

FORTNIGHTLY NEWSLETTER – 15 MAR 2023

THE AGE OF WEB3: DISCOVERING THE UNCHARTED TERRITORIES OF THE INTERNET

\$2.9bn

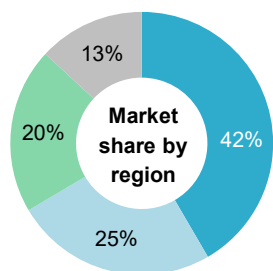
Global Web3
Blockchain
market (2022)

44.9%

CAGR

\$116.5bn

Global Web3
Blockchain
market (2033)



■ North America
■ Europe
■ Asia Pacific
■ Rest of the World

Overview:

- The past few quarters have been a rough awakening for many Web3 enthusiasts: market prices of major cryptocurrencies have declined significantly, the trading volume of non-fungible tokens (NFTs) has slowed, and, most importantly, some pioneers of the space have declared bankruptcy because of failed risk management and misuse of consumer funds.
- Yet even as the debris continues to fly, the digital assets and the technologies underlying them still have the potential to transform business models across sectors.

Disrupting the status quo and creating a new digital landscape:

- While the first incarnation of the web in the 1980s consisted of open protocols on which anyone could build—and from which user data was barely captured—it soon morphed into the second iteration: a more centralized model in which user data, such as identity, transaction history, and credit scores, are captured, aggregated, and often resold.
- Web3, the next iteration, potentially upends that power structure with a shift back to users. Essentially, it could mark a paradigm shift in the business model for digital applications by making disintermediation a core element.
- The disruptive premise of Web3 is built on three fundamentals: the blockchain that stores all data on asset ownership and the history of conducted transactions; smart contracts that represent application logic and can execute tasks independently; and digital assets that can represent anything of value and engage with smart contracts to become programmable.
- DeFi (Decentralized Finance) stands out as a highlight among real world Web3 use cases as it presents prolific opportunities for improving financial inclusion. Web3 delivers a Decentralized Autonomous Organization (DAO) that is under the control of a community. It is a way of providing voting and ownership rights to its members by offering them governance tokens.
- Managing privacy and data will become easier with the cybersecurity programs of Web3. Metaverse, blockchain-based games, 3D enabled workspaces, crypto platforms, virtual real estate, and decentralized social media apps are some use cases currently being explored.

Current market landscape:

















- Tech giants such as Amazon, Google, Microsoft, Meta, and Apple are big investors in the Web3 market as the change of ownership in data would force major companies to implement radical changes in their business models – firms will no longer be able to grow by profiting from users' data. The market also remains highly relevant for the private equity players as it will have important implications on how funds invest, underwrite risk, and raise new capital. Investors have poured approximately \$94bn into Web3 companies in recent years, most of it since 2021.
- As more attention turns to innovative blockchain-driven technologies, companies are being forced to reckon with the elephant in the room: energy consumption. Amidst the push for greater ESG by customers, investors, and government regulators alike, companies can not shill NFTs and other tokenized assets that seemingly contradict their public pledges to sustainability. Brands eager to create or connect with communities in Web3 should evaluate, select, and champion carbon-neutral blockchains to avoid technological dead ends.
- Regulatory oversight, user experience, and the underlying technology will all need to further mature for mainstream adoption to occur. For all the technical complexity and unanswered questions, Web3 remains an important internet trend to watch, and executives across sectors may want to keep it on their radar, if only because of the potential for rapid disruption that it represents.

Recent Transactions (1/2)

KEY DEALS

- **Blackstone to acquire Cvent:** Blackstone entered into a definitive agreement to acquire Cvent, a cloud-based marketing and management platform, from Vista Equity Partners for \$4.7bn at an EV / Sales multiple of 7.3x . This acquisition is in line with one of Blackstone's highest conviction investment themes - continuing events and travel recovery. Abu Dhabi Investment Authority (ADIA) will be a significance minority investor in the transaction.
- **Silver Lake and CPP to acquire Qualtrics:** Silver Lake along with CPP Investments entered into a definitive agreement to Qualtrics, an experience management platform, in an all-cash deal for \$12.5bn at an EV / Sales multiple of 8.5x. In 2018, SAP bought Qualtrics for \$8bn and three years later listed the company on NYSE. As part of the transaction, SAP is expected to receive \$7.7bn for its controlling stake in the company.
- **Fujitsu to acquire GK Solutions:** Fujitsu announced its decision to launch a voluntary public takeover of GK Solutions, a Germany based provider of cloud services to the retail sector. The all-cash offer value the company at \$493m at an EV / Sales multiple of 2.7x. The deal accelerates Fujitsu's shift towards cloud and expands its global reach with new offerings.










