

# Digital, Data & Cloud Market Monitor

Buyers and sellers alike took shelter in Q2 amongst high uncertainty in the markets, resulting in lower M&A deal volumes overall. The banking crisis fallout from SVB and First Republic, a potential U.S. default, and rising interest rates were the main culprits in cooling end market demand and tightening credit. Deals still occurred, but primarily fell into two camps. High performing assets that saw strong competition amid a lower volume environment were quickly snatched up, while price takers needing to complete a deal also made moves. We witnessed fewer banked processes overall and a lingering expectation gap between buyers and sellers regarding valuations. Buyers generally responded quickly to softer conditions with lower valuations, while sellers' aspirations remained stubborn with 2021-2022 multiples so fresh. The underlying sentiment was concern for an economic "hard landing" that could swiftly tank deal processes.

As we turn the corner in Q3, there are encouraging signs of positive shifts in the market. For one, financial markets have stabilized following the aforementioned banking crisis and Congress's recent debt deal. Inflation has also eased without a significant impact on the unemployment rate. After a bout of stagnation, there is a feeling that the IPO window is reopening across many sectors – a necessary source of exit liquidity for late-stage businesses. All point to a shift from the previous quarter's sentiments and growing confidence in the possibility of a "soft landing".

At Clearsight, we have observed a growing number of M&A conversations that remain sidelined but may ultimately contribute to pent-up demand. There is a collective hope for a strong 2024 deal market that could emerge as early as Q4 this year. Meanwhile, strategic acquirers and investors continue to pursue available opportunities, getting creative in their dealmaking approach through off market situations. Business owners considering a transaction in the next 12 months would do well to get organized around such conversations to better prepare themselves for any preemptive situations and/or an acceleration of broader M&A conditions.

## Sector Leadership



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# Sector Spotlight

## Accenture Announces Acquisition of Objectivity

### Target

**Objectivity**

### Acquirer

**Accenture**

### Deal Commentary

- Nearshore and Western European outsourcing capabilities continue to solicit strong interest from both strategic and private equity buyers. Specifically, global system integrators who have historically relied on India are now feeling pressure to make moves into Eastern Europe and Latin America, nearshore delivery locations to Western Europe and the US, respectively. We expect to see continued demand from strategics seeking a larger footprint in this region
- Accenture's acquisition of Objectivity will serve to bolster Accenture's cloud and IT outsourcing capabilities and accelerate their digital transformation while scaling resources in the UK, Poland, and Germany. Objectivity employed over 700 team members in Poland

### Transaction Summary

On May 15<sup>th</sup>, 2023, Accenture announced its acquisition of Objectivity, a London-based IT outsourcing and consulting services company. Objectivity offers a wide range of digital transformation solutions including web and application desktop development, IoT, big data, machine learning, and proactive maintenance and support to clients in many different industries.

### Transaction Information

Announced Date 15-May-2023  
Deal Type Acquisition

#### Target Information

Year Founded 1991  
Target HQ London, England  
# of Employees ~850

## PE-Backed Encora Announces Acquisition of Softelligence

### Target

**Softelligence**

### Acquirer

**Encora (Advent)**

### Deal Commentary

- As the new listing market reopens, there are a number of PE-backed companies of scale that could prepare for a public offering. Encora, backed by Advent, is one such company that is utilizing M&A to scale and close strategic gaps ahead of a potential public listing. As green shoots emerge in the IPO market and digital transformation public equities see an uplift in their trading multiples, it is worth keeping an eye on this sector. Although many of these companies are buyers today, favorable macroeconomic market conditions may encourage these firms to quickly become sellers
- Encora's acquisition of Softelligence greatly expands Encora's global reach throughout Europe and will strengthen Encora's ability to provide high-quality, nearshore services for global customers

### Transaction Summary

On May 16<sup>th</sup>, 2023, Encora, via its financial sponsors Advent and Warburg Pincus, acquired Softelligence, a digital transformation technology and consulting company. Softelligence employs software engineering, business analytics, machine learning, and digital and acceleration platforms to create world-class solutions.

