

7 Mile Advisors



# Sectorwatch:

## Business Process Outsourcing

August 2020



# Business Process Outsourcing

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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.

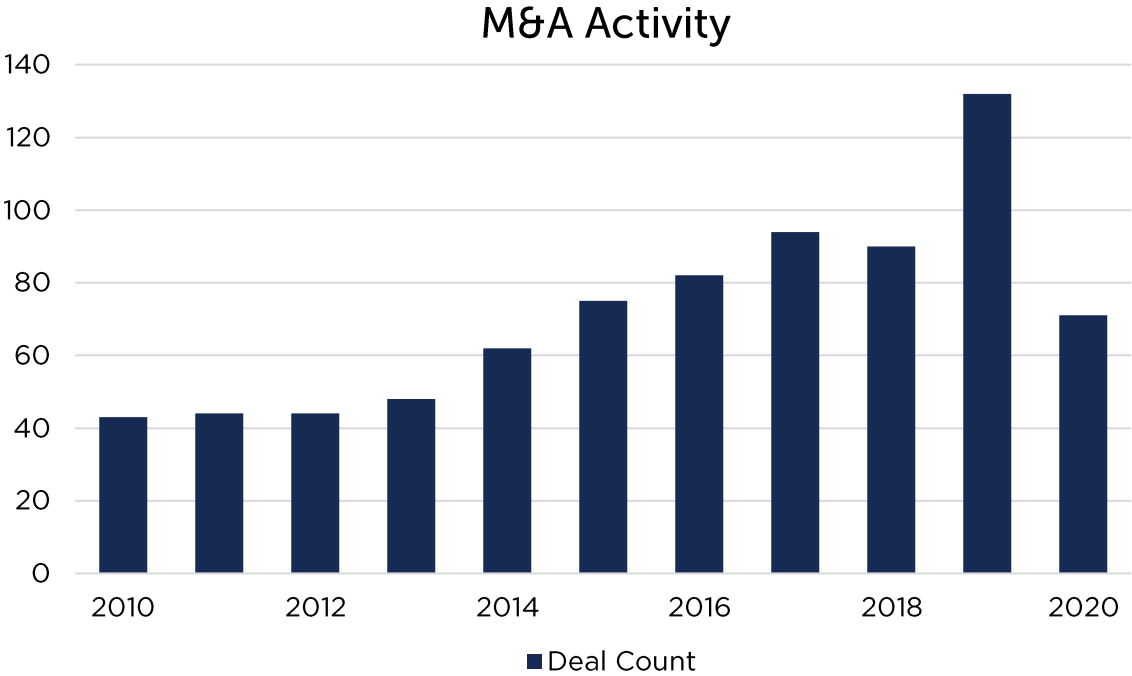
## RECENT DEALS

- The most recently announced deals in the sector

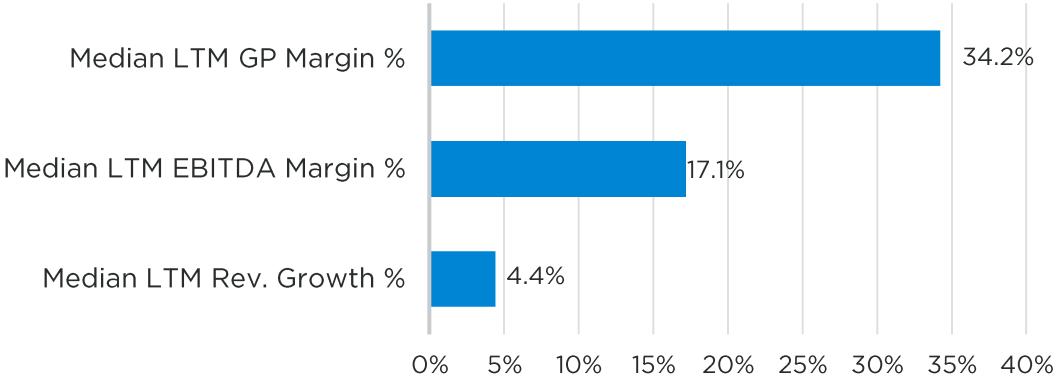
# Dashboard

## REVENUE GROWTH MOMENTUM ↓ -2.9%

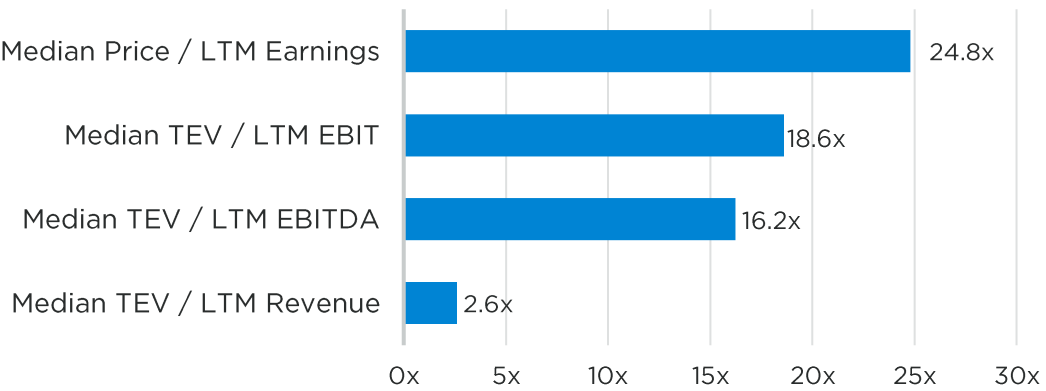
1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining



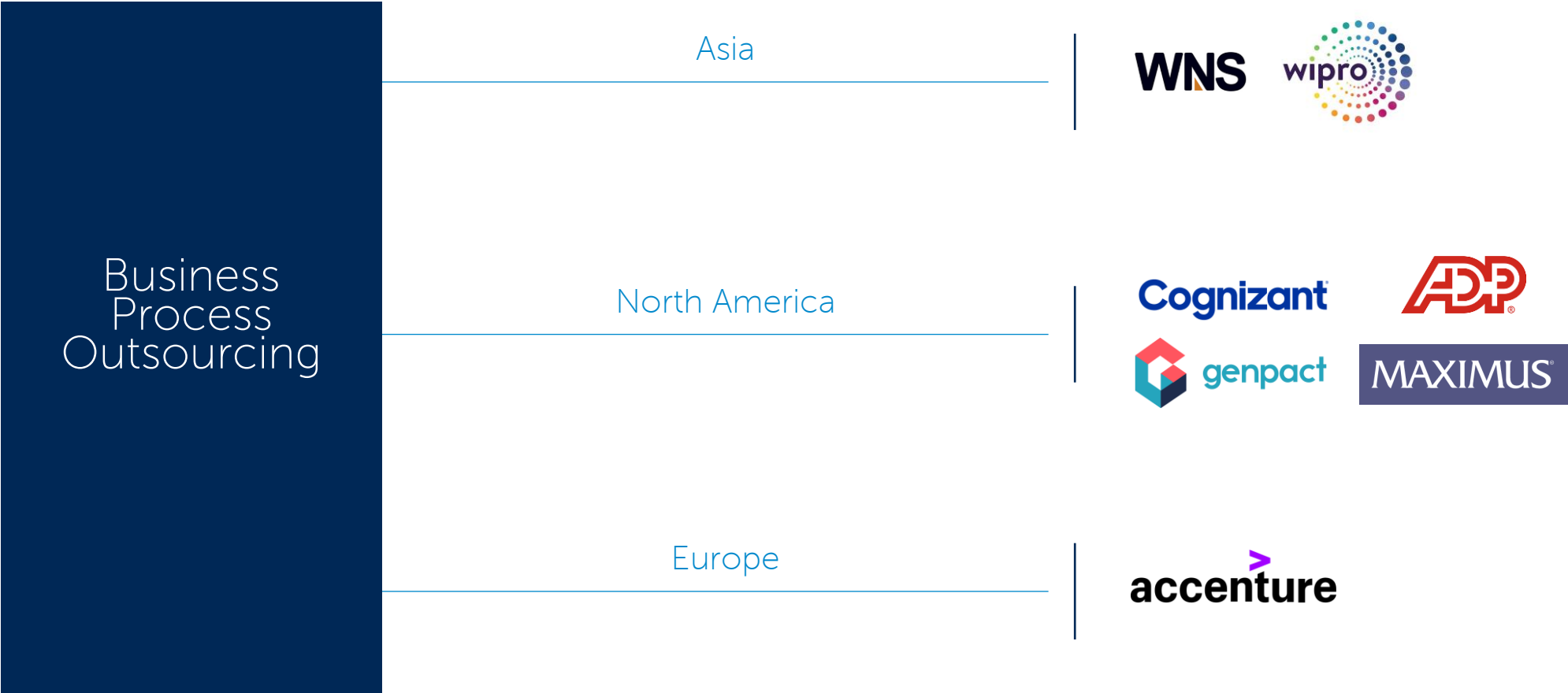
## Operating Metrics



## Valuation



# Public Basket Overview



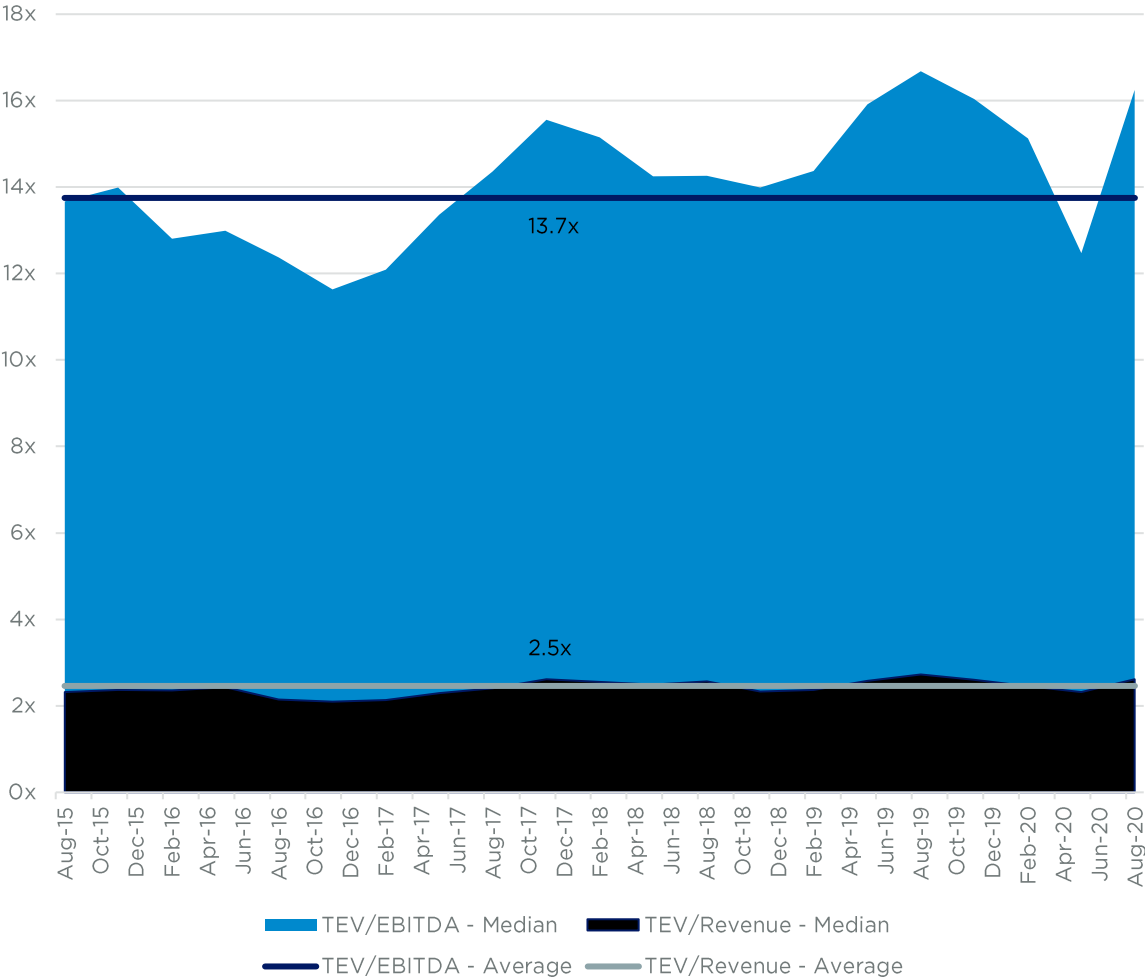
# Public Basket

Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
WNS Global Services	3,325	158	921	11.8%	35.9%	17.1%	3.6x	21.2x	43,000	21
Maximus	5,044	383	3,293	22.4%	20.7%	11.6%	1.5x	13.2x	29,600	111
Genpact	9,562	540	3,653	11.6%	34.2%	14.8%	2.6x	17.7x	97,500	37
Wipro	17,366	1,783	8,430	3.2%	28.9%	21.1%	2.1x	9.7x	180,000	47
Cognizant Technology Solutions	35,589	2,689	16,757	1.8%	35.6%	16.0%	2.1x	13.2x	291,700	57
Automatic Data Processing	61,212	3,770	14,590	3.4%	42.1%	25.8%	4.2x	16.2x	58,000	252
Accenture	152,343	8,016	44,547	4.4%	31.4%	18.0%	3.4x	19.0x	513,000	87

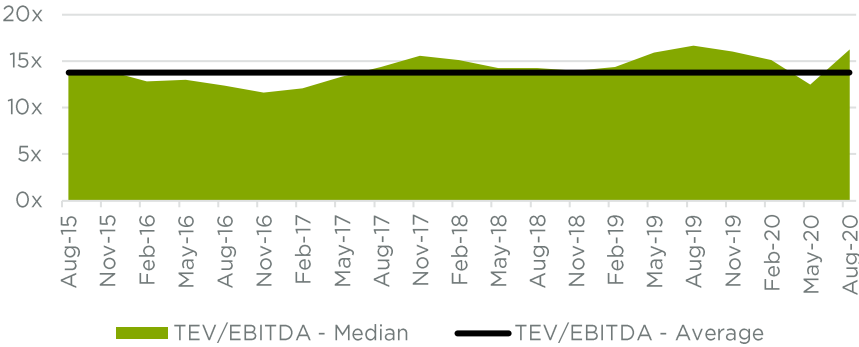
<b>Average</b>	40,634	2,477	13,170	8.4%	32.7%	17.8%	2.8x	15.8x	173,257	88
<b>Median</b>	17,366	1,783	8,430	4.4%	34.2%	17.1%	2.6x	16.2x	97,500	57

