



Sectorwatch: Software Engineering

September 2019

Software Engineering

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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.



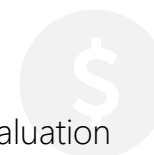
Public Basket Performance

- 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

↑ 4.3%

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

↓ -0.7%

1 - year gross profit % compared to gross profit % average for last 3 years

Current gross profit margin is less than the average of the last 3 years gross profit margins, indicating customer pricing power

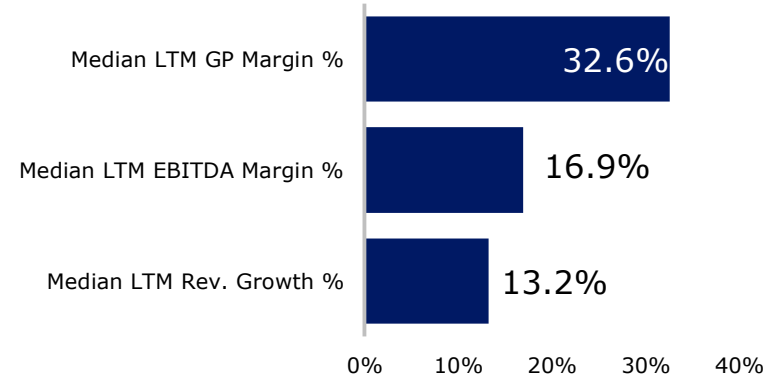
Profitability Momentum

↑ 0.7%

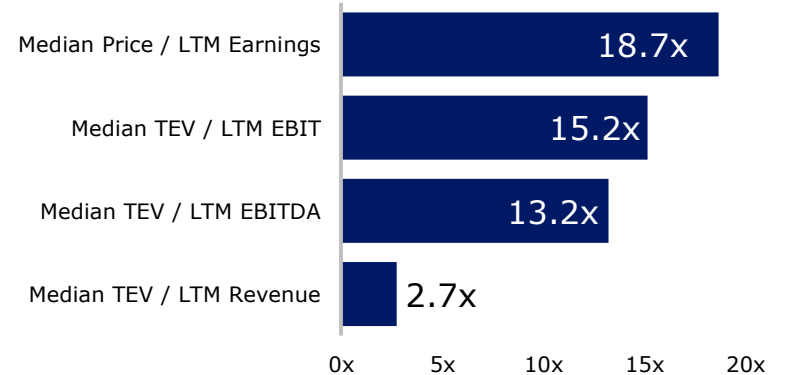
1 - year EBITDA % compared to EBITDA % average for last 3 years

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



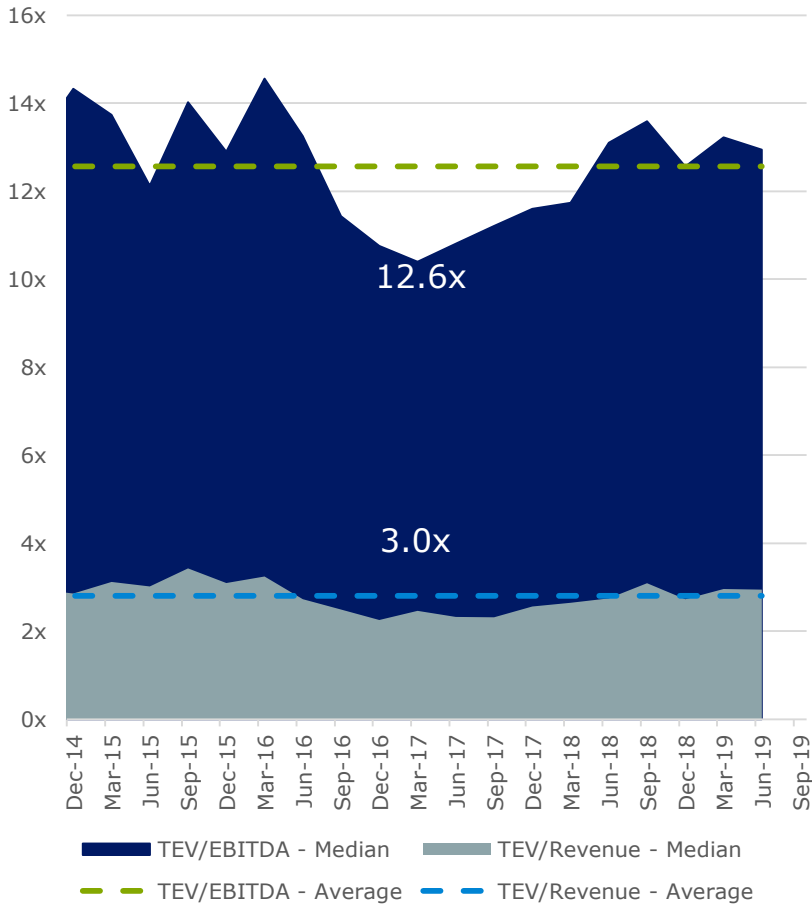
Public Basket



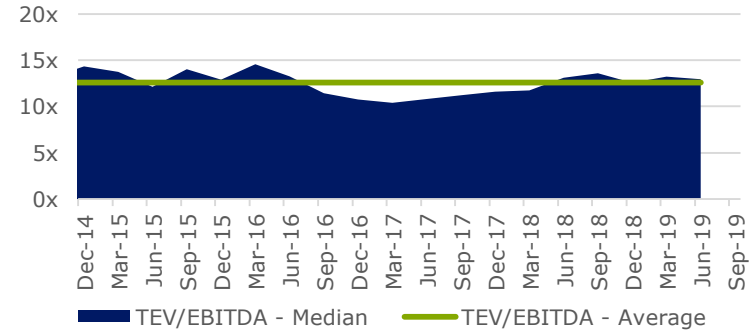
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
R Systems International Limited	40	113	25%	32%	9%	0.4	3.9	2,753	41
Persistent Systems Limited	545	488	7%	31%	16%	1.1	7.3	6,867	71
Globant S.A.	3,360	578	22%	40%	18%	5.8	32.3	8,384	69
EPAM Systems, Inc.	9,588	2,046	24%	35%	16%	4.7	29.8	30,156	68
Wipro Limited	15,008	8,607	8%	30%	20%	1.8	8.9	170,000	51
Capgemini SE	22,147	15,632	8%	27%	13%	1.5	11.4	211,313	74
Infosys Limited	43,385	12,099	9%	33%	24%	3.7	15.1	-	NA
Tata Consultancy Services Limited	101,857	21,817	18%	45%	27%	4.8	17.9	424,285	51
Average	24,491	7,672	15%	34%	18%	3.0	15.8	106,720	61
Median	12,298	5,326	13%	33%	17%	2.7	13.2	19,270	68

