

FORTNIGHTLY NEWSLETTER – 15 JAN 2024

FUTURE OF CYBERSECURITY: DIGITAL IMMUNE SYSTEM

\$16.8bn	2022 DIS market size	Overview: <ul style="list-style-type: none">Digital immune system (DIS) is a software development practice for safeguarding applications and services from software bugs and security flaws.The DIS approach combines software engineering strategies, design, development, automation, operations, technologies, and analytics—all to cut down on operational failures, mitigate business risks, and enhance user experience (UX).Slow or poorly performing systems compromise the UX, resulting in customer dissatisfaction and, in many cases, leading customers to abandon transactions or products.A DIS will try to eliminate or at least minimize the frequency of system failures and slowness, which contributes to better overall UX and customer satisfaction.
13.3%	CAGR (2023 – 2032)	
\$57.0bn	2032E DIS market size	

Strengthening defenses of web applications:

- The digital landscape has been expanding at an unprecedented rate and with that growth comes the potential for malicious actors to wreak havoc on sensitive and critical systems. In response to this threat, a digital immune system should be developed to defend against various vulnerabilities that could lead to data breaches, cyber theft and other cyberattacks.
- DIS utilizes advanced threat detection and prevention mechanisms that continuously monitor networks, infrastructure and applications for signs of malicious activity. It also uses sophisticated algorithms, ML and other AI-based technologies to detect anomalies and patterns that may signify a cyberattack.
- As more and more organizations adopt multi-cloud strategies, ensuring that data and applications can easily move between different cloud environments will become essential. This will require the development of open standards and APIs that can facilitate seamless data flow across different clouds, as well as tools and technologies that can enable effective cross-platform management.
- DIS can also provide a range of advanced security features, such as access controls, data encryption and secure communication protocols. These features allow users to securely access sensitive data breaches, while also ensuring that data is protected from unauthorized access and tampering.
- Overall, DIS represents a significant solution to the growing problem of cyber threats in today's digitally connected world. By 2025, organizations that have prioritized digital immunity will benefit from a significant reduction in downtime – up to 80% - resulting in increased revenue, customer satisfaction and improved brand image.

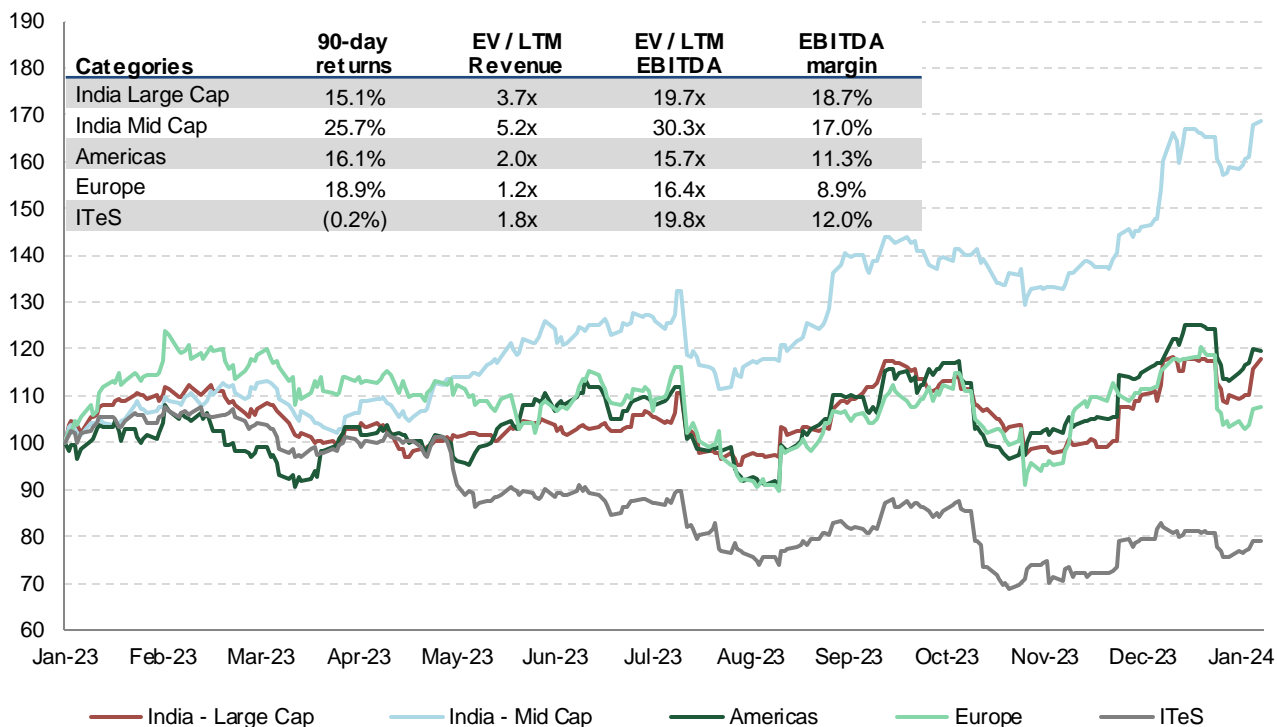
Market landscape and use cases:

- The digital immune system (DIS) market is a rapidly growing sector fueled by the ever-increasing sophistication and frequency of cyberattacks. As organizations become more reliant on digital infrastructure, the need for robust and proactive security solutions intensifies.
- IBM's X-Force Command Center offers security incident response and threat intelligence integration. McAfee's ActiveEdge and MVISION Endpoint Detection and Response (EDR) solutions provide automated incident response and endpoint protection.
- Google launched a new product that is aimed at identifying threats – Chronicle, which is part of Google Cloud Platform. It is said to provide large companies with a 'digital immune system' to view their full security system in detail, allowing threats to be detected faster and at a much broader scale.
- Market players operating in the DIS market are IBM, Cisco, Palo Alto Networks, Trend Micro, Broadcom, McAfee, FireEye, Check Point Software, Google and Microsoft.

Market performance

MARKET METRICS (AS OF 15 JAN 2024)

Indexed to 100



HIGHLIGHTS:

















- Over the past 15 days, the valuation of Indian large cap players increased by 4.8%, while that of Indian mid cap players marginally increased by 4.3%.
- Indian export of IT and BPO services during 2022-23 is estimated at \$193bn, up from \$172bn in 2021-22, growing 13.33% in the past year. Indian IT offerings are increasingly penetrating more countries and maintaining footprints in the traditional markets. Key markets for the Indian IT firms are the US, UK, Netherlands, Japan, Germany and Australia.
- Hiring in the IT sector for FY23 declined 18% Y-o-Y due to saturated markets, skill gaps and a slowdown in the global job market. The industry has shifted towards skill-based recruitment, with skills such as Java, DevOps, AI / ML, and Python being in demand. As per NLB Services, a staffing firm, the industry is likely to experience a positive turnaround with an 8-10% increase in hiring in 2024.
- Valuation of **HCL Tech** increased by ~8.9% over the last two weeks as the company reported better than expected earnings for Q3 FY24, with 7% and 13.5% increase in their revenue and net profits respectively Y-o-Y. Despite the growth in Q3 FY24, they trimmed their guidance for FY24, with revenue expected to grow by 5-5.5%, compared to 5-6% previously.
- Infosys'** valuation increased by ~7.6% over the last two weeks. The company entered into a definitive agreement to acquire InSemi, India based semiconductor design and embedded services provider for \$34m, to strengthen the company's engineering R&D capabilities.
- Valuation of **Atos** decreased by ~42% over the past two weeks as the company appointed its fourth CEO in a little over a year. Yves Bernart quit citing differences of opinion over governance as the reason, and the board replaced him with Paul Saleh, who was previously the CFO of the company since August 2023.
- Wipro's** valuation increased by 5.4% as the company reported better than expected revenue in Q3 FY24 and highlighted early signs of return to growth in client demand for its consulting services. It reported revenue of \$2.7bn for Q3 FY24 which was more than its estimate of \$2.6bn. The company's consulting business is seeing growth led by double-digit growth at Capco, a firm that Wipro acquired in 2021.

Recent Transactions (1/2)

KEY DEALS

- **Accenture Song acquires Work & Co:** Accenture Song acquired Work & Co, a global digital product company that blends design, technology, and innovation to help companies create breakthrough products and experiences. The company has nearly 400 employees across US, Europe, and Latin America. Work & Co is the latest in a series of acquisitions that Accenture Song has made to bolster its ability to help clients grow, innovate, and sustain relevance.
- **Marlabs acquires Onebridge:** Marlabs acquired Onebridge, a data analytics and enterprise application development consulting firm. With this addition, Marlabs will accelerate its data analytics consulting and execution expertise, especially in life sciences, healthcare and government sectors.
- **Milestone Technologies acquires Suyati Technologies:** Milestone Technologies acquires Suyati Technologies, an IT solutions firm with expertise in Salesforce. Suyati will strengthen Milestone's ability to drive AI enabled solutions for its clients and accelerate CX transformation along with expanding delivery footprint.

