

7 Mile Advisors



Sectorwatch: Software Engineering

November 2020



7MA

Software Engineering

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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

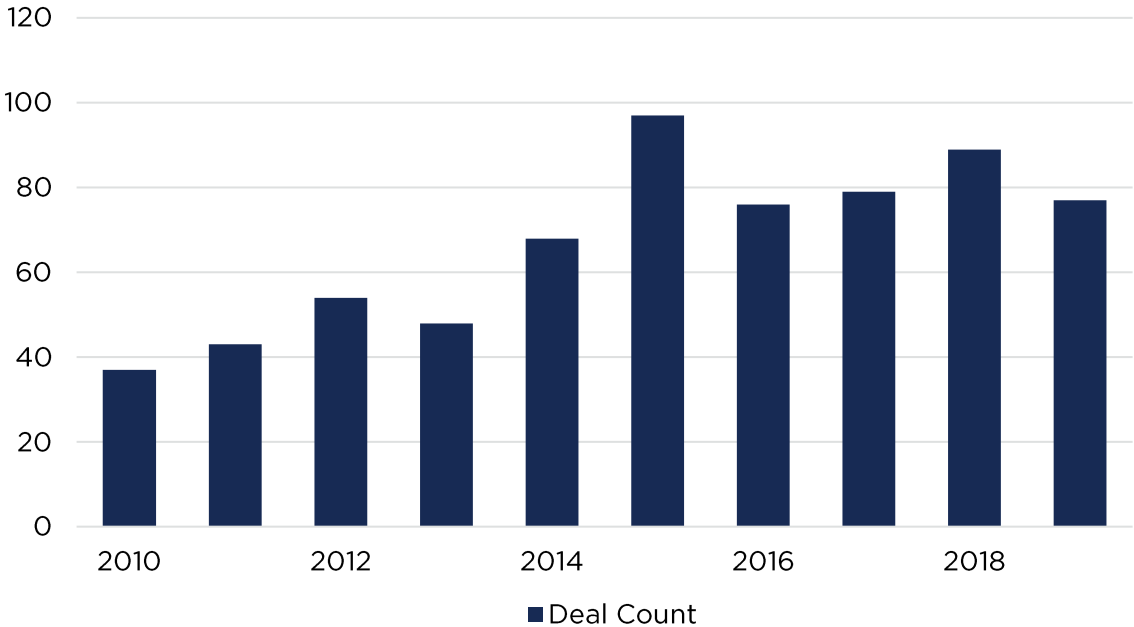
- The most recently announced deals in the sector

