

7 Mile Advisors



# Sectorwatch: Enterprise Software

April 2021



**7MA**

# 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

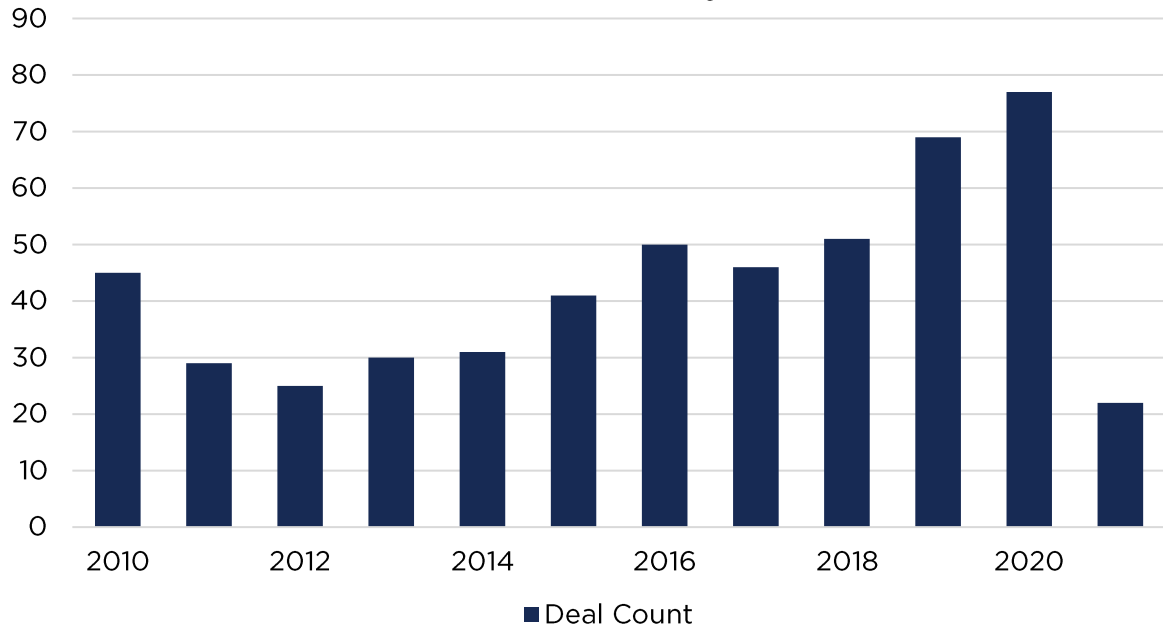
- The most recently announced deals in the sector

