

7 Mile Advisors



Sectorwatch: Managed Service Providers

August 2020



Managed Service Providers

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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.

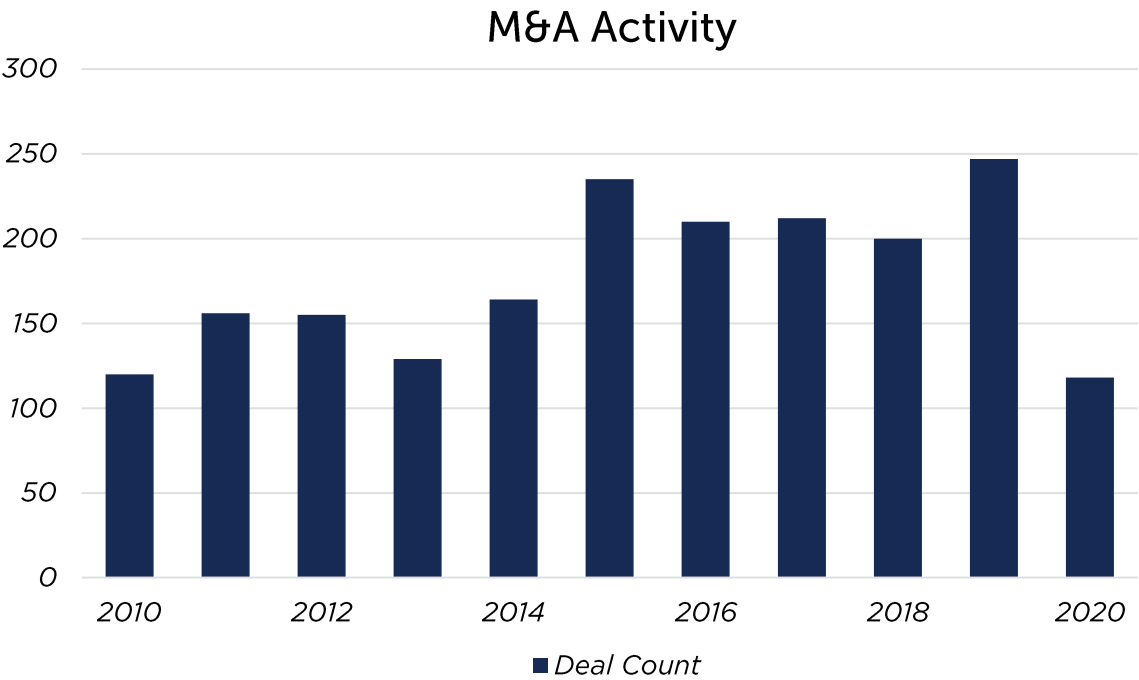
RECENT DEALS

- The most recently announced deals in the sector

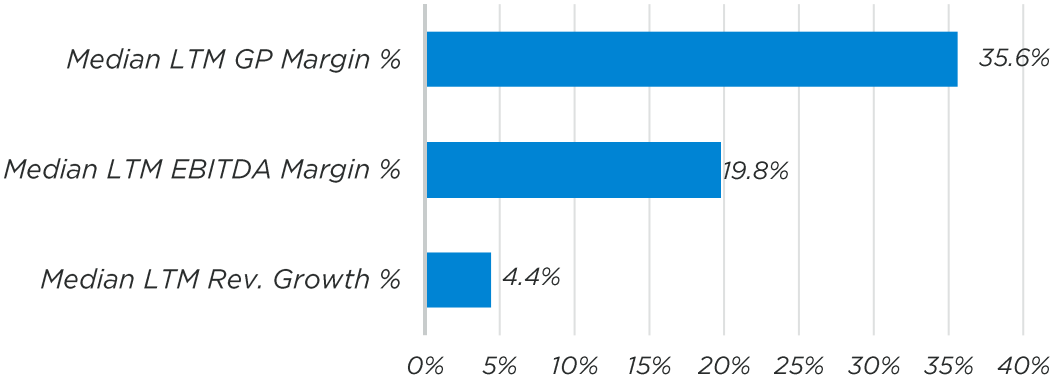
Dashboard

REVENUE GROWTH MOMENTUM ↓ -0.5%

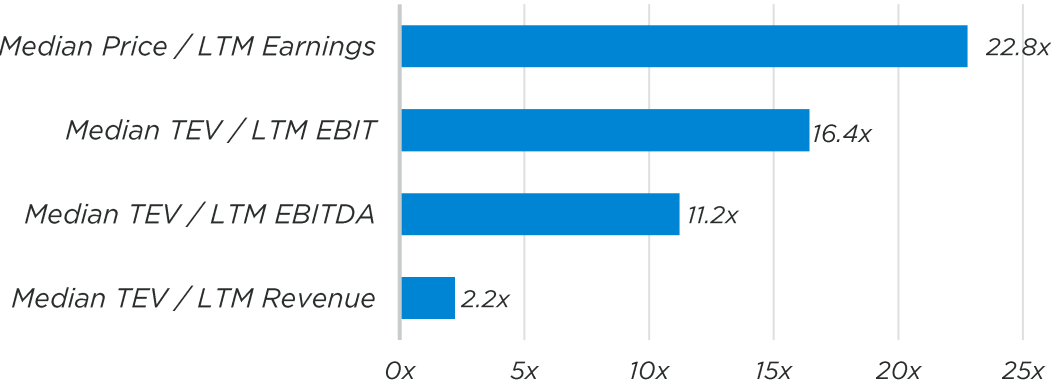
1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining



Operating Metrics



Valuation



Public Basket Overview

Managed
Service
Providers

India



France



United States



Ireland

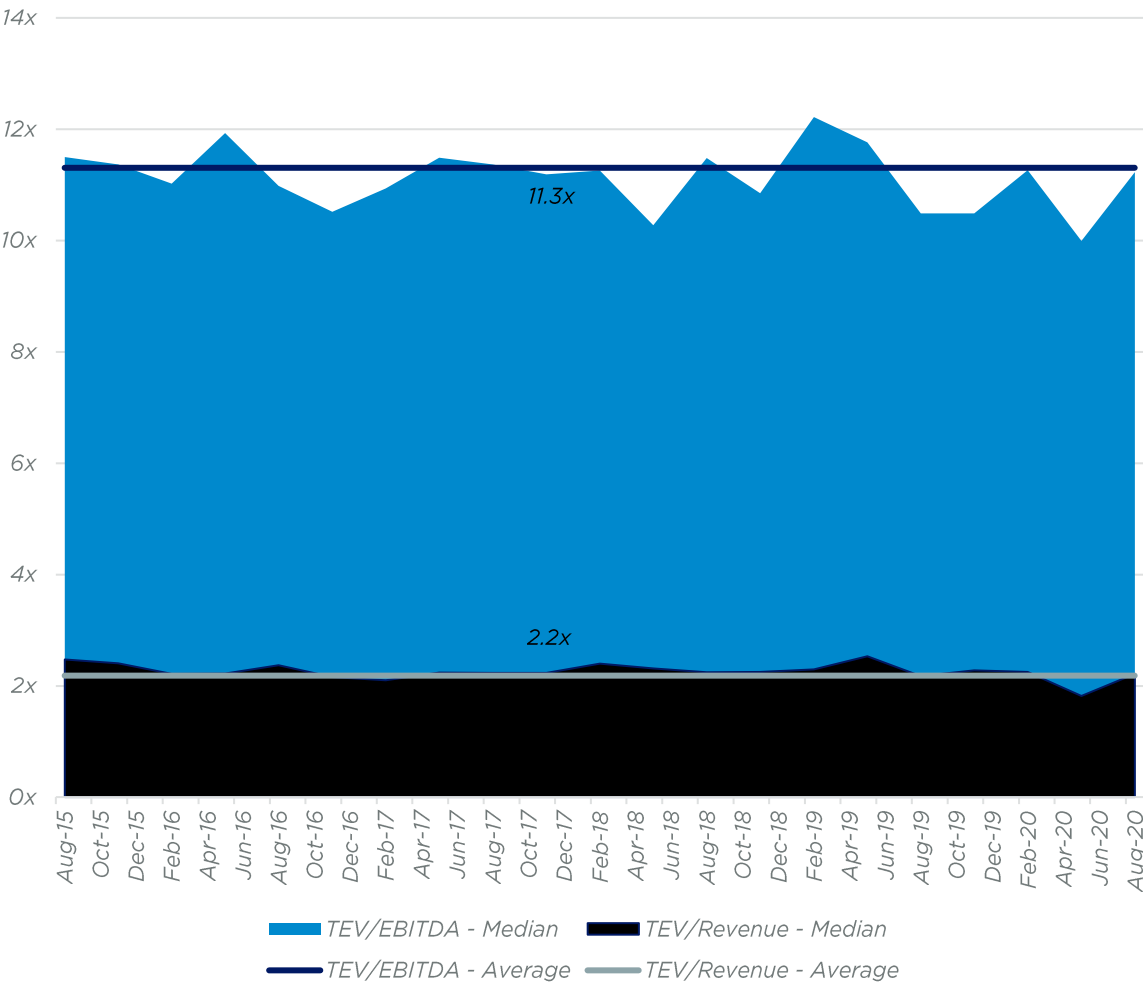


Public Basket

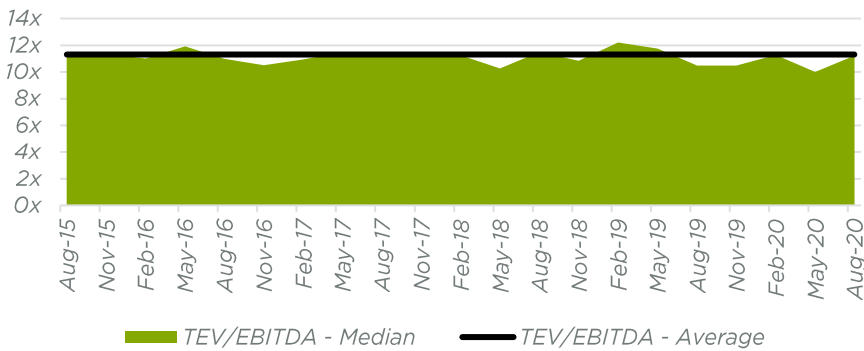
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Atos	11,988	1,662	12,684	2.9%	37.2%	13.1%	0.9x	7.2x	106,980	119
Wipro	17,402	1,783	8,430	3.2%	28.9%	21.1%	2.1x	9.8x	180,000	47
Capgemini	23,538	2,181	15,812	7.0%	27.3%	13.8%	1.5x	10.8x	219,314	72
HCL Technologies	24,545	2,283	9,657	14.8%	47.7%	23.6%	2.5x	10.7x	124,121	78
Cognizant Technology Solutions	35,448	2,689	16,757	1.8%	35.6%	16.0%	2.1x	13.2x	281,200	60
Infosys	50,962	3,181	12,771	5.6%	33.4%	24.9%	4.0x	16.0x	242,371	53
Tata Consultancy Services	111,324	5,790	21,633	4.5%	43.4%	26.8%	5.1x	19.2x	448,464	48
Accenture	143,239	8,016	44,547	4.4%	31.4%	18.0%	3.2x	17.9x	513,000	87
International Business Machines	167,521	14,919	75,498	-3.0%	47.8%	19.8%	2.2x	11.2x	381,100	198
Average	65,108	4,723	24,199	4.6%	36.9%	19.7%	2.6x	12.9x	277,394	85
Median	35,448	2,689	15,812	4.4%	35.6%	19.8%	2.2x	11.2x	242,371	72

