

# Sectorwatch: BPO

December 2019

# BPO

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# 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.



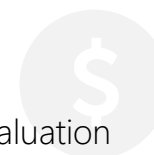
## Public Basket Performance

- 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

↑ **0.2%**

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

↑ **1.5%**

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

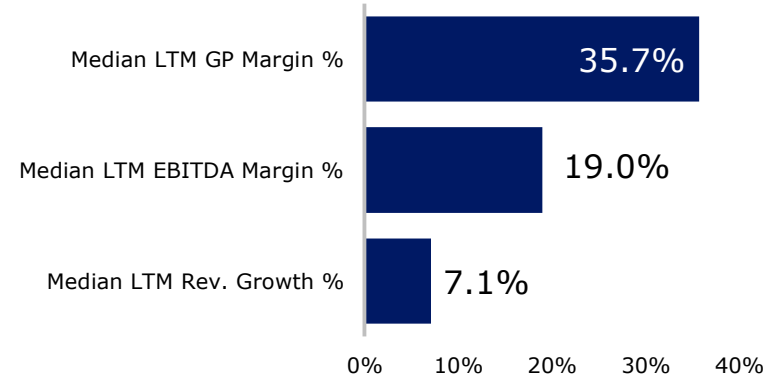
## Profitability Momentum

↑ **2.9%**

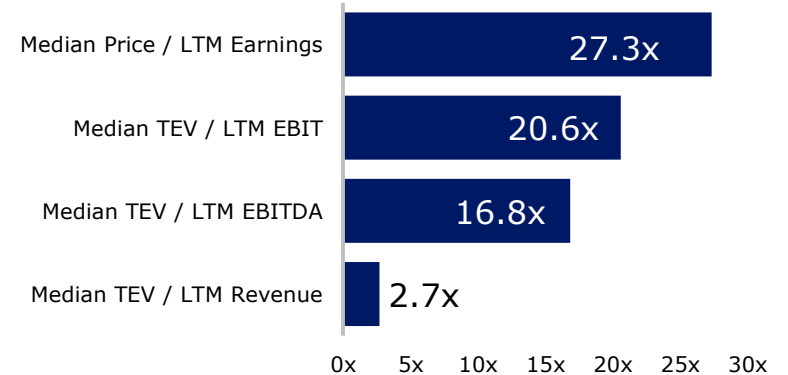
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

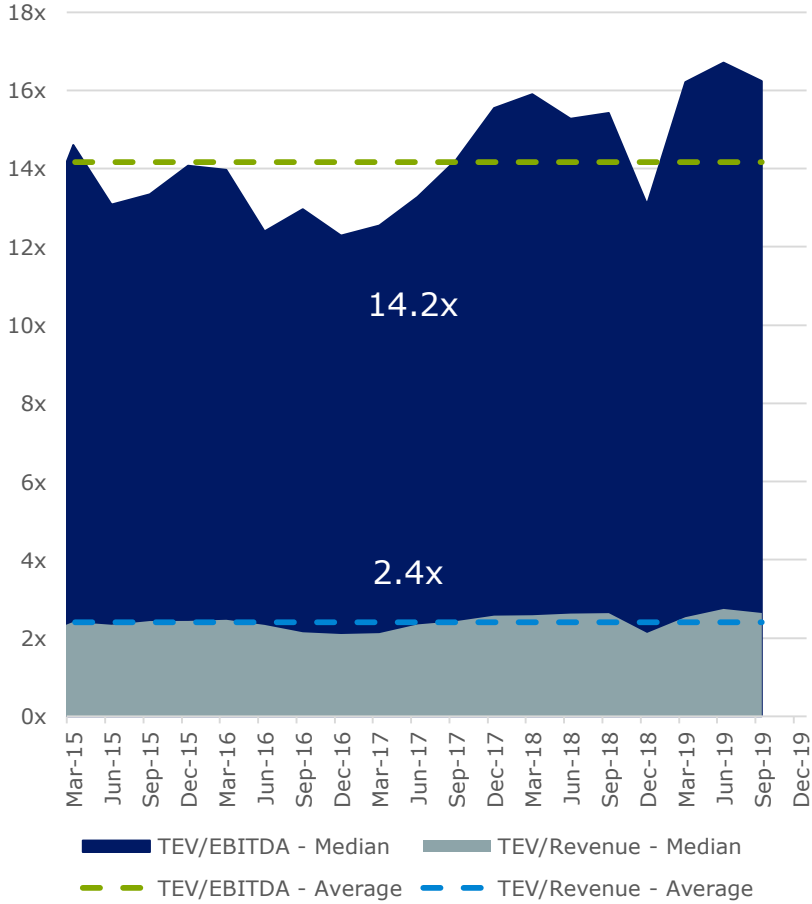


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
WNS (Holdings) Limited	3,386	851	8%	37%	19%	4.0	21.0	39,898	21
MAXIMUS, Inc.	4,658	2,887	21%	23%	14%	1.6	11.7	29,600	98
Genpact Limited	9,182	3,415	18%	36%	16%	2.7	16.8	87,000	39
Cognizant Technology Solutions Corporation	32,660	16,628	5%	37%	19%	2.0	10.3	281,600	59
Automatic Data Processing, Inc.	75,372	14,361	6%	45%	25%	5.2	21.1	58,000	248
Accenture plc	132,761	43,968	5%	31%	16%	3.0	18.8	492,000	89
Wipro Limited	1,200,563	599,075	7%	30%	21%	2.0	9.5	170,000	3,524

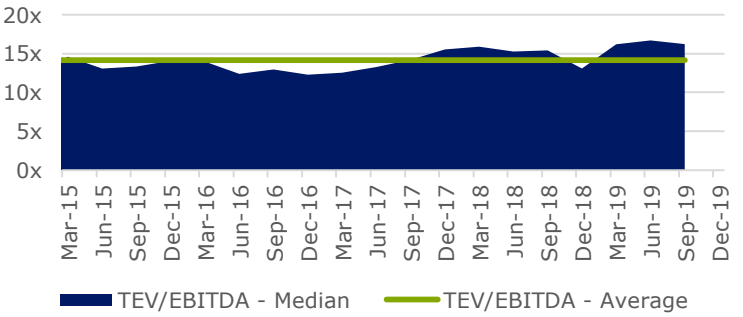
<b>Average</b>	208,369	97,312	10%	34%	19%	2.9	15.6	165,443	583
<b>Median</b>	32,660	14,361	7%	36%	19%	2.7	16.8	87,000	89

share price as of 30Dec19

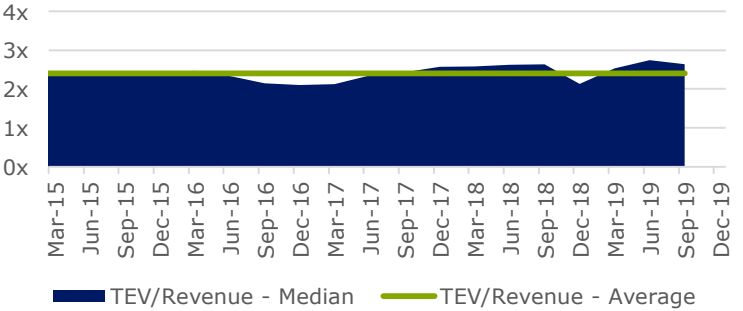
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