# Dashboard

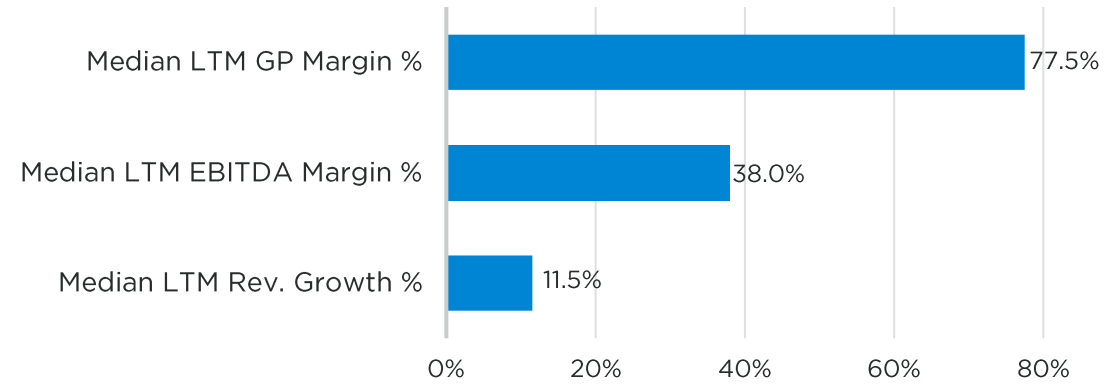
## REVENUE GROWTH MOMENTUM ↓ -2.9%

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

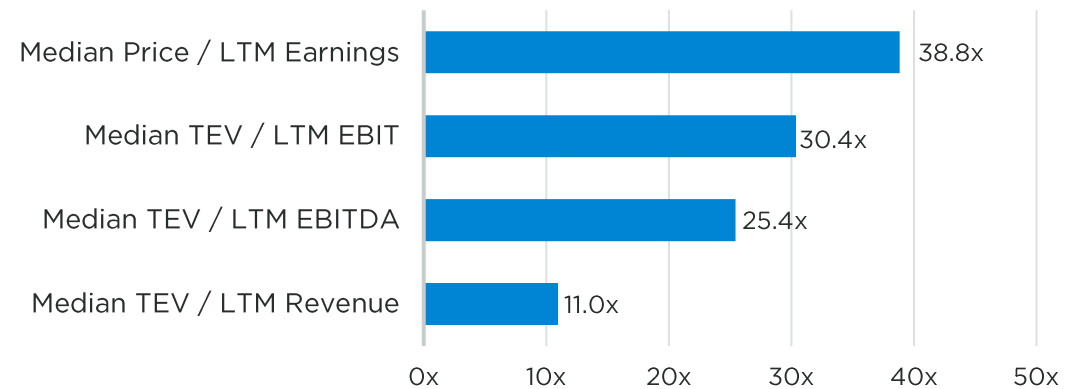
### M&A Activity



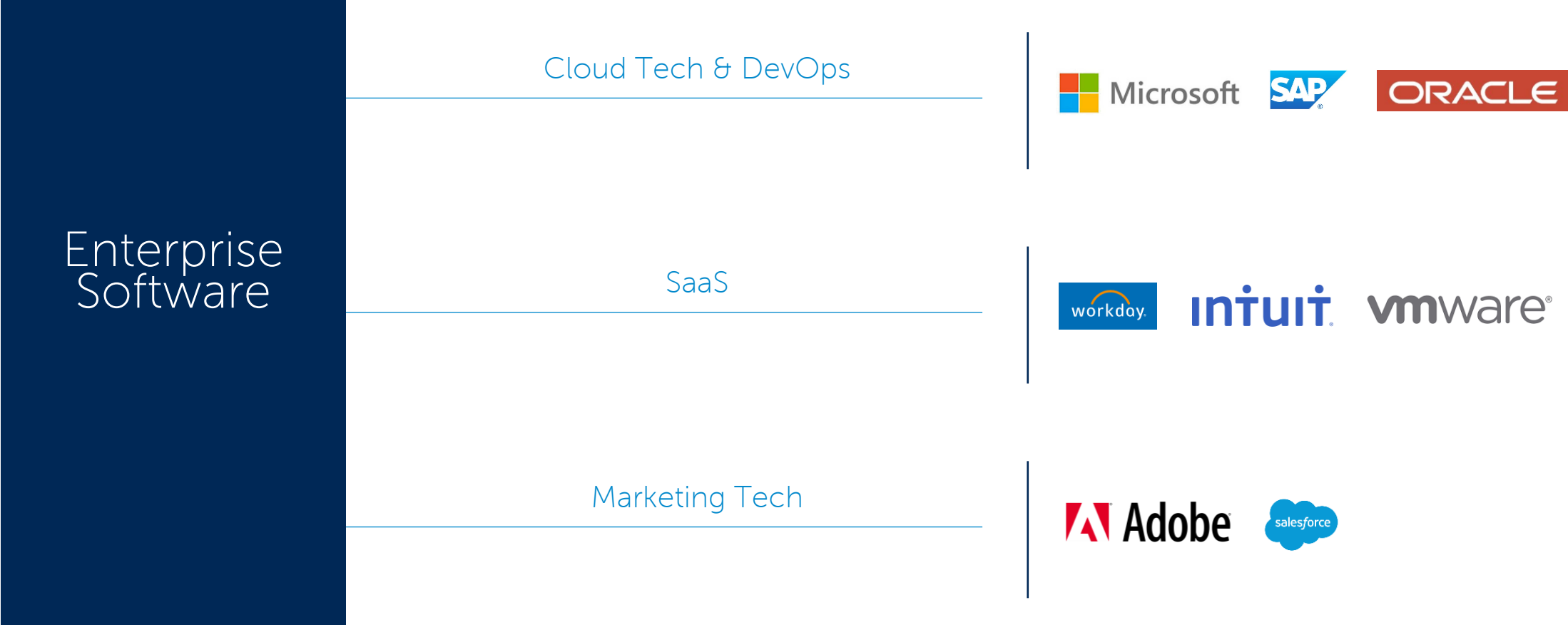
### Operating Metrics



### Valuation



# Public Basket Overview

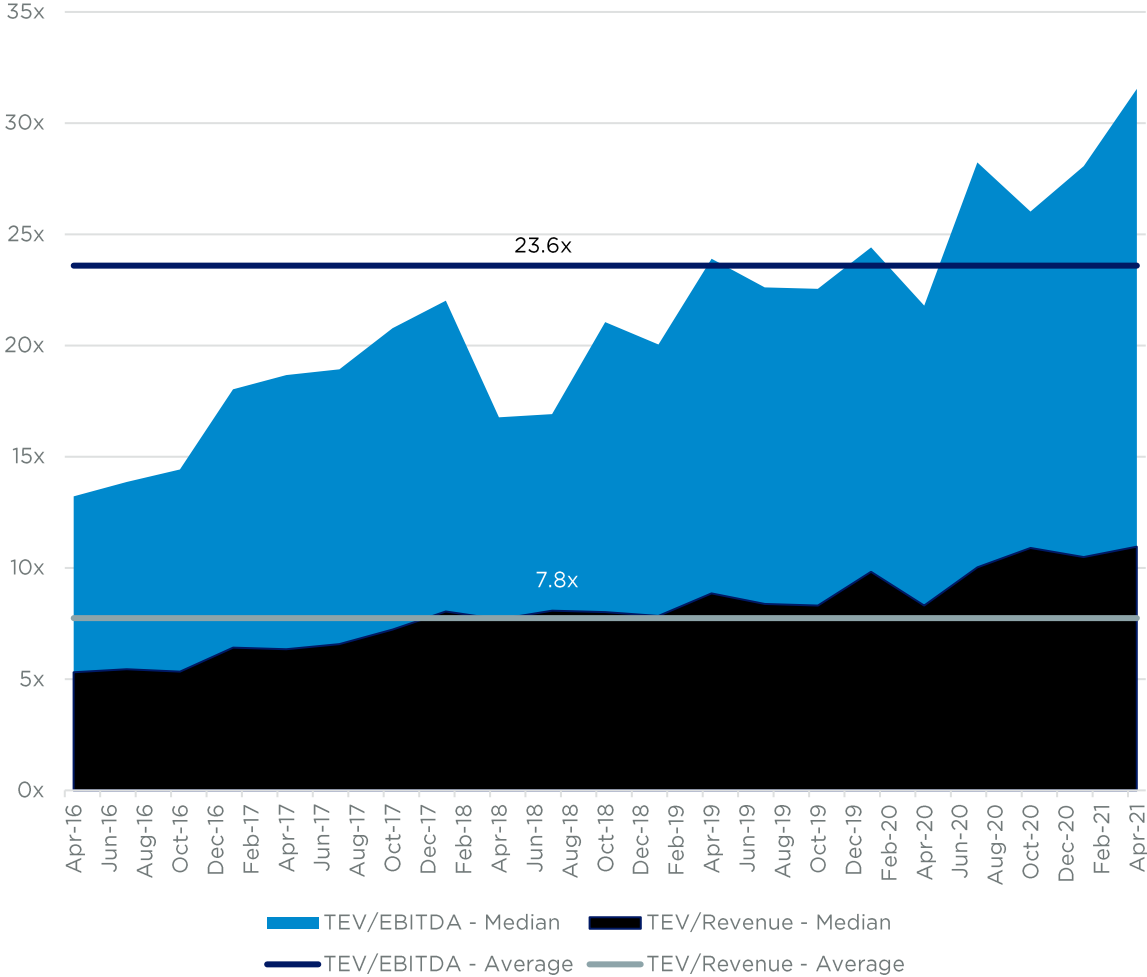


# Public Basket

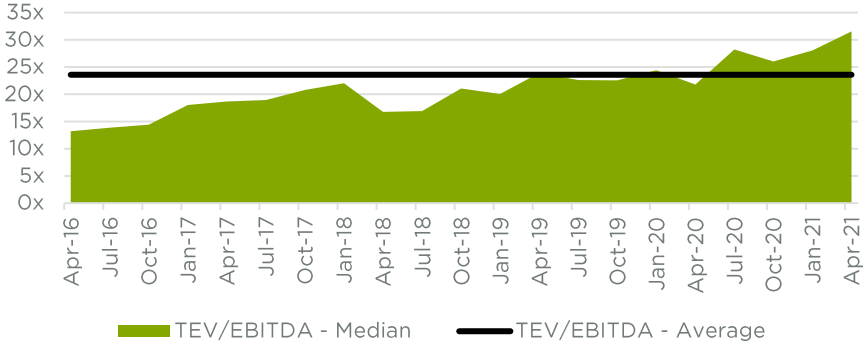
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Workday	59,408	1,184	4,318	19.0%	72.3%	27.4%	13.8x	50.2x	12,500	345
VMware	70,666	4,529	11,767	8.8%	82.6%	38.5%	6.0x	15.6x	34,000	346
Intuit	111,089	2,899	7,717	8.3%	82.2%	37.6%	14.4x	38.3x	12,196	633
SAP	171,862	11,324	31,163	-0.8%	71.2%	36.3%	5.5x	15.2x	102,430	304
Oracle	262,663	19,958	39,691	-0.2%	80.6%	50.3%	6.6x	13.2x	135,000	294
Salesforce.com	204,266	5,427	21,252	24.3%	74.4%	25.5%	9.6x	37.6x	56,606	375
Adobe Systems	245,536	6,313	13,682	17.3%	87.5%	46.1%	17.9x	38.9x	22,516	608
Microsoft	1,885,283	74,099	153,284	14.2%	68.4%	48.3%	12.3x	25.4x	163,000	940
<b>Average</b>	376,347	15,717	35,359	11.4%	77.4%	38.8%	10.8x	29.3x	67,281	481
<b>Median</b>	188,064	5,870	17,467	11.5%	77.5%	38.0%	11.0x	31.5x	45,303	361

