

7 Mile Advisors



Sectorwatch: IT Services - MSFT

September 2020



IT Services - MSFT

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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

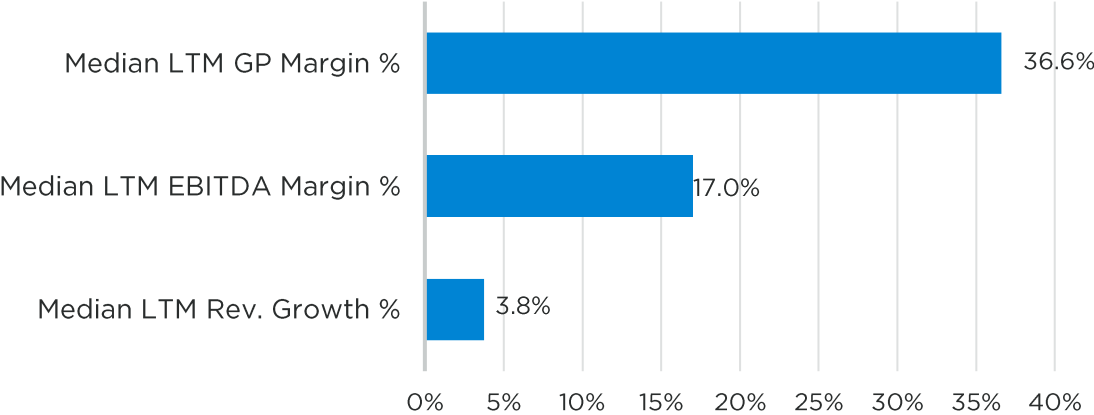
- The most recently announced deals in the sector

Dashboard

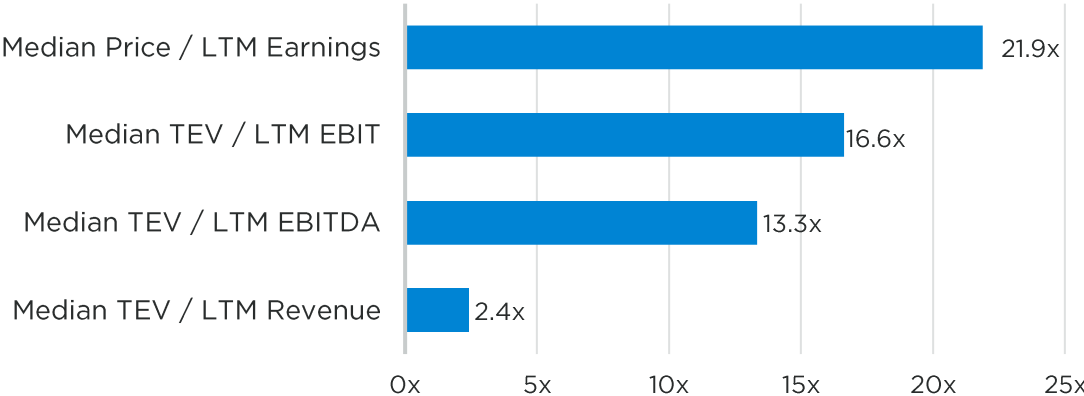
REVENUE GROWTH MOMENTUM ↓ -6.0%

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

IT Services - MSFT

United States



Canada



Germany



India

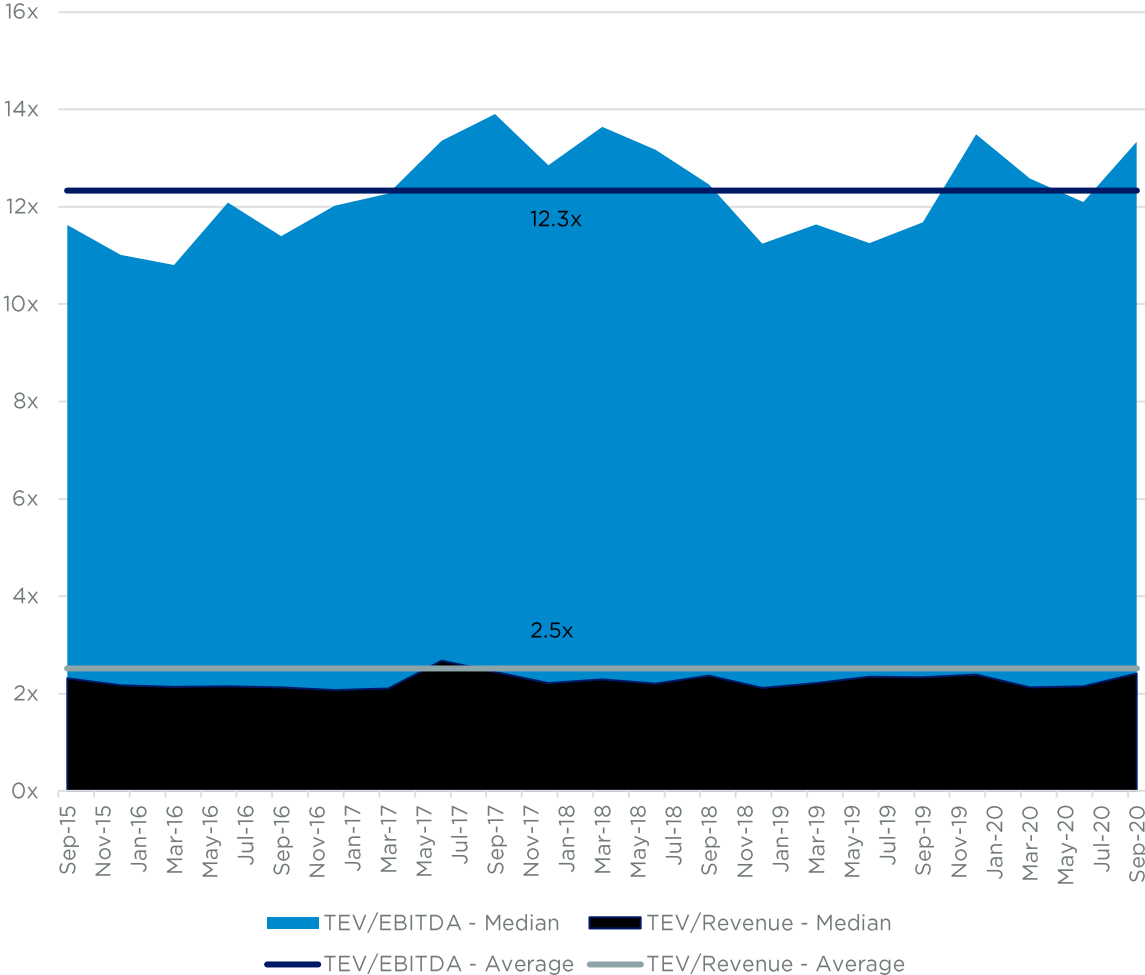


Public Basket

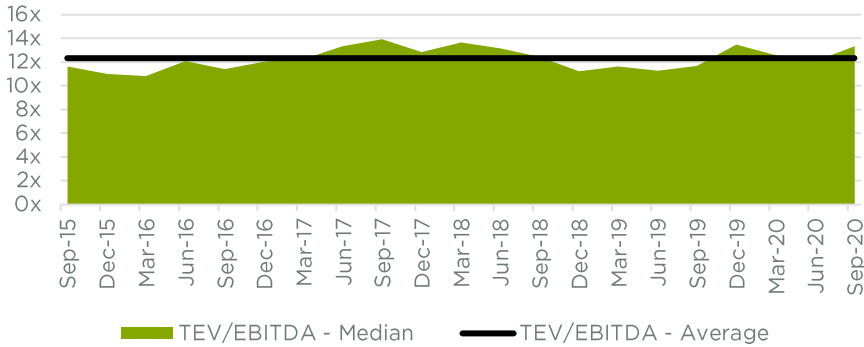
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Perficient	1,558	67	582	9.5%	37.6%	11.4%	2.7x	23.4x	3,454	168
Encavis	4,216	242	315	5.5%	86.4%	76.8%	13.4x	17.4x	125	2,518
DXC Technology	13,522	-3,437	19,189	-5.8%	22.3%	-17.9%	0.7x	-	138,000	139
CGI Group	20,094	1,630	9,087	2.1%	19.0%	17.9%	2.2x	12.3x	77,500	117
HCL Technologies	26,030	2,448	9,958	15.3%	47.1%	24.6%	2.6x	10.2x	150,423	66
Cognizant Technology Solutions	35,855	2,689	16,757	1.8%	35.6%	16.0%	2.1x	13.3x	281,200	60
Average	16,879	606	9,315	4.7%	41.3%	21.5%	4.0x	15.3x	108,450	511
Median	16,808	936	9,522	3.8%	36.6%	17.0%	2.4x	13.3x	107,750	128

