

Sectorwatch: Robotics Process Automation

March 2019

Robotics Process Automation

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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

↓ -2.4%

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

↑ 0.2%

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

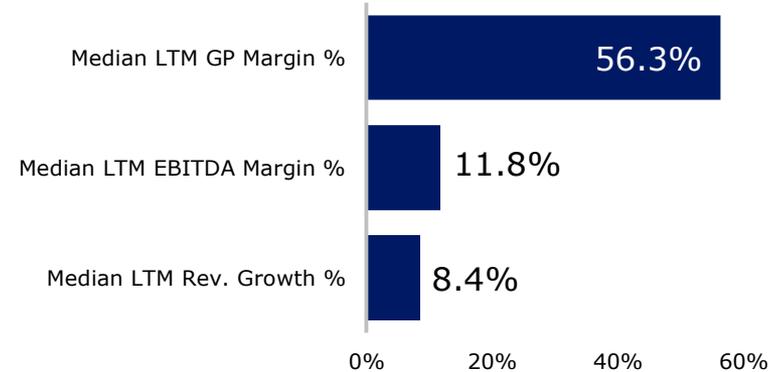
Profitability Momentum

↑ 1.4%

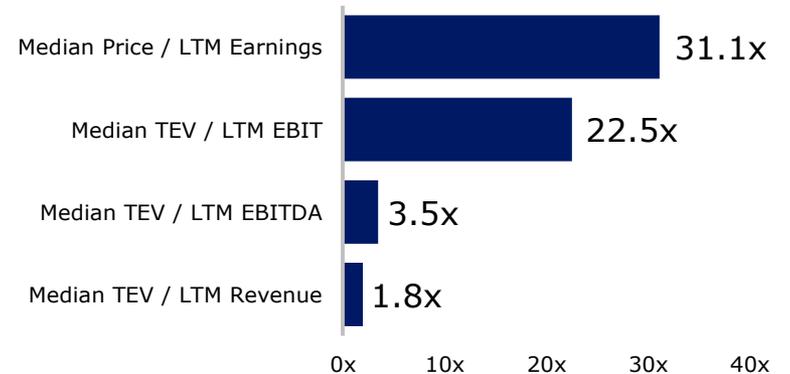
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin exceeds the average of the last 3 years EBITDA margin by this amount, a condition that may attract new entrants

Operating Metrics



Valuation



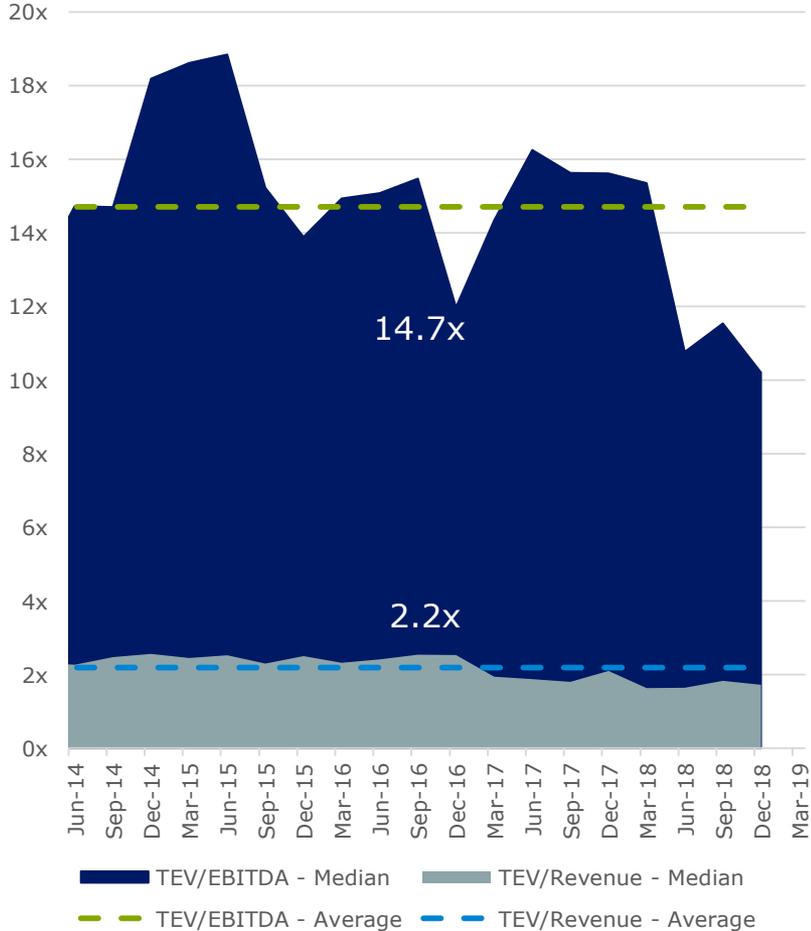
Public Basket



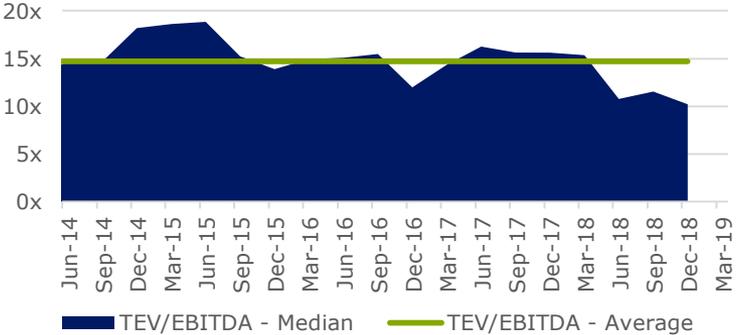
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Jacada Ltd.	16	15	2%	56%	-27%	1.1	0.0	106	139
JASTECo., Ltd.	71	150	4%	22%	13%	0.5	3.5	1,264	119
Expert System S.p.A.	73	42	24%	16%	-2%	1.8	0.0	231	182
Blue Prism Group plc	1,696	70	125%	100%	-46%	23.2	0.0	469	150
Verint Systems Inc.	3,821	1,218	10%	65%	14%	3.1	23.2	5,200	234
Pegasystems Inc.	4,911	892	0%	66%	1%	5.5	0.0	4,650	192
Conduent Incorporated	3,939	5,393	-10%	22%	12%	0.7	6.2	82,000	66
NICE Ltd.	7,441	1,445	8%	66%	25%	5.0	19.9	-	NA
Tech Mahindra Limited	9,129	4,871	12%	35%	18%	1.8	10.5	112,807	43
Average	3,455	1,566	19%	50%	1%	4.8	7.0	22,970	141
Median	3,821	892	8%	56%	12%	1.8	3.5	1,264	144

