



# Sectorwatch: Enterprise Software

December 2019

# Enterprise Software

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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.



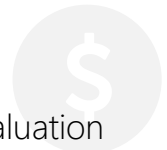
## Public Basket Performance

- 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

**↑ 4.5%**

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

**↑ 0.8%**

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

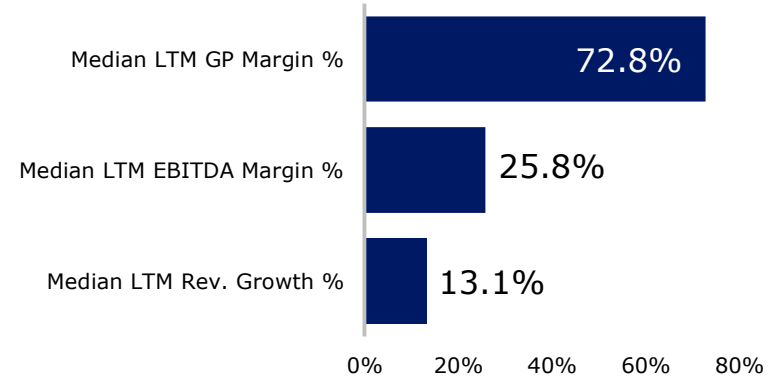
## Profitability Momentum

**↑ 1.3%**

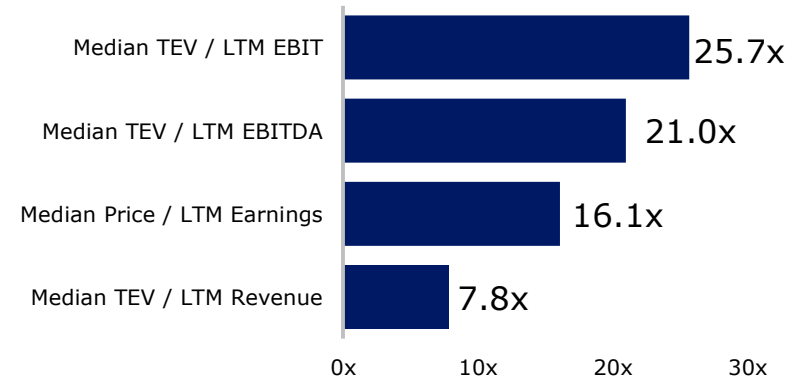
1 - year EBITDA % compared to EBITDA % average for last 3 years

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



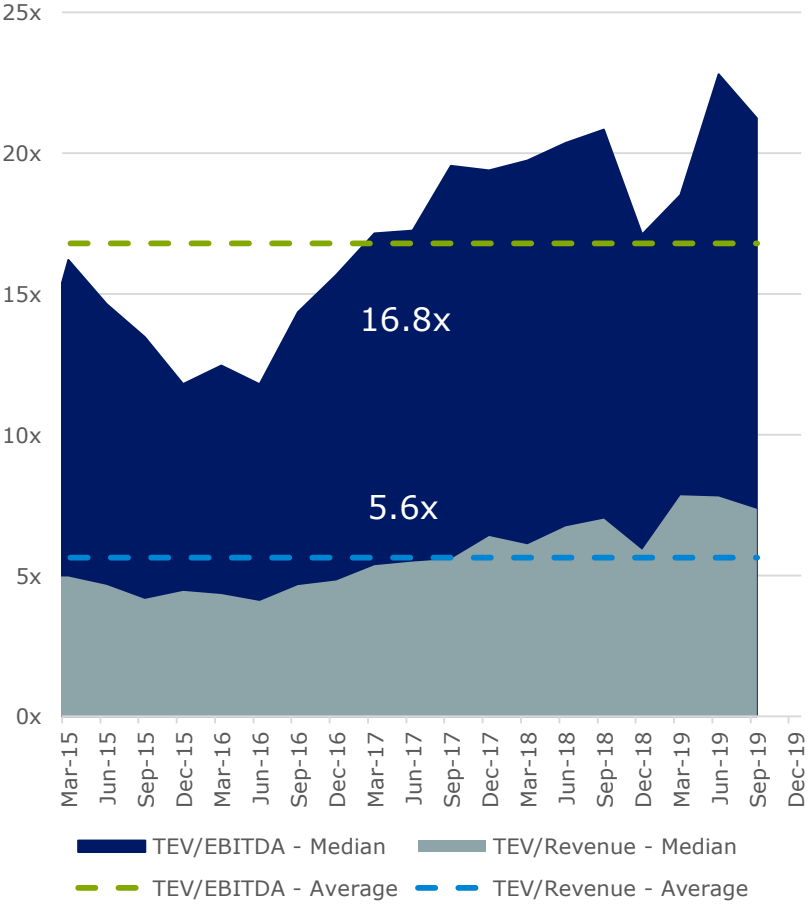
# Public Basket



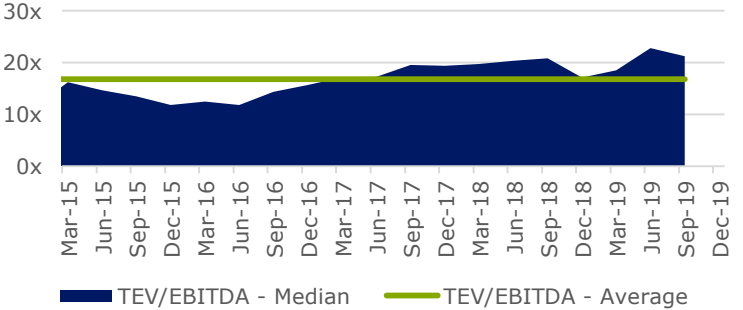
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Workday, Inc.	37,131	3,440	31%	71%	-6%	10.8	0.0	10,500	328
VMware, Inc.	66,099	9,752	13%	85%	25%	6.8	26.7	22,990	424
salesforce.com, inc.	144,048	15,850	26%	75%	14%	9.1	62.8	35,000	453
Adobe Inc.	158,332	11,171	24%	85%	35%	14.2	41.1	-	NA
SAP SE	173,052	29,374	12%	70%	26%	5.7	21.9	96,498	304
International Business Machines Corporation	178,428	77,131	-4%	47%	22%	2.3	10.7	350,600	220
Oracle Corporation	196,143	39,583	0%	80%	41%	5.0	12.1	136,000	291
Microsoft Corporation	1,151,184	129,814	13%	67%	44%	8.9	20.0	144,000	901
<b>Average</b>	263,052	39,514	14%	72%	25%	7.8	24.4	99,449	417
<b>Median</b>	165,692	22,612	13%	73%	26%	7.8	21.0	65,749	328

share price as of 30Dec19

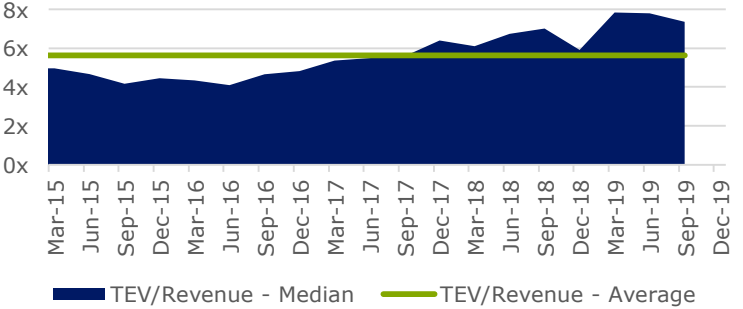
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



