

CLEARSIIGHT MONITOR

IT Services & Staffing – Q3 2018

Market Perspective

Public Market Performance

Recent IT Services M&A Activity

Recent Staffing M&A Activity



Bhavin Patel

Director

[Email Bhavin](#)

A Continued Focus on Cloud Capabilities

The IT Services industry has experienced yet another quarter of strong M&A activity with no sign of slowing down. While there are obvious trends of buyers looking to establish or enhance skillsets around emerging technologies such as machine learning (Accenture's July acquisition of Kogentix) and IoT/smart devices (Accenture's August acquisition of Pillar Technologies), cloud consulting capabilities still remain a top priority across the industry. Talent is becoming harder to come by as the industry continues to consolidate, and businesses with these coveted skills have garnered significant interest from both strategic and financial buyers. A few notable cloud transactions from the quarter:

14-Sep-2018: Infosys acquires Fluido

- Fluido is a Salesforce Consulting Partner specializing in digital strategy and customer experience
- Infosys will improve their position as a global Salesforce enterprise cloud leader through the acquisition

20-Aug-2018: Rizing acquires 3D Results

- 3D Results is a provider of SAP functional and technical services
- Backed by One Equity Partners, Rizing's acquisition will make its Human Capital Management services division one of the largest SAP SuccessFactors consulting firms in the world

13-Aug-2018: Cloureach acquires Relus Cloud

- Relus Cloud is an AWS Premier Consulting Partner
- Blackstone-backed Cloureach will use Relus' data analytics and machine learning capabilities to harness the power of AI, machine learning, and predictive modeling for enterprise customers and expand into North America

With the end of the calendar year in sight, we expect the current levels of M&A activity to carry into 2019 as businesses continue to prioritize their digital agenda, and how best to achieve these goals. In line with this theme, Clearsight will be hosting its 2019 Digital Transformation summit on February 27th in Dallas, TX. This event will bring together executives in the Digital Transformation field, including CXOs of leading enterprises, entrepreneurs, Corporate Development officers at strategic acquirers, and private equity investors, to discuss industry and M&A themes. Please be on the lookout for details and invitations in the near future and we hope to see you there.