share price as of 18Mar19

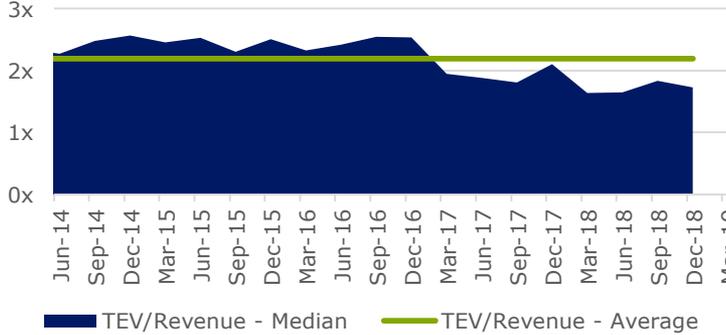
Public Basket Valuation Trends



Public EBITDA Multiples over Time



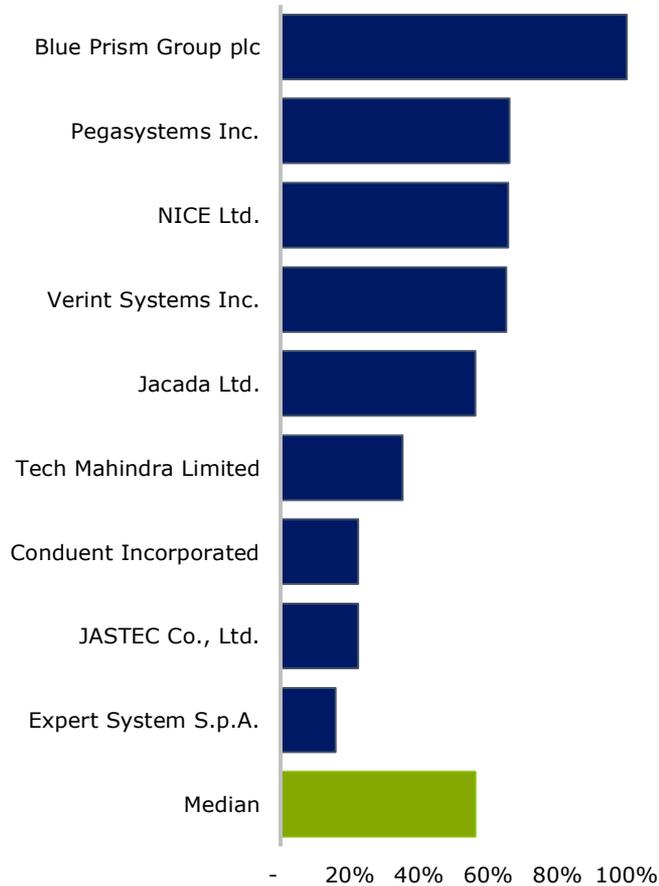
Public Revenue Multiples over Time



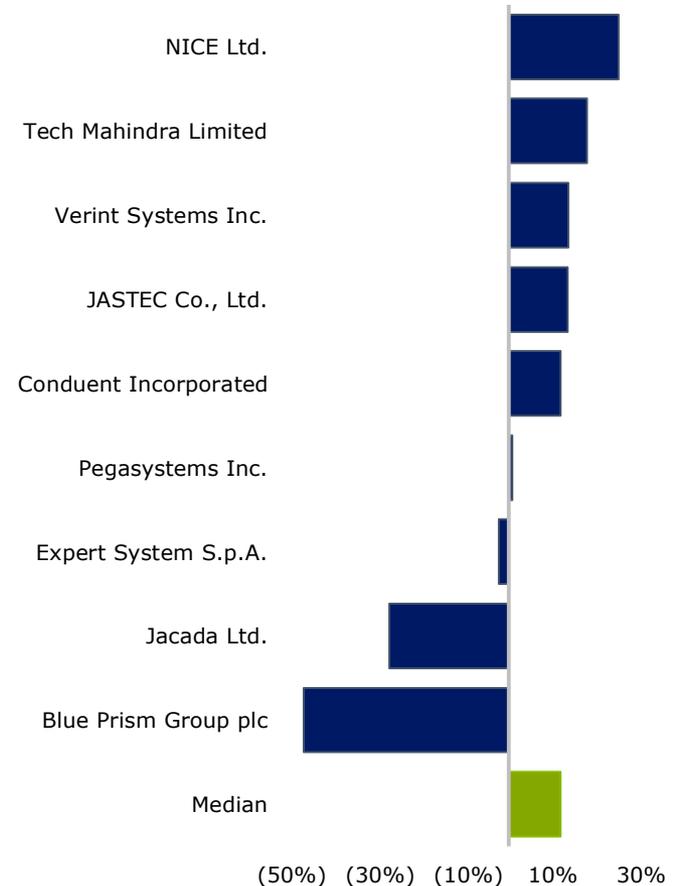
Operational Metrics



LTM Gross Profit Margin %



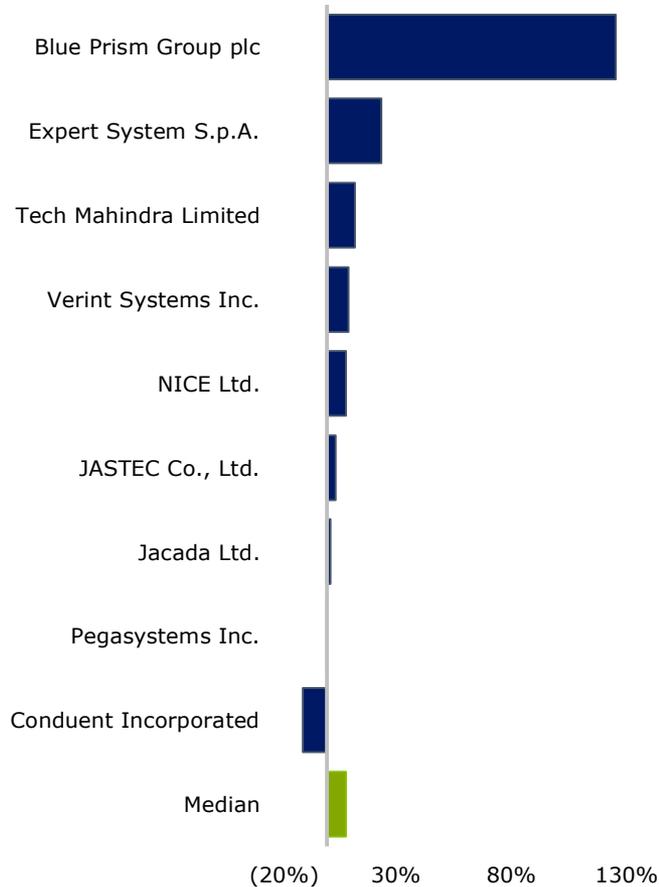
LTM EBITDA %



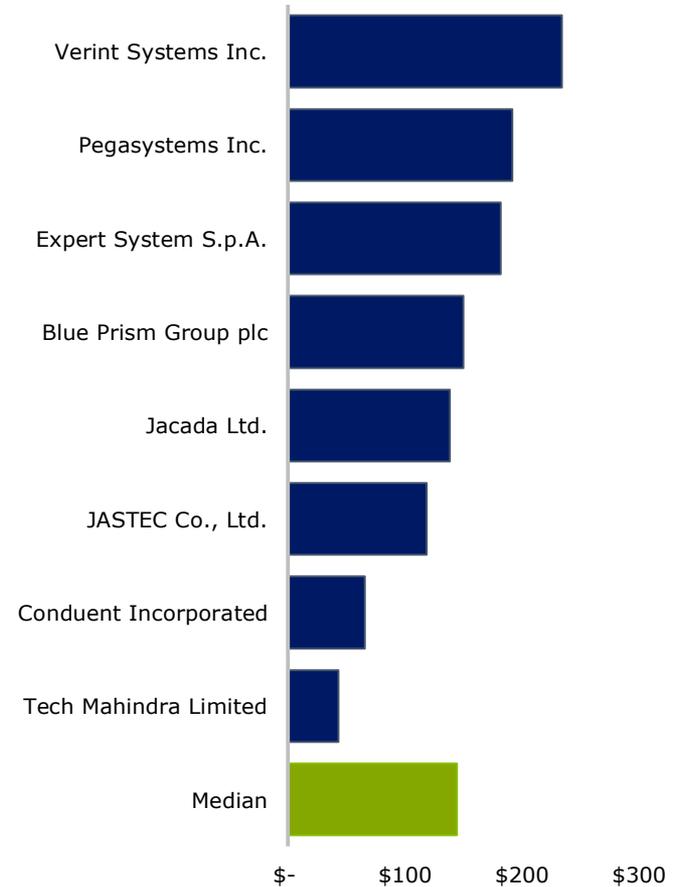
Operational Metrics



LTM Revenue Growth %



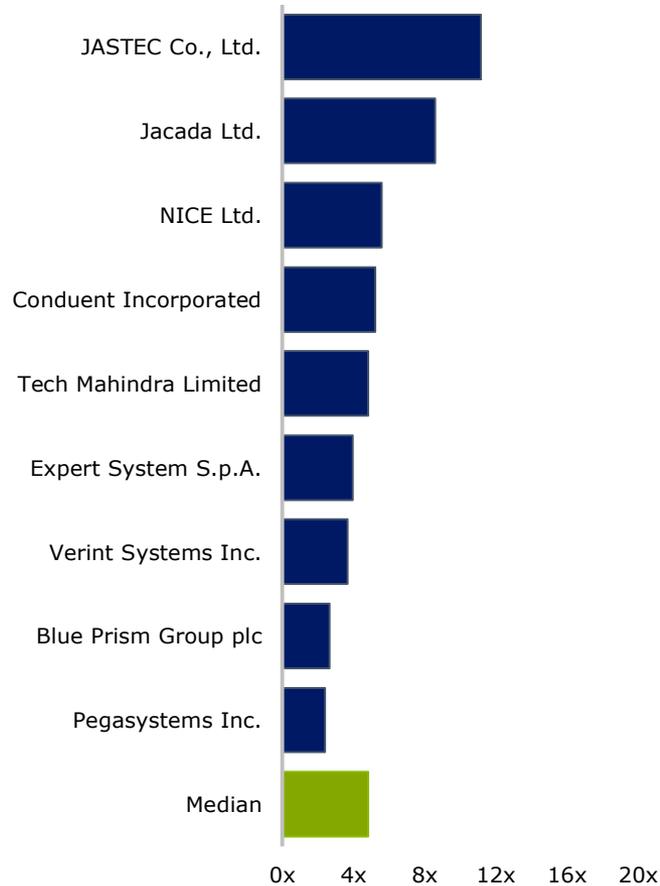
LTM Revenue per Full Time Employee x 000's



