

Digital Transformation MONITOR

Deal Talk

Public Market Activity

Q4 M&A Activity

Q4 2017

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

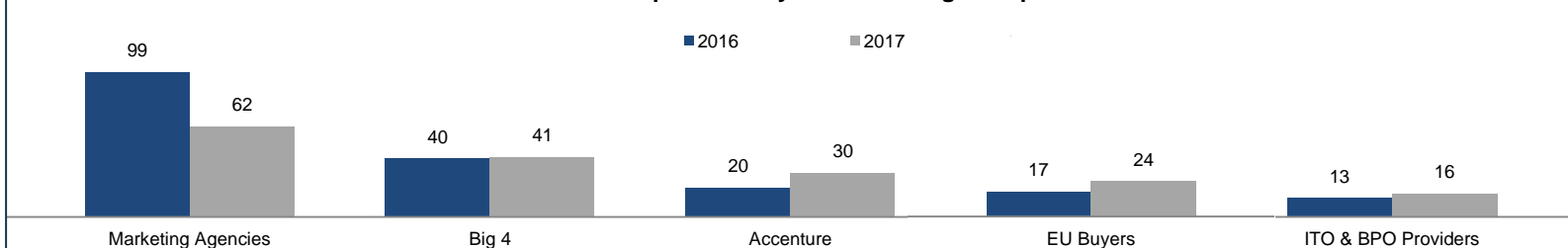
Director

[Email](#)

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“How does the M&A market look for 2018?” – a question guaranteed to be asked by every CEO we meet with. Let’s start with 2017 observations for the technology services sector. Deal activity was strong, and valuation multiples generally remained healthy, really healthy for companies with highly sought after capabilities (i.e. cloud, UX/design, ecommerce, digital product development) and rapid growth. The number of acquisitions by select strategic acquirers below grew 23%, excluding the marketing agencies, in 2017 compared to 2016. Accenture, in a category of its own, closed 30 deals representing a 50% increase compared to the prior year. It is important to note, *Digital Transformation companies received the most attention from these strategic acquirers, accounting for 54% of their deals in 2017.*

Number of Acquisitions by Select Strategic Acquirers



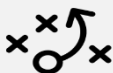
The short answer to the question above is: There are a number of factors providing strong building blocks for a robust M&A market in 2018. Strategic buyers remain acquisitive and are armed with sizeable war chests that will grow even bigger with lower taxes on profits and repatriated cash. Private equity firms around the world raised a whopping \$453 billion in 2017 and are under significant pressure to deploy that capital. Our final words of wisdom for this edition – shareholders considering a financial transaction over the next 24 months should carefully evaluate the risks and rewards of waiting versus seizing the opportunity in 2018.

Source: Capital IQ

Note: Marketing Agencies include Dentsu, IPG, Omnicom, Publicis, and WPP; Big 4 includes Deloitte, EY, KPMG, and PwC; EU Buyers include Altran, Atos, Capgemini, Indra Sistemas, and Sopra Steria; ITO & BPO Providers include Cognizant, Genpact, Infosys, Tata Consultancy Services, and Wipro.

[Email Philo Tran](#)

Digital Transformation



Digital Strategy



UX Design



Engineering &
Development

Mountaingate Capital's HS2 Solutions acquires LunaMetrics

Target Transaction Summary



On December 17, 2017, HS2 Solutions, a digital transformation agency and portfolio company of Mountaingate Capital, acquired LunaMetrics, an analytics / insight and digital marketing strategy company. The acquisition expands HS2 Solution's geographic presence to include a foothold in Pittsburgh, PA, and expands the firms ability to use data and analytics to help businesses clearly understand and capitalize on the relationship between marketing, user behavior, and ROI. Financial terms were not disclosed.

Buyer



Transaction Information

Announced Date 12/17/2017
Deal Type Acquisition

Target Information

Year Founded 2004
Target HQ Pittsburgh, PA

Deal Commentary

- ClearSight served as the exclusive financial advisor to LunaMetrics
- *ClearSight Perspective: Agencies must design and build products / campaigns centered around the end-user but often lack the analytics to understand fully the audience. This deal marries industry-leading digital and web analytics with HS2's broad range of digital transformation capabilities across strategy, design, digital marketing, and development*
- As a Google Analytics Certified Partner and Google Premier Partner, HS2 gains key Google expertise, allowing them to implement end-to-end solutions across virtually any platform
 - "This dynamic partnership strengthens our ability to glean rich user behavior insights that will allow us to envision and build superior digital experiences that delight customers and deliver business results to our clients" – Keith Schwartz, Co-Founder and President, HS2 Solutions

