

# Sectorwatch: IT Consulting

March 2020

# IT Consulting

March 2020

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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

↓ -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

↓ -1.2%

1 - year gross profit % compared to gross profit % average for last 3 years

Current gross profit margin is less than the average of the last 3 years gross profit margins, indicating customer pricing power

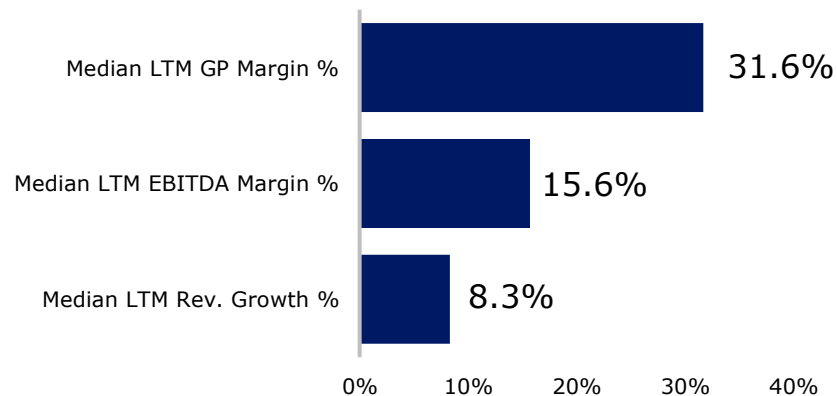
## Profitability Momentum

↑ 0.3%

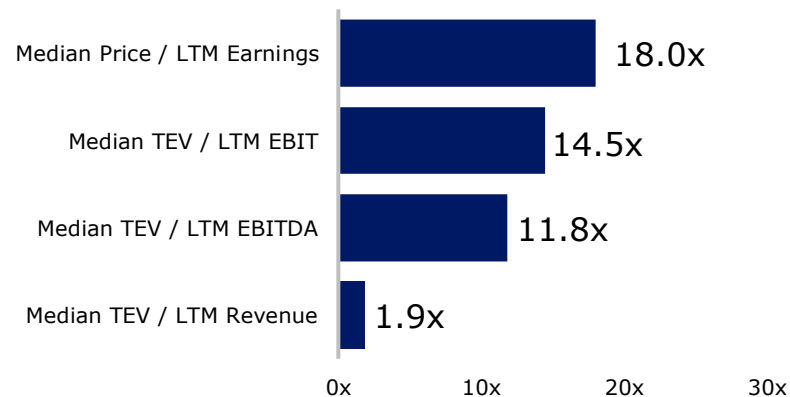
1 - year EBITDA % compared to EBITDA % average for last 3 years

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



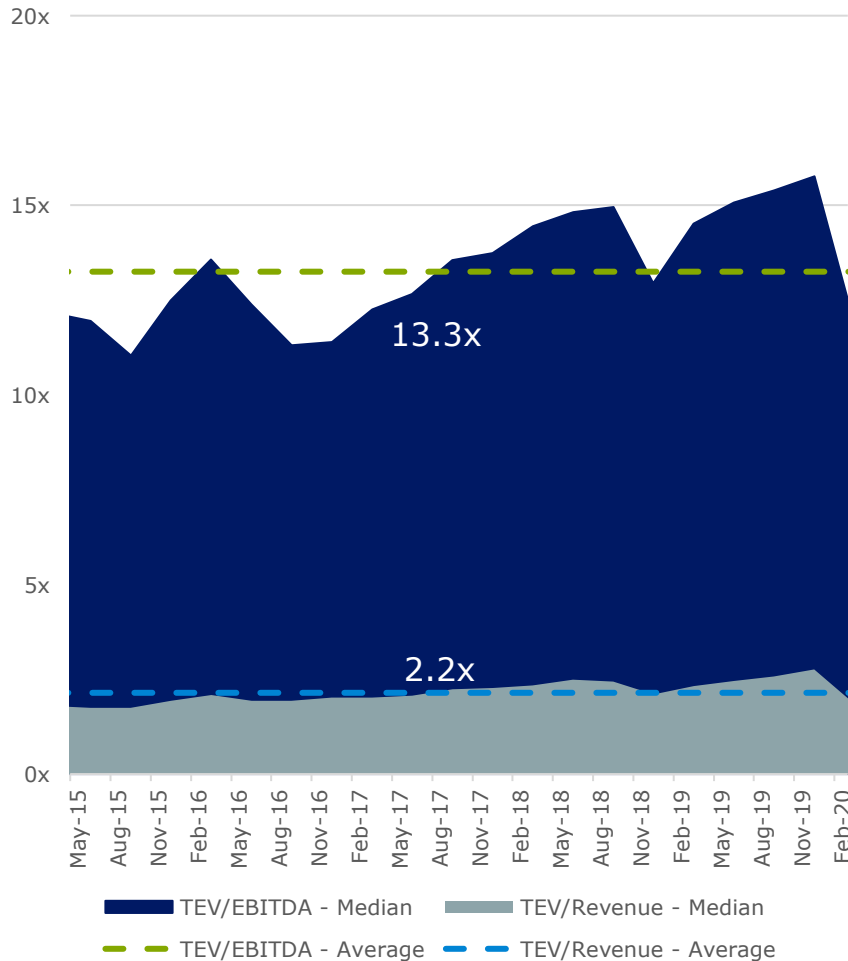
# Public Basket



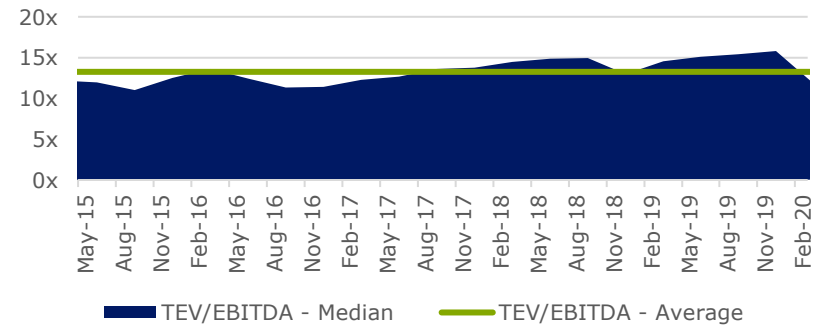
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Perficient, Inc.	1,093	566	13%	37%	14%	1.9	12.6	3,454	164
Reply S.p.A.	2,146	1,283	17%	15%	13%	1.8	12.8	7,606	169
EPAM Systems, Inc.	8,988	2,294	24%	35%	15%	3.9	21.2	36,739	62
CGI Inc.	15,167	9,408	5%	31%	17%	1.8	10.0	77,500	121
Capgemini SE	14,918	15,851	7%	12%	15%	1.0	6.5	219,300	72
NTT DATA Corporation	18,983	20,749	6%	25%	15%	0.9	6.3	123,884	167
Cognizant	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
Tata Consultancy Services Limited	82,493	21,780	10%	44%	26%	4.0	15.2	424,285	51
Accenture plc	95,130	44,656	6%	31%	16%	2.1	12.4	492,000	91
<b>Average</b>	29,509	14,601	10%	30%	17%	2.2	11.5	190,539	101
<b>Median</b>	17,075	14,247	8%	32%	16%	1.9	11.8	171,592	82

share price as of 25Mar20

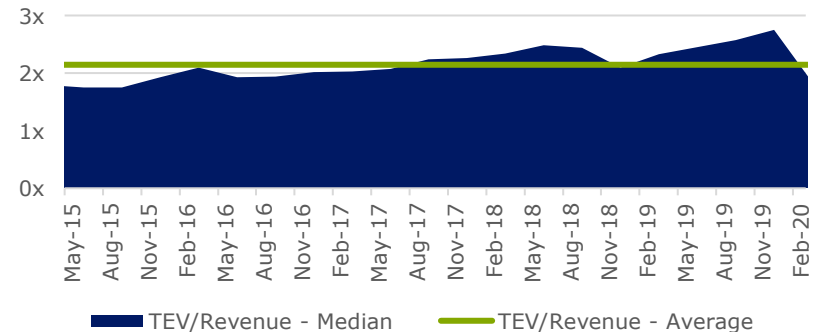
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