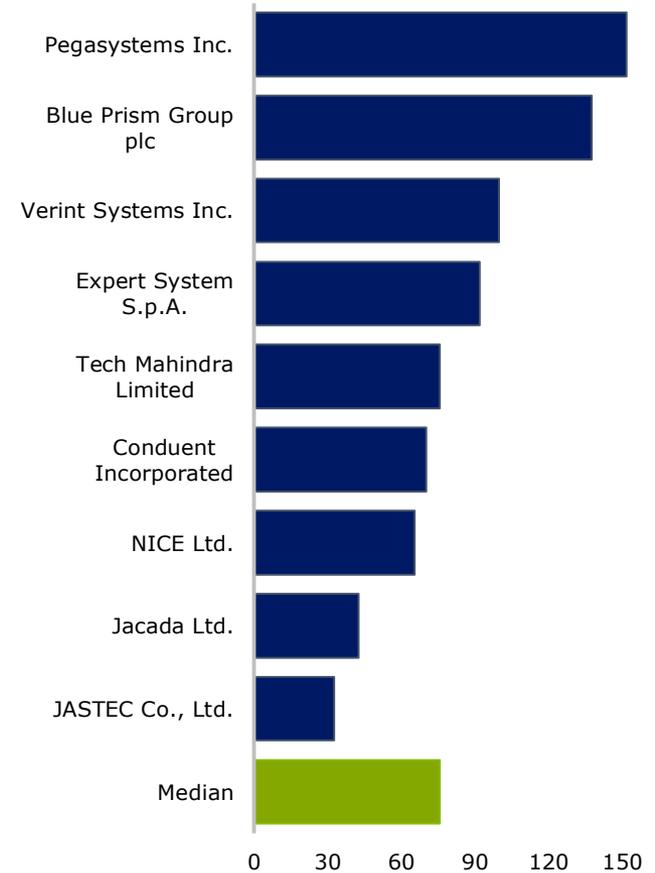
Operational Metrics



Accounts Receivable Turnover



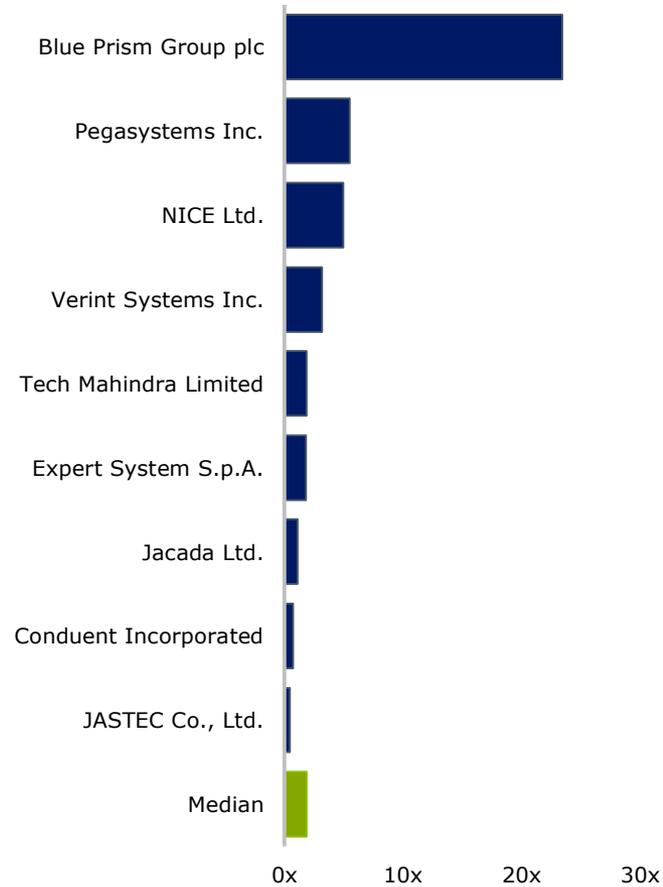
Average Days Sales Outstanding



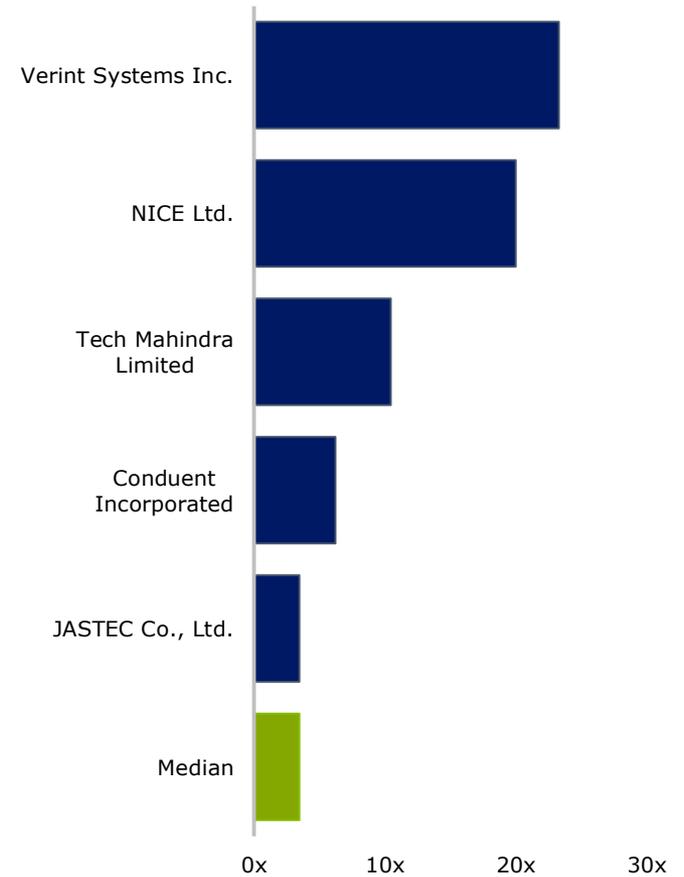
Valuation



TEV / LTM Revenue



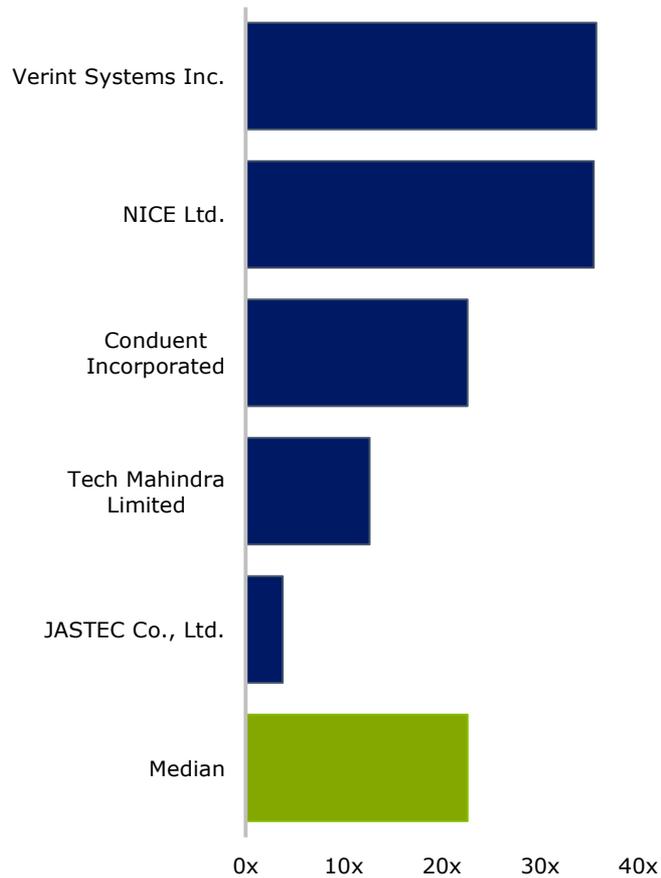
TEV / LTM EBITDA



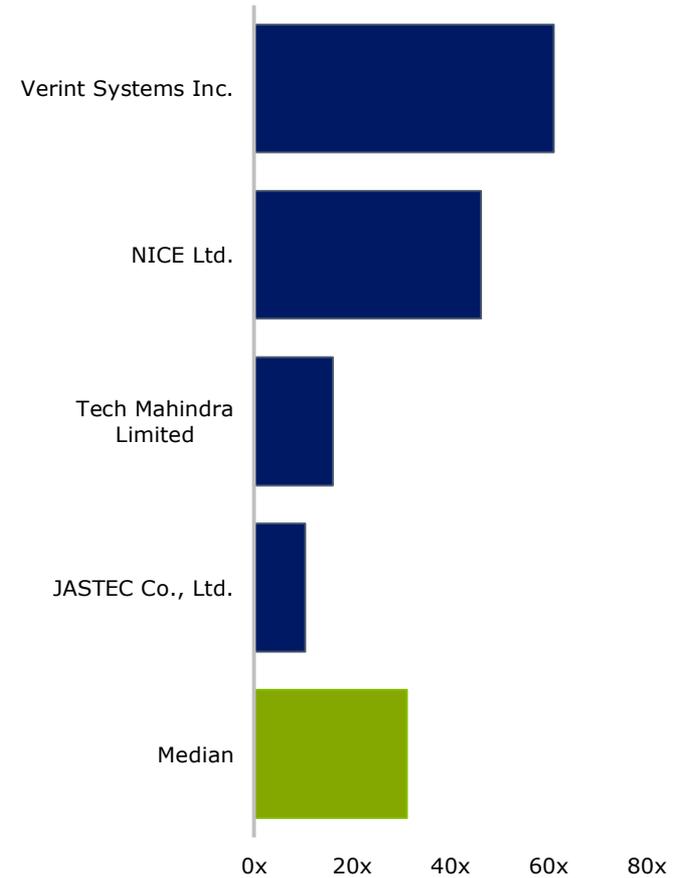
Valuation



TEV / LTM EBIT



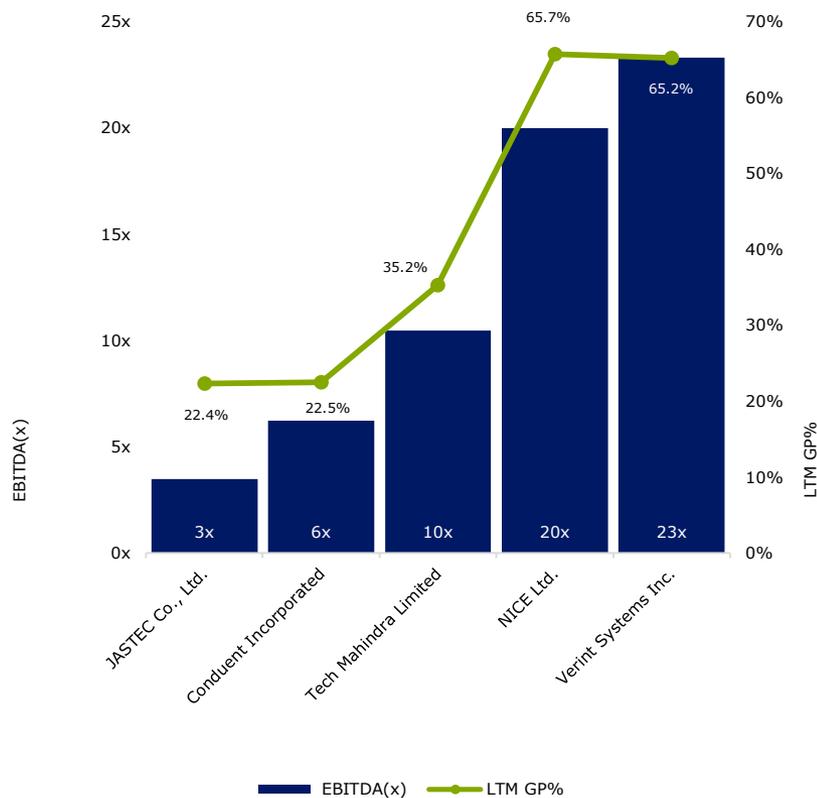
Price / LTM Earnings



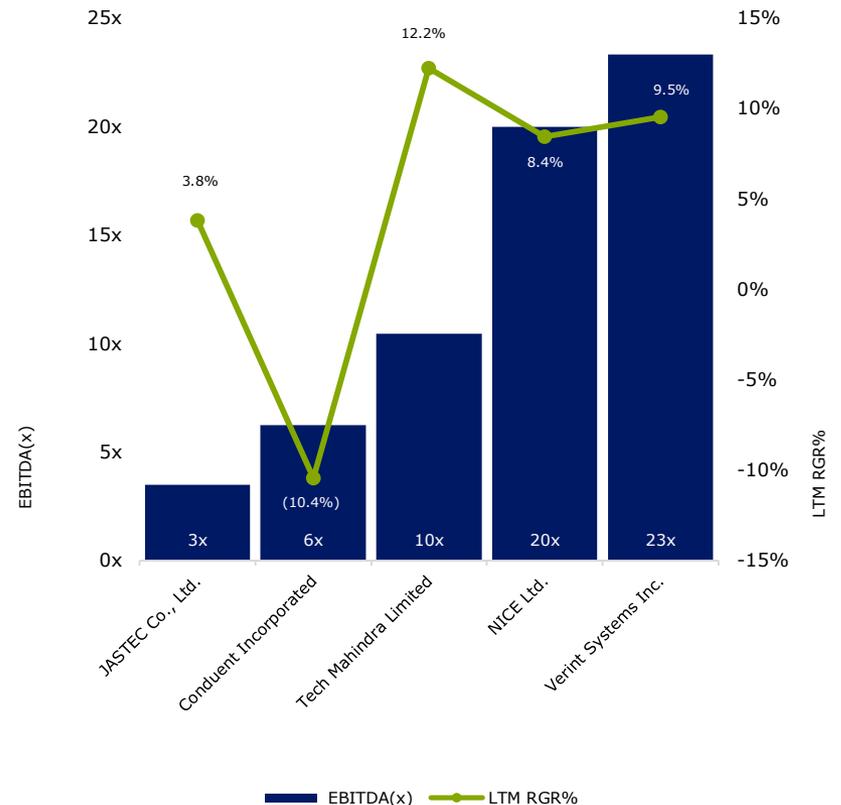
Valuation



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>
3Feb19	Top Image Systems Ltd.	Kofax Limited	23.15	29.19	0.8x	NM
28Oct18	Red Hat, Inc.	International Business Machines Corporation	35,690.94	3,156.59	10.7x	54.4x
26Sep18	Novabase SGPS SA	-	-	160.30	-	-
24Jul18	Arrow Digital LLC	Softvision, LLC	-	-	-	-
16Jul18	CrossChx, Inc. (nka:Olive, Inc.)	Ascension Ventures; Oak HC/FT Partners LLC	24.29	-	-	-
28Jun18	Convergys Corporation	Concentrix Corporation	2,744.14	2,738.70	0.9x	7.0x
24Apr18	ACALL Inc.	Mizuho Capital Co. Ltd.; Genesis Ventures, Inc.	0.92	-	-	-
4Apr18	WorkFusion, Inc.	Inovia Capital; NGP Capital; Georgian Partners Growth LP; Declaration Partners; Hawk Equity LLC	50.00	-	-	-
2Mar18	UiPath Inc.	Accel; Kleiner Perkins Caufield & Byers; Earlybird Venture Capital GmbH & Co. KG; Credo Ventures; Seedcamp; Earlybird Digital East Fund 2012 SCA SICAR; CapitalG	153.00	-	-	-
2Nov17	Premier Logic, LLC	ALTEN Calsoft Labs, Inc.	-	-	-	-
26Sep17	Formpipe Software AB	Humle Kapitalförvaltning; Humle Smabolagsfond	-	46.86	-	-
7Apr17	Aecus Limited	The Hackett Group, Inc.	8.02	-	-	-
