

7 Mile Advisors



Sectorwatch: Software Engineering

February 2021



Software Engineering

- 4 [Sector Dashboard](#)
- 5 [Public Basket Overview](#)
- 6 [Public Basket Performance](#)
- 8 [Operational Metrics](#)
- 11 [Vacation Comparison](#)
- 14 [Recent Deals](#)
- 15 [Appendix](#)

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.

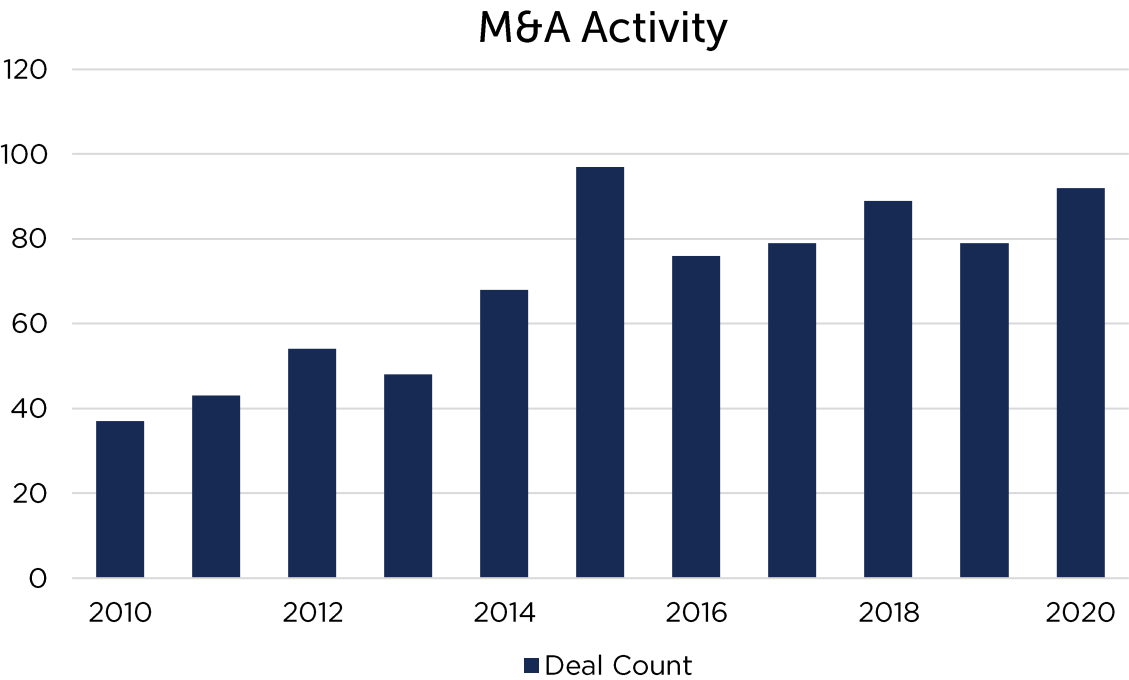
RECENT DEALS

- The most recently announced deals in the sector

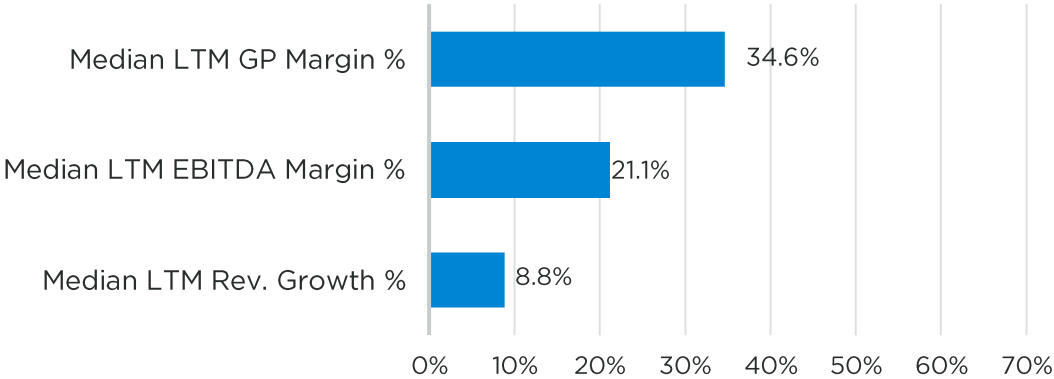
Dashboard

REVENUE GROWTH MOMENTUM ↓ -1.2%

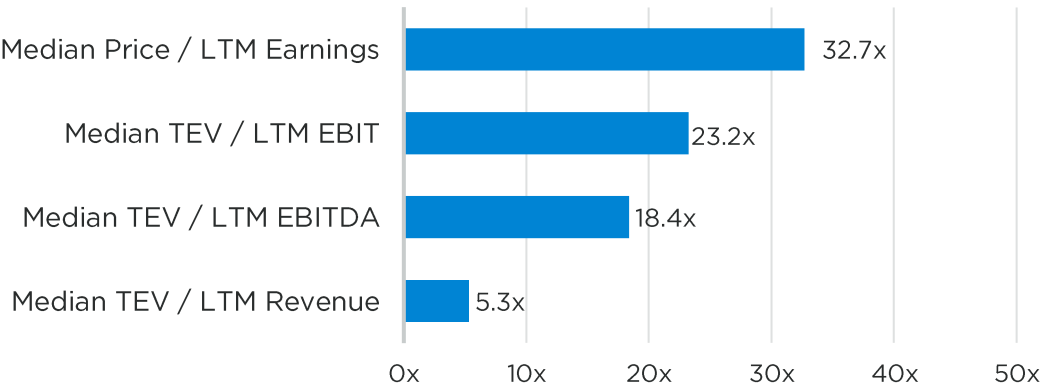
1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining



Operating Metrics



Valuation



Public Basket Overview

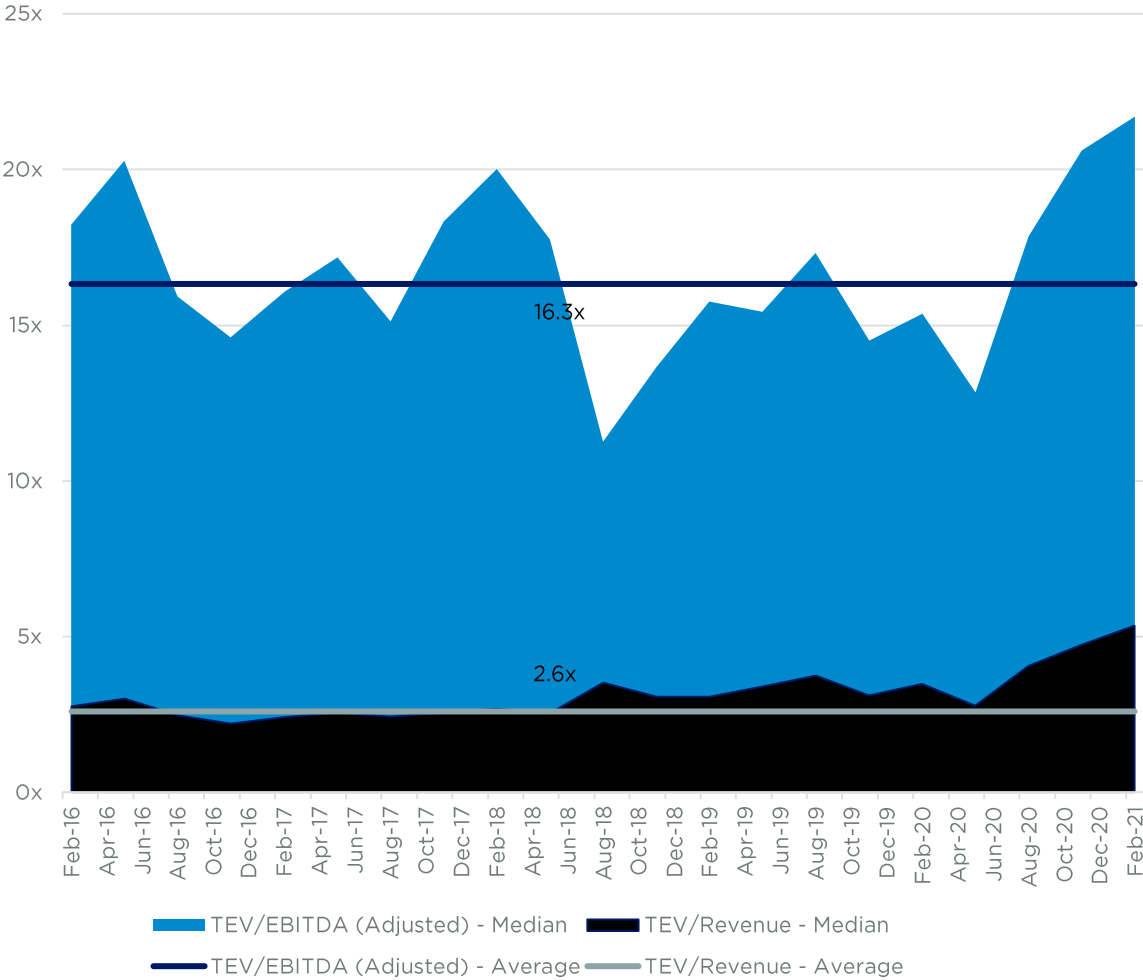


Public Basket

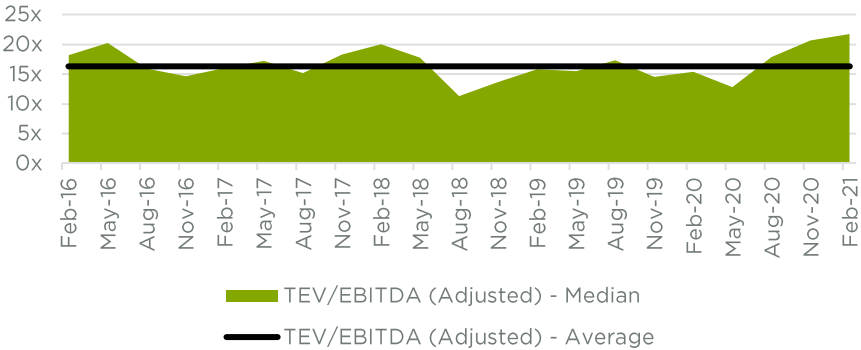
| Company | TEV \$m | LTM EBITDA \$m | LTM Rev \$m | Rev Growth YoY | GP % | EBITDA % | TEV / Rev X | TEV / EBITDA X | # FTEs | Rev / FTE \$k |
|---------------------------|---------|----------------|-------------|----------------|-------|----------|-------------|----------------|---------|---------------|
| Tata Consultancy Services | 140,480 | 6,004 | 21,577 | 3.5% | 42.8% | 27.8% | 6.5x | 23.4x | 453,540 | 48 |
| Capgemini | 34,110 | 2,579 | 16,256 | 7.0% | 26.6% | 15.9% | 2.1x | 13.2x | 265,073 | 61 |
| Infosys | 70,288 | 3,826 | 13,145 | 4.0% | 34.6% | 29.1% | 5.3x | 18.4x | 242,371 | 54 |
| Wipro | 25,905 | 1,782 | 8,260 | 1.8% | 30.4% | 21.6% | 3.1x | 14.5x | 180,000 | 46 |
| EPAM Systems | 19,873 | 557 | 2,569 | 18.6% | 34.7% | 21.7% | 7.7x | 35.7x | 36,739 | 70 |
| Globant | 8,308 | 117 | 766 | 24.5% | 37.2% | 15.2% | 10.8x | 71.3x | 12,333 | 62 |
| Persistent Systems | 1,561 | 86 | 538 | 15.3% | - | 15.9% | 2.9x | 18.2x | 10,632 | 51 |
| Endava | 5,329 | 104 | 491 | 20.5% | 34.7% | 21.1% | 10.9x | 51.3x | 6,624 | 74 |
| R Systems International | 144 | 17 | 118 | 8.8% | 30.5% | 14.5% | 1.2x | 8.4x | 1,994 | 59 |
| Average | 34,000 | 1,674 | 7,080 | 11.5% | 33.9% | 20.3% | 5.6x | 28.3x | 134,367 | 58 |
| Median | 19,873 | 557 | 2,569 | 8.8% | 34.6% | 21.1% | 5.3x | 18.4x | 36,739 | 59 |

