

Digital Transformation Market Monitor

Market Overview

Sector Spotlight

Public Market Performance

M&A Activity

Sector Leadership



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Despite turmoil in the public equity markets, the lower/middle market digital transformation M&A arena remains very active. While a limited group of buyers are taking a more conservative approach to acquisitions, there remains a plethora of aggressive financial investors and strategic acquirers. These buyers are armed with significant M&A capital and approach their deal-making strategy with long-term goals in sight, rather than reacting to short-term trends. As such, intense competition for high-quality assets persists with deal multiples comparable to last year in the digital transformation space. This is particularly true for product development, digital agencies, e-commerce, data and cloud engineering firms.

We would like to take a moment to congratulate our clients, [AnswerLab](#) and [CIVC Partners](#), on their respective successful transactions in the third quarter. We are excited to have advised the CIVC team on their investment in Allata, a growing custom application development and data analytics consultancy.

We are also proud to have worked with Amy Buckner Chowdhry, Founder and CEO of AnswerLab, on a successful growth investment from Shamrock Capital. In addition to her extensive knowledge and valuable insights in UX research and human-centered design, Amy is a staunch advocate of corporate Diversity, Equity, and Inclusion (DEI). The AnswerLab team has shown that practicing socially responsible values can lead to fantastic business outcomes. We wish all of our clients great success in their new partnerships and look forward to the innovations they will bring to the digital transformation space in the coming years.



Sector Spotlight

Shamrock Capital Announces Investment in AnswerLab

Target

AnswerLab

Acquirer

Shamrock Capital

Deal Commentary

- Shamrock's investment in AnswerLab provides them with a strong entrance into the rapidly growing user experience (UX) research market with a robust platform to expand on this growth.
- Laura Held, Partner at Shamrock Capital, said, "AnswerLab is uniquely positioned to benefit from the tailwinds of digital transformation as demand for UX research becomes an increasingly important element of the product development lifecycle. We are extremely impressed by the depth and innovation of AnswerLab's UX capabilities, as well as their scale, quality client base, rapid growth, and stellar reputation. Also, we were attracted to their strong commitment to diversity, equity, and inclusion, which not only aligns with Shamrock's values but has also been a key driver of their success. We are excited to be their partner during their next stage of growth and expansion."

Transaction Summary

On September 22nd, 2022, Shamrock Capital, a Los Angeles-based private equity firm, announced its investment in AnswerLab, a leading UX research firm. AnswerLab offers research services in digital strategy, optimization and UX within the product development lifecycle and has strong commitments to DEI initiatives.

***Clearsight served as financial advisor to AnswerLab in connection to this transaction.**

Transaction Information

Announced Date	22-Sep-2022
Deal Type	Growth Investment

Target Information

Year Founded	2004
Target HQ	San Francisco, California
# of Employees	~300

CIVC Partners Announces Investment in Allata

Target

Allata

Acquirer

CIVC Partners

Deal Commentary

- With significant tailwinds in the digital transformation space, CIVC's investment in Allata positions the company to take advantage of current market conditions.
- Allata works with a wide variety of blue-chip clients and offers a range of services across the product development lifecycle including product design, strategy, custom software and application development, and a suite of data-driven support services including machine learning and data analytics. Additionally, Allata leverages high-value partnerships, such as their Silver Microsoft Partner status, to provide additional benefits to clients.

Transaction Summary

On September 29th, 2022, CIVC Partners, a Chicago-based private equity firm, announced its investment in Allata, a Dallas-based digital engineering firm. Allata offers digital transformation consulting services including strategy, architecture and application development.

