

7 Mile Advisors



# Sectorwatch: Software Engineering

March 2021



# Software Engineering

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- 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

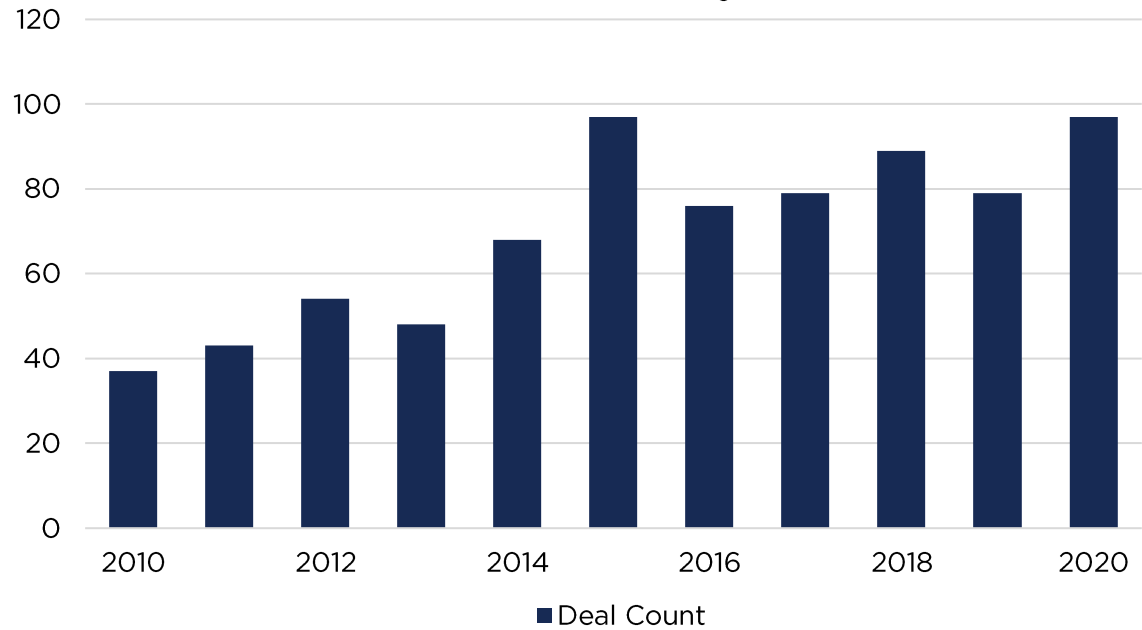
- The most recently announced deals in the sector

# Dashboard

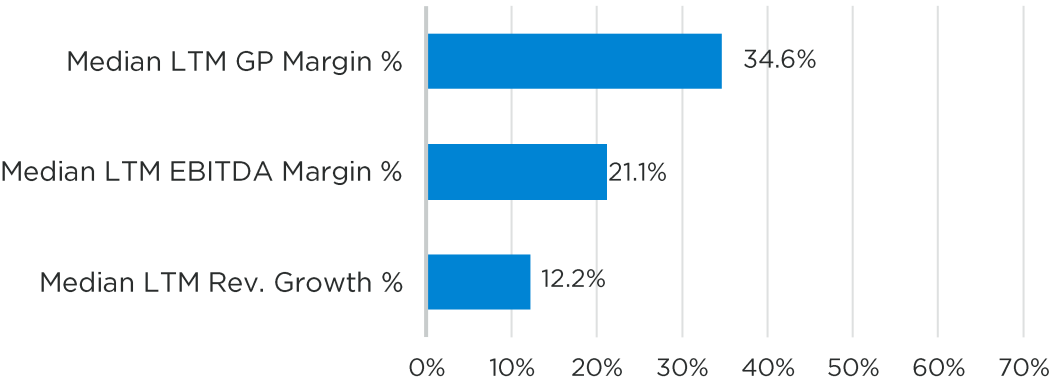
## REVENUE GROWTH MOMENTUM ↓ 2.2%

1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate exceeds the average of the last 3 years by this amount, indicating that market momentum is increasing

