



# Sectorwatch: IT Services – Microsoft Partners

March 2019

# IT Services – Microsoft Partners

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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 Momentum

↑ **1.0%**

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

↑ **0.9%**

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

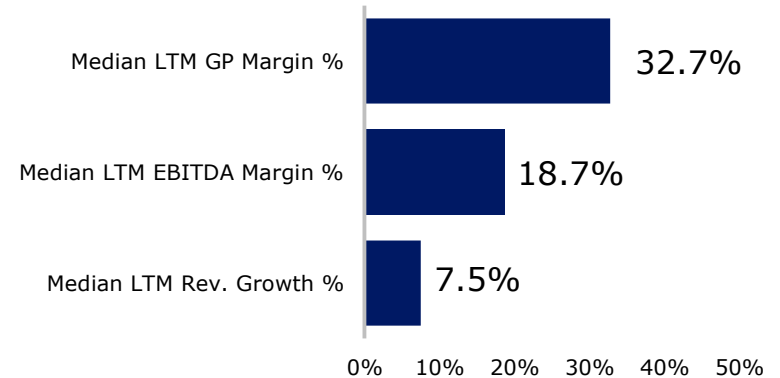
## Profitability Momentum

↑ **2.5%**

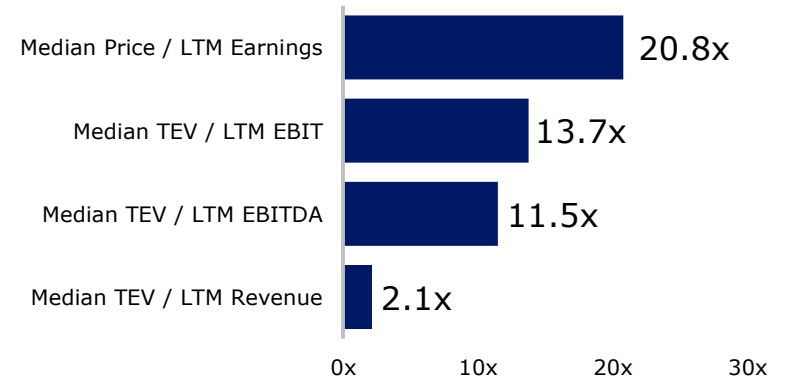
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

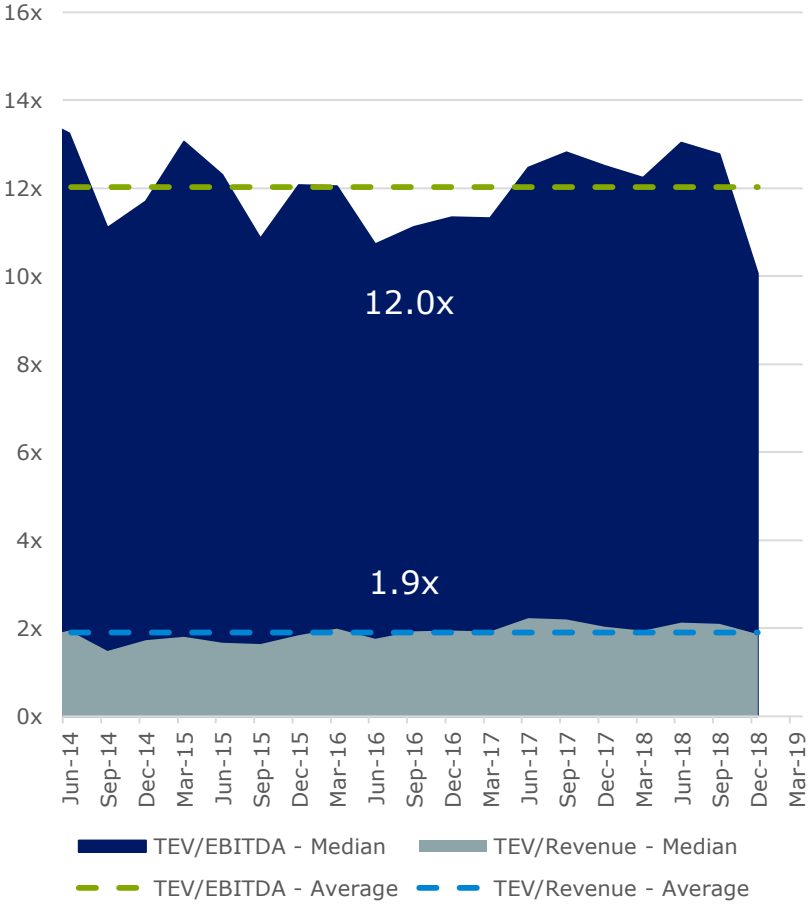


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Perficient, Inc.	1,014	498	3%	36%	12%	2.0	16.9	3,060	163
CGI Inc.	19,518	8,541	6%	30%	17%	2.2	13.3	74,000	115
HCL Technologies Limited	19,928	8,393	10%	35%	23%	2.4	10.3	-	NA
Capgemini SE	22,291	15,110	5%	12%	13%	1.5	11.8	211,300	72
DXC Technology Company	22,881	23,880	32%	30%	23%	1.0	4.2	150,000	159
Cognizant Technology Solutions Corporation	37,290	16,125	9%	39%	21%	2.3	11.2	281,600	57

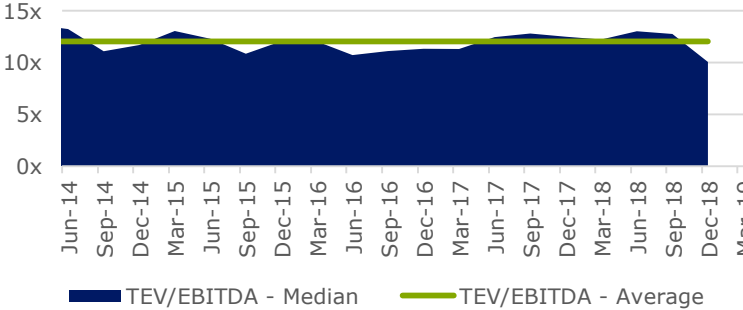
<b>Average</b>	20,487	12,091	11%	30%	18%	1.9	11.3	119,993	113
<b>Median</b>	21,109	11,825	7%	33%	19%	2.1	11.5	112,000	115

share price as of 06Mar19

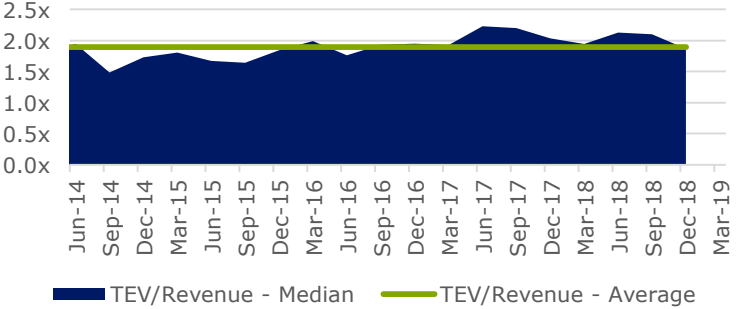
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



