



# Digital Transformation Market Monitor

Market Overview

Sector Spotlight

Public Market Performance

M&A Activity

## Sector Leadership



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The M&A market began 2020 with strong momentum, then slowed as the first quarter progressed. After a challenging April and May, the M&A and debt markets started to thaw in June. We are proud to have successfully closed four transactions since the second quarter began, a track record few can match. While uncertainty persists, we do see opportunities to close deals at attractive multiples given the imbalance of demand for acquisitions and supply of available targets.



**Demand** – In April and May, we saw some PE firms and strategic acquirers hit the pause button on M&A, a natural reaction to uncertain times. However, starting in June, demand from both groups noticeably increased as they grew more comfortable with the new normal. Strategic acquirers and PE firms are still armed with large war chests, and both have their own distinct and inherent pressures to pursue acquisitions. Therefore, the demand part of the M&A equation remains quite robust!



**Supply** – COVID-19 has impacted many companies' top line growth and pipeline, creating a difficult situation for executives to forecast. As such, there are significantly fewer companies exploring a transaction - we estimate the supply of companies in market is less than 50% of what it was this time in 2019. Executive deal-makers consistently lament to us about their thin deal flow, and many have gone on the offense to proactively contact companies rather than wait for inbound opportunities.

The result of this imbalance creates a unique environment for healthy companies as they are attracting significant attention. Contrary to what many believe, the current market is quite favorable for performing companies to explore strategic options including a capital raise and/or liquidity event. Additionally, shareholders must consider the potential impact on the tax code if there is a significant shift in Washington, DC. We'll save that for the next quarter...

We hope you enjoy the report and always welcome the opportunity to share our thoughts with you!

# Sector Spotlight

## Projekt202 Acquires Big Nerd Ranch

### Target



### Acquirer



### Deal Commentary

- ClearSight Perspective: Since the acquisition by Amdocs approximately 2.5 years ago, projekt202 has acquired two more companies including Big Nerd Ranch. Amdocs, an \$8B publicly traded provider of software and services to mainly telecom and media clients, has been quietly building a digital transformation business unit focused on enhancing customer experience and cloud services.
- “With a diverse talent base in a large, vibrant market, Atlanta is an ideal expansion opportunity for us, and Big Nerd Ranch has a strong reputation nationwide as thought leaders help teams successfully gain the required skills to design and build digital solutions,” said projekt202 CEO and Co-founder David Lancashire.

### Transaction Summary

On June 4, 2020, projekt202, a subsidiary of Amdocs, acquired Big Nerd Ranch ("BNR"). BNR is based in Atlanta with employees spread out across the country. Its clients include major consumer brands and high-tech companies.

### Transaction Information

Announced Date	04-June-2020
Deal Type	Acquisition
<i>Target Information</i>	
Year Founded	2001
Target HQ	Atlanta, GA
# of Employees	100 - 125

## Accenture Acquires Yesler

### Target



### Acquirer



### Deal Commentary

- ClearSight Perspective: The B2B marketing industry has become complex as buyers are more informed and expect a "customized" sale. B2B marketing is very different from B2C, and Accenture is acquiring Yesler to establish a specialized team to tackle the massive B2B marketing opportunity.
- “Yesler’s expertise in B2B has given them a unique understanding of how businesses make purchase decisions — insights that empower marketers to influence purchasing decisions at critical stages, enabling them to achieve growth and adapt their operating models for continued success,” said Manish Sharma, group chief executive for Accenture Operations.

### Transaction Summary

On April 2, 2020, Accenture acquired Yesler, a B2B marketing services agency that helps notable leading companies run their global marketing programs and operations. This acquisition both strengthens and scales Accenture’s B2B marketing services by adding more depth to its existing offerings.

