



CHESAPEAKE TECHNOLOGY NEWSLETTER

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THE CHESAPEAKE GROUP

INVESTMENT BANKING & STRATEGIC ADVISORY

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Note: Market data as of June 15, 2020



Section 1:

Fortnightly update

This fortnightly in technology...

Are SaaS companies in India finally taking off?

Overview

- This month, API development platform Postman raised \$150m from a group of investors including Insight Partners, CRV and Nexus Venture Partners at a valuation of c.\$2bn, as per news reports. Postman joins a growing club of Indian SaaS startups, such as Freshworks, Druva, and Zoho to join the “unicorn” club in terms of billion dollar plus valuations. It seems that enterprise software firms – more importantly investments in such firms – is finally taking off India which may provide the much-needed boost to the Indian technology industry.

Why has it taken so long?

- India is largest software services exporter in the world. The Indian IT services industry is c.\$200bn in revenue – with bellwethers such as TCS being valued at c.\$100bn. Yet, we are far behind the rest of the world (US, EU and China) in terms of software companies.
- Part of this is because it requires a completely different DNA (from founders as well as investors) to build software companies than services companies. The Indian IT industry, despite changing delivery models in the last few years, is still largely a labour arbitrage play. More importantly, the IT services model is a cash generating model from the get-go, and hence does not need huge investments and R&D cycles.
- On the contrary, software companies require significant upfront investment to reach a certain scale. However, at scale software companies can potentially be twice or thrice as profitable as services businesses. This is even more true for SaaS business with its recurring revenue model.
- Venture capital investments in India, till a few years back, were largely concentrated on the internet / e-Commerce industry and managed to create behemoths such Flipkart, Ola , Quikr in every category. This play was largely to capitalize on India’s trillion-dollar **domestic** retail industry.
- This boom in investments in the internet space was not replicated in the enterprise software space because the domestic market is quite small in India – c.\$7bn in revenue vs. the Chinese market which is over \$400bn in revenues.

Low cost issues

- The single factor that benefitted the IT industry the most is probably what hurts the Enterprise software industry the most – low cost. India is an extremely price sensitive market and one which has never paid market rates for software products. In 2018, test conducted by Microsoft showed that over 90% of new PCs in India loaded with a high of pirated software!
- Software pricing in India is at least 60-75% lower than that of the US. Large enterprise software companies such as Microsoft, Salesforce and AWS have significantly discounted prices for India. This means an Indian software company will find it that much more difficult to scale in its domestic market – and therefore has to look outside. No scale equals no investments.
- For the Indian SaaS companies to compete with global players, Indian enterprises, including the government, need to start paying market rates for software. Only then will India be able to create large global software players.

Section 2:

Recent news and press releases

Recent news excerpts – Company specific

Cyient looking at phased recovery after COVID impact, says COO – Economic Times

Jun 14, 2020 – Cyient is looking at a phased recovery in its business after a big decline in its profits in the last quarter of FY 20, impacted heavily by COVID-19. The newly appointed Chief Operating Officer of the company, Karthikeyan Natarajan who took charge in March said that the company is not just looking at 'revival but also a reset'. Cyient derives a significant part of its revenue from sectors like Aerospace, Defense and Transportation which have become stressed due to global travel restrictions. The engineering and technology provider reported an over 73% decline in consolidated net profit in the quarter ended March. The impact of the pandemic led slowdown was felt on many parts of its business, the company had said. "We are looking at how we really stabilise our operations in the next six months," said Natarajan. "We hope we are at the end of the tunnel for the 'survive' phase," he added, referring to the return of normalcy in some pockets of the company's business.

Work from home has added to expenses, says TCS – Economic Times

Jun 12, 2020 – Employees working from home during the nationwide lockdown was not a cost-saving measure for TCS and, in fact, added to expenses, said Tata Sons chairman N Chandrasekaran, pointing out that the IT services provider had already signed long-term leases for its offices. "It is not being done for cost reasons. In fact, TCS has long term leases, so currently it is all investment and more expenses," Chandrasekaran told shareholders at Tata Consultancy Services' annual general meeting, the first virtual gathering of stakeholders by any Indian corporation. "This (work from home arrangement) is something that has happened suddenly and TCS has not seen it as a temporary measure. TCS has not responded to it (Covid-19) as a stop-gap arrangement. TCS can only see and gauge what the trend is going to be. So, we are seeing this as a trend and are making significant investments," he said.

COVID-19: Infosys unveils solutions to help clients offer safe workplaces to employees – Economic Times

Jun 11, 2020 – IT major Infosys unveiled a new suite of 'Return to Workplace' solutions to help clients ensure safety and wellness of their employees as staff returns to workplace amid the COVID-19 pandemic. The cloud and edge-based solutions offer a comprehensive framework that enables enterprises to put in place elevated body temperature (EBT) screening, check for mask compliance and undertake analytics around occupancy of workspaces, Infosys SVP and Head- Engineering Services Nitesh Bansal. He added that these solutions do not collect any personally identifiable information (PII) and instead use the power of AI, Internet of Things, Vision Analytics, Edge Computing, 5G, RFID, biometrics and gesture controls to reduce the need for human intervention and enable data-driven decision making. "The underlying platform ensures ease of maintenance and compliance reporting as required in various geographies," he said.