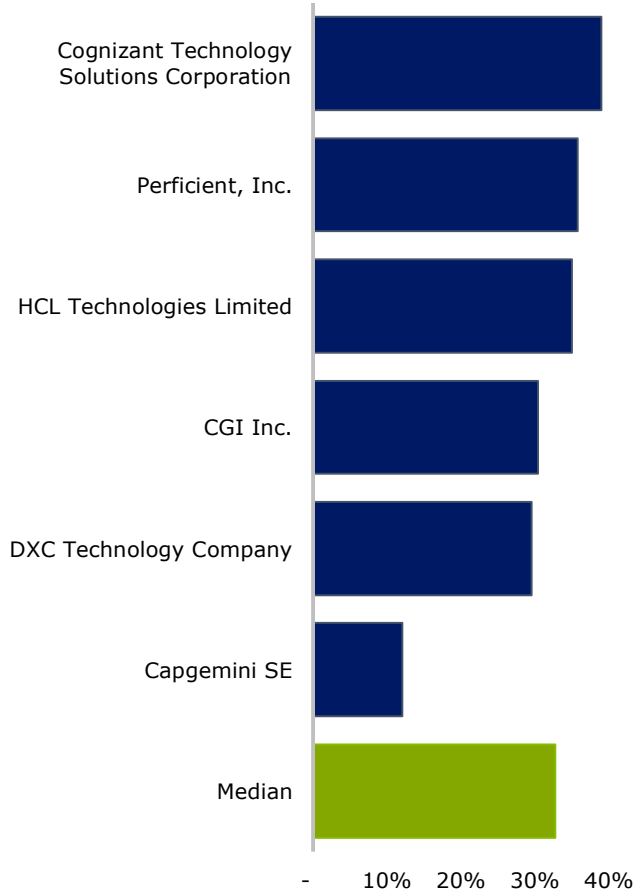
## Public Revenue Multiples over Time



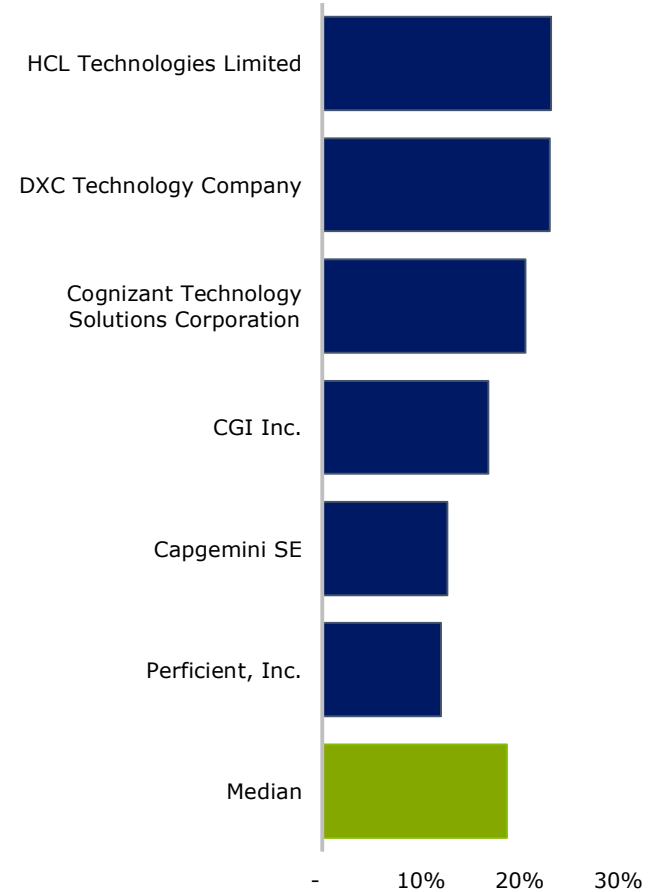
# Operational Metrics



LTM Gross Profit Margin %



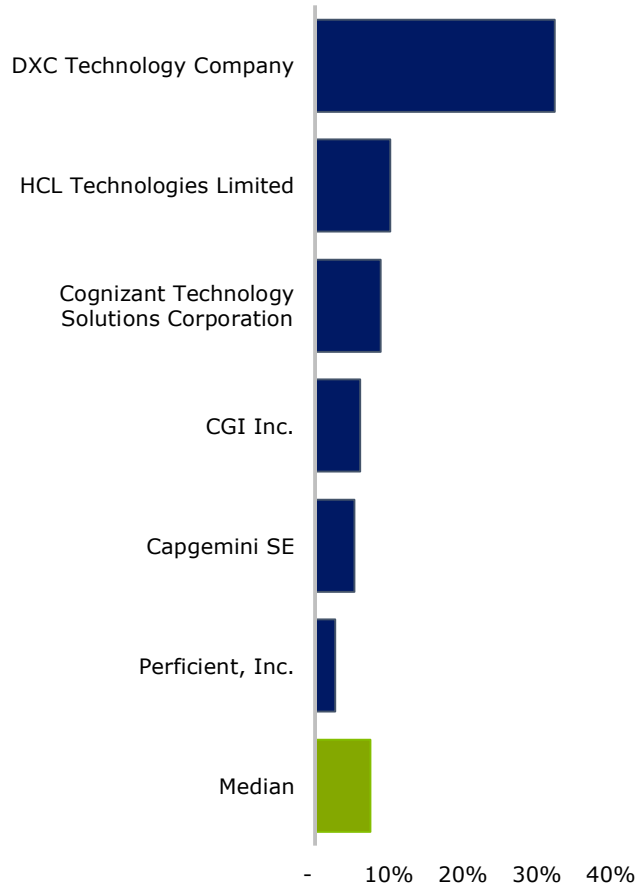
LTM EBITDA %



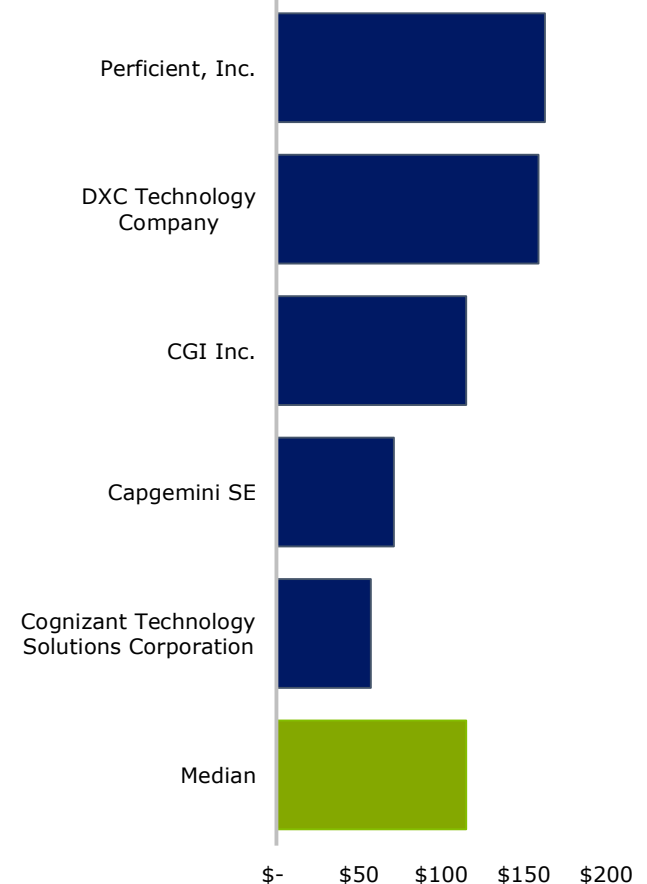
# Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's

