

7 Mile Advisors



# Sectorwatch: IT Consulting

September 2020



# IT Consulting

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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.

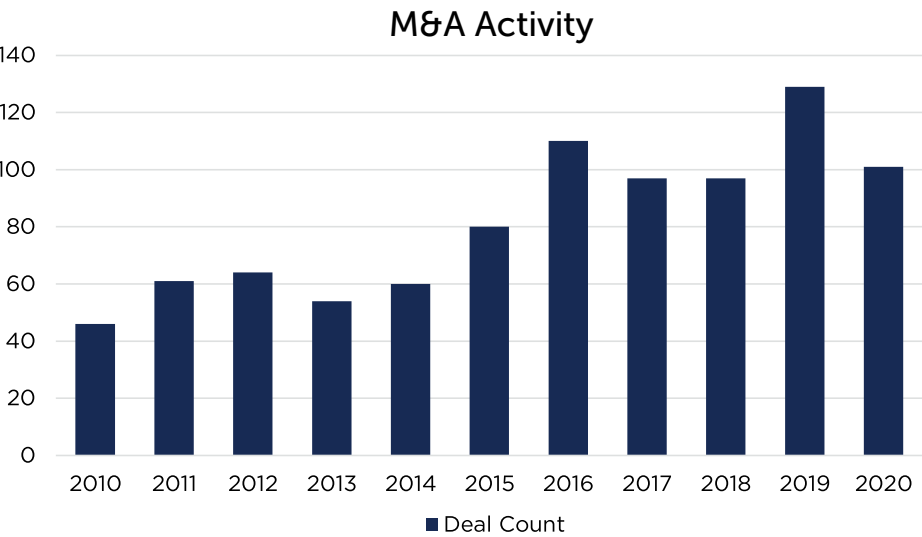
## RECENT DEALS

- The most recently announced deals in the sector

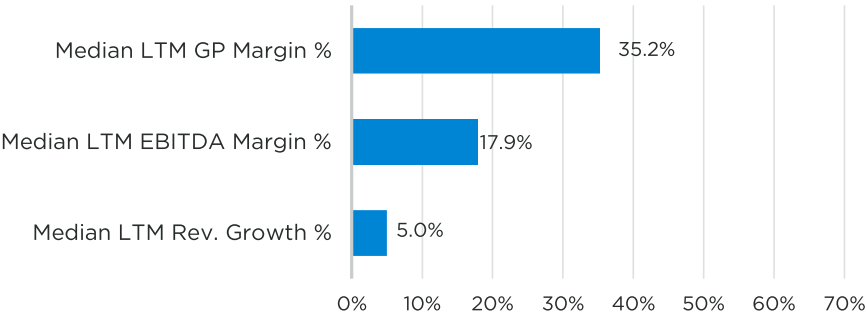
# Dashboard

## REVENUE GROWTH MOMENTUM ↑ -2.8%

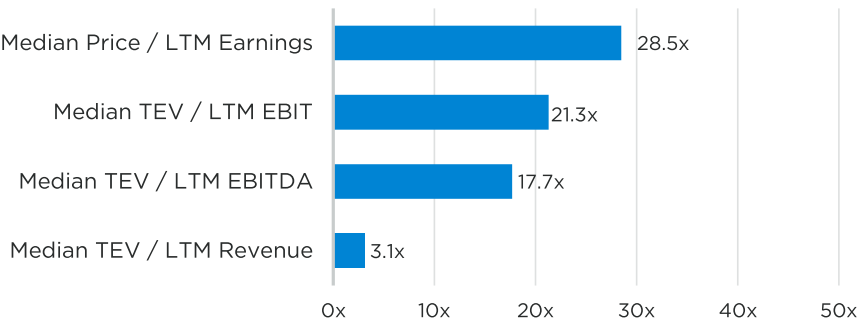
1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining



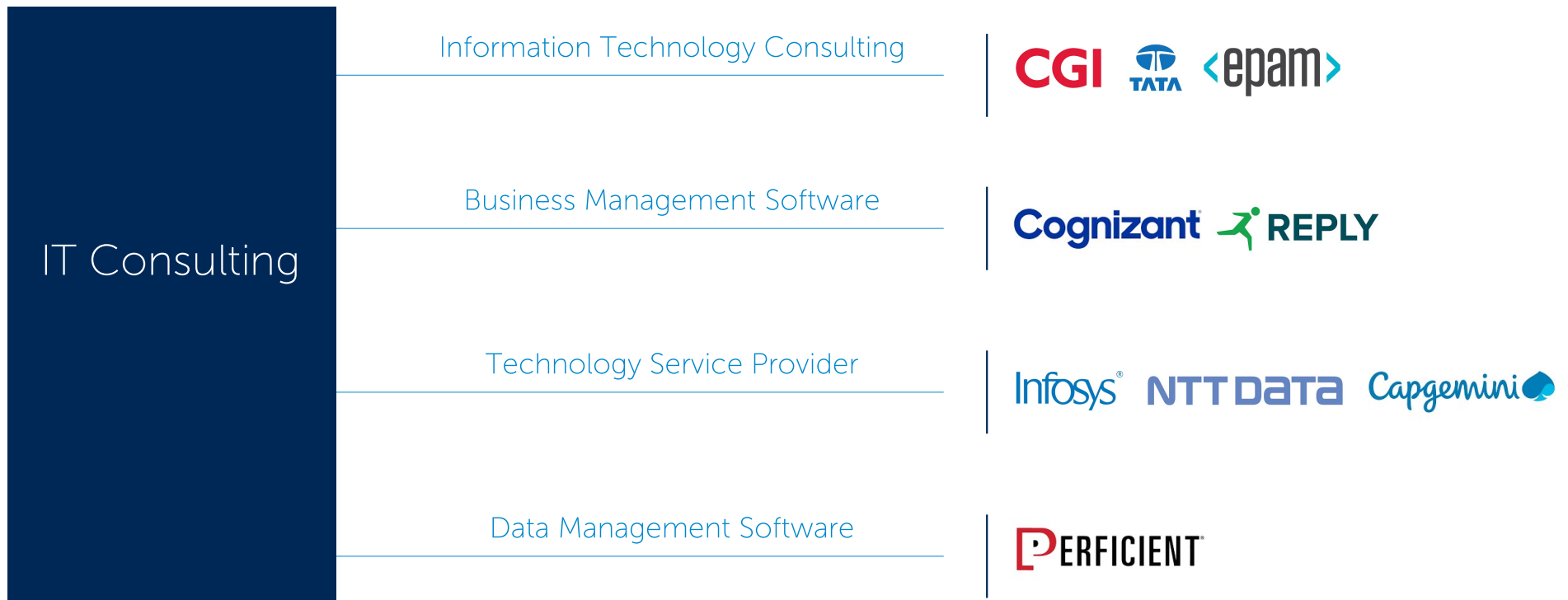
## Operating Metrics



## Valuation



# Public Basket Overview

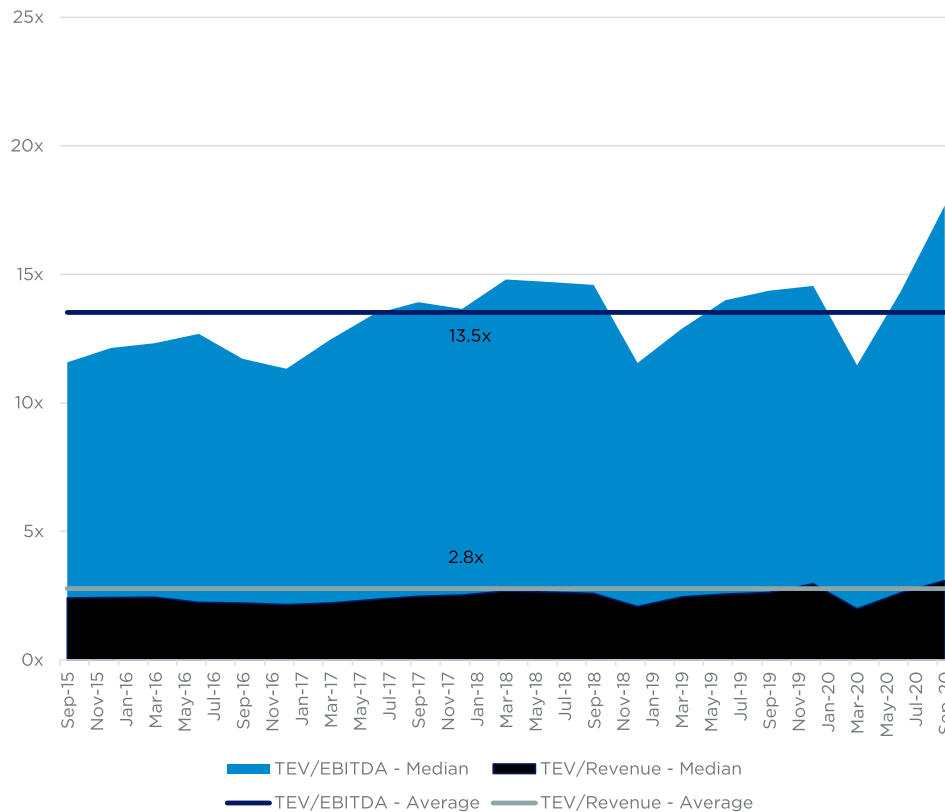


# Public Basket

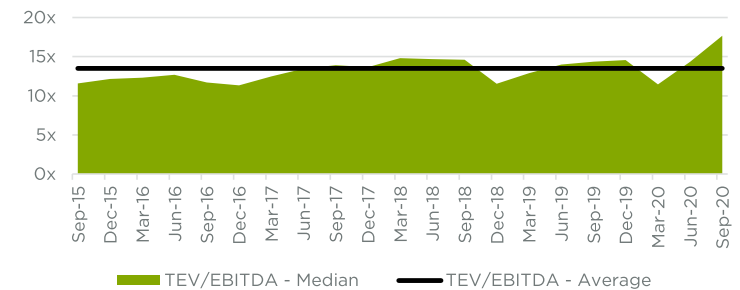
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Perficient	1,587	67	582	9.5%	37.6%	11.4%	2.7x	23.9x	3,454	168
Reply	4,173	230	1,353	10.1%	49.8%	17.0%	3.1x	18.1x	8,540	158
EPAM Systems	17,587	447	2,505	22.4%	34.9%	17.8%	7.0x	39.4x	36,739	68
CGI Group	19,876	1,630	9,087	2.1%	19.0%	17.9%	2.2x	12.2x	77,500	117
Encavis	4,301	242	315	5.5%	86.4%	76.8%	13.7x	17.8x	125	2,518
NTT Data	23,066	3,058	20,991	3.9%	25.1%	14.6%	1.1x	7.5x	136,464	154
Cognizant Technology Solutions	36,473	2,689	16,757	1.8%	35.6%	16.0%	2.2x	13.6x	281,200	60
Infosys	55,920	3,181	12,771	5.6%	33.4%	24.9%	4.4x	17.6x	242,371	53
Tata Consultancy Services	122,299	5,790	21,633	4.5%	43.4%	26.8%	5.7x	21.1x	450,738	48
Accenture	136,938	8,016	44,547	4.4%	31.4%	18.0%	3.1x	16.1x	513,000	87
<b>Average</b>	42,222	2,535	13,054	7.0%	39.6%	24.1%	4.5x	18.7x	175,013	343
<b>Median</b>	21,471	2,160	10,929	5.0%	35.2%	17.9%	3.1x	17.7x	106,982	102