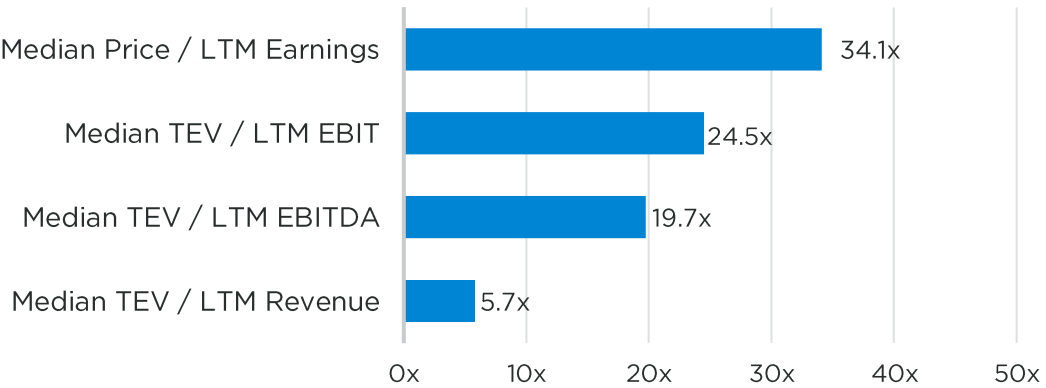
### M&A Activity



## Operating Metrics



## Valuation



# Public Basket Overview

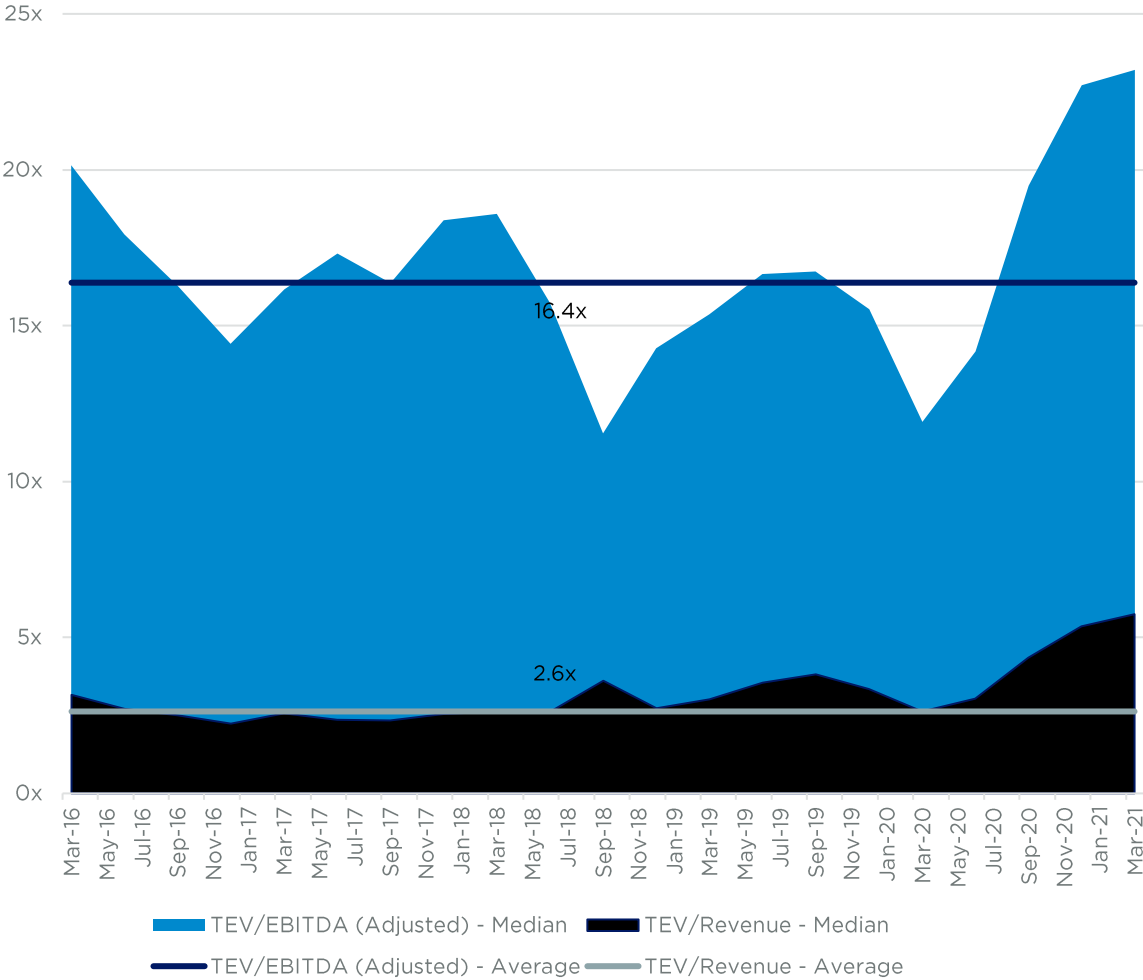


# Public Basket

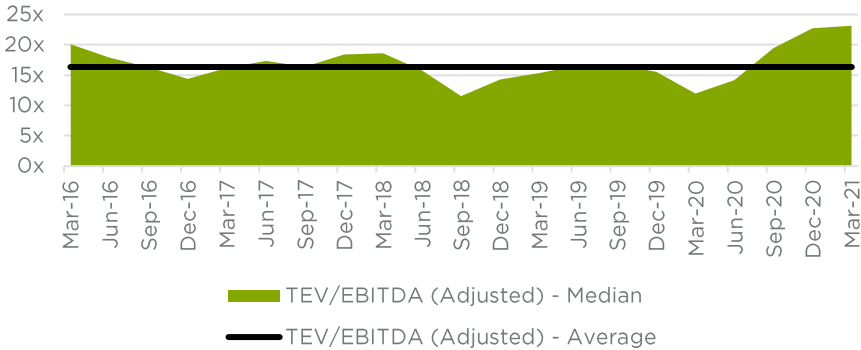
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Tata Consultancy Services	149,907	6,014	21,577	3.5%	42.8%	27.9%	6.9x	24.9x	453,540	48
Capgemini	35,742	2,714	18,065	12.2%	26.1%	15.0%	2.0x	13.2x	265,073	68
Infosys	75,467	3,826	13,145	4.0%	34.6%	29.1%	5.7x	19.7x	242,371	54
Wipro	25,558	1,782	8,260	1.8%	30.4%	21.6%	3.1x	14.3x	180,000	46
EPAM Systems	20,125	592	2,659	15.9%	34.9%	22.3%	7.6x	34.0x	36,739	72
Globant	7,584	132	814	23.5%	37.4%	16.2%	9.3x	57.5x	12,333	66
Persistent Systems	1,742	90	538	15.3%	-	16.7%	3.2x	19.4x	10,632	51
Endava	4,995	104	491	20.5%	34.7%	21.1%	10.2x	48.1x	6,624	74
R Systems International	143	17	118	8.8%	30.5%	14.5%	1.2x	8.3x	1,994	59
<b>Average</b>	35,696	1,697	7,297	11.7%	33.9%	20.5%	5.5x	26.6x	134,367	60
<b>Median</b>	20,125	592	2,659	12.2%	34.6%	21.1%	5.7x	19.7x	36,739	59

