



Digital Transformation Market Monitor

Market Overview

Sector Spotlight

Public Market Performance

M&A Activity

Sector Leadership



Philo Tran
Managing Director

[Email Philo](#)
+1 (703) 672-3111

After a challenging April and May, the M&A and debt markets started to thaw in June and continued to accelerate through the summer and into the fall. While uncertainty persists and will likely continue after the US presidential election, there are opportunities for sellers to transact at attractive multiples given strategic and financial buyers' unwavering appetite for deals. We are proud to have successfully closed eight deals since April and eleven so far in 2020.

A substantial increase in interest for product engineering consultancies by financial buyers and a heightened desire for cloud modernization services drove deal activity in the third quarter. The product engineering market is fragmented and growing rapidly, creating a tantalizing recipe for PE firms. Deals in cloud modernization accelerated as a result of corporations seeking more flexibility and lower cost of ownership at the application and infrastructure layers. Examples include:

- a) [Devoteam](#), a market leader in Google Cloud in Europe, acquired [Fourcast](#) to incorporate an additional geographical market and expand its capabilities in the GCP ecosystem.
- b) [Cognizant](#) acquired [10th Magnitude](#), one of the pioneers in betting on Microsoft, to build expertise and credibility in Azure.

Looking ahead, two tailwinds for the M&A market include a return to normalcy by lenders and the fear of a higher long-term capital gains tax rate. Strategic and financial buyers continue to sort through a high volume of deal opportunities, scrambling to pick the right ones to chase. We do expect the imbalance of supply and demand will be corrected in the fourth quarter with the potential for the supply of deal opportunities to outweigh demand in 2021.

As always, we welcome the opportunity to have a confidential conversation to share market notes.

Sector Spotlight

Marlin Equity Partners Invests In Pentalog France S.A.

Target



Acquirer



Deal Commentary

- Marlin's investment substantiates continued private equity interest in product engineering companies, an industry with significant growth opportunities and ripe for consolidation. There are few product engineering firms with scale and Marlin had to reach across the Atlantic for this one.
- Frederic Lasnier, Founder and CEO of Pentalog said, "Marlin brings deep domain expertise in software and tech-enabled services, an extensive network and deep operational resources," that will complement "our strong track record of designing, developing and running cutting-edge software solutions, delivered through our global network of agile engineering resources."

Transaction Summary

On August 5th, 2020, Marlin Equity Partners, a Los Angeles-based investment firm, made a growth equity investment into Pentalog, a leading global provider of software development and digital services. Pentalog provides IT outsourcing, consulting, and recruitment service to customers.

Transaction Information

Announced Date	05-August-2020
Deal Type	Growth Equity
<i>Target Information</i>	
Year Founded	1993
Target HQ	Orleans, France
# of Employees	~1,100

Multiple Acquisitions by Cognizant

Target



Deal Commentary

- 10th Magnitude provides cloud managed services and information technology consulting to clients in the United States. Services include IT infrastructure migration to Microsoft Azure, data center transformation, data intelligence, and application modernization.
- Combination of 10th Magnitude and New Signature establishes Cognizant as a formidable force in the Microsoft ecosystem.

Target



Deal Commentary

- New Signature offers technology and web solutions to businesses in the United States and internationally. The company provides services in the areas of cloud computing, IT services and support, Microsoft infrastructure technologies, Microsoft learning, and web design and development.
- This acquisition provides the foundation for a new, dedicated group within Cognizant centered on Microsoft cloud solutions.

