

CLEAR SIGHT MONITOR

IT Services & Staffing – Q4 2017

Market Perspective

Public Market Performance

Recent IT Services M&A Activity

Recent Staffing M&A Activity



Bhavin Patel

Director

[Email Bhavin](#)

2017: IT Services & Staffing M&A Year in Review

Undoubtedly, the IT Services industry is continuing to undergo massive transformation as the digital revolution continues its siege. As we reflect on M&A activity in 2017, here are a few of the deals we found to be extremely interesting – because of either the market convergence they represent, the sheer impact they have, or the growing interest from the private equity community they demonstrate.

Q1 2017

- › Proviso Capital acquired Kerr Consulting [\(01/17/2017\)](#)
- › Veritas Capital acquired Harris Corp's Government IT Services business [\(01/27/2017\)](#)
- › Deloitte acquired Day1 Solutions [\(03/27/2017\)](#)

Q2 2017

- › KPMG acquired ToMont Solutions [\(05/01/2017\)](#)
- › The Hackett Group acquired Jibe Consulting [\(05/09/2017\)](#)
- › Rackspace acquired TriCore Solutions [\(05/25/2017\)](#)
- › Perficient acquired Clarity Consulting [\(06/23/2017\)](#)

Q3 2017

- › H.I.G. Capital acquired NCI [\(07/03/2017\)](#)
- › DXC Technology acquired Tribridge [\(07/05/2017\)](#)
- › Hewlett Packard Enterprise acquired Cloud Technology Partners [\(09/05/2017\)](#)
- › Capgemini acquired Lyons Consulting Group [\(09/20/2017\)](#)

Q4 2017

- › Office Depot acquired CompuCom [\(10/03/2017\)](#)
- › ADT acquired Datashield [\(11/14/2017\)](#)
- › CGI acquired Paragon [\(12/07/2017\)](#)

Looking ahead, we expect another busy year in the IT Services industry. We're excited to see what 2018 has to offer and what M&A themes play out as we expect as the year ensues. We would wager that some of the hottest assets will be: specialty cloud services providers, digital transformation experts, big data scientists, and consultancies that align technology with business strategy. Wishing you all a great Q1 2018.



IT Services & Staffing Comparable Companies Analysis

IT 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
					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	15.4 x	14.1 x	16.3 %
Capgemini	118.74	93.5	20,588	23,190	1.6	1.5	1.5	12.6	11.3	10.5	12.7
CGI Group	54.46	97.6	15,803	17,155	2.0	2.0	1.9	11.8	10.8	10.2	16.7
DXC Technology	94.90	95.4	27,671	33,892	1.4	1.7	1.4	8.5	8.6	6.9	16.1
Perficient	19.07	94.3	691	754	1.6	1.6	1.5	14.8	10.8	9.5	11.1
The Hackett Group	15.71	75.9	486	491	1.9	1.7	1.7	12.0	10.4	9.4	15.6
Virtusa	44.08	90.5	1,409	1,473	1.6	1.5	1.3	24.7	21.7	15.4	6.5

High	97.6 %	\$ 97,627	\$ 94,761	2.6 x	2.7 x	2.4 x	24.7 x	21.7 x	15.4 x	16.7 %
Median	94.3	15,803	17,155	1.6	1.7	1.5	12.6	10.8	10.2	15.6
Mean	92.0	23,468	24,531	1.8	1.8	1.7	14.4	12.7	10.9	13.6
Low	75.9	486	491	1.4	1.5	1.3	8.5	8.6	6.9	6.5