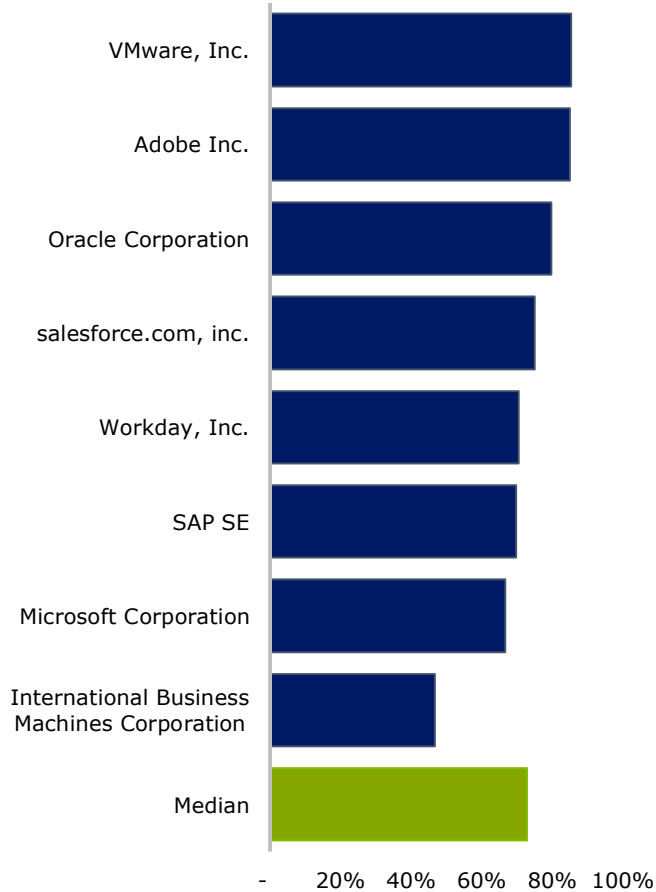
## Public Revenue Multiples over Time



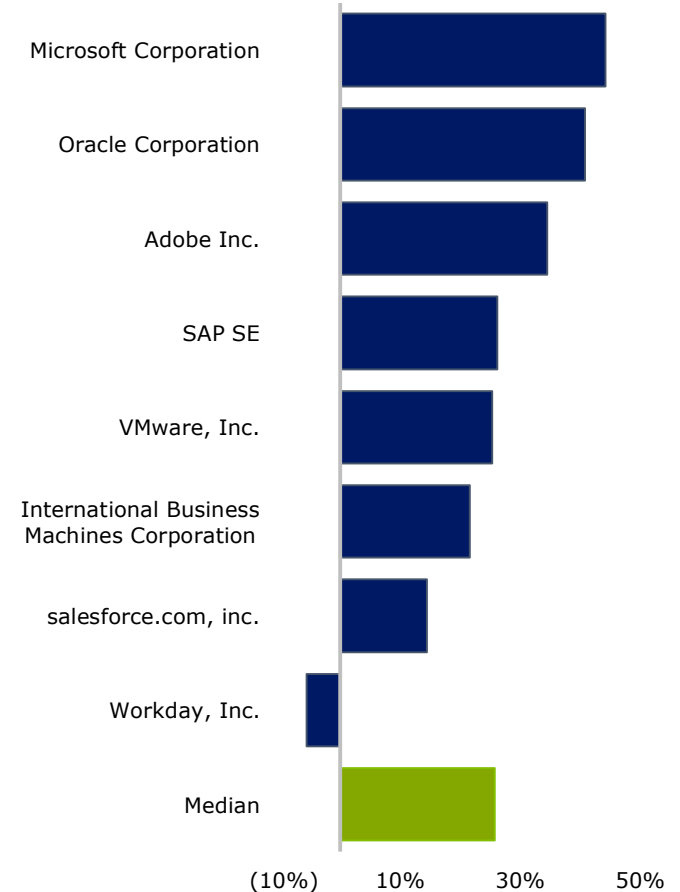
# Operational Metrics



LTM Gross Profit Margin %



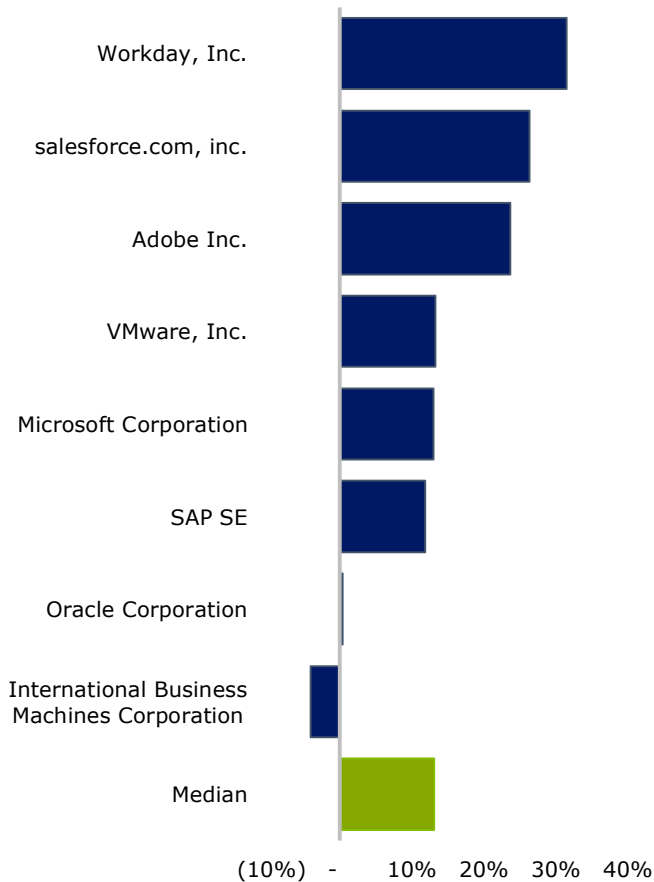
LTM EBITDA %



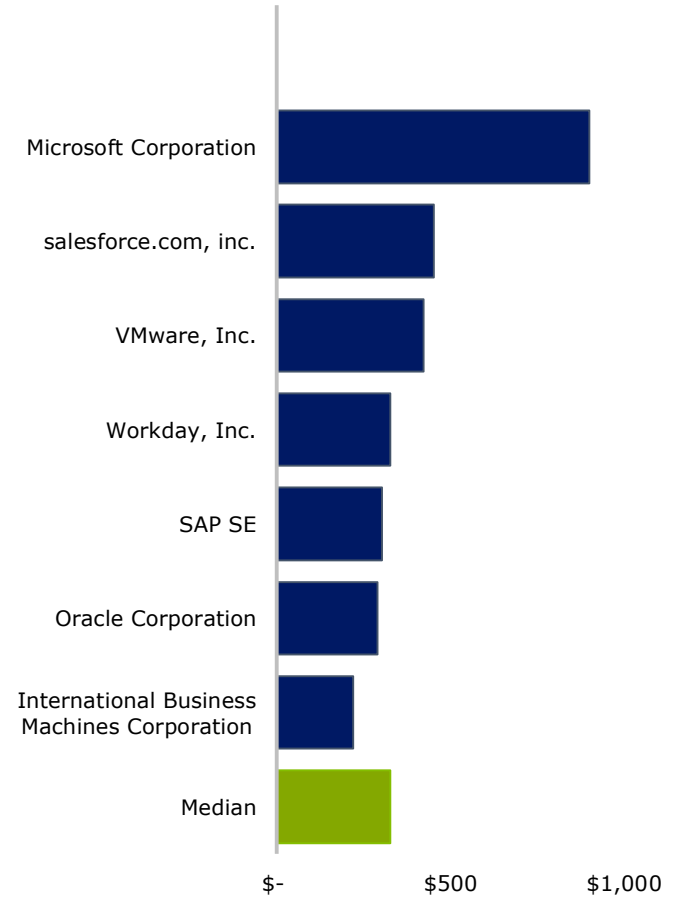
# Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's