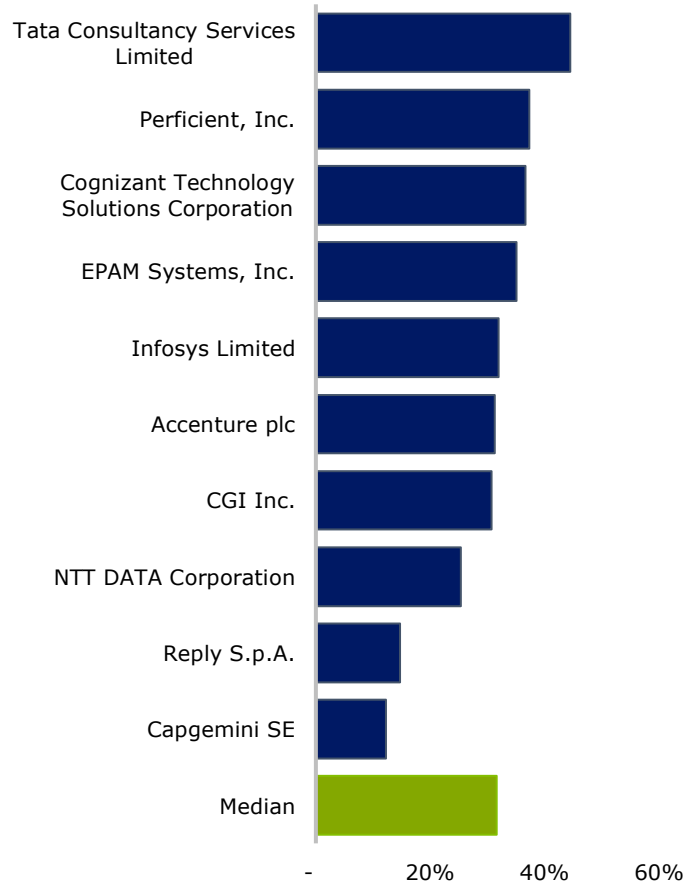
## Public Revenue Multiples over Time



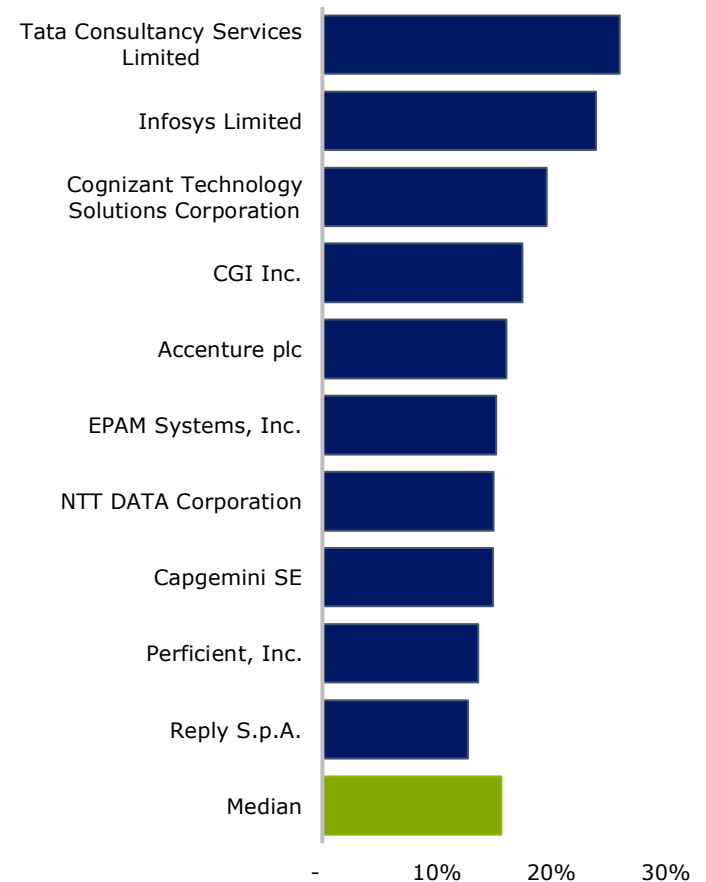
# Operational Metrics



## LTM Gross Profit Margin %



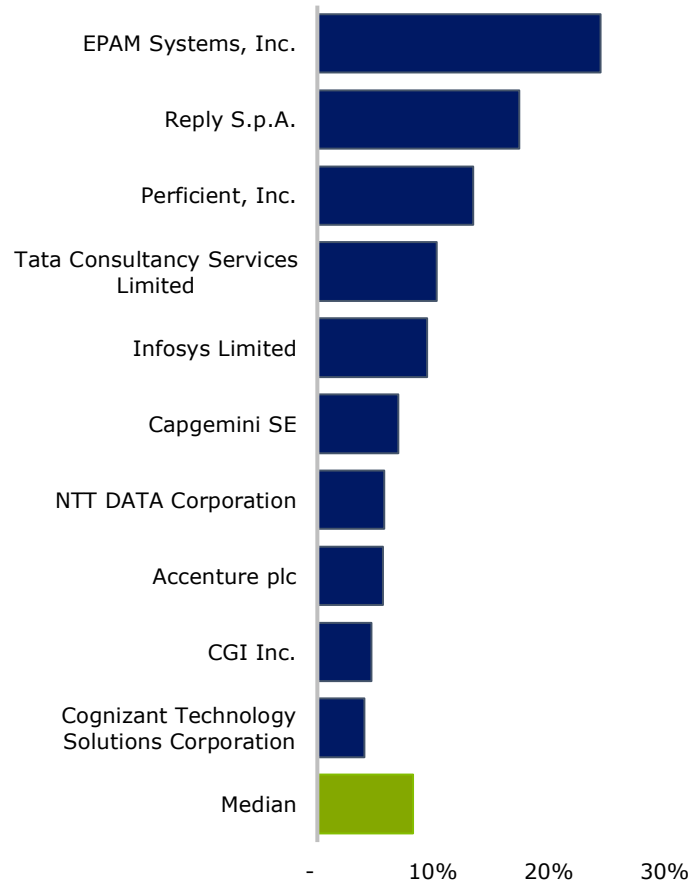
## LTM EBITDA %



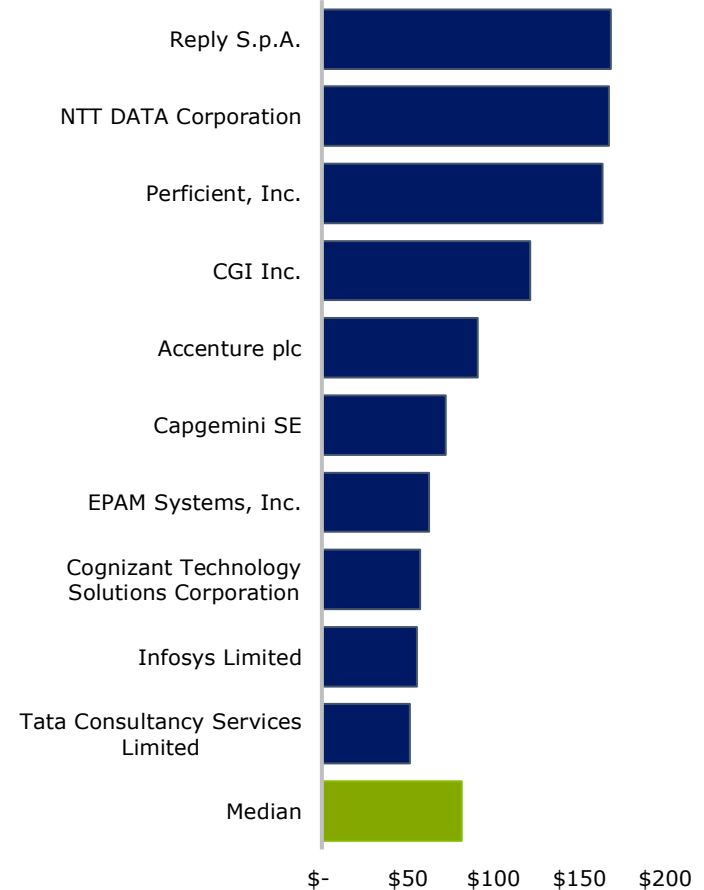
# Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's

