

7 Mile Advisors



Sectorwatch: Software Engineering

January 2022



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

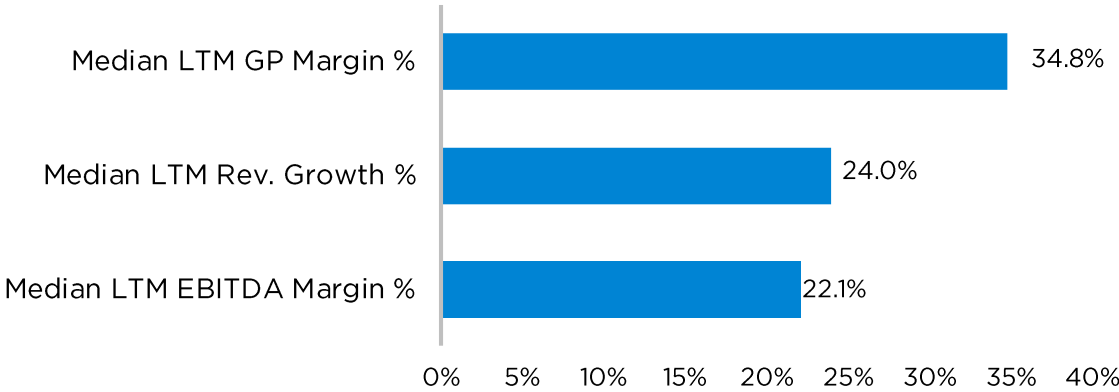
↑9.9%

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

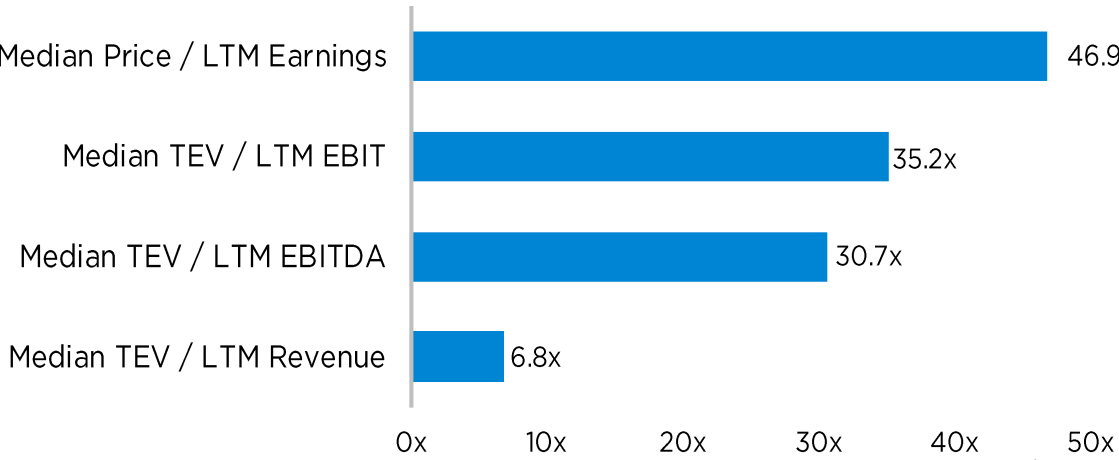
M&A Activity



Operating Metrics



Valuation



Public Basket Overview

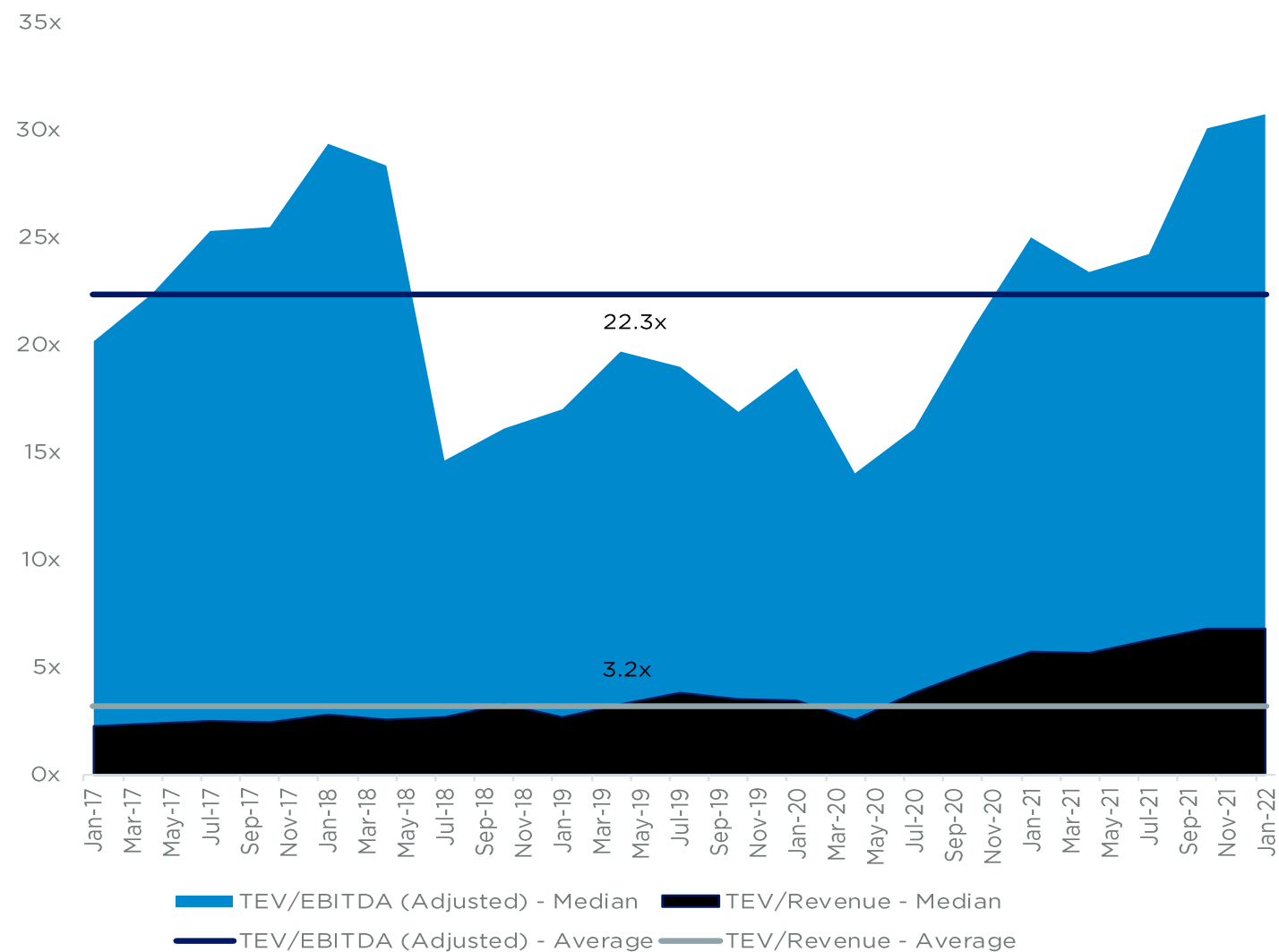


Public Basket

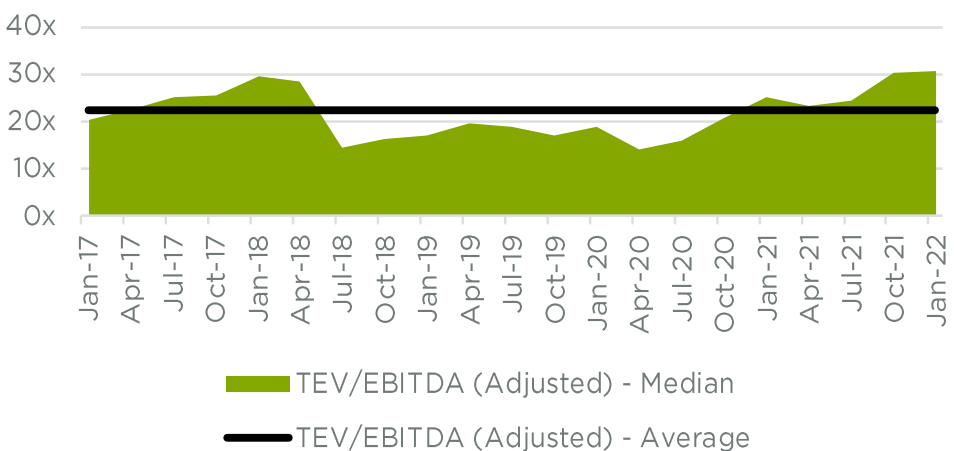
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
R Systems International	459	#N/A	144	24.1%	35.1%	#N/A	3.2x	#N/A	2,247	64
Persistent Systems	4,305	126	647	24.0%	41.3%	19.4%	6.6x	34.3x	10,632	61
Endava	7,533	157	682	37.1%	34.8%	23.0%	11.0x	48.1x	9,616	71
Globant	9,508	146	1,150	50.2%	38.2%	12.7%	8.3x	65.1x	21,849	53
EPAM Systems	27,656	737	3,374	31.4%	34.1%	21.8%	8.2x	37.5x	41,168	82
Wipro	43,990	2,250	10,073	21.3%	30.5%	22.3%	4.4x	19.6x	221,365	46
Capgemini	46,108	2,875	20,239	15.5%	26.3%	14.2%	2.3x	16.0x	289,501	70
Infosys	106,405	4,283	15,644	19.0%	33.5%	27.4%	6.8x	24.8x	279,617	56
Tata Consultancy Services	192,309	7,086	25,003	15.2%	47.1%	28.3%	7.7x	27.1x	509,058	49
Average	48,697	2,207	8,551	26.4%	35.7%	21.1%	6.5x	34.1x	153,895	61
Median	27,656	1,493	3,374	24.0%	34.8%	22.1%	6.8x	30.7x	41,168	61

