



Sectorwatch: Digital Transformation

March 2020

Digital Transformation

March 2020

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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

↓ -0.3%

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

↓ -2.5%

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

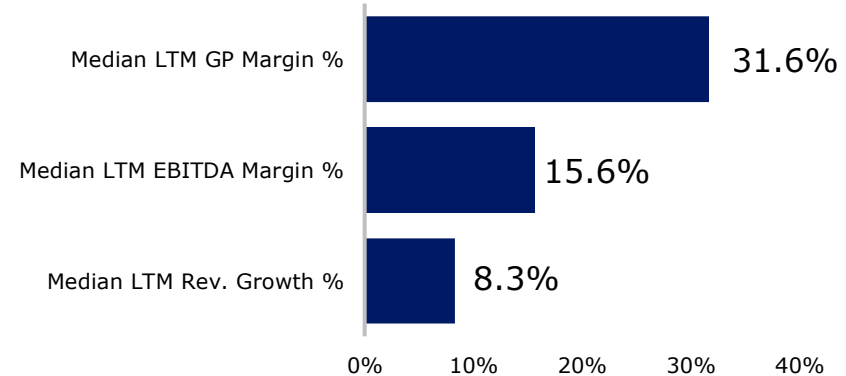
Profitability

↓ -0.01%

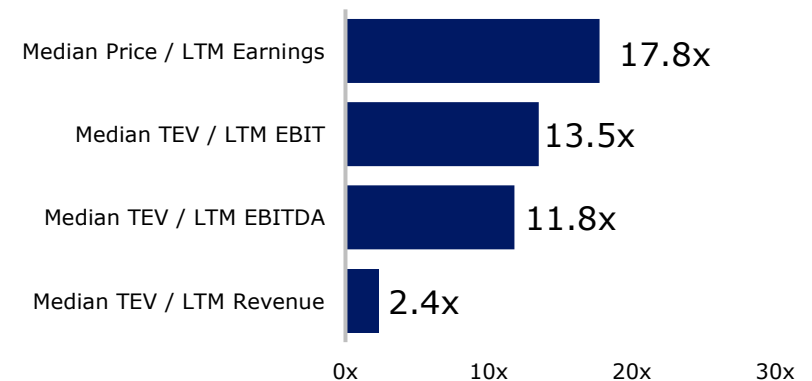
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

Operating Metrics



Valuation



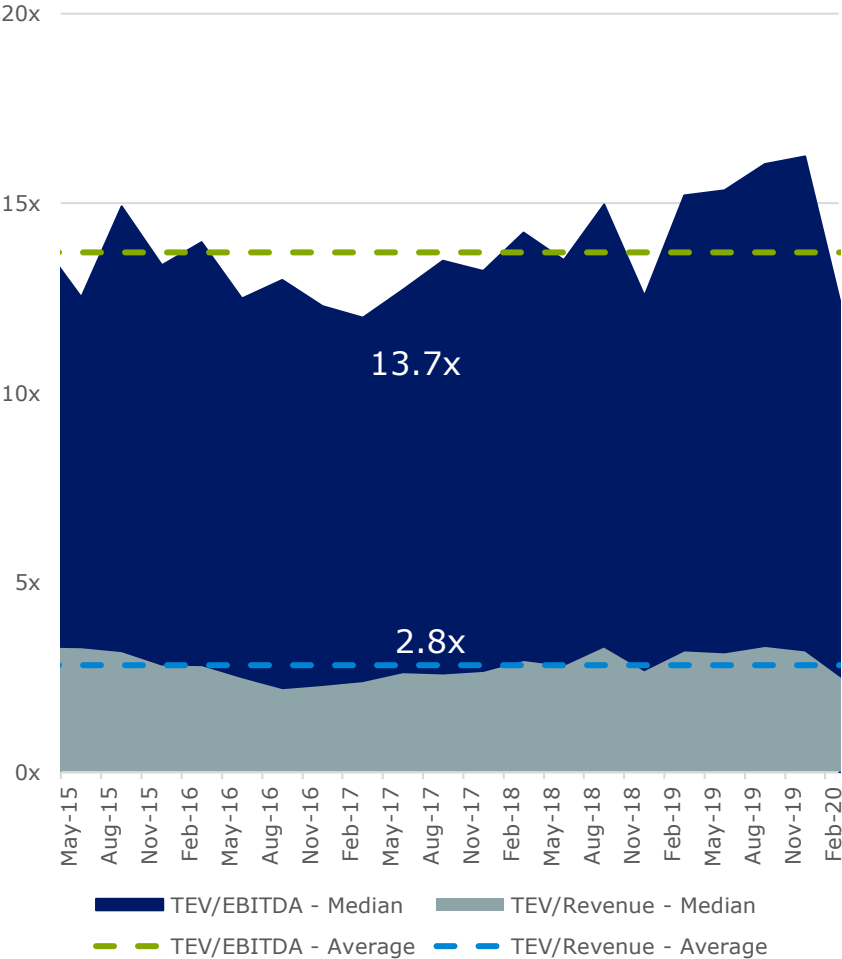
Public Basket



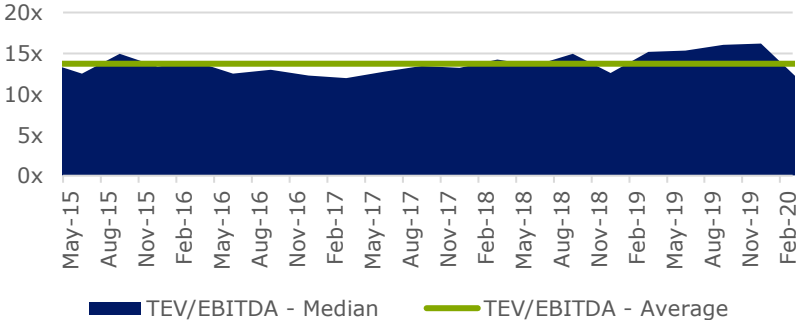
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Endava plc	1,718	421	23%	28%	9%	4.1	44.4	5,754	73
Globant S.A.	3,310	659	26%	39%	18%	5.0	25.5	11,855	56
EPAM Systems, Inc.	8,988	2,294	24%	35%	15%	3.9	21.2	36,739	62
Capgemini SE	14,918	15,851	7%	12%	15%	1.0	6.5	219,300	72
WPP plc	12,660	17,527	-15%	18%	12%	0.8	5.6	106,786	164
Cognizant Technology Solutions Corporation	24,452	16,783	4%	37%	20%	1.5	7.0	292,500	57
Infosys Limited	31,718	12,642	10%	32%	24%	2.7	11.2	228,123	55
Accenture plc	95,130	44,656	6%	31%	16%	2.1	12.4	492,000	91
Average	24,112	13,854	11%	29%	16%	2.6	16.7	174,132	79
Median	13,789	14,247	8%	32%	16%	2.4	11.8	163,043	67

