



Sectorwatch: IT Services - Canada

December 2019

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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.



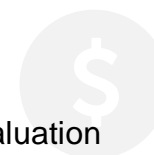
Public Basket Performance

- 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

↑ **2.9%**

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

↓ **-2.2%**

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

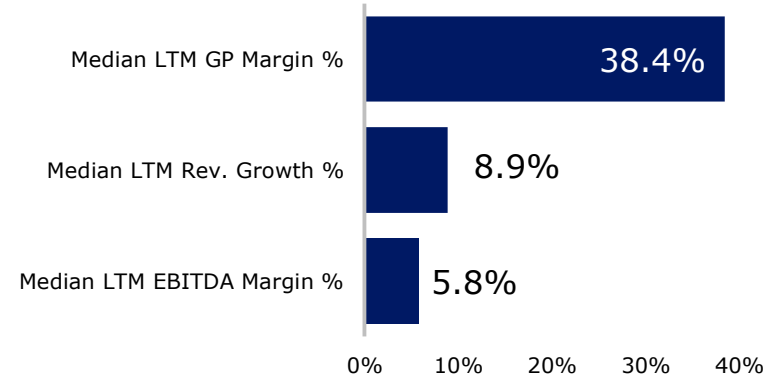
Profitability

↓ **-3.3%**

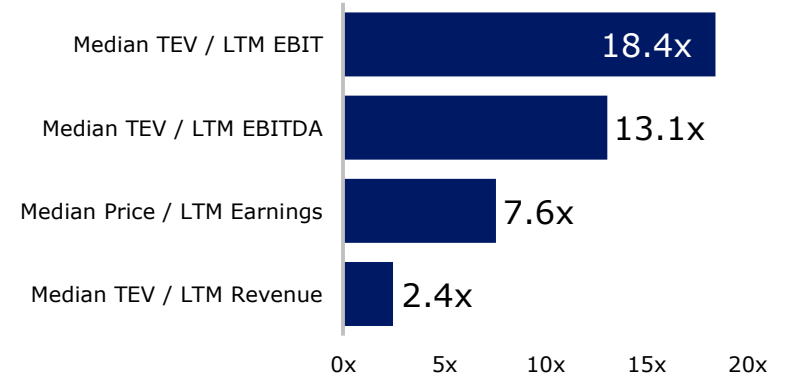
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin is less than the average of the last 3 years EBITDA margins, which may signal further consolidation

Operating Metrics



Valuation



Public Basket

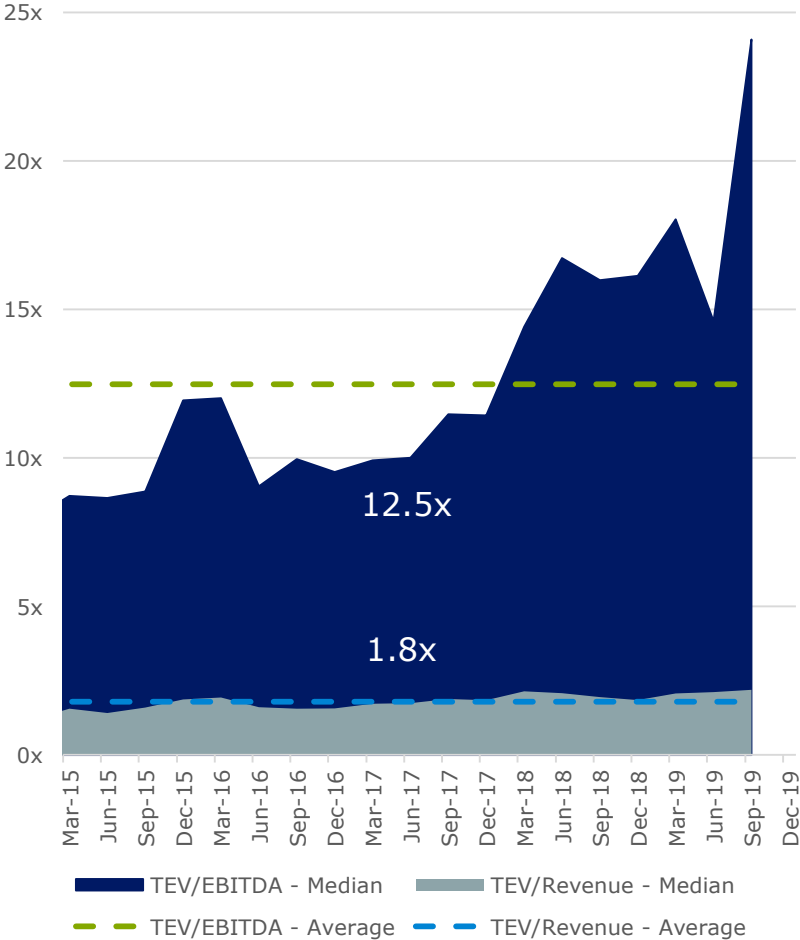


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Quorum Information Technologies Inc.	65	23	119%	46%	4%	2.9	75.9	-	NA
Vecima Networks Inc.	146	63	-1%	53%	0%	2.3	0.0	364	174
Pivot Technology Solutions, Inc.	194	1,213	-18%	13%	2%	0.2	9.7	829	1,463
Calian Group Ltd.	228	259	12%	22%	8%	0.9	11.2	-	NA
The Descartes Systems Group Inc	3,505	313	17%	74%	35%	11.2	31.8	1,334	234
CGI Inc.	23,707	9,149	5%	31%	17%	2.6	14.9	77,500	118

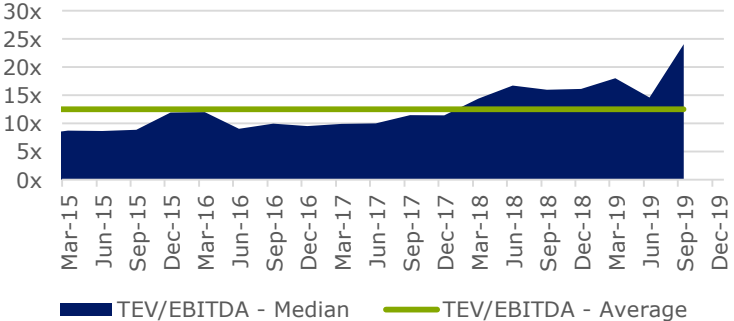
Average	4,641	1,836	23%	40%	11%	3.3	23.9	13,338	497
Median	211	286	9%	38%	6%	2.4	13.1	597	204