share price as of 19Jan22

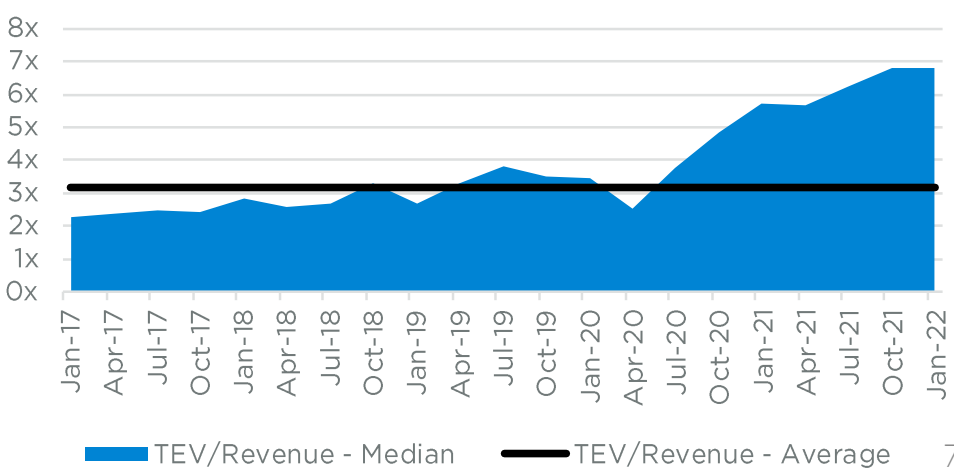
Public Basket



Public EBITDA Multiples over Time

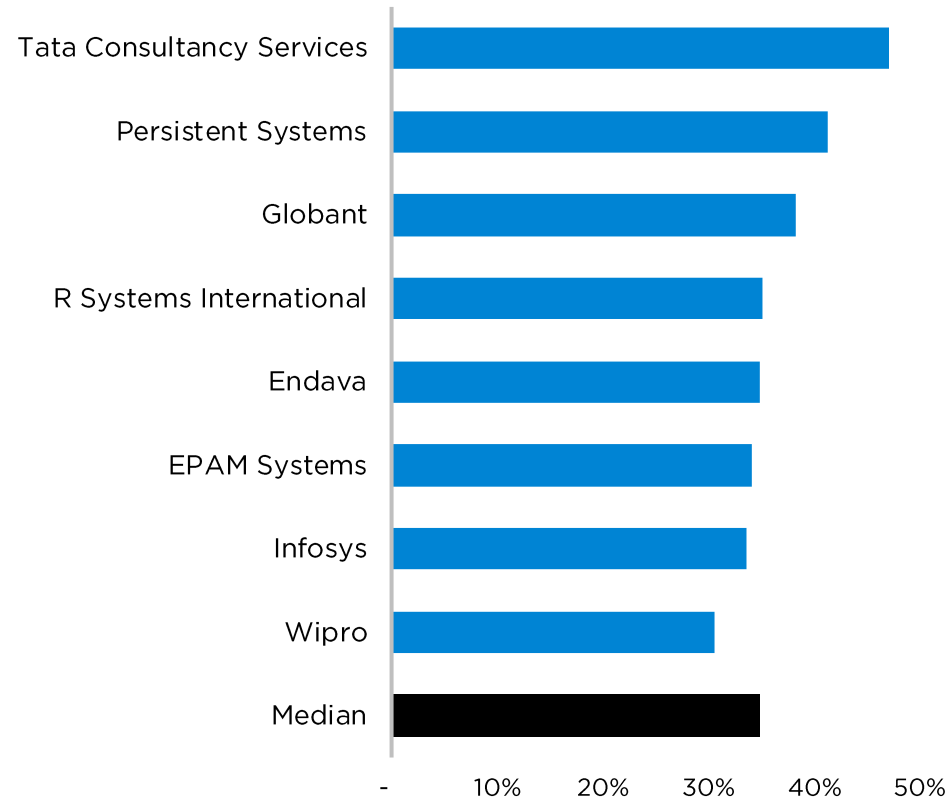


Public Revenue Multiples over Time

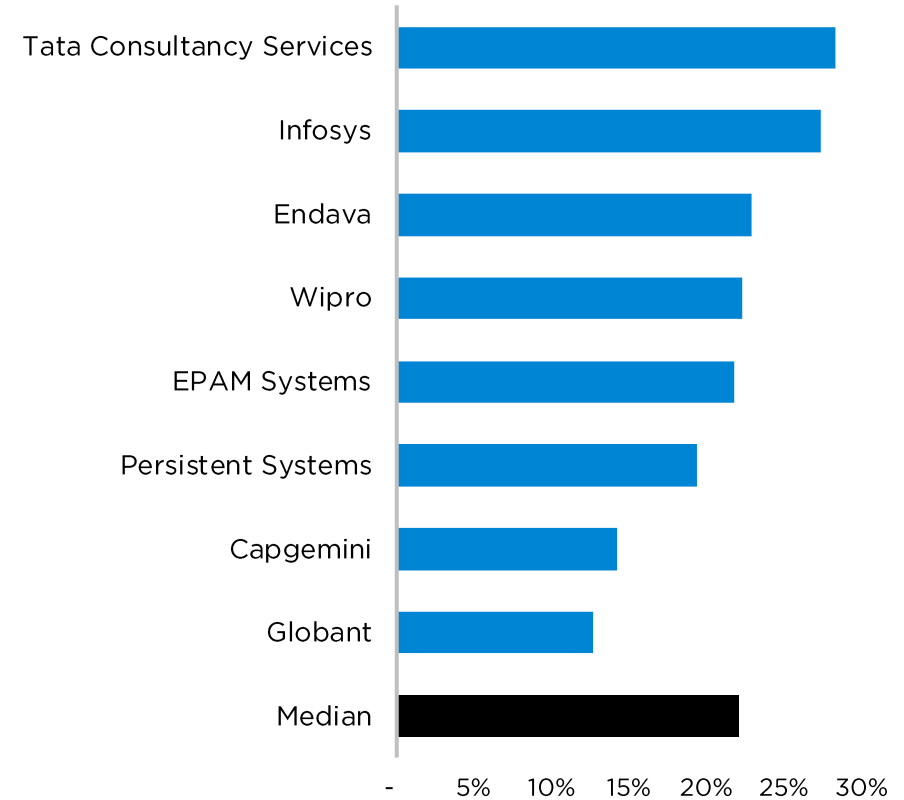


Operational Metrics

LTM Gross Profit Margin %

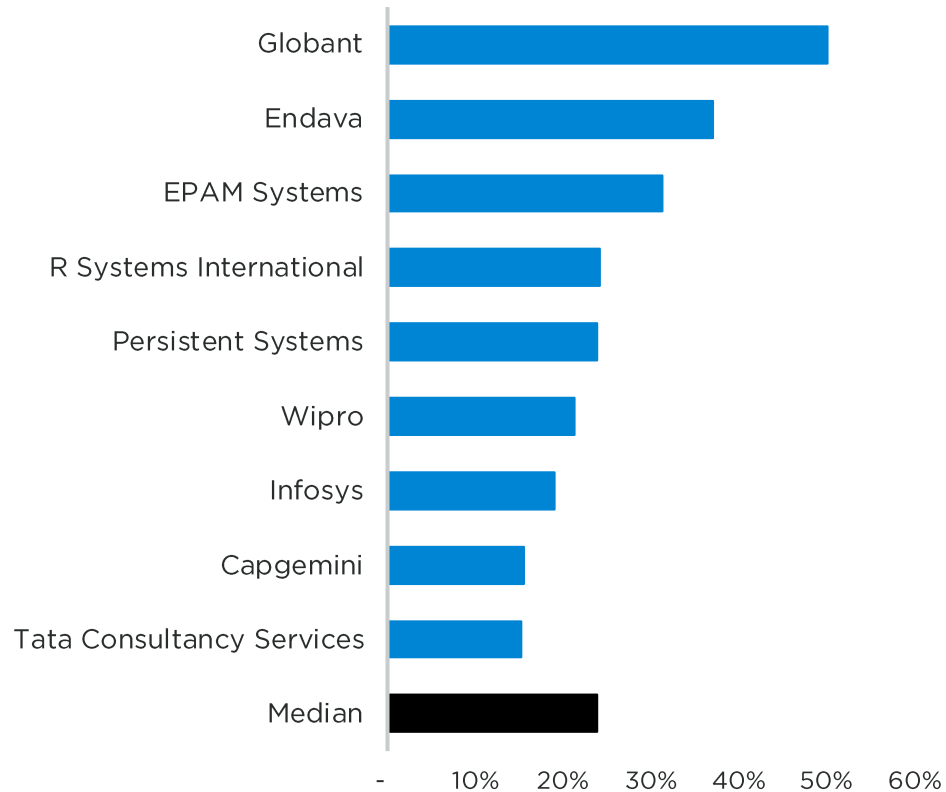


LTM EBITDA %

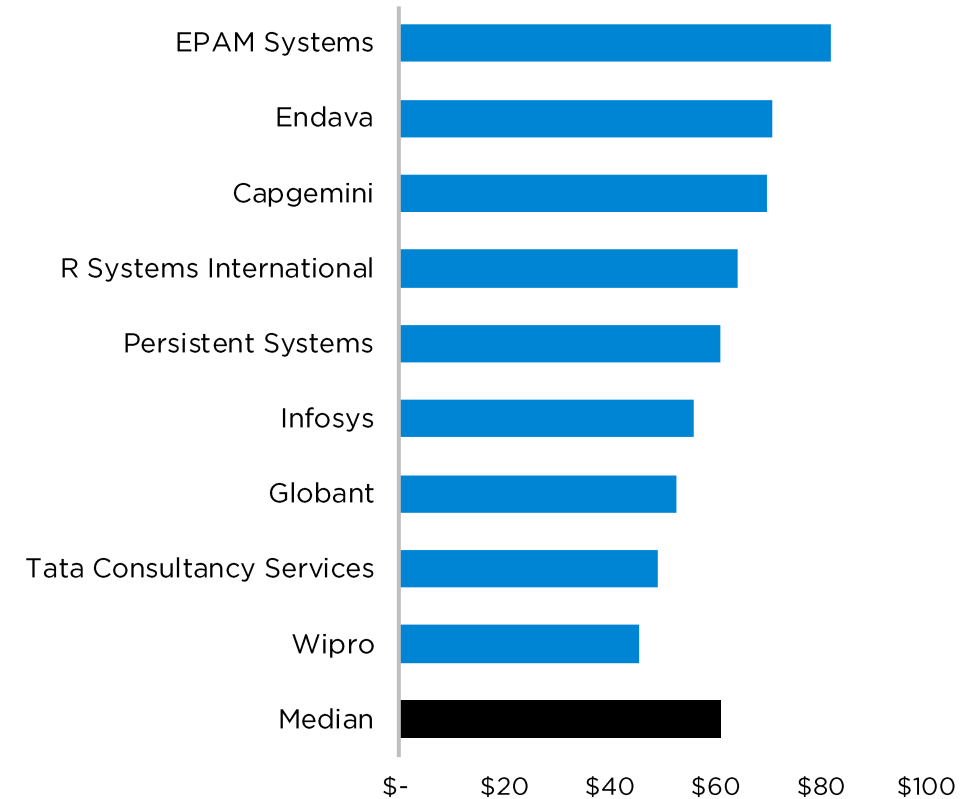


Operational Metrics

LTM Revenue Growth %

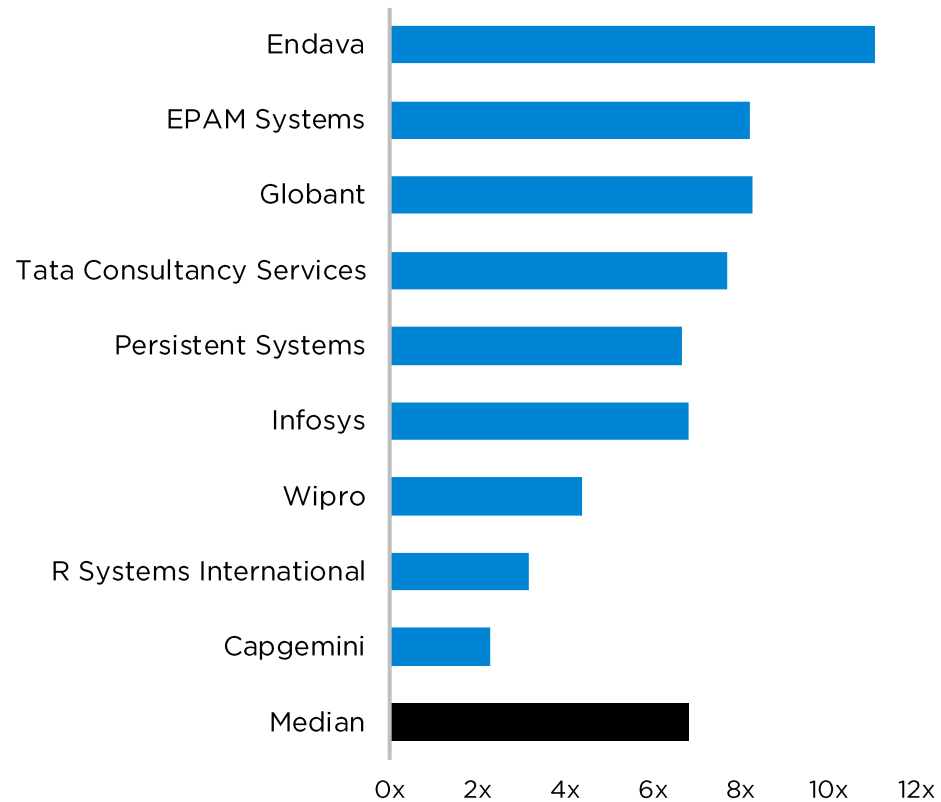


LTM Revenue per Full Time Employee x 000's

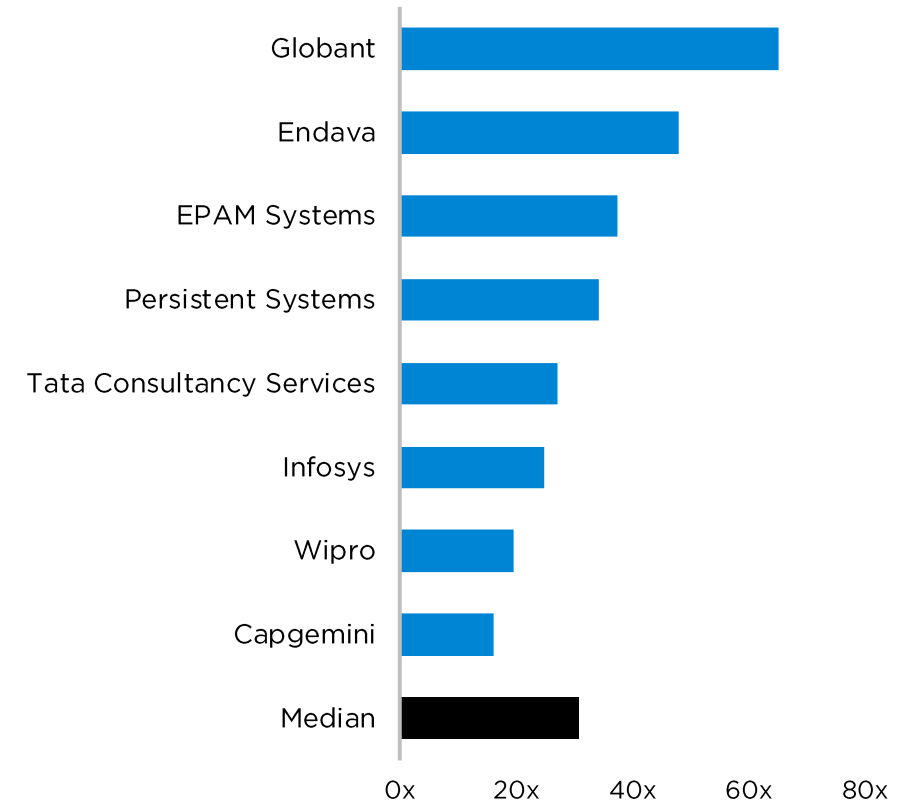


Valuation

TEV / LTM Revenue

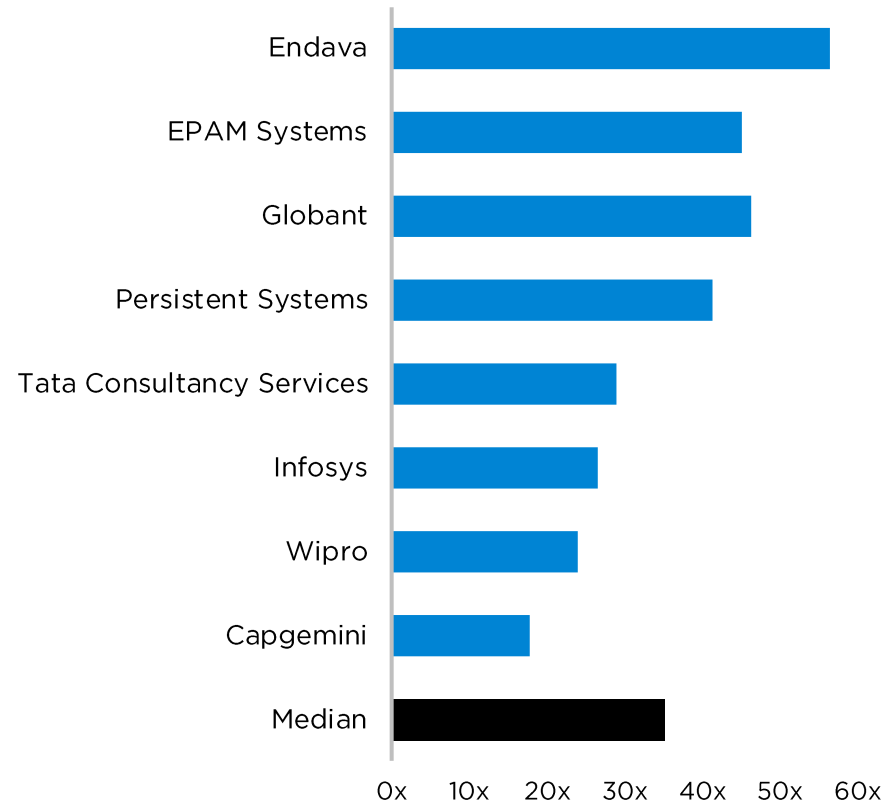


TEV / LTM EBITDA

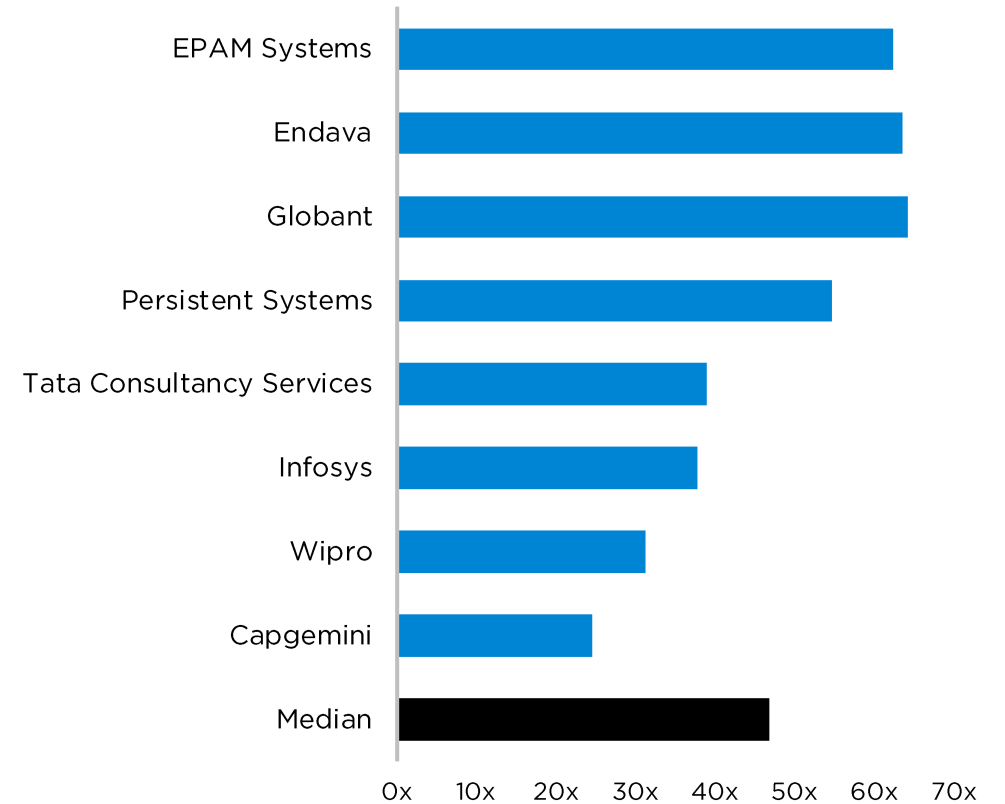


Valuation

TEV / LTM EBIT

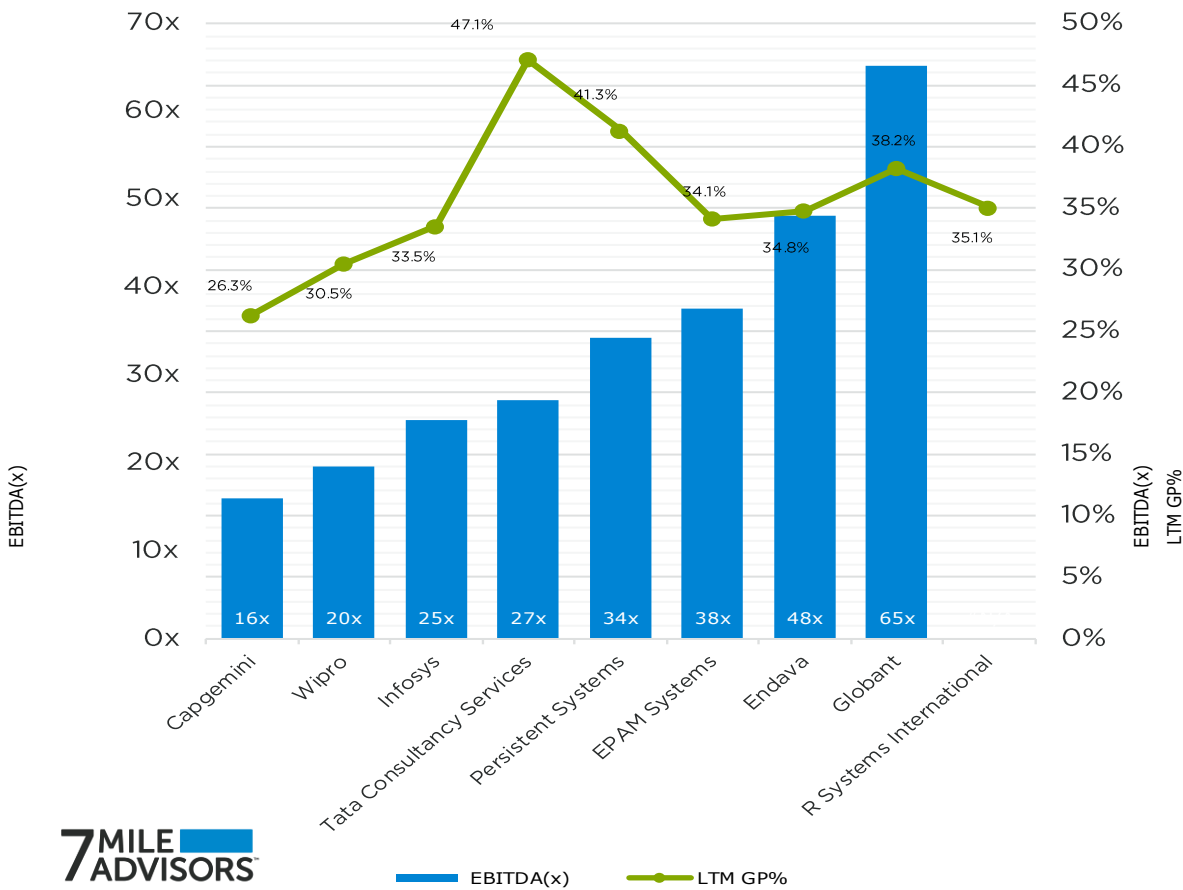


Price / LTM Earnings

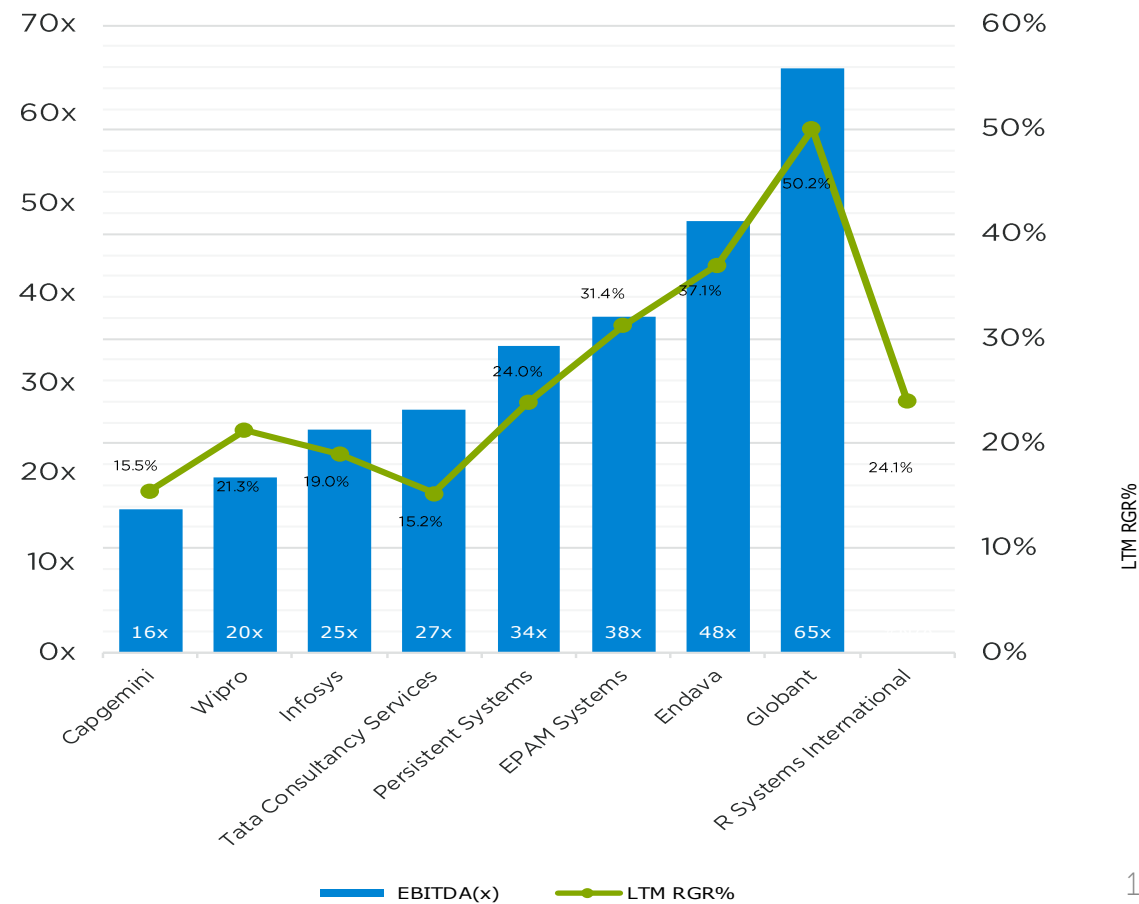


