



Sectorwatch: IT Services – Microsoft Partners

November 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.



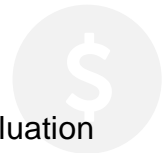
Public Basket Performance

- 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

↓ -0.03%

1 - year revenue growth compared to revenue growth average for last 3 years

Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining

Pricing / Gross Margin Momentum

↑ 0.9%

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

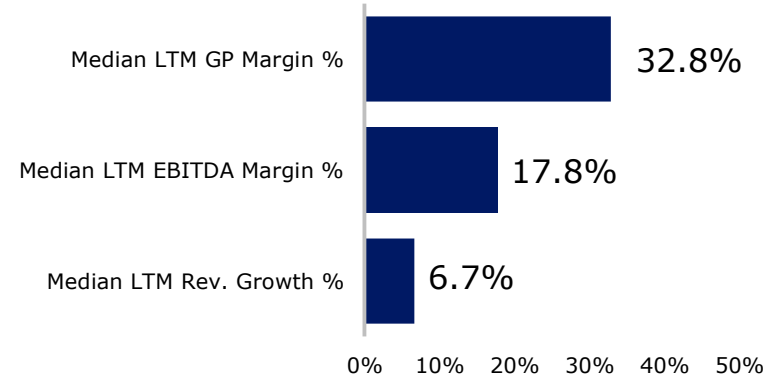
Profitability Momentum

↑ 1.0%

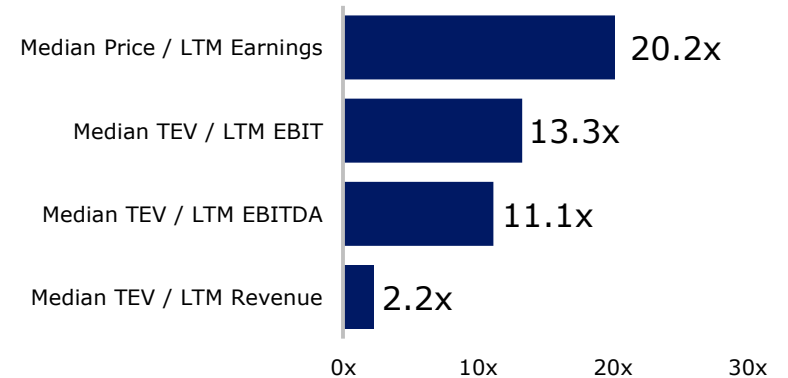
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

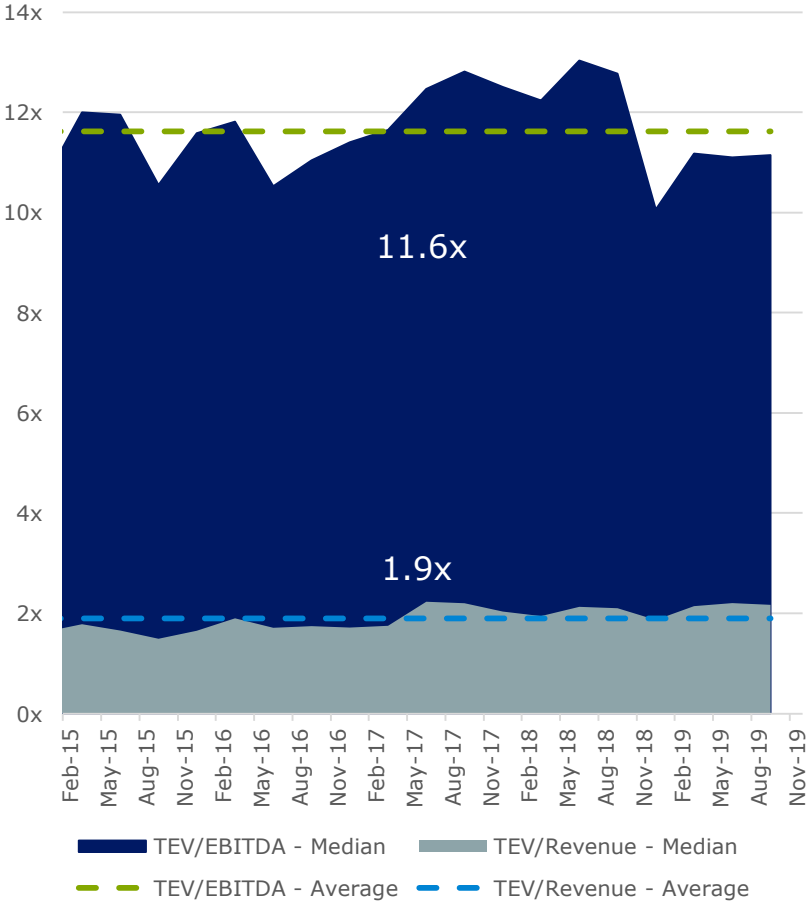


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Perficient, Inc.	1,495	552	10%	37%	13%	2.7	20.6	3,060	180
DXC Technology Company	17,699	20,199	-5%	26%	18%	0.9	4.8	130,000	155
HCL Technologies Limited	21,641	9,328	14%	35%	22%	2.4	10.5	-	NA
Capgemini SE	22,744	15,632	8%	27%	13%	1.5	11.6	211,313	74
CGI Inc.	23,451	9,149	5%	31%	17%	2.6	14.9	77,500	118
Cognizant Technology Solutions Corporation	33,317	16,628	5%	37%	19%	2.0	10.5	281,600	59

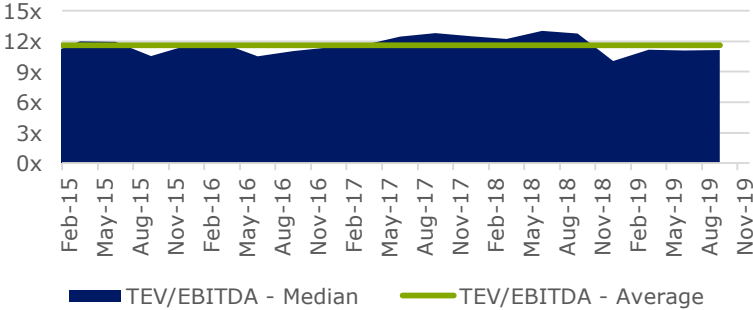
Average	20,058	11,915	6%	32%	17%	2.0	12.1	117,246	117
Median	22,192	12,480	7%	33%	18%	2.2	11.1	103,750	118