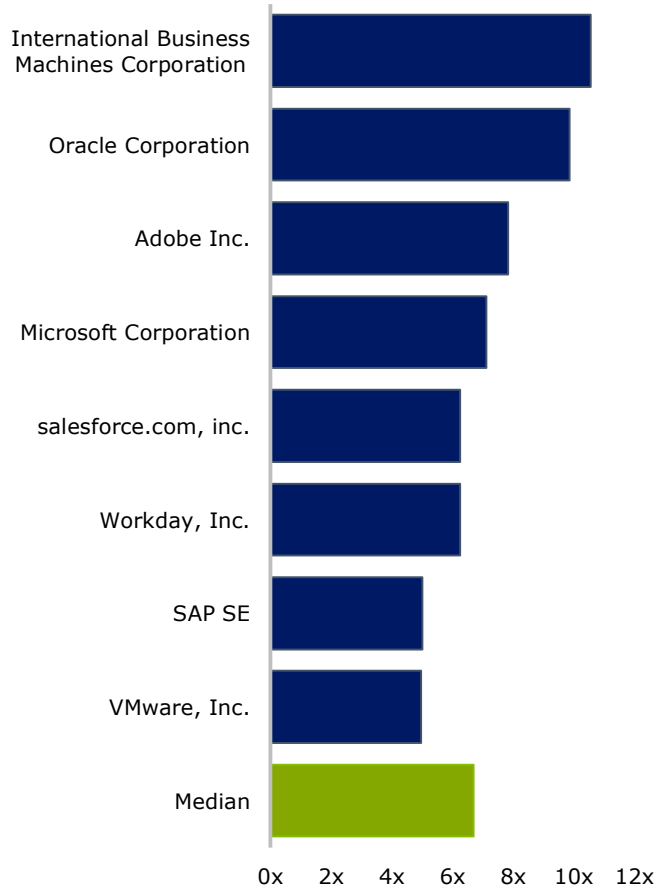




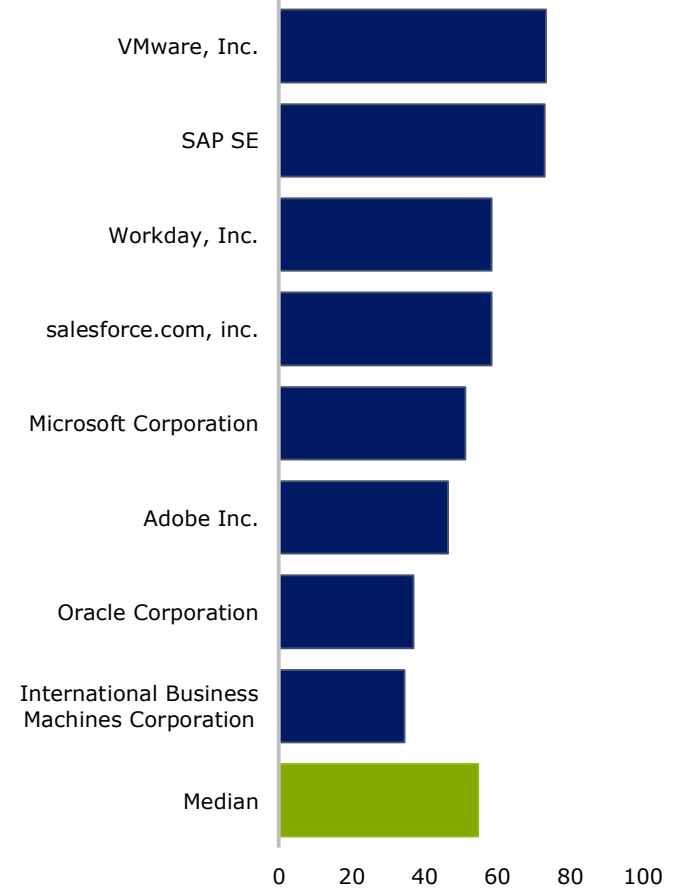
# Operational Metrics



## Accounts Receivable Turnover



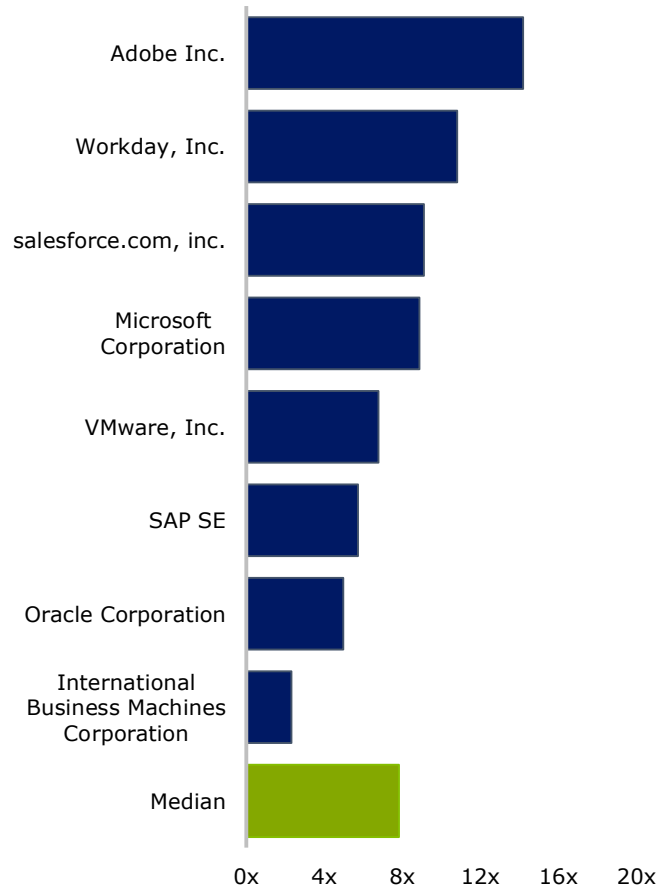
## Average Days Sales Outstanding



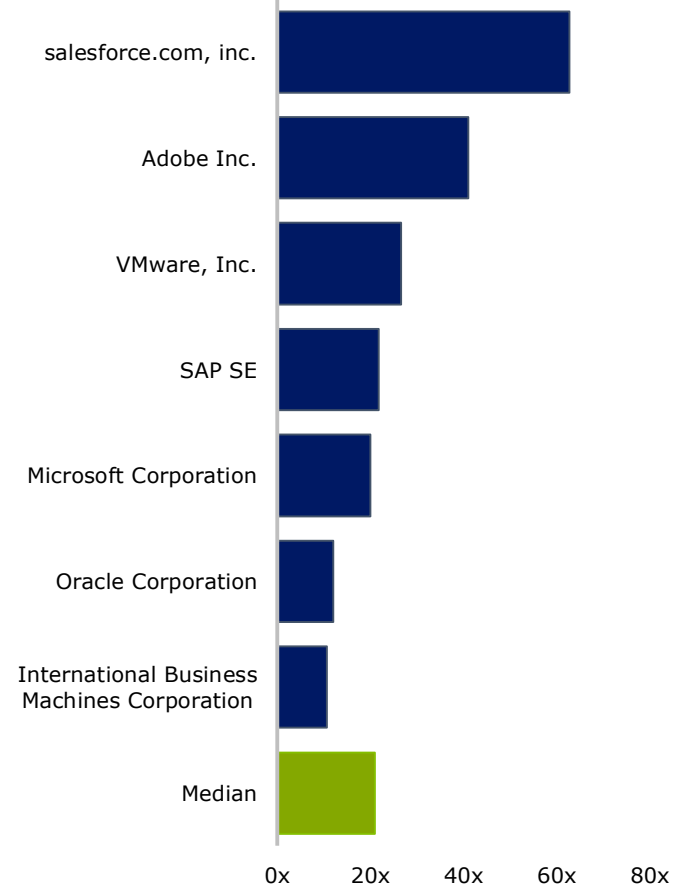
# Valuation



### TEV / LTM Revenue



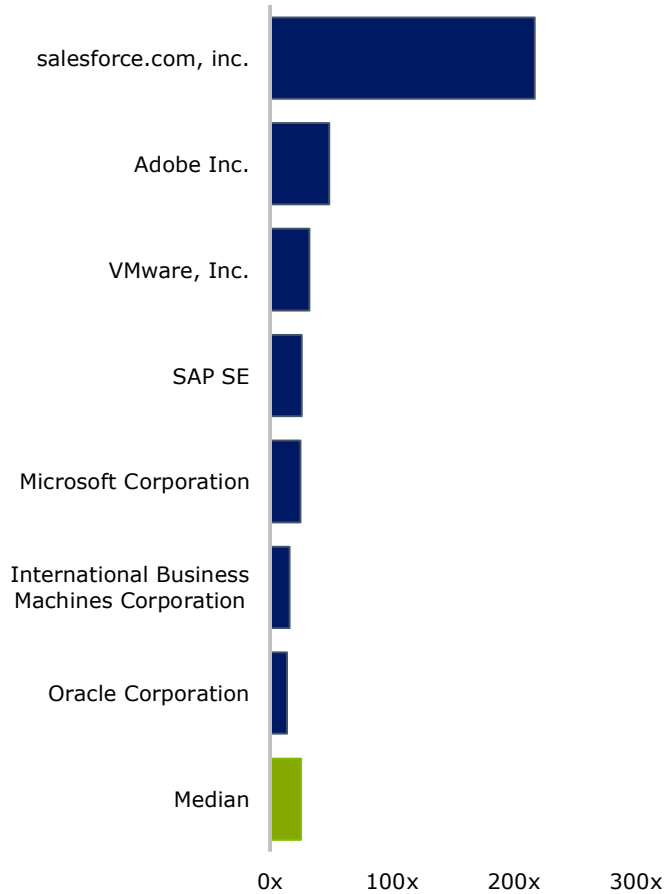
### TEV / LTM EBITDA



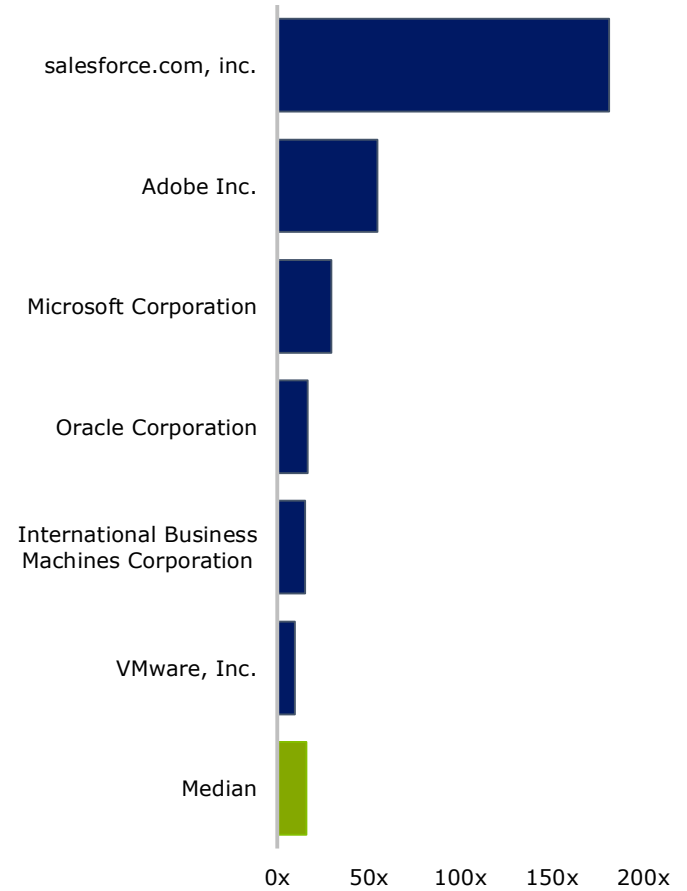
# Valuation



TEV / LTM EBIT



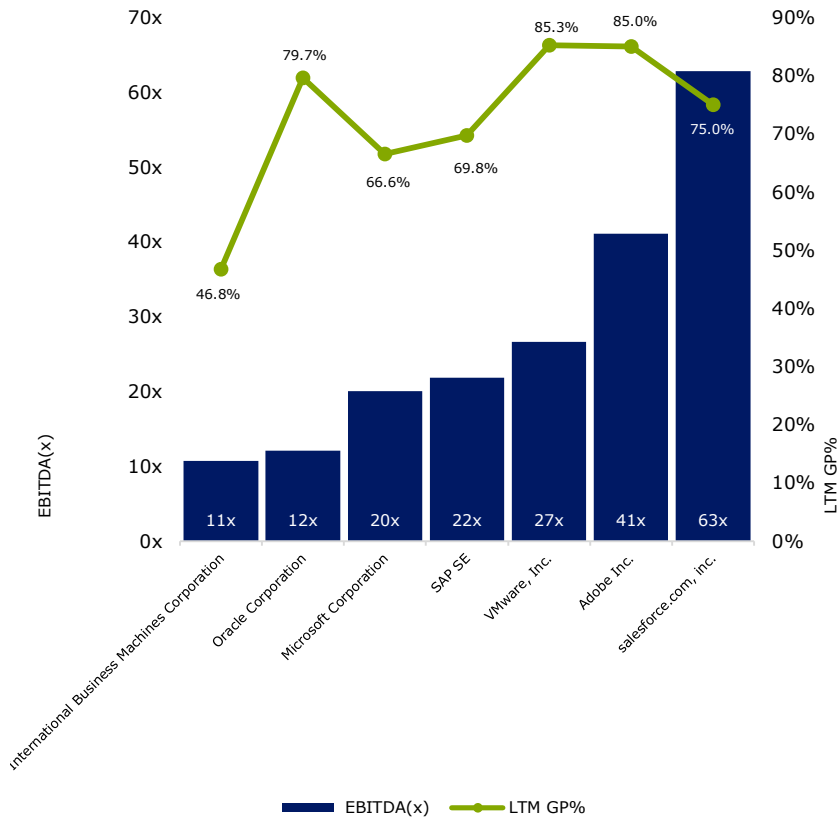
Price / LTM Earnings



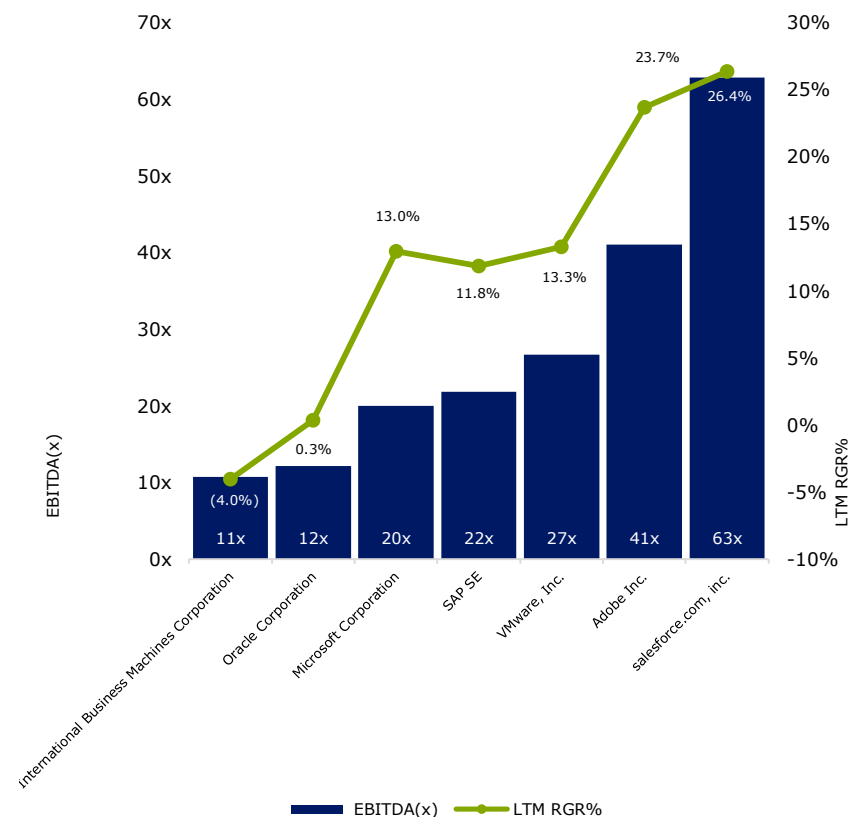
# Valuation



## Historical Valuation Multiples versus Gross Profit



## Historical Valuation Multiples versus Revenue Growth Rate



# Recent Transactions



Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
17Nov19	Sage Pay Business of The Sage Group plc	Elavon Inc.	300.88	-	-	-
18Nov19	CloudSimple, Inc.	Google LLC	-	-	-	-
23Sep19	Zingle, Inc.	Medallia, Inc.	42.00	-	-	-
4Sep19	Movere, Inc	Microsoft Corporation	-	-	-	-
28Aug19	Kony, Inc.	Temenos AG	580.00	-	-	-
22Aug19	Pivotal Software, Inc.	VMware, Inc.	3,349.32	716.06	4.3x	NM
22Aug19	Carbon Black, Inc.	VMware, Inc.	2,208.43	229.71	9.0x	NM
21Aug19	SignalFx, Inc.	Splunk Inc.	1,050.00	-	-	-
7Aug19	ClickSoftware Technologies Ltd.	salesforce.com, inc.	1,350.00	-	-	-
6Aug19	Account-to-Account Payment Business of Nets Holding A/S	Mastercard Incorporated	3,194.29	-	-	-
3Jul19	Corel Corporation	KKR & Co. Inc.; KKR Americas Fund XII LP	-	-	-	-
9Jun19	Tableau Software, Inc.	salesforce.com, inc.	17,377.59	1,191.61	13.7x	NM
6Jun19	Looker Data Sciences, Inc.	Google LLC	2,600.00	-	-	-
