

7 Mile Advisors



Sectorwatch: Software Engineering

September 2021



Software Engineering

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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

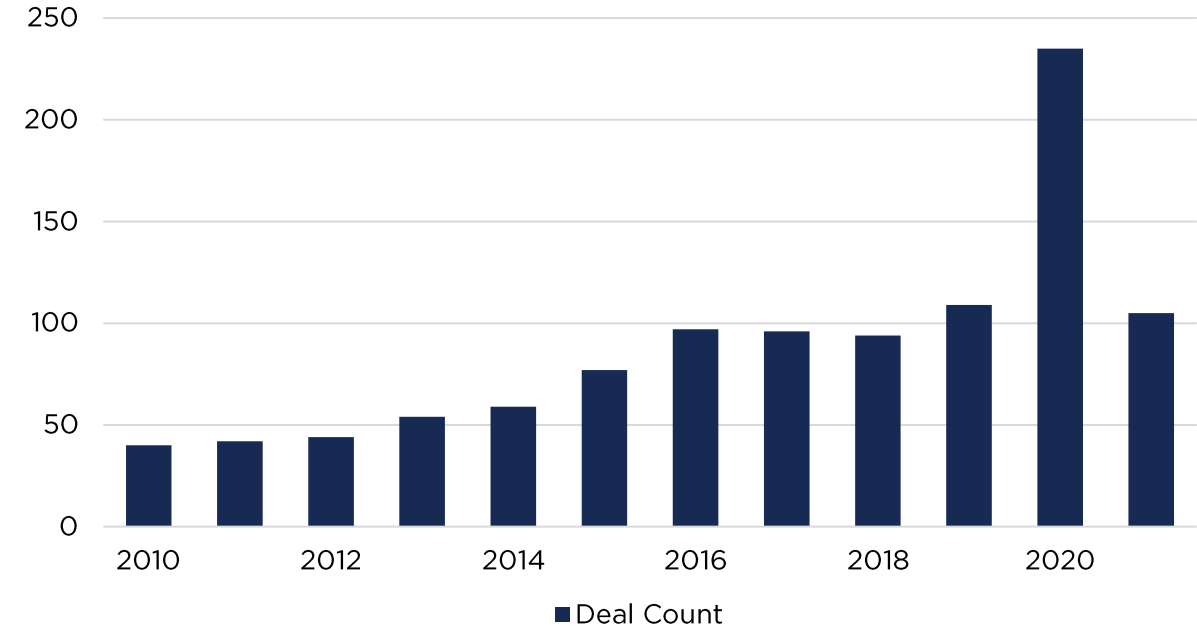
- The most recently announced deals in the sector

