

7 Mile Advisors



Sectorwatch: IT Services - Oracle

February 2021



IT Services - Oracle

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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.

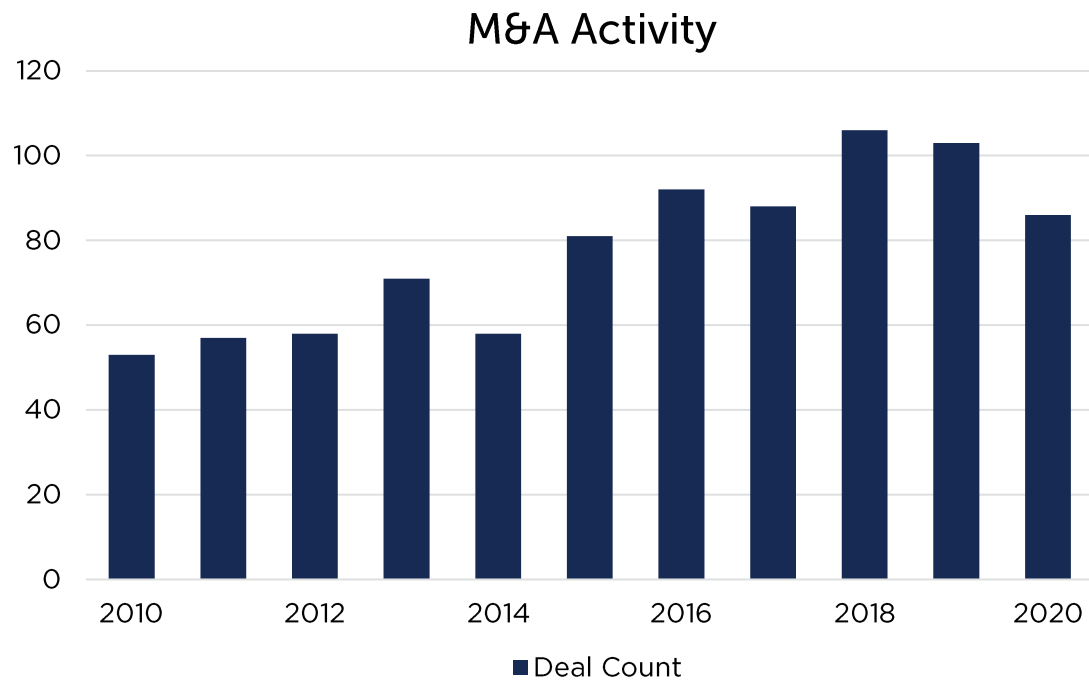
RECENT DEALS

- The most recently announced deals in the sector

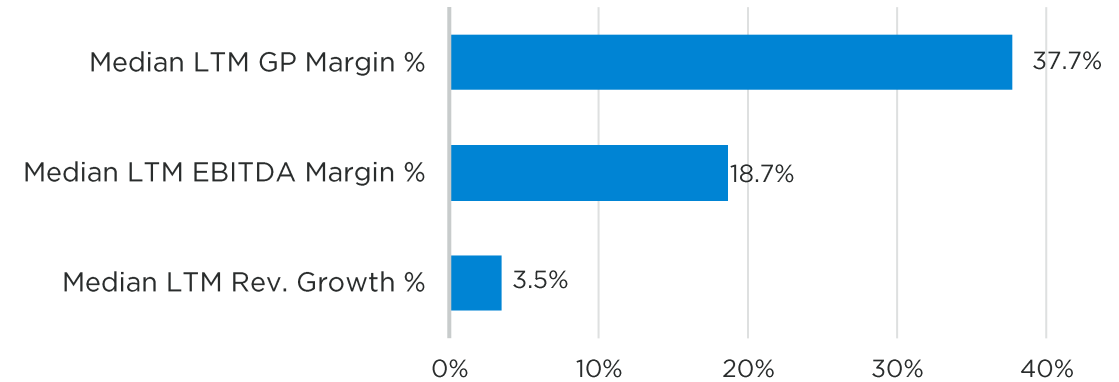
Dashboard

REVENUE GROWTH MOMENTUM ↑ -3.3%

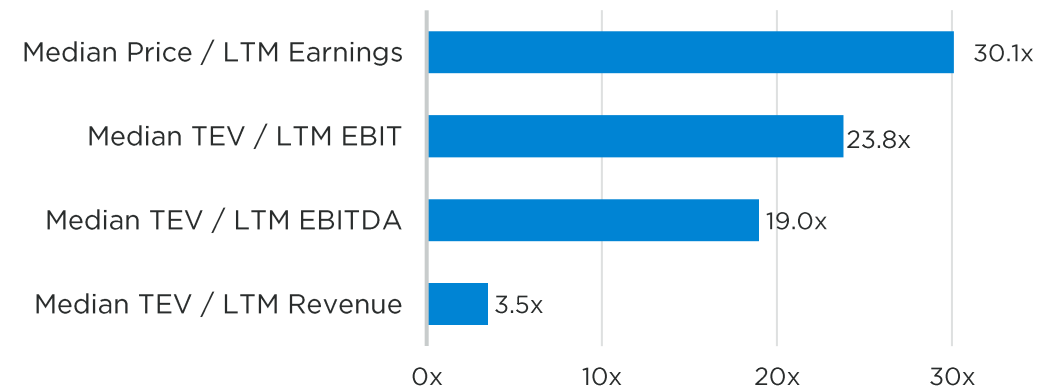
1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining



Operating Metrics



Valuation

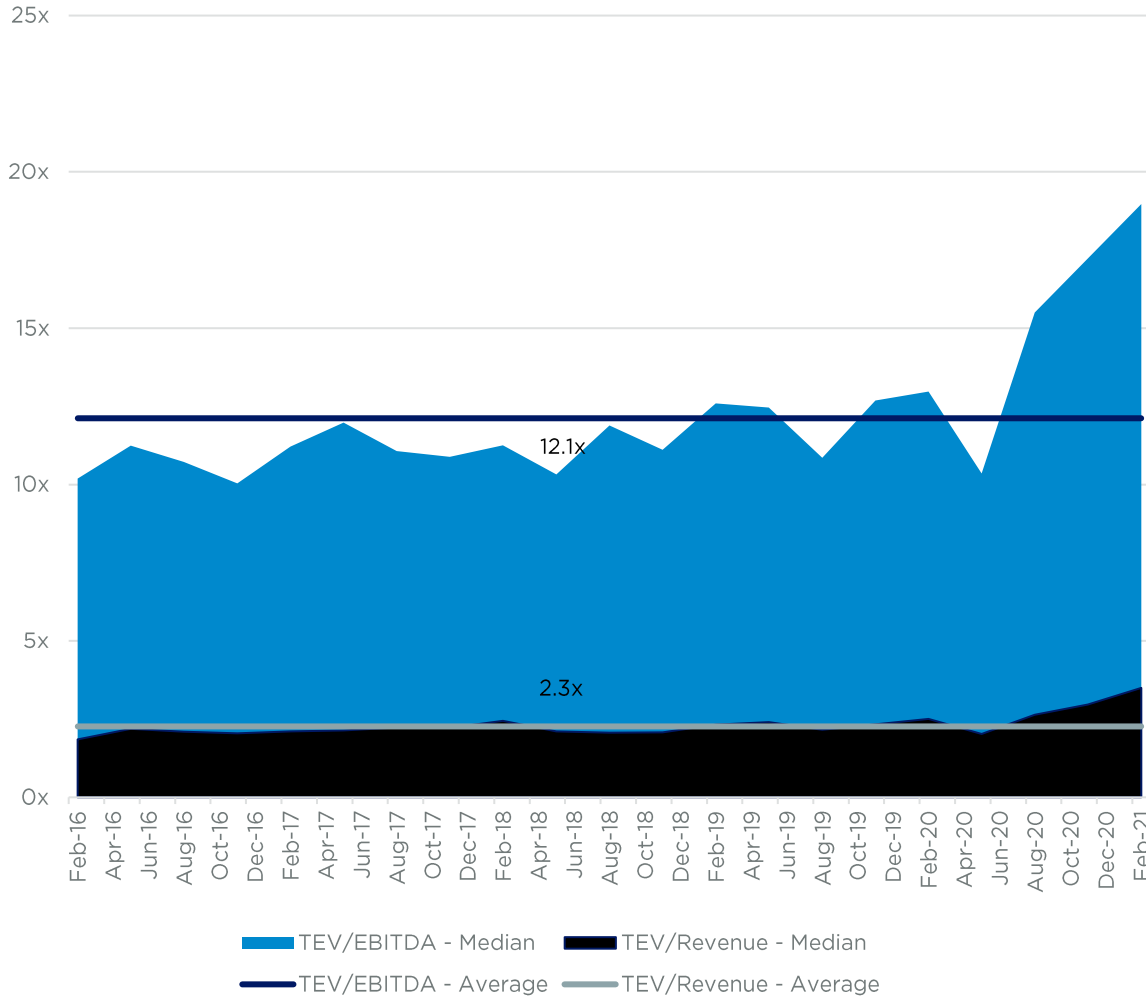


Public Basket

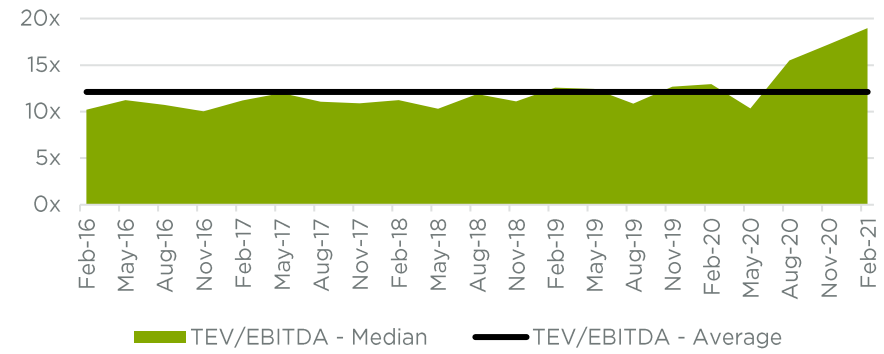
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Perficient	2,180	76	595	7.7%	37.7%	12.8%	3.7x	28.7x	3,454	172
Reply	4,718	235	1,371	6.7%	49.2%	17.1%	3.4x	19.9x	8,750	157
Atos	11,274	1,652	12,686	2.9%	37.2%	13.0%	0.9x	6.8x	106,980	119
HCL Technologies	34,960	2,778	9,997	9.2%	46.5%	27.8%	3.5x	12.6x	159,682	63
Wipro	27,993	NA	8,260	1.8%	30.4%	NA	3.4x	15.7x	180,000	46
Infosys	72,570	3,826	13,145	4.0%	34.6%	29.1%	5.5x	19.0x	242,371	54
Accenture	165,352	7,146	44,730	1.7%	31.8%	16.0%	3.7x	23.1x	514,000	87
Tata Consultancy Services	151,633	5,905	21,577	3.5%	42.8%	27.4%	7.0x	27.5x	453,540	48
International Business Machines	159,775	15,174	75,030	-2.7%	48.2%	20.2%	2.2x	12.7x	381,100	197
Average	70,050	4,599	20,821	3.9%	39.8%	20.4%	3.7x	18.4x	227,764	105
Median	34,960	3,302	12,686	3.5%	37.7%	18.7%	3.5x	19.0x	180,000	87

