

CLEAR SIGHT MONITOR

IT Services & Staffing – Q1 2018

Market Perspective

Public Market Performance

Recent IT Services M&A Activity

Recent Staffing M&A Activity



Bhavin Patel

Director

[Email Bhavin](#)

A Busy Start to 2018

The M&A market has been moving at such a rapid clip for enough time now that one has to wonder when the current environment will slow. If the first quarter of 2018 is any indicator of times to come, we expect this year to keep pace or even exceed years prior. With our IT Services Index trading at 12.0x+ LTM EBITDA and our Staffing Index trading at 11.0x+ LTM EBITDA, the market is healthy and both strategic and financial acquirers remain highly interested in assets with focused offerings in high growth vertical and/or horizontal areas. A few notable transactions from this quarter:

08-Mar-2018: Apax Partners invests in Business Integration Partners (“Bip”)

- Milan-based Bip delivers consulting, business integration, and IT services
- The objective of the 60%, €120 million investment is to establish Bip as an undisputed global player in the market by pursuing both organic and inorganic growth, and accelerating its international development and industry diversification

12-Feb-2018: General Dynamics (“GD”) acquires CSRA

- In early February, General Dynamics announced its intent to acquire CSRA, a major provider of IT solutions and professional services to the US government
- CACI attempted to hijack the deal, and ultimately failed, however it did force GD to amend its offer to acquire all outstanding shares of CSRA for \$41.25 per share in cash, an increase from the original \$40.75 per share offer

05-Feb-2018: Capgemini acquires LiquidHub

- Capgemini acquired LiquidHub, the Pennsylvania-based digital customer engagement solution provider, for \$500 million, or 2.0x 2017 revenue
- The acquisition aims to reinforce Capgemini’s digital consulting capabilities in North America

In addition to the busy quarter in the IT Services market, it has also been an exciting quarter for ClearSight. We expanded our firm to Nashville (where I am leading the charge), hired our first VP of Marketing, and closed multiple deals with several more slated to close in the second quarter.



IT Services & Staffing Comparable Companies Analysis

IT Services Index	Closing Price 30-Mar-2018	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin
					LTM	2018	2019	LTM	2018	2019	
Accenture	\$ 153.50	92.7 %	\$ 101,944	\$ 99,130	2.7 x	2.5 x	2.3 x	16.4 x	14.6 x	13.5 x	16.2 %
Capgemini	124.68	93.0	21,627	23,837	1.5	1.5	1.4	12.1	10.7	10.2	12.7
CGI Group	57.62	96.2	16,621	17,849	2.0	2.0	1.9	12.3	11.0	10.5	16.6
DXC Technology	100.53	93.2	29,326	35,305	1.5	1.5	1.5	8.3	7.0	6.8	17.5
Perficient	22.92	94.3	831	880	1.9	1.8	1.7	16.5	11.4	10.5	11.3
The Hackett Group	16.06	78.9	503	505	1.9	1.7	1.6	12.3	10.0	9.2	15.6
Virtusa	48.46	91.6	1,553	1,592	1.6	1.3	1.2	23.9	16.9	13.6	6.9

High	96.2 %	\$ 101,944	\$ 99,130	2.7 x	2.5 x	2.3 x	23.9 x	16.9 x	13.6 x	17.5 %
Median	93.0	16,621	17,849	1.9	1.7	1.6	12.3	11.0	10.5	15.6
Mean	91.4	24,629	25,585	1.9	1.8	1.7	14.5	11.6	10.6	13.8
Low	78.9	503	505	1.5	1.3	1.2	8.3	7.0	6.8	6.9