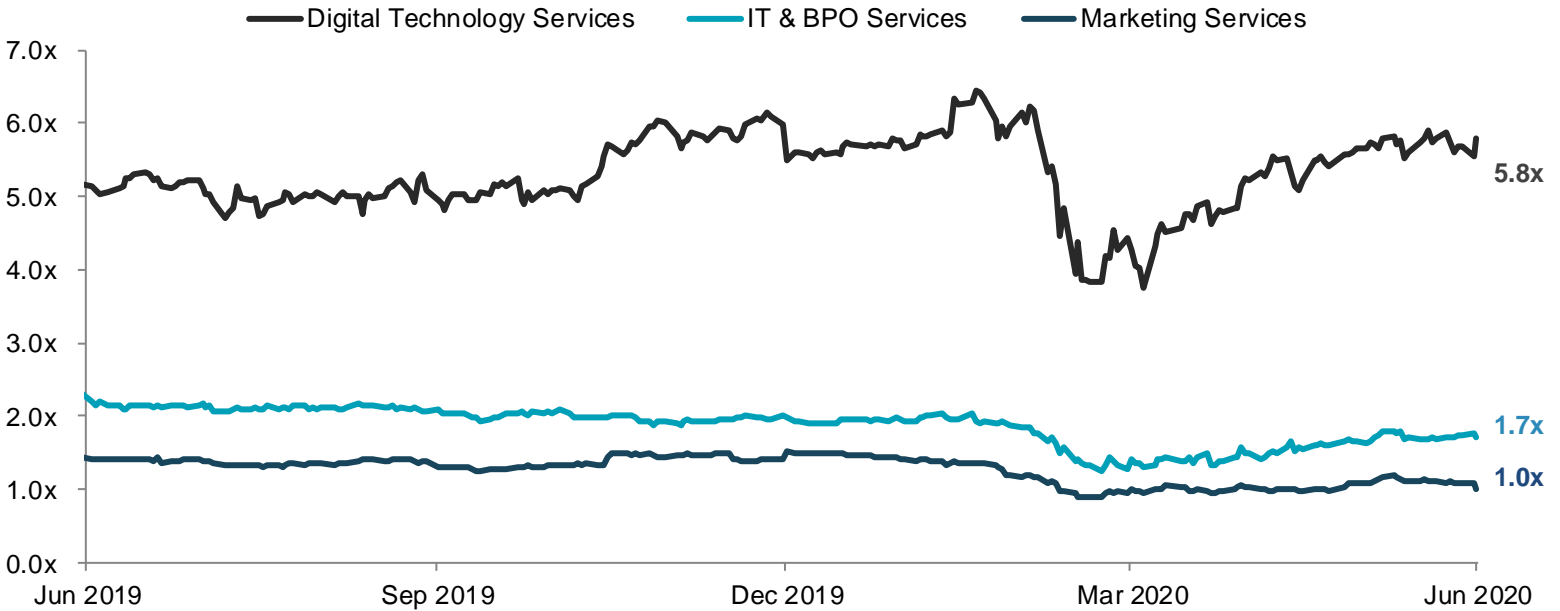
### Transaction Information

Announced Date	02-April-2020
Deal Type	Acquisition
<i>Target Information</i>	
Year Founded	2004
Target HQ	Seattle, WA
# of Employees	400