share price as of 30Mar21

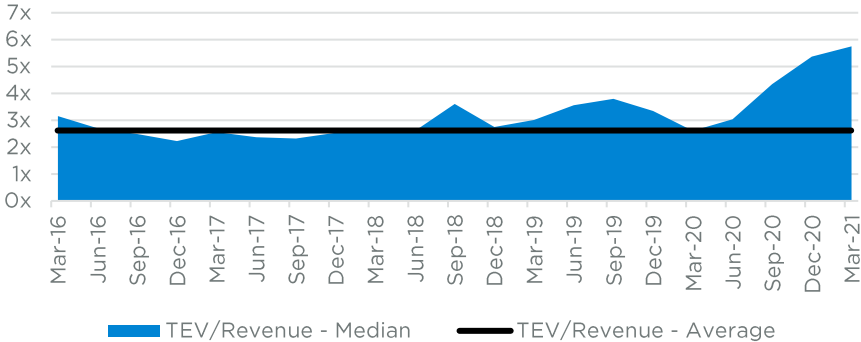
# Public Basket



## Public EBITDA Multiples over Time

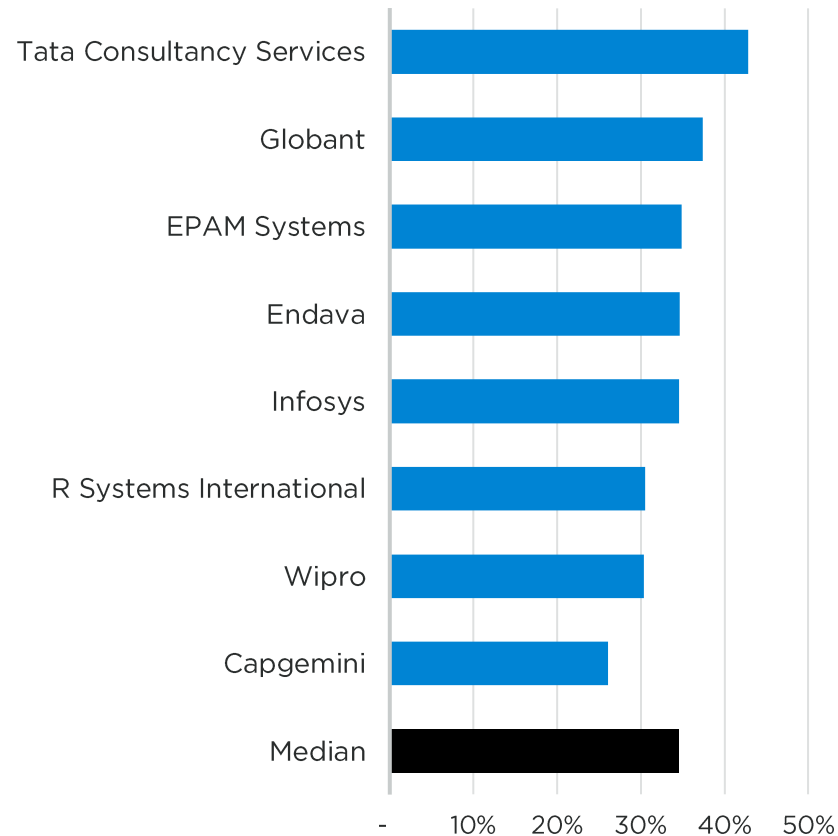


## Public Revenue Multiples over Time

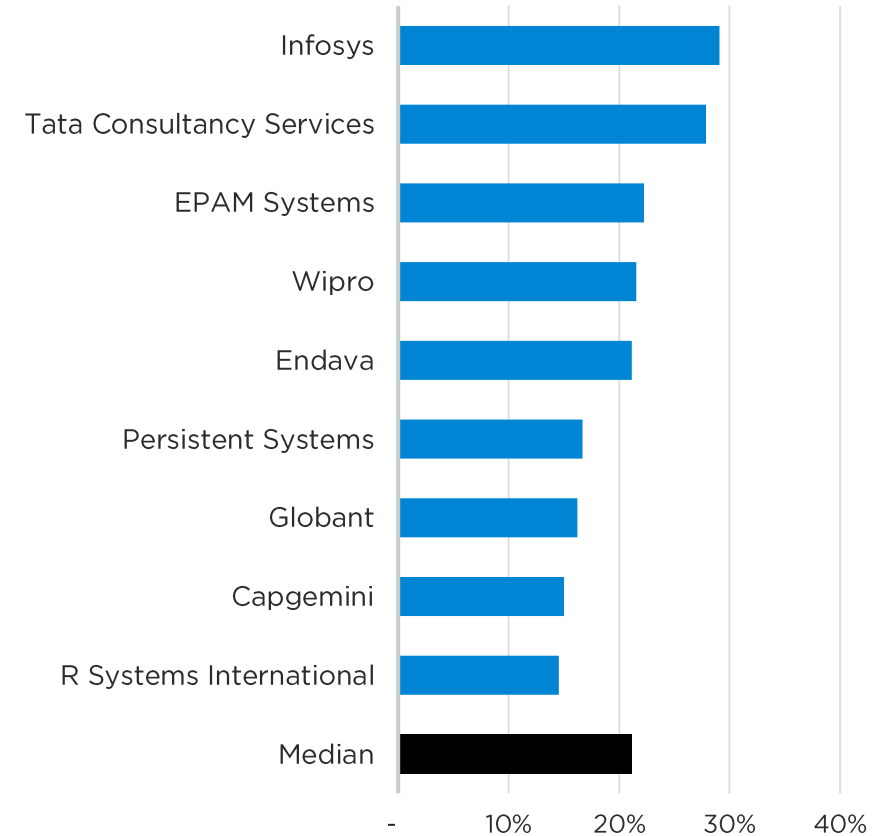


# Operational Metrics

## LTM Gross Profit Margin %



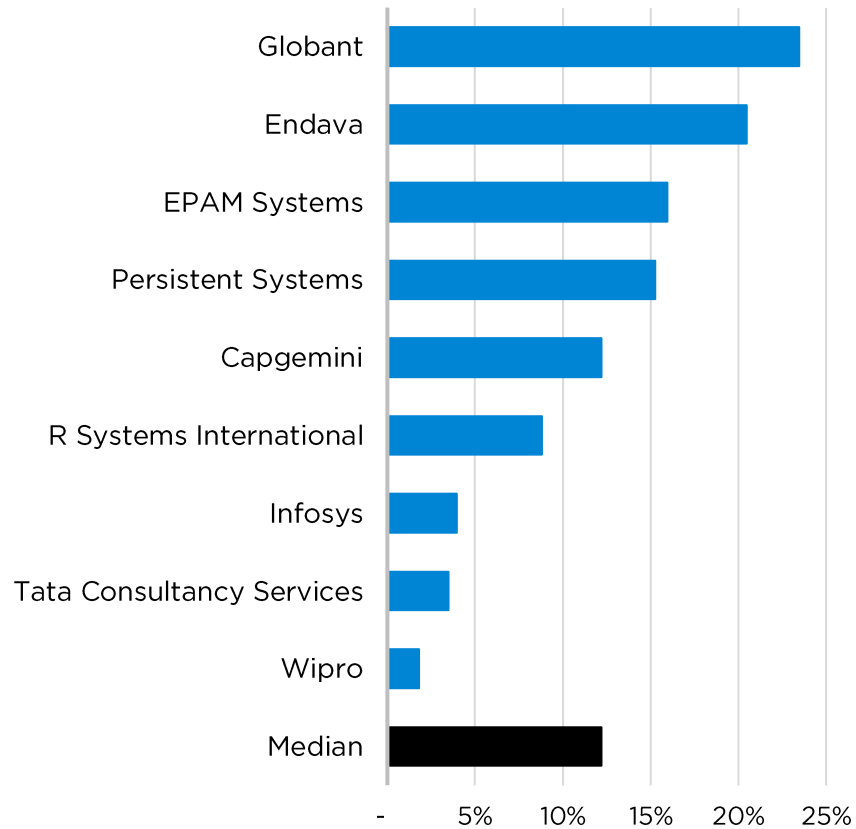
## LTM EBITDA %



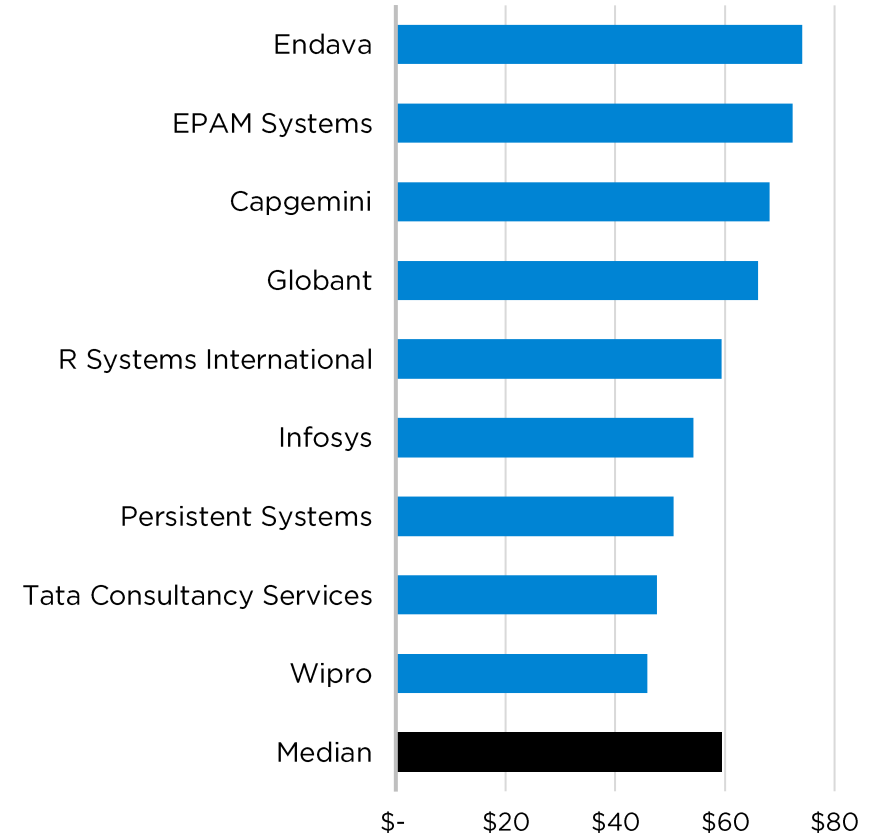


# Operational Metrics

LTM Revenue Growth %

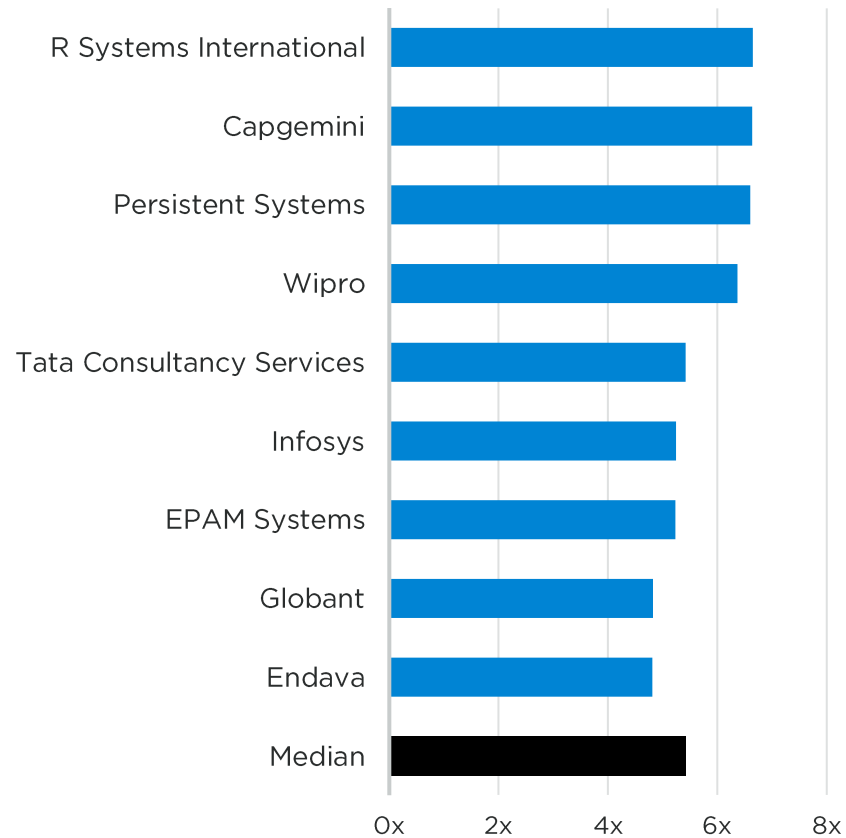


LTM Revenue per Full Time Employee x 000's

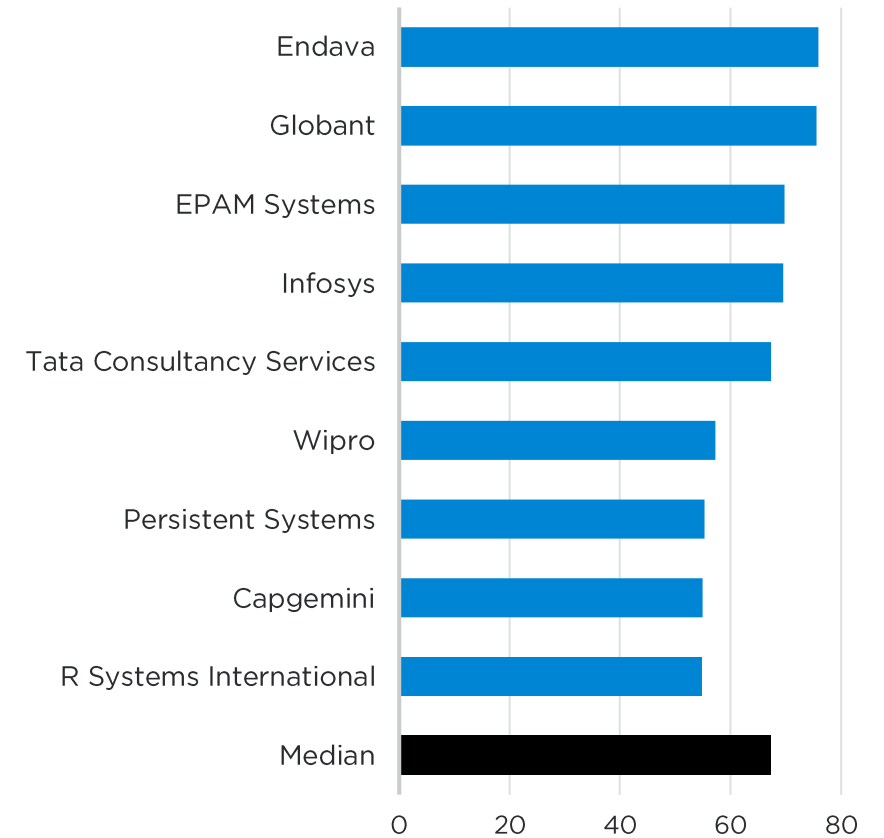


