



# Sectorwatch: Software Engineering

April 2020

# Software Engineering

April 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

↓ -2.9%

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

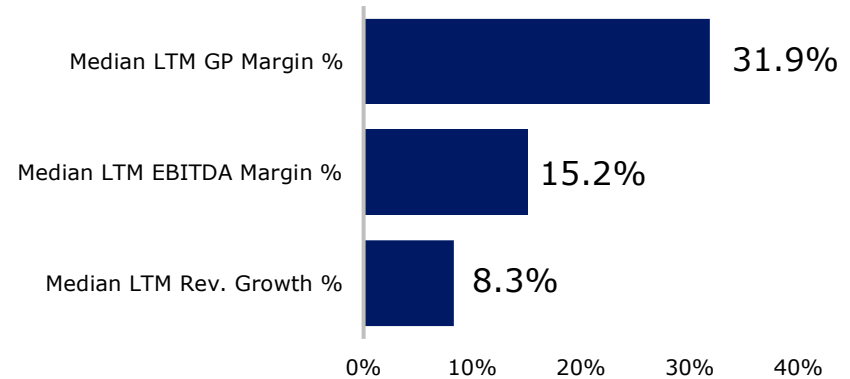
## Profitability

↓ -0.4%

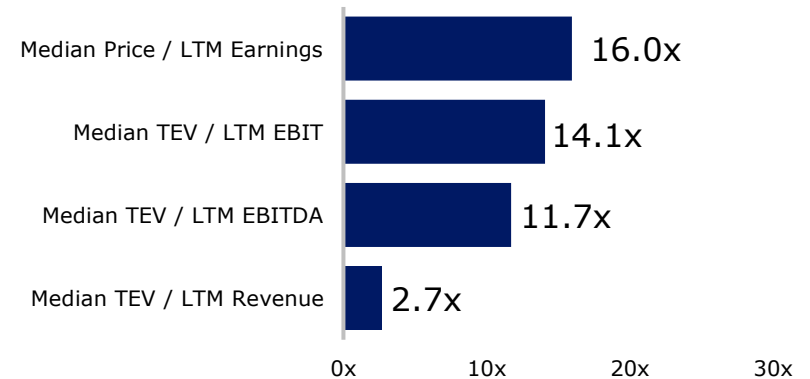
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

## Operating Metrics



## Valuation



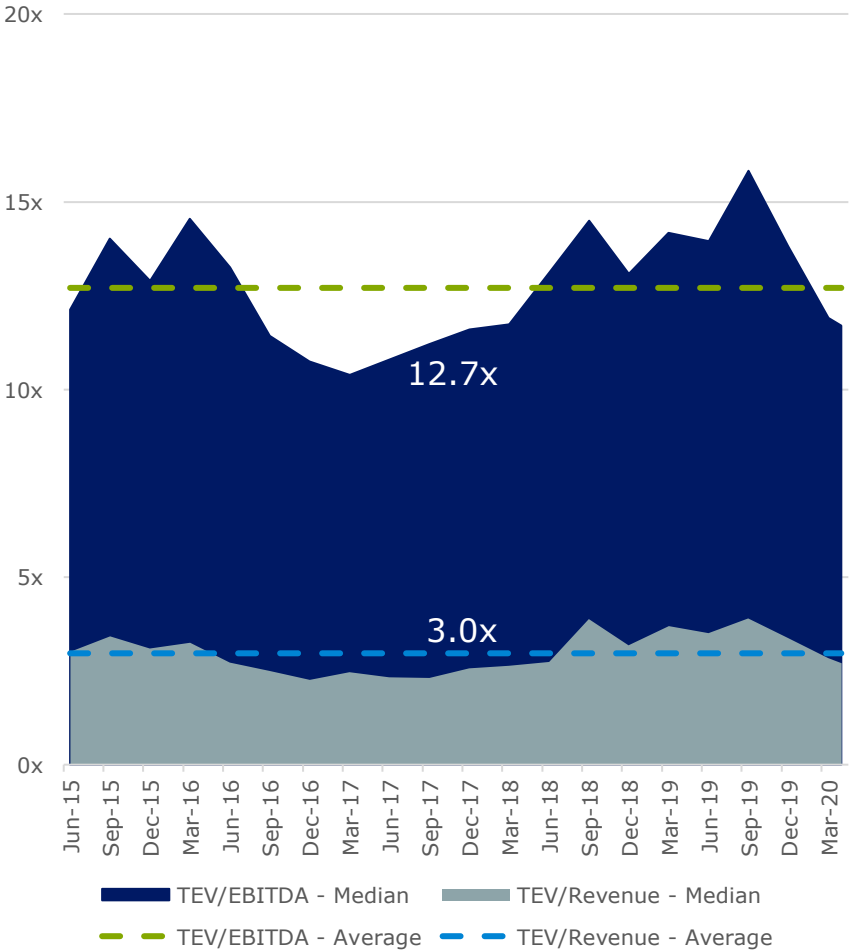
# Public Basket



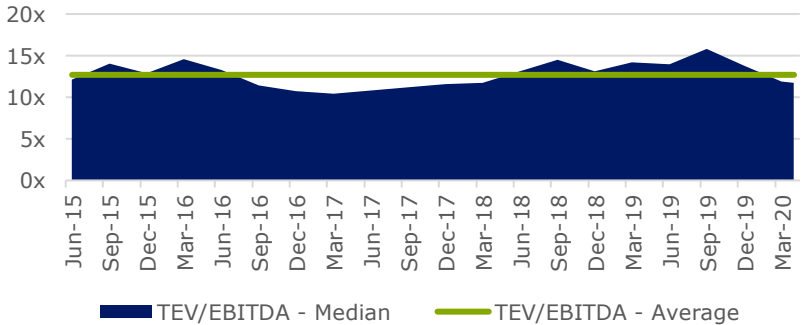
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
R Systems International Limited	107	114	16%	33%	9%	1.0	11.7	2,749	41
Persistent Systems Limited	356	488	6%	29%	13%	0.8	5.7	6,867	71
Endava plc	2,069	421	23%	28%	9%	4.9	53.4	5,754	73
Globant S.A.	3,950	659	26%	39%	18%	6.0	30.4	11,855	56
Wipro Limited	10,152	8,104	4%	29%	19%	1.3	6.3	182,886	44
EPAM Systems, Inc.	10,546	2,294	24%	35%	15%	4.6	24.9	36,739	62
Capgemini SE	16,007	15,851	7%	27%	13%	1.0	7.1	219,314	72
Infosys Limited	34,159	12,780	8%	32%	24%	2.7	11.0	242,371	53
Tata Consultancy Services Limited	85,707	20,843	7%	44%	27%	4.2	15.5	448,464	46
<b>Average</b>	18,117	6,839	14%	33%	16%	2.9	18.5	128,555	58
<b>Median</b>	10,152	2,294	8%	32%	15%	2.7	11.7	36,739	56

