

Digital Transformation Market Monitor

Market Overview

Sector Spotlight

Public Market Performance

M&A Activity

Sector Leadership




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While waters became choppy in the M&A markets towards the end of 2022, the year was healthy overall and very active. Strategic acquirers and private equity investors alike remained particularly interested in high-growth sectors including cloud, data, and digital services. At Clearsight, we had the pleasure of advising multiple clients in these sectors in 2022 including:

Sellside Advisor




austincsi

has been acquired by




Financial Advisor




AnswerLab

has received a strategic investment from




Buyside Advisor




CIVIC PARTNERS

has made an investment in




Sellside Advisor




Postlight

has been acquired by




Financial Advisor



USEREADY

has received a growth investment from



We are excited to watch all of our clients continue to innovate and grow with their new partnerships.

As we head into 2023, our intel indicates demand for high-quality targets will remain strong. However, we have started to see the volume of companies going to market decrease, creating a scarcity of assets in market. Many companies are waiting to see how much corporate clients will spend in 2023, which could influence their appetite to explore a transaction, and subsequently affect the supply/demand imbalance. While total M&A activity may slump in 1Q23, the dynamic still presents a highly attractive opportunity for growing businesses to gain significant market attention amongst a smaller number of assets available for acquisition and investment.

Sector Spotlight

KKR Announces Buyout of Ness Technologies

Target

Ness Digital Engineering

Acquirer

KKR

Deal Commentary

- Ness provides KKR with a significant player in the rapidly growing product development and custom engineering space, including an extensive capability set and experienced employee base
- Gaurav Trehan, Partner and CEO of KKR India, said, “Digital transformation and adoption is a critical strategy for businesses of all sizes worldwide. Against this backdrop, KKR believes that Ness is well-positioned for growth, supported by its exceptional, experience-led product engineering heritage. KKR is pleased to invest in Ness’ capabilities and looks forward to working alongside its talented team to further scale Ness’ digital-first platform, achieve its global ambitions, and better enable its customers to compete in the digital economy.”

Transaction Summary

On October 27th, 2022, KKR, a New York-based private equity firm, announced its investment in Ness Digital Engineering, a software engineering services firm. Ness provides a range of engineering services including enterprise application development, data & analytics, cloud engineering, experience design, and marketing and customer engagement services.

Transaction Information

Announced Date	27-Oct-2022
Deal Type	Leveraged Buyout

Target Information

Year Founded	1998
Target HQ	Teaneck, New Jersey
# of Employees	~4,000

Protiviti Announces Acquisition of R2Integrated

Target

R2Integrated

Acquirer

Protiviti

Deal Commentary

- R2Integrated and its deep experience with digital- and technology-focused services in Adobe Cloud provides a strong addition to Protiviti’s existing digital offerings
- Joan Smith, global Digital Solutions leader at Protiviti, said, “Bringing R2i into Protiviti’s Digital solution is an important part of our strategy to expand our end-to-end offerings to help our clients innovate their customer experiences to fulfill their brand promise and create a better-connected future. Leveraging the power of data plus technology to aid our clients to automate and execute complex strategies is a key component. The R2i team brings significant experience in implementing and orchestrating the customer experience using Adobe Experience Cloud to our already talented team of digital makers and strategists.”

Transaction Summary

On December 15th, 2022, Protiviti, a subsidiary of Robert Half (NYSE: RHI) and California-based business consulting and IT services firm, announced its acquisition of R2Integrated, a Baltimore-based digital and social marketing firm. R2Integrated provides a variety of digital marketing services including marketing strategy, content management, design, social media, and teleservices.

