

## FORTNIGHTLY NEWSLETTER – 15 FEB 2023

### GENERATIVE AI IN THE HEALTHCARE SECTOR

\$11bn

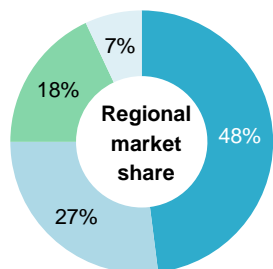
AI healthcare market size (2021)

42%

2023-32 CAGR

\$164bn

AI healthcare market size (2029)



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

#### Overview:

- The healthcare industry is one of the top producers of big data given the increasing digitalization and adoption of information systems within the industry coupled with the complexity and volume of data generated throughout the care delivery process.
- A rising need of quality healthcare facilities, under-staffed hospitals and long timelines for the development of drugs and vaccines necessitate a more efficient healthcare ecosystem and AI, specifically generative AI, will play a big role in achieving the same.

#### Why the healthcare ecosystem is paying attention...

- COVID-19 showed the world that we will not always have years to develop drugs and vaccines. It also highlighted the mismatch between the population and the size of the healthcare workforce. With the large amounts of data available, AI can hasten and automate numerous sub-processes leading to better health outcomes.
- The healthcare industry's collaboration with AI has been established by a growing demand for NLP-based voice recognition software that can automate patient data entry, improving productivity and cash flows. Microsoft's \$20 billion acquisition of healthcare focused voice AI solutions provider, Nuance Communications is a testimony to the growth opportunity that the healthcare vertical offers to AI-based technologies.
- While AI in healthcare has been around for a while, generative AI, with its deep learning techniques and advanced machine learning models, has been generating significant interest from medical practices, professional organizations as well as medical journals leading to the creation of task forces to probe how generative AI might be useful and to understand what limitations and ethical concerns it may bring.
- According to a study by Ansible Health, ChatGPT demonstrated that it could probably pass the medical licensing exam.

#### Recent developments:

- In Feb-23, ZS, a global management consulting firm with deep expertise in the healthcare vertical, announced its acquisition of Trials.ai, an AI-powered clinical study design company to help clinical development teams devise smarter studies and reduce the time to launch new pharmaceutical products.
- In Nov-22, Syntegra, a leader in generating synthetic healthcare data, used generative AI to create synthetic datasets while maintaining the statistical fidelity of the real data, including rare cohorts and outliers, and fully protecting patient privacy and complying with HIPAA and GDPR standards.

#### Potential near-term use cases:

















- **Drug discovery and development:** Analyze historical data and identify potential combinations of compounds which are most likely to be effective
- **Uninterrupted medical assistance:** Provide round-the-clock monitoring and create alerts for patients as well as doctors when data from the wearable devices breach ranges preset by the doctors
- **Personalized medicine:** Create personalized treatment plans for patients considering their medical history and identifying patterns thereby increasing the chances of success and reducing the risk of side effects

# Recent Transactions (1/2)

## KEY DEALS

- **Accenture acquires Morphus:** Accenture acquired Morphus, a Forteleza, Brazil-based cybersecurity company providing cyber defense, risk management and cyber threat intelligence services. The deal expands Accenture's cybersecurity capabilities in Brazil and Latin America.
- **Francisco Partners acquires Sumo Logic:** Francisco Partners acquired Sumo Logic, a SaaS platform providing real-time analytics and insights across observability and security solutions, in an all-cash, take-private deal for c.\$1.7bn at \$12.05 per share. This represents c.57% premium over Sumo Logic's unaffected closing stock price on January 20, 2023, the last full trading day prior to media speculations regarding a possible transaction.
- **ZS to acquire Trials.ai:** Global management consulting and technology firm ZS announced that it had signed an agreement to acquire AI-powered study design company Trials.ai. With this deal, ZS will empower clinical development teams develop smarter studies, improve participant experience and accelerate timelines for the launch of pharmaceutical products.

