

7 Mile Advisors



Sectorwatch: Enterprise Software

February 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

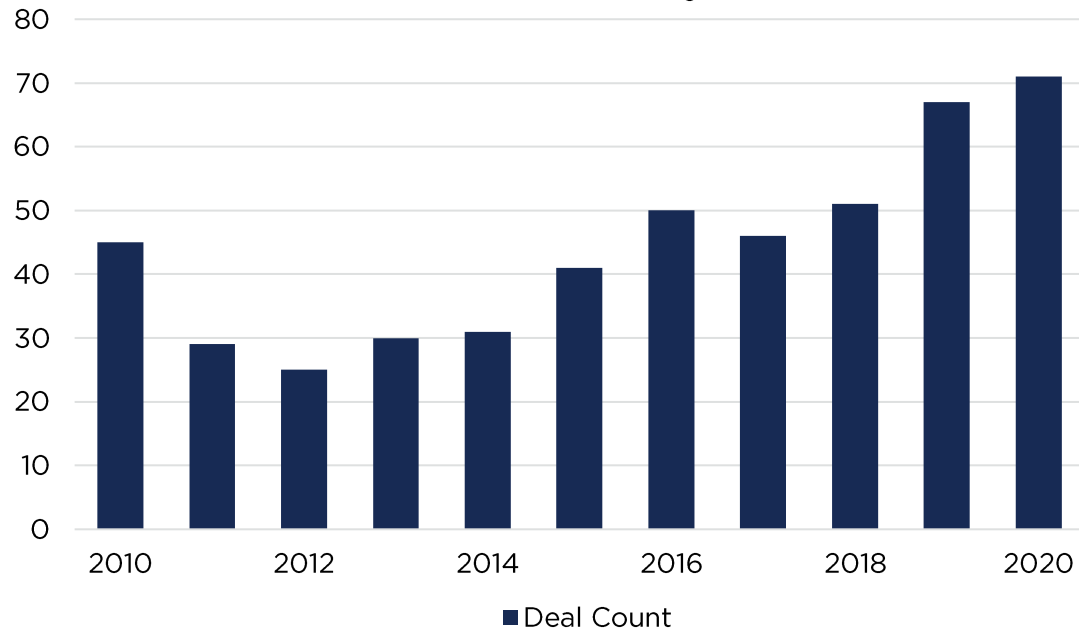
- The most recently announced deals in the sector