share price as of 05Aug20

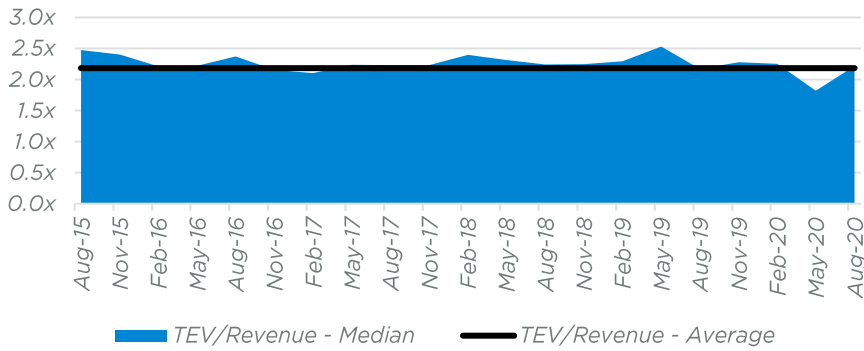
Public Basket



Public EBITDA Multiples over Time

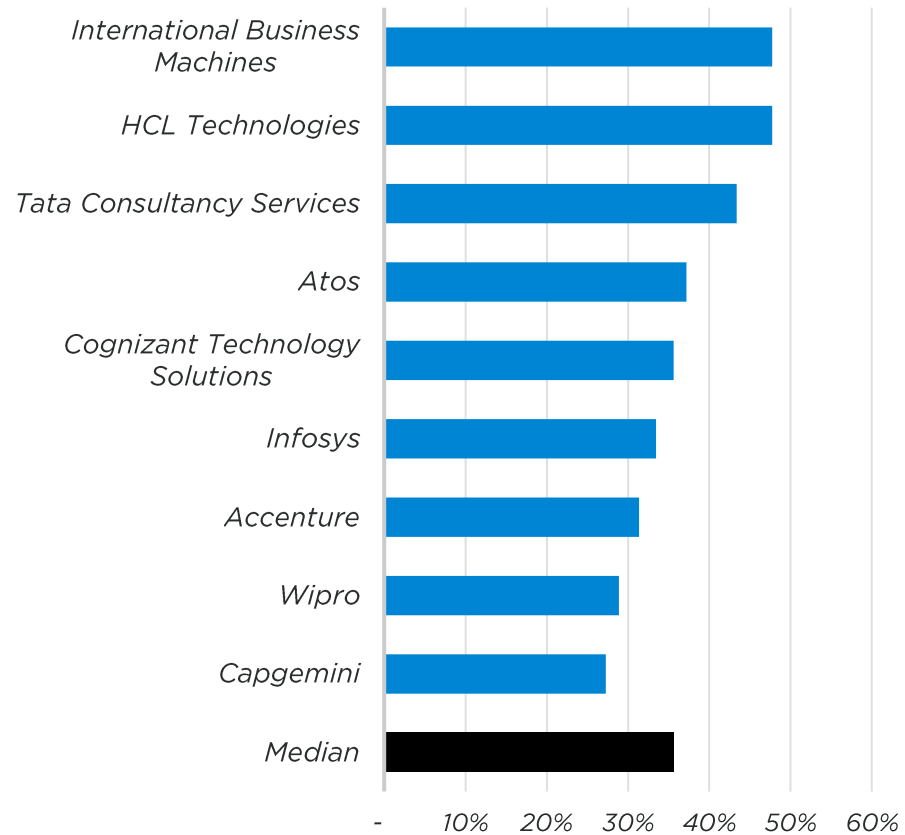


Public Revenue Multiples over Time

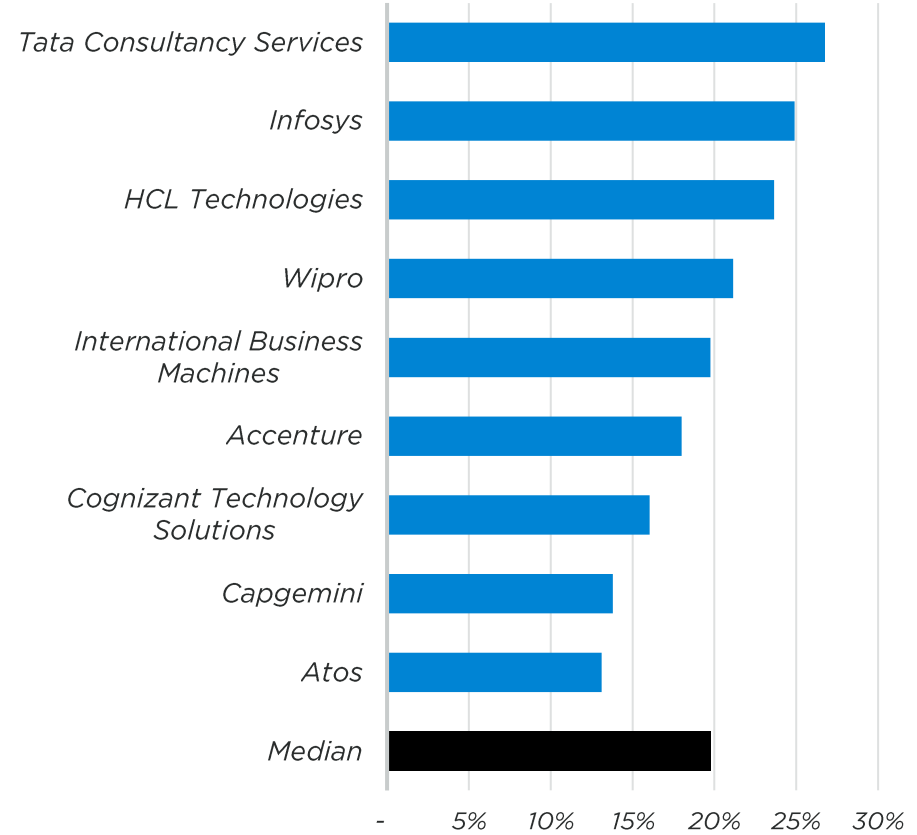


Operational Metrics

LTM Gross Profit Margin %

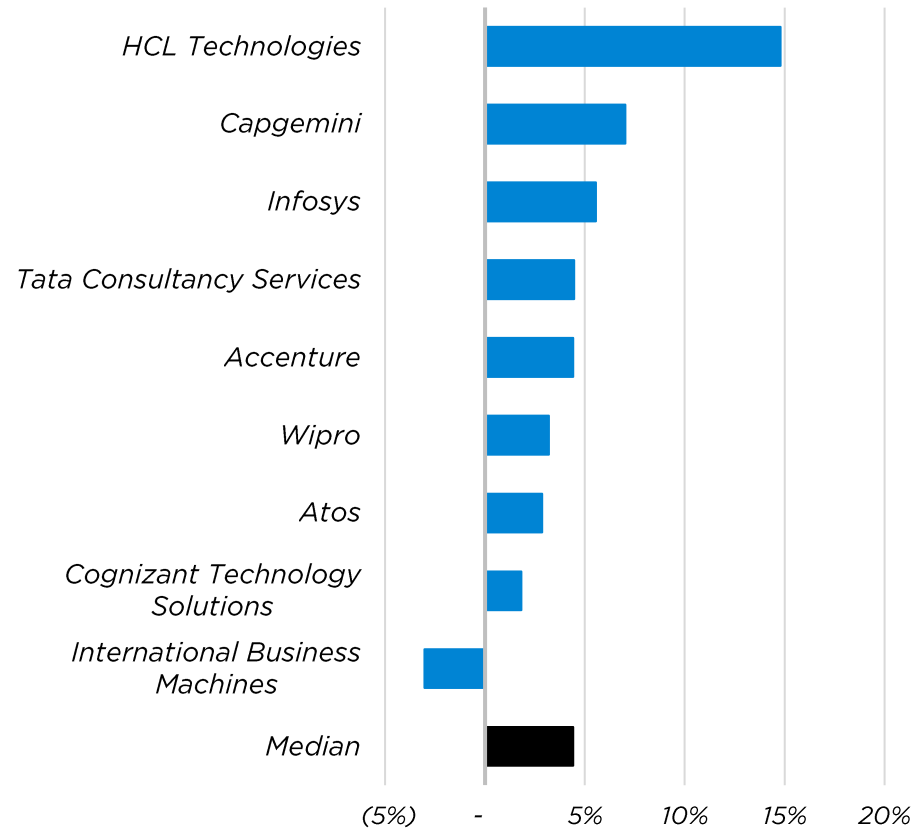


LTM EBITDA %

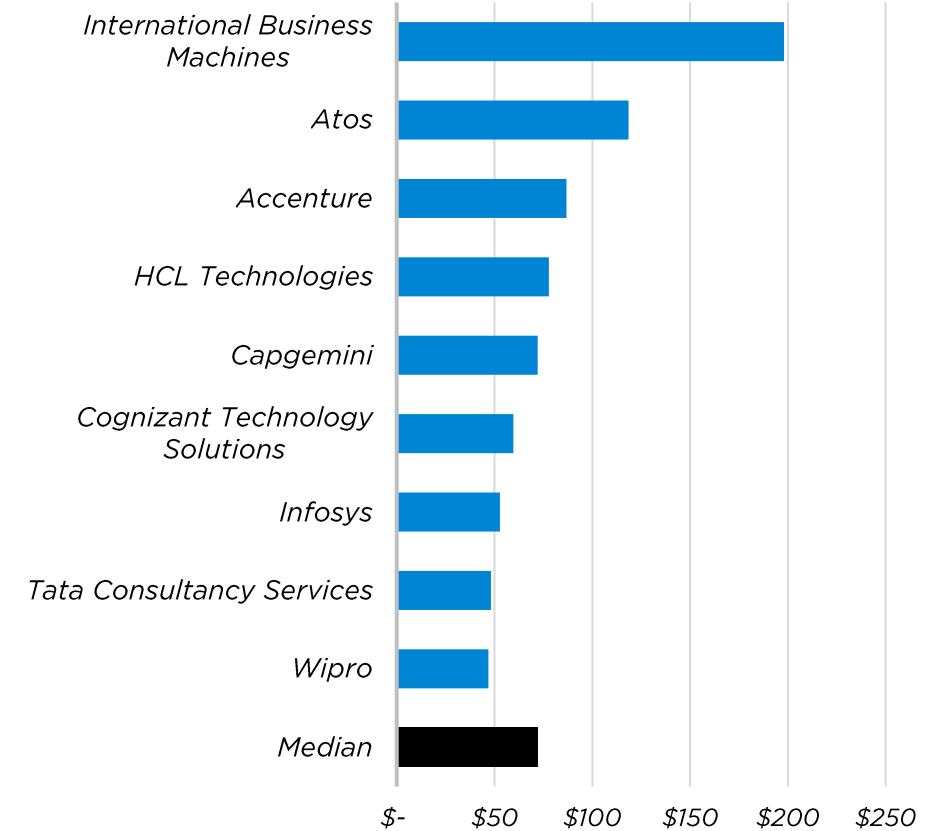


Operational Metrics

LTM Revenue Growth %

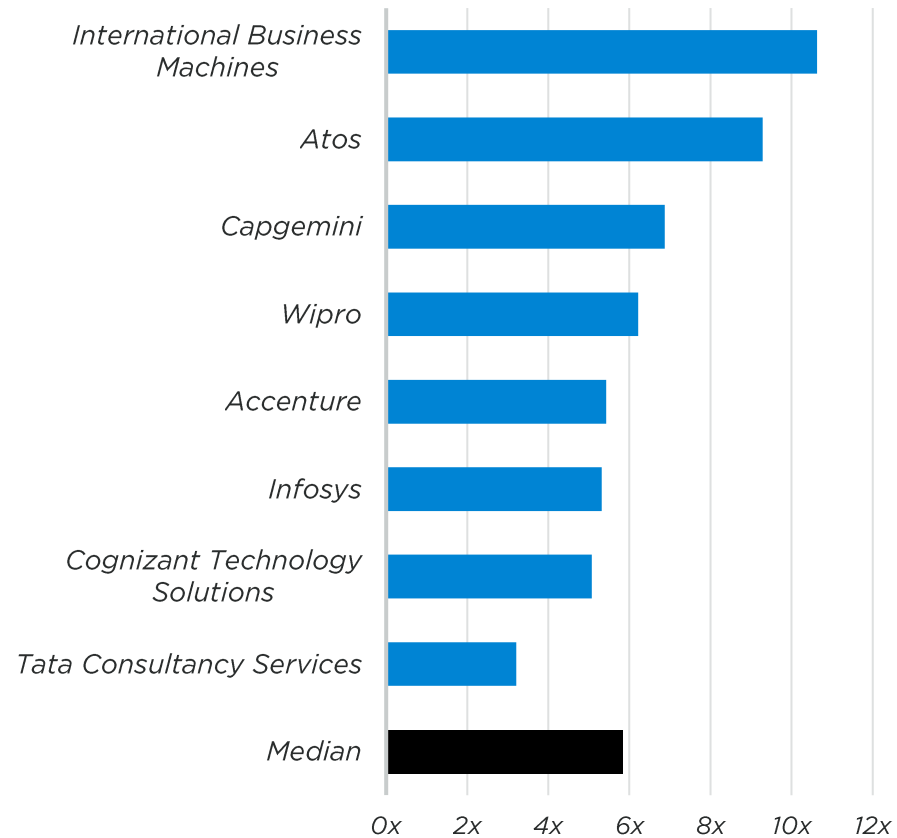


LTM Revenue per Full Time Employee x 000's

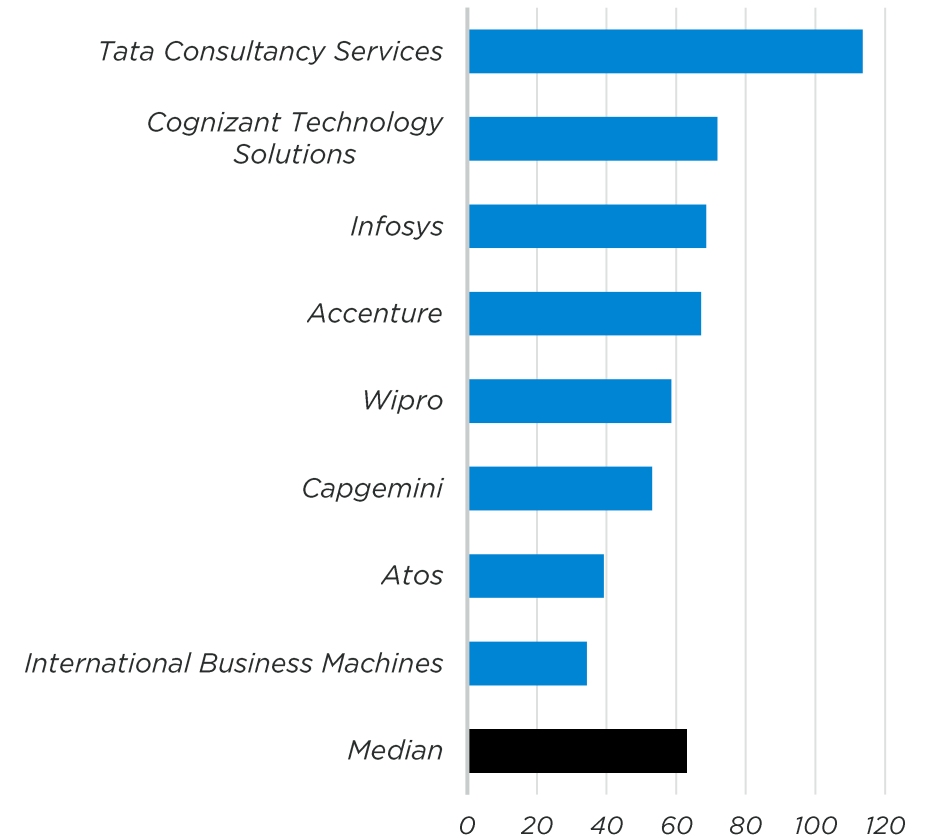


Operational Metrics

Accounts Receivable Turnover

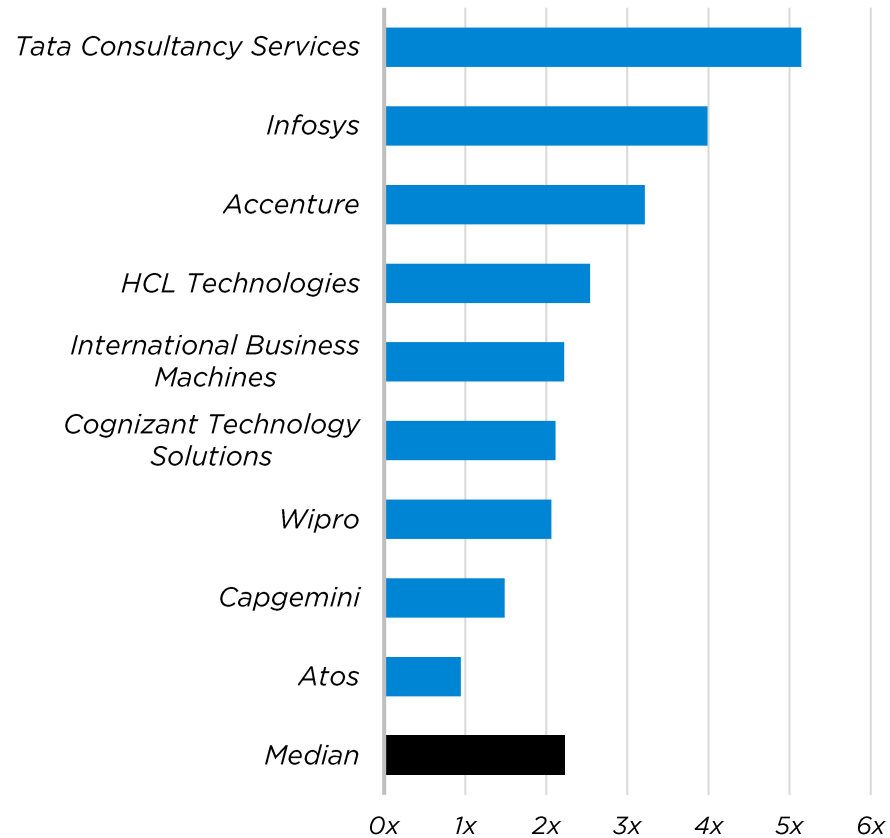


Average Days Sales Outstanding

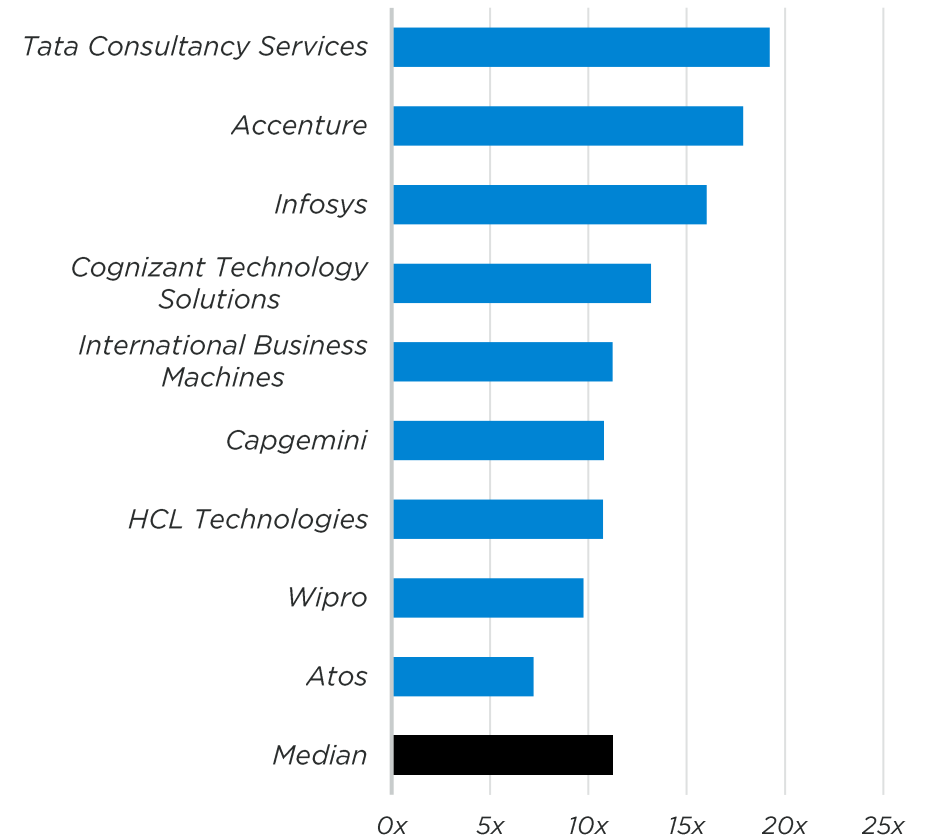


Valuation

TEV / LTM Revenue

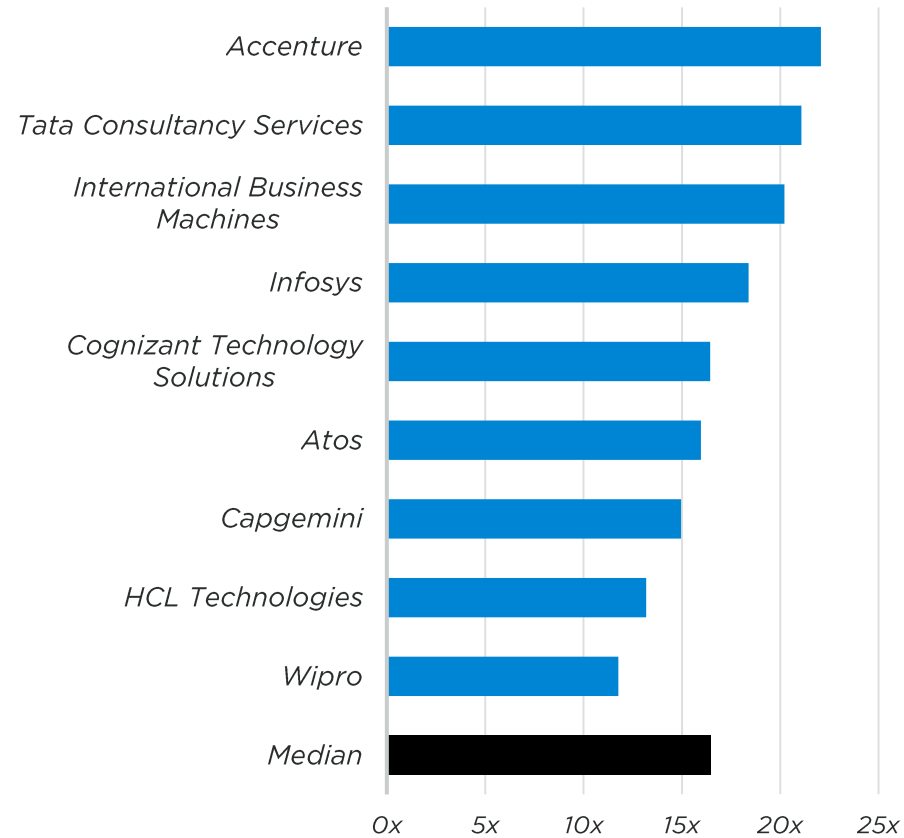


TEV / LTM EBITDA

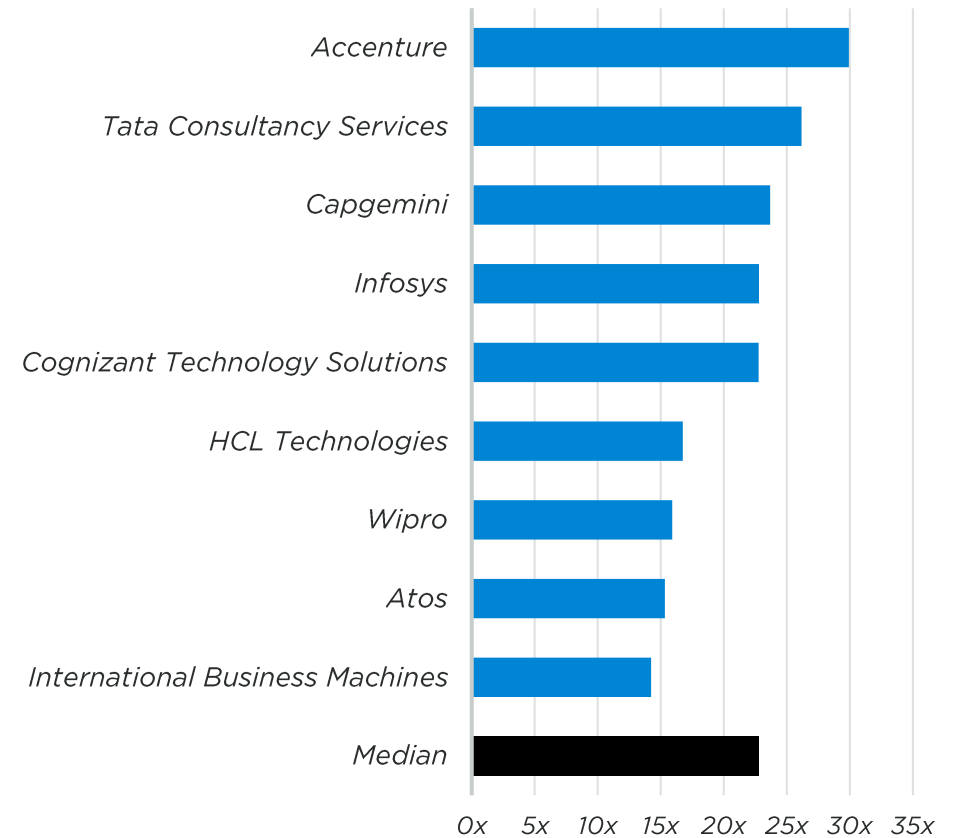


Valuation

TEV / LTM EBIT

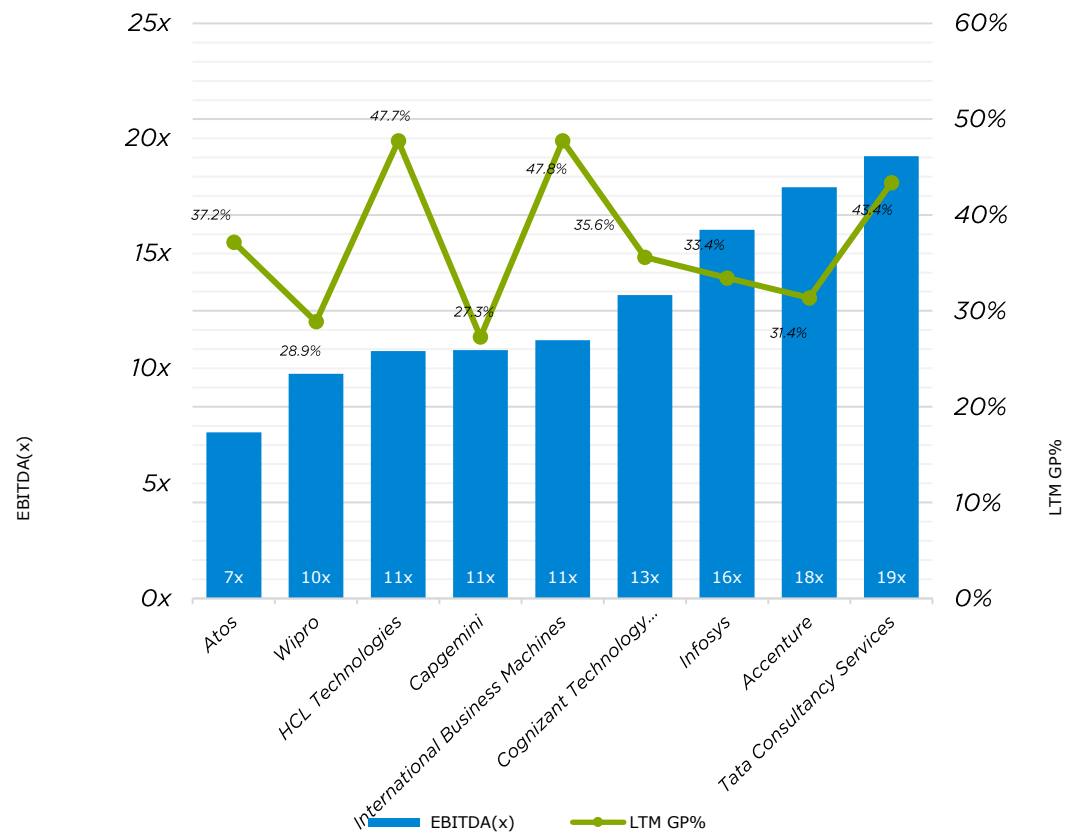