LunaMetrics' Key Capabilities

Digital Marketing	Digital Analytics and Tag Management
Data Science & Advanced Insights	Reporting & Visualization
Conversion Rate Optimization	Training & Education

Altran acquires Aricent

Target Transaction Summary



On November 30th, 2017, Altran Technologies S.A. (EPA:ALT) ("Altran"), a global provider of engineering and R&D services ("ER&D"), entered into a definitive agreement to acquire KKR-backed Aricent Inc. ("Aricent"), an international digital design and engineering company, for a total enterprise value of €1.7 billion or \$2.0 billion. The deal is all-cash and is expected to close in Q1 2018. The combined company will employ around 44,000 people across about 30 countries generating close to €3.0 billion in revenues.

Buyer



Transaction Information

Announced Date 11/30/2017
Deal Type Acquisition

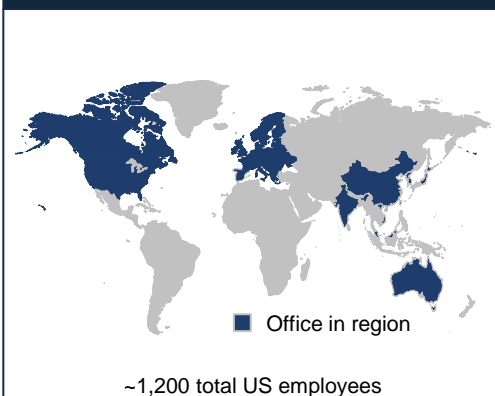
Target Information

Enterprise Value \$2.0 billion
Revenue Multiple 2.9x LTM¹
EBITDA Multiple 10.6x LTM¹

Deal Commentary

- *ClearSight Perspective: Altran has been focused on growing its US business through acquisitions in the last two years, and is specifically attracted to software design and development capabilities. Altran has closed nine deals since the beginning of 2016, but this acquisition dwarfs all of them, combined. This is a unique opportunity for Altran to accomplish several high priority strategic goals, including: 1) rapidly increase scale in the US, 2) rebrand the company into a legitimate digital transformation consultancy, and 3) add renowned design capabilities through Frog Design*
- In November 2015, Altran unveiled its plan for 2016 through 2020 called "Altran 2020. Ignition." Its financial targets were to achieve revenues of greater than €3.0 billion, an EBIT margin of about 13%, and free cash-flows of 7% of revenues; one of its key strategies to accomplish these lofty goals was to establish a major presence in the US
- Today Altran's EBITDA margin is around 11%, but the addition of Aricent, with an EBITDA margin close to 28%, is expected to improve Altran's EBITDA margin to nearly 15%

Aricent's Global Presence



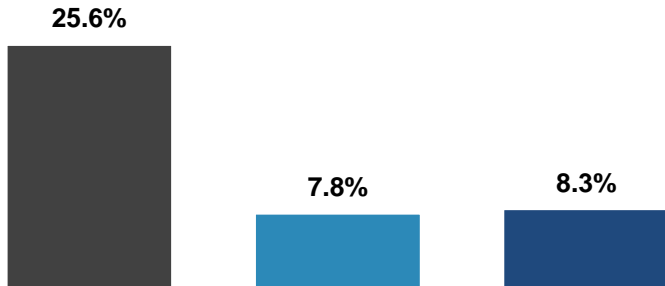
Sources: 451 Research, company websites, press releases, and Capital IQ

¹Aricent's LTM data is pro-forma for the full-year impact of software deals and is as of 30-Jun-2017.

