



Sectorwatch: IT Services Retail Focus

May 2019

IT Services Retail Focus

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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.



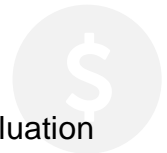
Public Basket Performance

- 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

↓ -1.5%

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

↑ 2.7%

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

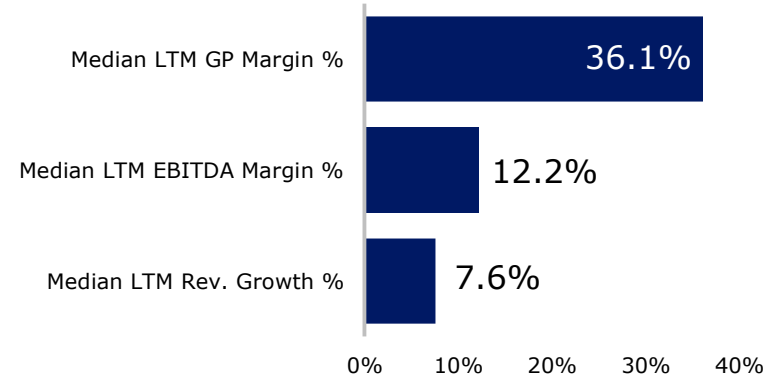
Profitability Momentum

↑ 1.1%

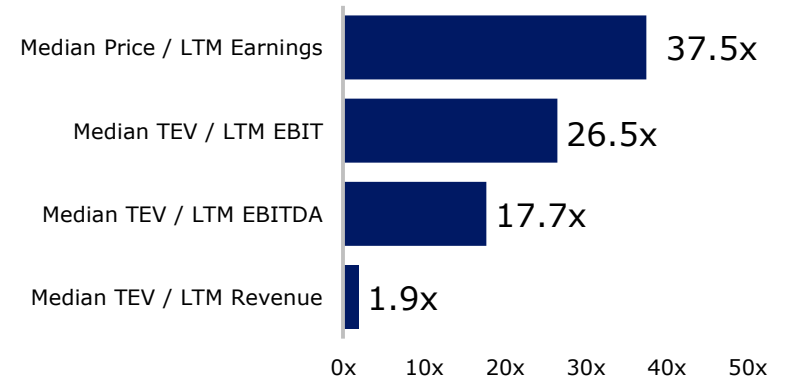
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

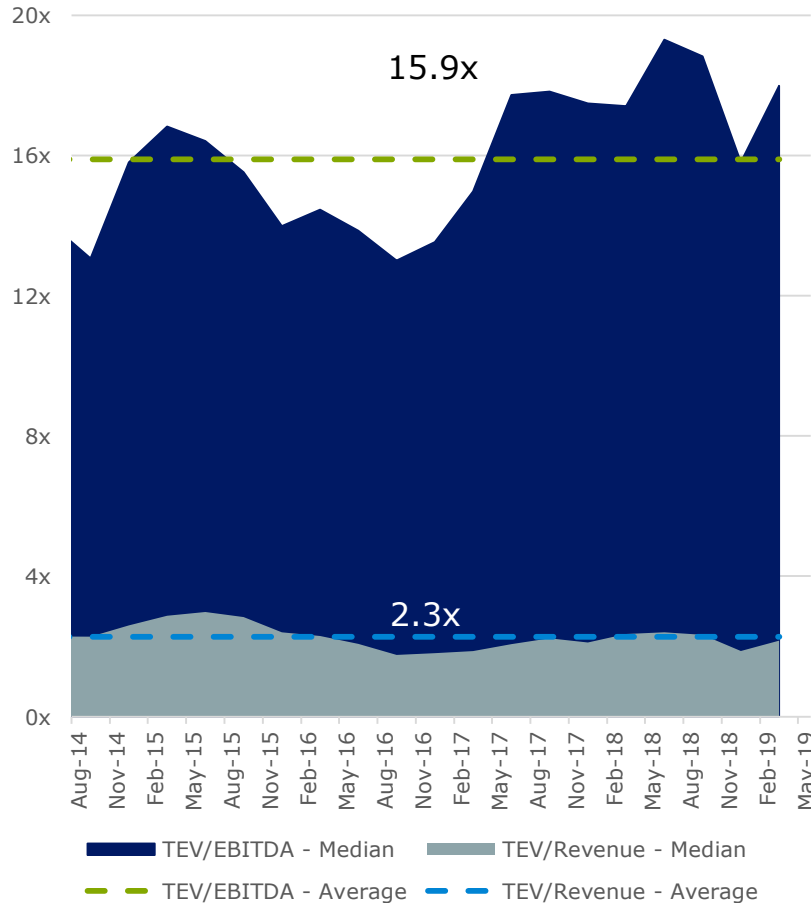


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Perficient, Inc.	1,103	511	3%	36%	12%	2.2	17.7	3,060	167
Virtusa Corporation	1,752	1,202	24%	29%	8%	1.5	19.0	20,491	59
NICE Ltd.	8,155	1,445	8%	66%	25%	5.4	21.9	5,504	262
Cognizant Technology Solutions Corporation	30,324	16,323	8%	39%	20%	1.9	9.5	281,600	58

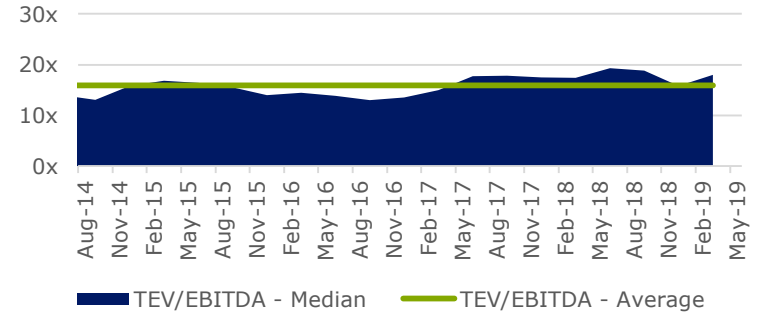
Average	10,334	4,870	11%	42%	16%	2.7	17.0	77,664	137
Median	4,954	1,323	8%	37%	16%	2.0	18.4	12,998	113

