

Information Technology Industry Valuation Report 2023

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Contents



01

Financial
analysis



02

Valuation
analysis



03

Financials vs
Multiples



04

Rockstars

Executive summary

INFORMATION TECHNOLOGY VALUATION REPORT

INFORMATION TECHNOLOGY SOFTWARE INDUSTRY - Q4 2023

- 🌀 This valuation report encompasses analysis of **242** information technology software companies.
- 🌀 The **profitability 11.1% median** (EBITDA / Revenue), despite decreasing at the beginning of the year, has recovered and surpassed the historical levels of 2022.
- 🌀 The **debt level** (traditionally low) has increased with median levels of 18% of Debt-to-assets and 39% of Debt to equity.
- 🌀 The **cash flow** level of companies, after two robust years, **remains steady**.
- 🌀 Median **EV/EBITDA** multiples are **9.15x** LTM, **8.78x** for 2022 and **11.57x** for 2021.
- 🌀 Median **EV/EBIT** multiples are **12.06x** LTM, **11.73x** for 2022 and **15.67x** for 2021.
- 🌀 Median **EV/Revenue** multiples stand at **1.09x** LTM, **1.10x** for 2022 and **1.69x** for 2021.
- 🌀 The impact of the margin % on the EBITDA multiple has grown significantly showing that the Investors are valuing profitability positively.

Financial analysis

1

Profitability (EBITDA / Revenue)

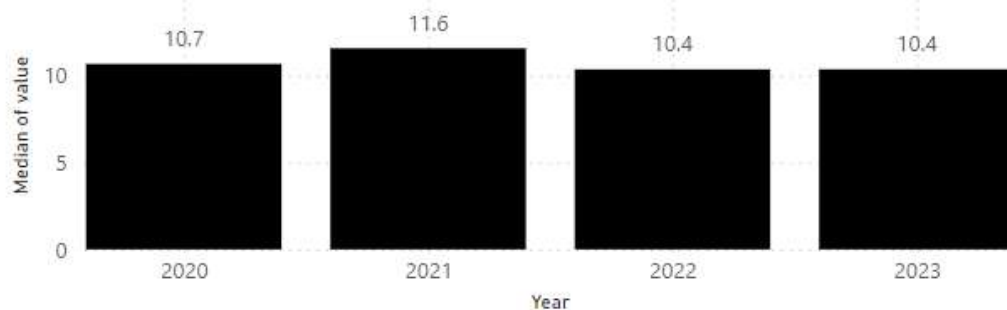
Median Values

Valor ● EBITDA Margin %



Median Values

Valor ● EBITDA Margin %



The profitability, measured as **EBITDA / Revenue**, despite decreasing at the beginning of the year, during the two last quarters **recovered momentum to match 2023 profitability**.

Outstanding Performers: EBITDA / Revenue

Company	Year	2018	2019	2020	2021	2022	2023
	Valor						
4iG Nyrt		5.94	9.90	8.82	16.20	32.37	35.12
Amadeus IT Group SA		40.72	39.91	1.34	21.57	36.46	39.22
BMIT Technologies PLC		43.68	44.65	43.51	41.93	41.35	34.91
Broadridge Financial Solutions Inc		17.71	18.93	18.52	19.52	19.14	20.42
Fidelity National Information Services Inc		33.69	31.41	34.41	52.98	52.32	41.25
Infosys Ltd		31.37	27.88	27.59	29.96	27.77	25.72
Mia Teknoloji		23.28	18.87	30.05	39.28	45.81	41.31

The King of Profitability (EBITDA / Rev.)



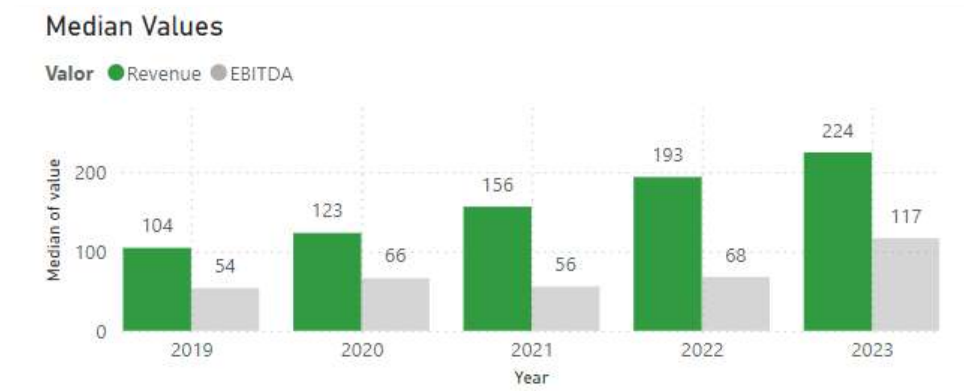
N E X T D C

Nextdc, Ltd. is a dynamic technology company listed on the ASX 100, dedicated to driving business evolution by offering cutting-edge solutions for data center outsourcing, connectivity services, and infrastructure management software.

