

7 Mile Advisors



Sectorwatch: Enterprise Software

January 2021



Enterprise Software

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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

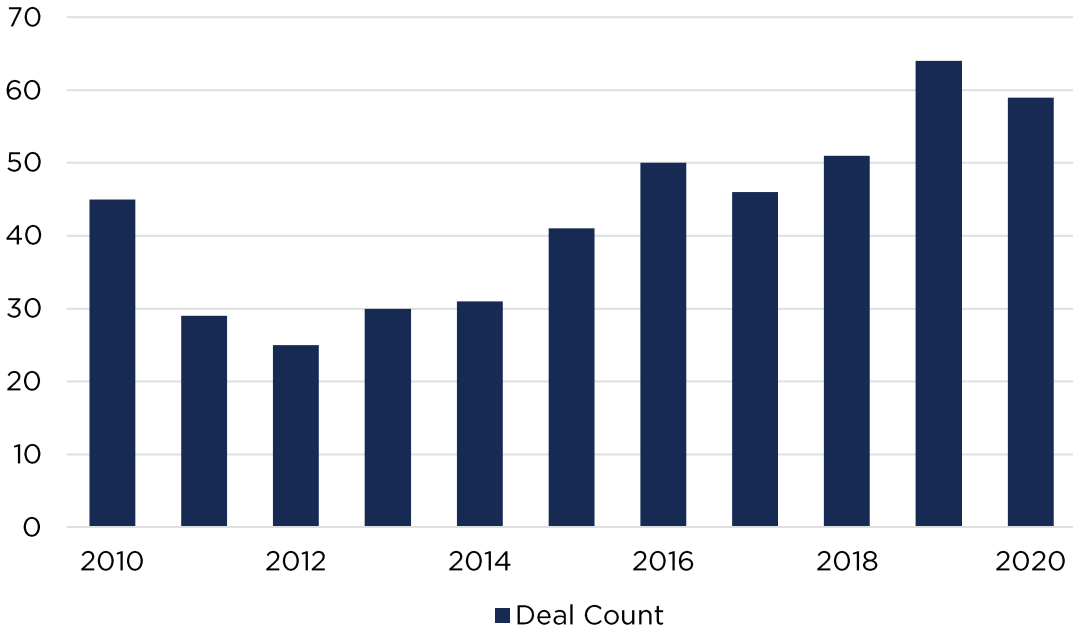
Dashboard

REVENUE GROWTH MOMENTUM

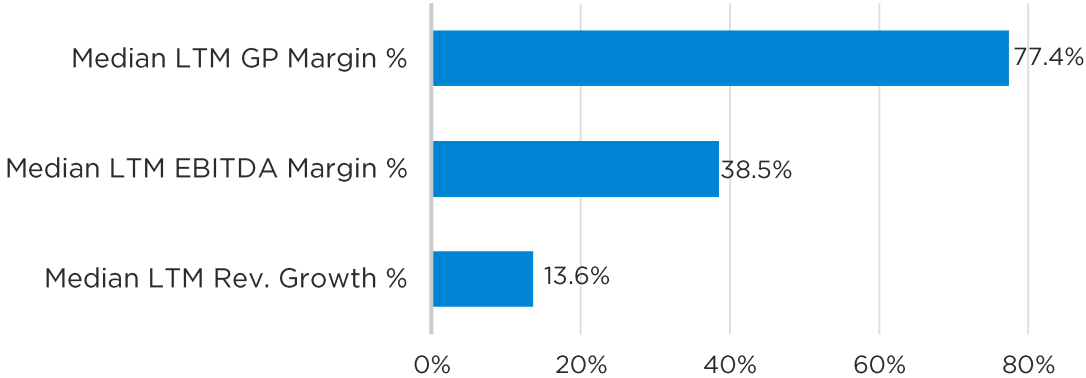
↓ -0.8%

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

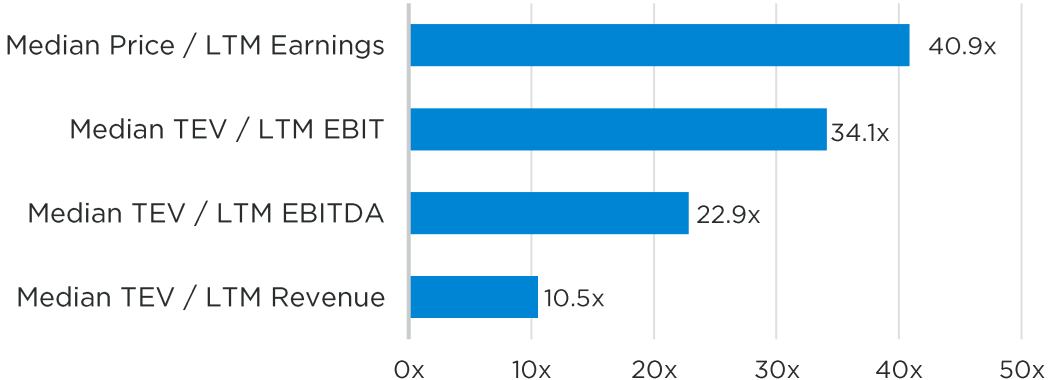
M&A Activity



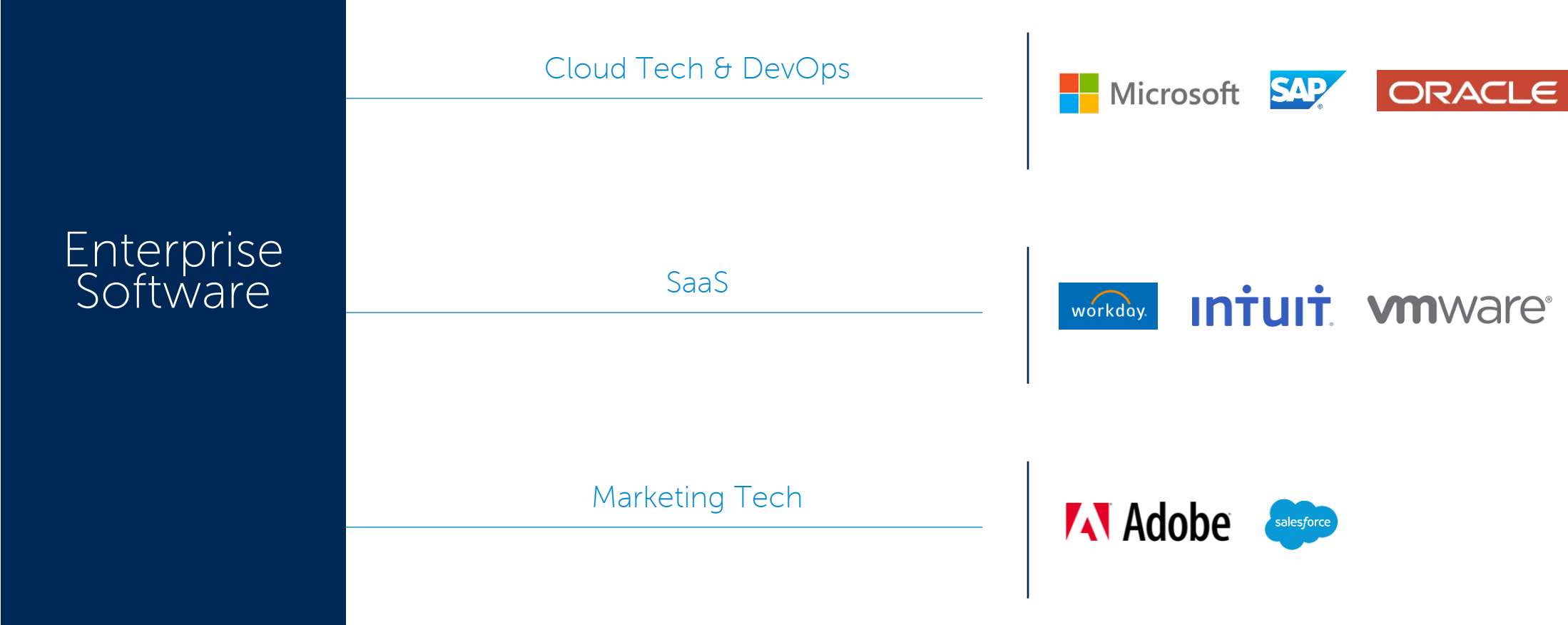
Operating Metrics



Valuation



Public Basket Overview

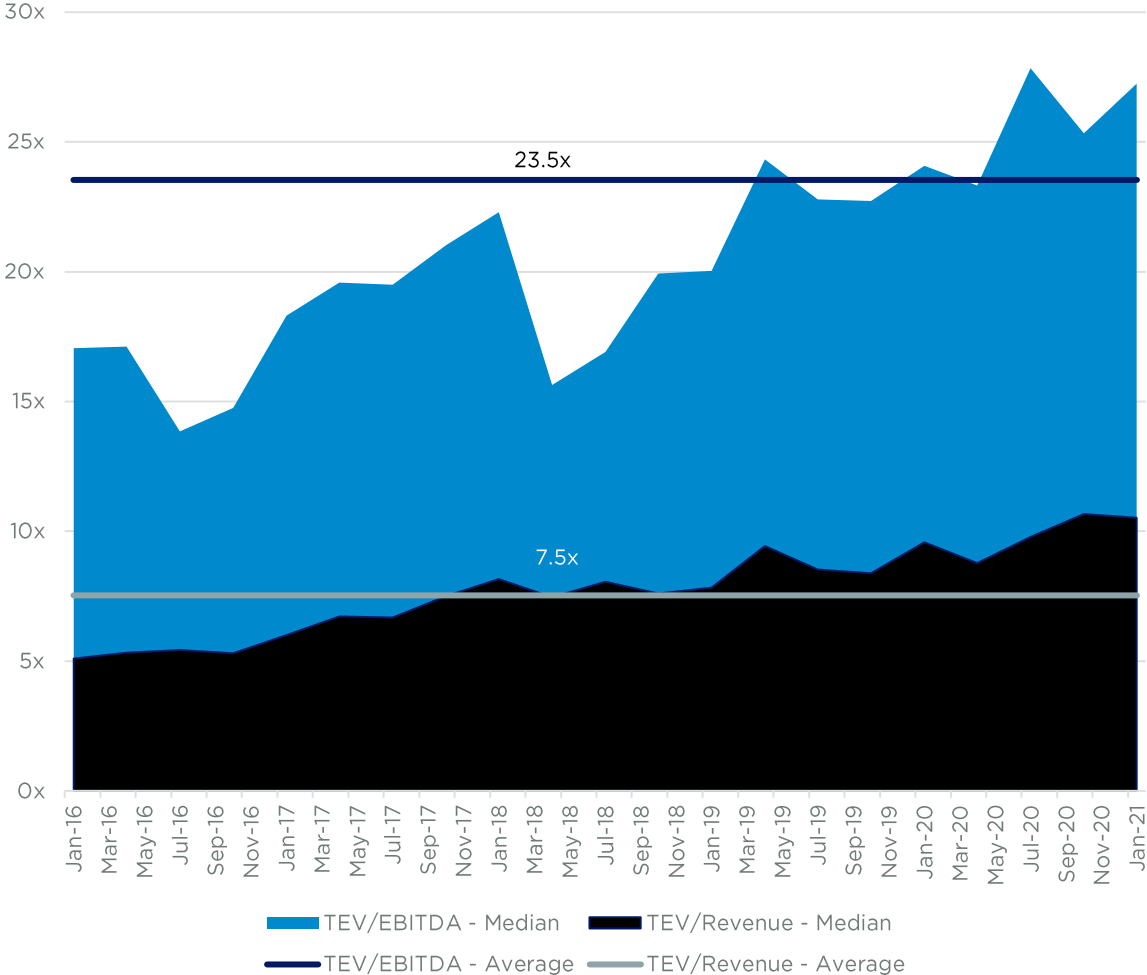


Public Basket

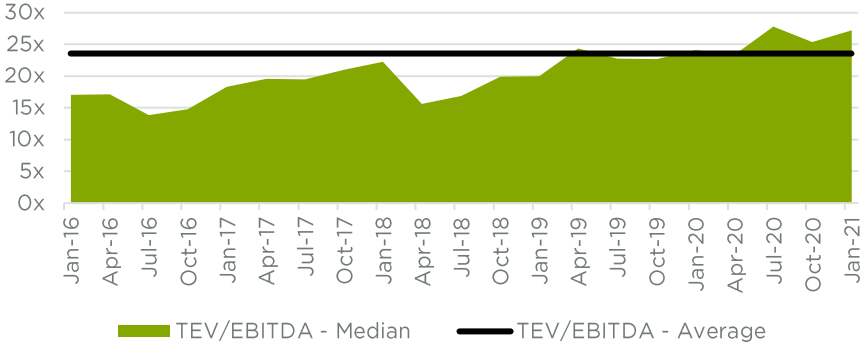
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Workday	52,910	1,096	4,163	21.0%	71.9%	26.3%	12.7x	48.3x	12,300	338
VMware	63,052	4,404	11,546	5.3%	83.0%	38.1%	5.5x	14.3x	31,000	372
Intuit	96,350	3,049	7,837	13.0%	82.9%	38.9%	12.3x	31.6x	9,400	834
SAP	171,176	11,260	31,160	3.3%	70.7%	36.1%	5.5x	15.2x	101,450	307
Oracle	217,037	19,415	39,402	-0.5%	80.3%	49.3%	5.5x	11.2x	136,000	290
Salesforce	202,636	4,960	20,286	28.0%	74.5%	24.5%	10.0x	40.9x	49,000	414
Adobe Systems	218,918	5,719	12,868	15.2%	86.6%	44.4%	17.0x	38.3x	22,634	569
Microsoft	1,694,012	74,099	153,284	14.2%	68.4%	48.3%	11.1x	22.9x	144,000	1,064
Average	339,511	15,500	35,068	12.4%	77.3%	38.3%	9.9x	27.8x	63,223	524
Median	186,906	5,340	16,577	13.6%	77.4%	38.5%	10.5x	27.2x	40,000	393

