



# CHESAPEAKE TECHNOLOGY NEWSLETTER

15 May 2022



THE CHESAPEAKE GROUP

*INVESTMENT BANKING & STRATEGIC ADVISORY*

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Note: Market data as of May 15, 2022



# Section 1:

Fortnightly update

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# This fortnight in technology...

## VALUATION TUMBLES IN THE TECHNOLOGY SECTOR

### Overview:

- Over the past few weeks, US technology stocks have fallen significantly on rising inflation coupled with monetary tightening policies from the US Fed. A day after the Federal Reserve raised its benchmark interest rate by 0.5%, a sell-off in technology stocks pushed the NASDAQ to its worst one-day plunge since June 2020. Knock on effects were felt in the Indian IT services segment as well, with brokers downgrading the Indian IT sector within their respective investment thesis.

### Monetary policy tightening triggers sell-off:

- On 4 May 2022, The Federal Reserve increased its benchmark interest rate by 0.5%, the largest rate move since 2000. It is the most aggressive step yet in the watchdog's fight against a 40-year high inflation. What followed was a massive sell-off in the tech sector on concerns that the economy is in for some dark times ahead. The tech heavy index Nasdaq fell 9.1% in the first quarter of the year. Halfway through the second quarter, the index is now down 17.0% for the year.
- The rotation out of tech began in late 2021 as increasing inflation and the threat of rising rates led investors to areas of economy deemed safer like energy and financial services. A further blow came from the Russia-Ukraine conflict in Feb-22 which sent energy prices higher and heightened concerns about supply chain constraints and weakening business conditions in many parts of the world.

### The impact on Indian IT sector :

- Outflows from foreign portfolio investors (FPIs) have continued to weigh on the Indian markets. Since the beginning of the year, FPIs have sold Indian equities worth \$21.6bn. Investors have started questioning the high-level revenue growth story due to an anticipated slowdown in the US economy amidst a spike in interest rates. In addition, inflation may take longer to taper so the high EBITDA margins may also be tough to sustain. Global brokerage houses are targeting 10-20% downsides in valuation for leading IT companies like TCS, Wipro and HCL Tech.
- Along with the macroeconomic headwinds, the brokers feel that the growth assumptions are too rich and steep. They believe that the market valuations are still building in growth of 6-13% for large cap and 14-33% for mid-cap IT names. Reports add that such steep valuation expectations may be hard to sustain if the global IT spending and digital spending were to taper off in the next few quarters. They expect things to worsen in 2023.
- For YTD-22, Nifty IT is down c.26% while Nifty is down by c.8%. IT has been the worst performing sector amongst key sectors highlighting that current valuations may be too rich and unsustainable.
- Indian tier-2 IT companies are more likely to suffer because of vendor consolidation under the pressured profit picture for customers, a less diversified revenue mix, and a larger exposure to non-global 1000 clientele whose profits are more vulnerable in the current macro environment.

### Fall in big tech players

Name	% fall from (52-week)	% fall (30 days)
Meta	(48%)	(6%)
Salesforce	(41%)	(4%)
Amazon	(39%)	(25%)
Microsoft	(24%)	(7%)
Alphabet	(23%)	(8%)

### Fall in Indian IT players

Name	% fall from (52-week)	% fall (30 days)
Wipro	(35%)	(17%)
Tech Mahindra	(33%)	(16%)
HCL Tech	(23%)	(8%)
Infosys	(22%)	(15%)
TCS	(15%)	(8%)

## Section 2:

Recent news and press releases

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# Recent news excerpts – Company specific

## HCL Tech to double headcount in 3-5 years in nearshore locations – Economic Times

**May 15, 2022** — IT services company HCL Tech plans to double its headcount in nearshore locations over the next 3-5 years, CEO C Vijayakumar said and asserted that the Russia-Ukraine war has not impacted demand from Europe. HCL Tech employs about 10,000 people in all its nearshore locations, globally. The company operates from 20 nearshore locations including Mexico, Toronto, Vancouver, Costa Rica and Romania. HCL Tech's top honcho said the company will continue to expand in these locations. The company does not have any presence in Russia or Ukraine. Its Eastern European centers are in Poland, Romania and Bulgaria and "all of them are continuing to operate at similar capacity levels".

## Cloud to be the biggest spend area for clients: HCL Tech CEO – Economic Times

**May 13, 2022** — HCL Technologies, India's third-largest technology services company, generated 50% of its incremental revenue from digital applications business and sees cloud as the biggest spend area where the company will continue to increase its investments, said its chief executive officer, C Vijayakumar. "We see cloud to be the biggest spend area for all our clients and all our businesses, whether it is digital foundation, digital business, digital engineering, and products and platform, they are going to benefit from the scale up of the cloud opportunities. So I think that is the most important business focus to really tap all the opportunities around the cloud. Last year 50% of the incremental revenue that we got has come from a digital applications business focused on building composable applications, digital platforms, analytics, data, among others."

## Wipro announces 5-year deal with Swedish automaker Scania – Economic Times

**May 12, 2022** — Wipro announced a five-year deal to transform Sweden-based truck manufacturer Scania's digital workplace services and support in its journey towards sustainable transport solutions. Wipro will deliver support with automation and real-time analytics to create a future-ready workplace for all Scania employees, according to an exchange filing. This journey will be powered using Wipro's Live Workspace solution for managed services. The auto maker currently has 54,000 employees in more than 100 countries. "As the partnership is based on a common foundation in how both companies emphasize sustainability and ethics, it is with great pleasure that we contribute to placing Scania as the leading accelerator of sustainable development of transport *solutions*", said Vinay Firake, senior vice president & managing director (Nordics) at Wipro. In relation to the partnership, Wipro will leverage its ecosystem of local and global partners to digitize Scania's services.

## IBM signs strategic collaboration agreement with AWS to deliver IBM SaaS on AWS – Press release

**May 10, 2022** — IBM announced that it has signed a strategic collaboration agreement (SCA) with Amazon Web Services (AWS), with plans to offer a broad array of its software catalog as SaaS on AWS. Building on IBM Software being available as-a-Service (aaS) on IBM Cloud, this first-of-its-kind agreement between IBM and AWS will provide clients with quick and easy access to IBM Software that spans automation, data and AI, security and sustainability capabilities, is built on Red Hat OpenShift Service on AWS (ROSA), and runs cloud-native on AWS. The two companies are also committing to a broad range of joint investments to make it easier for clients to consume IBM Software on AWS, including integrated go-to-market activities across sales and marketing, channel incentives, developer enablement and training, and solution development for key verticals and industries such as Oil and Gas, Travel and Transportation, and others.