share price as of 25Nov19

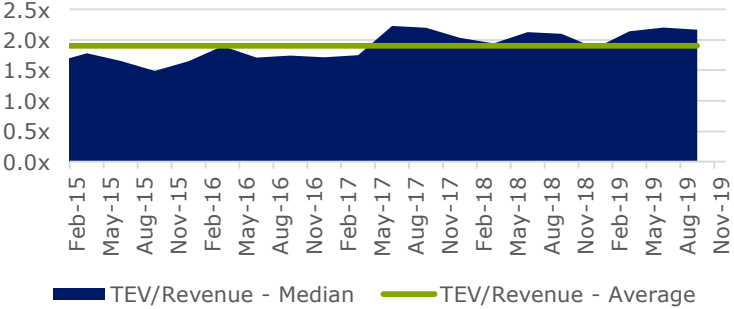
Public Basket Valuation Trends



Public EBITDA Multiples over Time



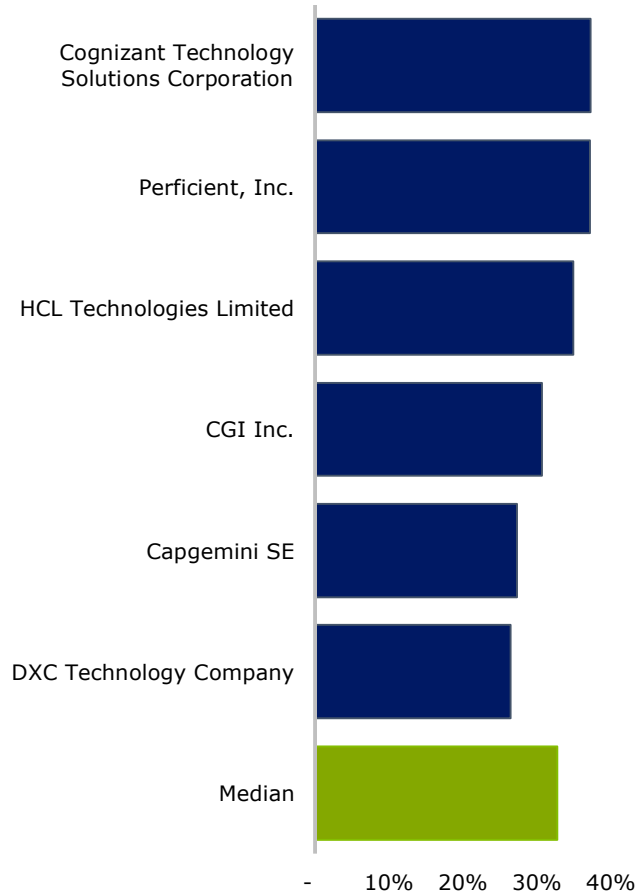
Public Revenue Multiples over Time



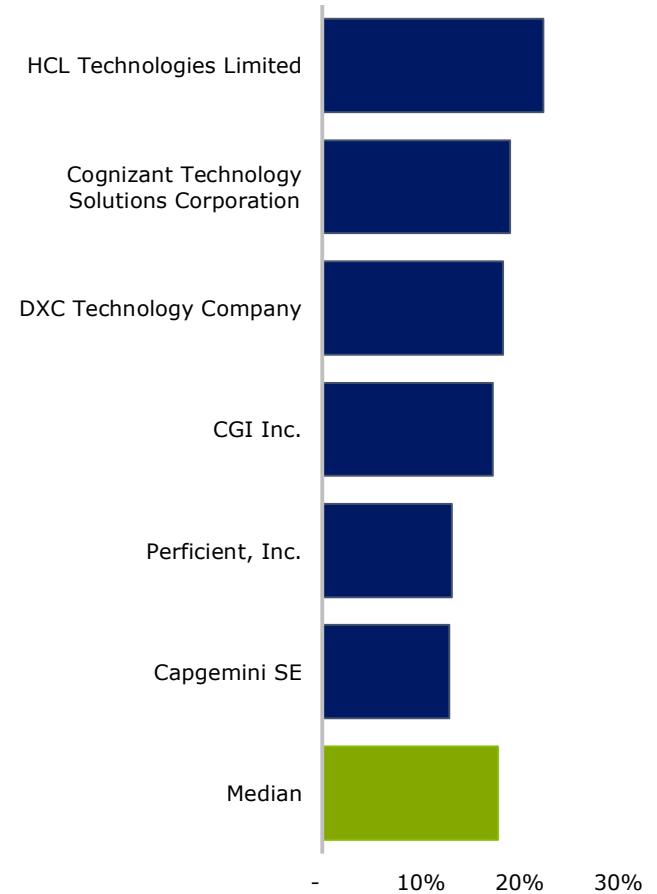
Operational Metrics