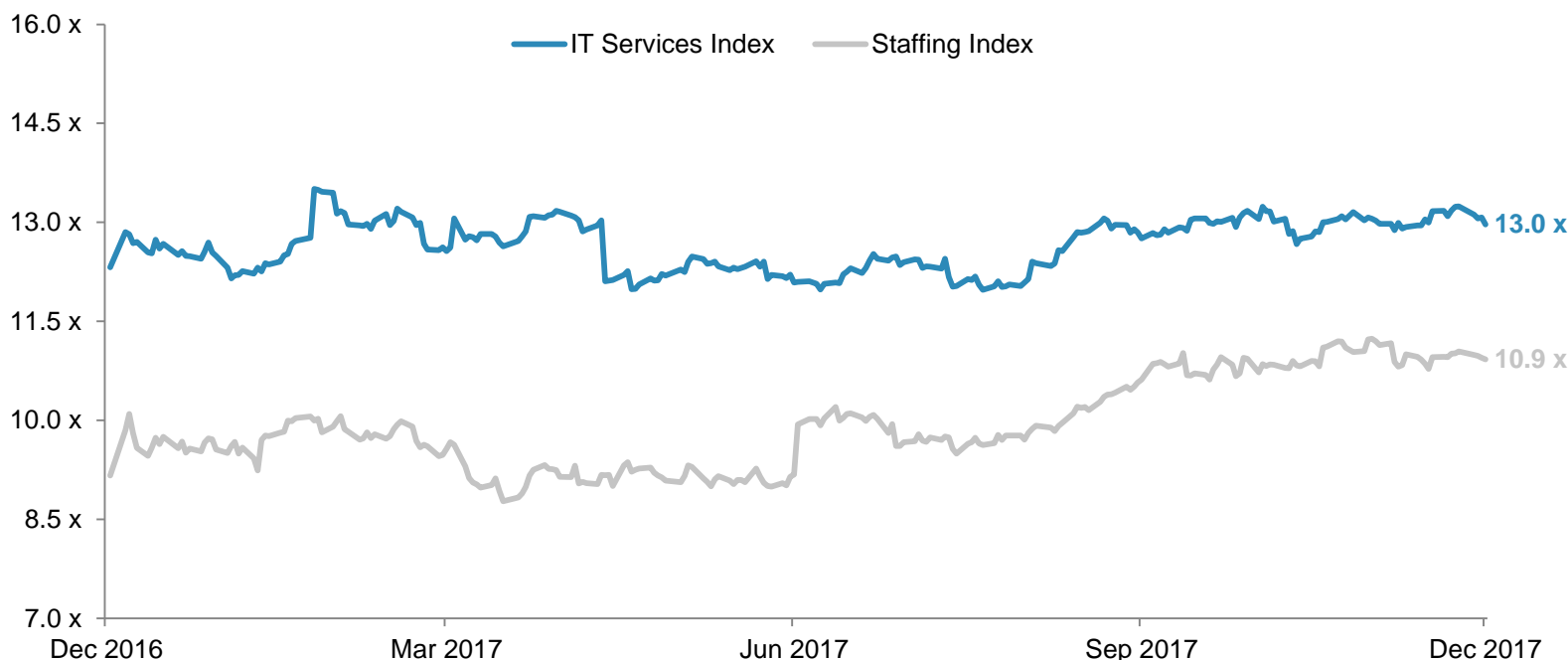
Staffing Index	Closing Price 31-Dec-2017	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin
					LTM	2017	2018	LTM	2017	2018	
Adecco	\$ 76.50	93.4 %	\$ 13,082	\$ 14,379	0.5 x	0.5 x	0.5 x	10.0 x	9.4 x	9.2 x	5.2 %
Hays	2.47	91.5	3,650	3,499	0.5	0.5	0.5	11.7	10.5	9.7	4.5
Kelly Services	27.27	88.2	1,083	1,085	0.2	0.2	0.2	11.0	10.0	8.8	1.9
Kforce	25.25	93.7	703	831	0.6	0.6	0.6	11.5	10.3	9.3	5.4
ManpowerGroup	126.11	95.5	8,482	8,828	0.4	0.4	0.4	10.1	10.1	9.2	4.3
On Assignment	64.27	97.8	3,429	4,011	1.6	1.5	1.4	14.9	13.0	12.0	10.5
Randstad	61.53	87.7	11,386	13,063	0.5	0.5	0.5	11.1	9.5	8.9	4.4
Recruit Co.	24.86	97.3	41,527	40,060	2.2	2.2	1.9	17.1	16.9	15.7	12.7
Robert Half	55.54	96.3	7,084	6,736	1.3	1.3	1.2	11.7	11.6	11.0	11.1
TrueBlue	27.50	93.2	1,044	1,143	0.4	0.5	0.4	8.4	9.4	8.7	5.3

