

Sectorwatch: IT Consulting

July 2019

IT Consulting

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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.

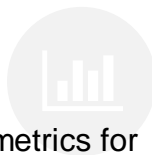
Dashboard

- Summary metrics on the sector
- Commentary on market momentum by comparing the most recent 12-month performance against the last 3-year averages.



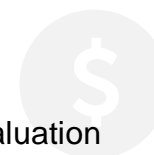
Public Basket Performance

- 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

↓ -2.3%

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

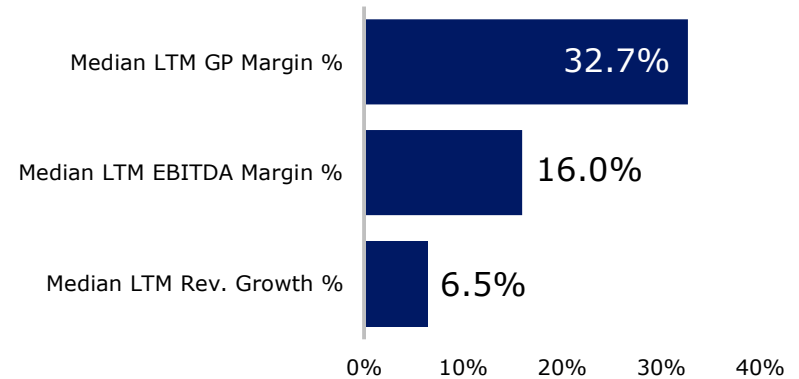
Profitability Momentum

↑ 0.5%

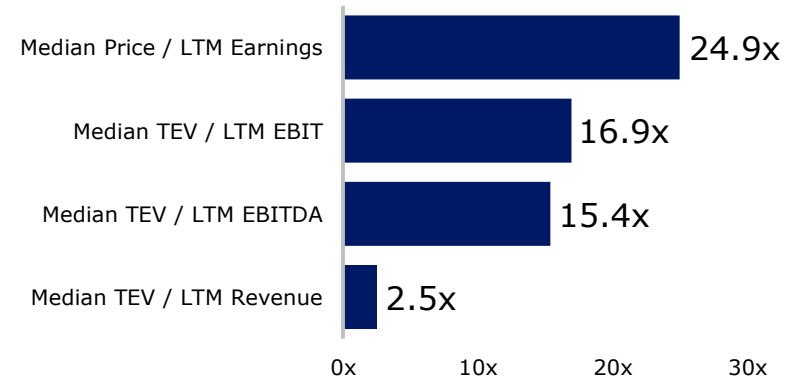
1 - year EBITDA % compared to EBITDA % average for last 3 years

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



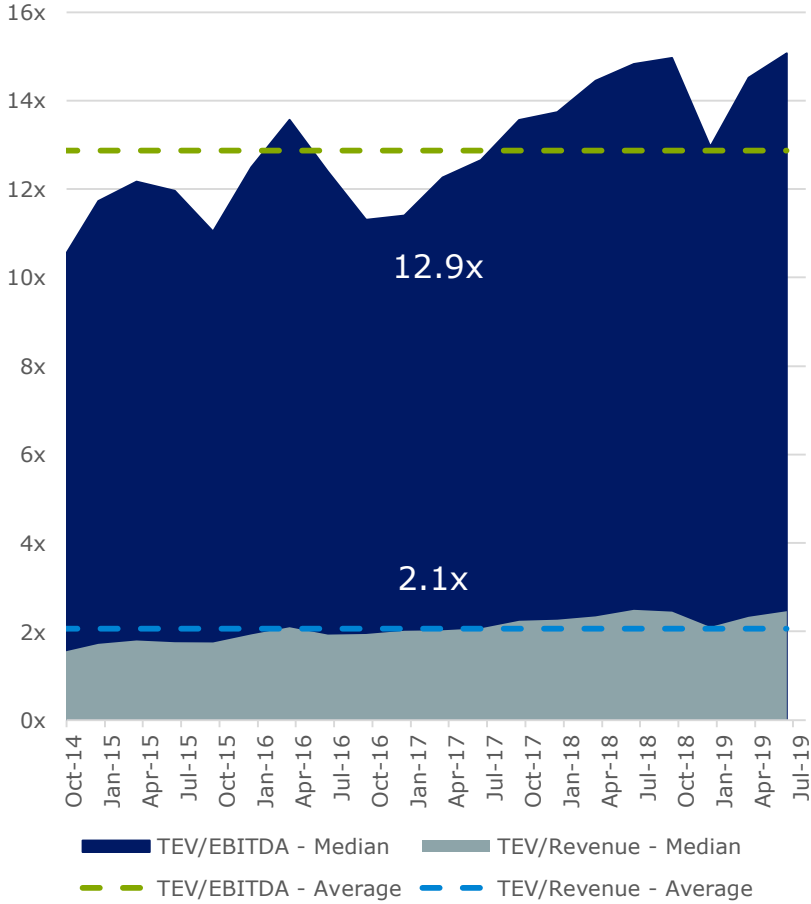
Public Basket



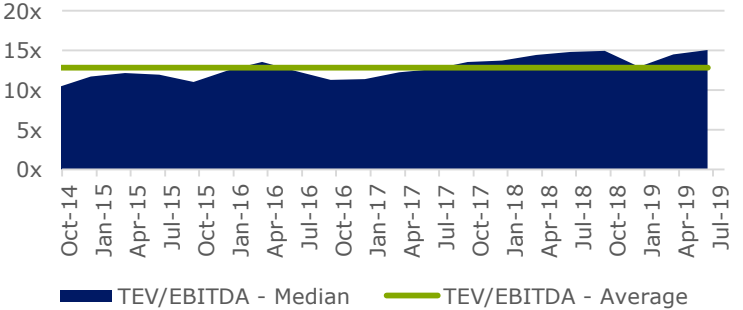
| Company | TEV \$m | LTM Rev \$m | Rev Growth YoY | GP % | EBITDA % | TEV / Rev X | TEV / EBITDA X | # FTEs | Rev / FTE \$k |
|--|---------|-------------|----------------|------|----------|-------------|----------------|---------|---------------|
| Perficient, Inc. | 1,256 | 511 | 3% | 36% | 12% | 2.5 | 20.2 | 3,060 | 167 |
| Reply S.p.A. | 2,484 | 1,203 | 16% | 14% | 13% | 2.1 | 15.8 | 7,606 | 158 |
| EPAM Systems, Inc. | 9,270 | 1,940 | 25% | 35% | 16% | 4.8 | 30.8 | 30,156 | 64 |
| CGI Inc. | 22,403 | 8,808 | 5% | 30% | 17% | 2.5 | 14.7 | 74,000 | 119 |
| Capgemini SE | 22,596 | 15,110 | 5% | 27% | 13% | 1.5 | 12.0 | 211,313 | 72 |
| NTT DATA Corporation | 22,698 | 19,526 | 2% | 25% | 14% | 1.1 | 8.1 | 123,884 | 158 |
| Cognizant Technology Solutions Corporation | 34,781 | 16,323 | 8% | 39% | 20% | 2.1 | 10.9 | 281,600 | 58 |
| Infosys Limited | 40,868 | 11,799 | 8% | 34% | 25% | 3.4 | 13.6 | - | NA |
| Tata Consultancy Services Limited | 113,065 | 21,139 | 19% | 45% | 27% | 5.3 | 19.6 | 424,285 | 50 |
| Accenture plc | 117,600 | 41,244 | 4% | 32% | 16% | 2.9 | 17.3 | 459,000 | 90 |
| Average | 38,702 | 13,760 | 10% | 32% | 17% | 2.8 | 16.3 | 161,490 | 104 |
| Median | 22,647 | 13,454 | 6% | 33% | 16% | 2.5 | 15.3 | 98,942 | 90 |