Staffing Index	Closing Price 30-Mar-2018	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin
					LTM	2018	2019	LTM	2018	2019	
Adecco	\$ 71.31	84.9 %	\$ 11,884	\$ 13,119	0.5 x	0.4 x	0.4 x	9.1 x	8.3 x	8.0 x	5.1 %
ASGN ¹	81.88	95.1	4,352	5,717	1.8	1.7	1.6	15.1	14.6	13.2	11.8
Hays	2.64	91.3	3,902	3,854	0.5	0.5	0.5	11.7	10.0	9.4	4.5
Kelly Services	29.04	93.7	1,153	1,131	0.2	0.2	0.2	10.4	8.8	8.0	2.0
Kforce	27.05	92.2	747	866	0.6	0.6	0.6	12.0	9.7	8.8	5.3
ManpowerGroup	115.10	84.1	7,688	8,029	0.4	0.3	0.3	8.9	8.1	7.6	4.3
Randstad	65.81	89.7	12,163	13,791	0.5	0.5	0.4	11.1	9.2	8.6	4.5
Recruit Co.	24.90	91.9	41,596	39,945	2.1	1.8	1.7	15.8	15.1	12.6	13.2
Robert Half	57.89	95.5	7,315	7,022	1.3	1.3	1.2	12.1	11.4	10.6	11.0
TrueBlue	25.90	87.8	1,063	1,153	0.5	0.4	0.4	9.3	8.8	8.3	5.0

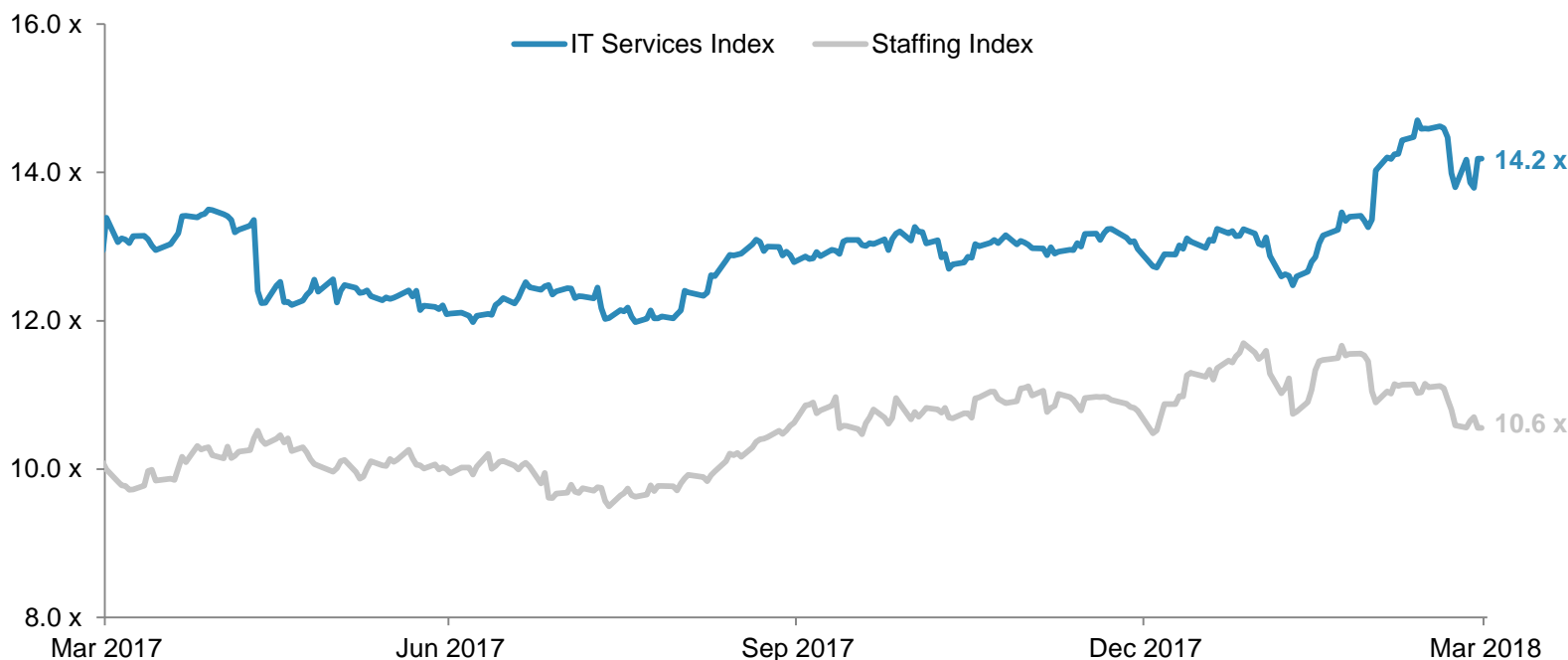
High	95.5 %	\$ 41,596	\$ 39,945	2.1 x	1.8 x	1.7 x	15.8 x	15.1 x	13.2 x	13.2 %
Median	91.6	5,834	6,369	0.5	0.5	0.5	11.4	9.4	8.7	5.0
Mean	90.6	9,186	9,463	0.8	0.8	0.7	11.5	10.4	9.5	6.7
Low	84.1	747	866	0.2	0.2	0.2	8.9	8.1	7.6	2.0