Dashboard

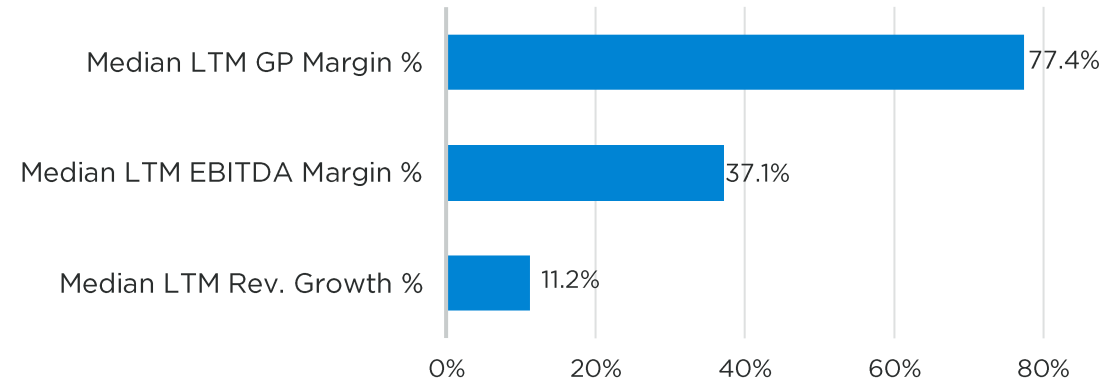
REVENUE GROWTH MOMENTUM ↓ -3.2%

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

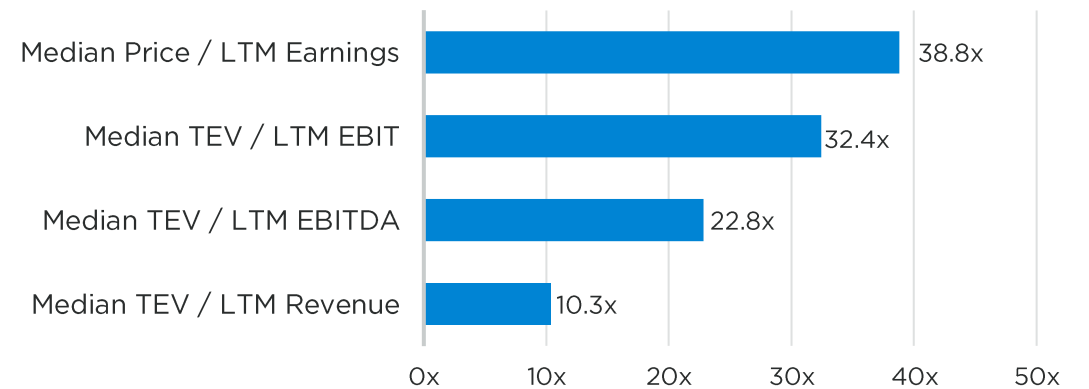
M&A Activity



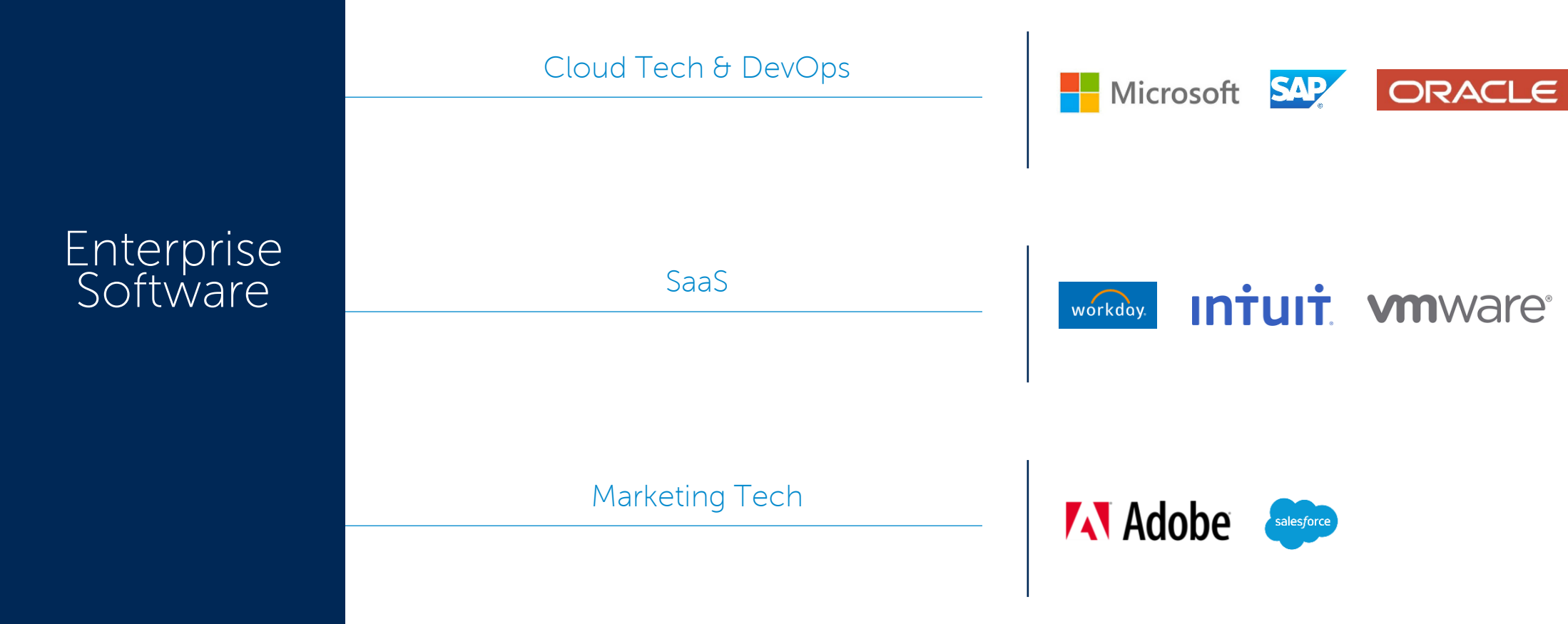
Operating Metrics



Valuation



Public Basket Overview

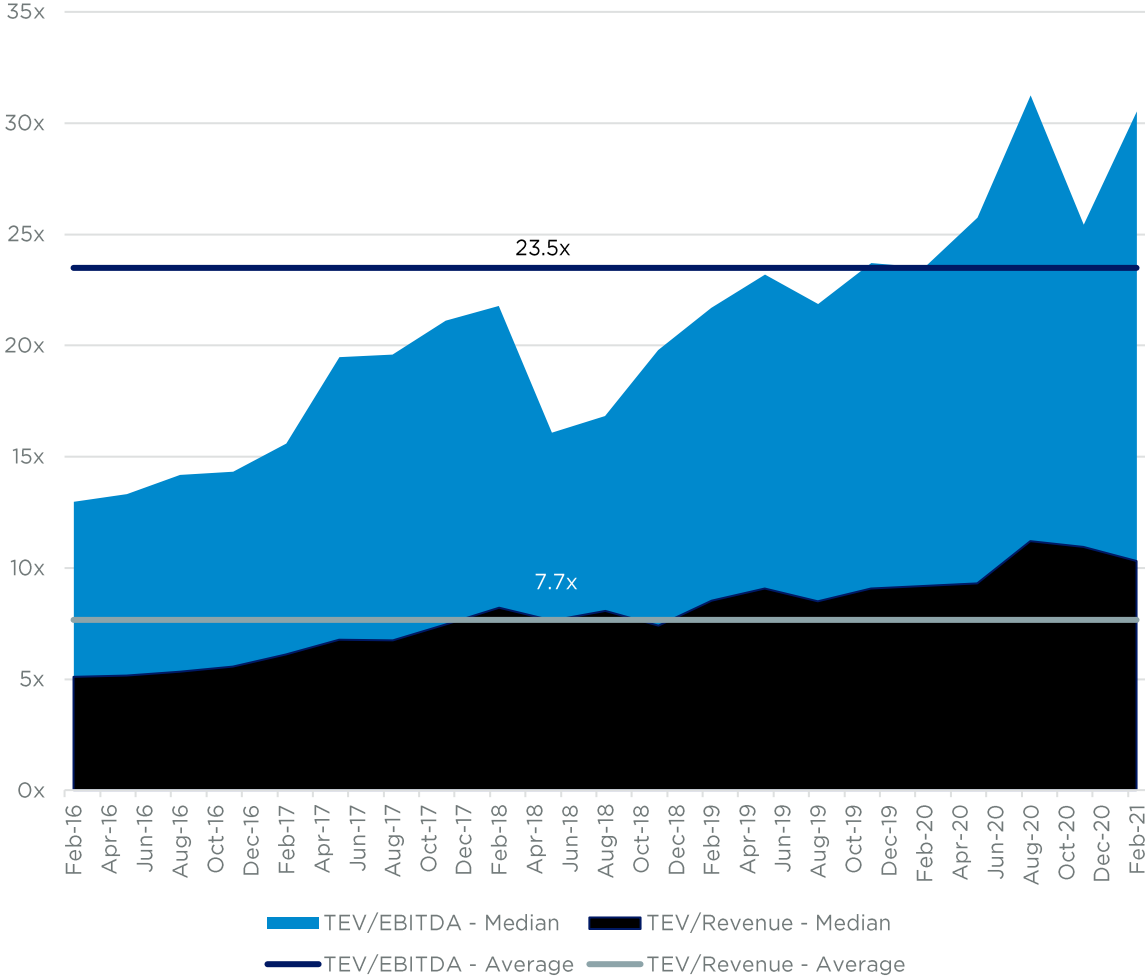


Public Basket

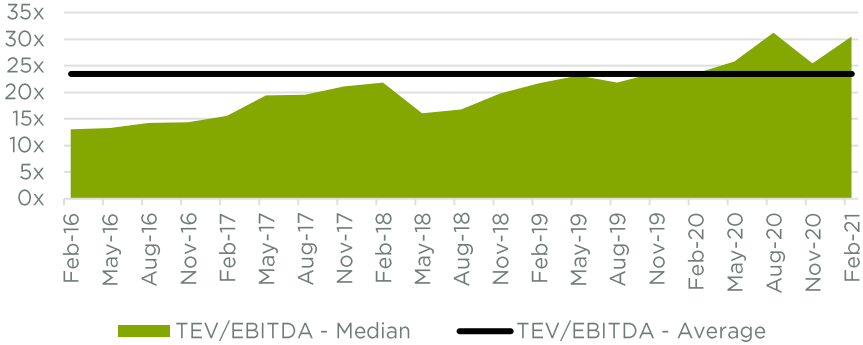
| Company | TEV \$m | LTM EBITDA \$m | LTM Rev \$m | Rev Growth YoY | GP % | EBITDA % | TEV / Rev X | TEV / EBITDA X | # FTEs | Rev / FTE \$k |
|----------------|-----------|----------------|-------------|----------------|-------|----------|-------------|----------------|---------|---------------|
| Workday | 57,546 | 1,096 | 4,163 | 21.0% | 71.9% | 26.3% | 13.8x | 52.5x | 12,300 | 338 |
| VMware | 59,943 | 4,404 | 11,546 | 5.3% | 83.0% | 38.1% | 5.2x | 13.6x | 31,000 | 372 |
| Intuit | 106,919 | 2,717 | 7,717 | 8.3% | 82.2% | 35.2% | 13.9x | 39.4x | 9,400 | 821 |
| SAP | 160,998 | 11,260 | 31,160 | 3.3% | 70.7% | 36.1% | 5.2x | 14.3x | 101,450 | 307 |
| Oracle | 222,808 | 19,415 | 39,402 | -0.5% | 80.3% | 49.3% | 5.7x | 11.5x | 136,000 | 290 |
| Salesforce | 195,038 | 4,960 | 20,286 | 28.0% | 74.5% | 24.5% | 9.6x | 39.3x | 49,000 | 414 |
| Adobe Systems | 218,760 | 5,719 | 12,868 | 15.2% | 86.6% | 44.4% | 17.0x | 38.3x | 22,634 | 569 |
| Microsoft | 1,690,090 | 74,099 | 153,284 | 14.2% | 68.4% | 48.3% | 11.0x | 22.8x | 144,000 | 1,064 |
| Average | 339,013 | 15,459 | 35,053 | 11.9% | 77.2% | 37.8% | 10.2x | 29.0x | 63,223 | 522 |
| Median | 178,018 | 5,340 | 16,577 | 11.2% | 77.4% | 37.1% | 10.3x | 30.5x | 40,000 | 393 |

