

# Digital, Data & Cloud Market Monitor

## Generative AI in Software Engineering: Catalyst or Replacement?

In Q3 of 2023, Clearsight speculated GenAI would not replace software engineers, nor create software to run and maintain itself (read more in our blog [here](#)). Today, through continued discussions with industry experts, we remain steadfast on this thesis. While GenAI increases efficiency in certain aspects of software engineering, we believe demand for more complex software and a higher velocity of software releases will outpace the efficiency gained from AI.

The advancements created by GenAI will likely increase the need for well-trained software engineers, albeit with different skillsets. For example, where security and performance are of paramount importance in software development, there are tailwinds in demand for specialized skillsets to ensure AI systems perform as intended. Even when software engineers use GenAI to generate code, it typically impacts a task that only accounts for 20-30% of their day. It is questionable whether engineers would use the small amount of time gained from GenAI productively. Where industry researchers foresee the most notable gains from GenAI are with senior developers completing quality engineering and documentation tasks.

As enterprises come to demand more complex software products at an increased velocity and higher volume, the stage is set for unprecedented amounts of software creation. Firms can expect to create new workflows blending the strengths of software engineers and GenAI behind the software creation. Simpler tasks – documenting code, creating user stories, and manual code testing – can be reserved for GenAI paired with human review; however, software engineers are critical for developing and maintaining more complex software. With most research concluding GenAI-generated code tends to result in more security issues than human-written code, the cycle to develop and maintain software could be particularly long for large enterprises and industries with significant data security concerns.

We also believe increased GenAI adoption could help outsourced product engineering firms launch new offerings to enterprise customers. This is contingent on firms leveraging years of customer-specific data assets to offer customized insights with GenAI capabilities, as opposed to publicly sourced data used by most of today's GenAI solutions. Even still, software engineers are vital to the current and future success of GenAI in the digital, data, and cloud landscape.

### Sector Leadership



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# Sector Spotlight

## TPG Announces Strategic Investment in Altimetrik

### Target

**Altimetrik**

### Investor

**TPG**

### Deal Commentary

- The partnership underscores TPG's thematic focus area centered around Digital Services and will support Altimetrik's expansion into new markets and verticals, reflecting the market's appetite for assets poised to benefit from the growing need for digital engineering services to solve mission-critical business problems.
- Puneet Bhatia, Co-Managing Partner and Country Head of India at TPG Capital Asia, said, "Altimetrik's unique value proposition, combining a proven methodology with strong engineering capabilities and talent development initiatives, aligns perfectly with our investment strategy and portfolio. The company has already demonstrated a strong growth trajectory, and this investment will empower Altimetrik to expand its reach."

### Transaction Summary

On June 27<sup>th</sup>, 2024, TPG, a global alternative asset management firm, announced its agreement to acquire a majority stake in Altimetrik, a digital business transformation and technology consultancy that provides platform modernization, cloud, data, and AI services through uniquely developed methodologies. As a differentiated data and digital engineering solutions company, Altimetrik focuses on delivering business outcomes with an agile, product-oriented approach.

### Transaction Information

Announced Date	27-Jun-2024
Deal Type	Majority Recapitalization

#### *Target Information*

Year Founded	2012
Target HQ	Southfield, MI
# of Employees	~6,000

## Quest Global Announces Acquisition of People Tech Group

### Target

**People Tech Group**

### Acquirer

**Quest Global (Carlyle)**

### Deal Commentary

- The acquisition adds both small to large enterprise-class and Fortune 500 clients to Quest's global client roster, and People Tech Group's deep automotive engineering, software defined vehicle, and data engineering expertise underpin Quest Global's goal of strengthening their footprint in the North American automotive and high-tech industries.
- Ajit Prabhu, Chairman and CEO of Quest Global said, "With People Tech's extensive experience and expertise, we are well-positioned to accelerate growth, scale operations, and address the evolving needs of our clients globally as we strive to be the most trusted partner for the world's hardest engineering problems."

### Transaction Summary

On May 7<sup>th</sup>, 2024, Quest Global, a leading digital transformation services and product engineering company, announced its acquisition of People Tech Group, a product engineering and enterprise solutions provider with offices across the US and a development center in India, for an undisclosed amount. People Tech Group is an IT consultancy providing product engineering, digital technology, data and AI services, and digital enterprise solutions.