share price as of 08Jul19

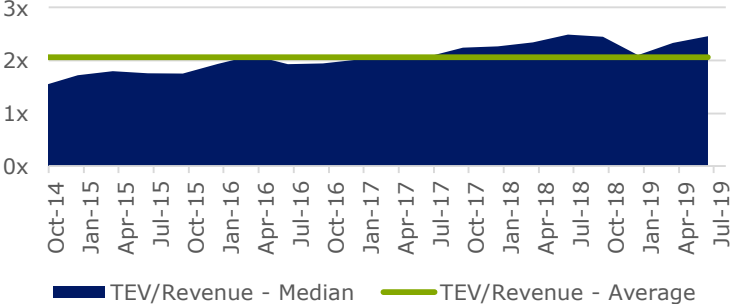
Public Basket Valuation Trends



Public EBITDA Multiples over Time



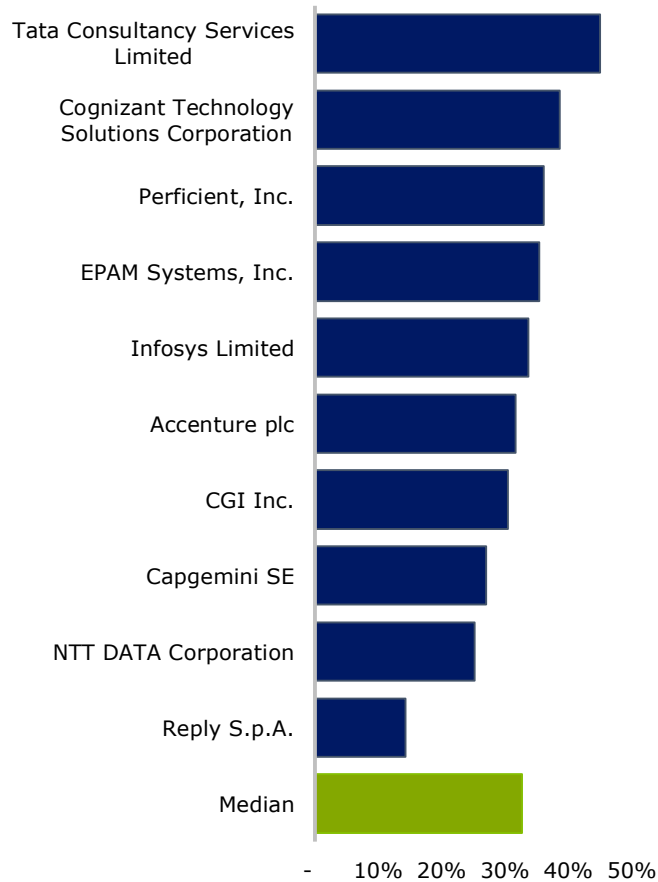
Public Revenue Multiples over Time



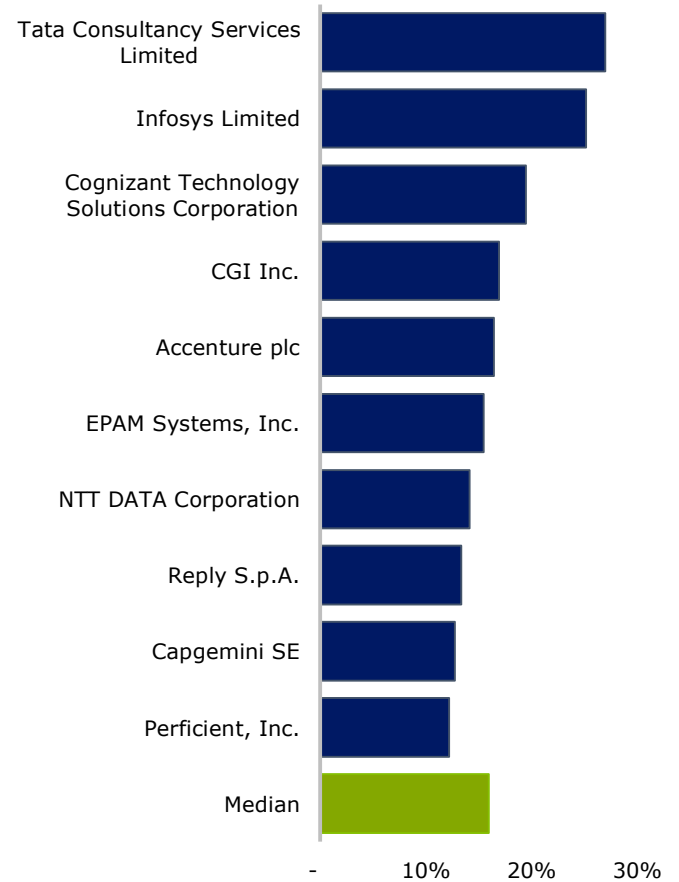
Operational Metrics



LTM Gross Profit Margin %



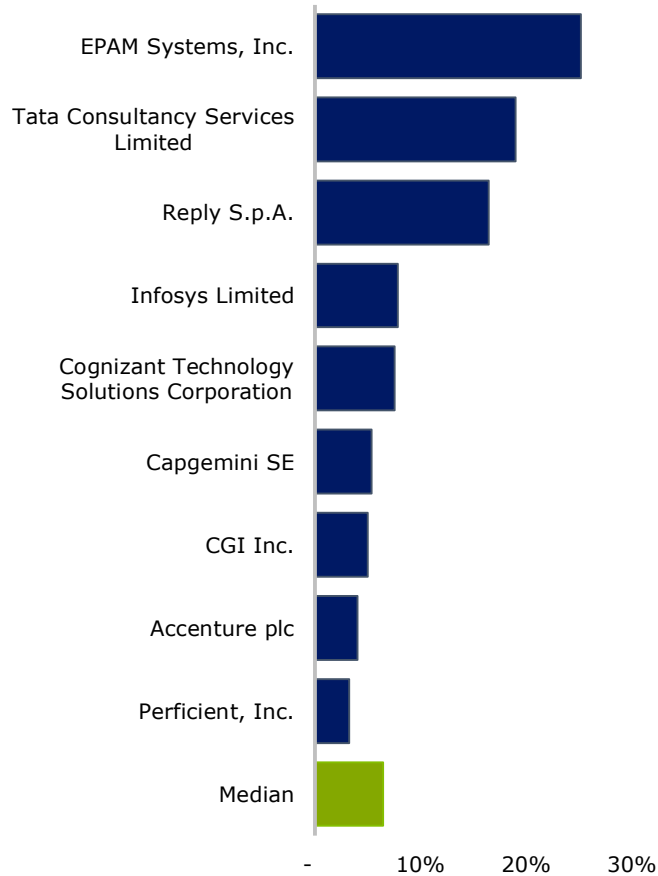
LTM EBITDA %



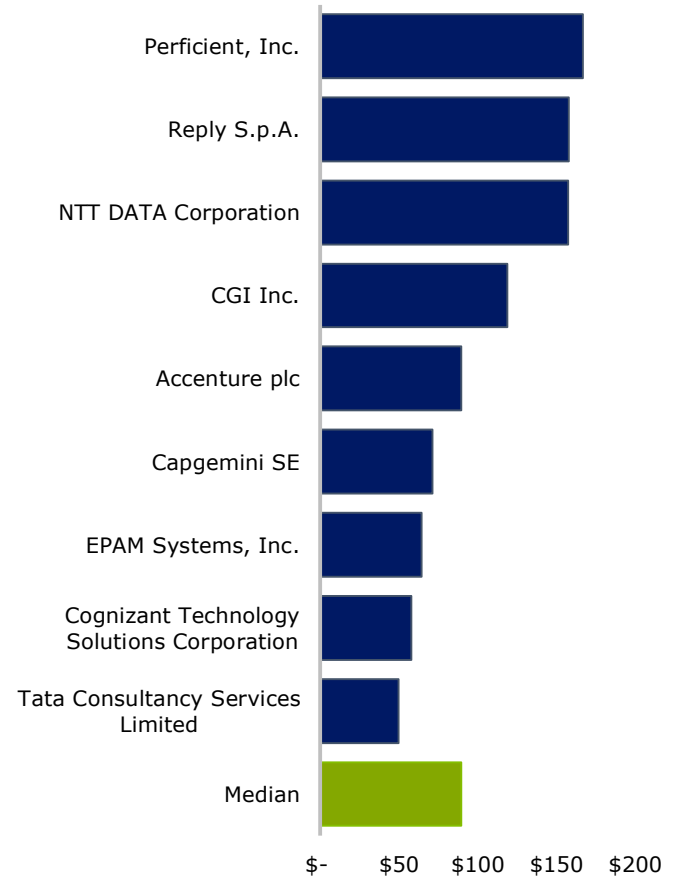
Operational Metrics



LTM Revenue Growth %



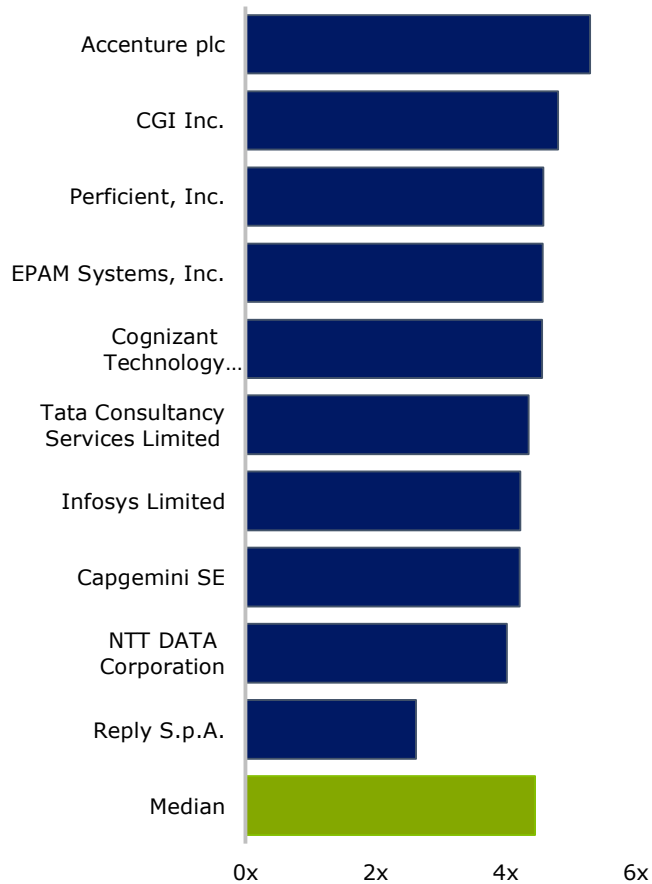
LTM Revenue per Full Time Employee x 000's



