

7 Mile Advisors



# Sectorwatch:

## Third Party IT Maintenance Providers

August 2020



# Third Party IT Maintenance 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

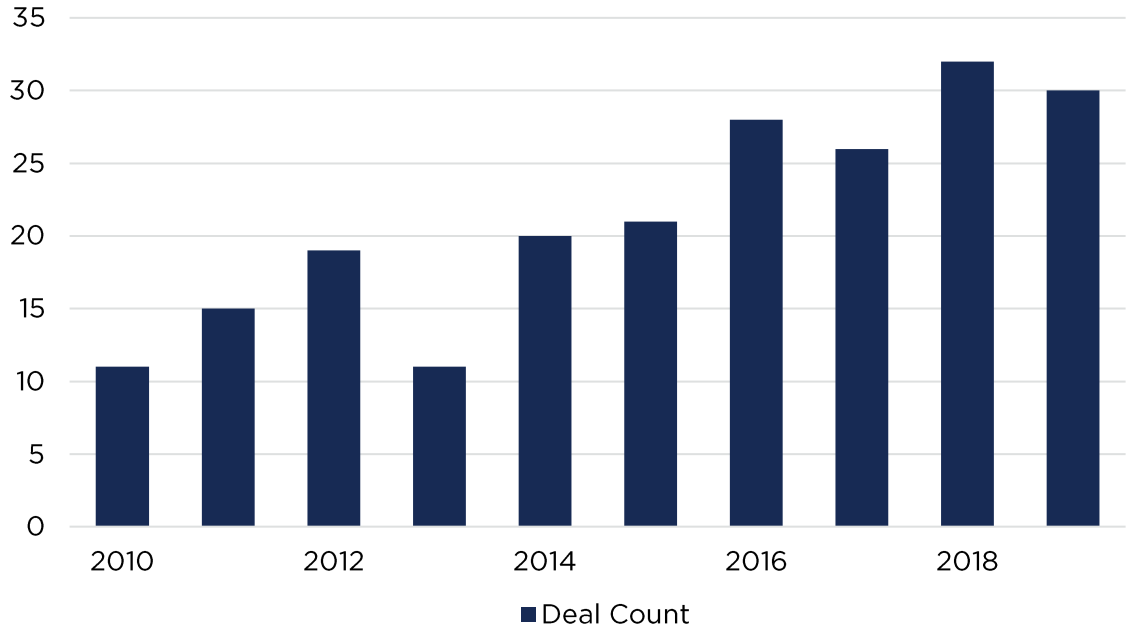
- The most recently announced deals in the sector

# Dashboard

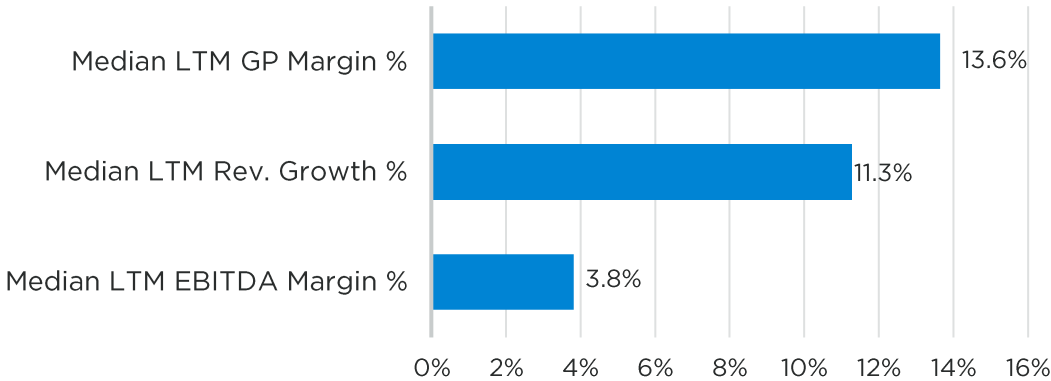
## REVENUE GROWTH MOMENTUM ↑ 5.2%

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

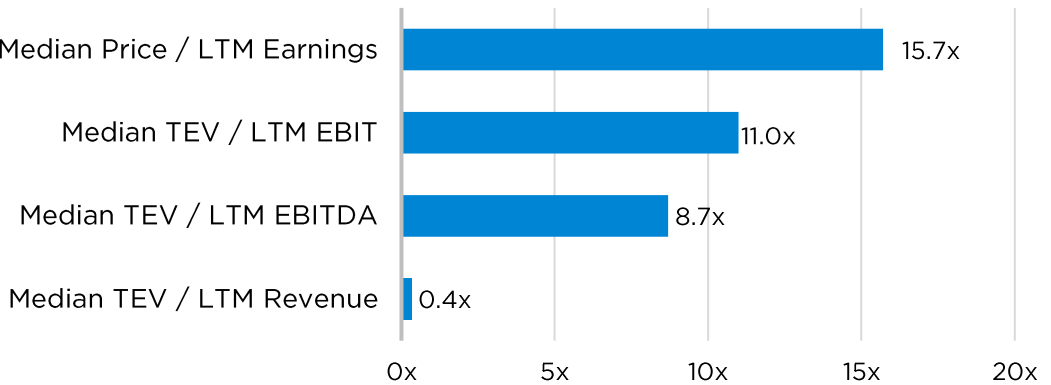
### M&A Activity



## Operating Metrics



## Valuation



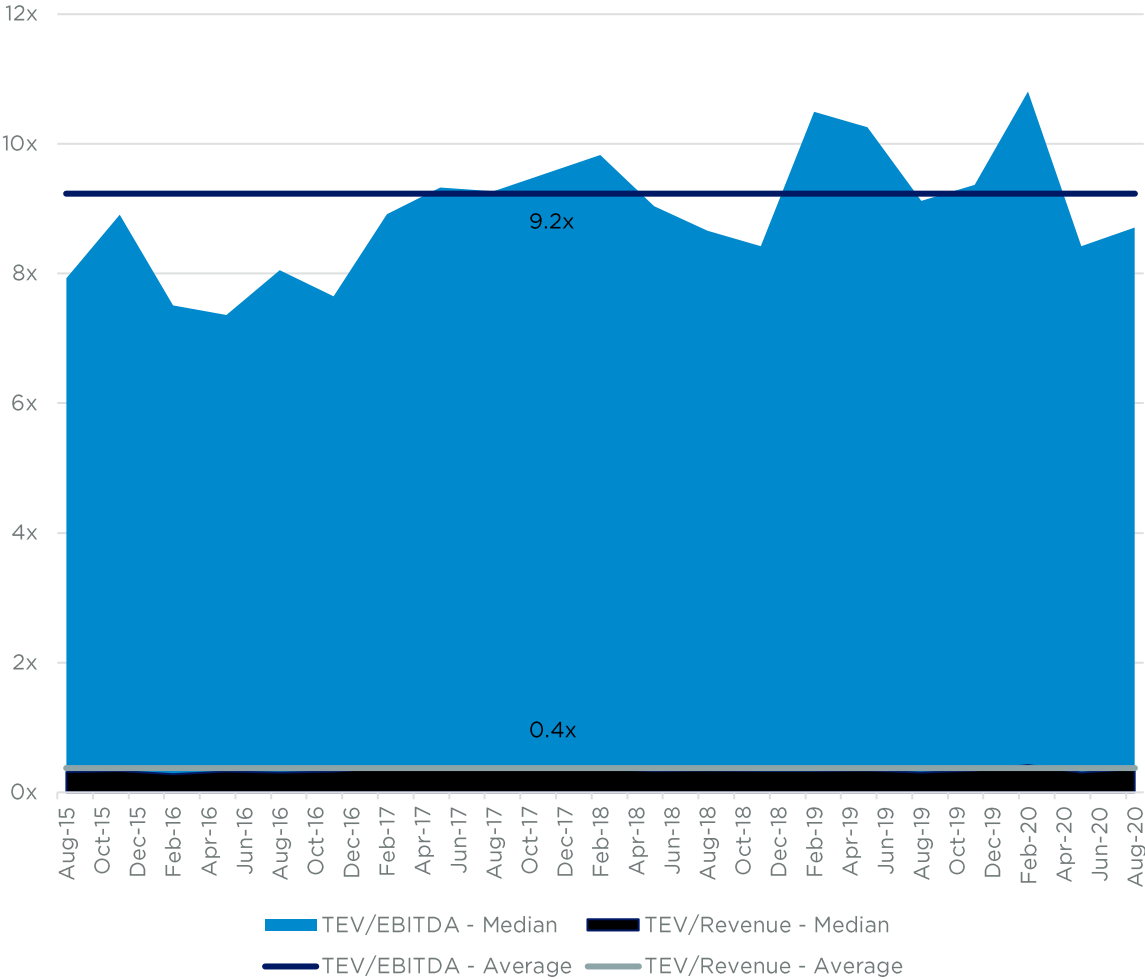
# Public Basket

Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Wayside Technology Group	92	9	227	21.9%	13.6%	3.8%	0.4x	10.7x	142	1,595
ScanSource	898	101	3,812	-2.4%	11.3%	2.6%	0.2x	8.9x	2,700	1,412
ePlus	1,018	118	1,588	15.7%	24.6%	7.4%	0.6x	8.6x	1,579	1,006
Insight Enterprises	2,500	293	8,190	16.6%	14.8%	3.6%	0.3x	8.5x	11,261	727
Arrow Electronics	7,912	908	27,404	-8.4%	11.3%	3.3%	0.3x	8.7x	19,300	1,420
Synnex	8,487	1,140	23,582	10.5%	12.0%	4.8%	0.4x	7.4x	240,000	98
CDW	20,397	1,423	18,464	11.3%	16.9%	7.7%	1.1x	14.3x	9,900	1,865