share price as of 27Jan21

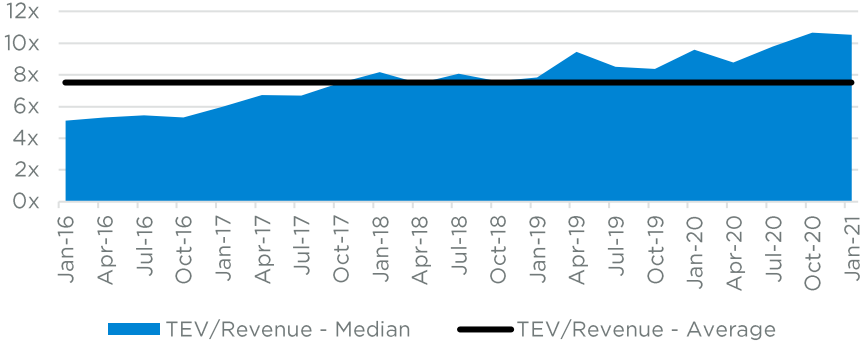
Public Basket



Public EBITDA Multiples over Time

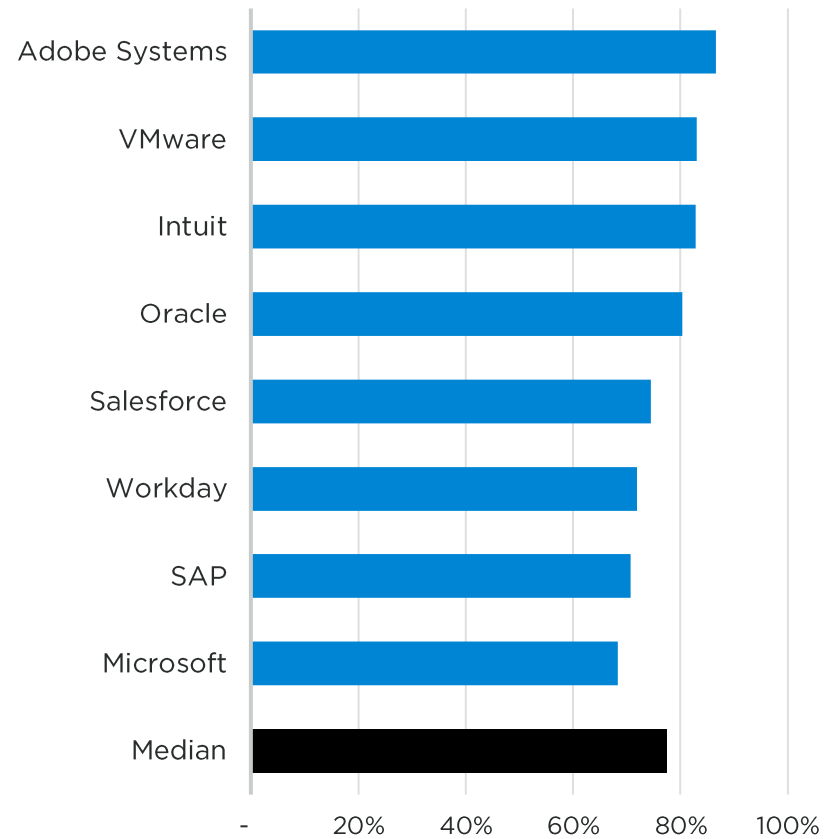


Public Revenue Multiples over Time

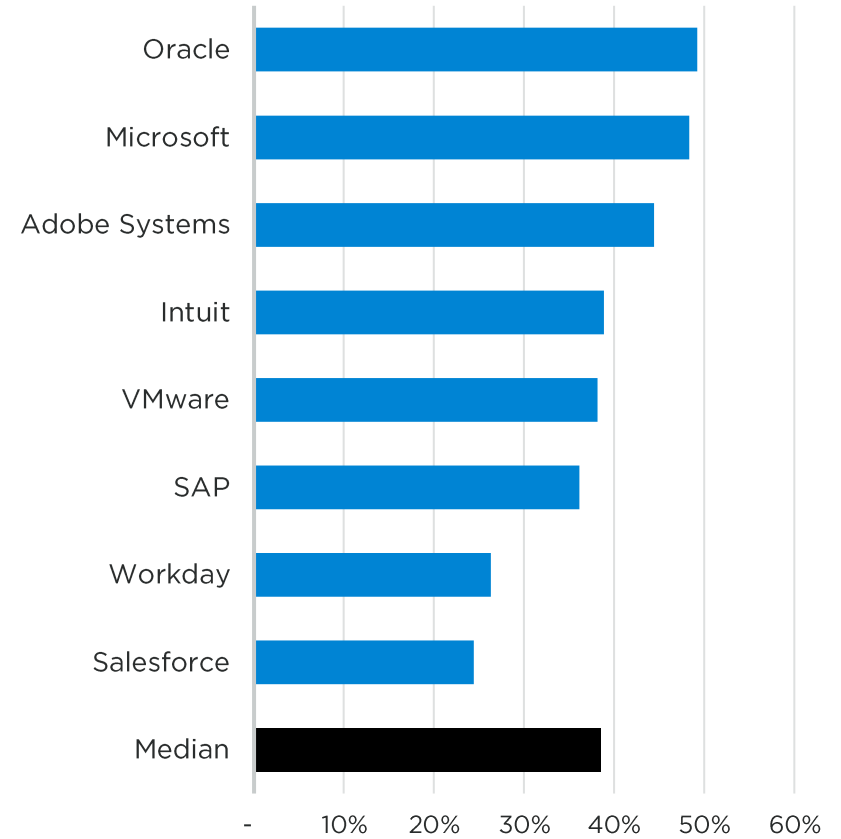


Operational Metrics

LTM Gross Profit Margin %

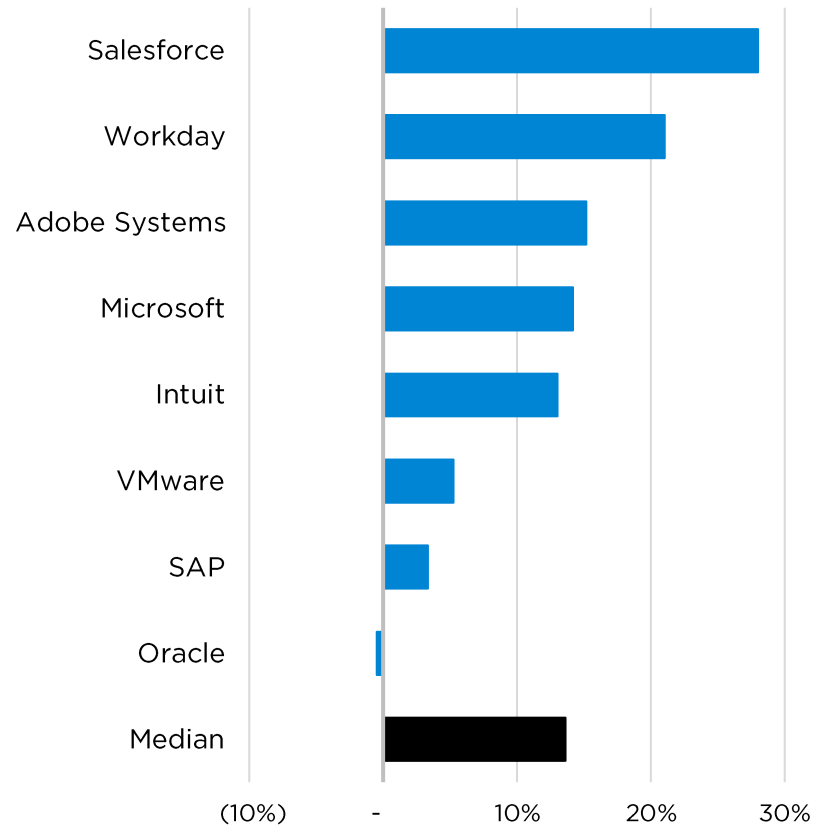


LTM EBITDA %

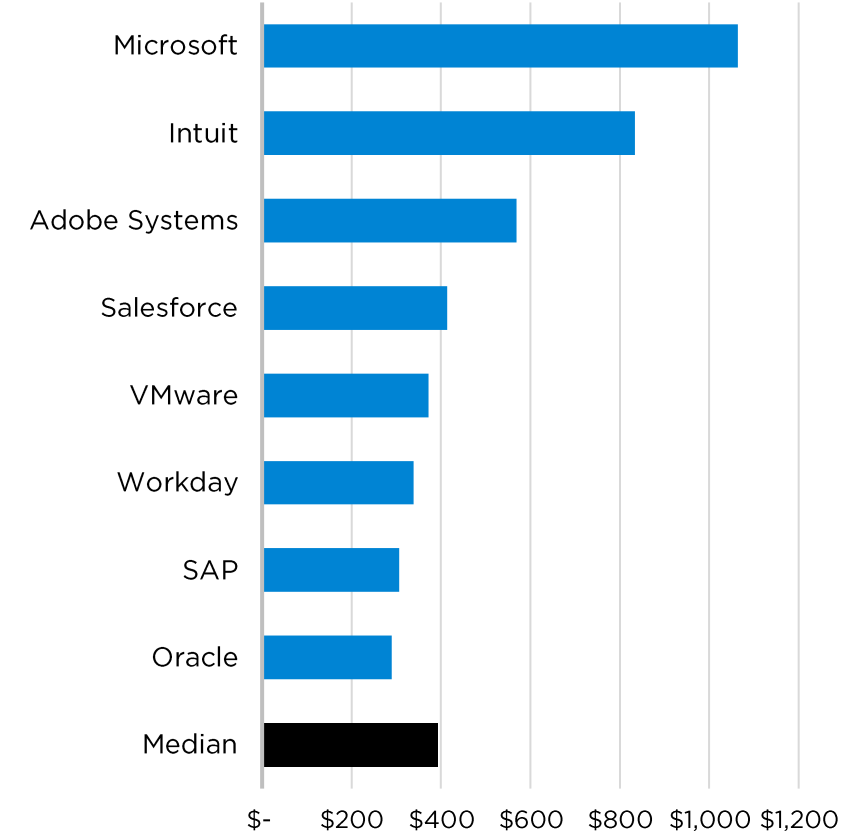


Operational Metrics

LTM Revenue Growth %

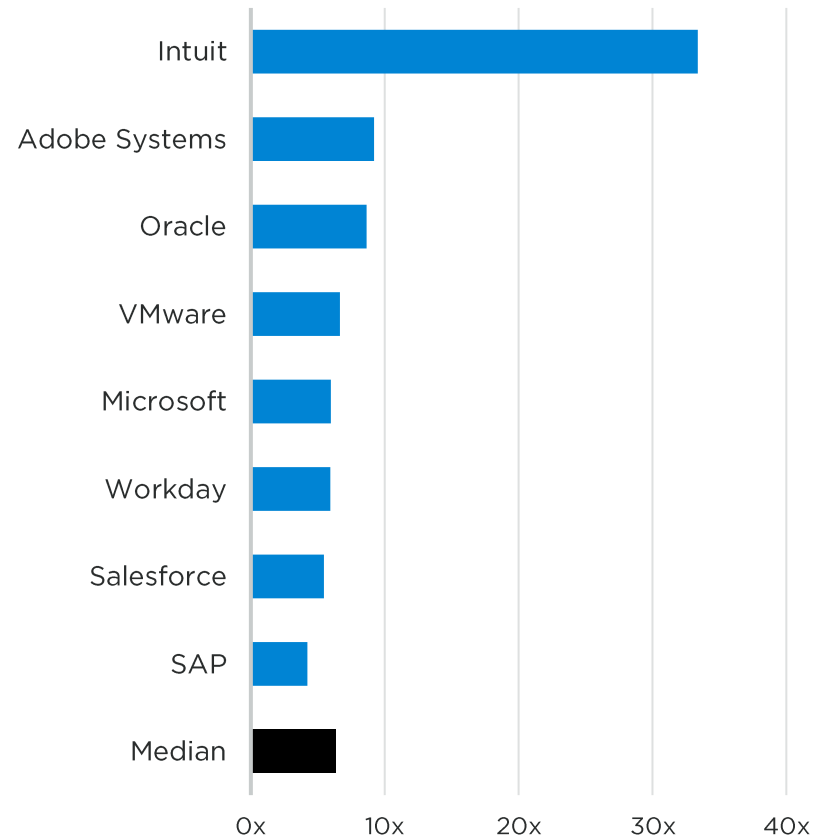


LTM Revenue per Full Time Employee x 000's

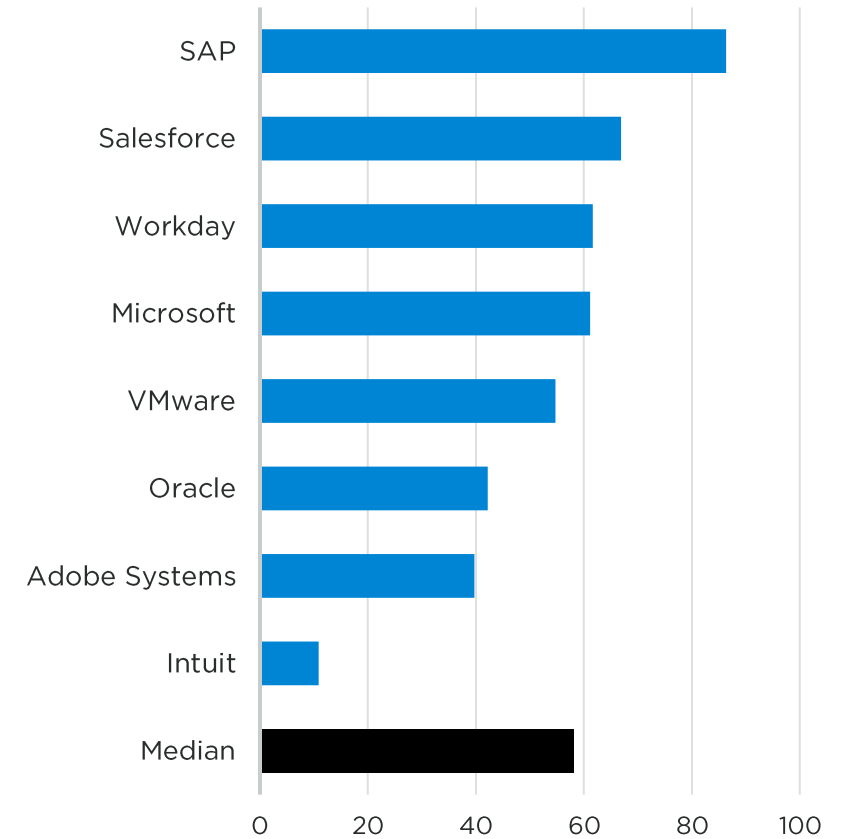


Operational Metrics

Accounts Receivable Turnover

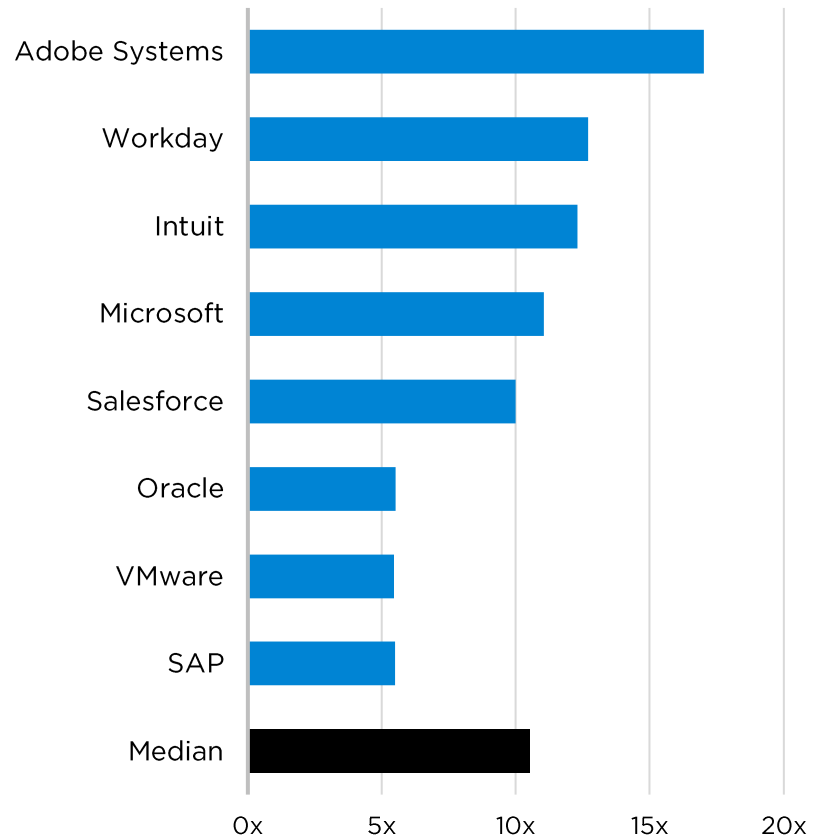


Average Days Sales Outstanding

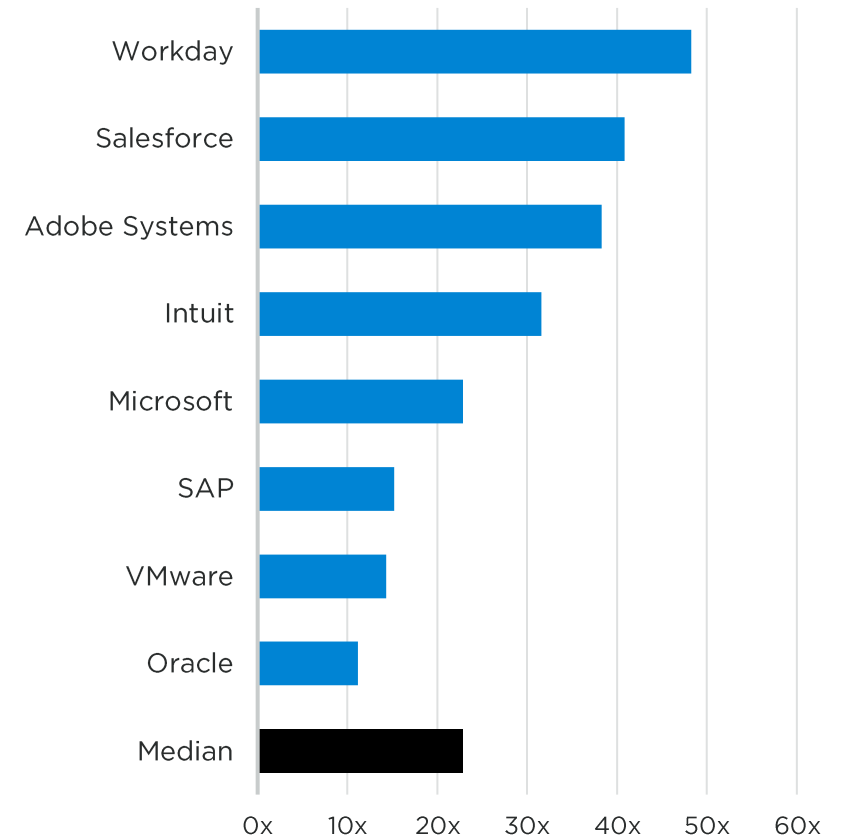


Valuation

TEV / LTM Revenue

