

7 Mile Advisors



# Sectorwatch: Digital Transformation

February 2021



# 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

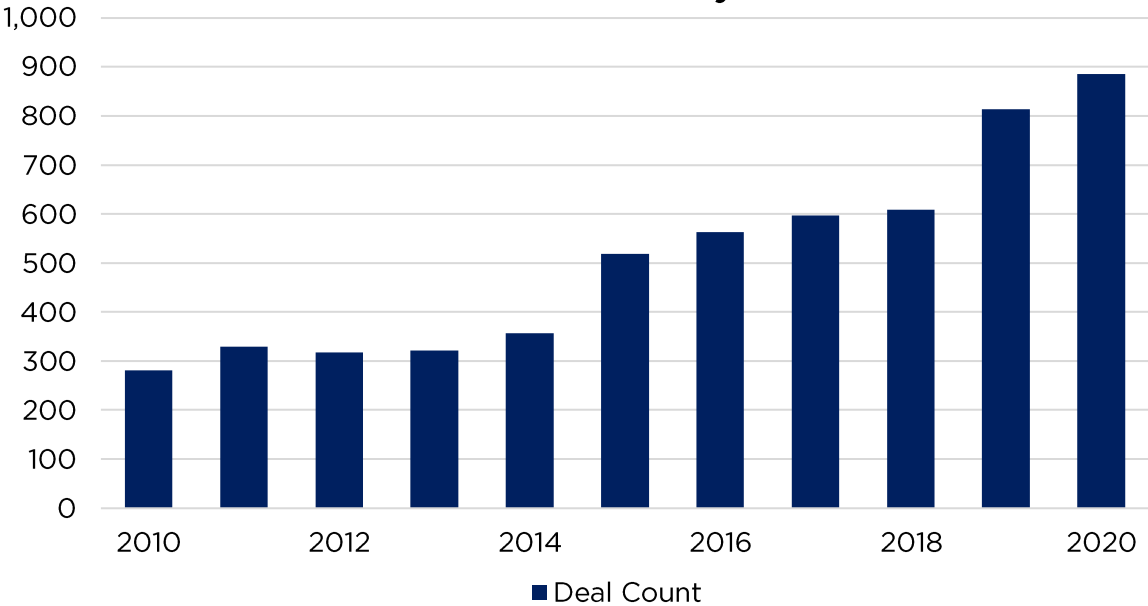
- The most recently announced deals in the sector

