

7-Mile Advisors



Sectorwatch: IT Consulting

May 2020



7MA

IT Consulting

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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

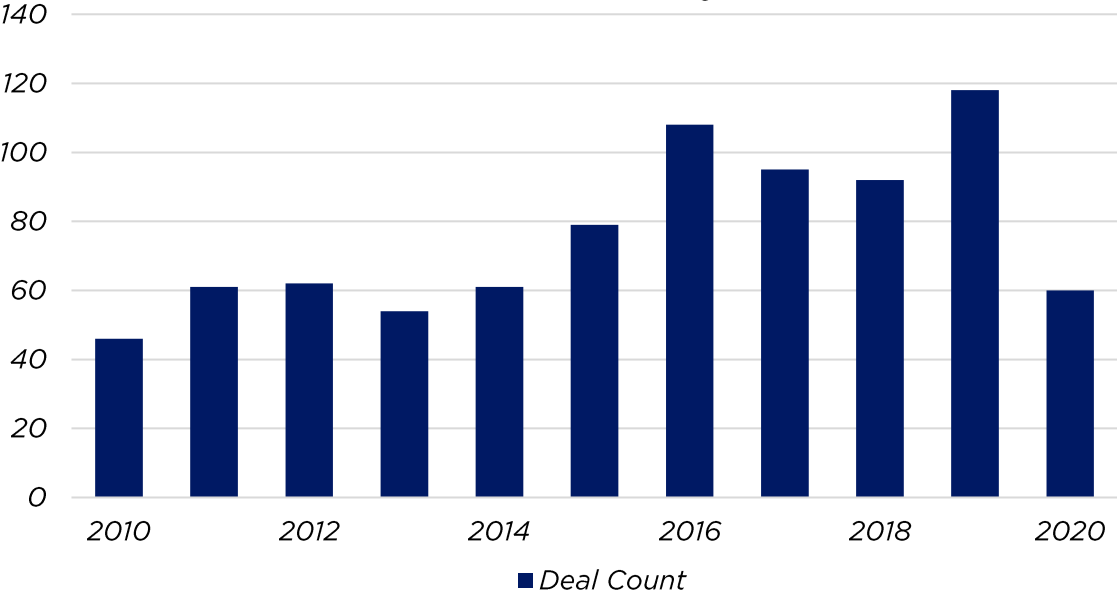
- The most recently announced deals in the sector

Dashboard

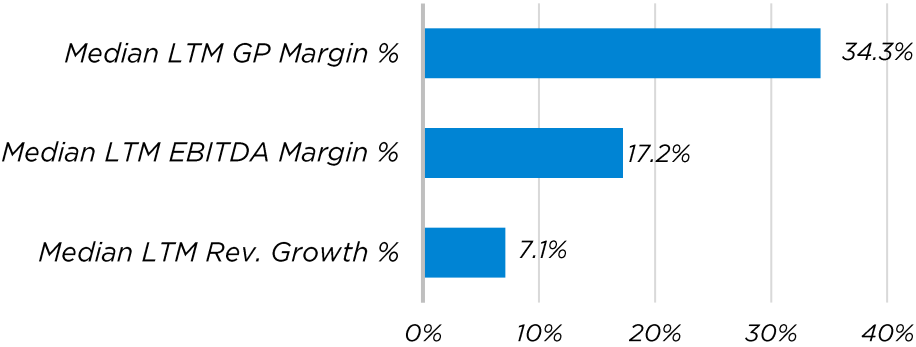
REVENUE GROWTH MOMENTUM ↓ -0.7%

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.

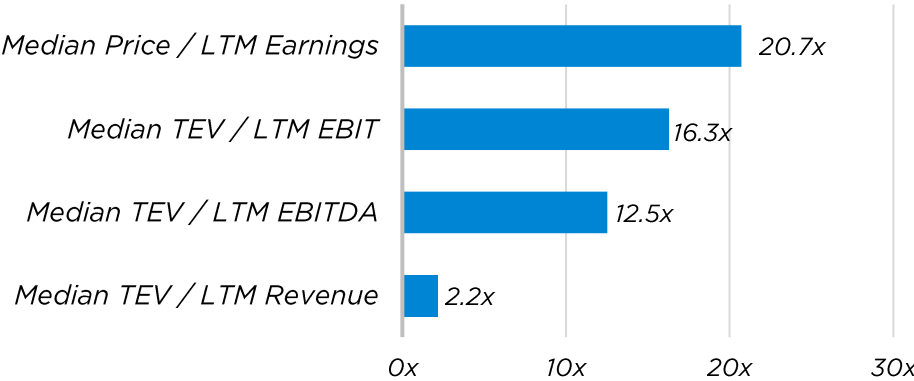
M&A Activity



Operating Metrics



Valuation



Public Basket Overview



Information Technology Consulting



Business Management Software



Technology Service Provider



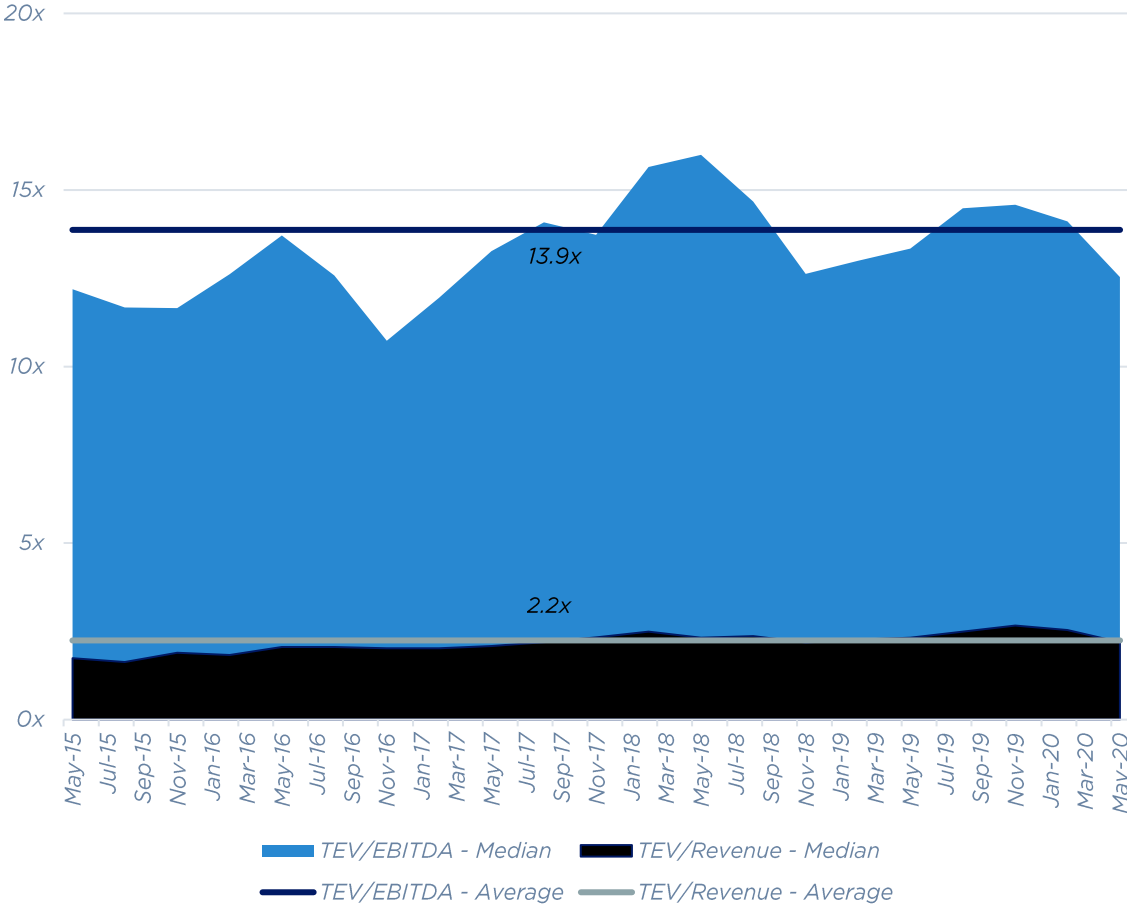
Data Management Software



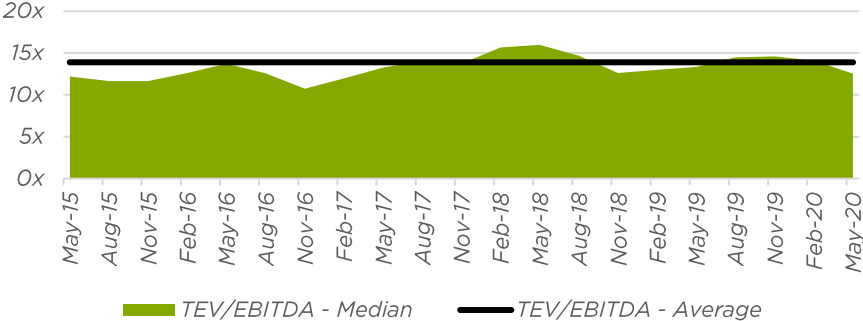
Public Basket

Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Perficient	1141.4	76.0	565.5	13.5%	37.4%	13.4%	2.0x	15.0x	3,454	164
Reply	2473.5	224.0	1323.8	14.2%	49.3%	16.9%	1.9x	11.0x	8,157	162
EPAM Systems	10546.2	392.0	2293.8	24.5%	35.1%	17.1%	4.6x	26.9x	36,739	62
CGI Group	18585.9	1619.3	9192.4	4.7%	19.0%	17.6%	2.0x	11.5x	78,000	118
Capgemini	15508.5	2180.7	15812.2	7.0%	27.3%	13.8%	1.0x	7.1x	219,314	72
NTT Data	18586.2	3094.2	20683.1	6.9%	25.4%	15.0%	0.9x	6.0x	126,953	163
Cognizant Technology Solutions	27375.2	2919.0	16783.0	4.1%	36.6%	17.4%	1.6x	9.4x	291,700	58
Infosys	34090.5	2820.0	12642.0	9.5%	33.2%	22.3%	2.7x	10.9x	236,486	53
Tata Consultancy Services	87790.1	6078.1	22113.3	7.2%	44.0%	27.5%	4.0x	14.4x	450,738	49
Accenture	110347.1	7807.6	44655.8	5.7%	31.3%	17.5%	2.5x	14.1x	509,000	88
Average	32,644.5	2,721.1	14,606.5	9.7%	33.8%	17.8%	2.3x	12.6x	196,054	99
Median	18,586.0	2,500.3	14,227.1	7.1%	34.2%	17.2%	2.0x	11.3x	173,134	80