share price as of 11Dec19

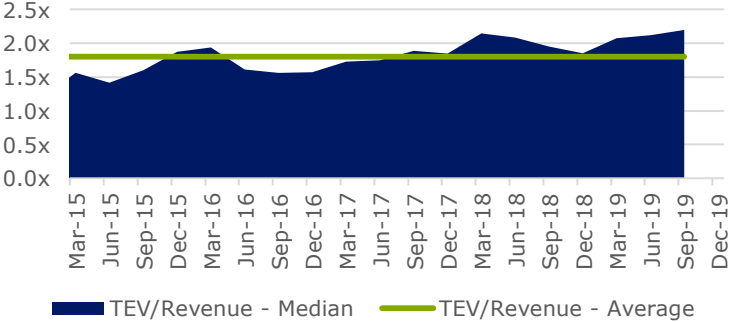
Public Basket Valuation Trends



Public EBITDA Multiples over Time



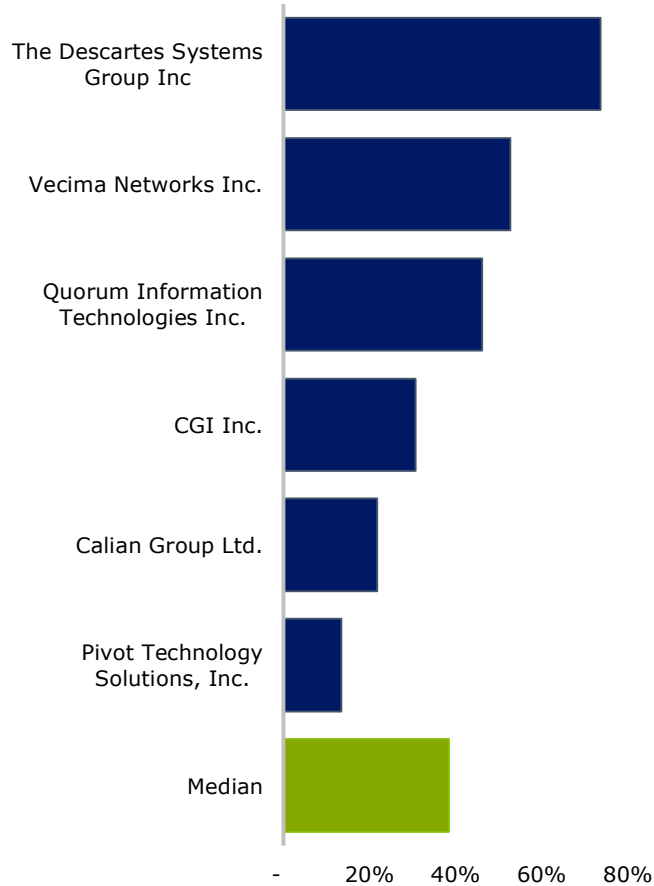
Public Revenue Multiples over Time



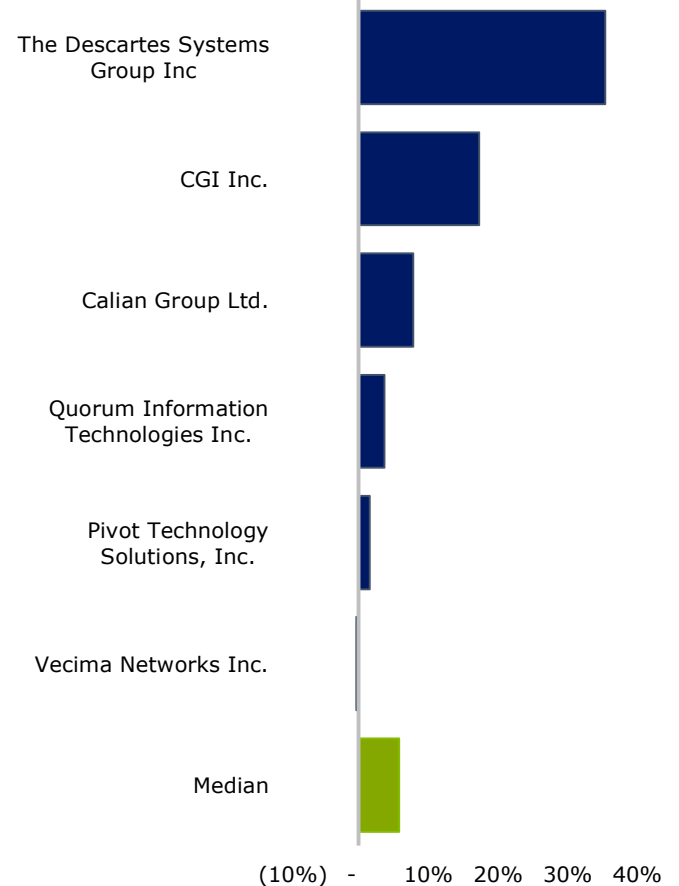
Operational Metrics



