

7 Mile Advisors



# Sectorwatch: Digital Transformation

November 2020



# Digital Transformation

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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

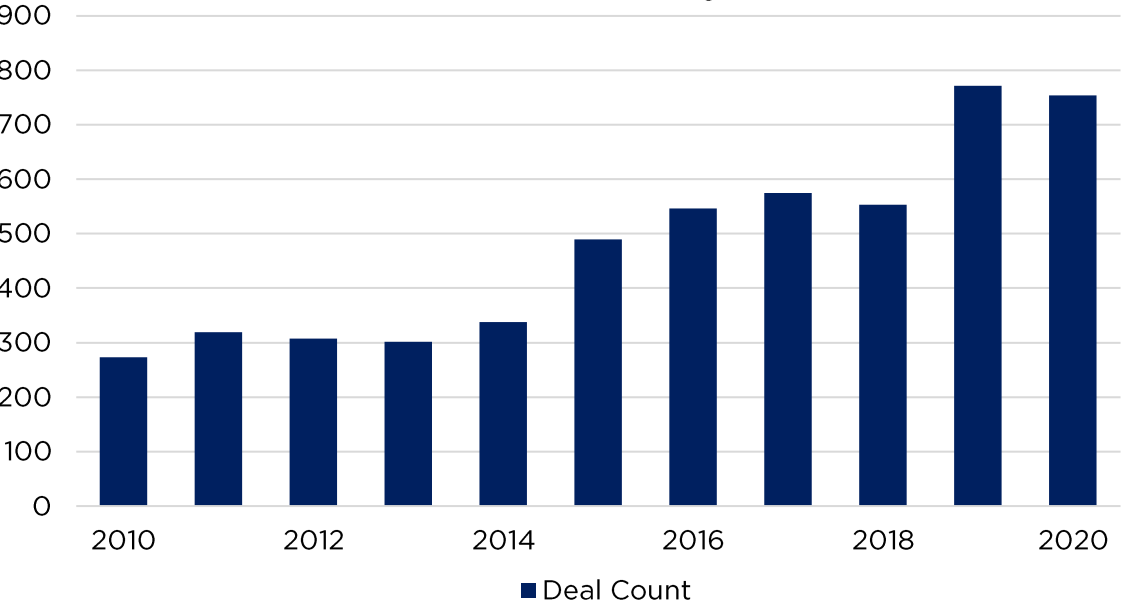
- The most recently announced deals in the sector