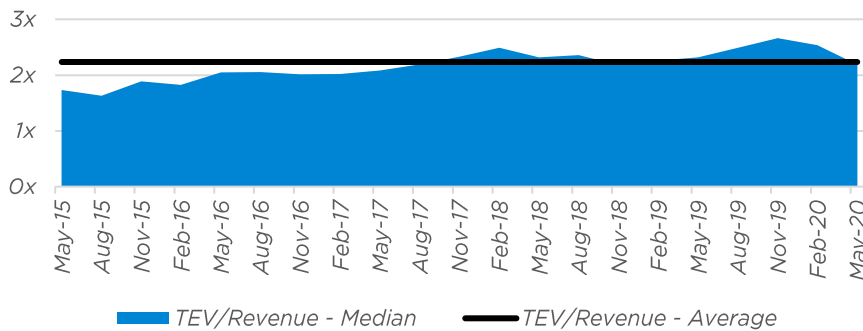
Public Basket



Public EBITDA Multiples over Time

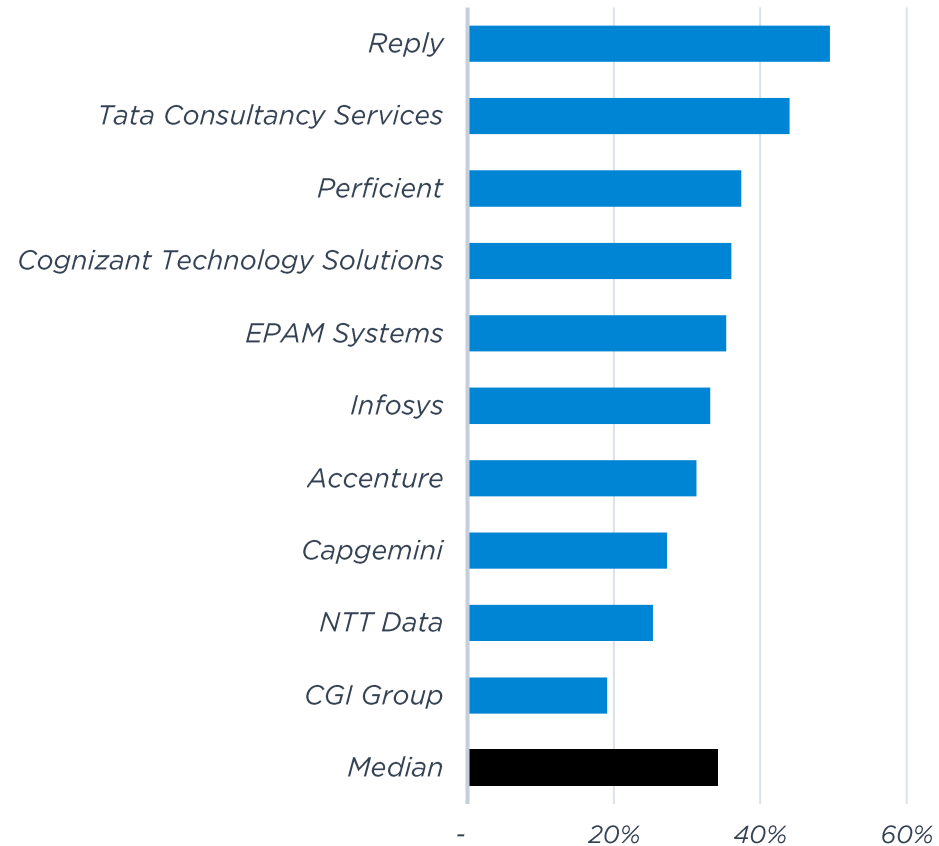


Public Revenue Multiples over Time

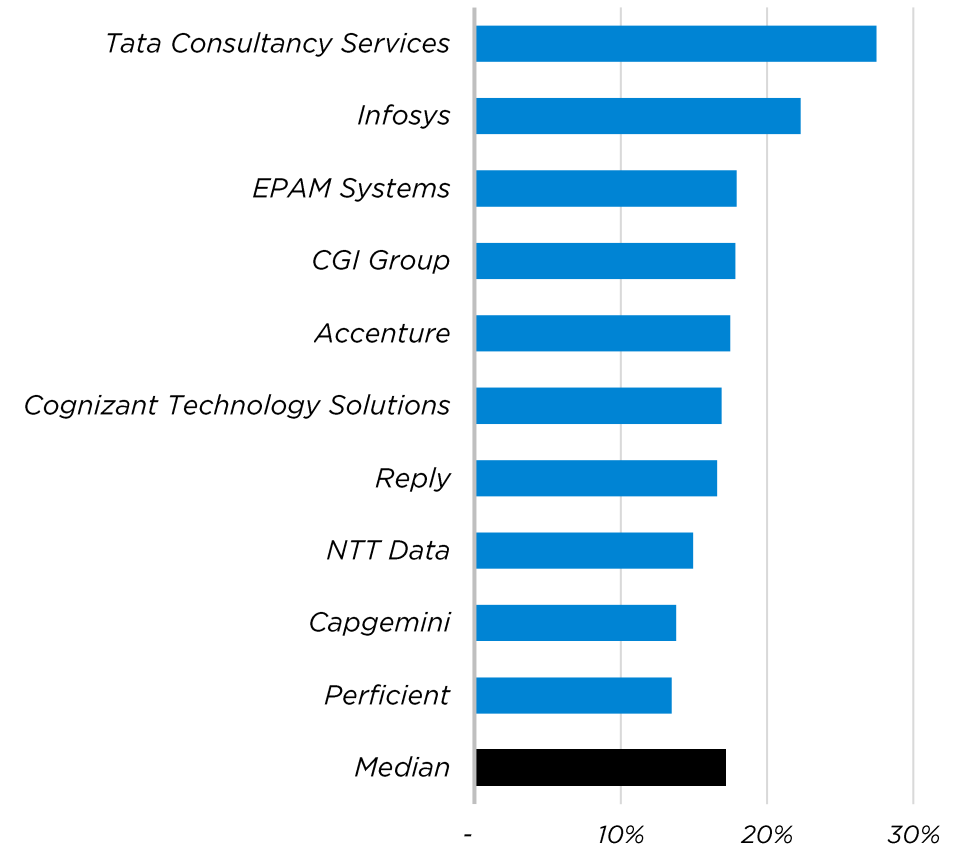


Operational Metrics

LTM Gross Profit Margin %

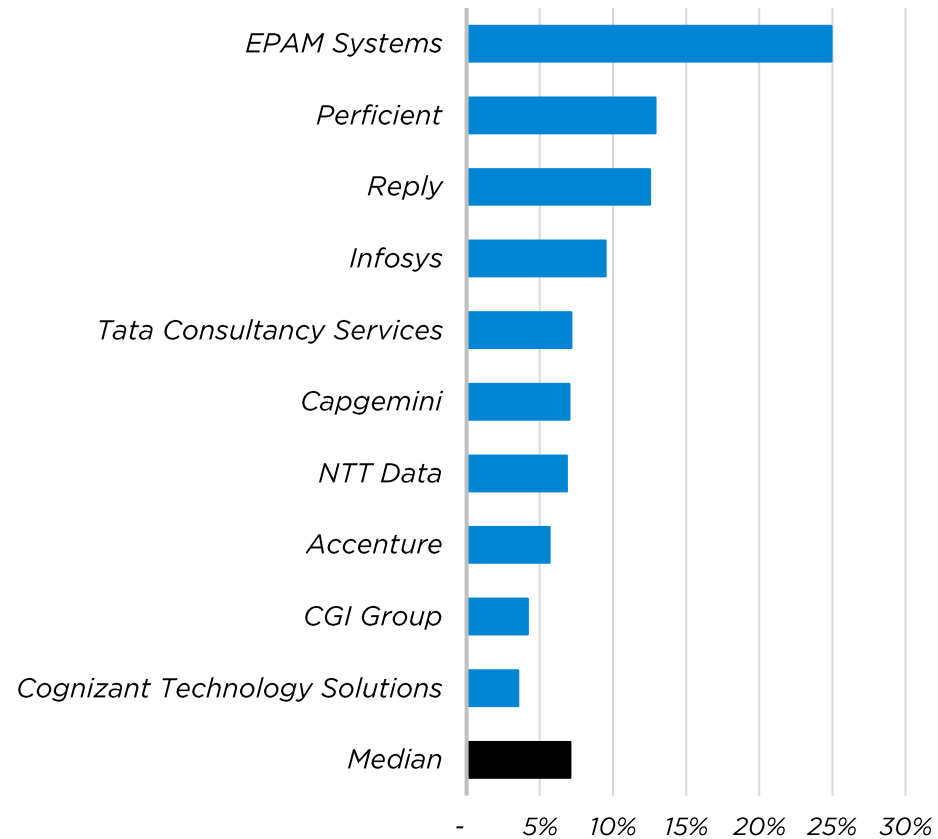


LTM EBITDA %

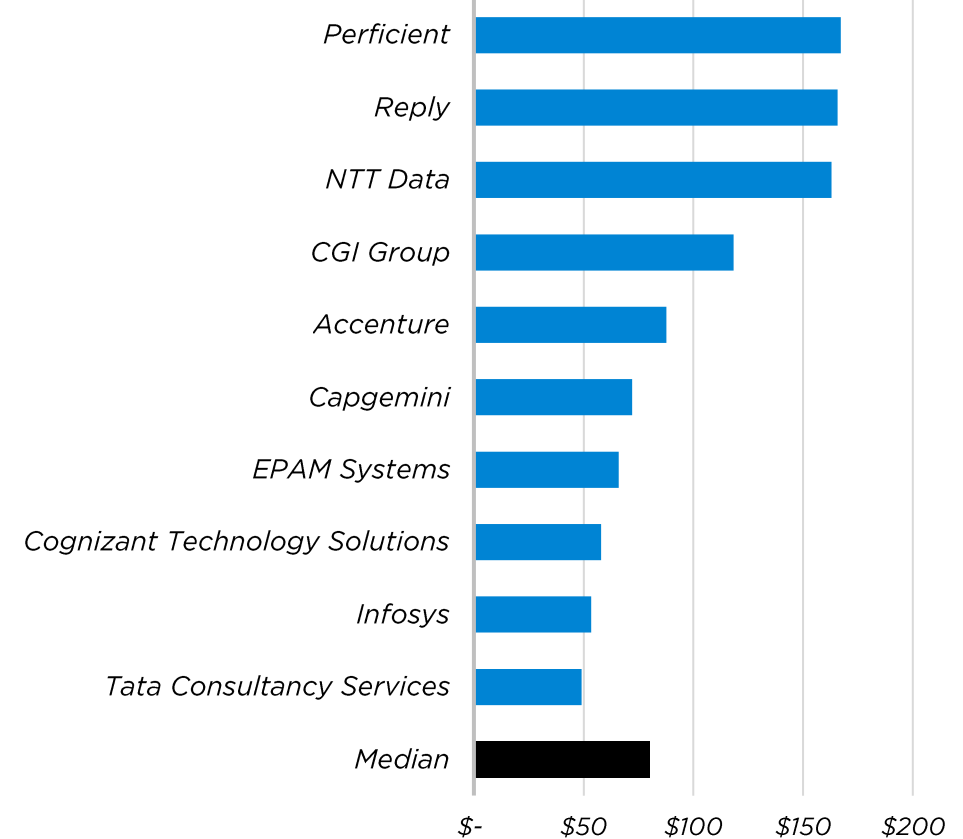


Operational Metrics

LTM Revenue Growth %

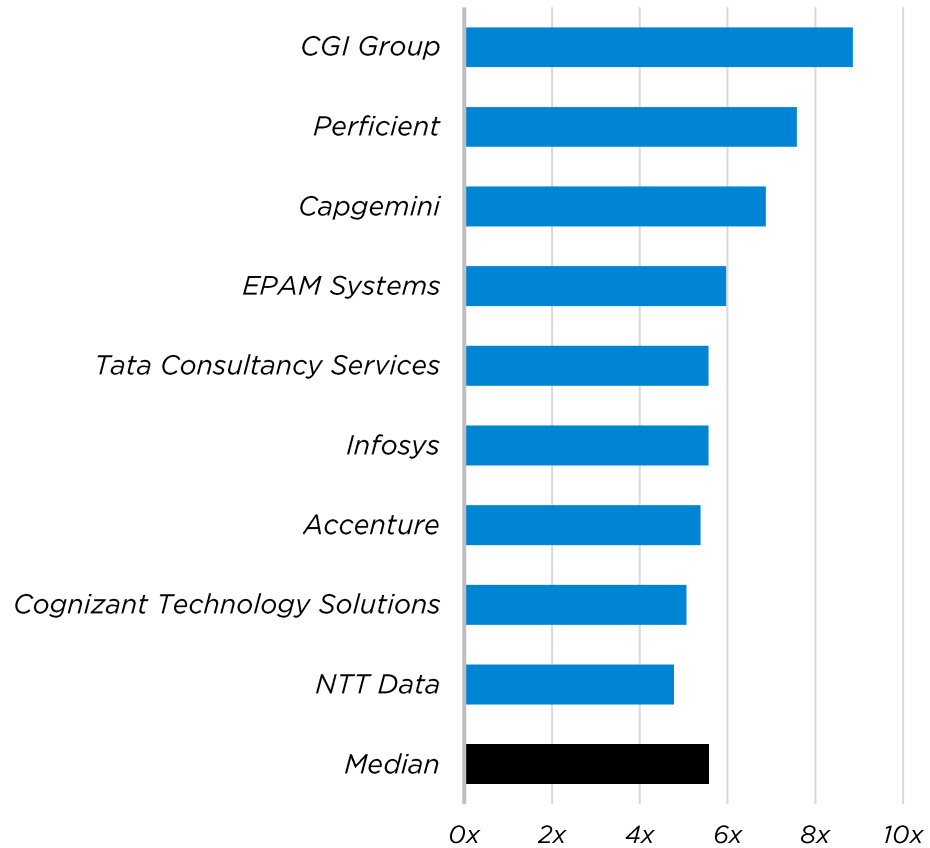


LTM Revenue per Full Time Employee x 000's

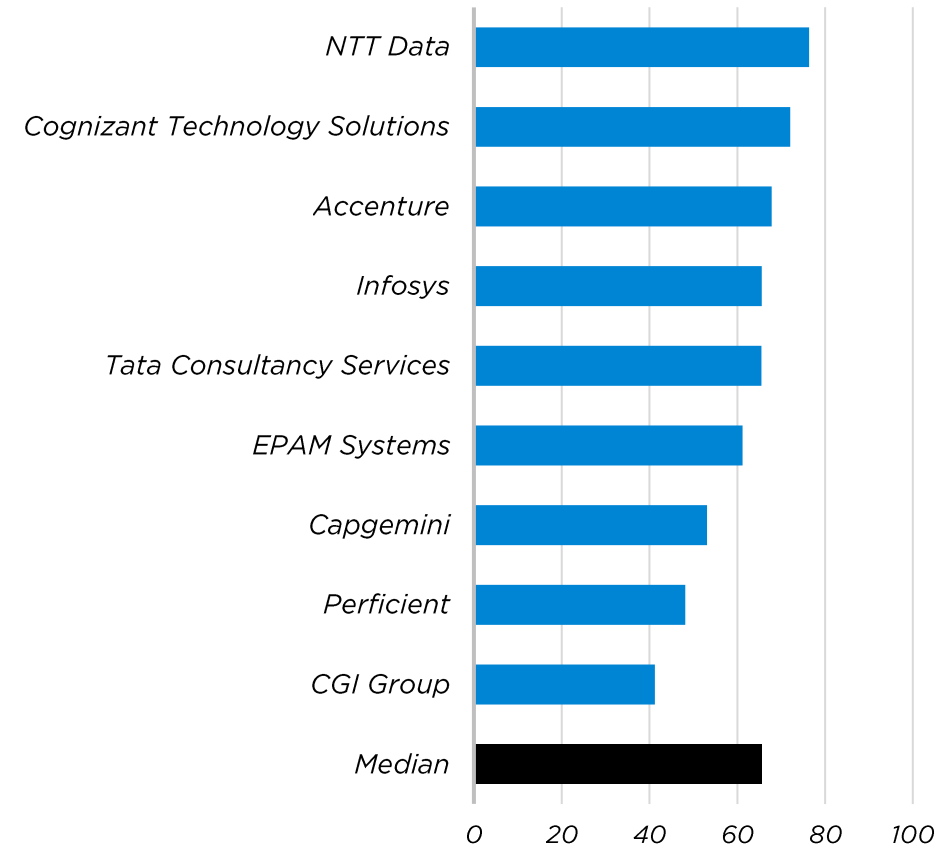


Operational Metrics

Accounts Receivable Turnover

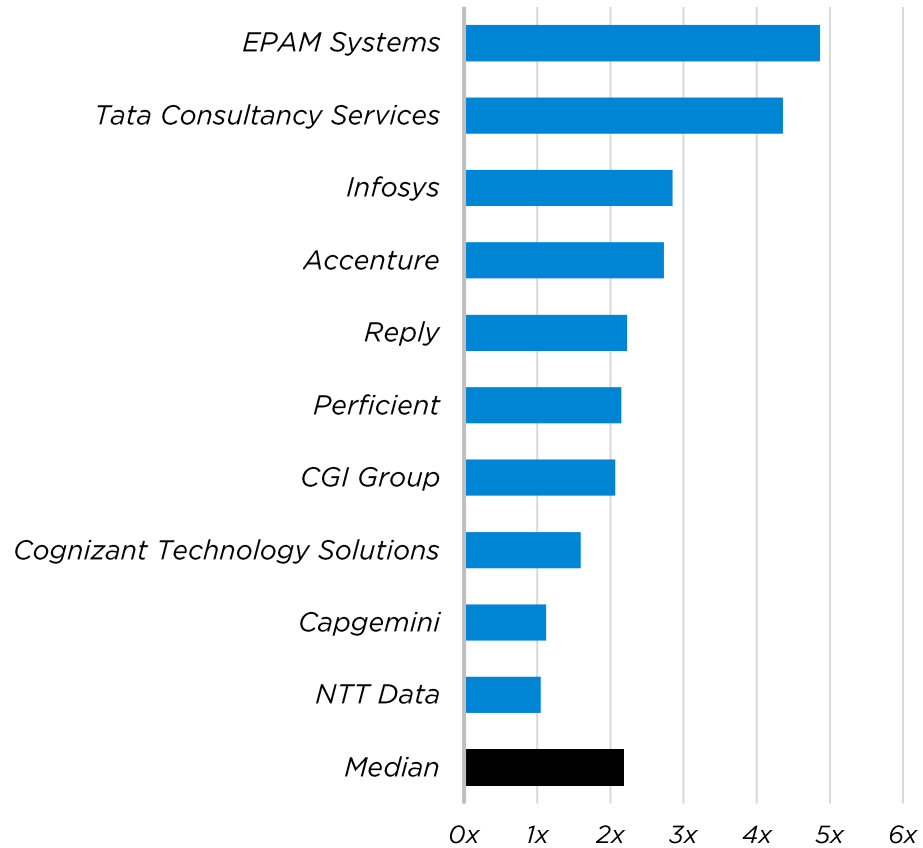


Average Days Sales Outstanding

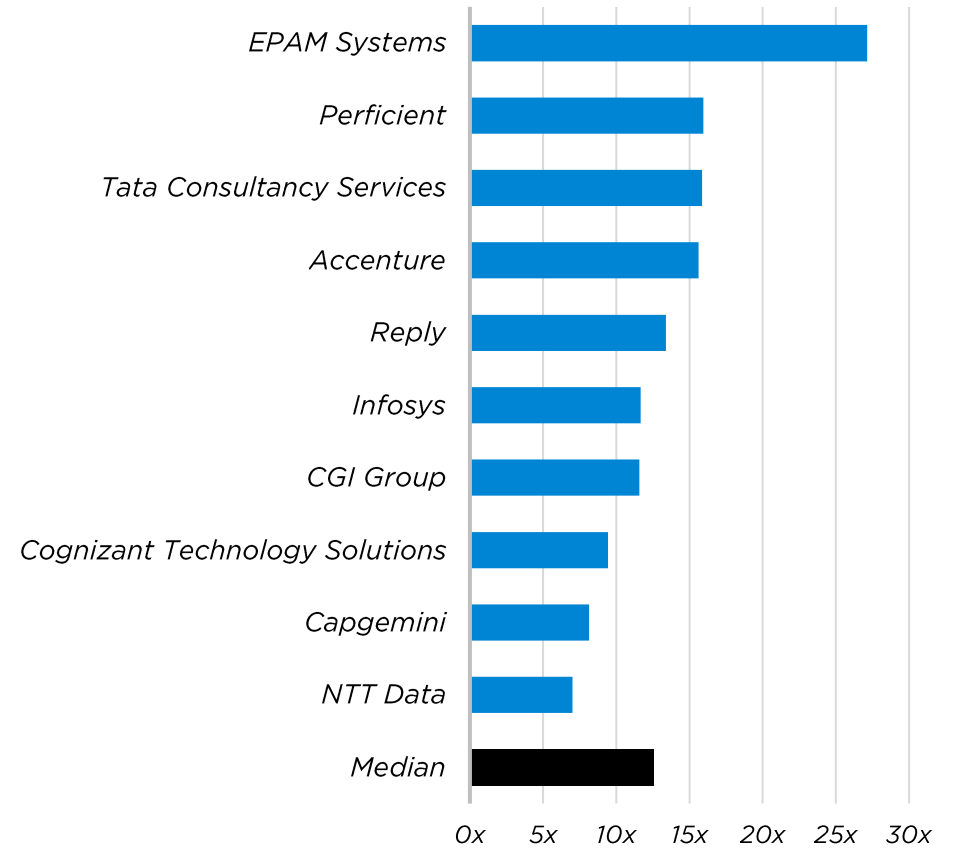


Valuation

TEV / LTM Revenue

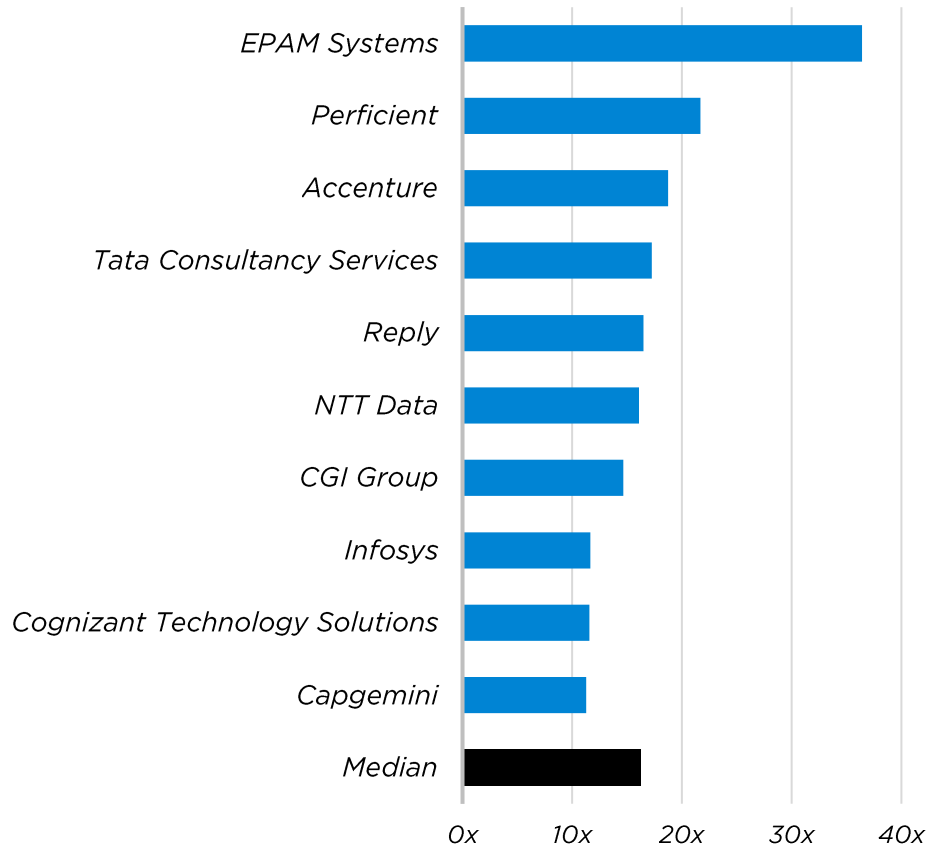


TEV / LTM EBITDA

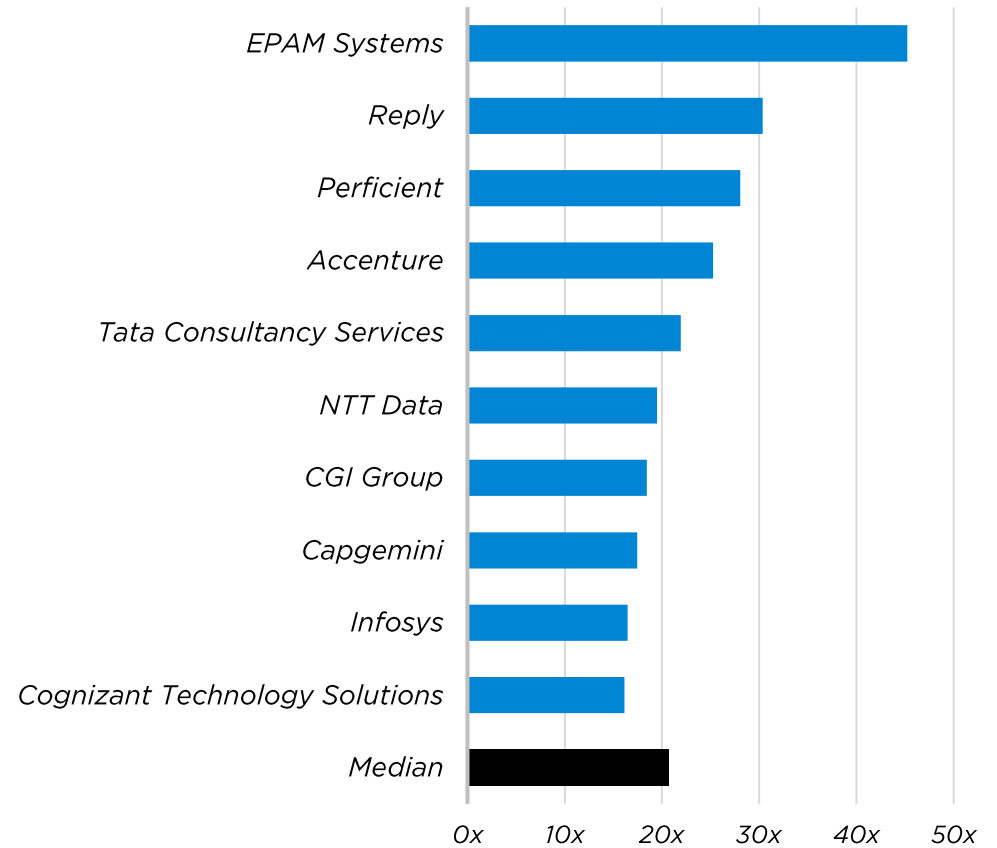


Valuation

TEV / LTM EBIT