LTM Gross Profit Margin %



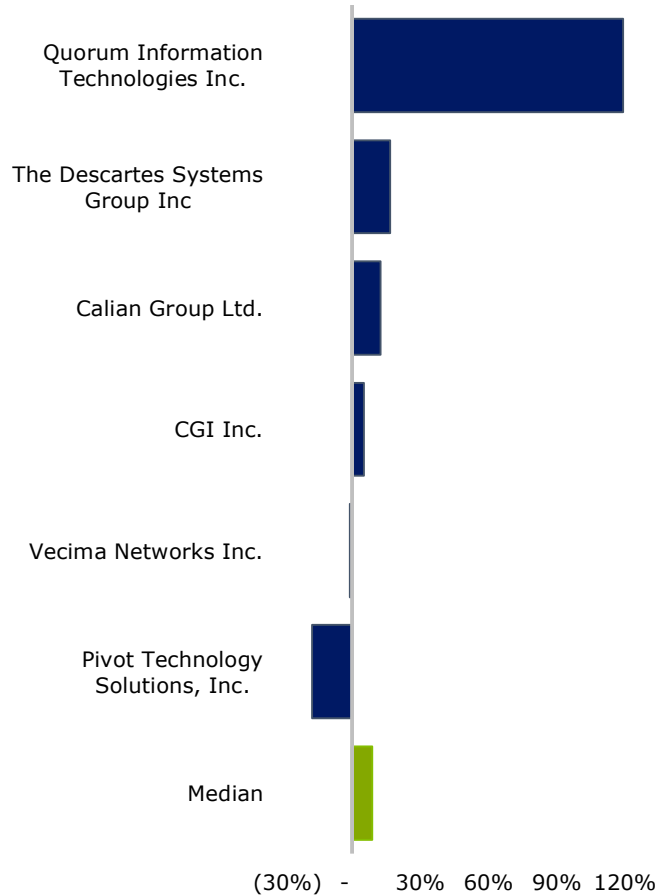
LTM EBITDA %



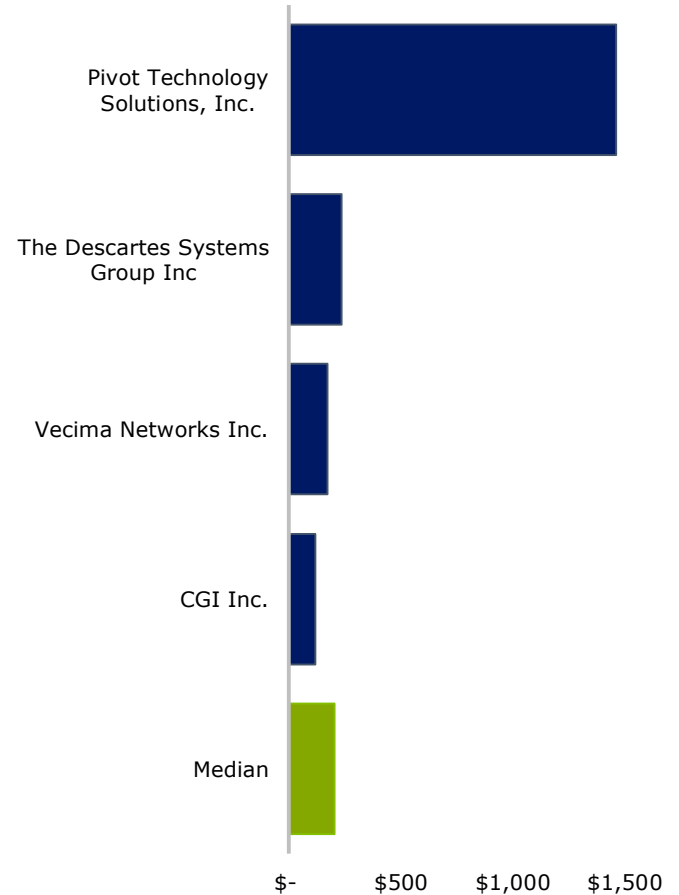
Operational Metrics



LTM Revenue Growth %



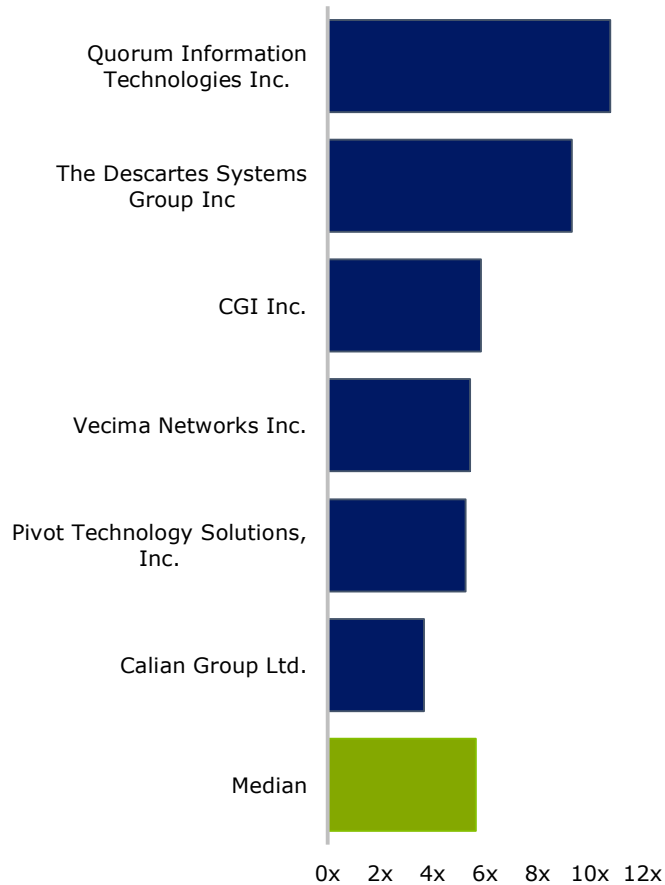
LTM Revenue per Full Time Employee x 000's