share price as of 28Aug20

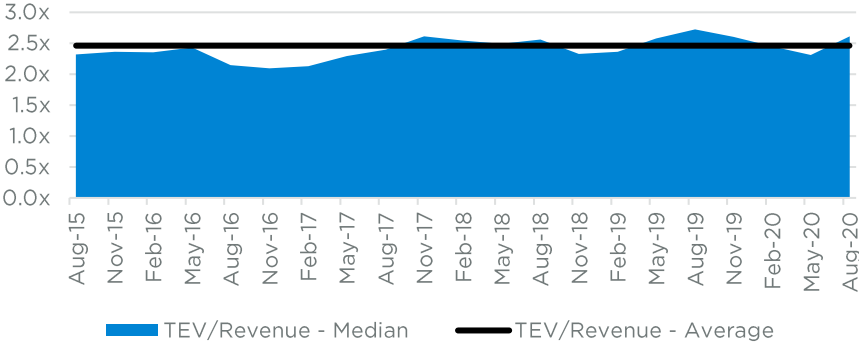
# Public Basket



## Public EBITDA Multiples over Time

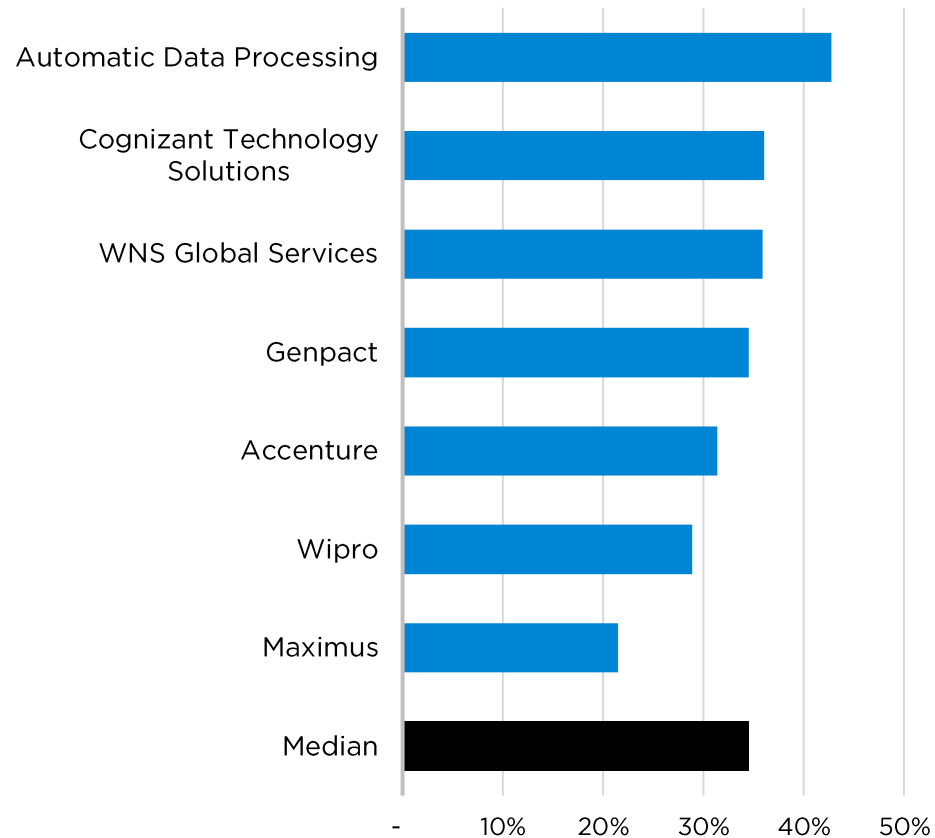


## Public Revenue Multiples over Time

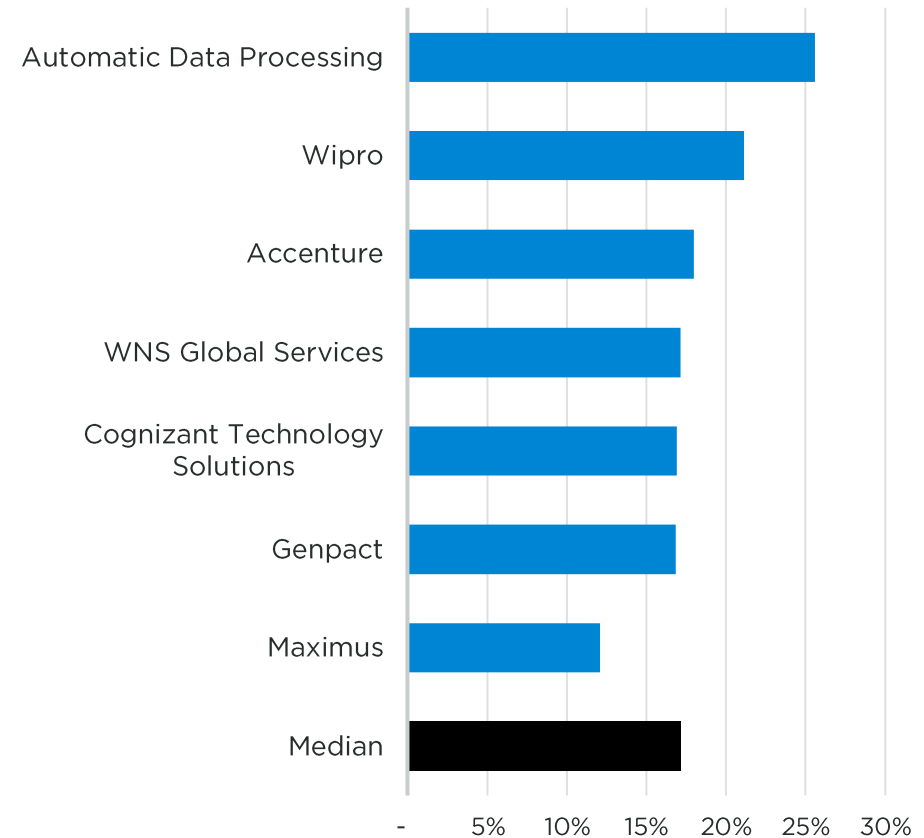


# Operational Metrics

LTM Gross Profit Margin %



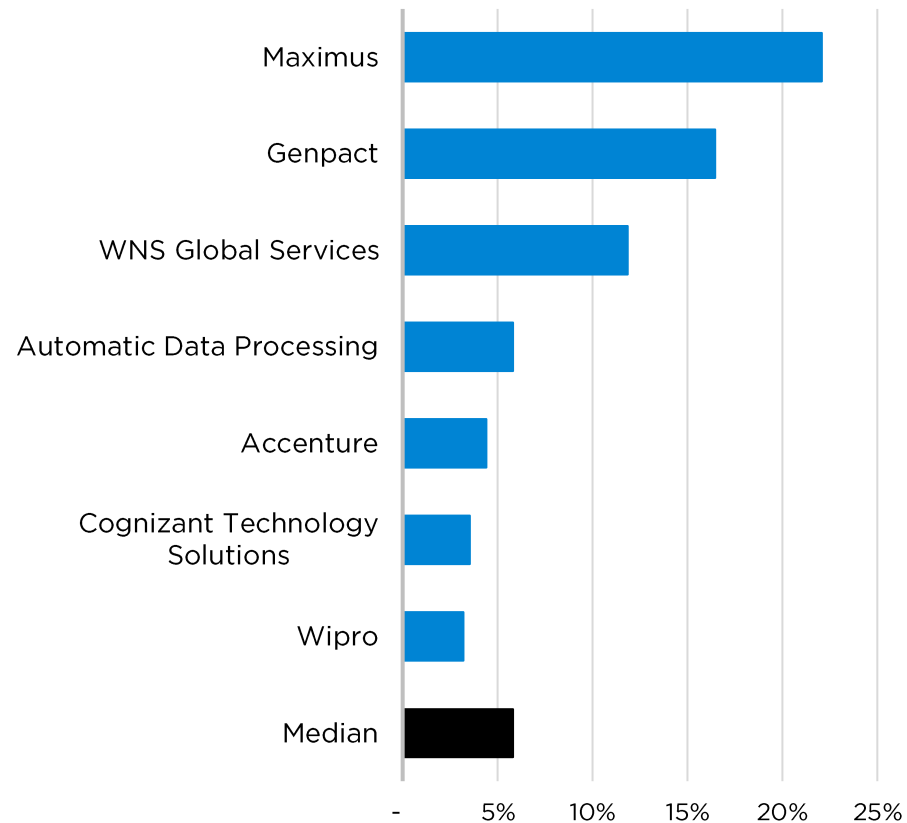
LTM EBITDA %



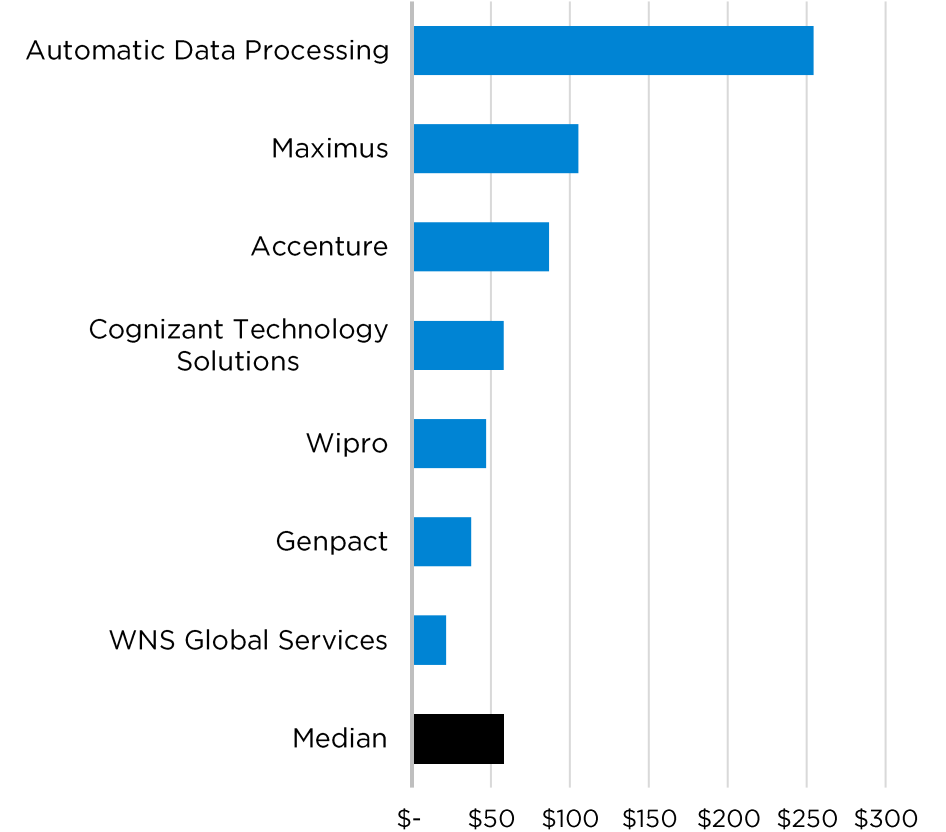


# Operational Metrics

LTM Revenue Growth %

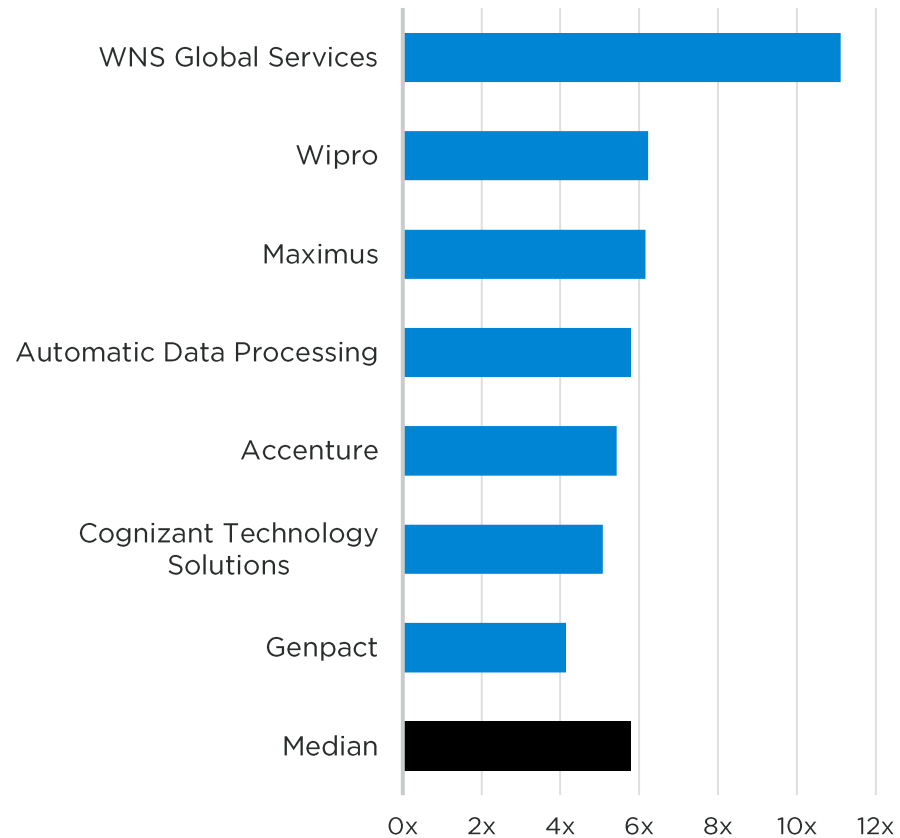


LTM Revenue per Full Time Employee x 000's

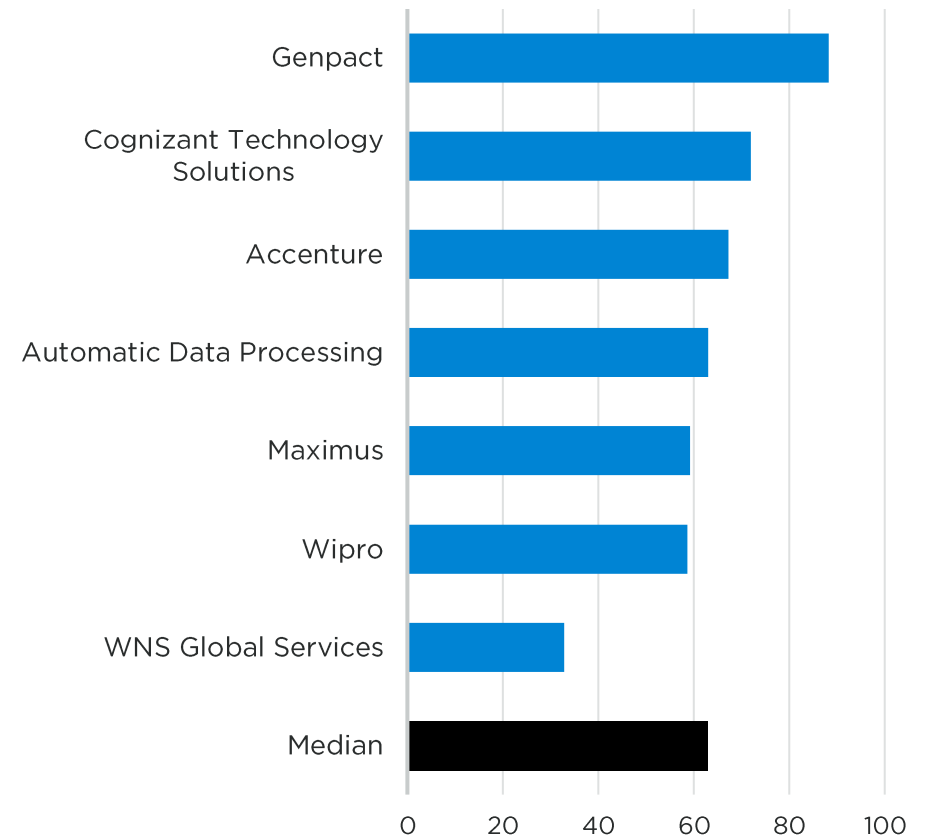


# Operational Metrics

## Accounts Receivable Turnover

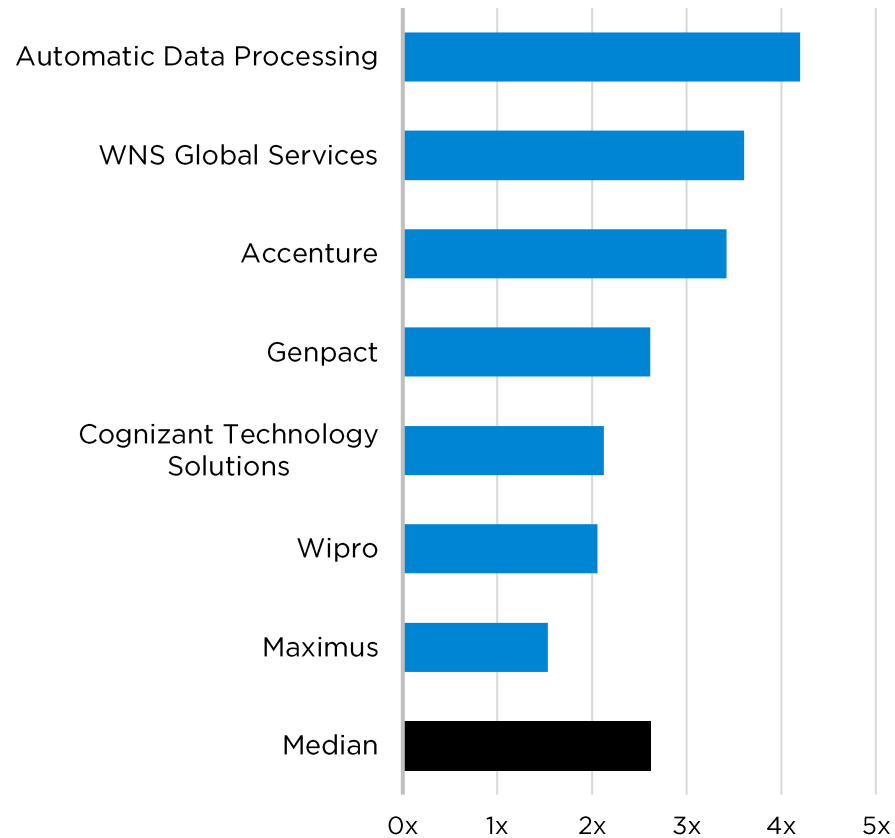


## Average Days Sales Outstanding

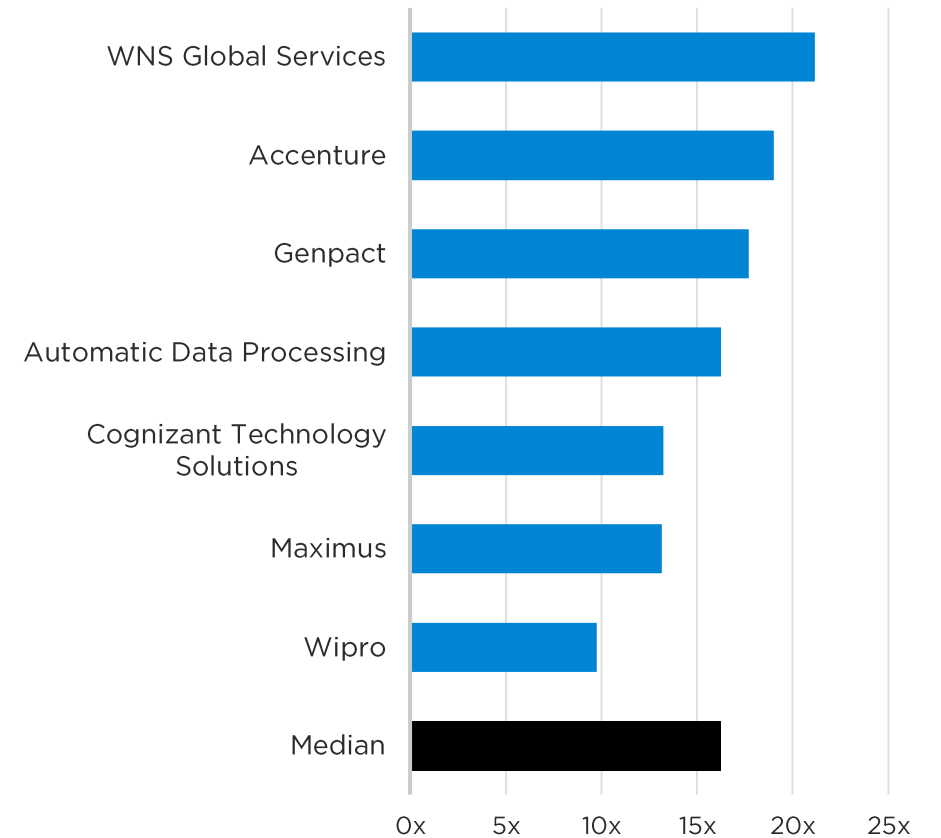


# Valuation

TEV / LTM Revenue

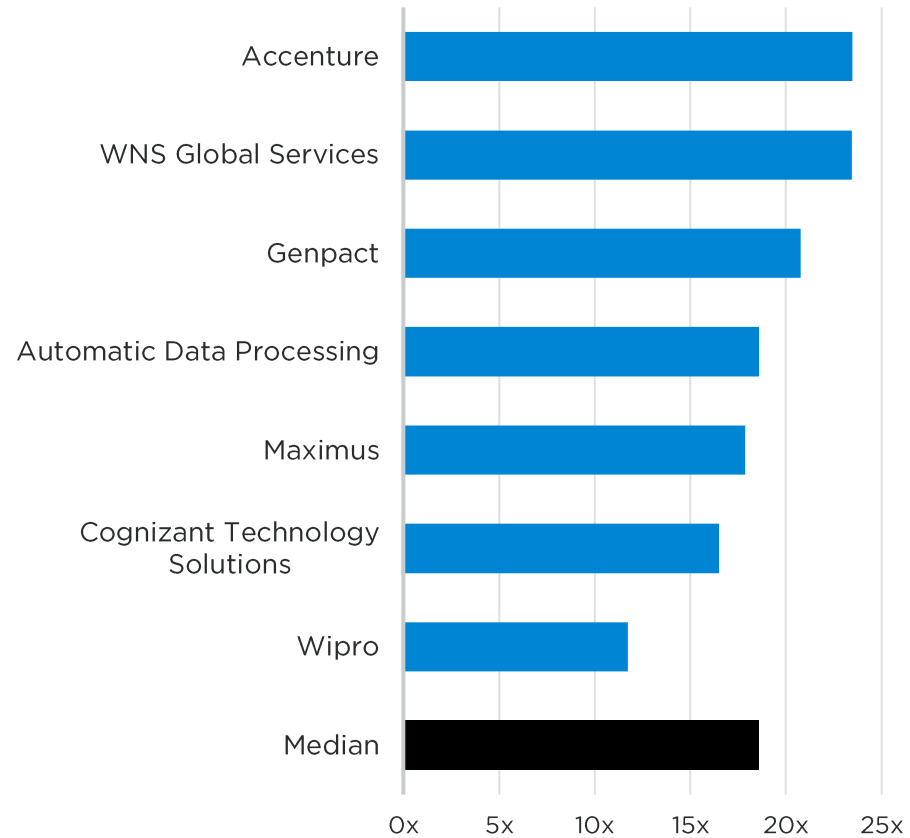


