

Digital, Data & Cloud Market Monitor

The Federal Reserve's half-point interest rate cut, its first since 2020, headlined financial news in September. Amidst talk of the decision's impact on the broader economic markets, Clearsight has been observing how Knowledge Economy M&A markets are fairing. Even prior to the Fed's news, our team saw two key encouraging market dynamics:

- **Stabilization with Signs of Growth:** Many companies that we work with are no longer experiencing reductions in their clients' IT spend budgets. This so-called "bleeding" seems to have ceased. Many of these companies now see pipeline or booking increases, which is a welcome departure from the past year.
- **Strong Valuation Multiples:** The overall volume of M&A deals remains tepid, yet valuation multiples are quite strong, and higher than historical norms prior to 2021. Strategic buyers are highly excited about assets with scale and deep expertise, versus generalist businesses. In turn, private equity firms are showing interest in businesses that have proven resilient over the last 20 months, with a healthy growth curve for the last few quarters.

While there are whispers of uncertainty surrounding the upcoming presidential election here in the US, as well as an ever-changing landscape of geopolitical tensions, we at Clearsight do not believe these factors are negatively impacting M&A decisions for strategic buyers and financial investors in the Digital, Data, and Cloud space. Additionally, if interest rate cuts continue and bookings remain healthy, we expect a surge in quality businesses testing the M&A waters as we approach the end of the year and into H1 2025.

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Sector Spotlight - AI

Market Update

As the global AI industry grows to an expected \$1.8 trillion by 2030, representing a 37% CAGR from 2024-2030, a trio of companies, Accenture, NVIDIA, and ServiceNow, have collaborated to create the AI Lighthouse Program. The program brings together each firm's respective strengths – Accenture's consulting services, NVIDIA's supercomputing, and ServiceNow's platform – with the goal of reducing manual tasks for customer service, promoting self-service, generating intelligent content, and boosting developer productivity.

Despite newsworthy AI partnerships and strides in foundation model development, challenges persist in AI adoption due to high computational costs, limited data availability, data security concerns, and system complexity. Additionally, the promise of AI will only go so far as data analytics technology adoption will take it. Enterprise database companies, such as Databricks and Snowflake, are thus far facing varying impacts from AI. Databricks saw accelerated growth over the past few quarters due to their AI strategies; meanwhile Snowflake, which has lagged in developing data management products for AI, has experienced slower growth. From our conversations in the market, roughly 80% of business leaders see demand for AI solutions driving growth in their pipeline and becoming key to building sophisticated software accelerators.

AI's success likely hinges on data scientists. AI can assist in data analysis, but human expertise is still necessary for reviewing code. Spending on AI-native analytics software is growing rapidly and is estimated at \$2.1 billion in 2024, a 62% increase from 2023. While still in the early stages, companies can create strategies to leverage AI technology effectively. As a result, firms can become marketable to not just their clients, but to strategic buyers and private equity investors considering investments in AI.

Select Industry News

Accenture and Google Cloud Form Alliance to Advance AI Solutions

After launching the joint generative AI Center of Excellence (CoE) in 2023, both firms are further committing to increase support for clients' use of AI to improve critical business functions and protect against cyber threats. ([Link](#))

ServiceNow Unveils Xanadu Addition to Now Platform

Xanadu expands Now Assist into tailored industry solutions to meet the demand for purpose-built tools, allowing organizations to use AI within the Now platform using existing business-centric data models. ([Link](#))

Tercera Releases List of Top Software Ecosystems for Partners

The private equity firm's Tercera 30 list categorizes firms into Anchors, Movers, and Challengers. ([Link](#))

Upcoming Conferences

[Email ClearSight's sector leadership to set up a meeting](#)

UiPath Forward 2024

October 21st - 24th – Las Vegas, NV

[Learn more](#)

Optimizely Opticon 2024

November 18th – 20th – San Antonio, TX

[Learn more](#)