share price as of 23Sep19

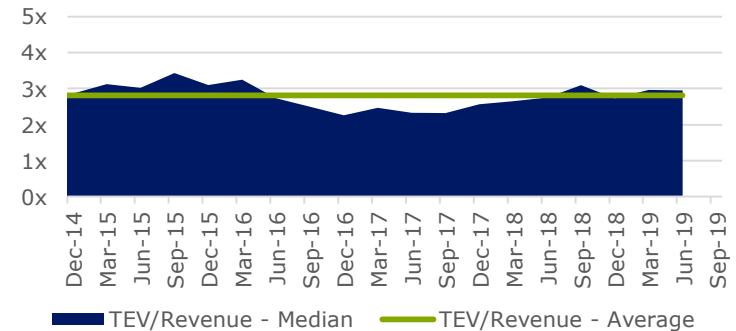
Public Basket Valuation Trends



Public EBITDA Multiples over Time



Public Revenue Multiples over Time



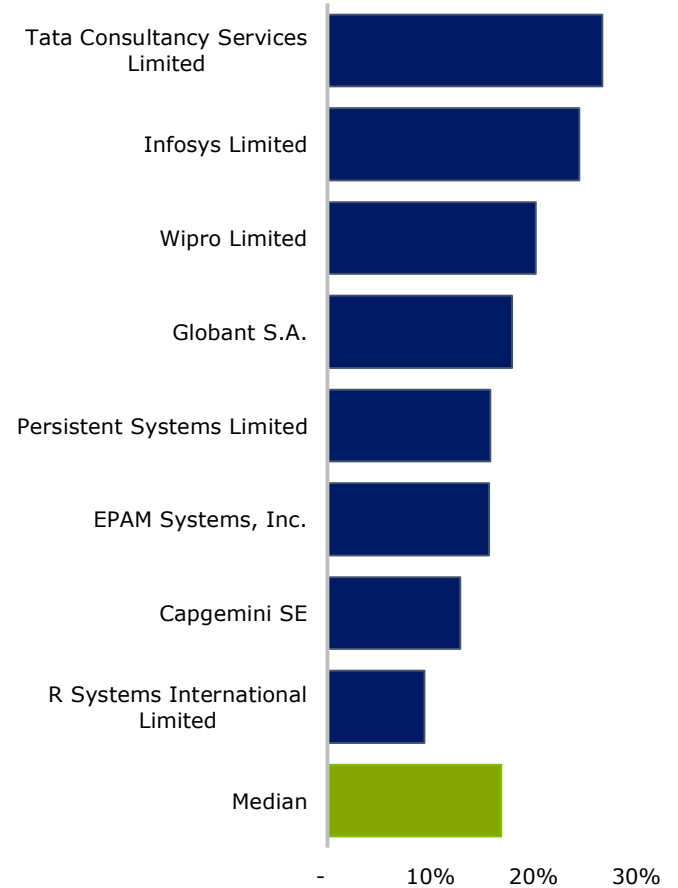
Operational Metrics



LTM Gross Profit Margin %



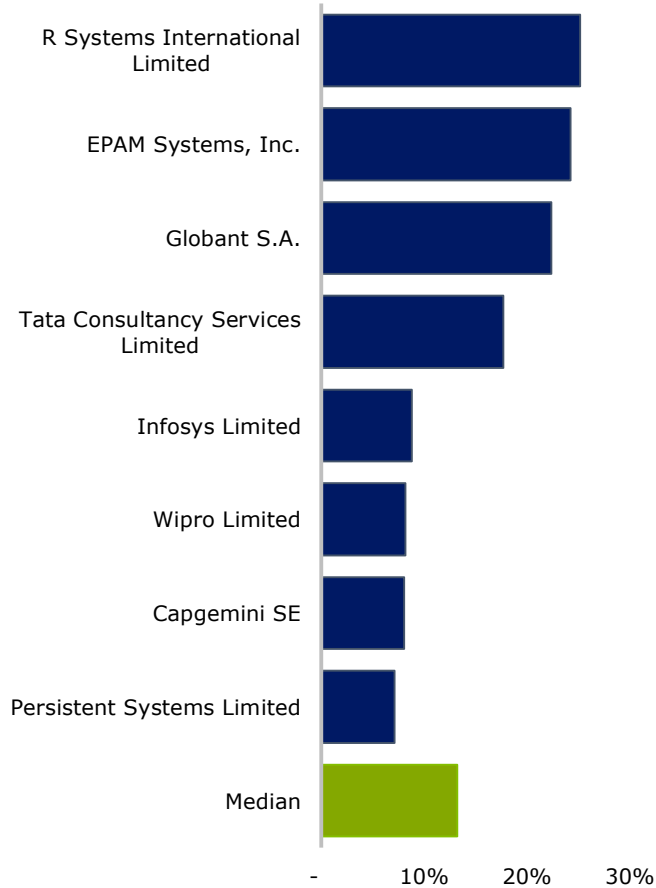
LTM EBITDA %



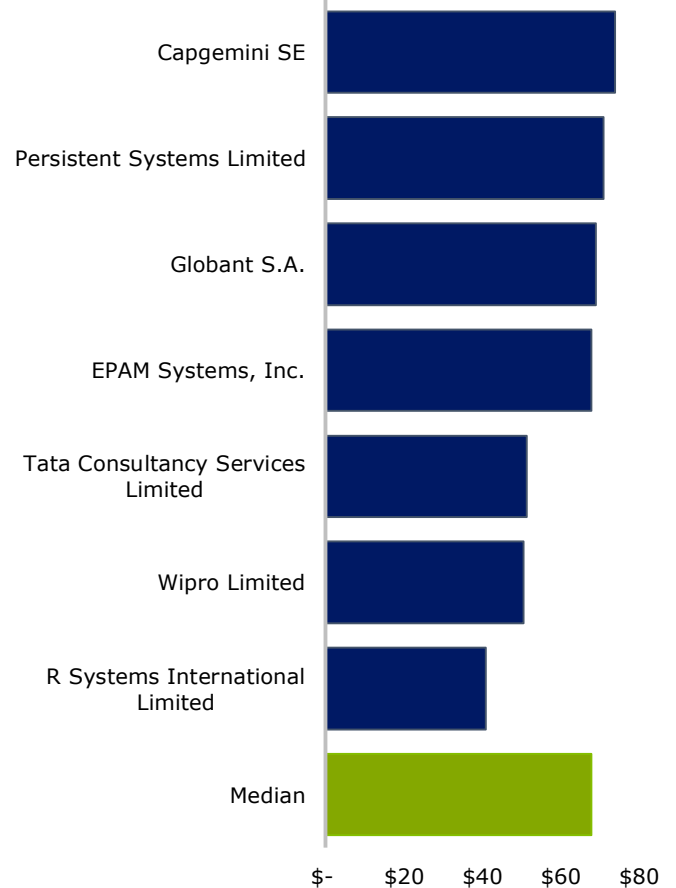
Operational Metrics



LTM Revenue Growth %



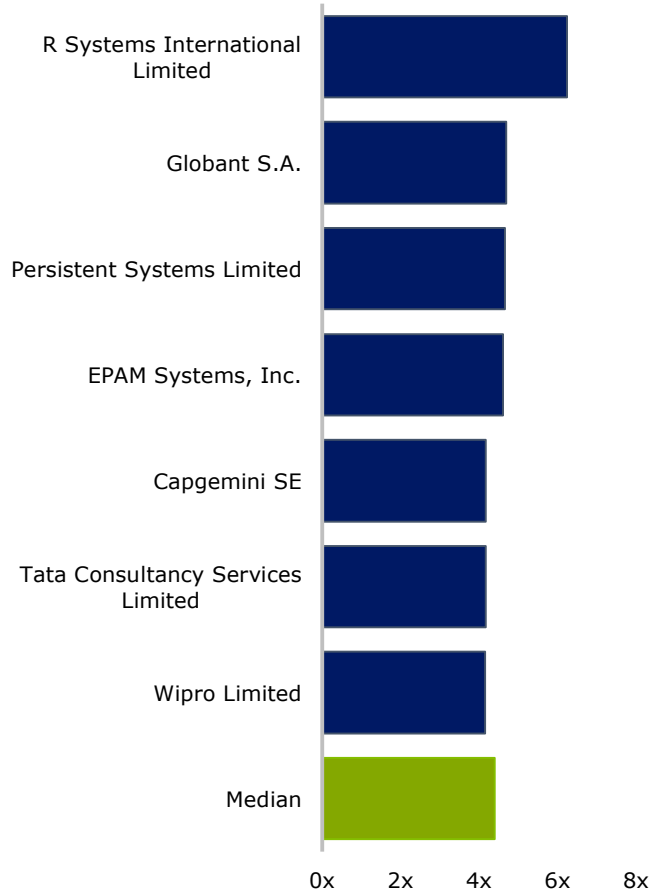
LTM Revenue per Full Time Employee x 000's



