



# Sectorwatch: Cloud Computing

November 2019

# Cloud Computing

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

# Overview

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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.



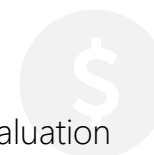
## Public Basket Performance

- 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

**↑ 3.9%**

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

**↑ 1.3%**

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

Current gross profit margin exceeds the average of the last 3 years gross profit margin by this amount, indicating supplier pricing power

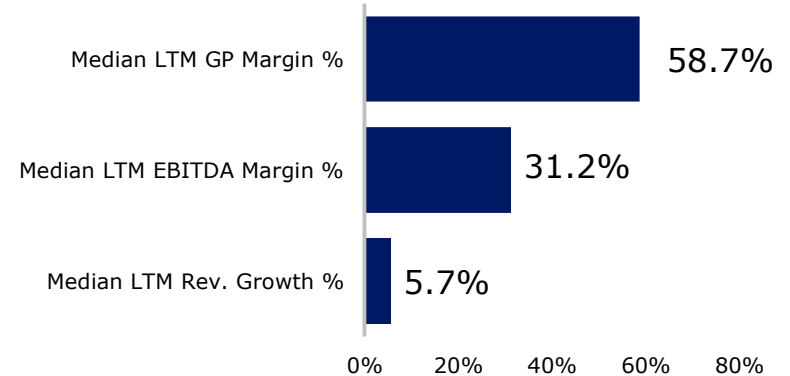
## Profitability Momentum

**↑ 0.8%**

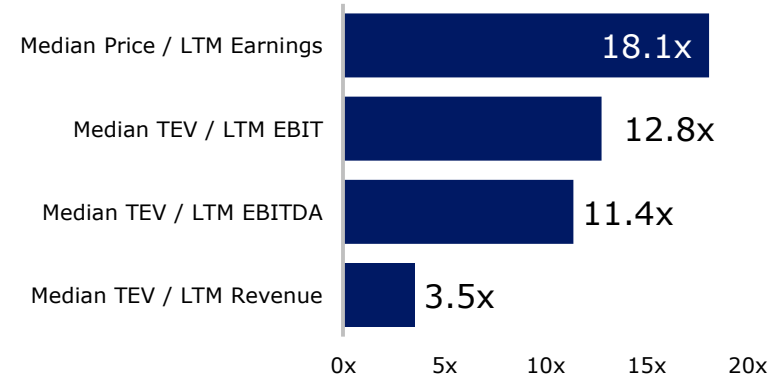
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

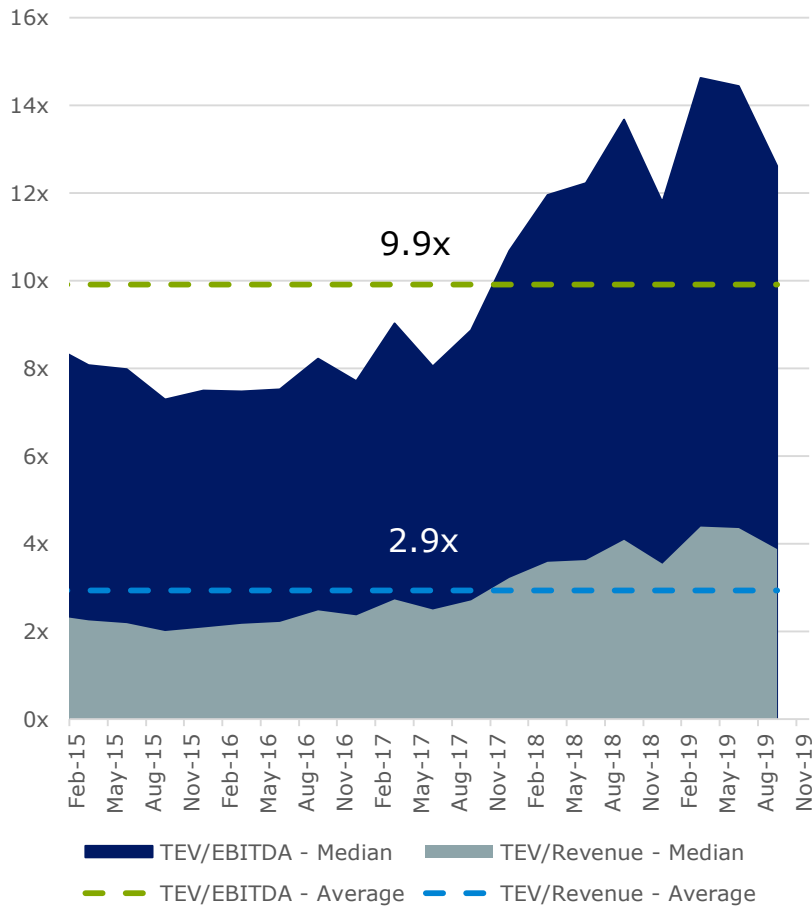


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Unisys Corporation	1,073	2,968	6%	24%	8%	0.4	4.3	21,700	137
CenturyLink, Inc.	51,746	22,609	-2%	59%	41%	2.3	5.6	45,000	502
Equinix, Inc. (REIT)	58,089	5,365	7%	49%	43%	10.8	24.9	7,903	679
VMware, Inc.	70,982	9,496	14%	86%	27%	7.5	28.2	22,990	413
Cisco Systems, Inc.	184,419	51,991	3%	63%	31%	3.5	11.4	75,900	685

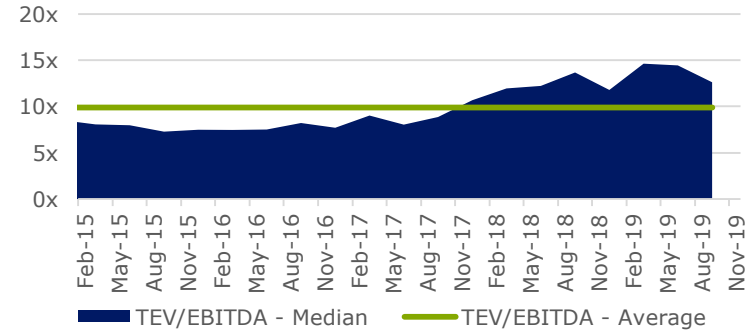
<b>Average</b>	73,262	18,486	6%	56%	30%	4.9	14.9	34,699	483
<b>Median</b>	58,089	9,496	6%	59%	31%	3.5	11.4	22,990	502

share price as of 25Nov19

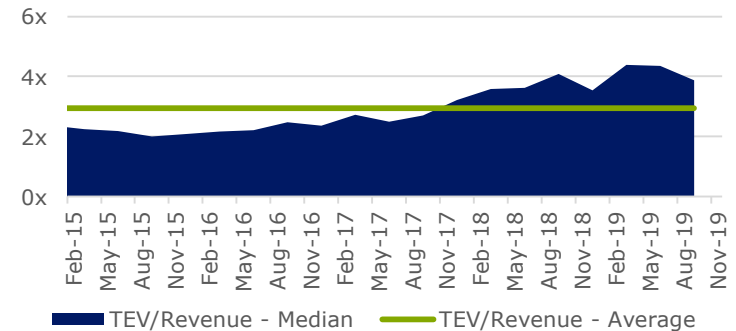
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