LATEST DEALS

Date	Buyer	Target	Transaction details	Target expertise
Mar-23			<ul style="list-style-type: none"> ▪ Deal size – \$4.7bn ▪ EV / Sales – 7.3x 	Tysons, VA-based cloud enterprise event management, marketing and hospitality
Mar-23			<ul style="list-style-type: none"> ▪ Deal size – NA ▪ EV / Sales – NA 	Wellingborough, UK-based HR consultancy
Mar-23			<ul style="list-style-type: none"> ▪ Deal size – \$350m ▪ EV / Sales – NA 	San Francisco, CA-based ML research and AI platform
Mar-23			<ul style="list-style-type: none"> ▪ Deal size – \$1.7bn ▪ EV / Sales – 3.2x 	San Mateo, CA-based developer of a global SaaS survey platform
Mar-23			<ul style="list-style-type: none"> ▪ Deal size – \$12.5bn ▪ EV / Sales – 8.5x 	Provo, UT-based experience management platform
Mar-23			<ul style="list-style-type: none"> ▪ Deal size – NA ▪ EV / Sales – NA 	London, UK-based core banking implementation partner for global financial institutions
Mar-23			<ul style="list-style-type: none"> ▪ Deal size – NA ▪ EV / Sales – NA 	Melbourne, VIC-based marketing solutions provider for brands
Mar-23			<ul style="list-style-type: none"> ▪ Deal size – NA ▪ EV / Sales – NA 	Boca Raton, FL-based enterprise technology advisory company

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Recent Transactions (2/2)

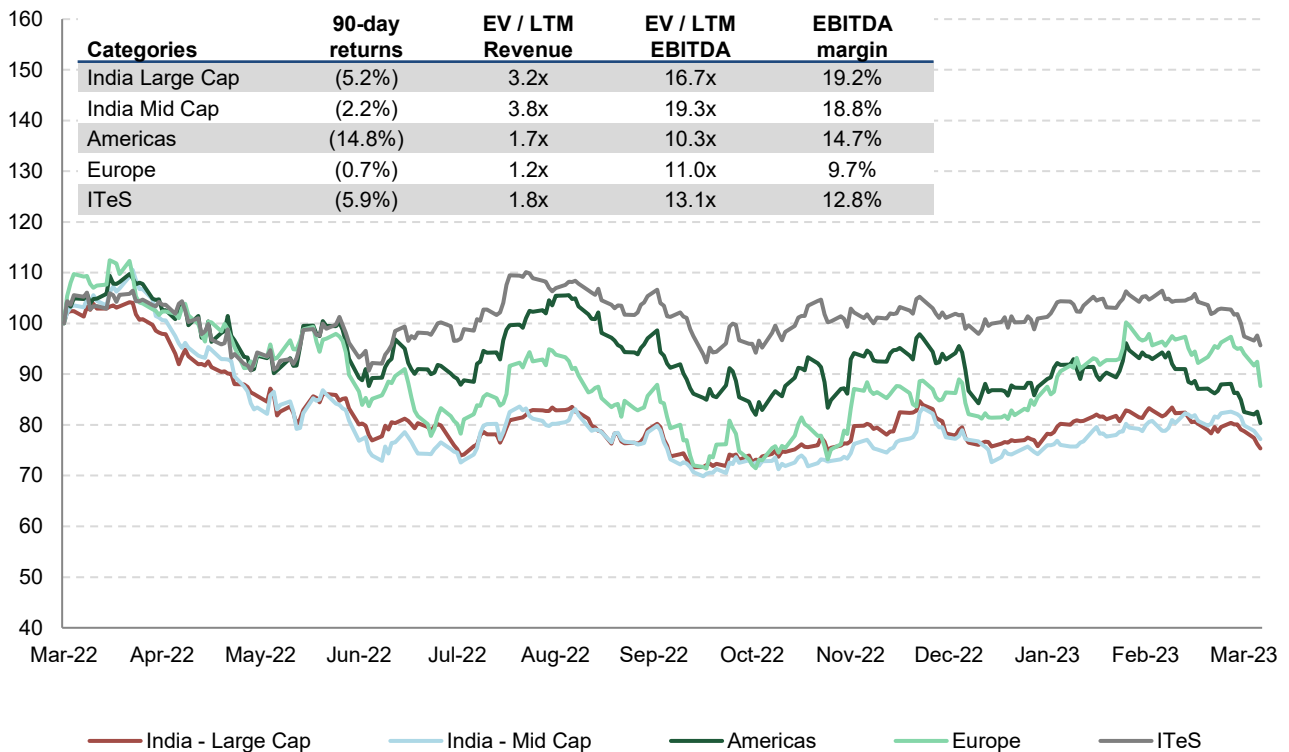
LATEST DEALS (CONT'D)

