

Digital Transformation Market Monitor

Market Overview

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Public Market Performance

M&A Activity

Sector Leadership



Philo Tran
Managing Director

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

In the digital transformation arena, high volumes of M&A activity rolled over from the end of 2021 straight into 1Q2022. Fueling the market is an imbalance of labor supply and customer demand, with the latter handily exceeding the former. There is one particular trend worth noting. Our world is increasingly dominated by connect products, sometimes referred to as Internet of Things, or IoT. This massive space entails unlimited B2C and B2B applications. Developing connected products requires a seamless integration of various skillsets, including product design and engineering capabilities – from industrial and mechanical to electrical and software engineering. In addition, it requires prototyping capabilities of physical products. In 1Q2022, Deloitte acquired Dexter Technologies, a firm particularly strong in embedded software engineering. We expect to see more deals of this nature over the next 24 months as other consulting and IT services firms position themselves to be leaders in this space.

At Clearsight, our annual Digital Innovation Summit provided us an opportunity to reflect on other trends and activity in the sector. Our virtual event, held on March 31st, welcomed hundreds of executives, corporate development professionals and investors alike to engage in 1x1 networking opportunities and learn about innovations in the space. We had the pleasure of facilitating a fireside chat between Shashank Samant, CEO of GlobalLogic, and Bruno Guicardi, Co-founder & President of CI&T. Samant and Guicardi provided valuable insights into their own experiences with M&A last year – GlobalLogic was acquired by Hitachi while CI&T went public. Read more from the discussion, including their thoughts on the future of digital transformation and key characteristics of successful businesses, in our latest blog, [here](#).

Thank you again to all who were able to participate in our summit. We look forward to the opportunity to bring together innovative minds at next year's event. If you'd like to learn more about our summit, digital transformation practice or general market insights feel free to reach out – we're one email or call away!



Sector Spotlight

Infosys Announces Acquisition of Oddity

Target

Oddity

Acquirer

Infosys

Deal Commentary

- Together with Infosys' earlier acquisition of WONGDOODY, which offers creative and marketing services, Oddity strengthens Infosys' creative, branding and experience design capabilities.
- Ravi Kumar, President of Infosys, said, "We find ourselves at the cusp of the next generation of the internet, the merging of the physical and virtual worlds. With this vision, we are excited to strengthen our experience and marketing skills with Oddity, to deliver forward-thinking, holistic solutions at a global scale. With Oddity's digital commerce and marketing knowledge as well as its metaverse-ready set-up, it is the perfect complement to Infosys' prowess in technological transformation."

Transaction Summary

On March 22nd, 2022, Infosys, an Indian-based technology consulting firm, announced the acquisition of Oddity, a digital marketing services firm. Oddity specializes in digital communication, commerce, promotional campaigns and social media content development

Transaction Information

Announced Date	22-Mar-2022
Deal Type	Acquisition
<i>Target Information</i>	
Year Founded	2000
Target HQ	Stuttgart, Germany
# of Employees	~210

Deloitte Announces Acquisition of Dextra Technologies

Target

Dextra Technologies

Acquirer

Deloitte

Deal Commentary

- Deloitte's acquisition of Dextra Technologies extends Deloitte Consulting's offerings to accelerate the digital transformation from standalone products into smart connected platforms and greatly expands the organization's product and software engineering capabilities.
- Nishita Henry, Chief Innovation Officer of Deloitte Consulting, said "We are making significant investments to help create intelligent connected products and launch product-as-a-service models, and through this acquisition, we are accelerating product innovation for our clients. Kevin Prendeville, principal and product engineering services leader, added, "With Dextra Technologies, we're building on Deloitte Consulting's market-leading product engineering transformation capabilities to now offer an even broader range of services to accelerate our clients' business goals."

