

7 Mile Advisors



Sectorwatch: Software Engineering

August 2020



Software Engineering

- 4 [Sector Dashboard](#)
- 5 [Public Basket Overview](#)
- 6 [Public Basket Performance](#)
- 8 [Operational Metrics](#)
- 11 [Vacation Comparison](#)
- 14 [Recent Deals](#)
- 15 [Appendix](#)

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.

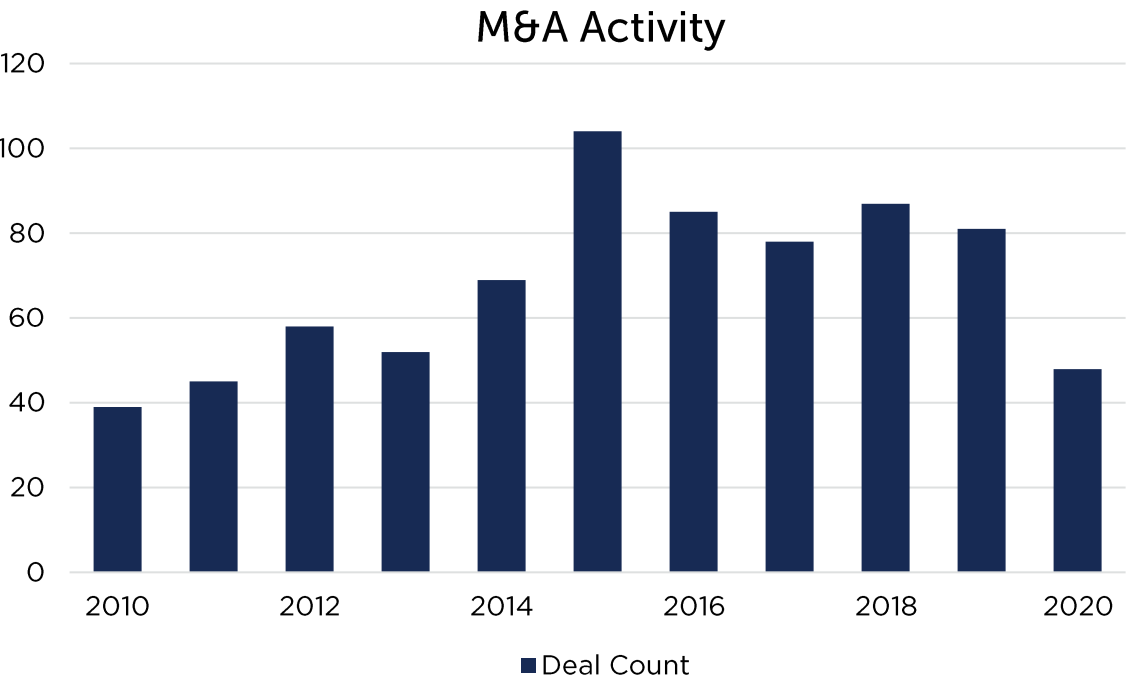
RECENT DEALS

- The most recently announced deals in the sector

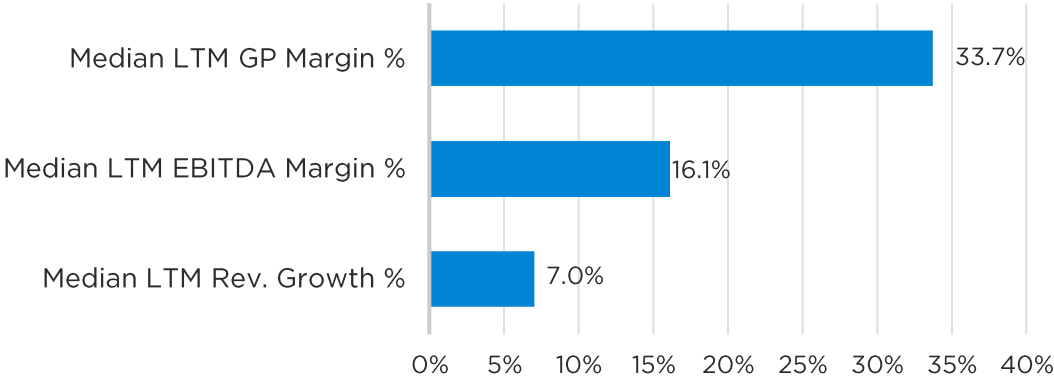
Dashboard

REVENUE GROWTH MOMENTUM ↓ -2.3%

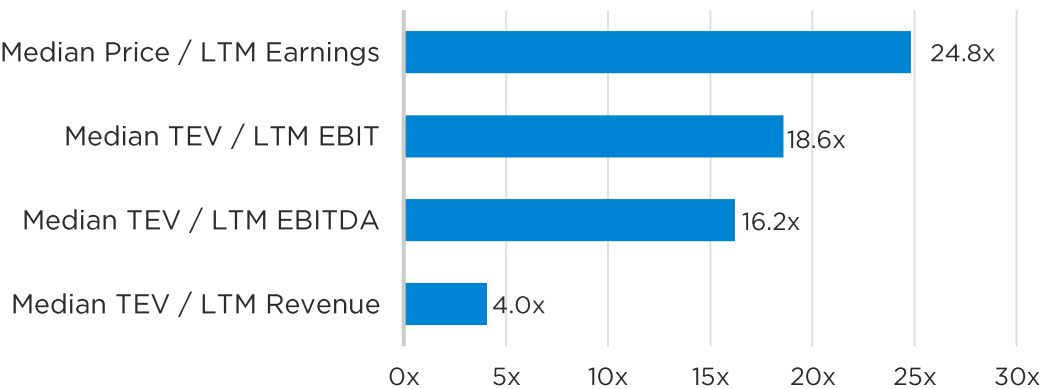
1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining



Operating Metrics



Valuation



Public Basket Overview

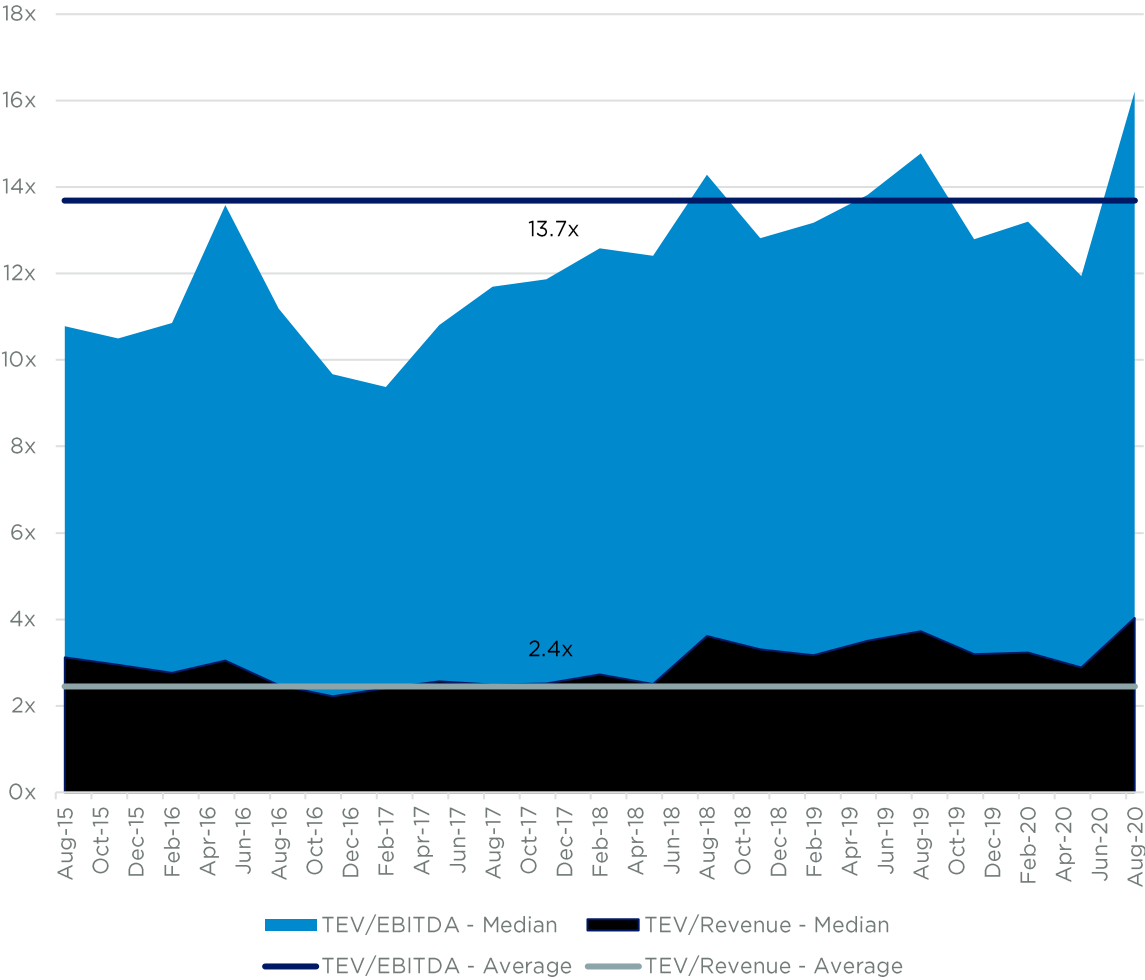


Public Basket

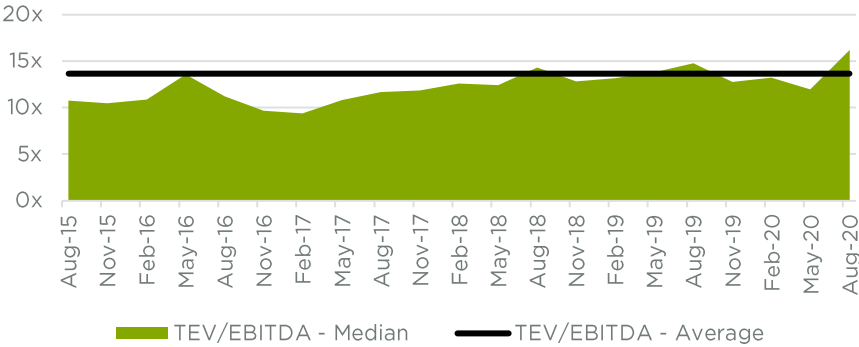
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Tata Consultancy Services	112,623	5,790	21,633	4.5%	43.4%	26.8%	5.2x	19.5x	450,738	48
Capgemini	24,602	2,181	15,812	7.0%	27.3%	13.8%	1.6x	11.3x	219,314	72
Infosys	51,540	3,181	12,771	5.6%	33.4%	24.9%	4.0x	16.2x	236,486	54
Wipro	17,366	1,783	8,430	3.2%	28.9%	21.1%	2.1x	9.7x	175,000	48
EPAM Systems	17,438	447	2,505	22.4%	34.9%	17.8%	7.0x	39.0x	36,739	68
Globant	6,710	117	730	26.2%	37.6%	16.0%	9.2x	57.6x	12,500	58
Persistent Systems	934	83	513	10.7%	-	16.1%	1.8x	11.3x	9,962	51
Endava	3,020	29	428	23.6%	29.4%	6.8%	7.0x	103.8x	6,468	66
R Systems International	136	12	114	6.7%	34.0%	10.4%	1.2x	11.4x	2,749	42
Average	26,041	1,514	6,993	12.2%	33.6%	17.1%	4.3x	31.1x	127,773	56
Median	17,366	447	2,505	7.0%	33.7%	16.1%	4.0x	16.2x	36,739	54