Target



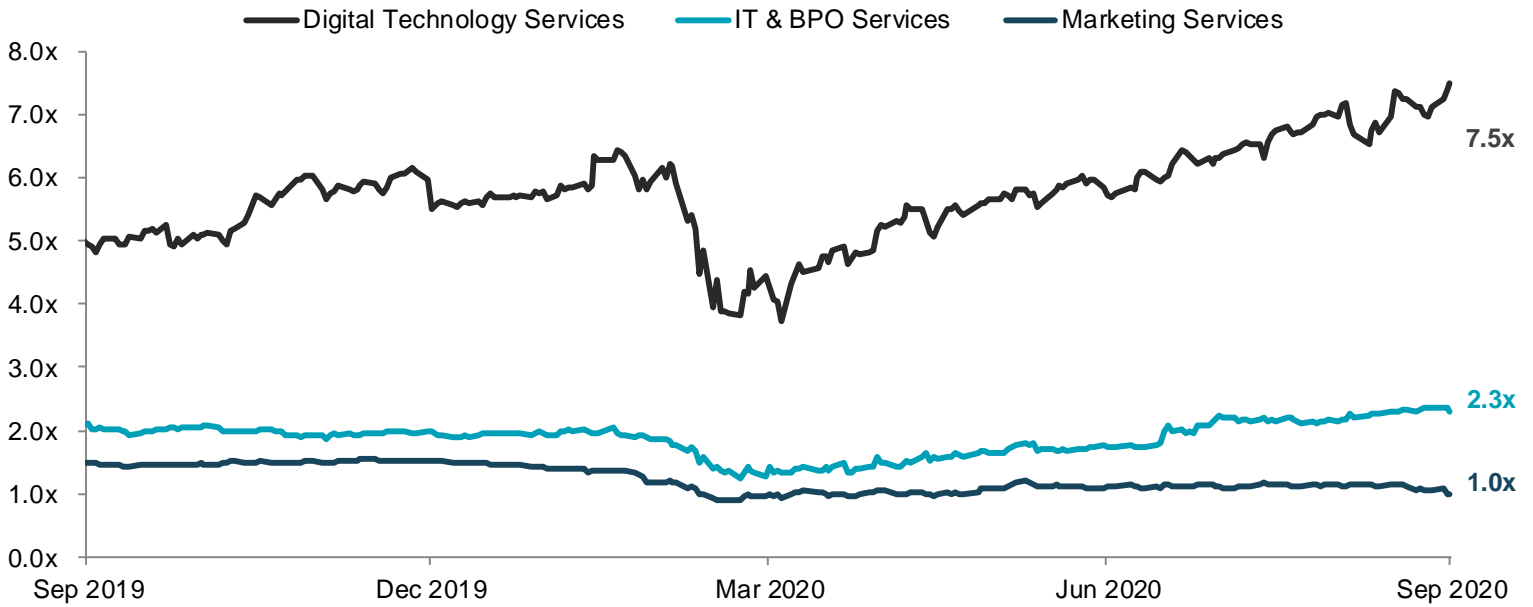
Deal Commentary

- Tin Roof Software develops software and architecture solutions for clients. The company provides full stack web development, enterprise solutions, and mobile solutions through software development.
- This acquisition expands Cognizant's software product engineering footprint in the US and connects Tin Roof's experts with Cognizant's broader global software development capabilities.

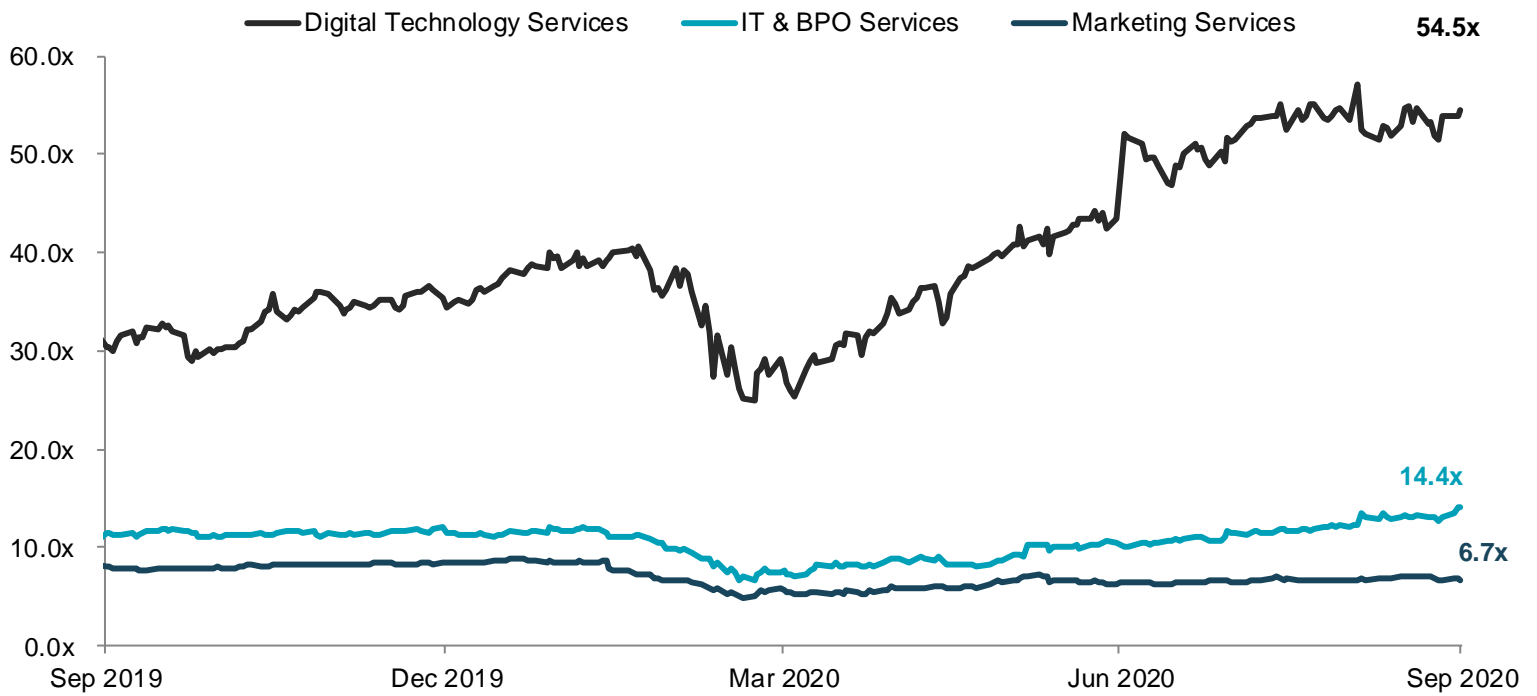
Source: Public filings, 451 Research, Capital IQ, and company websites