share price as of 21Apr21

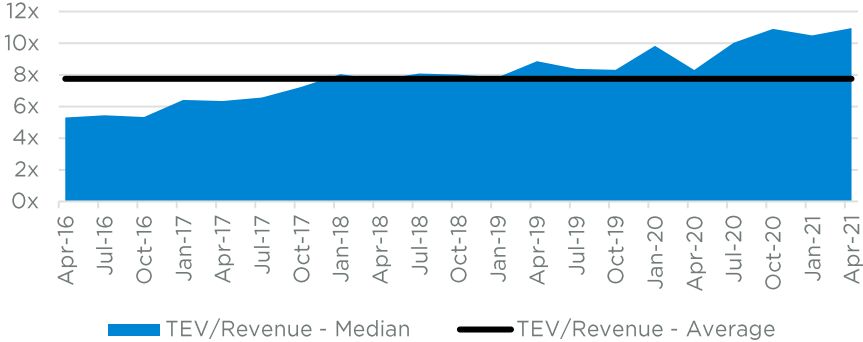
# Public Basket



## Public EBITDA Multiples over Time

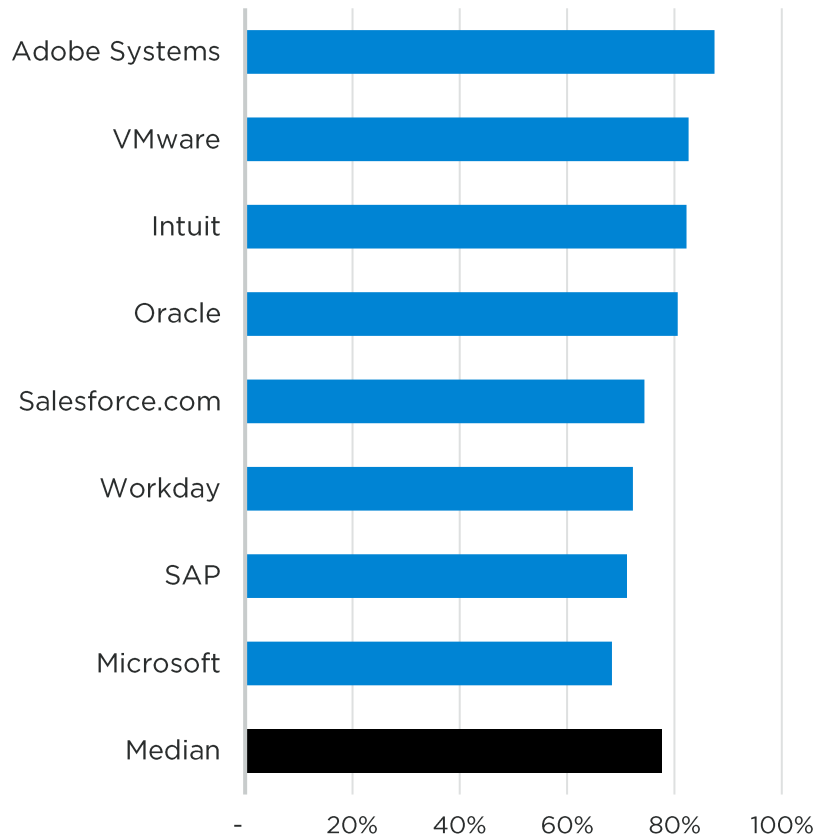


## Public Revenue Multiples over Time

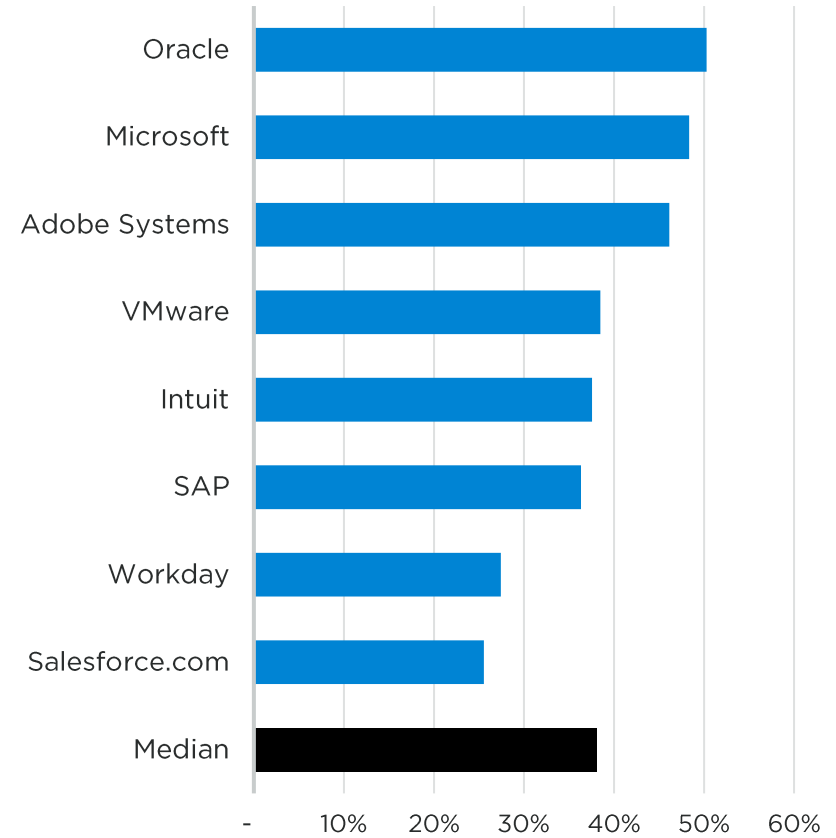


# Operational Metrics

## LTM Gross Profit Margin %



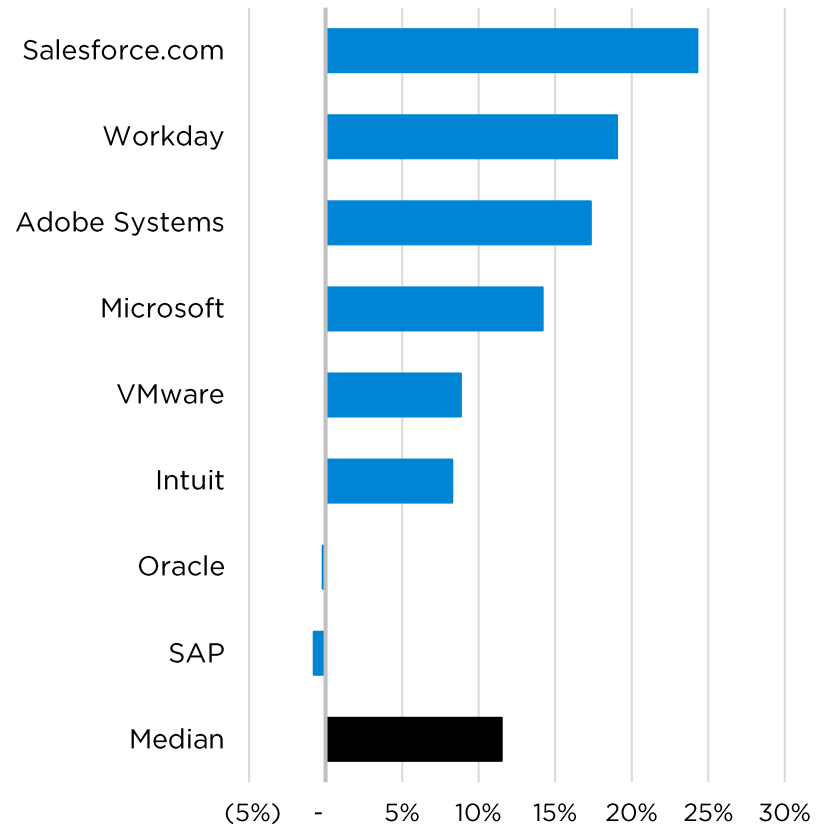
## LTM EBITDA %



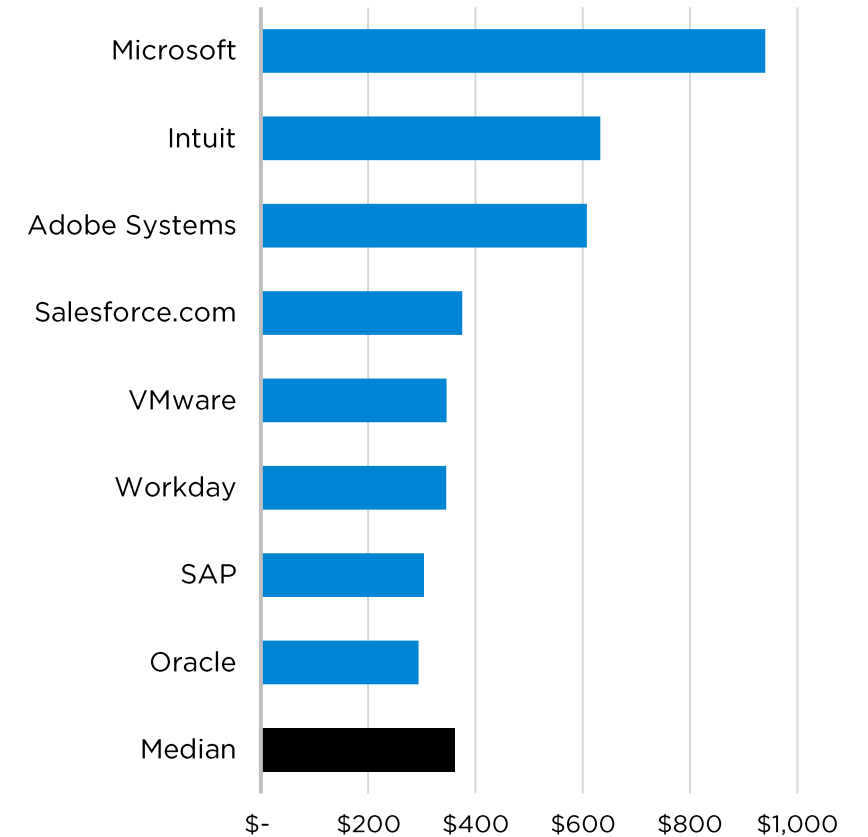


# Operational Metrics

## LTM Revenue Growth %

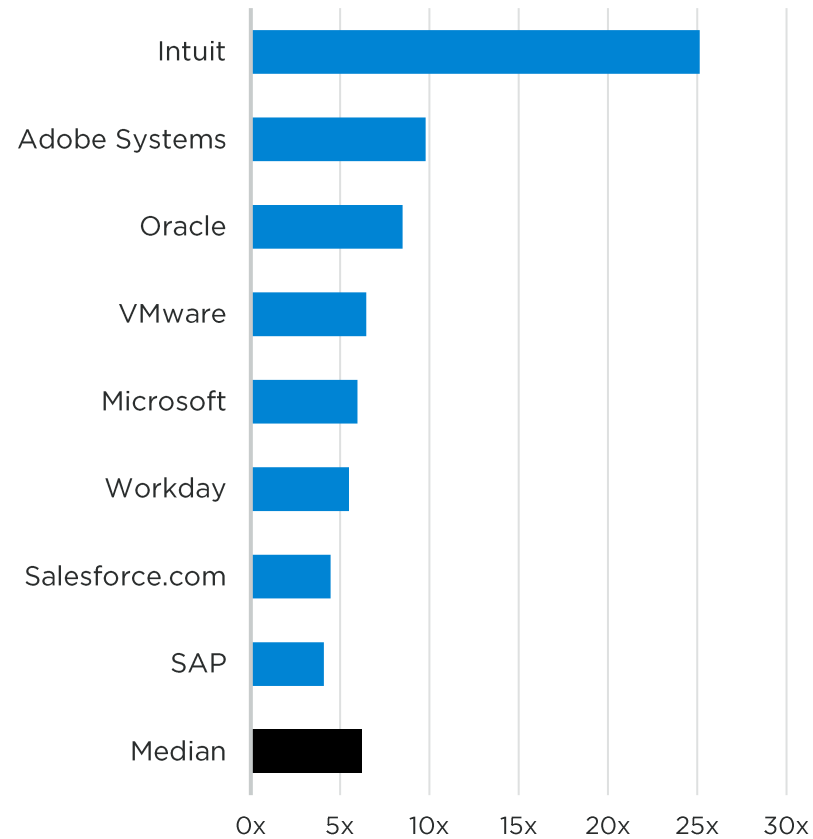


## LTM Revenue per Full Time Employee x 000's

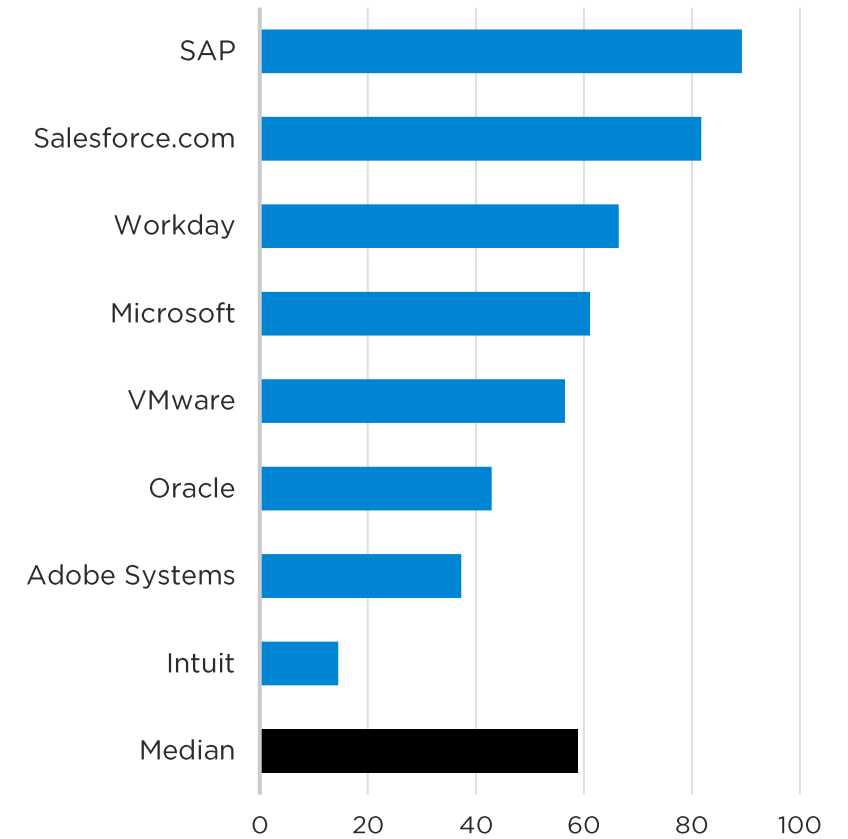


# Operational Metrics

## Accounts Receivable Turnover

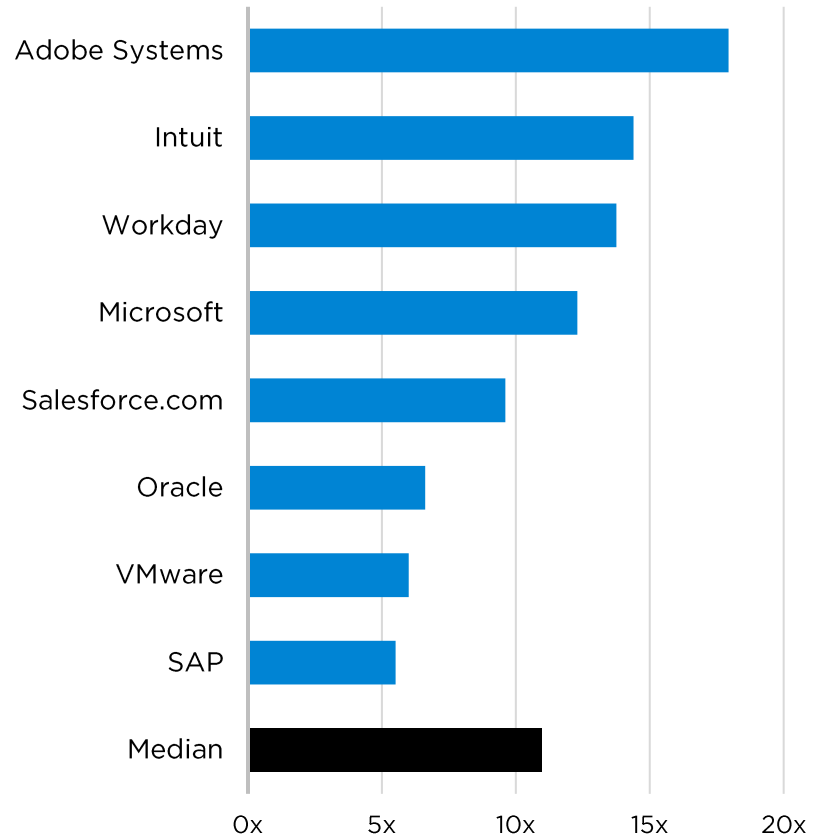


## Average Days Sales Outstanding

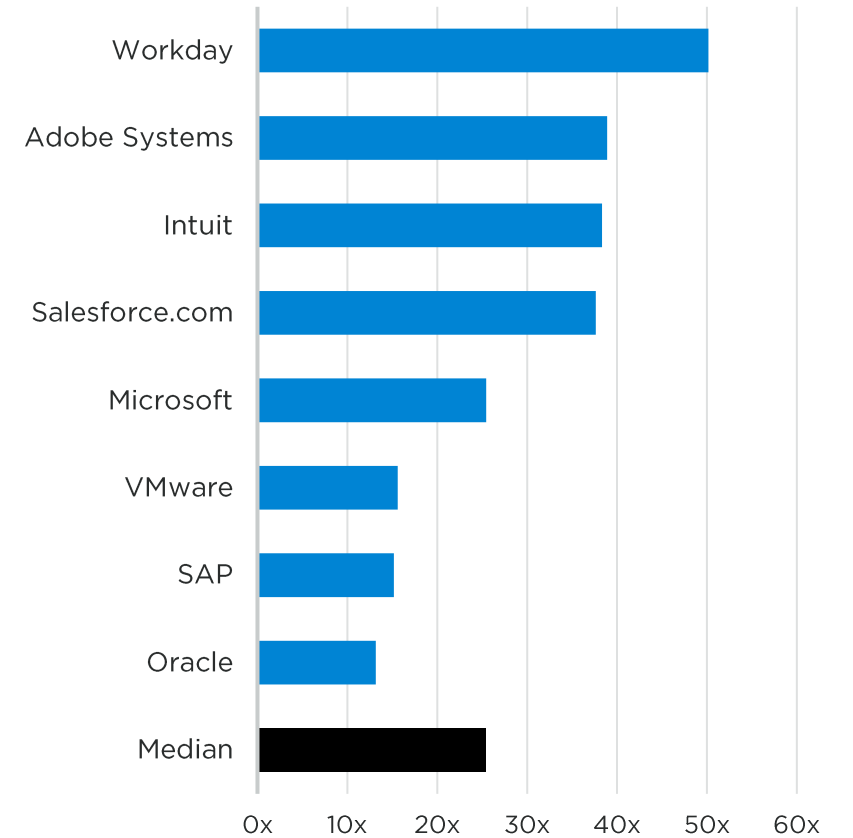