Transaction Information

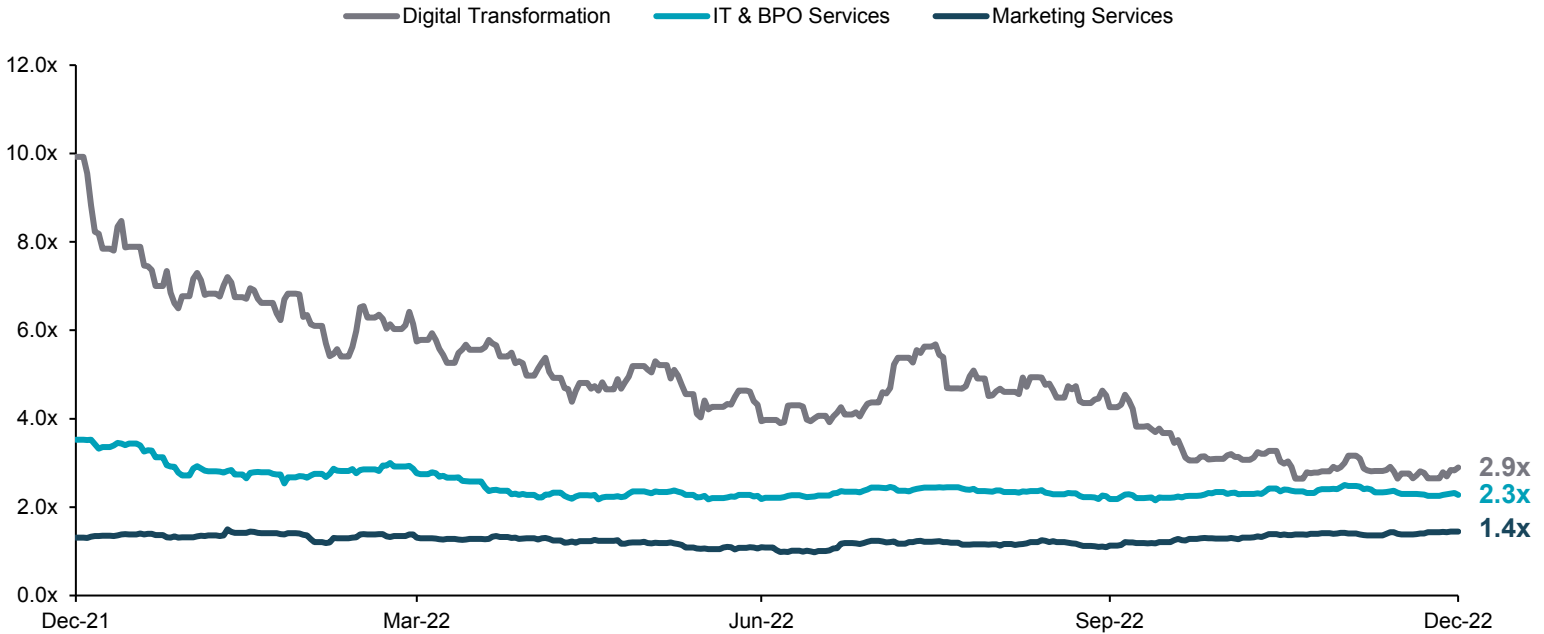
Announced Date	15-Dec-2022
Deal Type	Acquisition

Target Information

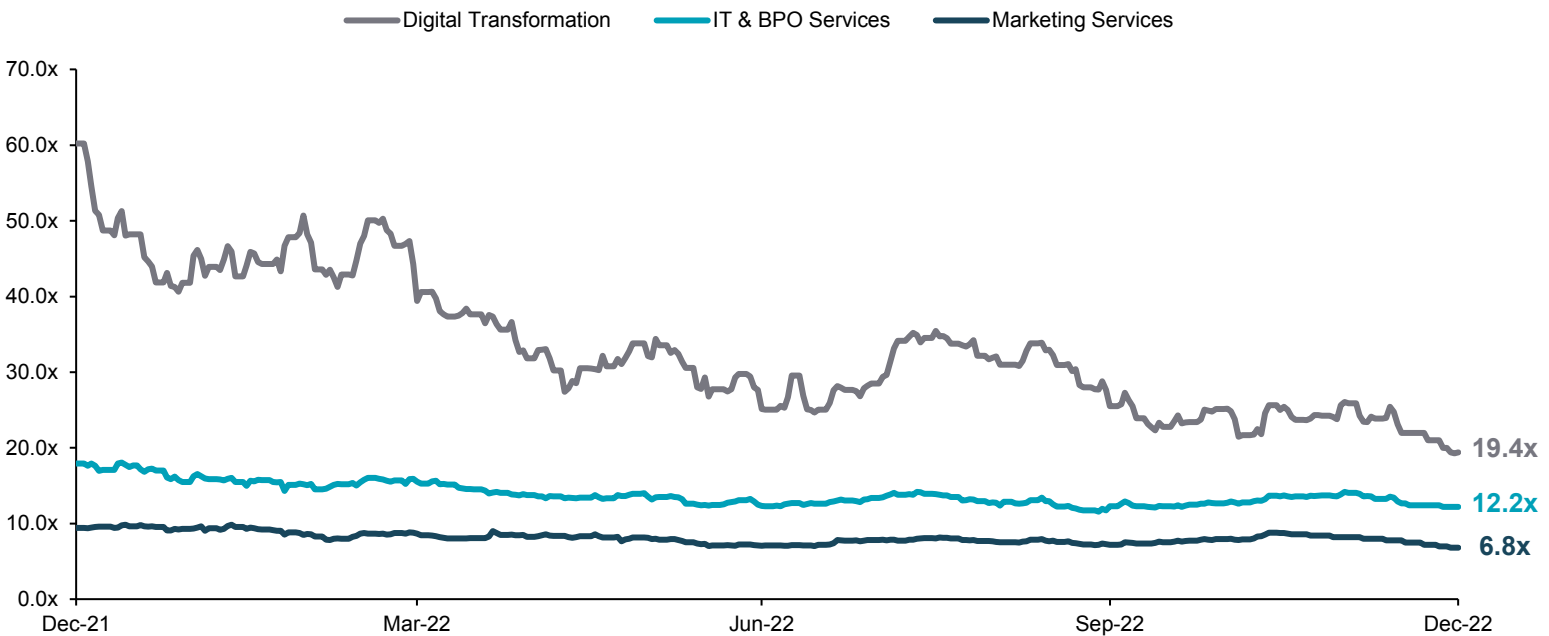
Year Founded	2003
Target HQ	Baltimore, Maryland
# of Employees	~75

