

Digital Transformation MONITOR

Q1 2017

Deal Talk

Public Market Activity

Q4 M&A Activity

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The Digital Transformation M&A environment in the first quarter of 2017 was strong, and diverse with respect to the pool of acquirers and the types of targets. Deloitte continued to make surgical M&A moves to fill in strategic gaps while Accenture remains aggressive, completing three deals in the space. As recently as March this year, Accenture picked up a digital payment consulting company, to whom ClearSight was the exclusive financial advisor. The marketing agencies are very much still in the game with Dentsu and WPP both acquiring digital experience agencies. WPP also invested in digital product development capabilities in China by acquiring 3Ti Solutions, a ~100 person firm based in Shanghai. Not surprisingly, international ITO service providers also put deals on the board with Capgemini acquiring Itelios in France and Idean, which is based in Finland but has significant presence and multiple offices in the U.S. It is also worth noting that Salesforce appears to be in dire need of UX and design talent. The company acquired Sequence, a ~30 person digital UX firm in England, in January 2017 after picking up Gravity Tank just four months ago.

If your head is spinning with the pace of acquisitions in Digital Transformation, you aren't the only one. It is a sizzling space and we don't see it slowing down any time soon. For additional perspective, please read our view on digital disruption in the middle market in this [article](#).

Upcoming Conferences

May 2017

- **Forrester:** Digital Transformation Forum
Chicago, IL
- **TechCrunch Disrupt**
New York, NY
- **Informa:** Internet of Things World
Santa Clara, CA

June 2017

- **Cloud Computing Expo**
New York City, NY

July 2017

- **Microsoft Inspire**
Washington, D.C.

Digital Transformation



Business Strategy



Digital Experience
Design



Engineering &
Development

Capgemini Strengthens its Digital Leadership through Idean Acquisition

Target Transaction Summary



On February 16, 2017, Cap Gemini, a French multinational information technology consulting corporation, acquired Idean, a digital strategy and experience design consultancy. Founded in 1999 in Helsinki, Finland, Idean employs more than 150 digital strategists, experience designers, and front-end developers across the United States and Europe. Idean's clients include Bay Area start-ups, global tech leaders, prominent automotive and consumer electronics brands, and companies reinventing themselves for the digital era. Idean provides services in a number of areas including user insight, user experiences concept & strategy, interaction design, visual design, and UI development.

Buyer



Deal Analysis

- *Clearsight Perspective: The acquisition of Idean fits into Capgemini's growth strategy focused on innovation and digital initiatives, bolstering their user-centered and digital-first experience design and strategy services, particularly in North America*
- Risto Lahdesmaki, CEO and Founder of Idean, stated, "Joining forces with Capgemini is extremely exciting and the logical next step of our journey. Idean clients will immediately benefit from an expanded and extensive portfolio of services for digital strategy and CX transformation, deep industry expertise in connected vehicles and IoT, and global end-to-end delivery."
- Fueled by a growing demand in digital initiatives by consumers, we expect the volume of digitally-focused M&A deals, such as Capgemini's acquisition of Idean, to experience strong growth throughout 2017

Transaction Information

Announced Date 2/16/2017
Deal Type Buyout

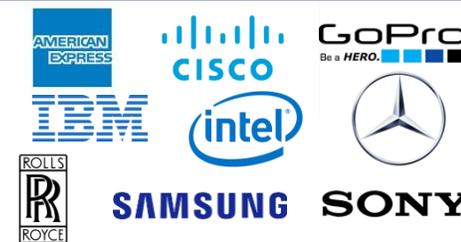
Target Information

of Employees 150+
Year Founded 1999
Target HQ Helsinki, Finland

Acquirer Information

Employees 100,000+
Headquarters Paris, France
2016A Revenue \$13.8bn
2016A EBITDA \$1.4bn

Select Clients



Carrick Capital Partners Invests in Perfect Sense

Target Transaction Summary



On January 13, 2017, Carrick Capital Partners, an investment firm focused on technology-enabled businesses including SaaS, software, BPO and transaction processing, invested \$22mm in Perfect Sense Digital, a technology company that helps businesses build and deliver digital experiences designed specifically for their customers. The investment will be used to fund product development and accelerate the rollout of new technologies to market.