***Clearsight served as the financial advisor to CIVC in connection to this transaction.**

Transaction Information

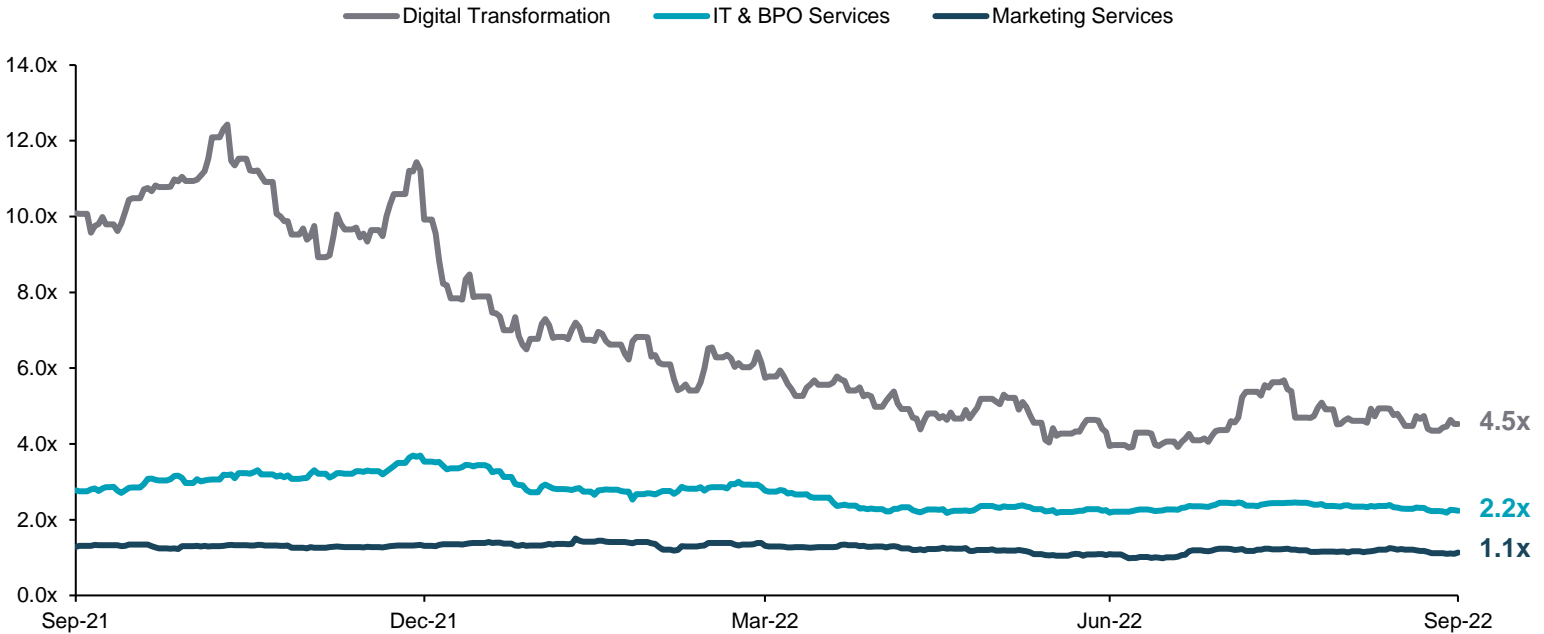
Announced Date	29-Sep-2022
Deal Type	Growth Investment

