

Digital Transformation **MONITOR**

Deal Talk
Public Market Activity
Q3 Market Activity

Q3 2019

Digital Transformation



The M&A market remains healthy and robust in the third quarter. There were a number of interesting deals in the quarter but we'd like to highlight a few that exemplify the following trends: 1) convergence, a fundamental foundation of digital transformation, and 2) private equity's growing interest in the space.

1. Successful digital transformation requires the collaboration of CMOs, heads of business units, COOs, CIOs, and CTOs. In response, marketing agencies are learning engineering, IT firms are learning to be creative, and management consultancies are delivering tangible outcomes instead of PowerPoint decks. Here are a couple of deals in the third quarter underpinning this trend:
 - a) ProKarma, a Carlyle backed software engineering firm, acquiring Connective DX, a Portland based digital experience agency
 - b) Orion, a One Equity backed IT consultancy, acquiring Behavior Design, a ~50 person UX design firm
2. In case no one has noticed, private equity firms are more active in this space than ever before. The combination of piles of cash and the desire to invest in markets with double digit growth potential likely has something to do with this trend. Below are several notable private equity sponsored transactions in the recent quarter:
 - a) Gladstone Capital invested in Prophet, a marketing and digital consultancy. Gladstone traditionally invests in industrial sectors so this is definitely new territory for the firm
 - b) Mill Point Capital acquired The Pythian Group's services division, which is a data analytics consultancy
 - c) Warburg Pincus acquired Indecomm Digital, an outsourced software development firm based in Arizona

We hope you enjoy this report and as always we welcome the opportunity to share our thoughts with you!



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Orion acquires Behavior Design

Target

Transaction Summary



On July 17, 2019, Orion, a provider of global information technology services, announced that it made an investment in Behavior Design, a provider of experience, strategy, and design services. The acquisition enables Orion, backed by One Equity Partners, to accelerate its growth and further position itself as the premier business solutions and technology services firm.

Buyer



Transaction Information

Announced Date 17-Jul-2019
Deal Type Acquisition

Target Information

Year Founded 2001
Target HQ New York, NY
of Employees ~50

Deal Commentary

- *Clearsight Perspective: Many companies are trying to capture business generated by the wave of digital transformation that's changing how companies operate, and Orion is no exception. Orion is in the midst of an acquisition spree aimed at strengthening its enterprise digital transformation capabilities. Concurrent with the announcement of the Behavior Design acquisition, Orion also announced that it bought a second digital company Cabeus, a provider of digital transformation, regulatory information management, quality management systems, and digital health initiatives for life sciences.*
- "Behavior Design will bolster our capabilities in product and brand strategy, user experience, and visual design, and help deliver innovative design experiences to our clients," Orion Chief Executive Officer Raj Patil said; "these offerings further differentiate Orion and we're excited to welcome this talented team to the Orion family."

Representative Clients



Accenture acquires Pragsis Bidoop

Target

Transaction Summary



On September 10, 2019, Accenture, a provider of consulting, technology, and outsourcing services, announced its acquisition of Pragsis Bidoop, an IT Consulting company. Pragsis Bidoop offers big data, artificial intelligence, advanced analytics, and related information technology to consulting firms. The acquisition will add about 200 employees with deep machine learning, artificial intelligence, and big data engineering experience to Accenture's Applied Intelligence business.