share price as of 28Aug20

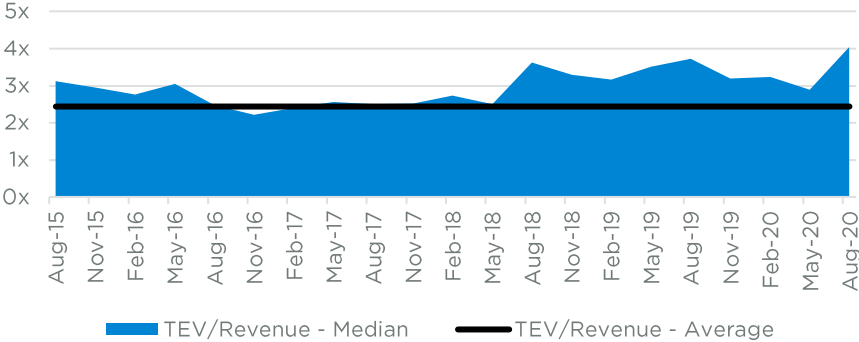
Public Basket



Public EBITDA Multiples over Time

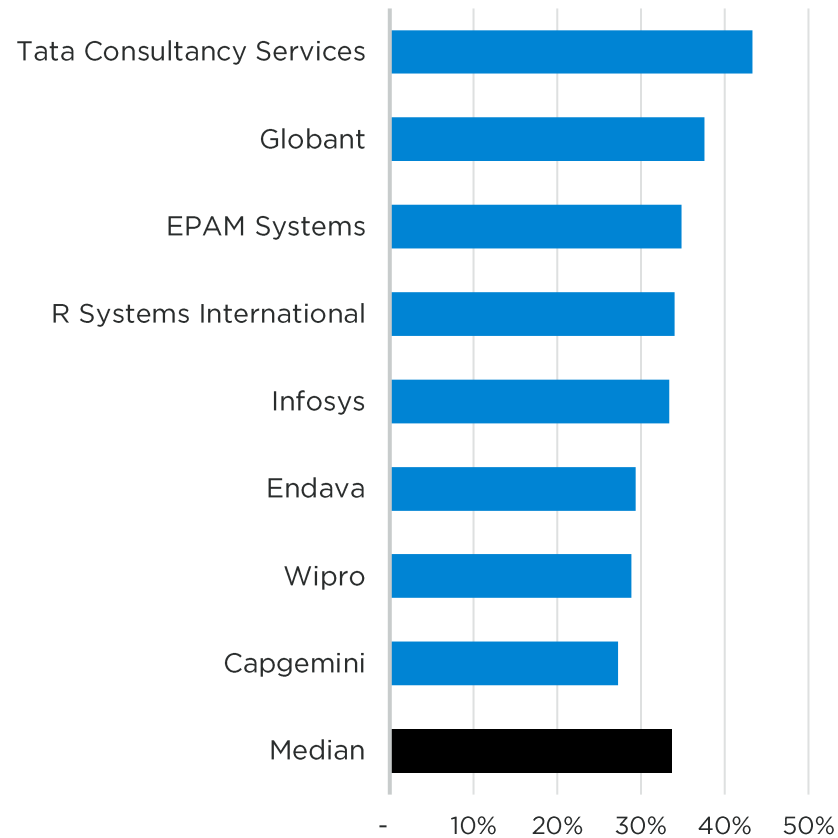


Public Revenue Multiples over Time

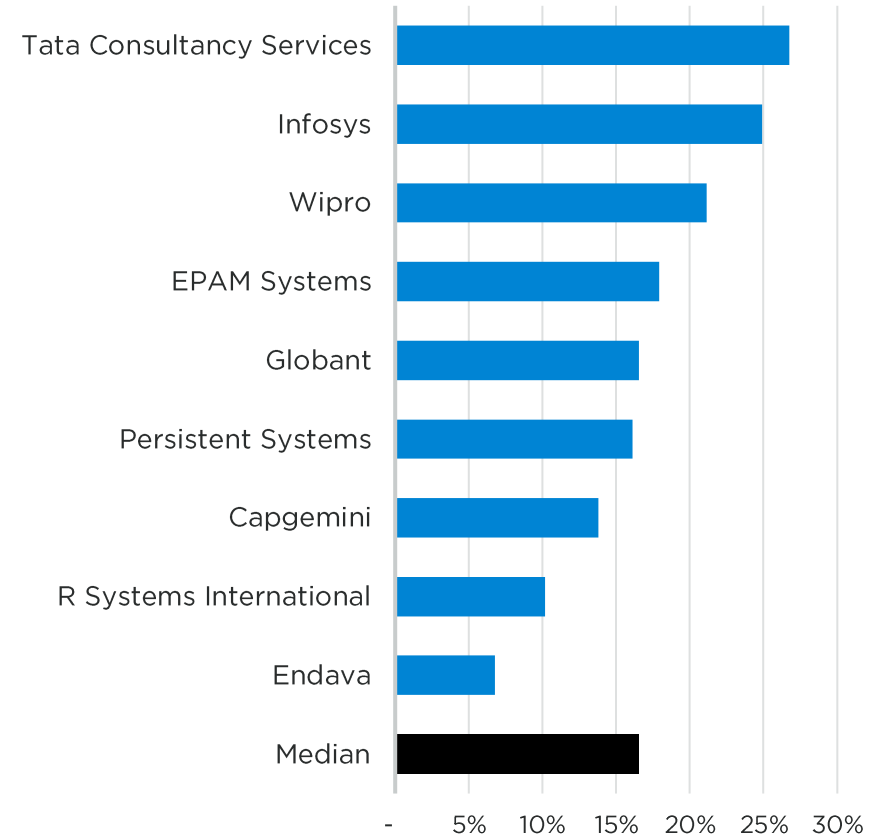


Operational Metrics

LTM Gross Profit Margin %

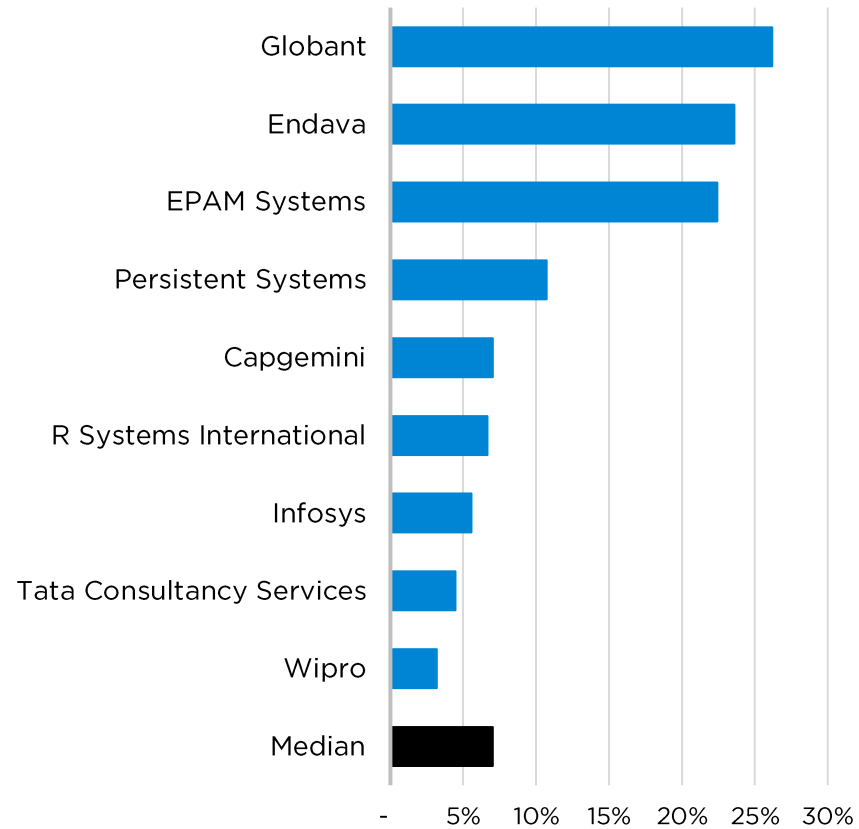


LTM EBITDA %

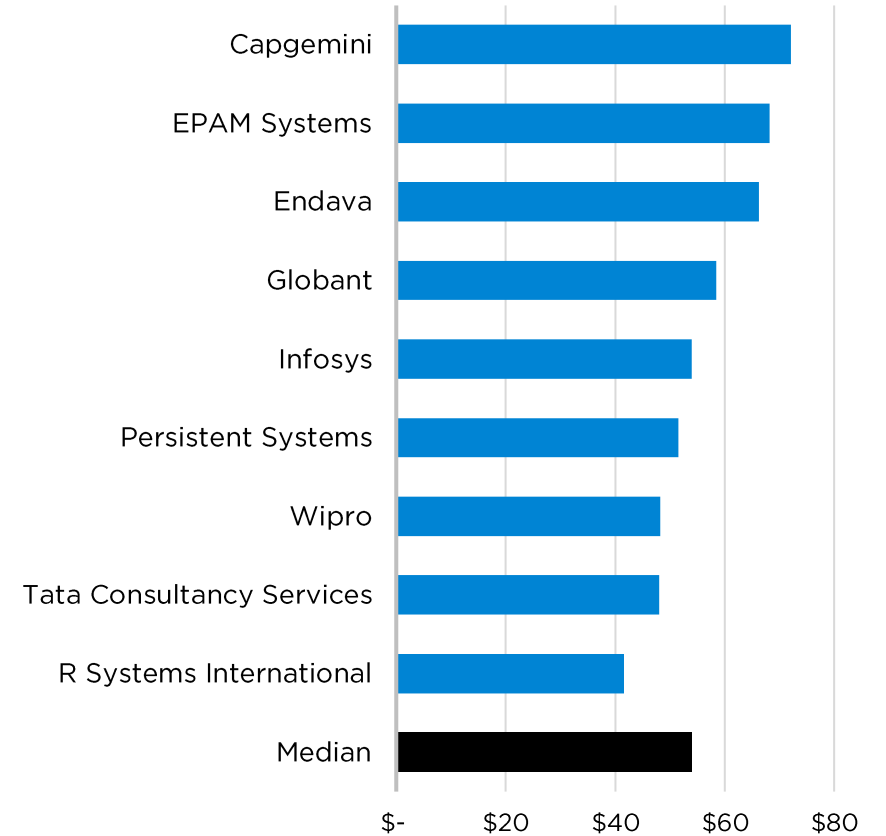


Operational Metrics

LTM Revenue Growth %

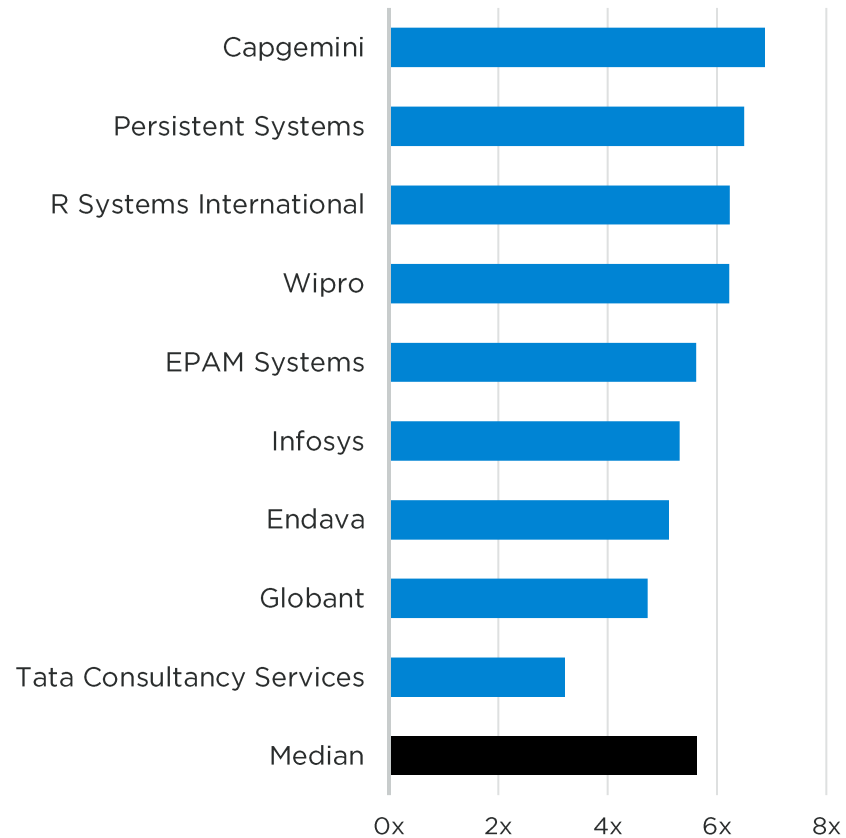


LTM Revenue per Full Time Employee x 000's

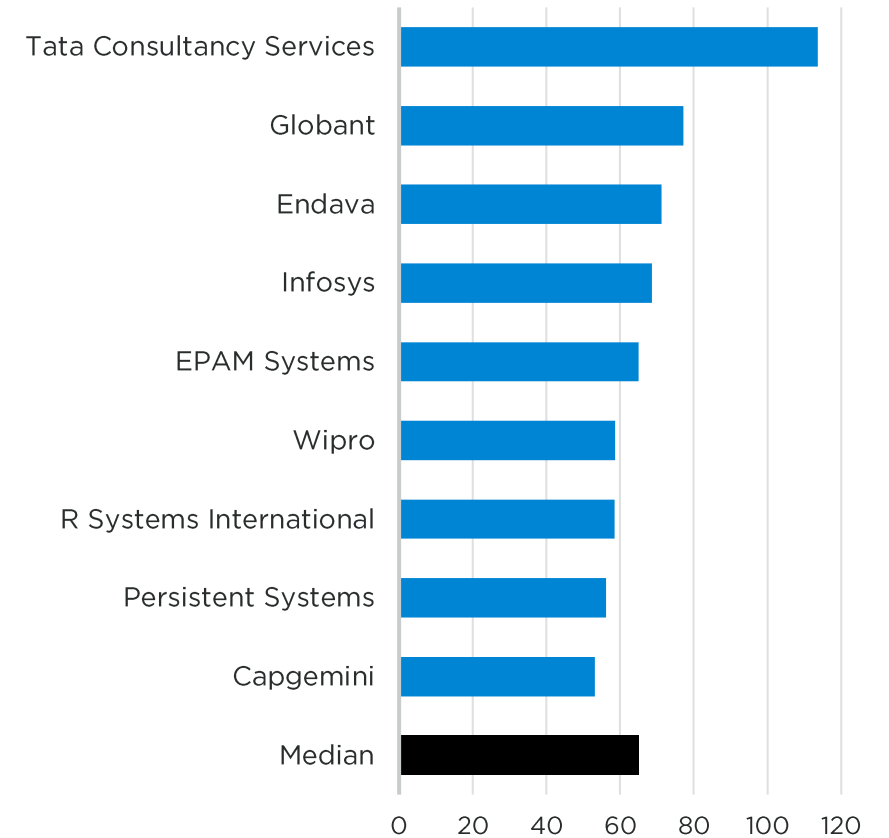


Operational Metrics

Accounts Receivable Turnover

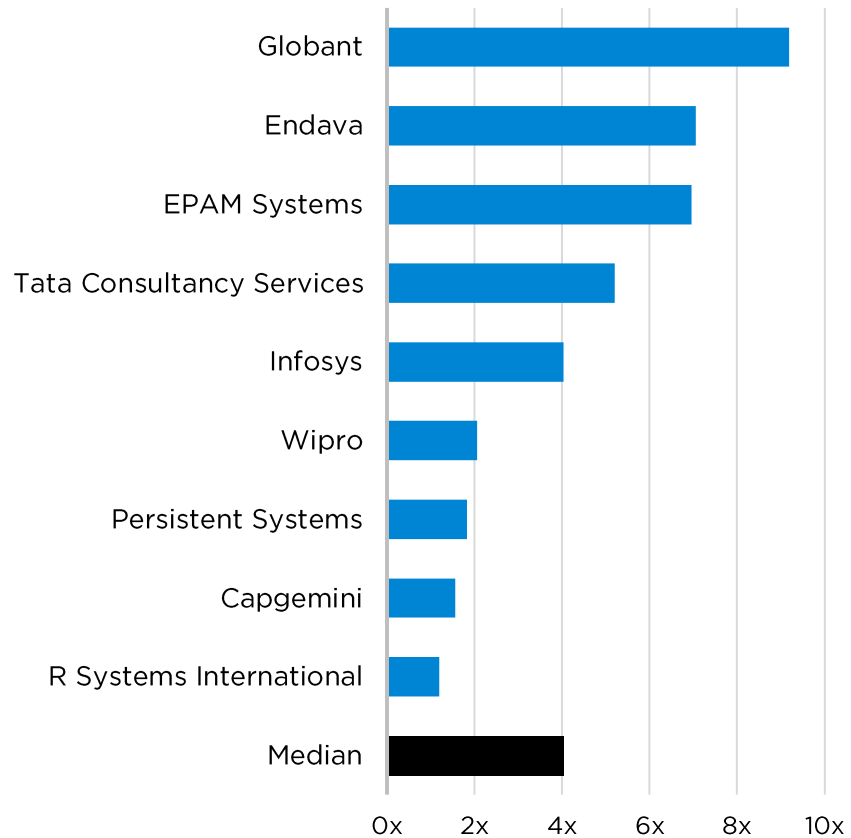


Average Days Sales Outstanding

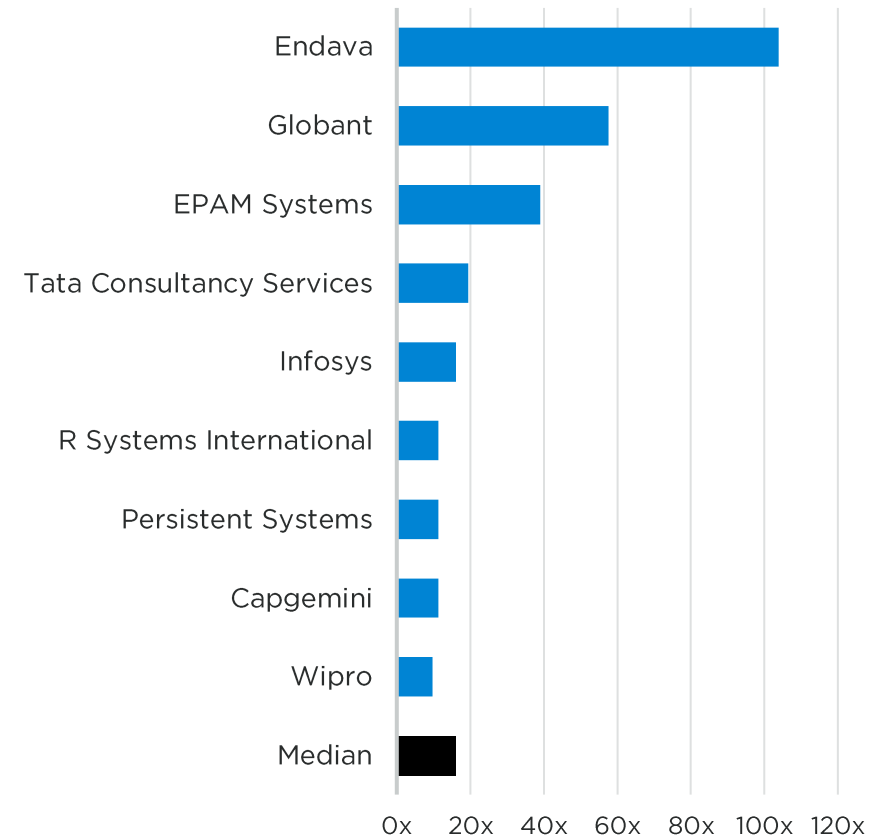


Valuation

TEV / LTM Revenue

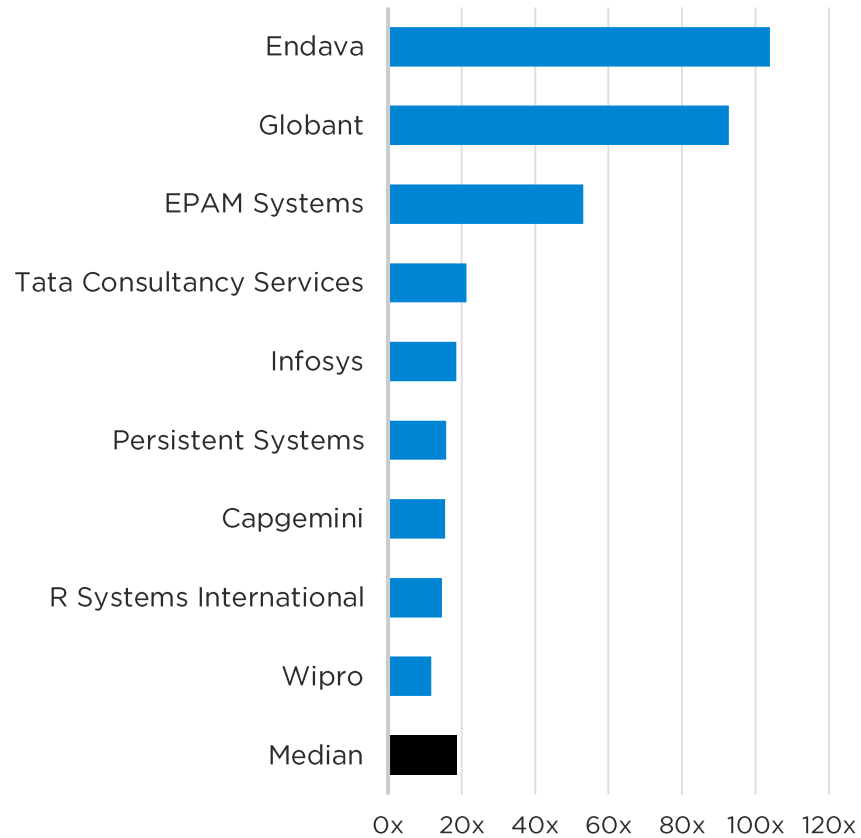


TEV / LTM EBITDA

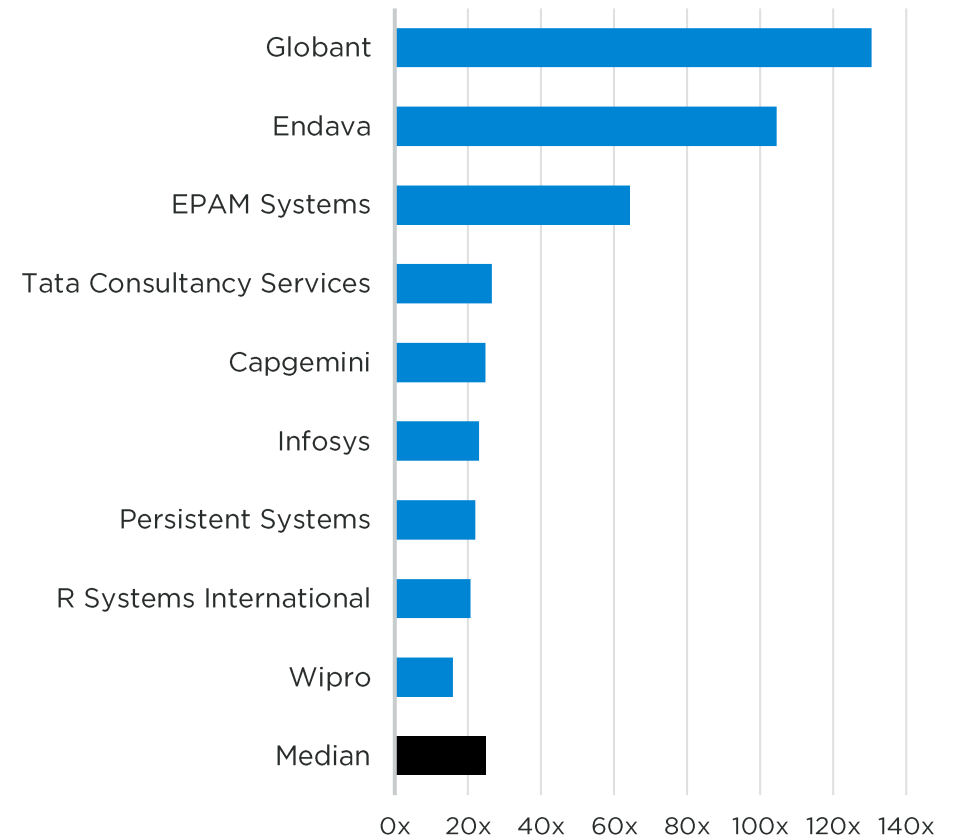


Valuation

TEV / LTM EBIT

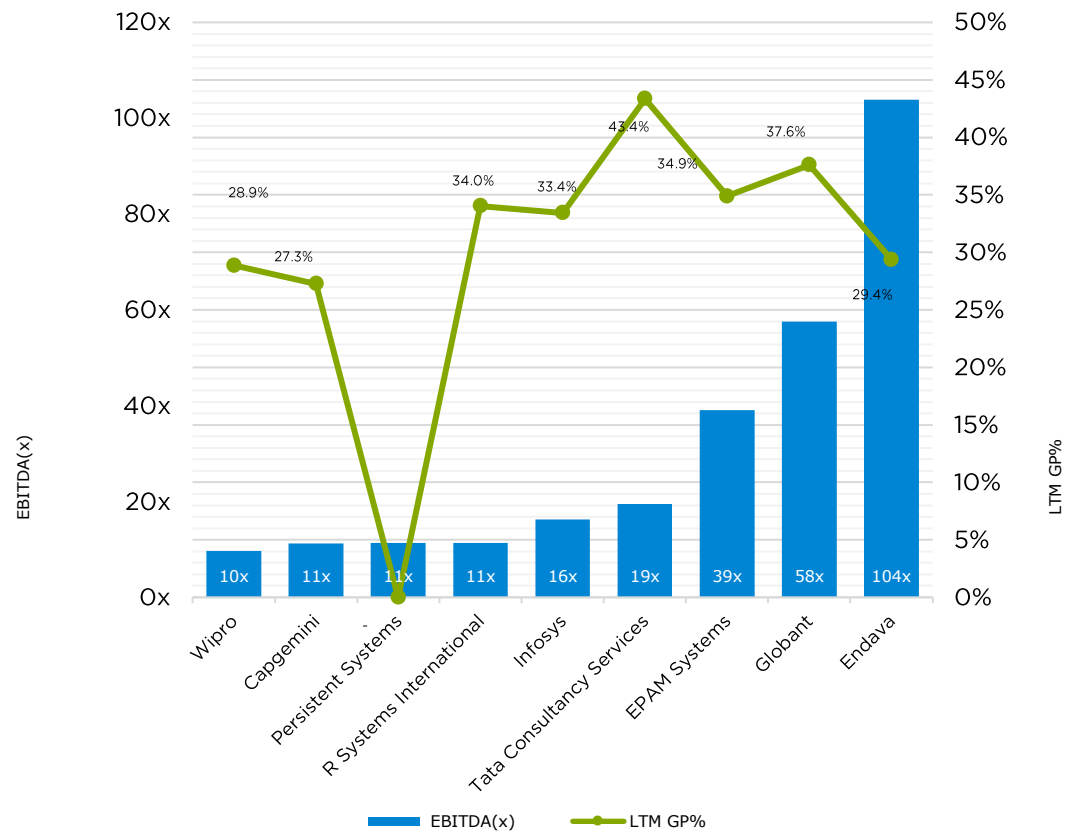


Price / LTM Earnings

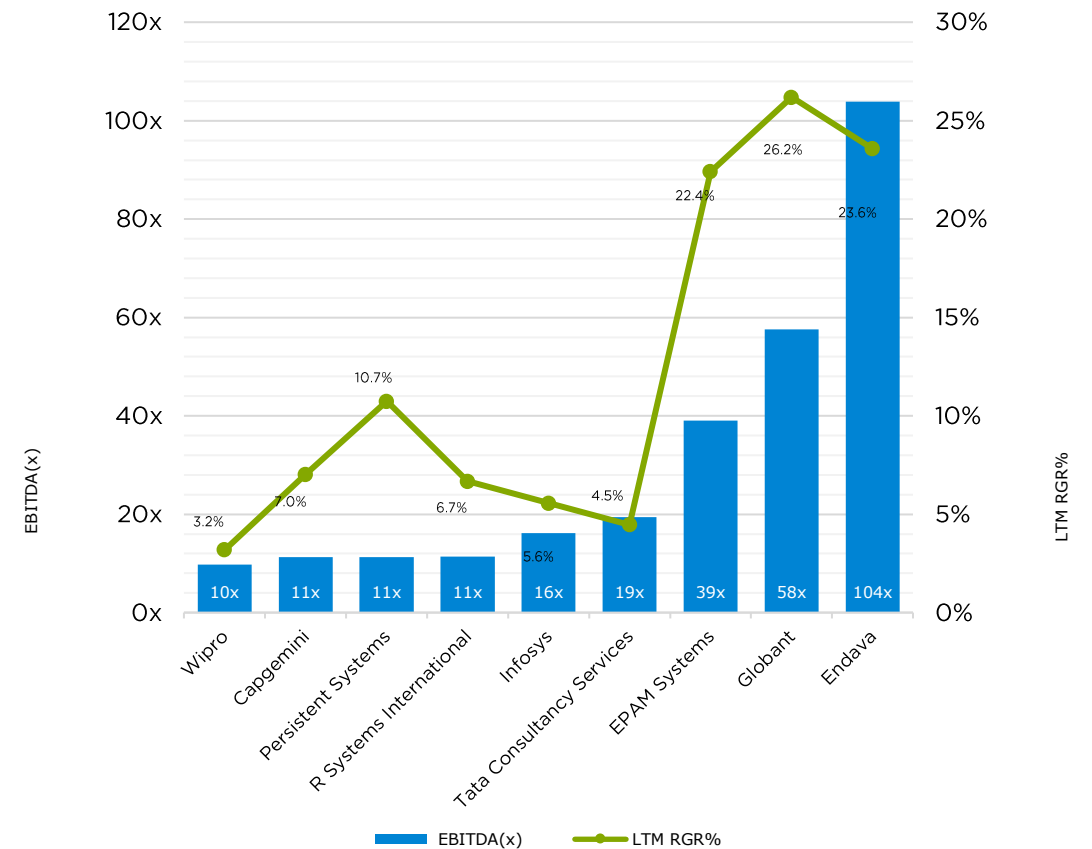


