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FROM FICTION TO FACT: HOW SYNTHETIC MEDIA IS CHANGING INDUSTRIES

$4.9bn	2024 synthetic media market size
13.4%	CAGR (2024 – 2030)
$10.4bn	2030 synthetic media market size

Overview:

- Synthetic media refers to digital content that is generated or manipulated using artificial intelligence (AI) and machine learning algorithms. It encompasses a wide range of media types, including images, videos, audio, and text, created or altered in ways that mimic or augment reality.

- This technology enables unprecedented levels of realism and creativity, allowing users to generate lifelike human faces, alter voices, edit videos seamlessly, and even create entirely synthetic personas. The implications of synthetic media are vast and multifaceted. It offers tremendous potential for innovation in entertainment, advertising, and digital content creation.

- However, concerns exist about its potential for misuse, like spreading misinformation or creating fake news. As synthetic media becomes more common, critical thinking skills will be essential to navigate the increasingly blurred line between reality and artifice.

A New Frontier in Digital Expression

- Synthetic media is created by AI algorithms. Machine learning models recognize and analyze patterns of input data and learn to perform tasks based on these data, without human intervention. From social media to gig economy, after consumer adoption is normalized, often enterprise adoption follows. Same applies to Synthetic media. While consumer applications of synthetic media are more mature in depth and breadth, organizations are catching on to the power of this technology.

- Gen AI is the technology behind the production of synthetic media, which is why the two terms are often used interchangeably. Today, many AI applications are enabled by deep learning and generative adversarial networks (GANs) that teach computers to think like humans and make intelligent decisions. GANs let computers generate realistic content. It's fueled by two neural networks: one that creates false images based on actual photographs and another that serves as a judge to determine whether an image is genuine. GAN outputs often appear natural and indistinguishable from the original images. Therefore, they enable the creation of synthetic media that are difficult to distinguish from real media, particularly in computer vision and image processing applications.

- In entertainment and advertising, it allows for cost-effective creation of compelling visual and audio content, reducing dependency on traditional production methods. Filmmakers can now seamlessly integrate CGI characters into live-action scenes, while marketers can personalize advertisements to target specific demographics with tailored messages. In journalism, synthetic media presents both opportunities and challenges. On one hand, it facilitates the creation of interactive and immersive news experiences. On the other hand, the potential for misinformation and fake news poses significant ethical concerns.
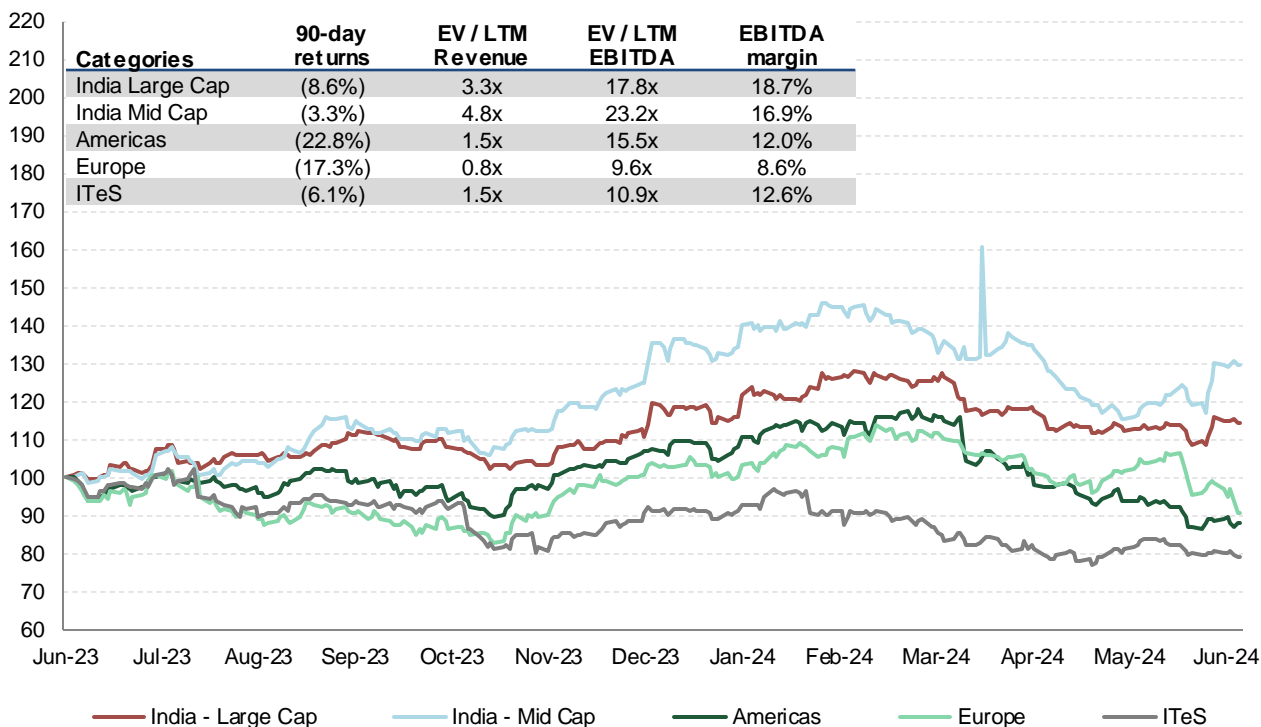
Industry examples:

- Synthetic media has many players across different spaces such as video creation, text-to-speech, general purpose AI tools and combating deepfakes.

- In the video creation space, Synthesia, Tavus, Hour One, D-ID, and Colossyan are at the forefront of AI-powered video solutions. These companies allow creation of videos with digital avatars or AI actors, perfect for scalable marketing materials or training videos. Resemble.ai offers generating realistic speech with their deep learning models. They can even create custom voices, like the recreation of Andy Warhol's voice for Netflix.

- Latent Space Labs and RunwayML offer AI-powered creative tools that streamline animation production and video editing, incorporating synthetic media elements. Deeptrace, a cybersecurity company, utilizes deep learning to detect synthetic media being used for malicious purposes. This is crucial in the fight against misinformation.

Market performance

Indexed to 100

Categories	90-day returns	EV / LTM Revenue	EV / LTM EBITDA	EBITDA margin
India Large Cap	(8.6%)	3.3x	17.8x	18.7%
India Mid Cap	(3.3%)	4.8x	23.2x	16.9%
Americas	(22.8%)	1.5x	15.5x	12.0%
Europe	(17.3%)	0.8x	9.6x	8.6%
ITeS	(6.1%)	1.5x	10.9x	12.6%

Legend: India - Large Cap | India - Mid Cap | Americas | Europe | ITeS

HIGHLIGHTS:

- Over the past two weeks, the valuation of Indian large cap players rose by 5.1% and that of mid cap players rose by 8.5%.

- A trend has been noticed amongst IT firms wherein they are increasingly acquiring niche players in engineering research & development (ER&D) space, as it is a high-growth sector offering opportunities to generate new revenue streams. Core IT services business has been slow over the past year; therefore, these niche acquisitions have the potential to create new buying centres, new revenue streams and new areas of growth.

- As per NBP Paribas, IT firms witnessed a recovery of deal wins in May 2024, driven by BFSI vertical. Infosys is likely to see revenue contributions from some of the mega deals it signed last year, and it also reported highest monthly deal wins, followed by ACN and Capgemini.

- **HCL Tech** rose by 8.0% in the past two weeks as the firm secured a $275 million deal with apoBank, the largest cooperative primary bank in Germany for 7.5 years. It will provide an outcome-oriented managed services model that will deliver resilient, scalable and compliant digital foundation services that will allow apoBank to deliver fast and secured banking services.

- **Wipro** increased by 9.0% as the company secured a $500 million deal by a US communication service provider for over a period of five years. It will provide managed services for some products and industry specific solutions.

- **Persistent** jumped by 10.5% in the past two weeks. It entered into a long-term agreement with Google Cloud to expand reach across US, India, UK and Australia along with building industry-specific solutions to drive Gen AI's adoption using Gemini and other Google technologies. The company also introduced Gen AI Hub, a platform designed to accelerate the creation and deployment of Gen AI applications within enterprises.

- **Atos** fell by 48.2% in the past month as it decided to go with David Layani and his IT company One point's restructuring offer of $1.6 billion of new money debt, which would include $322 million bank guarantees. The company noted that the plan would ensure the firm had enough financial liquidity to stay afloat, along with a more robust capital structure. However, shareholders were not satisfied with this decision.

KEY DEALS

- **Saksoft acquires Augmento Labs:** Saksoft acquired 100% stake in Augmento Labs, a digital engineering firm for $12 million. Augment Labs will strengthen Saksoft's position in digital engineering space, and its expertise and domain knowledge will complement Saksoft's broad scale and digital prowess. The transaction will be completed in four weeks and post that Augmento Labs will become a wholly-owned subsidiary of Saksoft.
- **ZS acquires Digital Additive:** ZS acquired Digital Additive, a Salesforce digital marketing agency. Digital Additive will become a part of ZS' digital customer experience practice. ZS has strengthened its end-to-end customer engagement capabilities, including digital data and analytics, customer orchestration and marketing activation with this acquisition.
- **Cognizant acquires Belcan:** Cognizant acquired Belcan, a global engineering firm for $1.3 billion in cash and stock. The total consideration includes $1.2 billion in cash, which will be funded through a mix of cash and debt and 1.47 million Cognizant shares valued at $97 million. This acquisition will expand Cognizant's ER&D capabilities, building upon the IoT and digital engineering.