LTM Gross Profit Margin %



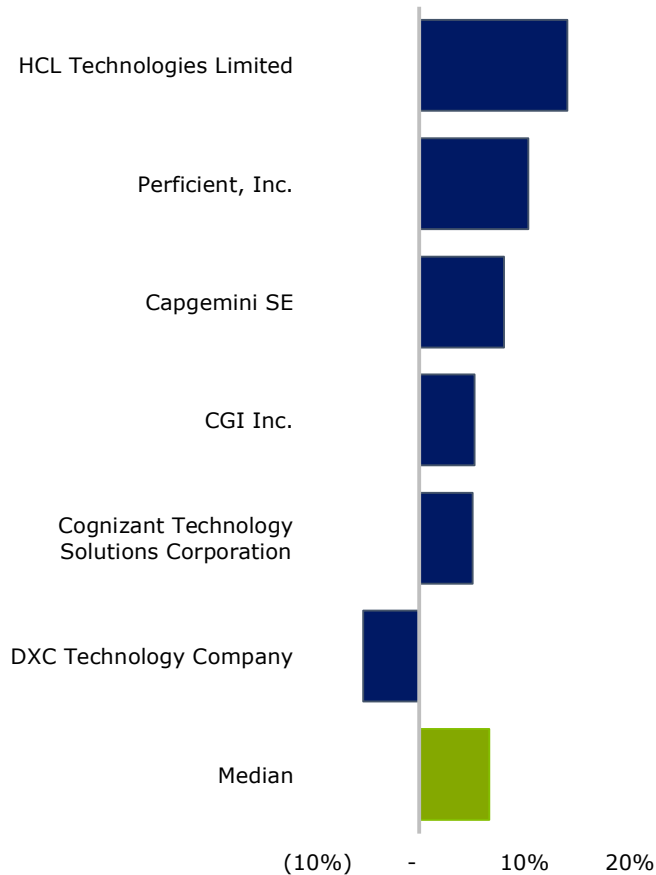
LTM EBITDA %



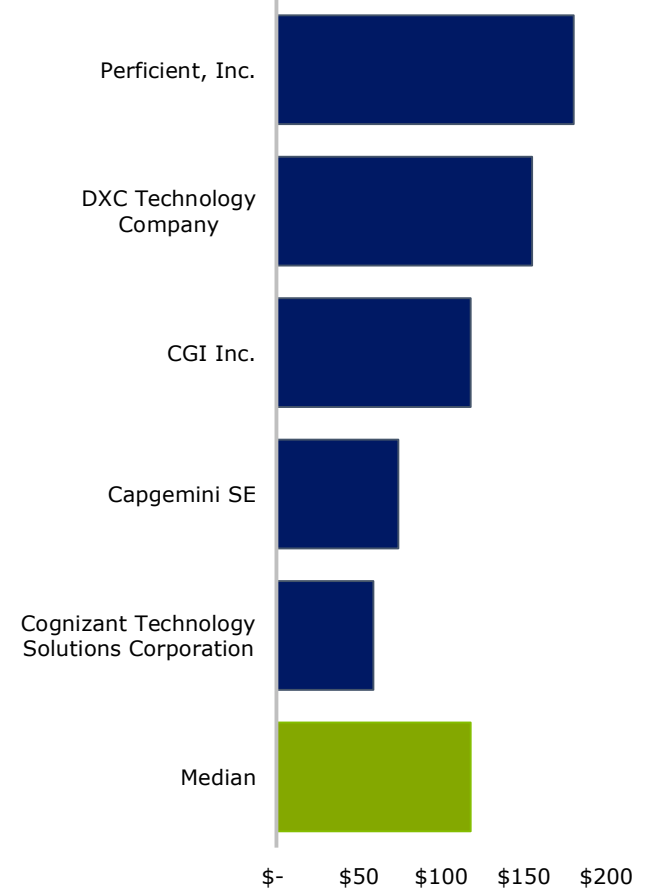
Operational Metrics



LTM Revenue Growth %



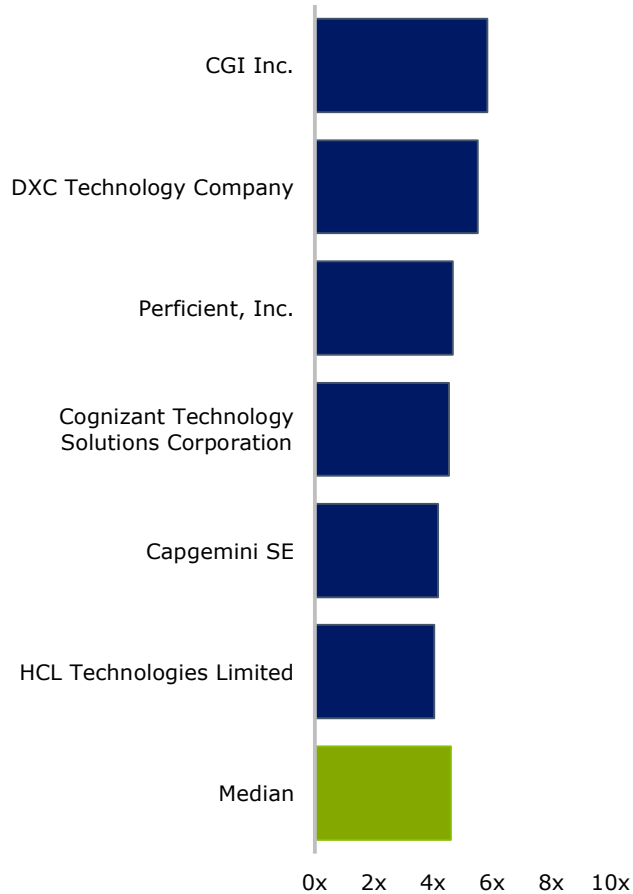
LTM Revenue per Full Time Employee x 000's