share price as of 25Mar20

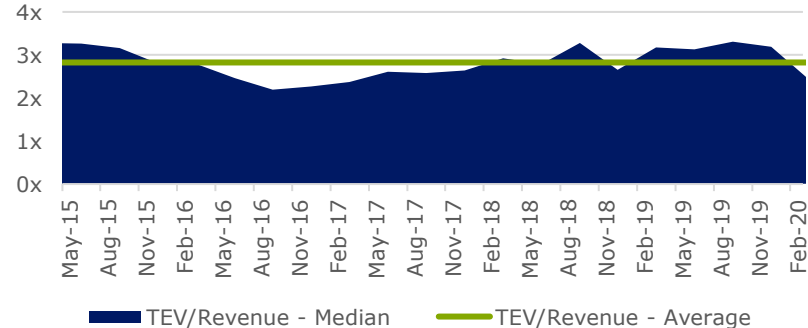
Public Basket Valuation Trends



Public EBITDA Multiples over Time



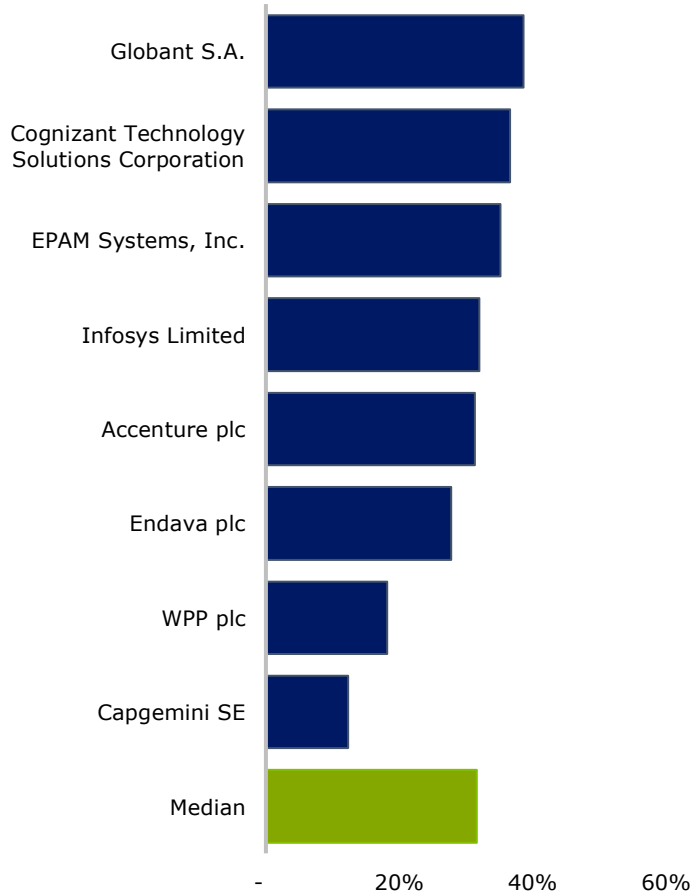
Public Revenue Multiples over Time



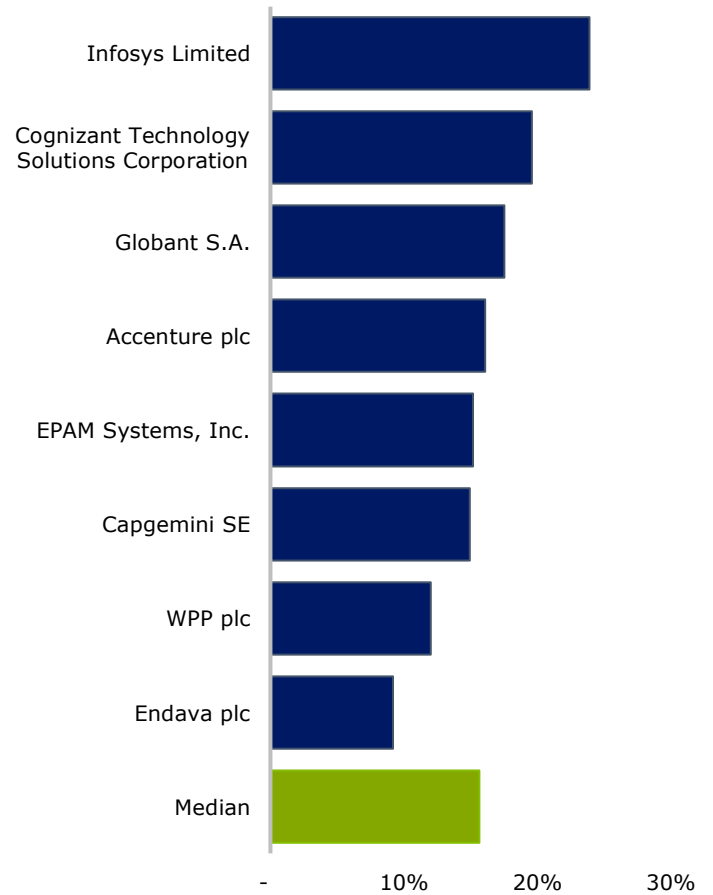
Operational Metrics



LTM Gross Profit Margin %



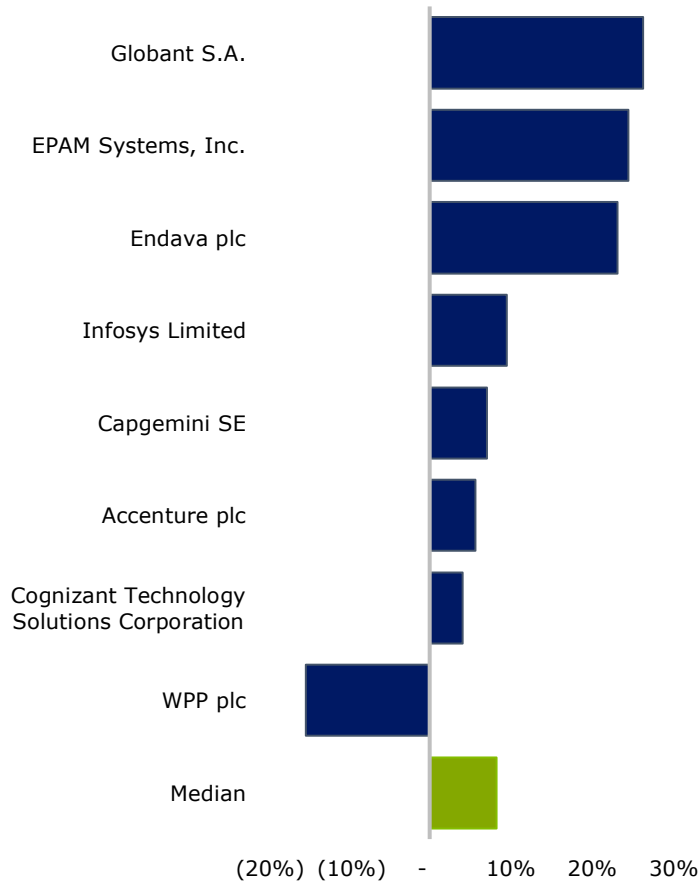
LTM EBITDA %



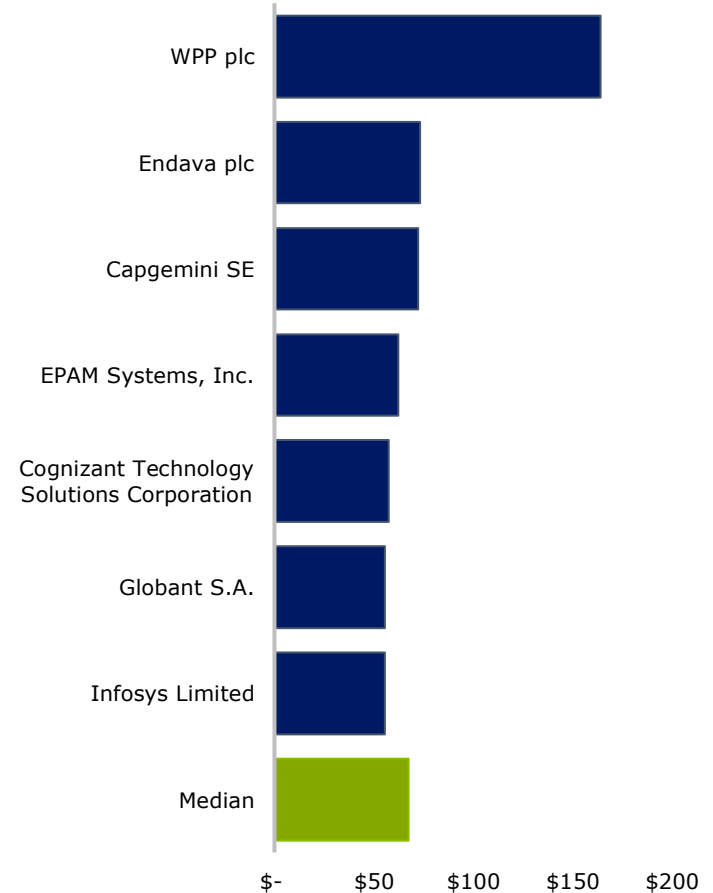
Operational Metrics



LTM Revenue Growth %



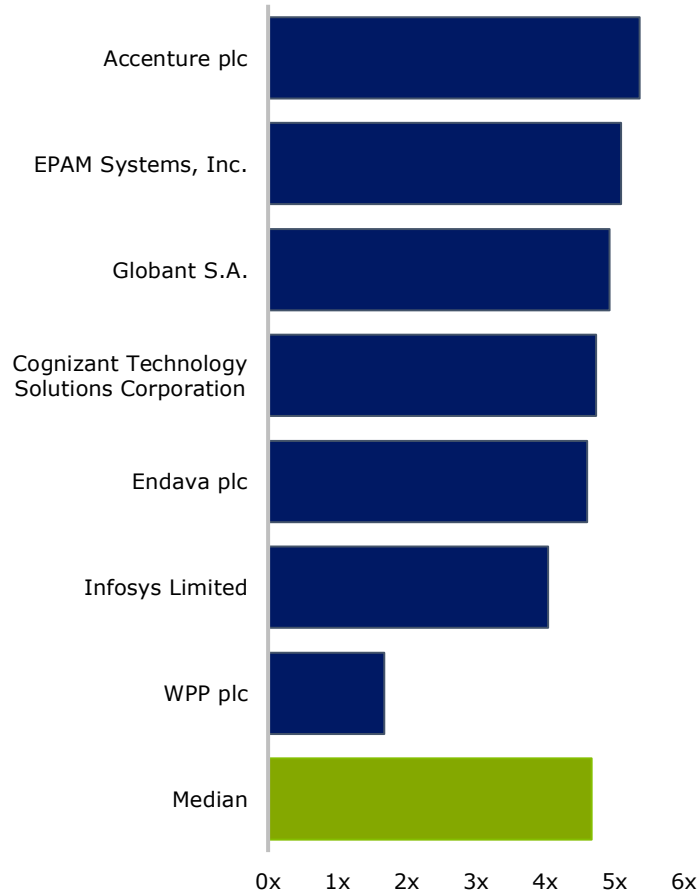
LTM Revenue per Full Time Employee x 000's