Infosys shrinks top management, grows number of lower-level positions – Economic Times

Jun 11, 2020 – Infosys shrunk top and senior-level positions during the previous financial year even as mid and associate level positions rose, pointing to a strategy of hiring more people at lower costs. The company, which released the data in its latest sustainability report, said the number of top-level employees fell by 5% to 926 positions in the fiscal year 2020 from a year earlier. The number of senior-level employees dipped slightly to 30,013 in the same period. The number of employees in mid-level positions went up 4% to 115,277 and associate-level positions, at the bottom of the organization, grew about 9% to 94,584 in the last financial year. ET reported last year that Infosys was looking to trim costs by \$100-\$150 million in the fiscal year 2020, hiring freshers to reduce employee costs and rejigging roles for middle and senior management. In 2019, in contrast, all top, senior and middle-level employees grew in number compared with the fiscal year 2018 and associate-level positions actually shrunk.

TCS iON partners with NSDC to accelerate skill development – Economic Times

Jun 10, 2020 – TCS iON, a strategic unit of Tata Consultancy Services, on Wednesday said it has partnered with the National Skill Development Corporation (NSDC) to provide its training partners access to digital skilling tools using TCS' iON Digital Glass Room. The partnership aims to strengthen NSDC's online content aggregation platform - eSkill India - through which it enables e-learning amongst skill seekers and will contribute towards strengthening the Skill India mission, TCS iON said in a statement. The TCS iON Digital Glass Room is a web-based digital education platform that empowers educators to engage with students in real-time by uploading and sharing their own lessons. "It is our endeavor to empower training partners with all the necessary digital platforms so that they can open more training centers across the country and enable a larger set of students with the skills needed for the future workplace," TCS iON Global Head Venguswamy Ramaswamy said.

Recent news excerpts – Company specific (cont'd)

Wipro extends collaboration with Amazon Web Services for DevOps – Economic Times

Jun 09, 2020 – Wipro has extended its strategic relationship with Amazon Web Services (AWS) to include capabilities in the area of DevOps. As a part of this alliance, both companies would collaborate to help global organizations leverage the benefits of automation, effective monitoring and rapid deployment using DevOps, said Wipro in a press release. Wipro's marquee offering for end-to-end DevSecOps, Digital Rig, accelerates digital innovation and delivery through self-service while complying with federated and automated governance. Delivered from the 'Wipro AWS Launch Pad' and aligned with Wipro's agile anywhere approach, Digital Rig supports new ways of working in the current Covid-19 environment leveraging AWS Cloud. Organizations can benefit from its established methodologies and frameworks, which cater to the entire DevOps engagement lifecycle by defining and managing DevOps as a code. Wipro has recently attained the AWS DevOps competency status.

TCS Ignio to touch \$100million revenue milestone this year – Economic Times

Jun 08, 2020 – TCS expects demand for its Artificial Intelligence product, Ignio, to increase as more companies shift to a work-from-home model in the aftermath of the Covid-19 pandemic, its top executive said. Ignio, an automated product that helps companies pre-empt system failures, inched close to \$100 million in annual revenue in the previous financial year, said CEO Rajesh Gopinathan, after topping \$60 million in fiscal year 2019 and garnering \$31 million in 2018. "We had hoped that it (revenue from Ignio) will cross \$100 million this year (FY20) but it's just short of it. It is still doing quite well," Gopinathan said. "Its relevance will increase significantly as we go into a distributed operating model." Ignio is part of TCS-owned Digitate and helps companies reduce outages by identifying potential hotspots for failure in their networks. Ignio was expanded from Ignio AIOps to include four other products in the last year.

Hexaware de-listing: Analysts expect 30-40% upside in actual offer price – Mint

Jun 08, 2020 – Hexaware Technologies' actual offer price to delist its shares could be at a 30-40% premium to the closing price prior to the announcement, according to analysts. According to Morgan Stanley, if successful, the exit price could be at 35-40% premium to pre-announcement price, if not, stock could pare gains. While the floor price will be announced in due course, promoters have indicated an offer price of ₹285 per share - an almost a 10% premium over the closing price of 4 June. According to the company, delisting would not only provide operational flexibility and cost savings and re-channel management bandwidth towards business but would also give public shareholders the opportunity to realize value in an uncertain environment.

Cognizant CFO signals further cost cuts, says TCS good at cost management – Economic Times

Jun 05, 2020 – Top services provider Cognizant will further streamline costs in its core legacy business, its chief financial officer has said. Karen McLoughlin, speaking at a Bernstein conference last week, also said rival TCS managed costs better, which Cognizant would find difficult to emulate. "As that business (legacy) has matured, the reality is it needs less investment than it did five, ten years ago. I think the pivot we have to make is how do we think about cost structure on that part of the business," she said. "I'm not sure we will ever get to the levels of a TCS. They do a remarkable job on that and driving margins," McLoughlin said. Cognizant has been working on reducing expenditure, including a voluntary separation program and planned job cuts by the middle of the year. The company is shedding those staffers not on active projects through the program. Since last year the company has seen several involuntary exits at the senior executive level.