Price / LTM Earnings

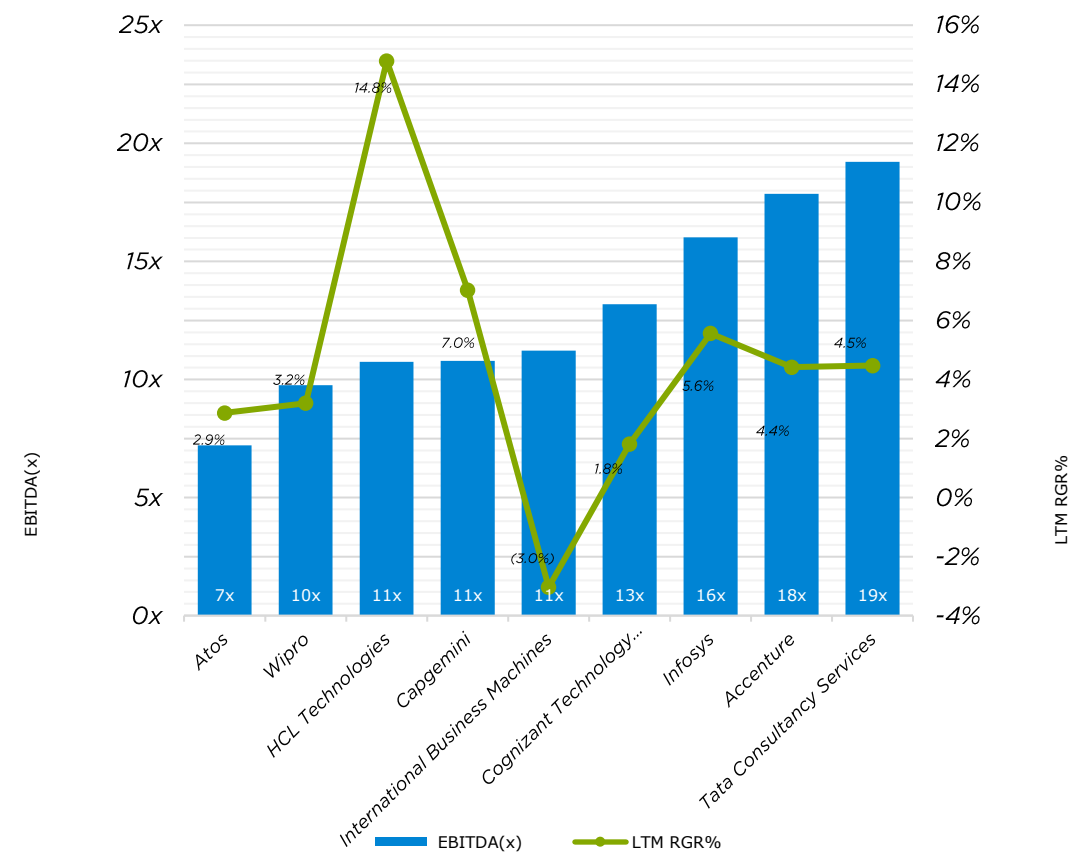


Valuation

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
04-Aug-20	Technology Seed	DAS Health	-	-	-	-
27-Jul-20	DoubleEdge Professional Services	Kerv (UK)	-	-	-	-
27-Jul-20	Keen IT Solutions	Windsor Telecom	-	-	-	-
27-Jul-20	Metaphor IT	Kerv (UK)	-	-	-	-
27-Jul-20	MicroAge	Alerion Capital Group	-	-	-	-
23-Jul-20	Cognitect	Nubank	-	-	-	-
23-Jul-20	Openet	Amdocs	-	-	-	-
20-Jul-20	Alphaserve Technologies	Eze Castle Integration	-	-	-	-
20-Jul-20	Infogressive	Ascend Technologies (Chicago)	-	-	-	-
20-Jul-20	Nexxtep Technology Services	Dynamic Quest	-	-	-	-
14-Jul-20	Go2Group	Adaptavist	-	-	-	-
09-Jul-20	Securience	The Herjavec Group	-	-	-	-
08-Jul-20	Next Digital	MNP	-	-	-	-
06-Jul-20	Eficio	Secib	-	-	-	-
06-Jul-20	Novi (Ireland)	Welltel	3.38	-	-	-
02-Jul-20	TeamLogic IT Newtown PA	Salt Creek Capital	-	-	-	-
01-Jul-20	Bright Bear Technology Solutions	Datapath (California)	-	-	-	-