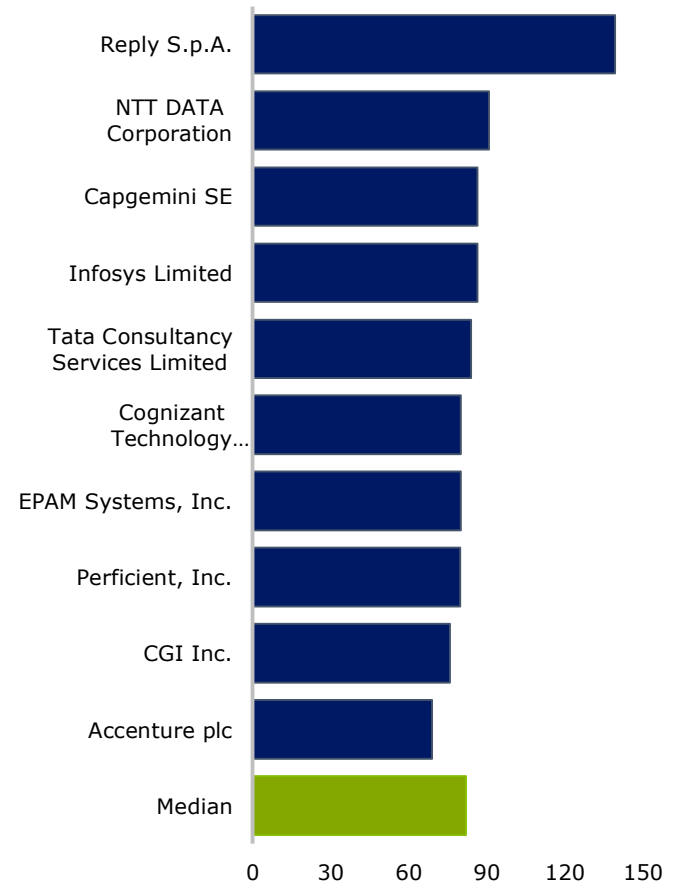
Operational Metrics



Accounts Receivable Turnover



Average Days Sales Outstanding



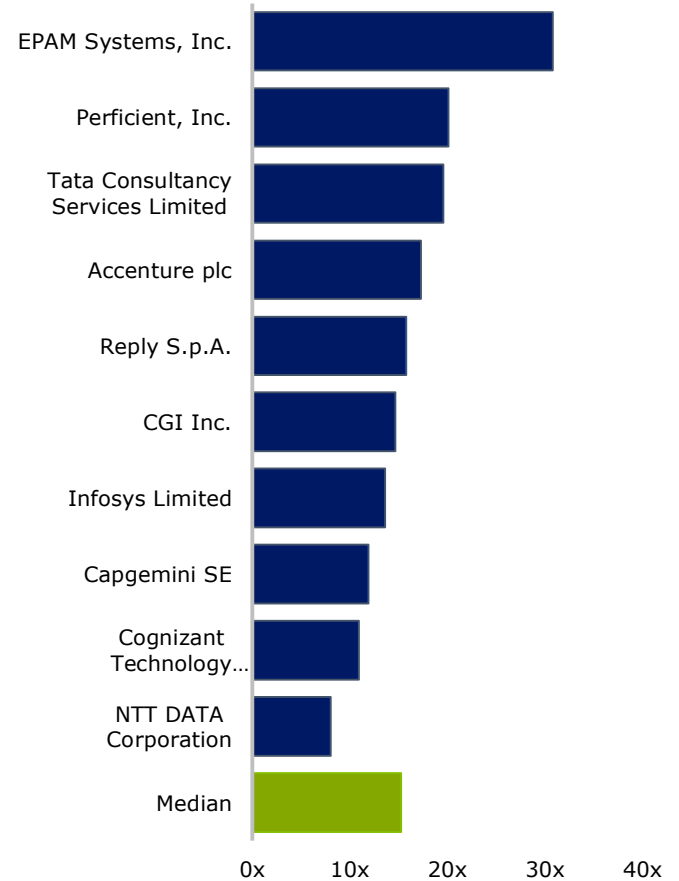
Valuation



TEV / LTM Revenue



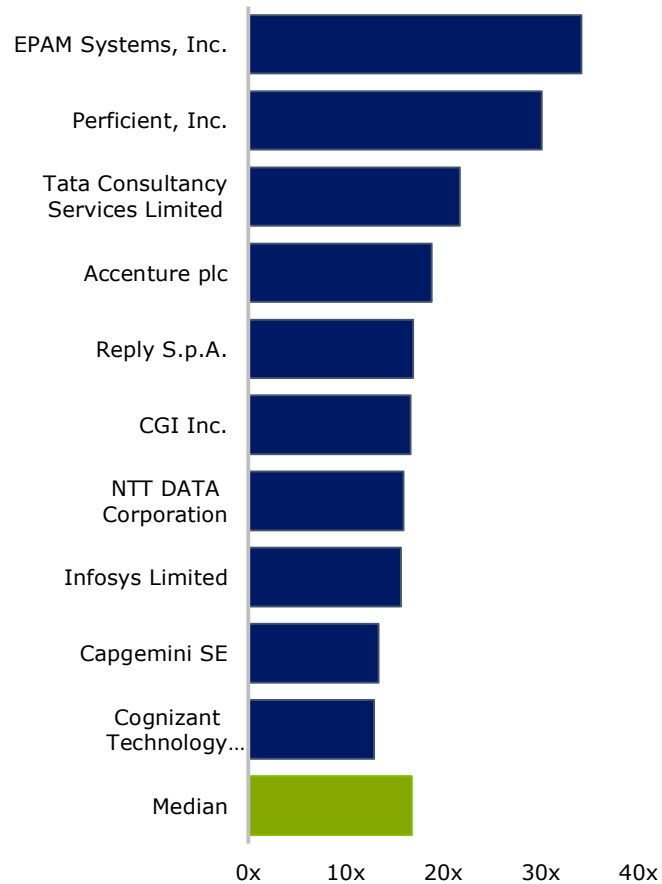
TEV / LTM EBITDA



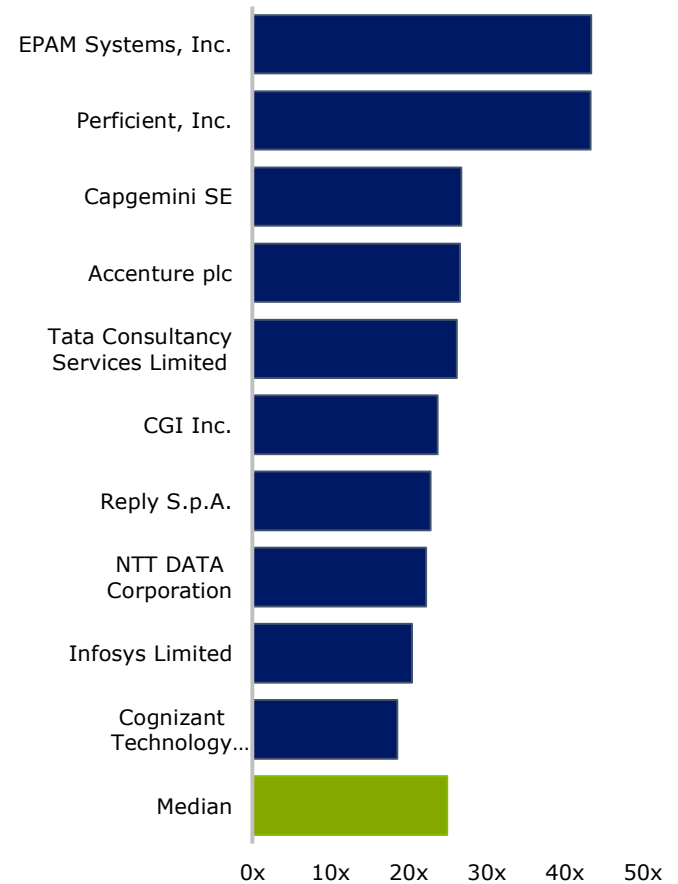
Valuation



TEV / LTM EBIT



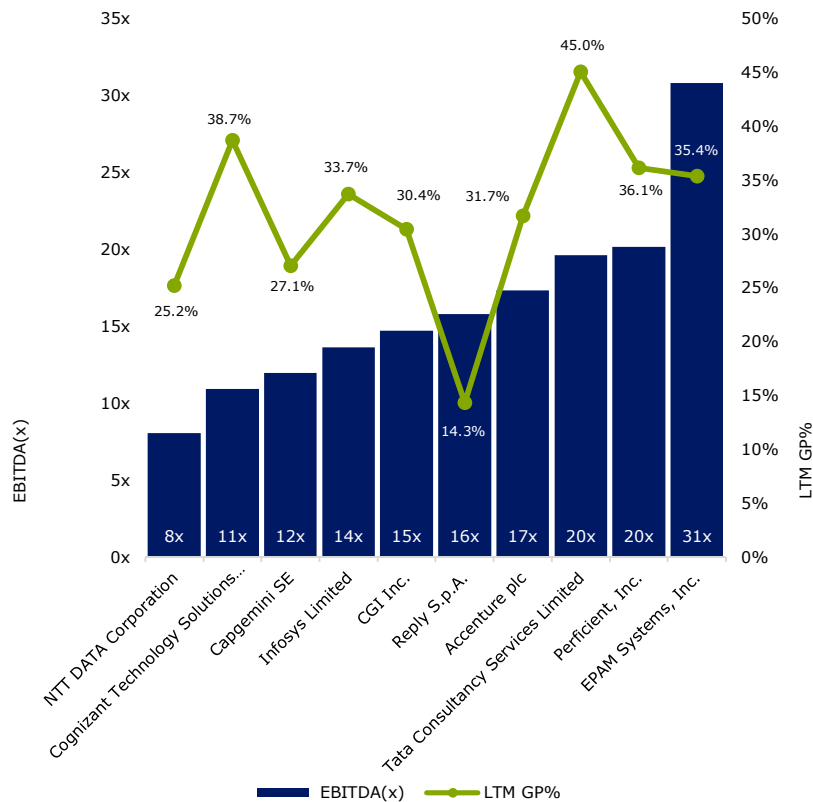
Price / LTM Earnings



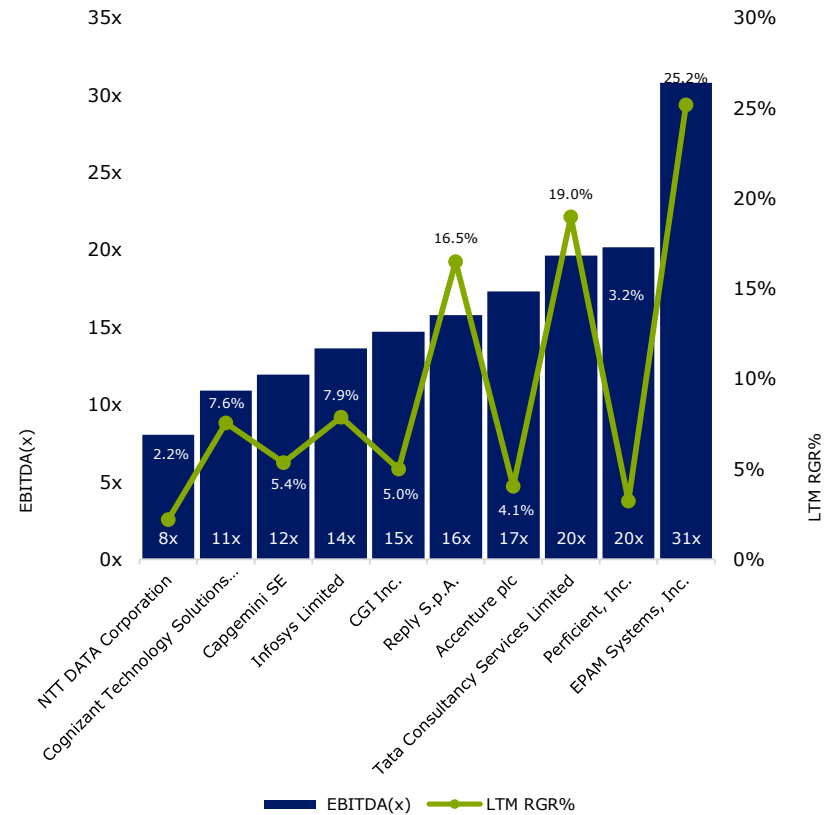
Valuation



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 |
|---------|---|--|-------------------------|----------------|---------------|--------------|
| 12Jun19 | Ciruseo SAS | Accenture plc | - | - | - | - |
| 31Jan19 | OOO Korklass | IKS Corporation | 9.87 | - | - | - |
| 27May19 | FBC Technologies Ltd | One Software Technologies Ltd | 5.83 | - | - | - |
| 21May19 | Alpha Solutions AG | Bechtle AG | - | 1.16 | - | - |
| 10May19 | Syloé | Digital Rural Informatique SARL | - | 0.90 | - | - |
| 24Apr19 | Adaptive Technologies Group, LLC | Cyemptive Technologies, Inc. | - | - | - | - |
| 10Apr19 | Virteva LLC | Crossfuzo LLC | - | - | - | - |
| 3Apr19 | United Technology Group, LLC | Coretelligent, LLC | - | - | - | - |
| 26Mar19 | Rural Sourcing, Inc. | Bain Capital Private Equity, LP; Bain Capital Double Impact Fund, L.P. | - | - | - | - |
| 15Mar19 | Omni Resources, Inc. | Saggezza Inc. | - | - | - | - |
| 8Feb19 | iAppsconsulting DWC LLC | Aspire Systems, Inc. | - | - | - | - |