Source: Capital IQ, market data as of 30-Mar-2018

Note: \$ in millions except for closing price.

1. On Assignment officially changed its name to ASGN on 02-April-2018, concurrent with the closing of its acquisition of ECS Federal.

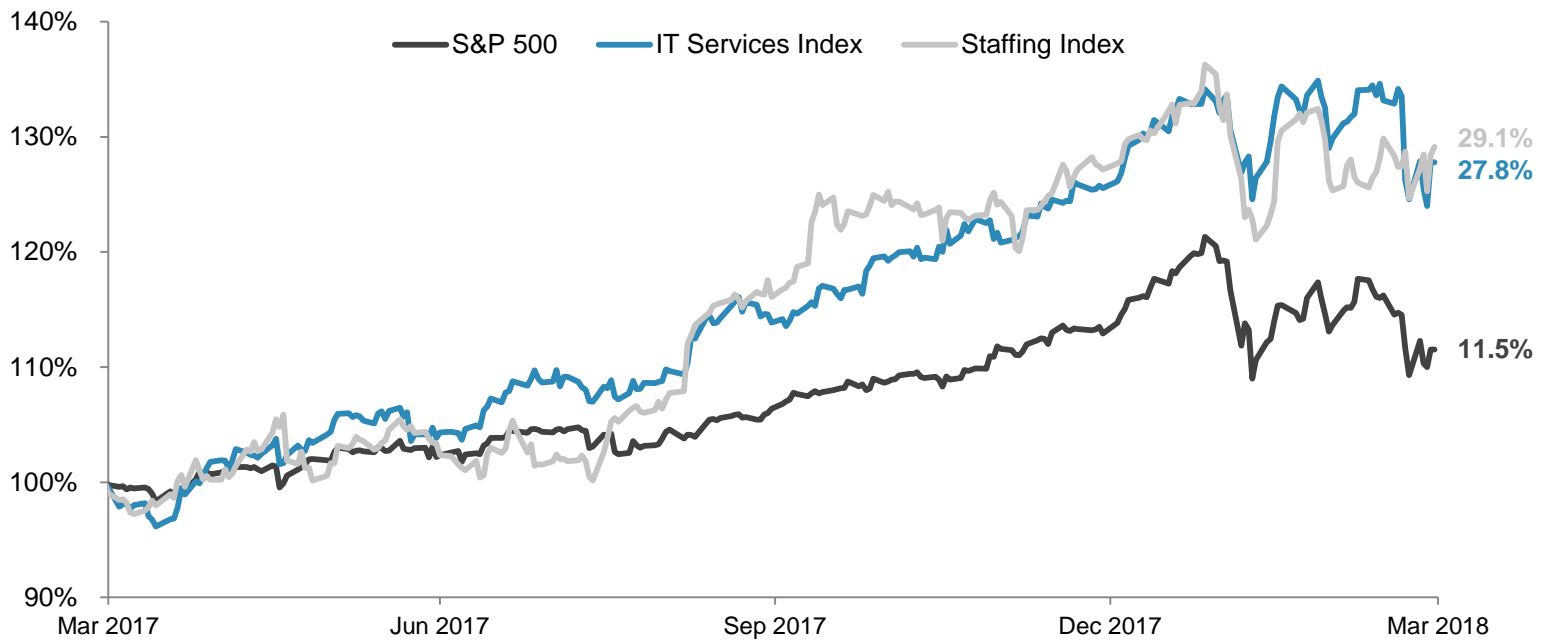
LTM EV / EBITDA Multiple Trend



Source: Capital IQ, market data as of 30-Mar-2018