### Transaction Information

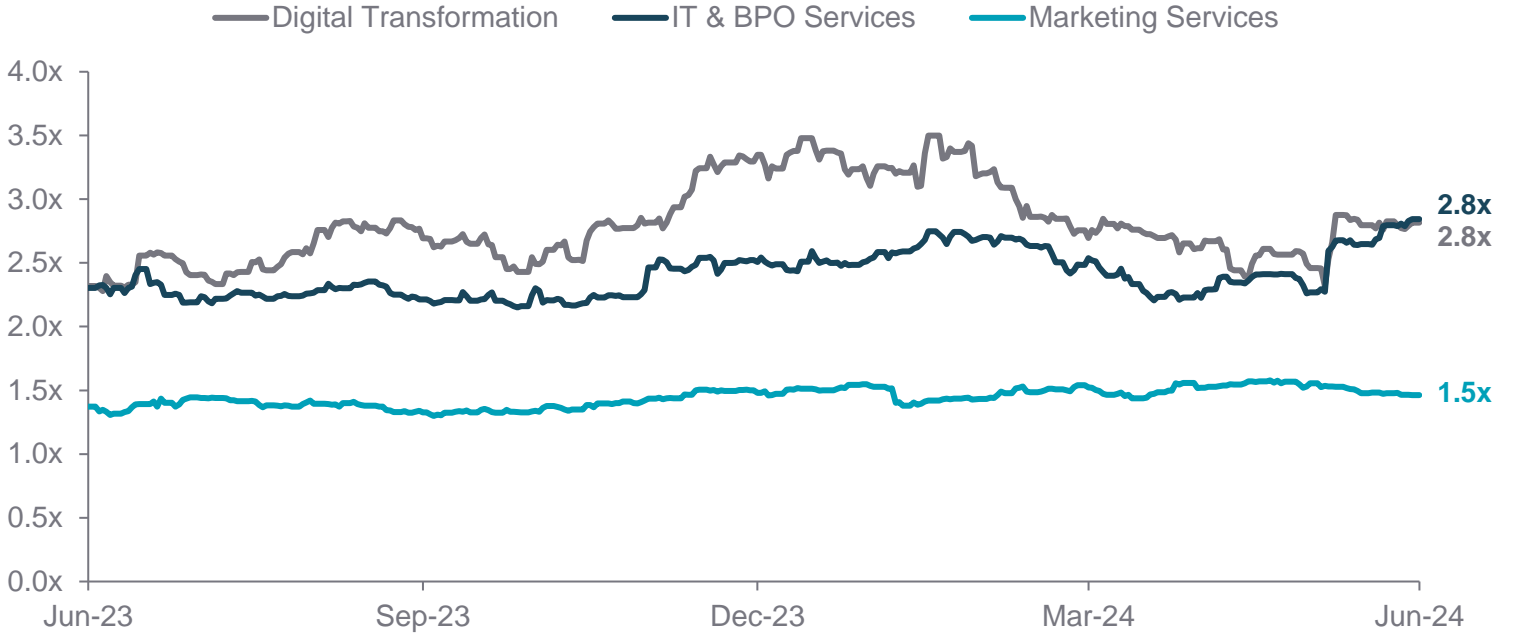
Announced Date	07-May-2024
Deal Type	Acquisition

