



# Sectorwatch: Outsourcing in South America

February 2019

# Outsourcing in South America

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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.



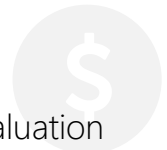
## Public Basket Performance

- 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

↓ -0.14

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

↑ 0.3%

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

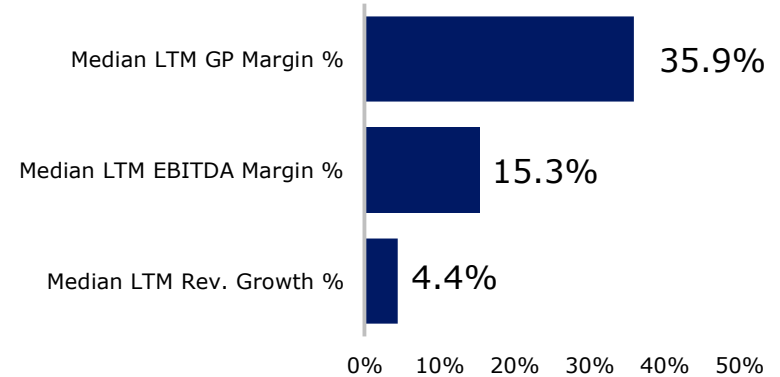
## Profitability

↓ -0.9%

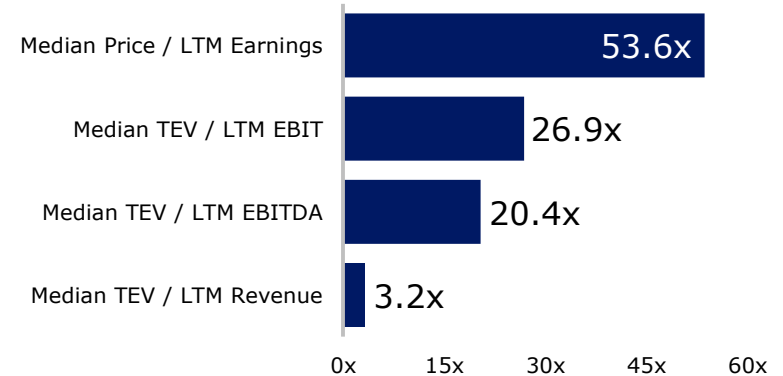
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

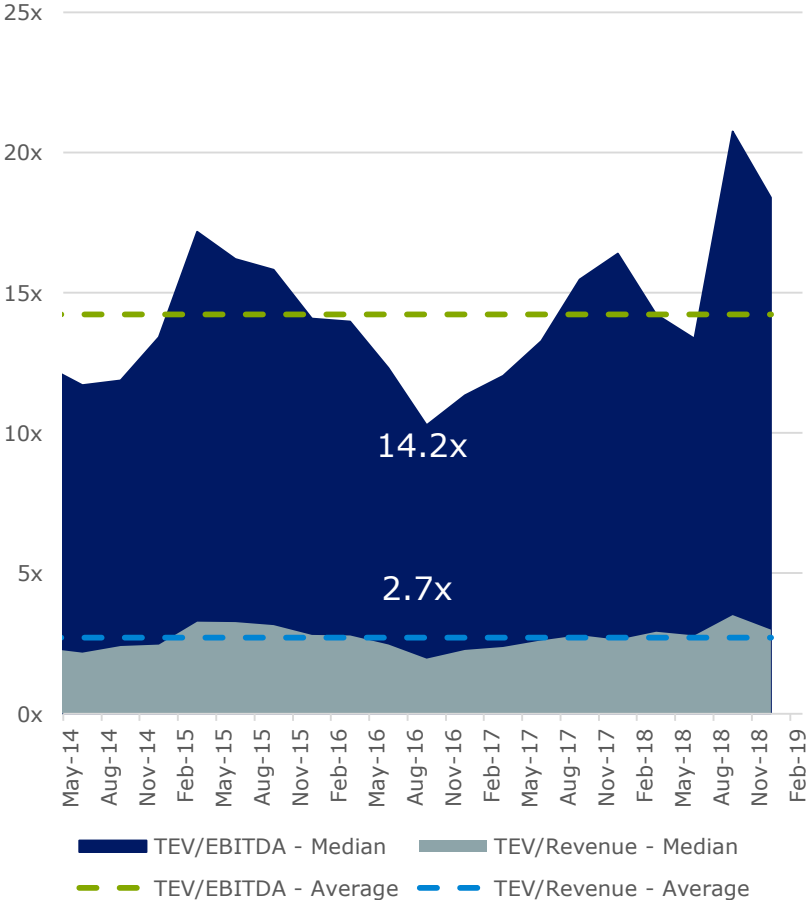


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Endava plc	1,224	309	0%	34%	14%	4.0	27.6	4,819	64
Sonda S.A.	1,689	1,153	-5%	18%	11%	1.4	13.1	17,000	68
Globant S.A.	2,396	498	29%	38%	16%	4.8	29.5	6,753	74
Cognizant Technology Solutions Corporation	37,240	16,125	9%	39%	20%	2.4	11.3	281,600	57