| 31Jan19 | JIEC Co.,Ltd. | SCSK Corporation | 52.83 | 137.23 | 0.7x | - |
| 18Jan19 | Software Information Systems, LLC | Converge Technology Solutions Corp. | 15.35 | 89.00 | 0.2x | 5.7x |
| 7Jan19 | InterGlobe Technologies Private Limited (nka:IGT Solutions Pvt. Ltd.) | Apollo Global Management, LLC; ICICI Venture Funds Management Company Limited; AION Capital Partners Ltd; Goldman Sachs Asia Strategic Pte. Ltd. | 22.92 | - | - | - |
| 6Dec18 | The Athene Group | Insight Venture Partners LLC; Salesforce Ventures; Berenson Holdings Llc; Sagewind Capital LLC | - | - | - | - |
| 5Nov18 | Intrigo Systems, Inc. | Accenture plc | - | - | - | - |
| 1Nov18 | BusinessNow/TESM Limited | Fruition Partners UK | - | - | - | - |
| 9Oct18 | COMPAREX AG | SoftwareONE AG | - | 2,907.15 | - | - |
| 20Oct18 | Dev9, LLC | Nortal AS | - | - | - | - |
| 30Sep18 | FusionStorm, Inc. | Computacenter plc | 90.00 | 595.50 | 0.2x | - |
| 18Sep18 | Advanced Technology Group, Inc. | Cognizant Technology Solutions Corporation | - | - | - | - |
| 9Aug18 | Pillar Technology Group LLC | Accenture plc | - | 52.00 | - | - |
| 31Jul18 | ThinkIT Solutions, LLC | NuMSP LLC | - | - | - | - |
| 1Aug18 | Integrity Consulting Group | CompassMSP, LLC | - | - | - | - |
| 16Jul18 | Basefarm AS | Orange Business Services SAS | 409.79 | 117.08 | 3.5x | - |
| 3Jul18 | V-NEO Inc. | GFT Technologies SE | - | - | - | - |

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APPENDIX: Public Basket Constituents