share price as of 26Feb21

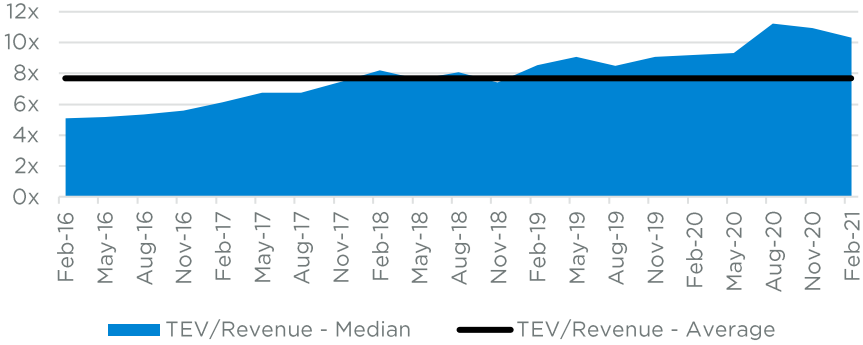
Public Basket



Public EBITDA Multiples over Time

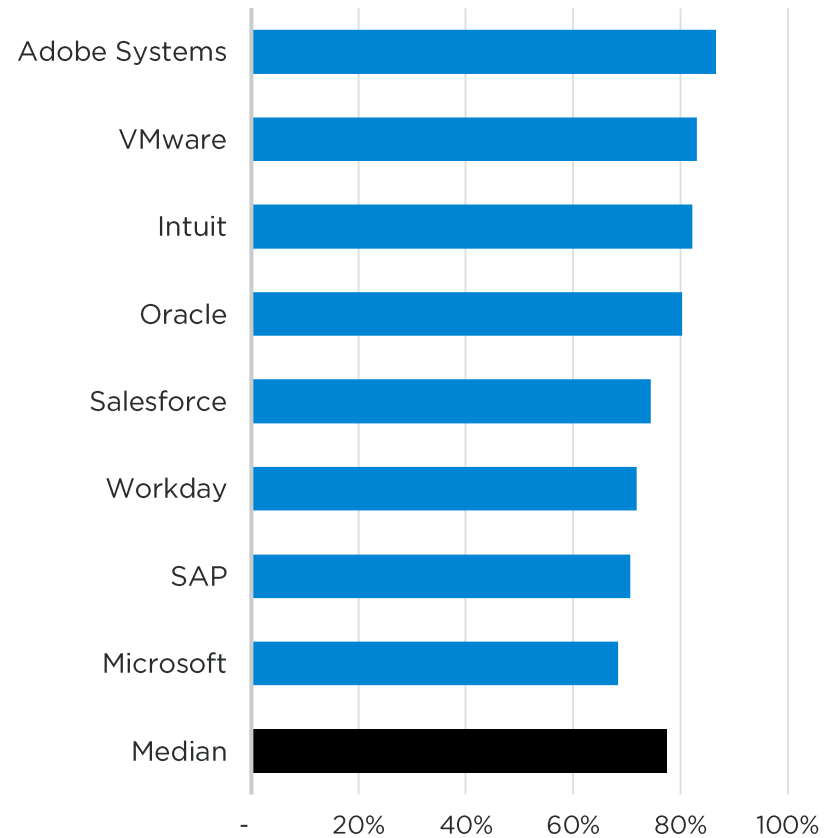


Public Revenue Multiples over Time

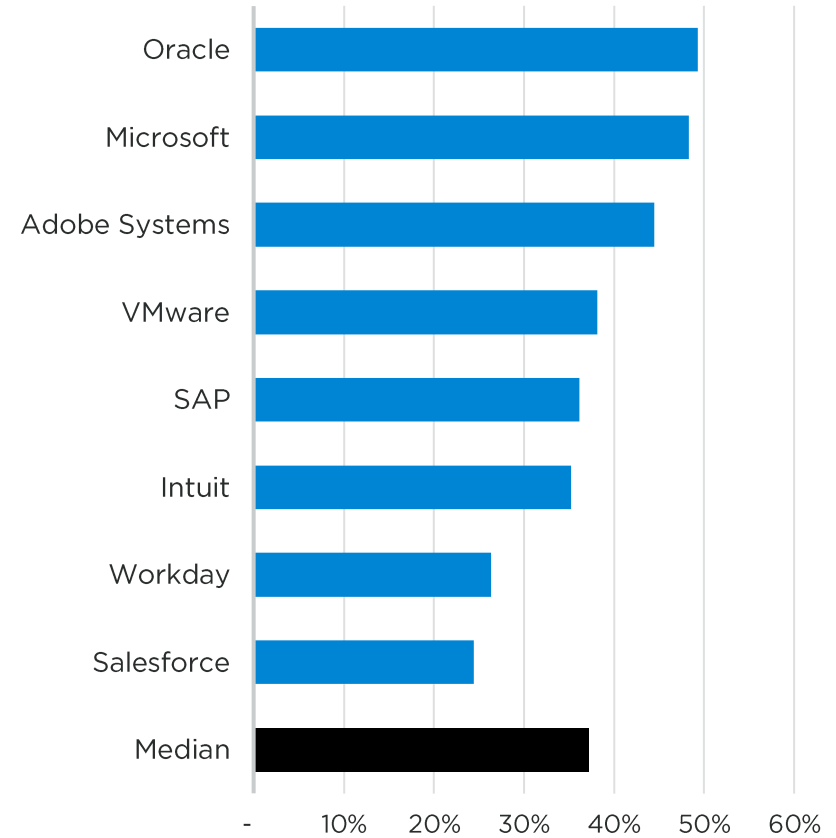


Operational Metrics

LTM Gross Profit Margin %

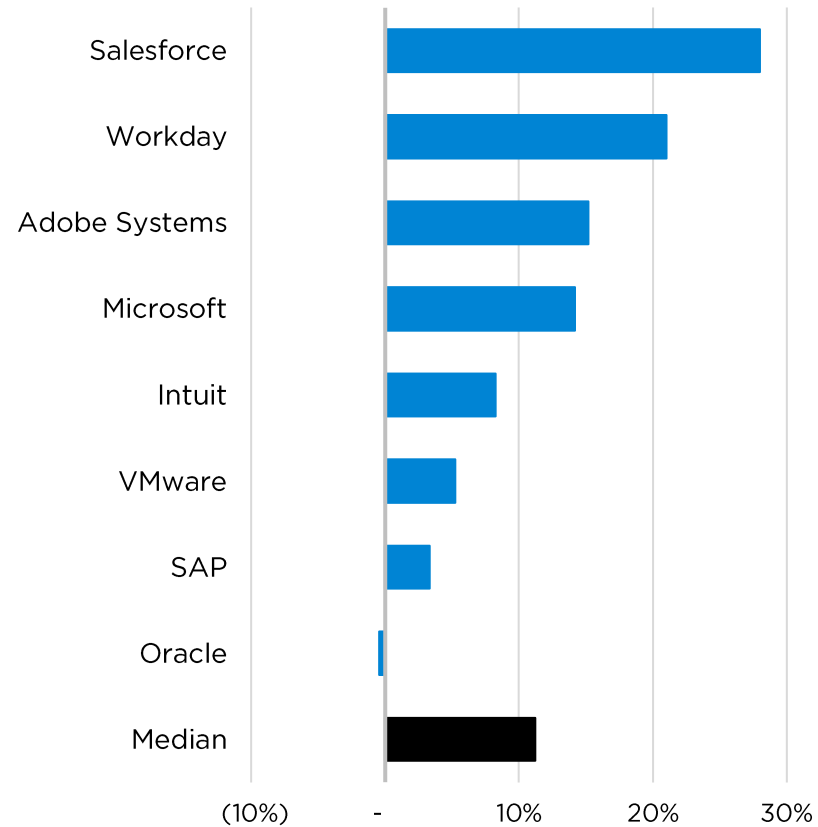


LTM EBITDA %

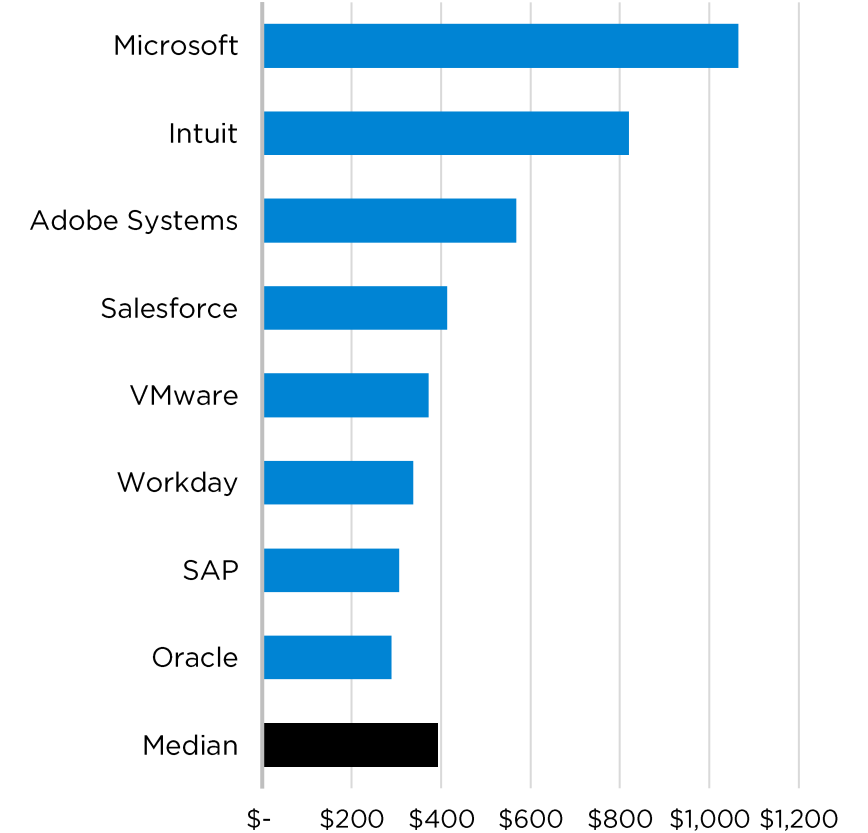


Operational Metrics

LTM Revenue Growth %

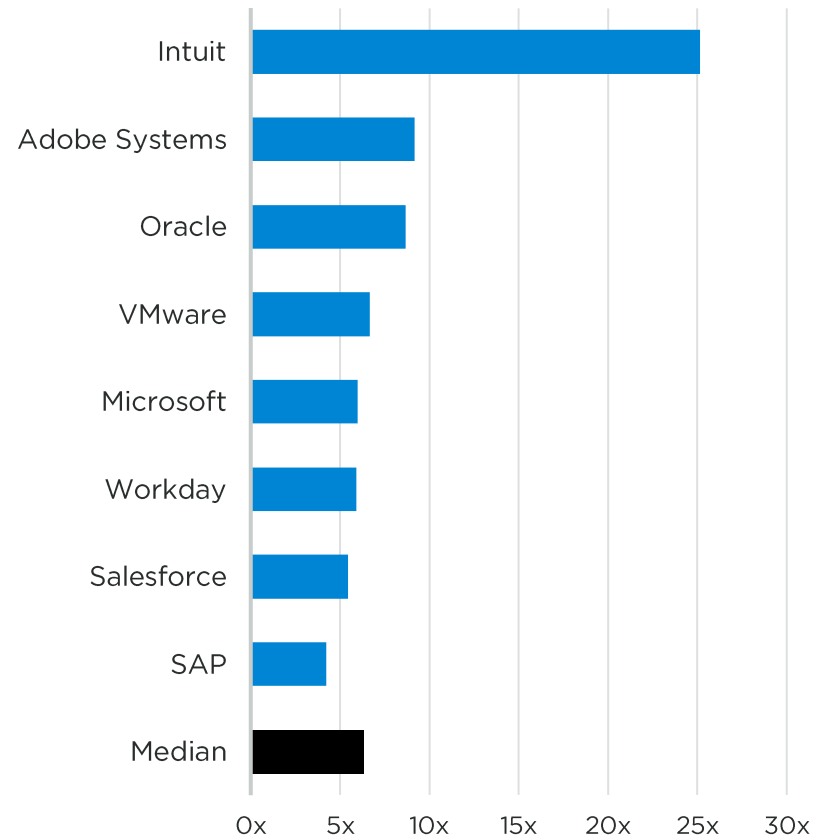


LTM Revenue per Full Time Employee x 000's

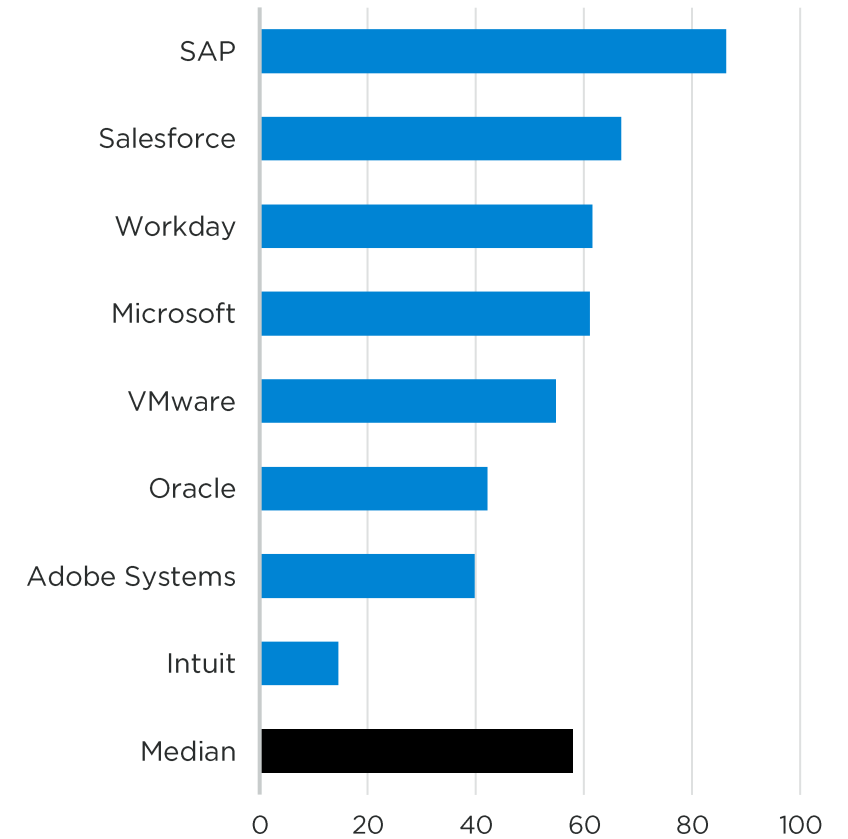


Operational Metrics

Accounts Receivable Turnover