Nextdc, Ltd. offers top-tier colocation services to both **local and international organizations**. Their commitment to sustainability and renewable energy is evident in their delivery of industry-leading solutions, boasting the highest energy efficiency ratings in the nation along with NABERS 5-star certification.

NEXT DC, Ltd.

	Year	2020	2021	2022	2023
Company	Valor				
Nextdc Ltd	Revenue	123.04	156.14	193.48	224.47
	EBITDA	66.21	55.58	67.81	116.51
	EBITDA Margin %	53.81	35.60	35.05	51.90



Cash Generation Metrics



Year	2023			
Quarter	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Valor				
Beginning Cash Position	12.95	10.25	8.19	13.44
Net Change in Cash	0.00	-0.13	-0.09	0.19
Cash Flow from Financing	-0.46	-0.52	-0.14	-0.61
Cash Flow from Investing	-0.90	-0.60	-0.40	-0.92
Cash Flow from Operations	1.64	0.74	0.03	4.41
Ending Cash Position	14.08	8.69	7.95	16.31
Free Cash Flow	0.59	0.17	0.00	2.86

Year	2019	2020	2021	2022	2023
Valor					
Cash Flow from Operations	7.06	8.30	7.65	8.21	19.44
Cash Flow from Investing	-2.43	-3.14	-3.58	-4.91	-6.21
Cash Flow from Financing	-0.83	-0.16	-0.47	-1.66	-6.59
Beginning Cash Position	9.68	10.47	17.43	16.00	35.96
Net Change in Cash	0.42	2.82	0.19	-0.84	0.00
Capital Expenditure	-1.91	-1.93	-2.04	-2.48	-4.59
Free Cash Flow	3.69	5.03	4.96	3.50	9.63

Thanks to an outstanding fourth quarter (4Q), the IT Industry **remains robust** in terms of cash flow level.

Despite the increased levels of investment and financing, the cash flow from operations was able to carry the cash flow levels **gaining momentum**.

The increase in cashflow seen in 2023 compared to the period starting in 2019 until 2022 indicates a **capacity to generate liquidity** through the “subscription platform” business model.



NTT DATA

In the fourth quarter of 2023, NTT Data, a leading provider of **data management solutions**, strategically allocated resources towards advancing its technological capacities. Amidst this period, NTT Data directed its investments into aligning with its overarching objective of bolstering its position as a frontrunner in the data management sector. Notable endeavors during this timeframe include:

- The acquisition of **Sapphire**, a UK-headquartered provider of **digital operations**, software and services to primarily mid-market customers in the US and UK markets through its partnerships with **SAP, ServiceNow, Infor SunSystems, HxGN and AWS**.

The acquisition underscores NTT DATA Business Solutions' commitment to solidifying its leadership in the **SAP midmarket sector** and its ambition to stand out as both a premier provider in the SAP SI market for major clients and an advanced digital operations solutions provider to mid-market customers.

After the year 2022, which marked the highest investment level in the last decade, **investment in 2023 has returned to historical levels.**

Leading Companies in Cash Flow Investment

Year	2023			
Quarter	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Company				
⊕ Accenture PLC	-446.73	4.59	-1,253.62	-790.42
⊕ Cognizant Technology Solutions Corp	-200.81	-78.46	-186.46	154.06
⊕ Fiserv Inc	-293.28	-275.98	-90.89	-328.29
⊕ NTT Data Group Corp	-1,155.02	-791.10	-834.86	-1,367.67

Debt Evolution Analysis



Year Quarter Valor	2023 Qtr 1	Qtr 2	Qtr 3	Qtr 4
Debt-to-Equity	0.32	0.37	0.30	0.39
Debt-to-Asset	0.14	0.16	0.15	0.18
Degree of Financial Leverage	0.86	0.86	0.87	0.88
Equity-to-Asset	0.45	0.43	0.44	0.42

Year Valor	2019	2020	2021	2022	2023
Debt-to-Equity	0.40	0.46	0.42	0.41	0.45
Equity-to-Asset	0.42	0.42	0.44	0.43	0.42
Debt-to-Asset	0.18	0.19	0.17	0.18	0.19
Degree of Financial Leverage	1.02	1.04	1.03	0.99	0.95

The IT sector is traditionally characterized by **low leverage**, with debt representing 15% of the total assets.

Even though the IT sector is known for having a **low leveraged structure** (about 15% of total assets) thanks to 2023's last quarter, the sector **followed the trail** of the last years preceding.

Debt Evolution Analysis



Banxa is the foremost infrastructure facilitator for **integrating cryptocurrency**, empowering businesses to seamlessly integrate crypto into their current platforms, thereby unlocking fresh opportunities within the rapidly evolving crypto economy.

Despite the company's efforts to thrive in an emerging sector, their Debt-To-Asset ratio has skyrocketed during 2023.