23May19	Daily Inches Inc.	Upland Software, Inc.	50.00	-	-	-
12May19	Amber Road, Inc.	E2open, LLC	433.60	86.20	4.9x	NM
17Apr19	PostUp, Inc.	Upland Software, Inc.	35.00	-	-	-
17Mar19	Worldpay, Inc.	Fidelity National Information Services, Inc.	43,590.64	3,925.40	11.0x	29.1x
18Mar19	AgileCraft LLC	Atlassian Corporation Plc	154.00	-	-	-
19Feb19	Attunity Ltd.	QlikTech International AB	560.62	86.25	6.0x	57.2x
11Feb19	Ellie Mae, Inc.	Thoma Bravo, LLC; Thoma Bravo Fund XIII LP	3,683.32	-	7.0x	59.6x
3Feb19	The Ultimate Software Group, Inc.	Hellman & Friedman LLC; JMI Management, Inc.; The Blackstone Group L.P. (nka:The Blackstone Group Inc.); GIC Pte. Ltd.; Canada Pension Plan Investment Board; Qatar Investment Authority	10,984.39	480.27 1,140.54	9.5x	93.7x
28Jan19	JN Projects, Inc.	Dropbox, Inc.	175.20	-	-	-
16Nov18	Cylance Inc.	BlackBerry Limited	1,500.00	130.00	11.5x	-
15Oct18	SendGrid, Inc.	Twilio Inc.	2,020.00	137.17	13.4x	NM
18Dec17	Aconex Limited	Vantive Australia Pty Ltd	1,258.87	127.39	9.7x	NM
2Nov17	VeloCloud Networks, Inc.	VMware, Inc.	473.00	-	-	-
24Sep17	Gigya, Inc.	hybris AG	350.00	-	-	-
14Aug17	ECi Software Solutions, Inc.	Apax Partners LLP	-	-	-	-

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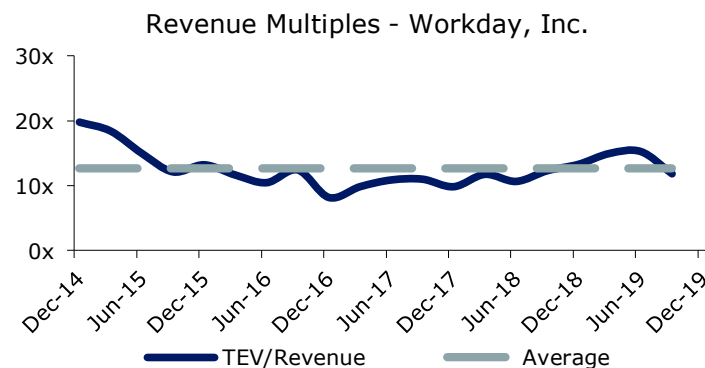
APPENDIX:  
Public Basket  
Constituents

# Public Basket



## Workday, Inc.

Workday, Inc. provides enterprise cloud applications for finance and human resources worldwide. It provides applications for customers to manage critical business functions to optimize their financial and human capital resources. The company