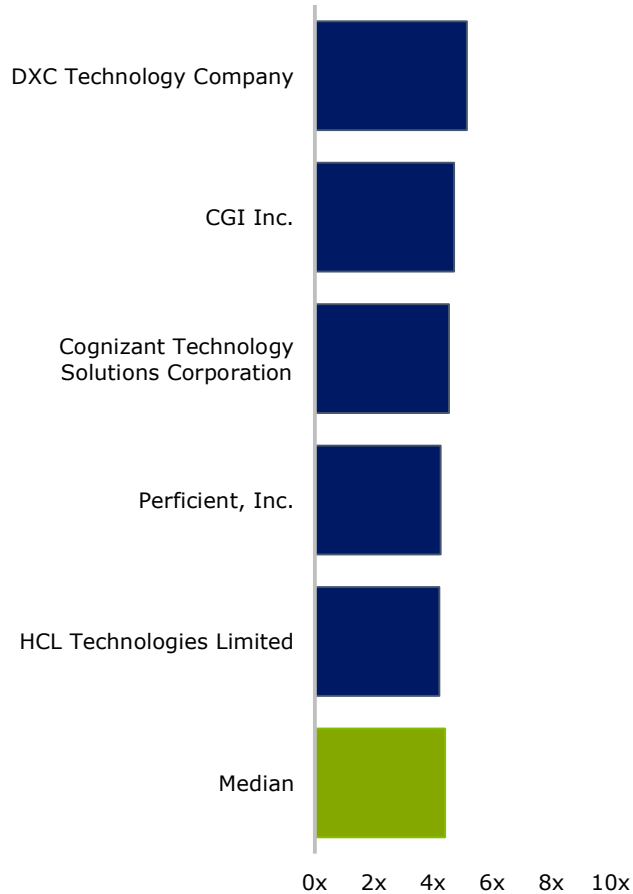




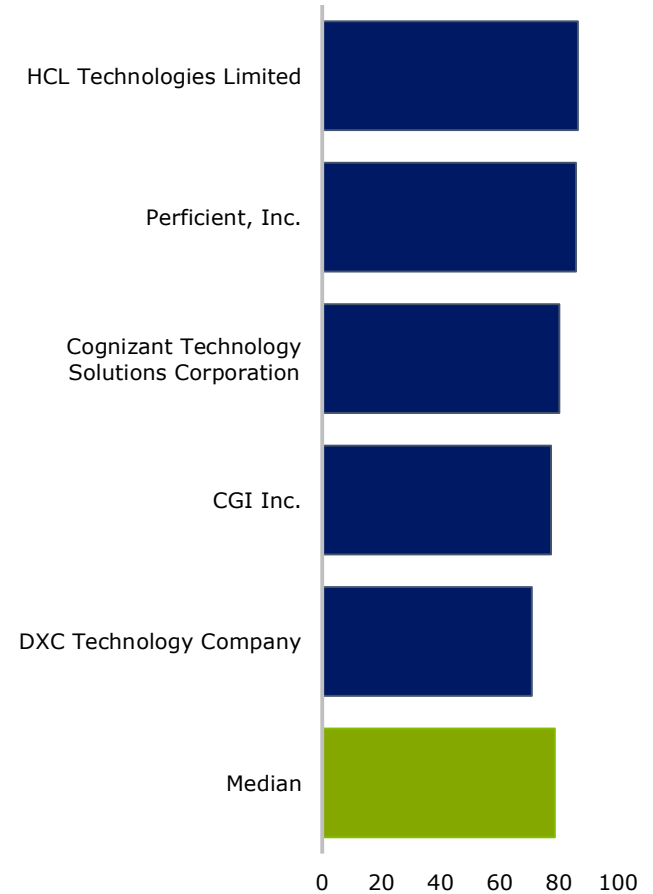
# Operational Metrics



## Accounts Receivable Turnover



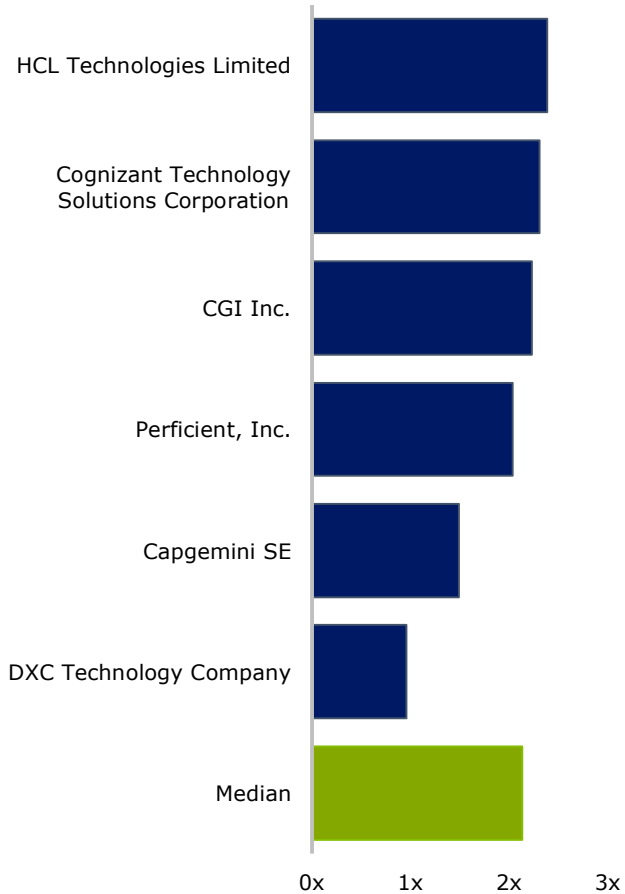
## Average Days Sales Outstanding



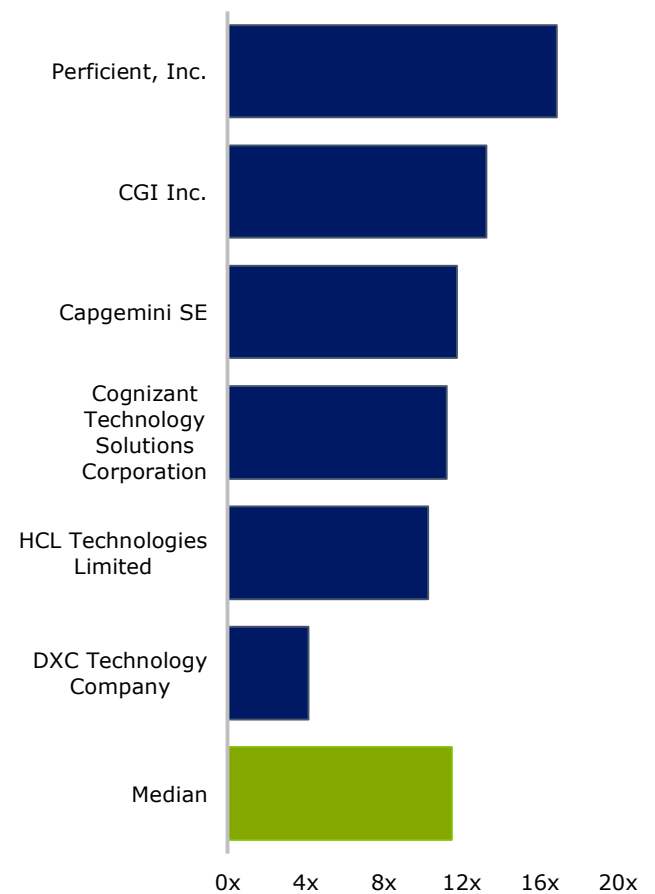
# Valuation



TEV / LTM Revenue



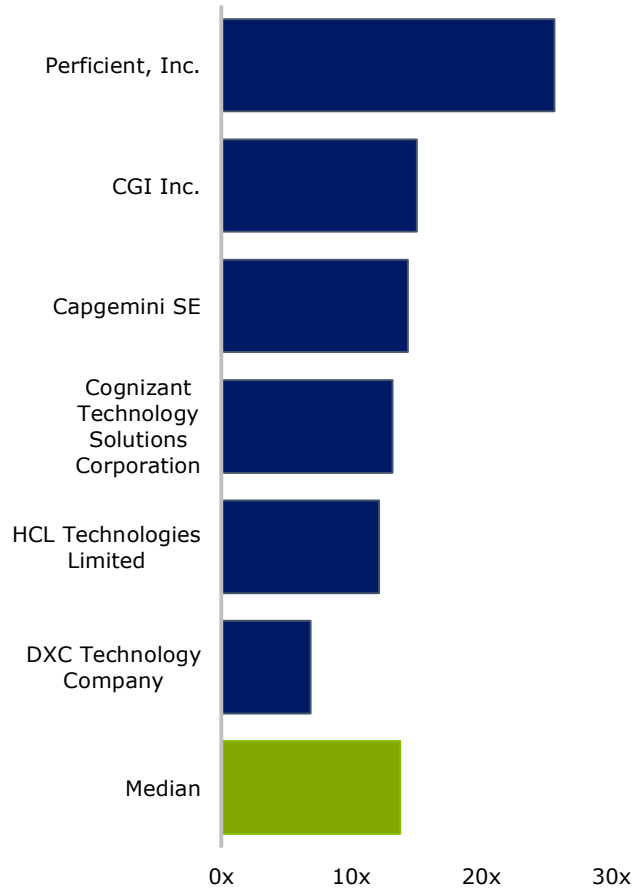
TEV / LTM EBITDA



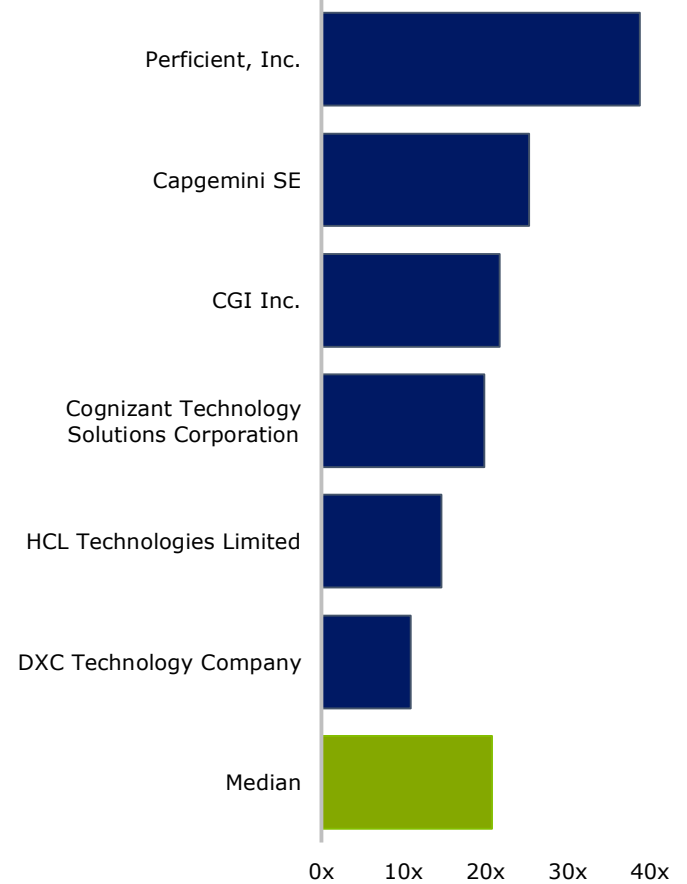
# Valuation



TEV / LTM EBIT



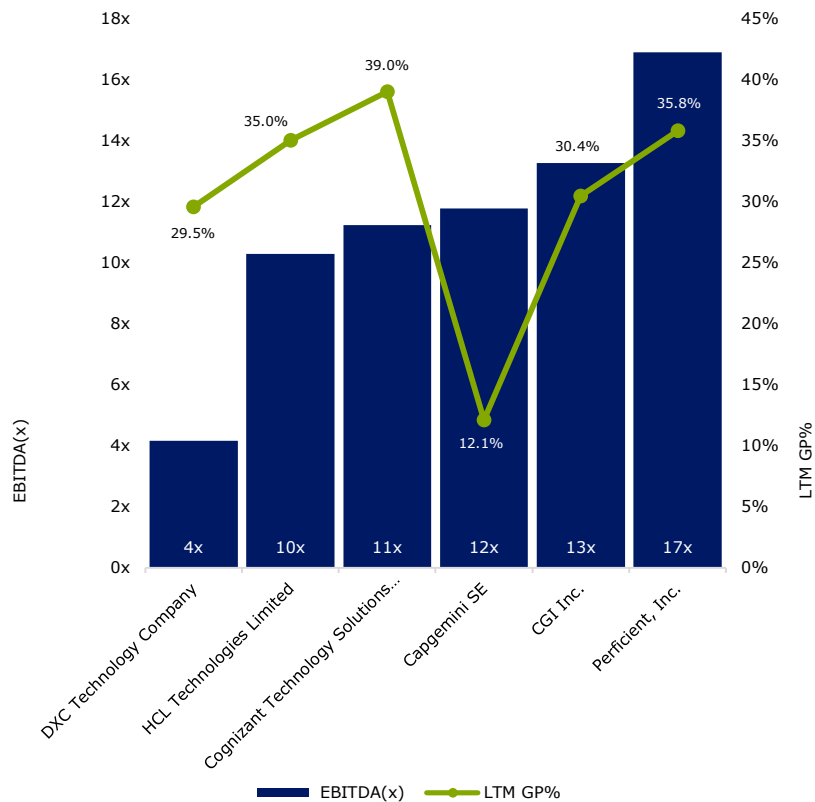
Price / LTM Earnings



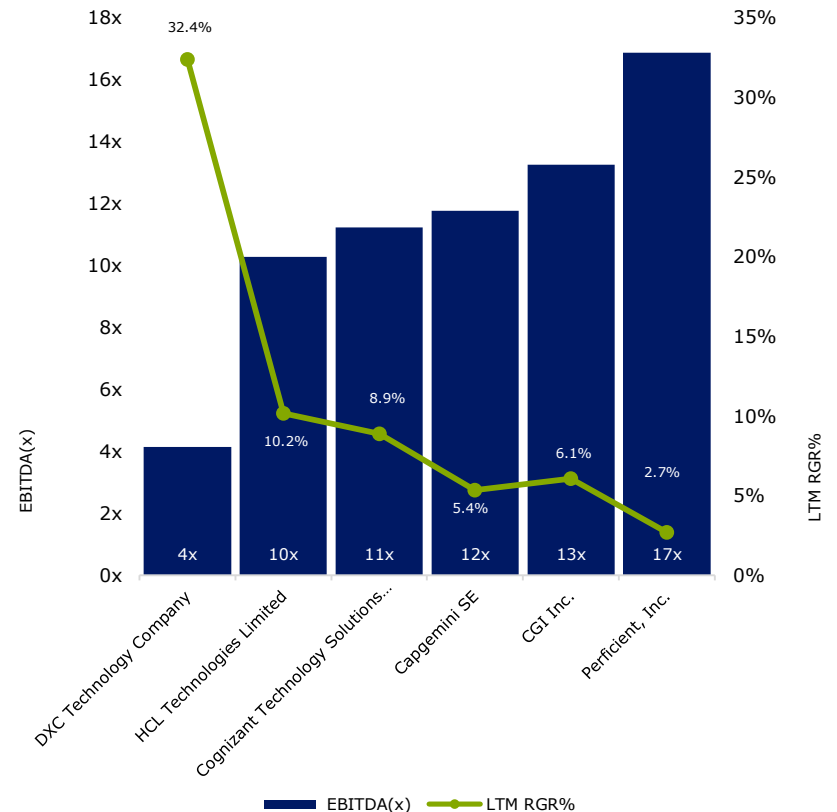
# Valuation



## 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
1Mar19	HAND Enterprise Solutions Co., Ltd.	Beijing Baidu Netcom Science and Technology Co., Ltd.	81.96	427.72	3.5x	22.9x
19Feb19	Saratoga Technologies, Inc.	Sharp Business Systems	-	-	-	-
13Feb19	Axispoint Technology Solutions Group, Inc.	-	15.00	-	-	-