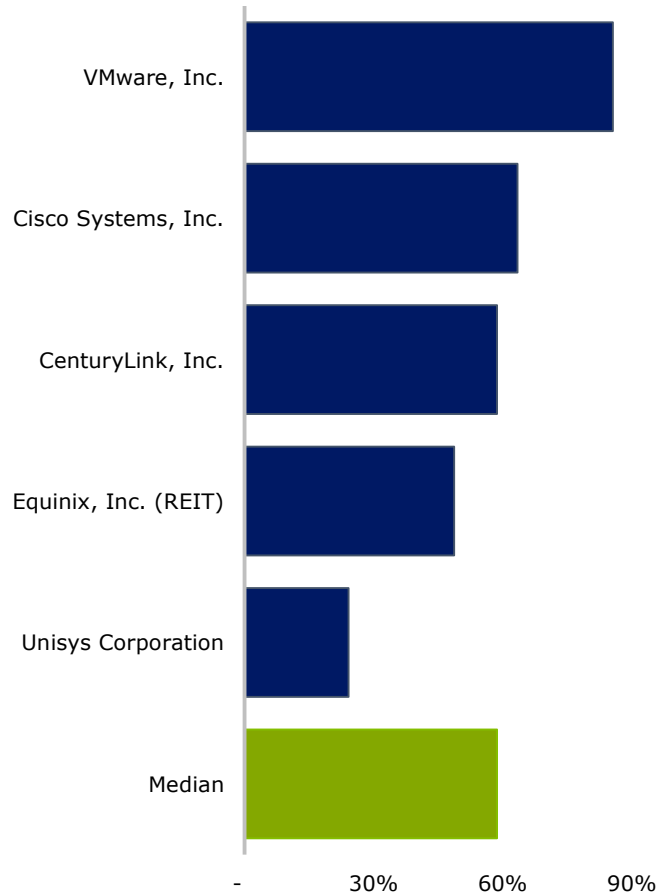
## Public Revenue Multiples over Time



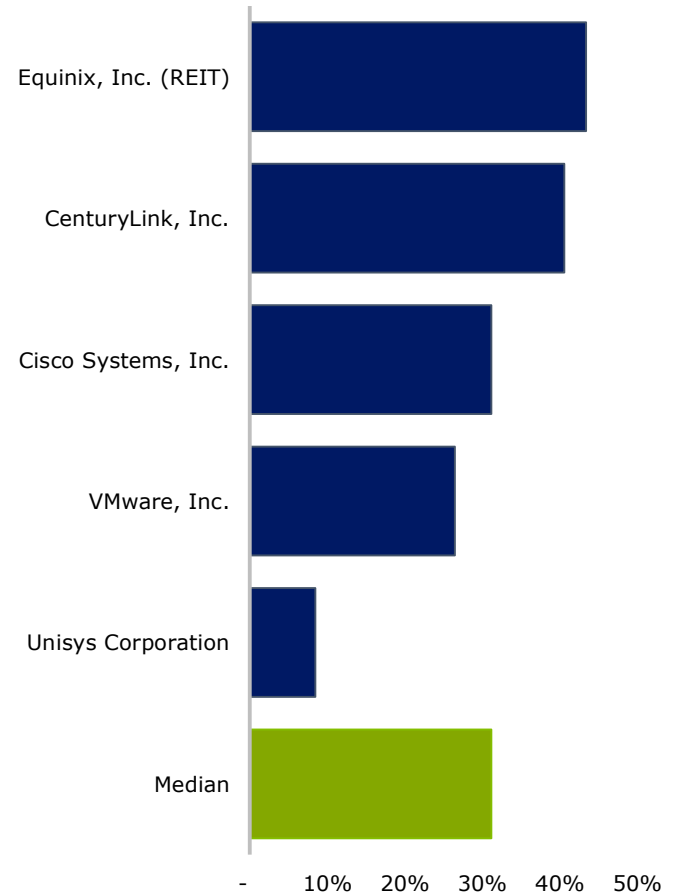
# Operational Metrics



## LTM Gross Profit Margin %



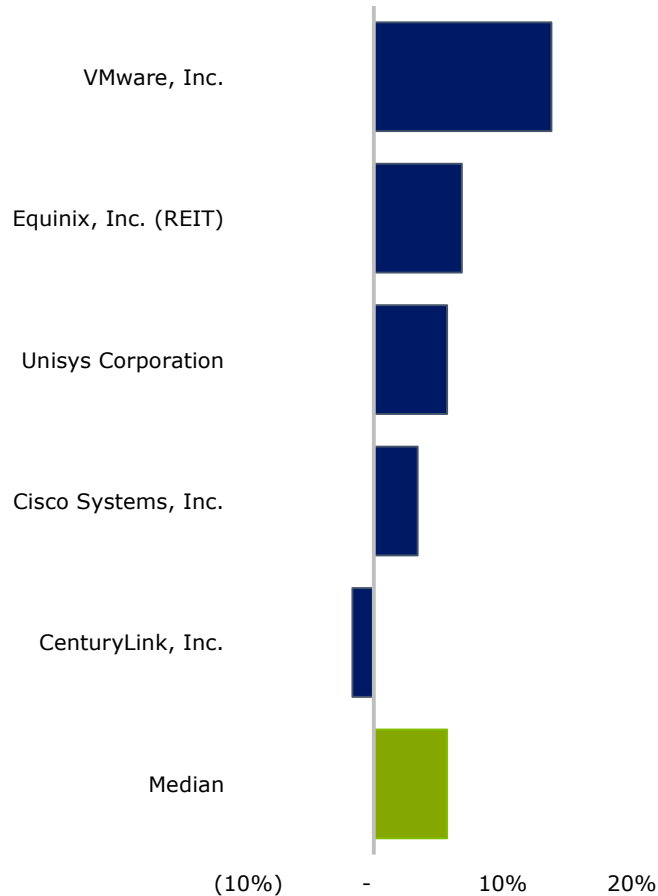
## LTM EBITDA %



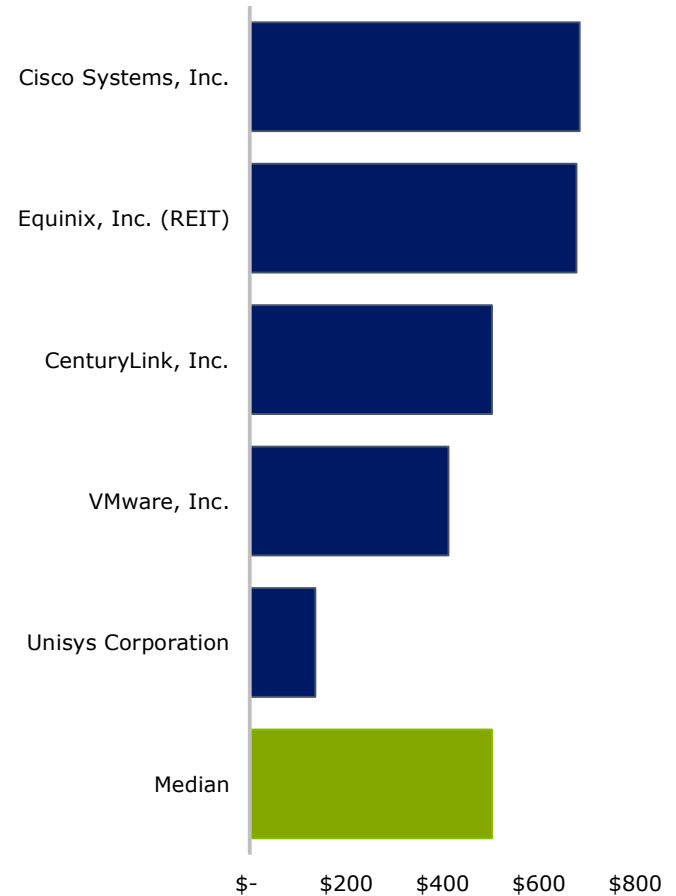
# Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's