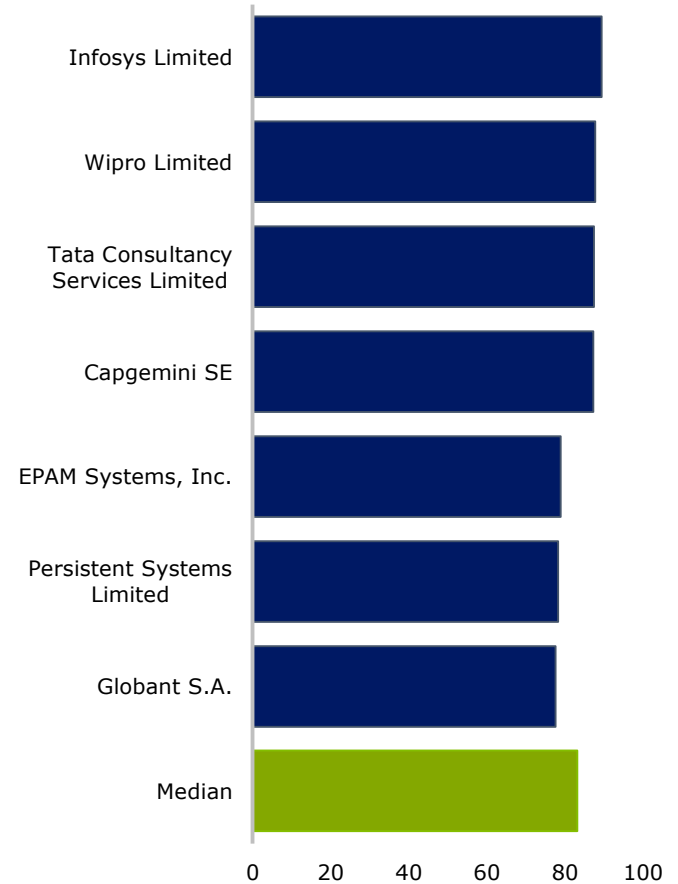
Operational Metrics



Accounts Receivable Turnover



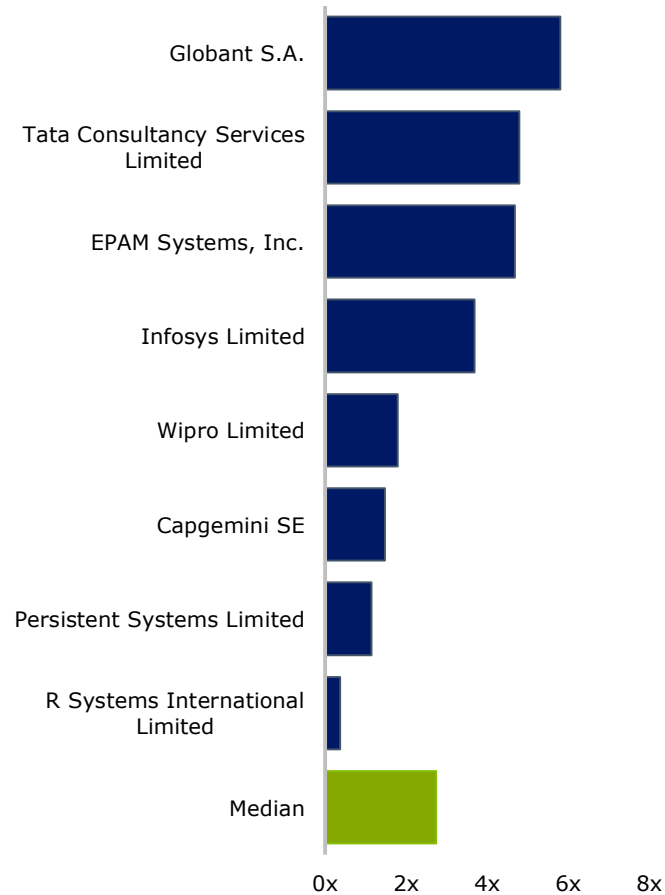
Average Days Sales Outstanding



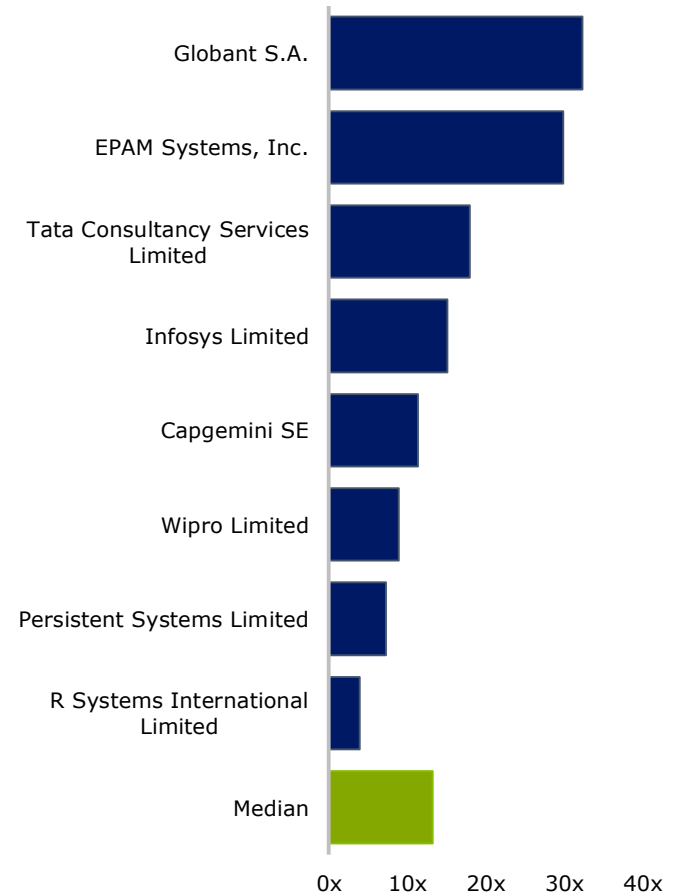
Valuation



TEV / LTM Revenue



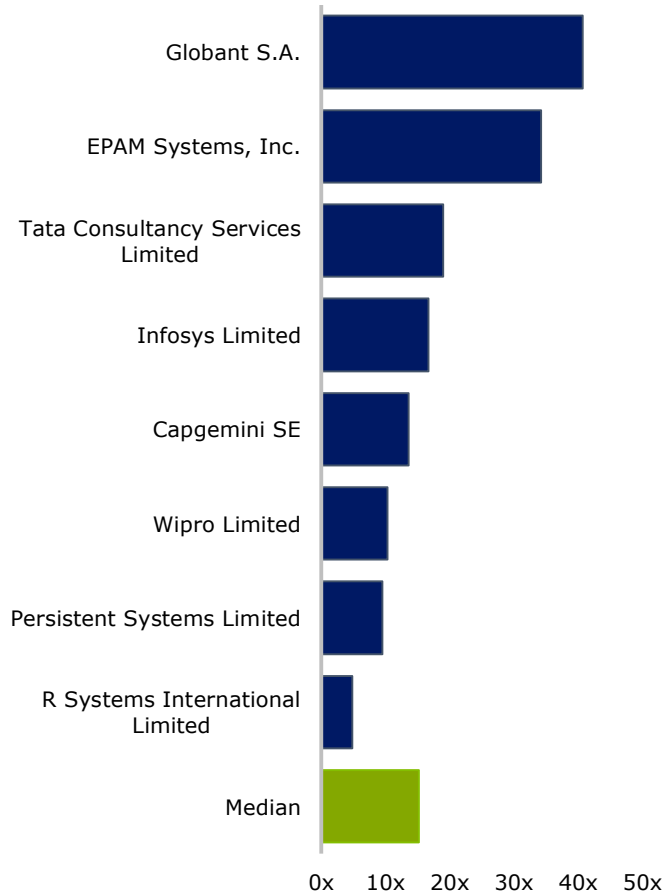
TEV / LTM EBITDA



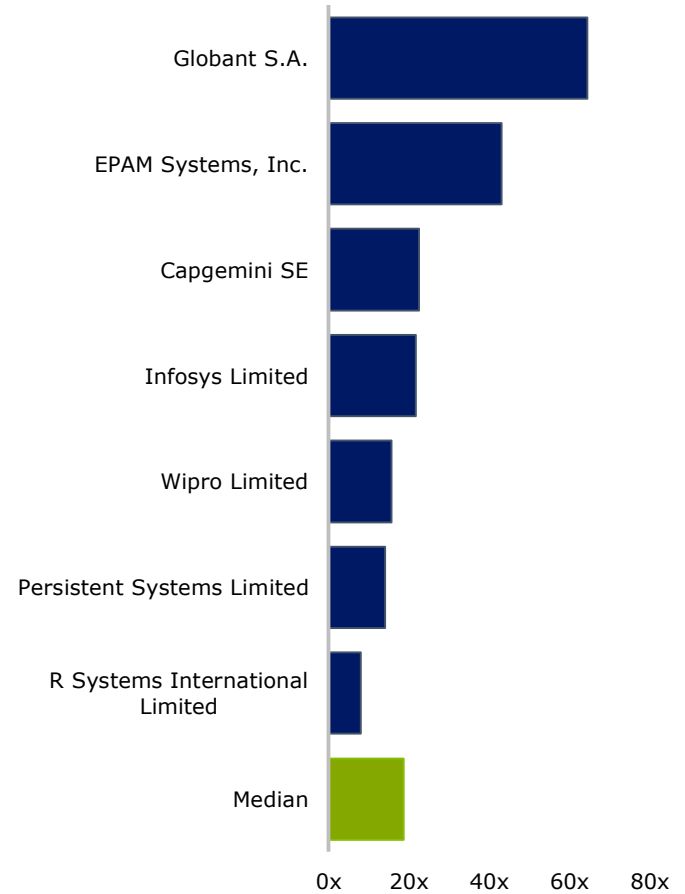
Valuation



TEV / LTM EBIT



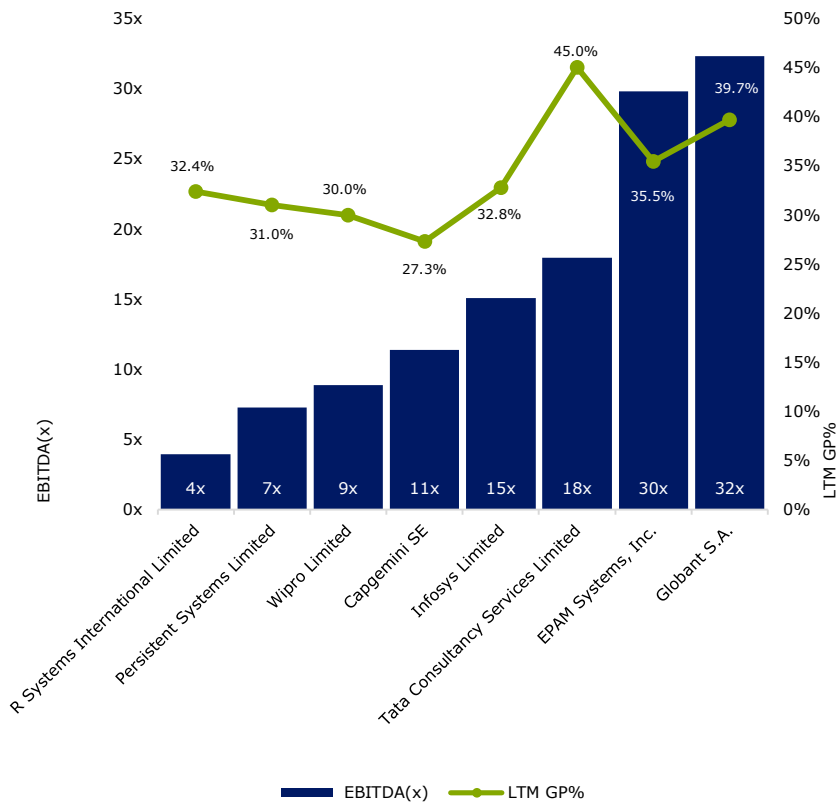
Price / LTM Earnings



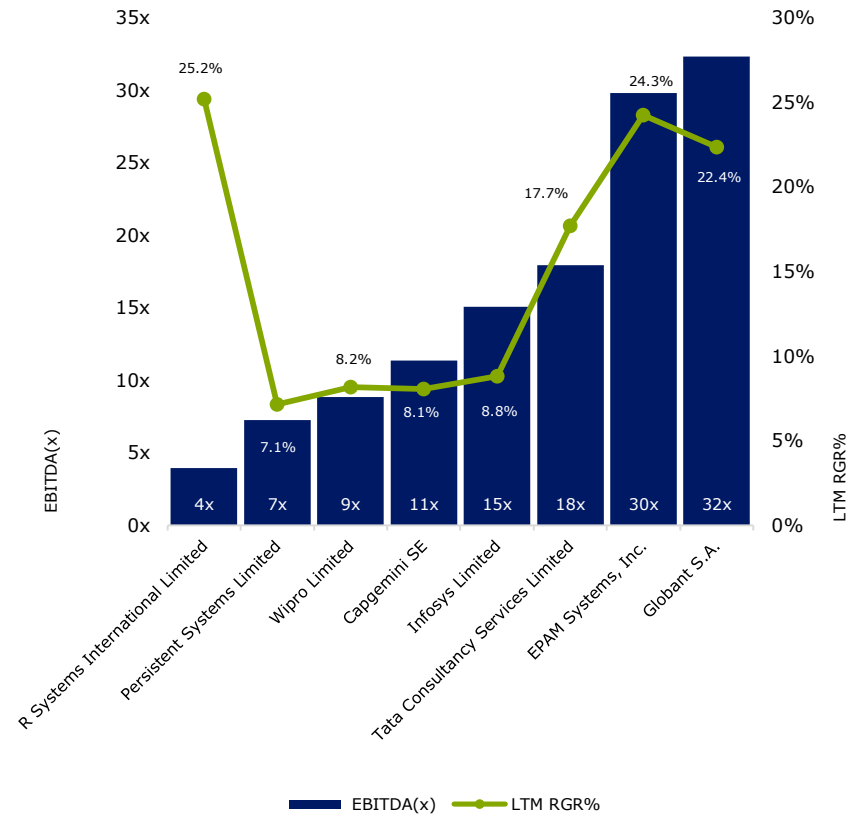
Valuation



Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions



<u>Date</u>	<u>Target</u>	<u>Buyer / Investor</u>	<u>Total Transaction Value</u>	<u>Target Revenue</u>	<u>TEV / Revenue</u>	<u>TEV / EBITDA</u>
24Sep19	Mitrais Pte. Ltd.	CAC Holdings Corporation	26.91	16.31	1.6x	7.3x
19Sep19	Linewell Software Co., Ltd.	China Electronics Technology Investment Holdings Limited	45.63	164.64	1.5x	8.8x
10Sep19	Skookum, Inc.	GlobalLogic Inc.	-	-	-	-
28Aug19	Shanghai Jingtong Information Technology Co.,Ltd.	Sie (Shanghai) Information Technology Co., Ltd.; Guangzhou Energy Box Technology Co., Ltd	17.81	23.11	2.3x	-
28Aug19	Kony, Inc.	Temenos AG	580.00	-	-	-
28Aug19	BASS Systems S.R.L.	S&T AG	6.36	-	-	-
27Aug19	Fairway Technologies, Inc.	Accenture plc	-	-	-	-
22Aug19	Pivotal Software, Inc.	VMware, Inc.	3,327.75	716.06	4.3x	NM
14Aug19	Catalis Plc	Unigestion SA; Pathway Capital Management, LLC; MLC Limited; NorthEdge Capital LLP; NorthEdge Capital Fund II Globant S.A.	108.33	-	-	-