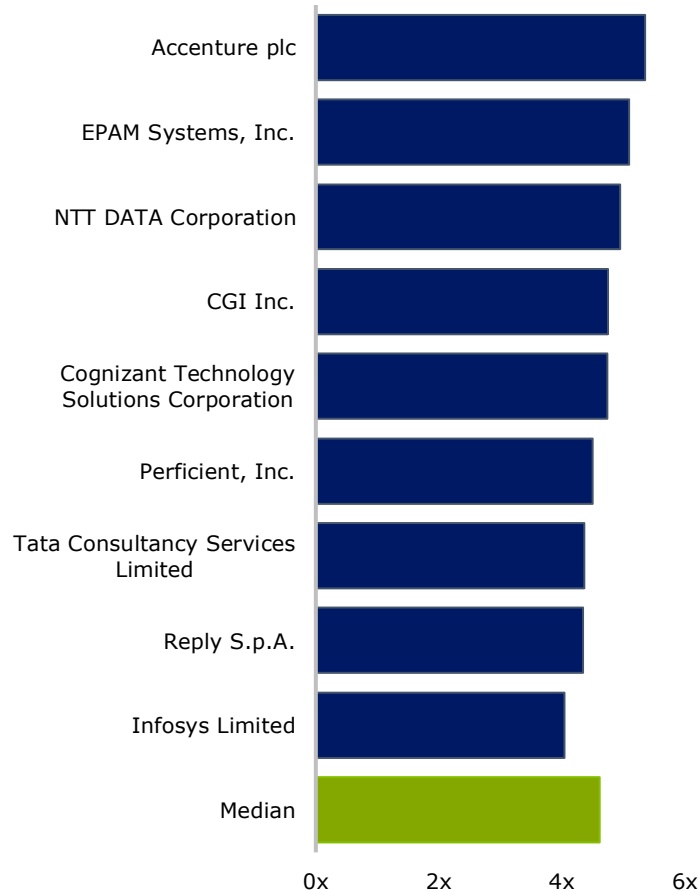




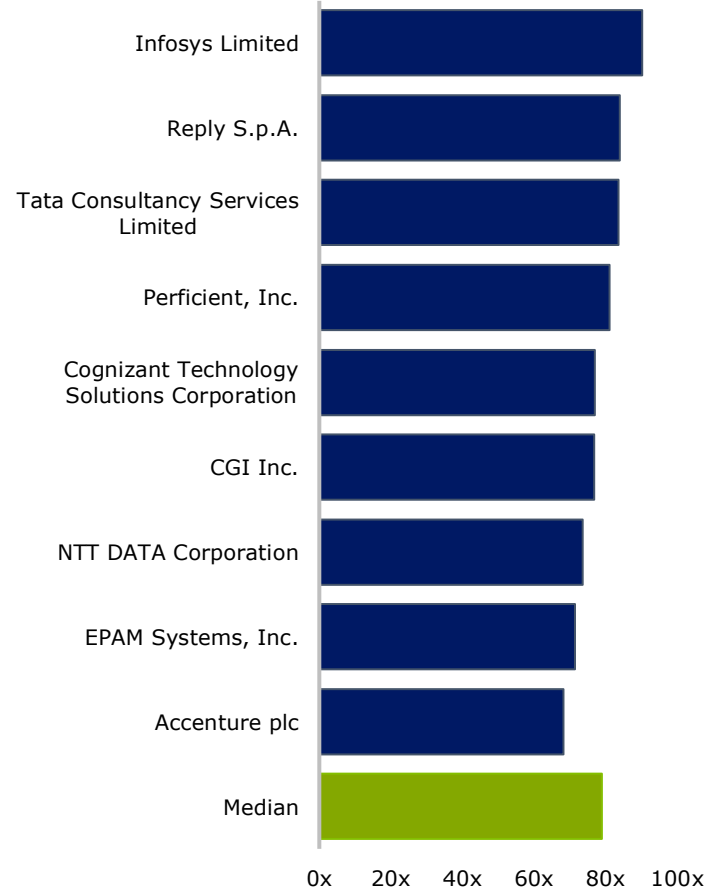
# Operational Metrics



## Accounts Receivable Turnover



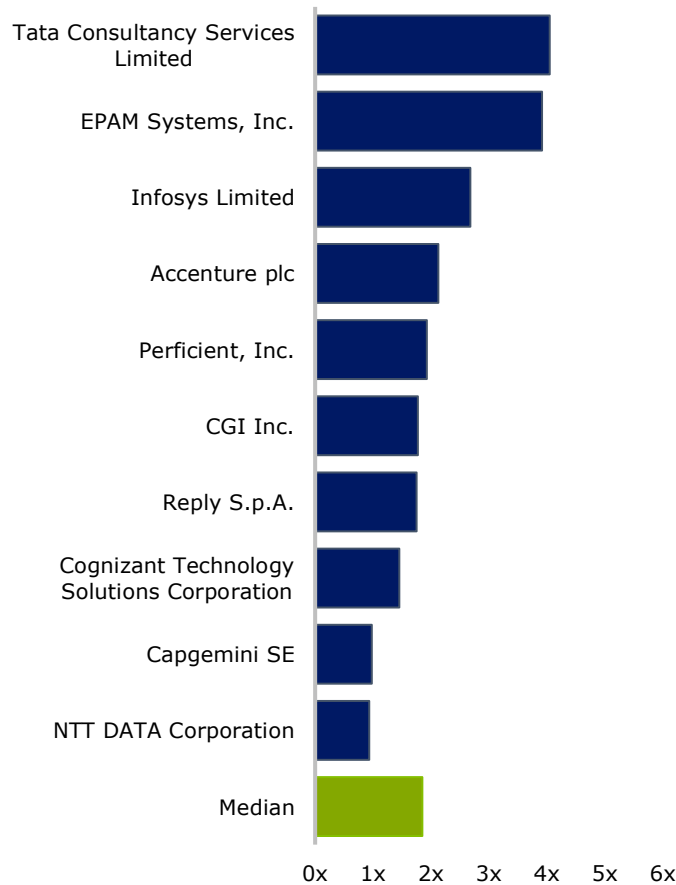
## Average Days Sales Outstanding



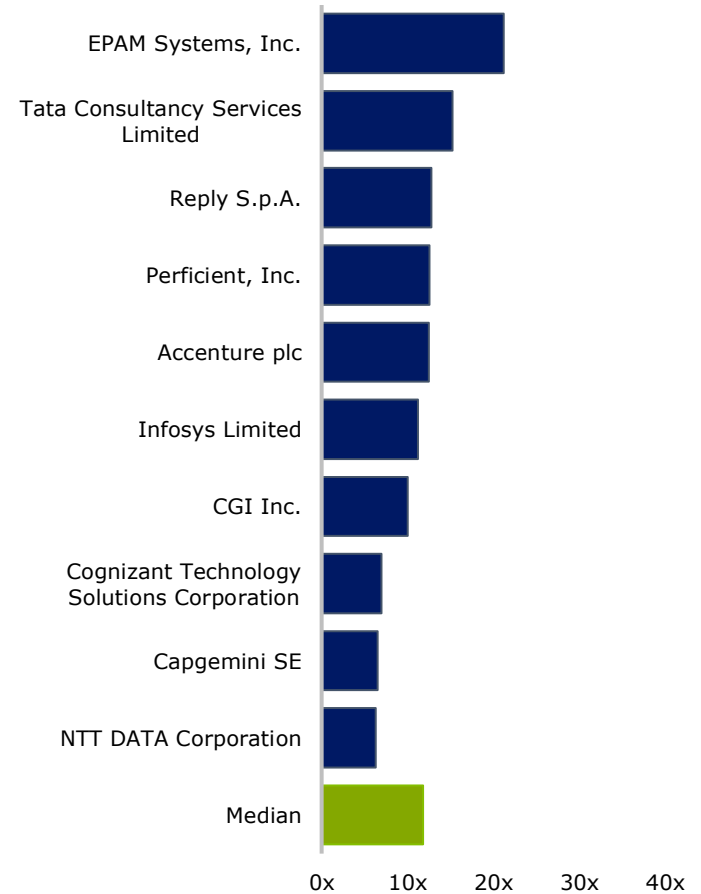
# Valuation



## TEV / LTM Revenue



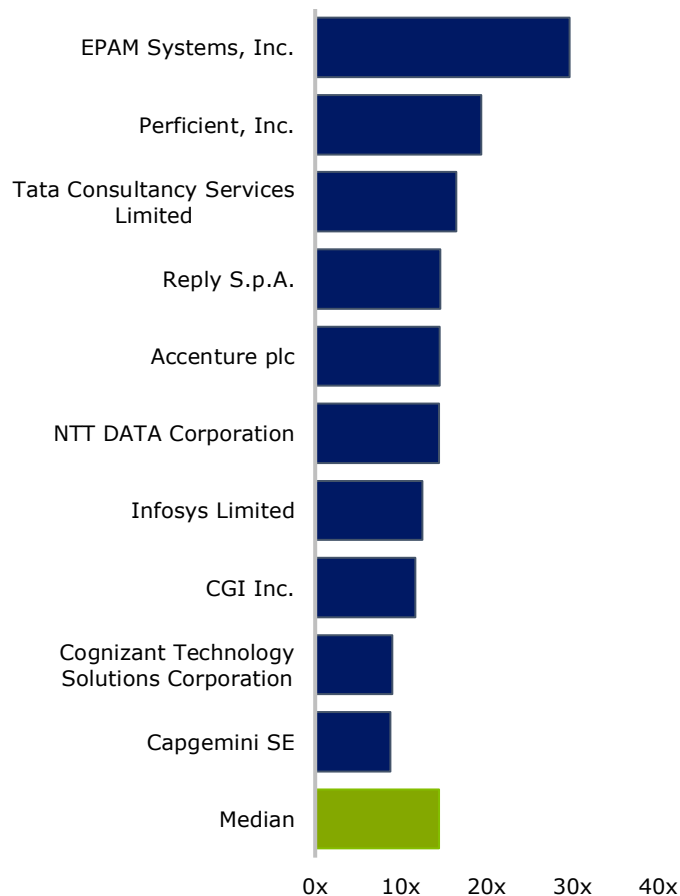
## TEV / LTM EBITDA



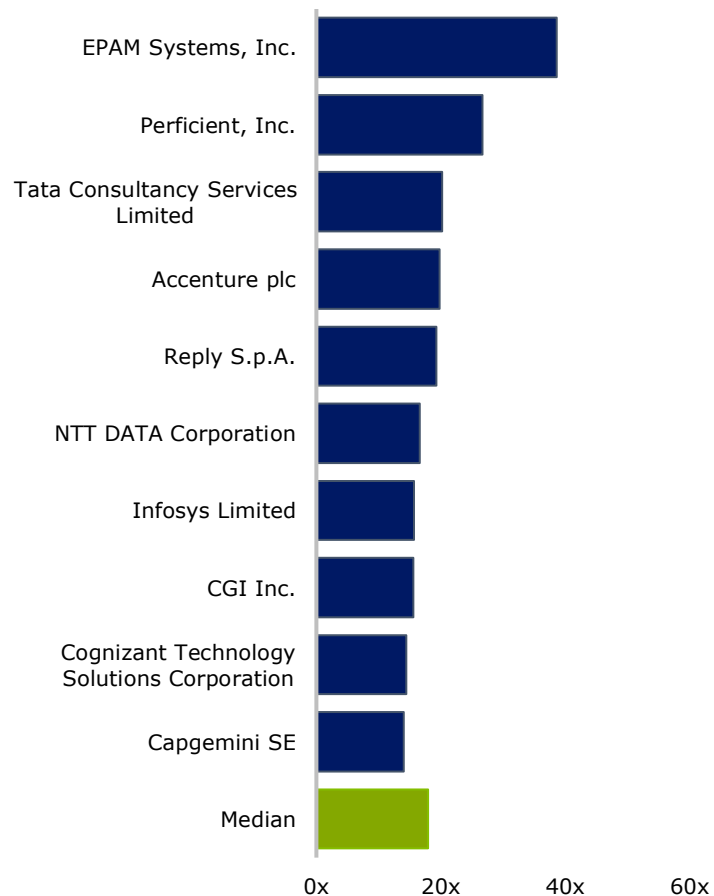
# Valuation



## TEV / LTM EBIT



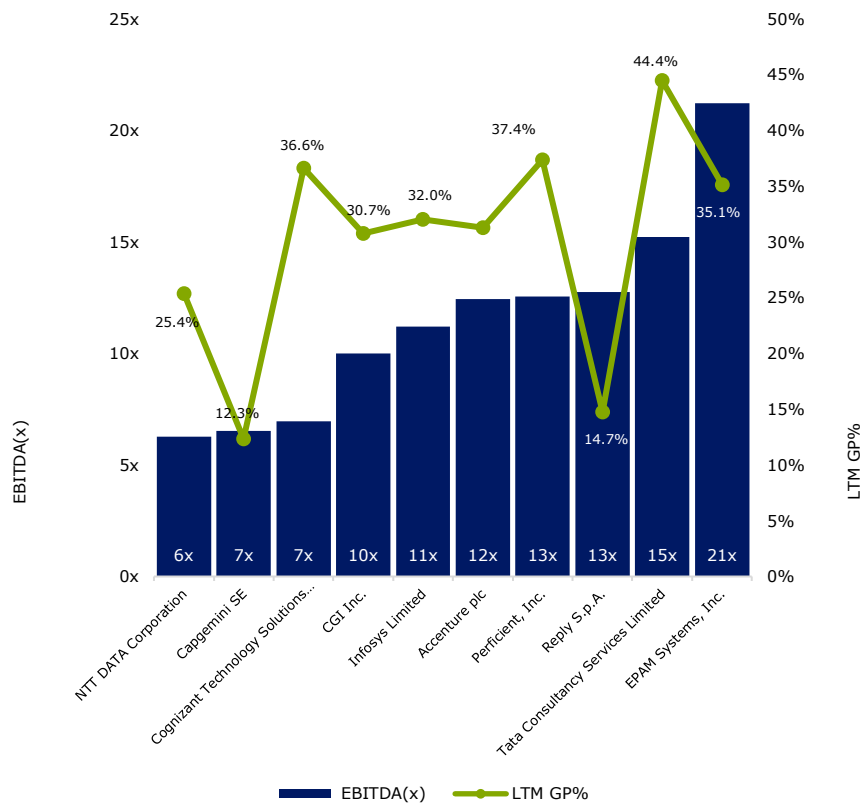
## Price / LTM Earnings



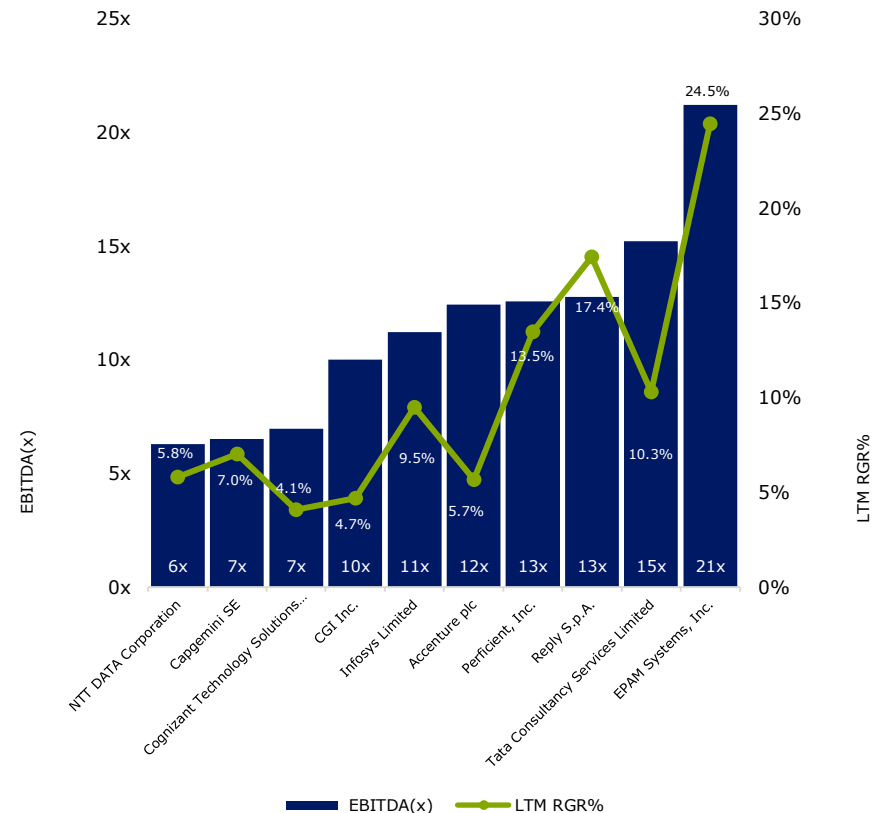
# Valuation



## Historical Valuation Multiples versus Gross Profit



## Historical Valuation Multiples versus Revenue Growth Rate



# Recent Transactions



Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
28Mar20	iGenero Web Solutions Pvt Ltd.	PrimeSoft Solutions, Inc.	-	-	-	-
24Mar20	MCL Computer & Zubehör GmbH	OEP Capital Advisors, L.P.	-	-	-	-
19Mar20	Geodata IT, LLC	Freedom Consulting Group, Inc.	-	-	-	-
29Feb20	House of Brick Technologies, L.L.C.	OpsCompass, LLC.	-	-	-	-
10Mar20	Techno-Step GmbH	Dürr Aktiengesellschaft	-	3.53	-	-
9Mar20	Tekkers IT Solutions Limited	Dynamic Edge Solutions Ltd.	-	-	-	-
6Mar20	Soft & Informatics Company NV	Ergon Capital Partners; Ergon Capital Partners IV SCSP	-	-	-	-
5Mar20	Single Path LLC	DYONYX LP	-	-	-	-
26Feb20	Centre D'Etude De Logiciel SARL	-	-	3.26	-	-
25Feb20	Segue Technologies Inc.	Tetra Tech, Inc.	-	-	-	-