share price as of 11Sep20

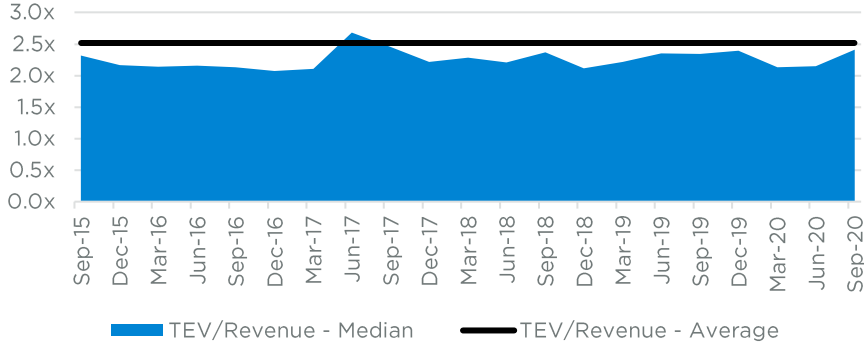
Public Basket



Public EBITDA Multiples over Time

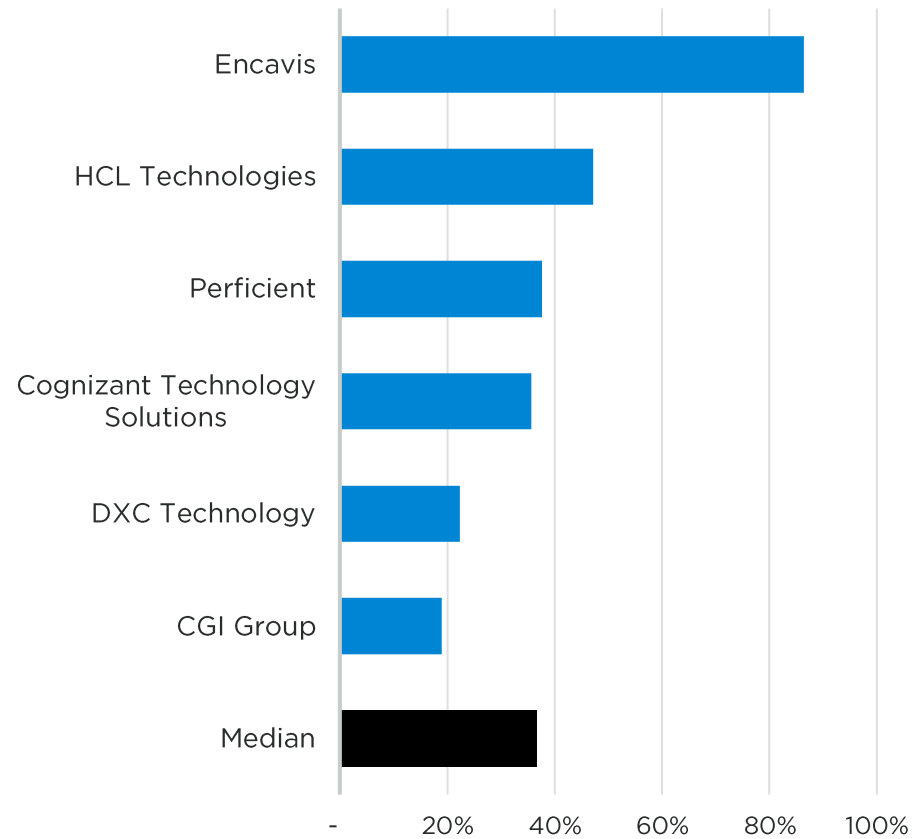


Public Revenue Multiples over Time

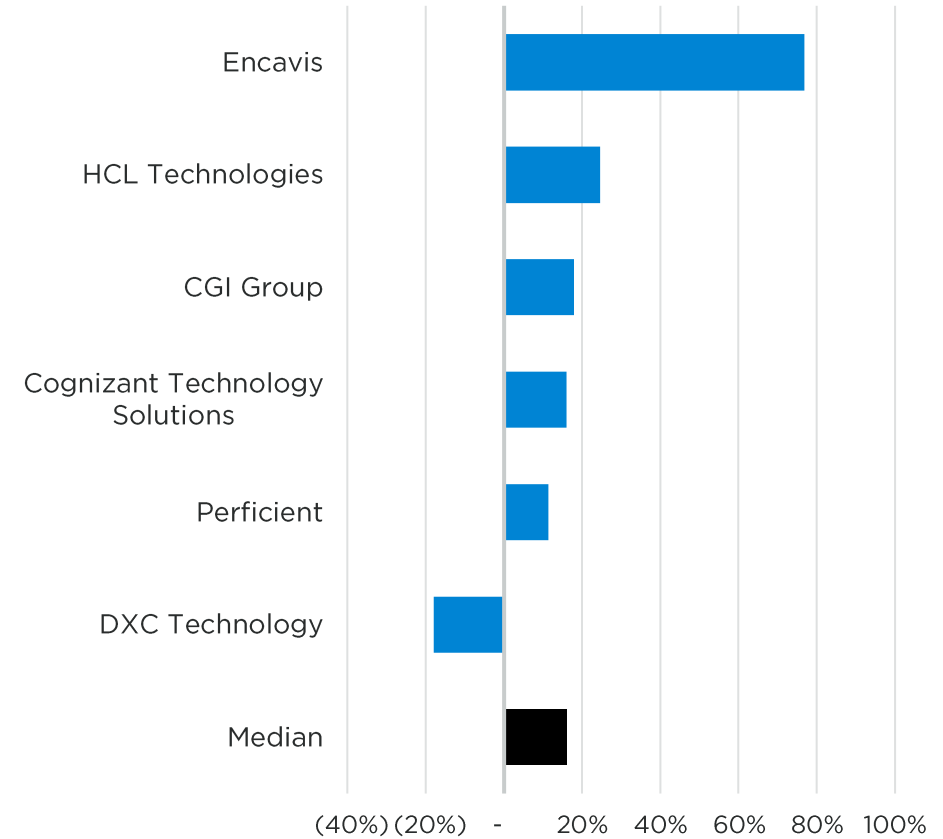


Operational Metrics

LTM Gross Profit Margin %

