



Sectorwatch: Cloud Computing

July 2019

Cloud Computing

July 2019

- Sector Dashboard [4]
- Public Basket Performance [5]
- Operational Metrics [7]
- Valuation Comparison [10]
- Recent Deals [13]
- Appendix [14]

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.



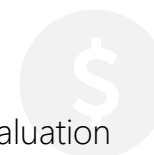
Public Basket Performance

- 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

↑ 8.5%

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

↑ 0.1%

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

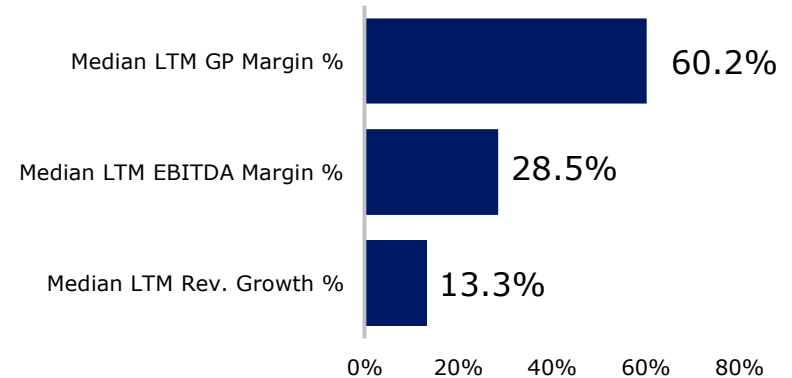
Profitability Momentum

↑ 4.0%

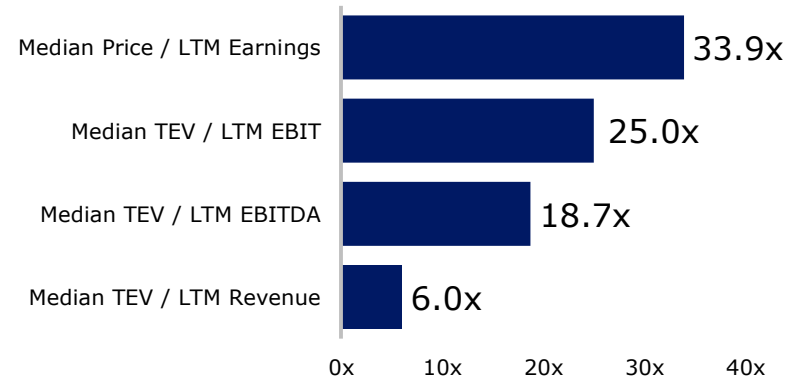
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

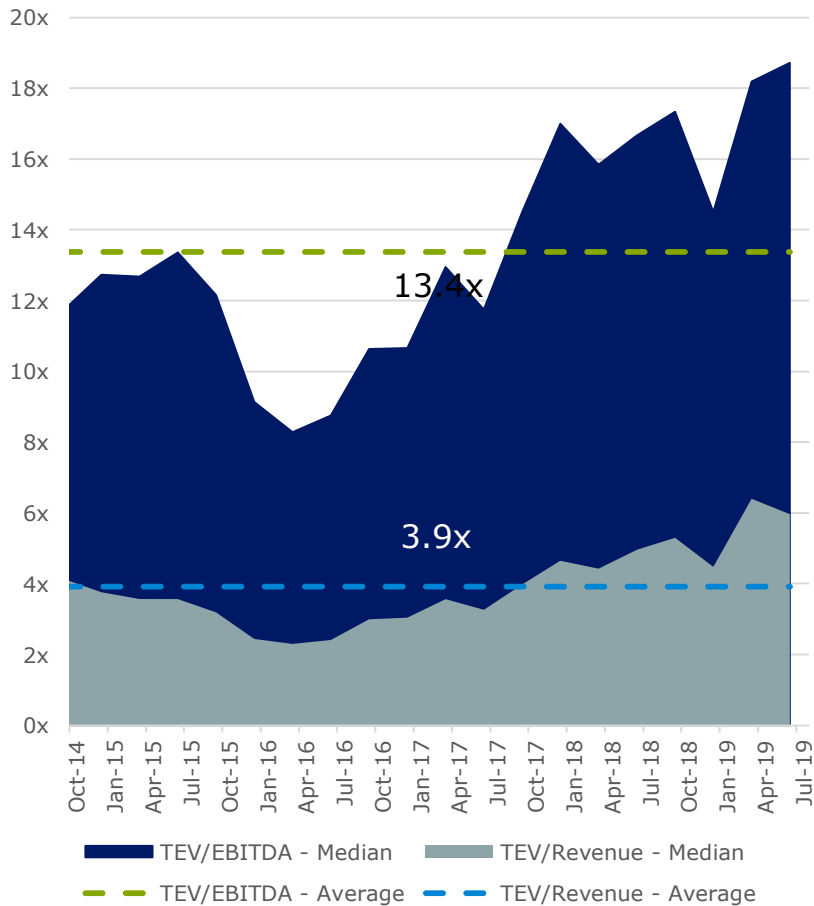


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Unisys Corporation	868	2,812	1%	23%	8%	0.3	4.1	21,700	130
Red Hat, Inc.	31,511	3,483	14%	85%	20%	9.0	45.4	13,360	261
Equinix, Inc. (REIT)	53,215	5,219	13%	49%	44%	10.2	23.0	7,903	660
CenturyLink, Inc.	49,868	23,145	19%	58%	39%	2.2	5.5	45,000	514
VMware, Inc.	70,604	9,232	14%	86%	27%	7.6	28.5	22,990	402
Cisco Systems, Inc.	223,393	51,320	6%	62%	30%	4.4	14.4	74,200	692

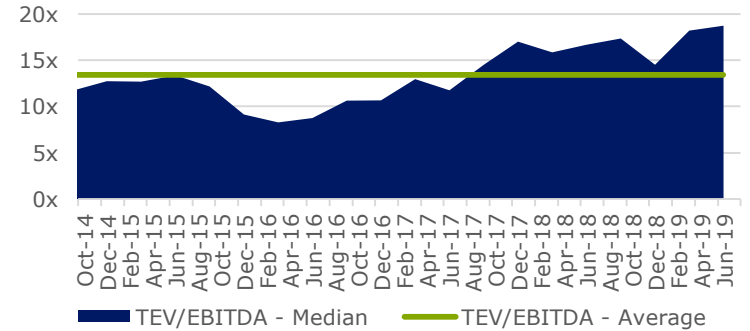
Average	71,576	15,869	11%	61%	28%	5.6	20.1	30,859	443
Median	51,541	7,225	13%	60%	28%	6.0	18.7	22,345	458