Public Market Performance

EV / 2022A Revenue – Last Twelve Months



EV / 2022A EBITDA – Last Twelve Months



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

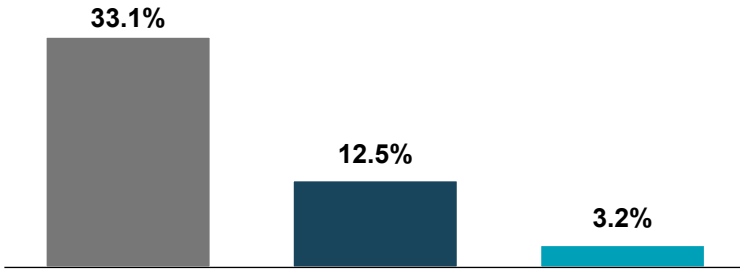
Public Market Performance

■ Digital Technology Services

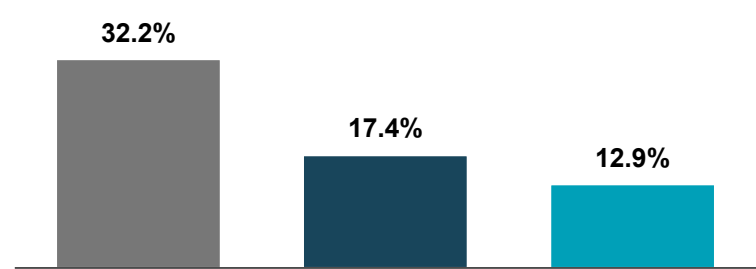
■ IT & BPO Services

■ Marketing Services

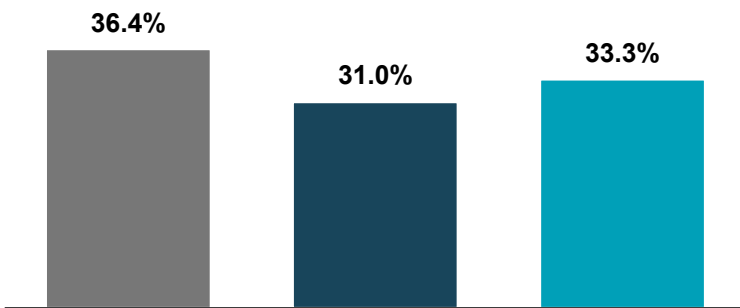
3-Year Historic Revenue Growth



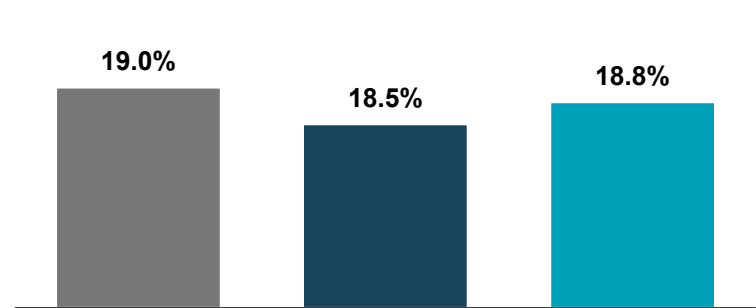
2022A Revenue Growth



2022A Gross Margin



2022A EBITDA Margin

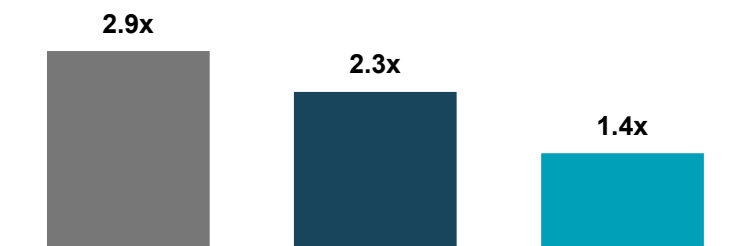


■ Digital Technology Services

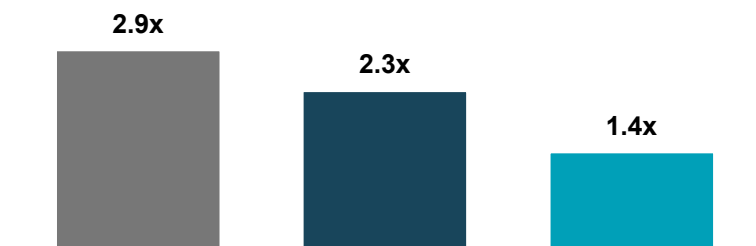
■ IT & BPO Services

■ Marketing Services

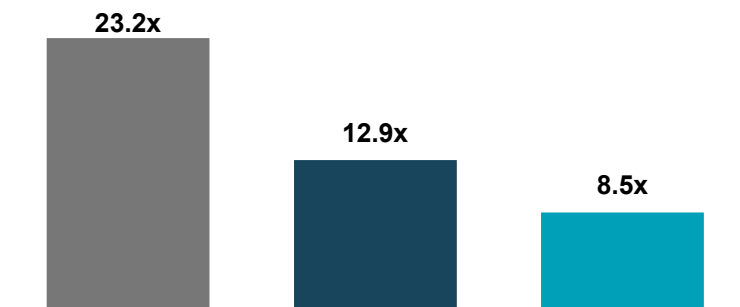
EV / LTM Revenue



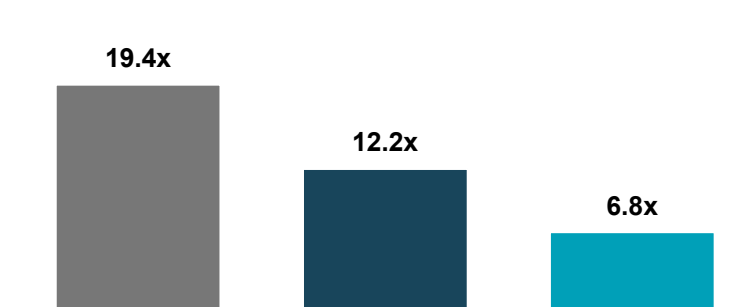
EV / 2022A Revenue



EV / LTM EBITDA



EV / 2022A EBITDA



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



Public Market Performance

Digital Technology Services Comparable Companies