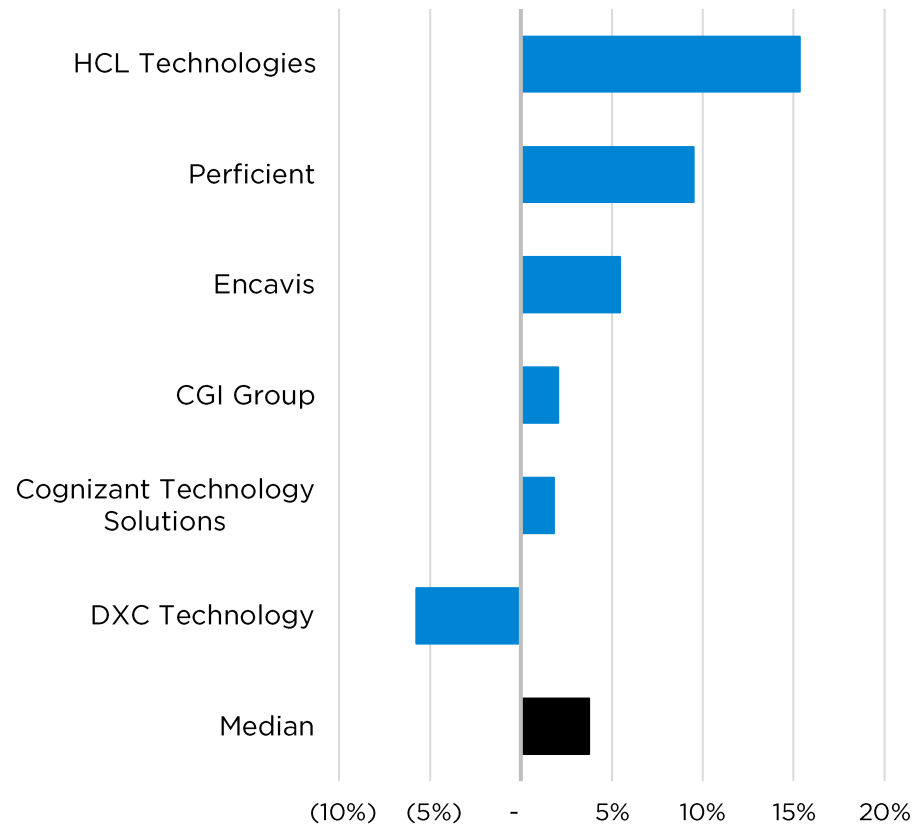


LTM EBITDA %

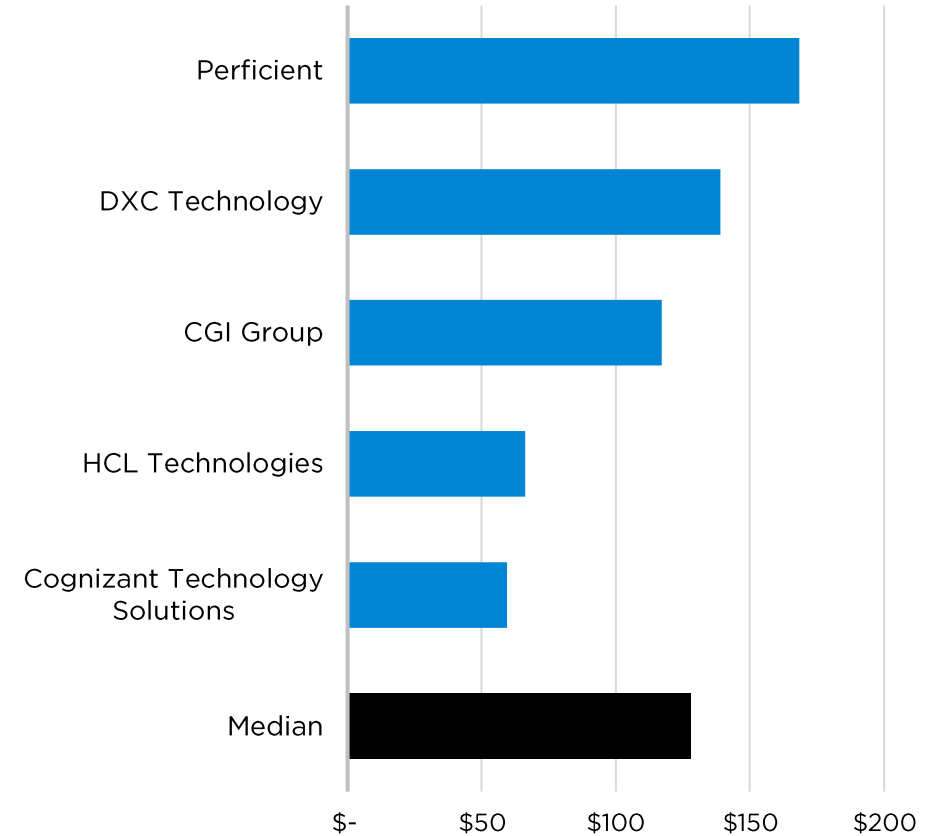


Operational Metrics

LTM Revenue Growth %

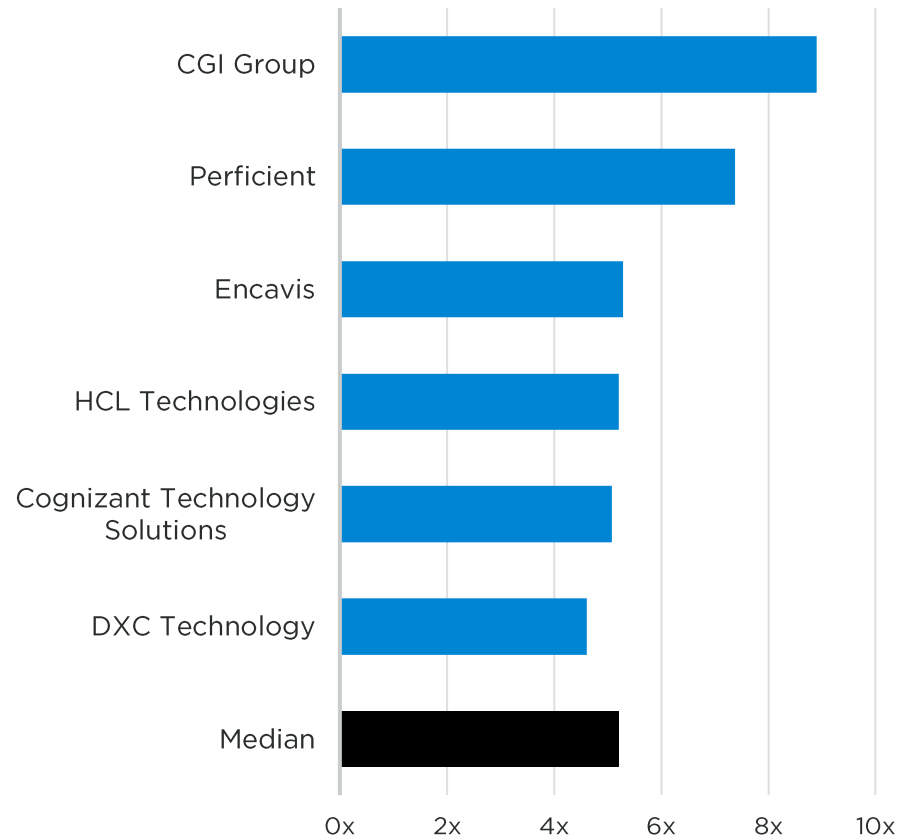


LTM Revenue per Full Time Employee x 000's

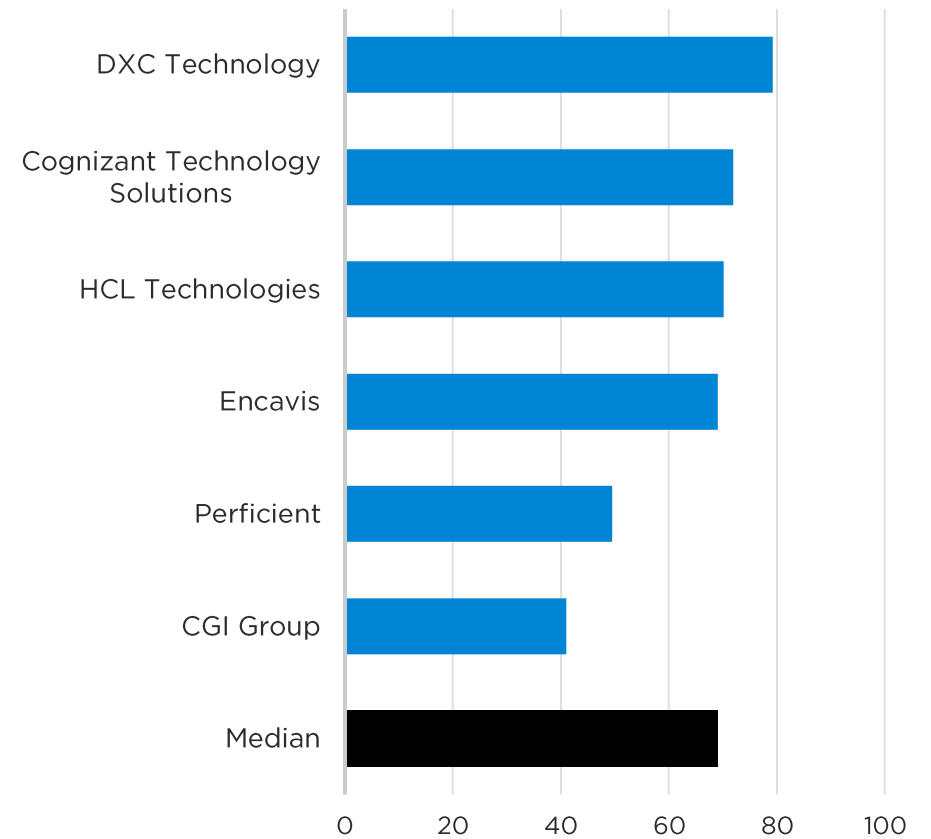


