

7 Mile Advisors



Sectorwatch: Value-Added Resellers

March 2021



Value-Added Resellers

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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.

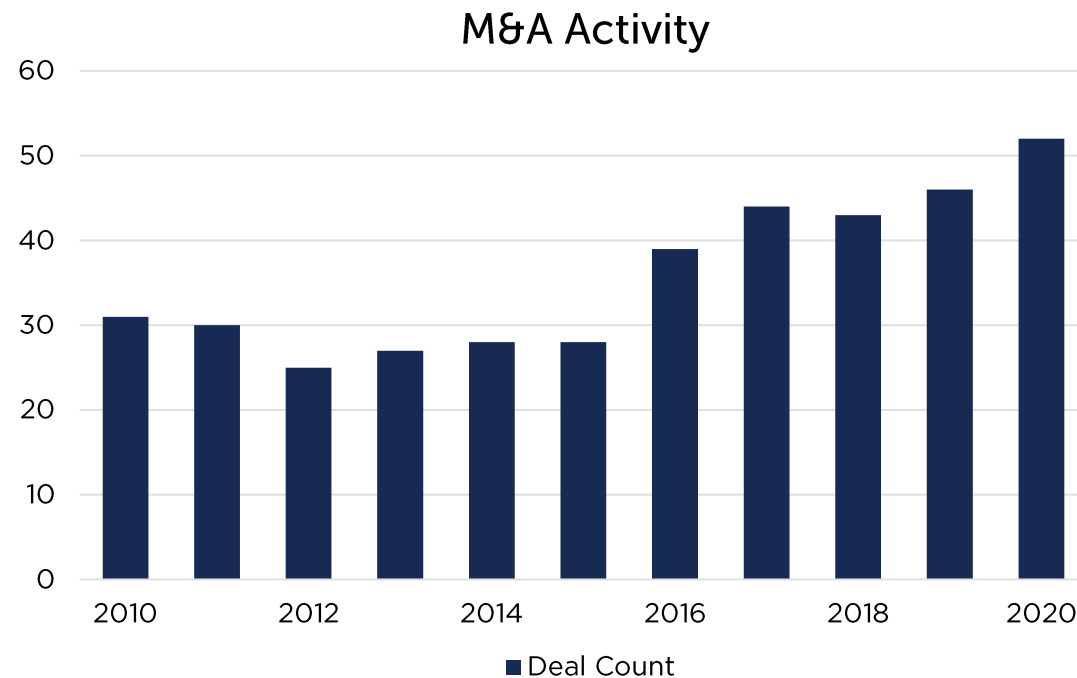
RECENT DEALS

- The most recently announced deals in the sector

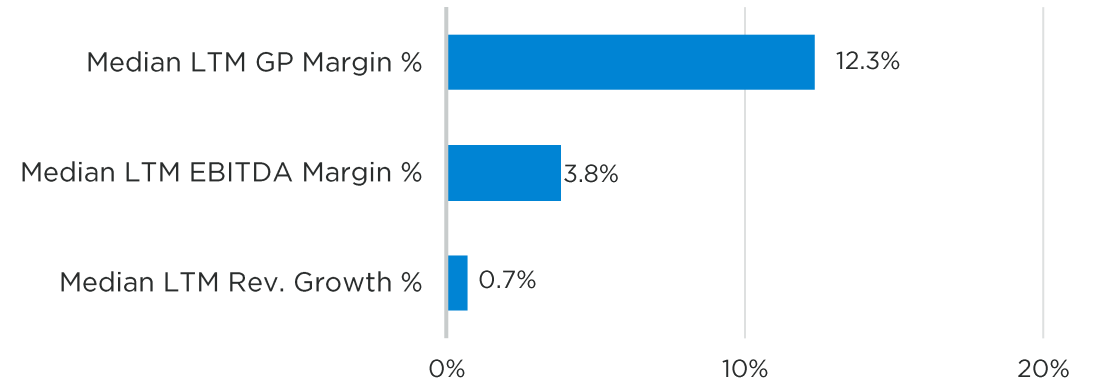
Dashboard

REVENUE GROWTH MOMENTUM ↓ -2.4%

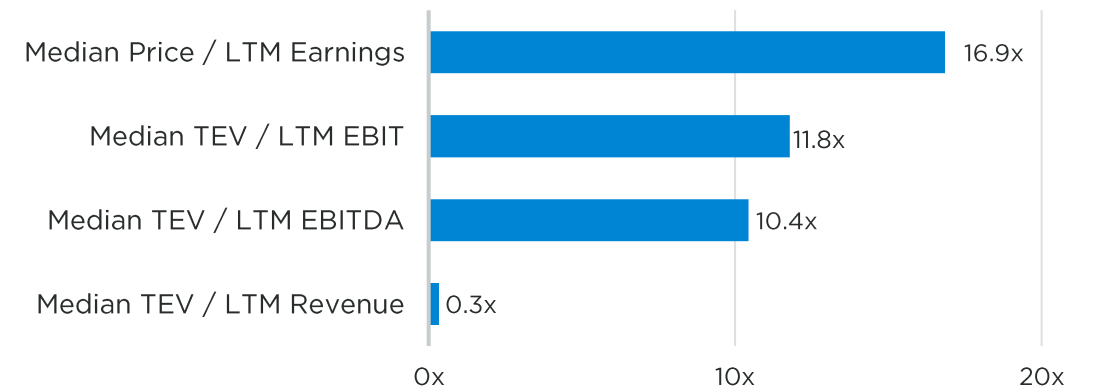
1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining



Operating Metrics



Valuation

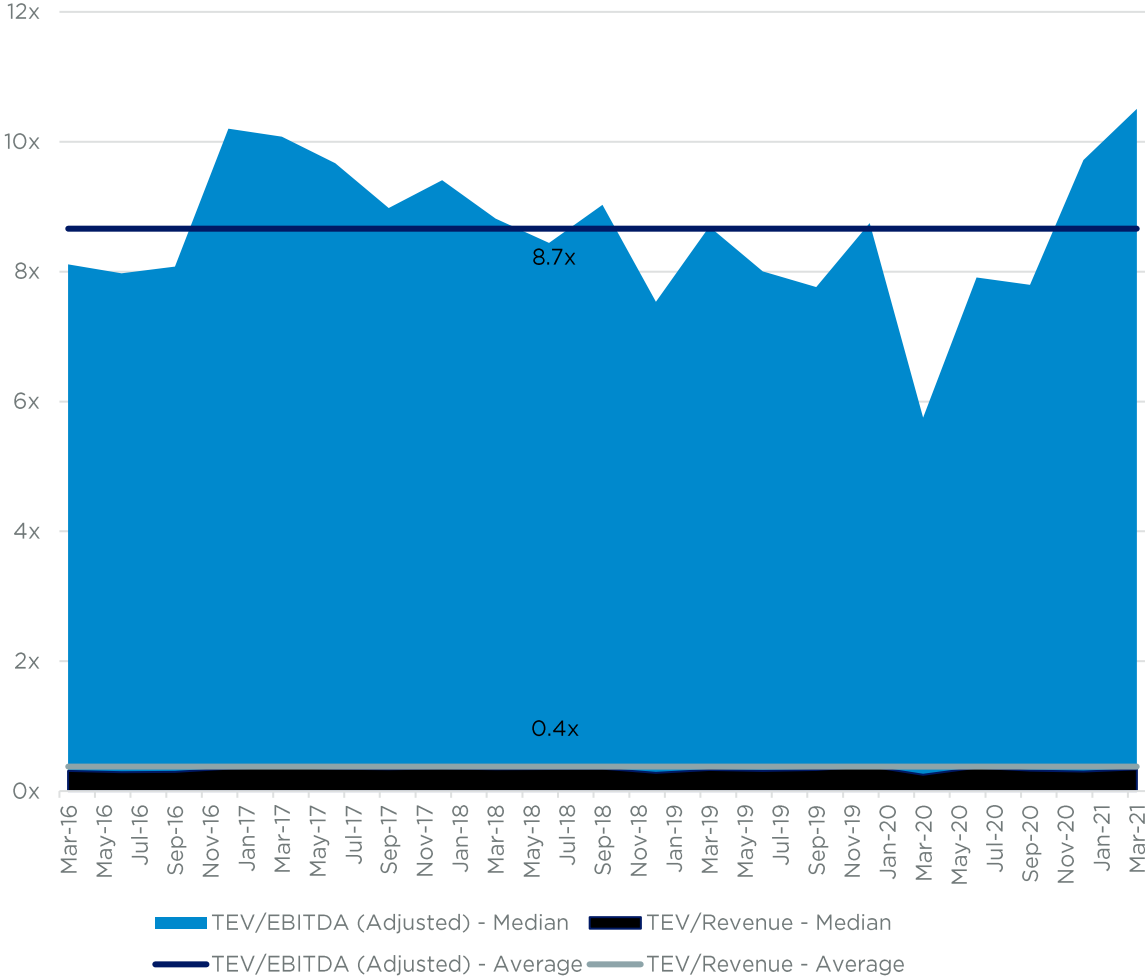


Public Basket

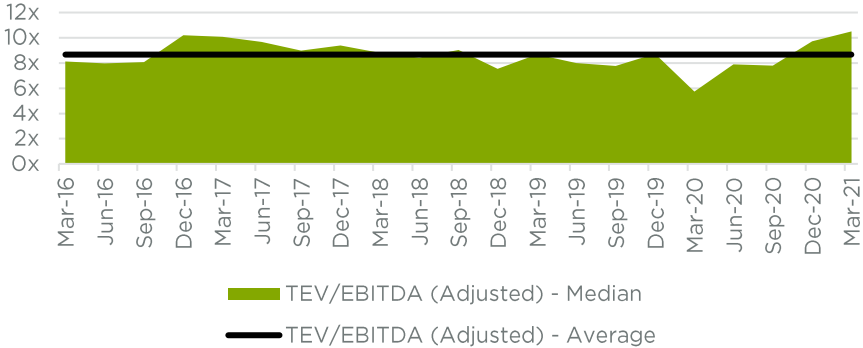
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Wayside Technology Group	84	10	252	20.5%	13.1%	3.9%	0.3x	8.5x	275	915
ScanSource	831	90	2,638	-9.0%	11.2%	3.4%	0.3x	9.2x	2,200	1,199
PC Connection	1,100	87	2,590	-8.1%	16.2%	3.3%	0.4x	12.7x	2,598	997
ePlus	1,489	128	1,582	2.3%	24.5%	8.1%	0.9x	11.7x	1,586	998
Avnet	4,987	417	17,861	-3.7%	11.3%	2.3%	0.3x	12.0x	14,600	1,223
Synnex	5,766	1,208	24,676	3.9%	11.5%	4.9%	0.2x	4.8x	270,000	91
Arrow Electronics	9,753	1,083	28,673	-0.8%	11.1%	3.8%	0.3x	9.0x	19,600	1,463
CDW	25,214	1,677	18,468	2.4%	17.4%	9.1%	1.4x	15.0x	10,000	1,847
Average	6,153	588	12,092	0.9%	14.5%	4.9%	0.5x	10.4x	40,107	1,092
Median	3,238	272	10,249	0.7%	12.3%	3.8%	0.3x	10.4x	6,299	1,098