Digital Technology Services Index	Closing Price 31-Dec-2022	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2019A-22A	2022A Revenue Growth %
					LTM	2022	2023	LTM	2022	2023			
					AgileThought, Inc.	\$4.20	70.8%	\$203	\$275	1.6x			
Cl&T Inc.	6.50	34.1	887	973	2.6	2.3	1.9	15.2	12.4	9.5	0.2	47.9	51.7
Endava	76.50	45.5	4,338	4,195	5.4	4.6	3.7	32.1	20.6	13.8	16.7	33.1	36.1
EPAM	327.74	48.5	19,617	18,130	3.9	3.8	3.2	23.5	20.8	17.7	16.4	28.1	28.3
Globalant	168.16	52.7	7,223	7,075	4.2	4.0	3.3	22.9	19.4	15.7	18.5	39.2	37.2
Grid Dynamics	11.22	28.3	871	621	2.1	2.0	1.7	N/M	11.3	10.0	(0.3)	37.5	45.6
Thoughtworks Holding, Inc.	10.19	36.5	3,422	3,696	2.9	2.9	2.5	N/M	14.8	13.6	(4.2)	18.7	20.7
High		70.8%	\$19,617	\$18,130	5.4x	4.6x	3.7x	32.1x	51.2x	18.3x		39.2%	45.6%
Median		47.0	3,422	3,696	2.9	2.9	2.5	23.2	19.4	13.8		33.1	32.2
Mean		47.1	5,223	4,995	3.2	3.0	2.5	23.4	21.5	14.1		27.7	29.8
Low		28.3	203	275	1.6	1.6	1.4	15.2	11.3	9.5		0.4	10.9