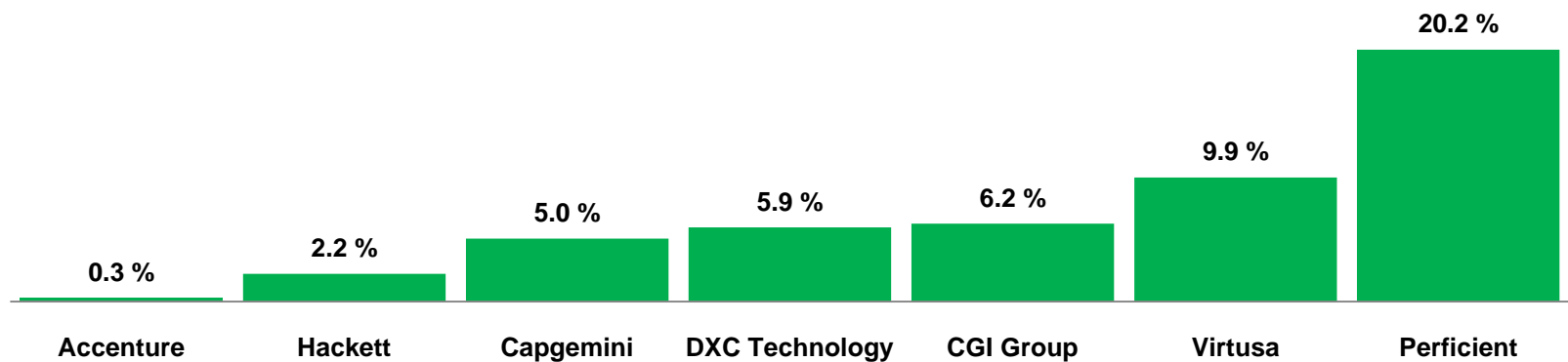
Note: The multiple chart may differ from the Comparable Companies Analysis due to detailed adjustments made to the Comparable Companies Analysis.

IT Services & Staffing Indices Performance



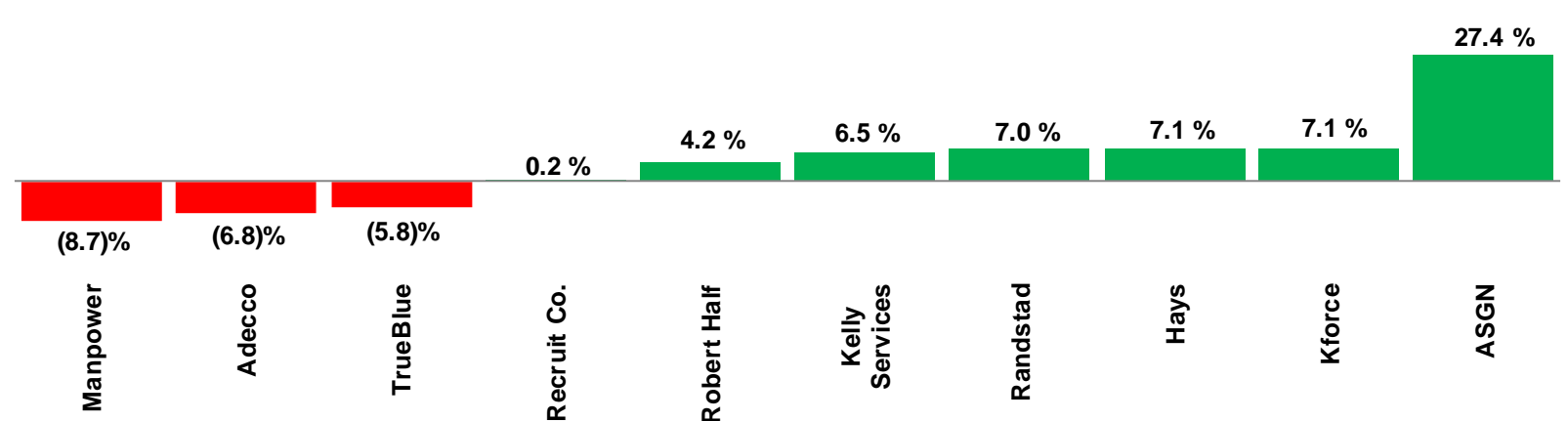
Source: Capital IQ, market data as of 30-Mar-2018