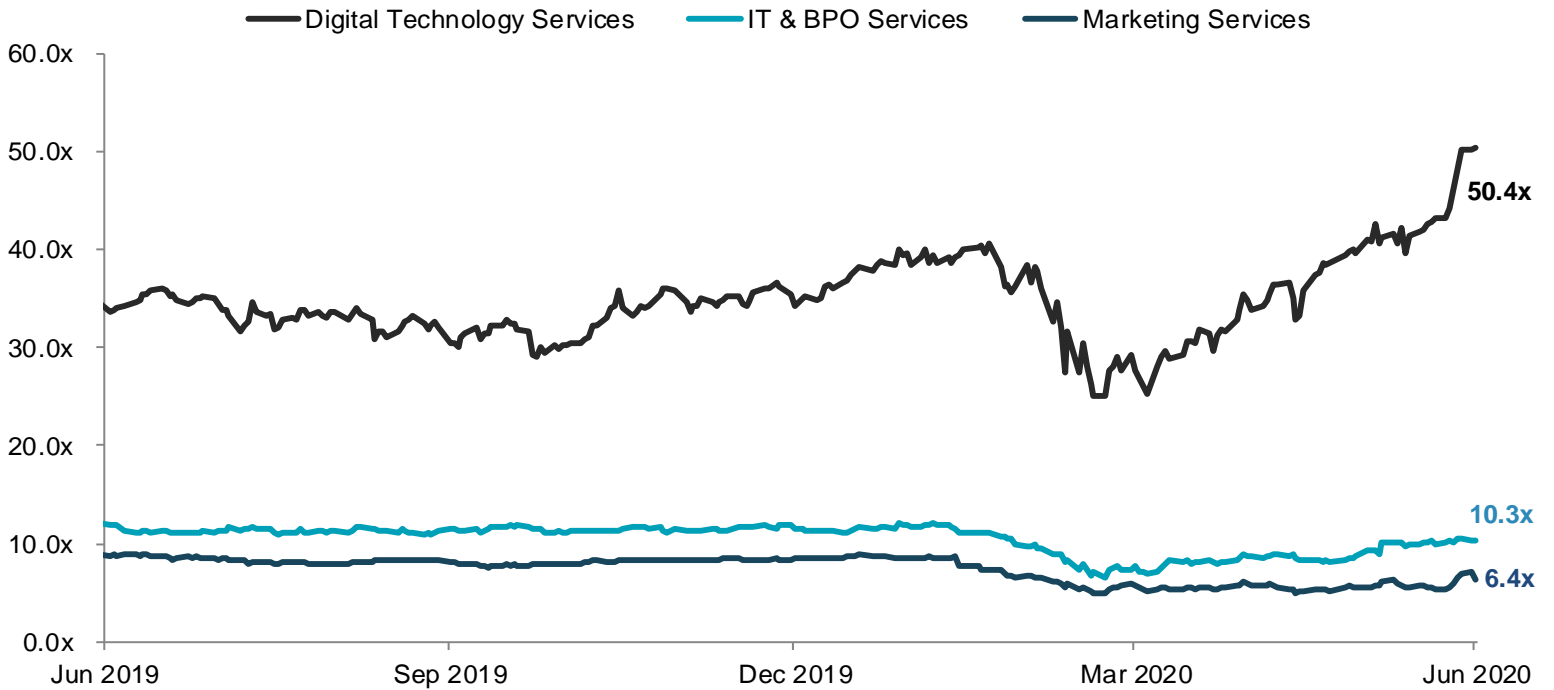
Source: Public filings, 451 Research, Capital IQ, and company websites