Valuation

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
13-Aug-20	Isthmus Software	3Pillar Global	-	-	-	-
13-Aug-20	Object Partners	Improving Holdings	-	-	-	-
04-Aug-20	Evolve-IT Consulting	-	-	-	-	-
31-Jul-20	eForce21	mgm technology partners	-	-	-	-
23-Jul-20	Ceros	Sumeru Equity Partners	100.00	-	-	-
20-Jul-20	Nexxtep Technology Services	Dynamic Quest	-	-	-	-
01-Jul-20	IGNW	CDW	-	-	-	-
29-Jun-20	Vertex Software (Austin)	Level 5 Lab	-	-	-	-
17-Jun-20	Magic Hands	Magic Software Enterprises	-	-	-	-
03-Jun-20	Five Talent	Catalyst Investors	-	-	-	-
21-Apr-20	Alligatortek	HealthChampion	-	-	-	-
15-Apr-20	Motivity Labs	Jnit Technologies Inc	-	-	-	-
14-Apr-20	Crea (Slovenia)	Accuro Fund Solutions	-	-	-	-
14-Apr-20	Rocketbuild	Recruit Rooster	-	-	-	-
06-Apr-20	Excivity	Aegis Technologies Group	-	-	-	-
01-Apr-20	Duo Consulting	Mediacurrent Interactive Solutions	-	-	-	-
26-Mar-20	AIQ	Alchemist Codes	2.86	-	-	-
23-Mar-20	Catalyst Networks	Perficient	-	-	-	-
19-Mar-20	The Refinery Haus	Defiance Ventures	-	-	-	-