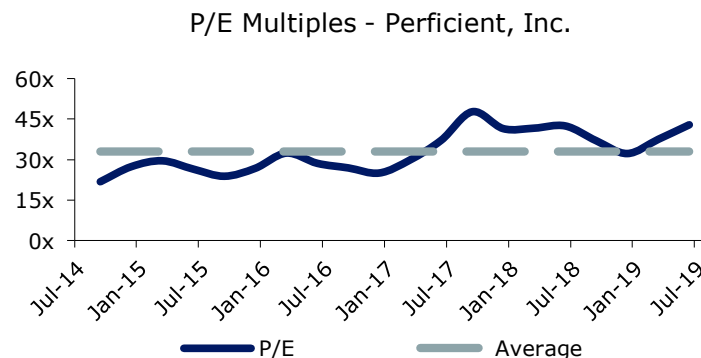
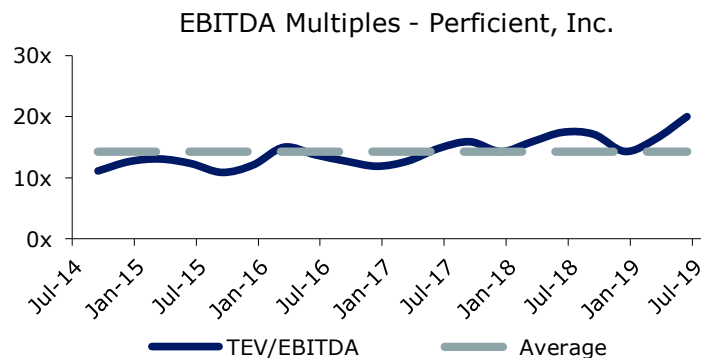
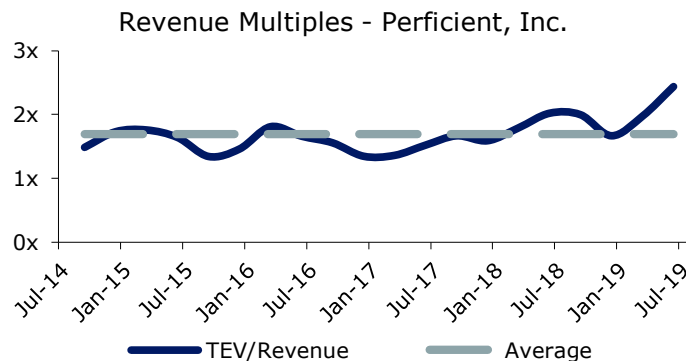
Public Basket



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 |
|----------|---|
| 5/21/19 | Perficient, Inc. (NasdaqGS:PRFT) completed the acquisition of the assets of Sundog Interactive, Inc. |
| 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. |



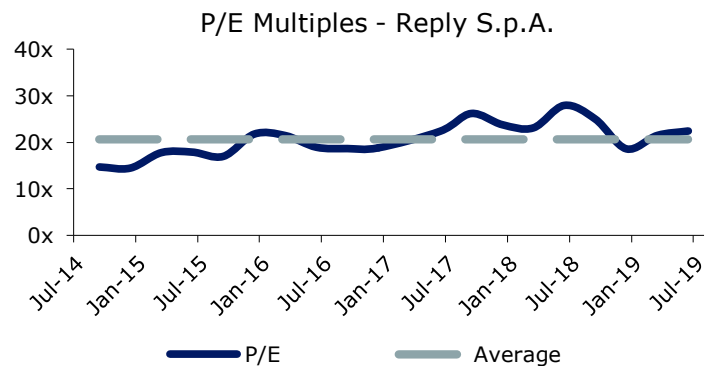
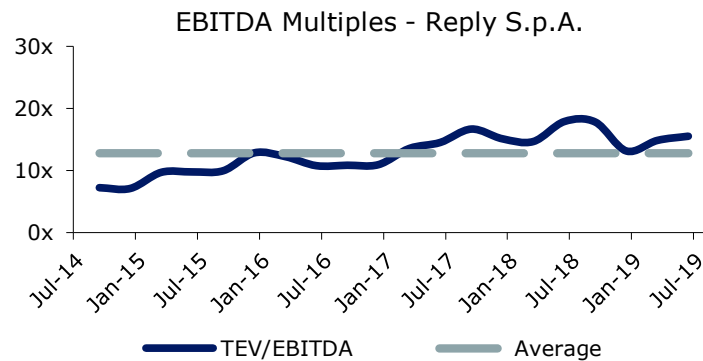
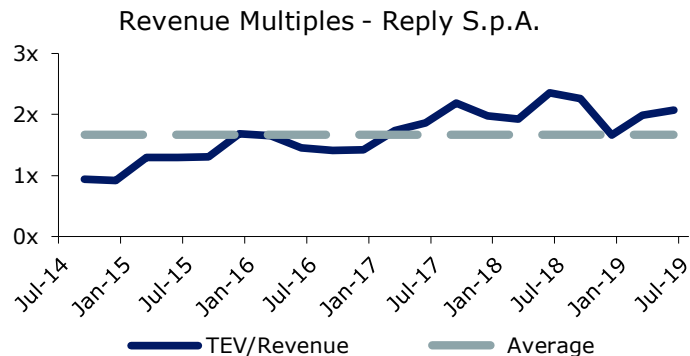
Public Basket



Reply S.p.A.

Reply S.p.A. provides consulting, system integration, application management, and business process outsourcing services in Italy and internationally. The company implements solutions based on communication channels and digital media. It provides Brick Reply, a manufacturing operations management platform for the management and control of a smart factory; Click Reply, a supply chain execution platform; Definio Reply, a technological platform for collection, analysis, control, processing, and distribution of financial data; Discovery Reply, a platform for the digital media management projects; and Gaia Reply platform for use in the field of mobility and multimedia. The company also offers Hi engage, a commercial contextual marketing solution; Pay Reply platform that provides mobile payment solutions, as well as helps banks, financial institutions and telecommunications companies, utilities, and retailers to create and deliver remote and proximity payment services; SideUp Reply, a software application for warehouse management; Starbytes, an online employment service for freelancers and ICT specialists; The company was founded in 1996 and is headquartered in Turin, Italy.

| Date | Key Development Headline |
|---------|--|
| 2/28/19 | Deutsche Telekom Partners with Reply to Develop Open-Source Backhaul System |
| 4/9/18 | Reply S.p.A. (BIT:REY) acquired a majority stake in Valorem Consulting Group, LLC. |



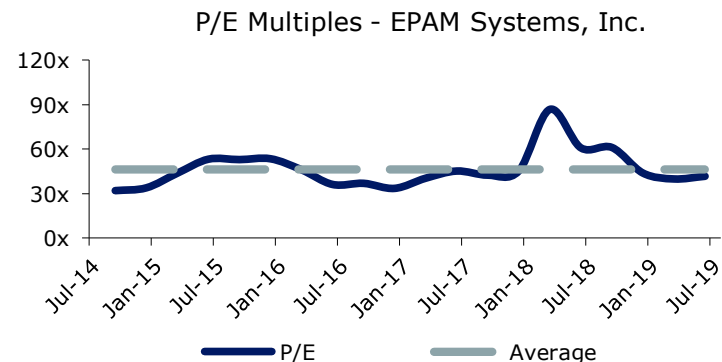
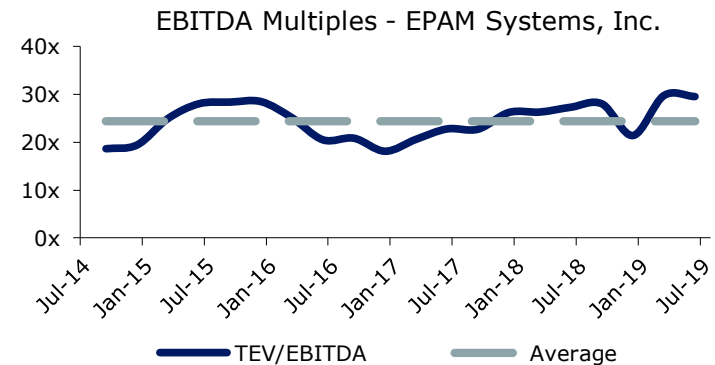
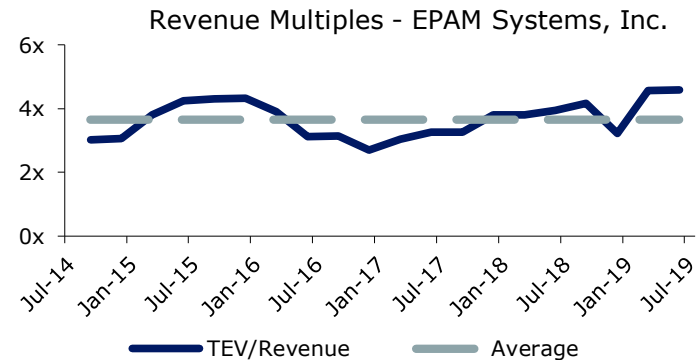
Public Basket



EPAM Systems, Inc.