share price as of 14May19

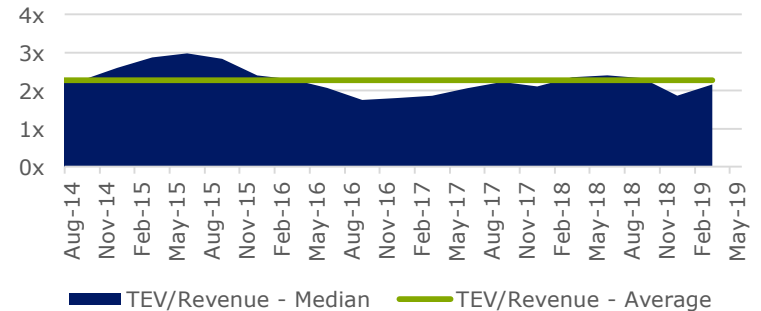
Public Basket Valuation Trends



Public EBITDA Multiples over Time



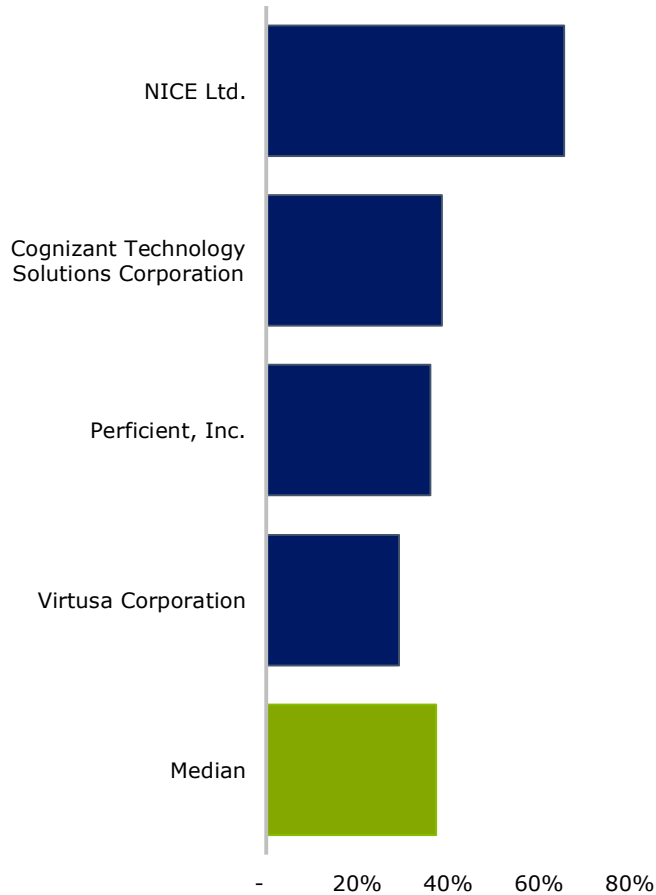
Public Revenue Multiples over Time



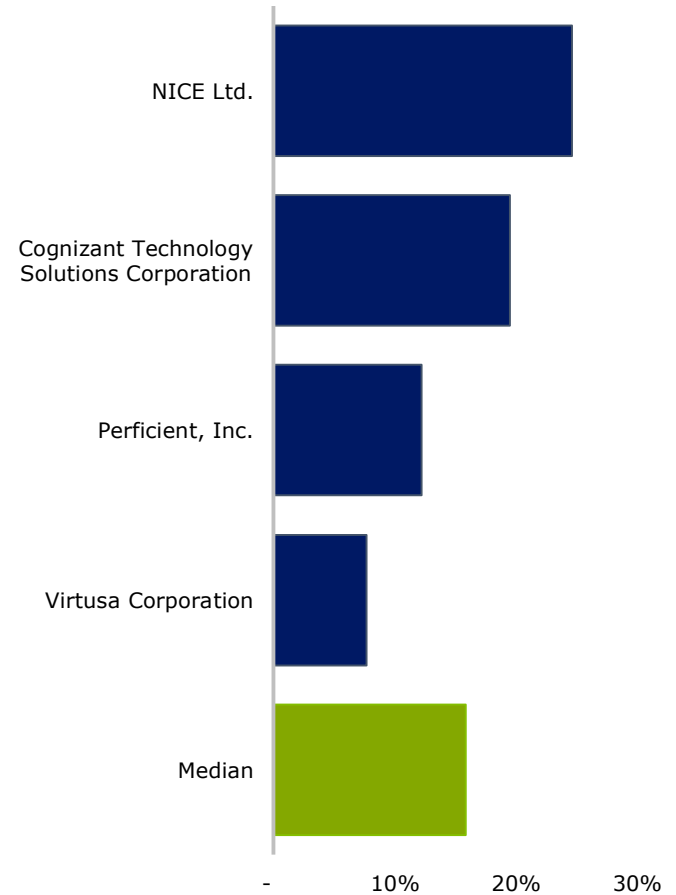
Operational Metrics