HCL expands partnership with Google Cloud – Economic Times

Jun 04, 2020 – Country's third largest software services firm HCL Technologies has announced the expansion of their strategic partnership with Google to bring HCL's software offerings, starting with HCL Commerce, to the Google Cloud. HCL Commerce drives more than \$100 billion in annual client revenues for the company. In addition, businesses across industries will be able to develop positive, data-driven customer experiences online by leveraging Google Cloud's capabilities in artificial intelligence, machine learning and analytics, the company said. "The collaboration between Google Cloud and HCL Commerce is helping customers rapidly execute their digital transformation strategy that is rooted in the new normal. With the support of our global implementation partner ecosystem, we can now deliver a proven, comprehensive commerce solution across all industries, handling the challenges of today and in the future," said Darren Oberst, Corporate Vice President and Head of HCL Software.

Recent news excerpts – Industry

Economic Times
Jun 12, 2020

Gig coders to become mainstream phenomenon in Indian IT

Software engineers could be contracted for 200 hours a year and paid per hour in the near future, if a model involving gig workers gains traction. As remote delivery of services becomes increasingly accepted by clients, India's IT services firms could mainstream gig workers in the post-pandemic world as work-from-home makes employing such talent feasible on a large scale. At a recent IT event, Infosys' President and Deputy COO Ravi Kumar said the percentage of gig workers will go up to 35% in IT organisations. The Bengaluru-based IT services provider, which has been employing freelance or gig workers for some time, expects the proportion to increase due to the changing demands from clients. Gig-friendly work will largely be in the domains of Artificial Intelligence, data analytics, product engineering, cloud computing and those that focus on the intersection of people and technology such as interface design and consumer behavior analysis.

Times of India
Jun 11, 2020

Indian IT companies' digital revenue crosses \$50billion

Barely three years ago, there were analysts who looked at the advances in technology, in new digital areas like AI/ML, sensors and robotics, and were convinced that Indian IT was not responding to these changes. Some predicted the demise of leaders in Indian IT. Figures from Indian IT association Nasscom show that the new digital areas crossed the \$50 billion revenue milestone last fiscal. That's more than a quarter of the total revenue of \$191 billion. For some of the leading companies, it's even higher. For TCS, Infosys and Wipro, digital accounted for 33%, 42% and 41% respectively of their overall revenues for the same fiscal year. Firms define digital differently, so these numbers are not strictly comparable. But they are nonetheless an indication of the amount of progress made. Nasscom started breaking out digital from 2012 and then digital was merely 4% of the sector's revenue.

Economic Times
Jun 09, 2020

Mid tier Indian IT firms see deals back after slowdown due to COVID-19

Mid-tier technology services firms have signed on new deals over April and May, shaking off a slump seen in March due to the Covid-19 pandemic induced lockdown in several countries. Several companies across the world temporarily halted new projects as economies went into a tailspin following the outbreak, but certain industry segments have started engaging with their IT partners to cut costs and remain relevant. Zensar Technologies, which had a deal pipeline of \$600 million at the end of March, said it had reached \$1 billion by early May. The company is working proactively with clients to consolidate their business with the firm. Mindtree also said it was winning deals. L&T Technology Services (LTTS) won a couple of deals just under \$50 million from automotive and media clients, while Persistent Systems signed a similar one with a software client.

Economic Times
Jun 06, 2020

IT services spend may fall over 10%, shows research

Technology and business services spending will see a more than 10% decline in 2020 globally due the pandemic-led slowdown across industry sectors, IT research and advisory firm HfS Research has said. The impact on gross domestic product (GDP) from the second quarter of 2020 is expected to be 10-15% in all major Western European and North American markets, resulting in a sharp fall in IT services spending by organizations, it said. The impact on operational services will not hit revenues in Q1, but will gradually affect the market as deal signings slow significantly and are deferred to Q1 2022. "We have seen deal volumes reduce by a half for March and April," they said. HfS said business is not as usual since "a significant amount of work" remain incomplete due to local lockdowns.