share price as of 23Mar21

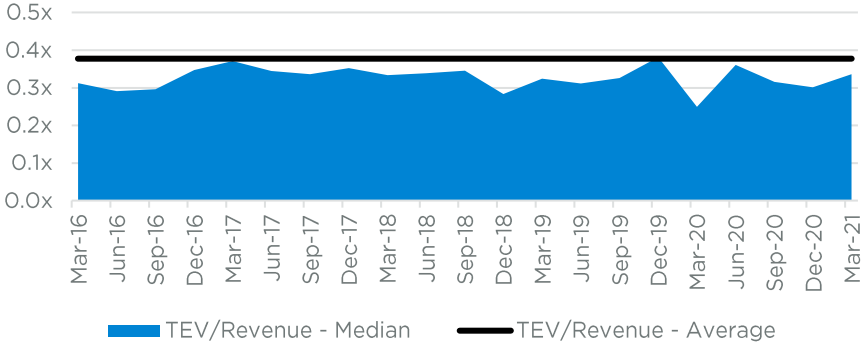
Public Basket



Public EBITDA Multiples over Time

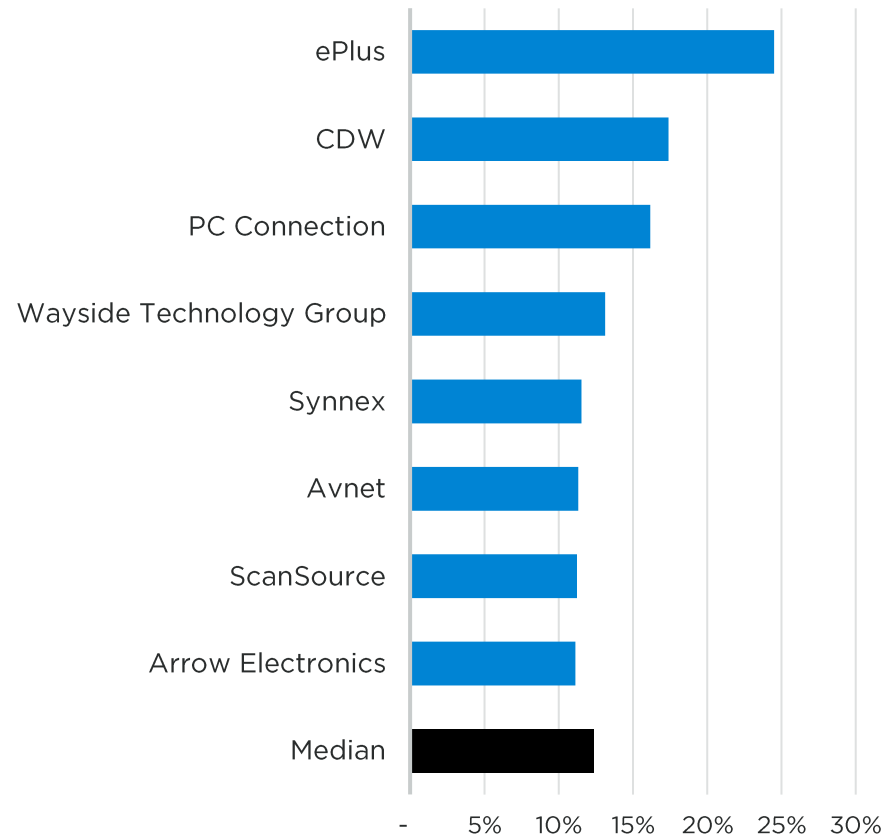


Public Revenue Multiples over Time

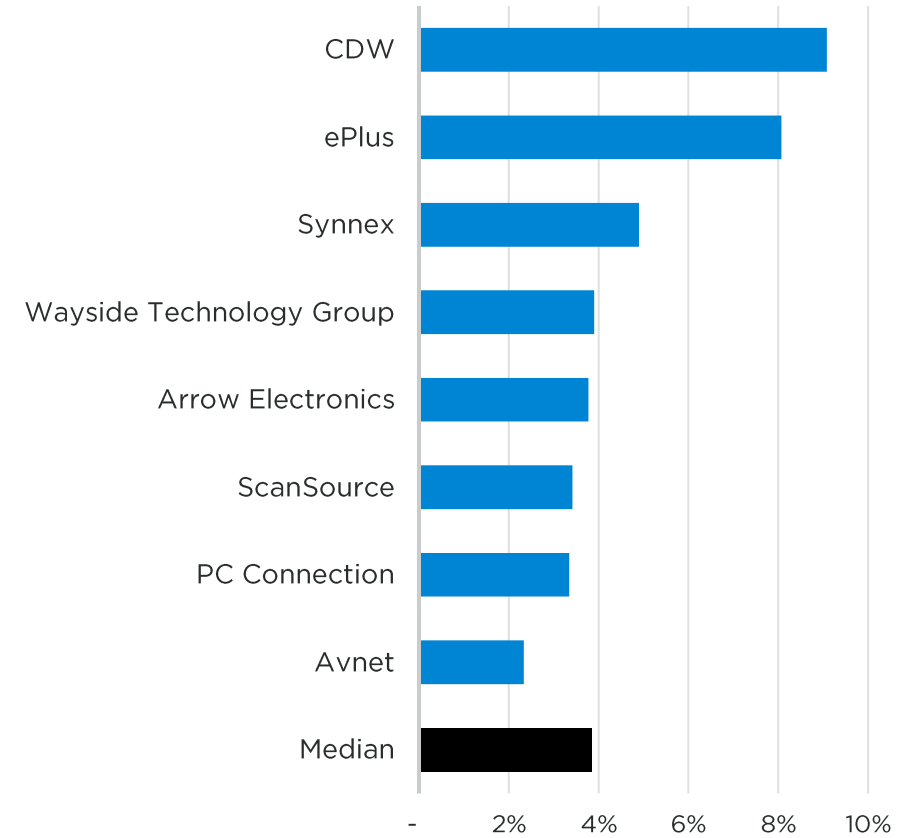


Operational Metrics

LTM Gross Profit Margin %

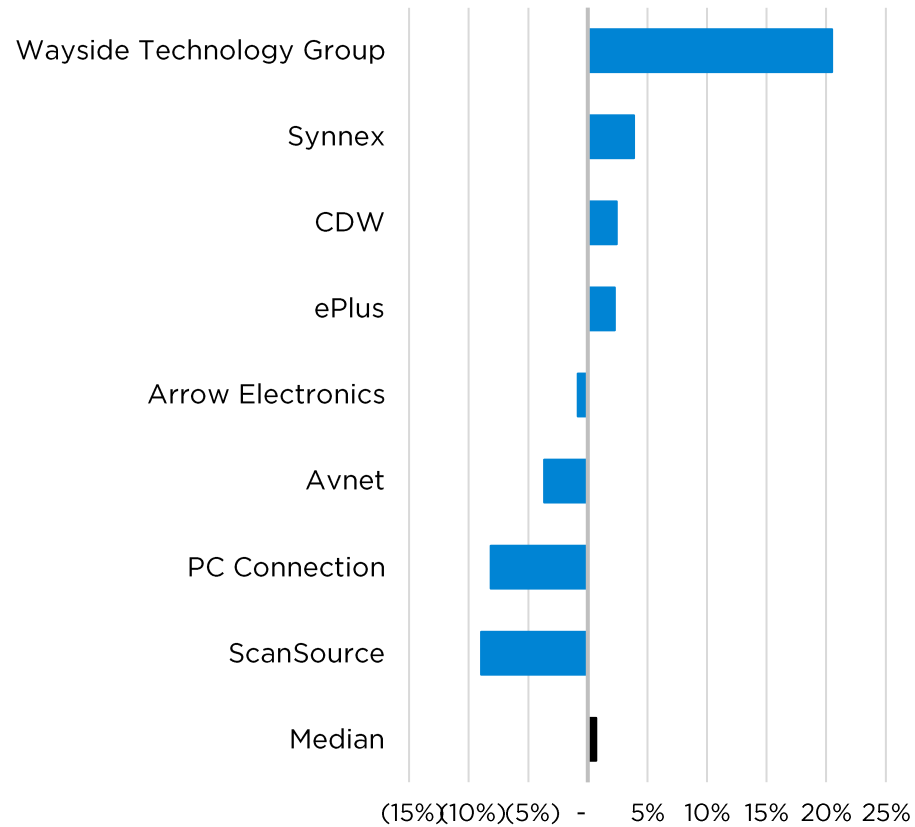


LTM EBITDA %

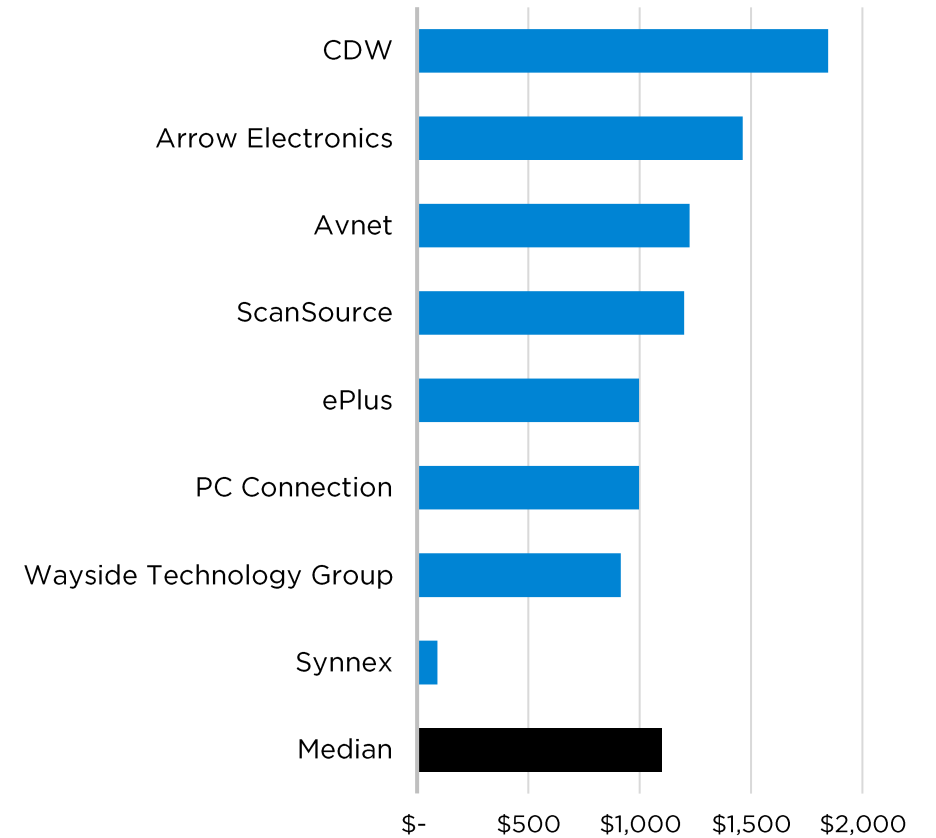


Operational Metrics

LTM Revenue Growth %

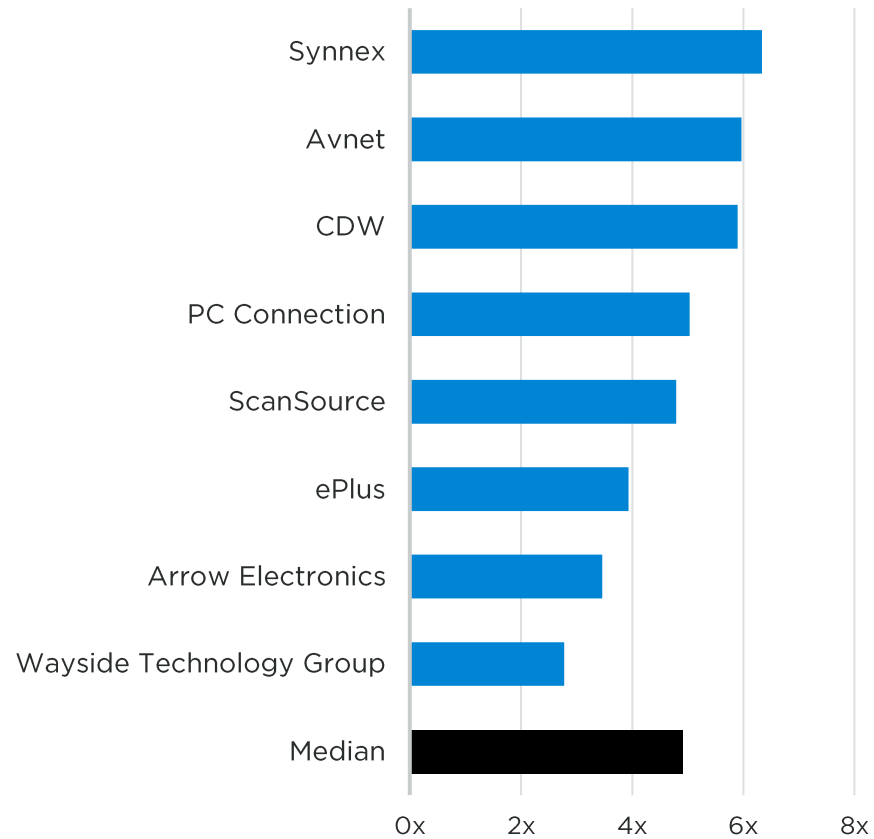


LTM Revenue per Full Time Employee x 000's

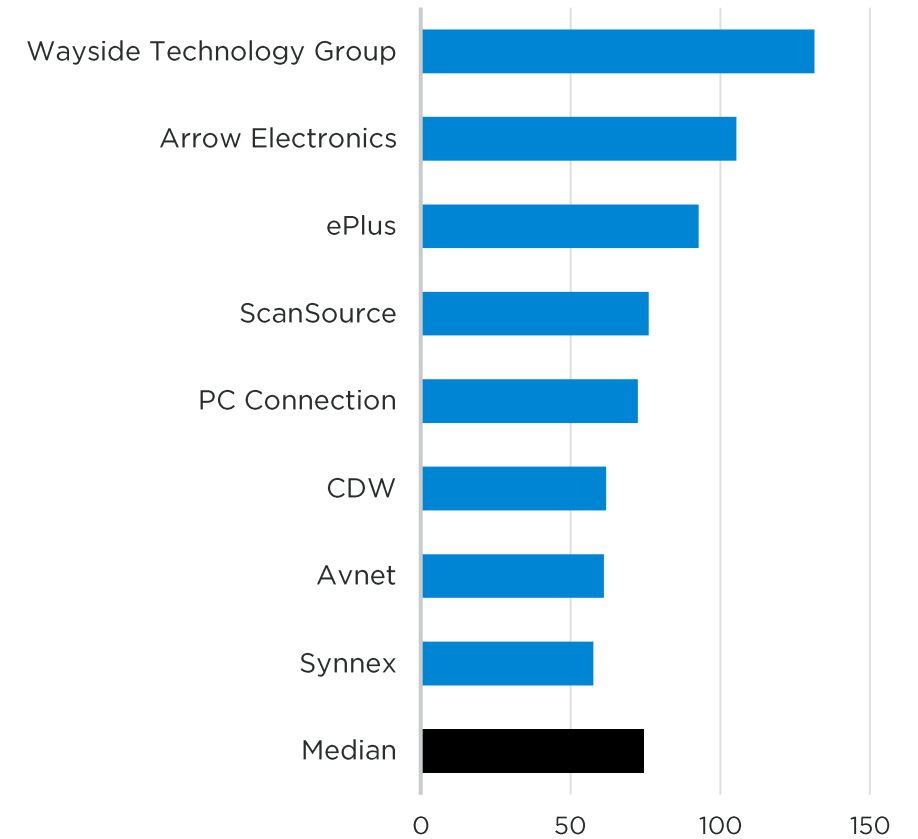


Operational Metrics

Accounts Receivable Turnover

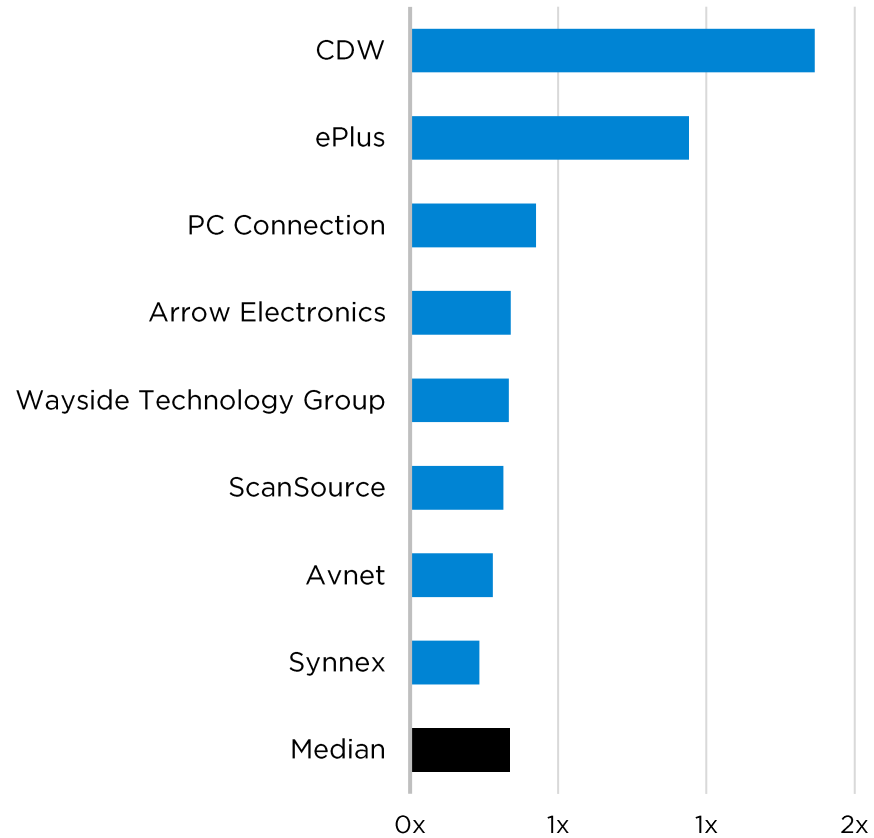


Average Days Sales Outstanding

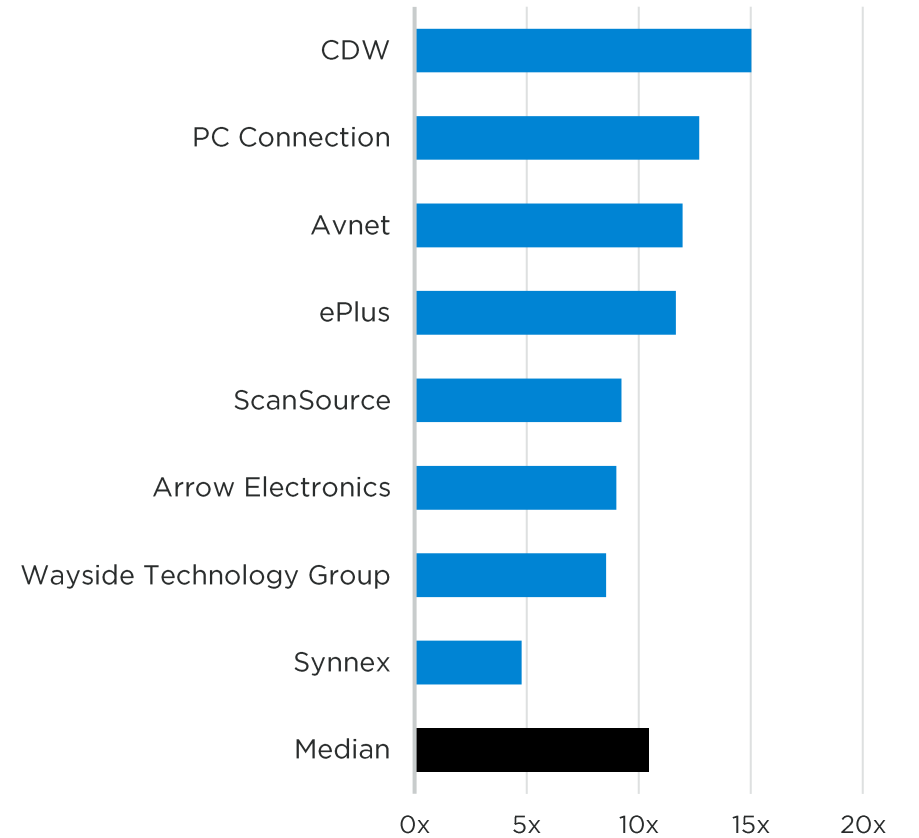


Valuation

TEV / LTM Revenue

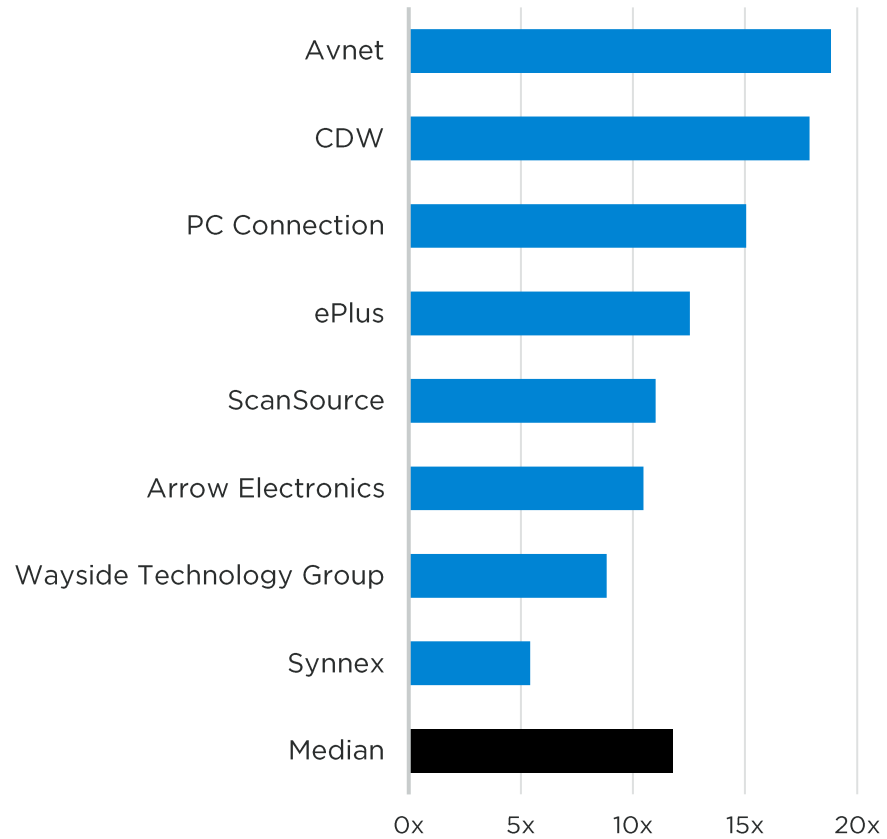


TEV / LTM EBITDA

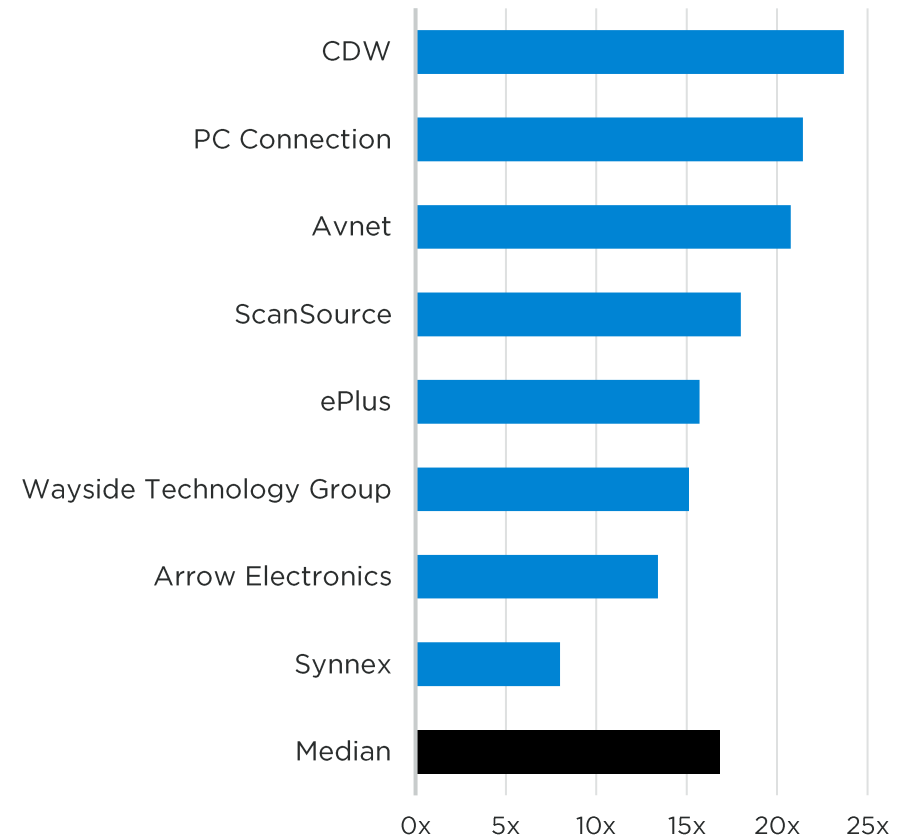


Valuation

TEV / LTM EBIT

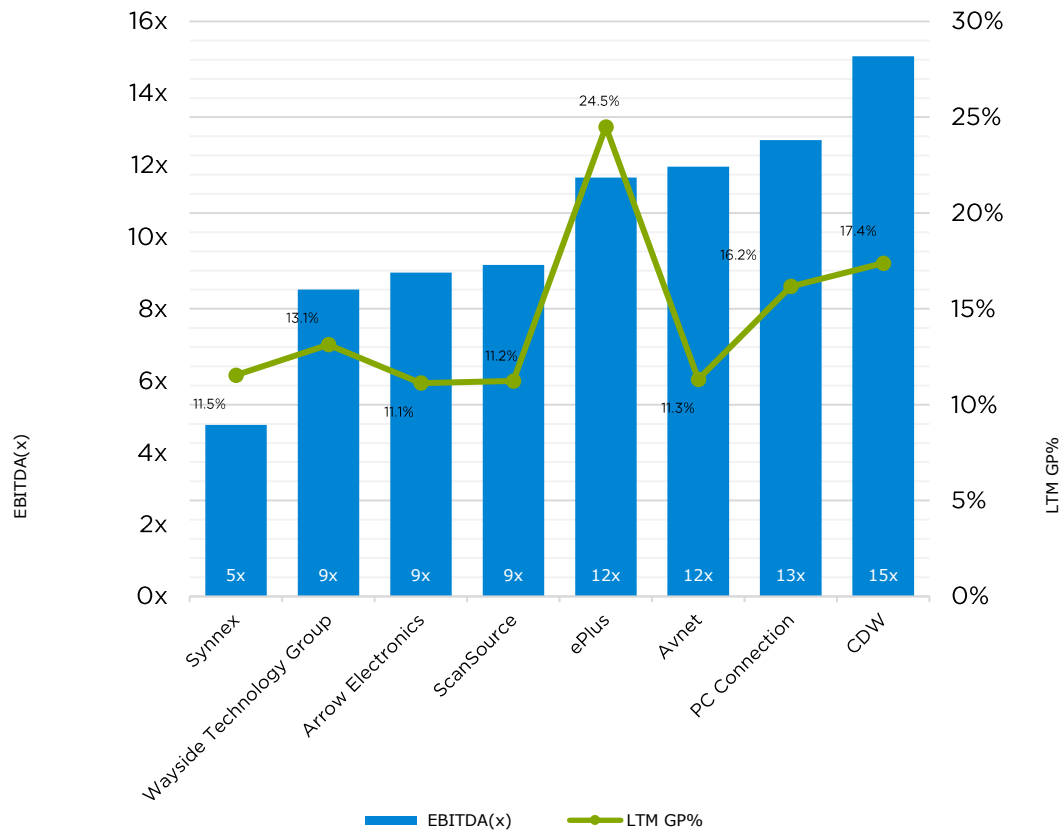


Price / LTM Earnings

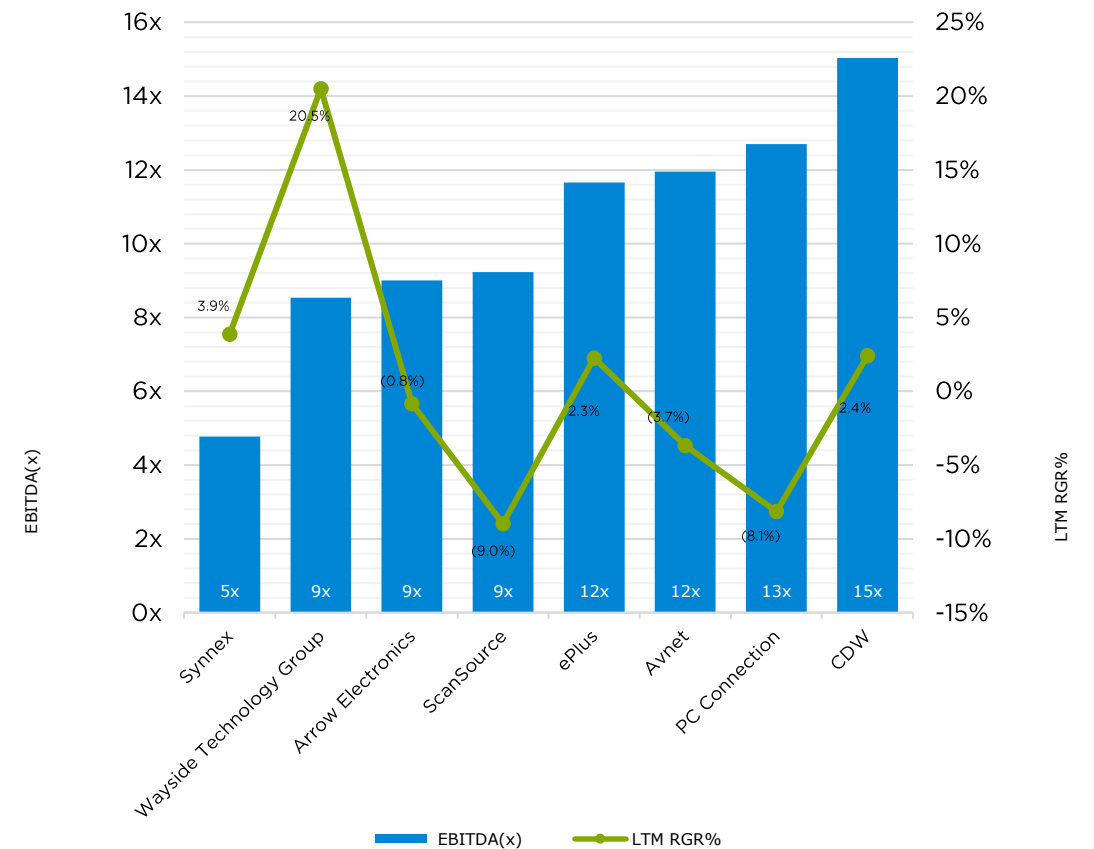