### Transaction Information

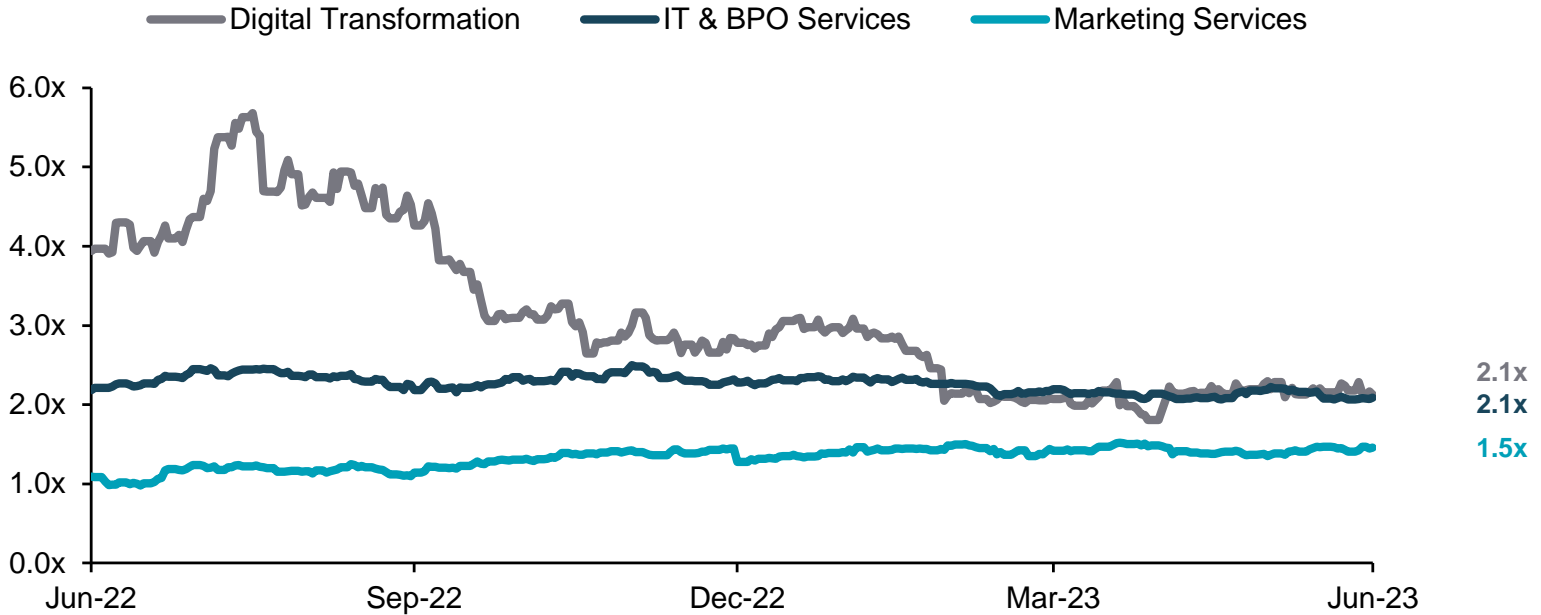
Announced Date 16-May-2023  
Deal Type Acquisition (LBO)

