



Sectorwatch: Enterprise Software

October 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.



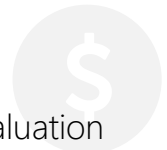
Public Basket Performance

- 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

↑ **5.3%**

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 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

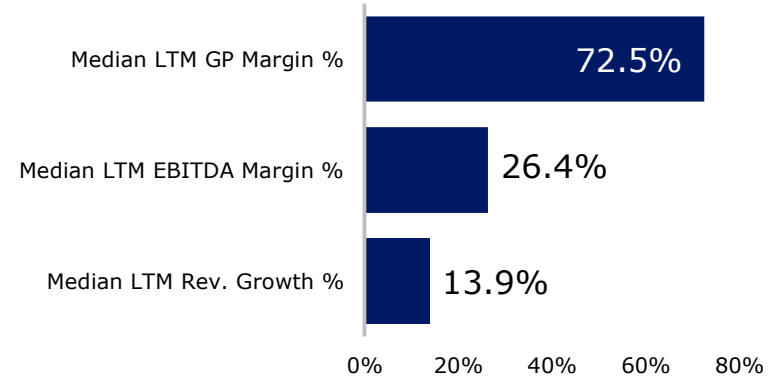
Profitability Momentum

↑ **1.8%**

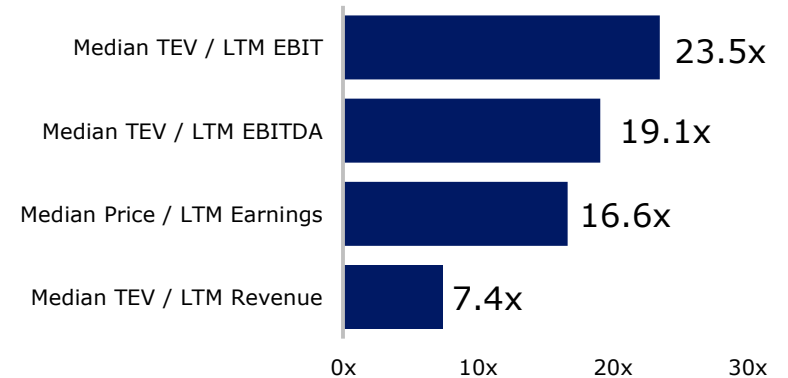
1 - year EBITDA % compared to EBITDA % average for last 3 years

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



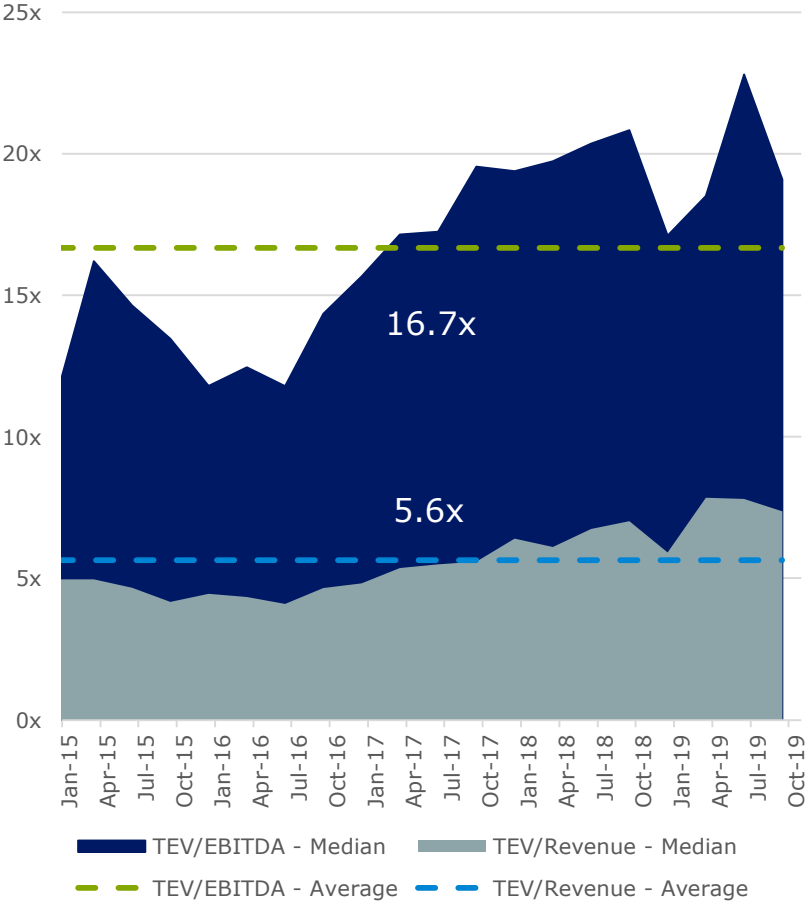
Public Basket



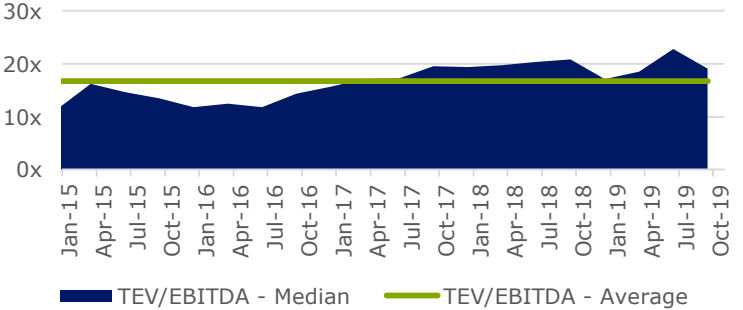
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Workday, Inc.	34,505	3,245	34%	70%	-9%	10.6	0.0	10,500	309
VMware, Inc.	64,562	9,496	14%	86%	27%	6.8	25.7	22,990	413
salesforce.com, inc.	124,978	14,729	24%	75%	14%	8.5	60.6	35,000	421
Adobe Inc.	126,875	10,644	24%	85%	34%	11.9	35.6	21,357	498
SAP SE	155,580	29,374	12%	70%	26%	5.2	19.8	96,498	304
International Business Machines Corporation	179,485	77,130	-4%	47%	20%	2.3	11.5	350,600	220
Oracle Corporation	199,275	39,531	0%	80%	41%	5.0	12.3	136,000	291
Microsoft Corporation	1,000,038	125,843	14%	66%	43%	8.0	18.4	144,000	874
Average	235,912	38,749	15%	72%	25%	7.3	23.0	102,118	416
Median	141,227	22,052	14%	72%	26%	7.4	19.1	65,749	361