Valuation

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-Mar-21	Tech Data	Synnex	7200.00	36767.17	-	-
16-Mar-21	Synapsys (Cape Town)	Acronis	-	-	-	-
15-Mar-21	Infinigate	Bridgepoint Advisers	-	633.52	-	-
25-Feb-21	Tek-Hut	Ednetics	-	-	-	-
24-Feb-21	GovSource	IDS International Government Services	-	-	-	-
18-Feb-21	Redcage	Apax Partners (France)	-	-	-	-
11-Feb-21	System C	CVC Capital Partners	-	-	-	-
04-Feb-21	Benchmark Technology Group	Digital Check	-	-	-	-
01-Feb-21	Compass Computers	Langley Business Systems	-	-	-	-
28-Jan-21	Fore A Partners	Quest Technology Management	-	-	-	-
21-Oct-20	Boyum IT	Volpi Capital	-	-	-	-
16-Oct-20	ADC Integrated Systems	Inovity	-	-	-	-
13-Oct-20	WellSky	Ardan Equity Partners	-	-	-	-
01-Oct-20	MAC Solutions (UK)	SolutionsPT	-	-	-	-
01-Oct-20	Software Technology Resources	Itancia	-	-	-	-
30-Sep-20	Ovexia	4CAD Group	-	-	-	-
01-Jul-20	Tech Data	Apollo Global Management	6000.00	36767.17	0.16	8.48
19-Jun-20	GTI Software and Networking	Esprinet	37.71	-	0.37	17.86