IT Services & Staffing Comparable Companies Analysis

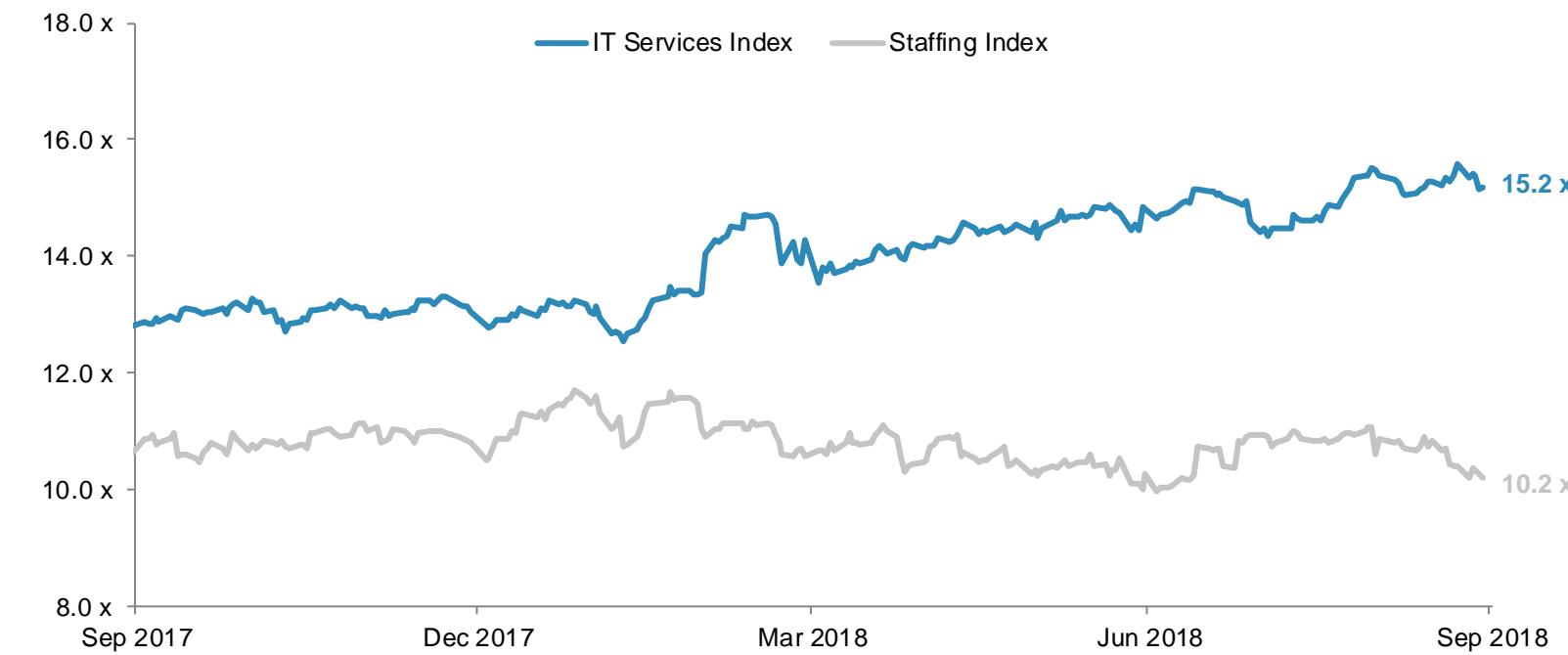
IT Services Index	Closing Price 30-Sep-2018	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	
					LTM	2018	2019	LTM	2018	2019		
Accenture	\$ 170.20	96.9 %	\$ 112,637	\$ 109,089	2.8 x	2.7 x	2.5 x	17.0 x	15.8 x	14.8 x	16.3 %	
Capgemini	125.94	90.5	21,696	23,583	1.6	1.5	1.5	12.5	11.0	10.4	12.4	
CGI Group	64.43	95.5	18,222	19,473	2.2	2.2	2.1	13.0	11.8	11.3	16.8	
DXC Technology	93.52	86.7	26,967	31,784	2.6	1.4	1.5	8.9	6.5	6.5	28.9	
Perficient	26.65	85.7	966	1,012	2.1	2.0	1.9	17.8	13.5	11.9	11.7	
The Hackett Group	20.15	97.9	665	665	2.5	2.3	2.1	15.8	13.6	12.1	15.6	
Virtusa	53.71	91.7	1,693	1,905	1.7	1.6	1.4	22.0	19.4	14.2	7.5	
		High	97.9 %	\$ 112,637	\$ 109,089	2.8 x	2.7 x	2.5 x	22.0 x	19.4 x	14.8 x	28.9 %
		Median	91.7	18,222	19,473	2.2	2.0	1.9	15.8	13.5	11.9	15.6
		Mean	92.1	26,121	26,787	2.2	2.0	1.9	15.3	13.1	11.6	15.6
		Low	85.7	665	665	1.6	1.4	1.4	8.9	6.5	6.5	7.5
Staffing Index	Closing Price 30-Sep-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	\$ 52.80	64.3 %	\$ 8,788	\$ 10,630	0.4 x	0.4 x	0.4 x	8.5 x	7.9 x	7.5 x	4.5 %	
ASGN ¹	78.93	83.7	4,209	5,405	1.7	1.6	1.5	15.7	13.7	12.2	11.0	
Hays	2.66	95.6	3,920	3,760	0.5	0.5	0.5	11.1	10.4	9.4	4.5	
Kelly Services	24.03	74.4	960	928	0.2	0.2	0.2	8.6	8.4	6.9	2.0	
Kforce	37.60	86.4	1,035	1,137	0.8	0.8	0.8	15.8	12.4	11.0	5.1	
ManpowerGroup	85.96	62.8	5,621	6,026	0.3	0.3	0.3	6.4	6.5	6.1	4.2	
Randstad	53.42	77.2	9,873	11,633	0.4	0.4	0.4	9.2	8.2	7.9	4.6	
Recruit Co.	33.41	98.8	55,826	54,882	2.8	2.7	2.5	22.1	22.2	19.1	12.5	
Robert Half	70.38	88.1	8,766	8,458	1.5	1.5	1.4	13.5	13.2	12.2	11.1	
TrueBlue	26.05	87.3	1,058	1,142	0.5	0.5	0.4	9.0	8.8	8.3	5.0	
		High	98.8 %	\$ 55,826	\$ 54,882	2.8 x	2.7 x	2.5 x	22.1 x	22.2 x	19.1 x	12.5 %
		Median	85.1	4,915	5,716	0.5	0.5	0.5	10.1	9.6	8.9	4.8
		Mean	81.9	10,006	10,400	0.9	0.9	0.8	12.0	11.2	10.0	6.4
		Low	62.8	960	928	0.2	0.2	0.2	6.4	6.5	6.1	2.0