3Apr17	Genfour Ltd	Accenture plc	-	-	-	-
5Dec16	Top Image Systems Ltd.	Hale Capital Partners; Hale Capital Partners, LP	5.00	-	-	-
29Sep16	Jacada Ltd.	Israel Growth Partners	1.37	-	-	-

Robotics Process Automation

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APPENDIX:
Public Basket
Constituents

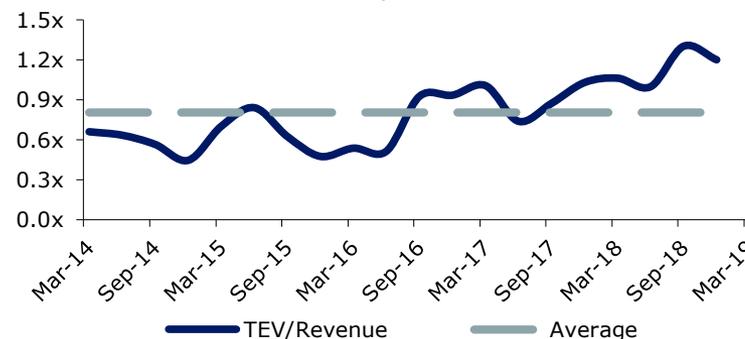
Public Basket



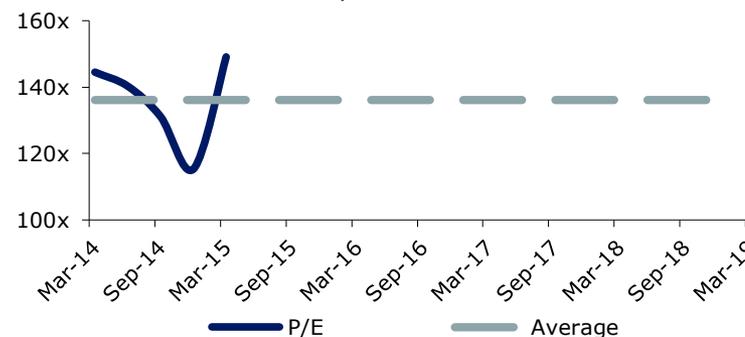
Jacada Ltd.

Jacada Ltd. develops, markets, and supports customer experience management and robotic process optimization solutions that automate customer service processes in North America, Europe, Asia, the Middle East, Africa, and internationally. Its products include Jacada WorkSpace Agent Desktop, which unifies customer interaction tools and provides a single access point to various mission-critical applications for customer service representatives; Jacada Visual interactive voice response that enables end users to engage in a mobile self-service sessions; and Jacada Intelligent Assistant, a virtual customer assistant that allows end users to engage in an automated conversation to answer their questions and complete transactions on their behalf. The company's products also comprise Jacada Advisor, which helps call centers enhance customer service by providing real-time agent guidance; Jacada Integration and Automation, a solution that allows companies to Web-enable and integrate their Microsoft Windows client/server and Web-based applications without modifying or changing existing applications; Jacada Agent Guidance, which