## Wipro renews IT transformation deal with France based Credit Agricole – Economic Times

**May 10, 2022** — Wipro has extended its strategic agreement with Crédit Agricole CIB--the corporate and investment bank division of the French financial services group-- to fuel Crédit Agricole CIB's next stage of growth, the company said. Wipro will enable Crédit Agricole CIB to adopt cloud technologies and agile practices allowing it to achieve faster speed-to-market on new products and services, improving client satisfaction and unlocking new revenue streams, according to an exchange filing. The engagement builds on Crédit Agricole CIB and Wipro's decade-long relationship and will provide the bank with a larger team of Wipro experts who will operate a robust and secure infrastructure. "Wipro shares our vision of the role technology transformation will play in the corporate and investment banking sector, where efficiency, sustainability and innovation will be drivers of success." said Pierre Dulon, Deputy CEO and Head of IT and Operations Services, Crédit Agricole CIB.

# Recent news excerpts – Company specific (cont'd)

## Red Hat and Accenture expand alliance to accelerate hybrid cloud innovation – Press release

**May 09, 2022** — Red Hat, the world's leading provider of open source solutions, and Accenture have expanded their nearly 12-year strategic partnership to further power open hybrid cloud innovation for enterprises worldwide. The companies are jointly investing in the co-development of new solutions to help organizations more seamlessly navigate a multi- and hybrid cloud world, define their strategy, and accelerate their pace of innovation to get to value faster. With the combination of Accenture Cloud First and Red Hat OpenShift, organizations are better equipped to embrace the cloud continuum – a range of capabilities, from public to private to edge computing, all connected by modern networks and built with a zero-trust security mindset – to accelerate enterprise reinvention. A hybrid solution brings the public cloud benefits of innovation, speed, consumption and scale with private cloud advantages of regulatory compliance, performance and data gravity.

## Cognizant's net income rises amid strong digital business growth – Economic Times

**May 05, 2022** — Cognizant Technology Solutions reported an 11.4% jump in net income even as total revenues grew 10.9% in constant currency to \$4.8 billion on the back of strong demand for digital services in the quarter ended March, according to a company statement. The quarterly net income, representing the bottomline performance, stood at \$563 million for the quarter against \$505 million a year ago. Attrition continued to be a pain point for the company but it did see some respite this quarter. The voluntary annualized attrition rate decreased to 26% this quarter from 31% in the December quarter. The software services major, which finds a substantial amount of its workforce in India, said it hired 9,800 employees in the first quarter taking its global headcount to 340,400 for the quarter ended March.

## Wipro and HFCL announce 5G product development partnership – Press release

**May 05, 2022** — Wipro, a leading global information technology, consulting and business process services company, and HFCL, a leading telecom equipment manufacturer and technology provider, announced that they have entered into a partnership to engineer a variety of 5G transport products that include cell site router, DU (distributed unit) aggregation router, and CU (centralized unit) aggregation router. Organizations around the world are embracing 5G technology for its potential to accelerate innovation, enable new business models and drive revenue. With expertise in product engineering, transport network technologies and 5G, Wipro will co-develop equipment with HFCL. The offering aims to empower enterprises to realize their 5G-enabled vision and increase the speed with which they can bring high-quality 5G solutions to market.

## Persistent aims to cross \$1billion in revenue – Economic Times

**May 04, 2022** — Pune-based Persistent Systems continued to report strong business momentum for the March quarter with a sequentially stable operating margin, which showed year-on-year improvement despite higher cost pressure. If the momentum sustains, the mid-tier IT exporter is expected to cross \$1 billion in revenue on a trailing 12-month (TTM) basis within the next four-six quarters. It reported \$765.6 million in revenue in FY22 implying a strong growth of 35.2% over the previous year. The company expects to sustain margins amid early signs of steady attrition. Besides, investors may expect a higher dividend payout for FY23 as the company has no immediate capital expenditure plan after adding fresh capacity in FY22. Acquisitions and strong organic momentum have aided Persistent's performance. It acquired five companies in FY22 to augment the skill set in cloud management and migration, online payments, and Google and Azure platforms

## Innovation in the 5G space will lead to newer business opportunities: L&T Technology's Amit Chadha – Economic Times

**May 01, 2022** — L&T Technology Services (LTTS) has identified 5G as one of its six big bets under chief executive Amit Chadha. The company has a dedicated 5G Lab in Bengaluru and Mysuru, as well as in Dallas (United States) for use cases in medical equipment and manufacturing solutions. The company is witnessing “a good set of opportunities” in the 5G field, Chadha told ET. The presence of more players in the 5G spectrum market creates a kind of level-playing field. From a research and development standpoint, this gives an opportunity for newer innovations and experimentation. Global technology companies operating out of India with a presence in the 5G space, in terms of infrastructure or services, will probably benefit from this move.

# Recent news excerpts – Industry

**Economic Times**  
**May 11, 2022**

## **Indian IT services created over 500,000 new jobs in FY22**

The IT services sector in India created more than 500,000 new jobs in FY22, doubling the earlier projected net growth of its active workforce for the fiscal, according to data put together by specialist staffing company Xpheno and shared exclusively with ET. This is over and above the hiring due to record high attrition refills when companies faced an all-time high level average annual attrition of 22-25%. The job creation was led by Indian IT services marqueees such as TCS, Infosys, Wipro, HCL, Tech Mahindra, L&T Infotech, Mindtree, among others. That apart, the sector also gained from net additions by MNCs like Accenture, Capgemini, Cognizant, IBM, Oracle, etc. Just 30 marquee companies contributed to 90% of the net headcount growth.

**Economic Times**  
**May 11, 2022**

## **One in two with digital skills change jobs as demand soars**

Even as the \$200 billion Indian IT industry is battling with unprecedented attrition levels, attrition in digital skills such as cloud computing, Artificial Intelligence, big data is almost touching the 50% attrition mark or one in two people, data collated and analyzed by ET shows. Other skills which are top in demand include analytics and IoT along with Crypto, Cybersecurity and Blockchain. The attrition rate in these job profiles is close to double of the average attrition rate of 15 to 25% reported by companies in the recently concluded March quarter-ending 2022. Experts said that hikes even in the range of 40-120% is not enough to retain employees with these skills.