AWS re:Invent 2024

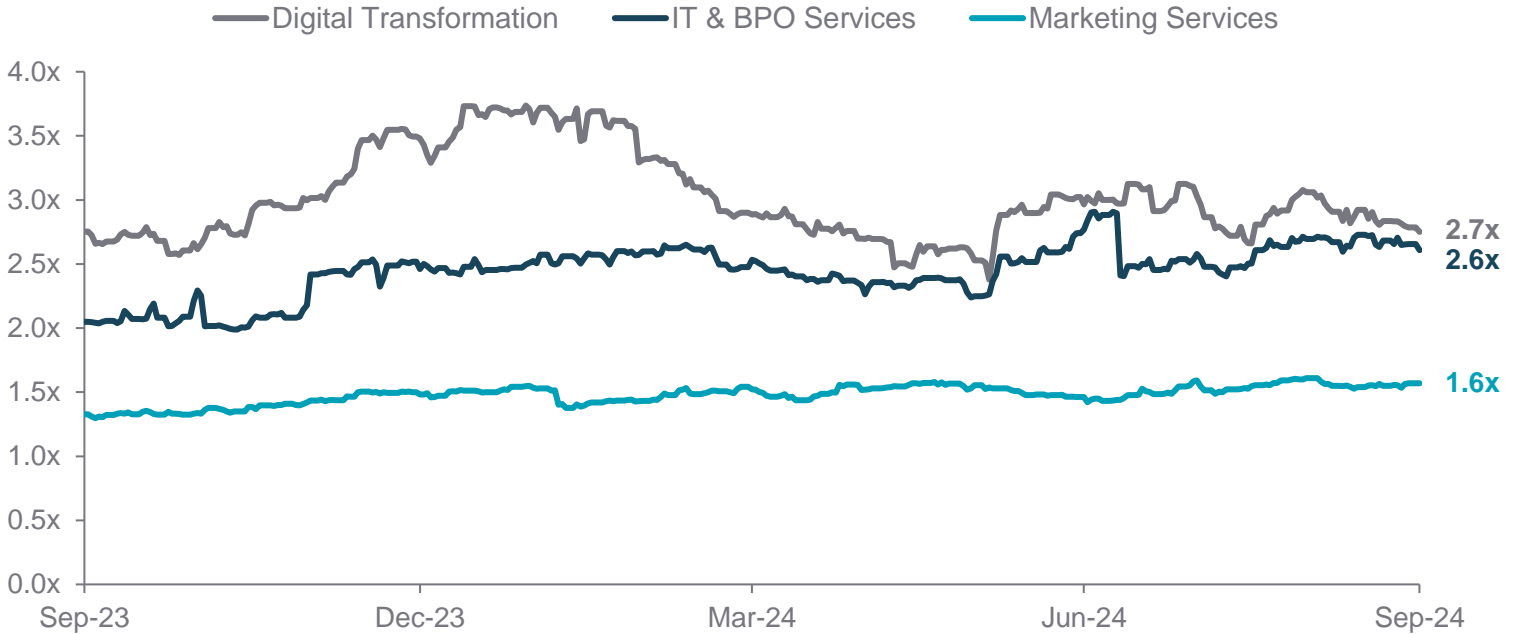
December 2nd – 6th – Las Vegas, NV

[Learn more](#)