# Valuation

## TEV / LTM Revenue

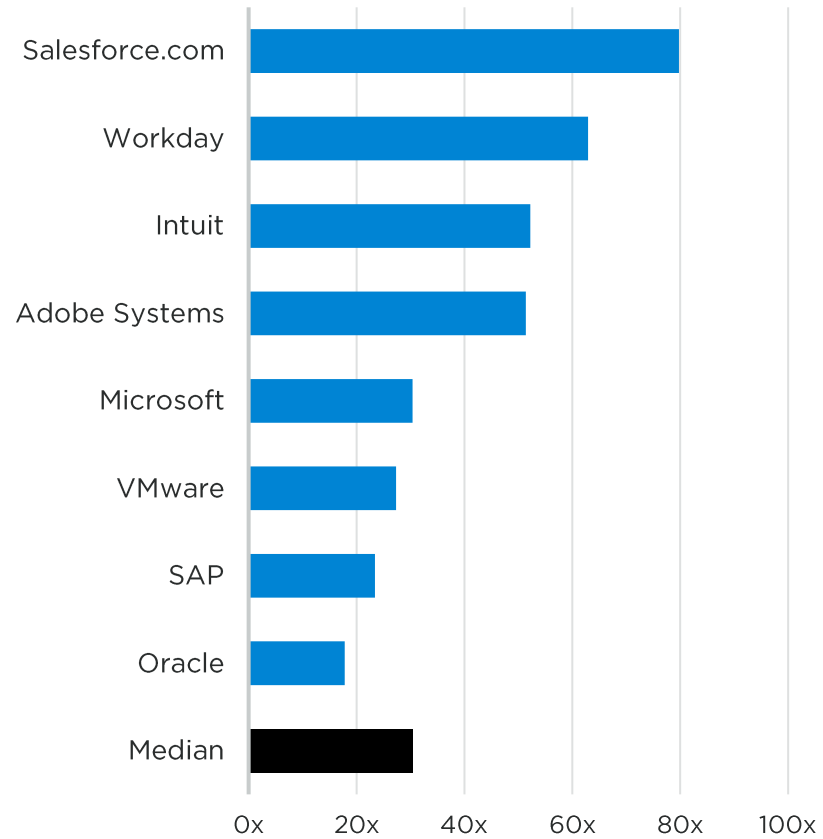


## TEV / LTM EBITDA

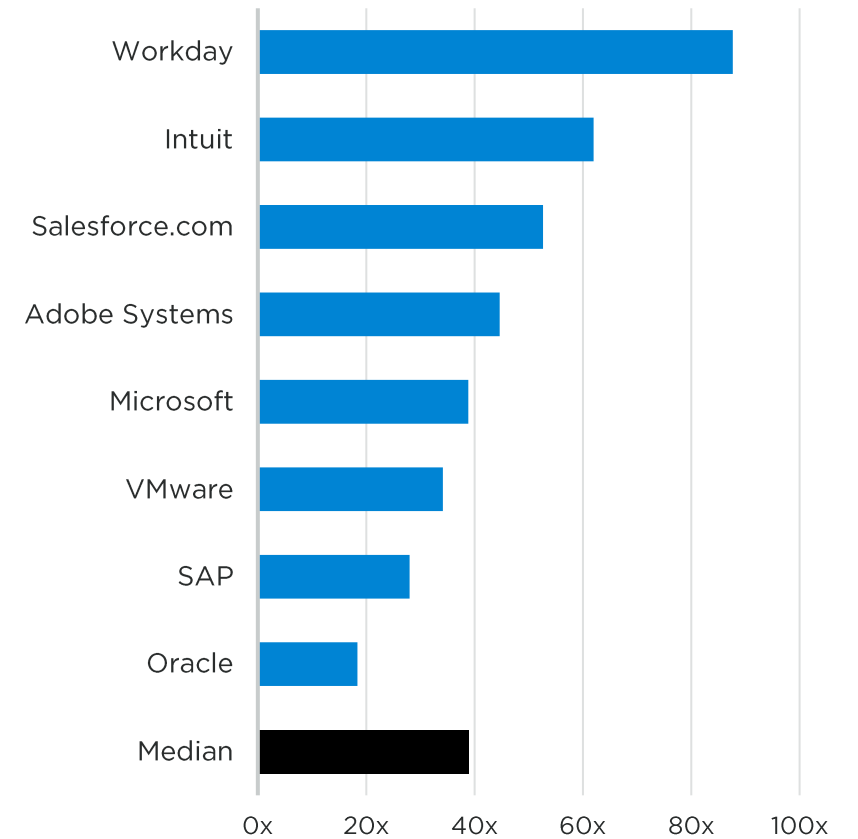


# Valuation

## TEV / LTM EBIT

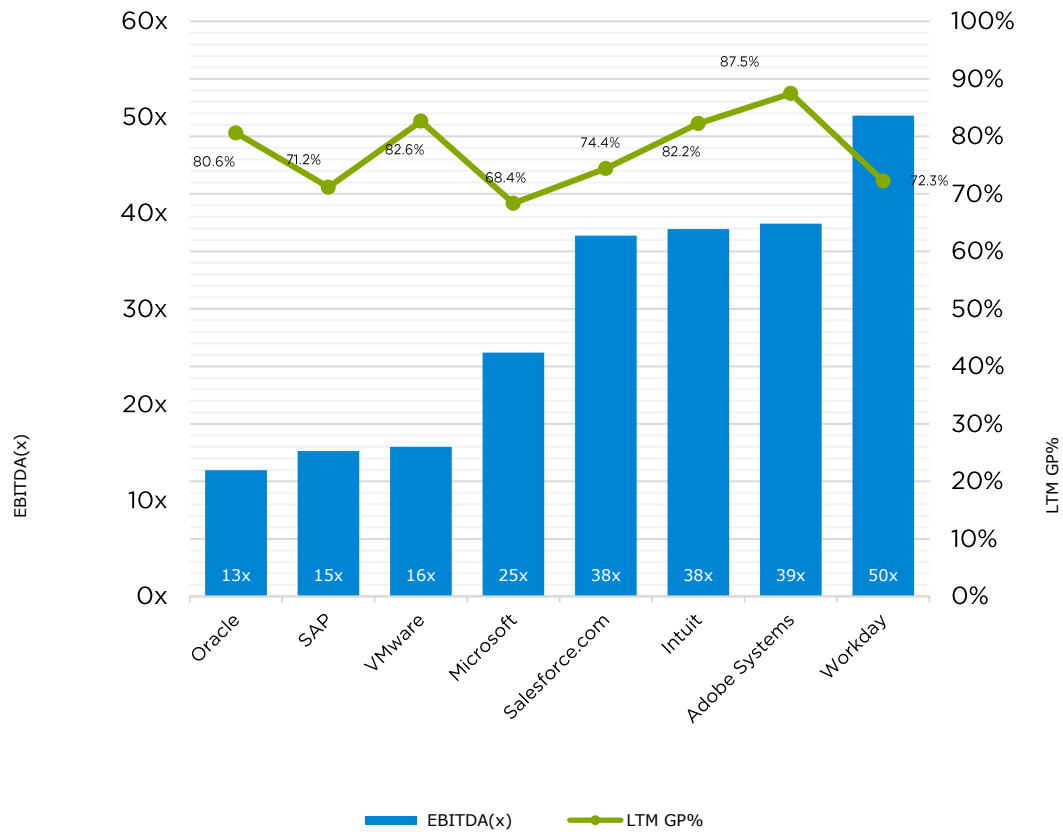


## Price / LTM Earnings

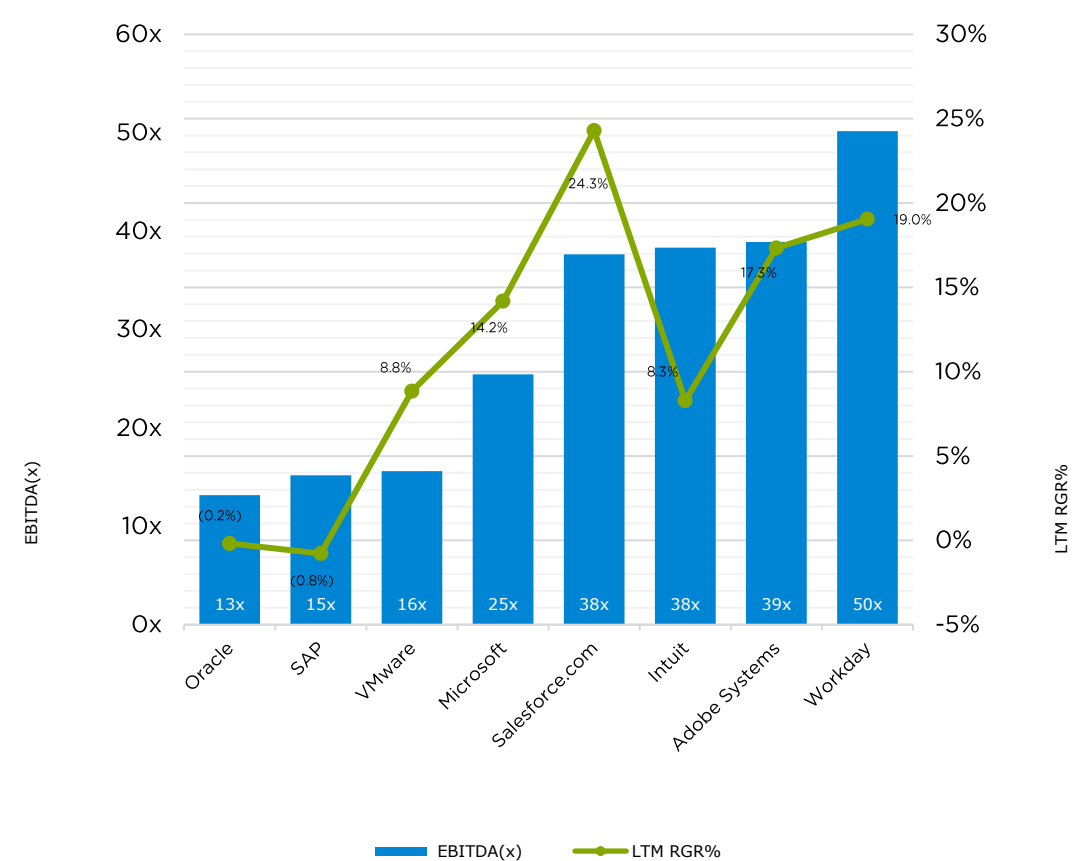


# Valuation

## Historical Valuation Multiples versus Gross Profit



## Historical Valuation Multiples versus Revenue Growth Rate



# Recent Transactions

<b>Date</b>	<b>Target</b>	<b>Buyer</b>	<b>Total Transaction Amount</b>	<b>Target Revenue</b>	<b>TEV / Revenue</b>	<b>TEV / EBITDA</b>
19-Apr-21	Trabian Technology	MVB Financial	-	-	-	-
15-Apr-21	Pointwise	Cadence Design Systems	-	-	-	-
06-Apr-21	Amalto	Sidetrade	-	-	-	-