#### *Target Information*

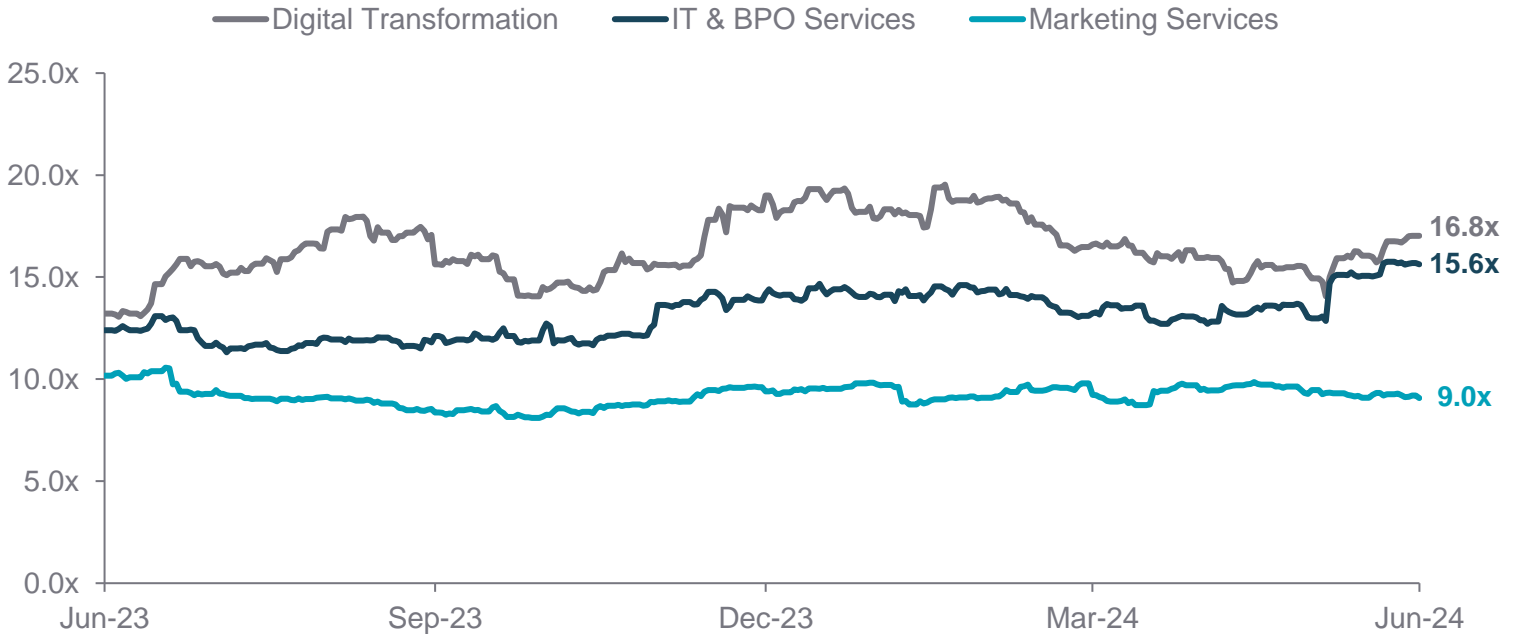
Year Founded	2006
Target HQ	Redmond, WA
# of Employees	~2,200