LTM Gross Profit Margin %



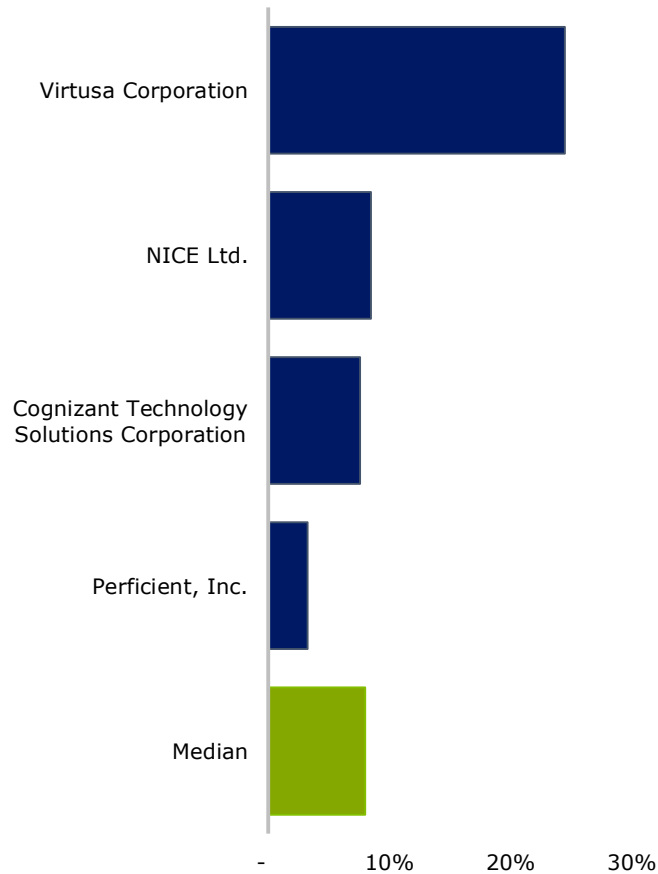
LTM EBITDA %



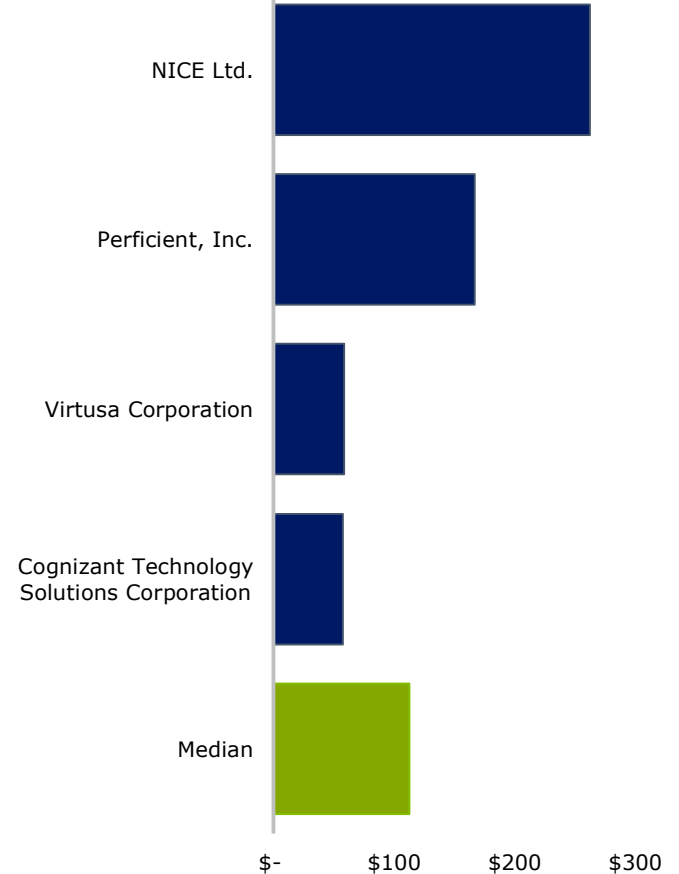
Operational Metrics



LTM Revenue Growth %



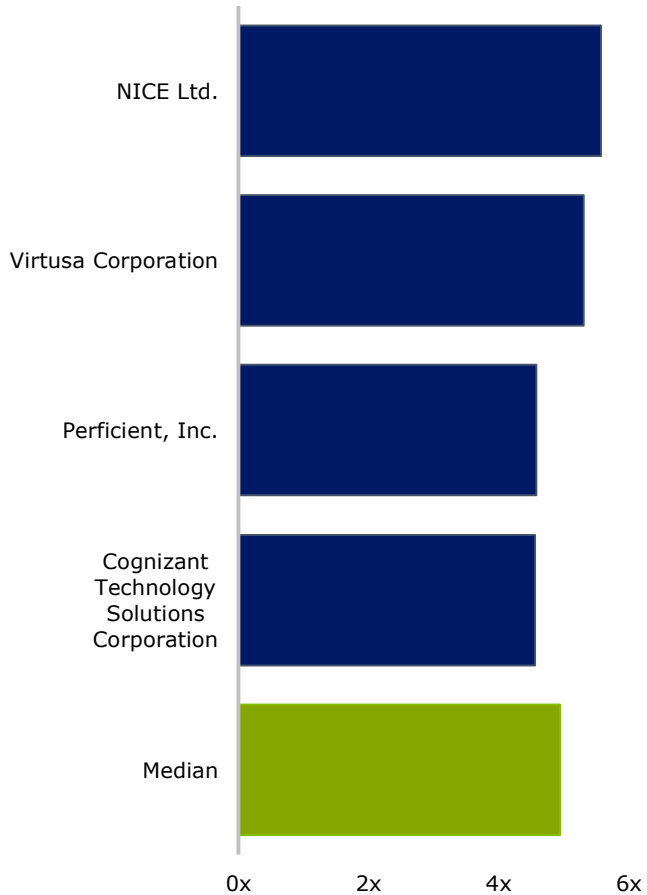
LTM Revenue per Full Time Employee x 000's



