



Sectorwatch: Enterprise Software

July 2019

Enterprise Software

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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.



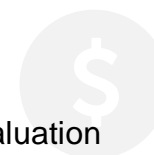
Public Basket Performance

- 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 Momentum

↑ **8.0%**

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

↑ **0.6%**

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

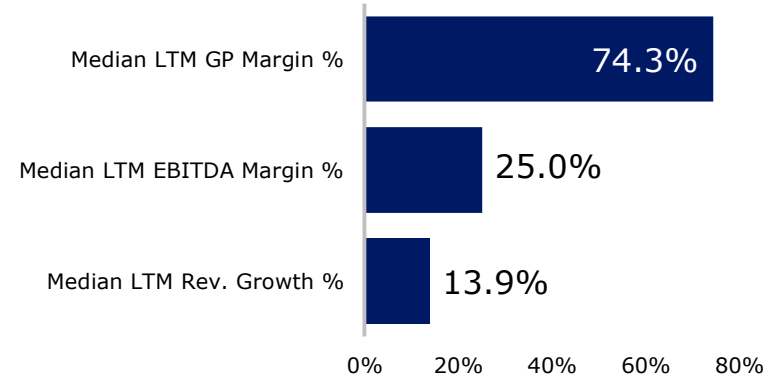
Profitability Momentum

↑ **3.4%**

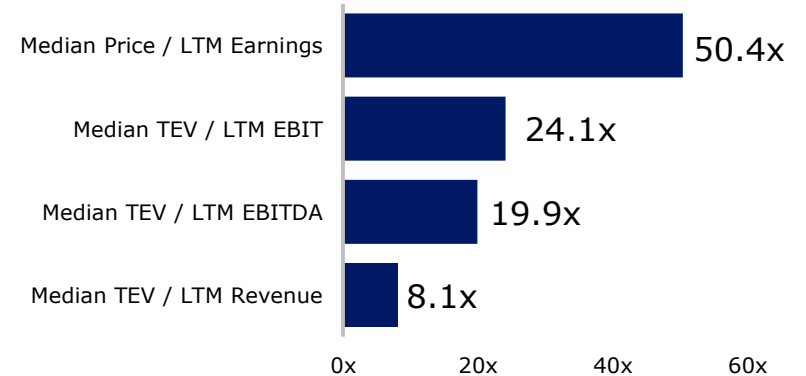
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

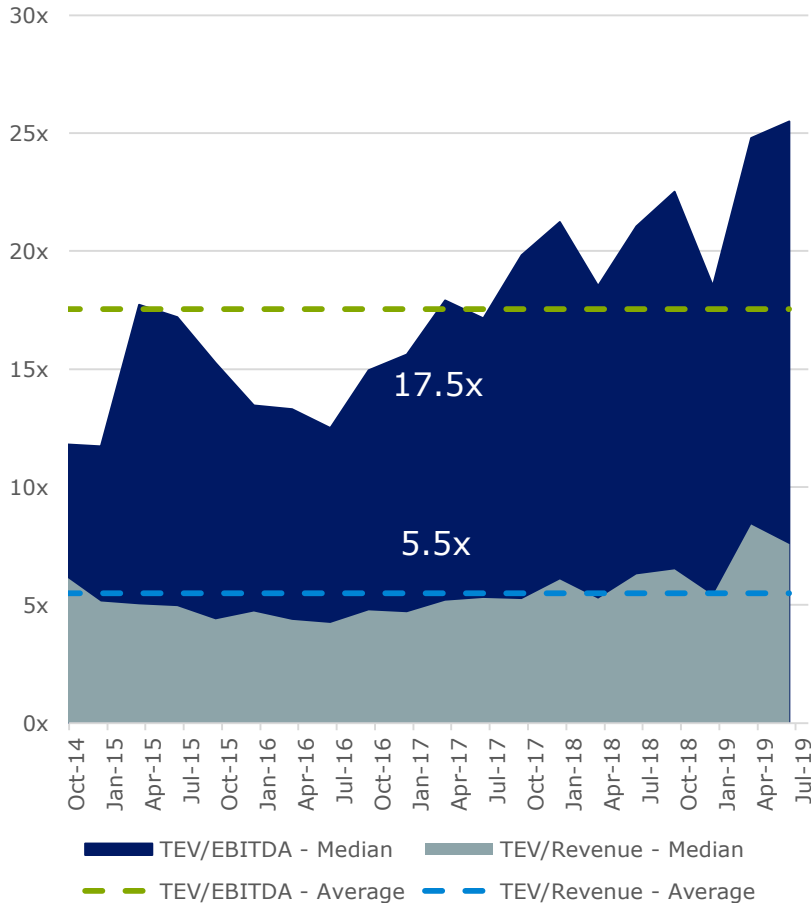


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Workday, Inc.	48,314	3,029	33%	70%	-9%	16.0	0.0	10,500	288
VMware, Inc.	74,496	9,232	14%	86%	27%	8.1	30.1	22,990	402
salesforce.com, inc.	124,131	14,013	26%	74%	13%	8.9	70.5	35,000	400
SAP SE	145,768	29,778	11%	69%	25%	5.0	19.9	96,498	309
Adobe Inc.	150,527	10,101	24%	86%	33%	14.9	44.7	21,357	473
International Business Machines Corporation	165,504	77,858	-4%	47%	21%	2.1	9.9	350,600	222
Oracle Corporation	213,593	39,506	0%	80%	41%	5.4	13.3	136,000	290

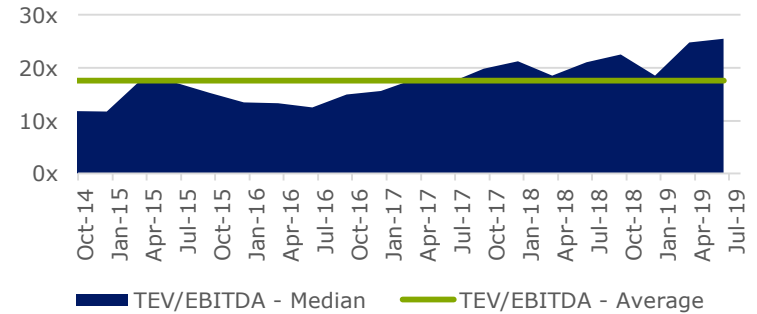
Average	131,762	26,217	15%	73%	22%	8.6	26.9	96,135	341
Median	145,768	14,013	14%	74%	25%	8.1	19.9	35,000	309