share price as of 24Apr20

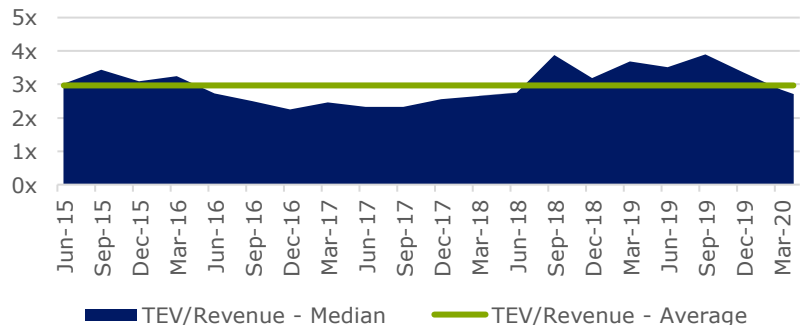
# Public Basket Valuation Trends



Public EBITDA Multiples over Time



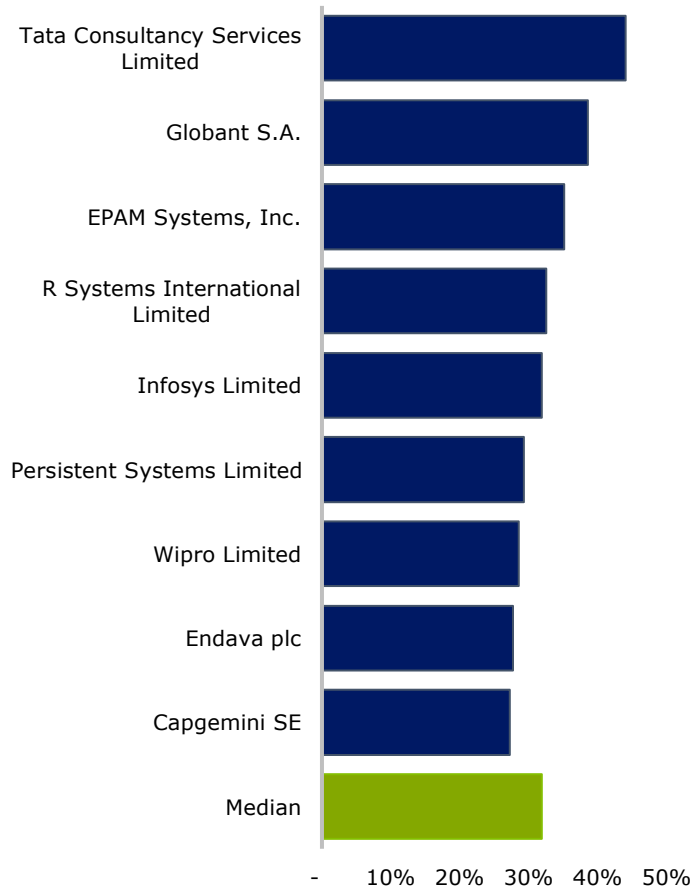
Public Revenue Multiples over Time



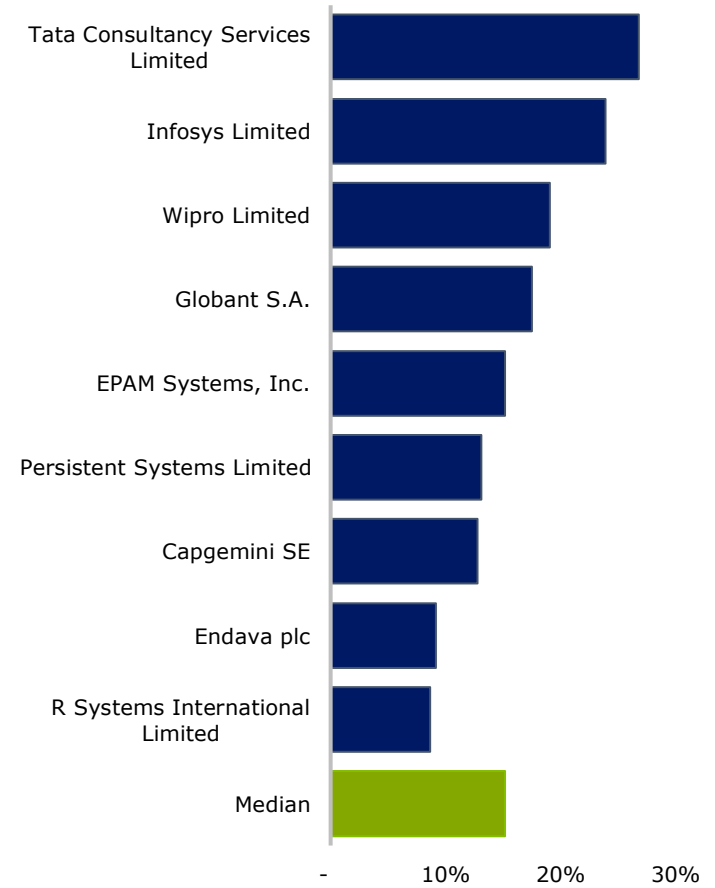
# Operational Metrics



LTM Gross Profit Margin %



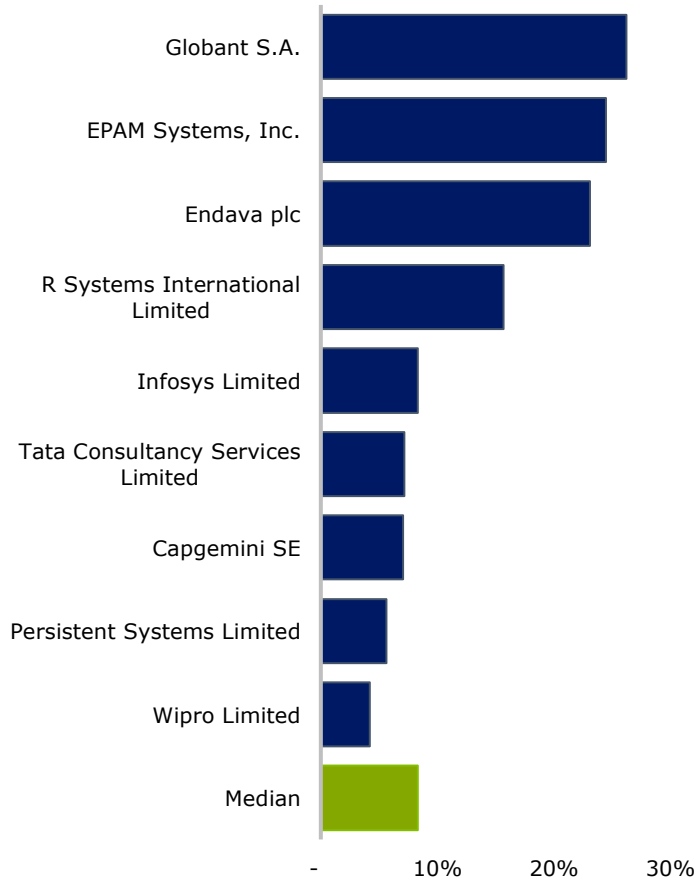
LTM EBITDA %



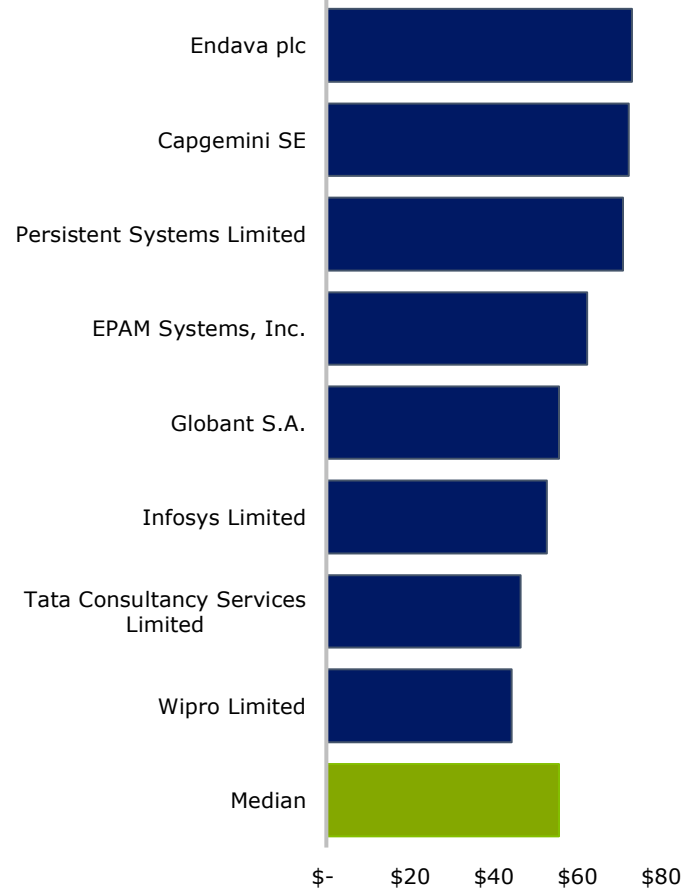
# Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's