offers Workday Financial Management application that provides functions of general ledger, accounting, accounts payable and receivable, cash and asset management, employee expense and revenue management, projects, procurement, inventory, and grants management. It also provides Workday Human Capital Management application, which includes human resources management, such as workforce lifecycle and organization management, compensation, absence, and employee benefits administration; and global talent management comprising goal and performance management, succession planning, and career and development planning. Workday, Inc. was founded in 2005 and is headquartered in Pleasanton, California.



Date	Key Development Headline
12/8/19	Workday, Inc. (NasdaqGS:WDAY) completed the acquisition of Scout RFP, Inc. from a group of investors.
11/3/19	Workday, Inc. (NasdaqGS:WDAY) signed a definitive agreement to acquire Scout RFP, Inc. from a group of investors for approximately \$540 million.
7/17/19	Workday, Inc. (NasdaqGS:WDAY) acquired Trusted Key Solutions Inc.
5/13/19	Workday To Seek Acquisitions

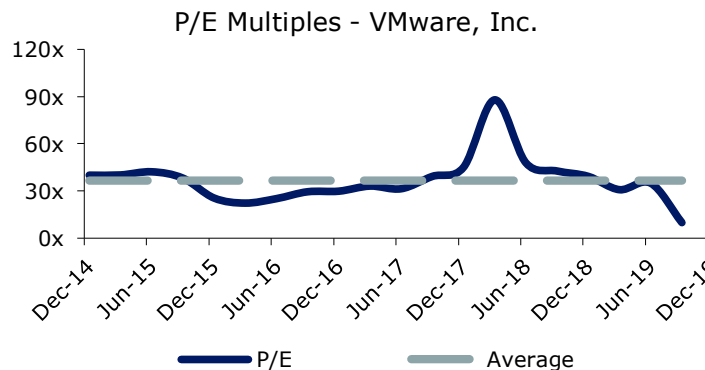
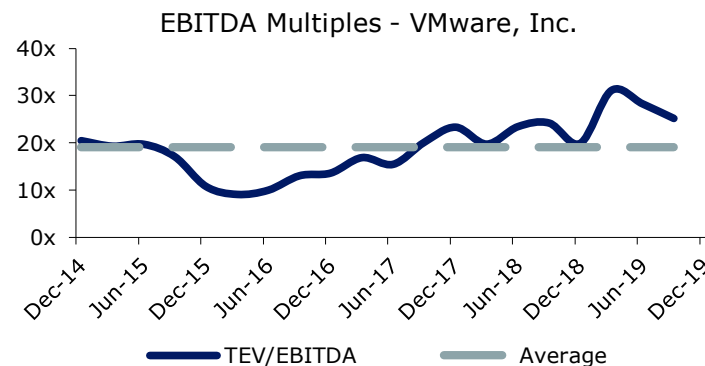
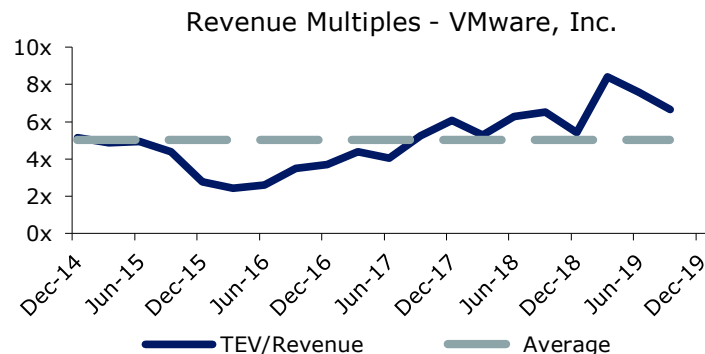
# Public Basket



## 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
12/29/19	VMware Inc. (NYSE:VMW) completed the acquisition of remaining 83.91% stake in Pivotal Software Inc. (NYSE:PVTI) ( 'Pivotal' ) from Ford Motor Company (NYSE:F) ( 'Ford' ), EMC Equity Assets LLC and other shareholders.
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.