share price as of 25Jul19

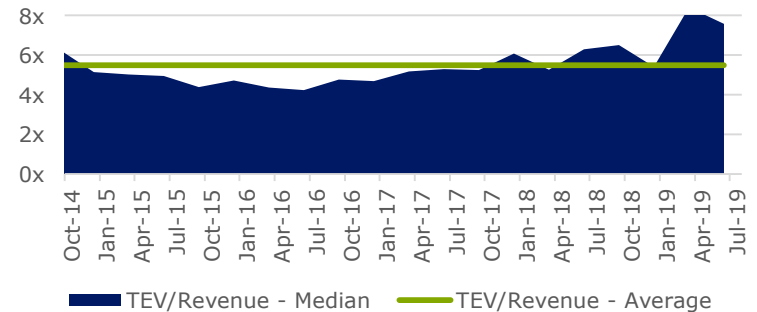
Public Basket Valuation Trends



Public EBITDA Multiples over Time



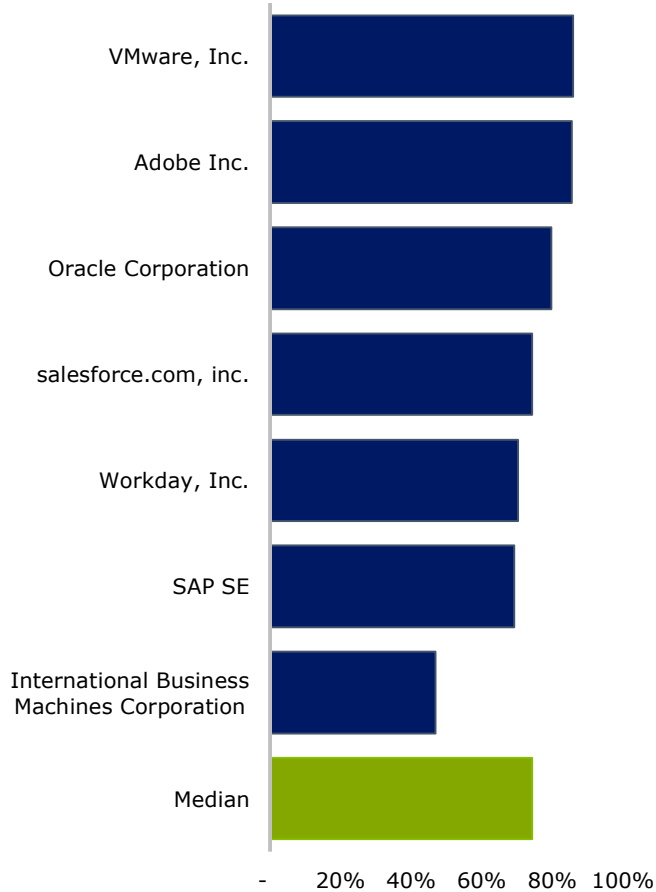
Public Revenue Multiples over Time



Operational Metrics



LTM Gross Profit Margin %



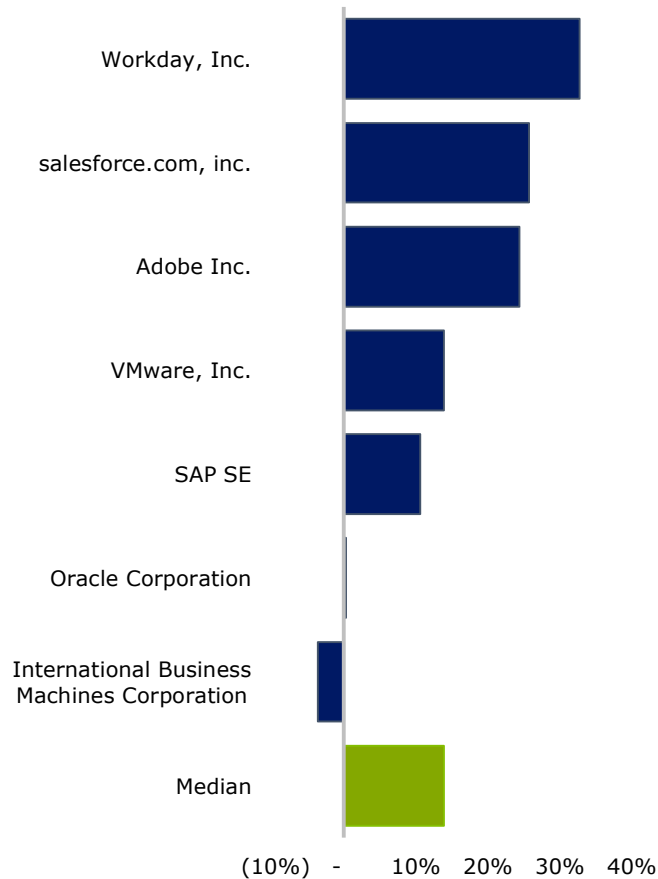
LTM EBITDA %



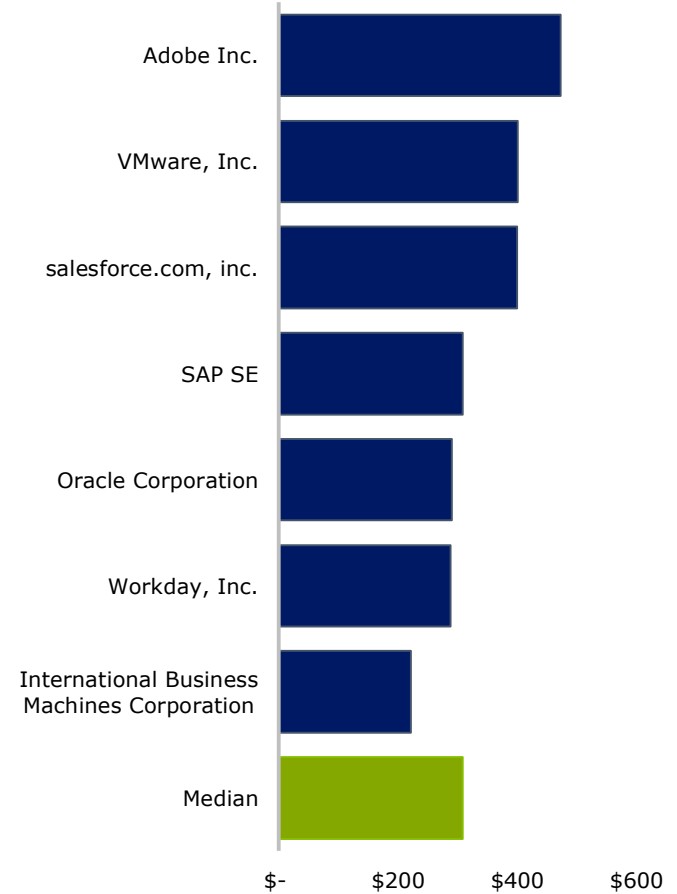
Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's