05-Apr-21	Finantech	Asseco PST	-	-	-	-
05-Apr-21	Nuvi	Reputation.com	-	-	-	-
01-Apr-21	Thinkwise Software	Arches Capital	-	-	-	-
24-Mar-21	Yaguara	Chord (Business/Productivity Software)	-	-	-	-
03-Mar-21	InfoSaaS	Amtivo Group	-	-	-	-
02-Mar-21	Upskill	TeamViewer	-	-	-	-
01-Mar-21	Raynet	PINOVA Capital	-	-	-	-
26-Feb-21	Easit	Jonas Software	-	-	-	-
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	-	-	-	-

# Appendix

*Public Basket  
Contact Information*



## Workday

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

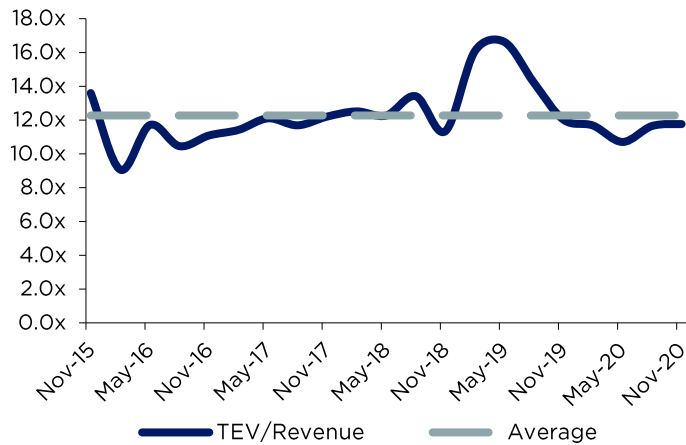
Known for being a cloud-only software provider, Workday is headquartered in Pleasanton, California. Founded in 2005, Workday now employs over 12,000 employees.



