



IT Services

Earnings Call Synopsis / Q3 2019 Results

Content



[Summary](#)

Deal Spotlight

Earnings Call Overview / Players In The Industry

Financial Trends and Transactions

ABOUT 7 MILE ADVISORS

7 Mile Advisors is a partner-led middle market investment banking firm providing strategic M&A, private capital transactions, and market insight for business owners, corporations, and private equity firms.

The 7MA team has completed over 120 transactions in the IT Services sector. We provide pragmatic advice, sector expertise and innovative processes to help clients adeptly navigate the decision tree. Our high-touch processes with senior-led deal teams are the cornerstone of the 7MA process.

Select Recent Transactions

 <p>Summa Technologies, Inc. ACQUIRED BY CGI Group Inc.</p> 	 <p>Springbox ACQUIRED BY Prophet</p> 	 <p>SADA Systems ACQUIRED BY Core BTS A Tailwind Capital Portfolio Company</p> 	 <p>ARROW DIGITAL Arrow Digital ACQUIRED BY Softvision</p> 	 <p>Sonoma Partners ACQUIRED BY Ernst & Young LLP</p> 	 <p>BELATRIX Belatrix Software ACQUIRED BY Globant</p> 
 <p>SUNDOG Sundog Interactive ACQUIRED BY Perficient</p> 	 <p>intellinet. Intellinet ACQUIRED BY FPT</p> 	 <p>AN Global HAS ACQUIRED AgileThought</p> 	 <p>UNIGUEST Uniguest HAS ACQUIRED ONELAN</p> 	 <p>UNIGUEST UNIGUEST HAS ACQUIRED Tripleplay</p> 	 <p>southport Southport Services Group, LLC ACQUIRED BY Perficient, Inc</p> 
 <p>corsearch™ A partner, not just a vendor Corsearch Inc., an Audax portfolio company, HAS ACQUIRED Yellow Brand Protection AB</p> 	 <p>Element Solutions Element Solutions, Inc. ACQUIRED BY Hinduja Global Solutions</p> 	 <p>propelics Propelics Inc. ACQUIRED BY Anexinet Corp.</p> 	 <p>Mainline INFORMATION SYSTEMS Mainline Information Systems HAS ACQUIRED RTP Technology Corporation</p> 	 <p>TRIANZ Trianz, Inc. HAS ACQUIRED Chicago Business Intelligence Group, Inc.</p> 	 <p>MBI Solutions LLC MBI Solutions, LLC ACQUIRED BY ESW Capital, LLC.</p> 

SUMMARY

We are pleased to present our review and synopsis of results and earnings call commentary for Q3 2019. This summary includes the most recent financial results for key publicly traded companies in the IT Services sector (mix of buyers in Managed Services, Cloud Services, IT Services, and IT Consulting, among other service offerings in the technology market) for the period June–September 2019.

M&A Indicators:

- + **M&A activity is essential for revenue growth.** Many IT Services firms are growing mid-single digits and are being very selective in their target acquisition profiles, selecting for next-generation capabilities growing at a 20%+ YoY rate. As such, most of the companies we outline continue to stress the importance of select M&A activity with careful considerations around fit: technology, geographic, cultural, etc.
- + **Technology focus drives M&A buying considerations.** Most have realized that it is essential for them to bring on new talent and capabilities through acquisitions. Ideal candidates for acquisitions are companies that have experience and offer services in next-generation segments like cloud, data, IoT, and cyber security services. We continue to observe that the technology leaders are cloud-focused, both infrastructure (AWS, Azure, GCP, etc.) and applications (Google, Microsoft, ServiceNow, Adobe), creating a large ecosystem for consulting services and implementations.
- + **Our view is that the IT Services M&A market remains strong.** Q3 M&A activity remained significant with all the firms contained in this report either having done a transaction in the last quarter or planning on completing further acquisitions within the next quarter or upcoming year. See the Key Transactions Section in this report for further details.

Content



Summary
Deal Spotlight

Earnings Call Overview / Players In The Industry
Financial Trends and Transactions

RECENT 7MA DEAL SPOTLIGHT

Tripleplay Acquired by Uniguest

Digital Signage, Content Management, and IPTV Solutions



- Uniguest, a Nashville, TN-based cybersecurity technology specialist with a customer-centric approach to providing fully managed engagement technology solutions, has completed their third acquisition in the past 18 months.
- The acquisition of Tripleplay, a UK-based market leader in the development of digital signage, IPTV, and video streaming solutions, will complement the June 2018 addition of ONELAN, creating a global leader for digital signage, content management, and IPTV solutions.
- 7 Mile has advised Uniguest on all three of their recent transactions; including ONELAN, Touchtown, and most recently, Tripleplay.

Content



Summary
Deal Spotlight
Earnings Call Overview / Players In The Industry
Financial Trends and Transactions

IT SERVICES INDUSTRY OVERVIEW

Fears regarding a global economic slowdown and international trade disputes, on balance, have not impacted the Q3 performance or 2019 full-year forecasts for the overwhelming majority of the leading IT Services companies highlighted in this report. In fact, most firms in this piece reported strong revenue and earnings performance in Q3 and expect solid performance for the duration of 2019. Just like in Q2, in Q3, revenue grew for 8 of the 9 firms in the report with DXC again as the sole exception. Gross and operating margins once again remained steady, while average revenue growth increased. The average revenue growth rate for the comp set increased from 9% to 10%.

Only in localized verticals (i.e., the U.K. government and corporate clients in the U.K. delaying IT spend decisions until Brexit is resolved). Similar to the recent past, sales and services around legacy technologies continue to take a hit and on the other hand, technologies associated with “digital transformation” and services around those technologies are the main growth drivers. DXC, for example grew 52% within its digital segment.

Further, many businesses are in the early stages of their digital transformation with 90% of executives reporting that the planned-on benefits are not yet achieved, as found by a customer survey from CGI.

Another study, done by IDC, showed that global IT spending regarding Digital Transformation could be \$6.1 trillion¹ over the next three years. Globant believes that the spending will grow across all industries. The main reason for that is the fact that while 87% of organizations are actively participating in digital transformation, only about 30% of them believe that they reached sufficient innovation levels. All this points towards continued strong demand in the near future.

IT Services Trends:

[M&A Market Update - from 7MA's Access Conference](#)

[7MA Fireside Chat with Globant's Martin Umaran](#)