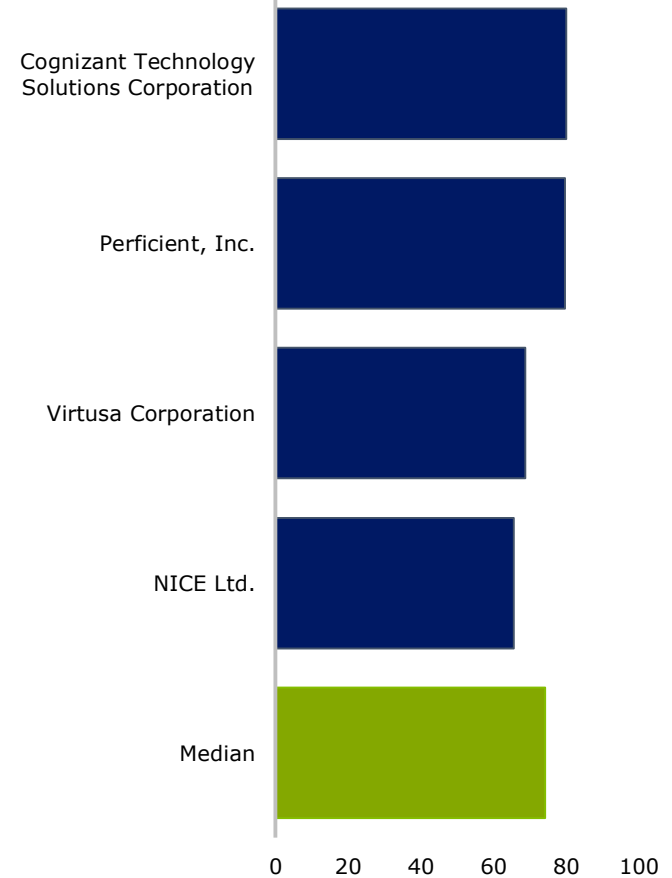
Operational Metrics



Accounts Receivable Turnover



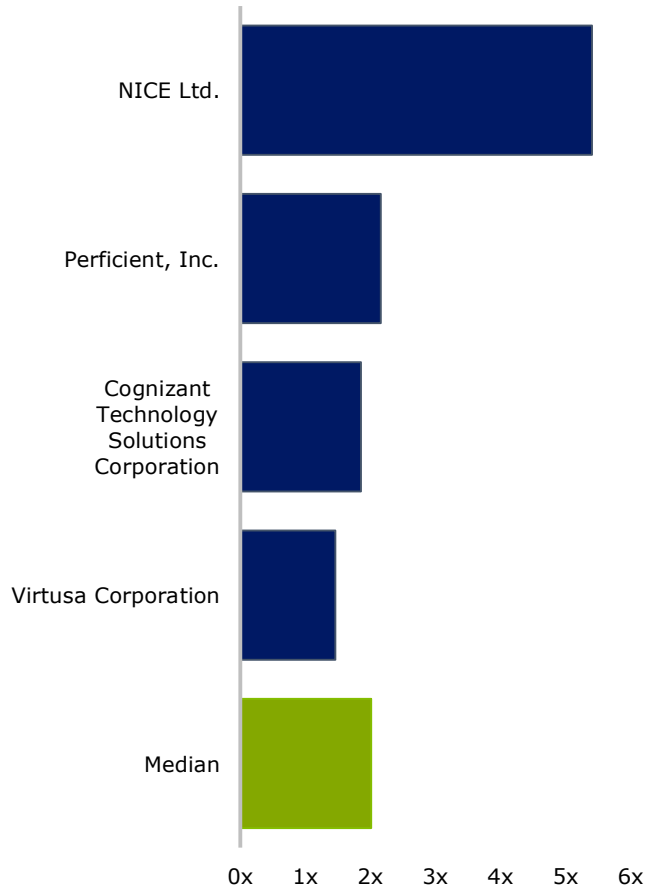
Average Days Sales Outstanding



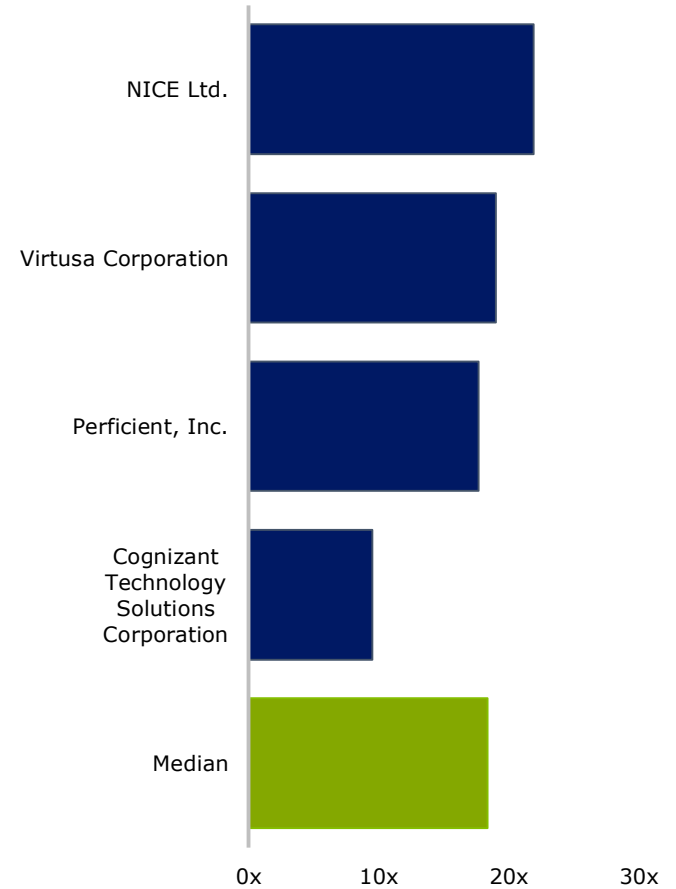
Valuation



TEV / LTM Revenue



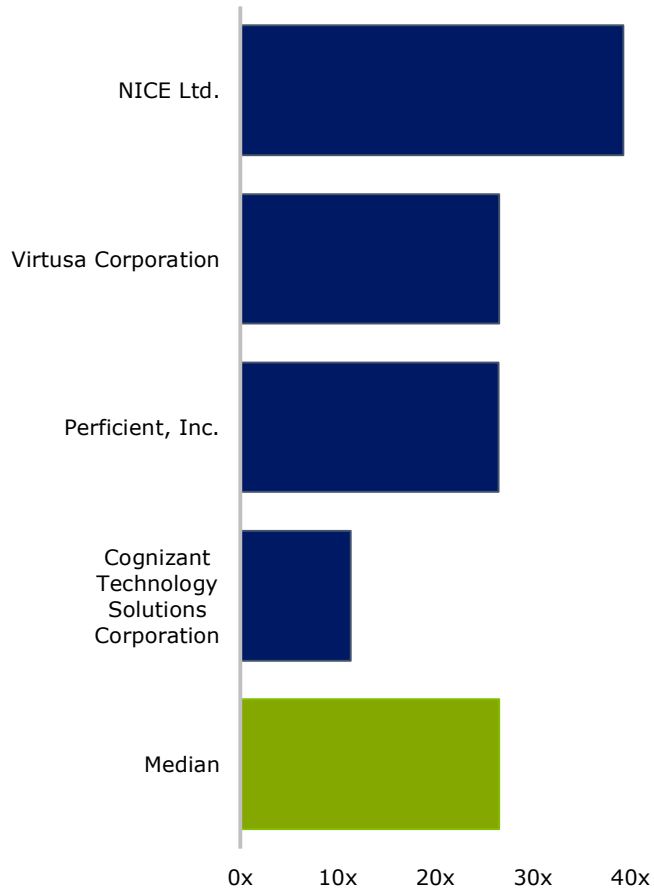
TEV / LTM EBITDA



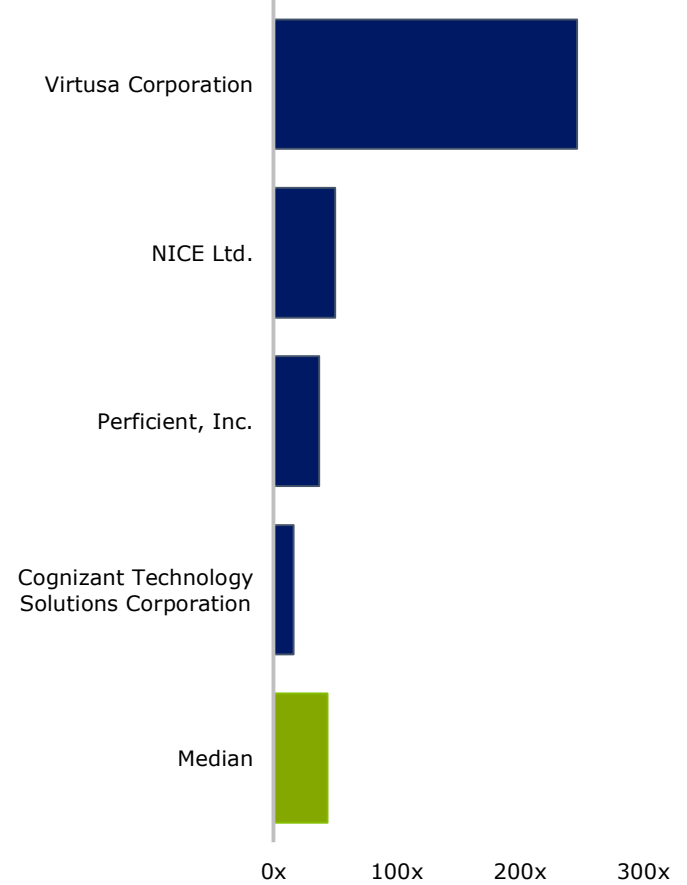
Valuation



TEV / LTM EBIT



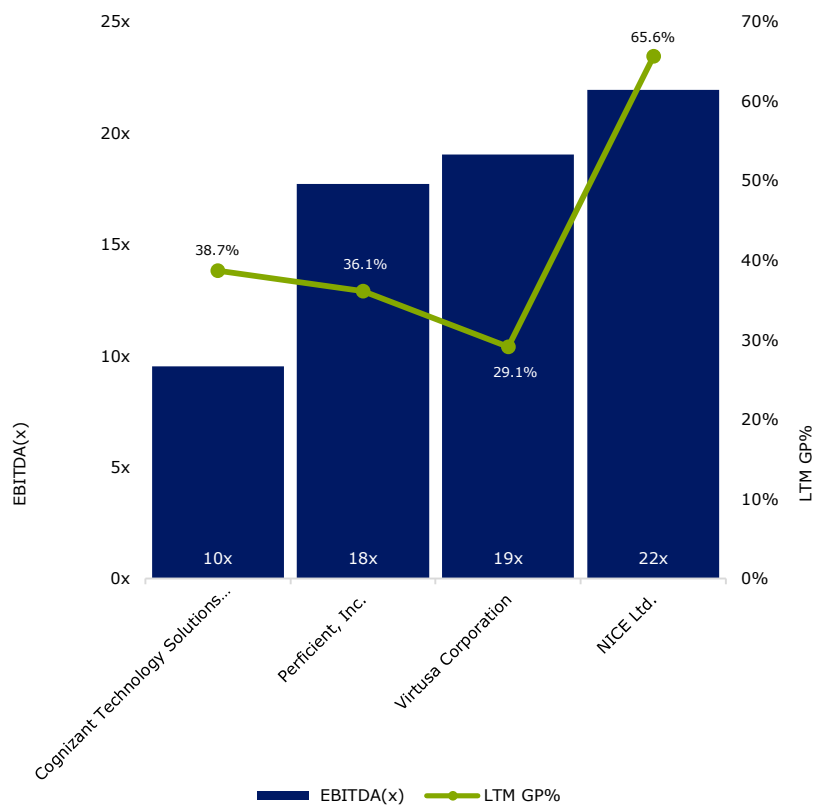
Price / LTM Earnings



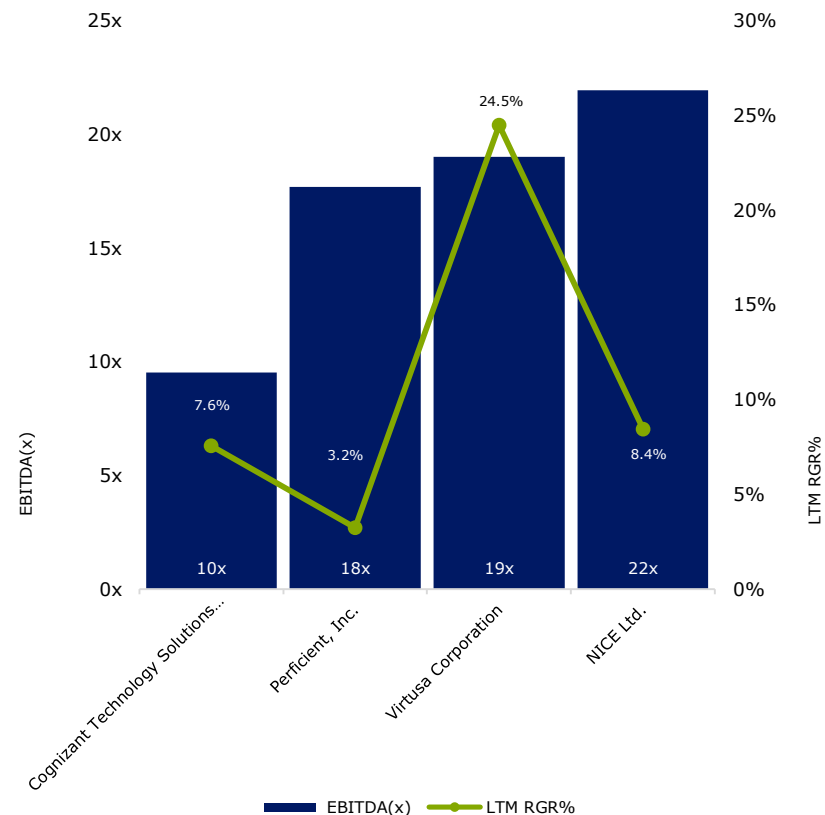
Valuation



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
13May19	DreamCommerce S.A.	Value4Capital; V4C Poland Plus Fund	-	-	-	-
16Apr19	Vyze, Inc.	Mastercard Incorporated	-	-	-	-
16Apr19	Practi Technologies Ltd	Just Eat plc	8.74	-	-	-
9Apr19	Content Analytics, Inc.	Syndigo LLC	-	-	-	-
22Jan19	Stringhini	Involves Technology	-	-	-	-
31Oct18	Marketo K.K.	Adobe Inc.	4,730.00	-	-	-
13Nov18	Ameri100 California Inc.	AMERI Holdings, Inc.	-	-	-	-