guides the customer service agent through an optimized interaction with the customer; Jacada Workflow that creates business process management workflows; Jacada HostFuse, a software solution for integrating core host-centric business systems. Jacada Ltd. was founded in 1990 and is headquartered in Herzliya, Israel.

Revenue Multiples - Jacada Ltd.



P/E Multiples - Jacada Ltd.

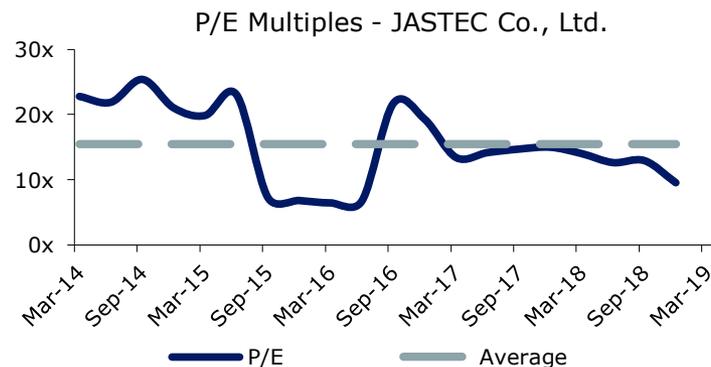
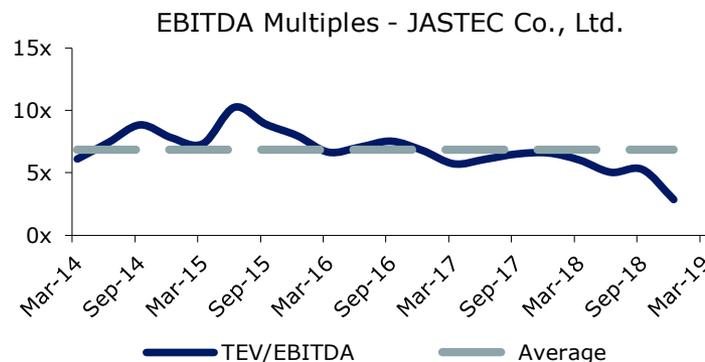
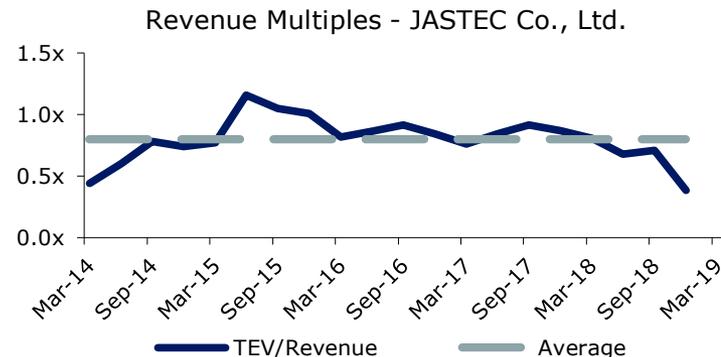


Public Basket



JASTECo., Ltd.

JASTECo., Ltd. provides custom software development and system integration services in Japan. It offers business automation solutions, including targeted business service systems; software for purchasing support, sales support, decision support, operation management support, information analysis, etc.; general business service systems; and software for general business applications, such as accounting, financial, human resource, etc. The company also provides process automation software for process control of rationalizing production facilities, communication equipment, technical calculation, etc.; operating system and other software products, such as operating system software, programming language software, utility software, middle-ware, etc.; and package software products for enterprise use. It serves enterprises in raw materials, construction, manufacturing, financial, insurance, securities, distribution, and service industries. The company was founded in 1971 and is headquartered in Tokyo, Japan.