Public Market Performance

EV / LTM Revenue – Last Twelve Months



EV / LTM EBITDA – Last Twelve Months



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

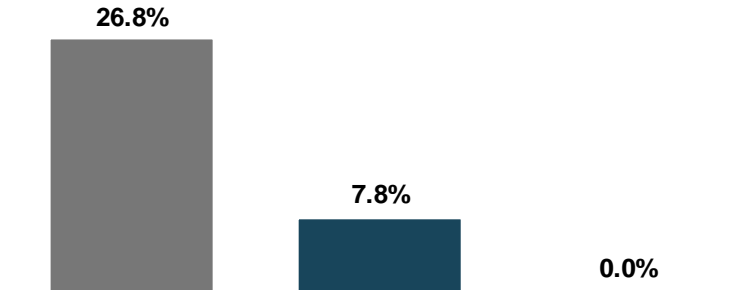
Public Market Performance

■ Digital Technology Services

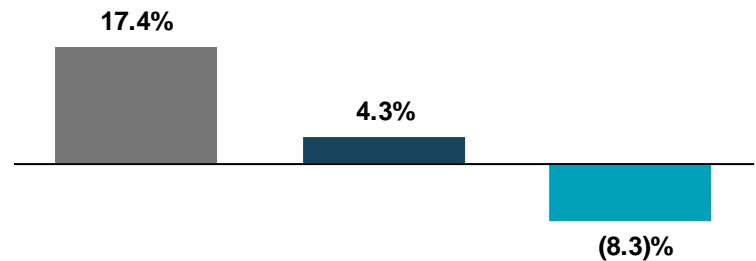
■ IT & BPO Services

■ Marketing Services

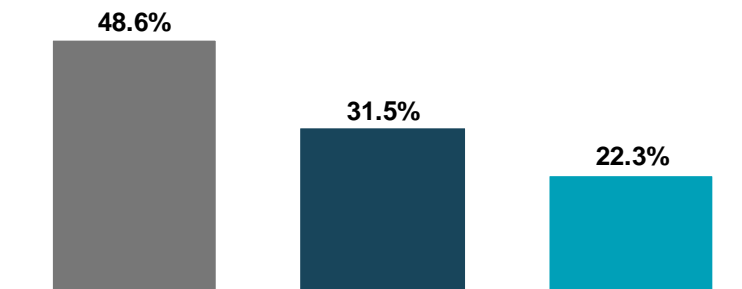
3-Year Historic Revenue Growth



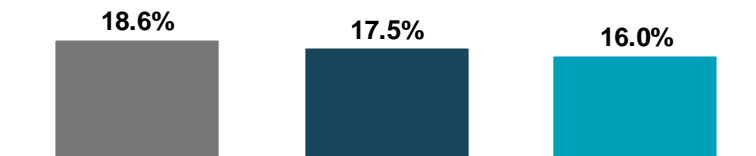
2020E Revenue Growth



2020E Gross Margin



2020E EBITDA Margin

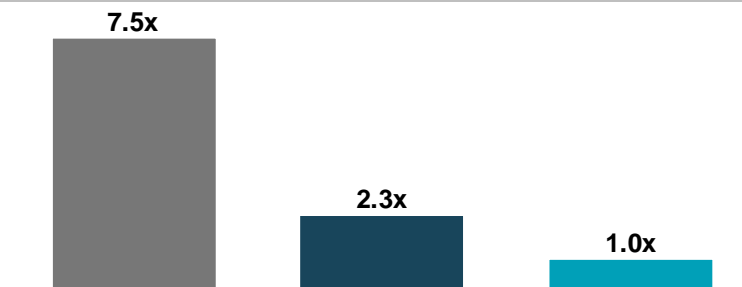


■ Digital Technology Services

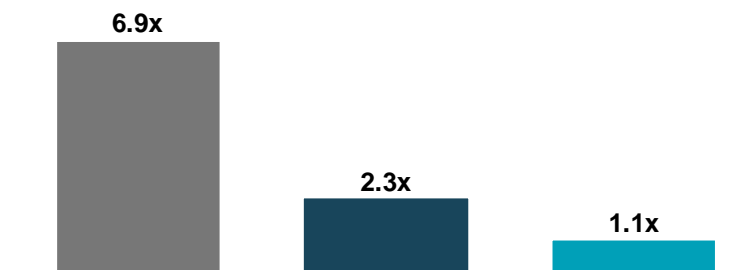
■ IT & BPO Services

■ Marketing Services

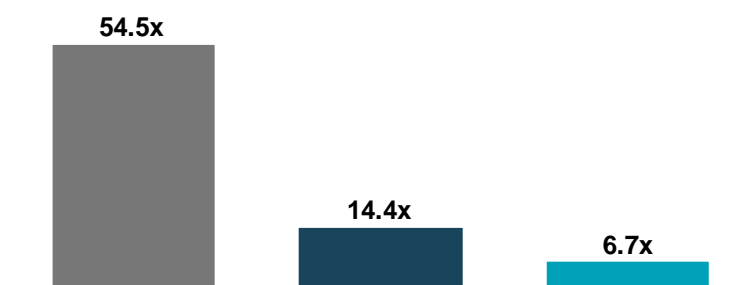
EV / LTM Revenue



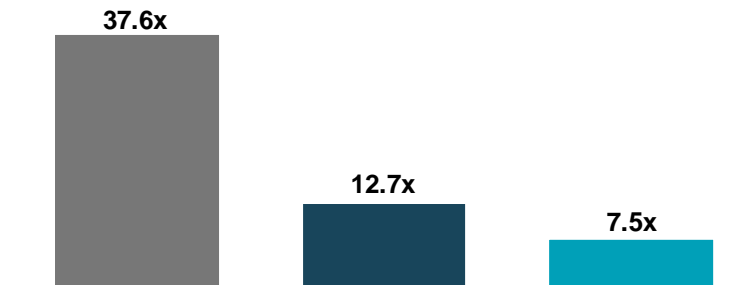
EV / 2020E Revenue



EV / LTM EBITDA



EV / 2020E EBITDA