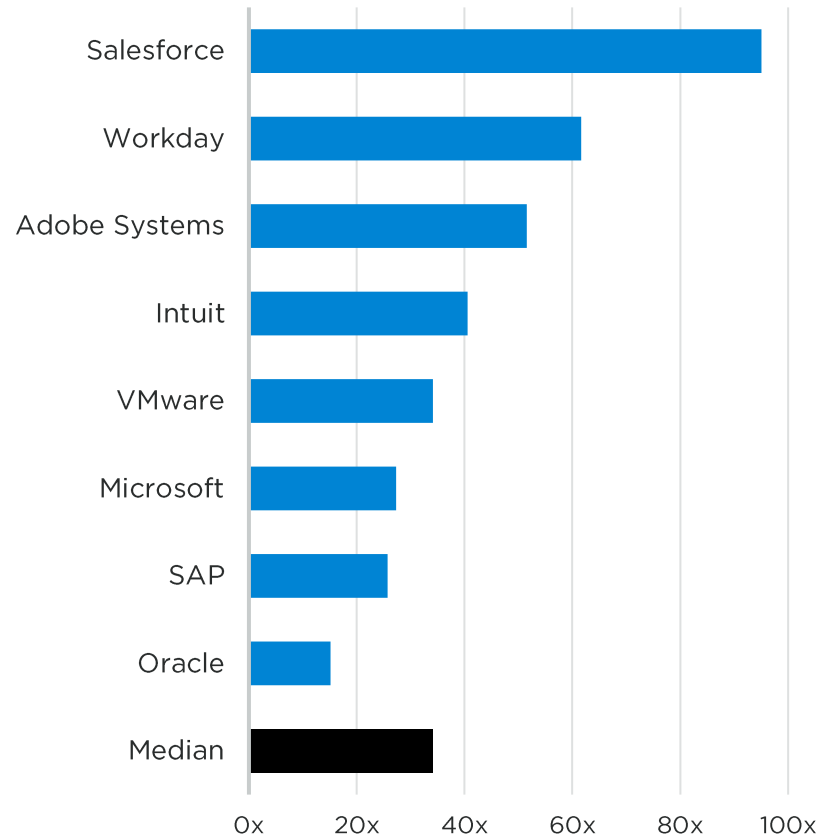


TEV / LTM EBITDA

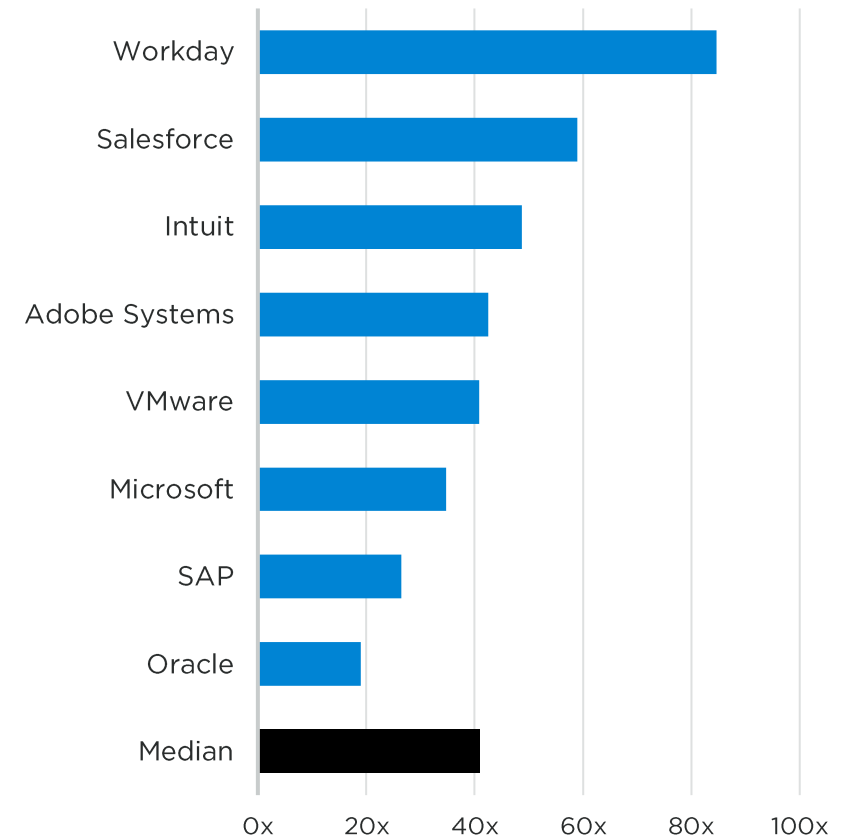


Valuation

TEV / LTM EBIT

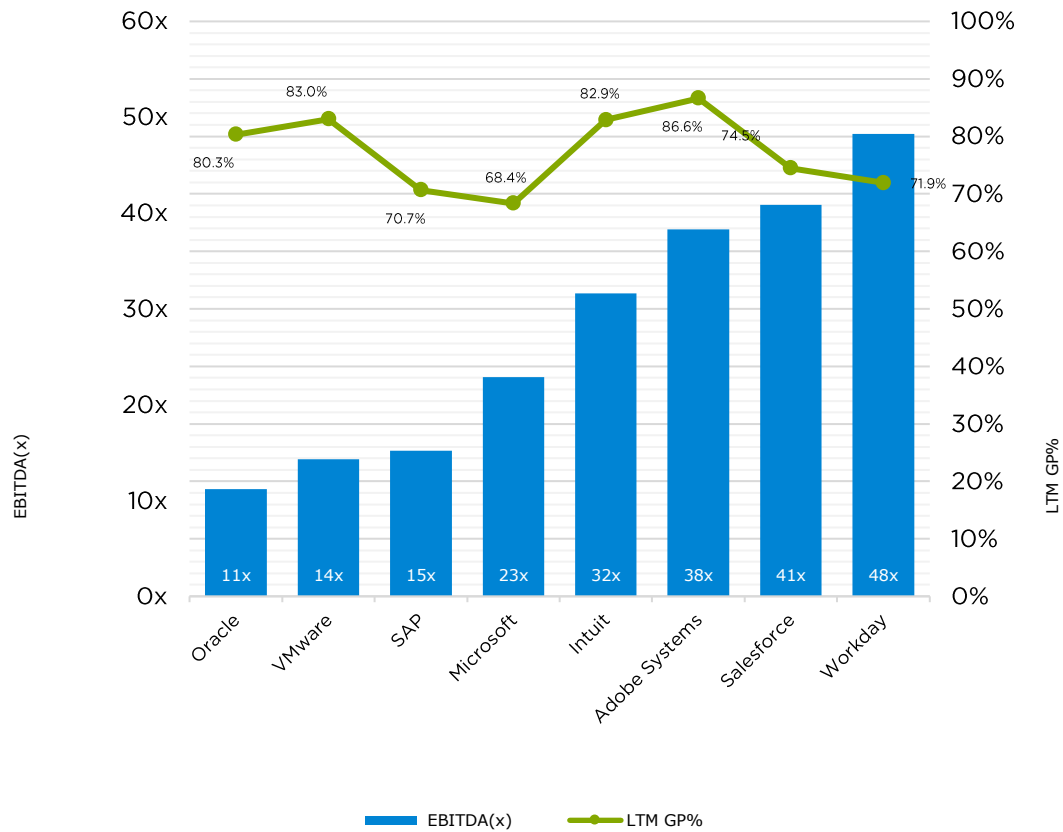


Price / LTM Earnings

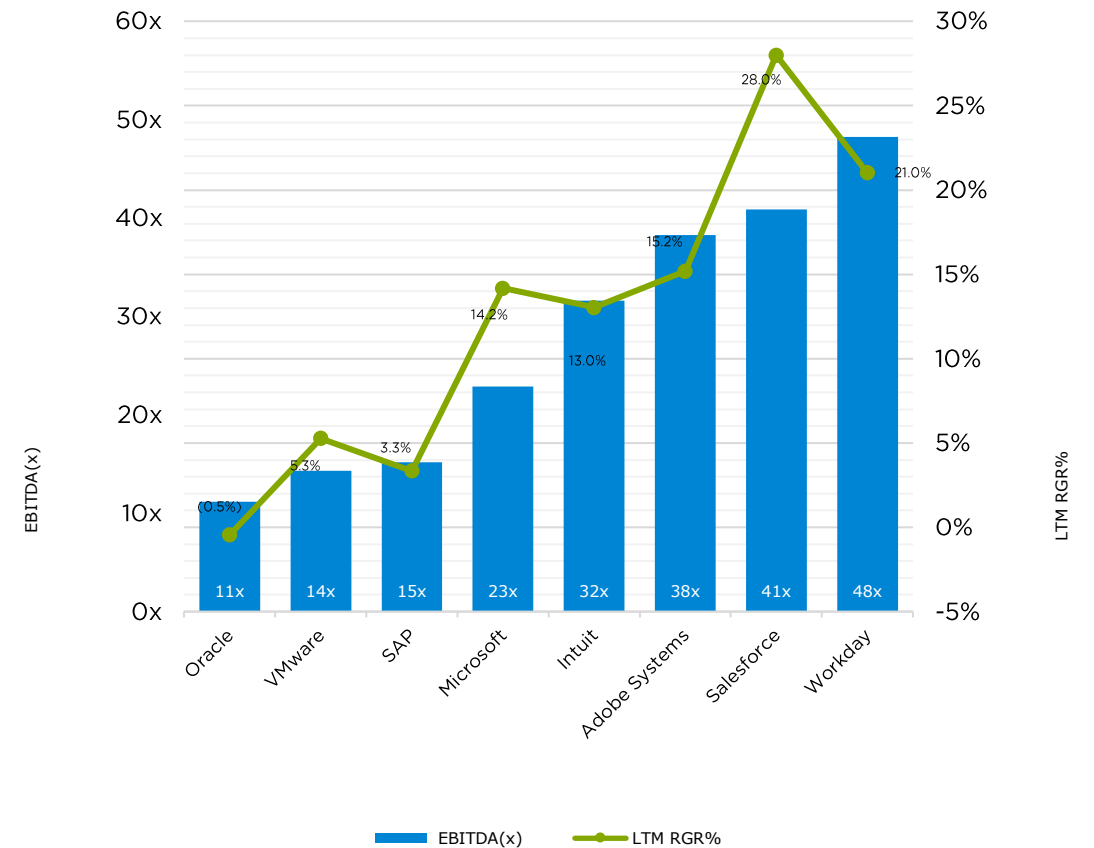


Valuation

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
26-Jan-21	Caringo	DataCore Software	-	-	-	-
14-Jan-21	Unilog	Investcorp Strategic Capital Group	-	-	-	-
12-Jan-21	Orbus Software	SilverTree Equity	-	-	-	-
07-Jan-21	Lateral Innovations	PG Solutions	-	-	-	-
30-Dec-20	Fertsoft	CSAM Health	0.72	-	1.44	11.52
23-Dec-20	Anchor Computer Systems	Aryza	-	-	-	-
21-Dec-20	Fieldlens (Mobile Field Management Technology)	JettyCove	-	-	-	-
17-Dec-20	Starcompliance	Marlin Equity Partners	-	-	-	-