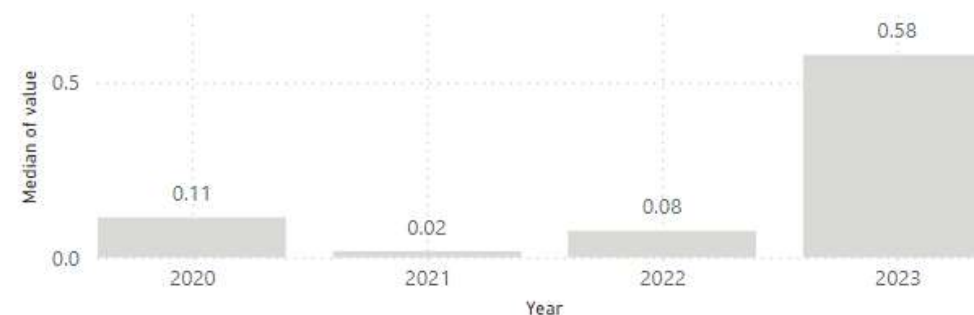
After some difficulties during the second quarter of the 2023 (related to payables) they increased their debt and maintained their asset structure, leading to an increase of the ratio of the two (Debt-to-Asset).

Year	2023			
Quarter	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Valor				
Debt-to-Asset	0.55	0.58	0.71	0.83
Degree of Financial Leverage	0.38	0.83	0.74	0.75
Equity-to-Asset	0.28	-0.13	-0.29	-0.33

Year	2020	2021	2022	2023
Valor				
Equity-to-Asset	0.30	0.76	0.48	-0.13
Debt-to-Asset	0.11	0.02	0.08	0.58
Degree of Financial Leverage		1.11	0.77	0.83

Median Values

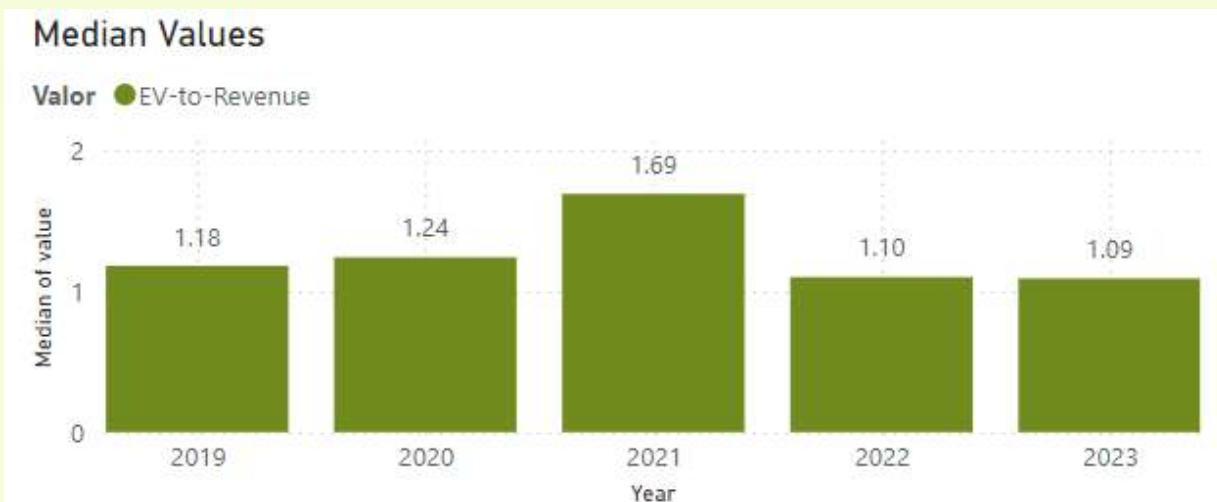
Valor ● Debt-to-Asset



Valuation analysis

2

Multiple Valuation Analysis (EV to Revenue)



The **enterprise value-to-revenue multiple (EV/revenue)** compares a company's enterprise value (EV) to its annual revenue. It is a valuable tool to assess a company's valuation, particularly for early-stage or high-growth companies that may not have positive earnings yet.

After the 2021 frenzy, having investors increased their optimism about the recovery of the IT sector, we are experiencing a slight decline since then. The median multiple has been similarly lower being **1.10x** in **2022** and **1.09x** in **2023**.

