

Digital, Data & Cloud Market Monitor

As we closed out the year, Clearsight noted the varied M&A market conditions of 2024 mirrored those in 2023. However, 2024 differentiated itself in the second half with more robust M&A activity. In particular, companies in the digital, data, and cloud sector saw increased momentum and spend from clients around IT services. A few key interesting Q4 deals reflected the uptick in activity:

- **Gryphon Investors completed a majority recapitalization of phData**, a leader in developing and delivering modern data applications and AI solutions
- **Sunstone Partners finalized a strategic investment in KMS Technology**, a provider of digital engineering, data, AI, and consulting solutions delivered via onshore, nearshore, and offshore talent
- **Globant acquired Exusia**, an IT services consulting firm specializing in full lifecycle AI, data engineering, cloud migration and analytics capabilities
- **CGI merged with Daugherty**, a professional services firm focused on AI, data analytics, strategic IT consulting, and business advisory

The common thread with the deals listed above, and many of the transactions featured in our M&A Activity section, involves buyers seeking to invest in data and AI strategy to catalyze organic and inorganic growth.

Many digital, data, and cloud firms are capitalizing on the positive market conditions and positive financials of 2024 by launching M&A processes in the first half of 2025. While still early, there are numerous indicators 2025 could be a strong year. To start, expanded client budgets increased demand and expectations for IT services assets, contributing to improved performance for firms thinking about an M&A transaction.

With a healthy supply of growing firms in the digital, data, and cloud sector, we expect private equity (PE) will represent much of the demand for these firms. PE is facing immense pressure from LPs to invest more than \$4 trillion in dry powder raised over the last three years. In the US, a new presidential administration brings new questions; however, the uncertainty around corporate tax rate changes has quieted. Instead, the uncertainty has pivoted into discussions about tariffs. Digital, data, and cloud services, seem to be clear of the fray of these changes, thus far. According to Teneo's Macroeconomic Outlook, 83% of CEOs and 87% of investors anticipate more M&A activity in 2025, compared to 68% in both categories polled in 2024.

When Q4 2024 culminated with significant job growth and eased inflation growth, all indicators pointed to an economy firing on all cylinders. We have yet to see anything to change this outlook, and while the timing is rarely perfect, the macroeconomic environment is looking favorable for both sellers and buyers in early 2025.

Source: PitchBook, Teneo Macroeconomic Outlook

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Sector Spotlight

Gryphon Investors Announces Strategic Investment in phData

Target

phData

Investor

Gryphon Investors

Deal Commentary

- Following platform investments in 3Cloud, NewRocket, and Caylent, Gryphon's partnership with phData underscores their thematic focus on Technology Solutions and Services, and broader thesis centered around sector tailwinds driven by an increased need for data and AI solutions that accelerate real-world value
- Gabe Stephenson, Partner and Head of the Technology Solutions and Services Group at Gryphon said, "phData is incredibly well-positioned to capitalize on the punctuated change and positive tailwinds driven by data and AI. phData has an advantaged market position and leading brand in data and AI services, underpinned by strong and long-term customer relationships, a highly talented team of skilled engineers, and a humble and hungry management team."

Transaction Summary

On December 16th, 2024, Gryphon Investors, a San Francisco-based middle-market private equity firm, announced its completion of a majority growth recapitalization of phData, an end-to-end modern data applications and AI services firm offering data migrations, data engineering, AI/ML, data strategy, analytics and visualization, and training and enablement solutions across a modern technology stack.

Transaction Information

Announced Date	16-Dec-2024
Deal Type	Majority Recapitalization
<i>Target Information</i>	
Year Founded	2014
Target HQ	Minneapolis, MN
# of Employees	~600

CDW Announces Acquisition of Mission Cloud Services

Target

Mission Cloud Services

Acquirer

CDW
(Nasdaq: CDW)

Deal Commentary

- CDW executes against a three-part growth strategy centered around new customer acquisition, capability enhancement, and service expansion with a targeted approach to digital transformation and AI; the acquisition of Mission supports their growth journey by complementing CDW Digital Velocity and bolstering CDW's ability to help businesses accelerate technology adoption, optimize cloud environments, and drive AI-driven innovation
- Christine A. Leahy, Chair and CEO of CDW commented, "The acquisition of Mission accelerates our three-part growth strategy by augmenting our cloud services and enhancing our ability to deliver customer-centric outcomes across the full technology solutions stack and lifecycle."