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

Note: \$ in millions except for closing price

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

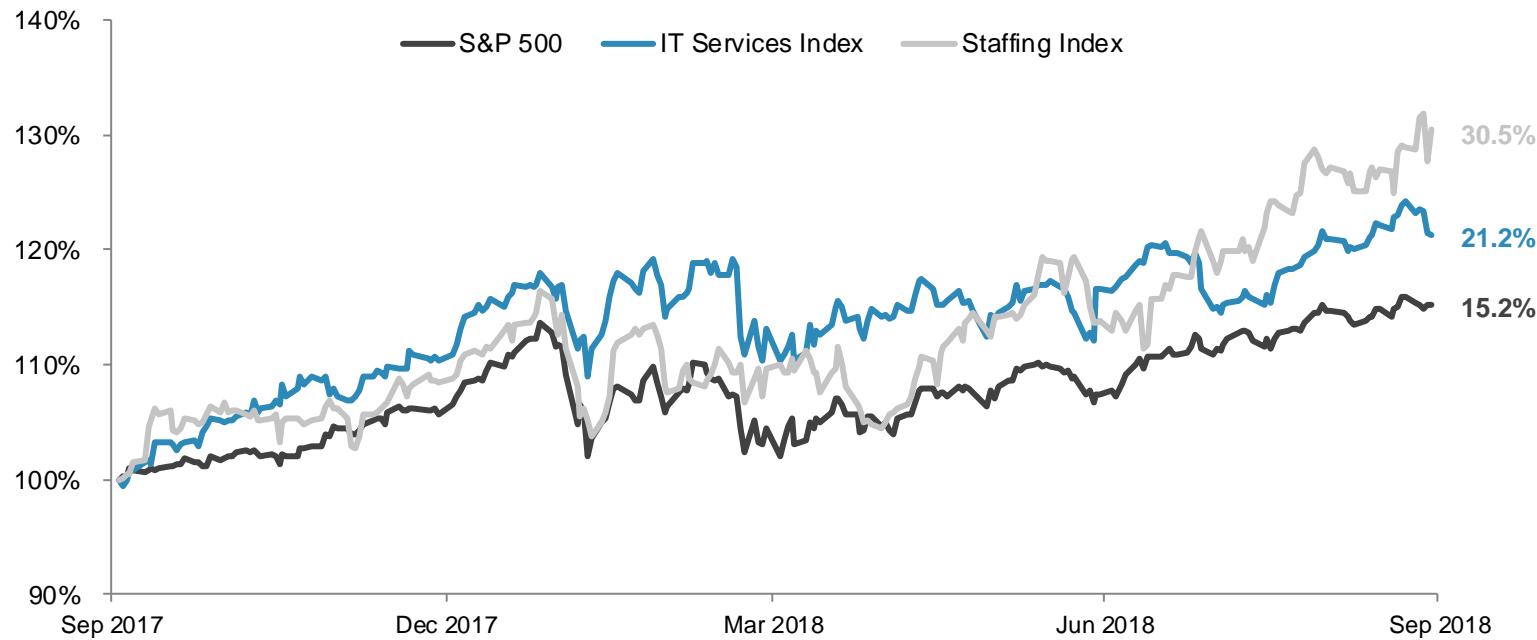
LTM EV / EBITDA Multiple Trend



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