Dashboard

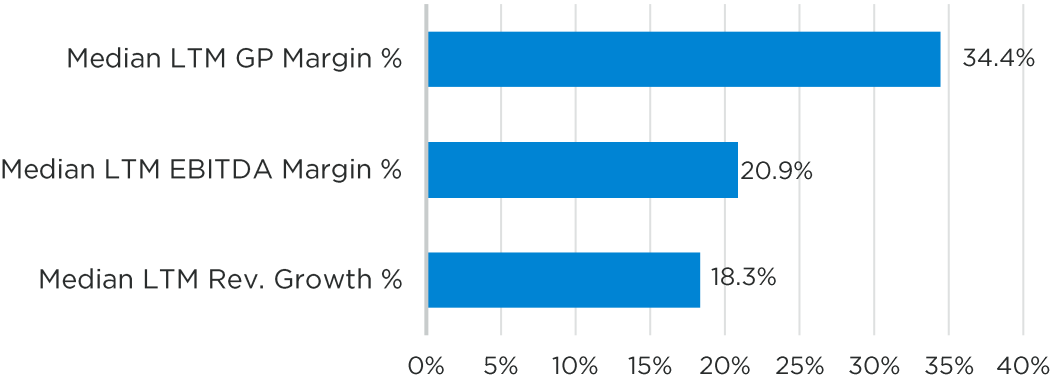
REVENUE GROWTH MOMENTUM ↑ 6.2%

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

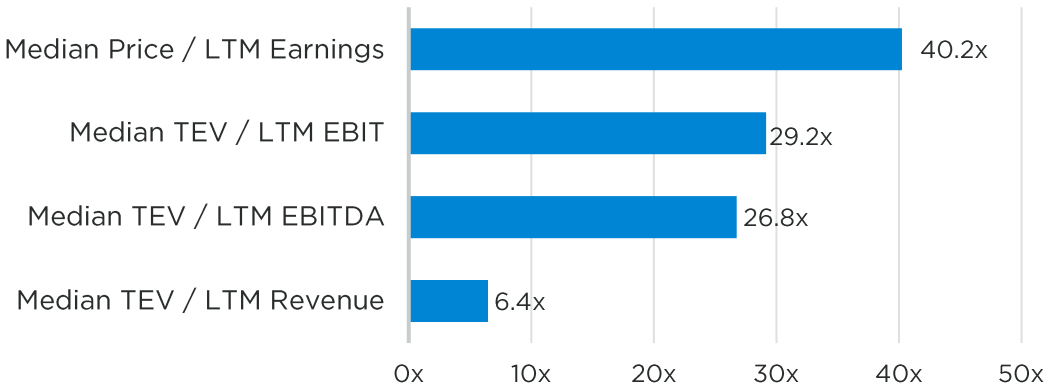
M&A Activity



Operating Metrics



Valuation



Public Basket Overview

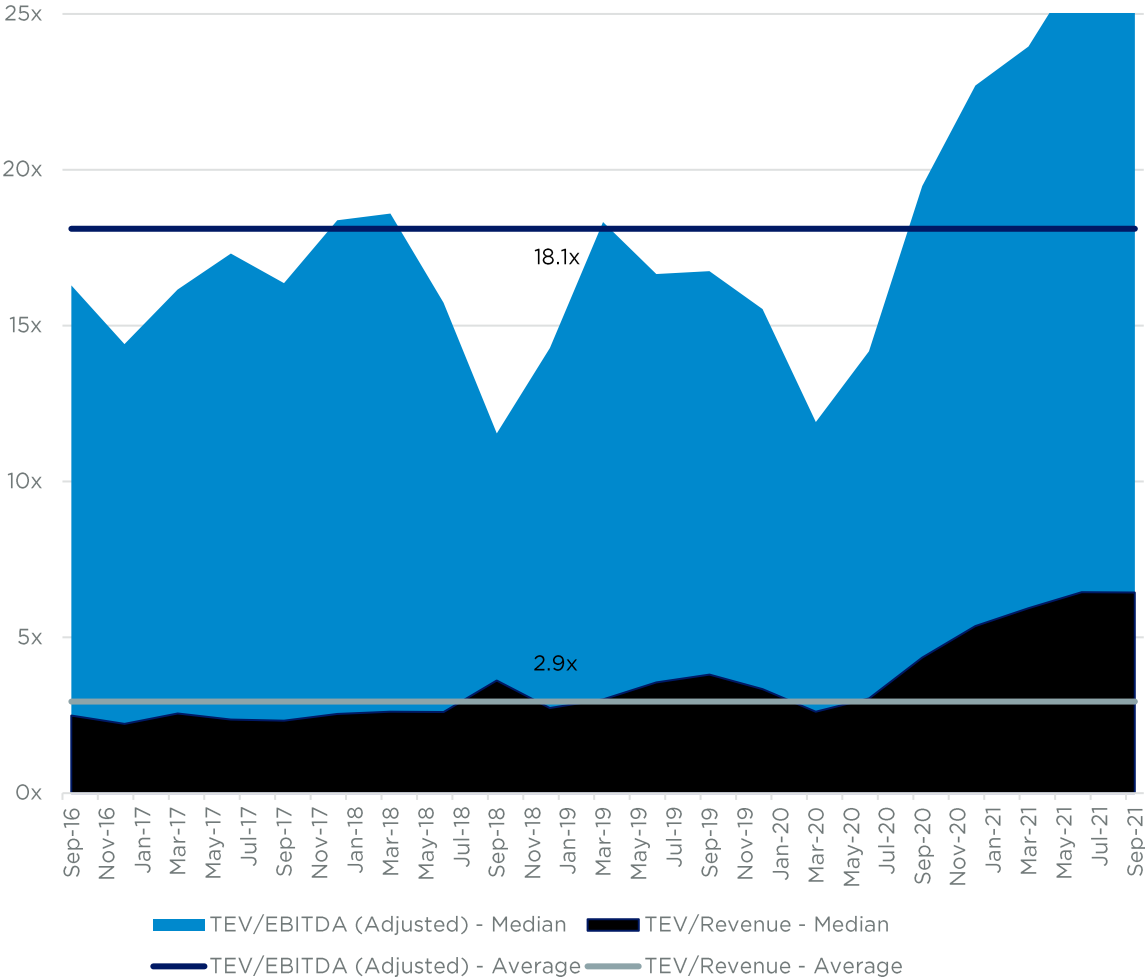


Public Basket

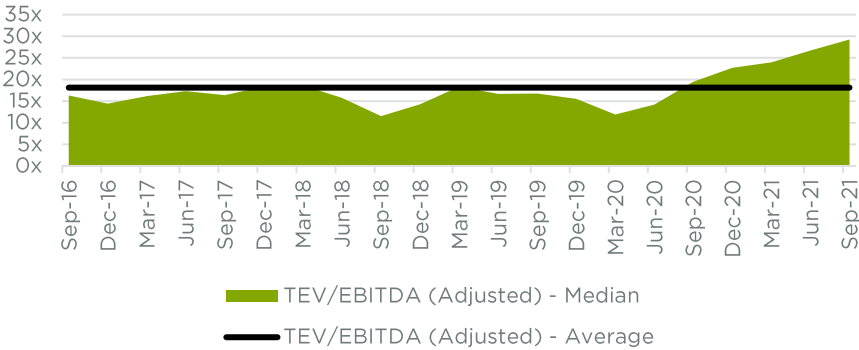
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Tata Consultancy Services	183,837	6,869	23,205	9.0%	47.2%	29.6%	7.9x	26.8x	509,058	46
Capgemini	41,790	2,875	20,239	15.5%	26.3%	14.2%	2.1x	14.5x	289,501	70
Infosys	91,540	4,259	14,223	11.4%	34.9%	29.9%	6.4x	21.5x	259,619	55
Wipro	44,264	2,139	8,845	6.6%	31.5%	24.2%	5.0x	20.7x	200,000	44
EPAM Systems	31,253	671	3,038	21.3%	34.4%	22.1%	10.3x	46.6x	41,168	74
Globant	11,254	146	1,015	39.1%	37.9%	14.4%	11.1x	77.1x	19,400	52
Persistent Systems	3,631	114	600	18.8%	-	19.1%	6.1x	31.7x	10,632	56
Endava	8,328	125	600	27.2%	34.5%	20.9%	13.9x	66.4x	8,883	68
R Systems International	288	24	133	18.3%	34.2%	17.8%	2.2x	12.2x	2,247	59
Average	46,243	1,914	7,989	18.6%	35.1%	21.3%	7.2x	35.3x	148,945	58
Median	31,253	671	3,038	18.3%	34.4%	20.9%	6.4x	26.8x	41,168	56