share price as of 02Jul19

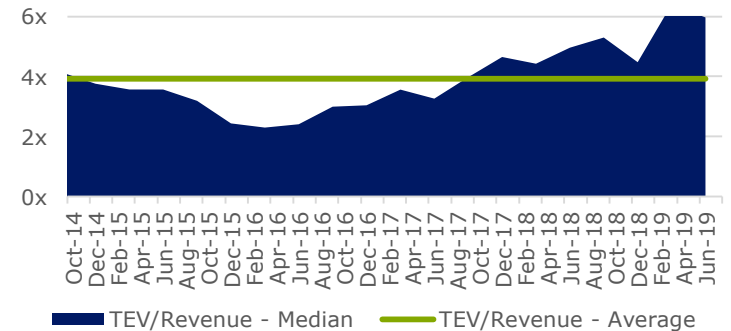
Public Basket Valuation Trends



Public EBITDA Multiples over Time



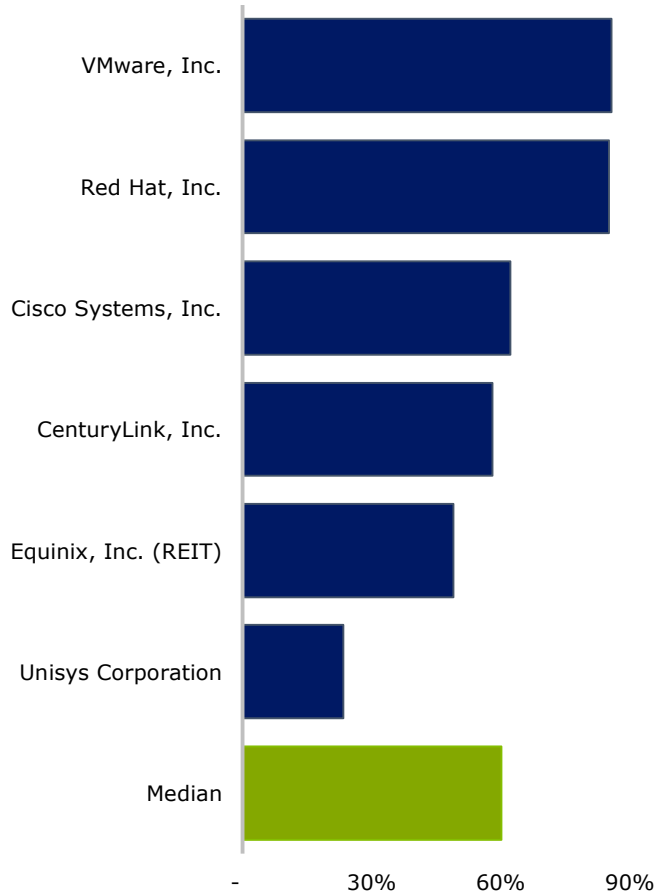
Public Revenue Multiples over Time



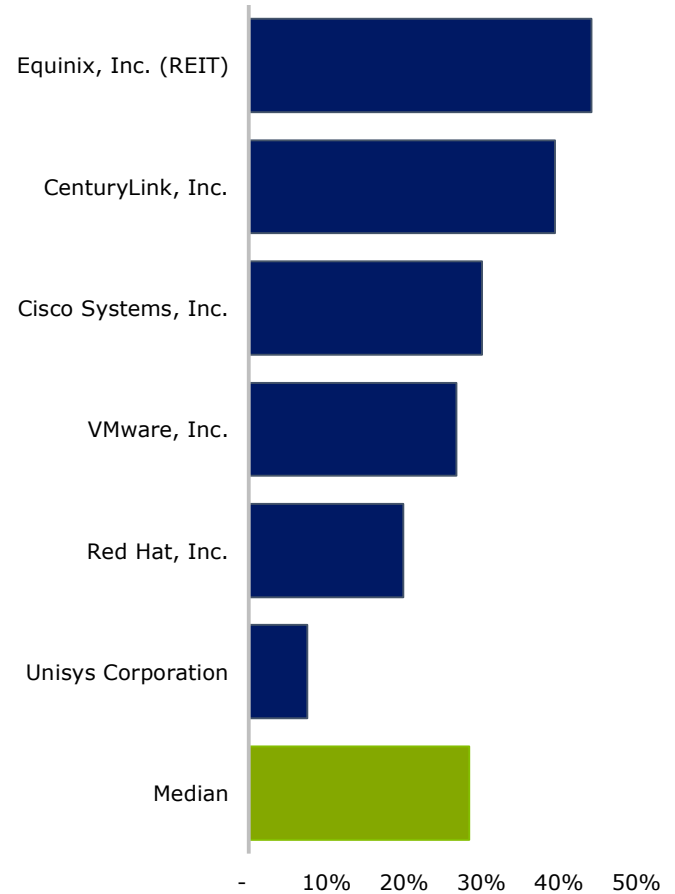
Operational Metrics