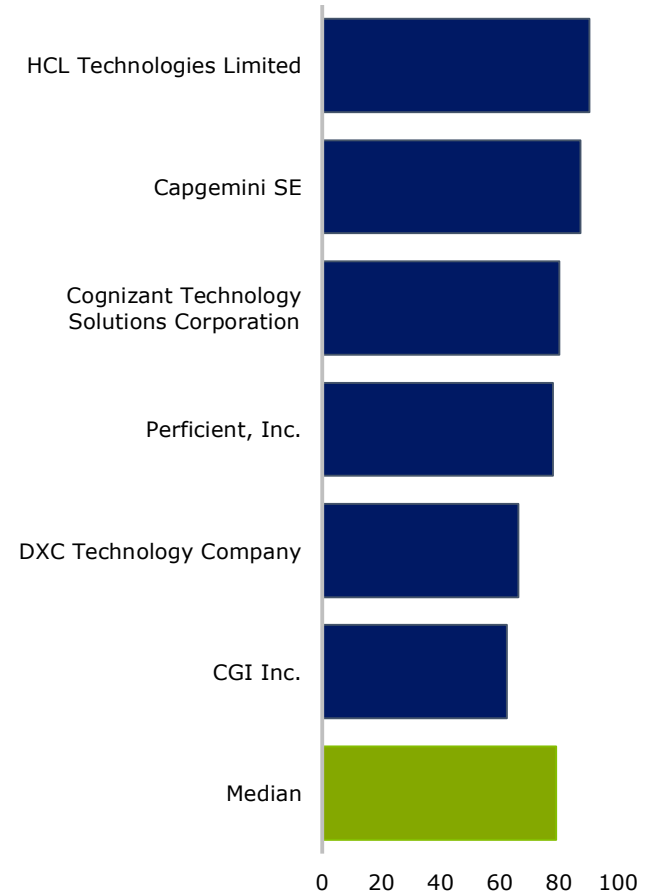
Operational Metrics



Accounts Receivable Turnover



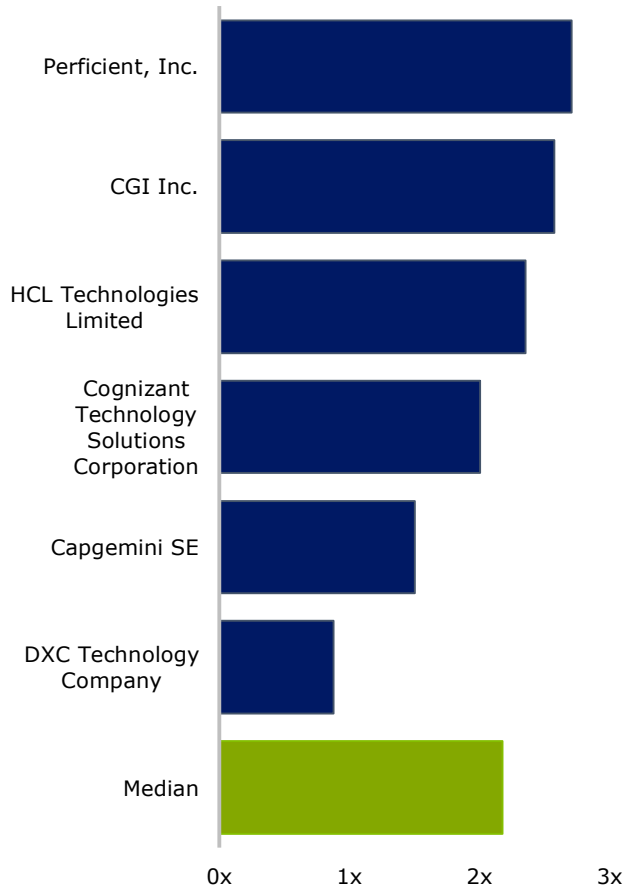
Average Days Sales Outstanding



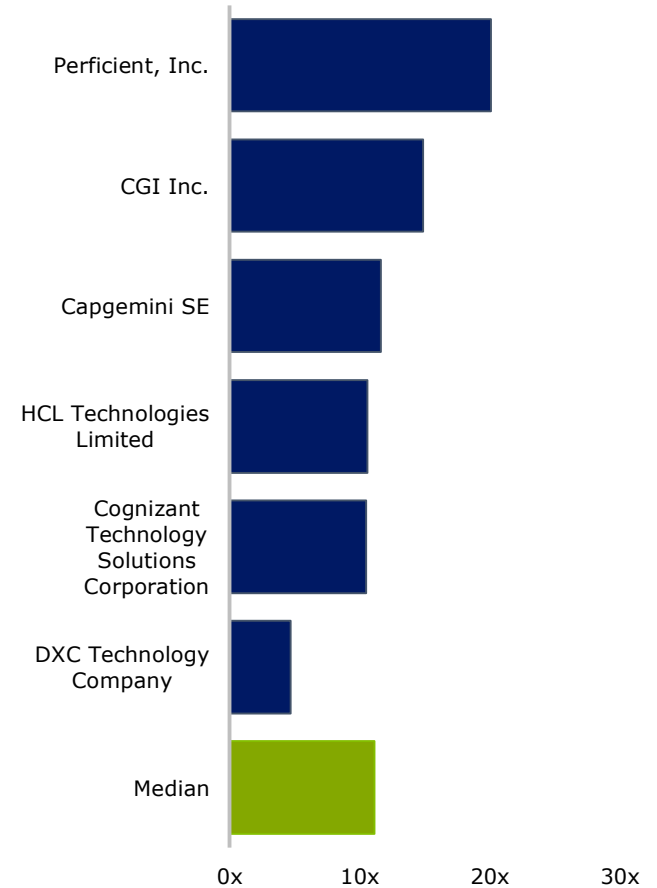
Valuation



TEV / LTM Revenue



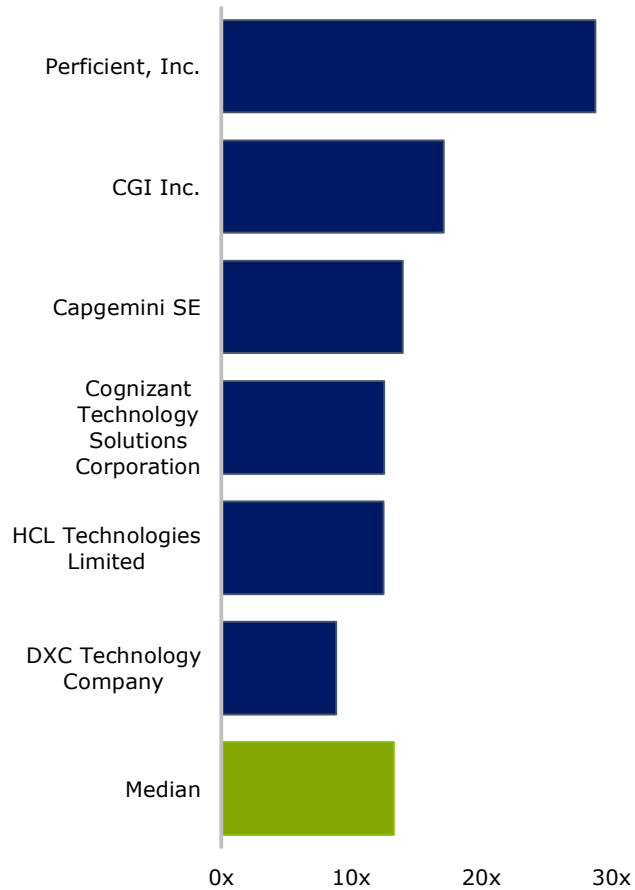
TEV / LTM EBITDA



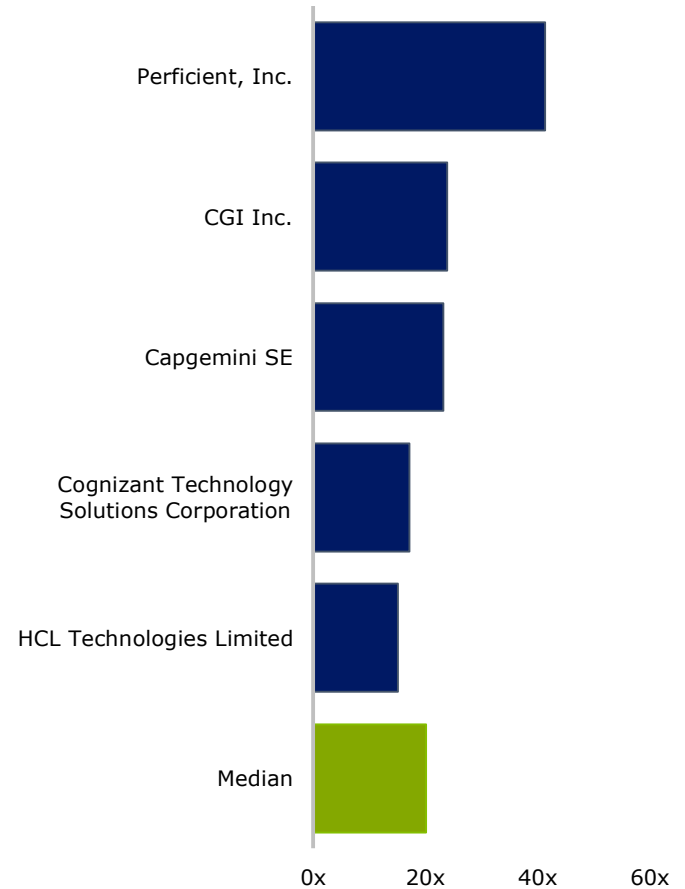
Valuation



TEV / LTM EBIT



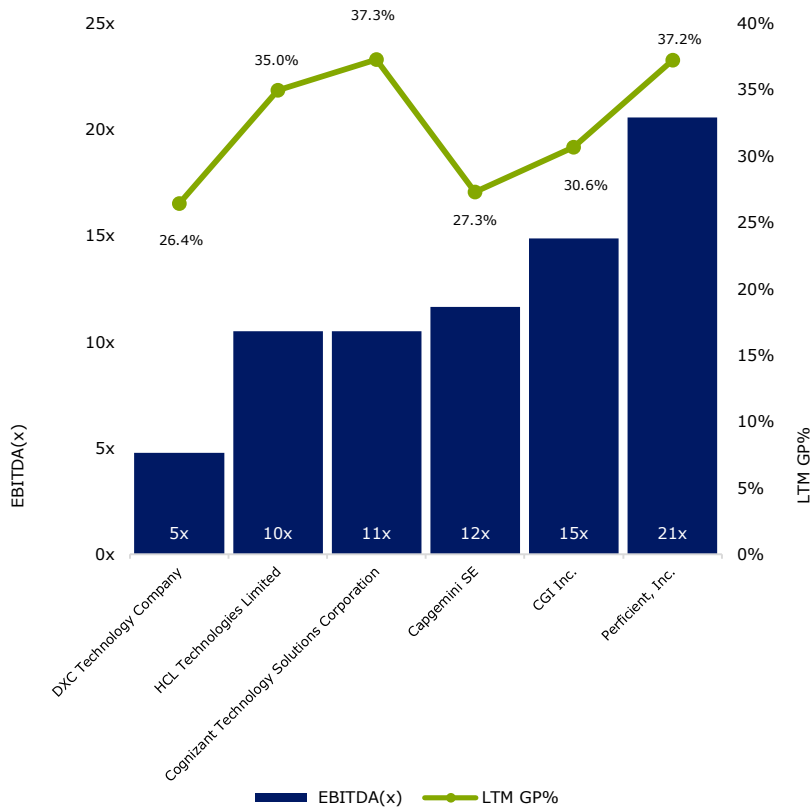
Price / LTM Earnings



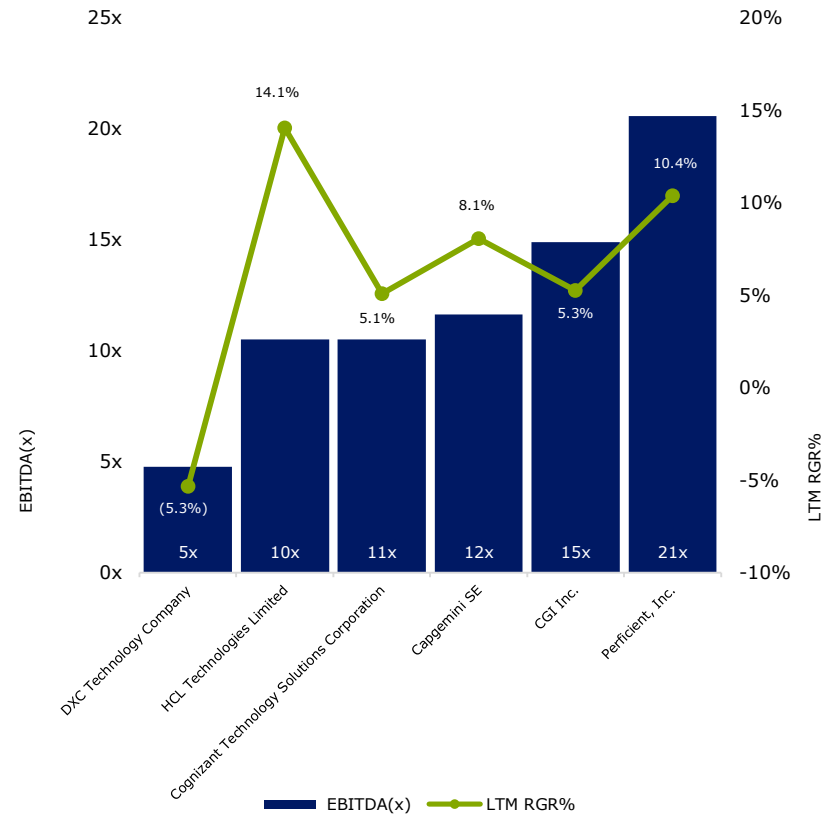
Valuation



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>
5Nov19	Fellowmind B.V.	FSN Capital Partners AS; FSN Capital V	-	-	-	-
4Nov19	Onica Inc.	Rackspace Hosting, Inc.	-	-	-	-
23Sep19	alnamic AG	Avanade Inc.	-	-	-	-
4Sep19	Movere, Inc	Microsoft Corporation	-	-	-	-
3Sep19	orange networks GmbH	Logicalis Group Limited	-	5.48	-	-
26Aug19	PYLADES B.V	Waterland Private Equity Investments BV	-	-	-	-
5Aug19	Complete I.T Ltd	Sharp Business Systems UK Plc	-	17.85	-	-
24Jul19	eFrontech SA	-	2.45	8.91	-	-
26Jun19	Briware Solutions Inc.	Dynamic Consulting LLC	-	-	-	-
21May19	NuSoft Solutions, Inc.	Avtex Solutions, LLC	-	-	-	-
2May19	Dynamics Resources Inc.	Synoptek, LLC	-	-	-	-
24Apr19	1ClickFactory	Quattro Business Solutions B.V.	-	-	-	-