# Public Market Performance

## EV / Revenue – Last Twelve Months



## EV / EBITDA – Last Twelve Months<sup>1</sup>



Source: Capital IQ, market data as of 30-Jun-2024

1. Grid Dynamics excluded from Digital Transformation index due to volatile EV / EBITDA multiples.

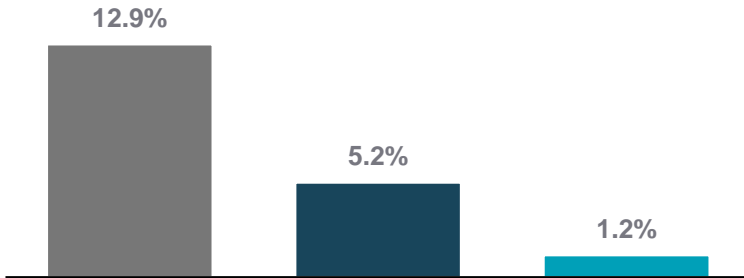
# Public Market Performance

■ Digital Technology Services

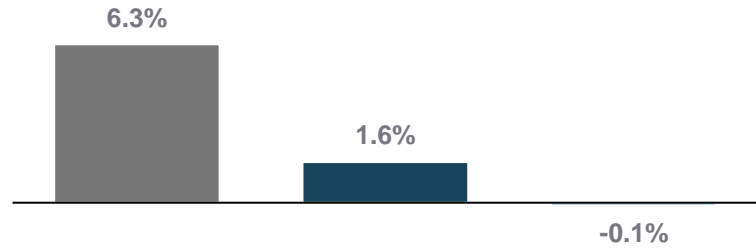
■ IT & BPO Services

■ Marketing Services

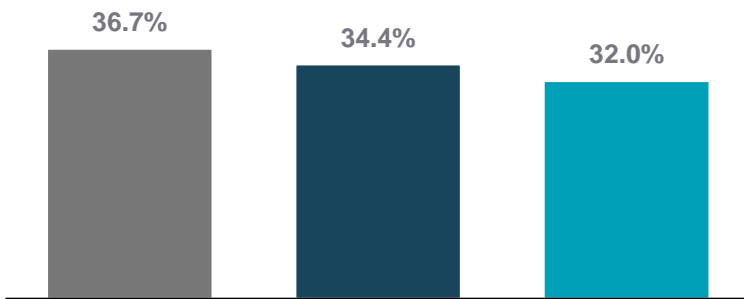
## 3-Year Historic Revenue Growth



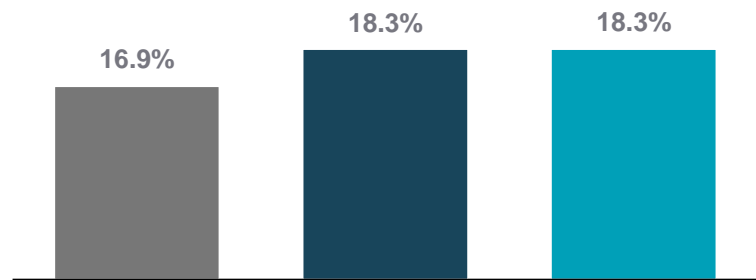
## 2024E Revenue Growth



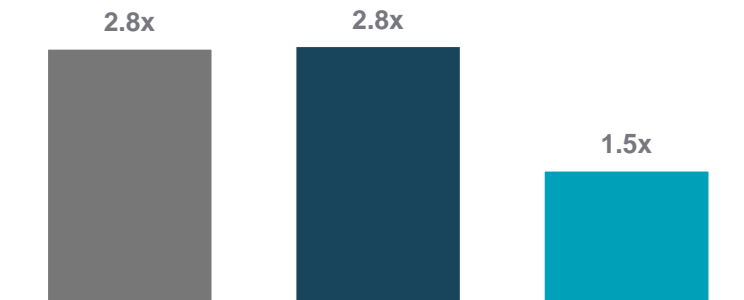
## 2024E Gross Margin<sup>1</sup>



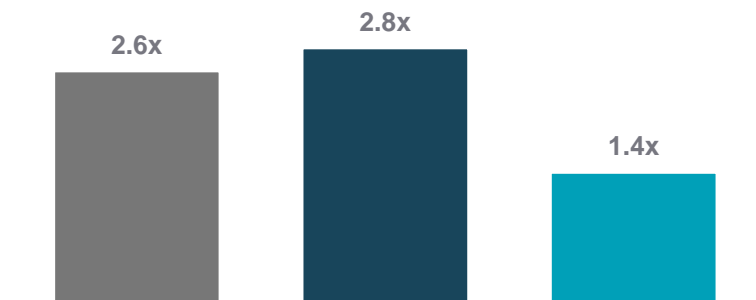
## 2024E EBITDA Margin



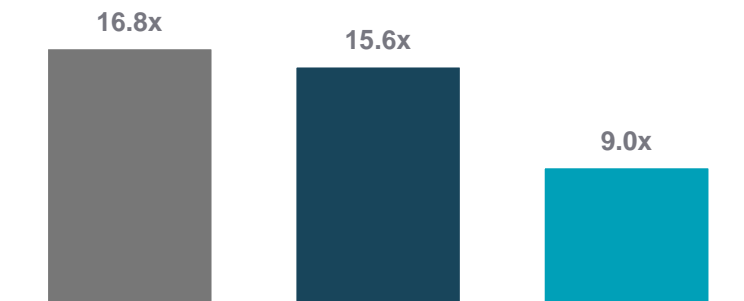
## EV / LTM Revenue



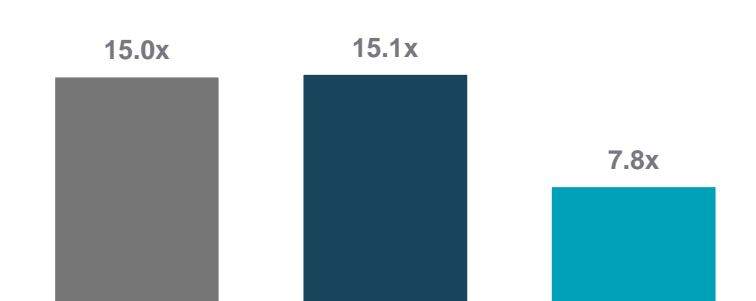
## EV / 2024E Revenue



## EV / LTM EBITDA



## EV / 2024E EBITDA



Source: Capital IQ, market data as of 30-Jun-2024

1. Dentsu excluded from Marketing Services gross margin calculation due to insubstantial reporting.



# 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	2024E		3 Year Revenue CAGR
					LTM	2024E	LTM	2024E		Revenue Growth	Revenue	
Birlasoft	\$8.28	80.1%	\$2,284	\$2,123	3.4x	3.1x	21.0x	19.6x	15.1%		9.7%	8.7%
CI&T	5.20	73.0	699	793	1.9	1.9	9.8	10.8	14.7		(10.9)	16.5
Endava	29.24	36.1	1,703	1,592	1.7	1.6	10.3	11.9	10.0		0.1	9.3
EPAM	188.11	59.2	10,906	9,072	2.0	2.0	10.9	11.6	14.3		(1.5)	7.1
Globant	178.26	70.9	7,691	7,803	3.6	3.2	17.2	15.8	14.9		15.9	23.3
Grid Dynamics	10.51	71.5	804	575	1.8	1.7	13.1	12.1	3.0		6.3	16.3
Happiest Minds	9.80	80.1	1,517	1,443	7.4	6.1	35.6	28.9	18.7		24.3	20.3