01-Jul-20	IT Outsource	Cable & Wireless Communications	-	-	-	-
01-Jul-20	MinnDak Computer Services	Loffler Companies	-	-	-	-
30-Jun-20	Aspectra	Capiton	-	-	-	-
29-Jun-20	Cima Solutions (MSP Division)	Techvera	-	-	-	-
25-Jun-20	IT-On.NET Süd	MAIT	-	-	-	-
25-Jun-20	Rivet Logic	VariQ	-	-	-	-
22-Jun-20	ID2 group	Credit Mutuel Ocean	-	-	-	-
22-Jun-20	Total Distribution Birmingham	-	-	-	-	-
17-Jun-20	GAB ExactlyIT Solutions	Glück & Kanja	-	-	-	-
17-Jun-20	Haven Cyber Technologies	C5 Capital	6.35	-	-	-

Appendix

*Public Basket
Contact Information*



Atos

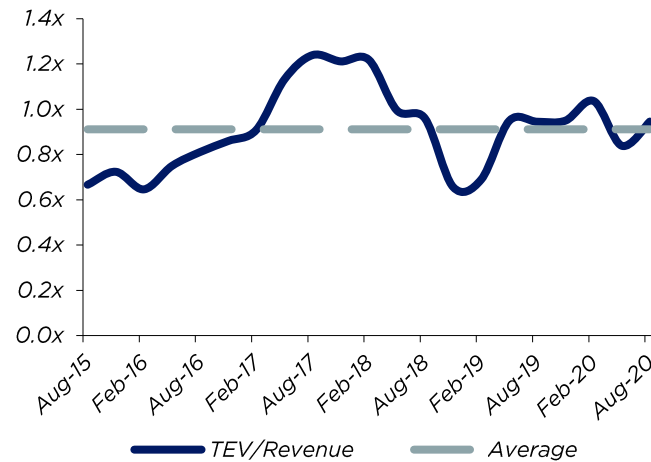
Atos SE is a France-based IT services provider.

The company generates over EUR 11 billion in annual revenue (the majority of which is generated in Europe), employs approximately 100,000 staff, and operates in 72 countries. Atos provides managed services, consulting and systems integration, Big Data and security, and Worldline (transactional services) across the manufacturing, retail and transportation, public health, telecom, media and utilities, and financial services markets.

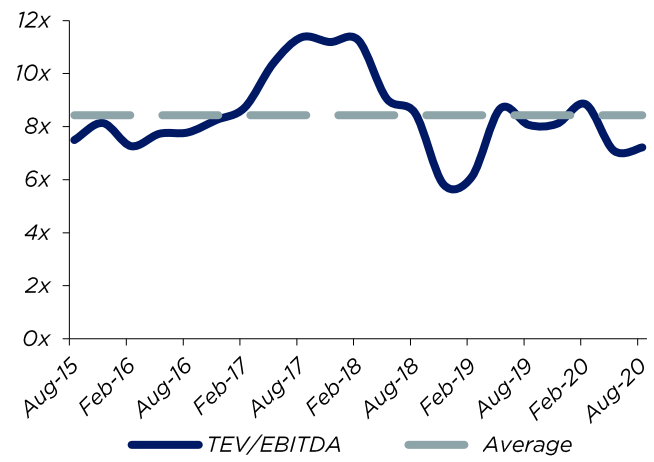
Public Basket

Atos

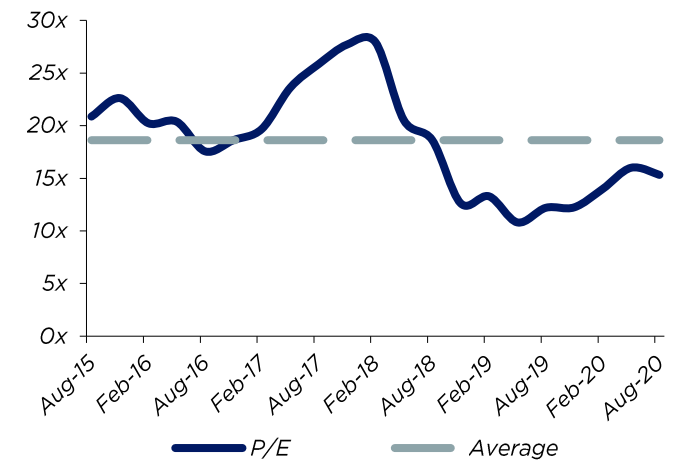
Revenue Multiples - Atos



EBITDA Multiples - Atos



P/E Multiples - Atos



Company Name

Date

Deal Synopsis

EcoAct

27-Jul-20

The company reached a definitive agreement to be acquired by Atos (PAR: ATO), a subsidiary of Timico, for an undisclosed amount on July 27, 2020. This acquisition will support Atos' decarbonization ambition by enriching its portfolio of carbon reduction digital solutions, services and strategies to further support its clients at every stage of their journeys towards carbon neutrality.

Paladion

24-Jun-20

The company reached a definitive agreement to be acquired by Atos (PAR: ATO), a subsidiary of Timico, for an undisclosed amount on June 24, 2020.