Target Information

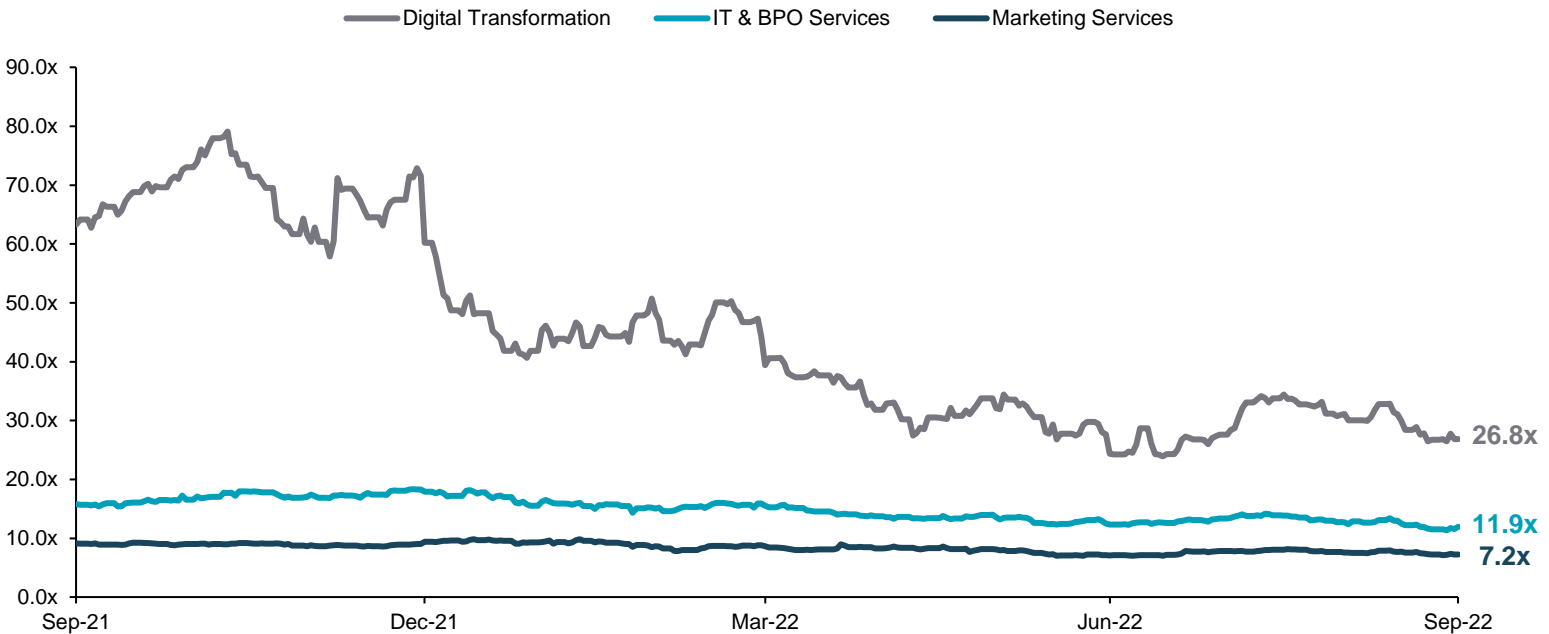
Year Founded	2016
Target HQ	Dallas, Texas
# of Employees	~150