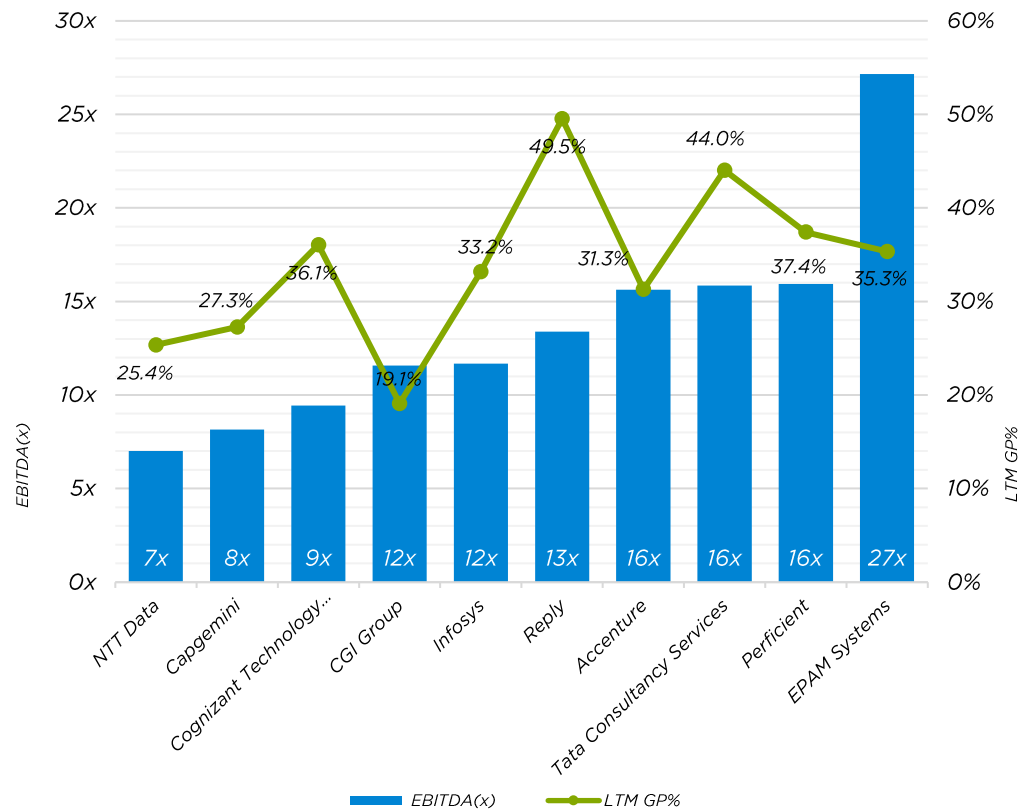


Price / LTM Earnings

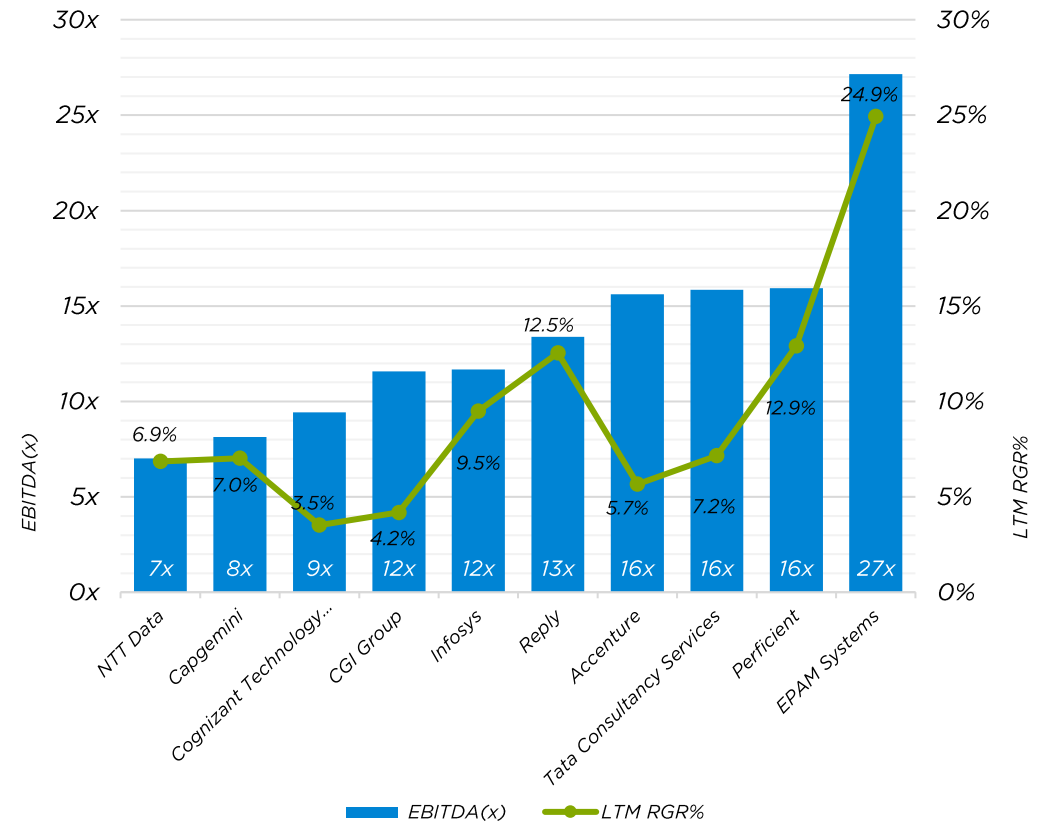


Valuation

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
26-May-20	KWE IT-Experts	Citadelle Systems AG	-	-	-	-
15-May-20	Column Technologies	Parabellum Capital	-	-	-	-
12-May-20	Stansource	Stellar It Solutions	-	-	-	-
11-May-20	ETC-Gauff Solutions	-	-	-	-	-
07-May-20	DESEO IT Services	OMNINET Group	-	-	-	-
29-Apr-20	Computer Systems of Sumter	Farmers Telephone Cooperative	-	-	-	-
23-Apr-20	ProActive (IT Consulting and Outsourcing)	Fellowmind	-	-	-	-
23-Apr-20	Valeo Networks	Saalex Information Technology	-	-	-	-
23-Apr-20	Yapa Group	Rxa (Automation/Workflow Software)	-	-	-	-
21-Apr-20	Information Strategies	Sylogist	2.48	4.14	0.60	-
19-Apr-20	Prolog Partners	Accelalpha	-	-	-	-
08-Apr-20	Brightworks Computer Consulting	ICS (New York)	-	-	-	-