Buyer



Deal Analysis

- *Clearsight Perspective: On the heels of Baird Capital's majority recapitalization of R2integrated and Advent International's acquisition of Ansira in the fourth quarter of 2016, Carrick Capital Partners' investment in Perfect Sense highlights the strong, and growing, interest in digital agencies from the private equity community over the past year. Perfect Sense's proprietary digital development platform, Brightspot, creates a unique competitive advantage for Carrick Capital Partners to build on.*
- Marc McMorris, co-founder and managing director of Carrick Capital Partners, stated, "Dave Gang [Perfect Sense, co-founder and CEO] and his team at Perfect Sense have brought to market a unique set of solutions to a growing business problem – how can I transform my business and overcome the limitations of fragmented systems for managing the delivery of content to customers anywhere, anytime, and on any device?"
- As companies become more focused on maximizing the value of the digital experiences they deliver to customers, companies like Perfect Sense will continue to see an influx of private capital and command higher multiples in the M&A market for the foreseeable future.

Transaction Information

Announced Date 1/13/2017
Deal Type Growth Equity
Investment Amount \$22mm
of Employees ~140
Year Founded 2008
Target HQ Reston, VA

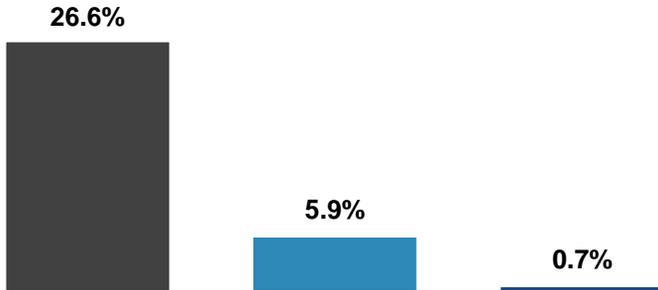
Select Clients



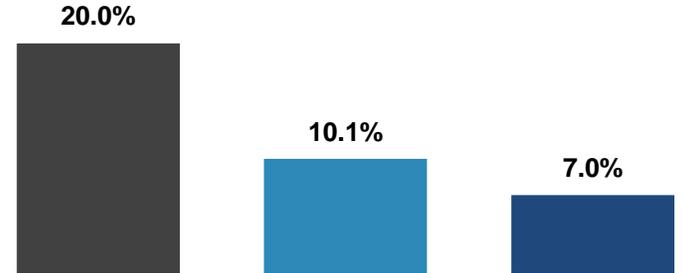
Performance of Public Companies

■ Digital Technology Services ■ IT Services and BPO Providers ■ Marketing Services