Dashboard

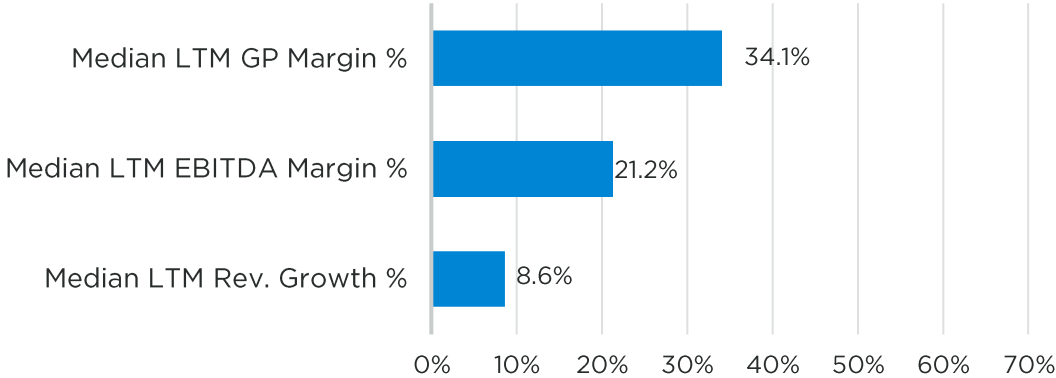
REVENUE GROWTH MOMENTUM ↓ -0.9%

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

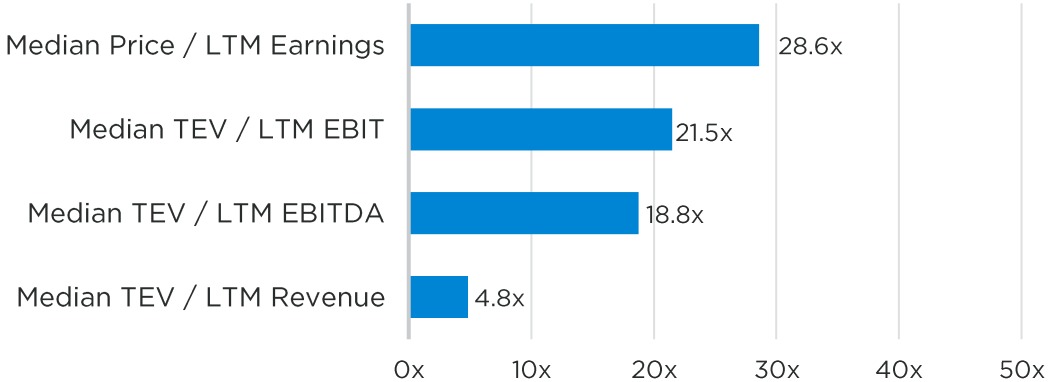
M&A Activity



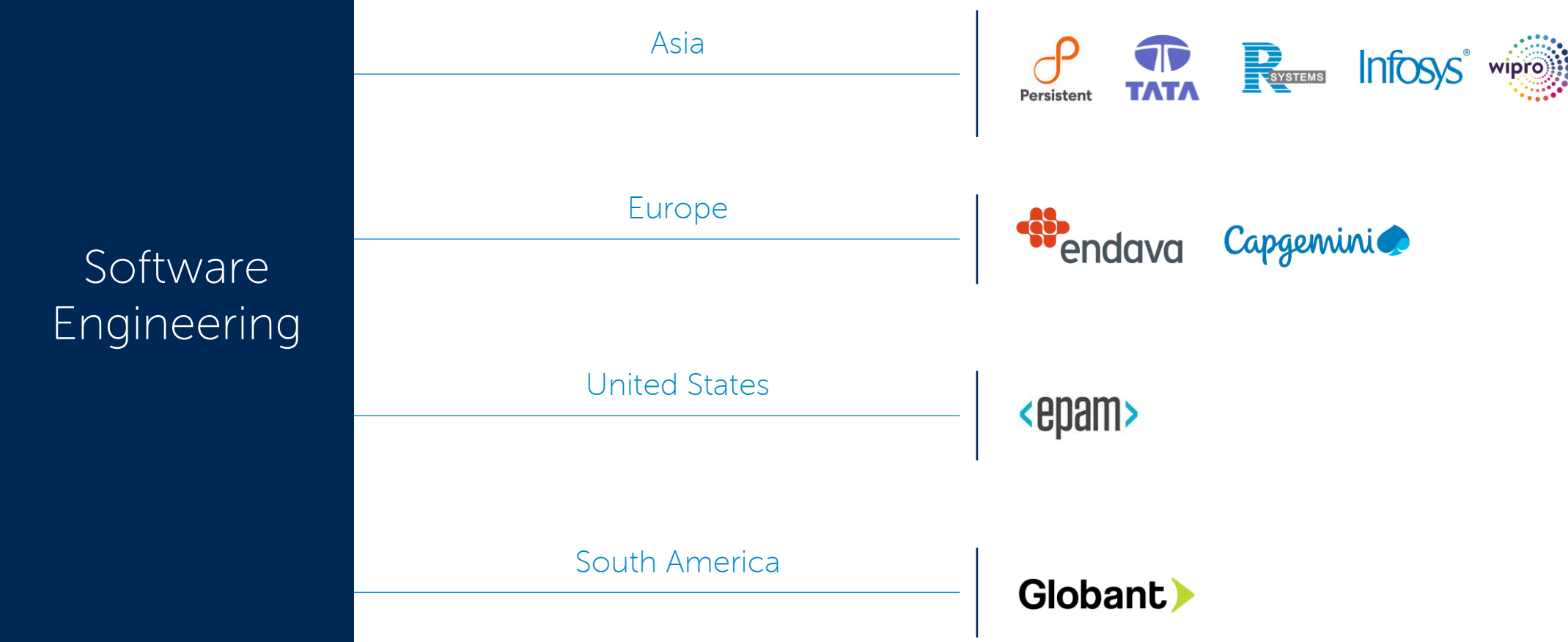
Operating Metrics



Valuation



Public Basket Overview

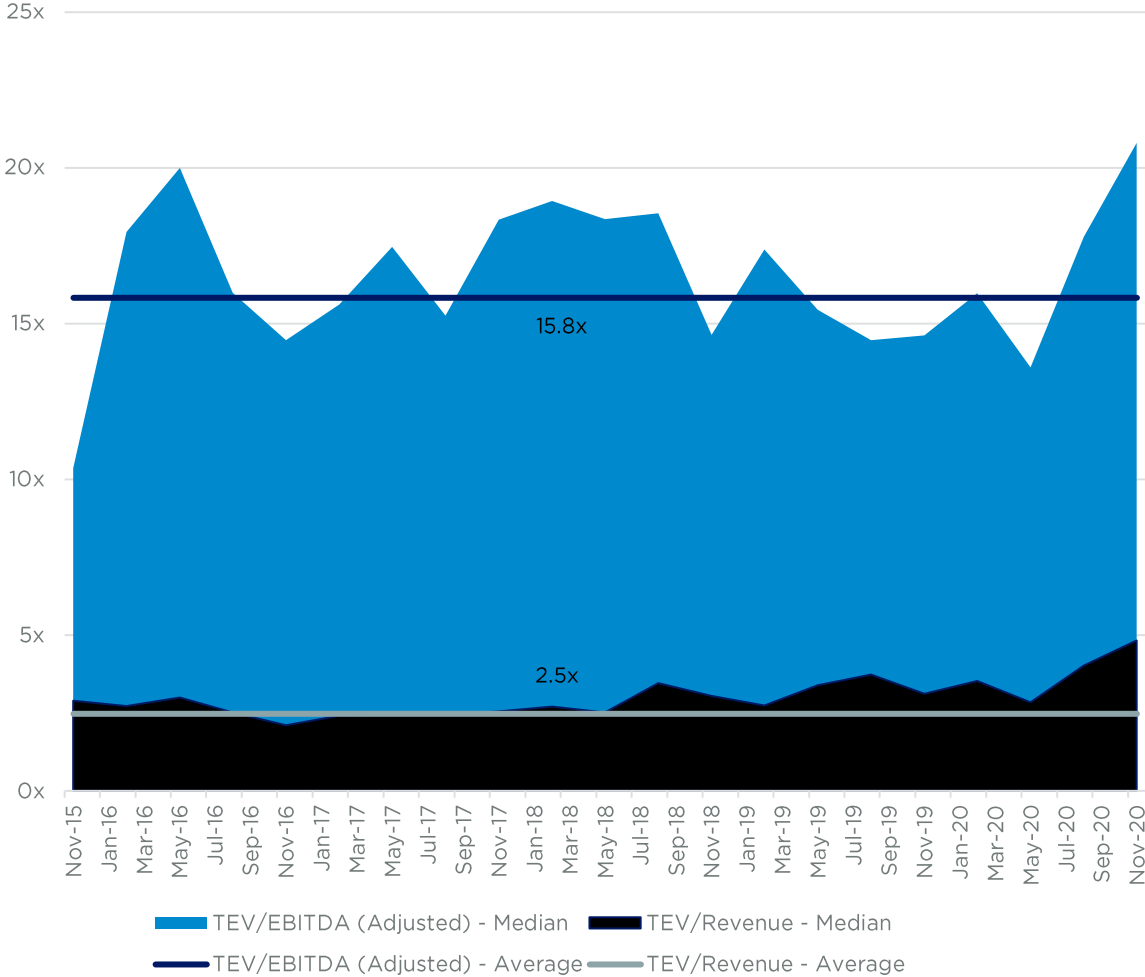


Public Basket

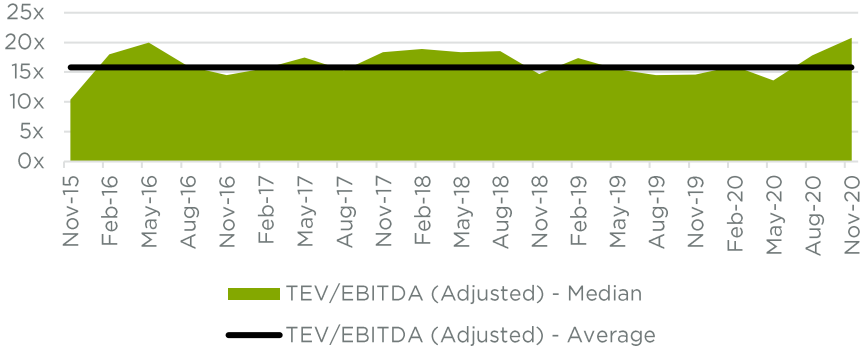
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Tata Consultancy Services	132,116	5,781	21,485	3.8%	43.1%	26.9%	6.1x	22.9x	453,540	47
Capgemini	30,825	2,579	16,253	7.0%	26.6%	15.9%	1.9x	12.0x	265,073	61
Infosys	62,319	3,323	12,873	3.9%	34.1%	25.8%	4.8x	18.8x	242,371	53
Wipro	22,988	1,783	8,310	2.2%	29.3%	21.5%	2.8x	12.9x	180,000	46
EPAM Systems	16,711	557	2,569	18.6%	34.7%	21.7%	6.5x	30.0x	36,739	70
Globant	6,929	117	766	24.5%	37.2%	15.2%	9.0x	59.4x	12,333	62
Persistent Systems	1,094	76	522	12.8%	-	14.5%	2.1x	14.5x	10,632	49
Endava	3,717	98	463	19.7%	28.4%	21.2%	8.0x	37.7x	6,624	70
R Systems International	146	14	116	8.6%	34.1%	12.4%	1.3x	10.1x	1,994	58
Average	30,761	1,592	7,040	11.2%	33.5%	19.5%	4.7x	24.2x	134,367	57
Median	16,711	557	2,569	8.6%	34.1%	21.2%	4.8x	18.8x	36,739	58