# Operational Metrics

## Accounts Receivable Turnover

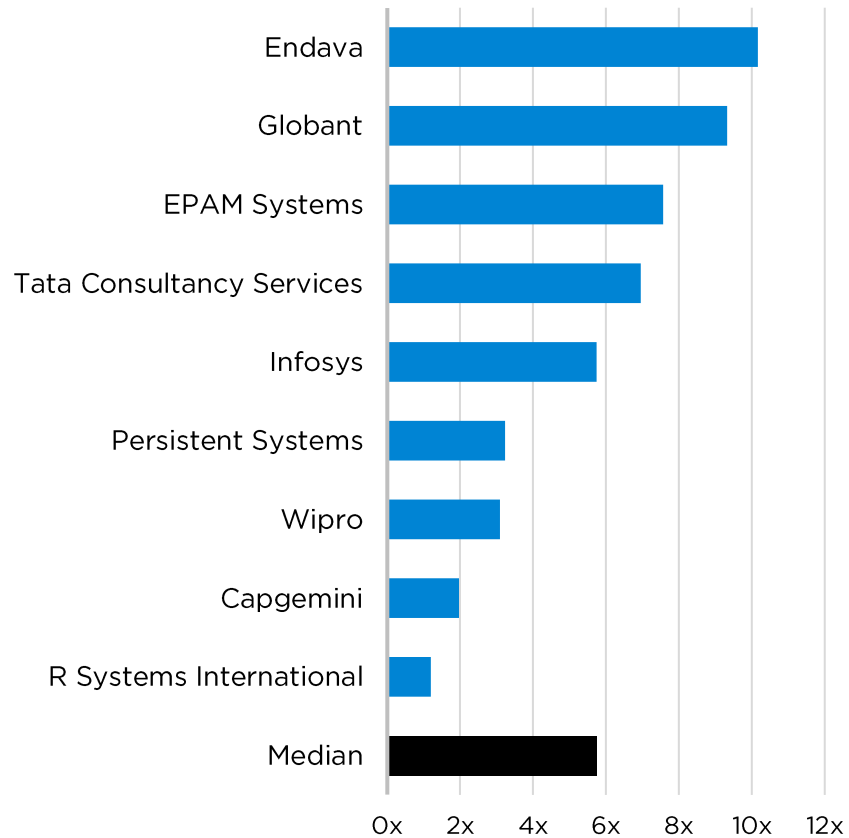


## Average Days Sales Outstanding

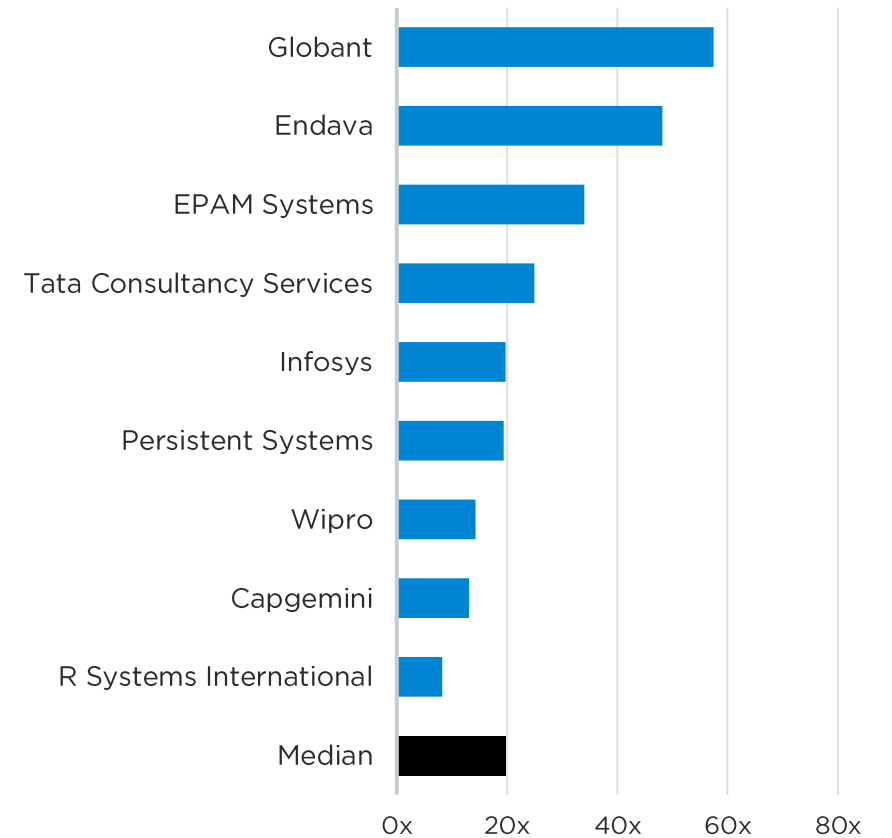


# Valuation

TEV / LTM Revenue

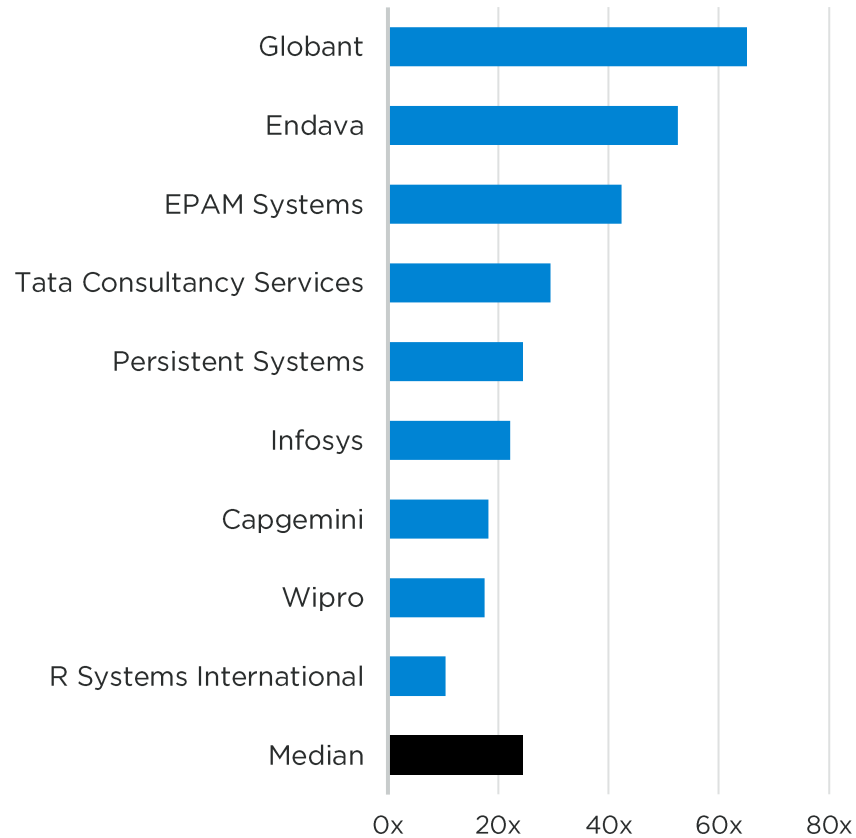


TEV / LTM EBITDA

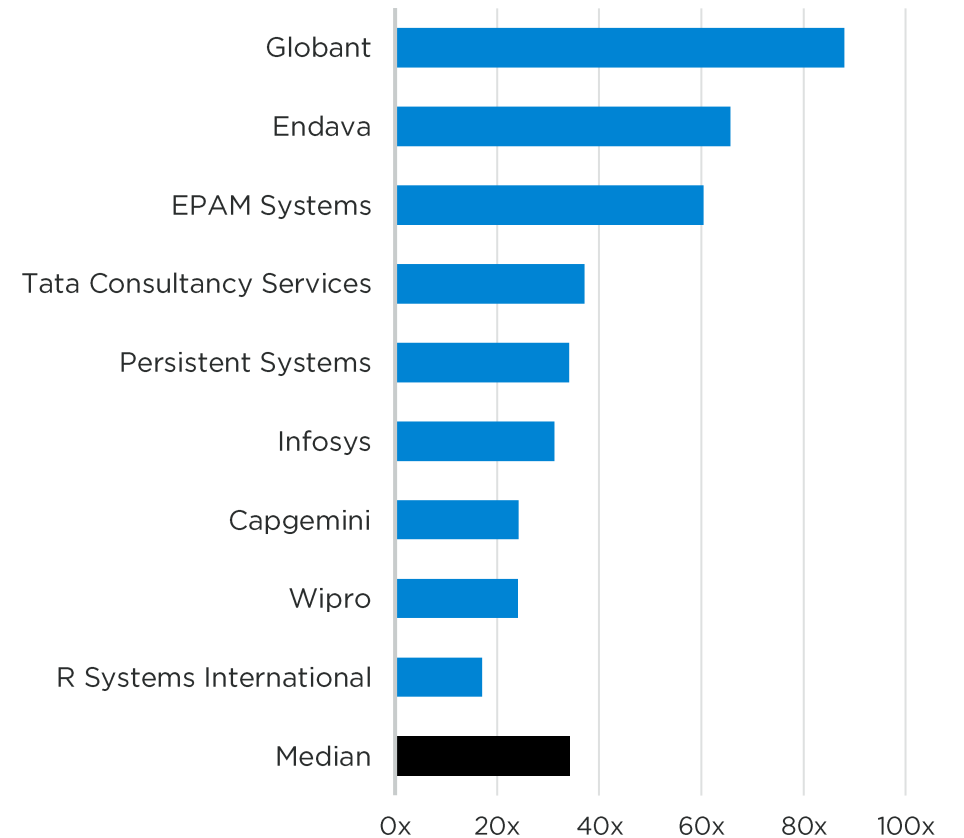


# Valuation

TEV / LTM EBIT

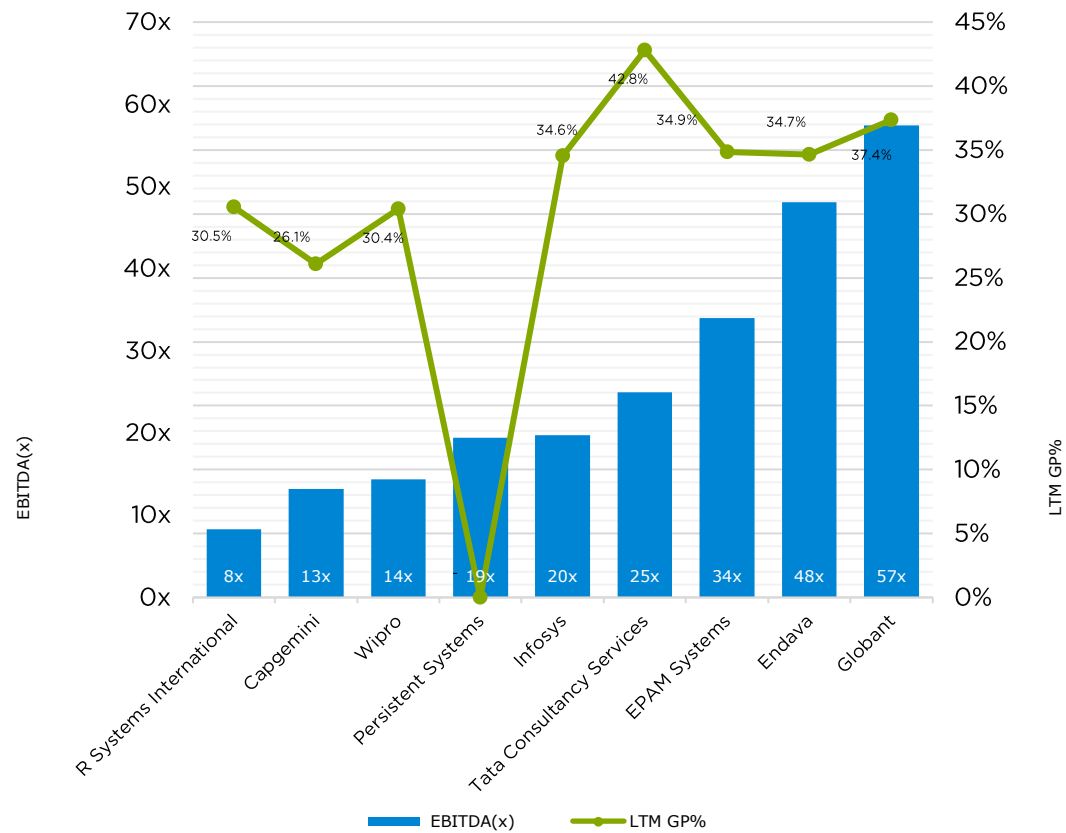


Price / LTM Earnings

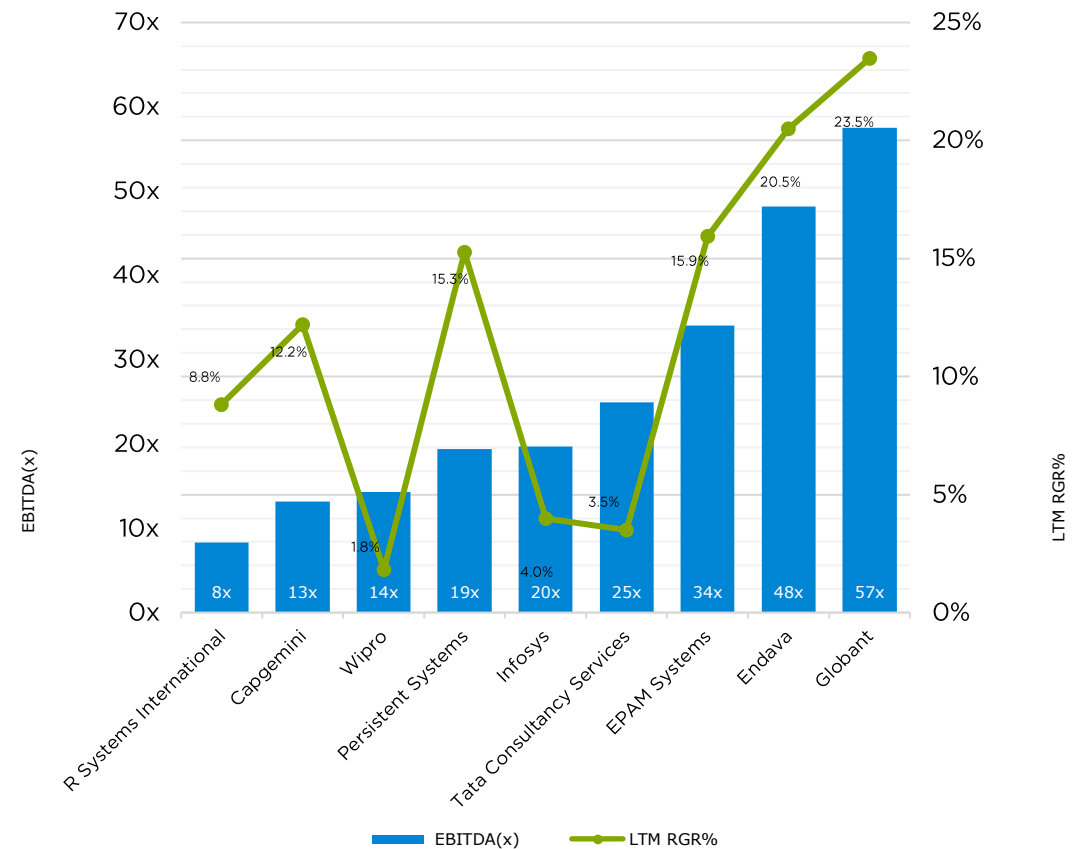


# Valuation

## 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-Mar-21	Realize Information Technology	NuMSP	-	-	-	-
24-Mar-21	Zenman	emBlue	-	-	-	-