**Economic Times**  
**May 09, 2022**

## **Tech companies have a few queries on CERT-In's cybersecurity rules**

Industry and cybersecurity experts have expressed concerns regarding the new cybersecurity guidelines issued by CERT-In on April 28 about the practical aspect of implementing them, and the fine print on certain measures even as they are being widely seen as a step in the right direction. As per the new rules, which will come into effect within 60 days of being notified, all enterprises will have to report any cybersecurity incident to CERT-In within six hours and store all data for a stipulated period of time. Security experts point out that at present, it often takes days, or even months, before some enterprises realize that they have been compromised. In a letter sent to the cybersecurity agency, the Information Technology Industry (ITI) Council has requested the government to open this up to a wider stakeholder consultation and delay implementing these directives till such time.

**Economic Times**  
**May 08, 2022**

## **Digital to open up opportunities for enhanced customer experience offerings through BPM: Nasscom**

Solutions across Artificial Intelligence, Web 3.0, Metaverse and digital analytics will drive new opportunities for the \$44 billion Indian Business Process Management (BPM) industry, sector leaders said at a Nasscom roundtable recently. The BPM industry expects to tap into a large chunk of the \$90 billion global customer experience (CX) opportunity, the experts pointed out, adding that this CX demand is driving BPM providers to work on more holistic design-oriented deals, intersecting with IT players and startups in their offerings. According to data from US-based business services firm Concentrix, only 28% of the CX market is outsourced today. While overall CX opportunities are valued at \$410 billion, almost \$90 billion of this comes from the core BPM sector. Digital CX use cases, where the BPM sector can participate, range from improving customer retention, loyalty and experience to increasing organizational efficiency and expenses.

**Economic Times**  
**May 08, 2022**

## **Indian IT firms strive to crack the exit code**

Rising attrition is having a domino effect on the IT industry. It has already led to lower operating margins and stock prices, and piled pressure on the top IT service providers to hire more freshers and expand into tier II cities and beyond. In fact, the mention of 'attrition' and 'talent' has doubled over the past year in the earnings transcripts of top IT firms, according to an informal analysis by ET. The attrition metric itself has become one of the biggest worrying factors for the \$200 billion software services industry. TCS, Infosys, HCL Technologies and Wipro reported record-high attrition levels in the fourth quarter of the previous financial year (FY22), compared to high single-digit and mid-teen levels in the same period of FY21. While TCS reported an attrition rate of 17.4%, it was 27.7% for Infosys, 21.9% for HCL Tech and 23.8% for Wipro in the three-month period ended March 31.



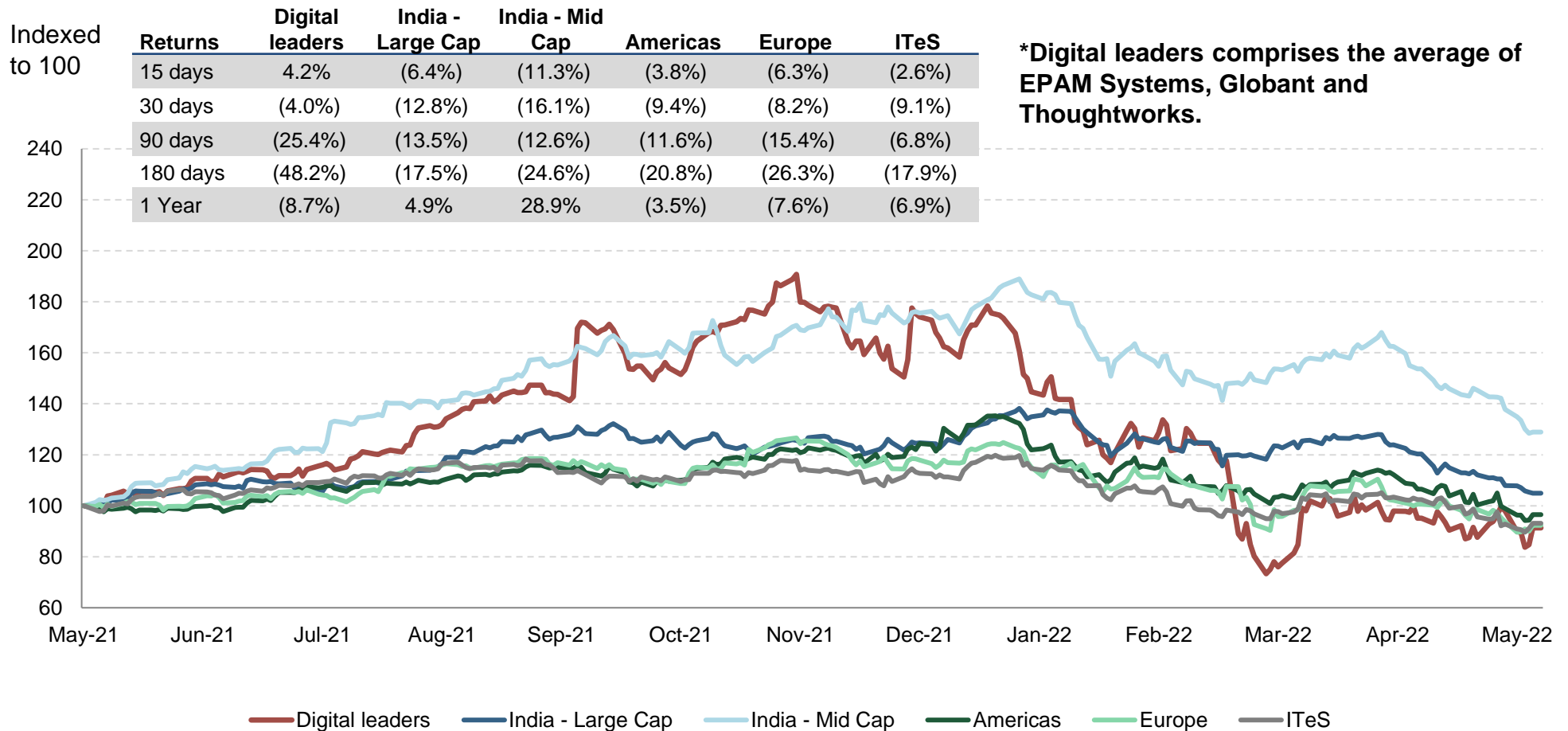
# Section 3:

## Valuation overview

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# Share price evolution – IT / ITeS companies

Over the past 15 days, the valuation of large cap IT services companies decreased by c.7% and that of mid cap IT services companies decreased by c.11%. A 0.5% increase in the interest rate by the Federal Reserve has led to a global meltdown in technology sector stocks owing to concerns of a slowdown in the US economy.