06-Apr-20	IKOR Management- und Systemberatung GmbH	Ufenau Capital Partners	-	-	-	-
01-Apr-20	KPN ICT Consulting	Cegeka	-	-	-	-
31-Mar-20	Computer Concepts of Iowa	Ice Technologies, Inc.	-	-	-	-
31-Mar-20	MinervaWorks	Xalles Holdings	-	-	-	-
17-Mar-20	ALMA Consulting	Vitec Software Group	-	-	-	-
16-Mar-20	DVELP	Horizon Capital (London)	-	-	-	-
04-Mar-20	Pebble IT	FPE Capital	-	-	-	-
02-Mar-20	MMRIT	BGF	-	-	-	-
02-Mar-20	vNext IT	Insight Enterprises	-	-	-	-
14-Feb-20	FlexManage	Gemini Investors	-	-	-	-
12-Feb-20	Xumak	WPP	-	-	-	-
11-Feb-20	Air IT	August Equity	-	-	-	-
11-Feb-20	Aldebra (Marketing Software Solutions and Consultancy Services)	Hellman & Friedman	-	-	-	-
11-Feb-20	Onefield	Asterion Industrial	-	-	-	-
10-Feb-20	PCLanTechs	ImageNet Consulting	-	-	-	-
06-Feb-20	Infradata	-	-	-	-	-
04-Feb-20	Maven Wave Partners	Atos	-	-	-	-