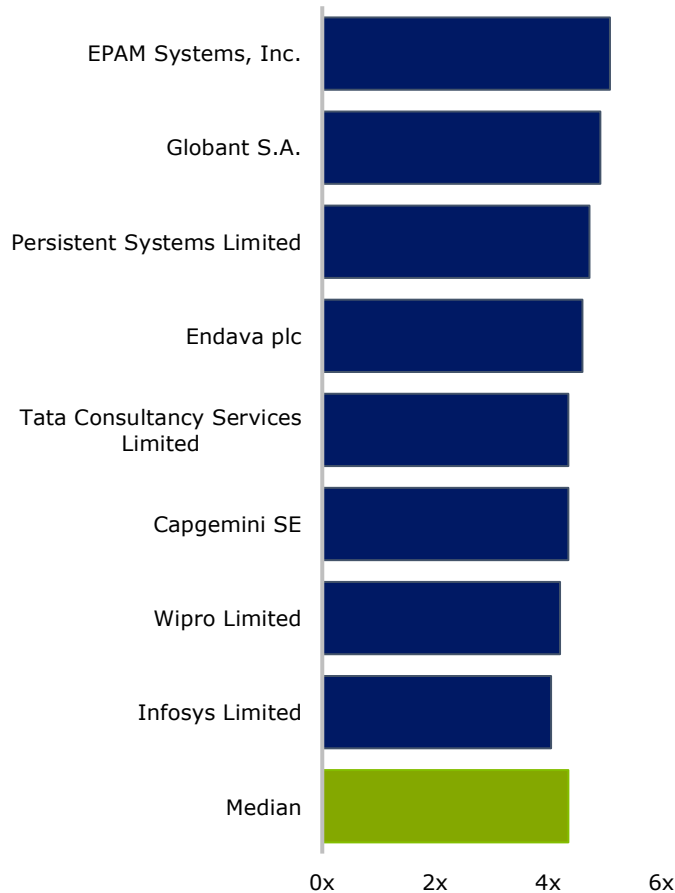




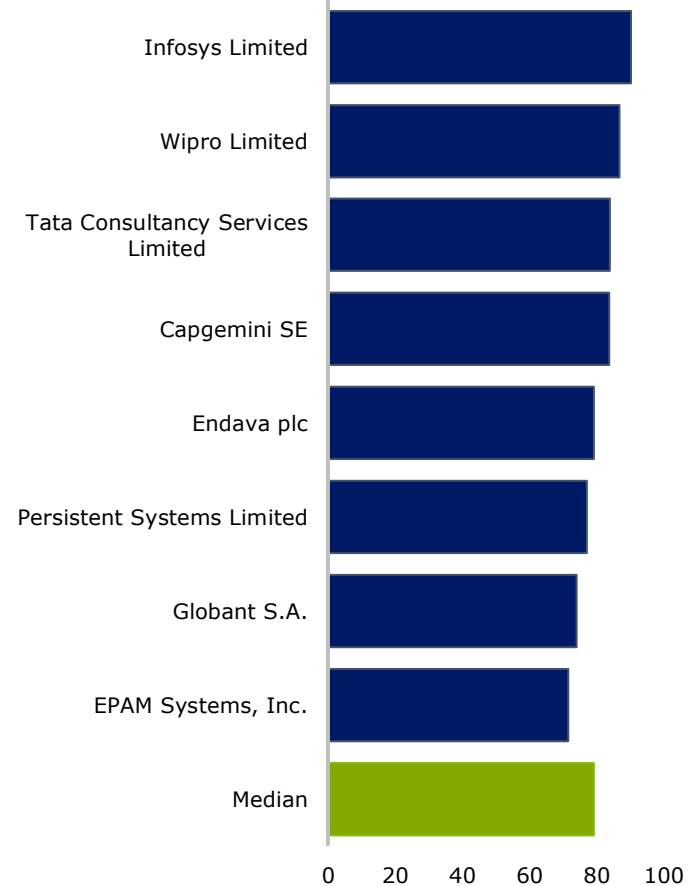
# Operational Metrics



## Accounts Receivable Turnover



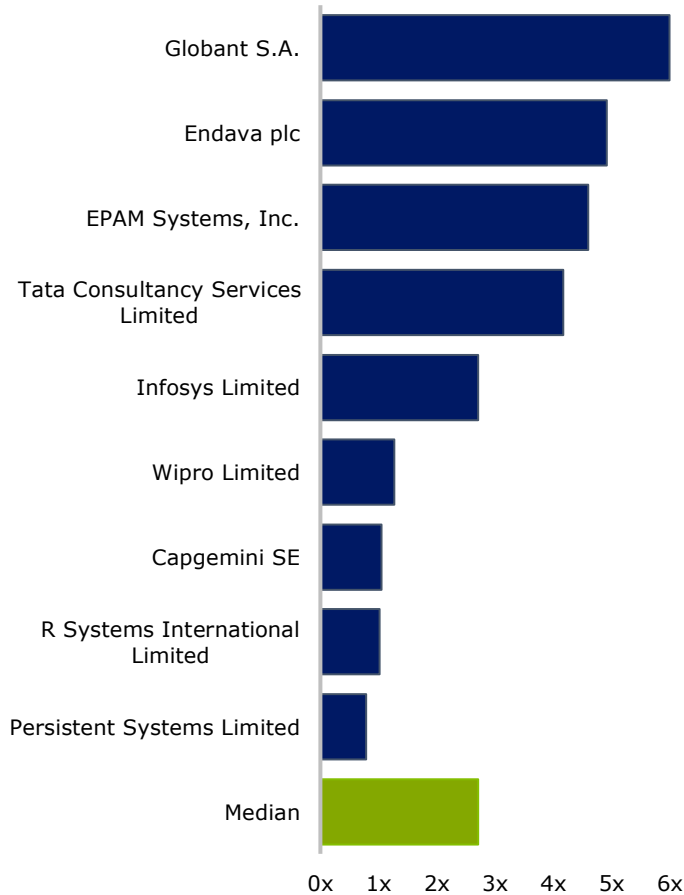
## Average Days Sales Outstanding



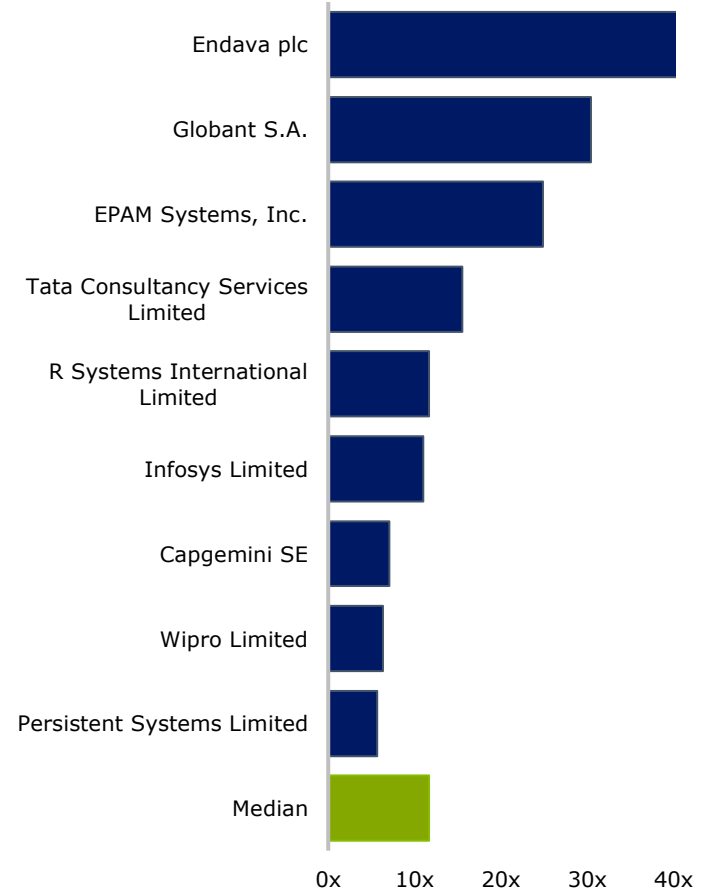
# Valuation



TEV / LTM Revenue



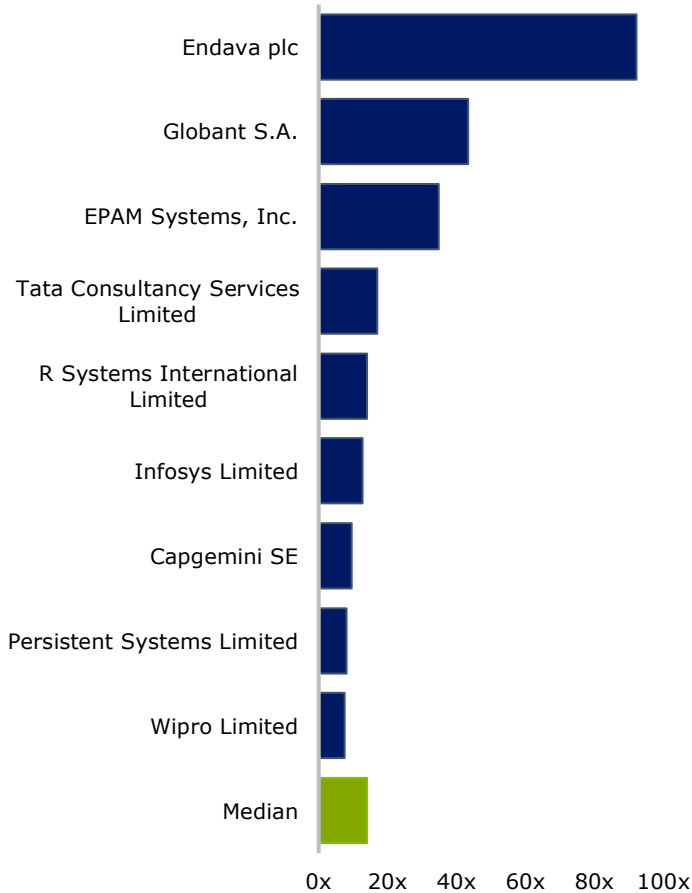
TEV / LTM EBITDA



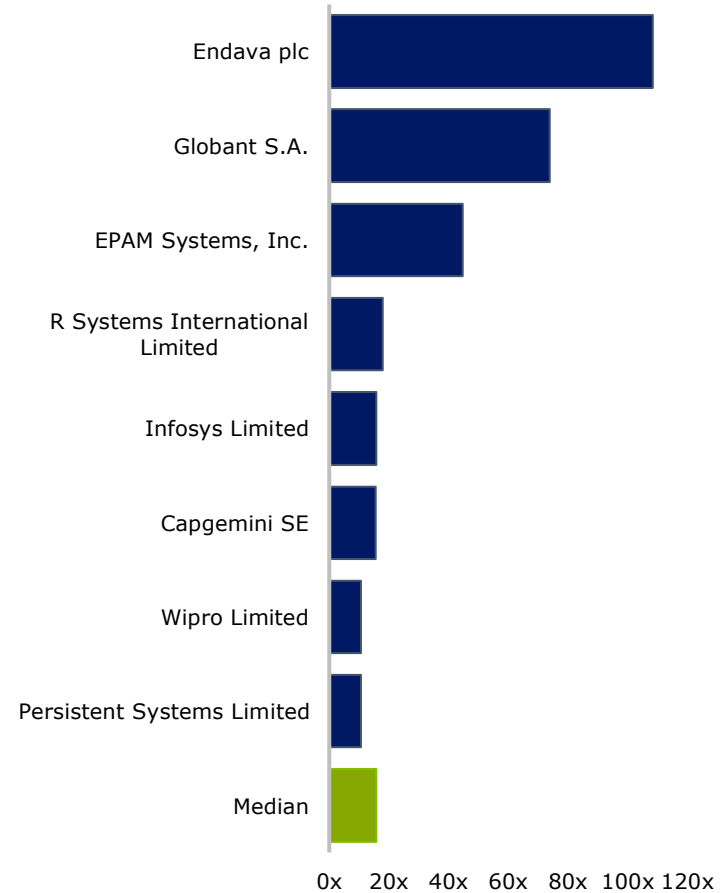
# Valuation



## TEV / LTM EBIT



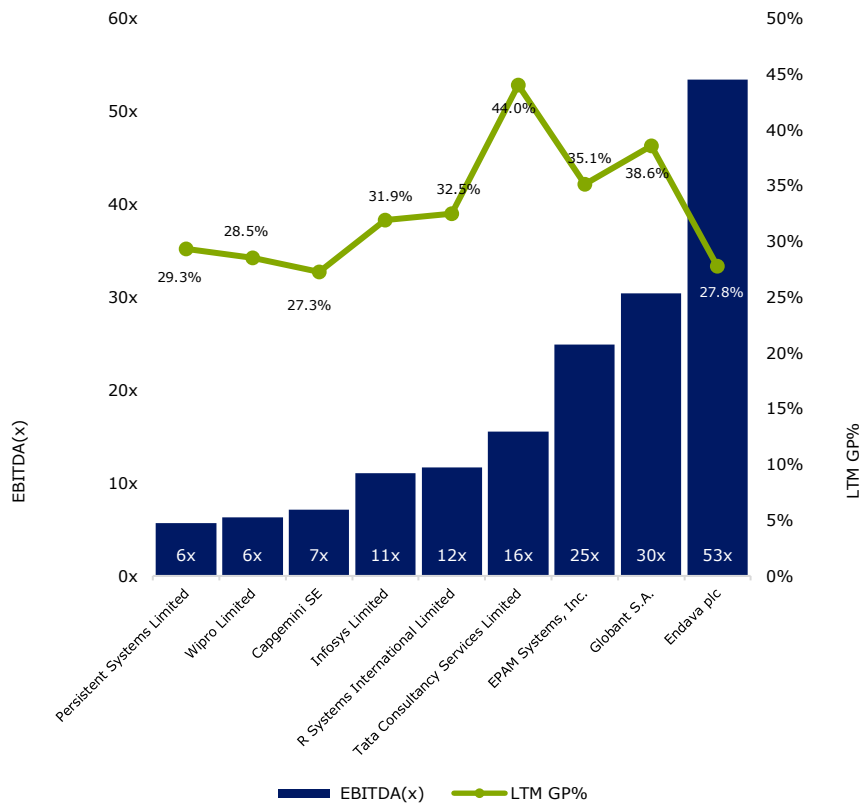
## Price / LTM Earnings



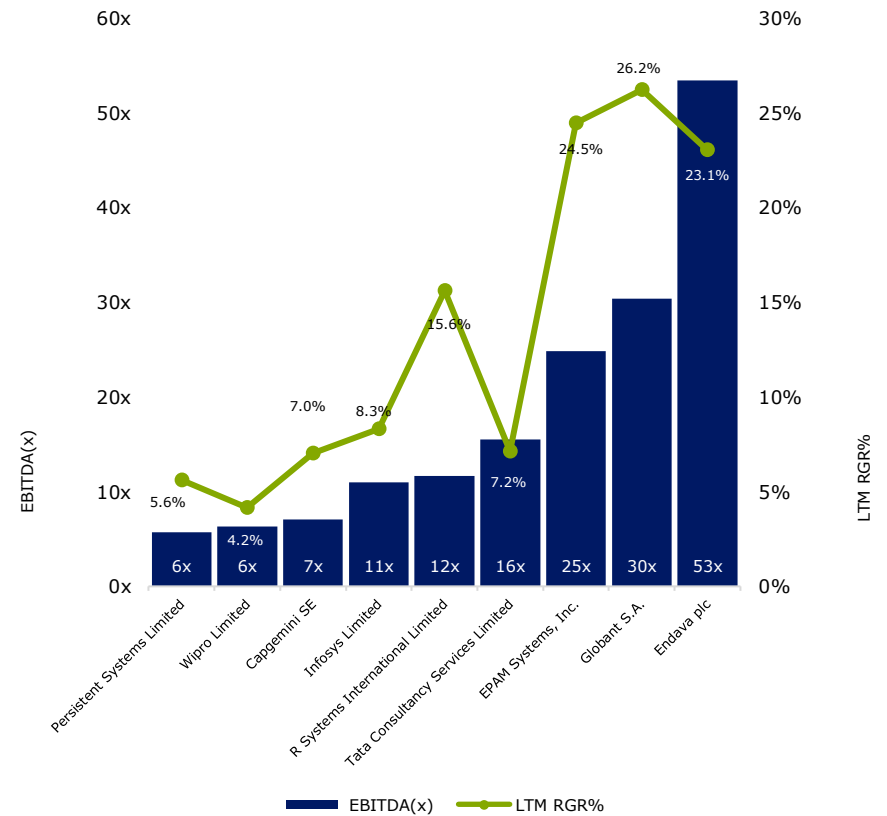
# Valuation



## 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
21Apr20	Information Strategies, Inc.	Sylogist Ltd.	2.47	3.89	0.6x	-
16Apr20	McorpCX, LLC	-	1.11	-	-	-
15Apr20	seneos GmbH	Hitachi Automotive Systems, Ltd.	-	-	-	-
14Apr20	Crea d.o.o.	nChain Holdings Limited	-	-	-	-
10Apr20	TradeTicity d.o.o.	Antares Vision S.p.A.	1.14	1.09	1.3x	-
6Apr20	IKOR AG	Ufenau Capital Partners AG	-	-	-	-
26Mar20	Insigma Technology Co., Ltd.	Zhejiang Wanliyang Co., Ltd.	69.76	504.66	2.7x	23.9x
20Mar20	CodeValue/WellDone Software	-	4.99	-	-	-
16Mar20	Checkmarx Ltd.	Hellman & Friedman LLC; TPG Capital, L.P.	-	-	-	-