IT & BPO Services Comparable Companies

IT & BPO Services Index	Closing Price 31-Dec-2022	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2019A-22A	2022A Revenue Growth %
					LTM	2022	2023	LTM	2022	2023			
					Accenture	\$266.84	64.2%	\$168,618	\$166,706	2.7x			
Atos	9.63	23.0	1,059	4,565	0.4	0.4	0.4	10.4	4.4	4.1	3.8	(1.1)	3.09
Cappgemini	166.67	70.8	29,510	34,734	1.7	1.5	1.4	12.5	10.5	9.5	13.2	15.7	20.88
CGI Group	86.23	96.6	20,519	22,718	2.3	2.3	2.2	13.7	11.9	11.1	16.5	2.1	7.09
Cognizant	57.19	61.2	29,614	28,403	1.5	1.5	1.4	8.0	7.9	7.6	18.4	5.0	4.46
Genpact	46.32	85.7	8,644	9,848	2.3	2.3	2.1	14.5	12.2	11.2	15.7	7.7	9.07
HCL	12.56	76.5	33,999	33,349	2.7	2.8	2.5	12.7	12.9	11.4	21.2	7.1	5.16
Mphasis	23.87	56.8	4,524	4,436	2.7	2.7	2.3	16.4	15.0	13.2	16.3	17.8	24.47
Perficient	69.83	52.5	2,455	2,849	3.2	3.1	2.9	16.3	13.9	12.3	19.7	12.6	21.72
Tech Mahindra	12.28	55.9	10,802	10,344	1.7	1.7	1.5	11.2	10.6	9.8	15.2	13.6	18.40
Wipro	4.75	54.1	26,127	24,286	2.3	2.3	2.1	12.9	12.3	11.0	17.6	17.1	20.57
High		96.6%	\$168,618	\$166,706	3.2x	3.1x	2.9x	16.4x	15.0x	13.6x		17.8%	24.5%
Median		61.2	20,519	22,718	2.3	2.3	2.1	12.9	12.2	11.1		16.5	17.4
Mean		63.4	30,534	31,113	2.1	2.1	1.9	13.1	11.4	10.4		10.0	13.8
Low		23.0	1,059	2,849	0.4	0.4	0.4	8.0	4.4	4.1		3.8	3.1

Marketing Services Comparable Companies

Marketing Services Index	Closing Price 31-Dec-2022	% of 52 Week High	Equity Market Cap	Enterprise Value	EV / Revenue Multiples			EV / EBITDA Multiples			LTM EBITDA Margin	3 Year CAGR 2019A-22A	2022A Revenue Growth %
					LTM	2022	2023	LTM	2022	2023			
					Dentsu	\$31.43	81.9%	\$8,312	\$9,880	1.2x			
IPG	33.31	83.3	13,081	15,972	1.7	1.7	1.7	9.4	8.9	9.1	17.9	3.2	4.7
Omnicom	81.57	89.0	16,873	21,372	1.5	1.5	1.5	9.1	9.0	9.4	16.5	(1.7)	0.4
Publicis	63.50	88.9	16,006	19,068	1.4	1.4	1.4	8.5	6.4	6.4	16.8	8.3	19.2
WPP	9.88	66.6	11,788	18,708	1.1	1.3	1.3	6.8	6.8	6.8	17.0	(2.5)	12.9
High		89.0%	\$16,873	\$21,372	1.7x	1.7x	1.7x	9.4x	9.0x	9.4x		18.0%	19.2%
Median		83.3	13,081	18,708	1.4	1.4	1.4	8.5	6.8	6.8		17.0	12.9
Mean		81.9	13,212	17,000	1.4	1.4	1.4	8.1	7.5	7.4		17.2	10.6
Low		66.6	8,312	9,880	1.1	1.1	1.0	6.6	6.1	5.3		(2.5)	0.4