# Dashboard

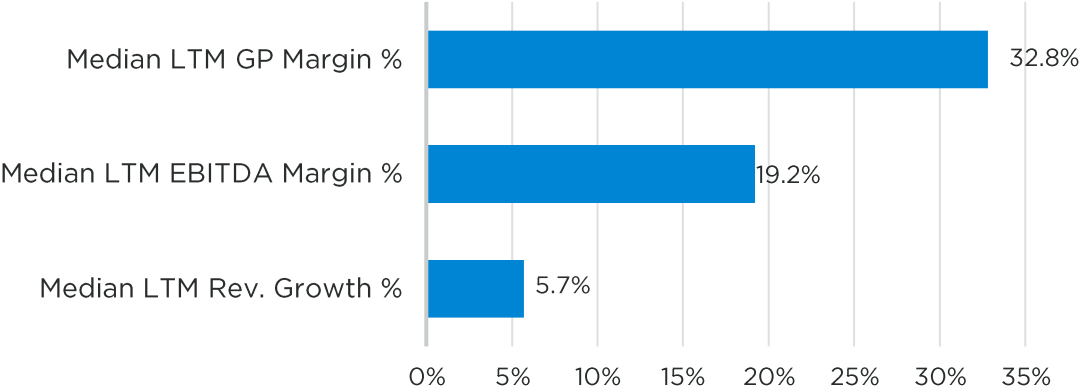
## REVENUE GROWTH MOMENTUM ↓ -1.3%

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

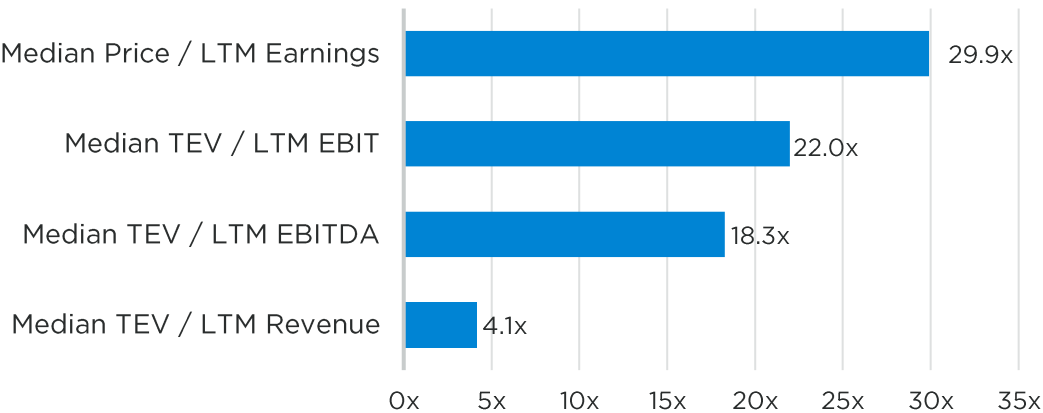
### M&A Activity



## Operating Metrics



## Valuation



# Public Basket Overview



Europe



United States



South America



Asia

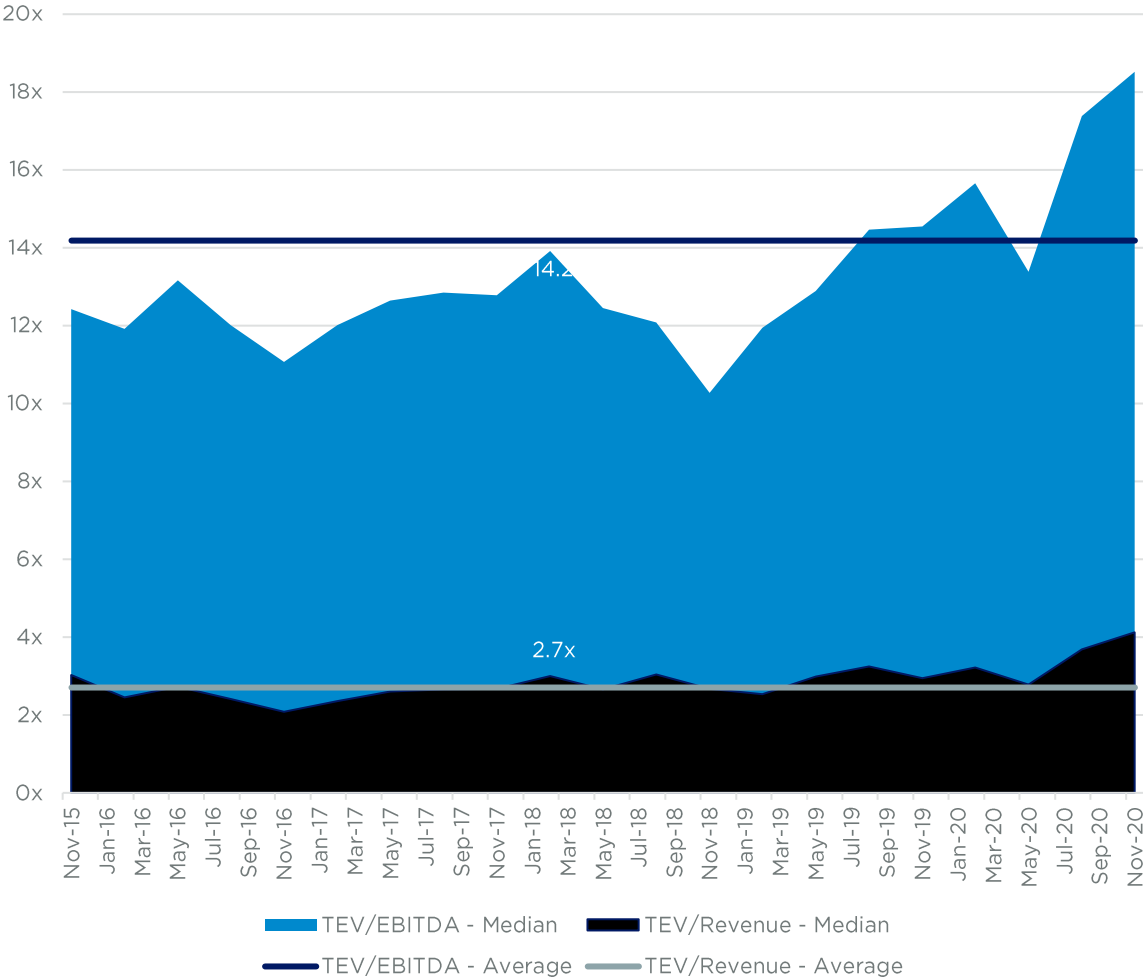


# Public Basket

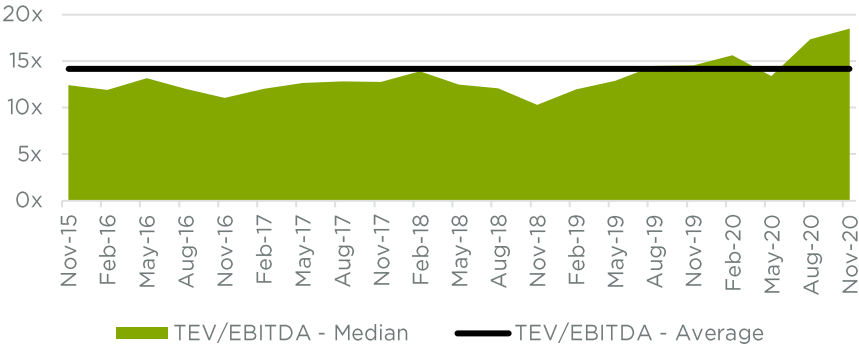
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Endava	3,727	98	463	19.7%	28.4%	21.2%	8.0x	37.8x	6,468	72
Globant	7,239	150	766	24.5%	37.2%	19.6%	9.5x	48.2x	12,500	61
WPP	18,562	2,487	15,676	4.4%	17.3%	15.9%	1.2x	7.5x	106,508	147
EPAM Systems	17,844	557	2,569	18.6%	34.7%	21.7%	6.9x	32.0x	36,739	70
Capgemini	30,241	2,579	16,253	7.0%	26.6%	15.9%	1.9x	11.7x	219,314	74
Cognizant Technology Solutions	40,182	3,002	16,752	0.7%	35.8%	17.9%	2.4x	13.4x	291,700	57
Infosys	62,382	3,323	12,873	3.9%	34.1%	25.8%	4.8x	18.8x	236,486	54
Accenture	151,458	8,292	44,327	2.6%	31.5%	18.7%	3.4x	18.3x	509,000	87
<b>Average</b>	41,454	2,561	13,710	10.2%	30.7%	19.6%	4.8x	23.5x	177,339	78
<b>Median</b>	24,401	2,533	14,274	5.7%	32.8%	19.2%	4.1x	18.5x	162,911	71