02-Mar-20	cxpartners	Sopra Steria	-	-	-	-
26-Feb-20	EngageCraft	-	-	-	-	-
26-Feb-20	Stoke Mobile	Teldio	-	-	-	-
19-Feb-20	ISO-Office	ACON Investments	-	-	-	-
18-Feb-20	Flavorful Apps	Treasure & Shipwreck Recovery, Inc.	-	-	-	-
17-Feb-20	Cascade Data Solutions	Upic Solutions	-	-	-	-
17-Feb-20	Lean Logistics	Rhenus Logistics	-	-	-	-
14-Feb-20	U-Need Consulting	Multicroissance	0.83	11.19	-	-
10-Feb-20	Avesta Systems	Clearlake Capital Group	-	-	-	-
05-Feb-20	SMB Creative Group	Engage Software	-	-	-	-

Appendix

*Public Basket
Contact Information*



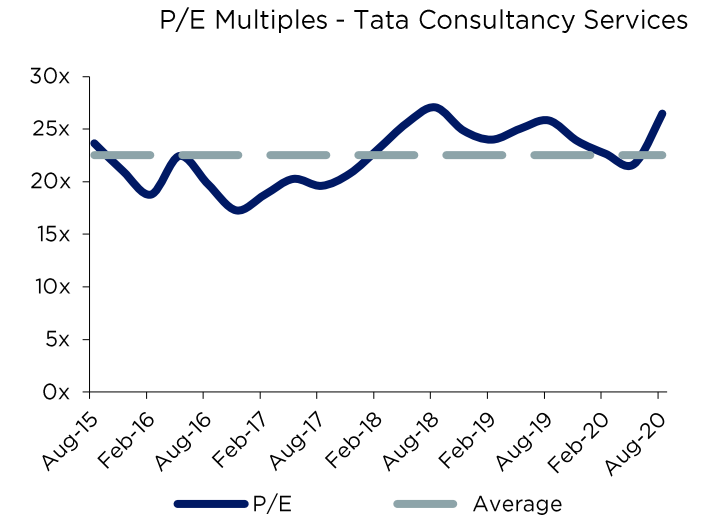
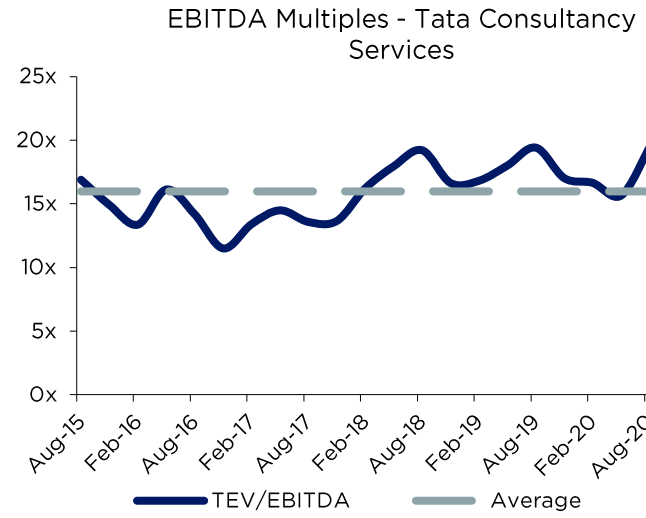
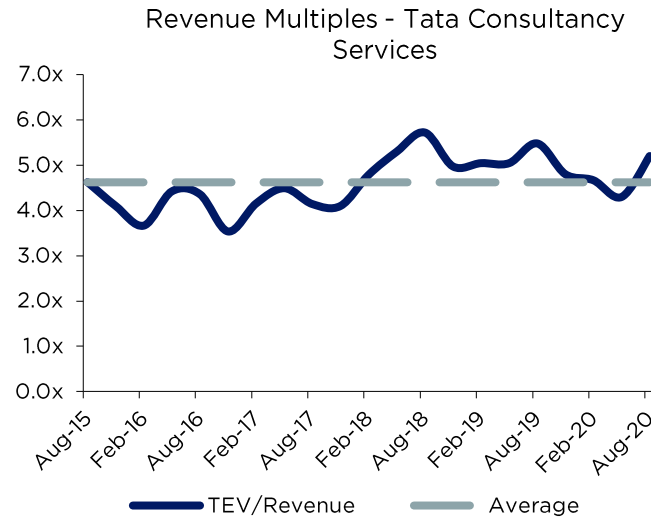
Tata Consultancy Services

Tata Consultancy Services 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



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.

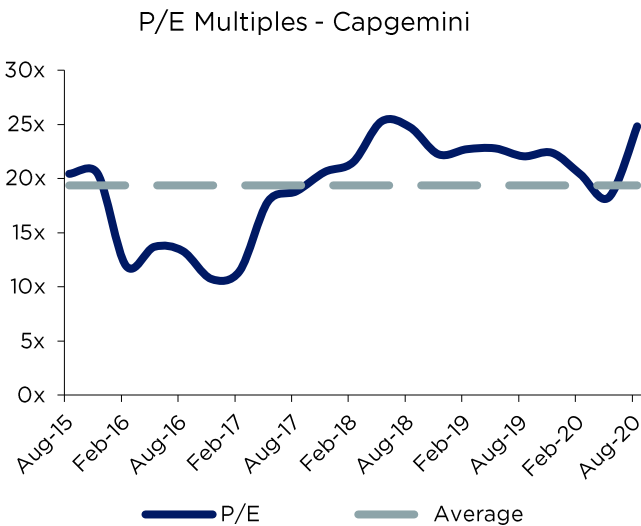
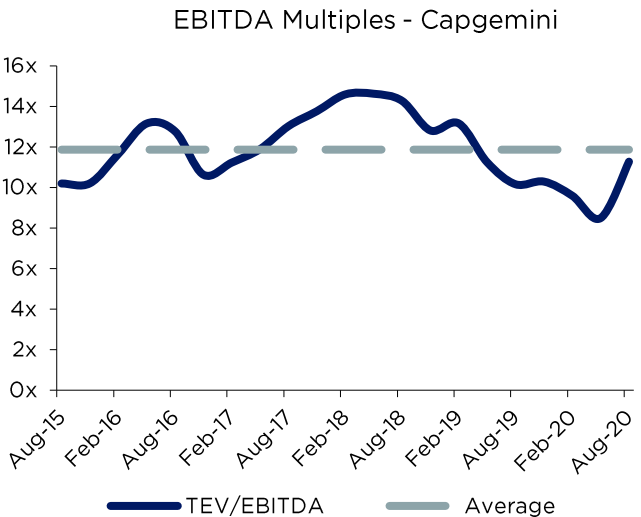
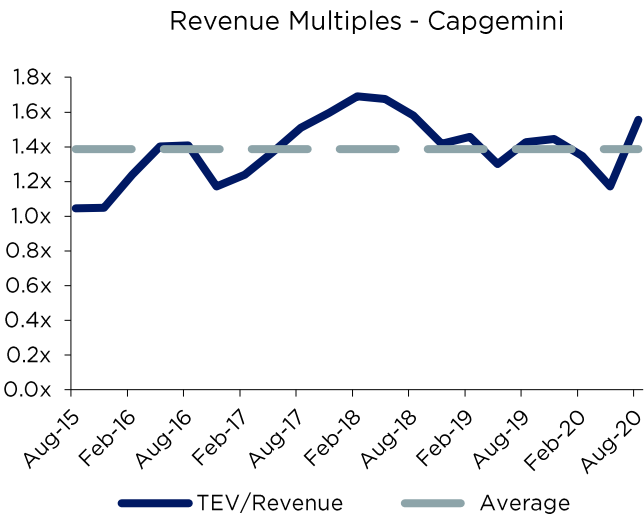
Capgemini