Buyer



Transaction Information

Announced Date 10-Sep-2019
Deal Type Acquisition

Target Information

Year Founded 2004
Target HQ Madrid, Spain
of Employees ~200

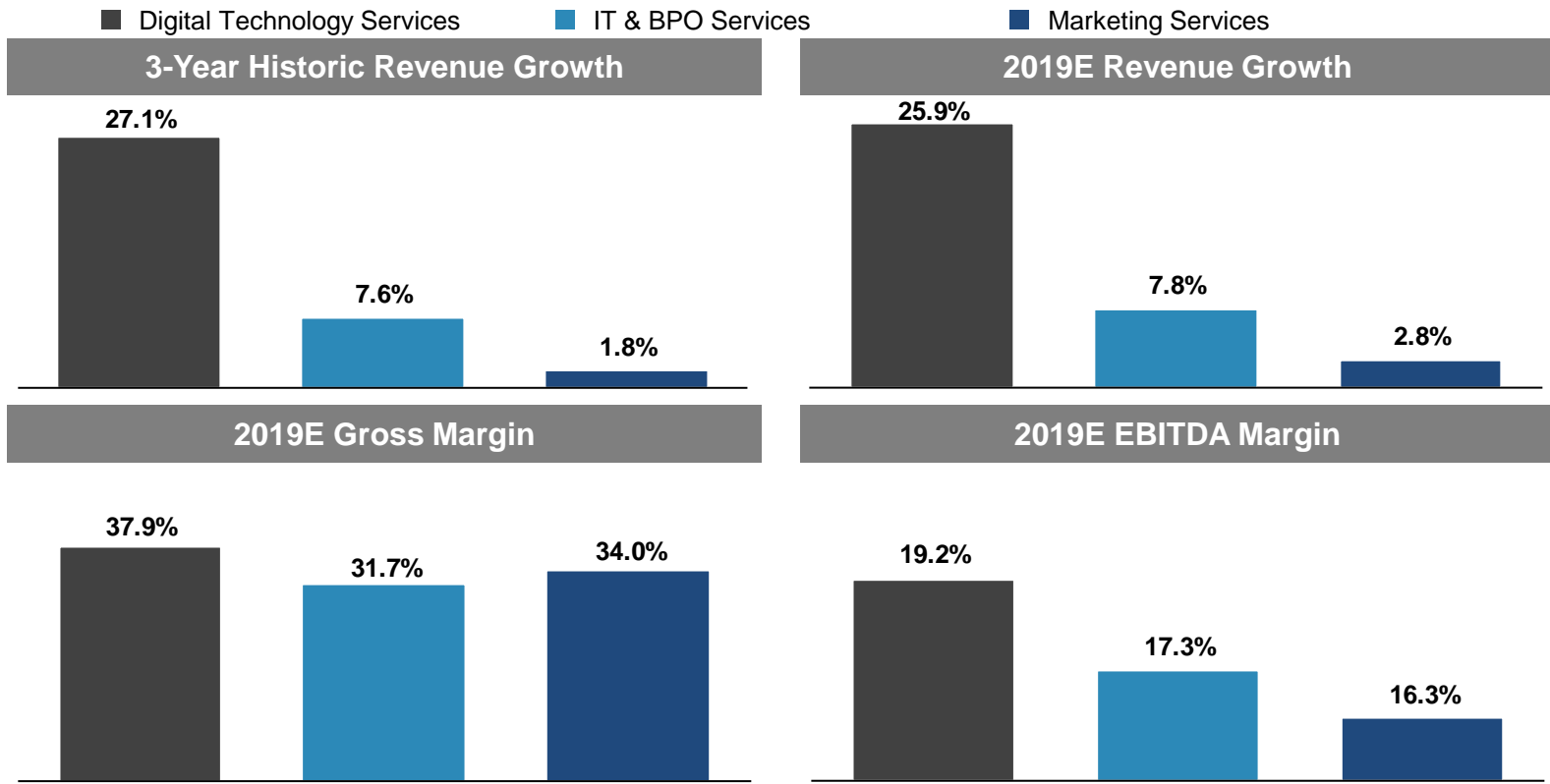
Deal Commentary

- *Clearsight Perspective: Accenture's Applied Intelligence practice consists of data engineers and data scientists working together to develop advanced analytics solutions. The shortage of talent across the globe is driving Accenture to look at any targets with substantial talent in these areas.*
- *Many of Pragsis Bidoop's prominent clients are EU based, which will allow Accenture to further capture the European digital transformation market across financial services, telecom, manufacturing, and retail.*
- "Accenture Applied Intelligence is experiencing demand and we are laser-focused on equipping our teams with the right blend of talent and technical skills to guide clients on their AI journey," said Athina Kanioura, chief analytics officer and global lead for Applied Intelligence; "the Pragsis Bidoop team will play a critical role in the European market and beyond."

