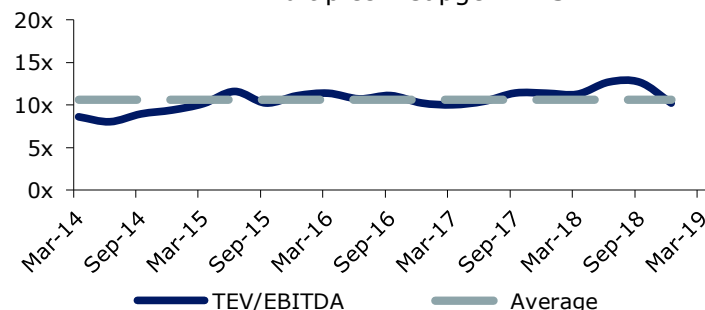
Capgemini SE provides consulting, technology, and digital transformation services. It addresses clients' opportunities in the world of cloud, digital, and platforms, as well as enables organizations to realize business ambitions through an array of services from strategy to operations. The company's Consulting Services segment offers strategy and transformation consulting services primarily in digital transformation that enhance the performance of organizations based on intimate client relationships, and the knowledge of client industries and processes. Its Technology & Engineering Services segment provides assistance and support to internal IT teams of client companies. Capgemini SE was founded in 1967 and is based in Paris, France.

Date	Key Development Headline
2/20/19	Capgemini SE (ENXTPA:CAP) completed the acquisition of Leidos Cyber, Inc. from Leidos Intermediate Holdings, Inc. and others.
2/14/19	Capgemini To Seek Acquisitions
6/21/18	Capgemini Seeks Acquisitions in India
6/6/18	Capgemini SE (ENXTPA:CAP) entered into an agreement to acquire Leidos Cyber, Inc. from Leidos Intermediate Holdings, Inc. and others.
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

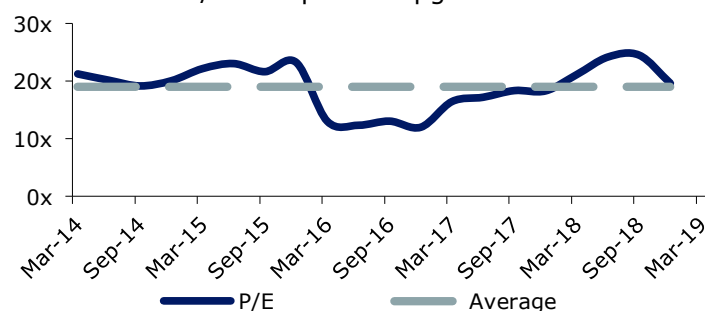
Revenue Multiples - Capgemini SE



EBITDA Multiples - Capgemini SE



P/E Multiples - Capgemini SE



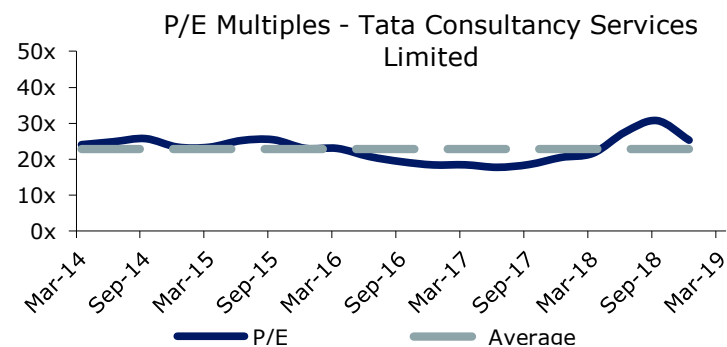
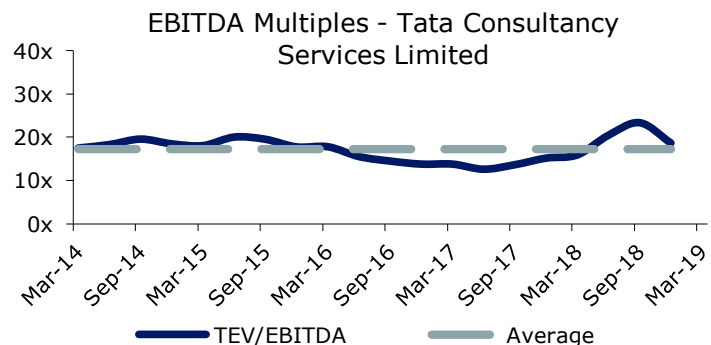
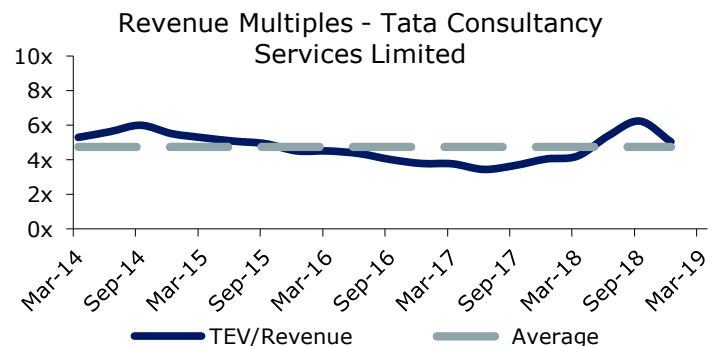
# Public Basket



## Tata Consultancy Services Limited

Tata Consultancy Services Limited provides information technology (IT) and IT enabled services worldwide. The company offers CHROMA, a cloud-based talent management solution that enables organizations to drive transformational employee experiences; ignio, a cognitive automation system; iON, an assessment solution; TAP, a cloud solution, including TAP contract management, purchasing, accounts payable, and supplier management solutions; 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
2/11/19	Tata Consultancy Services Announces Global Partnership with JDA Software to Build Next-Generation Cognitive Solutions
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 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



# 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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