share price as of 23Oct19

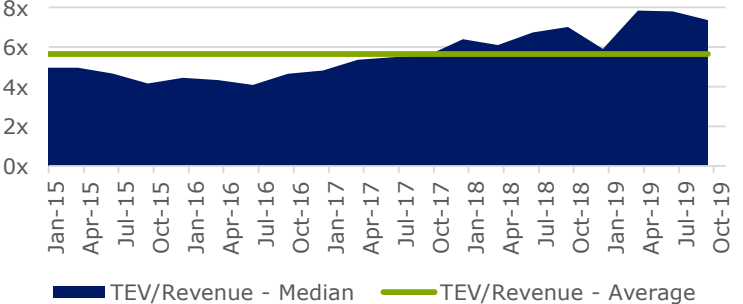
Public Basket Valuation Trends



Public EBITDA Multiples over Time



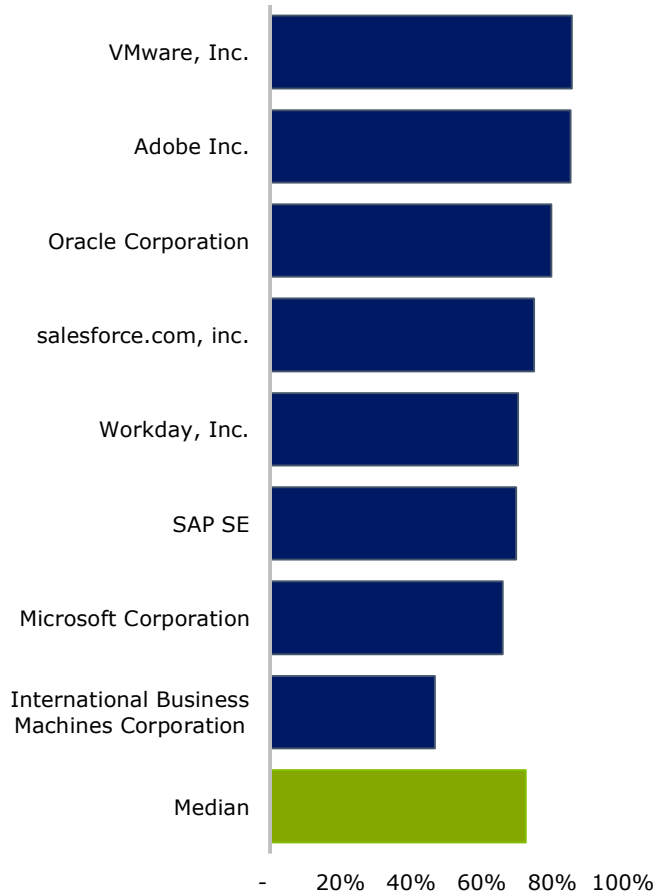
Public Revenue Multiples over Time



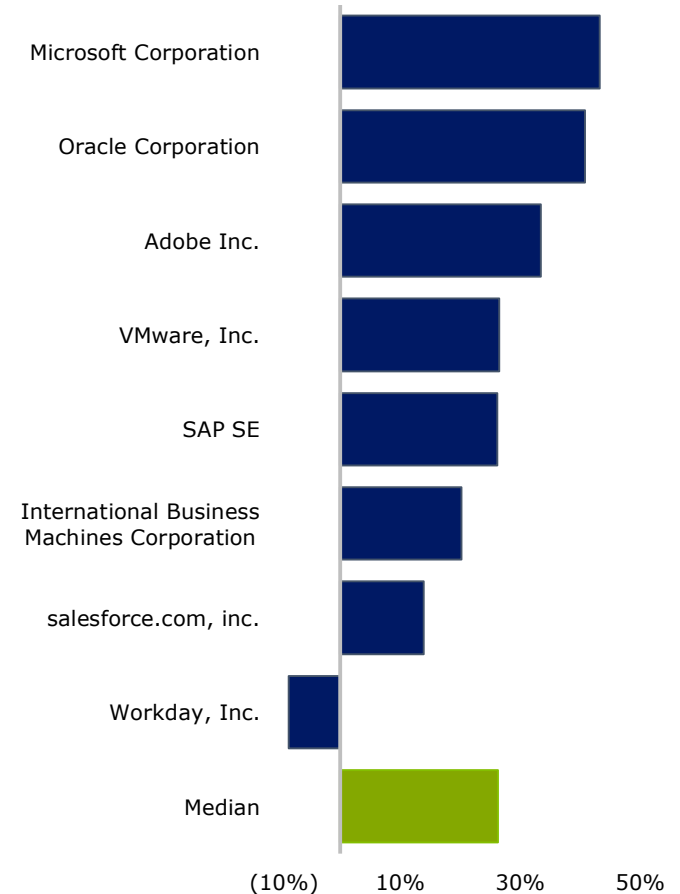
Operational Metrics



LTM Gross Profit Margin %



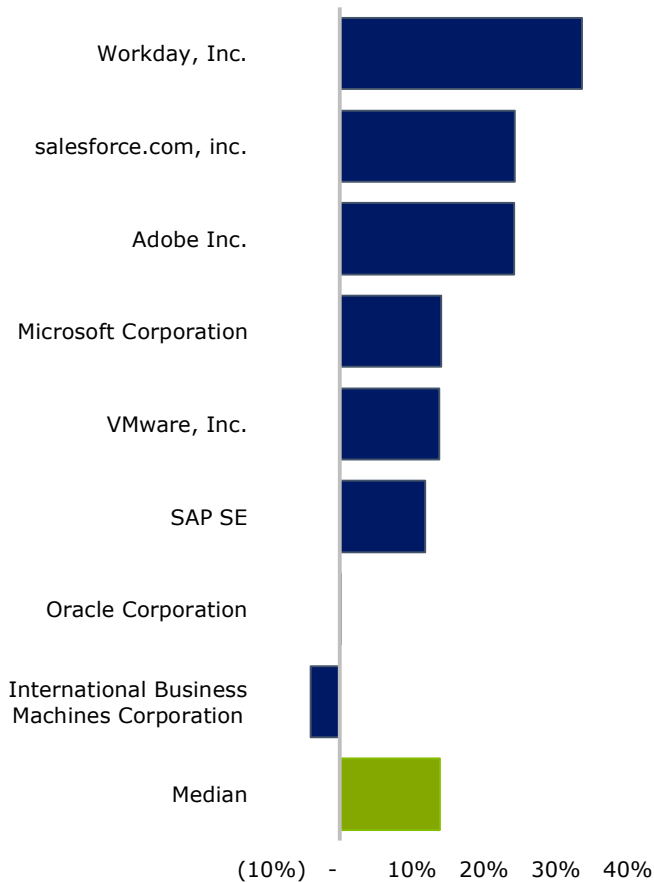
LTM EBITDA %



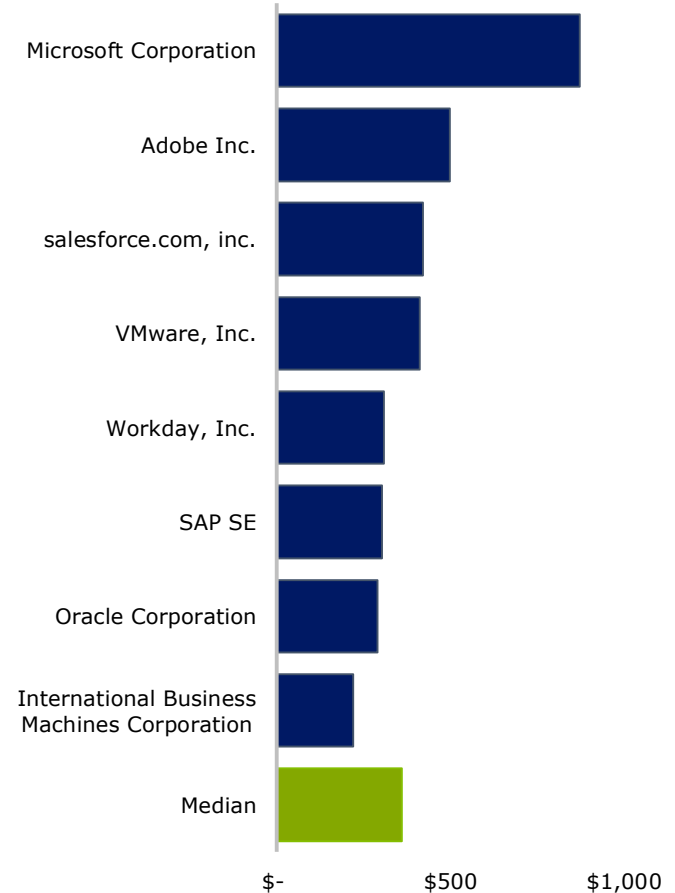
Operational Metrics



LTM Revenue Growth %



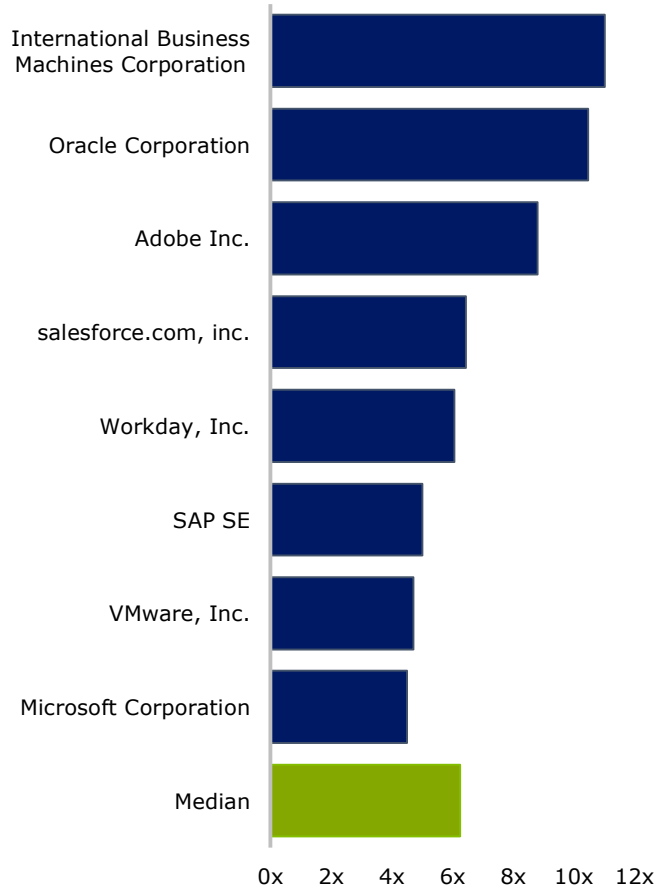
LTM Revenue per Full Time Employee x 000's