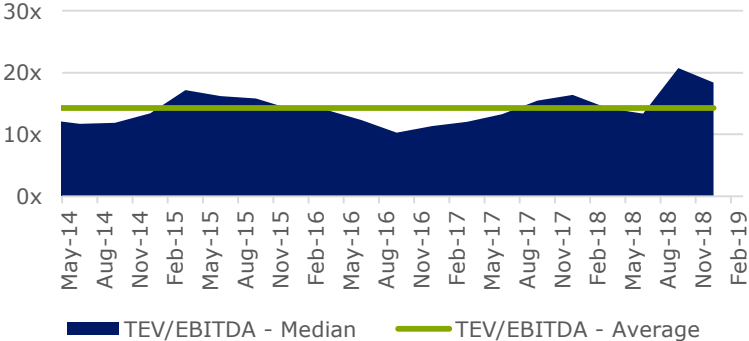
<b>Average</b>	10,637	4,521	8%	32%	15%	3.1	20.4	77,543	66
<b>Median</b>	2,043	825	4%	36%	15%	3.2	20.4	11,877	66

share price as of 04Feb19

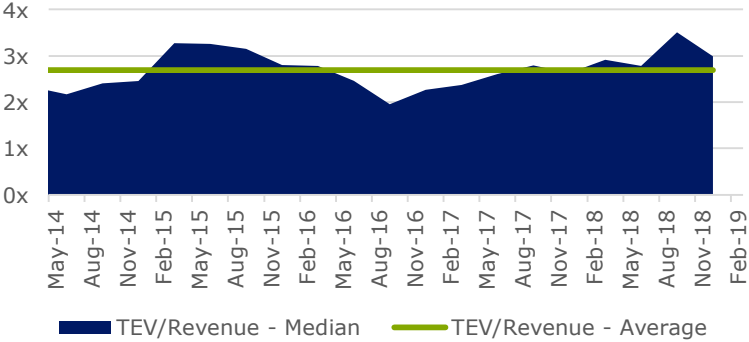
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



