

## Market Update Digital Engineering

- 1 Market Overview
- 2 Sector Snapshot
- 3 Public Markets
- 4 Notable Deals

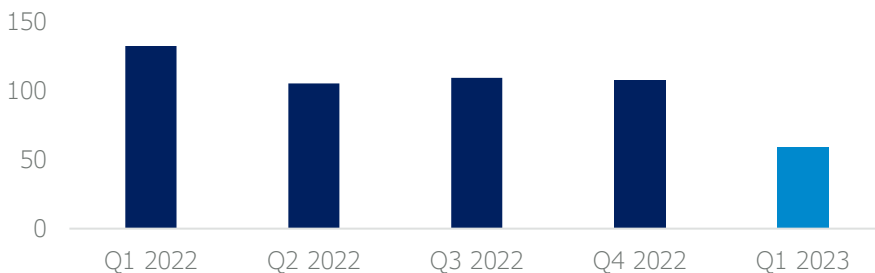
Organizations are redefining their digital footprints to preserve and grow their customer and employee relationships. Digital transformation has paid dividends to these early adopters but is quickly becoming a deeper requirement to grow and compete in the broader market. The pandemic only highlighted the need for greater tech-enablement to engage newly at-home workforces and digital consumers. As a result, companies rapidly adopted digital engineering initiatives and are continuing investment in a post-COVID world to ensure long-term success and agility to the emerging technologies that are reshaping their industries.

Last April, EY released its 2022 Digital Investment Index, which surveyed 1,500 global C-level executives with digital technology decision-making responsibility from industries worldwide. Three important takeaways from this report:

1. **Adopt or risk falling behind** - Companies are making record-breaking investments in digital transformation, up 65% from 2020. Most view this as a top business imperative and critical for survival.
2. **Executives are optimistic on their return of digital investments** - Companies that measure RODI (Return on Digital Investment) expected a 7.6% average return on their digital investment in 2022. If achieved, this would nearly double the 4.4% RODI that they reported achieving in 2021.
3. **Companies can accelerate innovation and increase value through inorganic investments** - 55% of respondents cited choosing inorganic investment, such as M&A and partnerships, over building digital capabilities in-house. Easier access to capital and the quality of tech assets in the market have opened a new pathway for businesses outside of organic growth strategies.

Propelled by technologies such as artificial intelligence, machine learning, data analytics, internet of things (IoT), cloud computing, and cybersecurity - digital engineering has garnered private equity and strategic interest. Market activity has remained robust through Q1 2023 with recorded breaking deals announced. In-demand partnerships and attractive geographic footprints - such as US, European, Latin American, or Indian delivery - are important considerations for investors. In the current competitive market, buyers are willing to pay premium valuations for assets that "check the box" on these considerations.

M&A - Digital Engineering Deals

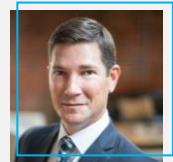


7MA has recently completed numerous M&A transactions for Digital Engineering companies and has developed unparalleled deal expertise and knowledge of the industry trends, valuations trends, and most active strategic and financial buyers. Please contact Leroy Davis, Tripp Davis, Kristina Sergueeva, or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

### Sector Coverage Team



**Leroy Davis**, Partner  
leroy@7mileadvisors.com



**Tripp Davis**, Partner  
tripp@7mileadvisors.com



**Kristina Sergueeva**, Managing Director  
kristina@7mileadvisors.com



**Iliia Ulianchuk**, Vice President  
ilia@7mileadvisors.com

## GlobalLogic Acquires Hexacta to Expand Talent and Service Offerings



Hexacta, a Latin American digital engineering company, was acquired by GlobalLogic, a Hitachi Group Company and Digital Engineering Leader. This acquisition is part of a continued strategy by GlobalLogic to expand its offerings and roster of engineering talent to meet the strong market demand for digital engineering services.

Hexacata has operations in five countries including the United States, Argentina, Colombia, Peru, and Uruguay. Hexacta's clients include leaders from a range of industries including EdTech, FinTech, HealthCare, Media & Gaming, and Technology.



A Hitachi Group Company

**Date:** Jan. 5, 2023

**Deal Type:** M&A

**Target HQ:**  
Montevideo, Uruguay

## 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 partnering with brands to create successful omni-channel campaigns will further Valtech's ability to deliver end-to-end customer experiences for its clients. Union has existing client relationships with 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



# 8.8%

CAGR 2021-2026

### Market outlook on digital engineering services industry

- o Global market size is expected to grow from \$837 billion in 2021 to \$1,277 billion in 2026.
- o 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

Public

Private  
Equity  
Backed

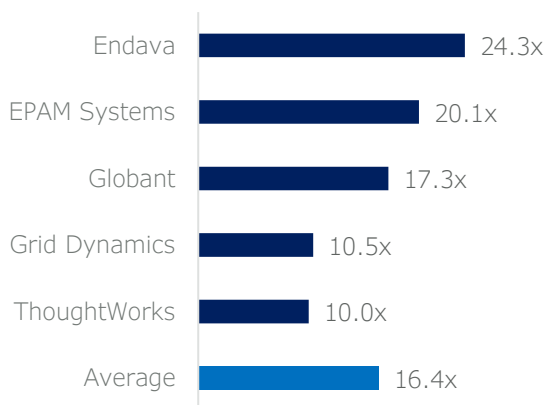
Private

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

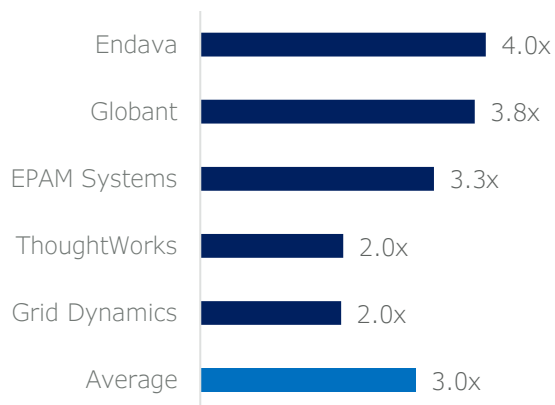
## Publicly-traded Digital Engineering – Q1 2023