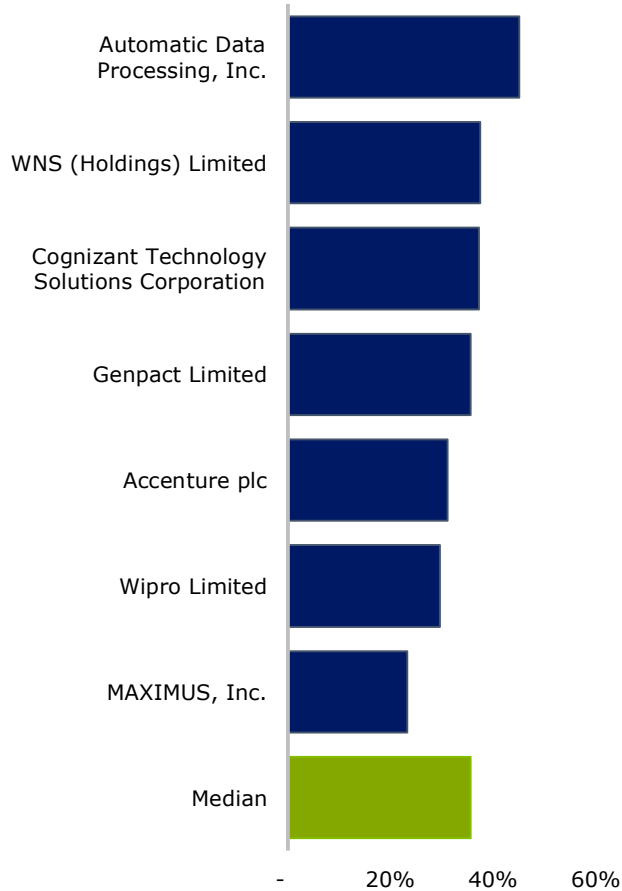
## Public Revenue Multiples over Time



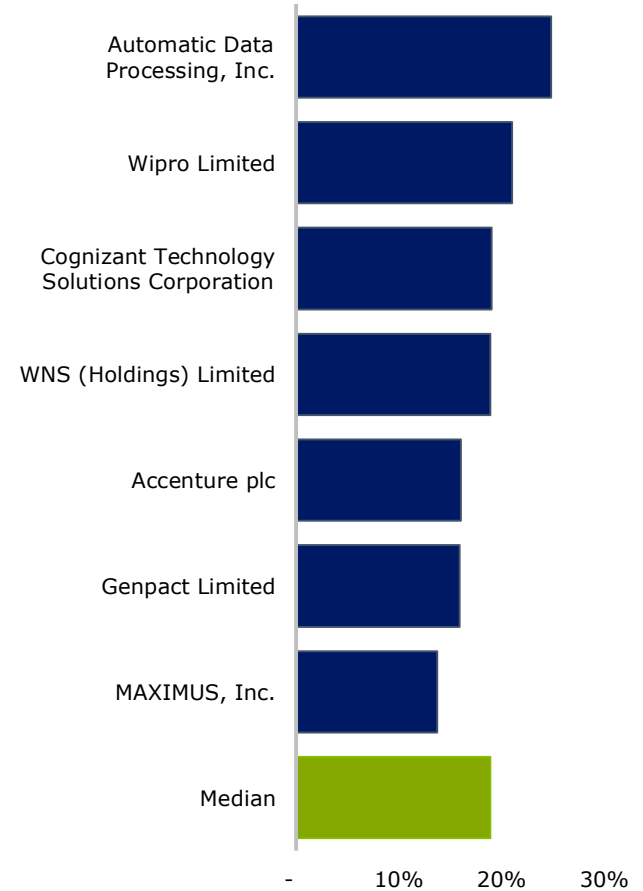
# Operational Metrics



## LTM Gross Profit Margin %



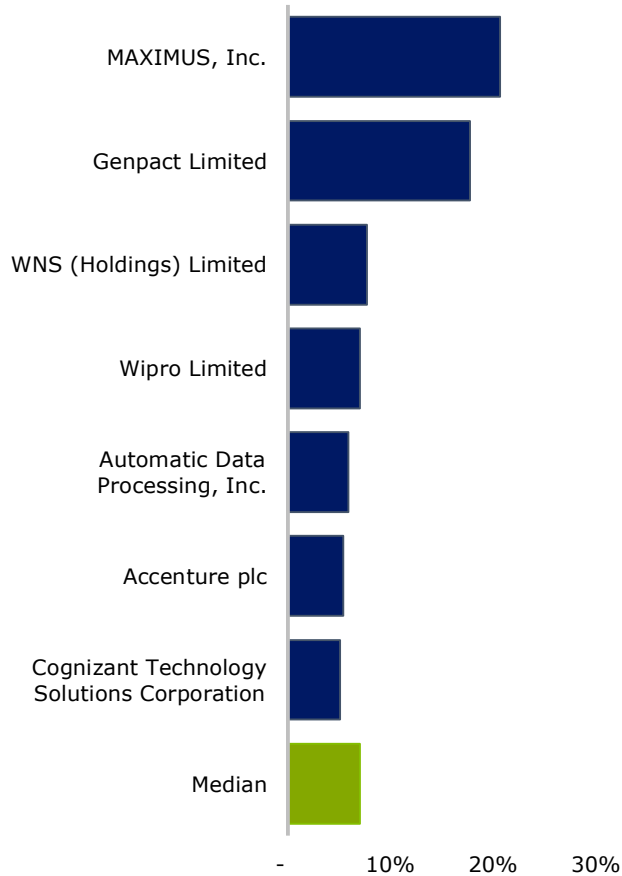
## LTM EBITDA %



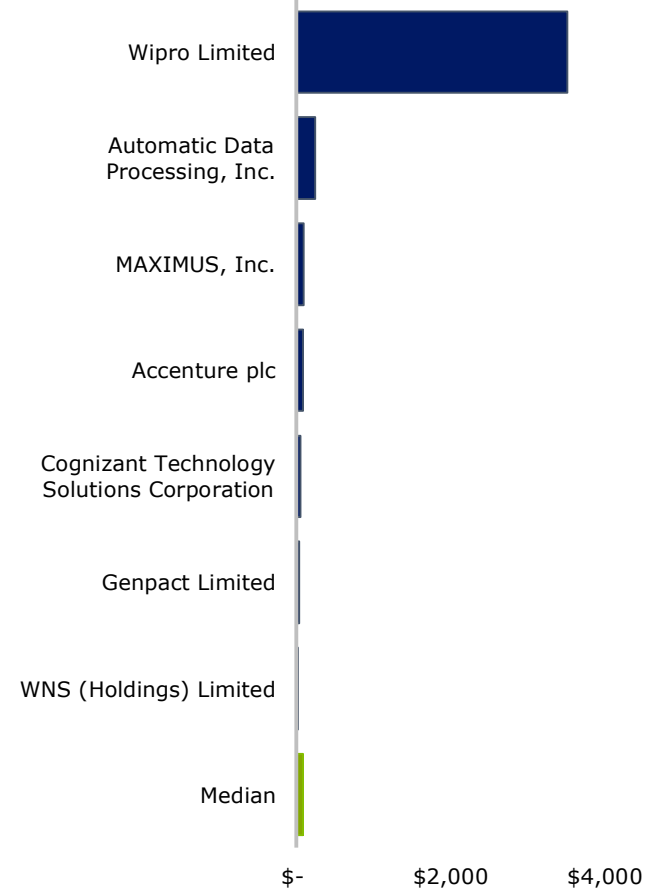
# Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's