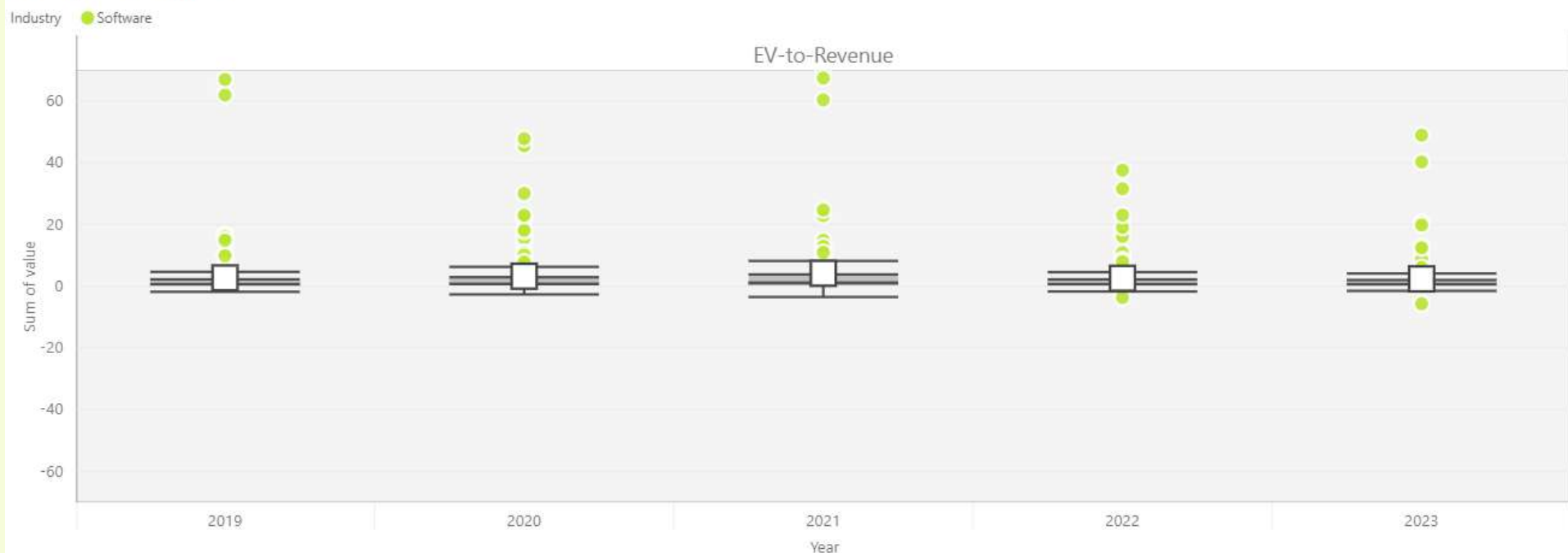
Multiple Valuation Analysis (EV to Revenue)



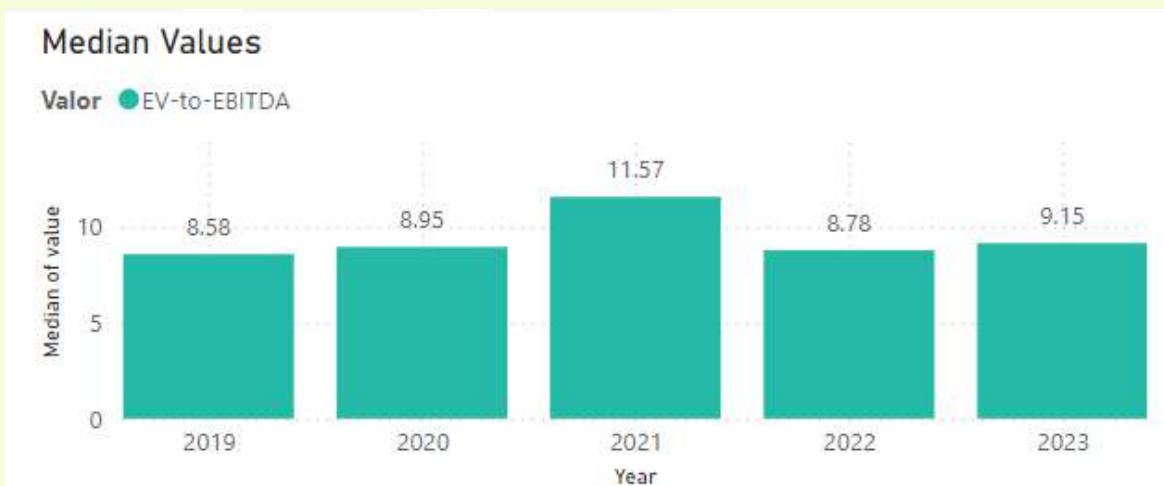
The analysis of the **EV/Revenue** multiple chart reveals stable dispersion levels over the years.

However, the last two years exhibit an IQR decrease, indicating greater concentration of the ratio in the IT sector. The IQR in **2021** was **2.52**, while **2022** and **2023** record values of **1.56** and **1.41**, respectively.

Descriptive Analytics



Multiple Valuation Analysis (EV to EBITDA)



The **EV/EBITDA** multiple is a financial metric used to compare a company's enterprise value (**EV**) to its earnings before interest, taxes, depreciation, and amortization (EBITDA).

After the increase in the **EV/EBITDA** multiple during 2021 (reaching levels of **11.57x**), in 2022 the sector settled down to an **8.78x** multiple.