 PERFICIENT™

 **Globant**
we are ready

 <epam>

 Capgemini

 CGI

 Cognizant

 Infosys

 >
accenture

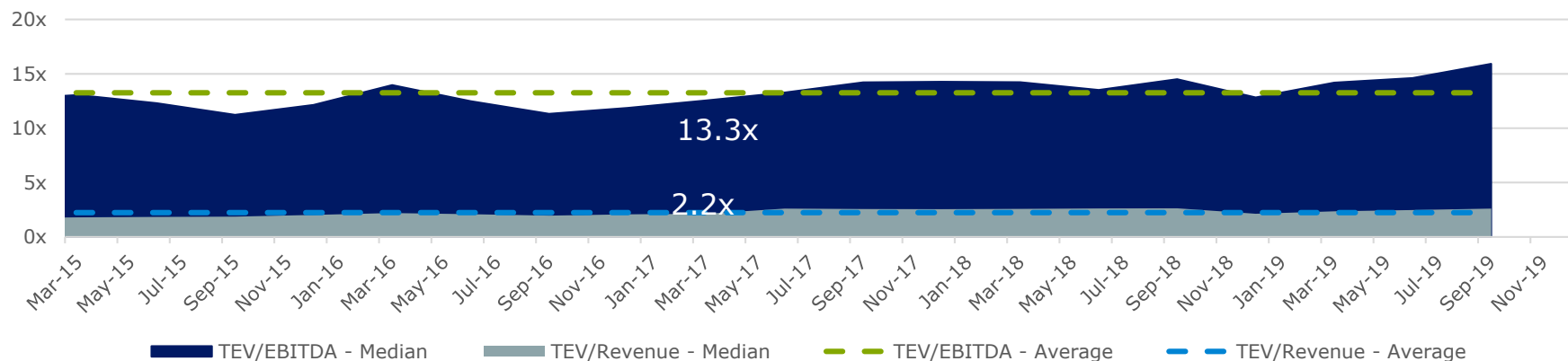
 DXC.technology

PUBLIC BASKET AND VALUATION TRENDS

Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Perficient, Inc.	1,497	552	10%	37%	13%	2.7	20.6	3,060	180
Globant S.A.	3,730	615	24%	39%	18%	6.1	33.9	8,384	73
EPAM Systems, Inc.	10,843	2,166	25%	35%	16%	5.0	32.0	30,156	72
DXC Technology Company	17,417	20,199	-5%	26%	18%	0.9	4.7	130,000	155
Capgemini SE	22,346	15,632	8%	27%	13%	1.5	11.4	211,313	74
CGI Inc.	23,773	9,149	5%	31%	17%	2.6	15.0	77,500	118
Cognizant Technology Solutions Corporation	32,079	16,628	5%	37%	19%	1.9	10.1	281,600	59
Infosys Limited	40,572	12,386	9%	32%	24%	3.3	13.6	228,123	54
Accenture plc	122,518	43,215	5%	31%	16%	2.8	17.7	492,000	88
Average	30,531	13,393	10%	33%	17%	3.0	17.7	162,460	97
Median	22,346	12,386	8%	32%	17%	2.7	15.0	130,000	74

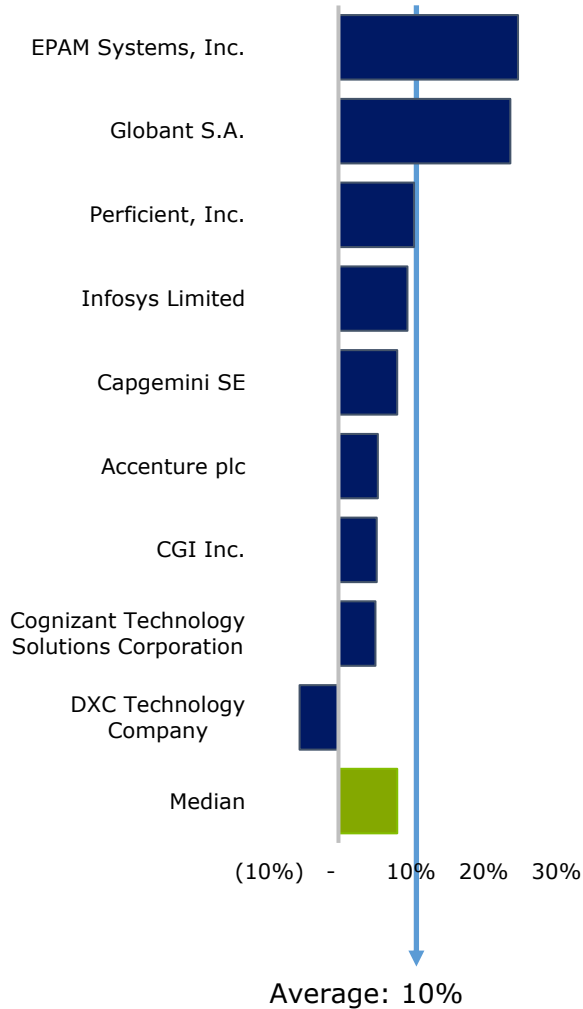
share price as of 11Dec19

Public Rev & EBITDA Multiples Over Time

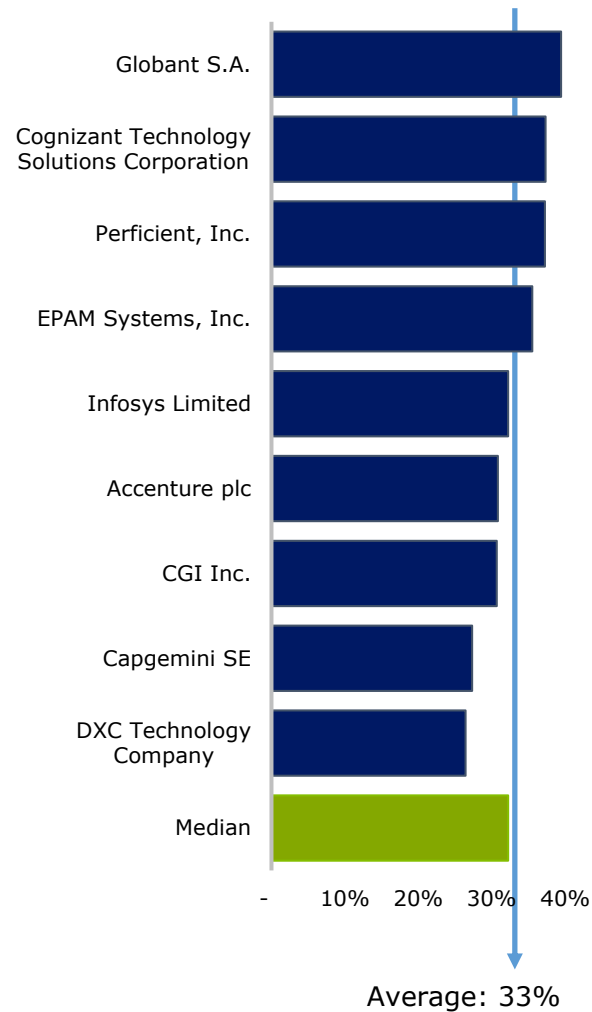


OPERATIONAL METRICS

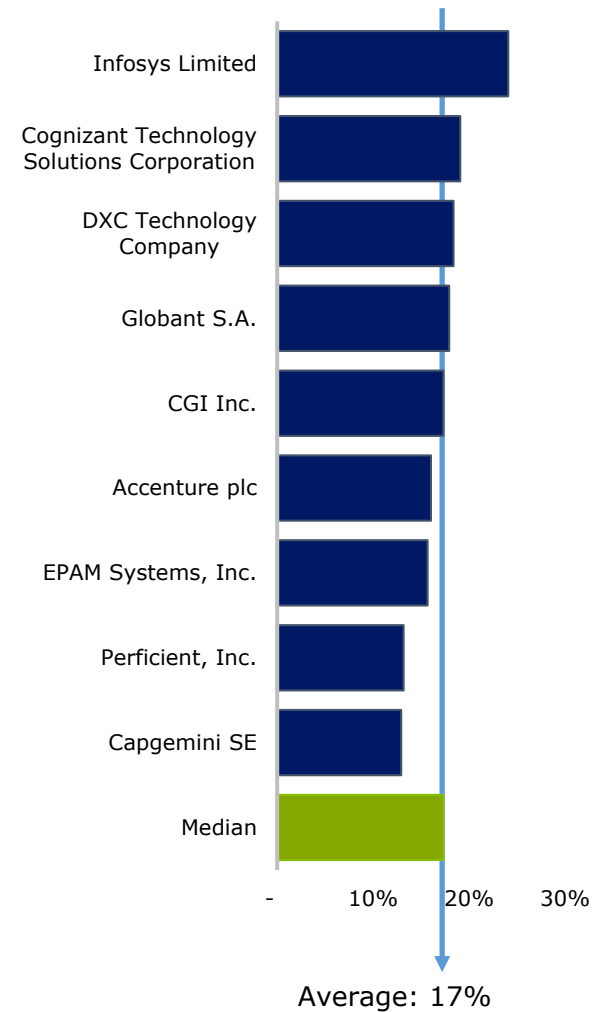
LTM REVENUE GROWTH %



LTM GROSS PROFIT MARGIN %



LTM EBITDA %



Commentary

"we strengthened the portfolio, building breadth and depth organically and via acquisitions in areas like mobile application development, search engine optimization, marketing automation, e-commerce and more. And now, we are pursuing far more opportunity and winning much more customer experience business than ever before."