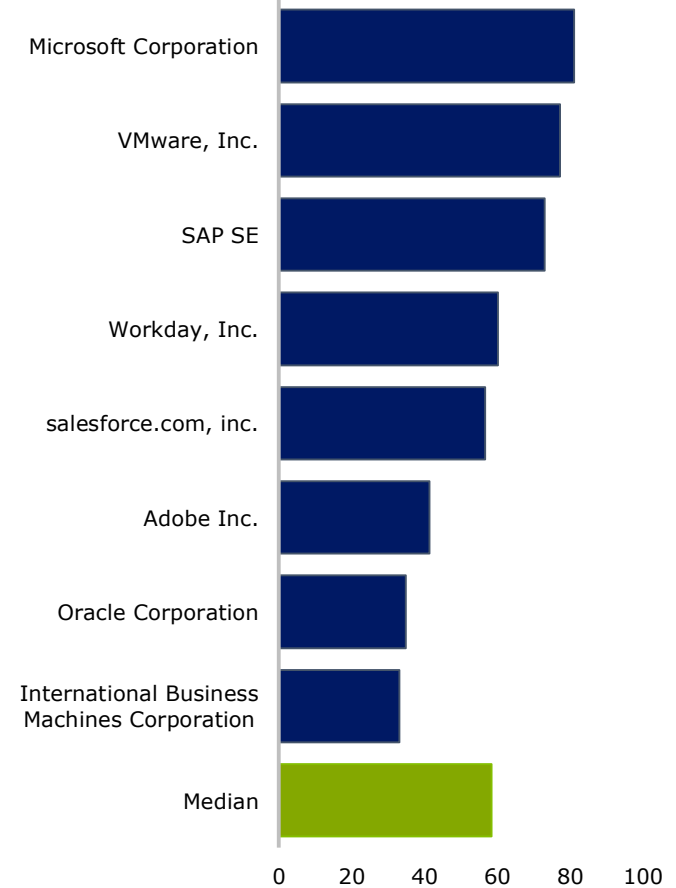
Operational Metrics



Accounts Receivable Turnover



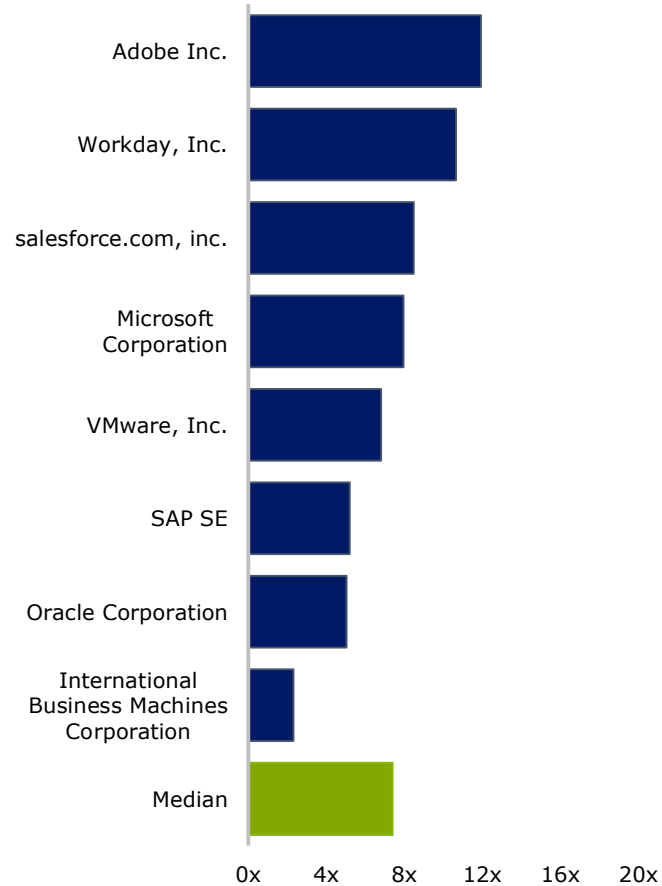
Average Days Sales Outstanding



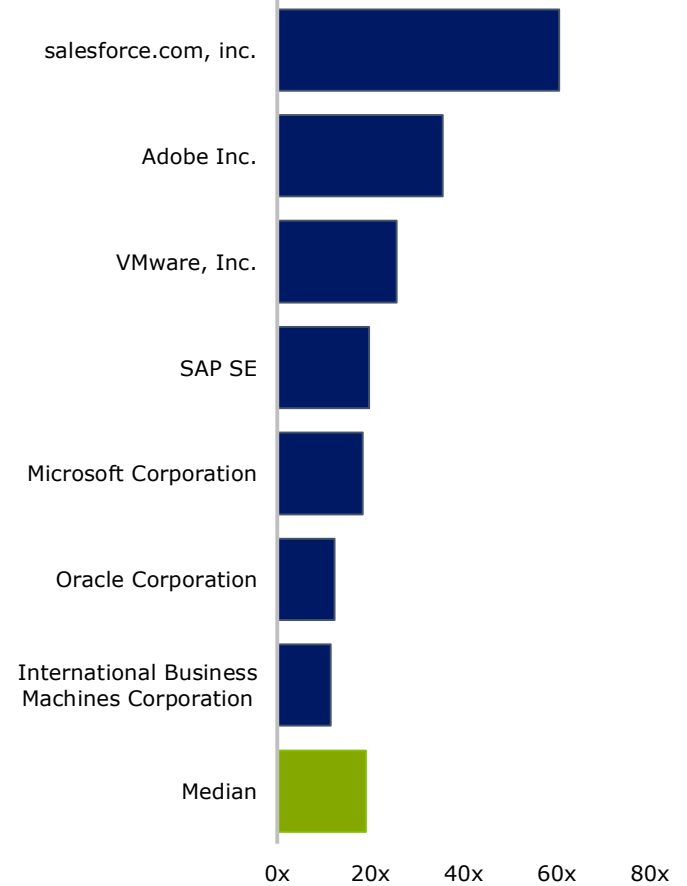
Valuation



TEV / LTM Revenue



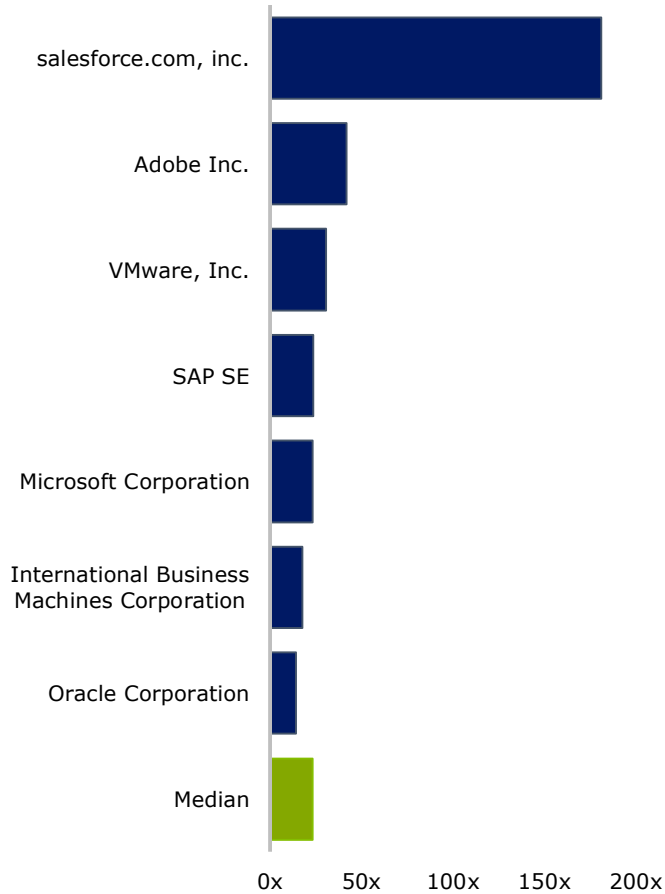
TEV / LTM EBITDA



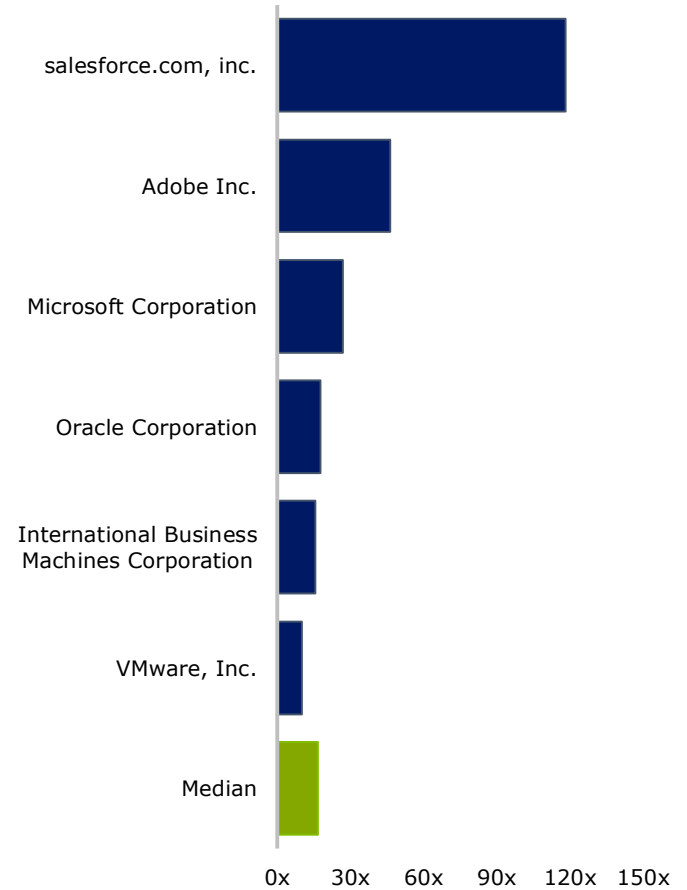
Valuation



TEV / LTM EBIT



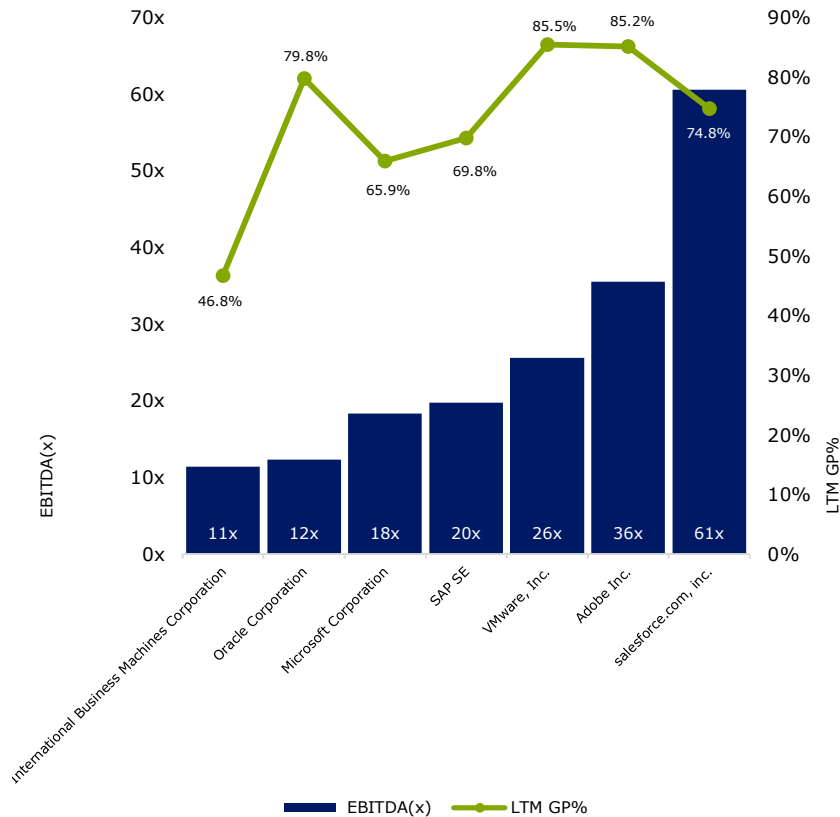
Price / LTM Earnings



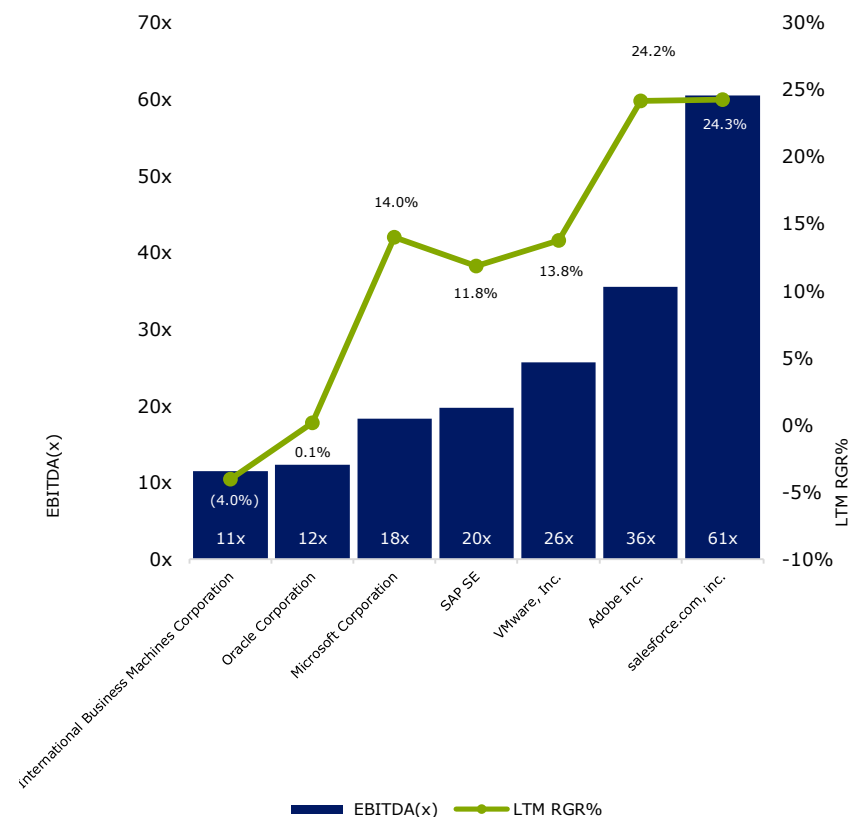
Valuation



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
23Sep19	Zingle, Inc.	Medallia, Inc.	42.00	-	-	-
4Sep19	Movere, Inc	Microsoft Corporation	-	-	-	-
28Aug19	Kony, Inc.	Temenos AG	580.00	-	-	-
