

7 Mile Advisors



Sectorwatch: IT Consulting

November 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.

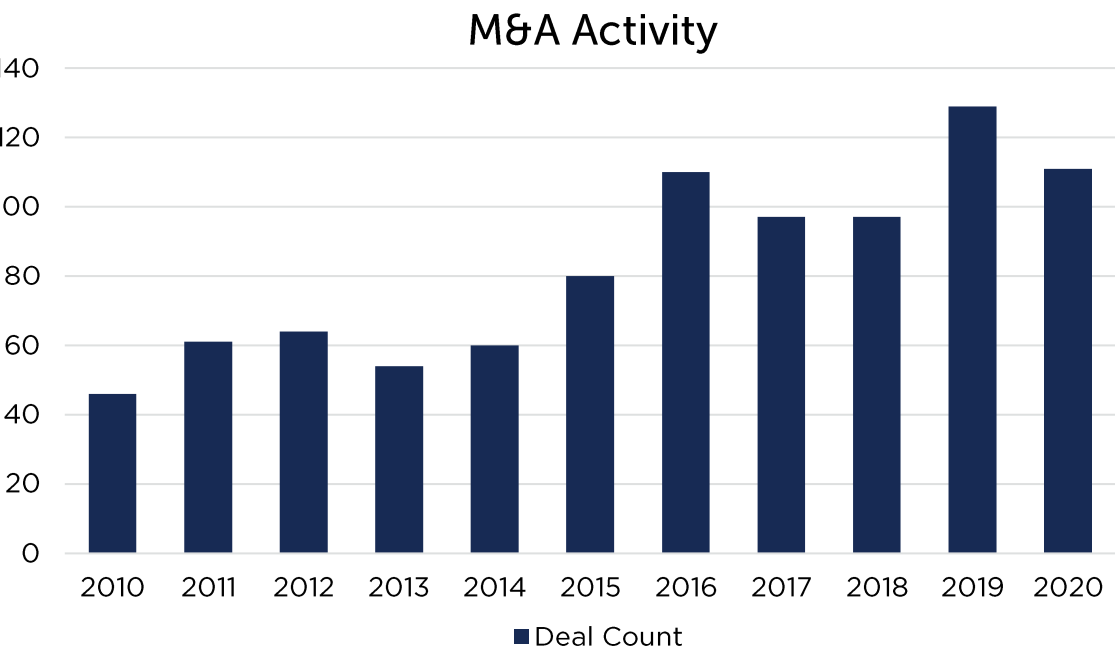
RECENT DEALS

- The most recently announced deals in the sector

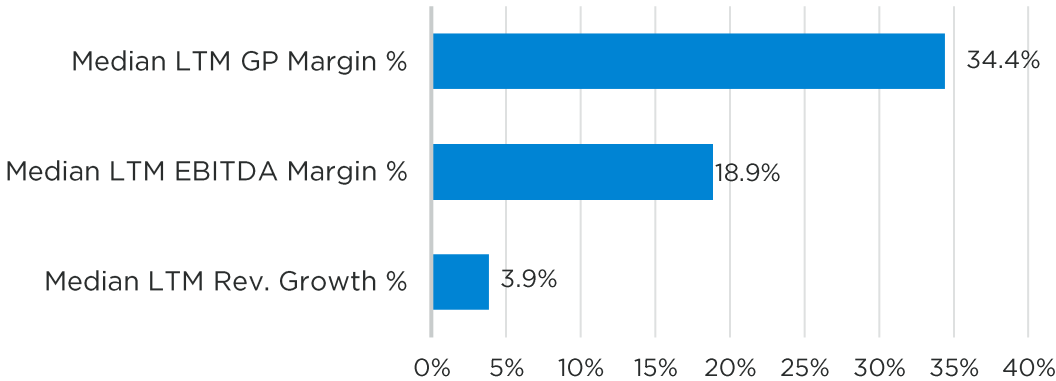
Dashboard

REVENUE GROWTH MOMENTUM ↓ -3.2%

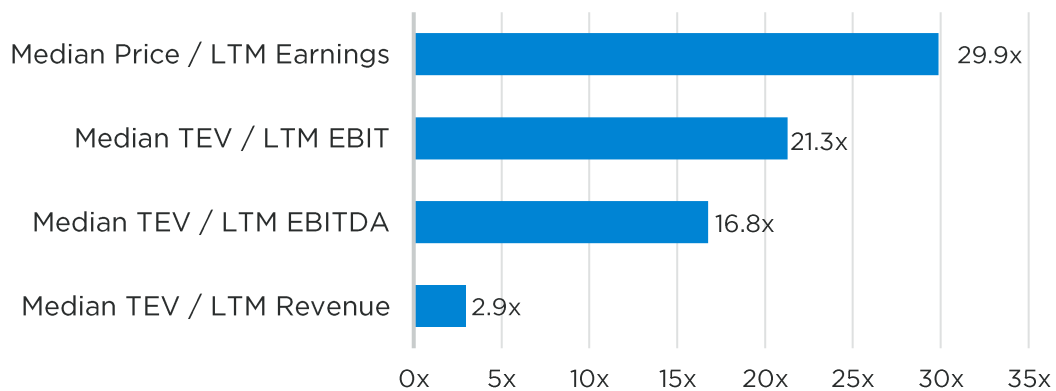
1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining



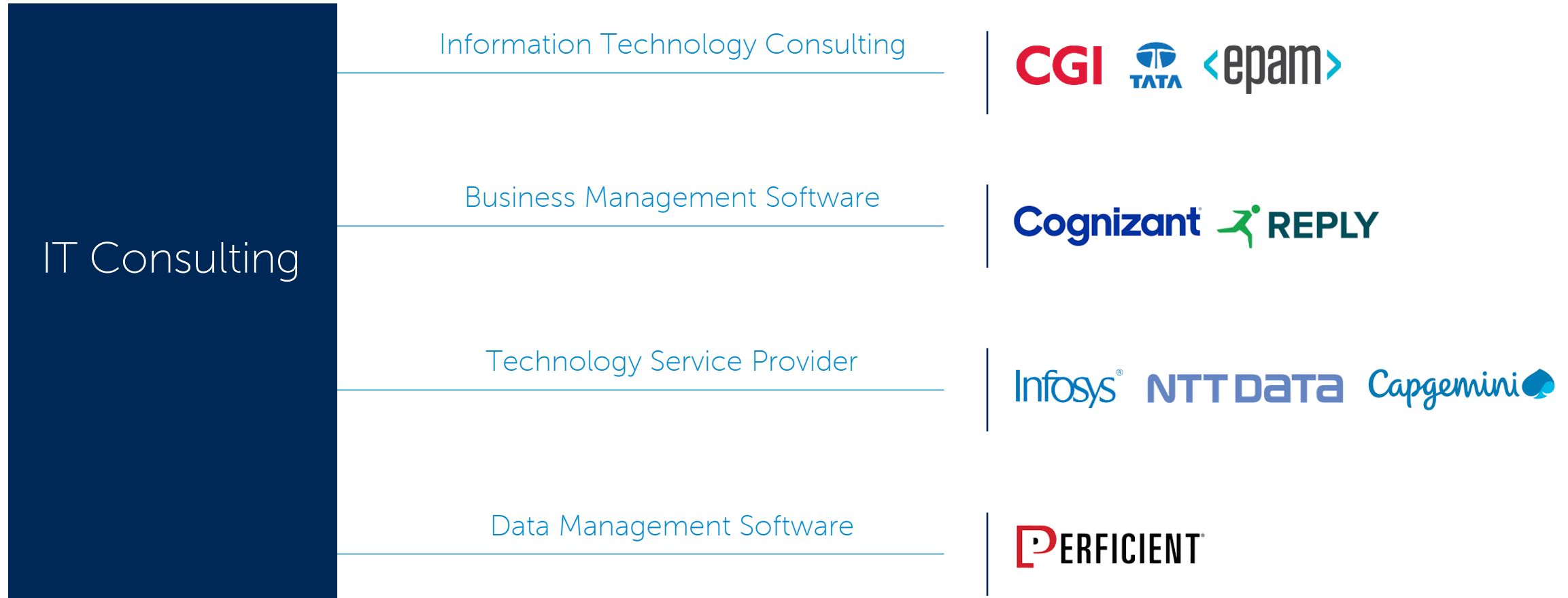
Operating Metrics



Valuation



Public Basket Overview

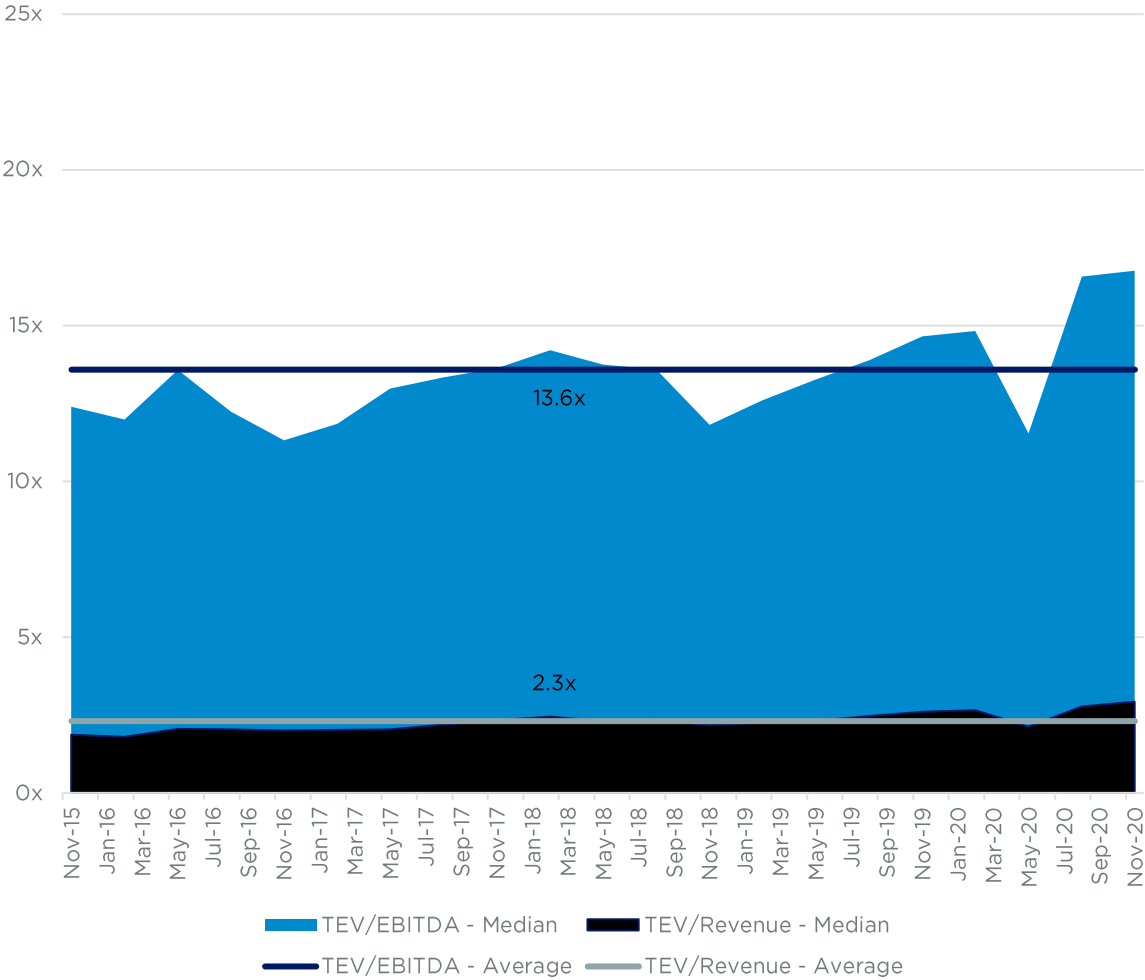


Public Basket

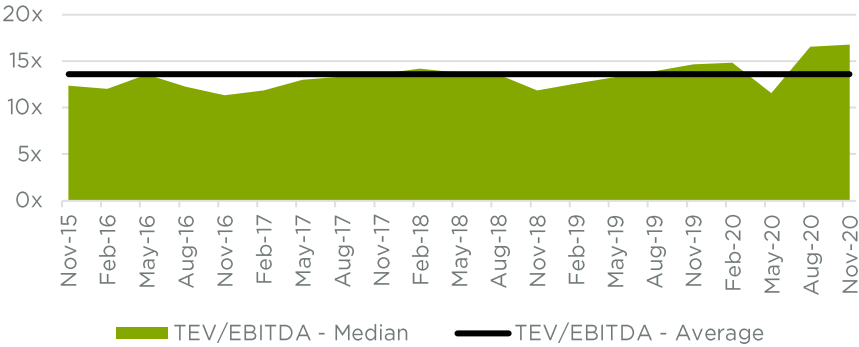
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Accenture	151,458	8,292	44,327	2.6%	31.5%	18.7%	3.4x	18.3x	513,000	86
Tata Consultancy Services	132,385	5,781	21,485	3.8%	43.1%	26.9%	6.2x	22.9x	450,738	48
Infosys	62,382	3,323	12,873	3.9%	34.1%	25.8%	4.8x	18.8x	242,371	53
Cognizant Technology Solutions	40,182	3,002	16,752	0.7%	35.8%	17.9%	2.4x	13.4x	281,200	60
Capgemini	30,241	2,579	16,253	7.0%	26.6%	15.9%	1.9x	11.7x	265,073	61
NTT Data	23,295	3,153	21,035	2.3%	25.3%	15.0%	1.1x	7.4x	136,464	154
CGI Group	20,548	1,782	9,087	2.1%	19.0%	19.6%	2.3x	11.5x	77,500	117
EPAM Systems	17,844	557	2,569	18.6%	34.7%	21.7%	6.9x	32.0x	36,739	70
Reply	4,039	214	1,371	6.7%	49.2%	15.6%	2.9x	18.8x	8,157	168
Perficient	1,730	113	595	7.7%	37.7%	19.1%	2.9x	15.3x	3,454	172
Average	48,410	2,880	14,635	5.5%	33.7%	19.6%	3.5x	17.0x	201,470	99
Median	26,768	2,790	14,563	3.9%	34.4%	18.9%	2.9x	16.8x	189,418	78