14-Dec-20	GoSpotCheck	Diversis Capital	-	-	-	-
09-Dec-20	Precisely (Confirm Software)	Clearlake Capital Group	-	-	-	-
07-Dec-20	Contextere	Serco	0.85	-	-	-
10-Nov-20	TITAN School Solutions	APES Ventures	75.00	-	-	-
29-Oct-20	Icon Solutions	J.P. Morgan	-	-	-	-
29-Oct-20	Monocl	22C Capital	-	-	-	-
26-Oct-20	TotalMobile	Bowmark Capital	-	-	-	-
05-Oct-20	TargetX	Liaison International	-	-	-	-
24-Sep-20	ImagineTime	Greater Sum Ventures	-	-	-	-
22-Sep-20	School Software Group	Education Advanced	-	-	-	-
21-Sep-20	Volly	Camden Partners	11.00	-	-	-
18-Sep-20	Trans + Plus Systems	Banyan Software	-	-	-	-
15-Sep-20	Infinite Automation Systems	Radix IoT	-	-	-	-
08-Sep-20	Acarda Services	Greenspring Associates	-	-	-	-
09-Jun-20	TruePath Technologies	Antin Infrastructure Partners	-	-	-	-

Appendix

*Public Basket
Contact Information*



Workday

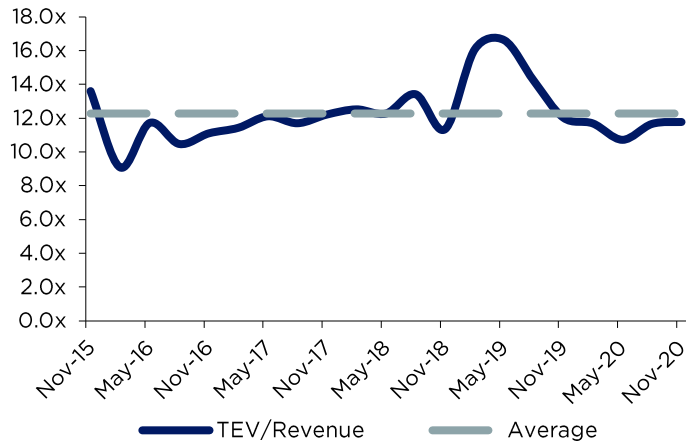
Workday is a software company that offers human capital management, or HCM, financial management, and business planning solutions.

Known for being a cloud-only software provider, Workday is headquartered in Pleasanton, California. Founded in 2005, Workday now employs over 12,000 employees.

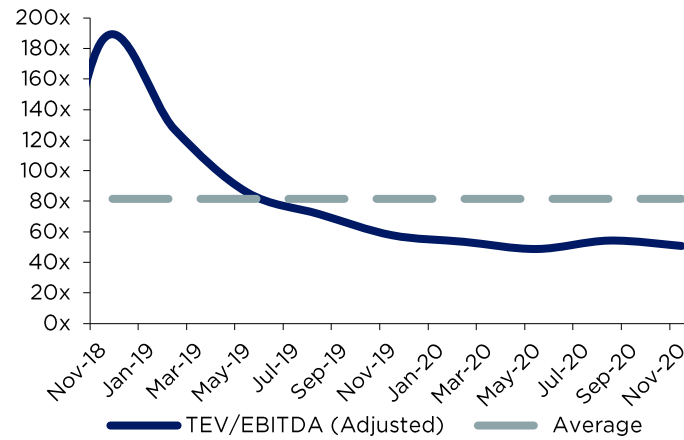
Public Basket

Workday

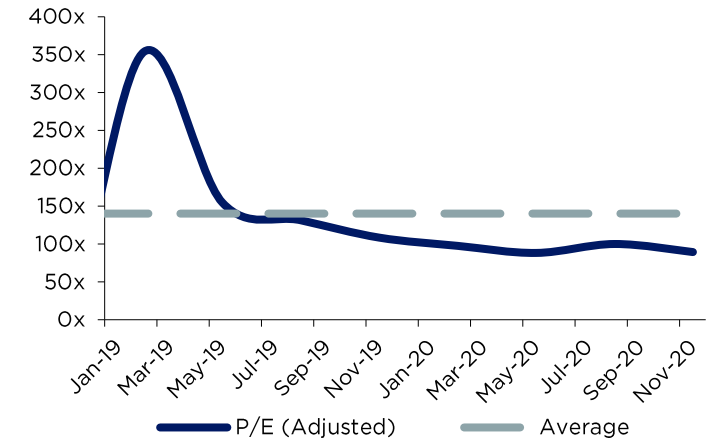
Revenue Multiples - Workday



EBITDA Multiples - Workday



P/E Multiples - Workday



Company Name

Date

Deal Synopsis

Trusted Key Solutions

18-Jul-19

The company was acquired by Workday (NAS: WDAY) for an undisclosed amount on July 18, 2019.