# Public Market Performance

## EV / LTM Revenue – Last Twelve Months



## EV / LTM EBITDA – Last Twelve Months



Source: Capital IQ, market data as of 30-Jun-2020

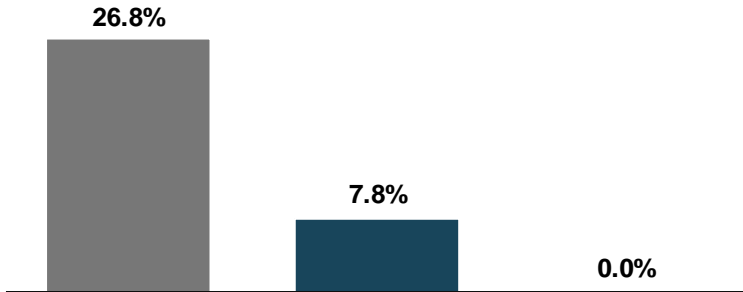
# Public Market Performance

■ Digital Technology Services

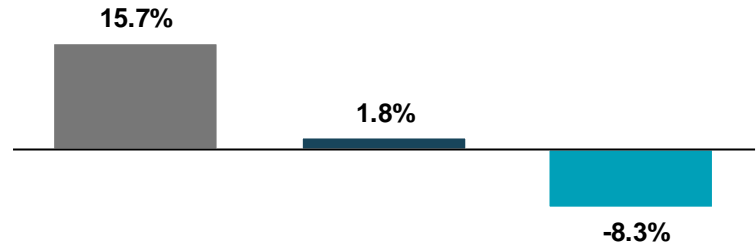
■ IT & BPO Services

■ Marketing Services

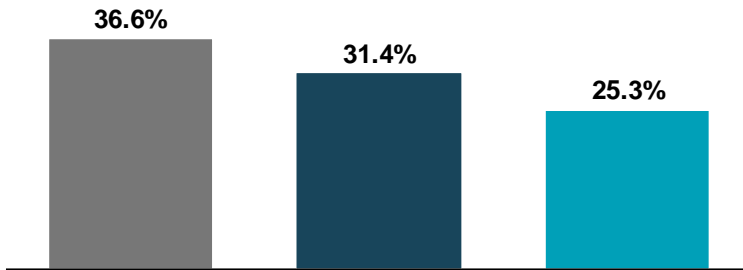
## 3-Year Historic Revenue Growth



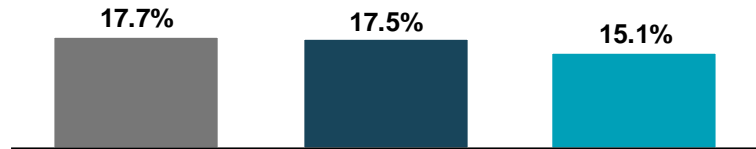
## 2020E Revenue Growth



## 2020E Gross Margin



## 2020E EBITDA Margin

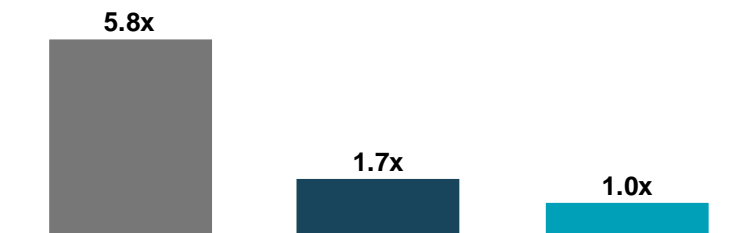


■ Digital Technology Services

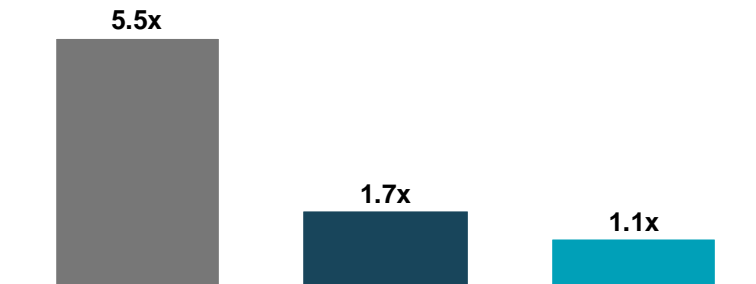
■ IT & BPO Services

■ Marketing Services

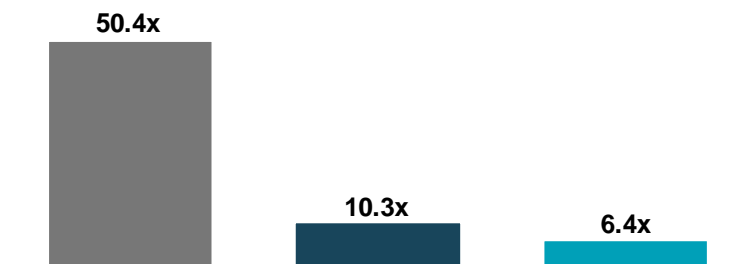
## EV / LTM Revenue



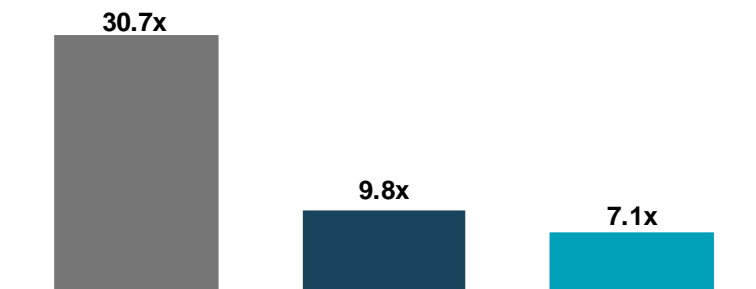
## EV / 2020E Revenue



## EV / LTM EBITDA



## EV / 2020E EBITDA



Source: Capital IQ, market data as of 30-Jun-2020



# Public Market Performance

## Digital Technology Services Comparable Companies

Digital Technology Services Index	Closing Price 30-Jun-2020	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2016A-19A	2020E Revenue Growth %
					LTM	2020	2021	LTM	2020	2021			
					Endava	\$ 48.30	85.1 %	\$ 2,537	\$ 2,442	5.8 x			
EPAM	252.01	97.7	14,881	14,050	5.8	5.5	4.5	37.4	30.7	24.4	15.5	25.2	12.8
Globant	149.85	98.2	6,101	6,114	8.7	8.0	6.5	51.7	45.6	33.6	16.8	26.8	15.7
Grid Dynamics	6.90	55.2	351	229	1.8	2.1	1.7	16.6	NM	14.7	11.1	N/A	(9.0)
High		98.2 %	\$ 14,881	\$ 14,050	8.7 x	8.0 x	6.5 x	51.7 x	45.6 x	33.6 x	16.8 %	31.9 %	16.4 %