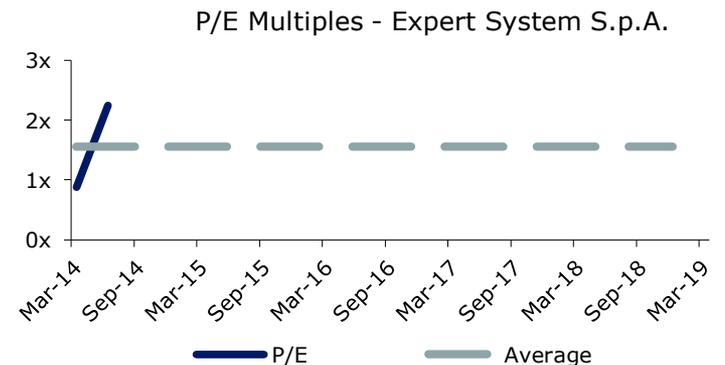
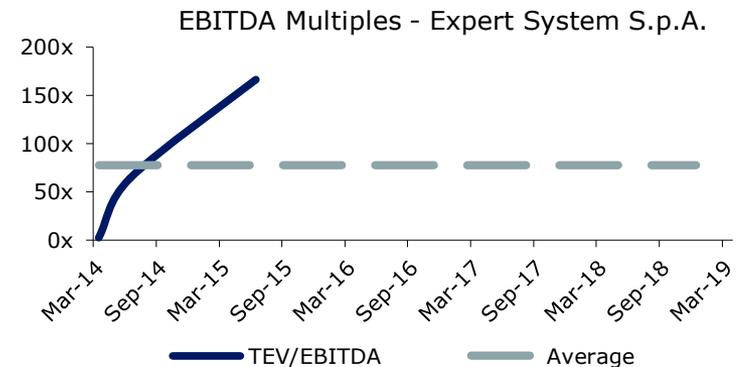
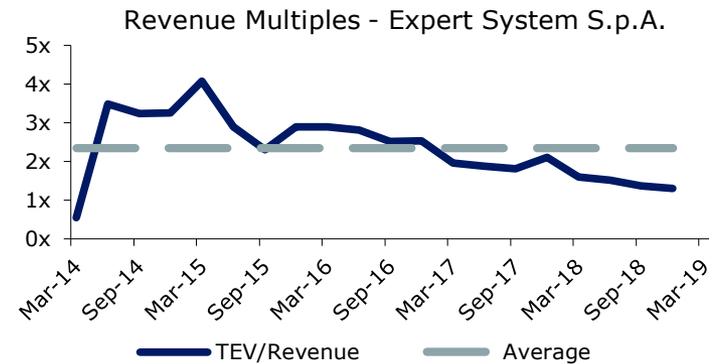


Public Basket



Expert System S.p.A.

Expert System S.p.A. develops and sells cognitive computing software products based on artificial intelligence algorithms to read and understand written language in Italy and internationally. It offers Cogito cognitive technology for robotic process automation and information intelligence; Cogito Discover for entity extraction, classification, and text analytics; Cogito Intelligence Platform, an intelligence platform that processes content, and populates categories and entity lists to reveal the information for analysis activities; Cogito Answers, a customer experience management and analytics software solution; and Analysts' Workspace, a case management software and information intelligence solution. The company also provides Cogito Studio that helps organizations and developers to assert their business priorities while creating semantic-powered solutions for robotic process automation and information intelligence; Biopharma Navigator, a natural language processing software for life sciences; and Cogito API, a natural language processing API, as well as Cogito integrations. It serves small and medium-sized businesses in the banking and insurance government, life science and pharma, oil and gas, media and publishing, and other industries. The company was founded in 1989 and is based in Modena, Italy.

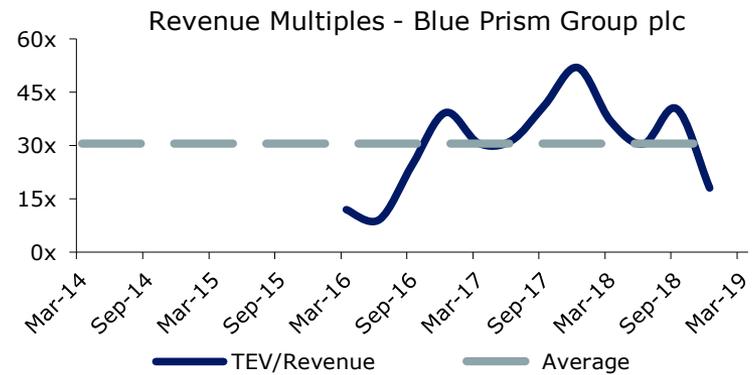


Public Basket



Blue Prism Group plc

Blue Prism Group plc, together with its subsidiaries, engages in the licensing of robotic process automation software in the United Kingdom, the United States, and internationally. Its robotic process automation software platform provides organizations with a business owned and IT supported digital workforce, which automates processes in any department where clerical or administrative work is performed across organizations. The company also provides professional and customer support services. It serves customers in financial services, energy, telco, insurance, logistics, BPO, and healthcare sectors. Blue Prism Group plc was founded in 2001 and is based in Newton-le-Willows, the United Kingdom.



Date **Key Development Headline**

5/22/18 Blue Prism Collaborates with Google Cloud to Drive Adoption of AI and Intelligent Automation in the Enterprise

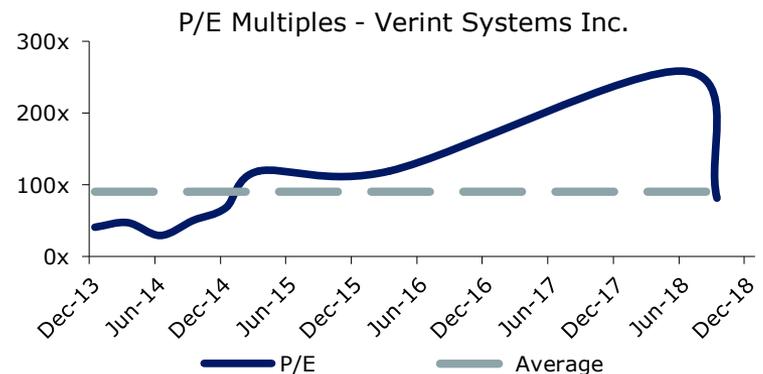
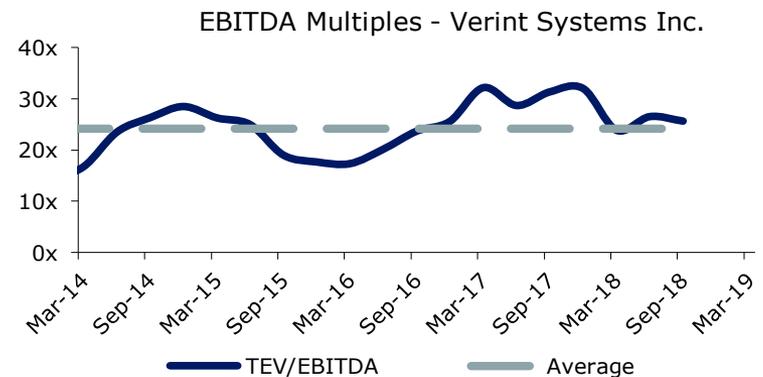
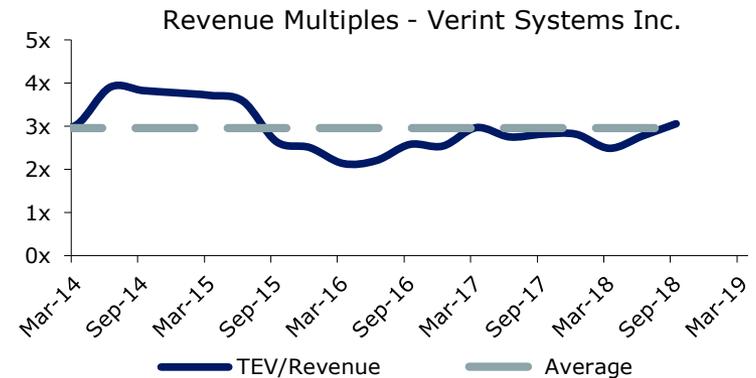
Public Basket



Verint Systems Inc.