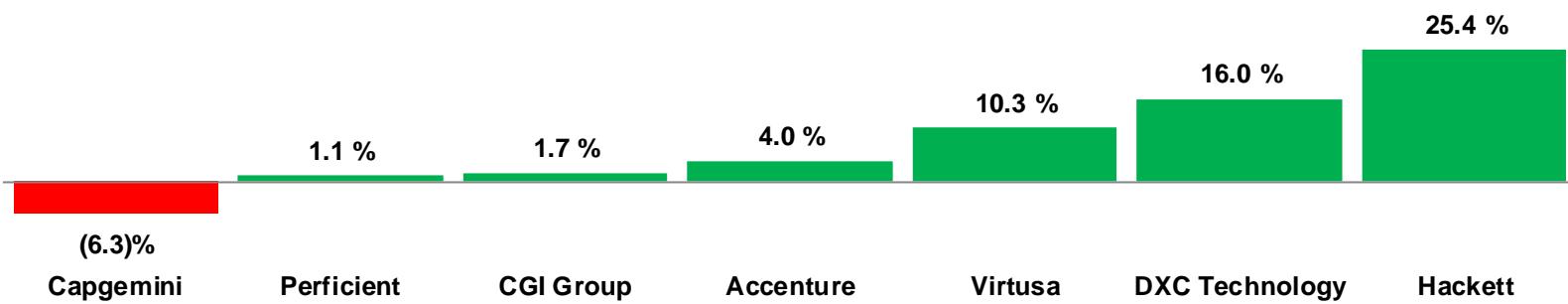
Note: The multiple chart may differ from the Comparable Companies Analysis due to detailed adjustments made to the Comparable Companies Analysis

IT Services & Staffing Indices Performance



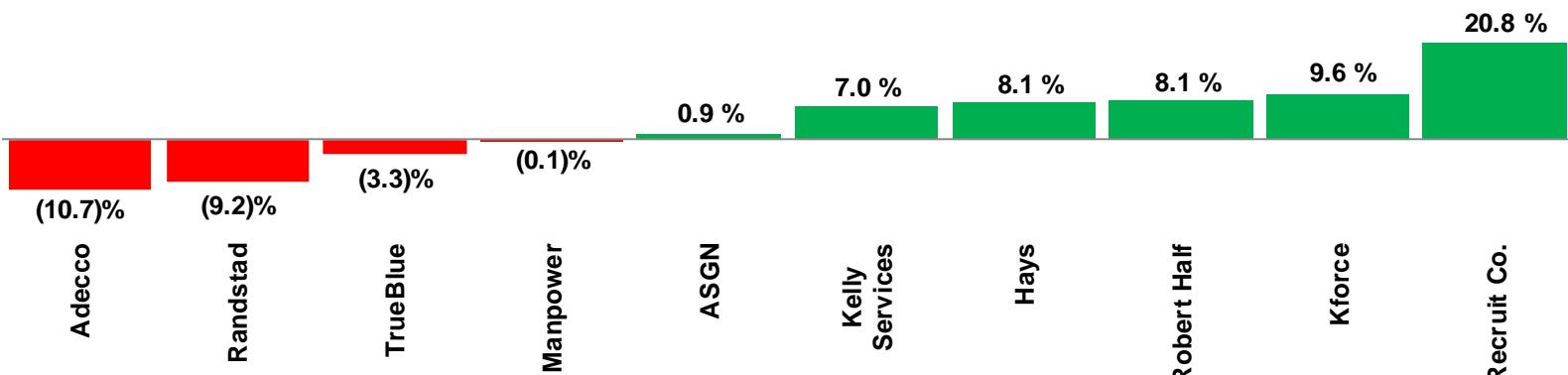
Source: Capital IQ, market data as of 30-Sep-2018