Median		97.7	6,101	6,114	5.8	5.5	4.5	37.4	30.7	24.4	15.5	26.8	15.7
Mean		93.7	7,840	7,535	6.8	6.3	5.2	46.5	34.0	25.8	14.6	28.0	14.9
Low		85.1	2,537	2,442	5.8	5.4	4.5	37.4	25.7	19.3	11.5	25.2	12.8

## IT & BPO Services Comparable Companies

IT & BPO Services Index	Closing Price 30-Jun-2020	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2016A-19A	2020E Revenue Growth %
					LTM	2020	2021	LTM	2020	2021			
					Accenture	\$ 214.72	98.5 %	\$ 146,592	\$ 141,422	3.2 x			
Atos	85.42	92.0	9,304	11,661	0.9	0.9	0.9	6.8	6.6	6.2	13.2	(1.6)	(2.3)
Capgemini	114.73	84.3	19,624	20,791	1.3	1.2	1.1	10.3	8.2	7.2	12.8	4.1	11.5
CGI Group	62.88	74.7	17,230	19,540	2.2	2.2	2.1	12.8	11.2	10.7	17.1	4.8	(1.7)
Cognizant	56.82	79.5	31,429	29,812	1.8	1.9	1.8	8.8	10.6	9.2	20.1	7.4	(3.8)
Genpact	36.52	80.8	7,094	8,284	2.3	2.3	2.1	15.1	14.6	12.7	15.1	10.7	2.4
HCL	7.37	89.3	20,004	19,283	1.9	2.0	1.9	8.2	8.4	7.9	23.6	12.3	1.4
Hexaware	4.41	83.5	1,317	1,322	1.7	1.7	1.5	11.0	11.2	9.6	15.5	16.5	7.0
Mphasis	11.74	88.7	2,196	2,029	1.7	1.7	1.6	10.4	9.4	8.6	16.7	11.6	5.2
Perficient	27.09	50.4	921	1,027	1.8	1.8	1.6	12.7	10.2	9.1	14.0	8.1	1.8
Tech Mahindra	7.19	64.2	6,956	6,151	1.3	1.3	1.2	8.7	9.1	7.8	14.4	3.3	0.3
Wipro	2.61	65.2	14,914	11,992	1.5	1.5	1.4	7.8	7.4	7.1	19.1	5.1	3.9
High		98.5 %	\$ 146,592	\$ 141,422	3.2 x	3.2 x	3.0 x	19.6 x	17.4 x	16.8 x	23.6 %	16.5 %	11.5 %
Median		82.2	12,109	11,826	1.7	1.7	1.6	10.3	9.8	8.9	15.8	7.8	1.8
Mean		79.3	23,132	22,776	1.8	1.8	1.7	11.0	10.4	9.4	16.5	7.7	2.3
Low		50.4	921	1,027	0.9	0.9	0.9	6.8	6.6	6.2	12.8	(1.6)	(3.8)