LATEST DEALS

Date	Buyer	Target	Transaction details	Target expertise
Jan-24	 Accenture Song		<ul style="list-style-type: none"> ▪ Deal size – NA ▪ EV / Sales – NA 	Brooklyn, NY-based design and technology company.
Jan-24	 marlabs <small>driving digital agility</small>		<ul style="list-style-type: none"> ▪ Deal size – NA ▪ EV / Sales – NA 	Indianapolis, IN-based data analytics and enterprise application development consulting firm.
Jan-24			<ul style="list-style-type: none"> ▪ Deal size – \$34m ▪ EV / Sales – 1.8x 	India-based semiconductor design and embedded services firm.
Jan-24	 milestone technologies		<ul style="list-style-type: none"> ▪ Deal size – NA ▪ EV / Sales – NA 	Chicago, IL-based IT solutions firm with expertise in Salesforce.
Jan-24	 accenture		<ul style="list-style-type: none"> ▪ Deal size – \$184m ▪ EV / Sales – NA 	Andover, MA-based digital transformation and managed services provider.
Jan-24	 SentinelOne		<ul style="list-style-type: none"> ▪ Deal size – NA ▪ EV / Sales – NA 	San Francisco, CA-based cloud security platform.
Jan-24	 THOMSON REUTERS		<ul style="list-style-type: none"> ▪ Deal size – \$1.5bn ▪ EV / Sales – 17.6x 	Sweden-based e-invoicing and indirect tax solutions provider.
Jan-24	 cvent		<ul style="list-style-type: none"> ▪ Deal size – NA ▪ EV / Sales – NA 	US-based cloud enterprise meeting scheduling solutions provider.

Continued on the next page

Recent Transactions (2/2)

Date	Buyer	Target	Transaction details	Target expertise
Jan-24			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	Orlando, FL-based business automation provider.
Jan-24			<ul style="list-style-type: none"> Deal size – \$203m EV / Sales – NA 	Washington, DC-based web development and digital experience firm.
Jan-24			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	Palm Harbor, FL-based digital adoption platform company.
Jan-24			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	Fernandina Beach, FL-based contact center technology advisory firm.
Jan-24			<ul style="list-style-type: none"> Deal size – \$85m EV / Sales – NA 	New York, NY-based marketing and analytics platform.
Jan-24			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	Atlanta, GA-based IT consulting company.
Jan-24			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	Manassas, VA-based application software company.
Jan-24			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	Santa Cruz, CA-based SaaS platform supply chain.
Jan-24			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	UK-based cloud software provider for aviation industry.
Jan-24			<ul style="list-style-type: none"> Deal size – \$79m EV / Sales – NA 	UK-based technology consulting firm.
Jan-24			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	Netherlands-based Salesforce solutions provider to recruitment agencies.
Jan-24			<ul style="list-style-type: none"> Deal size – NA EV / Sales – NA 	San Francisco, CA-based cloud-based security platform.

Appendix - Market Multiples

Company	Market data					LTM Performance					Growth CAGR 3 years	Valuation multiples		
	Price \$	52 week High	Low	Market cap \$m	EV \$m	Revenue \$m	EBITDA \$m	Net income \$m	EBITDA margin	EV / Sales		EV / EBITDA	P/E	
India - Large Cap														
Tata Consultancy Services Limited	47.1	47.1	37.6	170,547	164,932	28,691	7,356	5,390	25.6%	9.3%	5.7x	22.4x	31.6x	
Infosys Limited	19.9	19.9	14.9	82,572	81,068	18,552	4,250	2,952	22.9%	12.2%	4.4x	19.1x	28.0x	
HCL Technologies Limited	19.2	19.2	12.6	51,931	49,802	13,075	2,699	1,897	20.6%	9.3%	3.8x	18.5x	27.4x	
Cognizant Technology Solutions Corporation	78.0	78.0	57.1	39,095	38,172	19,434	3,436	2,089	17.7%	5.1%	2.0x	11.1x	18.7x	
Wipro Limited	6.0	6.0	4.3	31,158	28,703	10,901	1,985	1,356	18.2%	9.0%	2.6x	14.5x	23.0x	
LTI Mindtree Limited	76.3	76.3	50.6	22,579	21,836	4,203	709	533	16.9%	38.0%	5.2x	30.8x	42.4x	
Tech Mahindra Limited	16.2	16.2	12.1	14,245	13,876	6,436	729	433	11.3%	7.9%	2.2x	19.0x	32.9x	
Mphasis Limited	31.8	32.9	20.3	5,998	5,858	1,612	266	193	16.5%	8.2%	3.6x	22.0x	31.0x	
Average										18.7%	9.5%	3.7x	19.7x	29.4x