share price as of 24Nov20

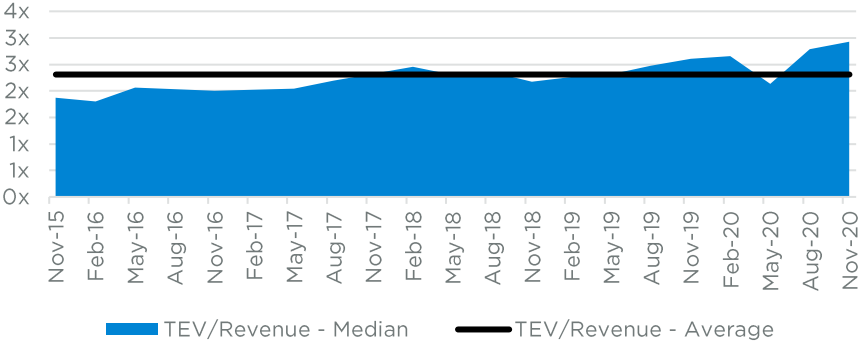
Public Basket



Public EBITDA Multiples over Time

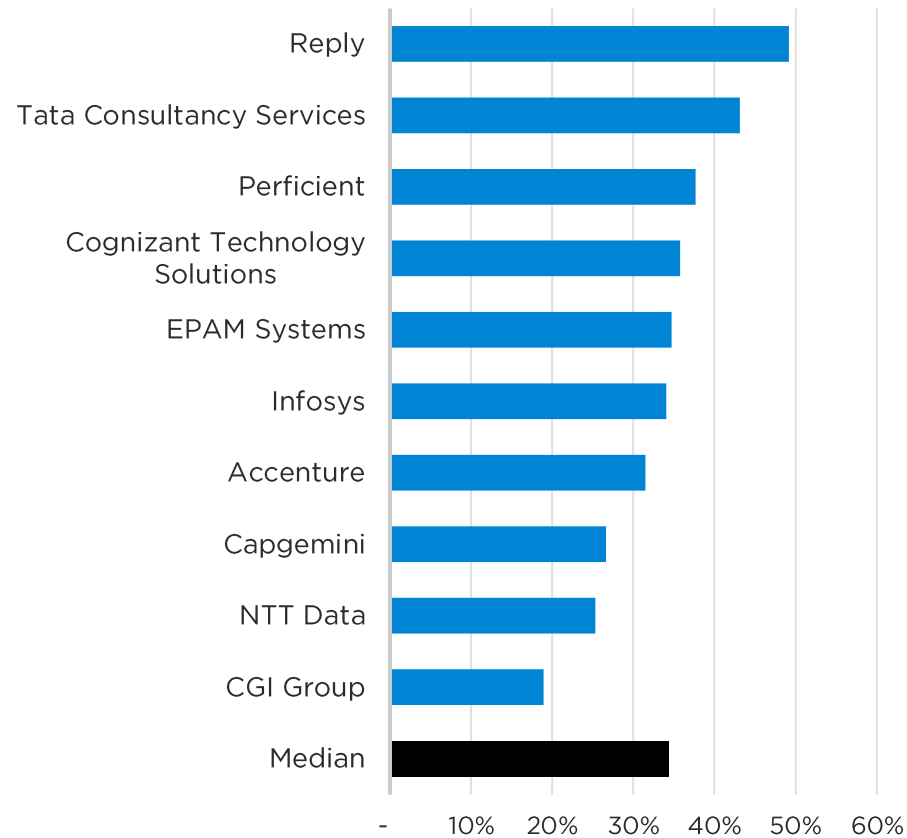


Public Revenue Multiples over Time

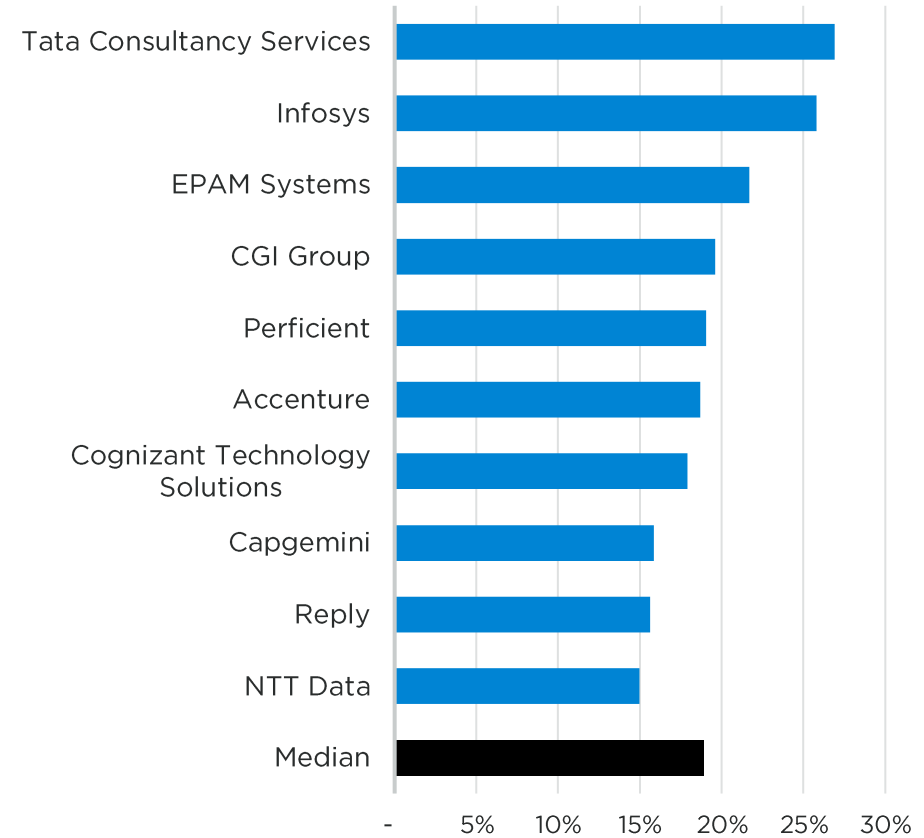


Operational Metrics

LTM Gross Profit Margin %

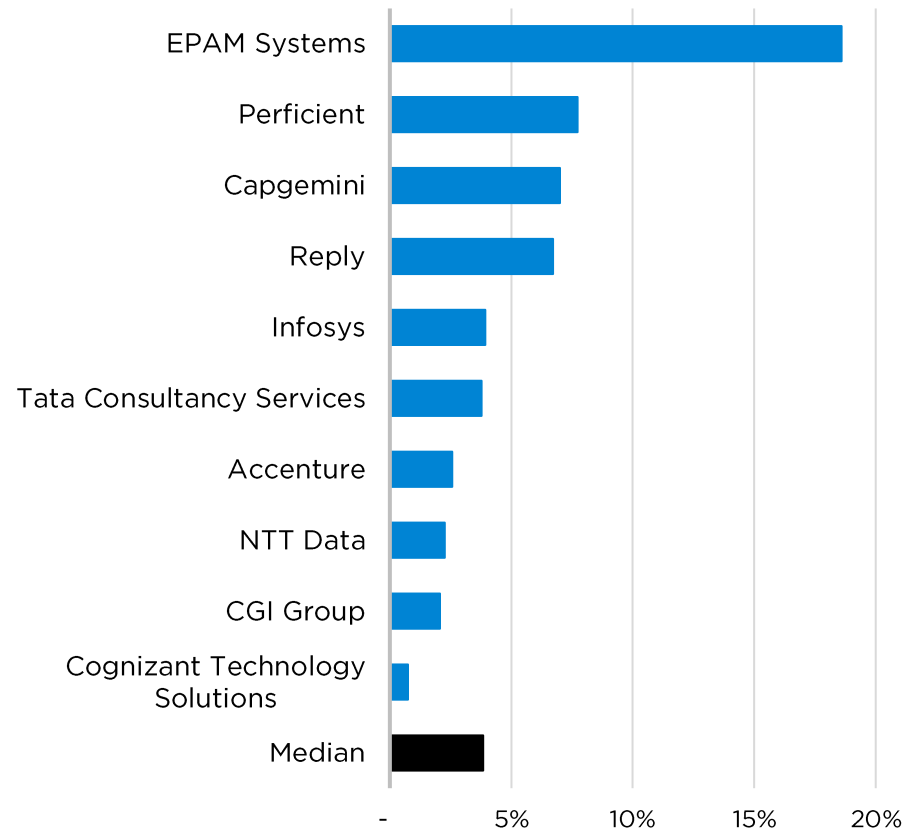


LTM EBITDA %

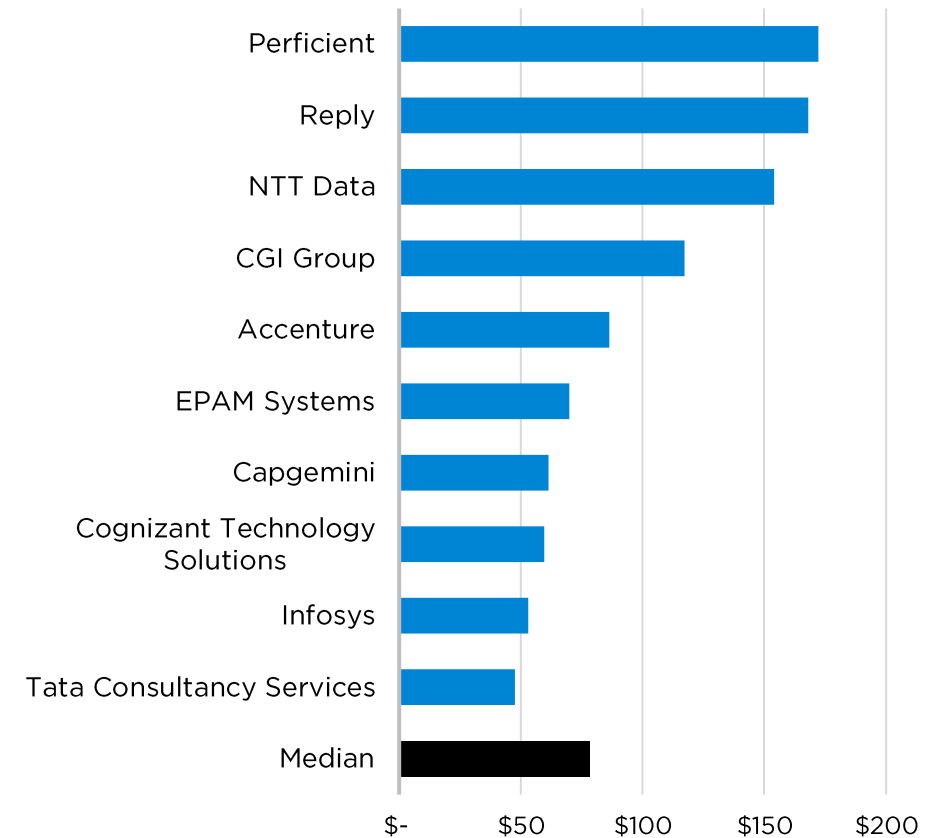


Operational Metrics

LTM Revenue Growth %

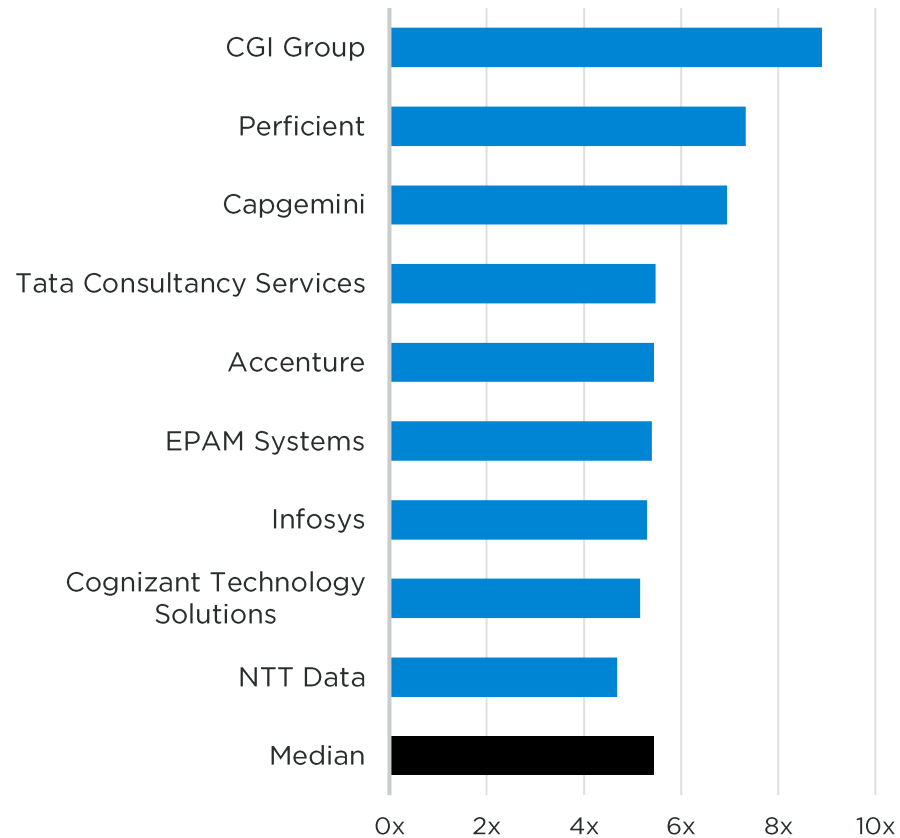


LTM Revenue per Full Time Employee x 000's

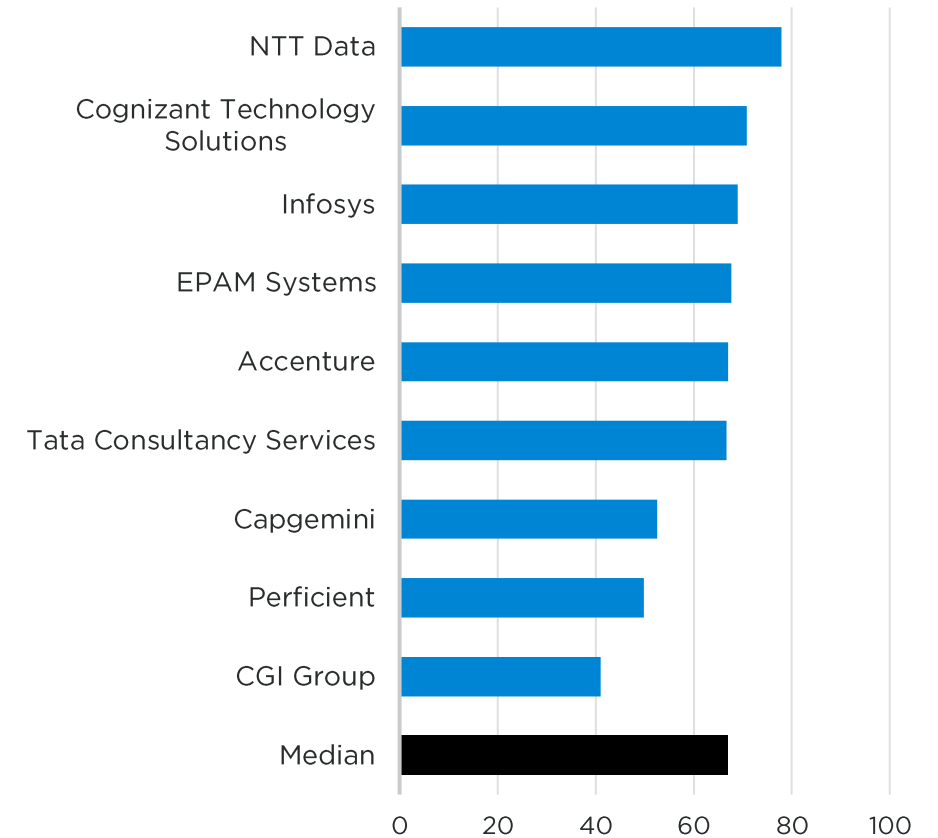


Operational Metrics

Accounts Receivable Turnover

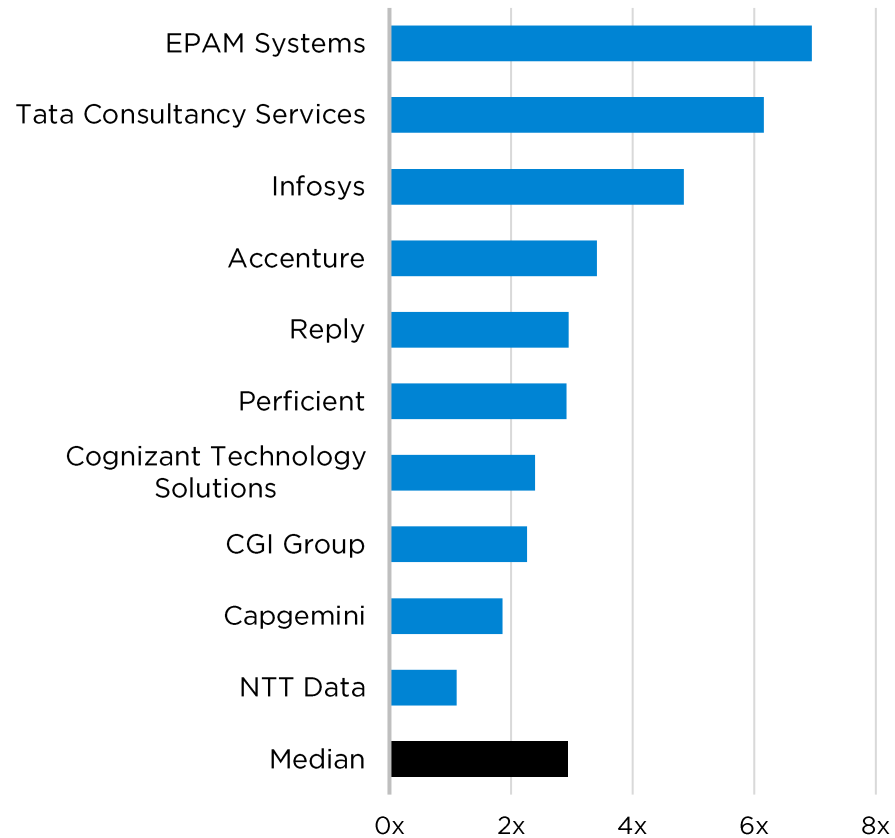


Average Days Sales Outstanding

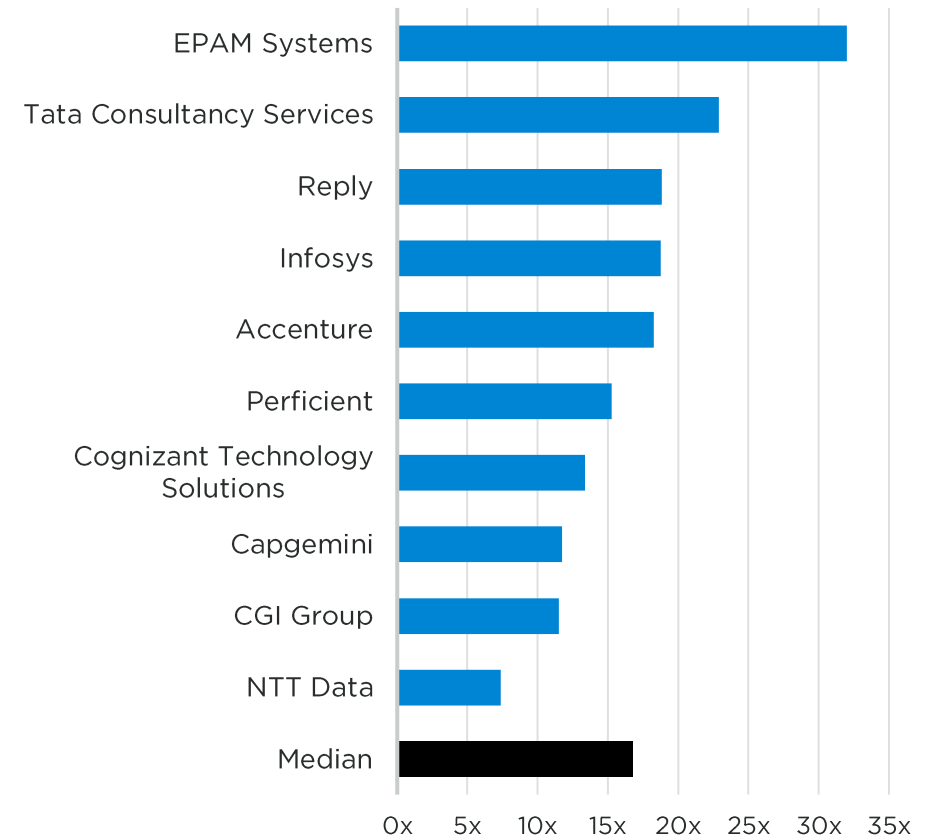


Valuation

TEV / LTM Revenue

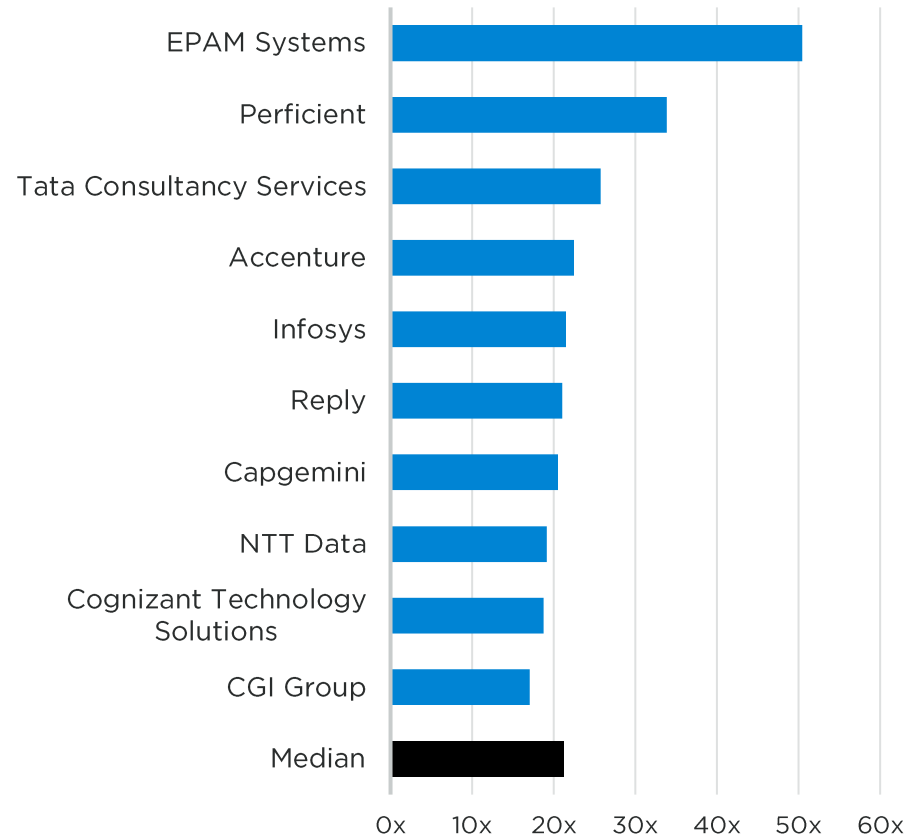


TEV / LTM EBITDA

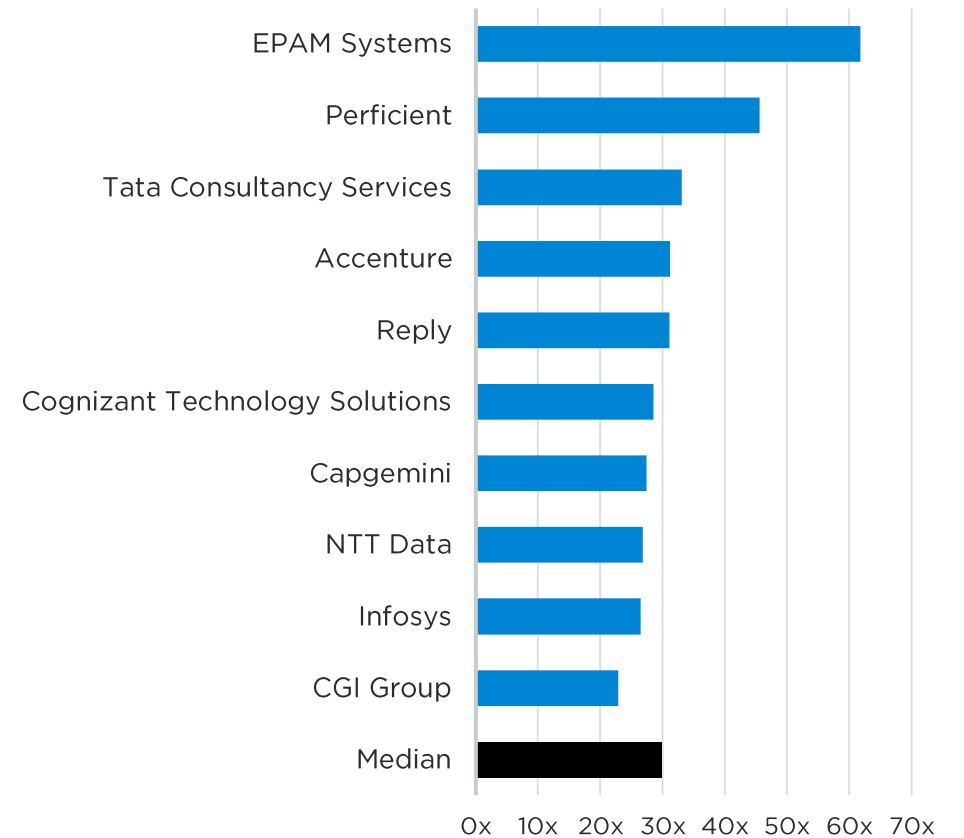


Valuation

TEV / LTM EBIT

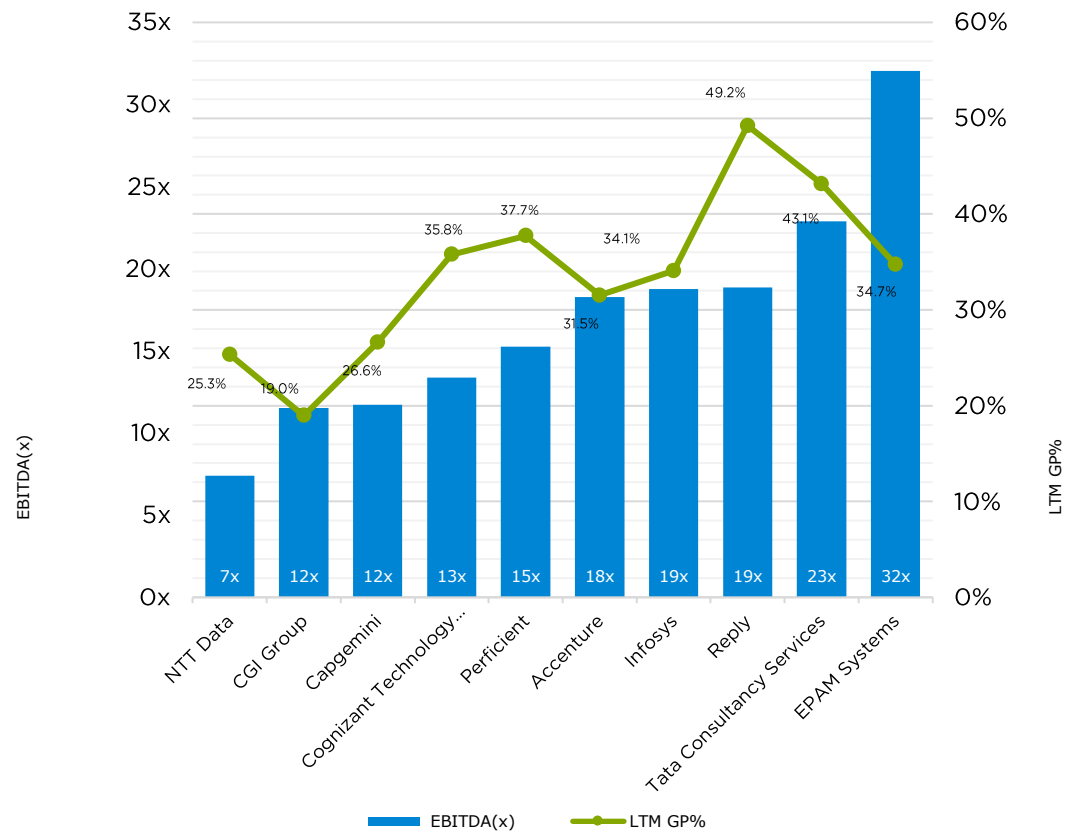


Price / LTM Earnings

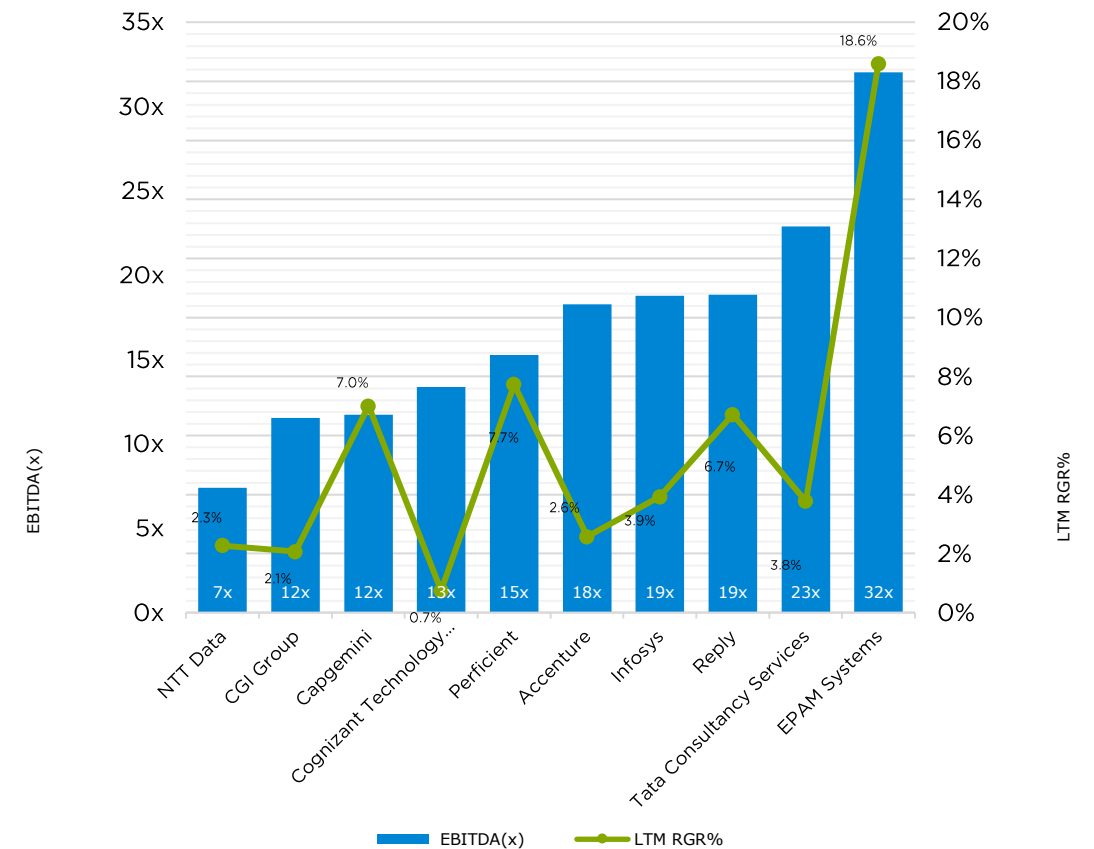


Valuation

Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions

Date	Target	Buyer / Investor	Total Transaction Amount	Target Revenue	TEV / Revenue	TEV / EBITDA
19-Nov-20	Datalytx	Mphasis	17.41	-	-	-
19-Nov-20	G2SF	Gunnison Consulting Group	-	-	-	-
19-Nov-20	Sinu	Electric (Business/Productivity Software)	-	-	-	-
12-Nov-20	Xiomega Consulting	Keyrus	-	-	-	-
11-Nov-20	Neos Software Development	Groupe Open	-	-	-	-
04-Nov-20	Clariba	Seidor	-	-	-	-
04-Nov-20	System Management	LaCambre Invest	-	-	-	-
02-Nov-20	Capto	EG Software	-	-	-	-
28-Oct-20	Ten Ten Systems	Pro-Networks	-	-	-	-
23-Oct-20	Amettis	Groupe Infodis	-	-	-	-
21-Oct-20	Hilltop Consultants	BV Investment Partners	-	-	-	-
20-Oct-20	Unosquare	Trivest Partners	-	-	-	-
14-Oct-20	Elanity Network Partner	MCL Computer & Zubehör	-	-	-	-
08-Oct-20	Qualis Consulting	Metanext	-	-	-	-
05-Oct-20	Domain Computer Services	Frontenac Company	-	-	-	-
14-Sep-20	GuideVision	Infosys	35.30	-	-	-
23-Sep-20	Dsquaredi	AArete	-	-	-	-
14-Sep-20	GlideFast Consulting	BV Investment Partners	-	-	-	-