share price as of 30Sep21

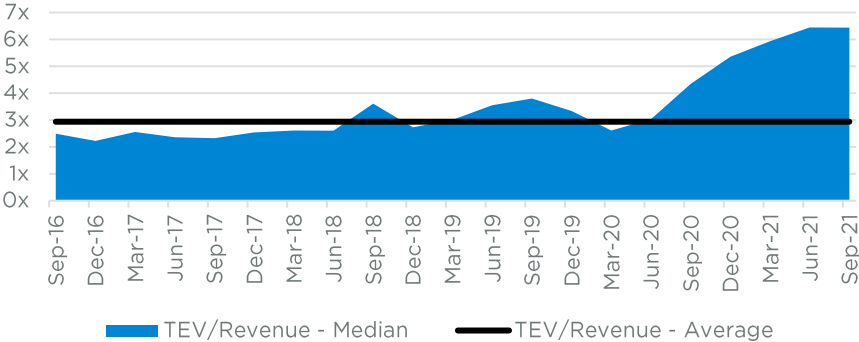
Public Basket



Public EBITDA Multiples over Time

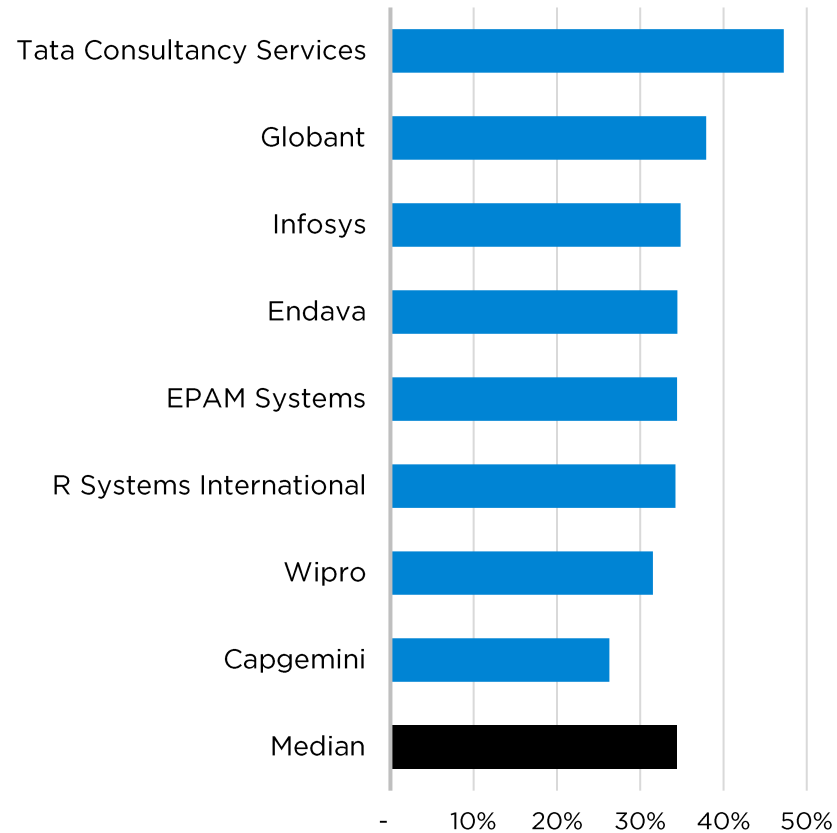


Public Revenue Multiples over Time

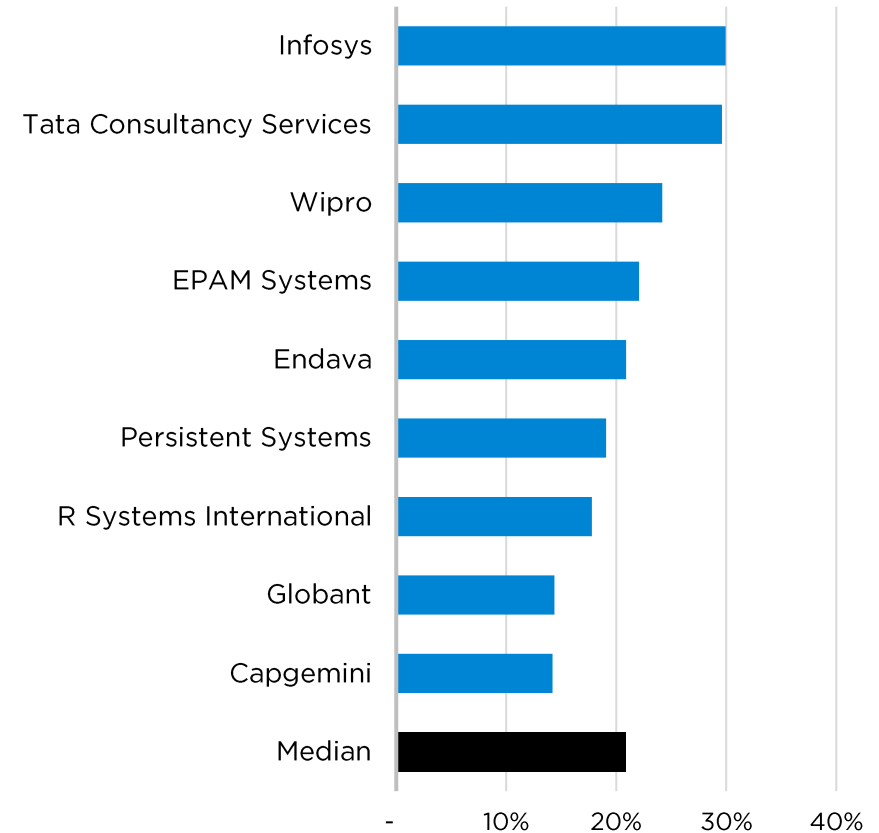


Operational Metrics

LTM Gross Profit Margin %

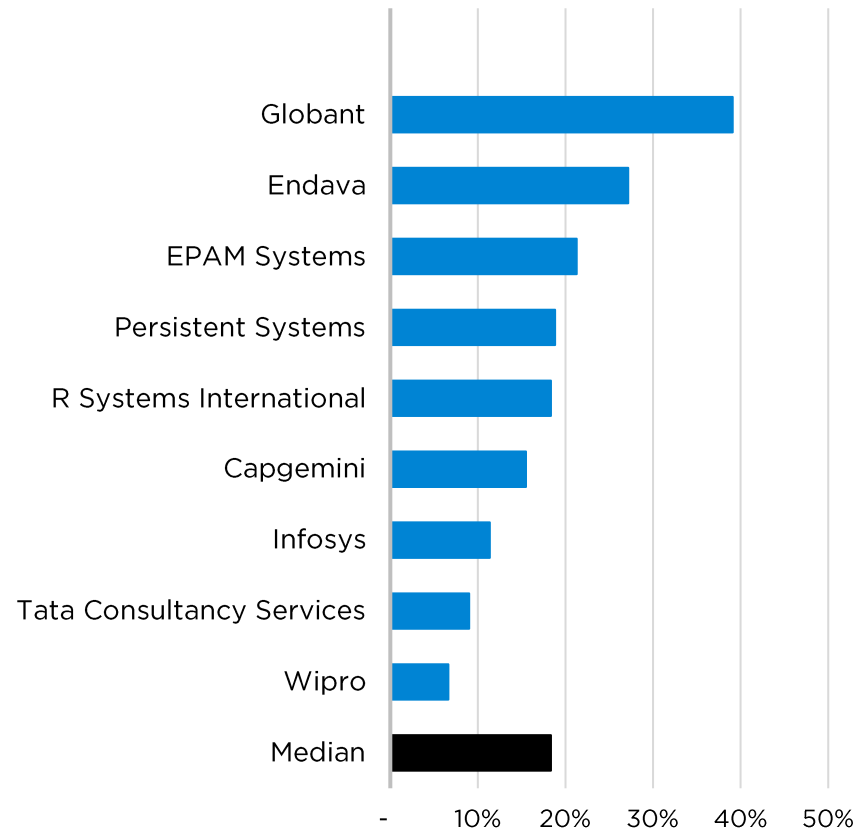


LTM EBITDA %

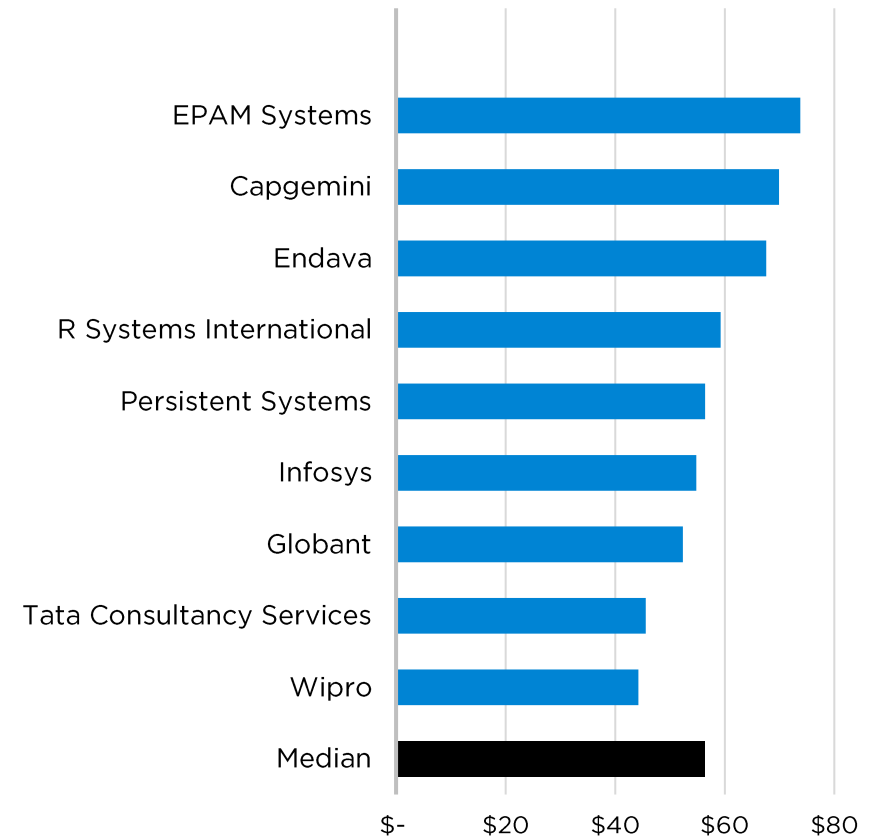


Operational Metrics

LTM Revenue Growth %

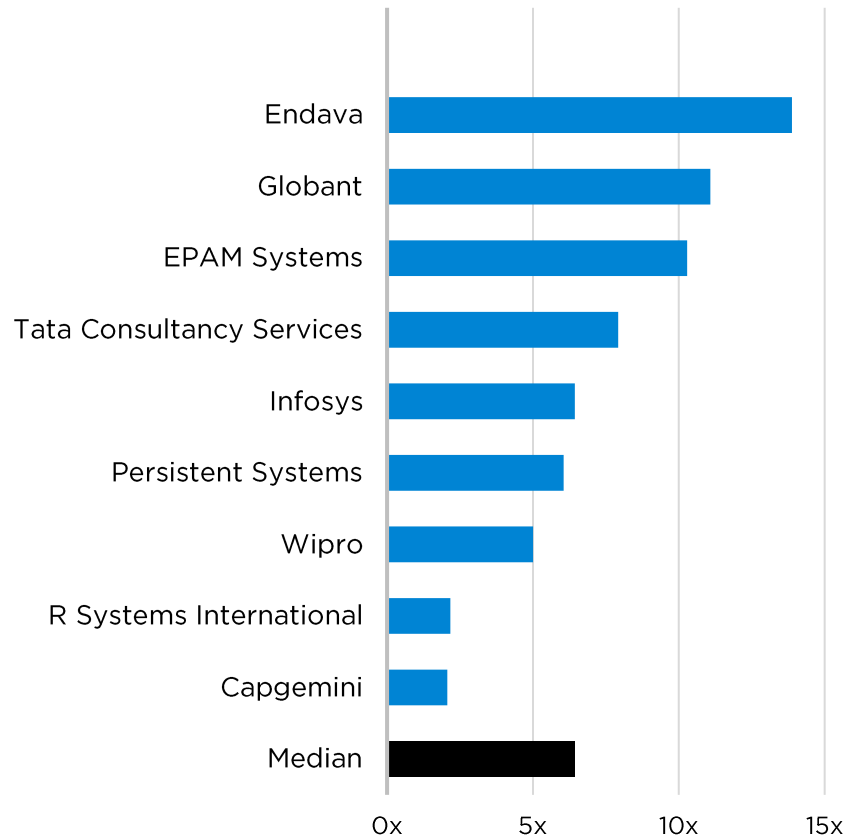


LTM Revenue per Full Time Employee x 000's

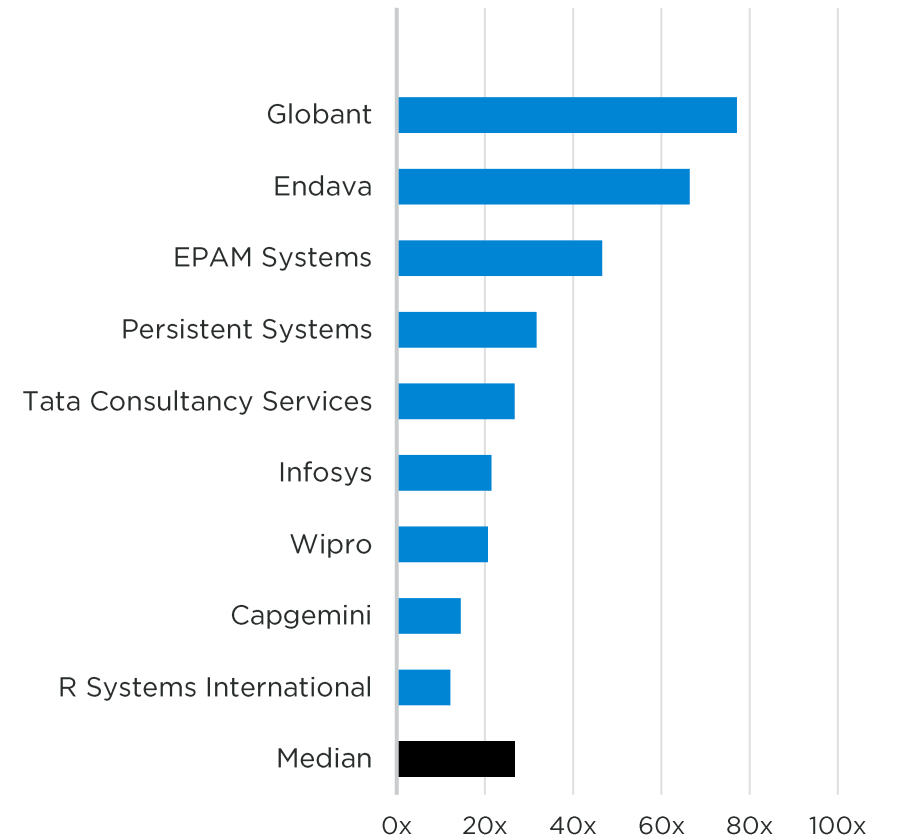


Valuation

TEV / LTM Revenue

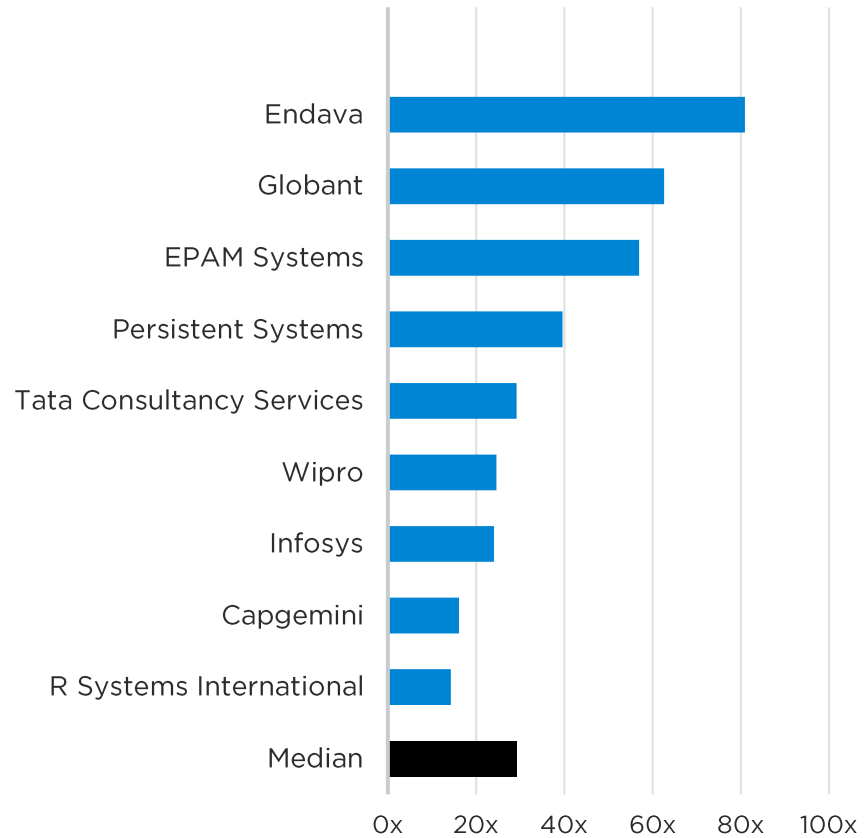


TEV / LTM EBITDA

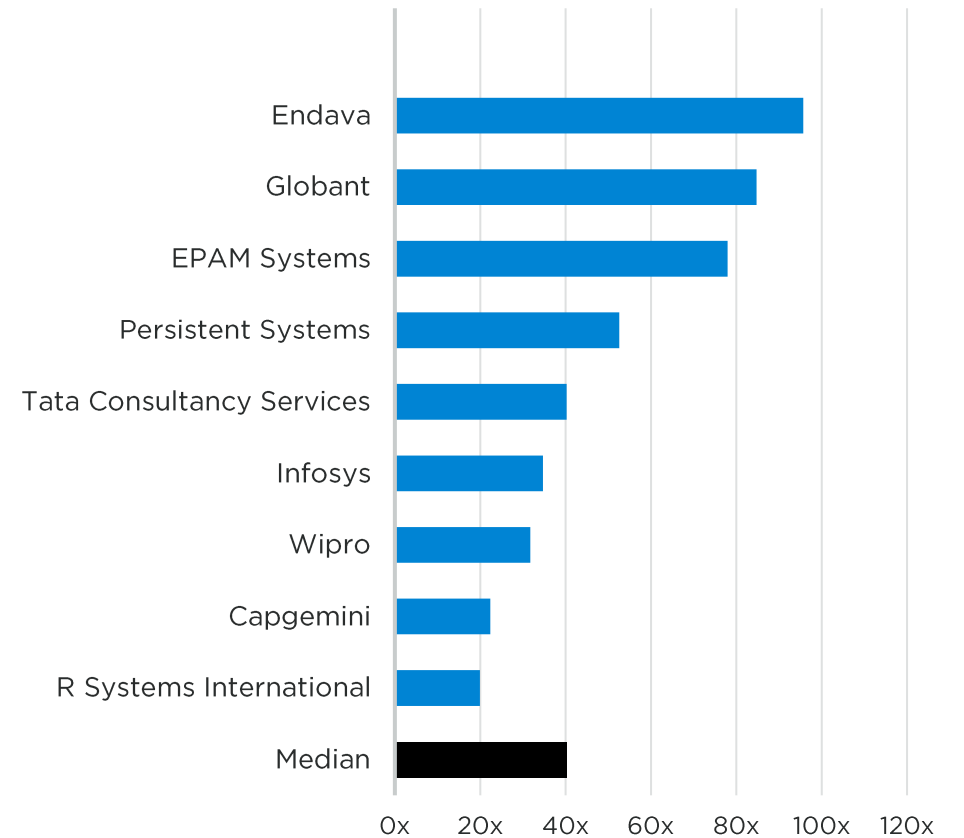


Valuation

TEV / LTM EBIT

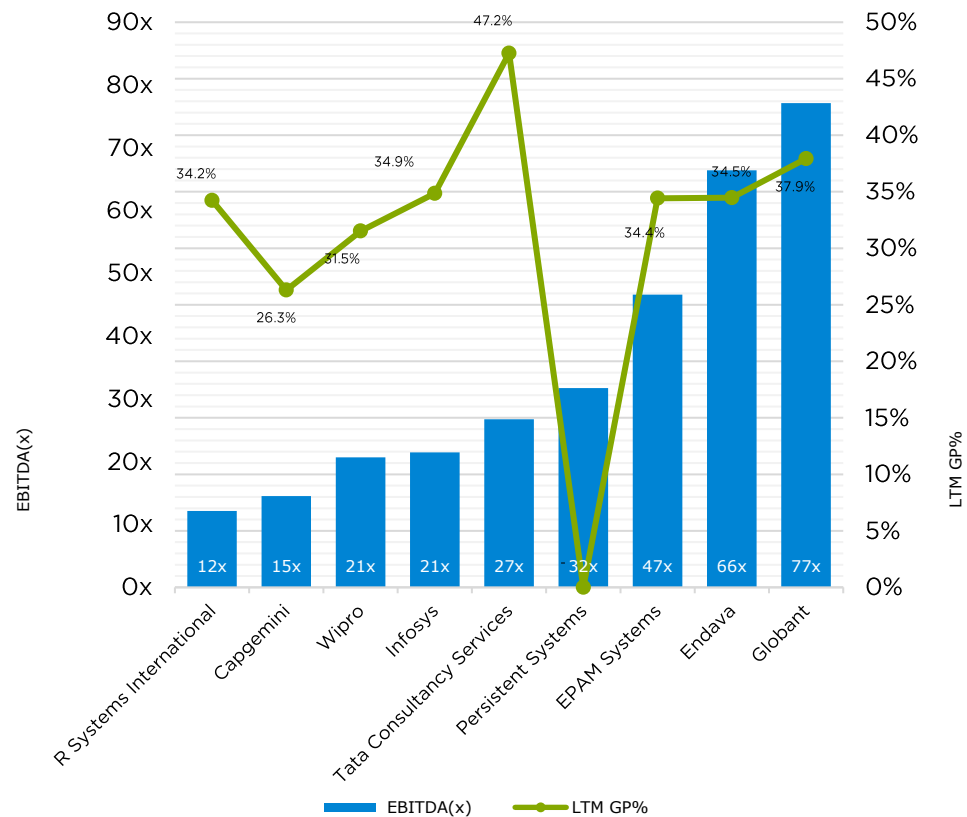


Price / LTM Earnings

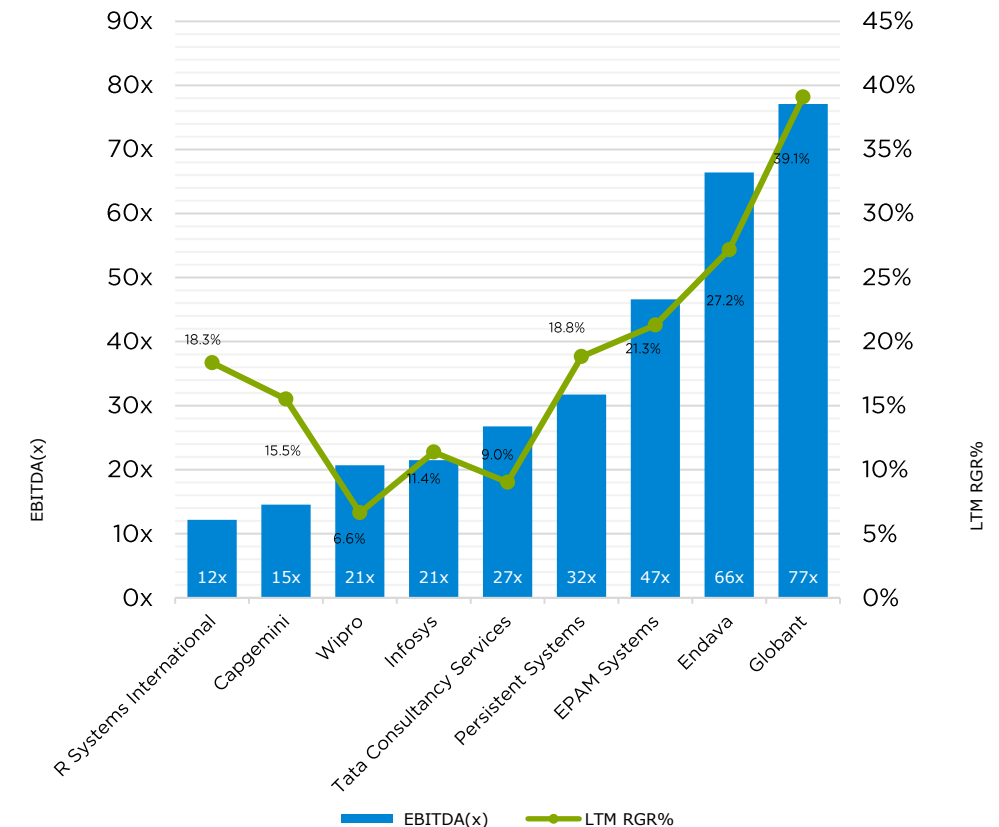


Valuation

Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions

Date	Target	Buyer	Total Transaction Amount	Target Revenue (TTM at time of deal)	TEV / Revenue	TEV / EBITDA
28-Sep-21	SAGE Black Consulting and Contracting	Criterion Systems	-	-	-	-