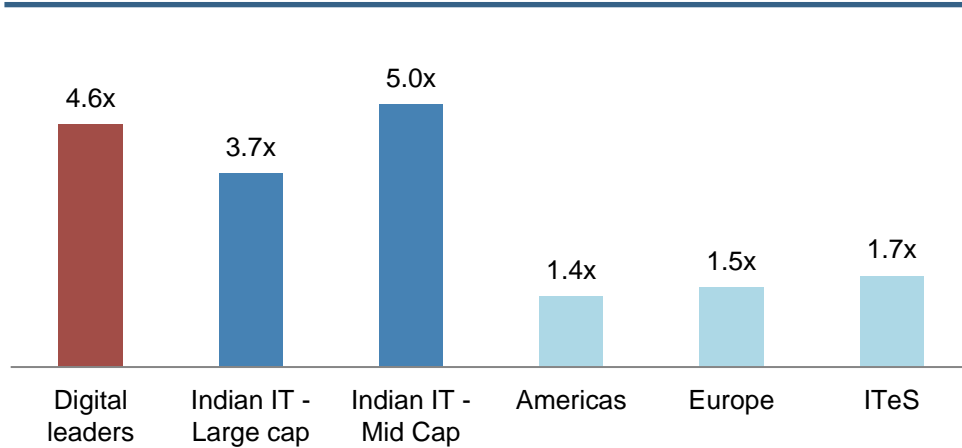


Source: Capital IQ

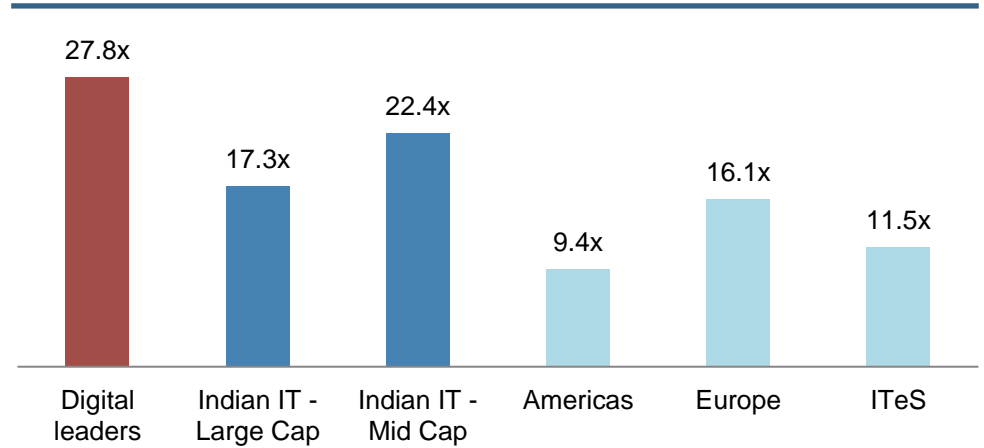
Note: For every parameter, we have used market capitalization of the companies in each segment (composition of each segment can be seen in the appendix)

# Valuation summary

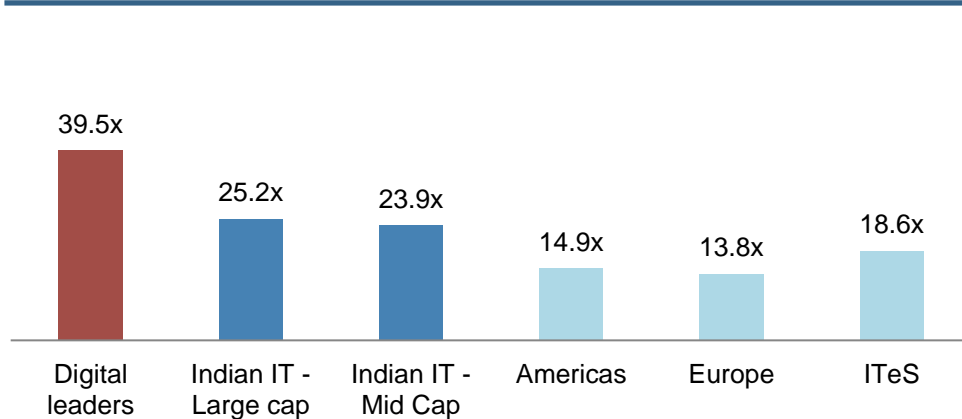
## EV / LTM Sales



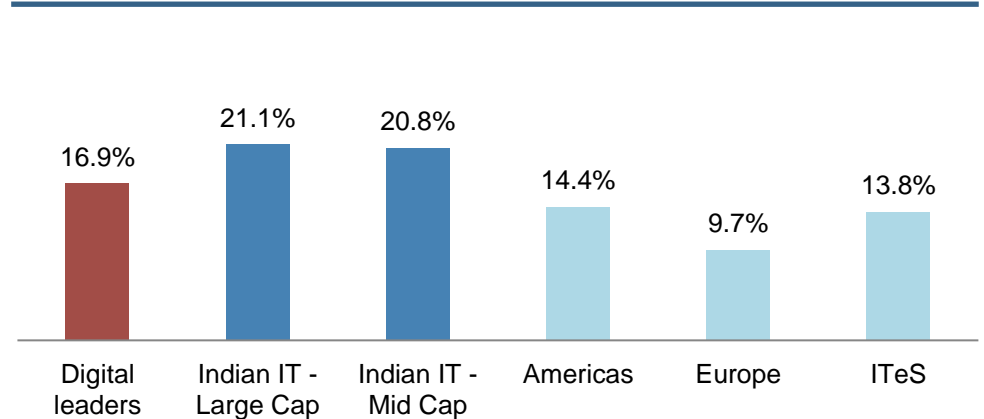
## EV / LTM EBITDA



## P / E (LTM)



## LTM EBITDA Margins



**\*Digital leaders comprises the average of EPAM Systems, Globant and Thoughtworks.**

Source: Capital IQ

Note: For every parameter, we have used market capitalization of the companies in each segment (composition of each segment can be seen in the appendix)

# Key transactions in May

## Overview

## Target business description

## Transaction rationale

May-22

THE CARLYLE GROUP

**ManTech**

- Target country – United States
- Deal size – \$4.3bn
- EV / Sales – 1.6x

- Founded in 1968, ManTech is a leading provider of innovative technologies and solutions for national security programs.
- The company provides a full-spectrum of services which include cybersecurity, data collection, analytics, enterprise IT, systems engineering and software application development solutions.
- It services the US defense, intelligence and federal civilian agencies.
- It is headquartered in Herndon, VA.