Wipro

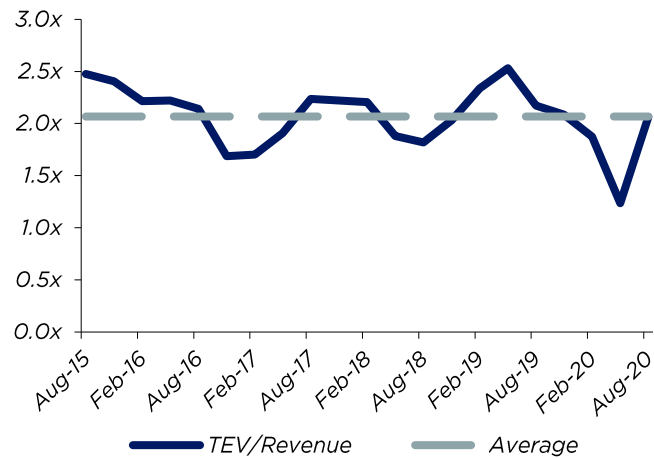
Established in 1945, Wipro has grown to become one of the world's largest IT services vendors, providing services such as systems integration, IT outsourcing, business process outsourcing, and consulting, among others.

The firm employs more than 170,000 staff, operates in more than 50 countries, and serves six primary business segments comprised of 27 industry verticals.

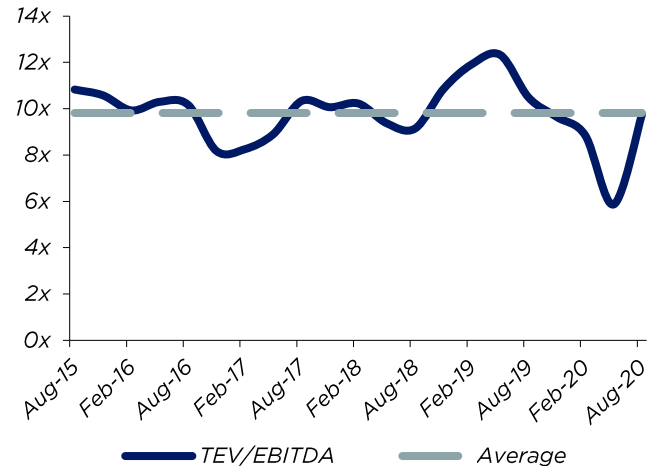
Public Basket

Wipro

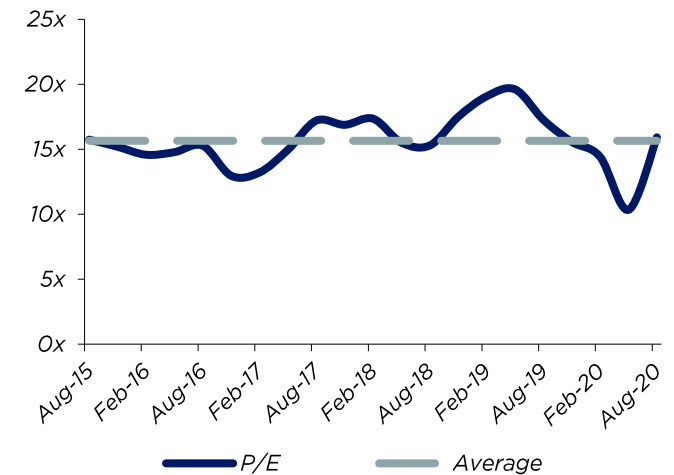
Revenue Multiples - Wipro



EBITDA Multiples - Wipro



P/E Multiples - Wipro



Company Name

Date

Deal Synopsis

4C Consulting

23-Jul-20

The company reached a definitive agreement to be acquired by Wipro (BOM: 507685) for EUR 68 million on July 23, 2020.

International TechneGroup

04-Oct-19

The company was acquired by Wipro (BOM: 507685) for \$45 million on October 4, 2019. The acquisition complements Wipro's core strengths in Industry 4.0 and allows us to offer end-to-end solutions in Digital Engineering and Manufacturing.

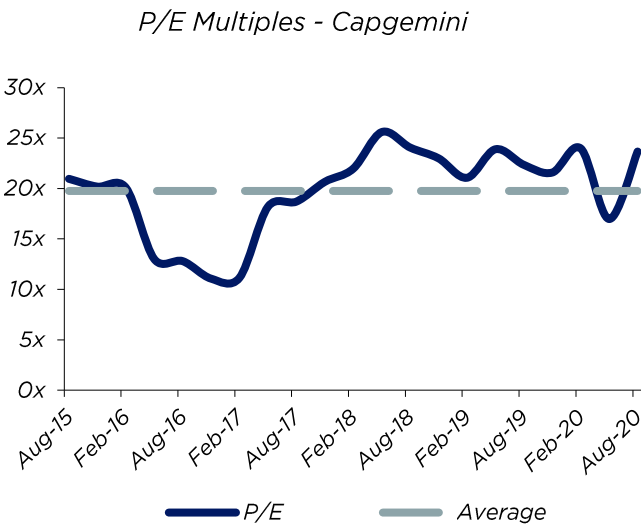
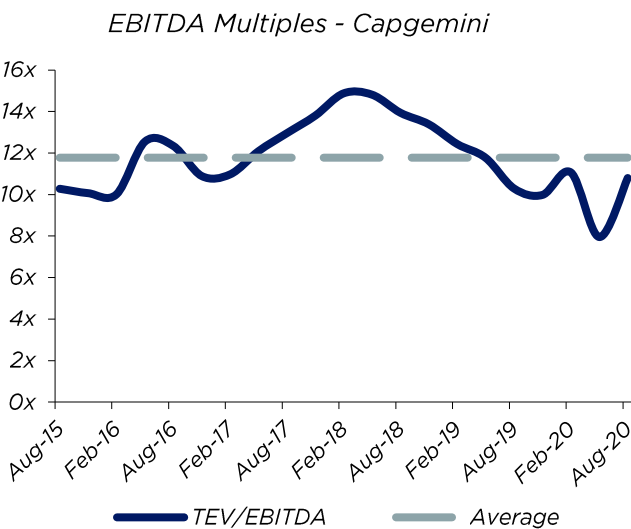
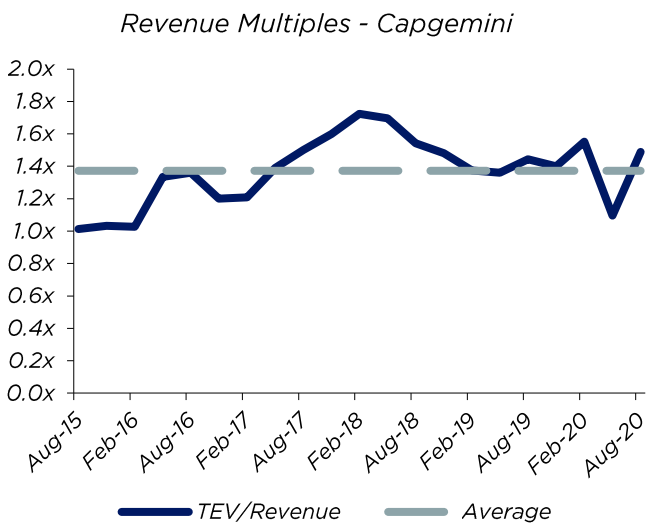
Capgemini

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



Company Name	Date	Deal Synopsis
XL2	3/23/20	The company was formed as a joint venture between Capgemini SE (EPA: CAP) and Audi AG (FRA: NSU) on May 28, 2020.
Adventas	1/6/20	The company reached a definitive agreement to be acquired by Capgemini (PAR: CAP) for an undisclosed amount on February 17, 2020. The acquisition further expands its data and insights service offerings across the Nordics and brings it a strong track record in helping clients to monetize data, as well as deep relationships in analytics and data science in the Nordics.

HCL Technologies

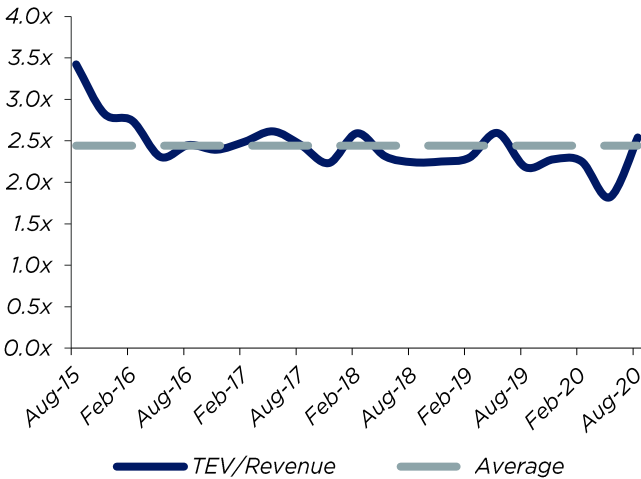
HCL Technologies Ltd provides enterprises with IT solutions in India.

It focuses on offering Digital, Internet of Things Services, Cloud, Automation, Cybersecurity, Infrastructure Management, and Engineering Services to solve business problems for clients. While the company is based in India, it has international clients in a large number of countries. It offers solutions to a variety of industries including Financial Services, Public Services, Consumer Services, Healthcare, and Manufacturing. It operates in three segments Software services, IT Infrastructure services, and Business Process Outsourcing services. The firm emphasizes consultation services for firms, with the goal to offer them digital and design solutions. Most of the firm's revenue comes from Software services segment.