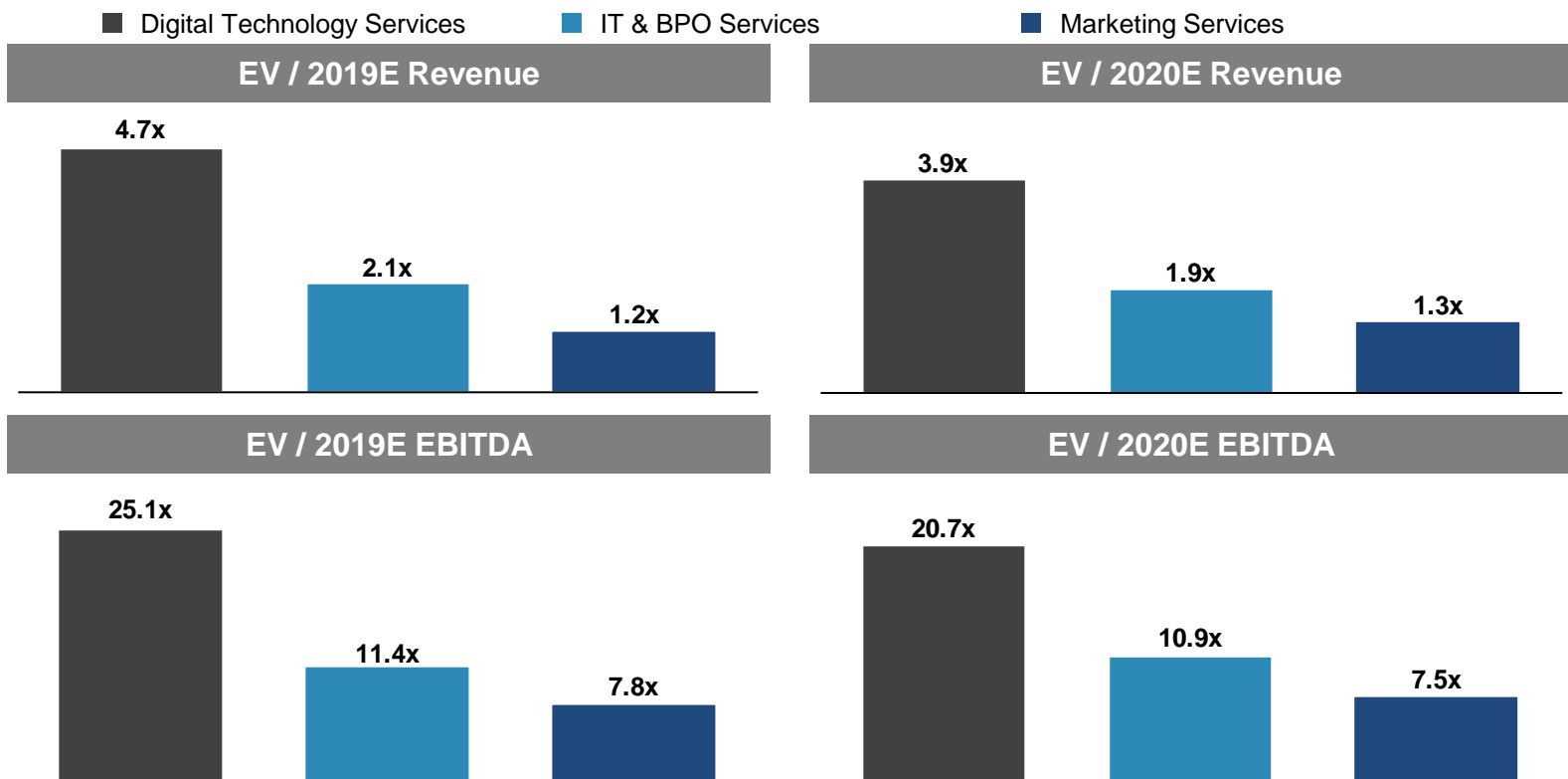
Representative Clients



Performance of Public Companies

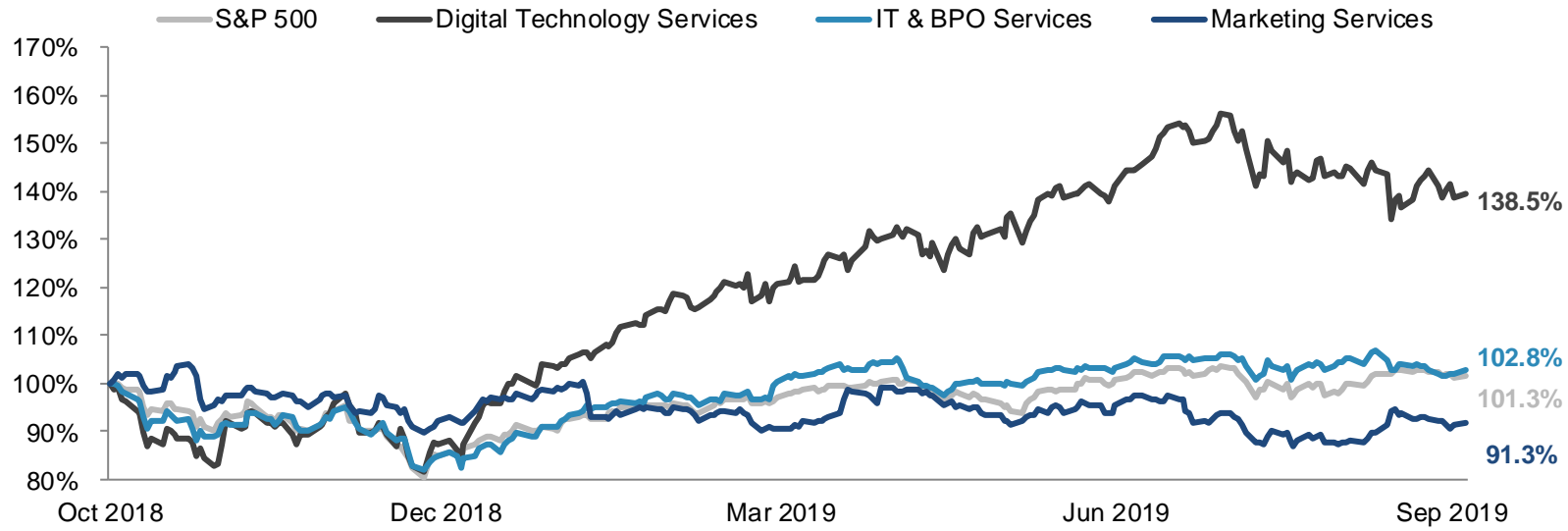