22Aug19	Pivotal Software, Inc.	VMware, Inc.	3,349.32	716.06	4.3x	NM
22Aug19	Carbon Black, Inc.	VMware, Inc.	2,208.43	229.71	9.0x	NM
21Aug19	SignalFx, Inc.	Splunk Inc.	1,050.00	-	-	-
7Aug19	ClickSoftware Technologies Ltd.	salesforce.com, inc.	1,350.00	-	-	-
6Aug19	Account-to-Account Payment Business of Nets Holding A/S	Mastercard Incorporated	3,194.29	-	-	-
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	-	-	-
8Apr19	Good Software Corp.	Atlassian Corporation Plc	2.70	-	-	-
17Mar19	Worldpay, Inc.	Fidelity National Information Services, Inc.	43,590.64	3,925.40	11.0x	29.1x
18Mar19	AgileCraft LLC	Atlassian Corporation Plc	154.00	-	-	-
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	-	-	-
15Oct18	SendGrid, Inc.	Twilio Inc.	2,020.00	137.17	13.4x	NM
18Dec17	Aconex Limited	Vantive Australia Pty Ltd	1,258.87	127.39	9.7x	NM
2Nov17	VeloCloud Networks, Inc.	VMware, Inc.	473.00	-	-	-
24Sep17	Gigya, Inc.	hybris AG	350.00	-	-	-
14Aug17	ECi Software Solutions, Inc.	Apax Partners LLP	-	-	-	-
4Aug17	Frontline Technologies Group LLC	Thoma Bravo, LLC	-	-	-	-
3Aug17	CCI, Inc.	Zyme Solutions, Inc.	-	-	-	-
25Jul17	Intacct Corporation (nka:Sage Intacct, Inc.)	The Sage Group plc	850.00	88.00	9.7x	-
24Jul17	Civica Group Limited	-	1,374.61	-	-	-

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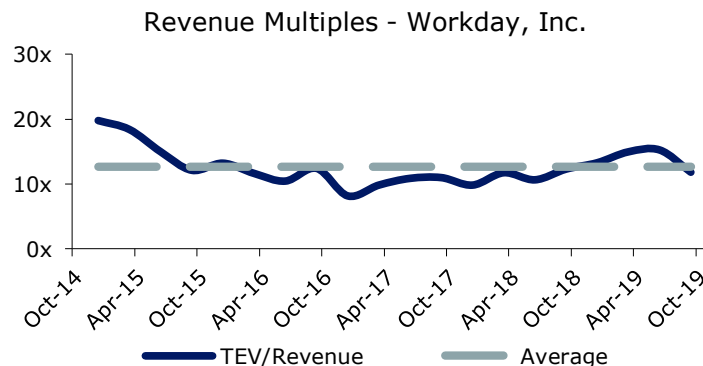
APPENDIX:
Public Basket
Constituents

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.



