

7-Mile Advisors



Sectorwatch: Enterprise Software

May 2020



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.

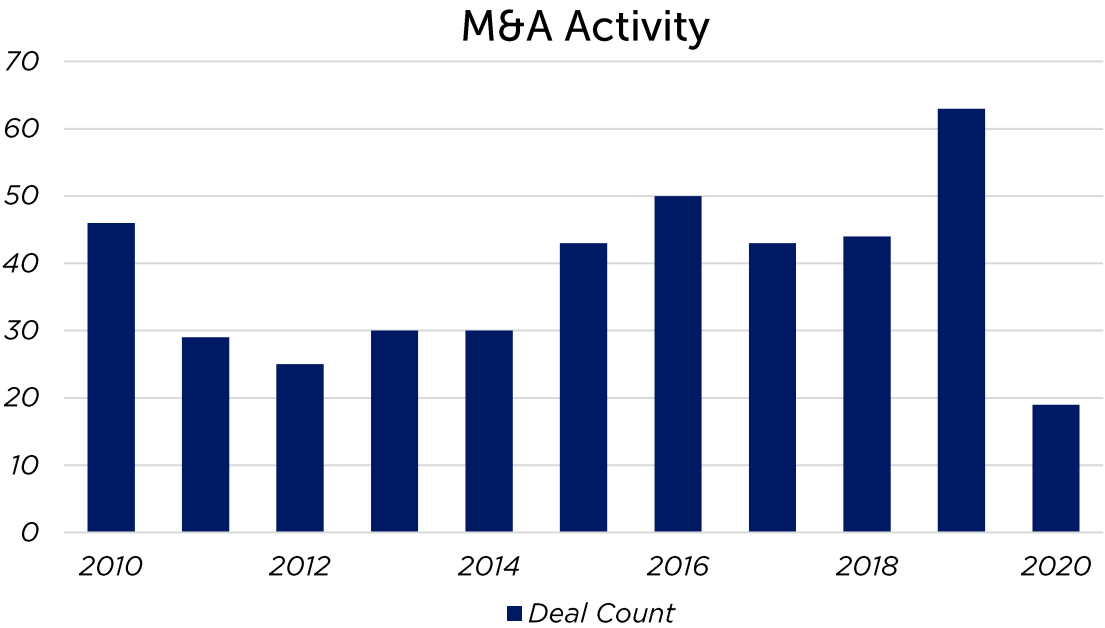
RECENT DEALS

- The most recently announced deals in the sector

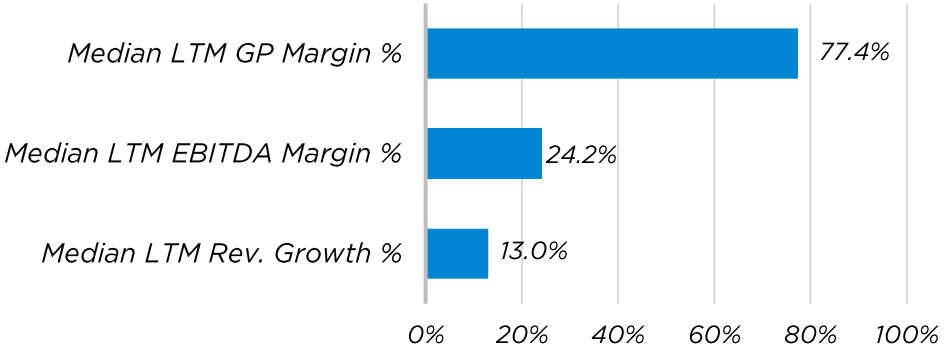
Dashboard

REVENUE GROWTH MOMENTUM ↑ 0.5%

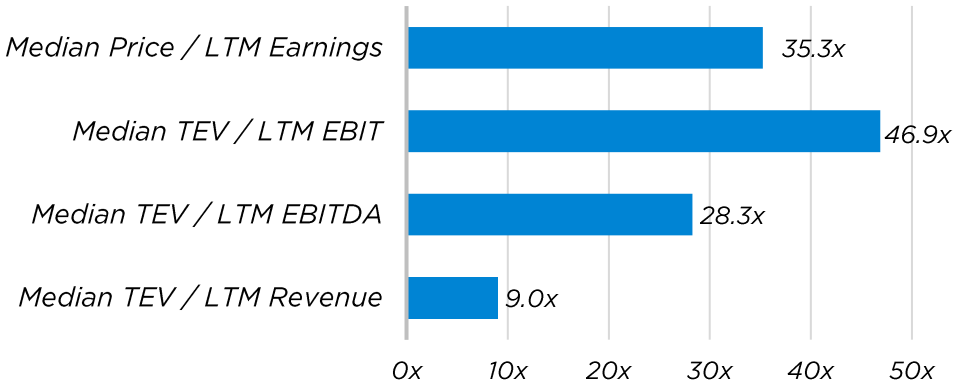
1 – year revenue growth compared to revenue growth average for last 3 years. Current revenue growth rate exceeds the average of the last 3 years by this amount, indicating that market momentum is increasing.