High	97.8 %	\$ 41,527	\$ 40,060	2.2 x	2.2 x	1.9 x	17.1 x	16.9 x	15.7 x	12.7 %
Median	93.5	5,367	5,374	0.5	0.5	0.5	11.3	10.2	9.2	5.2
Mean	93.5	9,147	9,364	0.8	0.8	0.8	11.7	11.1	10.2	6.5
Low	87.7	703	831	0.2	0.2	0.2	8.4	9.4	8.7	1.9

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

Note: \$ in millions except for closing price.

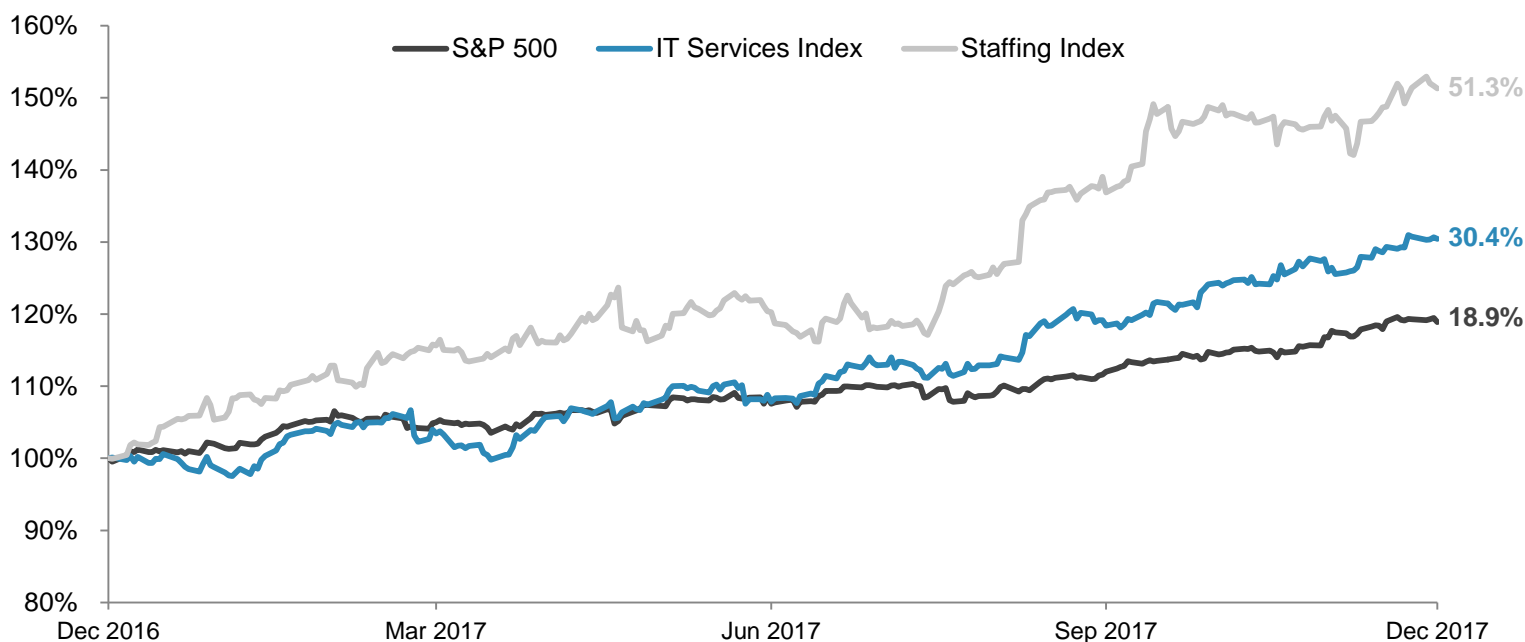
LTM EV / EBITDA Multiple Trend