share price as of 16Feb21

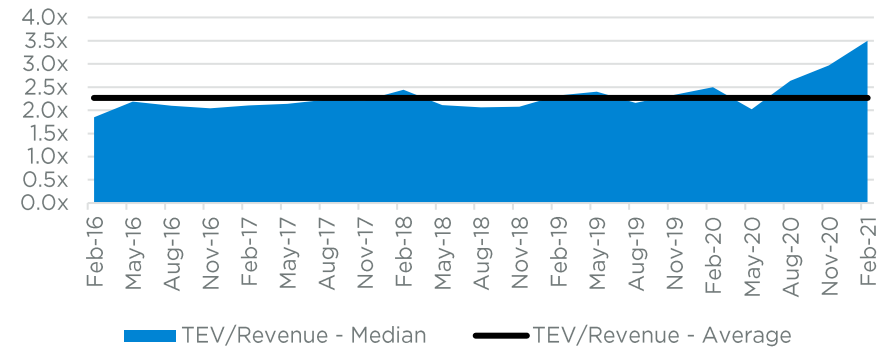
Public Basket



Public EBITDA Multiples over Time

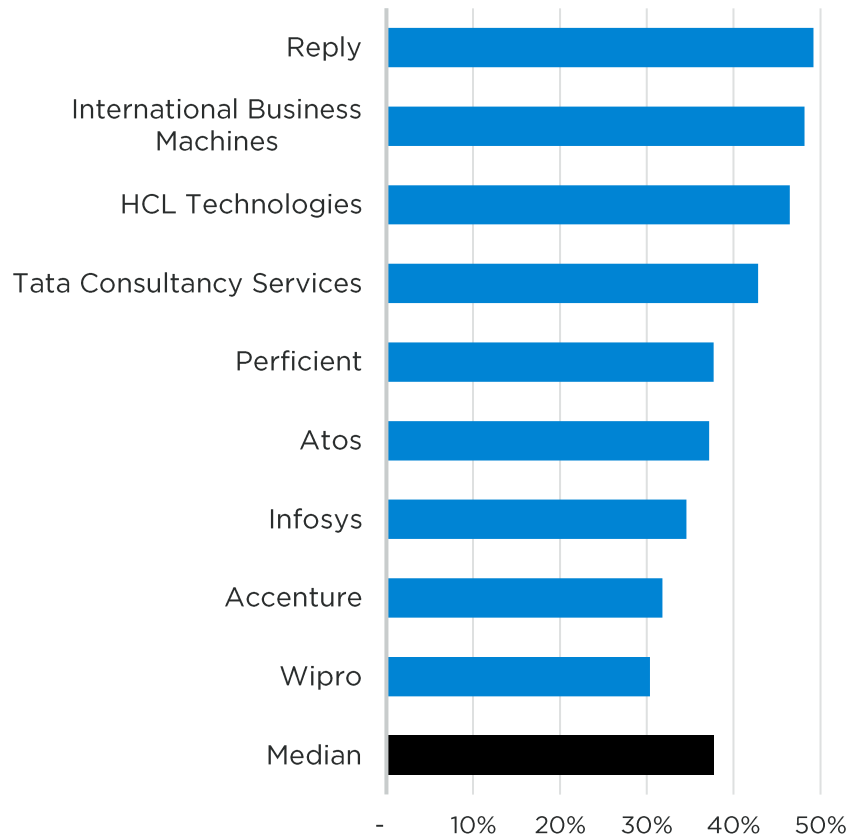


Public Revenue Multiples over Time

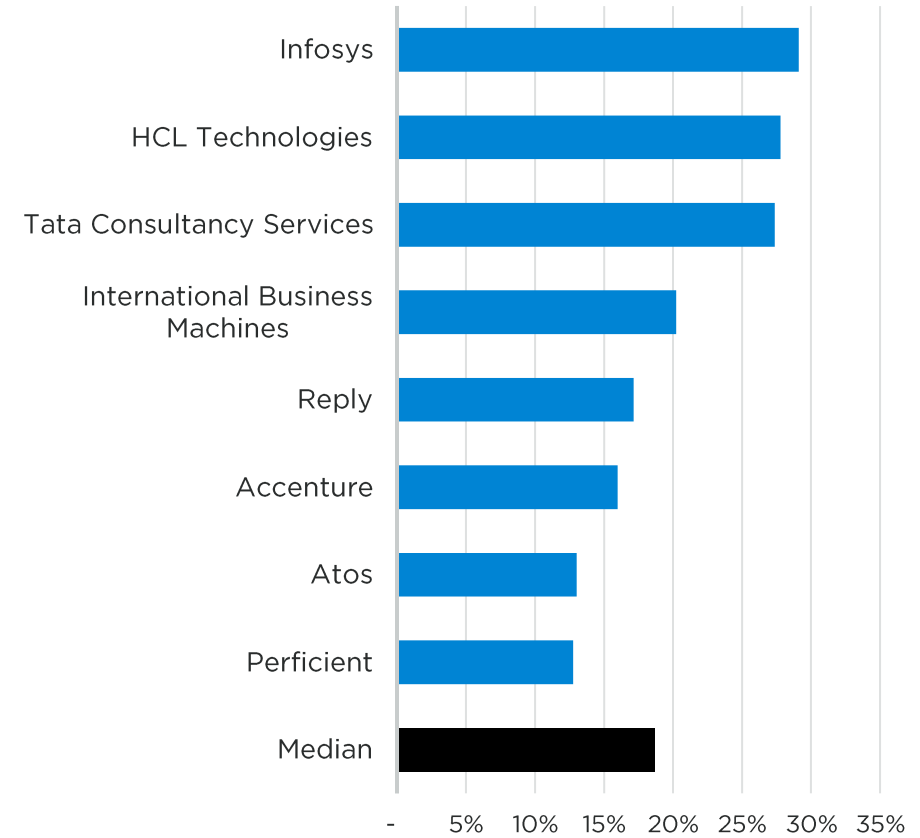


Operational Metrics

LTM Gross Profit Margin %

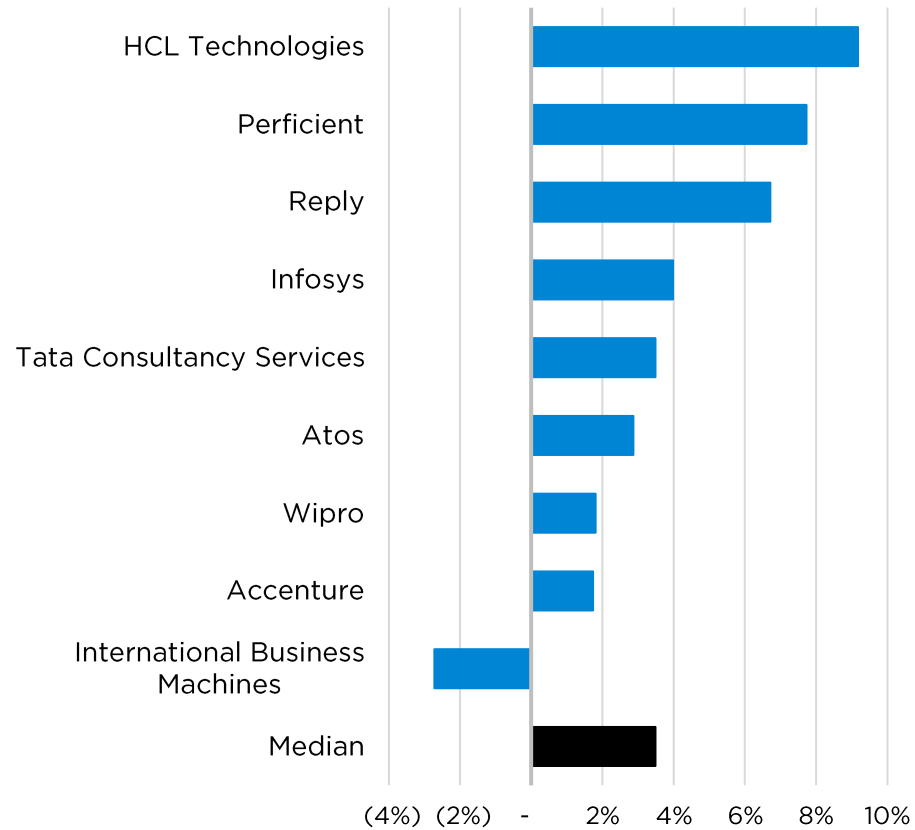


LTM EBITDA %

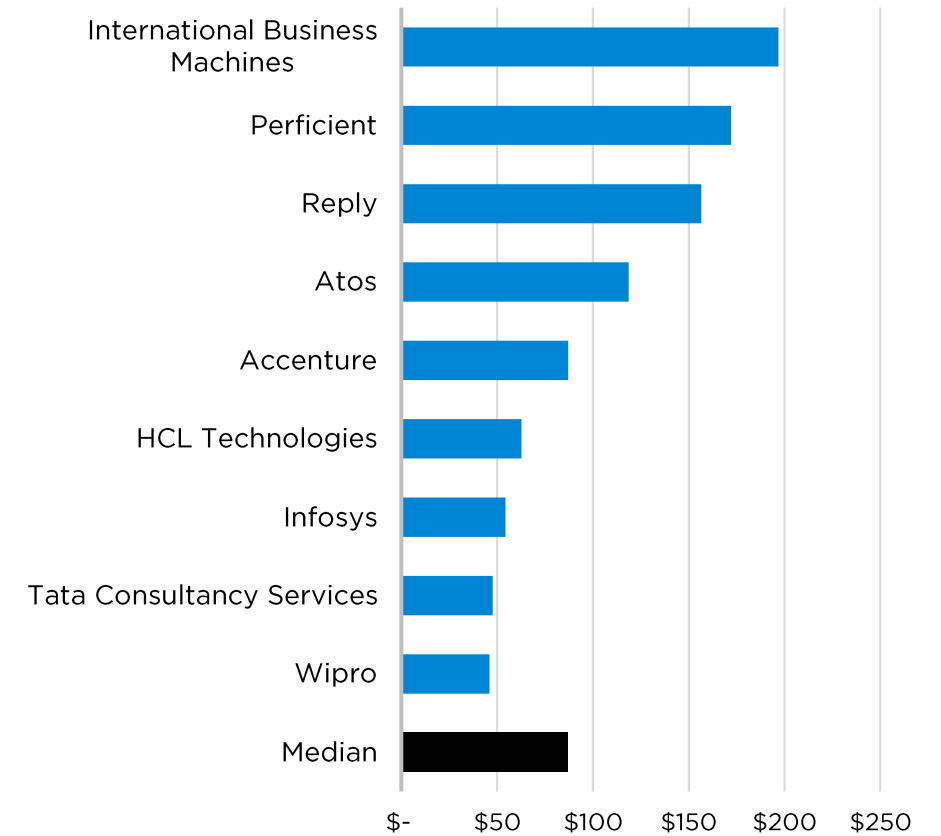


Operational Metrics

LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's

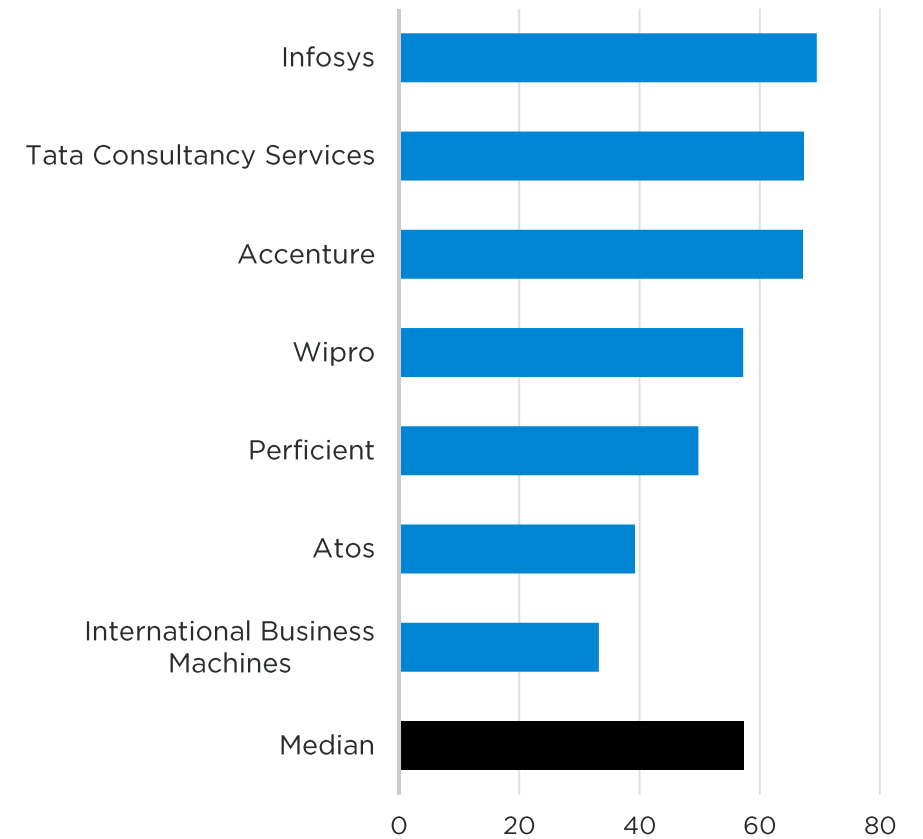


Operational Metrics

Accounts Receivable Turnover

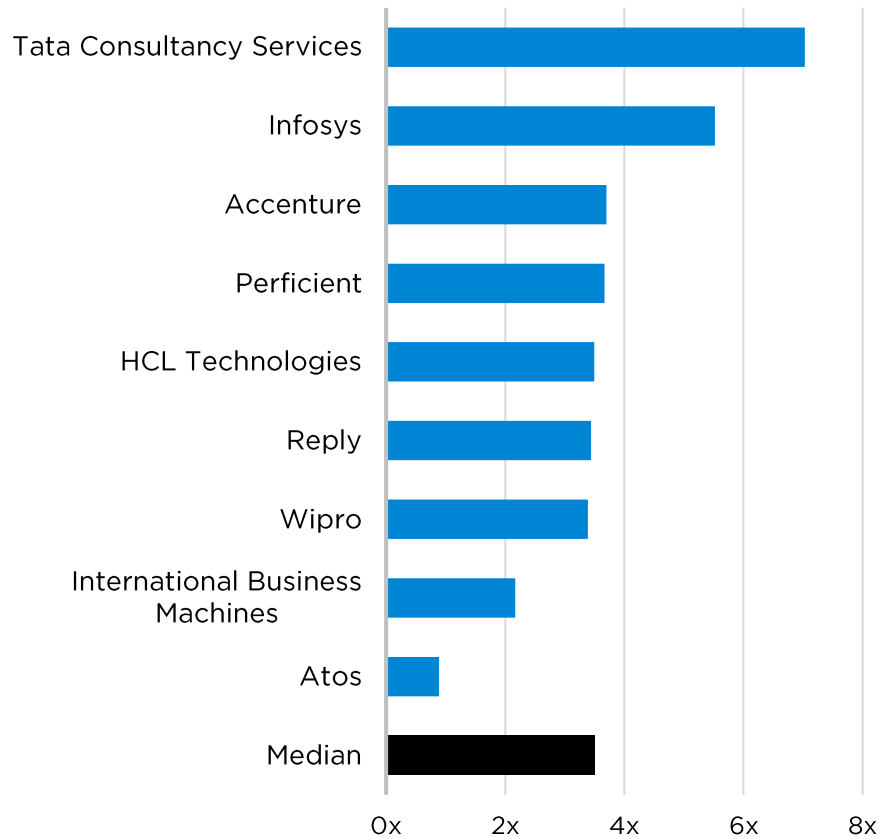


Average Days Sales Outstanding

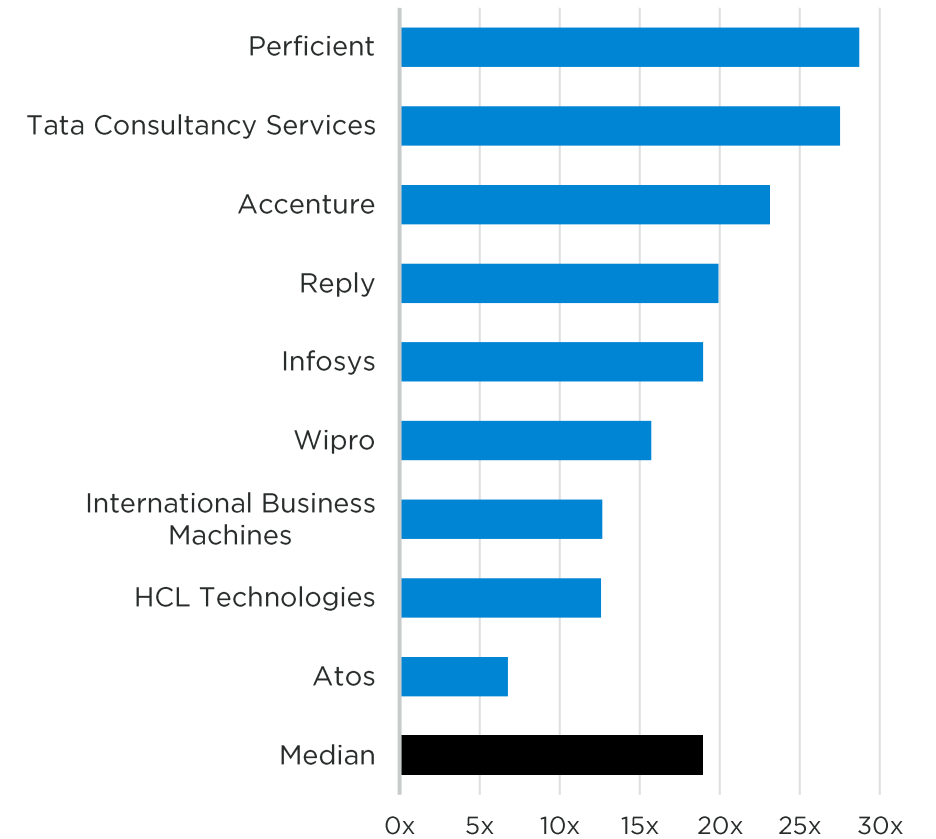


Valuation

TEV / LTM Revenue

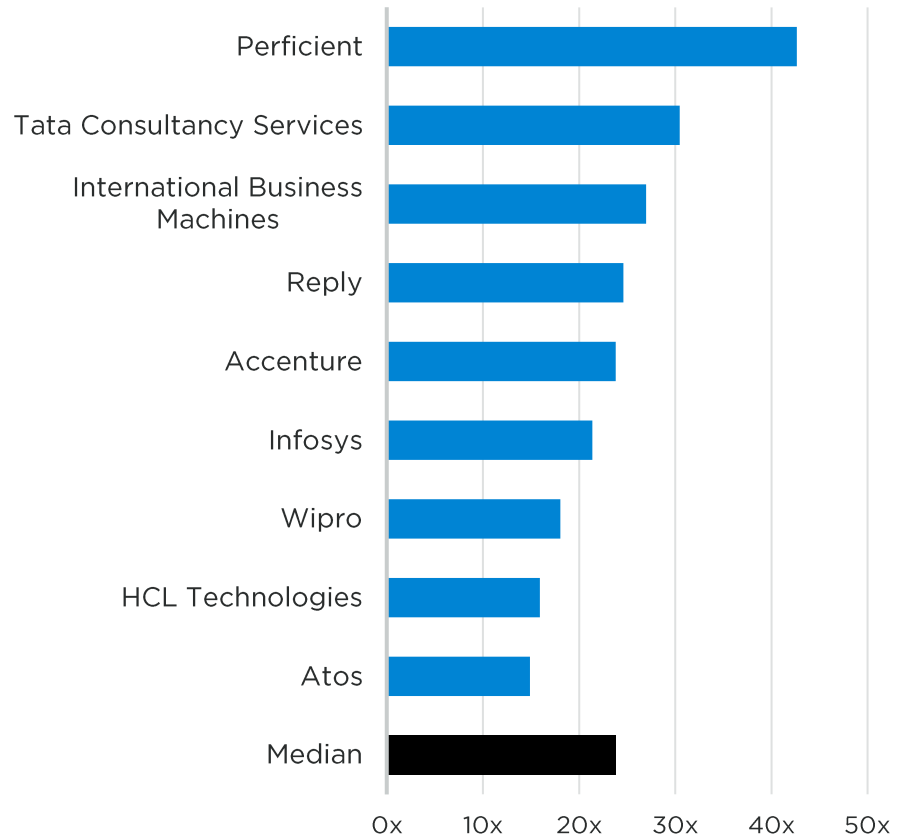


TEV / LTM EBITDA

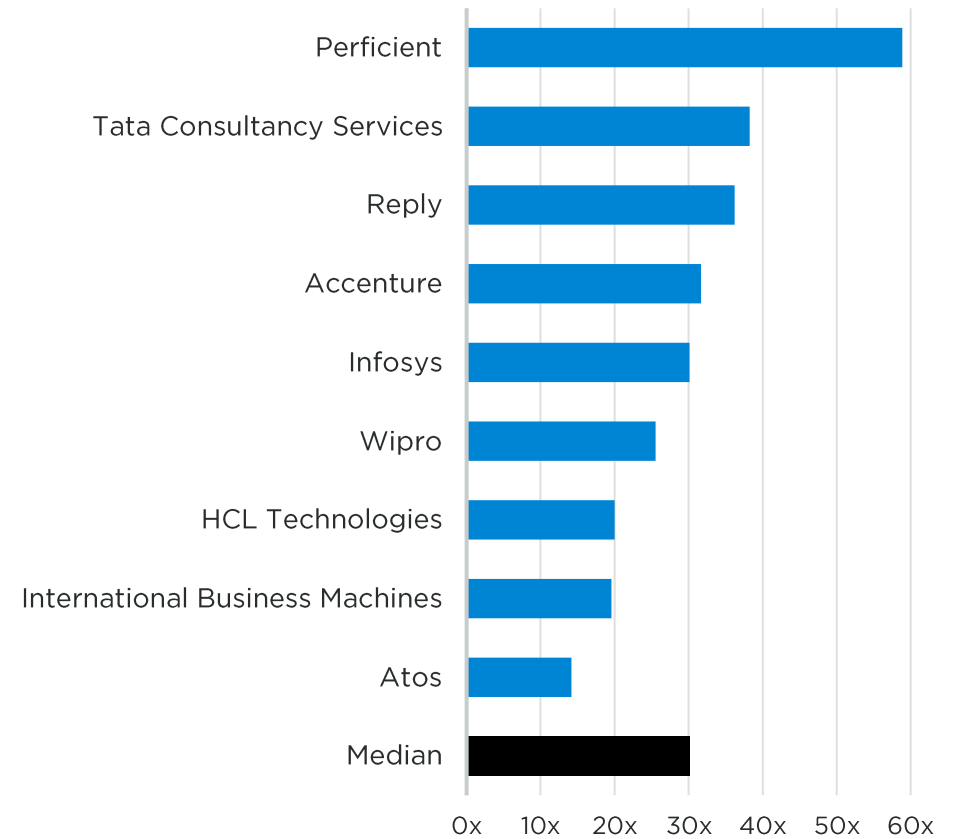


Valuation

TEV / LTM EBIT

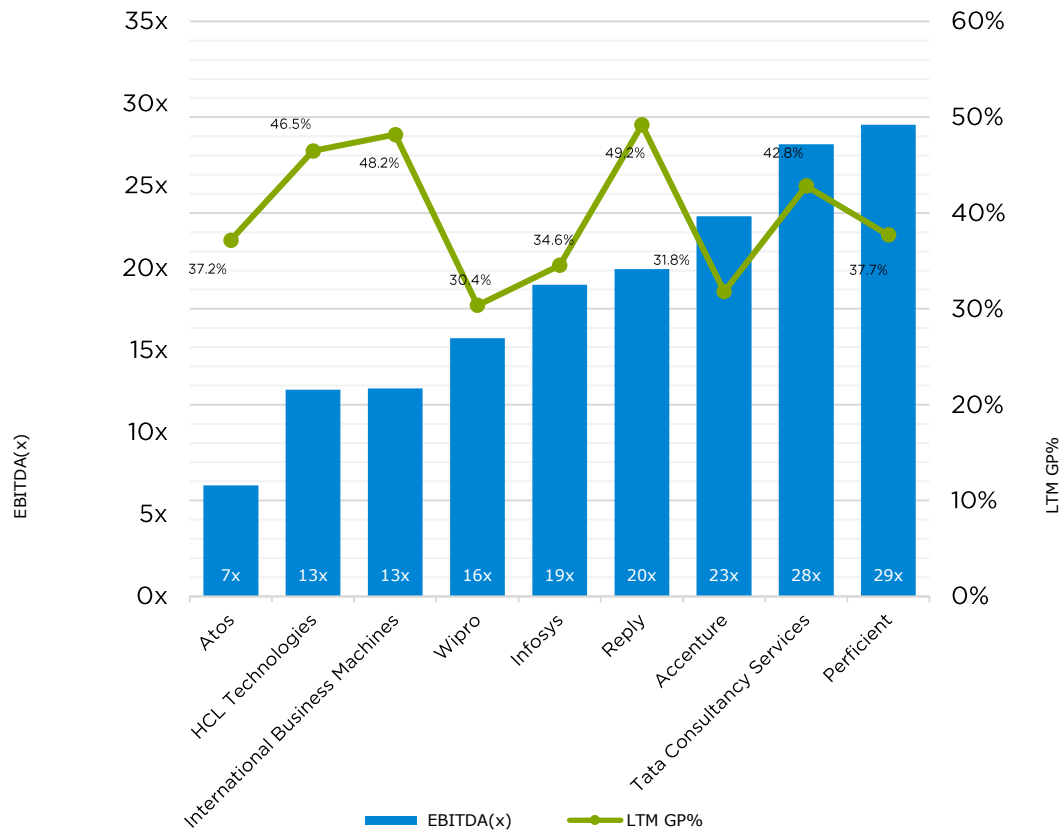


Price / LTM Earnings

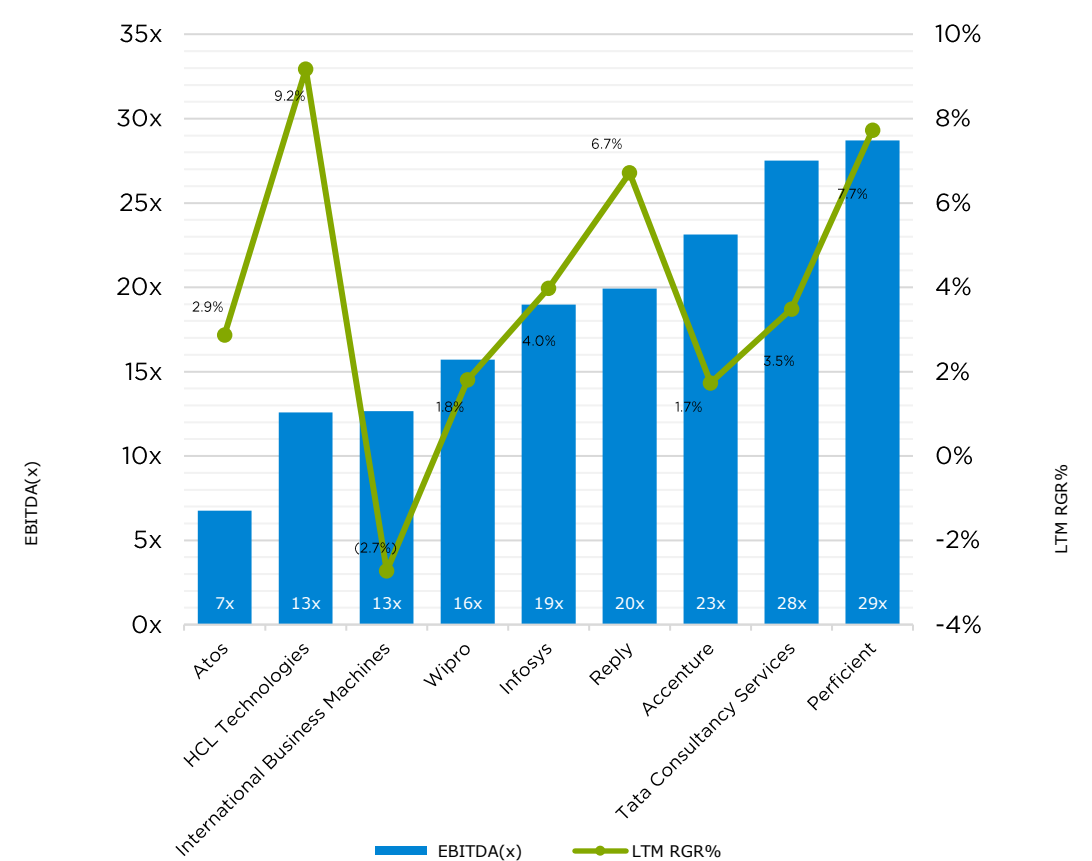


Valuation

Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions

Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
30-Oct-20	InterRel Consulting	Trinity Hunt Partners	-	-	-	-
01-Oct-20	Ekulus	Deloitte Australia	-	-	-	-
03-Aug-20	Explorer UK	Database Service Provider	-	-	-	-
03-Aug-20	Grupo ASSA Worldwide	Globant	74.50	-	-	-
04-Jun-20	Keste	Trinity Hunt Partners	-	-	-	-
19-Apr-20	Prolog Partners	Accelalpha	-	-	-	-
06-Mar-20	Accelalpha	Century Park Capital Partners	-	-	-	-
02-Mar-20	Vertical Edge Consulting Group	Inspirage	-	-	-	-