Appendix

*Public Basket
Contact Information*



Perficient

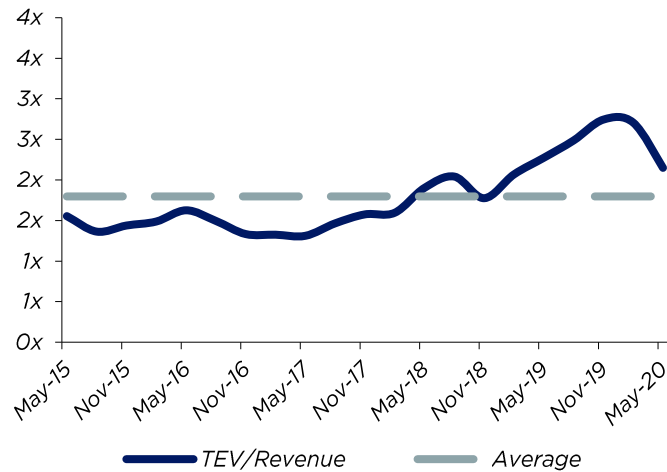
Perficient Inc provides a variety of information technology, consulting services that focus on digital experience, business optimization, and IT solutions.

The company's services include big data analytics, technology platform implementations, enterprise content management, portals and collaboration, management consulting, custom applications, business integration, business process management, and customer relationship management. It serves healthcare, financial services, retail, and electronics industries. The vast majority of the company's revenue comes from the United States.

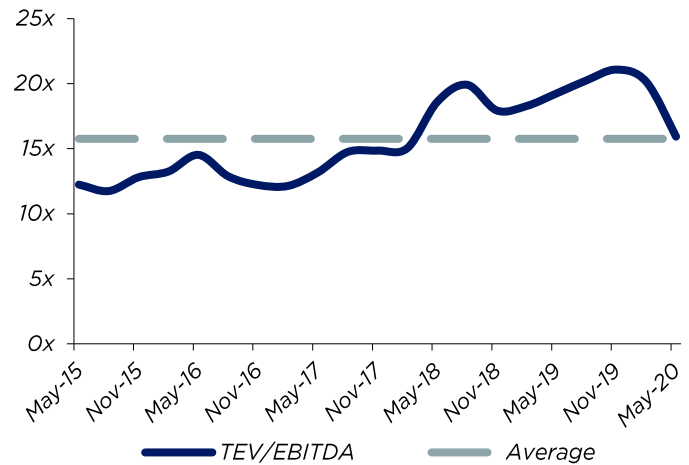
Public Basket

Perficient

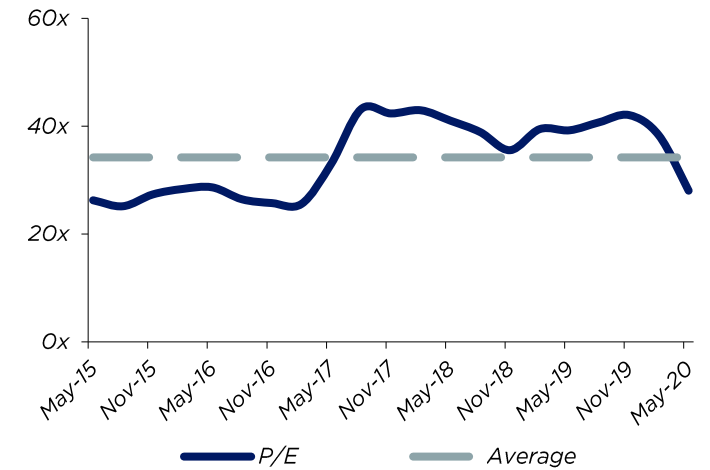
Revenue Multiples - Perficient



EBITDA Multiples - Perficient



P/E Multiples - Perficient



Company Name

Date

Deal Synopsis

Catalyst Networks

23-Mar-20

The company was acquired by Perficient (NAS: PRFT) for an undisclosed amount on March 23, 2020. The acquisition broadens and deepens Perficient's Sitecore capabilities, bringing strategic skills and expertise in web and content management platform development.

MedTouch

06-Jan-20

The company was acquired by Perficient (NAS: PRFT) for an undisclosed amount on January 6, 2020. The acquisition deepens Perficient's healthcare consulting capabilities, bringing strategic digital marketing solutions and services focused on patient acquisition, customer experience, patient engagement and loyalty, and physician marketing; adds more than 50 consulting, technology, sales and administrative professionals; and brings a strong concentration of strategic client relationships with Fortune 1000 and leading healthcare institutions, creating significant opportunity for cross-selling synergies.

Reply SpA

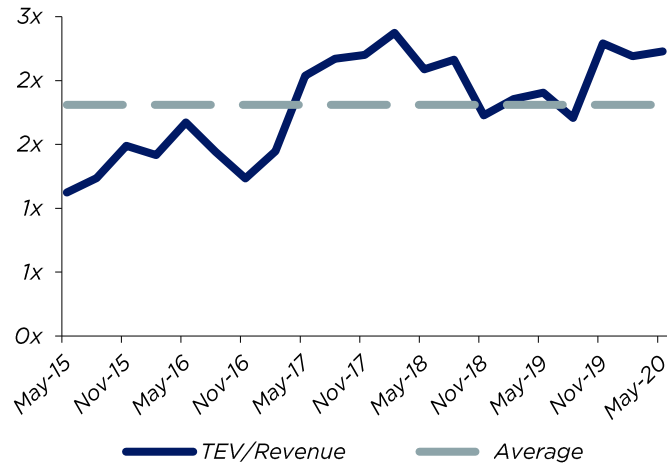
Reply SpA specializes in consulting, digital services, and the integration of processes, applications and devices.

The company primarily operates in Germany, Italy, and the UK. Reply serves clients in the telecommunication and media, banking, insurance and financial, industry and services, energy and utilities, and public administration industries. The company provides its services mainly through platforms such as Click Reply, Discovery Reply, Gaia Reply, TamTamy, and SideUp Reply. Reply researches, selects, and markets solutions through channels such as data analysis, digital communication, e-commerce, mobile, and social media.

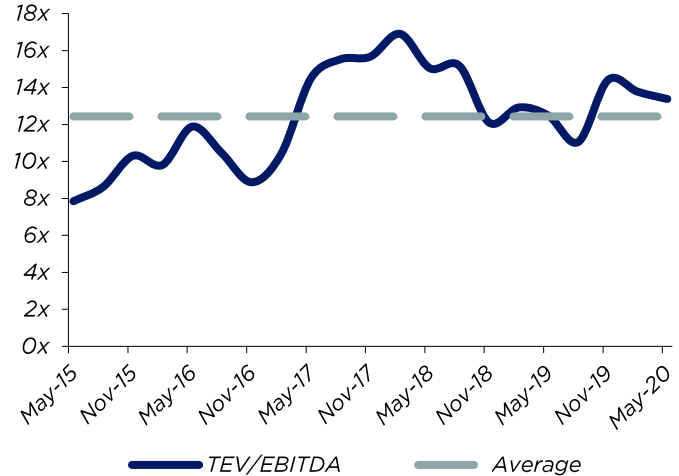
Public Basket

Reply SpA

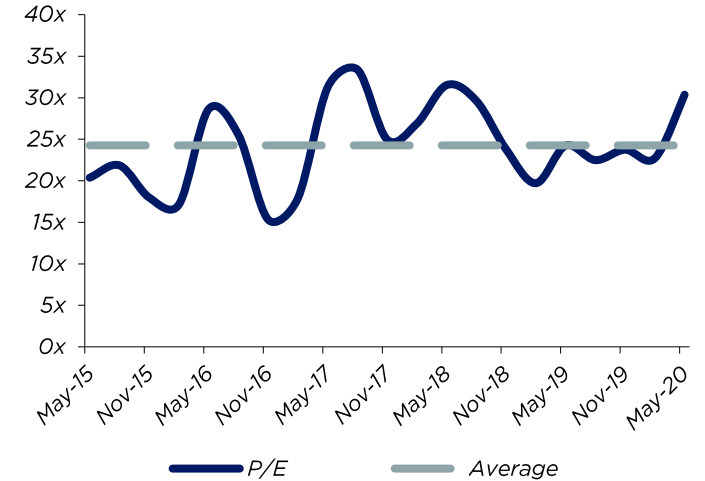
Revenue Multiples - Reply



EBITDA Multiples - Reply



P/E Multiples - Reply



Company Name	Date	Deal Synopsis
Threepipe	15-Nov-19	The company was acquired by Reply (MIL: REY) for an undisclosed amount on November 15, 2019. The acquisition enables Threepipe to get Reply's CRM, Artificial Intelligence, Augmented Reality and Blockchain technology.
Neveling.net	01-Jan-19	The company was acquired by Reply (MIL: REY) for an undisclosed amount in January, 2019.

EPAM Systems

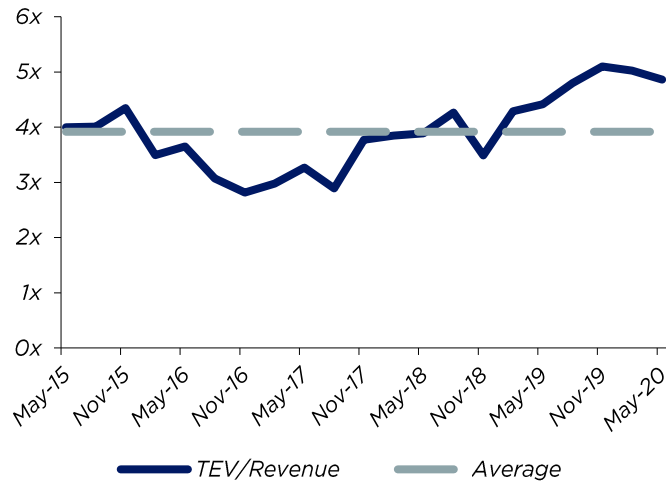
EPAM Systems Inc provides software product development and digital platform engineering services to clients located around the world.

The company offers six main services: Software Product Development, Custom Application Development, Application Testing, Enterprise Application Platforms, Application Maintenance, and Support and Infrastructure Management. The company focuses on innovative and scalable software solutions. The company uses industry standard and custom developed technology, tools, and platforms to deliver results to handle business challenges. The company primarily offers their solutions in the following industries: financial services, travel and consumer, software and hi-tech, life sciences and healthcare. The majority of revenue is generated from North American clients.