— Jeffrey Davis, President & CEO

Highlights

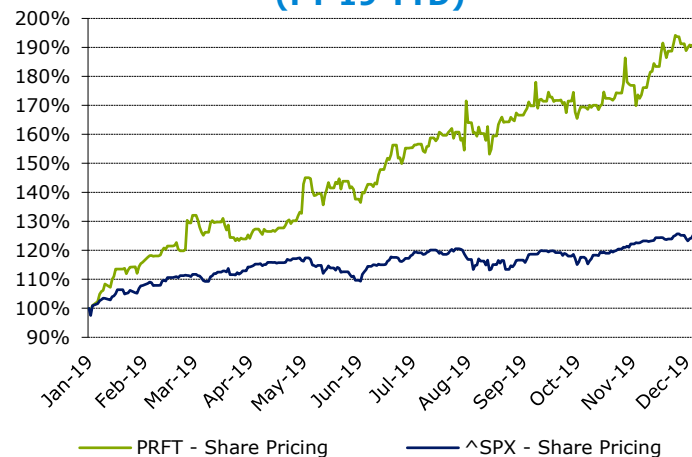
For the quarter ended September 30, 2019 (Q3'19) Perficient:

- Produced strong financial results, with Services revenue up 17% to \$144.1m YoY; EBITDAS came in at \$25.3m or 17.5% of revenue, compared to \$19.5m or 15.8% in Q3'18; Net Income increased 55% to \$9.8m
- Perficient's strong growth was driven by the signing of new large enterprise accounts, which include the world's largest vehicle operator, a leading global automobile manufacturer, and a luxury department store chain.
- Booked 49 deals over \$0.5m in Q3 compared to 45 similar sized deals in Q3'18
- Health sciences and financial services remain dominant verticals for revenue contribution with roughly 32% and 16% respectively
- The company raises its revenue guidance for 2019, estimating a total of \$562-568m
- Leadership sees great potential in growing existing clients to multimillion accounts to further strengthen revenue growth
- There are no expectations for further acquisitions for the rest of the year, but there will be a pick-up in deal volume in the next quarter with 1-2 transactions.
- Management commented on its recent acquisition of Sundog Interactive ([7MA acted as Sundog's sell-side advisor](#)); they cited immediate synergy effects from the integration and said that Sundog is "one of the best-performing acquisitions we've done"

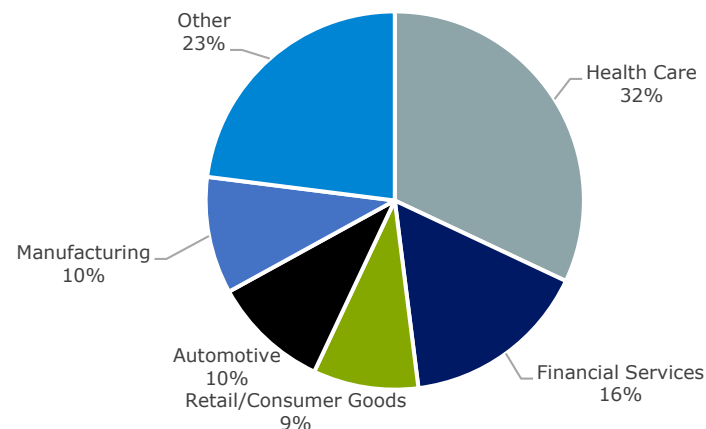
News

- [Sundog has been acquired by Perficient](#)

Market Performance (FY'19 YTD)



Revenue by Industry



Source: PR, CapitalIQ, Presentation and Earnings Call Transcript

Commentary

"At Globant, we are reinventing our company with a new approach. The goal is to continue to focus on producing real business impact for our clients. We do that based on 3 pillars: One, we deliver engineering, innovation and design at scale. We create software products that emotionally connect our customers with millions of consumers and employees. We do that through our studios, deep pockets of expertise on the latest technologies and trends. Our studio model fosters creativity and innovation, while allowing us to build disruptive solutions."

— Martín Migoya, CEO & Co-Founder

Highlights

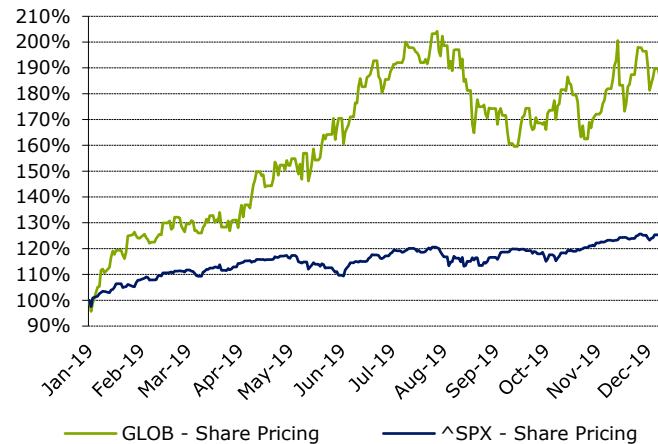
For the quarter ended September 30, 2019 (Q3'19) Globant:

- Generated \$171.3m in revenue, a 27.3% increase YoY
- The company's dominant industry verticals are entertainment and financial services representing 23% and 21% respectively; consumer, retail and manufacturing, professional services and technology and telecommunications were the fastest-growing industry verticals, each growing at 50+%
- Growth was driven by further expansion of top accounts. Overall, the company now has 104 clients bringing in \$1m+ in revenue, as well as 13 that bring in \$10m+
- The company's robust demand and pipeline opportunities drove the addition of more than 1,200 IT professionals, growing Globant's workforce to over 11,000
- The company shows increased efforts in global expansion through increased hiring in Europe, Asia, and the Americas
- Management expects 2019 revenue to land in the range of \$657-659m, implying revenue growth of 26% YoY
- Globant benefited from an easy integration of its acquisition of Belatrix ([ZMA acted as Belatrix's sell-side advisor](#)), the company's existing infrastructure in the Latin American market, and additional capacity from the 600 new professionals that came with the deal

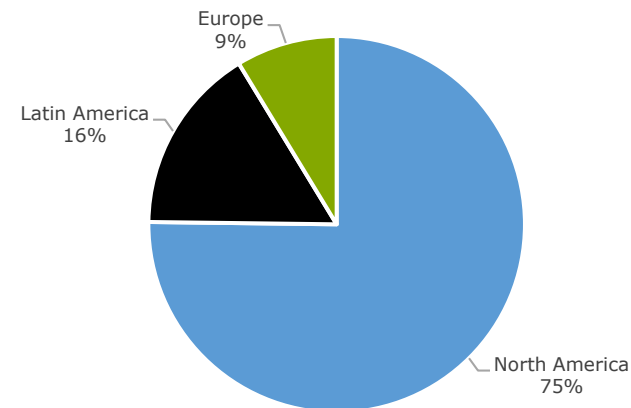
News

- [Belatrix Software Acquired by Globant](#)

Market Performance (FY'19 YTD)



Revenue by Geography





Commentary

"Despite some of the macro level uncertainties, which have been reserved for multiple quarters, we are pleased with our third quarter results, which reflect broad-based consistent high-quality earnings that underscore our ability to execute and grow in the market that continues to demand high-end expertise and ever-changing capabilities."