Operational Metrics



Accounts Receivable Turnover



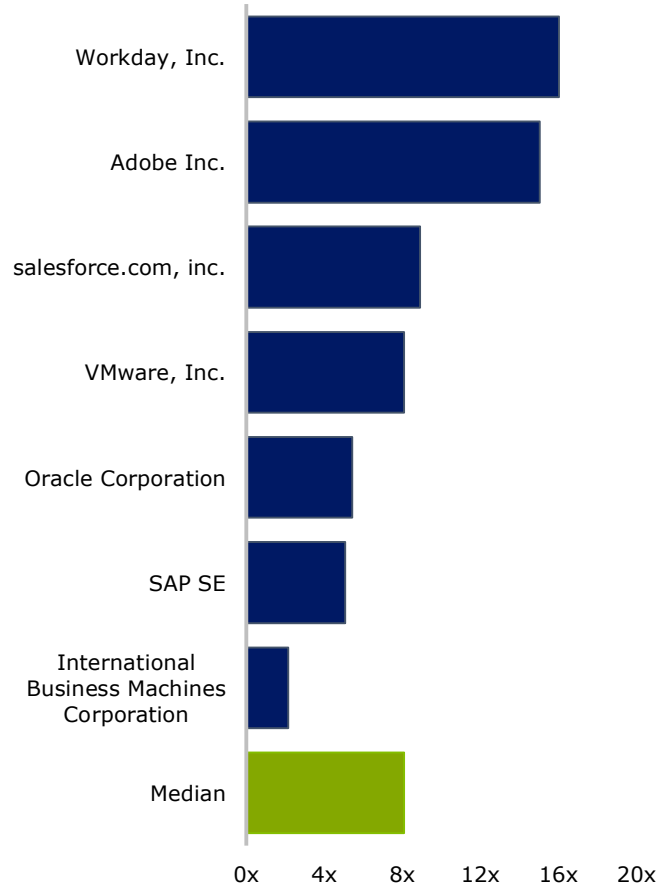
Average Days Sales Outstanding



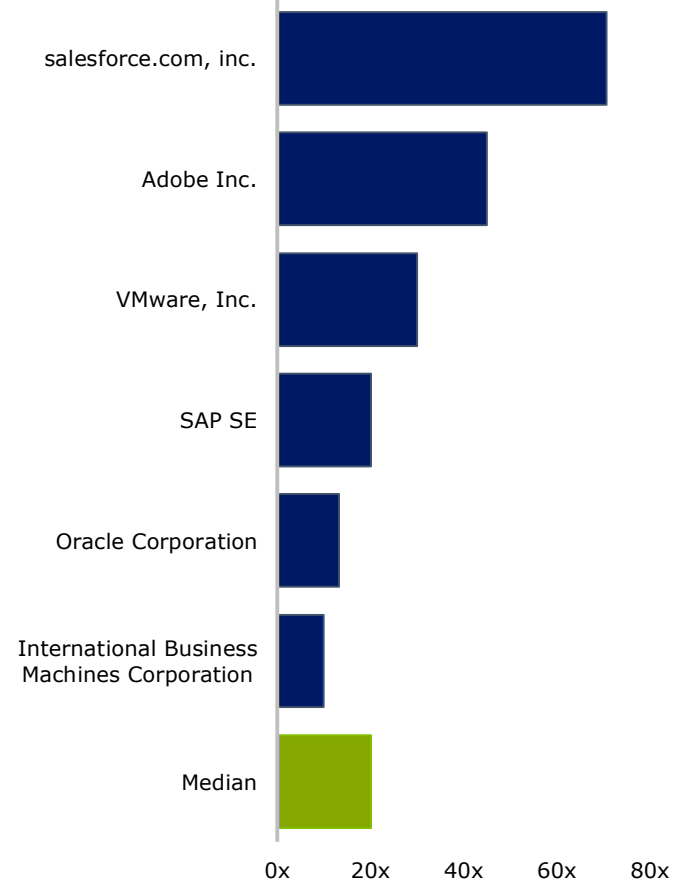
Valuation



TEV / LTM Revenue



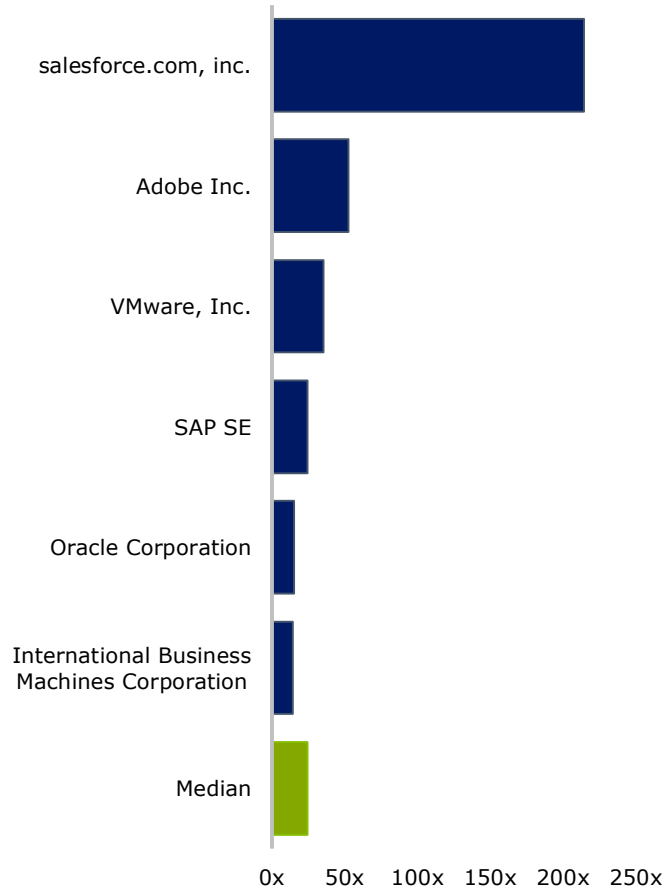
TEV / LTM EBITDA



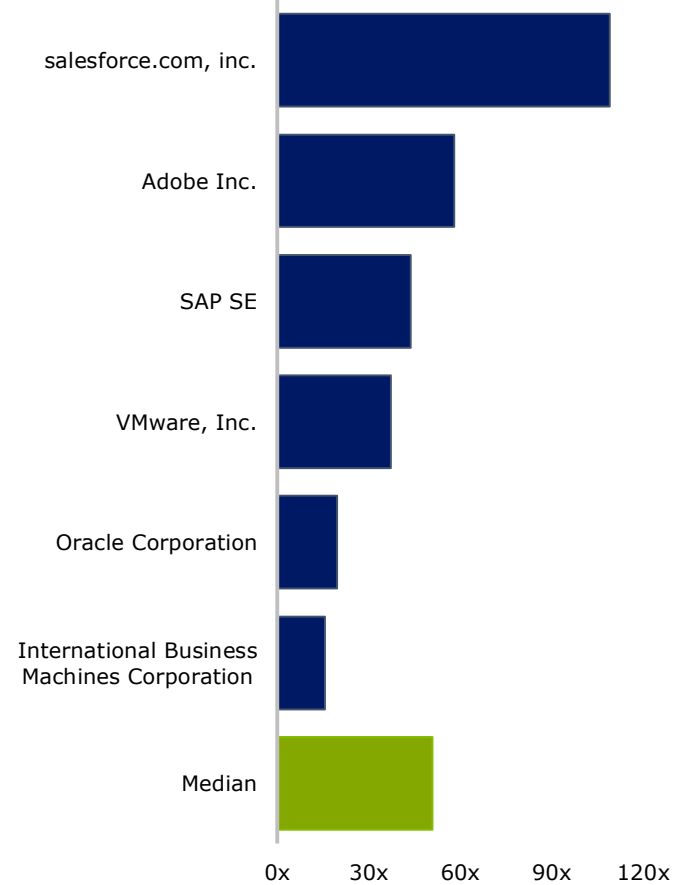
Valuation



TEV / LTM EBIT



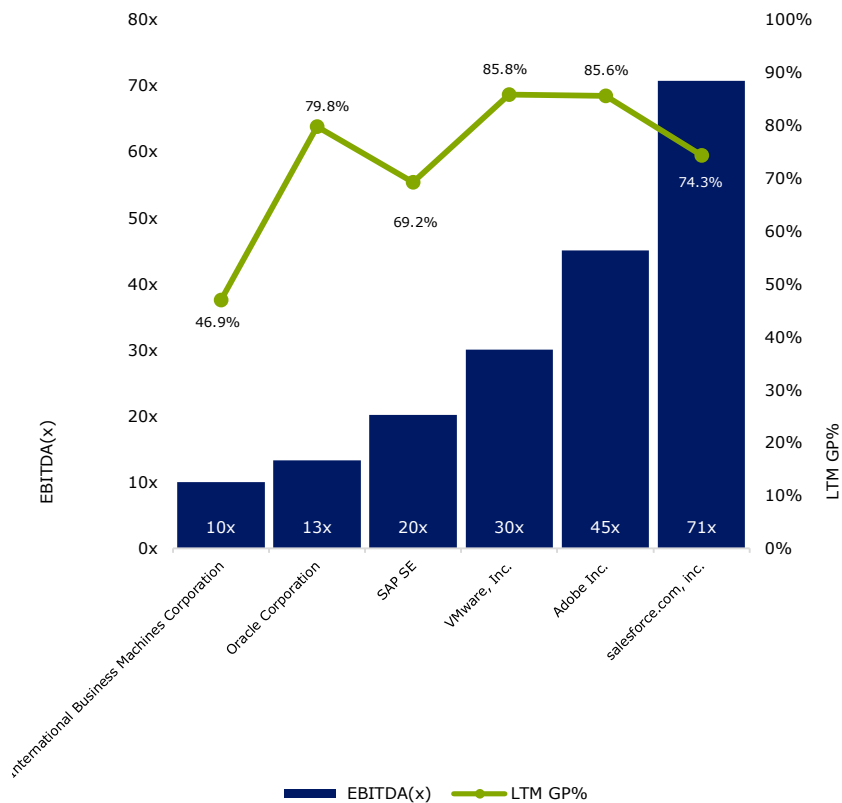
Price / LTM Earnings



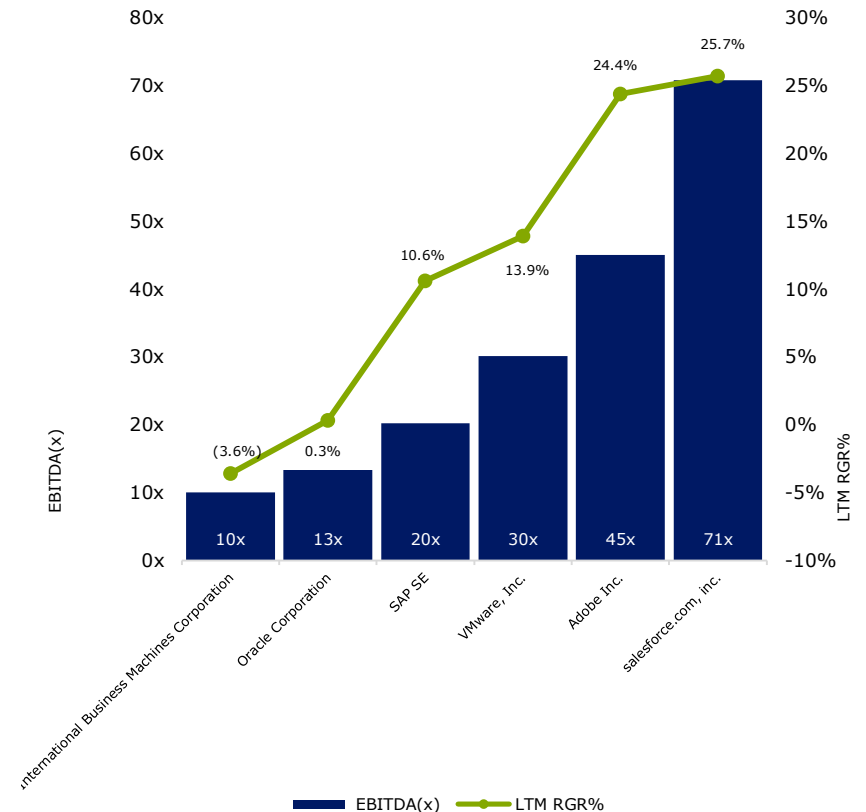
Valuation



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
3Jul19	Corel Corporation	KKR & Co. Inc.; KKR Americas Fund XII LP	-	-	-	-
9Jun19	Tableau Software, Inc.	salesforce.com, inc.	17,377.59	1,191.61	13.7x	NM
6Jun19	Looker Data Sciences, Inc.	Google LLC	2,600.00	-	-	-
23May19	Daily Inches Inc.	Upland Software, Inc.	50.00	-	-	-
12May19	Amber Road, Inc.	E2open, LLC	433.60	86.20	4.9x	NM
17Apr19	PostUp, Inc.	Upland Software, Inc.	35.00	-	-	-
10Apr19	Good Software Corp.	Atlassian Corporation Plc	-	-	-	-
18Mar19	AgileCraft LLC	Atlassian Corporation Plc	166.00	-	-	-
19Feb19	Attunity Ltd.	QlikTech International AB	560.62	86.25	6.0x	57.2x
11Feb19	Ellie Mae, Inc.	Thoma Bravo, LLC; Thoma Bravo Fund XIII LP	3,683.32	480.27	7.0x	59.6x