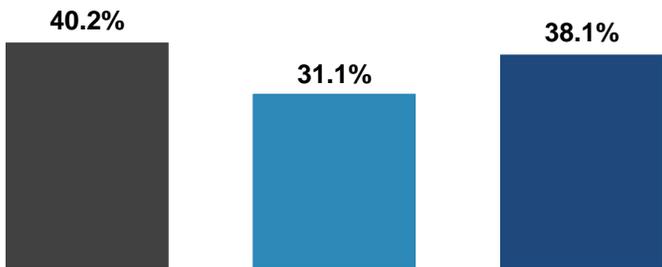
3-Year Historic Revenue Growth



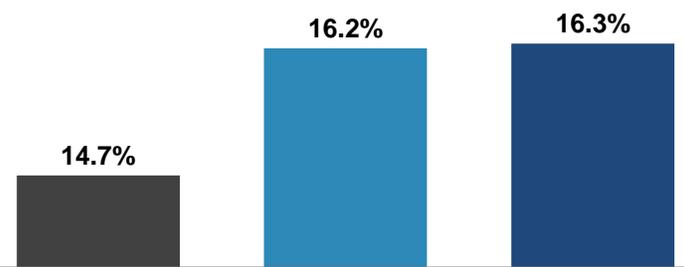
2017E Revenue Growth



LTM Gross Margin



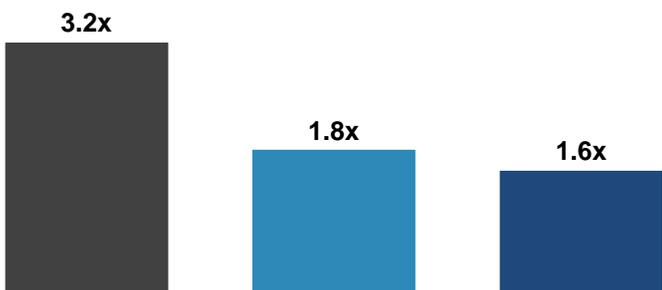
LTM EBITDA Margin



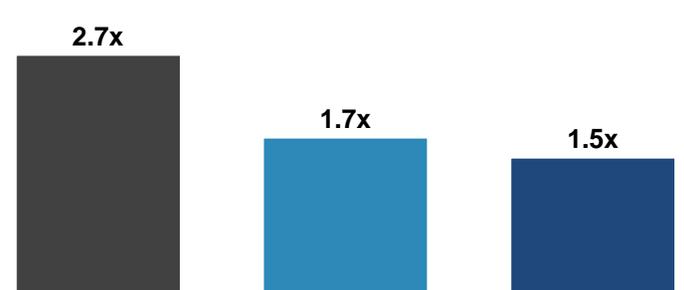
Public Companies Median Trading Multiples

■ Digital Technology Services ■ IT Services and BPO Providers ■ Marketing Services