LTM Gross Profit Margin %



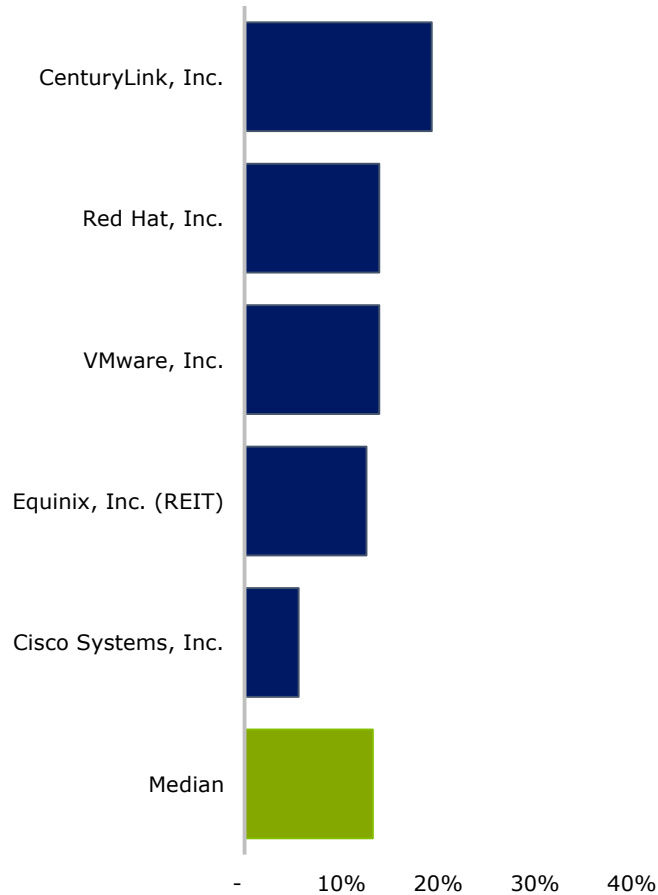
LTM EBITDA %



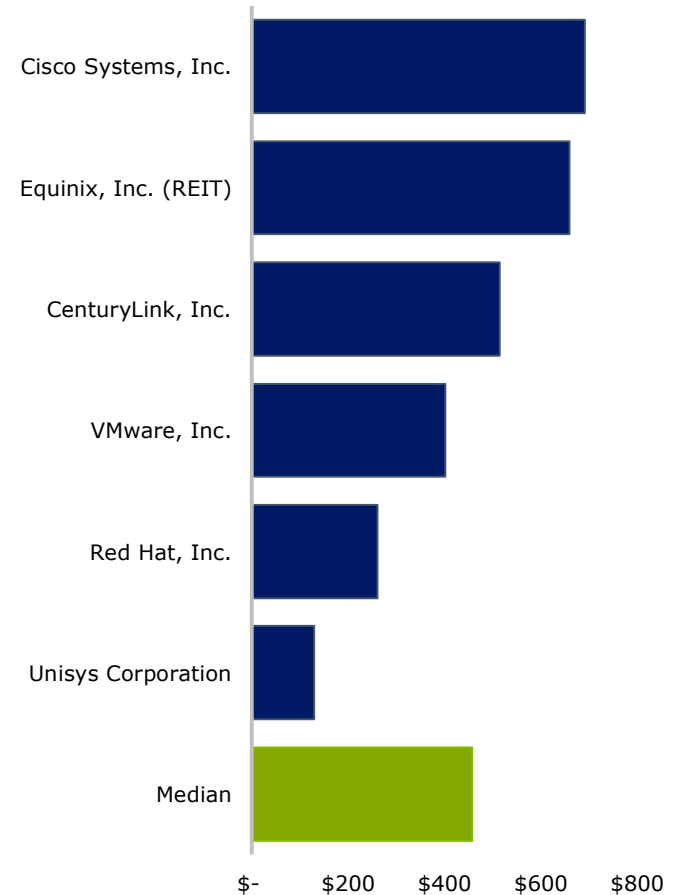
Operational Metrics



LTM Revenue Growth %



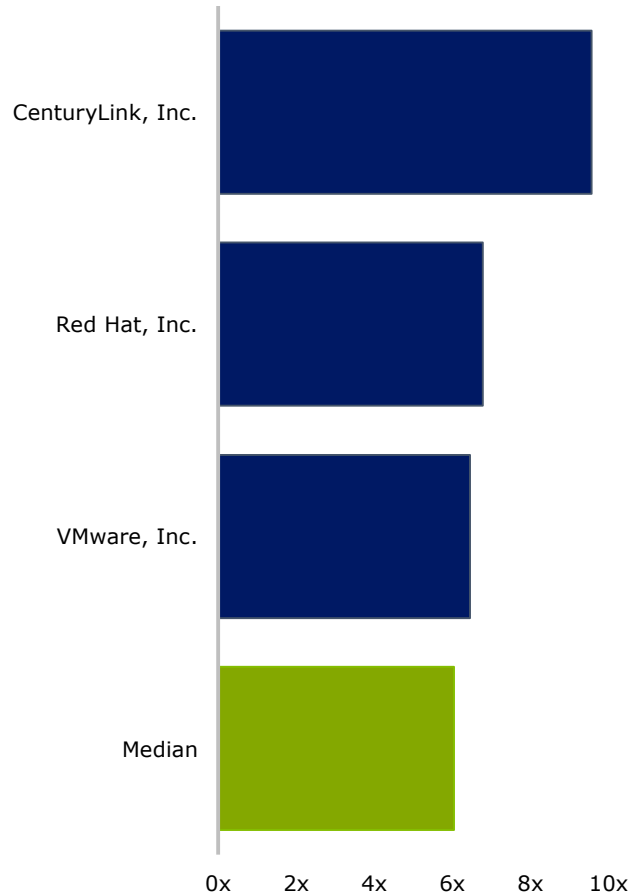
LTM Revenue per Full Time Employee x 000's