IT Services – Share Price Performance Q1 2018





















Source: Capital IQ, market data as of 30-Mar-2018

Staffing – Share Price Performance Q1 2018



Source: Capital IQ, market data as of 30-Mar-2018

Q1 2018 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
03/27/2018	 BRILLIANT. CONNECTING PEOPLE AND OPPORTUNITIES	 SILVER OAK SERVICES PARTNERS	<ul style="list-style-type: none"> Brilliant is a provider of temporary and permanent finance, accounting, and IT professionals to the Greater Chicago and South Florida markets Silver Oak was attracted to the professional staffing sector given the continued strong demand for F&A and IT professionals that far outpaces the supply of these individuals, the highly fragmented nature of the industry, and the attractive cash flow dynamics
03/23/2018	 ALTIUS SERVICES	 devoteam	<ul style="list-style-type: none"> Altius, a Salesforce Gold Partner, offers comprehensive Salesforce implementation services including analysis, development, integration, and training The acquisition is complementary to Devoteam's current customer relationship and marketing consulting activities and demonstrates Devoteam's desire to accelerate its work with Salesforce
03/22/2018	 sonoma PARTNERS	 EY	<ul style="list-style-type: none"> Sonoma Partners is a consulting firm specializing in the strategy, design, development, and implementation of Microsoft Dynamics CRM and Salesforce CRM solutions The combination brings more than 100 experienced practitioners from the Chicago-based firm into EY's Digital, Data, and Analytics practice
03/21/2018	 CYNOSURE	 ZenSar	<ul style="list-style-type: none"> Cynosure focuses on providing Guidewire platform implementation services to property and casualty insurance carriers and had 2017 revenues of ~\$20 million Zensar agreed to acquire Cynosure for ~\$33 million (~1.7x 2017 revenue) in a move to expand its presence in the insurance vertical which currently accounts for ~15% of its total business
03/19/2018	 comity	 brillio	<ul style="list-style-type: none"> Comity Designs is a cloud and mobile solutions provider and notable Salesforce consulting partner The addition of Comity makes Brillio a partner of choice for front-office transformation engagements and further strengthens engagement with C-suite and line-of-business executives
03/16/2018	 EDGEWATER	 Alithya	<ul style="list-style-type: none"> Edgewater is a Massachusetts-based, publicly traded business and IT consulting firm with annual revenues greater than \$100 million Under the terms of the agreement, Alithya shareholders and Edgewater shareholders will each exchange all of their respective outstanding shares for shares in a newly-formed holding company; the former Edgewater shareholders will hold 42% of New Alithya's total outstanding shares Edgewater shareholders will also be paid a special cash dividend of \$21 million
03/14/2018	 nimbl	 techedge	<ul style="list-style-type: none"> NIMBL is a boutique based in Denver, Colorado that specializes in the development and advisory of business solutions based on cloud technology and is one of the few SAP S/4HANA Cloud Lighthouse partners worldwide The acquisition of NIMBL strengthens Techedge's operations in the United States by broadening the company's offering portfolio and increasing both capacity and geographic footprint in the US market
03/14/2018	 linium	 ESS	<ul style="list-style-type: none"> Linium is a digital business, engineering, experience, and transformation consultancy. Linium delivers cloud-based enterprise platforms and solutions, with particular expertise in ServiceNow solutions, that position companies to achieve scale, drive growth, and enable modernization By combining with Ness, Linium can offer its clients a wider range of digital platform development, customization, and management services that complement its expertise
03/12/2018	 cloud technology solutions	 NORTH EDGE	<ul style="list-style-type: none"> Cloud Technology Solutions is a Google Premier Partner and a provider of cloud transformation services and software products to businesses The company is eyeing international expansion with the investment from NorthEdge Capital and will be pursuing complementary acquisitions in machine learning, artificial intelligence, and data analytics









