

Digital Transformation MONITOR

Q3 2017

Deal Talk

Public Market Activity

Q3 M&A Activity

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In last quarter's Digital Transformation Monitor, we discussed the heightened appetite for UX design firms as well as e-commerce consultancies, and predicted increasing deal activity in these areas. As anticipated, these sectors saw a number of interesting transactions this past quarter. In the UX design segment, Genpact acquired TandemSeven, a Boston-based provider of UX design services and software. In addition, ServiceNow, a provider of cloud-based workflow management software, acquired Telepathy, a California-based design firm with ~20 employees. This transaction reminds us of Salesforce acquiring Sequence (~80 person design firm) earlier this year and reinforces the notion that the right UX design is just as critical to the success of a product as its technology architecture and functionality. In e-commerce, Capgemini acquired Lyons Consulting, a Chicago-based consultancy focused on the Salesforce Commerce Cloud suite. We understand Lyons preferred to recapitalize with a private equity firm but ultimately couldn't turn down a premium offer from a strategic acquirer.

Another trend to watch for is the growing interest in nearshoring. In August, Accenture acquired Concrete Solutions, a ~400 person agile developer of web and mobile applications-based in Brazil. Concrete Solutions enables Accenture to expand its digital capabilities and client base in the largest economy in Latin America. Equally if not more important, the acquisition meaningfully expands Accenture's army of nearshore digital developers to better serve North American clients seeking a different outsourced product development experience. As more companies adopt agile software development, they increasingly seek consultants who are already trained in this approach and located in closer time zones to form agile teams. We believe application development consultancies with nearshore development centers in Mexico, Costa Rica, Columbia, Argentina, and other South American countries will be attractive acquisition candidates over the next twelve months.



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Upcoming Conferences

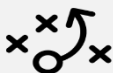
November 2017

- **Dreamforce**
San Francisco, CA
- **DX Summit**
Chicago, IL
- **IoT Tech Expo**
Santa Clara, CA
- **AWS re:INVENT**
Las Vegas, NV

December 2017

- **Mobile Innovation Summit**
San Francisco, CA
- **Digital Summit**
Dallas, TX

Digital Transformation



Digital Strategy



UX Design



Engineering &
Development

Genpact Acquires Digital Customer Experience Firm, TandemSeven

Target Transaction Summary



On September 7, 2017, Genpact, an offshore provider of IT services, announced that it had acquired TandemSeven, an experience innovation company offering customer and digital experience innovation consulting. TandemSeven's customer journey mapping and ability to design customer experiences complements Genpact's digital capability aimed at transforming business processes end-to-end. TandemSeven is based in Boston with additional offices in New York and Chicago. Terms of the deal were not disclosed.

Buyer



Transaction Information

Announced Date	9/7/2017
Deal Type	Buyout

Target Information

# of Employees	~70
Year Founded	2001
Target HQ	Boston, MA

Deal Analysis

- *Clearsight Perspective: The acquisition of TandemSeven builds upon Genpact's ongoing strategy to transition its business from a provider of IT outsourcing to a digital transformation consultancy providing intelligent solutions to improve clients' operations. TandemSeven's front-end and UX expertise complements Genpact's back-end technical development capabilities*
- This acquisition, coupled with Genpact's 2016 acquisition of work optimization solutions provider, PNMsoft, provides the firm with improved and differentiated offerings that position the firm to better compete in the enterprise digital transformation market
 - "Combined with our existing capabilities and those recently added through our digital acquisitions, TandemSeven's team will help digital transformation truly happen for our clients" – Gianni Giacomelli, SVP of Digital Solutions, Genpact

Select Clients



Accenture Acquires IT Consulting Firm, Concrete Solutions

Target Transaction Summary



On August 8, 2017, Accenture, a global provider of consulting, technology, and outsourcing services, acquired Concrete Solutions, a Brazilian company specializing in applying lean and agile software development methodologies to develop cloud-based mobile solutions and web applications. The acquisition expands Accenture's capabilities in advanced technologies and rapid development approaches, including Agile and DevOps, enhancing its ability to help clients leverage emerging technologies to meet their digital transformation needs. Concrete Solutions has offices in Sao Paulo, Rio de Janeiro, and Belo Horizonte, Brazil.

