

Digital Transformation Market Monitor

Market Overview

Sector Spotlight

Public Market Performance

M&A Activity

At the end of the first quarter, we highlighted the confluence of macroeconomic conditions leading to an active digital transformation M&A market. The pandemic catalyzed a widespread shift to digital, particularly by private equity groups (PEGs) looking for a sector with sustainable attractive long-term growth expectations. According to Pitchbook, PEGs have raised \$1.9T from January 2018 – June 2021 and have extraordinary amounts of dry powder. These investment groups have deployed \$476.5B of that capital from January 2018 – June 2021 in the digital transformation landscape alone, and often edge out strategics in doing so. In 2018 PEGs drove 22% of the digital transformation deal volume. In comparison, this figure has increased to 29% so far this year.

Based on our observations, fund size is a significant factor in a PEG's investment strategy in this space. For many PEGs and their platforms in this space, a successful exit will mainly rely on strong organic growth and tuck-in acquisitions to reach a size where the platform could be sold to a strategic or a larger PEG. However, larger funds with \$100M+ businesses are aiming to reach \$400M+ via transformational acquisitions, all with their sights set on an IPO. With Epam (NYSE: EPAM), Endava (NYSE: DAVA), and Globant (NYSE: GLOB) averaging a 39.5x EBITDA multiple, the public market offers a very attractive value creation strategy. According to Pitchbook, the SPAC market also continues to be active in 2021, with total capital raised surpassing 2020's total by 19.8% in just over one quarter. While SPAC activity has cooled in the latter part of the second quarter, we believe SPACs remain a viable exit opportunity for the right companies in this space in the near term.

Over the next few years, we will see which companies can balance scaling the fastest through M&A while maintaining strong organic growth. Those able to successfully achieve both can capitalize on the public equity market at valuation multiples likely exceeding those in the M&A market – although the recent GlobalLogic transaction proves otherwise...



Sector Leadership



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Sector Spotlight

Apax Partners Announces Acquisition of Infogain Corporation

Target



Acquirer



Deal Commentary

- Drawing on the Apax Tech team's significant experience in the tech-enabled services sub-sector, Apax Partners, in partnership with Infogain's management team, will look to continue and accelerate Infogain's journey as a market leading digital transformation partner to its customers. Apax will support the company's continued focus on innovation, service excellence and customer impact.
- Ayan Mukerji, incoming CEO of Infogain said, "Apax's experience, track record and deep knowledge of the industry will help supercharge our growth, organically and through new strategic acquisitions. We will leverage opportunities to deepen and diversify our service offerings to support our clients' – and our own – transformation journeys."

Transaction Summary

On June 11th, 2021, Apax Partners, a London-based investment firm, announced the acquisition of Infogain Corporation, a leading global professional services & technology firm, through a leveraged buyout. Infogain provides business process and architecture design, end-to-end project implementation and managed services.

Transaction Information

Announced Date	11-Jun-2021
Deal Type	Leveraged Buyout
<i>Target Information</i>	
Year Founded	1990
Target HQ	Los Gatos, CA
# of Employees	~4000

NTT DATA Announces Acquisition of Nexient

Target



Deal Commentary

- NTT DATA's acquisition of Nexient will serve as a scalable anchor for NTT DATA's Application Development & Modernization practice, adding user-centric full stack product development capabilities and speeding the ability to offer sophisticated digital transformation services to clients.
- Mark Orttung, CEO of Nexient said, "Nexient's product-minded agile development approach has earned our clients' trust to solve their complex business problems. Building on our commitment to operate within our core values, leadership competencies, and team-based approach, we are excited to join NTT DATA and expand the scope and value of the services we deliver to our clients."

Transaction Summary

On May 18th, 2021, NTT DATA, a Tokyo-based global digital business and IT services firm, announced the acquisition of Nexient, a US-based software development and consulting services firm. Nexient, recognized for its product mindset and highly prized agile software development talent, provides product development strategy, product development and design and product operations capabilities.