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

Public Market Performance

Digital Technology Services Comparable Companies

Digital Technology Services Index	Closing Price	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR	2020E Revenue Growth %
	30-Sep-2020				LTM	2020	2021	LTM	2020	2021		2016A-19A	
Endava	\$63.15	99.3%	\$3,434	\$3,323	7.6x	6.8x	5.5x	84.8x	31.5x	25.0x	9.0%	31.9%	19.8%
EPAM	323.28	95.4	19,207	18,395	7.3	7.0	5.8	47.1	37.6	31.4	15.6	25.2	15.0
Globant	179.22	94.7	7,357	7,094	9.7	9.0	7.3	61.9	48.3	35.8	15.7	26.8	20.0
Grid Dynamics	7.73	61.9	394	271	2.3	2.5	2.1	45.8	NM	18.6	5.0	N/A	(8.5)
	High	99.3%	\$19,207	\$18,395	9.7x	9.0x	7.3x	84.8x	48.3x	35.8x	15.7%	31.9%	20.0%
	Median	95.1	5,395	5,209	7.5	6.9	5.7	54.5	37.6	28.2	12.3	26.8	17.4
	Mean	87.8	7,598	7,271	6.8	6.3	5.2	59.9	39.1	27.7	11.3	28.0	11.6
	Low	61.9	394	271	2.3	2.5	2.1	45.8	31.5	18.6	5.0	25.2	(8.5)