TEV / LTM EBITDA

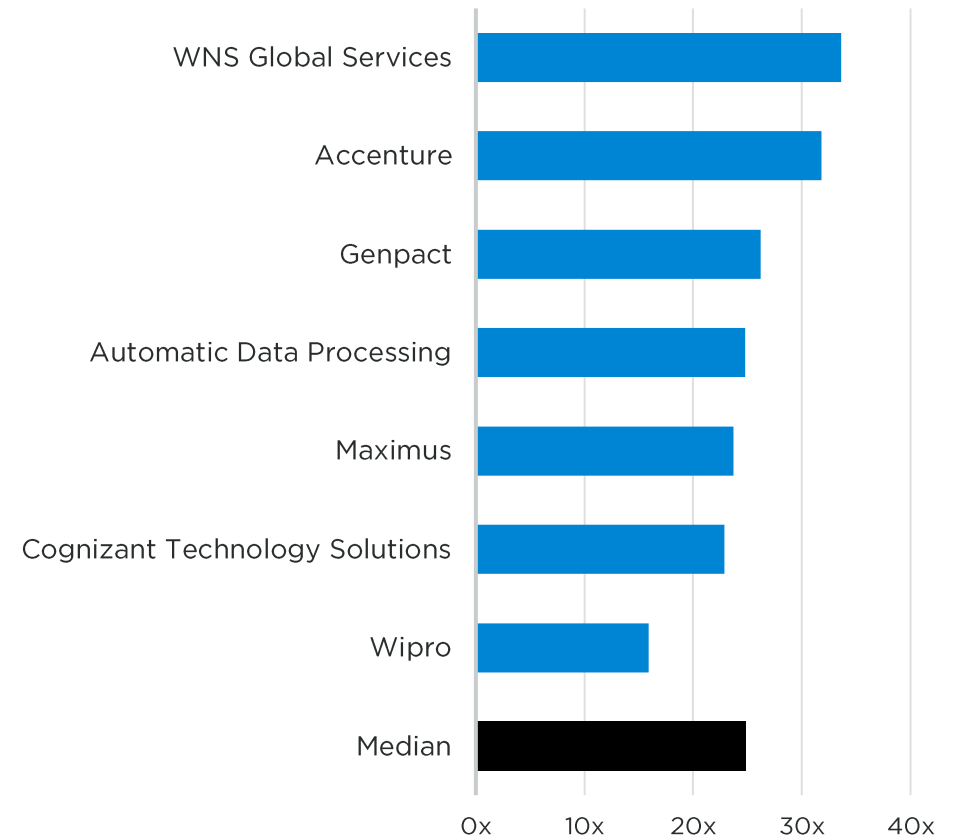


# Valuation

TEV / LTM EBIT

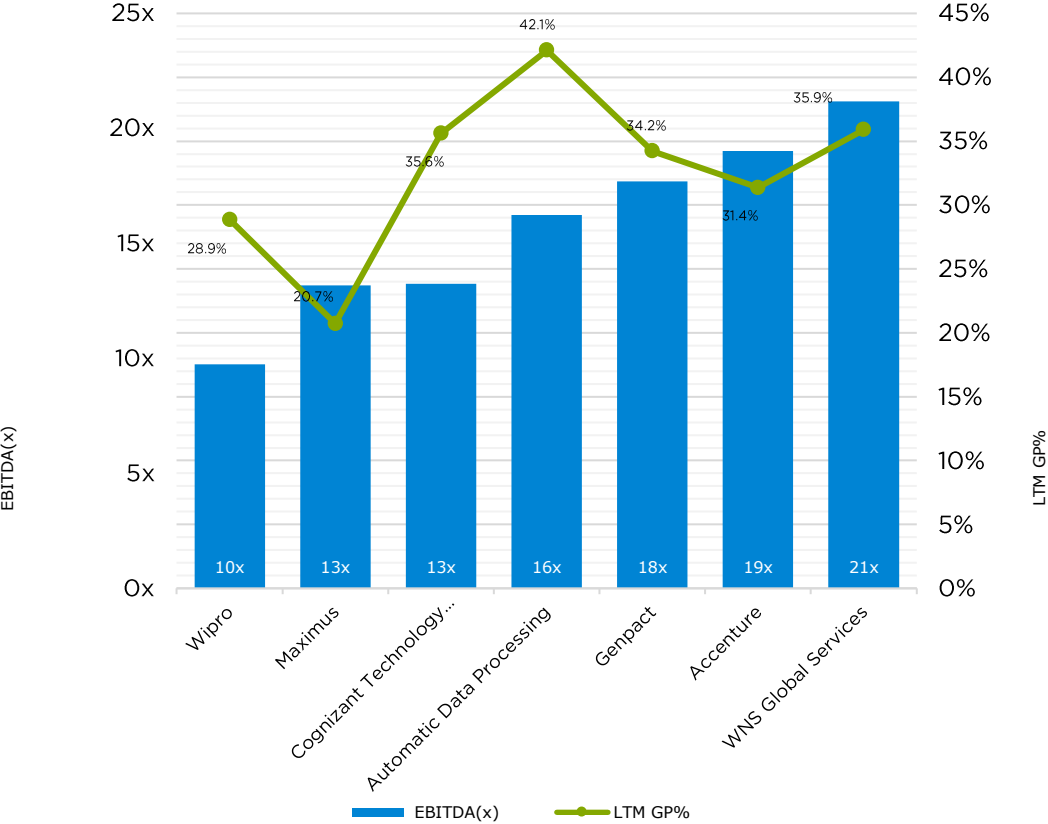


Price / LTM Earnings

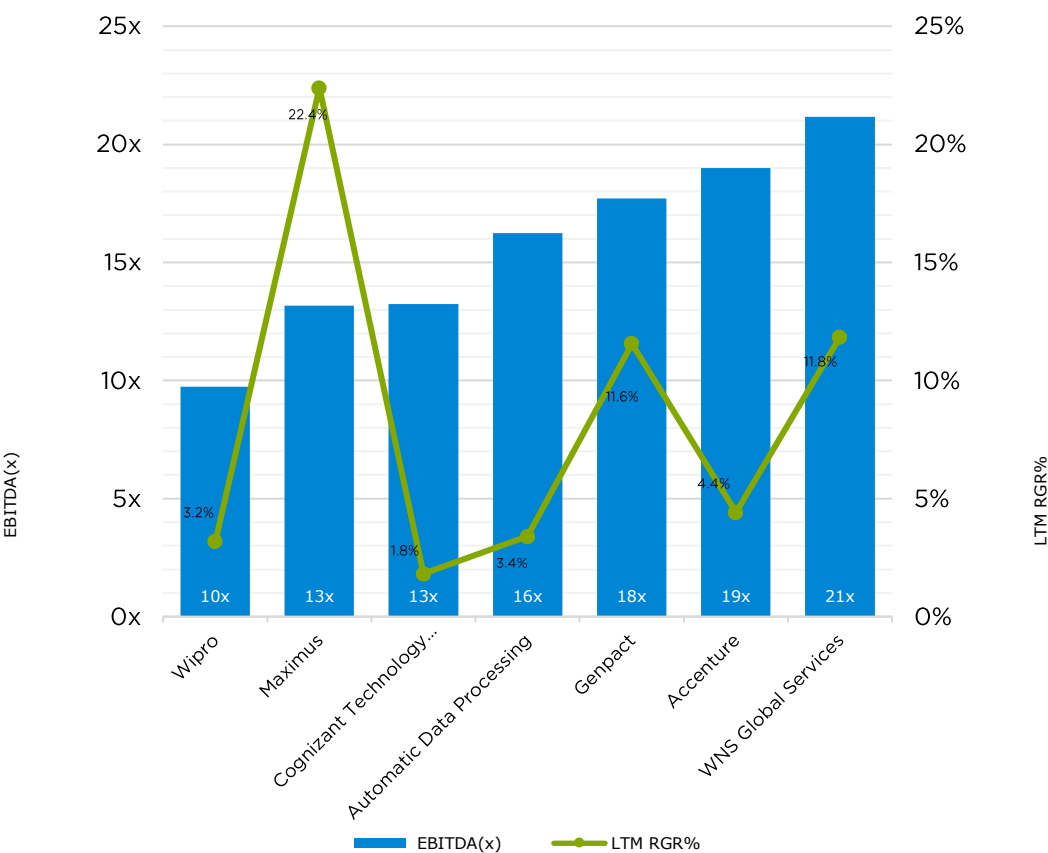


# Valuation

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
25-Aug-20	Southern Data Solutions	Dynamic Quest	-	-	-	-
18-Aug-20	InfoWAN Datenkommunikation	Waterland Private Equity Investments	-	-	-	-
06-Aug-20	Kumulus	Logicalis Group	-	-	-	-
06-Aug-20	Netrix Systems	OceanSound Partners	-	-	-	-
20-Jul-20	Alphaserve Technologies	Eze Castle Integration	-	-	-	-
20-Jul-20	Nexxtep Technology Services	Dynamic Quest	-	-	-	-
09-Jul-20	Securience	The Herjavec Group	-	-	-	-
08-Jul-20	Next Digital	MNP	-	-	-	-
07-Jul-20	Plan B Technologies	Computer Design and Integration	-	-	-	-
02-Jul-20	TeamLogic IT Newtown PA	Salt Creek Capital	-	-	-	-
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	-	-	-	-
23-Jun-20	Netrics	Tineo	-	-	-	-
19-Jun-20	Digisource (Barendrecht)	-	-	-	-	-
18-Jun-20	iTexico	Improving Holdings	-	-	-	-
16-Jun-20	Itomic Voice & Data	Calligo	-	-	-	-
12-Jun-20	Bristol IT Company	MDS Technologies	-	-	-	-
10-Jun-20	Interpreting Technology	Cyemptive Technologies	-	-	-	-
03-Jun-20	Cutaway	FASTWEB	-	-	-	-
02-Jun-20	DNM (Information Technology and Services)	Deloitte Touche Tohmatsu	-	-	-	-
01-Jun-20	Felton ICT Services	Cloud Security Group	-	-	-	-
28-May-20	Exakta Solucoes	Seidor Brasil	-	-	-	-
20-May-20	Arctic MSP	Saalex Information Technology	-	-	-	-
19-May-20	Amica Technology	Telappliant	-	-	-	-
07-Apr-20	Computex Technology Solutions	American Virtual Cloud Technologies	65.00	-	-	-
01-Apr-20	KPN ICT Consulting	Cegeka	-	-	-	-