share price as of 24Nov20

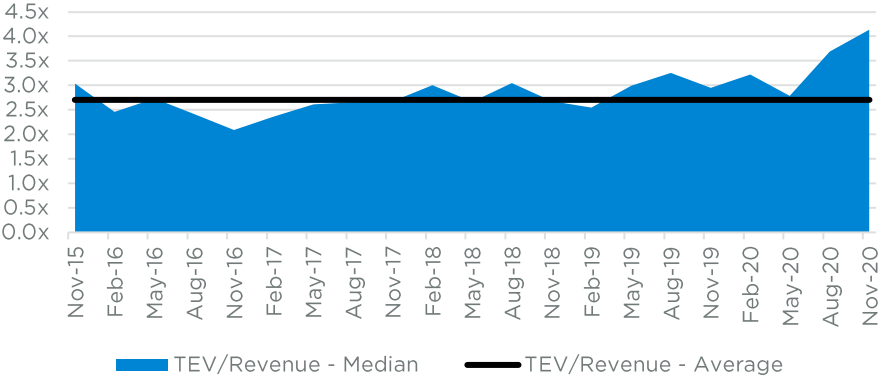
# Public Basket



Public EBITDA Multiples over Time

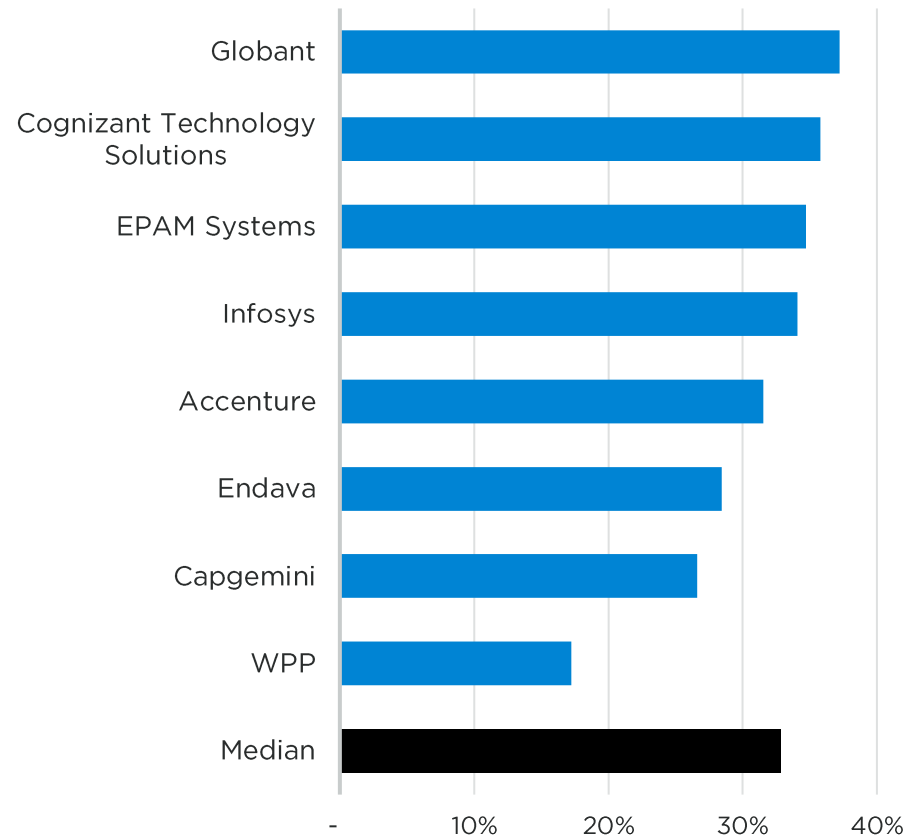


Public Revenue Multiples over Time

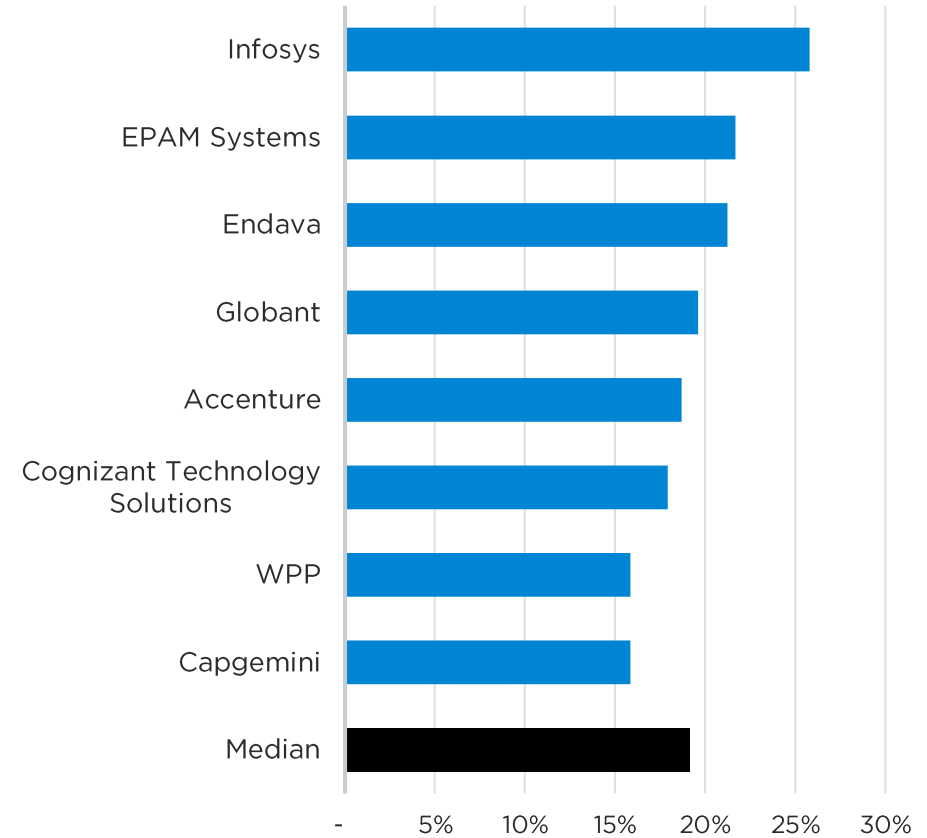


# Operational Metrics

LTM Gross Profit Margin %

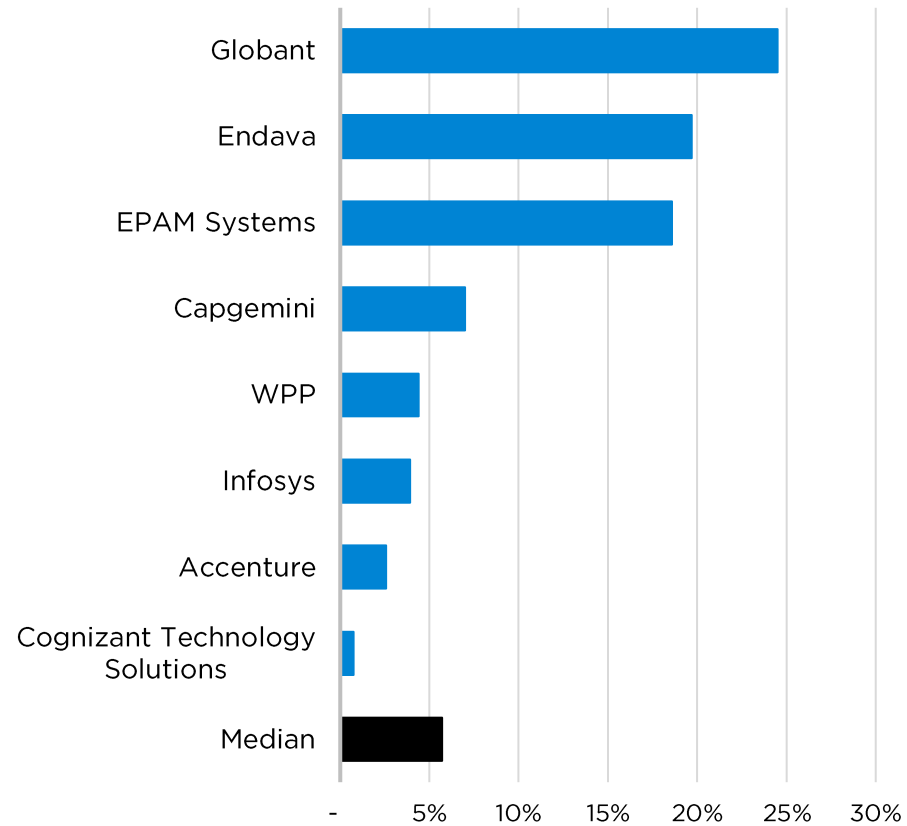


LTM EBITDA %

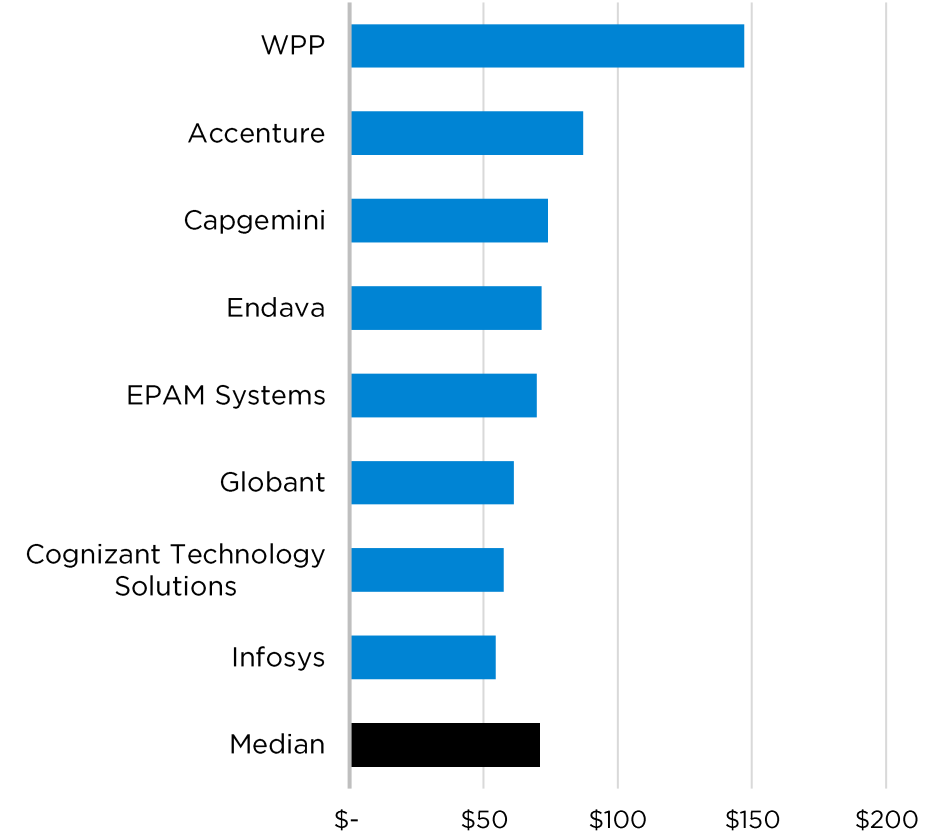


# Operational Metrics

LTM Revenue Growth %

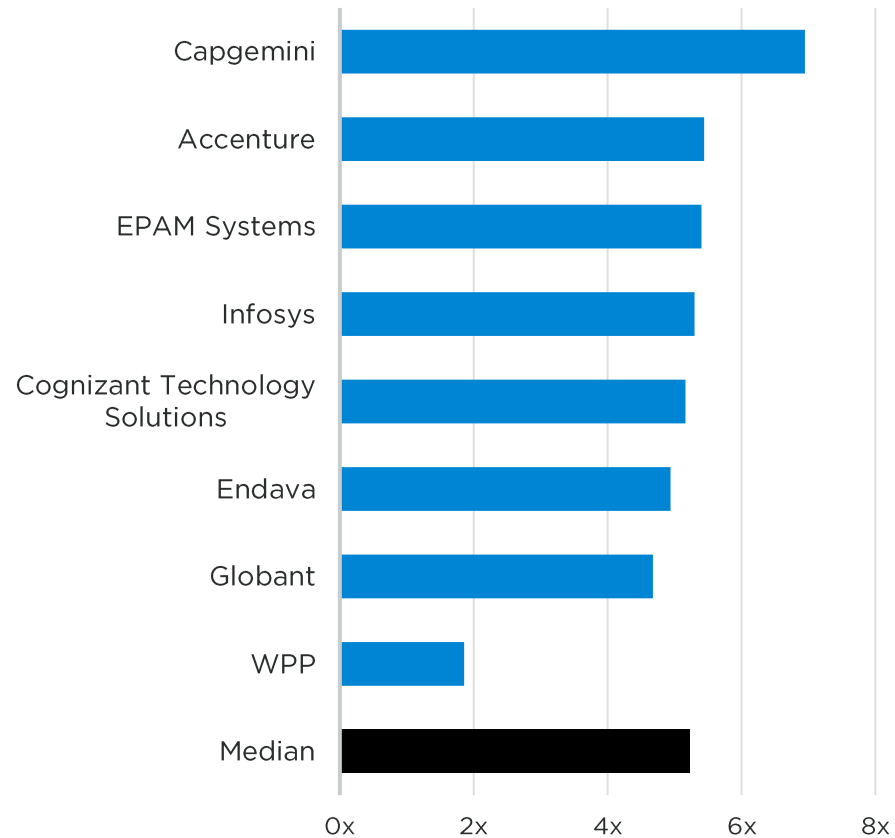


LTM Revenue per Full Time Employee x 000's

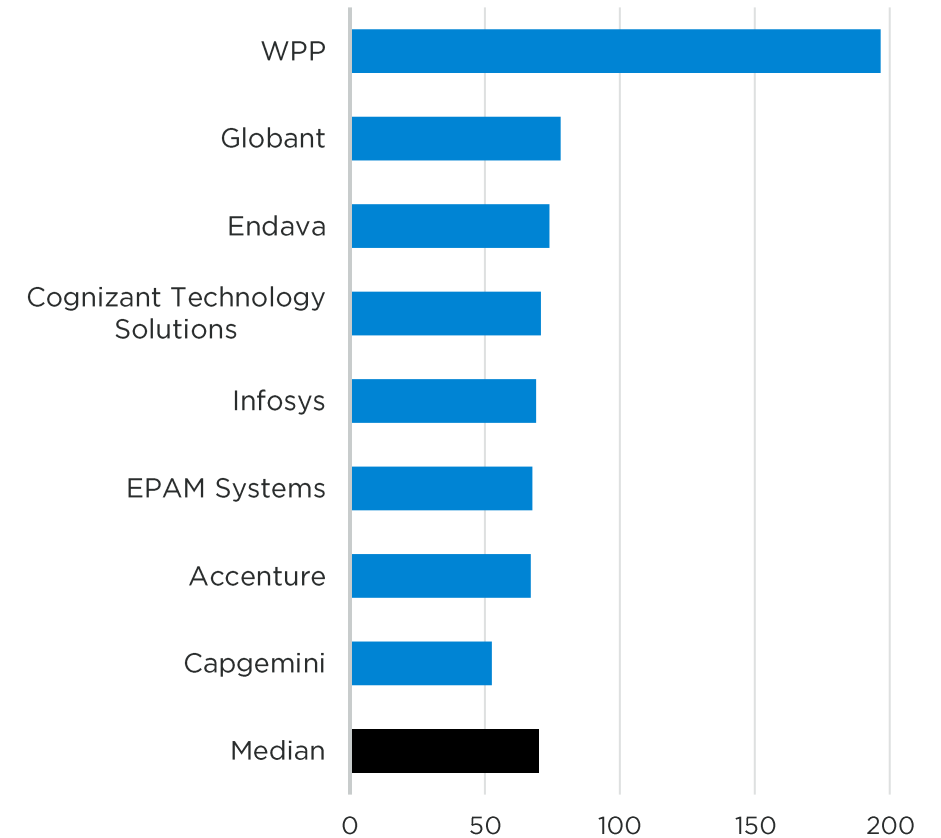


# Operational Metrics

## Accounts Receivable Turnover

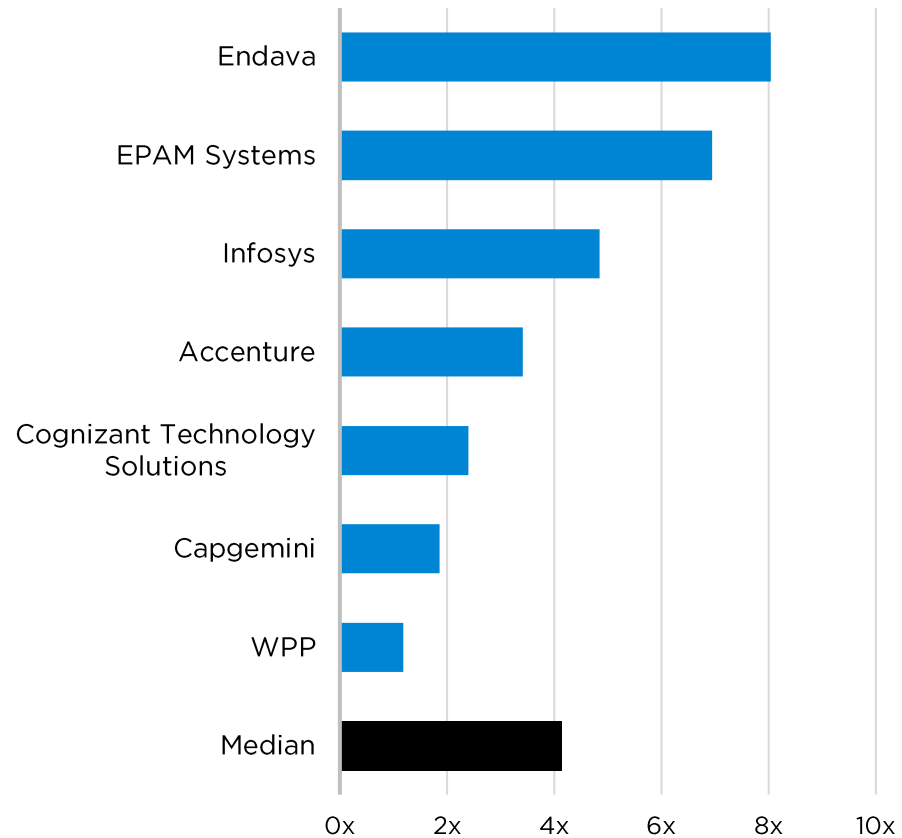


## Average Days Sales Outstanding

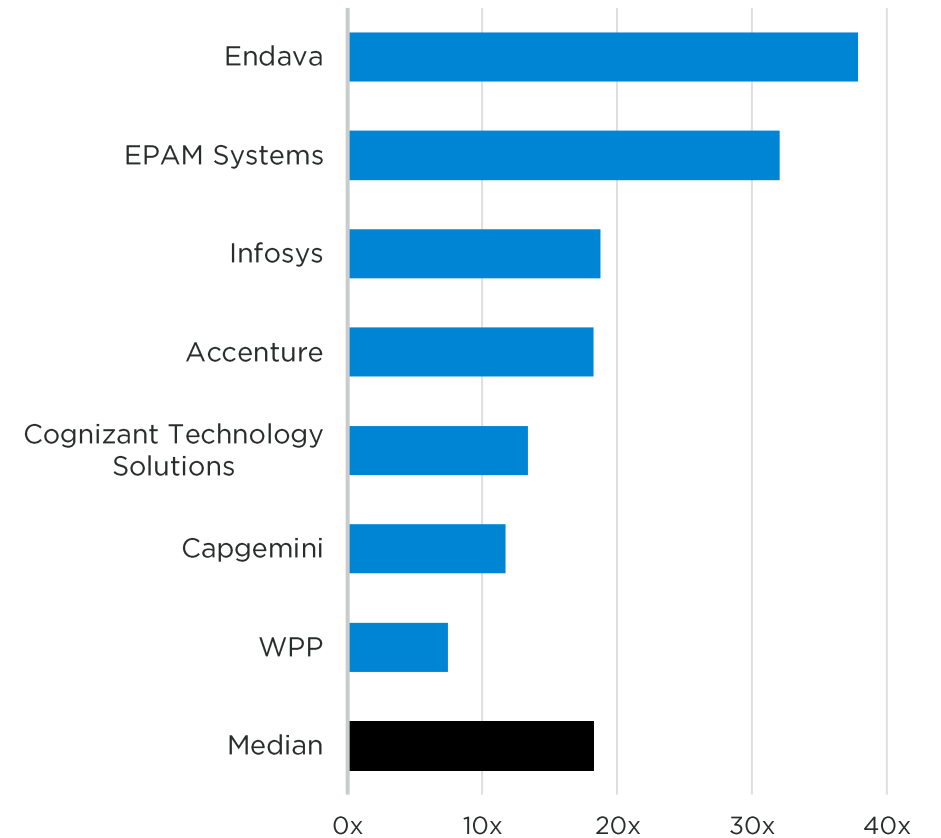


# Valuation

TEV / LTM Revenue

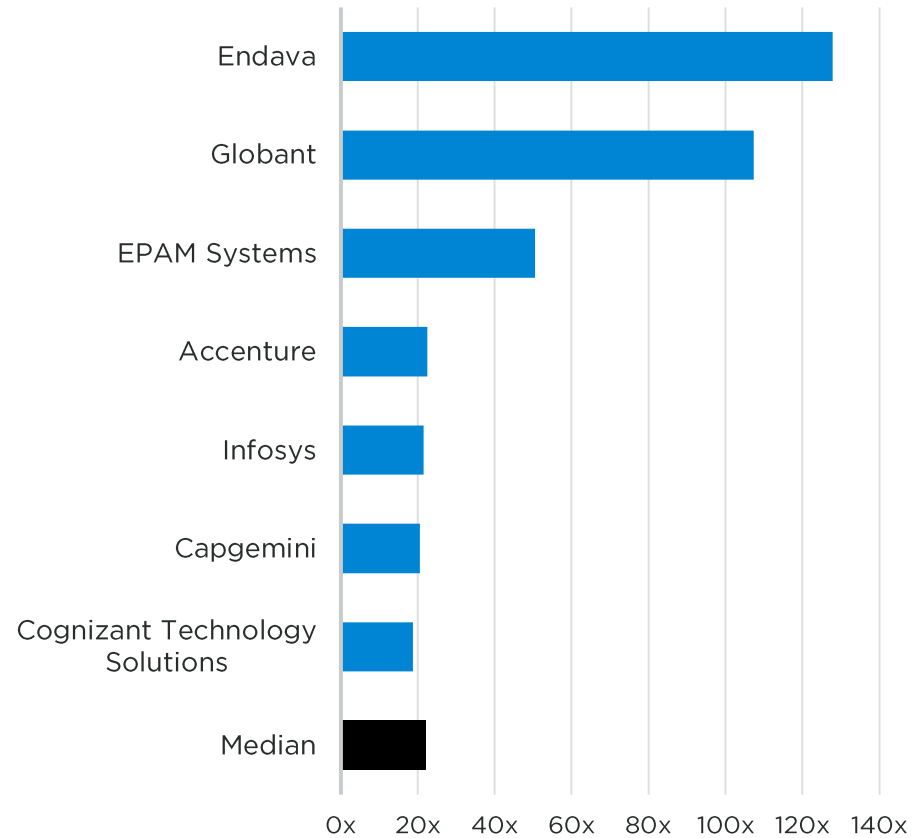


TEV / LTM EBITDA

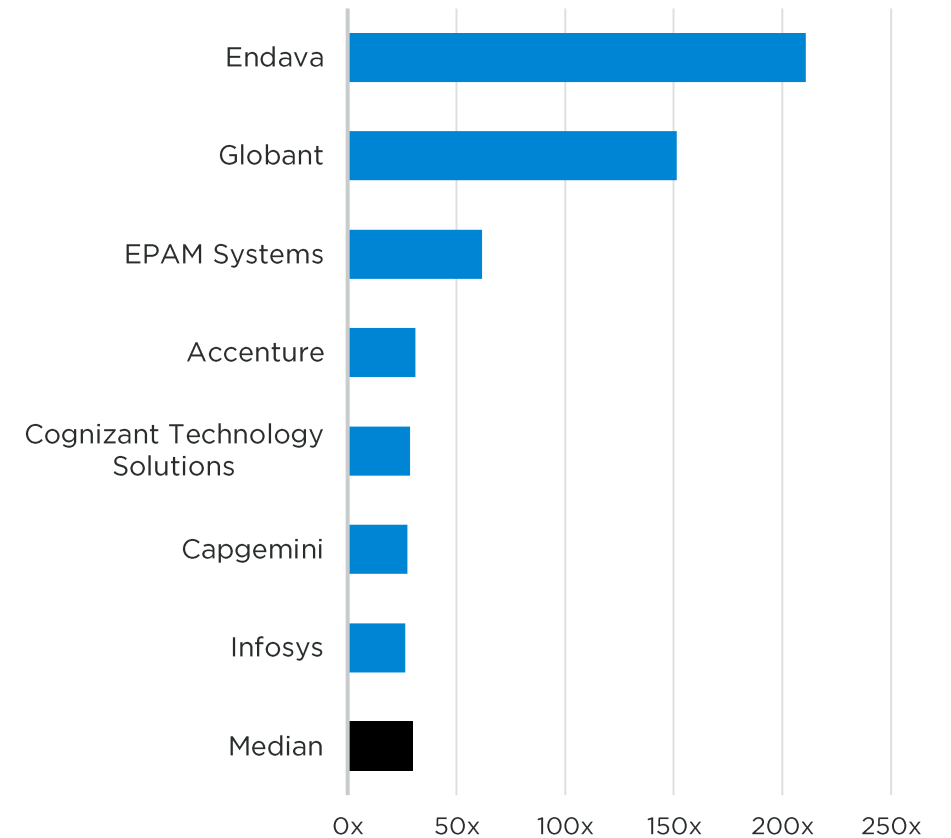


# Valuation

TEV / LTM EBIT