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

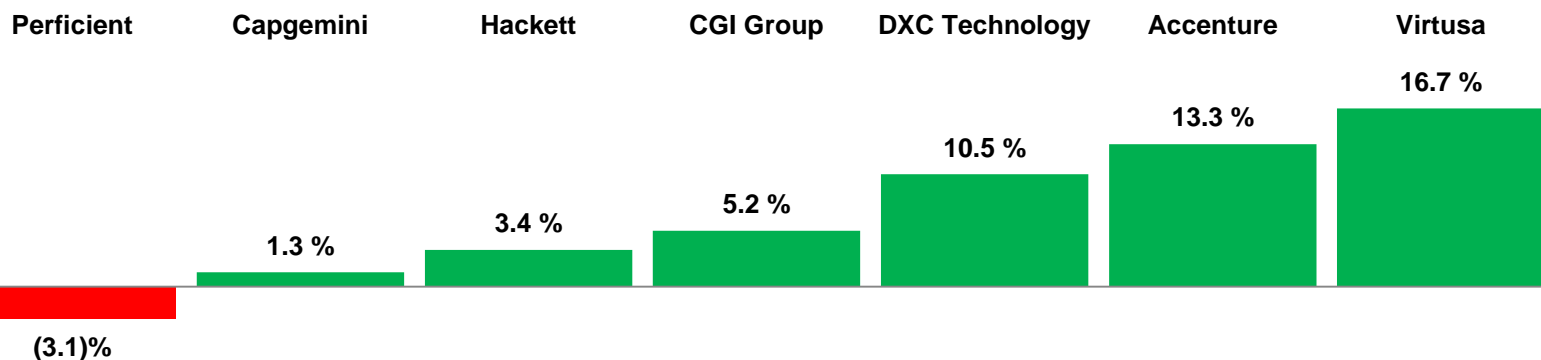
Note: The multiple chart may differ from the Comparable Companies Analysis due to detailed adjustments made to the Comparable Companies Analysis.

IT Services & Staffing Indices Performance



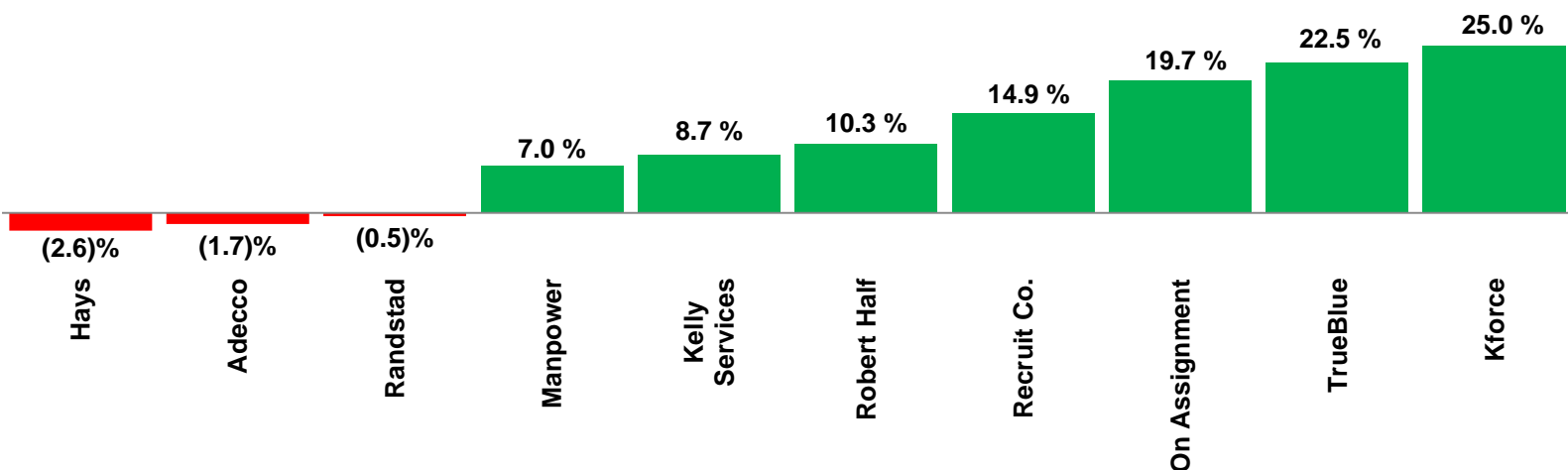
Source: Capital IQ, market data as of 31-Dec-2017