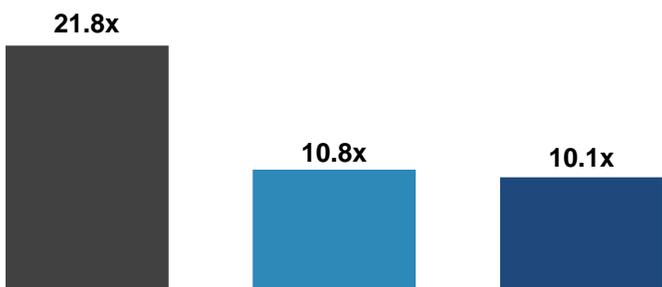
EV / LTM Revenue



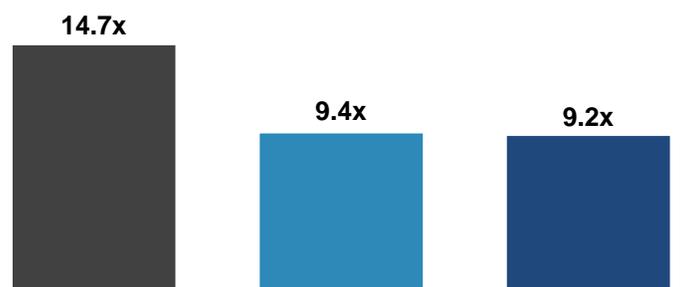
EV / 2017E Revenue



EV / LTM EBITDA

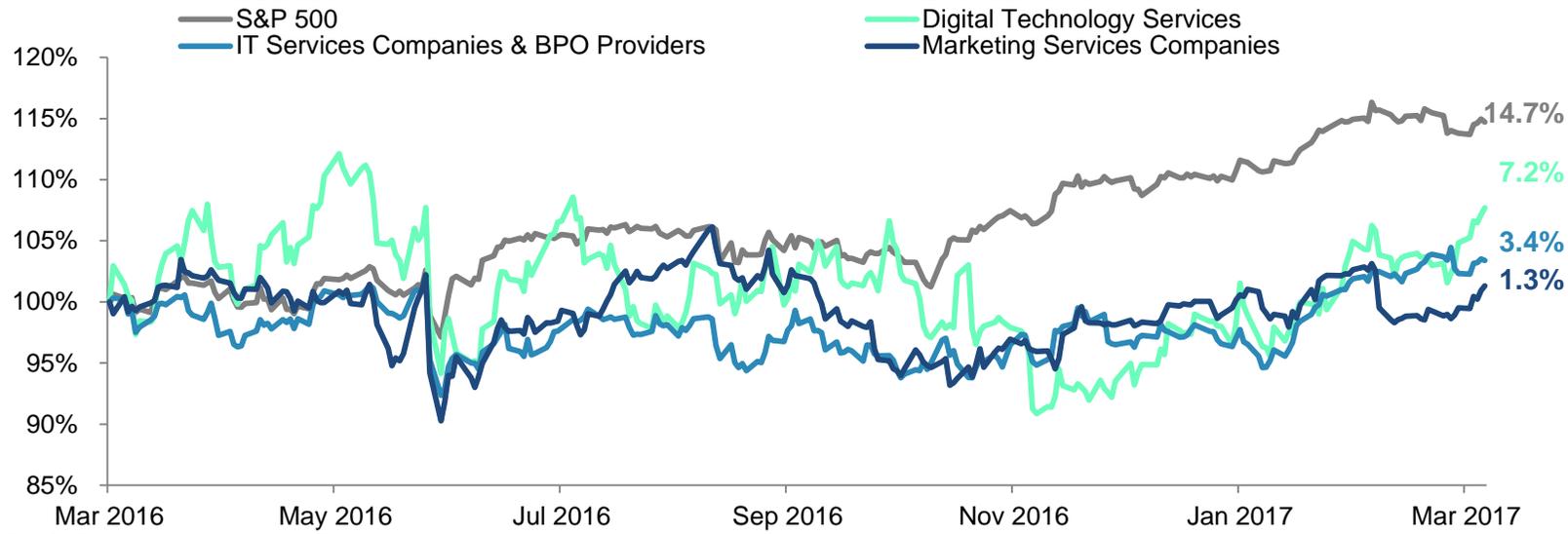


EV / 2017E EBITDA

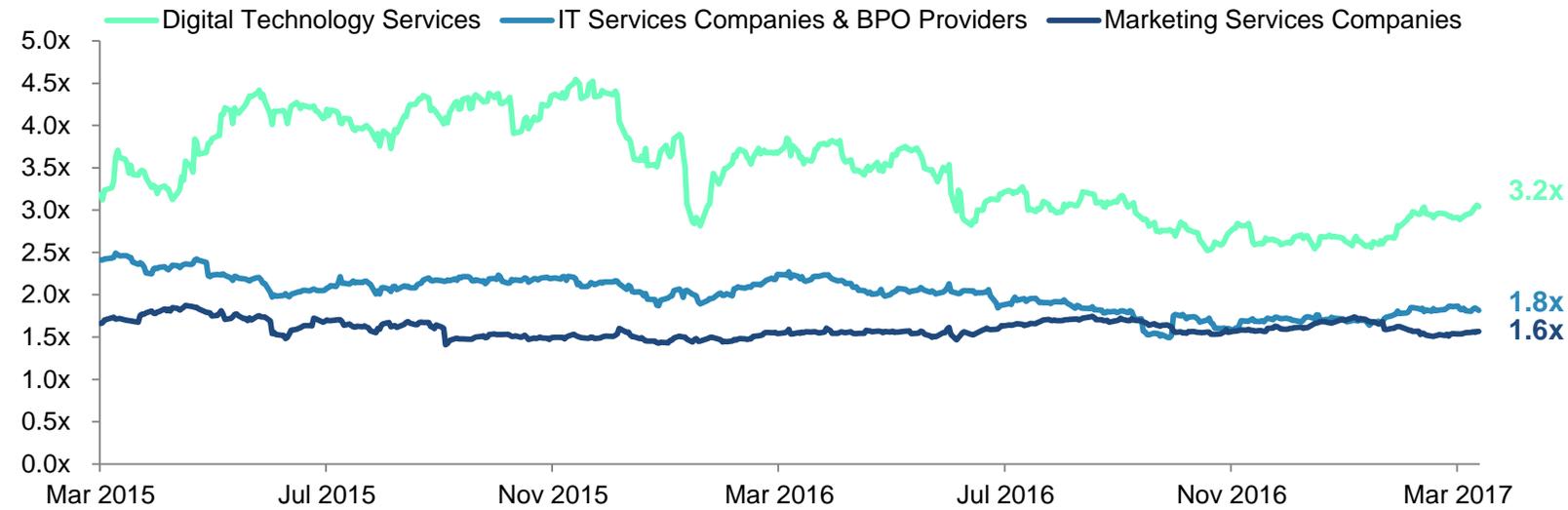


Source: Capital IQ, market data as of 31-Mar-2017

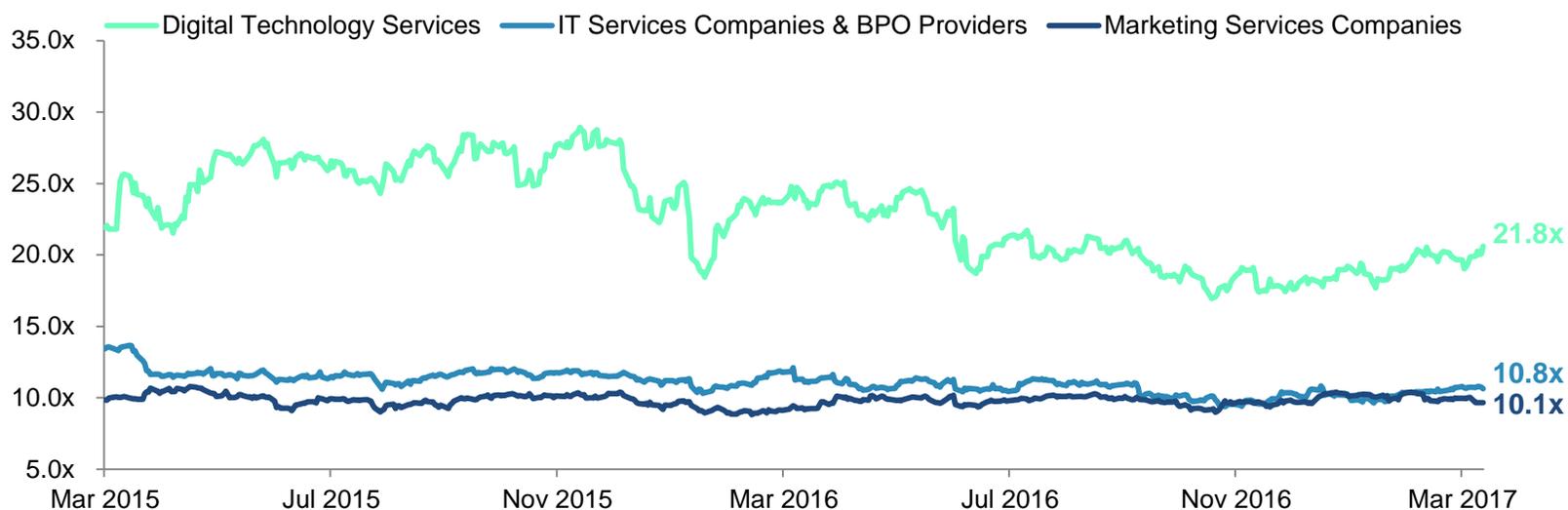
Stock Price Performance – Last Twelve Months



EV / LTM Revenue – Last Two Years



EV / LTM EBITDA – Last Two Years



Source: Capital IQ, market data as of 31-Mar-2017

Q1 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
3/30/2017	GRANT GROUP		<ul style="list-style-type: none"> The Grant Group is the largest creative agency in Sri Lanka The acquisition significantly expanded Dentsu Aegis Network's digital capabilities in South Asia
3/27/2017			<ul style="list-style-type: none"> Day1 Solutions is a cloud consulting firm focused on the Amazon Web Services platform Deloitte acquired the company the help leverage cloud to support clients in their digital transformation efforts
3/23/2017			<ul style="list-style-type: none"> 3Ti Solutions is a provider of digital business strategy consulting, product design & development, software, and mobile app development services The acquisition expanded WPP-subsiary Mirum's digital product development capabilities and presence in China
3/23/2017			<ul style="list-style-type: none"> First Annapolis provides advisory services to stakeholders across the payments ecosystem Accenture expanded their capabilities in the digital payments market through the acquisition