share price as of 26Feb21

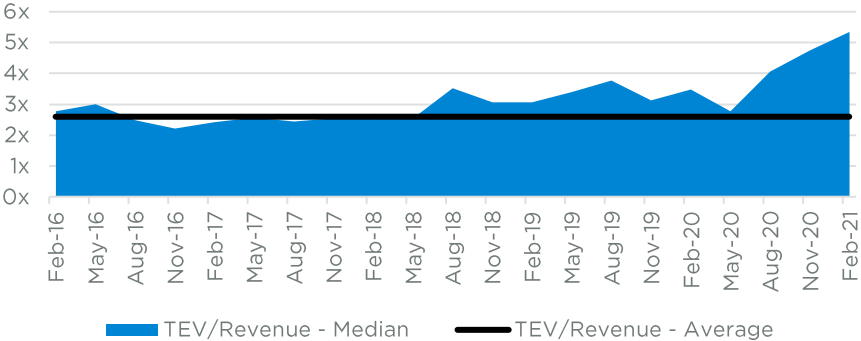
Public Basket



Public EBITDA Multiples over Time

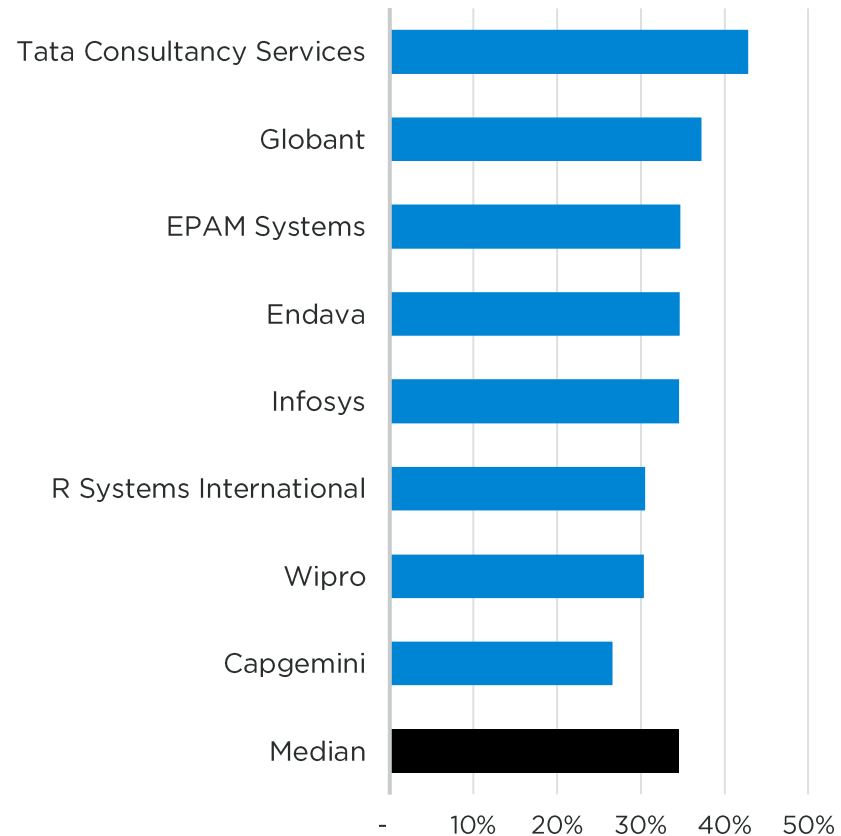


Public Revenue Multiples over Time

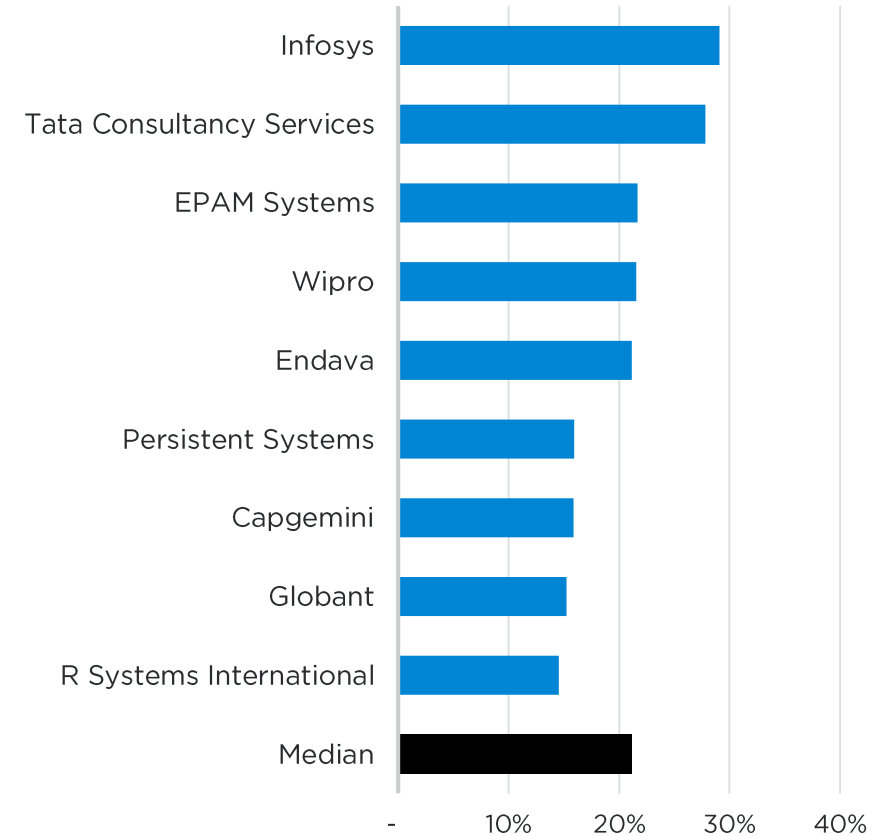


Operational Metrics

LTM Gross Profit Margin %

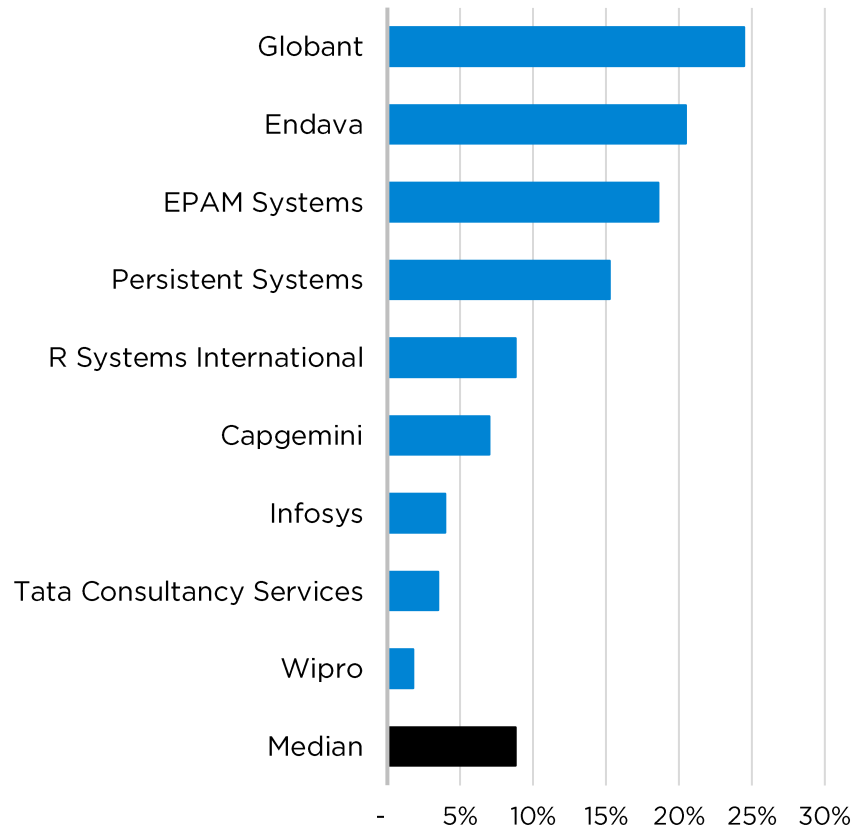


LTM EBITDA %

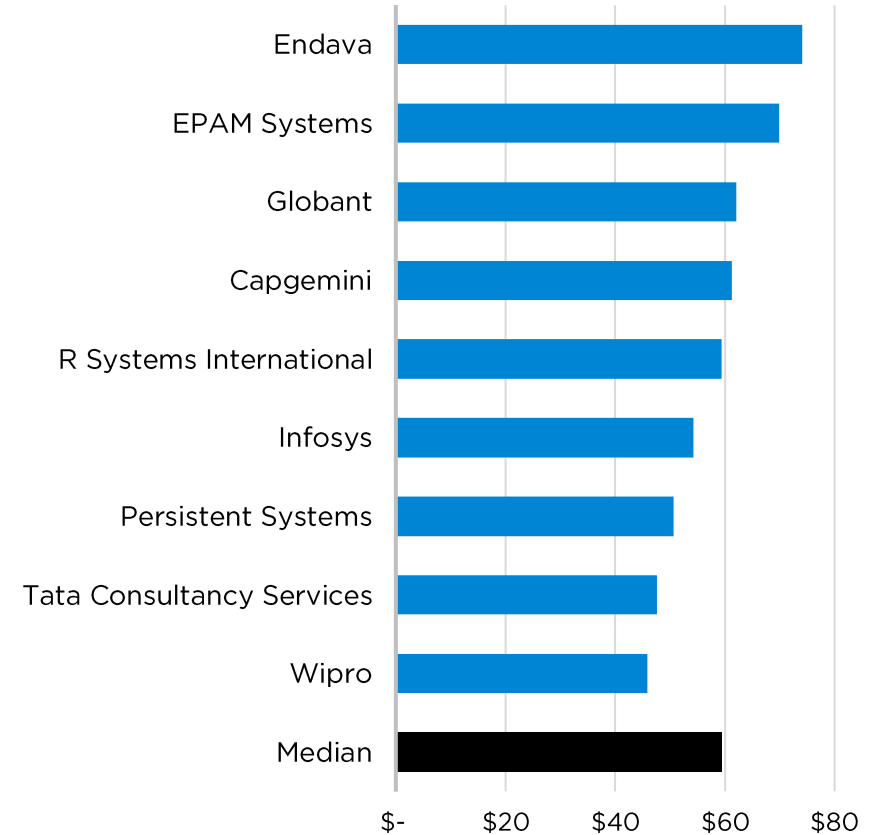


Operational Metrics

LTM Revenue Growth %

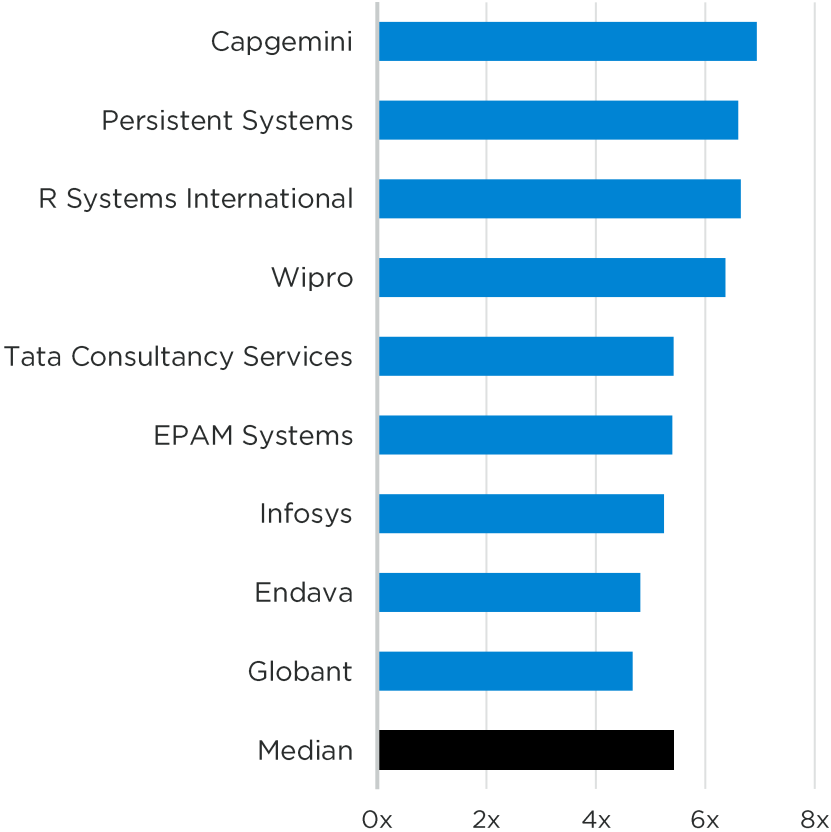


LTM Revenue per Full Time Employee x 000's

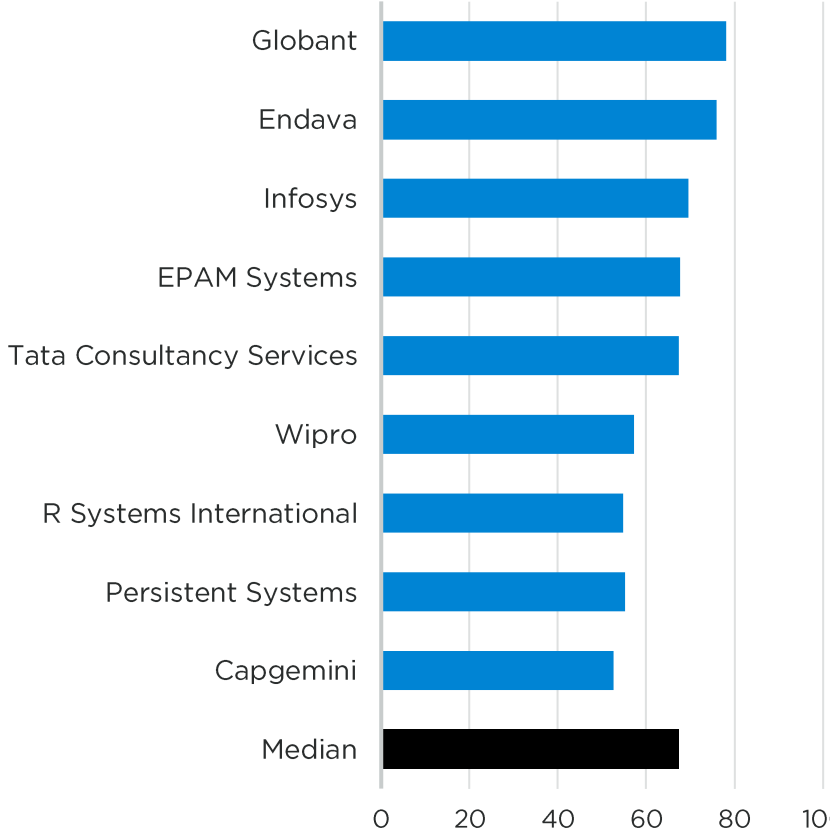


Operational Metrics

Accounts Receivable Turnover

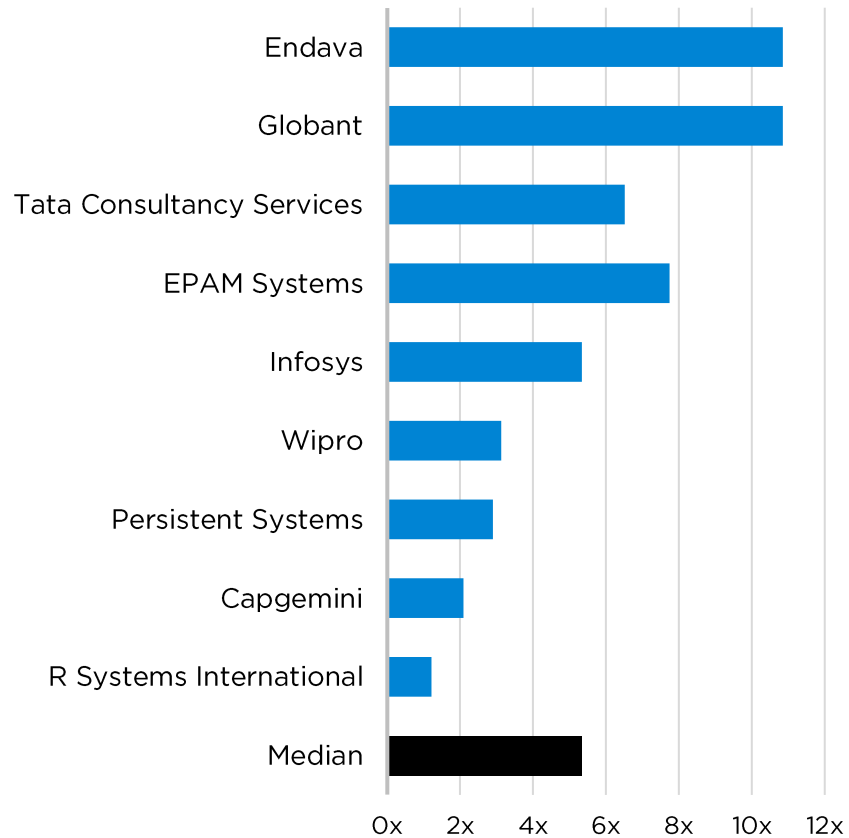


Average Days Sales Outstanding

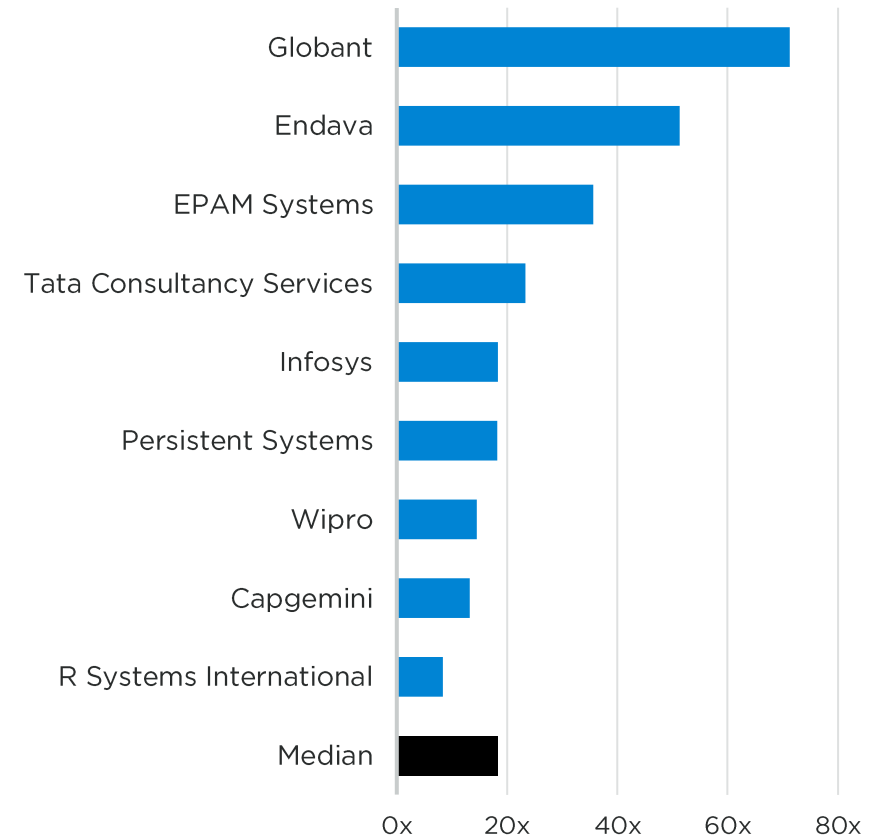


Valuation

TEV / LTM Revenue

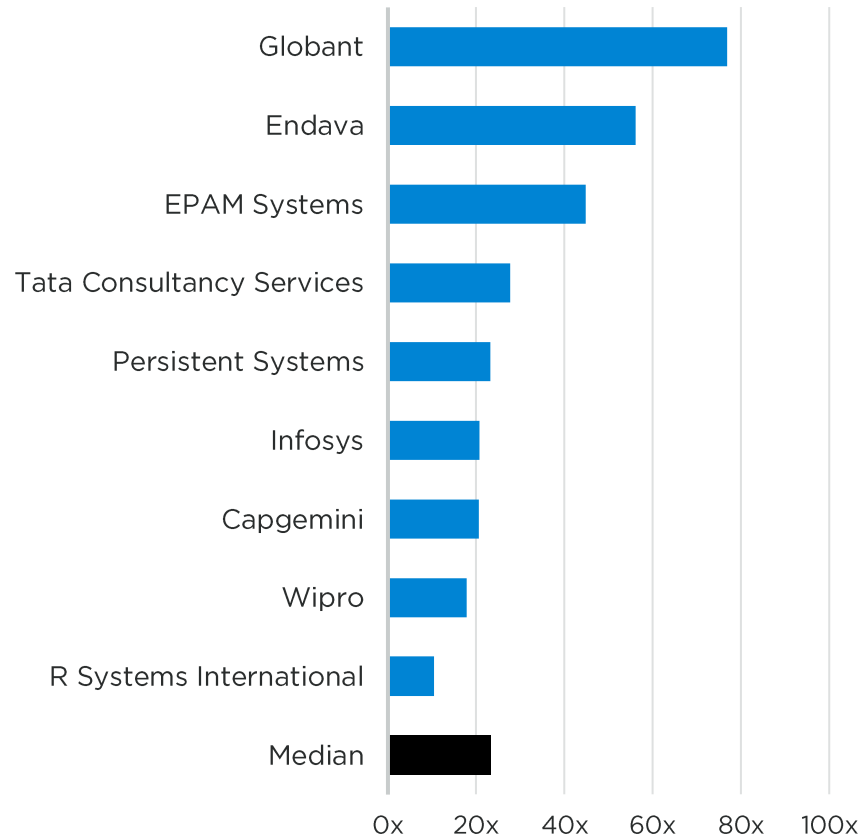


TEV / LTM EBITDA

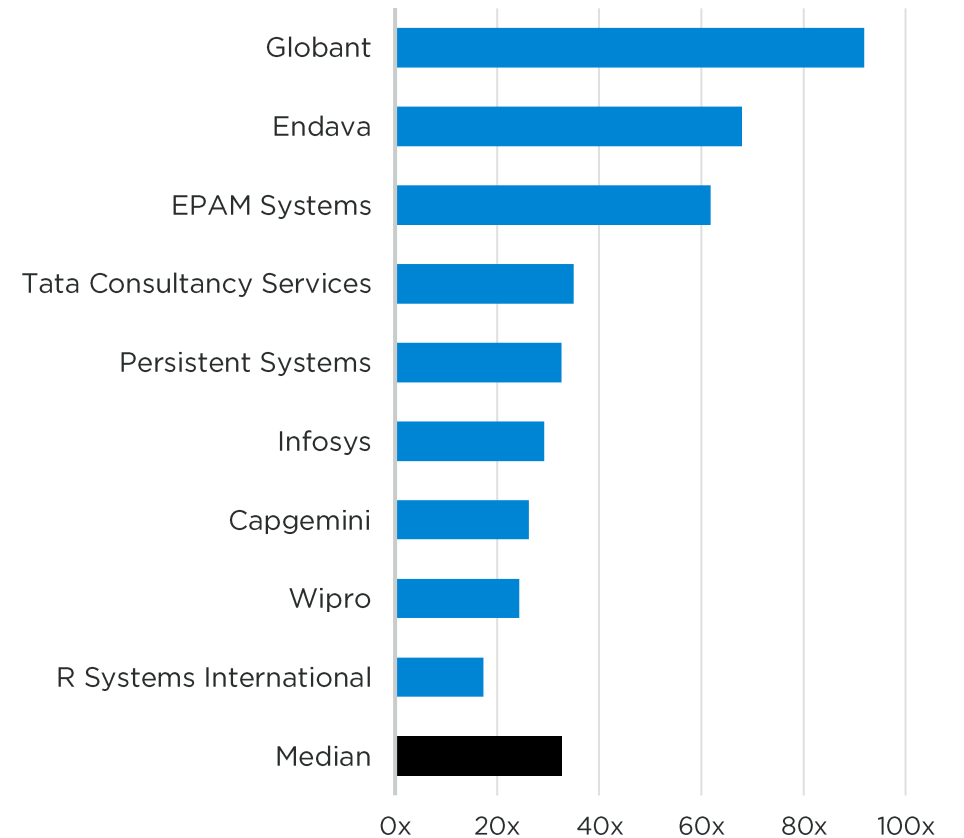


Valuation

TEV / LTM EBIT

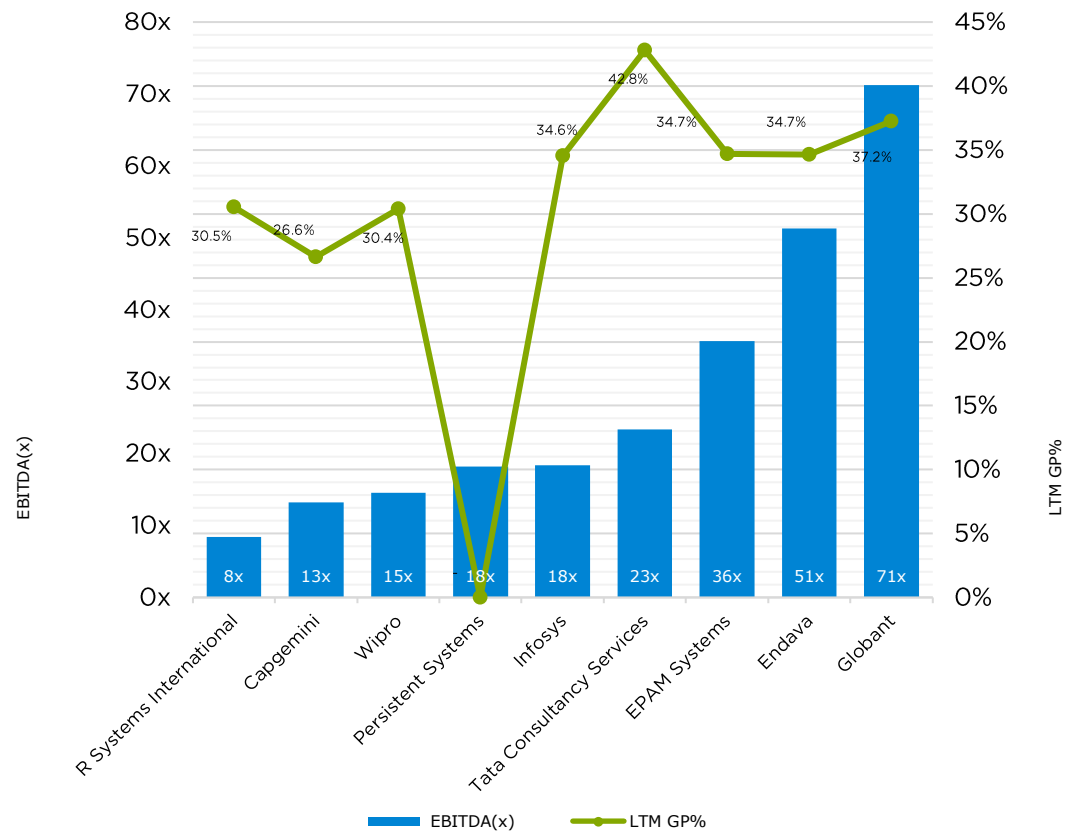


Price / LTM Earnings

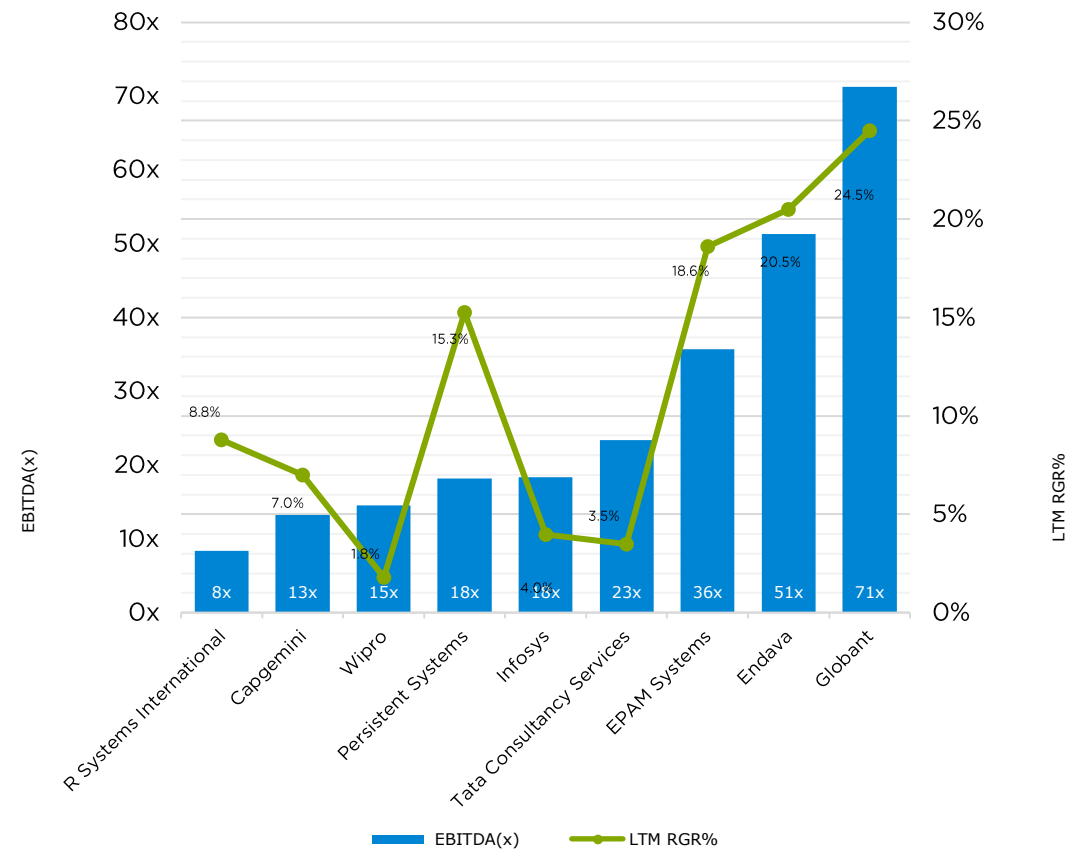


Valuation

Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions

| Date | Target | Buyer / Investor | Total Transaction Value | Target Revenue | TEV / Revenue | TEV / EBITDA |
|-----------|--|-------------------------------|-------------------------|----------------|---------------|--------------|
| 22-Feb-21 | Dapasoft | Calian Group | 65.18 | - | - | - |
| 18-Feb-21 | Redcage | Apax Partners (France) | - | - | - | - |
| 08-Feb-21 | Polidea | Snowflake | - | - | - | - |
| 01-Feb-21 | Insiso | STC Global | - | - | - | - |
| 01-Feb-21 | Tiger Innovations | General Atomics | - | - | - | - |
| 28-Jan-21 | Macadamian Technologies | Blue Venture Fund | - | - | - | - |
| 27-Jan-21 | SourceStrike | Republix | - | - | - | - |
| 28-Dec-20 | Open Web | 3d investors | - | - | - | - |
| 20-Jan-21 | Innosabi | Eurazeo | - | - | - | - |
| 13-Jan-21 | Hubstor (Application Software) | ACE & Company | - | - | - | - |
| 07-Jan-21 | TekPartners | Etteplan | - | - | - | - |
| 04-Jan-21 | AMBR Detroit | Fusionary Media | - | - | - | - |
| 11-Dec-20 | Daresay | Adelis Equity Partners | - | - | - | - |
| 10-Dec-20 | DoProcess | Dye & Durham | 530.00 | - | - | - |
| 10-Dec-20 | Waavi | pfsGROUP | - | - | - | - |
| 07-Dec-20 | Fresche Solutions | American Pacific Group | - | - | - | - |
| 03-Dec-20 | Codelynx | Mobile Communications America | - | - | - | - |
| 01-Dec-20 | Make Helsinki | Fondo Italiano d'Investimento | - | - | - | - |
| 30-Nov-20 | Maestral Solutions | Olympia Capital Partners | - | - | - | - |
| 24-Nov-20 | Accesa IT Consulting | Ratiodata | - | - | - | - |
| 24-Nov-20 | Under Development Office | Zitec | - | 0.12 | - | - |
| 16-Nov-20 | Mutually Human | Century Technology Group | - | - | - | - |
| 09-Nov-20 | Microsky | Arribatec | 0.54 | - | 0.27 | 5.08 |
| 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 | - | - | - | - |

Appendix

*Public Basket
Contact Information*

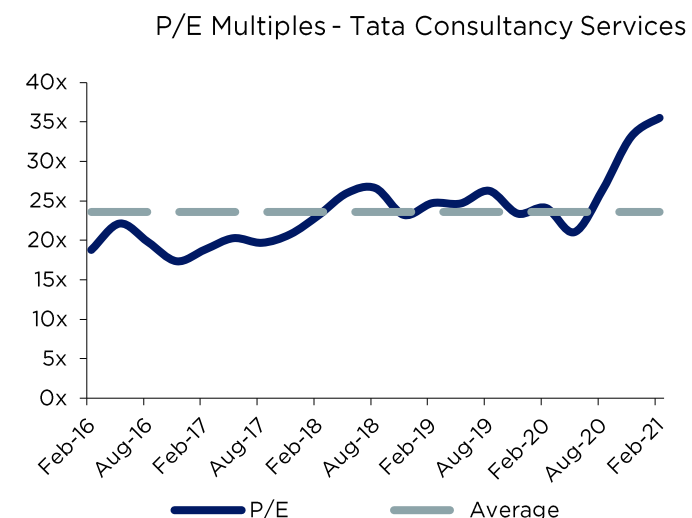
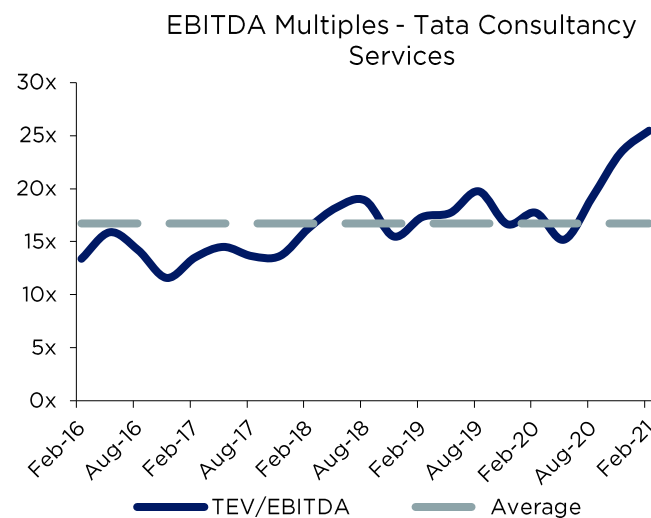
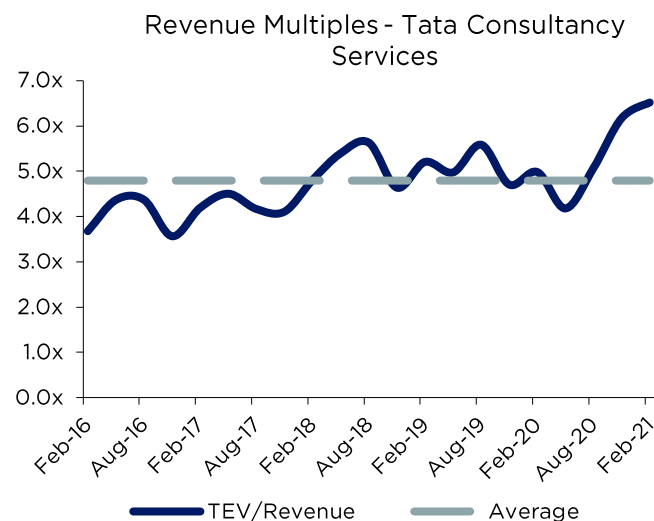
Tata Consultancy Services