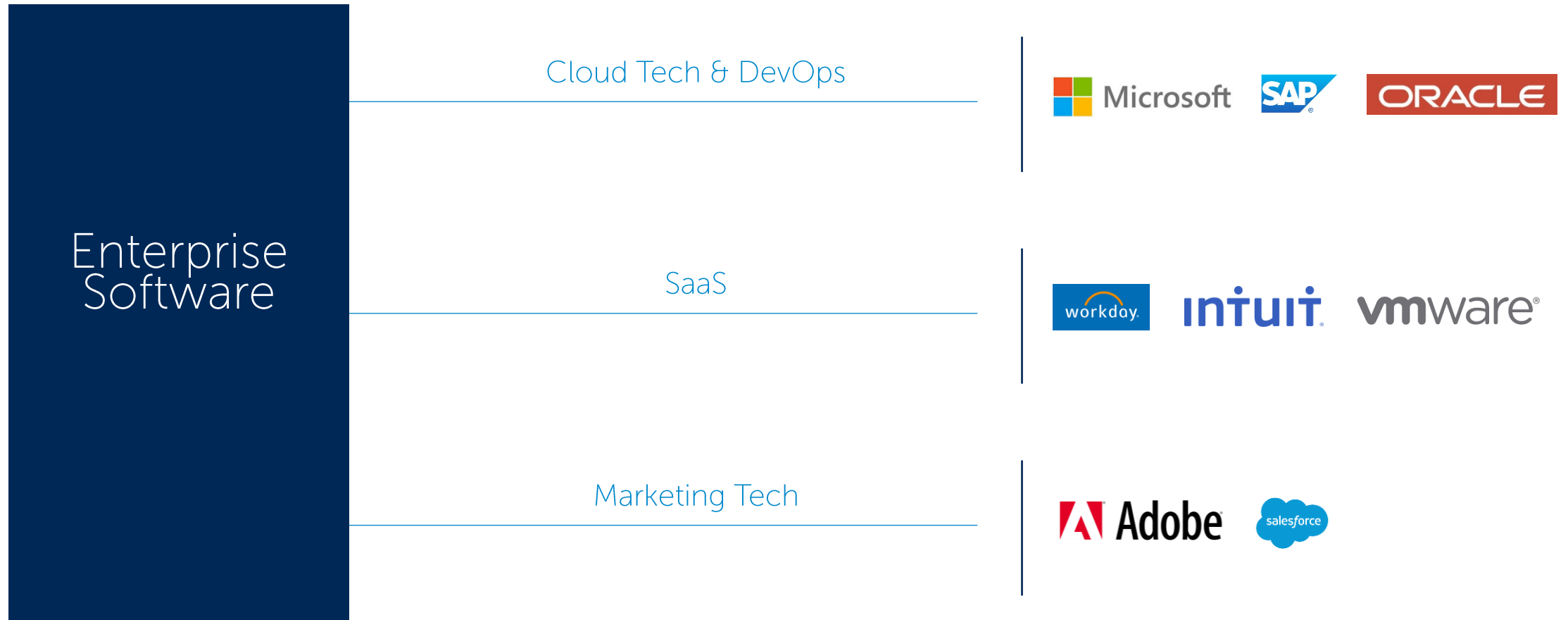
Operating Metrics



Valuation



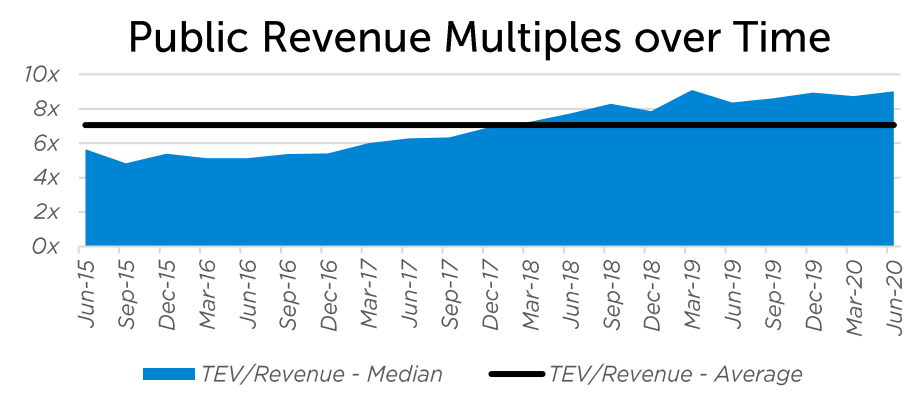
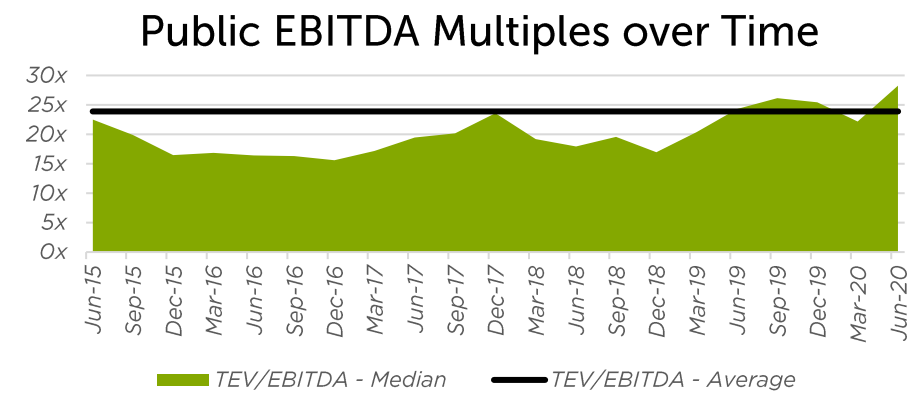
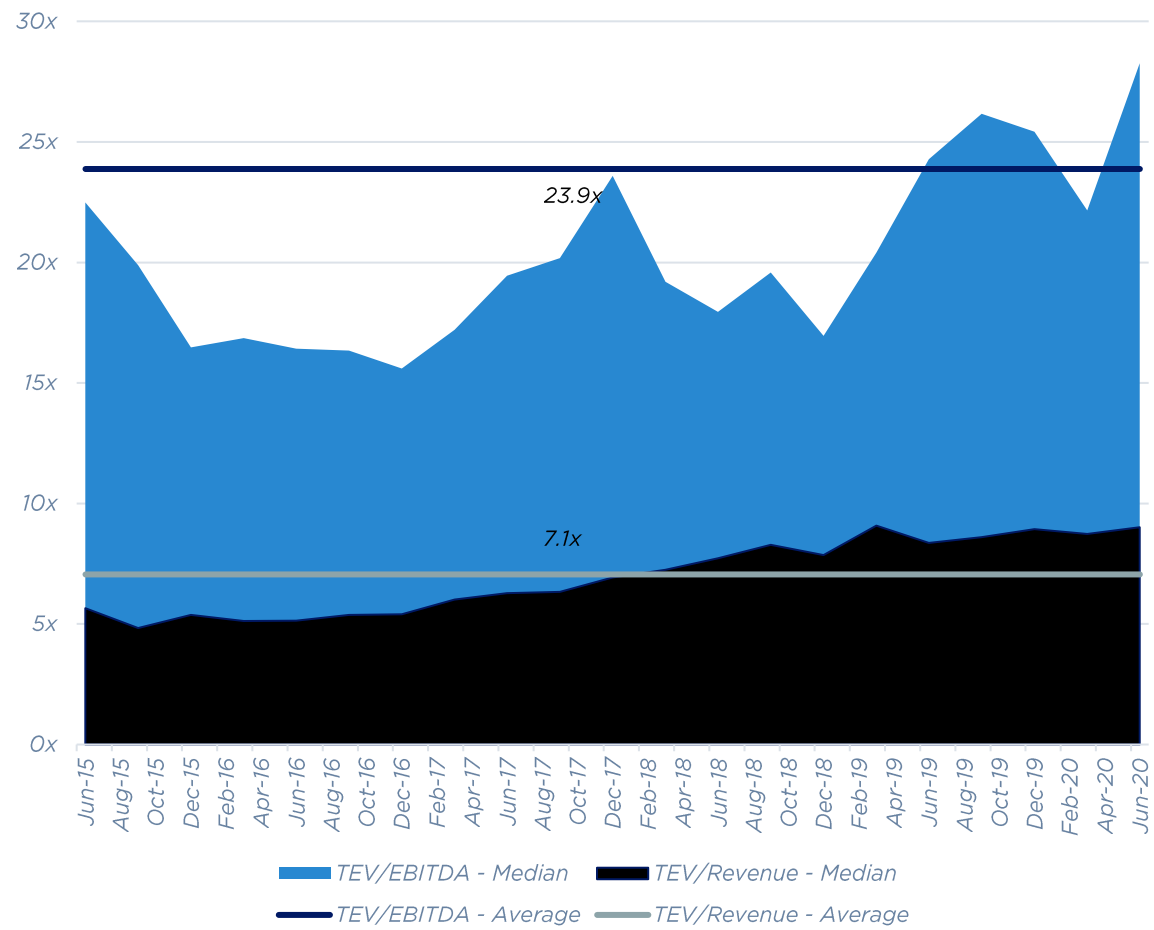
Public Basket Overview



Public Basket

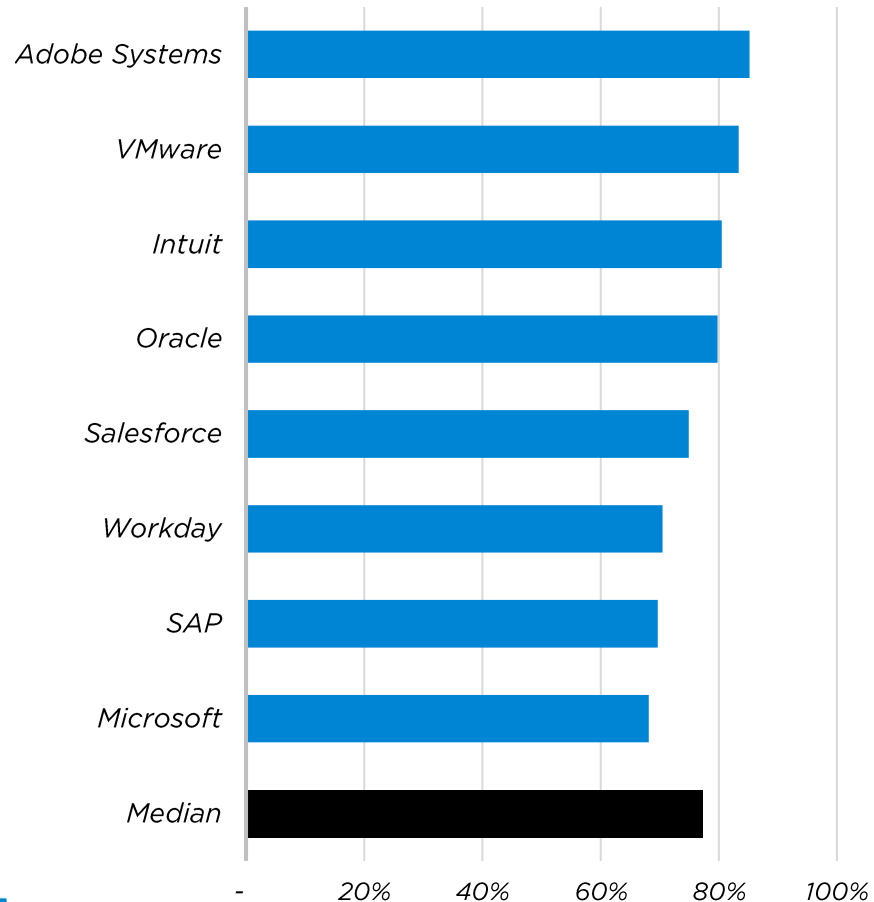
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Workday	41,321	-209	3,821	26.1%	70.5%	-5.5%	10.8x	-	12,200	313
VMware	67,175	2,460	10,811	12.5%	83.4%	22.8%	6.0x	28.3x	31,000	349
Intuit	71,914	1,760	6,857	3.1%	80.5%	25.7%	10.5x	40.9x	9,400	729
Salesforce	154,935	2,627	18,226	30.1%	74.9%	14.4%	8.5x	59.0x	49,000	372
SAP	157,855	7,019	30,844	11.5%	69.7%	22.8%	5.1x	22.5x	101,150	305
Adobe Systems	188,288	4,238	11,661	22.1%	85.2%	36.3%	16.1x	44.0x	22,634	515
Oracle	193,792	16,515	39,766	1.0%	79.8%	41.5%	4.9x	11.7x	136,000	292
Microsoft	1,322,712	67,000	138,699	13.5%	68.2%	48.3%	9.5x	19.7x	144,000	963
Average	274,749.2	12,676.3	32,585.6	15.0%	76.5%	25.8%	8.9x	32.3x	63,173	480
Median	156,395.3	3,432.7	14,943.7	13.0%	77.4%	24.2%	9.0x	28.3x	40,000	360