Operational Metrics

Accounts Receivable Turnover

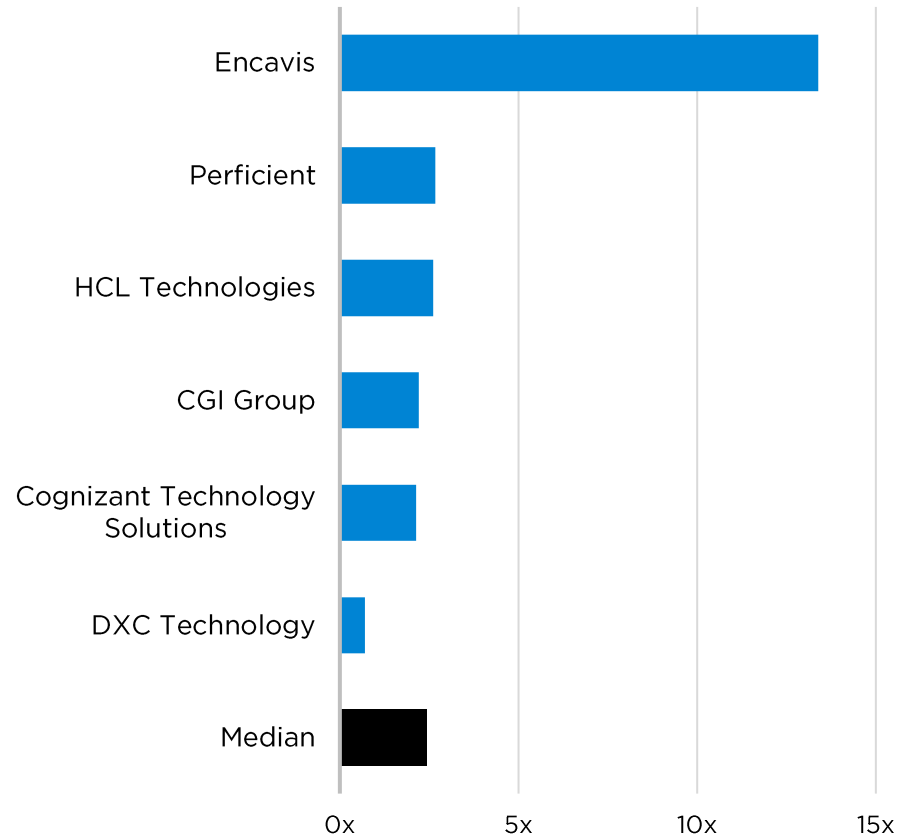


Average Days Sales Outstanding

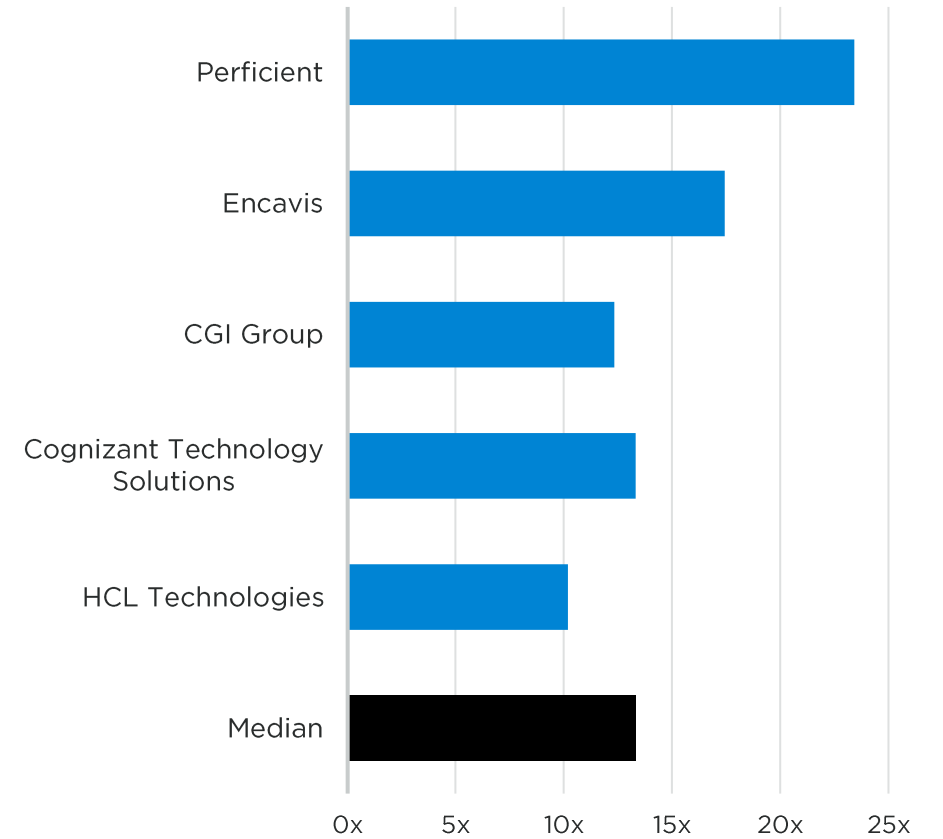


Valuation

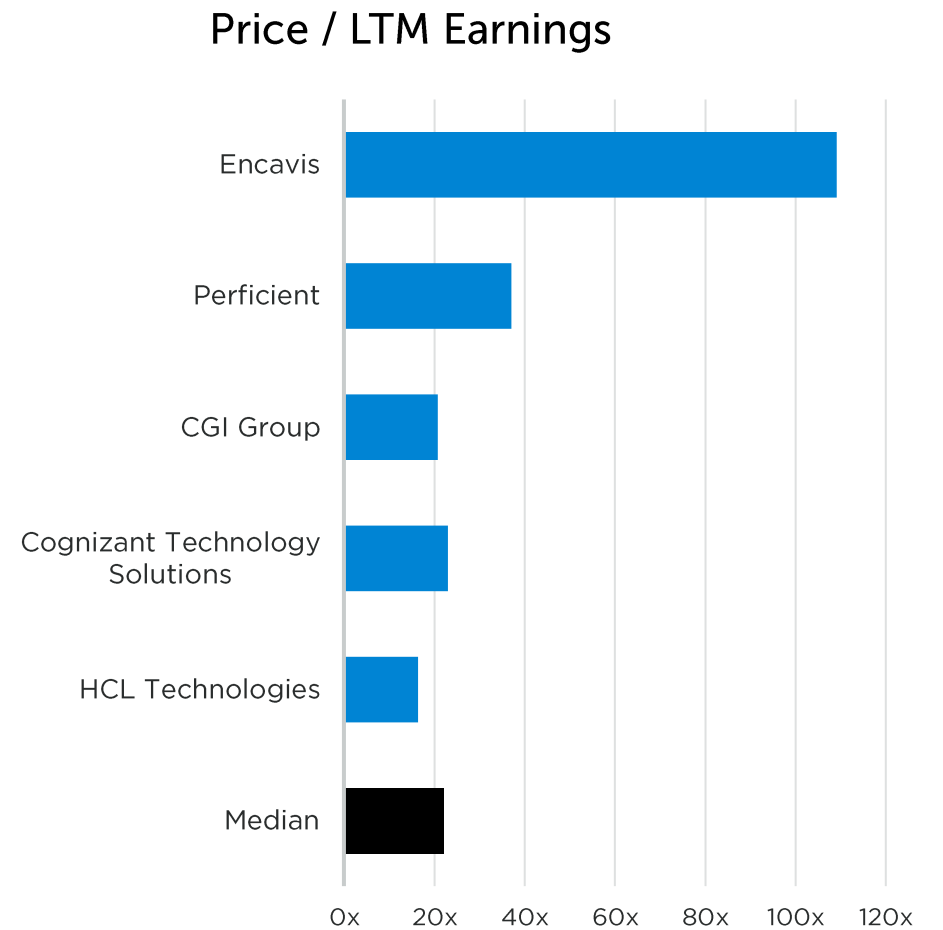
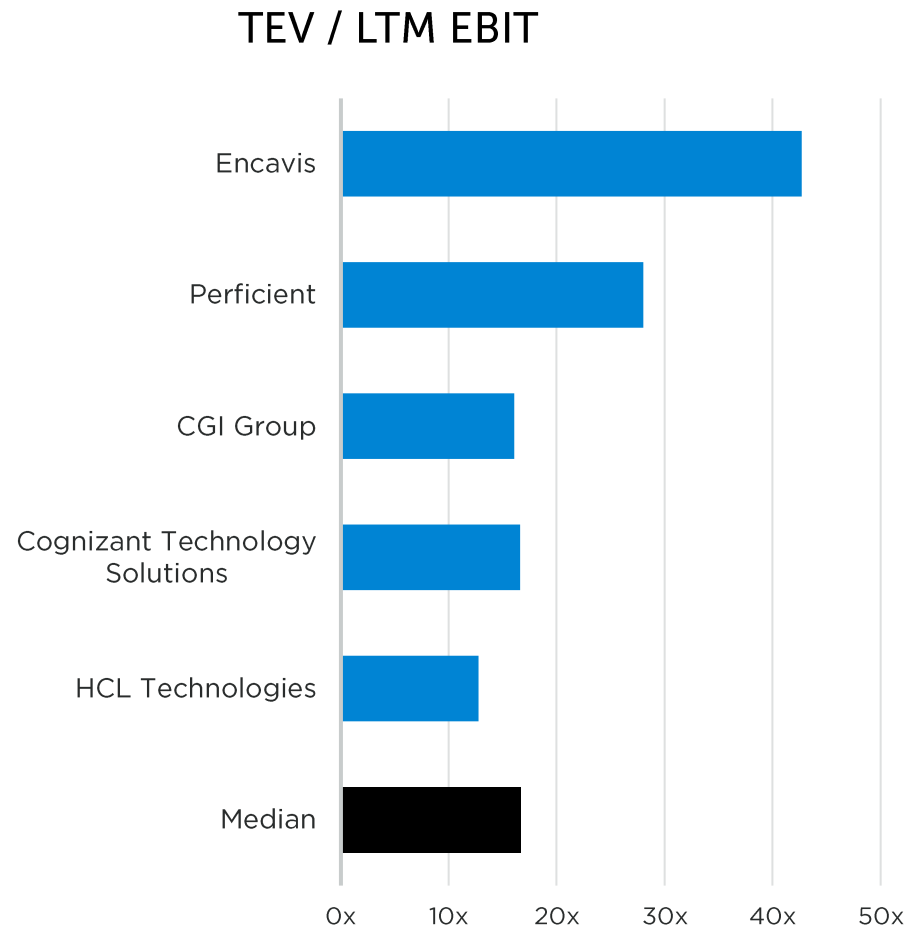
TEV / LTM Revenue