11Oct18	Implicit ApS	Nodes ApS	-	-	-	-
9Oct18	Stylelabs BVBA	Sitecore Corporation A/S	-	-	-	-
31May18	Infront Consulting Group Inc.	Green House Data, Inc.	-	-	-	-
22May18	TrustWave Holdings, Inc.	Singapore Telecommunications Limited	12.00	-	-	-
19May18	Ipreo Holdings LLC	Markit North America, Inc.	1,855.00	-	-	-
17May18	iovation Inc.	TransUnion	-	-	-	-
16May18	DataScience, Inc.	Oracle Corporation	-	-	-	-
15May18	Coasin Chile S.A.	Logicalis Latin America	20.20	84.40	0.2x	-
8May18	GCI Telecom Group Limited	Mayfair Equity Partners LLP	-	-	-	-
27Apr18	Klever Marketing, Inc.	DarkPulse Technologies Inc. (nka:DarkPulse, Inc.)	-	-	-	-
26Apr18	faveo AG	GWS Gesellschaft für Warenwirtschafts-Systeme mbH	-	-	-	-
25Apr18	PeachWorks Inc.	Beyond Inc.	-	-	-	-
12Apr18	Action Corporation	HCL Technologies Limited; Sumeru Equity Partners, Inc.	330.00	107.10	3.1x	8.6x
11Apr18	Ontai	Operational Technology Integrators	-	-	-	-
9Apr18	Softec S.p.A.	Orizzonti Holding SpA	-	10.93	-	-