Public Basket

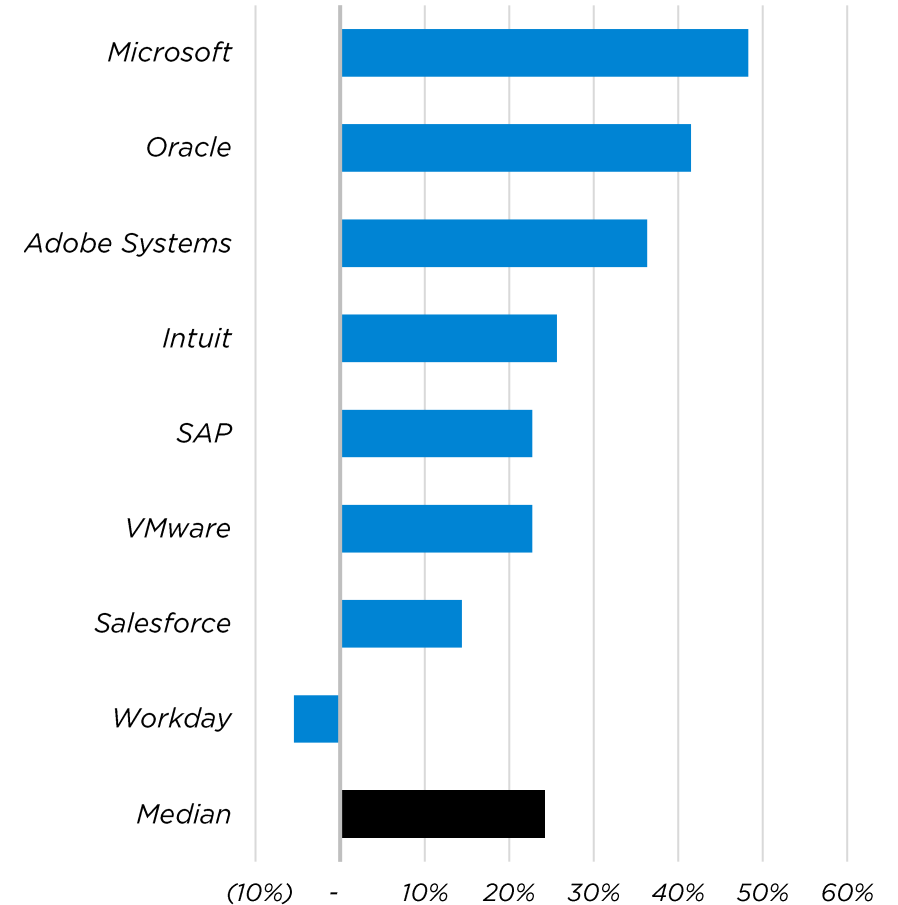


Operational Metrics

LTM Gross Profit Margin %

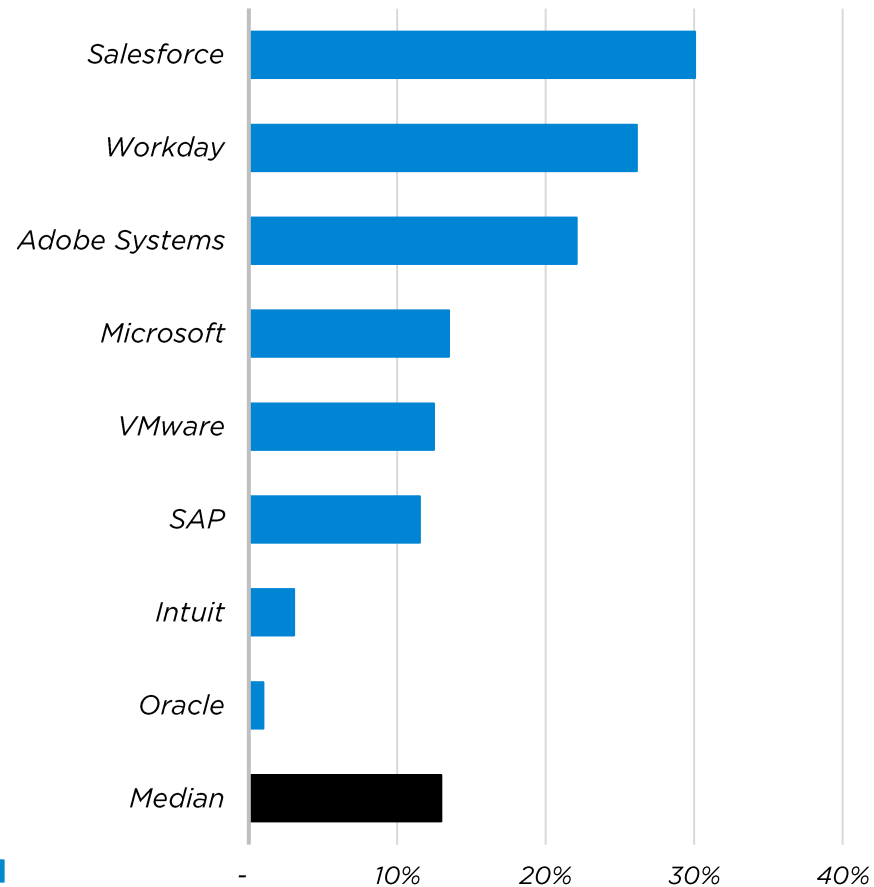


LTM EBITDA %

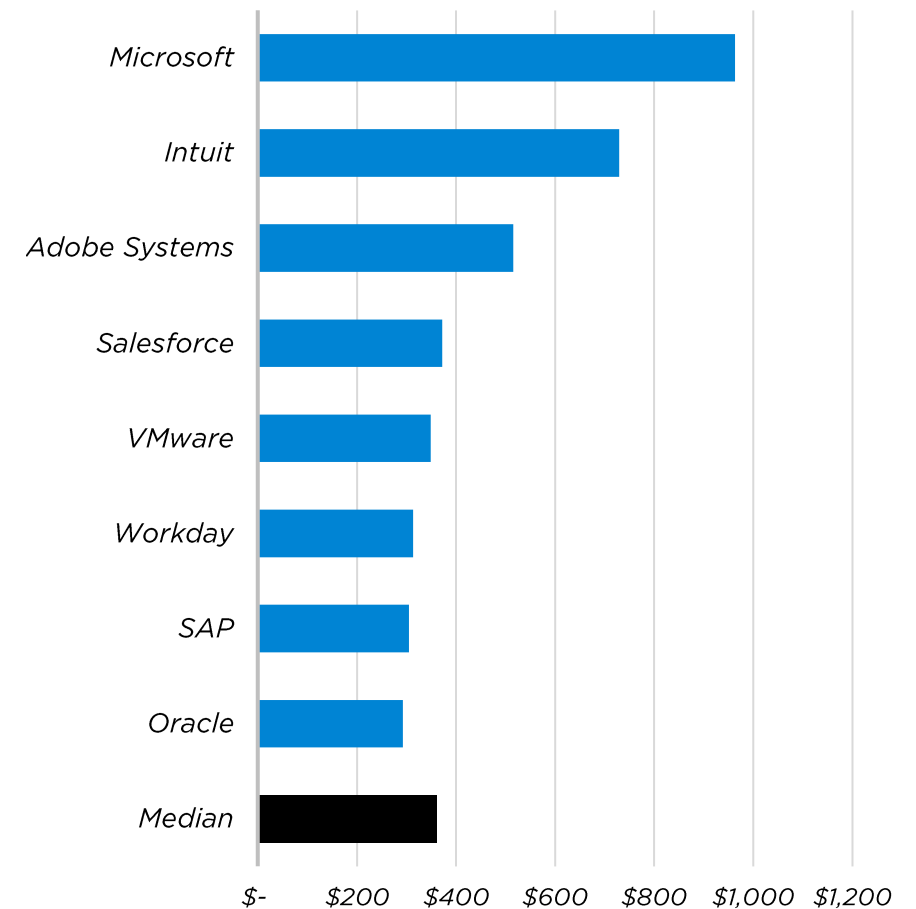


Operational Metrics

LTM Revenue Growth %

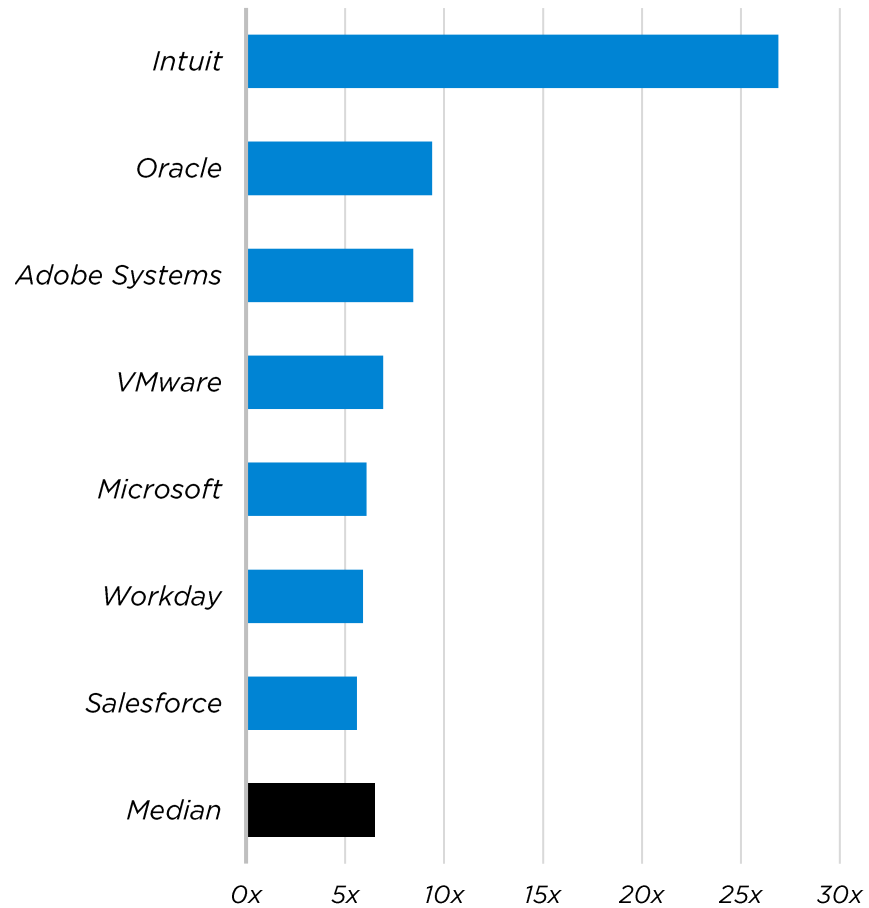


LTM Revenue per Full Time Employee x 000's