1Feb19	Conway, Dierking & Hillman, Inc.	Red Level Networks LLC	-	5.00	-	-
31Jan19	Nelite France, Société par actions simplifiée	Exakis SAS	-	-	-	-
30Jan19	Dynamic Business IT Solutions Pty Limited	rhipe Limited	5.75	-	-	-
25Jan19	Service Business of EG A/S	DXC Technology Company	-	-	-	-
24Jan19	Cloud Comrade Pte. Ltd.	ST Telemedia	-	-	-	-
14Jan19	Capax Global, LLC	Hitachi Solutions America, Ltd.	-	-	-	-
9Jan19	Substantially All Assets of Fawcett Technologies Advisors	Arbela Technologies Corp.	-	-	-	-
9Jan19	TS Tech Enterprises, Inc.	CompassMSP, LLC	-	-	-	-
31Dec18	Stratus Solutions, Inc.	Applied Insight, LLC	-	-	-	-
4Dec18	Lighthouse Computer Services Inc.	Converge Technology Solutions Corp.	23.20	82.00	0.3x	4.9x
3Dec18	Think4 IT Solutions Ltd.	King of Servers (nka:Evaris Solutions Plc)	-	-	-	-
8Nov18	Charterhouse Voice and Data plc	August Equity LLP	-	-	-	-
