

Digital Transformation MONITOR

Q2 2018

Deal Talk

Public Market Activity

Q2 M&A Activity

Joel Kallett

Managing Director

[Email](#)

Gretchen Seay

Managing Director

[Email](#)

Greg Treger

Managing Director

[Email](#)

Bhavin Patel

Director

[Email](#)

John Rakowski

Director

[Email](#)

Philo Tran

Director

[Email](#)

Control + Click to Email a Member of the Senior Team Directly

The summer has been tremendously busy at ClearSight. The M&A environment remains robust and we, along with our clients, have benefited from a market heavily tilted towards sellers. In the Digital Transformation sector, we continue to see strong demand for innovative product and service UX design capabilities (i.e. Verizon acquiring Moment), digital product agencies (i.e. Globant acquiring PointSource and Luxoft acquiring Smashing Ideas), and outsourced software development providers (i.e. Allgeier acquiring Objectiva) with compelling delivery models and/or domain expertise. The difference between digital product agencies and outsourced software developers is not always obvious, give us a ring and we would be happy to share our thinking. We are also seeing increased interest from nontraditional buyers such as outsourced call center providers and value added resellers chasing Digital Transformation targets in an effort to reposition business away from legacy services. We enthusiastically welcome these new buyers to the race, the more the merrier!

Last but not least, I'd like to congratulate our client, Kogentix, on its transaction with Accenture. The team started only three and a half years ago with a mission to disrupt the AI market by building a custom, easy-to-use machine learning application that can deliver measurable business impact. The founders of Kogentix are brilliant visionaries and we are thrilled to have had the opportunity to help them execute this monumental transaction.



[Email Philo Tran](#)

Digital Transformation



Digital Strategy



UX Design



Engineering &
Development

PA Consulting acquires Sparkler

Target



Buyer



Transaction Summary

On May 16, 2018, PA Consulting Group (“PA”), a London-based innovation and transformation consultancy and portfolio company of The Carlyle Group, announced that it had acquired Sparkler, a 60 person digital insight and strategy consultancy. The acquisition will strengthen PA’s digital brand strategy capabilities, combining Sparkler’s customer insight, brand strategy, and service design expertise with PA’s existing innovation, digital and strategy capabilities. Financial terms were not disclosed.

Transaction Information

Announced Date 16-May-2018
Deal Type Acquisition

Target Information

Year Founded 2001
Target HQ London, UK

Deal Commentary

- *Clearsight Perspective: In an age of digital disruption, companies must constantly understand and respond to shifts in their customer and competitive landscapes. Sparkler’s ability to understand the human side of the digital world will allow PA to quickly and effectively seize opportunities of disruptive change brought about by a constantly evolving marketplace*
- “Understanding the human side of the digital world is essential to all businesses and we will now be able to bring our expertise to more clients, in more markets, more swiftly” – John Robson, Founding Partner, Sparkler
- Sparkler marks PA’s second acquisition in six months (acquiring Nyra in December 2017) as the company seeks to use its private equity backing to inorganically build out new capabilities and improve its breadth of service offering

Select Client Relationships



Reply acquires a majority share in Valorem

Target



Buyer



Transaction Summary

On April 10, 2018, Reply, an Italian-based provider of digital media design and implementation solutions, announced that it has acquired a majority share in Valorem, a Kansas City-based digital transformation firm focused on agile delivery of digital business services, strategic business models, and design-led user experiences. The investment will enhance Reply’s digital capabilities and international growth strategy. Financial terms were not disclosed.