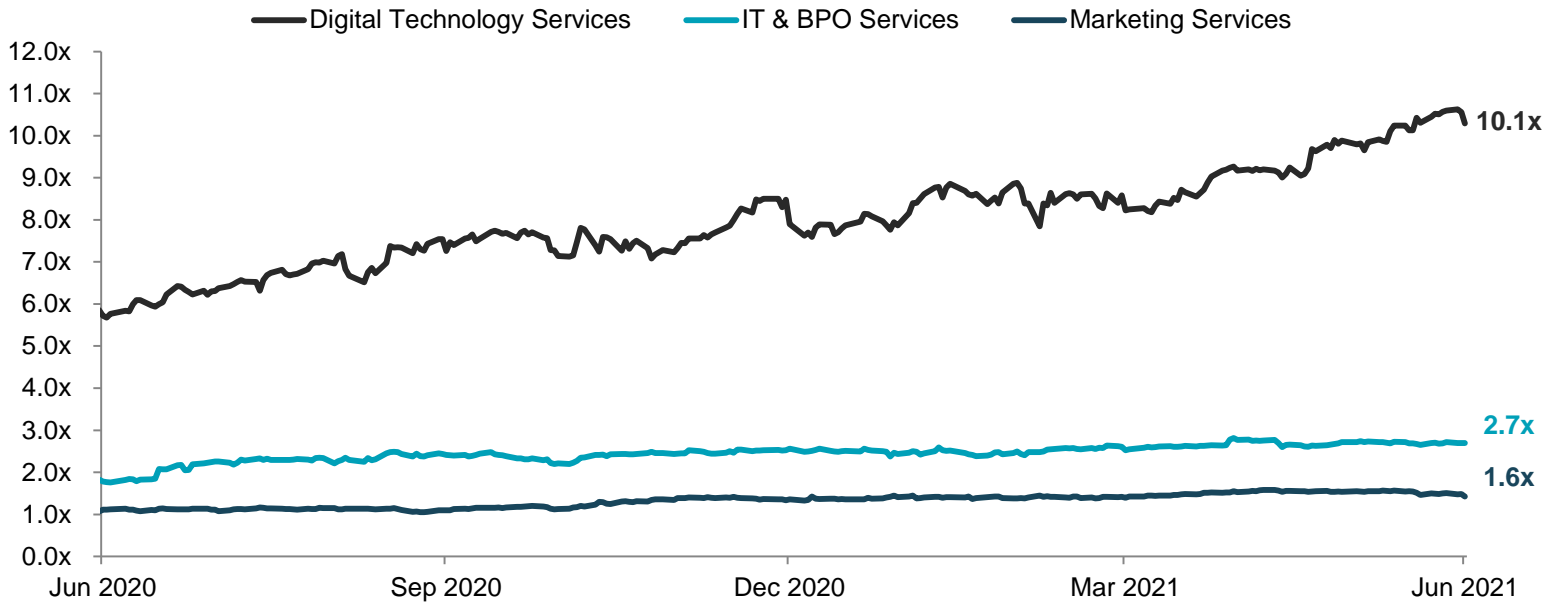
Transaction Information

Announced Date	18-May-2021
Deal Type	Acquisition
<i>Target Information</i>	
Year Founded	2009
Target HQ	Newark, CA
# of Employees	~720