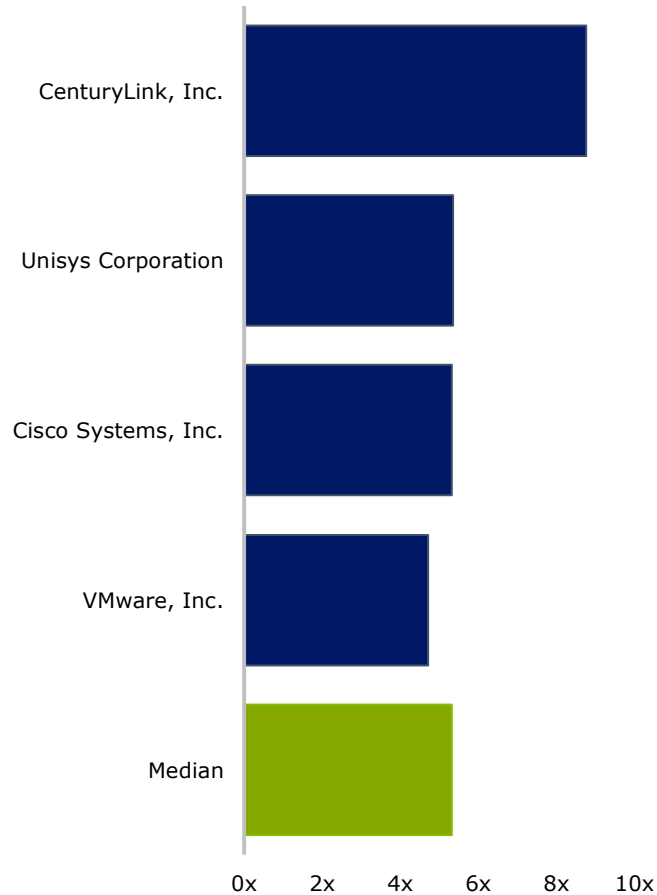




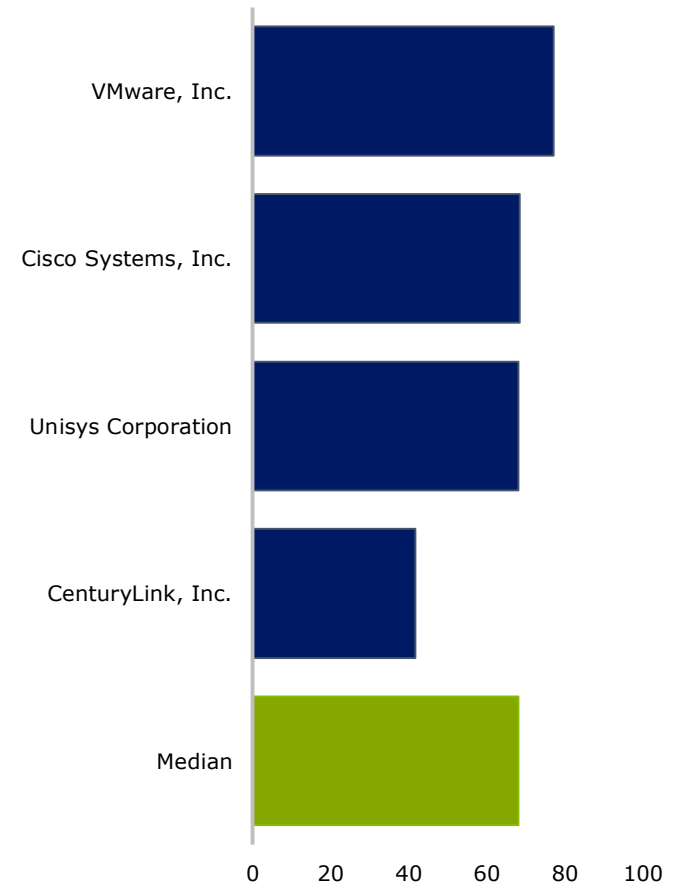
# Operational Metrics



## Accounts Receivable Turnover



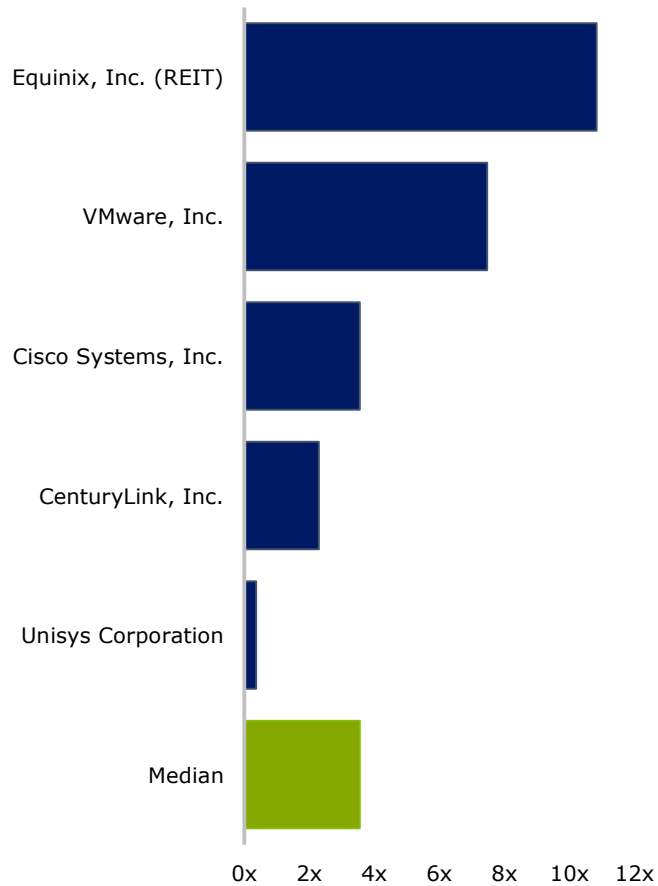
## Average Days Sales Outstanding



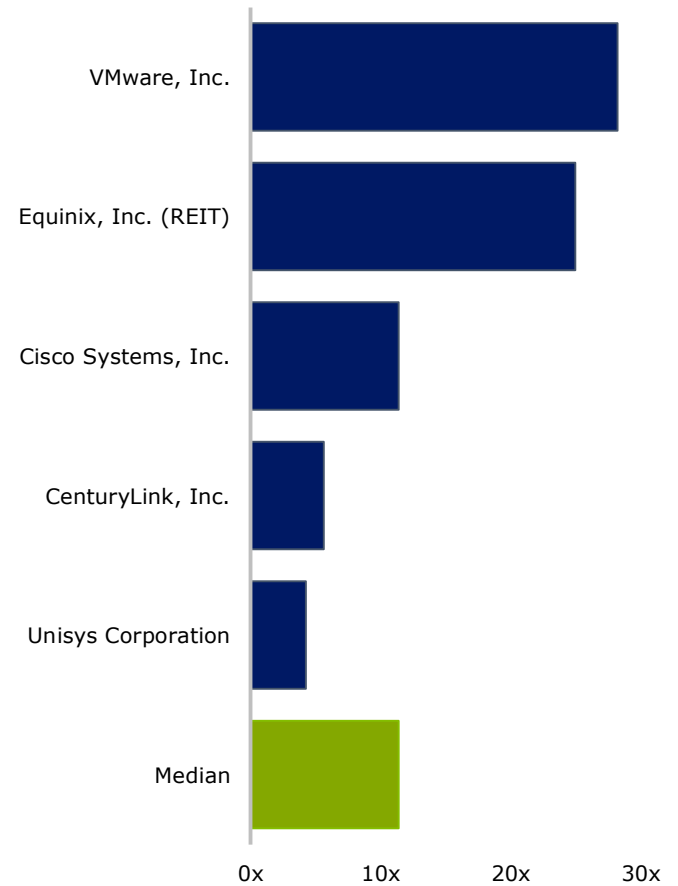
# Valuation



## TEV / LTM Revenue



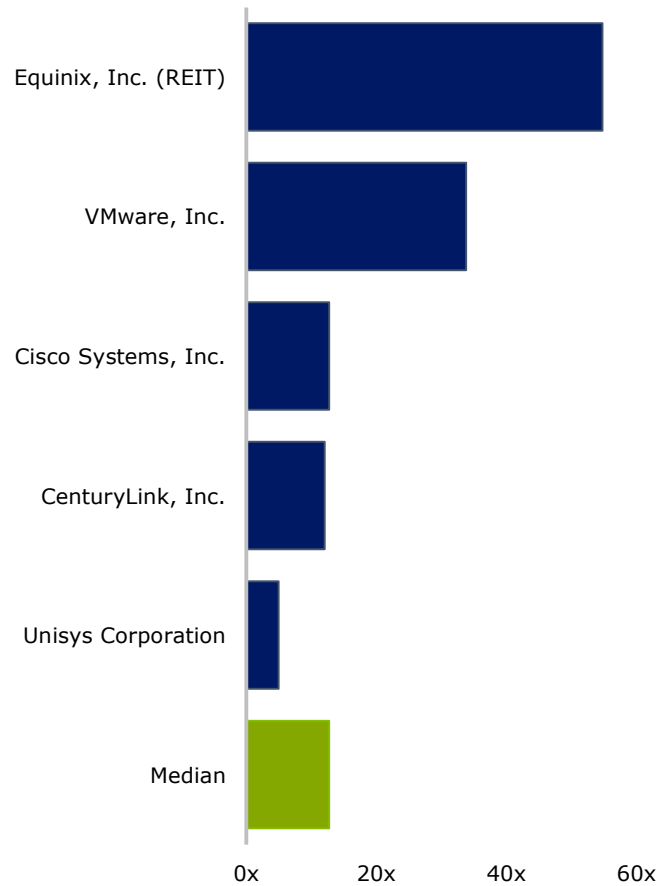
## TEV / LTM EBITDA



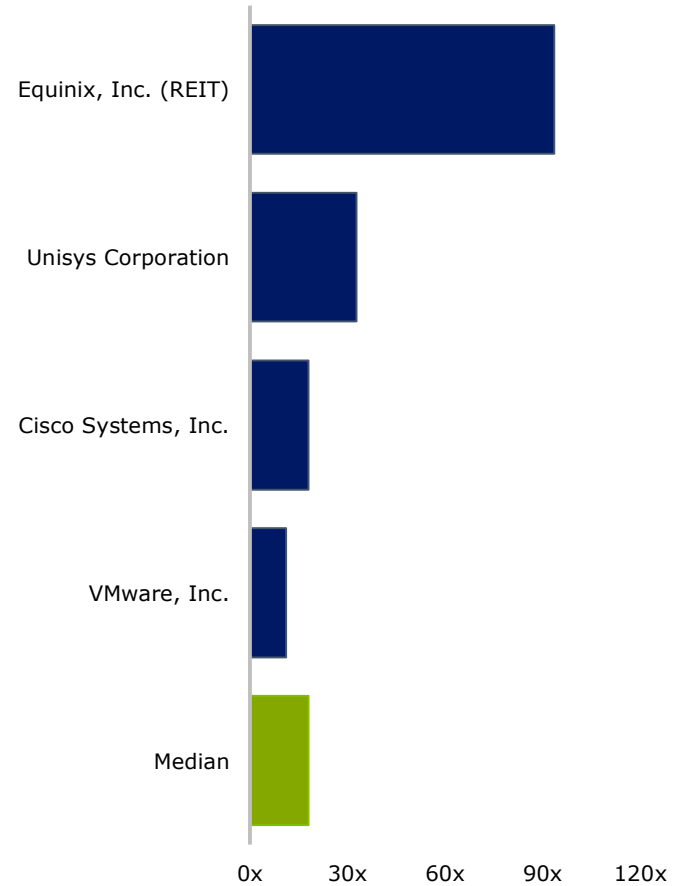
# Valuation



TEV / LTM EBIT



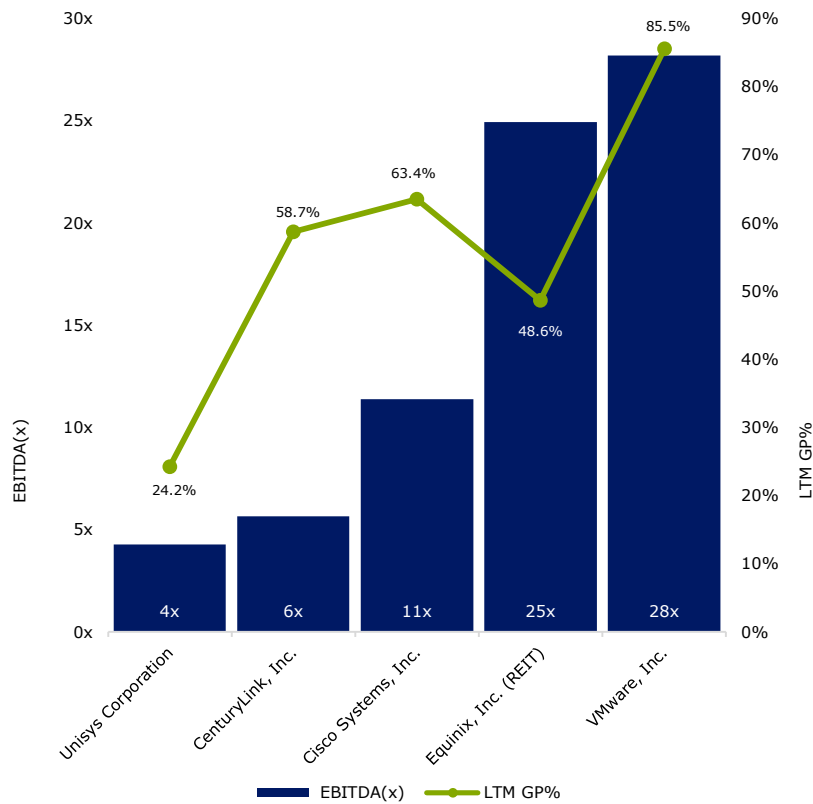
Price / LTM Earnings



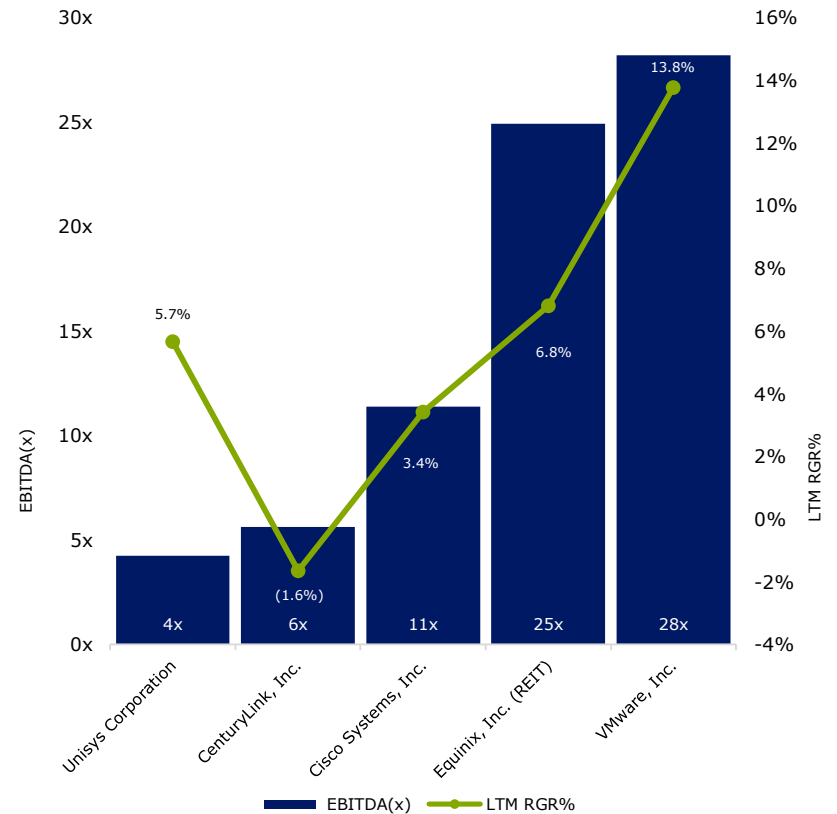
# Valuation



## 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>
19Nov19	EasyStack Inc.	China Electronics Systems Engineering Corporation	28.47	-	-	-
18Nov19	CloudSimple, Inc.	Google LLC	-	-	-	-