IT Services – Share Price Performance Q4 2017




















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

Staffing – Share Price Performance Q4 2017










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

Q4 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
12/18/2017	 INMICS	 Telia Company	<ul style="list-style-type: none"> Inmics is a Finnish ICT company with a strong regional presence that acts as a reseller of workstations, IT equipment, and software and related managed services. The company has ~190 employees Telia acquired Inmics at an enterprise value of €75.0 million. Based on 2017 results, the purchase price corresponds to an LTM EV / EBITDA multiple of 11.7x including synergies that are expected to fully materialize in 2019
12/18/2017	 WRK systems inc	 SCANTRON®	<ul style="list-style-type: none"> WRK Systems is a comprehensive technology services provider that designs, manages, and supports IT infrastructure, in addition to implementing and managing cost effective cloud computing solutions Scantron has experienced significant growth in its technology services business and has been focused on expanding its managed IT services in recent years
12/18/2017	 AOS	 ConvergeOne	<ul style="list-style-type: none"> Alexander Open Systems ("AOS"), a Microsoft Gold Partner, specializes in architecting, implementing, and supporting an expansive portfolio of solutions including cloud, collaboration, data center, networking, security, virtualization, business intelligence, and more Earlier in December 2017, ConvergeOne announced its plan to become a Nasdaq-listed public company at an estimated valuation of ~\$1.2 billion
12/15/2017	 sbs group	 socius	<ul style="list-style-type: none"> SBS Group is a Microsoft Master VAR and Indirect Cloud Solutions Provider specializing in Microsoft Dynamics solutions and services for companies of all sizes SBS Group and Socius will form a new entity, Velosio, that will be among the largest privately-owned Microsoft partners in North America having over 4,000 clients with more than 300 employees and 150 affiliates
12/13/2017	 NexusTek	 abry partners	<ul style="list-style-type: none"> Headquartered in Denver, NexusTek provides regional IT support and outsourcing including help desk, cloud services, VoIP, cyber security services, server monitoring, and Microsoft Dynamics 365 CRM services Abry and NexusTek are investing to make NexusTek the best managed service provider in the West
12/12/2017	 MercuryTechnology	 Velocity	<ul style="list-style-type: none"> Mercury is a provider of cloud managed services focused on the Oracle applications suite The acquisition expands Velocity's leadership as one of the world's largest pure-play, privately-held cloud services provider
12/08/2017	 HOLLAND SQUARE GROUP apply leverage. drive results.	 ALKU FROM START TO FINISH	<ul style="list-style-type: none"> Based in Nashville, Tennessee, Holland Square Group provides IT consulting and staffing services to a diverse range of healthcare clients The acquisition positions ALKU to continue to expand and diversify its highly specialized service offerings to the healthcare IT market
12/07/2017	 PARAGON POWERING BUSINESS TRANSFORMATION	 CGI	<ul style="list-style-type: none"> Paragon is a high-end commercial business consultancy with depth in health and life sciences and IT expertise in digital transformation and systems integration Paragon strengthens CGI's position in a key metropolitan growth region encompassing the Greater New York City / New Jersey and Philadelphia metro markets
12/06/2017	 GAP SOLUTIONS	 system one	<ul style="list-style-type: none"> Gap Solutions is a professional services firm delivering mission support solutions to US federal clients. The company specializes in human capital management, security process management, scientific and technical expertise, and operations management With the acquisition, System One and GAP Solutions will combine their capabilities to provide a broad array of solutions to defense and federal civilian customers