23-Sep-21	lister digital	Bounteous	-	-	-	-
22-Sep-21	Protas Solutions	Criterion Systems	-	-	-	-
08-Sep-21	Voonyx	Levio	-	-	-	-
02-Sep-21	DIGITALiBiz	Chickasaw Nation Industries	-	-	-	-
24-Aug-21	Trusted Concepts	The Carlyle Group	-	-	-	-
16-Aug-21	Specialty Systems (New Jersey)	Castellum, Inc	-	-	-	-
30-Jul-21	ICT Group (Netherlands)	NPM Capital	163.44	182.41	0.74	4.32
29-Jul-21	Factum IT	Tresmares Capital	29.56	-	1.90	-
13-Jul-21	GlobalLogic	Hitachi	8500.00	-	7.08	8.50
06-Jul-21	Daitan	Encora	-	-	-	-
02-Jul-21	VHE Industrial Automation	Torqx Capital Partners	-	-	-	-
01-Jul-21	Rooster Park	Eliassen Group	-	-	-	-
30-Jun-21	Seven4N	EPAM Systems	-	-	-	-
09-Jun-21	Reiz Tech	#VALUE!	-	-	3.24	-
01-Jun-21	RDA (Pennsylvania)	Sentient Digital	-	-	-	-
27-May-21	CoMakeIT	Waterland Private Equity Investments	-	-	-	-
26-May-21	Industrie IT	Accenture	-	-	-	-
21-May-21	incubed IT	Verizon Communications	-	-	-	-
18-May-21	Nexient	NTT Data Services (US)	-	-	-	-
06-May-21	cloudThing	Kerv (UK)	-	-	-	-
03-May-21	Process Stream	Sikich	-	-	-	-
30-Apr-21	DTI Digital	WPP	-	-	-	-