#### Target Information

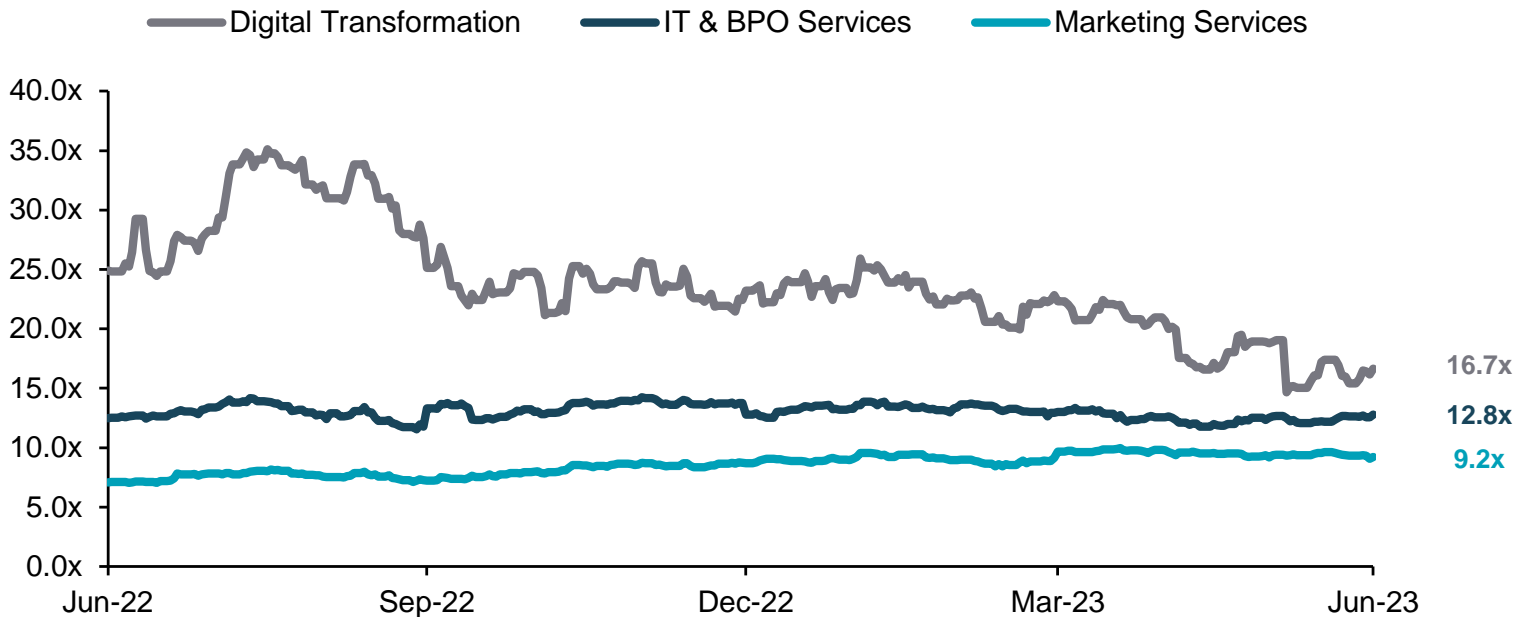
Year Founded 2006  
Target HQ Bucharest, Romania  
# of Employees ~270