Public Companies Median Trading Multiples

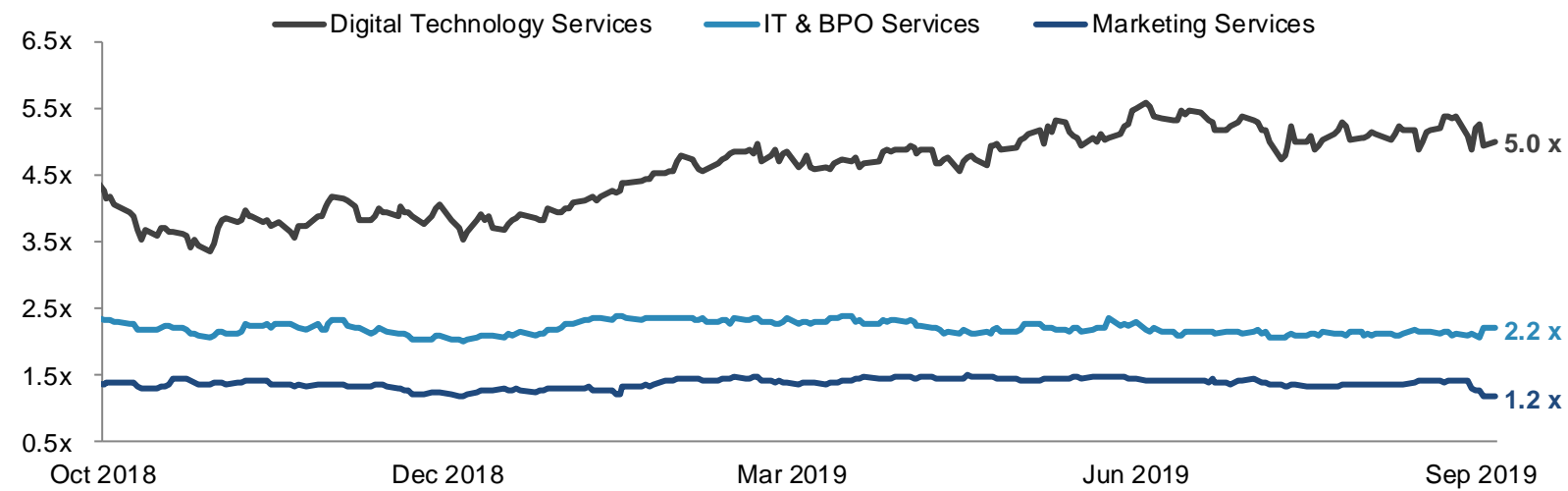