# Dashboard

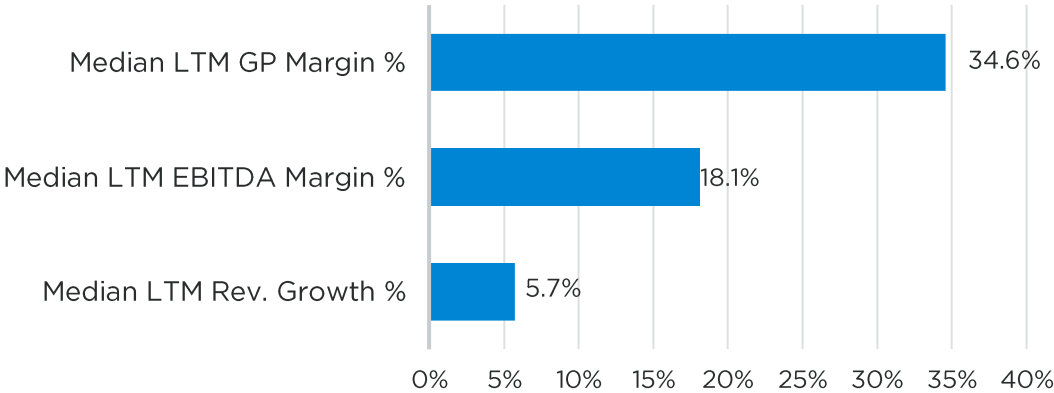
## REVENUE GROWTH MOMENTUM ↓ -1.1%

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

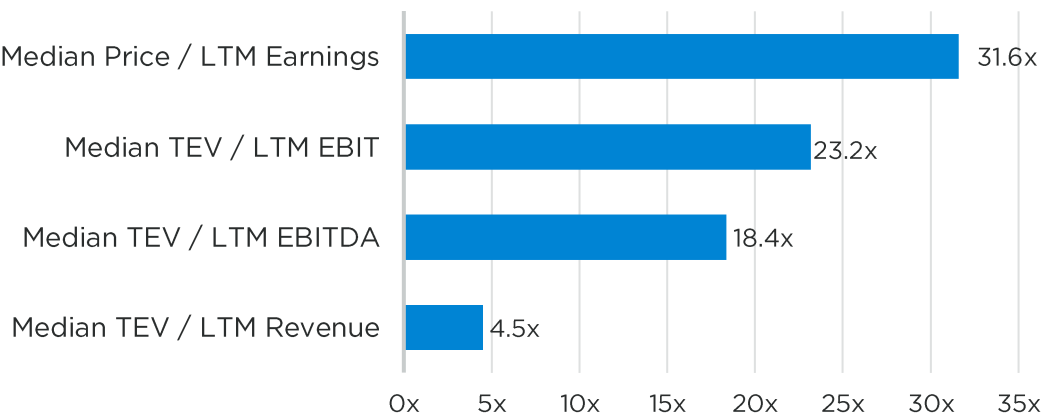
### M&A Activity



## Operating Metrics



## Valuation



# Public Basket Overview



Europe



United States



South America



Asia

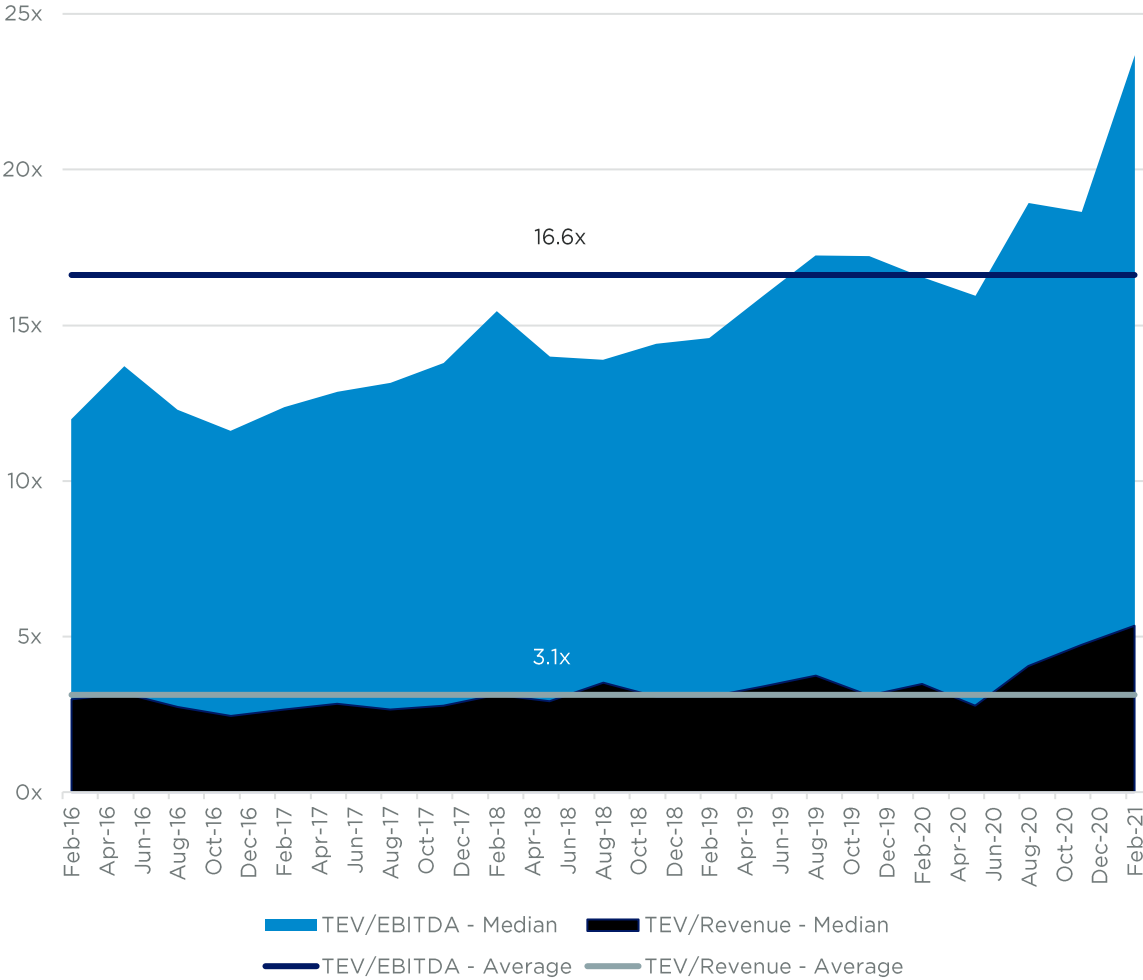


# Public Basket

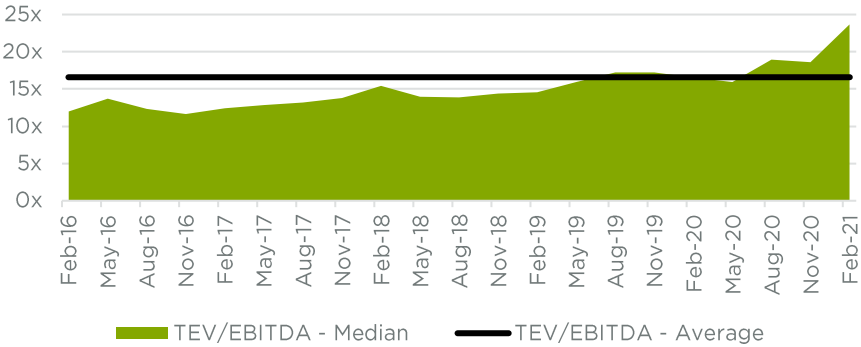
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Endava	5,329	104	491	20.5%	34.7%	21.1%	10.9x	51.3x	7,199	68
Globant	8,308	150	766	24.5%	37.2%	19.6%	10.8x	55.3x	14,340	53
WPP	15,400	2,330	15,674	4.4%	17.3%	14.9%	1.0x	6.6x	101,000	155
EPAM Systems	19,873	557	2,569	18.6%	34.7%	21.7%	7.7x	35.7x	36,739	70
Capgemini	34,110	2,579	16,256	7.0%	26.6%	15.9%	2.1x	13.2x	265,073	61
Cognizant Technology Solutions	38,024	2,749	16,652	-0.8%	35.9%	16.5%	2.3x	13.8x	283,100	59
Infosys	70,288	3,826	13,145	4.0%	34.6%	29.1%	5.3x	18.4x	242,371	54
Accenture	161,150	6,807	44,730	1.7%	31.8%	15.2%	3.6x	23.7x	514,000	87
<b>Average</b>	44,060	2,388	13,785	10.0%	31.6%	19.2%	5.5x	27.3x	182,978	76
<b>Median</b>	26,992	2,455	14,410	5.7%	34.6%	18.1%	4.5x	21.0x	171,686	65