share price as of 29Sep20

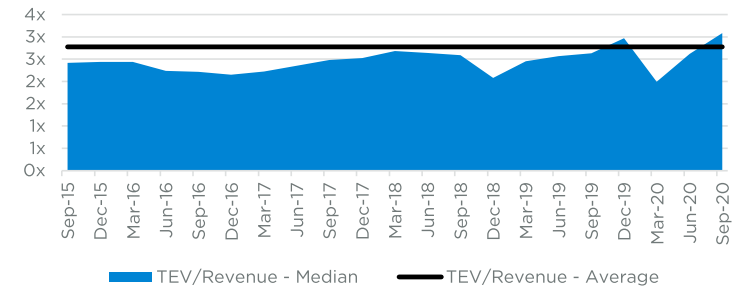
# Public Basket



## Public EBITDA Multiples over Time

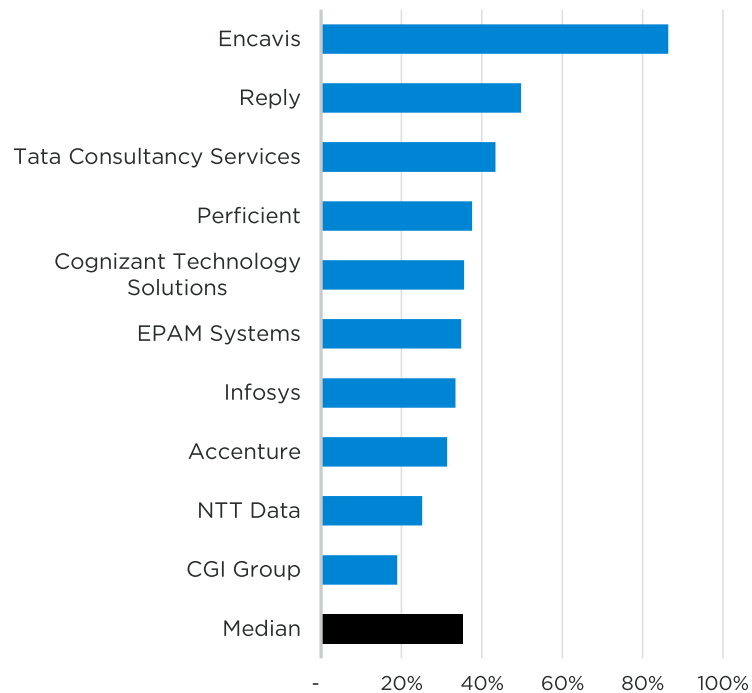


## Public Revenue Multiples over Time

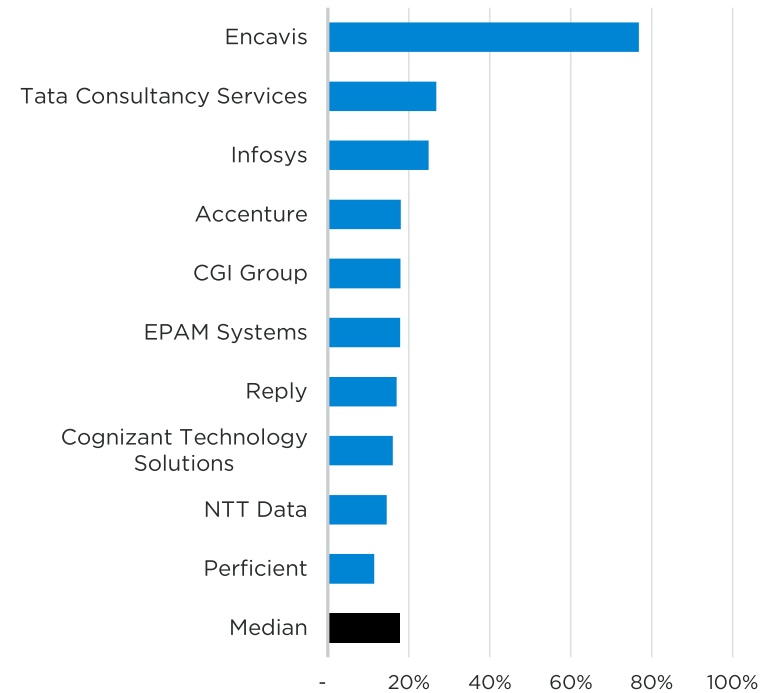


# Operational Metrics

LTM Gross Profit Margin %



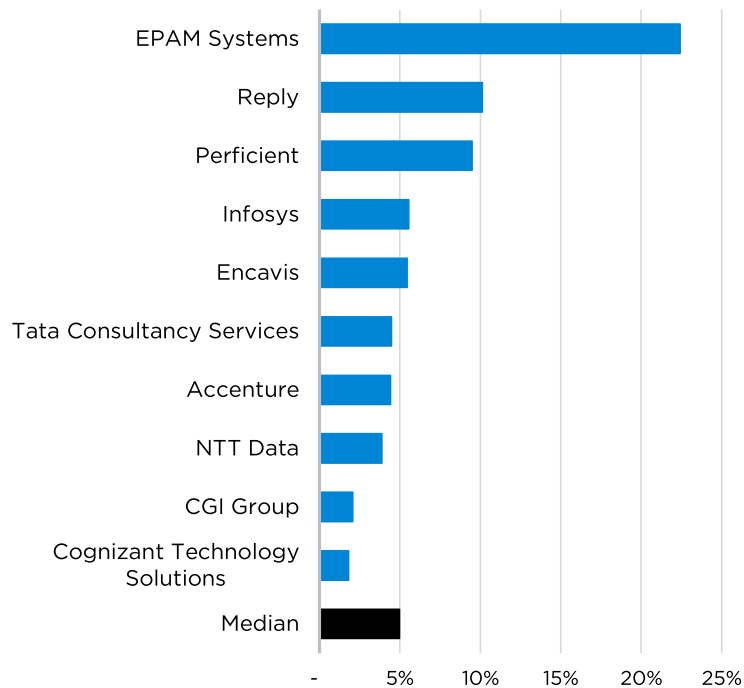
LTM EBITDA %



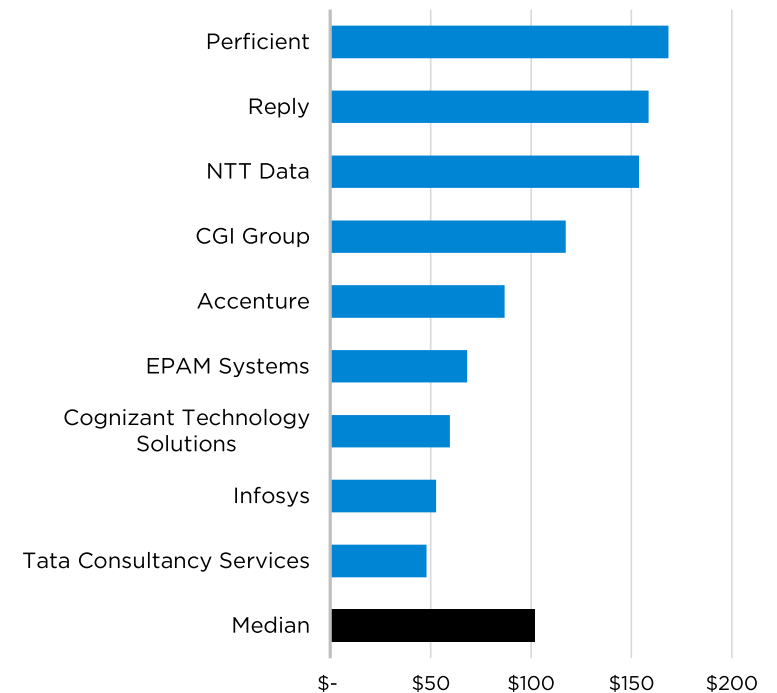


# Operational Metrics

LTM Revenue Growth %

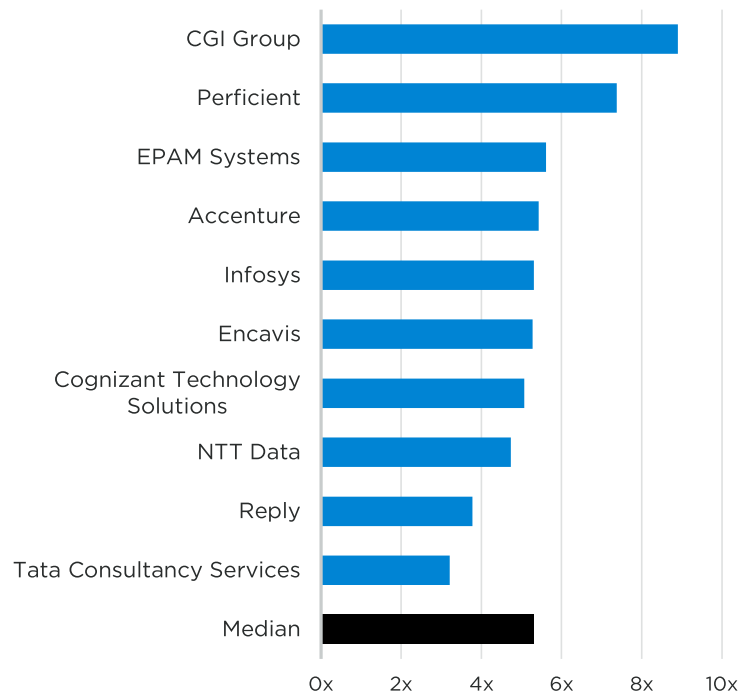


LTM Revenue per Full Time Employee x 000's

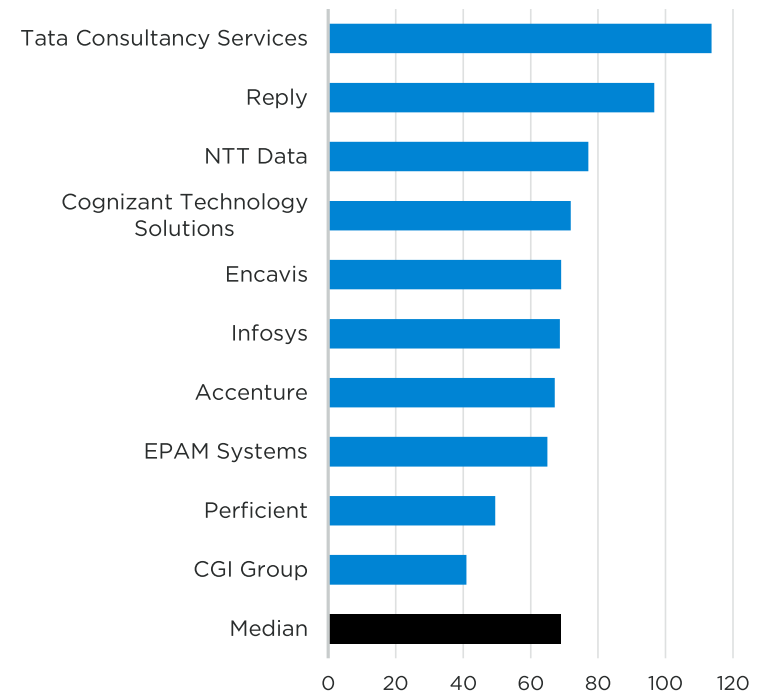


# Operational Metrics

## Accounts Receivable Turnover

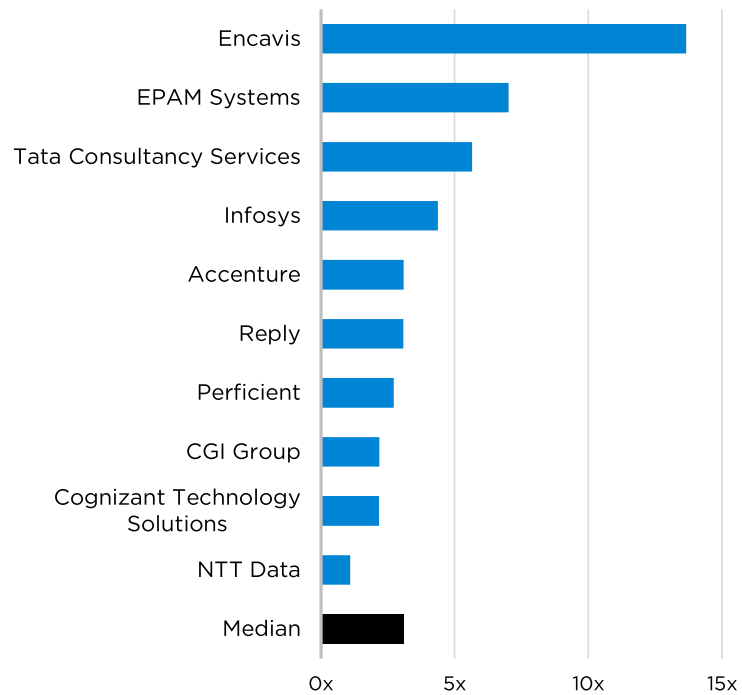


## Average Days Sales Outstanding

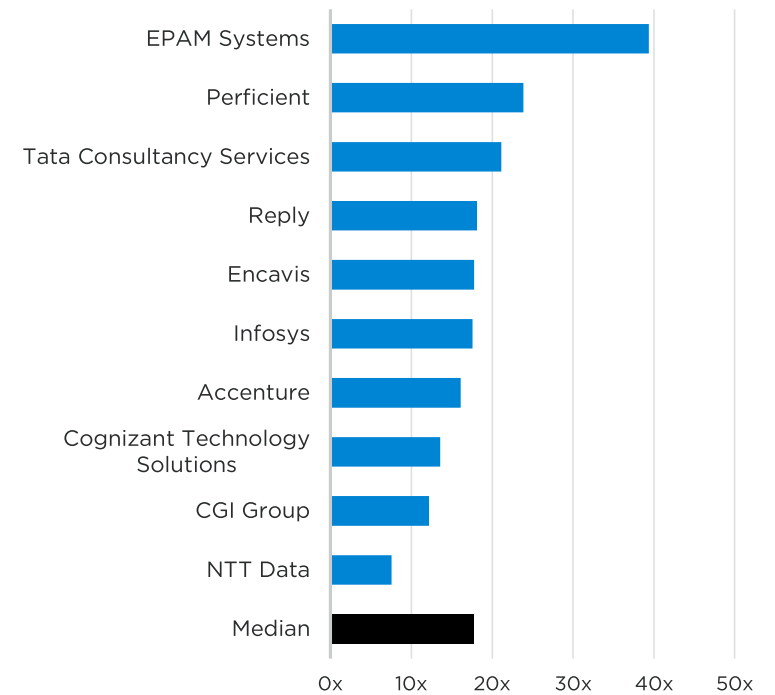


# Valuation

TEV / LTM Revenue

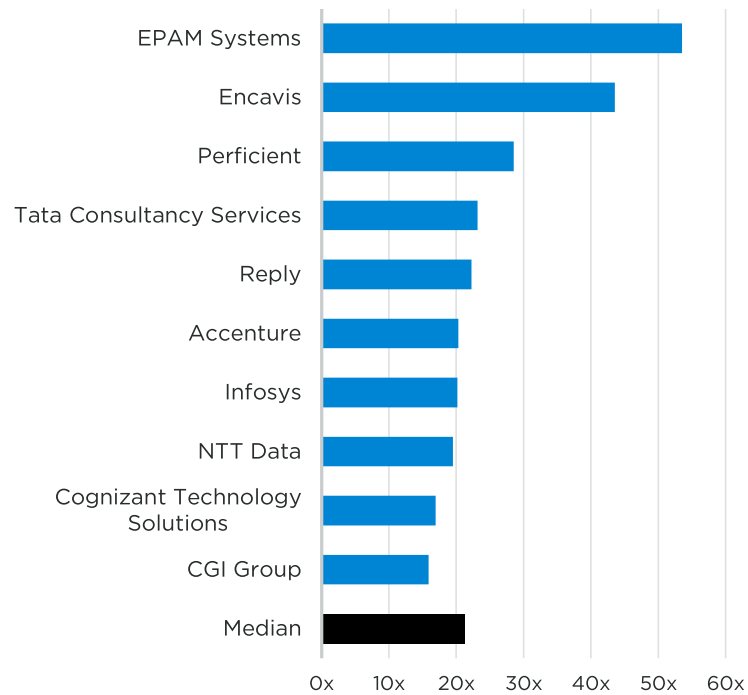


TEV / LTM EBITDA

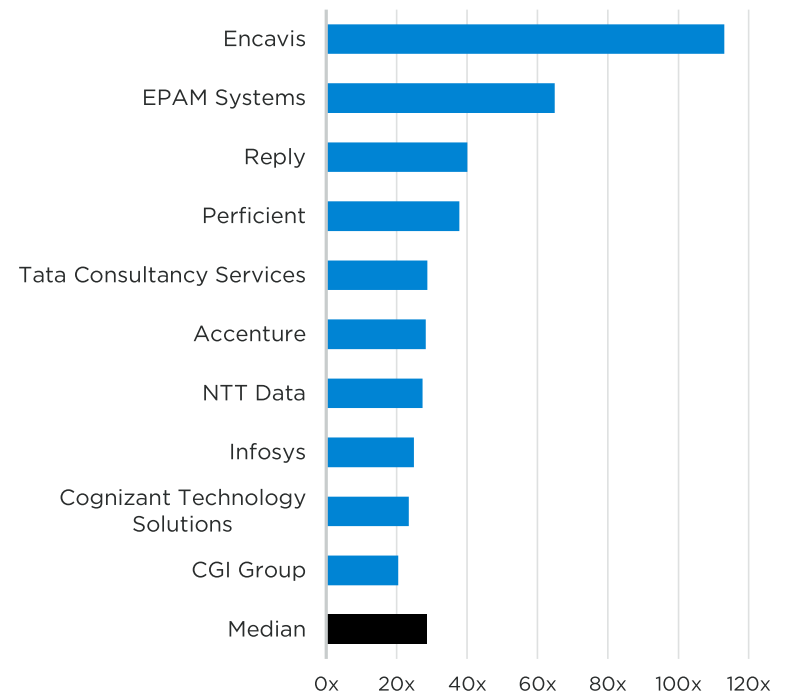


# Valuation

TEV / LTM EBIT

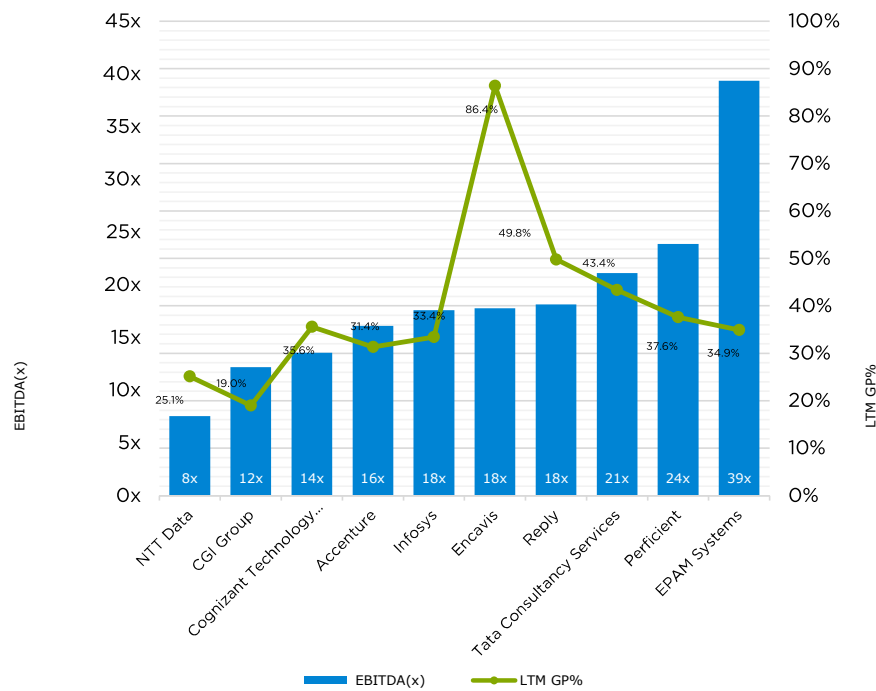


Price / LTM Earnings

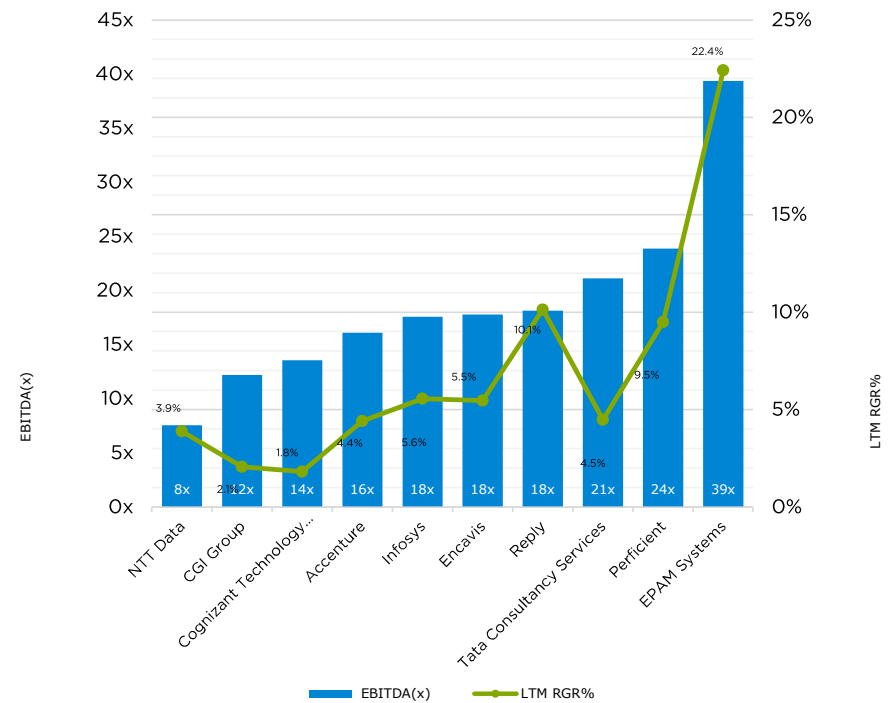


# Valuation

## Historical Valuation Multiples versus Gross Profit



## Historical Valuation Multiples versus Revenue Growth Rate



# Recent Transactions

Date	Target	Buyer / Investor	Total Transaction Amount	Target Revenue	TEV / Revenue	TEV / EBITDA
23-Sep-20	Dsquaredi	-	-	-	-	-
14-Sep-20	GlideFast Consulting	BV Investment Partners	-	-	-	-
14-Sep-20	GuideVision	Infosys	-	-	-	-
10-Sep-20	Exato	Dustin Group	-	-	-	-
10-Sep-20	Nevox	Groupe DFM	-	-	-	-