27Mar19	Connected Technologies Inc.	Calligo Limited	-	-	-	-
1Mar19	Microsoft Business Unit of SADA Systems, Inc.	Core BTS, Inc.	-	-	-	-
14Jan19	Capax Global, LLC	Hitachi Solutions America, Ltd.	-	-	-	-
13Dec18	Sopris Systems, LLC	Sonata Software North America Inc.	-	7.00	1.0x	-
4Dec18	Lighthouse Computer Services Inc.	Converge Technology Solutions Corp.	23.20	82.00	0.3x	4.9x
8Nov18	Charterhouse Voice and Data plc	August Equity LLP	-	-	-	-
1Nov18	25sevenIT Limited	Timico Limited	-	-	-	-
30Oct18	Content & Code Limited	IT Lab Limited	-	15.60	-	-
18Sep18	Jayway AB	Devoteam SA	-	22.37	-	-
11Sep18	Infiniti Consulting Group, LLC	InterVision Systems, LLC	-	-	-	-
1Aug18	Cardinal Solution Group. Inc.	Insight Enterprises, Inc.	79.00	-	-	-
26Jul18	Improving Holdings, LLC	Trinity Hunt Partners, L.P.	-	-	-	-
24Jul18	REAN Cloud LLC	Hitachi Vantara Corporation	-	-	-	-
24Jul18	Arrow Digital LLC	Softvision, LLC	-	-	-	-
12Jul18	Intellinet Corporation	FPT Corporation	50.00	30.00	1.8x	-
10Jul18	SWC Technology Partners, Inc.	BDO USA, LLP	-	-	-	-
27Jun18	Hönigsberg & Düvel Datentechnik GmbH	HCL Technologies Limited	34.78	85.90	0.4x	-

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APPENDIX:
Public Basket
Constituents