# Appendix

*Public Basket  
Contact Information*



## WNS Global Services

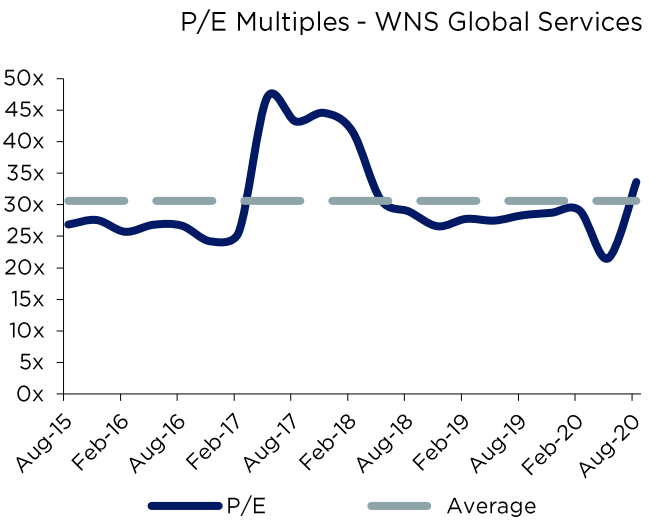
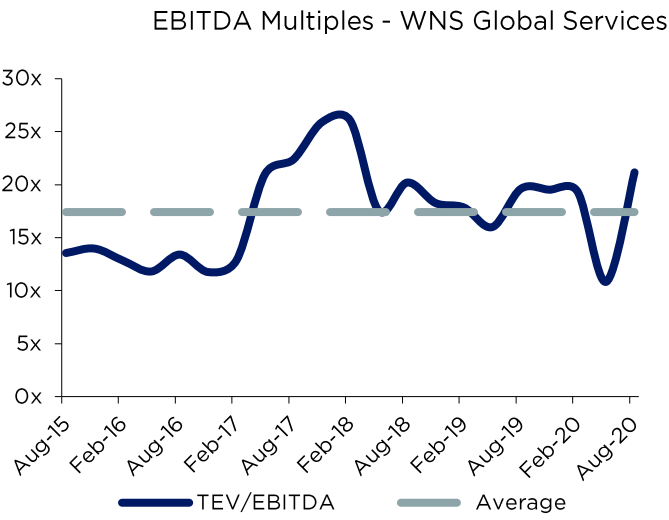
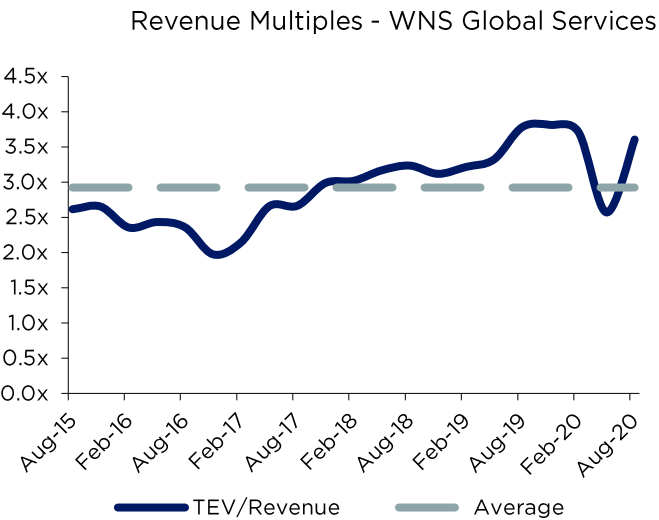
**WNS (Holdings) Ltd is a global provider of business process management (BPM) services, offering comprehensive data, voice, analytical and business transformation services with a blended onshore, nearshore and offshore delivery model.**

The company has two reportable segments namely WNS Global BPM and WNS Auto Claims BPM. It generates maximum revenue from WNS Global BPM segment. Geographically, it derives a majority of revenue from the US and also has a presence in the UK, Australia, Europe, South Africa and Rest of the world.



# Public Basket

## WNS Global Services



Company Name	Date	Deal Synopsis
HealthHelp	15-Mar-17	The company was acquired by WNS (NYSE: WNS) for \$95 million on March 15, 2017. With the acquisition of HealthHelp, WNS has taken a major step forward in strengthening their end-to-end Healthcare and Insurance BPM offerings.
Denali Sourcing Services	31-Jan-17	The company was acquired by WNS (Holdings) (NYSE: WNS) for \$40 million on January 31, 2017. The acquisition of Denali Sourcing Services adds a strategic procurement capability to the existing Finance and Accounting solutions.

## Maximus

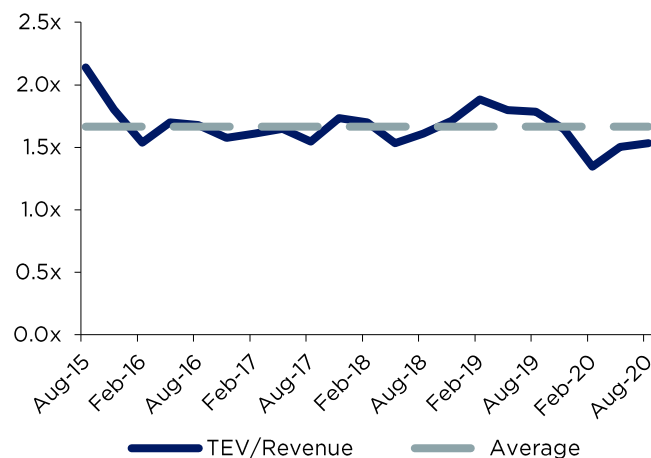
**Maximus Inc is an operator of government health and human services programs in the United States, United Kingdom, Canada, Australia, and Saudi Arabia.**

The company offers business solutions to improve the cost-effectiveness, efficiency, and quality of government-sponsored benefit programs, such as Medicaid, Medicare, Health Insurance BC, and child support programmes. Most of its revenue is derived from long-term contractual arrangements with governments around the world. The largest segment by revenue, health services, provides customer center operations and support services, health insurance enrollment services, and health plan oversight services.

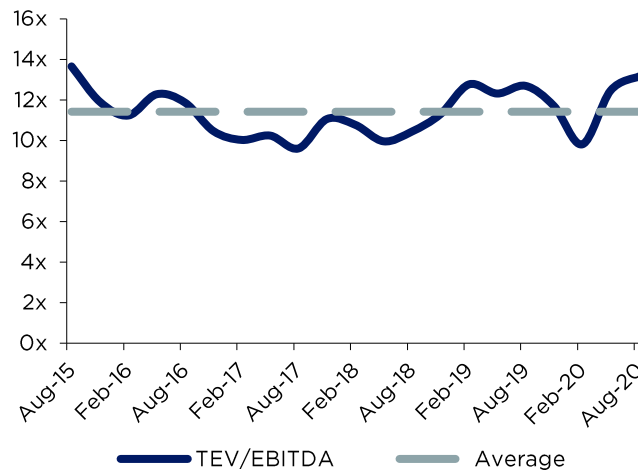
# Public Basket

Maximus

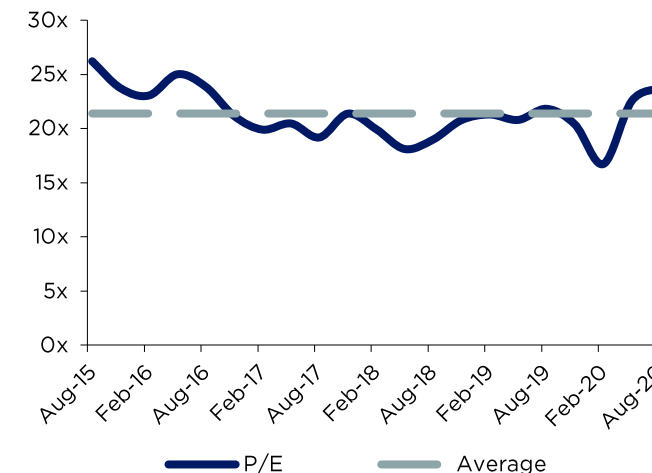
Revenue Multiples - Maximus



EBITDA Multiples - Maximus



P/E Multiples - Maximus



*Company Name*

*Date*

*Deal Synopsis*

Gt Hiring Solutions

16-Aug-19

The company was acquired by Maximus (NYS: MMS) for CAD 8.1 million on August 16, 2019. The acquisition will improve Maximus's reach and capabilities of the company's Canadian employment services.

General Dynamics Information  
Technology (Call Center  
Operations)

16-Nov-18

The company, a subsidiary of General Dynamics Information Technology, was acquired by Maximus (NYS: MMS) for \$430.723 million on November 16, 2018. The acquisition enables the acquirer to add scale to what they are doing in the federal market.