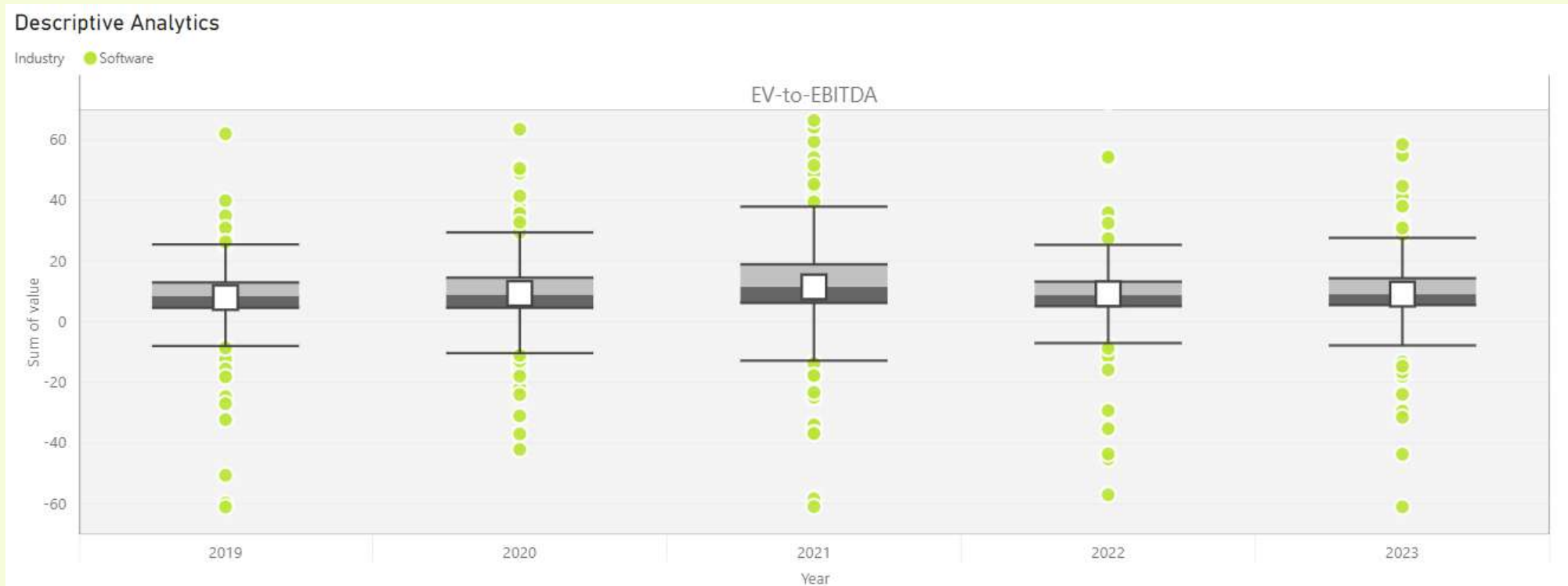
The increase in the multiple during 2023 up to **9.15x** confirms the robustness of the IT sector.

The progress made in the fourth quarter (Q4) in 2023 confirmed the overall performance with a **9.5x** EV/EBITDA multiple.

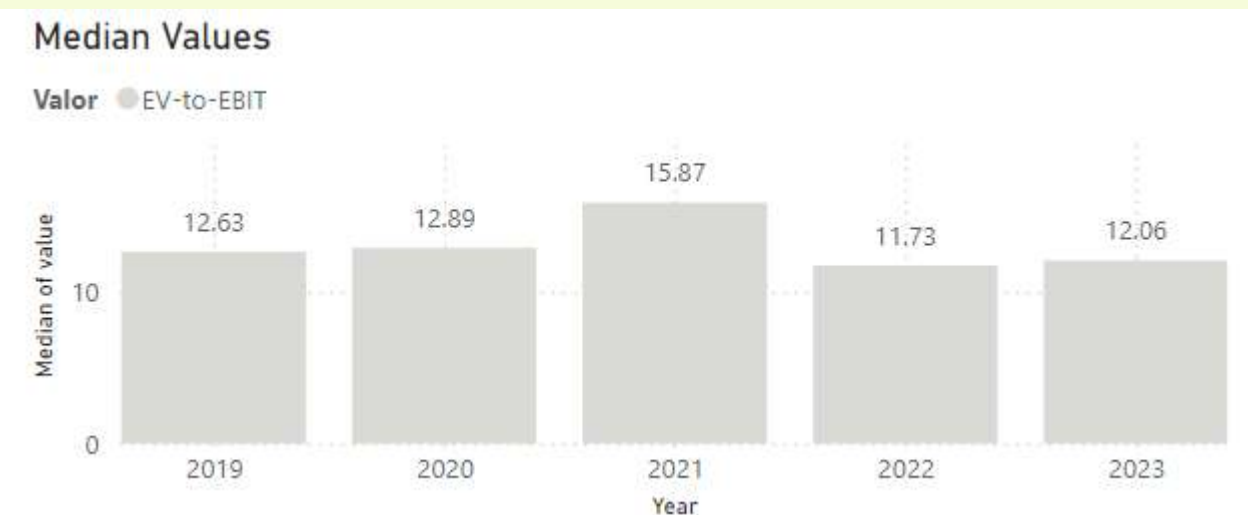
Multiple Valuation Analysis (EV to EBITDA)



The level of concentration in 2023 has decreased compared to the previous year going from an IQR of 8.09 to 8.86. This slight increase in disperssion resembles more to the values seen during 2021, reaching an IQR of 12.68.



Multiple Valuation Analysis (EV to EBIT)



The **(EV/EBIT)** multiple compares a company's enterprise value (**EV**), representing its total value including debt and cash, to its **EBIT** (earnings before interest and taxes), focusing on operating profitability before financing considerations.