9Aug19	Belatrix Global Corporation S.A.		65.00	35.00	-	-
10Jul19	QualiTest Ltd.	Bridgepoint Advisers Limited	-	-	-	-
3Jul19	DONAT group GmbH	Data Respons ASA	9.59	10.38	0.9x	-
21Jun19	Biztech Software Services Pty Ltd	MediaMonks B.V.	-	-	-	-
14Jun19	SoNET Systems Pty Ltd	RM plc	9.20	3.78	2.4x	-
31Jan19	OOO Korklass	IKS Corporation	9.87	-	-	-
6Jun19	Building Systems Design Inc.	RIB Software SE	42.00	-	-	-
21May19	RPM Technologies, Inc.	Broadridge Financial Solutions, Inc.	302.90	-	-	-
24Apr19	Link Software S.r.l.	TXT e-solutions S.p.A.	11.98	-	-	-
15Mar19	Omni Resources, Inc.	Saggezza Inc.	-	-	-	-
3Mar19	Xiamen Kuaiyou Network Technology Co., Ltd.	Hangzhou Gaoxin Rubber & Plastic Materials Co., Ltd.	19.77	-	-	-
21Jan19	New Sports Group Limited (nka:Glory Sun Land Group Limited)	China Goldjoy Group Limited (nka:Glory Sun Financial Group Limited)	1,307.00	288.41	4.5x	119.2x
7Jan19	InterGlobe Technologies Private Limited (nka:IGT Solutions Pvt. Ltd.)	Apollo Global Management, LLC (nka:Apollo Global Management, Inc.); ICICI Venture Funds Management Company Limited; ATON Capital Partners Ltd; Goldman Sachs Asia Strategic Pte. Ltd.	22.92	-	-	-
6Jan19	Luxoft Holding, Inc.	DXC Technology Company	2,072.15	904.44	2.2x	20.6x
20Dec18	DevOps Research and Assessment LLC	Alphabet Inc.	-	-	-	-

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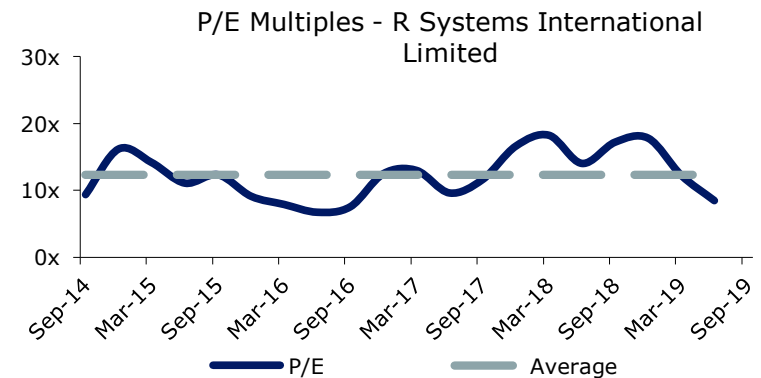