3/02/2017			<ul style="list-style-type: none"> Brilliant Services is an intelligent products and solutions company specializing in digital strategy, product design & engineering, IoT, and enterprise mobility Cognizant expanded their digital transformation portfolio and capabilities to enable clients to build connected, collaborative businesses
2/28/2017			<ul style="list-style-type: none"> Infusion is a software engineering, design, and digital strategy firm with strong Microsoft expertise The acquisition strengthened Avanade's capabilities to deliver digital transformation services and reinforced its position as a digital innovator in the Microsoft ecosystem
2/23/2017			<ul style="list-style-type: none"> Itelios is a consulting firm specialized in connected commerce The acquisition reinforced Capgemini's digital customer experience portfolio with Itelios' expertise in designing and implementing seamless omnichannel solutions
2/20/2017			<ul style="list-style-type: none"> WPP-subsiary, Ogilvy & Mather, acquired a stake in its digital partner in Ireland, EightyTwenty Customer Experience Limited, a provider of digital centric communication and marketing services The acquisition brought new capabilities in creative, digital performance, and technology to Ogilvy & Mather
2/20/2017	SINNERSCHRADER		<ul style="list-style-type: none"> SinnerSchrader is a German full-service digital agency The acquisition strengthened and expanded the capabilities of Accenture's digital agency, Accenture Interactive Transaction Structure: Accenture acquired 63.8% of SinnerSchrader for \$68.6mm in cash, representing a 1.8x LTM revenue multiple and a 16.6x LTM EBITDA multiple