Transaction Information

Announced Date 10-Apr-2018
Deal Type Majority Investment

Target Information

Year Founded 2009
Target HQ Kansas City, MO

Deal Commentary

- *Clearsight Perspective: Valorem’s expertise in cloud design and digital strategy and execution services around Microsoft’s cloud offerings strengthens key capabilities for Reply as customers continue to look to the cloud for rapid transformation and improved business efficiency*
- The acquisition of Valorem not only bolsters Reply’s digital strategy and cloud capabilities, but also adds 300 digital experts and a blue-chip client base, bringing opportunities for the Italian-based company to develop its business presence in the US
 - “Valorem is characterized by a strong entrepreneurial drive and a constant focus on technological innovation. Together, we will create an optimal platform that will allow Reply to further develop its business presence in the United States, the leading global market for IT services” – Mario Rizzante, Chairman of Reply

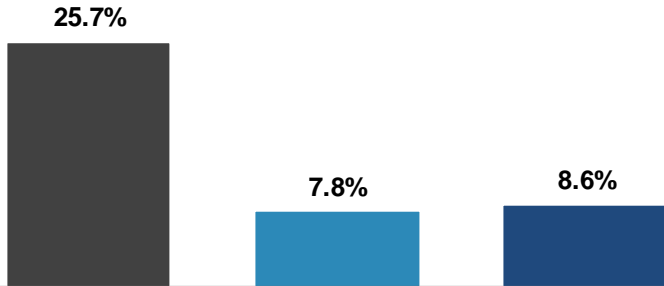
Select Client Relationships



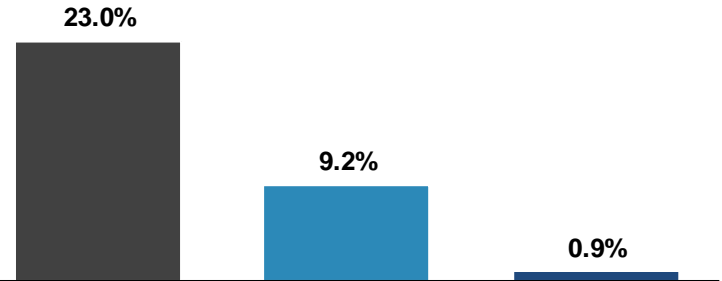
Performance of Public Companies

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

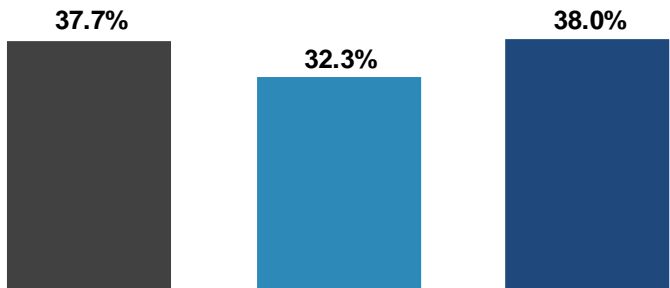
3-Year Historic Revenue Growth



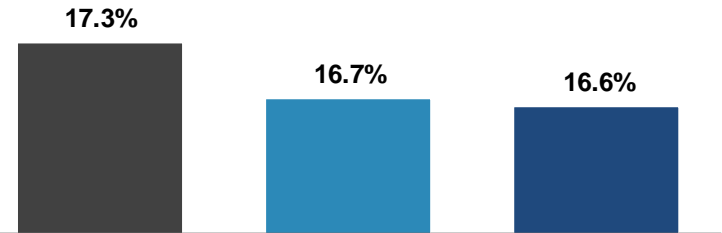
2018E Revenue Growth



2018E Gross Margin



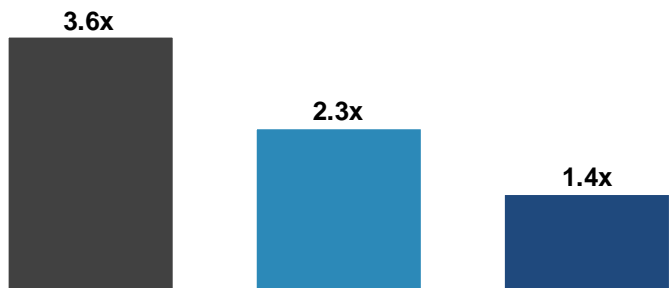
2018E EBITDA Margin



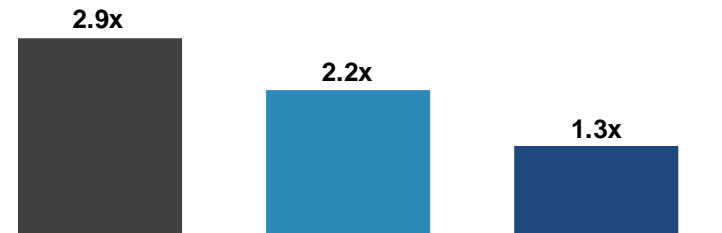
Public Companies Median Trading Multiples