Mastek	32.70	86.7	1,009	1,032	2.8	2.6	16.8	15.0	16.7		12.4	12.9
Persistent	50.88	95.3	7,474	7,636	6.5	5.8	36.7	33.9	16.4		14.9	23.4
Thoughtworks	2.84	35.6	917	1,178	1.1	1.2	14.1	14.2	1.3		(10.4)	(1.9)
Zensar	8.93	95.3	2,025	1,901	3.2	3.1	18.0	18.8	17.8		4.8	4.9
<b>High</b>		<b>95.3%</b>	<b>\$10,906</b>	<b>\$9,072</b>	<b>7.4x</b>	<b>6.1x</b>	<b>36.7x</b>	<b>33.9x</b>	<b>18.7%</b>		<b>24.3%</b>	<b>23.4%</b>
<b>Median</b>		<b>73.0</b>	<b>1,703</b>	<b>1,592</b>	<b>2.8</b>	<b>2.6</b>	<b>16.8</b>	<b>15.0</b>	<b>14.9</b>		<b>6.3</b>	<b>12.9</b>
<b>Mean</b>		<b>71.3</b>	<b>3,366</b>	<b>3,195</b>	<b>3.2</b>	<b>2.9</b>	<b>18.5</b>	<b>17.5</b>	<b>13.0</b>		<b>6.0</b>	<b>12.8</b>
<b>Low</b>		<b>35.6</b>	<b>699</b>	<b>575</b>	<b>1.1</b>	<b>1.2</b>	<b>9.8</b>	<b>10.8</b>	<b>1.3</b>		<b>(10.9)</b>	<b>(1.9)</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	2024E		3 Year Revenue CAGR
					LTM	2024E	LTM	2024E		Revenue Growth	Revenue	
Accenture	\$303.41	78.3%	\$190,051	\$189,986	2.9x	2.9x	15.9x	15.4x	17.5%		1.4%	6.8%
Capgemini	198.97	81.7	34,081	37,382	1.5	1.5	11.3	10.2	13.3		(1.9)	5.8
CGI Group	99.77	85.1	22,567	24,104	2.3	2.2	11.1	10.9	17.8		(1.4)	3.8
Coforge	65.48	79.7	4,367	4,514	4.1	3.6	25.2	22.0	15.6		15.1	15.9
Cognizant	68.00	84.9	33,810	32,844	1.7	1.7	9.8	9.4	17.7		0.2	1.6
Datamatics	7.43	78.2	677	623	3.3	3.2	22.0	20.0	15.2		5.4	7.8
Genpact	32.19	81.3	5,794	6,847	1.5	1.5	8.2	8.1	16.3		3.1	4.7
HCL	17.51	86.0	47,416	44,849	3.3	3.3	15.3	15.1	20.7		4.9	7.1
Mphasis	29.45	86.6	5,570	5,480	3.4	3.2	18.7	17.8	15.4		6.3	3.9
Perficient	74.79	77.2	2,629	2,943	3.3	3.2	16.6	15.2	16.0		1.9	6.7