17Feb20	Modern Computer Systems	MSP Solution Tech	-	-	-	-
5Feb20	ZoftNow Inc.	Prodigy Ventures Inc.	0.54	-	-	-
28Jan20	Performance Improvement Partners, LLC	Erie Street Capital	-	-	-	-
24Jan20	Blackstone Federal	ECS Federal, LLC	85.00	44.00	1.9x	-
19Jan20	Pactera Technology International Ltd.	China Electronics Corporation	-	-	-	-
31Dec19	Sistemas Informáticos Abiertos, S.A.	Indra Sistemas, S.A.	-	-	-	-
7Jan20	BZW Consulting Group, Inc.	The Pinnacle Group	-	-	-	-
6Jan20	NEF, Inc.	CBRE Group, Inc.	-	-	-	-
6Jan20	All the Assets Of MedTouch LLC	Perficient, Inc.	-	13.00	-	-
12Dec19	Source Support Services, Inc.	Capitala Group	-	-	-	-
14Nov19	Codalis SA	Bechtle AG	-	10.13	-	-
31Oct19	Yotabites Consulting LLC	ProKarma Inc.	-	-	-	-
8Nov19	Virtual Clarity Limited	DXC Technology Company	-	-	-	-
5Nov19	Naya Pai Technologies Ltd	EPAM Systems, Inc.	-	-	-	-
31Oct19	Backbone Enterprises, Inc.	CynergisTek, Inc.	11.00	-	-	-
30Oct19	Statêra, Inc	Navint Partners, LLC	-	-	-	-

# IT Consulting

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## APPENDIX: Public Basket Constituents

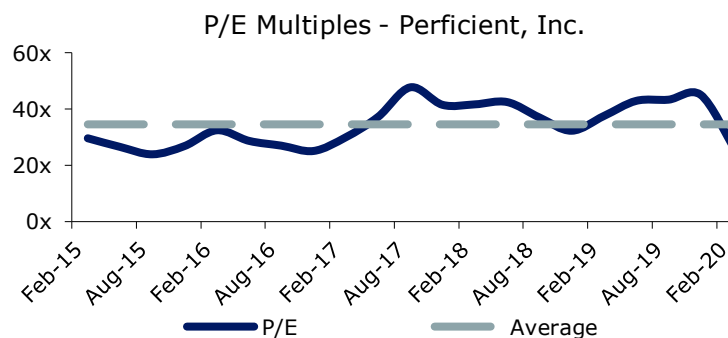
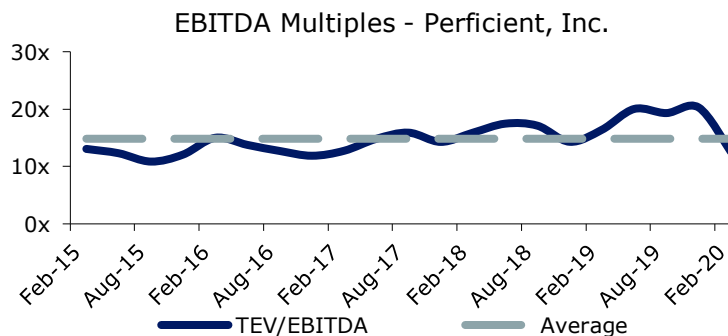
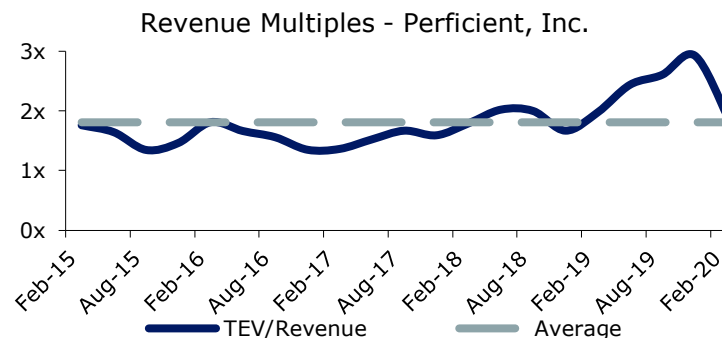
# Public Basket



## 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. Perficient, Inc. was founded in 1997 and is headquartered in St. Louis, Missouri.

Date	Key Development Headline
3/22/20	Perficient, Inc. (NasdaqGS:PRFT) acquired Catalyst Networks, Inc.