share price as of 26Feb21

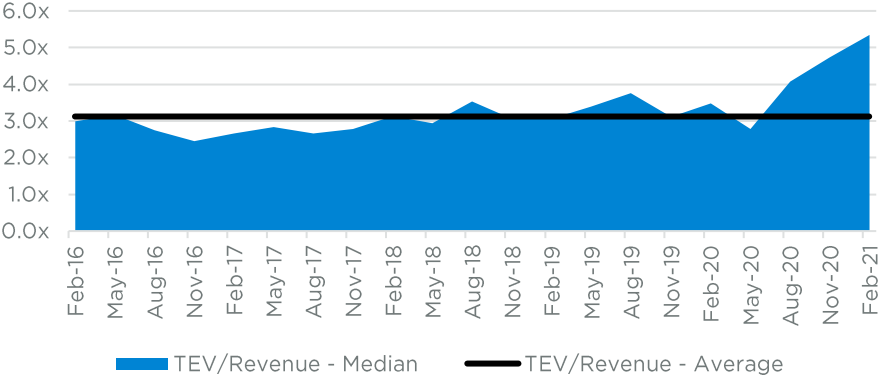
# Public Basket



Public EBITDA Multiples over Time

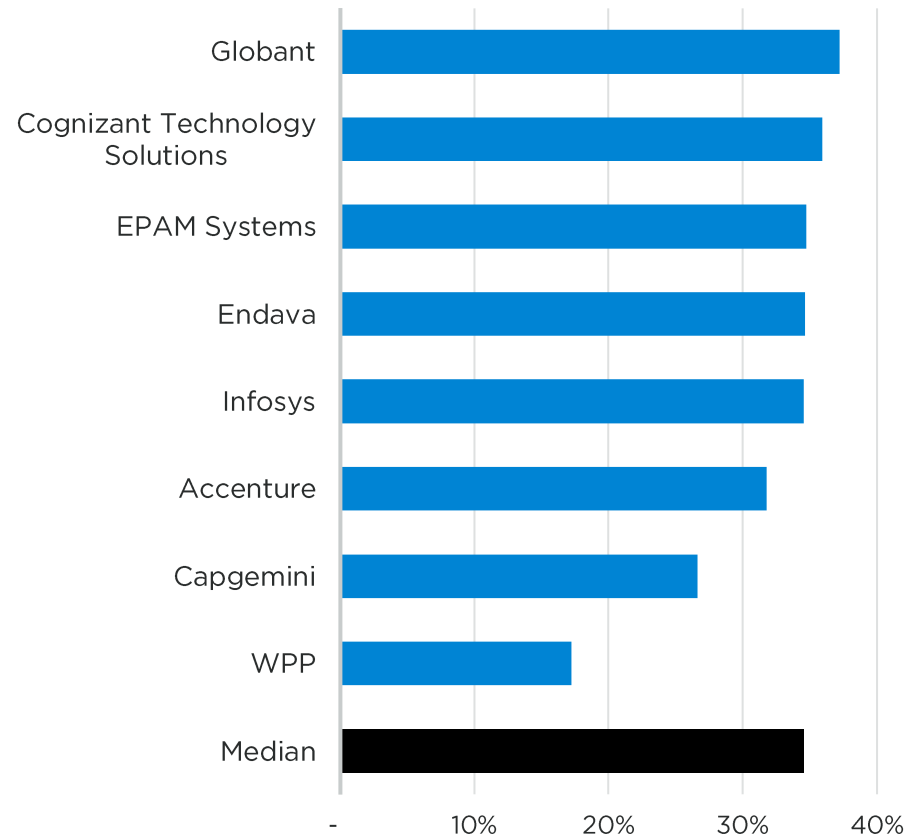


Public Revenue Multiples over Time

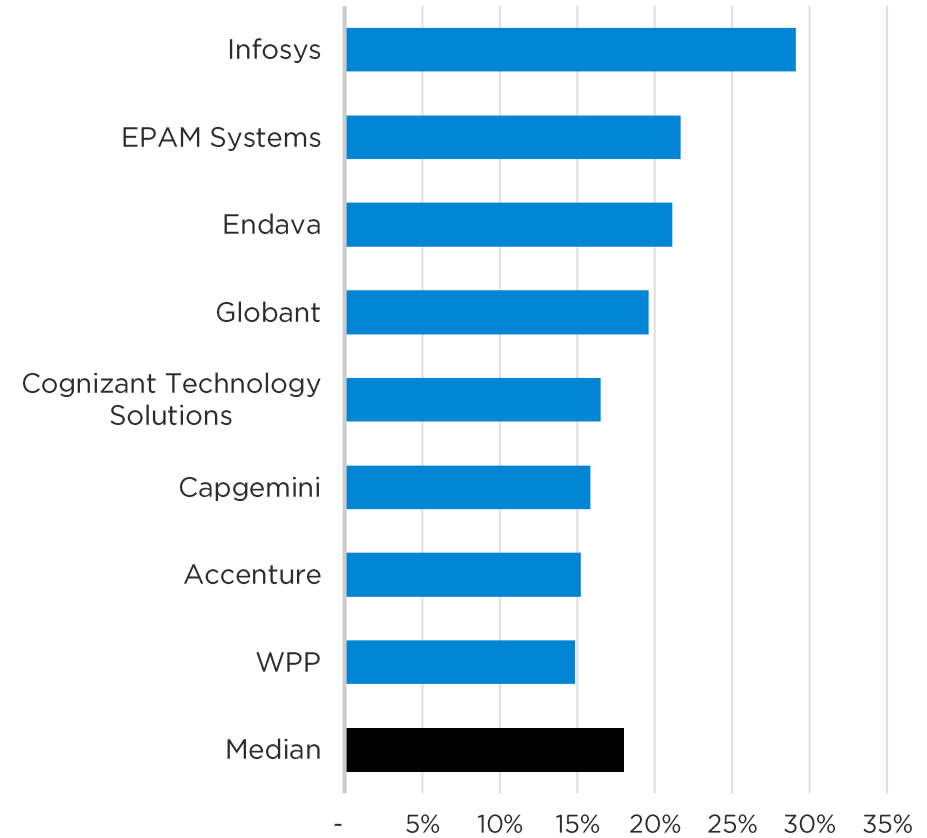


# Operational Metrics

LTM Gross Profit Margin %



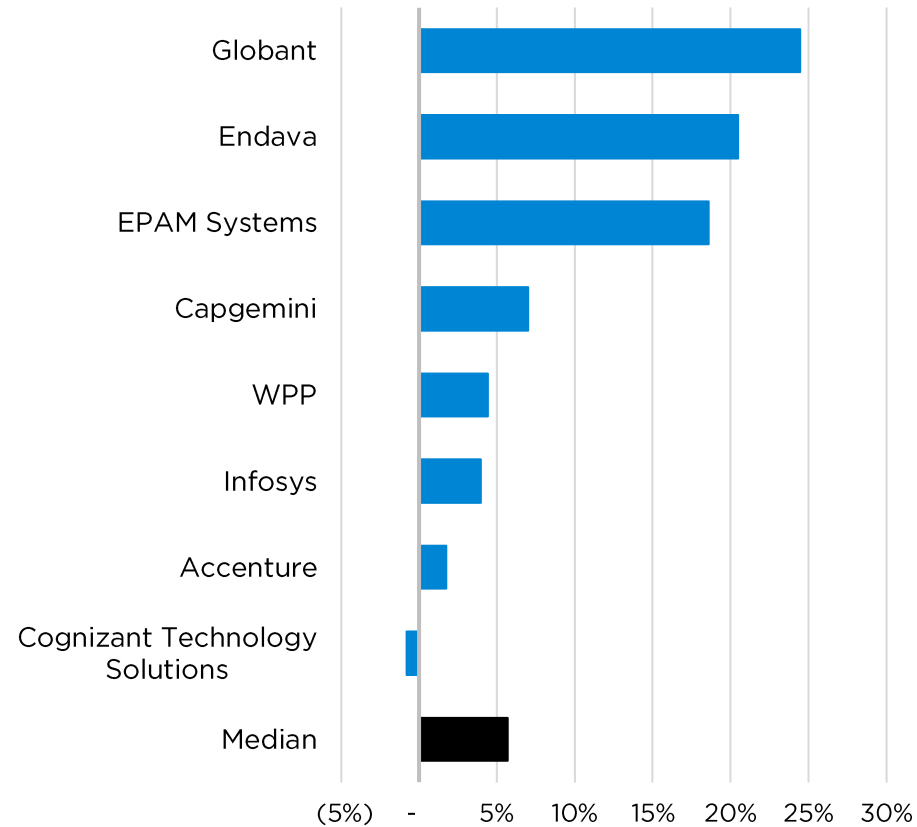
LTM EBITDA %



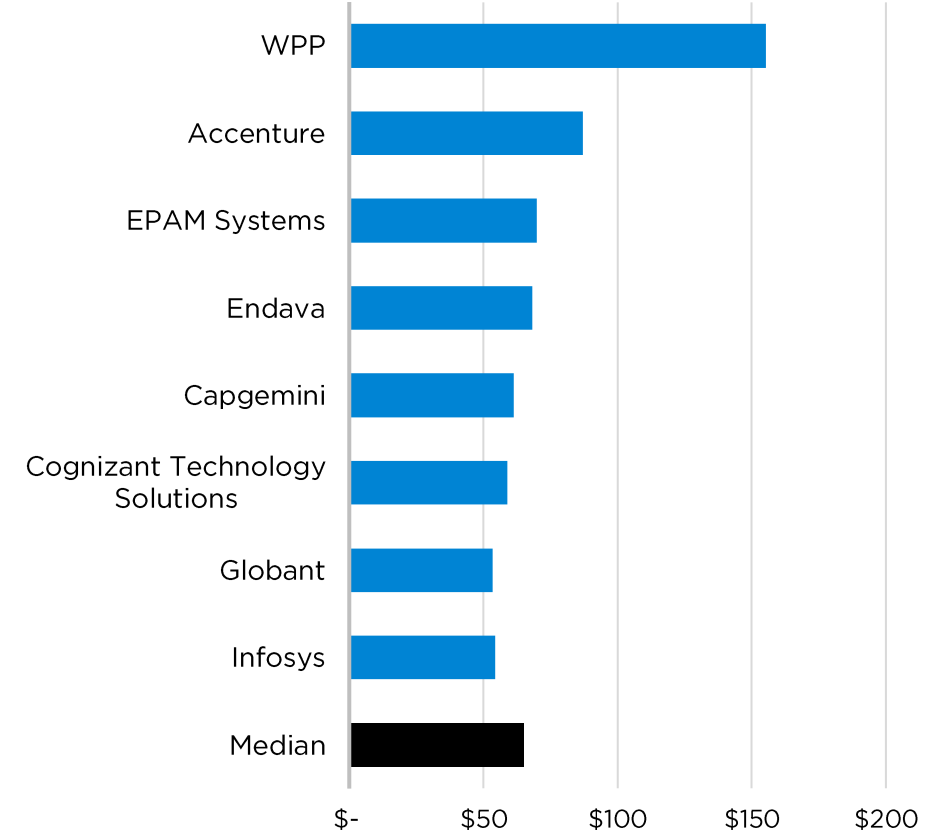


# Operational Metrics

LTM Revenue Growth %