## Marketing Services Comparable Companies

Marketing Services Index	Closing Price 30-Jun-2020	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2016A-19A	2020E Revenue Growth %
					LTM	2020	2021	LTM	2020	2021			
					Dentsu	\$ 23.70	60.5 %	\$ 6,659	\$ 9,863	1.0 x			
IPG	17.16	68.1	6,772	9,742	1.1	1.2	1.2	7.0	8.4	7.4	16.2	5.0	(8.3)
Omnicom	54.60	64.2	11,839	14,726	1.0	1.1	1.1	6.4	7.9	7.0	15.4	(1.2)	(12.2)
Publicis	32.42	59.4	7,692	10,801	0.8	1.0	0.9	4.4	4.8	4.2	19.0	0.0	(0.8)
WPP	7.81	58.1	9,821	11,302	0.8	1.0	0.9	6.4	6.4	5.2	13.1	(4.7)	(26.1)
High		68.1 %	\$ 11,839	\$ 14,726	1.1 x	1.2 x	1.2 x	7.0 x	8.4 x	7.4 x	19.0 %	7.2 %	(0.8)%
Median		60.5	7,692	10,801	1.0	1.1	1.0	6.4	7.1	5.8	16.2	0.0	(8.3)
Mean		62.1	8,557	11,287	1.0	1.1	1.0	6.1	6.9	5.9	16.0	1.3	(10.7)
Low		58.1	6,659	9,742	0.8	1.0	0.9	4.4	4.8	4.2	13.1	(4.7)	(26.1)

Source: Capital IQ, market data as of 30-Jun-2020

Note: Revenue growth rates are shown in reported currency and remove the impact of FX.

# M&A Activity

Date	Target	Buyer/Investor	Summary
6/30/2020			<ul style="list-style-type: none"> <li>• 3Cloud provides cloud application development, data and analytics, cloud strategy, design, implementation, and managed services</li> <li>• The acquisition allows 3Cloud to leverage Gryphon's expertise and resources to expand within the Microsoft Azure platform</li> </ul>
6/30/2020			<ul style="list-style-type: none"> <li>• Lens10 provides digital strategy, technical consulting, and analytics audit services</li> <li>• The acquisition expands MightyHive's presence in the accelerating Asian-Pacific economic region</li> </ul>
6/25/2020			<ul style="list-style-type: none"> <li>• MDC Partners provides marketing, advertising, activation, communications, and strategic consulting solutions worldwide</li> <li>• The acquisition utilizes MDC's unique tech and data assets to drive value with The Stagwell Group</li> </ul>
6/15/2020			<ul style="list-style-type: none"> <li>• Sentelis is an independent data consulting and engineering company</li> <li>• The acquisition leverages Accenture's global resources to bring highly differentiated end-to-end services to the European market</li> </ul>
6/8/2020			<ul style="list-style-type: none"> <li>• Stirista, a digital marketing agency, specializes in B2B and B2C segmentation, email marketing, and display advertising</li> <li>• The investment assists Stirista to enhance its Customer Data Hub</li> </ul>
6/5/2020		<p>HT Global IT Solutions Holdings Limited</p>	<ul style="list-style-type: none"> <li>• Hexaware provides information technology consulting, software development, and business process management services worldwide</li> <li>• The acquisition allows HT Global to expand its IT services' footprint in India</li> </ul>
6/4/2020			<ul style="list-style-type: none"> <li>• Coastal Cloud provides information technology consulting, implementation, and managed services</li> <li>• The investment from Sverica Capital broadens Coastal Clouds' capabilities in the Salesforce landscape</li> </ul>

Source: Public filings as of 30-Jun-20, Capital IQ, Pitchbook

# M&A Activity

**Date**
**Target**
**Buyer/Investor**
**Summary**

6/4/2020


**projekt202**

- Big Nerd Ranch provides digital product development agency services
- The acquisition expands the digital client training outreach of projekt202 to the Southeastern United States

6/3/2020


**Deloitte.**

- DNM provides international consultancy services in the areas of analytics, cloud, and managed services
- The acquisition widens Deloitte's cloud services presence across the international market