10-Sep-20	Exato	Dustin Group	-	-	-	-
10-Sep-20	Nevox	Groupe DFM	-	-	-	-
10-Sep-20	Pragmatic Works Consulting	3Cloud	-	-	-	-
05-Sep-20	Happiest Minds	Aditya Birla Capital, Amundi, Axis Asset Management, etc.	42.37	-	-	-
01-Sep-20	Leapfrog Systems	ASGN	72.00	-	-	-
24-Aug-20	Blue Chip Consulting Group	Core Business Technology Solutions	-	-	-	-
19-Aug-20	RUN Communications	Stockwik Förvaltning	9.14	-	-	-

Appendix

*Public Basket
Contact Information*



Accenture

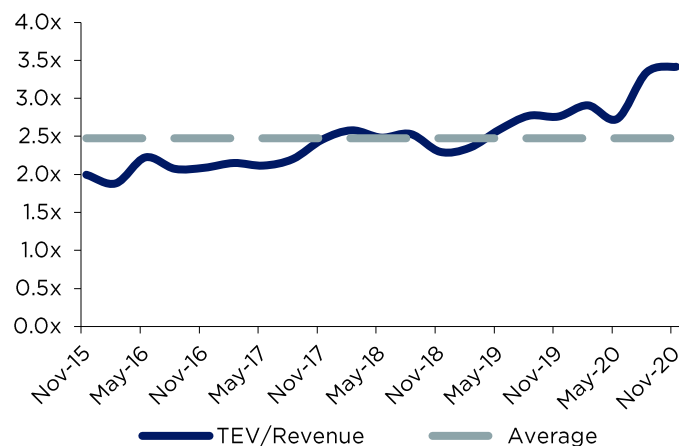
Accenture is a leading global IT services firm that provides consulting, strategy, and technology and operational services.

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.

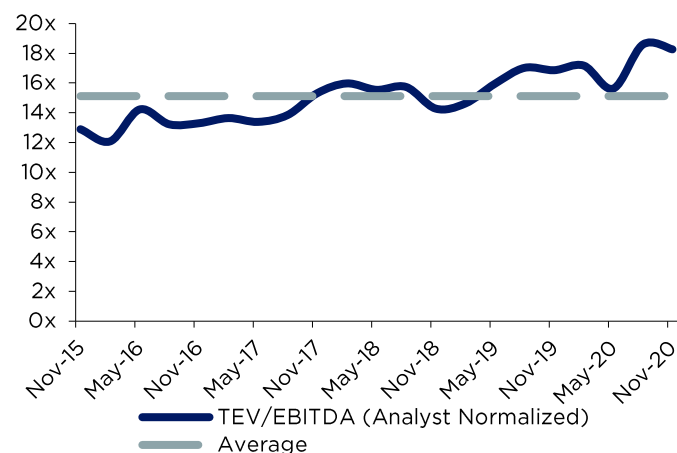
Public Basket

Accenture

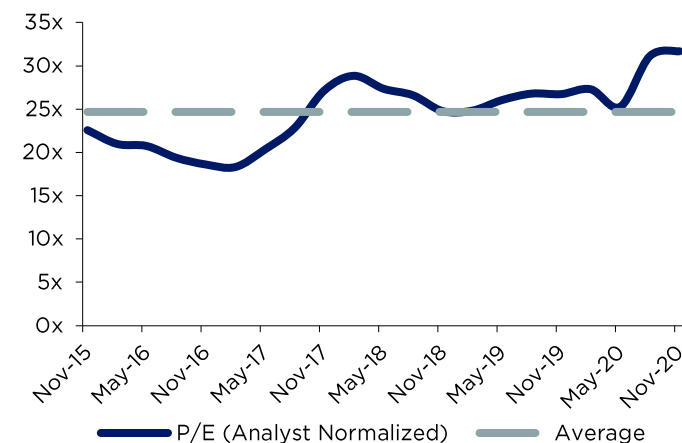
Revenue Multiples - Accenture



EBITDA Multiples - Accenture



P/E Multiples - Accenture



Company Name	Date	Deal Synopsis
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.