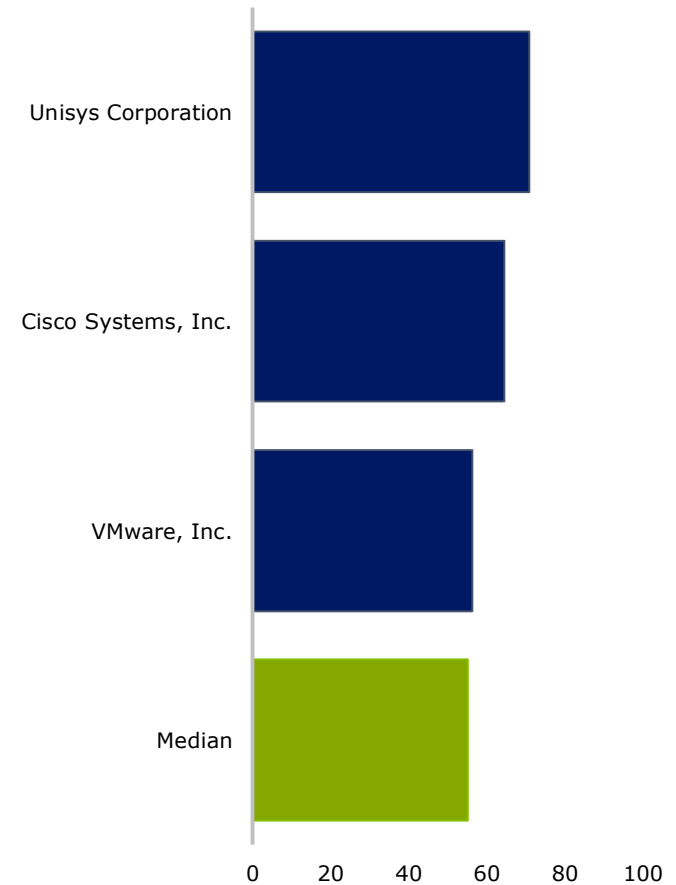
Operational Metrics



Accounts Receivable Turnover



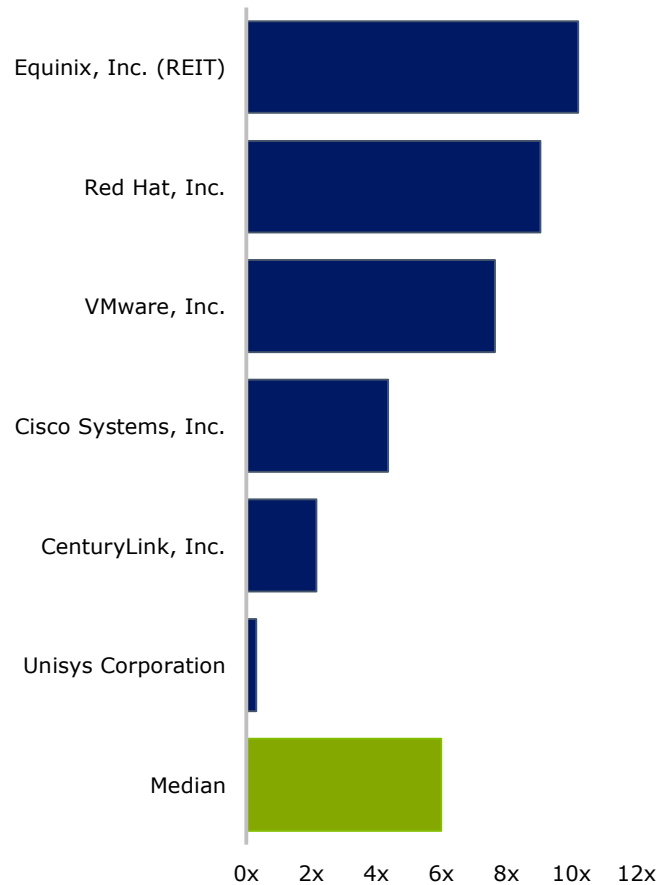
Average Days Sales Outstanding



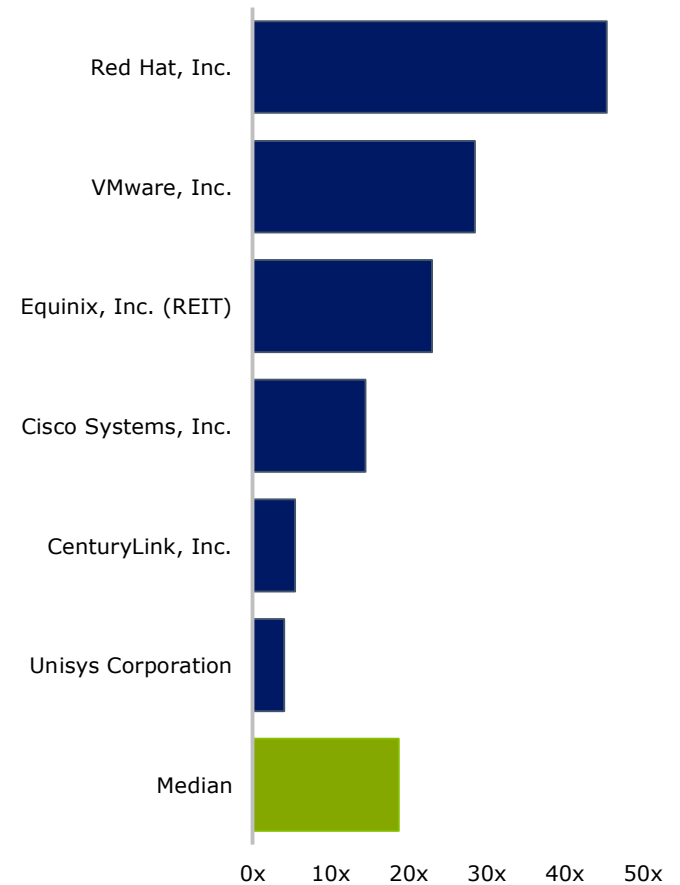
Valuation



TEV / LTM Revenue



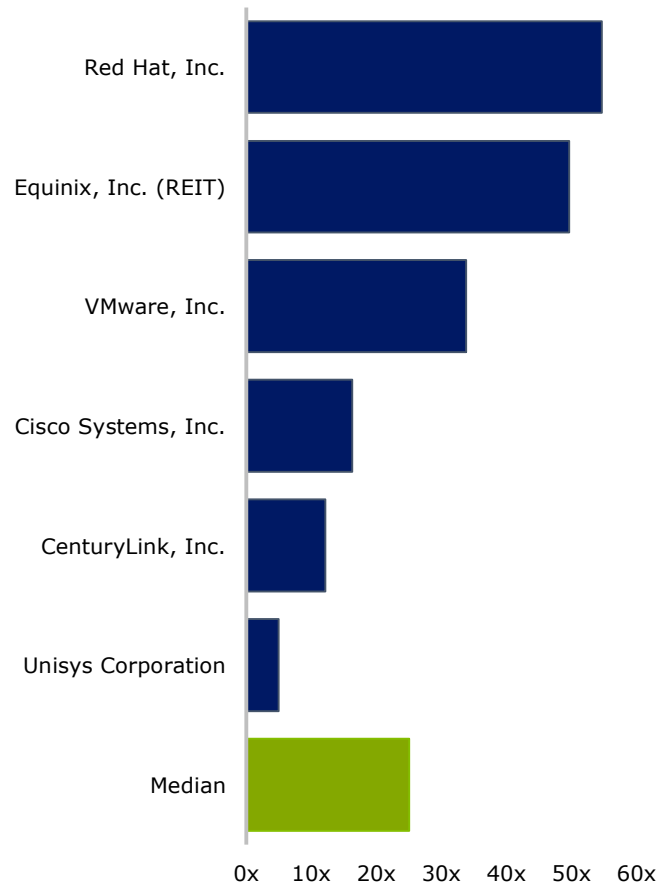
TEV / LTM EBITDA



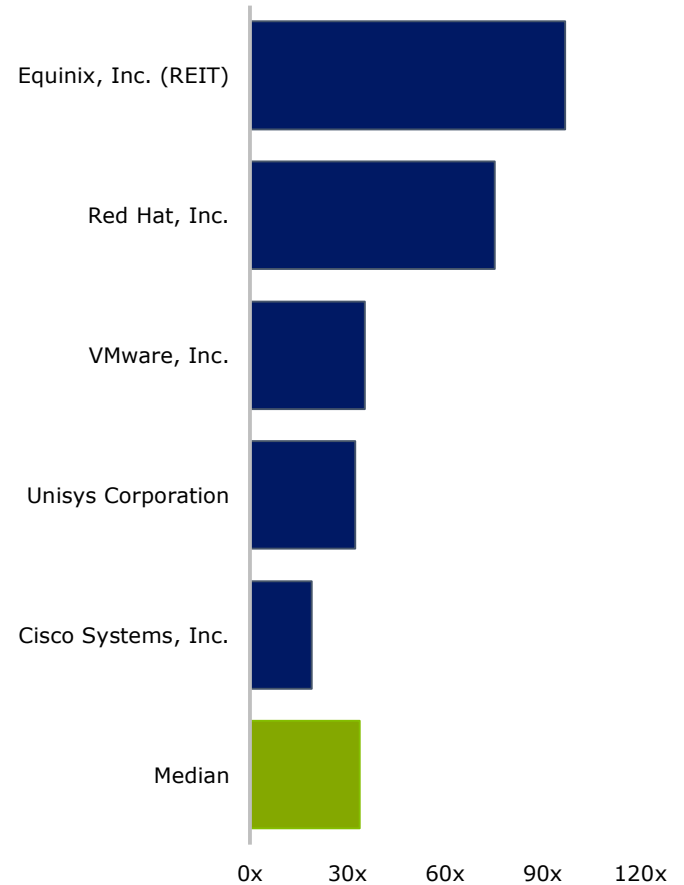
Valuation



TEV / LTM EBIT



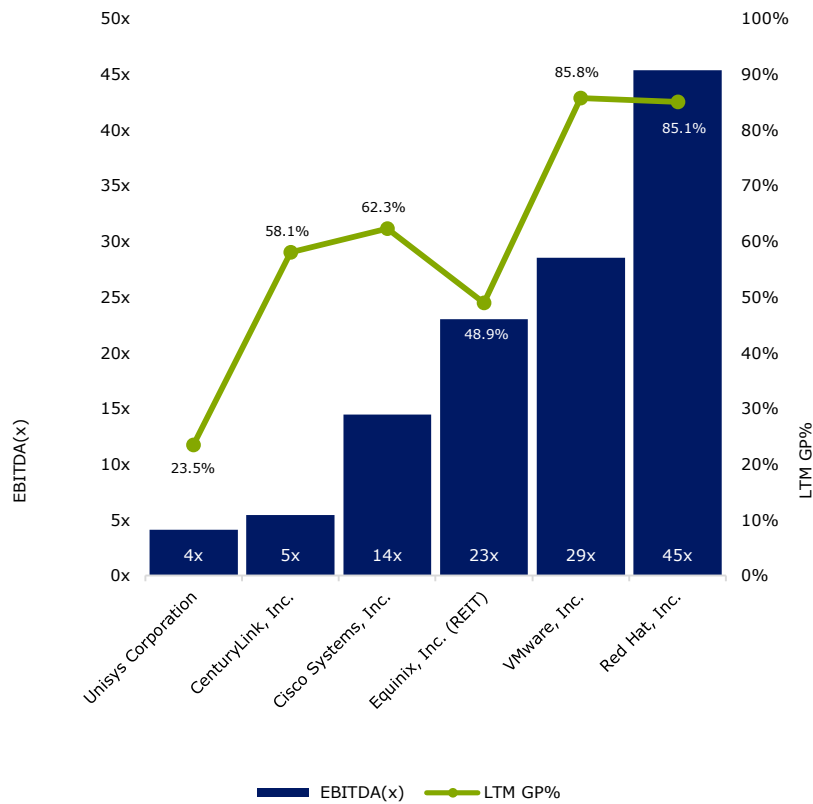
Price / LTM Earnings



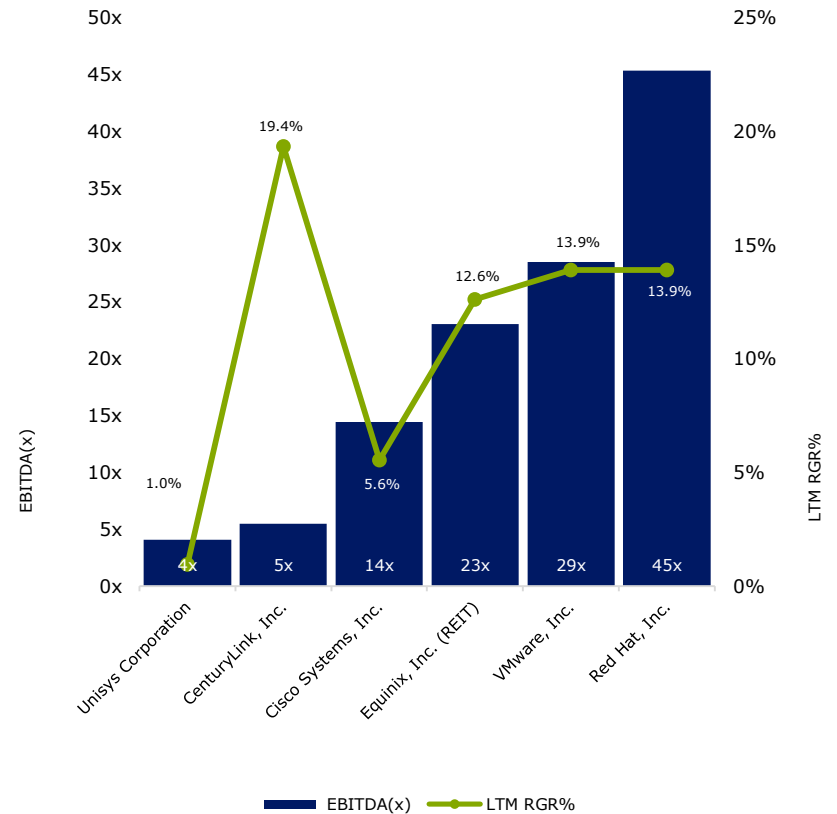
Valuation



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
1Jul19	intY Limited	ScanSource, Inc.	-	-	-	-
1Jul19	OutboundEngine, Inc.	-	8.00	-	-	-
1Jul19	Gecko Labs Limited	Mercia Fund Managers	2.28	-	-	-
27Jun19	AllThingsTalk NV	ALSO Holding AG	-	-	-	-
27Jun19	Aera Technology, Inc.	Georgian Partners Growth LP; DFJ Growth Management, LLC; NewView Capital Management, LLC	80.00	-	-	-
26Jun19	EnterpriseDB Corporation	Great Hill Partners, LLC; Catalyst Investors	-	-	-	-
26Jun19	Oxygen Systems	Oracle Corporation	-	-	-	-
26Jun19	Fellow Insights, Inc.	Inovia Capital; Felicis Ventures; Garage Capital	6.67	-	-	-
25Jun19	Anexinet Corp.	Mill Point Capital LLC	-	-	-	-
25Jun19	Review Trackers, Inc.	PeakSpan Capital, LLC	10.00	-	-	-
25Jun19	Huabao Technology	Beijing Yunify Technology Co., Ltd.	2.91	-	-	-
25Jun19	INTERSHOP Communications Aktiengesellschaft	-	-	34.59	-	-
