



Canaccord Genuity

# Canaccord Genuity

## Digital Transformation Services Market Update

June 2024



# Table of Contents

---

1. About Canaccord Genuity

2. Digital Transformation Services Market Overview

# Canaccord Genuity is the Leading M&A Advisor for Digital Transformation Services Transactions

#1

Ranked Mid-Market Investment Bank in TMT<sup>1</sup>

+40

Digital Services M&A Transactions in the Last 24 Months

+120

Technology M&A Transactions in the Last 24 Months

Representing Premier Digital Consultancies Across Competencies

Infrastructure & Cybersecurity

Data & Analytics

Software Engineering

Cloud Applications

Customer Experience

Digital Marketing



Financial Advisor on majority investment from



Financial Advisor on majority investment from



Financial Advisor on majority investment from



Financial Advisor on sale to



REDKITE

Financial Advisor on sale to



Financial Advisor on strategic investment from



Financial Advisor on sale to



Financial Advisor on significant investment from



Financial Advisor on investment from



Financial Advisor on sale to



Financial Advisor on recapitalization by



Financial Advisor on sale to



LEDGER BELLETT

Financial Advisor on sale to



Financial Advisor on strategic investment from



TOMORROW

Financial Advisor on strategic investment from



\$324,000,000



Financial Advisor on sale to



Pending



Financial Advisor on sale to



Financial Advisor on significant investment from



Chief Information Officer

Chief Digital Officer

Chief Marketing Officer

Representative Partner Ecosystems



The information contained on this page is sourced from CG LLC's proprietary database as of 5/31/24. A more detailed methodology may be found in the appendix.

3 Deals shown announced or completed between 1/1/2022-5/31/2024  
(1) PitchBook

Driven by your success.

# US Senior Leadership: Digital Transformation Services Practice

## Sanjay Chadda

Senior Managing Director,  
Co-Head of U.S. IB  
Co-Head of Technology

- A trusted advisor to CEOs and private equity sponsors
- Joined Canaccord Genuity through the acquisition of Petsky Prunier and co-heads one of the most active investment banking practices focused on the broader technology, marketing, and related services industries
- Has led +200 transactions during his career and has successfully completed more than 80 transactions since the beginning of 2020 alone



## Benjamin Lunka

Managing Director

- Longstanding transaction experience within IT services and digital transformation
- Prior to joining Canaccord Genuity, Ben spent 10 years at a boutique investment bank, where he led numerous transactions in the technology, business services, and professional services industries
- Ben has completed more than 40 transactions across multiple verticals, including IT services, enterprise software, digital transformation, and consulting



## JP Michaud

Managing Director

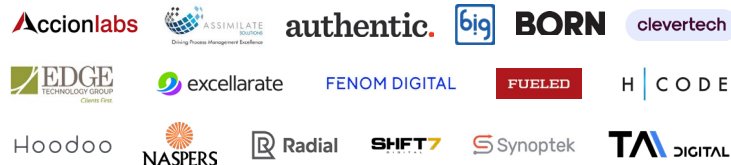
- Active in the technology-enabled business services sector, where he has +15 years of significant transaction experience
- Prior to joining Canaccord Genuity, JP was a managing director at Petsky Prunier, where he was instrumental in opening the Charlotte, North Carolina office
- Has represented many industry-defining transactions across the major Partner ecosystems in all of the Digital Transformation spectrum



## Rohan Sura

Managing Director

- Focused on global M&A across tech-enabled digital services space including IT/BPM and digital transformation
- Before joining Canaccord, Rohan spent 10 years at boutique and bulge bracket investment banks, where he led numerous cross-border technology transactions across geographies
- Has advised on more than \$20 billion in M&A transaction value