## LATEST DEALS

Date	Buyer	Target	Transaction details	Target expertise
Feb-23			<ul style="list-style-type: none"> <li>▪ Deal size – NA</li> <li>▪ EV / Sales – NA</li> </ul>	Roswell, GA-based IT support and managed services provider to companies across the Southeast US
Feb-23			<ul style="list-style-type: none"> <li>▪ Deal size – NA</li> <li>▪ EV / Sales – NA</li> </ul>	Israel-based SaaS application security platform
Feb-23			<ul style="list-style-type: none"> <li>▪ Deal size – NA</li> <li>▪ EV / Sales – NA</li> </ul>	German IT infrastructure and managed services provider
Feb-23			<ul style="list-style-type: none"> <li>▪ Deal size – NA</li> <li>▪ EV / Sales – NA</li> </ul>	Brazil-based Cyber defense, risk management and cyber threat intelligence services company
Feb-23			<ul style="list-style-type: none"> <li>▪ Deal size – NA</li> <li>▪ EV / Sales – NA</li> </ul>	Spanish Salesforce implementation and marketing services provider
Feb-23			<ul style="list-style-type: none"> <li>▪ Deal size – \$1.7bn</li> <li>▪ EV / Sales – 4.9x</li> </ul>	Redwood City, CA-based platform for real-time analytics and insights across observability and security solutions
Feb-23			<ul style="list-style-type: none"> <li>▪ Deal size – NA</li> <li>▪ EV / Sales – NA</li> </ul>	Salesforce Platinum Partner and one of Australia's leading Salesforce consultancies
Feb-23			<ul style="list-style-type: none"> <li>▪ Deal size – NA</li> <li>▪ EV / Sales – NA</li> </ul>	German data strategy, analytics, data science and data management services company

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# Recent Transactions (2/2)

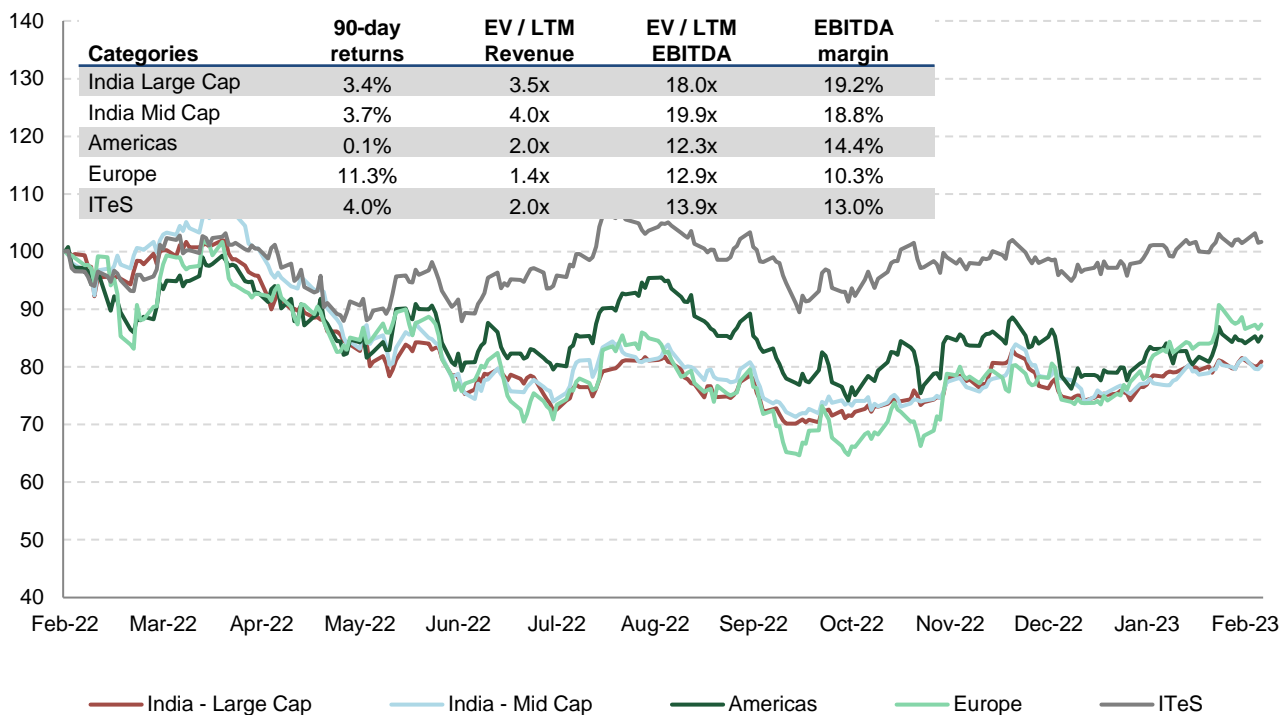
## LATEST DEALS (CONT'D)