Transaction Summary

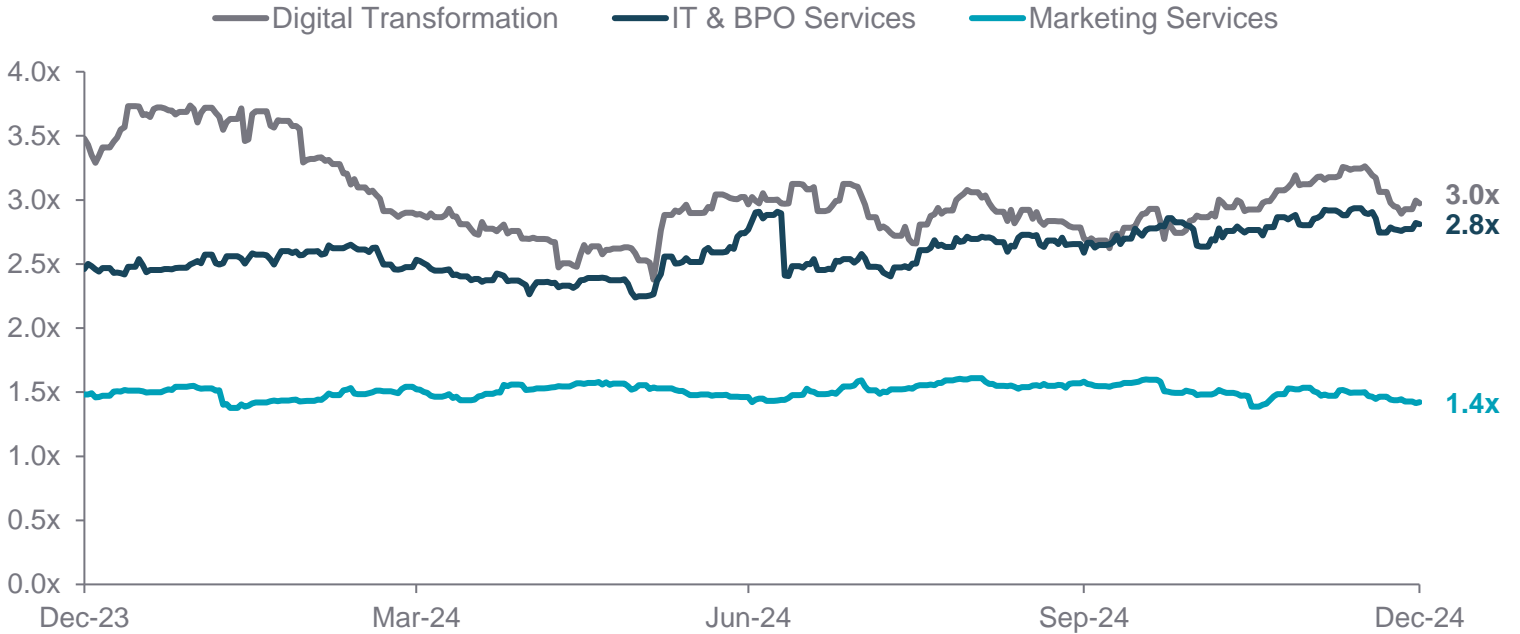
On December 2nd, 2024, CDW, a leading multi-brand information technology solutions provider, announced its acquisition of Mission Cloud Services, the largest independent AWS managed services provider in the U.S. As an AWS-certified generative AI partner, Mission offers end-to-end cloud services, security, and innovative AI solutions to small businesses and middle market clients across the healthcare and life sciences, retail, software, media, finance, and private equity ecosystems.