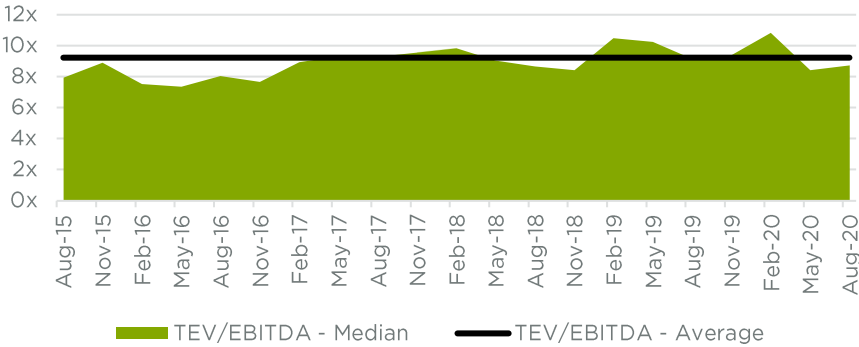
<b>Average</b>	5,900	570	11,895	9.3%	15.0%	4.8%	0.5x	9.6x	40,697	1,160
<b>Median</b>	2,500	293	8,190	11.3%	13.6%	3.8%	0.4x	8.7x	9,900	1,412

share price as of 04Aug20

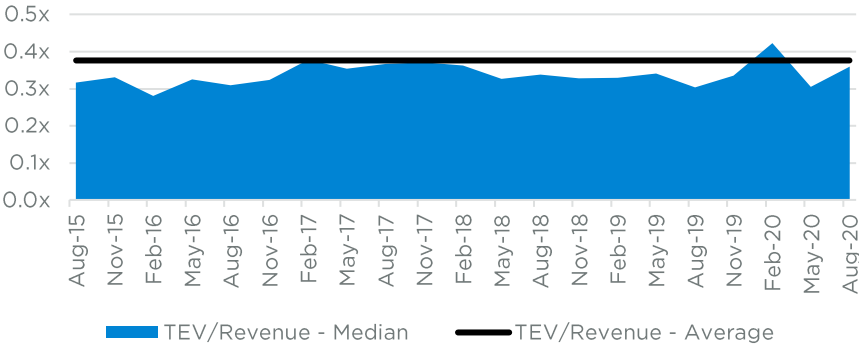
# Public Basket



Public EBITDA Multiples over Time

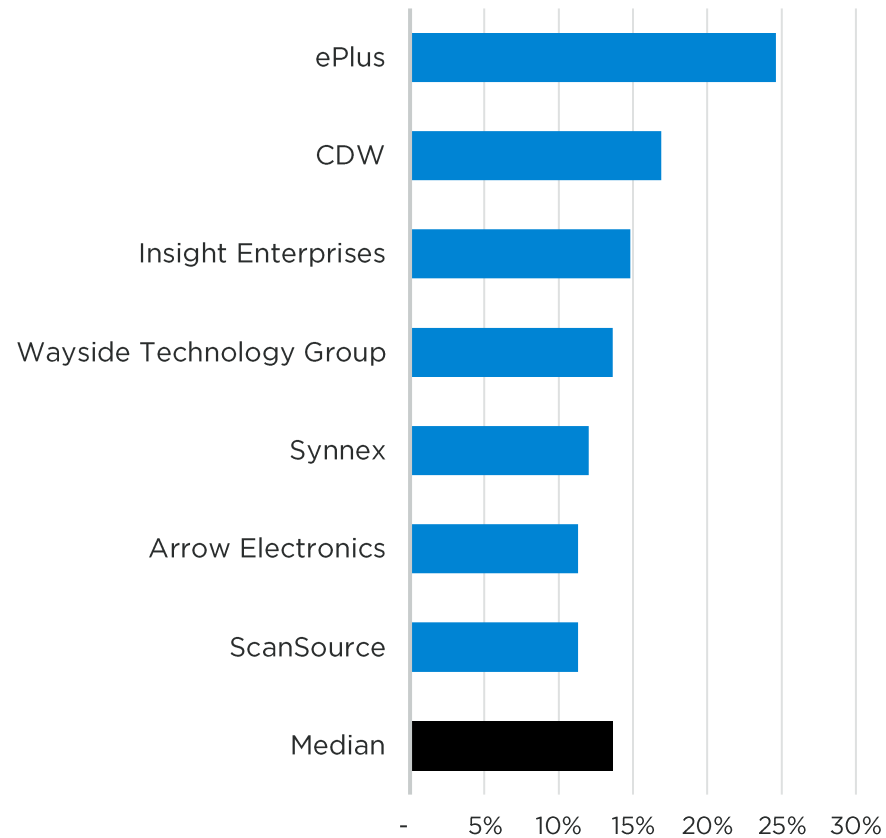


Public Revenue Multiples over Time

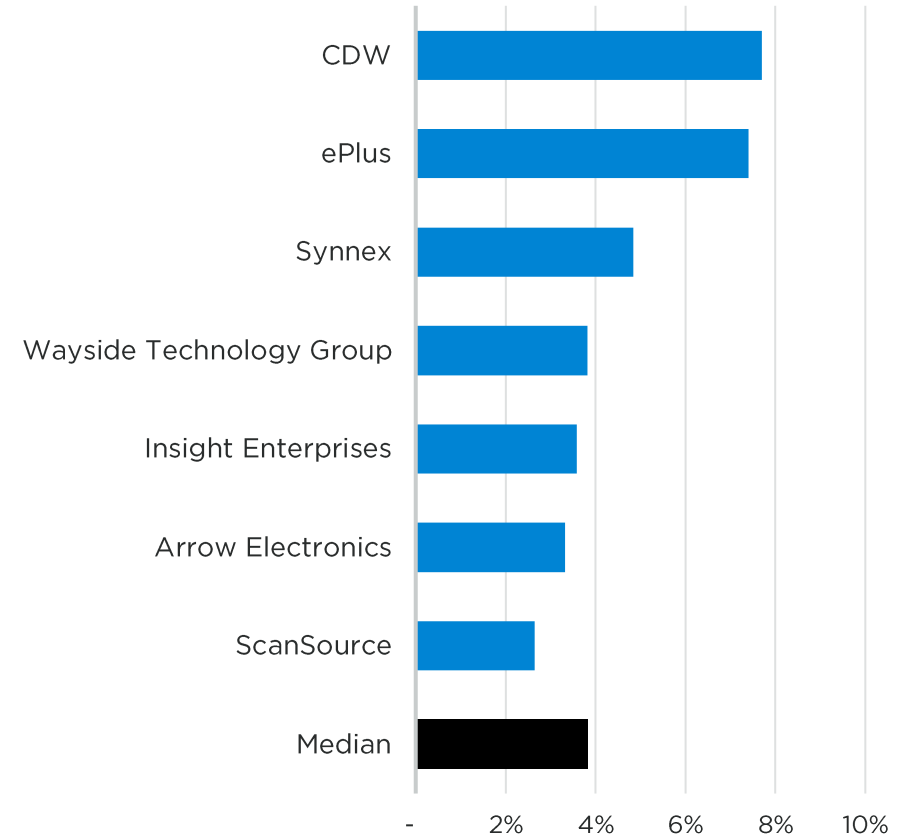


# Operational Metrics

LTM Gross Profit Margin %

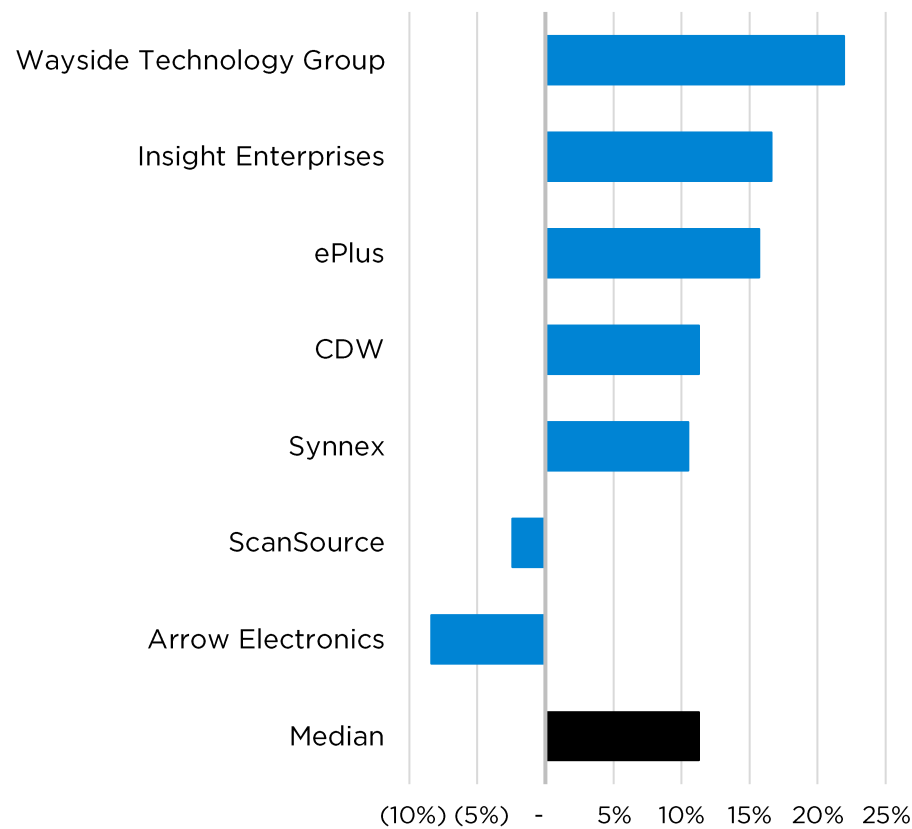


LTM EBITDA %

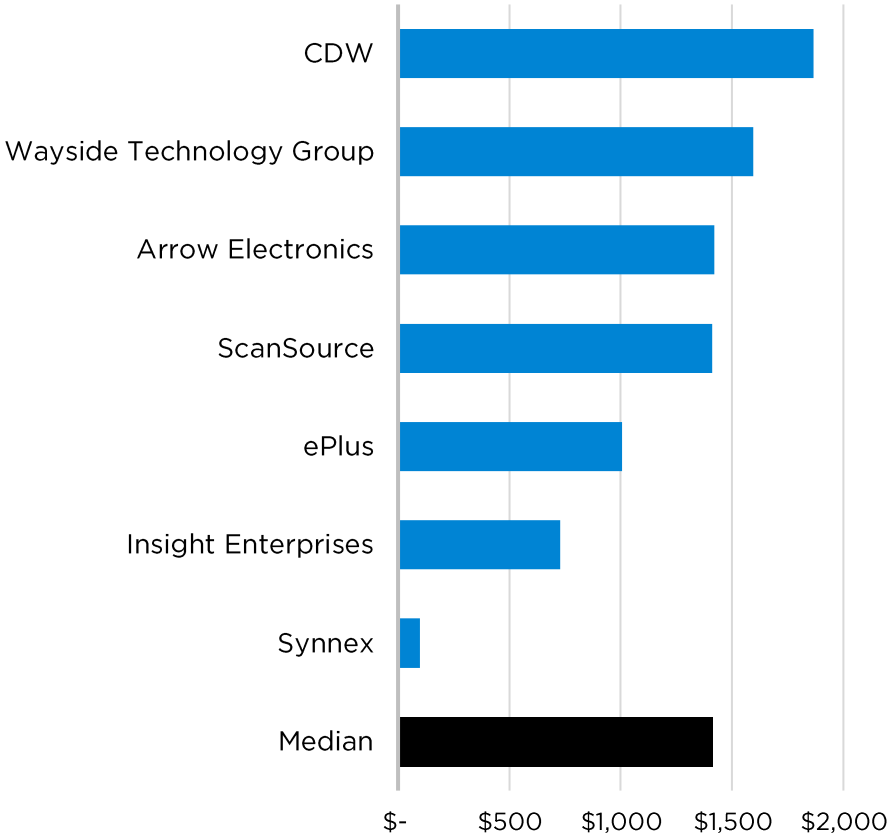


# Operational Metrics

LTM Revenue Growth %

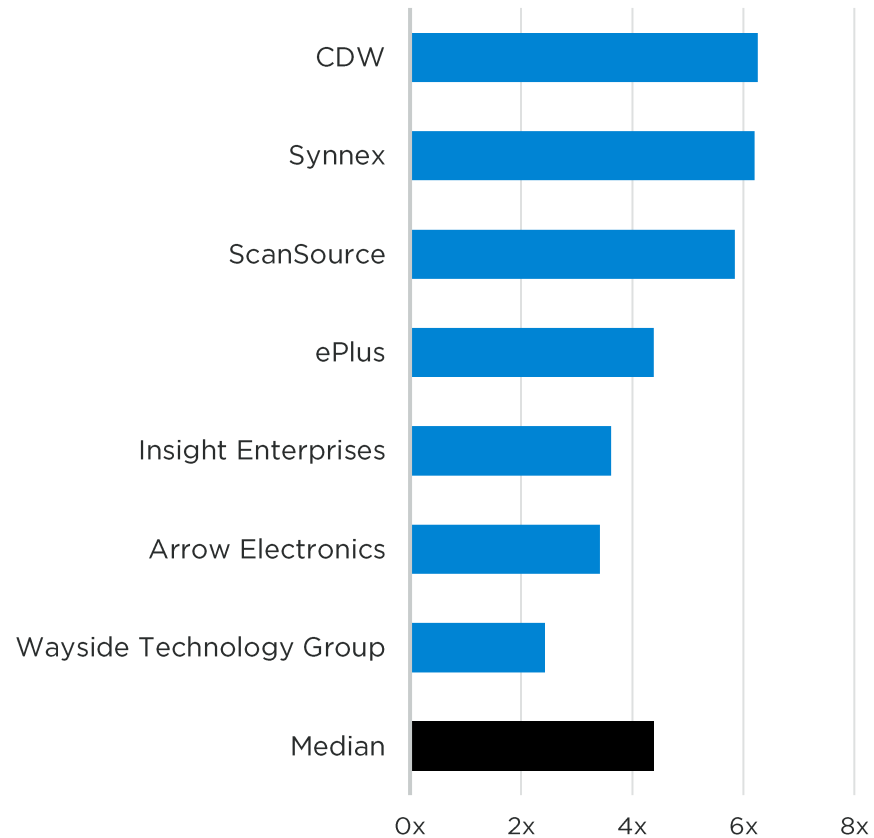


LTM Revenue per Full Time Employee x 000's

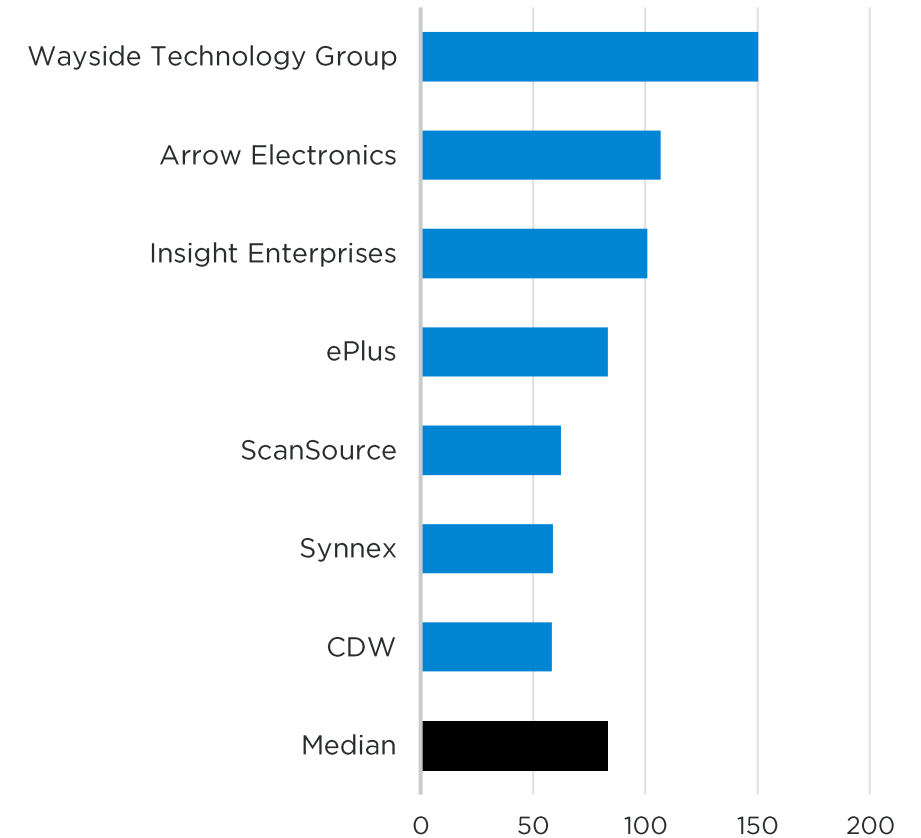