# Public Market Performance

## EV / Revenue – Last Twelve Months



## EV / EBITDA – Last Twelve Months



Source: Capital IQ, market data as of 30-Jun-2023

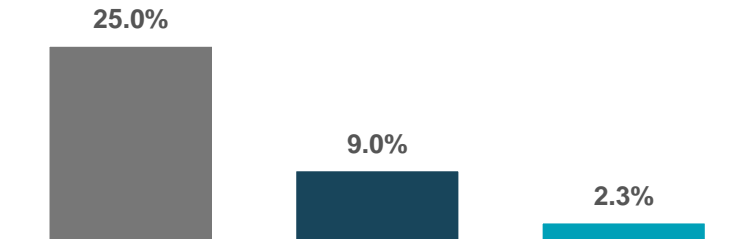
# Public Market Performance

■ Digital Technology Services

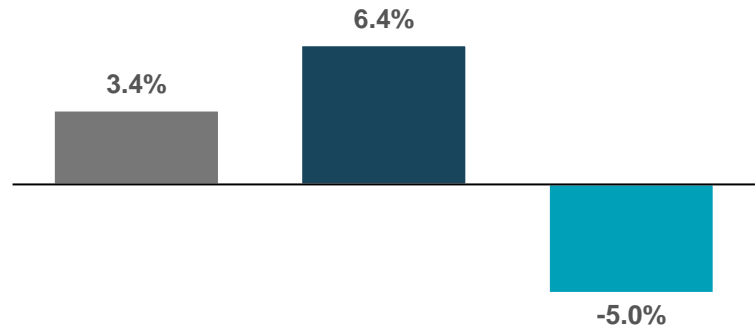
■ IT & BPO Services

■ Marketing Services

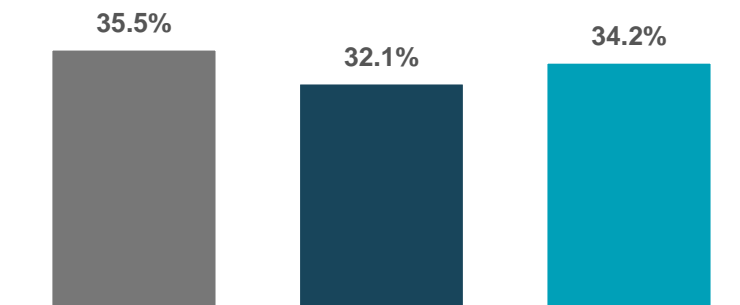
## 3-Year Historic Revenue Growth



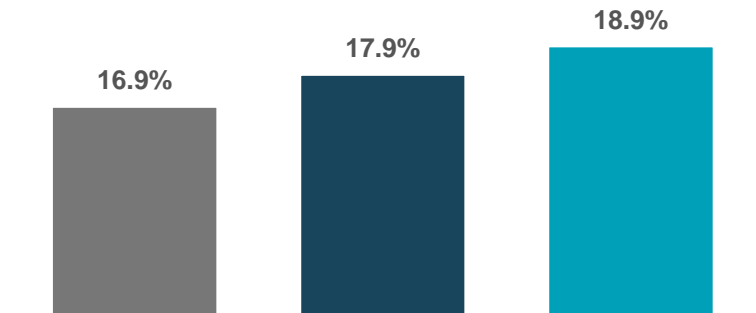
## 2023E Revenue Growth



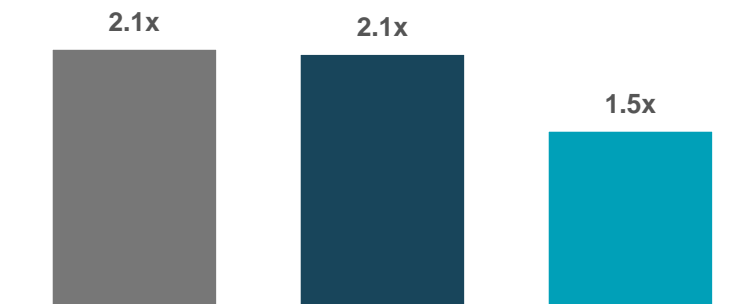
## 2023E Gross Margin



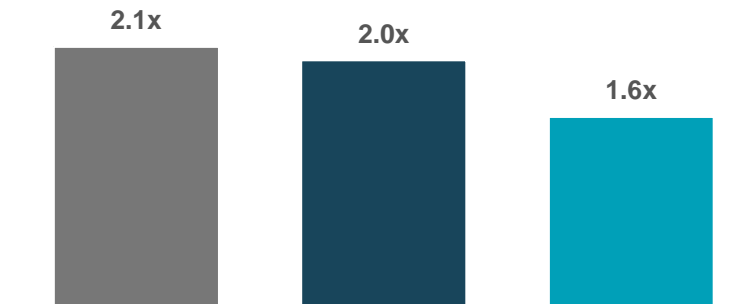
## 2023E EBITDA Margin



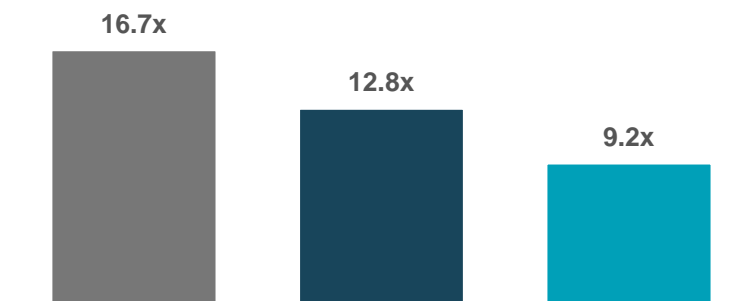
## EV / LTM Revenue



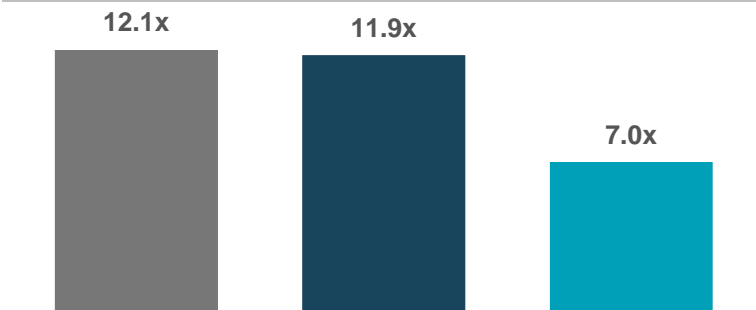
## EV / 2023E Revenue



## EV / LTM EBITDA



## EV / 2023E EBITDA



Source: Capital IQ, market data as of 30-Jun-2023



# Public Market Performance

## Digital Technology Services Index

Digital Technology Services	Closing Price	% of 52 Week High	Equity Market Cap	Enterprise Value	EV/Revenue Multiples		EV/EBITDA Multiples		LTM EBITDA Margin	2023E Revenue Growth	3 Year Revenue CAGR