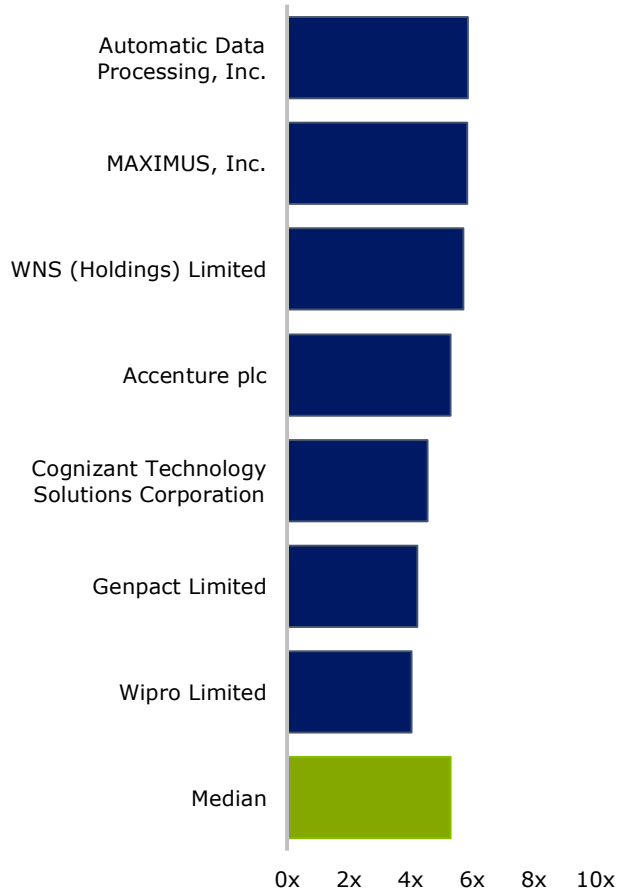




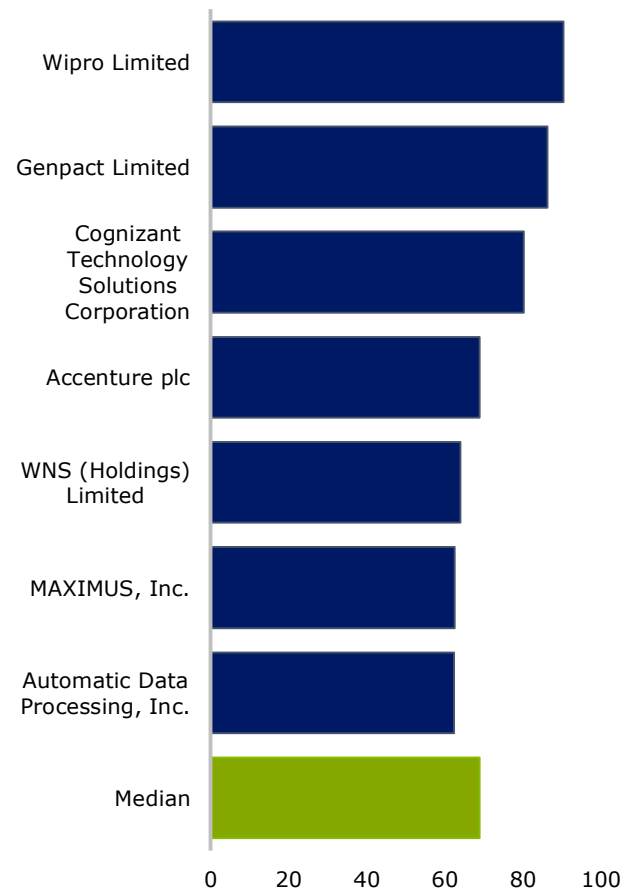
# Operational Metrics



## Accounts Receivable Turnover



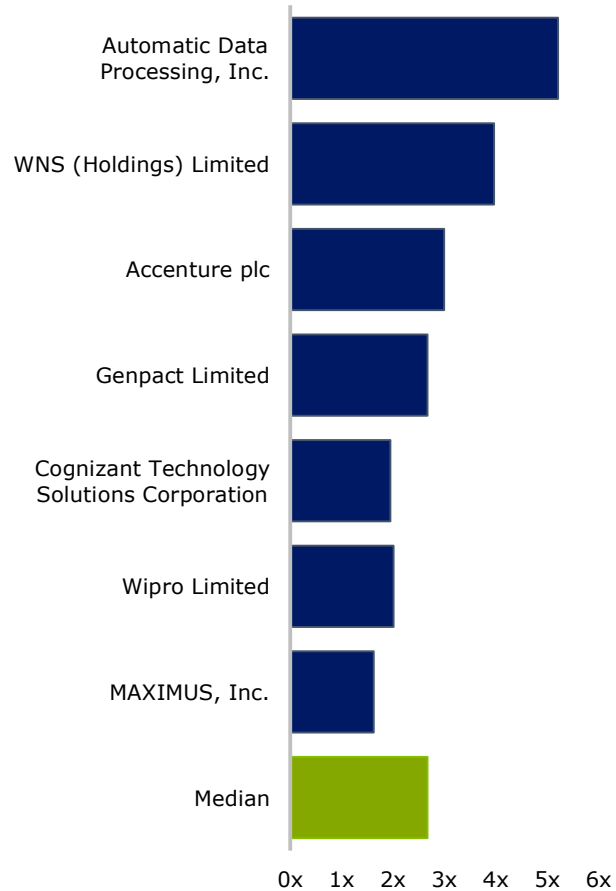
## Average Days Sales Outstanding



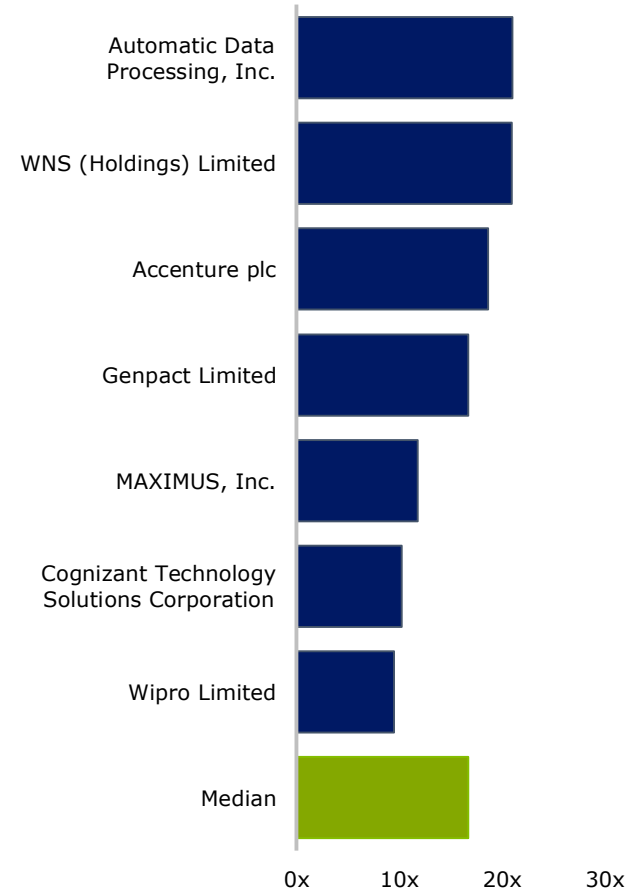
# Valuation



TEV / LTM Revenue



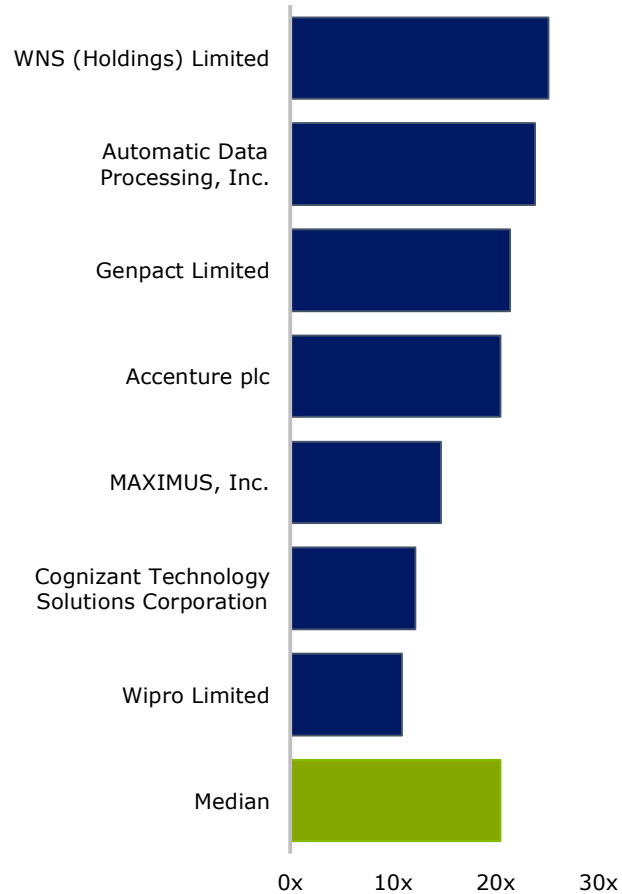
TEV / LTM EBITDA



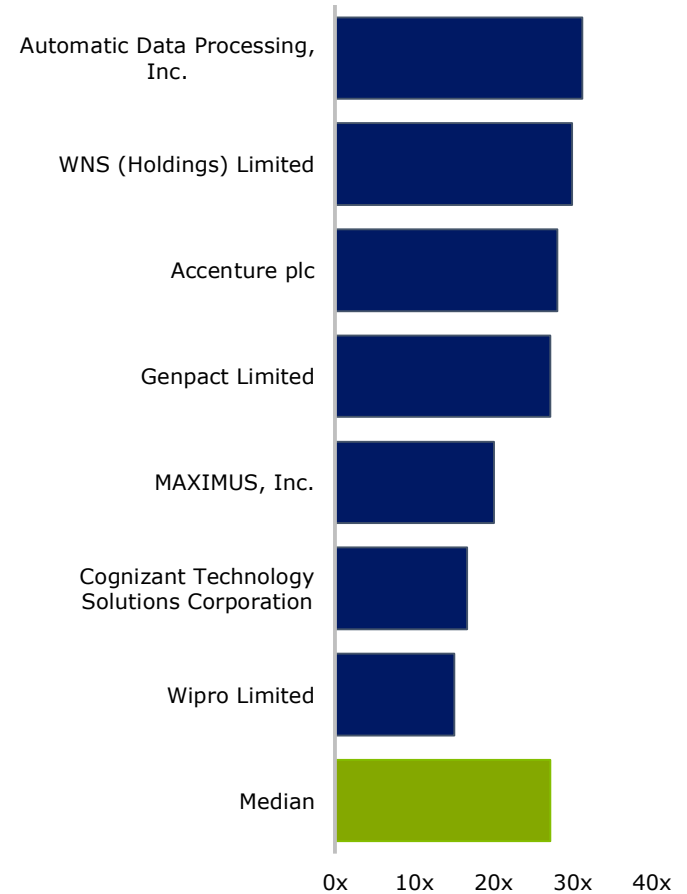
# Valuation



## TEV / LTM EBIT



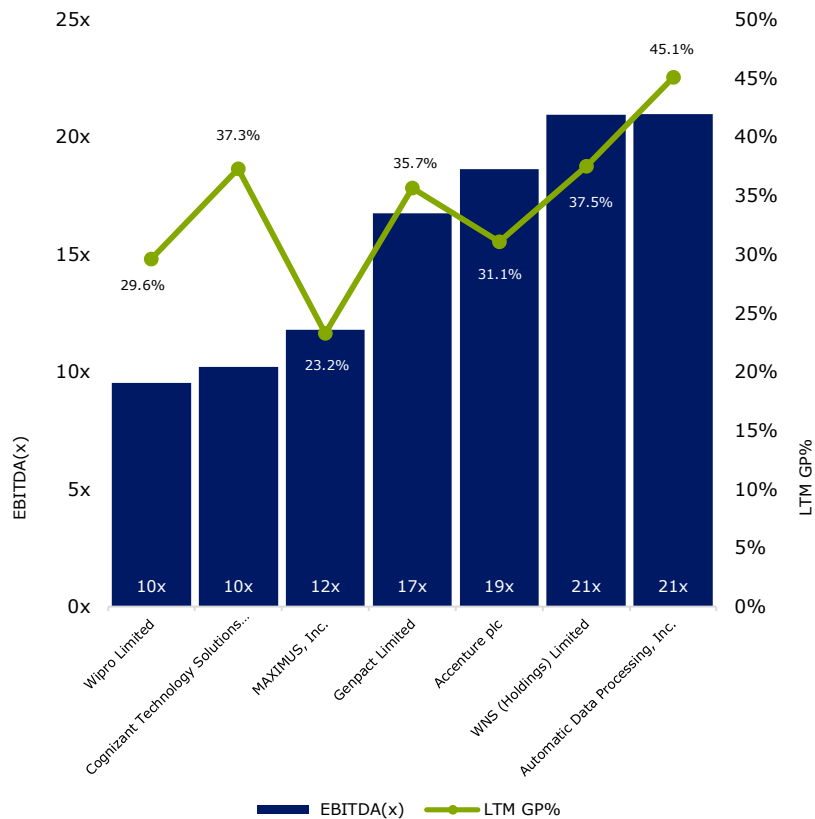
## Price / LTM Earnings



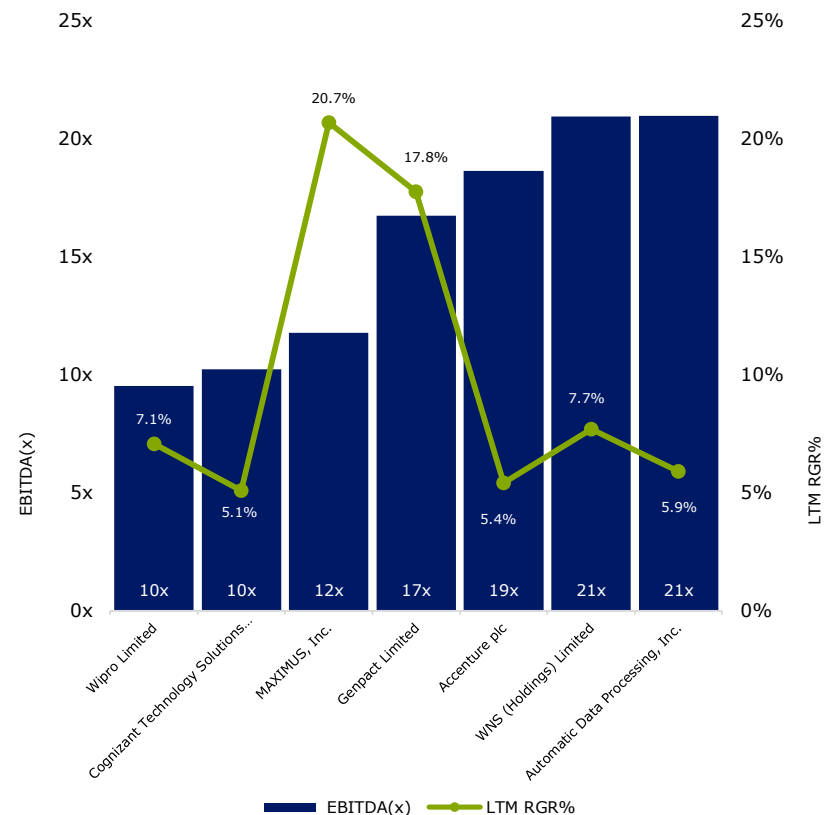
# Valuation



## 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>
27Dec19	True Touch Co., Ltd.	BELLSYSTEM24 Holdings, Inc.	8.43	-	-	-
19Dec19	Softteam S.A.	Docapost BPO SAS	-	-	-	-
10Dec19	Arise Virtual Solutions Inc.	Warburg Pincus LLC; Vivtera	-	-	-	-
26Oct19	First Call Resolution, LLC	TTEC Services Corporation	115.13	-	-	-
10Oct19	MedData, Inc.	Frazier Healthcare Partners; Frazier Healthcare Growth Buyout Fund IX, L.P.	300.00	-	-	-
16Sep19	Unified Dispatch LLC	Resurgent Capital Partners	-	-	-	-
5Sep19	Convey Health Solutions, Inc.	TPG Capital, L.P.	-	-	-	-
5Aug19	Northstream AB	Accenture plc	-	-	-	-
2Aug19	Navigant Consulting, Inc.	Guidehouse LLP	1,234.01	728.72	1.6x	16.2x
31Jul19	Portway International, Inc.	Avalara, Inc.	25.00	-	-	-
1Aug19	RedCard Systems, LLC	Zelis Healthcare Corp	-	-	-	-