Buyer



Transaction Information

Announced Date	8/8/2017
Deal Type	Buyout

Target Information

# of Employees	~400
Year Founded	2001
Target HQ	Sao Paulo, Brazil

Deal Analysis

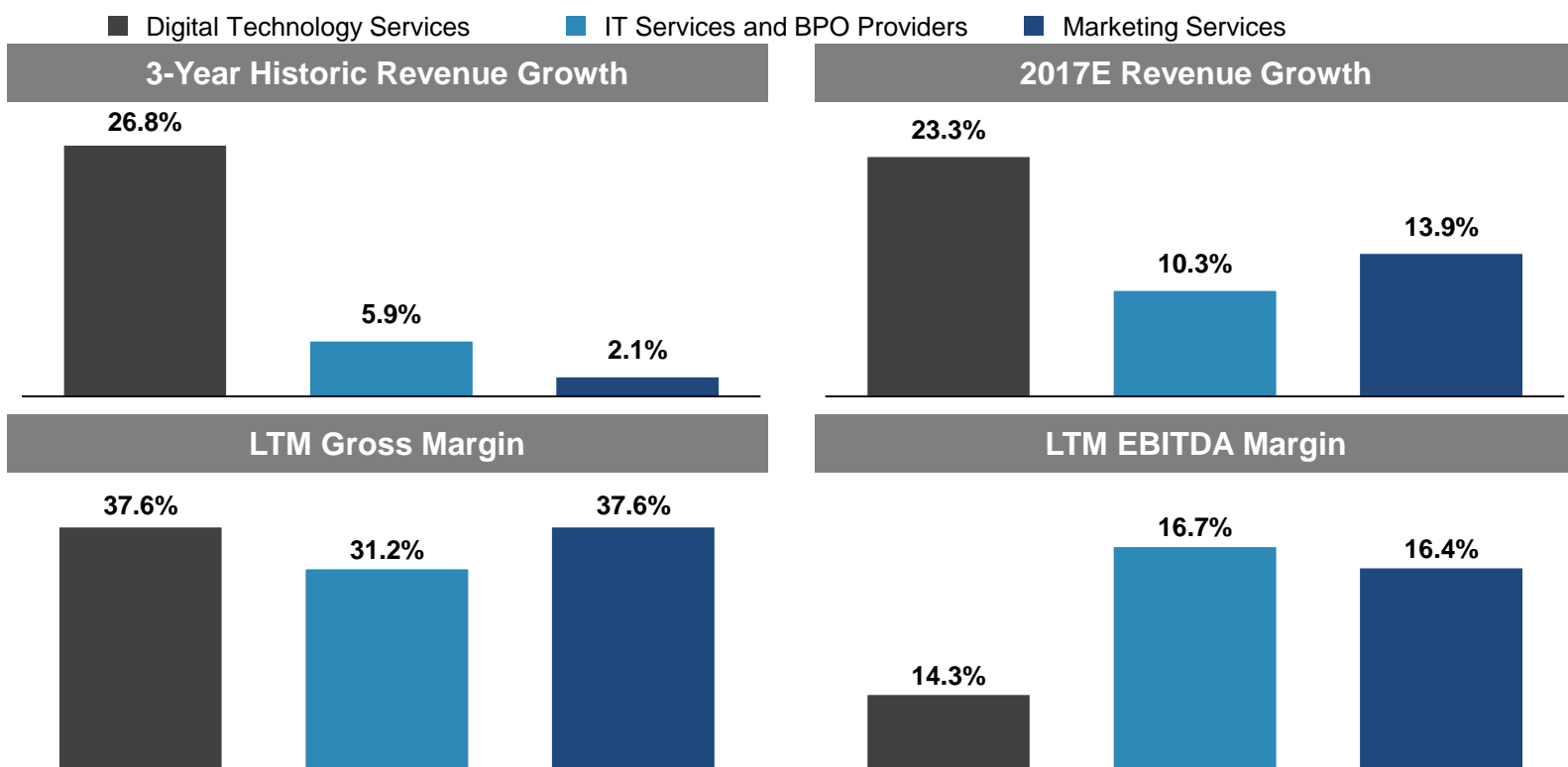
- *Clearsight Perspective: The acquisition of Concrete Solutions comes after Accenture's recent establishment of Innovation Centers in Rio de Janeiro and Recife, Brazil, showing the firm's belief in the Brazilian and greater Latin American market. Furthermore, Concrete Solutions' expertise in Agile, DevOps, mobility, and cloud methodologies strengthens Accenture's capabilities in leading-edge fields and largely untapped markets where more and more companies are looking to accelerate their digital transformation*
- This acquisition better prepares Accenture to create long-term relationships with organizations in Brazil, and improves the firm's ability to meet the growing demands of companies looking for an ideal partner in digital transformation
 - "Continuous investments like this enhance our presence and strengthen our ability to deliver for clients through the Accenture Innovation Architecture" – Leonardo Framil, CEO of Brazil and Latin America, Accenture

