

CLEAR SIGHT MONITOR

IT Services & Staffing – Q3 2017

Market Perspective

Public Market Performance

Recent IT Services M&A Activity

Recent Staffing M&A Activity



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This quarter was a busy one in IT services and staffing, as you might discern from the five pages of M&A transactions in this monitor. We are specifically seeing a great deal of continued activity within cloud services and digital transformation; some key highlights this quarter include:

- **DXC Technology acquired Tribridge** DXC Technology (NYSE:DXC, “DXC”), the result of the merger of Computer Sciences Corp. and the Enterprise Services arm of Hewlett Packard Enterprise, acquired Tribridge, one of the largest independent integrators of Microsoft Dynamics 365, and its affiliate company Concerto Cloud Services, a provider of advisory services and fully-managed cloud solutions. Tribridge will be known as “Tribridge, a DXC Technology Company,” and Concerto Cloud Services will be rebranded as “DXC Concerto.”
- **Apax Partners acquired ThoughtWorks** Apax Partners LLP (“Apax”), a global private equity firm, agreed to acquire ThoughtWorks, a software development and digital transformation company. The company’s key focus areas include digital strategy, user experience, agile development, portfolio management, and customer research. ThoughtWorks was started in the late 1980s and has grown into a formidable business in the digital transformation and agile software development market. Its early adoption of agile engineering and open source software has created a unique culture and competitive position in the market.
- **Hewlett Packard Enterprise acquired Cloud Technology Partners** Hewlett Packard Enterprise (NYSE:HPE; “HPE”) acquired Cloud Technology Partners (“CTP”), a Boston-based cloud consulting firm. Utilizing both proprietary tools and consulting, CTP helps large organizations move to the cloud, and then innovate and operate within the cloud in the most optimal way. This acquisition bolsters HPE’s cloud services offering and aims to help customers navigate the hybrid cloud environment.
- **Capgemini acquired Lyons Consulting Group (“LYONSCG”)** Capgemini (ENXTPA:CAP), a global consulting and technology services provider, acquired LYONSCG, a digital commerce service provider with deep expertise in Salesforce Commerce Cloud. LYONSCG was named the 2017 Salesforce Commerce Cloud Global Delivery Partner of the Year for best-in-class client implementations and support. Capgemini already has a significant Salesforce Commerce Cloud practice, and this acquisition bolsters their capabilities in that arena. With digital and cloud services currently representing 35% of Capgemini’s revenues, this acquisition demonstrates their interest in continuing to grow their cloud services business.

With another active quarter underway, we expect cloud services and digital transformation companies to remain attractive acquisition targets well into 2018.



IT Services & Staffing Comparable Companies Analysis

IT 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
					LTM	2017	2018	LTM	2017	2018	
Accenture	\$ 135.07	97.4 %	\$ 86,440	\$ 83,096	2.4 x	2.3 x	2.2 x	14.7 x	13.7 x	12.5 x	16.2 %
Cap Gemini	117.20	96.9	20,397	22,959	1.6	1.5	1.5	12.5	11.3	10.6	12.7
CGI Group	51.76	93.5	15,333	16,465	2.0	1.9	1.8	11.8	10.4	9.8	16.8
DXC Technology	85.88	99.5	25,020	30,295	1.2	1.5	1.3	10.8	8.6	6.6	11.2
Perficient	19.67	97.7	718	780	1.7	1.6	1.5	15.4	10.9	9.4	11.0
The Hackett Group	15.19	73.4	472	478	1.8	1.7	1.6	11.8	10.2	9.1	15.5
Virtusa	37.78	98.6	1,203	1,287	1.5	1.4	1.3	24.2	20.2	13.8	6.0

High	99.5 %	\$ 86,440	\$ 83,096	2.4 x	2.3 x	2.2 x	24.2 x	20.2 x	13.8 x	16.8 %
Median	97.4	15,333	16,465	1.7	1.6	1.5	12.5	10.9	9.8	12.7
Mean	93.9	21,369	22,194	1.7	1.7	1.6	14.4	12.2	10.3	12.8
Low	73.4	472	478	1.2	1.4	1.3	10.8	8.6	6.6	6.0