Transaction Information

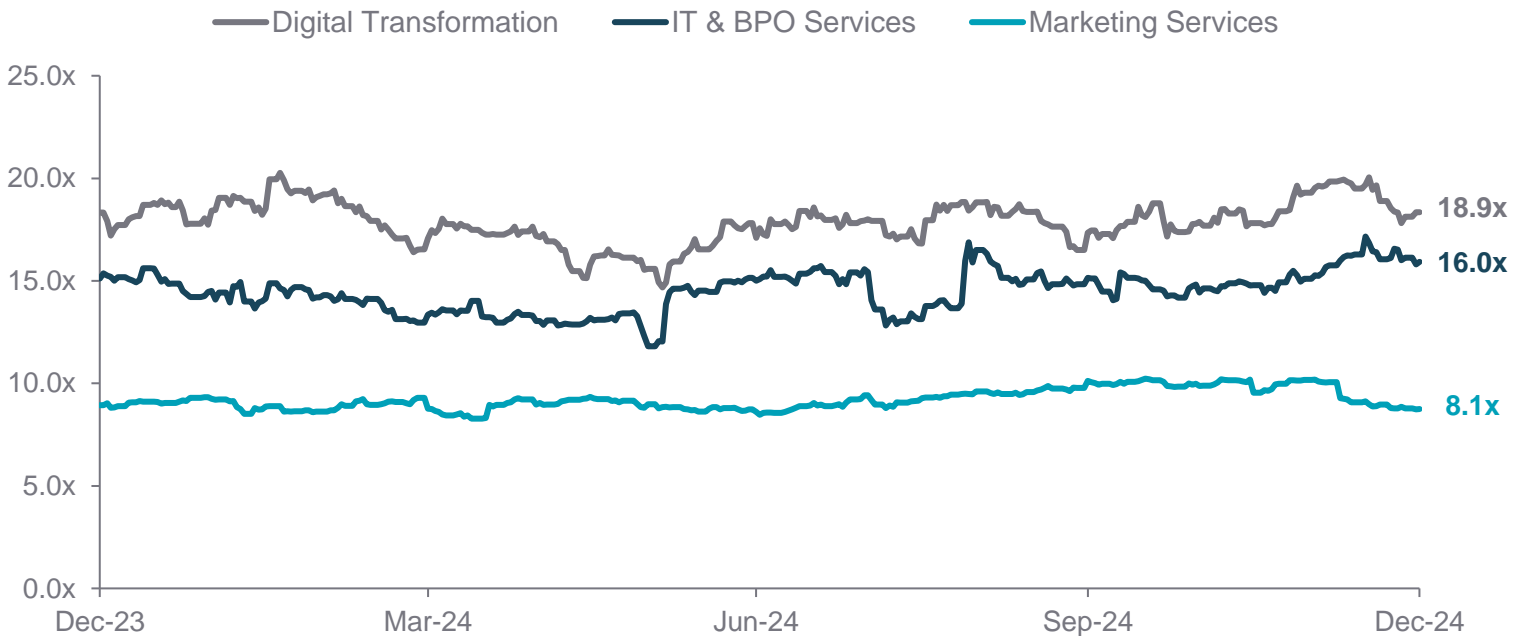
Announced Date	02-Dec-2024
Deal Type	Acquisition
<i>Target Information</i>	
Year Founded	2017
Target HQ	Beverly Hills, CA
# of Employees	~300