Valuation

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
18-Jan-22	Niyuj Enterprise Software	Ness Technologies	-	-	-	-
13-Jan-22	Sitka Technology Group	Environmental Science	-	-	-	-
12-Jan-22	CSAM Health (Scanner Business)	Spigraph Sweden	-	-	-	-
12-Jan-22	Hannah Grey Ventures	Stagwell	-	-	-	-
11-Jan-22	Claytex Services	TechniaTranscat	-	-	-	-
11-Jan-22	LeadElephant	Leadinfo	-	-	-	-
11-Jan-22	The Scout Hub	Pocket Radar	-	-	-	-
10-Jan-22	Objectif Lune	Upland Software	22.69	-	-	-
06-Jan-22	Technical Toolboxes	HKW	-	-	-	-
05-Jan-22	eProductivity Software	STG Partners	-	-	-	-
04-Jan-22	Sportech Lotteries	Inspired Entertainment	14.50	-	-	-
04-Jan-22	TCS (Business/Productivity	S&P Global	-	-	-	-
31-Dec-21	Spectrum Controls	Allied Motion	70.00	-	-	-
30-Dec-21	Fieldware	Taubman Capital Management	-	-	-	-
24-Dec-21	AMT-SYBEX Group	Jonas Software	53.09	-	-	-
22-Dec-21	Appareo	AGCO	-	-	-	-
22-Dec-21	MOBILISIS	Sick	-	-	-	-
22-Dec-21	Systems Integration	Aptean	-	-	-	-
21-Dec-21	Encora	Advent International	-	-	4.29	-
17-Dec-21	Bottomline Technologies	Thoma Bravo	2600.00	480.34	5.13	62.21
16-Dec-21	Brooks Systems	Evolve Mortgage Services	-	-	-	-
16-Dec-21	ProEst	Autodesk	-	-	-	-
15-Dec-21	(Game Development Division)	Aniplex	-	-	-	-
15-Dec-21	World Programming	Altair Engineering	-	-	-	-
14-Dec-21	RootMetrics	Ookla	-	-	-	-

Appendix

*Public Basket
Contact Information*

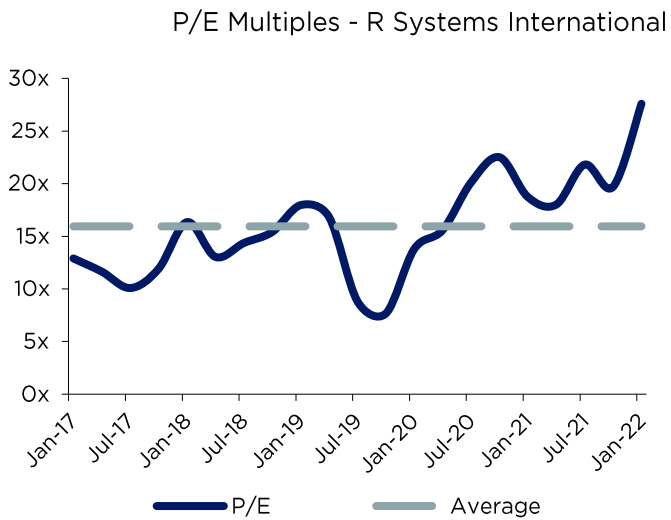
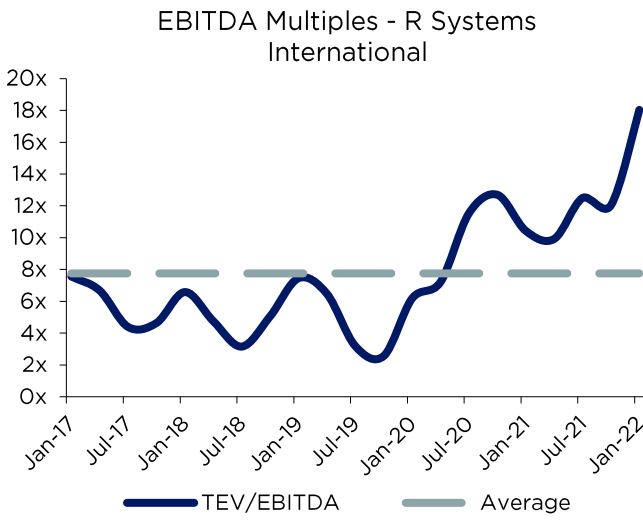
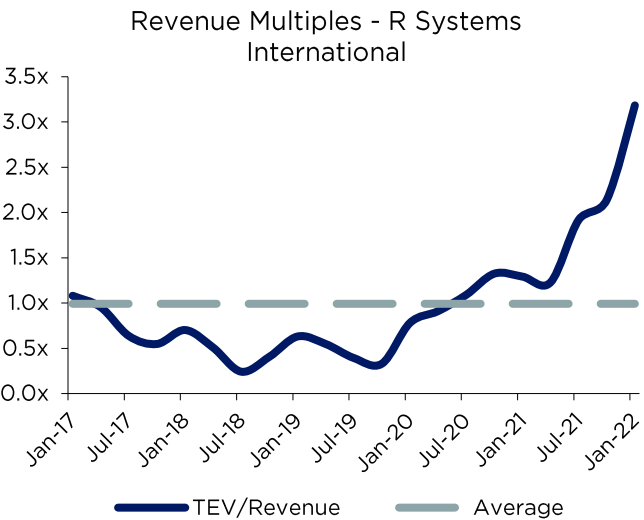
R Systems International

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.

Persistent Systems

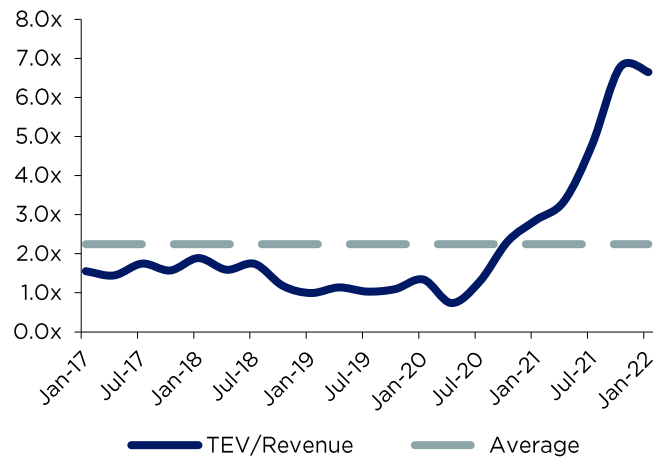