share price as of 24Nov20

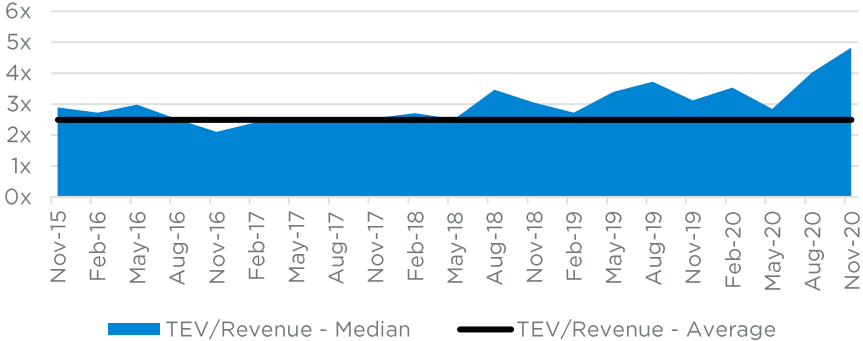
Public Basket



Public EBITDA Multiples over Time

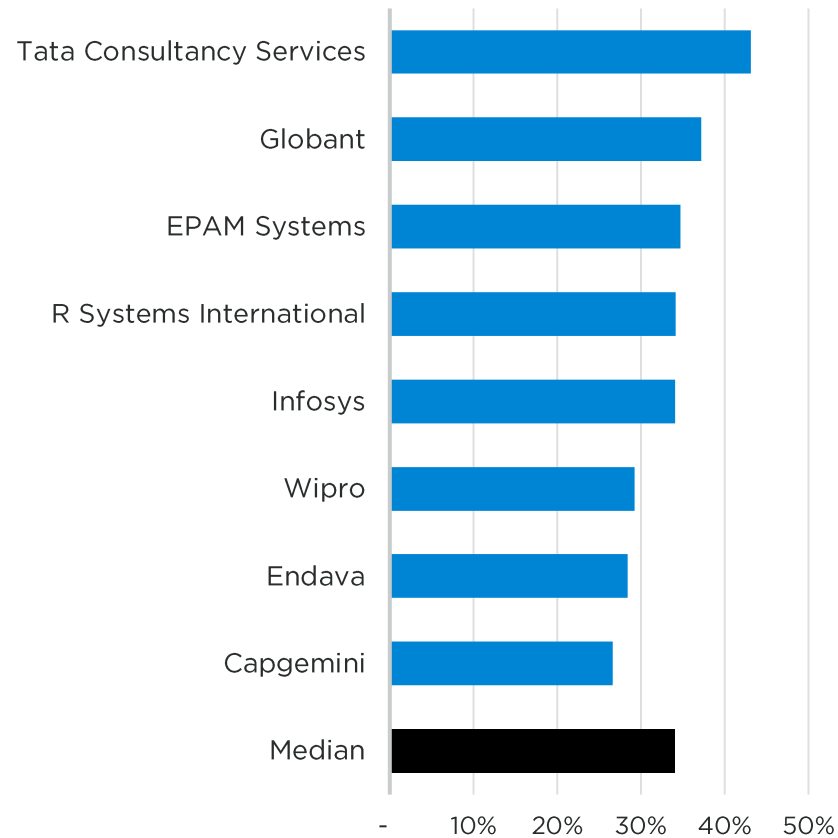


Public Revenue Multiples over Time

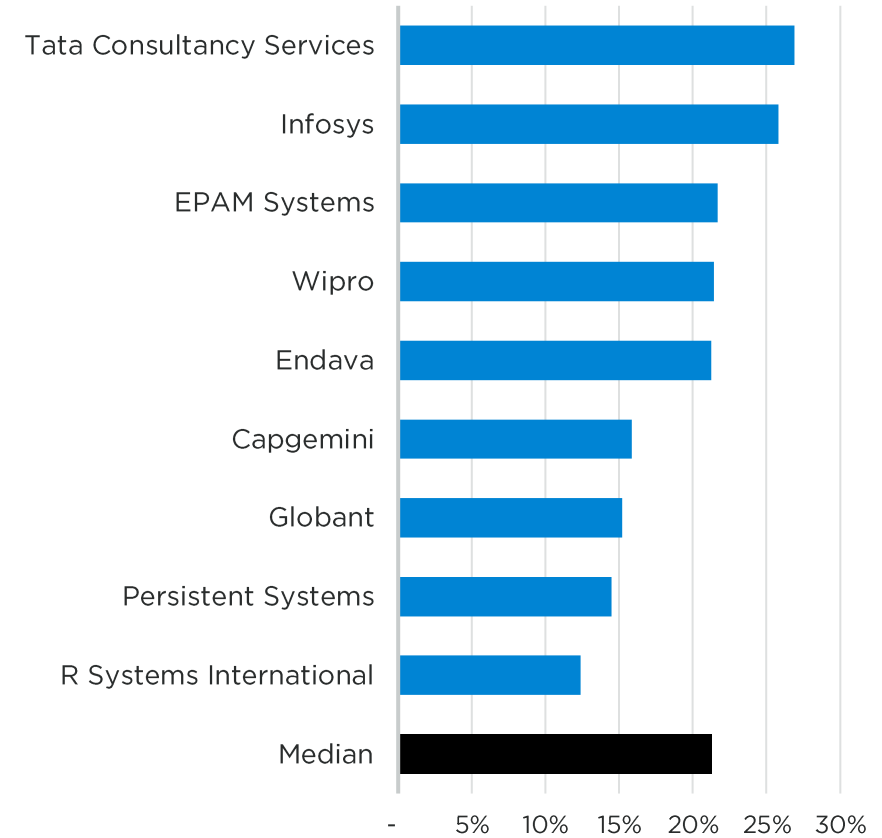


Operational Metrics

LTM Gross Profit Margin %

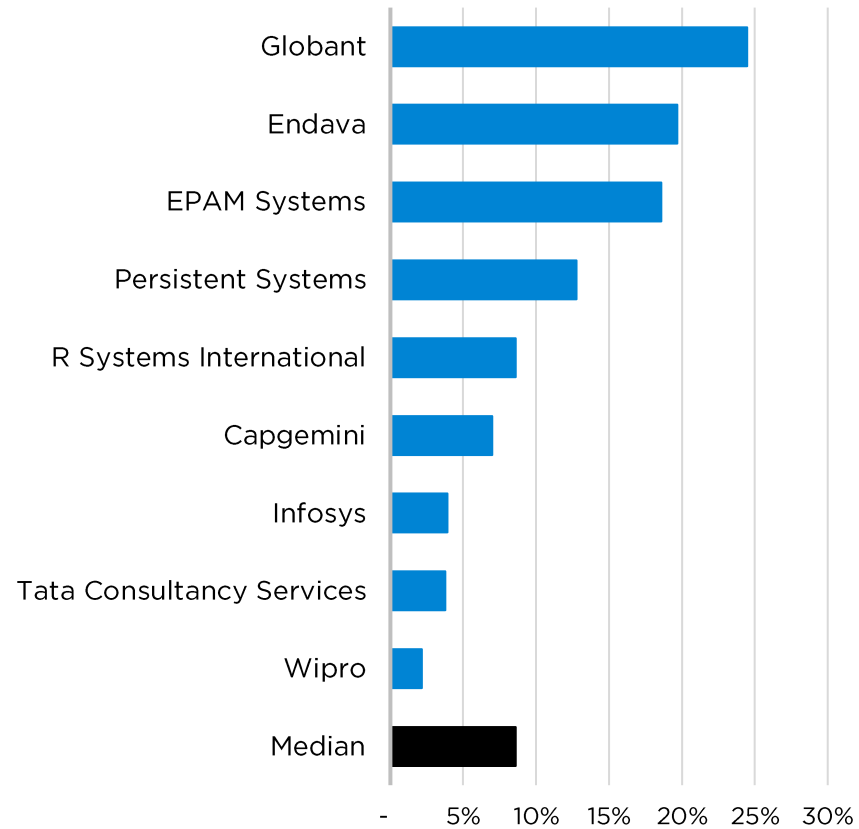


LTM EBITDA %

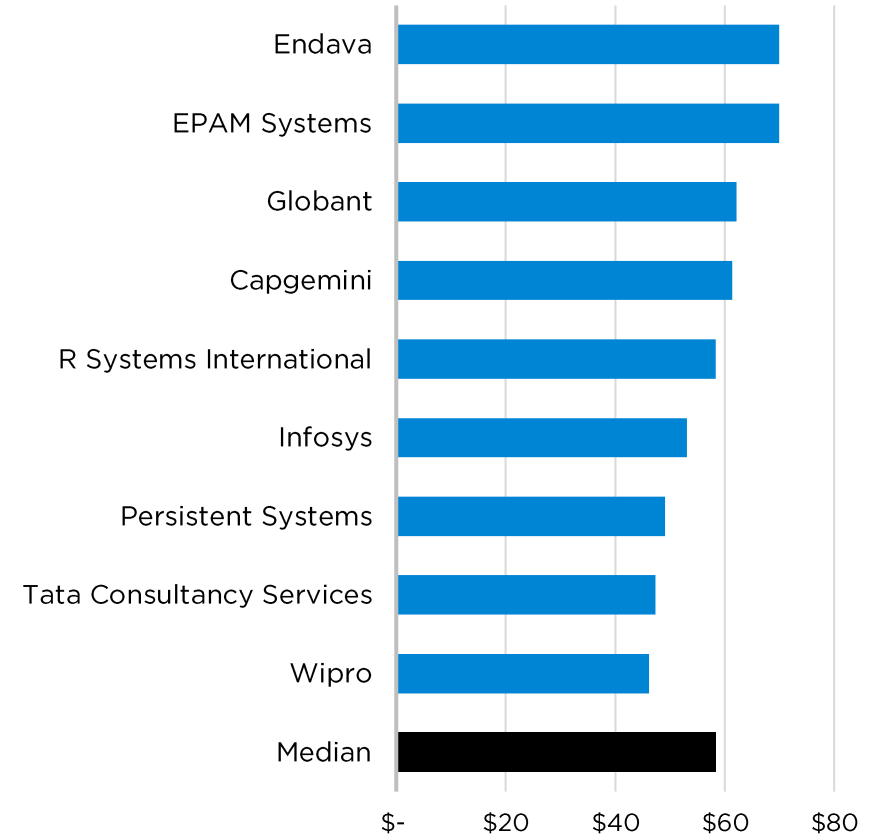


Operational Metrics

LTM Revenue Growth %

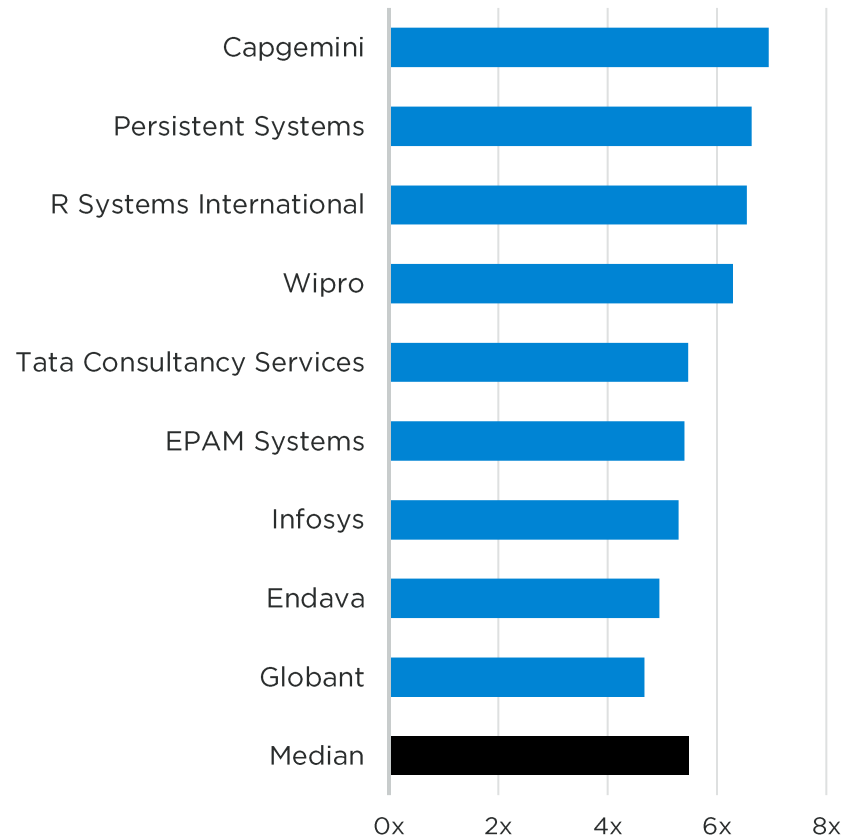


LTM Revenue per Full Time Employee x 000's

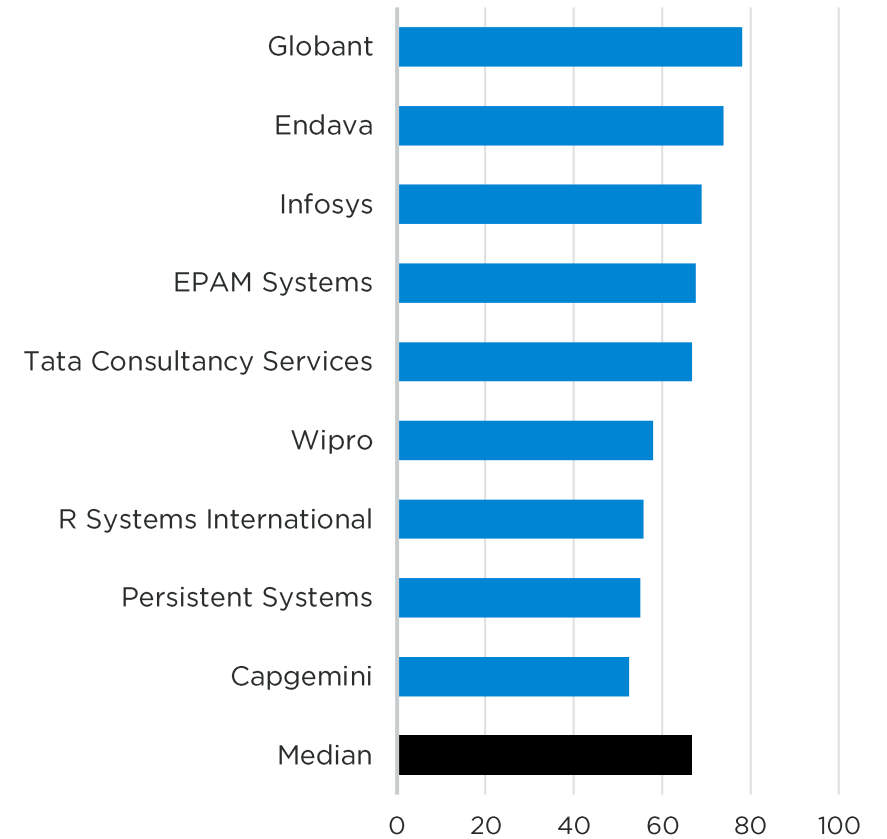


Operational Metrics

Accounts Receivable Turnover

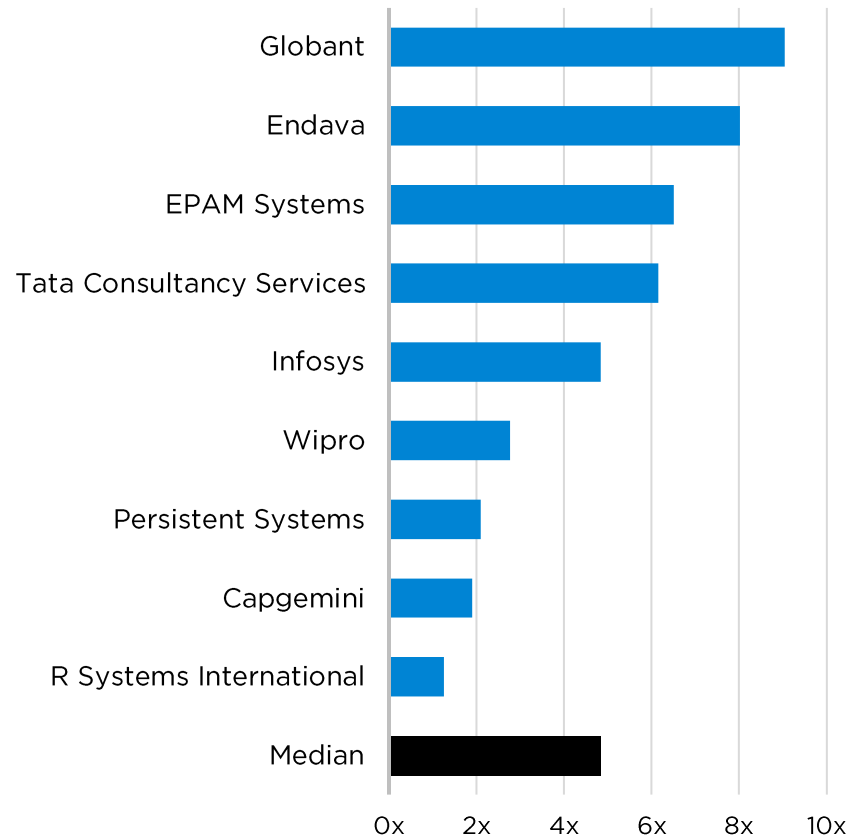


Average Days Sales Outstanding

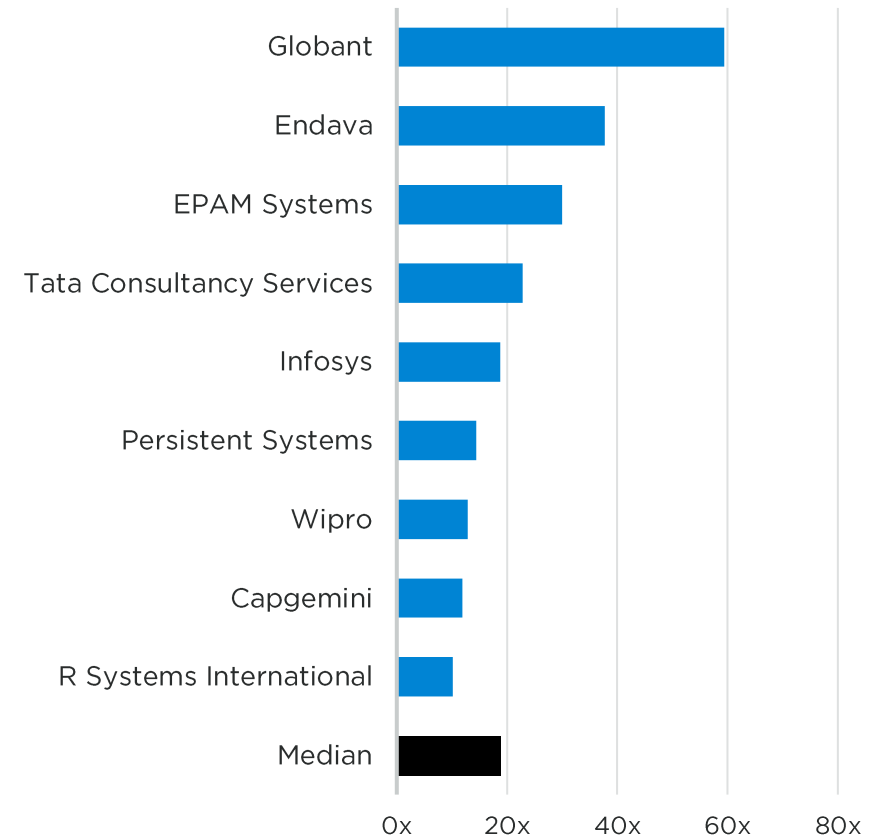


Valuation

TEV / LTM Revenue

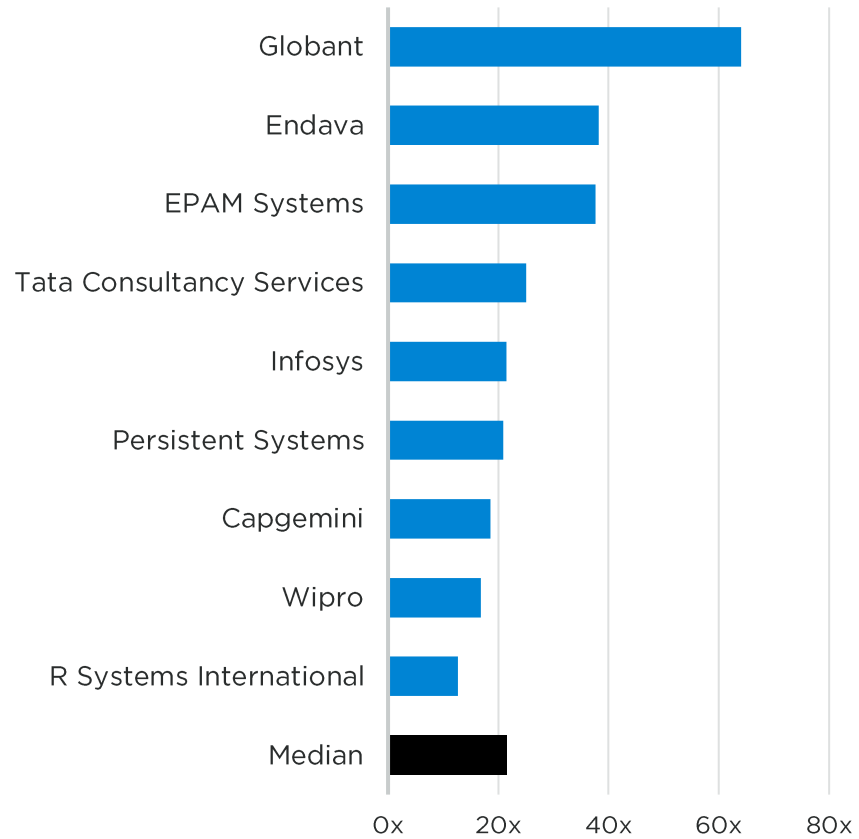


TEV / LTM EBITDA

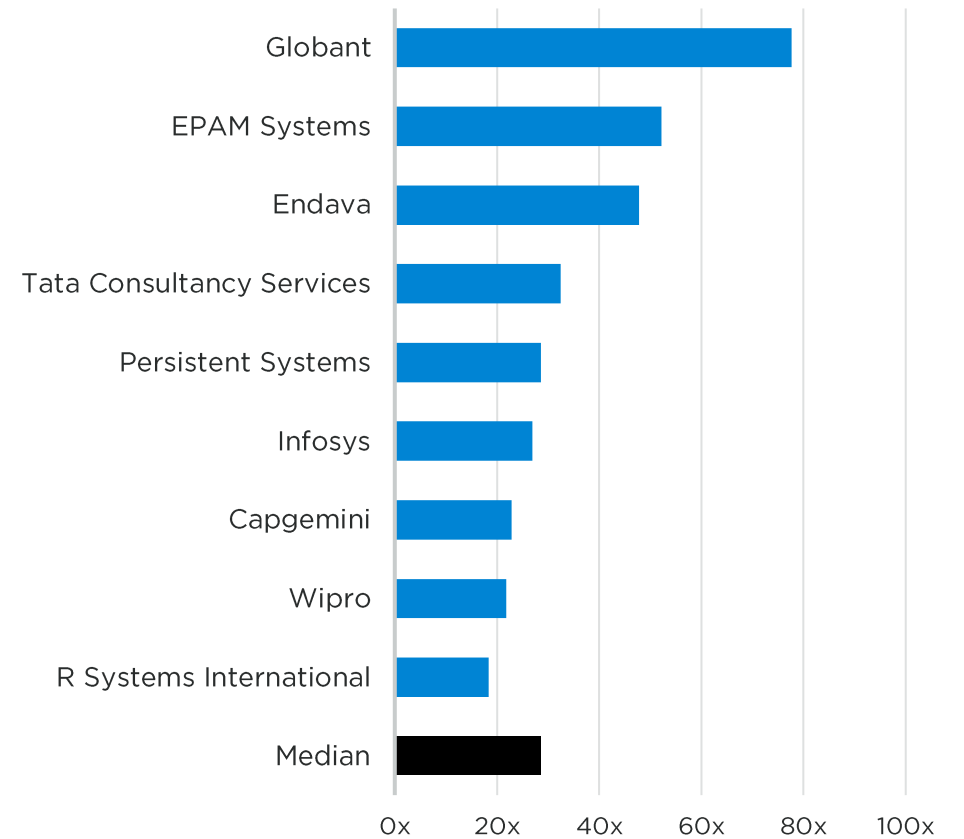


Valuation

TEV / LTM EBIT

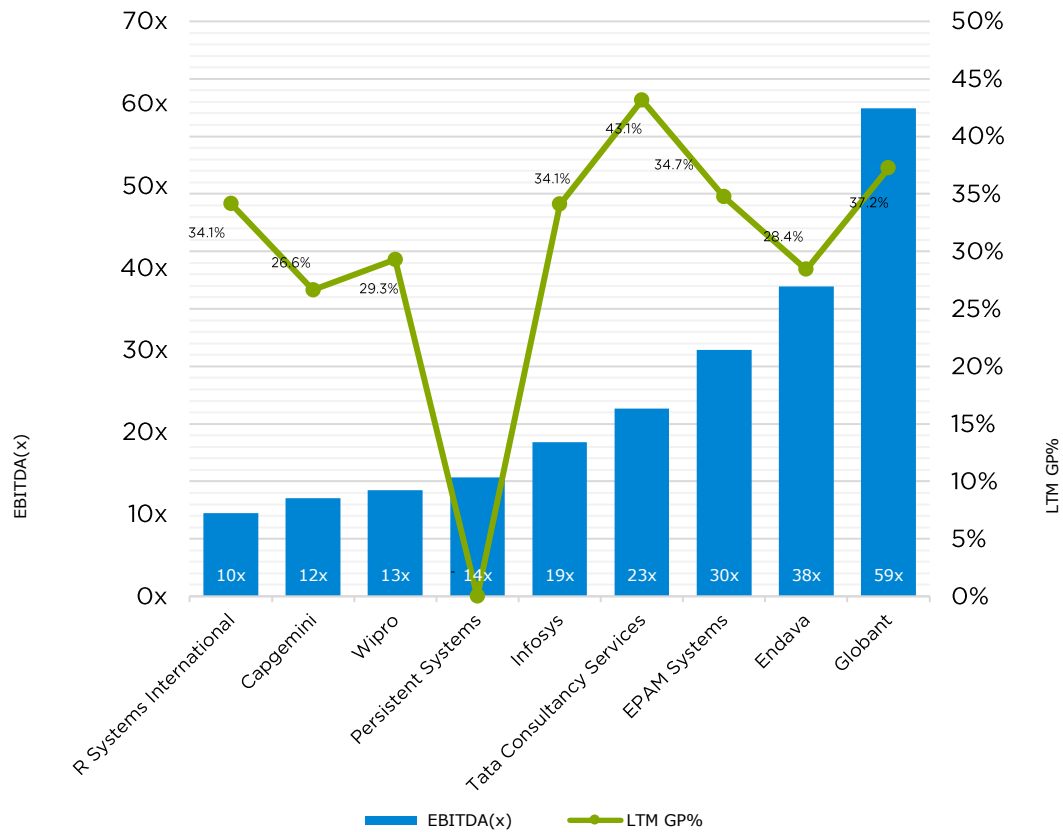