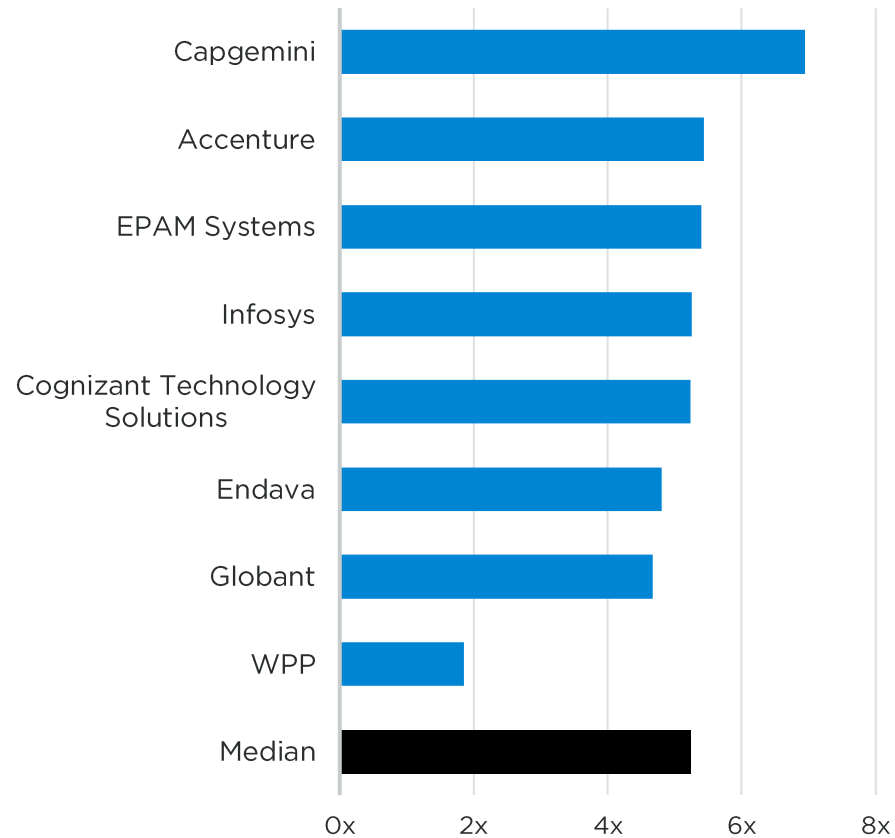


LTM Revenue per Full Time Employee x 000's

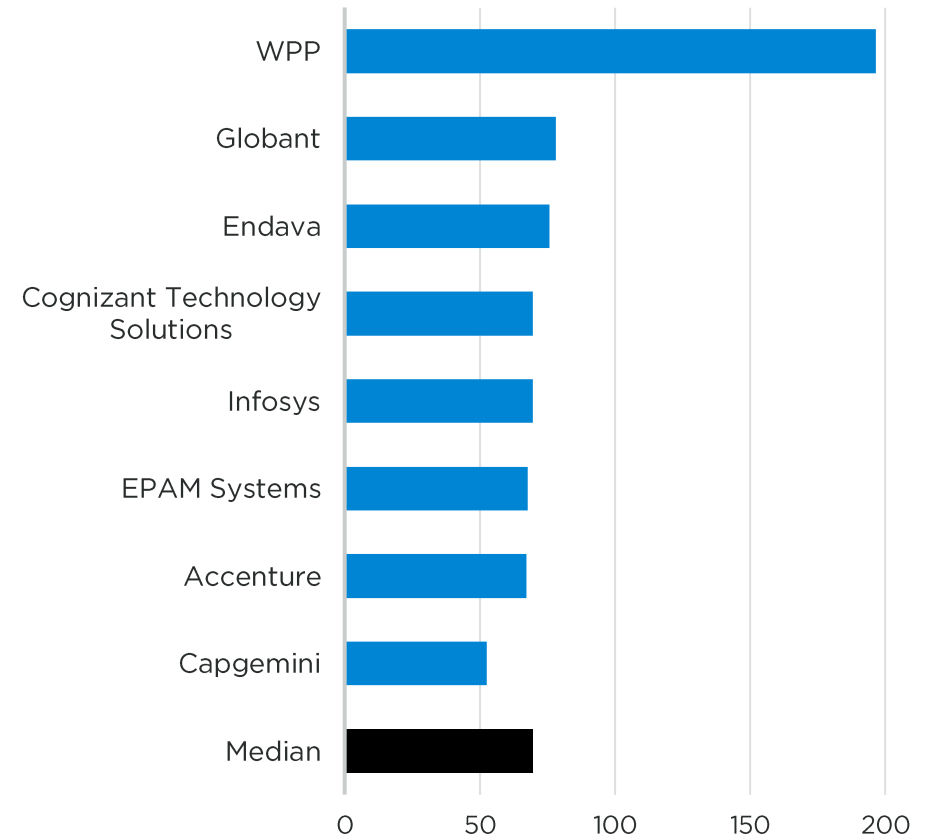


# Operational Metrics

## Accounts Receivable Turnover

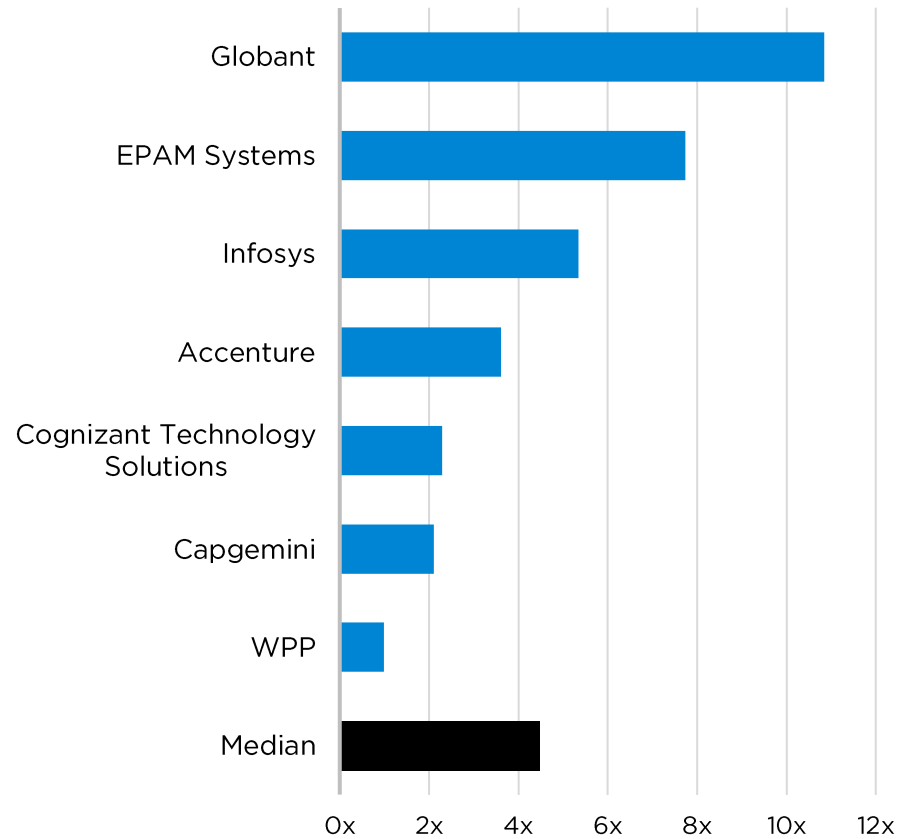


## Average Days Sales Outstanding

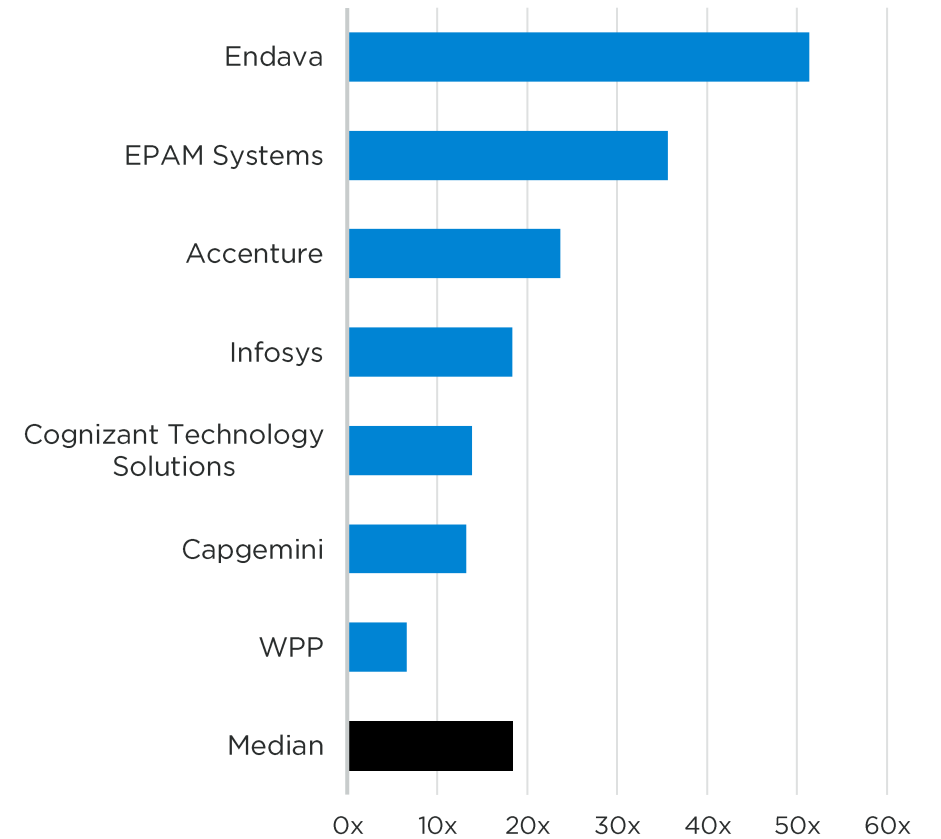


# Valuation

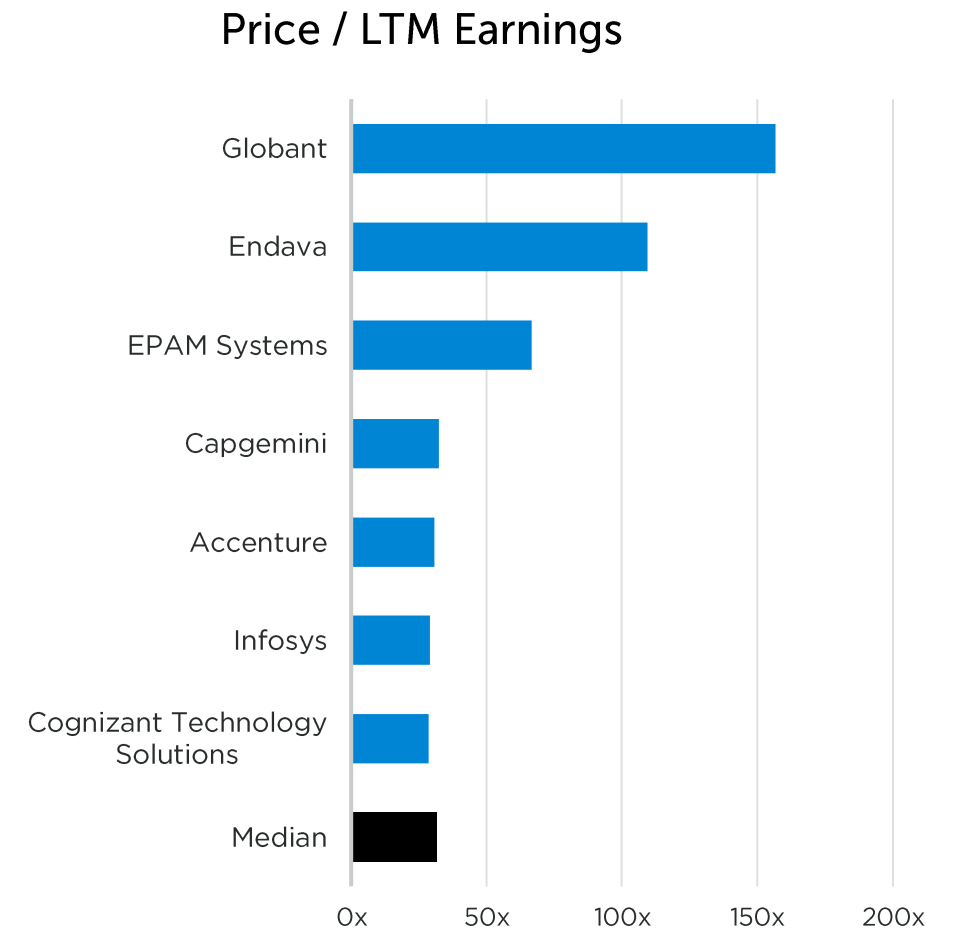
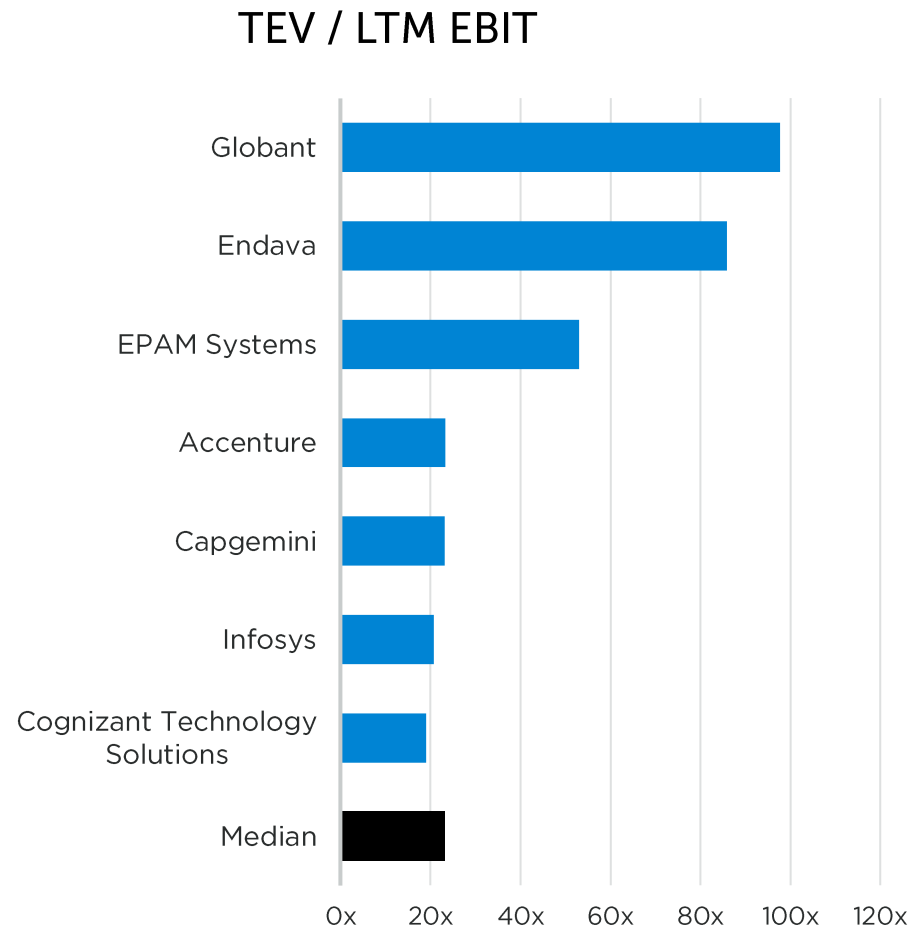
TEV / LTM Revenue