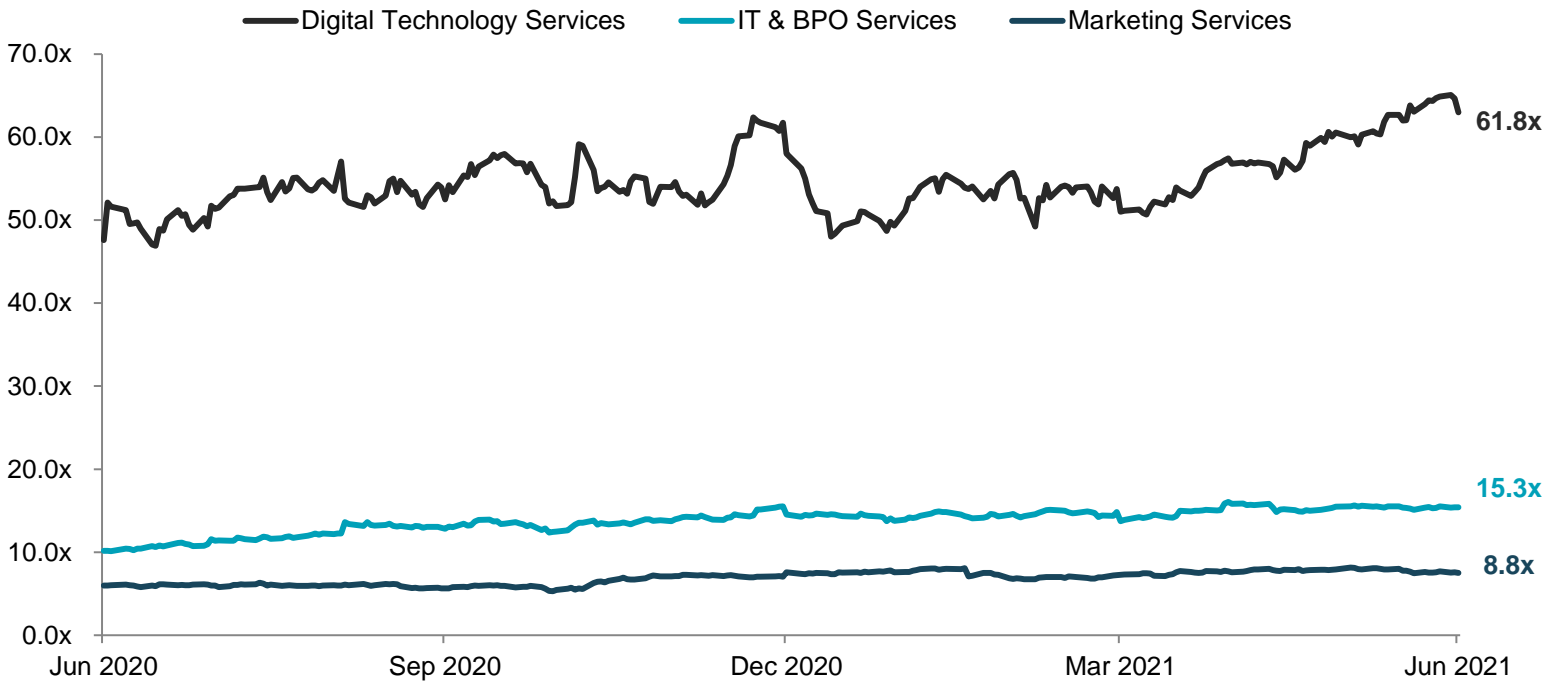
Source: Public filings, 451 Research, Capital IQ, and company websites