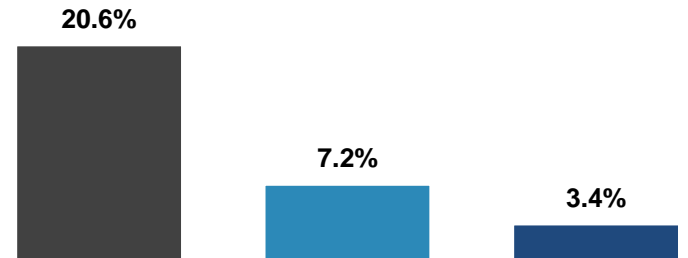
Performance of Public Companies

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

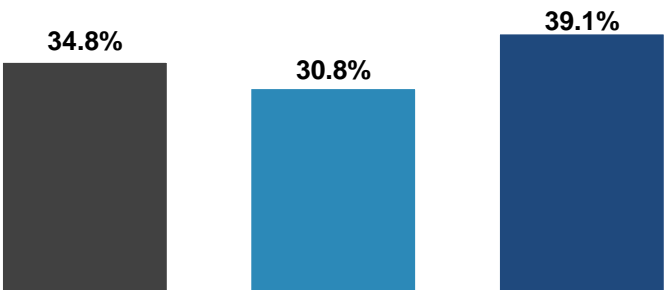
3-Year Historic Revenue Growth



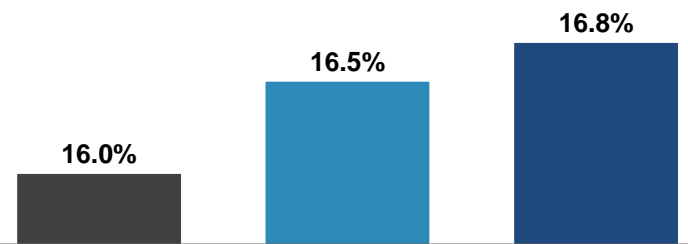
2018E Revenue Growth



2017E Gross Margin



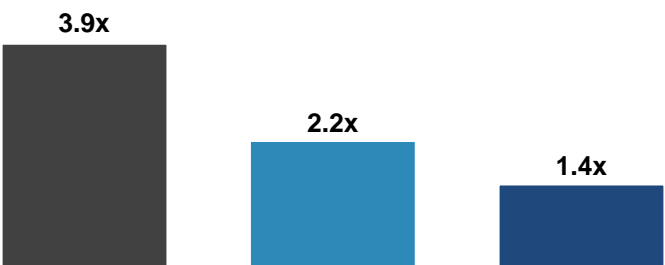
2017E EBITDA Margin



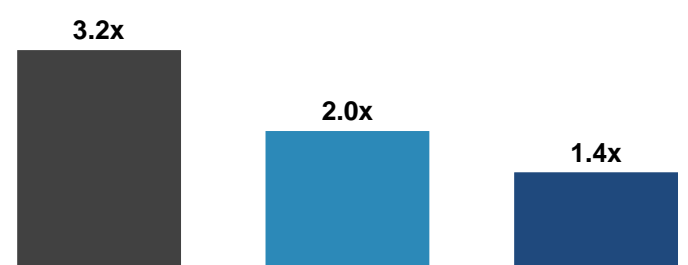
Public Companies Median Trading Multiples