— Arkadiy Dobkin, President & CEO

Highlights

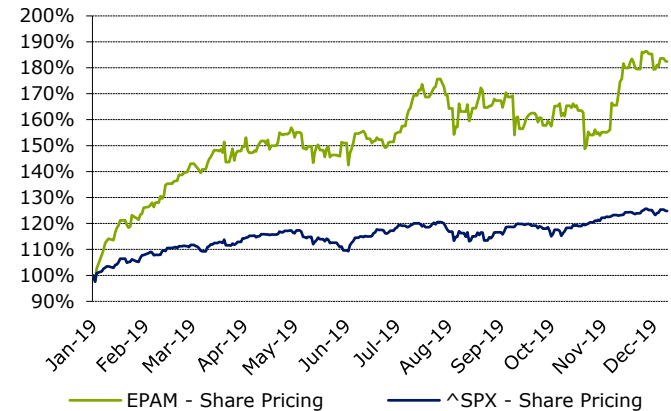
For the quarter ended September 30, 2019 (Q3'19) EPAM:

- Delivered strong results in Q3 with revenue of \$588m representing 26% YoY growth (27% in constant currency terms).
- Industry verticals with the strongest growth were life sciences and healthcare with 49.7% YoY growth and business information and media with 29.3%
- Was recognized as one of the Fortune 100 fastest growing companies, because of its strong growth in revenues, profits and stock returns over the last 3 years; EPAM was the only technology services company in the ranking
- Launched EPAM Continuum, a new brand linking EPAM's business consulting, technology consulting, experience and innovation consulting capabilities, in September to better respond to complex client needs
- Employee base grew 24.7% YoY to a total of 35,400
- Management expects Q4 revenue be at least \$616m, representing a 22% growth YoY
- Announced the acquisition of NAYA Technologies in an effort to deepen EPAM's data and cloud migration consulting services, as well as access to new talent
- Management expects a couple more tuck-in acquisitions within the next year with one or more being larger, cash consumptive transactions

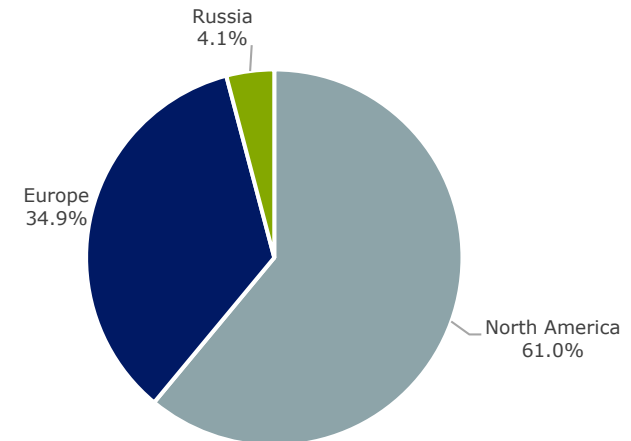
News

- [EPAM Acquires NAYA Technologies](#)

Market Performance (FY'19)



Revenue by Geography



Commentary

"One of Capgemini's strengths is our ability to deliver value to our clients through business-focused and innovative solutions. And this is demonstrated in many of our third quarter wins where we are often positioned as the bridge between business and IT for our clients."

— Paul Hermelin, Chairman & CEO

Highlights

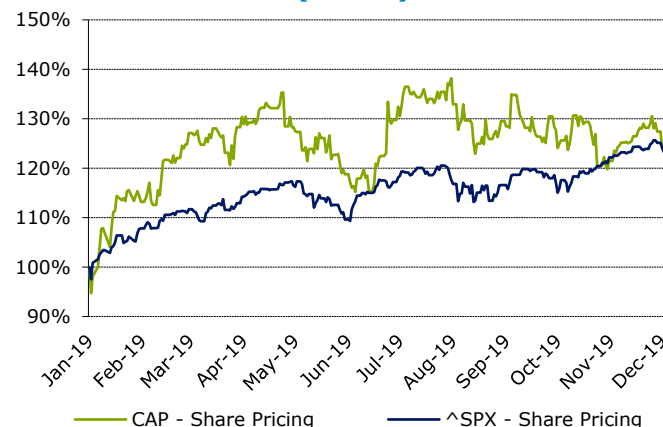
For the quarter ended September 30, 2019 (Q3'19) Capgemini:

- Grew revenue to EUR 3.4b, representing a modest growth of 5.9% on a constant currency basis; new bookings grew by 19.6% to EUR 3.4b
- European clients accounted for over 50% of Capgemini's revenue; the strongest growing business line was strategy & transformation with growth of 14.6%
- Cloud and digital are the main growth segments, both growing at around 20% YoY
- Capgemini sees continued strong demand from clients and believes that the growth in digital services is a long-term trend
- Sees slowdown in private and public sector caused by uncertainties regarding Brexit; has hopes that the "wait-and-see attitude" will not last
- Obtained all required regulatory clearances for the acquisition of Altran, including the clearance of the French financial markets authority
- Acquired Finexsi, a German leader in strategy and management consulting for energy companies

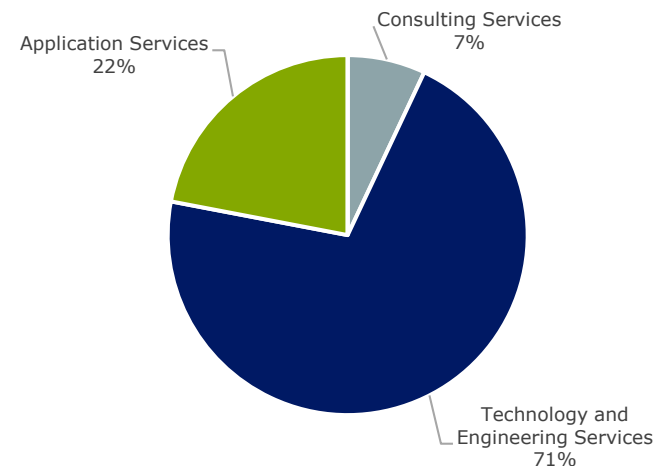
News

- [Capgemini is selected by Bayer as a core strategic partner to transform its IT landscape](#)
- [Capgemini extends its strategic initiative with Amazon Web Services to North America](#)

Market Performance (FY'19)



Revenue by Segment



Commentary

"I am pleased with our team's collective performance in fiscal 2019. We successfully executed on the strategic priorities necessary to meet current client demand for innovation and business agility. We grew organically in every operating segment, with a stronger mix of managed IT and intellectual property."