Date	Buyer	Target	Transaction details	Target expertise
Feb-23	<b>THOUGHTFOCUS</b>	 BreakFree	<ul style="list-style-type: none"> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	Chicago, IL-based product development, cloud enablement, and DevOps implementation services provider
Feb-23	 J.P.Morgan ASSET MANAGEMENT	 SKYBOX SECURITY	<ul style="list-style-type: none"> <li>Deal size – \$50m</li> <li>EV / Sales – NA</li> </ul>	San Jose, CA-based security policy and vulnerability management platform
Feb-23	 		<ul style="list-style-type: none"> <li>Deal size – \$25m</li> <li>EV / Sales – NA</li> </ul>	Bengaluru, India-based AI-powered integrated market research platform
Feb-23			<ul style="list-style-type: none"> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	San Francisco, CA-based secure data-sharing software company
Feb-23			<ul style="list-style-type: none"> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	San Diego, CA-based AI-powered clinical study design company
Feb-23			<ul style="list-style-type: none"> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	Australian AWS Advanced Consulting Partner and managed cloud services provider
Feb-23			<ul style="list-style-type: none"> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	Australian SAP Asset, Work and Project specialist
Feb-23			<ul style="list-style-type: none"> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	New York, NY-based strategy and consulting services provider to companies in the life sciences vertical
Feb-23			<ul style="list-style-type: none"> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	Houston, TX-based UI/UX design, full-stack development, DevOps, QA, and Web3 services company
Feb-23			<ul style="list-style-type: none"> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	France-based leading provider of Identity Governance and Analytics (IGA) software
Feb-23			<ul style="list-style-type: none"> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	Mumbai, India-based Adobe DX focused experience engineering services
Feb-23			<ul style="list-style-type: none"> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	London, UK-based provider of intelligent automation services to companies in the financial services industry vertical

# Market performance

## MARKET METRICS (AS OF 15 FEB 2023)

Indexed to 100



## HIGHLIGHTS:

- Over the past 15 days, the valuation of Indian large cap players increased by 2.5% while that of Indian mid cap players increased by 0.8%.
- LTIMindtree's** shares shot up by 7.1% over the last 15 days after a series of positive developments. The company announced a multi-year engagement that enables Criteo, the commerce media company, to enhance its business agility, IT service quality and scalability. In another development, the company announced that it had achieved the Guidewire PartnerConnect Testing Standards specialization. The sentiment for the stock further improved as the company's CEO as well as market analysts opined that LTIMindtree stands to benefit both from the complementary portfolios of the individual entities as well as the combined scale.
- Coforge's** valuation decreased by 7.3% over the last 15 days as promoter Baring PE Asia (BPEA) offloaded 9.8% stake in the company via a block deal. This development negated other positive news that the company reported including its strategic partnership with Denodo to enable BFSI clients to undertake agile modernization projects and its partnership with Transcard to automate disbursements and collections for insurance companies.
- Zensar's** share price continued its upward momentum gaining 10.6% in the last fortnight as the stock recovered from oversold territory. The sentiment for the stock further improved after promoter Swallow Associates acquired an additional 63,000 shares from the open market.
- Sonata Software's** share price rose by 7.3% in the past 15 days after the company reported that it had signed a strategic agreement with MarTech major Freshworks to expand its sales channel in the country. Sonata Software will sell and implement Freshworks' SaaS solutions to help SMEs. The positive sentiment for IT stocks only aided this development.
- CGI's** share price rose by 9.4% over the past 15 days after the company reported revenue and earnings ahead of analyst expectations. The company reported a revenue growth of 11.6% and an EPS growth of 4.1% on a y-o-y basis. The company also announced that it would buy back up to 18.8 million shares, translating to 10% of its public float, over the course of a one-year period.