LATEST DEALS

Date	Buyer	Target	Transaction details	Target expertise
Jun-24	SAKSOFT	Augmento Labs	- Deal size – $12m - EV / Sales – 2.2x	India-based digital engineering firm.
Jun-24	ZS	digital additive	- Deal size – NA - EV / Sales – NA	Atlanta, GA-based salesforce marketing and cloud services provider.
Jun-24	cognizant	Belcan	- Deal size – $1.3bn - EV / Sales – NA	Cincinnati, CA-based engineering consultancy.
Jun-24	SAP	walkme	- Deal size – $1.3bn - EV / Sales – 4.1x	Israel-based cloud digital adaption platform.
Jun-24	E78 PARTNERS	The Avail Group	- Deal size – NA - EV / Sales – NA	Middletown, NJ-based IT advisory firm.
Jun-24	Oakley Capital Investments	i-TRACING	- Deal size – $50m - EV / Sales – NA	France-based cybersecurity services provider.
Jun-24	devoteam	Ubertas Consulting	- Deal size – NA - EV / Sales – NA	UK-based IT consulting and services firm.
Jun-24	IFS	copperleaf	- Deal size – $702m - EV / Sales – 10.0x	Canada-based decision analytics software provider.

Source: Press release, news reports, and Capital IQ

Date	Buyer	Target	Transaction details	Target expertise
Jun-24	shopify	Threads Inc	• Deal size – NA • EV / Sales – NA	San Francisco, CA-based workplace collaboration software.
Jun-24	BainCapital	PowerSchool	• Deal size – NA • EV / Sales – NA	Folsom, CA-based provider of cloud software for education industry.
Jun-24	SirionLabs	Eigen Technologies	• Deal size – NA • EV / Sales – NA	New York, NY-based developer of AI-powered data extraction models.
Jun-24	Goldman Sachs Asset Management	CarltonOne ENGAGEMENT	• Deal size – NA • EV / Sales – NA	Canada-based developer of cloud solutions for reward programs.
Jun-24	UST	Endeavor	• Deal size – NA • EV / Sales – NA	Wayne, PA-based supply chain consultancy.
Jun-24	Advent International GLOBAL PRIVATE EQUITY / LGP LEONARD GREEN & PARTNERS	PROMETHEUS GROUP	• Deal size – NA • EV / Sales – NA	Raleigh, NC-based work management life cycle provider.
Jun-24	BLOOM EQUITY PARTNERS	GRC International Group	• Deal size – $13m • EV / Sales – 0.7x	UK-based IT solutions provider.
Jun-24	NVIDIA	MISTRAL AI_	• Deal size – $677m • EV / Sales – NA	France-based developer of gen AI models for customer service.
Jun-24	ADVERTISE PURPLE	Mosaic	• Deal size – NA • EV / Sales – NA	Santa Monica, CA-based provider of SaaS solutions for affiliate marketing.
Jun-24	databricks	Tabular	• Deal size – NA • EV / Sales – NA	San Jose, CA-based developer of cloud native data platform.
Jun-24	aplos	keela	• Deal size – NA • EV / Sales – NA	Canada-based CRM software solutions provider.
Jun-24	Google	CAMEYO	• Deal size – NA • EV / Sales – NA	Cary, NC-based developer of application virtualization software.