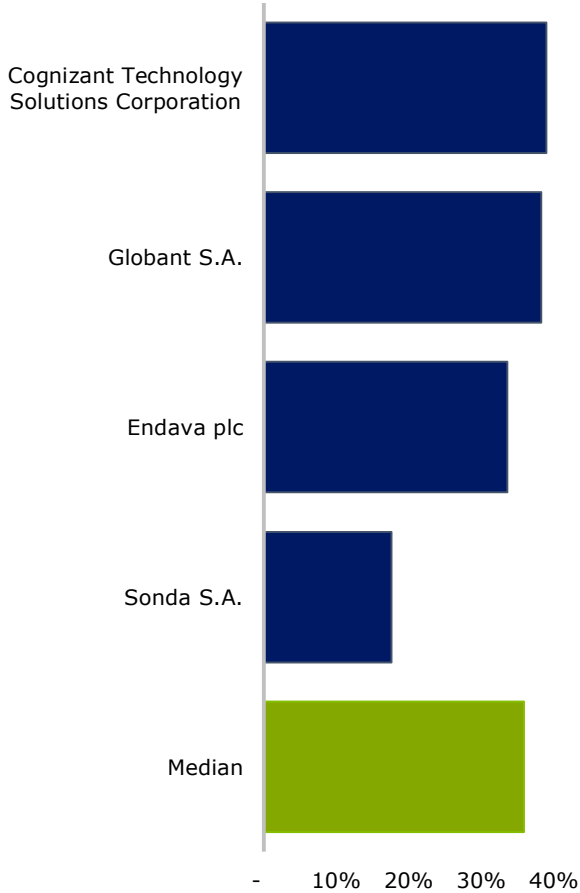
## Public Revenue Multiples over Time



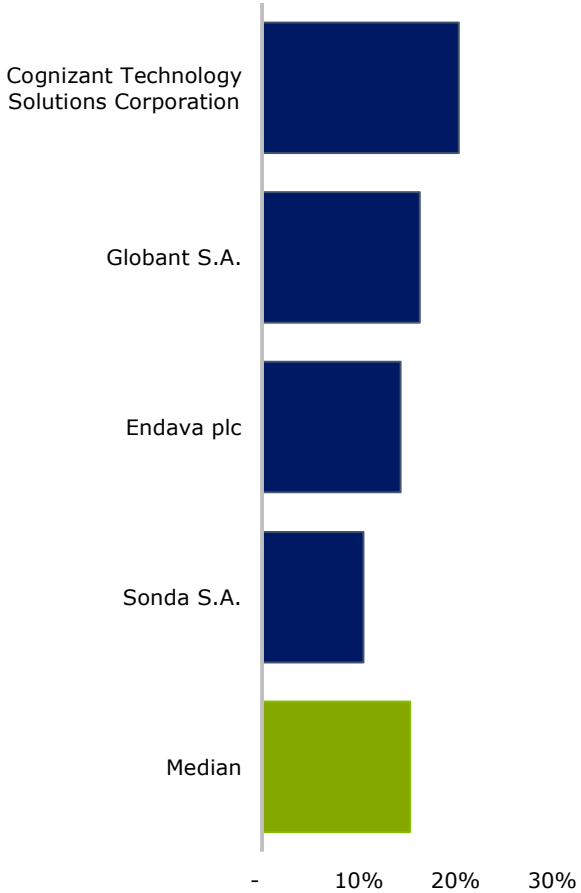
# Operational Metrics



LTM Gross Profit Margin %



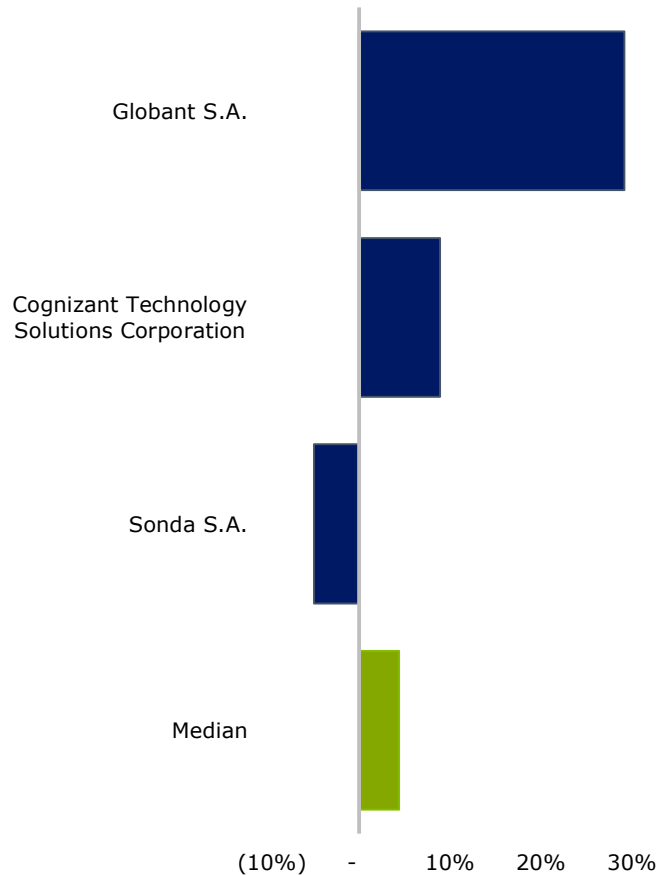
LTM EBITDA %



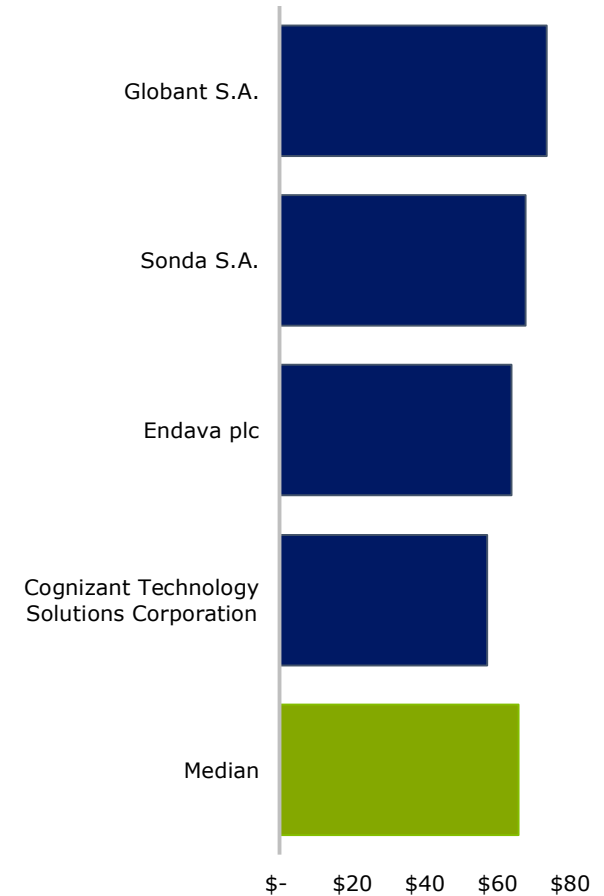
# Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's

