

7 Mile Advisors



# Sectorwatch: SAP Services Providers

May 2022



# SAP Services Providers

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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

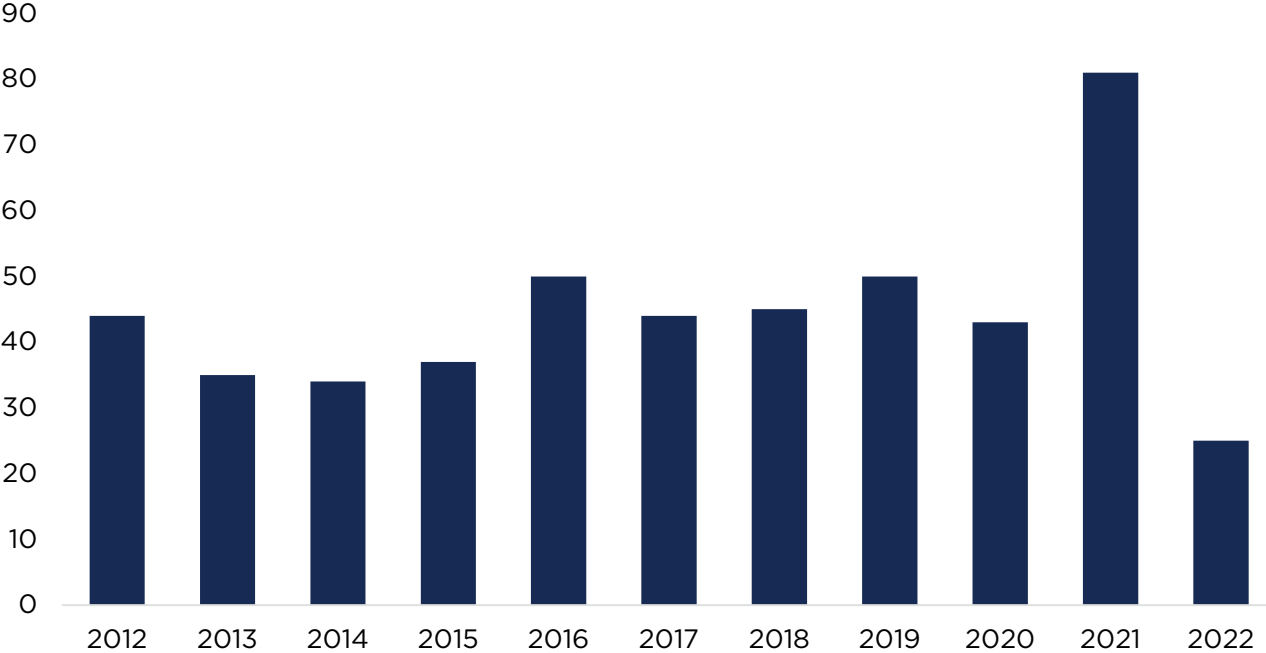
- The most recently announced deals in the sector

# Dashboard

## REVENUE GROWTH MOMENTUM ↑ 3.9%

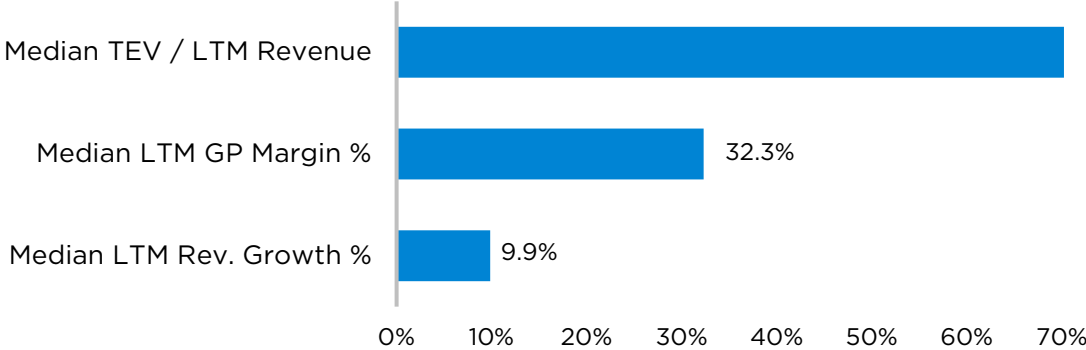
1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate exceeds the average of the last 3 years by this amount, indicating that market momentum is increasing