## Senior UK Team

### Julie Langley

Head of Tech  
Advisory, Europe

### James Kesner

Managing Director

### Chris Lewis

Managing Director

### Dylan Kearns

Managing Director

### Richard Latner

Managing Director

### Mark Williams

Managing Director

## Financial Sponsors Group

### Isaiah Knouff

Managing Director,  
Co-Head of Financial Sponsors Group

### Bryan Cummings

Managing Director,  
Financial Sponsors Group

### Amy LaBan, CFA

Managing Director,  
Co-Head of Financial Sponsors Group

# Canaccord Genuity's Digital Transformation Services M&A Transactions

## Recent & Relevant Domain Expertise in the Digital Transformation Sector


<p>\$324,000,000</p> <p><b>ADTHEORENT</b> (NASDAQ: ADTH)</p> <p>Financial Advisor on sale to</p> <p><b>CADENT</b> a portfolio company of</p> <p><b>NOVACAP</b> Pending</p>	<p><b>Quorum Cyber</b></p> <p>Financial Advisor on majority investment from</p> <p><b>Charlesbank</b></p> <p>June 2024</p>	<p><b>adlucent</b> a division of</p> <p><b>ADVANTAGE SOLUTIONS</b> (NASDAQ: ADV)</p> <p>Financial Advisor on sale to</p> <p><b>BARKLEY OKRP</b></p> <p>May 2024</p>	<p><b>infoCenter</b></p> <p>Financial Advisor on sale to</p> <p><b>Insight</b></p> <p>May 2024</p>	<p><b>softcrylic</b></p> <p>Financial Advisor on sale to</p> <p><b>HEXAWARE</b></p> <p>May 2024</p>	<p><b>Bits In Glass</b></p> <p>Financial Advisor on significant investment from</p> <p><b>CSP CAPITAL SQUARE PARTNERS</b></p> <p>February 2024</p>	<p><b>sophos solutions</b></p> <p>a portfolio company of</p> <p><b>Advent International</b></p> <p>Financial Advisor on sale to</p> <p><b>GFT</b></p> <p>February 2024</p>	<p><b>mpg MARKET PERFORMANCE GROUP</b></p> <p>a portfolio company of</p> <p><b>INSIGNIA CAPITAL GROUP</b></p> <p>Financial Advisor on sale to</p> <p><b>Sentinel CAPITAL PARTNERS</b></p> <p>January 2024</p>	<p><b>REDKITE</b></p> <p>Financial Advisor on sale to</p> <p><b>accenture</b> (NYSE: ACN)</p> <p>December 2023</p>
<p><b>ansira</b></p> <p>Financial Advisor on sale to</p> <p><b>TRUELINK CAPITAL</b></p> <p>December 2023</p>	<p><b>spm:group</b> a portfolio company of</p> <p>Corridor Capital Financial Advisor on sale to</p> <p><b>UN LOCK</b> a portfolio company of</p> <p><b>ATHYRUM</b> November 2023</p>	<p><b>camelot</b> STRATEGIC MARKETING &amp; MEDIA</p> <p>Financial Advisor on sale to</p> <p><b>PMG</b></p> <p>October 2023</p>	<p><b>BARKLEY</b></p> <p>Financial Advisor on strategic investment from</p> <p><b>KEYSTONE CAPITAL</b></p> <p>October 2023</p>	<p><b>ROBOYO</b> NEXT LEVEL NOW</p> <p>Financial Advisor on investment from</p> <p><b>STANLEY CAPITAL</b></p> <p>October 2023</p>	<p><b>TOMORROW</b></p> <p>Financial Advisor on strategic investment from</p> <p><b>bv INVESTMENT PARTNERS</b></p> <p>September 2023</p>	<p><b>brainlabs</b></p> <p>a portfolio company of</p> <p><b>LIVINGBRIDGE</b></p> <p>Financial Advisor on significant investment from</p> <p><b>FALFURNIAS CAPITAL</b></p> <p>September 2023</p>	<p><b>PHAEDON</b> the commercial marketing group of</p> <p><b>ICF</b> (NASDAQ: ICFI)</p> <p>Financial Advisor on sale to</p> <p><b>COHERE</b></p> <p>September 2023</p>	<p><b>FACTOR</b></p> <p>Financial Advisor on sale to</p> <p><b>virtusa</b></p> <p>September 2023</p>
<p><b>WestBridge</b></p> <p>Financial Advisor on investment in</p> <p><b>tryzens</b></p> <p>August 2023</p>	<p><b>AVIONOS</b></p> <p>Financial Advisor on sale to</p> <p><b>Hero</b> DIGITAL</p> <p>a portfolio company of</p> <p><b>AEA</b></p> <p>August 2023</p>	<p><b>Lovelytics</b></p> <p>Financial Advisor on strategic investment from</p> <p><b>INTERLOCK</b> <b>databricks</b></p> <p>June 2023</p>	<p><b>AVANCE</b></p> <p>Financial Advisor on strategic investment in</p> <p><b>clevertch</b></p> <p>June 2023</p>	<p><b>Baird Capital</b></p> <p>Financial Advisor on investment in</p> <p><b>JMAN GROUP</b></p> <p>June 2023</p>	<p><b>CORRA</b></p> <p>Financial Advisor on sale to</p> <p><b>publicis sapient</b></p> <p>June 2023</p>	<p><b>pto</b> Infinite Innovation</p> <p>Financial Advisor on significant investment from</p> <p><b>424 CAPITAL</b></p> <p>May 2023</p>	<p><b>SHIFT7</b> DIGITAL</p> <p>a portfolio company of RLH Equity Partners Financial Advisor on sale to</p> <p><b>MERKLE</b> a subsidiary of <b>dentsu group</b> (TSE: 4324)</p> <p>March 2023</p>	<p><b>authentic.</b></p> <p>Financial Advisor on sale to</p> <p><b>CONCORD</b></p> <p>A portfolio company of</p> <p><b>HIG CAPITAL</b></p> <p>February 2023</p>
<p><b>excellerate</b> a portfolio company of</p> <p><b>Frontenac</b></p> <p>Financial Advisor on sale to</p> <p><b>encora</b> a portfolio company of</p> <p><b>WARBURG PINCUS</b></p> <p>January 2023</p>	<p>\$1,225,000,000</p> <p><b>WILLOWTREE</b></p> <p>a portfolio company of</p> <p><b>INSIGNIA CAPITAL GROUP</b></p> <p>Financial Advisor on sale to</p> <p><b>TELUS</b> (NYSE and TSX: T) (T)</p> <p>January 2023</p>	<p><b>FENOM DIGITAL</b></p> <p>Financial Advisor on sale to</p> <p><b>WPP</b></p> <p>January 2023</p>	<p><b>FUELED</b></p> <p>Financial Advisor on investment from</p> <p><b>INSIGNIA CAPITAL GROUP</b></p> <p>November 2022</p>	<p><b>Emtec</b> Business &amp; Technology Empowered</p> <p>A portfolio company of</p> <p><b>KELSO</b> PRIVATE EQUITY</p> <p>Financial Advisor on acquisition of</p> <p><b>DEFINITION 6</b></p> <p>November 2022</p>	<p><b>aspirent</b></p> <p>a portfolio company of</p> <p><b>SUMMIT PARK</b></p> <p>Financial Advisor on sale to</p> <p><b>NTT DATA</b></p> <p>November 2022</p>	<p><b>INCLINE</b> EQUITY PARTNERS</p> <p>Financial Advisor on investment in</p> <p><b>ICREON</b></p> <p>November 2022</p>	<p><b>INTER SOL</b></p> <p>Financial Advisor on sale to</p> <p><b>CINT</b> NYSE: CINT</p> <p>November 2022</p>	<p><b>NetworkCoverage</b> Technology Solutions Provider</p> <p>Financial Advisor on majority investment from</p> <p><b>TENEX</b> CAPITAL MANAGEMENT</p> <p>October 2022</p>

# Leading Technology M&A Advisor

## Global Mid-Market TMT Advisory<sup>1</sup>

Rank	Firm Name	LTM 3/31/24
1	 <b>Investment Banking</b> <small>Canaccord Genuity</small>	60
2	Houlihan Lokey	25
3	Raymond James	23
4	Lincoln International	22
5	William Blair	21
6	Lazard	14
6	Moelis	14
8	Evercore	12
8	Stifel	12
10	Rothschild	11

## Global Mid-Market Media & Information Services Advisory<sup>1</sup>

Rank	Firm Name	LTM 3/31/24
1	 <b>Investment Banking</b> <small>Canaccord Genuity</small>	43
2	Houlihan Lokey	17
3	Moelis	13
4	Bright Tower	9
5	Globalscope	8
5	Lincoln International	8
7	Clipperton	7
7	Evercore	7
9	JEGI	6
9	William Blair	6