IT Services – Share Price Performance Q3 2018



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

Staffing – Share Price Performance Q3 2018



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

SELECT TRANSACTIONS

Q3 2018 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
9/11/18			<ul style="list-style-type: none"> ▪ Infiniti is an experienced provider of AWS and Azure cloud services with expertise in the public sector ▪ The acquisition will enhance InterVision's cloud methodology and cloud professional services delivery, while allowing Infiniti to reach new clients, geographies, and industries
9/4/18			<ul style="list-style-type: none"> ▪ Henderson Scott is a specialist provider of executive search and recruitment solutions for IT and cloud ▪ The acquisition will give the Search Group enhanced capabilities in the technology space, as well as an expanded London presence
8/31/18			<ul style="list-style-type: none"> ▪ Based in the UK, Allen Lane provides recruitment services for the public and non-profit sectors ▪ The deal aligns with Outsourcing's focused growth strategy to expand its UK presence and will bolster its service offerings to its government client base
8/28/18			<ul style="list-style-type: none"> ▪ Headquartered in North Carolina, Key Resources is a provider of distribution and supply chain personnel ▪ Staffing 360 Solutions will add annual revenues of over \$35 million and strengthen its presence in the Carolinas through the acquisition
8/23/18			<ul style="list-style-type: none"> ▪ SaaSFocus is one of the largest independent Salesforce Platinum consulting partners in the Asia-Pacific region with operations in Australia and India ▪ Cognizant will be able to extend its end-to-end digital transformation services and Salesforce cloud capabilities in the Asia Pacific region
8/20/18			<ul style="list-style-type: none"> ▪ 3D Results is an Illinois-based provider of leading SAP functional and technical services ▪ Backed by One Equity Partners, Rizing's acquisition will make its Human Capital Management services division one of the largest SAP SuccessFactors consulting firms in the world
8/20/18			<ul style="list-style-type: none"> ▪ Amicus Digital is a Salesforce Gold Certified Partner providing cloud consulting and technical services in Australia ▪ The acquisition will add to Merkle's Salesforce Marketing Cloud capabilities and bolster Dentsu Aegis Network's scale in Australia
8/20/18			<ul style="list-style-type: none"> ▪ Integral Solutions Group is a full-service IT provider of managed services and infrastructure services ▪ The acquisition will further expand Immediion's reach to include nine data centers in seven markets across the Southeastern United States
8/13/18			<ul style="list-style-type: none"> ▪ Relus Cloud is an AWS Premier Consulting Partner specializing in migrations, devops, data & analytics, and managed services ▪ Blackstone-backed Cloureach will use Relus' data analytics and machine learning capabilities to harness the power of AI, machine learning, and predictive modeling so its customers can evolve through digital transformation
8/9/18			<ul style="list-style-type: none"> ▪ Pillar Technologies specializes in high-quality and user-friendly embedded software used in smart, connected products ▪ The acquisition will enhance Accenture's ability to help companies redefine smart connected software and physical products through its Industry X.0 practice

SELECT TRANSACTIONS

Q3 2018 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
8/6/18	 data strategy		<ul style="list-style-type: none"> ▪ Data Strategy is an IT services provider with expertise in mobility, integration, inventory, and managed services ▪ Trace 3, a portfolio company of H.I.G. Capital, will combine with Data Strategy to form a nationwide provider of cloud, data intelligence, devops, enterprise IT, and security services with a focus on emerging technologies
8/2/18		OmniconGroup	<ul style="list-style-type: none"> ▪ Credera provides management consulting, user experience, and technology services to Fortune 500 companies, mid-sized companies, and government organizations ▪ Omnicom will add management and technology consulting services to its Precision Marketing Group's marketing technology offerings
8/1/18			<ul style="list-style-type: none"> ▪ Cardinal Solutions is a national provider of digital solutions across mobile, web, analytics, and cloud ▪ The acquisition will increase the scale of Insight's Digital Innovation solution area, creating one of the largest application development teams in the industry
8/1/18			<ul style="list-style-type: none"> ▪ Afinety is a provider of cloud services and IT resources to law firms ▪ Netgain will enhance its cloud services and further its goal of becoming the leading provider of secure cloud solutions to highly specialized industries
8/1/18			<ul style="list-style-type: none"> ▪ thinkIT Solutions is a managed services provider offering managed IT and cybersecurity solutions, including cloud services, data backup and recovery, email and infrastructure security, collocation, and IT support ▪ The acquisition will expand the reach of NuMSP's managed services offerings for SMBs
8/1/18			<ul style="list-style-type: none"> ▪ Synetra is a Dallas-based managed services provider with established IT vendor and customer relationships in the government, education, and oil and gas verticals ▪ The deal marks the fourth acquisition by Computex since 2012, as the company works to expand its IT service offerings
7/26/18			<ul style="list-style-type: none"> ▪ Indusa is an innovative technology partner providing end-to-end enterprise software solutions and services with Microsoft key technologies ▪ The acquisition will give Synoptek all of the delivery capabilities to plan, build, and manage complete integrated solutions in the cloud
7/26/18			<ul style="list-style-type: none"> ▪ Improving is a full-service provider of technology and custom software development services ▪ Trinity Hunt Partners will support the continued growth of Improving through acquisitions with a goal of becoming a market leading provider of highly customized software development services across North America
7/25/18			<ul style="list-style-type: none"> ▪ Link Legal Search Group is a legal services search firm based in Texas ▪ The acquisition will bolster JURISolutions' full-service executive search division providing talent acquisition solutions and in-house attorneys, associates, partners, and groups
7/24/18			<ul style="list-style-type: none"> ▪ REAN Cloud, an AWS Premier Partner, is a global cloud systems integrator and MSP based in Herndon, VA with operations across the US and India ▪ The acquisition will reinforce Hitachi's ability to accelerate enterprise cloud adoption across multicloud environments