### M&A Activity

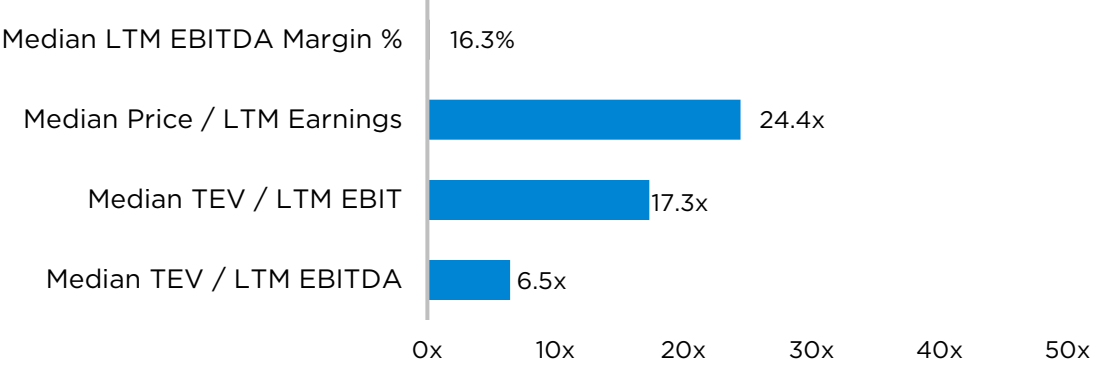


■ Deal Count

## Operating Metrics



## Valuation



# Public Basket Overview

SAP  
Services  
Providers

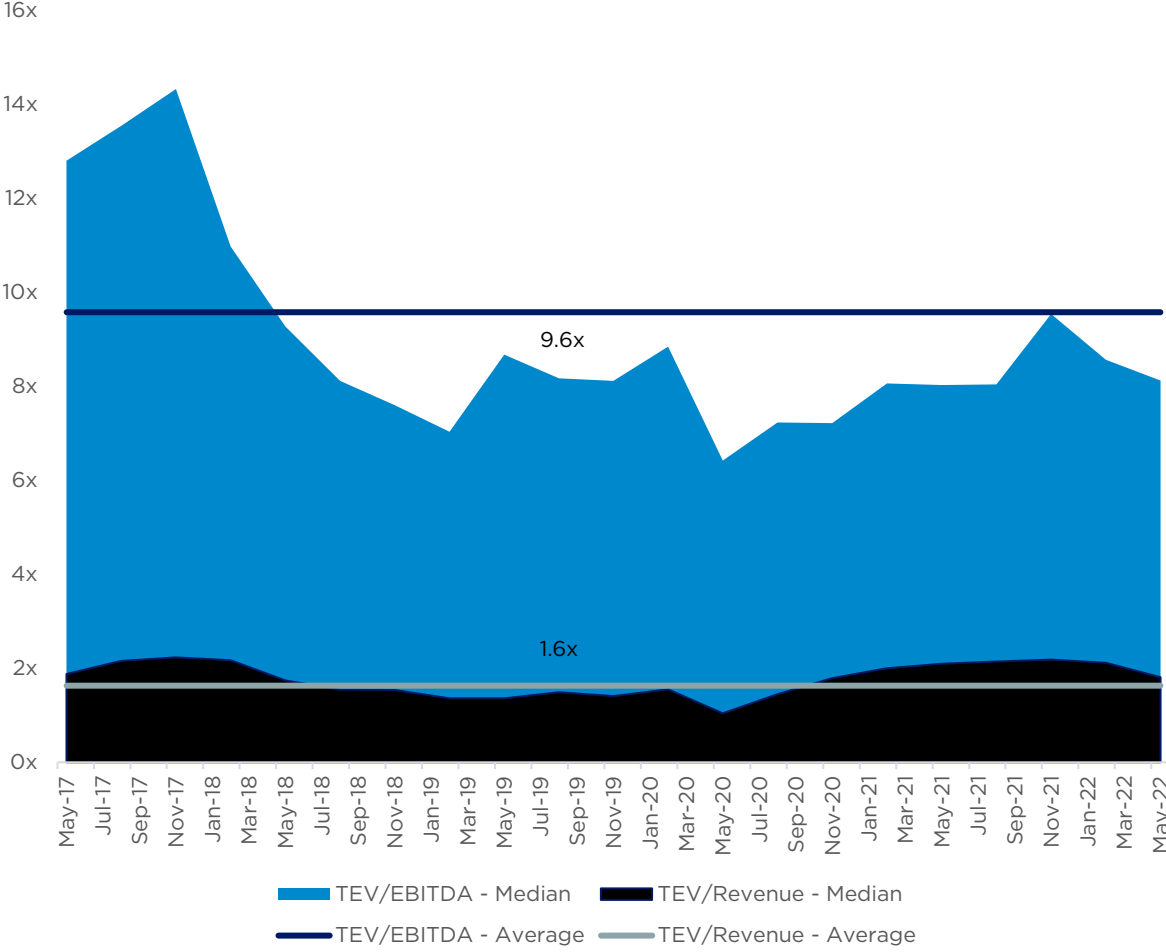


# Public Basket

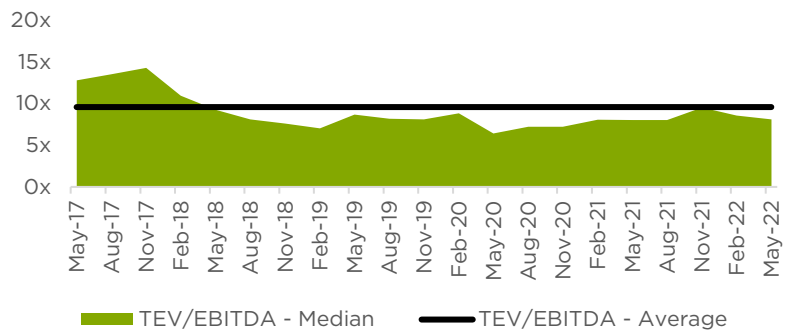
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Atos	5,597	1,280	12,815	-3.1%	32.3%	10.0%	0.4x	4.4x	104,430	123
DXC Technology	10,709	2,712	16,642	-8.4%	21.4%	16.3%	0.6x	3.9x	130,000	128
NTT Data	30,407	3,743	22,843	9.9%	26.1%	16.4%	1.3x	8.1x	143,081	160
HCL Technologies	35,904	#N/A	11,481	12.8%	38.4%	#N/A	3.1x	#N/A	197,777	58
Capgemini	38,804	3,468	21,471	14.6%	26.4%	16.2%	1.8x	11.2x	324,684	66
Lumen Technologies	39,609	8,239	19,687	-4.9%	56.9%	41.8%	2.0x	4.8x	36,000	547
International Business Machines	166,786	15,313	53,819	5.9%	56.9%	28.5%	3.1x	10.9x	307,600	175
Accenture	191,612	10,934	56,695	24.1%	32.3%	19.3%	3.4x	17.5x	699,000	81
<b>Average</b>	64,928	6,527	26,932	6.4%	36.3%	21.2%	2.0x	8.7x	242,822	167
<b>Median</b>	37,354	3,743	20,579	7.9%	32.3%	16.4%	1.9x	8.1x	170,429	125