Q1 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
2/16/2017			<ul style="list-style-type: none"> Idean is a digital strategy and design consultancy Capgemini materially strengthened their User Experience capabilities in the U.S. and Europe through the acquisition
2/09/2017			<ul style="list-style-type: none"> Red Planet is an innovation strategy and digital consulting firm The acquisition expanded Deloitte's global network of digital transformation experts, partners, and startups to help their clients understand and harness disruptive technologies to create new and accelerated growth
2/02/2017			<ul style="list-style-type: none"> Space Creative is a provider of design, digital, and marketing services The acquisition gave Wrapped Agency the ability to provide a full suite of branding, digital, and PR services to clients
2/04/2017			<ul style="list-style-type: none"> VELVET Group is a digital marketing and communication agency The acquisition allowed FABERNOVEL to enter into the Chinese market
1/31/2017			<ul style="list-style-type: none"> Digital agencies Mindstream Media and EdgeCore merged to combine key marketing program accounts and expand their U.S. footprint
1/31/2017			<ul style="list-style-type: none"> SubVRsive is a technology company that works with advertisers that want to engage consumers in the emerging virtual reality and augmented reality sector WPP made an undisclosed investment in the company, continuing their strategy of focusing on three key areas that differentiate the Group's offering to clients: technology, data, and content
1/30/2017			<ul style="list-style-type: none"> Stream Digital is a provider of digital designing and digital marketing services The acquisition bolstered The Shipyard's web design, development, and eCommerce capabilities
1/24/2017			<ul style="list-style-type: none"> Mobile-first, data-driven digital agency, Kinetiq Digital, merged with mobile app developer Robots and Pencils The merger allowed the combined company to make more strategic investments to support their clients with a focus on leveraging mobile and emerging technologies
1/24/2017			<ul style="list-style-type: none"> Sequence, a digital agency, designs and develops customer experiences and building digital products for brands Salesforce added strong UI / UX expertise through the acquisition

Q1 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
1/18/2017			<ul style="list-style-type: none"> C-4 Analytics, a digital marketing firm, entered into a strategic partnership with private equity firm BV Investment Partners Through the partnership, C-4 Analytics planned to accelerate the expansion of its technology platform, service offerings, and client services
1/13/2017			<ul style="list-style-type: none"> Perfect Sense Digital is a Web design, development, and operations company with a focus on the consumer publishing space Investment firm Carrick Partners invested \$22mm in the company
1/12/2017			<ul style="list-style-type: none"> Attitude Design is a provider of branding and digital marketing services The acquisition supplemented Fifteen Design's digital marketing skill set with Attitude's expertise in branding
1/12/2017			<ul style="list-style-type: none"> Head London is a digital agency that provides digital advertising products and services The acquisition bolstered Zone's strategy, UX, and technology capabilities
1/09/2017			<ul style="list-style-type: none"> Altitude is a product design and innovation firm Accenture acquired the company to bolster their digital capabilities in the areas of artificial intelligence, cybersecurity, and IoT
1/06/2017			<ul style="list-style-type: none"> FMCG Direct is a provider of marketing analytics and insights Deluxe Corporation enhanced their data-driven marketing services portfolio through the \$200mm acquisition
1/05/2017			<ul style="list-style-type: none"> Mogo Interactive is an integrated digital marketing firm that designs and deploys customized marketing and media solutions The acquisition strengthened Learfield's digital knowledge and capabilities and expanded Learfield's vertical specialization in college athletics
1/04/2017			<ul style="list-style-type: none"> Valtech is a digital marketing agency with key capabilities in e-business and agile technologies The acquisition provided SiegCo with skilled consultants and a portfolio of diversified large accounts Transaction Structure: Valtech acquired an 8.6% stake for \$30.0mm, representing an implied enterprise value of \$336.7mm and valuation multiples of 3.6x LTM revenue and 25.5x LTM EBITDA