					LTM	2023E	LTM	2023E			
AgileThought	\$0.75	13.8%	\$37	\$124	0.7x	0.7x	N/M	12.1x	(1.0%)	3.4%	3.7%
CI&T	6.27	41.1	839	970	2.1	1.9	13.0	10.0	16.4	22.4	40.1
Endava	51.79	44.7	2,944	2,835	2.9	2.8	16.7	12.1	17.5	13.0	25.0
EPAM	224.75	48.5	13,014	11,635	2.4	2.5	16.2	14.7	14.8	(2.7)	20.9
Globant	179.72	74.9	7,597	7,572	4.1	3.7	25.2	17.6	16.2	16.4	36.5
Grid Dynamics	9.25	38.1	693	452	1.4	1.4	N/M	9.9	(3.0)	2.3	41.9
Thoughtworks	7.55	43.3	2,395	2,710	2.1	2.1	81.8	12.8	2.6	(2.4)	16.4
<b>High</b>		<b>74.9%</b>	<b>\$13,014</b>	<b>\$11,635</b>	<b>4.1x</b>	<b>3.7x</b>	<b>81.8x</b>	<b>17.6x</b>	<b>17.5%</b>	<b>22.4%</b>	<b>41.9%</b>
<b>Median</b>		<b>43.3</b>	<b>2,395</b>	<b>2,710</b>	<b>2.1</b>	<b>2.1</b>	<b>16.7</b>	<b>12.1</b>	<b>14.8</b>	<b>3.4</b>	<b>25.0</b>
<b>Mean</b>		<b>43.5</b>	<b>3,931</b>	<b>3,757</b>	<b>2.3</b>	<b>2.2</b>	<b>30.6</b>	<b>12.7</b>	<b>9.1</b>	<b>7.5</b>	<b>26.3</b>
<b>Low</b>		<b>13.8</b>	<b>37</b>	<b>124</b>	<b>0.7</b>	<b>0.7</b>	<b>13.0</b>	<b>9.9</b>	<b>(3.0)</b>	<b>(2.7)</b>	<b>3.7</b>