TEV / LTM EBITDA

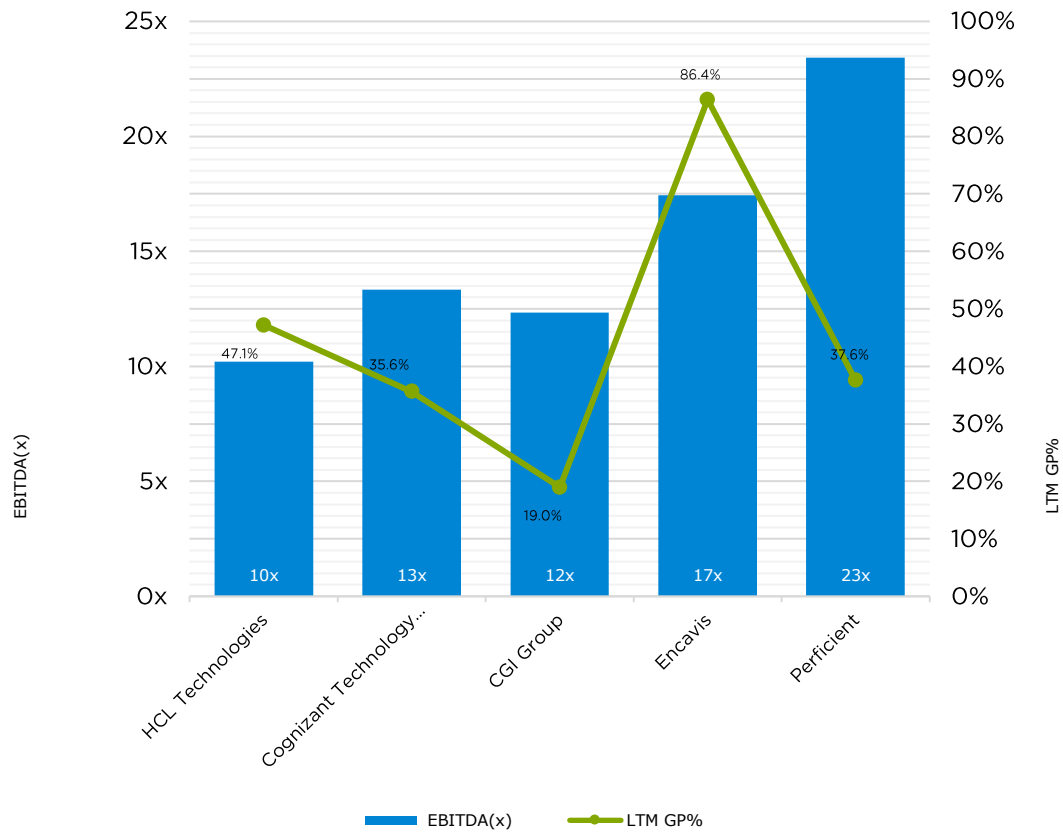


Valuation

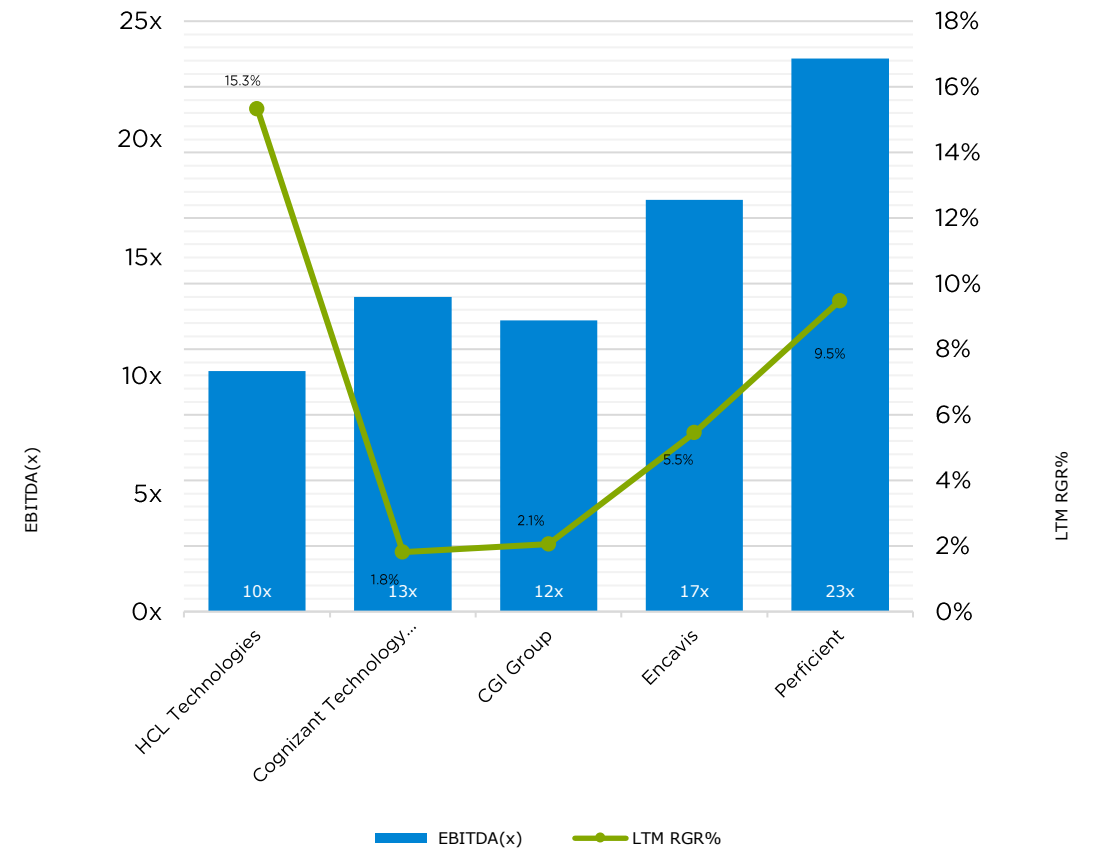


Valuation

Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions

Date	Target	Buyer	Total Transaction Amount	Target Revenue	TEV / Revenue	TEV / EBITDA
01-Sep-20	10th Magnitude	Cognizant Technology Solutions	-	-	-	-
18-Aug-20	New Signature	Cognizant Technology Solutions	-	-	-	-
11-Aug-20	AKA Enterprise Solutions	HSO Enterprise Solutions	-	-	-	-
30-Jul-20	Applied Cloud Systems	3Cloud	-	-	-	-
30-Jun-20	3Cloud	Gryphon Investors	-	-	-	-
02-Jun-20	CloudMonix	Finrock Growth Partners	-	-	-	-
20-May-20	Born in the Cloud	EQT	-	-	-	-
16-Apr-20	Tidestone Solutions	Wipfli	-	-	-	-
28-Feb-20	vNext IT	Insight Enterprises	6.99	-	-	-
12-Nov-19	Artiflex Partners	Eastbank Solutions	-	-	-	-
22-Oct-19	Alnamic	Avanade	-	-	-	-
21-Jul-19	AgileThought	AN Global	-	-	-	-
06-Aug-18	Synoptek	Sverica Capital Management	-	86.60	-	-
16-May-18	Adoxio Business Solutions	KPMG	-	-	-	-
21-Mar-18	Sonoma Partners	EY	-	-	-	-
10-Jan-18	Northwest Cadence	10th Magnitude	-	-	-	-
25-Oct-16	10th Magnitude	Pamlico Capital	-	-	-	-
12-Sep-16	Valorem	3i Group	77.60	30.60	-	-
30-Oct-15	Synoptek	Five Points Capital	-	-	-	-