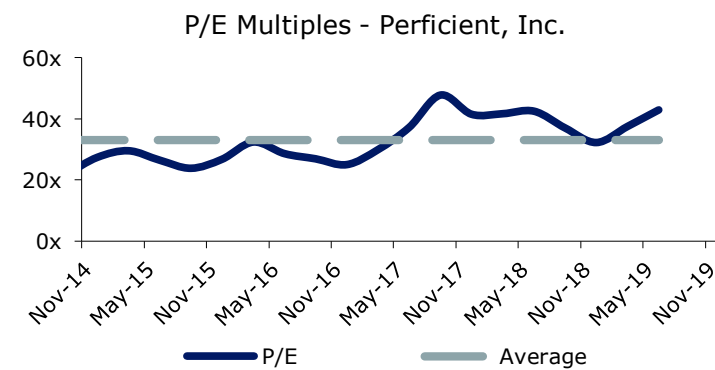
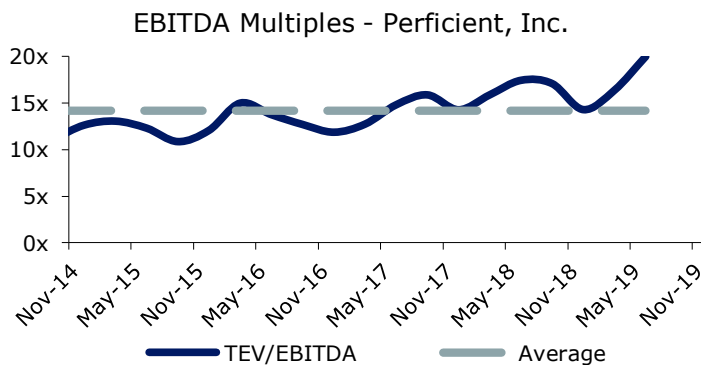
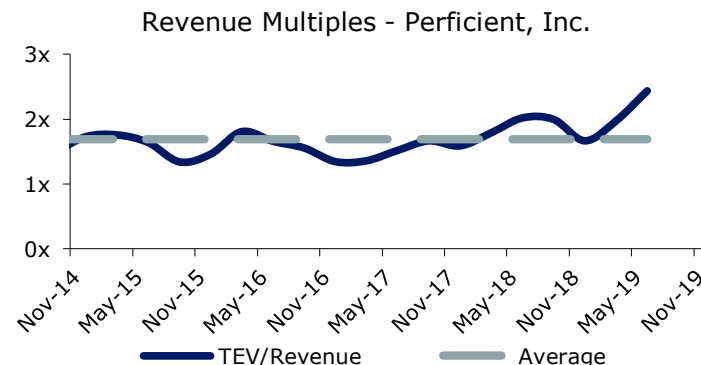
Public Basket



Perficient, Inc.

Perficient, Inc. provides information technology and management consulting services in the United States. The company designs, builds, and delivers solutions using middleware software products developed by third-party vendors. Its solutions include portals and collaboration, such as searchable data systems, collaborative systems for process improvement, transaction processing, unified and extended reporting, and other services; and platform implementations services, including application server selection, architecture planning, installation and configuration, clustering for availability, performance assessment and issue remediation, security, and technology migrations. The company also offers management consulting services in the areas of organizational change management, business analytics, project management, process excellence, and other; and cloud services comprising architecture, business value and health checks assessments, strategy and road maps, and vendor evaluation and selection services. Perficient, Inc. was founded in 1997 and is headquartered in St. Louis, Missouri.

Date	Key Development Headline
5/21/19	Perficient, Inc. (NasdaqGS:PRFT) completed the acquisition of the assets of Sundog Interactive, Inc.
5/12/19	Perficient, Inc. (NasdaqGS:PRFT) entered into a purchase agreement to acquire the assets of Sundog Interactive, Inc for \$14 million.



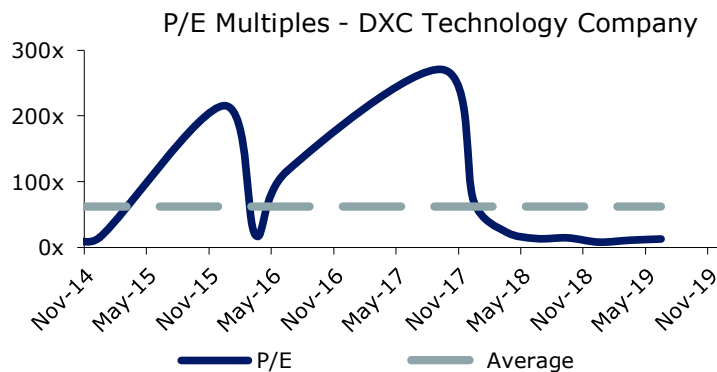
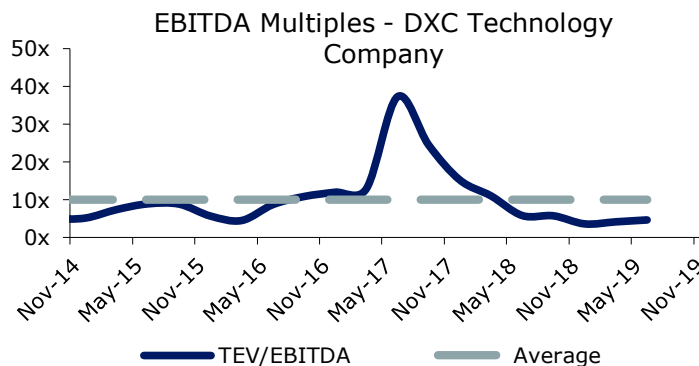
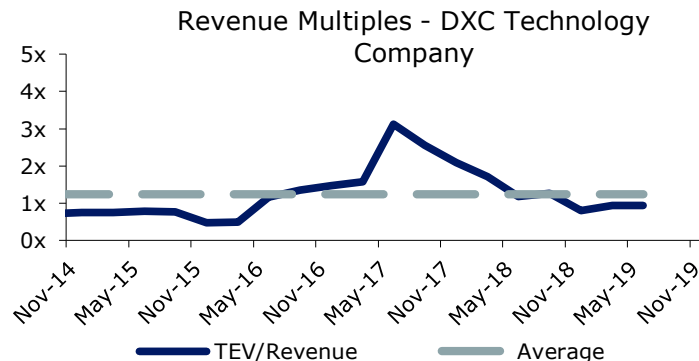
Public Basket



DXC Technology Company

DXC Technology Company, together with its subsidiaries, provides information technology services and solutions primarily in North America, Europe, Asia, and Australia. The GBS segment offers technology solutions comprising enterprise, cloud application, and consulting services; application services; analytics services; business process services; and industry software and solutions. The GIS segment offers cloud and platform services; workplace, mobility, and Internet of Things services; and security solutions. The USPS segment delivers IT services and business solutions to all levels of government in the United States. DXC Technology Company was founded in 1959 and is headquartered in Tysons, Virginia.

Date	Key Development Headline
11/7/19	DXC Technology Company (NYSE:DXC) acquired the remaining unknown stake in Virtual Clarity Limited from Steve Peskin.
11/3/19	DXC Technology Company (NYSE:DXC) acquired Bluleader Pty Ltd.
8/20/19	DXC Technology Company (NYSE:DXC) acquired Syscom.
7/11/19	DXC Technology Announces the Expansion of its Strategic Partnership with Microsoft Through the Formation of a Global Microsoft Azure Digital Transformation Practice
6/13/19	DXC Technology Company (NYSE:DXC) completed the acquisition of Luxoft Holding, Inc. (NYSE:LXFT) from IBS Group Holding Limited, Codeffroy Ltd., Awosting Ltd. and others.