# Operational Metrics

## Accounts Receivable Turnover

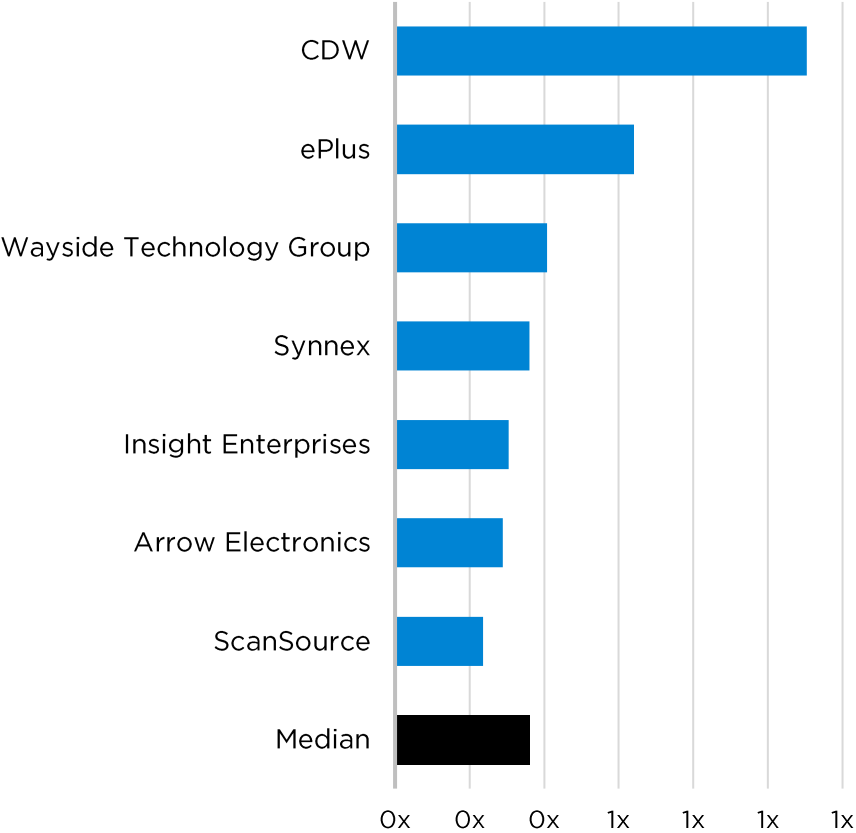


## Average Days Sales Outstanding

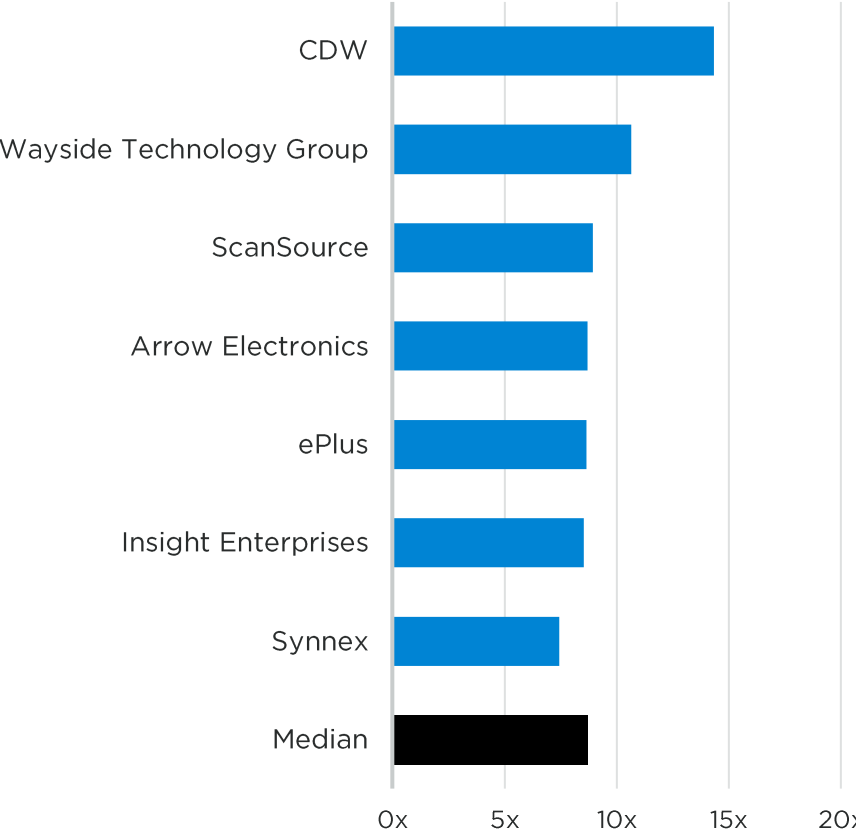


# Valuation

TEV / LTM Revenue

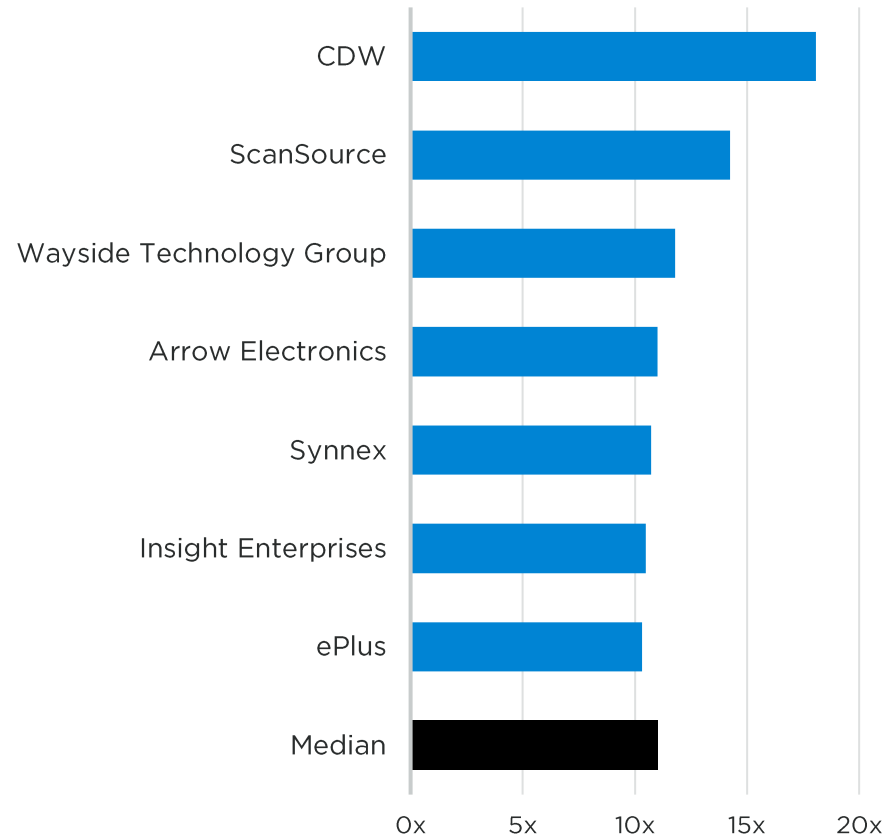


TEV / LTM EBITDA

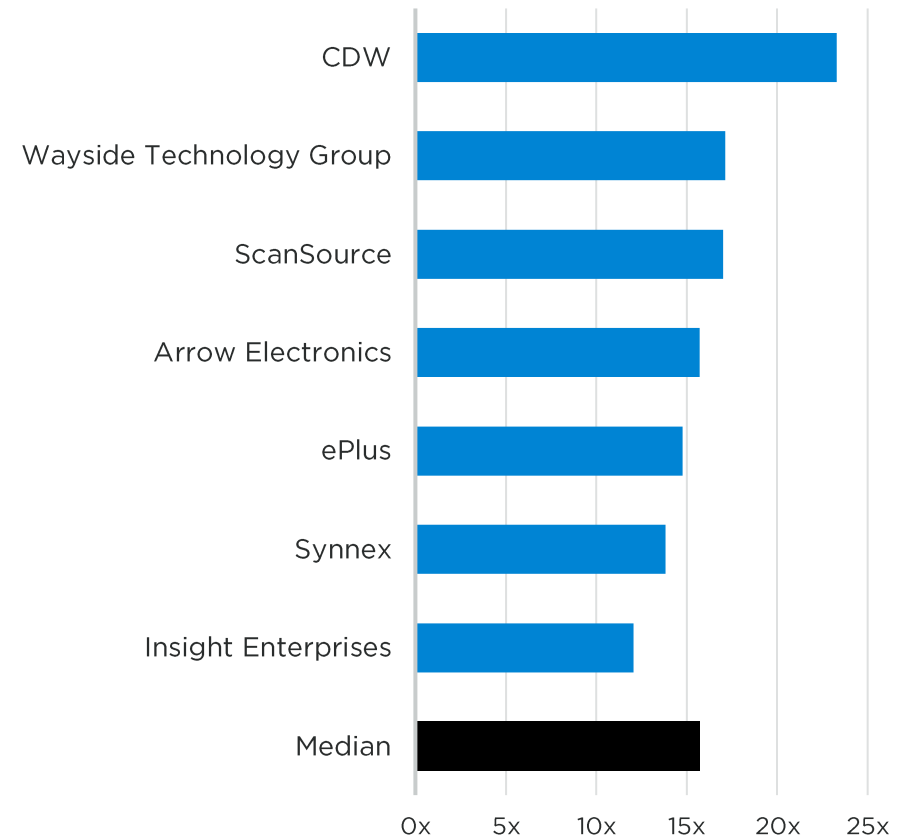


# Valuation

TEV / LTM EBIT

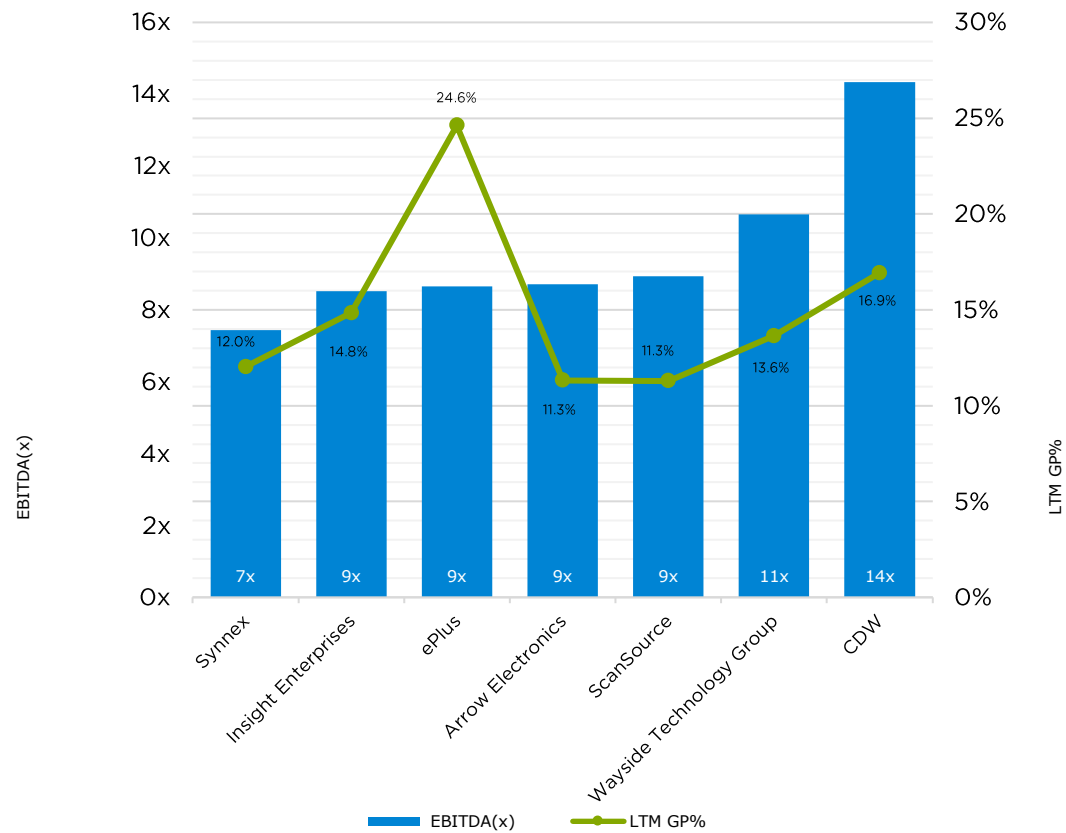


Price / LTM Earnings

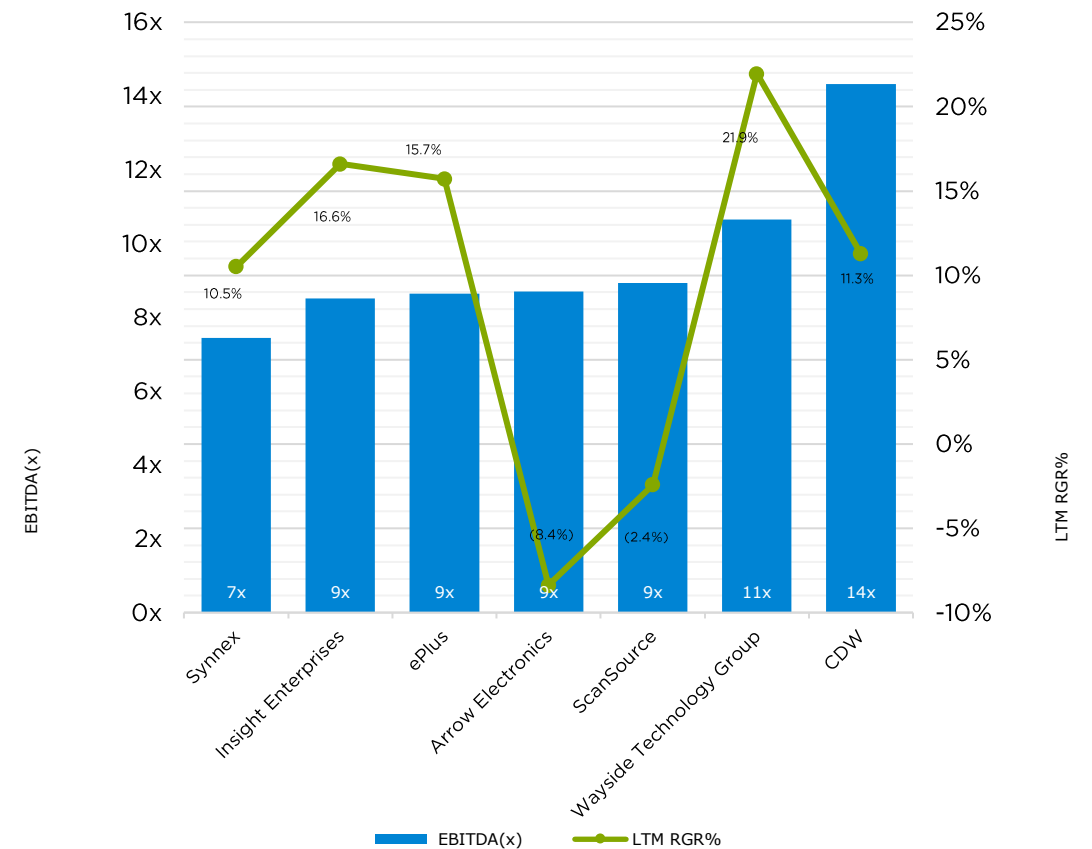


# Valuation

## 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
01-Jul-20	Citycomp Service	S&T (Austria)	6.75	-	0.04	-
01-Jul-20	Futura Mobility	Renovus Capital Partners	13.50	-	-	-
24-Jun-20	FleetSmith	Apple	-	-	-	-
15-Apr-20	Motivity Labs	Jnit Technologies Inc	-	-	-	-