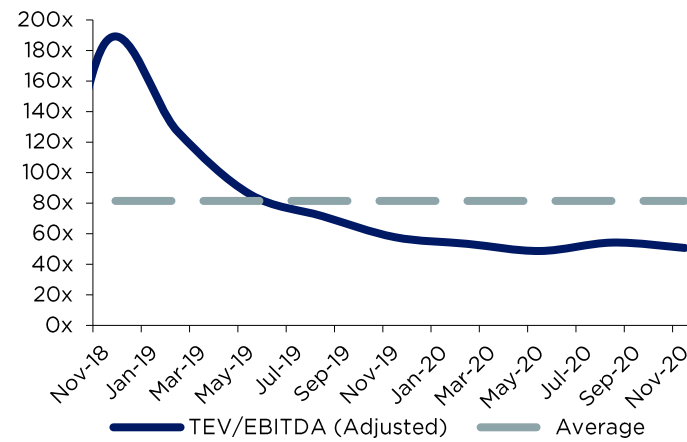
# Public Basket

Workday

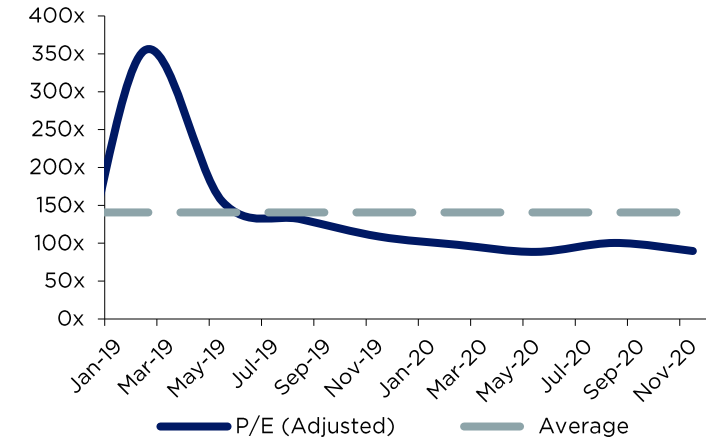
Revenue Multiples - Workday



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 \$513.49 million on December 9, 2019. The acquisition will help the acquirer to deliver a comprehensive source-to-pay solution to its customers.

## VMware

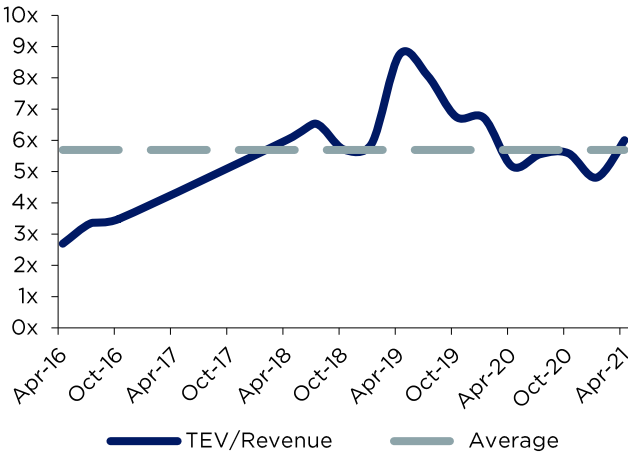
**VMware, a majority-owned subsidiary of Dell, is an industry leader in virtual machines for data center servers and computer desktops.**

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.

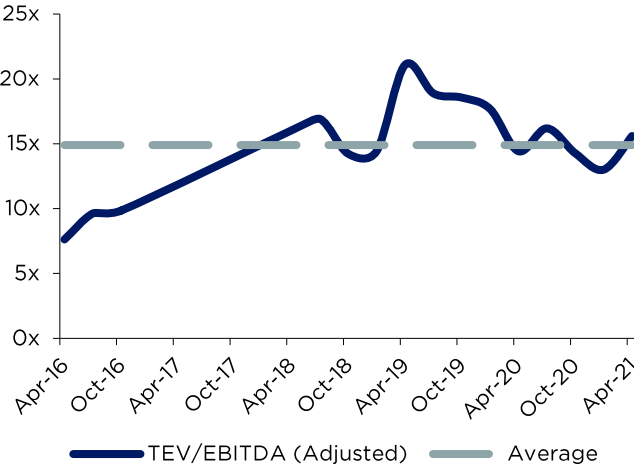
# Public Basket

VMware

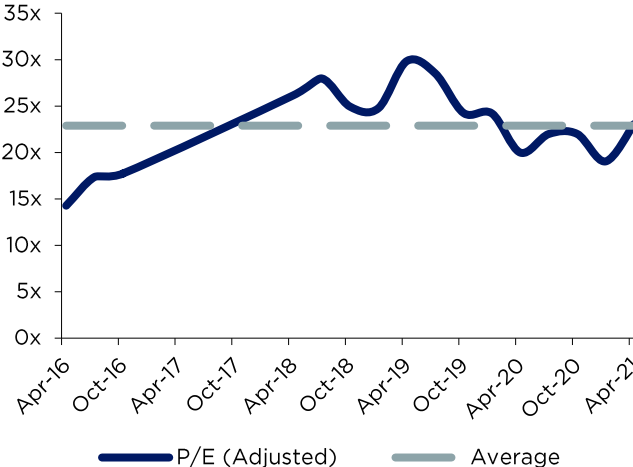
Revenue Multiples - VMware



EBITDA Multiples - VMware



P/E Multiples - VMware



Company Name	Date	Deal Synopsis
SaltStack	13-Oct-20	The company was acquired by VMware (NYS: VMW), a subsidiary of Dell Technologies (NYS: DELL), for \$51 million on October 13, 2020.

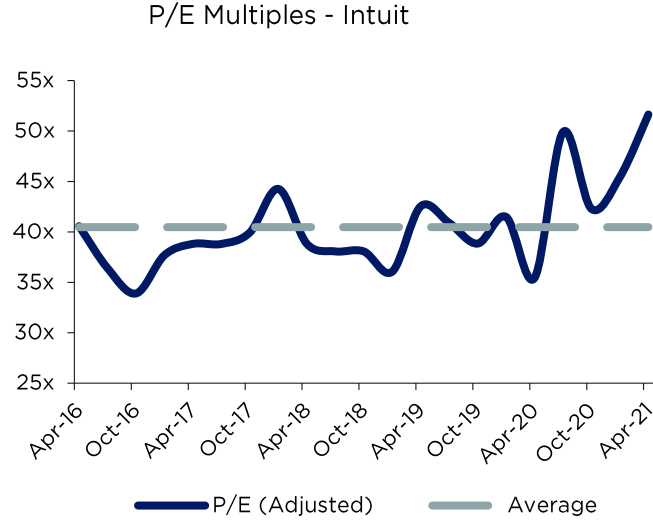
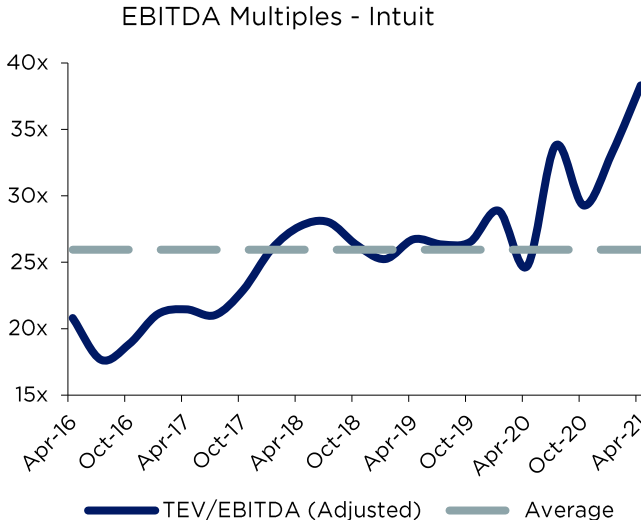
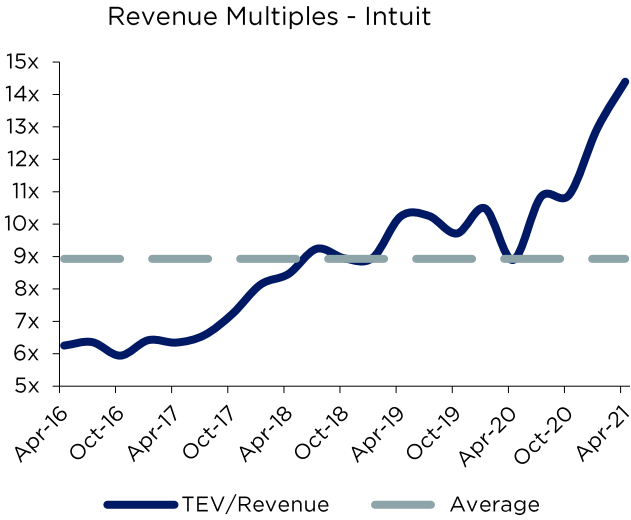
## Intuit

**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



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.