11-Mar-21	Daxos	eSource Capital	-	-	-	-
10-Mar-21	GuideSmiths	DCSL Software	17.12	-	-	-
04-Mar-21	Exadel	Sun Capital Partners	-	-	-	-
03-Mar-21	Saturn Systems	RBA Consulting	-	-	-	-
26-Feb-21	Kona	Technisys	-	-	-	-
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	TekPartner	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	-	-	-	-

# Appendix

*Public Basket  
Contact Information*

### Tata Consultancy Services

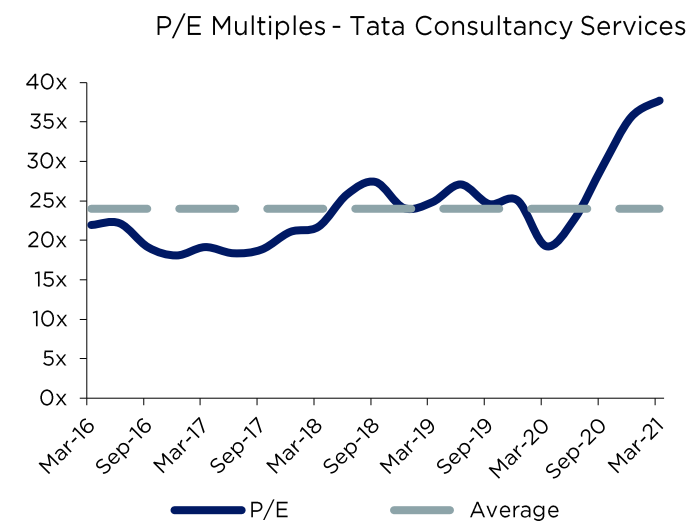
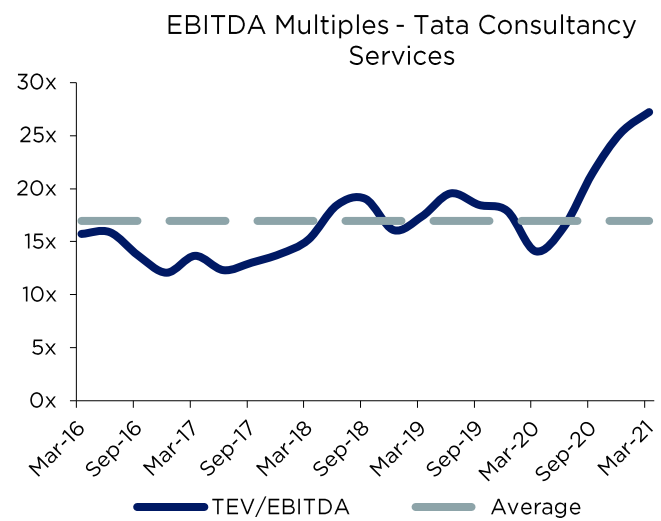
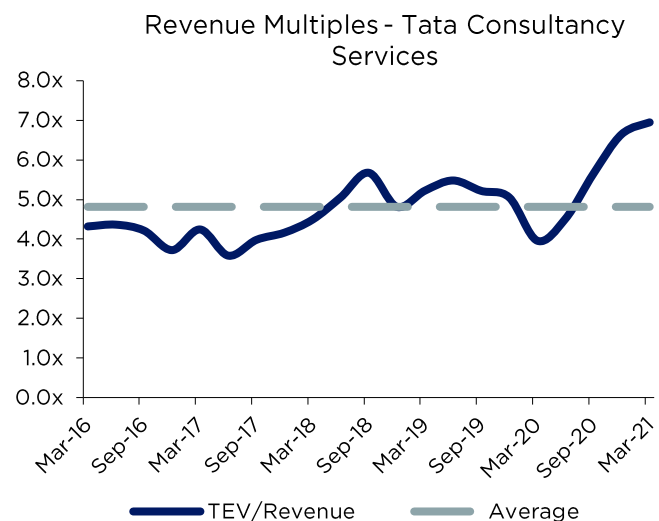
## Tata Consultancy Services Ltd is India's largest IT services provider.