10-Sep-20	Pragmatic Works Consulting	3Cloud	-	-	-	-
05-Sep-20	Happiest Minds	-	-	-	-	-
01-Sep-20	Leapfrog Systems	ASGN	-	-	2.16	-
24-Aug-20	Blue Chip Consulting Group	Core Business Technology Solutions	-	-	-	-
19-Aug-20	RUN Communications	Stockwik Förvaltning	-	-	-	-
12-Aug-20	NeoTech Solutions (Missouri)	Netsolus	-	-	-	-
11-Aug-20	AKA Enterprise Solutions	HSO Enterprise Solutions	-	-	-	-
11-Aug-20	Technologyville	Cerberus Cyber Sentinel	-	-	-	-
08-Aug-20	Ströhmer Software	GOD	-	-	-	-
04-Aug-20	Network Management Services (Eureka)	Valeo Networks	-	-	-	-
31-Jul-20	eForce21	mgm technology partners	-	-	-	-
27-Jul-20	DMW Group	Credera	-	-	-	-
07-Jul-20	HDW Data	InfraCom Group	-	1.80	-	-
06-Jul-20	Eficio	Secib	-	-	-	-
06-Jul-20	Logicare AG	Avectris	-	-	-	-
02-Jul-20	TeamLogic IT Newtown PA	Salt Creek Capital	-	-	-	-
01-Jul-20	IT Outsource	Cable & Wireless Communications	-	-	-	-
24-Jun-20	AliA Consulting	Atos Worldgrid	-	-	-	-
16-Jun-20	Hiottu	Raute	-	-	-	-
04-Jun-20	Coastal Cloud	Salesforce Ventures	-	-	-	-

# Appendix

*Public Basket  
Contact Information*



# Public Basket

Perficient

## Perficient

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

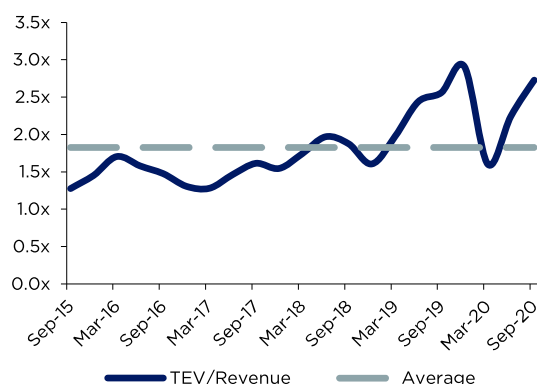
The company's services include big data analytics, technology platform implementations, enterprise content management, portals and collaboration, management consulting, custom applications, business integration, business process management, and customer relationship management. It serves healthcare, financial services, retail, and electronics industries. The vast majority of the company's revenue comes from the United States.