## Select Representative Technology M&A Transactions Completed in the Last Twelve Months

<p>\$324,000,000</p>  <b>ADTHEORENT</b> <small>(NASDAQ: ADTH)</small> <p>Financial Advisor on sale to</p>  <b>CADENT</b> a portfolio company of  <b>NOVACAP</b> <small>Pending</small>	 <b>Quorum Cyber</b>	<p>C\$150,000,000</p>  <b>truecontext</b> <small>FORMERLY PRONTOFORMS</small> <p>Financial Advisor on sale to</p>  <b>Battery</b> <p>May 2024</p>	 <b>infocenter</b>	 <b>softcrylic</b>	<p><b>adlucent</b></p> <p>A division of</p>  <b>ADVANTAGE SOLUTIONS</b> <small>(NASDAQ: ADV)</small> <p>Financial Advisor on sale to</p>  <b>BARKLEYOKRP</b> <p>May 2024</p>	 <b>AICO</b> a Juuri Partners-backed company	<p>\$3,800,000,000</p>  <b>FUTURE ELECTRONICS</b>
 <b>mci group</b>	 <b>Executive PLATFORMS</b> a portfolio company of	 <b>trueblue</b> <small>THE PEOPLE COMPANY™ (NYSE: TBI)</small>	 <b>healthwise</b>	 <b>rizepoint</b>	<p>LEDGER BENNETT</p>	 <b>sophos solutions</b> a portfolio company of	 <b>Bits In Glass</b>
<p>Financial Advisor on investment from</p>  <b>L-GAM</b> <p>April 2024</p>	<p>Financial Advisor on sale to</p>  <b>Board.org</b> a subsidiary of  <b>FiscalNote</b> <small>(NYSE: WPP)</small> <p>March 2024</p>	<p>Financial Advisor on sale of its PeopleReady Canadian staffing business to</p>  <b>VERTICAL</b> <small>STAFFING RESOURCES</small> <p>February 2024</p>	<p>Financial Advisor on sale of its operating assets to</p>  <b>WebMD</b> a subsidiary of  <b>Internet Brands</b> <p>February 2024</p>	<p>Financial Advisor on sale to</p>  <b>franconnect</b> a portfolio company of  <b>Serent</b> <small>CAPITAL</small> <p>February 2024</p>	<p>Financial Advisor on sale to</p>  <b>HAVAS</b> <p>February 2024</p>	<p>Financial Advisor on sale to</p>  <b>GFT</b> <p>February 2024</p>	<p>Financial Advisor on significant investment from</p>  <b>CSP</b> <small>CAPITAL SQUARE PARTNERS</small> <p>February 2024</p>

1) PitchBook: Transaction totals represent M&A/Control Transactions, All Buyout Types, and Growth/Expansion transactions <\$500M in the

# Leading Global Underwriter Since 2022

Canaccord Genuity finished May as the leading global underwriter and a top global bookrunner since 2022

- Leveraging our global capabilities, Canaccord Genuity ranks as the leading global underwriter and one of the top global bookrunners since 2022
- Underwriter on 788 total financings; Bookrunner on 618
- Transactions across US, Canada, Australia, & UK platforms

## Select Canaccord Genuity Financings



C\$74,250,000  
Follow-on Offering  
Joint Bookrunner  
May 2024




A\$514,310,000  
Follow-on Offering  
Joint Bookrunner  
May 2024



C\$23,000,000  
Follow-on Offering  
Joint Bookrunner  
May 2024



\$144,210,000  
Follow-on Offering  
Passive Bookrunner  
May 2024



C\$136,500,000  
Follow-on Offering  
Sole Bookrunner  
April 2024



\$55,000,029  
Reg. Direct/  
Priv. Placement  
Joint Bookrunner  
April 2024



A\$592,800,000  
Follow-on Offering  
Joint Bookrunner  
April 2024



C\$115,000,000  
Follow-on Offering  
Lead Manager  
April 2024



\$575,000,049  
Follow-on Offering  
Co-Manager  
April 2024



up to \$149,367,000  
Private Placement  
Placement Agent  
March 2024



C\$28,780,000  
Follow-on Offering  
Joint Bookrunner  
March 2024



A\$38,690,000  
Follow-on Offering  
Joint Bookrunner  
March 2024

## Global League Table (US-Focused Banks)

Global Rank	Bank	Total Deals	Bookrun Deals	Total Proceeds (\$M)
1	Canaccord Genuity	788	618	32,759.7
2	JPMorgan	721	705	383,839.0
3	Goldman Sachs	694	673	404,091.9
4	BofA Securities	647	616	381,731.0
5	Morgan Stanley	640	614	343,937.1
6	Citi	519	504	322,232.6
7	UBS	437	422	190,218.1
8	Jefferies	377	373	120,678.5
9	Barclays	338	321	189,646.5
11	Stifel	332	214	79,594.4
12	RBC Capital Markets	322	252	128,517.4
14	HC Wainwright	307	232	13,200.9
15	BMO Capital Markets	286	182	83,478.9
16	Raymond James	283	130	47,929.5
21	Maxim Group	203	180	5,200.6
24	Wells Fargo	189	167	117,650.8
30	Deutsche Bank	170	156	128,635.8
33	Piper Sandler	158	130	39,136.6
35	AGP/Alliance Global Partners	154	145	3,223.3
37	Leerink Partners	153	148	34,588.8
42	Cantor Fitzgerald	138	108	22,650.9
45	Truist Financial	131	111	60,084.4
46	Roth Capital Partners	130	86	12,164.9
48	Evercore	121	120	49,372.4
53	EF Hutton	106	102	3,600.2
53	Guggenheim Partners	106	99	32,573.5