Price / LTM Earnings

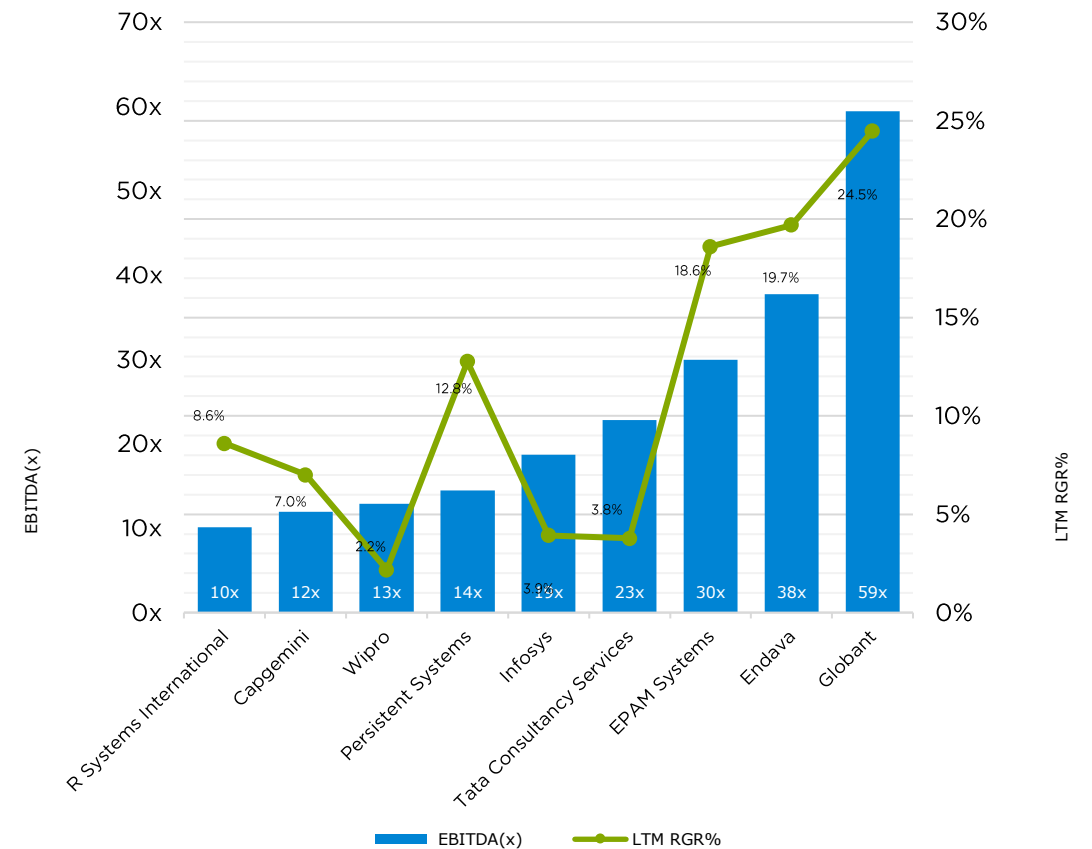


Valuation

Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions

Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
24-Nov-20	Accesa IT Consulting	Ratiodata	-	-	-	-
24-Nov-20	Under Development Office	Zitec	-	0.56	-	-
16-Nov-20	Mutually Human	Century Technology Group	-	-	-	-
09-Nov-20	Microsky	Arribatec	0.54	-	-	-
05-Nov-20	Aplana Group (Software Development Outsourcing Business)	Da Vinci Capital Management	-	-	-	-
04-Nov-20	Linkware	AE Industrial Partners	-	-	-	-
27-Oct-20	Servant Systems	ServiceTitan	-	-	-	-
08-Oct-20	RailcarRx	Accel-KKR	-	-	-	-
02-Oct-20	Miles Data Technologies	Sole Source Capital	-	-	-	-
01-Oct-20	GuestStream	TravelNet Solutions	-	-	-	-
01-Oct-20	Holiday Systems International	Tritium Partners	-	-	-	-
01-Oct-20	Skyris	ASGN	-	-	-	-
22-Sep-20	School Software Group	Education Advanced	-	-	-	-
21-Sep-20	Dynamic Concepts (DCI)	QuantiTech	-	-	-	-