TEV / LTM EBITDA

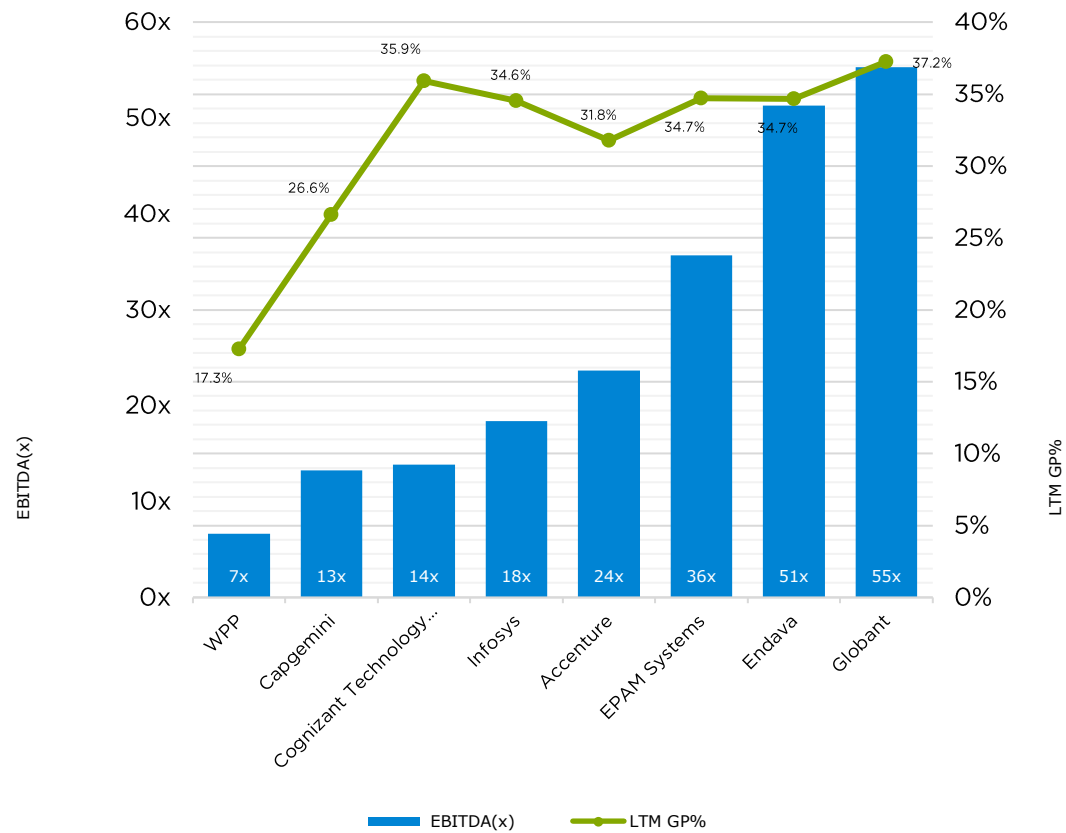


# Valuation

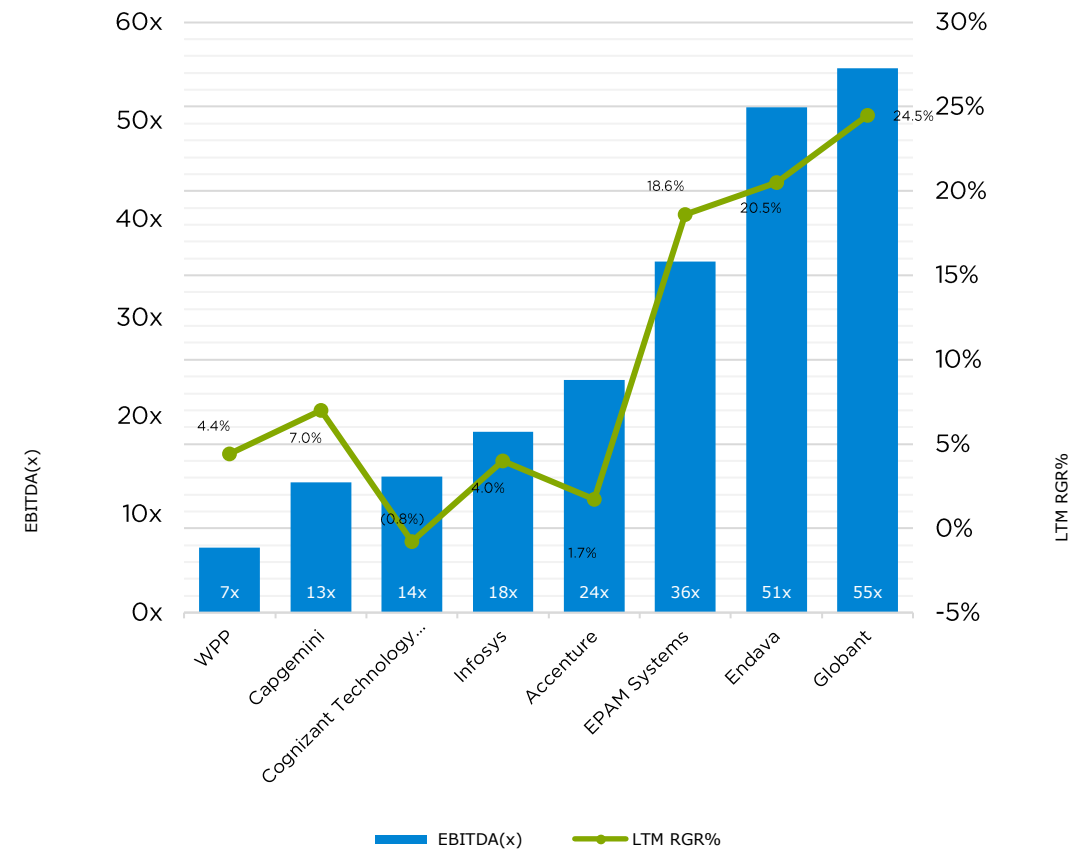


# Valuation

## 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-Feb-21	Eximius Design	Wipro	80.00	-	-	-
25-Feb-21	Hi5 (Sweden)	Advania	-	-	-	-
24-Feb-21	Abhra (ServiceNow Business)	Temasek Holdings	-	-	-	-
23-Feb-21	Changepoint	PlanView	-	-	-	-
23-Feb-21	Kaleido.ai	Canva	-	-	-	-
23-Feb-21	Kintyre Solutions	Computer Design & Integration	-	-	-	-
23-Feb-21	Salute Mission Critical	LLR Partners	-	-	-	-
23-Feb-21	The Mesa Group (Texas)	Bregal Unternehmerkapital	-	-	-	-
22-Feb-21	Dapasoft	Calian Group	-	-	-	-
22-Feb-21	Redpoint	First Legal	-	-	-	-
19-Feb-21	In Dreach Consulting	Sogeti	-	-	-	-
18-Feb-21	Immune-IT	Astek (France)	-	-	-	-
18-Feb-21	Keralia Consulting	Capza	-	-	-	-
18-Feb-21	Redcage	Apax Partners (France)	-	-	-	-
17-Feb-21	Bridges (Hanover)	Applied Insight	-	-	-	-
17-Feb-21	Decisive Data	Calligo	-	-	-	-
17-Feb-21	SSP Holdings	Volaris Group	-	-	-	-
16-Feb-21	Accolite Digital	New Mountain Capital	-	-	-	-
16-Feb-21	Infinity Works Consulting	Accenture	-	-	-	-
16-Feb-21	NuSource Financial	Mosaic Capital Partners	-	-	-	-
16-Feb-21	TWG (Toronto)	Deloitte Digital	-	-	-	-
15-Feb-21	Edenhouse Solutions	Accenture	-	-	-	-
15-Feb-21	Videns IT Services	Altamir	-	-	-	-
12-Feb-21	Accudata Systems	Converge Technology Solutions	-	-	-	-
11-Feb-21	Adaptive Analytics	Advent International	-	-	-	-