EPAM Systems, Inc. provides software product development and digital platform engineering services primarily in North America, Europe, Asia, and Australia. It offers software product development services, including product research, customer experience design, prototyping, program management, component design and integration, lifecycle software testing, product deployment, end-user customization, performance tuning, product support and maintenance, managed services, and porting and cross-platform migration. The company provides custom application development services, such as business and technical requirement analysis, user experience design, solution architecture creation and validation, development, component design and integration, quality assurance and testing, deployment, performance tuning, support and maintenance, legacy applications re-engineering/refactoring, porting and cross-platform migration, and documentation. The company was founded in 1993 and is headquartered in Newtown, Pennsylvania.

| Date | Key Development Headline |
|----------|---|
| 5/9/19 | EPAM To Seek Investments |
| 5/8/19 | EPAM Systems, Inc. (NYSE:EPAM) acquired testCloud.de GmbH for \$17.3 million. |
| 10/31/18 | EPAM Systems, Inc. (NYSE:EPAM) acquired Think Limited for \$35.2 million. |
| 9/17/18 | EPAM Systems, Inc. Partners with Positive, on Research-Driven Cybersecurity R&D Lab |



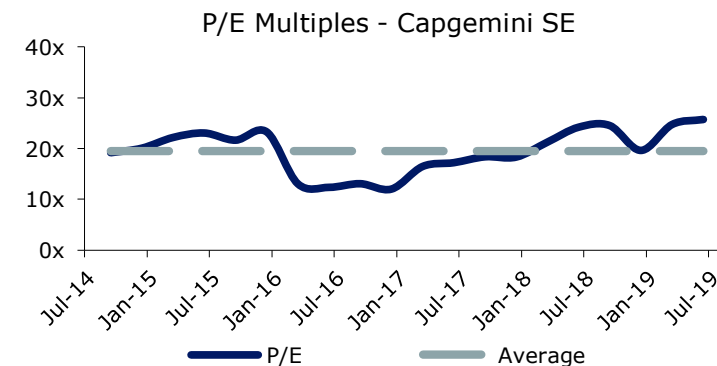
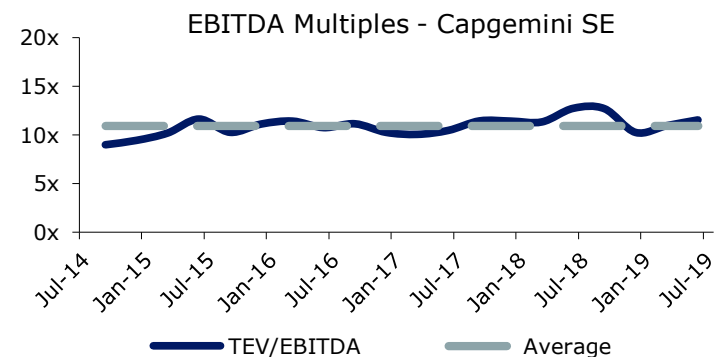
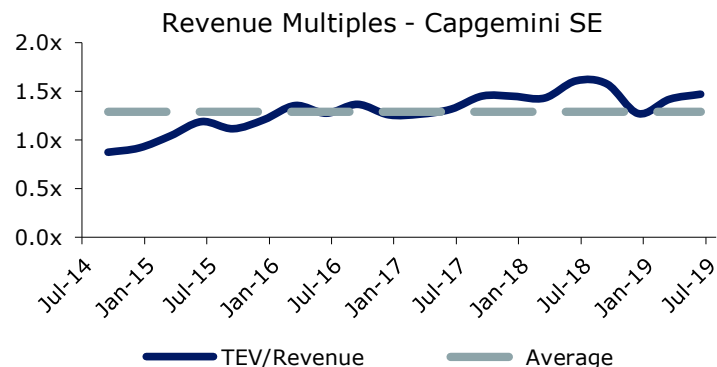
Public Basket



Capgemini SE

Capgemini SE provides consulting, technology, outsourcing, and other managed services. The company's Consulting Services segment offers services to enhance the performance of organizations based on the knowledge of client industries and processes. Its Technology & Engineering Services segment provides assistance and support to internal IT teams of client companies. The company's Application Services segment designs, develops, implements, and maintains IT applications, including system integration and application maintenance services. Its Other Managed Services segment integrates, manages, and/or develops client's IT infrastructure systems, as well as provides transaction, on-demand, and/or business process outsourcing services. Capgemini SE was founded in 1967 and is based in Paris, France.

| Date | Key Development Headline |
|---------|---|
| 6/24/19 | Altran Technologies S.A., Capgemini SE - M&A Call |
| 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 |



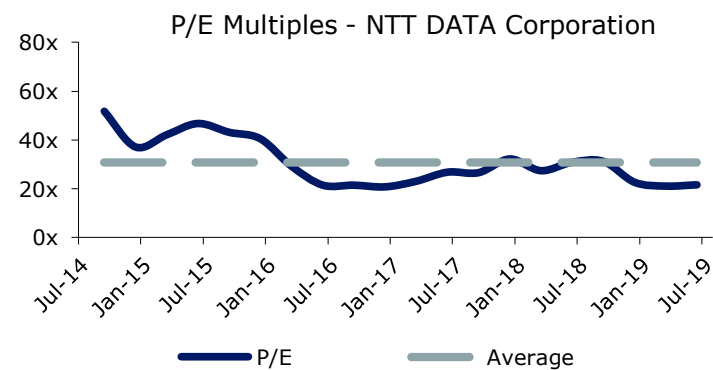
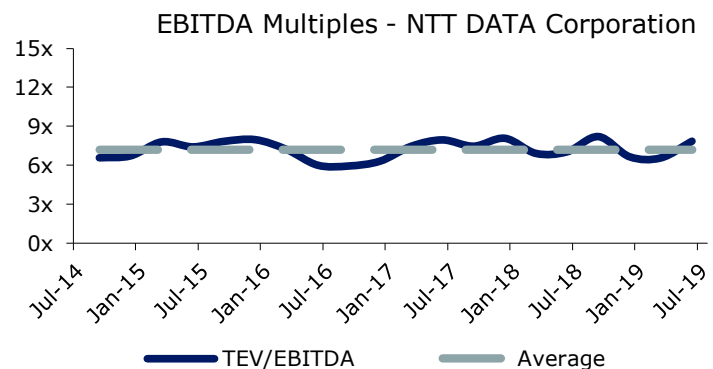
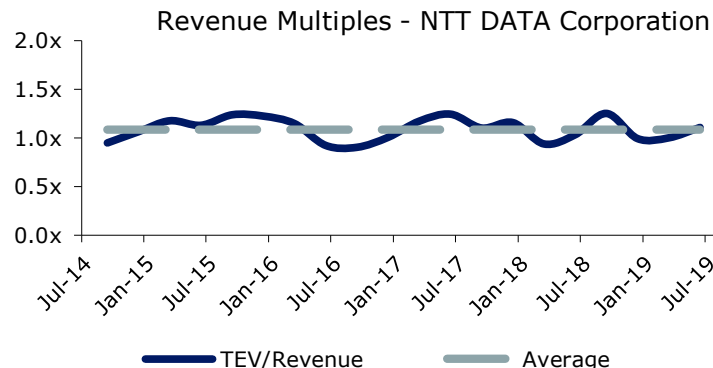
Public Basket



NTT DATA Corporation

NTT DATA Corporation provides consulting, system development, and business information technology (IT) outsourcing services worldwide. The company operates through four segments: Public & Social Infrastructure, Financial, Enterprise & Solutions, and Global. It offers business consulting services, such as business strategy, business process optimization, and organizational change management; and IT consulting services, including IT strategy and governance, information and knowledge management, and program management office consulting services. NTT DATA Corporation is a subsidiary of Nippon Telegraph and Telephone Corporation.

| Date | Key Development Headline |
|---------|--|
| 4/24/19 | TRI-AD, Maxar Technologies and NTT DATA Corporation to Build High-Definition Maps for Autonomous Vehicles from Space |
| 4/2/19 | CP ALL Public Company Limited (SET:CPALL) completed the acquisition of 27.36% stake in Thai Smart Card Co., Ltd. from True Corporation Public Company Limited (SET:TRUE), Krungthai Card Public Company Limited (SET:KTC), Government Savings Bank, NTT DATA Corporation (TSE:9613), SVOA Public Limited (SET:SVOA) and Loxley Public Company Limited. |
| 3/27/19 | Japan Exchange Group, Inc. (TSE:8697) entered into a basic agreement to acquire Tokyo Commodity Exchange, Inc. from a group of sellers. |
| 3/5/19 | NTT DATA Corporation (TSE:9613) completed the acquisition of 48.52% stake in Netyear Group Corporation (TSE:3622) from group of sellers for ¥2.9 billion. |