Public Market Performance

EV / LTM Revenue – Last Twelve Months



EV / LTM EBITDA – Last Twelve Months



Source: Capital IQ, market data as of 30-Jun-2021

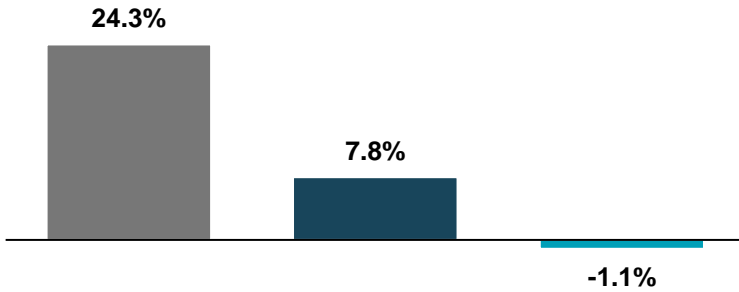
Public Market Performance

■ Digital Technology Services

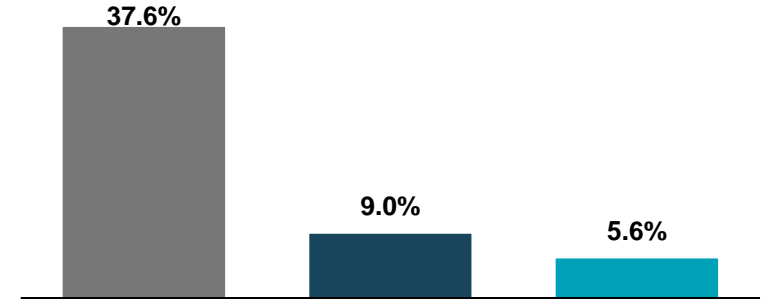
■ IT & BPO Services

■ Marketing Services

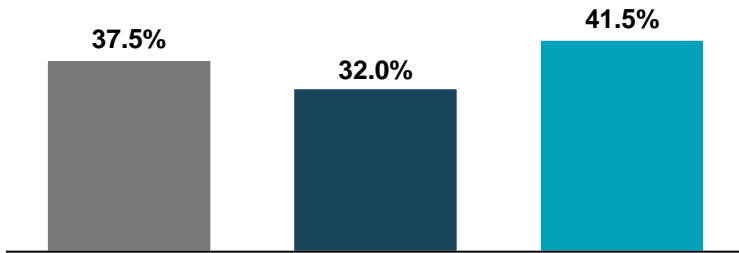
3-Year Historic Revenue Growth



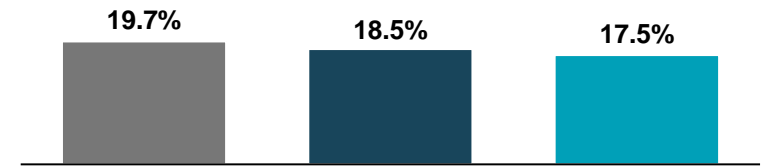
2021E Revenue Growth



2021E Gross Margin



2021E EBITDA Margin

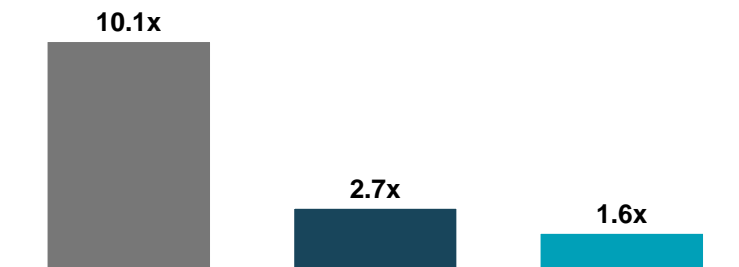


■ Digital Technology Services

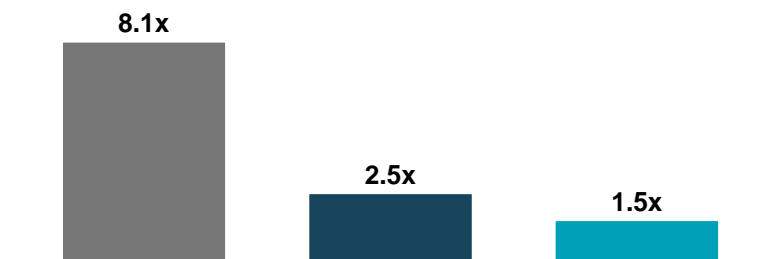
■ IT & BPO Services

■ Marketing Services

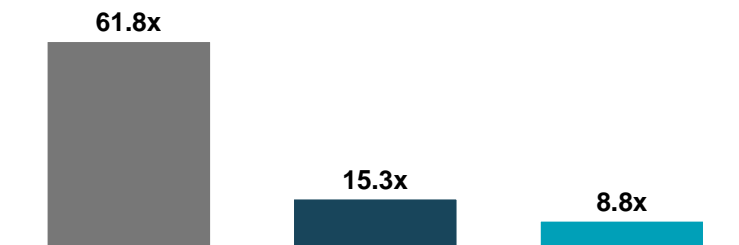
EV / LTM Revenue



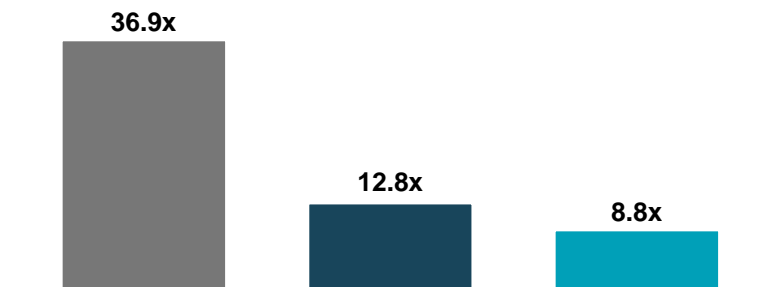
EV / 2021E Revenue



EV / LTM EBITDA



EV / 2021E EBITDA



Source: Capital IQ, market data as of 30-Jun-2021



Public Market Performance

Digital Technology Services Comparable Companies

	Closing Price 30-Jun-2021	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2018A-21E	2021E Revenue Growth %
					LTM	2021	2022	LTM	2021	2022			
Digital Technology Services Index													
Accenture	\$113.38	96.1%	\$6,302	\$6,278	11.3x	8.9x	7.7x	72.0x	36.3x	31.9x	15.7%	25.4%	33.6%
EPAM	510.96	96.9	30,321	29,191	10.5	8.5	6.9	62.9	44.6	36.1	16.6	23.3	30.8
Globant	219.18	89.6	8,750	8,695	9.7	7.6	6.3	60.7	37.5	30.9	16.1	29.6	41.5
Grid Dynamics	15.03	78.8	872	772	6.5	4.6	3.9	NM	32.6	24.3	NM	22.0	52.5
High		96.9%	\$30,321	\$29,191	11.3x	8.9x	7.7x	72.0x	44.6x	36.1x	16.6%	29.6%	52.5%