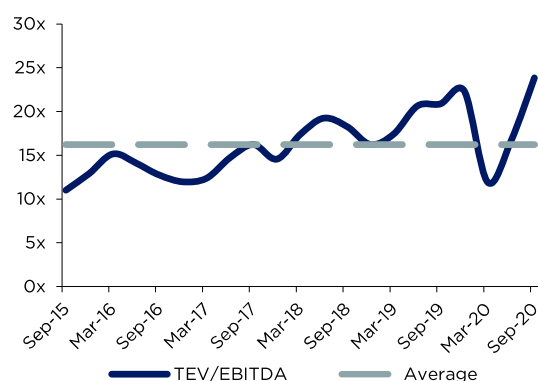
# Public Basket

Perficient

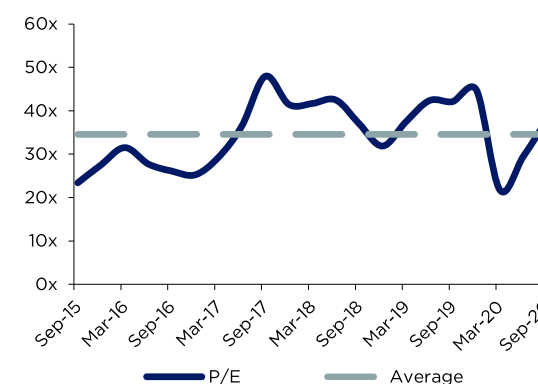
Revenue Multiples - Perficient



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.

## Reply

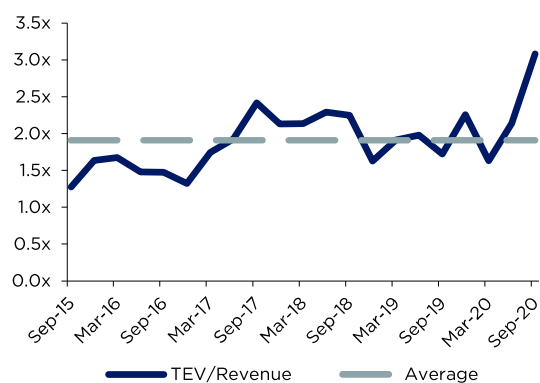
**Reply SpA specialises in consulting, digital services, and the integration of processes, applications and devices.**

The company primarily operates in Germany, Italy, and the UK. Reply serves clients in the telecommunication and media, banking, insurance and financial, industry and services, energy and utilities, and public administration industries. The company provides its services mainly through platforms such as Click Reply, Discovery Reply, Gaia Reply, TamTamy, and SideUp Reply. Reply researches, selects, and markets solutions through channels such as data analysis, digital communication, e-commerce, mobile, and social media.

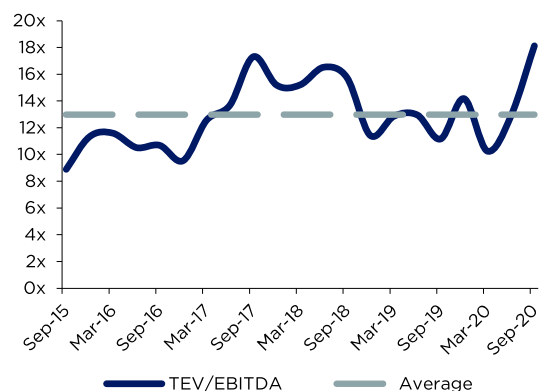
# Public Basket

Reply

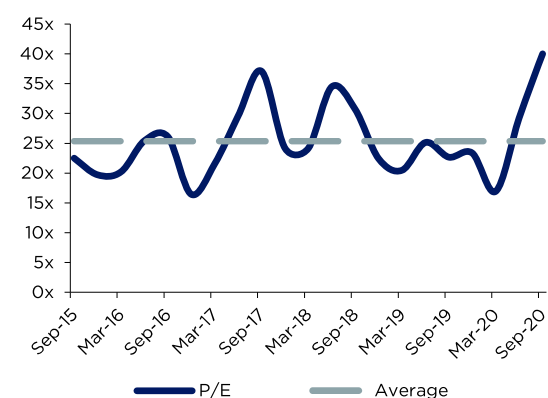
Revenue Multiples - Reply



EBITDA Multiples - Reply



P/E Multiples - Reply



Company Name

Date

Deal Synopsis

Sagepath

01-Aug-20

The company was acquired by Reply (MIL: REY) for an undisclosed amount in August 2020. The acquisition of the company further enhances Reply's international growth strategy, particularly in the United States.