13-Sep-20	Greenfinch Technology	Tekenable	-	-	-	-
04-Sep-20	Dpra	Oakleaf Solutions	-	-	-	-
28-Aug-20	Metasource	Longshore Capital Partners	-	-	-	-
13-Aug-20	Isthmus Software	3Pillar Global	-	-	-	-
13-Aug-20	Object Partners	Improving Holdings	-	-	-	-
04-Aug-20	Evolve-IT Consulting	Colette Wyatt	-	-	-	-
31-Jul-20	eForce21	mgm technology partners	-	-	-	-
30-Jul-20	Keystroke Media	WRL Advertising	-	-	-	-
23-Jul-20	Ceros	Sumeru Equity Partners	100.00	-	-	-
20-Jul-20	Nexxstep 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	-	-	-	-

Appendix

*Public Basket
Contact Information*



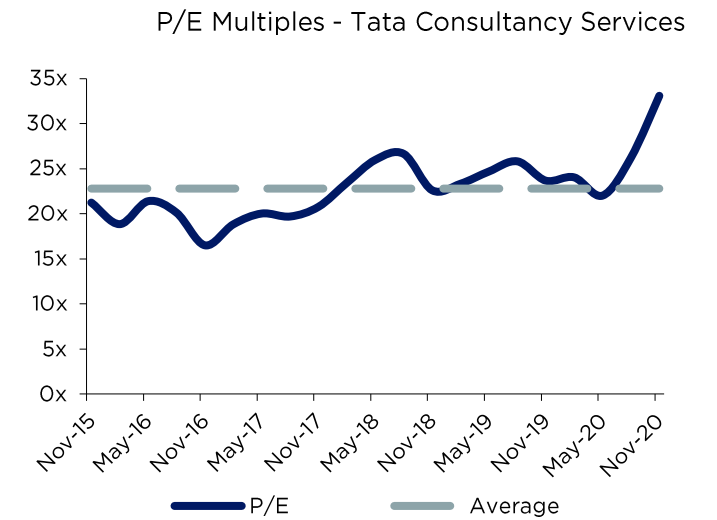
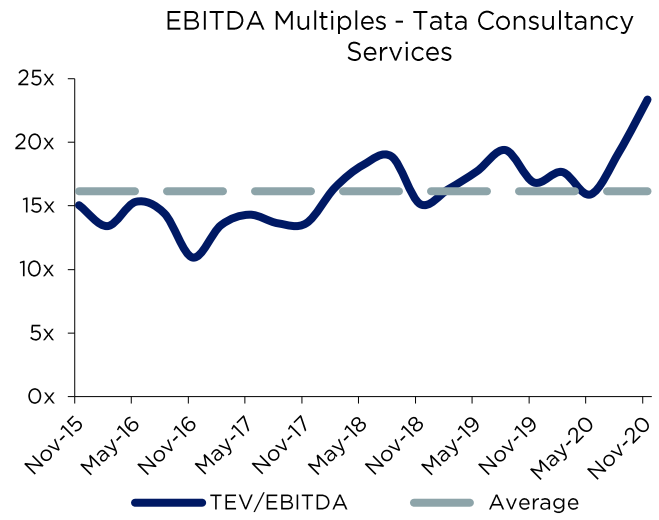
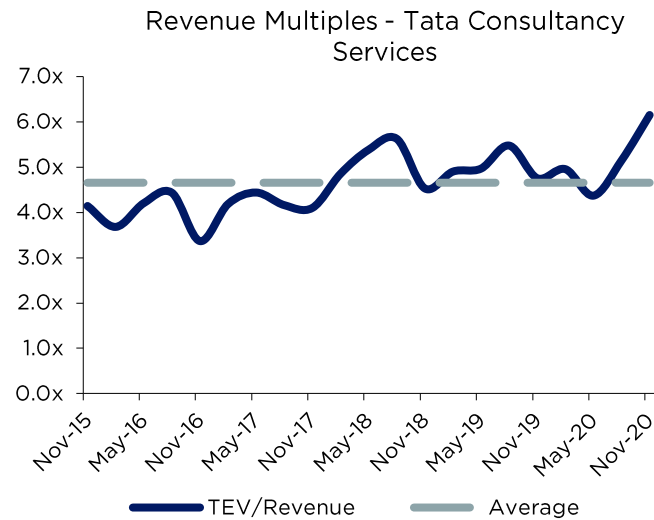
Tata Consultancy Services

Tata Consultancy Services Ltd 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

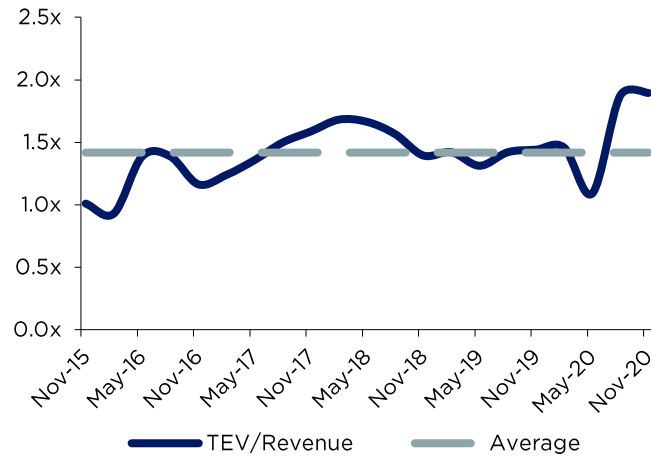
Capgemini is a French IT services company with a global presence.