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

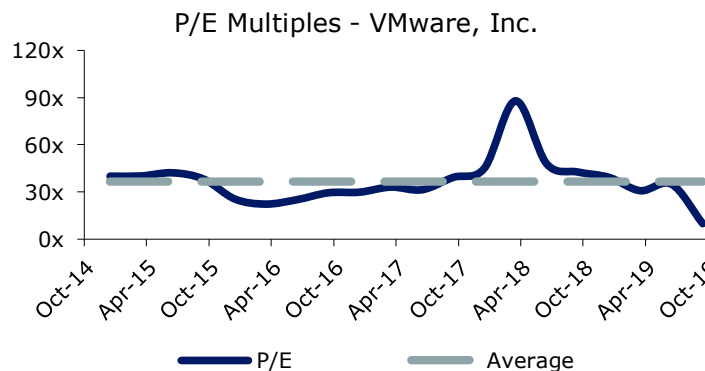
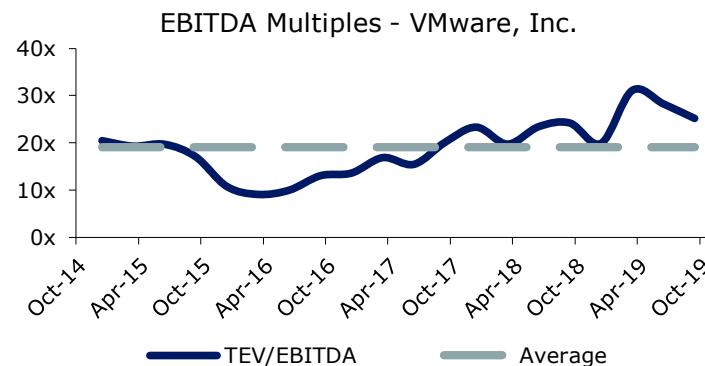
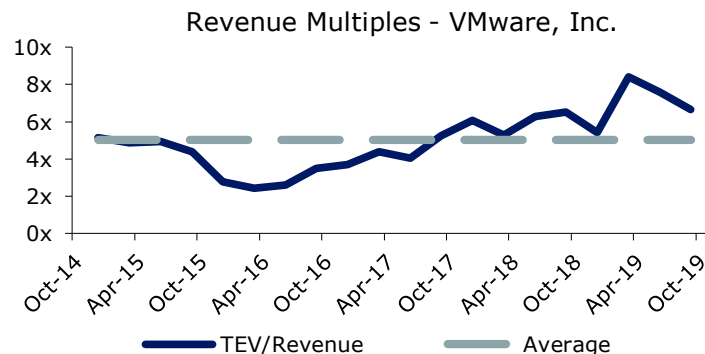
Public Basket



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
10/6/19	VMware, Inc. (NYSE:VMW) completed the acquisition of Carbon Black, Inc. (NasdaqGS:CBLK) from Atlas Venture L.P. and others.
8/26/19	VMware, Inc. (NYSE:VMW) completed the acquisition of Uhana Inc. from New Enterprise Associates and others.
8/21/19	VMware Inc. (NYSE:VMW) entered into a definitive agreement to acquire Carbon Black Inc. (NasdaqGS:CBLK) from Atlas Venture LP and other shareholders for \$2 billion.
8/21/19	VMware, Inc. (NYSE:VMW) entered into a definitive agreement to acquire an remaining 83.91% stake in Pivotal Software, Inc. (NYSE:PVTL) from Ford Motor Company (NYSE:F), EMC Equity Assets LLC and other shareholders for \$2.9 billion.
8/20/19	VMware, Inc. (NYSE:VMW) acquired Intrinsic.



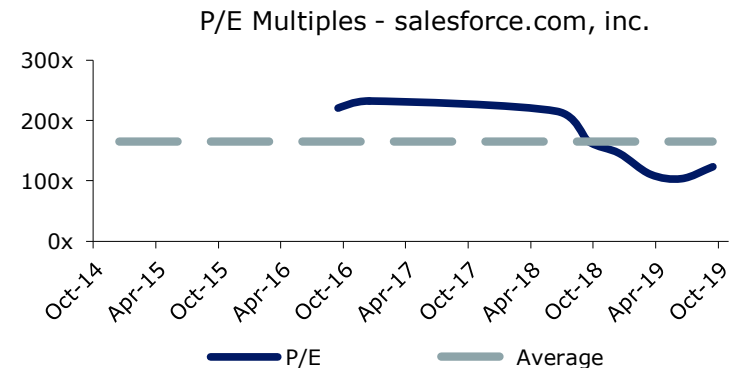
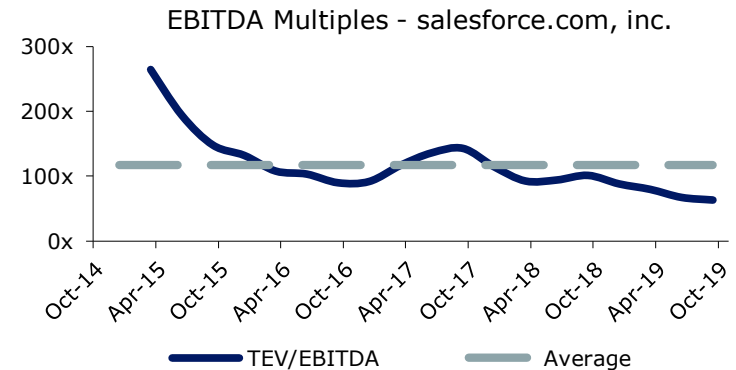
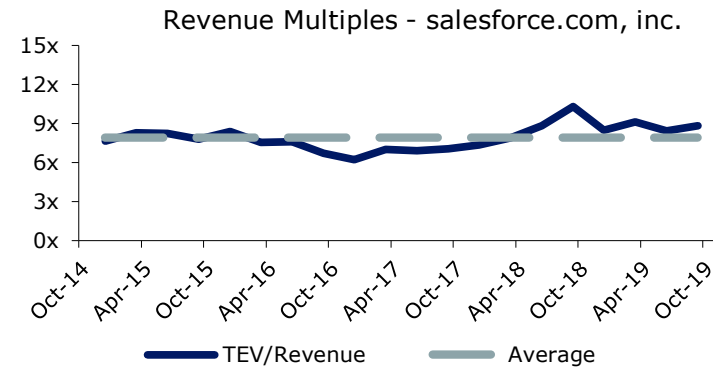
Public Basket