## IT & BPO Services Index

IT & BPO Services	Closing Price	% of 52 Week High	Equity Market Cap	Enterprise Value	EV/Revenue Multiples		EV/EBITDA Multiples		LTM EBITDA Margin	2023E Revenue Growth	3 Year Revenue CAGR
					LTM	2023E	LTM	2023E			
Accenture	\$308.58	94.1%	\$194,651	\$189,937	3.0x	2.9x	17.5x	16.4x	17.0%	3.9%	13.2%
Atos	14.28	83.0	1,566	4,351	0.4	0.4	6.4	3.5	5.6	(0.6)	(4.1)
Cappgemini	189.47	89.6	32,572	36,682	1.6	1.5	11.6	10.2	13.5	6.8	9.0
CGI Group	105.50	98.2	24,580	26,903	2.7	2.4	15.2	12.3	17.5	13.5	5.2
Cognizant	65.28	92.1	33,128	32,154	1.7	1.7	9.1	9.7	18.2	0.2	5.4
Genpact	37.57	76.9	6,919	8,090	1.8	1.7	11.6	9.4	15.8	6.4	7.8
HCL	14.48	99.5	39,190	37,323	2.9	2.8	14.1	12.5	20.8	7.8	9.9
Mphasis	23.07	77.4	4,350	4,201	2.5	2.5	15.4	13.9	16.3	1.9	8.9
Perficient	83.33	75.6	2,903	3,299	3.6	3.4	18.0	14.8	20.0	6.2	16.2
Tech Mahindra	13.78	97.1	12,133	11,702	1.8	1.7	12.8	11.9	14.1	7.5	9.2
Wipro	4.74	87.5	25,974	23,347	2.1	2.0	11.6	10.7	18.0	7.8	11.0
<b>High</b>		<b>99.5%</b>	<b>\$194,651</b>	<b>\$189,937</b>	<b>3.6x</b>	<b>3.4x</b>	<b>18.0x</b>	<b>16.4x</b>	<b>20.8%</b>	<b>13.5%</b>	<b>16.2%</b>
<b>Median</b>		<b>89.6</b>	<b>24,580</b>	<b>23,347</b>	<b>2.1</b>	<b>2.0</b>	<b>12.8</b>	<b>11.9</b>	<b>17.0</b>	<b>6.4</b>	<b>9.0</b>
<b>Mean</b>		<b>88.3</b>	<b>34,361</b>	<b>34,363</b>	<b>2.2</b>	<b>2.1</b>	<b>13.0</b>	<b>11.4</b>	<b>16.1</b>	<b>5.6</b>	<b>8.3</b>
<b>Low</b>		<b>75.6</b>	<b>1,566</b>	<b>3,299</b>	<b>0.4</b>	<b>0.4</b>	<b>6.4</b>	<b>3.5</b>	<b>5.6</b>	<b>(0.6)</b>	<b>(4.1)</b>

## Marketing Services Index

Marketing Services	Closing Price	% of 52 Week High	Equity Market Cap	Enterprise Value	EV/Revenue Multiples		EV/EBITDA Multiples		LTM EBITDA Margin	2023E Revenue Growth	3 Year Revenue CAGR
					LTM	2023E	LTM	2023E			
Dentsu	\$32.60	95.0%	\$8,618	\$9,716	1.0x	1.1x	5.8x	6.2x	17.6%	(5.0%)	(0.5%)
IPG	38.58	94.2	14,893	17,795	1.9	1.8	10.5	9.7	18.0	3.1	6.5
Omnicom	95.15	97.9	18,984	23,144	1.6	1.6	10.6	9.5	15.2	3.1	3.8
Publicis	80.24	94.3	20,005	22,103	1.5	1.6	8.7	7.0	16.7	(6.8)	2.3
WPP	10.46	76.1	11,186	17,758	1.0	1.1	9.2	6.0	11.1	(10.5)	(1.7)
<b>High</b>		<b>97.9%</b>	<b>\$20,005</b>	<b>\$23,144</b>	<b>1.9x</b>	<b>1.8x</b>	<b>10.6x</b>	<b>9.7x</b>	<b>18.0%</b>	<b>3.1%</b>	<b>6.5%</b>
<b>Median</b>		<b>94.3</b>	<b>14,893</b>	<b>17,795</b>	<b>1.5</b>	<b>1.6</b>	<b>9.2</b>	<b>7.0</b>	<b>16.7</b>	<b>(5.0)</b>	<b>2.3</b>
<b>Mean</b>		<b>91.5</b>	<b>14,737</b>	<b>18,103</b>	<b>1.4</b>	<b>1.4</b>	<b>9.0</b>	<b>7.7</b>	<b>15.7</b>	<b>(3.2)</b>	<b>2.1</b>
<b>Low</b>		<b>76.1</b>	<b>8,618</b>	<b>9,716</b>	<b>1.0</b>	<b>1.1</b>	<b>5.8</b>	<b>6.0</b>	<b>11.1</b>	<b>(10.5)</b>	<b>(1.7)</b>

Source: Capital IQ, market data as of 30-Jun-2023

Note: All data shown in USD.