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

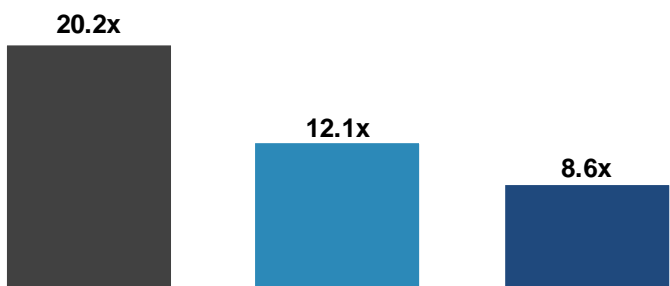
EV / 2018E Revenue



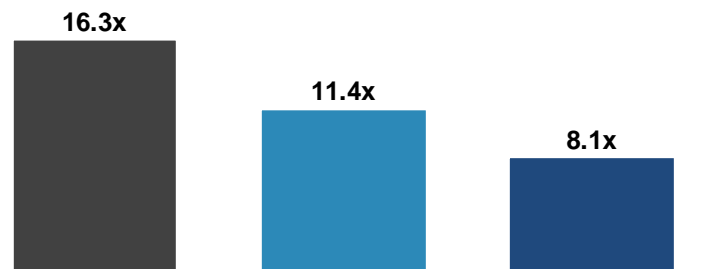
EV / 2019E Revenue



EV / 2018E EBITDA

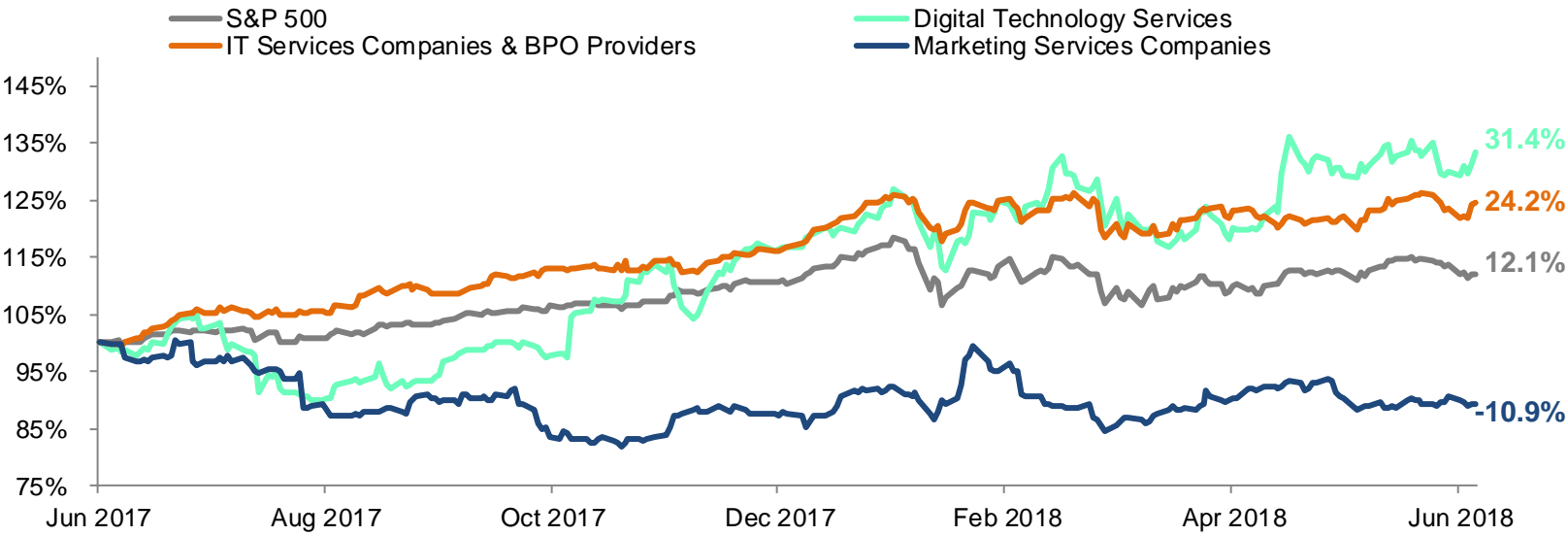


EV / 2019E EBITDA

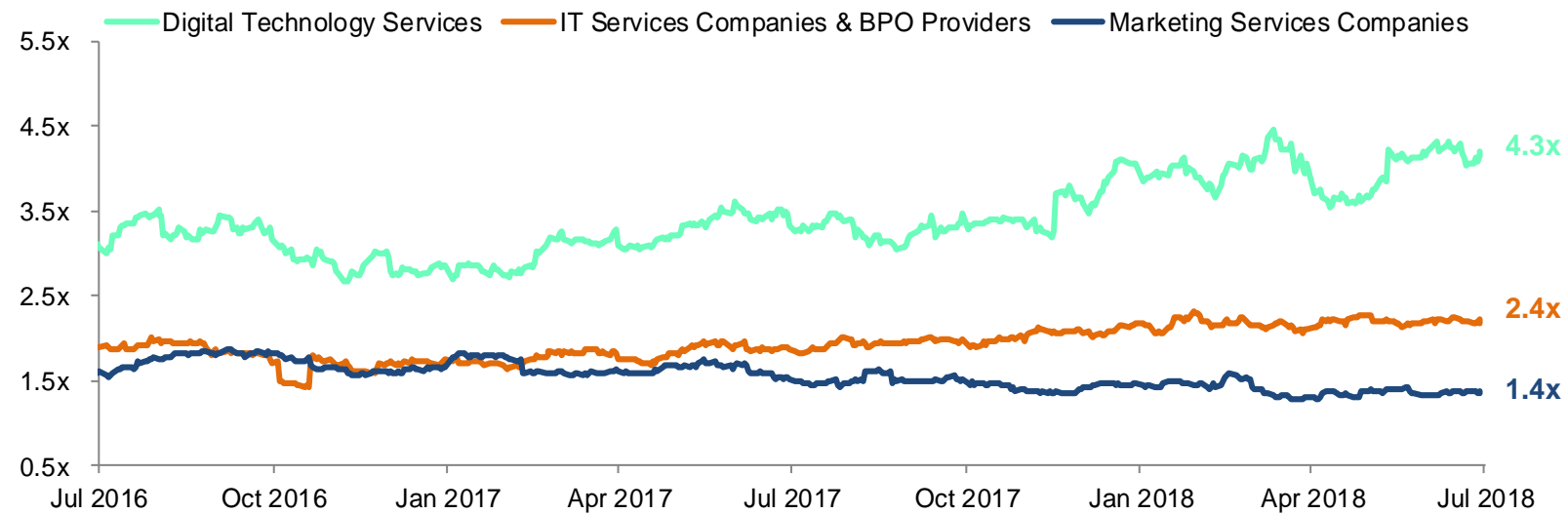


Source: Capital IQ, market data as of 30-Jun-2018

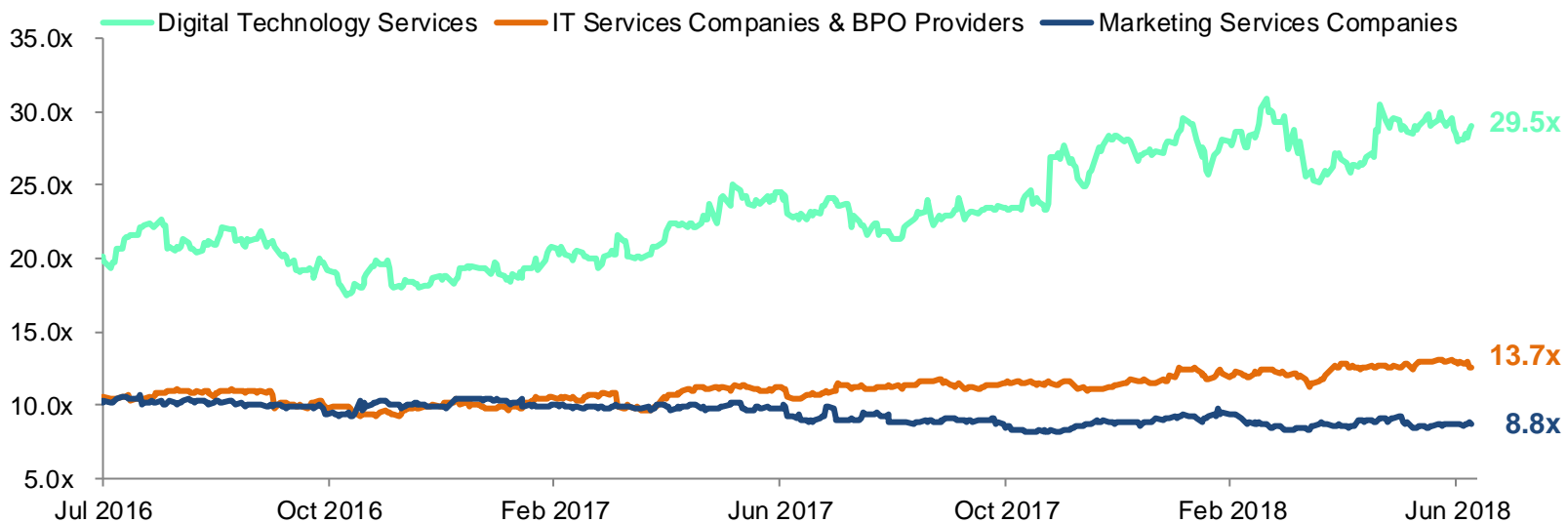
Stock Price Performance – Last Twelve Months



EV / LTM Revenue – Last Two Years





















EV / LTM EBITDA – Last Two Years





















Source: Capital IQ, market data as of 30-Jun-2018












Q2 2018 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
6/18/2018			<ul style="list-style-type: none"> Smashing Ideas is a Seattle-based digital innovation agency serving Global 500 clients The acquisition expanded Luxoft's capabilities to include design and business strategy