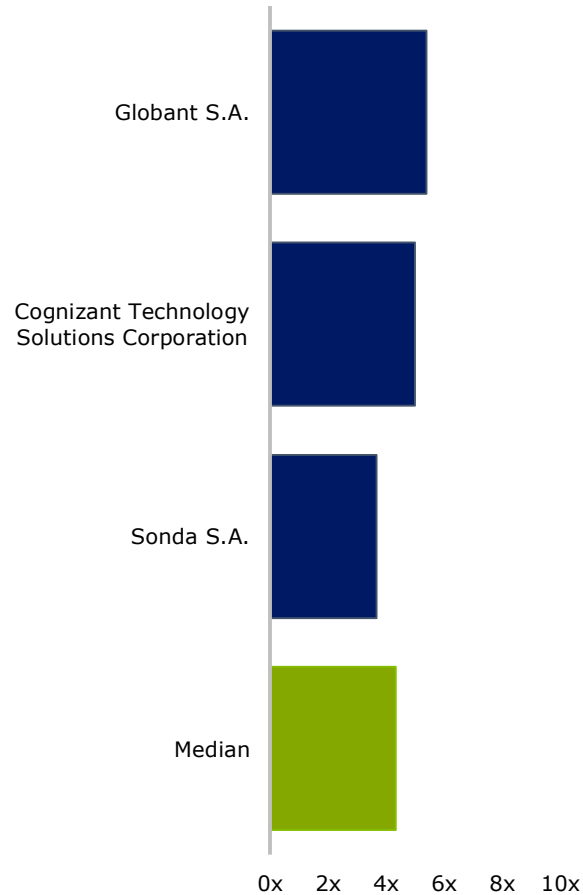




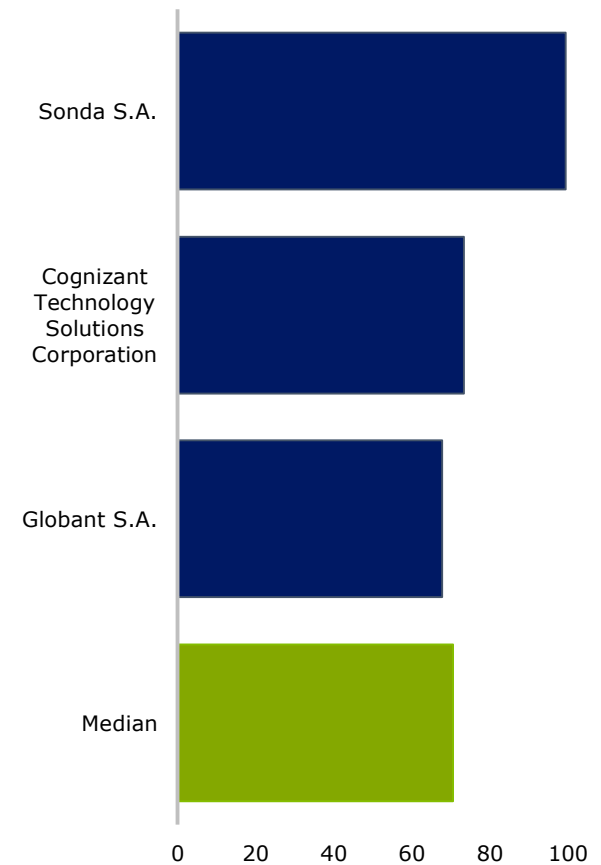
# Operational Metrics



## Accounts Receivable Turnover



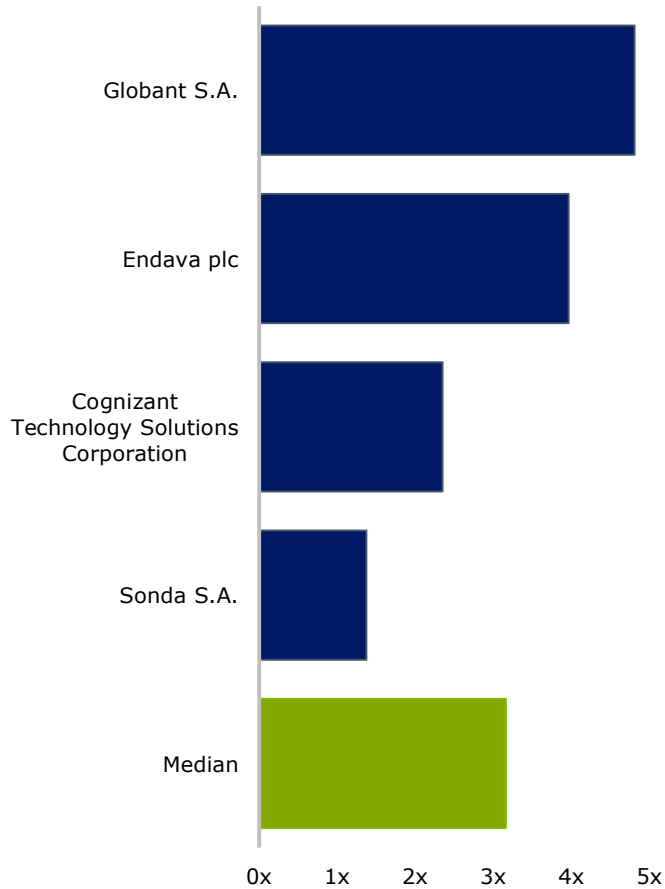
## Average Days Sales Outstanding



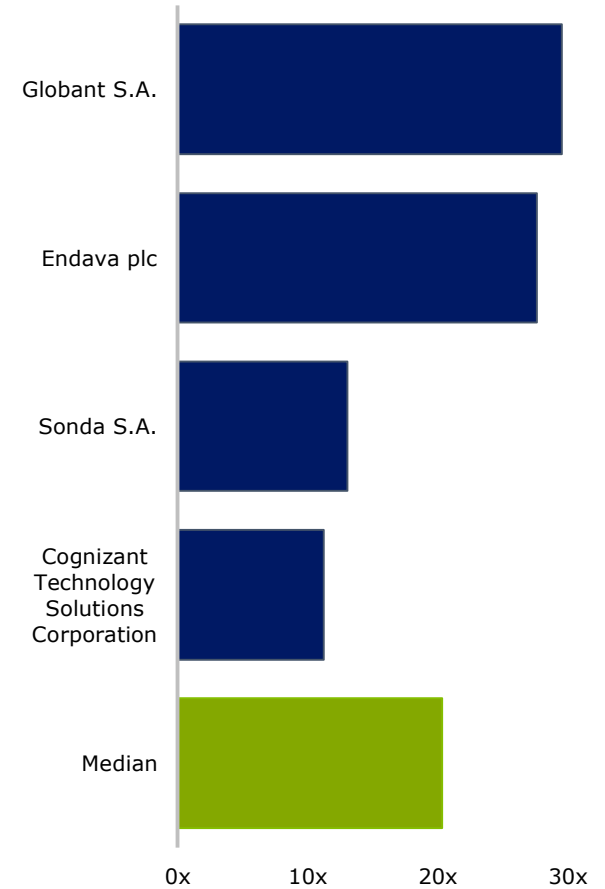
# Valuation



### TEV / LTM Revenue



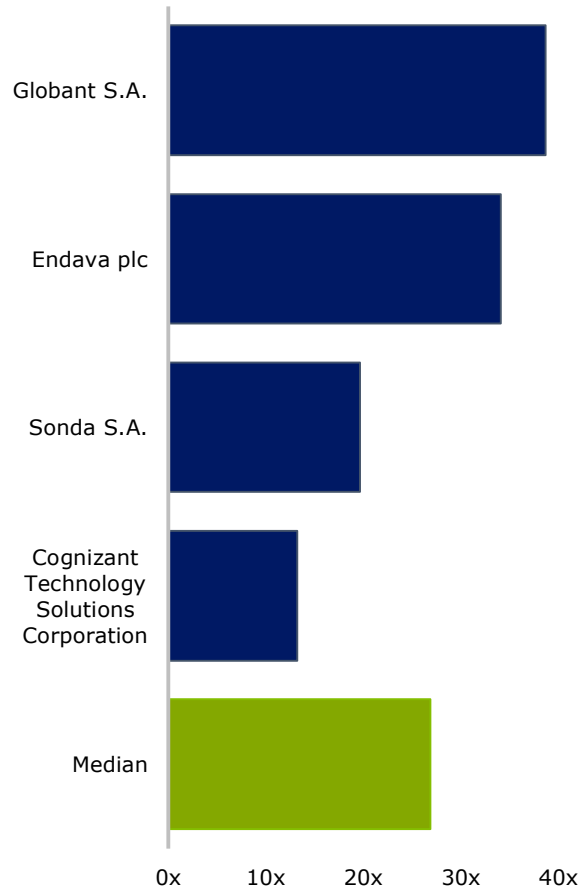
### TEV / LTM EBITDA



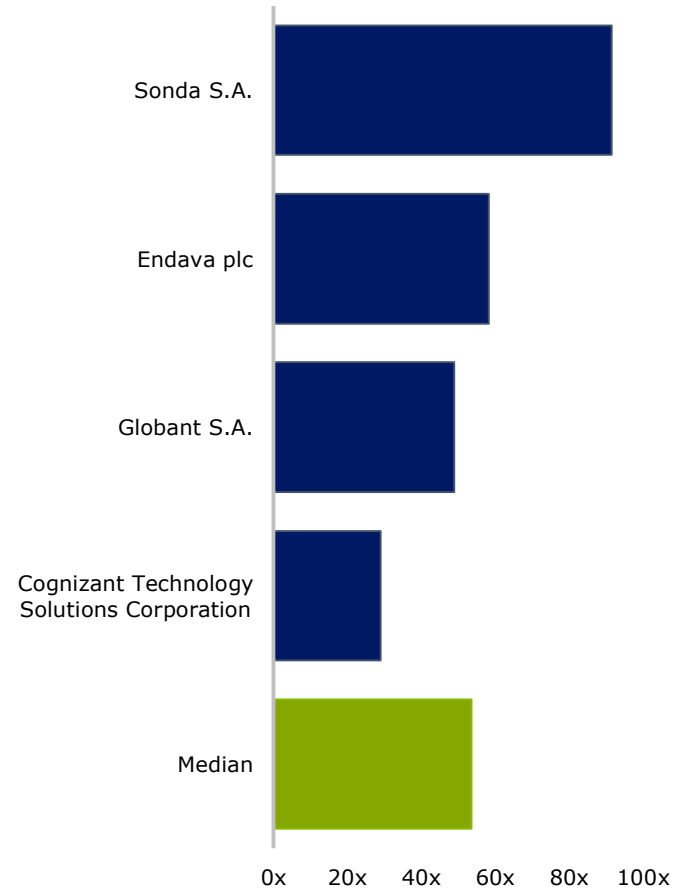
# Valuation



TEV / LTM EBIT



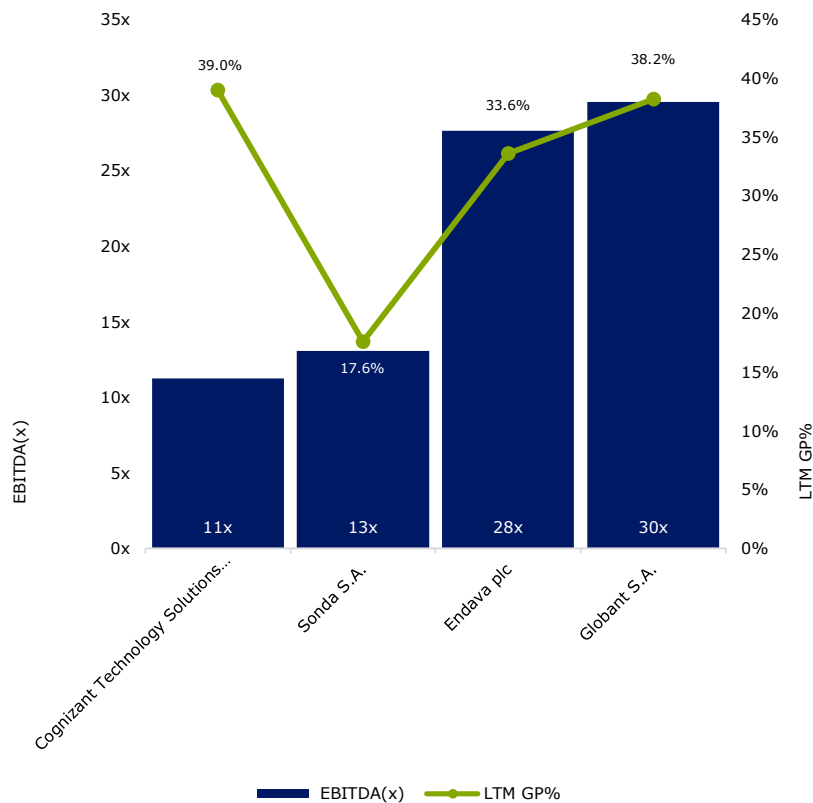
Price / LTM Earnings



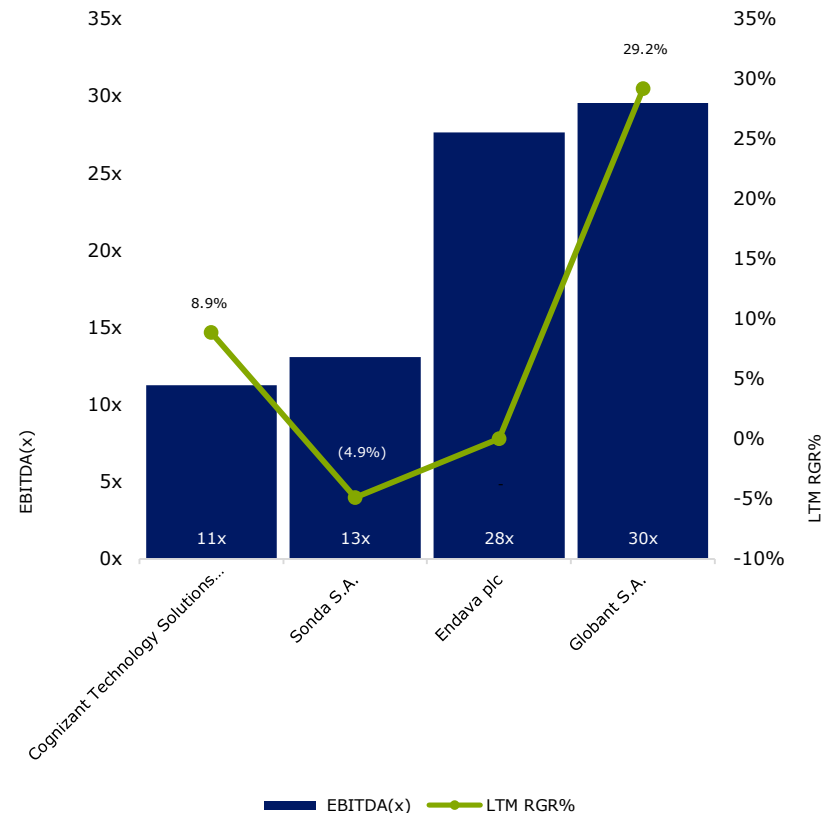
# Valuation



## 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	M2M Solutions S.A.	Telsinc Prestacao De Servicos Para Sistemas De Informatica E Comunicacao De Dados Ltda.	11.14	-	-	-
19Jan19	Worldsense Holdings, Ltd.	Loggi Tecnologia LTDA	-	-	-	-
17Jan19	Avanxo Colombia	Globant S.A.	48.56	-	-	-
27Dec18	Centercom Global, S.A. de C.V	Surge Holdings, Inc.	-	-	-	-