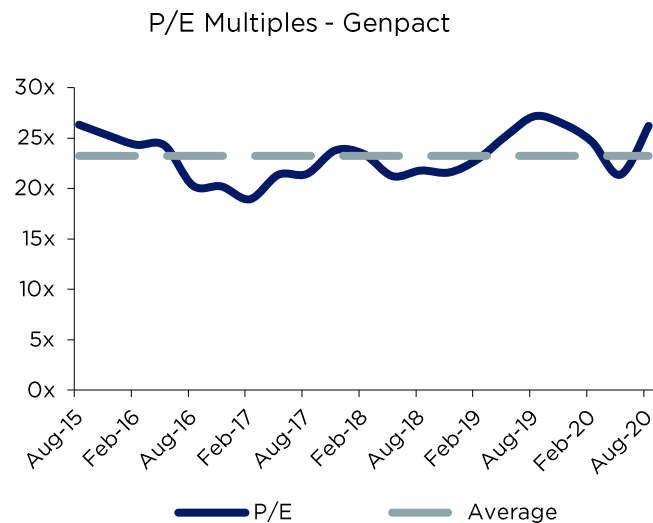
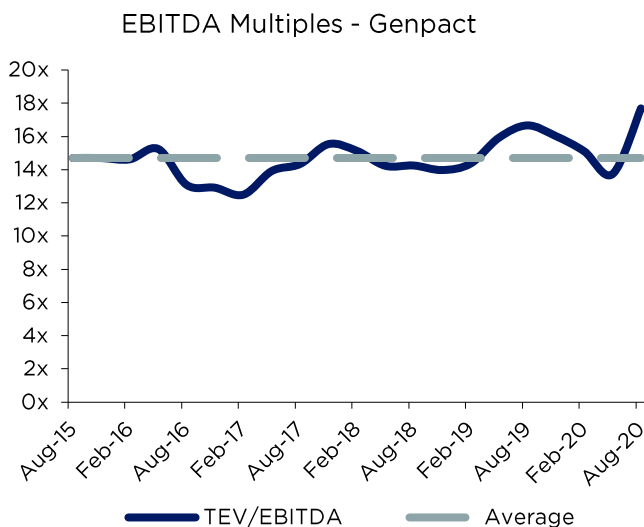
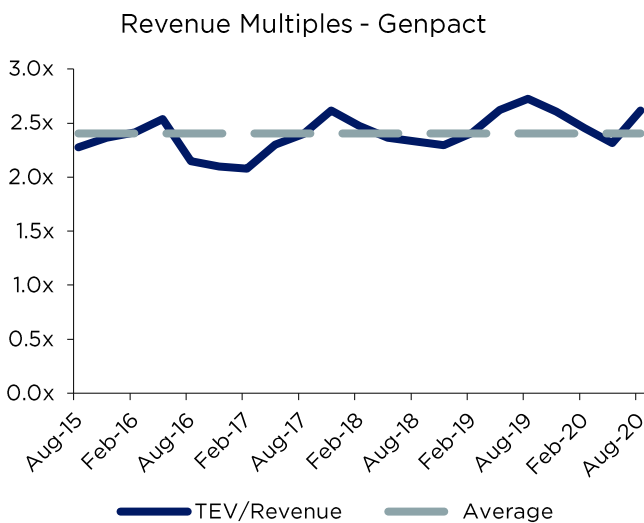
## Genpact

### **Genpact Ltd is a provider of business process management services.**

Clients are industry verticals and operate in banking and financial services, insurance, capital markets, consumer product goods, life sciences, infrastructure, manufacturing and services, healthcare, and high-tech. Genpact's services include aftermarket, direct procurement, risk and compliance, human resources, IT, industrial solutions, collections, finance and accounting, and media services. Genpact's end market by revenue is India. The company is a General Electric spin-off, which is still a large source of revenue for Genpact.

# Public Basket

Genpact



Company Name	Date	Deal Synopsis
RightPoint Consulting	12-Nov-19	The company was acquired by Genpact (NYS: G) for an undisclosed amount on November 12, 2019. This acquisition combines Genpact's deep process, domain and digital expertise with the company's proven ability to create impact experiences, thus enabling the company's continued expansion which also includes expanding core offerings.
riskCanvas	08-Jan-19	The company was acquired by Genpact (NYS: G) for an undisclosed amount on January 8, 2019. With the risk and compliance landscape continuing to evolve and posing challenges for financial institutions, this agreement extends Genpact's strategic priority of providing end-to-end risk management services to the financial services clients.

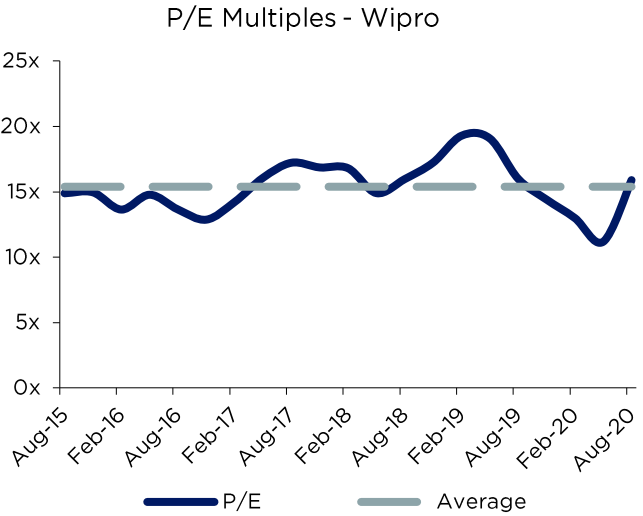
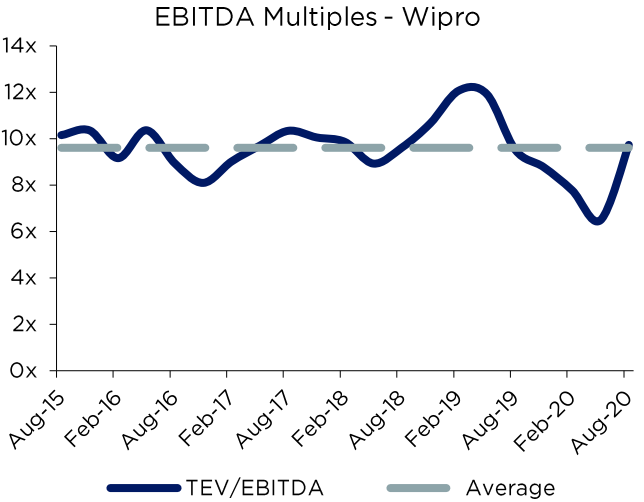
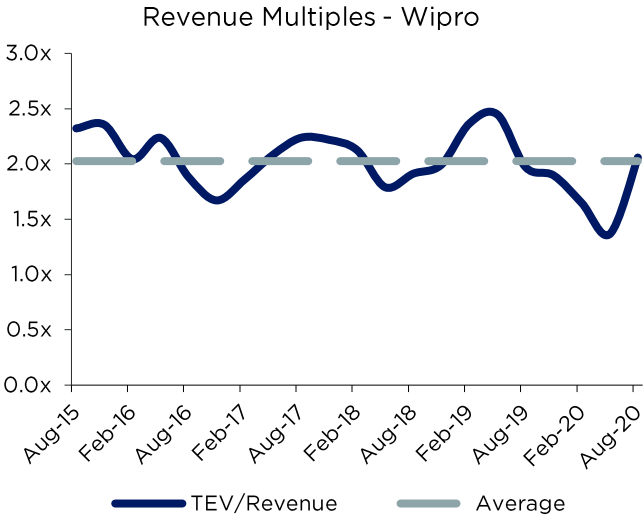
## Wipro

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



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	03-Oct-19	The company was acquired by Wipro (BOM: 507685) for \$45 million on October 3, 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.

### Cognizant Technology Solutions

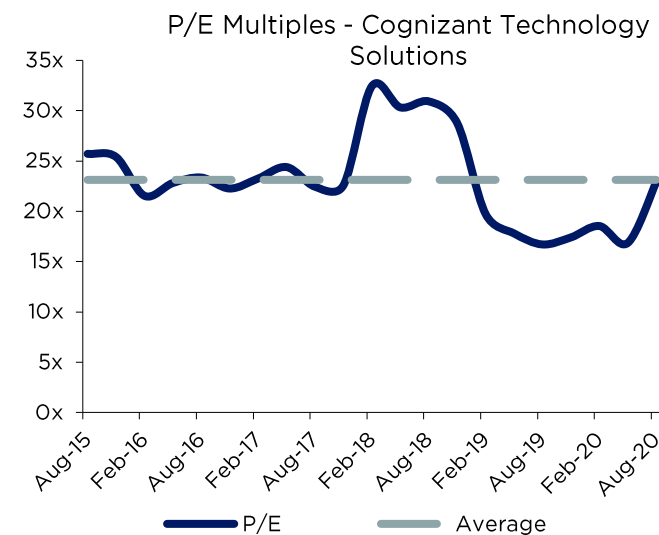
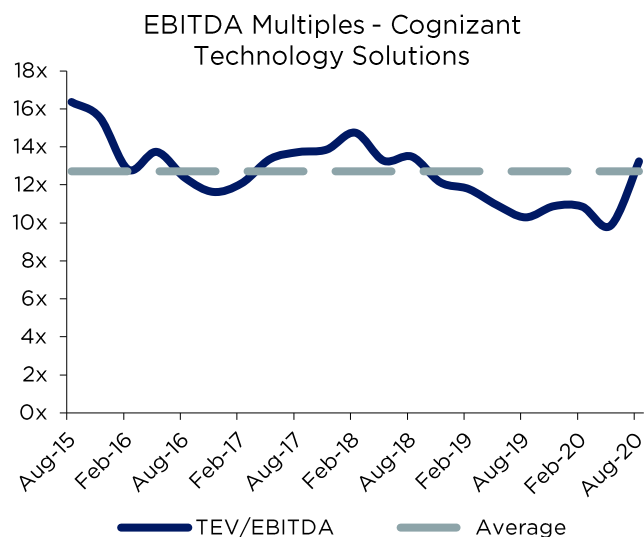
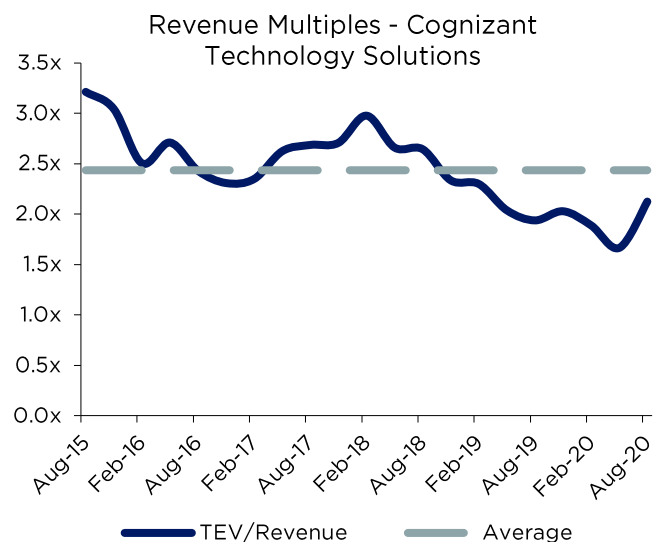
Cognizant is a global IT services provider, offering consulting and outsourcing services to some of the world's largest enterprises spanning the financial services, media and communications, healthcare, natural resources, and consumer products industries.