# Appendix

*Public Basket  
Contact Information*



## Endava

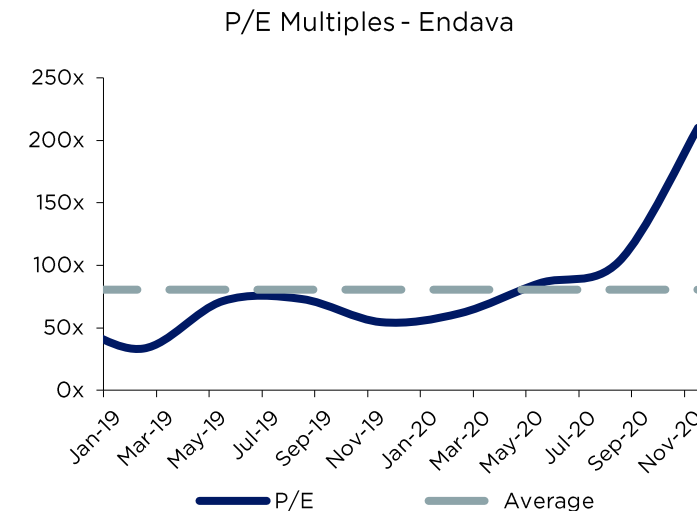
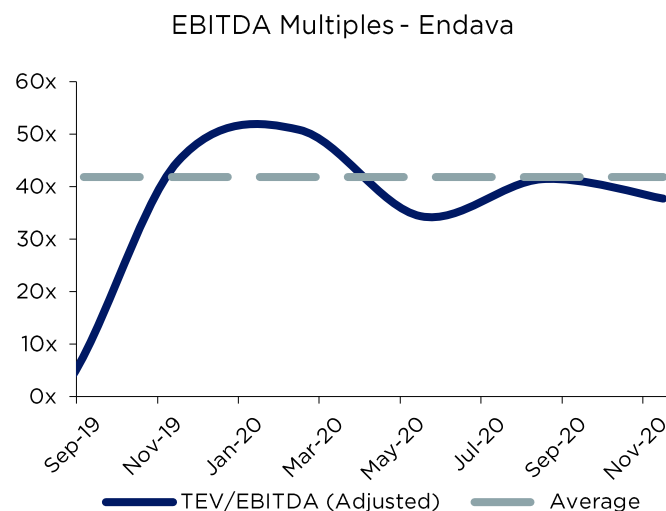
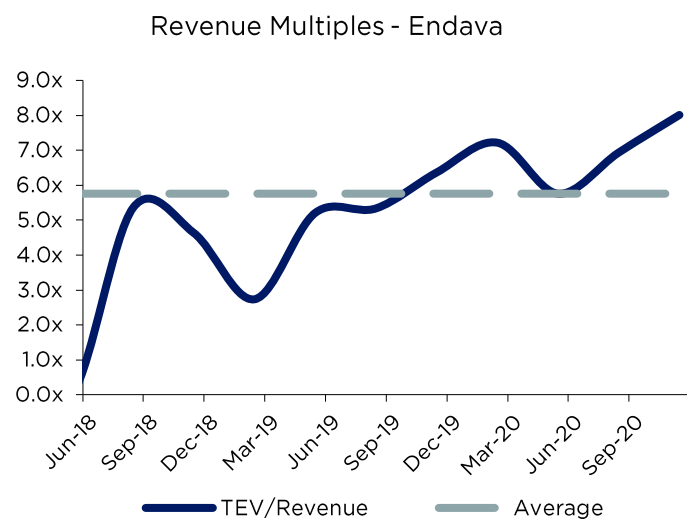
### **Endava PLC provides technology solutions.**

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
Comtrade Digital Services	17-Aug-20	The business unit of Comtrade Group was acquired by Endava (NYS: DAVA), a subsidiary of Concise, for EUR 60 million on August 17, 2020. The acquisition will help Endava to reinforces 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.

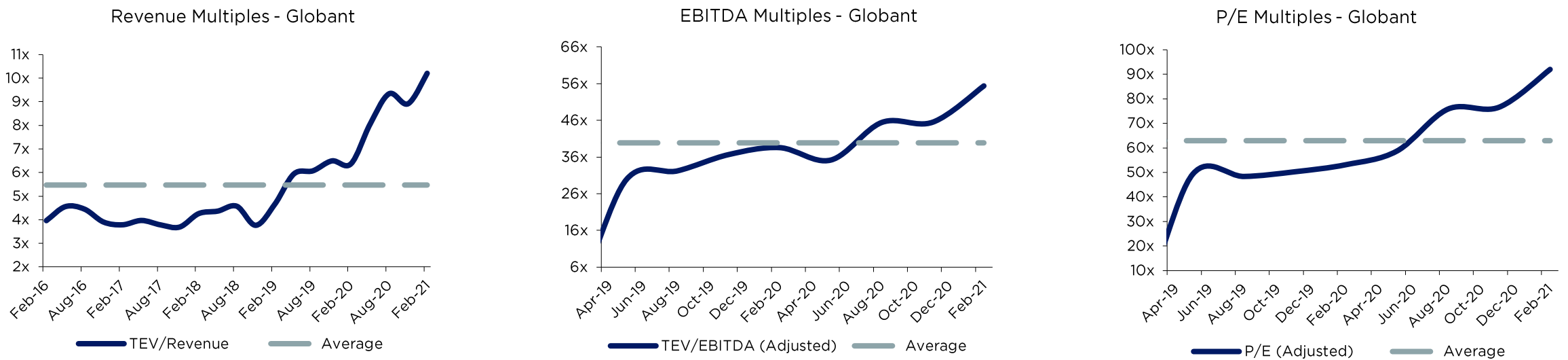
Globant

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

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
Bluecap	18-Dec-20	The company was acquired by Globant (NYS: GLOB) for an undisclosed amount on December 18, 2020. With this acquisition, Globant reinforces its leading position in transforming organizations while it continues expanding its operations in Europe.
Grupo ASSA Worldwide	03-Aug-20	The company was acquired by Globant (NYS: GLOB) for \$74.5 million on August 3, 2020.