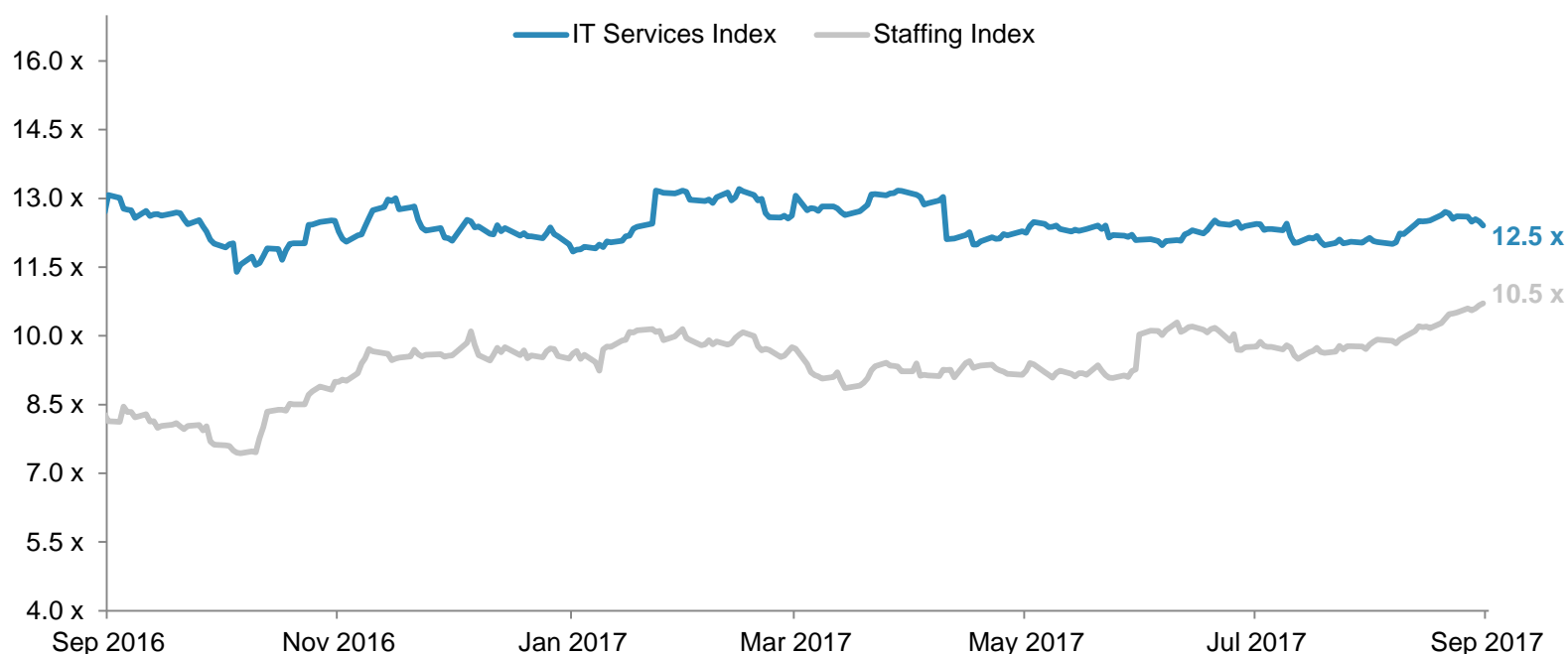
Staffing Index	Closing Price 30-Sep-2017	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin
					LTM	2017	2018	LTM	2017	2018	
Adecco	\$ 77.81	96.8 %	\$ 13,307	\$ 14,459	0.5 x	0.5 x	0.5 x	10.4 x	9.5 x	9.3 x	5.2 %
Hays	2.54	98.4	3,686	3,536	0.5	0.5	0.5	11.8	10.8	9.9	4.5
Kelly Services	25.09	98.5	998	937	0.2	0.2	0.2	9.5	8.7	8.1	1.9
Kforce	20.20	75.0	569	693	0.5	0.5	0.5	9.6	8.8	8.2	5.4
ManpowerGroup	117.82	97.5	7,908	8,255	0.4	0.4	0.4	9.9	9.8	8.6	4.1
On Assignment	53.68	96.7	2,906	3,467	1.4	1.3	1.2	12.9	11.4	10.4	10.5
Randstad Holding	61.86	89.6	11,447	13,296	0.5	0.5	0.5	11.3	9.8	9.2	4.4
Recruit Holdings Co.	21.64	96.1	36,149	35,083	2.0	1.9	1.7	16.0	15.2	13.7	12.6
Robert Half International	50.34	98.7	6,463	6,166	1.2	1.2	1.1	10.7	10.4	9.7	11.1
TrueBlue	22.45	78.2	867	949	0.4	0.4	0.4	6.8	7.7	7.1	5.3