3/20/20	Drift and Perficient Deliver COVID-19 Telehealth Assessment
1/5/20	Perficient, Inc. (NasdaqGS:PRFT) acquired All of the Assets Of MedTouch LLC.
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

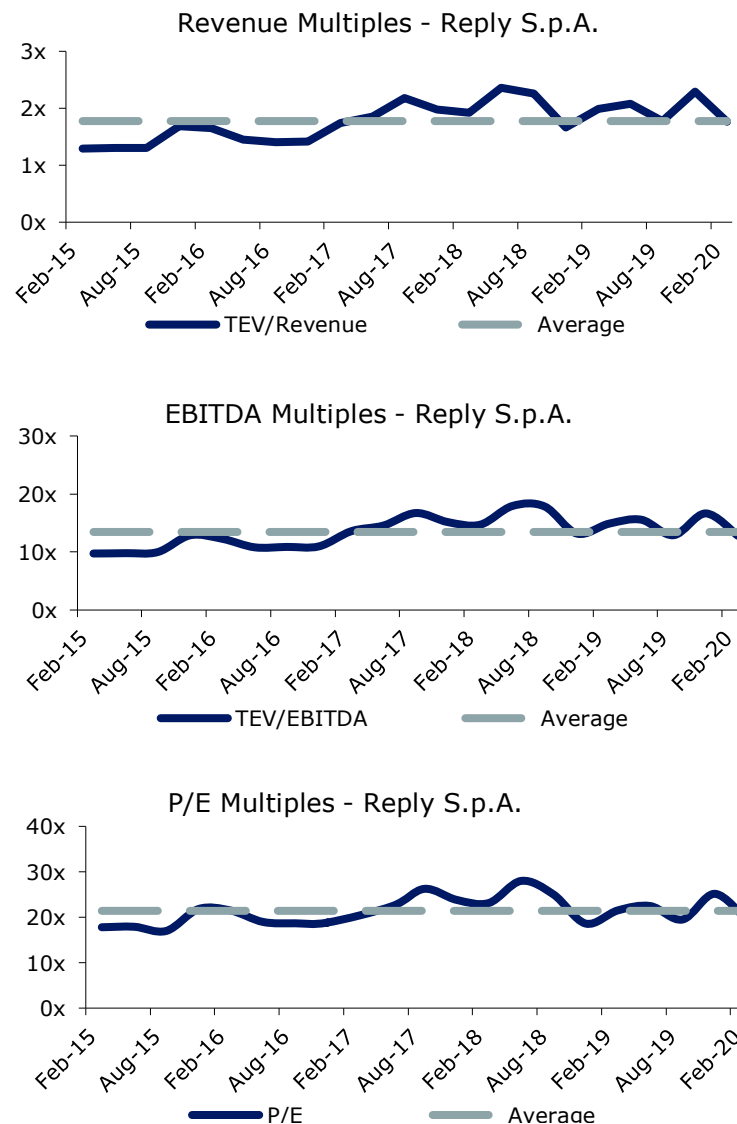


## Reply S.p.A.

Reply S.p.A. provides consulting, system integration, application management, and business process outsourcing services in Italy and internationally. The company implements solutions based on communication channels and digital media. It provides Brick Reply, a manufacturing operations management platform for the management and control of a smart factory; Click Reply, a supply chain execution platform; Definio Reply, a technological platform for collection, analysis, control, processing, and distribution of financial data; Discovery Reply, a platform for the digital media management projects; and Gaia Reply platform for use in the field of mobility and multimedia. The company also offers Hi engage, a commercial contextual marketing solution; Pay Reply platform that provides mobile payment solutions, as well as helps banks, financial institutions and telecommunications companies, utilities, and retailers to create and deliver remote and proximity payment services; SideUp Reply, a software application for warehouse management; Starbytes, an online employment service for freelancers and ICT specialists; The company was founded in 1996 and is headquartered in Turin, Italy.