Date	Buyer	Target	Transaction details	Target expertise
Mar-23			<ul style="list-style-type: none"> Deal size – \$175m EV / Sales – NA 	New York, NY-based enterprise and conversational AI provider
Mar-23			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	White Plains, NY-based automation software provider
Mar-23			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	Austin, TX-based low code retail optimization platform
Mar-23			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	Miami Beach, FL-based enterprise mobile development application platform
Mar-23			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	Bellevue, WA-based SaaS-based cyber security compliance automation platform
Mar-23			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	Mumbai, India-based developer of SaaS based products
Mar-23			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	London, UK-based provider of Ondat, Kubernetes-native stateful applications
Mar-23			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	Israel based cloud cybersecurity platform
Mar-23			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	Toronto, Canada-based software testing and quality assurance services provider
Mar-23			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	Bangalore, India-based digital technology consulting firm
Mar-23			<ul style="list-style-type: none"> Deal size – \$414m EV / Sales – 9.2x 	Vienna, VA-based IT services provider to government and commercial organizations
Mar-23			<ul style="list-style-type: none"> Deal size – \$493m EV / Sales – 2.7x 	Germany based provider of cloud services for the retail industry

Market performance

MARKET METRICS (AS OF 15 MAR 2023)

Indexed to 100



HIGHLIGHTS:

- Over the past 15 days, the valuation of Indian large cap players decreased by 3.7% while the Indian mid cap players decreased by 3.8%.
- Investors remained anxious about the prospect of a more aggressive action by the Federal Reserve of US to fight inflation with high interest rates. When interest rates in the US rise, the propensity of foreign institutional investors to invest in India goes down due to higher opportunity costs for them.
- Over the past 15 days, the valuation of **Coforge** declined by 8.4% while that of **Mphasis** declined by 7.1%. The decline in their valuation is attributed to their exposure to US regional banks that have been impacted by the sudden collapse of Silicon Valley Bank.
- The valuation of **Accenture** declined by 7.3% over the last 15 days as the company approaches its next earnings release date on 23 Mar 2023. Recent revisions in earnings estimates by the Wall Street and the upcoming Federal Reserve meet have dampened the mood of the investors.
- The valuation of **Unisys** crashed by 29.5% over the last two weeks after the announcement of its removal from the small-cap S&P 600 index. The company's share price has declined by over 83% in the last twelve months.
- The valuation of **Capgemini** decreased by 7.5% over the last 15 days as Ashwin Yardi, CEO of Capgemini India, indicated a slowdown in the hiring. Aiman Ezzat, CEO of Capgemini, expects clients to become more conservative and 2023 to be less supportive than last year.
- The share price of **Infosys** declined by 4.1% over the last two weeks as the Indian IT giant lost its second company president in only five months. **Tech Mahindra** announced that Mohit Joshi, currently a President at Infosys, will join the company as its new managing director and CEO. Mohit is currently in charge of Infosys' financial, insurance, healthcare, and life sciences verticals and runs the sales and software business portfolio for the firm. Mohit's move to join Tech Mahindra as CEO follows that of another Infosys company President, Ravi Kumar, who left Infosys in October 2022 to take over as the CEO of Cognizant.