VMware

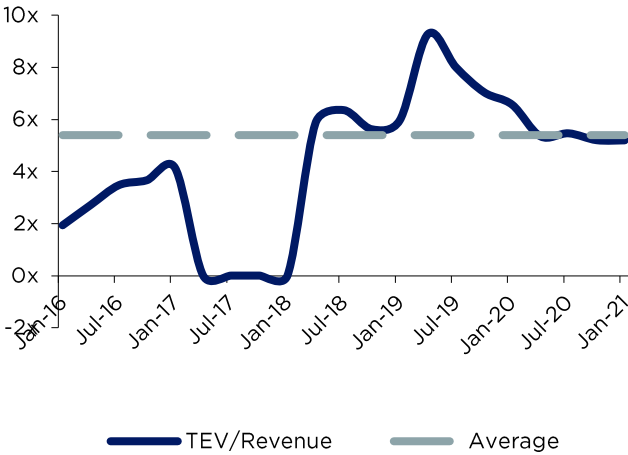
VMware, a majority-owned subsidiary of Dell, is an industry leader in virtual machines for data center servers and computer desktops.

The software provider operates in the three segments of licenses, maintenance, and professional services. Customers include enterprises utilizing data centers, end-user computing, cloud providers, and software-defined networking. The Palo Alto, California, firm operates and sells on a global scale, with about half its revenue from the United States, through direct sales, distributors, and partnerships.

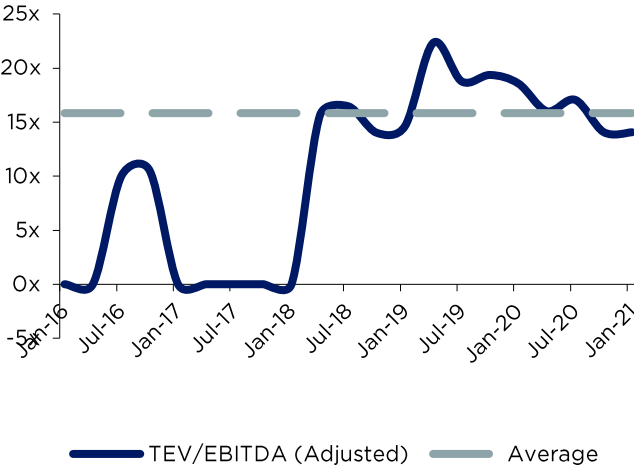
Public Basket

VMware

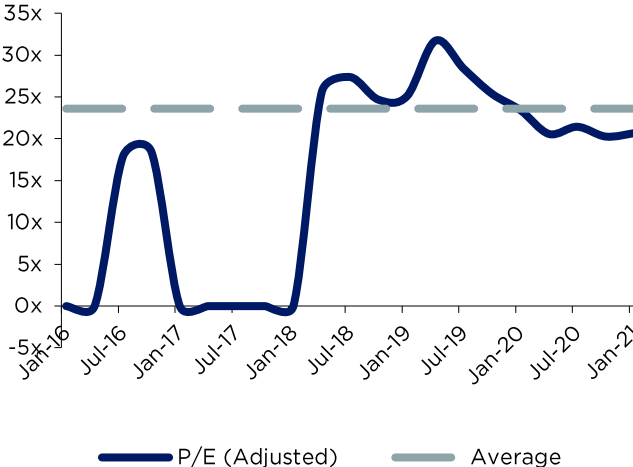
Revenue Multiples - VMware



EBITDA Multiples - VMware



P/E Multiples - VMware



Company Name	Date	Deal Synopsis
Mode (Other Communications and Networking)	14-Sep-20	The company was acquired by VMware (NYS: VMW), a subsidiary of Dell Technologies (NYS: DELL), for an undisclosed amount on September 14, 2020.

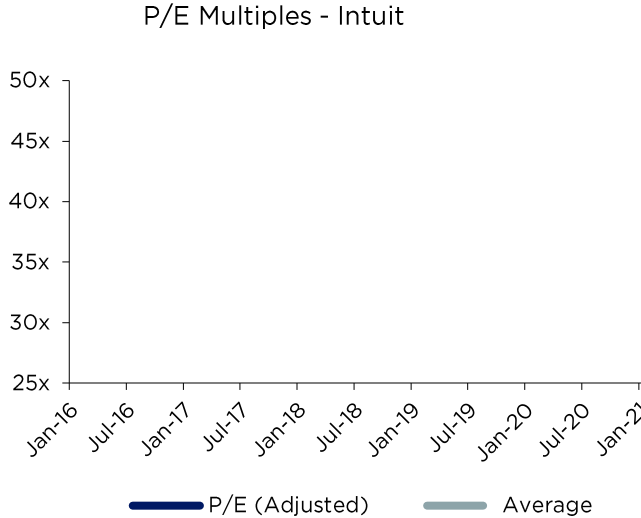
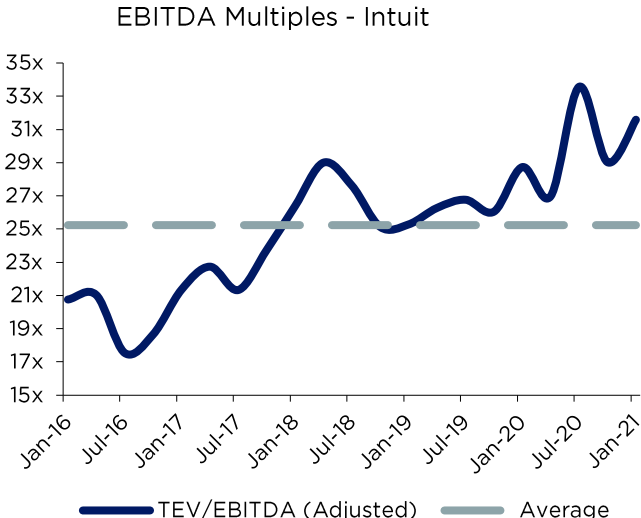
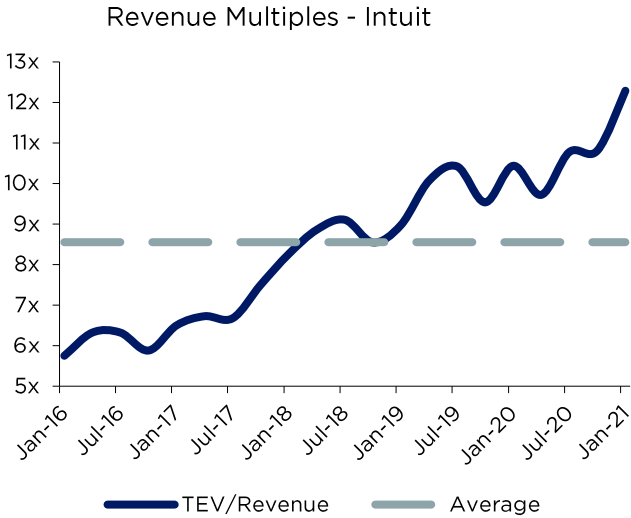
Intuit

Intuit is a provider of small-business accounting software (QuickBooks), personal tax solutions (TurboTax), and professional tax offerings (Lacerte).

Founded in the mid-1980s, Intuit controls the majority of U.S. market share for small-business accounting and DIY tax-filing software.

Public Basket

Intuit



<i>Company Name</i>	<i>Date</i>	<i>Deal Synopsis</i>
QuickBooks Commerce	1/6/20	The company was acquired by Intuit (NAS: INTU) for \$85 million on September 23, 2020.