Appendix

*Public Basket
Contact Information*



Perficient

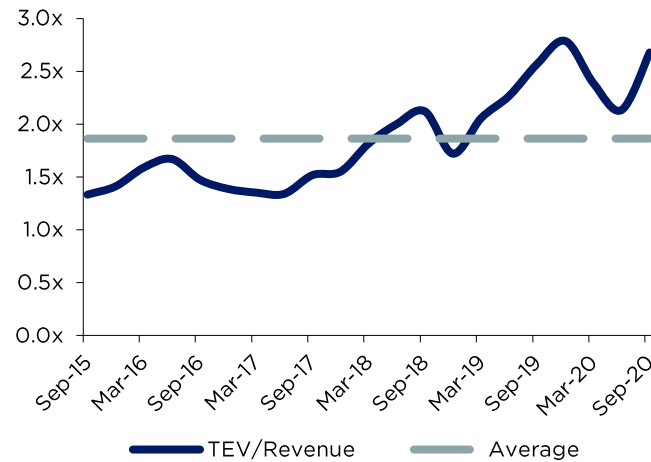
Perficient Inc provides a variety of information technology, consulting services that focus on digital experience, business optimization, and IT solutions.

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.

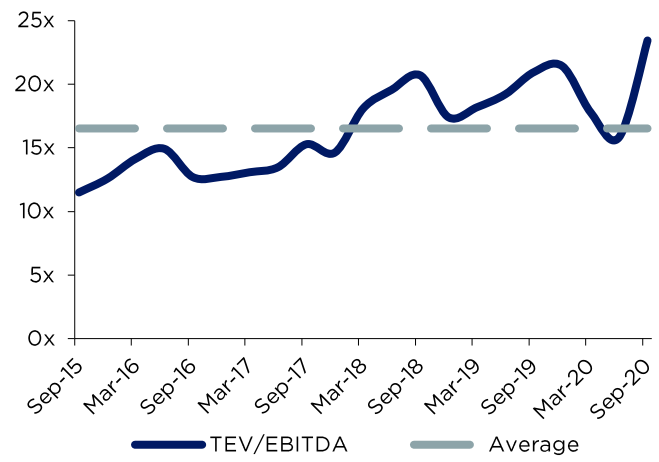
Public Basket

Perficient

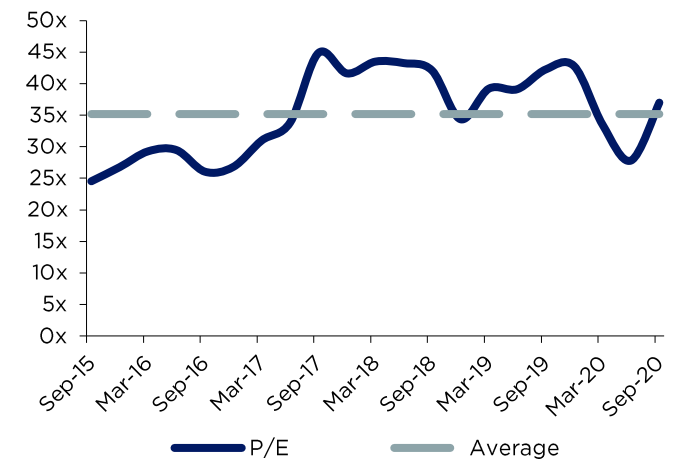
Revenue Multiples - Perficient



EBITDA Multiples - Perficient



P/E Multiples - Perficient



Company Name

Date

Deal Synopsis

PSL Software

17-Jun-20

The company was acquired by Perficient (NAS: PRFT) for \$93.1 million (\$70.9 million at Closing and \$22.2 million in contingent consideration). The acquisition will enable Perficient to strengthen its global delivery capabilities complementing its nearshore offering and custom software development, testing, and customer support capabilities and expand its presence in Latin America.

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.

Encavis

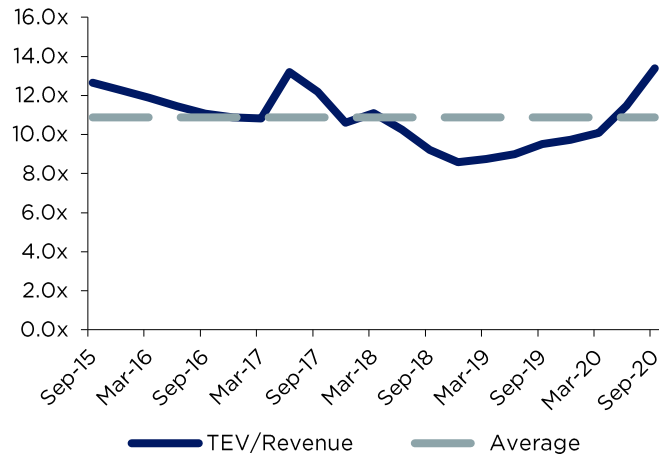
Encavis AG is an independent solar park operator.

Principally, it is engaged in the business of acquisition and operation of solar and onshore wind farms. The company focuses on the procurement of various projects and plants which are already connected to the power supply system.

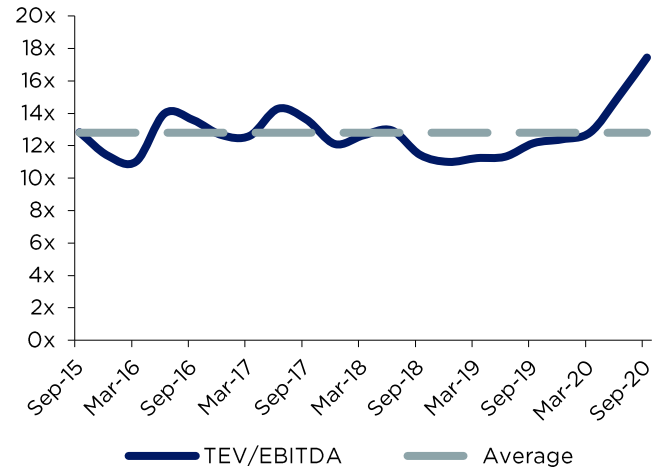
Public Basket

Encavis

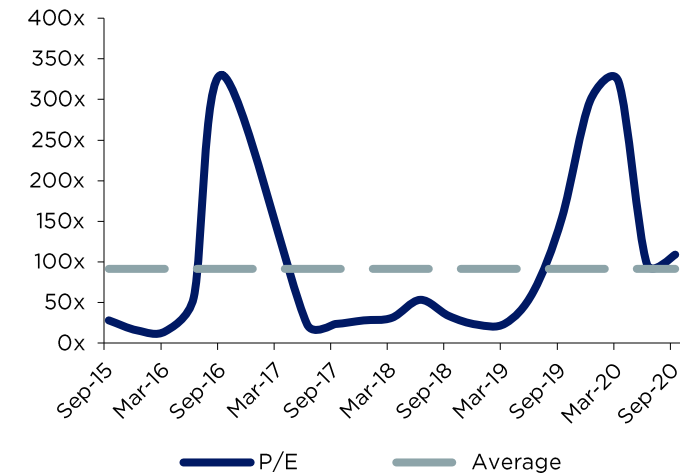
Revenue Multiples - Encavis



EBITDA Multiples - Encavis



P/E Multiples - Encavis



Company Name

Date

Deal Synopsis

Senonnes Wind Farm	20-Jul-20	The Senonnes Wind Farm of Energiequelle was acquired by Encavis on July 20, 2020.
Encavis (French Solar Portfolio)	06-Jul-20	An undisclosed investor sold a 15% stake in the French solar portfolio to Encavis (ETR:CAP) for an undisclosed amount on July 6, 2020. Encavis now holds 100% stake in the asset.