08-Feb-20	Evosys	Mastek	96.60	-	2.31	10.04
13-Dec-19	Travercent	Alithya	19.50	-	-	-
05-Nov-19	NAYA Technologies	EPAM Systems	-	-	-	-
23-Jul-19	NeoData Australia	Deloitte Australia	-	-	-	-
16-Jul-19	Advantco	Delvern Capital	-	-	-	-
04-Jun-19	SmartDog Services	Apps Associates	-	-	-	-
01-Mar-19	Audaxium	Plative	-	-	-	-
11-Feb-19	Clckwrk	Madison Dearborn Partners	-	-	-	-
06-Feb-19	Valforma (Oracle Business)	Aspire Systems	-	-	-	-
24-Jan-19	EmeraldCube Solutions	Northleaf Capital Partners	-	-	-	-
01-Jan-19	DAI Solutions	Concept Plus, LLC	-	-	-	-
10-Dec-18	Primeq	Accenture	22.52	-	-	-

Appendix

*Public Basket
Contact Information*



Perficient

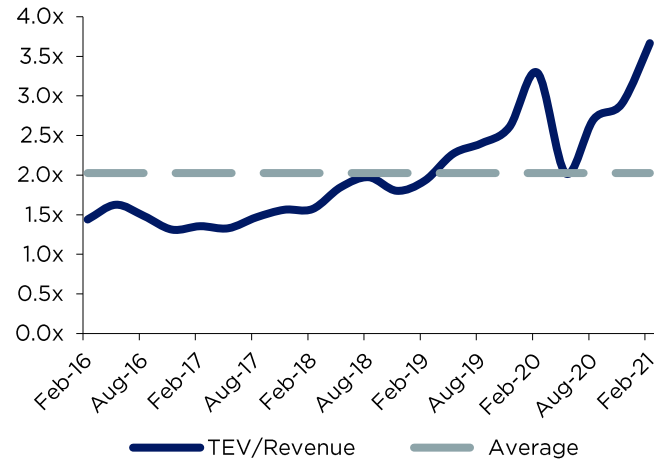
Perficient Inc provides a variety of information technology, consulting services that focus on digital experience, business optimization, and IT solutions.

The company's services include big data analytics, technology platform implementations, enterprise content management, portals and collaboration, management consulting, custom applications, business integration, business process management, and customer relationship management. It serves healthcare, financial services, retail, and electronics industries. The vast majority of the company's revenue comes from the United States.

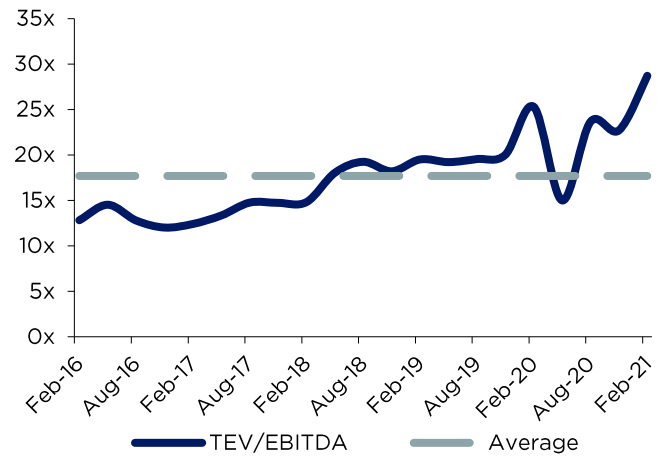
Public Basket

Perficient

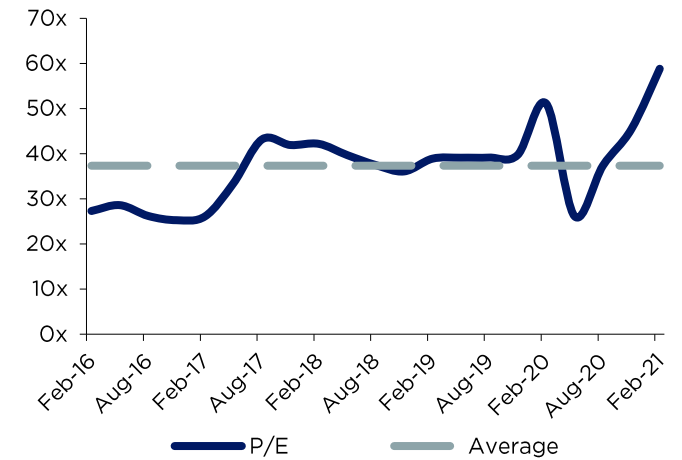
Revenue Multiples - Perficient



EBITDA Multiples - Perficient