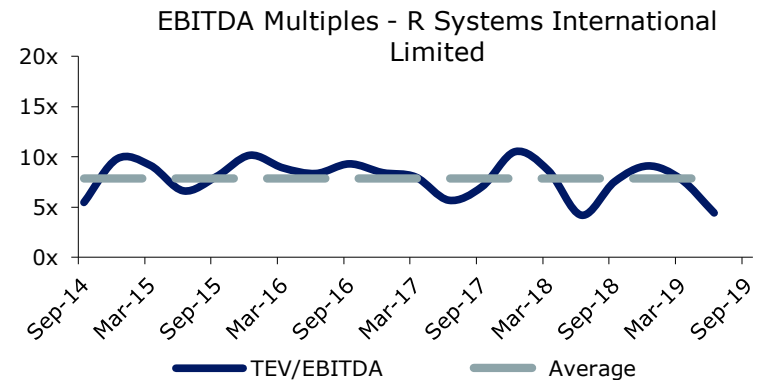
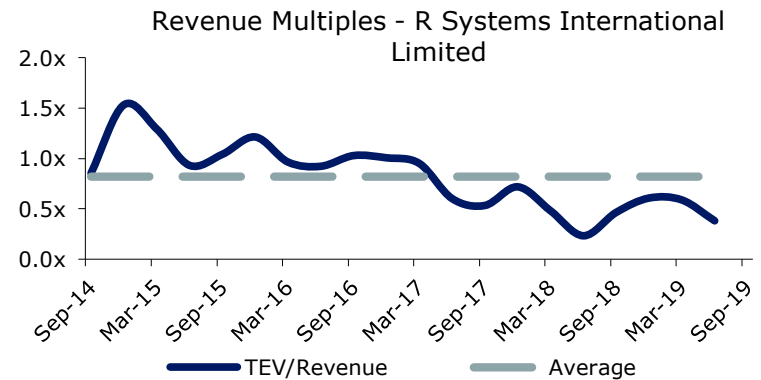
APPENDIX: Public Basket Constituents

Public Basket



R Systems International Limited

R Systems International Limited provides information technology (IT) solutions and business process outsourcing (BPO) services worldwide. The company offers Computaris Convergent Charging solution to converge real-time rating, charging, and billing; mobile broadband management solutions; Computaris mobile virtual network operator (MVNO) in a White Box solution for MVNOs business exigencies; and value added services, as well as product development and maintenance, system integration, technical support and managed, BPO, and testing services to the telecom and digital media industries. It also provides services in area of card less/NFC based transactions; mobile/tablet applications; product customization/ maintenance/ support; ATM management; third-party and customer relationship management integration; ATM on cloud; deposit automation; and passbook printing solutions to financial institutes and software companies. In addition, the company offers OPD-integrated product lifecycle management services, domain consultancy, enterprise application integration, independent testing, implementation, offshore product development, software re-engineering, requirement engineering and GAP analysis. The company was founded in 1993 and is headquartered in Noida, India.