6/15/2018			<ul style="list-style-type: none"> Blippar is a startup which has developed mobile image recognition capabilities as well as an augmented reality platform This is one of many rounds of funding Blippar has received from Qualcomm in order to help them grow and scale their technology
6/11/2018			<ul style="list-style-type: none"> PTC develops lifecycle management software for manufacturers as well as computer-aided design (CAD) programs Rockwell Automation plans to use PTC's capabilities to augment their IoT capabilities
6/8/2018			<ul style="list-style-type: none"> designaffairs is a design consulting firm focused on digital transformation and smart product innovation This acquisition will strengthen Accenture's smart design practice
6/8/2018			<ul style="list-style-type: none"> Objectiva provides software outsourcing services and custom software development to enterprises globally This acquisition will broaden Allgeier's global reach and enhance its scalability in software development
6/7/2018			<ul style="list-style-type: none"> iMobile3 offers customizable payment solutions to small businesses in the United States The acquisition of iMobile3 advances TSYS goal of becoming the leading payments solutions provider to small and medium size businesses in the US
6/4/2018			<ul style="list-style-type: none"> InstaVR is a SaaS company which allows customers to edit and publish virtual reality media InstaVR raised \$5mm in Series B funding from Mizuho Capital Partners, GREE Ventures, YJ Capital, ITOCHU Technology Ventures, COLOPL NEXT, and The Venture Reality Fund to further grow its VR authorship platform
6/1/2018			<ul style="list-style-type: none"> PointSource is a design and development agency specializing in supply chain and insurance services solutions This acquisition allows Globant to expand its footprint into Raleigh and Chicago, where PointSource has offices
5/31/2018			<ul style="list-style-type: none"> CyberInt is an Israeli cybersecurity detection and response company CyberInt will use the funds to expand globally and to develop digital detection and response solutions