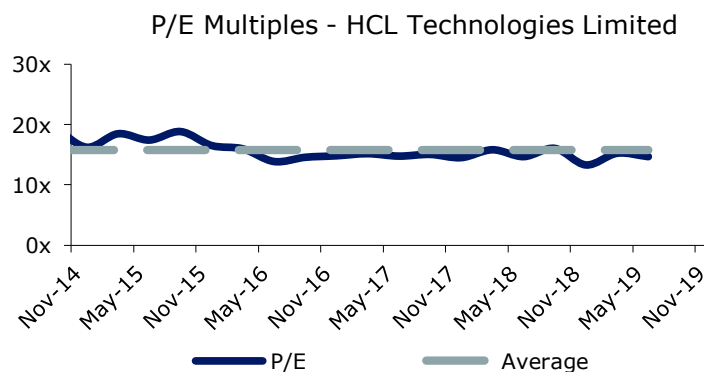
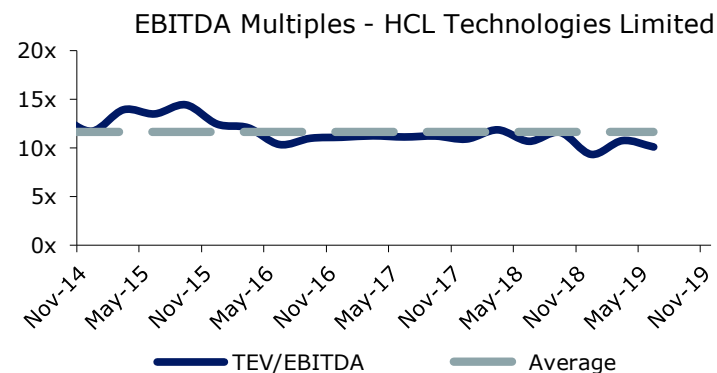
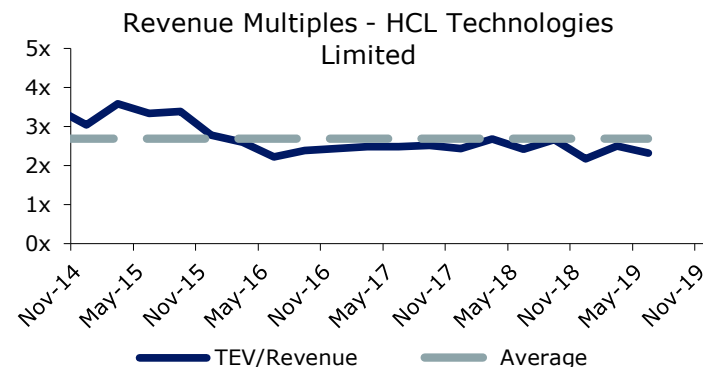
Public Basket



HCL Technologies Limited

HCL Technologies Limited provides software, business process outsourcing, and information technology (IT) infrastructure services worldwide. The company offers IT infrastructure management, cloud computing, data center, managed mainframe and maintenance, network, service integration and management, and workplace services, as well as autonomies and orchestration services, products, and platforms.. HCL Technologies Limited was founded in 1976 and is headquartered in Noida, India.

Date	Key Development Headline
10/31/19	HCL Technologies Launches Dedicated Google Cloud Business Unit to Accelerate Enterprise Cloud Adoption
10/9/19	HCL Technologies Limited (NSEI:HCLTECH) completed the acquisition of Sankalp Semiconductor Pvt. Ltd.
9/8/19	HCL Technologies Limited (NSEI:HCLTECH) agreed to acquire Sankalp Semiconductor Pvt. Ltd for INR 1.8 billion.
8/5/19	HCL Technologies and Oracle Health Sciences Collaborate to Accelerate mHealth in Clinical Trials
6/29/19	HCL Technologies Limited (NSEI:HCLTECH) completed the acquisition of Software Portfolio from International Business Machines Corporation (NYSE:IBM).



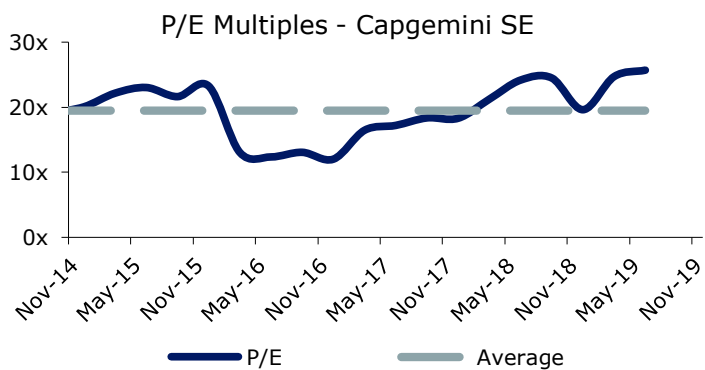
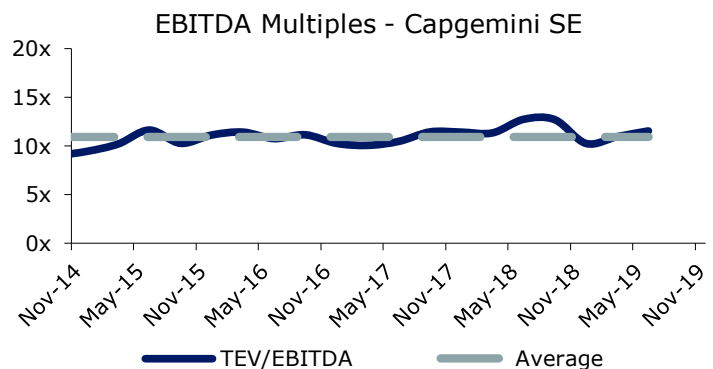
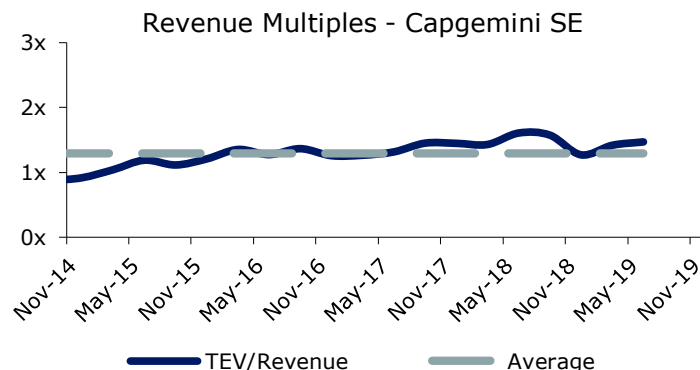
Public Basket



Capgemini SE

Capgemini SE provides consulting, technology, and digital transformation services. It addresses clients' opportunities in the world of cloud, digital, and platforms, as well as enables organizations to realize business ambitions through an array of services from strategy to operations. The company's Consulting Services segment offers strategy and transformation consulting services primarily in digital transformation that enhance the performance of organizations based on intimate client relationships, and the knowledge of client industries and processes. Its Technology & Engineering Services segment provides assistance and support to internal IT teams of client companies. Capgemini SE was founded in 1967 and is based in Paris, France.