High	98.7 %	\$ 36,149	\$ 35,083	2.0 x	1.9 x	1.7 x	16.0 x	15.2 x	13.7 x	12.6 %
Median	96.7	5,074	4,851	0.5	0.5	0.5	10.5	9.8	9.2	5.3
Mean	92.5	8,430	8,684	0.8	0.7	0.7	10.9	10.2	9.4	6.5
Low	75.0	569	693	0.2	0.2	0.2	6.8	7.7	7.1	1.9

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

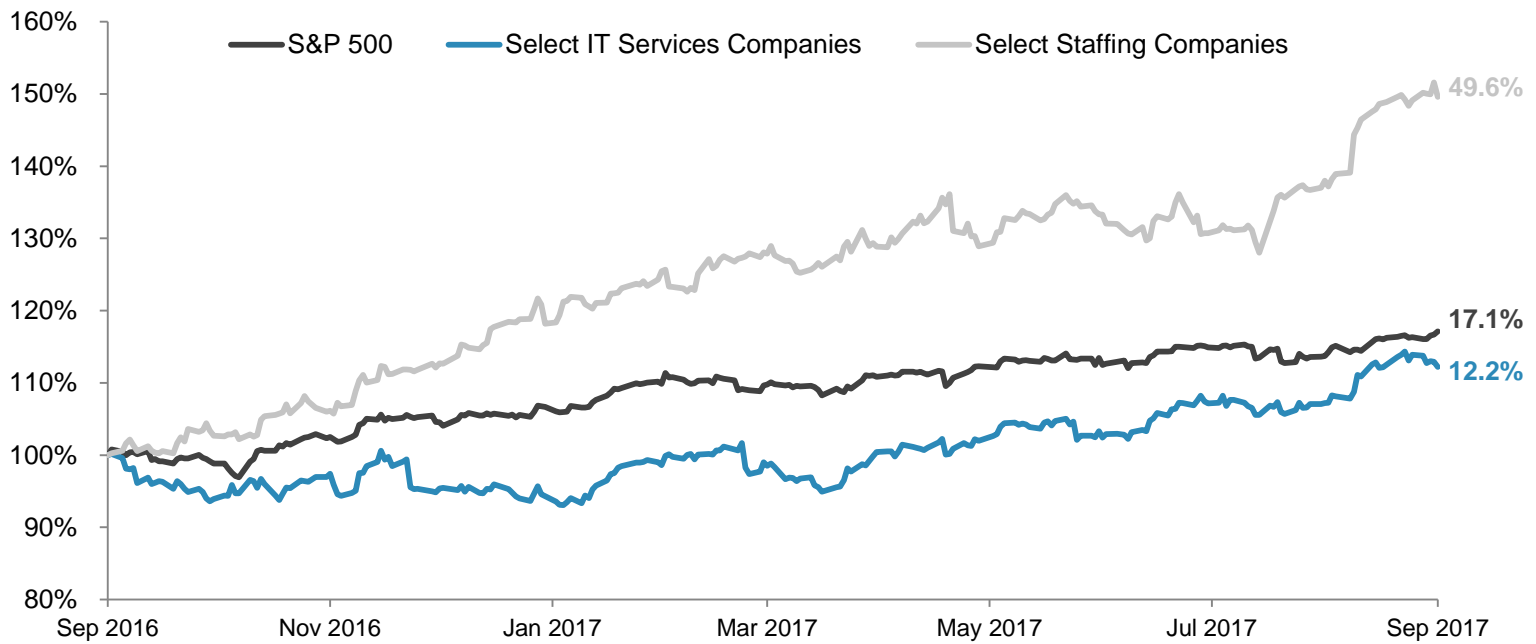
Note: \$ in millions. DXC Technology's LTM multiples have been adjusted for the acquisition of HPE's business services division completed 31-Mar-2017.