IT & BPO Services Comparable Companies

	Closing Price	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA	3 Year CAGR	2020E Revenue
	30-Sep-2020				LTM	2020	2021	LTM	2020	2021	Margin	2016A-19A	Growth %
	IT & BPO Services Index												
Accenture	\$225.99	91.2%	\$154,286	\$149,786	3.4x	3.4x	3.2x	18.1x	18.1x	17.1x	18.7%	9.4%	1.3%
Atos	80.79	83.4	8,881	11,334	0.9	0.9	0.9	7.4	6.1	5.8	11.9	(1.6)	(2.4)
Capgemini	128.88	90.2	22,044	30,790	1.9	1.7	1.5	14.8	11.0	9.8	12.6	4.1	12.3
CGI Group	67.84	78.9	18,630	21,127	2.3	2.3	2.2	13.4	11.8	11.2	16.7	4.8	(0.3)
Cognizant	69.42	96.7	38,399	37,284	2.2	2.3	2.2	11.3	12.4	11.4	19.7	7.4	(1.2)
Genpact	38.95	86.2	7,594	8,642	2.4	2.4	2.2	15.5	13.5	12.2	15.2	10.7	4.8
HCL	11.04	95.5	29,953	30,250	3.0	3.0	2.8	11.9	12.1	11.4	25.6	12.3	5.1
Hexaware	6.34	99.5	1,904	1,909	2.3	2.2	2.0	14.3	13.5	12.2	15.8	16.5	12.8
Mphasis	18.84	97.7	3,529	3,358	2.6	2.6	2.4	16.0	14.2	12.9	16.5	11.6	12.1
Perficient	42.74	79.5	1,468	1,930	3.3	3.2	2.9	23.2	18.1	15.9	14.3	8.1	3.8
Tech Mahindra	10.77	93.6	10,412	9,965	2.0	2.0	1.9	14.6	13.0	11.6	13.9	3.3	1.1
Wipro	4.27	96.6	24,474	20,366	2.4	2.5	2.4	12.1	11.6	11.3	20.3	5.1	6.9
	High	99.5%	\$154,286	\$149,786	3.4x	3.4x	3.2x	23.2x	18.1x	17.1x	25.6%	16.5%	12.8%
	Median	92.4	14,521	15,850	2.3	2.3	2.2	14.4	12.7	11.5	16.1	7.8	4.3
	Mean	90.8	26,798	27,228	2.4	2.4	2.2	14.4	13.0	11.9	16.8	7.7	4.7
	Low	78.9	1,468	1,909	0.9	0.9	0.9	7.4	6.1	5.8	11.9	(1.6)	(2.4)

Marketing Services Comparable Companies

	Closing Price 30-Sep-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			
Marketing Services Index													
Dentsu	\$29.34	73.3%	\$8,244	\$11,538	1.2x	1.3x	1.2x	7.4x	8.0x	7.3x	16.6%	7.2%	(8.0)%
IPG	16.67	66.2	6,584	8,233	1.0	1.0	1.0	6.4	7.5	6.1	15.8	5.0	(8.3)
Omnicom	49.50	59.8	10,762	13,686	1.0	1.1	1.0	6.7	7.4	6.5	14.6	(1.2)	(13.3)
Publicis	32.39	61.2	7,949	11,248	0.9	1.0	0.9	5.1	4.8	4.3	17.1	0.0	1.4
WPP	7.86	56.0	9,886	15,565	1.4	1.3	1.2	7.2	7.7	6.7	19.2	(4.7)	(25.3)
	High	73.3%	\$10,762	\$15,565	1.4x	1.3x	1.2x	7.4x	8.0x	7.3x	19.2%	7.2%	1.4%
	Median	61.2	8,244	11,538	1.0	1.1	1.0	6.7	7.5	6.5	16.6	0.0	(8.3)
	Mean	63.3	8,685	12,054	1.1	1.1	1.1	6.6	7.1	6.2	16.6	1.3	(10.7)
	Low	56.0	6,584	8,233	0.9	1.0	0.9	5.1	4.8	4.3	14.6	(4.7)	(25.3)