3Feb19	The Ultimate Software Group, Inc.	Hellman & Friedman LLC; JMI Management, Inc.; The Blackstone Group L.P. (nka:The Blackstone Group Inc.); GIC Pte. Ltd.; Canada Pension Plan Investment Board; Qatar Investment Authority	10,984.39	1,140.54	9.5x	93.7x
28Jan19	JN Projects, Inc.	Dropbox, Inc.	175.20	-	-	-
24Jan19	Citus Data, Inc.	Microsoft Corporation	-	-	-	-
14Dec18	CloudEndure Ltd.	Amazon Web Services, Inc.	-	-	-	-
13Dec18	ServiceMax, Inc.	Silver Lake	-	-	-	-
19Nov18	Frustum, Inc.	PTC Inc.	69.50	-	-	-
20Nov18	PlanGrid, Inc.	Autodesk, Inc.	875.00	-	-	-
11Nov18	Qualtrics International Inc.	SAP America, Inc.	8,000.00	372.39	-	-
9Nov18	Apptio, Inc.	Vista Equity Partners LLC	2,122.34	224.71	8.3x	NM
30Oct18	See-out Pty Ltd	Clarivate Analytics Plc	-	-	-	-
28Oct18	Red Hat, Inc.	International Business Machines Corporation	35,690.94	3,156.59	10.7x	47.7x
15Oct18	SendGrid, Inc.	Twilio Inc.	2,020.00	137.17	13.4x	NM
11Oct18	Tour de Force, Inc.	Compass Sales Solutions	-	-	-	-
8Oct18	Rocket Software, Inc.	Bain Capital Private Equity, LP	-	450.00	4.4x	-
20Aug18	Strategic BCP, Inc.	SAI Global Pty Limited	-	-	-	-
13Aug18	Quorum Business Solutions, Inc.	Thoma Bravo, LLC	-	-	-	-
2Aug18	Duo Security, Inc.	Cisco Systems, Inc.	2,350.00	-	-	-
26Jul18	RedKix	Facebook, Inc.	-	-	-	-
11Jul18	Cosential Inc.	JMI Management, Inc.	34.00	-	-	-
11Jul18	CA, Inc.	Broadcom Inc.	21,776.02	4,148.00	4.4x	16.4x