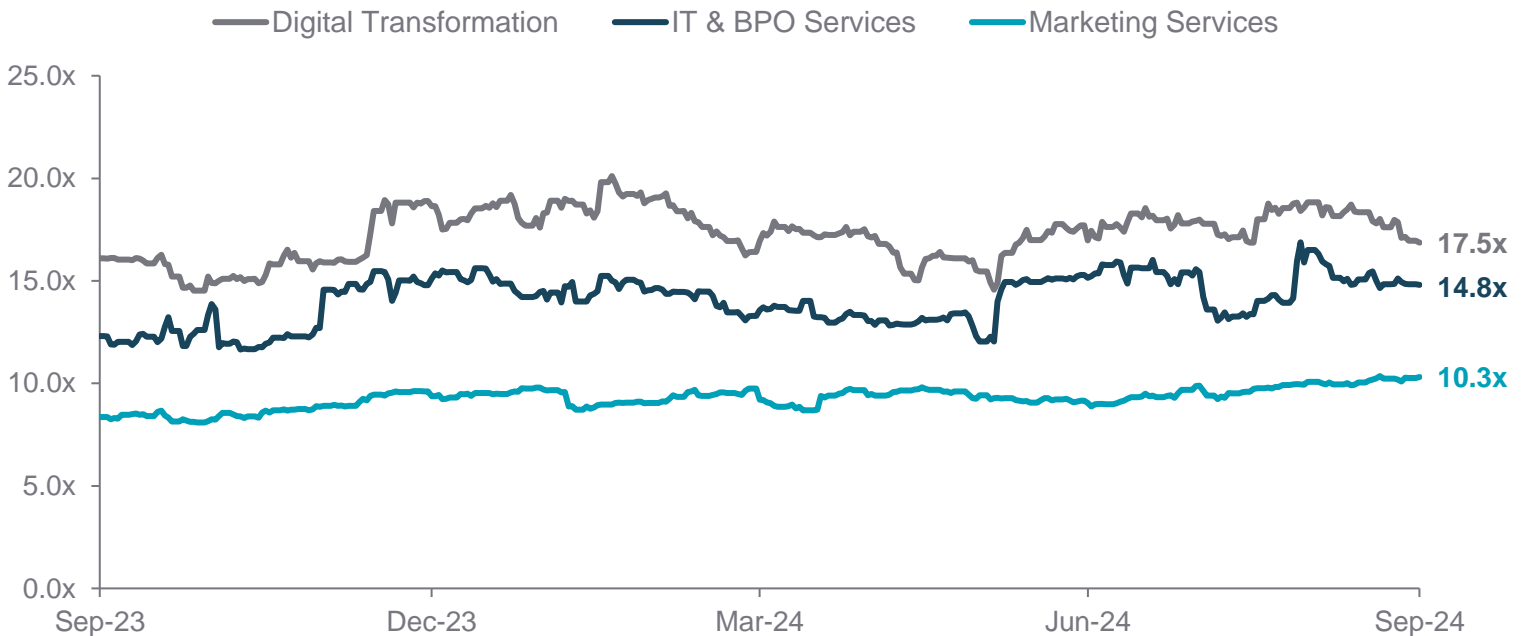


Public Market Performance

EV / Revenue – Last Twelve Months



EV / EBITDA – Last Twelve Months¹



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

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

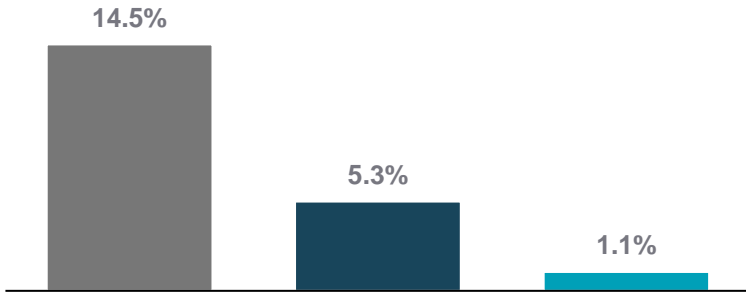
Public Market Performance

■ Digital Technology Services

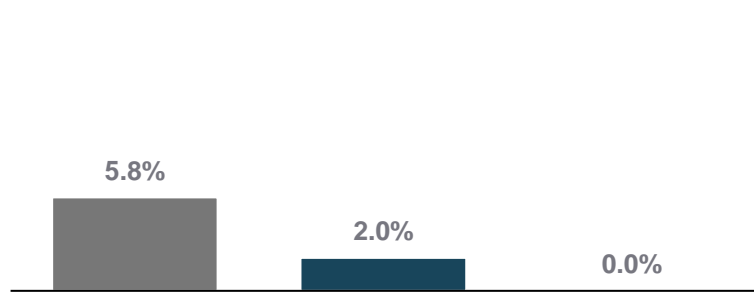
■ IT & BPO Services

■ Marketing Services

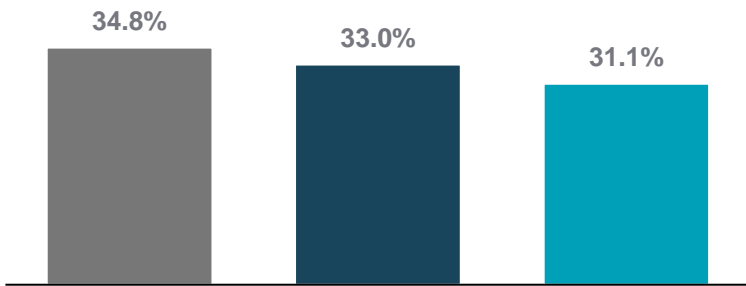
3-Year Historic Revenue Growth



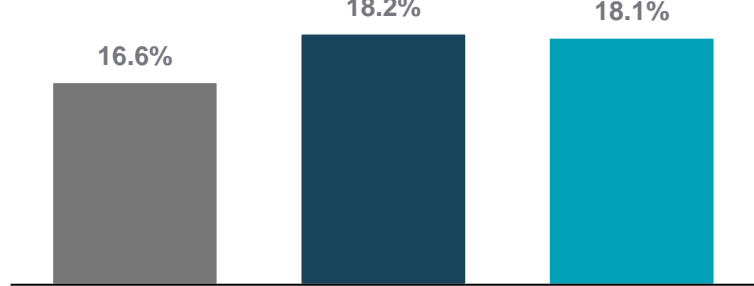
2024E Revenue Growth



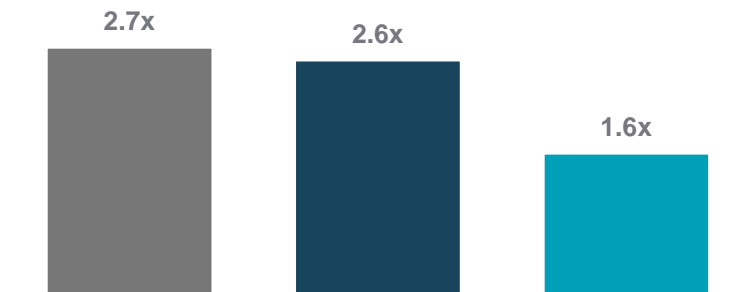
2024E Gross Margin¹



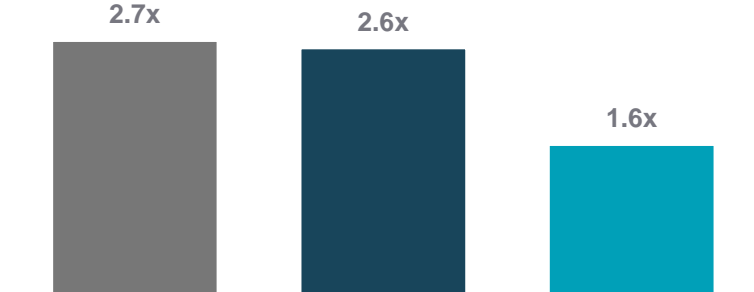
2024E EBITDA Margin



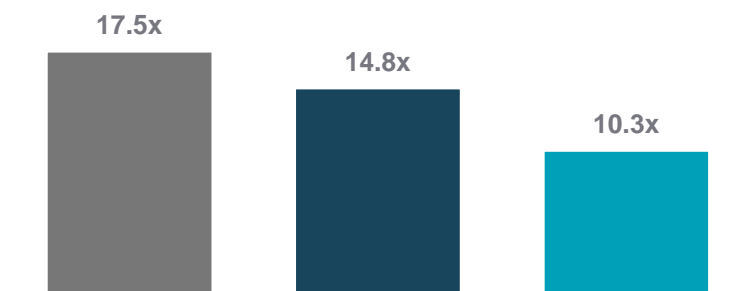
EV / LTM Revenue



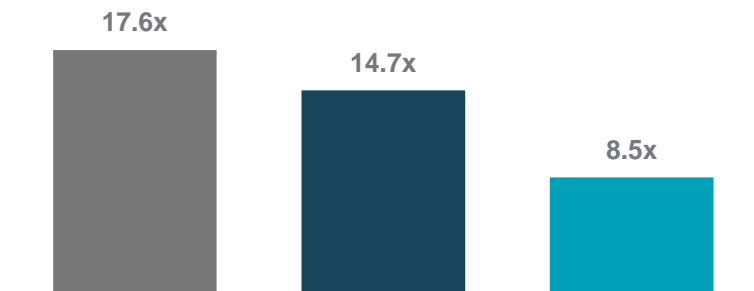
EV / 2024E Revenue



EV / LTM EBITDA



EV / 2024E EBITDA



Source: Capital IQ, market data as of 30-Sep-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	