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 |
|-------------------|-----------|--|
| Postbank Systems | 01-Jan-21 | The company, a subsidiary of Deutsche Bank (ETR: DBK), was acquired by Tata Consultancy Services (NSE: TCS) for an undisclosed amount on January 1, 2021. |
| Pramerica Systems | 12-Nov-20 | Tata Consultancy Services (NYSE: TCS) entered into an agreement with Prudential Financial to acquire its tech-services business for an undisclosed amount on November 12, 2020. The acquisition will deepen TCS's relationship with PFI and gives a new delivery capability in Ireland with specialized expertise, that significantly strengthens its ability to meet the growth and transformation needs of customers globally. |

Capgemini

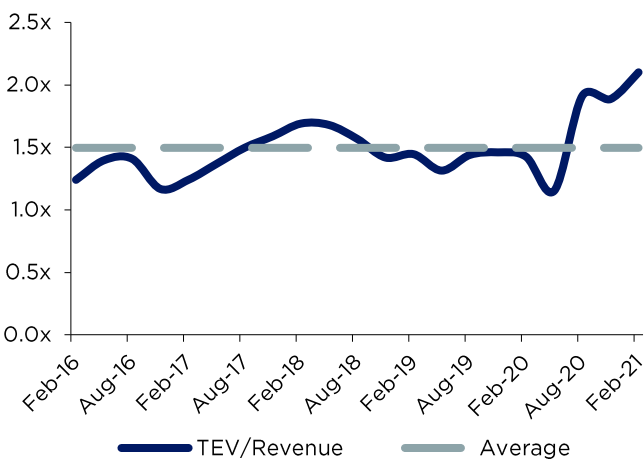
Capgemini is a French IT services company with a global presence.

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.

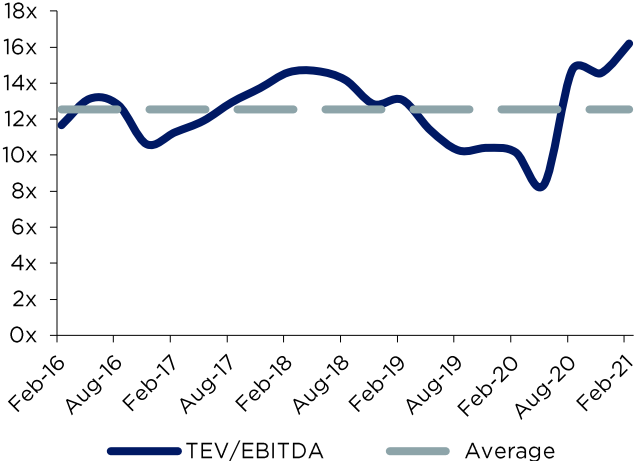
Public Basket

Capgemini

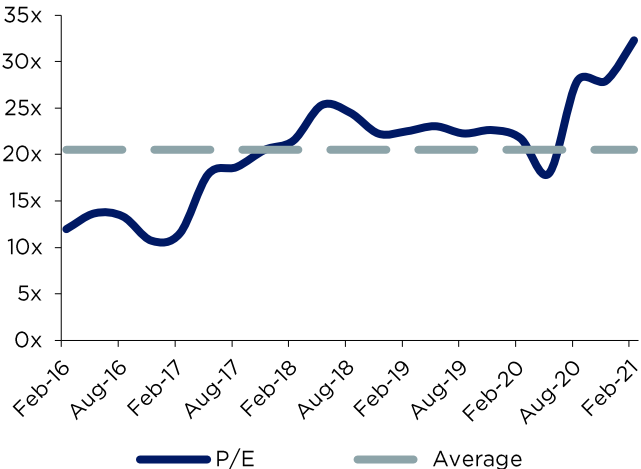
Revenue Multiples - Capgemini



EBITDA Multiples - Capgemini



P/E Multiples - Capgemini



| Company Name | Date | Deal Synopsis |
|--|-----------|---|
| Health Technologies (Sanofi / Capgemini / Orange / Generali) | 25-Jan-21 | Capgemini, Generali CEE Holding, Orange and Sanofi have entered into an agreement to form a joint venture as of January 25, 2021. The founding partners are planning an initial investment of 24 million euros in the new entity, which will be operational from June 2021. |
| Five By Five | 23-Dec-20 | The company was acquired by Capgemini (PAR: CAP) for an undisclosed amount on December 23, 2020. The Capgemini has acquired 70.1% of the capital of the French company Five by Five, the remainder of 29.9% being held by its subsidiary June 21. |

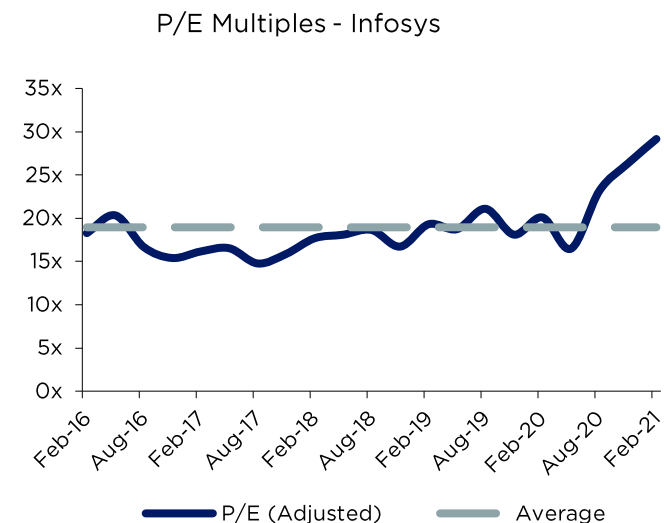
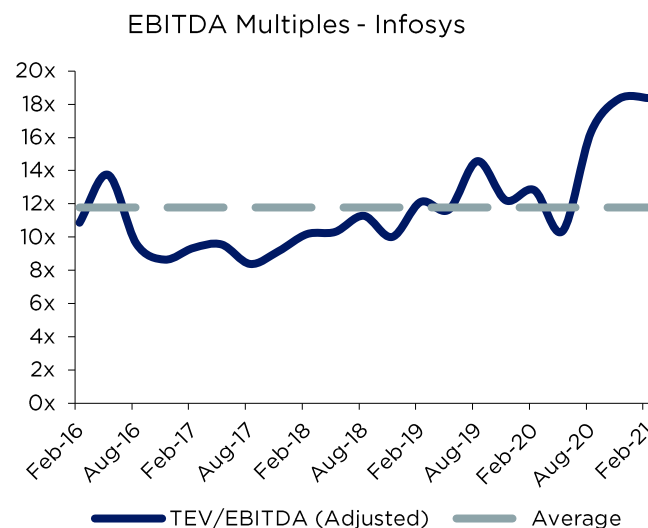
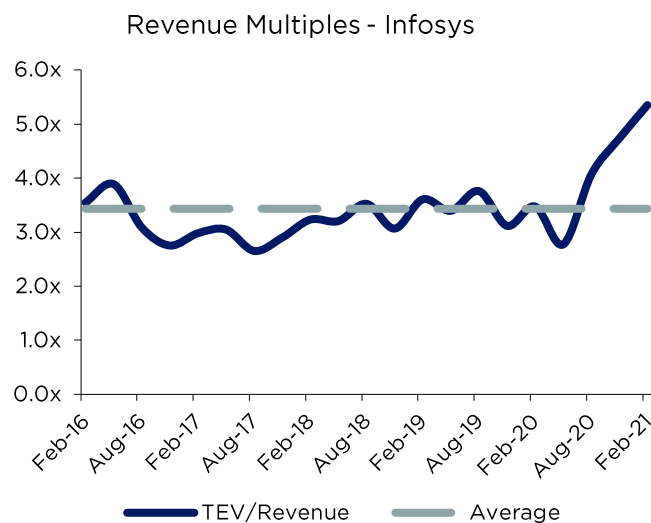
Infosys

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 |
|----------------|-----------|---|
| ideaForge | 11-Feb-21 | The company reached a definitive agreement to receive \$1 million of financing from Infosys on February 11, 2021. |
| Blue Acorn iCi | 28-Oct-20 | The company was acquired by Infosys (NSE: INFY) for approximately \$125 million on October 28, 2020. |