Public Market Performance

EV / LTM Revenue – Last Twelve Months



EV / LTM EBITDA – Last Twelve Months



Source: Capital IQ, market data as of 30-Sep-2022

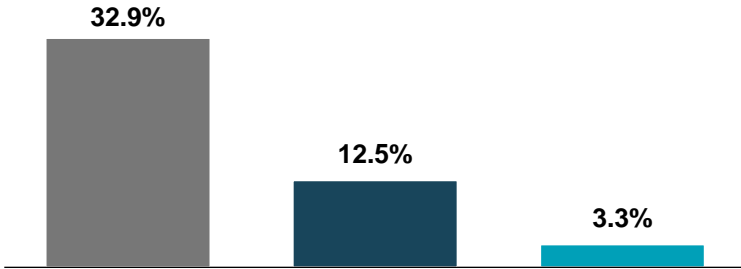
Public Market Performance

■ Digital Technology Services

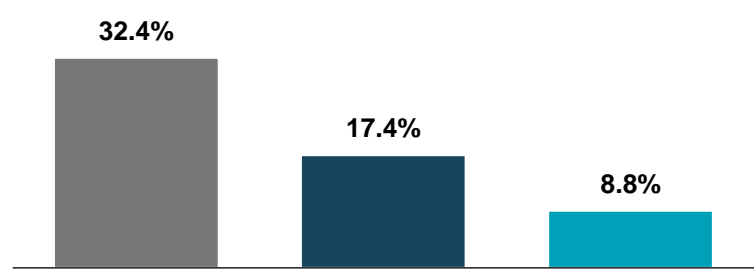
■ IT & BPO Services

■ Marketing Services

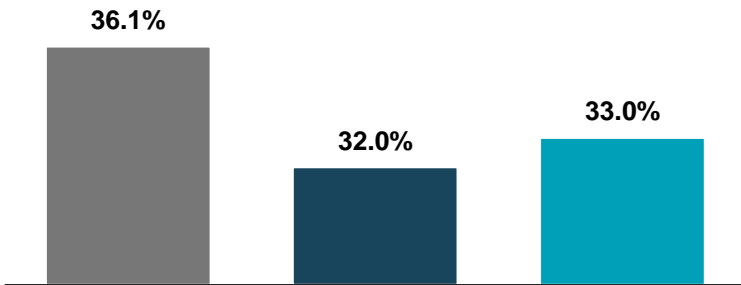
3-Year Historic Revenue Growth



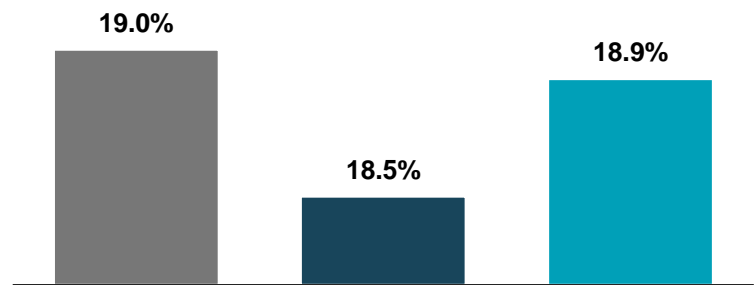
2022E Revenue Growth



2022E Gross Margin



2022E EBITDA Margin

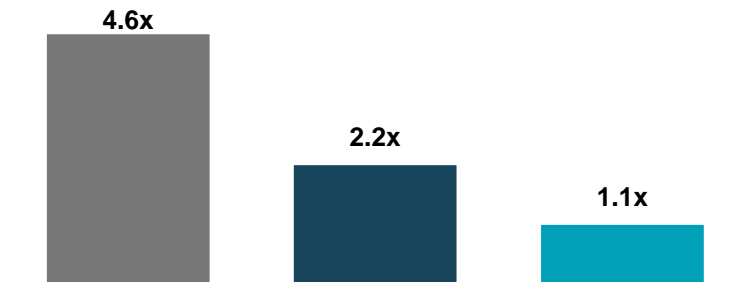


■ Digital Technology Services

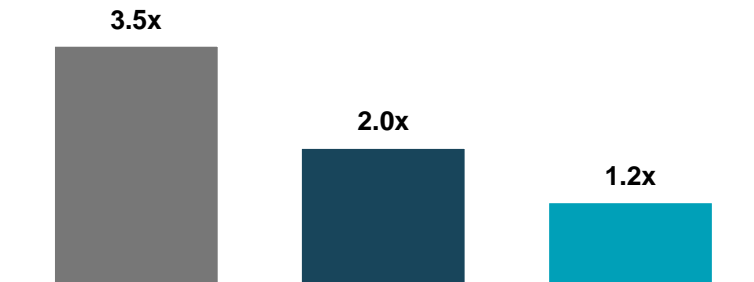
■ IT & BPO Services

■ Marketing Services

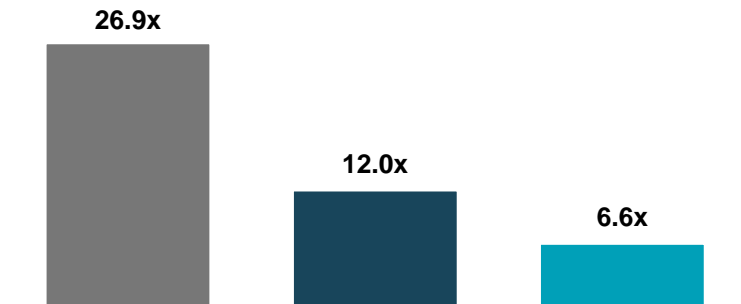
EV / LTM Revenue



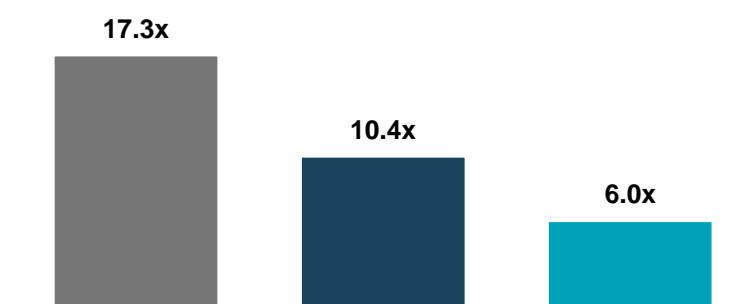
EV / 2022E Revenue



EV / LTM EBITDA



EV / 2022E EBITDA



Source: Capital IQ, market data as of 30-Sep-2022



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	2022E Revenue Growth %
	30-Sep-2022				LTM	2022	LTM	2022		2019A-22E	
AgileThought, Inc.	\$3.90	35.1%	\$188	\$257	1.5x	1.3x	N/M	18.0x	(3.9)%	0.2%	10.2%
CI&T Inc.	9.39	41.7	1,277	1,353	3.8	2.6	22.6	12.9	0.2	48.0	51.9
Endava	80.63	46.8	4,487	4,367	5.5	4.0	26.6	16.3	20.6	32.9	35.5
EPAM	362.19	49.9	21,690	20,547	4.6	3.5	27.4	19.3	16.8	28.5	29.4
Globant	187.08	52.8	8,024	7,854	5.1	3.6	27.2	17.3	18.6	39.2	37.1
Grid Dynamics	18.73	43.8	1,457	1,311	4.8	3.5	N/M	20.3	1.1	37.7	46.1