22-Apr-21	Evolaris Next Level	Tablet Solutions	-	-	-	-
08-Apr-21	Praeibus Communications	Adaptive Ad Systems	-	-	-	-

Appendix

*Public Basket
Contact Information*



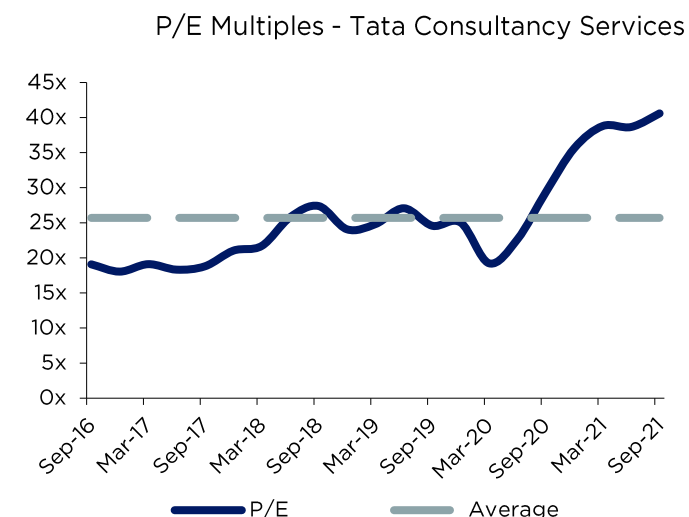
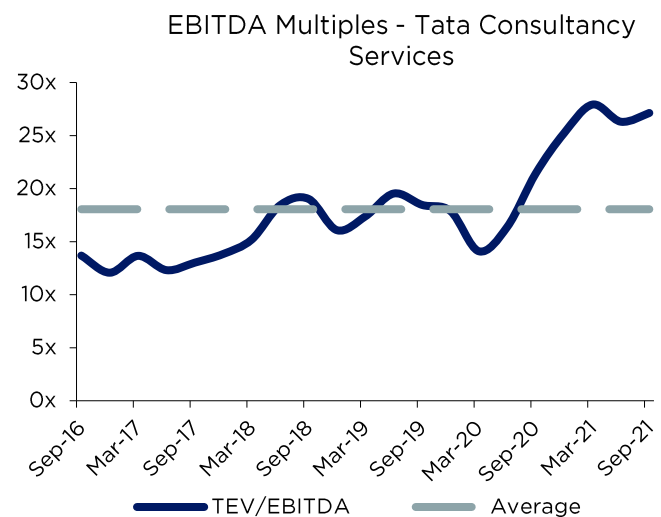
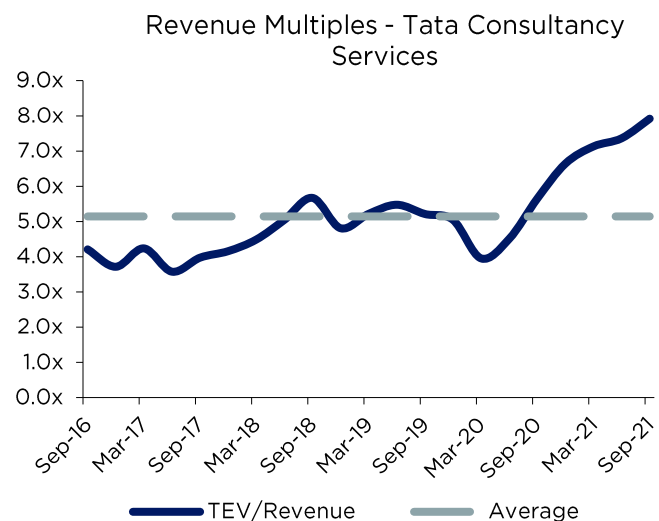
Tata Consultancy Services

Tata Consultancy Services is a leading global IT services provider, with nearly 450,000 employees.

Based in Mumbai, the India IT services firm leverages its offshore outsourcing model to derive half of its revenue from North America. The company offers traditional IT services offerings: consulting, managed services, and cloud infrastructure services as well as business process outsourcing as a service, or BPaaS.

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	The company, a subsidiary of Prudential Financial (NYS: PRU), reached a definitive agreement to be acquired by Tata Consultancy Services (NSE: TCS) 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

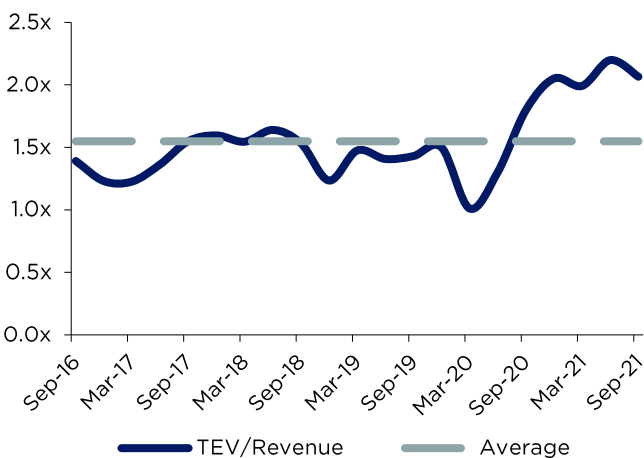
Capgemini is a French IT services company with a global presence.