17Jun19	GBT Technologies, S.A	Altcorp Trading LLC	-	-	-	-
5Mar19	MarketStar Corporation	Wasatch Property Management, Inc.	-	-	-	-
23Jan19	Davies Group Limited	-	65.33	-	-	-
21Jan19	ServTech Global Holdings Limited	Officine 8K S.r.l. (nka:Vection Technologies Ltd.)	-	0.54	-	-
14Dec18	Hitachi Procurement Service Co.,Ltd. (nka:HIPUS Co., Ltd.)	Panasonic Corporation; Pasona Group Inc.; Infosys Consulting Pte Ltd	-	-	-	-
6Nov18	Spear, Inc.	CALIBRE Systems, Inc.	-	-	-	-
19Oct18	JetPay Corporation	NCR Corporation	188.71	81.02	2.2x	50.7x
18Sep18	VeBridge Holdings, Inc.	Konica Minolta Business Solutions, U.S.A., Inc.	-	-	-	-
29Aug18	Results-Based Outsourcing Inc.	Driven Deliveries, Inc.	-	0.03	-	-
20Aug18	Dalian MPG Marketing Consulting Co., Ltd.	Dalian Recomm CS CO., Ltd.	0.64	1.79	0.4x	-
7Aug18	Harvey Nash Group plc (nka:Harvey Nash Group Limited)	DBAY Advisors Limited	159.91	1,200.69	0.1x	8.3x
30Jul18	Antworks Pte. Ltd.	SBI Investment Co., Ltd.; SBI AI & Blockchain Fund	15.01	-	-	-
11Jul18	Sonda S.A.	-	-	1,235.18	-	-
26Jun18	Molina Information Systems, LLC	DXC Technology Company	266.00	-	-	-
18Jun18	Microtech Global Solutions Corp.	Intelegencia LLC	-	-	-	-

# BPO

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## APPENDIX: Public Basket Constituents

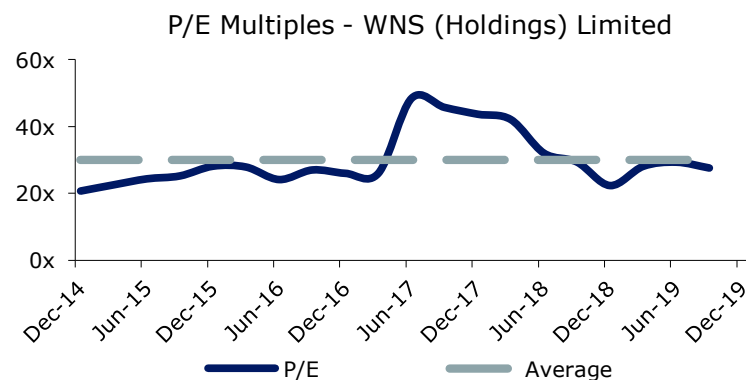
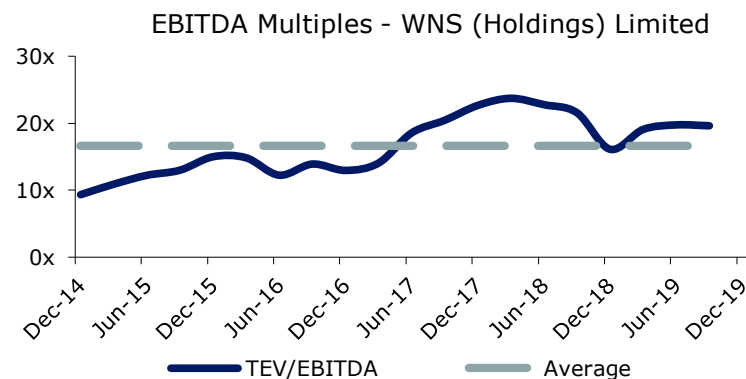
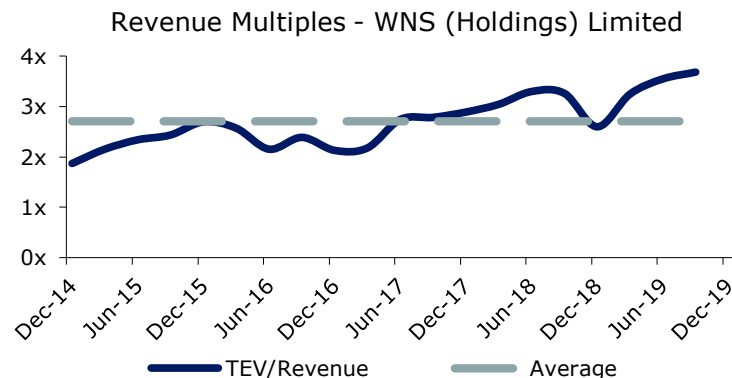
# Public Basket



## WNS (Holdings) Limited

WNS (Holdings) Limited, a business process management company, together with its subsidiaries, provides data, voice, analytical, and business transformation services worldwide. It operates through two segments, WNS Global BPM and WNS Auto Claims BPM. The company offers industry-specific services to clients primarily in insurance; travel and leisure; diversified businesses, including manufacturing, retail, consumer packaged goods, media and entertainment, and telecommunication; utilities; consulting and professional services; healthcare; banking and financial services; and shipping and logistics industries. It also provides shared services, such as customer interaction, finance and accounting, research and analytics, technology, legal, and human resources outsourcing services. In addition, the company offers transformation services designed to help its clients to modify their business processes to enhance productivity, as well as manage changes in the business environment and leverage business knowledge to increase market competitiveness. WNS (Holdings) Limited was founded in 1996 and is based in Mumbai, India.

Date	Key Development Headline
5/14/19	WNS (Holdings) Limited (NYSE:WNS) completed the acquisition of certain assets and the related workforce of Hotelbeds Group, S.L.U..