Q1 2018 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
03/12/2018			<ul style="list-style-type: none"> Headquartered in Fremont, CA, eTouch provides cutting edge digital engineering, digital marketing, cloud, analytics, and data security solutions, primarily to technology companies The purchase price of ~\$140 million will be paid in three tranches with \$80 million paid at closing, ~\$43 million on the 12-month anniversary of closing, and ~\$18 million on the 18-month anniversary of closing; an additional \$15 million has been set aside for retention bonuses
03/08/2018			<ul style="list-style-type: none"> Founded in 2003, Bip delivers management consulting, business integration, and IT services supporting international companies in the research and adoption of disruptive technological innovation The objective of the majority investment is to establish Bip as an undisputed global player in the market by pursuing both organic and external growth and accelerating its international development and industry diversification
03/06/2018			<ul style="list-style-type: none"> Intelligent Decisions is a Virginia-based US Federal Government technology contractor The Acacia Group has split Intelligent Decisions into two standalone companies: ID Technologies, the products business which pairs partner technologies with supportive acquisition strategies, and Applied Insight, the professional services business with a diverse team of technology and process specialists dedicated to solving complex technology problems for customers
03/01/2018			<ul style="list-style-type: none"> Minjar is the creator of Botmetric, a service that provides customers with unified cost control and enhanced visibility into their workloads running in public clouds. Botmetric, along with Minjar's other cloud solutions help enterprises embrace the cloud effectively and optimize their multi-cloud environments for performance and cost Through the Minjar acquisition, the Nutanix Enterprise Cloud OS will offer customers new capabilities to better manage their multi-cloud deployments
02/28/2018			<ul style="list-style-type: none"> Maxsys Solutions is a Frisco, Texas-based specialty IT recruitment firm. The transaction includes Maxsys Financial Solutions, a separate finance and accounting brand The acquisition expands Yoh's IT specialty staffing practice area and addresses the demand from businesses of all sizes for flexible, on-demand, and sustained recruiting for skilled professionals
02/27/2018			<ul style="list-style-type: none"> Lyneer is a strategic staffing firm servicing the commercial, professional, financial, direct placement, and managed service provider verticals Lyneer's owners have grown the firm from a regional tri-state operation to a national staffing firm with over 100 corporate and customer-integrated offices across the United States
02/27/2018			<ul style="list-style-type: none"> ByteCubed is a technology provider and consultancy, dedicated to providing innovative, technology-driven, cost-effective solutions to commercial and federal government customers The investment will support ByteCubed's growth strategy by providing financial resources and flexibility, allowing the business to pursue both organic and inorganic growth opportunities
02/27/2018			<ul style="list-style-type: none"> Axom Technologies offers IT, cyber, and engineering services to the US Federal Government The companies see their combination as positioning them better for work in the defense and intelligence agencies that traditionally have high barriers of entry for contractors
02/23/2018			<ul style="list-style-type: none"> Niu Solutions is a cloud services provider that has developed a deep portfolio of cloud infrastructure solutions based on the Microsoft Azure and IBM Cloud platform The acquisition will reinforce CSI's position as a leader in the cloud services market and strengthen its relationship with major cloud providers