- The all-cash transaction represents for \$96 per cash represents a 32% premium to ManTech's unaffected closing share price as on 2 Feb 2022, the last trading day prior to published media reports regarding a potential transaction.
- "We look forward to leveraging Carlyle's deep knowledge and experience investing in and growing companies, as we deliver stronger outcomes for our customers and increased opportunities for our employees." said ManTech CEO Kevin M. Phillips.
- The transaction is expected to close in second half of 2022.

May-22

**AXIOLOGIC**  
solutions



- Target country – United States
- Deal size – NA
- EV / Sales – NA

- Founded in 2010, Data Intelligence is a specialized provider of data science, cybersecurity and artificial intelligence services.
- It uses Blur Search Technologies as an innovative platform to design, develop and create unique customer products and applications to support rapid search, high-speed indexing and complete data retrieval in support of the customer's mission.
- It is headquartered in Washington, DC.

- The deal is the second acquisition for Axiologic in less than 18 months, expanding the company's customer base in the national security environment.
- The company is driving its intelligence community solutions platform forward by adding capabilities and experts to provide more comprehensive support to organizations across the national security community.
- The deal broadens Axiologic's expertise in high-demand technology capabilities such as 5G, SIGINT, RF, analytics, visualization, AI, machine learning and software development.

May-22



brainlabs

**nabler**

- Target country – India
- Deal size – NA
- EV / Sales – NA

- Founded in 2004, Nabler Web Solutions is a digital analytics consulting company.
- The company enables top global 100 brands and Fortune 500 firms to analyze marketing data to better understand customer behavior and drive revenue decisions.
- **Select clients:** Dolby, Sony, Infosys, EA, StudioOne, VML, Criticalmass, and Grey.
- It is headquartered in Bangalore, India with another office in US.

- The acquisition bolsters Brainlabs' data science, data engineering, CRO and digital analytics functions and increases its presence in APAC.
- This is Brainlabs second acquisition withing a week following the purchase of data-led influencer marketing experts Fanbytes.
- The deal also represents Brainlabs' second office in APAC following the opening of the Singapore office last year.
- The India team will continue to be led by Seby Kallarakkal, Nabler's founder and CEO, who will report into Mark Fagan, Brainlabs' APAC CEO.

# Key transactions in May (cont'd)

## Overview

## Target business description

## Transaction rationale

May-22

**Deloitte**



- Target country – Australia
- Deal size – NA
- EV / Sales – NA

- Founded in 2017, Intellify is a data science specialist service provider.
- The company is an AWS and Databricks specialist having delivered over 150 projects across banking, insurance, energy, government, and retail sectors.
- It was named the AWS Partner of the Year for data, analytics and machine learning in 2019 and 2020.
- It is headquartered in Sydney, Australia and employs over 40 data scientists and developers.

- Deloitte said the acquisition would see it become the local leader in the artificial intelligence and machine learning business space, combining both deep technical experience and sector solutions to serve clients in areas such as personalization and value-chain and workforce optimization.
- The move follows the firm's launch of a dedicated AI research institute in Melbourne last year.
- Deloitte research shows that over 90% of Australian executives view artificial intelligence as crucial to remaining competitive.

May-22

**claranet**



- Target country – Spain
- Deal size – NA
- EV / Sales – NA

- Founded in 2017, Geko Cloud provides cloud consulting services.
- The company analyzes infrastructure in order to improve automation and internal processes, so that the deployment of application is agile, efficient and secure, which leads to an improvement in time to market and KPIs.
- Its services include full cloud management, microservices, CI / CD, migration, and DevOps.
- It is headquartered in Barcelona, Spain.

- The acquisition will see Geko Cloud lead Claranet's public cloud business in Spain.
- Geko Cloud will provide Claranet with knowledge management and incorporation of DevOps methodologies, infrastructure management in public cloud, container management and microservices, to together achieve a greater market share and be the cloud consulting par excellence on a national level.
- The brand and composition of Geko Cloud will remain the same, as will its structure, work system and the team.

May-22

**CONCENTRIX**

**SERVICESTOURCE**

- Target country – United States
- Deal size – \$131m
- EV / Sales – 0.6x

- Founded in 1999, ServiceSource International is a global market leader in B2B digital sales.
- It is a global outsourced go-to-market services provider that provides sales professionals, data-powered insights, proven methodologies scale and reimagines customer journey experiences into profitable business outcomes.
- It conducts commerce in 45 languages and 175 countries.
- It is headquartered in Denver, Colorado.

- The deal expands B2B sales capabilities, a fast growth area for Concentrix. It also adds an attractive client portfolio of leading technology and new economy brands.
- Transaction value of approximately \$131m, inclusive of approximately \$20m of ServiceSource's net cash implies an EV / EBITDA multiple of approximately 3.5x based on expected adjusted EBITDA in year one.
- This deal marks another milestone for Concentrix, supporting its growth strategy of investing in capabilities that transform and deliver customer experiences for the world's best brands.

# Key transactions in May (cont'd)

## Overview

May-22



- Target country – Germany
- Deal size – \$369m
- EV / Sales – NA

## Target business description

- Founded in 2019, BE-terna is a leading European Microsoft cloud solutions provider with cloud-based industry specific solutions.
- It specializes in driving digital transformation based mainly on Microsoft, but also works with Infor, UI Path and Qlik to optimize business processes for different industries.
- It is headquartered in Germany with another 28 locations across Europe. It employs over 1,000 personnel.

## Transaction rationale

- The acquisition positions Telefónica Tech as a relevant technology services player by securing presence in Germany, Austria, Switzerland, the Adriatic region and the Nordics, positioning the company as one of the top leading European Microsoft solutions providers.
- BE-terna was previously backed by Deutsche Private Equity.
- The deal values the company at 13.7x its gross operating profit, considering synergies and their results expected for 2022.
- The transaction is expected to close post clearance from Germany's competition authority.

May-22



- Target country – India
- Deal size – \$2m
- EV / Sales – 1.1x

- Founded in 2000, Quest Informatics is a company specializing in the aftermarket domain.
- It helps clients transform their aftermarket operations and their customer experience, and revamp their legacy business models.
- It has one of the best-of-breed aftermarket products for diverse industrial applications. which may be deployed on-premise or cloud, mobile, or other devices and interface with legacy systems.
- It is headquartered in Bangalore, India.

- The all-cash deal strengthens HCL's position in the aftermarket space.
- "Quest will help expand HCL Technologies' Industry 4.0 offerings into the fast-growing aftermarket space. Quest's suite of aftermarket solutions and products will be valuable to transportation and manufacturing clients globally in their digital transformation journey," said Sukamal Banerjee, Corporate VP, Industry Software Division and IoT WoRKS™, HCL Technologies. "Quest's existing customers will benefit through HCL Technologies' scale, reach and R&D prowess."