Transaction Summary

On January 31st, 2022, Deloitte announced the acquisition of Dextra Technologies, a Monterrey, Mexico-based software development firm. Dextra specializes in designing, building and testing embedded software systems, and offers product development, support and integration services

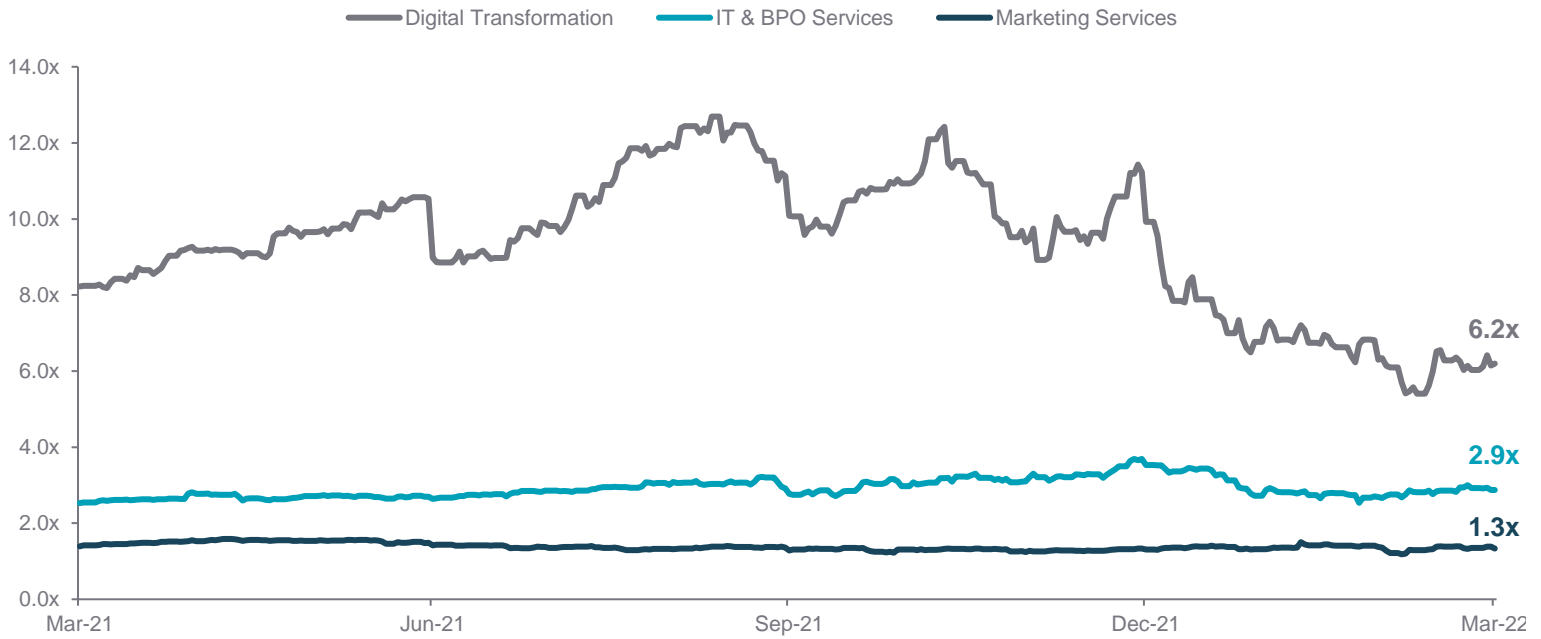
Transaction Information

Announced Date	31-Jan-2022
Deal Type	Acquisition
<i>Target Information</i>	
Year Founded	1997
Target HQ	Monterrey, Mexico
# of Employees	~300