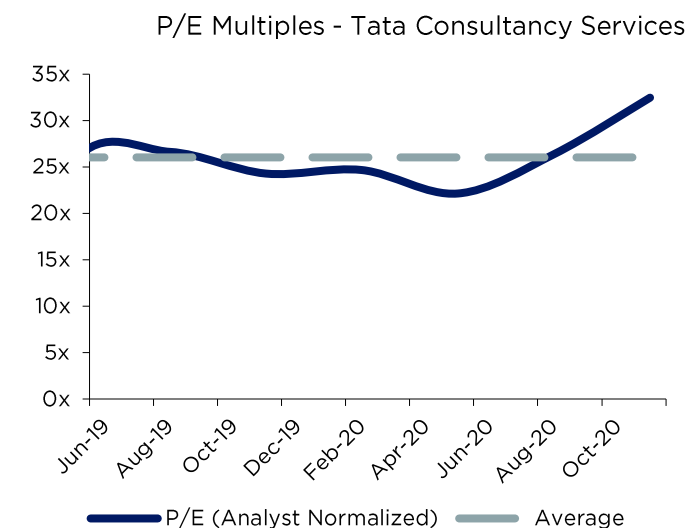
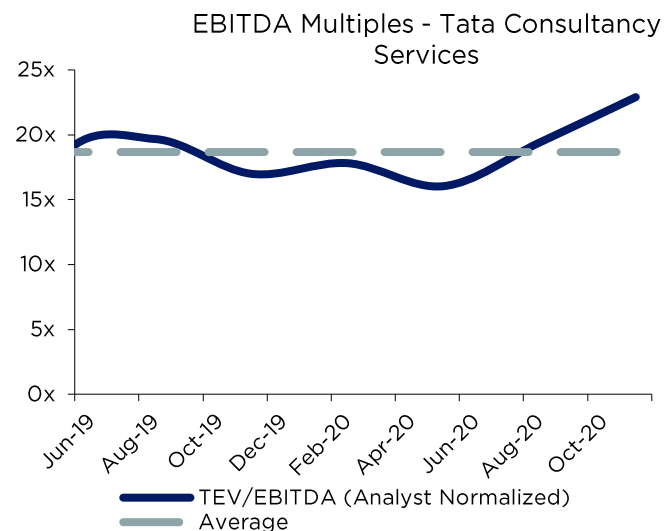
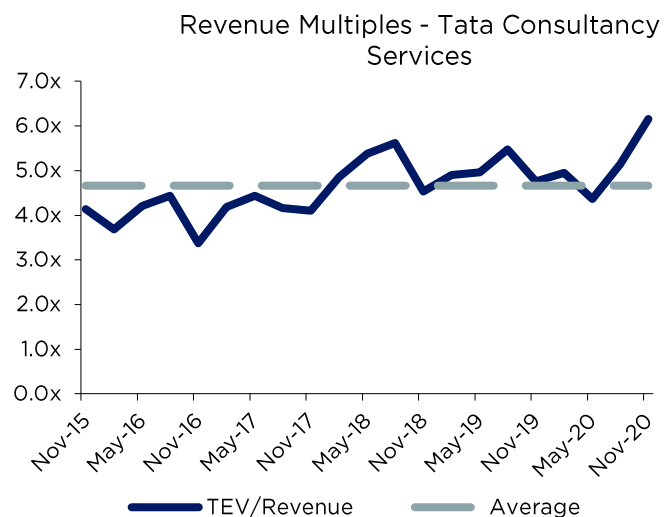
Tata Consultancy Services

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.

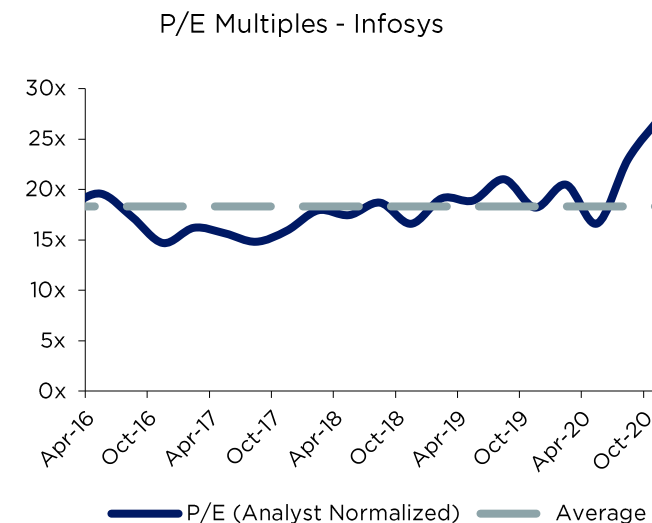
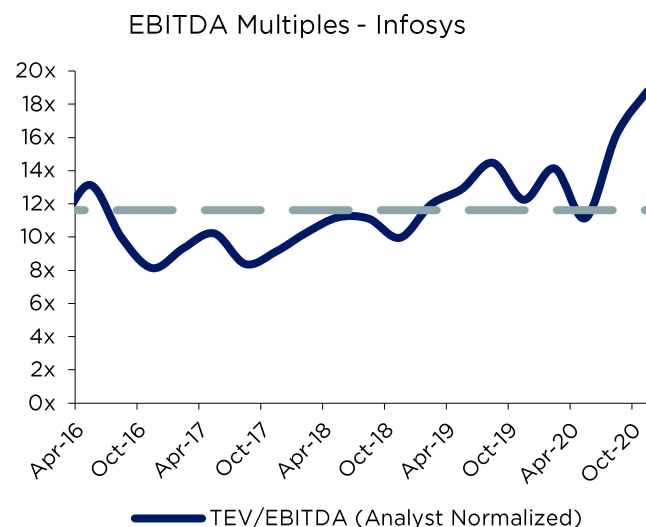
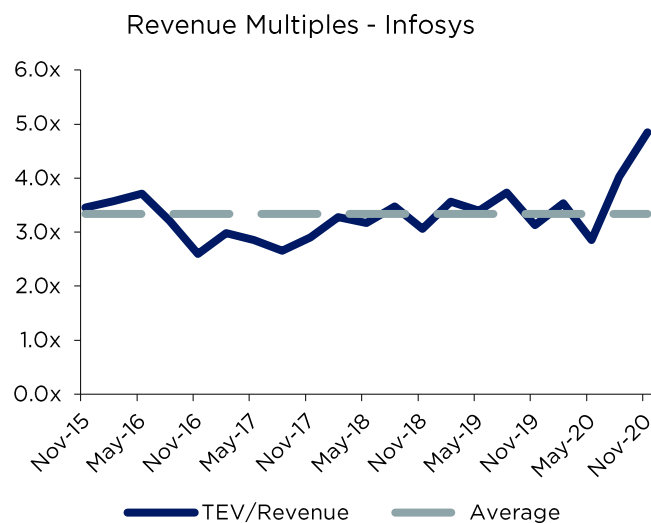
Infosys

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
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.

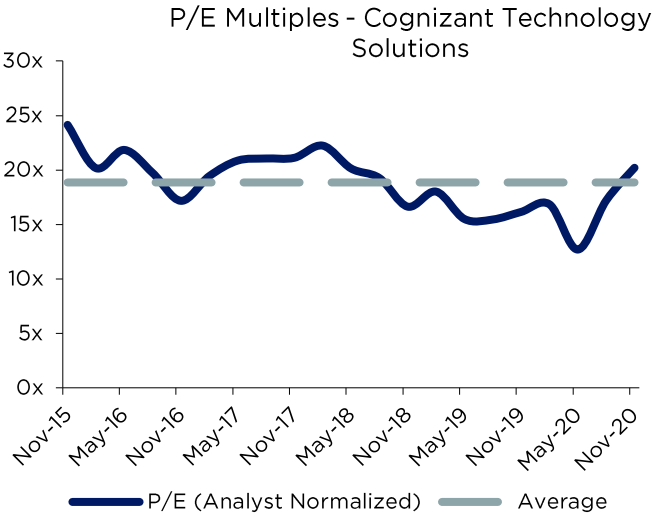
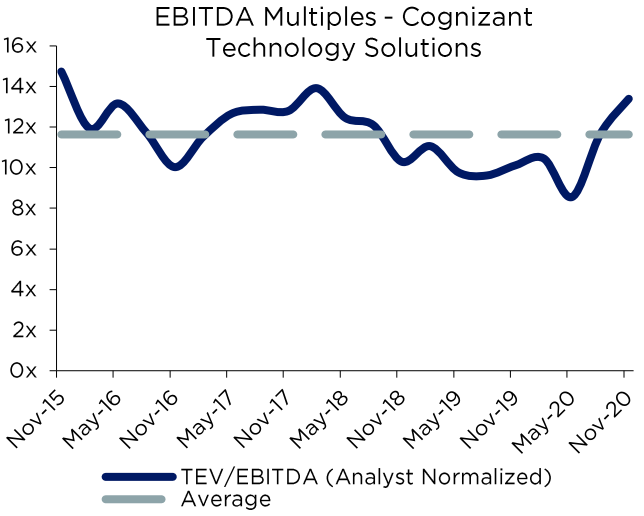
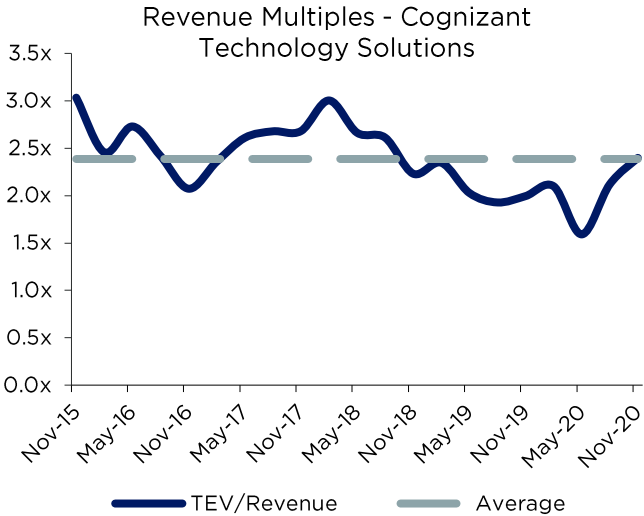
Cognizant Technology Solutions

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.