Q2 2018 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
5/23/2018		 and other investors	<ul style="list-style-type: none"> Commerce Guys provides e-commerce solutions to merchants, agencies, and technology partners globally Commerce Guys secured \$34mm of funding from Partech Partners, IDInvest Partners, Benhamou Global Ventures, and Hi Innov
5/23/2018			<ul style="list-style-type: none"> G2 Tech is a Amazon Web Services and Microsoft Azure partner helping clients leverage cloud infrastructure This is Reliam's second AWS firm acquisition this year, further building the company's status as a leader in the space
5/21/2018			<ul style="list-style-type: none"> GlobalLogic is an offshore R&D and product development services provider CPPIB purchased 48% of the business from Apax Partners at a enterprise value of \$2 billion
5/21/2018			<ul style="list-style-type: none"> Magento is an e-commerce platform with a focus on the B2B space Previously, Adobe's Experience Cloud was lacking in the e-commerce area. With the addition of Magento, Adobe allows consumers to finalize digital transactions that they have started with Adobe's digital marketing tools
5/16/2018			<ul style="list-style-type: none"> Sparkler is a London-based digital strategy consultancy serving many of the world's largest tech firms PA Consulting increased its digital consulting capabilities with the transaction, reflecting increased demand for digital analytics services in the consulting industry
4/19/2018			<ul style="list-style-type: none"> Moment is a digital strategy and design consultancy with a large Fortune 500 client base The acquisition bolsters Verizon's in-house customer experience design team, highlighting the increasing importance of design in customer service and experience in today's market environment
4/19/2018			<ul style="list-style-type: none"> Solita is a Finland-based digital transformation consulting firm focused on formulating strategies based on human insight and artificial intelligence Solita will use the capital provided by Apax to enhance its growth within Finland and accelerate its global expansion
4/19/2018	 TONICDESIGNCO		<ul style="list-style-type: none"> Tonic Design Co. is a Philadelphia-based digital design agency Printfly plans to use Tonic Design Co.'s technology expertise and design capabilities to grow the Printfly brand
4/16/2018			<ul style="list-style-type: none"> Seattle-based Lenati is a provider of customer experience strategy consulting The acquisition strengthened ProKarma's capabilities around digital transformation, emerging technologies, and platforms

Q2 2018 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
4/13/2018			<ul style="list-style-type: none"> WONGDOODY is a US-based full-service creative and consumer insights agency The move strengthens Infosys' creative, branding, and customer experience capabilities
4/12/2018		 <i>and other investors</i>	<ul style="list-style-type: none"> Zaius is a marketing technology startup serving B2C needs Zaius secured \$30mm in funding from Insight Venture Partners, Matrix Partners, Underscore VC, and Leaders Fund Inc.
4/11/2018		 <i>and other investors</i>	<ul style="list-style-type: none"> vTime develops an augmented reality engagement cloud-based software for consumer and commercial use vTime secured \$7.7mm from Merseyside Special Investment Fund and Deepbridge Capital
4/10/2018			<ul style="list-style-type: none"> Findwise is a provider of big data and cognitive analytics services to Nordic blue-chip clients EVRY is seeking to expand its capabilities in the enterprise search and cognitive analytics fields
4/10/2018			<ul style="list-style-type: none"> Valorem is a leader in cloud design and digital strategy with a focus on Microsoft's cloud offerings As a European company, Reply strengthens its presence in the North American market with this acquisition
4/9/2018		 <i>and other investors</i>	<ul style="list-style-type: none"> Veerum uses IoT technology and AI to develop a platform that predicts project issues Veerum secured \$2.3mm of funding from Brick & Mortar Ventures, Blackhorn Ventures, and Creative Ventures