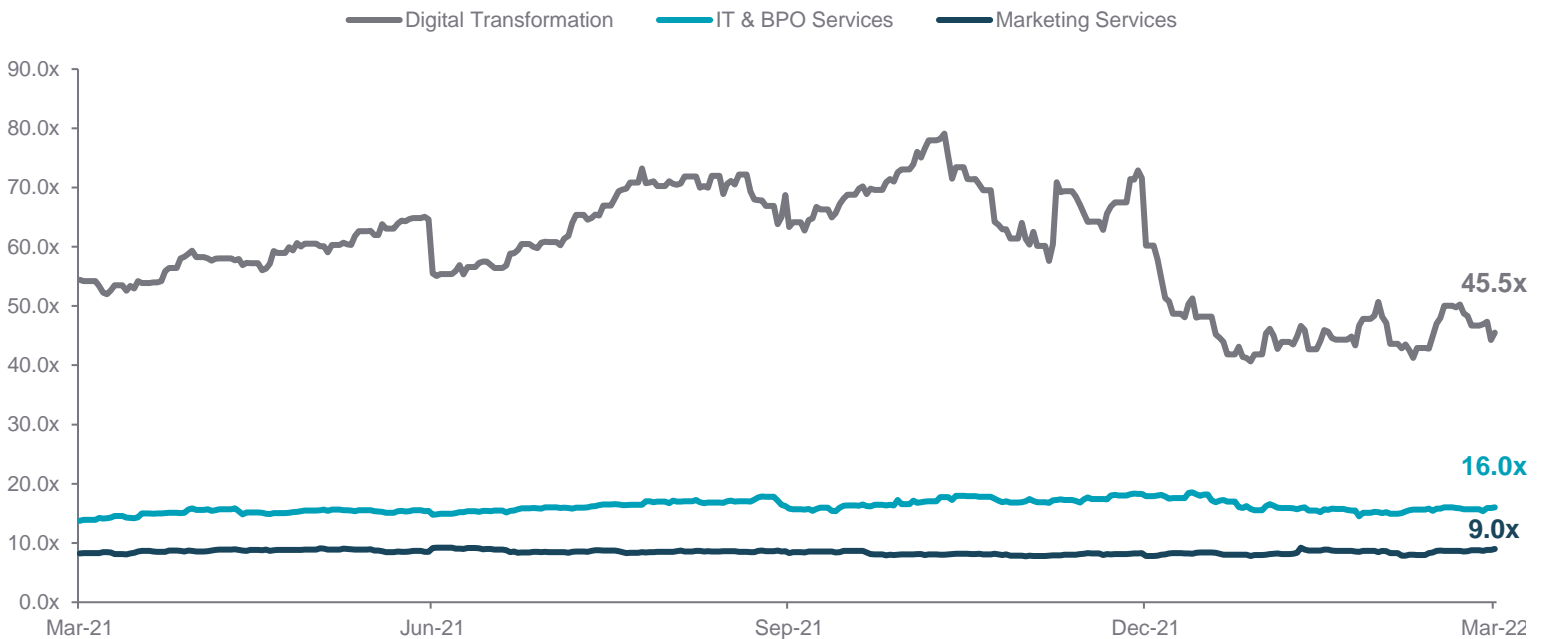
Source: Public filings, 451 Research, Capital IQ, and company websites