Economic Times
Jun 04, 2020

No rush to bring techies back to campuses, says IT companies

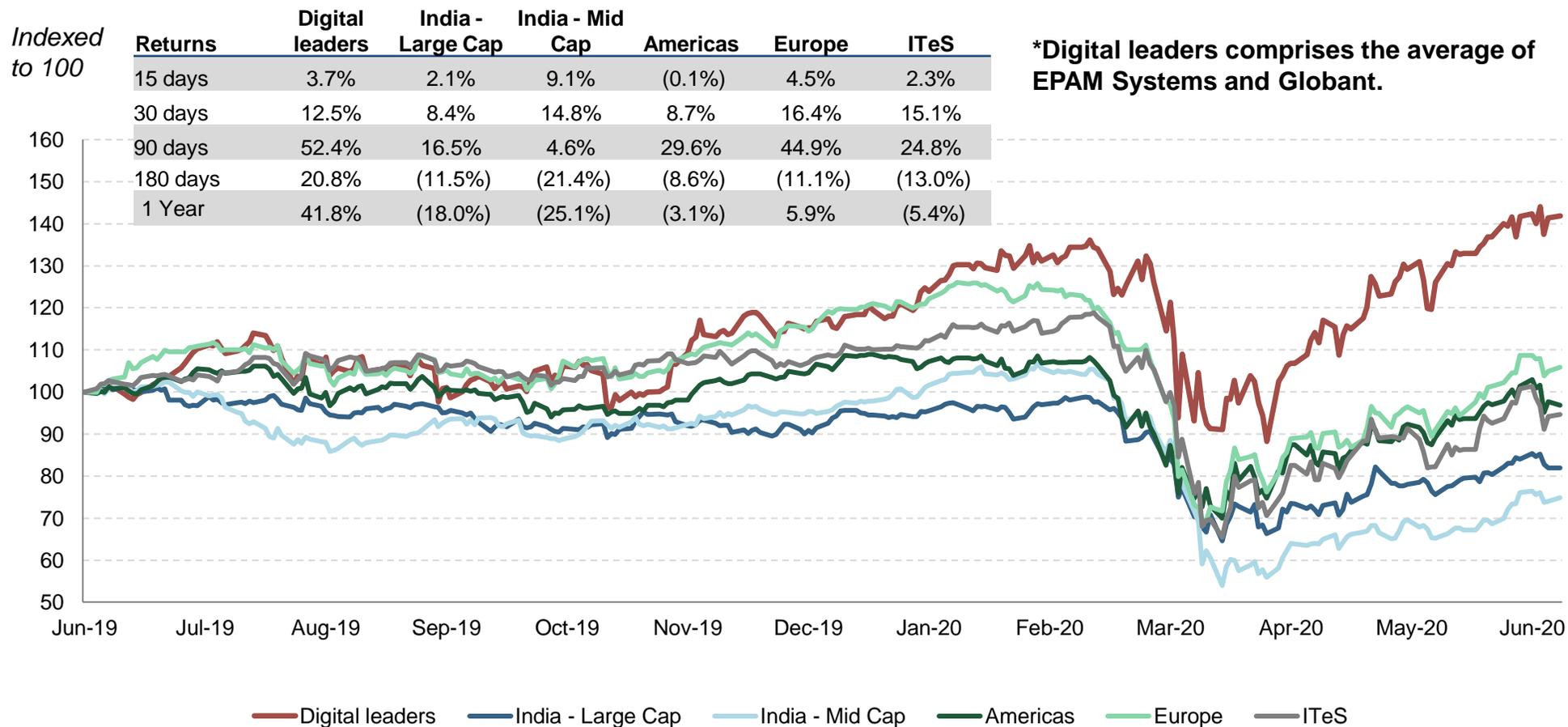
IT services providers are treading cautiously over bringing employees back to offices, as India has yet to flatten the coronavirus pandemic curve and workforce productivity has been either unaffected or rising in the last few months. Infosys is enabling a gradual return of employees to offices. Currently, only about 15% of its staff are working from offices across the country. It is carefully monitoring various office locations and reopening only if the conditions are suitable. Mid-tier IT firm Hexaware Technologies has no employee working from offices. It is likely to ramp up the number to a maximum 50%, depending on the health status in each community it operates in. HCL Technologies has only about 4% of its employees working at customer locations and its offices. Tech Mahindra is also expected to do a staggered reintegration of its workforce.

Section 3:

Valuation overview

Share price evolution – IT / ITeS companies

Over the past 15 days, the valuations for Indian large-cap IT companies grew slightly as the Indian mid-cap IT companies outperformed the larger peers. Hexaware Technologies has seen a 24.8% increase in share price over the past two weeks amidst talks of a de-listing. Analysts expect a 30-40% premium to pre-announcement price. The promoter has indicated an offer price to INR285 per share, which is at a premium of 10% to pre-announcement price. The firm was trading at INR318 on 15-Jun-2020.