# M&A Activity

Date	Target	Buyer	Summary
06/29/23	<b>MVP Factory</b>	<b>Ness Technologies</b>	<ul style="list-style-type: none"> <li>Target HQ: Berlin, Germany</li> <li>MVP Factory is a provider of business advisory and digital consultation services intended to help organizations execute their digital transformation</li> </ul>
06/23/23	<b>Big Tree Technology &amp; Consulting</b>	<b>Capgemini</b>	<ul style="list-style-type: none"> <li>Target HQ: Tokyo, Japan</li> <li>Bigtree Technology &amp; Consulting offers IT consulting and system integration utilizing cloud, AI, RPA, and digital marketing</li> </ul>
06/21/23	<b>Sparq</b>	<b>Harvest Partners Ascend</b>	<ul style="list-style-type: none"> <li>Target HQ: Atlanta, GA</li> <li>Sparq provides outsourced IT services, including application development, cloud migration, and application security</li> </ul>
06/19/23	<b>DigiBlu</b>	<b>BP3 Global</b>	<ul style="list-style-type: none"> <li>Target HQ: Cape Town, South Africa</li> <li>DigiBlu provides intelligent automation strategy and consultancy services to help clients drive rapid, sustainable change across all industries</li> </ul>
06/15/23	<b>Lovelytics</b>	<b>Interlock Equity</b>	<ul style="list-style-type: none"> <li>Target HQ: Arlington, VA</li> <li>Lovelytics is a data analytics firm that provides data advisory, ML and data science, data visualization, and training services</li> </ul>
06/14/23	<b>Agyla SAS</b>	<b>IBM</b>	<ul style="list-style-type: none"> <li>Target HQ: Paris, France</li> <li>Agyla provides application and cloud, data migration, network monitoring, cybersecurity, DevOps, and incident detection services</li> </ul>
06/09/23	<b>DEK Technologies</b>	<b>Endava</b>	<ul style="list-style-type: none"> <li>Target HQ: Melbourne, Australia</li> <li>DEK Technologies offers engineering and maintenance services for software and hardware development technology</li> </ul>
06/07/23	<b>3XM Group</b>	<b>Allata</b>	<ul style="list-style-type: none"> <li>Target HQ: Cordoba, Argentina</li> <li>3XM Group provides technology solutions focused on data analytics and cloud computing through agile development teams and consulting</li> </ul>



# M&A Activity

Date	Target	Buyer	Summary
06/07/23	<b>Hoverstate</b>	<b>SoftServe</b>	<ul style="list-style-type: none"> <li>Target HQ: Woodland Hills, CA</li> <li>Hoverstate is a full-service agency that offers digital strategy, application/website development, and e-commerce integration services</li> </ul>
06/07/23	<b>Velotio</b>	<b>R Systems International</b>	<ul style="list-style-type: none"> <li>Target HQ: Pune, India</li> <li>Velotio is an outsourced software product development firm serving technology startups and enterprises</li> </ul>
06/06/23	<b>Enquizit</b>	<b>CDW</b>	<ul style="list-style-type: none"> <li>Target HQ: McLean, VA</li> <li>Enquizit provides cloud integration and consulting services including application modernization, cybersecurity, and website design</li> </ul>
06/01/23	<b>Nextira</b>	<b>Accenture</b>	<ul style="list-style-type: none"> <li>Target HQ: Austin, TX</li> <li>Nextira is an IT consulting firm offering cloud migration, DevOps, managed engineers, AI/ML, and virtual desktop infrastructure services</li> </ul>
06/01/23	<b>Jellyfish</b>	<b>The Brandtech Group</b>	<ul style="list-style-type: none"> <li>Target HQ: London, England</li> <li>Jellyfish provides digital advertising services including media and communication, transformation strategy, training, and data insights</li> </ul>
05/18/23	<b>Splash Analytics</b>	<b>OneMagnify</b>	<ul style="list-style-type: none"> <li>Target HQ: Louisville, KY</li> <li>Splash Analytics provides analytics services using ML to determine drivers of human behavior and streamline data from multiple sources</li> </ul>
05/16/23	<b>Softelligence</b>	<b>Encora</b>	<ul style="list-style-type: none"> <li>Target HQ: Bucharest, Romania</li> <li>Softelligence provides software engineering, business analytics, ML, and consulting services to the banking and insurance industries</li> </ul>
05/16/23	<b>Oiga Technologies</b>	<b>10Pearls</b>	<ul style="list-style-type: none"> <li>Target HQ: Bonita Springs, FL</li> <li>Oiga Technologies provides software services focused on AI, big data, and blockchain</li> </ul>