Select Clients

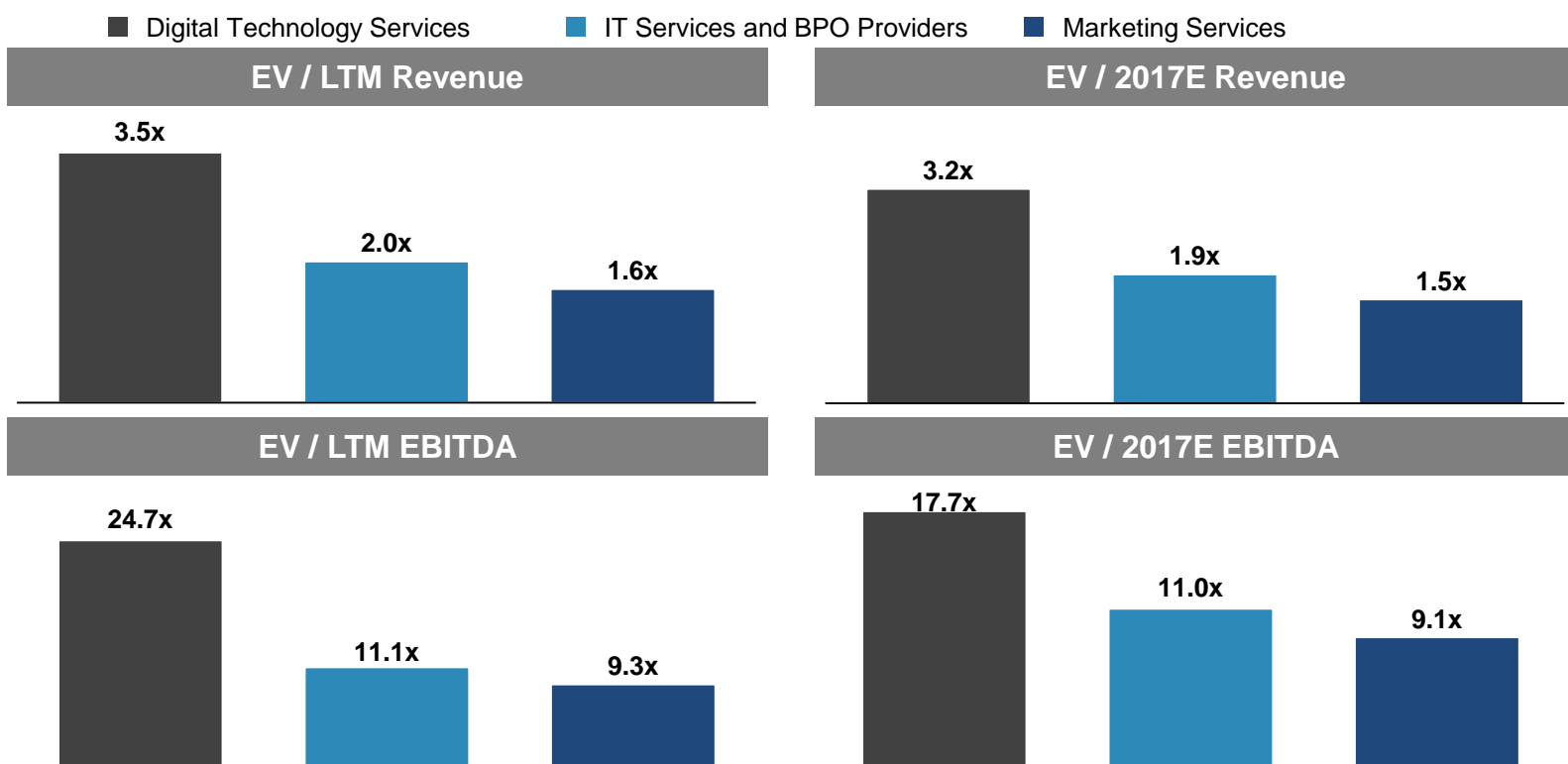


Source: Company websites and press releases

Performance of Public Companies

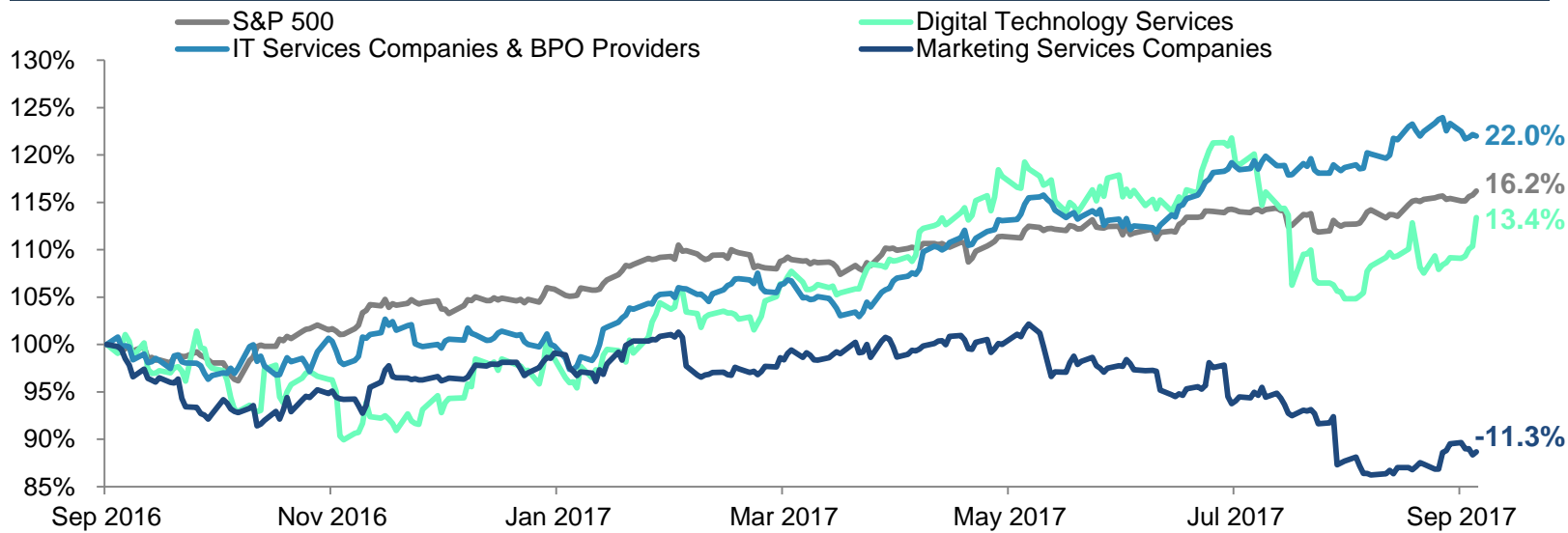


Public Companies Median Trading Multiples

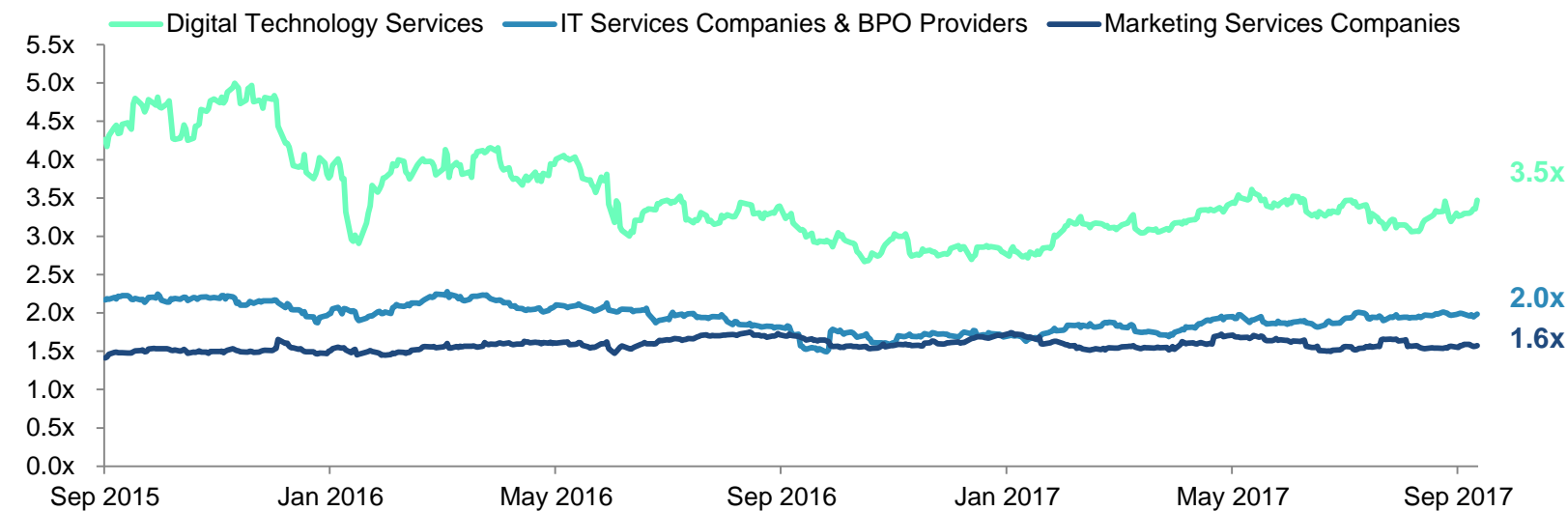


Source: Capital IQ, market data as of 30-Sep-2017

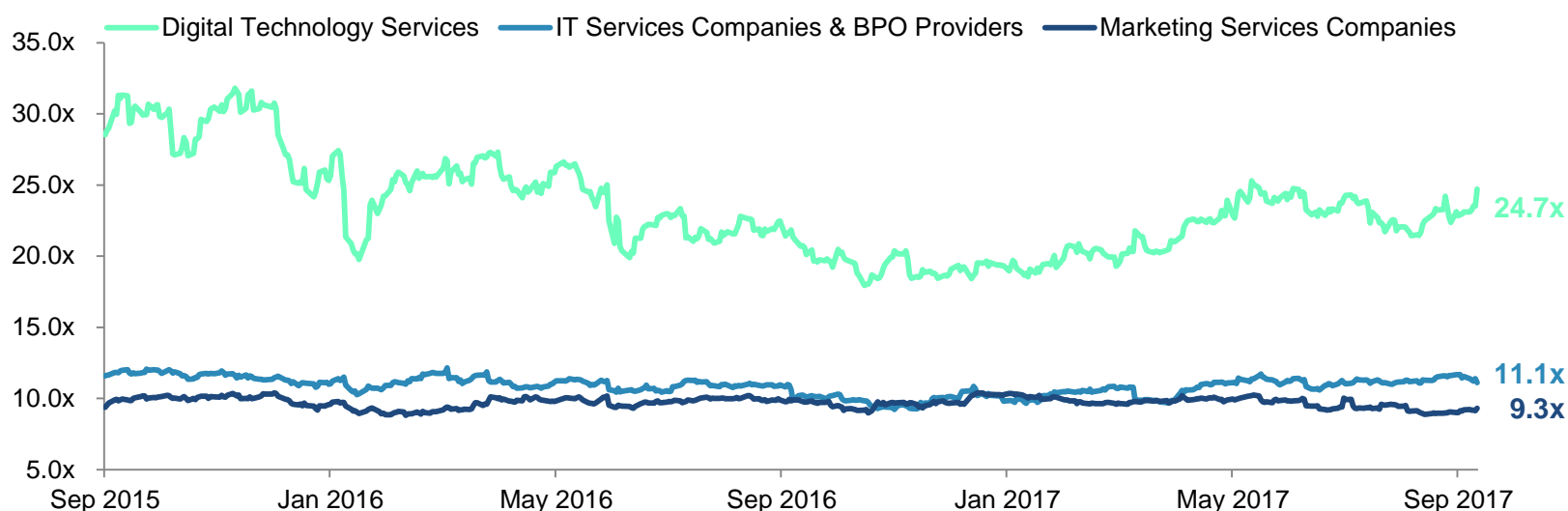
Stock Price Performance – Last Twelve Months



EV / LTM Revenue – Last Two Years



EV / LTM EBITDA – Last Two Years







Source: Capital IQ, market data as of 30-Sep-2017









Q3 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
9/29/2017			<ul style="list-style-type: none"> Telepathy is a design firm focused on solving experience design challenges The acquisition will allow ServiceNow to improve the user experience for their enterprise service offerings
9/29/2017			<ul style="list-style-type: none"> Unbrace is an application development company focused on providing digital transformation services The acquisition helps to boost Proximus' relevance as a digital service provider