Public Market Performance

EV / LTM Revenue – Last Twelve Months



EV / LTM EBITDA – Last Twelve Months



Source: Capital IQ, market data as of 31-Mar-2022

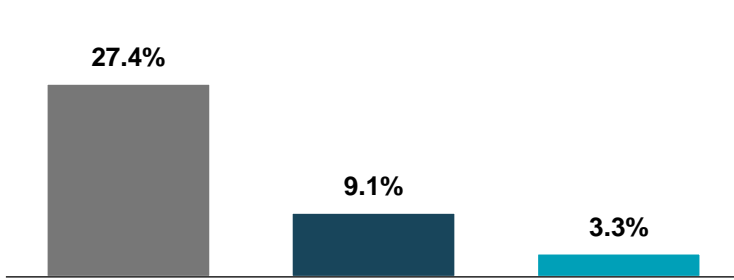
Public Market Performance

■ Digital Technology Services

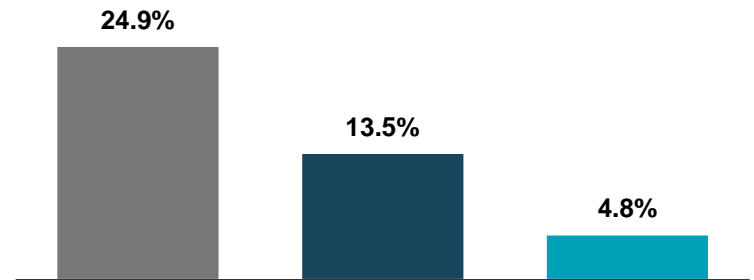
■ IT & BPO Services

■ Marketing Services

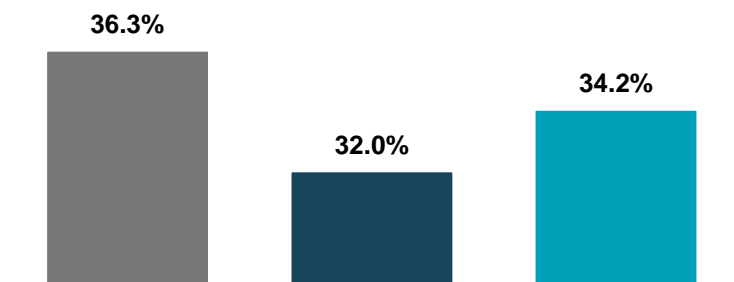
3-Year Historic Revenue Growth



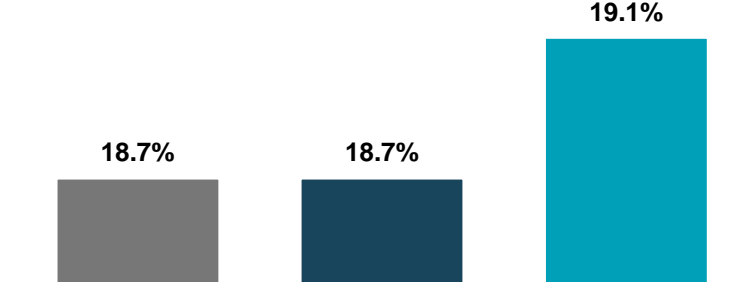
2022E Revenue Growth



2022E Gross Margin



2022E EBITDA Margin

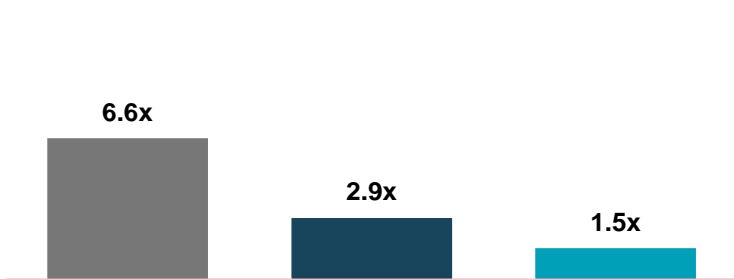


■ Digital Technology Services

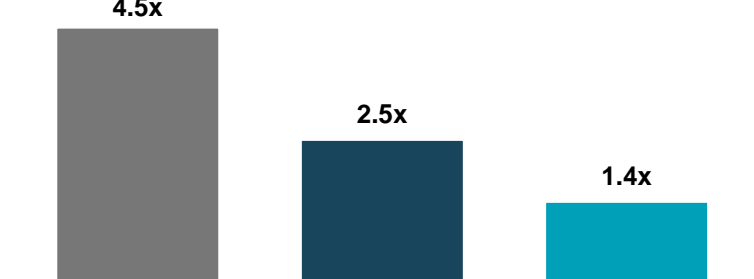
■ IT & BPO Services

■ Marketing Services

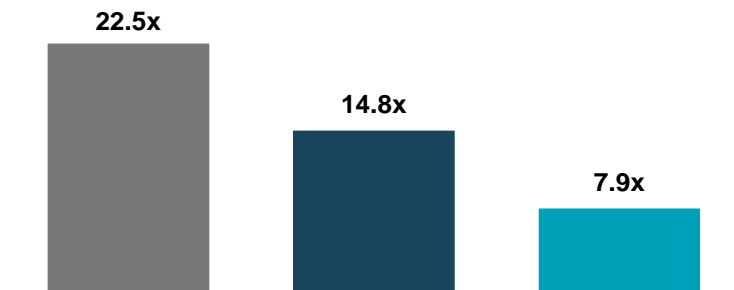
EV / 2021A Revenue



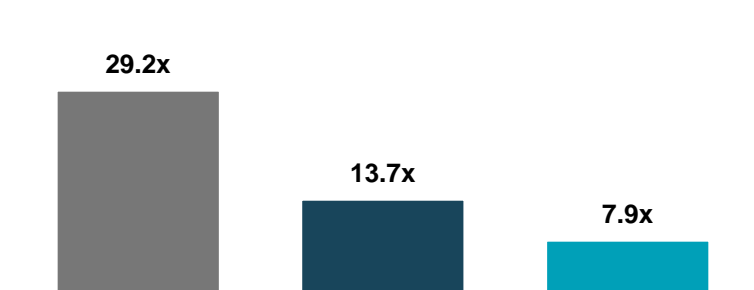
EV / 2022E Revenue



EV / 2021A EBITDA



EV / 2022E EBITDA



Source: Capital IQ, market data as of 31-Mar-2022



Public Market Performance

Digital Technology Services Comparable Companies

Digital Technology Services Index	Closing Price	% of 52 Week	Equity Market	Enterprise	EV / Revenue Multiples		EV / EBITDA Multiples		LTM	3 Year	2022E
	31-Mar-2022	High	Cap	Value	2021	2022	2021	2022	EBITDA Margin	CAGR 2019A-22E	Revenue Growth %
AgileThought, Inc.	\$4.55	12.6%	\$229	\$281	1.8x	1.5x	13.1x	8.3x	(2.6)%	2.2%	17.0%
CI&T Inc.	16.02	0.7	2,182	2,134	7.7	4.5	7.7	4.5	0.2	N/A	17.0
Endava	133.03	77.2	7,401	7,325	9.9	7.8	37.9	31.2	18.0	31.4	31.0
EPAM	296.61	40.9	17,594	16,379	4.4	3.5	22.5	19.2	16.7	27.4	26.1
Globant	262.07	73.9	11,207	10,890	8.5	6.2	41.5	29.9	16.7	39.0	38.4
Grid Dynamics	14.08	32.9	966	822	4.0	3.4	22.0	29.6	2.4	26.7	18.1