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
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.
El-Technologies	02-Jun-20	The company was acquired by Cognizant Technology Solutions (NAS: CTSH) for an undisclosed amount on June 2, 2020.

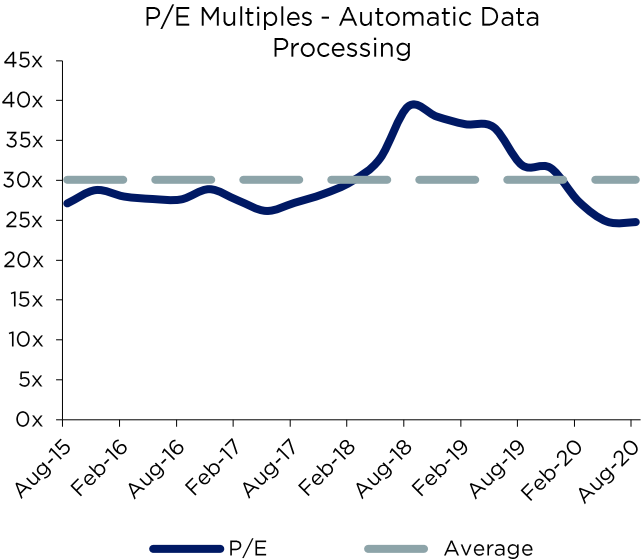
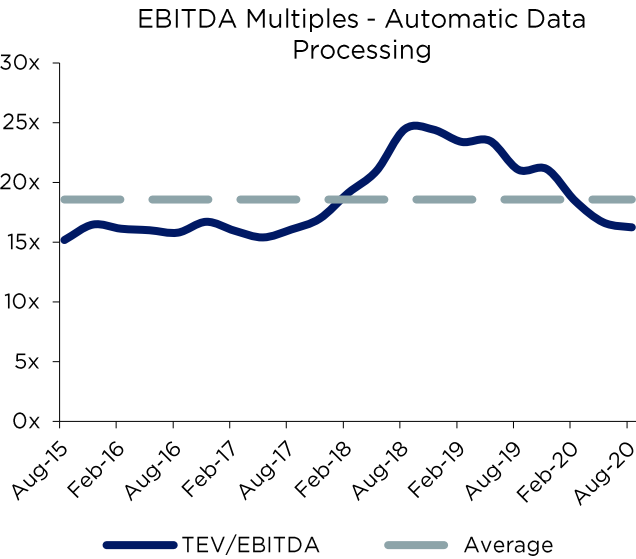
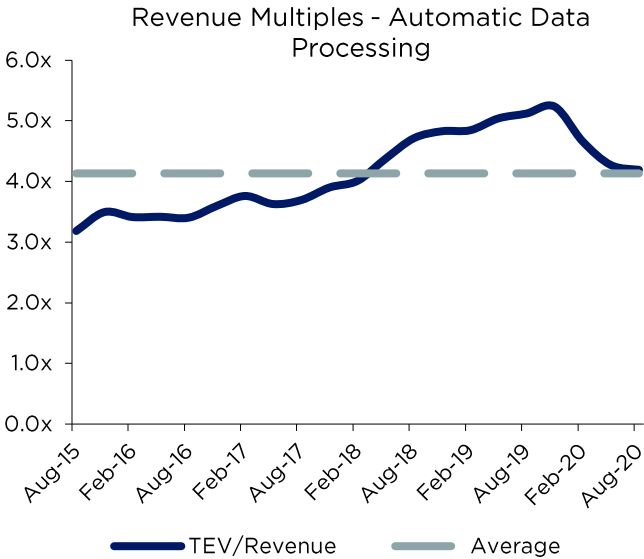
### Automatic Data Processing

## ADP competes in the human resources administration services industry.

It provides services that satisfy companies' human resources needs, such as payroll processing and benefits administration. ADP was founded in 1949 and has its headquarters in Roseland, New Jersey.

# Public Basket

## Automatic Data Processing



Company Name	Date	Deal Synopsis
Celergo	01-Aug-18	The company was acquired by Automatic Data Processing (NASDAQ: ADP) for an undisclosed amount on August 1, 2018. The acquisition will enhance Automatic Data Processing's international payroll offerings with a strong platform and new solutions, including cross-currency and expatriate payment services.
WorkMarket	22-Jan-18	The company was acquired by Automatic Data Processing (NAS: ADP) for \$125 million on January 22, 2018.

## Accenture

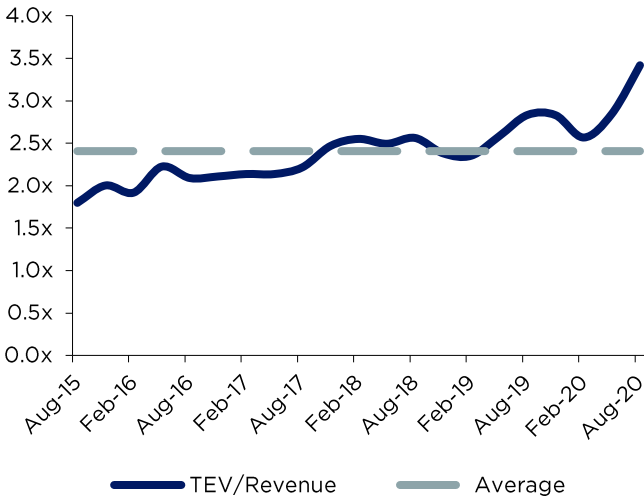
**Accenture is a leading global IT services firm that provides consulting, strategy, and technology and operational services.**

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.

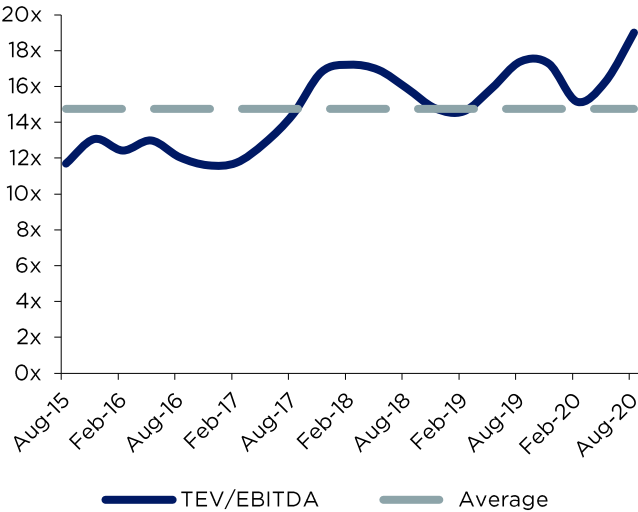
# Public Basket

Accenture

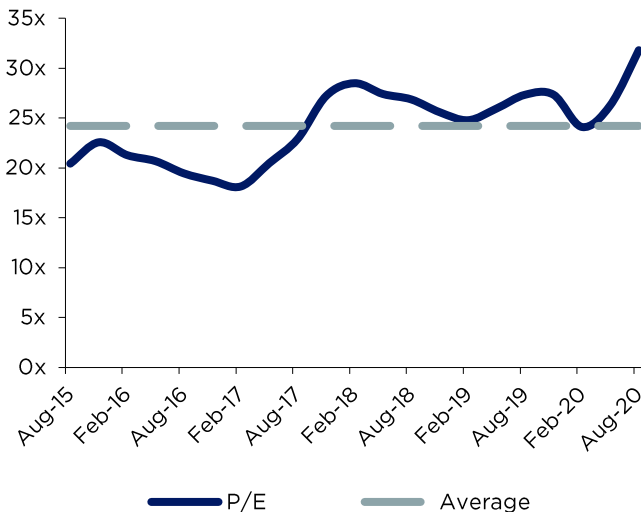
Revenue Multiples - Accenture



EBITDA Multiples - Accenture



P/E Multiples - Accenture



Company Name	Date	Deal Synopsis
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.
Duck Creek Technologies	10-Jun-20	The company received \$230 million of development capital of Series E from Accenture, Apax Partners, Altamir, Dragoneer Investment Group, Insight Partners, Temasek Holdings, Kayne Anderson Rudnick Investment Management, Whale Rock Capital Management and Neuberger Berman on June 10, 2020. The funds will be used to invest in business growth as well as to buy back equity from certain existing investors

# 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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