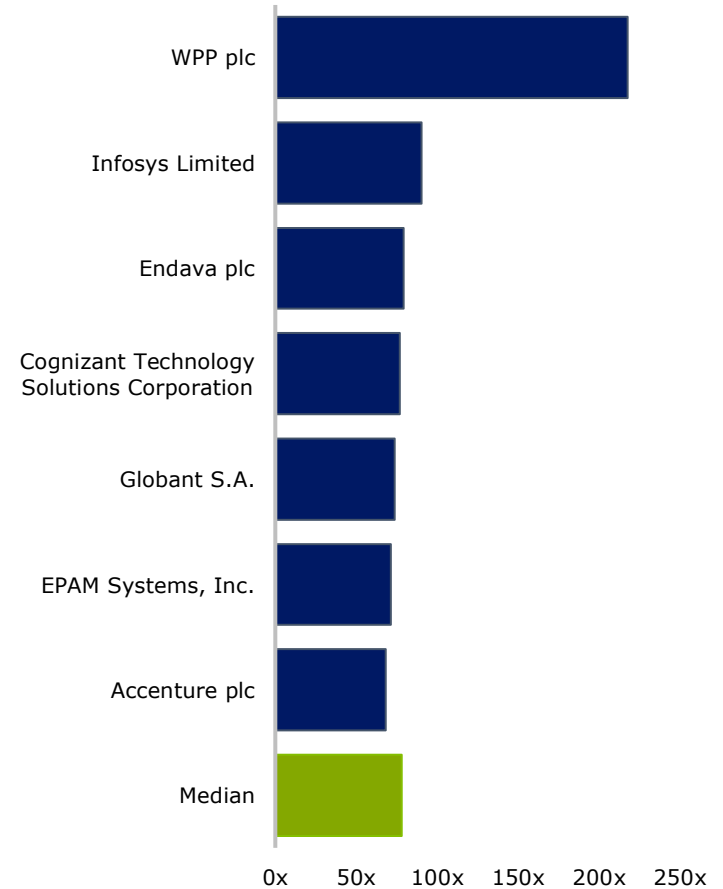
Operational Metrics



Accounts Receivable Turnover



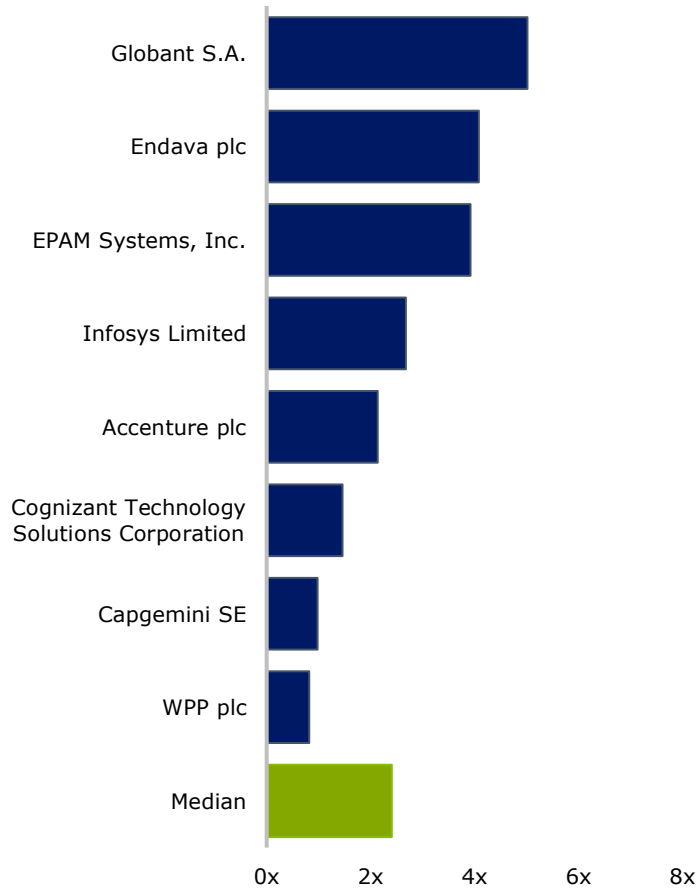
Average Days Sales Outstanding



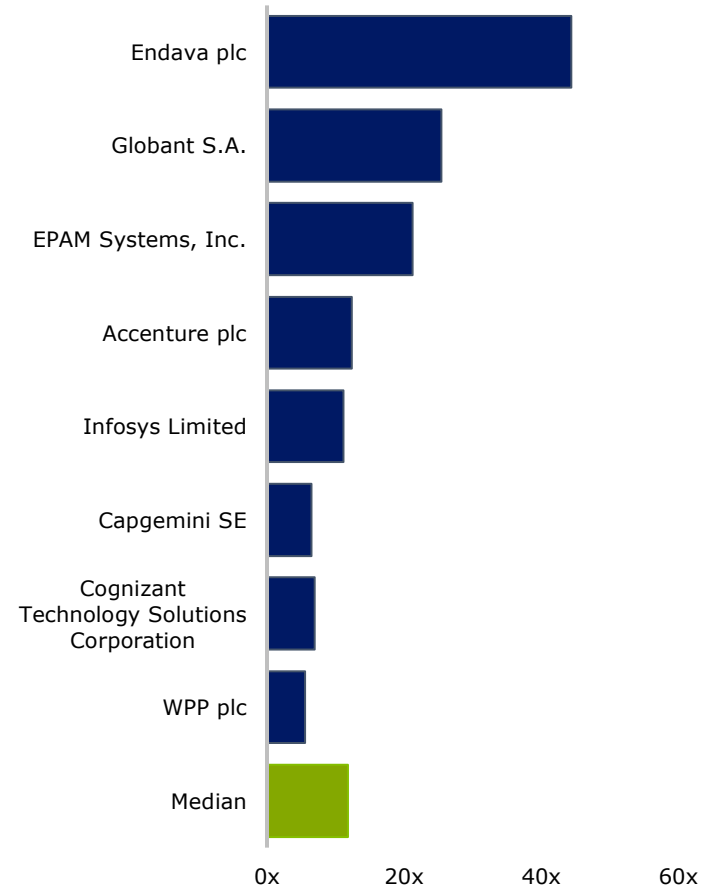
Valuation



TEV / LTM Revenue



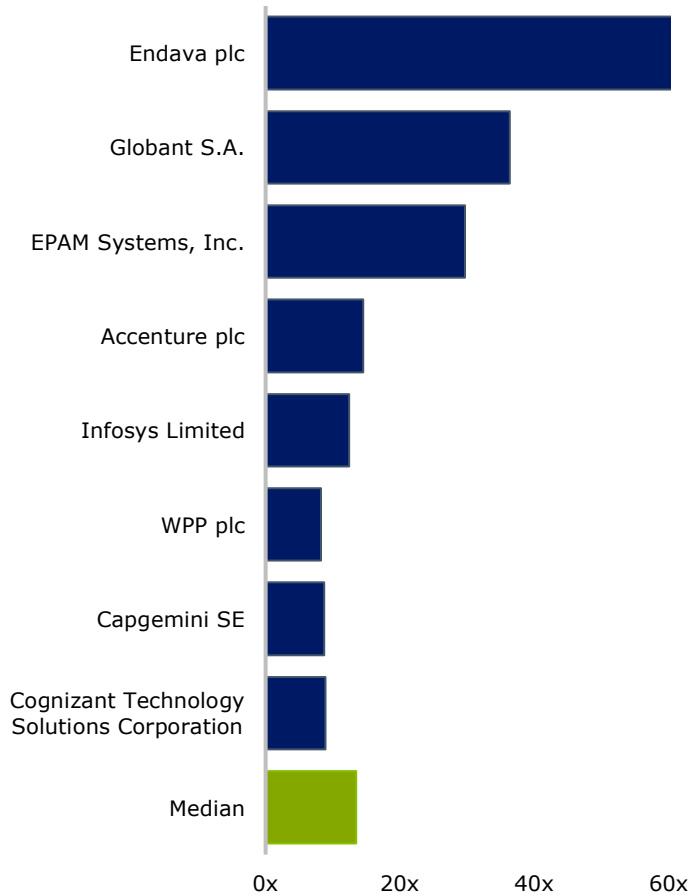
TEV / LTM EBITDA



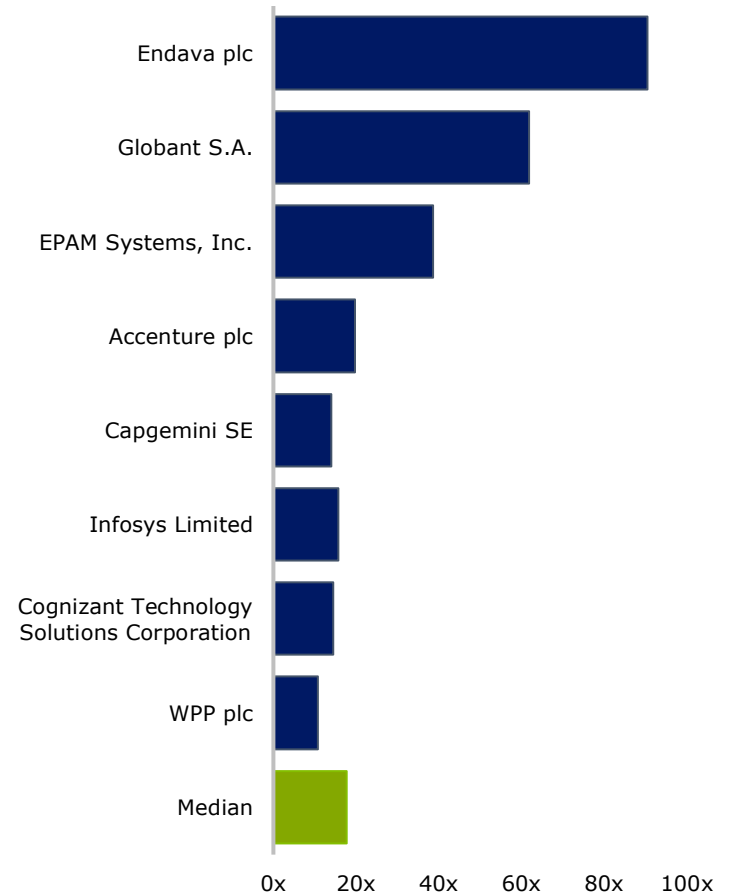
Valuation



TEV / LTM EBIT



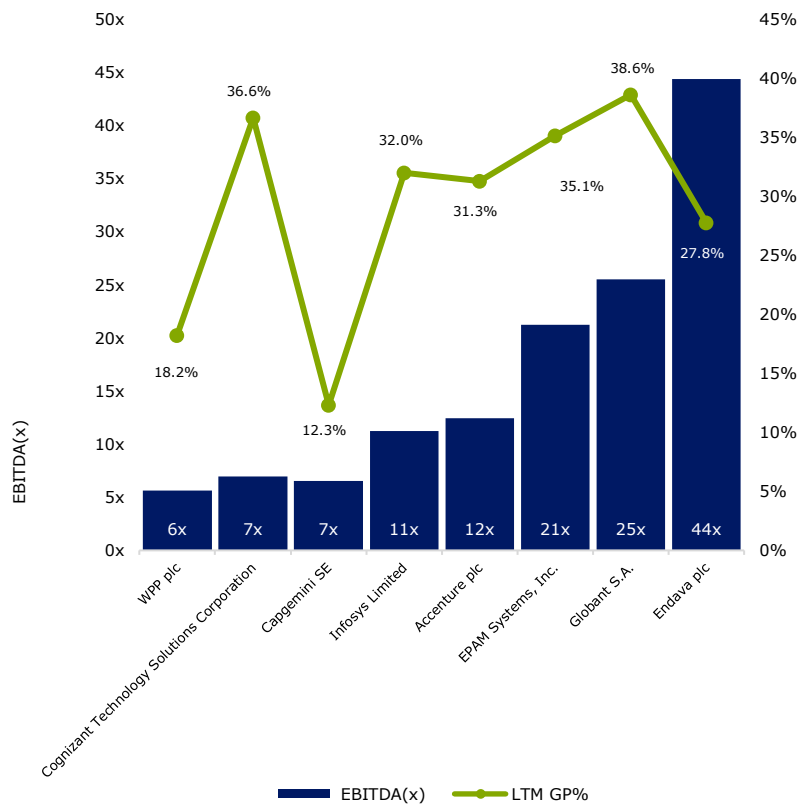
Price / LTM Earnings



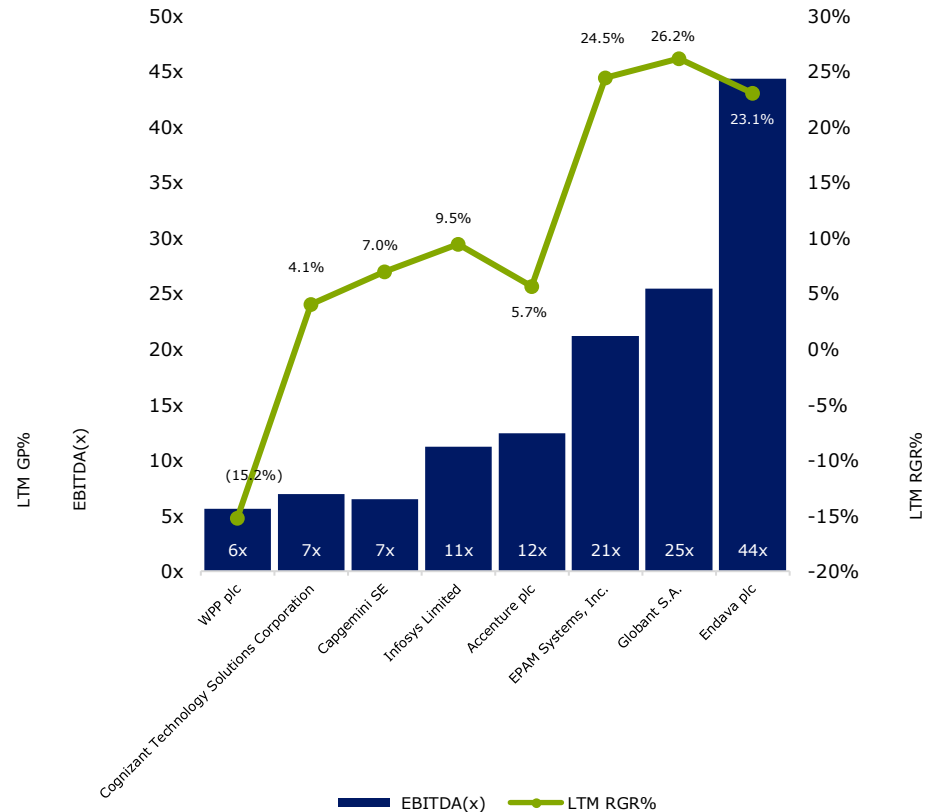
Valuation



Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions



Date	Target	Buyer / Investor	Total Transaction Value (\$m)	Target Revenue (\$m)	TEV / Revenue (X)	TEV / EBITDA (X)
25Feb20	The Armada Group, Inc.	Eliassen Group, LLC	-	-	-	-
17Feb20	AccelerateRPA Ltd	Robiquity Limited	-	-	-	-
5Feb20	Audio Fidelity Communications Corporation	AVI-SPL, Inc.	-	-	-	-
5Feb20	ZoftNow Inc.	Prodigy Ventures Inc.	0.54	-	-	-
4Feb20	Cettiworks, LLC	McLane Intelligent Solutions, LLC	-	-	-	-
12Jan20	Incentive Technology Group, LLC	ICF Incorporated, L.L.C.	255.00	90.00	2.8x	-
18Dec19	Maven Wave Partners LLC	Atos SE	-	-	-	-
17Dec19	Exozet Berlin GmbH	Endava plc	-	-	-	-
22Nov19	SpireMedia, Inc.	Kin and Carta plc	34.85	9.40	3.7x	-
5Nov19	Naya Pai Technologies Ltd	EPAM Systems, Inc.	-	-	-	-