SELECT TRANSACTIONS

Q3 2018 Transactions

Announced	Target / Issuer	Buyer / Investor	Target Description / Deal Comments
7/22/18	 Consider IT Done®		<ul style="list-style-type: none"> ▪ Syntel provides integrated IT service and knowledge process services ▪ Atos will expand its capabilities in North America and reinforce its capabilities in the banking, finance, and insurance verticals
7/16/18			<ul style="list-style-type: none"> ▪ Basefarm is a European provider of cloud infrastructure and critical application services ▪ The acquisition will reinforce Orange Business Services' current offerings and bring a new source of expertise in data management, the management of critical applications, big data, and multi-cloud services
7/12/18	KOGENTiX		<ul style="list-style-type: none"> ▪ Kogentix develops a machine learning platform to build, deploy, and run machine learning applications ▪ Accenture will add significant technical abilities to its Applied Intelligence business unit and gain improved capabilities in data analytics and machine learning
7/12/18		Getronics	<ul style="list-style-type: none"> ▪ Pomeroy is a provider of digital workplace IT transformation services throughout North America, Latin America, Europe, and Asia ▪ The acquisition will allow Getronics to strengthen its global operations and reach annual revenues over one billion USD
7/12/18			<ul style="list-style-type: none"> ▪ Intellinet is a management consulting and technology services firm based in the US ▪ FPT will be able to provide a full range of technology solutions from consultancy, requirement definition, system design, development, implementation, and maintenance for worldwide clients through the acquisition
7/10/18	 (Cloud Hosting, Infrastructure, and Managed Service Business Units)		<ul style="list-style-type: none"> ▪ Zumasys is an Orange County-based national provider of cloud computing solutions ▪ This strategic acquisition marks the fifth M&A transaction in four years for NexusTek, a portfolio company of ABRY Partners, as the company is taking steps to become the nation's most complete service provider in the cloud and managed IT services market
7/2/18			<ul style="list-style-type: none"> ▪ Acxiom is a database marketing company that collects and distributes information drawn from an estimated 2.2 billion consumers around the world ▪ IPG will utilize Acxiom's data and consumer insights to enter the market as a trusted, high-value partner that will combine data management and marketing services to drive measurable business outcomes
7/2/18			<ul style="list-style-type: none"> ▪ MWA Intelligence is a leading provider in the Enterprise Resource Planning ("ERP") space, offering the first ERP platform specifically designed to support the Imaging Channel ▪ The acquisition will allow Konica Minolta Business Solutions to expand its partnership with SAP to become an SAP Business One Original Equipment Manufacturer and Master Value Added Reseller
7/2/18			<ul style="list-style-type: none"> ▪ Winxnet is an IT consulting and outsourcing firm ▪ The Riverside Company's investment will allow Winxnet to execute on a national expansion plan through both organic sales growth and a pursuit of add-on acquisitions to expand offerings and capabilities
7/2/18			<ul style="list-style-type: none"> ▪ K&R Network Solutions is a provider of technical integrations, IT advisory services, and proactive monitoring ▪ The acquisition will allow Winxnet to combine its proficiencies in IT management and delivery with K&R's intellectual property and IT automation software to offer a transformative IT experience to clients

RECENT DEALS

CLIENT SUCCESS



has received a growth investment from



SELL-SIDE ADVISOR



has been acquired by



SELL-SIDE ADVISOR



a portfolio company of



edisonpartners

has been acquired by



SELL-SIDE ADVISOR



has been acquired by



a portfolio company of



SELL-SIDE ADVISOR



has received a growth investment from

DFW CAPITAL PARTNERS

SELL-SIDE ADVISOR



has been acquired by



A portfolio company of
MOUNTAINGATE CAPITAL

SELL-SIDE ADVISOR



has been acquired by



SELL-SIDE ADVISOR



has been acquired by



SELL-SIDE ADVISOR



has been acquired by



SELL-SIDE ADVISOR



has been acquired by



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

2550 Meridian Blvd.
Franklin, TN 37067



703.672.3100



www.clearsightadvisors.com



@clearsightmb



Clearsight Advisors