May-22



- Target country – United Kingdom
- Deal size – \$1.4bn
- EV / Sales – 14.1x

- Founded in 1993, Ideagen operates in the regulatory and compliance software sector.
- The company's software portfolio helps its clients reduce costs, improve operational efficiency, strengthen compliance and oversight and anticipate and manage every detail of risk.
- The company has been highly acquisitive and has acquired 19 companies till date.
- It is headquartered in Nottinghamshire, UK with offices in Europe, US, UAE and South East Asia.

- The all-cash deal represents a 52% premium to the company's closing share price on 11 April 2022.
- Ideagen said it unanimously recommends the offer from Hg Pooled, but remains in talks with private equity firm Astorg, which has been granted access to due diligence.
- The acquisition is conditional on gaining at least 75% shareholder approval at both the general and court meeting which are set to take place on 22 June 2022, as well as being sanctioned by the High Court of Justice in England & Wales.

# Key transactions in May (cont'd)

## Overview

## Target business description

## Transaction rationale

May-22



- Target country – United States
- Deal size – NA
- EV / Sales – NA

- Founded in 2015, Troops.ai is a leading provider of revenue communications solutions.
- The company's solutions are used to improve sales velocity, forecasting, visibility, and collaboration across teams.
- Its solutions deliver real-time insights from systems of record like Salesforce to systems of engagement like Slack, bringing together the information and actions that customer-facing teams need to close new deals and support existing customers.

- Post acquisition, Troops.ai will become a part of Slack, a Salesforce company.
- The deal comes as the technology giant attempts to more tightly integrate Slack with its broader portfolio.
- To reinvigorate its product unification efforts, Salesforce recently unveiled a set of low-code developer tools, Salesforce Platform for Slack, intended to bring Slack and Salesforce's legacy products closer together. Alongside it, Salesforce released new Slack apps to automate deal status updates, maintain records in Salesforce, and assign service cases to team members.

May-22



- Target country – India
- Deal size – \$2.9bn
- EV / Sales – 5.1x

- Founded in 1999, Mindtree is a global technology consulting and services company.
- It enables enterprises across industries to drive superior competitive advantage, customer experiences and business outcomes by harnessing digital and cloud technologies.
- In 2019, Mindtree was acquired by L&T, the parent company of LTI.
- It has over 35,000 employees across 24 countries.

- Post the merger, subsidiaries and associates of Mindtree will become part of LTI. The merged entity will be named LTIMindtree.
- The proposed integration will see Mindtree and LTI join strengths to create an efficient and scaled up IT services provider exceeding \$3.5bn.
- Enhanced customer engagement and delivery model through industrialization of delivery and streamlined processes is expected to result in improvement in large deal capabilities.

May-22



- Target country – Spain
- Deal size – NA
- EV / Sales – NA

- Founded in 2008, Hdiv Security is a leading security-testing software provider.
- Its product monitors application behavior to provide highly accurate detection of both known and unknown (zero-day) vulnerabilities at runtime. This enables developers to assess, track and monitor risk from running applications. Developers can flag vulnerabilities where and when they matter most, so that critical vulnerabilities are surfaced and remediated quickly.
- It is headquartered in Madrid, Spain.

- The addition of Hdiv Security's capabilities to Datadog's Cloud Security Platform will enable a more comprehensive approach to application security.
- "Combining security and observability provides Datadog customers unique insights into sensitive services that are vulnerable or under attack," said Pierre Betouin, VP of Product, Cloud Security Platform at Datadog. "Adding Hdiv Security's capabilities to Datadog's Cloud Security Platform will deepen security visibility across the entire software life cycle to help our customers develop more secure and resilient applications."

# Key transactions in May (cont'd)

## Overview

## Target business description

## Transaction rationale

May-22



- Target country – India
- Deal size – \$5m
- EV / Sales – 1.7x

- Founded in 2018, Aparaa Digital is a leading AI / ML, data engineering, analytics, and blockchain services company that operates as RoundSqr.
- Zastra, an active learning-AI based data annotation and MLOps platform, helps solve critical model validation challenges as ML models get to production in enterprises. This helps move past the last mile AI operational challenges with MLOps.
- It is headquartered in Hyderabad, India.

- The acquisition strengthens Cigniti's digital ambitions and helps offer digital engineering services to its customers.
- *“Onboarding Aparaa Digital (RoundSqr) is in line with our strategy to expand our digital engineering capacity to provide a greater breadth and depth of services to our clients. This is a strategic and complimentary capability led acquisition for us.”* said Srikanth Chakkilam, CEO of Cigniti Technologies.
- Cigniti is looking to invest in innovative platforms that can accelerate modern day digital assurance and digital engineering services.

May-22



- Target country – Switzerland
- Deal size – \$54m
- EV / Sales – 3.0x

- Founded in 2012, Confinale is a digital banking and wealth management consulting specialist.
- It has one of the largest independent pools of Avaloq-certified specialists in Europe and its in-house developed products and solutions accelerate the implementation of the Avaloq platform.
- It is one of only four companies to be awarded the title of Avaloq Premium Implementation Partner.
- It is headquartered in Zug, Switzerland.

- The intellectual properties that are a part of this acquisition support HCL's strategy to create specialized vertical domain capabilities and positions the company as a leader in end-to-end implementation and lifecycle management of the Avaloq platform.
- *“There is significant disruption taking place in global wealth management and this means an opportunity for technology-led innovation,”* said Rahul Singh, President of Financial Services and Digital Process Operations, HCL Technologies.

May-22



- Target country – Ireland
- Deal size – \$211m
- EV / Sales – NA

- Founded in 2010, Profitero is a global SaaS platform that helps brands analyze and optimize their sales, marketing and operations performance.
- Its solutions provide actionable insights and product visibility to more than 4,000 brands and 70 million products on more than 700 retailer websites, in over 50 countries every day.
- The company is headquartered in Dublin, Ireland and employs over 300 personnel.

- The acquisition will further scale and supercharge Publicis Groupe's existing commerce capabilities around the world.
- By joining forces with Publicis Groupe, Profitero will access the necessary resources and capabilities to expand on its analytics core. As a result, it will become the first global commerce platform to truly empower brands by using predictive intelligence to deliver the best product experience, optimize content, increase results of organic search, compare prices with competitors, monitor product availability and track customer ratings and reviews, among other features.