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

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

M&A Activity

Date	Target	Buyer/Investor	Summary
9/17/2020	CAMP + KING	 havas	<ul style="list-style-type: none"> Camp + King is an award-winning independent creative agency that combines brand storytelling with expertise in content development The acquisition expands Camp + King's creative network to provide offerings through multiple platforms
9/14/2020	 GlideFast consulting	 bv INVESTMENT PARTNERS SINCE 1983	<ul style="list-style-type: none"> GlideFast provides IT consulting, integrations, and managed support services for ServiceNow to Fortune 500 companies The investment allows GlideFast to expand their Digital Transformation and SaaS solutions
9/10/2020	virtusa	 BPEA Baring Private Equity Asia	<ul style="list-style-type: none"> Virtusa provides digital engineering and IT outsourcing services in NA, Europe, and Asia The acquisition provides Virtusa strong partner to solidify their position and strengthen their capabilities
9/9/2020	 AZEO talents & technology	 avanade	<ul style="list-style-type: none"> AZEO provides IT consulting services around the Microsoft and IOT ecosystems The acquisition expands Avanade's portfolio of services to offer to potential clients
9/4/2020	fourcast.	 devoteam	<ul style="list-style-type: none"> Fourcast provides Google cloud computing services to organizations in Europe. Products include G Suite and SAP on Google Cloud The acquisition allows Fourcast to strengthen their offerings in current markets and expand to new ones
9/1/2020	 HyperAspect	 CONCORD	<ul style="list-style-type: none"> HyperAspect is a software development company based in Bulgaria that provides an array of software products and technology services The acquisition strengthens HyperAspect's capabilities and delivery model
9/1/2020	 ricston	 epam	<ul style="list-style-type: none"> Ricston offers technology consulting, integration, and migration services The acquisition provides Ricston greater scale and access to greater expertise

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

M&A Activity

Date	Target	Buyer/Investor	Summary
9/1/2020			<ul style="list-style-type: none"> LeapFrog is an IT consulting firm focusing on program and project management, IT architecture, and implementation The acquisition allows LeapFrog to benefit from greater access to industry-leading methodologies and a broader talent pool
9/1/2020			<ul style="list-style-type: none"> Surefire provides a digital marketing platform and services to manufacturers, franchisors, and large enterprise The non-dilutive financing allows Surefire to accelerate its marketing and sales growth
9/1/2020		Summit Fincap LLC,	<ul style="list-style-type: none"> Kellton Tech is a technology consulting and services company helping clients build disruptive digital transformation solutions. The investment allows Kellton Tech to expand its service offerings in the Digital Transformation space
9/1/2020		Cognizant	<ul style="list-style-type: none"> 10th Magnitude provides cloud managed services and IT consulting to clients in the United States. The acquisition allows 10th Magnitude to offer greater scope and scale to help their clients use an open and highly-adaptable cloud computing platform to compete more effectively
8/27/2020		Berkshire Partners	<ul style="list-style-type: none"> AHEAD develops and provides an enterprise cloud delivery framework, public cloud services, and Copilot managed cloud The investment helps AHEAD innovate and enhance its client offerings
8/27/2020	HYLAND		<ul style="list-style-type: none"> Hyland is an Australian firm known for creating highly integrated and content-rich marketing campaigns The acquisition allows Hyland to scale their growth trajectory and enhance their service offerings
8/26/2020			<ul style="list-style-type: none"> Fairrank provides SEO and marketing services for small and medium-sized businesses. The acquisition allows Fairrank to gain access to a broader base of clients and improve their service offerings