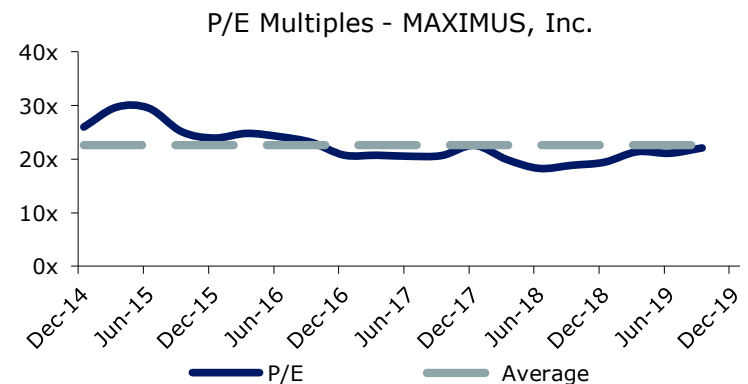
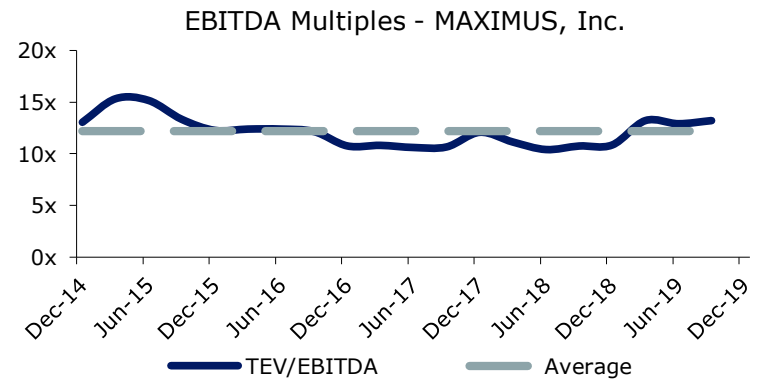
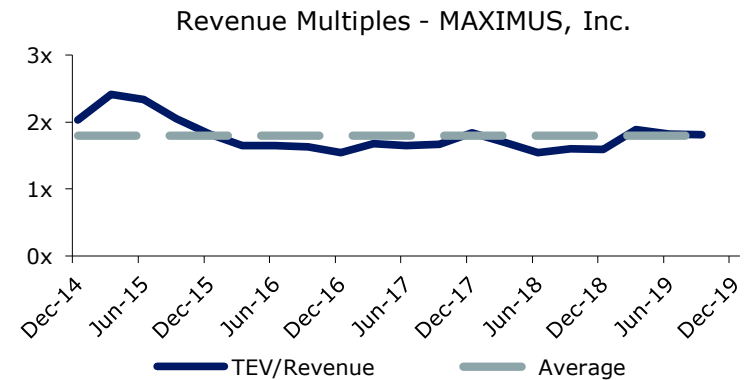
# Public Basket



## MAXIMUS, Inc.

MAXIMUS, Inc. provides business process services (BPS) to government health and human services programs in the United States, the United Kingdom, Australia, Canada, Singapore, and Saudi Arabia. The company's Health Services segment offers various BPS, appeals, and assessments, as well as related consulting services for state, provincial, and national government programs comprising Medicaid, Children's Health Insurance Program, the Affordable Care Act, Health Insurance British Columbia, the Health Assessment Advisory Service, and Preadmission Screening and Resident Reviews. Its services include health insurance exchange customer contact center operations and support; health insurance program eligibility and enrollment; beneficiary outreach and education; application assistance and independent health plan enrollment counseling; premium payment processing and administration; eHealth solutions; independent disability, long-term sick, and health assessments; occupational health clinical assessments; and specialized program consulting services. MAXIMUS, Inc. was founded in 1975 and is headquartered in Reston, Virginia.

Date	Key Development Headline
5/9/19	MAXIMUS Intends To Seek Acquisitions





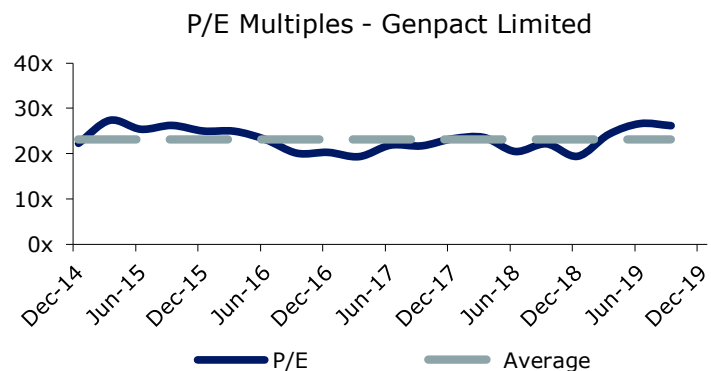
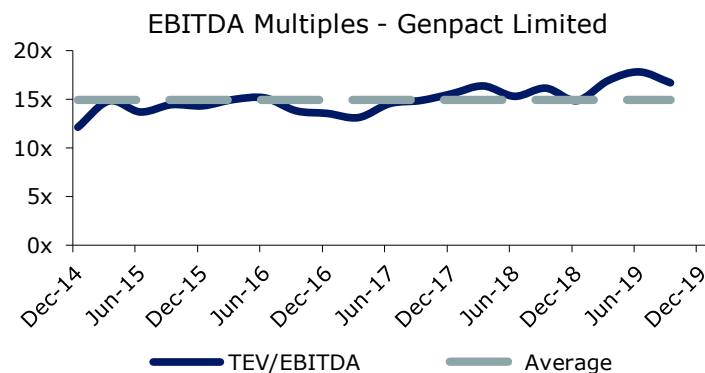
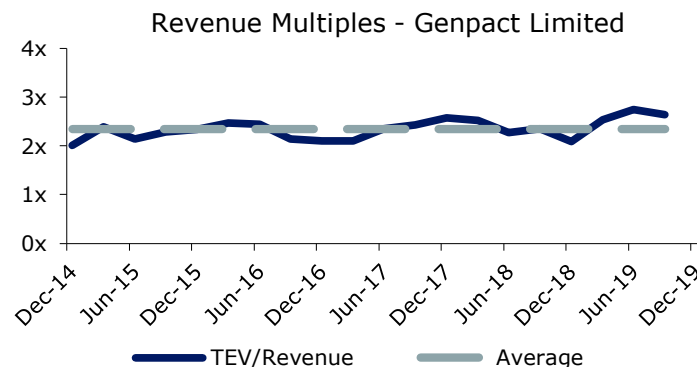
# Public Basket



## Genpact Limited

Genpact Limited provides business process outsourcing and information technology (IT) services North and Latin America, India, rest of Asia, and Europe. Its finance and accounting services include accounts payable, such as document management, invoice processing, approval and resolution management, and travel and expense processing; over-the-counter services, including customer master data management, credit and contract management, fulfillment, billing, collections, and dispute management services; record to report services comprising accounting, treasury, tax, product cost accounting, and closing and reporting services; enterprise performance management consisting of budgeting, forecasting, and business performance reporting. Genpact Limited was founded in 1997 and is based in Hamilton, Bermuda.

Date	Key Development Headline
10/14/19	Genpact Limited (NYSE:G) signed a definitive agreement to acquire Rightpoint Consulting, LLC.
9/17/19	Genpact and Celonis Partner to Provide Process Improvement Roadmaps That Accelerate Enterprise Digital Transformation
4/23/19	Genpact To Seek Acquisitions
1/7/19	Genpact Limited (NYSE:G) acquired riskCanvas Holdings, LLC from Booz Allen Hamilton Holding Corporation (NYSE:BAH) for \$5.75 million.