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

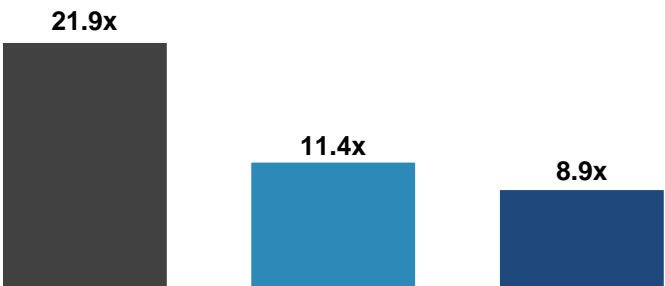
EV / 2017E Revenue



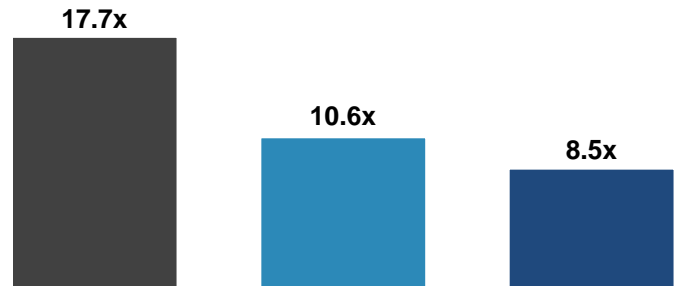
EV / 2018E Revenue



EV / 2017E EBITDA

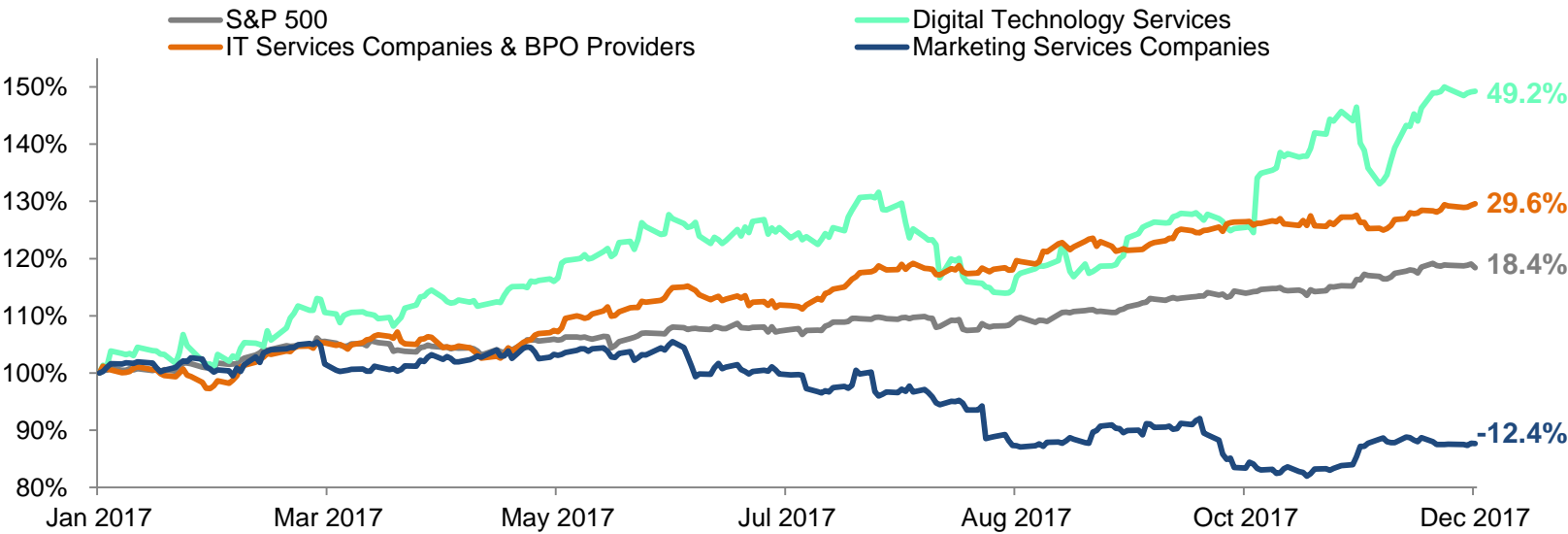


EV / 2018E EBITDA

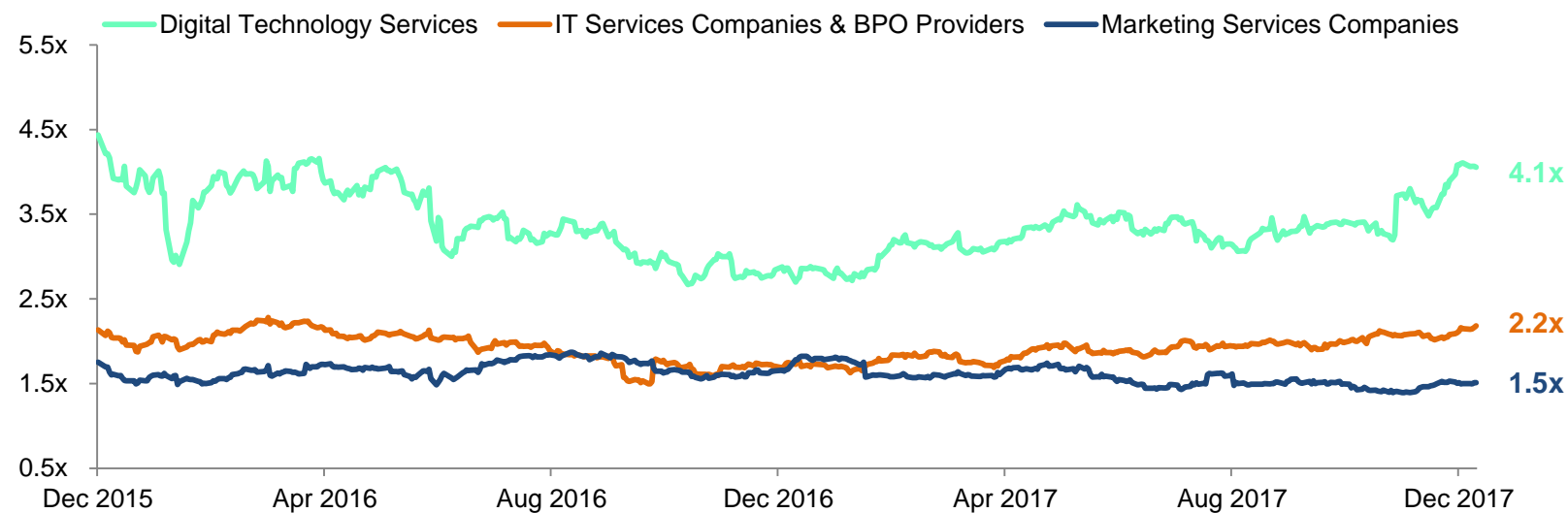


Source: Capital IQ, market data as of 31-Dec-2017

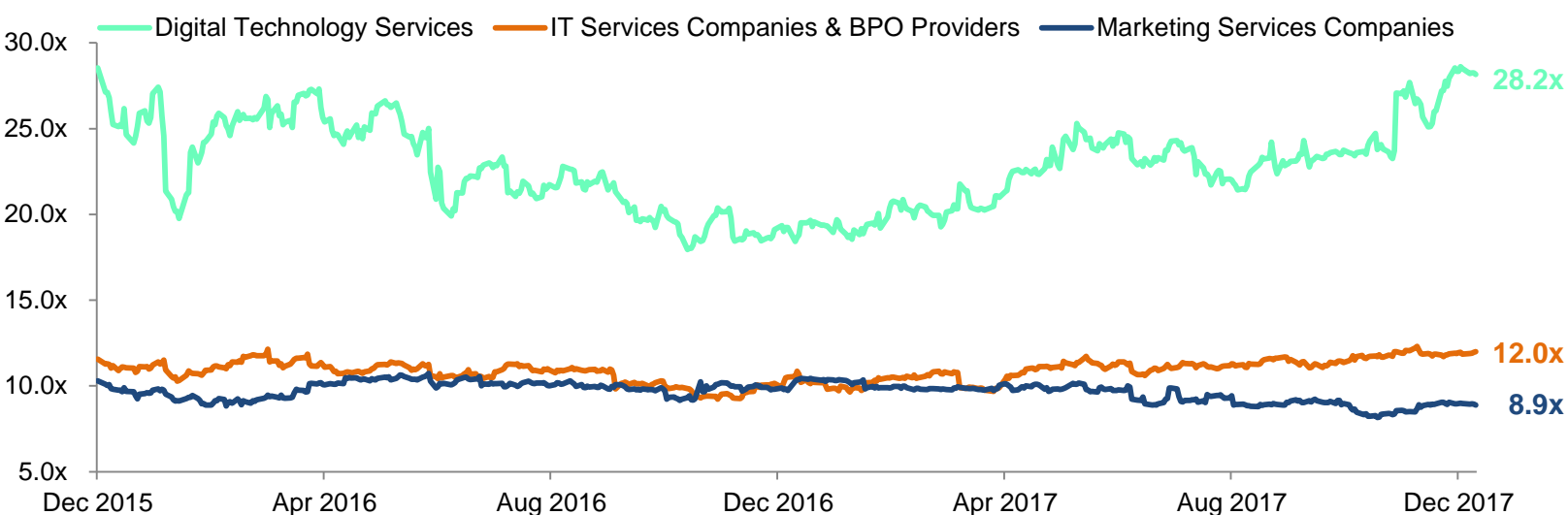
Stock Price Performance – Last Twelve Months



EV / LTM Revenue – Last Two Years


















EV / LTM EBITDA – Last Two Years









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

Q4 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
12/19/2017	 A Merkle Company	 (Dentsu)	<ul style="list-style-type: none"> David Wood & Associates is a global media and marketing agency for technology companies. DWA offers a range of services such as programmatic media, marketing automation, account-based marketing, and content marketing consulting
12/19/2017		 (Mountaingate Capital)	<ul style="list-style-type: none"> LunaMetrics provides digital marketing services, including search marketing, conversion optimization, data science solutions, advertising strategy, and Google analytics ClearSight Advisors served as LunaMetrics' exclusive financial advisor
12/18/2017		Ogilvy & Mather (WPP)	<ul style="list-style-type: none"> ARBA offers bespoke digital design and software engineering services with a focus on sales acceleration and customer experience. It specializes in digital strategy and has strong expertise in the financial services industry
12/15/2017	ROTHCO		<ul style="list-style-type: none"> Rothco is a full-service creative agency located in Dublin. It strategically plans, designs, and produces powerful communications campaigns across Europe for iconic brands