India

Company	Market data Price $	52 week High	52 week Low	Market cap $m	EV $m	LTM Revenue $m	EBITDA $m	Net income $m	EBITDA margin	Growth CAGR 3 years	EV / Sales	EV / EBITDA	P/E
India - Large Cap													
Tata Consultancy Services Limited	44.0	50.9	38.7	159,145	154,922	28,912	7,511	5,510	26.0%	8.8%	5.4x	20.6x	28.9x
Infosys Limited	16.9	20.8	15.4	69,808	67,538	18,562	4,206	3,167	22.7%	11.0%	3.6x	16.1x	22.0x
HCL Technologies Limited	15.9	20.3	13.4	42,964	40,400	13,270	2,761	1,896	20.8%	9.3%	3.0x	14.6x	22.7x
Cognizant Technology Solutions Corporation	66.2	79.8	61.3	32,890	31,924	19,301	3,422	2,092	17.7%	4.7%	1.7x	9.3x	15.7x
Wipro Limited	5.2	6.5	4.5	27,393	24,496	10,773	1,945	1,326	18.1%	8.4%	2.3x	12.6x	20.7x
LTIMindtree Limited	56.3	76.3	55.0	16,682	15,785	4,263	767	550	18.0%	10.2%	3.7x	20.6x	30.3x
Tech Mahindra Limited	14.7	16.9	12.9	12,999	12,459	6,241	596	283	9.5%	6.4%	2.0x	20.9x	45.9x
Mphasis Limited	27.4	33.7	22.1	5,177	5,034	1,594	291	187	18.2%	6.2%	3.2x	17.3x	27.7x
Average									18.9%	8.2%	3.1x	16.5x	26.7x
India - Mid Cap													
L&T Technology Services Limited	53.8	69.9	46.2	5,691	5,451	1,158	230	156	19.9%	15.5%	4.7x	23.7x	36.4x
Persistent Systems Limited	40.9	97.1	28.3	6,003	5,902	1,179	201	131	17.1%	27.2%	5.0x	29.3x	45.7x
Coforge Limited	59.6	81.3	51.5	3,972	4,031	1,102	171	97	15.6%	20.0%	3.7x	23.5x	41.0x
Perficient, Inc.	74.2	96.3	42.7	2,607	2,911	890	142	84	16.0%	11.9%	3.3x	20.5x	31.2x
Cyient Limited	20.8	28.7	15.7	2,304	2,307	858	156	82	18.2%	14.9%	2.7x	14.8x	28.1x
Sonata Software Limited	6.2	10.4	5.8	1,713	1,673	1,034	87	37	8.4%	21.4%	1.6x	19.2x	46.3x
Birlasoft Limited	7.2	10.3	4.0	1,999	1,835	633	100	75	15.8%	9.2%	2.9x	18.3x	26.7x
Happiest Minds Technologies Limited	9.5	12.3	8.9	1,455	1,356	195	40	30	20.7%	22.6%	7.0x	33.6x	48.8x
Latent View Analytics Limited	5.7	6.7	4.1	1,176	1,087	77	16	19	21.2%	22.8%	14.1x	66.6x	NM
Zensar Technologies Limited	7.3	7.7	4.5	1,655	1,512	588	105	80	17.8%	4.4%	2.6x	14.5x	20.7x
Mastek Limited	28.5	37.6	23.2	881	888	367	61	36	16.7%	15.9%	2.4x	14.5x	24.4x
R Systems International Limited	5.3	6.9	3.5	626	641	204	30	16	14.9%	0.0%	3.1x	21.1x	39.6x
Accelya Solutions India Limited	19.3	24.8	15.6	288	276	61	21	11	35.4%	18.4%	4.5x	12.9x	25.3x
InfoBeans Technologies Limited	4.8	6.2	4.4	117	105	44	6	3	14.0%	21.5%	2.4x	17.0x	43.2x
Sasken Technologies Limited	17.6	21.7	10.3	264	258	49	4	9	7.6%	(7.1%)	5.3x	NM	28.0x
Average									17.3%	16.2%	4.4x	23.5x	34.7x