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APPENDIX:
Public Basket
Constituents

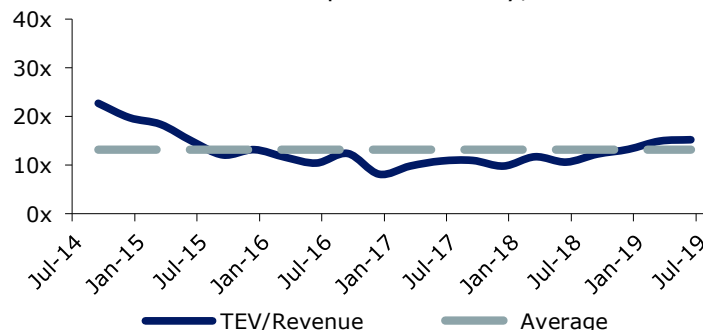
Public Basket



Workday, Inc.

Workday, Inc. provides enterprise cloud applications for finance and human resources worldwide. It provides applications for customers to manage critical business functions to optimize their financial and human capital resources. The company offers Workday Financial Management application that provides functions of general ledger, accounting, accounts payable and receivable, cash and asset management, employee expense and revenue management, projects, procurement, inventory, and grants management. It also provides Workday Human Capital Management application, which includes human resources management, such as workforce lifecycle and organization management, compensation, absence, and employee benefits administration; and global talent management comprising goal and performance management, succession planning, and career and development planning. In addition, the company offers Workday Financial Performance Management application; Workday Learning application; Workday Payroll application for enterprise payroll; Workday Planning application to create, collaborate, and take action on financial and workforce plans. Workday, Inc. was founded in 2005 and is headquartered in Pleasanton, California.

Revenue Multiples - Workday, Inc.



Date	Key Development Headline
7/17/19	Workday, Inc. (NasdaqGS:WDAY) acquired Trusted Key Solutions Inc.
5/13/19	Workday To Seek Acquisitions

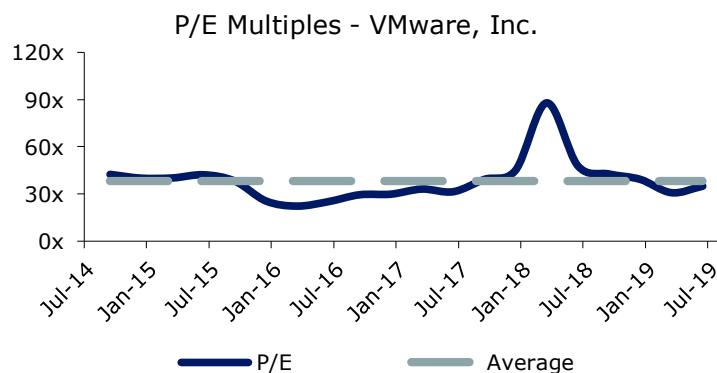
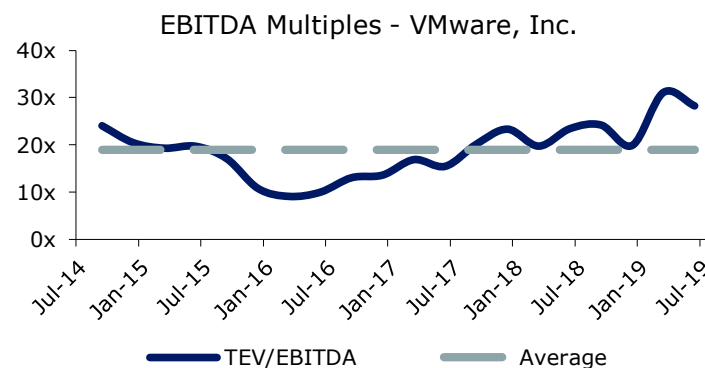
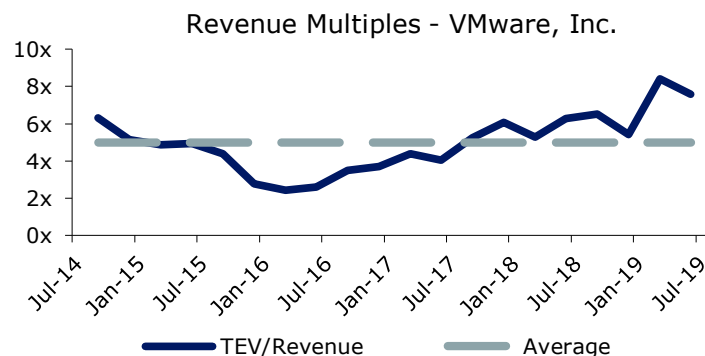
Public Basket



VMware, Inc.

VMware, Inc. provides compute, cloud, mobility, networking, and security infrastructure software to businesses in the United States and internationally. The company offers compute products, including VMware vSphere, a data center platform, which enables users to deploy hypervisor, a layer of software that resides between the operating system and system hardware to enable compute virtualization; storage and availability products that provide data storage and protection options; network and security products; and cloud management and automation products to manage and automate overarching IT processes involved in provisioning IT services and resources to users from initial infrastructure deployment to retirement. VMware, Inc. is a subsidiary of Dell Technologies Inc.

