

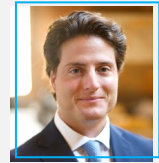
Market Update IT Services & Software in Latin America

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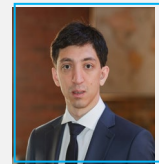
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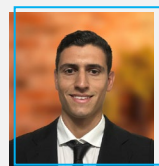
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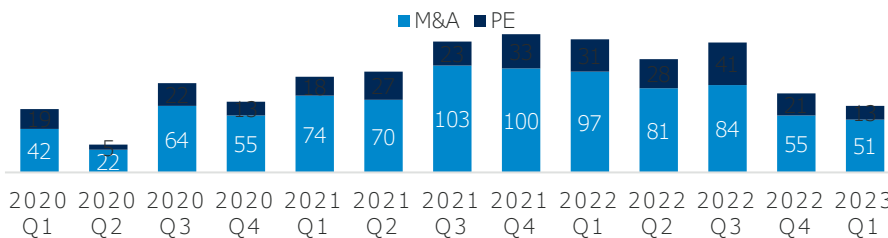
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Macroeconomic and political turmoil had an impact on the LATAM IT Services sector in Q1 2023. Interest rate hikes and changes in some countries' governments in the region led to slower Q1 activity compared to the last few years. This marks the second consecutive decrease in deal count and is strongly correlated with global economic instability. Despite the macroeconomic environment, the sector still presents great opportunities, and LATAM is a top target for global investors looking to deploy capital to expand their nearshore offerings with top local delivery centers.

IT SERVICES LATAM INVESTMENTS OVER TIME



Given that the majority of companies in LATAM are SMEs that heavily depend on VC or PE funding, the collapse of Silicon Valley Bank has had a significant impact on the region. Tech startups are struggling to find banking alternatives after the sudden crash of the mentioned bank. In addition, investors were more cautious during the first part of March, waiting for the FED's answer, which finally decided to bail out its depositors, avoiding a bigger crisis.

Long-term strategic investors (51) are generating a larger share of deal activity than financial sponsors (13), making PEGs evaluate other ways of financing their operations. Accordingly, debt financing is becoming a popular option among these funds, as well as earn-outs and other forms of deferred consideration.

LATAM's educative policies and English-speaking talent pool continue to be the main sources of attraction for foreign investors. Additionally, the time difference and low-cost workforce allow IT Service companies to complement their offerings while solving the issue of tech resource scarcity.

Investors' investment theses are becoming more selective in their search for nearshore investments. Driving factors for Strategics and PEGs are companies that have a majority concentration of U.S. or European-based clients serviced by the LATAM delivery centers (+80% of the client mix), recurring revenue above 50%, and a billable workforce over contractors. This criteria is expected to continue throughout the next months due to the region's continued political and economic stressors.

7MA has completed important M&A transactions for companies with outsourced operations and/or delivery centers in Latin America and has developed unparalleled deal expertise and knowledge of the industry trends, valuation trends, and most active strategic and financial buyers. Please contact Horacio Yenaropolos if you would like to learn more about the landscape in Latin America.

Stefanini Acquired Safeway Consultoria Empresarial



Provider of information technology services intended to help its clients secure their network. The company specializes in offering services that include cyber security checks, consulting services, security solutions as a service, network security services, and risk management.

The company was acquired by Stefanini for an undisclosed amount on March 8, 2023. This acquisition will help Stefanini to accelerate its global growth with the consolidation of the cybersecurity, risk and compliance market in Brazil and in other parts of the world.

Date: Mar 8, 2023

Deal Type: M&A

Target HQ: Brazil

Publicis Groupe Acquired Practia



Provider of business consulting services intended to solve problems in different businesses. The company's regional network allows to respond quickly to demand, with specialists in each problem and applying technological innovation to each business, enabling companies to get quick solutions with innovative software and technologies.

The company was acquired by Publicis for an undisclosed amount on March 30, 2023. The acquisition will position Publicis Sapient to enter the Latin America market, one of the world's fastest-growing regions for digital business transformation.