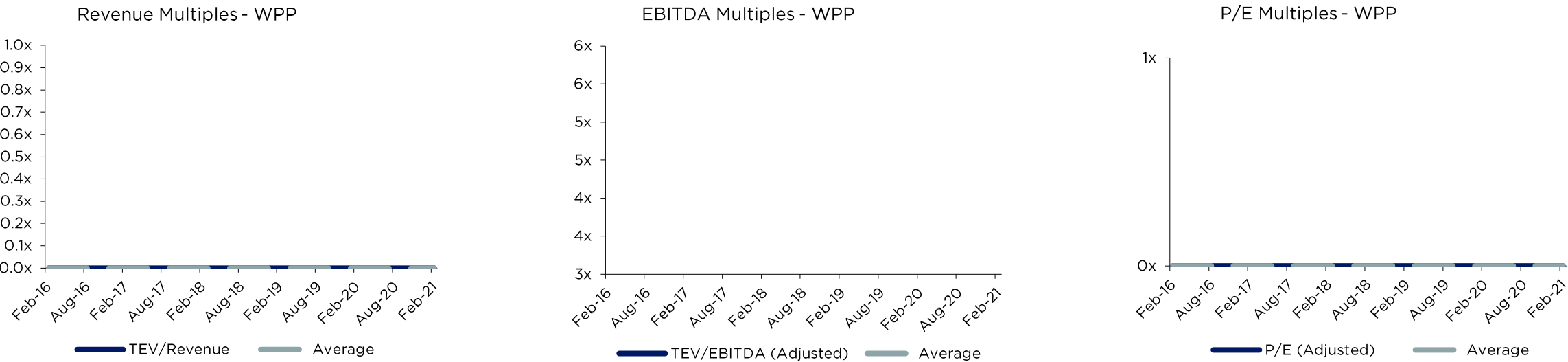
## WPP

**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.

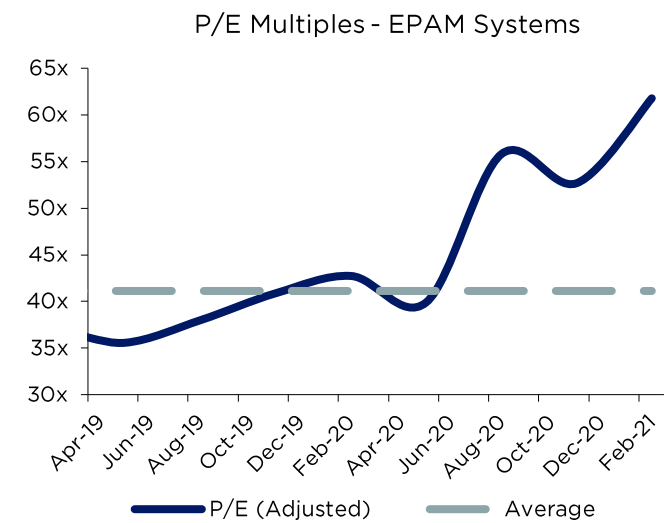
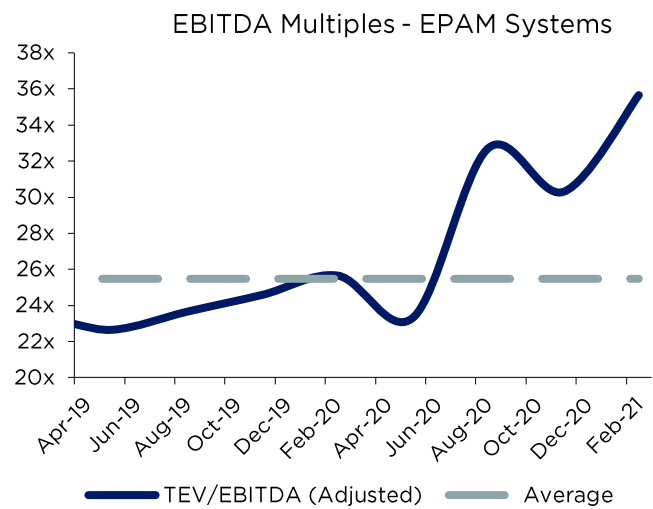
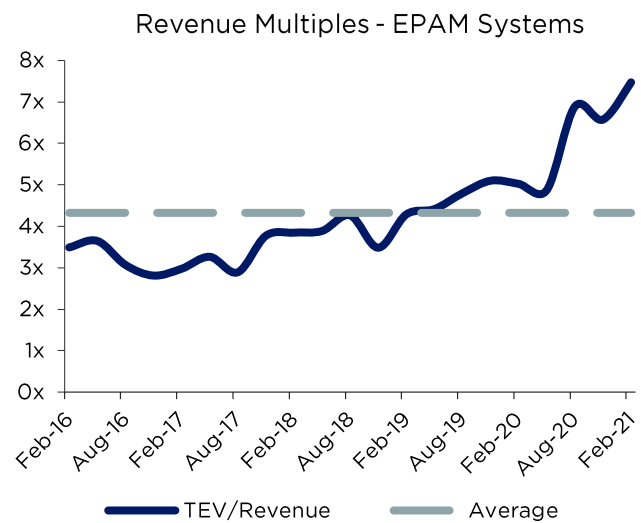
### EPAM Systems

## 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 North American clients.

# Public Basket

## 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	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.

## Capgemini

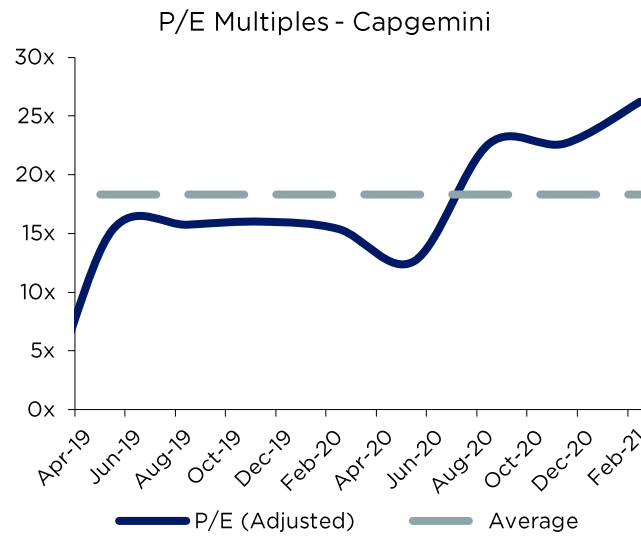
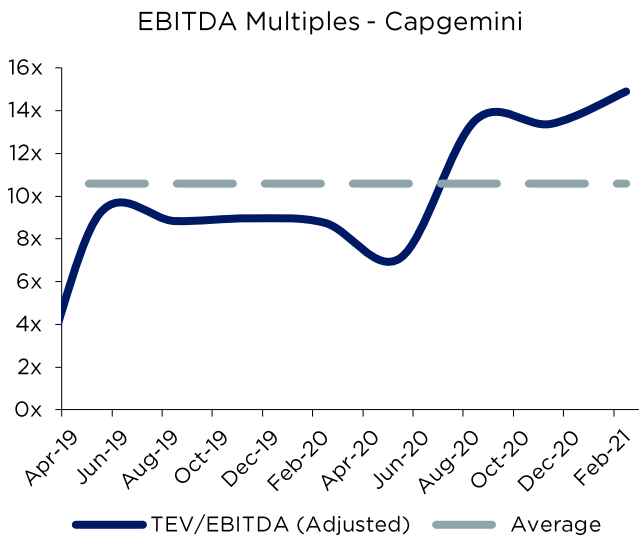
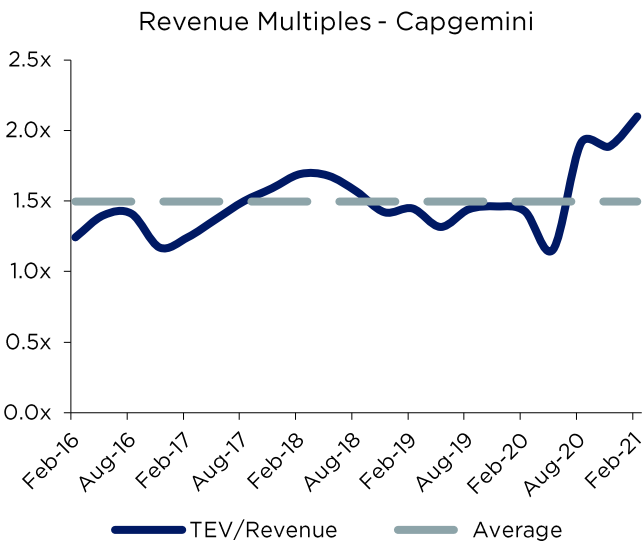
**Capgemini is a French IT services company with a global presence.**

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	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.

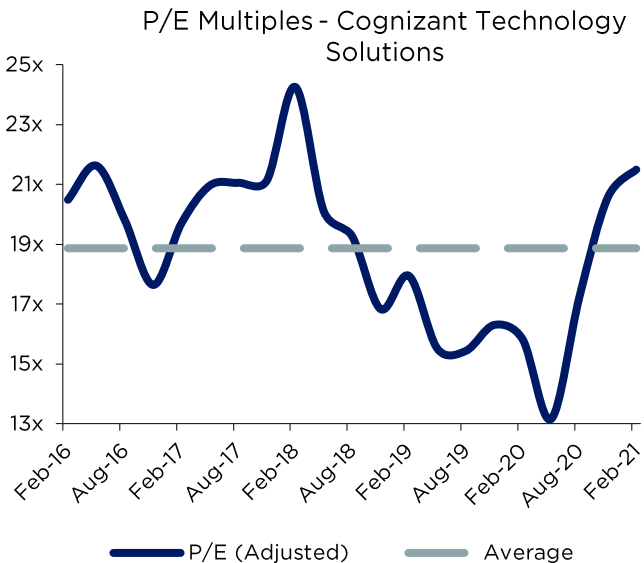
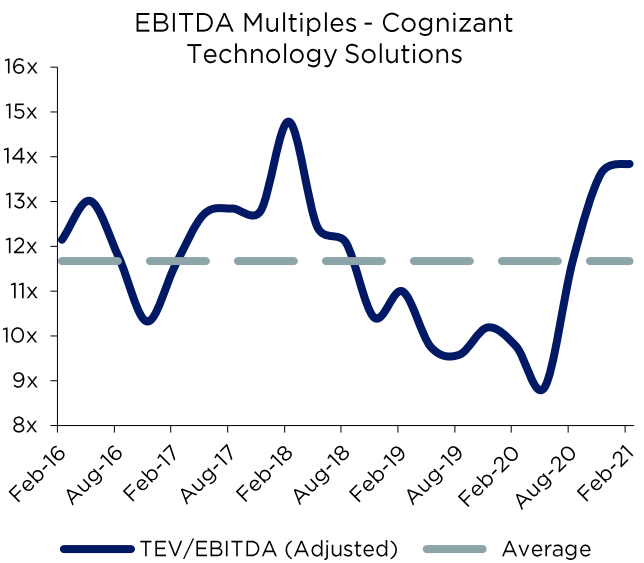
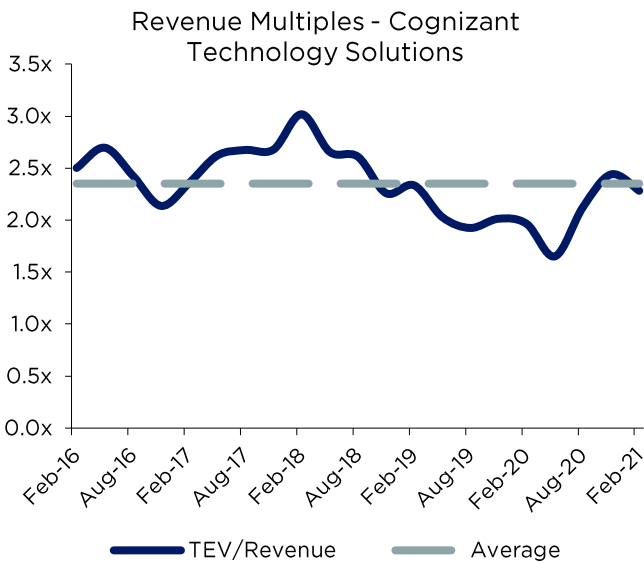
### Cognizant Technology Solutions

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

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
Inawisdom	21-Dec-20	The company was acquired by Cognizant Technology Solutions (NAS: CTSI) for an undisclosed amount on December 21, 2020. The acquisition will enable the acquirer to further support customers in embedding data-driven decision-making into their organization, increasing their speed to business value and long-term market differentiation.
Bright Wolf	03-Nov-20	The company was acquired by Cognizant Technology Solutions (NAS: CTSI) for an undisclosed amount on November 3, 2020.