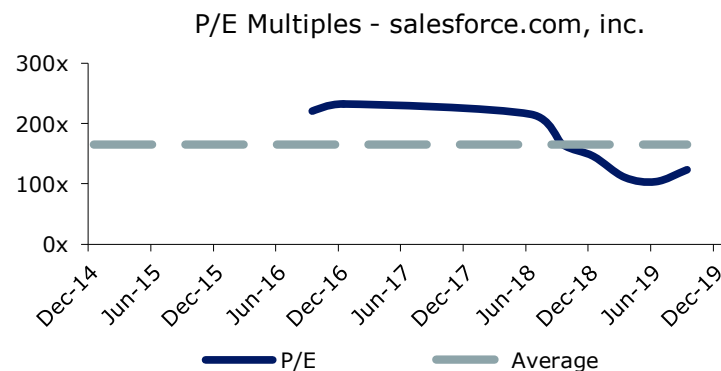
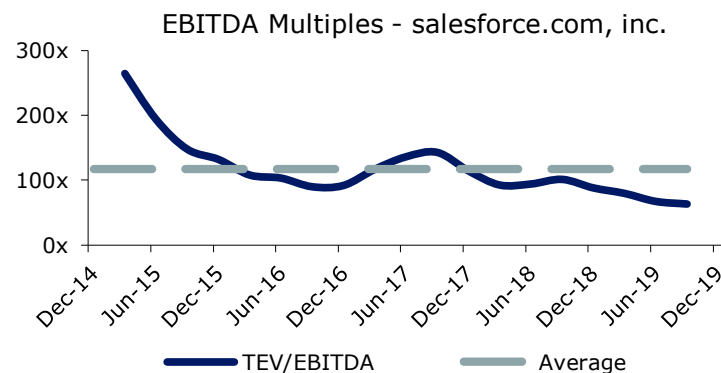
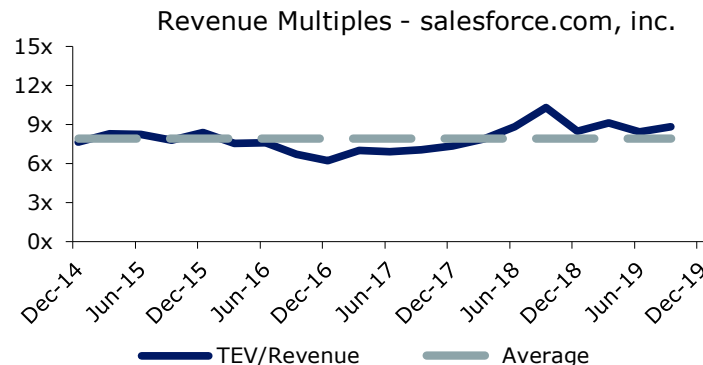
# Public Basket



## salesforce.com, inc.

salesforce.com, inc. develops enterprise cloud computing solutions with a focus on customer relationship management. The company offers Sales Cloud to store data, monitor leads and progress, forecast opportunities, and gain insights through analytics and relationship intelligence, as well as deliver quotes, contracts, and invoices. It also provides Service Cloud, which enables companies to deliver personalized customer service and support, as well as a field service solution that enables companies to connect agents, dispatchers, and mobile employees through a centralized platform, which helps to schedule and dispatch work, and track and manage jobs in real-time. The company was founded in 1999 and is headquartered in San Francisco, California.

Date	Key Development Headline
12/16/19	Voluntis Collaborates with Salesforce to Introduce Full-Service Platform for Digital Therapeutics Prescription and Reimbursement
11/20/19	CaixaBank to Develop Digital Financial Services with Salesforce
11/19/19	Salesforce and Amazon Web Services Expand Global Strategic Partnership
9/30/19	salesforce.com, inc. (NYSE:CRM) completed the acquisition of remaining shares in ClickSoftware Technologies Ltd. from Francisco Partners Management LLC.
8/6/19	salesforce.com, inc. (NYSE:CRM) entered into a definitive agreement to acquire remaining shares in ClickSoftware Technologies Ltd. from Francisco Partners Management LLC for approximately \$1.4 billion.



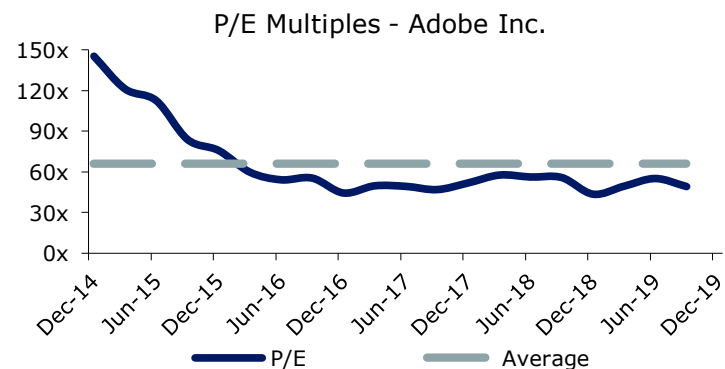
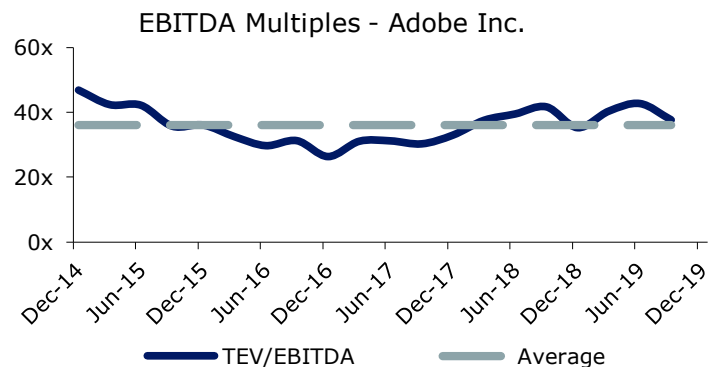
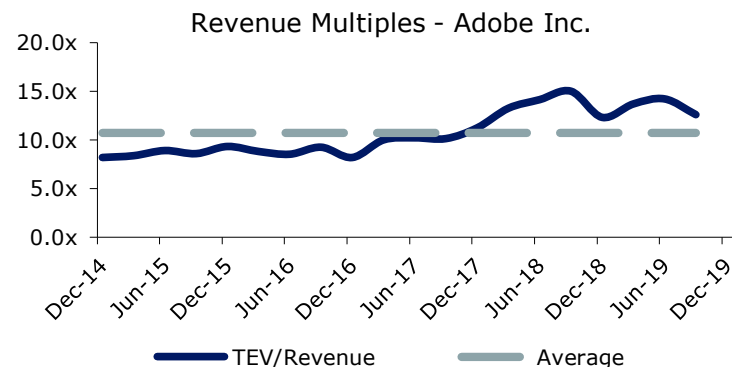
# Public Basket



## Adobe Inc.

Adobe Inc. operates as a diversified software company worldwide. Its Digital Media segment provides tools and solutions that enable individuals, small and medium businesses, and enterprises to create, publish, promote, and monetize their digital content. Its flagship product is Creative Cloud, a subscription service that allows customers to download and install the latest versions of its creative products. This segment serves traditional content creators, Web application developers, and digital media professionals, as well as their management in marketing departments and agencies, companies, and publishers. The company's Digital Marketing segment offers solutions for how digital advertising and marketing are created, managed, executed, measured, and optimized. The company was founded in 1982 and is headquartered in San Jose, California.