Public Market Performance

EV / Revenue – Last Twelve Months



EV / EBITDA – Last Twelve Months¹



Source: Capital IQ, market data as of 31-Dec-2024

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

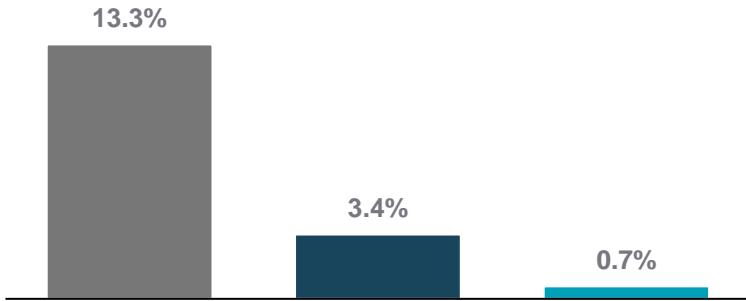
Public Market Performance

■ Digital Technology Services

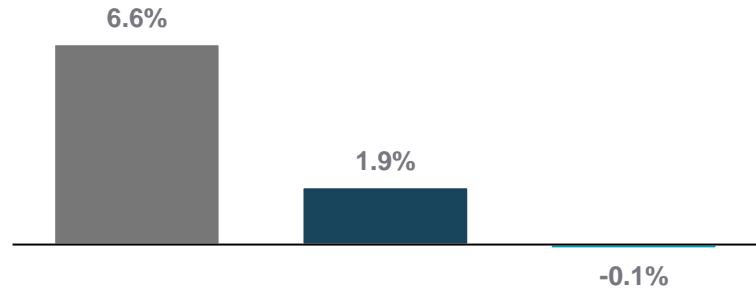
■ IT & BPO Services

■ Marketing Services

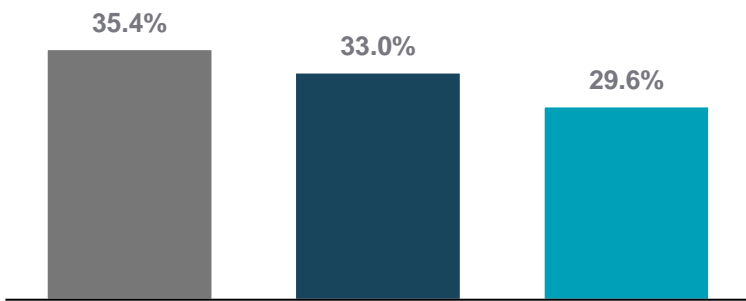
3-Year Historic Revenue Growth



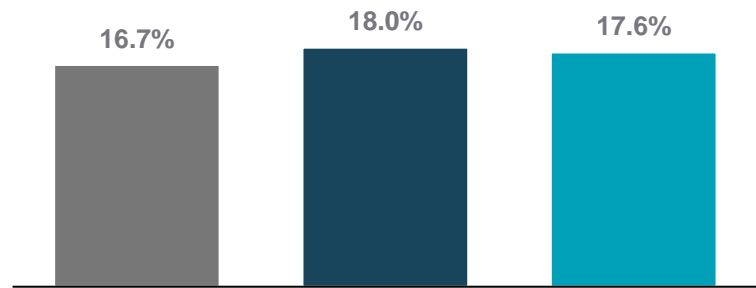
2024A Revenue Growth



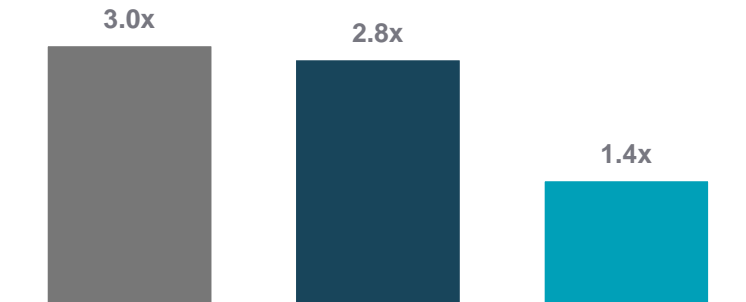
2024A Gross Margin¹



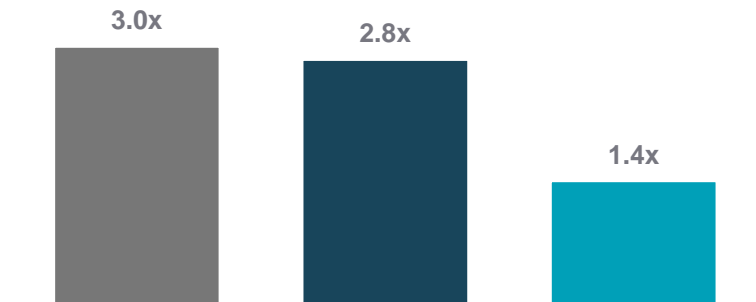
2024A EBITDA Margin



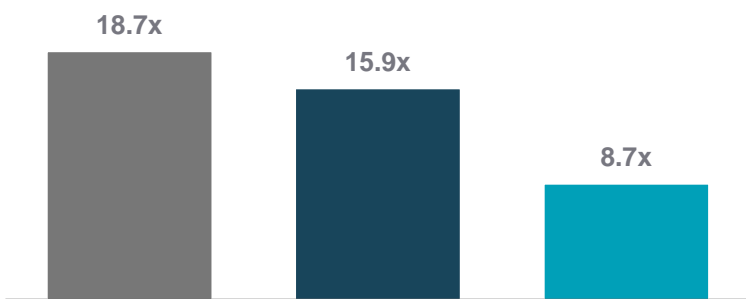
EV / LTM Revenue



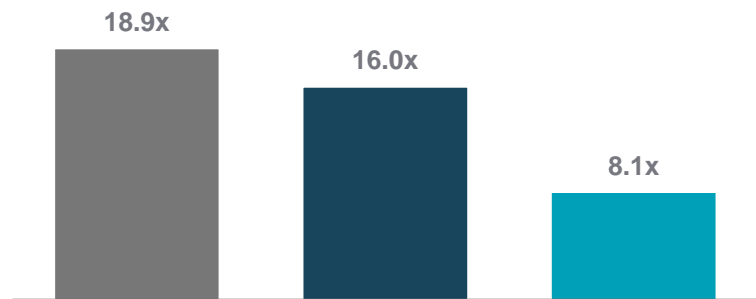
EV / 2024A Revenue



EV / LTM EBITDA



EV / 2024A EBITDA



Source: Capital IQ, market data as of 31-Dec-2024



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	2024A		3 Year Revenue CAGR