10-Mar-20	Inseego	Mubadala Investment Company	25.00	223.21	-	-
09-Mar-20	Focus Group (UK)	Bowmark Capital	-	-	-	-
09-Mar-20	Planus	VINCI Energies	-	-	-	-
18-Feb-20	Nology	First Distribution	-	-	-	-
13-Feb-20	Tenacore	Centerfield Capital Partners	-	-	-	-
11-Feb-20	AimBrain	BioCatch	-	-	-	-
11-Feb-20	Armis (USA)	CapitalG	1100.00	-	-	-
11-Feb-20	XCentral	EQT	-	-	-	-
28-Jan-20	Groundcontrol Solutions	Imprivata	20.00	-	-	-
24-Jan-20	Shape Security	F5 Networks	1028.00	-	-	-
16-Jan-20	Arrow Business Communications	MML Capital Partners	65.32	28.20	2.32	-
13-Jan-20	HealthStar.	CareBridge	-	-	-	-
09-Jan-20	Tinfoil Security	Synopsys	-	-	-	-
11-Dec-19	Radio Communication Service	Mobile Communications America	-	-	-	-
12-Nov-19	Bconnected (Republic of Ireland)	DCC	-	-	-	-
12-Nov-19	iservices portugal	Worten	-	-	-	-
06-Nov-19	Ferrologic	Apax Partners	-	-	-	-
01-Nov-19	Net Informatique Services	Itancia	-	-	-	-
28-Oct-19	Accuris Networks	ESW Capital	-	-	-	-
22-Oct-19	Mobile Solutions Services	Periscope Equity	-	-	-	-
24-Sep-19	Wireless Analytics	Motus	-	-	-	-
09-Sep-19	Aerion Solutions	Adelis Equity Partners	-	-	-	-
29-Aug-19	mobilit	Mobilezone	6.26	-	-	-
23-Jul-19	Sullivan Data Management	Logically	-	-	-	-
30-Jun-19	International Business Machines (software business)	HCL Technologies	1800.00	-	-	-

# Appendix

*Public Basket  
Contact Information*



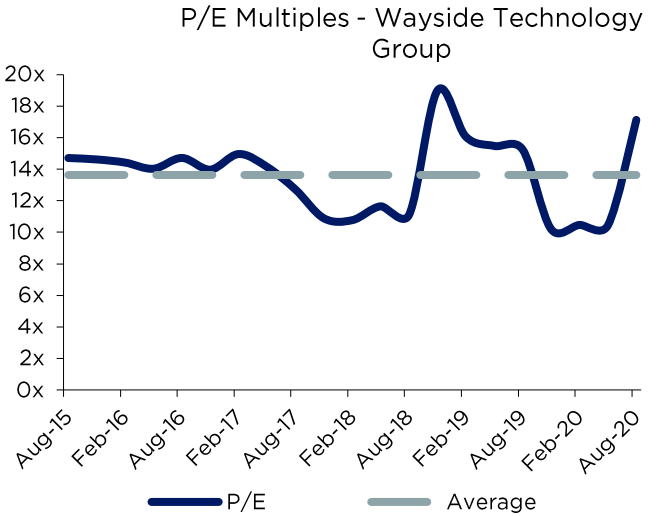
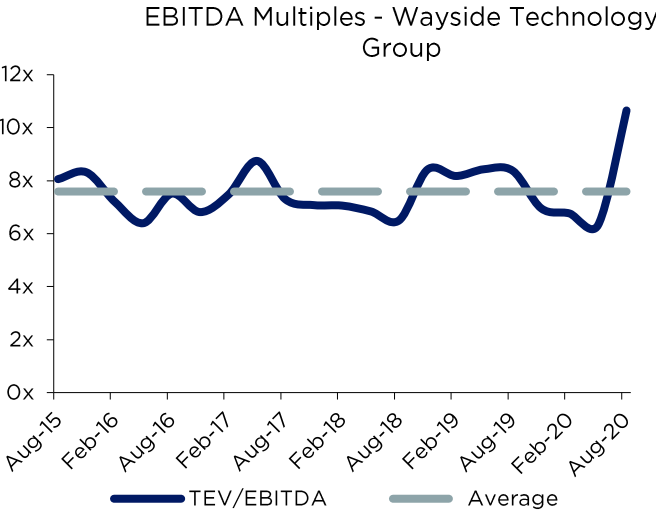
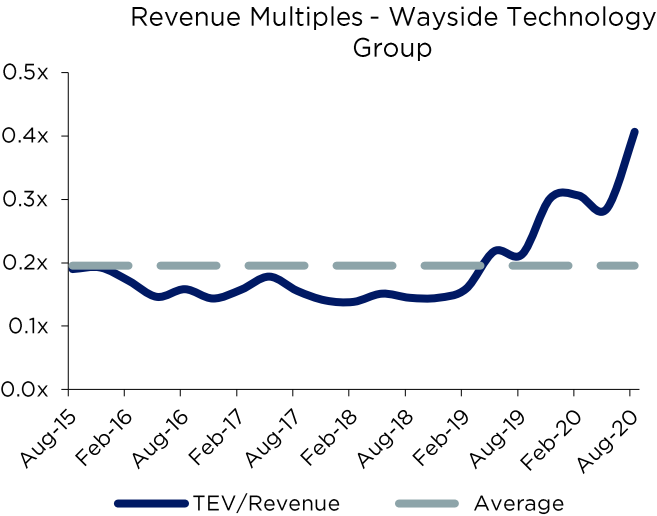
### Wayside Technology Group

