

Market Update Digital Engineering

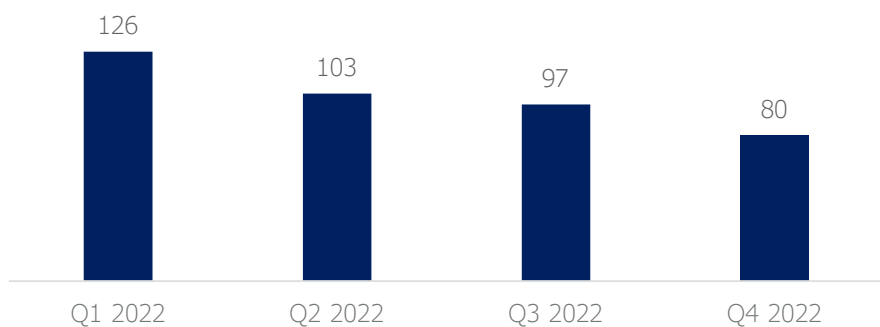
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Due to growing strategic and private equity interest in digital engineering companies, market activity in the fourth quarter remains high relative to general market activity. While traditional market leaders in the sector actively continue to pursue large opportunities to expand their market position, private equity investors are becoming increasingly aggressive at investing in and scaling digital engineering businesses. According to Zinnov, a global strategy firm, the emergence of newer digital skillsets and economically resilient business models have made digital engineering firms an attractive investment for private equity firms. In November, Ness Digital Engineering, a New Jersey-based digital consultancy with more than 4,000 employees, was acquired by KKR, a leading global investment firm with more than \$500 billion in assets under management.

The required investment in digital engineering projects is pervasive across all industries. Companies are readily adopting new digital technologies in day-to-day operations that require increased spend toward the development of new and existing capabilities. According to an August report from Digital Engineering 24/7 Partners, the global market for software engineering services is expected to grow from \$32.6 billion in 2022 to \$50.2 billion by 2026, growing at a compound annual growth rate of 9.7 percent.

Globally, firms continue to make digital engineering acquisitions to expand delivery capabilities and accelerate inorganic growth. Recently, GlobalLogic, a Romania-based software engineering services company, acquired Fortech to support its multi-year growth strategy. Sopra Steria, a Belgian-based digital consultancy, acquired Tobania to establish a leading position in the Belgian digital services market.

M&A - Digital Engineering Deals

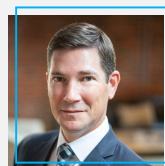


7MA has recently completed numerous M&A transactions for Digital Engineering companies and has developed unparalleled deal expertise and knowledge of the industry trends, valuations trends, and most active strategic and financial buyers. Please contact Leroy Davis, Tripp Davis, Kristina Sergueeva, or Ilya Ulianchuk if you would like to learn more about 7MA's Digital Engineering practice.

Sector Coverage Team



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Sector Snapshot

TELUS International Acquires WillowTree to Expand Digital Product Delivery



WillowTree, a Charlottesville based digital product consultancy, was acquired by TELUS International for a total enterprise value of \$1.225 billion. This arrangement includes \$210 million in assumed debt, of which \$125 million will be settled in TELUS International subordinate voting shares and \$160 million being reinvested by the management team and subjected to performance-based criteria. WillowTree’s clients include FOX, CBC, PepsiCo, Anheuser-Busch InBev, Synchrony, Manulife, and Marriott.

WillowTree will enhance TELUS International’s product delivery capabilities, particularly within healthcare, agriculture, and consumer goods. WillowTree is headquartered in Charlottesville, VA and operates 13 studios globally with more than 1,000 employees.

Date: Oct. 27, 2022

Deal Type: M&A

Target HQ: Charlottesville, VA

Valtech Acquires Union to Build its End-to-End Customer Experience Expertise



Union, a performance marketing and product development firm, was acquired by Valtech. Union’s marketing expertise and experience helping brands create successful omni-channel campaigns using quantifiable data will further Valtech’s ability to deliver end-to-end customer experiences for enterprise clients. Union’s existing client relationships include leading companies in the travel & tourism, health & wellness, and food & beverage sectors.

This acquisition will expand Valtech’s expertise in the performance marketing and product development spaces. It also adds onshore delivery capacity and further reinforces its position as a market leader.