Threepipe

01-Oct-19

The company was acquired by Reply (MIL: REY) for an undisclosed amount in October 2019. The acquisition enables Threepipe to get Reply's CRM, Artificial Intelligence, Augmented Reality and Blockchain technology.

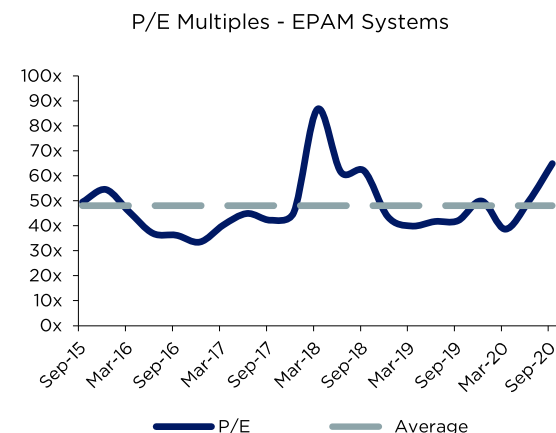
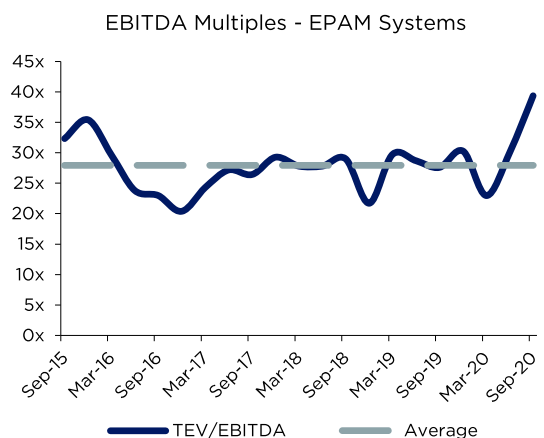
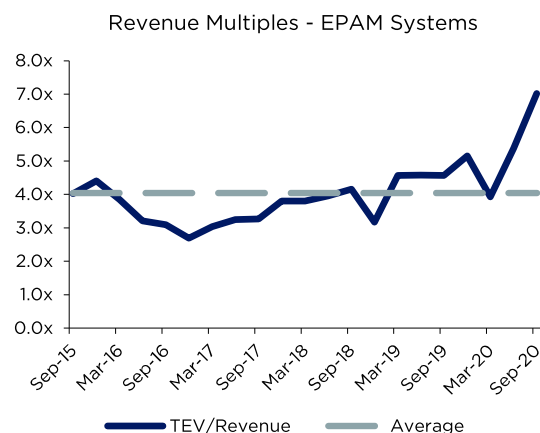
### EPAM Systems

**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
Ricston	3/23/20	The company was acquired by EPAM Systems (NYS: EPAM) for an undisclosed amount on September 2, 2020. The acquisition helps EPAM Systems to expand its consulting and engineering portfolio of API, microservices management and integration services.
Deltix Labs	1/6/20	The company was acquired by EPAM Systems (NYS: EPAM) for approximately \$29.595 million on February 3, 2020. The company will receive a contingent payout of up to \$18.97 million based on achievement of certain revenue and earnings targets. The acquisition will enable the acquirer to grow their FinTech practice and expand their quantitative research capabilities.

# Public Basket

CGI Group

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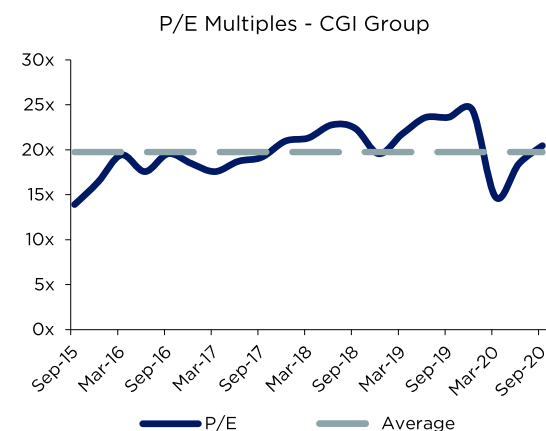
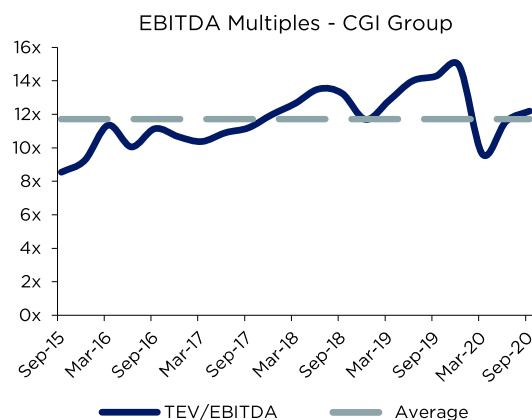
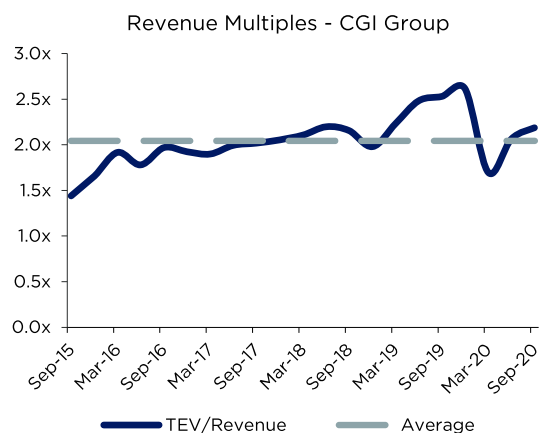
## CGI Group

**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

31-Mar-20

The company was acquired by CGI Group (TSE: GIB.A) for \$101.856 million on March 31, 2020. This merger will strengthen CGI Federal's consulting expertise, and expand its enterprise application development and management services.

# Public Basket

Encavis

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Encavis

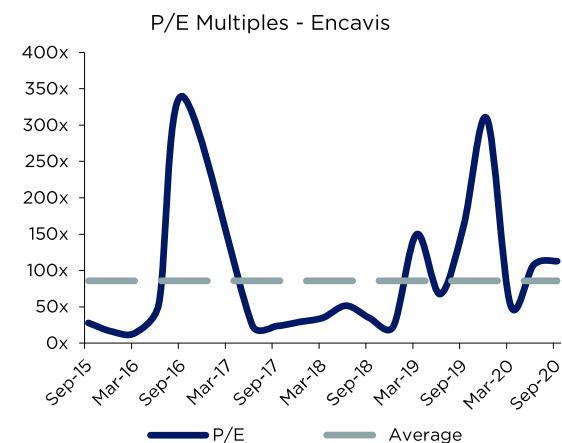
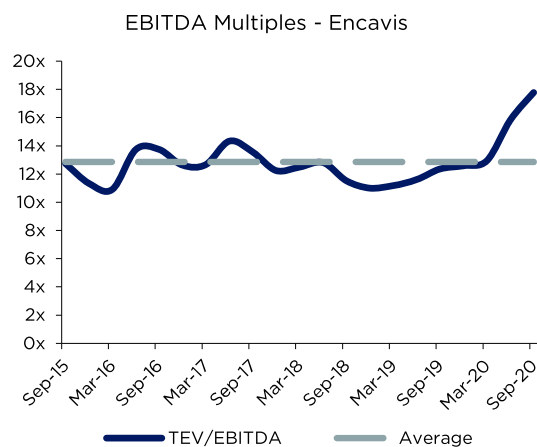
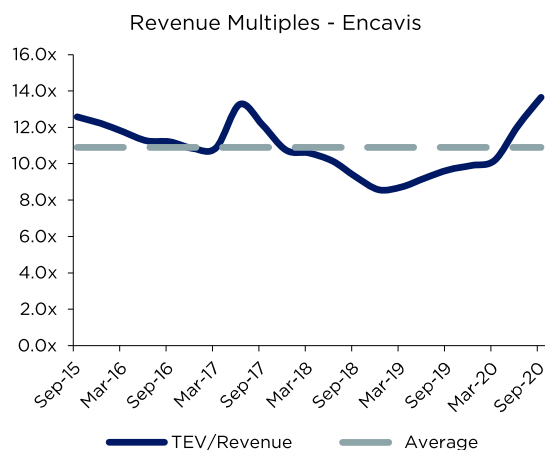
## Encavis AG is an independent solar park operator.