LTM EV / EBITDA Multiple Trend



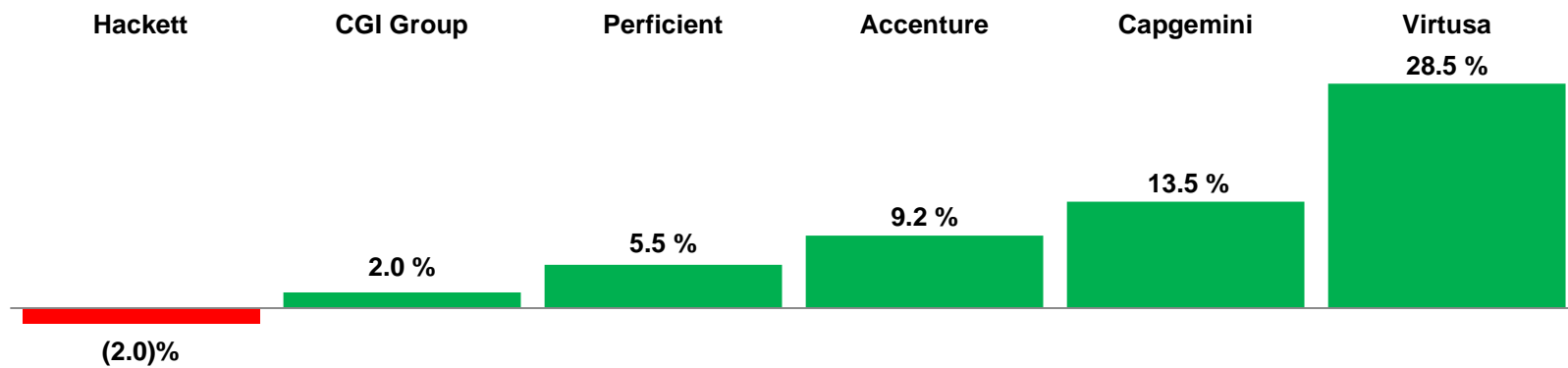
Source: Capital IQ, market data as of 30-Sep-2017