## Wayside Technology Group Inc is an information technology channel company.

The company operates through two reportable operating segments. The Lifeboat Distribution segment distributes technical software and hardware to corporate resellers, value-added resellers, consultants and systems integrators worldwide. The TechXtend segment is a value-added reseller of software, hardware and services for corporations, government organizations and academic institutions in the USA and Canada. The company generates the majority of the revenue from the Lifeboat Distribution segment. The company also operates a sales branch in Europe. The firm generates the majority of its sales from the United States.

# Public Basket

## Wayside Technology Group



Company Name	Date	Deal Synopsis
Interwork Technologies	07-May-20	The company was acquired by Wayside Technology Group (NAS: WSTG) for \$6.1 million on May 7, 2020.
#ENTITYNOTFOUND	#SPECIFYREQUIRED	#SPECIFYREQUIRED

## ScanSource

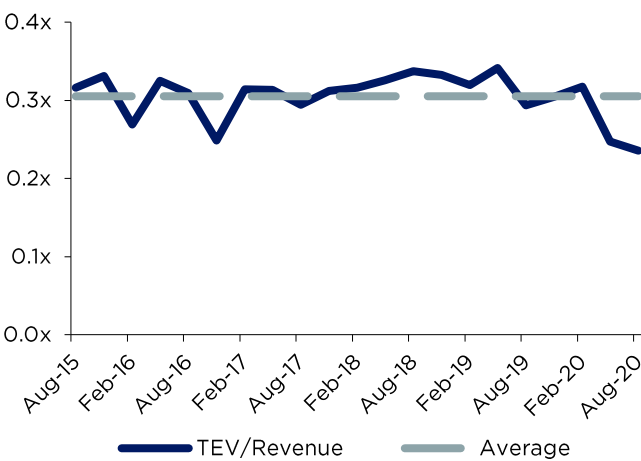
**ScanSource Inc provides value-added services for technology manufacturers and sells to resellers in specialty technology markets.**

The firm's operations are organized in two segments: Worldwide Barcode, Networking and Security, which focuses on automatic identification and data capture, point-of-sale, networking, electronic physical security, and 3-D printing technologies; and Worldwide communications and services, which focuses on communications technologies for vertical markets including education, healthcare, and government. The company generates a majority of its revenue from the Worldwide Barcode, Networking, and Security segment.

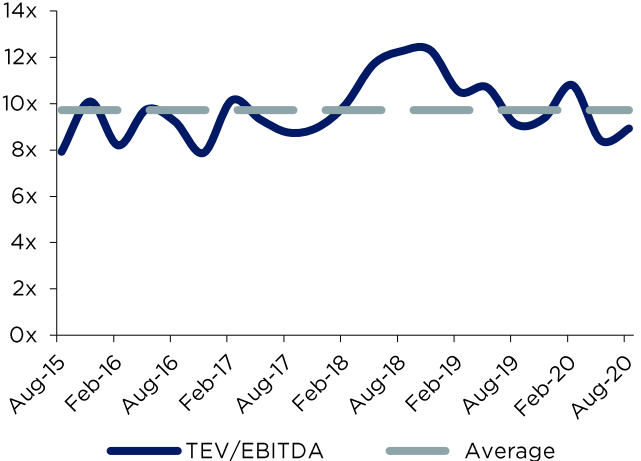
# Public Basket

ScanSource

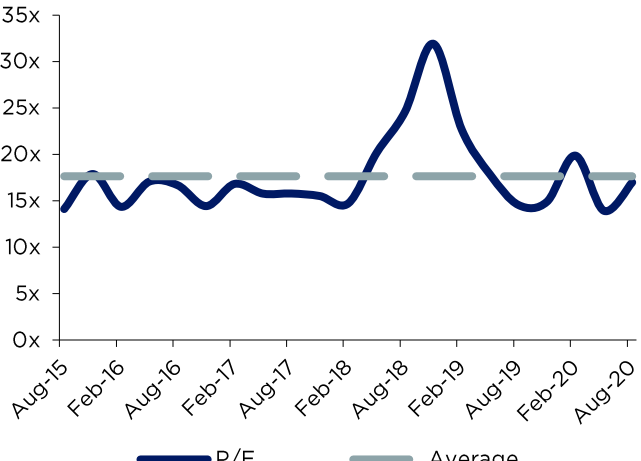
Revenue Multiples - ScanSource



EBITDA Multiples - ScanSource



P/E Multiples - ScanSource



Company Name	Date	Deal Synopsis
intY	01-Jul-19	The company was acquired by ScanSource (NAS: SCSC) for GBP 49.1 million on July 1, 2019.
RPM Software	01-Dec-18	The company was acquired by ScanSource (NAS: SCSC) for an undisclosed amount in December, 2018.

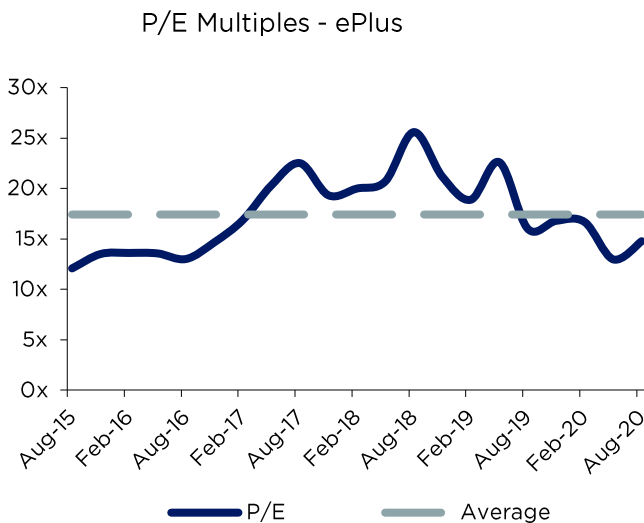
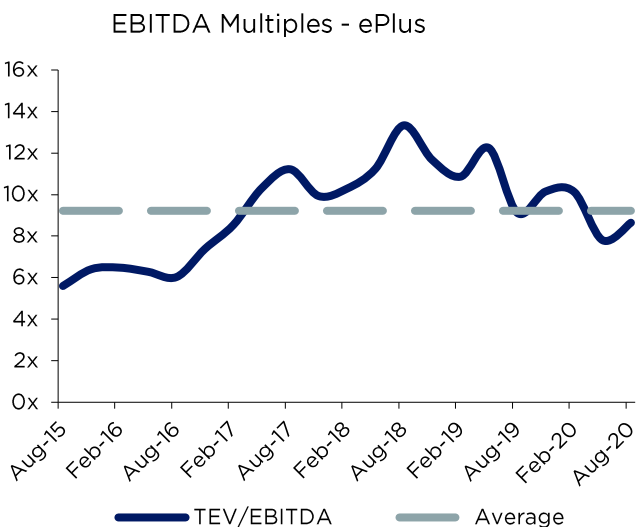
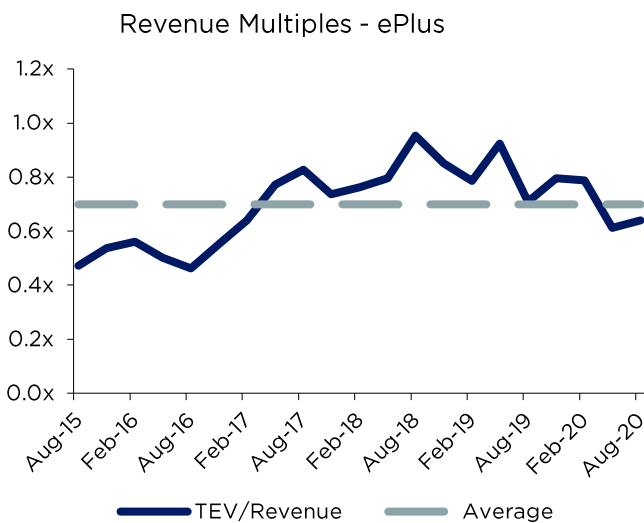
ePlus

## ePlus Inc is a holding company.

ePlus through its subsidiaries provides information technology solutions. The company's technology solutions enable organizations to optimize their IT environment and supply chain processes. It also provides consulting, professional and managed services and complete lifecycle management services including flexible financing solutions. ePlus focuses on middle market and large enterprises in North America and the United Kingdom.