Date	Key Development Headline
7/24/19	VMware, Inc. (NYSE:VMW) announces its intent to acquire Uhana Inc.
7/17/19	VMware, Inc. (NYSE:VMW) agreed to acquire BitFusion.io Inc.
6/12/19	VMware, Inc. (NYSE:VMW) agreed to acquire Avi Networks, Inc.
5/14/19	VMware, Inc. (NYSE:VMW) acquired BitNami from Y Combinator Management LLC and other shareholders.
2/4/19	VMware, Inc. (NYSE:VMW) agreed to acquire AetherPal Inc. from New Venture Partners LLC, PJC and others for \$45 million.



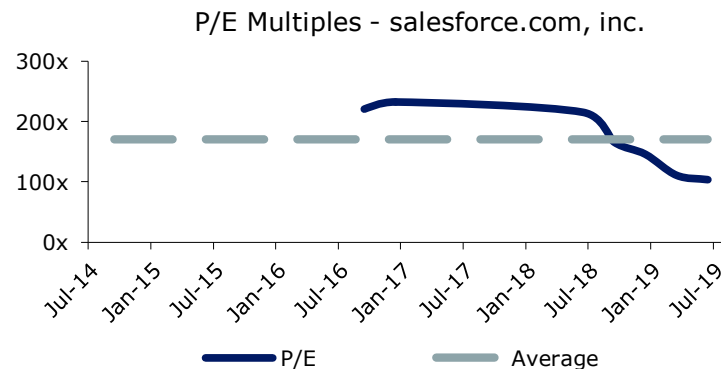
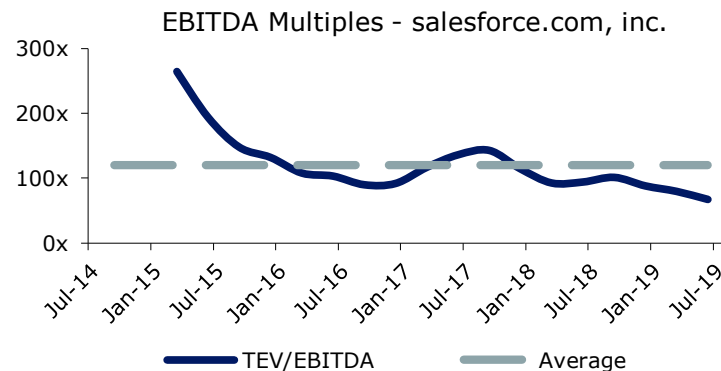
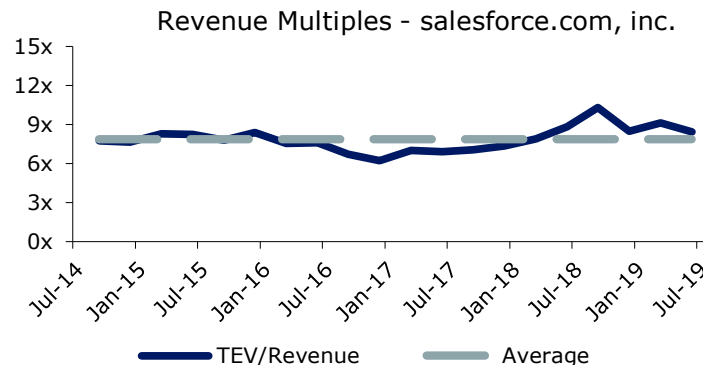
Public Basket



salesforce.com, inc.

salesforce.com, inc. develops enterprise cloud computing solutions with a focus on customer relationship management. The company offers Sales Cloud to store data, monitor leads and progress, forecast opportunities, and gain insights through analytics and relationship intelligence, as well as deliver quotes, contracts, and invoices. It also provides Service Cloud, which enables companies to deliver personalized customer service and support, as well as a field service solution that enables companies to connect agents, dispatchers, and mobile employees through a centralized platform, which helps to schedule and dispatch work, and track and manage jobs in real-time. The company was founded in 1999 and is headquartered in San Francisco, California.

Date	Key Development Headline
6/10/19	salesforce.com, inc., Tableau Software, Inc. - M&A Call
6/9/19	Salesforce.com Inc. (NYSE:CRM) entered into a definitive agreement to acquire Tableau Software Inc. (NYSE:DATA) from Christian Chabot, Patrick Hanrahan, Christopher Stolte and other shareholders for \$16.7 billion.
6/4/19	salesforce.com To Seek Investments
5/30/19	salesforce.com, inc. (NYSE:CRM) completed the acquisition of remaining 86% stake in MapAnything, Inc. from Harbert Venture Partners IV, L.P., a fund managed by Harbert Growth Partners and others for approximately \$225 million.
5/5/19	salesforce.com, inc. (NYSE:CRM) agreed to acquire Bonobot Technologies Ltd. from Capri Ventures, G20 Associates, LLC. and others.



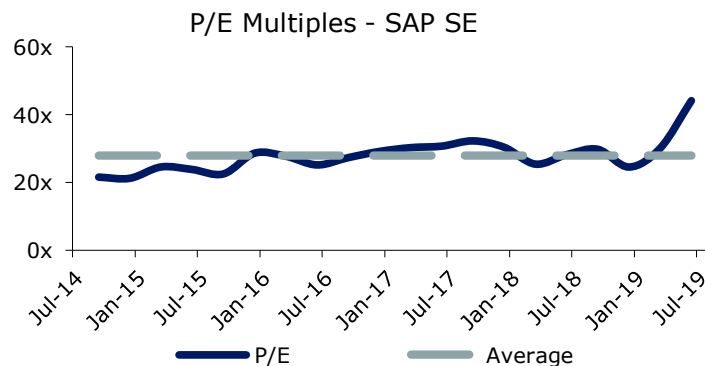
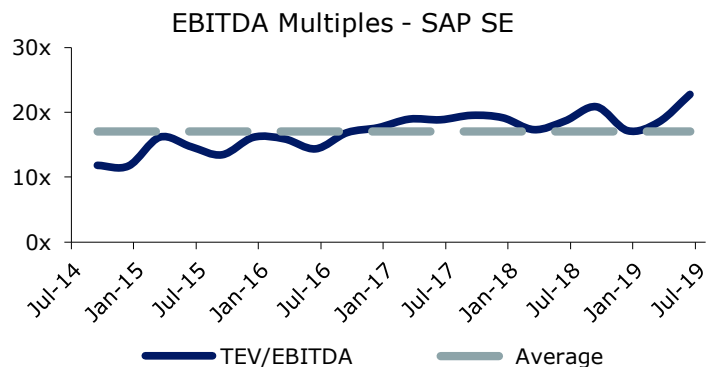
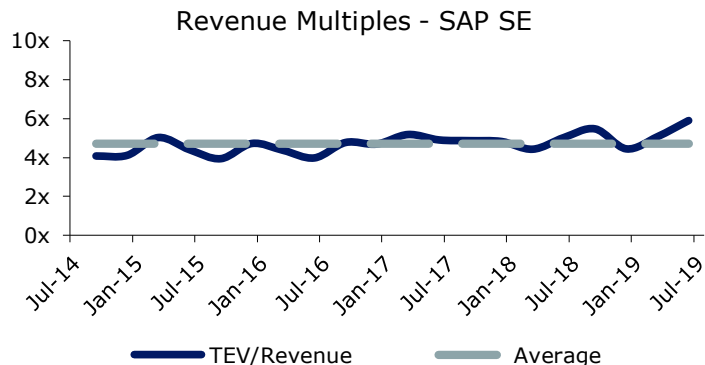
Public Basket