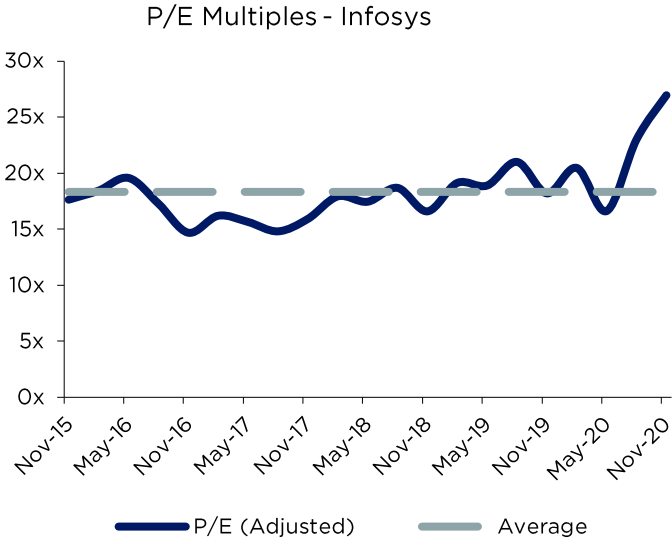
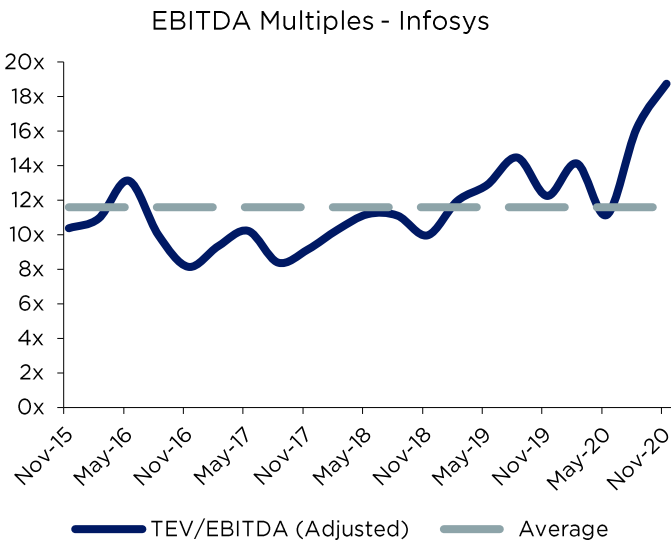
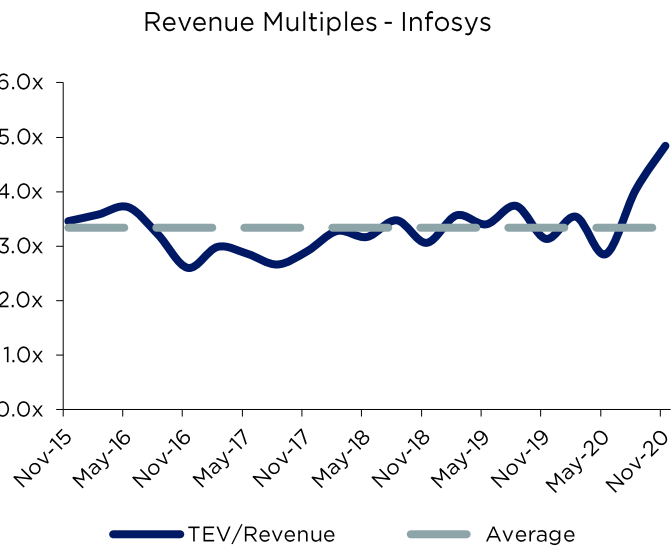
## Infosys

**Infosys is a leading global IT services provider, with nearly 250,000 employees.**

Based in Bangalore, the Indian IT services firm leverages its offshore outsourcing model to derive 60% of its revenue from North America. The company offers traditional IT services offerings: consulting, managed services and cloud infrastructure services, and business process outsourcing as a service (BPaaS).

# Public Basket

Infosys



Company Name	Date	Deal Synopsis
Blue Acorn iCi	28-Oct-20	The company was acquired by Infosys (NSE: INFY) for approximately \$125 million on October 28, 2020.
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.

## Accenture

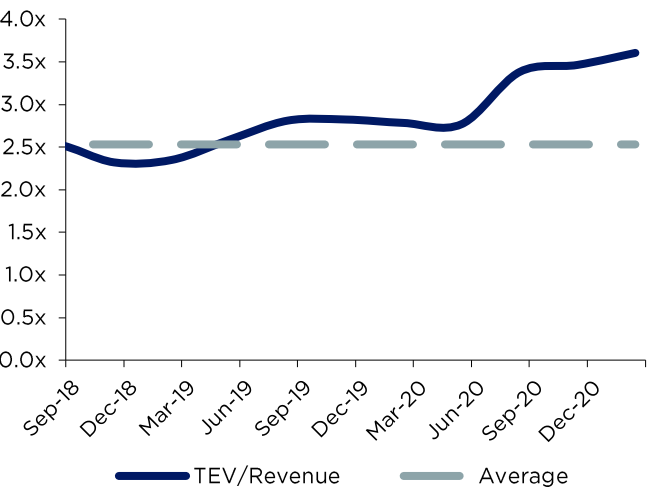
**Accenture is a leading global IT services firm that provides consulting, strategy, and technology and operational services.**

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.

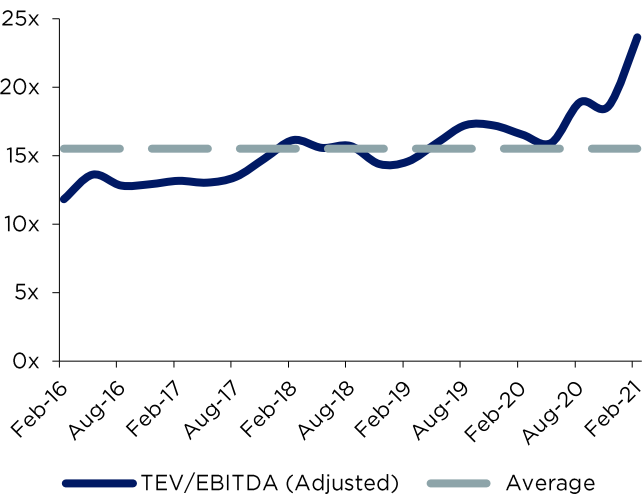
# Public Basket

Accenture

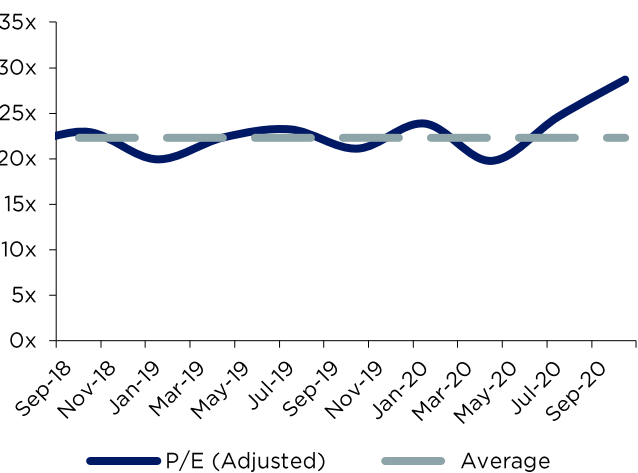
Revenue Multiples - Accenture



EBITDA Multiples - Accenture



P/E Multiples - Accenture



Company Name	Date	Deal Synopsis
Group Operations Service Platform	16-Dec-20	The company was formed as a joint venture between Assicurazioni Generali (BIT: G) and Accenture (NYSE: ACN) on December 16, 2020. Accenture holds a 5% stake in the joint venture while the rest is held by Generali Group. The JV is being formed to develop solutions that accelerate the digitization of Generali Group's business processes and the adoption of a cloud-centric model.
OpusLine	01-Dec-20	The company was acquired by Accenture (NYS: ACN) for an undisclosed amount on December 1, 2020. The acquisition enables Accenture to provide health industry clients with innovations in areas such as data analytics and artificial intelligence and support the health ecosystem.

# 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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