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
EPAM Systems	15,699	781	4,825	28%	32%	16%	3.3x	20.1x	59,300	26
Globant	6,804	393	1,780	37%	38%	22%	3.8x	17.3x	27,122	25
Endava	3,681	152	926	36%	34%	16%	4.0x	24.3x	12,111	30
ThoughtWorks	2,581	257	1,296	21%	27%	20%	2.0x	10.0x	12,500	21
Grid Dynamics	609	58	310	47%	39%	19%	2.0x	10.5x	3,151	19
<b>Mean</b>	<b>5,875</b>	<b>328</b>	<b>1,827</b>	<b>34%</b>	<b>34%</b>	<b>19%</b>	<b>3.0x</b>	<b>16.4x</b>	<b>22,837</b>	<b>24</b>
<b>Median</b>	<b>3,681</b>	<b>257</b>	<b>1,296</b>	<b>36%</b>	<b>34%</b>	<b>19%</b>	<b>3.3x</b>	<b>17.3x</b>	<b>12,500</b>	<b>25</b>

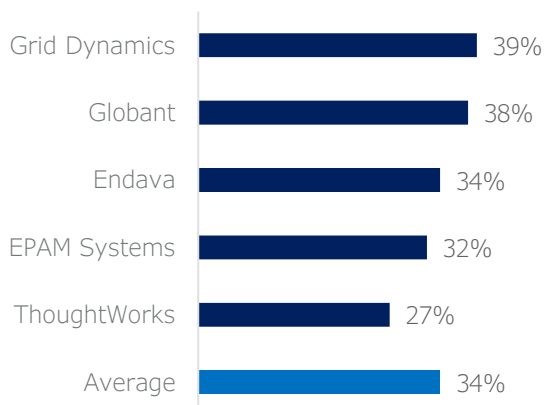
### TEV / EBITDA X



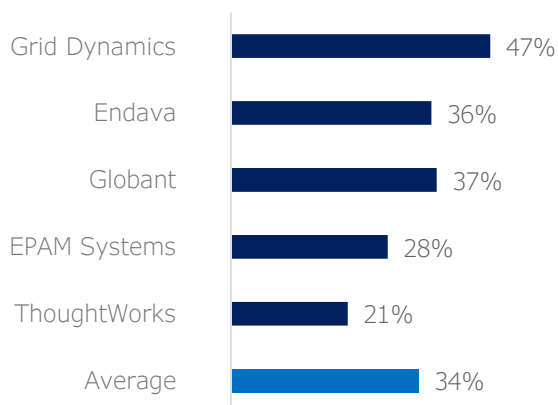
### TEV / Rev X
















### Gross Profit Margin %



### Rev Growth YoY



## Q1 2023 M&amp;A Transactions

Date	Target	Buyer / Investor	Description
March 2023			"Joining forces with Publicis Sapient will help propel our combined organizations forward as we target some of the most important challenges facing our clients today." <b>Nelson Sprejer, Co-Founder and Board Member of Practia</b>
February 2023		<b>INVESTCORP</b>	"We are excited to be able to team-up with Investcorp Technology Partners which will allow us to move full speed ahead with the development of the NetRom campus and the NetRom educational programs." <b>Mircea Negrila, Co-Founder and CTO of NetRom</b>
February 2023			"We see great need among our clients for application modernization and data analytics solutions to meet their digital transformation ambitions. Joining the EY team is an amazing opportunity to expand the services we offer our clients on the Microsoft technology stack." <b>Craig Branning, Chief Executive Officer of Tallan</b>
January 2023			"Excellerate is honored to join a company with a reputation for delivering high-quality, industry leading digital solutions to customers in many different high-growth industries around the world.... We see this acquisition as a tremendous fit culturally, and feel that our capabilities will provide critical value to Encora's current and future customers." <b>Nick Sharma, CEO of Excellerate</b>
January 2023			"The quality of our work is driven by the quality of our people and the values they share, and we consider this investment as a validation of our unique value and of our commitment to excellence. We look forward to deepening our expertise and offerings in Israel, Europe, and USA while using this investment as an opportunity to expand our leadership globally." <b>Ofir Abekasis, CEO of TeraSky</b>
January 2023			"Mobica has built a reputation for world-class IoT embedded software engineering expertise across the entire technology stack, from chip to cloud. The alignment we share with Cognizant from a technology, industry and client-focus standpoint represents a strong platform for continued growth in Europe and North America, and an opportunity for our talented team to grow their skills and careers." <b>Sam Kingston, CEO of Mobica</b>
January 2023		 A Hitachi Group Company	"By joining GlobalLogic and the broader Hitachi Group ecosystem, we can bring those capabilities to a far bigger market, gaining wider reach and greater scale all at once. We are looking forward to joining the GlobalLogic family on this exciting journey." <b>Juan Navarro, Founder and Managing Partner of Hexacta</b>

# 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](http://www.7mileadvisors.com).



508 W. 5th Street,  
Suites 225  
Charlotte, NC 28202



+1 (704) 899-5960



[www.7mileadvisors.com](http://www.7mileadvisors.com)

## Notable 7 Mile Transactions

7MA

**Union**

---

**valtech.**

7MA

**InflectionPoint**

---

**PERFICIENT**

7MA

**mediaagility**

---

**Persistent**

7MA

**dextra technologies**

---

**Deloitte.**