Date	Key Development Headline
12/5/19	Adobe Inc. (NasdaqGS:ADBE) acquired Oculus Medium from Facebook Technologies, LLC.
11/4/19	HP Inc. and Adobe Fuel New Era of 3D Production Technology for Creatives
11/3/19	Adobe, The New York Times Company and Twitter Announce Content Authenticity Initiative to Develop Industry Standard for Content Attribution
6/11/19	Datacolor Collaborates with Adobe to Launch New Innovative Solution for Textile Industry
3/27/19	Adobe, Microsoft and SAP Announce New Open Data Initiative Details



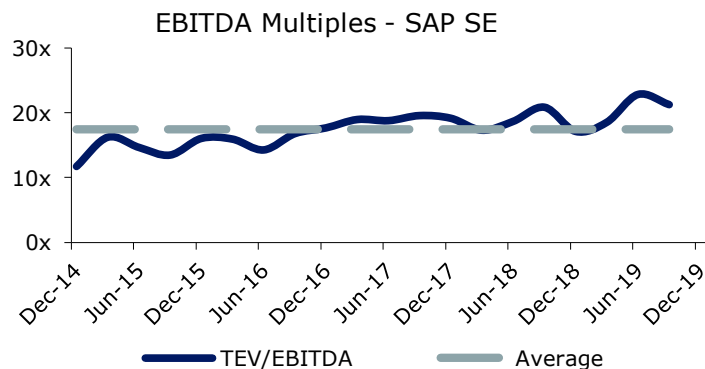
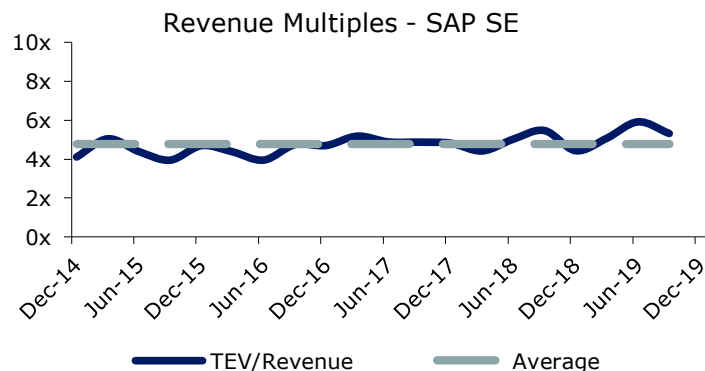
# Public Basket



## SAP SE

SAP SE operates as an enterprise application software, and analytics and business intelligence company worldwide. It offers SAP HANA, which enables businesses to process and analyze live data; SAP Data Hub, a solution that enables businesses to manage data from various sources; SAP Cloud Platform, which enables businesses to connect and integrate applications; SAP BW/4HANA, a data warehouse solution; SAP Leonardo, a system that enables customers to make business sense and opportunity of disruptive technologies; and SAP Analytics Cloud, which leverages the intersection of business intelligence, planning, and predictive analytics. SAP SE was founded in 1972 and is headquartered in Walldorf, Germany.

Date	Key Development Headline
10/23/19	Verizon and SAP SE Co-Developing Next Gen IoT Analytics Solutions
8/29/19	BearingPoint RegTech, Berlin Hyp, SAP and Okadis Develop Solution for the Integration with SAP FSDM in Regulatory Reporting on Abacus360 Banking
8/22/19	Schwarz GmbH & Co KG acquired Two Go from SAP SE (DB:SAP).
5/6/19	Accenture plc and SAP SE to Co-Develop and Co-Innovate New Industry Solutions on SAP® C/4HANA Suite
4/24/19	SAP SE Intends To Seek Acquisitions



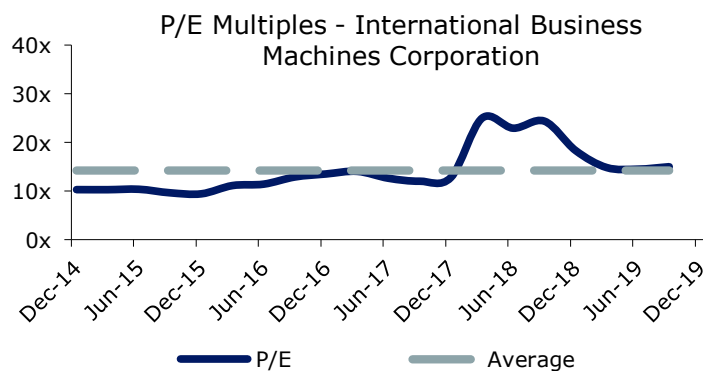
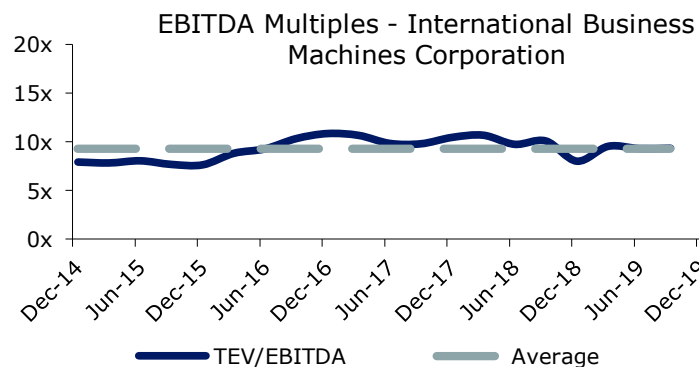
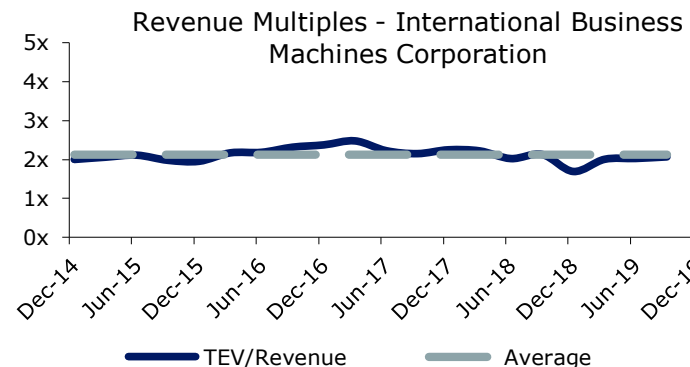
# Public Basket



## International Business Machines Corporation

International Business Machines Corporation operates as an integrated technology and services company worldwide. Its Cognitive Solutions segment offers Watson, a computing platform that interacts in language, processes big data, and learns from interactions with people and computers. This segment also offers data and analytics solutions, including analytics and data management platforms, cloud data services, enterprise social software, talent management solutions, and tailored industry solutions; and transaction processing software that runs mission-critical systems in banking, airlines, and retail industries. The company was founded in 1911 and is headquartered in Armonk, New York.