Thoughtworks Holding, Inc.	10.49	31.1	3,551	3,824	3.1	3.0	N/M	15.6	(6.7)	19.9	24.6
High		52.8%	\$21,690	\$20,547	5.5x	4.0x	27.4x	20.3x	20.6%	39.2%	46.1%
Median		45.3	3,551	3,824	4.6	3.5	26.9	17.3	9.0	32.9	32.4
Mean		43.2	5,810	5,645	4.1	3.1	26.0	17.1	7.8	27.7	30.5
Low		31.1	188	257	1.5	1.3	22.6	12.9	(6.7)	0.2	10.2

IT & BPO Services Comparable Companies

IT & BPO 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	2022E Revenue Growth %
	30-Sep-2022				LTM	2022	LTM	2022		2018A-22E	
Accenture	\$257.30	61.6%	\$163,065	\$159,138	2.6x	2.4x	15.3x	12.9x	16.9%	12.5%	17.4%
Atos	8.00	17.3	887	4,104	0.4	0.4	9.4	4.0	3.8	(1.5)	2.11
Capgemini	162.29	75.2	28,542	33,335	1.6	1.5	12.0	10.1	13.2	14.9	18.44
CGI Group	75.74	89.6	17,542	19,752	2.0	2.0	11.5	10.0	17.7	2.0	6.57
Cognizant	57.44	61.5	29,966	29,217	1.5	1.4	8.4	7.3	18.1	5.8	6.98
Genpact	43.77	81.0	8,084	9,422	2.2	2.0	14.0	10.4	15.8	7.7	9.31
HCL	11.46	68.6	31,019	30,971	2.6	2.4	11.9	10.8	21.6	7.4	6.01
Mphasis	25.64	57.0	4,856	4,700	2.9	2.4	18.1	13.4	16.2	18.1	25.25
Perficient	65.02	42.4	2,286	2,664	3.1	2.6	16.3	11.2	19.2	12.7	22.04
Tech Mahindra	12.39	54.9	10,894	10,266	1.7	1.5	11.0	9.6	15.7	13.6	18.63
Wipro	4.85	53.3	26,656	25,106	2.4	2.1	13.2	10.9	18.1	17.4	21.53
High		89.6%	\$163,065	\$159,138	3.1x	2.6x	18.1x	13.4x	21.6%	18.1%	25.3%
Median		61.5	17,542	19,752	2.2	2.0	12.0	10.4	16.9	12.5	17.4
Mean		60.2	29,436	29,879	2.1	1.9	12.8	10.1	16.0	10.1	14.0
Low		17.3	887	2,664	0.4	0.4	8.4	4.0	3.8	(1.5)	2.1