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
9/30/19	salesforce.com, inc. (NYSE:CRM) completed the acquisition of remaining shares in ClickSoftware Technologies Ltd. from Francisco Partners Management LLC.
8/6/19	salesforce.com, inc. (NYSE:CRM) entered into a definitive agreement to acquire remaining shares in ClickSoftware Technologies Ltd. from Francisco Partners Management LLC for approximately \$1.4 billion.
7/30/19	Salesforce.com Inc. (NYSE:CRM) completed the acquisition of Tableau Software Inc. (NYSE:DATA) from Christian Chabot, Patrick Hanrahan, Christopher Stolte and other shareholders.
6/10/19	salesforce.com, inc., Tableau Software, Inc. - M&A Call



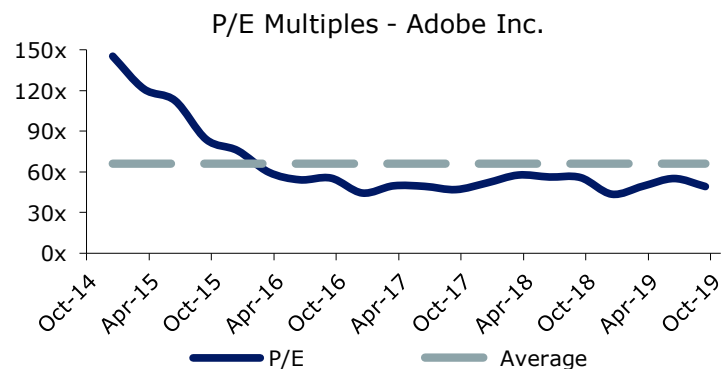
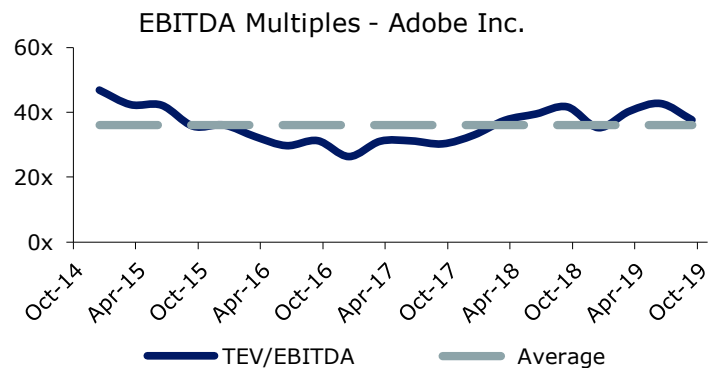
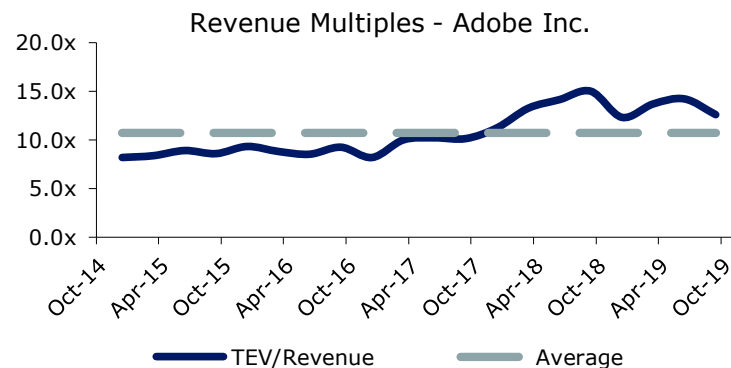
Public Basket



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.



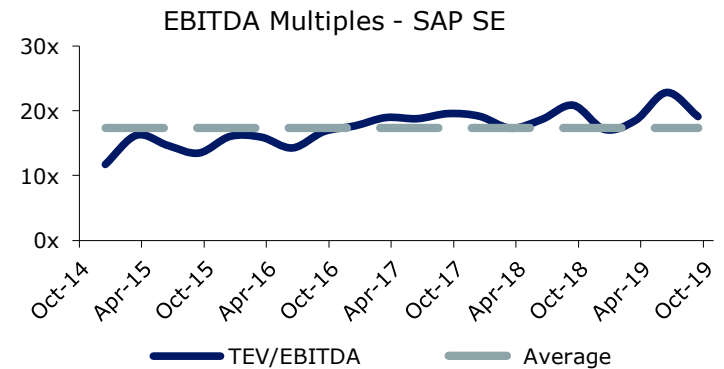
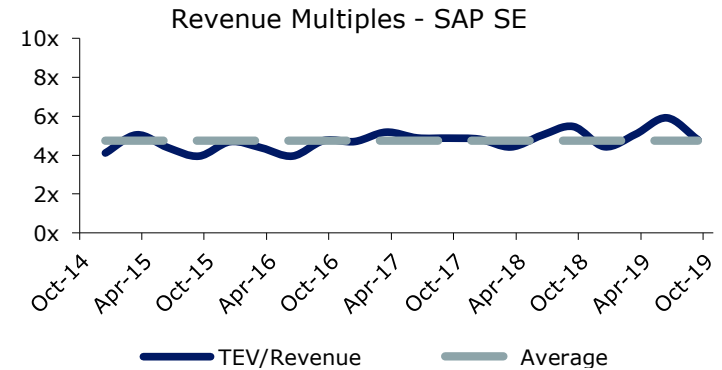
Public Basket



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
10/23/19	Verizon and SAP SE Co-Developing Next Gen IoT Analytics Solutions
8/29/19	BearingPoint RegTech, Berlin Hyp, SAP and Okadis Develop Solution for the Integration with SAP FSDM in Regulatory Reporting on Abacus360 Banking
8/22/19	Schwarz GmbH & Co KG acquired Two Go from SAP SE (DB:SAP).
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