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

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



M&A Activity

Date	Target	Buyer/Investor	Summary
12/20/2022	Eficode	Investcorp	<ul style="list-style-type: none"> Target HQ: Helsinki, Finland Eficode provides development and operations consultancy services including test automation, UX research, software creation and design, and DevOps platform and tooling
12/19/2022	Exact Customer	Gauge Capital	<ul style="list-style-type: none"> Target HQ: Greenwich, CT Exact Customer provides marketing services to the home services market, utilizing first- and third-party data to aggregate and assess leads from multiple channels
12/15/2022	Melon	DEPT	<ul style="list-style-type: none"> Target HQ: Chicago, IL Melon is a digital technology firm serving e-commerce platforms (such as Salesforce) to enterprises, specializing in design and digital performance
12/01/2022	AFour Technologies	ACL Digital	<ul style="list-style-type: none"> Target HQ: Pune, India AFour Technologies provides software product engineering services, with a focus on building applications, cloud engineering, and UI and UX design
11/23/2022	Celebal Technologies	Norwest Venture Partners	<ul style="list-style-type: none"> Target HQ: Jaipur, India Celebal Technologies offers IT consulting, business intelligence, supply chain analytics, and software development services to enterprise clients
11/21/2022	Fortech	GlobalLogic	<ul style="list-style-type: none"> Target HQ: Cluj-Napoca, Romania Fortech provides IT consulting and software development services, including security testing, architecture evaluation, test automation, and gap analysis
11/17/2022	IncluIT	Avenga	<ul style="list-style-type: none"> Target HQ: Cordoba, Argentina IncluIT offers technology consulting services intended for fintech, telco cable and media, intelligent transportation, and healthcare companies

Source: Capital IQ, Pitchbook



M&A Activity


Date	Target	Buyer/Investor	Summary
11/16/2022	eWave	Globant	<ul style="list-style-type: none"> Target HQ: Millers Point, Australia eWave is a digital transformation firm providing customer research, competitor and market research, product and pricing strategy, and UX and UI design
11/16/2022	R Systems	Blackstone	<ul style="list-style-type: none"> Target HQ: Noida, India R Systems provides IT services and solutions to the telecom and digital media, healthcare, manufacturing, government services and banking, and finance industries
11/15/2022	Perch	Few	<ul style="list-style-type: none"> Target HQ: Little Rock, AR Perch is a digital product design company offering native app design, UX and UI design, custom analytics, identity and brand design, and content strategy services
11/11/2022	Incubeta	The Carlyle Group	<ul style="list-style-type: none"> Target HQ: London, England Incubeta is a digital marketing firm primarily engaged in offering online display ads, advertorials, newsletters, video, and performance campaign services
11/11/2022	Cloudflight	Partners Group	<ul style="list-style-type: none"> Target HQ: Frankfurt, Germany Cloudflight offers software development, cloud architecting, digital strategies, penetration testing, and other IT services
11/08/2022	Oegen	OSF Digital	<ul style="list-style-type: none"> Target HQ: Nottingham, England Oegen is a provider of a Salesforce software and corresponding services intended to assist sales and marketing employees
11/07/2022	Codete	Exadel	<ul style="list-style-type: none"> Target HQ: Krakow, Poland Codete provides IT consulting and software development services, including cloud computing software development, big data, and data science development services

M&A Activity

Date	Target	Buyer/Investor	Summary
11/02/2022	Whiz	10Pearls	<ul style="list-style-type: none"> Target HQ: Mexico City, Mexico Whiz provides a digital marketing software and helps clients with software development, innovation services, brand building, and social media management
10/27/2022	WillowTree	Telus	<ul style="list-style-type: none"> Target HQ: Charlottesville, VA WillowTree is a full-service digital product consultancy primarily focused on helping clients drive brand growth
10/20/2022	Wpromote	Zelnick Media	<ul style="list-style-type: none"> Target HQ: El Segundo, CA Wpromote offers digital marketing services intended to provide marketing professionals with proprietary technology to drive transformative growth for its clients
10/20/2022	One Six Solutions	Superstep Capital	<ul style="list-style-type: none"> Target HQ: Chicago, IL One Six Solutions is an IT consulting firm focused on delivering data engineering and custom software engineering services
10/12/2022	Union	Valtech	<ul style="list-style-type: none"> Target HQ: Charlotte, NC Union is a digital marketing agency that creates omnichannel campaigns for clients in the travel, tourism, and health and wellness industries
10/06/2022	Lexicon	Endava	<ul style="list-style-type: none"> Target HQ: Melbourne, Australia Lexicon provides consulting design and engineering services intended to build new digital products and accelerate large-scale transformation for enterprise clients
10/01/2022	E2X	Apply Digital	<ul style="list-style-type: none"> Target HQ: London, England E2X provides e-commerce strategy, UX research and analysis, automated testing, and systems integration services to high-growth companies

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has received a growth investment from





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