3Apr18	Key Information Systems, Inc.	Converge Technology Partners Inc. (nka:Converge Technology Solutions Corp.)	-	-	-	-
27Mar18	fluid Operations AG	Veritas Technologies LLC	-	-	-	-
5Mar18	CommerceHub, Inc.	GTCR, LLC; Sycamore Partners; Sycamore Partners II; GTCR Fund XII/A LP; GTCR Fund XII/C LP; GTCR Co-Invest XII LP	1,075.72	111.12	9.5x	30.4x
23Feb18	niu Solutions Holdings Limited	Computer Systems Integration Limited	-	20.97	-	-
15Feb18	Zenedge LLC	Oracle Corporation	-	-	-	-
25May17	TriCore Solutions, LLC	Rackspace Hosting, Inc.	-	-	-	-

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APPENDIX:
Public Basket
Constituents

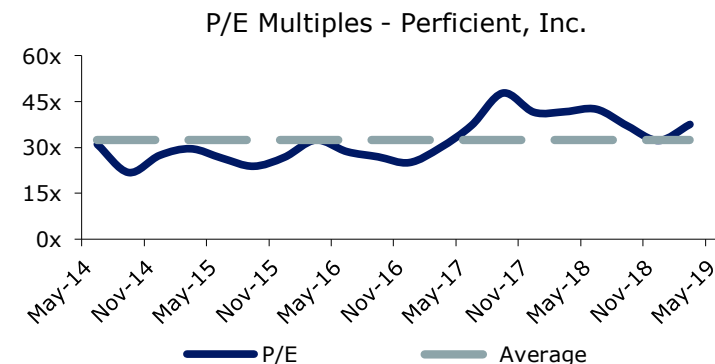
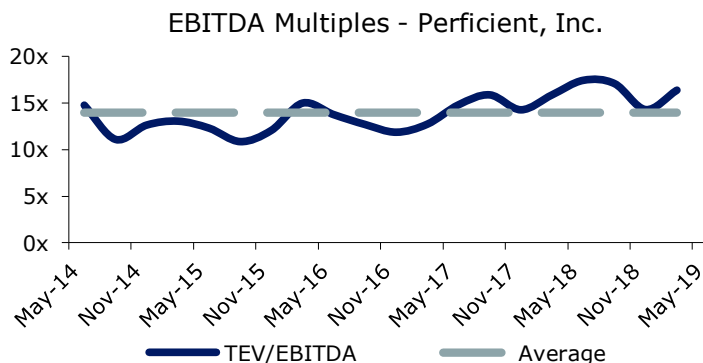
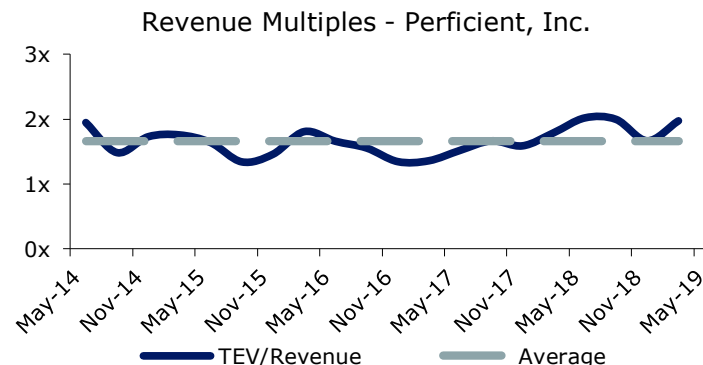
Public Basket



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. Perficient, Inc. was founded in 1997 and is headquartered in St. Louis, Missouri.