Marketing Services Comparable Companies

Marketing 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	2022E Revenue Growth %
	30-Sep-2022				LTM	2022	LTM	2022		2018A-22E	
Dentsu	\$28.41	81.2%	\$7,512	\$7,940	0.9x	0.9x	4.6x	4.7x	20.0%	5.6%	14.8%
IPG	25.60	64.0	10,116	12,861	1.4	1.3	7.5	7.0	18.1	3.3	5.0
Omnicom	63.09	68.9	13,109	16,805	1.2	1.2	7.1	7.3	16.5	(1.8)	0.0
Publicis	47.95	73.1	12,042	14,851	1.1	1.2	6.6	5.7	16.8	7.2	15.4
WPP	8.36	60.9	9,968	16,368	1.0	1.3	6.5	6.0	15.4	(3.7)	8.8
High		81.2%	\$13,109	\$16,805	1.4x	1.3x	7.5x	7.3x	20.0%	7.2%	15.4%
Median		68.9	10,116	14,851	1.1	1.2	6.6	6.0	16.8	3.3	8.8
Mean		69.6	10,549	13,765	1.1	1.2	6.5	6.1	17.4	2.1	8.8
Low		60.9	7,512	7,940	0.9	0.9	4.6	4.7	15.4	(3.7)	0.0

Source: Capital IQ, market data as of 30-Sep-2022

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

M&A Activity

Date	Target	Buyer/Investor	Summary
09/29/2022	Qualitance	Alten	<ul style="list-style-type: none"> Target HQ: Bucharest, Romania Qualitance provides product design and technology consulting services, using technologies including artificial intelligence, blockchain and machine learning
09/29/2022	Sysdata	Globant	<ul style="list-style-type: none"> Target HQ: Bologna, Italy Sysdata is a provider of business and technology consulting services focused on digital transformation
09/14/2022	Mistral Technologies	HTEC Group	<ul style="list-style-type: none"> Target HQ: Sarajevo, Bosnia and Herzegovina Mistral Technologies offers IT services across the full software development cycle, specializing in IoT, digital transformation, finance and banking, and healthcare
09/13/2022	Jonah Group	3Pillar Global	<ul style="list-style-type: none"> Target HQ: Toronto, Canada Jonah Group develops software applications intended for the capital market, health insurance, tax and legal sectors
09/08/2022	Said Differently	Falfurrias Capital Partners	<ul style="list-style-type: none"> Target HQ: Boston, MA Said Differently offers product design, brand positioning, UX design and project management services to clients ranging from start-ups to Fortune 500 firms
09/01/2022	Newcraft	WPP	<ul style="list-style-type: none"> Target HQ: Amsterdam, Netherlands Newcraft provides e-commerce consulting services including website designing, digital advertising, and data-driven customer journey mapping
08/31/2022	Emtec	Kelso & Company	<ul style="list-style-type: none"> Target HQ: Jacksonville, FL Emtec is an IT consultancy offering application and infrastructure services to commercial and public sector clients