7 Mile Advisors acted as the exclusive sellside advisor to Union throughout the transaction.

Date: Oct. 3, 2022

Deal Type: M&A

Target HQ: Charlotte, NC

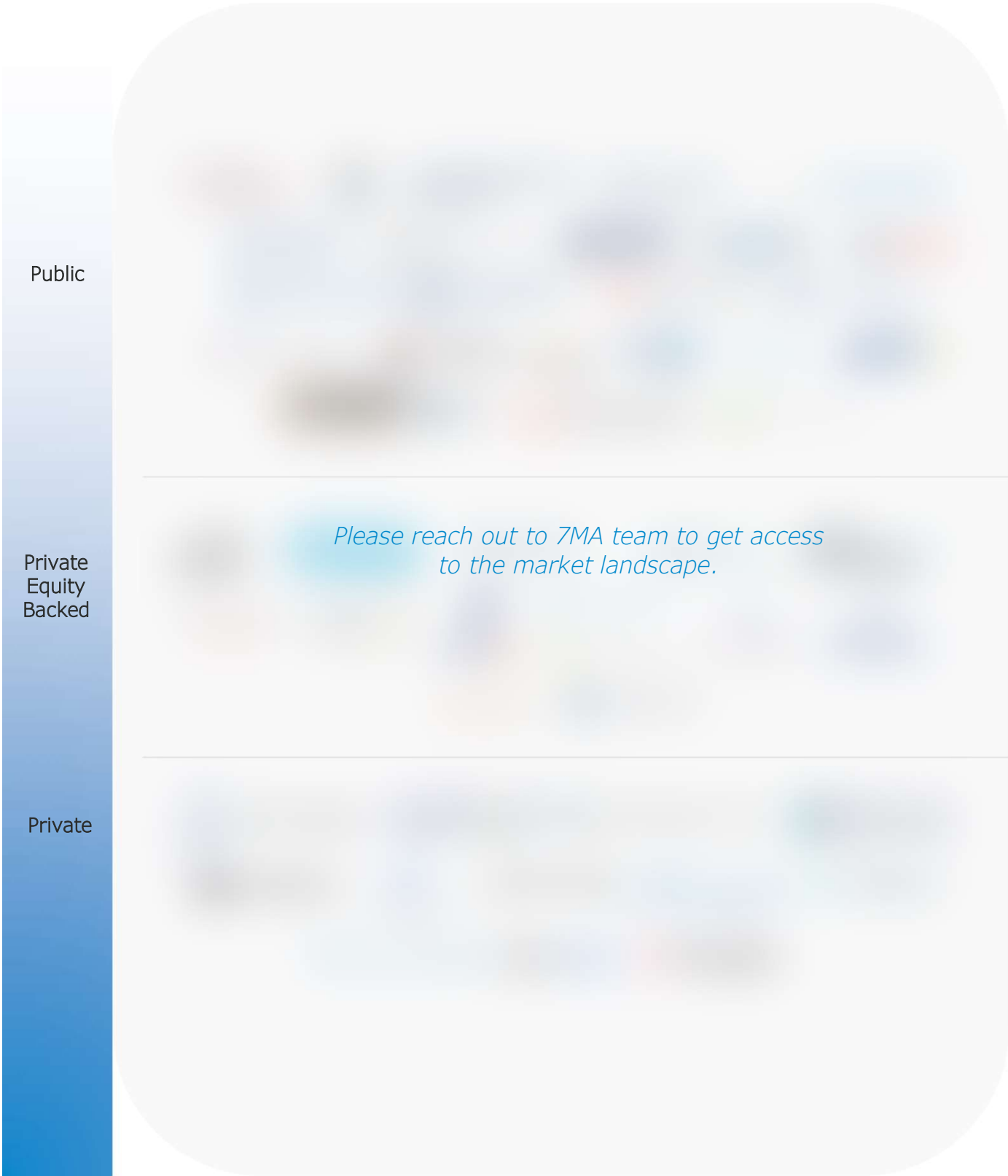


Market outlook on digital engineering services industry

- Global market size is expected to grow from \$837 billion in 2021 to \$1,277 billion in 2026.
- As of 2021, North America was the largest region in the product engineering services market, with Asia Pacific expected to soon lead as the fastest growing region.

Market Landscape

Company Type

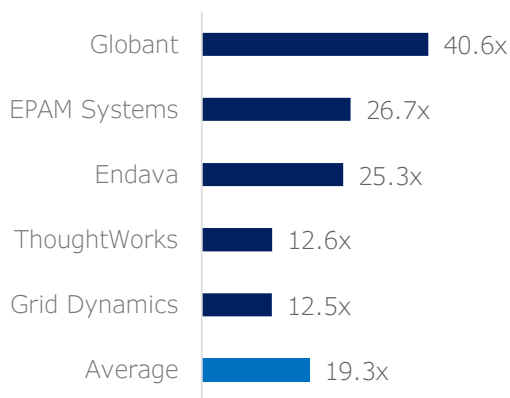


Please reach out to 7MA team to get access to the market landscape.