Date: Mar 30, 2023

Deal Type: M&A

Target HQ: Argentina

Most Active M&A Subsectors in Q1 2023 in Latin America

Business & Productivity Software

Financial Software

Media & Information Services

Market Landscape

Annual Revenue, USD

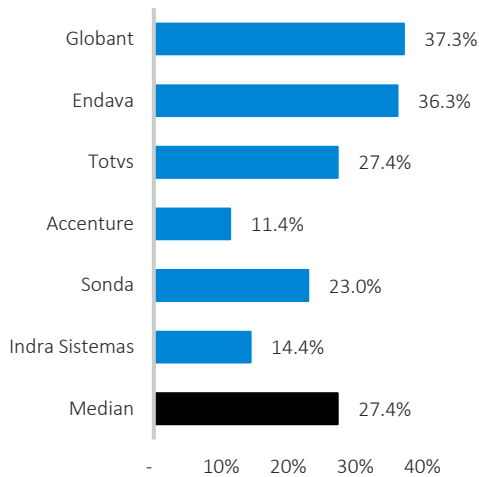


Publicly-traded IT Services & Software Companies – Latin America – Q1 2023

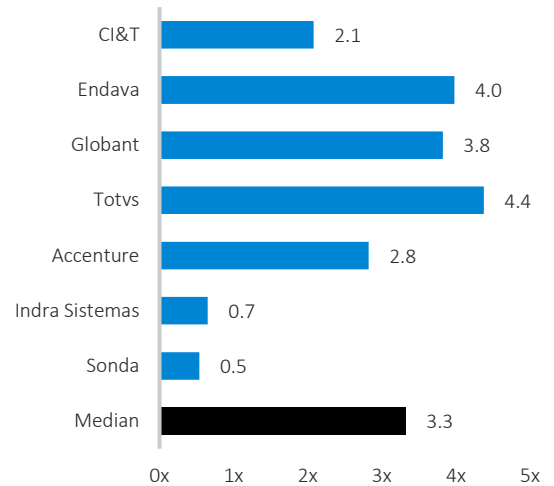
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Accenture	178,158	10,736	63,144	11.4%	32.1%	17.0%	2.8x	16.6x	40,247	1,569
Globant	6,804	243	1,780	37.3%	37.6%	13.7%	3.8x	28.0x	24,504	73
Endava	3,681	176	926	36.3%	33.7%	19.0%	4.0x	20.9x	11,001	84
Totvs	3,211	237	734	27.4%	69.8%	32.3%	4.4x	13.5x	10,000	73
Indra Sistemas	2,625	401	4,027	14.4%	29.2%	9.9%	0.7x	6.6x	53,287	76
Sonda	648	141	1,205	23.0%	16.8%	11.7%	0.5x	4.6x	13,314	90
CI&T	880	71	423	51.5%	34.9%	16.7%	2.1x	12.4x	6,435	66
Average	28,001	1,715	10,320	28.7%	36.3%	17.2%	2.6x	14.7x	22,684	290
Median	3,211	237	1,205	27.4%	33.7%	16.7%	2.8x	13.5x	13,314	76

share price as of 31Mar23

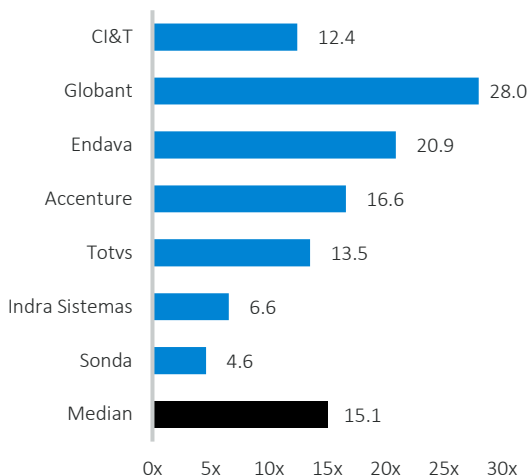
Rev Growth YoY



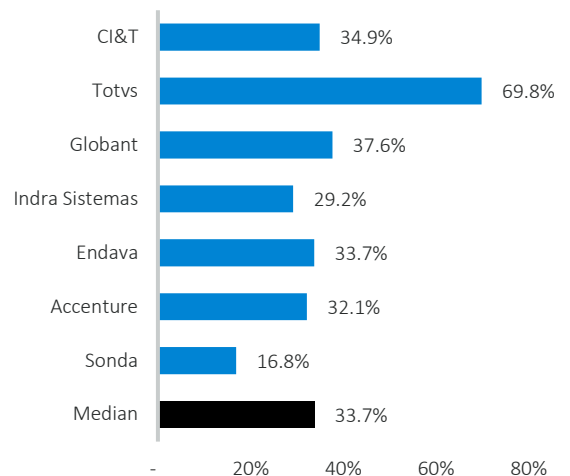
TEV / Rev X



TEV / EBITDA X



Gross Margin %



Q1 2023 M&A Transactions

Date	Target	Buyer/Investor	Target Description
02/28			Pulses' platform offers organizational climate and engagement, employee experience, people analytics and organizational culture reports, enabling companies to receive valuable information and insights about their employees' engagement and experience in real-time.
02/9			Developer of enterprise mobility management software intended for companies of all sizes specializing in mobility and telecom managing services and the development and management of mobile applications, thereby helping clients in achieving their strategic goals.
01/17			Nooka Labs offers tangible, functional products, a digital world, disrupting the industry by improving user experiences and functionalities, thereby helping clients with designing business solutions leveraging software as the main component.
01/24			Xubio offers management of electronic invoices, budgets, and finances to accounting and taxes, as well as integrations with leading e-commerce platforms, thus helping businesses to run in an easy and effective manner.
01/30			Giver provides a CRM platform with a loyalty program for retailers located in Brazil thus helping in increasing the registration base and encouraging customers to buy more.

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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Notable 7 Mile Transactions

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