Digital Technology Services Comparable Companies

Digital Transformation Index	Closing Price 30-Jun-2018	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2014A-17A	2018P Revenue Growth %
					LTM	2018	2019	LTM	2018	2019			
EPAM	\$ 124.33	94.4 %	\$ 7,133	\$ 6,622	4.3 x	3.6 x	2.9 x	29.5 x	20.2 x	16.3 x	14.5 %	25.7 %	27.3 %
Globant	56.79	98.7	2,113	2,082	4.7	4.1	3.4	34.8	23.6	19.7	13.5	27.5	23.0
Luxoft	36.85	56.4	1,345	1,272	1.4	1.4	1.2	13.0	10.9	8.6	10.8	21.5	5.9
High		98.7 %	\$ 7,133	\$ 6,622	4.7 x	4.1 x	3.4 x	34.8 x	23.6 x	19.7 x	14.5 %	27.5 %	27.3 %
Median		94.4	2,113	2,082	4.3	3.6	2.9	29.5	20.2	16.3	13.5	25.7	23.0
Mean		83.2	3,530	3,325	3.5	3.0	2.5	25.8	18.2	14.9	12.9	24.9	18.7
Low		56.4	1,345	1,272	1.4	1.4	1.2	13.0	10.9	8.6	10.8	21.5	5.9

IT Services and BPO Providers Comparable Companies

IT Services & BPO Index	Closing Price 30-Jun-2018	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2014A-17A	2018P Revenue Growth %
					LTM	2018	2019	LTM	2018	2019			
Accenture	\$ 163.59	98.8 %	\$ 108,262	\$ 104,714	2.7 x	2.6 x	2.4 x	16.7 x	15.2 x	14.3 x	16.3 %	5.5 %	11.9 %
Altran	\$ 14.49	76.8	3,678	5,287	1.9	1.6	1.4	16.9	10.8	9.0	11.4	9.1	26.6
Atos	136.45	86.4	14,621	14,910	1.0	1.0	1.0	8.0	7.2	6.7	12.6	11.9	(2.5)
Cappgemini	134.41	96.9	23,195	25,983	1.7	1.7	1.6	13.8	12.1	11.5	12.4	6.6	1.6
CGI Group	63.34	98.7	18,271	19,430	2.2	2.2	2.1	13.5	12.0	11.5	16.6	1.9	6.1
Cognizant	78.99	92.8	46,943	42,886	2.8	2.6	2.4	13.6	12.4	10.9	20.8	13.0	9.7
Genpact	28.93	83.2	5,649	6,528	2.3	2.2	2.0	15.7	13.2	12.0	14.9	6.3	8.7
HCL	13.53	83.6	18,845	17,961	2.2	2.2	2.0	9.8	9.4	8.8	22.9	10.2	6.6
Hexaware	6.69	96.5	1,986	1,889	3.1	2.9	2.5	19.6	17.2	14.9	15.8	15.2	14.3
MindTree	14.40	89.5	2,395	2,293	2.7	2.5	2.2	19.3	16.7	13.8	14.0	15.5	16.6
Mphasis	15.85	94.4	3,071	3,023	3.0	2.9	2.5	18.5	16.9	14.6	16.2	5.3	13.7
Syntel	32.09	93.9	2,685	2,824	2.9	3.0	2.9	10.7	11.6	11.3	27.2	0.5	3.1
Tech Mahindra	9.57	89.8	9,383	9,261	2.0	1.9	1.8	13.0	10.7	10.8	15.1	11.9	11.8
Wipro	4.33	84.1	19,621	20,607	2.5	2.4	2.2	12.9	11.6	11.3	19.1	5.6	2.5
High		98.8 %	\$ 108,262	\$ 104,714	3.1 x	3.0 x	2.9 x	19.6 x	17.2 x	14.9 x	27.2 %	15.5 %	26.6 %
Median		91.3	12,002	12,085	2.4	2.3	2.2	13.7	12.1	11.4	16.0	7.8	9.2
Mean		90.4	19,900	19,828	2.4	2.3	2.1	14.4	12.7	11.5	16.8	8.5	9.3
Low		76.8	1,986	1,889	1.0	1.0	1.0	8.0	7.2	6.7	11.4	0.5	(2.5)