Americas / Europe

Company	Market data Price $	52 week High	52 week Low	Market cap $m	EV $m	LTM Revenue $m	EBITDA $m	Net income $m	EBITDA margin	Growth CAGR 3 years	EV / Sales	EV / EBITDA	P/E
Americas													
Accenture plc	282.3	386.9	282.3	177,484	176,350	64,574	11,277	7,031	17.5%	12.2%	2.7x	15.6x	25.2x
CGI Inc.	98.6	118.5	93.5	22,507	23,796	10,689	1,903	1,216	17.8%	3.6%	2.2x	12.5x	18.5x
EPAM Systems, Inc.	177.9	314.6	176.1	10,315	8,443	4,645	662	431	14.3%	18.5%	1.8x	12.7x	23.9x
Globant S.A.	161.1	249.7	160.4	6,951	7,005	2,195	328	167	14.9%	35.0%	3.2x	21.4x	41.6x
DXC Technology Company	15.6	28.5	15.1	2,782	6,681	13,667	1,396	91	10.2%	(8.3%)	0.5x	4.8x	30.6x
Thoughtworks Holding, Inc.	2.8	8.2	2.3	891	1,152	1,068	13	(91)	1.3%	8.9%	1.1x	NM	NM
Grid Dynamics Holdings, Inc.	9.5	14.2	8.8	727	487	313	9	2	3.0%	38.4%	1.6x	51.8x	NM
The Hackett Group, Inc.	22.3	25.1	19.4	616	635	297	60	35	20.1%	8.4%	2.1x	10.6x	17.7x
Unisys Corporation	4.3	8.1	2.6	297	456	1,987	(293)	(405)	NM	(0.6%)	0.2x	NM	NM
Sonda S.A.	0.5	0.5	0.4	403	753	1,406	109	30.5	7.8%	9.6%	0.5x	6.9x	13.2x
Positivo Tecnologia S.A.	1.7	2.2	1.2	242	400	841	111	60	13.2%	24.1%	0.5x	3.6x	4.0x
Average									12.0%	7.7%	1.5x	15.6x	21.9x
Europe													
Capgemini SE	201.3	247.9	168.4	34,477	37,817	24,894	3,301	1,838	13.3%	8.7%	1.5x	11.5x	18.8x
Alten S.A.	127.6	164.8	114.9	4,435	4,388	4,497	410	258	9.1%	16.4%	1.0x	10.7x	17.2x
Endava plc	26.9	80.0	26.9	1,569	1,402	930	93	53	10.0%	18.7%	1.5x	15.0x	29.6x
Sopra Steria Group SA	235.8	258.7	168.6	4,755	6,382	6,417	616	203	9.6%	7.2%	1.0x	10.4x	23.4x
TietoEVRY Oyj	20.1	29.4	18.6	2,385	3,357	3,066	352	175	11.5%	(1.8%)	1.1x	9.5x	13.6x
Indra Sistemas, S.A.	22.9	23.0	12.2	3,987	4,104	4,962	437	241	8.8%	10.8%	0.8x	9.4x	16.6x
Cancom SE	33.4	35.5	22.9	1,170	1,102	1,779	83	40	4.7%	9.0%	0.6x	13.2x	29.4x
Atos SE	1.8	16.3	1.8	201	3,656	11,819	674	(3,803)	5.7%	(4.7%)	0.3x	5.4x	NM
Aubay Société Anonyme	48.6	53.2	32.1	635	557	591	53	37	9.0%	4.2%	0.9x	10.4x	17.2x
Capita plc	0.2	0.4	0.2	307	1,031	3,585	207	(227)	5.8%	(6.2%)	0.3x	5.0x	NM
Know it AB (publ)	17.5	17.9	10.8	478	563	646	43	19	6.7%	17.7%	0.9x	13.0x	25.4x
Average									8.6%	4.6%	0.9x	10.3x	21.2x

ITeS

Company	Market data Price $	52 week High	52 week Low	Market cap $m	EV $m	LTM Revenue $m	EBITDA $m	Net income $m	EBITDA margin	Growth CAGR 3 years	EV / Sales	EV / EBITDA	P/E
ITeS													
Genpact Limited	33.1	39.4	30.6	5,950	7,004	4,519	736	642	16.3%	6.6%	1.5x	9.5x	9.3x
ExlService Holdings, Inc.	29.9	33.0	25.2	4,850	5,024	1,667	280	182	16.8%	19.6%	3.0x	17.9x	26.7x
WNS (Holdings) Limited	50.2	78.1	40.2	2,294	2,420	1,323	236	140	17.8%	13.2%	1.8x	10.2x	16.4x
Firstsource Solutions Limited	2.2	2.6	1.5	1,512	1,670	760	115	62	15.1%	3.1%	2.2x	14.5x	24.5x
TTEC Holdings, Inc.	6.3	35.8	6.1	299	1,304	2,406	212	(13)	8.8%	5.4%	0.5x	6.1x	NM
Conduent Incorporated	3.5	4.0	2.5	716	1,772	3,721	215	(191)	5.8%	(3.5%)	0.5x	8.2x	NM
Hinduja Global Solutions Limited	9.9	13.9	8.7	461	368	611	99	16	16.3%	19.7%	0.6x	3.7x	28.9x
Average									13.8%	4.7%	1.5x	10.0x	21.1x

Source: Capital IQ

Contact us

ABOUT US

Founded in 1987, The Chesapeake Group is an independent financial advisory company with over 35 years of history in helping clients – from venture stage to large corporations – achieve their corporate development goals. We are focused on the Technology and Software services sector with significant experience in cross – border transactions. Since our inception, we have advised numerous companies on mergers and acquisitions, capital raising, recapitalization, and strategic alliances. Headquartered in New York, with an additional office in Bangalore. Team of 10 professionals with an average experience of more than 25 years.

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