Median		95.1	7,526	7,487	10.1	8.1	6.6	62.9	36.9	31.4	16.1	24.3	37.6
Mean		87.8	11,561	11,234	9.5	7.4	6.2	65.2	37.8	30.8	16.1	25.1	39.6
Low		61.9	872	772	6.5	4.6	3.9	60.7	32.6	24.3	15.7	22.0	30.8

IT & BPO Services Comparable Companies

	Closing Price 30-Jun-2021	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2018A-21E	2021E Revenue Growth %
					LTM	2021	2022	LTM	2021	2022			
IT & BPO Services Index													
Accenture	\$294.79	99.0%	\$201,839	\$195,824	4.1x	3.7x	3.5x	24.4x	19.6x	17.5x	16.7%	7.8%	17.9%
Atos	60.83	64.8	6,645	8,797	0.6	0.7	0.6	5.8	4.6	4.3	11.2	2.2	1.0
Capgemini	192.08	99.0	33,550	41,267	2.1	2.0	1.9	17.0	12.8	12.0	12.5	9.1	8.1
CGI Group	90.60	98.5	22,668	24,949	2.5	2.5	2.4	14.9	12.5	12.0	16.6	2.0	2.0
Cognizant	69.26	83.7	36,833	36,390	2.2	2.0	1.9	12.3	10.9	10.1	17.5	3.7	7.6
Genpact	45.43	92.7	8,701	9,993	2.7	2.5	2.3	15.3	13.5	12.5	17.5	9.8	7.6
HCL	13.23	92.2	35,905	35,293	3.3	3.2	2.9	13.2	12.5	12.2	25.4	10.1	9.8
Mphasis	28.74	99.7	5,460	5,309	3.9	3.7	3.3	21.1	19.6	17.2	18.5	12.3	10.4
Perficient	80.42	97.5	2,725	2,867	4.5	4.1	3.7	26.8	19.9	17.9	16.8	6.5	9.0
Tech Mahindra	14.73	98.7	14,265	13,041	2.5	2.4	2.1	14.9	12.6	11.9	16.9	7.0	14.8
Wipro	7.34	96.7	40,275	38,068	4.3	4.0	3.6	18.9	16.7	16.0	23.0	12.2	15.7
High		99.7%	\$201,839	\$195,824	4.5x	4.1x	3.7x	26.8x	19.9x	17.9x	25.4%	12.3%	15.7%
Median		97.5	22,668	24,949	2.7	2.5	2.4	15.3	12.8	12.2	16.9	7.8	9.0
Mean		93.0	37,170	37,436	3.0	2.8	2.6	16.8	14.1	13.1	17.5	7.5	9.4
Low		64.8	2,725	2,867	0.6	0.7	0.6	5.8	4.6	4.3	11.2	2.0	1.0