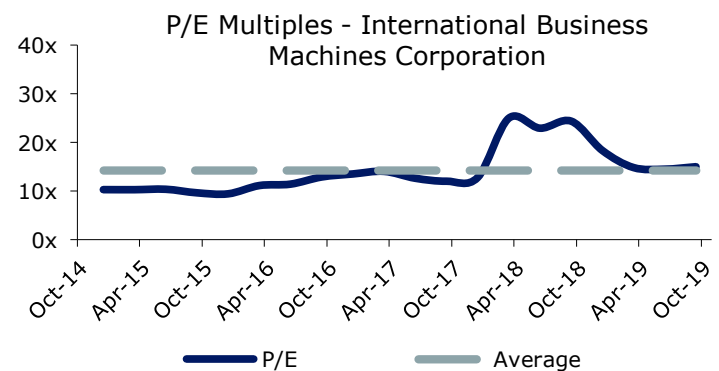
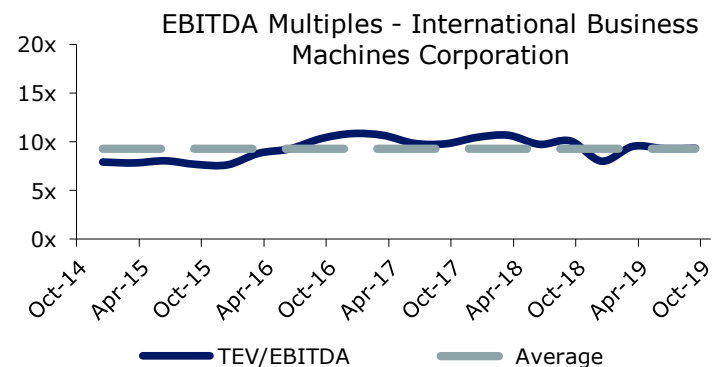
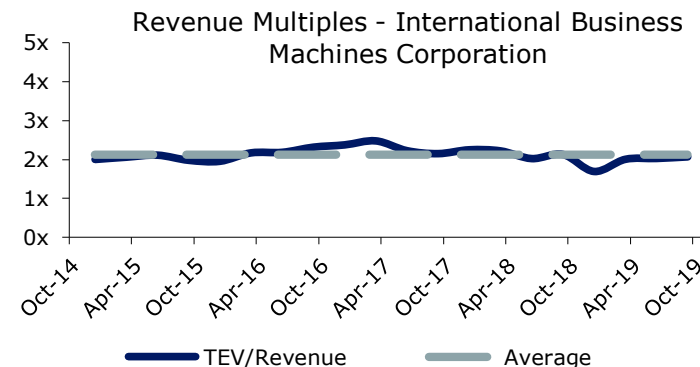
Public Basket



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
9/24/19	SS&C Technologies Holdings, Inc. (NasdaqGS:SSNC) entered into a definitive agreement to acquire certain Algorithmics and related assets from International Business Machines Corporation (NYSE:IBM).
9/11/19	IBM and ŠKODA AUTO University Collaborate on New Digital Skills for Students
9/10/19	IBM and Fraunhofer-Gesellschaft Join Forces on Quantum Computing Initiative for Germany
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



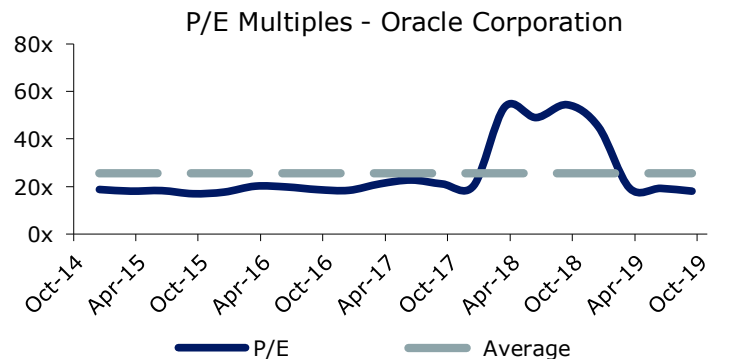
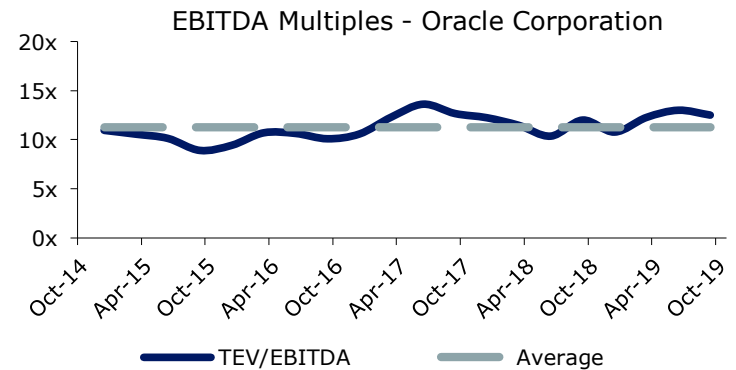
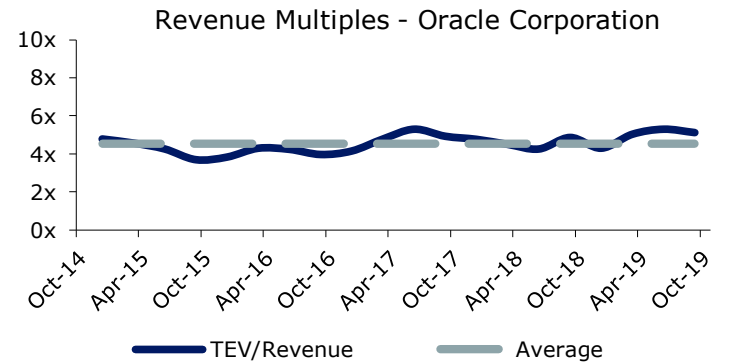
Public Basket



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
10/1/19	Oracle Corporation (NYSE:ORCL) signed an agreement to acquire CrowdTwist, Inc.
9/23/19	Quantifind, Inc. and Oracle Announce Strategic Collaboration to Transform Anti-Money Laundering Processes
9/16/19	Agentis and Oracle Team to Help Utilities Drive Energy Efficiency for Every Customer
9/16/19	Oracle Consulting and Deloitte Collaborate to Help Organizations Move and Innovate with Oracle Cloud
6/25/19	Oracle Corporation (NYSE:ORCL) acquired Oxygen Systems.



Public Basket



Microsoft Corporation

Microsoft Corporation develops, licenses, and supports software, services, devices, and solutions worldwide. The company's Productivity and Business Processes segment offers Office, Exchange, SharePoint, Microsoft Teams, Office 365 Security and Compliance, and Skype for Business, as well as related Client Access Licenses (CAL); and Skype, Outlook.com, and OneDrive. It also provides LinkedIn that includes Talent and marketing solutions, and subscriptions; and Dynamics 365, a set of cloud-based and on-premises business solutions for small and medium businesses, large organizations, and divisions of enterprises. The company's Intelligent Cloud segment licenses SQL and Windows Servers, Visual Studio, System Center, and related CALs; GitHub that provides a collaboration platform and code hosting service for developers; and Azure, a cloud platform. The company was founded in 1975 and is headquartered in Redmond, Washington.

Date	Key Development Headline
10/21/19	NVIDIA with Microsoft Announces Technology Collaboration for Era of Intelligent Edge
10/21/19	Humana and Microsoft Announce Multiyear Strategic Partnership to Reimagine Health for Aging Populations and Their Care Teams
10/20/19	Microsoft Corporation (NasdaqGS:MSFT) acquired Mover Inc.
10/1/19	T-Mobile, Microsoft Team Up on Game Streaming
9/9/19	Otonomo Announces That It Is Collaborating with Microsoft to Build Services on Top of Microsoft Azure and the Microsoft Connected Vehicle Platform

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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