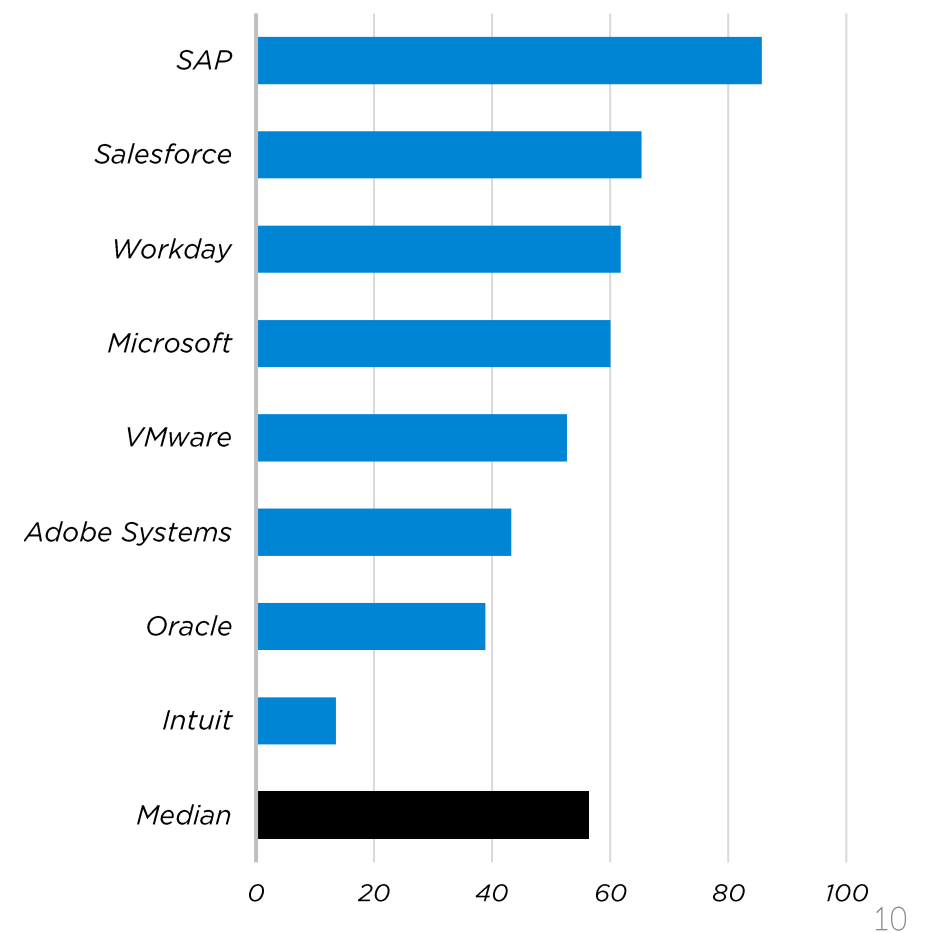


Operational Metrics

Accounts Receivable Turnover

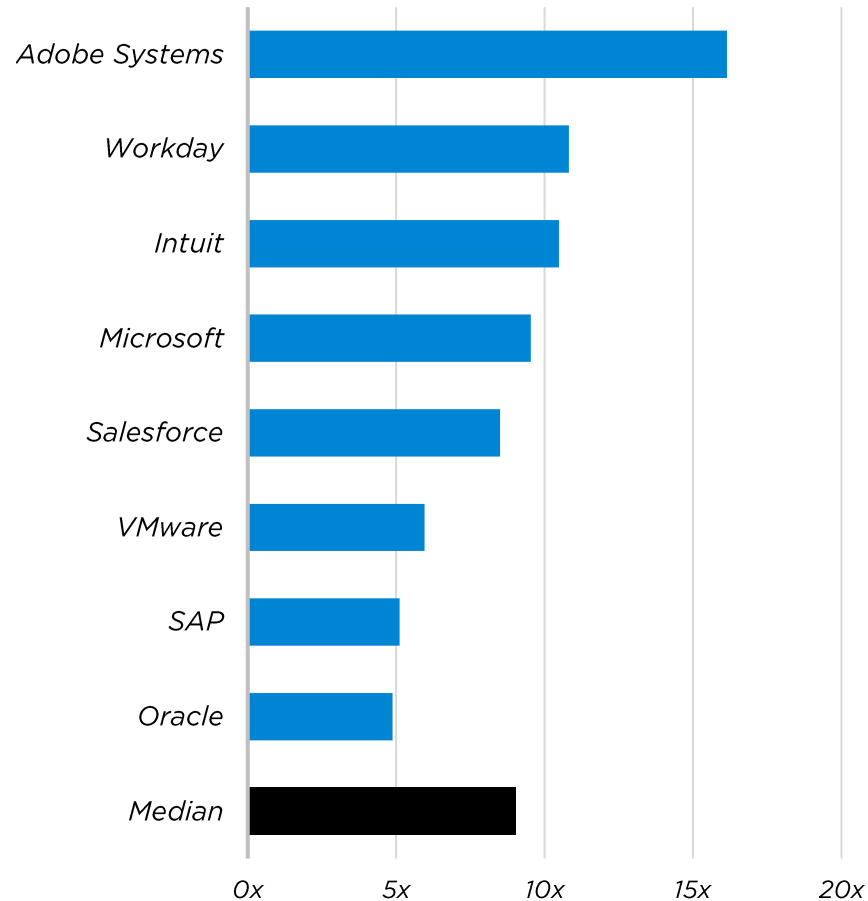


Average Days Sales Outstanding

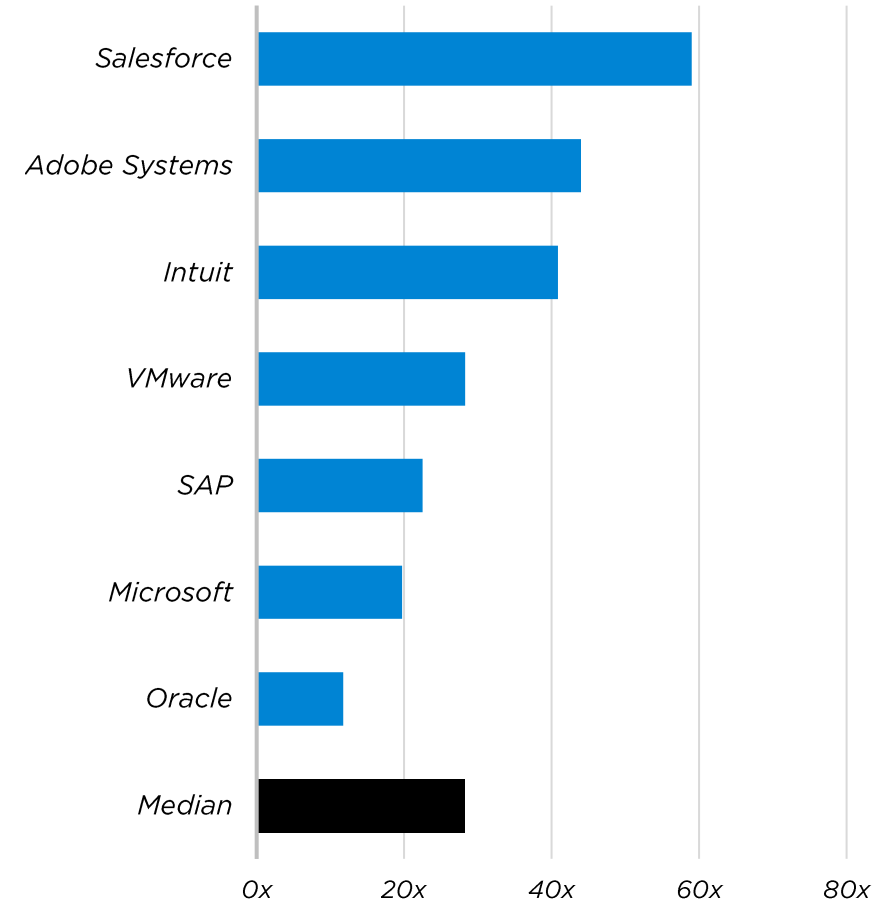


Valuation

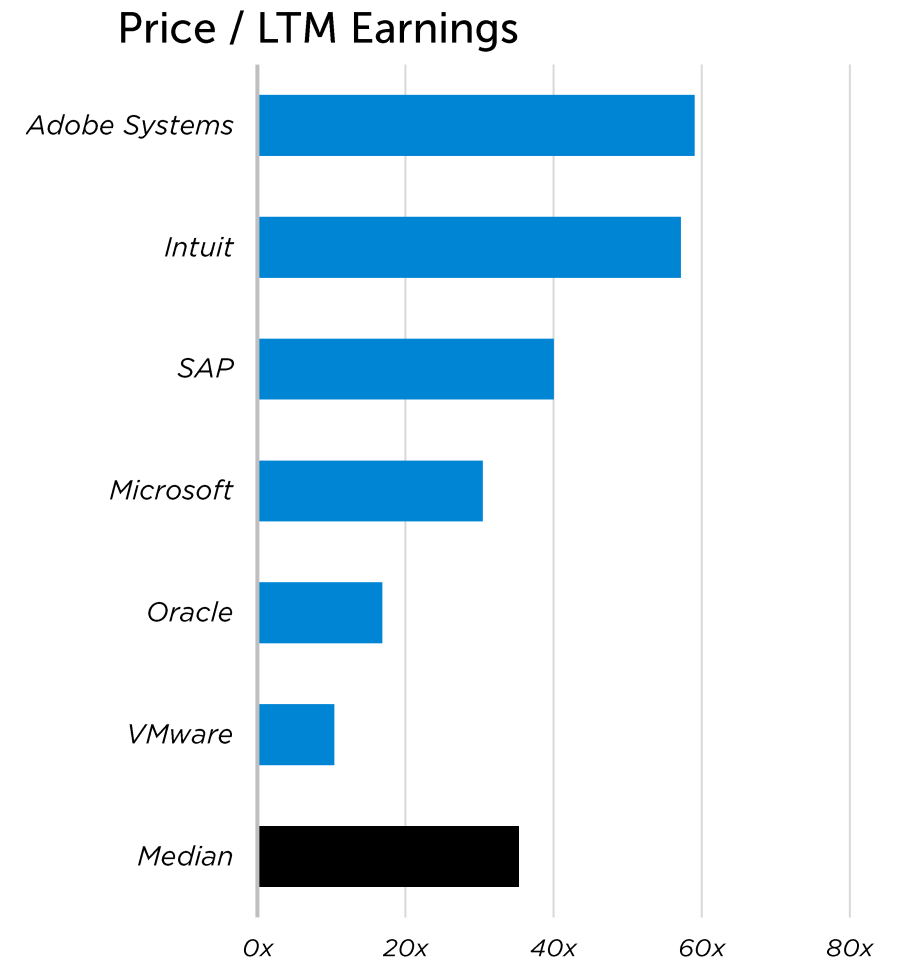
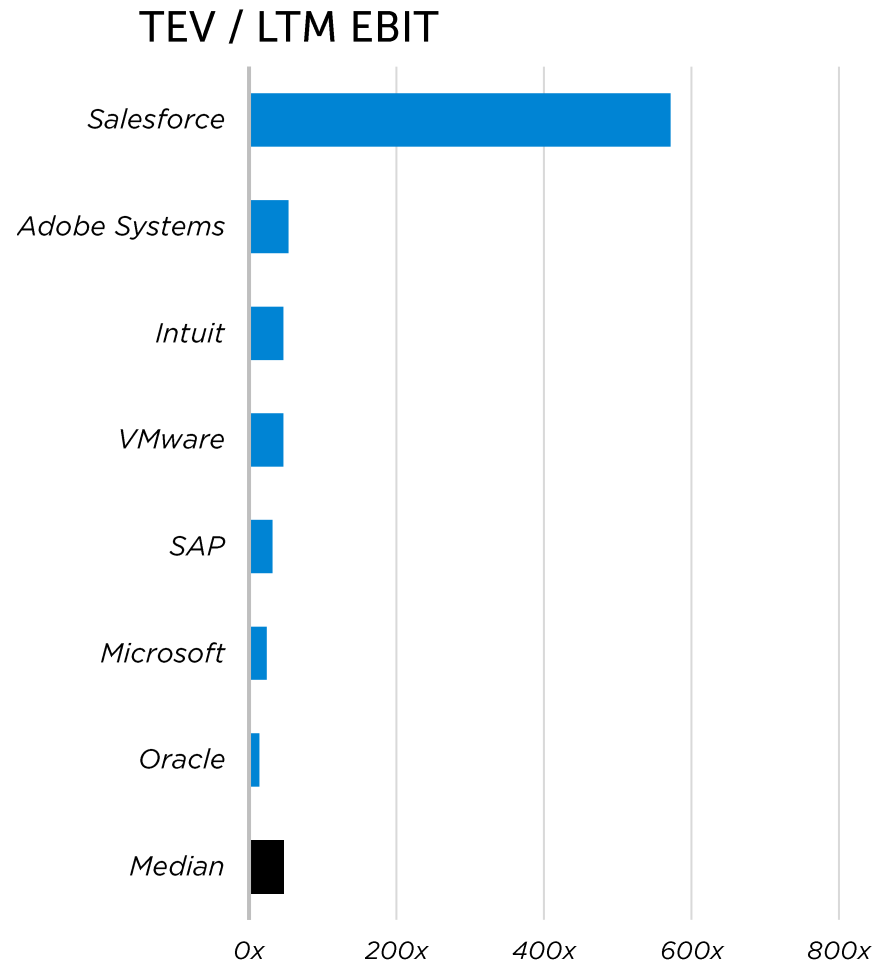
TEV / LTM Revenue