Tech Mahindra	17.16	98.4	15,162	14,674	2.4	2.3	24.5	18.9	8.6		(1.2)	3.4
Wipro	6.18	94.3	32,268	29,531	2.7	2.7	14.4	13.9	18.1		(1.0)	2.6
<b>High</b>		<b>98.4%</b>	<b>\$190,051</b>	<b>\$189,986</b>	<b>4.1x</b>	<b>3.6x</b>	<b>25.2x</b>	<b>22.0x</b>	<b>20.7%</b>		<b>15.1%</b>	<b>15.9%</b>
<b>Median</b>		<b>83.3</b>	<b>18,864</b>	<b>19,389</b>	<b>2.8</b>	<b>2.8</b>	<b>15.6</b>	<b>15.1</b>	<b>16.1</b>		<b>1.6</b>	<b>5.2</b>
<b>Mean</b>		<b>84.3</b>	<b>32,866</b>	<b>32,815</b>	<b>2.7</b>	<b>2.6</b>	<b>16.1</b>	<b>14.7</b>	<b>16.0</b>		<b>2.7</b>	<b>5.8</b>
<b>Low</b>		<b>77.2</b>	<b>677</b>	<b>623</b>	<b>1.5</b>	<b>1.5</b>	<b>8.2</b>	<b>8.1</b>	<b>8.6</b>		<b>(1.9)</b>	<b>1.6</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	2024E		3 Year Revenue CAGR
					LTM	2024E	LTM	2024E		Revenue Growth	Revenue	
Dentsu	\$25.19	84.4%	\$6,632	\$8,805	1.0x	1.0x	6.6x	6.9x	15.2%		(8.4%)	(3.5%)
IPG	29.09	71.1	10,979	13,765	1.5	1.5	7.9	7.8	18.5		0.0	1.2
Omnicom	89.70	90.4	17,566	22,558	1.5	1.4	9.0	8.7	16.5		0.1	3.1
Publicis	106.48	91.7	26,637	28,145	1.7	1.9	10.2	8.7	16.9		(0.1)	3.5
WPP	9.15	82.4	9,821	16,287	0.9	1.1	16.2	6.0	5.3		(0.2)	(4.9)
<b>High</b>		<b>91.7%</b>	<b>\$26,637</b>	<b>\$28,145</b>	<b>1.7x</b>	<b>1.9x</b>	<b>16.2x</b>	<b>8.7x</b>	<b>18.5%</b>		<b>0.1%</b>	<b>3.5%</b>
<b>Median</b>		<b>84.4</b>	<b>10,979</b>	<b>16,287</b>	<b>1.5</b>	<b>1.4</b>	<b>9.0</b>	<b>7.8</b>	<b>16.5</b>		<b>(0.1)</b>	<b>1.2</b>
<b>Mean</b>		<b>84.0</b>	<b>14,327</b>	<b>17,912</b>	<b>1.3</b>	<b>1.4</b>	<b>10.0</b>	<b>7.6</b>	<b>14.5</b>		<b>(1.7)</b>	<b>(0.1)</b>
<b>Low</b>		<b>71.1</b>	<b>6,632</b>	<b>8,805</b>	<b>0.9</b>	<b>1.0</b>	<b>6.6</b>	<b>6.0</b>	<b>5.3</b>		<b>(8.4)</b>	<b>(4.9)</b>