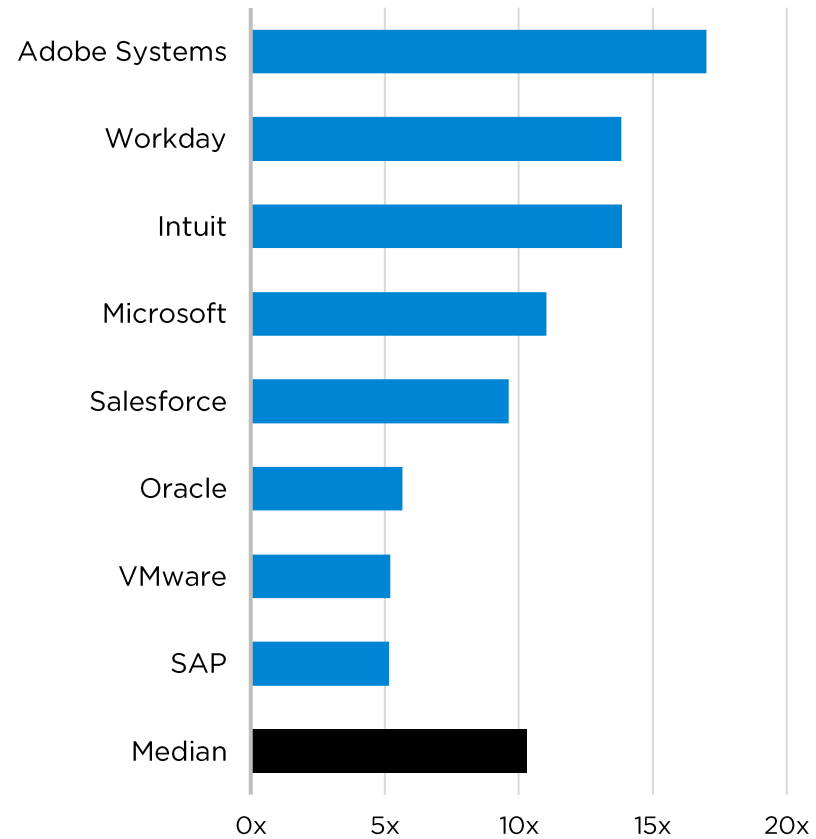


Average Days Sales Outstanding

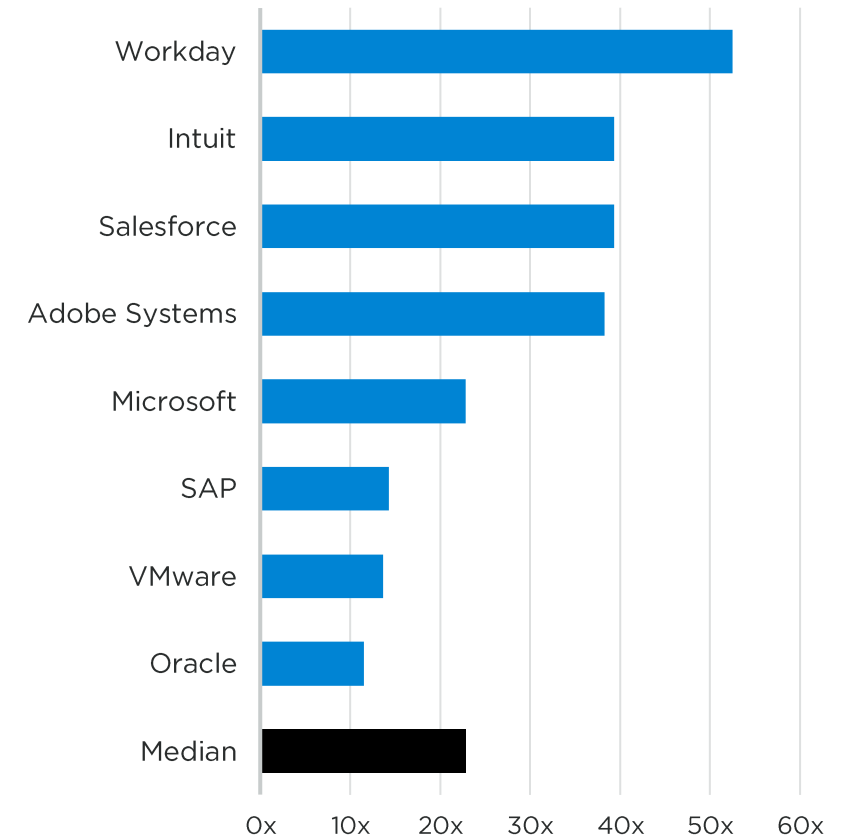


Valuation

TEV / LTM Revenue

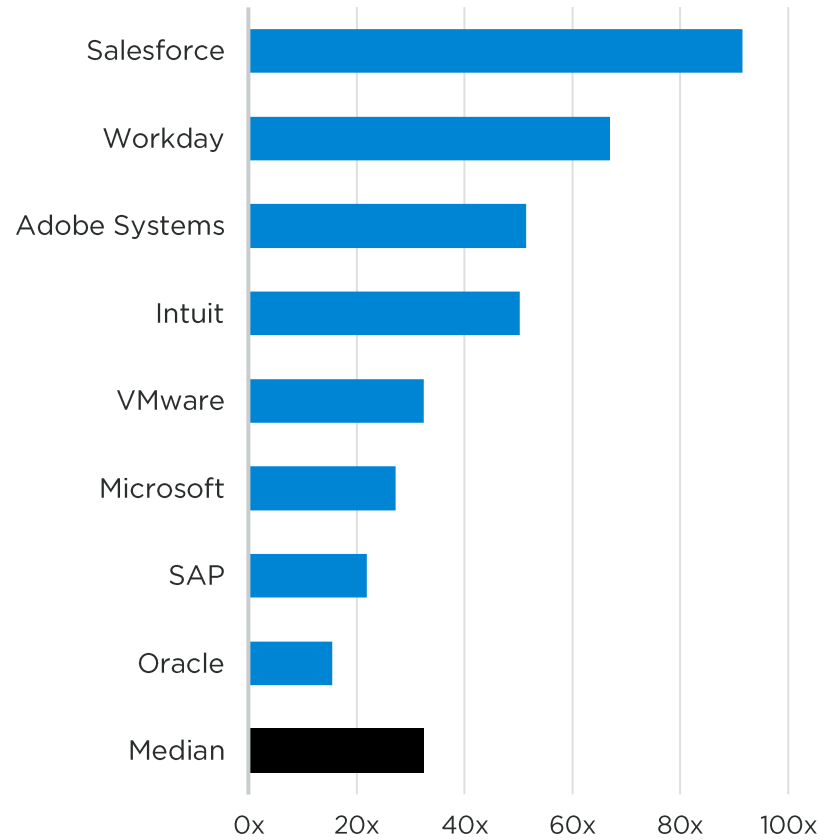


TEV / LTM EBITDA

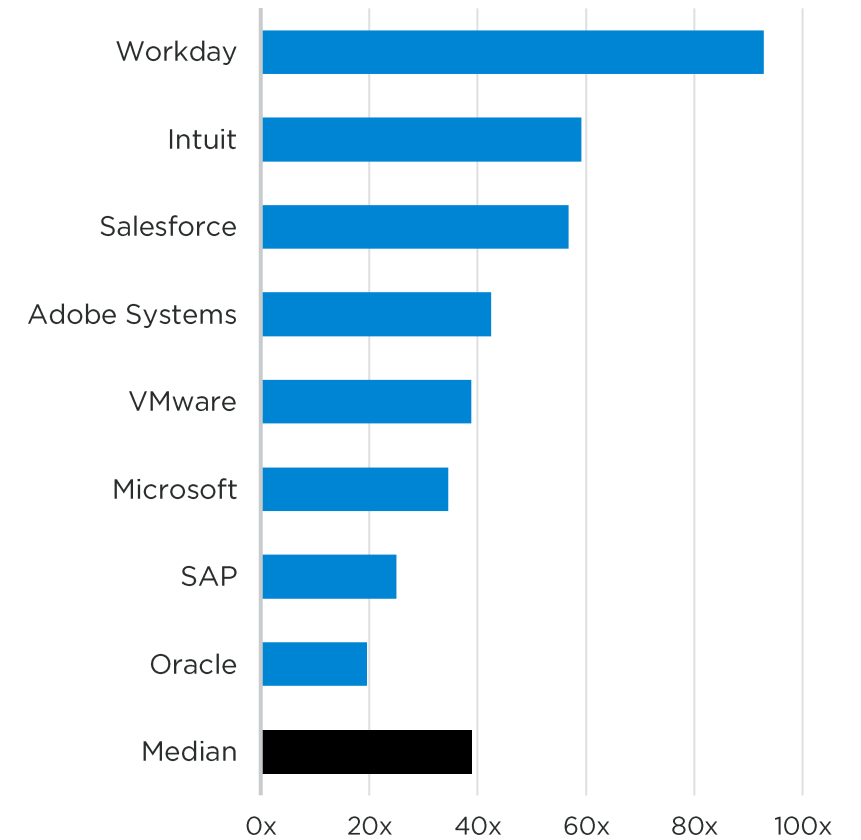


Valuation

TEV / LTM EBIT

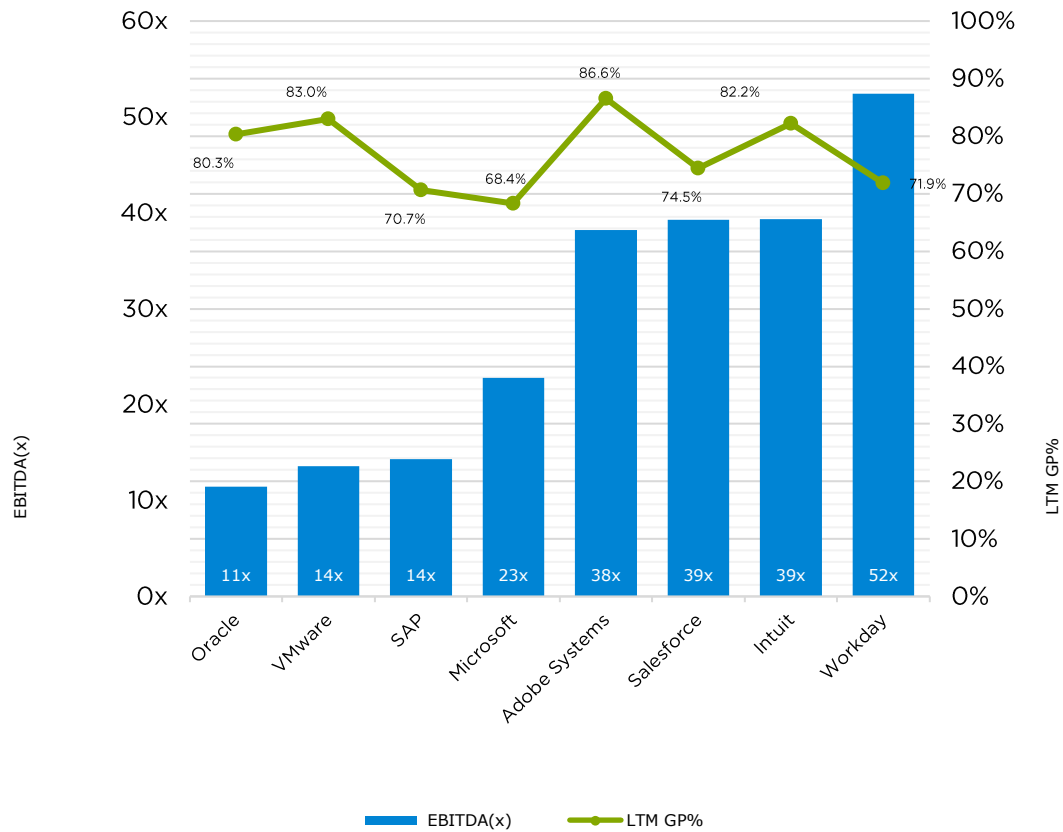


Price / LTM Earnings

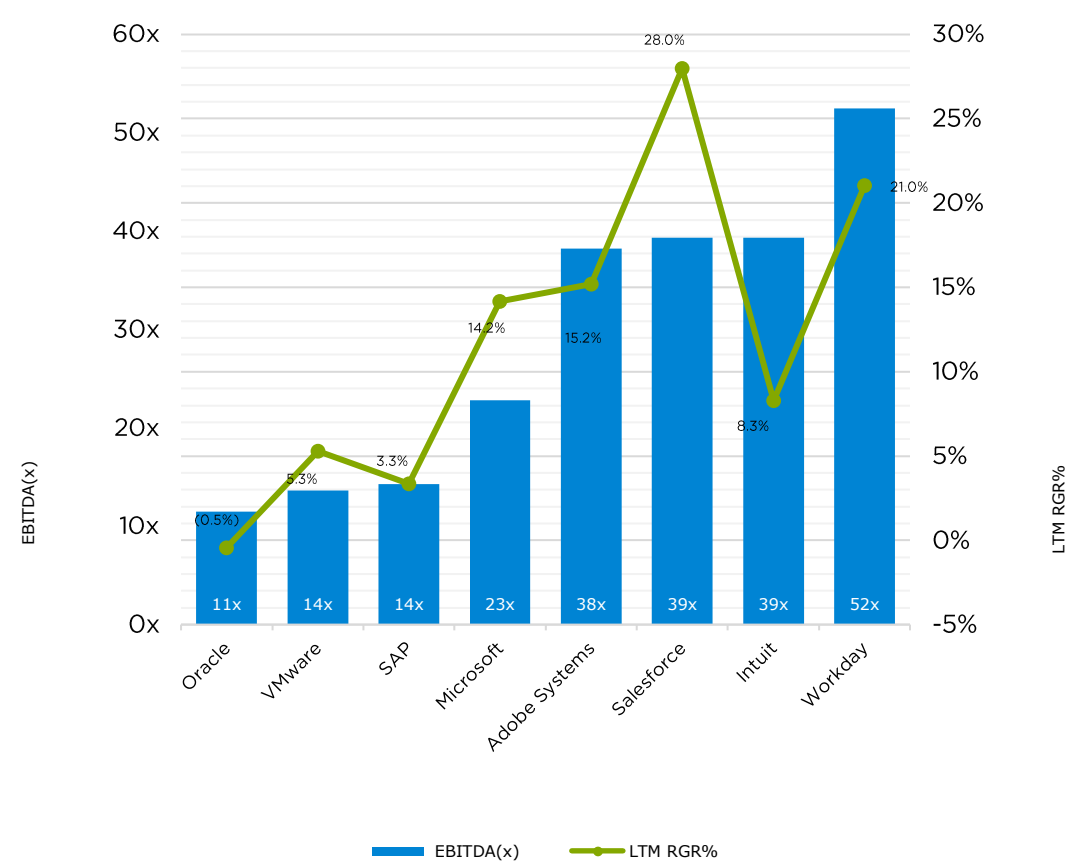


Valuation

Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions

| Date | Target | Buyer | Total Transaction Amount | Target Revenue | TEV / Revenue | TEV / EBITDA |