**Investment  
Banking**

Canaccord Genuity

# Digital Transformation Services Market Overview

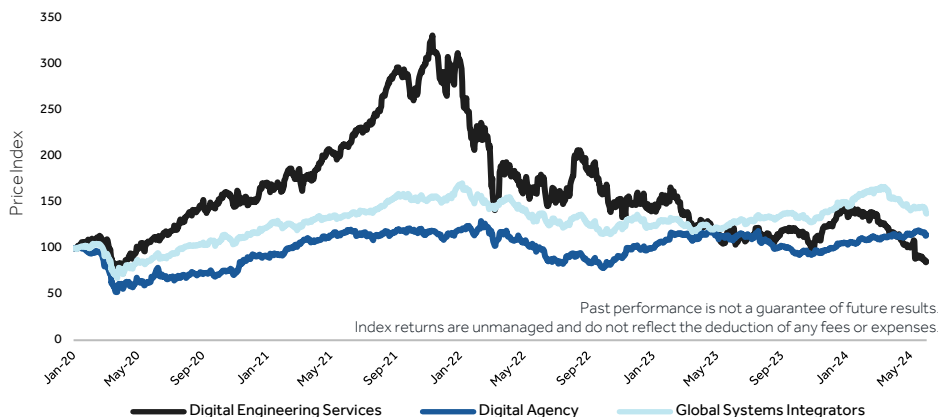




# Enterprise Spend on Digital Transformation Services is Rebounding Following Muted Growth in 2023

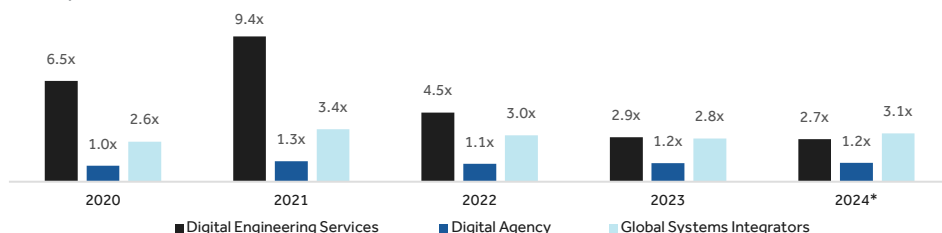
- Digital transformation remains a priority for enterprises across verticals globally, especially following developments in artificial intelligence (AI); ongoing demand for services continues to drive investments and M&A
- Following limited year-over-year growth in enterprise IT spending in 2023, digital transformation spend is expected to increase in 2024 due to increased focus on technology-enabled revenue and cost optimization, as well as a slightly improved macro-economic outlook compared to 2023
- Overall, stocks in the global systems integrator (GSI) and digital agency sectors have performed in line with the NASDAQ; the high growth/beta digital engineering index, however, has corrected following limited growth in 2023 after peaking in 2021

## Digital Transformation Services Stock Performance<sup>1</sup>



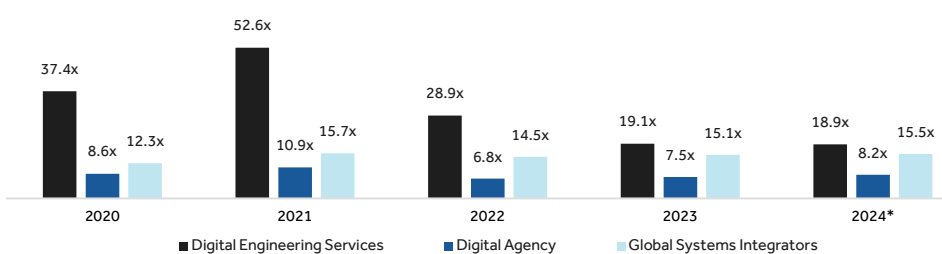
## Digital Transformation Services Trading Multiples<sup>1</sup>

### Enterprise Value/Revenue



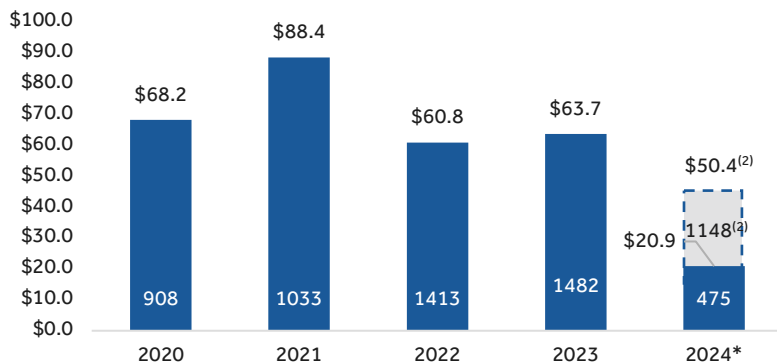
## Digital Transformation Services Trading Multiples<sup>1</sup>

### Enterprise Value/EBITDA<sup>(3)</sup>



## Digital Transformation Services M&A Activity<sup>2</sup>

(by Transaction Value, \$USD in Billions)



The information contained on this page is sourced from CG LLC's proprietary database. A more detailed methodology may be found in the appendix.

9 (1) The stock prices shown are as of 5/31/2024 and should not be relied upon as current thereafter

(2) Represents 2024 activity on a run-rate basis

(3) EBITDA = Earnings before interest, taxes, depreciation, and amortization \* YTD as of 5/31/2024

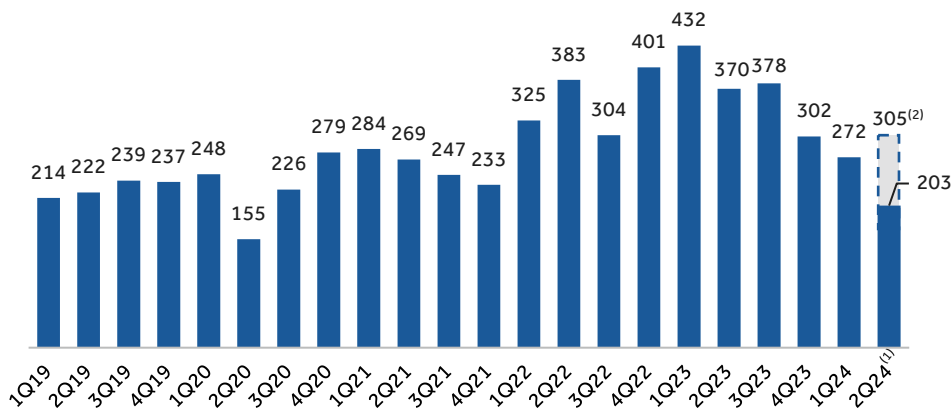
Driven by your success.

# Annual Digital Transformation M&A Volume Peaked in 2022

Though deal volumes/multiples dipped through market uncertainty late in 2023, 2H24 is poised for improvement

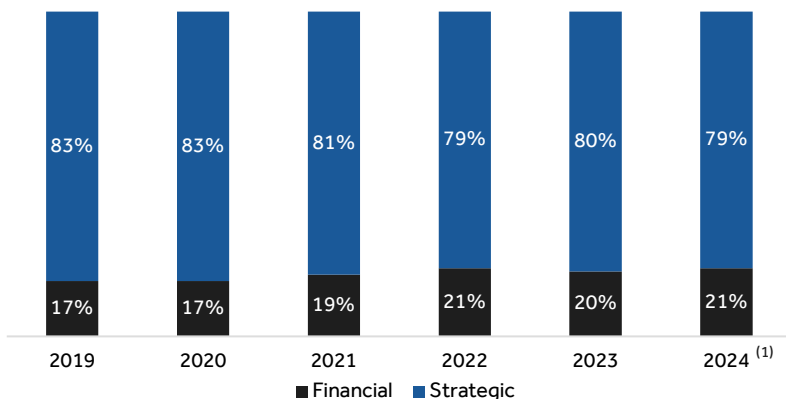
## Digital Transformation Services M&A Activity

(# of Transactions)