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

M&A Activity

Date	Target	Buyer/Investor	Summary
8/21/2020			<ul style="list-style-type: none"> Tin Roof develops software and architecture solutions for clients, providing full stack web development and enterprise solutions The acquisition strengthens Tinroof's engineering talent base in the United States
8/17/2020			<ul style="list-style-type: none"> Infostretch provides digital and professional services to Fortune 100 companies and emerging innovators The funding allows Infostretch to continue their aggressive growth and expansion
8/14/2020			<ul style="list-style-type: none"> Comtrade is a provider of strategic software engineering services and solutions The acquisition expands Comtrade's capabilities and employee base
8/13/2020			<ul style="list-style-type: none"> CreativeDrive offers creative services, such as creative ideation, content & ecommerce strategy, and storytelling The acquisition provides CreativeDrive with greater scale and business expertise
8/12/2020			<ul style="list-style-type: none"> Object Partners develops & distributes enterprise IT solutions with a focus on front-end and web applications The acquisition broadens Object Partners' capabilities and employee base
8/6/2020			<ul style="list-style-type: none"> Netrix designs, implements, and supports technology solutions for small and medium-sized businesses The infusion of growth capital allows Netrix to expand offerings and invest in key partner relationships to spur additional growth











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

M&A Activity

Date	Target	Buyer/Investor	Summary
8/5/2020	 VoiceFoundry		<ul style="list-style-type: none"> VoiceFoundry is a provider of cloud-based enterprise contact center solutions through AWS The acquisition strengthens VoiceFoundry's end-to-end CX solutions
8/5/2020	 COVET PUBLIC RELATIONS		<ul style="list-style-type: none"> Covet is a national PR firm specializing in consumer brands across food, beverage, beauty, and wellness The acquisition provides Covet technology, resources, and expertise to drive growth
8/4/2020	 CODA		<ul style="list-style-type: none"> Coda Global provides IT consultancy services worldwide The acquisition expands Coda's solutions portfolio in cloud, security, and digital infrastructure
8/4/2020	 element solutions		<ul style="list-style-type: none"> Element Solutions offers digital consulting, data-driven marketing, and cloud managed services The acquisition strengthens Element Solutions' ability to provide digital transformation services to their clients
8/4/2020	 Pentalog		<ul style="list-style-type: none"> Pentalog is an IT services company providing outsourcing and consulting services to clients This infusion of growth capital allows Pentalog to rapidly increase client offerings and gain access to Marlin's institutional expertise









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

M&A Activity

Date	Target	Buyer/Investor	Summary
7/28/2020			<ul style="list-style-type: none"> Applied Cloud Systems provides solutions that help customers adopt and leverage Microsoft cloud tech The acquisition expands AppliedCloud's geographic presence and capabilities as a strong Microsoft Partner
7/28/2020			<ul style="list-style-type: none"> Pepperjam provides affiliate marketing management, analytics, and insights The acquisition expands the capacity and resources of Pepperjam, enabling it to better serve their clients
7/27/2020			<ul style="list-style-type: none"> New Signature offers technology and web solutions to businesses in the US and internationally in the areas of cloud computing and IT services The acquisition provides New Signature access to Cognizant's expertise and global scale
7/24/2020			<ul style="list-style-type: none"> The DMW Group offers IT consulting services such as design, delivery, and implementation of digital transformation programs The acquisition extends DMW's global reach and strengthens their digital transformation capabilities
7/14/2020			<ul style="list-style-type: none"> Abacus.AI offers cloud AI services to embed deep learning models into business processes or customer experiences The infusion of growth capital allows Abacus.AI to aggressively grow and expand their service offerings

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


M&A Activity

Date	Target	Buyer/Investor	Summary
7/14/2020			<ul style="list-style-type: none"> IVIA provides IT solutions including outsourcing and on-demand services around staff augmentation, app development, and SEO services The acquisition expands IVIA's digital transformation capabilities, global customer portfolio, and delivery model
7/13/2020			<ul style="list-style-type: none"> HoldingHaus is a communication ecosystem focused on solving client problems by creating platforms for conversation and content The acquisition strengthens HoldingHaus' ability to support their customers in co-creating digital solutions and a go-to-market strategy
7/9/2020			<ul style="list-style-type: none"> Sodifrance provides IT services in France, offering digital transformation, project management, and data management solutions The acquisition expands Sodifrance's digital transformation IT services capabilities
7/8/2020			<ul style="list-style-type: none"> Cognetik designs and develops customer and marketing analytics solutions The acquisition strengthens Cognetik's analytics capabilities

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

About ClearSight

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 1650 Tysons Boulevard,
Suite 710
McLean, Virginia 22102

1350 Avenue of the Americas,
Suite 1710
New York, NY 10019

2626 Cole Ave, Suite 700
Dallas, TX 75204

 703.672.3100

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