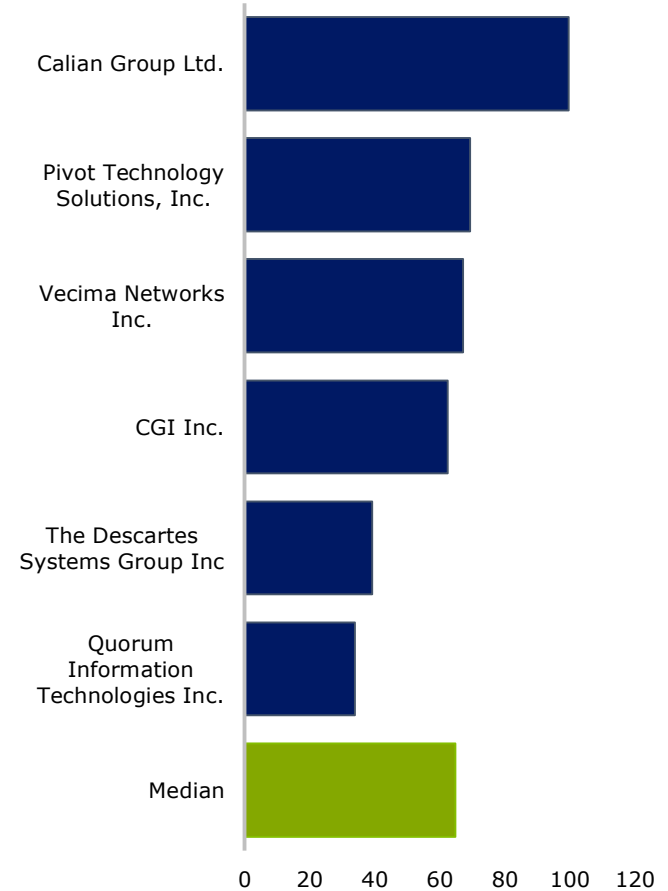
Operational Metrics



Accounts Receivable Turnover



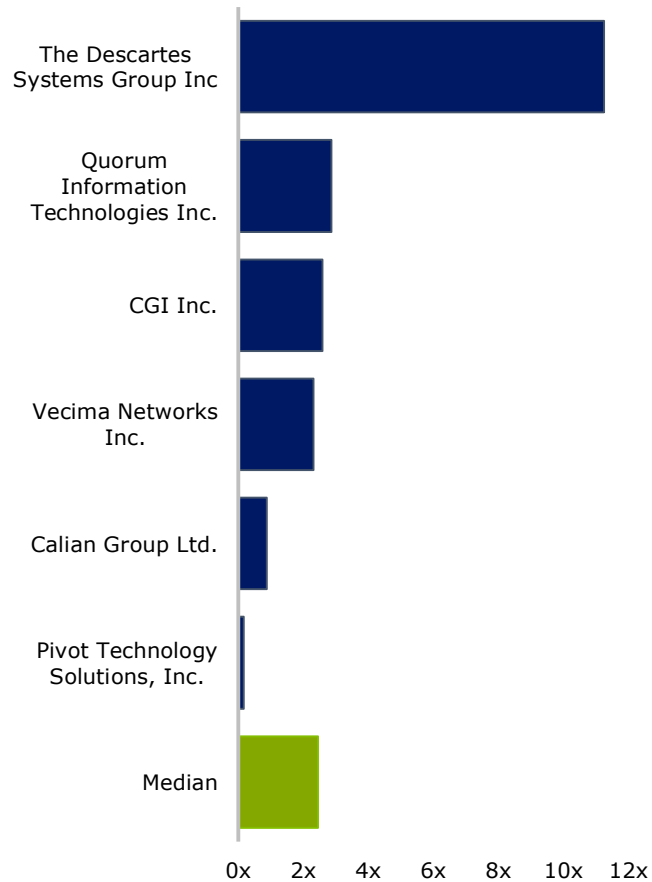
Average Days Sales Outstanding



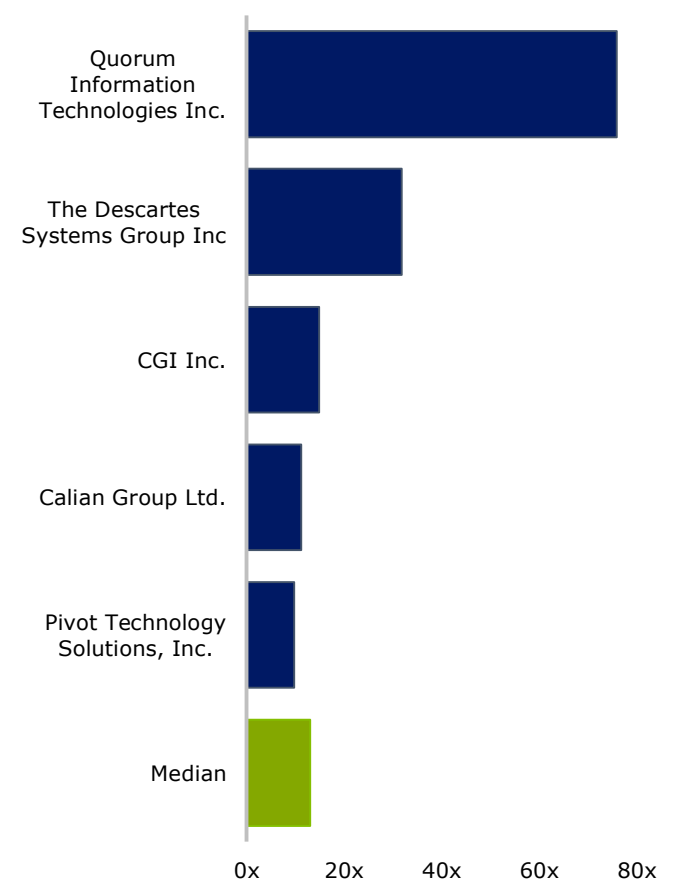
Valuation



TEV / LTM Revenue



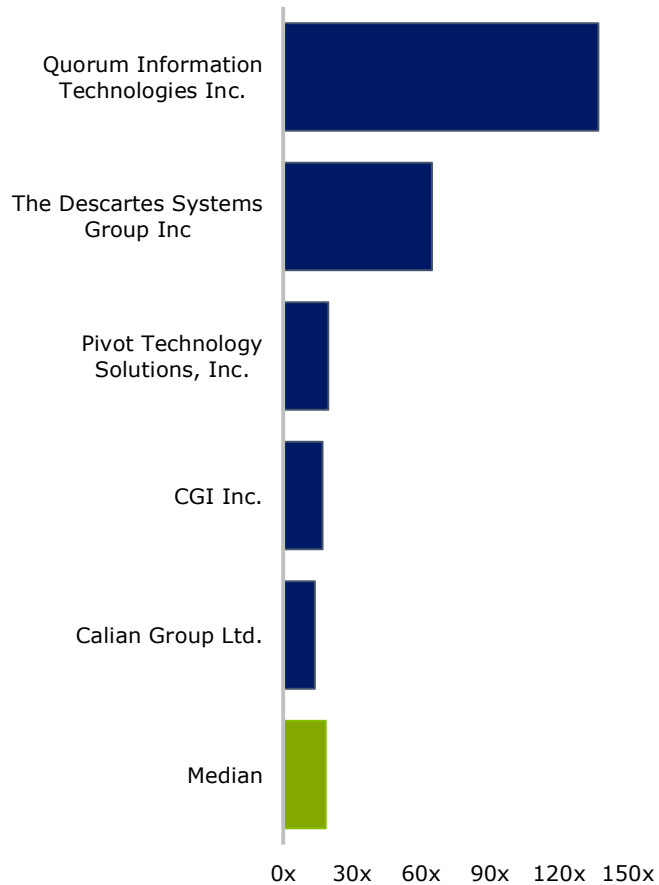
TEV / LTM EBITDA



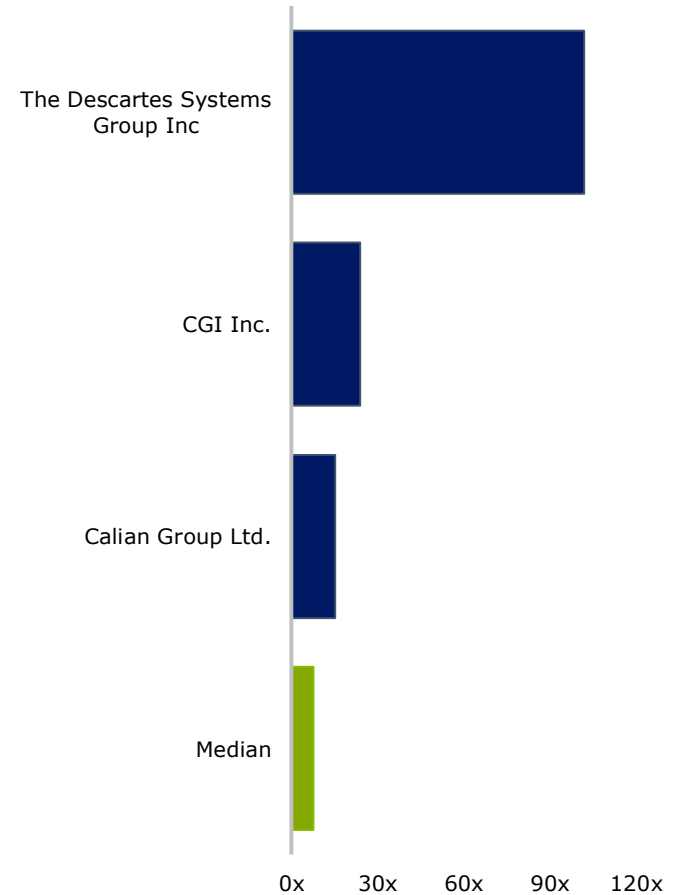
Valuation



TEV / LTM EBIT



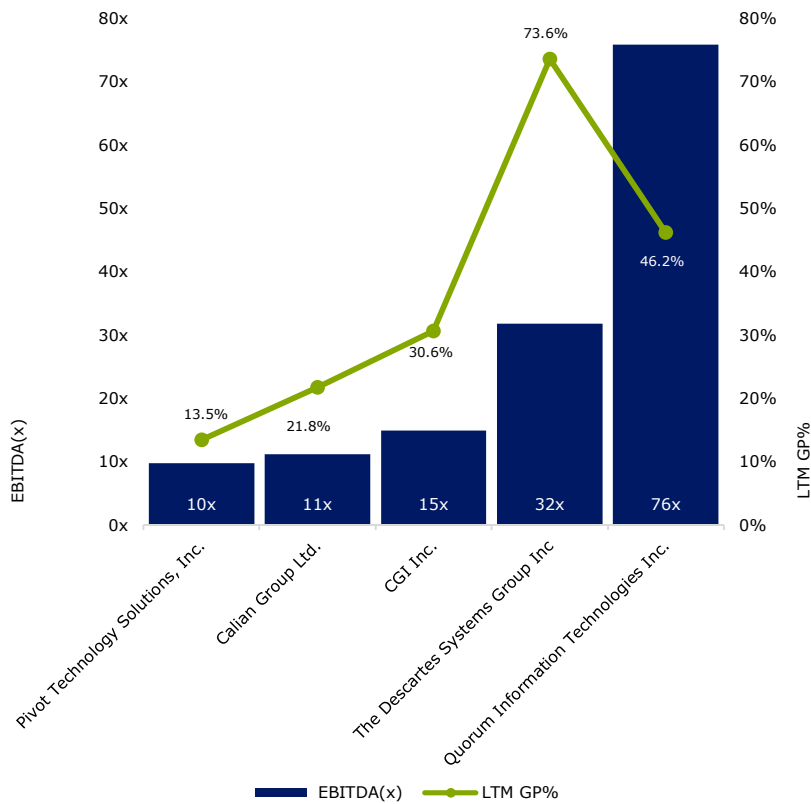
Price / LTM Earnings



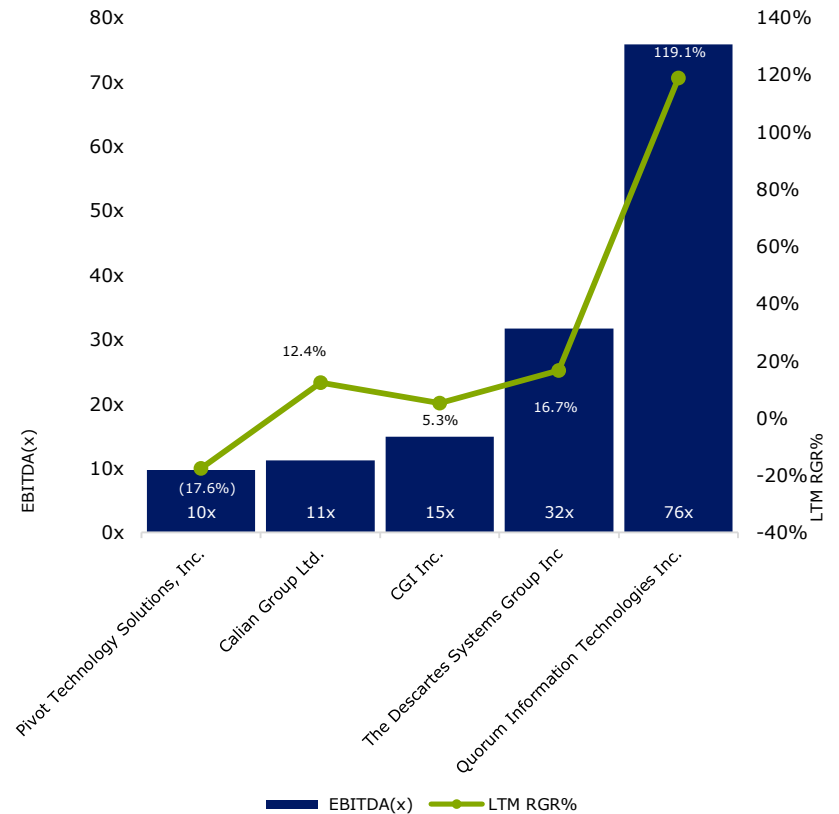
Valuation



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>
21Nov19	FoxWise Technologies Inc.	Compugen, Inc.	-	-	-	-
8Nov19	Technology assets of Grow Technologies Inc.	ATB Financial	-	-	-	-
5Nov19	2Keys Corporation	Interac, Inc.	-	-	-	-
28Oct19	Knowledge4You Corporation	Logibec Group Inc.	-	-	-	-
10Oct19	Matricis Informatique Inc.	Alithya Group Inc.	5.53	-	-	-
24Sep19	DAPL Accounting Systems Inc.	IWI Consulting Group Inc.	-	-	-	-
19Sep19	AscendBridge Solutions Inc.	Mecanica Solutions Inc.	-	-	-	-
10Sep19	Delego Software Inc.	EVO Payments, Inc.	32.41	-	-	-