04-May-20	Change Healthcare (Connected Analytics)	Kaufman Hall	55.00	-	-	-
30-Apr-20	Interwork Technologies	Wayside Technology Group	4.40	-	-	-
15-Apr-19	Solytron Bulgaria	ALSO	2.01	129.81	0.02	-
21-Nov-18	Diss	ALSO	12.57	-	-	-
06-Nov-18	Smart Visitor Systems	Vitec Software Group	3.56	-	1.36	9.13
04-Jul-18	Exclusive Networks	Permira	-	-	-	-
28-Jun-18	DistriWAN	ALSO	2.84	-	0.10	4.11
20-Jun-18	Client Solutions	#VALUE!	29.22	-	1.12	-

Appendix

*Public Basket
Contact Information*



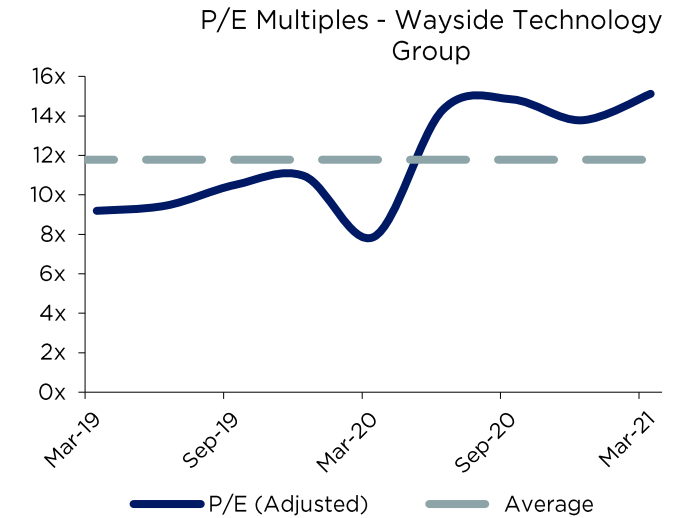
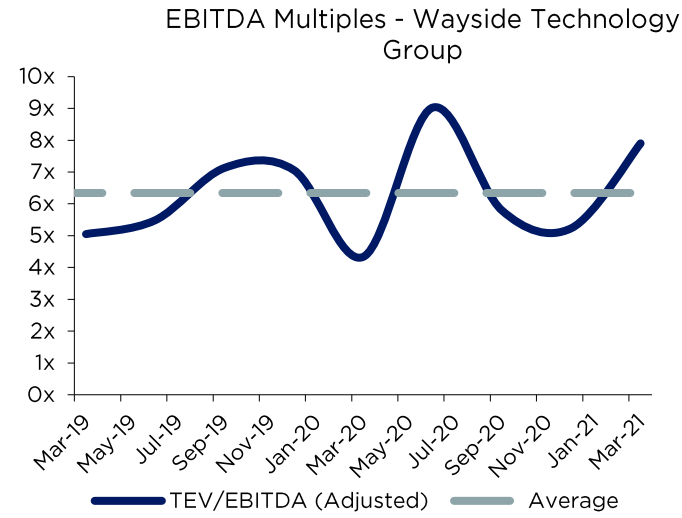
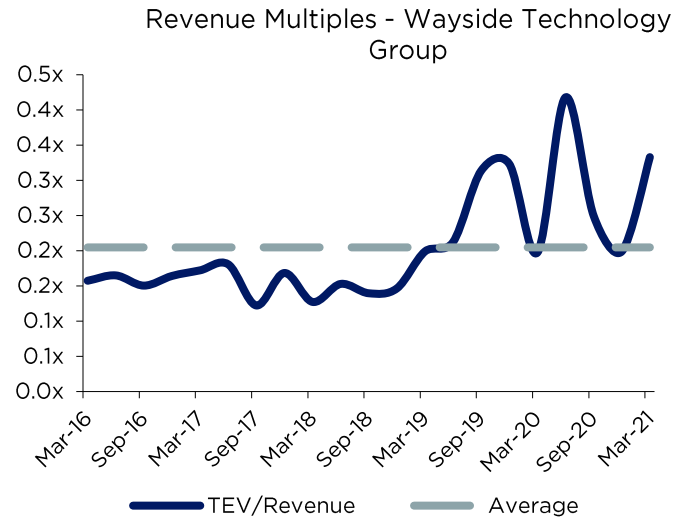
Wayside Technology Group

Wayside Technology Group Inc is an information technology channel company.

The company operates through two reportable operating segments. The Lifeboat Distribution segment distributes technical software and hardware to corporate resellers, value-added resellers, consultants and systems integrators worldwide. The TechXtend segment