Date	Key Development Headline
5/12/19	Perficient, Inc. (NasdaqGS:PRFT) entered into a purchase agreement to acquire the assets of Sundog Interactive, Inc for \$14 million.
10/28/18	Perficient Inc. (NASDAQ:PRFT) acquired Elixiter Inc. for \$11.7 million.
7/15/18	Perficient, Inc. (NasdaqGS:PRFT) acquired substantially all of the assets of Substantially All of the Assets of Stone Temple Consulting Corporation for \$13.8 million.



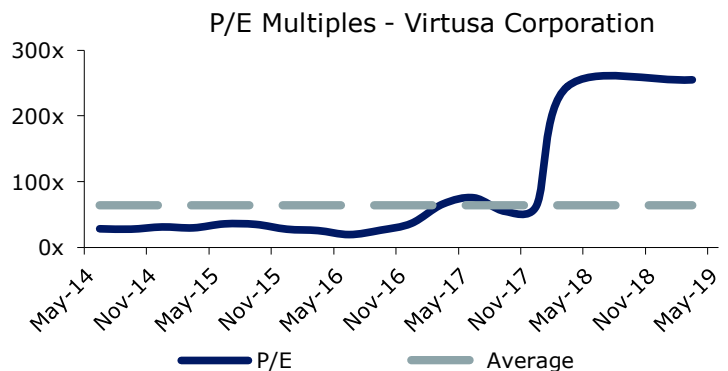
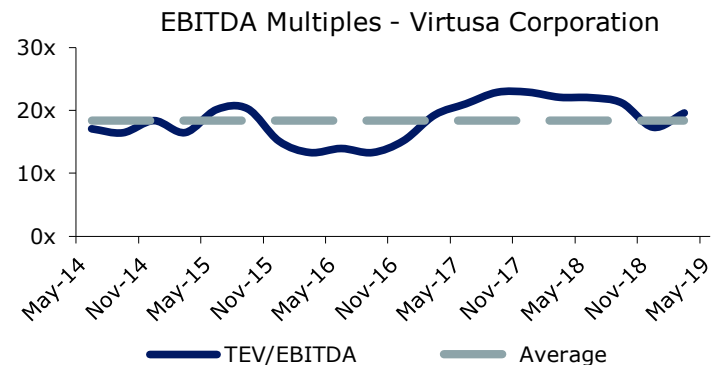
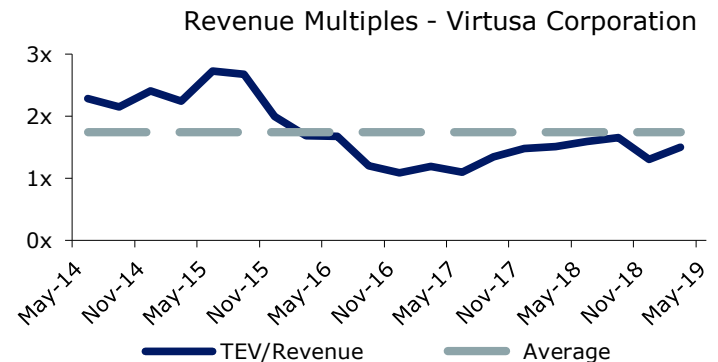
Public Basket



Virtusa Corporation

Virtusa Corporation provides digital engineering and information technology (IT) outsourcing services worldwide. The company offers business and IT consulting services, including advisory/target operating model, business process re-engineering/business management, transformational solution consulting, and business/technology alignment analysis; omni-channel digital strategy, experience design accelerated solution design, and employee engagement; and application portfolio rationalization, SDLC transformation, and BA competency transformation services. Virtusa Corporation was founded in 1996 and is headquartered in Southborough, Massachusetts.

Date	Key Development Headline
11/26/18	Virtusa Corporation Signs Strategic Collaboration Agreement with Amazon Web Services to Accelerate Cloud Adoption and Innovation for Enterprises Globally
11/7/18	Virtusa Corporation Partners with the Indiana Biosciences Research Institute to Drive Innovation and Accelerate Therapy Research
10/24/18	Virtusa Collaborates with BIAN to Develop an API Exchange to Support the Open Banking Movement
10/22/18	Virtusa Corporation and Moxtra Enter in to a Collaboration to Develop and Deploy Solutions



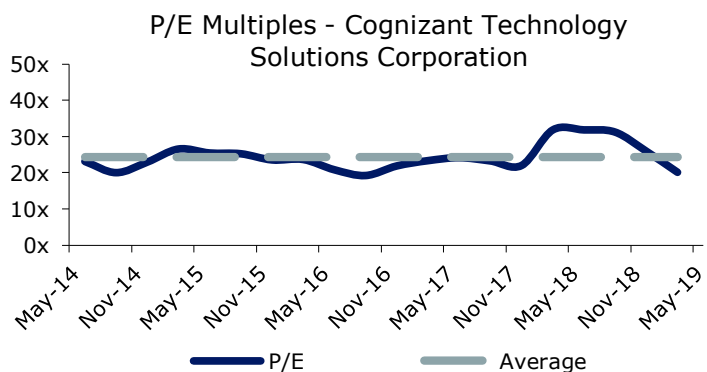
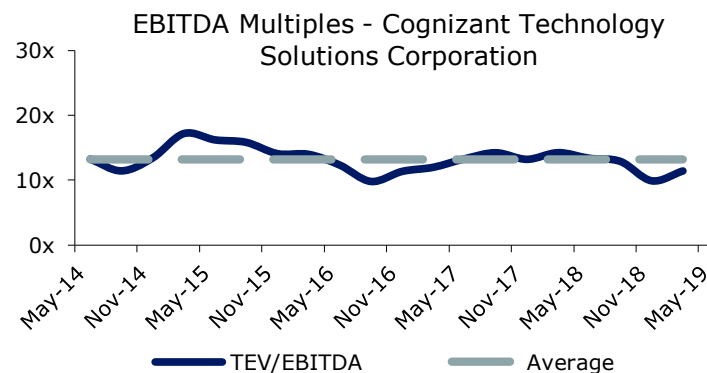
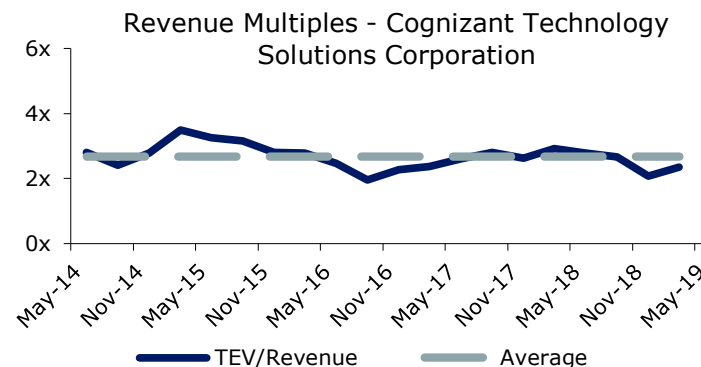
Public Basket