Persistent Systems Ltd is an India-based provider of software solution organized in three segments based on end market: Technology Services; Alliance; and Accelerite.

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.

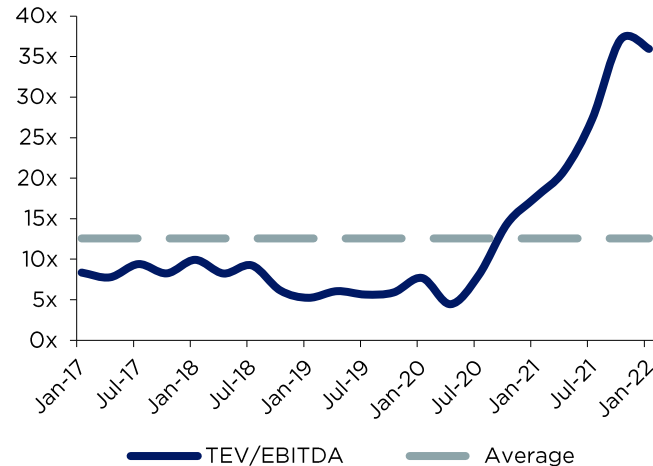
Public Basket

Persistent Systems

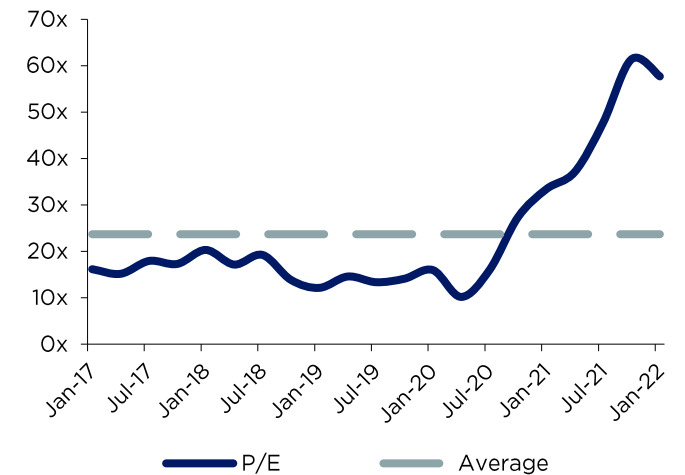
Revenue Multiples - Persistent Systems



EBITDA Multiples - Persistent Systems



P/E Multiples - Persistent Systems



Company Name	Date	Deal Synopsis
Shree Partners	18-Nov-21	The company was acquired by Persistent Systems (NSE: PERSISTENT) for an undisclosed amount on November 18, 2021. The acquisition helps Persistent Systems to accelerate their digital transformation and expand its cloud capabilities.
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.