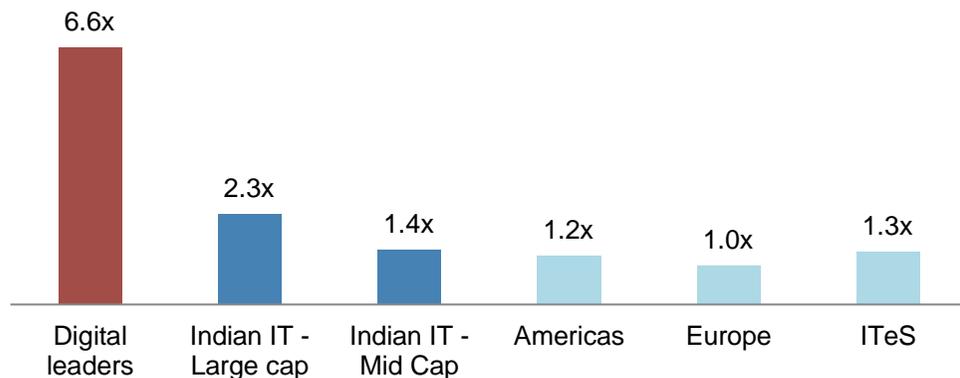


Source: Capital IQ

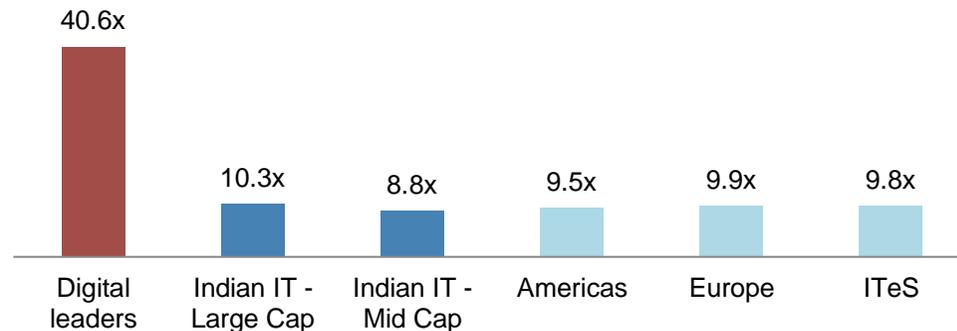
Note: For every parameter, we have used market capitalization of the companies in each segment (composition of each segment can be seen in the appendix)

Valuation summary

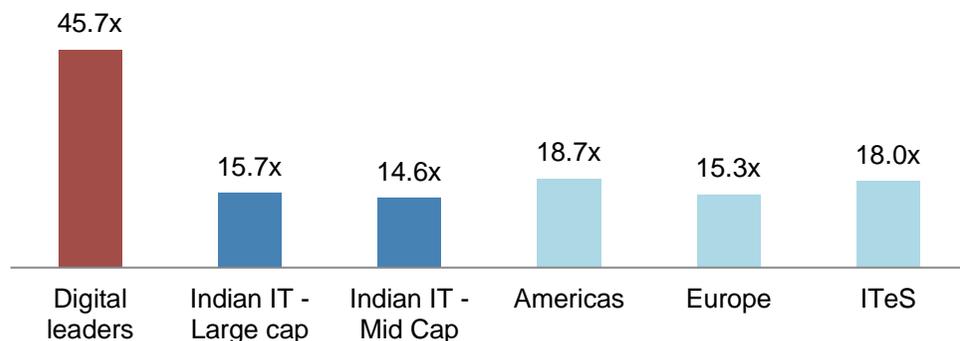
EV / LTM Sales



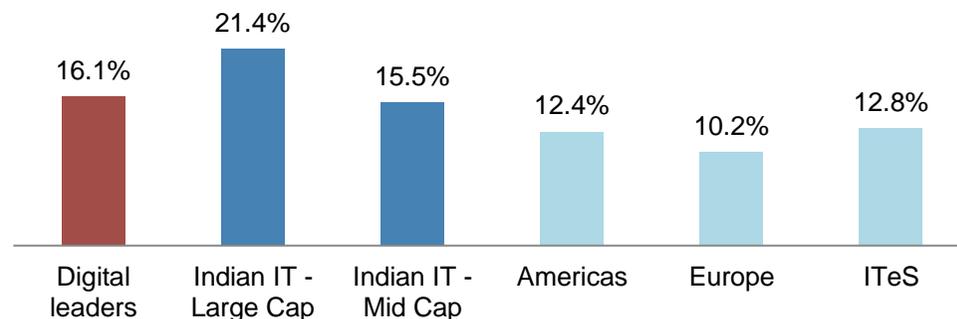
EV / LTM EBITDA



P / E (LTM)