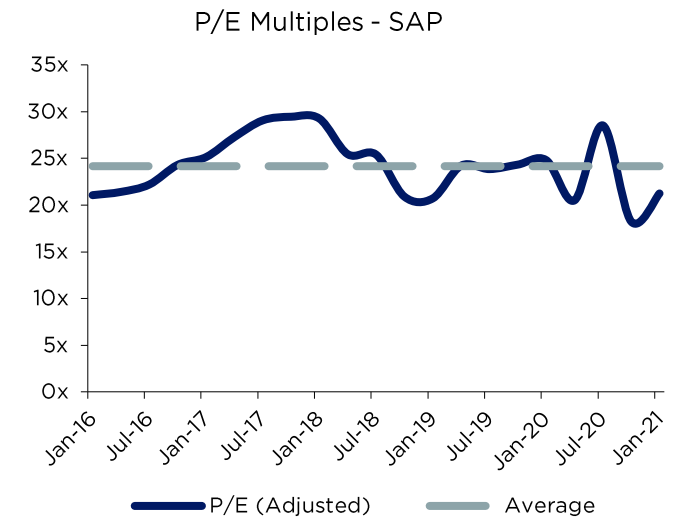
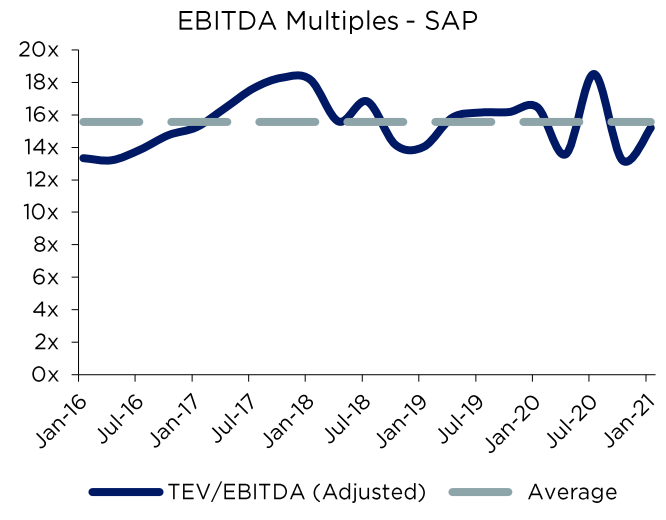
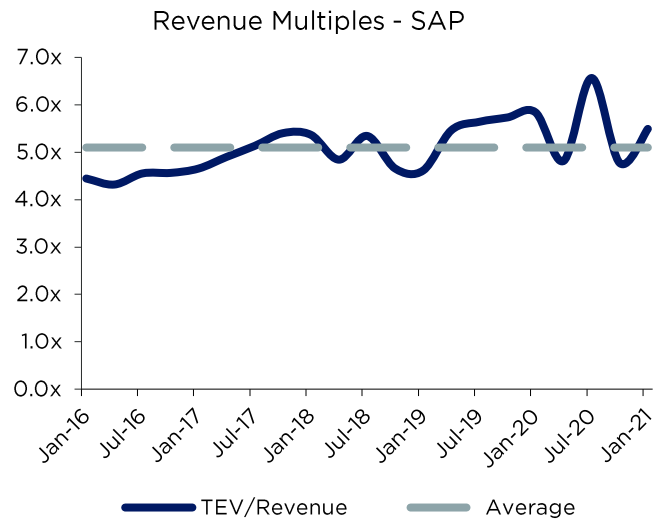
SAP

Founded in 1972 by former IBM employees, SAP provides database technology and enterprise resource planning software to enterprises around the world.

Across more than 180 countries, the company serves 440,000 customers, approximately 80% of which are small to medium-size enterprises.

Public Basket

SAP



<i>Company Name</i>	<i>Date</i>	<i>Deal Synopsis</i>
Vistex (Illinois)	04-Aug-20	The company received an undisclosed amount of financing from SAP on August 4, 2020. This investment in the company showcases SAP's commitment to developing its partner community and reflects the impact that the partner ecosystem has on its overall success.

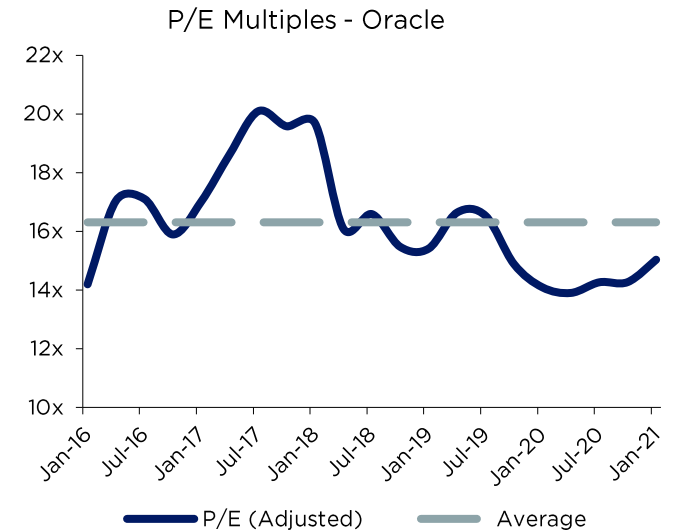
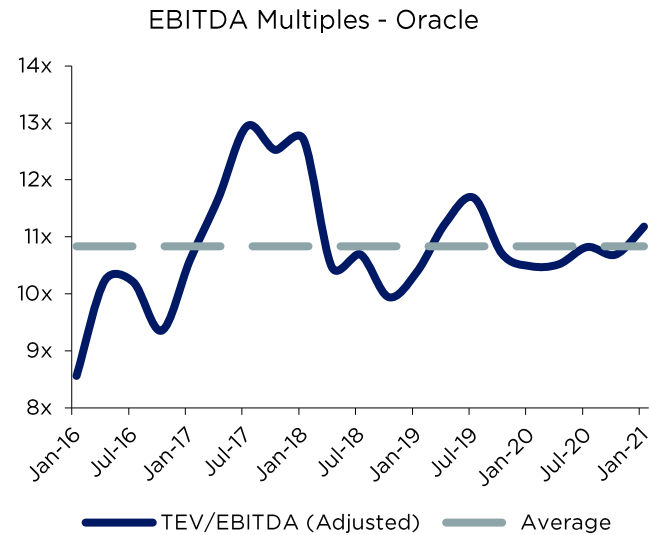
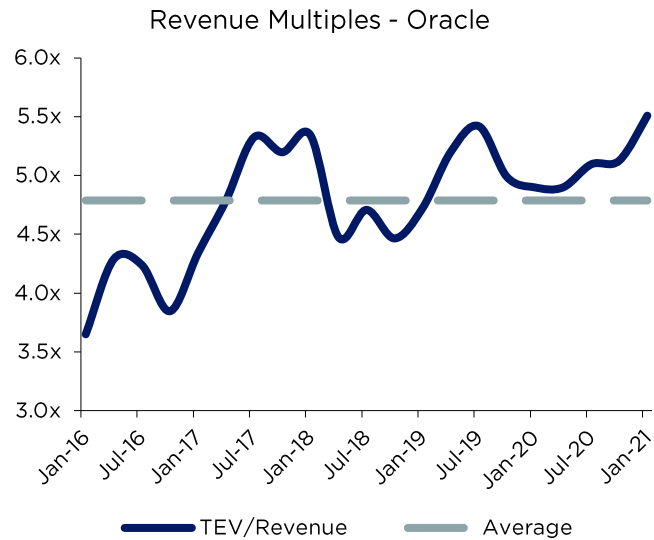
Oracle

Oracle sells a wide range of enterprise IT solutions, including databases, middleware, applications, and hardware.

While software licenses, support, and maintenance continue to represent roughly 70% of revenue, the firm is undergoing a mix shift toward cloud-based subscriptions that should necessitate continued heavy investment in the business model transition. Oracle offers software-as-a-service, platform-as-a-service, and infrastructure-as-a-service offerings. Legacy offerings include Oracle Database software and Oracle Fusion Middleware.

Public Basket

Oracle



Company Name

Date

Deal Synopsis

Sauce Video

27-Apr-20

The company was acquired by Oracle (NYS: ORCL) for an undisclosed amount on April 27, 2020. The acquisition helps Oracle to enhance its portfolio with advanced video capabilities and to provide customers with a comprehensive set of content creation and management tools in order to create exceptional customer, employee and supplier experiences.

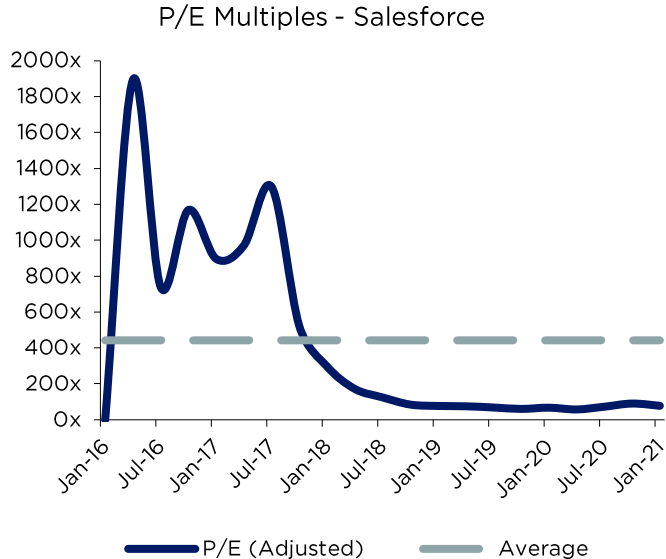
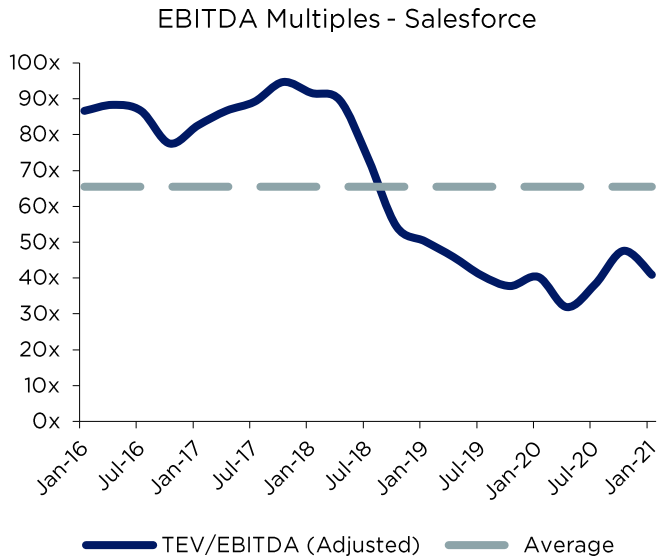
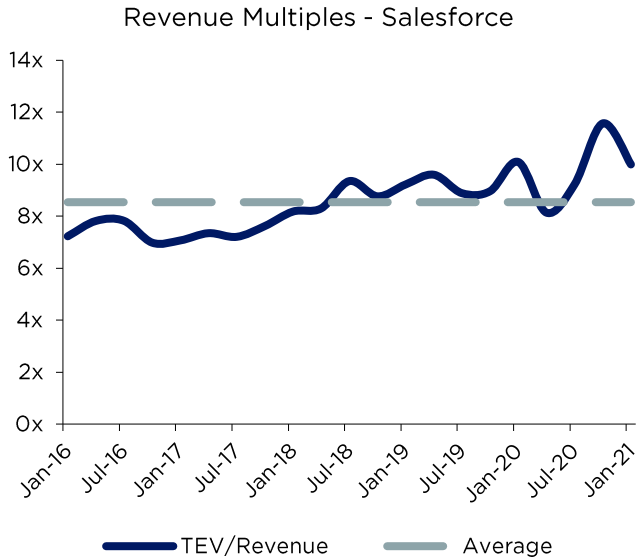
Salesforce

Salesforce.com provides enterprise cloud computing solutions, including Sales Cloud, the company's main customer relationship management software-as-a-service product.