24Dec18	Empresa 1 - Sistemas De Automacao E Comercio Ltda.	Volaris Group Inc.	-	-	-	-
13Dec18	Softbox Sistemas de Informacao Ltda	Magazine Luiza S.A.	-	-	-	-
9May18	R.J. Participações S.A.	Bematech SA	-	-	-	-
16Oct18	Avacon Tecnologia da Informação Ltda.	Praxio	-	-	-	-
4Oct18	Softvision, LLC	Cognizant Technology Solutions Corporation	-	-	-	-
10Sep18	Machinalis S.r.l	MercadoLibre, Inc.	-	-	-	-
12Jul18	Global Mind S.A.	Dentsu Aegis Network Ltd.	-	382.10	-	-
22May18	Ability Data Services SA	Gigas Hosting, S.A.	3.10	1.87	1.7x	-
25Apr18	Affero Lab	Bertelsmann SE & Co. KGaA	-	-	-	-
19Feb18	Isban Brasil S.A.	Banco Santander (Brasil) S.A.	18.80	-	-	-
19Feb18	Produban Serviços de Informática S.A.	Banco Santander (Brasil) S.A.	12.21	-	-	-
12Jan18	Defenda Consultoria Em Seguranca Da Informacao Ltda	Service IT	-	0.78	-	-
29Dec17	Velocity Partners, LLC	Endava Limited (nka:Endava plc)	60.50	34.68	-	-