## Buyer Type

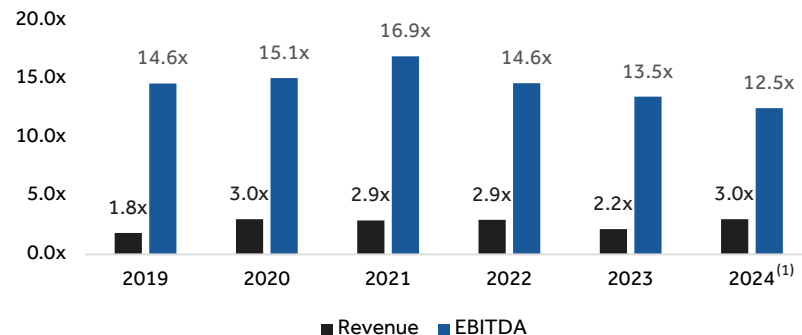
(by year)



- Enterprises continue to focus on investing in their mission-critical digital initiatives, prioritizing data and analytics, cloud and engineering, mobility, customer experience, ecommerce, marketing enablement, and, most recently, AI
- The digital transformation services market was valued at \$1,070 billion in 2024, with projections of double-digit growth<sup>(3)</sup>
- M&A deal activity across the broader digital transformation sector remains strong relative to any pre-pandemic levels
- Strategic acquirers remain active - larger GSIs like Accenture continue to invest in expanding tech-focused service offerings while smaller, more specialized buyers also seek acquisitions
  - Cumulative deal value of strategic acquisitions has increased by 31% between 2022 and 2023

## Digital Transformation Services M&A Multiples<sup>(4)</sup>

(average by year)



The information contained on this page is sourced from CG LLC's proprietary database. A more detailed methodology may be found in the appendix.

(1) YTD as of 5/31/2024

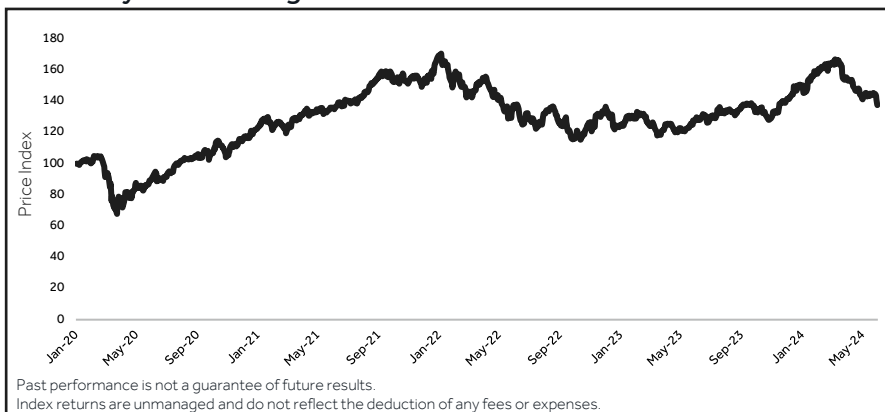
(2) Represents 2Q24 activity on a run-rate basis

(3) Source: "Digital Transformation Market Worth \$4,617.78 Billion By 2030," Grand View Research

(4) Valuation Multiples exclude Revenue Multiples >75x, EBITDA Multiples >150x, and EBITDA Multiples < 0x

# Global Systems Integrators Outlook

## Global Systems Integrators Stock Performance<sup>1</sup>



- As the largest service providers of IT and digital transformation services, GSIs continue to benefit from ongoing demand from enterprises looking to manage integration of new technologies, including assessing impact of AI on digital strategy
- By leveraging their diversified and market-tested business models, which maintain cash flow and support healthy balance sheets, GSIs continue to pursue attractive assets for M&A
- As client demand shifts towards newer tech-related services and solutions, GSIs are expanding offerings in data and analytics, cybersecurity, and AI-led engineering
  - Accenture has completed +50 acquisitions in the last twelve months, many supporting expansion of next-generation digital transformation offerings

### Median Summary Statistics<sup>(1)</sup>

**\$34.5B**

Market  
Capitalization

**17.8%**

EBITDA Margin  
(LTM)

**2.4%**

YoY Revenue  
Growth (LTM)

### Peer Group Performance<sup>(1)</sup>

LTM

Peer Group	7%
S&P 500	26%
Nasdaq	29%

## Global Systems Integrators Public Peer List<sup>1</sup>

(\$USD in Millions)	Basic Statistics			Revenue	EBITDA	EV/Revenue		EV/EBITDA		Revenue Growth			
	05/31/2024 Share Price	Equity Value	Enterprise Value	LTM	LTM	LTM	CY23	LTM	CY23	CY'21-'22	LTM	Difference in Rev. Growth	
<b>accenture</b>	\$282.29	\$177,484	\$176,350	\$64,574	\$11,277	2.7x	2.7x	15.6x	15.0x	16.1%	2.3%	(13.8%)	
<b>Capgemini</b>	\$201.28	\$34,477	\$37,817	\$24,894	\$3,301	1.5x	1.5x	11.5x	10.6x	21.1%	2.4%	(18.7%)	
<b>CGI</b>	\$98.65	\$22,507	\$23,796	\$10,689	\$1,903	2.2x	2.2x	12.5x	10.9x	8.4%	5.9%	(2.5%)	
<b>Cognizant</b>	\$66.15	\$32,890	\$31,924	\$19,301	\$3,422	1.7x	1.6x	9.3x	9.6x	5.0%	(0.6%)	(5.6%)	
<b>HCLTech</b>	\$15.87	\$42,964	\$40,400	\$13,270	\$2,761	3.0x	3.1x	14.6x	14.3x	10.4%	5.4%	(4.9%)	
<b>Infosys</b>	\$16.86	\$69,808	\$67,538	\$18,562	\$4,206	3.6x	3.7x	16.1x	15.4x	14.7%	1.9%	(12.7%)	
<b>IBM</b>	\$166.85	\$153,269	\$197,097	\$61,336	\$14,380	3.2x	3.2x	13.7x	13.1x	5.5%	2.4%	(3.1%)	
<b>NTT DATA</b>	\$15.32	\$21,478	\$40,677	\$28,874	\$4,305	1.4x	1.4x	9.4x	9.8x	24.0%	25.1%	1.2%	
<b>tcs</b>	\$43.99	\$159,145	\$154,922	\$28,912	\$7,511	5.4x	5.4x	20.6x	20.7x	17.3%	6.8%	(10.5%)	
<b>Tech Mahindra</b>	\$14.72	\$12,999	\$12,459	\$6,241	\$596	2.0x	2.0x	20.9x	18.3x	22.3%	(2.4%)	(24.7%)	
<b>wipro</b>	\$5.25	\$27,393	\$24,496	\$10,773	\$1,945	2.3x	2.2x	12.6x	12.0x	18.4%	(0.8%)	(19.2%)	
				<b>Mean</b>	\$26,130	\$5,055	2.6x	2.6x	14.3x	13.6x	<b>14.8%</b>	<b>4.4%</b>	<b>(10.4%)</b>
				<b>Median</b>	-	-	2.3x	2.2x	13.7x	13.1x	<b>16.1%</b>	<b>2.4%</b>	<b>(10.5%)</b>

The information contained on this page is sourced from CG LLC's proprietary database. A more detailed methodology may be found in the appendix.