share price as of 04May22

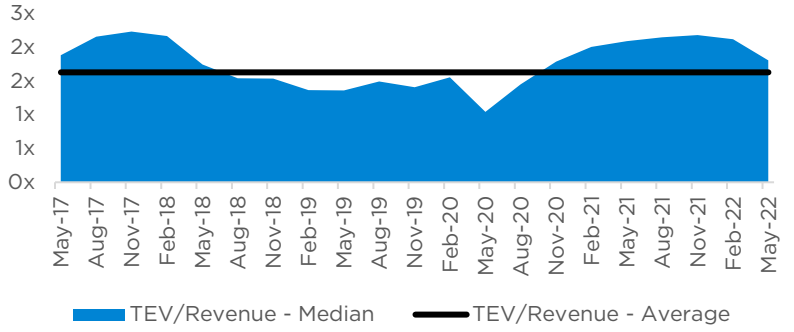
# Public Basket



### Public EBITDA Multiples over Time

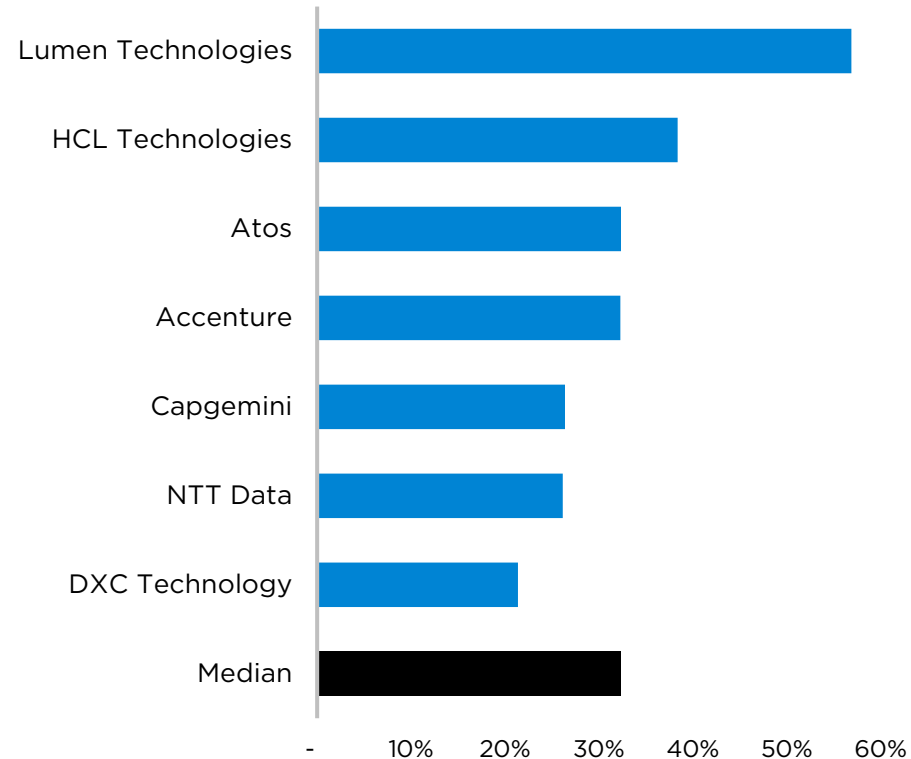


### Public Revenue Multiples over Time

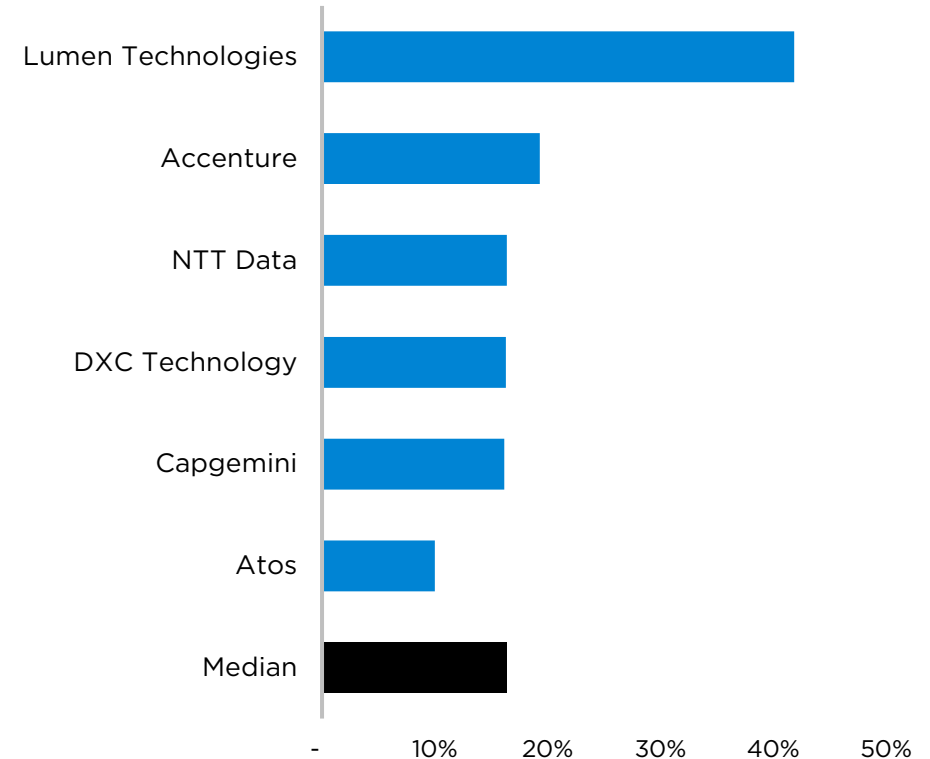


# Operational Metrics

## LTM Gross Profit Margin %



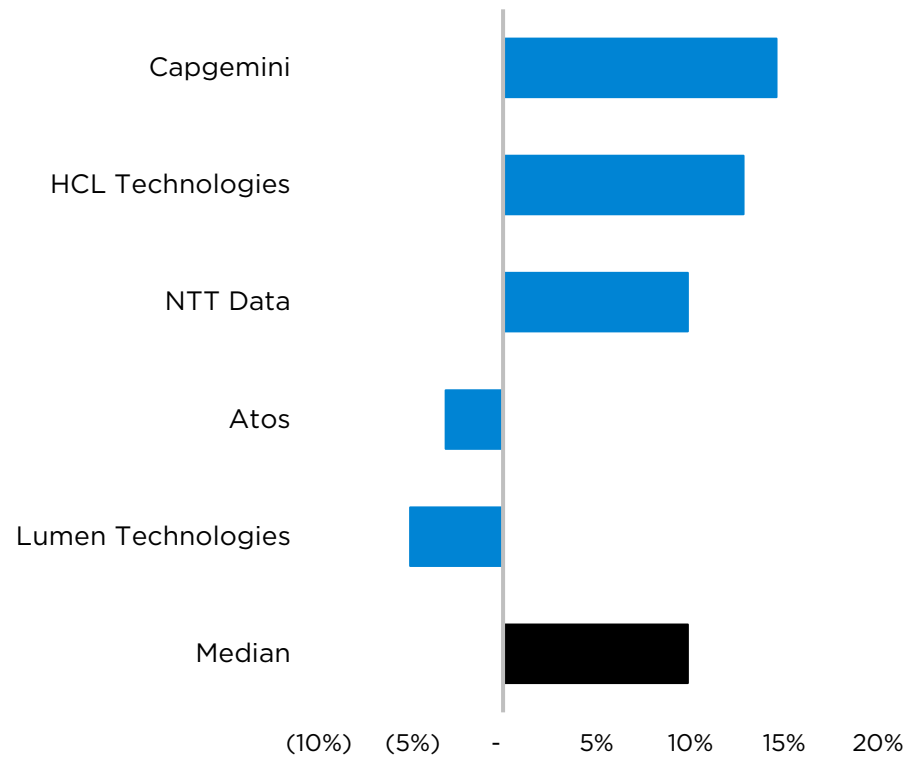
## LTM EBITDA %



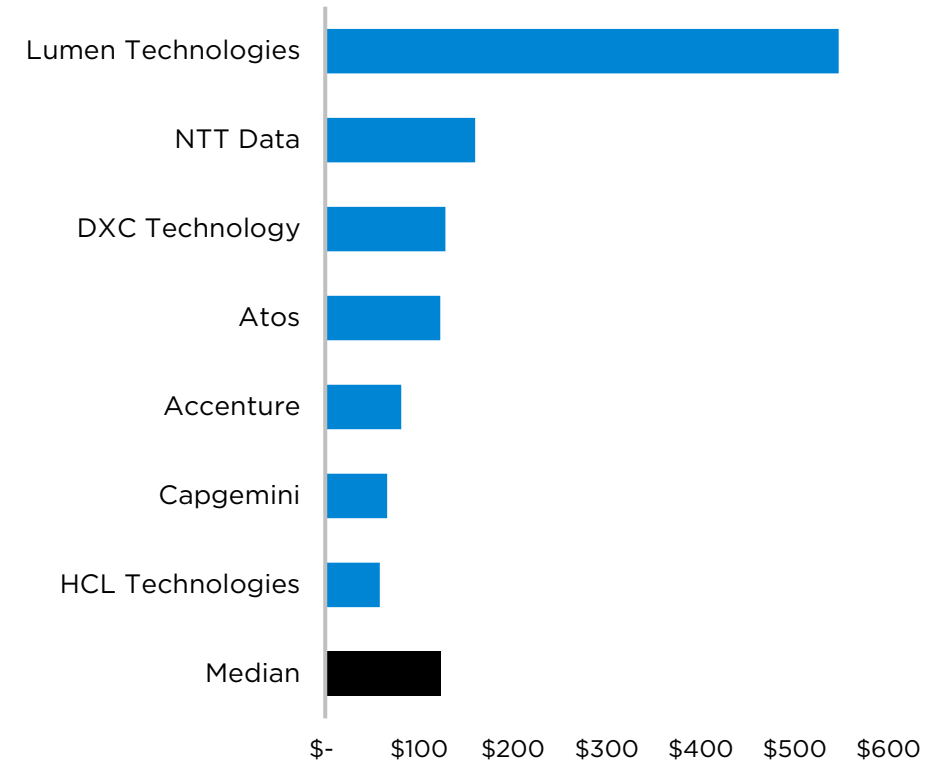


# Operational Metrics

LTM Revenue Growth %

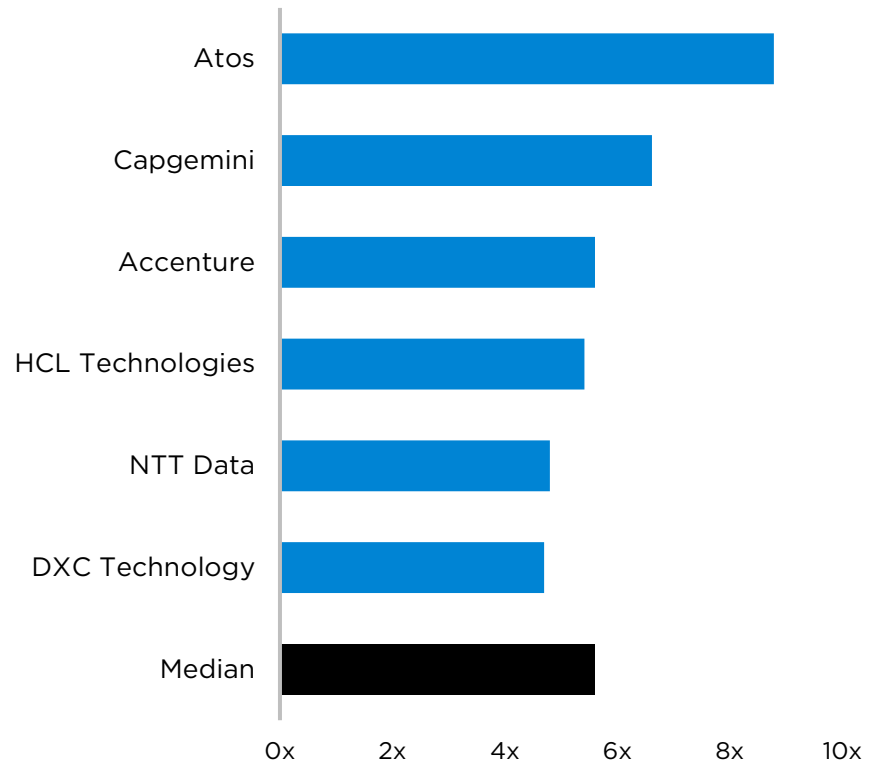


LTM Revenue per Full Time Employee x 000's

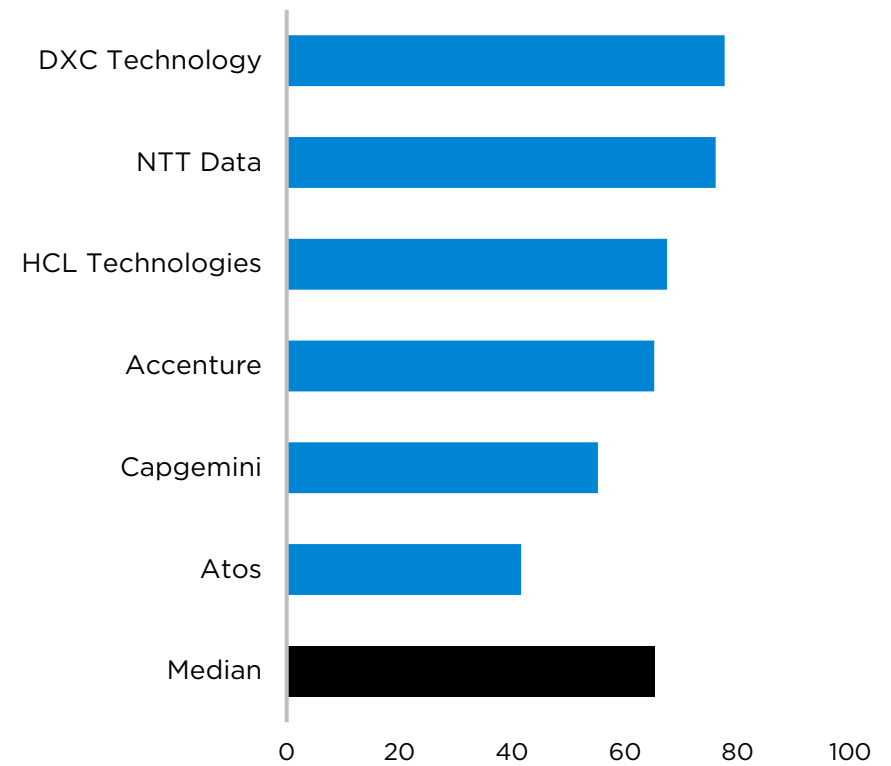


# Operational Metrics

## Accounts Receivable Turnover

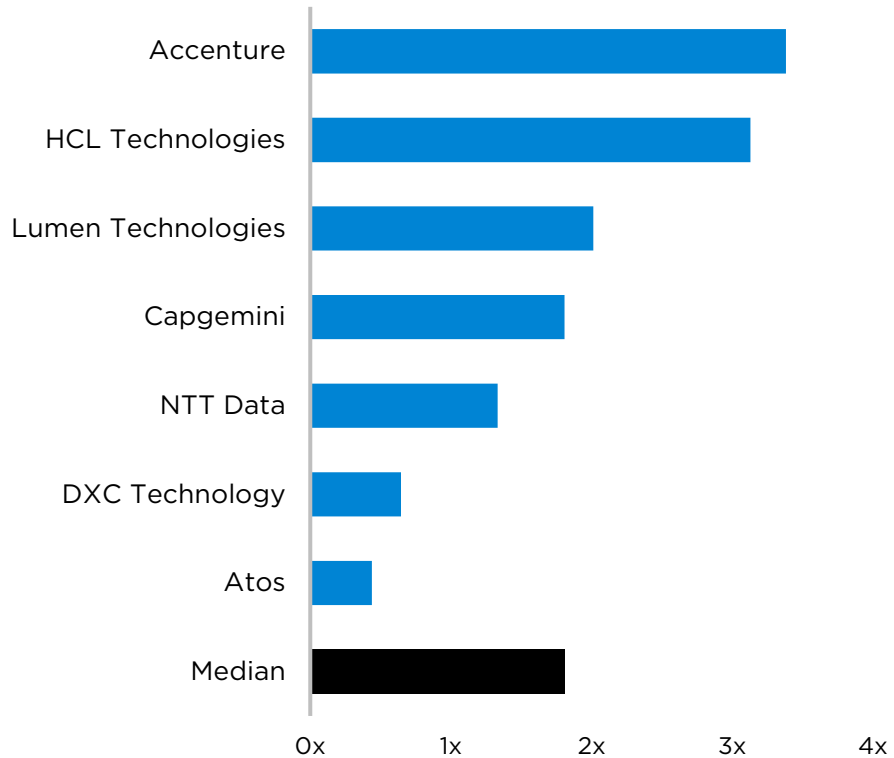


## Average Days Sales Outstanding

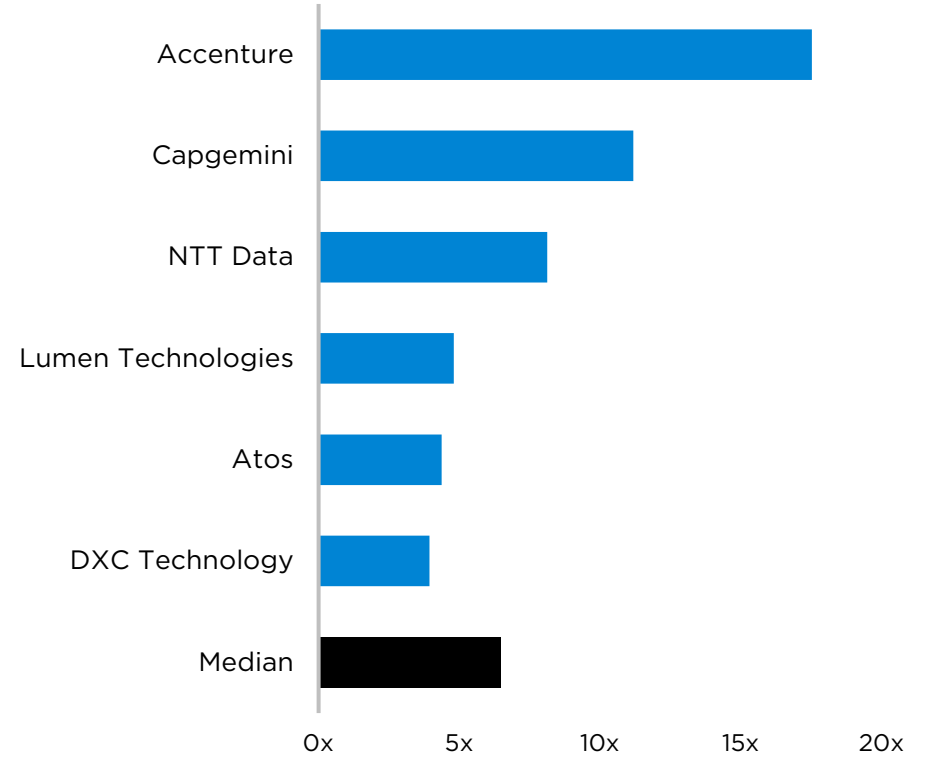


# Valuation

TEV / LTM Revenue

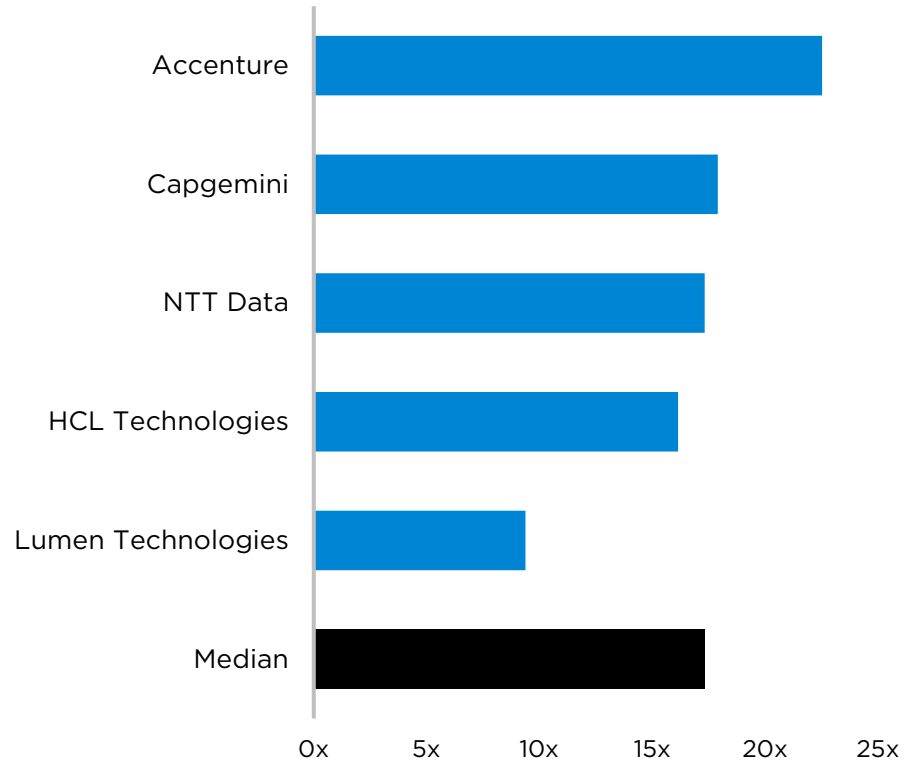


TEV / LTM EBITDA

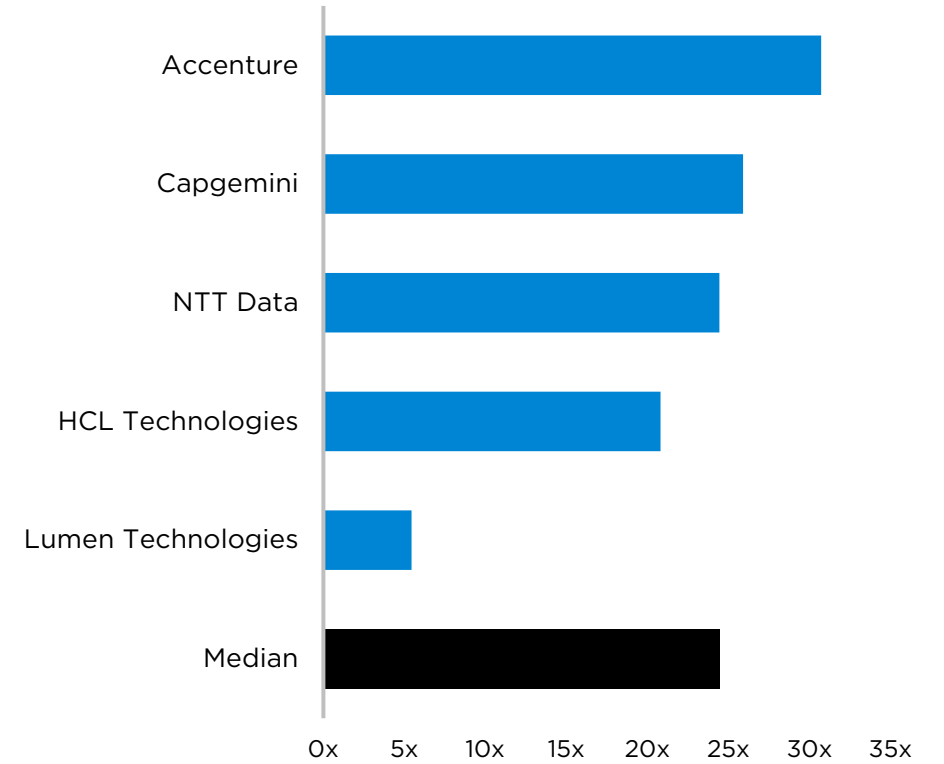


# Valuation

TEV / LTM EBIT

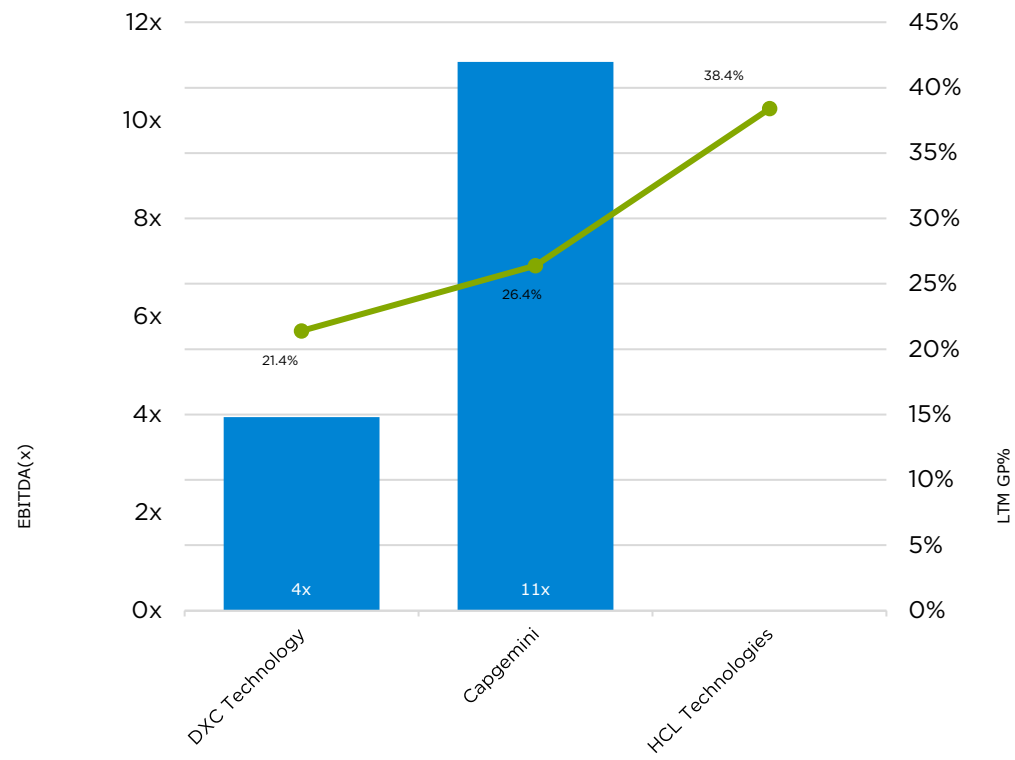


Price / LTM Earnings

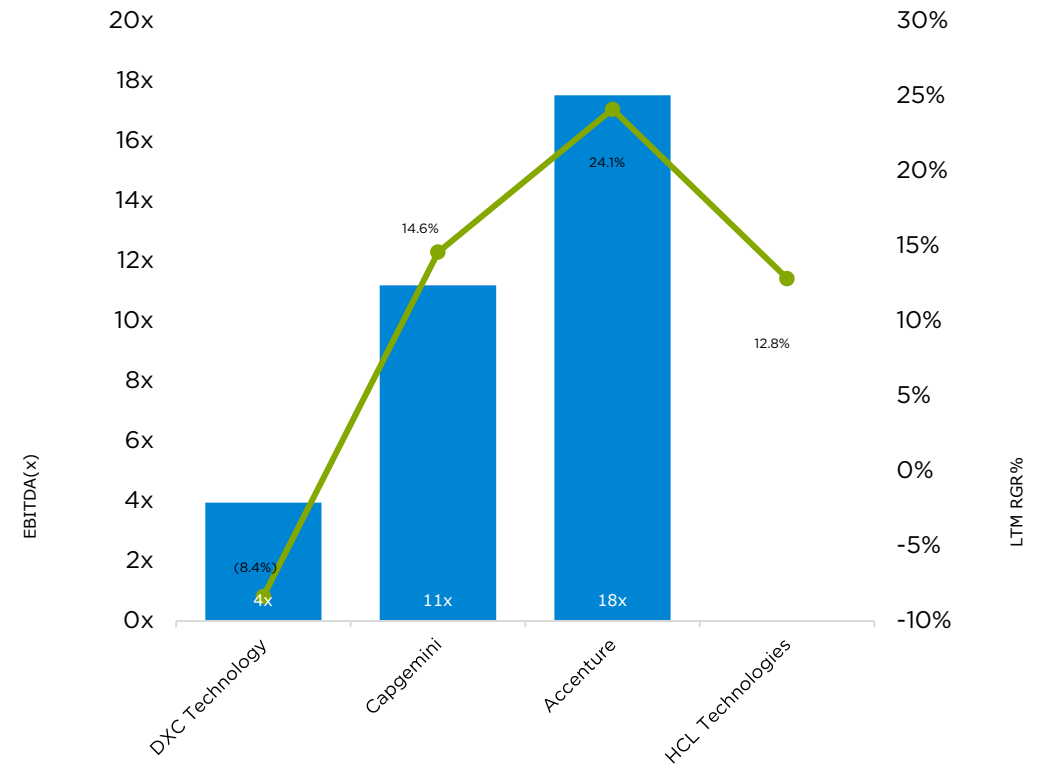