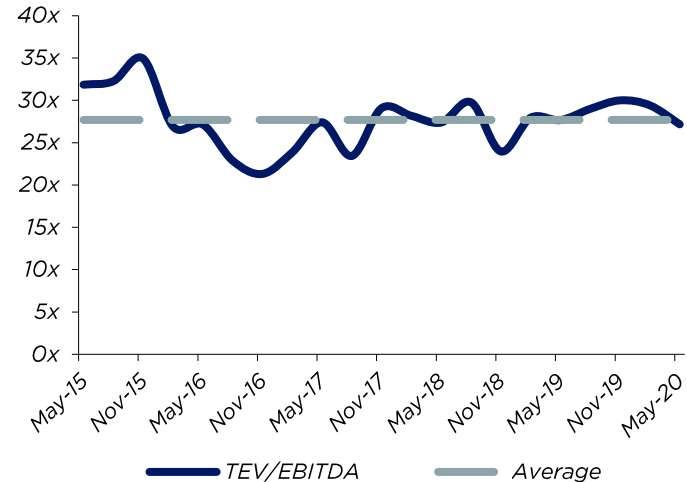
Public Basket

EPAM Systems

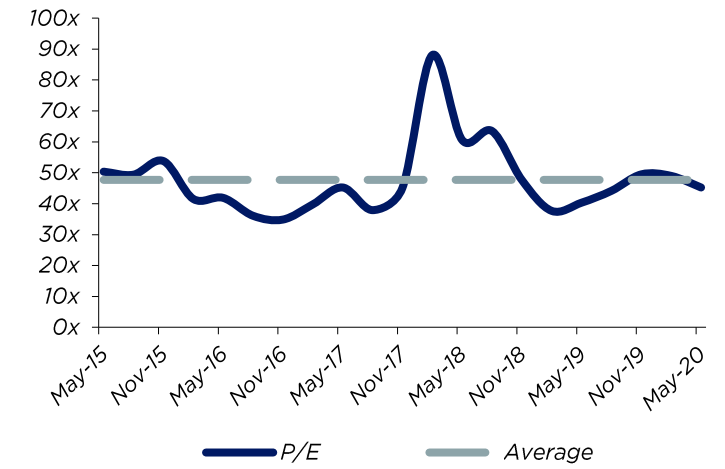
Revenue Multiples - EPAM Systems



EBITDA Multiples - EPAM Systems



P/E Multiples - EPAM Systems



Company Name	Date	Deal Synopsis
Deltix Labs	3/23/20	The company was acquired by EPAM Systems (NYS: EPAM) for an undisclosed amount on March 20, 2020. The acquisition will enable the acquirer to grow their FinTech practice and expand their quantitative research capabilities.
migVisor	1/6/20	The company was acquired by EPAM Systems (NYS: EPAM) for an undisclosed amount on November 5, 2019.

CGI Group

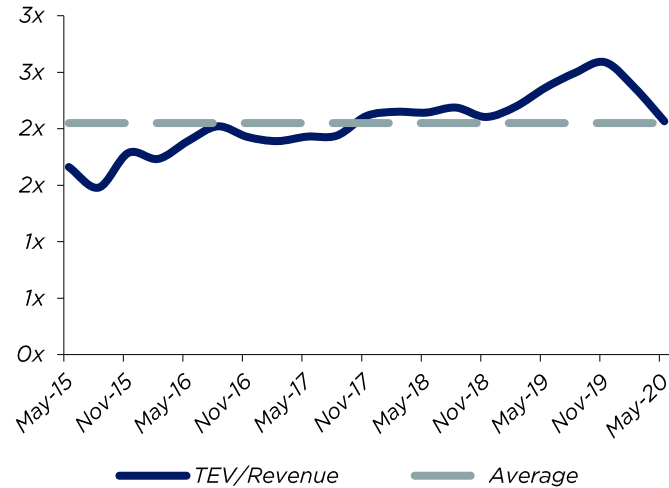
CGI Group is a Canada-based IT-services provider with an embedded position in North America and Europe.

The company generates more than CAD 12 billion in annual revenue, employs over 77,000 personnel, and operates across 400 offices in 40 countries. CGI offers a broad portfolio of services such as consulting, systems integration, application maintenance, and business process outsourcing. The company's largest vertical market is government, which contributes around 33% of group revenue.

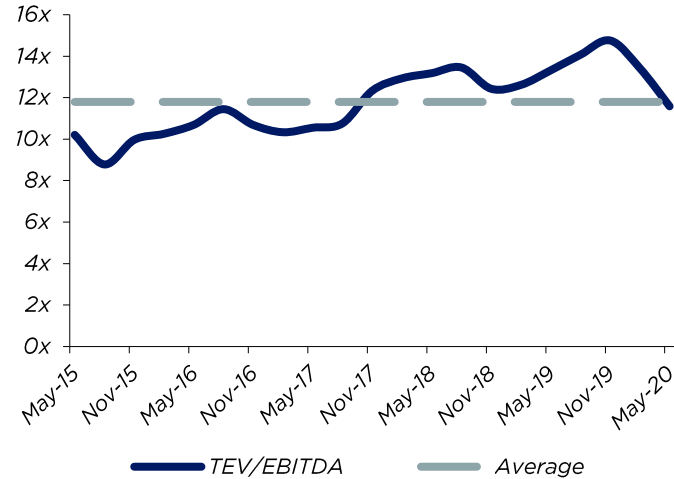
Public Basket

CGI Group

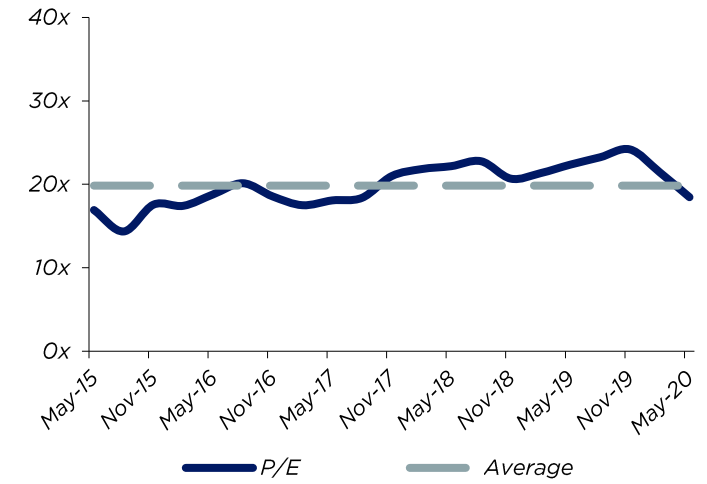
Revenue Multiples - CGI Group



EBITDA Multiples - CGI Group



P/E Multiples - CGI Group



Company Name	Date	Deal Synopsis
TeraThink	25-Mar-20	The company reached a definitive agreement to be acquired by CGI Group (TSE: GIB.A) for an undisclosed amount on March 25, 2020. This merger will strengthen CGI Federal's consulting expertise, and expand its enterprise application development and management services.
Meti Logiciels Et Services	20-Jan-20	The company was acquired by CGI Group (TSE: GIB.A) for an undisclosed amount on January 20, 2020. The acquisition further develops CGI's end-to-end range of services and deepens its expertise in the retail sector.

Capgemini

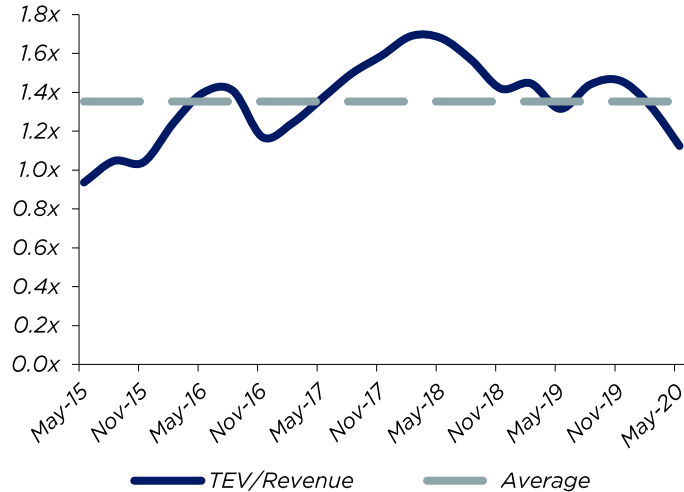
Capgemini is a French IT services company with a global presence.

The firm has over 450 offices globally, with more than half of its employees based in India. Capgemini provides services related to IT consulting, infrastructure management, and business process outsourcing.

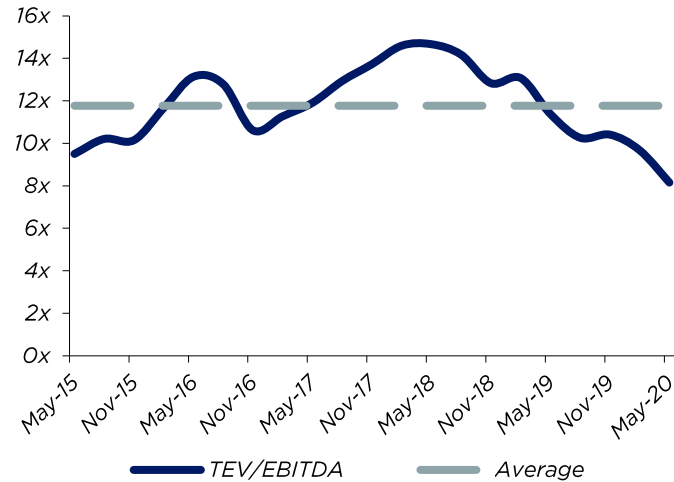
Public Basket

Capgemini

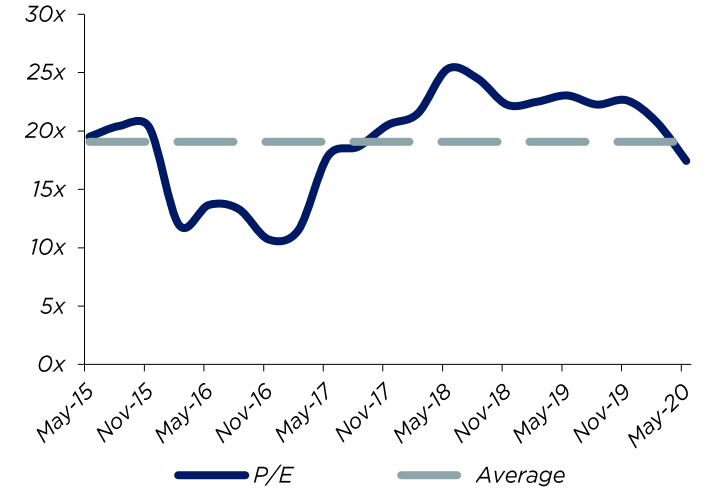
Revenue Multiples - Capgemini



EBITDA Multiples - Capgemini



P/E Multiples - Capgemini



Company Name	Date	Deal Synopsis
Altran Technologies	01-Apr-20	The company (PAR: ALT) was acquired by Capgemini (PAR: CAP) for EUR 5 billion on April 1, 2020. This transaction allows Capgemini to accelerate its development with major Internet and tech companies, by giving the entity a critical mass in software engineering through centers of expertise, particularly in India and Eastern Europe.
WhiteSky Labs	25-Mar-20	The company reached a definitive agreement to be acquired by Capgemini (PAR: CAP) on an undisclosed date. The acquisition will help the acquirer to realize the potential of API powered enterprise integration across the region and to support the digital transformation of public and private sector organizations.