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



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.

# Public Basket

NTT Data

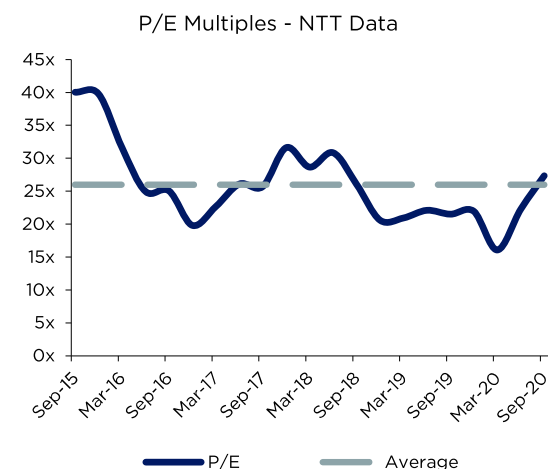
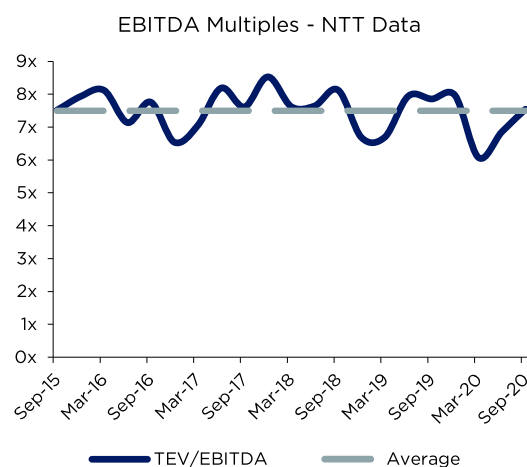
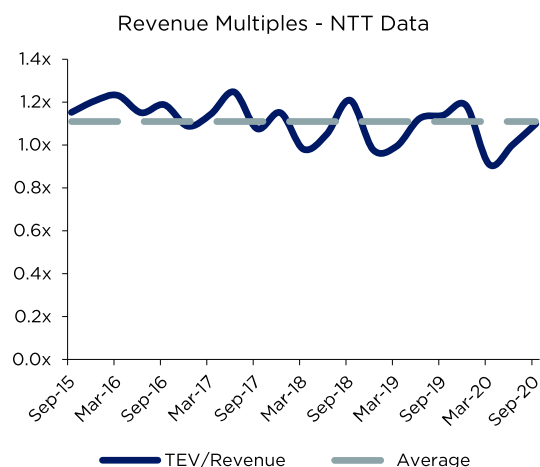
## NTT Data

### **NTT Data Corp provides IT services to a wide range of business fields.**

The company's operations are divided into three segments: global, public and social infrastructure; enterprise and solutions; and financial. Each segment contributes approximately an even proportion of the company's revenue. The services the company provides include system integration by constructing systems tailored to individual customer needs, multiple Internet and computer network-based information and processing services, consulting that evaluates customers' management issues, system support for large-scale systems, and new IT-based business models. The company is based in Japan but has a global presence.

# Public Basket

NTT Data



Company Name	Date	Deal Synopsis
MagicCube	15-Jun-20	The company raised \$9.9 million of venture funding from Visa Ventures, Sony Innovation Fund and CVentures (Egypt) on June 15, 2020. NTT Data, Bold Capital Partners, EPIC Ventures, Azure Capital Partners and Luqman Weise Capital also participated in the round.
DeepTek	15-May-20	The company raised \$1 Million of venture funding from NTT Data, Nobori Ltd and Pentathlon Ventures on May 15, 2020. GHV Accelerator also participated in the round.

# Public Basket

## Cognizant Technology Solutions

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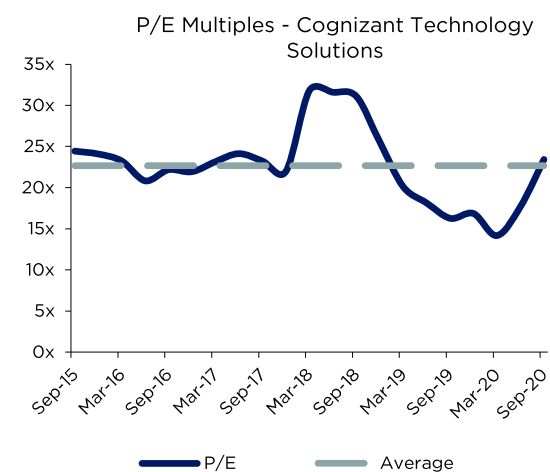
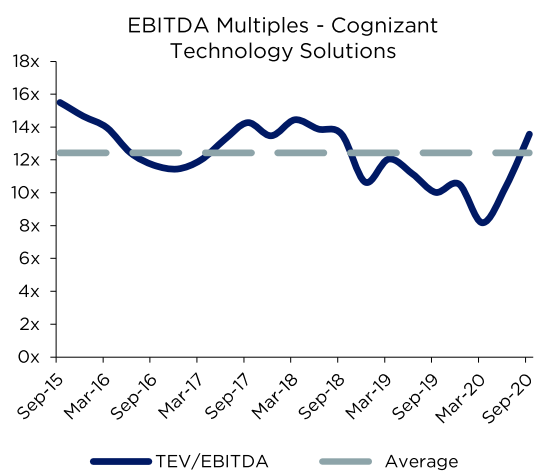
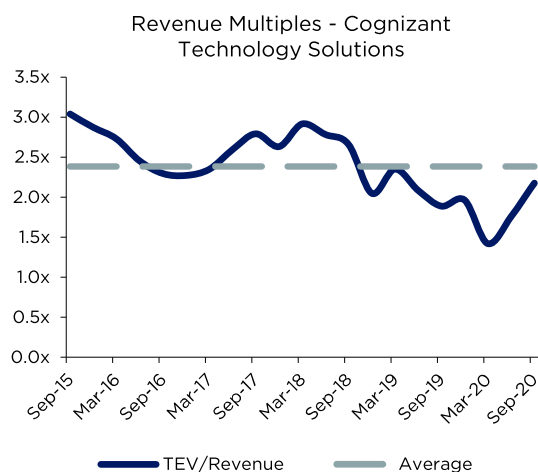
### Cognizant Technology Solutions

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*

Tin Roof Software

17-Sep-20

The company was acquired by Cognizant Technology Solutions (NAS: CTSI) on September 17, 2020 for an undisclosed sum. The acquisition will boost Cognizant Technology Solutions' software and digital product development expertise in the US.

10th Magnitude

01-Sep-20

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

## Infosys

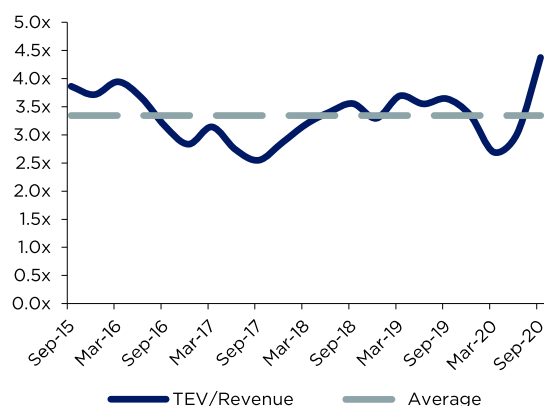
### **Infosys is a global provider of consulting and IT services.**

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.