Source: Capital IQ, market data as of 30-Sep-2019

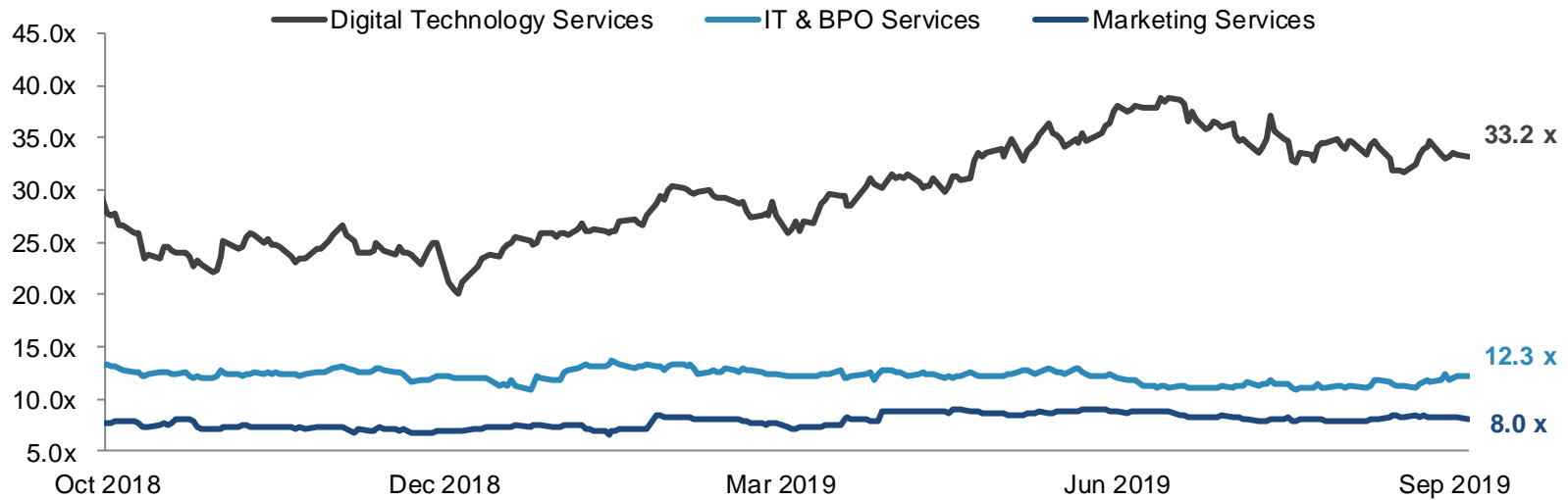
Stock Price Performance – Last Twelve Months