TEV / LTM EBITDA

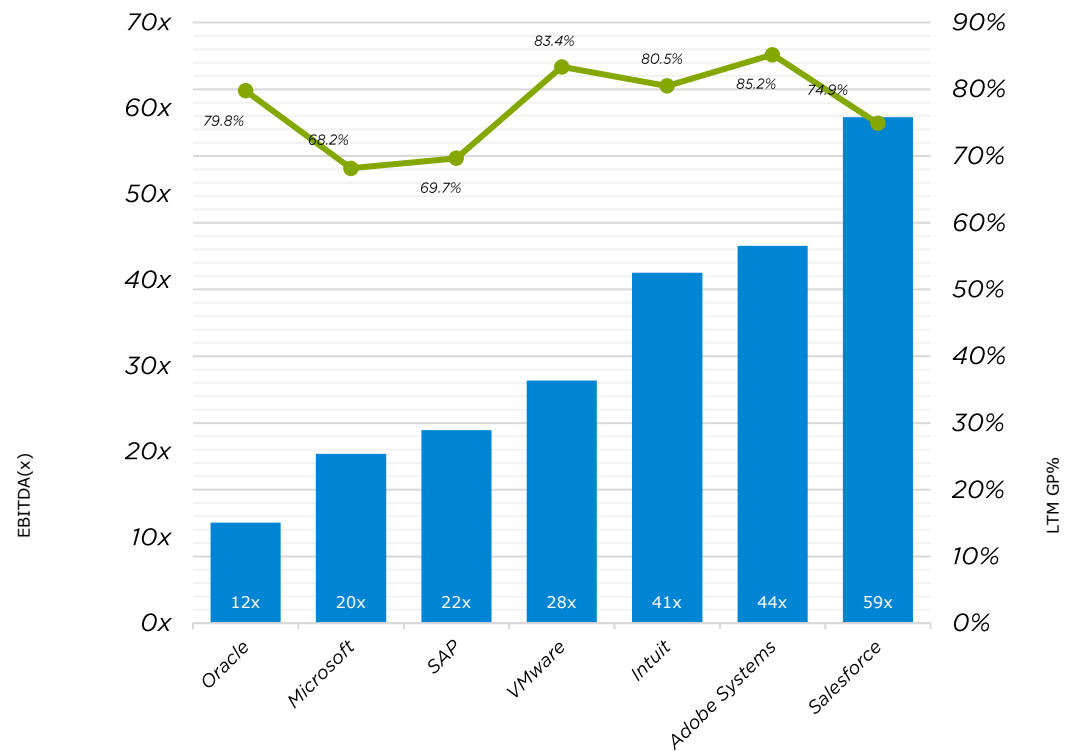


Valuation

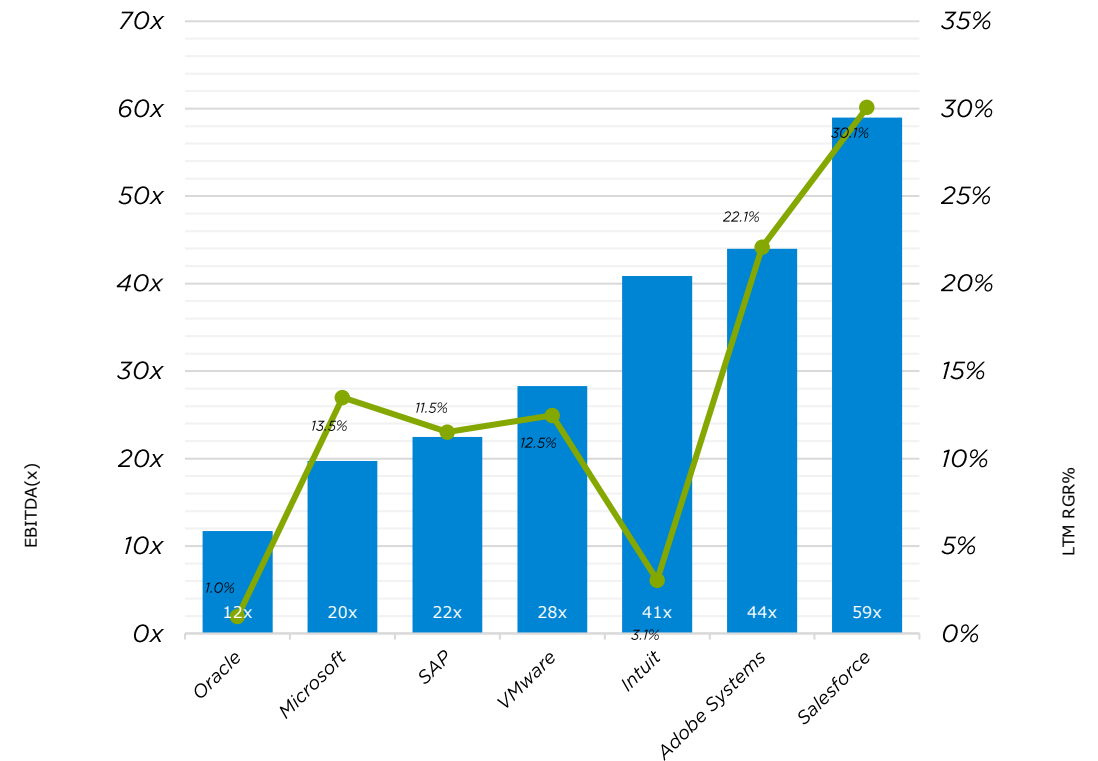


Valuation

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
25-May-20	Mobile Solutions	Zucchetti Group	-	-	-	-
18-May-20	Trade Area Systems	Hanover Investors	-	-	-	-
15-May-20	Viziya	Genstar Capital	35.11	-	-	-
11-May-20	Avedos	GBTEC Software + Consulting	-	-	-	-
01-May-20	Seal Software	DocuSign	188.00	-	-	-
21-Apr-20	Alligatortek	HealthChampion	-	-	-	-
13-Apr-20	PKWARE	Thompson Street Capital Partners	-	-	-	-
03-Apr-20	KB Tech (Software Development)	European Energy Exchange	-	-	-	-
01-Apr-20	InsPro Technologies	Majesco	12.00	14.88	0.52	-19.31
06-Mar-20	Brandpath Commerce	BGF	-	-	-	-
01-Mar-20	Industrial & Financial Systems	-	-	-	-	-
25-Feb-20	Soft-Pak	Dover	-	-	-	-
17-Feb-20	TE-SIS Soluciones	Codeoscopic	-	-	-	-
04-Feb-20	Agency Matrix	Accel-KKR	-	-	-	-
04-Feb-20	Orpheus	McKinsey & Company	-	-	-	-
24-Jan-20	PlayerSpace US	Daxko	-	-	-	-
20-Jan-20	Purepoint	Ascent Software	-	-	-	-
06-Jan-20	DealerNet (Brazil)	Volaris Group	-	-	-	-
17-Dec-19	WinBooks	Exact Software	-	-	-	-
01-Dec-19	Ohjelma-Aitta	Lemonsoft	-	-	-	-
21-Nov-19	PayneGroup	BigHand	-	-	-	-
14-Nov-19	Great Bay Software	Battery Ventures	-	-	-	-
08-Nov-19	Automated Integration	-	-	-	-	-
05-Nov-19	Orango	Fellowmind	-	-	-	-
01-Nov-19	Clockwork Solutions	LMI Government Consulting	-	-	-	-
23-Oct-19	Attivio	ServiceNow	-	-	-	-
23-Oct-19	Open Data (Argelato)	Aggity	2.97	-	0.98	1.77
22-Oct-19	Bell Identification	Visa	75.00	-	-	-
18-Oct-19	ManagerPlus Solutions	iOFFICE	-	-	-	-

Appendix

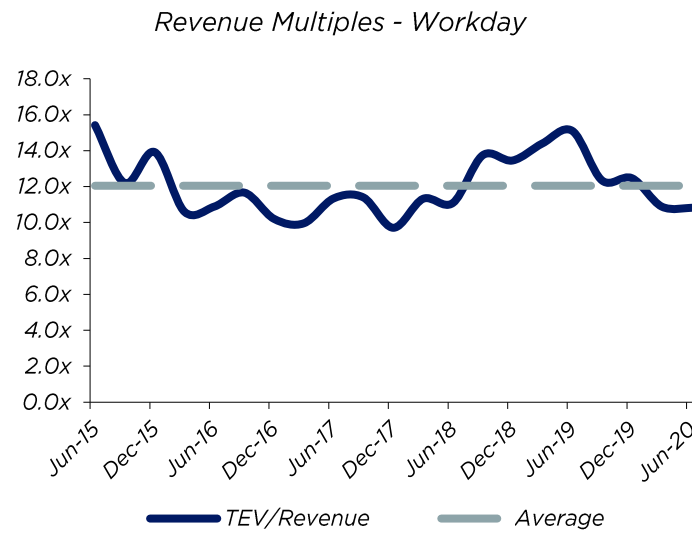
*Public Basket
Contact Information*



Workday

Workday is a software-as-a-service provider that offers enterprise resource planning software for medium and large enterprises.

The firm's roots are in ERP software vendor PeopleSoft, which was founded by Workday cofounder David Duffield, while fellow Workday cofounder Aneel Bhusri served as vice chairman at PeopleSoft. The company's product portfolio is centered on human capital and financial management software, though it continues to add new applications to the product set. Just over 75% of the firm's revenue comes from the U.S.



Company Name	Date	Deal Synopsis
Scout (Business/Productivity Software)	09-Dec-19	The company was acquired by Workday (NAS: WDAY) for \$513 million on December 9, 2019. The acquisition will help the acquirer to deliver a comprehensive source-to-pay solution to its customers.
Trusted Key Solutions	18-Jul-19	The company was acquired by Workday (NAS: WDAY) for an undisclosed amount on July 18, 2019.