# Valuation

## Historical Valuation Multiples versus Gross Profit



## Historical Valuation Multiples versus Revenue Growth Rate



# Recent Transactions

Date	Target	Buyer	Total Transaction Amount	Target Revenue (TTM at time of deal)	TEV / Revenue	TEV / EBITDA
27-Apr-22	Neptune Software	Triton	-	-	-	-
26-Apr-22	Hövermann IT Group	Datagroup	-	-	-	-
26-Apr-22	Rizing	Wipro	540.00	-	-	-
22-Apr-22	Inhouse BI	Theta (New Zealand)	-	-	-	-
05-Apr-22	Litreca	Main Capital Partners	-	-	-	-
04-Apr-22	Okadis Consulting	Dediq	-	-	-	-
01-Apr-22	Activate Information Systems	Accely	-	-	-	-
31-Mar-22	Client Solutions	EY	-	-	-	-
24-Mar-22	POET	All for One Steeb	-	-	-	-
21-Mar-22	Akquinet	Deutsche Beteiligungs	-	-	-	-
10-Mar-22	Work Well	Seidor	-	-	-	-
01-Mar-22	Verso Altima India	Adroit Infotech Ltd	-	-	-	-
22-Feb-22	Loop Integration	Kin + Carta	-	-	-	-
22-Feb-22	ResolvIT SC	VistaVu Solutions	-	-	-	-
18-Feb-22	Sothis	Nunsys	-	-	-	-
14-Feb-22	Erptech	WiiT	4.53	-	-	-
01-Feb-22	Iovio	Copado	-	-	-	-
01-Feb-22	Wharfedale Technologies	Lemongrass	-	-	-	-
31-Jan-22	Theobald Software	Bregal Unternehmerkapital	-	-	-	-
28-Jan-22	Enginiety	EPAM Systems	-	-	-	-
13-Jan-22	Createch	Talan	-	-	-	-
11-Jan-22	Movilitas Consulting	Engineering USA	-	-	-	-