EV / LTM Revenue – Last Twelve Months



EV / LTM EBITDA – Last Twelve Months



Source: Capital IQ, market data as of 30-Sep-2019

Date Announced	Target	Buyer / Investor	Target Description / Deal Commentary
7/3/2019		dentsu	<ul style="list-style-type: none"> Imprint Social provides digital marketing services The acquisition broadens Dentsu's market and provides scale to its digital marketing services
7/9/2019			<ul style="list-style-type: none"> LDB Analytics Services develops and implements digital solutions in the automotive industry as well as in analytics, big data, and business intelligence The acquisition expands Volkswagen's digital strategy by providing a digital specialist in data analysis
7/9/2019			<ul style="list-style-type: none"> Logteam specializes in consulting and services requiring advanced expertise in computer engineering on ERP, Business Intelligence, CRM, and Big Data Environments The investment allows LogTeam to accelerate its growth and strengthen its expertise in DevOps and Data Intelligence
7/10/2019		PAVONE.	<ul style="list-style-type: none"> Phalanx operates as an online design, development, and digital advertisement company that provides discreet creative and development services to marketing agencies The acquisition expands Pavone's digital marketing capabilities and increases its client roster in different industries
7/10/2019			<ul style="list-style-type: none"> RevUnit develops workplace transformation platforms for large organizations The acquisition allows RevUnit to accelerate its growth in a way that preserves its culture
7/16/2019		NTT DATA	<ul style="list-style-type: none"> Star operates as a global consultancy that connects insights, strategy, design, engineering, and marketing services into a workflow to support its clients The investment allows NTT Data to enhance its end-to-end consulting services from business design to market success in order to accelerate successful digital transformation for their clients
7/17/2019			<ul style="list-style-type: none"> Behavior provides UX strategy, strategic consulting, motion graphics, rich media design, branding, and corporate identity design services The acquisition enables Orion, backed by One Equity Partners, to accelerate its growth and further position itself as the premier business solutions and technology services firm
7/21/2019	AgileThought		<ul style="list-style-type: none"> AgileThought, provides custom software consulting services The acquisition strengthens AN Global's ability to deliver cutting-edge cloud solutions for enterprise clients
7/24/2019			<ul style="list-style-type: none"> Smile provides open source solutions to companies and institutions in France and internationally The investment provides Smile access to Keensight's extensive expertise in the IT space and international approach

Source: Capital IQ and Pitchbook as of 30-Sep-2019

Date Announced	Target	Buyer / Investor	Target Description / Deal Commentary
7/31/2019			<ul style="list-style-type: none"> Veracity Consulting Group provides brand experience design service management and process improvement The acquisition allows RGP to accelerate its stated objective to enhance its digital capabilities
8/5/2019			<ul style="list-style-type: none"> Connective DX operates as a digital agency that provides advertising services that integrate digital strategy, web content management, mobile and analytics ProKarma, which is a portfolio company of Carlyle Group, gains digital experience design expertise and industry knowledge
8/12/2019			<ul style="list-style-type: none"> Insitum is a service design and strategic research firm focused on innovation through a human-centered approach The acquisition strengthens Accenture's position as a leading experience agency in Europe
8/12/2019			<ul style="list-style-type: none"> Belatrix provides nearshore and offshore outsourced software development services The acquisition strengthens Globant's digital and cognitive transformation leadership
8/13/2019			<ul style="list-style-type: none"> Appnovation provides digital consultancy and managed services The investment allows Appnovation to accelerate its international growth and expansion strategy
8/13/2019			<ul style="list-style-type: none"> Cue & Co provides digital marketing services The investment from KKR will enhance Cue's digital strategies and create a one-stop digital marketing company for the Chinese market
8/13/2019			<ul style="list-style-type: none"> Indecomm Digital Services develops digital software solutions for automation and agile execution for enterprises The investment allows Indecomm to use the funds to expand its global presence and service lines
8/19/2019			<ul style="list-style-type: none"> Rauxa operates as a marketing agency The acquisition allows Publicis to create a deeper relationship with Samsung and Verizon, Rauxa's largest clients
8/19/2019			<ul style="list-style-type: none"> Jinit[designs and implements information technology and digital communications solutions The investment allows Jinit[to expand its existing customer base, further develop its product strategy, and enter into adjacent markets
9/9/2019			<ul style="list-style-type: none"> The Pythian Group provides information technology consulting and managed services The investment allows Pythian to focus on growing their data and cloud services business