30Aug19	CONNECT Okanagan Telephone Ltd./CONNECT Information Technology Solutions Inc.	LinkPoint Technology Group Inc.	-	-	-	-
9Sep19	services division of The Pythian Group Inc.	Mill Point Capital LLC	-	-	-	-
27Aug19	Beelogix Consulting	Deloitte & Touche LLP (Canada)	-	-	-	-
23Aug19	intelliNet Technologies, Inc.	Coreio Inc.	-	-	-	-
19Aug19	Keen Technology Consulting Inc.	S.I. Systems Ltd.	-	-	-	-
9Aug19	Disciplined Agile Inc.	Project Management Institute, Inc.	-	-	-	-
6Aug19	YellowWood IT	CompuVision Systems Inc.	-	-	-	-
1Aug19	Strategic Information Technology Ltd. (nka:Portfolio+ Inc.)	Volaris Group Inc.	-	-	-	-
10Jul19	Glorious Creation Limited	-	-	0.04	-	-
3Jul19	Manitoba Operations of Ricoh Canada Inc.	WBM Technologies Inc.	-	-	-	-
2Jul19	Open Storage Solutions, Inc.	iVedha Inc.	-	-	-	-
26Jun19	Briware Solutions Inc.	Dynamic Consulting LLC	-	-	-	-
17Jun19	Objectwise Consulting Group Inc.	Tech Mahindra (Americas), Inc.	2.05	-	-	-
4Jun19	Mantralogix Inc.	MNP LLP	-	-	-	-
4Jun19	Meticulon Consulting, Inc.	Auticon	-	-	-	-

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APPENDIX:
Public Basket
Constituents