|-------------|--|------------------------------------|---------------------------------|-----------------------|----------------------|---------------------|
| 24-Feb-21 | ForeUp | Clubessential | - | - | - | - |
| 05-Feb-21 | BrokerCloud | Saffelberg Investments | - | - | - | - |
| 28-Jan-21 | Bind ERP | SUMA (London) | - | - | - | - |
| 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 | - | - | - | - |

Appendix

*Public Basket
Contact Information*



Workday

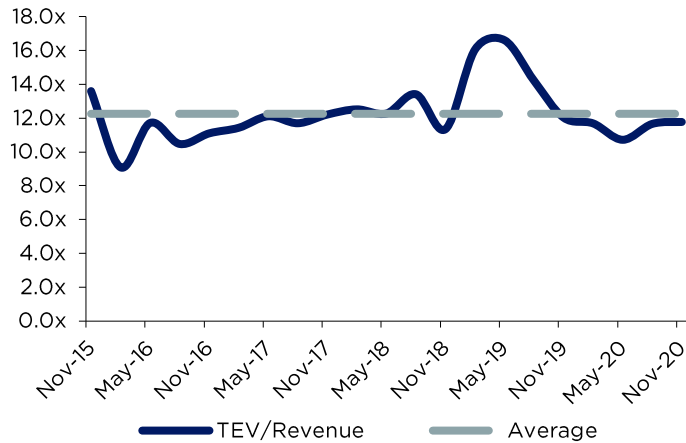
Workday is a software company that offers human capital management, or HCM, financial management, and business planning solutions.