Public data sourced from S&P Capital IQ as of 5/31/2024; Projections based off consensus analyst estimates

11 Valuation Multiples exclude Revenue Multiples > 75x, EBITDA Multiples > 150x, and EBITDA Multiples < 0x

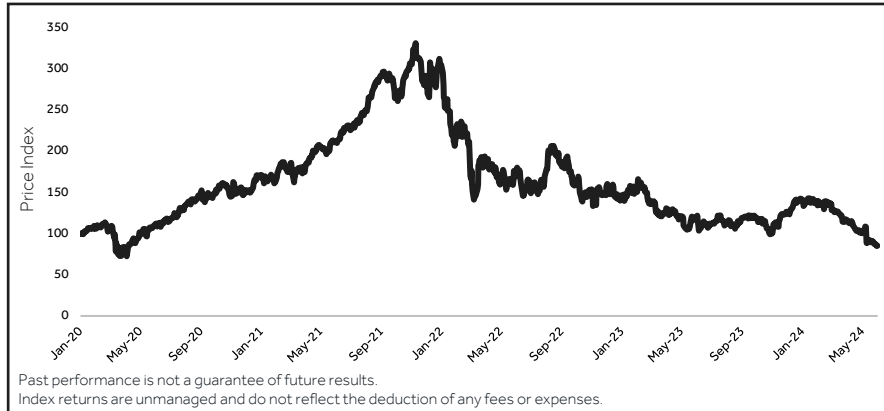
(1) Peer Group Share Performance is market cap-weighted and through 5/31/2024

Nasdaq = stock market index that includes almost all stocks listed on the Nasdaq stock exchange. S&P 500 = stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

**Driven by your success.**

# Digital Engineering Services Outlook

## Digital Engineering Services Stock Performance<sup>1</sup>



- Outsourced digital engineering and software development services focused on mission-critical and revenue-generating projects are often viewed as high-priority strategic initiatives, while internal-use and cost-focused platform development may be regarded as discretionary spend by enterprises
- The digital engineering and product development markets have remained attractive despite the current macro environment, although high growth/valuation makes these stocks more susceptible to changes in interest rates
- While peer group performance has declined in the past 12 months, ongoing demand for digital and AI initiatives has supported incremental revenue growth year-over-year; an anticipated rebound creates potential for further growth

Median Summary Statistics <sup>(1)</sup>			Peer Group Performance <sup>(1)</sup>	
<b>\$1.2B</b> Market Capitalization	<b>11.1%</b> EBITDA Margin (LTM)	<b>(4.5%)</b> YoY Revenue Growth (LTM)	LTM	
			Peer Group	(28%)
			S&P 500	26%
			Nasdaq	29%

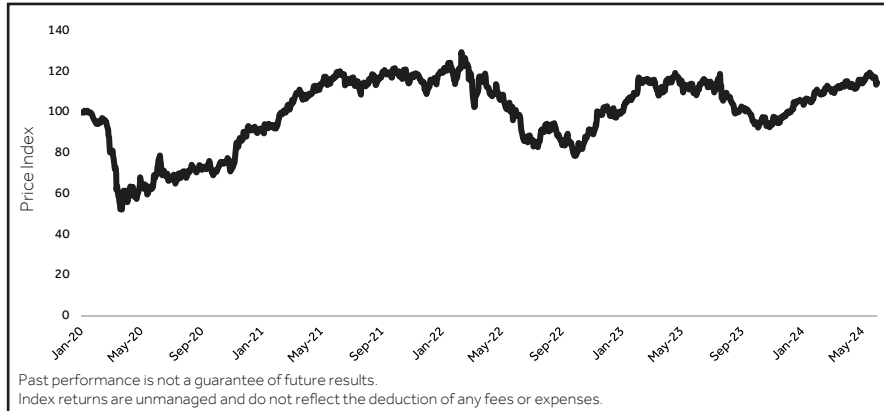
## Digital Engineering Services Public Peer List<sup>1</sup>

(\$USD in Millions)	Basic Statistics			Revenue	EBITDA	EV/Revenue		EV/EBITDA		Revenue Growth			
	05/31/2024 Share Price	Equity Value	Enterprise Value	LTM	LTM	LTM	CY23	LTM	CY23	CY21-'22	LTM	Difference in Rev. Growth	
	\$4.52	\$601	\$695	\$428	\$63	1.6x	1.5x	11.0x	8.1x	51.5%	(6.9%)	(58.4%)	
	\$26.94	\$1,569	\$1,402	\$930	\$93	1.5x	1.4x	15.0x	7.2x	36.3%	(6.3%)	(42.6%)	
	\$177.93	\$10,315	\$8,443	\$4,645	\$662	1.8x	1.8x	12.7x	10.4x	28.4%	(4.5%)	(32.9%)	
	\$161.12	\$6,951	\$7,005	\$2,195	\$328	3.2x	3.3x	21.4x	16.5x	37.3%	18.5%	(18.7%)	
	\$9.50	\$727	\$487	\$313	\$9	1.6x	1.6x	51.8x	11.1x	47.0%	(2.0%)	(49.0%)	
	\$86.87	\$1,157	\$1,367	\$994	\$111	1.4x	1.4x	12.4x	9.8x	56.8%	1.8%	(55.0%)	
	\$2.76	\$891	\$1,152	\$1,068	\$13	1.1x	1.0x	85.9x	9.0x	21.1%	(16.7%)	(37.8%)	
				<b>Mean</b>	\$1,510	\$183	1.7x	1.7x	30.0x	10.3x	<b>39.8%</b>	<b>(2.3%)</b>	<b>(42.0%)</b>
				<b>Median</b>	-	-	1.6x	1.5x	15.0x	9.8x	<b>37.3%</b>	<b>(4.5%)</b>	<b>(42.6%)</b>

The information contained on this page is sourced from CG LLC's proprietary database. A more detailed methodology may be found in the appendix.