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.

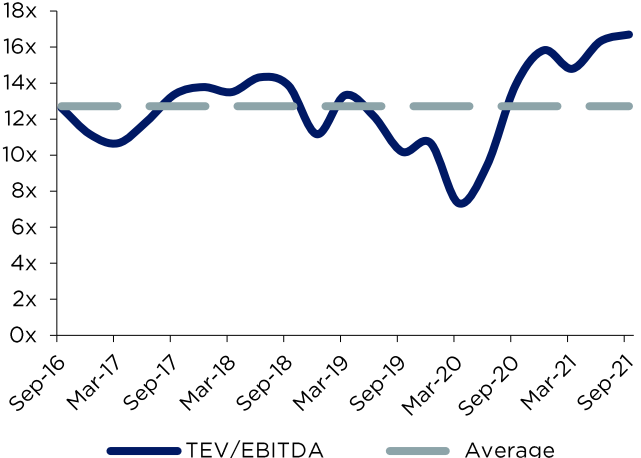
Public Basket

Capgemini

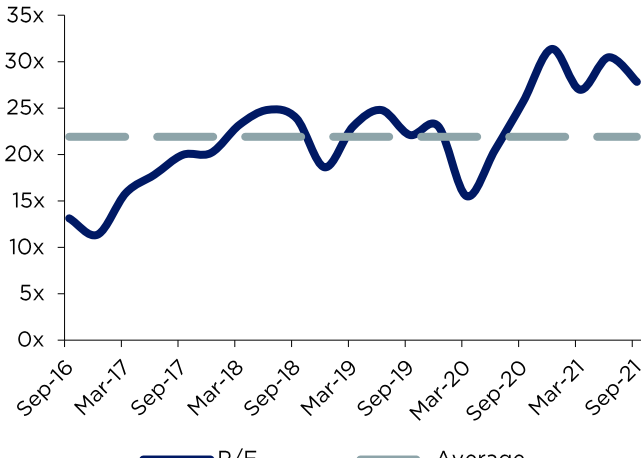
Revenue Multiples - Capgemini



EBITDA Multiples - Capgemini



P/E Multiples - Capgemini



Company Name	Date	Deal Synopsis
VariQ	14-Sep-21	The company reached a definitive agreement to be acquired by Capgemini (PAR: CAP) for an undisclosed amount on September 14, 2021. This acquisition would allow Capgemini to increase its capabilities in software development, cybersecurity, and cloud services to support federal agencies.
Empired	19-Jul-21	The company reached a definitive agreement to be acquired by Capgemini (PAR: CAP) for AUD 233 million on July 19, 2021. The acquisition strengthens Capgemini's client portfolio across key industries, notably in Mining, Utilities and Government.

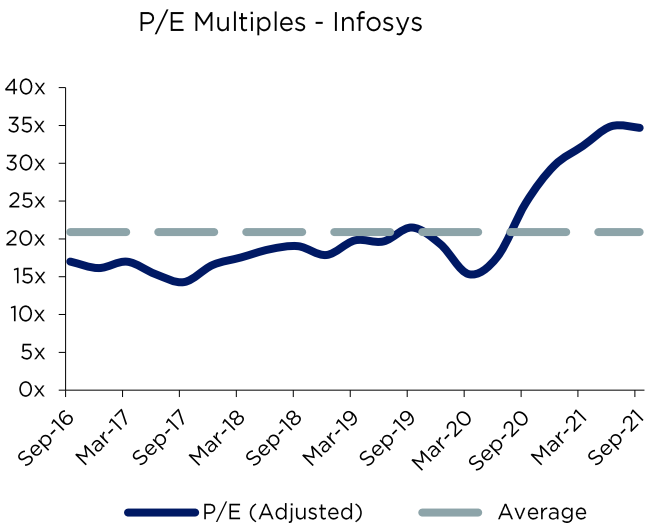
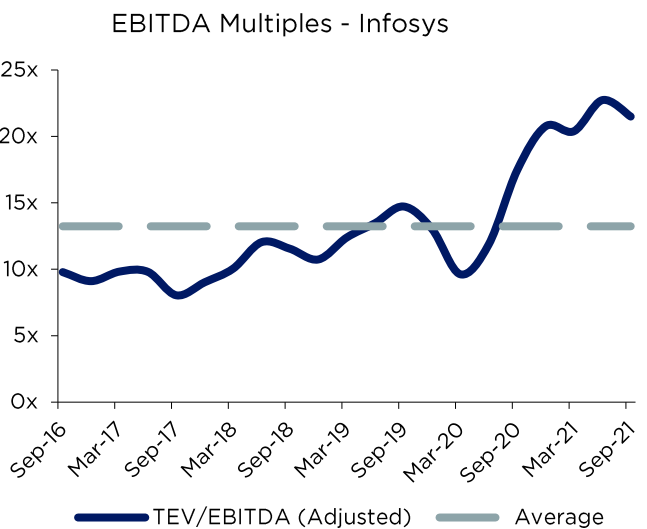
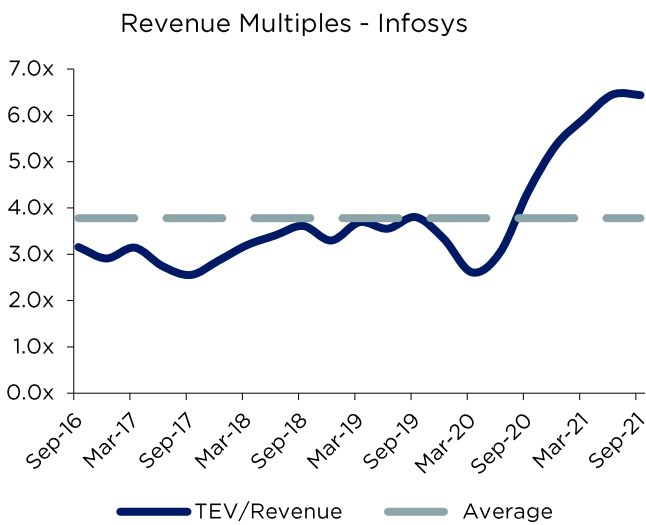
Infosys

**Infosys is a leading global IT services provider,
with nearly 250,000 employees.**

Based in Bangalore, the Indian IT services firm leverages its offshore outsourcing model to derive 60% of its revenue from North America. The company offers traditional IT services offerings: consulting, managed services and cloud infrastructure services, and business process outsourcing as a service (BPaaS).

Public Basket

Infosys



Company Name	Date	Deal Synopsis
TidalScale	16-Aug-21	The company is reportedly in the process of raising \$450,000 funding from Infosys on August 16, 2021. It plans to close the round by the second quarter of FY2022. The funds will be used to be utilized for R&D, business development, and working capital needs.
Daimler (IT Assets in Germany)	12-Apr-21	The IT Assets in Germany of Daimler were acquired by Infosys (NSE: INFY) for an undisclosed amount on April 12, 2021.

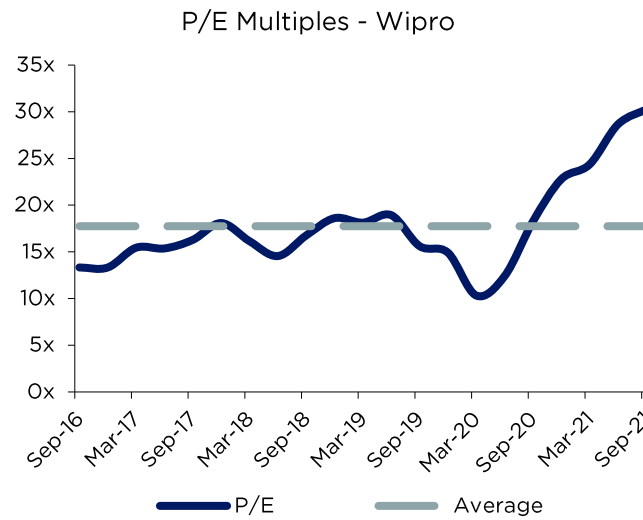
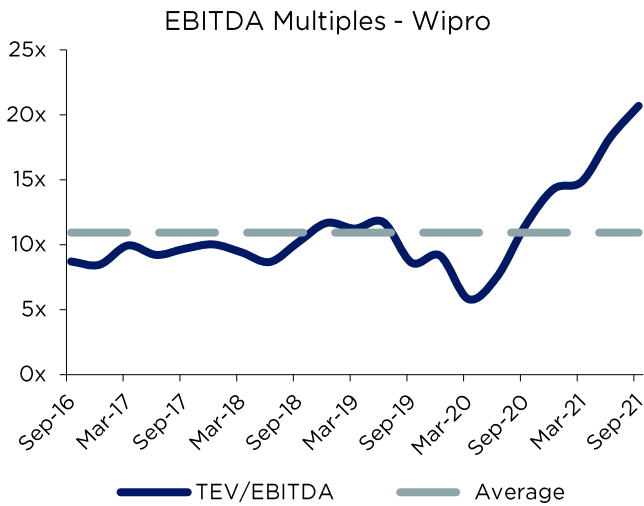
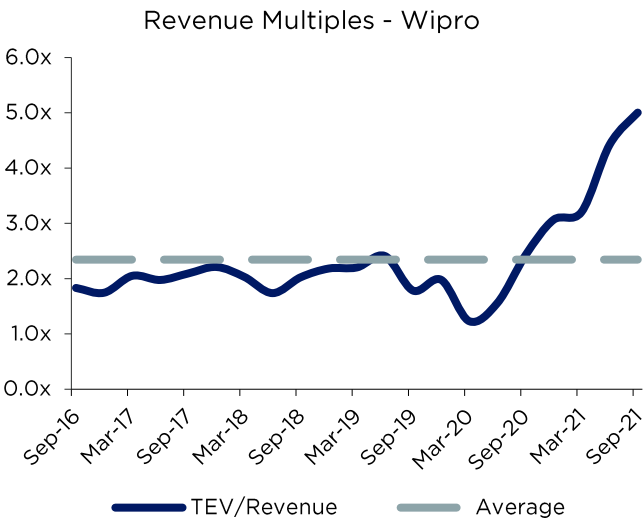
Wipro