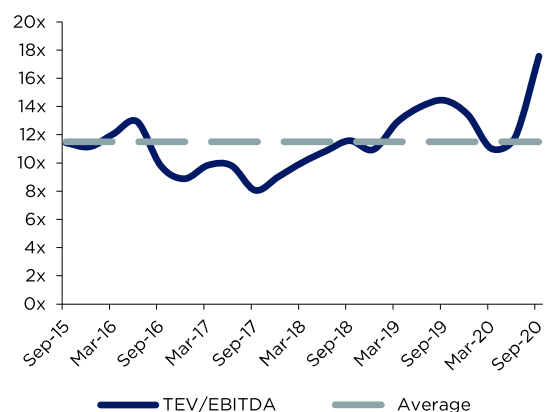
# Public Basket

Infosys

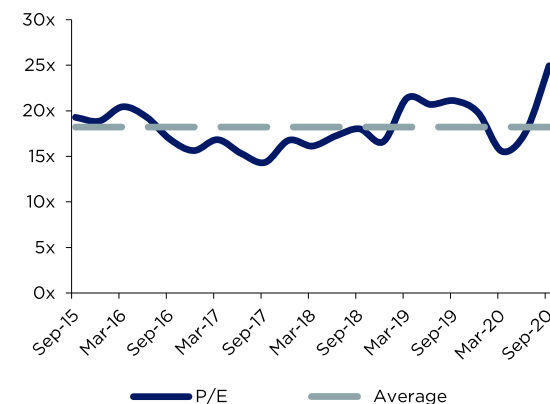
Revenue Multiples - Infosys



EBITDA Multiples - Infosys



P/E Multiples - Infosys



*Company Name*

*Date*

*Deal Synopsis*

GuideVision

14-Sep-20

The company reached a definitive agreement to be acquired by Infosys (NSE: INFY) for EUR 30 million on September 14, 2020. The acquisition will augment Infosys' portfolio of cloud services and help it build capabilities relevant to the digital priorities of its clients.

Kaleidoscope Innovation

03-Sep-20

The company reached a definitive agreement to be acquired by Infosys (NSE: INFY) for \$42 million on September 3, 2020. The acquisition further strengthens Infosys' digital offerings at the intersection of new software technologies and medical devices - a sector that is expected to witness significant investments and consumerisation in the post-Covid era.

### Tata Consultancy Services

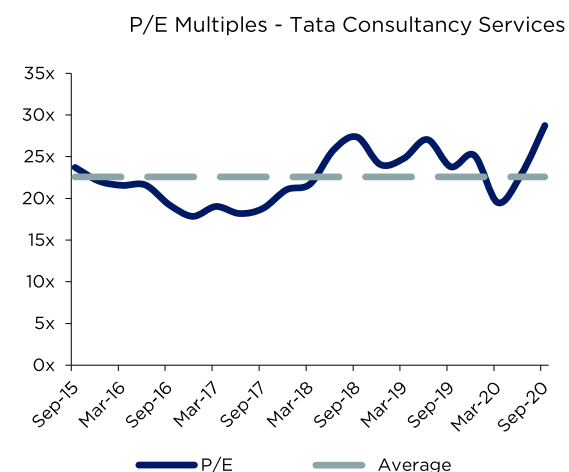
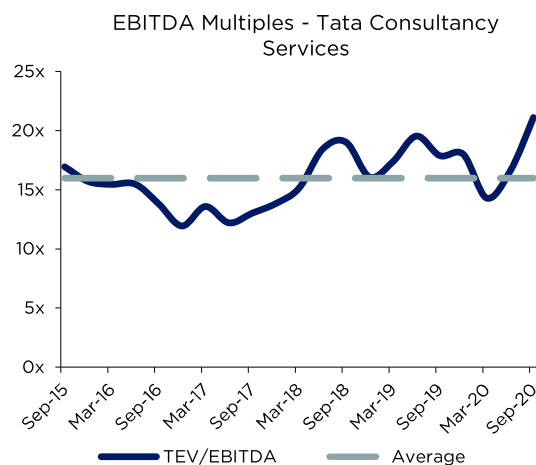
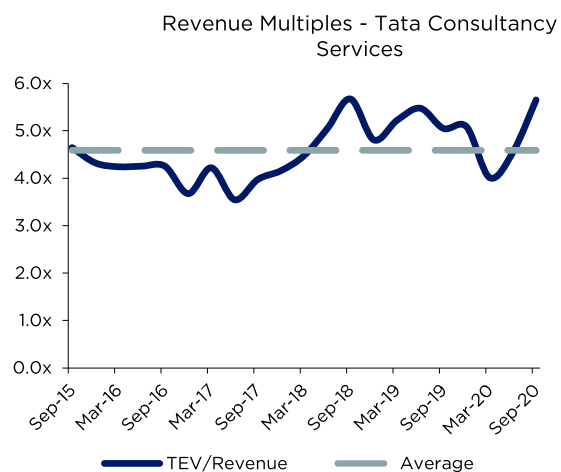
## **Tata Consultancy Services is India's largest IT services provider.**

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.

# Public Basket

Accenture

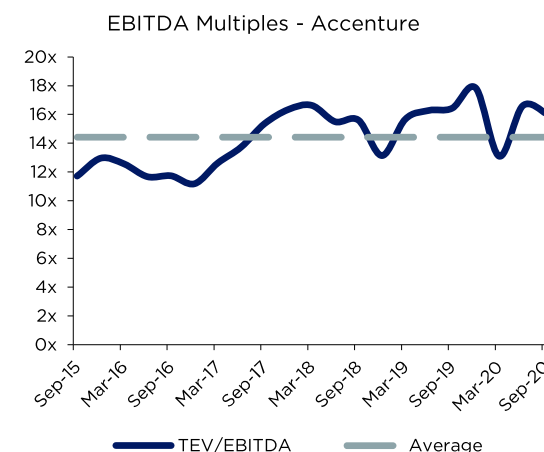
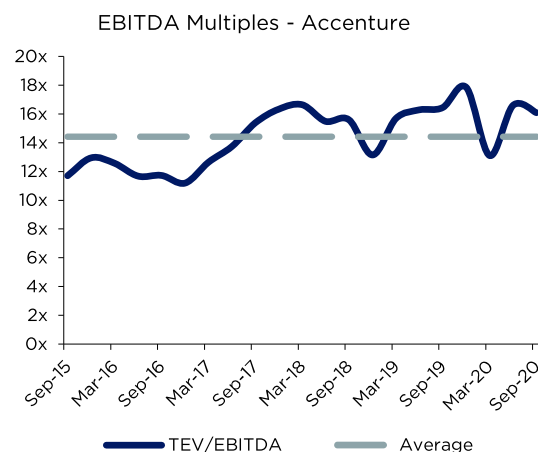
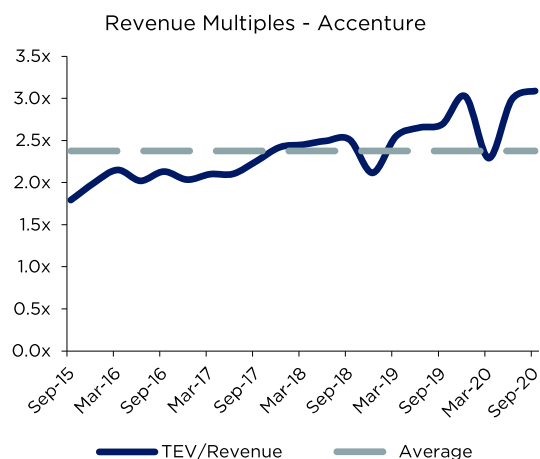
## Accenture

**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
CreativeDrive	13-Aug-20	The company was acquired by Accenture (NYS: ACN) for an undisclosed amount on August 13, 2020. The deal will complement Accenture's existing content, digital marketing, media and commerce service offerings
Organize Cloud Labs	10-Aug-20	The company was acquired by Accenture (NYS: ACN) for an undisclosed amount on August 10, 2020. The acquisition strengthens Accenture's broad range of technology offerings.

# Contact Info

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. Securities offered through 7M Securities LLC.



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