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.

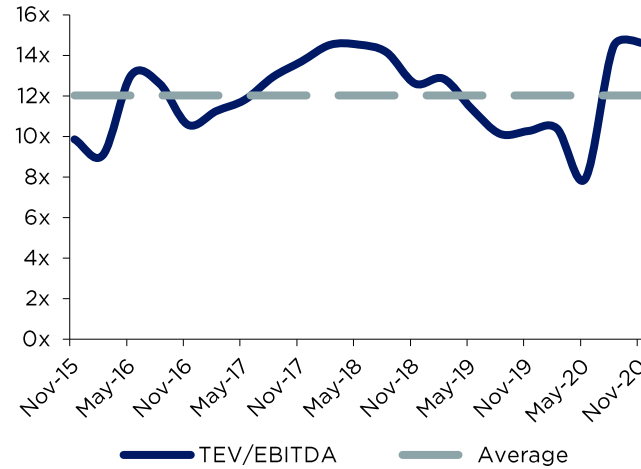
Public Basket

Capgemini

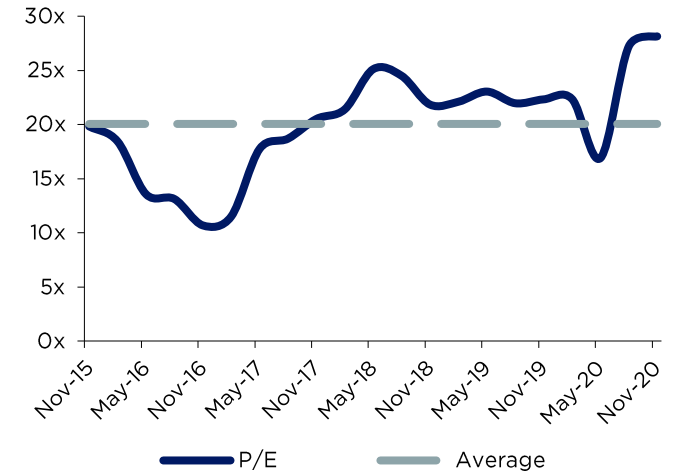
Revenue Multiples - Capgemini



EBITDA Multiples - Capgemini



P/E Multiples - 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

02-Apr-20

The company was acquired by Capgemini (PAR: CAP) for an undisclosed amount on April 2, 2020. The acquisition will enable Capgemini to extend its presence in cities across Sweden and Denmark, as well as enhance its service offerings.

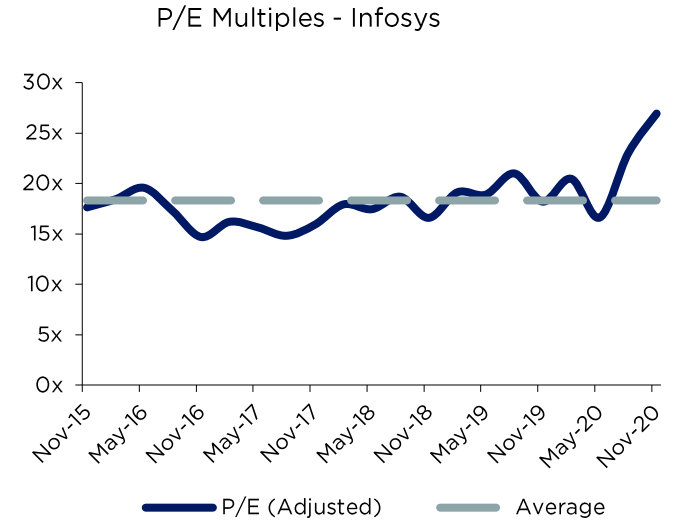
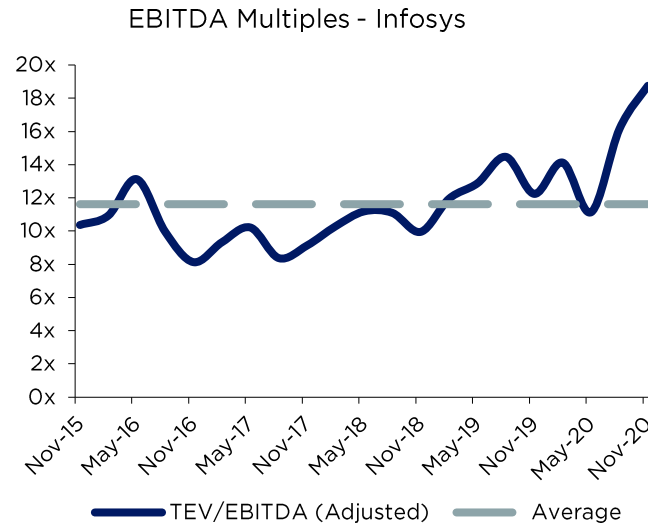
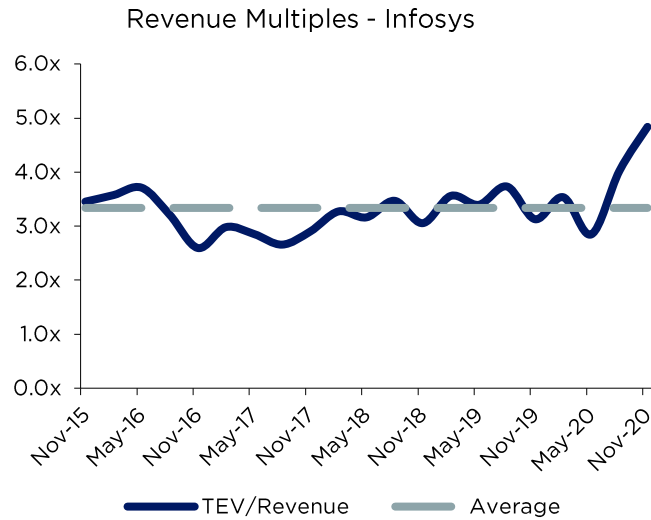
Infosys

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
Kaleidoscope Innovation	12-Oct-20	The company was acquired by Infosys (NSE: INFY) for \$42 million on October 12, 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.
Blue Acorn iCi	28-Oct-20	The company was acquired by Infosys (NSE: INFY) for approximately \$125 million on October 28, 2020.

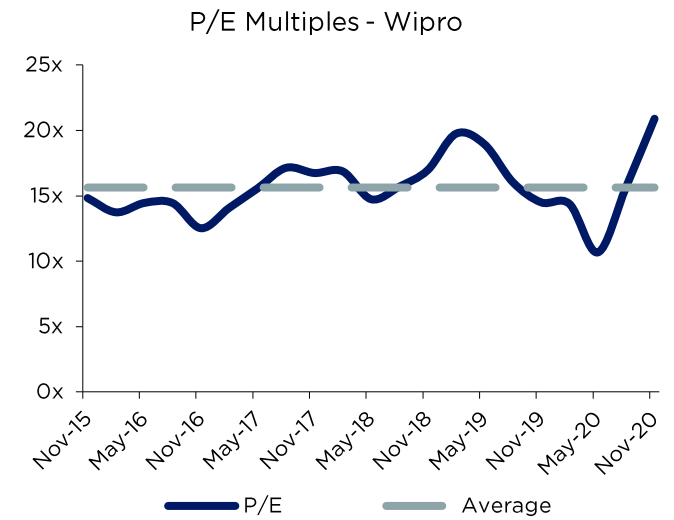
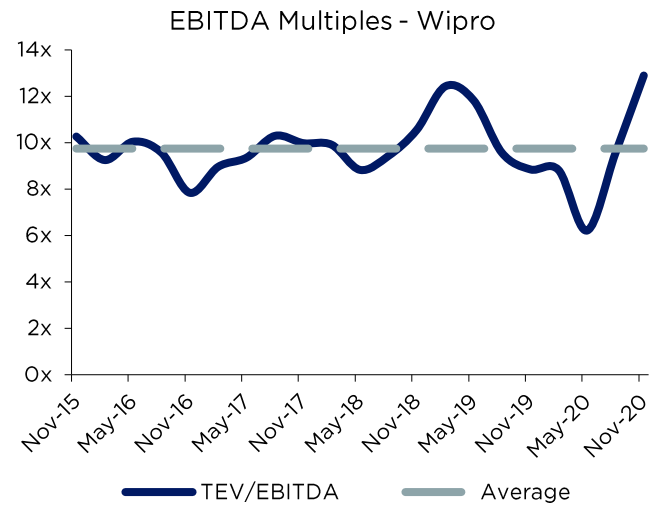
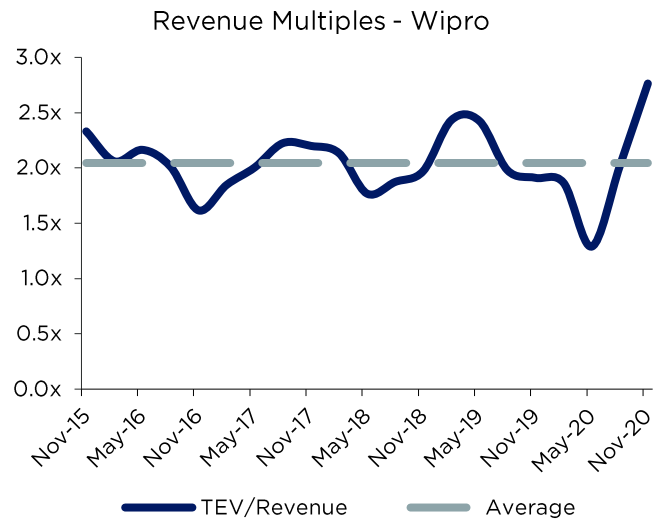
Wipro

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 composed of 27 industry verticals.