11-Jan-22	MySupply	Canada Pension Plan Investment Board	-	-	-	-
10-Jan-22	Enowa	Reply	-	-	-	-
04-Jan-22	UMB	The BKW Group	-	-	-	-

# Appendix

*Public Basket  
Contact Information*



## Atos

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Atos SE is an information technology company offering clients a full-stack range of digital solutions and products alongside consultancy services, digital security and decarbonization offerings.

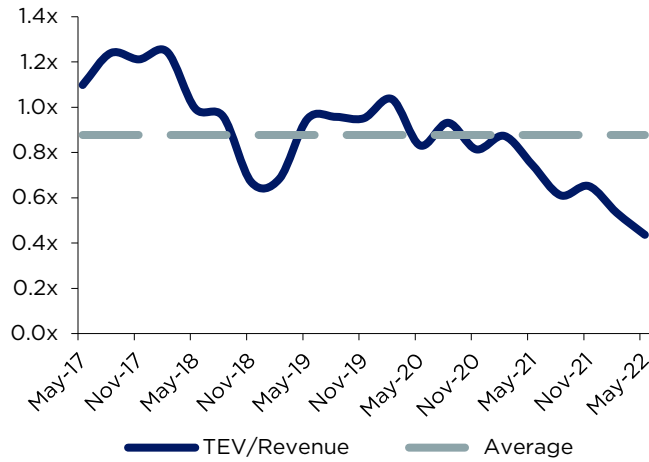
Its operating segments include North America, Northern Europe, Central Europe, Southern Europe and Growing Markets. Its purpose is to help design the future of the information space. The company enables its customers and employees, and members of society to live, work and develop sustainably, in a safe and secure information space.



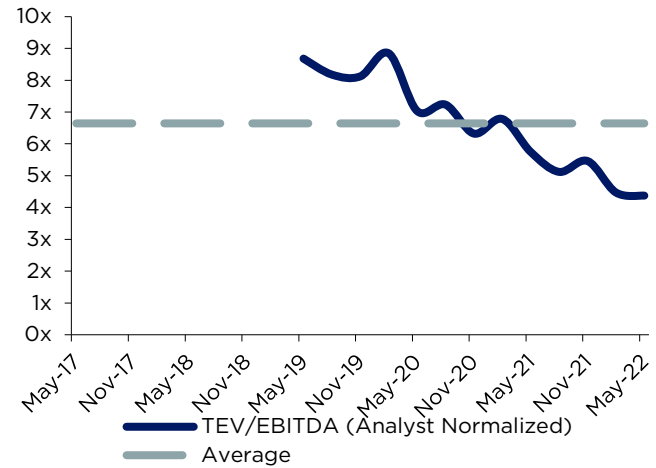
# Public Basket

Atos

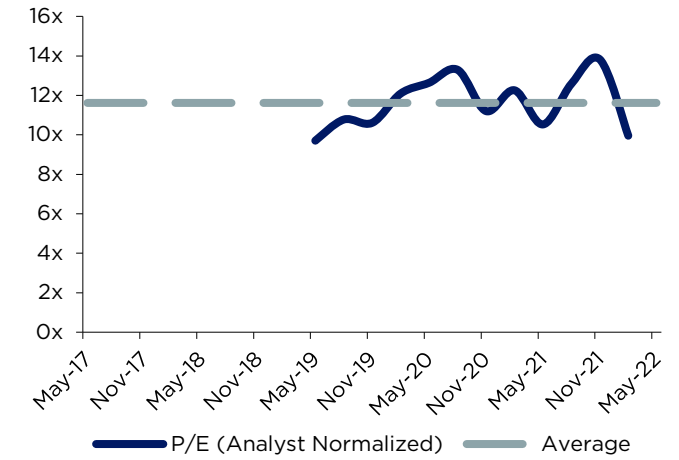
Revenue Multiples - Atos



EBITDA Multiples - Atos



P/E Multiples - Atos



*Company Name*

*Date*

*Deal Synopsis*

Cloudreach

04-Jan-22

The company was acquired by Atos (PAR: ATO) for an undisclosed amount on January 4, 2022.