12/10/2017		 POWERING YOUR BUSINESS	<ul style="list-style-type: none"> Gauge is a business innovation digital marketing consultancy, offering conversion optimization, brand performance, digital product, and business innovation services
12/7/2017	 RESOLUTE DIGITAL	 BOMODA Consumer Intelligence Company	<ul style="list-style-type: none"> Weber Shanwick announced dual acquisitions in the digital analytics and business intelligence space on the same day Resolute Digital is a full-service digital marketing and technology firm specializing in audience intelligence and performance marketing, and Bomoda is a leading data science and business intelligence firm with deep specialization in China
12/6/2017			<ul style="list-style-type: none"> Well Placed Cactus is a team of programmers based in Melbourne and Brisbane who create interactive instalments and games using existing and new technologies such as virtual- and augmented-reality headsets
12/1/2017	WEBSTEP	 Capital Advisors, L.P.	<ul style="list-style-type: none"> Webstep provides IT consultancy services to companies in Norway and Sweden. The firm specializes in digitalization, cloud migration, and data integration services
11/30/2017	 apps associates extreme expertise	 INVESTMENT PARTNERS SINCE 1993	<ul style="list-style-type: none"> Apps Associates is a global provider of business and IT services and solutions that cover the entire IT life cycle from assessment and planning through implementation, application development, application and load testing, training, and ongoing management and support