9/26/2017			<ul style="list-style-type: none"> Zengularity is a creator of digital applications and platforms The acquisition creates Fabernovel Technologies, a new unit with a high-level technical proposition for clients
9/25/2017		 (WPP)	<ul style="list-style-type: none"> different is a strategy consulting firm focused on brand positioning and developing innovating services in relation to digital transformation The acquisition allows Syzygy to achieve a significant expansion and development of the group's consulting and strategy capabilities
9/20/2017			<ul style="list-style-type: none"> Lyons Consulting Group is a digital commerce service provider focusing on Salesforce Commerce Cloud The acquisition enables Capgemini to position itself as one of the leading Salesforce Commerce Cloud consultancies in North America
9/20/2017		 (WPP)	<ul style="list-style-type: none"> Pierry is a marketing software integration and solutions company with expertise in Salesforce Marketing Cloud The investment continues WPP's strategy of focusing on technology, data, and content and increasing its digital revenues
9/18/2017			<ul style="list-style-type: none"> The 88 is a New York-based digital agency providing strategic direction, creative services, content creation, and social media management Havas acquired The 88 to expand its digital capabilities and will rebrand the agency Annex 88 as part of Havas' Annex cultural network
9/11/2017			<ul style="list-style-type: none"> Sequoia IMS is a provider of internet marketing and search engine optimization services Surefire Local acquired Sequoia IMS to further expand and improve its online marketing services
9/8/2017		 (SYKES)	<ul style="list-style-type: none"> Portent is a digital marketing agency Clearlink acquired Portent to provide additional marketing services to their partners and clients