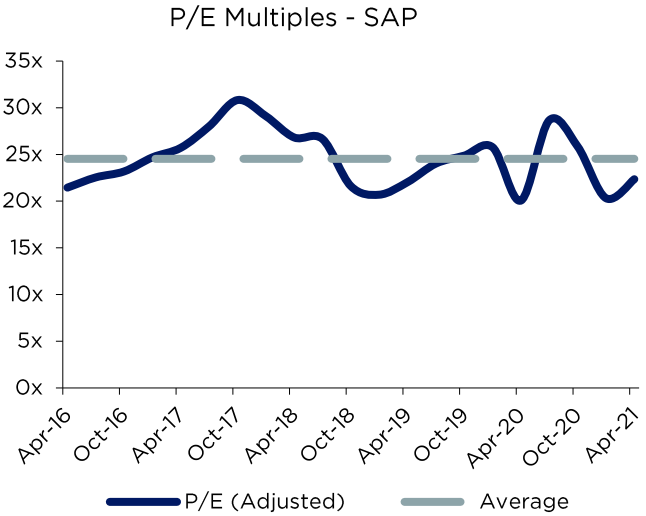
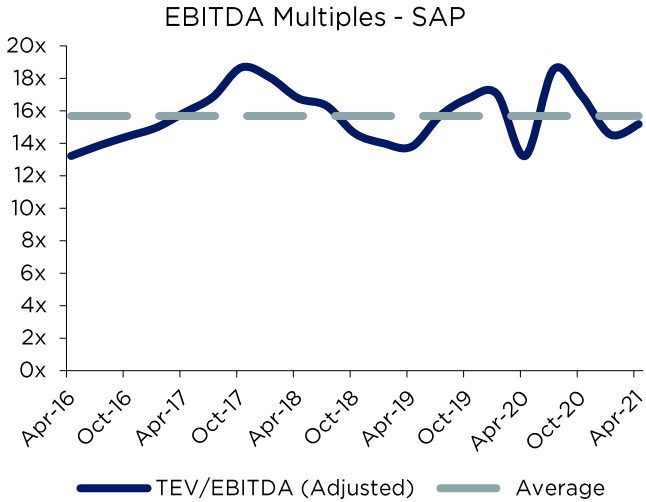
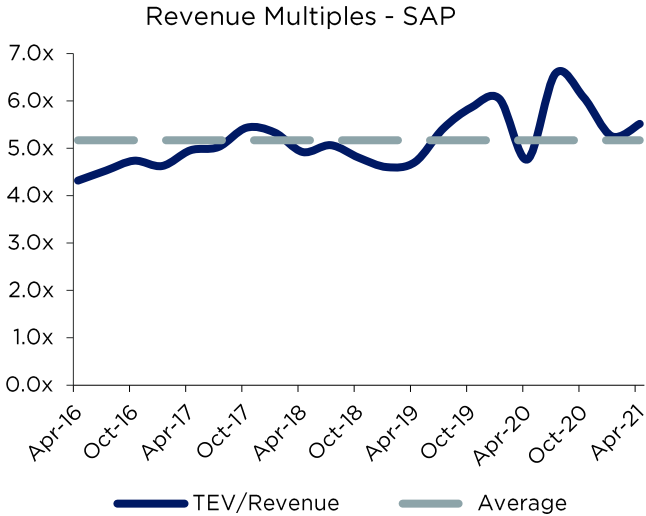
## SAP

**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	05-Mar-21	The company was acquired by SAP (ETR: SAP) for EUR 1 billion on March 5, 2021.

## Oracle

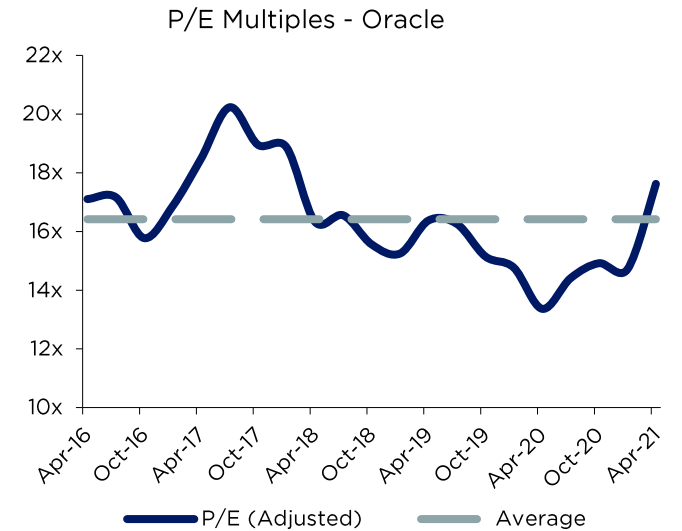
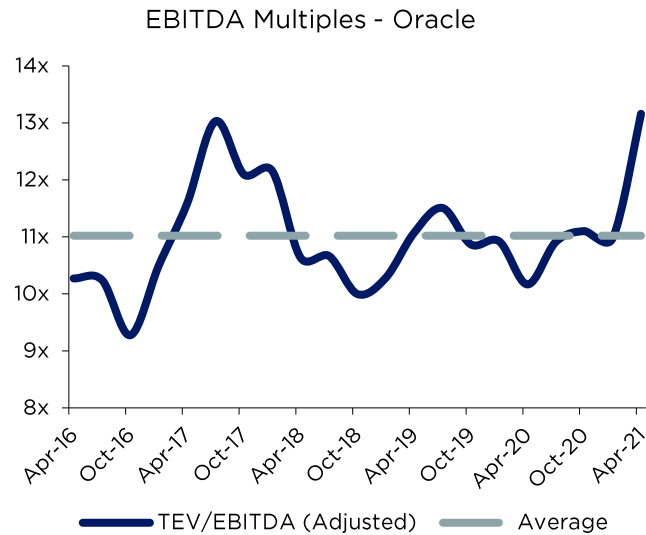
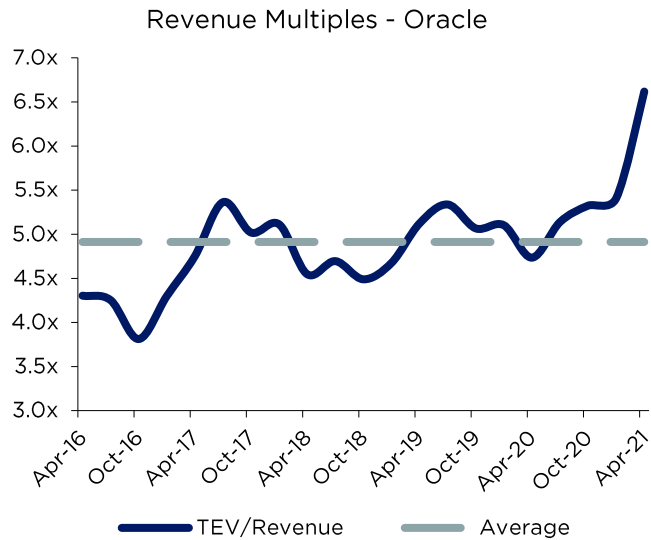
**Oracle provides database technology and enterprise resource planning, or ERP, software to enterprises around the world.**

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.com](https://www.salesforce.com)

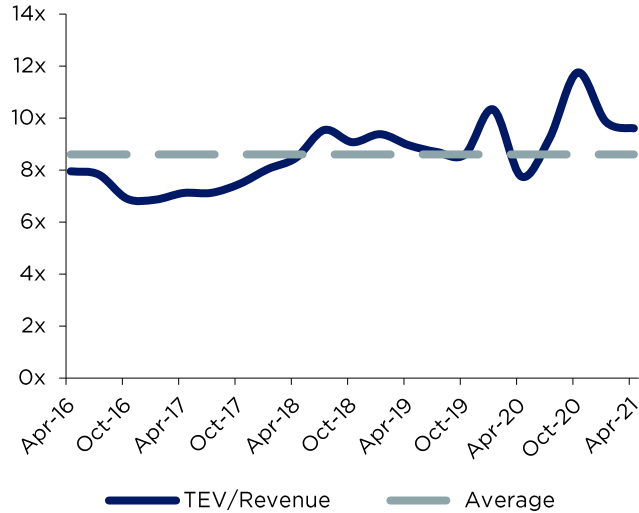
**Salesforce.com provides enterprise cloud computing solutions, including Sales Cloud, the company's main customer relationship management software-as-a-service product.**

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.