# Appendix - Market Multiples

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>India - Large Cap</b>														
Cognizant Technology Solutions Corporation	67.1	93.1	52.0	34,189	33,235	19,428	3,558	2,290	18.3%	5.0%	1.7x	9.3x	14.9x	
HCL Technologies Limited	13.7	15.9	11.0	37,032	35,765	12,344	2,622	1,828	21.2%	8.5%	2.9x	13.6x	20.3x	
Infosys Limited	19.3	25.1	16.8	79,375	77,904	17,937	4,162	2,989	23.2%	12.4%	4.3x	18.7x	26.6x	
LTIMindtree Limited	57.3	84.1	48.4	16,940	16,240	2,559	439	332	17.1%	20.7%	6.3x	37.0x	NM	
Mphasis Limited	26.1	45.2	23.1	4,912	4,780	1,657	271	196	16.3%	11.4%	2.9x	17.7x	25.0x	
Tata Consultancy Services Limited	42.5	50.8	36.6	155,538	149,868	26,207	6,731	4,916	25.7%	6.4%	5.7x	22.3x	31.6x	
Tech Mahindra Limited	12.9	20.6	12.0	11,380	10,901	6,246	871	631	13.9%	7.0%	1.7x	12.5x	18.0x	
Wipro Limited	4.9	8.0	4.6	26,943	24,591	10,652	1,900	1,373	17.8%	7.9%	2.3x	12.9x	19.6x	
<b>Average</b>									<b>19.2%</b>	<b>8.0%</b>	<b>3.5x</b>	<b>18.0x</b>	<b>22.3x</b>	
<b>India - Mid Cap</b>														
Accelya Solutions India Limited	13.9	21.0	10.8	207	198	51	18	12	35.6%	(6.9%)	3.9x	10.9x	16.6x	
Birlasoft Limited	3.5	6.5	3.2	971	897	564	59	43	10.4%	12.5%	1.6x	15.3x	22.8x	
Coloforge Limited	49.7	62.5	40.6	3,035	3,090	917	140	95	15.3%	17.3%	3.4x	22.0x	31.9x	
Cyient Limited	11.1	12.5	8.8	1,223	1,282	658	85	61	13.0%	1.2%	1.9x	15.0x	20.0x	
Happiest Minds Technologies Limited	10.1	15.3	10.1	1,443	1,437	163	38	27	23.2%	24.2%	8.8x	37.9x	NM	
InfoBeans Technologies Limited	6.2	10.7	5.7	149	144	46	9	6	19.2%	33.9%	3.1x	16.2x	26.5x	
Latent View Analytics Limited	4.4	6.9	4.0	884	793	62	18	19	28.5%	NA	12.7x	44.8x	46.7x	
L&T Technology Services Limited	43.7	68.9	37.3	4,617	4,584	923	179	136	19.3%	5.8%	5.0x	25.7x	34.1x	
Mastek Limited	18.6	44.3	18.6	565	592	294	52	36	17.5%	27.9%	2.0x	11.5x	15.6x	
Perficient, Inc.	77.0	115.1	60.1	2,666	3,071	887	175	82	19.7%	17.1%	3.5x	17.5x	32.3x	
Persistent Systems Limited	58.3	65.2	38.8	4,249	4,198	935	162	105	17.3%	24.2%	4.5x	26.0x	40.4x	
Sasken Technologies Limited	11.1	12.9	9.3	167	155	55	14	13	25.4%	(8.9%)	2.8x	11.1x	12.6x	
Sonata Software Limited	8.0	8.0	6.0	1,104	1,053	846	67	53	7.9%	18.1%	1.2x	15.7x	20.8x	
Zensar Technologies Limited	3.1	5.1	2.4	706	584	579	61	41	10.5%	(0.8%)	1.0x	9.6x	17.3x	
<b>Average</b>									<b>18.8%</b>	<b>12.5%</b>	<b>4.0x</b>	<b>19.9x</b>	<b>26.0x</b>	