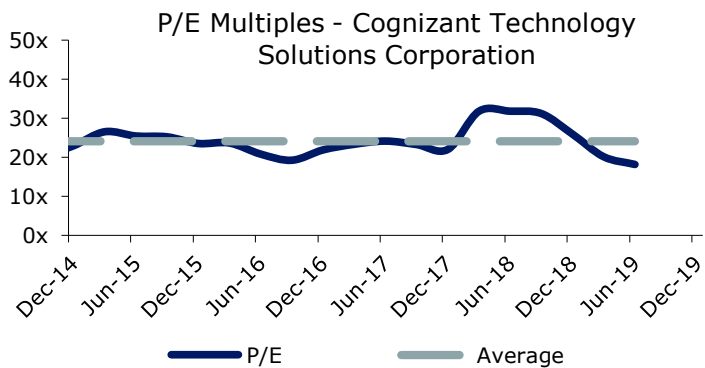
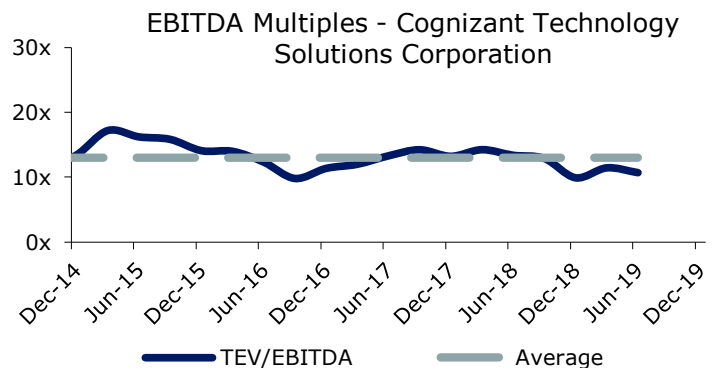
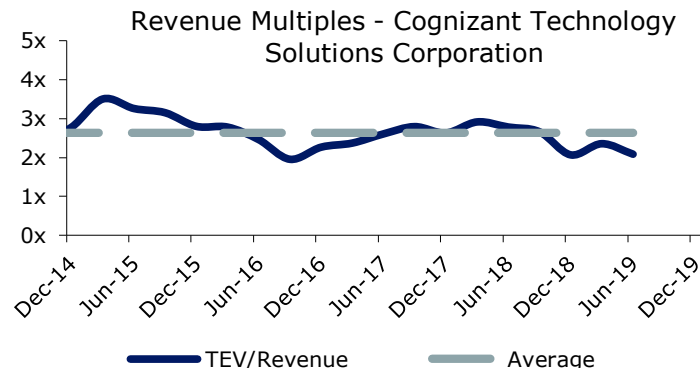
# Public Basket



## 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 Capital, L.P., Top Tier Capital Partners, LLC and others.
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



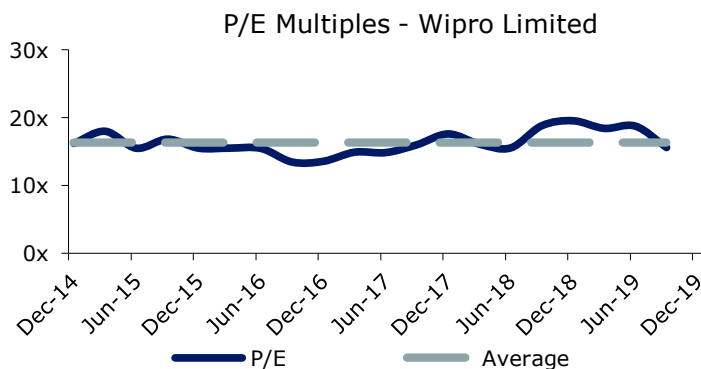
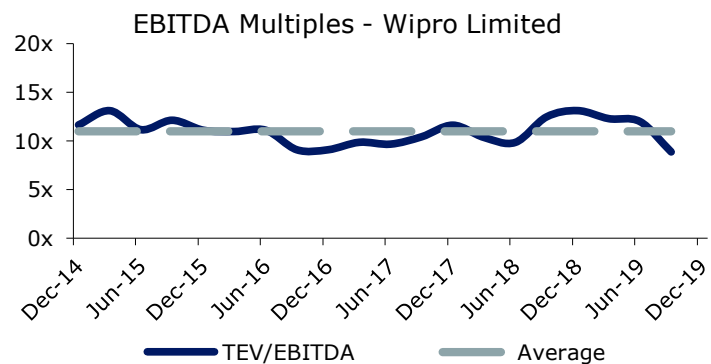
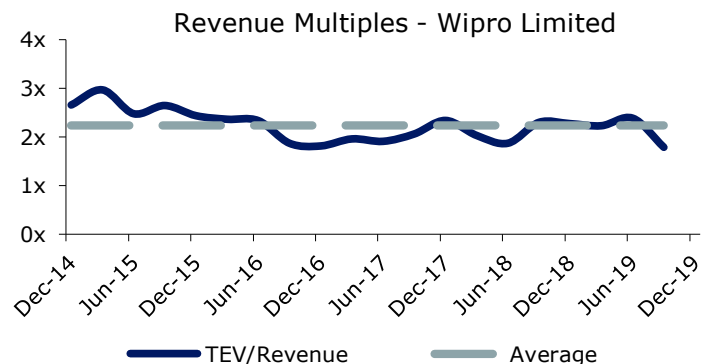
# Public Basket



## Wipro Limited

Wipro Limited operates as an information technology (IT), consulting, and business process services (BPS) company worldwide. The company's IT Services segment offers a range of IT and IT-enabled services, including digital strategy advisory, customer centric design, technology consulting, IT consulting, custom application design, development, re-engineering and maintenance, systems integration, package implementation, infrastructure services, analytics services, BPS, research and development services, and hardware and software design services to various enterprises. Wipro Limited was founded in 1945 and is headquartered in Bengaluru, India.

Date	Key Development Headline
12/10/19	Ministry of Technology and Communications and Wipro Sign MoU to Launch Open Source CoE
11/19/19	University of Oulu, Wipro Sign MoU to Collaborate on 5G/6G Technologies
11/13/19	Wipro Limited Announces 5G Collaboration with Telecom Infra Project
10/2/19	Wipro Limited (BSE:507685) completed the acquisition of International TechneGroup Incorporated.
9/3/19	Wipro Limited (BSE:507685) entered into a business transfer agreement to acquire Vara Infotech for INR 3.21 billion.