# Key transactions in May (cont'd)

## Overview

May-22



brainlabs



- Target country – United Kingdom
- Deal size – NA
- EV / Sales – NA

## Target business description

- Founded in 2017, Fanbytes is an influencer marketing agency.
- With expertise in platforms including TikTok, Instagram, YouTube and Snapchat, the company has carved out an unrivalled reputation for delivering award-winning campaigns powered by its proprietary data tool Bytesights.
- **Select clients:** Samsung, H&M, Estee Lauder, Mattel, Ubisoft and Nike.

## Transaction rationale

- The acquisition strengthens Brainlabs' portfolio to deliver a full range of performance channels for its clients.
- *"I'm super excited about welcoming Fanbytes to Brainlabs, not only because I'm in awe at what they've achieved in such a short space of time but I also see them as an essential piece of the jigsaw in our digital media offering. Influencer marketing has rapidly become an integral part of the digital media mix so to be able to offer it alongside our other capabilities under one roof is a huge advantage to our clients."* said Brainlabs CEO Daniel Gilbert.

May-22



- Target country – United States
- Deal size – NA
- EV / Sales – NA

- Founded in 2009, Datashield provides end-to-end cyber security resilience solutions with a specialty in managed detection and response (MDR) services.
- The company leverages its proprietary security automation, orchestration and response software, SHIELDVision, along with threat intelligence and core processes to generate actionable insight into advanced security threats for analysis and response.
- It is headquartered in Park City, UT.

- Lumifi's joint offering will integrate their cutting-edge attack simulation, automated endpoint remediation and continuous threat monitoring software with Datashield's industry-recognized MDR services, state-of-the-art security operations center and team of ex-military and former DoD cybersecurity professionals.
- The acquisition will result in an end-to-end cybersecurity resilience services provider that will deliver Fortune-500 grade security to companies of all sizes at an affordable monthly price.

May-22



- Target country – Germany
- Deal size – NA
- EV / Sales – NA

- Founded in 1994, Comosoft is a global provider of marketing production workflow solutions for retail, catalogue, e-commerce and manufacturing markets.
- It is a global pioneer in multimedia media and product information management (PIM) systems for B2C and B2B operations.
- Through its flagship product LAGO, it offers all-in-one data and media production functionality to support the ever-changing planning and output automation requirements for global marketing operations.

- The acquisition results in a critical new addition to Aquila's family of media and advertising technology companies.
- Comosoft will continue to support its customers and partners as an autonomous business unit of Atex, a part of Aquila.
- *"Product Information Management is a strategic growth vector for Atex with compelling overlap with our existing clients. Through Comosoft's relevance across Germany, rest of Europe and North America, we will seek to strengthen commercial and product capabilities in these regions."* said Federico Marturano, CEO of Atex.

# Appendix I:

## Market multiples

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# Market valuation

Company	Market data					LTM Performance				Growth	Valuation multiples		
	Price \$	52 week High	Low	Market cap \$m	EV \$m	Revenue \$m	EBITDA \$m	Net income \$m	EBITDA margin	CAGR 3 years	EV / Sales	EV / EBITDA	P/E
<b>Digital leaders</b>													
EPAM Systems, Inc.	319.3	717.5	174.8	18,242	17,195	4,149	710	462	17.1%	28.8%	4.1x	24.2x	39.5x
Globant S.A.	186.7	354.4	167.5	7,801	7,490	1,428	239	111	16.8%	37.6%	5.2x	31.3x	NM
Thoughtworks Holding, Inc.	16.3	34.4	14.8	5,043	5,248	1,153	(40)	(102)	NM	NA	4.6x	NM	NM
<b>Average</b>									<b>16.9%</b>	<b>39.3%</b>	<b>4.6x</b>	<b>27.8x</b>	<b>39.5x</b>
<b>India - Large Cap</b>													
Cognizant Technology Solutions Corporation	73.4	93.1	66.5	38,244	37,532	18,932	3,411	2,195	18.0%	5.1%	2.0x	11.0x	17.4x
HCL Technologies Limited	13.6	18.4	12.6	36,775	35,166	11,481	2,660	1,807	23.2%	10.0%	3.1x	13.2x	20.4x
Infosys Limited	19.4	26.1	18.1	81,451	79,089	16,311	4,116	2,963	25.2%	11.4%	4.8x	19.2x	27.5x
Larsen & Toubro Infotech Limited	53.1	101.5	48.9	9,303	8,907	2,065	403	303	19.5%	14.8%	4.3x	22.1x	30.7x
Mindtree Limited	38.0	67.0	28.4	6,255	5,902	1,427	330	218	23.1%	12.1%	4.1x	17.9x	28.7x
Mphasis Limited	31.5	47.2	24.1	5,923	5,758	1,576	256	189	16.3%	12.2%	3.7x	22.5x	31.4x
Tata Consultancy Services Limited	44.1	54.1	41.9	161,316	156,158	25,267	6,785	5,050	26.9%	6.1%	6.2x	23.0x	31.9x
Tech Mahindra Limited	15.5	24.2	13.0	13,630	12,947	5,883	1,057	733	18.0%	5.5%	2.2x	12.3x	18.6x
Wipro Limited	6.0	9.7	6.0	33,067	30,893	10,422	2,081	1,610	20.0%	7.2%	3.0x	14.8x	20.5x
<b>Average</b>									<b>21.1%</b>	<b>7.7%</b>	<b>3.7x</b>	<b>17.3x</b>	<b>25.2x</b>
<b>India - Mid Cap</b>													
Accelya Solutions India Limited	12.3	20.2	11.5	183	178	46	14	9	30.4%	(8.8%)	3.8x	12.7x	20.1x
Birlasoft Limited	4.6	7.8	3.6	1,288	1,168	528	78	58	14.9%	(1.7%)	2.2x	14.9x	22.3x
Coforge Limited	48.3	81.9	44.5	2,943	2,961	848	145	87	17.1%	16.9%	3.5x	20.4x	33.8x
Cyient Limited	10.2	16.4	10.2	1,123	1,029	597	97	69	16.3%	(3.6%)	1.7x	10.6x	16.3x
Happiest Minds Technologies Limited	11.8	20.6	10.2	1,683	1,634	144	34	24	23.6%	40.9%	11.3x	48.1x	NM
InfoBeans Technologies Limited	8.3	10.7	2.7	202	197	36	9	7	24.9%	29.0%	5.5x	22.2x	26.9x
Latent View Analytics Limited	5.0	9.4	4.9	1,005	974	50	15	16	30.9%	NA	19.6x	63.5x	NM
L&T Technology Services Limited	45.2	79.4	35.0	4,772	4,569	866	186	126	21.5%	5.5%	5.3x	24.5x	37.8x
Mastek Limited	31.1	45.5	25.0	934	879	288	64	39	22.3%	24.5%	3.1x	13.7x	24.0x
Perficient, Inc.	101.4	148.8	70.4	3,513	3,915	814	152	66	18.7%	16.8%	4.8x	25.8x	NM
Persistent Systems Limited	46.3	65.8	31.9	3,540	3,441	753	124	91	16.5%	15.7%	4.6x	27.7x	38.9x
Sasken Technologies Limited	9.7	20.2	9.7	145	138	57	17	17	29.7%	(7.7%)	2.4x	8.1x	8.6x
Sonata Software Limited	8.5	12.9	7.8	880	782	732	64	50	8.8%	19.6%	1.1x	12.2x	17.7x
Zensar Technologies Limited	3.9	7.9	3.7	883	794	559	87	55	15.5%	(0.8%)	1.4x	9.2x	16.1x
<b>Average</b>									<b>20.8%</b>	<b>9.3%</b>	<b>5.0x</b>	<b>22.4x</b>	<b>23.9x</b>