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
5/7/19	AVEVA and Cognizant Expand R&D Partnership to Build Next-Gen Industrial Software
5/2/19	Cognizant Technology Solutions Intends To Seek Acquisitions
3/31/19	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) completed the acquisition of 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.
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.



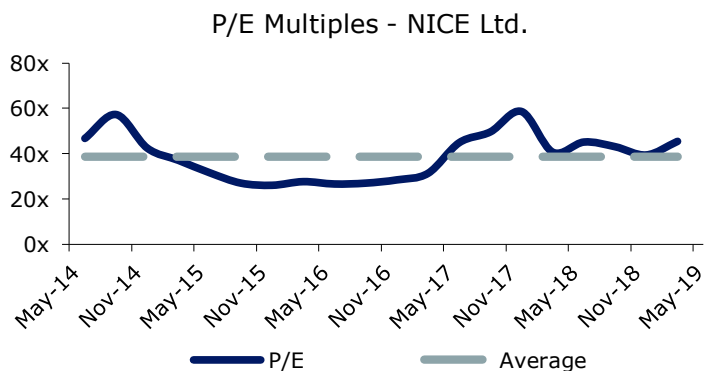
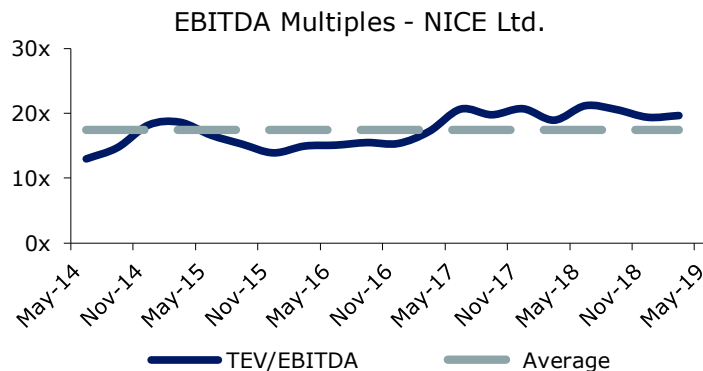
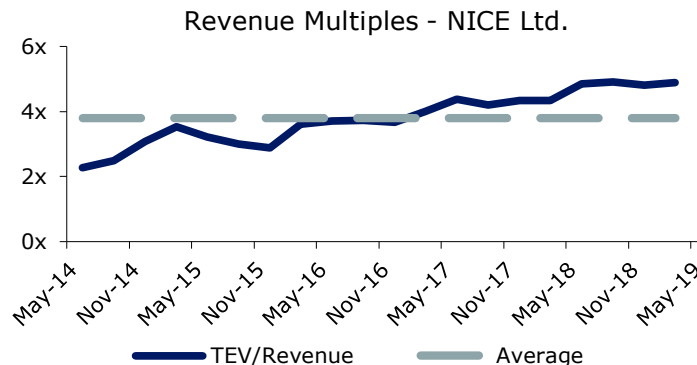
Public Basket



NICE Ltd.

NICE Ltd. provides enterprise software solutions worldwide. The company 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 optimize business performance and ensure compliance. Its solutions are delivered in the cloud, as well as on premise. This segment serves contact centers, back office operations, and retail branches in various industries. 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, regulatory authorities, and fintech companies. The company also offers professional and support services covering various stages of the technology lifecycle. It sells its solutions and products directly to customers, as well as indirectly through selected partners. NICE Ltd. was founded in 1986 and is headquartered in Ra'anana, Israel.

Date	Key Development Headline
4/2/19	NICE Enters Strategic Alliance with FBI National Academy Associates, Inc. to Support Global Educational and Research Initiatives
8/13/18	NICE and Cloud9 Technologies Team Up to Integrate Compliance Recording and Cloud-Based Voice Trading Platform



CONTACT INFO

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Leroy Davis, Partner	704.899.5962	leroy@7mileadvisors.com
Tripp Davis, Partner	704.899.5762	tripp@7mileadvisors.com
Andy Johnston, Partner	704.899.5961	andy@7mileadvisors.com
Ben Lunka, Managing Director	704.496.2995	ben@7mileadvisors.com
Jeff Stoecklein, Managing Director	312.796.9330	jeff@7mileadvisors.com
Mark Landry, Managing Director	561.972.0609	mark@7mileadvisors.com
Kristina Sergueeva, Director	704.899.5149	kristina@7mileadvisors.com
Neil Churman, Director	281.742.9340	neil@7mileadvisors.com
John Cooper, Director	704.973.3996	john@7mileadvisors.com
Tim Frye, Director	704.973.3994	tim@7mileadvisors.com
Nicholas Prendergast, Financial Analyst	704.973.3995	nicholas@7mileadvisors.com
Ariail Siggins, Marketing Director	704.981.2908	ariail@7mileadvisors.com
Sydney Larese, Associate	704.973.3998	sydney@7mileadvisors.com
Marty Johnson, Associate	704.973.3999	marty@7mileadvisors.com
Rory Julyan, Associate	704.981.2520	rory@7mileadvisors.com
Garth Martin, Associate	704.973.3997	garth.martin@7mileadvisors.com
Dennis Fox, Associate	704.706.9168	dennis@7mileadvisors.com
Steve Buffington, Associate	704.960.1828	steve@7mileadvisors.com
Brynne Miller, Associate	704.960.1701	brynne@7mileadvisors.com
Emily Halstenberg, Marketing / Sales Coordinator	704.409.9912	emily@7mileadvisors.com