Digital Technology Services Comparable Companies

Digital Transformation Index	Closing Price 31-Mar-2017	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin
					LTM	2017	2018	LTM	2017	2018	
					EPAM	\$ 75.52	96.3 %	\$ 4,078	\$ 3,704	3.2 x	
Globant	36.40	77.1	1,299	1,239	3.8	3.2	2.6	20.7	17.2	13.8	18.5
Luxoft	62.55	94.5	2,232	2,134	2.8	2.4	1.9	22.2	13.6	10.4	12.8
High		96.3 %	\$ 4,078	\$ 3,704	3.8 x	3.2 x	2.6 x	22.2 x	17.2 x	13.8 x	18.5 %
Median		94.5	2,232	2,134	3.2	2.7	2.2	21.8	14.7	12.2	14.7
Mean		89.3	2,536	2,359	3.3	2.7	2.3	21.6	15.1	12.2	15.3
Low		77.1	1,299	1,239	2.8	2.4	1.9	20.7	13.6	10.4	12.8

IT Services and BPO Providers Comparable Companies

IT Services & BPO Index	Closing Price 31-Mar-2017	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin
					LTM	2017	2018	LTM	2017	2018	
					Accenture	\$ 119.88	94.7 %	\$ 82,011	\$ 79,448	2.4 x	
Altran	16.87	99.3	2,929	2,646	1.2	1.1	1.0	10.8	9.0	8.2	10.9
Atos	123.98	99.8	12,922	12,963	1.0	1.0	1.0	7.8	7.6	7.2	13.4
Cap Gemini	92.56	96.4	16,137	17,790	1.3	1.3	1.2	10.7	9.3	8.8	12.6
CGI Group	47.82	94.9	14,669	16,131	2.0	2.0	1.9	11.9	10.5	10.1	17.0
Cognizant	59.52	94.1	35,596	32,531	2.4	2.2	2.0	12.1	11.0	9.6	19.5
Genpact	24.76	86.8	4,893	5,331	2.1	2.0	1.9	12.7	11.6	10.8	16.4
HCL	13.50	98.3	19,066	17,540	2.6	2.3	2.1	11.7	10.4	9.9	22.2
Hexaware	3.32	78.6	1,008	955	1.8	1.6	1.4	11.4	9.5	8.6	16.1
MindTree	6.98	59.7	1,174	1,084	1.4	1.3	1.1	9.9	8.3	7.1	14.2
Mphasis	8.92	92.9	1,878	1,536	1.7	1.5	1.4	10.8	9.6	8.8	15.8
Syntel	16.83	33.1	1,418	1,791	1.9	1.9	1.9	6.7	7.4	6.9	27.8
Tech Mahindra	7.09	81.4	6,903	6,327	1.5	1.3	1.2	9.9	8.1	7.3	15.3
Wipro	7.95	84.9	19,312	16,229	2.0	1.9	1.8	10.1	9.2	8.8	20.0
High		99.8 %	\$ 82,011	\$ 79,448	2.6 x	2.3 x	2.1 x	13.9 x	13.4 x	12.4 x	27.8 %
Median		93.5	9,912	9,645	1.8	1.7	1.6	10.8	9.4	8.8	16.2
Mean		85.4	15,708	15,164	1.8	1.7	1.6	10.7	9.6	8.9	17.0
Low		33.1	1,008	955	1.0	1.0	1.0	6.7	7.4	6.9	10.9

Marketing Services Comparable Companies

Marketing Services Index	Closing Price 31-Mar-2017	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin
					LTM	2017	2018	LTM	2017	2018	
					Dentsu	\$ 54.17	93.8 %	\$ 15,446	\$ 17,333	2.4 x	
Havas	8.93	94.4	3,778	3,614	1.5	1.4	1.4	10.3	8.5	8.2	14.7
IPG	24.57	97.0	9,649	10,173	1.3	1.3	1.2	9.3	8.6	8.1	14.0
Omnicom	86.21	96.2	20,628	23,052	1.5	1.5	1.4	10.0	9.7	9.3	14.9
Publicis	70.05	94.2	15,787	16,956	1.7	1.6	1.5	9.2	8.8	8.2	18.0
WPP	21.94	90.9	28,390	34,117	1.9	1.7	1.7	10.9	10.3	9.8	17.6
High		97.0 %	\$ 28,390	\$ 34,117	2.4 x	2.1 x	2.0 x	11.0 x	10.3 x	9.8 x	21.9 %
Median		94.3	15,616	17,144	1.6	1.5	1.5	10.1	9.2	8.8	16.3
Mean		94.4	15,613	17,541	1.7	1.6	1.5	10.1	9.3	8.9	16.9
Low		90.9	3,778	3,614	1.3	1.3	1.2	9.2	8.5	8.1	14.0

Source: Capital IQ, market data as of 31-Mar-2017



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