16Mar20	AASKI Technology, Inc.	MAG Aerospace, Inc.	-	-	-	-
10Mar20	ESR Labs AG	Accenture Industry X.0	-	-	-	-
10Mar20	Thinkmap, Inc.	IXL Learning, Inc.	-	-	-	-
10Mar20	Cloudcover Consultancy Pvt Ltd.	ST Telemedia	-	-	-	-
9Mar20	Assets of MacGAMUT Music Software, Inc.	Artusi, Inc.	-	-	-	-
5Mar20	CMORE Automotive GmbH	Luxoft Holding, Inc.	-	-	-	-
4Mar20	Bexar Ventures Inc.	Wedge Networks Inc.	-	0.26	-	-
28Feb20	ProShip, Inc.	FOG Software Group	15.00	-	-	-
28Feb20	Webimpact, Inc.	Navitas Co., Ltd.	-	-	-	-
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.	-	-	-	-

# Software Engineering

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APPENDIX:  
Public Basket  
Constituents

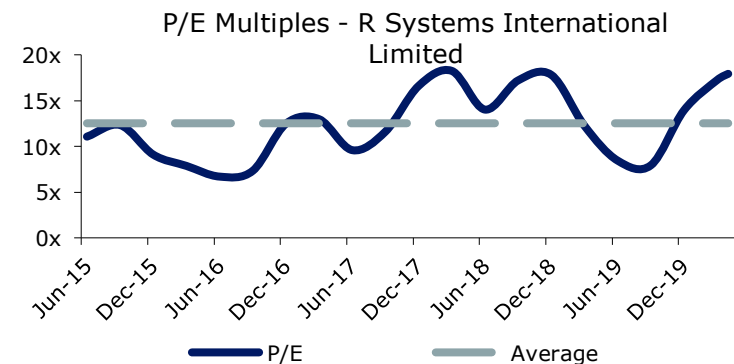
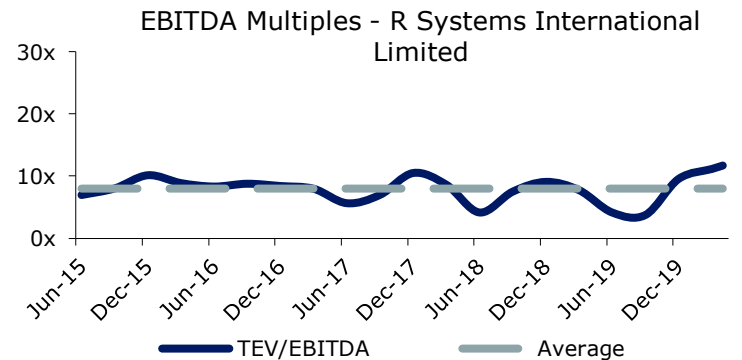
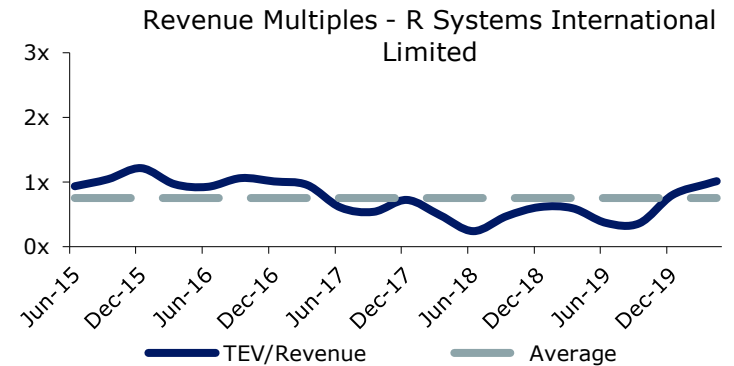
# Public Basket



## R Systems International Limited

R Systems International Limited provides information technology (IT) solutions and business process outsourcing (BPO) services worldwide. The company offers Computaris Convergent Charging solution to converge real-time rating, charging, and billing; mobile broadband management solutions; Computaris mobile virtual network operator (MVNO) in a White Box solution for MVNOs business exigencies; and value added services, as well as product development and maintenance, system integration, technical support and managed, BPO, and testing services to the telecom and digital media industries. It also provides services in area of card less/NFC based transactions; mobile/tablet applications; product customization/maintenance/ support; ATM management; third-party and customer relationship management integration; ATM on cloud; deposit automation; and passbook printing solutions to financial institutes and software companies. In addition, the company offers OPD-integrated product lifecycle management services, domain consultancy, enterprise application integration, independent testing, implementation, offshore product development, software re-engineering, requirement engineering and GAP analysis. The company was founded in 1993 and is headquartered in Noida, India.

Date	Key Development Headline
12/27/19	R Systems International Limited (BSE:532735) cancelled the acquisition of GM Solutions Private Limited.