Marketing Services Comparable Companies

	Closing Price 30-Jun-2021	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2018A-21E	2021E Revenue Growth %
					LTM	2021	2022	LTM	2021	2022			
Marketing Services Index													
Dentsu	\$35.82	95.9%	\$9,843	\$13,487	1.6x	1.5x	1.5x	8.4x	11.0x	8.2x	19.0%	(1.1)%	5.6%
IPG	32.49	94.4	12,978	14,708	1.7	1.7	1.6	8.7	9.4	9.1	19.8	2.5	6.7
Omnicom	79.99	92.6	17,446	19,911	1.4	1.4	1.4	9.2	8.7	8.4	15.6	(2.3)	9.0
Publicis	63.96	94.4	15,721	20,685	1.6	1.7	1.7	9.0	7.7	7.4	17.5	0.2	2.3
WPP	13.45	95.3	16,921	21,299	1.3	1.5	1.5	8.8	8.8	8.8	14.7	(8.4)	2.4
High		95.9%	\$17,446	\$21,299	1.7x	1.7x	1.7x	9.2x	11.0x	9.1x	19.8%	2.5%	9.0%
Median		94.4	15,721	19,911	1.6	1.5	1.5	8.8	8.8	8.4	17.5	(1.1)	5.6
Mean		94.5	14,582	18,018	1.5	1.6	1.5	8.8	9.1	8.4	17.3	(1.8)	5.2
Low		92.6	9,843	13,487	1.3	1.4	1.4	8.4	7.7	7.4	14.7	(8.4)	2.3

Source: Capital IQ, market data as of 30-Jun-2021

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

M&A Activity

Date	Target	Buyer/Investor	Summary
6/29/2021	 it-novum Open Business Solutions. Delivered.	ALLGEIER	<ul style="list-style-type: none"> Target HQ: Fulda, Germany it-novum provides big data analytics and enterprise information management in Germany
6/28/2021	 VOYAGER	Tencent 腾讯 KKR	<ul style="list-style-type: none"> Target HQ: Mandaluyong City, Philippines Voyager Innovations is a developer of digital payments and digital finance platforms in the Philippines
6/21/2021	 mint MARKETING AGENCY		<ul style="list-style-type: none"> Target HQ: Columbus, Ohio Mint Marketing Agency provides creative design, app development and digital content services
6/16/2021	 CUELOGIC		<ul style="list-style-type: none"> Target HQ: Pune, India Cuelogic Technologies provides outsourced product development solutions
6/2/2021	 FIVEMILL	BarringtonMedia GROUP	<ul style="list-style-type: none"> Target HQ: San Francisco, California Five Mill operates as a digital marketing agency enabling clients to optimize processes with customized dashboard, reporting and tracking
5/20/2021	 L&T-NxT	 Mindtree	<ul style="list-style-type: none"> Target HQ: Mumbai, India NxT Digital Business is a startup with broad digital capabilities within L&T. It leverages L&T's deep industry domain expertise to deliver disruptive business outcomes
5/17/2021	 DELVE	TRINITY HUNT PARTNERS	<ul style="list-style-type: none"> Target HQ: Madison, WI Delve provides human-centered product strategy, design and engineering to clients from Fortune 500 companies to startups