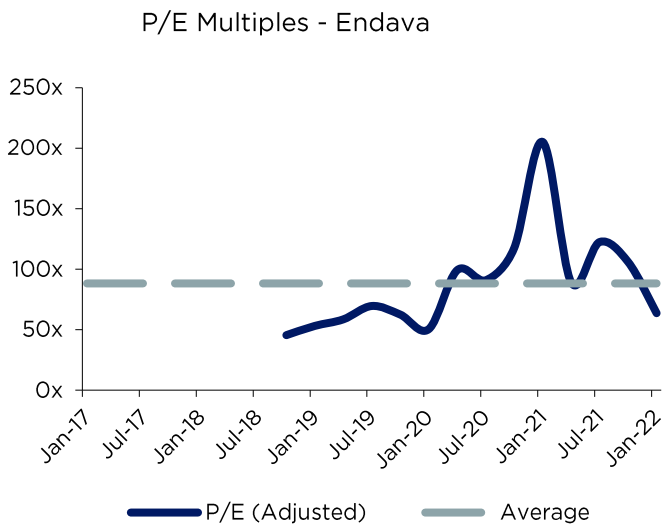
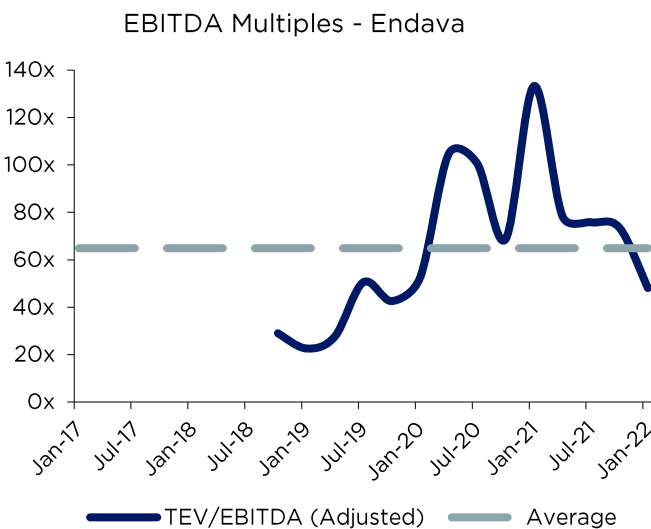
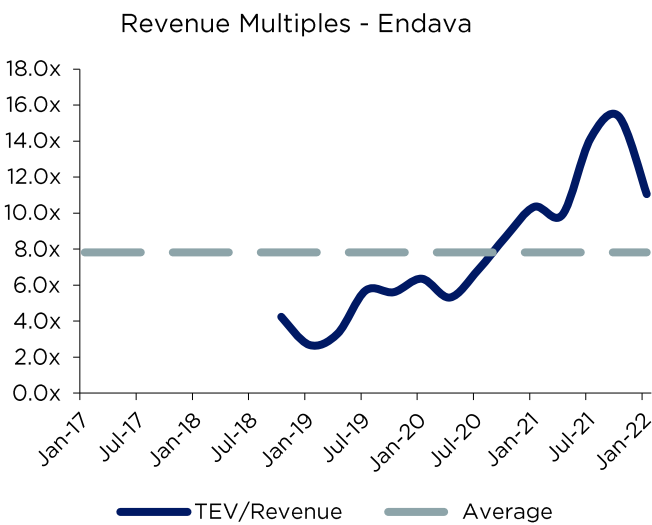
Endava

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 was acquired by Endava (NYS: DAVA), a subsidiary of Concise, for GBP 24.92 million 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.

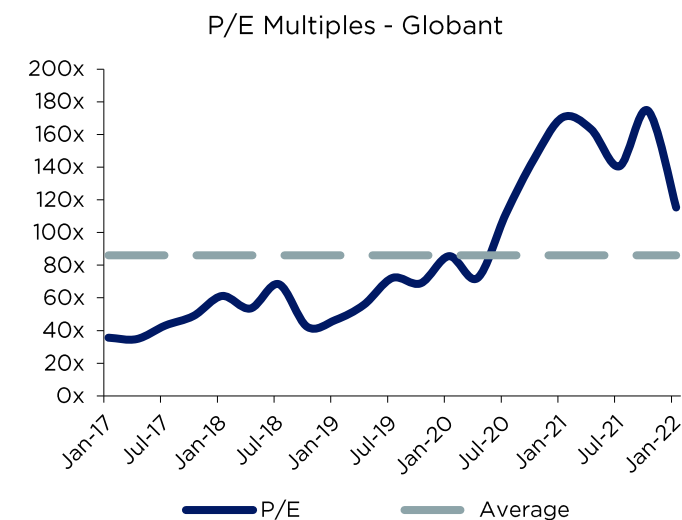
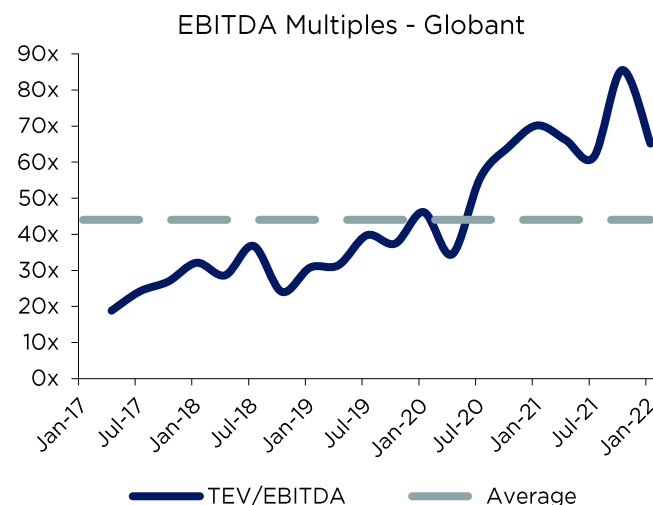
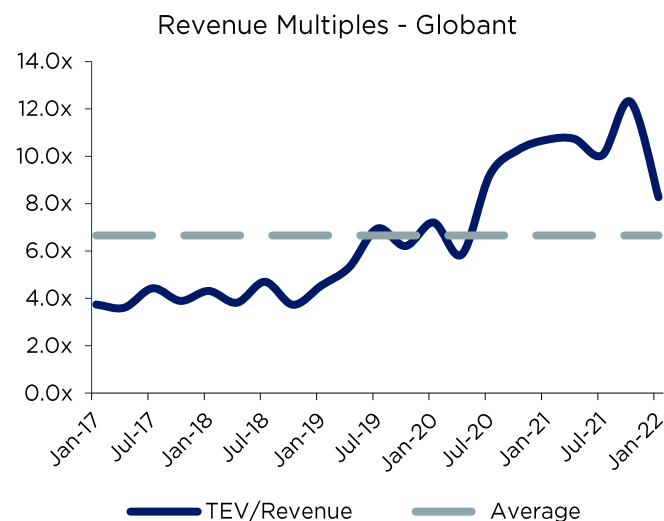
Globant

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
Navint Partners	15-Nov-21	The company reached a definitive agreement to be acquired by Globant (NYS: GLOB) for an undisclosed amount on November 15, 2021. As a part of this transaction, Boathouse Capital will sell its stake in the company.
Atix Labs	05-Oct-21	The company was acquired by Globant (NYS: GLOB) for an undisclosed amount on October 5, 2021.

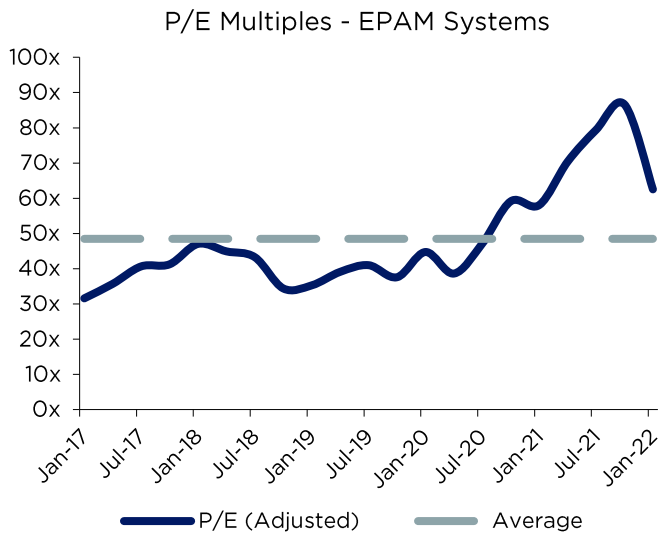
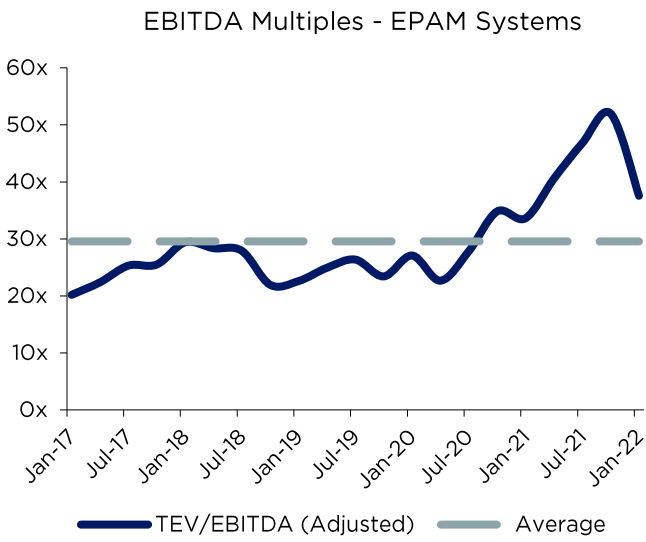
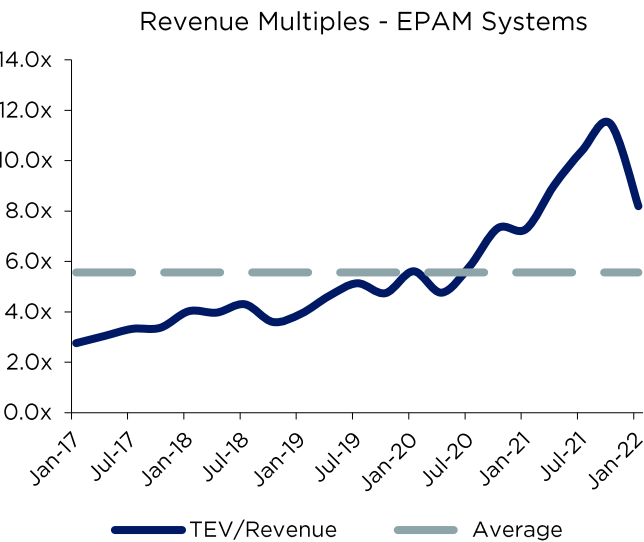
EPAM Systems

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
Optiva Media	14-Dec-21	The company was acquired by EPAM Systems (NYS: EPAM) for an undisclosed amount on December 14, 2021. The acquisition enables EPAM Systems to enhance its valuable end-to-end delivery capability.
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.