DXC Technology

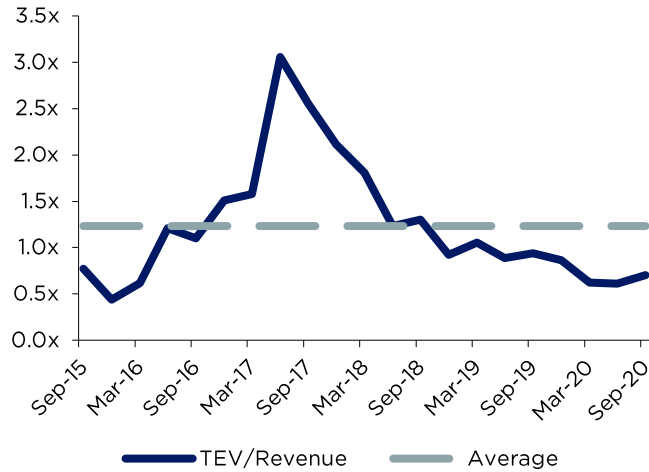
DXC Technology Co is a vendor-independent IT services provider that started trading in April 2017.

DXC was created via the amalgamation of Computer Sciences Corporation, or CSC, and Hewlett Packard Enterprise's Services business. The combined company has enviable global scale, with annual revenue of around \$20 billion, over 130,000 employees, operations across 70 countries, and broad industry exposure. In addition, the firm has roughly 6,000 clients, of which over 200 are within the Fortune 500.

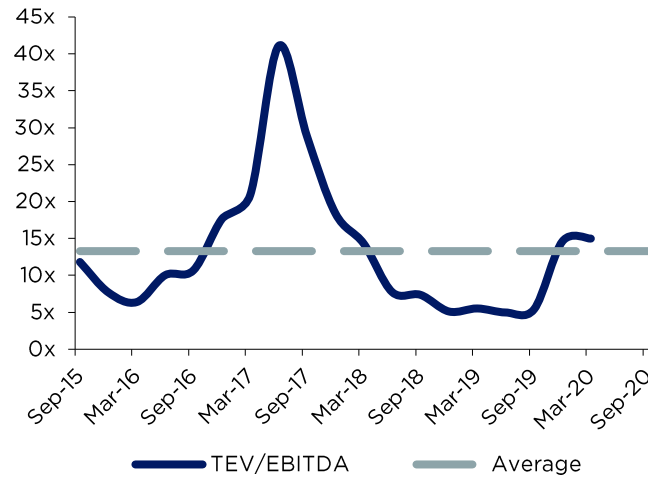
Public Basket

DXC Technology

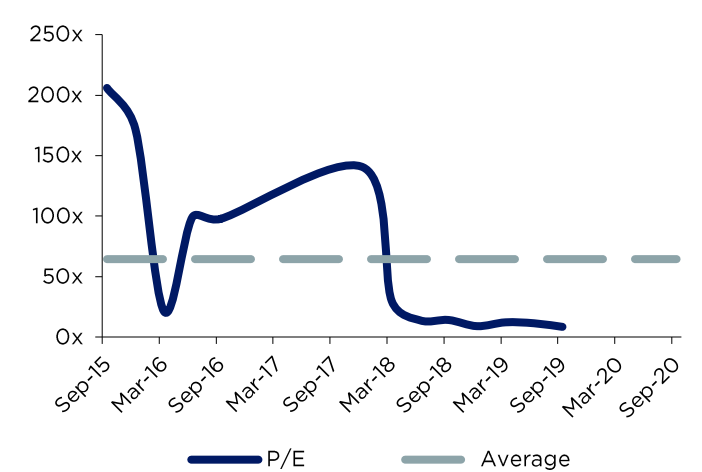
Revenue Multiples - DXC Technology



EBITDA Multiples - DXC Technology



P/E Multiples - DXC Technology



Company Name

Date

Deal Synopsis

Fenergo

3/23/20

The company raised \$80 million of venture funding from DXC Technology and ABN AMRO AAH.AS on February 12, 2020, putting the company's pre-money valuation at \$720 million. The funding will be used to enhance Fenergo's product offering and may also facilitate the acquisition of new business units and capabilities of strategic importance.

Virtual Clarity

1/6/20

The company was acquired by DXC Technology (NYS: DXC) for an undisclosed amount on November 8, 2019. The acquisition strengthens the acquirer's ability to assess, design and manage transformations to cloud.

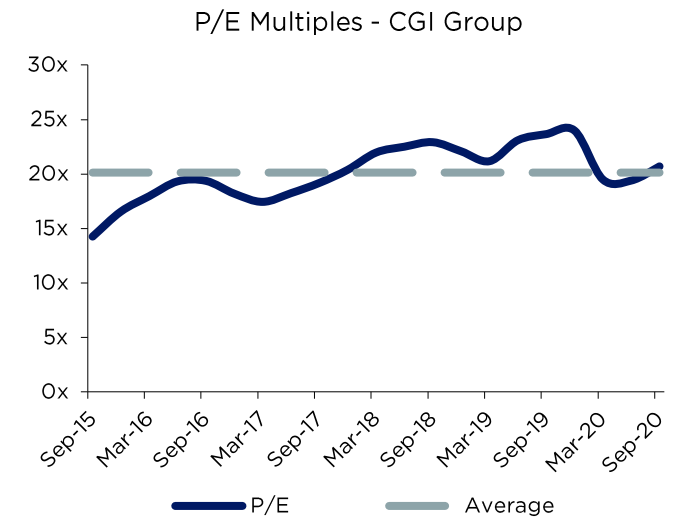
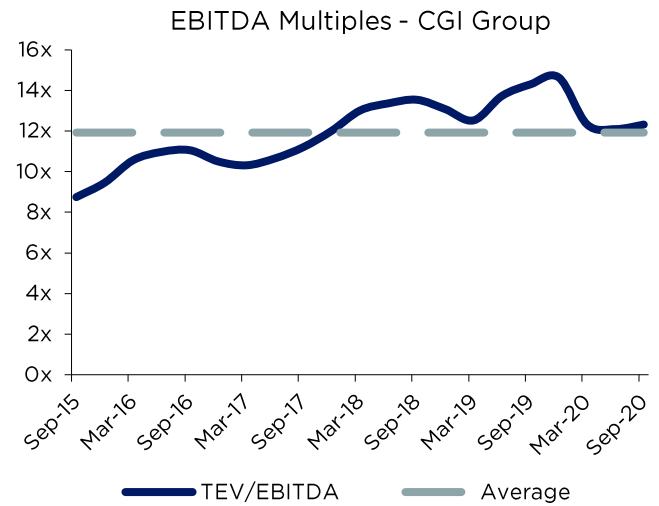
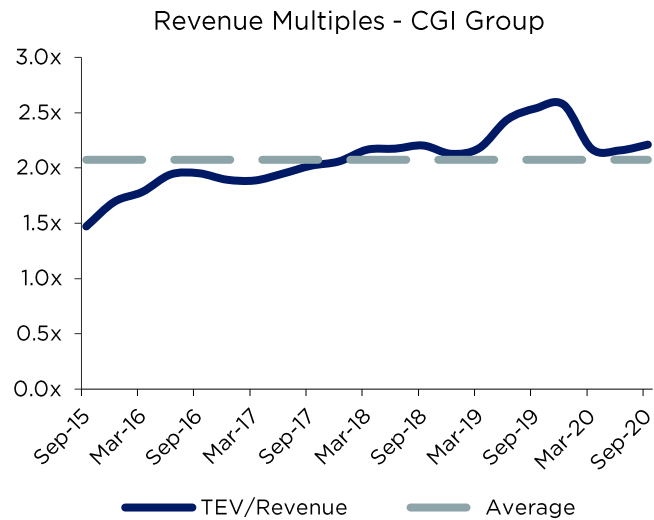
CGI Group

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



Company Name	Date	Deal Synopsis
InAdmin RiskCo	01-Aug-20	The company, a subsidiary of PraxisIFM Group, was acquired by Achmea, Pensioenfondsvoor de Grafische Bedrijven, and CGI Group for an undisclosed amount in August 2020. With the acquisition, the consortium sets up a new software platform for pension administration services.
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.