# Digital Agency Outlook

## Digital Agency Stock Performance<sup>1</sup>



- Digital marketing agencies, compared to GSIs and digital specialists, have maintained relatively stable public trading multiples, with flat year-over-year performance LTM as of April
- Digital agencies have opportunities to expand their technical initiatives, through both M&A and organically, by focusing on the intersection of customer experience, commerce, and marketing
- Increased consumer expectations for personalized, high-quality experiences create a potential growth opportunity, as companies look for ways to differentiate themselves
  - 64% of CX leaders expect to have larger budgets in 2024<sup>(2)</sup>

Median Summary Statistics <sup>(1)</sup>			Peer Group Performance <sup>(1)</sup>	
<b>\$9.1B</b> Market Capitalization	<b>12.7%</b> EBITDA Margin (LTM)	<b>2.4%</b> YoY Revenue Growth (LTM)	LTM	
			Peer Group	5%
			S&P 500	26%
			Nasdaq	29%

## Digital Agency Public Peer List<sup>1</sup>

(\$USD in Millions)	Basic Statistics			Revenue	EBITDA	EV/Revenue		EV/EBITDA		Revenue Growth			
	05/31/2024 Share Price	Equity Value	Enterprise Value	LTM	LTM	LTM	CY23	LTM	CY23	CY'21-'22	LTM	Difference in Rev. Growth	
<b>Cheil</b>	\$13.51	\$1,369	\$934	\$3,136	\$286	0.3x	0.3x	3.3x	3.2x	27.9%	(0.8%)	(28.7%)	
<b>dentsu</b>	\$26.45	\$6,962	\$9,185	\$8,804	\$1,336	1.0x	1.0x	6.9x	7.2x	14.6%	5.5%	(9.1%)	
<b>HAKUHODO</b>	\$8.26	\$3,033	\$3,185	\$6,984	\$423	0.5x	0.5x	7.5x	6.4x	(3.2%)	2.0%	5.2%	
<b>IPG</b>	\$51.37	\$11,840	\$14,623	\$9,407	\$1,737	1.6x	1.6x	8.4x	8.3x	3.7%	0.1%	(3.7%)	
<b>OmnicomGroup</b>	\$92.96	\$18,205	\$23,115	\$14,879	\$2,459	1.6x	1.6x	9.4x	9.7x	(0.0%)	3.9%	3.9%	
<b>PUBLICIS GROUPE</b>	\$111.48	\$27,888	\$29,415	\$16,361	\$2,768	1.8x	2.0x	10.6x	9.1x	20.9%	4.3%	(16.7%)	
<b>S4 CAPITAL</b>	\$0.67	\$398	\$684	\$1,288	\$131	0.5x	0.6x	5.2x	6.0x	55.8%	(5.4%)	(61.2%)	
<b>WPP</b>	\$10.39	\$11,149	\$17,658	\$18,909	\$1,004	0.9x	1.2x	17.6x	6.3x	12.7%	2.9%	(9.8%)	
				<b>Mean</b>	\$9,971	\$1,268	1.0x	1.1x	8.6x	7.0x	<b>16.6%</b>	<b>1.5%</b>	<b>(15.0%)</b>
				<b>Median</b>	-	-	1.0x	1.1x	8.0x	6.8x	<b>13.6%</b>	<b>2.4%</b>	<b>(9.4%)</b>

The information contained on this page is sourced from CG LLC's proprietary database. A more detailed methodology may be found in the appendix.

Public data sourced from S&P Capital IQ as of 5/31/2024; Projections based off consensus analyst estimates

13 Valuation Multiples exclude Revenue Multiples > 75x, EBITDA Multiples > 150x, and EBITDA Multiples < 0x

(1) Peer Group Share Performance is market cap-weighted and through 5/31/2024

(2) Forrester Research, "Planning Guide 2024: Customer Experience"

Nasdaq = stock market index that includes almost all stocks listed on the Nasdaq stock exchange. S&P 500 = stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

**Driven by your success.**

# Sector Spotlight: Digital Product Engineering

19%<sup>(1)</sup>

Expected **increase** in efficiency over the next five years due to investments in digital product development

70%<sup>(2)</sup>

of senior executives rank customer experience as a top priority

3x<sup>(3)</sup>

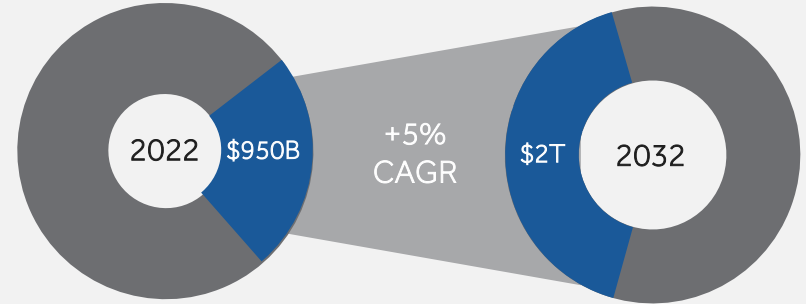
Projected revenue growth in two years for customer experience-focused companies

17%<sup>(1)</sup>

Expected **decrease** in time to market over the next five years due to investments in digital product development



Digital Product Engineering Projected Market Size<sup>(4)</sup>



## Notable Digital Product Engineering Transactions

Date	Target	Acquirer
May-24		
Apr-24	<b>KIN+CARTA</b>	<b>valtech.</b>
Feb-24		
Feb-24		
Jan-24		<b>Deloitte.</b>

## Digital Product Engineering Market Dynamics

- 1 Prioritizing Customer Experience:** Enterprises seek ways to provide seamless, customized products and services to customers in order to distinguish themselves from competitors. Customer expectations have increased demand for agile product development with focus on decreased time to market
- 2 Demand for Cloud-Native Development:** Cloud technology has become increasingly relevant as a way of improving enterprise efficiency and adaptability. Cloud-native capabilities allow for faster deployment, integration, and improvements of products
- 3 Increased Focus on Cybersecurity:** Innovations in enterprise technology simultaneously create a need for heightened data security and governance. As enterprises seek to offer new products and services, they are also looking for solutions to prevent risk
- 4 Emphasis on AI and Machine Learning Integrations:** Enterprises are eager to incorporate new mainstream technologies as a way of increasing productivity and enhancing customer engagement

(1) PwC: Digital Product Development 2025

(2) McKinsey, "The bottom-line benefit of the product operating model"











(3) IBM, "Optimize your DXP capabilities"

(4) Global Market Insights, Product Engineering Services Market Report

# Favorable Market Dynamics Have Driven Strong Transaction Activity with Premium Valuations LTM

## Select Representative M&A Transactions

(\$ in Millions)