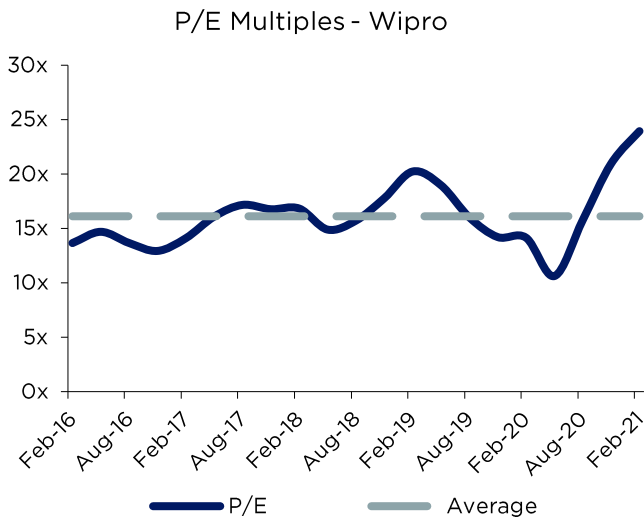
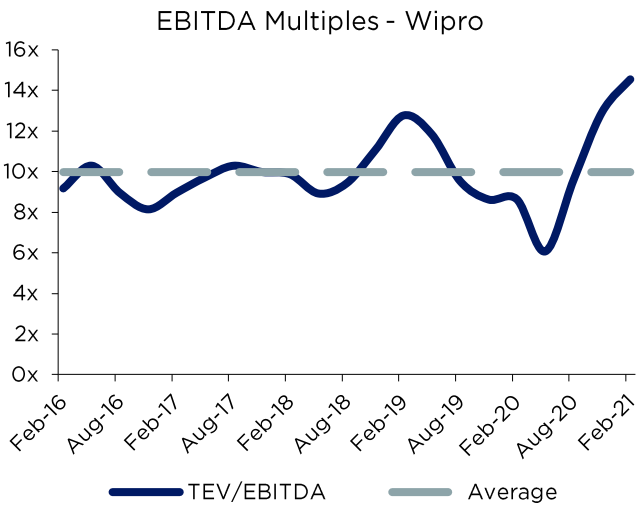
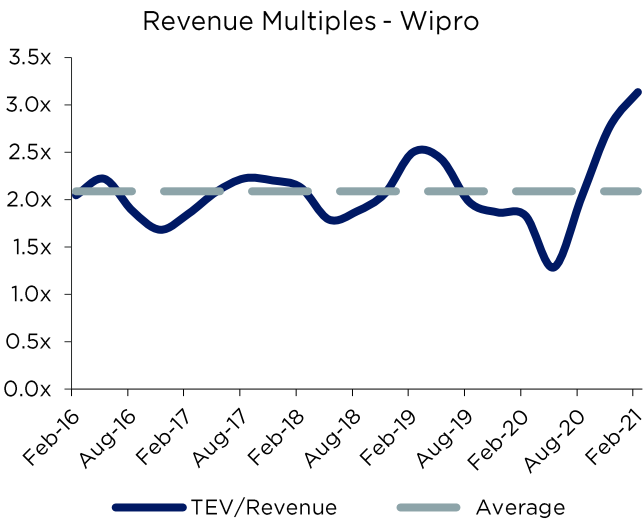
Wipro

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 | 26-Feb-21 | The company was acquired by Wipro (BOM: 507685) for \$80 million on February 26,2021. 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. |
| Metro Systems Romania | 23-Dec-20 | The company, a subsidiary of Metro (Düsseldorf) (ETR : B4B), reached a definitive agreement to be acquired by Wipro (BOM: 507685) for an undisclosed amount on December 23, 2020. |

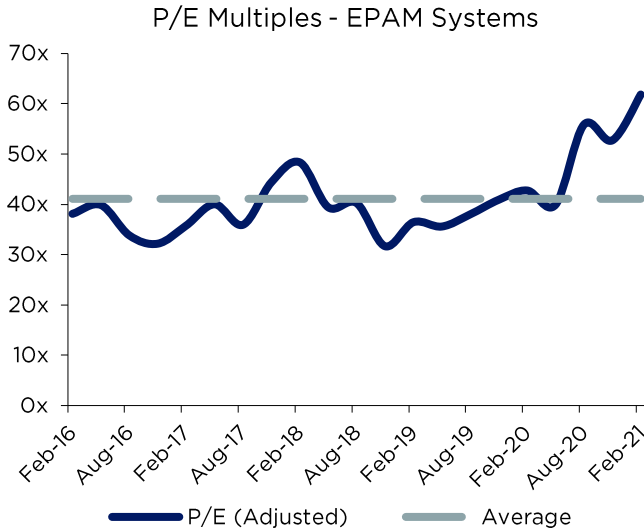
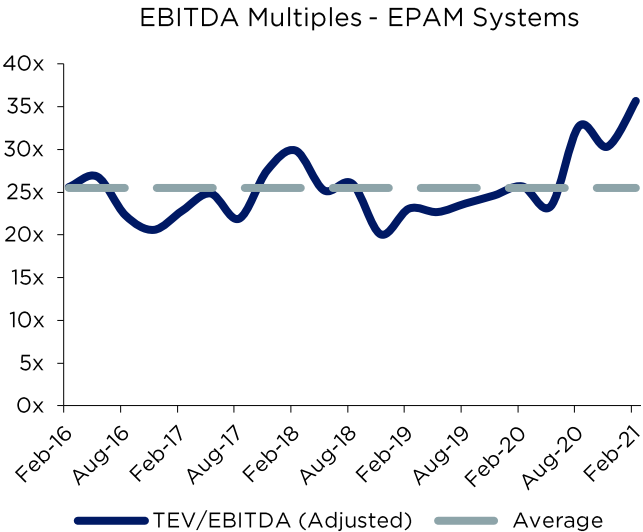
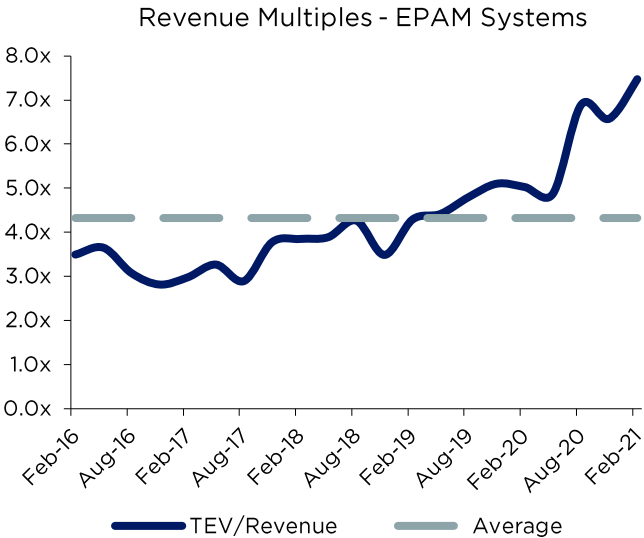
EPAM Systems

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



| 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. |

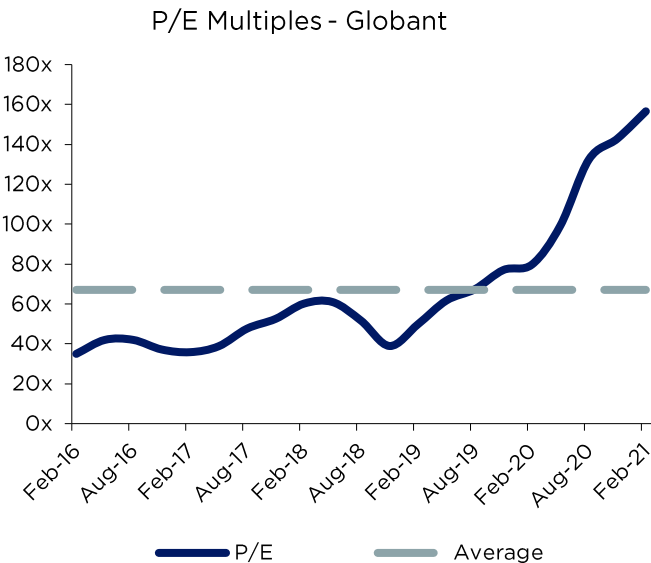
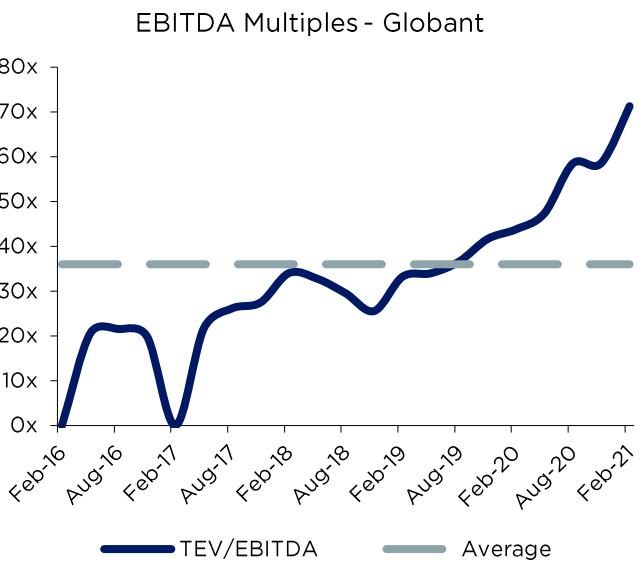
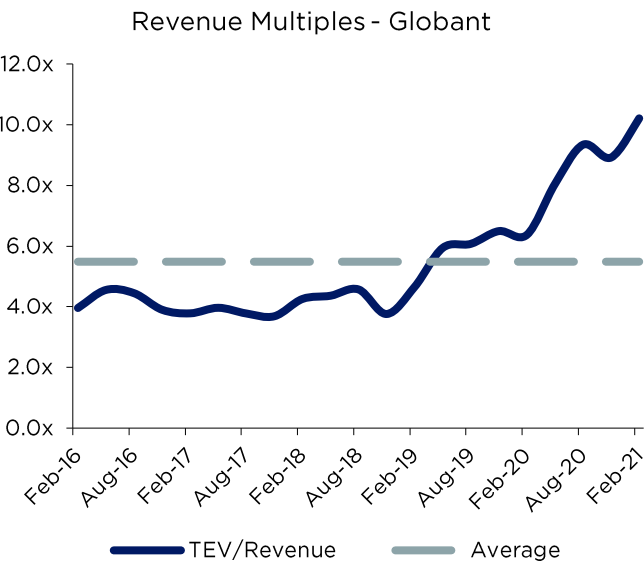
Globant

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 |
|----------------------|-----------|---|
| 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. |

Persistent Systems

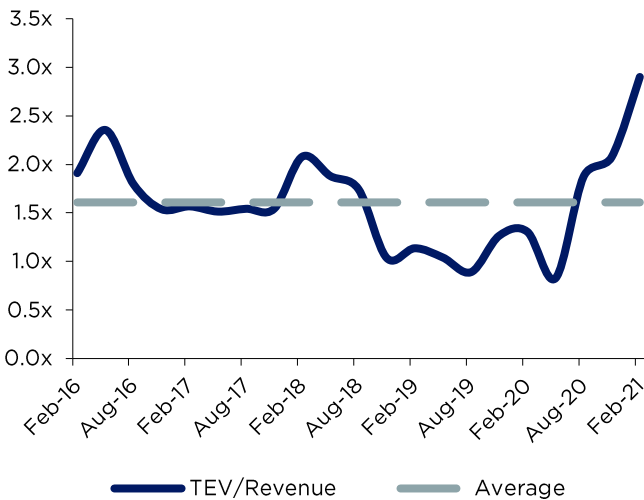
Persistent Systems Ltd is an India-based provider of software solution organized in three segments based on end market: Technology Services; Alliance; and Accelerite.