AppCentrica

01-Dec-21

The company was acquired by Atos (PAR: ATO) for an undisclosed amount on December 1, 2021. The acquisition will help Atos to grow its salesforce and cloud application capabilities in Canada.

### DXC Technology

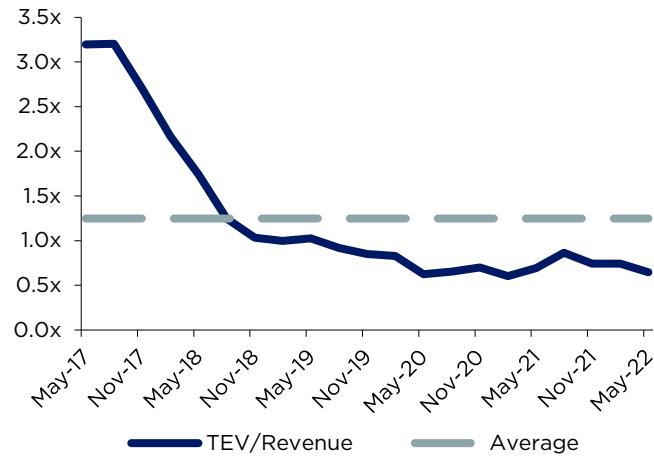
**DXC Technology Co is a vendor-independent IT services provider that started trading in April 2017.**

DXC was created via the amalgamation of Computer Sciences Corporation, or CSC, and Hewlett Packard Enterprise's Services business. The combined company has enviable global scale, with annual revenue of around \$20 billion, over 130,000 employees, operations across 70 countries, and broad industry exposure. In addition, the firm has roughly 6,000 clients, of which over 200 are within the Fortune 500.

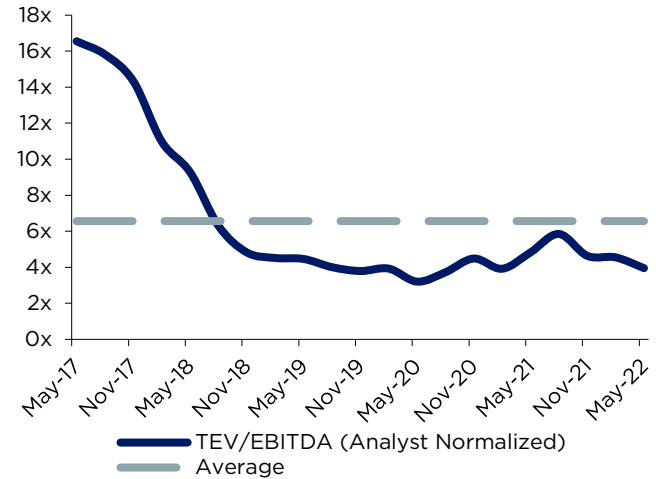
# Public Basket

## DXC Technology

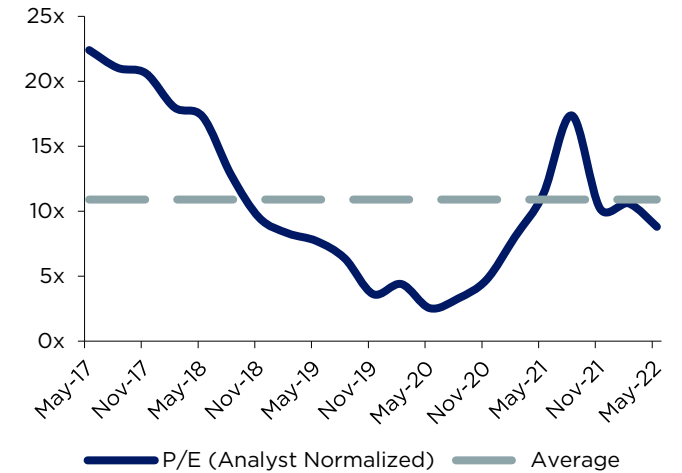
Revenue Multiples - DXC Technology



EBITDA Multiples - DXC Technology



P/E Multiples - DXC Technology



*Company Name*

*Date*

*Deal Synopsis*

AXA Konzern

01-Jan-21

The company, a subsidiary of UNIQA Insurance Group (WBO: UQA), was acquired by DXC Technology (NYS: DXC) for an undisclosed amount on January 1, 2021.

Fenergo

12-Feb-20

The company received \$80 million of development capital from DXC Technology and ABN AMRO Ventures on February 12, 2020. The transaction values the company at \$800 million. The funding will be used to enhance Fenergo's product offering and may also facilitate the acquisition of new business units and capabilities of strategic importance.

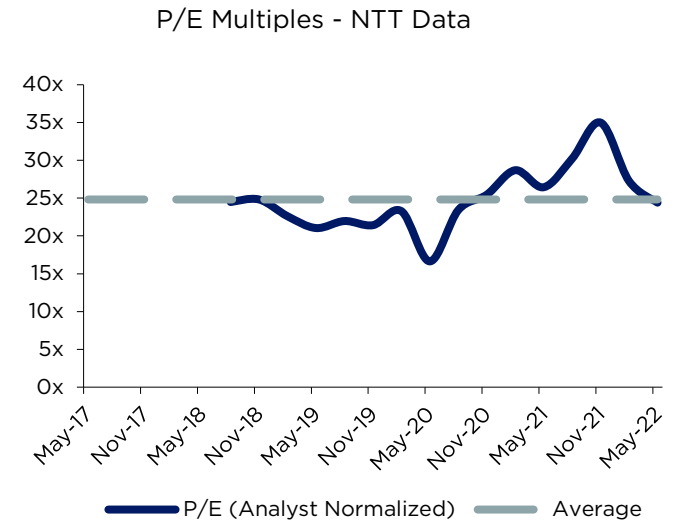
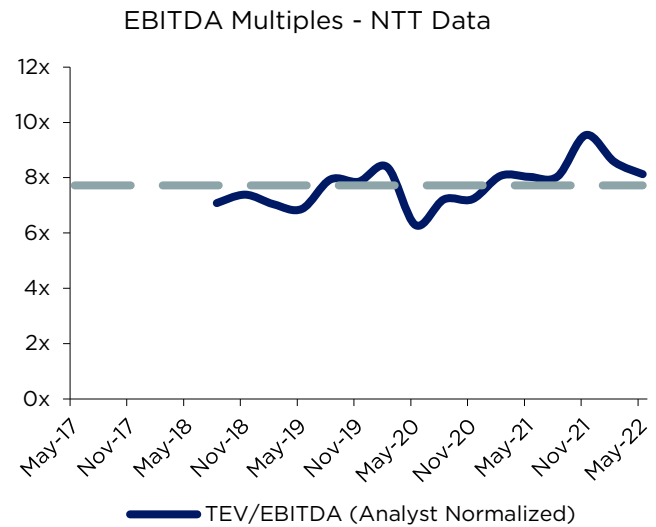
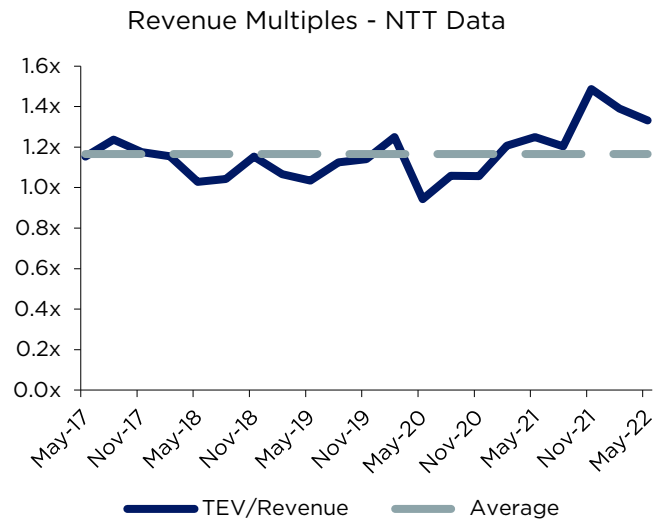
## NTT Data

### **NTT Data Corp provides IT services to a wide range of business fields.**

The company's operations are divided into three segments: global, public and social infrastructure; enterprise and solutions; and financial. Each segment contributes approximately an even proportion of the company's revenue. The services the company provides include system integration by constructing systems tailored to individual customer needs, multiple Internet and computer network-based information and processing services, consulting that evaluates customers' management issues, system support for large-scale systems, and new IT-based business models. The company is based in Japan but has a global presence.