Date	Key Development Headline
12/19/19	International Business Machines Corporation and the University of Tokyo Announce an Agreement to Partner to Advance Quantum Computing and Make it Practical for the Benefit of Industry, Science and Society
12/1/19	SS&C Technologies Holdings, Inc. (NasdaqGS:SSNC) completed the acquisition of certain Algorithmics and related assets from International Business Machines Corporation (NYSE:IBM).
11/24/19	Great Hill Partners, LP and Spectrum Equity Management, L.P. signed a definitive agreement to acquire Sales Performance Management Business of International Business Machines Corporation (NYSE:IBM).
11/19/19	Open Invention Network Teams with IBM, Linux Foundation and Microsoft to Further Protect Open Source from Patent Trolls



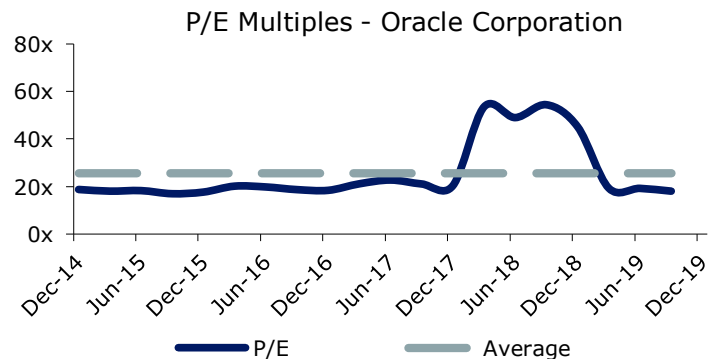
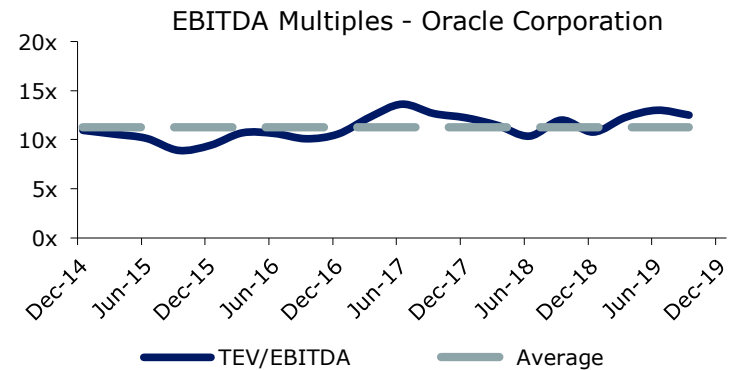
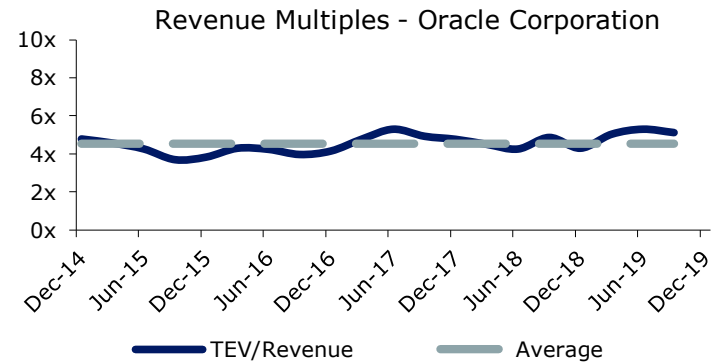
# Public Basket



## Oracle Corporation

Oracle Corporation develops, manufactures, markets, sells, hosts, and supports application, platform, and infrastructure solutions for information technology (IT) environments worldwide. It offers human capital and talent management, enterprise resource planning, customer experience and relationship management, procurement, supply chain management, project portfolio management, business analytics and enterprise performance management, and industry-specific application software, as well as financial management and governance, and risk and compliance applications. Oracle Corporation was founded in 1977 and is headquartered in Redwood City, California.

Date	Key Development Headline
10/1/19	Oracle Corporation (NYSE:ORCL) signed an agreement to acquire CrowdTwist, Inc.
9/23/19	Quantifind, Inc. and Oracle Announce Strategic Collaboration to Transform Anti-Money Laundering Processes
9/16/19	Agentis and Oracle Team to Help Utilities Drive Energy Efficiency for Every Customer
9/16/19	Oracle Consulting and Deloitte Collaborate to Help Organizations Move and Innovate with Oracle Cloud
6/25/19	Oracle Corporation (NYSE:ORCL) acquired Oxygen Systems.



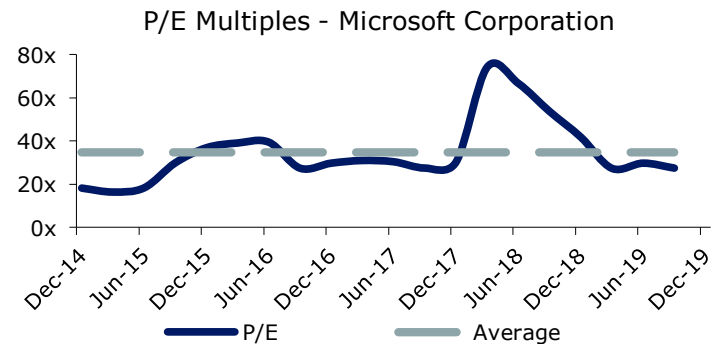
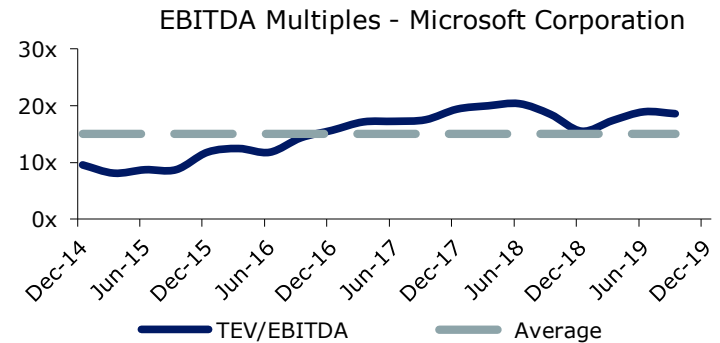
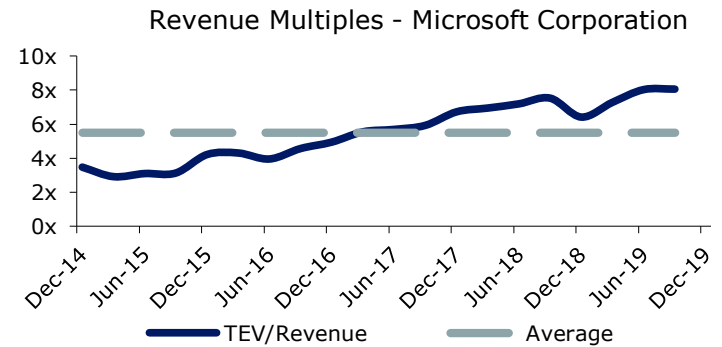
# Public Basket



## Microsoft Corporation

Microsoft Corporation develops, licenses, and supports software, services, devices, and solutions worldwide. The company's Productivity and Business Processes segment offers Office, Exchange, SharePoint, Microsoft Teams, Office 365 Security and Compliance, and Skype for Business, as well as related Client Access Licenses (CAL); and Skype, Outlook.com, and OneDrive. It also provides LinkedIn that includes Talent and marketing solutions, and subscriptions; and Dynamics 365, a set of cloud-based and on-premises business solutions for small and medium businesses, large organizations, and divisions of enterprises. The company was founded in 1975 and is headquartered in Redmond, Washington.

Date	Key Development Headline
12/10/19	NTT Corporation and Microsoft Corp. Form a Strategic Alliance to Enable New Digital Solutions
11/20/19	Vattenfall and Microsoft Announces Joint Development of First-Of-Its-Kind Solution
11/19/19	Open Invention Network Teams with IBM, Linux Foundation and Microsoft to Further Protect Open Source from Patent Trolls
11/13/19	Microsoft Corporation (NasdaqGS:MSFT) cancelled the acquisition of XOXCO, Inc.
11/8/19	WANdisco and Microsoft Jointly Developed Azure Embedded Solution



# 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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