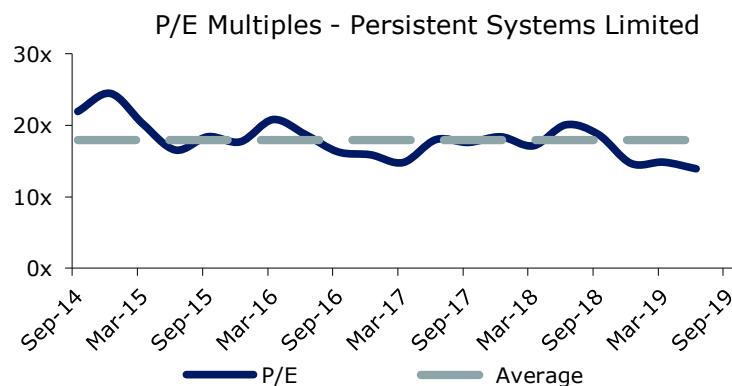
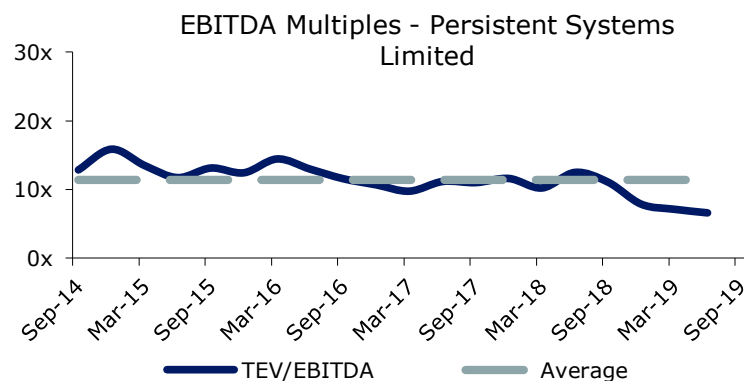
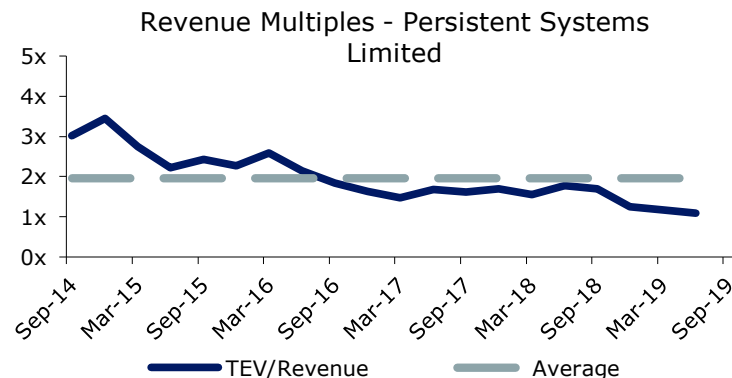
Public Basket



Persistent Systems Limited

Persistent Systems Limited provides computer programming, consultancy, and related services. It operates in four segments: Services, Digital, Alliance, and Accelerite. The company engages in providing software development, professional, and marketing services; technology solutions in the life sciences, telecom, product lifecycle management, and digital practice domains; and the delivery and maintenance of IT software and services. It is also involved in the business of a telecommunication API gateway for defining, exposing, controlling, and monetizing telecom services to partners and application developers; and operating an Internet of Things service creation platform that allows enterprises to add a service layer to the basic APIs exposed to by connected devices, and to expose and monetize these APIs. It serves the banking, financial services, insurance, healthcare and life sciences, and software and technology industries. Persistent Systems Limited was incorporated in 1990 and is based in Pune, India.

Date	Key Development Headline
4/30/19	Persistent Systems Intends To Seek Acquisitions
1/28/19	Persistent Systems Intends To Seek Acquisitions
10/22/18	Outsystems, Inc. Recognizes Persistent Systems as Global Partner
10/17/18	Partners Healthcare Launches New Center of Excellence in Collaboration with Persistent Systems Limited, Partners Healthcare Pivot Labs
8/13/18	Persistent Systems Seeks Acquisitions



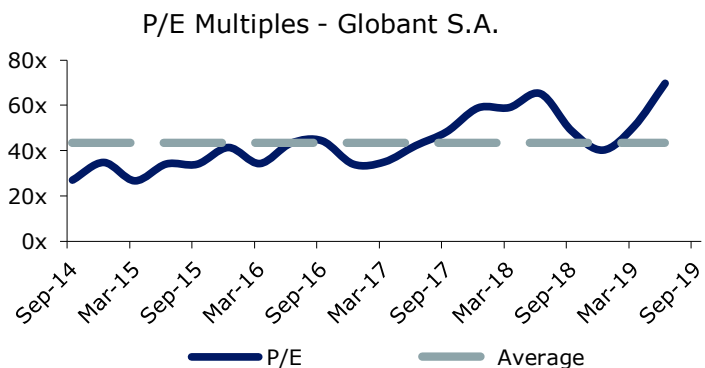
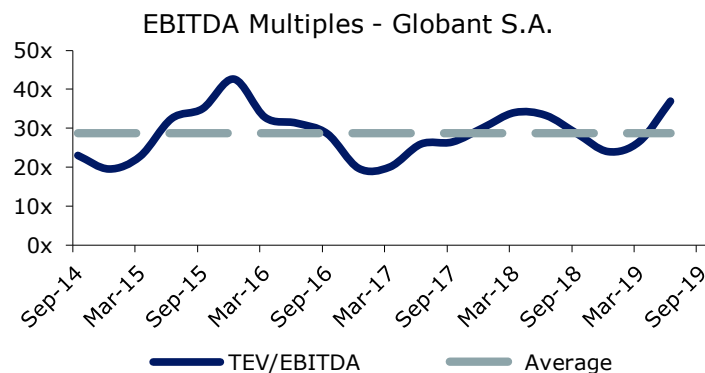
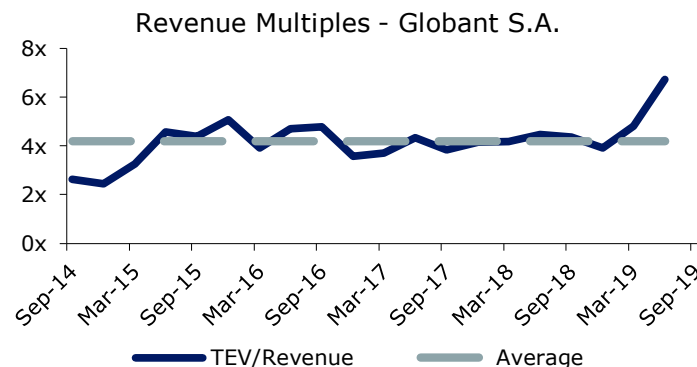
Public Basket



Globant S.A.

Globant S.A. operates as a technology services company 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, consultancy, fast prototyping, app evolution, platform integration, and hardware integration 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
8/11/19	Globant S.A. (NYSE:GLOB) acquired Belatrix Global Corporation S.A. for \$65 million.
1/31/19	Globant S.A. (NYSE:GLOB) completed the acquisition of Avanxo (Bermuda) Limited.
1/17/19	Globant S.A. (NYSE:GLOB) entered into a binding agreement to acquire Avanxo Colombia for \$48.6 million.