Source: Capital IQ and Pitchbook as of 30-Sep-2019

Date Announced	Target	Buyer / Investor	Target Description / Deal Commentary
9/10/2019			<ul style="list-style-type: none"> Nalys Group provides engineering consulting services The investment allows Nalys, with €25 million in revenue, to finance a restructuring and further develop its services
9/10/2019			<ul style="list-style-type: none"> Skookum operates as a digital strategy, design, and development company The acquisition expands GlobalLogic's transformative design and engineering services
9/10/2019			<ul style="list-style-type: none"> Pragsis Bidoop offers big data, artificial intelligence, advanced analytics, and related IT consulting services The acquisition expands Accenture's deep machine learning, artificial intelligence, and big data engineering experience groups
9/11/2019			<ul style="list-style-type: none"> MuteSix offers digital marketing and customer acquisition services online The acquisition expands Dentsu's suite of performance marketing solutions for both enterprise and DTC marketers
9/12/2019			<ul style="list-style-type: none"> Traction is one of North America's largest independent Salesforce consulting partners and app development firms The investment supports Traction's aggressive growth strategy for 2020 and helps scale the company
9/17/2019			<ul style="list-style-type: none"> Witekio engages in the design, development, and integration of the software solutions for embedded and IoT devices The acquisition furthers Avnet's end-to-end IoT strategy by adding more capabilities and expertise in embedded software, edge computing, and security
9/18/2019			<ul style="list-style-type: none"> Mediotype provides digital eCommerce development and marketing services The acquisition gives Blue Acorn three advantages; scale, breadth of expertise, and exposure to the western US markets
9/20/2019			<ul style="list-style-type: none"> Prophet provides strategic brand and marketing consultancy services to various companies The investment supports Prophet's growth strategy as a firm and in capturing diverse clients
9/26/2019			<ul style="list-style-type: none"> Smart Digital provides consulting and marketing services through an artificial intelligence platform The acquisition strengthens Omni's AI and personalization capabilities and provides powerful end-to-end customer experience solutions

Source: Capital IQ and Pitchbook as of 30-Sep-2019

Digital Technology Services Comparable Companies

Digital Technology Services Index	Closing Price 30-Sep-2019	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2015A-18A	2019E Revenue Growth %
					LTM	2019	2020	LTM	2019	2020			
					Endava	\$ 37.85	86.2 %	\$ 1,935	\$ 1,844	5.0 x			
EPAM	182.32	90.7	10,637	9,757	4.8	4.3	3.5	30.3	23.0	19.0	15.7	26.2	23.6
Globant	91.58	81.5	3,491	3,448	6.0	5.2	4.3	33.2	26.5	21.6	18.0	27.1	26.2
High		90.7 %	\$ 10,637	\$ 9,757	6.0 x	5.2 x	4.3 x	35.9 x	26.5 x	21.6 x	18.0 %	37.3 %	26.2 %
Median		86.2	3,491	3,448	5.0	4.7	3.9	33.2	25.1	20.7	15.7	27.1	25.9
Mean		86.1	5,354	5,017	5.3	4.8	3.9	33.1	24.9	20.4	15.9	30.2	25.2
Low		81.5	1,935	1,844	4.8	4.3	3.5	30.3	23.0	19.0	14.0	26.2	23.6