LTM EBITDA Margins



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

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 Jun

Overview	Target business description	Transaction rationale
<p>Jun -20</p>  <ul style="list-style-type: none"> Target country – India Deal size – \$1m EV / Sales – NA 	<ul style="list-style-type: none"> Founded in 2019, Adorithm is an artificial intelligence and machine learning based media measurement platform. The company helps marketers, agencies and start-ups measure and create better performance drives for their media spends. It develops artificial intelligence and machine learning based algorithms to plan, predict, measure, and, target campaigns The firm is headquartered in Gurugram, India. 	<ul style="list-style-type: none"> SyncMedia will absorb Adorithm’s team and product, as well as take full control of its intellectual property rights <i>“With this acquisition, we will be able to cater to our customers with deep insights backed by enhanced artificial intelligence and machine learning expertise. Our solution provides the sophisticated cause-and-effect analytics revealing the optimisation opportunities for brands, media agencies and broadcasters. We are aiming around 100% growth in revenues with our increased focus on digital-first companies,”</i> said Anubhav Sharma, Founder and CEO, SyncMedia.
<p>Jun -20</p>  <ul style="list-style-type: none"> Target country – India Deal size – \$70m EV / Sales – 1.1x 	<ul style="list-style-type: none"> Founded in 2000, ACL Mobile provides multi-channel enterprise messaging solutions. The firm enables businesses to interact with their customers through SMS, email, WhatsApp and other channels. It has 500 enterprise clients, including Flipkart, OLX, MakeMyTrip, HDFC Bank and ICICI Bank. It is headquartered in Noida, India with offices in Dubai and Kuala Lumpur and employs 288 people. 	<ul style="list-style-type: none"> This acquisition will enable Sinch to leverage the ACL’s connections with local mobile operators in the world’s second largest internet market, as well as in Malaysia and UAE, to expand its end-to-end connectivity without working with a third-party firm. <i>“With ACL we gain critical scale in the world’s second-largest mobile market. We gain customers, expertise and technology and we further strengthen our global messaging product for discerning businesses with global needs,”</i> said Sinch chief executive Oscar Werner.
<p>Jun -20</p>  <ul style="list-style-type: none"> Target country – United Kingdom Deal size – \$12m EV / Sales – NA 	<ul style="list-style-type: none"> Founded in 2014, Cracking Logistics (known as Kontainers) is a provider of client-facing digital freight execution platforms. The company transforms the customer experience for carriers, freight forwarders and third-party logistics service providers (LSPs) globally. It’s digital freight platform enables LSPs to rapidly create branded state-of-the-art digital experiences for their end customers. It is headquartered in the United Kingdom. 	<ul style="list-style-type: none"> <i>“The last few months have shown how quickly the world can change, and the shift to digitization is accelerating as a result. We’re looking forward to working with the Cracking Logistics customers, partners and team of domain experts to help the logistics community capitalize on this opportunity.”</i> said Edward J. Ryan, CEO of Descartes. The total consideration to be paid is \$12m with an additional \$6m to be paid as performance-based consideration contingent to achieving revenue targets in the first two years post acquisition.

Source: Press release, news reports, Capital IQ

Key transactions in Jun (cont'd)

Overview	Target business description	Transaction rationale
<p>Jun -20</p>  <ul style="list-style-type: none"> Target country – United States Deal size – \$150m EV / Sales – 50.0x 	<ul style="list-style-type: none"> Founded in 2014, Postman is a collaboration platform for managing, developing and testing application programme interfaces (APIs). Over 11 million developers have signed up on the company's platform from across 500,000 organisations. The San Francisco and Bengaluru-based company has raised \$208 million in total across various funding rounds. It clocked revenue of \$40m in 2019. It is headquartered in San Francisco, CA. 	<ul style="list-style-type: none"> The Series C funding of \$150m was led by Insight Partners and catapulted the company into the unicorn club. Existing investors Nexus Venture Partners and Charles River Ventures, which had last invested \$50 million into the company in June 2019 at a valuation of \$350 million, also participated in the fundraising. Postman is the fourth Indian SaaS firm to enter the unicorn club after FreshWorks, Druva and Icertis. Among the four, Postman has been the fastest to get there. The funding will help accelerate growth and maintain leadership in the API development space.
<p>Jun -20</p>  <ul style="list-style-type: none"> Target country – United States Deal size – \$46m EV / Sales – 0.8x 	<ul style="list-style-type: none"> Founded in 1997, Finjan Holdings is a recognized pioneer in the development of cybersecurity technologies. It has a portfolio of patents focusing on software and hardware technologies used to proactively detect previously unknown and emerging threats on a real-time, behaviour-based basis. It is listed on the NASDAQ stock exchange. It is headquartered in Palo Alto, CA. 	<ul style="list-style-type: none"> Affiliated of Fortress Investment Group have entered into a definitive agreement to acquire all common stock of Finjan. Phil Hartstein, President and CEO of Finjan, commented, "<i>The acquisition enables Finjan to continue to pursue our licensing mission and expand our reputation and credibility on policy related initiatives, while providing us greater resources and opportunities as a Fortress portfolio company.</i>" The transaction is not subject to any financing condition and is expected to close in the third quarter of 2020.
<p>Jun -20</p>  <ul style="list-style-type: none"> Target country – United States Deal size – \$50m EV / Sales – NA 	<ul style="list-style-type: none"> Founded in 2003, Palantir Technologies develops and builds data-logic platforms for governmental and commercial institutions. The firm builds platforms for integrating, managing and securing data which have layer applications for a fully interactive human-driven but machine assisted analysis. It is headquartered in Palo Alto, CA with additional offices across the globe. 	<ul style="list-style-type: none"> As part of the investment Fujitsu will become Palantir Japan's sole Flagship Technology Partner in Japan and sell its DX Services to complement Palantir's software platforms. By combining Palantir's platforms and success across industries with Fujitsu's ICT capabilities and extensive experience supporting customers in their DX journeys, the partners will enable Japanese customers to achieve transformational outcomes against their core missions. Fujitsu's experience of working with the Japanese government provides an added layer of regional expertise.