IT Services & Staffing Indices Performance



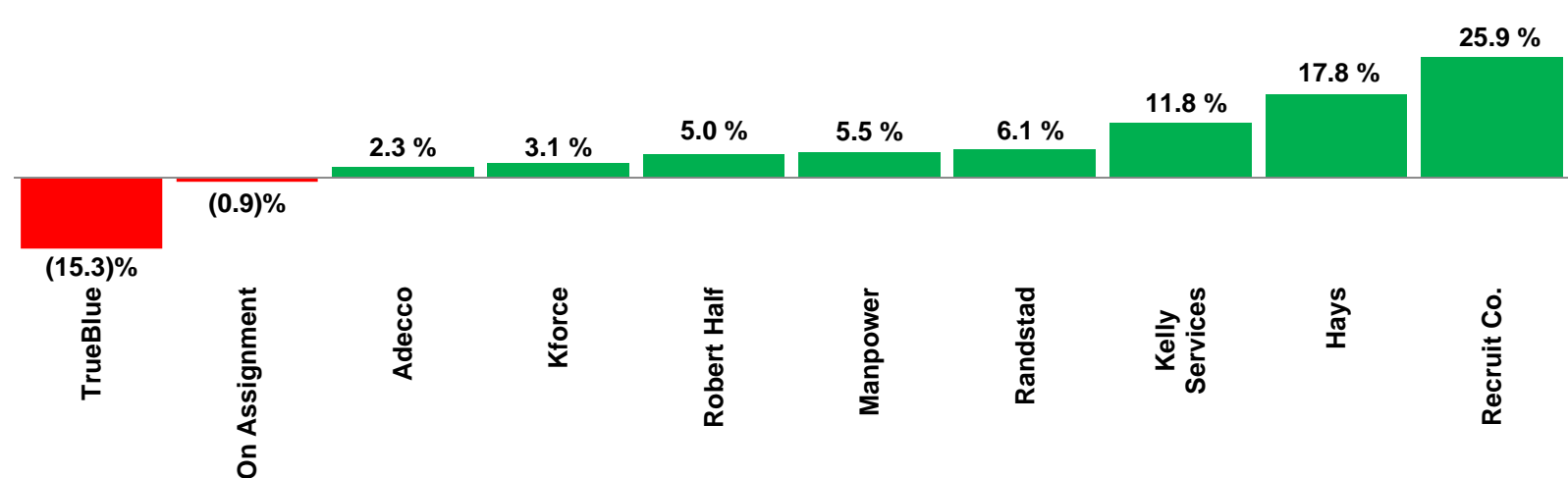
Source: Capital IQ, market data as of 30-Sep-2017

IT Services – Share Price Performance Q3 2017



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

Staffing – Share Price Performance Q3 2017



















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

Q3 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
09/28/2017			<ul style="list-style-type: none"> UNAFORTIS is a leading implementation provider of Avaloq, a popular software package that offers fully integrated banking software for the back, middle, and front office This is a strategically important acquisition for Luxoft, helping it to diversify its financial services business beyond investment banking and capital markets
09/25/2017			<ul style="list-style-type: none"> Principle Solutions Group is a high-performance, award-winning IT staffing and consulting firm By bringing together two of the nation's leading IT staffing and consulting companies, the combined organization will broaden its geographic reach to 18 offices nationwide. The combined entity will also be able to provide a broader suite of services and more experienced consultants to support its clients
09/21/2017			<ul style="list-style-type: none"> Smart Resources is a provider of temporary and direct hire finance & accounting staffing services. The company generated ~\$13 million during CY2016. It was acquired for \$6 million cash and certain earn-out provisions Since 2010, BG Staffing has completed and successfully integrated eight other acquisitions, helping grow trailing twelve month revenue to ~\$257 million as of June 2017
09/20/2017			<ul style="list-style-type: none"> US-based Lyons Consulting Group is an award-winning digital and global commerce service provider with deep expertise in Salesforce Commerce Cloud Along with Capgemini's recent acquisition of Itelios, a prominent European Salesforce Commerce Cloud solutions provider, this addition enables Capgemini to meet the digital customer experience needs of its clients around the world and positions the company as a global leader for Salesforce Commerce Cloud solutions
09/19/2017			<ul style="list-style-type: none"> firstPRO is a full service staffing and recruitment firm with a focus on IT, finance, and accounting that generates ~\$20 million in annual revenues Staffing 360 is executing an international buy-and-build strategy through the acquisition of staffing organizations in the US and UK. It acquired firstPRO for ~\$9 million, or ~0.5x revenue
09/18/2017			<ul style="list-style-type: none"> InfoZen is a leading IT solutions provider with domain expertise in modernization, agile / DevOps software development, cloud migration, and threat monitoring and assessment capabilities in support of critical national and homeland security missions ManTech acquired InfoZen for \$180 million in cash. ManTech currently has no debt and will fund the acquisition from cash on hand with additional funding from its existing line of credit
09/14/2017			<ul style="list-style-type: none"> Founded in 2005 and headquartered outside Boston, BioBridges helps workers find jobs in the pharmaceutical, biotechnology, and medical device industries. BioBridges' revenues are expected to be ~\$35 million in 2017 The transaction expands The Adecco Group's professional solutions footprint and establishes a US platform to develop the company's global life sciences presence
09/11/2017	 Emergent Networks		<ul style="list-style-type: none"> Emergent Networks is a trusted information technology advisor to enterprise organizations in Minnesota The combined company will deliver core offerings to customers such as design, integration, and optimization of data center and cloud, infrastructure, network security, unified communications, and enterprise networking solutions to customers in the Midwestern US
09/11/2017			<ul style="list-style-type: none"> Itconic is a leading data center, connectivity, and cloud infrastructure solutions provider in Spain and Portugal. Its subsidiary, CloudMas, is focused on supporting enterprise adoption and use of cloud services. Itconic's Q2 2017 annualized revenues are ~\$67 million Equinix will purchase the companies in an all-cash transaction totaling ~\$259 million