25Jun19	youperience GmbH	Persistent Systems Germany GmbH	7.74	3.19	2.4x	-
25Jun19	Skyepack, LLC	-	0.20	-	-	-
25Jun19	Car IQ Inc.	Plug and Play Tech Center; Quest Venture Partners LLC; Citi Ventures, Inc.; Spike Ventures; Alpana Ventures SA; Avanta Ventures	5.00	-	-	-
24Jun19	Onventis GmbH	Main Capital Partners B.V.	-	-	-	-
24Jun19	WorkForce Software, LLC	Evergreen Coast Capital Corp.	-	-	-	-
24Jun19	C3, Inc.	Baker Hughes, a GE company	-	-	-	-
24Jun19	Dattatec.com SRL	-	-	-	-	-
24Jun19	Integra Document Management Srl	ASC Investment Sàrl	-	-	-	-
21Jun19	CloudHedge Technologies Private Limited	NTT DATA Corporation	-	-	-	-
21Jun19	Beijing PeerSafe Technology Co. Ltd.	-	2.90	-	-	-
20Jun19	Eastwind Networks, Inc.	NetScout Systems, Inc.	-	-	-	-
20Jun19	Druva Software Pvt. Ltd.	Viking Global Investors LP; Atreides Capital, LLC; Nexus Venture Partners; Tenaya Capital Inc.; Riverwood Capital LLC	129.85	-	-	-
20Jun19	Engage3, Inc.	Black Diamond Ventures, LLC; Pereg Ventures LLC; NewRoad Capital Partners, LLC	12.00	-	-	-
20Jun19	All Assets of Great Wave Tech	Ksquare Solutions Inc.	-	-	-	-
20Jun19	Procurify Technologies Inc.	Information Venture Partners; Kensington Capital Partners Limited; Runa Capital; BC Tech Fund	19.98	-	-	-
20Jun19	Elrond Ltd	Nereo GreenCapital; Binance Labs; Maven 11 Capital BV; Authorito Capital	1.90	-	-	-
20Jun19	ParallelM, Inc.	DataRobot, Inc.	-	-	-	-