Thoughtworks Holding, Inc.	20.81	60.4	6,910	7,046	6.6	5.5	33.9	28.8	5.3	19.7	23.8
High		77.2%	\$17,594	\$16,379	9.9x	7.8x	41.5x	31.2x	18.0%	39.0%	38.4%
Median		50.7	6,910	7,046	6.6	4.5	22.5	28.8	11.0	27.4	24.9
Mean		49.6	6,641	6,411	6.1	4.6	25.5	21.7	9.4	25.3	25.7
Low		12.6	229	281	1.8	1.5	7.7	4.5	(2.6)	2.2	17.0

IT & BPO Services Comparable Companies

IT & BPO Services Index	Closing Price	% of 52 Week	Equity Market	Enterprise	EV / Revenue Multiples		EV / EBITDA Multiples		LTM	3 Year	2022E
	31-Mar-2022	High	Cap	Value	2021	2022	2021	2022	EBITDA Margin	CAGR 2018A-22E	Revenue Growth %
Accenture	\$337.23	80.8%	\$218,604	\$219,332	4.1x	3.5x	22.1x	18.4x	16.8%	13.2%	19.6%
Atos	27.52	40.2	3,045	5,801	0.5	0.5	5.1	5.0	6.1	(1.9)	0.78
Capgemini	224.95	92.0	39,970	46,889	2.3	2.1	13.8	12.9	13.2	12.4	10.64
CGI Group	79.77	85.2	17,455	19,567	2.0	1.9	10.0	9.4	16.8	1.0	3.54
Cognizant	89.67	95.9	47,385	46,308	2.5	2.3	13.5	12.2	18.1	6.7	9.59
Genpact	43.51	80.5	8,109	9,169	2.3	2.1	12.1	11.4	16.7	7.9	9.71
HCL	15.33	84.5	41,529	40,488	3.6	3.2	14.8	14.2	23.4	9.9	13.50
Mphasis	44.49	92.3	9,303	9,126	6.1	5.0	34.3	27.7	17.1	17.7	24.01
Perficient	110.09	71.8	3,877	4,202	5.6	4.5	26.3	20.3	18.4	11.8	19.08
Tech Mahindra	19.76	81.6	17,339	16,454	2.9	2.5	15.4	13.7	17.7	13.6	18.54
Wipro	7.80	80.0	42,849	40,504	4.1	3.5	18.2	16.3	21.4	17.9	23.21
High		95.9%	\$218,604	\$219,332	6.1x	5.0x	34.3x	27.7x	23.4%	17.9%	24.0%
Median		81.6	17,455	19,567	2.9	2.5	14.8	13.7	17.1	11.8	13.5
Mean		80.4	40,860	41,622	3.3	2.8	16.9	14.7	16.9	10.0	13.8
Low		40.2	3,045	4,202	0.5	0.5	5.1	5.0	6.1	(1.9)	0.8