1Nov19	Intuitus Limited	Endava plc	-	-	-	-
4Nov19	Onica Inc.	Rackspace Hosting, Inc.	-	-	-	-
15Oct19	Rightpoint Consulting, LLC	Genpact USA, Inc.	-	-	-	-
10Sep19	Skookum, Inc.	GlobalLogic Inc.	-	-	-	-
1Jul19	COMPETENTUM USA, Ltd.	EPAM Systems, Inc.	14.20	-	-	-
14May19	Love Mobile PTY Ltd	KPMG Australia	-	-	-	-
13May19	Assets of Sundog Interactive, Inc.	Perficient, Inc.	14.00	-	-	-
29Mar19	Droga5, LLC	Accenture Interactive	-	-	-	-
1Mar19	Microsoft Business Unit of SADA Systems, Inc.	Core BTS, Inc.	-	-	-	-
5Mar19	Touchtown, Inc.	Uniguest Inc.	-	-	-	-
17Jan19	Avanxo (Bermuda) Limited	Globant S.A.	48.56	-	-	-
6Jan19	Luxoft Holding, Inc.	DXC Technology Company	2,072.15	904.44	2.2x	20.6x
14Nov18	Yellow Brand Protection AB	Corsearch, Inc.	-	-	-	-
1Nov18	Think Limited	EPAM Systems, Inc.	0.03	-	-	-
17Oct18	TargetST8 Consulting, LLC	Accenture plc	-	-	-	-
4Oct18	Softvision, LLC	Cognizant Technology Solutions Corporation	541.00	-	-	-
10Sep18	Artificial Intelligence Platform Business of Magnetic Media Online, Inc.	Deloitte Digital	-	-	-	-
13Aug18	iQuest GmbH & Co KG	Allgeier SE	-	34.24	-	-
9Aug18	Pillar Technology Group, LLC	Accenture plc	-	52.00	-	-

Digital Transformation

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APPENDIX:
Public Basket
Constituents

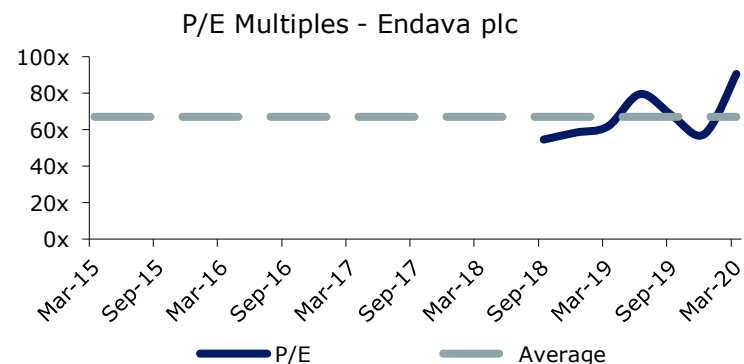
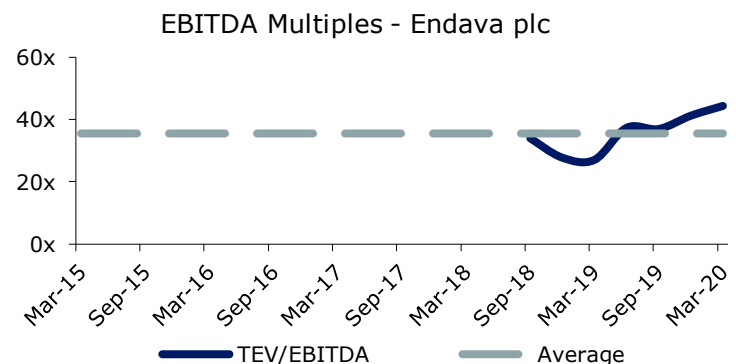
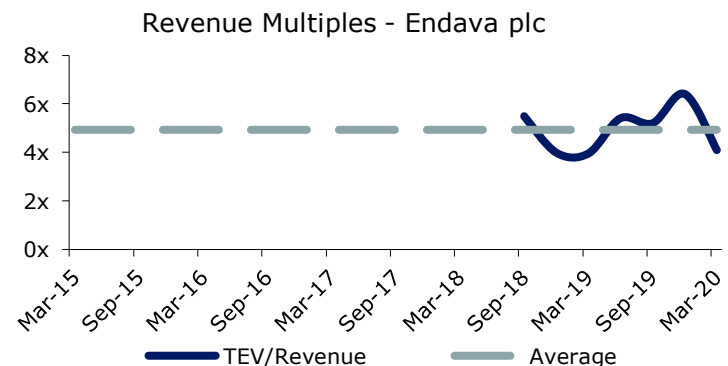
Public Basket



Endava plc

Endava plc provides technology services for clients in the consumer products, healthcare, logistics, and retail verticals in Europe, Latin America, and the United States. It offers strategy, creative and user experience, insights through data, mobile and Internet of Things, architecture, smart automation, software engineering, test automation and engineering, continuous delivery, cloud, applications management, and smart desk services across the digital evolution, agile transformation, and automation solution areas. The company was founded in 2000 and is headquartered in London, United Kingdom.

Date	Key Development Headline
12/16/19	Endava plc (NYSE:DAVA) acquired Exozet Berlin GmbH from German Startups Group GmbH & Co. KGaA (XTRA:GSJ) and others.
11/3/19	Endava plc (NYSE:DAVA) acquired of Intuitus Limited.
8/30/19	WorldPay (UK) Limited completed the acquisition of Endava Technology SRL from Endava plc (NYSE:DAVA).
6/2/19	WorldPay (UK) Limited agreed to acquire Endava Technology SRL from Endava plc (NYSE:DAVA) for £6 million.