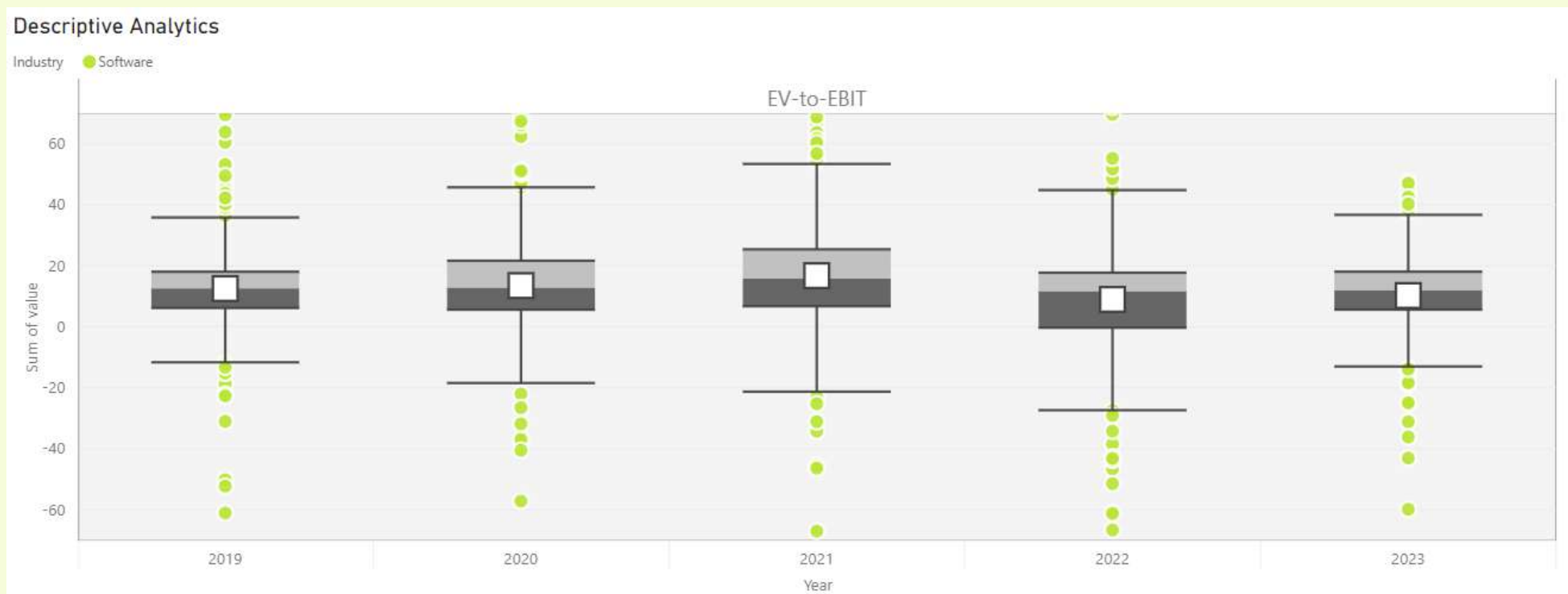
Similar to the **EV/EBITDA** multiple, the trend confirms the economic strength related to this sector.

A solid fourth quarter (Q4), reaching a **13x** multiple reveals the trend following the 2021 optimistic perspectives reaching a **12.06x** multiple.

Multiple Valuation Analysis (EV to EBIT)