					2024A	2025E	2024A	2025E		Revenue	Growth	
Birlasoft	\$6.55	65.0%	\$1,811	\$1,646	2.6x	2.4x	19.0x	16.5x	14.1%		2.9%	6.4%
CI&T	6.07	75.5	806	900	2.3	2.0	12.6	10.9	13.5	(15.6)		14.4
Endava	30.90	38.1	1,837	2,067	2.2	2.0	17.1	13.1	6.8		(2.2)	8.5
EPAM	233.82	73.6	13,263	11,464	2.4	2.2	13.6	12.8	14.2		(0.0)	7.7
Globant	214.42	85.3	9,251	9,482	3.9	3.4	18.9	16.7	15.1		15.4	23.1
Grid Dynamics	22.24	92.1	1,855	1,689	4.9	4.1	32.8	26.9	3.6		10.7	17.9
Happiest Minds	8.59	76.5	1,282	1,277	5.5	4.4	28.1	21.9	17.0		21.6	19.4
Mastek	34.80	88.2	1,074	1,117	2.8	2.4	17.2	14.4	15.9		10.4	12.2
Persistent	75.46	95.1	11,085	11,499	8.7	7.4	51.6	41.8	16.2		15.2	23.6
Zensar	8.78	89.7	1,994	1,850	3.1	2.8	19.9	17.4	15.1		2.2	4.0
High		95.1%	\$13,263	\$11,499	8.7x	7.4x	51.6x	41.8x	17.0%		21.6%	23.6%
Median		80.9	1,846	1,770	3.0	2.6	18.9	16.6	14.6		6.6	13.3
Mean		77.9	4,426	4,299	3.8	3.3	23.1	19.2	13.2		6.0	13.7
Low		38.1	806	900	2.2	2.0	12.6	10.9	3.6		(15.6)	4.0