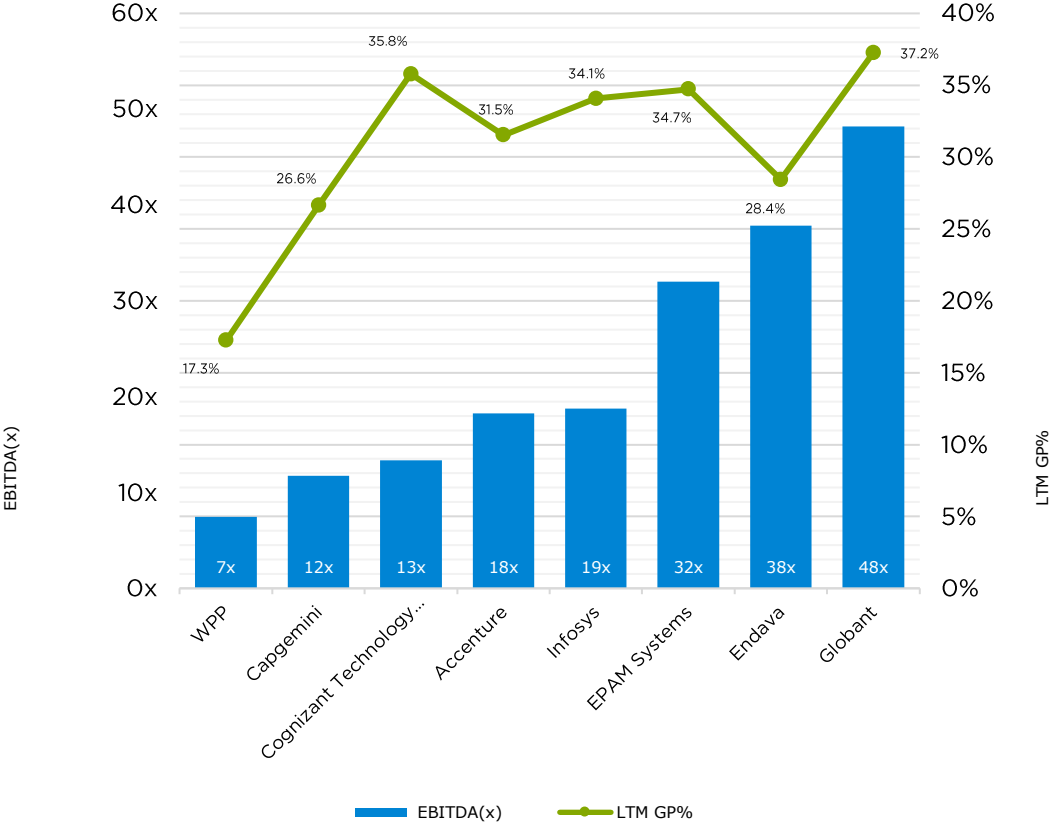


Price / LTM Earnings

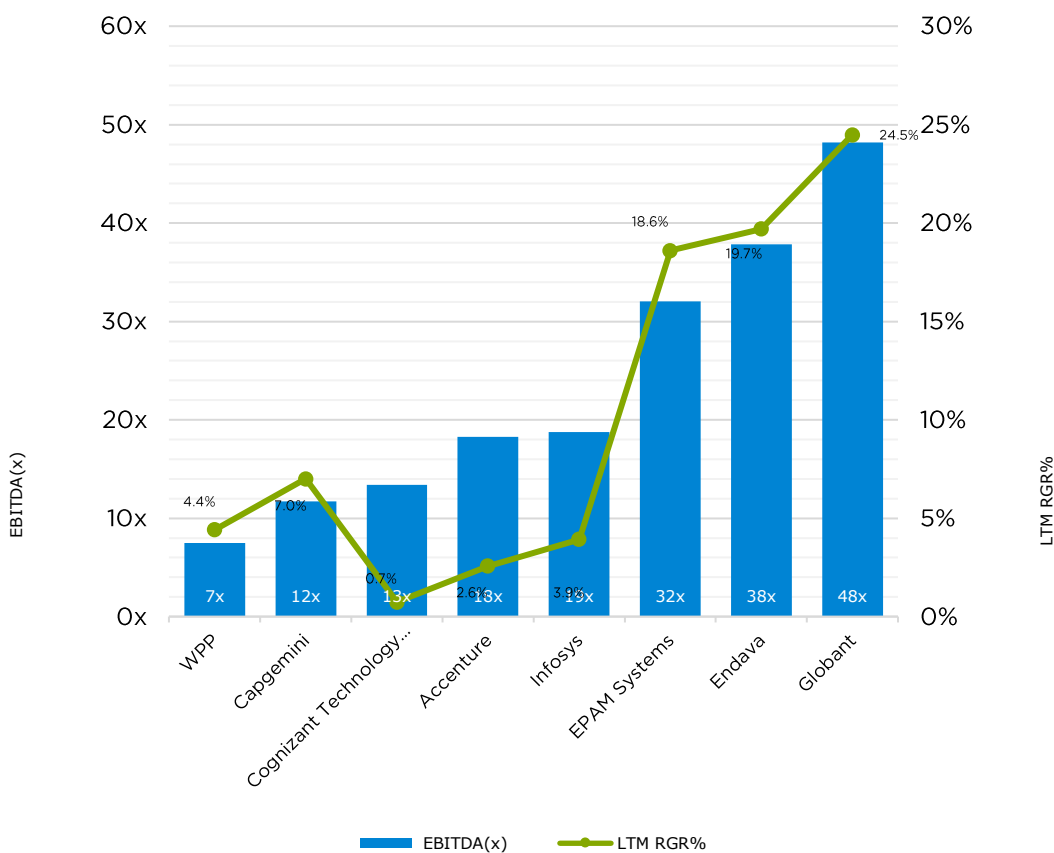


# Valuation

Historical Valuation Multiples  
versus Gross Profit



Historical Valuation Multiples  
versus Revenue Growth Rate



# Recent Transactions

Date	Target	Buyer	Total Transaction Amount	Target Revenue	TEV / Revenue	TEV / EBITDA
24-Nov-20	Nuaware	Exclusive Networks	-	-	-	-
23-Nov-20	ECS Group	ACE & Company	-	-	-	-
19-Nov-20	Datalytx	Mphasis	-	-	-	-
19-Nov-20	Datamobile	Montagu Private Equity	-	-	-	-
19-Nov-20	G2SF	Gunnison Consulting Group	-	-	-	-
19-Nov-20	Lane (United Kingdom)	Dura Software	-	-	-	-
19-Nov-20	Sinu	Electric (Business/Productivity Software)	-	-	-	-
18-Nov-20	Avista (U.S.)	AE Industrial Partners	-	-	-	-
18-Nov-20	Mango Solutions (London)	Ascent Software	-	-	-	-
17-Nov-20	DeFY Security	Sverica Capital Management	-	-	-	-
17-Nov-20	ImageSoft	i3 Verticals	-	-	-	-
17-Nov-20	Jitterbit	Audax Group	-	-	-	-