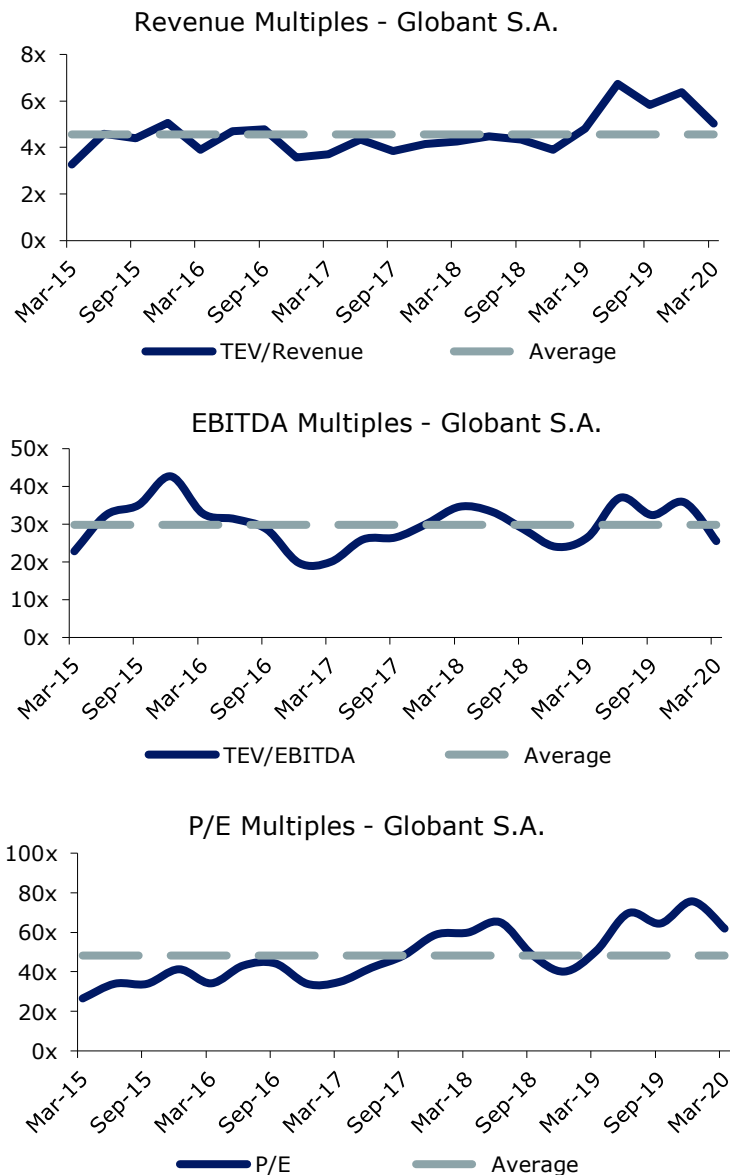
Public Basket



Globant S.A.

Globant S.A., a technology services company, provides services related to application development, testing, infrastructure management, and application maintenance worldwide. The company offers machine learning, pattern recognition, natural language understanding, future of organizations, customer insight, behavioral change, product innovation, design thinking, product management discovery and delivery, and product coaching services. It also provides process appraisal, automated, process evolution, delivery management, agile consultancy, management consulting, user experience, visual and service, industrial design, mobile engineering, fast prototyping, and mobile and product strategy services. In addition, the company offers game engineering and experience, digital platform, virtual and augmented reality, graphics engineering, 3D and 2D art, e-Sports, data architecture, data science, distributed platform, data integration, data visualization, and blockchain services. Globant S.A. was founded in 2003 and is based in Luxembourg City, Luxembourg.

Date	Key Development Headline
8/11/19	Globant S.A. (NYSE:GLOB) acquired Belatrix Global Corporation S.A. for \$65 million.
1/31/19	Globant S.A. (NYSE:GLOB) completed the acquisition of Avanzo (Bermuda) Limited.



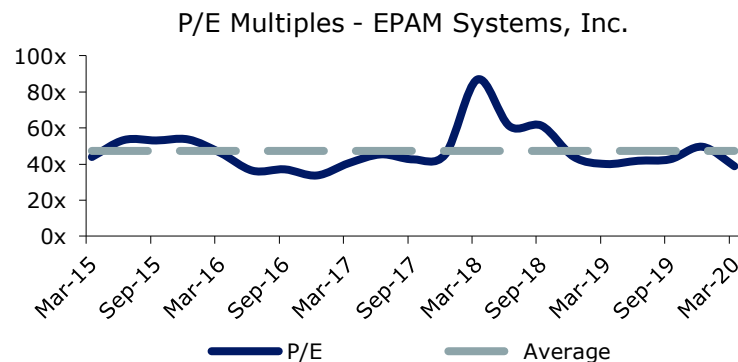
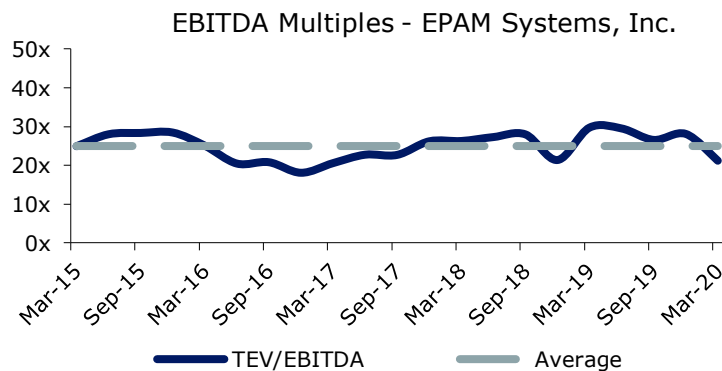
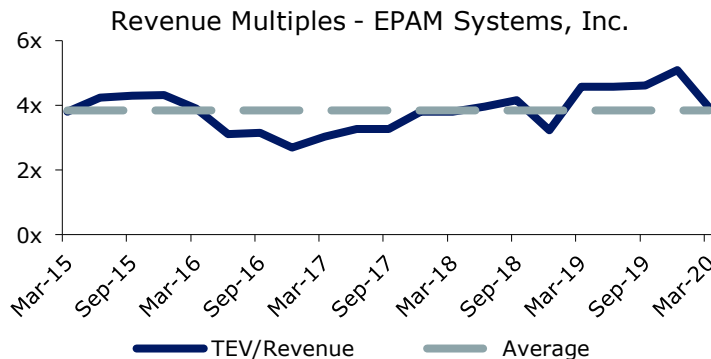
Public Basket



EPAM Systems, Inc.

EPAM Systems, Inc. provides software product development and digital platform engineering services primarily in North America, Europe, Asia, and Australia. It offers software product development services, including product research, customer experience design, prototyping, program management, component design and integration, lifecycle software testing, product deployment, end-user customization, performance tuning, product support and maintenance, managed services, and porting and cross-platform migration. The company provides custom application development services, such as business and technical requirement analysis, user experience design, solution architecture creation and validation, development, component design and integration, quality assurance and testing, deployment, performance tuning, support and maintenance, legacy applications re-engineering/refactoring, porting and cross-platform migration, and documentation. The company was founded in 1993 and is headquartered in Newtown, Pennsylvania.

Date	Key Development Headline
3/1/20	EPAM Systems, Inc. (NYSE:EPAM) acquired Deltix, Inc. for \$29.6 million.
11/4/19	EPAM Systems, Inc. (NYSE:EPAM) acquired NAYA Technologies.
7/1/19	EPAM Systems, Inc. (NYSE:EPAM) acquired Competentum-USA Ltd. for \$14.2 million.
5/9/19	EPAM To Seek Investments



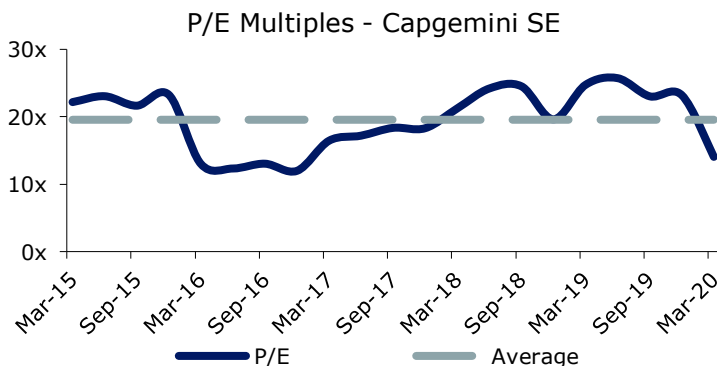
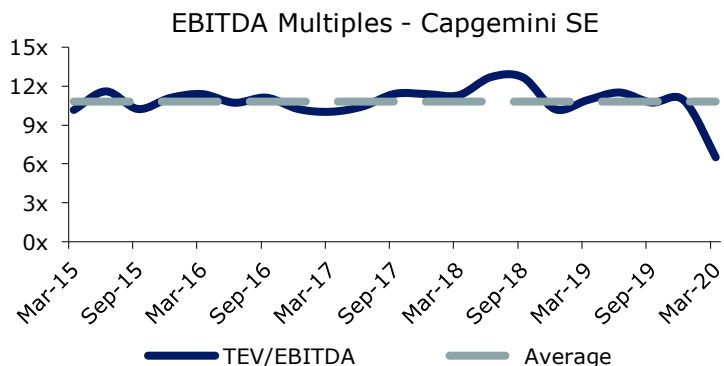
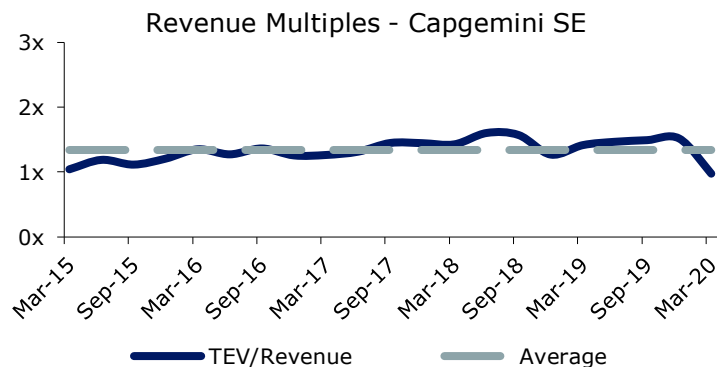
Public Basket