Q4 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
12/06/2017	 AWK GROUP	 DEUTSCHE PRIVATE EQUITY	<ul style="list-style-type: none"> Zurich-headquartered AWK Group offers IT consulting, system engineering, and project management services employing more than 250 people across four locations in Switzerland generating sales of more than \$50.0 million With the investment, the AWK Group is aiming to expand its service portfolio further and double its workforce in the medium term from 250 to 500
12/05/2017	 BPBD	 vistavu Solutions	<ul style="list-style-type: none"> BPBD is an SAP Business ByDesign systems integration and management consulting company This transaction represents the second acquisition this year for VistaVu after its June acquisition of the SAP Business ByDesign practice of FMT Consultants. These acquisitions support VistaVu's plans for growth and confirms a commitment to become one of the leading software companies in North America
11/30/2017	 apps associates extreme expertise	 bv INVESTMENT PARTNERS SINCE 1983	<ul style="list-style-type: none"> Apps Associates is a global IT services organization focused on supporting mission-critical business applications and helping facilitate enterprise customers' digital and cloud transformation initiatives The company has long-standing partnerships with several leading technology companies such as Oracle, AWS, and Salesforce
11/27/2017	 itgen	 T-Systems	<ul style="list-style-type: none"> Located in Budapest, ITgen possesses unique capabilities in SAP technology consulting, SAP GRC, and SAP security. In 2016, the company generated revenues of ~\$3.1 million and EBITDA of ~\$1.2 million The acquisition of ITgen allows T-Systems to provide more comprehensive SAP services by acquiring highly complementary competencies. T-Systems acquired ITgen for a purchase price plus a potential 3-year earnout payment totaling to a maximum of ~\$4.7 million
11/17/2017	 TCSC The Computer Solution Company	 Cherry Bekaert LLP Your guide forward	<ul style="list-style-type: none"> TCSC provides technology solutions to organizations throughout Central Virginia and the Mid-Atlantic region. TCSC is Microsoft Certified Gold Partner and a provider of Microsoft-centric business solutions, enterprise consulting, and application design, development, implementation, and integration services Concurrent with the acquisition, Cherry Bekaert announced the formation of a new business unit called THInclT that will develop and deploy tech. solutions
11/15/2017	 L3	 AVITUS GROUP	<ul style="list-style-type: none"> Layer 3 Technology provides managed IT, software / hardware procurement, and project deployment services to the Southwest Missouri area and beyond. The company employs 23 people The deal enhances Avitus' existing IT offerings
11/14/2017	 syncordis	 LTI	<ul style="list-style-type: none"> Based in Luxembourg, Syncordis is a core banking implementation services provider with an exclusive focus on Temenos Digital Suites that positions it as a leading independent pure-play Temenos specialist. Together with its subsidiaries, the company generated ~€12.4 million in revenue during 2016 LTI acquired Syncordis and its subsidiaries for €15.0 million at close with an additional €13.5 million potentially payable over 4 – 5 years, contingent on performance
11/14/2017	 DATASHIELD	 ADT	<ul style="list-style-type: none"> Founded in 2009, Datashield is one of the fastest growing cyber security firms in North America. The company provides cyber security solutions in conjunction with managed detection and response services across all industries With the acquisition, ADT launched ADT Cybersecurity to deal with the blending of physical and digital security caused by the rise of internet-connected devices
11/13/2017	 Secure-24	 NTT Communications	<ul style="list-style-type: none"> Secure-24 specializes in delivering effective, comprehensive managed services that leverage proprietary, highly automated operation tools NTT will leverage Secure-24's extensive portfolio of managed application and database services, including SAP, SAP HANA, Oracle, Hyperion, JD Edwards, Microsoft, Epic, and other mission-critical applications