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.

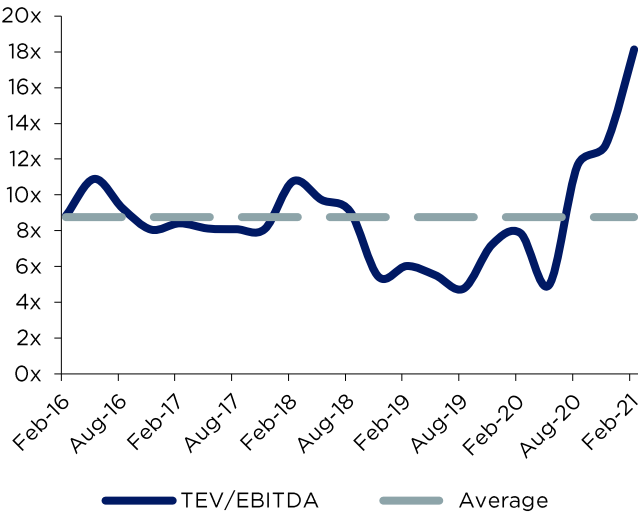
Public Basket

Persistent Systems

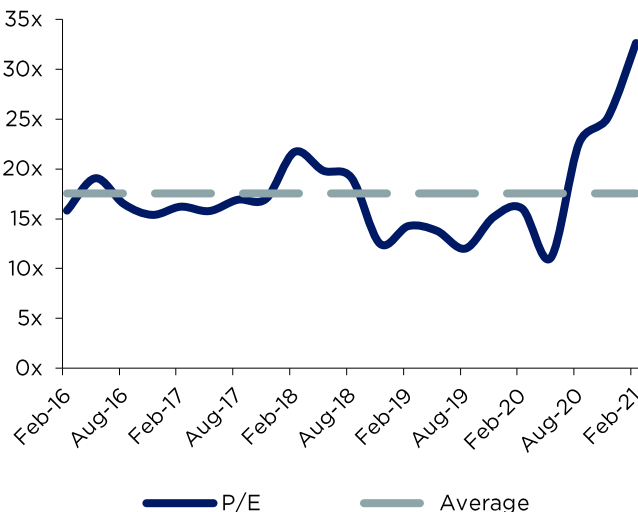
Revenue Multiples - Persistent Systems



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

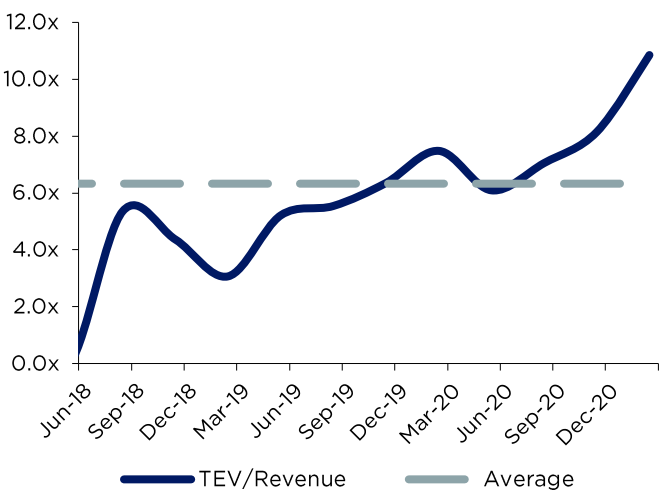
Endava PLC provides technology solutions.

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.

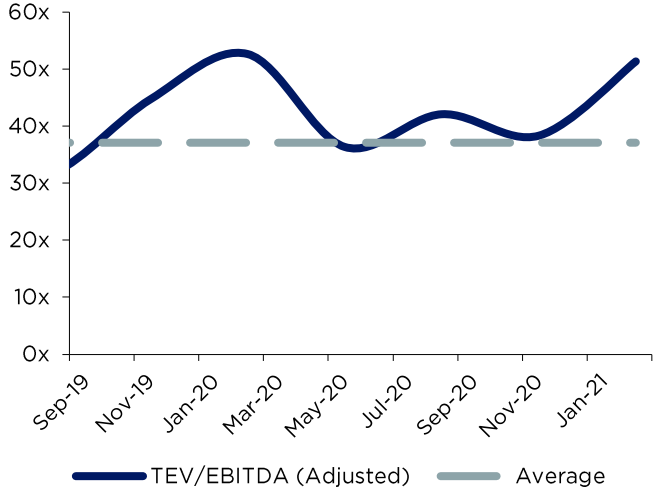
Public Basket

Endava

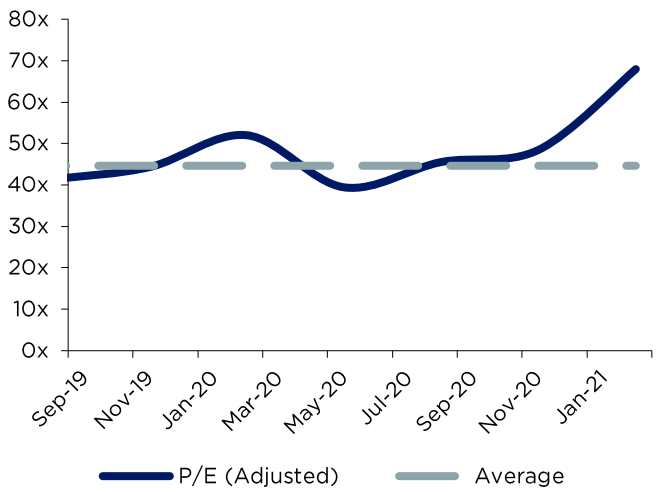
Revenue Multiples - Endava



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 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. |

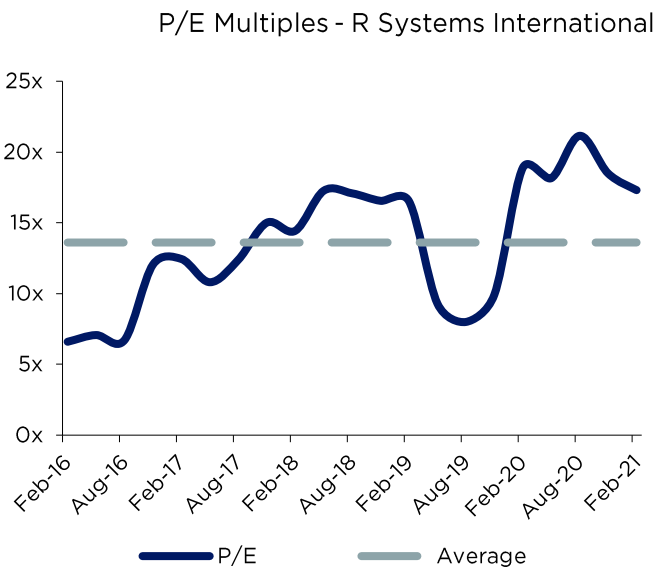
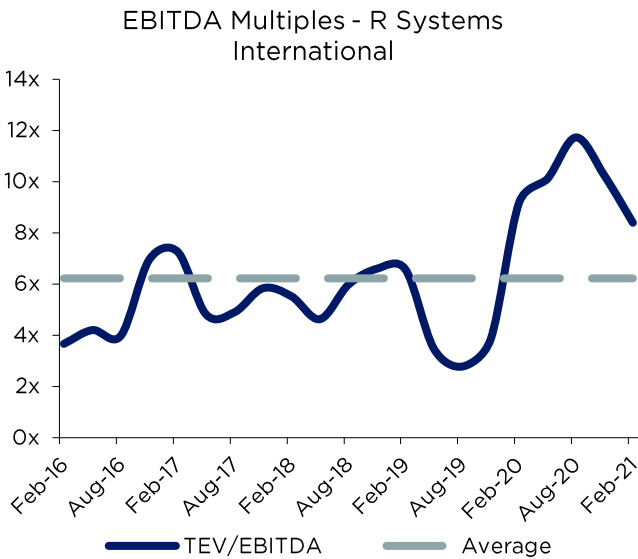
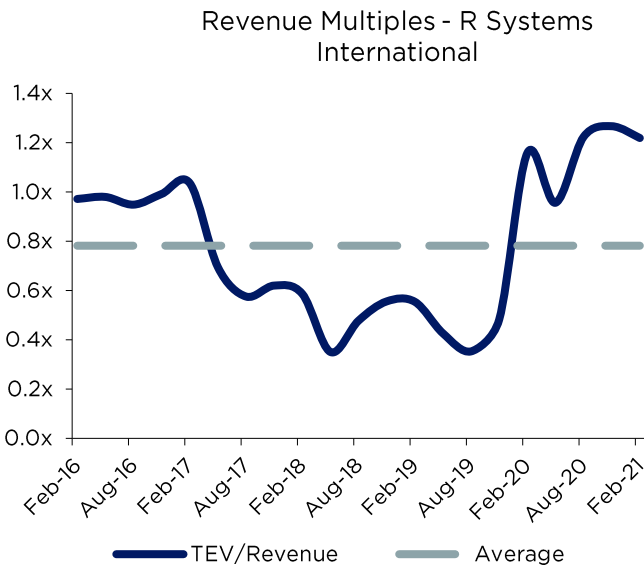
R Systems International

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



| 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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