6/2/2020


**effectual**

- Five Talent is a technology consultancy and custom software modernization and development firm
- The acquisition strengthens Effectual's DevOps and cloud native application development services

6/2/2020


**ADL**  
 Arthur D Little

- Cutter Consortium is a business technology research company
- The acquisition combines ADL's expertise with the established experts of Five Star to generate extraordinary value within the consulting landscape

6/2/2020


**ADL**  
 Arthur D Little

- Presans is a leading player in industrial open innovation based in France
- The acquisition broadens ADL's global footprint in the fields of big data and artificial intelligence

5/29/2020


**launch**  
 CONSULTING

- Level 11 provides user experience and software development services to entertainment, hospitality, and consumer product companies
- The merger synergizes complimentary capabilities in order to create an enhanced digital transformation platform

5/25/2020


**MNP**

- T4G designs, develops, and implements technology solutions for retail, travel and hospitality, energy, financial services, healthcare, and government clients
- The acquisition allows MNP to capitalize on their untapped enterprise data

Source: Public filings as of 30-Jun-20, Capital IQ, Pitchbook

# M&A Activity

**Date**                      **Target**                      **Buyer/Investor**                      **Summary**

4/28/2020



- TekMark is a global technology services firm specializing in software engineering, quality engineering, telecom engineering, managed services, cyber security, and data analytics
- The acquisition utilizes TekMark’s industry expertise to strengthen Orion’s engineering capabilities in the US

4/22/2020



- Miner & Kasch is an artificial intelligence and data science consulting firm
- The acquisition enhances Atos’ big data and AI consulting practice, zData

4/21/2020



- ObjectSharp is a cloud native development and application services company with end-to-end expertise in the Microsoft Azure cloud platform
- The acquisition bolsters CentriLogic’s cloud services practice

4/2/2020



- Yesler is a B2B marketing services agency that helps many of the world’s leading brands run their global marketing programs and operations
- The acquisition broadens Accenture’s footprint in B2B marketing services

4/2/2020




- Agosto operates as a google cloud partner and cloud product development company
- The acquisition solidifies Pythian’s footprint in North America, and establishes a partnership with Google’s cloud services

Source: Public filings as of 30-Jun-20, Capital IQ, Pitchbook



# About ClearSight

ClearSight Advisors is an independent merchant banking firm dedicated to driving the Knowledge Economy by providing world-class M&A and capital raising solutions exclusively to growth-oriented Business Services and Technology companies. ClearSight combines deep market insights across software, services and data. ClearSight Capital Advisors, Inc., a wholly owned subsidiary, is a registered member of FINRA & SIPC. For more information about ClearSight, visit [www.clearsightadvisors.com](http://www.clearsightadvisors.com)

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## Select Transactions

  
Sellside Advisor


The Reporting Software and Consulting Divisions of

**KEANEX**  
a portfolio company of

**LMP** LOVELL MINNICK PARTNERS  
have been acquired by

**SOVOS**  
a portfolio company of


**Hg**

  
Sellside Advisor

**RSI**

has been recapitalized by


**DC CAPITAL PARTNERS**

  
Sellside Advisor

**psl**

has been acquired by


**PERFICIENT**

  
Sellside Advisor

**TeleWorld Solutions**

has been acquired by

**SAMSUNG**


  
Sellside Advisor

**ECG** MANAGEMENT CONSULTANTS  
a portfolio company of

**GRYPHON INVESTORS**

has been acquired by

**SIEMENS**


  
Sellside Advisor

The Managed Services Division of

**westMONROE**

has been acquired by


**MC PARTNERS**

  
Sellside Advisor

**INTERSYS**

has been acquired by

**ASGN** Incorporated

  
Sellside Advisor


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has been acquired by

**HERO\_digital.**

a portfolio company of

**CI CAPITAL PARTNERS**

  
Sellside Advisor

**Knowledgegent**

has been acquired by

**accenture**

  
Sellside Advisor

**Gorilla Logic**

has received a growth investment from

**SVERICA CAPITAL**