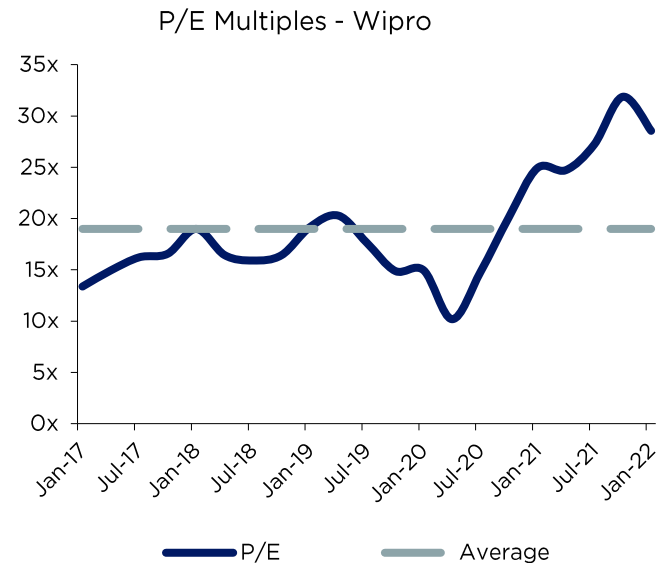
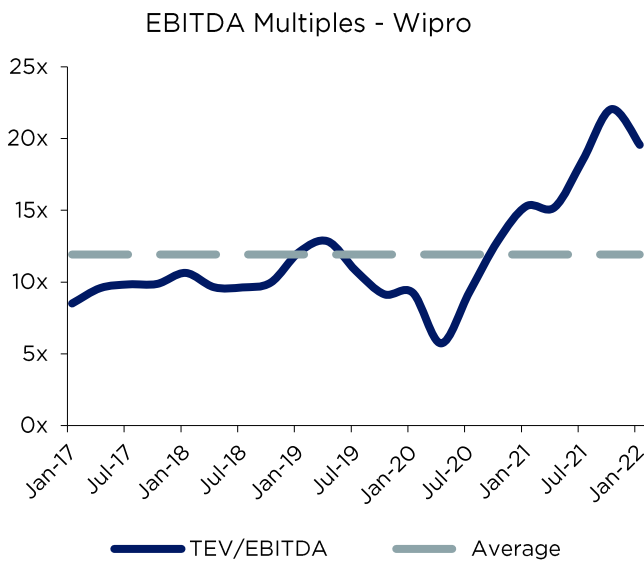
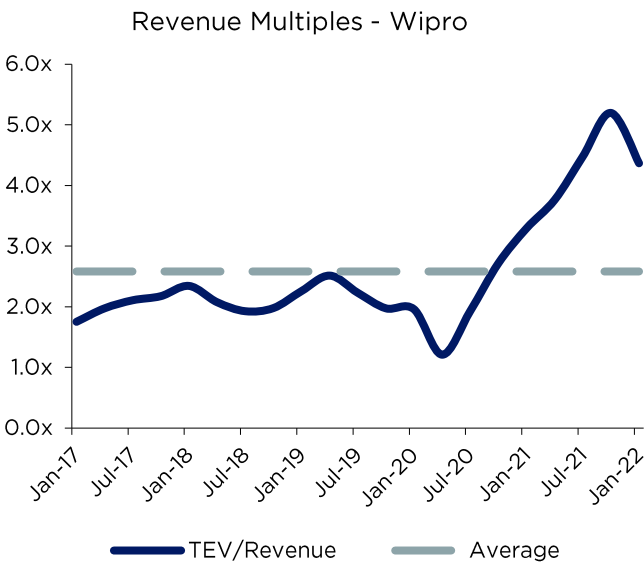
Wipro

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
Edgile	31-Dec-21	The company was acquired by Wipro (BOM: 507685) for approximately \$230 million on December 31, 2021.
Leanswift Solutions	31-Dec-21	The company was acquired by Wipro (BOM: 507685) for an undisclosed amount on December 31, 2021. The acquisition aligns with Wipro's strategy to invest and expand its cloud transformation business.

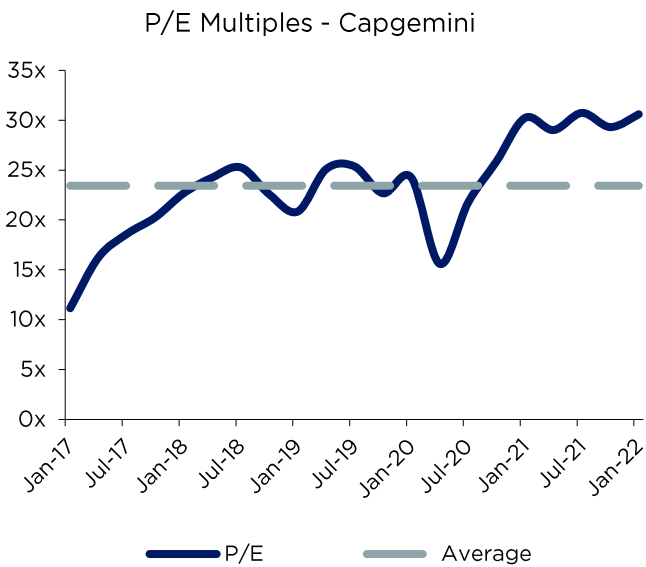
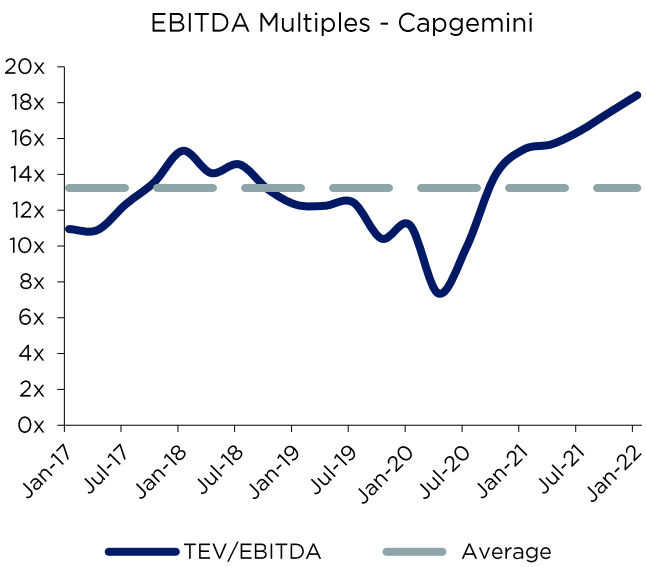
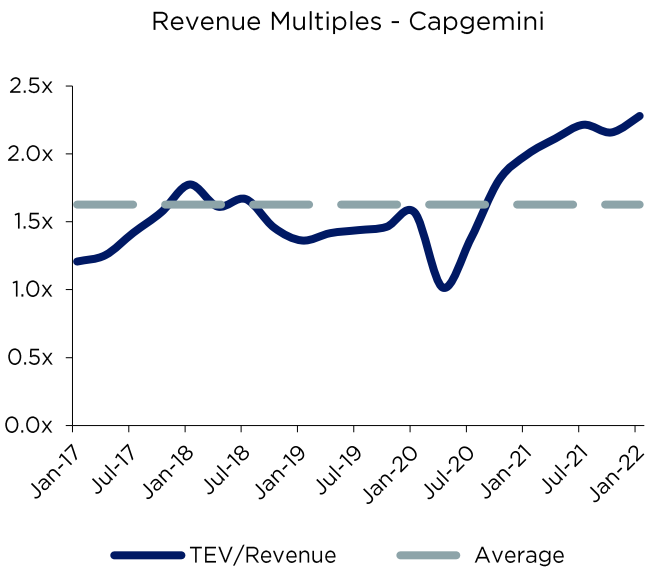
Capgemini

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



Company Name	Date	Deal Synopsis
VariQ	01-Dec-21	The company was acquired by Capgemini (PAR: CAP) for an undisclosed amount on December 1, 2021. The acquisition allows Capgemini to increase its capabilities in software development, cybersecurity, and cloud services to support federal agencies.
Possible Future	25-Nov-21	The company was acquired by Capgemini (PAR: CAP) for an undisclosed amount on November 25, 2021. The acquisition will give the company the ability to improve its access to the market, to go and work on all the sectors on which they had not had the opportunity to focus and which, need to be rethought.

Infosys

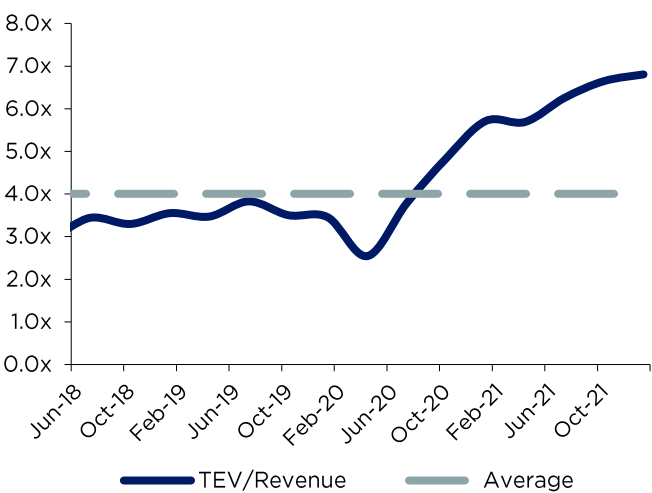
**Infosys is a leading global IT services provider,
with nearly 250,000 employees.**

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).