IT & BPO Services Comparable Companies

IT & BPO Services Index	Closing Price 30-Sep-2019	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2015A-18A	2019E Revenue Growth %
					LTM	2019	2020	LTM	2019	2020			
					Accenture	\$ 192.35	94.8 %	\$ 126,226	\$ 119,181	2.8 x			
Atos	70.53	61.2	7,546	11,109	0.8	0.9	0.9	5.6	6.0	5.7	13.7	4.7	(5.9)
Capgemini	117.87	91.6	20,144	22,135	1.4	1.4	1.4	11.0	9.3	8.7	12.9	3.4	7.9
CGI Group	79.13	98.2	22,091	23,833	2.5	2.5	2.4	15.3	13.9	13.2	16.3	3.7	6.0
Cognizant	60.27	77.4	33,989	31,732	1.9	1.9	1.8	9.9	9.8	9.0	19.4	9.1	3.6
Genpact	38.75	87.0	7,543	8,463	2.6	2.4	2.2	16.3	14.0	12.7	15.9	6.5	17.3
HCL	15.29	91.0	20,743	20,059	2.2	2.1	1.9	9.6	9.3	8.2	22.4	10.7	15.2
Hexaware	5.38	82.8	1,606	1,601	2.1	2.0	1.7	13.7	12.9	11.0	15.5	14.3	20.2
Mphasis	13.60	81.2	2,542	2,697	2.3	2.3	2.0	14.1	12.3	10.9	16.5	7.6	12.3
Tech Mahindra	10.11	84.4	9,944	9,011	1.8	1.8	1.6	10.0	10.6	9.7	17.6	9.4	5.2
Wipro	4.07	93.0	24,572	20,741	2.5	2.4	2.2	12.3	11.4	11.5	20.0	4.9	4.2
High		98.2 %	\$ 126,226	\$ 119,181	2.8 x	2.7 x	2.6 x	16.6 x	16.3 x	15.1 x	22.4 %	14.3 %	20.2 %
Median		87.0	20,144	20,059	2.2	2.1	1.9	12.3	11.4	10.9	16.5	7.6	7.8
Mean		85.7	25,177	24,597	2.1	2.0	1.9	12.2	11.4	10.5	17.0	7.6	8.5
Low		61.2	1,606	1,601	0.8	0.9	0.9	5.6	6.0	5.7	12.9	3.4	(5.9)

Marketing Services Comparable Companies

Marketing Services Index	Closing Price 30-Sep-2019	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2015A-18A	2019E Revenue Growth %
					LTM	2019	2020	LTM	2019	2020			
					Dentsu	\$ 35.20	66.6 %	\$ 9,951	\$ 12,748	1.3 x			
IPG	21.56	85.9	8,439	11,407	1.3	1.3	1.3	8.2	8.0	7.5	16.2	1.8	8.3
Omnicom	78.30	92.1	17,064	18,620	1.2	1.2	1.2	8.0	7.8	7.7	15.6	0.3	(2.3)
Publicis	49.20	79.9	11,658	11,732	1.1	1.1	1.0	5.7	4.8	4.3	19.8	(2.2)	10.5
WPP	12.52	87.9	15,743	19,784	1.2	1.2	1.3	7.1	6.9	6.9	16.6	8.4	(0.8)
High		92.1 %	\$ 17,064	\$ 19,784	1.3 x	1.3 x	1.3 x	8.3 x	8.3 x	7.7 x	19.8 %	8.4 %	10.5 %
Median		85.9	11,658	12,748	1.2	1.2	1.3	8.0	7.8	7.5	16.2	1.8	2.8
Mean		82.5	12,571	14,858	1.2	1.2	1.2	7.5	7.2	6.8	16.8	3.2	3.7
Low		66.6	8,439	11,407	1.1	1.1	1.0	5.7	4.8	4.3	15.6	(2.2)	(2.3)

Source: Capital IQ, market data as of 30-Sep-2019

Note: Revenue growth rates are shown in reported currency and remove the impact of FX

CLIENT SUCCESS



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SELL-SIDEADVISOR



has received a growth investment from



SELL-SIDEADVISOR



has been acquired by



SELL-SIDEADVISOR



has been acquired by



a portfolio company of



SELL-SIDEADVISOR

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



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