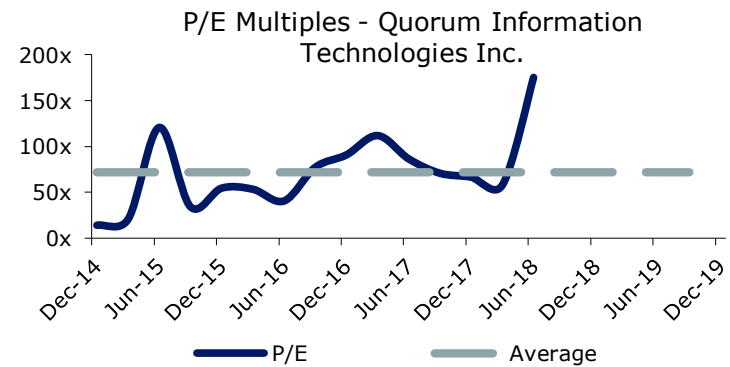
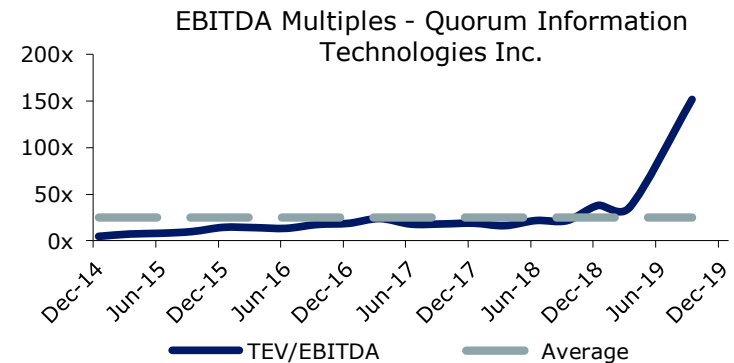
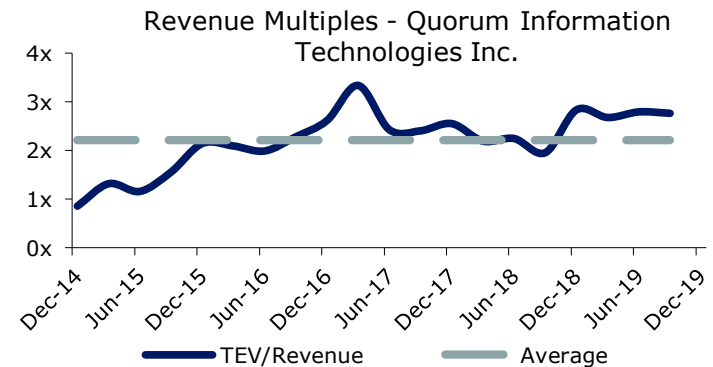
Public Basket



Quorum Information Technologies Inc.

Quorum Information Technologies Inc., an information technology company, focuses on the automotive retail business in Canada and the United States. It develops, markets, implements, and supports XSELLERATOR, a dealership and customer management system that automates, integrates, and streamlines various processes across departments in a dealership; and Autovance Desk, an automotive sales desking system. The company has strategic partnership with General Motors Corporation. Quorum Information Technologies Inc. was founded in 1996 and is headquartered in Calgary, Canada.

Date	Key Development Headline
3/4/19	Quorum Information To Seek Acquisitions
1/1/19	Quorum Information Technologies Inc. (TSXV:QIS) acquired Oasis Auto Complete Systems Limited for CAD 1.2 million.



Public Basket

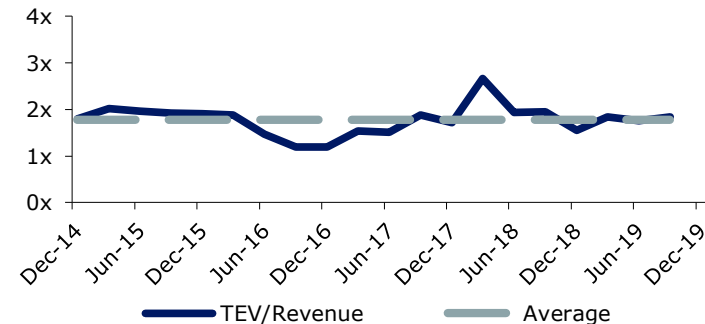


Vecima Networks Inc.

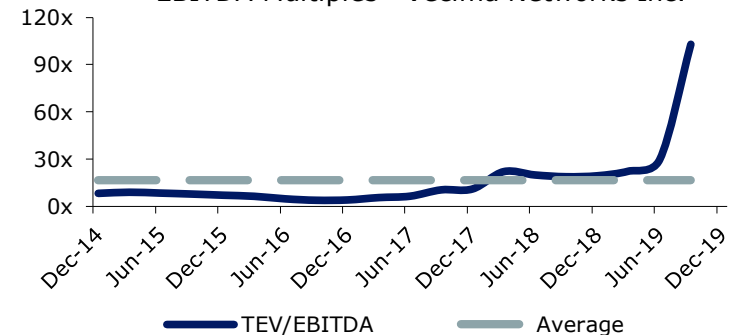
Vecima Networks Inc. provides technology solutions that empower network service providers to connect people and enterprises to information and entertainment worldwide. The company designs, manufactures, and sells products that enable broadband access to cable, wireless, and telephony networks. Its solutions allow service providers to bridge the final network segment that connects a system directly to end-users, commonly referred to as the 'the last mile', by overcoming the bottleneck resulting from insufficient carrying capacity in last-mile infrastructures. Its principal products for the cable industry allow service providers a last mile solution for video and broadband access in business services market segment. The company operates in two segments, Video and Broadband Solutions, and Telematics. The Video and Broadband Solutions segment offers platforms and modules that process data from the cable network and deliver in formats suitable to be consumed on televisions and Internet devices. Vecima Networks Inc. is a subsidiary of 684739 B.C. Ltd.

Date	Key Development Headline
9/25/19	Vecima Networks Inc. (TSX:VCM) acquired the assets of Root6 Ltd.
5/9/19	Vecima Networks Intends To Seek Acquisitions

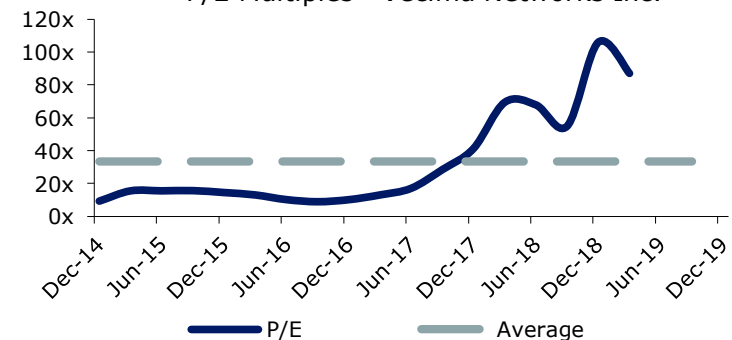
Revenue Multiples - Vecima Networks Inc.



EBITDA Multiples - Vecima Networks Inc.



P/E Multiples - Vecima Networks Inc.