HCL Technologies

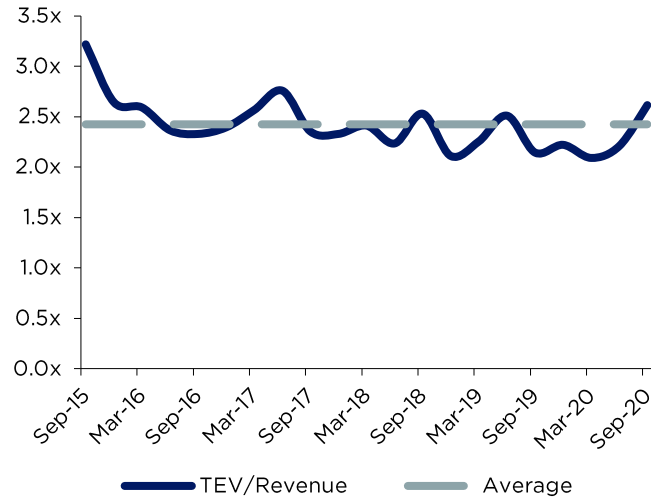
HCL Technologies Ltd provides enterprises with IT solutions in India.

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.

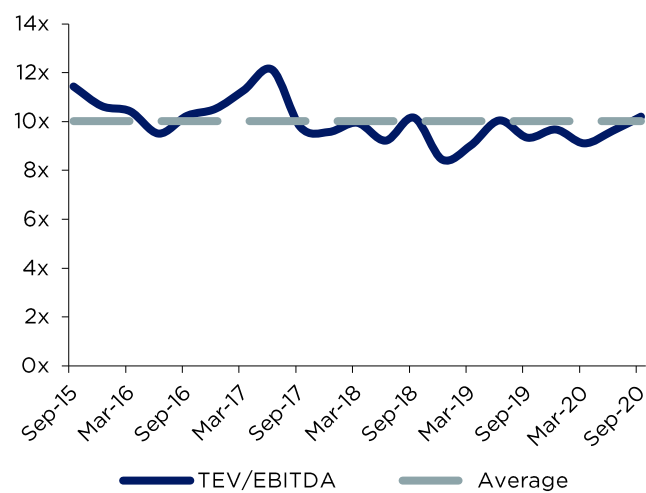
Public Basket

HCL Technologies

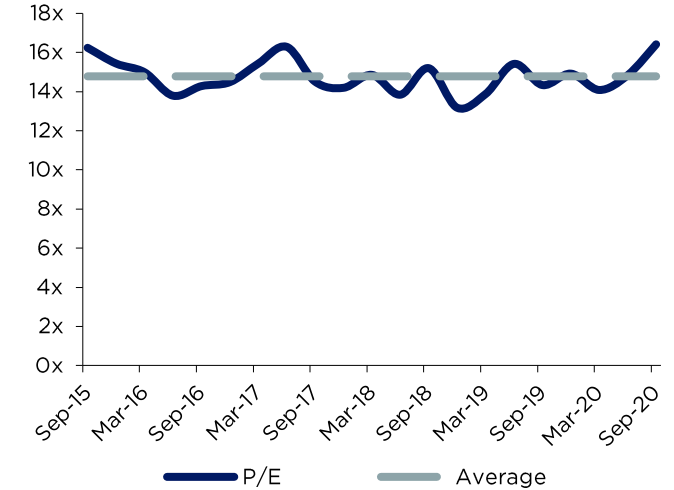
Revenue Multiples - HCL Technologies



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.

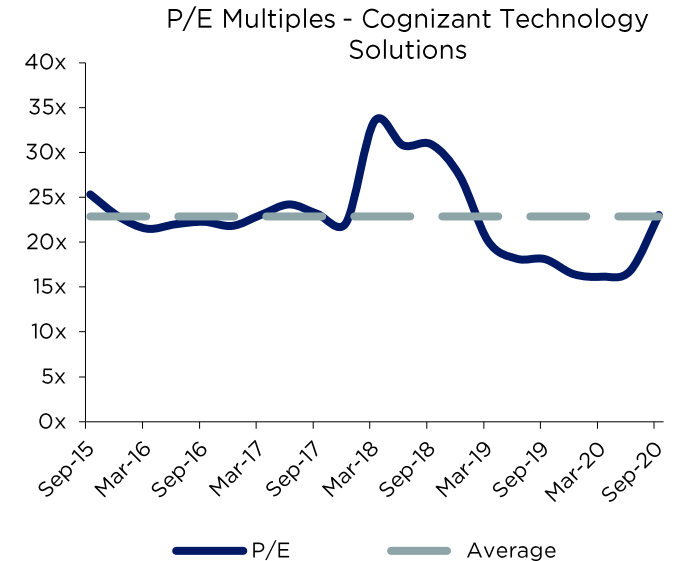
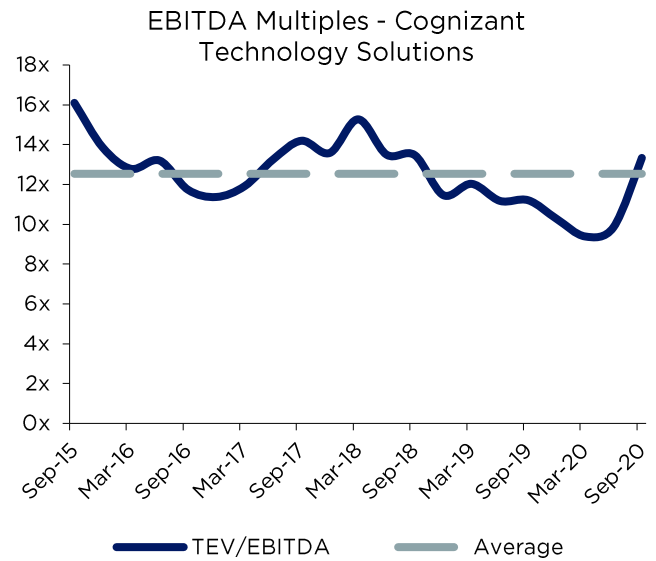
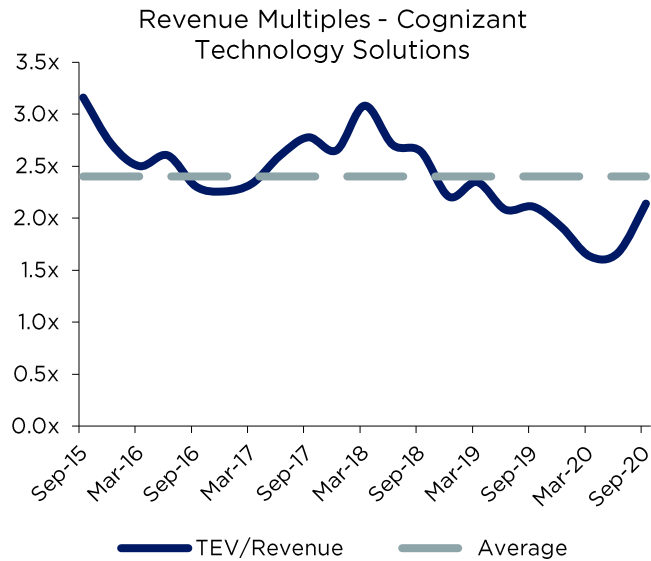
Cognizant Technology Solutions

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

10th Magnitude

01-Sep-20

The company reached a definitive agreement to be acquired by Cognizant Technology Solutions (NAS: CTSH) for an undisclosed amount on September 1, 2020. The deal will enable the company to expand the Microsoft Azure expertise with Cognizant.

Tin Roof Software

25-Aug-20

The company reached a definitive agreement to be acquired by Cognizant Technology Solutions (NAS: CTSH) for an undisclosed amount on August 25, 2020. The acquisition will boost Cognizant Technology Solutions' software and digital product development expertise in the US.

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
Ben Bruggeworth, Vice President, Business Development	704.365.8859	ben.bruggeworth@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
Nic Anderle, Analyst	704.826.7492	nic.anderle@7mileadvisors.com
Luke Perda, Analyst	704.851.4013	luke.perda@7mileadvisors.com
Robin Siegel, Analyst	704.285.8173	robin@7mileadvisors.com
Sawyer Willingham, Analyst	704.285.8171	sawyer.willingham@7mileadvisors.com