Q4 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
11/30/2017			<ul style="list-style-type: none"> Aricent provides design and engineering capabilities to help its clients get to market faster, transform legacy products to digital, and create new revenue opportunities
11/29/2017			<ul style="list-style-type: none"> ClickMaven is a provider of digital performance marketing services in South Africa, providing digital media buying, landing page creation, and conversion optimization services
11/22/2017			<ul style="list-style-type: none"> Oxyma is a performance marketing agency helping clients to design and build omni-channel dialogues, turn data into insights, and create value for customers in the areas of process, technology, creative, and insights
11/21/2017			<ul style="list-style-type: none"> Bulletproof Group provides managed cloud, hosting, and professional services primarily for enterprise customers. The firm also provides DevOps and AWS / Microsoft Azure consulting services
11/20/2017			<ul style="list-style-type: none"> Applix designs and develops mobile solutions for multinationals and mid-sized companies across three main lines of business; digital publishing, mobile & apps, and education
11/8/2017			<ul style="list-style-type: none"> Immerse operates as a creative digital agency specializing in developing and crafting various types of digital touch-points, from websites to social network applications to mobile applications to ambient digital installations
11/8/2017			<ul style="list-style-type: none"> Fosina announced dual acquisitions in the digital marketing space on the same day iFuel Interactive operates as a digital agency providing strategic marketing and technology solutions. Agency 212 provides marketing and advertising services
11/8/2017			<ul style="list-style-type: none"> K2 Digital offers digital marketing and strategic advisory services, partnering with companies to ensure their business objectives are met through digital enablement and transformation
11/7/2017			<ul style="list-style-type: none"> BrandShop is a digital commerce provider for consumer brands, offering strategy and design services to envision, build, and implement end-to-end digital commerce solutions

Q4 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
11/7/2017	Raizlabs	RIGHTPOINT (Stella Point Capital)	<ul style="list-style-type: none"> Raizlabs operates as a mobile software development company that builds mobile applications with a focus on iPhone, iPad, mobile Web, and Android platforms. The company offers strategy, design, and development services
11/2/2017	MOKU COLLECTIVE	DEEG	<ul style="list-style-type: none"> Moku Collective is a digital commerce consultancy and Salesforce Commerce Cloud partner providing business and technical consultancy services to e-commerce companies
11/2/2017	PREMIER LOGIC	ALTEEN CALSOFTLABS AN ALTEEN GROUP COMPANY	<ul style="list-style-type: none"> Premier Logic is a global provider of digital transformation solutions, offering IT advisory and assessments, business intelligence, brand strategy, creative design, digital marketing, product development, product design and experience, and mobile development services
10/26/2017	MAKERS IT Services	Deloitte.	<ul style="list-style-type: none"> MAKERS IT Services is a venture capital firm specializing in seed and startup investments. The firm seeks to invest in firms in technology and web / mobile applications sectors
10/26/2017	zone A Cognizant Digital Business	Cognizant	<ul style="list-style-type: none"> Zone operates as a digital agency providing systems integration, digital strategy, content creation, engagement and design excellence, and digital audit services
10/24/2017	IT SIX GLOBAL SERVICES	QUEST BORN TO ENGINEER	<ul style="list-style-type: none"> IT Six offers custom application development, embedded solutions, mobile applications design & usability, quality assurance, testing, and IT consulting services
10/24/2017	netcentric	Cognizant	<ul style="list-style-type: none"> Netcentric is a provider of digital experience and marketing solutions, helping brands such as Allianz, Mercedes-Benz, Miles & More, Raiffeisen, Swisscom, and UBS, personalize and deliver engaging digital experiences
10/23/2017	bluetext	EASTPORT HOLDINGS	<ul style="list-style-type: none"> Bluetext operates as a branding, digital marketing, and strategic communications agency, helping clients connect with key audiences, reach new communities, enhance their brand, and protect their reputation
10/23/2017	PRIMESCAPE SOLUTIONS A HighPoint Company	HighPoint	<ul style="list-style-type: none"> Primescape Solutions is a Herndon, VA-based company that helps government agencies achieve their digital transformation goals with services including software development, data services, and interactive content