Birlasoft	\$7.18	69.8%	\$1,985	\$1,822	2.8x	2.8x	18.1x	18.7x	15.0%	5.2%	7.2%	
CI&T	6.79	84.5	905	1,017	2.6	2.4	12.9	12.9	14.7	(6.9)	18.2	
Endava	25.54	31.5	1,507	1,726	1.8	1.7	13.1	13.7	8.0	4.8	11.0	
EPAM	199.03	62.7	11,332	9,701	2.1	2.1	11.8	12.1	13.5	(1.7)	7.1	
Globalant	198.14	78.8	8,548	8,738	3.8	3.6	18.4	17.5	15.0	15.3	23.0	
Grid Dynamics	14.00	95.2	1,073	845	2.7	2.5	19.5	18.2	2.8	6.5	16.4	
Happiest Minds	9.65	84.1	1,493	1,419	7.0	6.0	35.6	30.2	17.3	24.7	20.4	
Mastek	31.02	82.6	958	977	2.6	2.4	16.1	14.9	16.3	11.6	12.6	
Persistent	65.05	97.6	9,556	9,848	8.0	7.4	46.6	43.9	16.5	16.9	24.2	
Zensar	8.06	80.5	1,827	1,700	2.9	2.8	16.9	17.7	16.3	4.3	4.8	
High		97.6%	\$11,332	\$9,848	8.0x	7.4x	46.6x	43.9x	17.3%	24.7%	24.2%	
Median		81.6	1,667	1,713	2.7	2.7	17.5	17.6	15.0	5.8	14.5	
Mean		76.7	3,919	3,779	3.6	3.4	20.9	20.0	13.5	8.1	14.5	
Low		31.5	905	845	1.8	1.7	11.8	12.1	2.8	(6.9)	4.8	

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	