P/E Multiples - Perficient



Company Name	Date	Deal Synopsis
PSL Software	17-Jun-20	The company was acquired by Perficient (NAS: PRFT) for \$93.1 million (\$70.9 million at Closing and \$22.2 million in contingent consideration). The acquisition will enable Perficient to strengthen its global delivery capabilities complementing its nearshore offering and custom software development, testing, and customer support capabilities and expand its presence in Latin America.
Catalyst Networks	23-Mar-20	The company was acquired by Perficient (NAS: PRFT) for an undisclosed amount on March 23, 2020. The acquisition broadens and deepens Perficient's Sitecore capabilities, bringing strategic skills and expertise in web and content management platform development.

Reply

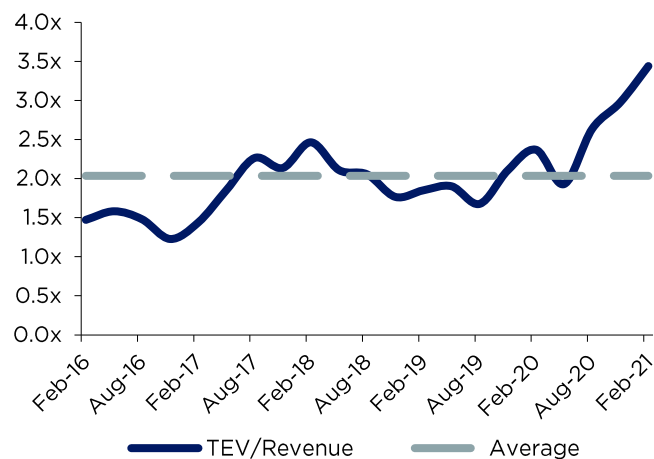
Reply SpA specialises in consulting, digital services, and the integration of processes, applications and devices.

The company primarily operates in Germany, Italy, and the UK. Reply serves clients in the telecommunication and media, banking, insurance and financial, industry and services, energy and utilities, and public administration industries. The company provides its services mainly through platforms such as Click Reply, Discovery Reply, Gaia Reply, TamTamy, and SideUp Reply. Reply researches, selects, and markets solutions through channels such as data analysis, digital communication, e-commerce, mobile, and social media.