Q1 2018 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
02/21/2018			<ul style="list-style-type: none"> Established in 2011, Propelics is a thought leader in enterprise mobility. The company's proven methodology fast-tracks enterprise customers for mobile success by helping them develop mobile strategies, tackle new technologies, and build mobile applications The acquisition will enable Anexinet to accelerate its digital capabilities
02/14/2018			<ul style="list-style-type: none"> Based in Chantilly, VA, IAI is a provider of systems engineering, integrated solutions, technical analysis, and subject matter expertise to customers in the intelligence and defense communities Arlington Capital plans to combine the company with its existing investment in Xebec, a specialized provider of human intelligence solutions to the intelligence community, which was acquired in September 2017
02/14/2018			<ul style="list-style-type: none"> Surge is an onshore provider of custom web, cloud, mobile, digital, and desktop software development and consulting services to clients in every industry, from startups to Fortune 500 companies Catayte closed a \$27 million Series A funding round around the same time as the acquisition
02/12/2018			<ul style="list-style-type: none"> CSRA provides IT and professional services to the US Federal Government CACI submitted a competing bid on March 18th, but General Dynamics ultimately completed the acquisition in early April at a price of \$41.25 per share in cash, an increase from the original \$40.75 per share offer The implied enterprise value of CSRA was ~1.9x LTM revenue and ~11.7x LTM EBITDA
02/12/2018		 Norwest Equity Partners	<ul style="list-style-type: none"> Avtex is a customer experience focused consulting and technology company Avtex was previously managed by LaSalle Capital. The ownership transition will help Avtex add incremental product and service offerings, invest in R&D and innovation, and position the company for strategic add-on acquisitions
02/05/2018			<ul style="list-style-type: none"> LiquidHub is a digital customer engagement firm that specializes in developing and delivering compelling customer experiences Capgemini agreed to acquire LiquidHub for ~\$500 million, equivalent to ~2.0x LiquidHub's revenue in 2017
01/31/2018			<ul style="list-style-type: none"> ECS is an information technology provider delivering solutions in cloud, cybersecurity, software development, IT modernization, and science and engineering ASGN acquired ECS for a total cash consideration of \$775 million representing ~1.3x 2017 revenue and ~11.5x 2017 EBITDA
01/29/2018			<ul style="list-style-type: none"> SingleHop is a player in the managed hosting and infrastructure as a service (IaaS) business segment, offering highly automated and on-demand IT infrastructure INAP acquired SingleHop for \$132 million in cash representing ~2.8x LTM revenue and ~8.0x LTM adjusted EBITDA
01/24/2018			<ul style="list-style-type: none"> Rizing is an SAP-focused provider of IT systems integration and implementation services. Rizing operates from 14 regional offices in the US, Canada, the Netherlands, United Arab Emirates, Singapore, Malaysia, and Australia One Equity Partners has extensive experience supporting the growth of IT services businesses and is enthusiastic about the SAP ecosystem

Q1 2018 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
01/17/2018			<ul style="list-style-type: none"> Headstart is a Finnish company specializing in cloud-based ERP and business solutions Sofigate has conducted several business acquisitions in the Nordic countries within the last two years. With this acquisition, Sofigate is aiming at becoming a forerunner in cloud business solutions in Finland
01/11/2018	 MASTER COMPLEXITY™		<ul style="list-style-type: none"> DST is a provider of specialized technology, strategic advisory, and business operations outsourcing to the financial services and healthcare industries SS&C will purchase DST in an all-cash transaction for \$84 per share plus the assumption of DST's debt, equating to an enterprise value of \$5.7 billion (2.6x LTM revenue and 11.5x LTM EBITDA)
01/08/2018			<ul style="list-style-type: none"> Altima is a full-service digital commerce agency headquartered in France The acquisition, first announced on October 17, 2017, expands Accenture Interactive's capabilities in France and other key markets to help brands attract and retain customers through differentiated and compelling digital experiences
01/08/2018			<ul style="list-style-type: none"> Velocity Partners is a software development company with a strong presence in Latin America This strategic move will expand Endava's technology services, scalability, geography, and capabilities to current and new clients on a global scale

RECENT DEALS

CLIENT SUCCESS

INSIGHT2PROFIT

has been acquired by

DFW CAPITAL PARTNERS

SELL-SIDE ADVISOR

LunaMetrics

has been acquired by

HS2
A portfolio company of
MOUNTAINGATE
CAPITAL

SELL-SIDE ADVISOR

ibb

has been acquired by

accenture

SELL-SIDE ADVISOR

vynamic

has been acquired by

UDG
Healthcare plc

SELL-SIDE ADVISOR

marketforce
INFORMATION

has been acquired by

MAINST
CAPITAL CORPORATION

SELL-SIDE ADVISOR

**Tech
Insights**

has been acquired by

OAKLEY
CAPITAL

SELL-SIDE ADVISOR

CCi
UNLOCK GREATNESS

has licensed key IP
assets to

EY
Building a better
working world

FINANCIAL 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

PIVOT POINT
CONSULTING

has been acquired by

VACO
Free Yourself
A portfolio company of
QUAD-C

SELL-SIDE ADVISOR

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](#)