11Nov19	Workato, Inc.	Battery Ventures; Norwest Venture Partners; Redpoint Ventures; Storm Ventures LLC; Geodesic Capital	70.00	-	-	-
8Nov19	Lume Technologies Inc.	-	4.30	-	-	-
7Nov19	Diamanti, Inc.	Charles River Ventures, Inc.; Threshold Ventures; Goldman Sachs Group, Merchant Banking Division; Northgate Capital Group, L.L.C.; GSR Ventures Management Co. Ltd.; ClearSky	35.00	-	-	-
28Oct19	Blade SAS	Serena Capital	34.95	-	-	-
21Oct19	Aviatrix Systems, Inc.	Charles River Ventures, Inc.; Ignition Partners; Liberty Global Ventures; Formation8 Partners	46.00	-	-	-
16Oct19	Pensando Systems Inc	Equinix, Inc. (REIT); Lightspeed Venture Partners; Hewlett Packard Enterprise Company	145.00	-	-	-
4Sep19	Movere, Inc	Microsoft Corporation	-	-	-	-
26Aug19	PYLADES B.V	Waterland Private Equity Investments BV	-	-	-	-
27Aug19	Platform9 Systems, Inc.	Menlo Ventures Management, L.P.; Redpoint Ventures; NGP Capital; Canvas Management Company, L.L.C.; Hewlett Packard Pathfinder; Mubadala Ventures	25.00	-	-	-
27Aug19	Global Switch Holdings Limited	Jiangsu Shagang Group Co., Ltd.	2,212.06	-	-	-
19Aug19	jClarity Ltd	Microsoft Corporation	-	-	-	-
14Feb18	clckwrk Limited	Remote DBA Experts, LLC	-	-	-	-
14Dec18	CloudEndure Ltd.	Amazon Web Services, Inc.	-	-	-	-
30Oct18	Cloud Elements LLC	American Express Ventures	-	-	-	-
28Oct18	Red Hat, Inc.	International Business Machines Corporation	35,690.94	3,156.59	10.7x	47.7x
20Sep18	CloudTrek Pty Ltd	Deloitte Consulting Pty Limited	-	-	-	-
17Sep18	Zinopy Ltd.	Trilogy Technologies Ltd	-	-	-	-