4Dec17	Prodama Ltda	Senior Sistemas S.A.	-	-	-	-
8Aug17	Concrete Solutions Ltda.	Accenture plc	-	-	-	-
1Jun17	PointSource, LLC	Globant S.A.	28.00	-	-	-
17Apr17	Jetpdv Soluções Ltda	Viasoft Informatica Ltda.	-	-	-	-
14Nov16	Difier S.A.	Globant S.A.	0.03	-	-	-
3Apr17	Premier IT Global Services Ltda.	Quality Software S.A.	9.95	-	-	-
25Jan17	InfoSERVER S.A.	Wipro Limited	8.71	-	-	-
1Nov16	Wdev Soluções em Tecnologia S.A.	Ebix, Inc.	26.20	11.00	2.4x	-
15Dec16	CredibiliT Tecnologia Ltda	Claranet Limited	-	8.84	-	-
31Aug16	ADEXUS S.A.	Graña y Montero S.A.A.	4.06	-	-	-
24Oct16	SPEKTRUM Consultoria e Sistemas Ltda.	BCI Consulting S.R.L.	-	-	-	-

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APPENDIX:  
Public Basket  
Constituents

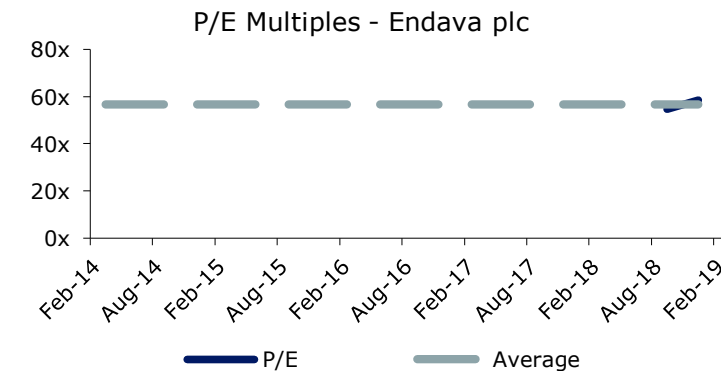
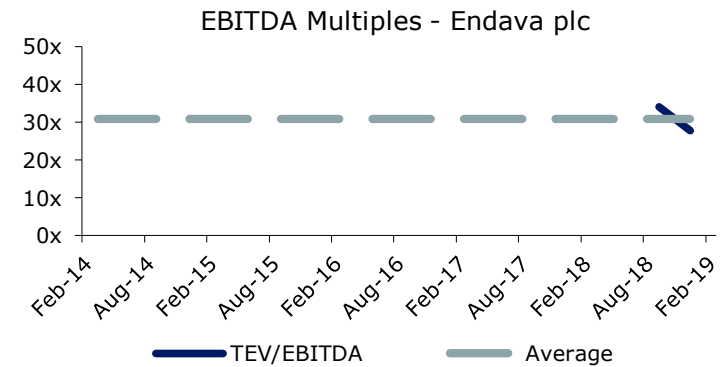
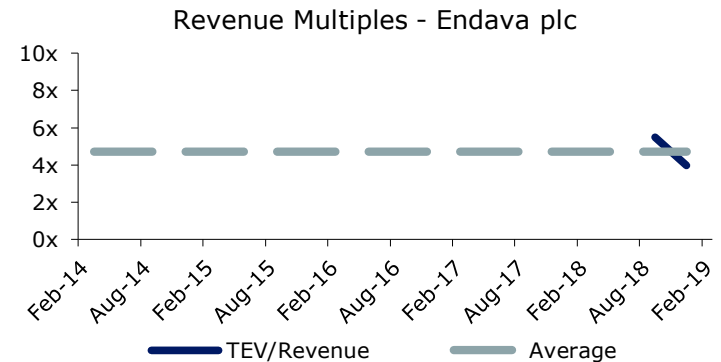
# Public Basket