— George D. Schindler, President & CEO

Highlights

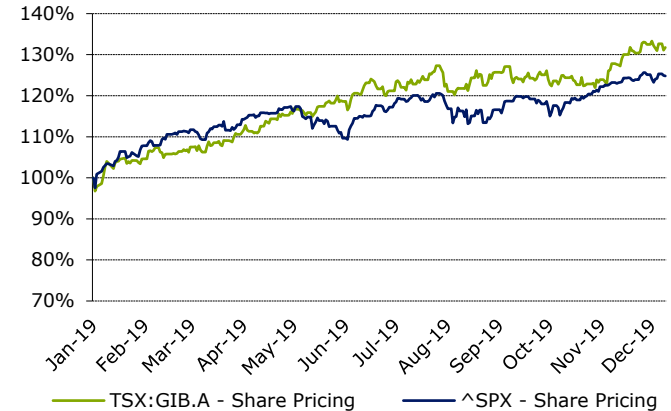
For the quarter ended September 30, 2019 (Q3'19) (Q4 for CGI) CGI:

- Grew Q4 revenues to \$2.96b – a modest 5.7.% YoY; Overall 2019 results for the company were \$12.1b in revenue, implying a 5.3% growth compared to 2018; EBIT was \$457m with a margin of 15.5% and net earnings \$224m with a 11% margin, both showing increases compared to the prior year.
- IP solutions and services experienced growth of 14% and currently accounts for 24% of total revenue
- Revenue growth and margin expansion were improved across the board on a global scale
- To meet customer needs and further scale revenue, CGI combined its managed IT and business process services segments
- Planning to make large investments in IP offerings, business engineering, and consulting expertise in the coming year
- A recent merger with Sunflower Systems, an IT service provider with expertise in government ERP provided new growth opportunities
- SCISYS's acquisition approval is on the way
- CGI's "Build and Buy" strategy and the successful integration of targets is reflected in the almost 6% revenue growth and the 12% growth in earnings
- For the foreseeable future, CGI plans to further fund its "metro market merger strategy" largely based on geographic expansion into high priority locations

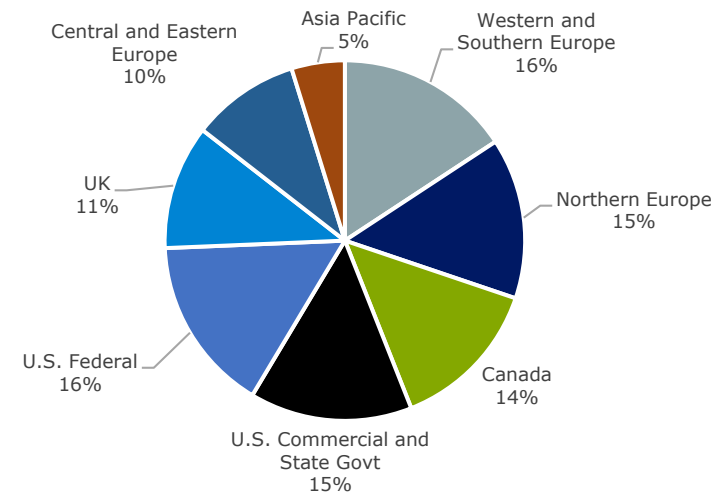
News

- [CGI Acquires Sunflower Systems](#)

Market Performance (FY'19)



Revenue by Geography



*Figures in Canadian Dollars

Source: PR, CapitalIQ, Presentation and Earnings Call Transcript

Commentary

"Over the past few months, we've initiated what we expect will be a multiyear evolution of our business aimed at returning our company to historical levels of performance. We view this as a systematic process of revitalizing the company and one we're pursuing with rigor and urgency."

— Brian Humphries, CEO & Director

Highlights

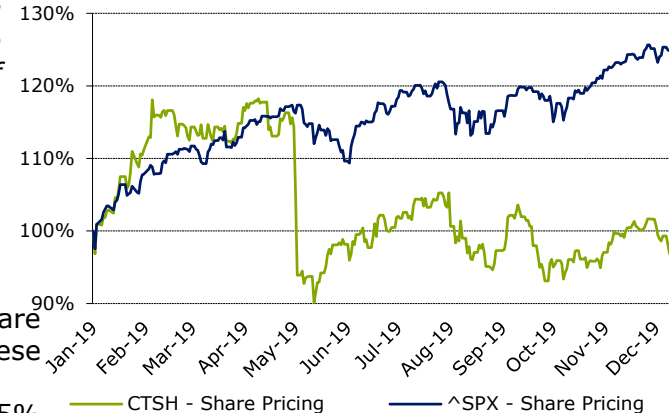
For the quarter ended September 30, 2019 (Q3'19) Cognizant:

- Q3 revenue grew at 5.1% YoY in constant currency terms to \$4.25b.
- North American divisions of Banking and Financial Services and Healthcare are under new leadership in an effort to revitalize performance of these businesses
- Digital revenue grew well beyond 20% and now accounts for roughly 35% of total revenue
- Revenue for 2019 is expected to fall between \$16.75-16.9b, implying a YoY growth of 4.6-4.9%
- Cognizant is further building the efforts of its two part strategy:
 - Preserve the company's core portfolio
 - expand service offerings in high value segments of data, digital engineering, cloud and IoT
- Management announced its new "Fit for Growth" initiative, which is a cost reduction plan that includes the removal of 10-12 thousand mid- to senior level associates; the company strives to retrain 5,000 of these employees to fit new roles that will be created within the expansion of new age service offerings
- Cognizant will further focus on acquisitions that enable it to further enhance its expertise and capabilities within the digital services space

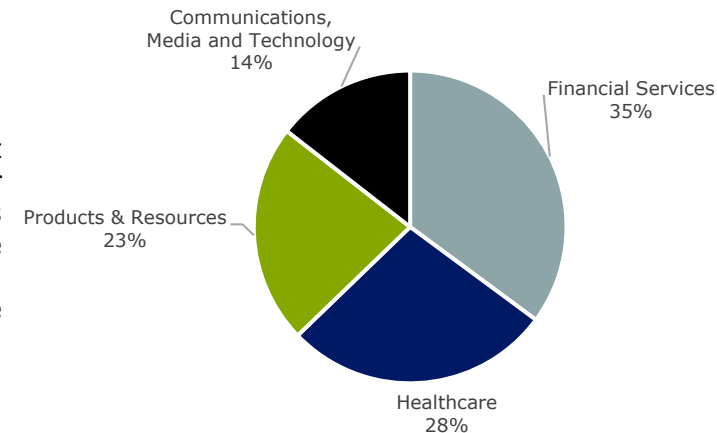
News

- [Cognizant to Acquire Contino, a Premier Enterprise DevOps and Cloud Transformation Consultancy](#)

Market Performance (FY'19)



Revenue by Segment



Commentary

"While business volatility is causing decision delays in some of our key clients in this sector. We also see this as a clear opportunity in the medium to long term to increase our client relevance. We expect to witness uptick in consumer experience, digital marketing, insights and investments in platform and remain cautiously optimistic given recent deal wins and steady order pipeline."