Source: Capital IQ, market data as of 30-Jun-2024

Note: All data shown in USD.

# M&A Activity

Date	Target	Buyer	Summary
06/26/2024	<b>Chamonix IT, Exposé</b>	<b>Synechron</b>	<ul style="list-style-type: none"> <li>Target HQ(s): Adelaide, Australia</li> <li>Chamonix IT and Exposé offer business technology advisory, application development, AI and data analytics, and cloud infrastructure services</li> </ul>
06/18/2024	<b>TopSpot</b>	<b>OuterBox (WILsquare Capital)</b>	<ul style="list-style-type: none"> <li>Target HQ: Houston, TX</li> <li>TopSpot is a marketing agency providing search engine optimization, paid search, website development, and analytics services</li> </ul>
06/12/2024	<b>Digital Additive</b>	<b>ZS</b>	<ul style="list-style-type: none"> <li>Target HQ: Atlanta, GA</li> <li>Digital Additive is a Salesforce-focused digital marketing agency offering data-driven, personalized marketing campaigns</li> </ul>
06/10/2024	<b>Vertisystem</b>	<b>MOURI Tech</b>	<ul style="list-style-type: none"> <li>Target HQ: Fremont, CA</li> <li>Vertisystem is an IT consultancy offering infrastructure optimization, AI/ML and advanced analytics, and cloud application modernization</li> </ul>
06/06/2024	<b>Parsionate</b>	<b>Accenture</b>	<ul style="list-style-type: none"> <li>Target HQ: Stuttgart, Germany</li> <li>Parsionate is a data consultancy offering AI and analytics, strategy consulting, implementation and optimization, and managed services</li> </ul>
05/30/2024	<b>inMorphis</b>	<b>Capital Square Partners</b>	<ul style="list-style-type: none"> <li>Target HQ: Noida, India</li> <li>inMorphis offers digital transformation, DevOps and automation, and data governance solutions with deep expertise across ServiceNow</li> </ul>
05/29/2024	<b>WebMechanix</b>	<b>Level Agency (Dubin Clark, Route 2 Capital)</b>	<ul style="list-style-type: none"> <li>Target HQ: Hyderabad, India</li> <li>WebMechanix is a performance marketing agency offering web design and development, earned and paid media, and creative technology services</li> </ul>
05/09/2024	<b>Aureus</b>	<b>Happiest Minds</b>	<ul style="list-style-type: none"> <li>Target HQ: Greenwood Village, CO</li> <li>Aureus is a digital product engineering firm offering application development, AI/ML and predictive analytics, and modernization services</li> </ul>

# M&A Activity

Date	Target	Buyer	Summary
05/08/2024	<b>Intricity</b>	<b>Ness Digital Engineering (KKR)</b>	<ul style="list-style-type: none"> <li>Target HQ: New York, NY</li> <li>Intricity is full life-cycle digital transformation consultancy with deep expertise in data modernization and monetization solutions</li> </ul>
05/06/2024	<b>Softcrylic</b>	<b>Hexaware</b>	<ul style="list-style-type: none"> <li>Target HQ: Minneapolis, MN</li> <li>Softcrylic offers technology consulting, data and cloud engineering, data and analytics, marketing technology, and managed services</li> </ul>
05/05/2024	<b>Perficient</b>	<b>BPEA EQT</b>	<ul style="list-style-type: none"> <li>Target HQ: St. Louis, MO</li> <li>Perficient is a global provider of IT consulting, product development, digital marketing, and business optimization solutions</li> </ul>
05/02/2024	<b>Cigniti</b>	<b>Coforge</b>	<ul style="list-style-type: none"> <li>Target HQ: Hyderabad, India</li> <li>Cigniti is a digital services and IT consultancy offering digital assurance, software and platform development, and intelligent automation services</li> </ul>
05/01/2024	<b>Infocenter</b>	<b>Insight Enterprises</b>	<ul style="list-style-type: none"> <li>Target HQ: Charlotte, NC</li> <li>Infocenter is a digital transformation consultancy offering ServiceNow-focused strategic advisory, technology solutions, and managed services</li> </ul>
04/29/2024	<b>Kin + Carta</b>	<b>Valtech</b>	<ul style="list-style-type: none"> <li>Target HQ: London, England</li> <li>Kin + Carta offers data and AI, cloud transformation, digital strategy and product development, and managed services</li> </ul>
04/29/2024	<b>NSE [Digital Technology Business]</b>	<b>Investcorp</b>	<ul style="list-style-type: none"> <li>Target HQ: Jersey City, NJ</li> <li>NSEIT is a digital transformation provider offering data and analytics, digital engineering, cloud, and AI services to the financial services industry</li> </ul>
04/26/2024	<b>Nuvalence</b>	<b>EY</b>	<ul style="list-style-type: none"> <li>Target HQ: Troy, NY</li> <li>Nuvalence provides technology advisory, digital product development, AI/ML-powered platform development, and cloud modernization services</li> </ul>