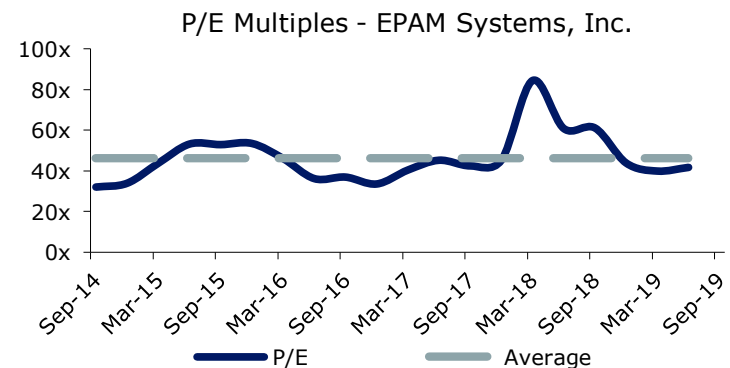
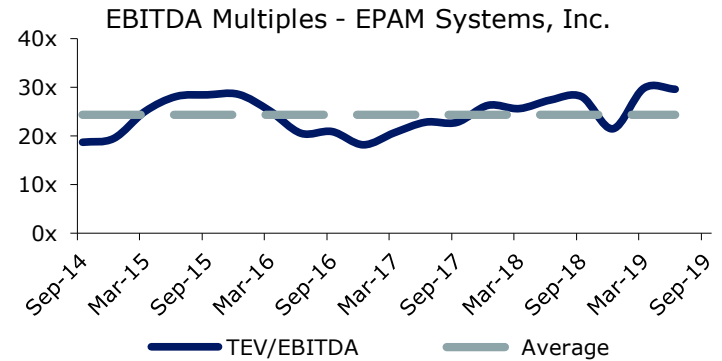
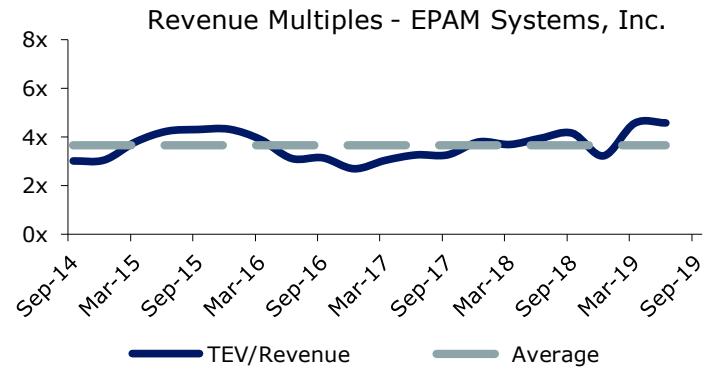
Public Basket



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
7/1/19	EPAM Systems, Inc. acquired Competentum Group.
5/9/19	EPAM To Seek Investments
5/8/19	EPAM Systems, Inc. (NYSE:EPAM) acquired testCloud.de GmbH for approximately \$17.3 million.
10/31/18	EPAM Systems, Inc. (NYSE:EPAM) acquired Think Limited for \$0.03 million.



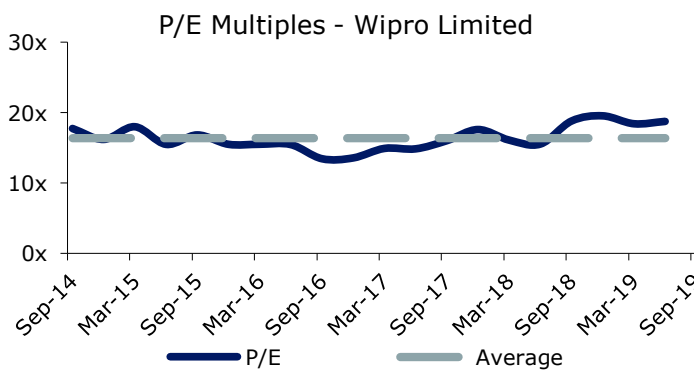
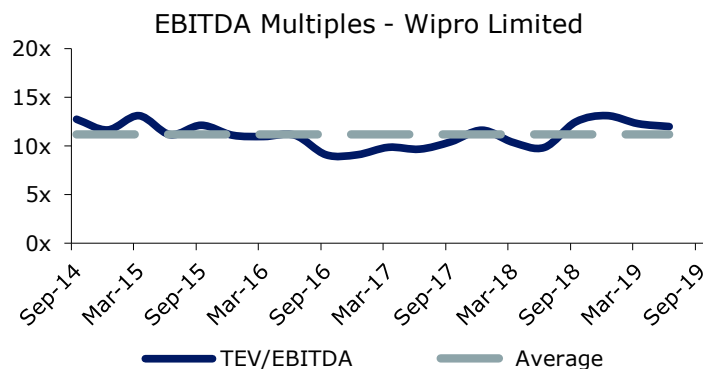
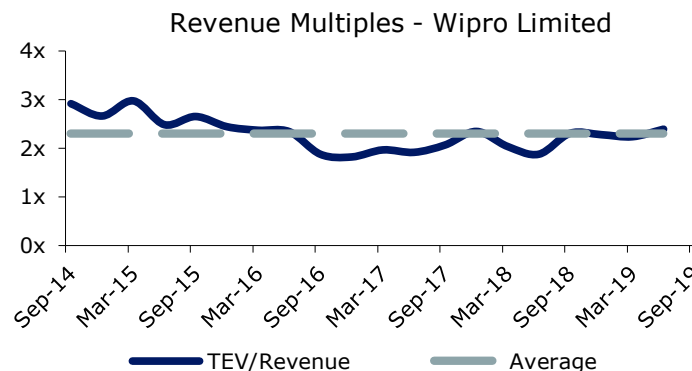
Public Basket



Wipro Limited

Wipro Limited operates as an information technology (IT), consulting, and business process services (BPS) company worldwide. The company's IT Services segment offers a range of IT and IT-enabled services, including digital strategy advisory, customer centric design, technology consulting, IT consulting, custom application design, development, re-engineering and maintenance, systems integration, package implementation, infrastructure services, analytics services, BPS, research and development services, and hardware and software design services to various enterprises. Wipro Limited was founded in 1945 and is headquartered in Bengaluru, India.

Date	Key Development Headline
9/3/19	Wipro Limited (BSE:507685) entered into a business transfer agreement to acquire Vara Infotech for INR 3.21 billion.
8/29/19	Wipro Limited Announces the Expansion of Its Strategic Partnership with Google Cloud to Accelerate Cloud Adoption and Digital Transformation for Global Enterprises
8/20/19	Wipro Limited Announces Collaboration with IISc for Advanced Research and Innovation in Autonomous Systems, Robotics and 5G
6/26/19	Antariksh Softech Private Limited acquired an additional 11% stake in WAISL Limited from Wipro Limited (BSE:507685) for INR 5.5 million.
6/20/19	Wipro Launches Pivotal Software Center of Excellence in Dallas, Texas



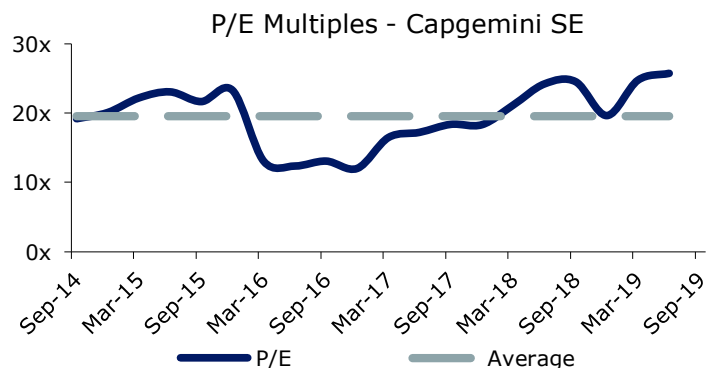
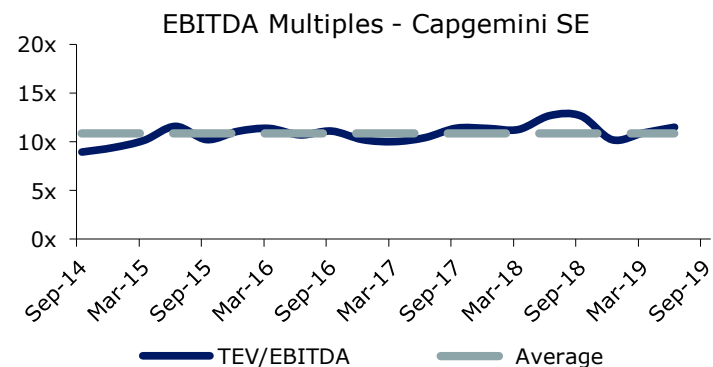
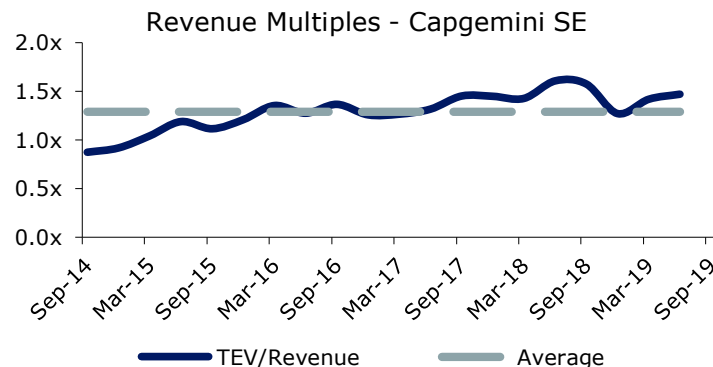
Public Basket