Public Basket

Wipro



Company Name	Date	Deal Synopsis
Eximius Design	13-Oct-20	The company reached a definitive agreement to be acquired by Wipro (BOM: 507685) for \$80 million on October 13, 2020. The acquisition will help Wipro to expand into newer market segments and elevate the customer's journey in next-generation technologies such as connected products, embedded AI and security.
4C Consulting	10-Aug-20	The company was acquired by Wipro (BOM: 507685) for EUR 68 million on August 10, 2020.

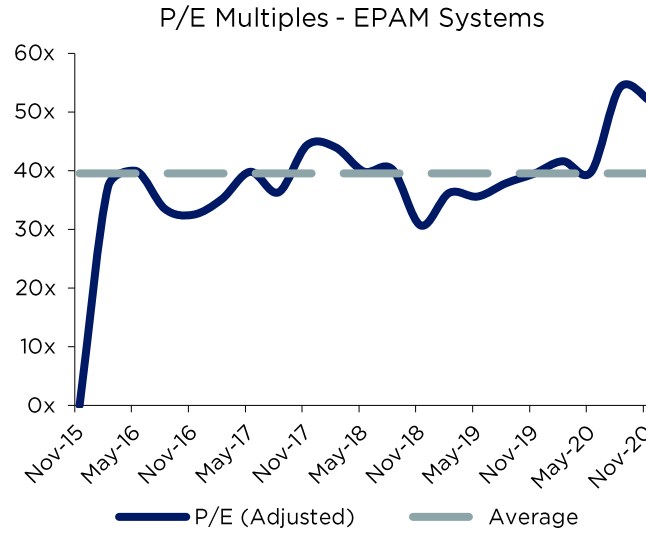
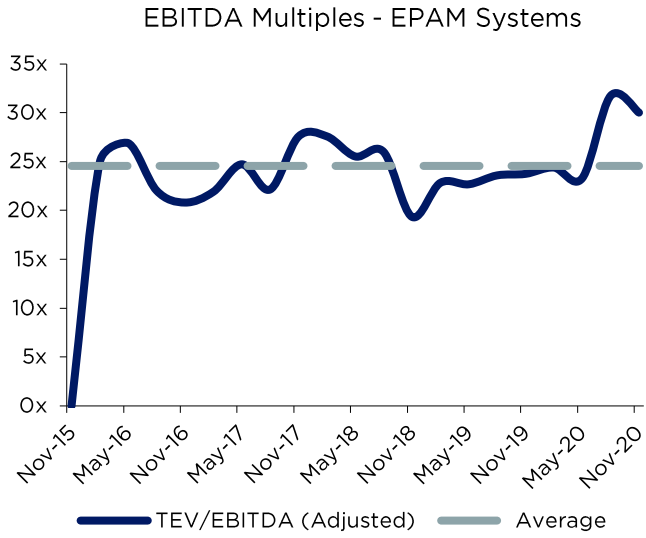
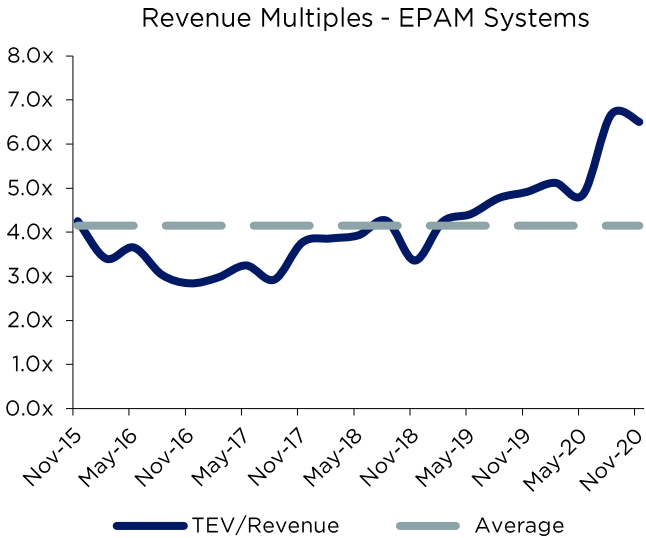
EPAM Systems

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



<i>Company Name</i>	<i>Date</i>	<i>Deal Synopsis</i>
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	03-Feb-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.

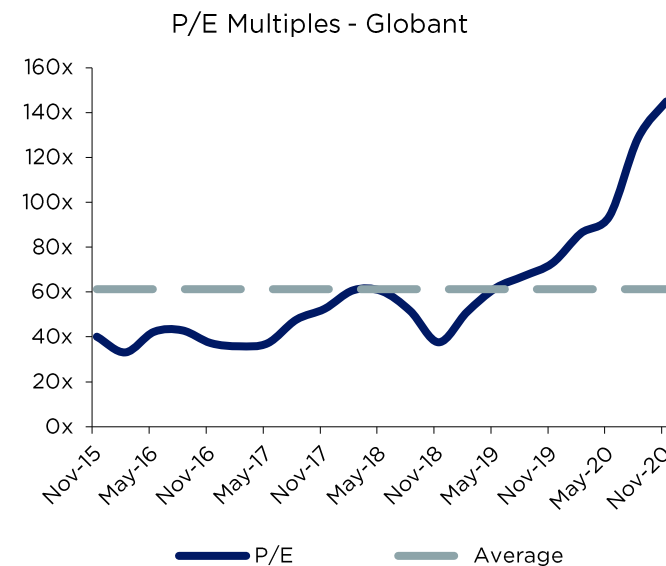
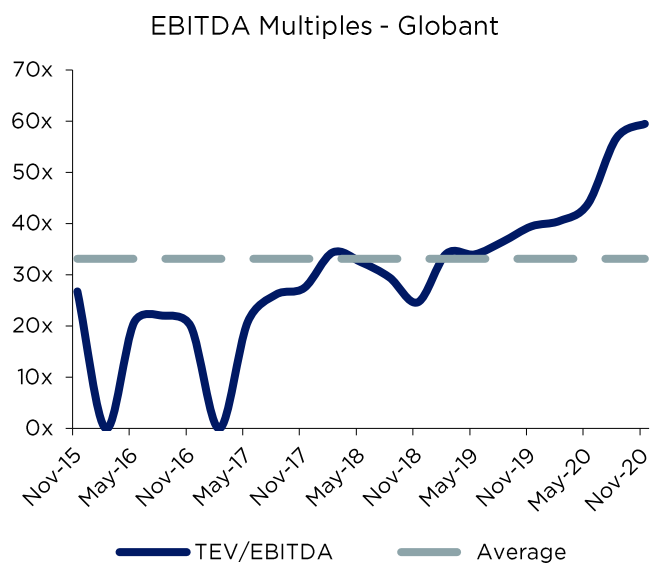
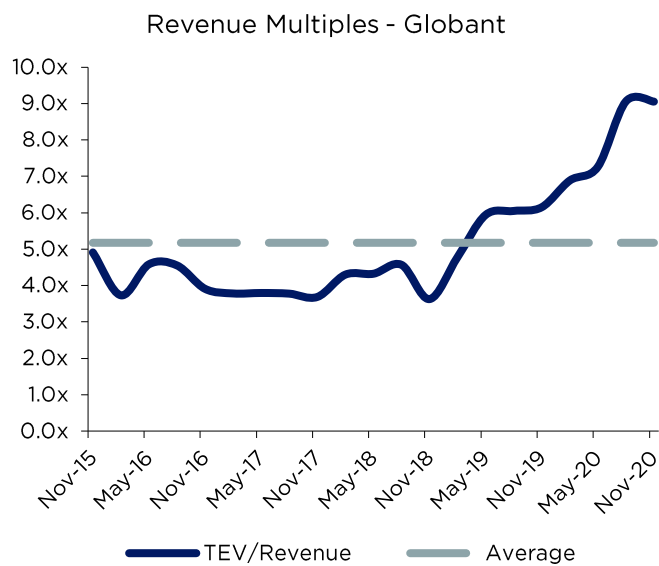
Globant

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
Grupo ASSA Worldwide	03-Aug-20	The company was acquired by Globant (NYS: GLOB) for ARS 74.5 million on August 3Co Private - New C, 2020. The deal includes \$17 million on the 24th month anniversary of the closing date and an additional amount of \$12.5 subject to upwards or downwards adjustment based on Grupo ASSA's achievement of specified revenue and gross margin targets for the period from August 1, 2020 through December 31, 2020.
Singularity University	16-Dec-19	The company received an undisclosed amount of convertible debt financing from Globant on December 16, 2019.

Persistent Systems

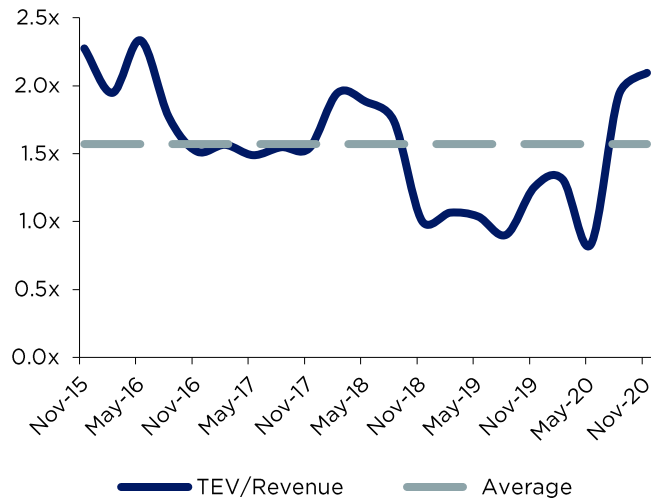
Persistent Systems Ltd is an India-based provider of software solution organized in three segments based on end market: Technology Services; Alliance; and Accelerite.

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.