Cloud Computing

July 2019

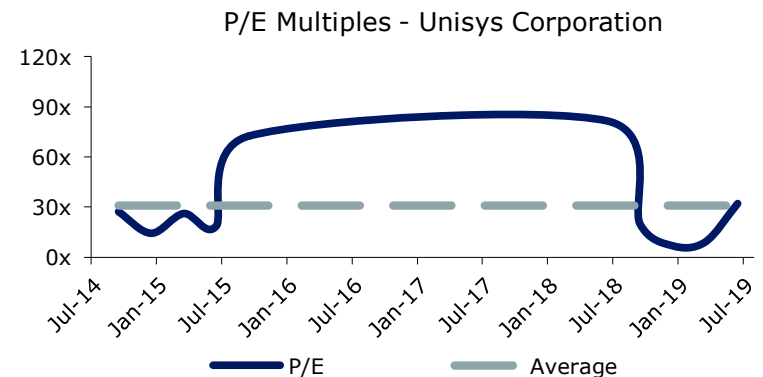
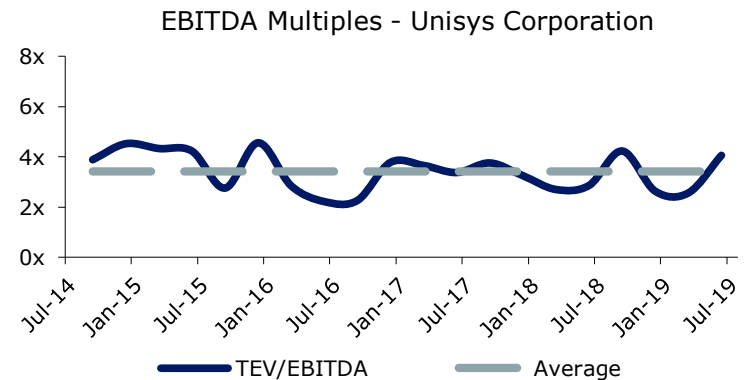
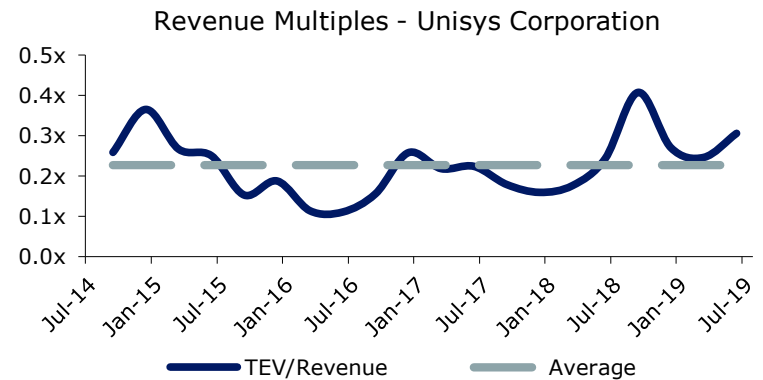
APPENDIX: Public Basket Constituents

Public Basket



Unisys Corporation

Unisys Corporation provides information technology services worldwide. It operates in two segments, Services and Technology. The Services segment provides cloud and infrastructure services, application services, and business process outsourcing services. The Technology segment designs and develops software, hardware, and other related products. It offers a range of data-center, infrastructure management, and cloud computing services for clients to virtualize and automate data-center environments. This segment also provides industry application products, which allow law enforcement agencies to share critical investigative intelligence and integrated child support case management tools; travel and transportation companies to manage freight and distribution and leverage predictive analytics; and life sciences and healthcare companies to manage medical devices and visibility over the pharmaceutical supply chain, as well as offers financial solutions to deliver banking. In addition, its products include Unisys ClearPath Forward hardware-independent software for high-volume enterprise computing; Unisys Corporation was founded in 1886 and is based in Blue Bell, Pennsylvania.



Public Basket

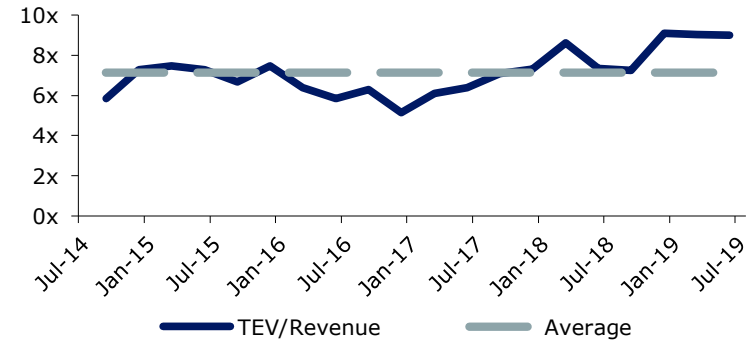


Red Hat, Inc.

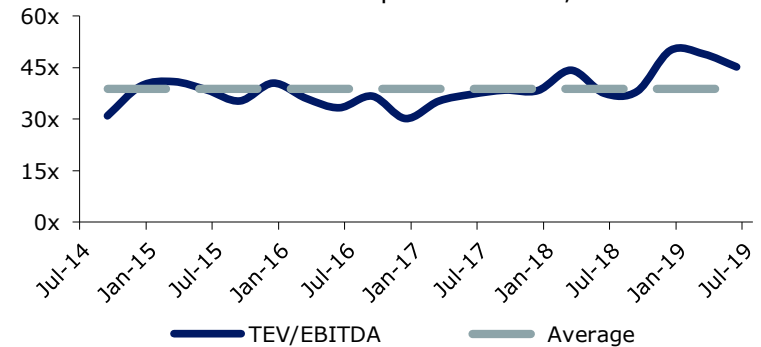
Red Hat, Inc. provides open source software solutions to develop and offer operating system, virtualization, management, middleware, cloud, mobile, and storage technologies to various enterprises worldwide. It offers infrastructure-related solutions, such as Red Hat Enterprise Linux, an operating system platform that runs on hardware for use in hybrid cloud environments; Red Hat Satellite, a system management offering that helps to deploy, scale, and manage in hybrid cloud environments; and Red Hat Enterprise Virtualization, a software solution that allows customers to utilize and manage a common hardware infrastructure to run multiple operating systems and applications. The company offers application development-related and other technology solutions, such as Red Hat JBoss Middleware, a solution for developing, deploying, and managing applications; integrating applications, data, and devices; and automating business processes in hybrid cloud environments; Red Hat, Inc. was founded in 1993 and is headquartered in Raleigh, North Carolina.

Date	Key Development Headline
12/18/18	Tata Consultancy Services Extends Collaboration with Red Hat to Build Microservices-Based Open Source Solutions and Frameworks
11/26/18	Red Hat, Inc. (NYSE:RHT) acquired NooBaa Inc., from OurCrowd Ltd., Jerusalem Venture Partners and others for \$11.6 million.
10/29/18	International Business Machines Corporation, Red Hat, Inc. - M&A Call

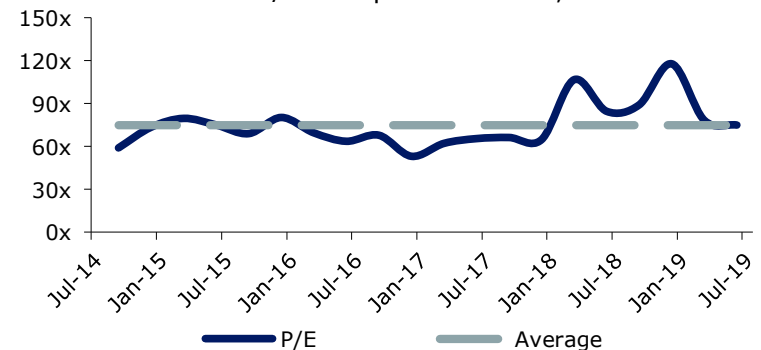
Revenue Multiples - Red Hat, Inc.



EBITDA Multiples - Red Hat, Inc.



P/E Multiples - Red Hat, Inc.