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

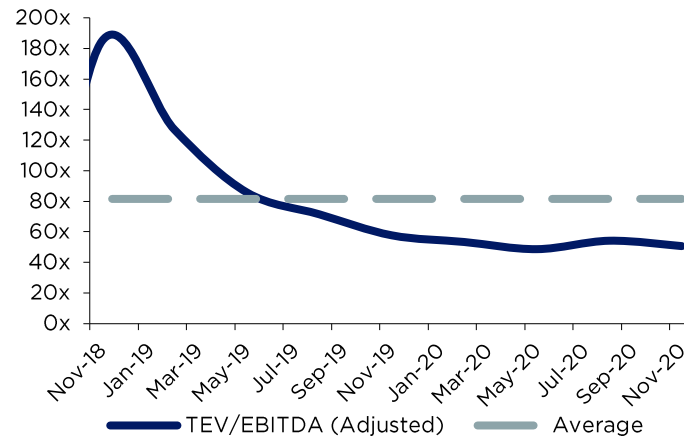
Public Basket

Workday

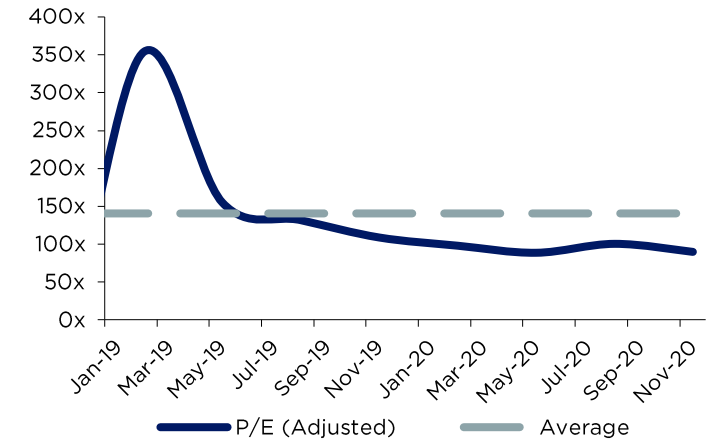
Revenue Multiples - Workday



EBITDA Multiples - Workday



P/E Multiples - Workday



Company Name

Date

Deal Synopsis

Scout (Business/Productivity Software)

09-Dec-19

The company was acquired by Workday (NAS: WDAY) for \$513 million on December 9, 2019. The acquisition will help the acquirer to deliver a comprehensive source-to-pay solution to its customers.

VMware

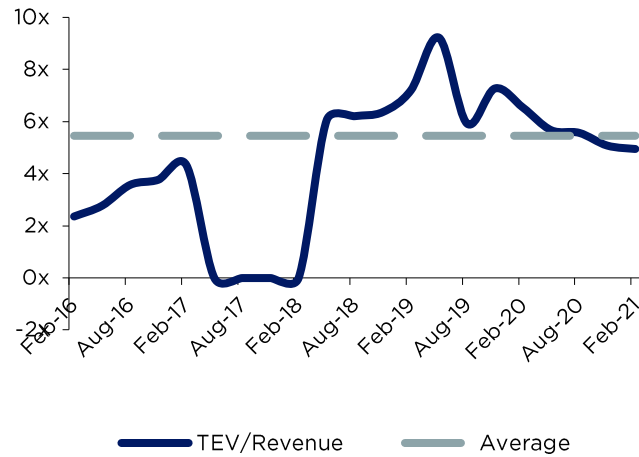
VMware, a majority-owned subsidiary of Dell, is an industry leader in virtual machines for data center servers and computer desktops.

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.

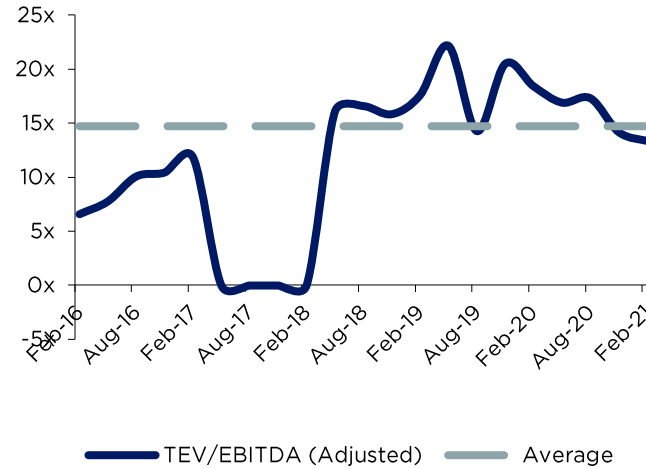
Public Basket

VMware

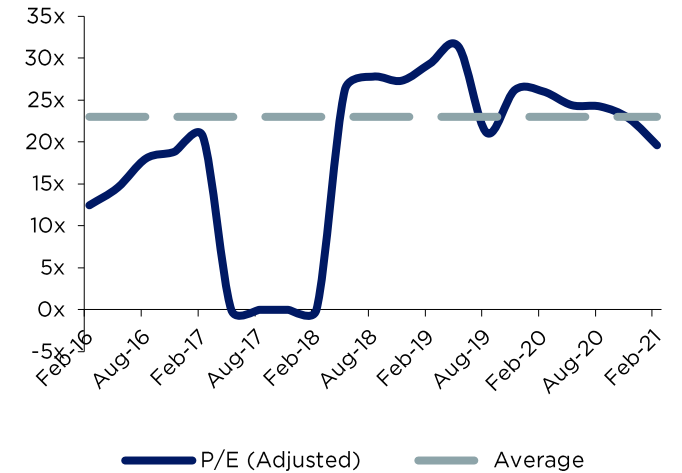
Revenue Multiples - VMware



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

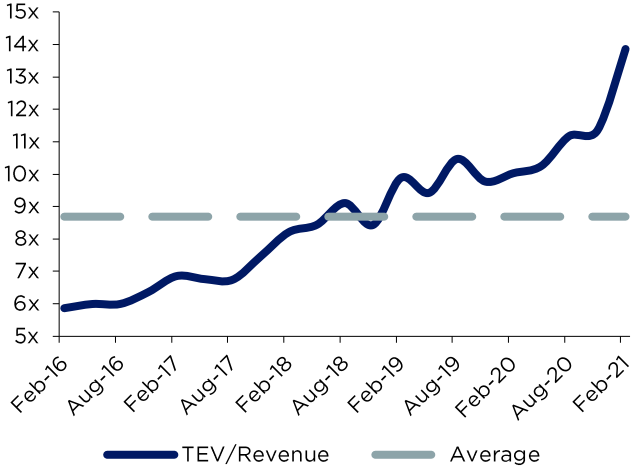
Intuit is a provider of small-business accounting software (QuickBooks), personal tax solutions (TurboTax), and professional tax offerings (Lacerte).

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

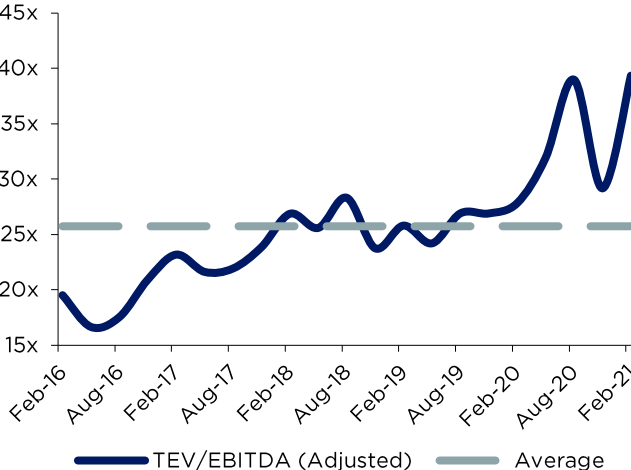
Public Basket

Intuit

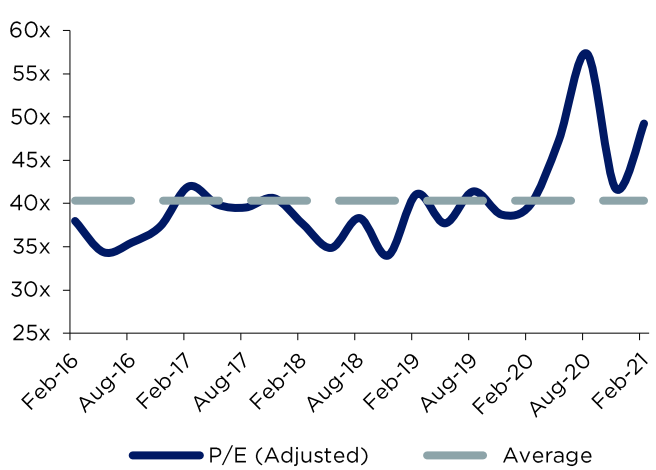
Revenue Multiples - Intuit



EBITDA Multiples - Intuit



P/E Multiples - Intuit



| Company Name | Date | Deal Synopsis |
|--------------|--------|---|
| Credit Karma | 1/6/20 | The company was acquired by Intuit (NAS: INTU) for \$7.1 billion on December 3, 2020. |