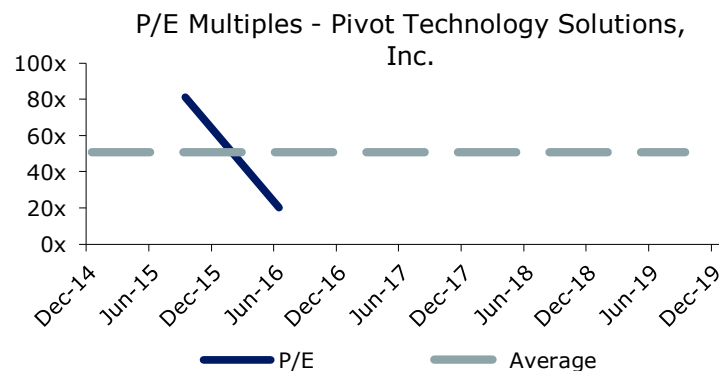
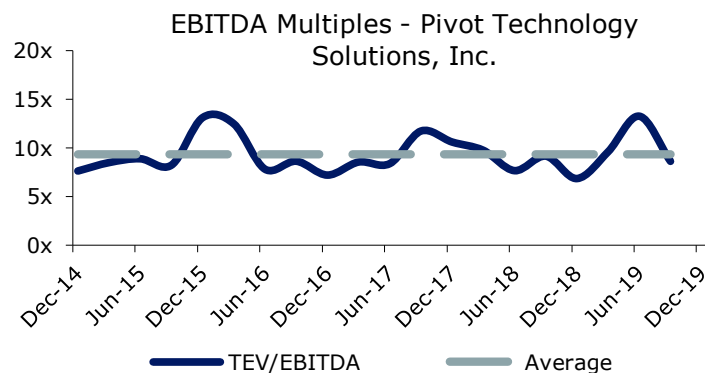
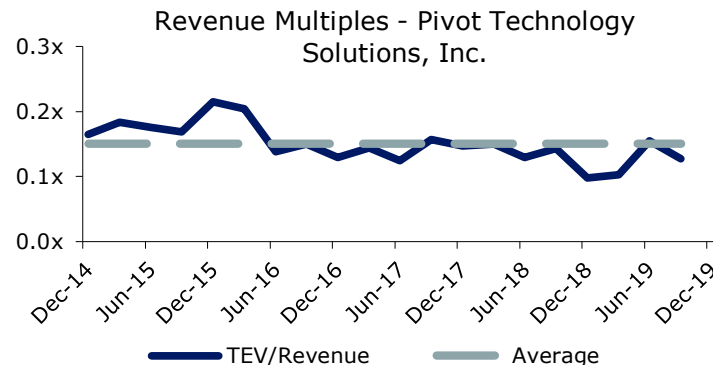


Public Basket



Pivot Technology Solutions, Inc.

Pivot Technology Solutions, Inc. provides IT solutions to businesses, government, and education institutions, and healthcare organizations in North America and Europe. The company operates through ACS, ARC, ProSys, Sigma, and TeraMach segments. The ACS segment provides systems, storage, security, and networking solutions. The ARC segment offers analysis, planning, design, procurement, installation, and consultation services. The ProSys segment provides IT infrastructure, hardware, and software solutions, as well as professional services. The Sigma segment offers implementation, maintenance, data centers, cloud, and mobility services. The TeraMach segment provides technical solutions, staffing, and cloud services. The company serves in IT spectrum, including data centers, unified communications, networking and storage, mobile and handheld devices, laptops and desktops, and computer peripherals. Pivot Technology Solutions, Inc. has a strategic partnership with VIQ Solutions Inc. The company was founded in 2010 and is headquartered in Toronto, Canada.



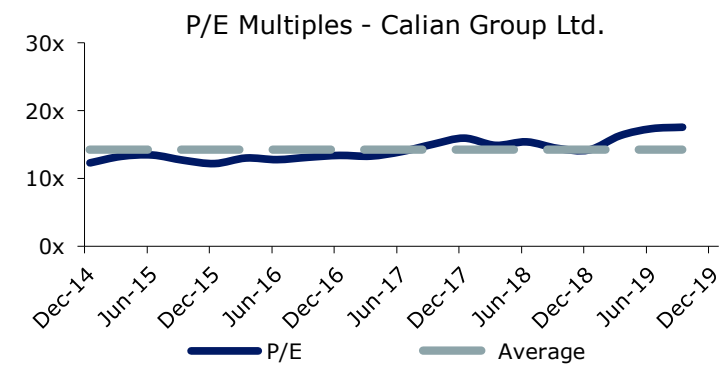
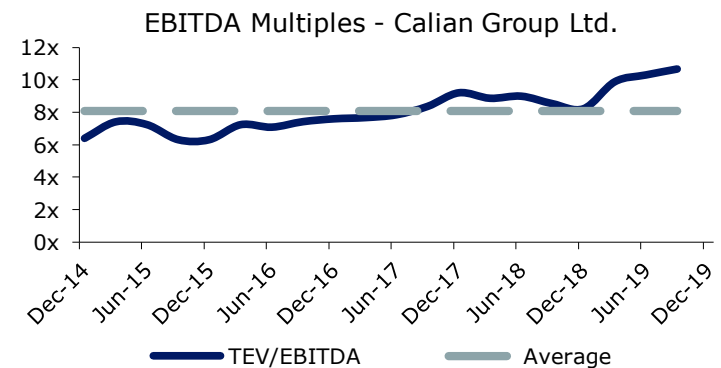
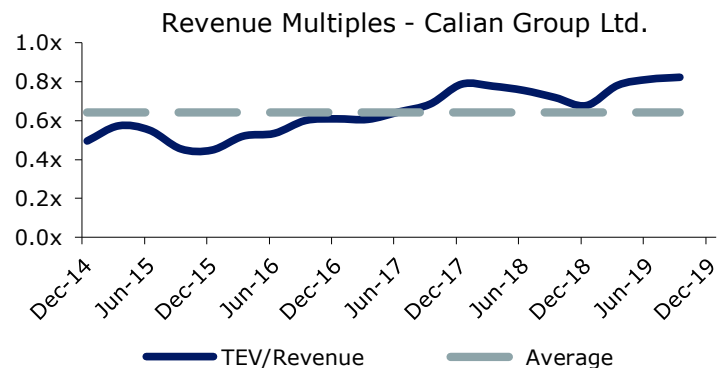
Public Basket



Calian Group Ltd.

Calian Group Ltd. engages in the systems engineering, manufacturing, training, information technology, and health care solutions to industries and government in Canada, the United States, and Europe. The company's Systems Engineering division plans, designs, and implements solutions in satellite communications, defense/security, and high-end telecommunications sectors. It offers radio frequency earth stations, gateway systems, capacity planning and management systems, and broadcast systems for communications and control of spacecraft for commercial and government applications. This division also provides engineering services to design, modify, or improve commercial, military, and aerospace equipment; supplies in-orbit test systems for commercial satellites; and operates various space missions. Its Business and Technology Services division provides services and solutions in healthcare, training and engineering, and information technology (IT) professional services. Calian Group Ltd. was founded in 1982 and is headquartered in Ottawa, Canada.

Date	Key Development Headline
3/31/19	Calian Group Ltd. (TSX:CGY) acquired SatService for €6.5 million.