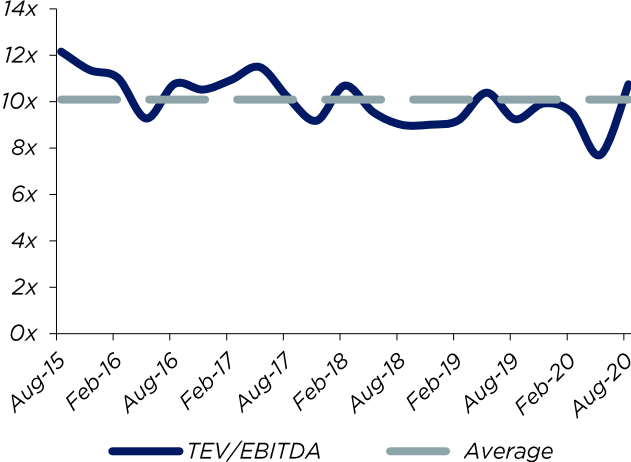
Public Basket

HCL Technologies

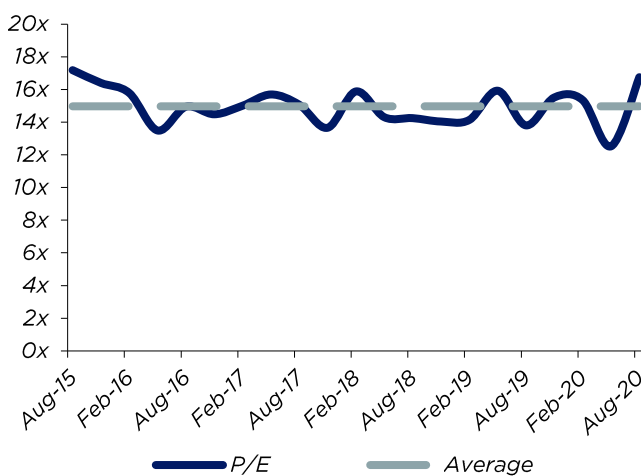
Revenue Multiples - HCL Technologies



EBITDA Multiples - HCL Technologies



P/E Multiples - HCL Technologies



Company Name	Date	Deal Synopsis
Cisco (Self-Optimizing Network technology)	01-Jan-21	HCL Technologies (NSE: HCLTECH) is in talks to acquire the Self-Optimising Network business from Cisco Systems (NASDAQ: CSCO) for approximately \$50 million as of May 29, 2020. The acquisition will help HCL Technologies to meet the growing needs of its customers in the telecommunications industry, which includes tier-one communications service providers globally.
Broadcom (Enterprise Consulting Division)	29-May-20	The company was acquired by HCL Technologies (NSE: HCLTECH) for an undisclosed amount on May 29, 2020.

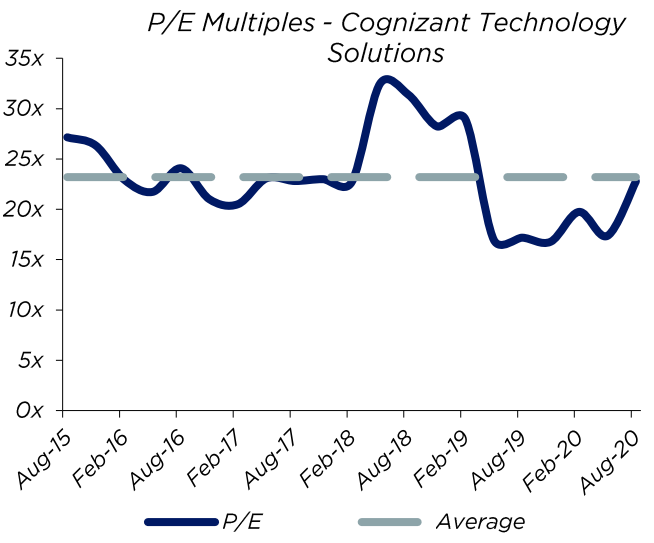
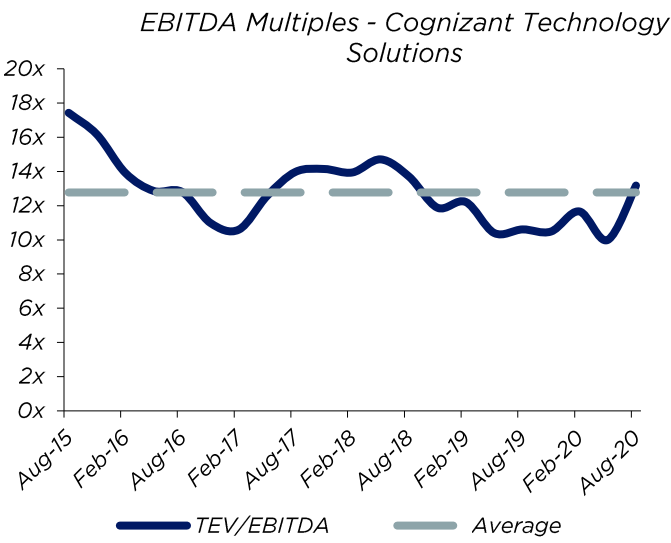
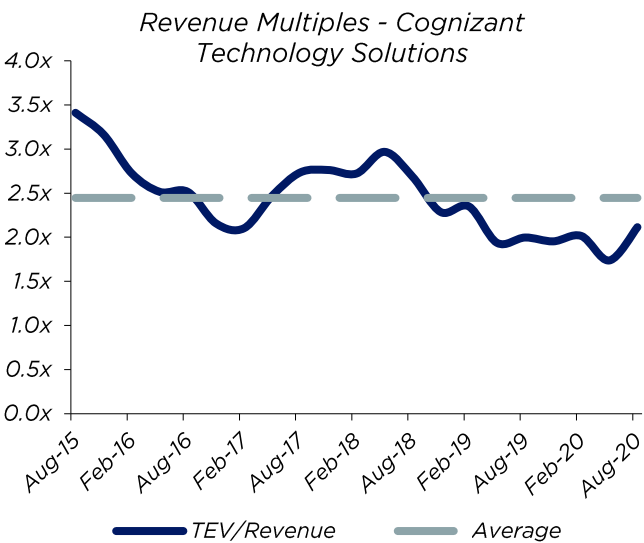
Cognizant Technology Solutions

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 Technology Solutions



Company Name	Date	Deal Synopsis
New Signature	28-Jul-20	The company reached a definitive agreement to be acquired by Cognizant Technology Solutions (NAS: CTSH) for an undisclosed amount on July 28, 2020. The acquisition will expand Cognizant's hyper-scale cloud advisory services and will provide the foundation for a new, dedicated group within Cognizant centered on Microsoft cloud solutions.
Collaborative Solutions	12-Jun-20	The company was acquired by Cognizant Technology Solutions (NAS: CTSH) for \$385 million on June 12, 2020. The deal will enable Cognizant to add new finance and HR advisory and implementation services to its cloud offerings.

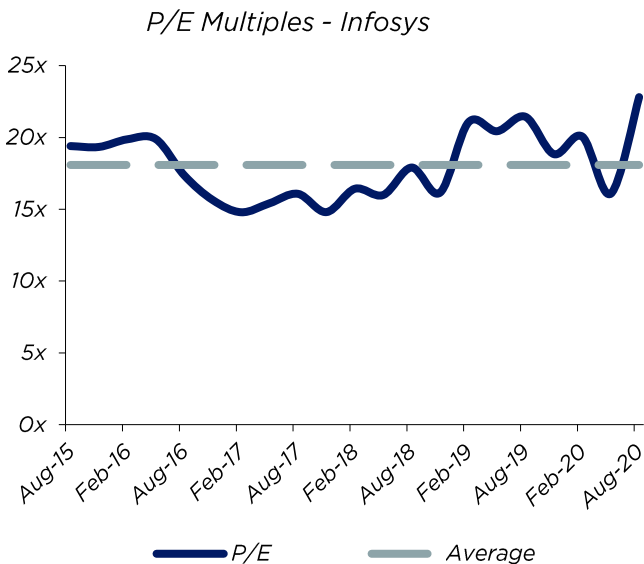
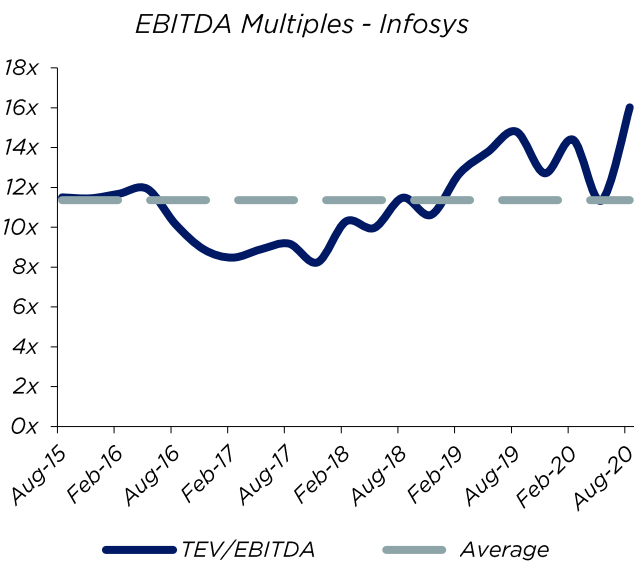
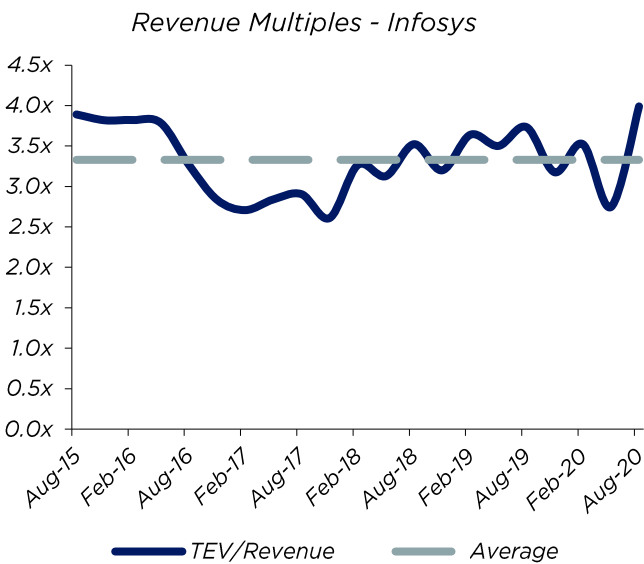
Infosys

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



Company Name	Date	Deal Synopsis
Simplus	13-Mar-20	The company was acquired by Infosys (NSE: INFY) for \$250 million on March 13, 2020.
Ameliorate Biotech	19-Feb-20	The company received INR 2 million of prize money as a part of Aarohan Social Innovation Awards (gold) instituted from Infosys on February 19, 2020.