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	2024A		3 Year Revenue CAGR
					2024A	2025E	2024A	2025E		Revenue	Growth	
Accenture	\$351.79	90.8%	\$220,038	\$220,785	3.4x	3.2x	17.8x	16.4x	17.1%		1.9%	7.0%
Capgemini	163.73	69.5	27,839	32,051	1.4	1.4	9.5	9.1	13.3		(8.4)	3.4
CGI Group	109.31	96.7	24,570	26,081	2.5	2.4	12.6	12.0	17.8		(5.8)	2.3
Coforge	112.91	96.4	7,549	7,766	6.0	4.9	39.0	28.5	11.8		19.5	17.3
Cognizant	76.90	93.3	38,129	37,967	1.9	1.8	10.9	10.1	17.9		2.0	2.2
Datamatics	7.46	82.3	441	398	2.1	2.0	13.9	12.9	13.2		1.2	6.3
Genpact	42.95	89.5	7,575	8,447	1.8	1.7	9.9	8.9	16.4		6.1	5.7
HCL	22.40	96.8	60,688	58,205	4.3	4.0	19.8	18.3	20.3		3.2	6.4
Mphasis	33.27	87.9	6,311	6,220	3.8	3.4	20.9	18.5	16.0		2.5	2.7
Tech Mahindra	19.94	94.4	17,635	17,229	2.8	2.6	22.5	17.5	11.3		(3.2)	2.7
Wipro	3.53	94.4	36,903	33,386	3.2	3.1	16.0	15.2	18.9		(4.9)	1.2
High		96.8%	\$220,038	\$220,785	6.0x	4.9x	39.0x	28.5x	20.3%		19.5%	17.3%
Median		93.3	24,570	26,081	2.8	2.6	16.0	15.2	16.4		1.9	3.4
Mean		90.2	40,698	40,776	3.0	2.8	17.5	15.2	15.8		1.3	5.2
Low		69.5	441	398	1.4	1.4	9.5	8.9	11.3		(8.4)	1.2

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	2024A		3 Year Revenue CAGR
					2024A	2025E	2024A	2025E		Revenue	Growth	
Dentsu	\$24.25	77.6%	\$6,321	\$8,815	1.0x	1.0x	7.4x	6.7x	13.2%		(3.9%)	(1.9%)
IPG	28.02	79.7	10,438	13,294	1.4	1.5	8.1	7.9	18.5		(0.0)	0.7
Omnicom	86.04	80.4	16,899	22,244	1.4	1.3	8.7	8.1	15.7		0.1	3.2
Publicis	106.64	95.0	26,765	29,270	2.0	1.9	9.3	8.8	16.7		(0.1)	2.6
WPP	10.36	91.6	11,115	18,477	1.3	1.3	6.9	7.1	6.1		(0.2)	(6.1)
High		95.0%	\$26,765	\$29,270	2.0x	1.9x	9.3x	8.8x	18.5%		0.1%	3.2%
Median		80.4	11,115	18,477	1.4	1.3	8.1	7.9	15.7		(0.1)	0.7
Mean		84.9	14,307	18,420	1.4	1.4	8.1	7.7	14.1		(0.8)	(0.3)
Low		77.6	6,321	8,815	1.0	1.0	6.9	6.7	6.1		(3.9)	(6.1)

Source: Capital IQ, market data as of 31-Dec-2024

Note: All data shown in USD.

M&A Activity

Date	Target	Buyer	Summary
12/27/2024	Cigniti	Coforge	<ul style="list-style-type: none"> Target HQ: Irving, TX Cigniti is a digital consultancy offering AI, IoT, blockchain, big data and analytics, and cloud migration services
12/17/2024	Yurgosky	Moss Adams	<ul style="list-style-type: none"> Target HQ: New York, NY Yurgosky is a technology, strategy, and analytics company offering end-to-end application development
12/17/2024	Applied Value Technologies	Wipro	<ul style="list-style-type: none"> Target HQ: Andover, MA Applied Value Technologies provides IT solutions including application support and development, advanced analytics, and customizable tools
12/11/2024	Daugherty Business Solutions	CGI	<ul style="list-style-type: none"> Target HQ: Creve Coeur, MO Daugherty Business Solutions provides IT consulting services including advisory, AI consulting, and custom application development
12/9/2024	IPG	Omnicom	<ul style="list-style-type: none"> Target HQ: New York, NY IPG is a marketing solutions provider offering digital products, advertising technology, data analytics, e-commerce, and brand experience services
12/6/2024	Huge	AEA Investors	<ul style="list-style-type: none"> Target HQ: New York, NY Huge is a UX design and marketing agency specializing in digital marketing and strategic planning services
12/5/2024	Raja Software	Ness Digital Engineering	<ul style="list-style-type: none"> Target HQ: Pune, India Raja Software is a software engineering company specializing in product development and engineering services
12/4/2024	FortyAU	ASH Investment Partners	<ul style="list-style-type: none"> Target HQ: Nashville, TN FortyAU is a software development company providing solutions for the healthcare community to streamline operations