# Public Basket

NTT Data



Company Name	Date	Deal Synopsis
NTT DATA Payment Services India	01-Jan-22	An undisclosed investor sold a 4.65% stake in the company to NTT Data (TKS: 9613), a subsidiary of NTT DoCoMo (TKS: 9437) for an undisclosed amount in 2022.
Nexient	23-Jun-21	The company was acquired by NTT Data (TKS: 9613), a subsidiary of NTT DoCoMo, for an undisclosed amount on June 23, 2021.

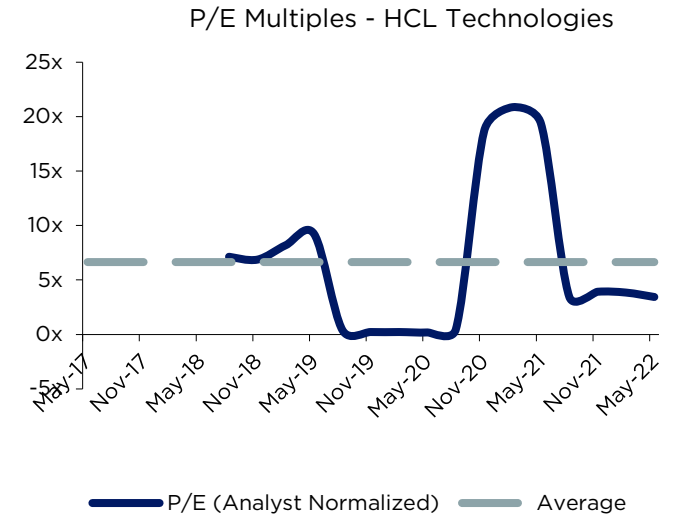
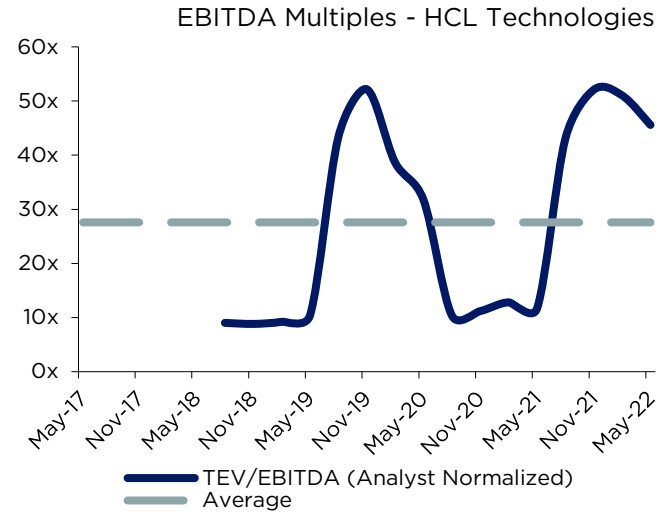
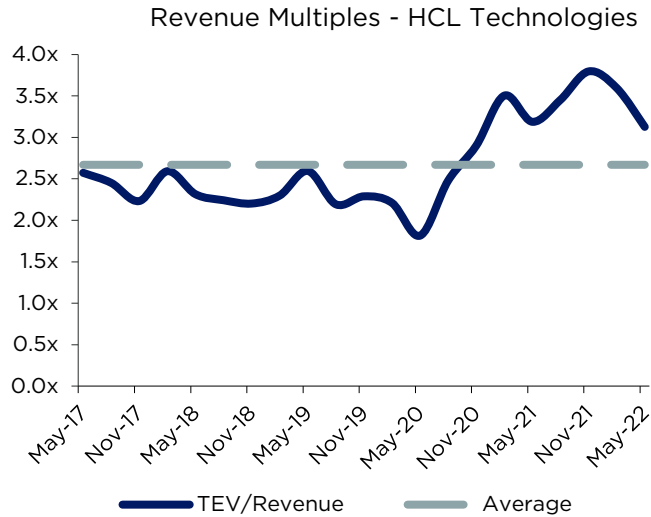
### HCL Technologies

## HCL Technologies Ltd provides enterprises with IT solutions in India.

It focuses on offering Digital, Internet of Things Services, Cloud, Automation, Cybersecurity, Infrastructure Management, and Engineering Services to solve business problems for clients. While the company is based in India, it has international clients in a large number of countries. It offers solutions to a variety of industries including Financial Services, Public Services, Consumer Services, Healthcare, and Manufacturing. It operates in three segments Software services, IT Infrastructure services, and Business Process Outsourcing services. The firm emphasizes consultation services for firms, with the goal to offer them digital and design solutions. Most of the firm's revenue comes from Software services segment.

# Public Basket

## HCL Technologies



Company Name	Date	Deal Synopsis
Starschema	14-Jan-22	The company was acquired by HCL Technologies (NSE: HCLTECH) for \$42.5 million on an undisclosed date.
Gesellschaft für Bankssysteme	05-Jan-22	The company was acquired by HCL Technologies (NSE: HCLTECH) and Deutsche Apotheker- und Ärztebank for EUR 99,000 on January 5, 2022. Post completion of the transaction, HCL Technologies owns 51% while Deutsche Apotheker- und Ärztebank owns a 49% stake in the company. Deutsche Apotheker- und Ärztebank increased its stake from 10% to 49% in the company. The acquisition helps HCL Technologies to accelerate its digital transformation and further enhance its scale in Germany.

## Capgemini

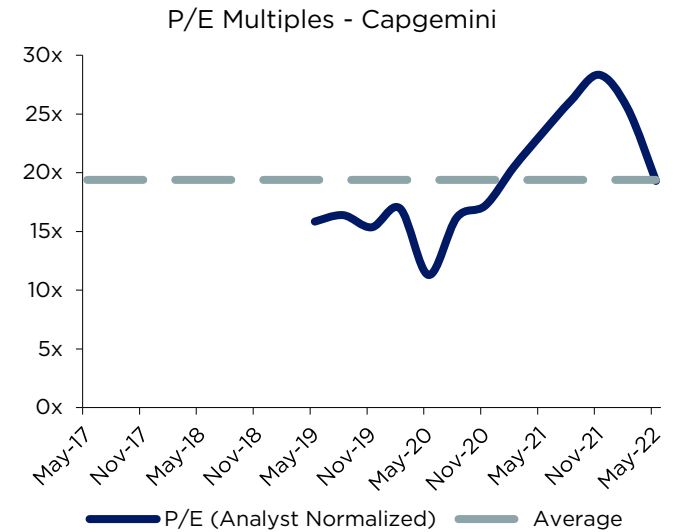
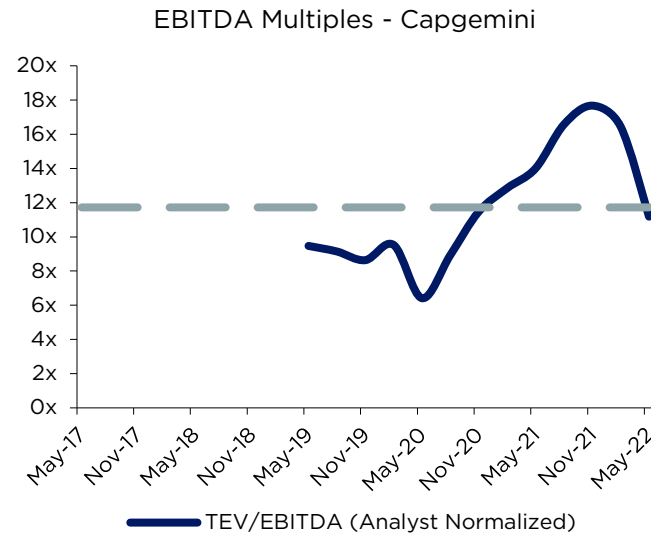
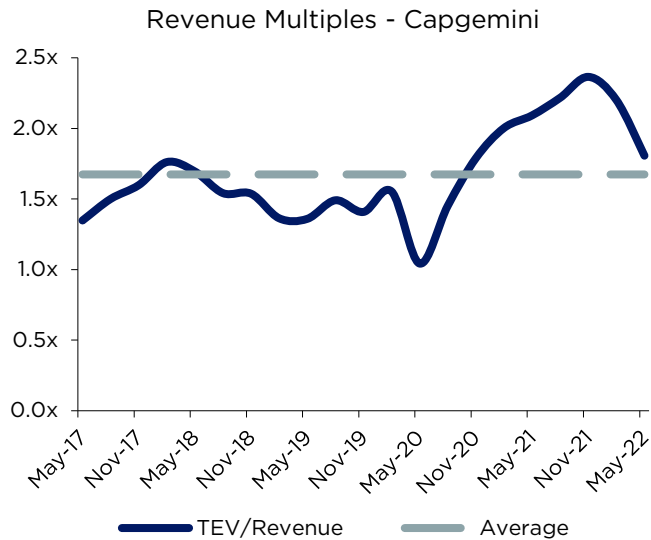
**Capgemini is a French IT services company with a global presence.**

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.