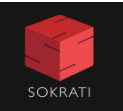





Q3 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
9/7/2017	 DELPHIC a Hero Digital Company	HERO_digital.	<ul style="list-style-type: none"> Delphic Digital is a digital marketing and web design agency focused on customer experience services The acquisition will broaden Hero Digital's offering and create an independent customer experience agency with scale
9/7/2017	 Fast Forward Labs	cloudera	<ul style="list-style-type: none"> Fast Forward Labs is an applied research and machine learning consulting firm The acquisition allows Cloudera to deepen their experience in applying machine learning to practical business problems
9/7/2017	 tandemseven	 genpact Transformation Happens Here	<ul style="list-style-type: none"> TandemSeven provides customer and digital experience innovation consulting The acquisition will boost Genpact's customer journey and user experience offerings
9/6/2017	 ibb CONSULTING GROUP	 accenture	<ul style="list-style-type: none"> IBB provides services to help companies adapt to market changes and capitalize on new business and technology opportunities IBB will strengthen the ability of Accenture Strategy to advise clients in the communications, media, and technology industries ClearSight Advisors served as sell-side advisor to IBB; link here
9/6/2017	 MATTER	 accenture	<ul style="list-style-type: none"> MATTER is a design and innovation firm focused on designing products for the connected world The acquisition strengthens Accenture's design and innovation unit, Fjord
9/6/2017	PLUTO	 ventive	<ul style="list-style-type: none"> PLUTO is a product design, web development, digital strategy, and e-commerce product and service agency The acquisition of Pluto further increases Ventive's share in the digital product and custom software development markets
9/5/2017	 Cloud Technology Partners	 Hewlett Packard Enterprise	<ul style="list-style-type: none"> Cloud Technology Partners provides cloud application and infrastructure solutions This acquisition allows HPE to provide customers with a comprehensive cloud services offering covering AWS, Google, and Azure
8/31/2017	 Little Giant Linked by Isobar	 dentsu AEGIS network	<ul style="list-style-type: none"> Little Giant is a digital creative agency in New Zealand Following the acquisition Little Giant will become 'Linked by Isobar' and advance Dentsu's growth strategies in the Asia Pacific region
8/29/2017	DIS/PLAY	 AKQA (WPP)	<ul style="list-style-type: none"> DIS/PLAY is a digital agency providing strategy, user experience, design, and technical development solutions to clients The acquisition builds AKQA's European presence and capabilities while providing DIS/PLAY with access to AKQA's global network and resources









Q3 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
8/29/2017	 re-so-me RELEVANT SOCIAL MEDIA		<ul style="list-style-type: none"> ReSoMe is a digital marketing agency The ReSoMe team will create a new Digital Marketing and Analytics division within Iversoft
8/28/2017		ESW CAPITAL	<ul style="list-style-type: none"> DNN provides a suite of solutions for creating online experiences ESW Capital has acquired the company to further invest in the Content Management System platform as well as the DNN open source ecosystem
8/23/2017		HAVAS	<ul style="list-style-type: none"> Blink is a social media agency providing digital and content strategy This acquisition will enhance Havas' social media expertise as they export Blink's approach to other agencies around the world
8/23/2017	DesignBridge	WPP	<ul style="list-style-type: none"> Design Bridge is a brand design agency The acquisition will further strengthen WPP's capabilities in branding and identity
8/23/2017		CGI	<ul style="list-style-type: none"> Summa Technologies is an IT consultancy with expertise in digital experience and agile software development The acquisition will strengthen CGI's position in the technology and growth market of Pittsburgh and the surrounding region
8/23/2017	ThoughtWorks®	Apax PARTNERS	<ul style="list-style-type: none"> ThoughtWorks is a software development and digital transformation consulting company Apax believes ThoughtWorks can tackle the most complex digital transformation problems and has significant opportunities to develop further See deal profile here
8/15/2017	ACNE	Deloitte.	<ul style="list-style-type: none"> Acne is a creative agency focusing on storytelling for brands offering creative, strategic, film, and photography services The acquisition will further boost Deloitte's digital and creative services
8/14/2017		GREY (WPP)	<ul style="list-style-type: none"> hug digital is a Middle East-based digital marketing agency The acquisition develops Grey's services in the Middle East and strengthens its capabilities in digital marketing and media
8/9/2017	 Symphony Orchestrating the world's work	 LIVINGBRIDGE	<ul style="list-style-type: none"> Symphony Ventures is a global services firm focused on robotic process automation, and intelligent automation The funding will accelerate Symphony's growth and continue its global expansion, increasing delivery capacity and widening product development