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
3/24/20	Capgemini SE (ENXTPA:CAP) entered into an agreement to acquire WhiteSky Labs Pty. Ltd.
3/2/20	Capgemini and Audi Plan to Form A Joint Venture Focused on SAP and Cloud Services
2/17/20	Capgemini SE (ENXTPA:CAP) entered into an agreement to acquire Advectas AB.
2/9/20	Capgemini SE (ENXTPA:CAP) completed the acquisition of 54.7% stake Altran Technologies S.A. (ENXTPA:ALT) from Altamir SCA (ENXTPA:LTA), Apax Partners SAS, Elliott Management Corporation and others for €2 billion.
6/24/19	Altran Technologies S.A., Capgemini SE - M&A Call



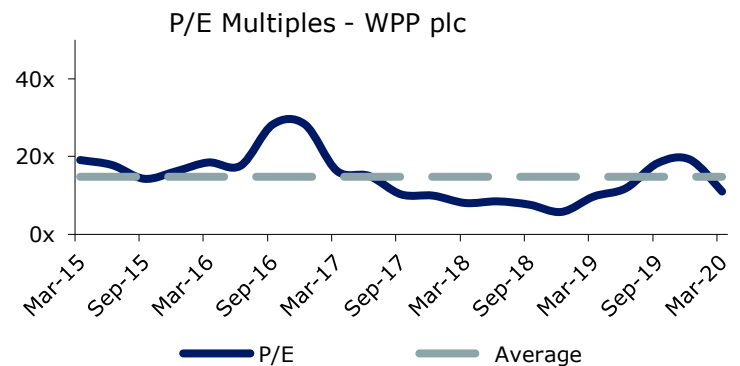
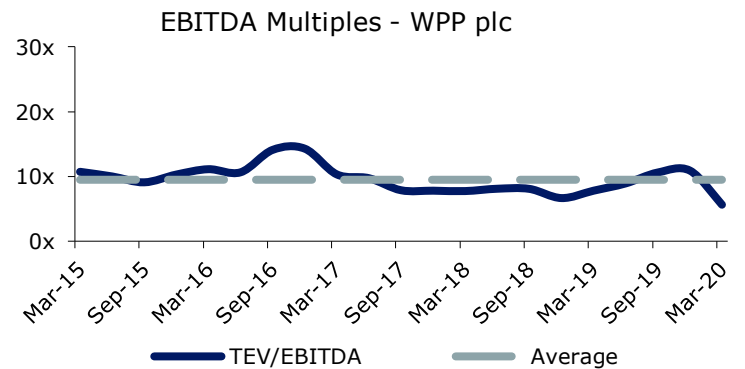
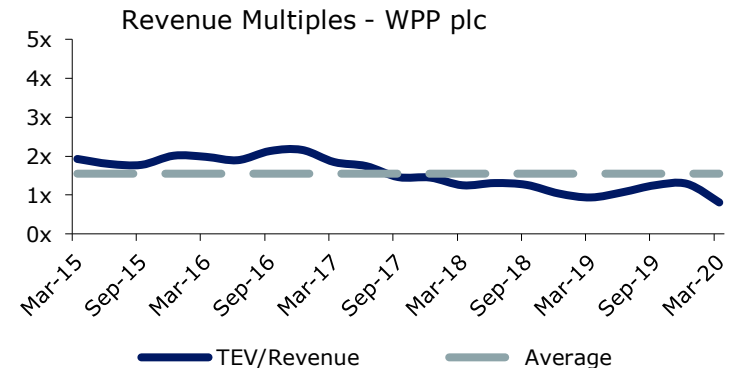
Public Basket



WPP plc

WPP plc, a creative transformation company, provides communications, experience, commerce, and technology services worldwide. The company operates through four segments: Advertising and Media Investment Management; Data Investment Management; Public Relations & Public Affairs; and Brand Consulting, Health & Wellness and Specialist Communications. It offers advertising, content, media investment, and public relations and public affairs services; and branding and design, service design, and platforms and applications. The company also creates direct-to-consumer platforms and helps clients navigate marketplaces; and provides online and offline commerce solutions. In addition, it provides data management, marketing technology consulting, and systems integration services. WPP plc was founded in 1985 and is based in London, the United Kingdom.

Date	Key Development Headline
2/10/20	WPP plc (LSE:WPP) acquired an additional 21% stake in The & Partners London Limited from Johnny Hornby and his management team.
12/15/19	Bruin Sports Capital LLC agreed to acquire unknown majority stake in Two Circles Limited from WPP plc (LSE:WPP).
12/4/19	Bain Capital Private Equity, LP completed the acquisition of 60% stake in Kantar from WPP plc (LSE:WPP).



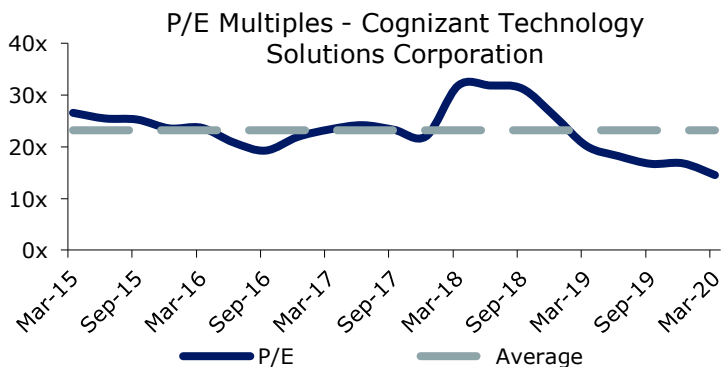
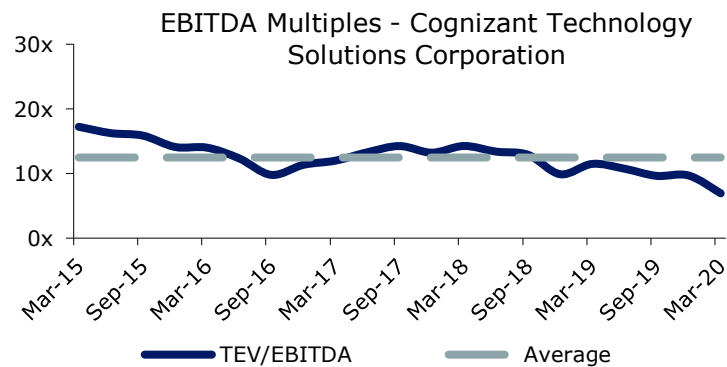
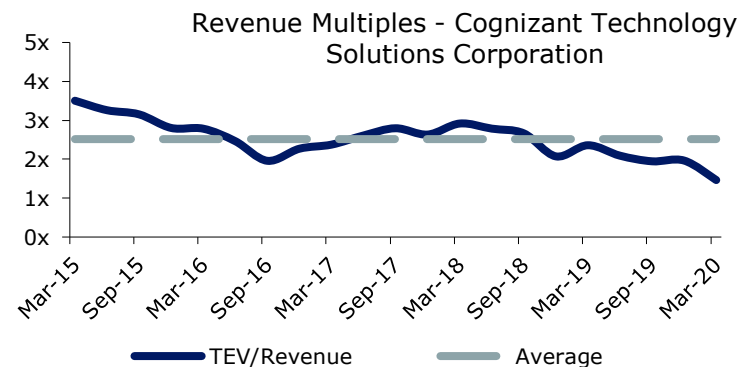
Public Basket