is a value-added reseller of software, hardware and services for corporations, government organizations and academic institutions in the USA and Canada. The company generates the majority of the revenue from the Lifeboat Distribution segment. The company also operates a sales branch in Europe. The firm generates the majority of its sales from the United States.

Public Basket

Wayside Technology Group



Company Name	Date	Deal Synopsis
CDF Group	09-Nov-20	The company was acquired by Wayside Technology Group (NAS: WSTG) for \$17.4 million on November 9, 2020.
Interwork Technologies	30-Apr-20	The company was acquired by Wayside Technology Group (NAS: WSTG) for \$4.4 million on April 30, 2020. The company will receive a contingent payout of CAD 1.1 million upon the completion of certain criteria.

ScanSource

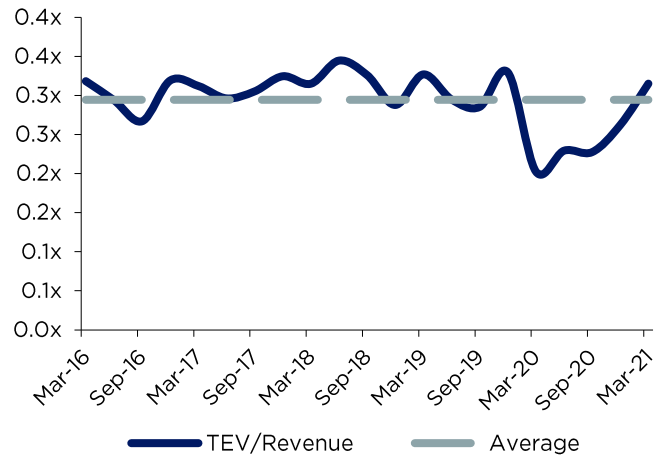
ScanSource Inc provides value-added services for technology manufacturers and sells to resellers in specialty technology markets.