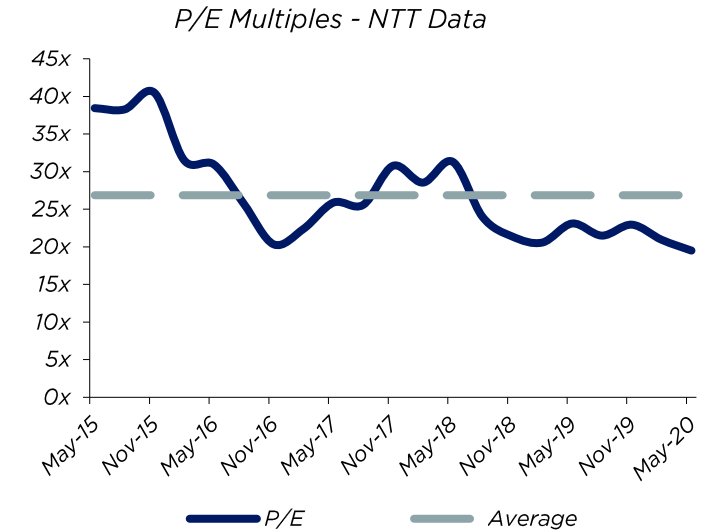
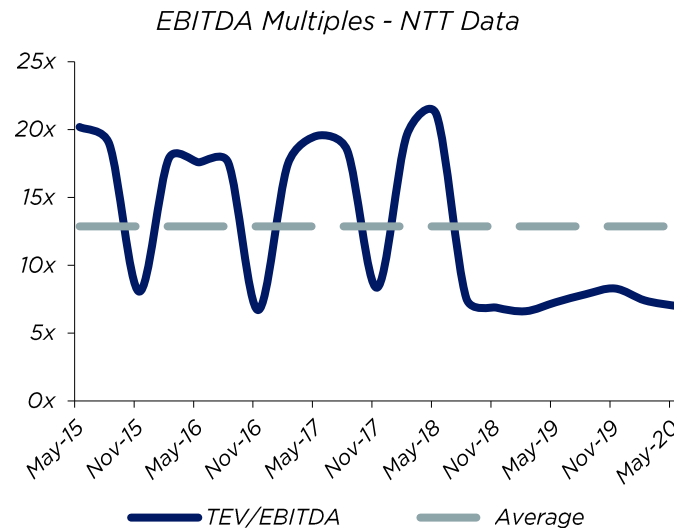
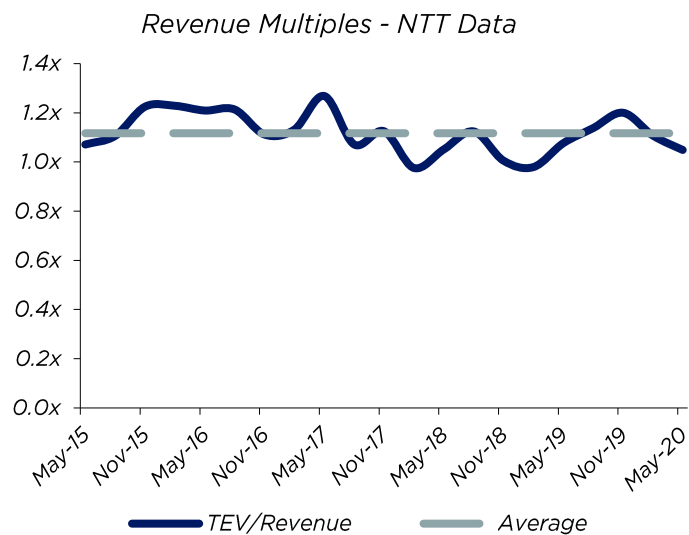
NTT Data

NTT Data Corp provides IT services to a wide range of business fields.

The company's operations are divided into three segments: global, public and social infrastructure; enterprise and solutions; and financial. Each segment contributes approximately an even proportion of the company's revenue. The services the company provides include system integration by constructing systems tailored to individual customer needs, multiple Internet and computer network-based information and processing services, consulting that evaluates customers' management issues, system support for large-scale systems, and new IT-based business models. The company is based in Japan but has a global presence.

Public Basket

NTT Data



<i>Company Name</i>	<i>Date</i>	<i>Deal Synopsis</i>
XTphere	18-Oct-19	The company was acquired by NTT Data (TKS: 9613), a subsidiary of NTT DoCoMo (TKS: 9437), for an undisclosed amount on October 18, 2019. Through the acquisition, NTT DATA further consolidates its presence in Turin and will be able to provide new integrated services to customers in the banking sector and insurance.
CloudHedge	21-Jun-19	The company received an undisclosed amount of financing from NTT Data (TYO: 9613) on June 21, 2019. The financing would allow the company to expand its offerings in multiple geographies with NTT DATA to support increased client and product demands.

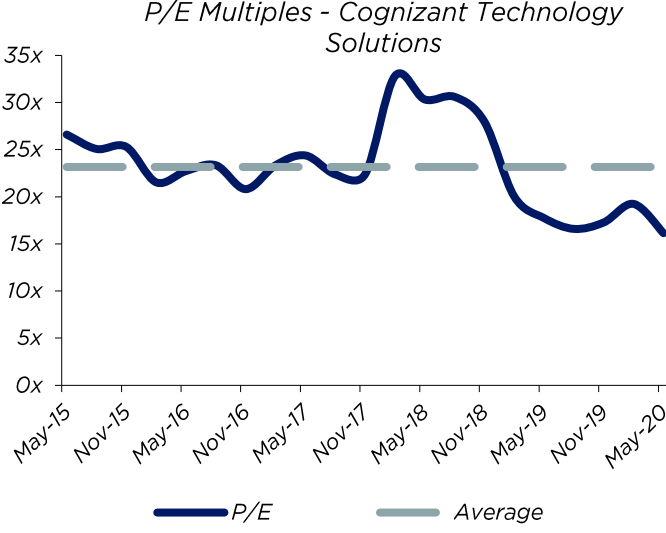
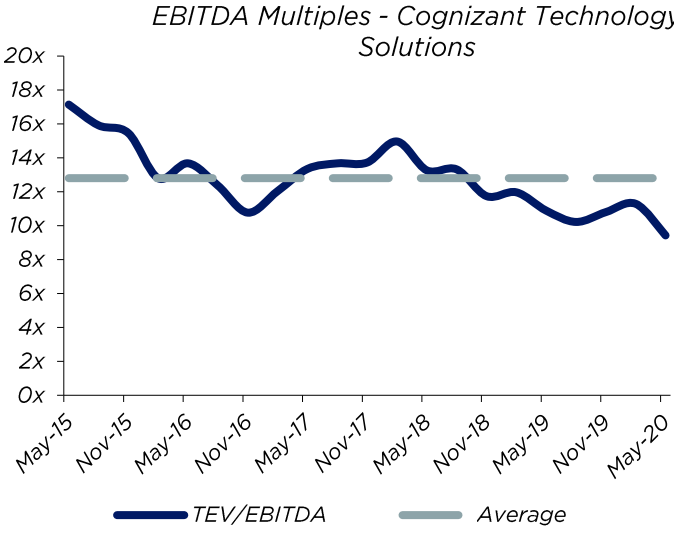
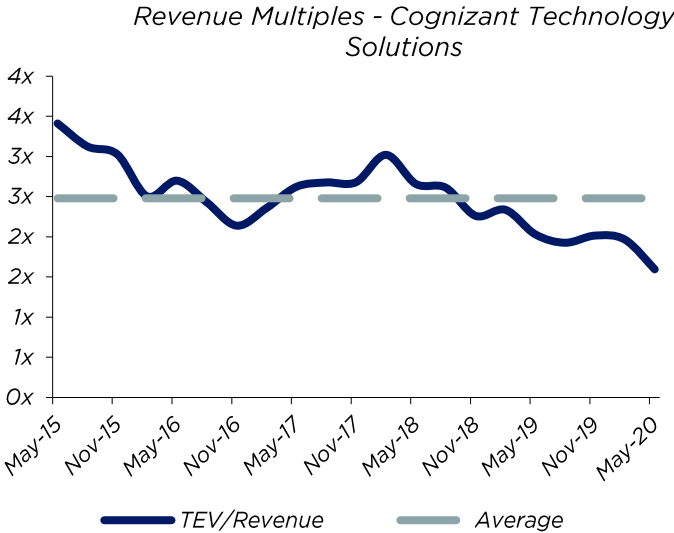
Cognizant Technology Solutions

Cognizant is a global IT services provider, offering consulting and outsourcing services to some of the world's largest enterprises.

Cognizant is a global IT services provider, offering consulting and outsourcing services to some of the world's largest enterprises spanning the financial services, media and communications, healthcare, natural resources, and consumer products industries. Cognizant employs nearly 300,000 people globally, roughly 70% of whom are in India, although the company's headquarters are in Teaneck, New Jersey.

Public Basket

Cognizant



Company Name	Date	Deal Synopsis
Collaborative Solutions	05-May-20	The company reached a definitive agreement to be acquired by Cognizant Technology Solutions (NAS: CTSB) for an undisclosed amount on May 5, 2020. The deal will enable Cognizant to add new finance and HR advisory and implementation services to its cloud offerings.
Lev plus	23-Mar-20	The company was acquired by Cognizant Technology Solutions (NAS: CTSB) for an undisclosed amount on March 23, 2020. The acquisition further expands Cognizant's Digital Salesforce Marketing practice.

Infosys

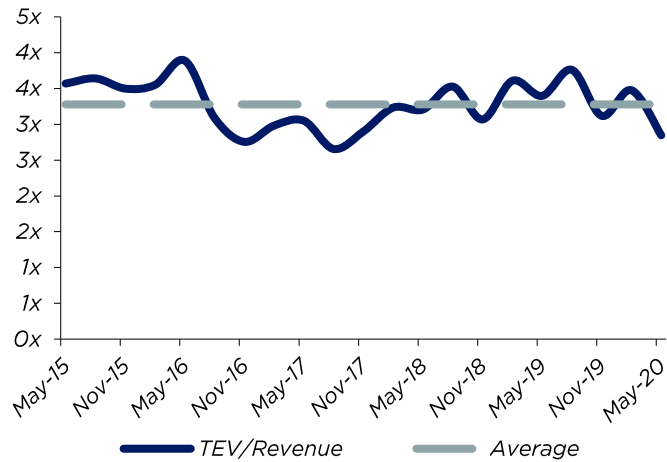
Infosys is a global provider of consulting and IT services.

The company was founded in 1981, employs more than 200,000 staff, and serves clients in over 40 countries. Infosys provides myriad services, including business process outsourcing, IT outsourcing, consulting and systems integration, among many others. The firm serves more than 20 industries ranging from financial services and healthcare to manufacturing and consumer packaged retail.