Q4 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
11/12/2017		 OLYMPUS PARTNERS	<ul style="list-style-type: none"> Vaco provides executive search, consulting, permanent placement, managed services, and strategic staffing solutions for companies around the world in the areas of accounting, finance, technology, healthcare, operations, and more Based in Nashville, Tennessee, Vaco has more than 780 employees and 4,300 consultants across 35 offices around the globe
11/07/2017			<ul style="list-style-type: none"> First Hosted Limited is one of the UK's leading providers of Oracle NetSuite products, services, and solutions The combined RSM and FHL operations will create one of the largest UK NetSuite partners with a team just short of 100
11/02/2017			<ul style="list-style-type: none"> Premier Logic is a full-service digital and technology solutions consultancy, focused on digital transformation, product innovation, and enterprise technology with customer concentrations in the financial services, life sciences, and retail / e-commerce verticals With this acquisition, ALTEN Calsoft Labs has also created a separate "Digital" division that will exclusively focus on cost effective and lean digital transformation solutions for enterprises
11/02/2017			<ul style="list-style-type: none"> Headquartered in Reston, VA, Dominion Consulting is a technology and management consulting firm The merger of equals, in which TeraThink will remain the surviving corporate entity, creates a company generating ~\$80.0 million in annual revenues evenly allocated across defense and federal civilian customers
11/01/2017			<ul style="list-style-type: none"> Accretive Solutions is a national professional services firm providing consulting, staffing, and outsourcing solutions to a wide variety of organizations from start-ups to the Fortune 500 RGP agreed to acquire Accretive for \$19.4 million in cash and 1.2 million shares of RGP common stock (Nasdaq:RECN)
11/01/2017	 RiverPoint		<ul style="list-style-type: none"> RiverPoint Solutions Group, founded in 1988, is an IT professional services firm that specializes in implementing, upgrading, and hosting enterprise marketing management technology solutions The addition of RiverPoint and its campaign management capabilities strengthens the Allant portfolio of services by bringing expertise in marketing execution and systems and data integration to deliver high-value, tailored solutions and services
10/30/2017			<ul style="list-style-type: none"> Headquartered in Simi Valley, CA, Xavient is a global IT consulting and next-generation software services company with approximately 1,800 employees Under the agreement TELUS will initially acquire a 65% majority interest in Xavient with the right to acquire the remaining interest on or before 12/31/2020. Based on various performance-related metrics, the total consideration, including the purchase of the remaining interest, is estimated to be approximately \$250.0 million
10/27/2017			<ul style="list-style-type: none"> Vista provides IT support, maintenance, and managed services to the retail, hospitality, and leisure industries. Vista generated sales of almost £18.0 million in 2016. From its Welsh base, it now operates across the UK, employing more than 200 people, including 120 field service engineers The £14.0 million investment, which values the business at nearly £30.0 million, will be used to accelerate Vista's growth and fund new acquisitions
10/24/2017		 Cognizant	<ul style="list-style-type: none"> Headquartered in Zurich, Netcentric transforms customer experiences for the world's top brands by helping them unleash the full potential of the Adobe Experience Cloud The acquisition will enhance Cognizant's ability to deliver business-critical digital experience solutions for clients in Europe and around the world