### Date Key Development Headline

2/28/19	Deutsche Telekom Partners with Reply to Develop Open-Source Backhaul System
4/9/18	Reply S.p.A. (BIT:REY) acquired a majority stake in Valorem Consulting Group, LLC.





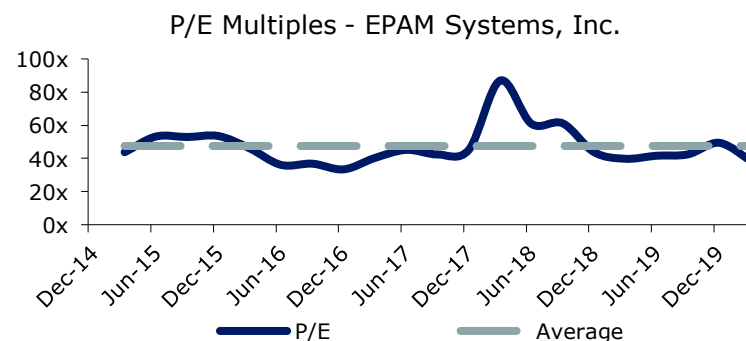
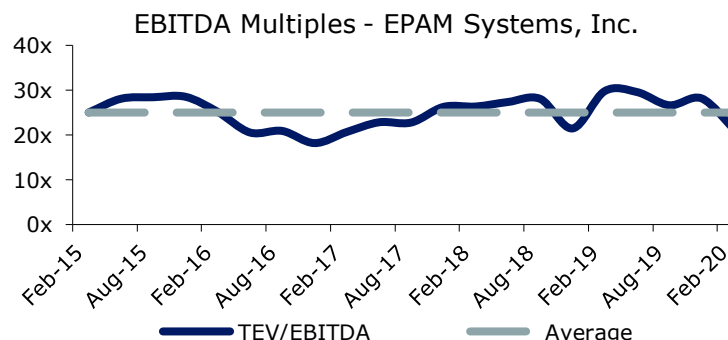
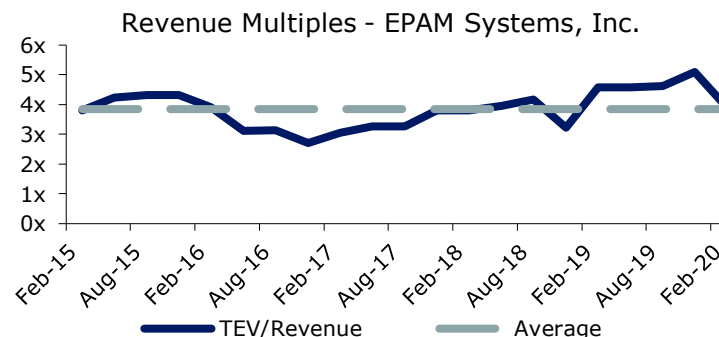
# Public Basket



## 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



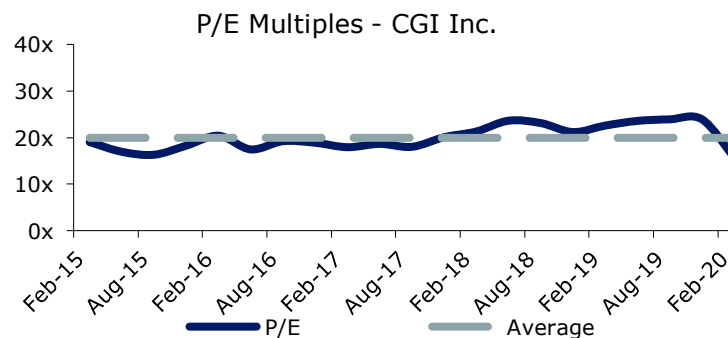
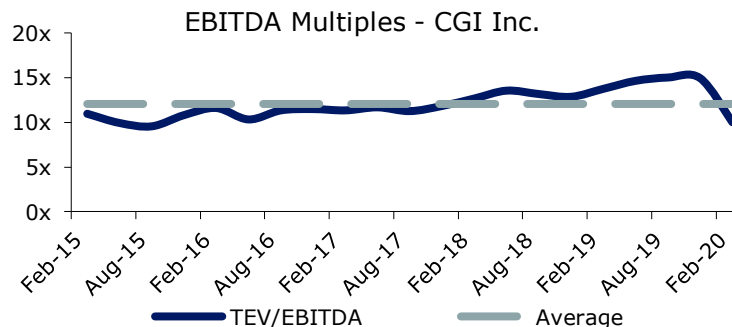
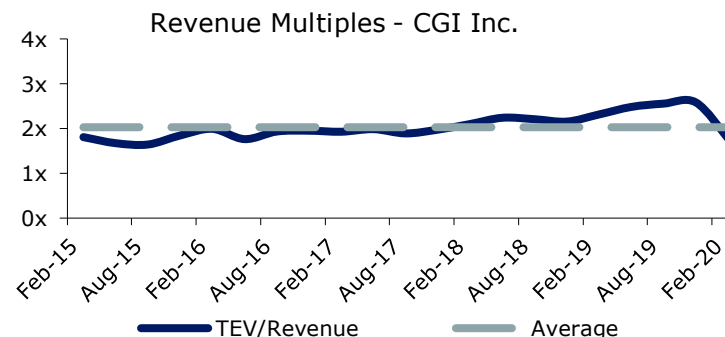
# Public Basket



## 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
1/19/20	CGI Inc. (TSX:GIB.A) through its subsidiary acquired Meti Logiciels et Services SRL.
11/4/19	CGI Inc. (TSX:GIB.A) acquired the remaining 3.9% stake in Acando AB (publ.) for \$23.1 million.
9/2/19	CGI Inc. (TSX:GIB.A) acquired Annams Systems Corporation, Inc.
4/15/19	CGI Inc. (TSX:GIB.A) completed the acquisition of 77.37% stake in Acando AB (publ.) (OM:ACAN B).



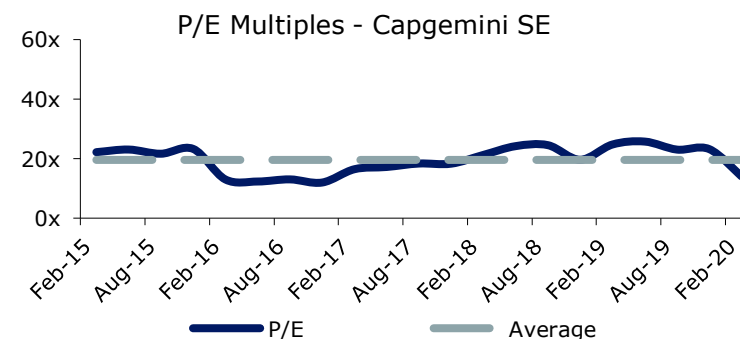
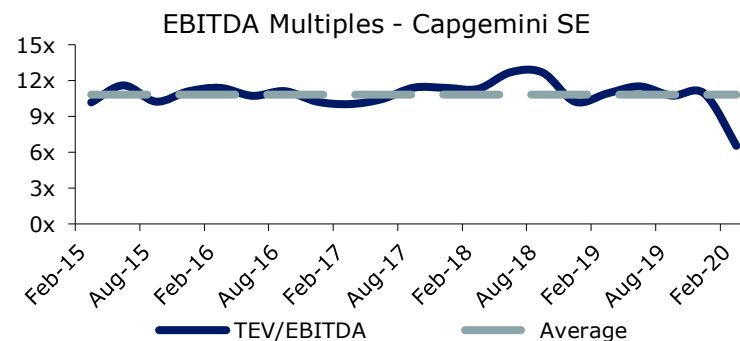
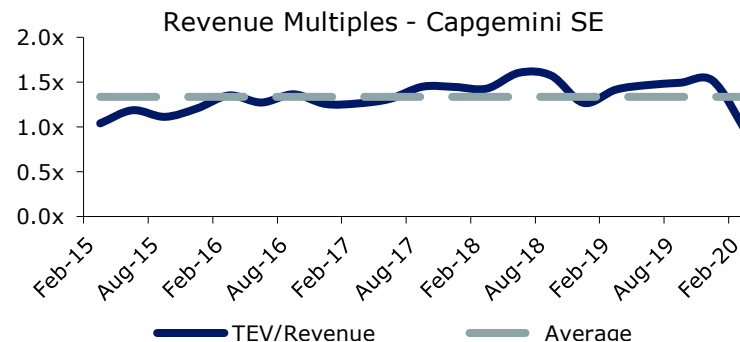
# Public Basket



## Capgemini SE

Capgemini SE provides consulting, technology, outsourcing, and other managed services. The company's Consulting Services segment offers services to enhance the performance of organizations based on the knowledge of client industries and processes. Its Technology & Engineering Services segment provides assistance and support to internal IT teams of client companies. The company's Application Services segment designs, develops, implements, and maintains IT applications, including system integration and application maintenance services. Its Other Managed Services segment integrates, manages, and/or develops client's IT infrastructure systems, as well as provides transaction, on-demand, and/or business process outsourcing services. 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.