Source: Capital IQ, Pitchbook

M&A Activity

Date	Target	Buyer/Investor	Summary
5/17/2021	 BRESSLERGROUP	 TRINITY HUNT PARTNERS	<ul style="list-style-type: none"> Target HQ: Philadelphia, PA Bresslergroup was an add-on acquisition to Delve by Trinity Hunt Partners and provides product designing and development services
5/12/2021	 HABITANT	 Globant	<ul style="list-style-type: none"> Target HQ: Madrid, Spain HABITANT provides solutions related to business challenges by creating and optimizing products, services and digital experiences
5/11/2021	 astound COMMERCE	RLH Equity Partners  salesforce ventures	<ul style="list-style-type: none"> Target HQ: Oakland, CA Astound Commerce, an ecommerce agency, uses technology, customer experience strategy, and research to offer designing, data analysis and business optimization
5/4/2021	 BlueFocus	 CVC CDPQ	<ul style="list-style-type: none"> Target HQ: Beijing, China BlueFocus International offers digital marketing, PR, communications and advertising agency services
5/3/2021	 jelecOS Technology—Powered by People	 Crest Rock Partners	<ul style="list-style-type: none"> Target HQ: Omaha, NE JelecOS is a provider of technology consulting services specialized in AWS cloud services
4/20/2021	 SDE	 3PILLAR GLOBAL	<ul style="list-style-type: none"> Target HQ: Raleigh, NC Software Development Europe develops SaaS-based collaborative information technology tools designed to provide technical expertise and software development facilities
4/20/2021	 fusion92	 SERATA CAPITAL PARTNERS LONDON CAPITAL PARTNERS, LLC	<ul style="list-style-type: none"> Target HQ: Chicago, IL Fusion92 is a marketing agency that offers end-to-end marketing and proprietary services

Source: Capital IQ, Pitchbook

M&A Activity

Date	Target	Buyer/Investor	Summary
4/20/2021	 THREE DEEP	 BoldOrange	<ul style="list-style-type: none"> Target HQ: Saint Paul, Minnesota Three Deep is a performance marketing company that provides marketing services intended to make improvements in the entire marketing and sales demand chain
4/19/2021	 Inkxpert	KSA Capital Management Hudson Investments	<ul style="list-style-type: none"> Target HQ: Albany, NY Inkxpert is a marketing communications company providing brand consulting and content writing services
4/19/2021	 Olenick	QUALITEST	<ul style="list-style-type: none"> Target HQ: Chicago, IL Olenick is a global leader in software quality engineering practices focusing on software testing and quality assurance, project and requirements management and DevOps
4/19/2021	 ARETEANS	 CREDERA	<ul style="list-style-type: none"> Target HQ: Hyderabad, India Areteans Technology Solutions provides digital transformation services related to Pega implementations
4/15/2021	 DataArt	da vinci capital	<ul style="list-style-type: none"> Target HQ: New York, NY DataArt Solutions operates as a technology consulting company that designs, develops and supports various software solutions
4/8/2021	 Quovantis	 emids	<ul style="list-style-type: none"> Target HQ: New Delhi, India Quovantis Technologies develops and offers product design and software development focused on digital experiences
4/7/2021	 WinWire Technologies	 SVERICA	<ul style="list-style-type: none"> Target HQ: Santa Clara, Canada WinWire Technologies offers digital engineering services and solutions consisting of cloud, data and AI, machine learning, mobility, security and UI/UX

Source: Capital IQ, Pitchbook


M&A Activity

Date	Target	Buyer/Investor	Summary
4/6/2021	 The Marketing Practice		<ul style="list-style-type: none"> • Target HQ: Oxfordshire, United Kingdom • The Marketing Practice, a business-to-business marketing agency, provides integrated campaigns services from strategy to execution and digital to direct marketing
4/6/2021	 CONCORD		<ul style="list-style-type: none"> • Target HQ: Hopkins, MN • Concord is a business and technology consultancy focused on data solutions / analytics, digital / user experience, business strategy and cloud integration
4/2/2021			<ul style="list-style-type: none"> • Target HQ: Pune, India • e-Zest delivers solutions through digital engineering, digital commerce, digital experience design, digital operations and digital data engineering

Source: Capital IQ, Pitchbook

About ClearSight

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Select Transactions


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has been acquired by




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has been acquired by




a portfolio company of



Sellside Advisor



has been acquired by



Sellside Advisor




has merged with




backed by





Financial Advisor




has received an equity investment from



Sellside Advisor



has been acquired by




Sellside Advisor




has been recapitalized by



Sellside Advisor



has been acquired by




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Sellside Advisor



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