Capgemini SE

Capgemini SE provides consulting, technology, and digital transformation services. It addresses clients' opportunities in the world of cloud, digital, and platforms, as well as enables organizations to realize business ambitions through an array of services from strategy to operations. The company's Consulting Services segment offers strategy and transformation consulting services primarily in digital transformation that enhance the performance of organizations based on intimate client relationships, and the knowledge of client industries and processes. Its Technology & Engineering Services segment provides assistance and support to internal IT teams of client companies. 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
6/23/19	Capgemini SE (ENXTPA:CAP) entered into an agreement to acquire Altran Technologies S.A. (ENXTPA:ALT) from Altamir SCA (ENXTPA:LTA), Apax Partners SAS and others for €3.6 billion.
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



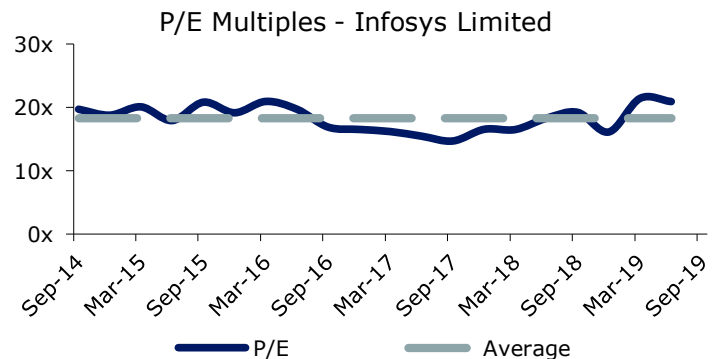
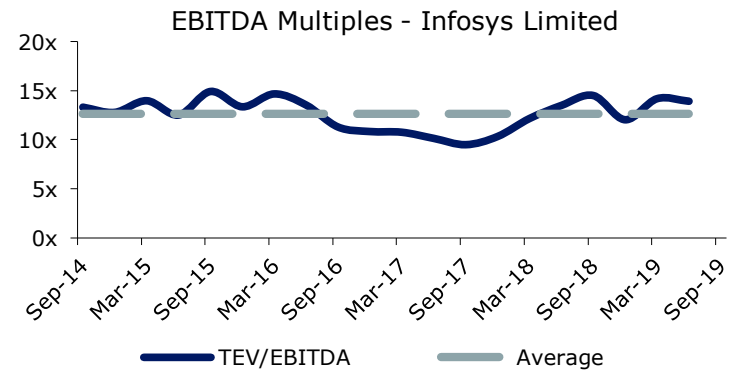
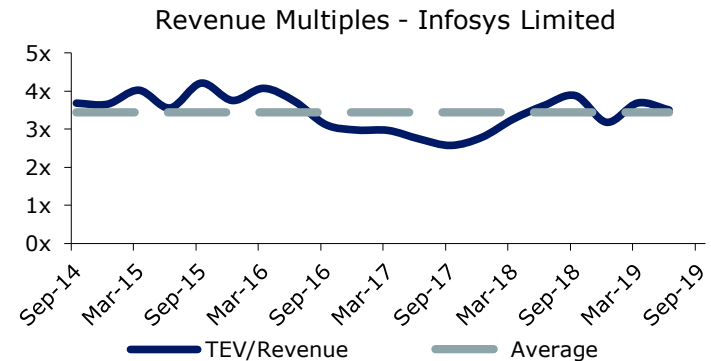
Public Basket



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
8/22/19	Infosys and University of Illinois Urbana-Champaign Enter a Strategic Partnership for Precision Medicine
7/12/19	Infosys To Seek Acquisitions
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



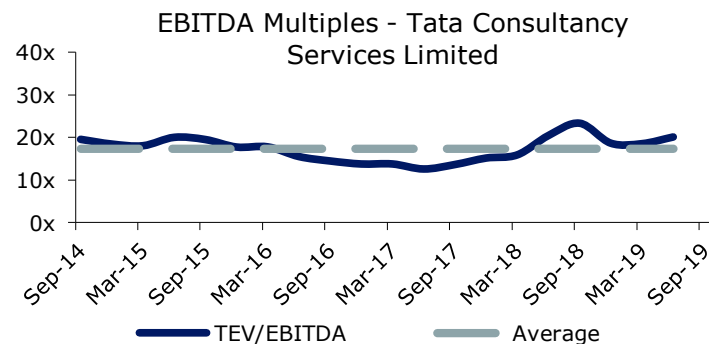
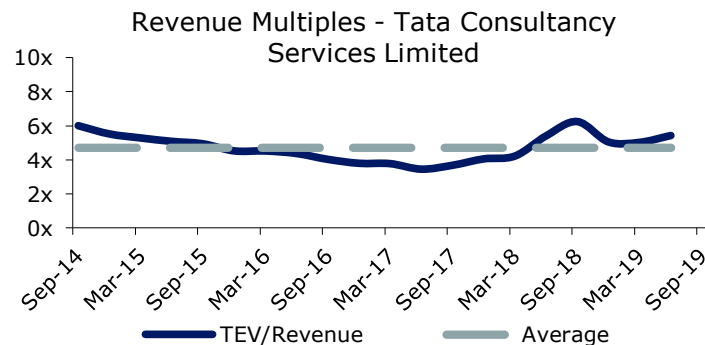
Public Basket



Tata Consultancy Services Limited

Tata Consultancy Services Limited provides information technology (IT) and IT enabled services worldwide. The company offers CHROMA, a cloud-based talent management solution that enables organizations to drive transformational employee experiences; ignio, a cognitive automation system; iON, an assessment solution; TAP, a cloud solution, including TAP contract management, purchasing, accounts payable, and supplier management solutions; and TCS MasterCraft, a digital platform to automate and manage IT processes. It also provides customer intelligence and insight solutions to deliver personalized retail, banking, and communications experiences; Intelligent Urban Exchange, an enterprise software to accelerate smart city transportation, water, and energy programs for cities. Tata Consultancy Services Limited is a subsidiary of Tata Sons Limited.

Date	Key Development Headline
9/15/19	Tata Consultancy Services Limited (NSEI:TCS) entered into an agreement to acquire Certain Assets of General Motors Technical Centre India Private Limited.
9/5/19	Posten Norge Expands Its Strategic Partnership with TCS to Enable Superior Customer Experience
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



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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