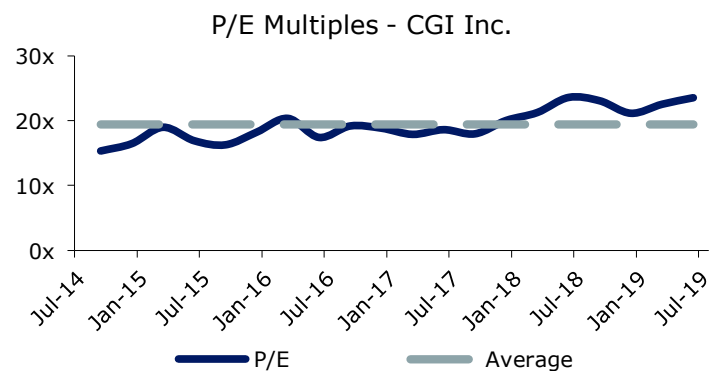
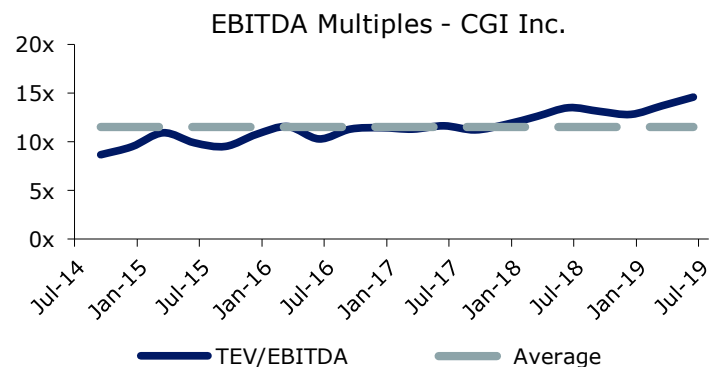
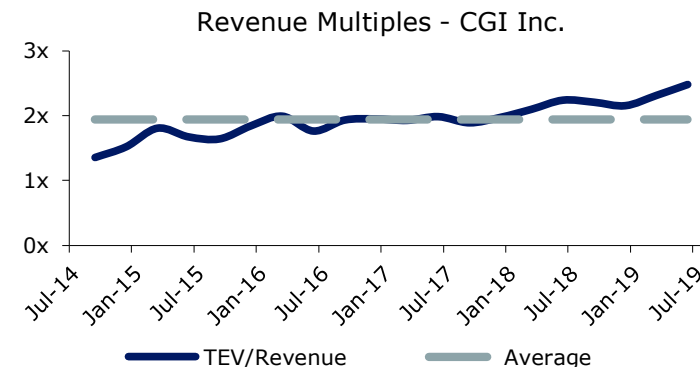
Public Basket



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 |
|---------|--|
| 4/15/19 | CGI Inc. (TSX:GIB.A) completed the acquisition of 77.37% stake in Acando AB (publ.) (OM:ACAN B). |
| 4/15/19 | CGI Inc. (TSX:GIB.A) completed the acquisition of 21.9% stake in Acando AB (publ.) (OM:ACAN B) from Svolder AB (publ) (OM:SVOL B), Svedulf Fastighets AB and Bjursund Invest AB. |
| 3/10/19 | CGI Inc. (TSX:GIB.A) made an offer to acquire 77.37% stake in Acando AB (publ.) (OM:ACAN B) for SEK 3.3 billion. |



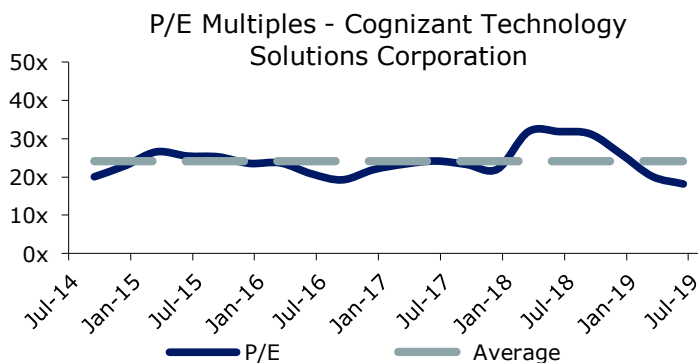
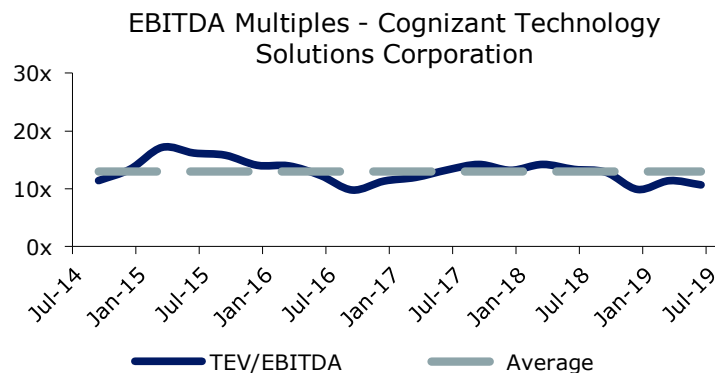
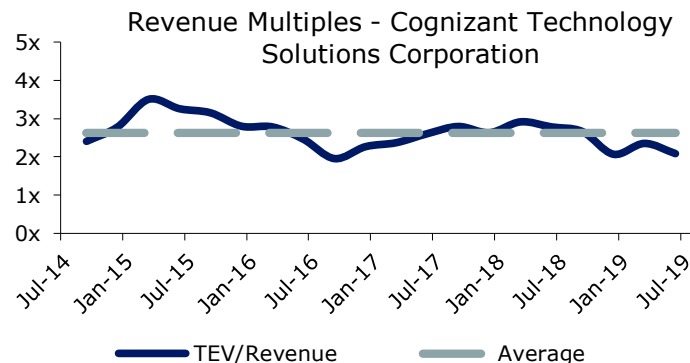
Public Basket



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 |
|---------|---|
| 6/17/19 | Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) agreed to acquire Zenith Technologies Ltd. from GE UK Group and other shareholders. |
| 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

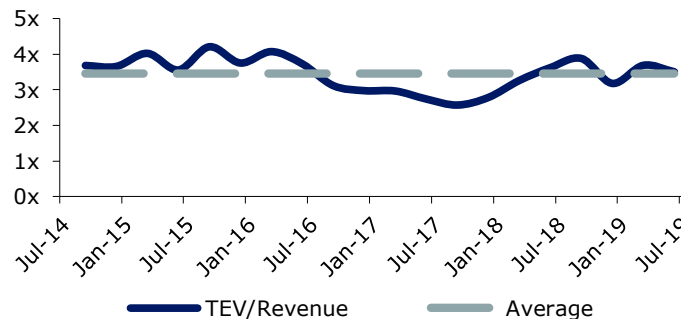


Infosys Limited

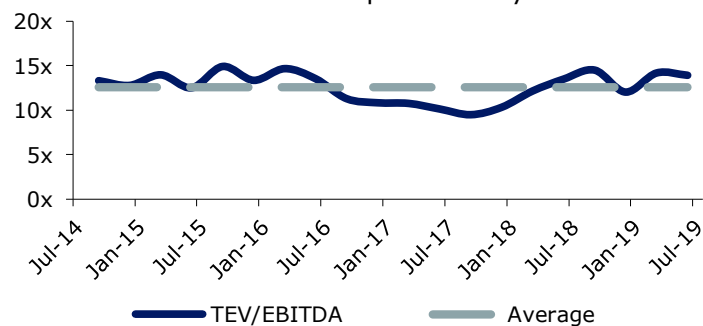
Infosys Limited, together with its subsidiaries, provides consulting, technology, and outsourcing services in North America, Europe, India, and internationally. It provides business information technology services, including application development and maintenance, independent validation, infrastructure management, and business process management services, as well as engineering services, such as engineering and life cycle solutions; and consulting and systems integration services comprising consulting, enterprise solutions, systems integration, and advanced technologies. Infosys Limited was founded in 1981 and is headquartered in Bengaluru, India.