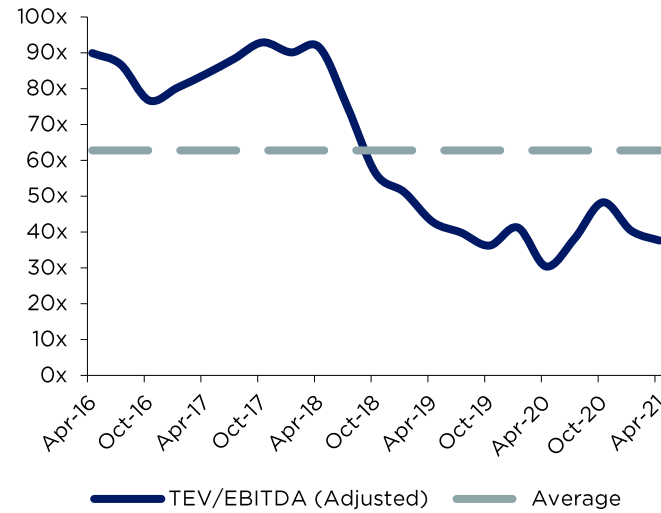
# Public Basket

Salesforce.com

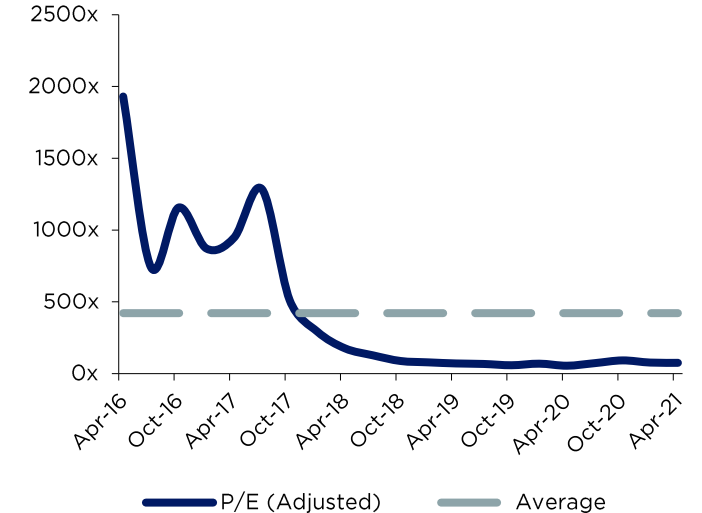
Revenue Multiples - Salesforce.com



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

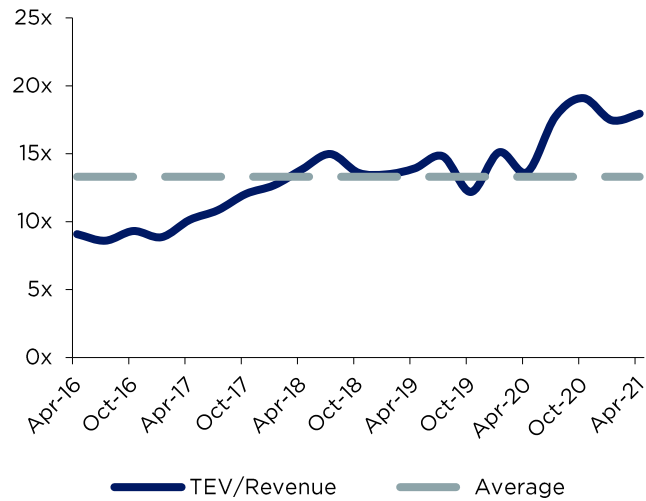
Adobe provides content creation, document management, and digital marketing and advertising software and services to creative professionals and marketers for creating, managing, delivering, measuring, optimizing and **engaging with compelling content multiple operating systems, devices and media.**

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).

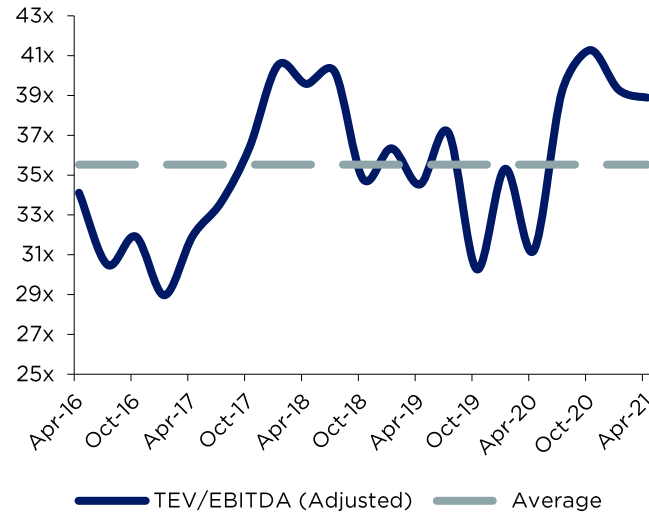
# Public Basket

## Adobe Systems

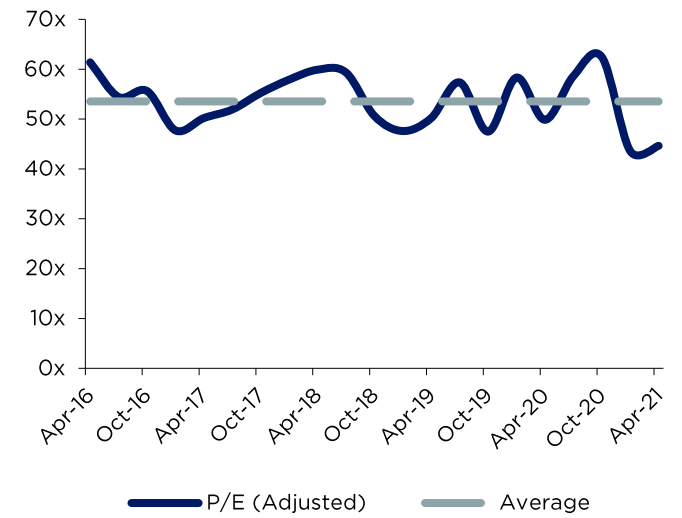
Revenue Multiples - Adobe Systems



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

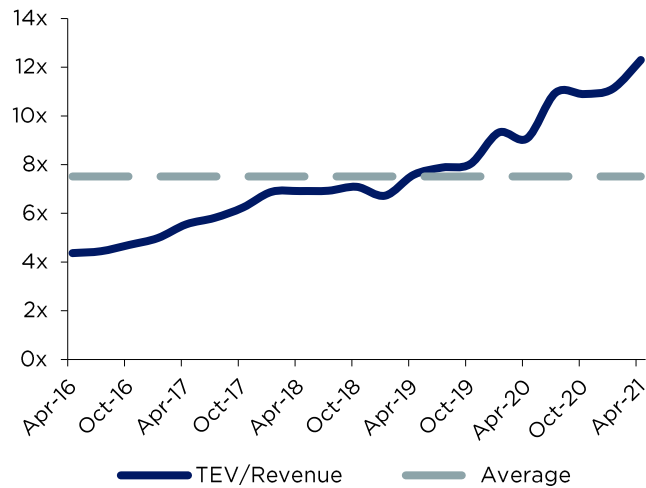
# Microsoft develops and licenses consumer and enterprise software.

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).

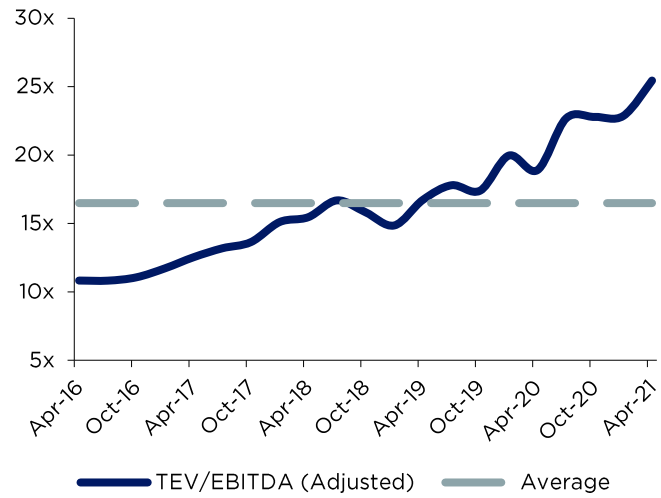
# Public Basket

Microsoft

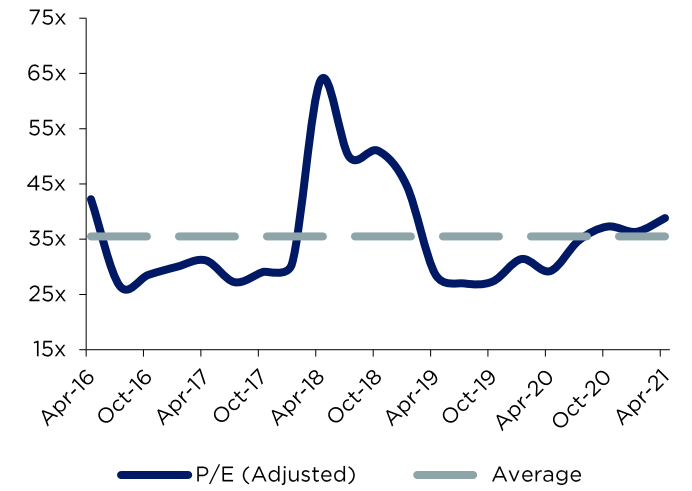
Revenue Multiples - Microsoft



EBITDA Multiples - Microsoft



P/E Multiples - Microsoft



Company Name	Date	Deal Synopsis
Nuance Communications	12-Apr-21	The company reached a definitive agreement to be acquired by Microsoft (NAS: MSFT) for \$16 billion on April 12, 2021. The acquisition will help Microsoft to put advanced AI solutions into the hands of professionals everywhere to drive better decision-making and create more meaningful connections.

# 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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