# M&A Activity

Date	Target	Buyer	Summary
04/25/2024	PureSoftware	Happiest Minds	<ul style="list-style-type: none"> <li>Target HQ: Noida, India</li> <li>PureSoftware is a digital engineering firm offering product and application development, data and analytics, modernization, and cloud services</li> </ul>
04/18/2024	in-tech	Infosys	<ul style="list-style-type: none"> <li>Target HQ: Munich, Germany</li> <li>in-tech is an engineering R&amp;D services provider offering software development, UX/UI design, and systems engineering for the automotive industry</li> </ul>
04/18/2024	Blazeclan	ITC Infotech	<ul style="list-style-type: none"> <li>Target HQ: Pune, India</li> <li>Blazeclan is a digital transformation consultancy offering cloud consulting, application development, digital services, and data analytics and insights</li> </ul>
04/12/2024	VironIT	Toptal	<ul style="list-style-type: none"> <li>Target HQ: Wilmington, DE</li> <li>VironIT provides custom software development, mobile app and web development, systems integration, and data analytics services</li> </ul>
04/10/2024	Unlimited	Accenture Song	<ul style="list-style-type: none"> <li>Target HQ: London, England</li> <li>Unlimited is a customer engagement agency offering custom research, performance and omni-channel marketing, CX/UX, and brand strategy</li> </ul>
04/04/2024	ITMAGINATION	Virtusa (GIC, BPEA EQT, CPP)	<ul style="list-style-type: none"> <li>Target HQ: Warsaw, Poland</li> <li>ITMAGINATION offers custom software and web development, data and cloud solutions, and AI strategy and consulting</li> </ul>
04/04/2024	Dreamix	Synechron	<ul style="list-style-type: none"> <li>Target HQ: Sofia, Bulgaria</li> <li>Dreamix provides end-to-end software product development, cloud consulting and migration, business analytics, and managed services</li> </ul>
04/01/2024	AdTheorent	Cadent	<ul style="list-style-type: none"> <li>Target HQ: New York, NY</li> <li>AdTheorent is a digital media platform offering custom AI/ML models and data-driven programmatic digital advertising services</li> </ul>



# About ClearSight

ClearSight Advisors is an investment banking firm dedicated to driving the Knowledge Economy by providing world-class M&A and capital raising solutions exclusively to growth-oriented Business Services and Technology companies. ClearSight combines deep market insights across software, services and data. ClearSight Advisors, Inc. is a wholly owned subsidiary of Regions Financial Corporation. All securities are offered exclusively through Regions Securities LLC, a registered broker-dealer and member of FINRA and SIPC. For more information about ClearSight, visit [www.clearsightadvisors.com](http://www.clearsightadvisors.com)

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## Select Transactions

<p> Sellside Advisor</p> <p>reference.point</p> <p>has been acquired by</p> <p><b>RGP</b></p>	<p> Sellside Advisor</p> <p>number8</p> <p>has been acquired by</p> <p><b>Software Mind</b></p> <p>backed by</p> <p></p>	<p> Sellside Advisor</p> <p>incapsulate</p> <p>has been acquired by</p> <p><b>accenture</b></p>	<p> Buyside Advisor</p> <p><b>RGP</b></p> <p>has acquired</p> <p><b>CloudGo</b></p>	<p> Sellside Advisor</p> <p><b>oncore consulting</b></p> <p>has merged with</p> <p><b>gcom</b></p> <p>a portfolio company of</p> <p><b>SAGEWIND CAPITAL</b></p>
<p> Financial Advisor</p> <p><b>creo</b></p> <p>has been recapitalized by</p> <p><b>GRANT AVENUE</b></p>	<p> Financial Advisor</p> <p><b>enforce</b></p> <p>has divested its</p> <p><b>Australian Business</b></p> <p>to</p> <p>the Australian Entity of</p> <p><b>Deloitte</b></p>	<p> Financial Advisor</p> <p><b>BEGHOU</b></p> <p>CONSULTING</p> <p>has received a strategic investment from</p> <p><b>VARSITY</b></p> <p>HEALTHCARE PARTNERS</p>	<p> Sellside Advisor</p> <p><b>hehacta</b></p> <p>has been acquired by</p> <p><b>GlobalLogic</b></p> <p>A Hitachi Group Company</p>	<p> Sellside Advisor</p> <p><b>austincsi</b></p> <p>has been acquired by</p> <p><b>cognizant</b></p>

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