# Market valuation (cont'd)

Company	Market data					LTM Performance				Growth	Valuation multiples		
	Price \$	52 week High	Low	Market cap \$m	EV \$m	Revenue \$m	EBITDA \$m	Net income \$m	EBITDA margin	CAGR 3 years	EV / Sales	EV / EBITDA	P/E
<b>Americas</b>													
Accenture plc	286.8	415.4	279.6	181,640	180,318	56,695	9,511	6,392	16.8%	10.3%	3.2x	19.0x	28.4x
CGI Inc.	80.8	93.0	77.8	19,219	21,308	9,924	1,749	1,140	17.6%	4.1%	2.1x	12.2x	16.9x
DXC Technology Company	29.7	43.4	27.6	7,254	10,783	16,642	1,922	(610)	11.5%	(7.5%)	0.6x	5.6x	NM
Positivo Tecnologia S.A.	1.5	3.1	1.4	213	351	783	78	36.5	9.9%	19.0%	0.4x	4.5x	5.8x
Sonda S.A.	0.4	0.6	0.3	310	491	1,181	134	35	11.4%	(0.3%)	0.4x	3.7x	8.9x
The Hackett Group, Inc.	21.2	24.8	17.1	670	626	289	55	46	19.1%	3.5%	2.2x	11.3x	14.7x
Unisys Corporation	12.1	28.2	11.4	818	938	1,991	(408)	(348)	NM	(9.3%)	0.5x	NM	NM
<b>Average</b>									<b>14.4%</b>	<b>4.5%</b>	<b>1.4x</b>	<b>9.4x</b>	<b>14.9x</b>
<b>Europe</b>													
Alten S.A.	124.9	180.8	120.2	4,242	4,203	3,327	358	236	10.7%	8.6%	1.3x	11.8x	17.9x
Atos SE	24.4	67.2	22.9	2,697	5,286	12,327	755	(3,369)	6.1%	0.4%	0.4x	7.0x	NM
Aubay Société Anonyme	54.9	71.2	48.1	727	665	535	57	39	10.7%	5.3%	1.2x	11.6x	18.6x
Cancom SE	37.7	72.4	36.6	1,363	968	1,415	106	305	7.5%	(2.8%)	0.7x	9.1x	4.5x
Capgemini SE	191.8	245.7	180.2	32,988	37,701	20,653	2,735	1,316	13.2%	11.0%	1.8x	13.8x	25.1x
Capita plc	0.3	0.7	0.3	498	1,646	4,309	35	304	0.8%	(6.3%)	0.4x	46.9x	1.6x
Endava plc	104.0	170.1	90.0	5,786	5,701	799	143	95	17.9%	31.0%	7.1x	39.8x	NM
Indra Sistemas, S.A.	9.9	12.7	8.6	1,740	1,986	3,927	327	178	8.3%	3.0%	0.5x	6.1x	9.8x
Know it AB (publ)	29.9	45.4	27.6	820	839	588	60	36	10.1%	19.5%	1.4x	14.1x	22.5x
Sopra Steria Group SA	163.9	210.9	152.6	3,304	4,075	5,326	505	213	9.5%	4.3%	0.8x	8.1x	15.5x
TietoEVRY Oyj	23.7	35.9	22.9	2,803	3,416	3,160	386	319	12.2%	20.7%	1.1x	8.8x	8.8x
<b>Average</b>									<b>9.7%</b>	<b>5.6%</b>	<b>1.5x</b>	<b>16.1x</b>	<b>13.8x</b>

Company	Market data					LTM Performance				Growth	Valuation multiples		
	Price \$	52 week High	Low	Market cap \$m	EV \$m	Revenue \$m	EBITDA \$m	Net income \$m	EBITDA margin	CAGR 3 years	EV / Sales	EV / EBITDA	P/E
<b>ITeS</b>													
Conduent Incorporated	4.7	8.3	4.2	1,005	2,112	4,079	376	119	9.2%	(7.4%)	0.5x	5.6x	8.4x
ExiService Holdings, Inc.	135.2	152.0	97.1	4,500	4,612	1,190	204	119	17.1%	9.1%	3.9x	22.6x	37.8x
Firstsource Solutions Limited	1.4	3.1	1.4	961	1,165	780	126	71	16.2%	12.2%	1.5x	9.2x	13.6x
Genpact Limited	43.1	53.7	38.4	7,973	9,326	4,145	667	374	16.1%	9.9%	2.3x	14.0x	21.3x
Hinduja Global Solutions Limited	11.0	24.4	11.0	459	492	830	94	74	11.3%	8.6%	0.6x	5.2x	6.2x
Startek, Inc.	3.1	8.0	3.1	125	375	708	67	12	9.4%	6.8%	0.5x	5.6x	10.1x
TTEC Holdings, Inc.	65.1	112.3	60.1	3,060	3,893	2,323	309	124	13.3%	15.0%	1.7x	12.6x	24.7x
WNS (Holdings) Limited	71.1	91.3	69.0	3,475	3,322	1,110	199	132	17.9%	11.1%	3.0x	16.7x	26.3x
<b>Average</b>									<b>13.8%</b>	<b>10.8%</b>	<b>1.7x</b>	<b>11.5x</b>	<b>18.6x</b>

## ABOUT US

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Founded in 1987, The Chesapeake Group is an independent financial advisory company with over 30 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 30 years.

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