Source: Press release, news reports, Capital IQ

Key transactions in Jun (cont'd)

Overview	Target business description	Transaction rationale
<p>Jun -20</p>  <ul style="list-style-type: none"> Target country – Ireland Deal size – \$20m EV / Sales – 17.5x 	<ul style="list-style-type: none"> Founded in 2013, Iconic Translation Machines is a software provider specialising in the development of best-in-class neural machine translation (NMT) solutions adapted for specific industries and blue-chip clients. Iconic specialises in the development of bespoke solutions, tailored with subject matter expertise, for a range of specific industry sectors including legal, life sciences and high-tech. It is headquartered in Dublin, Ireland. 	<ul style="list-style-type: none"> Iconic will form a new vertical language technology business within RWS and will be led by its co-founders Dr John Tinsley and Dr Páraic Sheridan. Iconic has been working with the RWS Life Sciences division, delivering NMT solutions to RWS's pharmaceutical clients. <i>“This acquisition will give us to serve our clients with an enhanced service delivery model as we expand our capabilities and leverage RWS’s scale, global footprint and comprehensive suite of services and platforms.”</i> said Dr John Tinsley, co-founder of Iconic.
<p>Jun -20</p>  <ul style="list-style-type: none"> Target country – United States Deal size – NA EV / Sales – NA 	<ul style="list-style-type: none"> Founded in 2007, Target Data is a full service marketing agency. The company helps brands to harness their data and drive growth. The company's people-based solution provides strategy and multichannel paid media execution across programmatic display, direct mail, paid search, advanced TV and paid social. It is headquartered in Chicago, IL. 	<ul style="list-style-type: none"> The merger will help form a data-driven marketing agency focused on helping clients drive revenue through omnichannel experiences and e-commerce. The newly formed Aisle Rocket will bring together a leading team of marketing strategists across a multitude of industries and disciplines that will work with clients to drive revenue through paid media and cutting-edge e-commerce solutions. The combined company will have over 125 employees across 3 offices in Chicago, Boston, and St. Joseph, MI.
<p>Jun -20</p>  <ul style="list-style-type: none"> Target country – United States Deal size – NA EV / Sales – NA 	<ul style="list-style-type: none"> Founded in 2005, Robocom is a leading developer of supply chain and warehouse management systems (WMS) software solutions. IT Capital invested in Robocom in 2005, originally through Avantce, and made five strategic acquisitions to expand the company's customer base and product capabilities. It also offers ERP systems that round out the supply chain execution offering. It is headquartered in Farmingdale, NY. 	<ul style="list-style-type: none"> The acquisition of Robocom and its next-generation software solutions complement and add significant value to CAI Software's existing portfolio of products and services, and continues the company's organic growth plans, through its current vertical markets and product lines, as well as via strategically sound acquisitions. Robocom will operate as a subsidiary of CAI Software and will maintain its sales and development facilities and offices in Farmingdale, New York, and other strategic locations in the U.S. and Canada.

Source: Press release, news reports, Capital IQ

Key transactions in Jun (cont'd)

Overview	Target business description	Transaction rationale
<p>Jun -20</p>   <ul style="list-style-type: none"> Target country – United States Deal size – NA EV / Sales – NA 	<ul style="list-style-type: none"> Founded in 2001, Skyline is a provider of staffing and information technology services to government agencies. The company provides customized management and financial services to its clients. Its clients include the Intelligence Community, Department of Veterans Affairs, Army National Guard Bureau and the Department of Health and Human Services. It is headquartered in Alexandria, VA. 	<ul style="list-style-type: none"> The Skyline deal is the second acquisition for CRI in the past 90 days as the company continues to find new opportunities to grow and expand its business offerings. In Mar-20 CRI purchased Global Emergency Response, a software and technology services company specializing in emergency technology systems. Skyline will continue to operate under its existing brand. However, the company's headquarters will be relocated to CRI's headquarters in Lowell.
<p>Jun -20</p>   <ul style="list-style-type: none"> Target country – India Deal size – \$423m EV / Sales – 1.5x 	<ul style="list-style-type: none"> Founded in 1990, Hexaware Technologies is a global leader and next-generation provider of IT services and consulting. The company is listed on the National Stock Exchange in India. In 2013, Baring Private Equity had bought a 71.2% stake in the firm. It offloaded 8.4% stake in 2018. FY20: Revenue \$778.3m EBITDA margin 15.5% The company is headquartered in Mumbai. 	<ul style="list-style-type: none"> The transaction is part of Baring Private Equity's plan to delist the company to obtain full ownership which would provide increased operational flexibility to support the business. The Board has approved the proposed delisting of the firm based on recommendation from ICICI Securities (the merchant banker). The promoter has no immediate plans to sell its holding or merge the company with its other portfolio companies. Baring Private Equity holds 70.1% stake in NIIT Technologies. The deal is subject to shareholder consent and applicable laws.
<p>Jun -20</p>   <ul style="list-style-type: none"> Target country – United States Deal size – NA EV / Sales – NA 	<ul style="list-style-type: none"> Founded in 2005, Guardian Analytics is a leading AI cloud-based financial crime risk management solution provider. The company's real-time behavioral analytics and machine learning solutions simplify deployments and ongoing operations and optimize operational resource efficiency. The company is headquartered in Mountain View, CA. 	<ul style="list-style-type: none"> The unique combination of NICE Actimize and Guardian Analytics' fraud and anti-money laundering capabilities will empower firms of all sizes to accelerate the adoption of the industry's most innovative solutions, to best protect their assets and customers. This combination will extend NICE Actimize's offering across the entire financial services sector, enabling firms of all sizes, from small and mid-sized banks to global financial institutions, to benefit from NICE Actimize's world-class financial crime and compliance solutions.