Accenture	\$353.48	91.2%	\$221,414	\$221,405	3.4x	3.4x	18.5x	17.8x	18.8%	2.0%	7.0%	
Capgemini	216.32	85.3	37,053	41,590	1.7	1.7	13.2	11.2	13.3	(0.1)	6.4	
CGI Group	115.19	97.0	25,938	27,665	2.6	2.5	12.7	12.5	17.9	(0.3)	4.2	
Coforge	83.75	98.1	5,585	5,692	5.1	4.5	32.3	28.5	15.5	18.4	17.0	
Cognizant	77.18	96.2	38,255	37,287	1.9	1.9	10.7	10.7	18.0	1.4	2.0	
Datamatics	7.27	77.0	429	379	2.0	1.9	14.3	12.8	14.2	4.1	7.3	
Genpact	39.21	98.1	6,986	7,965	1.7	1.7	9.4	9.3	16.4	4.8	5.3	
HCL	21.44	98.2	58,013	55,539	4.1	4.1	18.8	18.8	20.7	4.6	6.9	
Mphasis	35.93	94.4	6,798	6,620	4.1	4.0	22.4	21.8	15.5	4.8	3.4	
Tech Mahindra	18.82	94.3	16,643	16,160	2.6	2.6	25.9	20.6	9.0	(1.3)	3.4	
Wipro	6.46	93.3	33,762	30,599	2.9	2.9	14.8	14.7	18.4	(2.6)	2.0	
High		98.2%	\$221,414	\$221,405	5.1x	4.5x	32.3x	28.5x	20.7%	18.4%	17.0%	
Median		94.4	25,938	27,665	2.6	2.6	14.8	14.7	16.4	2.0	5.3	
Mean		93.0	40,989	40,991	2.9	2.8	17.5	16.3	16.1	3.2	5.9	
Low		77.0	429	379	1.7	1.7	9.4	9.3	9.0	(2.6)	2.0	