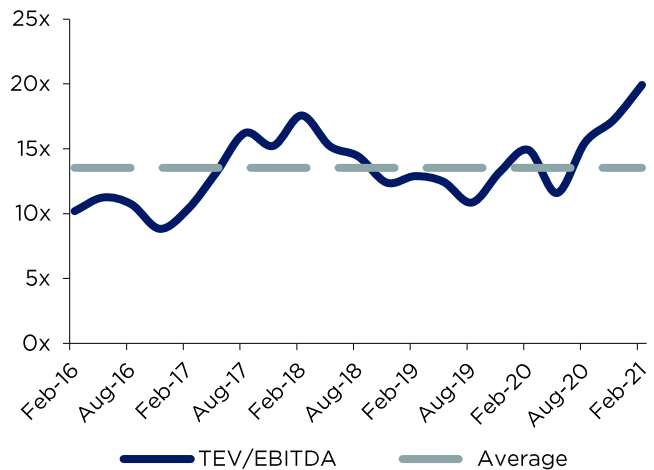
Public Basket

Reply

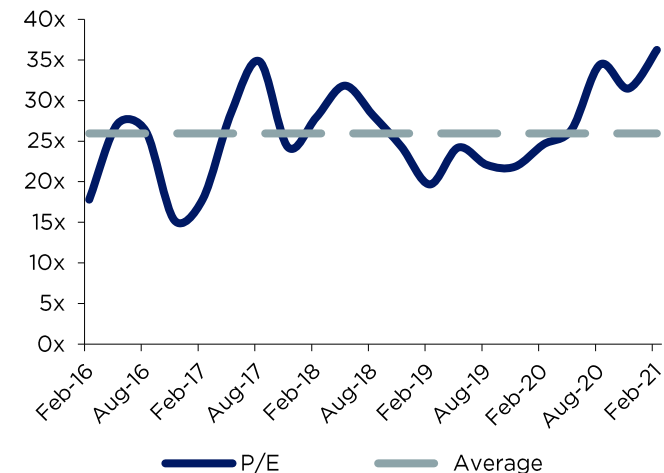
Revenue Multiples - Reply



EBITDA Multiples - Reply



P/E Multiples - Reply



Company Name	Date	Deal Synopsis
Sagepath	01-Aug-20	The company was acquired by Reply (MIL: REY) for an undisclosed amount in August 2020. The acquisition of the company further enhances Reply's international growth strategy, particularly in the United States.
Threepipe	01-Oct-19	The company was acquired by Reply (MIL: REY) for an undisclosed amount in October 2019. The acquisition enables Threepipe to get Reply's CRM, Artificial Intelligence, Augmented Reality and Blockchain technology.

Atos

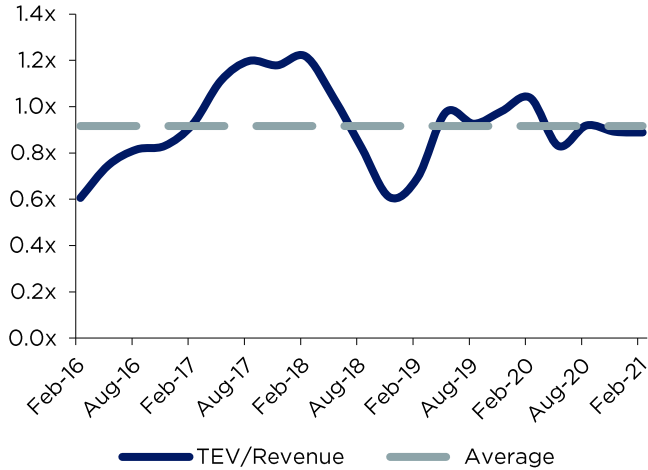
Atos SE is a France-based IT services provider.

The company generates over EUR 11 billion in annual revenue (the majority of which is generated in Europe), employs approximately 100,000 staff, and operates in 72 countries. Atos provides managed services, consulting and systems integration, Big Data and security, and Worldline (transactional services) across the manufacturing, retail and transportation, public health, telecom, media and utilities, and financial services markets.

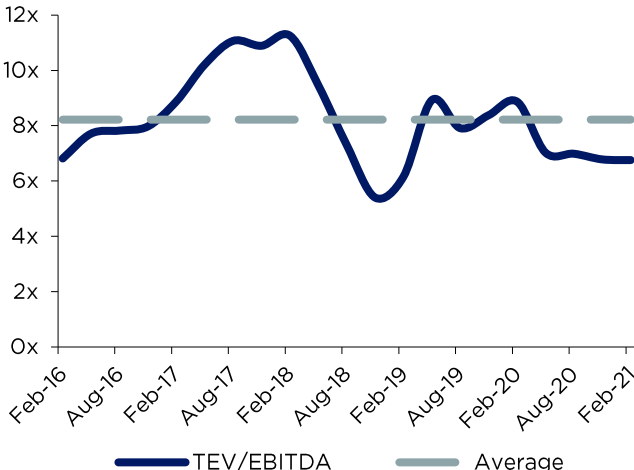
Public Basket

Atos

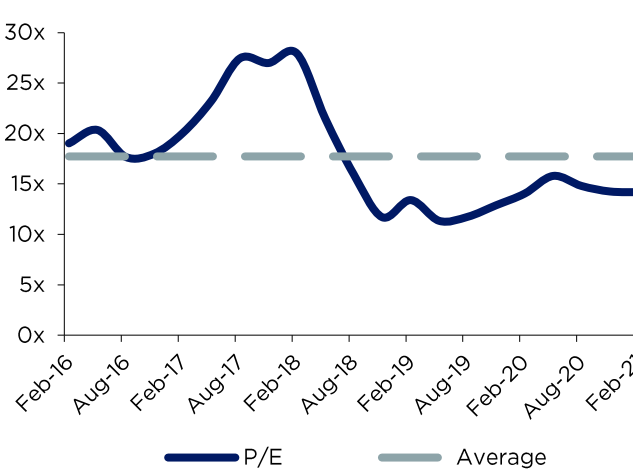
Revenue Multiples - Atos



EBITDA Multiples - Atos



P/E Multiples - Atos



Company Name	Date	Deal Synopsis
In Fidem	3/23/20	The company was acquired by Atos (PAR: ATO) for an undisclosed amount on January 20, 2021.
SEC Consult	1/6/20	The company reached a definitive agreement to be acquired by Atos on October 22, 2020 for an undisclosed sum. The deal will enable the acquirer to confirm its leading position in cybersecurity services.

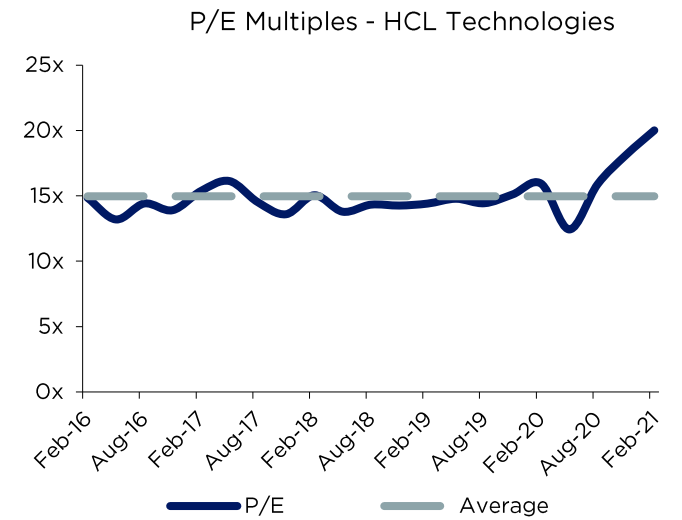
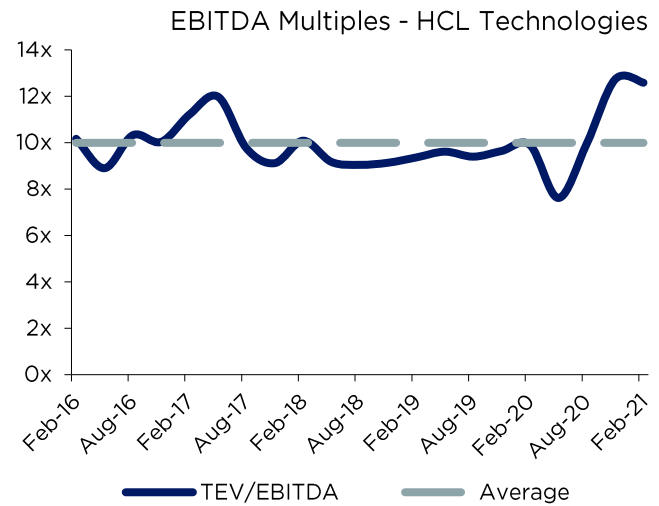
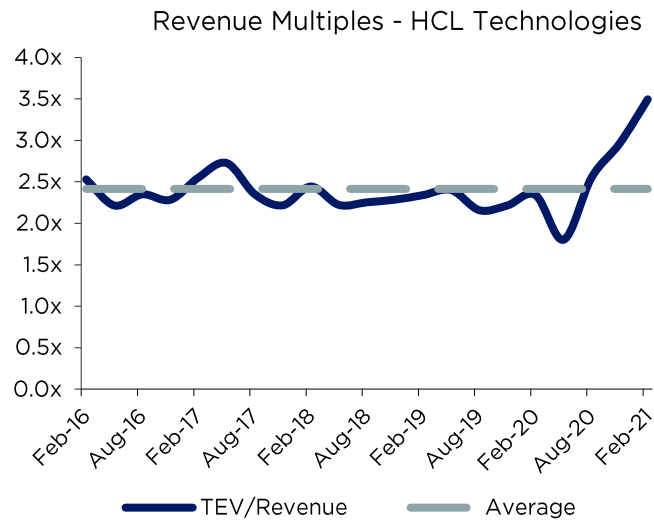
HCL Technologies

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
Cisco (Self-Optimizing Network technology)	25-Oct-20	The Self-Optimising Network business of Cisco Systems (NASDAQ: CSCO) was acquired by HCL Technologies (NSE: HCLTECH) for \$50 million on October 25, 2020. The acquisition enables HCL Technologies to meet the growing needs of its customers in the telecommunications industry, which includes tier-one communications service providers globally.
DWS Group	21-Sep-20	The company reached a definitive agreement to be acquired by HCL Technologies (NSE: HCLTECH) for AUD 162 million on September 21, 2020.