26Aug18	TriNimbus Technologies Inc.	Onica Inc.	-	-	-	-
24Jul18	REAN Cloud LLC	Hitachi Vantara Corporation	-	-	-	-
6Jun18	Enter srl	IRIDEOS SpA	-	-	-	-
17May18	RelationEdge, LLC	Rackspace Hosting, Inc.	-	-	-	-
14May18	Cask Data, Inc.	Alphabet Inc.	-	-	-	-
10Apr18	Valorem Consulting Group, LLC	Reply S.p.A.	-	-	-	-
14Mar18	Works Computing, Inc.	Paragon Development Systems, Inc.	-	-	-	-
14Feb18	CloudCoreo, Inc.	VMware, Inc.	-	-	-	-
29Jan18	Callidus Software Inc.	SAP America, Inc.	2,576.42	253.09	9.6x	NM

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November 2019

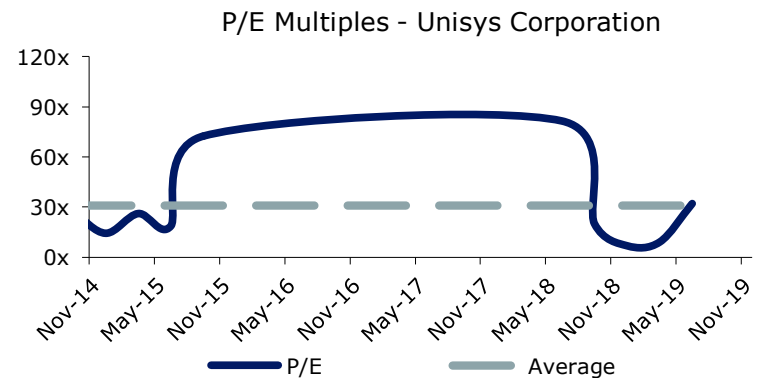
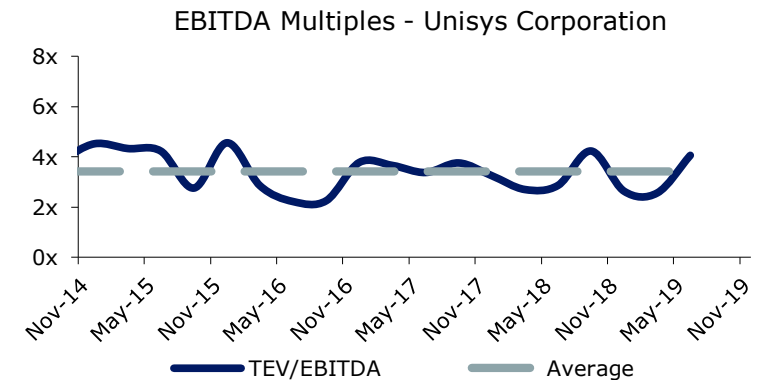
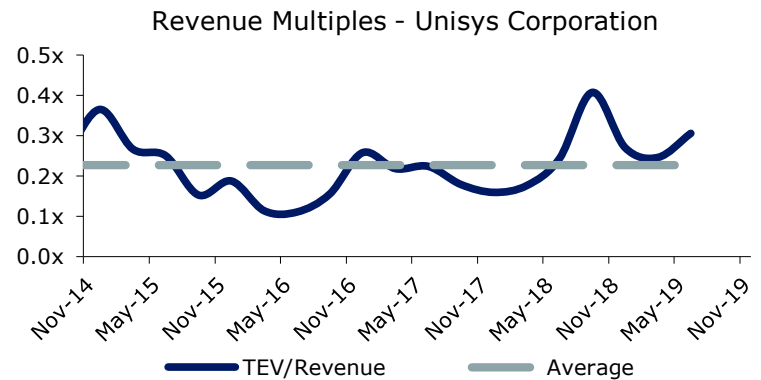
## APPENDIX: Public Basket Constituents