Salesforce.com also offers Service Cloud for customer support, Marketing Cloud for digital marketing campaigns, Commerce Cloud as an e-commerce engine, the Salesforce Platform, which allows enterprises to build applications, and other solutions, such as MuleSoft for data integration.

Public Basket

Salesforce



<i>Company Name</i>	<i>Date</i>	<i>Deal Synopsis</i>
Slack	01-Dec-20	The company reached a definitive agreement to be acquired by Salesforce (NYS: CRM) for an estimated \$27.7 billion on December 1, 2020. Under the terms of the agreement, the company's shareholders will receive \$26.79 in cash and 0.0776 shares of Salesforce common stock for each of the company's shares.

Adobe Systems

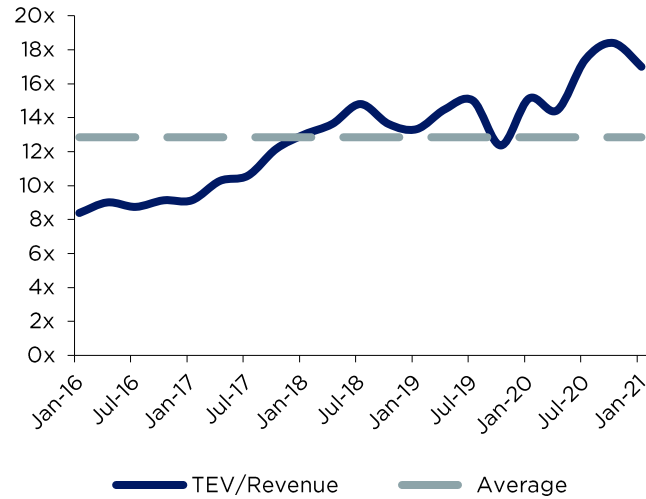
Adobe provides content creation, document management, and digital marketing and advertising software and services to creative professionals and marketers for creating, managing, delivering, measuring, optimizing and **engaging with compelling content multiple operating systems, devices and media.**

The company operates with three segments: digital media content creation, digital experience for marketing solutions, and publishing for legacy products (less than 5% of revenue).

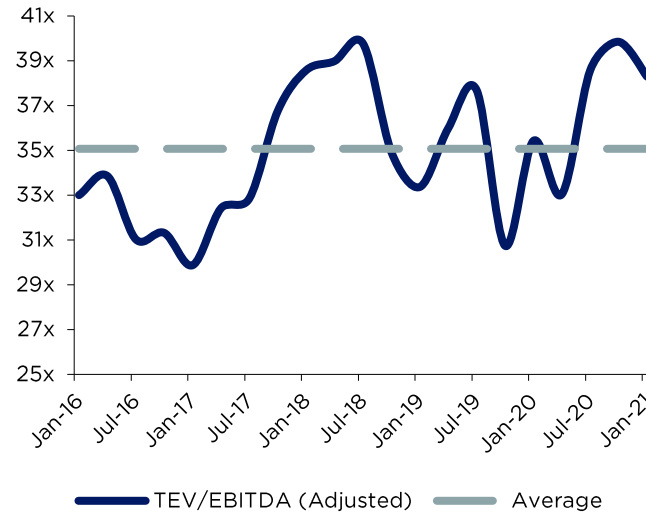
Public Basket

Adobe Systems

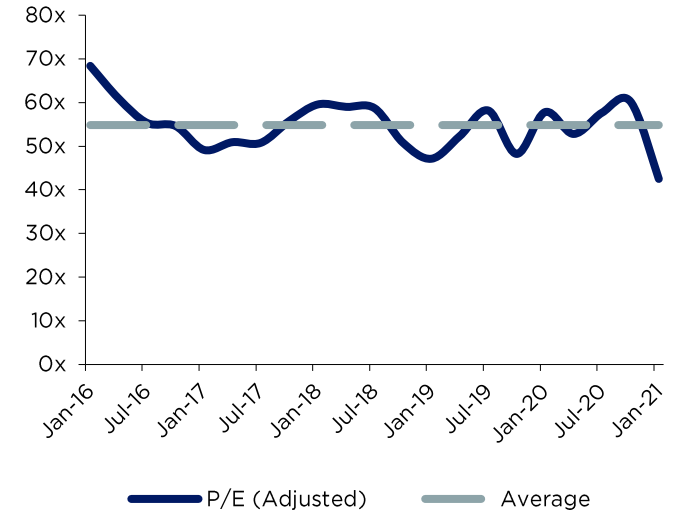
Revenue Multiples - Adobe Systems



EBITDA Multiples - Adobe Systems



P/E Multiples - Adobe Systems



Company Name

Date

Deal Synopsis

Facebook (Oculus Medium)

09-Dec-19

Oculus' virtual reality sculpting tool was acquired by Adobe for an undisclosed amount on December 09, 2019. The acquisition will enable Facebook to accelerate 3D & immersive offerings.

Microsoft

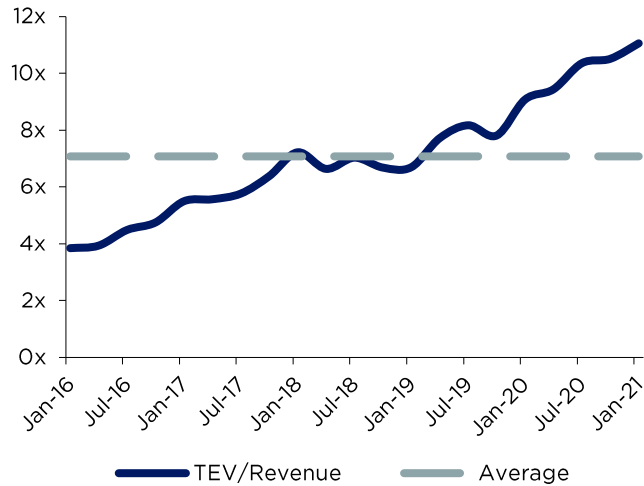
Microsoft develops and licenses consumer and enterprise software.

It is known for its Windows operating systems and Office productivity suite. The company is organized into three overarching segments: productivity and business processes (legacy Microsoft Office, cloud-based Office 365, Exchange, SharePoint, Skype, LinkedIn, Dynamics), intelligence cloud (infrastructure- and platform-as-a-service offerings Azure, Windows Server OS, SQL Server), and more personal computing (Windows Client, Xbox, Bing search, display advertising, and Surface laptops, tablets, and desktops). Through acquisitions, Microsoft owns Xamarin, LinkedIn, and GitHub. It reports revenue in product and service and other revenue on its income statement.

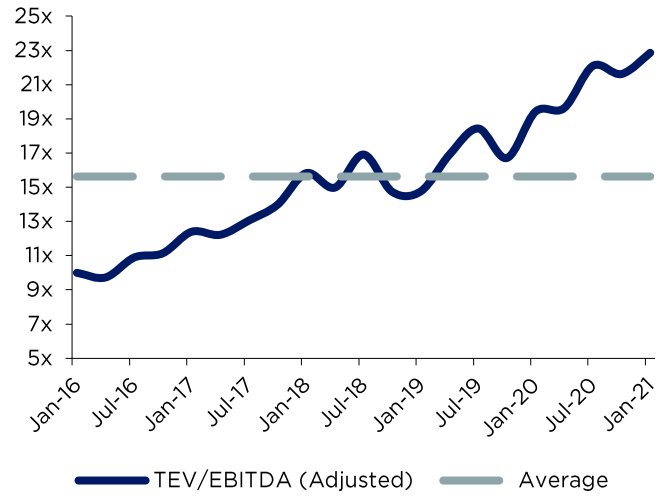
Public Basket

Microsoft

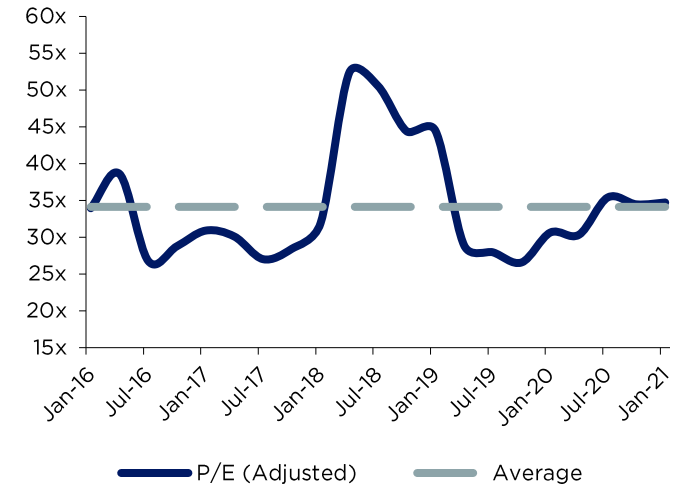
Revenue Multiples - Microsoft



EBITDA Multiples - Microsoft



P/E Multiples - Microsoft



Company Name

Date

Deal Synopsis

smash.gg

02-Dec-20

The company was acquired by Microsoft (NAS: MSFT) for an undisclosed amount on December 2, 2020. The acquisition will help to strengthen existing relationships and explore new opportunities.

Contact Info

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As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. Securities offered through 7M Securities LLC.

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