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
3/22/20	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) entered into an agreement to acquire Lev plus.
2/2/20	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) acquired Code Zero Consulting.
10/30/19	Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) completed the acquisition of Contino LTD from Columbia Capital, L.P., Top Tier Capital Partners, LLC and others for approximately \$240 million.
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



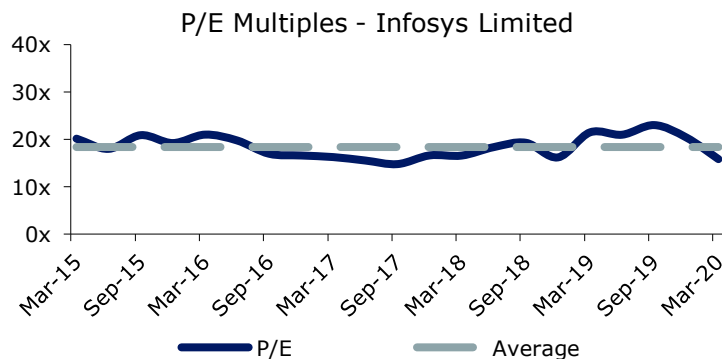
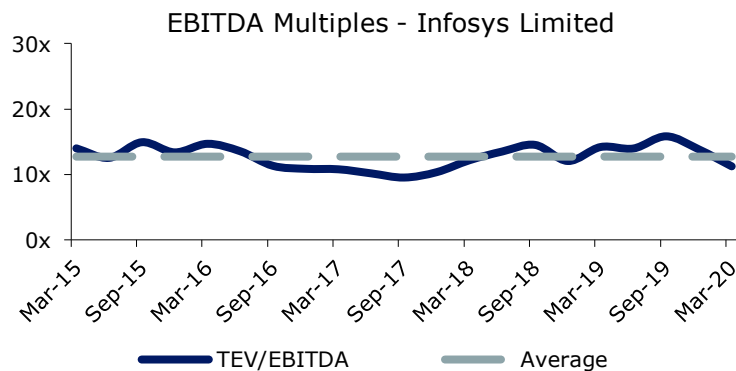
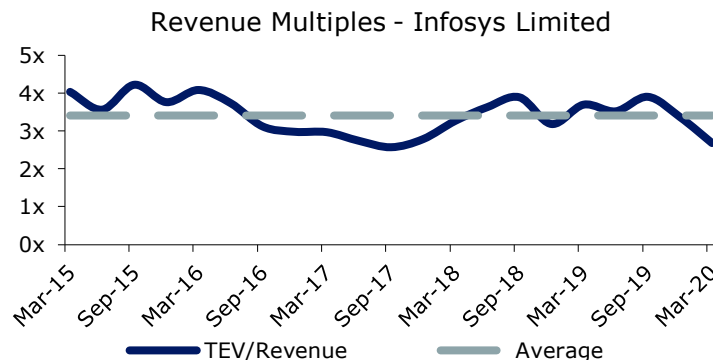
Public Basket



Infosys Limited

Infosys Limited, together with its subsidiaries, provides consulting, technology, and outsourcing services in North America, Europe, India, and internationally. It provides business information technology services, including application development and maintenance, independent validation, infrastructure management, and business process management services, as well as engineering services, such as engineering and life cycle solutions; and consulting and systems integration services comprising consulting, enterprise solutions, systems integration, and advanced technologies. The company's products include Finacle, a banking solution that provides analytics, core banking, consumer e-banking, corporate e-banking, Islamic banking, mobile banking, origination, payments, SME enable, treasury, wealth management, and youth banking solutions. Infosys Limited was founded in 1981 and is headquartered in Bengaluru, India.

Date	Key Development Headline
3/12/20	Infosys Limited (NSEI:INFY) completed the acquisition of Simplus from Salesforce Ventures, Inc., other institutional investors, founders and key employees.
2/9/20	Infosys Limited (NSEI:INFY) entered into a definitive agreement to acquire Simplus from Salesforce Ventures, Inc., other institutional investors, founders and key employees for \$200 million.
10/9/19	Infosys Enters into Strategic Partnership with Eishtec
8/22/19	Infosys and University of Illinois Urbana-Champaign Enter a Strategic Partnership for Precision Medicine



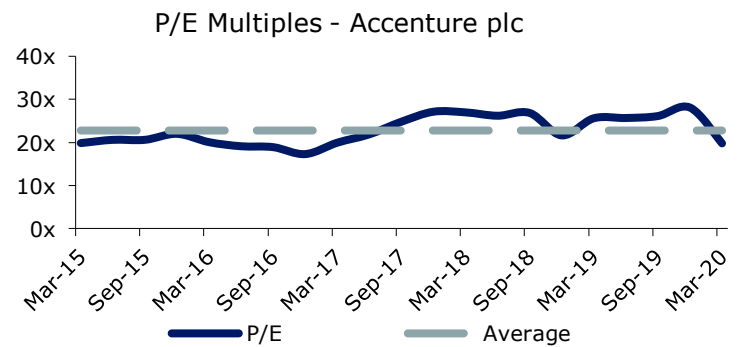
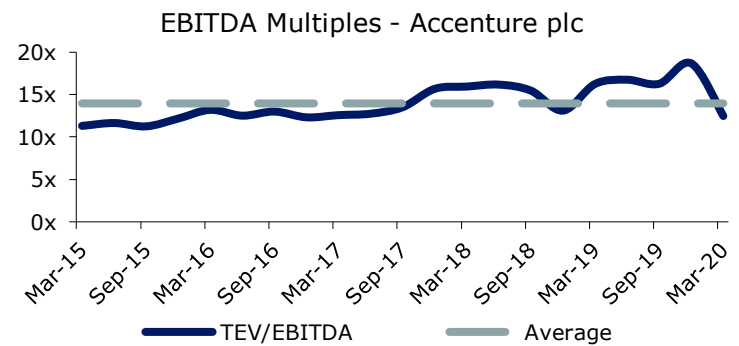
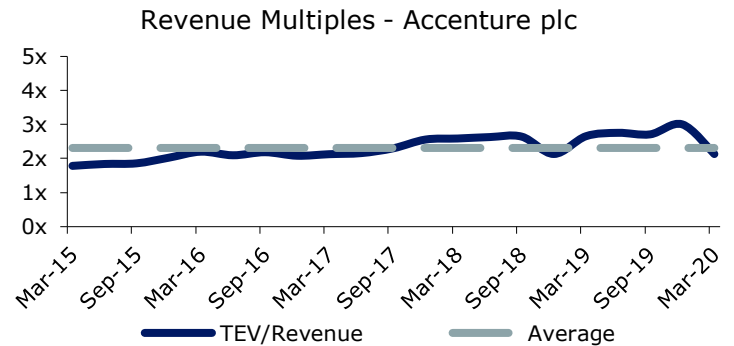
Public Basket



Accenture plc

Accenture plc provides consulting, technology, and outsourcing services in Ireland and internationally. Its Communications, Media & Technology segment provides professional services that help clients accelerate and deliver digital transformation, develop industry-specific solutions, and enhance efficiencies and business results for communications, media, high tech, software, and platform companies. 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 for banking, capital markets, and insurance industries. Accenture plc was founded in 1989 and is based in Dublin, Ireland.

Date	Key Development Headline
3/20/20	SAP and Accenture Launch Upstream Oil and Gas Solution to Help Streamline Processes and Costs
3/5/20	Accenture plc (NYSE:ACN) acquired Context Information Security Limited from Babcock International Group PLC (LSE:BAB) for approximately £110 million.
2/27/20	Accenture plc (NYSE:ACN) completed the acquisition of Mudano Limited.
2/27/20	Accenture plc (NYSE:ACN) completed the acquisition of Workday, Salesforce and U.S. MuleSoft Practices from Sierra-Cedar Group Inc.
2/26/20	Accenture plc (NYSE:ACN) acquired AlphaBeta Pty Ltd.



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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