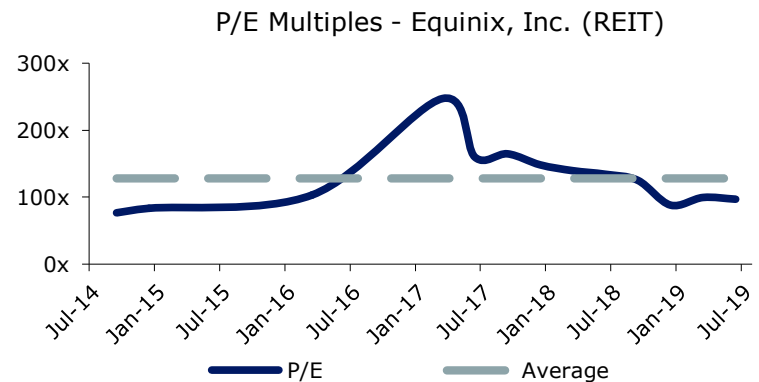
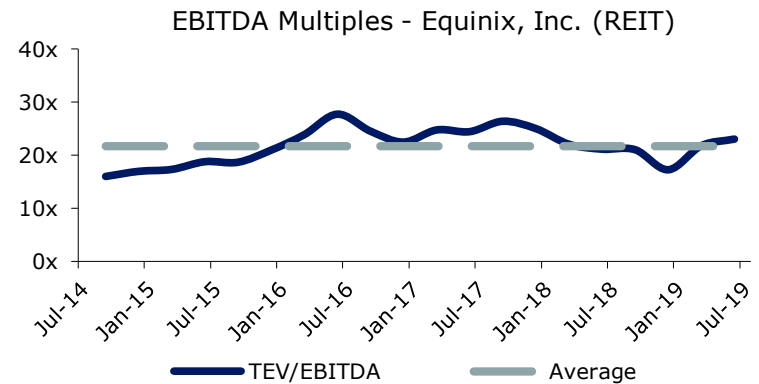
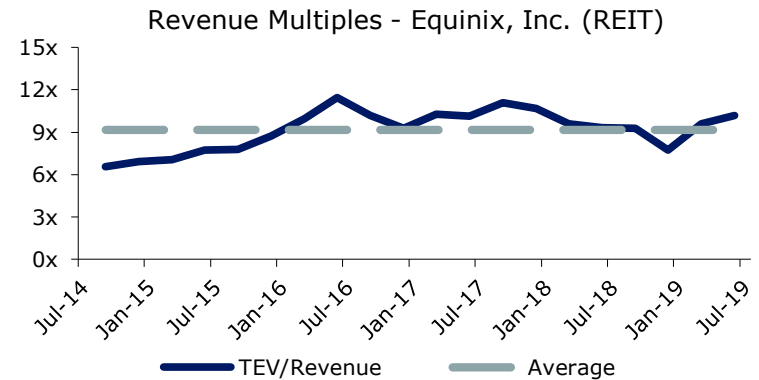
Public Basket



Equinix, Inc. (REIT)

Equinix, Inc. (Nasdaq: EQIX) connects the world's leading businesses to their customers, employees and partners inside the most-interconnected data centers. In 48 markets across five continents, Equinix is where companies come together to realize new opportunities and accelerate their business, IT and cloud strategies.

Date	Key Development Headline
7/1/19	Equinix, Inc. and GIC Agree to Form Joint Venture to Develop and Operate Hyperscale Data Centers in Europe
6/13/19	Equinix, Inc. (REIT) Intends To Seek Investments
4/22/19	Equinix, Inc. (REIT) (NasdaqGS:EQIX) acquired AMS1 Data Center Business in Amsterdam from Switch Datacenters for €30 million.
2/6/19	F5 Teams with Equinix to Enhance Security for Multi-Cloud Environments
1/9/19	Equinix, Inc. (REIT) (NasdaqGS:EQIX) acquired a commercial building at Vierenkamp 1, Hamburg, Germany from Aspen REG 1. Management GmbH for €9 million.



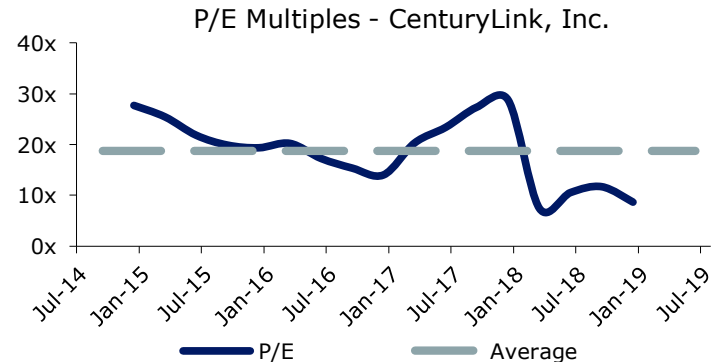
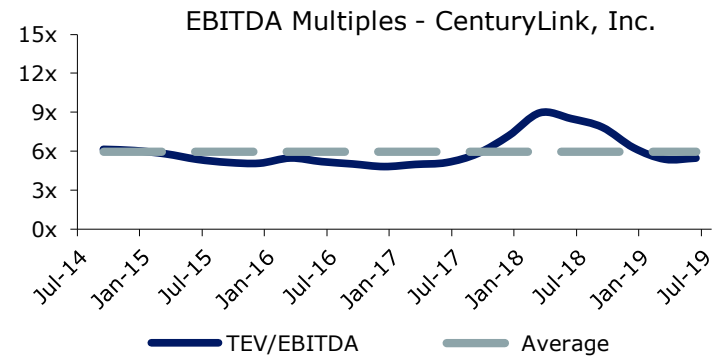
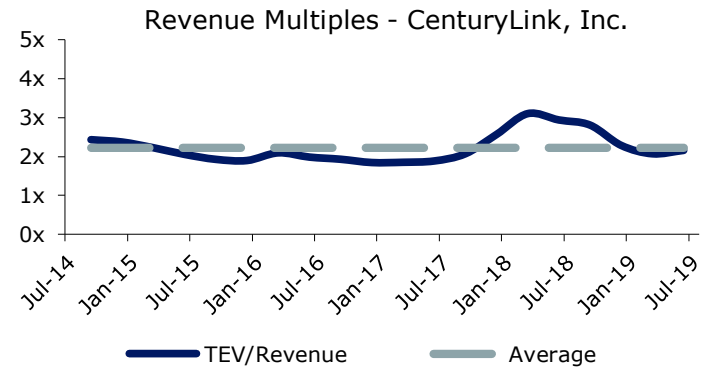
Public Basket



CenturyLink, Inc.

CenturyLink, Inc. provides various communications services to residential, business, wholesale, and governmental customers primarily in the United States. It operates in two segments, Business and Consumer. The company offers virtual private network data network services; Ethernet services; Internet protocol services; CenturyLink Prism TV that allows customers to watch television or cable channels and record up to four shows on one home digital video recorder; and Vyvx, which provides audio and video feeds over fiber or satellite for broadcast and production customers, as well as satellite digital television services. It also provides broadband services, which allow customers to connect to the Internet through their existing telephone lines or fiber-optic cables; CenturyLink, Inc. was founded in 1968 and is based in Monroe, Louisiana.

Date	Key Development Headline
2/19/19	Southeastern Asset Management Calls On CenturyLink To Sell Assets; CenturyLink Disagrees with Southeastern
1/17/19	Rialto Capital Management LLC and Steelwave, LLC acquired 930 15th Street Office Building in Colorado from CenturyLink, Inc. (NYSE:CTL) for \$22.5 million.