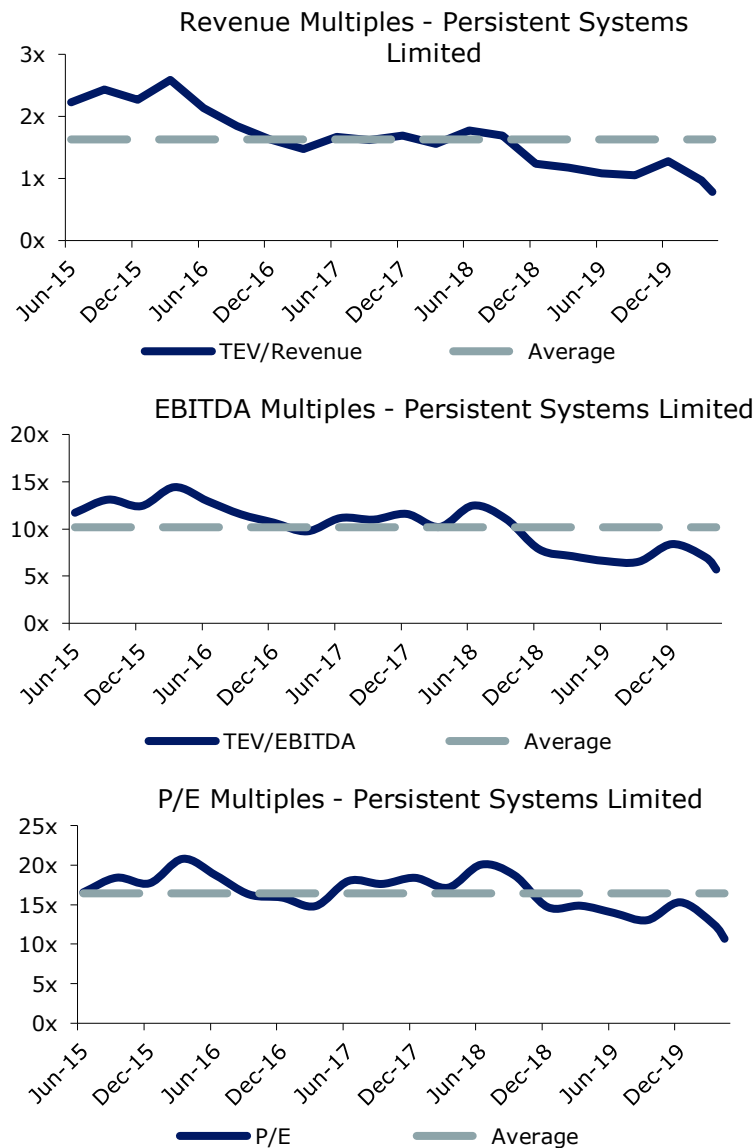
# Public Basket



## Persistent Systems Limited

Persistent Systems Limited provides computer programming, consultancy, and related services. It operates in four segments: Services, Digital, Alliance, and Accelerite. The company engages in providing software development, professional, and marketing services; technology solutions in the life sciences, telecom, product lifecycle management, and digital practice domains; and the delivery and maintenance of IT software and services. It is also involved in the business of a telecommunication API gateway for defining, exposing, controlling, and monetizing telecom services to partners and application developers; and operating an Internet of Things service creation platform that allows enterprises to add a service layer to the basic APIs exposed to by connected devices, and to expose and monetize these APIs. It serves the banking, financial services, insurance, healthcare and life sciences, and software and technology industries. Persistent Systems Limited was incorporated in 1990 and is based in Pune, India.

Date	Key Development Headline
1/14/20	Persistent Systems Limited and Gojoko Announces Joint Offering the Community Lenders Gô Digital® Platform Running on Persistent Digital Credit Union Solution
4/30/19	Persistent Systems Intends To Seek Acquisitions
1/28/19	Persistent Systems Intends To Seek Acquisitions





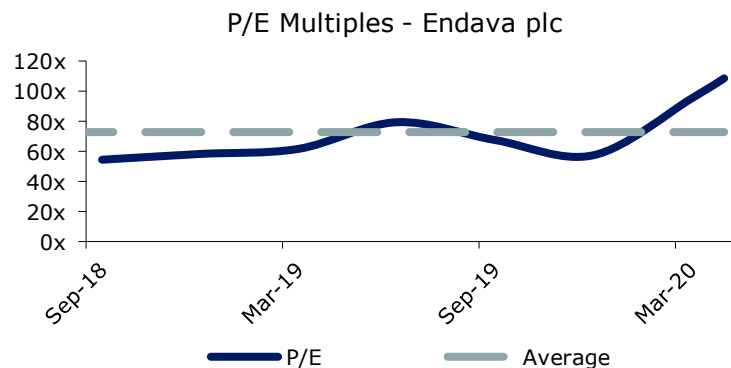
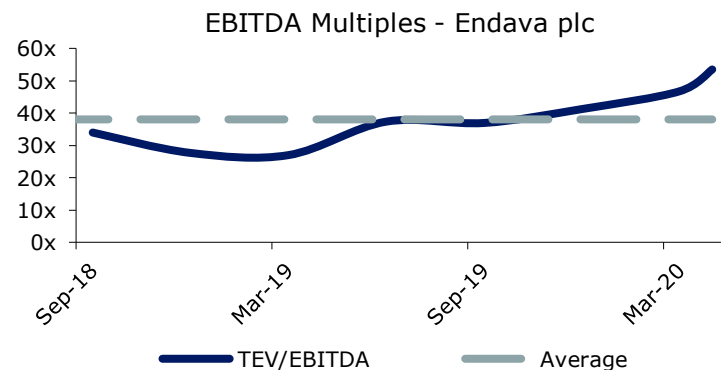
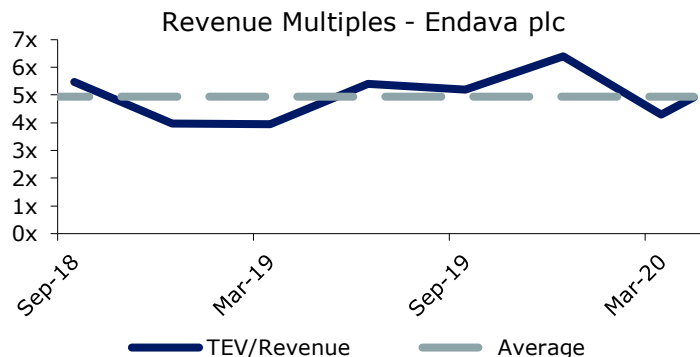
# Public Basket



## 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.
11/18/19	Endava to Seek Acquisitions
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.



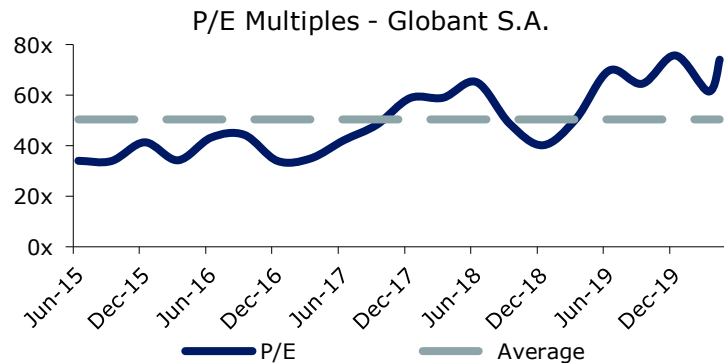
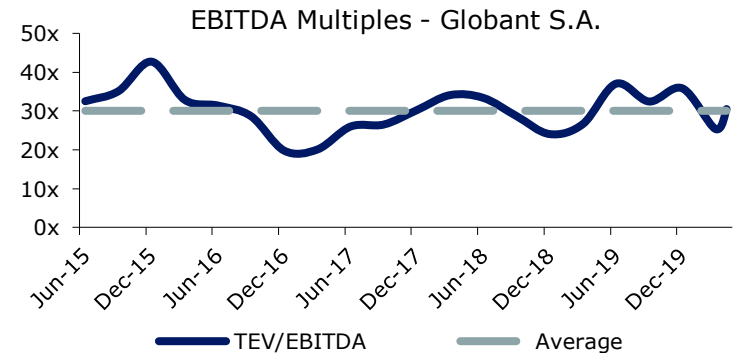
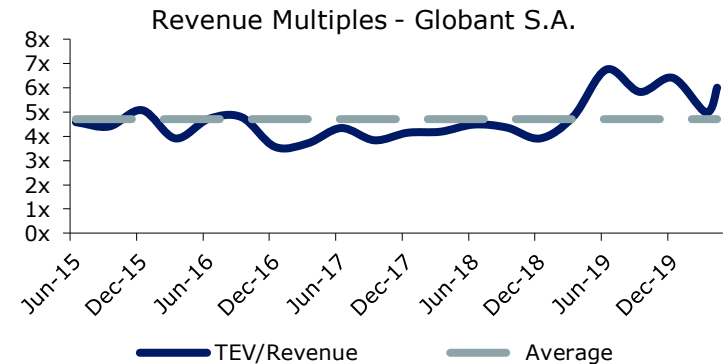
# Public Basket