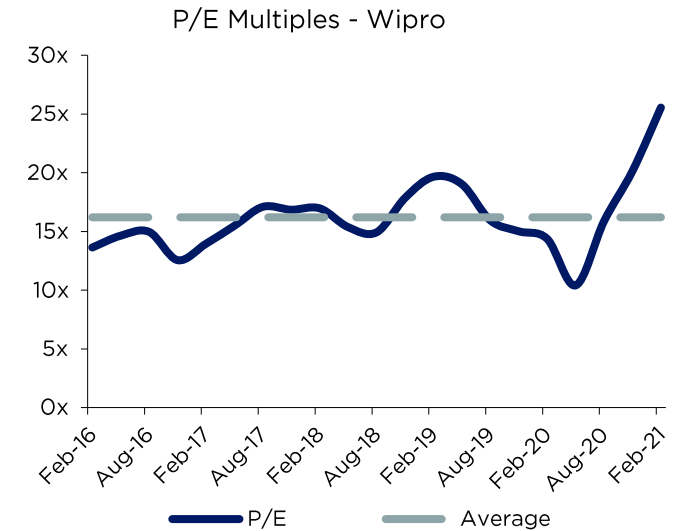
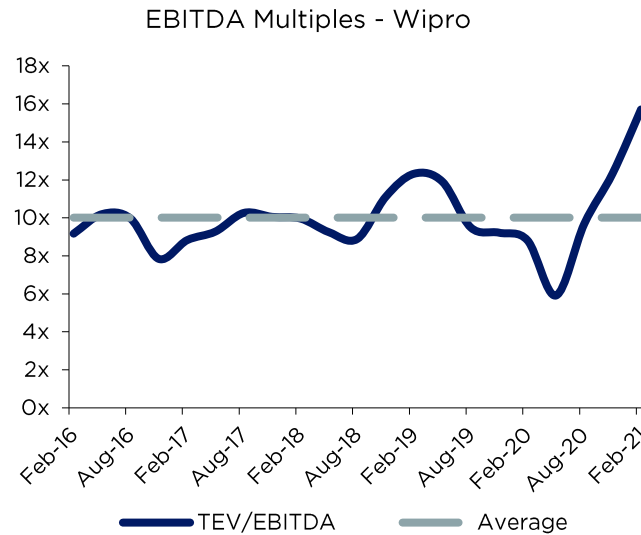
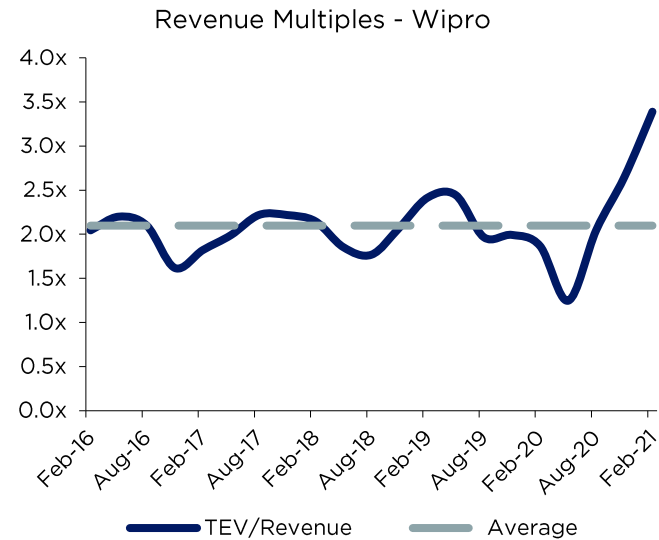
Wipro

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
Metro Systems Romania	23-Dec-20	The company, a subsidiary of Metro (Düsseldorf) (ETR : B4B), reached a definitive agreement to be acquired by Wipro (BOM: 507685) for an undisclosed amount on December 23, 2020.
Metro-NOM	22-Dec-20	The company reached a definitive agreement to be acquired by Wipro (BOM: 507685) for EUR 40 million on December 22, 2020. Through this partnership, employees across Germany, Romania and India will transfer to Wipro, providing them with new opportunities to advance their careers, access innovation and work with digital technologies.

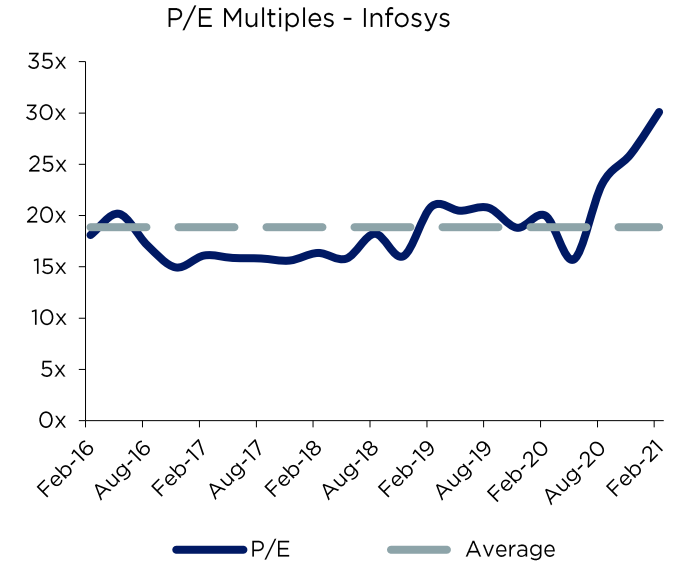
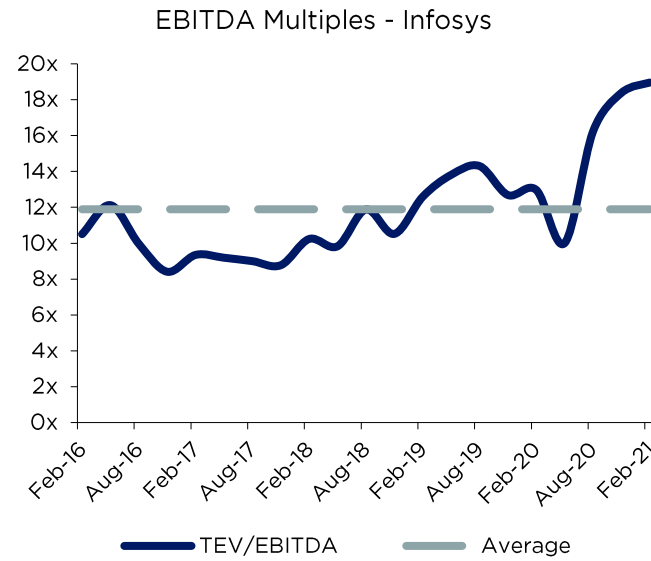
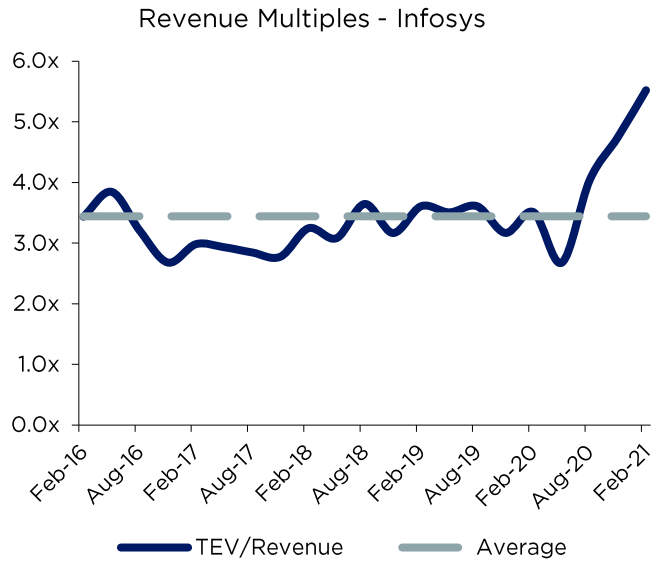
Infosys

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



Company Name	Date	Deal Synopsis
ideaForge	11-Feb-21	The company reached a definitive agreement to receive \$1 million of financing from Infosys on February 11, 2021.
Blue Acorn iCi	28-Oct-20	The company was acquired by Infosys (NSE: INFY) for approximately \$125 million on October 28, 2020.

Accenture

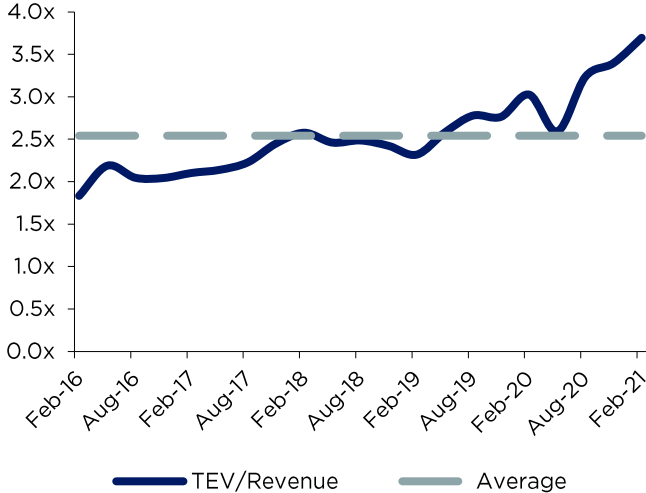
Accenture is a leading global IT services firm that provides consulting, strategy, and technology and operational services.

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.