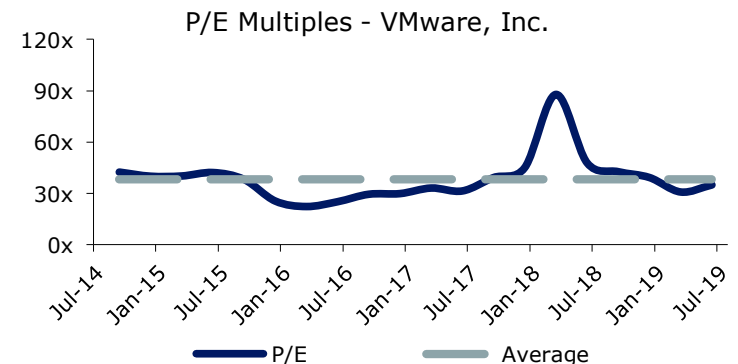
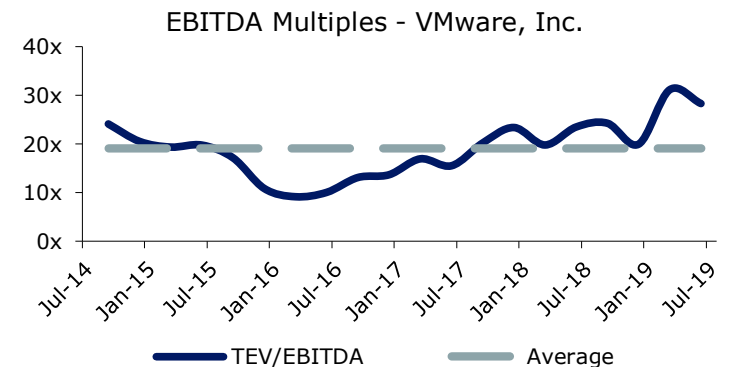
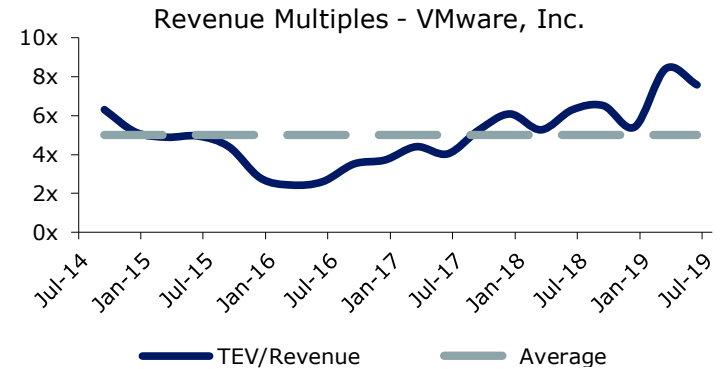
Public Basket



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
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.
12/10/18	VMware, Inc. (NYSE:VMW) completed the acquisition of Heptio Inc. from Accel, Madrona Venture Group, LLC, Lightspeed Venture Partners and others.
11/5/18	VMware, Inc. (NYSE:VMW) entered into a definitive agreement to acquire Heptio Inc. from Accel, Madrona Venture Group, LLC, Lightspeed Venture Partners and others for approximately \$550 million.



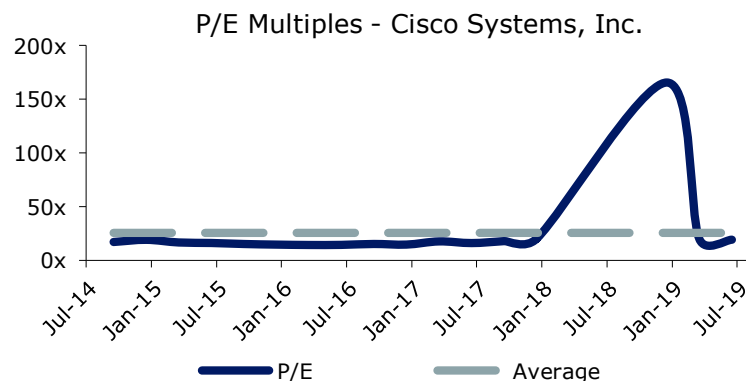
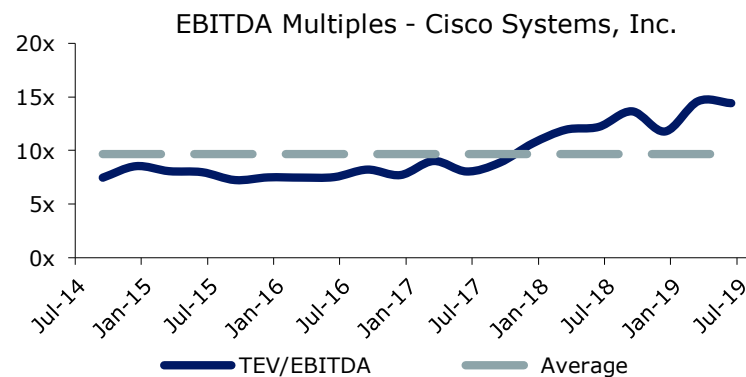
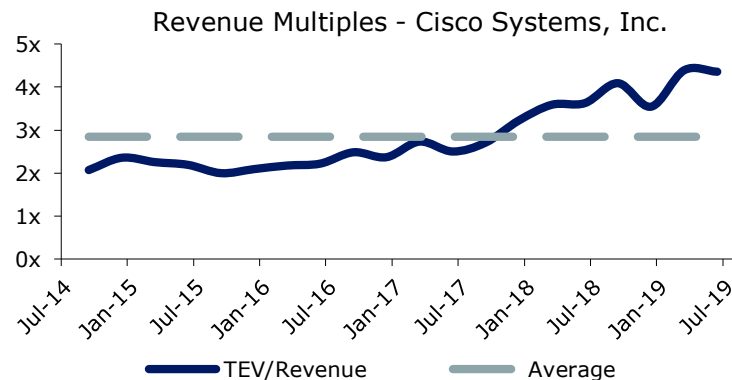
Public Basket



Cisco Systems, Inc.

Cisco Systems, Inc. designs, manufactures, and sells Internet Protocol (IP) based networking and other products related to the communications and information technology industry worldwide. The company offers switching products, including fixed-configuration and modular switches, and storage products that provide connectivity to end users, workstations, IP phones, wireless access points, and servers; and next-generation network routing products that interconnect public and private wireline and mobile networks for mobile, data, voice, and video applications. It also provides collaboration products comprising unified communications products, conferencing products, collaboration endpoints, and business messaging products; The company was founded in 1984 and is headquartered in San Jose, California.

Date	Key Development Headline
6/5/19	Cisco Systems, Inc. (NasdaqGS:CSCO) agreed to acquire Sentryo SAS from a group of investors.
5/7/19	Cisco and Snam Have Signed a Memorandum of Understanding to Develop Joint Research, Development and Innovation Initiatives in the Industrial Internet of Things
2/25/19	Cisco Systems Intends To Seek Acquisitions
2/24/19	Cisco and Airtel Team to Build India's Largest 5G-Ready IP Network
2/24/19	Cisco and Rakuten Mobile Network, Inc. to Build the World's First End-To-End Fully Virtualized, Cloud Native Mobile Network, Ready for 5G



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