# Public Basket



## Unisys Corporation

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



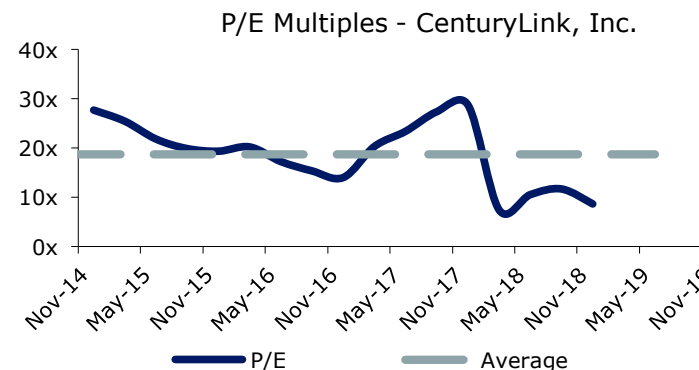
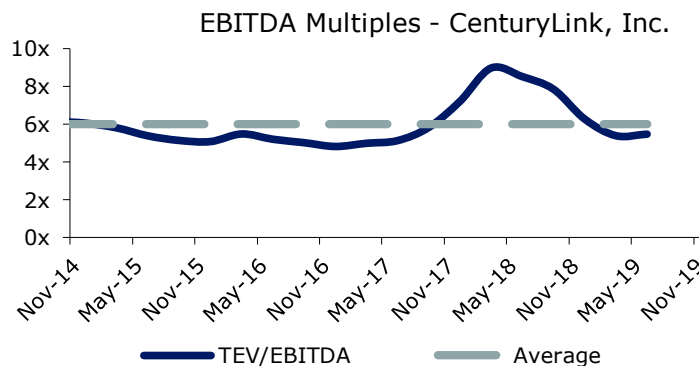
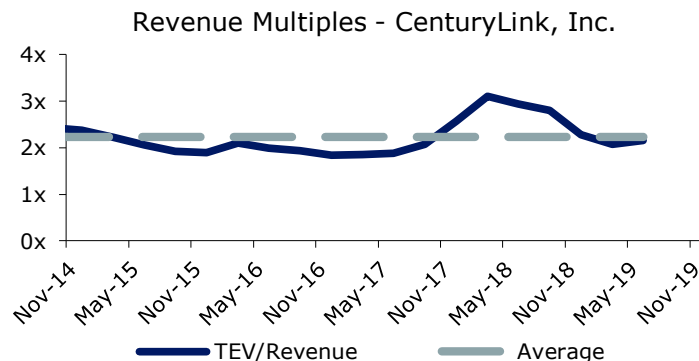
# Public Basket



## CenturyLink, Inc.

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

Date	Key Development Headline
9/9/19	CenturyLink, Inc. (NYSE:CTL) acquired Streamroot, Inc.
2/19/19	Southeastern Asset Management Calls On CenturyLink To Sell Assets; CenturyLink Disagrees with Southeastern
1/17/19	Rialto Capital Management LLC and Steelwave, LLC acquired 930 15th Street Office Building in Colorado from CenturyLink, Inc. (NYSE:CTL) for \$22.5 million.





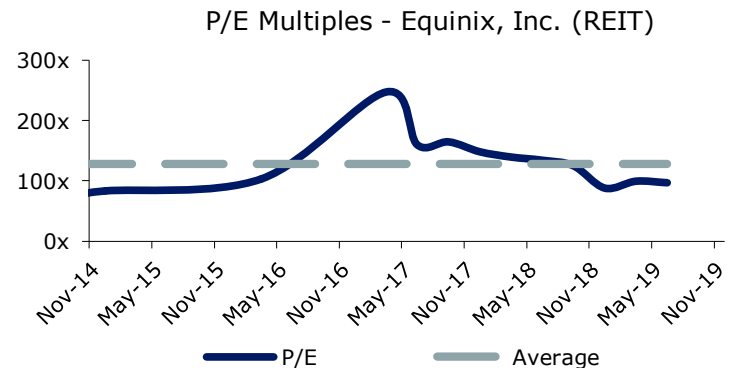
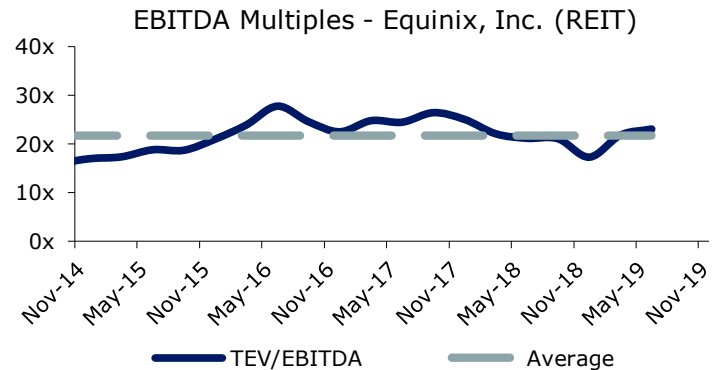
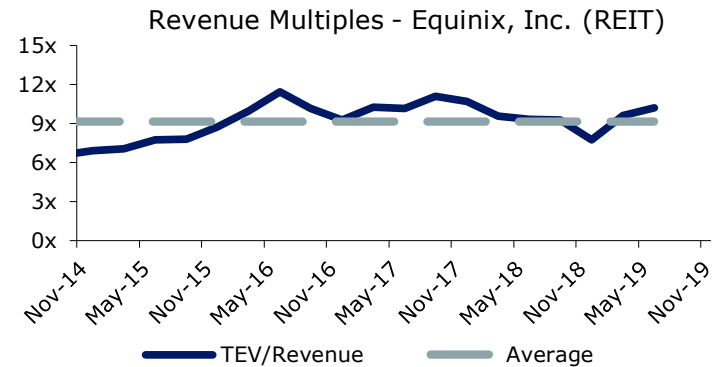
# Public Basket



## Equinix, Inc. (REIT)

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

Date	Key Development Headline
10/9/19	Equinix, Inc and GIC Complete Formation of Greater Than USD 1.0 Billion European Data Center Joint Venture
10/3/19	Equinix, Inc. (REIT) (NasdaqGS:EQIX) entered into an agreement to acquire Mexico based three data centers of Axtel, S.A.B. de C.V. (BMV:AXTEL CPO) for approximately \$180 million.
7/1/19	Equinix, Inc. and GIC Agree to Form Joint Venture to Develop and Operate Hyperscale Data Centers in Europe
6/13/19	Equinix, Inc. (REIT) Intends To Seek Investments
4/22/19	Equinix, Inc. (REIT) (NasdaqGS:EQIX) acquired AMS1 Data Center Business in Amsterdam from Switch Datacenters for €30 million.