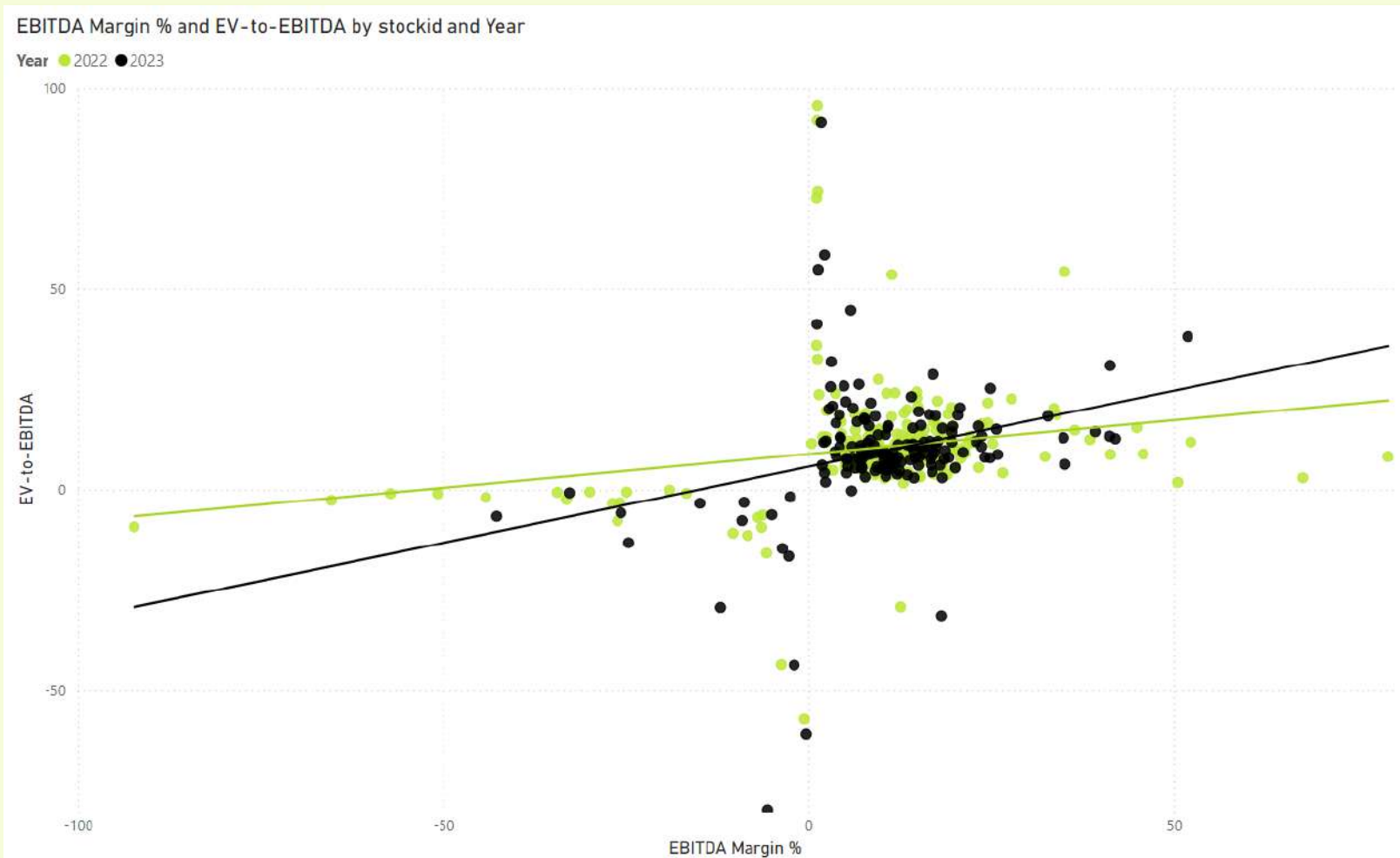
The analysis of the dispersion for the **EV/EBIT** multiple shows a clear increase in concentration compared with previous years. Year **2023** showed an **IQR** of **12.42** which is a low value for this metric given that in 2021 **IQR** reached **18.65**. To put it into perspective, the trend before COVID-19 hit was **IQR** around **11.86**.



Financials vs. Multiples

3

EBITDA Margin vs. EV / EBITDA



During 2023, the impact of the margin (EBITDA/Rev.) on the EBITDA multiple (EV/EBITDA) **has grown significantly**, as can be seen in the steeper slope of the 2023 trend line over the 2022 trend line.

Investors are progressively valuing profitability more positively.

Rockstars

4

Information Technology Valuation Report – Rockstars

GDS Holdings Ltd.

Year Quarter Valor	2023 Qtr 1	Qtr 2	Qtr 3	Qtr 4
Capex-to-Revenue	0.01	0.01	0.01	0.01
COGS-to-Revenue	0.63	0.61	0.60	0.60
Debt-to-Asset	0.34	0.30	0.25	0.19
EBITDA Margin %	16.96	17.63	19.29	17.08
FCF Margin %	-5.79	8.63	8.03	34.10
Gross Margin %	37.47	39.19	39.83	40.42
Net Margin %	11.46	11.31	12.42	10.84
ROA %	17.90	19.23	20.87	17.15
ROE %	53.37	50.89	49.37	36.37

Year Quarter Valor	2023 Qtr 1	Qtr 2	Qtr 3	Qtr 4
EV-to-EBIT	10.28	12.52	13.19	12.88
EV-to-EBITDA	9.67	11.77	12.38	12.04
EV-to-Revenue	1.89	2.23	2.30	2.14

Year Valor	2021	2022	2023
Capex-to-Revenue	0.01	0.02	0.01
COGS-to-Revenue	0.62	0.61	0.61
Debt-to-Asset	0.02	0.33	0.19
EBITDA Margin %	18.24	19.98	17.76
FCF Margin %	15.46	18.47	11.23
Gross Margin %	37.90	39.35	39.24
Net Margin %	14.90	13.89	11.51
ROA %	21.50	21.50	18.37
ROE %	30.25	42.25	45.51

Year Valor	2021	2022	2023
EV-to-Revenue	2.15	1.97	2.14
EV-to-EBITDA	11.80	9.85	12.04
EV-to-EBIT	12.91	10.47	12.88



The Hackett Group, Inc. operates as a provider of intellectual property-based executive advisory, strategic consulting, and digital transformation services across the United States, Europe, and internationally. The company is divided into three segments: Global Strategy & Business Transformation, Oracle Solutions, and SAP Solutions.

The company's metrics all exceed the sector's median values. It is worth to mention that the **ROA** and **ROE** during the last few years has been outstanding having at the same time debt values under control.