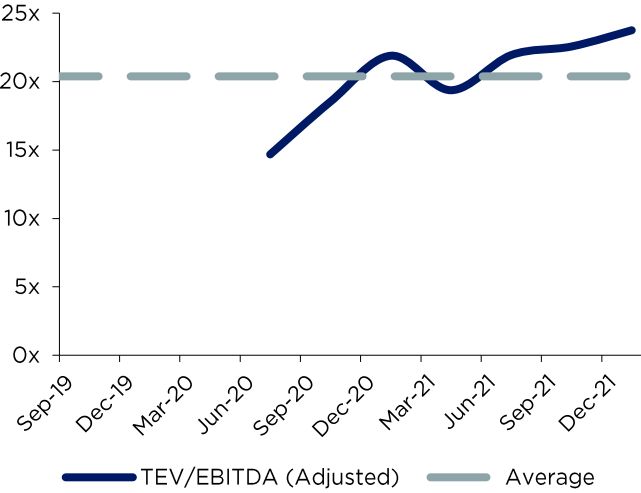
Public Basket

Infosys

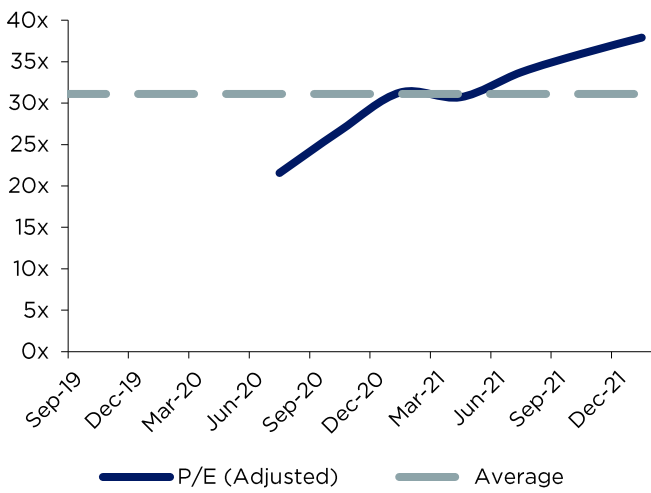
Revenue Multiples - Infosys



EBITDA Multiples - Infosys



P/E Multiples - Infosys



Company Name	Date	Deal Synopsis
TidalScale	16-Aug-21	The company raised an estimated additional \$24.86 million of Series B venture funding from Infosys and other undisclosed investors on August 16, 2021, putting the company's pre-money valuation at \$57.9 million. 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.

Tata Consultancy Services

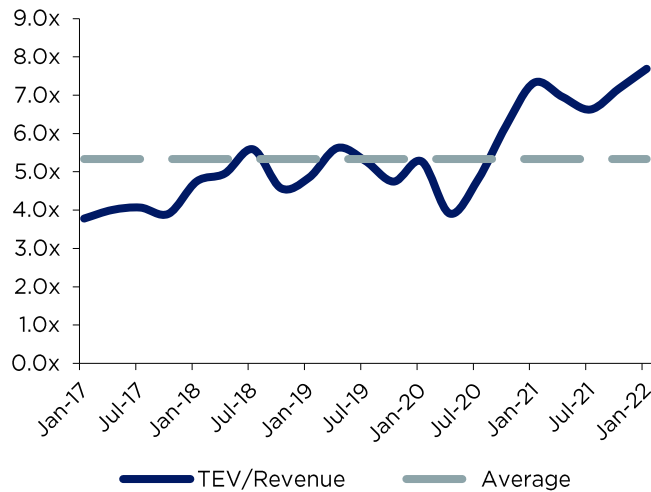
Tata Consultancy Services is a leading global IT services provider, with nearly 450,000 employees.

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.

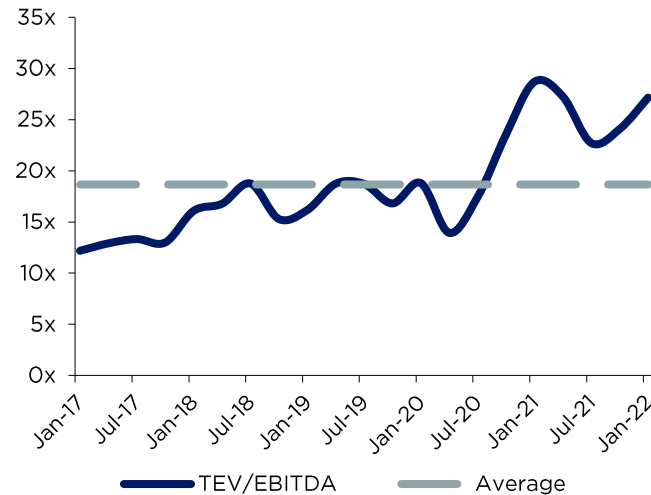
Public Basket

Tata Consultancy Services

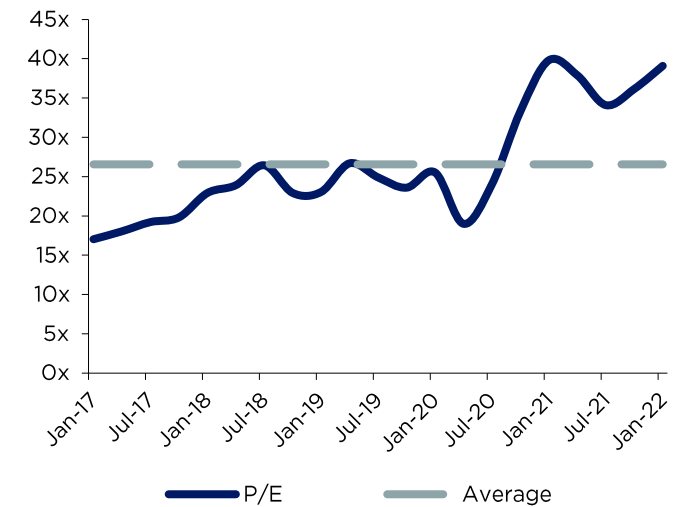
Revenue Multiples - Tata Consultancy Services



EBITDA Multiples - Tata Consultancy Services



P/E Multiples - 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), was 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.

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.

John Cooper, Partner	704.973.3996	john@7mileadvisors.com
Leroy Davis, Partner	704.899.5962	leroy@7mileadvisors.com
Tripp Davis, Partner	704.899.5762	tripp@7mileadvisors.com
Tom Delbrook, Partner	404.647.0989	tom@7mileadvisors.com
Andy Johnston, Partner	704.899.5961	andy@7mileadvisors.com
Mark Landry, Partner	561.972.0609	mark@7mileadvisors.com
Simon Baitler, Executive Managing Director	310.829.1635	simon.baitler@7mileadvisors.com
Tim Frye, Managing Director	704.973.3994	tim@7mileadvisors.com
Kristina Sergueeva, Managing Director	704.899.5149	kristina@7mileadvisors.com
Horacio Yenaropulos, Managing Director	(+) 54.261.4617300	horacio@7mileadvisors.com
Chris Calton, Senior Advisor	629.236.6119	Chris.calton@7mileadvisors.com
Steve Buffington, Vice President	704.960.1828	steve@7mileadvisors.com
Ben Garber, Vice President	412.626.7898	ben.garber@7mileadvisors.com
Garth Martin, Vice President	704.973.3997	garth.martin@7mileadvisors.com
Nicholas Prendergast, Vice President	704.973.3995	nicholas@7mileadvisors.com
Sydney Scadden, Vice President	704.973.3998	sydney@7mileadvisors.com
Ilia Ulianchuk, Vice President	704.414.8743	ilia@7mileadvisors.com
Ariail Barker, Director, Sales & Marketing	704.981.2908	ariaill@7mileadvisors.com
Ben Bruggeworth, VP, Business Development	704.365.8859	ben.bruggeworth@7mileadvisors.com
Steve Sypek, VP, Business Development	704.414.8736	steve.sypek@7mileadvisors.com
Alexis Papa, Senior Analyst, Business Development	704.414.8732	lexi.papa@7mileadvisors.com
Nic Anderko, Analyst, Business Development	704.398.3991	nic.anderko@7mileadvisors.com
Kevin Postigo, Associate	704.912.4903	kevin.postigo@7mileadvisors.com
Conor Smith, Associate	704.855.2134	conor.smith@7mileadvisors.com
Nic Anderle, Senior Analyst	704.826.7492	nic.anderle@7mileadvisors.com
Chris McConnell, Senior Analyst	704.912.4584	chris@7mileadvisors.com
Tomas Adduci, Analyst	(+) 54.911.64809643	tomas@7mileadvisors.com
Adam Alderfer, Analyst	704.644.1917	adam@7mileadvisors.com
Lucas Cerbelli, Analyst	704.336.0118	lucas@7mileadvisors.com
Tanner Lange, Analyst	704.672.0611	tanner.lange@7mileadvisors.com
Trent McCauley, Analyst	704.644.1916	trent.mccauley@7mileadvisors.com
Tyler Ratterree, Analyst	704.706.9168	tyler@7mileadvisors.com
Alejo Vidal, Analyst	(+) 54.911.41589065	alejo@7mileadvisors.com