8Nov18	SYCOR GmbH	Allgeier Enterprise Services AG	-	97.05	-	-
29Oct18	Sierra Systems Group Inc.	NTT DATA, Inc.	-	-	-	-
21Oct18	Arden Group	Babble Cloud Holdings Limited	-	-	-	-
30Oct18	Content & Code Limited	IT Lab Limited	-	15.60	-	-
27Sep18	Iron Bow Technologies LLC	H.I.G. Capital, LLC	-	-	-	-
26Sep18	M-Theory Group, LLC	Breakaway Capital, LLC	4.50	-	-	-
18Sep18	Jayway AB	Devoteam SA	-	22.37	-	-
28Aug18	4iG Nyrt.	Konzum Private Equity Fund; Konzum Investment Fund Management Zrt.	-	53.67	-	-
27Aug18	4iG Nyrt.	Konzum Private Equity Fund; Konzum Investment Fund Management Zrt.	-	53.67	-	-
23Aug18	Integrated Computer Systems Support, Inc.	RIB Software SE	1.00	-	-	-
22Aug18	Geek Girl Tech, PBC	-	0.03	0.11	-	-
3Aug18	Geek Girl Tech, PBC	-	-	-	-	-
1Aug18	Database Service Provider Global Limited	YFM Equity Partners LLP; YFM Equity Partners 2016 Fund	-	-	-	-