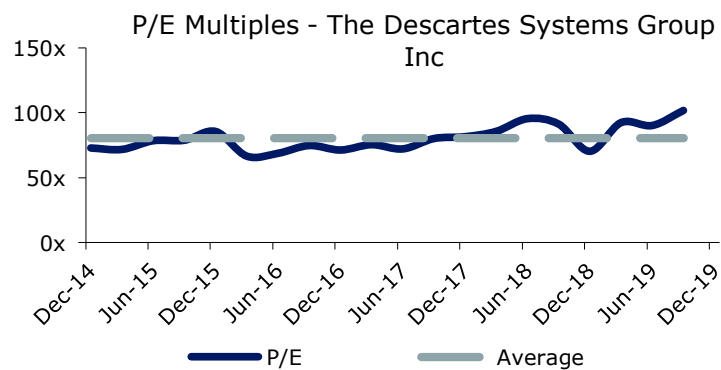
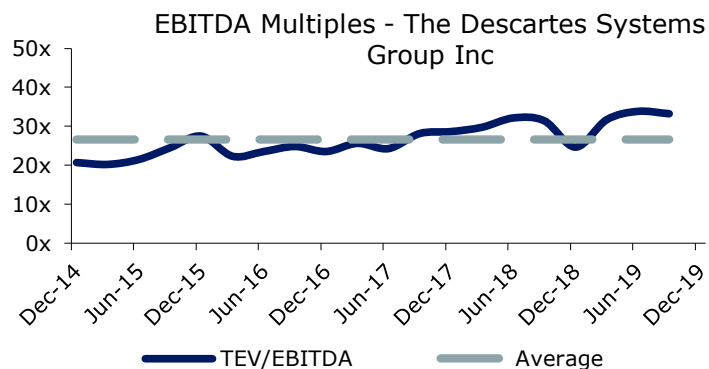
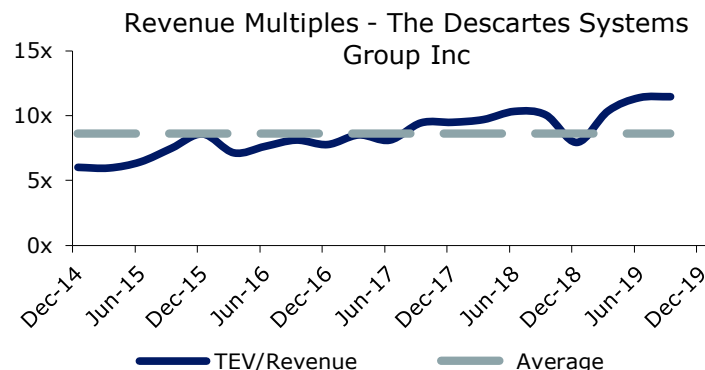
Public Basket



The Descartes Systems Group Inc

The Descartes Systems Group Inc. provides federated network and logistics technology solutions worldwide. Its Logistics Application Suite offers a range of modular, cloud-based, and interoperable Web and wireless logistics management applications. The company's Logistics Application Suite offers solutions, such as route planning and execution, mobile applications, and telematics and compliance; transportation management solutions comprising carrier compliance and rate management, freight audit and settlement, dock scheduling and yard management, pool distribution, transportation planning and execution, and logistics flow control, as well as visibility, tracking, and performance management; and global logistics network services, such as document management, community, and connectivity services. The company was founded in 1981 and is headquartered in Waterloo, Canada.

Date	Key Development Headline
9/4/19	Descartes Systems To Seek Acquisitions
9/3/19	The Descartes Systems Group Inc (TSX:DSG) acquired Tegmento AG and Contentis AG for \$18.6 million.
8/20/19	The Descartes Systems Group Inc (TSX:DSG) acquired BestTransport.com, Inc. for \$11.2 million.
6/26/19	The Descartes Systems Group Inc (TSX:DSG) acquired Stepcom Services GmbH for CHF 19.3 million.
6/5/19	Descartes Systems Intends To Seek Acquisitions



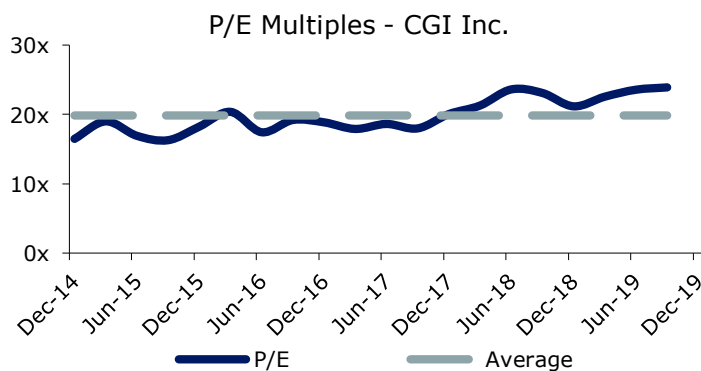
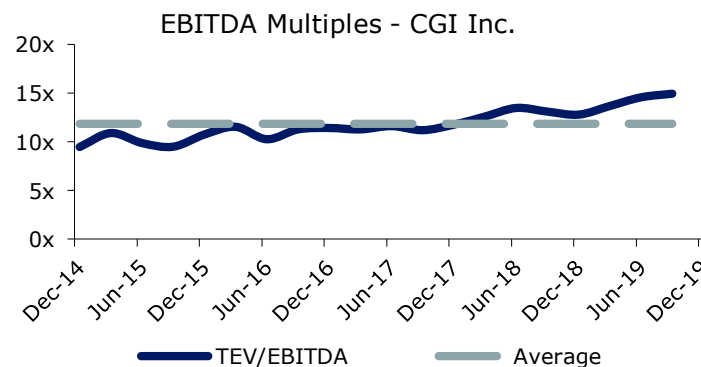
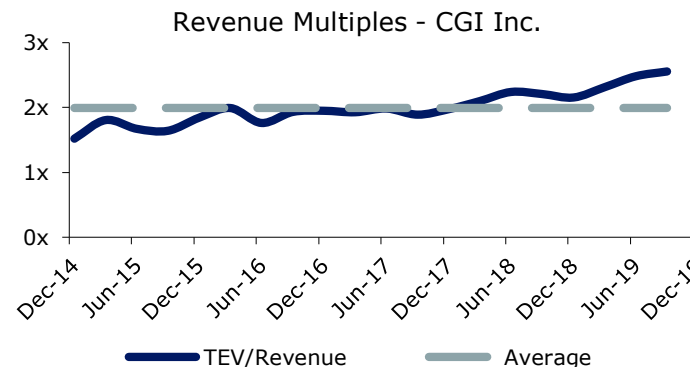
Public Basket



CGI Group Inc.

CGI Group Inc. provides information technology and business process services in Canada and internationally. It offers application development and maintenance, portfolio management, quality assurance and testing, modernization, and migration services; agile, business transformation, change management, CIO advisory, cybersecurity, data analytics, digital enterprise, project management, and industry-specific business consulting services; business-to-business and customer operations support, purchase management, revenue management, and supplier payment services; and data center facilities and management, technical service desk, printing and document management, remote infrastructure, transformation, storage as a service, data vaulting, disaster recovery and archiving as a service, bottomless edge-to-core storage, and file sync and share as a service, as well as infrastructure solutions and consulting services. The company was founded in 1976 and is headquartered in Montreal, Canada.

Date	Key Development Headline
9/2/19	CGI Inc. (TSX:GIB.A) acquired Annams Systems Corporation, Inc.
4/15/19	CGI Inc. (TSX:GIB.A) completed the acquisition of 77.37% stake in Acando AB (publ.) (OM:ACAN B).
4/15/19	CGI Inc. (TSX:GIB.A) completed the acquisition of 21.9% stake in Acando AB (publ.) (OM:ACAN B) from Svolder AB (publ) (OM:SVOL B), Svedulf Fastighets AB and Bjursund Invest AB.



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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