Appendix - Market Multiples

Company	Market data					LTM Performance				Growth CAGR 3 years	Valuation multiples		P/E
	Price \$	52 week High	Low	Market cap \$m	EV \$m	Revenue \$m	EBITDA \$m	Net income \$m	EBITDA margin		EV / Sales	EV / EBITDA	
India - Large Cap													
Cognizant Technology Solutions Corporation	57.1	93.1	52.0	29,065	28,111	19,428	3,558	2,290	18.3%	5.0%	1.4x	7.9x	12.7x
HCL Technologies Limited	13.0	15.9	11.0	35,267	34,001	12,344	2,622	1,828	21.2%	8.5%	2.8x	13.0x	19.3x
Infosys Limited	17.1	25.1	16.8	71,060	69,590	17,937	4,162	2,989	23.2%	12.4%	3.9x	16.7x	23.8x
LTMindtree Limited	55.4	84.1	48.4	16,391	15,691	2,559	439	332	17.1%	20.7%	6.1x	35.8x	49.3x
Mphasis Limited	22.9	45.2	22.9	4,315	4,183	1,657	271	196	16.3%	11.4%	2.5x	15.4x	22.0x
Tata Consultancy Services Limited	38.6	50.6	36.6	141,224	135,558	26,207	6,731	4,916	25.7%	6.4%	5.2x	20.1x	28.7x
Tech Mahindra Limited	13.4	20.6	12.0	11,829	11,351	6,246	871	631	13.9%	7.0%	1.8x	13.0x	18.8x
Wipro Limited	4.5	8.0	4.5	24,841	22,491	10,652	1,900	1,373	17.8%	7.9%	2.1x	11.8x	18.1x
Average									19.2%	8.0%	3.2x	16.7x	24.1x
India - Mid Cap													
Accelya Solutions India Limited	13.4	21.0	10.8	199	190	51	18	12	35.8%	(6.9%)	3.7x	10.4x	16.0x
Birlasoft Limited	3.3	6.5	3.2	910	836	564	59	43	10.4%	11.2%	1.5x	14.3x	21.4x
Coforge Limited	47.7	60.5	40.6	2,911	2,966	917	140	95	15.3%	17.3%	3.2x	21.1x	30.6x
Cyient Limited	11.5	12.5	8.8	1,266	1,325	658	85	61	13.0%	1.2%	2.0x	15.5x	20.7x
Happiest Minds Technologies Limited	9.9	15.3	9.9	1,420	1,413	163	38	27	23.2%	24.2%	8.7x	37.3x	NM
InfoBeans Technologies Limited	5.9	10.7	5.7	143	138	46	9	6	19.2%	33.9%	3.0x	15.5x	25.3x
Latent View Analytics Limited	4.0	6.9	4.0	807	716	62	18	19	28.5%	NA	11.5x	40.4x	42.6x
L&T Technology Services Limited	42.7	68.9	37.3	4,506	4,473	923	179	136	19.3%	5.8%	4.8x	25.0x	33.2x
Mastek Limited	19.8	44.3	18.6	601	628	294	52	36	17.5%	27.9%	2.1x	12.2x	16.5x
Perficient, Inc.	68.7	115.1	60.1	2,384	2,777	905	181	104	20.0%	17.0%	3.1x	15.3x	22.8x
Persistent Systems Limited	54.6	65.2	38.8	3,977	3,926	935	162	105	17.3%	24.2%	4.2x	24.3x	37.8x
Sasken Technologies Limited	9.6	12.9	9.3	144	132	55	14	13	25.4%	(8.9%)	2.4x	9.5x	10.9x
Sonata Software Limited	10.0	10.1	6.0	1,382	1,331	846	67	53	7.9%	18.1%	1.6x	19.9x	26.1x
Zensar Technologies Limited	3.2	5.1	2.4	732	611	579	61	41	10.5%	(0.8%)	1.1x	10.0x	17.9x
Average									18.8%	12.4%	3.8x	19.3x	24.8x