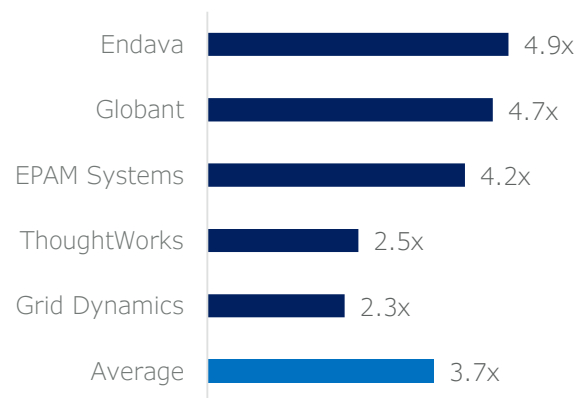
Publicly-traded Digital Engineering – Q4 2022

Companies	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# of FTEs	Rev / FTE \$k
Globant	7,832	193	1,669	59%	38%	12%	4.7x	40.6x	26,500	30
Endava	4,443	175	898	47%	33%	20%	4.9x	25.3x	12,065	37
ThoughtWorks	3,154	250	1,272	33%	25%	20%	2.5x	12.6x	11,936	26
Grid Dynamics	669	53	296	90%	39%	18%	2.3x	12.5x	3,746	18
EPAM Systems	19,908	746	4,701	41%	32%	16%	4.2x	26.7x	58,000	34
Mean	7,201	306	1,767	54%	33%	18%	3.7x	19.3x	22,449	29
Median	4,443	213	1,272	47%	33%	19%	4.2x	19.0x	12,065	30

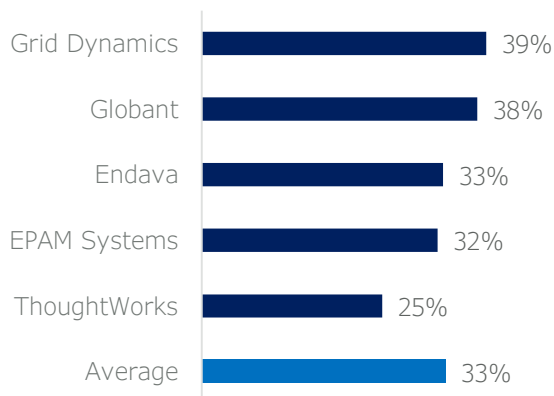
TEV / EBITDA X



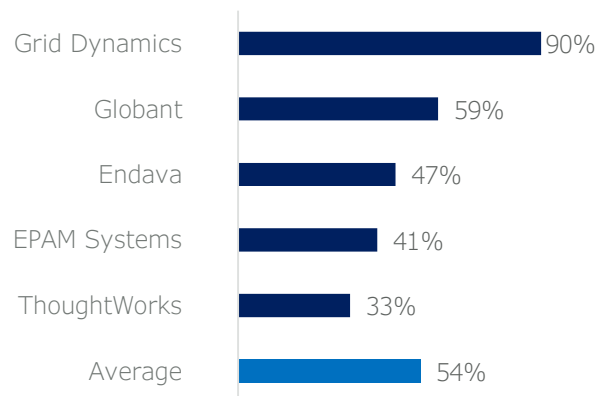
TEV / Rev X












Gross Profit Margin %



Rev Growth YoY



Q4 2022 M&A Transactions

Date	Target	Buyer / Investor	Target Description
November 2022		GlobalLogic®	<ul style="list-style-type: none"> Fortech is a Romania based software engineering services company. The company's services include digital engineering, DevOps, quality assurance, and data analytics. The company was acquired by GlobalLogic, a Hitachi Group company. The investment will support its multi-year strategy designed to establish a broader European footprint and improve delivery capabilities.
November 2022			<ul style="list-style-type: none"> Tobania is a Belgian based digital consultancy and services company. The company has more than 700 employees and is expected to generate €110 million in revenue in 2022. The company was acquired by Sopra Steria for an undisclosed amount to establish a leading position in the Belgian digital services market.
November 2022			<ul style="list-style-type: none"> Avenue Code is a San Francisco based software consulting agency. The company has more than 1,000 employees in the United States, Canada, Europe, and Brazil. The company was acquired by Compass UOL for an undisclosed amount.
November 2022			<ul style="list-style-type: none"> ThoughtFocus is a Milwaukee based provider of digital services and technology enabled digital operations. The company has clients in the financial services, manufacturing, and higher education sectors. The company received a growth investment from H.I.G. Capital, a leading global investment firm with more than \$50 billion of assets under management. This investment will aid ThoughtFocus' expansion both organically and through acquisitions.
October 2022			<ul style="list-style-type: none"> WillowTree is a Charlottesville based digital product consultancy. The company provides end-to-end product development and growth marketing services. WillowTree's clients include Fortune 500 companies in telecommunications, media, healthcare, financial services, and technology. Insignia Capital group reached an agreement to sell its majority interest in WillowTree to TELUS International for a total enterprise value of \$1.225 billion.
October 2022		KKR	<ul style="list-style-type: none"> Ness Digital Engineering is a New Jersey based provider of end-to-end digital transformation services. The company specializes in building digital software products and has more than 4,000 employees. Rohatyn Group reached an agreement to sell 100% of Ness Digital Engineering to KKR, a leading global investment firm.

About 7 Mile Advisors

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. All securities transactions are executed by 7M Securities, LLC, member FINRA / SIPC. For more information, including research on the M&A markets, visit www.7mileadvisors.com.



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