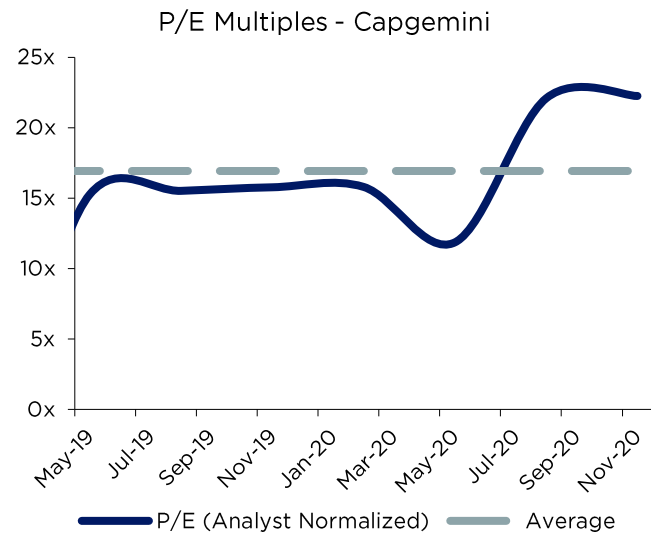
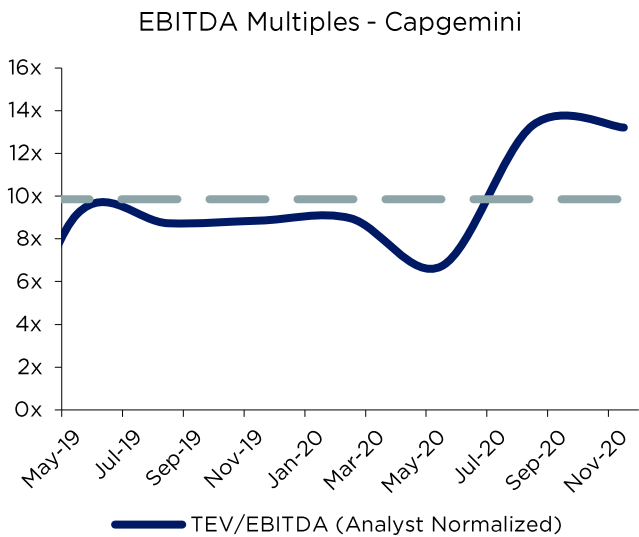
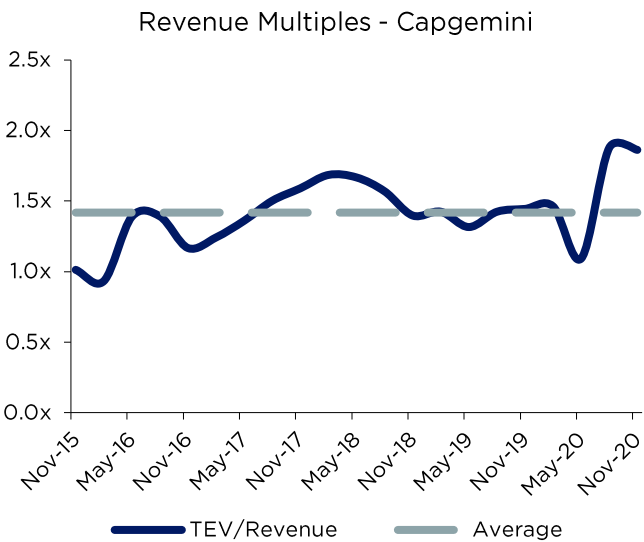
Capgemini

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.
Adventas	17-Feb-20	The company reached a definitive agreement to be acquired by Capgemini (PAR: CAP) for an undisclosed amount on February 17, 2020. The acquisition further expands its data and insights service offerings across the Nordics and brings it a strong track record in helping clients to monetize data, as well as deep relationships in analytics and data science in the Nordics.

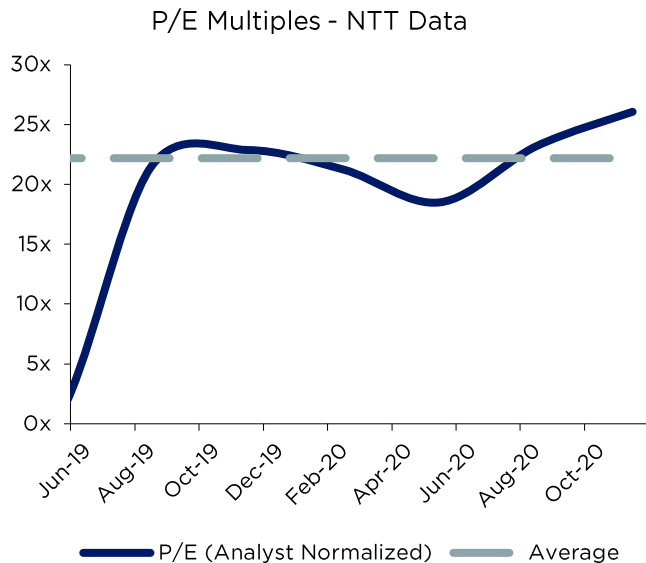
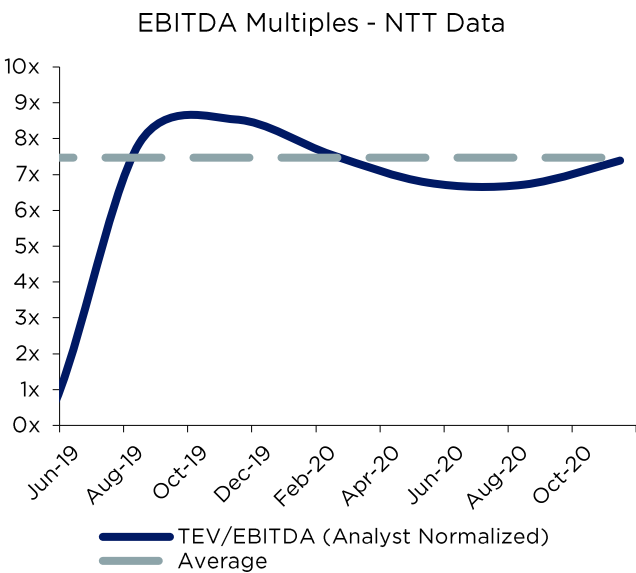
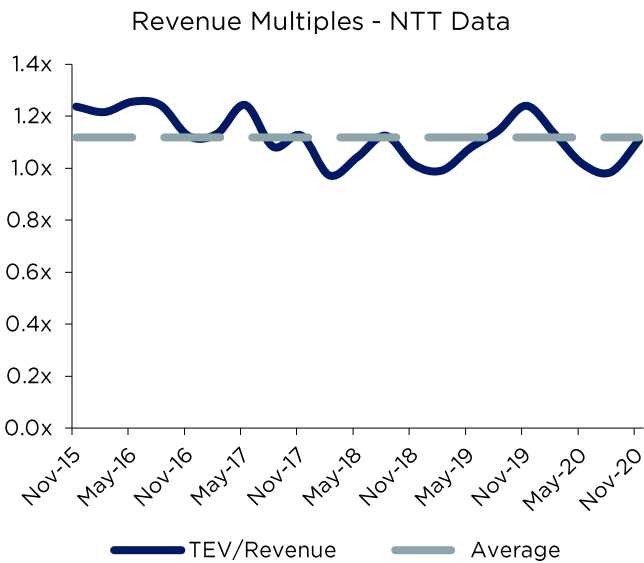
NTT Data

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.

CGI Group

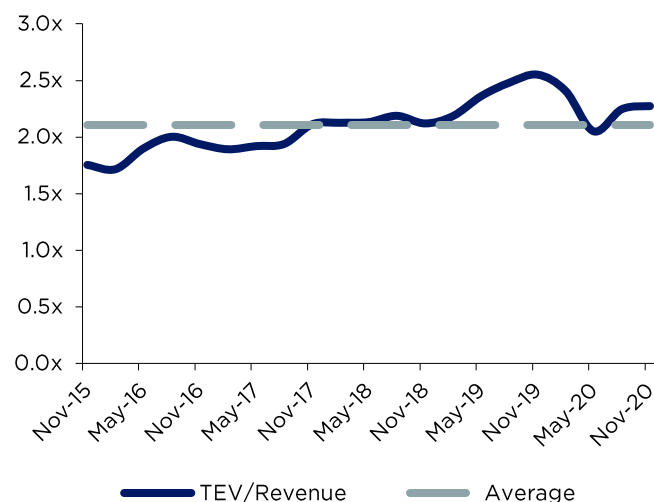
CGI Group is a Canada-based IT-services provider with an embedded position in North America and Europe.

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.

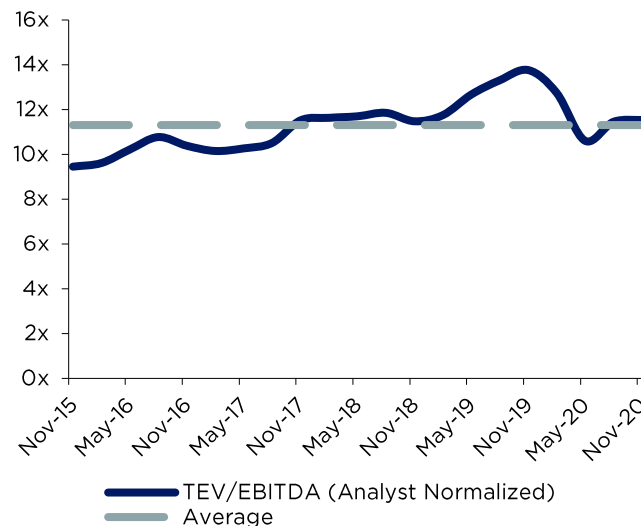
Public Basket

CGI Group

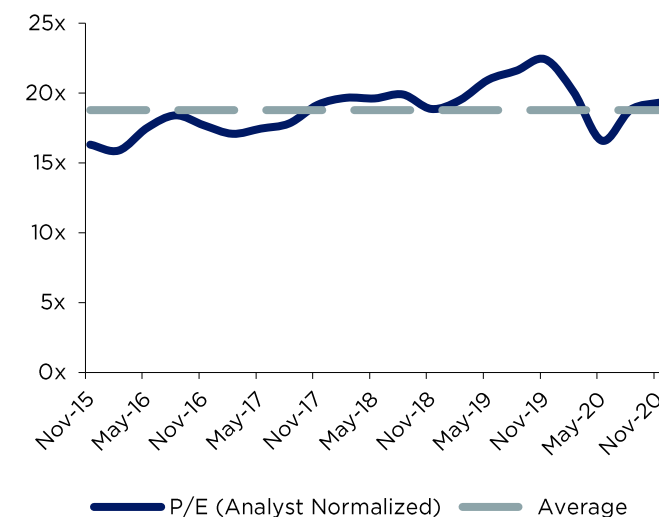
Revenue Multiples - CGI Group



EBITDA Multiples - CGI Group



P/E Multiples - 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.