Marketing Services Comparable Companies

Marketing Services Index	Closing Price	% of 52 Week	Equity Market	Enterprise	EV / Revenue Multiples		EV / EBITDA Multiples		LTM	3 Year	2022E
	31-Mar-2022	High	Cap	Value	2021	2022	2021	2022	EBITDA Margin	CAGR 2018A-22E	Revenue Growth %
Dentsu	\$41.34	99.2%	\$11,479	\$12,254	1.3x	1.3x	4.3x	6.7x	19.9%	4.0%	9.6%
IPG	35.45	88.7	14,115	15,659	1.7	1.6	9.0	8.6	19.1	3.3	4.8
Omnicom	84.88	92.7	17,988	21,535	1.5	1.5	9.2	8.8	16.3	(1.0)	2.6
Publicis	61.39	82.7	15,562	18,383	1.6	1.5	6.9	6.6	20.2	4.9	8.2
WPP	13.18	81.4	15,613	19,899	1.4	1.4	7.9	7.9	15.2	(5.3)	3.5
High		99.2%	\$17,988	\$21,535	1.7x	1.6x	9.2x	8.8x	20.2%	4.9%	9.6%
Median		88.7	15,562	18,383	1.5	1.5	7.9	7.9	19.1	3.3	4.8
Mean		88.9	14,951	17,546	1.5	1.5	7.5	7.7	18.1	1.2	5.7
Low		81.4	11,479	12,254	1.3	1.3	4.3	6.6	15.2	(5.3)	2.6

Source: Capital IQ, market data as of 31-Mar-2022

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

M&A Activity

Date	Target	Buyer/Investor	Summary
03/31/2022	Evolytics	Concord	<ul style="list-style-type: none"> Target HQ: Parkville, MO Evolytics provides digital analytics and consulting services for marketing, sales and IT business segments
03/28/2022	Inspired Thinking Group	Bridgepoint	<ul style="list-style-type: none"> Target HQ: Birmingham, UK Inspired Thinking Group offers multichannel marketing services including strategy, creative production, delivery, digital marketing, customer experience and design
03/28/2022	Vectorform	NTT Data	<ul style="list-style-type: none"> Target HQ: Detroit, MI Vectorform provides digital product development and strategic consultancy services
03/28/2022	Social Nucleus	Hawkemedia	<ul style="list-style-type: none"> Target HQ: Manchester, UK Social Nucleus operates as a marketing company that offers paid advertising services to e-commerce businesses
03/17/2021	Edrans Iberia	Netrix	<ul style="list-style-type: none"> Target HQ: Buenos Aires, Argentina Edrans Iberia offers IT consulting services with significant cloud offerings including migration, cloud-native software development and cloud cost optimization
03/16/2022	Power Digital Marketing	Court Square Capital Partners	<ul style="list-style-type: none"> Target HQ: San Diego, CA Power Digital Marketing is a digital marketing agency that offer SEO, PR, social media strategy and content marketing services, among others
03/08/2022	Forcivity	Apps Associates	<ul style="list-style-type: none"> Target HQ: Manchester, NH Forcivity is a Salesforce consultancy and systems integrator that offers significant cloud services and solutions

Source: Capital IQ, Pitchbook

M&A Activity

Date	Target	Buyer/Investor	Summary
03/02/2022	TA Digital	Omnicom	<ul style="list-style-type: none"> Target HQ: San Francisco, CA TA Digital provides customer experience consulting services including marketing, strategy, research and analytics
03/01/2022	Yoppworks	Improving	<ul style="list-style-type: none"> Target HQ: Ottawa, Canada Yoppworks is a provider of IT consulting services including software and architecture modernization solutions
02/25/2022	Traction on Demand	Salesforce	<ul style="list-style-type: none"> Target HQ: Burnaby, Canada Traction on Demand provides Salesforce consulting and software development services
02/24/2022	Melon Group	Kin and Carta	<ul style="list-style-type: none"> Target HQ: Sofia, Bulgaria Melon Group provides end-to-end software development and consulting services for web, mobile and desktop applications
02/24/2022	Loop	Kin and Carta	<ul style="list-style-type: none"> Target HQ: Chicago, IL Loop Integration provides a broad range of eCommerce solutions including cloud, omnichannel, design and SAP services
02/23/2022	Boostability	Cohere Capital Partners	<ul style="list-style-type: none"> Target HQ: Lehi, UT Boostability is a search engine optimization and marketing company that provides solutions to small and medium sized businesses
02/16/2022	Apexon	Infostretch	<ul style="list-style-type: none"> Target HQ: Southfield, MI Apexon offers a wide range of IT consulting services including application development, modernization, migration, testing and performance monitoring