Marketing Services Comparable Companies

Marketing Services Index	Closing Price 30-Jun-2018	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2014A-17A	2018P Revenue Growth %
					LTM	2018	2019	LTM	2018	2019			
Dentsu	\$ 47.37	96.5 %	\$ 13,352	\$ 16,000	1.8 x	1.8 x	1.7 x	9.8 x	10.2 x	8.9 x	18.4 %	8.6 %	6.9 %
IPG	23.44	90.1	9,220	10,991	1.4	1.4	1.3	9.4	8.9	8.7	14.4	1.5	0.9
Omnicom	76.27	91.2	17,583	20,736	1.3	1.3	1.3	8.8	8.6	8.1	15.3	(0.1)	3.2
Publicis	68.77	88.0	15,588	16,385	1.5	1.5	1.4	7.4	8.4	7.8	20.5	10.1	(3.0)
WPP	15.74	73.1	20,093	26,786	1.3	1.4	1.3	8.4	8.2	8.0	15.5	9.8	(1.8)
High		96.5 %	\$ 20,093	\$ 26,786	1.8 x	1.8 x	1.7 x	9.8 x	10.2 x	8.9 x	20.5 %	10.1 %	6.9 %
Median		90.1	15,588	16,385	1.4	1.4	1.3	8.8	8.6	8.1	15.5	8.6	0.9
Mean		87.8	15,167	18,180	1.5	1.5	1.4	8.8	8.9	8.3	16.8	6.0	1.2
Low		73.1	9,220	10,991	1.3	1.3	1.3	7.4	8.2	7.8	14.4	(0.1)	(3.0)

Source: Capital IQ, market data as of 30-Jun-2018

CLIENT SUCCESS

KOGENTIX


has been acquired by




SELL-SIDE ADVISOR

Brand! Integrity

has been acquired by



a portfolio company of



SELL-SIDE ADVISOR

SMARTANALYST®

INTELLIGENT INSIGHTS. SMART RESULTS.

a portfolio company of




has been acquired by



UDG Healthcare plc

SELL-SIDE ADVISOR

INSIGHT2PROFIT

has been acquired by



DFW CAPITAL PARTNERS

SELL-SIDE ADVISOR

LunaMetrics

has been acquired by



A portfolio company of



MOUNTAINGATE CAPITAL

SELL-SIDE ADVISOR

ibb CONSULTING GROUP

has been acquired by



SELL-SIDE ADVISOR

vynamic

has been acquired by



UDG Healthcare plc

SELL-SIDE ADVISOR

marketforce INFORMATION

has been acquired by



MAINST CAPITAL CORPORATION

SELL-SIDE ADVISOR

Tech Insights

has been acquired by



OAKLEY CAPITAL

SELL-SIDE ADVISOR

First Annapolis Consulting | M&A Advisory Services

has been acquired by



SELL-SIDE ADVISOR

We would like to thank all of our clients, colleagues, and friends for helping to reinforce ClearSight as the *leader* in advising high-end consulting firms



ABOUT US

ClearSight Advisors is a premier, independent investment bank dedicated to providing world-class M&A and capital raising solutions exclusively to growth-oriented Technology and Business Services companies. ClearSight combines deep market insights across software, services and data. This market knowledge combined with superior strategic and financial advice allows ClearSight to act as a catalyst, enabling entrepreneurs, private equity owners and boards of directors to successfully advance their vision. ClearSight Capital Advisors, Inc., a wholly owned subsidiary, is a registered member of FINRA & SIPC. For more information, please visit www.clearsightadvisors.com

CONTACT US

 1650 Tysons Blvd., Suite 710
McLean, Virginia 22102

325 North St. Paul Street, Suite 3500
Dallas, TX 75201

 703.672.3100

 www.clearsightadvisors.com

 @clearsightmb

 [ClearSight Advisors](https://www.linkedin.com/company/clearsightadvisors)