India - Mid Cap														
L&T Technology Services Limited	65.7	66.0	39.9	6,952	6,766	1,043	207	151	19.8%	11.1%	6.5x	32.7x	45.9x	
Persistent Systems Limited	92.7	92.7	48.7	6,790	6,754	1,102	183	118	16.6%	28.2%	6.1x	36.8x	NM	
CoForge Limited	79.8	79.8	43.7	4,932	5,049	1,050	146	83	13.9%	20.7%	4.8x	34.6x	NM	
Perficient, Inc.	66.8	96.3	51.5	2,322	2,664	918	170	102	18.5%	15.6%	2.9x	15.7x	22.7x	
Cyient Limited	27.7	28.7	10.3	3,074	3,093	823	136	80	16.6%	13.2%	3.8x	22.7x	38.4x	
Sonata Software Limited	9.2	9.3	3.5	2,552	2,549	975	80	57	8.2%	22.3%	2.6x	32.1x	44.6x	
Birlasoft Limited	9.5	9.5	3.1	2,616	2,457	604	65	46	10.8%	8.2%	4.1x	37.8x	NM	
Happiest Minds Technologies Limited	11.4	12.3	9.3	1,696	1,623	196	42	28	21.6%	24.7%	8.3x	38.4x	NM	
Latent View Analytics Limited	5.8	5.9	3.8	1,192	1,084	72	16	18	22.2%	NA	15.2x	68.3x	NM	
Zensar Technologies Limited	7.0	7.5	2.6	1,595	1,455	587	85	63	14.5%	2.5%	2.5x	17.1x	25.2x	
Mastek Limited	34.9	34.9	18.1	1,074	1,106	355	57	34	16.2%	18.1%	3.1x	19.3x	31.8x	
R Systems International Limited	6.4	6.9	2.9	761	725	201	28	16	14.2%	0.0%	3.6x	25.5x	46.6x	
Aceclaya Solutions India Limited	23.5	23.5	13.0	351	340	58	20	15	34.4%	6.8%	5.9x	17.0x	23.3x	
InfoBeans Technologies Limited	5.6	6.9	4.8	136	125	45	5	3	12.1%	21.3%	2.8x	23.0x	NM	
Sasken Technologies Limited	18.5	18.6	9.5	279	269	51	8	11	15.6%	(5.8%)	5.2x	33.7x	25.2x	
Average										17.0%	16.0%	5.2x	30.3x	33.7x

Americas														
Company	Price \$	52 week High	Low	Market cap \$m	EV \$m	Revenue \$m	EBITDA \$m	Net income \$m	EBITDA margin	Growth CAGR 3 years	EV / Sales	EV / EBITDA	P/E	
Accenture plc	356.3	356.3	246.2	223,416	220,159	64,588	11,304	6,880	17.5%	13.0%	3.4x	19.5x	32.5x	
CGI Inc.	105.7	108.4	84.9	24,586	26,198	10,568	1,852	1,206	17.5%	5.0%	2.5x	14.1x	20.4x	
EPAM Systems, Inc.	307.7	379.3	203.3	17,756	15,997	4,765	697	475	14.6%	22.9%	3.4x	23.0x	37.4x	
Globant S.A.	236.2	246.8	137.1	9,986	9,987	2,006	307	156	15.3%	37.8%	5.0x	32.5x	NM	
DXC Technology Company	24.2	29.6	19.1	4,684	8,921	14,039	482	(562)	3.4%	(9.4%)	0.6x	18.5x	NM	
Thoughtworks Holding, Inc.	4.6	11.4	3.3	1,468	1,720	1,185	72	(30)	6.0%	15.4%	1.5x	24.0x	NM	
Grid Dynamics Holdings, Inc.	13.0	14.1	8.1	980	738	315	2	(11)	0.6%	40.7%	2.3x	NM	NM	
The Hackett Group, Inc.	22.8	24.7	17.4	622	658	289	59	36	20.4%	6.5%	2.3x	11.2x	17.3x	
Unisys Corporation	6.4	6.7	2.6	438	612	2,015	145	(257)	7.2%	0.3%	0.3x	4.2x	NM	
Sonda S.A.	0.4	0.5	0.4	346	630	1,333	108	40.2	8.1%	9.0%	0.5x	5.8x	8.6x	
Positivo Tecnologia S.A.	1.4	2.0	1.2	195	386	715	97	38	13.5%	29.2%	0.5x	4.0x	5.1x	
Average										11.3%	8.1%	2.0x	15.7x	20.2x