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March 2019

APPENDIX:  
Public Basket  
Constituents

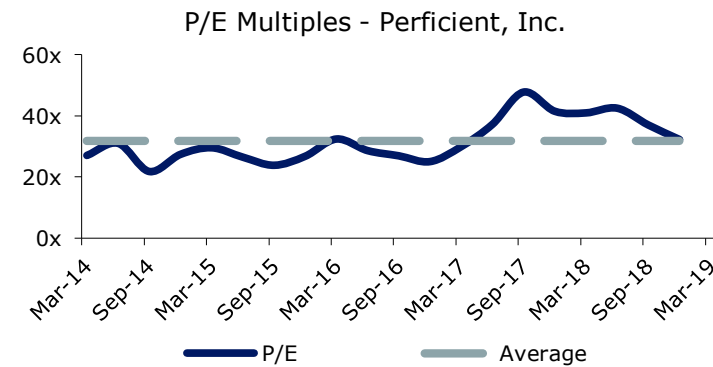
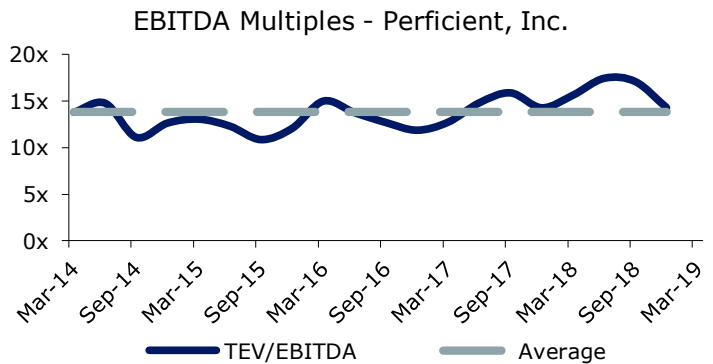
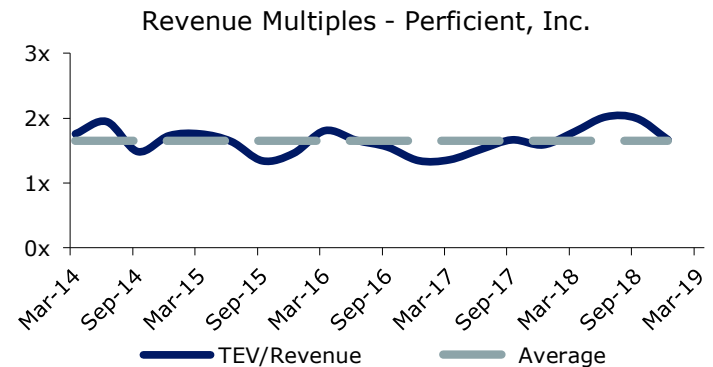
# Public Basket



## 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. 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.



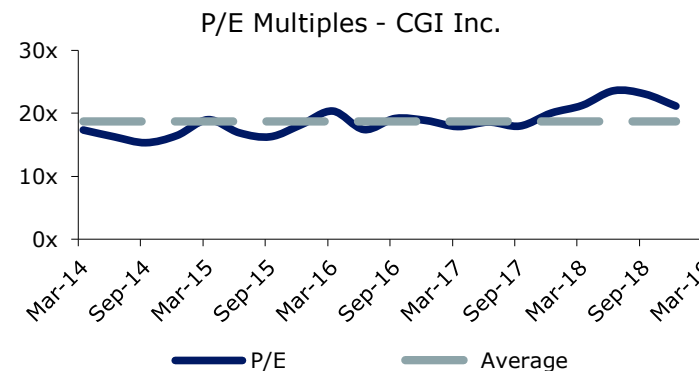
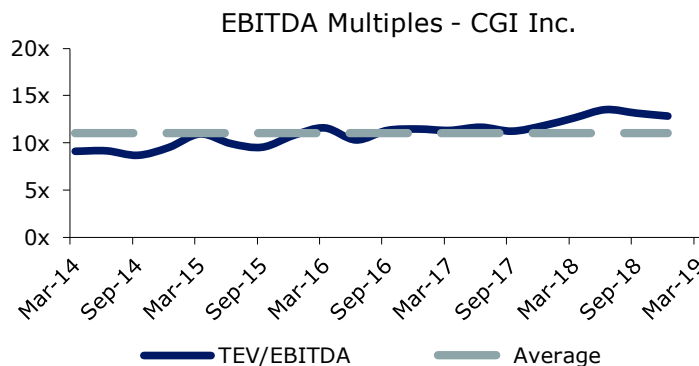
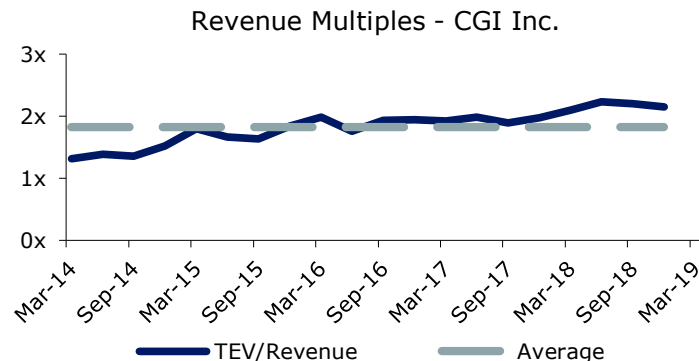
# Public Basket



## 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
10/10/18	CGI Group Inc. (TSX:GIB.A) completed the acquisition of ckc ag for CAD 23.5 million (€13.8 million).