M&A Activity


Date	Target	Buyer/Investor	Summary
08/16/2022	Transpire Technology	CI&T	<ul style="list-style-type: none"> Target HQ: Melbourne, Australia Transpire Technology is a digital technology firm offering UX and design, mobile and web development, and cloud software services
08/16/2022	Novatio Solutions	Keystone Capital	<ul style="list-style-type: none"> Target HQ: Orlando, FL Novatio Solutions provides a digital workforce platform to help standardize the delivery of robotic process automation and optimize business processes
08/08/2022	Click Culture	919 Marketing	<ul style="list-style-type: none"> Target HQ: Raleigh, NC Click Culture is an IT consulting firm offering research, marketing strategy and analytics, and design services
08/04/2022	Extentia Information Technology	Merkle	<ul style="list-style-type: none"> Target HQ: Maharashtra, India Extentia Information Technology provides technology consulting including product development, cloud infrastructure services and user experience services
08/03/2022	Nubik	Deloitte	<ul style="list-style-type: none"> Target HQ: Quebec, Canada Nubik offers multi-cloud consulting to manufacturing, professional services, high tech, financial, healthcare and life sciences industries
08/02/2022	Digital Detox	EY	<ul style="list-style-type: none"> Target HQ: London, England Digital Detox provides digital engineering consulting services focused on helping clients build custom software development for digital applications
07/26/2022	Neoris	Advent International	<ul style="list-style-type: none"> Target HQ: Miami, FL Neoris provides IT consulting and software development services to the manufacturing, education, agribusiness, health and energy industries

M&A Activity

Date	Target	Buyer/Investor	Summary
07/19/2022	Radancy	New Mountain Capital	<ul style="list-style-type: none"> Target HQ: New York, NY Radancy is the developer of a cloud-based talent acquisition platform designed for employers to connect with the required talent
07/18/2022	Corebiz	WPP	<ul style="list-style-type: none"> Target HQ: Barueri, Brazil Corebiz is a provider of digital marketing services catering to e-commerce platforms, specializing in managing consumer data and motion design
07/18/2022	MST Solutions	Mastek	<ul style="list-style-type: none"> Target HQ: Chandler, AZ MST Solutions offers technology consulting services intended to help clients develop innovative Salesforce solutions
07/12/2022	Aarin	OSF Digital	<ul style="list-style-type: none"> Target HQ: Pleasant Hill, CA Aarin provides cloud system integration services catering to the retail, consumer goods, manufacturing and financial sectors
07/08/2022	Addison	Sia Partners	<ul style="list-style-type: none"> Target HQ: New York, NY Addison is a digital content agency that helps clients with branding, digital content creation and financial marketing
07/07/2022	FreshWorks Studios	EY	<ul style="list-style-type: none"> Target HQ: Victoria, Canada FreshWorks Studios is a software development company intended to drive innovation, transformation and growth at forward-thinking organizations
07/01/2022	ROI DNA	Enero Group	<ul style="list-style-type: none"> Target HQ: Fairfax, CA ROI DNA offers digital marketing services such as search engine optimization, social media marketing and analytics, and application design

About ClearSight

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Select Transactions

<p> Financial Advisor</p> <p> AnswerLab</p> <p>has received a strategic investment from</p> <p> SHAMROCK CAPITAL ADVISORS</p>	<p> Buyside Advisor</p> <p> CIVC PARTNERS</p> <p>has made an investment in</p> <p> ALLATA</p>	<p> Sellside Advisor</p> <p> Postlight</p> <p>has been acquired by</p> <p> NTT DATA</p>	<p> Financial Advisor</p> <p> USERREADY</p> <p>has received a growth investment from</p> <p> abry partners</p>	<p> Sellside Advisor</p> <p> MODUS CREATE</p> <p>has been recapitalized by</p> <p> JLL Partners</p>
<p> Sellside Advisor</p> <p> DEVBRIDGE®</p> <p>has been acquired by</p> <p> Cognizant Softvision</p>	<p> Sellside Advisor</p> <p> RCG Global Services <i>a portfolio company of</i></p> <p> EOS</p> <p>has been recapitalized by</p> <p> Frontenac</p>	<p> Sellside Advisor</p> <p> Overactive</p> <p>has been acquired by</p> <p> PERFICIENT</p>	<p> Sellside Advisor</p> <p> blink</p> <p>has been acquired by</p> <p> Mphasis The Next Applied</p>	<p> Sellside Advisor</p> <p> UNIFY SQUARE</p> <p>has been acquired by</p> <p> UNISYS</p>

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