Source: Capital IQ, Pitchbook



M&A Activity

Date	Target	Buyer/Investor	Summary
02/15/2022	Blended Digital	Deloitte Digital	<ul style="list-style-type: none"> Target HQ: Melbourne, Australia Blended Digital is a marketing automation and digital experience consultancy that offers a variety of marketing technology services
02/15/2022	Mod Op	Alterna Equity Partners	<ul style="list-style-type: none"> Target HQ: Miami, FL Mod Op offers digital marketing services including PR, creative design, advertising, strategy, SEO and social media to B2B and B2C clients
02/14/2022	ProArch Technologies	MSouth Capital	<ul style="list-style-type: none"> Target HQ: Atlanta, GA ProArch Technologies provides cloud consulting, data platform and product engineering services, along with significant cybersecurity solutions
02/10/2022	Lambert & Co.	Charter Capital Partners	<ul style="list-style-type: none"> Target HQ: Grand Rapids, MI Lambert & Co. is a strategic communications and marketing agency that offers a broad variety of services including PR, crisis management and product launch
02/03/2022	Accrete Hitech Solutions	UST Global	<ul style="list-style-type: none"> Target HQ: Santa Clara, CA Accrete Hitech Solutions is a consulting and outsourced services firm focused on the IT and engineering industries
01/27/2022	Overdrive Interactive	Capitala Group	<ul style="list-style-type: none"> Target HQ: Allston, MA Overdrive Interactive provides digital marketing consulting services focused on customized brand-building marketing programs
01/24/2022	RipeConcepts	Nagarro	<ul style="list-style-type: none"> Target HQ: Salt Lake City, UT RipeConcepts is an outsourcing company offering graphic design, 3D modeling, animation, web development and digital marketing services

Source: Capital IQ, Pitchbook



M&A Activity

Date	Target	Buyer/Investor	Summary
01/21/2022	Adept Marketing Outsourced	Smith	<ul style="list-style-type: none"> Target HQ: Columbus, OH Adept Marketing Outsourced provides digital marketing services such as advertising, strategy, research and content analysis
01/19/2022	Clearlink	Clarke Capital Partners	<ul style="list-style-type: none"> Target HQ: Salt Lake City, UT Clearlink offers marketing and sales solutions, supported by data & analytics offerings
01/18/2022	Cloud Pacific	K2 Partnering Solutions	<ul style="list-style-type: none"> Target HQ: Kailua, HI Cloud Pacific is a Salesforce consulting firm that serves the real estate, finance and service industries
01/18/2022	Acorn Influence	New Engen	<ul style="list-style-type: none"> Target HQ: Rogers, AK Acorn Influence provides influence marketing services and specializes in connecting digital influencers to advertisers
01/14/2022	Somo Global	CI&T	<ul style="list-style-type: none"> Target HQ: London, UK Somo Global operates as a digital product agency with outsourced capabilities
01/12/2022	FitForCommerce	OSF Digital	<ul style="list-style-type: none"> Target HQ: Short Hills, NJ FitForCommerce provides eCommerce consulting services including strategy, marketing, implementation and organizational development
01/11/2022	Neal Analytics	Fractal Analytics	<ul style="list-style-type: none"> Target HQ: Seattle, WA Neal Analytics provides a variety of BI solutions including information strategy, data opportunities, data management and predictive analytics

Source: Capital IQ, Pitchbook

M&A Activity

Date	Target	Buyer/Investor	Summary
01/11/2022	Inseev Interactive	3Q Digital	<ul style="list-style-type: none"> Target HQ: San Diego, CA Inseev Interactive is a digital marketing agency that specializes in search engine optimization and search engine advertising
01/10/2022	Convince & Convert	LaneTerralever	<ul style="list-style-type: none"> Target HQ: Bloomington, IN Convince & Convert provides digital marketing strategy and consulting services
01/06/2022	Instrument	MDC Partners	<ul style="list-style-type: none"> Target HQ: Portland, OR Instrument provides digital marketing services including brand strategy and consulting, positioning, content strategy and consumer and market research
01/06/2022	Marlabs	BV Investment Partners	<ul style="list-style-type: none"> Target HQ: Piscataway, NJ Marlabs provides full-service IT consulting and BPO services to a wide range of global clients
01/05/2022	Surefire Local	Recurring Capital Partners	<ul style="list-style-type: none"> Target HQ: Vienna, VA Surefire Local provides digital marketing platforms and services including website design, SEO, social media and content marketing

Source: Capital IQ, Pitchbook



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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

 www.clearsightadvisors.com

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