The firm's operations are organized in two segments: Worldwide Barcode, Networking and Security, which focuses on automatic identification and data capture, point-of-sale, networking, electronic physical security, and 3-D printing technologies; and Worldwide communications and services, which focuses on communications technologies for vertical markets including education, healthcare, and government. The company generates a majority of its revenue from the Worldwide Barcode, Networking, and Security segment.

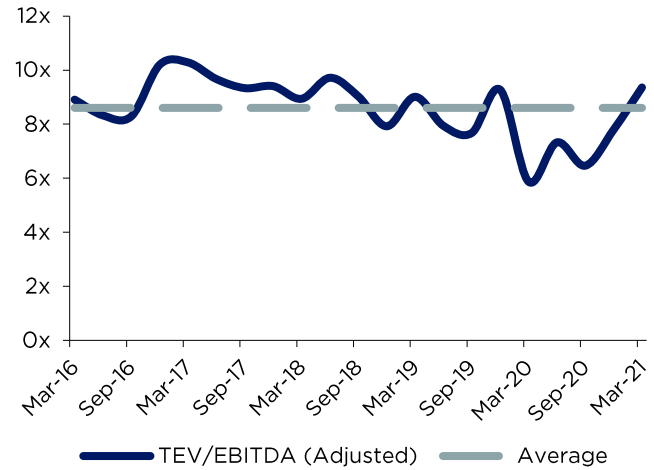
Public Basket

ScanSource

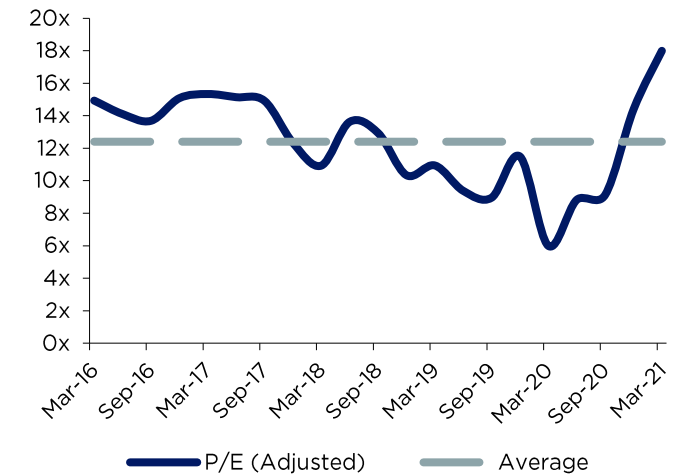
Revenue Multiples - ScanSource



EBITDA Multiples - ScanSource



P/E Multiples - ScanSource



Company Name	Date	Deal Synopsis
intY	01-Jul-19	The company was acquired by ScanSource (NAS: SCSC) for GBP 49.1 million on July 1, 2019.
RPM Software	01-Dec-18	The company was acquired by ScanSource (NAS: SCSC) for an undisclosed amount in December, 2018.

PC Connection

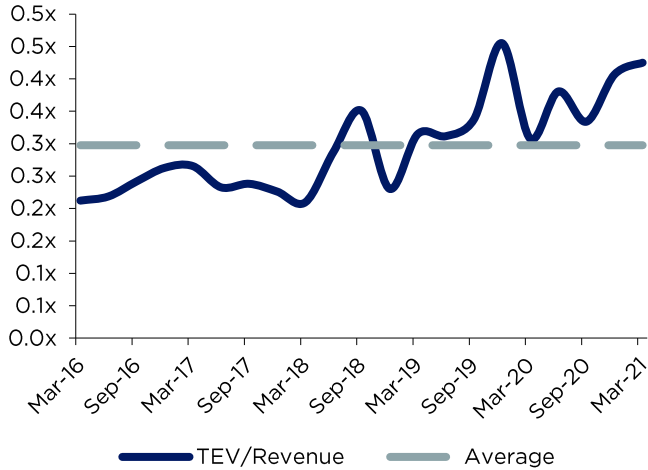
PC Connection Inc is a provider of information technology solutions.

It provides products such as computer systems, software and peripheral equipment, networking communications, and other products and accessories that company purchase from manufacturers and distributors. The company also offers services involving design, configuration, and implementation of IT solutions. It conducts business operations through three business segments namely Business Solutions, Enterprise Solutions, and Public Sector Solutions. The company generates maximum revenue Enterprise Solutions segment.

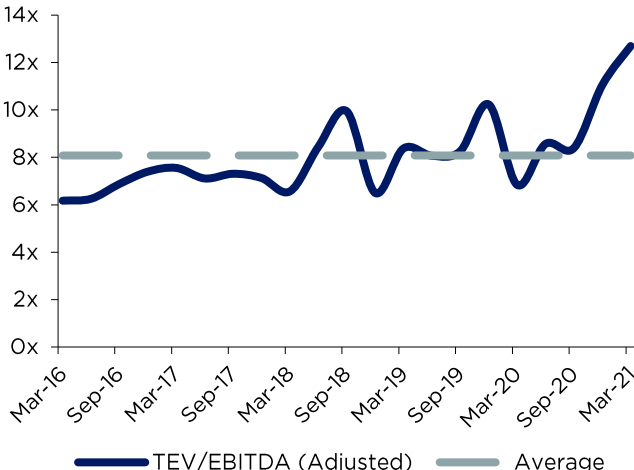
Public Basket

PC Connection

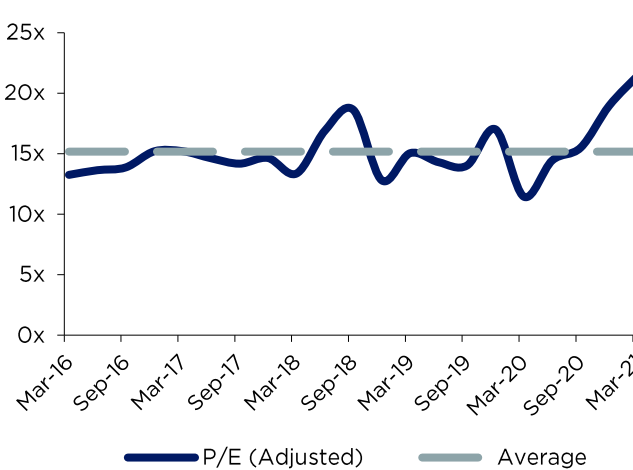
Revenue Multiples - PC Connection



EBITDA Multiples - PC Connection



P/E Multiples - PC Connection



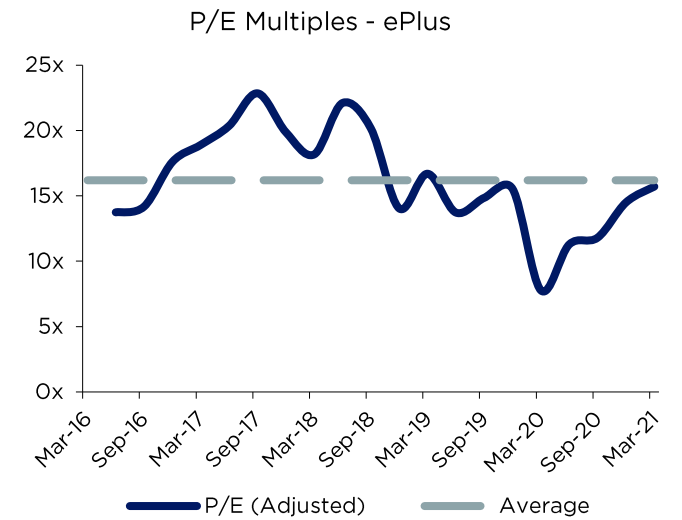
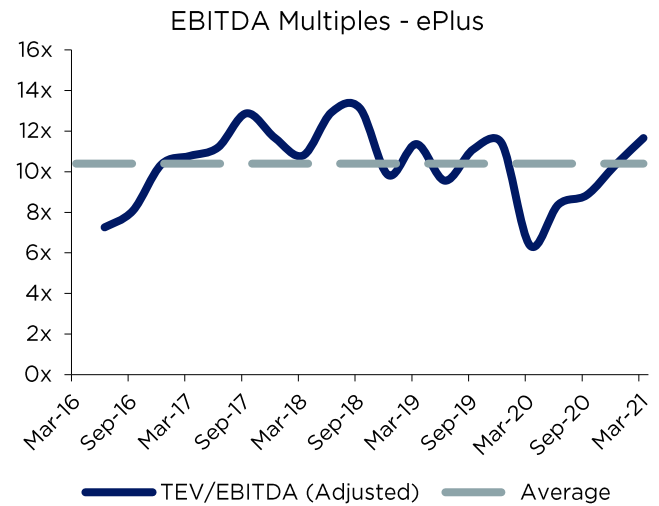
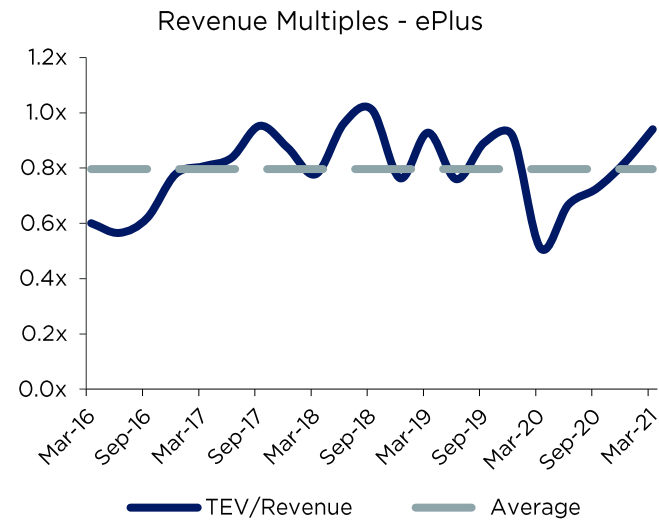
Company Name	Date	Deal Synopsis
GlobalServe	12-Oct-16	The company was acquired by PC Connection (NASDAQ: CNXN) for an undisclosed amount on October 12, 2016.
Softmart	27-May-16	The company was acquired by PC Connection (NASDAQ: PCCC) for \$34 million on May 27, 2016. The acquisition is expected to be accretive to PC Connection's earnings, excluding transition costs and the amortization of acquired intangibles.

ePlus

ePlus Inc is a holding company.

ePlus through its subsidiaries provides information technology solutions. The company's technology solutions enable organizations to optimize their IT environment and supply chain processes. It also provides consulting, professional and managed services and complete lifecycle management services including flexible financing solutions. ePlus focuses on middle market and large enterprises in North America and the United Kingdom.