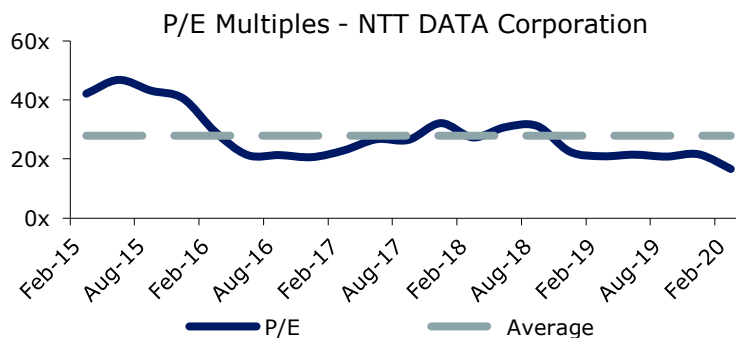
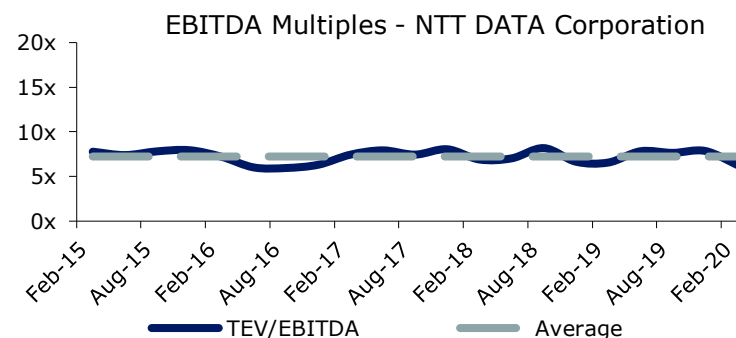
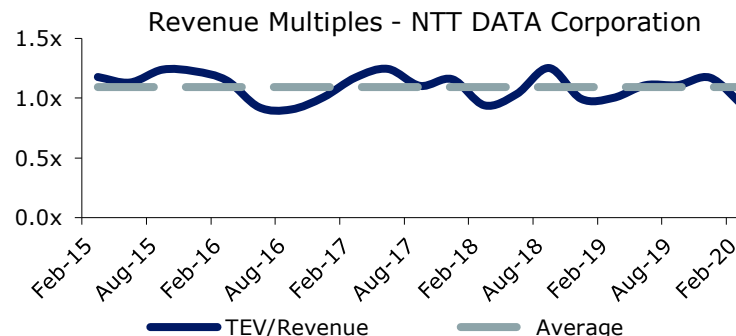
# Public Basket



## NTT DATA Corporation

NTT DATA Corporation provides consulting, system development, and business information technology (IT) outsourcing services worldwide. The company operates through four segments: Public & Social Infrastructure, Financial, Enterprise & Solutions, and Global. It offers business consulting services, such as business strategy, business process optimization, and organizational change management; and IT consulting services, including IT strategy and governance, information and knowledge management, and program management office consulting services. NTT DATA Corporation is a subsidiary of Nippon Telegraph and Telephone Corporation.

Date	Key Development Headline
1/29/20	Nippon Telegraph and Telephone Corporation, NTT DATA Corporation, NTT COMWARE Corporation, NTT Communications Corporation, NTT Ltd. and Nippon Telegraph and Telephone East Corporation Begin Joint Study with Denenchofufutaba Gakuen
9/23/19	Japan Exchange Group, Inc. (TSE:8697) completed the acquisition of 97.2% stake in Tokyo Commodity Exchange, Inc. from a group of sellers for ¥5.2 billion.
6/3/19	MagicCube to Form Partnership with NTT DATA Corporation to Secure Next Generation Payments, Acceptance, and Accelerate PCI Certification for Their Joint Customers
4/24/19	TRI-AD, Maxar Technologies and NTT DATA Corporation to Build High-Definition Maps for Autonomous Vehicles from Space



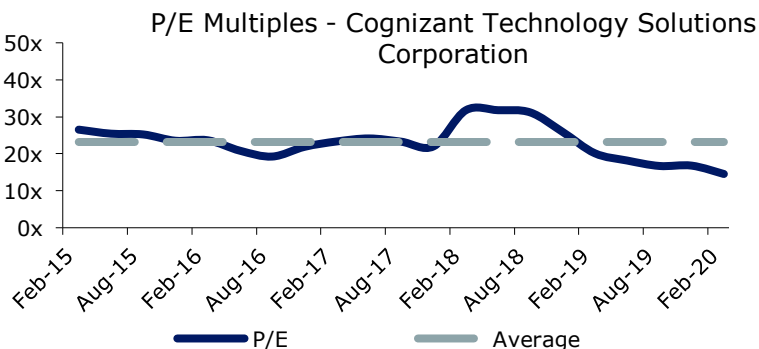
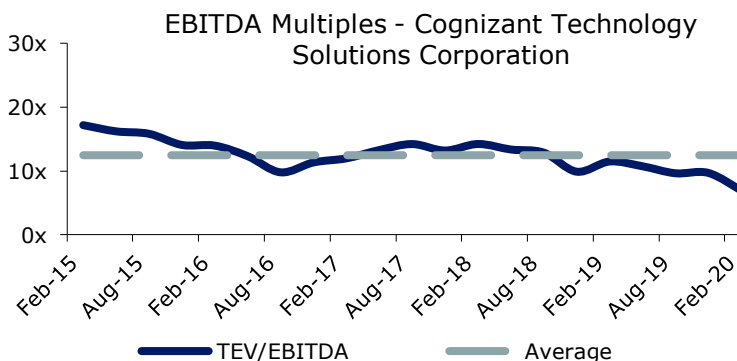
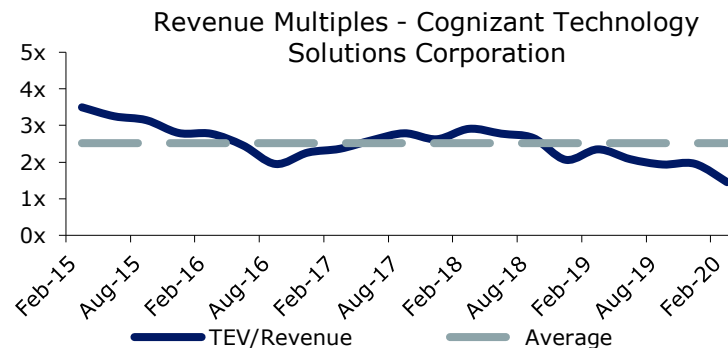
# Public Basket