# Public Basket

ePlus



Company Name	Date	Deal Synopsis
ABS Technology (Certain assets and liabilities)	23-Aug-19	Certain assets and liabilities of Innovative Technology Systems & Solutions were acquired by ePlus (NASDAQ NGS: PLUS) for an undisclosed amount on August 23, 2019. The acquisition establishes ePlus as a provider of consultative technology solutions in the region and gives it a stronger foothold in commercial accounts, as well as in Healthcare, Education and Government vertical industries.
SLAIT Consulting	18-Jan-19	The company was acquired by ePlus (NAS: PLUS) for an undisclosed amount on January 18, 2019. This acquisition will enable ePlus to build regional strength in key markets and allows them to extend their customer base, particularly in the higher education and state/local government space.

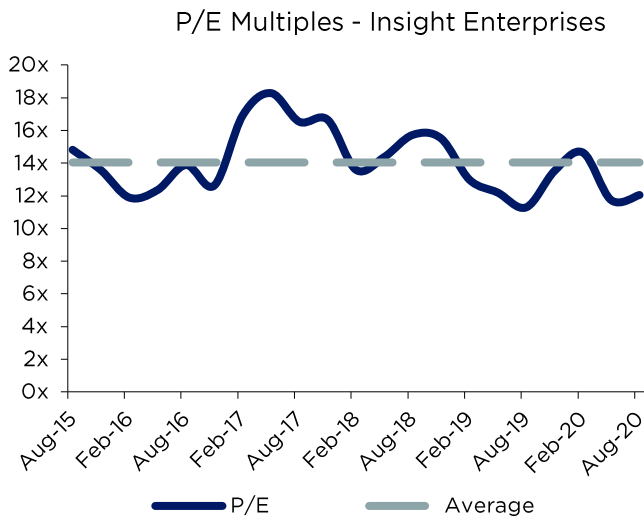
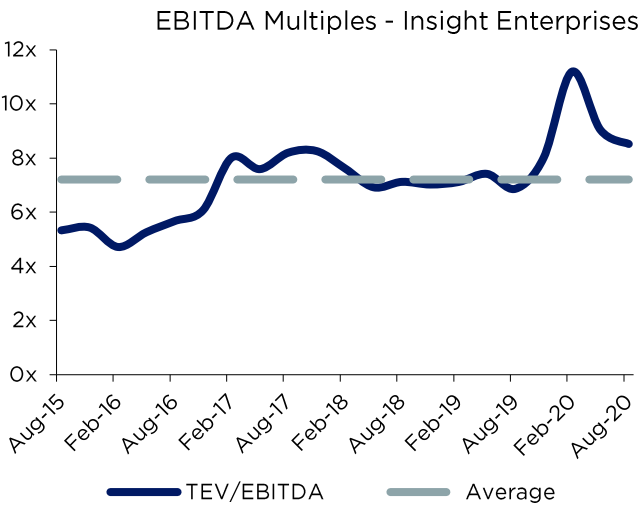
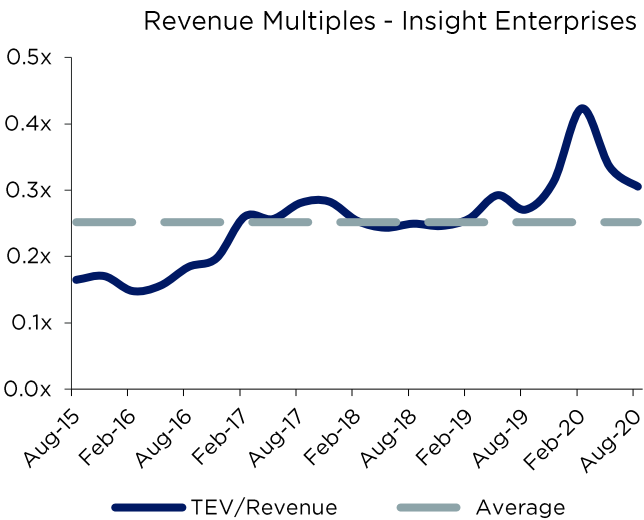
### Insight Enterprises

**Insight Enterprises Inc is a Fortune 500 global IT provider primarily engaged in helping businesses of all sizes, large enterprises, governments, schools, and health care organizations.**

The company has three geographic operating segments: North America, EMEA, and APAC. It generates maximum revenue from North America segment. The company provides digital innovation, cloud/data center transformation, connected workforce, and supply chain optimization solutions and services.

# Public Basket

## Insight Enterprises



Company Name	Date	Deal Synopsis
vNext IT	02-Mar-20	The company was acquired by Insight Enterprises (NAS: NSIT) for an undisclosed amount on March 2, 2020. With this acquisition, Insight strengthens its consultancy and managed services activities in France and aims to become a major partner for companies in their digital transformation
PCM	30-Aug-19	The company was acquired by Insight Enterprises (NAS: NSIT) for \$581 million on August 30, 2019. The addition of PCM complements Insight Enterprises' Supply Chain Optimization business, adding scale and clients in the mid-market and corporate space in North America.

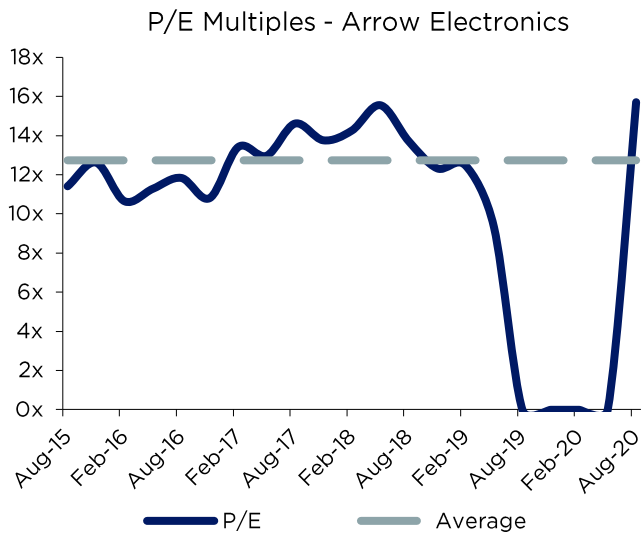
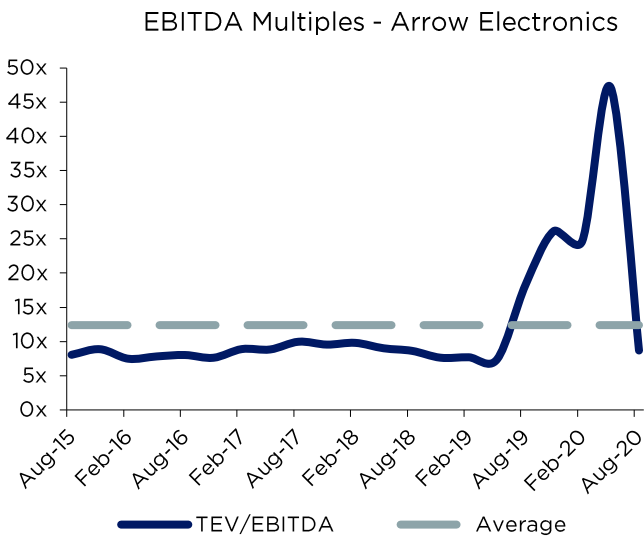
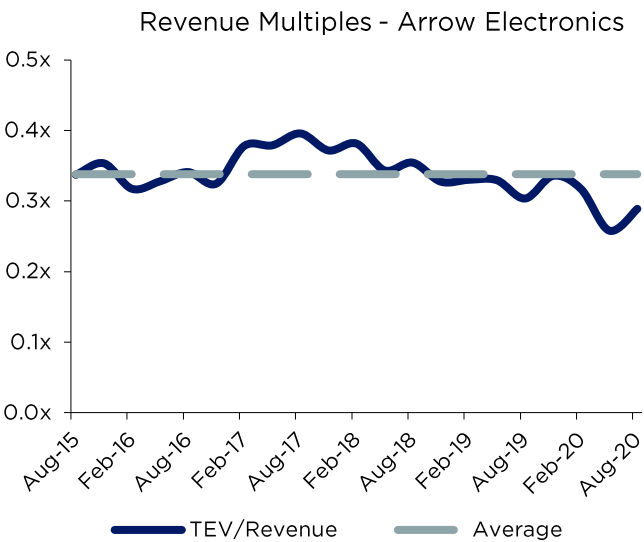
## Arrow Electronics

**Arrow Electronics is a leading value-added distributor of semiconductors, electronic components, software, and enterprise infrastructure hardware.**

The company operates in two segments: global components, which includes the sale of semiconductors, and global enterprise computing solutions, which includes the sale of software, storage, and servers. Arrow primarily serves small to midsize electronic equipment manufacturers and value-added resellers.

# Public Basket

## Arrow Electronics



Company Name	Date	Deal Synopsis
Waggit	25-Jun-18	The company received \$50,000 of grant funding from Arrow Electronics as part of the Arrow Certification Program on June 25, 2018.
Einfochips	08-Jan-18	The company was acquired by Arrow Electronics (NYS: ARW) for \$327.628 million on January 8, 2018. The acquisition will enable the acquirer to expand their sensor-to-sunset capabilities, by combining company's Snapbricks IoT framework, as well as by adding 1,500 IoT solution architects, ASIC and embedded engineers, and software development resources to their already leading position in IoT design services.