Date	Key Development Headline
6/24/19	Altran Technologies S.A., Capgemini SE - M&A Call
6/23/19	Capgemini SE (ENXTPA:CAP) entered into an agreement to acquire Altran Technologies S.A. (ENXTPA:ALT) from Altamir SCA (ENXTPA:LTA), Apax Partners SAS and others for €3.6 billion.
2/20/19	Capgemini SE (ENXTPA:CAP) completed the acquisition of Leidos Cyber, Inc. from Leidos Intermediate Holdings, Inc. and others.
2/14/19	Capgemini To Seek Acquisitions



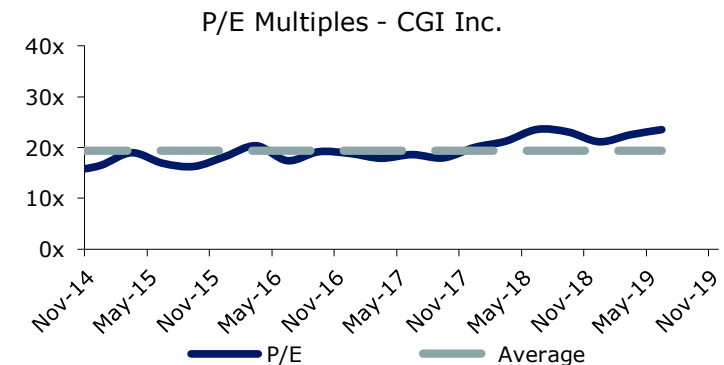
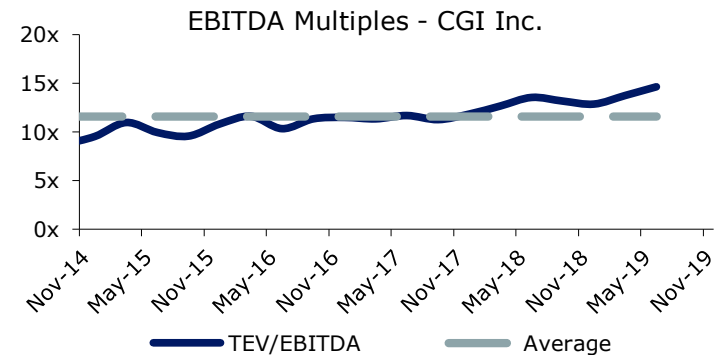
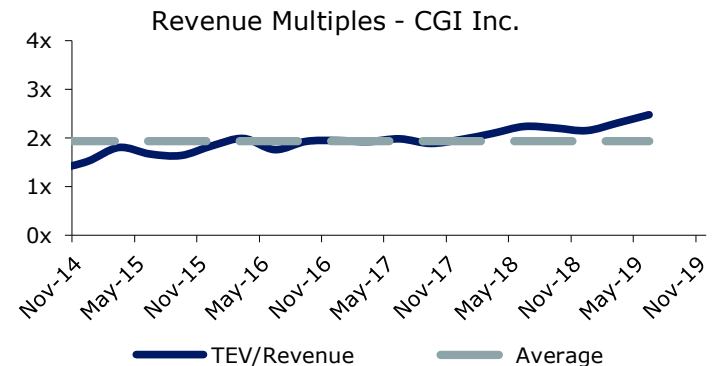
Public Basket



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,
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.
3/10/19	CGI Inc. (TSX:GIB.A) made an offer to acquire 77.37% stake in Acando AB (publ.) (OM:ACAN B) for SEK 3.3 billion.



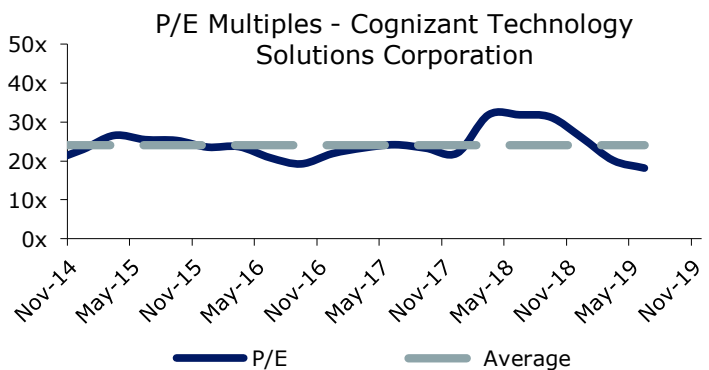
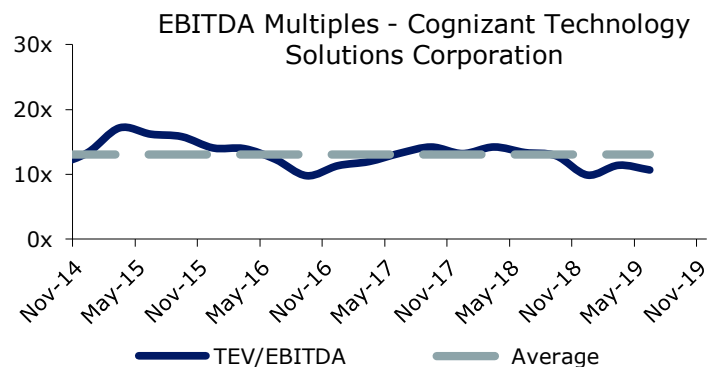
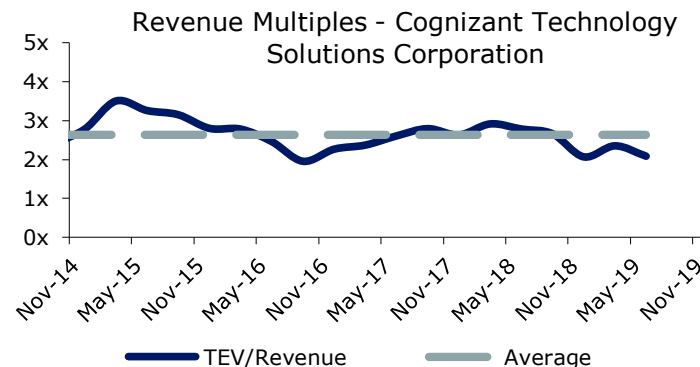
Public Basket



Cognizant Technology Solutions Corporation

Cognizant Technology Solutions Corporation, a professional services company, provides consulting and technology, and outsourcing services worldwide. The company operates through four segments: Financial Services; Healthcare; Products and Resources; and Communications, Media and Technology. It offers business, process, operations, and technology consulting services; application design and development, and systems integration services; application testing, consulting, and engineering services; and enterprise information management services. The company was founded in 1994 and is headquartered in Teaneck, New Jersey.

Date	Key Development Headline
10/15/19	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) entered into an agreement to acquire Contino LTD from Columbia Columbia Capital, L.P., Top Tier Capital Partners, LLC and
8/12/19	Cognizant Technology Solutions To Seek Acquisitions
7/30/19	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) completed the acquisition of Zenith Technologies Ltd. from GE UK Group and other shareholders.
6/17/19	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) agreed to acquire Zenith Technologies Ltd. from GE UK Group and other shareholders for approximately €140 million.
5/7/19	AVEVA and Cognizant Expand R&D Partnership to Build Next-Gen Industrial Software



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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