Q4 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
10/19/2017	 ymarketing Intelligent Digital Solutions™	 sandbox	<ul style="list-style-type: none"> ymarketing designs, executes, and optimizes digital marketing campaigns for consumer-focused businesses across multiple disciplines with a focus on data visualization and analytics
10/17/2017	 altima	 accenture	<ul style="list-style-type: none"> Altima is a full-service digital commerce agency headquartered in France, offering experience strategy, user experience design, digital marketing services, and multichannel commerce platform implementation
10/17/2017	 beyond vigilant	HERO_digital. (CI Capital Partners)	<ul style="list-style-type: none"> Beyond Vigilant operates as a marketing technology agency that helps clients to envision and execute their future customer experiences focusing on three core areas; customer experience strategy, platform strategy, and business transformation
10/17/2017	 datascope	IDEO (Steelcase)	<ul style="list-style-type: none"> Datascope is a data science consulting company offering strategy implementation, data consulting, data development, and training services, enabling clients to solve big data problems, make better decisions, and achieve better data-driven products
10/17/2017	 etventure	 EY	<ul style="list-style-type: none"> etventure operates as a digital consultancy and company builder that specializes in digital transformation and the development of digital business models. It offers services ranging from strategy and ideation through design, development, and marketing services
10/17/2017	 magic leap	TEMASEK (and others)	<ul style="list-style-type: none"> Magic Leap develops a computing platform for combining and experiencing digital and physical lives. It develops a Mixed Reality computing platform that enables users to interact with the world; and Dynamic Digitized Lightfield Signal, which enables users to generate images from real objects and then place those images into the real world
10/5/2017	 COOPER SOFTWARE	 wipro	<ul style="list-style-type: none"> Cooper Software is a design and business strategy consultancy whose services include research and strategy, interaction design, visual design and branding, system and service design, building and testing, and training and mentoring
10/4/2017	 vivant	 IBM	<ul style="list-style-type: none"> Vivant Digital is a boutique digital and innovation agency based in Australia, working to create to create exceptional customer experiences using an approach that combines insights from behavioral science, data, and technology
10/3/2017	 TERRIA MOBILE	 KPMG	<ul style="list-style-type: none"> Terria is a software developer specializing in mobile solutions and products. The company provides a software for the development, launching, updating, and managing of mobile applications and also offers consulting services for mobile application development and launch

Digital Technology Services Comparable Companies

Digital Transformation Index	Closing Price 31-Dec-2017	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2014A-17E	2018P Revenue Growth %
					LTM	2017	2018	LTM	2017	2018			
EPAM	\$ 107.43	98.5 %	\$ 6,135	\$ 5,647	4.1 x	3.9 x	3.2 x	28.7 x	21.9 x	17.7 x	14.4 %	25.6 %	21.8 %
Globant	46.46	97.8	1,697	1,702	4.4	4.2	3.5	32.2	26.1	20.4	13.7	26.8	20.6
Luxoft	55.70	82.1	2,008	1,989	2.3	2.2	1.9	21.5	14.7	11.5	10.9	21.8	18.2
High		98.5 %	\$ 6,135	\$ 5,647	4.4 x	4.2 x	3.5 x	32.2 x	26.1 x	20.4 x	14.4 %	26.8 %	21.8 %
Median		97.8	2,008	1,989	4.1	3.9	3.2	28.7	21.9	17.7	13.7	25.6	20.6
Mean		92.8	3,280	3,112	3.6	3.4	2.9	27.5	20.9	16.5	13.0	24.7	20.2
Low		82.1	1,697	1,702	2.3	2.2	1.9	21.5	14.7	11.5	10.9	21.8	18.2