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09/07/2017	BRIGHTER	 intellectsoft	<ul style="list-style-type: none"> Brighter provides full stack Eastern European product teams of UX / UI designers, software engineers, QA, and product managers to growth phase startups The acquisition of Brighter further strengthens Intellectsoft's position for its 2020 IPO
09/05/2017	 Cloud Technology Partners	 Hewlett Packard Enterprise	<ul style="list-style-type: none"> Founded in 2010, CTP offers consulting, design, and operational advisory services for enterprise clients. Its services are cloud agnostic with expertise across all the major cloud platforms including Amazon Web Services, Microsoft Azure, Google, and OpenStack HPE plans to use the deal to further build out its own consulting services focused on private, managed, and public clouds, as well as traditional IT
09/05/2017	 D2SI	 devoteam	<ul style="list-style-type: none"> D2SI is a public cloud specialist and one of the leading French providers of cloud solutions of Amazon Web Services. The company employs about 100 people and generated revenues of ~€13 million in 2016 On August 6, 2017, Devoteam signed an agreement to acquire a majority stake (80%) in D2SI
09/04/2017	 DEVtalk <small>PARTNER OF YOUR DYNAMICS BUSINESS</small> AXelia	 KPMG	<ul style="list-style-type: none"> DEVtalk / AXelia specializes in services for Microsoft Dynamics 365 for Operations, an ERP application for medium and large businesses This acquisition allows KPMG to strengthen its position as a business integrator of Microsoft technology in the Belgian market and expand its digital transformation and data & analytics services to its customers
09/04/2017	 aciernet <small>resources / networks</small>	econocom	<ul style="list-style-type: none"> Aciernet is a French integrator of network and security solutions specializing in large datacenters. Currently a Gold Partner of Cisco, Aciernet's 2016 revenue was €85 million, and the firm boasts a headcount of between 20 and 50 staff On September 1, 2017, Econocom signed an agreement to acquire a 51% stake in Aciernet
08/31/2017	 Galitt	 sopra steria	<ul style="list-style-type: none"> Founded in 1990 as a consulting firm specializing in payment systems, Galitt gradually expanded its scope of business to include services, solutions development, and testing to become a benchmark player in France's payments and secure transactions market. With 250 employees and nearly 400 clients, Galitt posted revenues of €31 million in 2016 The payments market is a strategic growth priority for Sopra Steria
08/24/2017	 VERAX <small>We Deliver Results</small>	 accenture	<ul style="list-style-type: none"> VERAX is a Toronto-based technology and systems-integration consulting firm that serves the financial services sector in Canada The addition of VERAX will complement and enhance Accenture's consulting and technology capabilities in Canada
08/23/2017	 basati	 SIMPLUS	<ul style="list-style-type: none"> Basati is an Orlando, FL-based Salesforce Partner focused on the financial services industry The acquisition will enable Simplus to increase implementation support and managed services in the financial services industry
08/22/2017	 EKNOVATE	 feuji	<ul style="list-style-type: none"> EknoVate is a technology and services company that enables innovative solutions for its clients across telecom, technology, insurance, financial services, healthcare, and SME sectors. It helps design, implement, and manage customized solutions for its clients' unique outsourcing requirements The merged company will leverage complementary strengths and focus on scalable global services offerings under the Feuji brand