17-Nov-20	Mutually Human	Century Technology Group	-	-	-	-
17-Nov-20	StormForger	StormForge	-	-	-	-
17-Nov-20	Zywave	Clearlake Capital Group	900.00	-	-	-
16-Nov-20	Dolphin Design	Silvaco	-	-	-	-
16-Nov-20	Interactive Business Systems	Cleo Capital	-	-	-	-
12-Nov-20	Commerce Decisions	Harris Computer	-	-	-	-
12-Nov-20	Minerva Engineering	ManTech International	-	-	-	-
12-Nov-20	MissionTech Solutions	Avantus Federal	-	-	-	-
12-Nov-20	USPCNET	Executech	-	-	-	-
12-Nov-20	Xiomega Consulting	Keyrus	-	-	-	-
11-Nov-20	Curvature (North Carolina)	Charlesbank Capital Partners	-	-	-	-
11-Nov-20	Neos Software Development	Groupe Open	-	-	-	-
10-Nov-20	Babble Cloud	Graphite Capital Management	-	-	-	-
10-Nov-20	Eagle Creek Software Services	Atos	-	-	-	-
10-Nov-20	Quadrotech	Elliott Management	-	-	-	-
09-Nov-20	20/20 Teknology	Bagnols Family Office Investment Partners	-	-	-	-
09-Nov-20	ITverket	Bertel O. Steen Kapital	-	-	-	-