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	
Dentsu	\$30.76	95.4%	\$8,019	\$10,337	1.2x	1.1x	7.8x	7.8x	15.4%	5.3%	1.1%	
IPG	31.63	89.9	11,880	14,771	1.6	1.6	8.4	8.5	18.5	0.0	1.1	
Omnicom	103.39	98.7	20,228	25,742	1.7	1.7	10.3	10.1	16.5	0.1	2.9	
Publicis	109.52	90.6	27,490	30,189	1.8	1.9	11.0	8.9	16.7	(0.1)	5.1	
WPP	10.23	89.1	10,973	18,851	1.0	1.2	16.4	6.8	6.1	(0.2)	(3.8)	
High		98.7%	\$27,490	\$30,189	1.8x	1.9x	16.4x	10.1x	18.5%	5.3%	5.1%	
Median		90.6	11,880	18,851	1.6	1.6	10.3	8.5	16.5	0.0	1.1	
Mean		92.7	15,718	19,978	1.5	1.5	10.8	8.4	14.6	1.0	1.3	
Low		89.1	8,019	10,337	1.0	1.1	7.8	6.8	6.1	(0.2)	(3.8)	

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

Note: All data shown in USD.

M&A Activity

Date	Target	Buyer	Summary
09/27/2024	LeapPoint	Omnicom	<ul style="list-style-type: none"> Target HQ(s): Reston, VA LeapPoint is a digital advisory firm that helps organizations streamline and automate workflows to improve their entire marketing lifecycle
09/26/2024	JUXT	Grid Dynamics	<ul style="list-style-type: none"> Target HQ: Milton Keynes, England JUXT is a software engineering firm offering end-to-end design, UX/UI, and managed services for the financial services industry
09/26/2024	Exusia	Globant	<ul style="list-style-type: none"> Target HQ: Miami, FL Exusia provides end-to-end data strategy, execution, and managed services, including data engineering, cloud migration, and full lifecycle AI
09/19/2024	Mars United Commerce	Publicis	<ul style="list-style-type: none"> Target HQ: Southfield, MI Mars United Commerce is a marketing consultancy that offers strategic planning, business strategy, and brand advisory services
09/16/2024	LeewayHertz	The Hackett Group	<ul style="list-style-type: none"> Target HQ: San Francisco, CA LeewayHertz is a software development firm offering AI/ML, custom software and blockchain development, and data engineering services
09/12/2024	FEXLE	Xoriant (ChrysCapital)	<ul style="list-style-type: none"> Target HQ: Jaipur, India FEXLE is a Platinum Salesforce partner offering consulting, software development, implementation, and managed services
09/10/2024	Blankfactor	Globant	<ul style="list-style-type: none"> Target HQ: Miami, FL Blankfactor is an IT consultancy with deep expertise in digital banking, payment solutions, and software engineering for the financial services industry
09/10/2024	Codescience	Bridgenext (Kelso & Company)	<ul style="list-style-type: none"> Target HQ: Chattanooga, TN Codescience is a Salesforce consultancy offering digital product development, automation, and infrastructure modernization services