**Wipro is a leading global IT services provider,
with 175,000 employees.**

Based in Bengaluru, the Indian IT services firm leverages its offshore outsourcing model to derive over half of its revenue (57%) from North America. The company offers traditional IT services offerings: consulting, managed services, and cloud infrastructure services as well as business process outsourcing as a service.

Public Basket

Wipro



Company Name	Date	Deal Synopsis
Ampion	06-Aug-21	The company, a subsidiary of Pemba Capital Partners, was acquired by Wipro (BOM: 507685) for AUD 117 million on August 6, 2021.
Squadcast	21-Jun-21	The company raised \$6 million of pre-series A venture funding in a deal led by DNX Ventures on June 21, 2021, putting the company's pre-money valuation at \$17 million. Wipro and Chiratae Ventures India Advisors also participated in the round. The funds will be used to expand its product suite, grow its teams across all functions, and further expand on its goal to democratize SRE adoption for organizations of all sizes.

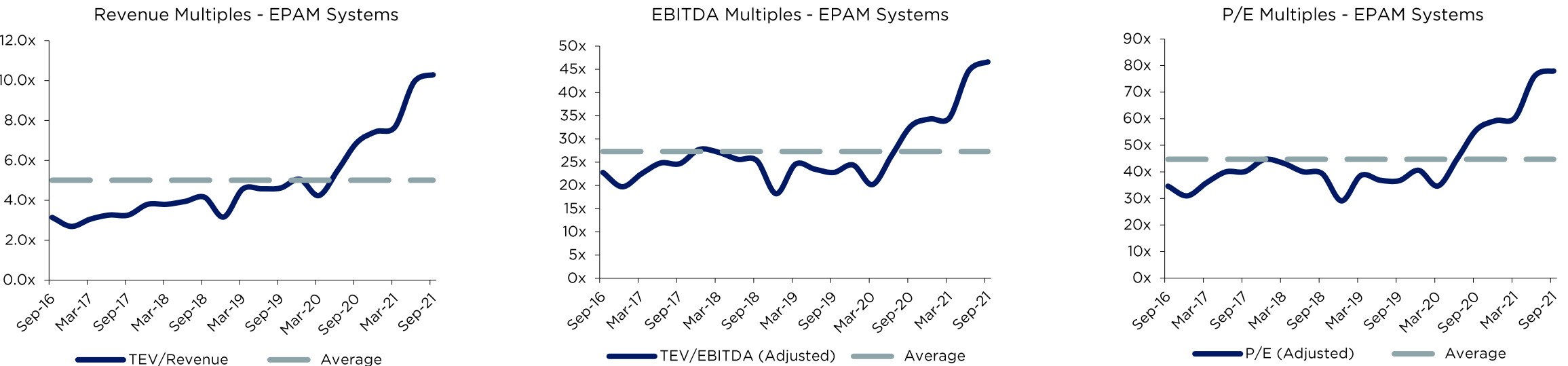
EPAM Systems

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

The company services include 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 its 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
Emakina Group	14-Aug-21	The company reached a definitive agreement to be acquired by EPAM Systems (NYS: EPAM) for an undisclosed amount on August 14, 2021.
CORE SE	27-Jul-21	The company was acquired by EPAM Systems (NYS: EPAM) for an undisclosed amount on July 27, 2021. The acquisition strengthens EPAM's position as a consultancy leader in the DACH region and also expands its ability to support customers as a strategic consultant in Berlin, Frankfurt, Zurich, London and Dubai.

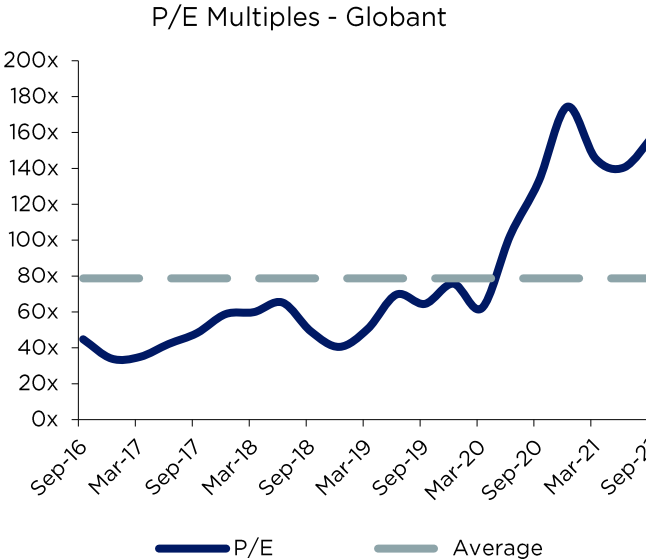
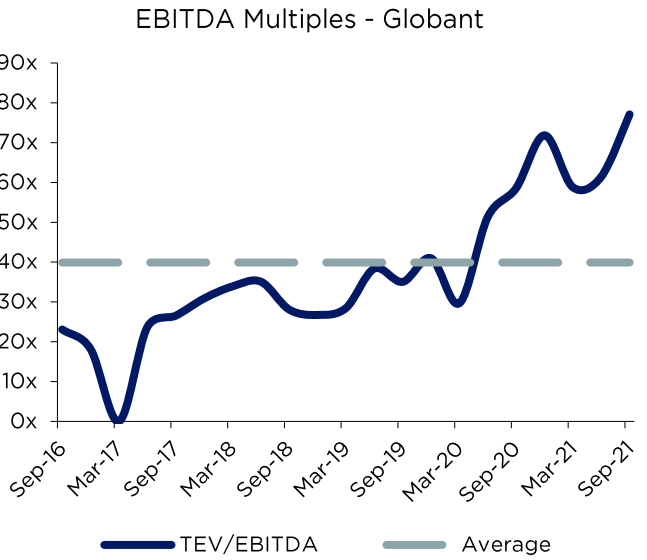
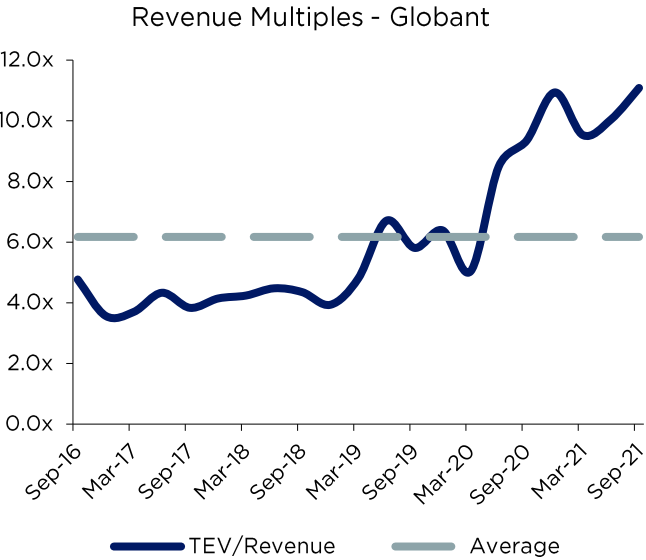
Globant

Globant SA is a software technology developer based in Luxembourg.