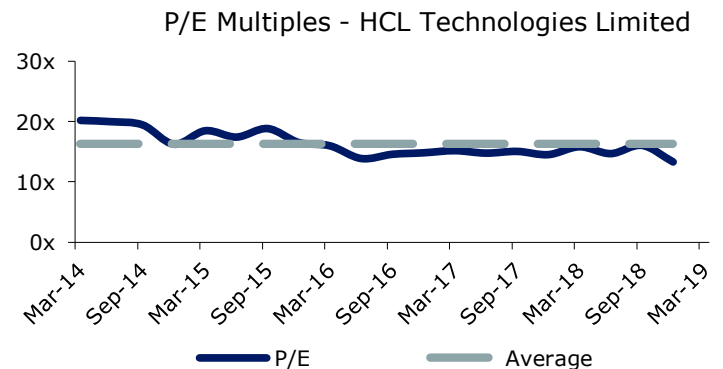
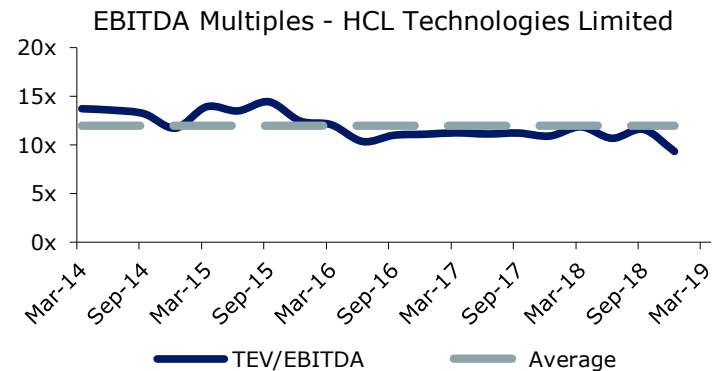
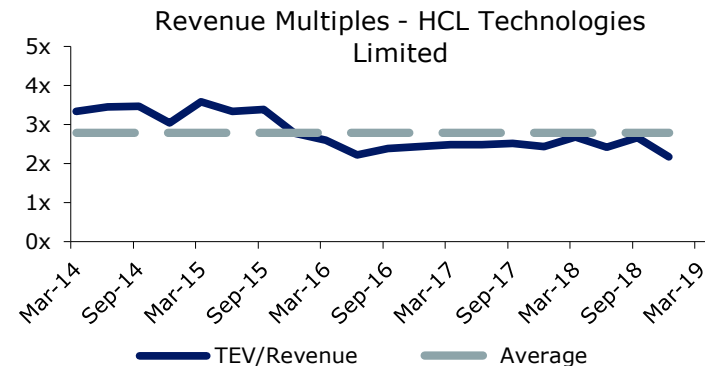
# Public Basket



## HCL Technologies Limited

HCL Technologies Limited provides software, business process outsourcing, and information technology (IT) infrastructure services worldwide. The company offers IT infrastructure management, cloud computing, data center, managed mainframe and maintenance, network, service integration and management, and workplace services, as well as autonomies and orchestration services, products, and platforms.. HCL Technologies Limited was founded in 1976 and is headquartered in Noida, India.

Date	Key Development Headline
2/5/19	HCL Technologies (HCL) Partners with Harris Geospatial Solutions Inc. to Provide an AI Driven, Remote Sensing Data Analytics System for its Utilities Customers
1/29/19	HCL Technologies Seeks Acquisitions



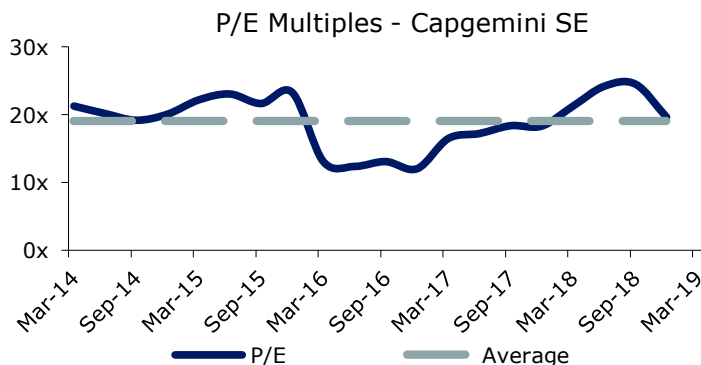
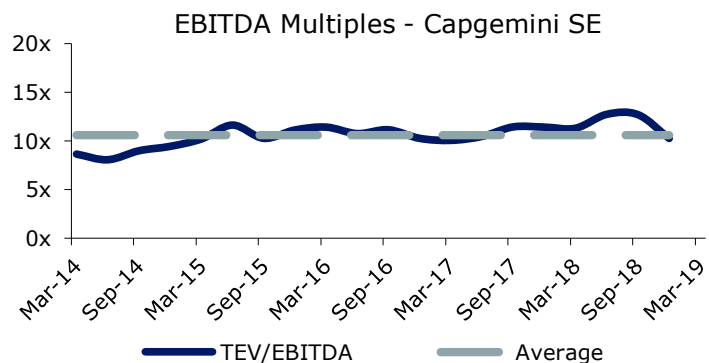
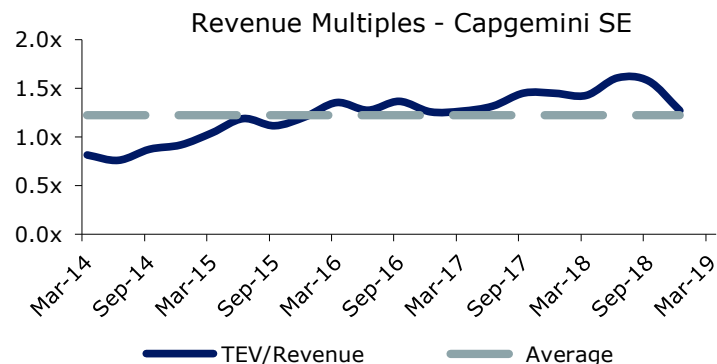
# Public Basket