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

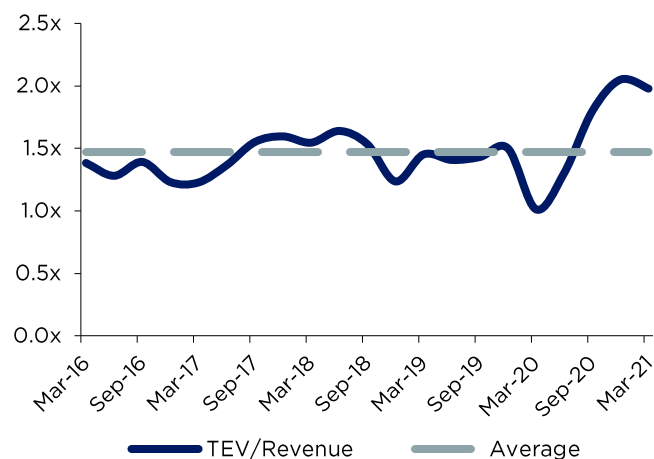
**Capgemini is a French IT services company with a global presence.**

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.

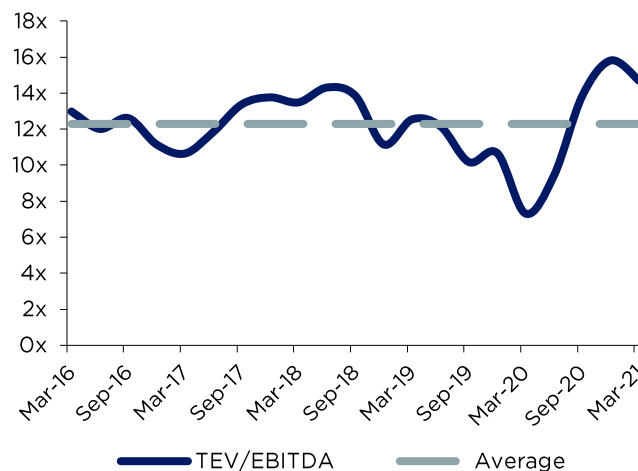
# Public Basket

Capgemini

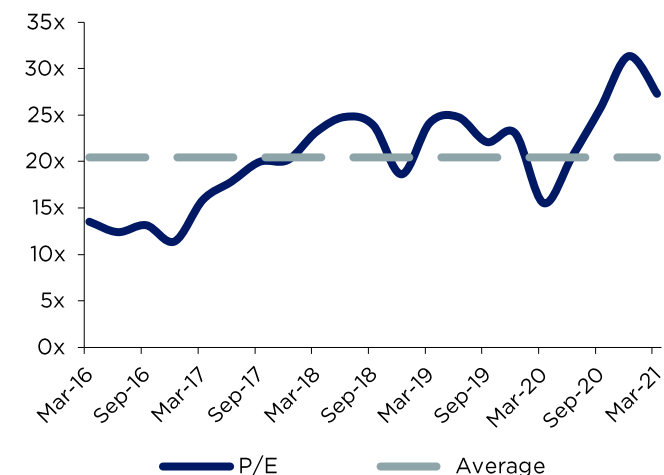
Revenue Multiples - Capgemini



EBITDA Multiples - Capgemini



P/E Multiples - Capgemini



Company Name	Date	Deal Synopsis
RXP Services	26-Mar-21	The company was acquired by Capgemini (PAR: CAP) for AUD 95.5 million on March 26, 2021. The acquisition will reinforce Capgemini's ability to provide end to end digital solutions to clients across the region at scale and improve its strategic partnerships with Microsoft, ServiceNow and Salesforce.
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.

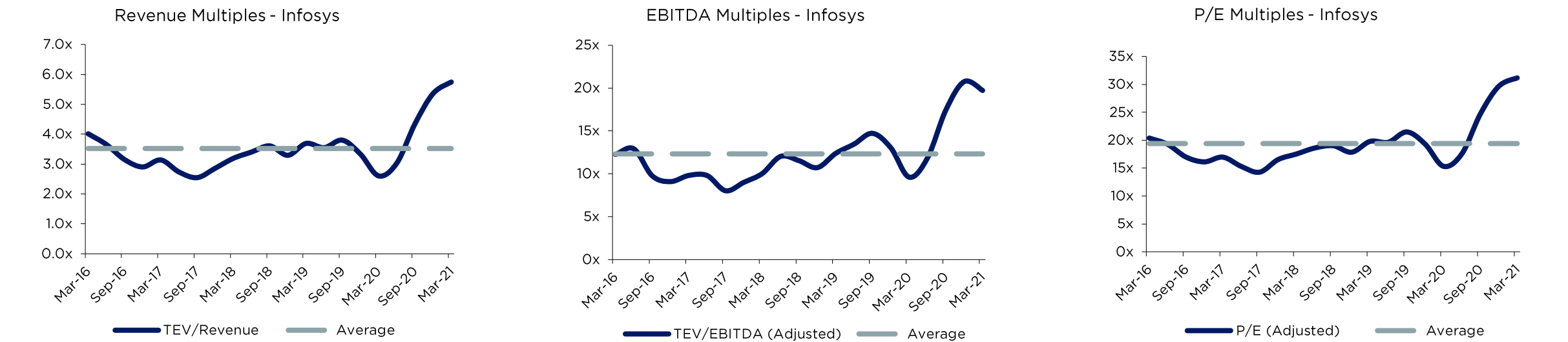
## Infosys

### **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 received \$1 million of financing from Infosys on an undisclosed date.
Blue Acorn iCi	28-Oct-20	The company was acquired by Infosys (NSE: INFY) for approximately \$125 million on October 28, 2020.

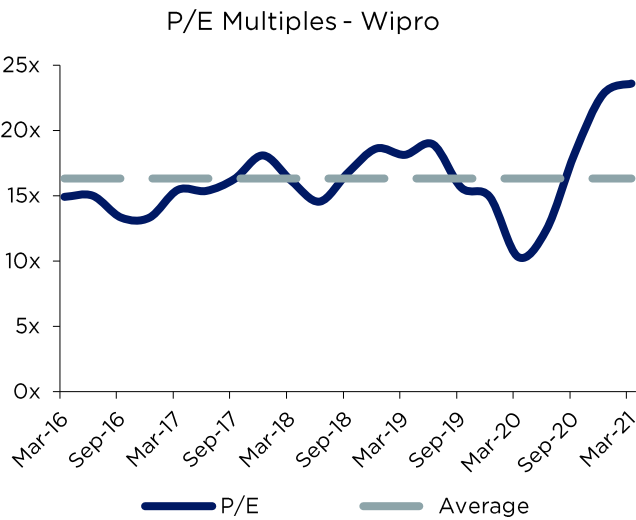
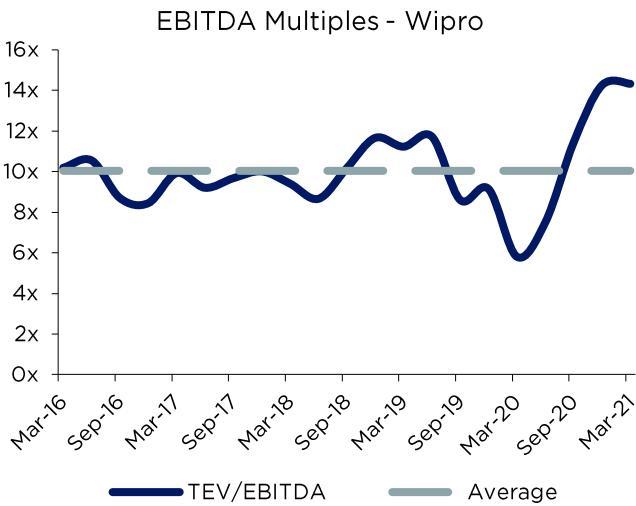
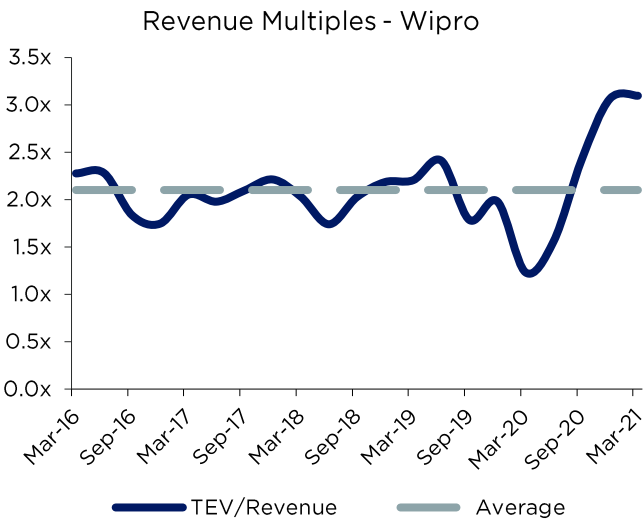
## Wipro

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
Capco Group	04-Mar-21	The company reached a definitive agreement to be acquired by Wipro (BOM: 507685) for \$1.45 billion on March 4, 2021. This acquisition will make Wipro one of the largest end-to-end global consulting, technology and transformation service providers to the banking and financial services industry.
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.