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08/21/2017			<ul style="list-style-type: none"> Exsitec is a leading provider of business system software, including ERP, business intelligence, and mobile solutions for medium-sized companies in Sweden. The company employs ~100 people that generated ~\$16 million in revenues in its latest fiscal year Standout Capital acquired a 55% majority stake in Exsitec
08/17/2017			<ul style="list-style-type: none"> SPS is a global, multivendor communication and networking managed service provider headquartered in New Jersey. The company is a Diamond Strategic Certified Avaya partner and a Gold Certified Cisco partner PE-backed (Clearlake Capital) ConvergeOne acquired another MSP, Annese & Associates, a month earlier and has acquired 14 businesses since 2004
08/11/2017			<ul style="list-style-type: none"> LayerV is a specialist public cloud solution integration company, with a strong focus on compliance, security, and cloud automation The acquisition is part of a targeted growth strategy and sees Pulsant gaining exclusive intellectual property around regulatory and cloud insight, strengthening its multi-cloud capabilities, particularly around continuous compliance and security, as well as its AWS offering
08/10/2017			<ul style="list-style-type: none"> ProSource is a management and information technology consulting firm headquartered in Richfield, Ohio The transaction is expected to increase Improving's annualized revenue by more than \$10 million in 2018 and will expand its geographic reach within the Midwestern and Southeastern regions of the US
08/09/2017			<ul style="list-style-type: none"> ETA drives corporate innovation initiatives through the use of emerging technologies, from machine learning and blockchain, to serverless architectures and containers-as-a-service Following Cloudreach's acquisition by Blackstone back in February, their joint ambition was to become the leading global software-enabled cloud services provider. Priorities were to invest in software-enablement, application development capabilities, and geographic expansion
08/08/2017			<ul style="list-style-type: none"> CSI provides mission-critical managed services to mid- to large-sized corporates with complex IT requirements, delivering solutions which combine deep expertise across infrastructure, applications, and cyber security. The company is expected to generate £48 million in revenue and £9 million in EBITDA in FY2017 MML invested £36 million into CSI
08/08/2017			<ul style="list-style-type: none"> Stratacuity is a provider of specialized clinical / scientific staffing solutions for biotechnology and pharmaceutical organizations that generated ~\$16 million in revenues in 2016 This acquisition enables On Assignment to build upon its presence in its life sciences staffing vertical
08/03/2017			<ul style="list-style-type: none"> Lannick is the premier professional recruitment and staffing firm in the Greater Toronto Area As Vaco's biggest acquisition to date, the purchase of Lannick not only expands Vaco's reach geographically, but also increases 2017 projected revenue to \$458 million
08/03/2017			<ul style="list-style-type: none"> Search Technologies is a Herndon, Virginia-based technology services firm specializing in the design, implementation, and management of big data and search analytics. Search employs ~200 big data engineers across the US, Costa Rica, Europe, and the Philippines The acquisition expands Accenture's content analytics and enterprise search capabilities As part of the acquisition, a new delivery center will be set up in Costa Rica