— Pravin Rao, Chief Operating Officer

Highlights

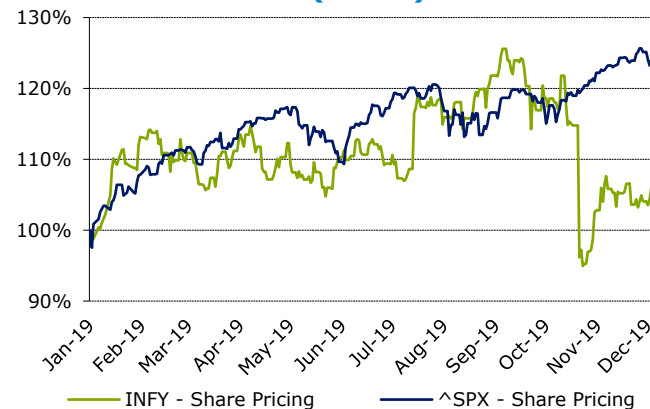
For the quarter ended September 30, 2019 (Q3'19) (Q2'20 for Infosys) Infosys:

- Revenue showed double-digit growth for the fourth consecutive quarter, coming in at 11.4% YoY to \$3.21b
- Digital revenue grew at 38% YoY to \$1.23b and now represents over 38% of total revenue
- Infosys added 96 new clients in Q3, with 2 of them being \$50m+ accounts; 13 large deals were won during the quarter with a total contract value of \$2.85b
- Management raised its revenue guidance for its fiscal year of 2020, expecting a growth rate of 9%-10%
- While the financial services vertical experienced further growth momentum, management is expecting a slowdown in the coming quarters, which will be driven by seasonality, as well as sluggishness in capital markets

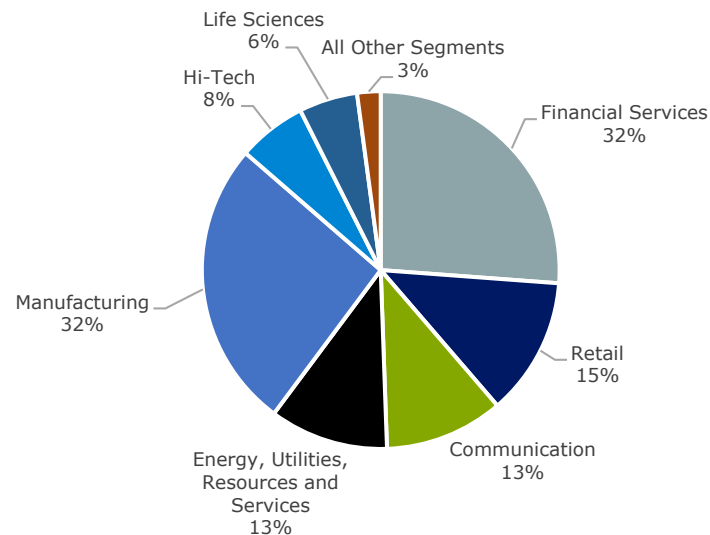
News

- [Infosys to Deliver Engineering and Digital Services to Rolls-Royce Group](#)
- [Australian Military Bank Powers Digital Transformation with Infosys Finacle on Cloud](#)

Market Performance (FY'19)



Revenue by Segment



Commentary

"Our strategy starts with what our clients need, and our clients need to transform their entire enterprise. What we see is that most of our clients are still in the very early stages of their transformation journeys. The starting points and speed are different by industry and by company but the scope of the ambition is consistently broad."

— David Rowland, Interim CEO

Highlights

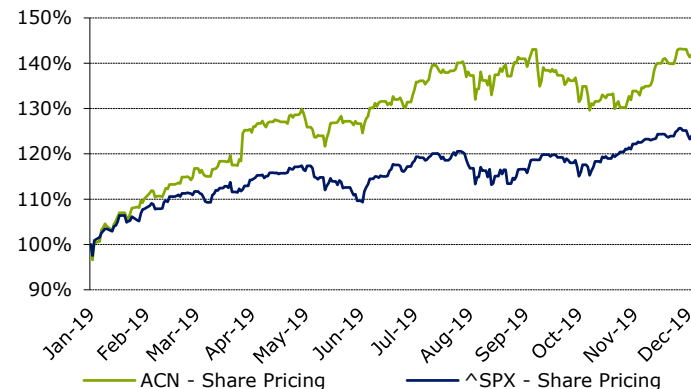
For the quarter ended August 31, 2019 (Q3'19) (Q4'19 for Accenture) Accenture:

- Showed 7.2% revenue growth under constant currency assumptions, totalling at \$11.1b for the quarter; Revenue for the year was \$43.2b, showing an increase of 8.5%
- Produced record quarterly and annual bookings amount with \$12.9n and \$45.5b respectively
- Experienced strongest demand in the new age areas of cloud, digital, and security-related services, with double-digit growth in each of these segments
- North America revenue grew 8%, Europe grew 4%, and growth markets grew 12% in local currency terms.
- Management expects revenue to grow at 5%-8% during 2020
- Accenture is planning further acquisitions with three main purposes:
 - To scale high value areas, like recent transactions around intelligent platform services
 - To add new capabilities, like the new age segments of cloud and other digital services
 - To deepen existing expertise, like their four recent transaction in the financial services space

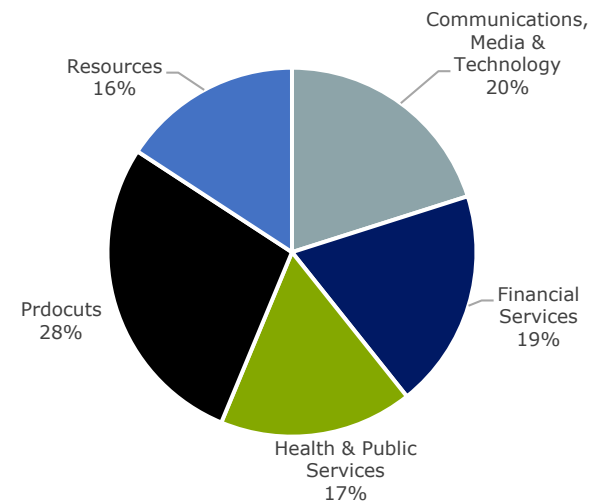
News

- [Rockwell Automation and Accenture Industry X.0 Combine Forces to Create Digital Solutions for Industrial Clients](#)

Market Performance (FY'19)



Revenue by Segment



Source: PR, CapitalIQ and Earnings Call Transcript

Commentary

"I've been impressed with the company's track record of enhancing capabilities through targeted strategic acquisitions, including innovative assets like Luxoft and recently, Bluleader and Virtual Clarity. Bluleader will enhance our SAP application capabilities, and Virtual Clarity will strengthen our capabilities in delivering cloud assessments and transformation road maps to our customers."

— Michael J. Salvino, CEO, President & Director

Highlights

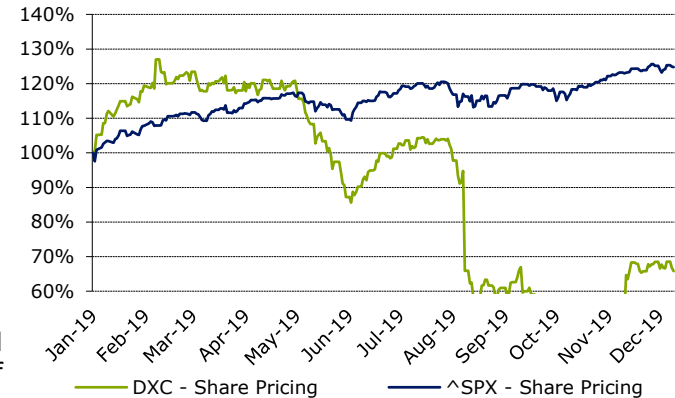
For the quarter ended September 30, 2019 (Q3'19) (Q2'20 for DXC) DXC:

- Generated \$4.85b in revenue or a 0.8% decline YoY.
- Revenue changes were mainly driven by an increase in digital transformation services of 52% and a decline in traditional services of 18.5% YoY
- Driver of digital revenue was an increased demand for services targeting cloud migrations
- Traditional revenue, like ITO, showed further delay in deals and a lower than expected conversion of pipeline opportunities
- Lowered revenue guidance to \$19.5b-\$19.8b given delays and loss of deals that had previously been included in estimates
- The acquisition and successful integration of Luxsoft increased DXC's digital strategy and software engineering capabilities and had a meaningful contribution to revenue growth
- DXC is looking to free up capital by planning for divestitures of three of its businesses - health and human services, their horizontal BPS business, as well as their workplace and mobility business
- DXC expects about \$5b in net capital proceed from the transactions that will be used to rebalance the firm's capital allocation and return capital to shareholders through share-repurchases and dividends

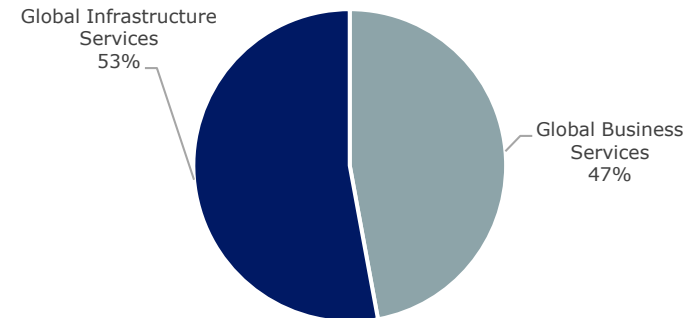
News

- [DXC Planned Divestitures](#)

Market Performance (FY'19 YTD)



Revenue by Segment



Content



Summary
Deal Spotlight
Earnings Call Overview / Players In The Industry
Financial Trends and Transactions

FINANCIAL TRENDS

Company Name	Revenue (\$M)					Revenue Growth (%)		
	CQ3'19	CQ3'18	FY'18	FY'17	FY'16	CQ3'19	FY'18	FY'17
Accenture plc	\$ 11,056	\$ 10,504	\$ 40,993	\$ 36,177	\$ 32,883	5.3%	13.3%	10.0%
Capgemini SE	\$ 3,868	\$ 3,544	\$ 15,109	\$ 15,039	\$ 13,236	9.1%	0.5%	13.6%
CGI Inc.	\$ 2,296	\$ 2,288	\$ 8,902	\$ 8,677	\$ 8,139	0.3%	2.6%	6.6%
Cognizant Technology Solutions Corporation	\$ 4,248	\$ 4,078	\$ 16,125	\$ 14,810	\$ 13,487	4.2%	8.9%	9.8%
DXC Technology Company	\$ 4,851	\$ 5,013	\$ 21,733	\$ 7,607	\$ 7,106	-3.2%	185.7%	7.1%
EPAM Systems, Inc.	\$ 588	\$ 468	\$ 1,843	\$ 1,450	\$ 1,160	25.6%	27.1%	25.0%
Globant S.A.	\$ 171	\$ 135	\$ 522	\$ 413	\$ 323	27.3%	26.3%	28.1%
Infosys Limited	\$ 3,193	\$ 2,703	\$ 10,837	\$ 10,208	\$ 9,501	18.1%	6.2%	7.4%
Perficient, Inc.	\$ 145	\$ 124	\$ 498	\$ 485	\$ 487	16.7%	2.7%	-0.4%
Average	\$ 3,380	\$ 3,206	\$ 12,951	\$ 10,541	\$ 9,591	11.5%	30.4%	11.9%
Median	\$ 3,193	\$ 2,703	\$ 10,837	\$ 8,677	\$ 8,139	9.1%	8.9%	9.8%

Company Name	Gross Margin (%)					EBITDA Margin (%)				
	CQ3'19	CQ3'18	FY'18	FY'17	FY'16	CQ3'19	CQ3'18	FY'18	FY'17	FY'16
Accenture plc	31.1%	30.8%	30.5%	30.6%	31.3%	15.7%	15.3%	15.7%	15.6%	16.0%
Capgemini SE	27.1%	26.6%	27.1%	27.0%	26.8%	11.7%	11.4%	12.8%	12.9%	12.6%
CGI Inc.	79.1%	80.4%	30.6%	30.1%	30.2%	17.6%	17.8%	17.1%	16.7%	17.0%
Cognizant Technology Solutions Corporation	36.9%	39.2%	39.0%	38.2%	39.9%	20.3%	21.7%	20.6%	20.5%	20.0%
DXC Technology Company	24.2%	29.8%	24.9%	27.1%	27.0%	18.6%	23.9%	20.2%	9.6%	12.3%
EPAM Systems, Inc.	35.8%	35.7%	35.6%	36.5%	36.5%	15.6%	15.8%	15.3%	13.9%	13.6%
Globant S.A.	38.7%	39.5%	39.4%	36.4%	40.8%	17.4%	18.2%	18.1%	13.7%	19.2%
Infosys Limited	32.1%	34.4%	34.8%	36.9%	36.2%	24.3%	25.9%	26.8%	27.1%	27.6%
Perficient, Inc.	38.3%	36.1%	35.8%	33.3%	31.1%	14.5%	12.4%	12.1%	11.0%	10.3%
Average	38.1%	39.2%	33.1%	32.9%	33.3%	17.3%	18.0%	17.6%	15.7%	16.5%
Median	35.8%	35.7%	34.8%	33.3%	31.3%	17.4%	17.8%	17.1%	13.9%	16.0%

KEY TRANSACTIONS IN Q3 2019

Date	Target	Buyers/Investors	Details
11/05/2019	NAYA Technologies	EPAM	NAYA Technologies, an Israel headquartered company with a subsidiary in the U.S. and extensive expertise in software development, big data, and cloud migration, is being acquired by EPAM Systems. EPAM, a global provider of software development services and digital platform engineering, will benefit from the acquisition through the complementation of its consulting services as well as NAYA's cloud services and data management capabilities. The deal includes NAYA's automated database migration assessment tool, migVisor, which facilitates cloud migrations.
11/05/2019	BNW Consulting	SoftwareONE	SoftwareONE announced on November 5th its acquisition of BNW consulting. BNW, founded in 1996 and based in Melbourne, is a cloud consulting company that specializes in services in regard to SAP platform transformation and the change from on-site to public cloud platforms from providers like AWS, Microsoft, Google, and Ali Cloud. Included in the acquisition is BNW's proprietary analytics tool that is SAP-certified. The tool, PowerConnect, provides insights into SAP performance data of infrastructures. SoftwareONE is a leading provider of software and technology solutions. The acquisition will expand its portfolio surrounding SAP services.
11/04/2019	Onica	Rackspace	On November 4th, Rackspace announced its plans to acquire Onica, a pureplay AWS focused MSP and Premier Consulting Partner. Onica is a California based managed cloud services provider with expertise in strategic advisory, architecture and engineering and application development. Founded in 2014, the company currently employs about 350 consultants with North America as their main focus. Rackspace, an established player in the managed cloud services space, will further expand its managed cloud services portfolio through the acquisition. Terms of the transaction were not disclosed.
10/30/2019	DLT Solutions	Tech Data	Tech Data announced its acquisition of DLT Solutions, a Virginia based provider of IT solutions to federal, state, and local governments, as well as education, utilities, and healthcare markets. Tech Data operates globally in the IT sector in about 100 countries. "This acquisition combines our public sector expertise and capabilities with a leading Fortune 100 company known for creating value across the technology ecosystem. It represents an opportunity to apply our unique public sector value proposition to a broader set of vendors and partners," said Art Richer, chief executive officer at DLT Solutions.
10/23/2019	Revel Consulting	Infogain	Infogain, a global leader in software platform engineering services that is headquartered in Silicon Valley, is acquiring Revel Consulting, a consulting practice that focuses on digital experience and Fortune 500 clients along the Westcoast with headquarters in Seattle. The companies see synergies in the combination of platform engineering, design and strategy solutions which will enhance the firm's ability to meet growing demands from customers. "Combining Infogain's world-class product and platform engineering with Revel's expertise in digital marketing, experience and commerce is just what many CMOs, CDOs and business heads are looking for," said Infogain's CEO, Sunil Bhatia.