### EPAM Systems

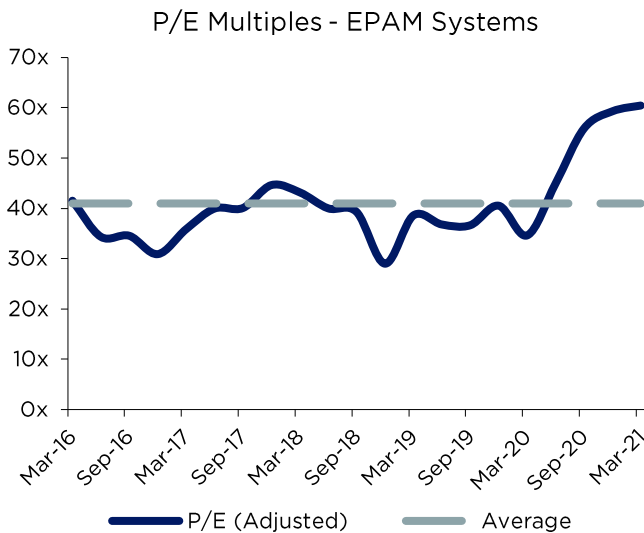
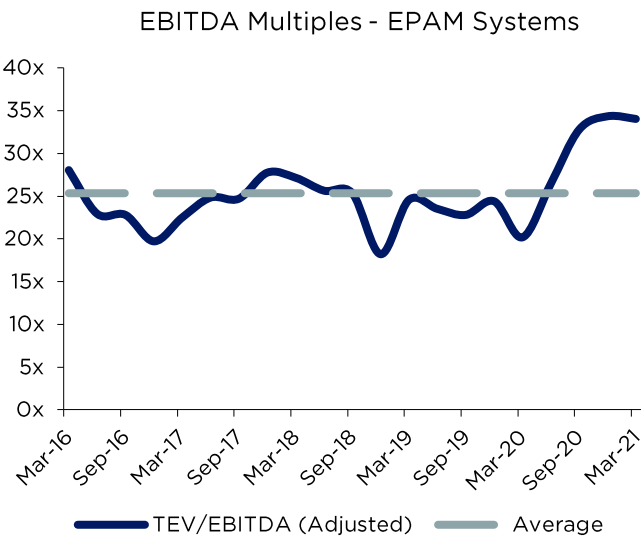
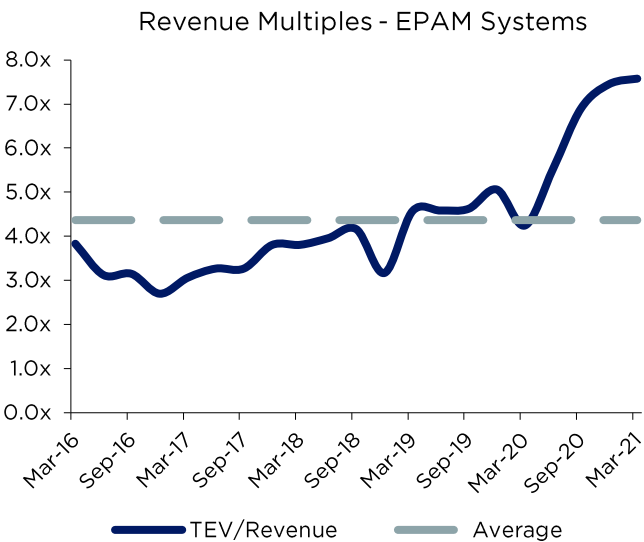
**EPAM Systems Inc provides software product development and digital platform engineering services to clients located around the world.**

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
PolSource	02-Mar-21	The company reached a definitive agreement to be acquired by EPAM Systems (NYS: EPAM) for an undisclosed amount on March 2, 2021.
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.

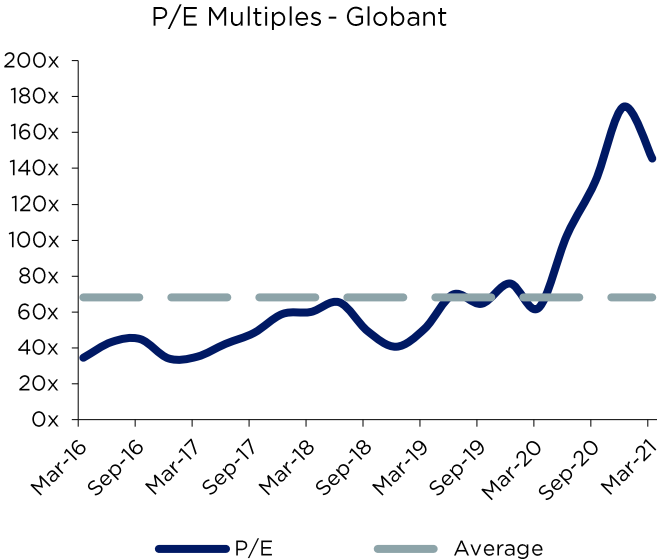
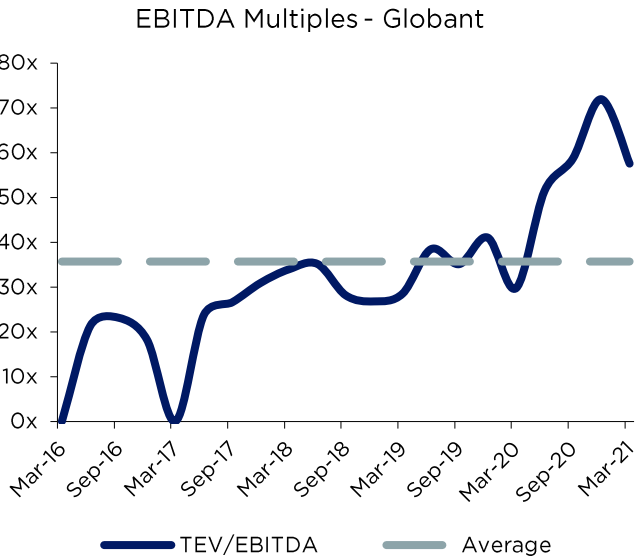
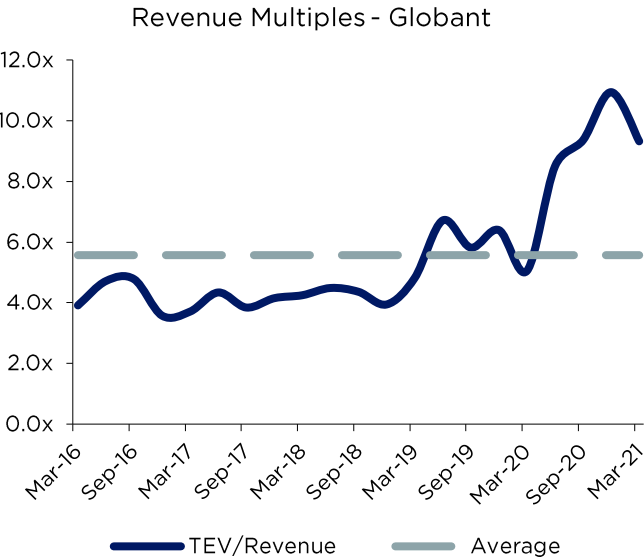
## Globant

### **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
Digital House	25-Mar-21	The company raised \$50 million of venture funding from MercadoLibre, Globant, and Riverwood Capital on March 25, 2021. Kaszek also participated in the round. The funds will be used to evolve the company's digital training platform, in addition to launching a two-year technology training program and expand its alliances with employers and technology companies in Brazil and the rest of Latin America.
CloudShift	02-Mar-21	The company was acquired by Globant (NYS: GLOB) for an undisclosed amount on March 2, 2021. With this acquisition, Globant reinforces its leadership in digital and cognitive transformation by scaling its cloud expertise in market leading platforms like Salesforce and it will help the company continue growing its operations in Europe.

### Persistent Systems

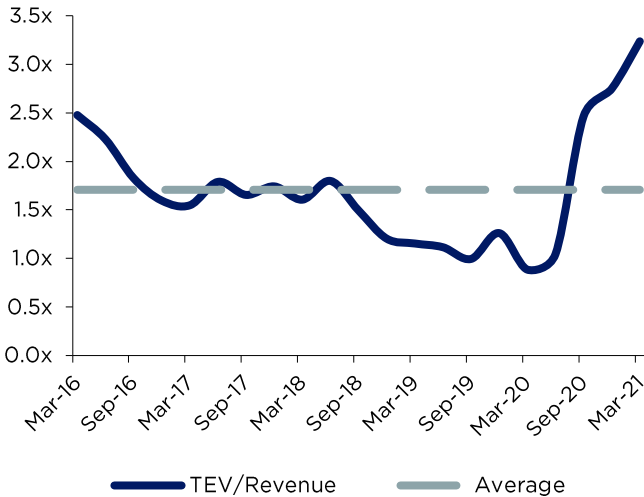
**Persistent Systems Ltd is an India-based provider of software solution organized in three segments based on end market: Technology Services; Alliance; and Accelerite.**

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.