# Appendix

*Public Basket  
Contact Information*



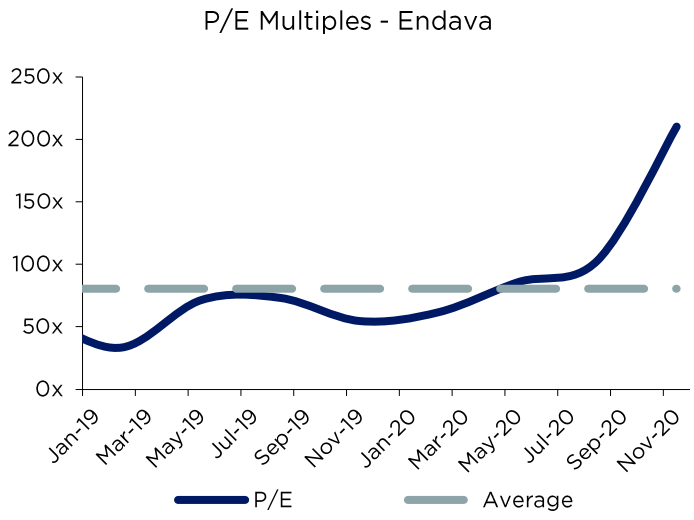
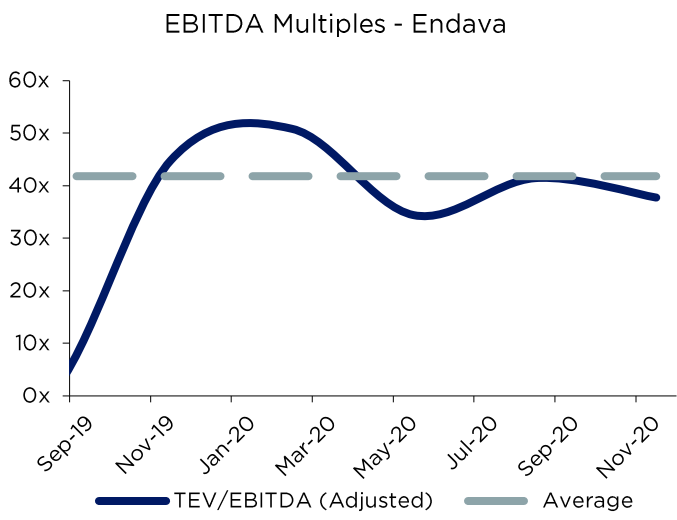
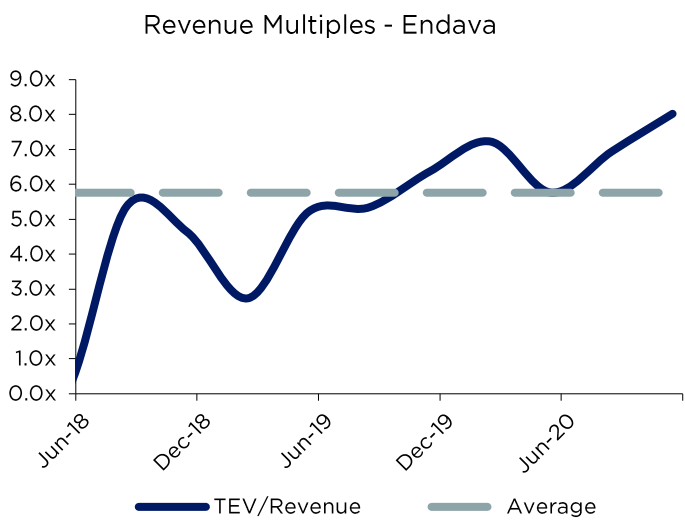
## Endava

### **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.

Globant

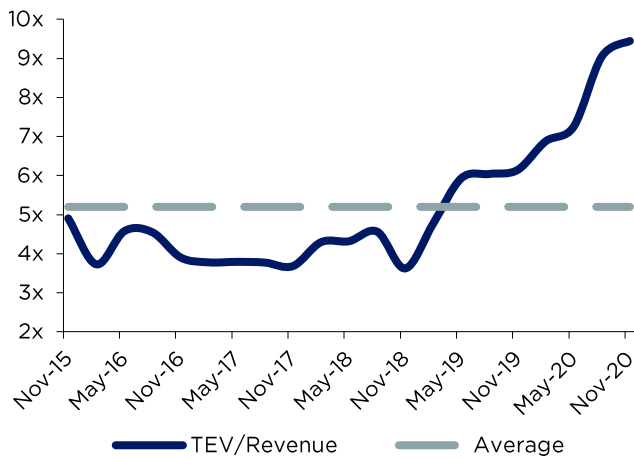
## **Globant SA is a software technology developer based in Luxemburg.**

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.

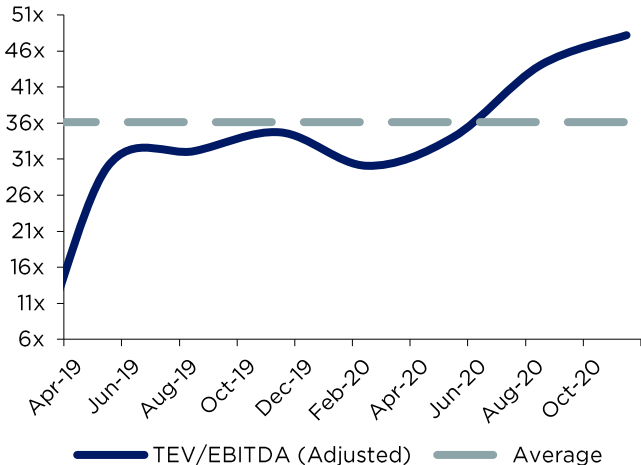
# Public Basket

Globant

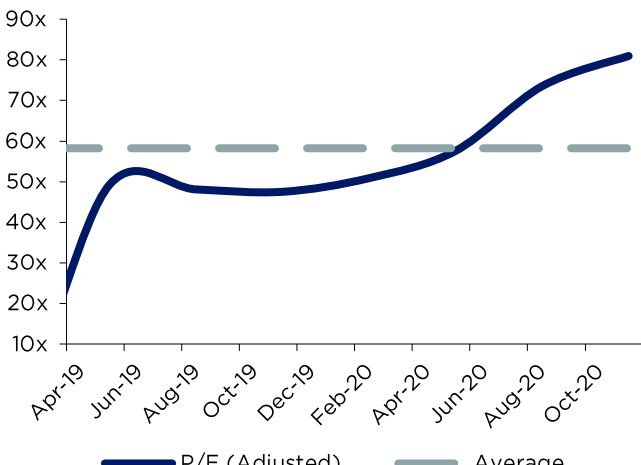
Revenue Multiples - Globant



EBITDA Multiples - Globant



P/E Multiples - 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.

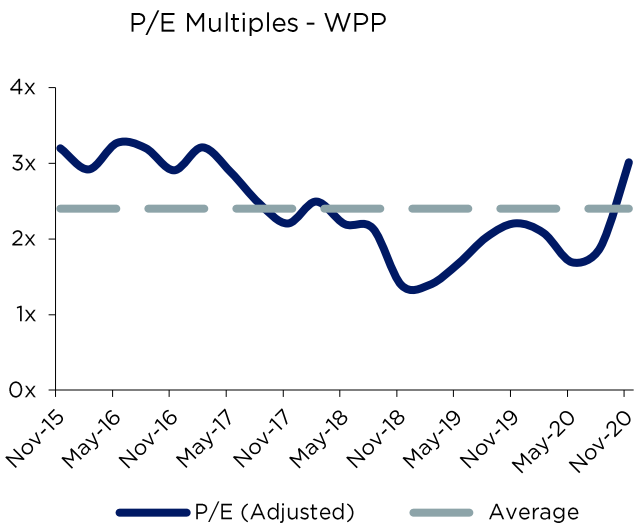
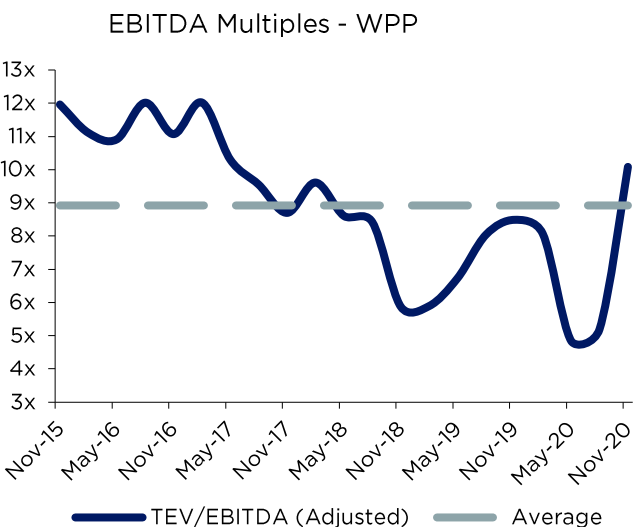
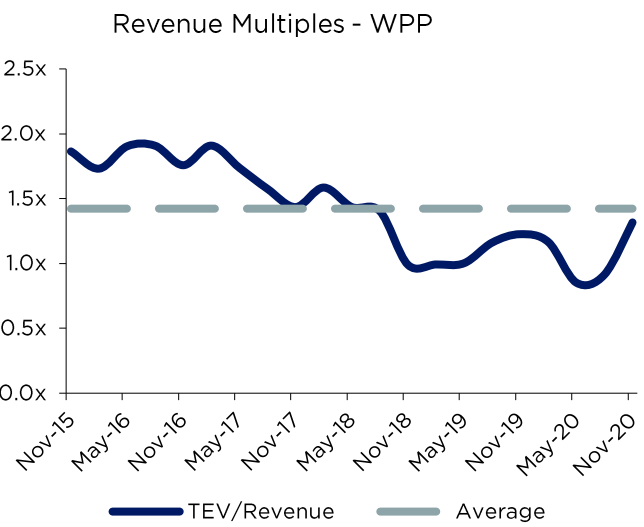
## WPP

**Headquartered in the U.K., WPP is the world's largest ad holding company, based on annual revenues.**

WPP's services, which include traditional and digital advertising, public relations, and consulting, are provided worldwide, with over 70% of its revenue coming from more developed regions such as the North America, U.K., and Western Europe.

# Public Basket

WPP



Company Name	Date	Deal Synopsis
Sandtable	05-Mar-20	The company was acquired by WPP (LON: WPP) for an undisclosed amount on March 5, 2020. The acquisition is in line with WPP's strategy to deepen its technology offer by further strengthening its investment and innovation in data science.
The&Partnership	12-Feb-20	The company was acquired by WPP (LON: WPP) for approximately GBP 30 million from Mr. Johnny Hornby and other senior members on February 12, 2020. With this acquisition WPP will in future be allocated a larger part of the agency's profits.