IT Services and BPO Providers Comparable Companies

IT Services & BPO Index	Closing Price 31-Dec-2017	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2014A-17E	2018P Revenue Growth %
					LTM	2017	2018	LTM	2017	2018			
Accenture	\$ 153.09	96.6 %	\$ 97,627	\$ 94,761	2.6 x	2.7 x	2.4 x	16.2 x	15.6 x	14.1 x	16.3 %	5.2 %	9.4 %
Altran	\$ 16.68	82.7	2,880	2,717	1.1	1.0	0.9	9.8	8.6	7.6	10.9	9.2	6.3
Atos	145.71	89.6	15,770	15,991	1.1	1.0	1.0	8.5	7.9	7.6	13.3	12.1	2.9
Cappgemini	118.74	93.5	20,595	23,063	1.6	1.5	1.5	12.5	11.2	10.5	12.7	6.5	3.1
CGI Group	54.46	97.6	16,133	17,486	2.0	2.0	1.9	12.1	11.1	10.4	16.7	1.7	4.1
Cognizant	71.02	92.8	42,528	38,638	2.7	2.6	2.4	13.4	12.7	11.0	19.9	13.0	9.4
Genpact	31.74	96.8	6,334	6,950	2.6	2.5	2.4	15.4	15.3	13.9	16.8	6.1	6.8
HCL	13.95	94.4	19,437	18,059	2.4	2.3	2.1	11.0	10.3	9.6	22.4	11.6	7.6
Hexaware	5.34	97.4	1,601	1,535	2.6	2.5	2.2	15.6	14.6	13.3	16.6	15.2	10.5
MindTree	9.56	97.6	1,606	1,522	1.9	1.8	1.6	15.3	14.7	12.3	12.4	15.5	11.0
Mphasis	11.43	94.2	2,355	2,087	2.2	2.1	1.9	14.2	13.8	12.2	15.5	5.1	10.5
Syntel	22.99	87.3	1,924	2,203	2.4	2.5	2.5	9.0	9.7	9.5	26.7	(0.5)	(0.7)
Tech Mahindra	7.90	97.3	7,800	7,367	1.6	1.6	1.4	11.6	11.5	10.0	13.8	12.0	7.7
Wipro	4.80	99.2	23,290	19,703	2.4	2.3	2.2	11.6	10.7	10.8	20.2	5.6	3.0
High		99.2 %	\$ 97,627	\$ 94,761	2.7 x	2.7 x	2.5 x	16.2 x	15.6 x	14.1 x	26.7 %	15.5 %	11.0 %
Median		95.5	11,785	11,679	2.3	2.2	2.0	12.3	11.4	10.6	16.5	7.8	7.2
Mean		94.1	18,563	18,006	2.1	2.0	1.9	12.6	12.0	10.9	16.7	8.5	6.5
Low		82.7	1,601	1,522	1.1	1.0	0.9	8.5	7.9	7.6	10.9	(0.5)	(0.7)

Marketing Services Comparable Companies

Marketing Services Index	Closing Price 31-Dec-2017	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2014A-17E	2018P Revenue Growth %
					LTM	2017	2018	LTM	2017	2018			
Dentsu	\$ 42.39	72.9 %	\$ 12,019	\$ 15,203	1.9 x	1.9 x	1.7 x	10.3 x	9.7 x	9.0 x	18.3 %	8.3 %	6.1 %
IPG	20.16	78.4	8,102	9,752	1.2	1.2	1.2	8.8	8.5	8.1	14.2	1.3	3.4
Omnicom	72.83	83.3	17,133	20,957	1.4	1.4	1.3	9.0	8.9	8.6	15.2	(0.0)	3.4
Publicis	68.02	82.1	15,932	18,220	1.6	1.6	1.5	9.3	9.0	8.5	17.6	10.3	1.5
WPP	18.13	69.6	23,232	29,865	1.5	1.4	1.4	8.4	8.6	8.4	18.0	9.8	2.4
High		83.3 %	\$ 23,232	\$ 29,865	1.9 x	1.9 x	1.7 x	10.3 x	9.7 x	9.0 x	18.3 %	10.3 %	6.1 %
Median		78.4	15,932	18,220	1.5	1.4	1.4	9.0	8.9	8.5	17.6	8.3	3.4
Mean		77.3	15,284	18,799	1.5	1.5	1.4	9.2	9.0	8.5	16.6	5.9	3.4
Low		69.6	8,102	9,752	1.2	1.2	1.2	8.4	8.5	8.1	14.2	(0.0)	1.5

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

CLIENT SUCCESS

LunaMetrics
has been acquired by
HS2
A portfolio company of
MOUNTAIN GATE CAPITAL
SELL-SIDE ADVISOR

ibb
CONSULTING GROUP
has been acquired by
accenture
SELL-SIDE ADVISOR

marketforce
INFORMATION®
has been acquired by
MAINST
CAPITAL CORPORATION
SELL-SIDE ADVISOR

vynamic®
has been acquired by
UDG
Healthcare plc
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
accenture
SELL-SIDE ADVISOR

INNOSIGHT
has been acquired by
HURON
SELL-SIDE ADVISOR

COMPETITIVE CAPABILITIES INTERNATIONAL
has licensed key IP assets to
EY
Building a better working world
FINANCIAL ADVISOR

PIVOT POINT CONSULTING
has been acquired by
VACO
Free Yourself.
A portfolio company of
QUAD-C
SELL-SIDE ADVISOR

DATASOURCE CONSULTING
has been acquired by
EXL
SELL-SIDE ADVISOR

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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/clearsight-advisors)