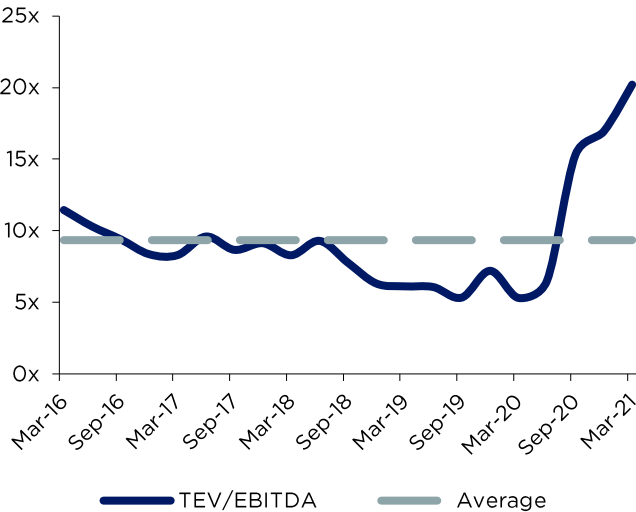
Public Basket

Persistent Systems

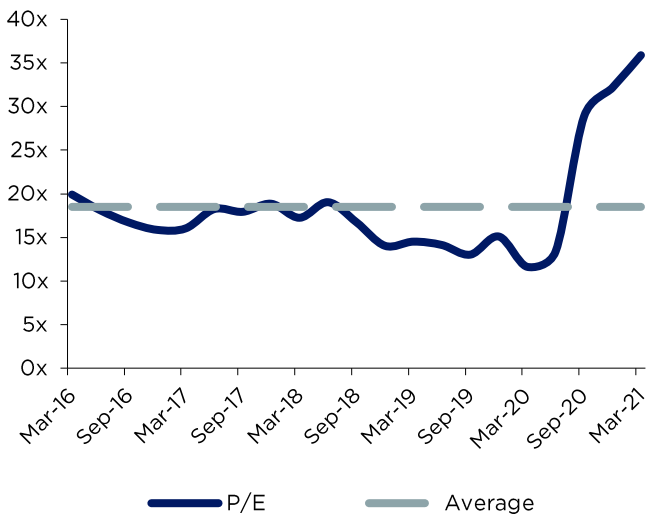
Revenue Multiples - Persistent Systems



EBITDA Multiples - Persistent Systems



P/E Multiples - Persistent Systems



Company Name	Date	Deal Synopsis
CAPIOT Software	07-Nov-20	The company was acquired by Persistent Systems (NSE: PERSISTENT) for an undisclosed amount on November 7, 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

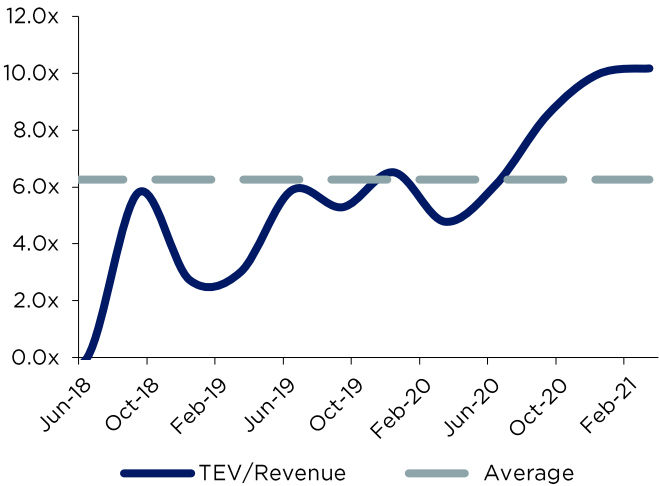
### Endava PLC provides technology solutions.

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.

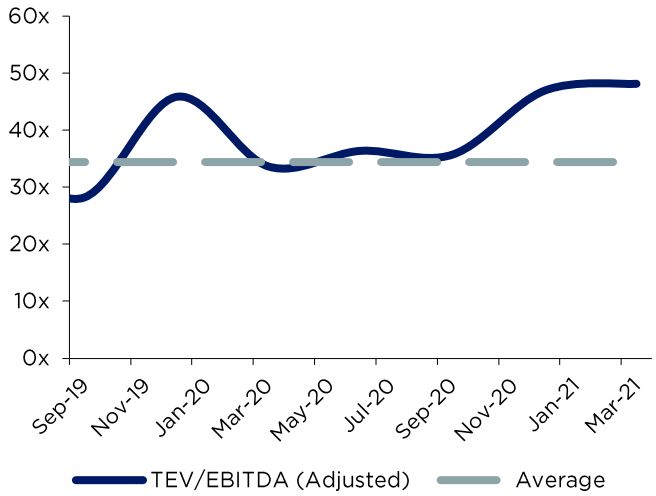
# Public Basket

Endava

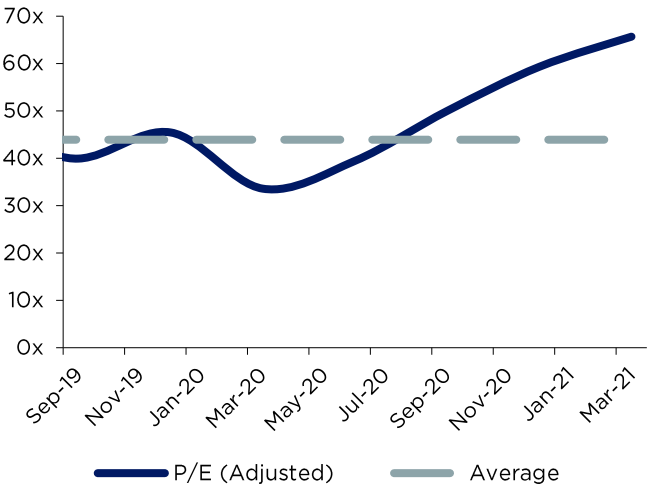
Revenue Multiples - Endava



EBITDA Multiples - Endava



P/E Multiples - Endava



Company Name	Date	Deal Synopsis
Five (Croatia)	04-Mar-21	The company, a subsidiary of RealNetworks (NAS: RNWK) was acquired by Endava (NYS: DAVA), a subsidiary of Concise, for an undisclosed amount on March 4, 2021. With this acquisition, Endava increases its capacity in the ideation, design and delivery of intelligent digital experiences and enhances its capabilities in digital product strategy and performance optimization services.
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 reinforce its presence in South Eastern Europe and strengthen its industry verticals in payments and financial services.

## R Systems International

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

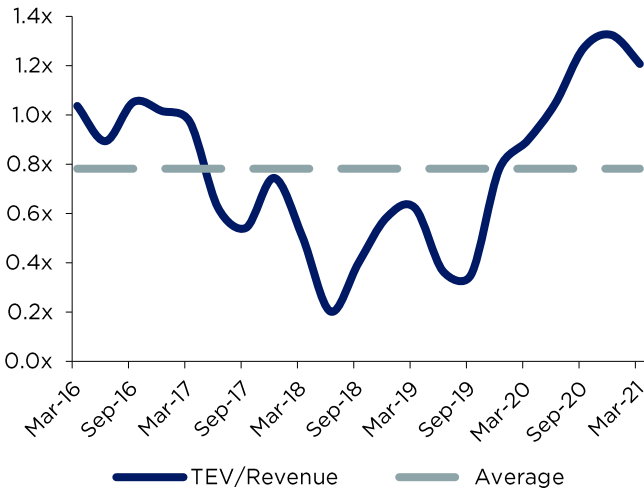
It is organized into two business segments Information technology services and products and Business process outsourcing services. The company serves IT services and solutions to telecom and digital media, healthcare, manufacturing and logistics, government services and banking and finance industries.



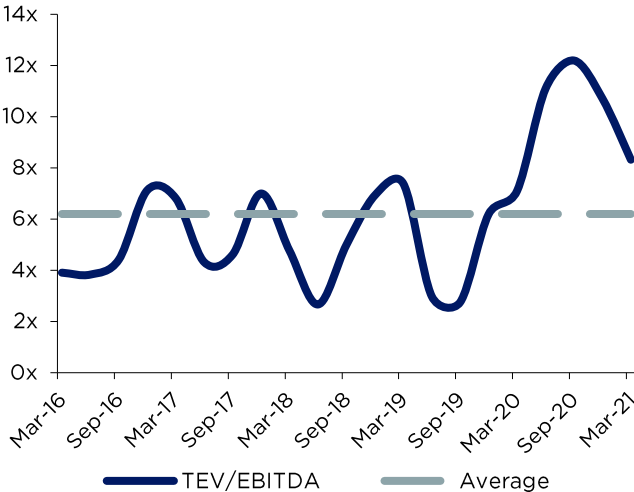
# Public Basket

## R Systems International

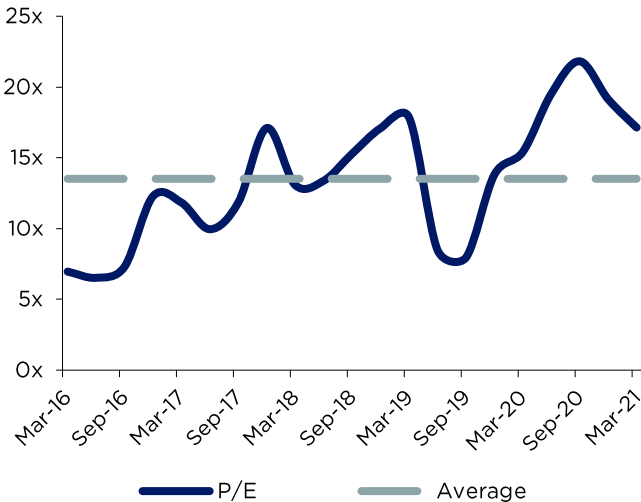
Revenue Multiples - R Systems International



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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