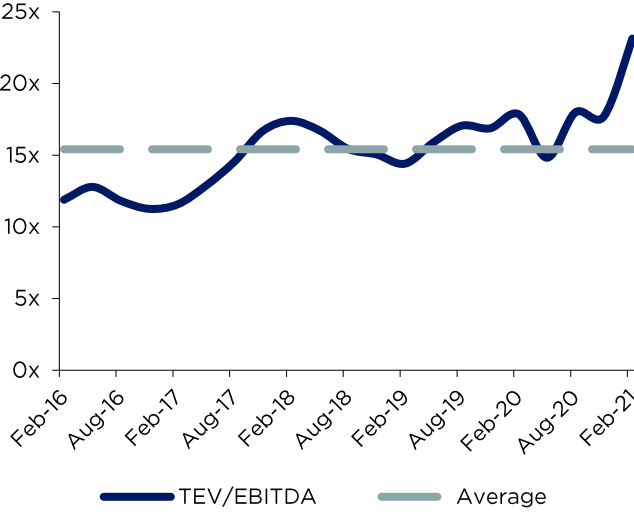
Public Basket

Accenture

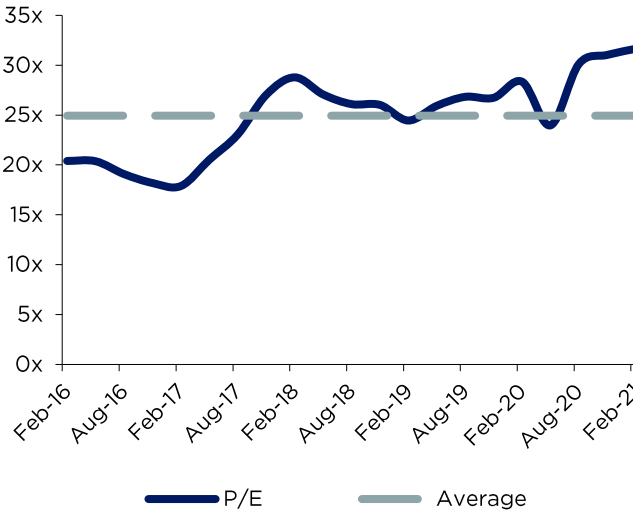
Revenue Multiples - Accenture



EBITDA Multiples - Accenture



P/E Multiples - Accenture



Company Name	Date	Deal Synopsis
Infinity Works Consulting	16-Feb-21	The company was acquired by Accenture (NYS: ACN) for an undisclosed amount on February 16, 2021. The acquisition strengthens and expands the cloud delivery and engineering capabilities of Accenture Cloud First in the UK.
Edenhouse Solutions	15-Feb-21	The company was acquired by Accenture (NYS: ACN) for an undisclosed amount on February 15, 2021. The acquisition will scale Accenture's capabilities in the UK to address accelerated demand for SAP's cloud-based solutions.

Tata Consultancy Services

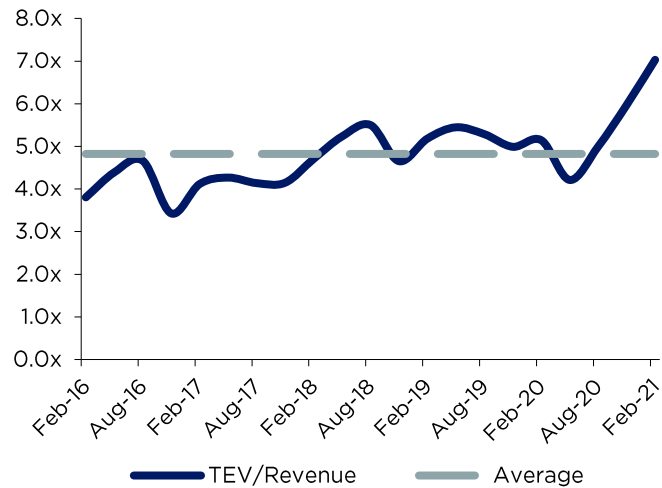
Tata Consulting Services is a leading global IT services provider, with nearly 450,000 employees.

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.

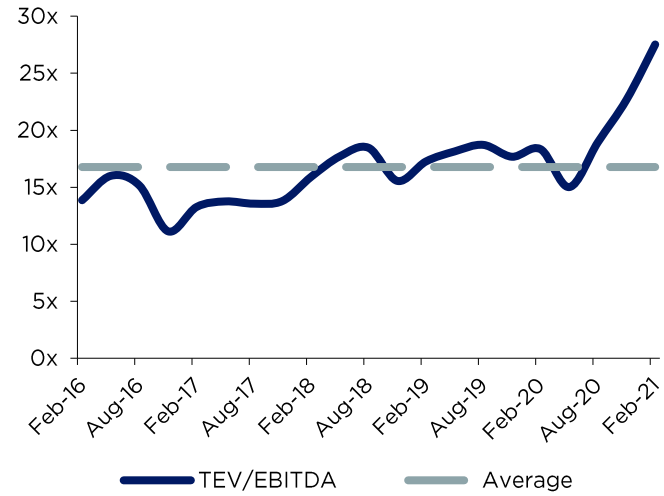
Public Basket

Tata Consultancy Services

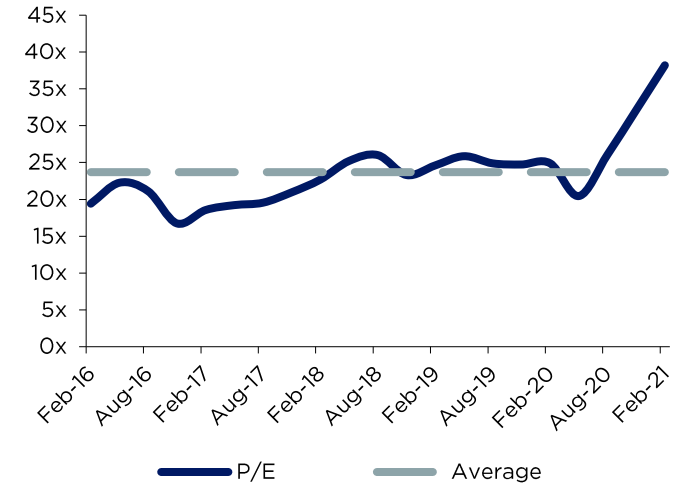
Revenue Multiples - Tata Consultancy Services



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	Tata Consultancy Services (NYSE: TCS) entered into an agreement with Prudential Financial to acquire its tech-services business 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.

International Business Machines

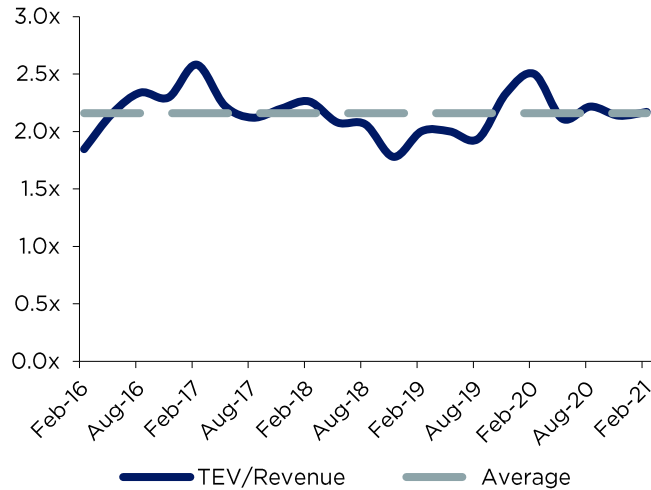
IBM looks to be a part of every aspect of an enterprise's IT needs.

The company primarily sells infrastructure services (37% of revenue), software (29% of revenue), IT services (23% of revenue) and hardware (8% of revenues). IBM operates in 175 countries and employs approximately 350,000 people. The company has a robust roster of 80,000 business partners to service 5,200 clients--which includes 95% of all Fortune 500. While IBM is a B2B company, IBM's outward impact is substantial. For example, IBM manages 90% of all credit card transactions globally and is responsible for 50% of all wireless connections in the world.

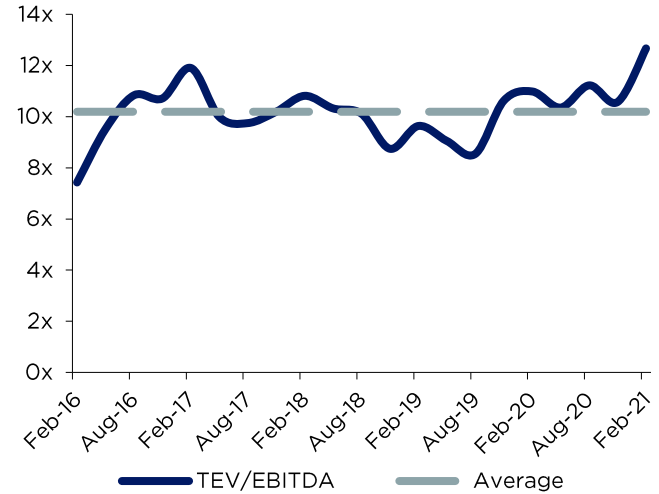
Public Basket

International Business Machines

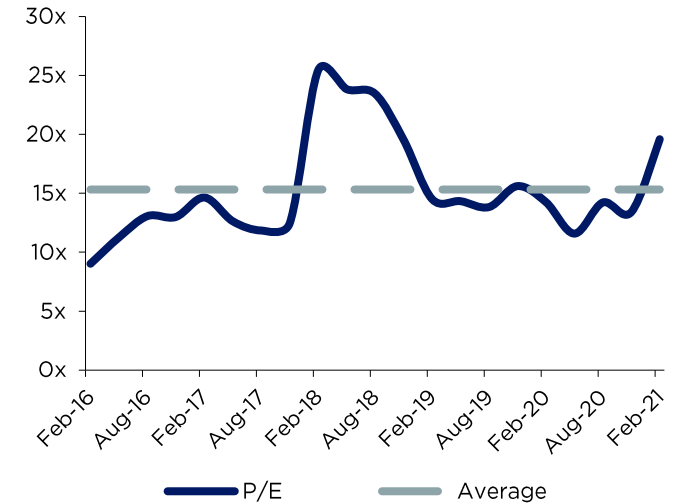
Revenue Multiples - International Business Machines



EBITDA Multiples - International Business Machines



P/E Multiples - International Business Machines



Company Name	Date	Deal Synopsis
Taos Mountain	11-Feb-21	The company was acquired by International Business Machines (NYS: IBM) for an undisclosed amount on February 11, 2021.
Lygon	09-Feb-21	The company was formed as joint venture between ANZ bank (AXS: ANZ), the Commonwealth Bank (ASX: CBA), Westpac (AXS: WBC), Scentre Group (AXS: SCG) and IBM (NYSE: IBM) on February 9, 2021. The joint venture is formed to create first digital bank guarantee using blockchain technology in the Australian banking sector.

Contact Info

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. Securities offered through 7M Securities LLC.

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