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	28-May-20	The company was formed as a joint venture between Capgemini SE (EPA: CAP) and Audi AG (FRA: NSU) on May 28, 2020.
Altran Technologies	01-Apr-20	The company (PAR: ALT) was acquired by Capgemini (PAR: CAP) for EUR 5 billion on April 1, 2020. This transaction allows Capgemini to accelerate its development with major Internet and tech companies, by giving the entity a critical mass in software engineering through centers of expertise, particularly in India and Eastern Europe.

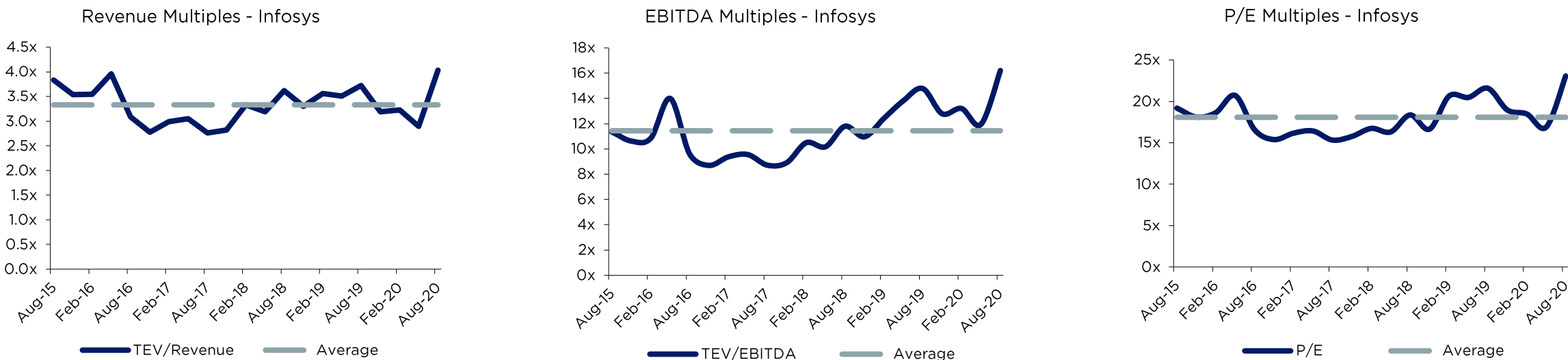
Infosys

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.
Eishtec	07-Oct-19	The company was acquired by Infosys BPM, a subsidiary of Infosys (NSE: INFY) for an undisclosed amount on October 7, 2019.

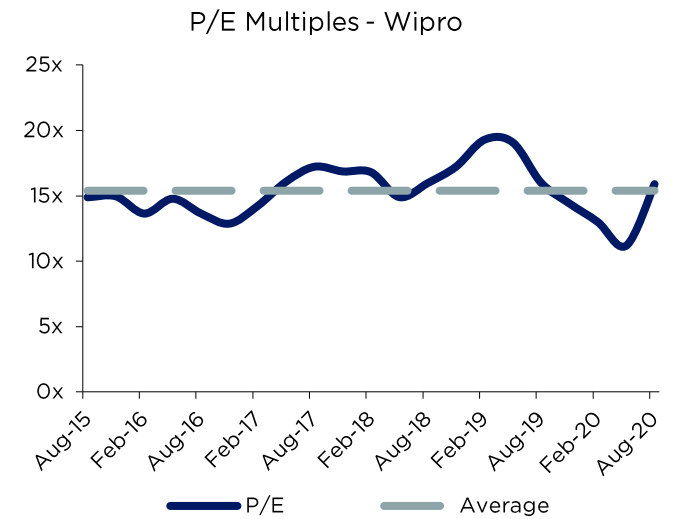
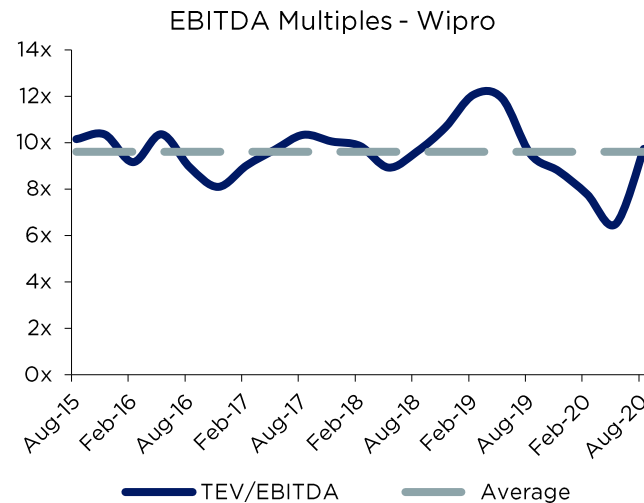
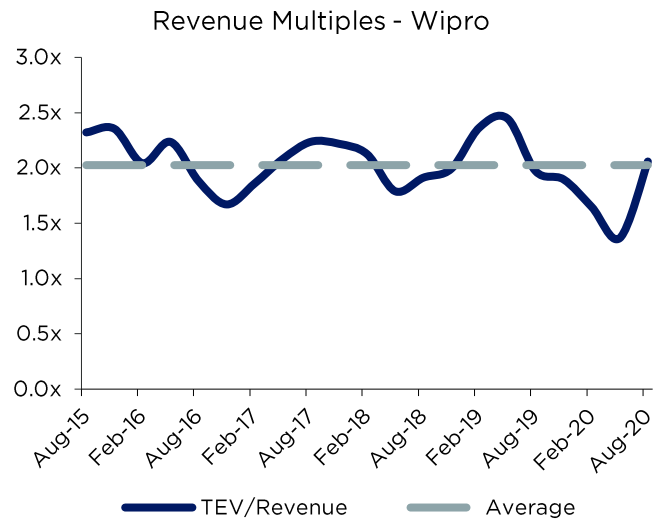
Wipro

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
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.
Alight HR Services	20-Jul-18	The company, a subsidiary of Alight Solutions, was acquired by Wipro (BOM: 507685) for \$117 million on July 20, 2018. This acquisition will enable Alight to accelerate investment in consumer-facing technologies and services across its health, wealth and cloud businesses by leveraging Wipro's strengths in automation, machine learning and data analytics.

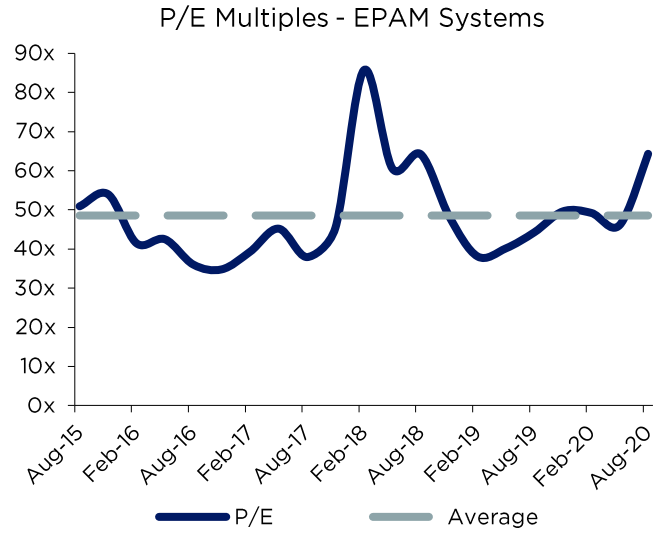
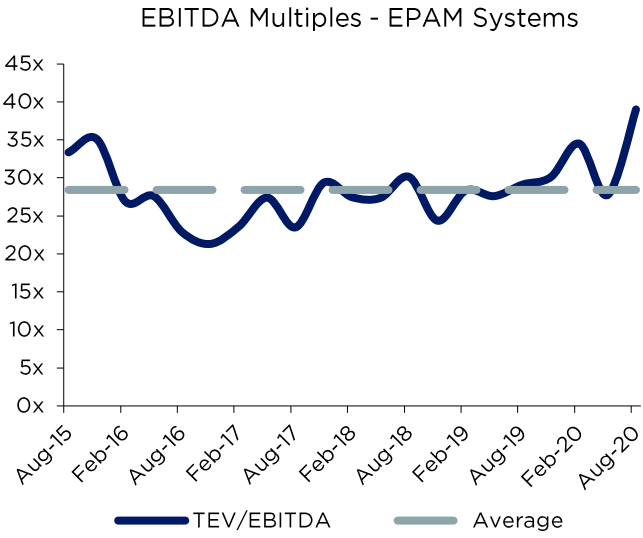
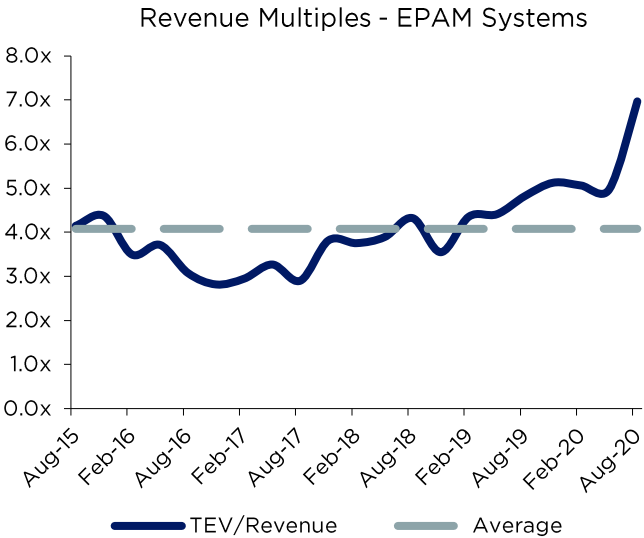
EPAM Systems

EPAM Systems Inc provides software product development and digital platform engineering services to clients located around the world.