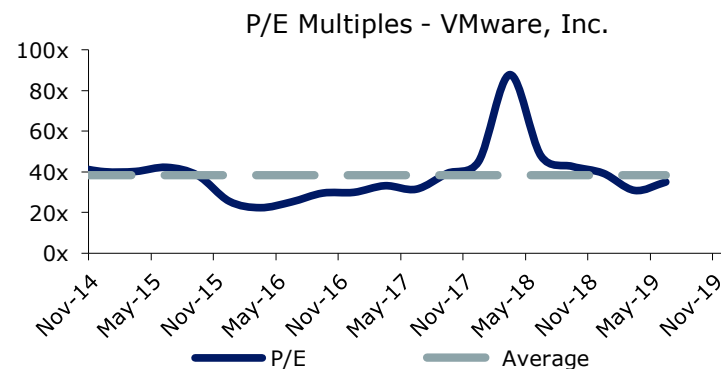
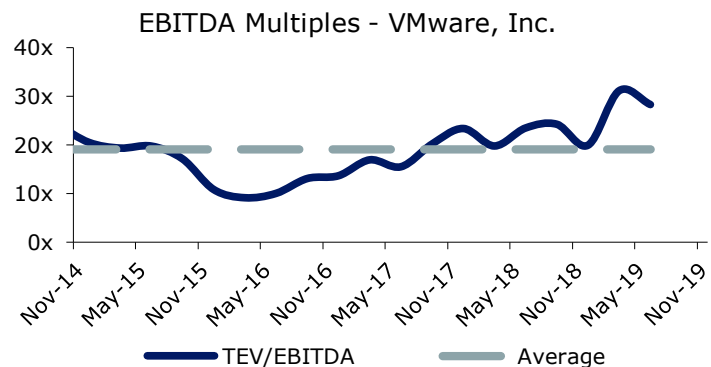
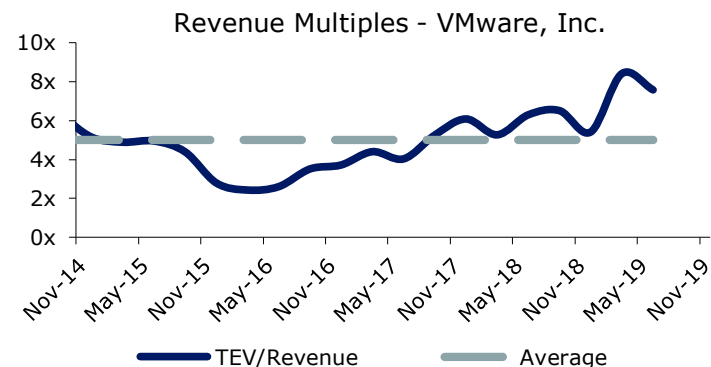
# Public Basket



## 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
11/18/19	Nokia and VMware Expand Partnership to Ease Large-Scale, Multi-Cloud Operations
11/6/19	CloudBees Partners With Atos and VMware to Harness the Power of DevOps Automation for Enterprises
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.



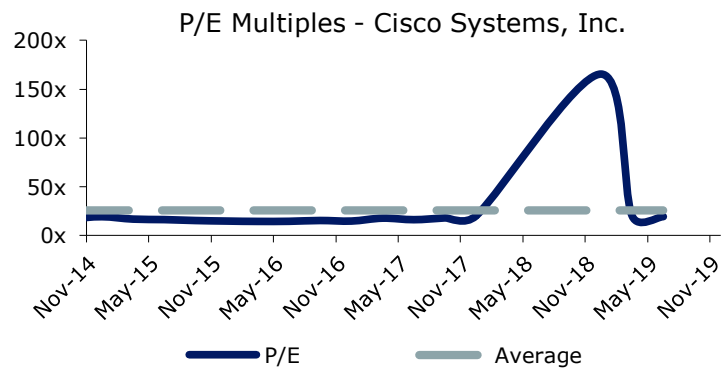
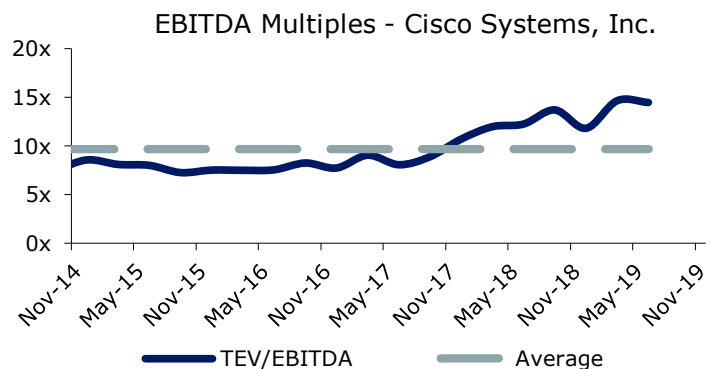
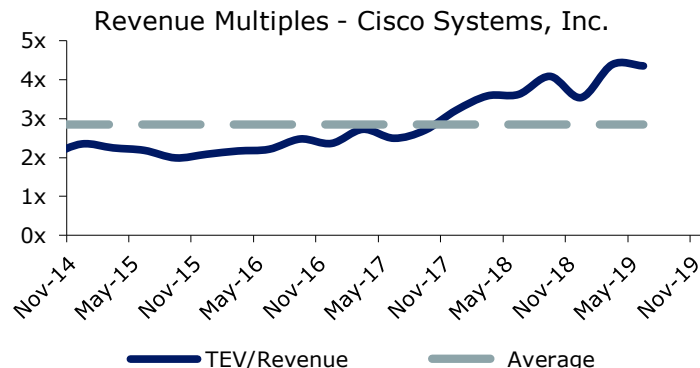
# Public Basket



## Cisco Systems, Inc.

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

Date	Key Development Headline
10/16/19	Masmovil Teams Up with Cisco to Offer New SD-Wan Platform
10/10/19	Cisco Systems, Inc. (NasdaqGS:CSCO) completed the acquisition of Customer Analytics Technologies Inc.
9/5/19	Cisco Systems, Inc. (NasdaqGS:CSCO) completed the acquisition of Voicea from Cisco Investments, Mindset Ventures and others.
8/25/19	Cisco Systems, Inc. (NasdaqGS:CSCO) agreed to acquire Customer Analytics Technologies Inc.
8/7/19	Cisco Systems, Inc. (NasdaqGS:CSCO) completed the acquisition of Sentryo SAS from a group of investors.



# CONTACT INFO

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