Public Basket



Company Name	Date	Deal Synopsis
Systems Management Planning	31-Dec-20	The company was acquired by ePlus (NAS: PLUS) for an undisclosed amount on December 31, 2020. The acquisition enhances ePlus' footprint across the region, broadens its technology solution offerings especially in the areas of collaboration and supporting virtual employees, and adds to its set of commercial, enterprise and state, local, and education customers.
ABS Technology (Certain assets and liabilities)	23-Aug-19	Certain assets and liabilities of Innovative Technology Systems & Solutions were acquired by ePlus (NASDAQ NGS: PLUS) for an undisclosed amount on August 23, 2019. The acquisition establishes ePlus as a provider of consultative technology solutions in the region and gives it a stronger foothold in commercial accounts, as well as in Healthcare, Education and Government vertical industries.

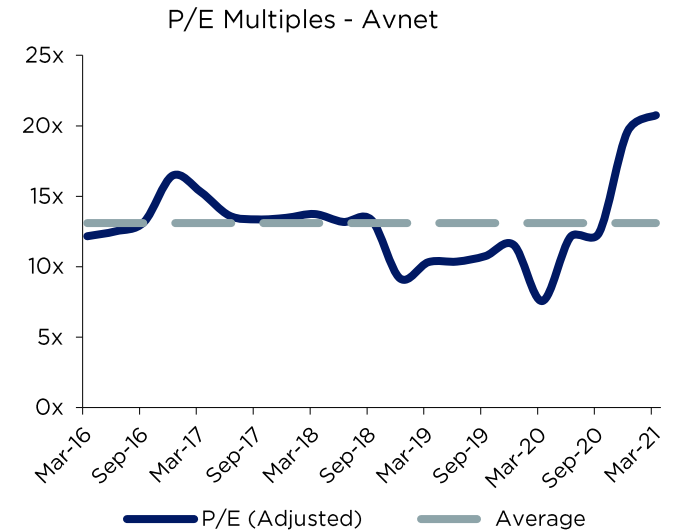
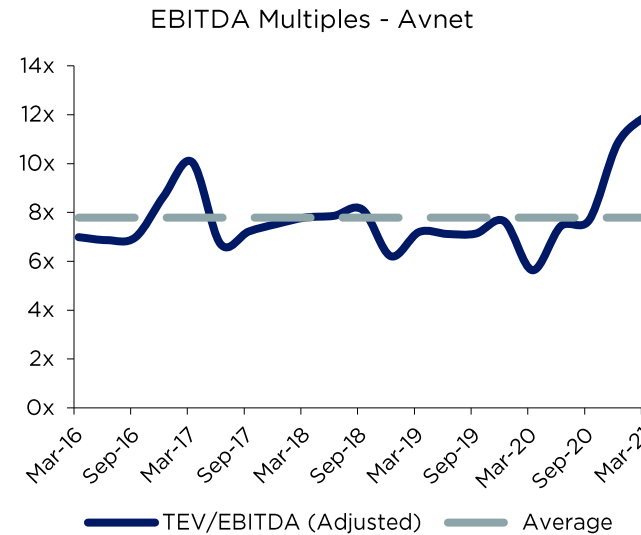
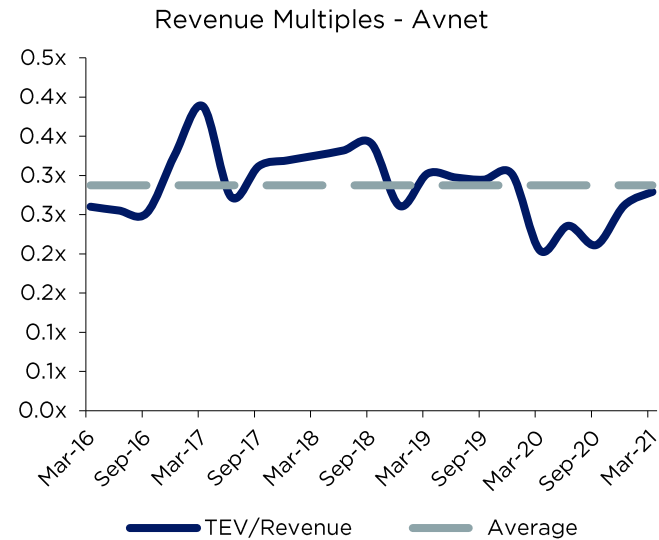
Avnet

Avnet is a leading value-added distributor of electronic components.

The company's customer base is composed of original equipment manufacturers, or OEMs, electronic manufacturing services, or EMS, providers and original design manufacturers, or ODMs. The firm operates in two groups--electronic components and Farnell, the latter of which was acquired by Avnet in October 2016.

Public Basket

Avnet



Company Name	Date	Deal Synopsis
Force Impact Technologies	26-Sep-19	The company raised \$9.3 million of venture funding through a combination of debt and equity on September 26, 2019. Equity portion of the funding was raised from Avnet and other undisclosed investors. An undisclosed debt amount in the form of convertible debt funding was raised as a part of the funding.
Witekio	17-Sep-19	The company was acquired by Avnet (NAS: AVT) for an undisclosed amount on September 17, 2019. The combination of the company's embedded software and design expertise with Avnet's technology ecosystem further strengthens Avnet's overall solutions strategy.

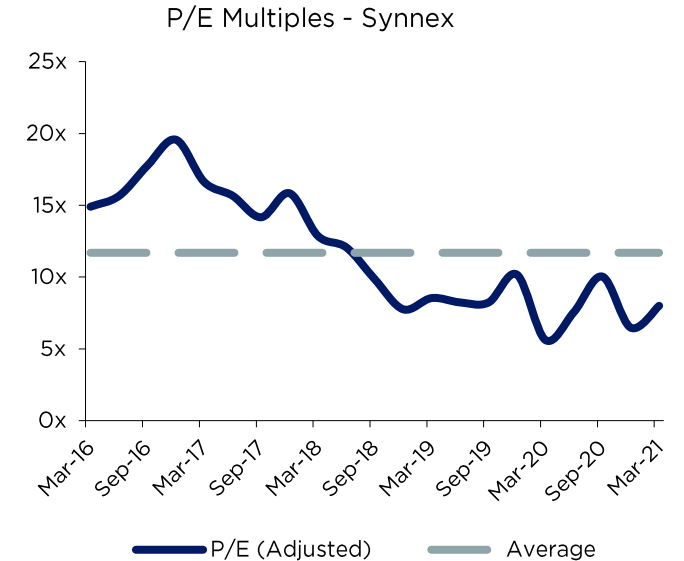
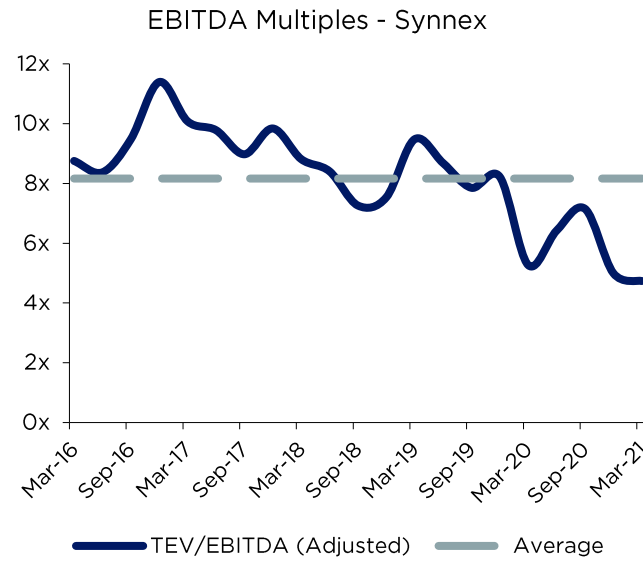
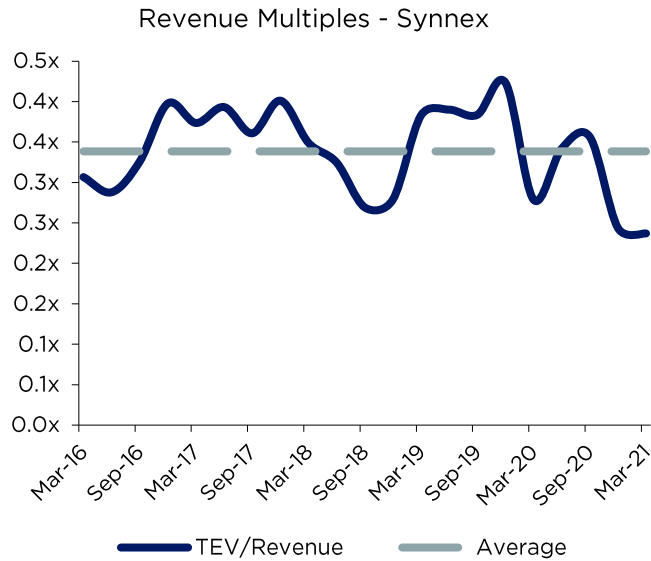
Synnex

Synnex Corp is a provider of wholesale IT integration, distribution, and outsourcing services.