Q3 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
08/02/2017			<ul style="list-style-type: none"> With offices in Atlanta, Chicago, Detroit, and Dallas, Halo Group and its affiliates specialize in providing UX / UI, data and analytics, and cloud consultants as well as experts in all areas of security, project governance, and multi-platform application development With the acquisition, Fahrenheit IT will further expand into the Midwest as well as strengthen its presence in the major IT staffing markets of Dallas and Atlanta
07/31/2017			<ul style="list-style-type: none"> CDI provides engineering, information technology, and staffing solutions to clients in multiple industries AE Industrial Partners acquired CDI for \$8.25 per share (~\$160mm total) representing a 33% premium to the closing price of \$6.20 on July 28th and a 36% premium to the average closing price for the last 30 trading days of \$6.00 (EV / LTM Revenue: 0.2x) CDI is now a privately held company
07/27/2017		One Equity Partners	<ul style="list-style-type: none"> Lutech is a leading mid-sized IT system integration and solutions provider to medium and large Italian private and public-sector clients, with a diversified offering across vertical markets and business models: system integration, proprietary vertical market solutions, and next generation IT infrastructure OEP acquired Lutech from Laserline, the majority shareholder, and 16 other minority shareholders
07/26/2017			<ul style="list-style-type: none"> CRM Advantage is a certified consulting partner for Salesforce that helps companies implement the cloud-based CRM platform Brian Bell, CEO of CRM Advantage, will join Virsys12 focusing on Virsys12's core application, V12 Network, a certified Salesforce Fullforce Solution for healthcare providers, payors, and patient member networks
07/21/2017			<ul style="list-style-type: none"> PARX is a Salesforce Certified Platinum Partner in the DACH market of Germany, Austria, and Switzerland that generated ~\$8 million of revenues in 2016 Persistent agreed to acquire PARX for ~\$9 million cash at close with up to ~\$8 million of additional consideration payable to management over the next 3 years, contingent on retention and performance
07/20/2017	PERFORMANCE DATA		<ul style="list-style-type: none"> Performance Data, privately held and headquartered in Delaware, is a global IT service provider for hardware maintenance and systems integration services Park Place's acquisition of Performance Data marks the company's fourth acquisition over the past 12 months and its latest effort to solidify and grow its position as a global leader in legacy enterprise storage, IT, and hardware maintenance
07/18/2017			<ul style="list-style-type: none"> Annese & Associates, a Cisco Gold Certified Partner, is a technology solutions provider backed by four decades of expertise and relationships, with a continual focus on innovation The acquisition expands ConvergeOne's Cisco footprint, certifications, and portfolio of services and solutions capabilities across the Northeastern US
07/13/2017			<ul style="list-style-type: none"> The Cloud Services Business of Bi101 is a cloud consulting provider based in Livermore, California. NeoCloud will add more than 350 of Bi101's customers to its client portfolio, growing its customer base by ~30% Bi101 will continue to operate its financial consulting business as a standalone entity and retain the Bi101.com website
07/10/2017			<ul style="list-style-type: none"> The Bunker is one of the UK's leading providers of ultra-secure managed IT services to mid-market UK companies Palatine plans to build The Bunker in to a full service cyber security business and has already identified several acquisitions to achieve this aim

Q3 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
07/10/2017			<ul style="list-style-type: none"> Founded in 2005, DBAK has grown into a full-service Oracle consulting firm with a substantial Oracle licensing and advisory offering as well as an industry leading database consulting practice By combining, both companies' existing customers will have access to additional specialized Oracle services, resources, and knowledge
07/05/2017			<ul style="list-style-type: none"> Tribridge is one of the largest independent integrators of Microsoft Dynamics 365 The combination of Tribridge with the existing DXC Eclipse business solidifies DXC's position as a leading global systems integrator for Microsoft Dynamics
07/03/2017			<ul style="list-style-type: none"> NCI is a leading provider of IT and professional services and solutions to US Federal Government agencies. The company sits in the middle tier of public pure-play government services companies at ~\$322 million in 2016 sales HIG acquired NCI for approximately \$285 million implying a 0.9x LTM Revenue Multiple and a 9.6x LTM EBITDA Multiple
07/03/2017			<ul style="list-style-type: none"> Blue Chip is a 20-year pacesetter delivering end-to-end fully managed IT services to large SMEs, enterprises, and public sector organizations This was the fifth and largest transaction within the last 18 months for GCI making GCI one of the largest privately owned MSPs in the UK with 500 staff, revenue approaching £100 million, and an impressive technical capability underpinned by multiple vendor certifications including 10 Microsoft Gold accreditations

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