# M&A Activity

Date	Target	Buyer	Summary
05/15/2023	<b>Objectivity</b>	<b>Accenture</b>	<ul style="list-style-type: none"> <li>Target HQ: London, England</li> <li>Objectivity offers outsourcing solutions including desktop application development, IoT, big data, machine learning, and proactive maintenance</li> </ul>
05/10/2023	<b>Ashling Partners</b>	<b>Bain &amp; Company</b>	<ul style="list-style-type: none"> <li>Target HQ: Chicago, IL</li> <li>Ashling Partners provides automation programs involving RPA, AI/ML, and optical character recognition for enterprise clients</li> </ul>
05/09/2023	<b>Forecast Data Services</b>	<b>Kin + Carta</b>	<ul style="list-style-type: none"> <li>Target HQ: Edinburgh, Scotland</li> <li>Forecast Data Services offers access, sort, and optimization solutions using cloud-based infrastructure and data automation software</li> </ul>
05/06/2023	<b>Pentalog</b>	<b>Globant</b>	<ul style="list-style-type: none"> <li>Target HQ: Paris, France</li> <li>Pentalog offers software development and digital services, specializing in application and web development and infrastructure management</li> </ul>
05/02/2023	<b>CloudStratex</b>	<b>Brillio</b>	<ul style="list-style-type: none"> <li>Target HQ: London, England</li> <li>CloudStratex provides cloud infrastructure advisory services leveraging deep engineering and operations experience</li> </ul>
04/25/2023	<b>Pervicta</b>	<b>MCA Connect</b>	<ul style="list-style-type: none"> <li>Target HQ: Dallas, TX</li> <li>Pervicta offers data strategy and AI/ML services to the oil and gas, manufacturing, mortgage, insurance, and retail industries</li> </ul>
04/24/2023	<b>ExperienceIT</b>	<b>Globant</b>	<ul style="list-style-type: none"> <li>Target HQ: Bloomington, MN</li> <li>ExperienceIT provides business and technology consulting services specializing in healthcare</li> </ul>
04/04/2023	<b>Noise Digital</b>	<b>Havas Media</b>	<ul style="list-style-type: none"> <li>Target HQ: Vancouver, Canada</li> <li>Noise Digital offers marketing consulting and strategic advisory, specializing in insights and strategy, data consulting, and analytics</li> </ul>



# About ClearSight

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## Select Transactions

 Financial Advisor


**enforce**  
has divested its  
**Australian Business**  
to  
the Australian Entity of  
**Deloitte.**

 Financial Advisor

**BEGHOU**  
CONSULTING  
has received a strategic  
investment from  
**VARSIITY**  
HEALTHCARE PARTNERS

 Sellside Advisor


**hehacta**  
has been acquired by  
**GlobalLogic**  
A Hitachi Group Company

 Sellside Advisor


**austincsi**  
has been acquired by  
**cognizant**

 Financial Advisor

**AnswerLab**  
has received a strategic  
investment from  
**SHAMROCK**  
CAPITAL ADVISORS

 Buyside Advisor


**CIVIC**  
PARTNERS  
has made an investment in  
**ALLATA**

 Financial Advisor


**USEREADY**  
has received a growth  
investment from  
**abry partners**

 Sellside Advisor

**RCG Global Services**  
a portfolio company of  
**EOS**  
has been recapitalized by  
**Frontenac**

 Sellside Advisor

**Qlarion**  
has been acquired by  
**gcom**  
a portfolio company of  
**SAGEWIND CAPITAL**

 Sellside Advisor

**CORECOMPETE**  
has been acquired by  
**accenture**

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