KEY TRANSACTIONS IN Q3 2019

Date	Target	Buyers/Investors	Details
10/23/2019	Global IT SOS	SmartSource	St. Charles, IL based SmartSource has acquired Costa Rican IT staffing and solutions provider Global IT SOS. Through the acquisition, SmartSource gains access to a global network of over 250 IT professionals which the company intends to leverage, especially Global IT SOS's call center operations. The transaction highlights the ongoing increased M&A activity and interest in LATAM IT Services companies.
10/22/2019	Global Employment Solutions, Inc.	ettain group	Charlotte-based staffing provider ettain group Inc. acquired Global Employment Solutions, Inc. GES has more than 1,500 employees in 13 global markets. GES has been a portfolio company of TZP Group since 2014, and TZP will maintain a minority stake in the combined entity. Associated with the transaction, Alvarez and Marsal Capital has invested a new majority stake into ettain group. The transaction is one of many IT Services transactions in the particularly active month of October. Terms of the transaction were not disclosed.
10/16/2019	Contino	Cognizant	Cognizant has agreed to acquire London-based Cotino. Cotino, an AWS Premier Partner with additional Azure and Google practice,s is a consultancy focused on digital transformation, cloud enablement, security, and DevOps methodologies. Drivers for the transaction include Cotino's expertise in the mentioned practice areas as well as their 350 employees and operations in the US, UK and Australia servicing Global 2,000 clients.
10/16/2019	STTelemedia	2nd Watch	Strategic Investor STTelemedia has purchased a majority stake in 2nd Watch, the Seattle based top 100 Public Cloud MSP focused on AWS (Premier Consulting Partner) and Microsoft Azure (Gold Partner). The transaction will allow STTelemedia to expand internationally and expanded expertise especially within infrastructure software solutions. The deal symbolizes the recent increased M&A activity within cloud solutions firms focused on AWS, Microsoft Azure, and Google cloud
10/11/2019	Sovereign Systems	Data Blue	Chicago based IT solutions provider AHEAD and Atlanta-based Data blue have agreed to merge as well as to acquire Atlanta-based Sovereign Systems. AHEAD focuses on DevOps consulting, monitoring and analytics, and security, while Data Blue is a leader in managed services and networking. Sovereign Systems brings expertise in cloud, VMWare and ServiceNow. The new combined company will have a broad reach across on-premise and cloud infrastructures with partners including Dell, Cisco, AWS and Microsoft Azure. Managing Partner of Sovereign Matt Cadogan reflected on the transaction, "Our larger, combined brand will help us serve clients more effectively, but the minimal regional overlap will allow us to maintain the close-knit relationships that our clients have come to expect."

KEY TRANSACTIONS IN Q3 2019

Date	Target	Buyers/Investors	Details
09/25/2019	Eclair Group	Deloitte	Global digital transformation services powerhouse Deloitte, has acquired Sydney, Australia based RPA specialist Eclair Group – a 22 person company. In addition to RPA, Eclair also provides offerings in machine learning and intelligent automation. From our vantage point at 7 Mile, these service offerings are some of the most attractive for investors and acquirors, as clients of digital services firms are aggressively seeking and demanding these services. Financial terms of the transaction were not disclosed.
09/25/2019	Alnamic AG	Avanade	Accenture-backed Avanade has announced its intention to acquire Neuss, Germany based Microsoft Dynamics 365 partner Alnamic AG. Neuss focuses on the manufacturing, Internet of Things, wholesale, and distribution verticals. Drivers of the transaction include an expanded footprint in the Germanic regions in which Alnamic is most established as well as inroads into the industries in which Alnamic is strongest, such as manufacturing and wholesale.
09/19/2019	Tripleplay	Uniguest	Uniguest, a Nashville-based global provider of secure public-space technology solutions, has completed the acquisition of UK-based Tripleplay - a market leader in the development of digital signage, IPTV, and video streaming solutions. As Uniguest announced, "The Tripleplay acquisition complements the June 2018 addition of ONELAN, creating a global leader for IPTV, digital signage, and room booking solutions. Prior to the acquisition, Uniguest operated more than 35,000 secure kiosks and over 100,000 digital signs in more than 100 countries." Uniguest was advised exclusively on the buy-side by 7 Mile Advisors. The acquisition marks the 3rd transaction in which 7 Mile has advised Uniguest – an Atlantic Street Capital portfolio company.
09/13/2019	ElevatedPrompt Solutions Inc.	Ernst & Young (EY)	Ernst & Young (EY) has bought Canadian MSSP ElevatedPrompt Solutions. One of the primary motivators behind the transaction was ElevatedPrompt's managed detection and response (MDR) solution which EY will now leverage among its expansive customer portfolio. The transaction also underscores the aggressive interest in the MSSP space by investors and acquirors. Financial terms of the transaction were not disclosed.
09/10/2019	Skookum	GlobalLogic	Leading digital product engineering firm GlobalLogic has acquired Charlotte, NC based Skookum – a digitally native company focused on digital strategy, design, and development. Drivers behind the transaction included complementary services offerings in digital engineering and design, as well as an expanded geographic footprint on the east coast of the U.S. GlobalLogic COO Nitesh Banga reflected on the transaction, "Leveraging that momentum, we are keenly focused on continually expanding our transformative design and engineering services footprint in key regions. The acquisition of Skookum fits our strategy and ambitions perfectly. We are very excited by Skookum's culture, value proposition, and the ability to partner closely with customers to deliver game-changing solutions."

DISCLOSURES

At the time this was published: 1) 7M Securities was not making a market in any of the securities listed herein, nor was 7M Securities or associated persons selling or buying them from customers on a principal basis. 2) Neither 7M Securities, its officers nor its partners have a financial interest beyond a nominal basis in any of the securities of the issuers listed herein. 3) 7M Securities was not a manager or co-manager of a public offering of any of the securities listed herein within the past 12 months.

This report is for your information only and is not an offer to sell, or a solicitation of an offer to buy, the securities or instruments named or described in this report. Interested parties are advised to contact the entity with which they deal, or the entity that provided this report to them, if they desire further information. The information in this report has been obtained or derived from publicly available sources but neither 7 Mile Advisors, LLC nor 7M Securities, LLC represents that this information is accurate or complete. Any information contained in this report is subject to change without notice.

CONTACT INFORMATION

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	561.508.9360	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
Nicholas Prendergast, Financial Analyst	704.973.3995	nicholas@7mileadvisors.com
Ariail Barker, Marketing Director	704.981.2908	ariail@7mileadvisors.com
Sydney Larese, Associate	704.973.3998	sydney@7mileadvisors.com
Marty Johnson, Associate	704.981.2503	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
Daniel Kim, Associate	704.409.9911	dan@7mileadvisors.com
Olefunke Abass, Associate	704.409.9913	Olufunke@7mileadvisors.com
Emily Halstenberg, Marketing Coordinator	704.409.9912	emily@7mileadvisors.com