Q3 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
8/9/2017	 WIRE STONE		<ul style="list-style-type: none"> Wire Stone is a marketing agency offering strategy, user experience, and creative services The acquisition expands Accenture Interactive's creative marketing capabilities and talent in North America
8/8/2017			<ul style="list-style-type: none"> Concrete Solutions specializes in developing cloud-based mobile solutions and web applications The acquisition adds significant mobile & web developers and customers in Latin America
8/7/2017			<ul style="list-style-type: none"> Deloitte acquired certain assets of Blab, including its predictive social intelligence platform, in a move expected to provide clients with early warning of potential reputational events originating from social media conversation
8/7/2017			<ul style="list-style-type: none"> Comrade is a strategy and customer experience design agency The acquisition combines CI&T's digital transformation with Comrade's strategy and design expertise to quickly and efficiently deliver high quality products
8/3/2017			<ul style="list-style-type: none"> Brilliant Basics is a digital product and consumer experience studio The acquisition shows Infosys' commitment to the expansion of a worldwide network of Digital Studios for next-generation enhanced customer experiences
8/1/2017			<ul style="list-style-type: none"> Social Media Beast is a content marketing agency The acquisition will add clients to the PowerPost software platform and bolster its talent pool of brand journalists and content writers
7/27/2017			<ul style="list-style-type: none"> Sokrati is a data-driven performance marketing and analytics agency With the acquisition, Dentsu launches Merkle in India, branded as Merkle Sokrati
7/26/2017			<ul style="list-style-type: none"> Within is a virtual reality company providing technology solutions for creating and distributing experiences in virtual reality Within will use this venture investment for development of augmented reality experiences
7/22/2017			<ul style="list-style-type: none"> OHWHEE is a digital marketing agency The acquisition allows IVIDATA to add end user / UX / mobility expertise to its existing offerings

Q3 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
7/18/2017		 THE BOSTON CONSULTING GROUP	<ul style="list-style-type: none"> Maya Design is a digital design consultancy and innovation lab The acquisition will broaden and deepen BCG's digital offerings and capabilities, especially those related to digital transformation
7/12/2017			<ul style="list-style-type: none"> Clearhead is a digital optimization company The acquisition will expand experimentation and personalization capabilities of Accenture Interactive
7/12/2017			<ul style="list-style-type: none"> Halli Labs develops artificial intelligence and machine learning-based software solutions The Halli Labs team will join Google's Next Billion Users team to help get more technology and information into more people's hands around the world
7/11/2017			<ul style="list-style-type: none"> Velocity Partners is a B2B digital agency with a focus on technology clients The acquisition will strengthen Next 15's data-driven marketing offerings

Digital Technology Services Comparable Companies

Digital Transformation Index	Closing Price 30-Sep-2017	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	2017E Revenue Growth
					LTM	2017	2018	LTM	2017	2018		
EPAM	\$ 87.93	99.7 %	\$ 4,948	\$ 4,529	3.5 x	3.2 x	2.6 x	24.7 x	17.7 x	14.3 x	14.3 %	23.3 %
Globant	40.07	84.3	1,430	1,406	3.9	3.5	2.9	27.1	22.2	17.3	14.5	24.2
Luxoft	47.80	70.4	1,721	1,661	2.0	1.9	1.6	18.6	12.2	9.2	10.9	17.9
High		99.7 %	\$ 4,948	\$ 4,529	3.9 x	3.5 x	2.9 x	27.1 x	22.2 x	17.3 x	14.5 %	24.2 %
Median		84.3	1,721	1,661	3.5	3.2	2.6	24.7	17.7	14.3	14.3	23.3
Mean		84.8	2,700	2,532	3.2	2.9	2.4	23.5	17.3	13.6	13.2	21.8
Low		70.4	1,430	1,406	2.0	1.9	1.6	18.6	12.2	9.2	10.9	17.9