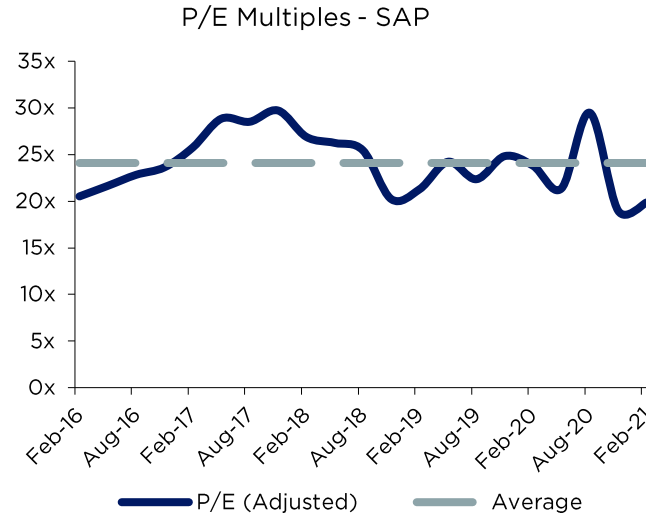
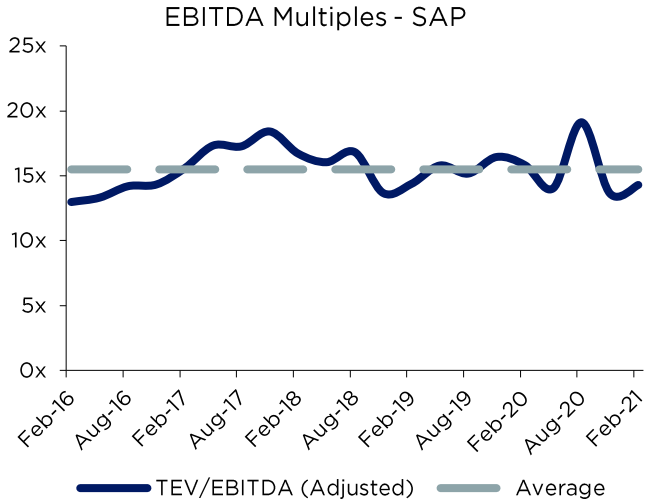
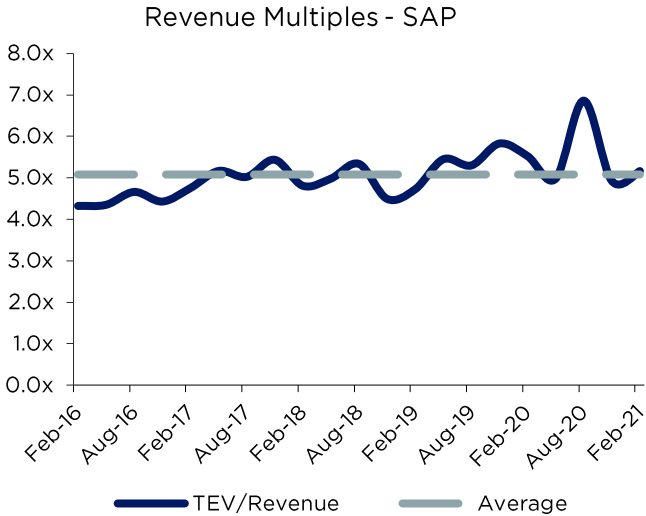
SAP

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



| Company Name | Date | Deal Synopsis |
|--------------|-----------|--|
| Signavio | 27-Jan-21 | The company reached a definitive agreement to be acquired by SAP (ETR: SAP) for EUR 1 billion on January 27, 2021. |

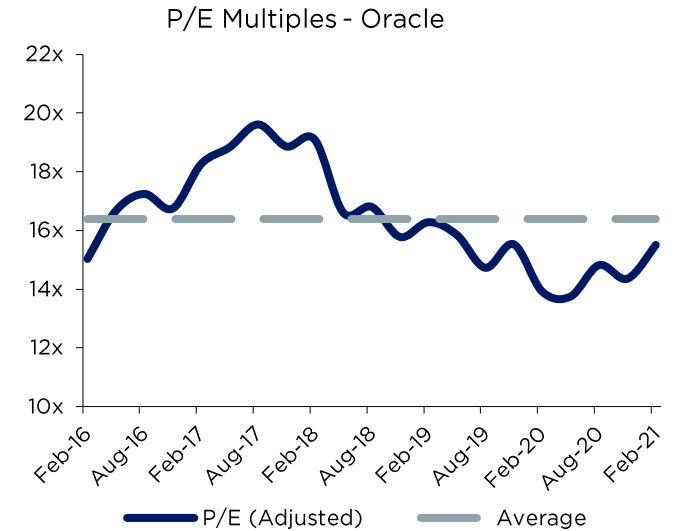
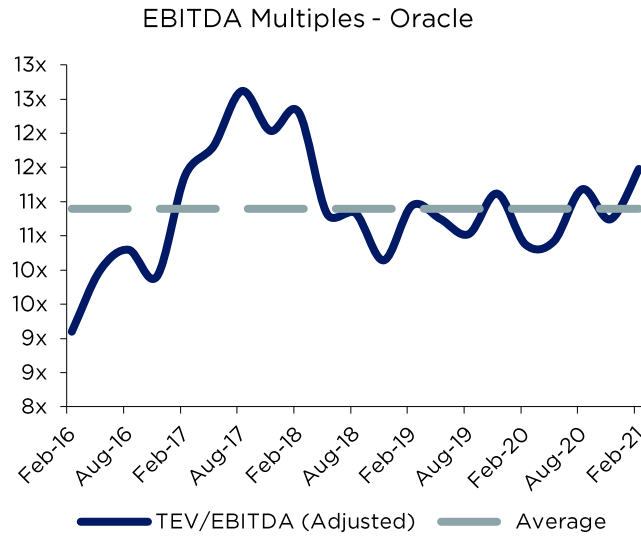
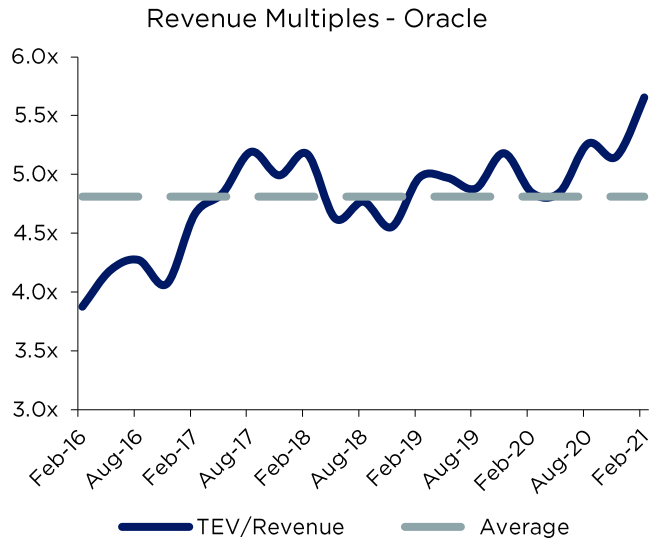
Oracle

Oracle provides database technology and enterprise resource planning, or ERP, software to enterprises around the world.

Founded in 1977, Oracle pioneered the first commercial SQL-based relational database management system. Today, Oracle has 430,000 customers in 175 countries, supported by its base of 136,000 employees.

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

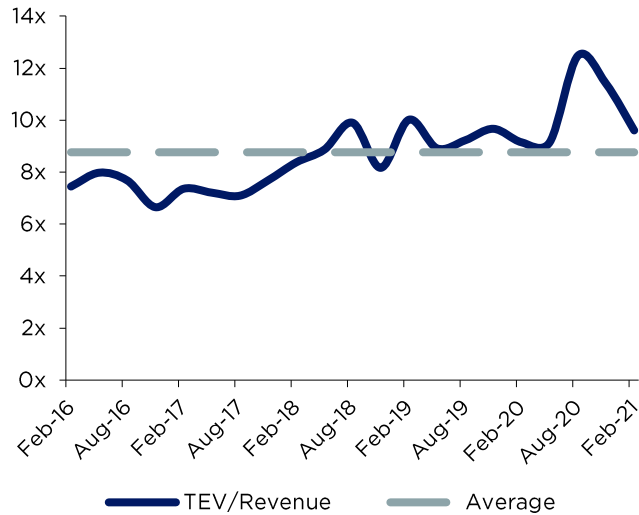
Salesforce.com provides enterprise cloud computing solutions, including Sales Cloud, the company's main customer relationship management software-as-a-service product.

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.