## 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



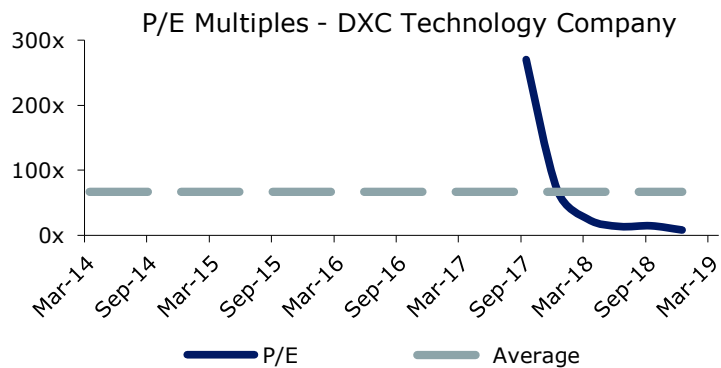
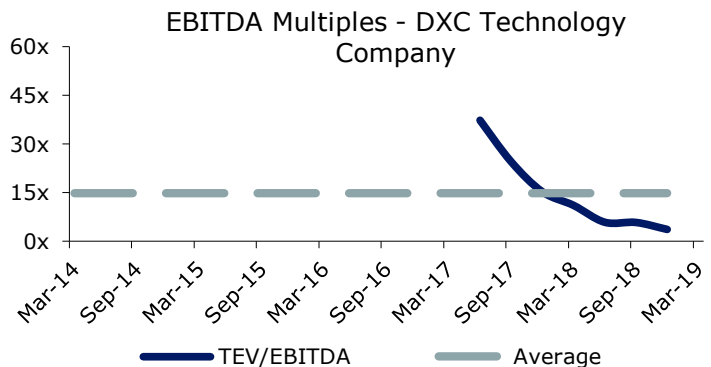
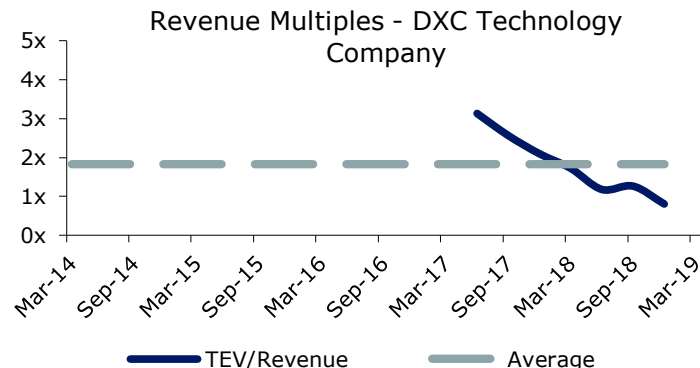
# Public Basket



## DXC Technology Company

DXC Technology Company, together with its subsidiaries, provides information technology services and solutions primarily in North America, Europe, Asia, and Australia. The GBS segment offers technology solutions comprising enterprise, cloud application, and consulting services; application services; analytics services; business process services; and industry software and solutions. The GIS segment offers cloud and platform services; workplace, mobility, and Internet of Things services; and security solutions. The USPS segment delivers IT services and business solutions to all levels of government in the United States. DXC Technology Company was founded in 1959 and is headquartered in Tysons, Virginia.

Date	Key Development Headline
2/14/19	DXC Technology Company (NYSE:DXC) completed the acquisition of service business from EG A/S.
1/24/19	DXC Technology Company (NYSE:DXC) agreed to acquire the service business from EG A/S.
1/7/19	DXC Technology Company, Luxoft Holding, Inc. - M&A Call
1/6/19	DXC Technology Company (NYSE:DXC) entered into a definitive agreement to acquire Luxoft Holding, Inc. (NYSE:LXFT) from IBS Group Holding Limited, Codeffroy Ltd., Awosting Ltd. and others for \$2.1 billion.
12/13/18	Canberra Data Centres Pty Ltd. acquired Eastern Creek data centre facility from DXC Technology Company (NYSE:DXC).

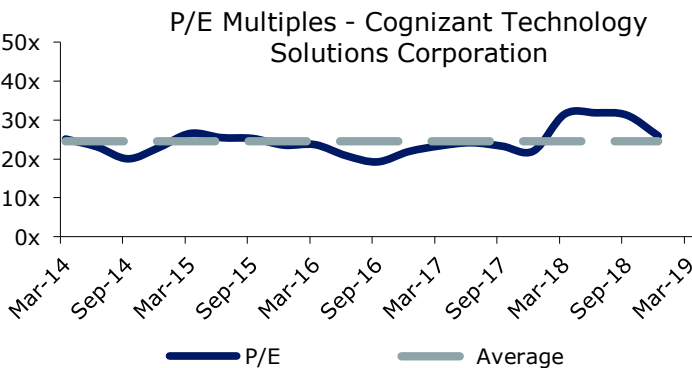
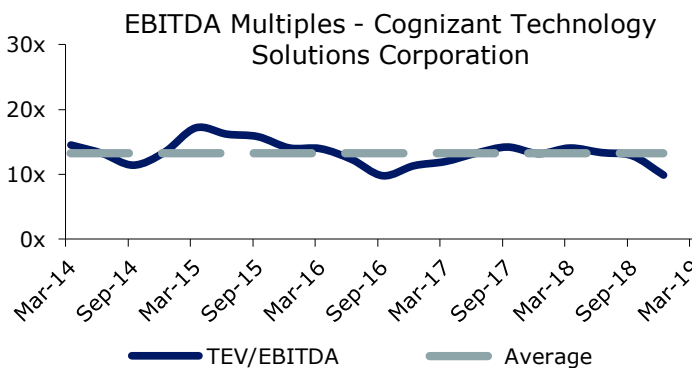
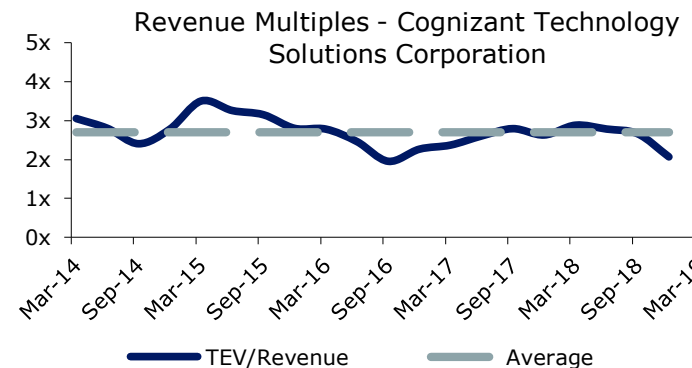


# Public Basket



## 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
3/4/19	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) acquired Meritsoft from Synova Capital Fund II managed by Synova Capital LLP, 22C Capital and others.
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 Savings Bank Group, Svenska Handelsbanken AB (publ), Asset Management Arm, POP Pankkiliitto osk and other minority shareholders.
12/30/18	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) completed the acquisition of acquire SaaSforce Consulting Pvt Ltd.
12/10/18	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) agreed to acquire Mustache LLC.
12/4/18	Cognizant Technology Intends To Seek Acquisitions

# CONTACT INFO

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