Date	Target	Buyer	Ent. Value
Pending	Adtheorent	Cadent	 <b>\$324.0</b>
Jun-24	Quorum Cyber	Charlesbank	 <b>Confidential</b>
May-24	Constellation	3i Group	\$125.5
May-24	Perficient	BPEA EQT	\$3,000.0
May-24	Adlucent	BarkleyOKRP	 <b>Confidential</b>
May-24	InfoCenter	Insight Enterprises	 <b>Confidential</b>
May-24	Softcrylic	Hexaware	 <b>Confidential</b>
Apr-24	Kin and Carta	Valtech	\$229.1
Apr-24	SMX Group	Apollo S3	\$1,150.0
Apr-24	Focus Group	Hg	\$594.8
Feb-24	Bits in Glass	Capital Square Partners	 <b>Confidential</b>
Feb-24	GalaxE.Solutions	Endava	\$405.0
Feb-24	CDI	AHEAD	\$705.0
Feb-24	Sophos	GFT	 <b>Confidential</b>
Jan-24	Kerv	Bridgepoint Advisers	\$317.9
Jan-24	Silversun	Jacobs Private Equity, Sequoia Heritage	\$1,000.0
Jan-24	Market Performance Group	Sentinal Capital Partners	 <b>Confidential</b>
Jan-24	Regency Technologies	Iron Mountain	\$200.0
Dec-23	Computer Task Group	Cegeka	\$170.0
Dec-23	Ansira	Truelink Capital	 <b>Confidential</b>
Dec-23	Redkite	Accenture	 <b>Confidential</b>
Dec-23	SADA Systems	Insight Enterprises	\$800.0
Nov-23	SPM Group	Unlock	 <b>Confidential</b>
Nov-23	Guidehouse	Bain Capital	\$5,300.0
Nov-23	Civica	Blackstone	\$2,500.0
Nov-23	Regency Technologies	Iron Mountain	\$200.0
Nov-23	Symbio	Superloop, Aussie Broadband	\$331.0

\*Transactions dated 3/1/23-Present

15 \*\*Dollar amounts in millions unless otherwise specified

# Favorable Market Dynamics Have Driven Strong Transaction Activity with Premium Valuations LTM (cont.)

(\$ in Millions)

Date	Target	Buyer	Ent. Value
Oct-23	Barkley	Keystone Capital	 Confidential
Oct-23	Flywheel Digital	Omnicom Group	\$835.0
Oct-23	Roboyo	Stanley Capital Partners	 Confidential
Oct-23	Versent	Telstra	\$182.7
Oct-23	Silverline CRM	Mphasis	\$132.5
Sep-23	Tomorrow	BV Investment Partners	 Confidential
Sep-23	PFSweb	GXO Logistics	\$181.0
Sep-23	Denodo Technologies	TPG	\$336.0
Sep-23	Brainlabs	Falfurrias Capital Partners	 Confidential
Sep-23	Phaedon (Commercial Marketing Group of ICF)	Cohere Capital	 Confidential
Sep-23	Net@Work	Lovell Minnick	\$130.0
Aug-23	Tryzens	WestBridge	 Confidential
Aug-23	Sealing Technologies	Parsons	\$200.0
Aug-23	Computer Task Group	Cegeka	\$168.0
Aug-23	Avionos	Hero Digital	 Confidential
Jul-23	Scalian	Wendel Group	\$1,070.0
Jul-23	Factor Creative	Virtusa	 Confidential
Jul-23	Quest Global Services	The Carlyle Group	\$640.0
Jun-23	JMAN Group	Baird Capital	 Confidential
Jun-23	Nomios	Keensight Capital	\$773.0
Jun-23	Lovelytics	Interlock Equity, Databricks Ventures	 Confidential
Jun-23	Cleverttech	Avance Investment Management	 Confidential
Jun-23	Corra	Publicis Sapient	 Confidential
May-23	MSP Corp	Alfar Capital, Walter Capital Partners	\$100.0
May-23	PTP	424 Capital	 Confidential
Apr-23	Data4	Brookfield Infrastructure	\$3,800.0
Mar-23	Ordina	Sopra Steria	\$552.0
Mar-23	Shift7	Merkle (Dentsu)	 Confidential

\*Transactions dated 3/1/23-Present

\*\*Dollar amounts in millions unless otherwise specified



# Appendix

---

- All transaction information has been publicly reported and is sourced from national news publications, industry trade journals and blogs, and public announcements by companies and investors.
- All trading data related to publicly-traded companies has been sourced from Capital IQ.

# Disclaimer

---

This material is provided for information purposes only and is intended for distribution in those jurisdictions where subsidiaries of Canaccord Genuity Group Inc. (together, "Canaccord Genuity") are registered as advisors or dealers in securities. Any distribution or dissemination of this material in any other jurisdiction is strictly prohibited. The information does not constitute an offer or solicitation in any jurisdiction in which such an offer or solicitation is not authorized, or to any person to whom it is unlawful to make such an offer or solicitation. This is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to clients and does not have regard to the investment objectives, financial situation or particular needs to any person. Clients should obtain advice based on their own individual circumstances before making an investment decision. Any client wishing to effect any transactions should do so through a Canaccord Genuity qualified salesperson in their jurisdiction of residence.

The information contained herein has been compiled by Canaccord Genuity from sources believed to be reliable, but no representation or warranty, express or implied, is made by Canaccord Genuity or any other person to its fairness, accuracy, completeness or correctness. To the fullest extent permitted by law, neither Canaccord Genuity nor any other person accepts any liability whatsoever for any direct or consequential loss arising from any use of the information contained herein.

All material presented in this document, unless specifically indicated otherwise, is under trademark and copyright to Canaccord Genuity. None of the material, or its content, or any copy of it, may be altered in any way, or transmitted to or distributed to any other party, without the prior express written permission of Canaccord Genuity.

Copyright © Canaccord Genuity Corp. 2024. – Member CIRO/Canadian Investor Protection Fund

Copyright © Canaccord Genuity Limited 2024. – Member of the London Stock Exchange, authorized and regulated by the Financial Conduct Authority. Copyright © Canaccord Genuity LLC 2024. – Member FINRA/SIPC

Copyright © Canaccord Genuity (Australia) Limited 2024. – Authorized and regulated by ASIC.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document may contain certain "forward-looking information" (as defined under applicable securities laws). These statements relate to future events or future performance and include management's expectations, beliefs, plans, estimates, intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, business and economic conditions and Canaccord Genuity Group LLC's (the "Company") growth, results of operations, market position, ability to compete and future financial or operating performance of the Company, performance and business prospects and opportunities. Such forward-looking information reflects management's current beliefs and is based on information currently available to management. In some cases, forward-looking information can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. By its very nature, forward-looking information involves inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking information. In evaluating these statements, readers should specifically consider various factors, which may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry, the risks and uncertainties discussed from time to time in the Company's interim and annual consolidated financial statements and its Annual Information Form filed on [www.sedar.com](http://www.sedar.com). Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Except as may be required by applicable law, the Company does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking result of new information, future developments or otherwise.