IT Services and BPO Providers Comparable Companies

IT Services & BPO Index	Closing Price 30-Sep-2017	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	2017E Revenue Growth
					LTM	2017	2018	LTM	2017	2018		
Accenture	\$ 135.07	97.4 %	\$ 92,674	\$ 89,329	2.6 x	2.5 x	2.3 x	15.0 x	14.7 x	13.4 x	17.1 %	6.6 %
Altran	\$ 18.39	92.6	3,175	3,012	1.2	1.1	1.0	10.9	9.5	8.5	10.9	24.9
Atos	155.12	99.1	16,788	17,010	1.2	1.1	1.1	9.1	9.0	8.4	13.3	24.6
Capgemini	117.20	96.9	20,247	22,719	1.6	1.5	1.5	12.3	11.2	10.5	12.7	16.4
CGI Group	51.76	93.5	15,333	16,475	2.0	1.9	1.8	11.8	10.4	9.8	16.8	10.9
Cognizant	72.54	99.4	43,510	40,123	2.8	2.7	2.5	14.5	13.6	11.7	19.6	9.7
Genpact	28.75	90.0	5,694	6,524	2.5	2.4	2.3	14.9	14.6	13.4	16.7	4.8
HCL	13.39	94.3	19,126	17,748	2.4	2.3	2.2	10.7	10.5	10.0	22.5	16.4
Hexaware	4.13	95.0	1,239	1,173	2.0	1.9	1.8	12.0	11.8	10.5	16.7	18.1
MindTree	7.10	81.9	1,193	1,109	1.4	1.4	1.2	10.2	11.1	9.0	13.6	8.1
Mphasis	9.46	94.4	1,950	1,682	1.8	1.8	1.6	11.4	11.4	10.2	15.6	9.2
Syntel	19.65	45.5	1,656	1,935	2.1	2.2	2.2	8.2	8.8	8.6	25.7	(8.5)
Tech Mahindra	7.01	87.4	6,923	6,491	1.4	1.4	1.4	10.2	11.0	9.7	13.9	11.4
Wipro	4.30	92.6	20,867	17,280	2.1	2.0	2.0	10.2	9.8	10.6	20.2	7.8
High		99.4 %	\$ 92,674	\$ 89,329	2.8 x	2.7 x	2.5 x	15.0 x	14.7 x	13.4 x	25.7 %	24.9 %
Median		93.9	11,128	11,499	2.0	1.9	1.8	11.1	11.0	10.1	16.7	10.3
Mean		90.0	17,884	17,329	1.9	1.9	1.8	11.5	11.2	10.3	16.8	11.4
Low		45.5	1,193	1,109	1.2	1.1	1.0	8.2	8.8	8.4	10.9	(8.5)

Marketing Services Comparable Companies

Marketing Services Index	Closing Price 30-Sep-2017	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	2017E Revenue Growth
					LTM	2017	2018	LTM	2017	2018		
Dentsu	\$ 43.87	75.4 %	\$ 12,438	\$ 14,703	1.9 x	1.8 x	1.7 x	9.8 x	9.2 x	8.7 x	19.0 %	18.4 %
Havas	10.93	98.7	4,682	4,776	1.8	1.7	1.7	12.6	11.2	10.6	14.4	16.1
IPG	20.79	80.9	8,356	10,015	1.3	1.3	1.2	9.1	8.7	8.2	14.2	1.0
Omnicom	74.07	82.6	17,424	21,249	1.4	1.4	1.3	9.1	9.1	8.7	15.2	(0.8)
Publicis	69.84	85.6	16,357	18,645	1.7	1.6	1.6	9.5	9.1	8.5	17.6	16.2
WPP	18.57	71.8	23,801	30,433	1.5	1.5	1.4	8.5	8.8	8.5	18.0	11.7
High		98.7 %	\$ 23,801	\$ 30,433	1.9 x	1.8 x	1.7 x	12.6 x	11.2 x	10.6 x	19.0 %	18.4 %
Median		81.7	14,398	16,674	1.6	1.5	1.5	9.3	9.1	8.6	16.4	13.9
Mean		82.5	13,843	16,637	1.6	1.5	1.5	9.8	9.3	8.9	16.4	10.4
Low		71.8	4,682	4,776	1.3	1.3	1.2	8.5	8.7	8.2	14.2	(0.8)

Source: Capital IQ, market data as of 30-Sep-2017

CLIENT SUCCESS



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