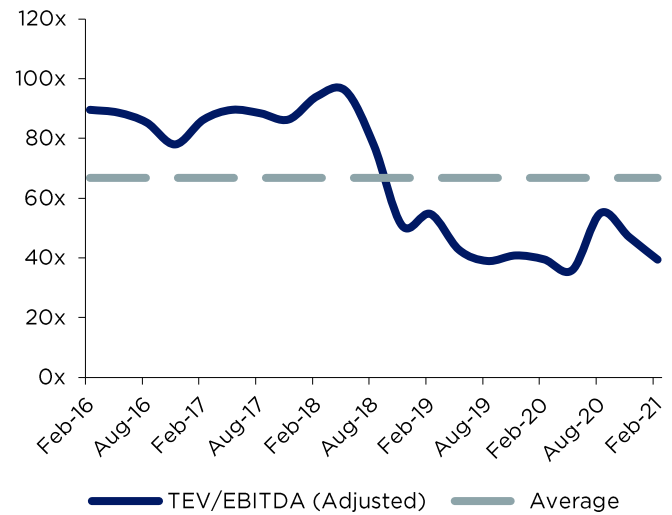
Public Basket

Salesforce

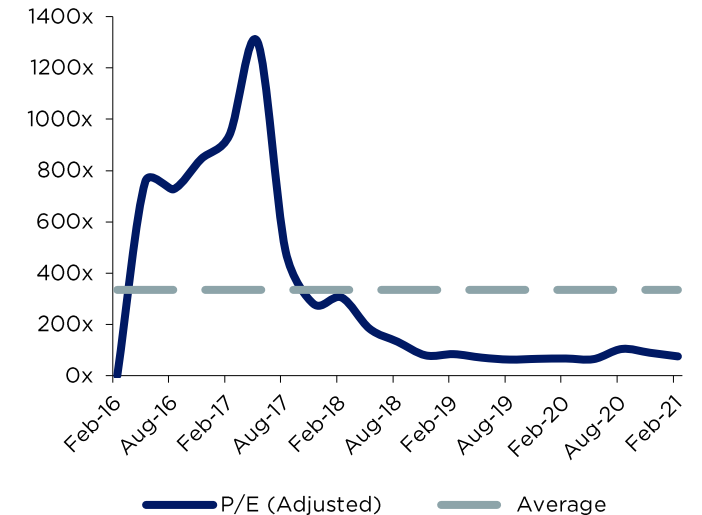
Revenue Multiples - Salesforce.com



EBITDA Multiples - Salesforce.com



P/E Multiples - Salesforce.com



Company Name

Date

Deal Synopsis

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

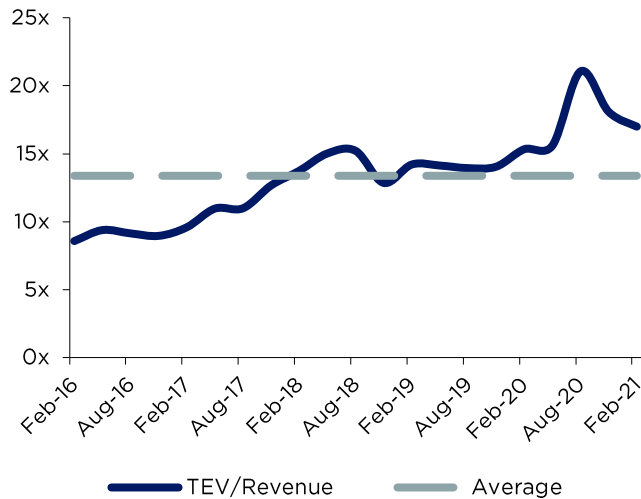
The company operates with three segments: digital media content creation, digital experience for marketing solutions, and publishing for legacy products (less than 5% of revenue).

compelling content multiple operating systems, devices and media.

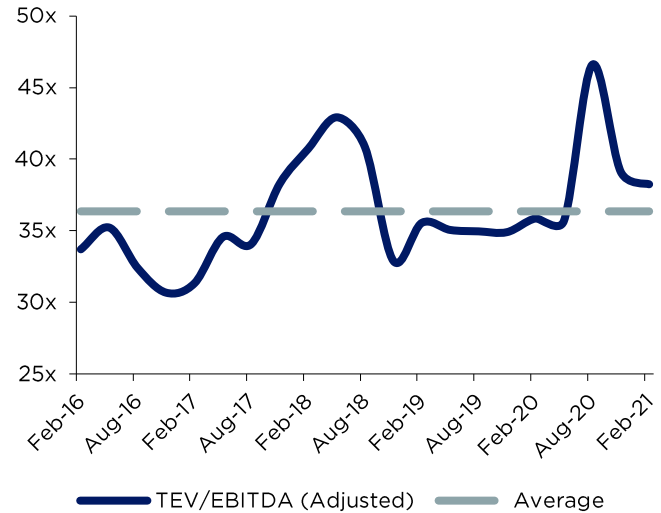
Public Basket

Adobe Systems

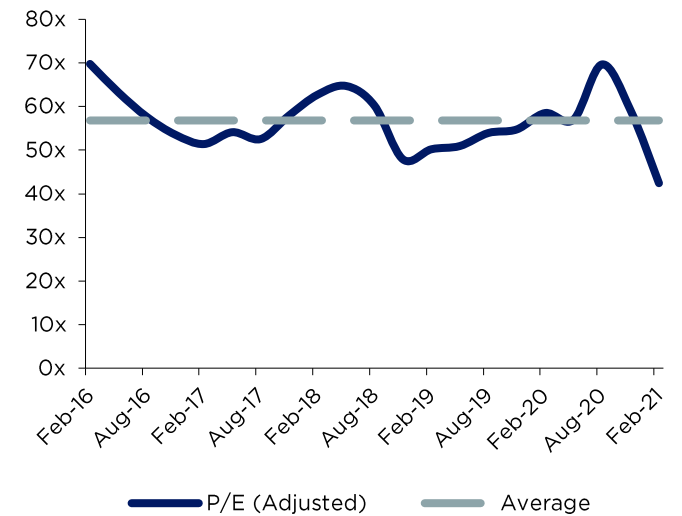
Revenue Multiples - Adobe Systems



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

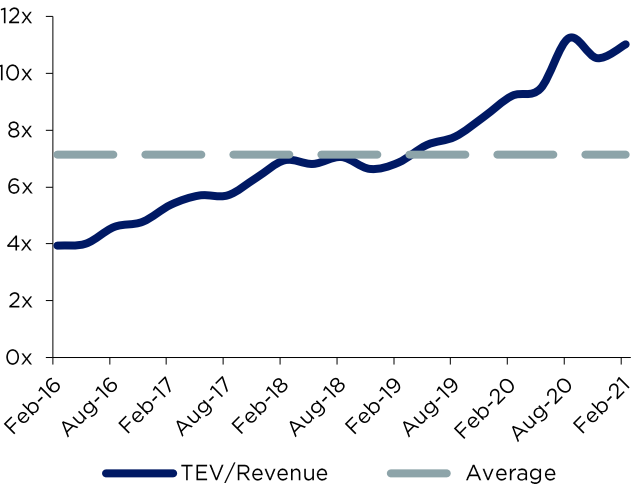
Microsoft develops and licenses consumer and enterprise software.

It is known for its Windows operating systems and Office productivity suite. The company is organized into three equally sized broad 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).

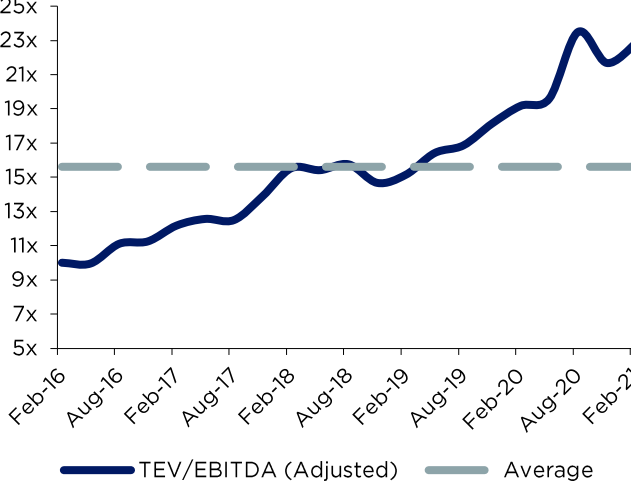
Public Basket

Microsoft

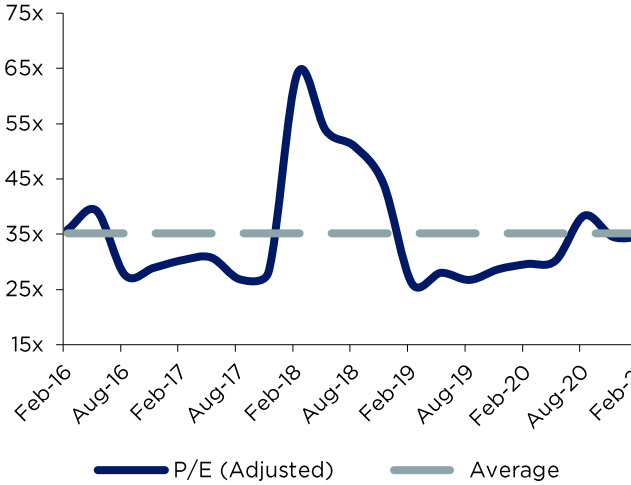
Revenue Multiples - Microsoft



EBITDA Multiples - Microsoft



P/E Multiples - Microsoft



| Company Name | Date | Deal Synopsis |
|--------------|-----------|---|
| Databricks | 01-Feb-21 | The company raised \$1 billion of Series G venture funding in a deal led by Franklin Templeton Investments on February 1, 2021, putting the company's pre-money valuation at \$27 billion. Microsoft, Amazon Web Services, Salesforce Ventures, Dragoneer Investment Group, Tiger Global Management, Andreessen Horowitz, New Enterprise Associates, Geodesic Capital, Green Bay Ventures, Greenoaks Capital Partners, Founders Circle Capital, Fidelity Management & Research, CapitalG, Alkeon Capital Management, Whale Rock Capital Management, Octahedron Capital, Coatue Management, T. Rowe Price, BlackRock, Discovery Capital Management, Canada Pension Plan Investment Board |

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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