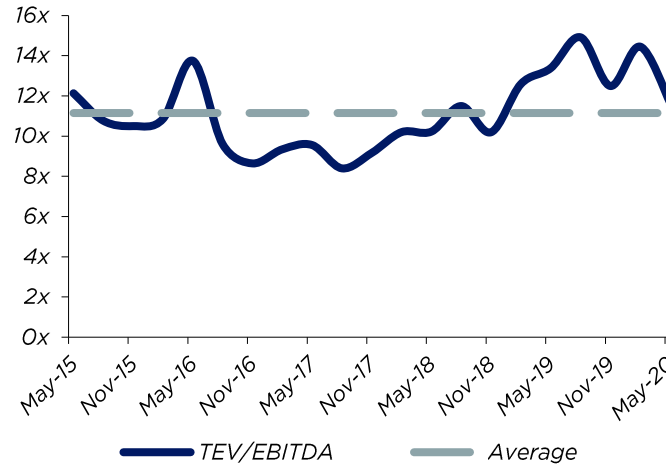
Public Basket

Infosys

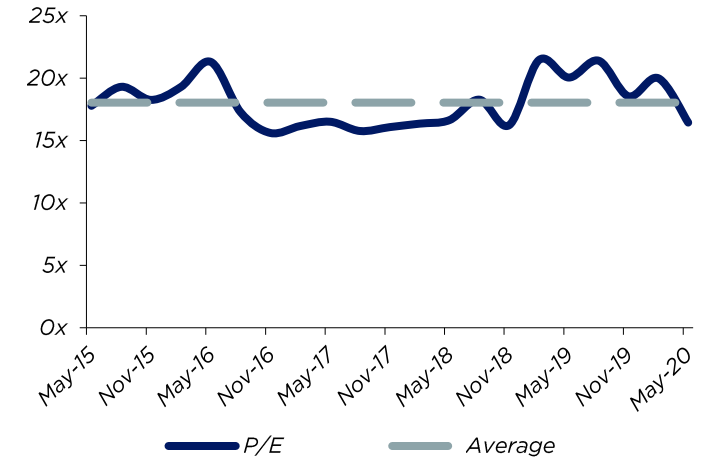
Revenue Multiples - Infosys



EBITDA Multiples - Infosys



P/E Multiples - Infosys



Company Name	Date	Deal Synopsis
Simplus	13-Mar-20	The company was acquired by Infosys (NSE: INFY) for \$250 million on March 13, 2020.
Eishtec	07-Oct-19	The company was acquired by Infosys BPM, a subsidiary of Infosys (NSE: INFY) for an undisclosed amount on October 7, 2019.

Tata Consultancy Services

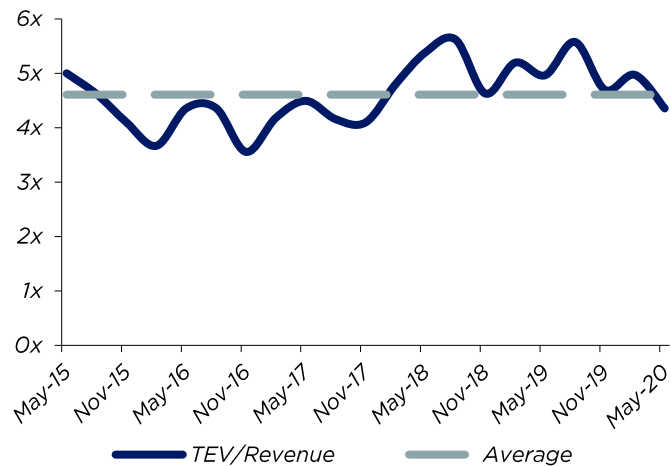
Tata Consultancy Services is India's largest IT services provider.

The company was founded in 1968 and has its headquarters in Mumbai. The firm provides end-to-end IT and consulting services across the globe and has over 200 offices in 50 countries and 183 solution centers in 19 countries. The company employs over 430,000 staff, which makes it one of the largest IT employers in the world. TCS derives a significant portion of its revenue from the North American market and the banking, financial services, and insurance industry.

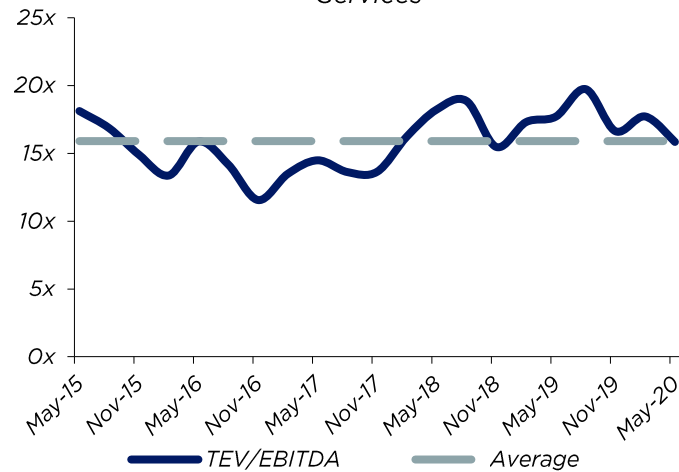
Public Basket

Tata Consultancy Services

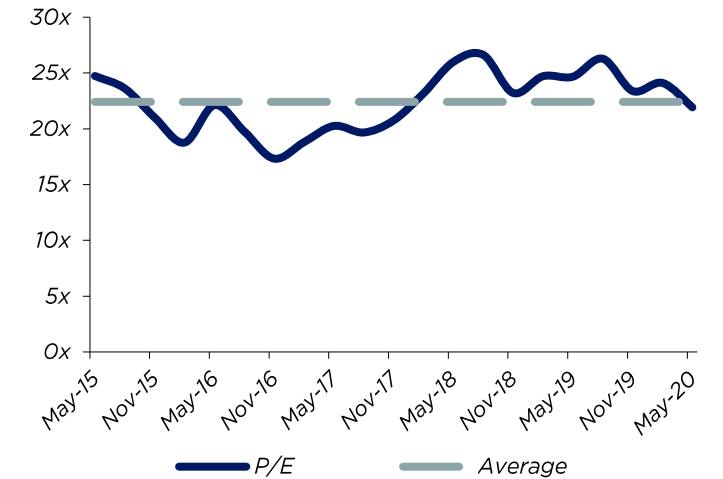
Revenue Multiples - Tata Consultancy Services



EBITDA Multiples - Tata Consultancy Services



P/E Multiples - Tata Consultancy Services



Company Name

Date

Deal Synopsis

BridgePoint Group (Management Consulting Firm)

28-Nov-18

The company was acquired by Tata Consultancy Services (BOM: 532540, NSE: TCS) for an undisclosed amount on November 28, 2018. The acquisition will enable the acquirer to develop a robust customer-focused retirement services business.

W12 Studios

01-Nov-18

The company was acquired by Tata Consultancy Services (BOM: 532540) for an undisclosed amount on November 1, 2018. This acquisition, the first in the digital space by TCS, will further strengthen TCS Interactive's array of creative and experience service offerings.

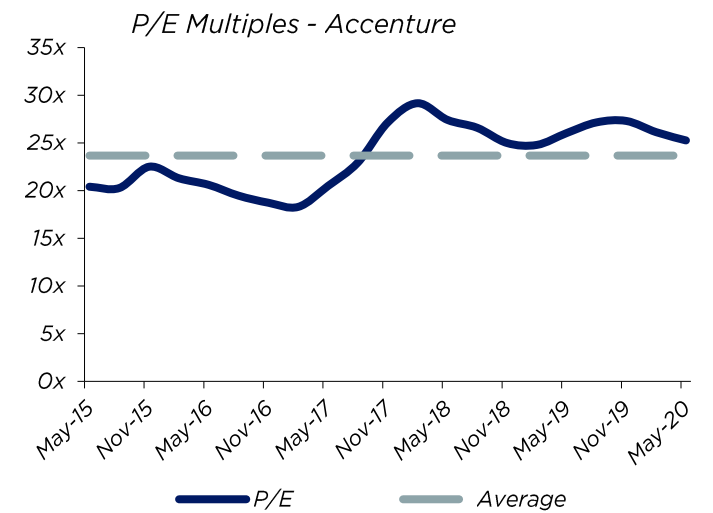
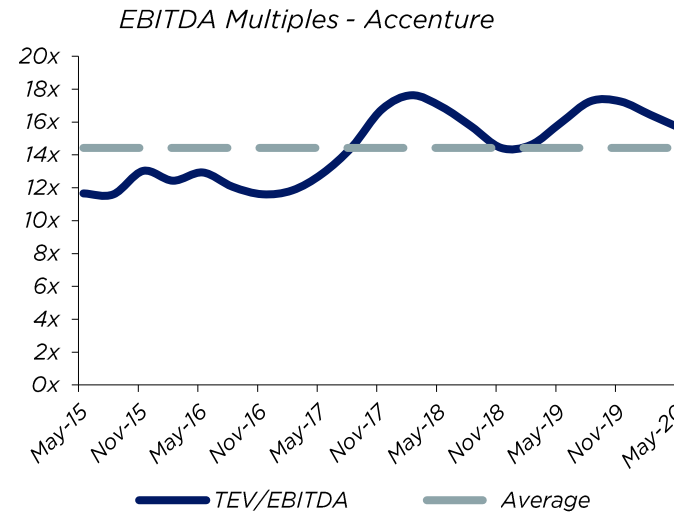
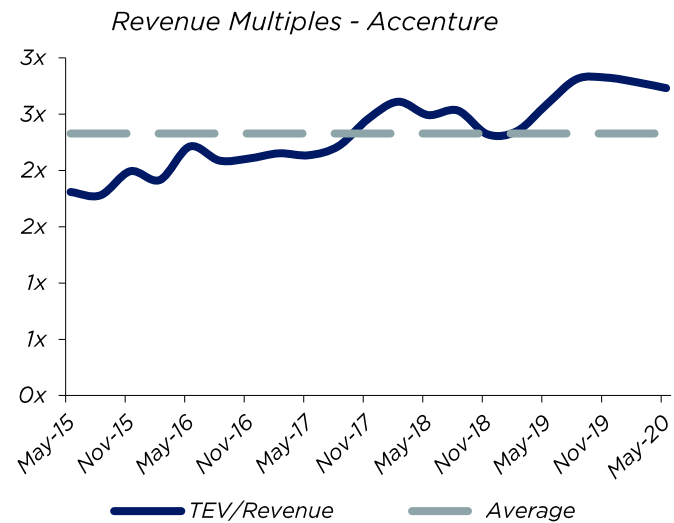
Accenture

Accenture is a leading global IT services firm that provides consulting, strategy, and technology and operational services.

These services run the gamut from aiding enterprises with digital transformation, to procurement services, to software system integration. The company provides its IT offerings to a variety of sectors, including communications, media and technology, financial services, health and public services, consumer products, and resources. Accenture employs just under 500,000 people throughout 200 cities in 51 countries.

Public Basket

Accenture



<i>Company Name</i>	<i>Date</i>	<i>Deal Synopsis</i>
PLM Systems	19-May-20	The company reached a definitive agreement to be acquired by Accenture (NYS: ACN) for an undisclosed amount on May 19, 2020. The acquisition will boost Accenture's capabilities and presence in the market for digital engineering services.
Byte Prophecy	18-May-20	The company was acquired by Accenture (NYS: ACN) for an undisclosed amount on May 18, 2020. The acquisition helps to improve speed and agility of delivering advanced analytics, data and AI solutions to enterprises.

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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