| Date | Key Development Headline |
|---------|--|
| 5/9/19 | Infosys Seeks Acquisitions |
| 5/2/19 | Infosys Seeks Acquisitions |
| 3/28/19 | Infosys Limited and ABN AMRO Announce Strategic Partnership in the Netherlands |
| 1/11/19 | Infosys Drops Plan To Sell Panaya, Skava and Kallidus |
| 1/9/19 | Amazon Web Services, Inc. completed the acquisition of CloudEndure Ltd. from Infosys Limited (NSEI:INFY) and others. |

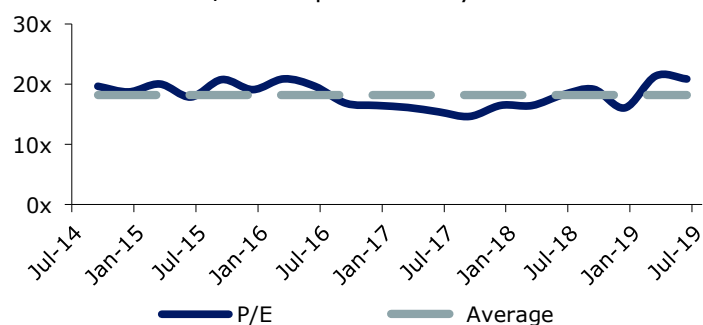
Revenue Multiples - Infosys Limited



EBITDA Multiples - Infosys Limited



P/E Multiples - Infosys Limited



Public Basket

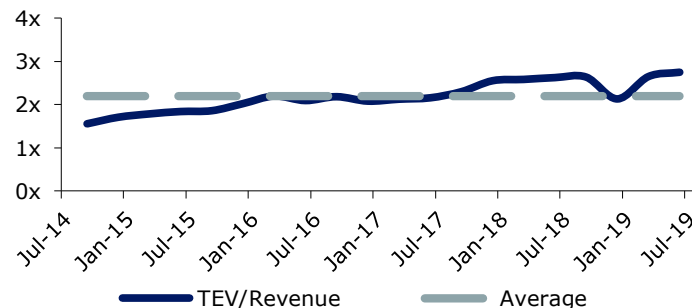


Accenture plc

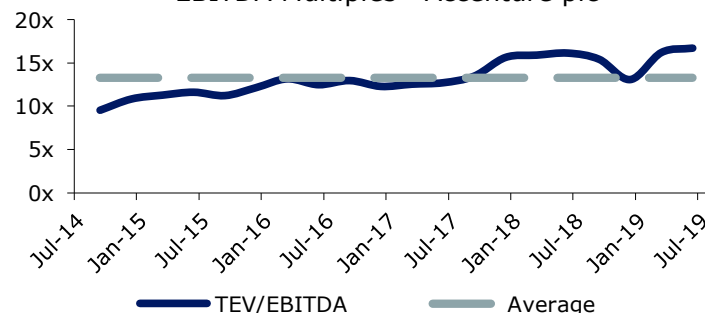
Accenture plc provides consulting, technology, and outsourcing services worldwide. Its Communications, Media & Technology segment provides professional services that help clients accelerate and deliver digital transformation, and enhance business results through industry-specific solutions for communications, media, and high tech industries, as well as for software platforms. The company's Financial Services segment offers services that address profitability pressures, industry consolidation, regulatory changes, and the need to continually adapt to new digital technologies. This segment serves clients in banking, capital markets, and insurance industries. Accenture plc was founded in 1989 and is based in Dublin, Ireland.

| Date | Key Development Headline |
|---------|---|
| 6/16/19 | Accenture plc (NYSE:ACN) acquired Deja vu Security, LLC. |
| 6/11/19 | Accenture plc (NYSE:ACN) acquired Cirruseo SAS. |
| 6/5/19 | Accenture, Faurecia and Affectiva Collaborate to Innovate Driver Safety and In-Car Infotainment for Occupants |
| 6/2/19 | Accenture plc (NYSE:ACN) acquired BRIDGE Energy Group, Inc. |
| 6/2/19 | Accenture plc (NYSE:ACN) completed the acquisition of Zielpuls GmbH. |

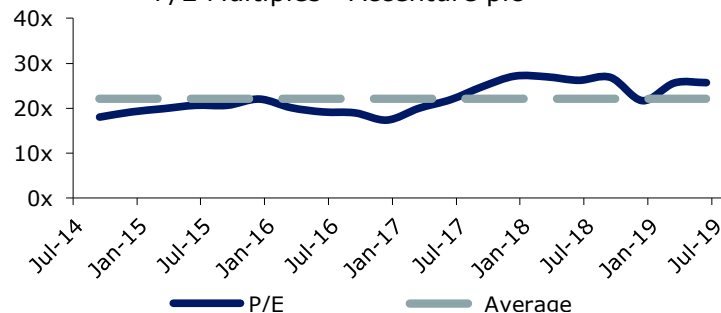
Revenue Multiples - Accenture plc



EBITDA Multiples - Accenture plc



P/E Multiples - Accenture plc



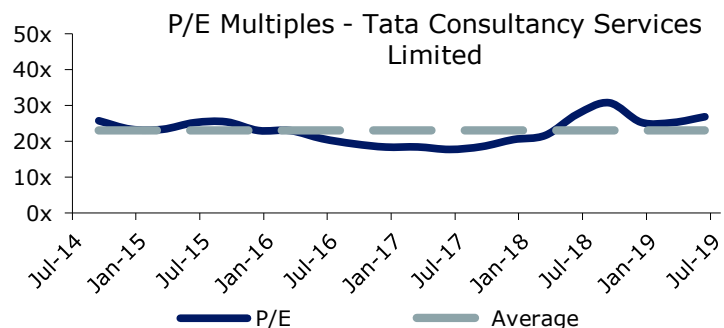
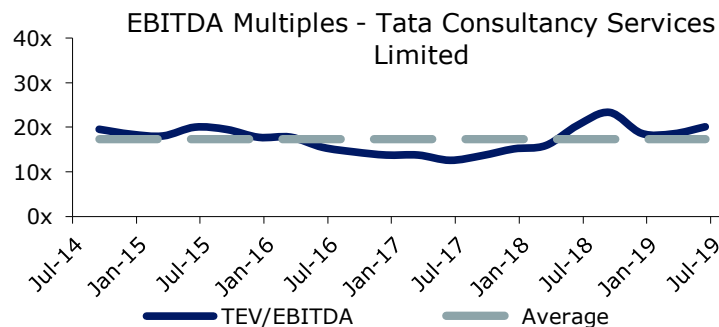
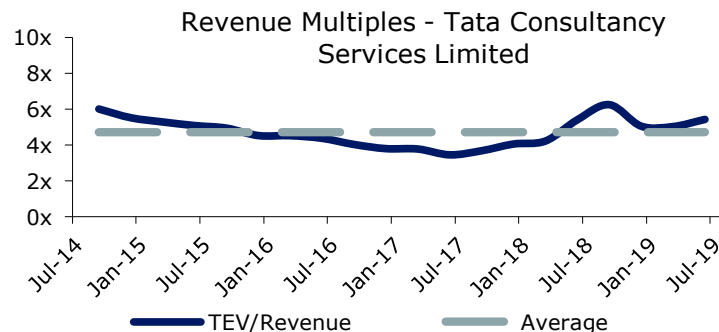
Public Basket



Tata Consultancy Services Limited

Tata Consultancy Services Limited provides information technology (IT) and IT enabled services worldwide. It offers CHROMA, a cloud-based talent management platform for enterprises to drive next generation employee experiences across the requisition-to-retain employee lifecycle; ignio, a cognitive automation system for IT operations in enterprises; iON, an assessment solution; TAP, an accounts payable platform; and TCS MasterCraft, a digital platform to automate and manage IT processes. Tata Consultancy Services Limited is a subsidiary of Tata Sons Limited.

| Date | Key Development Headline |
|----------|--|
| 4/14/19 | Tata Consultancy Services To Seek Acquisitions |
| 2/11/19 | Tata Consultancy Services Announces Global Partnership with JDA Software to Build Next-Generation Cognitive Solutions |
| 1/10/19 | TCS Seeks Acquisitions |
| 12/18/18 | Tata Consultancy Services Extends Collaboration with Red Hat to Build Microservices-Based Open Source Solutions and Frameworks |
| 11/27/18 | Tata Consultancy Services Limited (NSEI:TCS) acquired Assets BridgePoint Group, LLC. |
| 11/20/18 | Tata Consultancy Services Partners with SAP to Build Intelligent Rail Digital Maintenance |
| 11/11/18 | Tata Consultancy Services Partners with ENGIE Laborelec to Protect Critical Infrastructures Against Cyber Attacks |
| 11/2/18 | Tata To Seek Acquisitions |



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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