The company operates in a single segment, which is technology solutions. Technology solutions distribute peripheral, IT systems, including data center servers and storage solutions; system components; software, networking, communication, & security equipment; consumer electronics; and complementary products. Synnex distributes its products to more than 25,000 resellers, system integrators, and retailers. Its services include Systems Design and Integration Solutions, Logistics, Cloud, Online, Financing, and Marketing. The majority of the firm's revenue is derived from the United States of America.

Public Basket

Synnex



Company Name	Date	Deal Synopsis
Tech Data	22-Mar-21	The company reached a definitive agreement to be acquired by Synnex (NYS: SNX) for approximately \$7.2 billion on March 22, 2021. The transaction combines both company's core growth platforms to establish differentiated end-to-end solutions portfolio and product offerings in growing product segments like cloud, data centers, security, Internet of Things (IoT), services, 5G, and intelligent edge. As a part of the transaction, Apollo Global Management will receive an aggregate of 44 million shares of SYNEX common stock plus the refinancing of the company's existing net debt and redeemable preferred shares of approximately \$2.7 billion. Upon closing, Apollo
Convergys	05-Oct-18	The company (NYSE: CVG) was acquired by Synnex (NYSE: SNX) for \$2.27 billion on October 5, 2018. The acquisition enables the acquirer to better serve the combined organization's increased scale, strong talent, best-in-class analytics, technology, and digital offerings, and a shared commitment to helping them successfully navigate the increasingly complex CX ecosystem.

Arrow Electronics

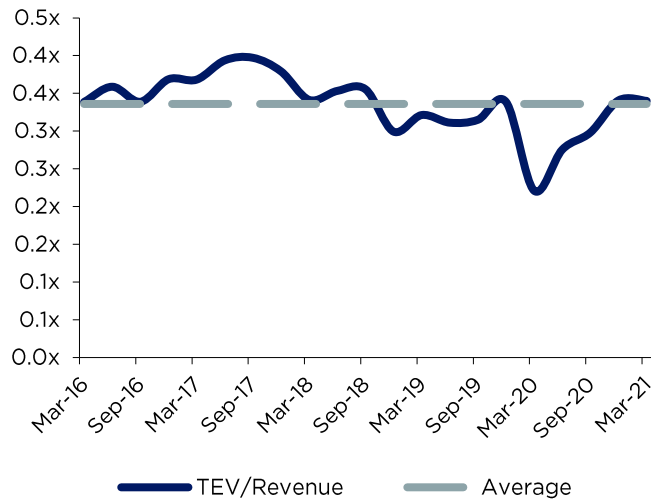
Arrow Electronics is a leading value-added distributor of semiconductors, electronic components, software, and enterprise infrastructure hardware.

The company operates in two segments: global components, which includes the sale of semiconductors, and global enterprise computing solutions, which includes the sale of software, storage, and servers. Arrow primarily serves small to midsize electronic equipment manufacturers and value-added resellers.

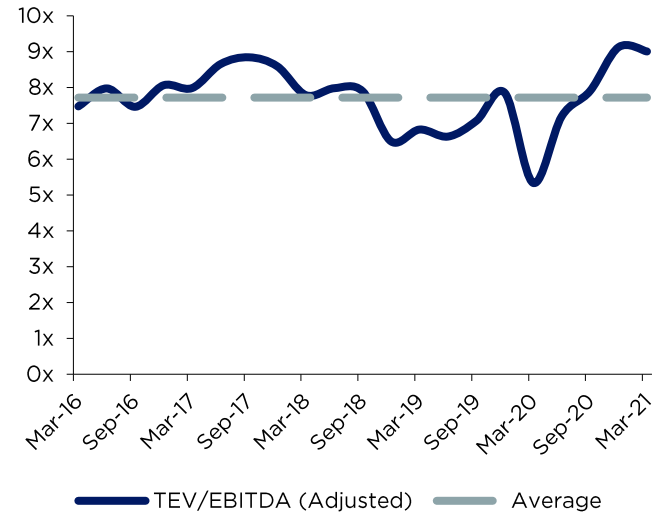
Public Basket

Arrow Electronics

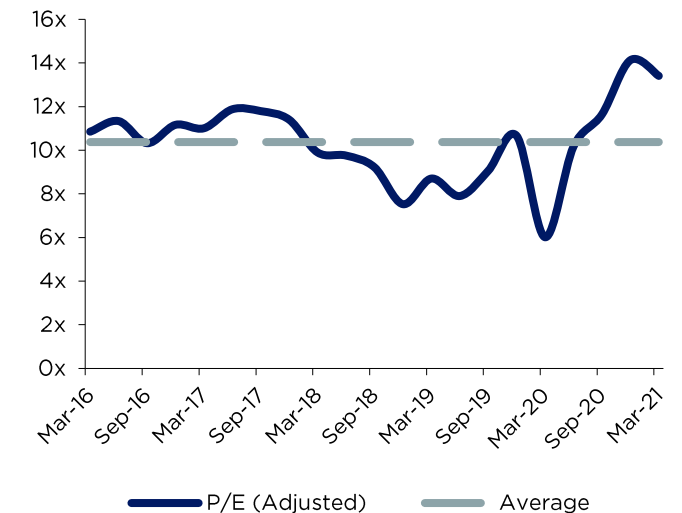
Revenue Multiples - Arrow Electronics



EBITDA Multiples - Arrow Electronics



P/E Multiples - Arrow Electronics



Company Name	Date	Deal Synopsis
Waggit	25-Jun-18	The company received \$50,000 of grant funding from Arrow Electronics as part of the Arrow Certification Program on June 25, 2018.
Einfochips	08-Jan-18	The company was acquired by Arrow Electronics (NYS: ARW) for \$327.628 million on January 8, 2018. The acquisition will enable the acquirer to expand their sensor-to-sunset capabilities, by combining company's Snapbricks IoT framework, as well as by adding 1,500 IoT solution architects, ASIC and embedded engineers, and software development resources to their already leading position in IoT design services.

CDW

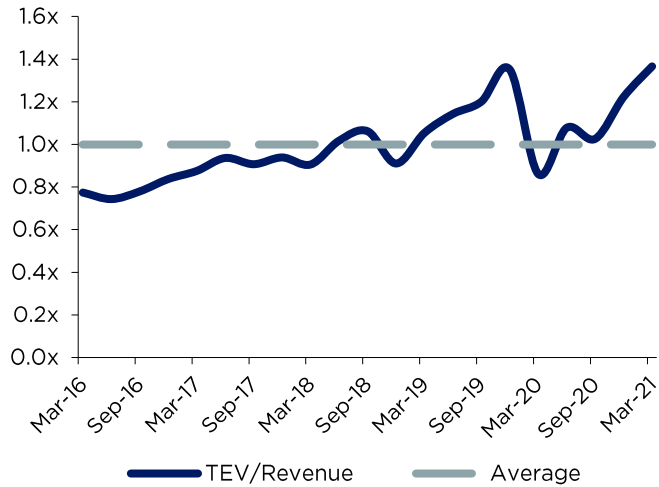
CDW Corp is a value-added reseller operating in the U.S.

(95% of sales) and Canada (5%). The company has more than 100,000 products on its line of cards that range from notebooks to data center software. Roughly half of CDW's revenue comes from midsize and large businesses, with the remaining from small businesses, government agencies, education institutions, and health-care organizations.

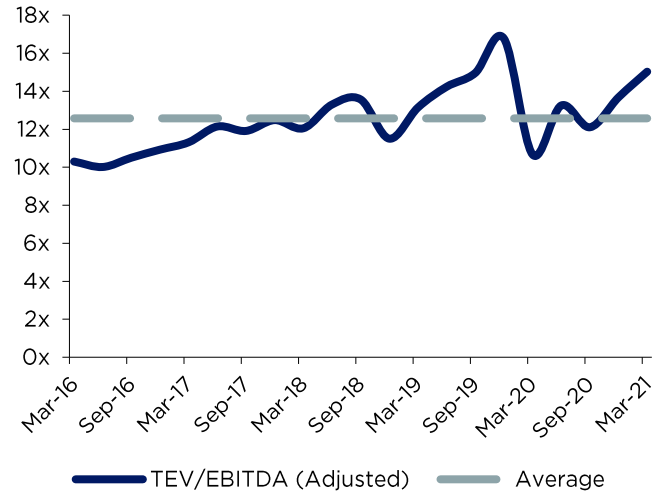
Public Basket

CDW

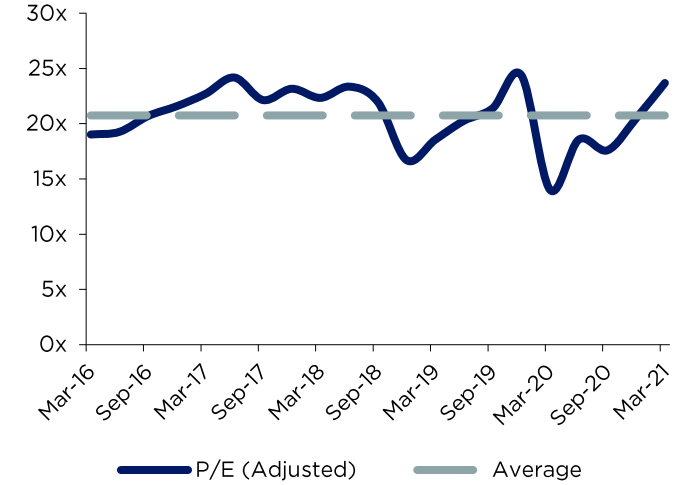
Revenue Multiples - CDW



EBITDA Multiples - CDW



P/E Multiples - CDW



Company Name	Date	Deal Synopsis
Aeritae Consulting Group	31-Dec-20	The company was acquired by CDW (NAS: CDW) for an undisclosed amount on December 31, 2020.
Southern Dakota Solutions	31-Dec-20	The company was acquired by CDW (NAS: CDW) for an undisclosed amount on December 31, 2020.

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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