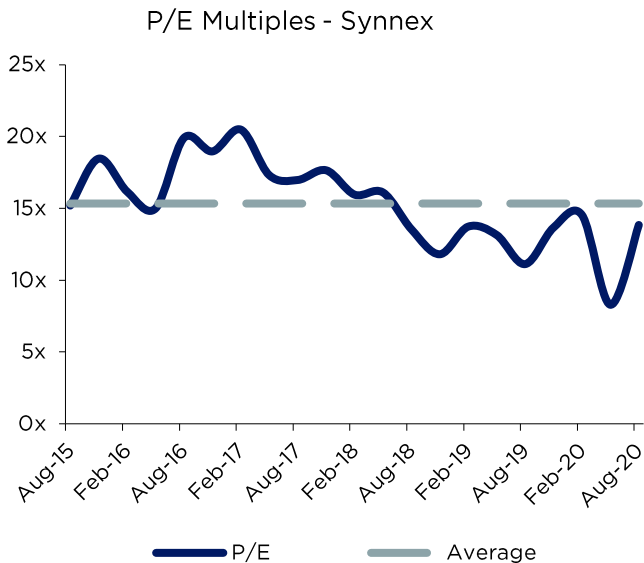
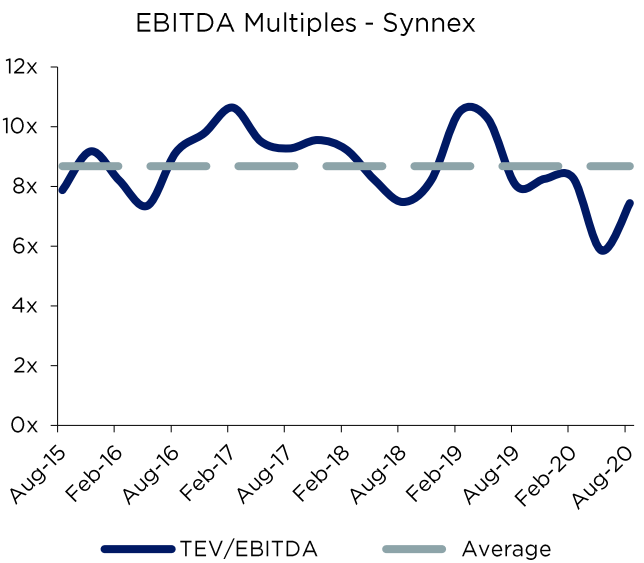
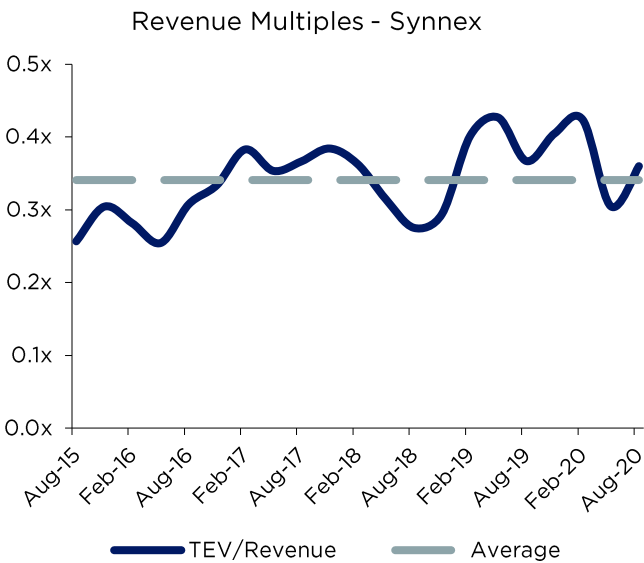
## Synnex

### **Synnex Corp is a provider of wholesale IT integration, distribution, and outsourcing services.**

The company operates two business segments: technology solutions and Concentrix. Technology solutions, the larger segment by revenue, resells and distributes peripherals; IT systems, including data center servers and storage solutions; system components; software, networking, communication, and security equipment; consumer electronics; and complementary products. Concentrix offers end-to-end business services focused on consumer engagement and process optimisation. Clients include resellers, retailers, original equipment manufacturers, and financial and insurance institutions. Most of the firm's revenue is generated in the United States of America.

# Public Basket

Synnex



Company Name	Date	Deal Synopsis
Convergys	05-Oct-18	The company (NYSE: CVG) was acquired by Synnex (NYSE: SNX) for \$2.27 billion on October 5, 2018. The acquisition enables the acquirer to better serve the combined organization's increased scale, strong talent, best-in-class analytics, technology, and digital offerings, and a shared commitment to helping them successfully navigate the increasingly complex CX ecosystem.
Westcon-Comstor (Americas Business)	01-Sep-17	Datatec (JSE: DTC) sold its Americas Business to Synnex (NYSE: SNX) for \$830 million on September 1, 2017. According to the terms of the transaction, the acquirer will also get 10% stake in Westcon EMEA and APAC businesses. The proceeds of the transaction comprise \$630 million in cash on completion and up to \$200 million payable as a cash earn-out, subject to Westcon Americas meeting certain agreed gross profit performance targets. There was \$115 million of net debt assumed. The acquisition will help Synnex to further invest in long-term strategies to grow and diversify its business.

## CDW

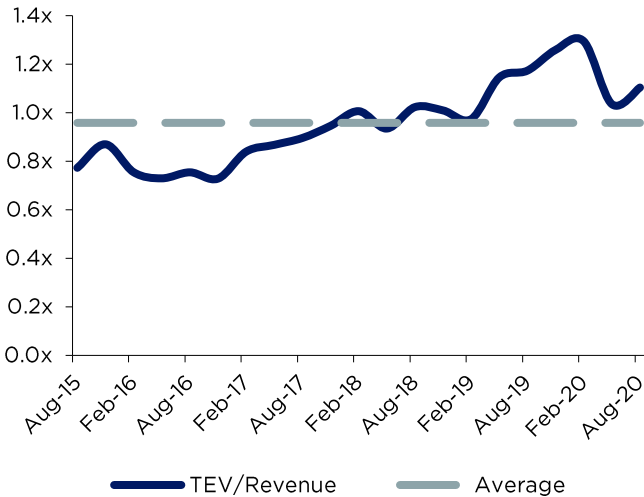
### CDW Corp is a value-added reseller operating in the U.S.

(95% of sales) and Canada (5%). The company has more than 100,000 products on its line of cards that range from notebooks to data center software. Roughly half of CDW's revenue comes from midsize and large businesses, with the remaining from small businesses, government agencies, education institutions, and health-care organizations.

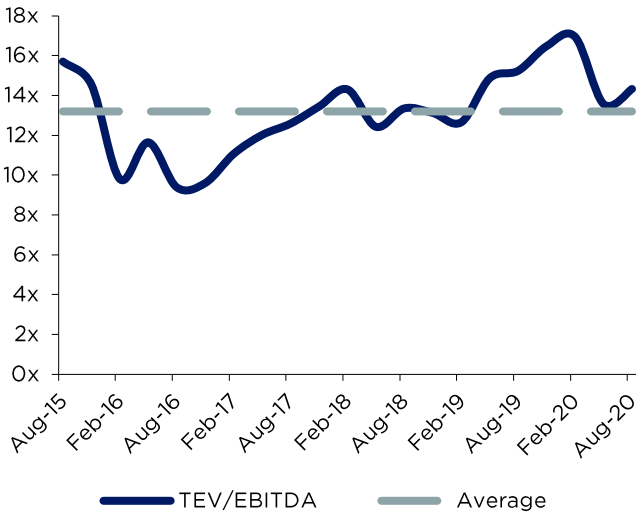
# Public Basket

CDW

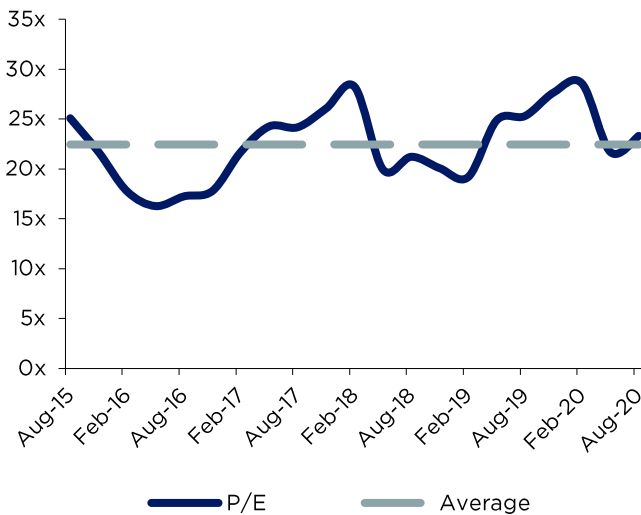
Revenue Multiples - CDW



EBITDA Multiples - CDW



P/E Multiples - CDW



Company Name	Date	Deal Synopsis
IGNW	01-Jul-20	The company was acquired by CDW (NAS: CDW) for an undisclosed amount on July 1, 2020.
Aptris	01-Oct-19	The company, a subsidiary of Ticomix, was acquired by CDW (NAS: CDW) for an undisclosed amount on October 1, 2019. The acquisition strengthens CDW's services capabilities and deepens consulting expertise.

# 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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