## Globant S.A.

Globant S.A. operates as a technology services company 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, consultancy, fast prototyping, app evolution, platform integration, and hardware integration 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 Avanxo (Bermuda) Limited.
1/17/19	Globant S.A. (NYSE:GLOB) entered into a binding agreement to acquire Avanxo Colombia for \$48.6 million.



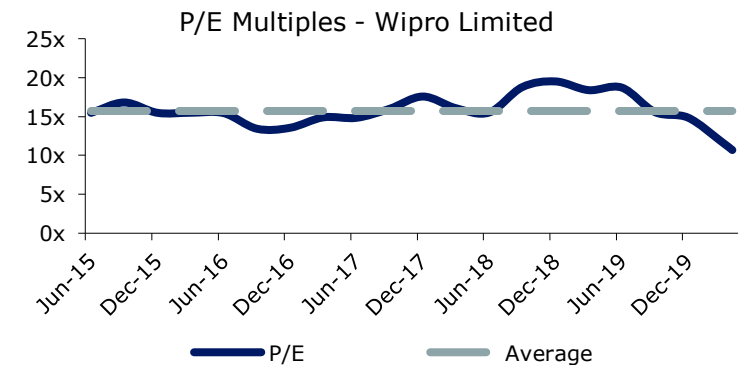
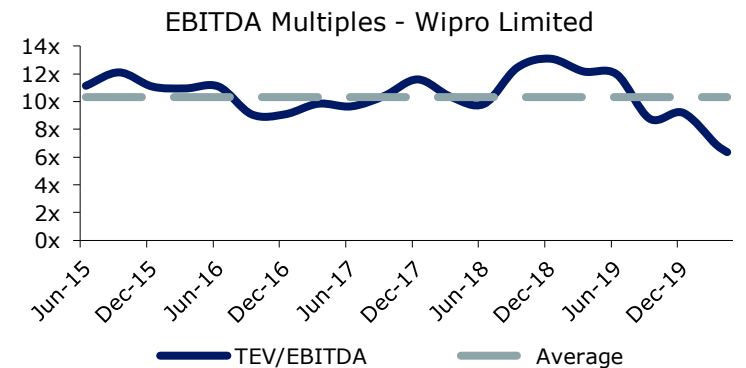
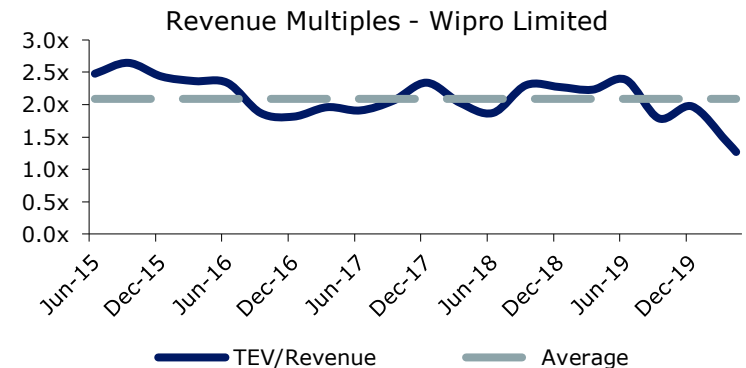
# Public Basket



## 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
3/18/20	Wipro Launches Microsoft Business Unit for Digital Transformation Solutions
3/12/20	Wipro Limited Enters into Agreement with SAP SE
1/31/20	Wipro and Smart Energy Water Form Global Strategic Alliance to Accelerate Digital Transformation for Enterprises
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



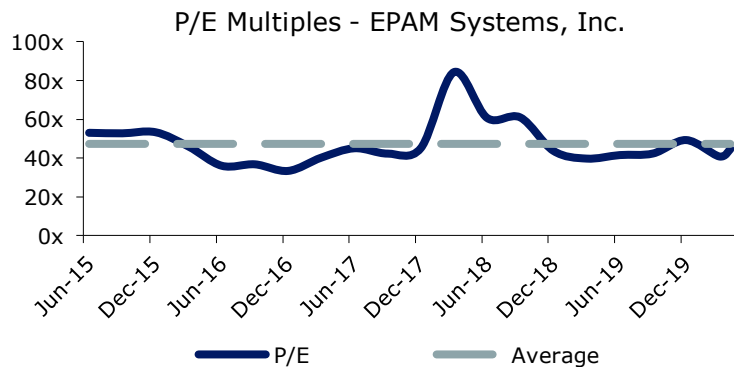
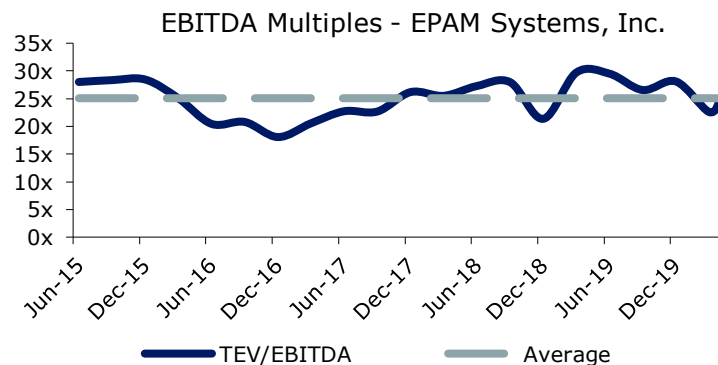
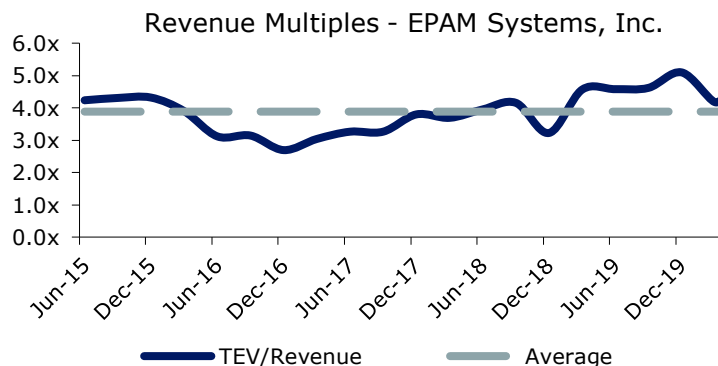
# Public Basket