VMware

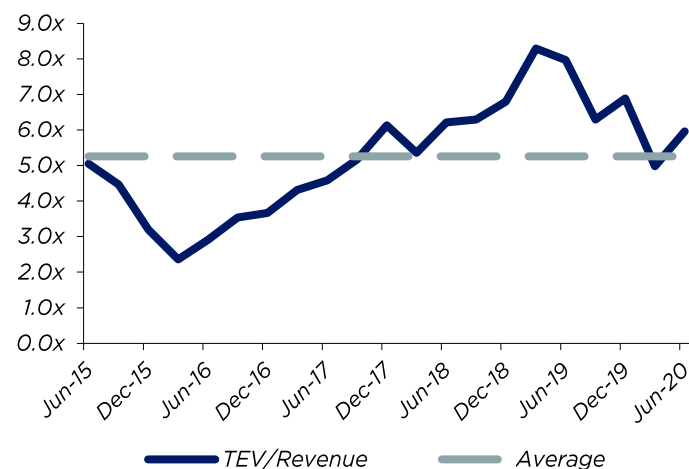
VMware, a majority-owned subsidiary of Dell, is an industry leader in virtual machines for data center servers and computer desktops.

The software provider operates in the three segments of licenses, maintenance, and professional services. Customers include enterprises utilizing data centers, end-user computing, cloud providers, and software-defined networking. The Palo Alto, California, firm operates and sells on a global scale, with about half its revenue from the United States, through direct sales, distributors, and partnerships.

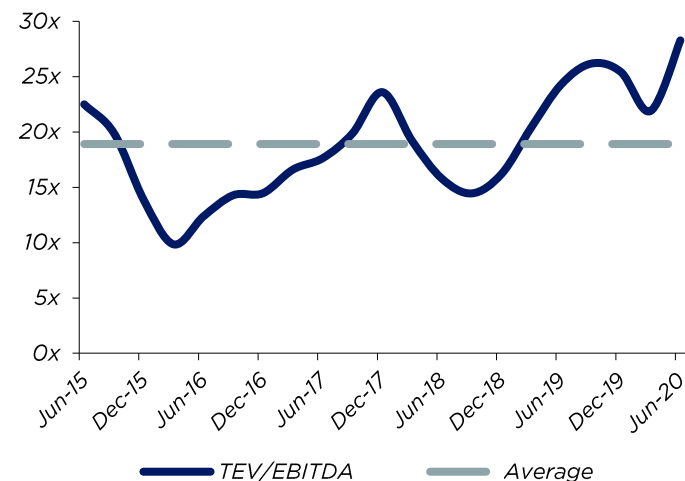
Public Basket

VMware

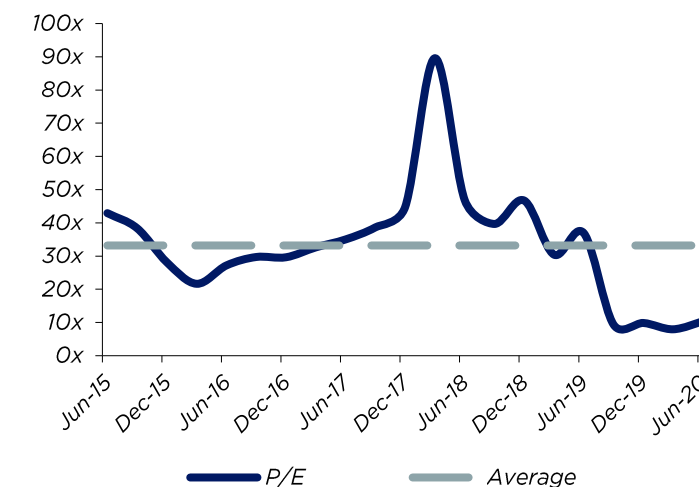
Revenue Multiples - VMware



EBITDA Multiples - VMware



P/E Multiples - VMware



Company Name	Date	Deal Synopsis
Octarine	27-May-20	The company was acquired by VMware (NYS: VMW), a subsidiary of Dell EMC, for an undisclosed amount on May 27, 2020.
Nyansa	21-Jan-20	The company reached a definitive agreement to be acquired by VMware (NYS: VMW), a subsidiary of Dell EMC, for an undisclosed amount on January 21, 2020.

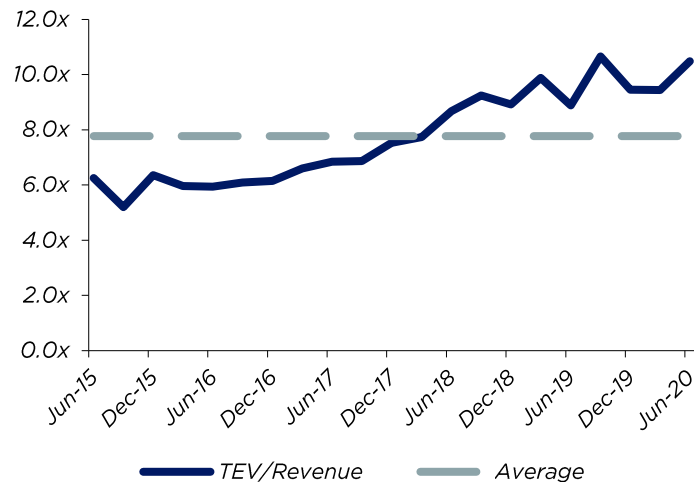
Intuit

Intuit is a provider of small-business accounting software (QuickBooks), personal tax solutions (TurboTax), and professional tax offerings (Lacerte). Founded in the mid-1980s, Intuit controls the majority of U.S. market share for small-business accounting and DIY tax-filing software.

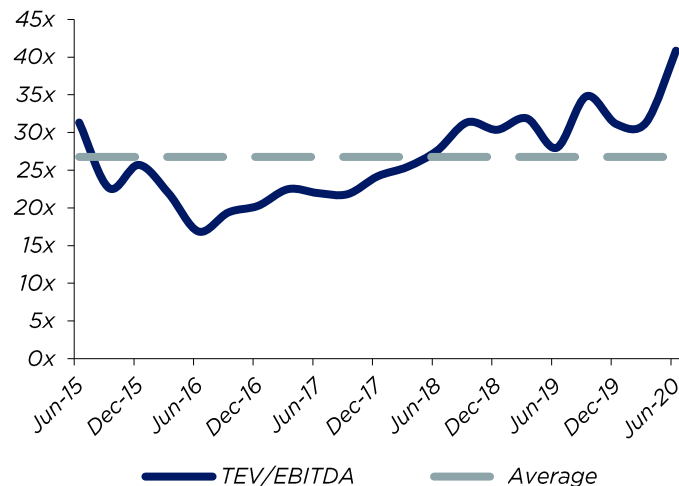
Public Basket

Intuit

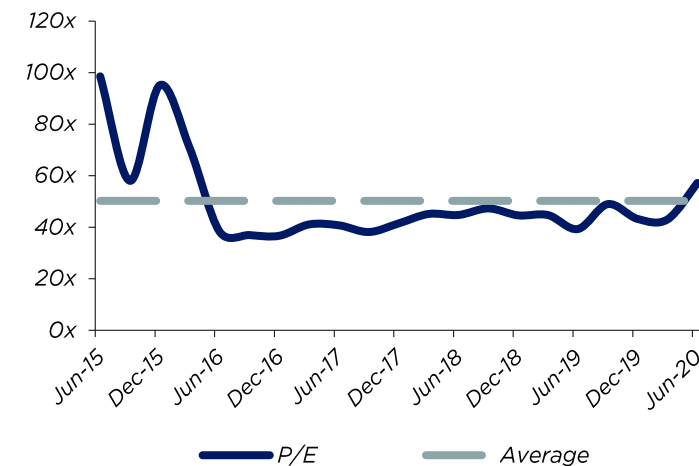
Revenue Multiples - Intuit



EBITDA Multiples - Intuit



P/E Multiples - Intuit



Company Name	Date	Deal Synopsis
Credit Karma	3/23/20	The company reached a definitive agreement to be acquired by Intuit (NAS: INTU) for \$7.1 billion on February 24, 2020.
ChronoBooks	1/6/20	The company was acquired by Intuit (NAS: INTU) on November 18, 2019. Intuit's acquisition of the company offers enhanced productivity with QuickBooks Online Advanced.

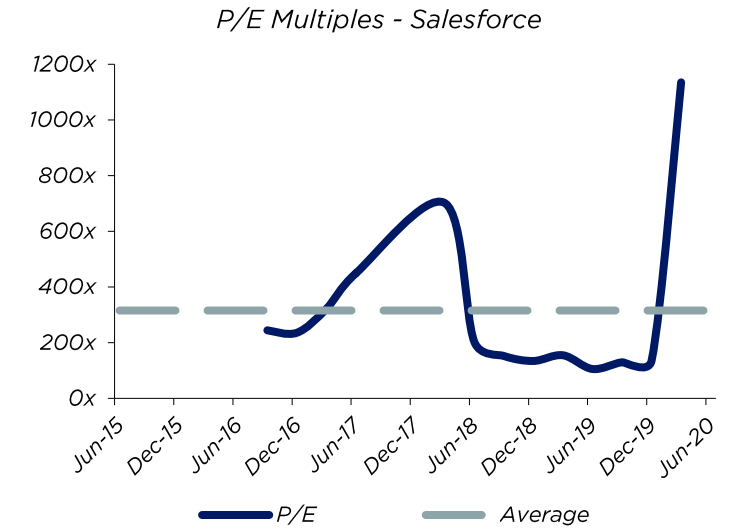
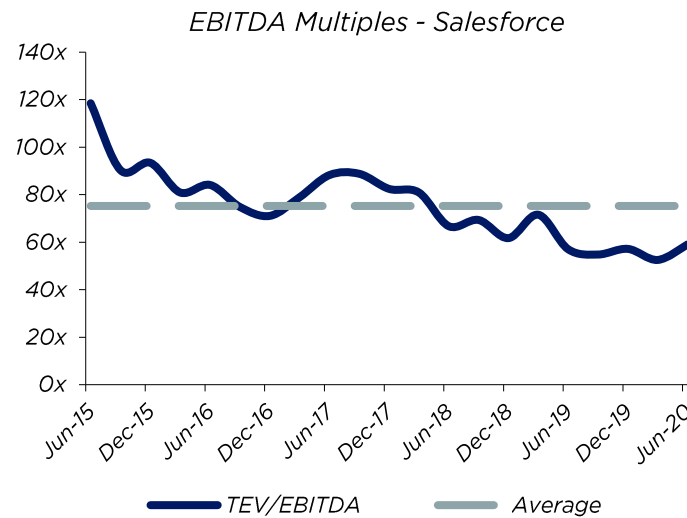
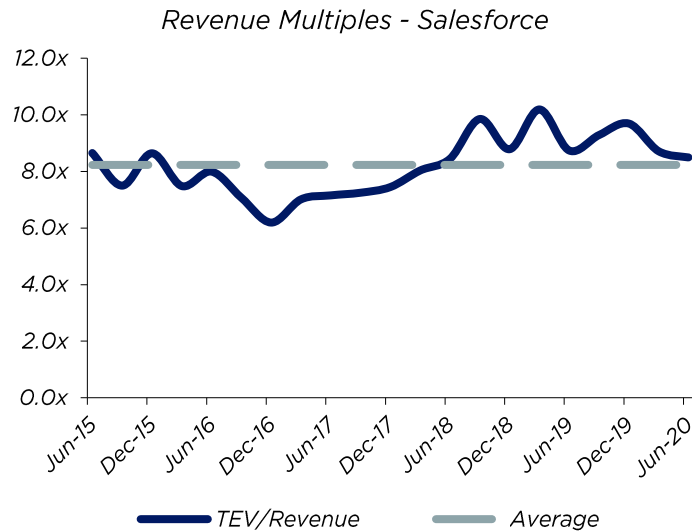
Salesforce

Salesforce.com provides enterprise cloud computing solutions, including Sales Cloud, the company's main customer relationship management software-as-a-service product.