## Endava plc

Endava plc provides technology services for clients in the consumer products, healthcare, logistics, and retail verticals in Europe, Latin America, and the United States. It offers strategy, creative and user experience, insights through data, mobile and Internet of Things, architecture, smart automation, software engineering, test automation and engineering, continuous delivery, cloud, applications management, and smart desk services across the digital evolution, agile transformation, and automation solution areas. The company was founded in 2000 and is headquartered in London, United Kingdom.

Date	Key Development Headline
6/29/18	Endava Seeks Acquisitions



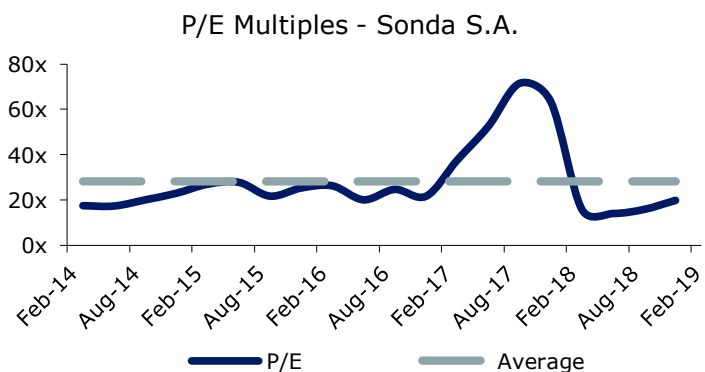
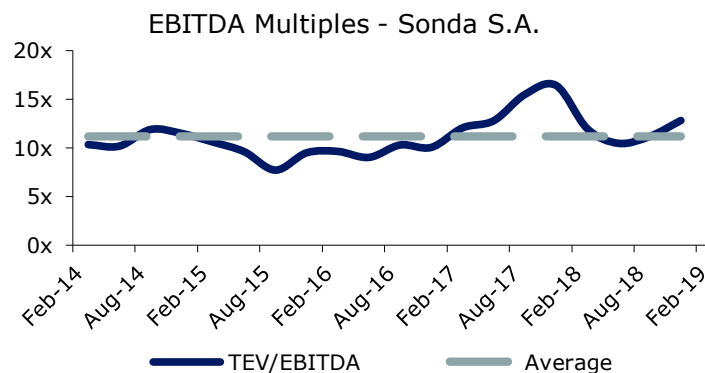
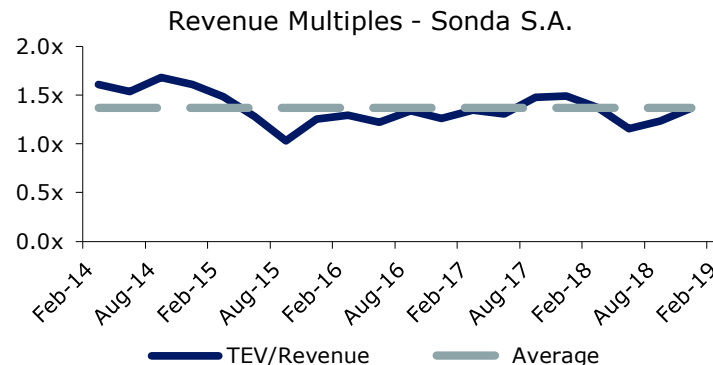
# Public Basket



## Sonda S.A.

Sonda S.A., together with its subsidiaries, provides information technology (IT) solutions in Latin America, Chile, Brazil, Mexico, Argentina, Colombia, Costa Rica, Ecuador, Panama, Peru, and Uruguay. The IT Services business provides IT outsourcing, system projects and integration, managed device, infrastructure support, datacenter and cloud computing, consulting and professional, SONDA Utility, and BPO services. The Software Applications business offers application services, such as application management, implementation and consultancy, functional support, application outsourcing, and technical support services; cross market solutions comprising financial management and accounting, customer management and care, asset management, business intelligence, content management, process management, financial control, logistical control, and foreign trade management tools; and tax and accounting management, financial and logistical control, and foreign trade solutions, as well as various application services for financial social security, building, manufacture, retail services, basic services, mining, energy, natural resources, government, public institutions, transportation, and health sectors. Sonda S.A. was founded in 1974 and is headquartered in Santiago, Chile.

Date	Key Development Headline
1/21/19	Sonda S.A. (SNSE:SONDA) acquired M2M Solutions S.A. on for BRL 42 million.
7/11/18	An unknown buyer acquired an unknown stake in Sonda S.A. (SNSE:SONDA) from Emilio Santelices.