The company offers six main services: Software Product Development, Custom Application Development, Application Testing, Enterprise Application Platforms, Application Maintenance, and Support and Infrastructure Management. The company focuses on innovative and scalable software solutions. The company uses industry standard and custom developed technology, tools, and platforms to deliver results to handle business challenges. The company primarily offers their solutions in the following industries: financial services, travel and consumer, software and hi-tech, life sciences and healthcare. The majority of revenue is generated from North American clients.

Public Basket

EPAM Systems



Company Name	Date	Deal Synopsis
Deltix Labs	20-Mar-20	The company was acquired by EPAM Systems (NYS: EPAM) for an undisclosed amount on March 20, 2020. The acquisition will enable the acquirer to grow their FinTech practice and expand their quantitative research capabilities.
migVisor	05-Nov-19	The company was acquired by EPAM Systems (NYS: EPAM) for an undisclosed amount on November 5, 2019.

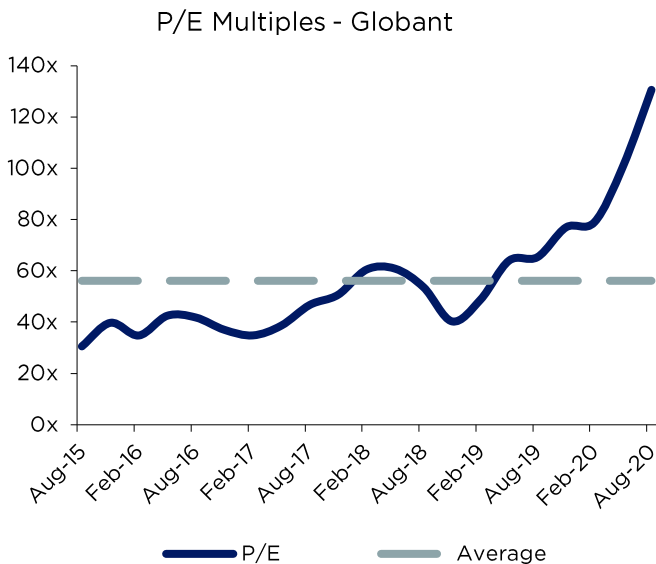
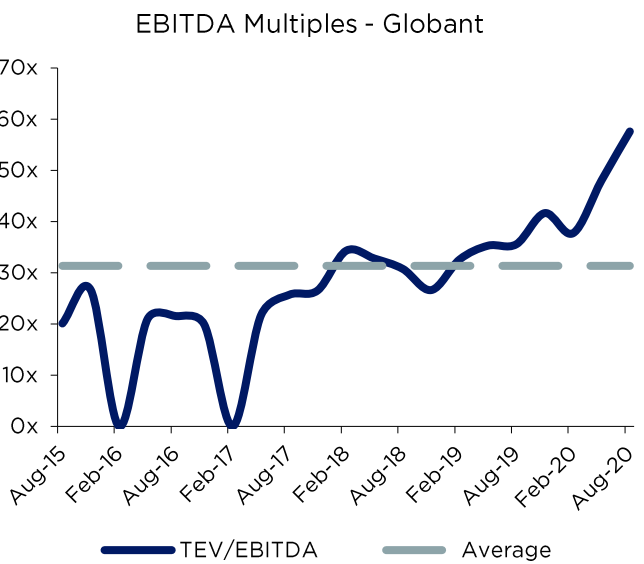
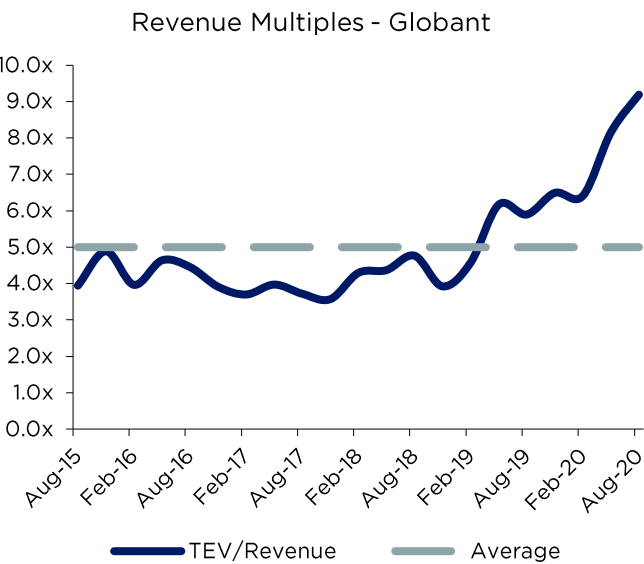
Globant

Globant SA is a software technology developer based in Luxemburg.

It creates platforms which are powered by native digital technology, better known as digital journeys. The digital journey incorporates various software products, mobile apps and sensors that assist its clients in knowing its end user's behavioral pattern. The key aspects of the digital journey are stay relevant, discover and build. The stay relevant helps its clients in staying abreast of the developments in its industry and taking preemptive measures. The discover conceives digital journeys for the users based on consumer behaviors and technologies and the build creates each digital journey leveraging the work of its studios. The company's revenue is primarily generated by its technology services in the United States.

Public Basket

Globant



Company Name	Date	Deal Synopsis
Singularity University	16-Dec-19	The company reached a definitive agreement to receive an undisclosed amount of convertible debt financing from Globant on December 16, 2019.
Belatrix Software	12-Aug-19	The company was acquired by Globant (NYS: GLOB) for \$65 million on August 12, 2019. Out of total amount, contingent amount of USD 3,000,000 is payable by October 31, 2020 subject to Belatrix's achievement of specified revenue targets for the period from August 1, 2019 through July 31, 2020. The acquisition strengthens Globant's digital and cognitive transformation leadership, its positioning in Latin America and its expertise in key industries like finance, payment, healthcare and retail.

Persistent Systems

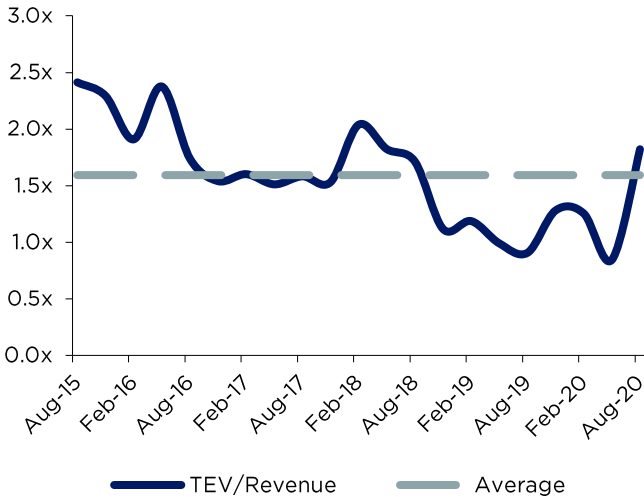
Persistent Systems Ltd is an India-based provider of software solution organized in three segments based on end market: Technology Services; Alliance; and Accelerite.

Its solutions include cloud life cycle management, Internet of Things, unified endpoint management, endpoint detection and response, and Big Data analytics. The firm also offers product engineering services, platform-based cloud solutions, and Internet Protocol-based products. Most of the firm's revenue gets derived from the Technology Services segment.

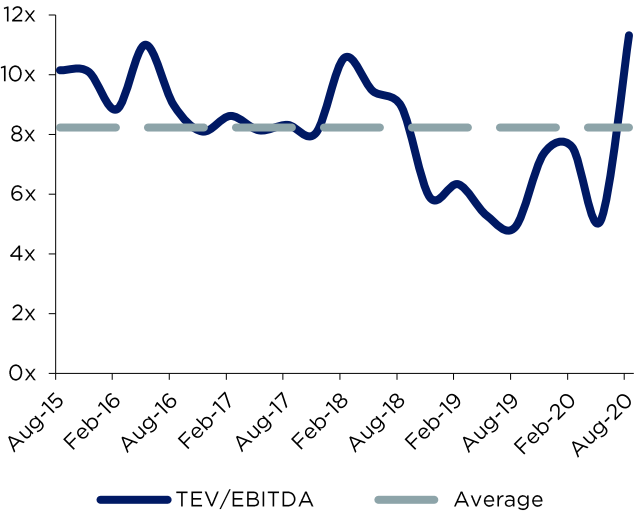
Public Basket

Persistent Systems

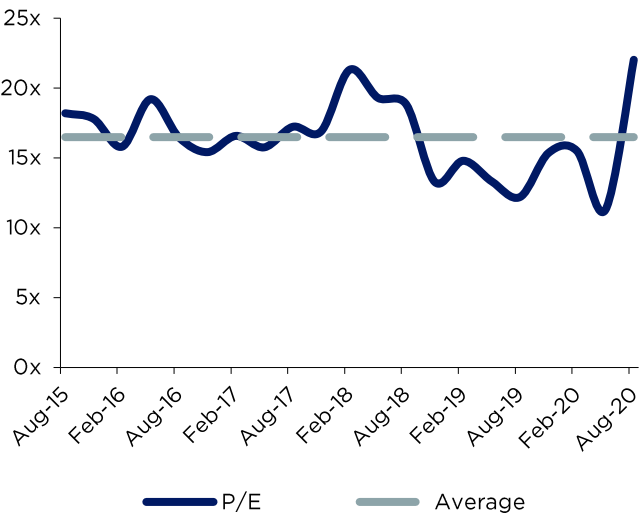
Revenue Multiples - Persistent Systems



EBITDA Multiples - Persistent Systems



P/E Multiples - Persistent Systems



Company Name	Date	Deal Synopsis
Youperience	26-Jun-19	The company was acquired by Persistent Systems (NSE: PERSISTENT) for EUR 7.7 million on June 26, 2019. This acquisition will continue to strengthen the company's ability to deliver outstanding Salesforce results to its global clientele.
Herald Health	04-Sep-18	The company was acquired by Persistent Systems (NSE: PERSISTENT) for \$5.2 million on September 4, 2018. The deal involves an upfront payment of \$2.3 million to Herald's shareholders. The remaining \$2.9 million is payable to management employees over a three-year period and depends on the performance and retention of those employees. The acquisition will strengthen its intellectual property-led offerings in the healthcare domain and create cross-sell opportunities.