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
Atix Labs	05-Oct-21	The company was acquired by Globant (NYS: GLOB) for an undisclosed amount on October 5, 2021.
VU Security	12-Jul-21	The company raised \$12 million of Series B venture funding from Telefónica Tech Ventures, Globant and Bridge One on July 12, 2021. IDB Lab., NXTP Ventures and Agrega Partners also participated in the round. The funds will be used to hire developers across Europe and in the U.S.

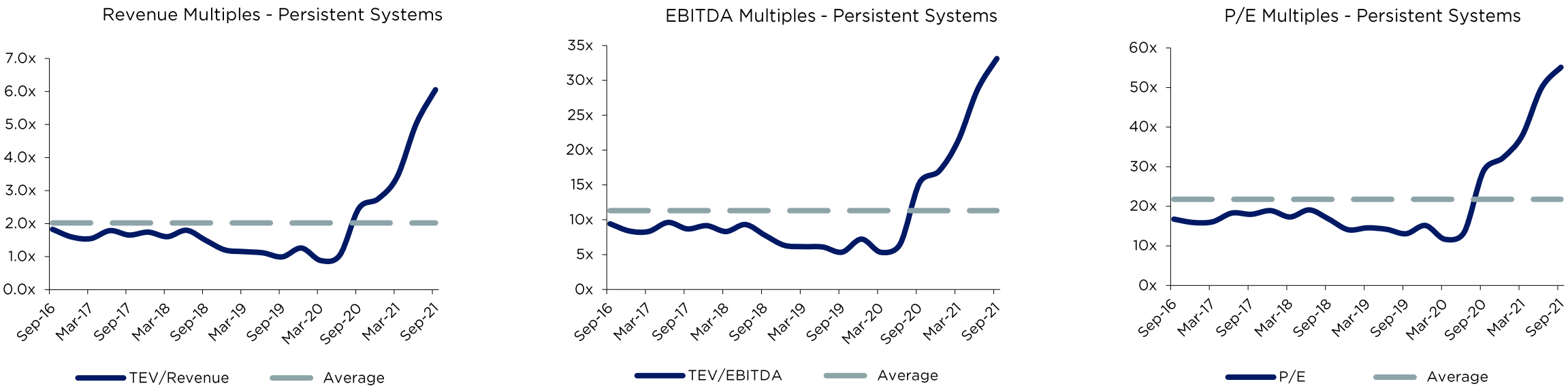
Persistent Systems

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



Company Name	Date	Deal Synopsis
Software Corporation International	05-Oct-21	The company was acquired by Persistent Systems (NSE: PERSISTENT) for \$53 million amount on October 5, 2021. The acquisition helps Persistent Systems to expand its expertise as well as client portfolio.
Shree Partners	29-Sep-21	The company reached a definitive agreement to be acquired by Persistent Systems (NSE: PERSISTENT) for an undisclosed amount on September 29, 2021. The acquisition helps Persistent Systems to accelerate their digital transformation and expand its cloud capabilities.

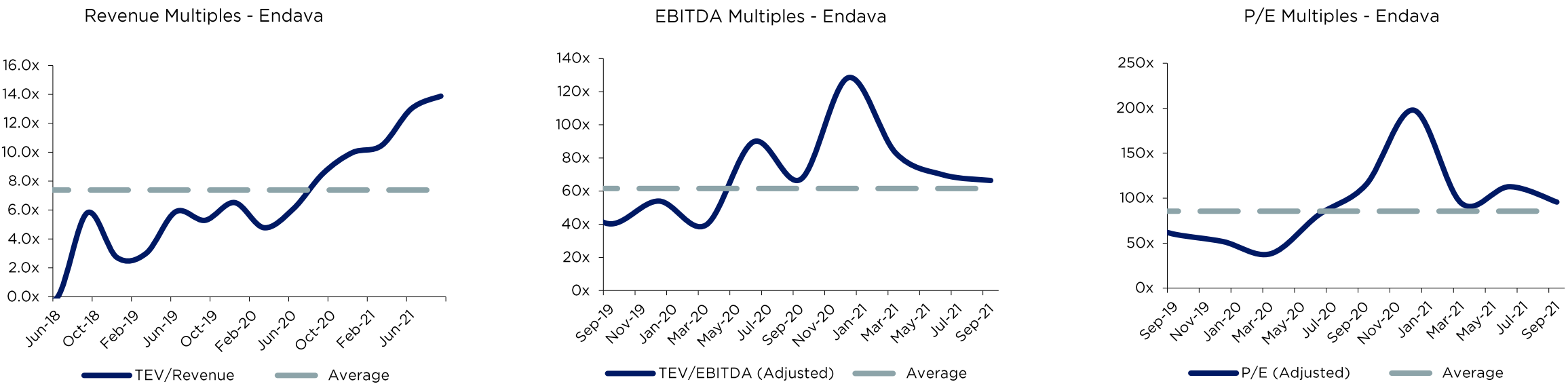
Endava

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



Company Name	Date	Deal Synopsis
Level	31-Mar-21	The company was acquired by Endava (NYS: DAVA), a subsidiary of Concise, for GBP 46.23 million on March 31, 2021. The consideration consists of GBP 2.9 million.
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.

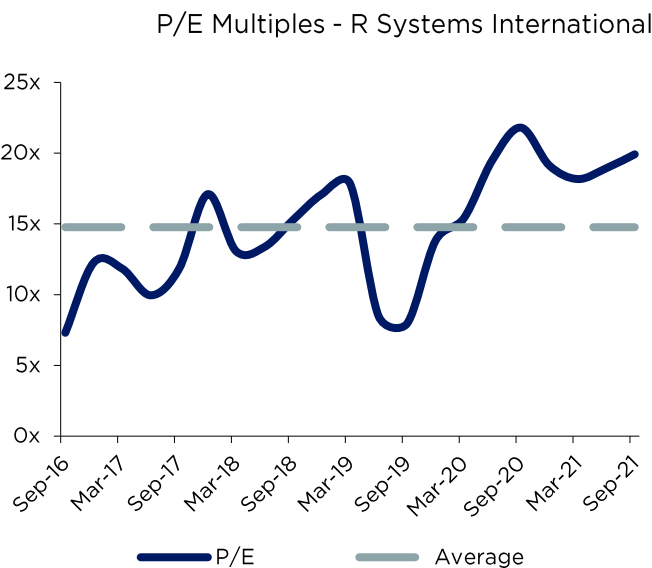
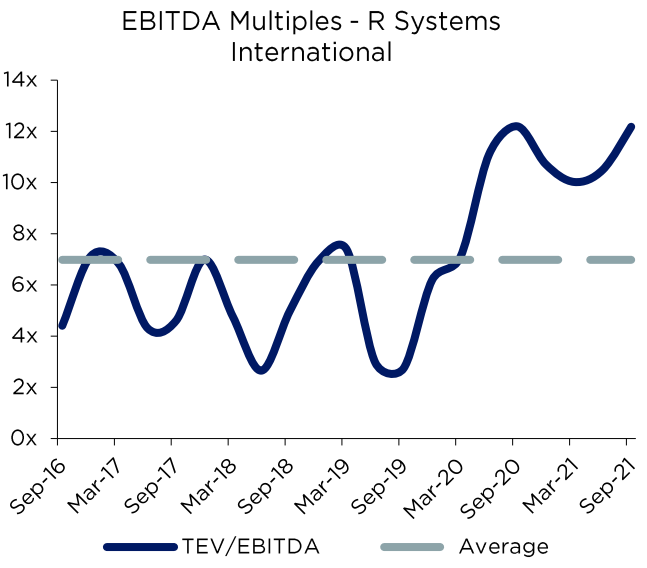
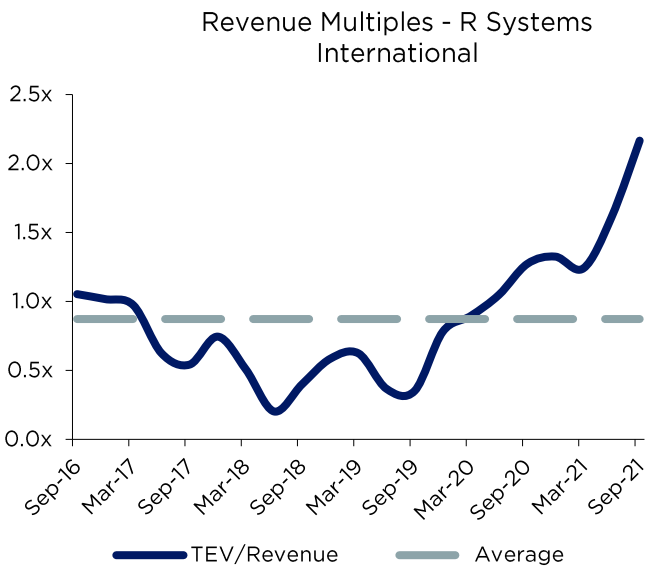
R Systems International

R Systems International Ltd 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, 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

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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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