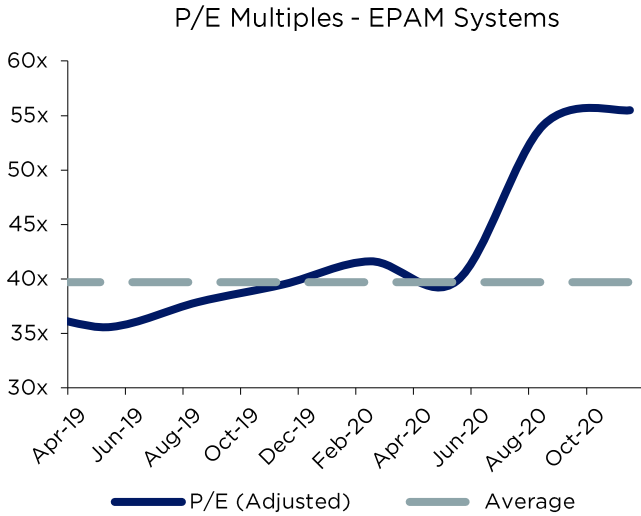
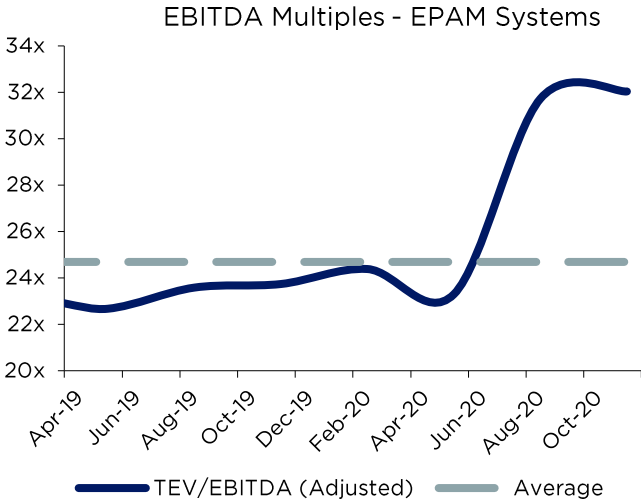
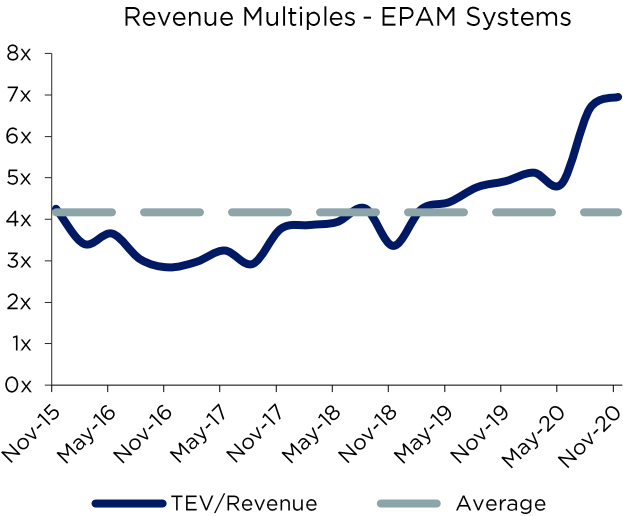
### EPAM Systems

## EPAM Systems Inc provides software product development and digital platform engineering

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

# Public Basket

## EPAM Systems



Company Name	Date	Deal Synopsis
Deltix Labs	20-Mar-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.
migVisor	05-Nov-19	The company was acquired by EPAM Systems (NYS: EPAM) for an undisclosed amount on November 5, 2019.

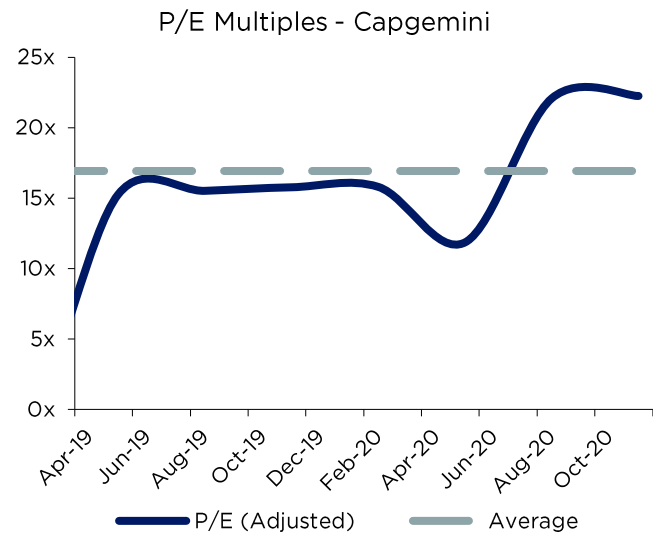
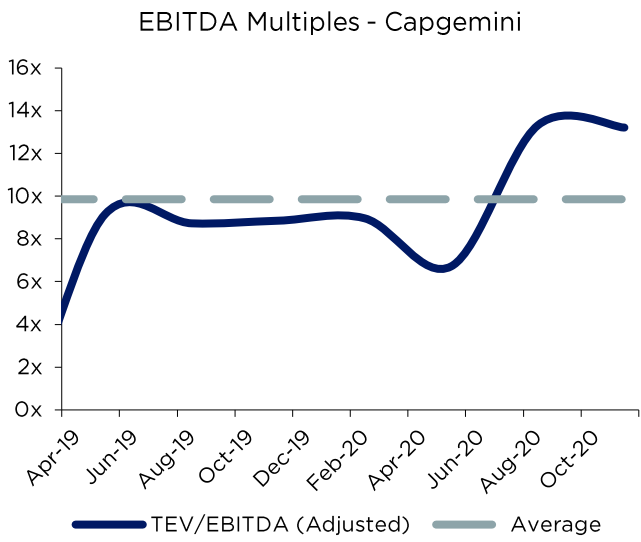
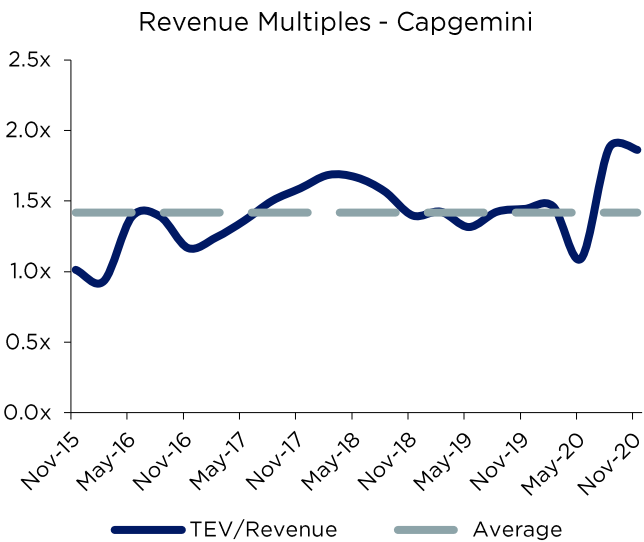
## Capgemini

**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.

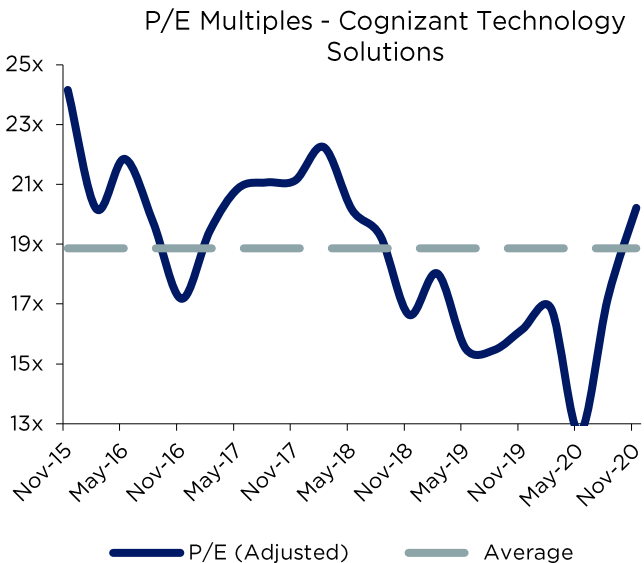
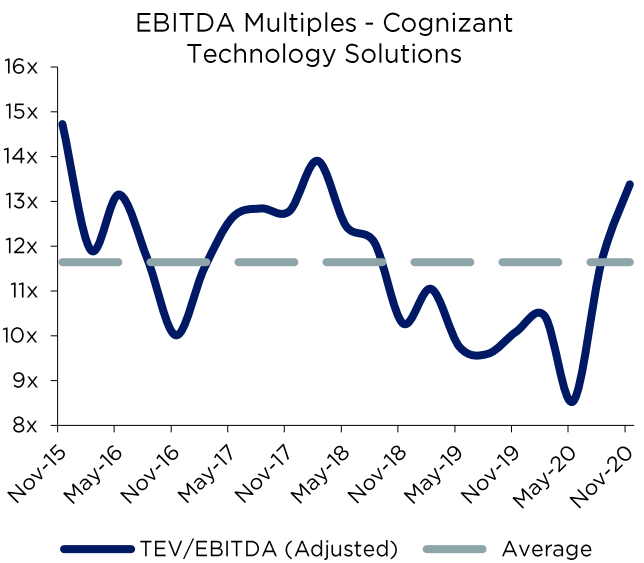
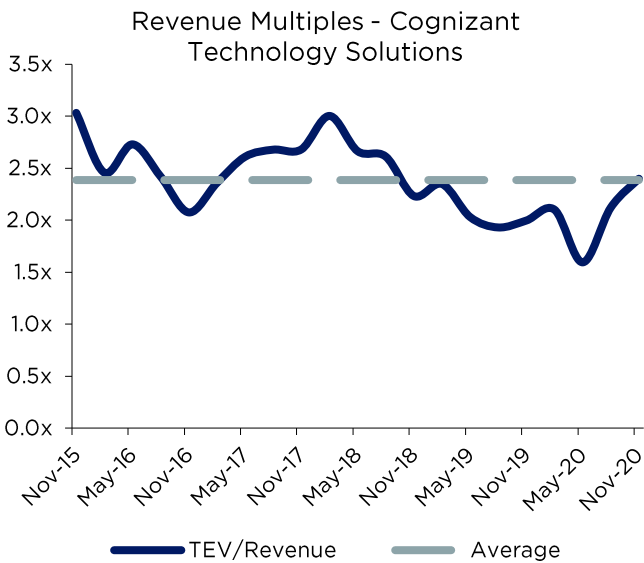
### Cognizant Technology Solutions