Company	Market data					LTM Performance				Growth CAGR 3 years	Valuation multiples		P/E
	Price \$	52 week High	Low	Market cap \$m	EV \$m	Revenue \$m	EBITDA \$m	Net income \$m	EBITDA margin		EV / Sales	EV / EBITDA	
Americas													
Accenture plc	246.2	344.5	246.2	155,023	153,111	62,377	10,576	7,051	17.0%	12.4%	2.5x	14.5x	22.0x
CGI Inc.	89.1	93.6	73.9	20,732	22,579	9,772	1,709	1,094	17.5%	1.3%	2.3x	13.2x	18.9x
DXC Technology Company	23.3	35.7	23.3	5,367	9,335	14,847	2,696	718	18.2%	(9.5%)	0.6x	3.5x	7.5x
EPAM Systems, Inc.	276.3	458.0	225.0	15,935	14,388	4,825	783	419	16.2%	28.1%	3.0x	18.4x	38.0x
Globant S.A.	153.7	275.7	153.5	6,496	6,343	1,780	293	149	16.4%	39.2%	3.6x	21.7x	43.6x
Thoughtworks Holding, Inc.	7.2	22.0	7.2	2,282	2,533	1,296	(14)	(105)	NM	NA	2.0x	NM	NM
Grid Dynamics Holdings, Inc.	10.0	22.0	9.2	751	502	310	(3)	(29)	NM	37.9%	1.6x	NM	NM
Positro Tecnologia S.A.	1.2	2.6	1.0	173	369	887	87	38.3	9.8%	25.1%	0.4x	4.2x	4.5x
Sonda S.A.	0.5	0.5	0.3	435	656	1,257	123	42	9.8%	3.7%	0.5x	5.3x	10.4x
The Hackett Group, Inc.	17.7	24.8	17.7	482	512	290	62	41	21.4%	3.6%	1.8x	8.3x	11.8x
Unisys Corporation	3.5	22.8	3.5	238	452	1,980	122	(106)	6.1%	(3.8%)	0.2x	3.7x	NM
Average									14.7%	7.3%	1.7x	10.3x	19.6x
Europe													
Alten S.A.	143.2	161.8	102.0	4,863	4,673	4,043	433	489	10.7%	11.1%	1.2x	10.8x	9.9x
Atos SE	14.4	32.1	7.1	1,585	4,689	12,120	594	(1,082)	4.9%	(2.3%)	0.4x	7.9x	NM
Aubay Société Anonyme	47.9	66.7	39.4	635	585	518	54	38	10.4%	3.5%	1.1x	10.8x	16.8x
Cancom SE	33.9	63.7	22.9	1,193	1,002	1,278	93	39	7.3%	(7.6%)	0.8x	10.8x	30.9x
Capgemini SE	174.7	225.8	149.6	30,249	35,904	23,506	2,936	1,653	12.5%	14.0%	1.5x	12.2x	18.3x
Capita plc	0.4	0.5	0.3	682	1,332	3,632	11	90	0.3%	(7.4%)	0.4x	NM	7.6x
Endava plc	67.7	138.2	63.7	3,850	3,708	905	159	113	17.6%	29.0%	4.1x	23.3x	34.0x
Indra Sistemas, S.A.	11.9	13.4	7.5	2,105	2,125	4,147	429	184	10.3%	4.0%	0.5x	5.0x	11.5x
Know it AB (publ)	18.8	34.4	18.1	516	621	656	73	37	11.1%	22.5%	0.9x	8.6x	14.0x
Sopra Steria Group SA	198.6	210.2	118.9	4,008	4,626	5,452	507	265	9.3%	3.1%	0.8x	9.1x	15.1x
TietoEVRY Oyj	29.4	32.2	21.9	3,477	4,200	3,131	369	202	11.8%	17.1%	1.3x	11.4x	17.2x
Average									9.7%	6.0%	1.2x	11.0x	17.5x

Company	Market data					LTM Performance				Growth CAGR 3 years	Valuation multiples		P/E
	Price \$	52 week High	Low	Market cap \$m	EV \$m	Revenue \$m	EBITDA \$m	Net income \$m	EBITDA margin		EV / Sales	EV / EBITDA	
ITeS													
Conduent Incorporated	3.3	5.8	3.3	727	1,816	3,858	296	(182)	7.7%	(4.8%)	0.5x	6.1x	NM
ExService Holdings, Inc.	151.7	189.1	128.8	5,052	5,068	1,412	242	143	17.1%	12.5%	3.6x	21.0x	35.3x
Firstsource Solutions Limited	1.3	1.8	1.2	922	1,069	726	97	61	13.3%	9.0%	1.5x	11.0x	15.1x
Gepact Limited	43.6	48.7	38.4	8,027	9,073	4,371	692	353	15.8%	7.5%	2.1x	13.1x	22.7x
Hinduja Global Solutions Limited	13.1	20.8	11.0	687	592	427	(3)	737	NM	(16.8%)	1.4x	NM	0.9x
Startek, Inc.	3.7	4.5	2.6	149	378	677	56	8	8.3%	1.6%	0.6x	6.7x	19.7x
TTEC Holdings, Inc.	36.4	87.1	36.2	1,717	2,706	2,444	301	103	12.3%	14.1%	1.1x	9.0x	16.6x
WNS (Holdings) Limited	89.5	92.4	68.5	4,308	4,496	1,208	182	140	15.1%	10.7%	3.7x	24.7x	30.8x
Average									12.8%	7.8%	1.8x	13.1x	20.2x

Contact us

ABOUT US

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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