Salesforce.com also offers Service Cloud for customer support, Marketing Cloud for digital marketing campaigns, Commerce Cloud as an e-commerce engine, the Salesforce Platform, which allows enterprises to build applications, and other solutions, such as MuleSoft for data integration.

Public Basket

Salesforce



Company Name	Date	Deal Synopsis
Vlocity	06-Mar-20	The company was acquired by Salesforce (NYS: CRM) for \$1.33 billion on March 6, 2020. The acquisition will continue to enhance and complement Salesforce's industry capabilities and product knowledge, open up new industry capabilities built on the Salesforce platform and provide customers with even more tools and expert guidance to digitally transform.
The CMO Club	02-Mar-20	The company was acquired by Salesforce (NYS: CRM) for an undisclosed amount on March 2, 2020. The acquisition will further stitch the company's insights into the contemporary B2B practices, providing customers and young marketing technology professionals with best-in-marketing resources, events and online webinars.

SAP

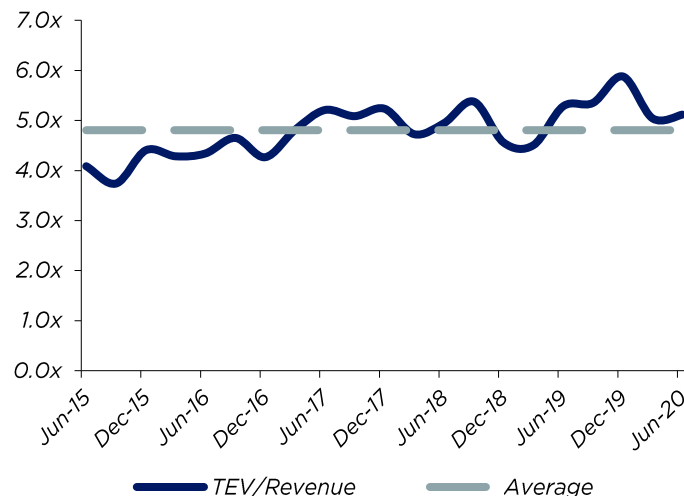
SAP is a global software vendor providing solutions for enterprise resource planning, database management, business intelligence, and vertical-specific software.

Its flagship software products run on SAP's HANA database technology. In fiscal 2017, the company generated roughly 44% of revenue from Europe, the Middle East, and Africa, 40% from the Americas, and 16% from Asia.

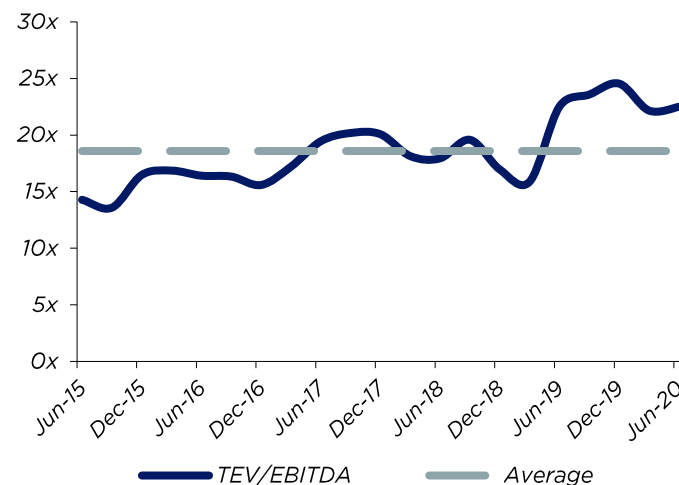
Public Basket

SAP

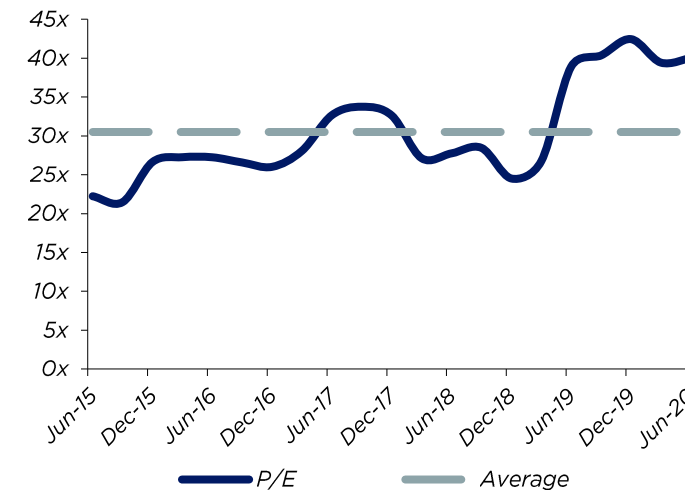
Revenue Multiples - SAP



EBITDA Multiples - SAP



P/E Multiples - SAP



Company Name

Date

Deal Synopsis

PlainID

03-Feb-20

The company received an undisclosed amount of funding from SAP on February 3, 2020. The funding will be used to bring the company's solution to a wider audience.

Totango

06-May-19

The company raised \$8.3 million of Series C venture funding from SAP, Grayhawk Capital and Pitango Venture Capital on May 6, 2019, putting the company's pre-money valuation at \$65 million. Gemini Israel Ventures, Canvas Ventures, InterWest Partners and Benhamou Global Ventures also participated in the round.

Adobe Systems

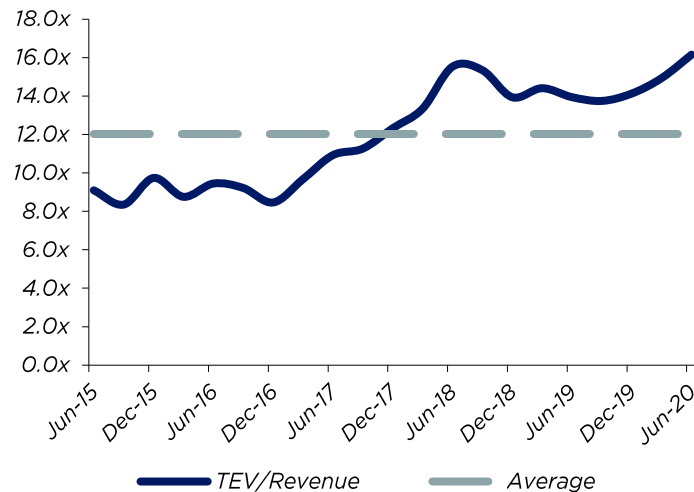
Adobe provides content creation, document management, and digital marketing and advertising software and services to creative professionals and marketers for creating, managing, delivering, measuring, optimizing and engaging with compelling content multiple operating systems, devices and media.

The company operates with three segments: digital media content creation, digital experience for marketing solutions, and publishing for legacy products (less than 5% of revenue).

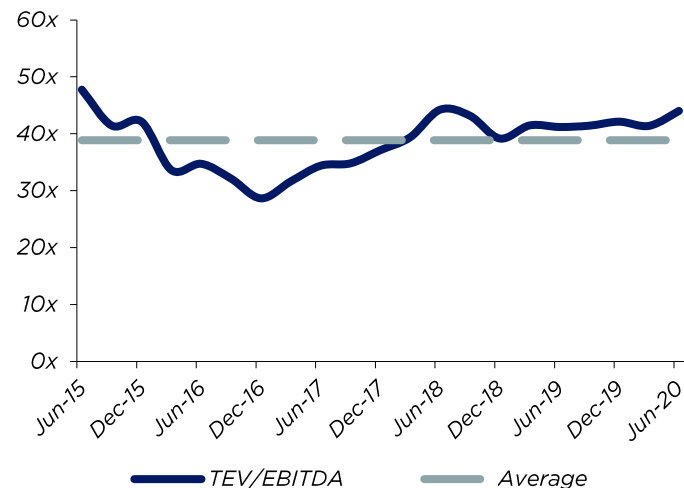
Public Basket

Adobe Systems

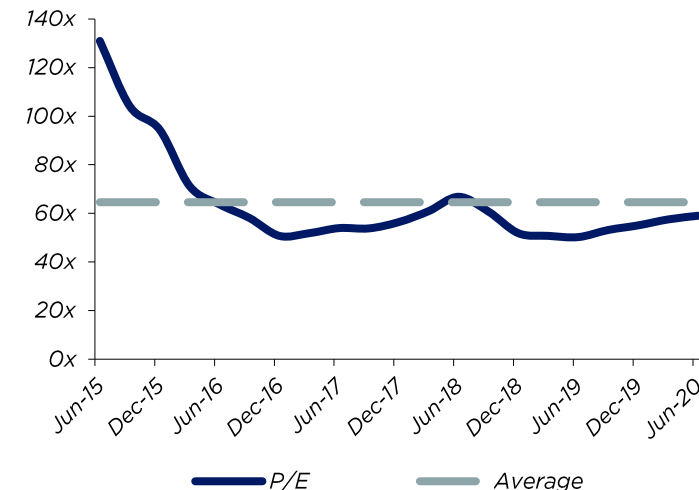
Revenue Multiples - Adobe Systems



EBITDA Multiples - Adobe Systems



P/E Multiples - Adobe Systems



Company Name	Date	Deal Synopsis
Facebook (Oculus Medium)	09-Dec-19	Oculus' virtual reality sculpting tool was acquired by Adobe for an undisclosed amount on December 09, 2019. The acquisition will enable Facebook to accelerate 3D & immersive offerings.
Allegorithmic	23-Jan-19	The company was acquired by Adobe Systems (NAS: ADBE) for \$106.1 million on January 23, 2019. With this acquisition, Creative Cloud will benefit from the company's tools that are already helping top gaming, entertainment, retail, and other brands create the textures and materials that give 3D content detail and realism.