## 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



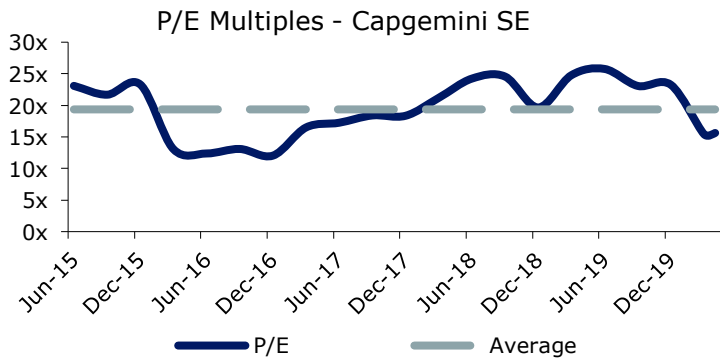
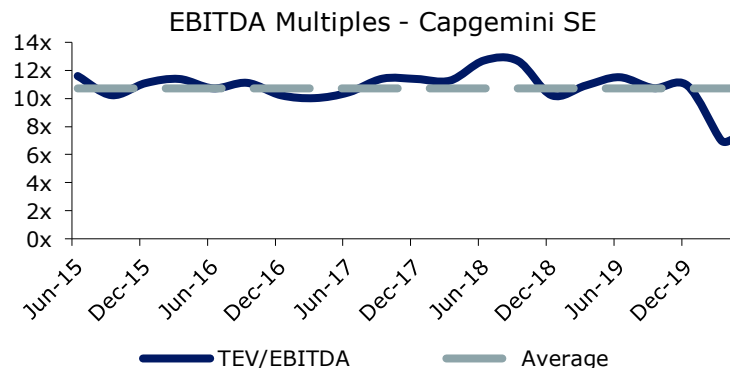
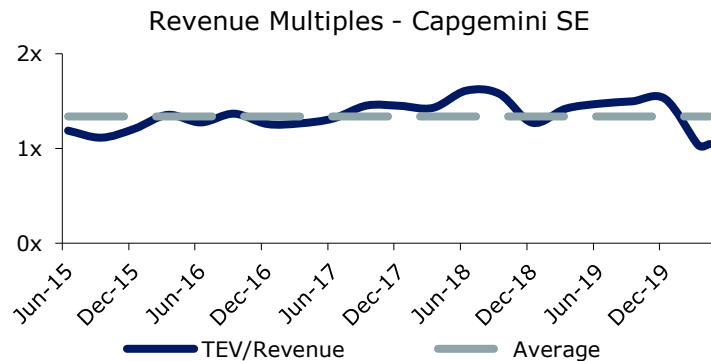
# Public Basket



## 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

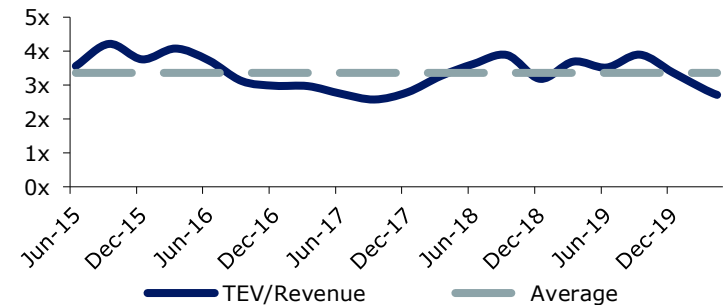


## Infosys Limited

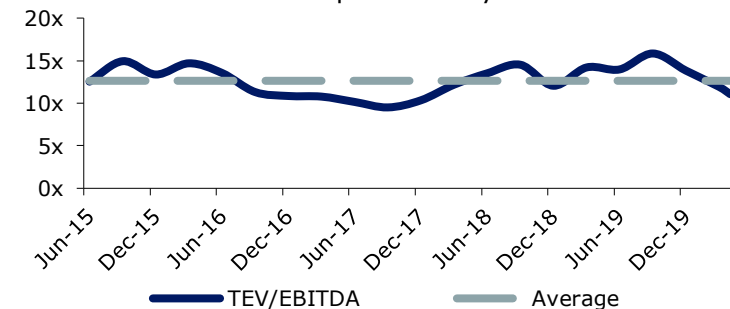
Infosys Limited, together with its subsidiaries, provides consulting, technology, and outsourcing services in North America, Europe, India, and internationally. It provides business information technology services, including application development and maintenance, independent validation, infrastructure 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

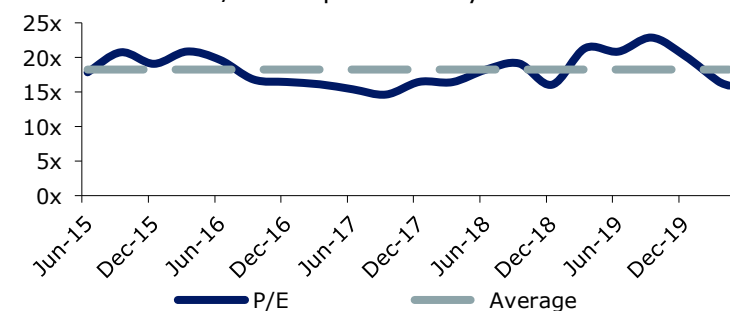
Revenue Multiples - Infosys Limited



EBITDA Multiples - Infosys Limited



P/E Multiples - Infosys Limited



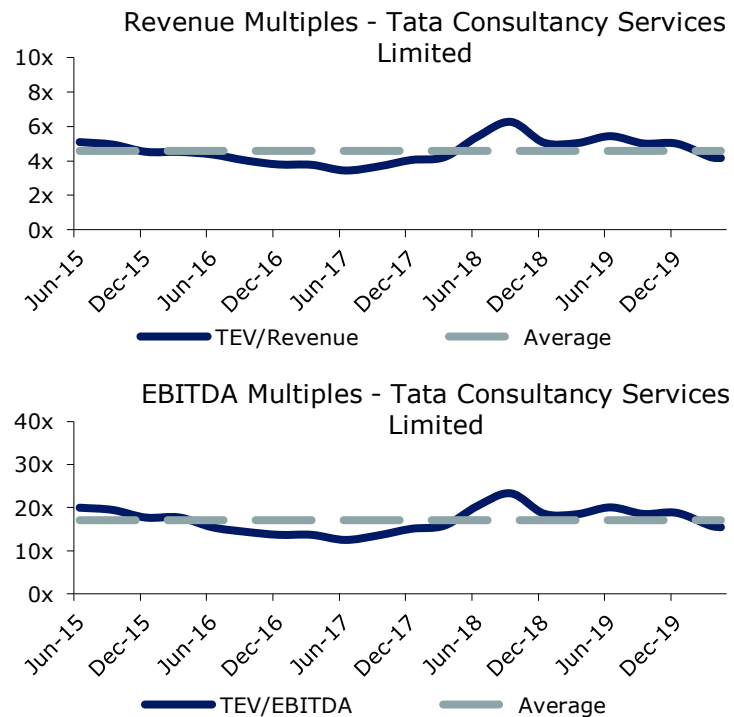
# Public Basket



## Tata Consultancy Services Limited

Tata Consultancy Services Limited provides information technology (IT) and IT enabled services worldwide. The company offers CHROMA, a cloud-based talent management solution that enables organizations to drive transformational employee experiences; ignio, a cognitive automation system; iON, an assessment solution; TAP, a cloud solution, including TAP contract management, purchasing, accounts payable, and supplier management solutions; and TCS MasterCraft, a digital platform to automate and manage IT processes. It also provides customer intelligence and insight solutions to deliver personalized retail, banking, and communications experiences; Intelligent Urban Exchange, an enterprise software to accelerate smart city transportation, water, and energy programs for cities. 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



# 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
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
Garth Martin, Vice President	704.973.3997	garth.martin@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
Steve Buffington, Associate	704.960.1828	steve@7mileadvisors.com
Dennis Fox, Associate	704.706.9168	dennis@7mileadvisors.com
Daniel Kim, Associate	704.912.4584	daniel@7mileadvisors.com
Olufunke Abass, Associate	704.285.8171	olufunke@7mileadvisors.com
Robin Siegel, Analyst	704.490.4714	robin@7mileadvisors.com