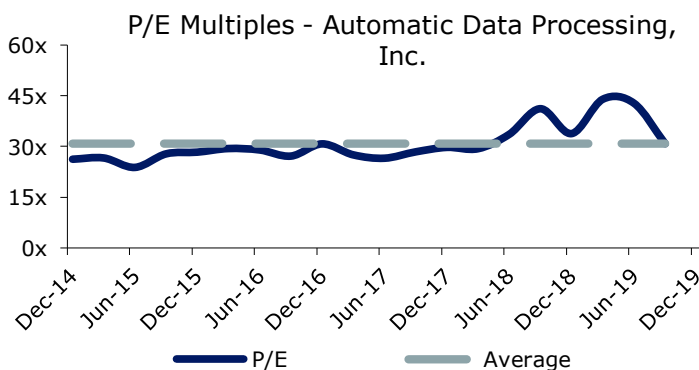
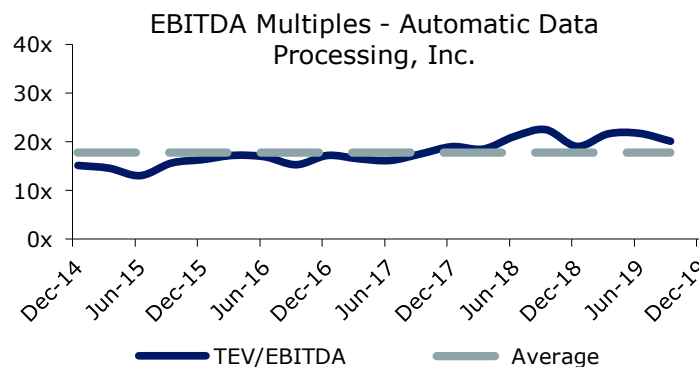
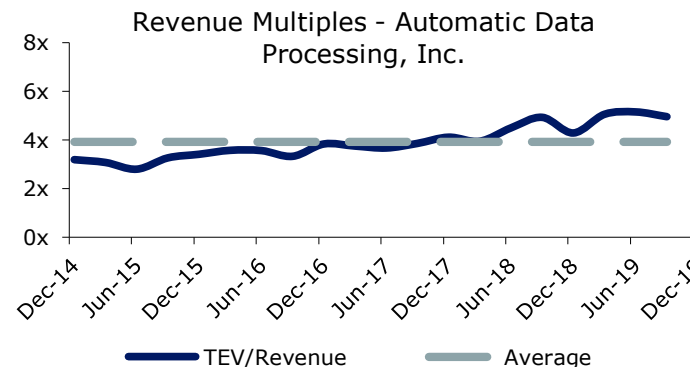
# Public Basket



## Automatic Data Processing, Inc.

Automatic Data Processing, Inc. provides business process outsourcing services worldwide. The company operates through two segments, Employer Services and Professional Employer Organization (PEO) Services. The Employer Services segment offers various human resources (HR) business process outsourcing and technology-enabled human capital management solutions. Its offerings include payroll services, benefits administration, talent management, HR management, time and attendance management, insurance, retirement, and tax and compliance services. The company was founded in 1949 and is headquartered in Roseland, New Jersey.

Date	Key Development Headline
6/16/19	Automatic Data Processing, Inc. (NasdaqGS:ADP) acquired Softcom (Ireland) Limited.
5/1/19	Automatic Data To Seek Investments
7/31/18	Automatic Data Processing Inc. (NASDAQ:ADP) acquired Celergo LLC from Frontier Capital, LLC.



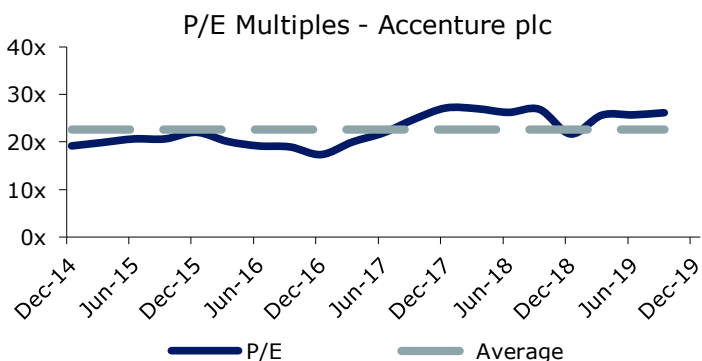
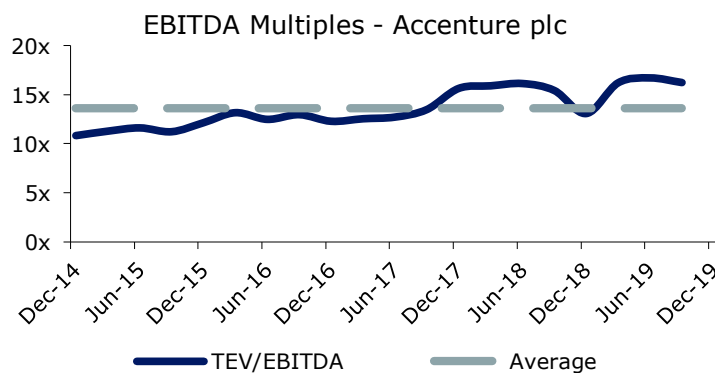
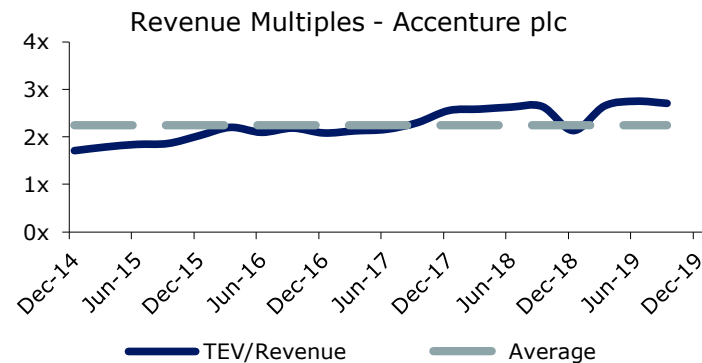
# Public Basket



## Accenture plc

Accenture plc provides consulting, technology, and outsourcing services worldwide. Its Communications, Media & Technology segment provides professional services that help clients accelerate and deliver digital transformation, and enhance business results through industry-specific solutions for communications, media, and high tech industries, as well as for software platforms. The company's Financial Services segment offers services that address profitability pressures, industry consolidation, regulatory changes, and the need to continually adapt to new digital technologies. This segment serves clients in banking, capital markets, and insurance industries. Accenture plc was founded in 1989 and is based in Dublin, Ireland.

Date	Key Development Headline
12/18/19	Accenture plc (NYSE:ACN) completed the acquisition of Silveo SAS.
12/17/19	Accenture Forms Strategic Alliance with TradeIX to Help Digitize Global Trade
12/12/19	Accenture plc (NYSE:ACN) entered into an agreement to acquire Clarity Insights.
12/1/19	Accenture plc (NYSE:ACN) acquired Apis Group Pty Limited.
11/27/19	Accenture and Snam Sign a Memorandum of Understanding to Study and Assess Solutions Based on Internet of Things (IoT) Technologies



# 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.

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
Mark Landry, Managing Director	561.972.0609	mark@7mileadvisors.com
Ben Lunka, Managing Director	704.496.2995	ben@7mileadvisors.com
Jeff Stoecklein, Managing Director	312.796.9330	jeff@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
Kristina Sergueeva, Director	704.899.5149	kristina@7mileadvisors.com
Ben Garber, Vice President	412.626.7898	ben.garber@7mileadvisors.com
Nicholas Prendergast, Vice President	704.973.3995	nicholas@7mileadvisors.com
Ariail Barker, Director, Sales & Marketing	704.981.2908	ariail@7mileadvisors.com
Emily Halstenberg, Marketing & Sales Coordinator	704.409.9912	emily@7mileadvisors.com
Marty Johnson, Senior Associate	704.973.3999	marty@7mileadvisors.com
Sydney Scadden, Senior Associate	704.973.3998	sydney@7mileadvisors.com
Garth Martin, Senior Associate	704.973.3997	garth.martin@7mileadvisors.com
Steve Buffington, Associate	704.960.1828	steve@7mileadvisors.com
Dennis Fox, Associate	704.706.9168	dennis@7mileadvisors.com
Rory Julyan, Associate	704.981.2520	rory@7mileadvisors.com
Daniel Kim, Associate	704.912.4584	daniel@7mileadvisors.com
Olufunke Abass, Associate	704.285.8171	olufunke@7mileadvisors.com