M&A Activity

Date	Target	Buyer	Summary
11/27/2024	Niveus Solutions	NTT Data	<ul style="list-style-type: none"> Target HQ: Udupi, India Niveus is a cloud engineering company specializing in Google Cloud Platform (GCP) services
11/25/2024	Sextant Marketing	Carnegie	<ul style="list-style-type: none"> Target HQ: Tampa, FL Sextant is a marketing services firm that offers full-service digital marketing capabilities to higher education clients
11/21/2024	KMS Technology	Sunstone Partners	<ul style="list-style-type: none"> Target HQ: Atlanta, GA KMS Technology provides software development and testing services such as enterprise software application development and cloud migration
11/19/2024	Thinkmax	Talan	<ul style="list-style-type: none"> Target HQ: Montreal, Canada Thinkmax is a Microsoft Dynamics integration partner specializing in finance, supply chain, customer engagement, and eCommerce solutions
11/12/2024	Lumston	Point B	<ul style="list-style-type: none"> Target HQ: Tlaquepaque, Mexico Lumston is a digital transformation services provider focusing on custom development and specialized software platforms
11/12/2024	Terazo	Zennify	<ul style="list-style-type: none"> Target HQ: Glen Allen, VA Terazo is a software and platform development firm offering strategic consulting and software and data engineering for mission-critical platforms
11/11/2024	Intelliswift	L&T Technology Services	<ul style="list-style-type: none"> Target HQ: Newark, CA Intelliswift is a provider of IT services, including digital product engineering, data and AI, and digital enterprise solutions
11/11/2024	Contender	Presidio	<ul style="list-style-type: none"> Target HQ: Tampa, FL Contender is an Elite ServiceNow partner offering digital transformation through staff augmentation, managed services, and specialized services

M&A Activity

Date	Target	Buyer	Summary
10/31/2024	Leniolabs	Improving	<ul style="list-style-type: none"> Target HQ: Saint Petersburg, FL Leniolabs is a software services provider offering custom web services, applications and platforms, and remote staff augmentation
10/30/2024	FWD View	Nagarro	<ul style="list-style-type: none"> Target HQ: London, England FWD View provides data transformation and visualization services including data strategy and application acceleration
10/28/2024	Cloobees	Synechron	<ul style="list-style-type: none"> Target HQ: London, England Cloobees is an IT services and digital transformation consultancy focused on the Vlocity and Salesforce platforms
10/28/2024	Dignari	Ernst & Young	<ul style="list-style-type: none"> Target HQ: Alexandria, VA Dignari is a technology consultancy offering systems integration, data analytics and visualization, and user interface design
10/9/2024	Aethereus	RCG Global Services	<ul style="list-style-type: none"> Target HQ: Pune, India Aethereus provides IT consulting services, specializing in multi-cloud transformation, product development, and managed services
10/7/2024	Mobile Computing	Grid Dynamics	<ul style="list-style-type: none"> Target HQ: Buenos Aires, Argentina Mobile Computing is a digital transformation consultancy offering software and application development and UI/UX services
10/7/2024	First Derivative	EPAM	<ul style="list-style-type: none"> Target HQ: Newry, Northern Ireland First Derivative is a managed services consultancy offering engineering, technical, and business services for the capital markets industry
10/3/2024	Exusia	Globant	<ul style="list-style-type: none"> Target HQ: Miami, FL Exusia is an IT strategy consultancy offering advisory and implementation services to the healthcare and financial services industries



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 Sellside Advisor  has merged with  a portfolio company of 	 Financial Advisor  has been recapitalized by 	 Financial Advisor  has divested its  to 	 Financial Advisor  has received a strategic investment from 	 Sellside Advisor  has been acquired by 

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