Information Technology Valuation Report – Rockstars

Netcompany Group A/S

Year Quarter Valor	2023 Qtr 1	Qtr 2	Qtr 3	Qtr 4
Capex-to-Revenue	0.61	0.22	0.29	-0.29
COGS-to-Revenue	0.42	0.52	0.33	0.59
Debt-to-Asset	0.25	0.09	0.13	0.11
EBITDA Margin %	58.48	41.62	68.07	22.04
FCF Margin %	-12.31	-32.77	-12.30	9.91
Gross Margin %	57.65	48.32	67.29	41.03
Net Margin %	47.25	35.54	62.24	18.47
ROA %	29.78	33.11	63.59	24.35
ROE %	39.62	46.09	86.46	31.08

Year Quarter Valor	2023 Qtr 1	Qtr 2	Qtr 3	Qtr 4
EV-to-EBIT	7.41	8.44	29.59	38.66
EV-to-EBITDA	6.60	7.49	26.62	30.90
EV-to-Revenue	3.16	3.32	12.88	12.77

Year Valor	2021	2022	2023
Capex-to-Revenue	0.76	0.34	0.07
COGS-to-Revenue	0.63	0.47	0.49
Debt-to-Asset	0.02	0.09	0.11
EBITDA Margin %	39.28	45.81	41.31
FCF Margin %	-40.63	20.18	-6.31
Gross Margin %	36.91	52.88	50.89
Net Margin %	32.98	38.59	35.97
ROA %	23.77	45.69	22.23
ROE %	30.48	58.42	28.13

Year Valor	2021	2022	2023
EV-to-Revenue	7.60	4.07	12.77
EV-to-EBITDA	19.36	8.88	30.90
EV-to-EBIT	21.26	10.10	38.66



Mia Teknoloji is a company specializing in technological solutions and services. They are known for their innovative approach to various fields such as software development, artificial intelligence, data analytics, and IT consulting.

Their activities typically involve developing customized software solutions for businesses, ranging from small startups to large enterprises. They may also offer consultancy services to help businesses optimize their IT infrastructure and streamline their operations. Mia Teknoloji often stays at the forefront of technological advancements, incorporating emerging technologies like machine learning and blockchain into their solutions.

Information Technology Valuation Report – Rockstars ExlService Holdings Inc.



Year Quarter Valor	2023 Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year Valor	2021	2022	2023
FCF Margin %	3.44	3.35	3.96	10.42	Capex-to-Revenue	0.03	0.03	0.02
Gross Margin %	28.98	27.09	27.79	30.88	Cash Conversion Cycle	30.29	30.95	32.50
Debt-to-Asset	0.17	0.18	0.17	0.19	COGS-to-Revenue	0.71	0.71	0.71
Operating Margin %	6.36	5.63	6.52	7.27	Debt-to-Asset	0.19	0.20	0.19
Dividend Payout Ratio	0.00	0.00	0.00	0.00	Dividend Payout Ratio	0.39	0.39	0.40
Cash Conversion Cycle	31.01	32.65	37.62	33.07	EBITDA Margin %	11.31	10.42	10.48
COGS-to-Revenue	0.69	0.70	0.71	0.67	FCF Margin %	6.07	4.12	5.42
Capex-to-Revenue	0.01	0.01	0.01	0.01	Gross Margin %	29.43	29.31	28.96
Net Margin %	4.08	2.60	3.01	4.54	Net Margin %	4.47	3.80	3.72
EBITDA Margin %	10.37	9.40	11.20	10.00	Operating Margin %	6.56	6.37	6.71

Year Quarter Valor	2023 Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year Valor	2021	2022	2023
EV-to-EBIT	13.43	13.67	18.21	21.60	EV-to-Revenue	4.65	2.65	4.21
EV-to-EBITDA	12.60	12.94	17.24	20.35	EV-to-EBITDA	20.93	11.75	20.35
EV-to-Revenue	2.83	3.20	4.07	4.21	EV-to-EBIT	23.13	12.49	21.60



iFirma Spółka is a company that operates in the realm of business management solutions, particularly focusing on software and services tailored for small and medium-sized enterprises (SMEs).

Their primary activity revolves around providing cloud-based software solutions for various business needs, including invoicing, accounting, payroll management, and tax compliance. iFirma's software is designed to be user-friendly and accessible, catering to the needs of entrepreneurs and small business owners who may not have extensive financial or accounting expertise.



Cloudia Research SpA



Cloudia Research SpA is a cutting-edge research and development company specializing in cloud computing technologies. Headquartered in Italy, Cloudia Research SpA has established itself as a leader in the field, driving innovation and pushing the boundaries of what's possible in the realm of cloud-based solutions. **On December 22, 2023**, the company went public on **Euronext Growth**.

Dotsoft SA.



Dotsoft SA is a Greek small to medium-sized enterprise that specializes in Information Technology and Communications services. They provide these services to both public and private sectors within Greece and Europe. Their clientele comprises government institutions, multinational corporations, public administrations, multinational companies, as well as research and academic institutes. **On August 10, 2023**, the company went public on the **Athens Alternative Stock Exchange**.

Contact us

Diego Gutiérrez Zarza
Partner
dgutierrez@bakertilly.es

Cristina Salmón
Senior Analyst
cristina.salmon@bakertilly.es

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