M&A Activity


Date	Target	Buyer	Summary
09/04/2024	NEORIS (Advent International)	EPAM	<ul style="list-style-type: none"> Target HQ: Miami, FL NEORIS is a digital transformation consultancy offering nearshore development, systems integration, and custom application development
08/27/2024	Syniti (Bridge Growth)	Capgemini	<ul style="list-style-type: none"> Target HQ: Boston, MA Syniti is a data management company that provides data migration, governance, and integration solutions for enterprise clients
08/13/2024	Kaito Insight	Twoday (CVC Capital Partners)	<ul style="list-style-type: none"> Target HQ: Münster, Germany Kaito Insight is a data consultancy specializing in data platform modernization, business analytics, and AI solutions
08/07/2024	1904labs	Turnberry Solutions (Abry Partners)	<ul style="list-style-type: none"> Target HQ: St. Louis, MO 1904labs is a software consultancy that delivers modern software engineering, cloud-native refactoring, and data management services
08/05/2024	Thoughtworks	Apax Partners	<ul style="list-style-type: none"> Target HQ: Chicago, IL Thoughtworks is a global technology consultancy that offers custom software development, digital transformation, and IT strategy consulting services
08/01/2024	ITI Data	EXL	<ul style="list-style-type: none"> Target HQ: New York, NY ITI Data is a data solutions company that provides data management, analytics, and business intelligence services
07/28/2024	Badal	Telus	<ul style="list-style-type: none"> Target HQ: Toronto, Canada Badal is a cloud services provider that offers cloud migration, DevOps automation, and infrastructure management
07/18/2024	nuvu	Blend360 (Recognize Partners)	<ul style="list-style-type: none"> Target HQ: Bogotá, Colombia nuvu is a provider of data engineering, software development, cloud management, and AI-powered data transformation services

M&A Activity

Date	Target	Buyer	Summary
07/16/2024	Bardess	Cleartelligence (Align Capital Partners)	<ul style="list-style-type: none"> Target HQ: Randolph, NJ Bardess is a data analytics consultancy offering data visualization, data engineering, and advanced analytics solutions
07/16/2024	Logic	Accenture	<ul style="list-style-type: none"> Target HQ: Bloomington, MN Logic is a retail-focused technology consultancy providing digital commerce, data analytics, and cloud infrastructure and managed services
07/11/2024	Amplify Consulting Partners	Sparq (Harvest Partners)	<ul style="list-style-type: none"> Target HQ: Bellevue, WA Amplify Consulting Partners is a data consultancy that specializes in data engineering, data visualization, and data-driven marketing
07/10/2024	Silo AI	Advanced Micro Devices	<ul style="list-style-type: none"> Target HQ: Helsinki, Finland Silo AI is an AI services company specializing in cutting-edge, custom AI models, platforms, and solutions for large enterprise clients
07/09/2024	True North Automation	Accenture	<ul style="list-style-type: none"> Target HQ: Calgary, Alberta True North Solutions is an industrial automation firm that provides engineering services and digital infrastructure services
07/09/2024	Kingsmen Software	Sparq (Harvest Partners)	<ul style="list-style-type: none"> Target HQ: Charlotte, NC Kingsmen Software is a digital engineering firm specializing in gen-AI strategy, product design, and full-stack development
07/09/2024	Imagnet	Improving (Trinity Hunt Partners)	<ul style="list-style-type: none"> Target HQ: Winnipeg, Canada Imagnet is a software consultancy that offers application development, data engineering, and business intelligence services
07/01/2024	Lösch & Partner	Capgemini	<ul style="list-style-type: none"> Target HQ: Munich, Germany Lösch & Partner is digital transformation consultancy specializing in product engineering and IT project management services

About ClearSight

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has merged with

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 SAGEWIND CAPITAL

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has been recapitalized by

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 Financial Advisor

 enforce

has divested its

Australian Business

to

the Australian Entity of

 Deloitte.

 Financial Advisor

 BEGHOU
CONSULTING


has received a strategic investment from

 VARSITY
HEALTHCARE PARTNERS

 Sellside Advisor

 hehacta

has been acquired by

 GlobalLogic
A Hitachi Group Company

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