SAP SE

SAP SE operates as an enterprise application software, and analytics and business intelligence company worldwide. It offers SAP HANA, which enables businesses to process and analyze live data; SAP Data Hub, a solution that enables businesses to manage data from various sources; SAP Cloud Platform, which enables businesses to connect and integrate applications; SAP BW/4HANA, a data warehouse solution; SAP Leonardo, a system that enables customers to make business sense and opportunity of disruptive technologies; and SAP Analytics Cloud, which leverages the intersection of business intelligence, planning, and predictive analytics. SAP SE was founded in 1972 and is headquartered in Walldorf, Germany.

Date	Key Development Headline
5/6/19	Accenture plc and SAP SE to Co-Develop and Co-Innovate New Industry Solutions on SAP® C/4HANA Suite
4/24/19	SAP SE Intends To Seek Acquisitions
2/24/19	Verisk 3E signed a definitive agreement to acquire Content as a Service business of SAP SE (DB:SAP).
12/17/18	SAP and Software AG Launch Joint Platform for Smart Cities
12/17/18	Lition Signs a Co-Innovation Agreement with SAP SE



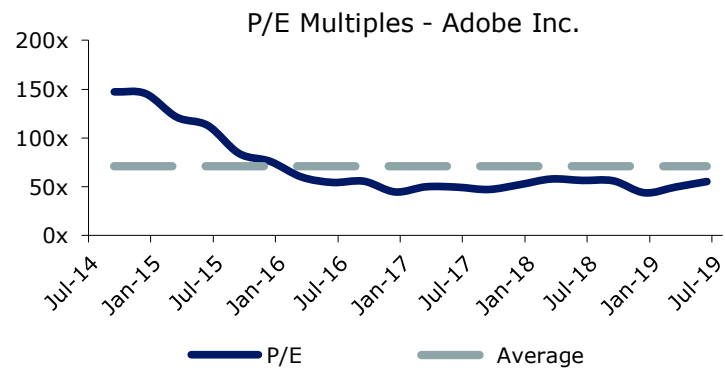
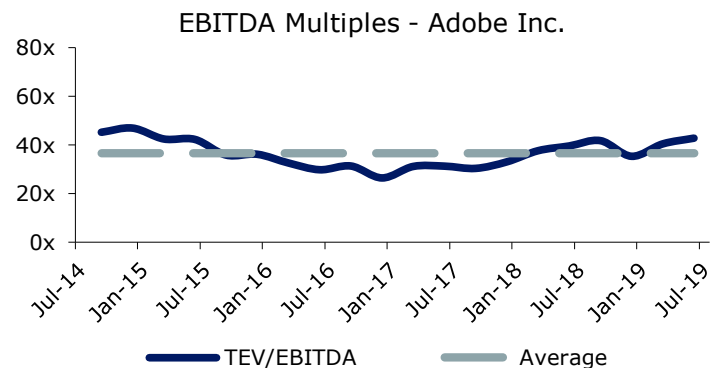
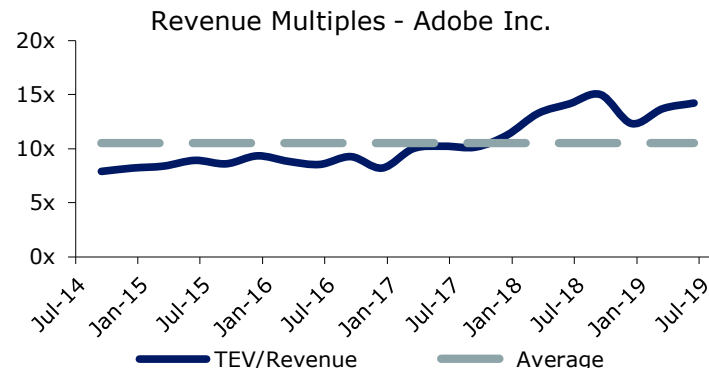
Public Basket



Adobe Inc.

Adobe Inc. operates as a diversified software company worldwide. Its Digital Media segment provides tools and solutions that enable individuals, small and medium businesses, and enterprises to create, publish, promote, and monetize their digital content. Its flagship product is Creative Cloud, a subscription service that allows customers to download and install the latest versions of its creative products. This segment serves traditional content creators, Web application developers, and digital media professionals, as well as their management in marketing departments and agencies, companies, and publishers. The company's Digital Marketing segment offers solutions for how digital advertising and marketing are created, managed, executed, measured, and optimized. The company was founded in 1982 and is headquartered in San Jose, California.

Date	Key Development Headline
6/11/19	Datacolor Collaborates with Adobe to Launch New Innovative Solution for Textile Industry
3/13/19	Yext, Inc. Announces the New Collaboration with Adobe to Drive Website Discovery
1/22/19	Adobe Inc. (NasdaqGS:ADBE) acquired remaining stake in Allegorithmic SAS for approximately €92.2 million.
1/8/19	Adobe Inc. (NasdaqGS:ADBE) acquired Marketo KK from SunBridge Partners, Inc for \$4.7 billion.
10/30/18	Adobe Inc. (NasdaqGS:ADBE) completed the acquisition of Marketo, Inc. from Vista Equity Partners LLC.