Verint Systems Inc. provides actionable intelligence solutions and value-added services worldwide. Its Customer Engagement Solutions segment provides automated quality management, automated verification, branch surveillance and investigation, case management, chat engagement, coaching/learning, compliance recording, customer communities, desktop and process analytics, digital feedback, email engagement, employee desktop, enterprise feedback, financial compliance, full-time recording, gamification, identity analytics, internal communities, knowledge management, mobile workforce, performance management, robotic process automation, social analytics, speech and text analytics, virtual assistant, voice self-service, voice self-service fraud detection, Web/mobile self-service, work manager, and workforce management solutions. The company was founded in 1994 and is headquartered in Melville, New York.

Date	Key Development Headline
12/25/18	Verint Systems Inc. (NasdaqGS:VRNT) acquired the remaining unknown stake in NowForce Limited.
12/18/18	Verint Systems Inc. (NasdaqGS:VRNT) completed the acquisition of ForeSee Results, Inc. from Multiply.
12/16/18	Verint Systems Inc. (NasdaqGS:VRNT) entered into a purchase agreement to acquire ForeSee Results, Inc. from Multiply for \$64.9 million.



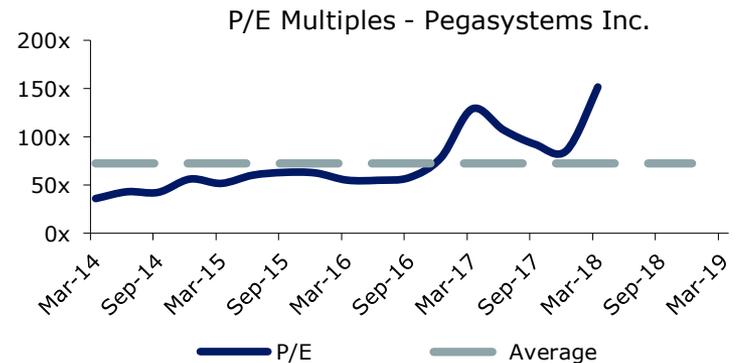
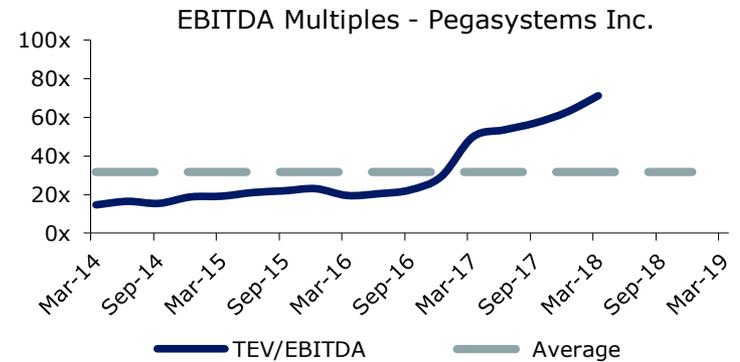
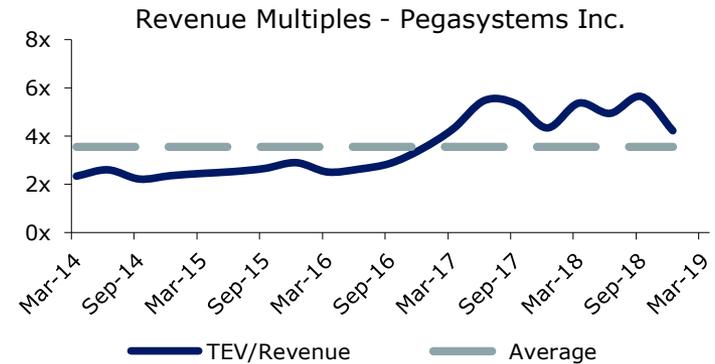
Public Basket



Pegasystems Inc.

Pegasystems Inc. develops, markets, licenses, and supports software applications for marketing, sales automation, customer service, and operations in the United States and internationally. The company offers customer engagement applications, including Pega Marketing that enable enterprises to enhance customer acquisition and experiences across inbound, outbound, and paid media channels; Pega sales automation to automate and manage the sales process; and Pega customer service to anticipate customer needs, connect customers, the right people and systems, and automate customer interactions to evolve the customer service experience and to allow enterprises to deliver interactions across channels and enhance employee productivity. Pegasystems Inc. was founded in 1983 and is headquartered in Cambridge, Massachusetts.

Date	Key Development Headline
2/4/19	Pegasystems Inc. (NasdaqGS:PEGA) acquired all assets of Infruid Labs Inc.
10/10/18	Pegasystems and KPMG Form Strategic Alliance to Help Government Agencies Improve Citizen and Employee Experiences
5/10/18	Pegasystems Seeks Acquisitions



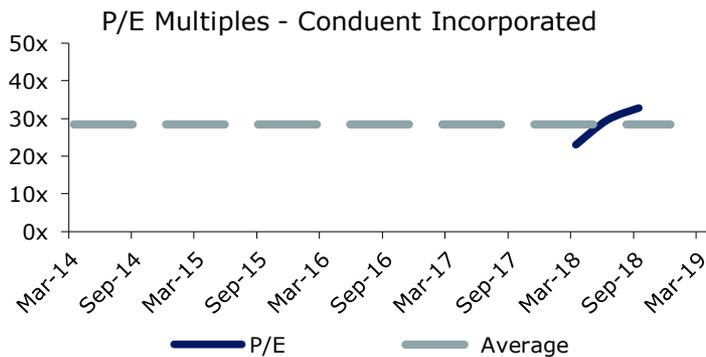
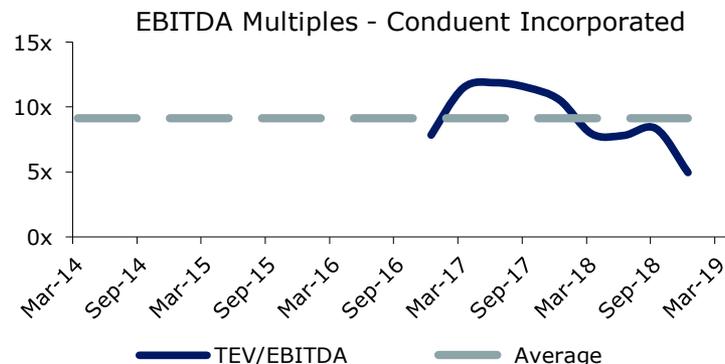
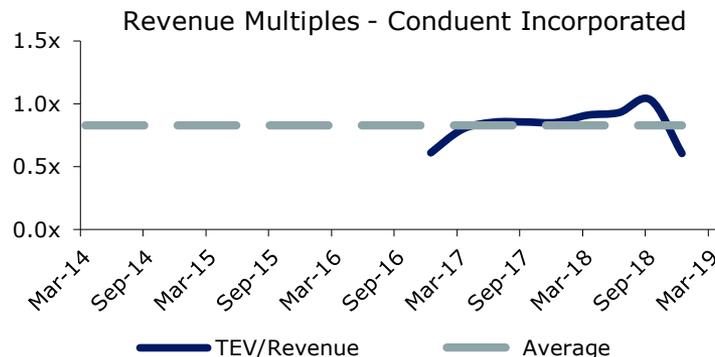
Public Basket



Conduent Incorporated

Conduent Incorporated provides business process services with capabilities in transaction-intensive processing, analytics, and automation in the United States and internationally. It operates in two segments, Commercial Industries and Public Sector. The Commercial Industries segment offers business process services and customized solutions to clients in various industries. This segment delivers end-to-end business-to-business and business-to-customer services, including customer care, human resource management, and finance and accounting services that enable its clients to optimize their processes. The company is headquartered in Florham Park, New Jersey.