## 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



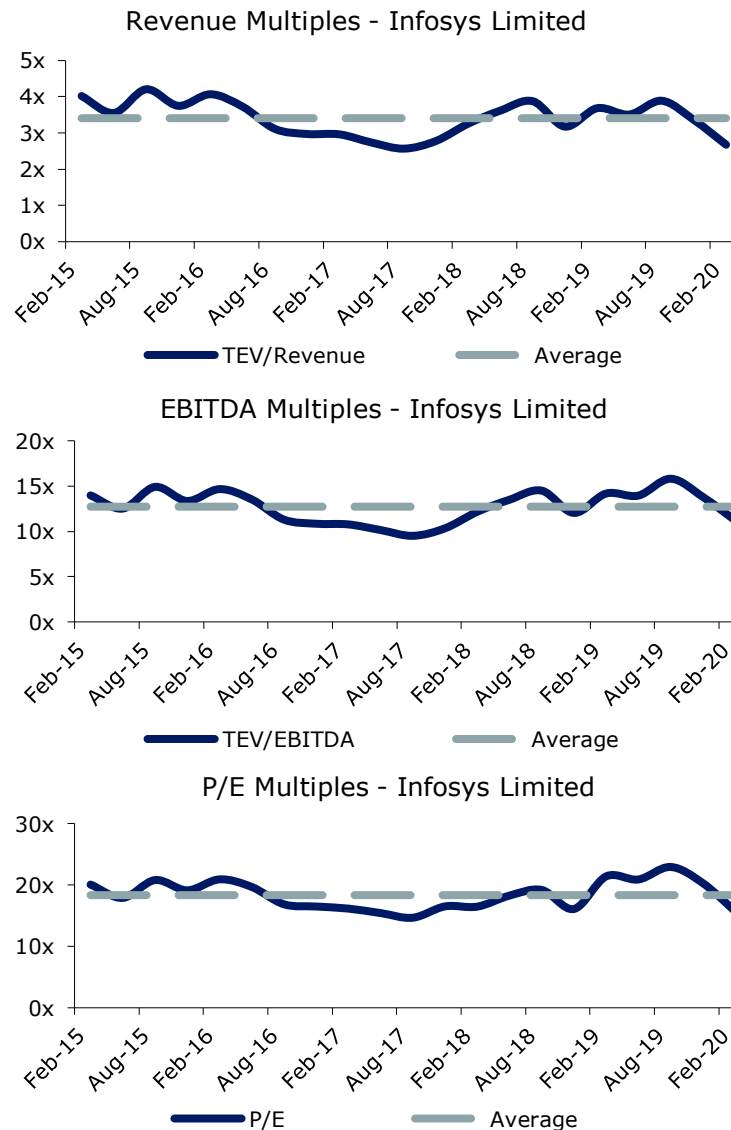
# Public Basket



## 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. 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
7/12/19	Infosys To Seek Acquisitions



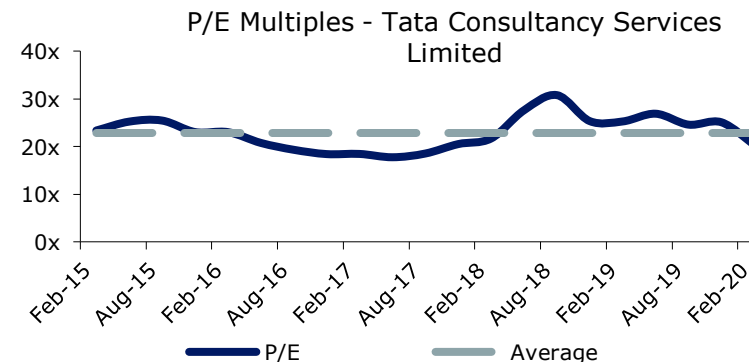
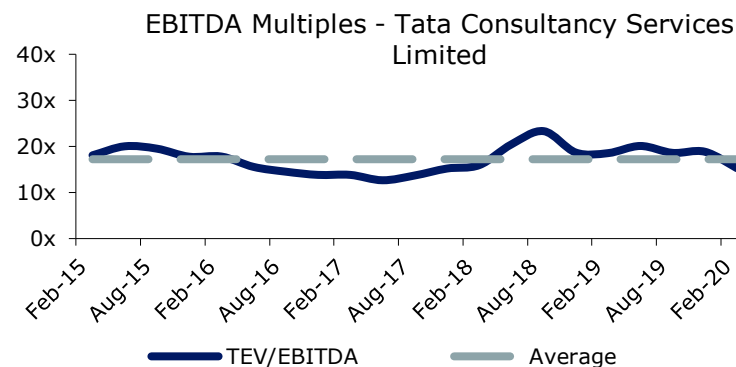
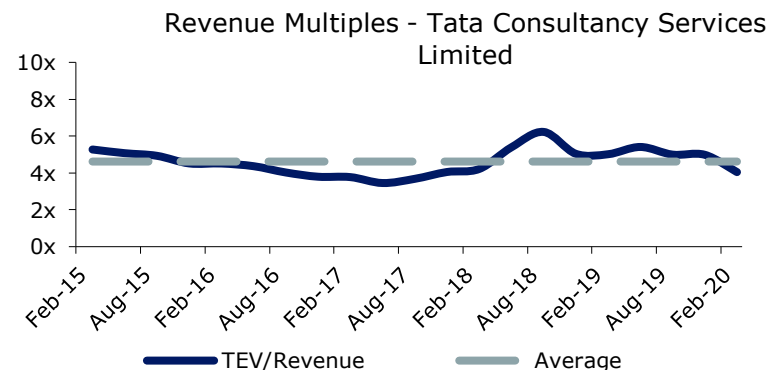
# Public Basket



## Tata Consultancy Services Limited

Tata Consultancy Services Limited provides information technology (IT) and IT enabled services worldwide. It offers CHROMA, a cloud-based talent management platform for enterprises to drive next generation employee experiences across the requisition-to-retain employee lifecycle; ignio, a cognitive automation system for IT operations in enterprises; iON, an assessment solution; TAP, an accounts payable platform; and TCS MasterCraft, a digital platform to automate and manage IT processes. Tata Consultancy Services Limited is a subsidiary of Tata Sons Limited.

Date	Key Development Headline
3/24/20	Zendesk, Inc. Announces Partnership with Tata Consultancy Services
9/15/19	Tata Consultancy Services Limited (NSEI:TCS) entered into an agreement to acquire Certain Assets of General Motors Technical Centre India Private Limited.
9/5/19	Posten Norge Expands Its Strategic Partnership with TCS to Enable Superior Customer Experience
4/14/19	Tata Consultancy Services To Seek Acquisitions



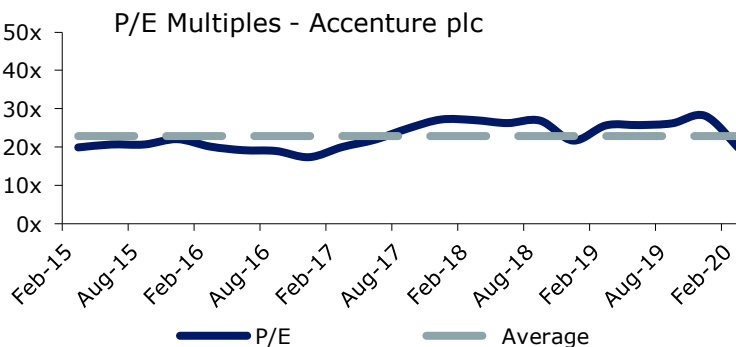
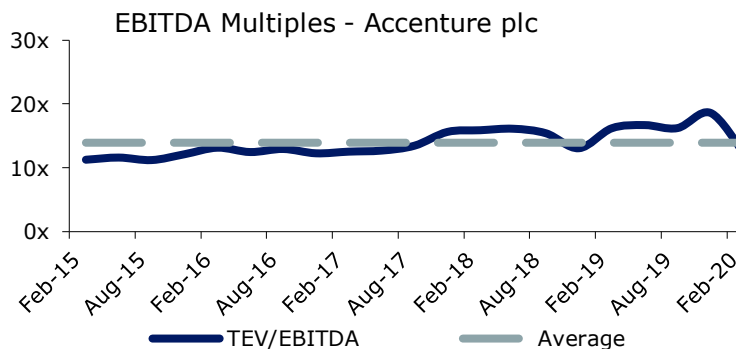
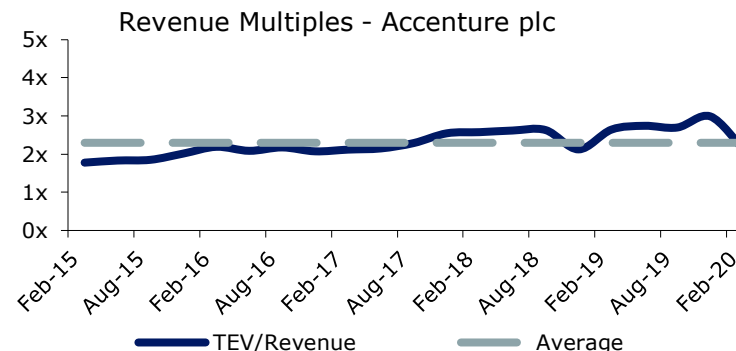
# Public Basket



## 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
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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