Q4 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
10/17/2017	 PRAXIS ENGINEERING	 CSRA	<ul style="list-style-type: none"> Praxis Engineering, headquartered in Annapolis Junction, MD, is a consulting, products, and solutions firm dedicated to the practical application of software and systems engineering technologies CSRA agreed to acquire Praxis for \$235.0 million in cash
10/13/2017	 NeoSystems	NOVUME	<ul style="list-style-type: none"> NeoSystems is a Tysons Corner, VA-based company that provides professional services and technology solutions that deliver strategic back office support to companies and associations The total consideration for the acquisition, which is expected to be comprised of cash, Novume restricted stock, and Novume's assumption of certain NeoSystems' liabilities, is anticipated to be ~\$21.0 million
10/11/2017	 PRECISION IT	 THRIVE	<ul style="list-style-type: none"> Headquartered in New York City, Precision IT is a managed service provider that relies on less automation and more personalized service Precision IT provides Thrive with instant credibility in the New York Tri-State area, a financial services driven practice with extensive technical, compliance-management capabilities, and a much deeper engineering base of talent for supporting the combined customer base
10/11/2017	 DXC technology US Public Sector Business	 KEYPOINT GOVERNMENT SOLUTIONS  VENCORE	<ul style="list-style-type: none"> DXC Technology's US Public Sector Business ("USPS") provides technology services, which include cybersecurity, cloud computing, data, and applications The plan for the deal is to combine DXC's USPS with Vencore and KeyPoint Government Solutions to form a separate, independent publicly traded company to serve US public sector clients. Both Vencore and KeyPoint are currently owned by affiliates of Veritas Capital
10/11/2017	 CORUS360 High Impact Technologies	 CONVERGE Technology Partners	<ul style="list-style-type: none"> Corus360 is a technology solutions company that empowers organizations to build, transition, and ultimately transform their environments to reach desired outcomes through seamless resilience, selecting the right people, and implementing ideal technologies Corus360 will continue its growth strategy as a platform for mergers and acquisitions in North America and other countries
10/10/2017	 LOGICALIS SMC Service Management Consulting	 fruition PARTNERS A DXC Technology Company	<ul style="list-style-type: none"> Logicalis SMC is one of the Netherlands' leading providers of technology-enabled solutions for the service management sector The combination of Logicalis SMC with DXC's Fruition Partners' business solidifies DXC's position as one of the most experienced global integrators for ServiceNow
10/04/2017	 PURSUIT HealthcareAdvisors	 Atos	<ul style="list-style-type: none"> Pursuit offers services and solutions for today's challenging healthcare IT environment. Pursuit is deeply rooted in understanding the value of vendor-specific expertise, certified project management, and healthcare IT specific-methodologies The acquisition along with the two listed below will further strengthen the scale and scope of Atos' healthcare-focused services in its Business & Platform Solutions division
10/04/2017	 CONDUENT Healthcare Provider Consulting Business & Breakaway Group	 Atos	<ul style="list-style-type: none"> Conduent's Healthcare Provider Consulting Group offers consulting services to healthcare providers and The Breakaway Group provides EHR and healthcare IT training With these acquisitions and the one above, approximately 400 healthcare consultants will join Atos. Further to the acquisitions, Atos will generate more than €1.0 billion in revenue on an annual basis in the healthcare sector
10/03/2017	 StaffMasters	 Hire Dynamics Great Jobs • Great People	<ul style="list-style-type: none"> StaffMasters, headquartered in Charlotte, NC, is a commercial staffing provider with 23 branches across North Carolina and South Carolina serving more than 715 clients and offering work to over 16,000 individuals Both Hire Dynamics and StaffMasters will retain their brands and the combined company will generate ~\$220.0 million in revenue

Q4 2017 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
10/03/2017	CompuCom.	Office DEPOT	<ul style="list-style-type: none"> CompuCom is a global company headquartered in Plano, Texas that provides IT managed services, infrastructure solutions, consulting, and products to Fortune 1000 companies committed to enhancing their end users' experience. The company generates ~\$1.1 billion in sales annually Office Depot will acquire CompuCom from Thomas H. Lee Partners for a total consideration of approximately \$1.0 billion
10/02/2017			<ul style="list-style-type: none"> Spring2 Technologies is a Utah-based technology consulting firm specializing in NetSuite The partnership grows Eide Bailly's NetSuite practice and also adds Spring2's Microsoft Dynamics expertise
10/02/2017			<ul style="list-style-type: none"> Forsythe is an enterprise IT company, providing advisory services, security, hosting, and technology solutions to Fortune 1000 organizations. The company has nearly 1,000 employees in 40 locations generating over \$1.0 billion in annual gross revenues Forsythe is the seventh company Sirius has acquired since 2014

RECENT DEALS

CLIENT SUCCESS



has been acquired by



A portfolio company of
MOUNTAIN GATE
CAPITAL

SELL-SIDEADVISOR



has been acquired by



SELL-SIDEADVISOR



has been acquired by



SELL-SIDEADVISOR



has been acquired by



SELL-SIDEADVISOR



has been acquired by



SELL-SIDEADVISOR



has licensed key IP
assets to



FINANCIALADVISOR



has been acquired by



SELL-SIDEADVISOR



has been acquired by



SELL-SIDEADVISOR



has been acquired by



A portfolio company of
QUAD-C

SELL-SIDEADVISOR



has been acquired by



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 technology and business services companies.



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 Boulevard, Suite 710
McLean, Virginia 22102

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



703.672.3100



www.clearsightadvisors.com



[@clearsightmb](https://twitter.com/clearsightmb)



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