Tata Consultancy Services

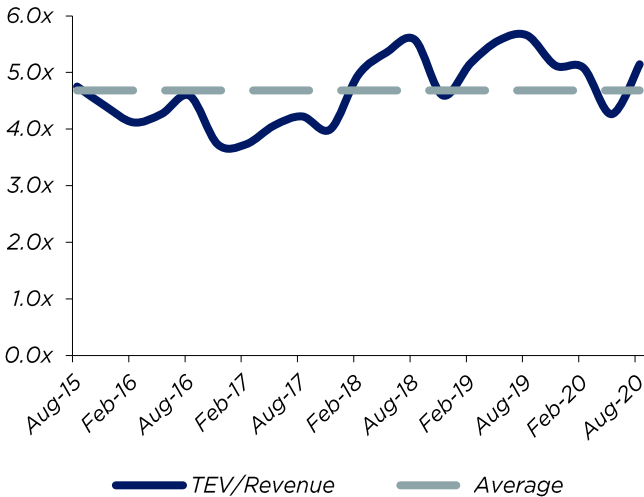
Tata Consultancy Services Ltd is India's largest IT services provider.

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.

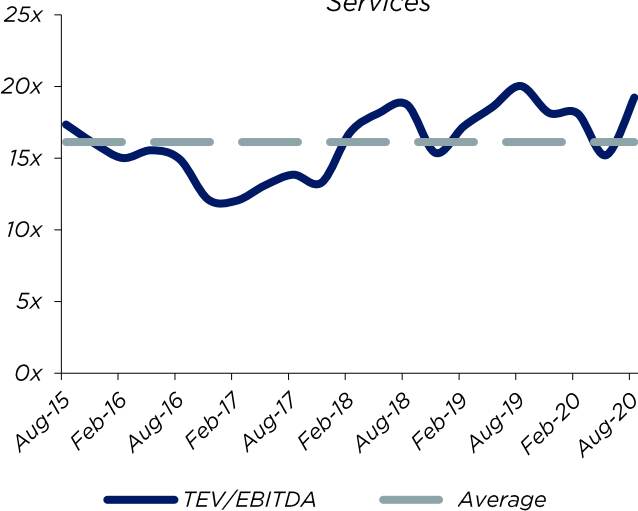
Public Basket

Tata Consultancy Services

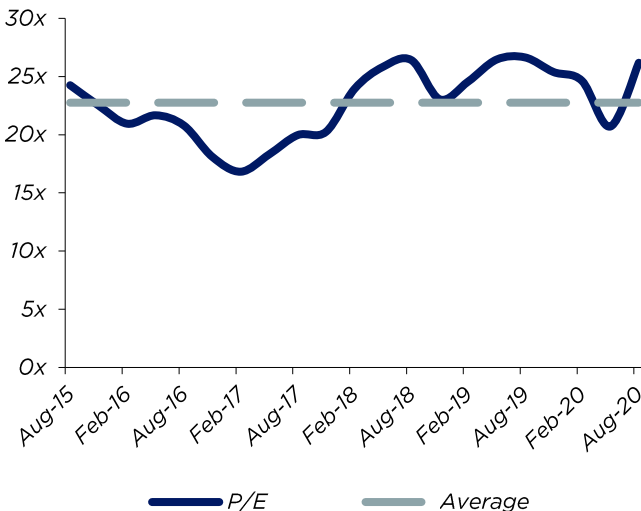
Revenue Multiples - Tata Consultancy Services



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.

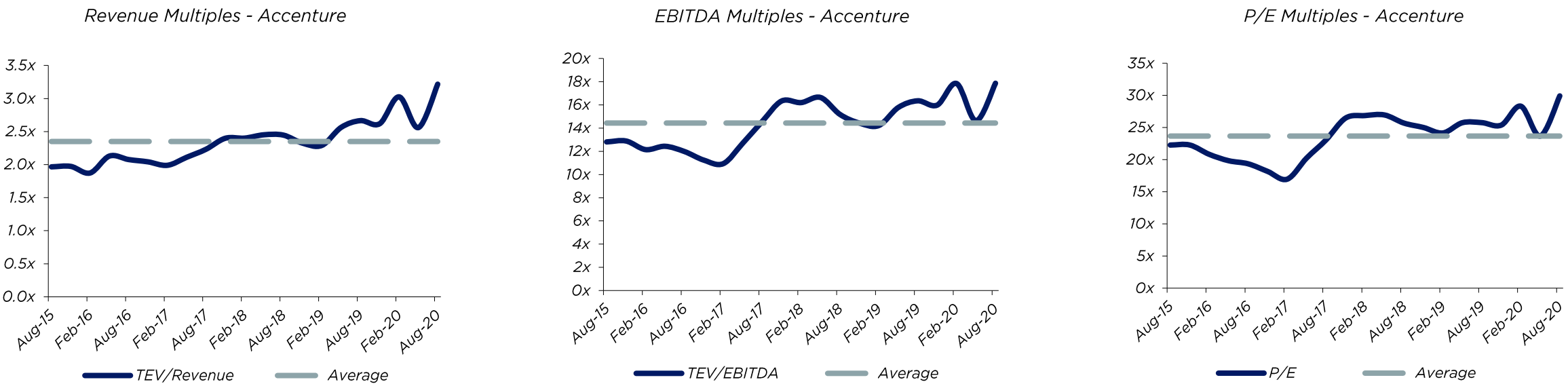
Accenture

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



Company Name	Date	Deal Synopsis
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.
Sentelis	23-Jul-20	The company was acquired by Accenture (NYS: ACN) for an undisclosed amount on July 23, 2020. The acquisition would complement Accenture's focus on helping clients build the right data strategy and foundation to industrialize AI across their businesses.

International Business Machines

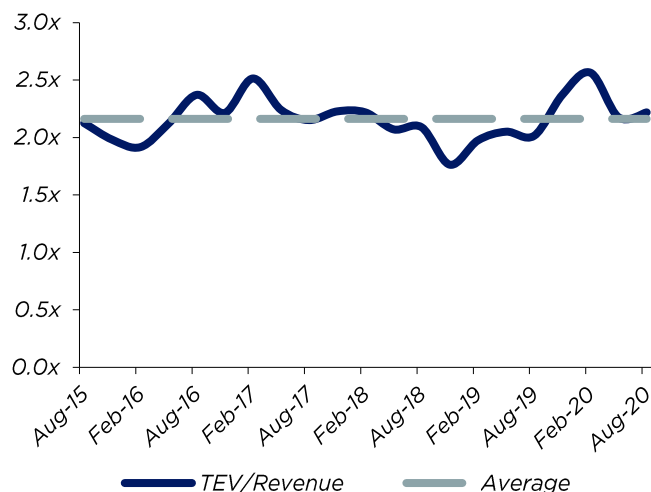
IBM looks to be a part of every aspect of an enterprise's IT needs.

The company primarily sells infrastructure services (37% of revenue), software (29% of revenue), IT services (23% of revenue) and hardware (8% of revenues). IBM operates in 175 countries and employs approximately 350,000 people. The company has a robust roster of 80,000 business partners to service 5,200 clients--which includes 95% of all Fortune 500. While IBM is a B2B company, IBM's outward impact is substantial. For example, IBM manages 90% of all credit card transactions globally and is responsible for 50% of all wireless connections in the world.

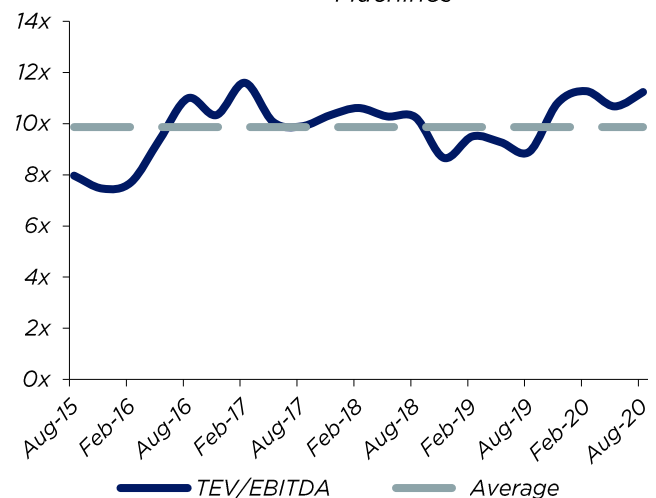
Public Basket

International Business Machines

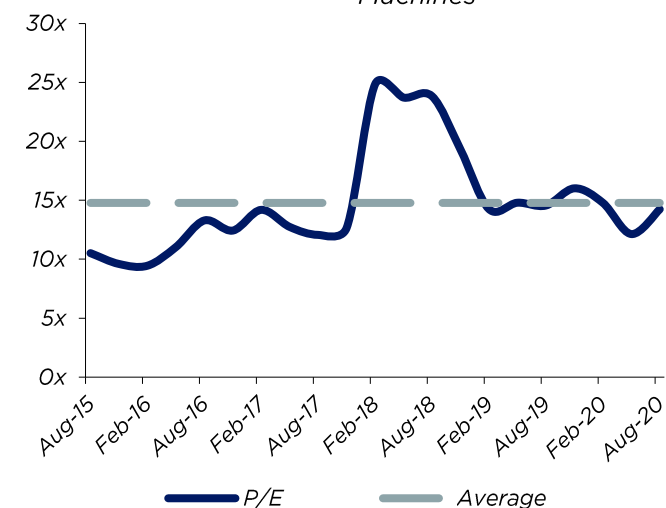
Revenue Multiples - International Business Machines



EBITDA Multiples - International Business Machines



P/E Multiples - International Business Machines



Company Name

Date

Deal Synopsis

WDG Automation

08-Jul-20

The company reached a definitive agreement to be acquired by International Business Machines (NYS: IBM) for an undisclosed amount on July 8, 2020. The acquisition further advances IBM's comprehensive AI-infused automation capabilities, spanning business processes to IT operations.

Spanugo

15-Jun-20

The company reached a definitive agreement to be acquired by International Business Machines (NYS: IBM) for an undisclosed amount on June 15, 2020.

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.



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