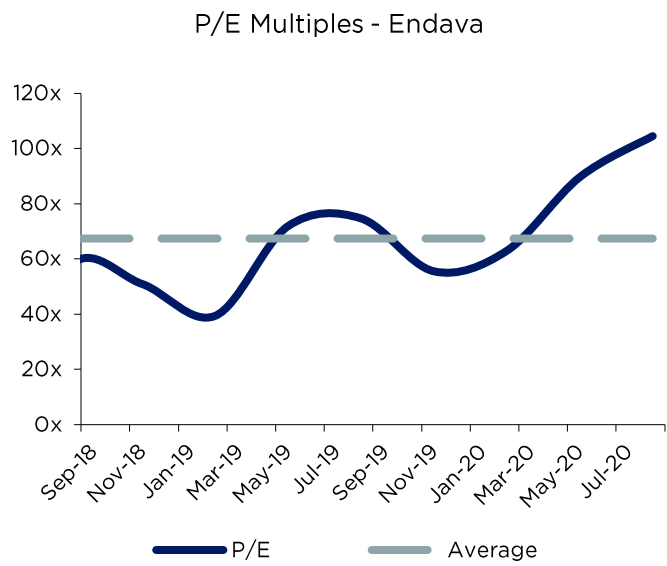
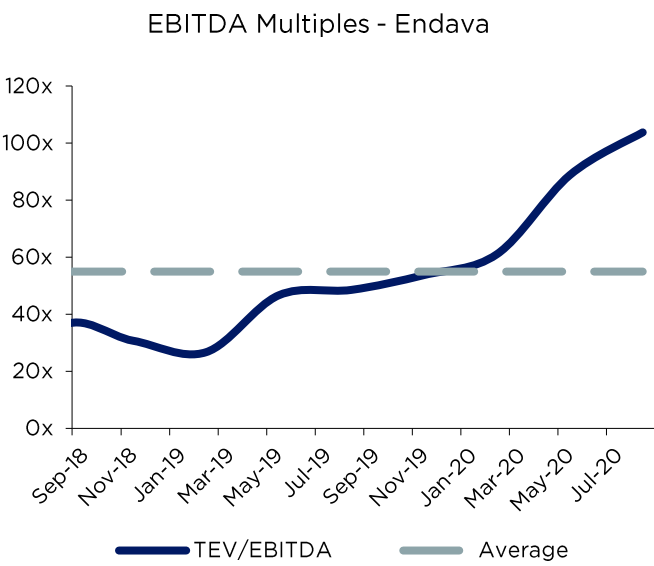
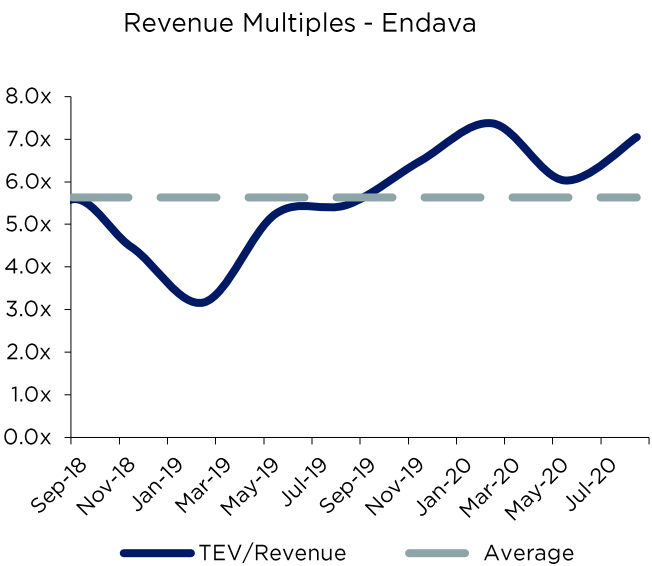
Endava

Endava PLC provides technology solutions.

It offers various services such as Agile Transformation, through which the company identify, define, and implement the mix of process, technology, and culture. It also provides Digital Evolution and Automation, Test Automation and Engineering, Cloud, Architecture, Software Engineering, and others. The company offers its services to various industries such as Finance, Retail and Consumer Goods, Telecommunication, Media, and Technology, Insurance and Healthcare, and others.

Public Basket

Endava



Company Name	Date	Deal Synopsis
Exozet	17-Dec-19	The company was acquired by Endava (NYS: DAVA), a subsidiary of Concise, for an undisclosed amount on December 17, 2019.
Intuitus	04-Nov-19	The company was acquired by Endava (NYS: DAVA), a subsidiary of Concise, for an undisclosed amount on November 4, 2019.

R Systems International

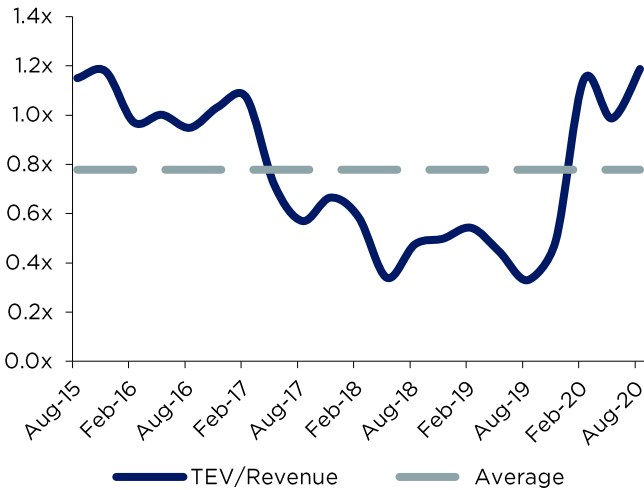
R Systems International Ltd is an Indian based company which provides IT services and solutions.

It is organized into two business segments Information technology services and products and Business process outsourcing services. The company serves IT services and solutions to telecom and digital media, healthcare, manufacturing and logistics, government services and banking and finance industries. It has a worldwide presence with the majority of the revenue generated from the United States of America.

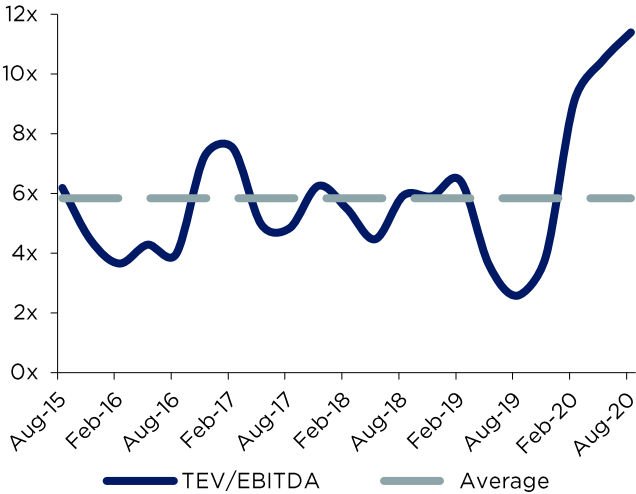
Public Basket

R Systems International

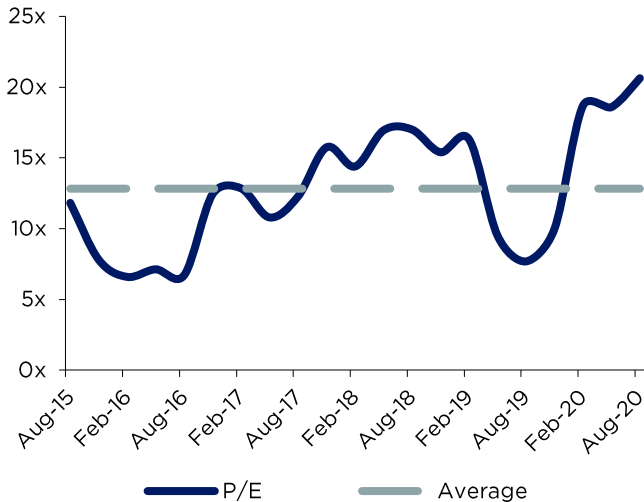
Revenue Multiples - R Systems International



EBITDA Multiples - R Systems International



P/E Multiples - R Systems International



Company Name	Date	Deal Synopsis
Innovizant	04-Feb-19	The company was acquired by R Systems International (BOM: 532735) through its subsidiary, R Systems, Inc., on February 4, 2019 for an undisclosed amount. This acquisition will help R Systems International to use facilities in Chicago as Center of Excellence (CoE) to strengthen their on-shore/near shore delivery capabilities to serve US Central and East Coast clients and our commitment to build US-based technical resource pool.
IBIZ Consulting Services	30-Apr-15	The company was acquired by R Systems International (BOM: 532735) for an undisclosed amount on April 30, 2015.

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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