EPAM Systems

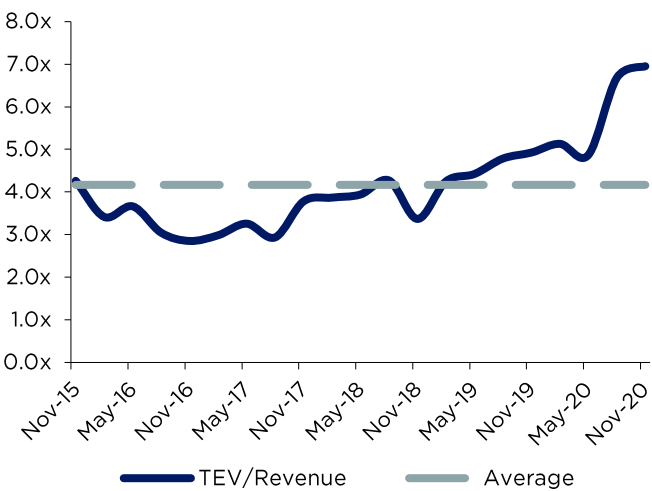
EPAM Systems Inc provides software product development and digital platform engineering services to clients located around the world.

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.

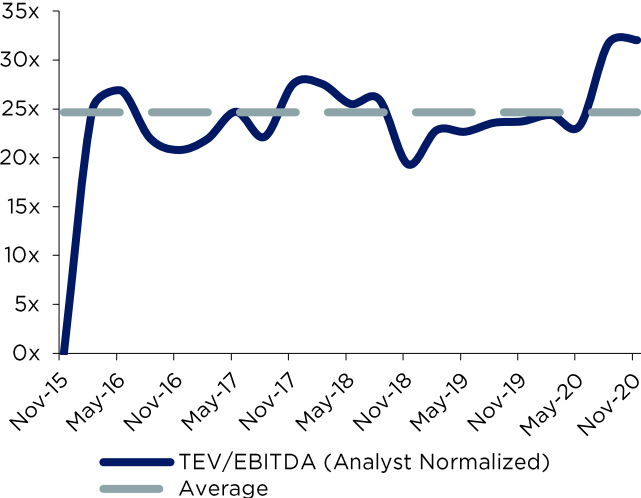
Public Basket

EPAM Systems

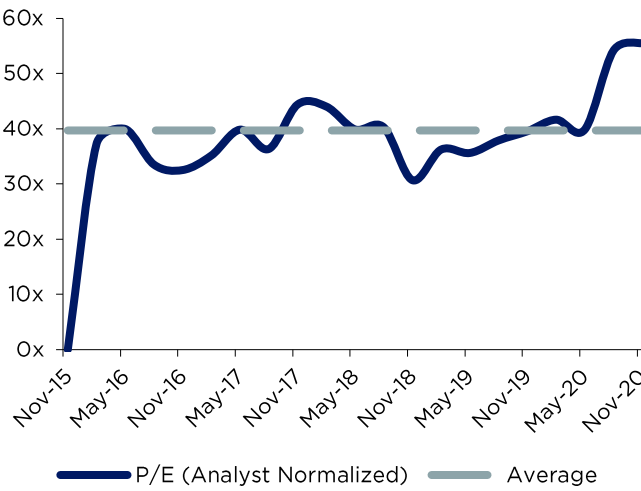
Revenue Multiples - EPAM Systems



EBITDA Multiples - EPAM Systems



P/E Multiples - EPAM Systems



Company Name	Date	Deal Synopsis
Ricston	02-Sep-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	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.

Reply

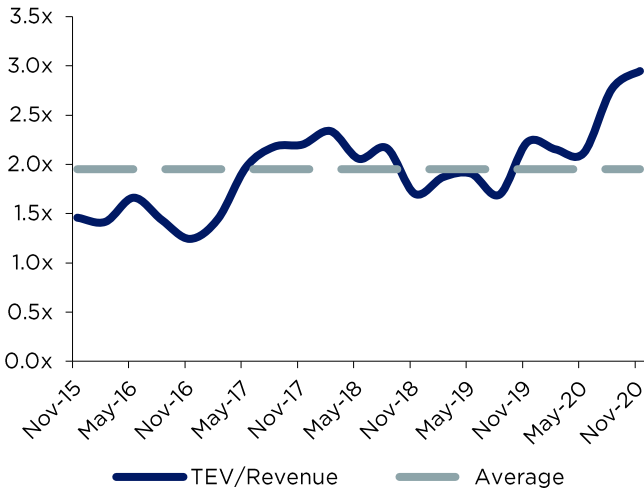
Reply SpA specialises in consulting, digital services, and the integration of processes, applications and devices.

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.

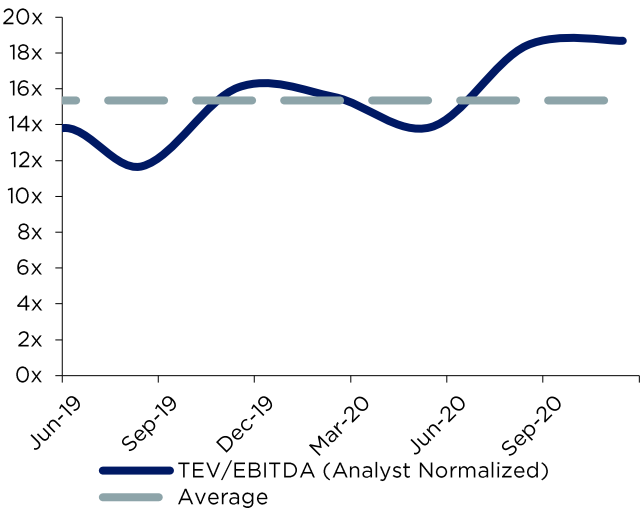
Public Basket

Reply

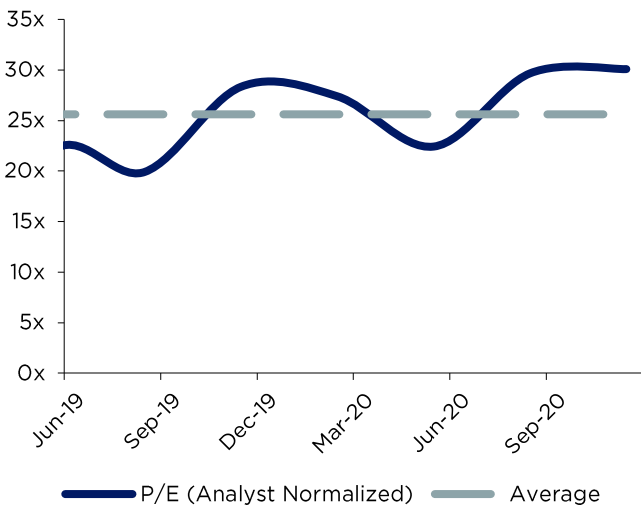
Revenue Multiples - Reply



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.

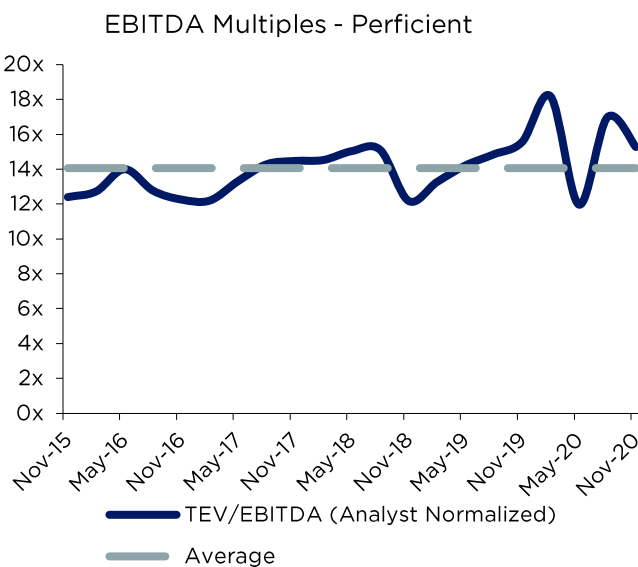
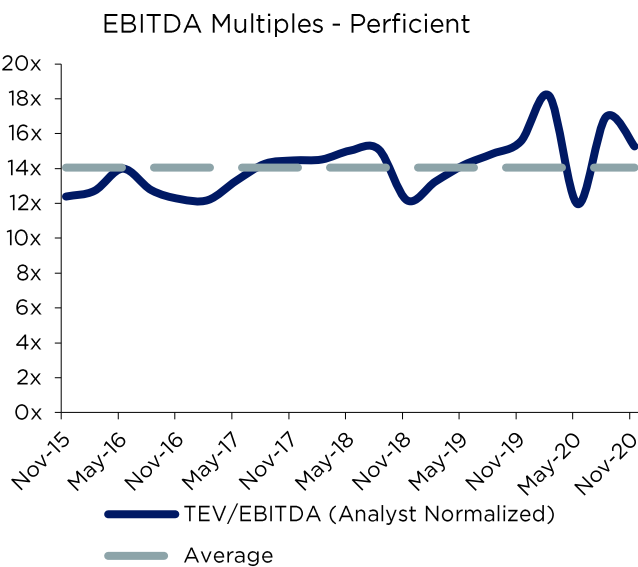
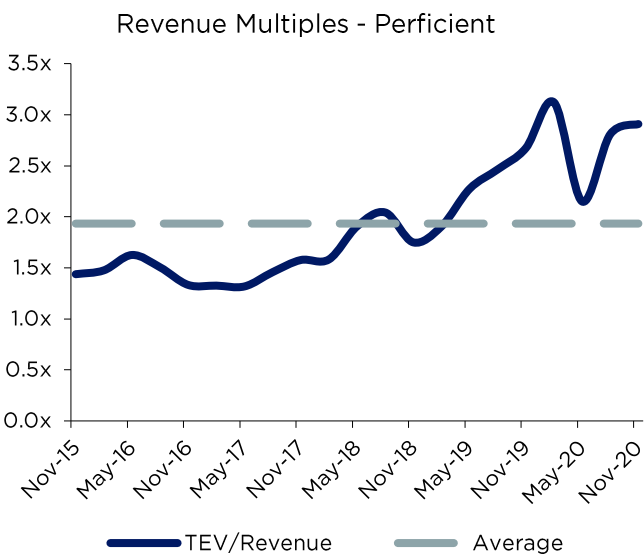
Perficient

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



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.

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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