Oracle

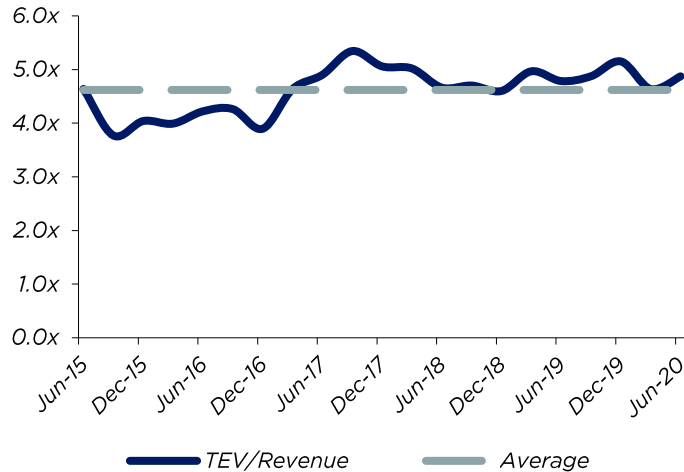
Oracle sells a wide range of enterprise IT solutions, including databases, middleware, applications, and hardware.

While software licenses, support, and maintenance continue to represent roughly 70% of revenue, the firm is undergoing a mix shift toward cloud-based subscriptions that should necessitate continued heavy investment in the business model transition. Oracle offers software-as-a-service, platform-as-a-service, and infrastructure-as-a-service offerings. Legacy offerings include Oracle Database software and Oracle Fusion Middleware.

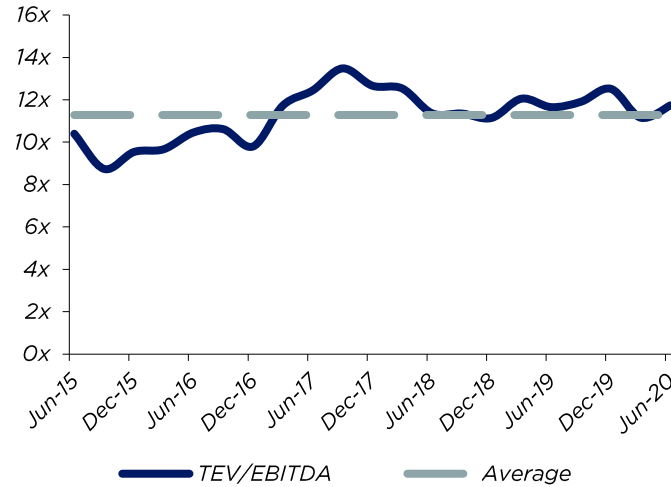
Public Basket

Oracle

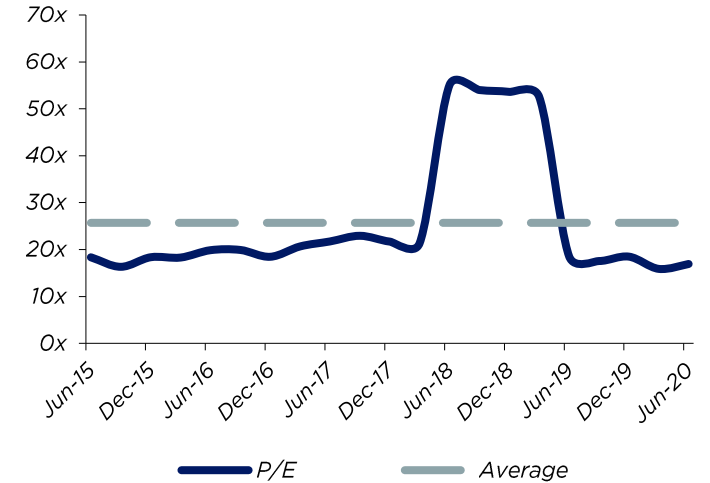
Revenue Multiples - Oracle



EBITDA Multiples - Oracle



P/E Multiples - Oracle



Company Name	Date
Sauce Video	27-Apr-20
LiveData Utilities	31-Mar-20

Deal Synopsis

The company was acquired by Oracle (NYS: ORCL) for an undisclosed amount on April 27, 2020. The acquisition helps Oracle to enhance its portfolio with advanced video capabilities and to provide customers with a comprehensive set of content creation and management tools in order to create exceptional customer, employee and supplier experiences.

Oracle entered into a definitive agreement to acquire the company, a subsidiary of LiveData for an undisclosed amount on March 31, 2020. This acquisition extends Oracle Utilities' Network Management System (NMS) by adding a long-standing partner that provides leading operational technology (OT) middleware solutions and SCADA capabilities to monitor and control utility equipment while reducing the complexity of real-time systems.

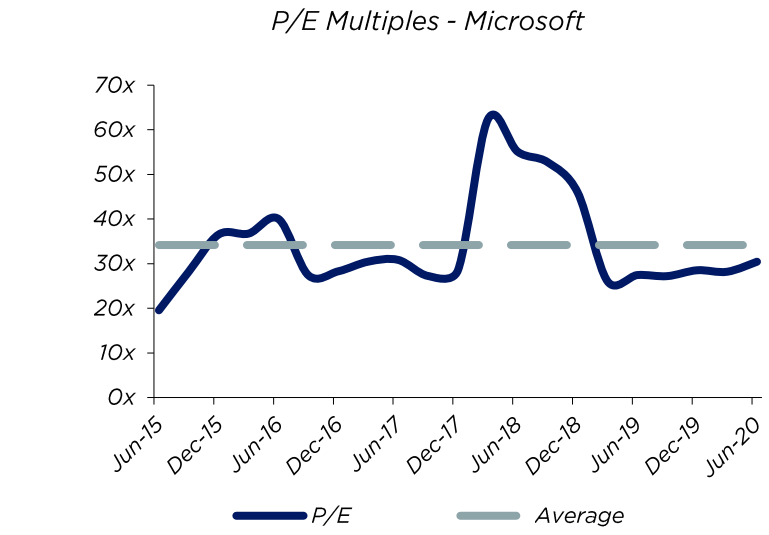
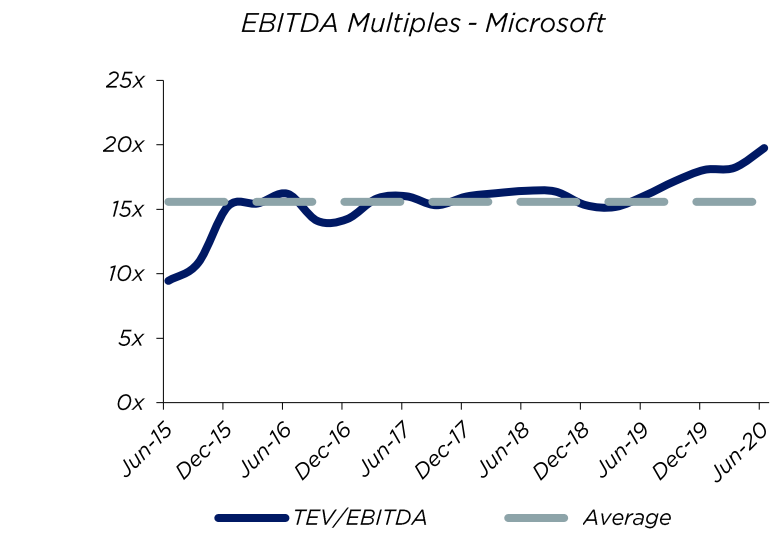
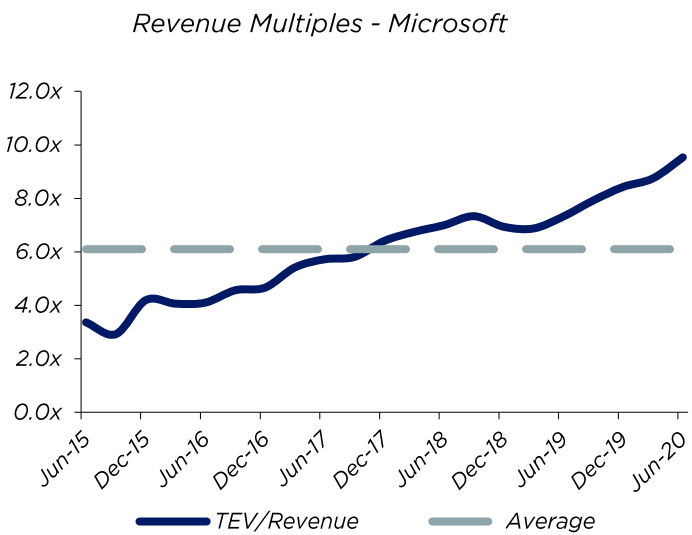
Microsoft

Microsoft develops and licenses consumer and enterprise software.

It is known for its Windows operating systems and Office productivity suite. The company is organized into three overarching segments: productivity and business processes (legacy Microsoft Office, cloud-based Office 365, Exchange, SharePoint, Skype, LinkedIn, Dynamics), intelligence cloud (infrastructure- and platform-as-a-service offerings Azure, Windows Server OS, SQL Server), and more personal computing (Windows Client, Xbox, Bing search, display advertising, and Surface laptops, tablets, and desktops). Through acquisitions, Microsoft owns Xamarin, LinkedIn, and GitHub. It reports revenue in product and service and other revenue on its income statement.

Public Basket

Microsoft



Company Name	Date	Deal Synopsis
Softomotive	19-May-20	The company was acquired by Microsoft (NAS: MSFT) for an undisclosed amount on May 19, 2020.
Metaswitch Networks	14-May-20	The company reached a definitive agreement to be acquired by Microsoft (NAS: MSFT) for an undisclosed amount on May 14, 2020. The acquisition provides Microsoft's Azure cloud platform with the specialized software needed for running virtualized communication functions, applications and networks.

Contact Info

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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
John Cooper, Managing Director	704.973.3996	john@7mileadvisors.com
Mark Landry, Managing Director	561.972.0609	mark@7mileadvisors.com
Ben Lunka, Managing Director	704.496.2995	ben@7mileadvisors.com
Ariail Barker, Director, Sales & Marketing	704.981.2908	ariail@7mileadvisors.com
Kristina Sergueeva, Director	704.899.5149	kristina@7mileadvisors.com
Tim Frye, Director	704.973.3994	tim@7mileadvisors.com
Ben Garber, Vice President	412.626.7898	ben.garber@7mileadvisors.com
Garth Martin, Vice President	704.973.3997	garth.martin@7mileadvisors.com
Nicholas Prendergast, Vice President	704.973.3995	nicholas@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
Robin Siegel, Analyst	704.285.8173	robin@7mileadvisors.com