Europe														
Company	Price \$	52 week High	Low	Market cap \$m	EV \$m	Revenue \$m	EBITDA \$m	Net income \$m	EBITDA margin	Growth CAGR 3 years	EV / Sales	EV / EBITDA	P/E	
Capgemini SE	213.1	213.8	163.4	36,433	41,617	24,818	3,352	1,844	13.5%	14.5%	1.7x	12.4x	19.8x	
Alten S.A.	143.2	173.8	114.9	4,946	4,845	4,372	423	469	9.7%	14.7%	1.1x	11.5x	10.5x	
Endava plc	77.4	94.0	45.5	4,509	4,388	960	162	91	16.9%	26.9%	4.6x	27.0x	49.4x	
Sopra Steria Group SA	212.7	227.7	163.0	4,294	5,429	5,892	559	271	9.5%	6.0%	0.9x	9.7x	15.9x	
TietoEVRY Oyj	24.1	33.2	20.5	2,857	3,908	3,036	375	203	12.4%	(0.5%)	1.3x	10.4x	14.1x	
Indra Sistemas, S.A.	16.8	16.8	11.8	2,957	3,232	4,475	375	214	8.4%	7.3%	0.7x	8.6x	13.8x	
Cancom SE	30.9	37.0	22.9	1,119	1,109	1,517	56	30	3.7%	0.5%	0.7x	19.9x	37.0x	
Atos SE	4.5	16.3	4.5	502	4,207	12,365	853	(1,211)	6.9%	(1.4%)	0.3x	4.9x	NM	
Aubay Société Anonyme	44.0	56.9	32.1	583	515	579	53	39	9.2%	6.6%	0.9x	9.7x	15.1x	
Capita plc	0.3	0.5	0.2	429	1,192	3,780	21	(35)	0.6%	(8.1%)	0.3x	57.2x	NM	
Know it AB (publ)	13.6	23.3	10.8	373	484	665	52	24	7.8%	21.0%	0.7x	9.3x	15.2x	
Average										8.9%	6.5%	1.2x	16.4x	21.2x

ITeS														
Company	Price \$	52 week High	Low	Market cap \$m	EV \$m	Revenue \$m	EBITDA \$m	Net income \$m	EBITDA margin	Growth CAGR 3 years	EV / Sales	EV / EBITDA	P/E	
Genpact Limited	34.8	48.4	31.6	6,313	7,309	4,433	719	430	16.2%	6.2%	1.6x	10.2x	14.7x	
ExlService Holdings, Inc.	30.9	35.7	25.2	5,090	5,088	1,591	279	176	17.5%	18.1%	3.2x	18.2x	28.9x	
WNS (Holdings) Limited	68.0	93.2	53.2	3,135	3,240	1,282	225	159	17.5%	11.8%	2.5x	14.4x	19.7x	
Firstsource Solutions Limited	2.5	2.5	1.3	1,734	1,890	738	93	66	12.6%	7.4%	2.6x	20.3x	26.1x	
TTEC Holdings, Inc.	20.4	53.6	15.3	966	1,934	2,495	277	41	11.1%	10.7%	0.8x	7.0x	23.7x	
Conduent Incorporated	3.5	4.9	2.5	767	1,990	3,755	272	(635)	7.2%	(3.7%)	0.5x	7.3x	NM	
Hinduja Global Solutions Limited	12.1	16.6	11.2	562	684	542	11	13	2.1%	(8.1%)	1.3x	61.4x	42.9x	
Average										12.0%	4.1%	1.8x	19.8x	26.0x

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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