## Lumen Technologies

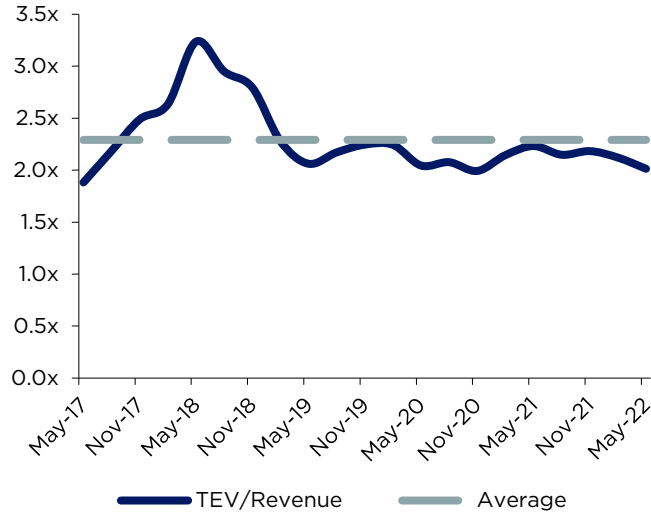
**With 450,000 route miles of fiber, including over 35,000 route miles of subsea fiber connecting Europe, Asia, and Latin America, Lumen Technologies is one of the United States' largest telecommunications carriers serving global enterprises.**

Its merger with Level 3 further shifted the company's operations toward businesses (over 70% of revenue) and away from its legacy consumer business. Lumen offers businesses a full menu of communications services, providing colocation and data center services, data transportation, and end-user phone and Internet service. On the consumer side, Lumen provides broadband and phone service across 37 states, where it has 4.5 million broadband customers.

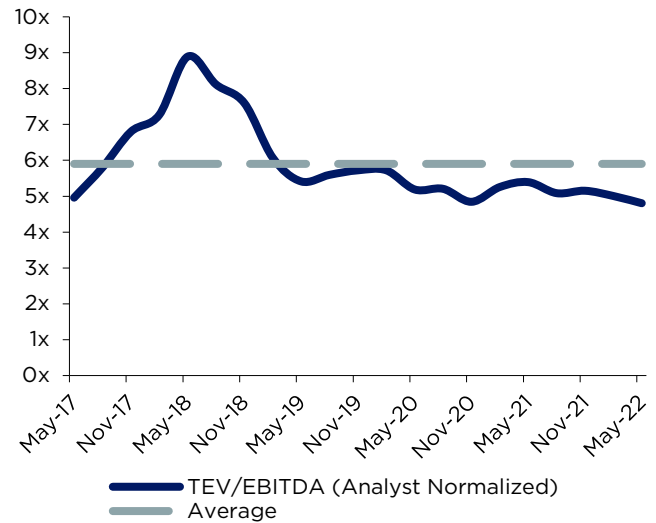
# Public Basket

## Lumen Technologies

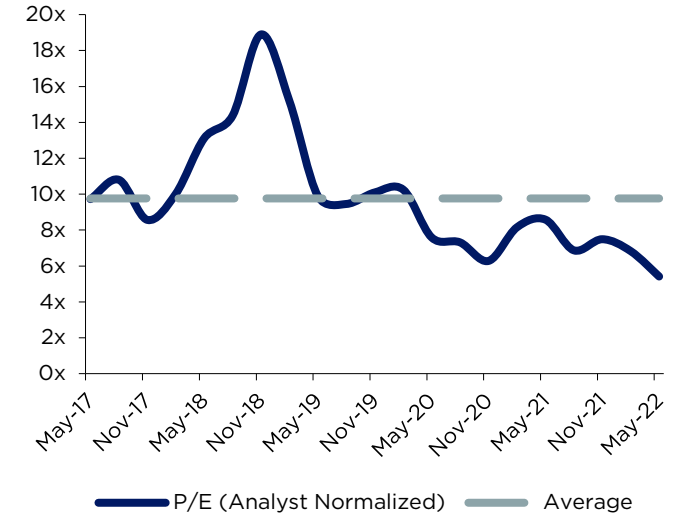
Revenue Multiples - Lumen Technologies



EBITDA Multiples - Lumen Technologies



P/E Multiples - Lumen Technologies



*Company Name*

*Date*

*Deal Synopsis*

Section

26-Apr-21

The company raised \$12 million of Series B venture funding in a deal led by Lumen Technologies on April 26, 2021, putting the company's pre-money valuation at \$36 million. Foundry Group, Next Frontier Capital and Andreas Capital also participated in the round. The funds will be used for the next phase of growth and to accelerate the company's mission to improve the Internet by helping application builders deliver faster and more secure digital experiences at the Edge.

Streamroot

06-Sep-19

The company was acquired by CenturyLink (NYS: CTL) for an undisclosed amount on September 6, 2019. The acquisition will help the company to improve video and static content delivery within bandwidth-constrained areas.

## Accenture

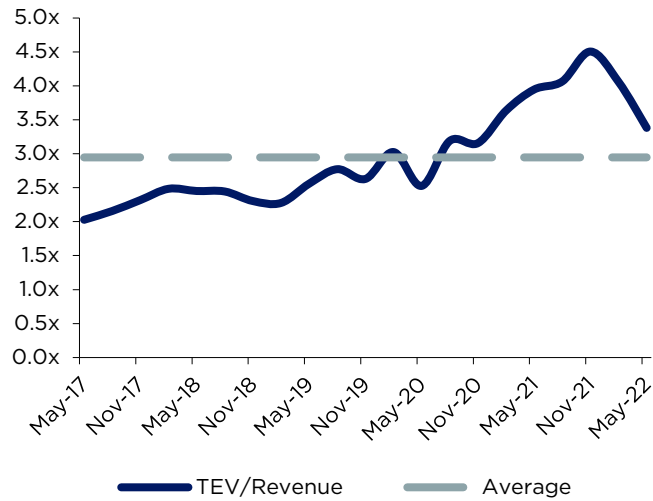
**Accenture is a leading global IT-services firm that provides consulting, strategy, and technology and operational services.**

These services run the gamut from aiding enterprises with digital transformation to procurement services to software system integration. The company provides its IT offerings to a variety of sectors, including communications, media and technology, financial services, health and public services, consumer products, and resources. Accenture employs just under 500,000 people throughout 200 cities in 51 countries.

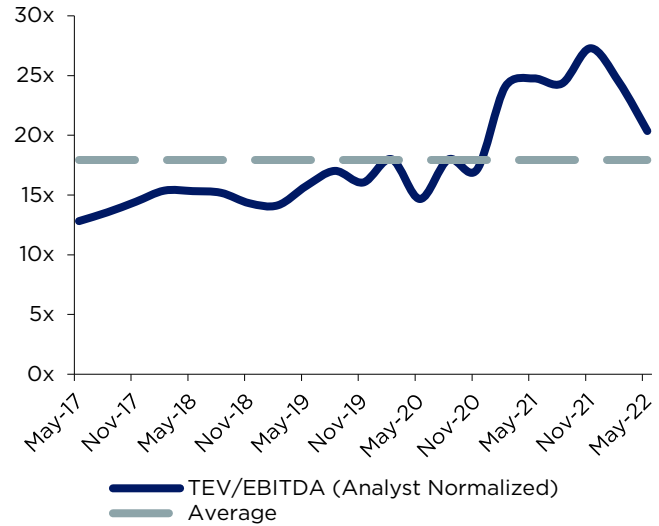
# Public Basket

Accenture

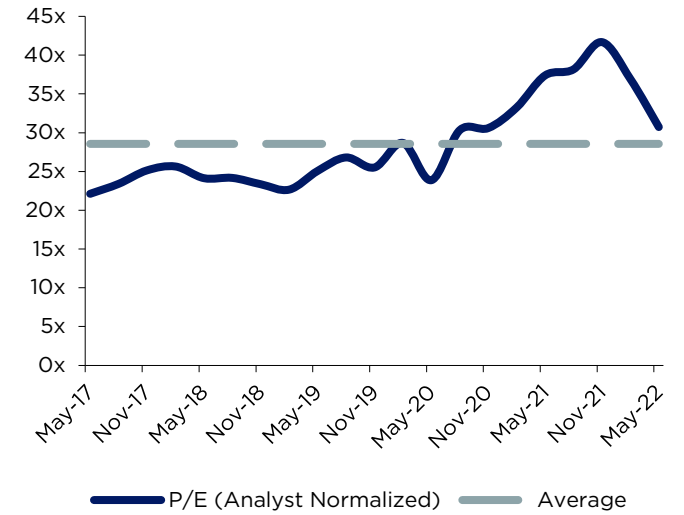
Revenue Multiples - Accenture



EBITDA Multiples - Accenture



P/E Multiples - Accenture



Company Name

Date

Deal Synopsis

Ergo Renova

21-Apr-22

The company was acquired by Accenture (NYS: ACN) for an undisclosed amount on April 21, 2022. The acquisition will expand Accenture's cloud first capabilities to drive data-led transformations for clients in the Hispanic South American market, spanning Argentina, Chile, and Colombia.

# 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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Alejo Vidal, Analyst	(+) 54.911.41589065	alejo@7mileadvisors.com