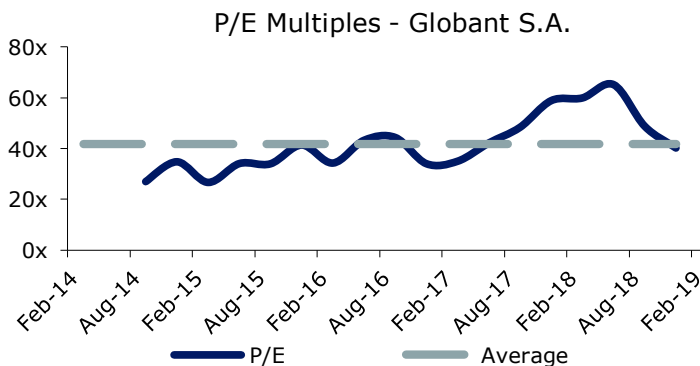
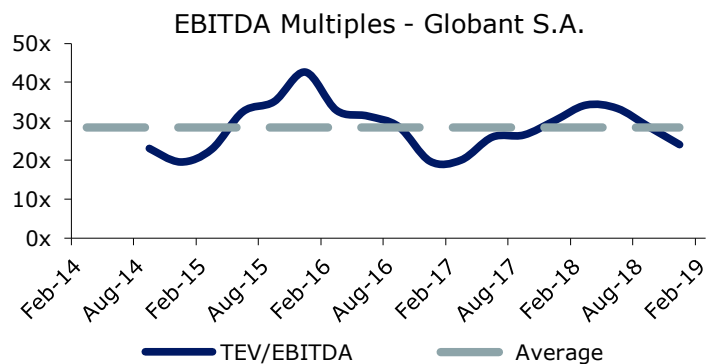
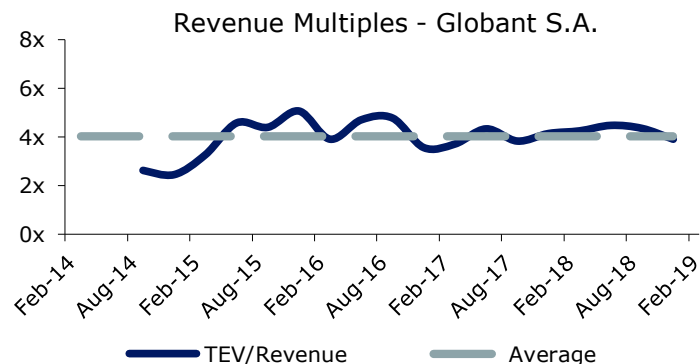
# Public Basket



## Globant S.A.

Globant S.A., a technology services company, provides services related to application development, testing, infrastructure management, and application maintenance worldwide. The company offers machine learning, pattern recognition, natural language understanding, future of organizations, customer insight, behavioral change, product innovation, design thinking, product management discovery and delivery, and product coaching services. It also provides process appraisal, automated, process evolution, delivery management, agile consultancy, management consulting, user experience, visual and service, industrial design, mobile engineering, fast prototyping, and mobile and product strategy services. In addition, the company offers game engineering and experience, digital platform, virtual and augmented reality, graphics engineering, 3D and 2D art, e-Sports, data architecture, data science, distributed platform, data integration, data visualization, and blockchain services. Globant S.A. was founded in 2003 and is based in Luxembourg City, Luxembourg.

Date	Key Development Headline
1/17/19	Globant S.A. (NYSE:GLOB) entered into a binding agreement to acquire Avanzo Colombia for \$48.6 million.
2/15/18	Globant Mulls Acquisitions



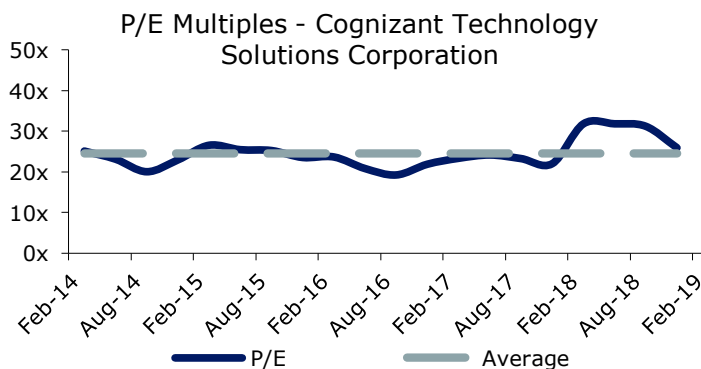
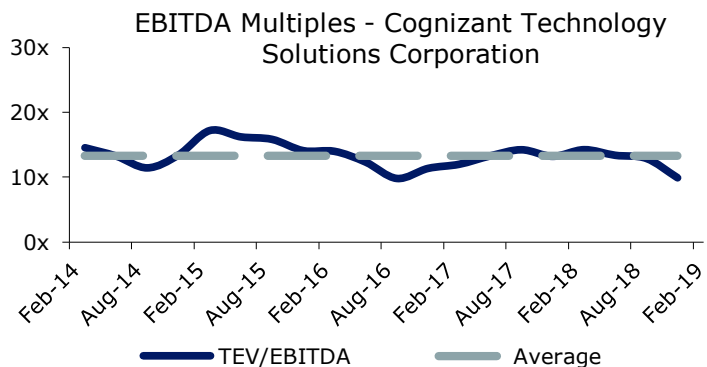
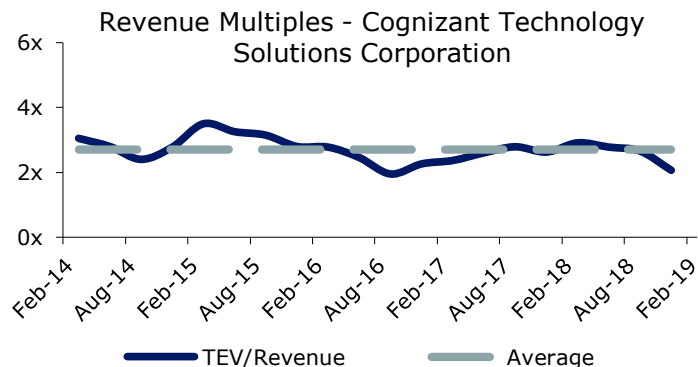
# Public Basket



## 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.



# CONTACT INFO

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