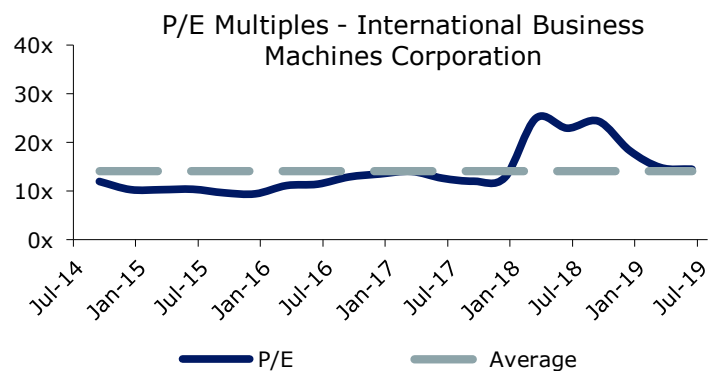
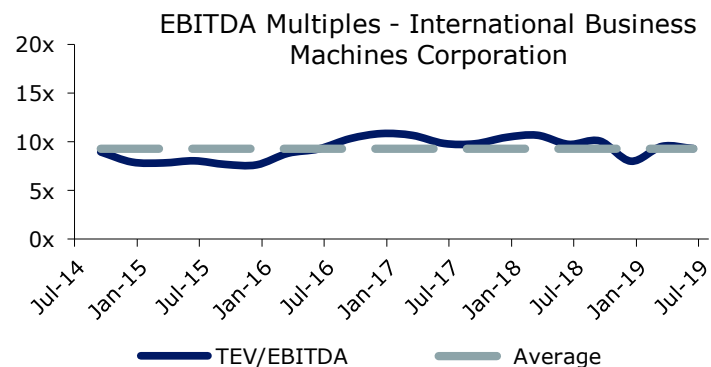
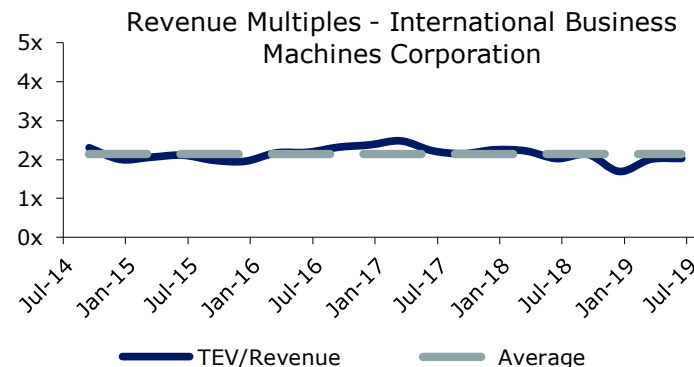
Public Basket



International Business Machines Corporation

International Business Machines Corporation operates as an integrated technology and services company worldwide. Its Cognitive Solutions segment offers Watson, a computing platform that interacts in language, processes big data, and learns from interactions with people and computers. This segment also offers data and analytics solutions, including analytics and data management platforms, cloud data services, enterprise social software, talent management solutions, and tailored industry solutions; and transaction processing software that runs mission-critical systems in banking, airlines, and retail industries. The company was founded in 1911 and is headquartered in Armonk, New York.

Date	Key Development Headline
7/8/19	International Business Machines Corporation (NYSE:IBM) completed the acquisition of Red Hat, Inc. (NYSE:RHT) from BlackRock, Inc. (NYSE:BLK), The Vanguard Group, Inc., Prudential Financial, Inc. (NYSE:PRU), T. Rowe Price Associates, Inc., FMR LLC and others.
7/1/19	Simplilearn Collaborates with IBM to Introduce Four Master's Programs in Data Science, Artificial Intelligence Fields
6/29/19	HCL Technologies Limited (NSEI:HCLTECH) completed the acquisition of Software Portfolio from International Business Machines Corporation (NYSE:IBM).
6/21/19	IBM and Cloudera Announce Strategic Partnership
6/17/19	IBM and Adweek Create Institute for Brand Marketing™



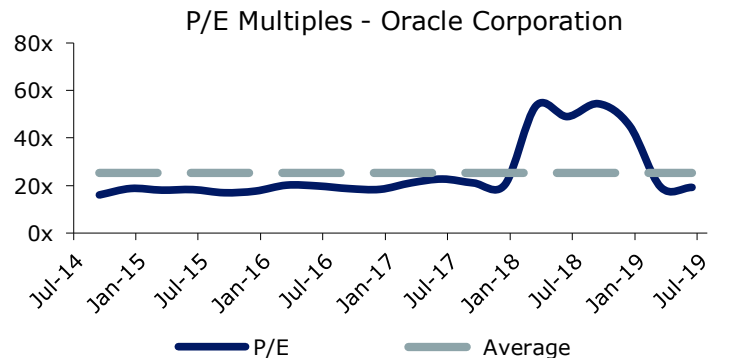
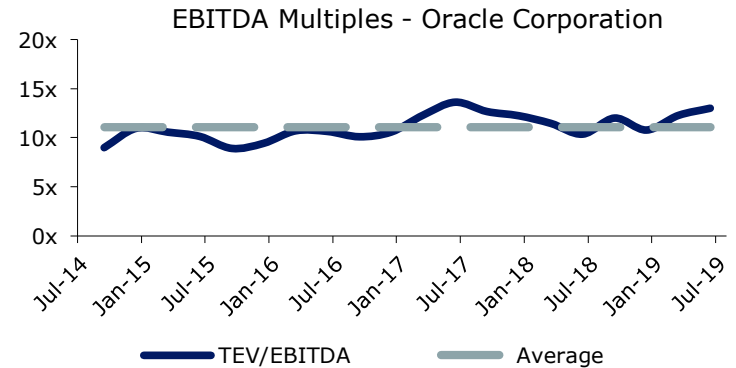
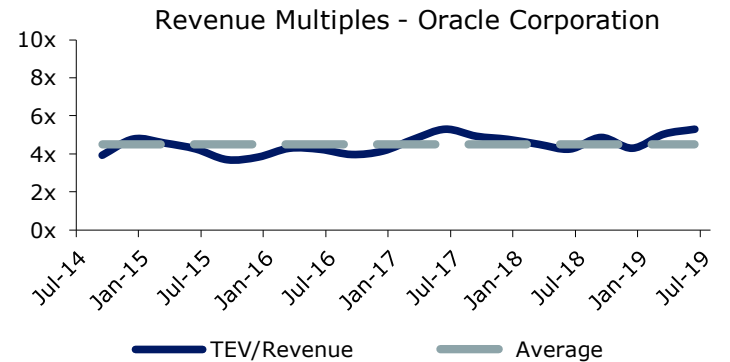
Public Basket



Oracle Corporation

Oracle Corporation develops, manufactures, markets, sells, hosts, and supports application, platform, and infrastructure solutions for information technology (IT) environments worldwide. It offers human capital and talent management, enterprise resource planning, customer experience and relationship management, procurement, supply chain management, project portfolio management, business analytics and enterprise performance management, and industry-specific application software, as well as financial management and governance, and risk and compliance applications. Oracle Corporation was founded in 1977 and is headquartered in Redwood City, California.

Date	Key Development Headline
6/25/19	Oracle Corporation (NYSE:ORCL) acquired Oxygen Systems.
6/18/19	Oracle Data Cloud and Reddit Collaborate to Build Brand Safety Solution for Dynamic User-Generated Content
6/4/19	Microsoft Corp. Announces Partnership with Oracle Corp
1/10/19	The San Francisco Giants and Oracle Announces 20-Year Partnership
11/14/18	Oracle Corporation (NYSE:ORCL) entered into an agreement to acquire Talari Networks, Inc.



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.

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
Ben Garber, Vice President	412.626.7898	ben.garber@7mileadvisors.com
Nicholas Prendergast, Financial Analyst	704.973.3995	nicholas@7mileadvisors.com
Ariail Siggins, Marketing Director	704.981.2908	ariail@7mileadvisors.com
Emily Halstenberg, Marketing & Sales Coordinator	704.409.9912	emily@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