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<b>Americas</b>														
Accenture plc	287.7	344.5	250.1	181,145	179,232	62,377	10,576	7,051	17.0%	12.4%	2.9x	16.9x	25.7x	
CGI Inc.	93.6	93.6	73.9	22,107	24,008	9,772	1,709	1,094	17.5%	1.3%	2.5x	14.1x	20.2x	
DXC Technology Company	29.4	37.4	23.3	6,755	10,723	14,847	2,696	718	18.2%	(9.5%)	0.7x	4.0x	9.4x	
EPAM Systems, Inc.	366.5	462.5	174.8	21,080	19,731	4,825	788	419	16.3%	28.1%	4.1x	25.0x	50.3x	
Globant S.A.	165.9	275.7	156.1	6,931	6,707	1,780	308	149	17.3%	39.2%	3.8x	21.8x	46.5x	
Thoughtworks Holding, Inc.	10.5	23.2	7.8	3,303	3,560	1,272	(54)	(156)	NM	NA	2.8x	NM	NM	
Grid Dynamics Holdings, Inc.	13.1	22.0	9.2	972	723	310	(14)	(29)	NM	37.9%	2.3x	NM	NM	
Positivo Tecnologia S.A.	1.4	2.6	1.0	196	395	887	87	38.3	9.8%	25.1%	0.4x	4.5x	5.1x	
Sonda S.A.	0.5	0.5	0.3	448	678	1,257	123	42	9.8%	3.7%	0.5x	5.5x	10.7x	
The Hackett Group, Inc.	21.9	24.8	17.7	588	523	290	58	41	20.1%	3.6%	1.8x	9.0x	14.4x	
Unisys Corporation	5.7	22.8	4.0	389	636	1,980	67	(106)	3.4%	(3.8%)	0.3x	9.5x	NM	
<b>Average</b>									<b>14.4%</b>	<b>7.3%</b>	<b>2.0x</b>	<b>12.3x</b>	<b>22.8x</b>	
<b>Europe</b>														
Alten S.A.	157.8	161.8	102.0	5,359	5,491	3,508	395	269	11.3%	7.8%	1.6x	13.9x	19.9x	
Atos SE	12.6	37.9	7.1	1,385	4,529	11,476	438	(3,487)	3.8%	(3.3%)	0.4x	10.3x	NM	
Aubay Société Anonyme	53.9	66.7	39.4	714	664	518	54	38	10.4%	3.5%	1.3x	12.3x	18.9x	
Cancom SE	35.8	63.7	22.9	1,261	1,068	1,278	93	39	7.3%	(7.6%)	0.8x	11.5x	32.7x	
Capgemini SE	199.7	225.8	149.6	34,589	40,315	23,506	2,936	1,653	12.5%	14.0%	1.7x	13.7x	20.9x	
Capita plc	0.3	0.4	0.3	582	1,484	3,743	(201)	(31)	NM	(9.2%)	0.4x	NM	NM	
Endava plc	82.0	142.3	63.7	4,659	4,517	905	159	113	17.6%	29.0%	5.0x	28.4x	41.2x	
India Sistemas, S.A.	12.2	12.6	7.5	2,144	2,397	3,695	291	142	7.9%	0.9%	0.6x	8.2x	15.1x	
Knowit AB (publ)	21.1	36.1	18.1	577	685	656	73	37	11.1%	22.5%	1.0x	9.4x	15.6x	
Sopra Steria Group SA	173.0	191.3	118.9	3,495	4,354	5,462	540	265	9.9%	3.1%	0.8x	8.1x	13.2x	
TietoEVRY Oyj	31.6	31.7	21.9	3,738	4,471	3,129	354	202	11.3%	17.1%	1.4x	12.6x	18.5x	
<b>Average</b>									<b>10.3%</b>	<b>5.2%</b>	<b>1.4x</b>	<b>12.9x</b>	<b>21.8x</b>	

Company	Market data					LTM Performance					Growth	Valuation multiples		
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<b>ITeS</b>														
Conduent Incorporated	4.2	5.8	3.3	921	1,953	3,858	394	(182)	10.2%	(4.8%)	0.5x	5.0x	NM	
ExiService Holdings, Inc.	172.0	189.1	113.5	5,688	5,767	1,412	242	143	17.2%	12.5%	4.1x	23.8x	39.8x	
Firstsource Solutions Limited	1.4	1.9	1.2	987	1,134	726	97	61	13.3%	9.0%	1.6x	11.7x	16.2x	
Genpact Limited	47.5	48.7	38.4	8,682	9,706	4,371	632	353	14.5%	7.5%	2.2x	15.4x	24.6x	
Hinduja Global Solutions Limited	15.7	20.8	11.0	825	730	427	(3)	737	NM	(16.8%)	1.7x	NM	1.1x	
Startek, Inc.	4.1	5.0	2.6	165	394	677	56	8	8.3%	1.6%	0.6x	7.0x	21.8x	
TTEC Holdings, Inc.	50.0	87.1	40.1	2,360	3,323	2,398	305	110	12.7%	14.4%	1.4x	10.9x	21.5x	
WNS (Holdings) Limited	86.5	88.9	68.5	4,163	4,352	1,208	182	140	15.1%	10.7%	3.6x	23.9x	29.8x	
<b>Average</b>									<b>13.0%</b>	<b>7.8%</b>	<b>2.0x</b>	<b>13.9x</b>	<b>22.1x</b>	

# 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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