**Cognizant is a global IT services provider, offering consulting and outsourcing services to some of the world's largest enterprises spanning the**

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
El-Technologies	02-Jun-20	The company was acquired by Cognizant Technology Solutions (NAS: CTSI) for an undisclosed amount on June 2, 2020.
Collaborative Solutions	10-Jun-20	The company was acquired by Cognizant Technology Solutions (NAS: CTSI) for \$400 million on June 10, 2020. The company will receive a maximum contingent payout of \$54 million upon the completion of certain performance thresholds. The deal will enable Cognizant to add new finance and HR advisory and implementation services to its cloud offerings.

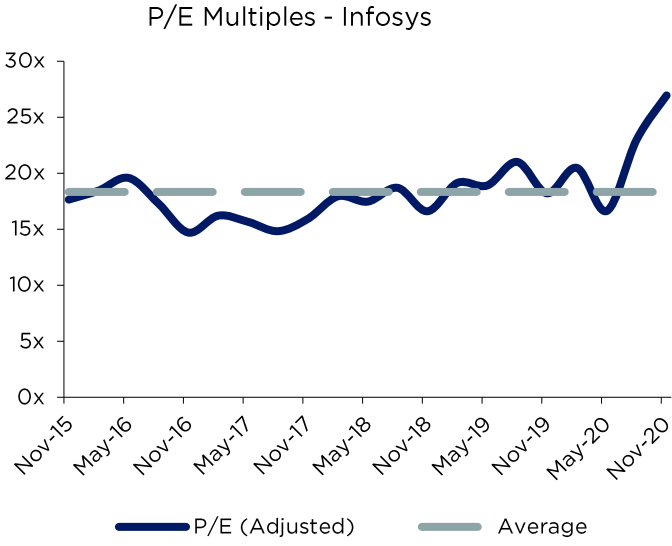
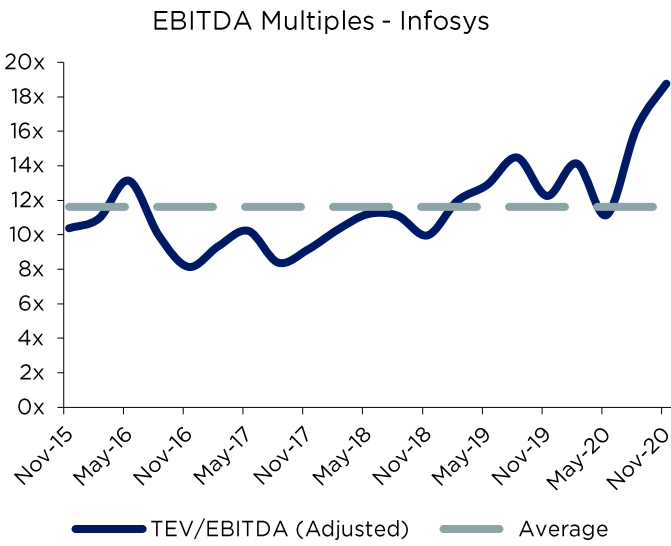
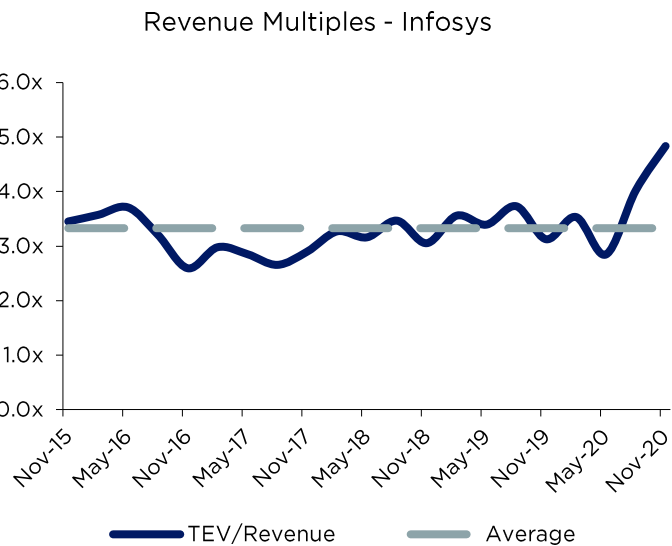
## Infosys

### **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.

## Accenture

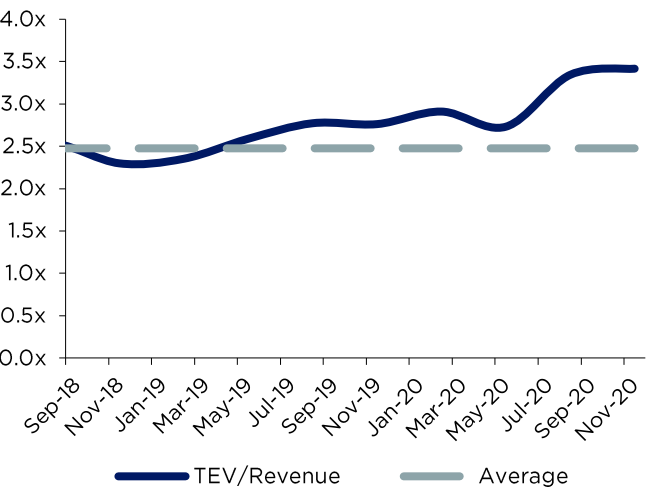
**Accenture is a leading global IT services firm that provides consulting, strategy, and technology and operational services.**

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.

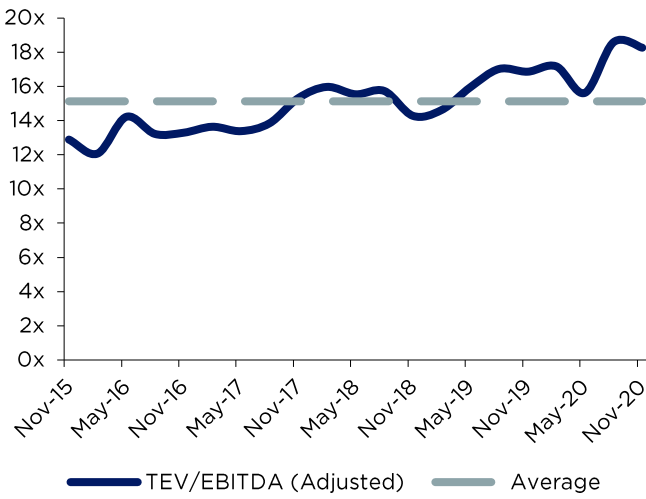
# Public Basket

Accenture

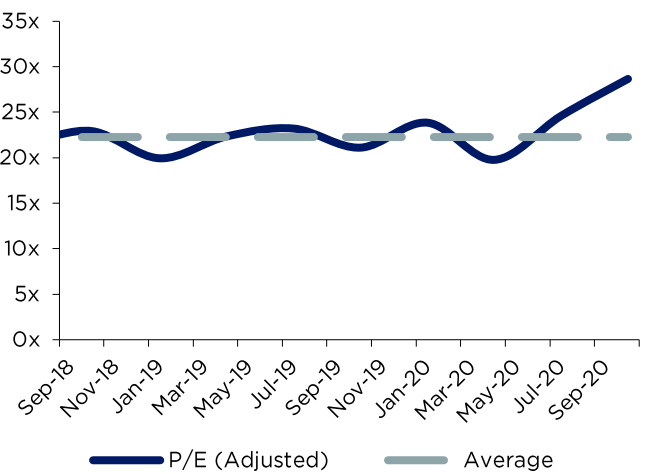
Revenue Multiples - Accenture



EBITDA Multiples - Accenture



P/E Multiples - Accenture



Company Name	Date	Deal Synopsis
PLM Systems	03-Aug-20	The company was acquired by Accenture (NYS: ACN) for an undisclosed amount on August 3, 2020. The acquisition will boost Accenture's capabilities and presence in the market for digital engineering services.
Byte Prophecy	18-May-20	The company was acquired by Accenture (NYS: ACN) for an undisclosed amount on May 18, 2020. The acquisition helps to improve speed and agility of delivering advanced analytics, data and AI solutions to enterprises.

# Contact Info

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