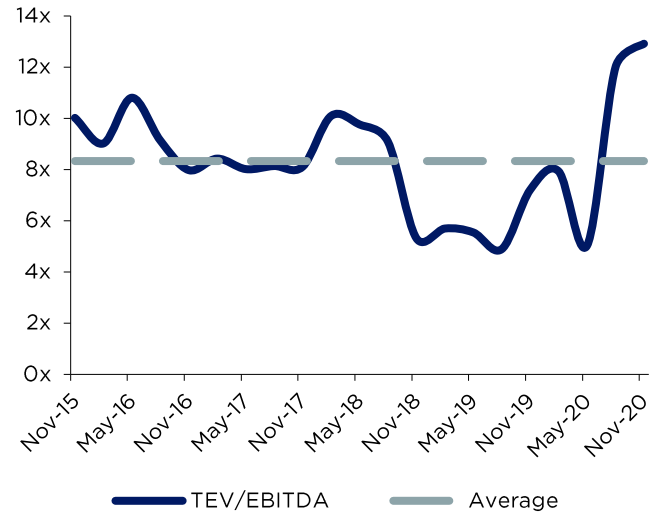
Public Basket

Persistent Systems

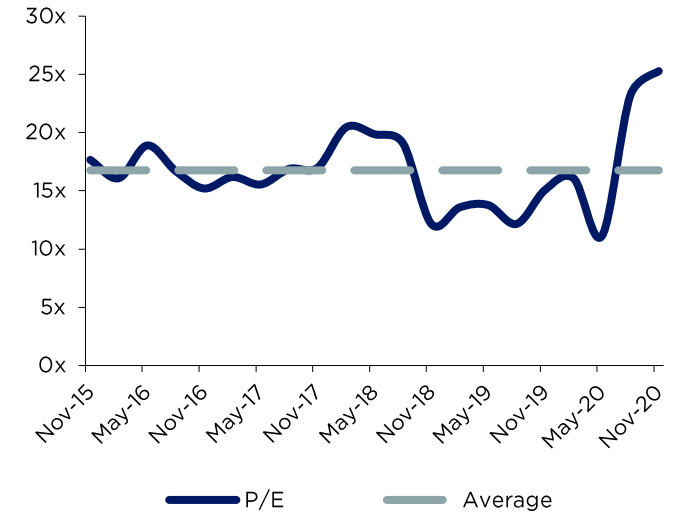
Revenue Multiples - Persistent Systems



EBITDA Multiples - Persistent Systems



P/E Multiples - Persistent Systems



Company Name

Date

Deal Synopsis

CAPIOT Software

15-Oct-20

The company reached a definitive agreement to be acquired by Persistent Systems (NSE: PERSISTENT) for an undisclosed amount on October 15, 2020. The acquisition further strengthens Persistent's ability to provide enterprise integration strategy & advisory services to guide clients with their integration strategy, platform choice, and roadmap to meet business goals and also managed integration services to support changing business needs and innovation.

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.

Endava

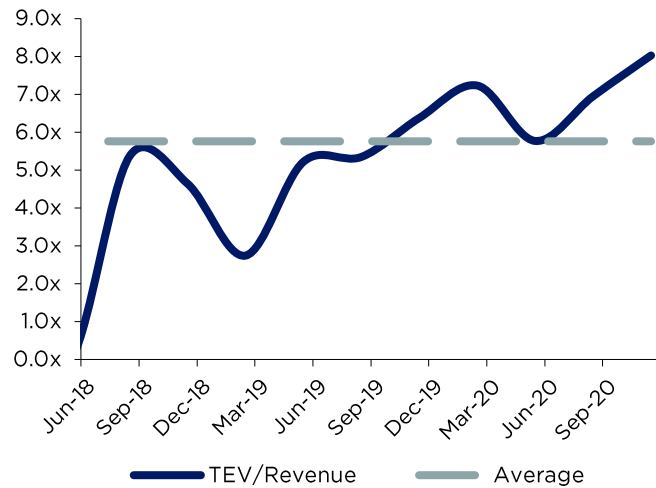
Endava PLC provides technology solutions.

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.

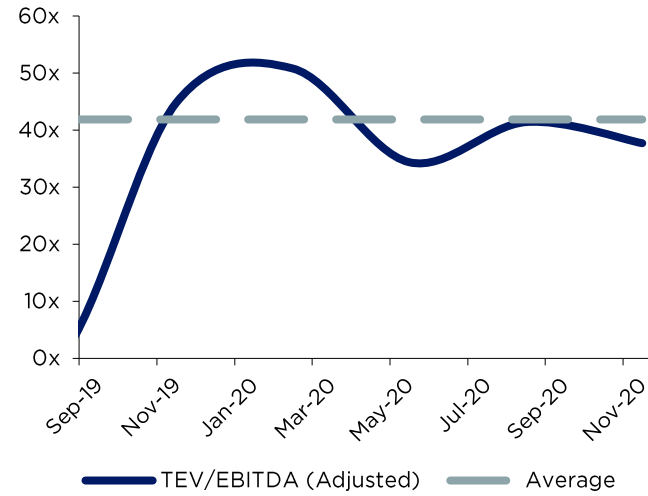
Public Basket

Endava

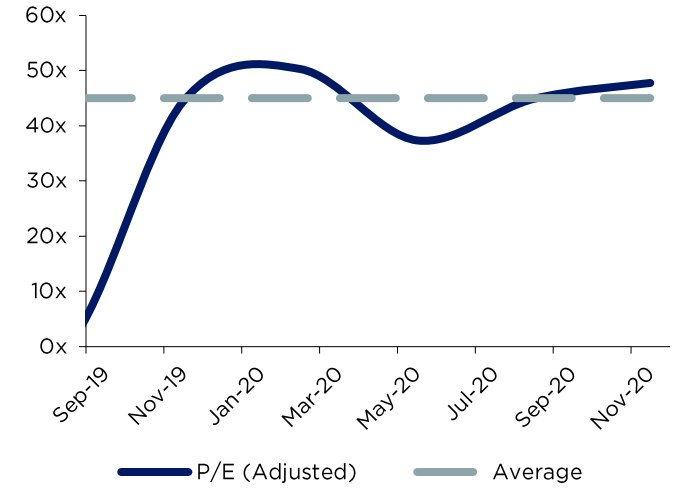
Revenue Multiples - Endava



EBITDA Multiples - Endava



P/E Multiples - Endava



Company Name

Date

Deal Synopsis

Comtrade Digital Services

17-Aug-20

The business unit of Comtrade Group was acquired by Endava (NYS: DAVA), a subsidiary of Concise, for an undisclosed amount on August 17, 2020. The acquisition will help Endava to reinforce its presence in South Eastern Europe and strengthen its industry verticals in payments and financial services.

Exozet

17-Dec-19

The company was acquired by Endava (NYS: DAVA), a subsidiary of Concise, for an undisclosed amount on December 17, 2019.

R Systems International

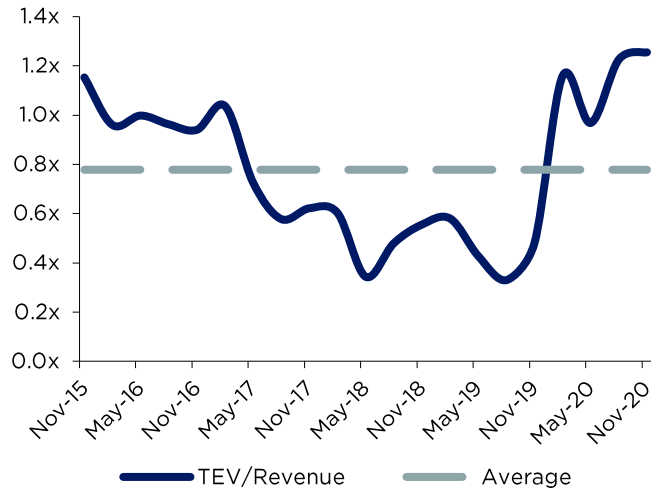
R Systems International Ltd is an Indian based company which provides IT services and solutions.

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.

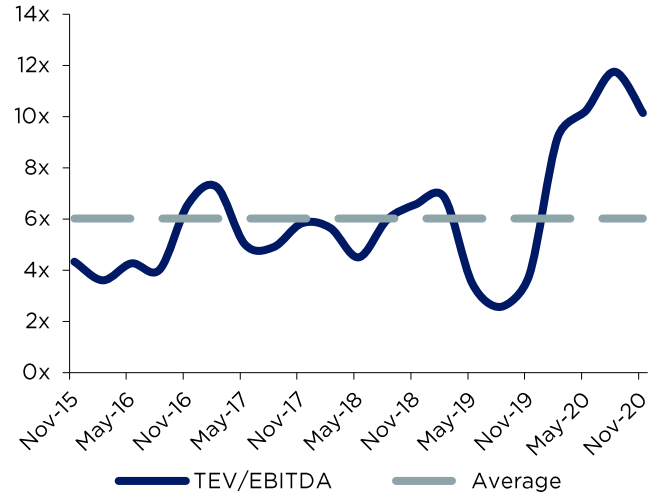
Public Basket

R Systems International

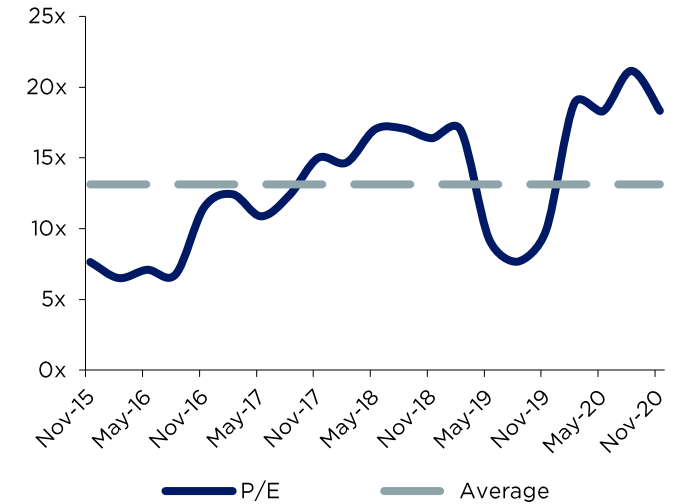
Revenue Multiples - R Systems International



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

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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