Date	Key Development Headline
2/20/19	Conduent To Seek Acquisitions
1/30/19	Skyview Capital LLC completed the acquisition of a portfolio of select standalone customer care contracts from Conduent Incorporated (NYSE:CNDT).
1/2/19	Conduent Incorporated (NYSE:CNDT) completed the acquisition of Health Solutions Plus, Inc.
10/30/18	Conduent Incorporated (NYSE:CNDT) entered into a definitive agreement to acquire Health Solutions Plus, Inc. for approximately \$98 million.
9/30/18	Skyview Capital LLC entered into a definitive agreement to acquire a portfolio of select standalone customer care contracts from Conduent Incorporated (NYSE:CNDT).



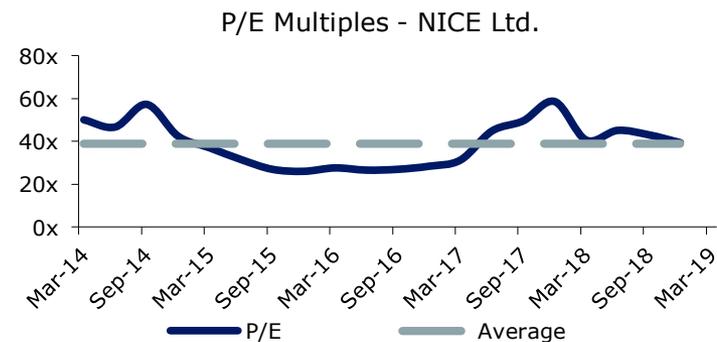
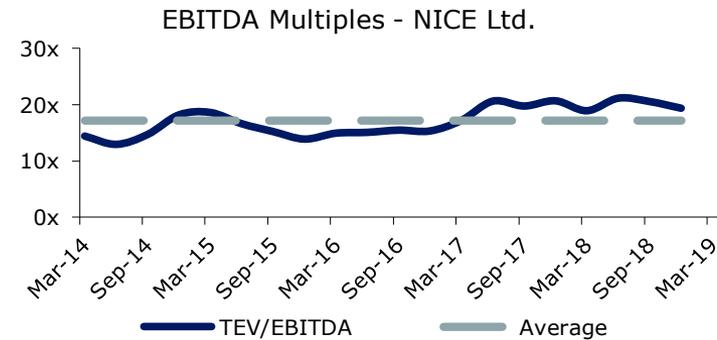
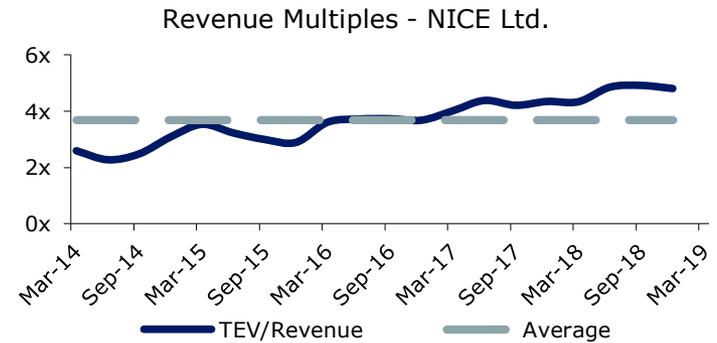
Public Basket



NICE Ltd.

NICE Ltd. provides enterprise software solutions worldwide. It operates in two segments, Customer Engagement and Financial Crime and Compliance. The Customer Engagement segment offers platform and solutions that empower businesses to deliver consistent and personalized experience across the customer journey, and delivered in the cloud, as well as on premise. Its solutions also optimize business performance and ensure compliance. This segment serves contact centers, back office operations, and retail branches in various industries, including banking, telecommunications, insurance, healthcare, business process outsourcing, government, utilities, travel, entertainment, and e-commerce. The Financial Crime and Compliance segment provides real time and cross-channel fraud prevention, anti-money laundering, brokerage compliance, and enterprise-wide case management services for financial institutions and regulatory authorities. The company also offers professional and support services covering various stages of the technology lifecycle. NICE Ltd. was founded in 1986 and is headquartered in Ra'anana, Israel.

Date	Key Development Headline
8/13/18	NICE and Cloud9 Technologies Team Up to Integrate Compliance Recording and Cloud-Based Voice Trading Platform
11/12/17	NICE Partners with Convexus to Expand Investment in Latin American Market



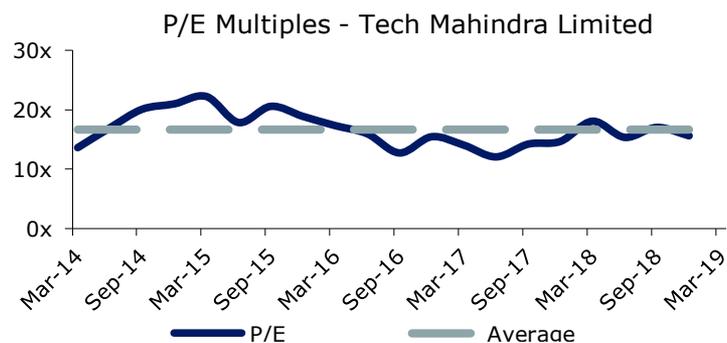
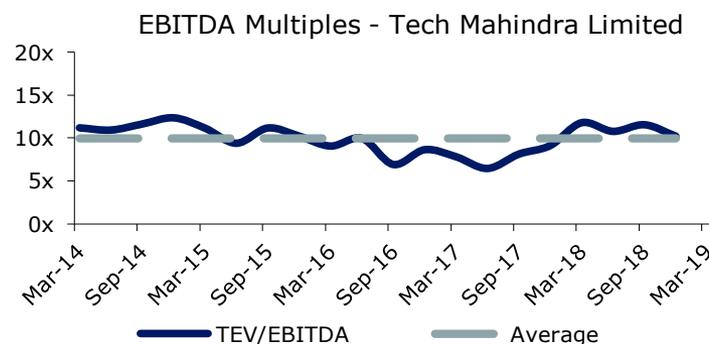
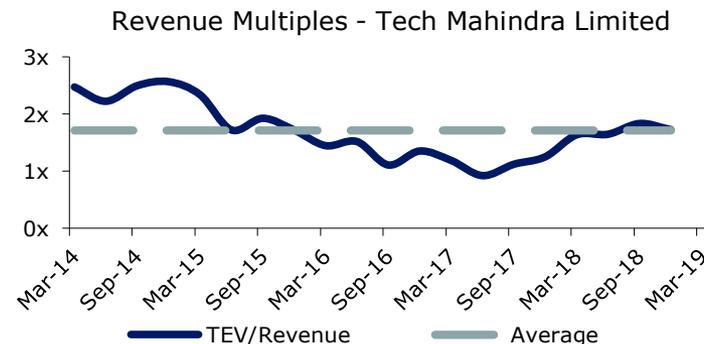
Public Basket



Tech Mahindra Limited

Tech Mahindra Limited provides information technology (IT) services and solutions in the Americas, Europe, India, and internationally. It offers IT outsourcing, consulting, next generation, application outsourcing, network, infrastructure management, integrated engineering, business process outsourcing, platform, and mobile value added services. The company provides consulting-led integrated portfolio services to telecom equipment manufacturers and telecom service providers; IT infrastructure services; business process outsourcing services; and enterprise solutions services of IT and IT-enabled services. Tech Mahindra Limited was founded in 1986 and is based in Pune, India.

Date	Key Development Headline
1/31/19	Tech Mahindra Limited (NSEI:TECHM) signed an agreement to acquire Dynacommerce Holding B.V. for €15.9 million.
10/28/18	Rakuten and Tech Mahindra Join Hands to Set Up World-Class 5G Labs in Tokyo and Bengaluru
10/16/18	Aricent, Tech Mahindra, Benetel and Phluido Partner to Create Virtualized LTE RAN for Cable Networks
9/25/18	Cloudleaf, Inc. and Tech Mahindra Join Forces to Bring the Industry's Most Powerful Edge IoT Solution to Market
9/11/18	Tech Mahindra Announces Global Strategic Partnership with Avaamo
6/20/18	Tech Mahindra Partners with the University of Texas to Launch Inaugural Makers Lab in the U.S



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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