Key transactions in Jun (cont'd)

Overview	Target business description	Transaction rationale
<p>Jun -20</p>  <ul style="list-style-type: none"> Target country – United States Deal size – NA EV / Sales – NA 	<ul style="list-style-type: none"> Founded in 2011, Lastline is a pioneer in anti-malware research and AI-powered network detection and response. The company provides threat detection services and secures cloud deployments and on-premise networks including multi-cloud and hybrid environments. The firm has raised about \$52.2m in funding from various venture funds. It is headquartered in Redwood City, CA. 	<ul style="list-style-type: none"> This is a strategic step forward for VMware's vision of Intrinsic Security, as it allows them to further take advantage of the intrinsic attributes of its virtualization platform to yield innovative security capabilities. <i>"By joining forces with VMware, we will be able to offer additional capabilities to our customers and bring to market comprehensive security solutions for the data center, branch office and remote and mobile users,"</i> said Lastline's chief executive John DiLullo. As part of the acquisition, VMware will let go of 40% of Lastline's employees – about 50 staffers.
<p>Jun -20</p>  <ul style="list-style-type: none"> Target country – Ireland Deal size – NA EV / Sales – NA 	<ul style="list-style-type: none"> Founded in 2000, DNM Group is a leading Irish cloud consultancy and managed services provider. Operating across international markets, DNM provides solutions in the areas of cloud, analytics and managed services. DNM is a Premier Consulting Partner in the AWS Partner Network (APN). It is also a next generation AWS Managed Service Provider (MSP) Partner. It is headquartered in Dublin, Ireland. 	<ul style="list-style-type: none"> The combination will create further scale and strength providing Deloitte, already well known for combining trusted business acumen with extensive technology services, with increased capacity to support clients in determining how they can best drive transformation in their businesses through the adoption of cloud technologies. DNM's credentials as an APN Premier Consulting Partner were a key factor in the acquisition. The company is one of only a handful of next generation AWS MSP Partners that have achieved AWS Data & Analytics Competency status in Europe.
<p>Jun -20</p>  <ul style="list-style-type: none"> Target country – Israel Deal size – \$450m EV / Sales – NA 	<ul style="list-style-type: none"> Founded in 2015, Spot (formerly Spotinst) is an Israeli cloud services company. The company offers cloud computing optimization services to SaaS companies. Using machine learning algorithms, it monitors the availability and pricing of computation power offered by cloud services to optimize use by clients. The company employs 150 workers in its offices in Tel Aviv, London, and San Francisco. 	<ul style="list-style-type: none"> The acquisition helps NetApp to gain cloud infrastructure management tools. The combination will deliver a leading solution for the continuous optimization of cost for all workloads, both cloud native and legacy. <i>"The combination of NetApp's leading shared storage platform for block, file and object and Spot's compute platform will deliver a leading solution for the continuous optimization of cost for all workloads, both cloud native and legacy. Optimized customers are happy customers and happy customers deploy more to the public clouds."</i> said Anthony Lye, SVP and GM at NetApp.

Key transactions in Jun (cont'd)

Overview	Target business description	Transaction rationale
<p>Jun -20</p>  <ul style="list-style-type: none"> Target country – Netherlands Deal size – NA EV / Sales – NA 	<ul style="list-style-type: none"> Founded in 2016, We Adapt is a creative management platform for agile video marketing. It is a SaaS solution that helps brands in scaling their video content creation, It allows marketing teams to scale the production of video content with tools optimized for creating and iterating sets of content-rich videos—driven by data, and templates while adhering to brand guidelines. It is headquartered in Amsterdam, Netherlands. 	<ul style="list-style-type: none"> Acquiring We Adapt accelerates Bynder’s vision for helping marketing teams scale content creation. Bynder can offer brands a single platform to scale on-brand content capabilities across print, images and video. The integrations We Adapt offers with digital advertising platforms like Facebook, YouTube, and Instagram complement Bynder’s other downstream integrations to provide customers an integrated process for content creation, management, and distribution that boosts efficiency and agility. These also give customers greater insights into creative performance through online video campaign performance data.
<p>Jun -20</p>  <ul style="list-style-type: none"> Target country – United States Deal size – NA EV / Sales – NA 	<ul style="list-style-type: none"> Founded in 2017, SovLabs is an innovator of codeless integration technologies for hybrid cloud. It provides codeless integrations and automations for extending VMware vRealize Automation and VMware Cloud Automation Services. The company enables customers to automate their provisioning environments while avoiding technical debt caused by custom coding. It is headquartered in Norcross, GA. 	<ul style="list-style-type: none"> This acquisition enables CloudBolt to better serve its growing base of global customers and the thousands of VMware vRealize customers as enterprises increasingly adopt new tools like HashiCorp Terraform, Kubernetes, ServiceNow, and more. With SovLabs, CloudBolt instantly doubles its customer base, increases its employee headcount by 50% and advances its cloud management vision. With 75% of CloudBolt’s customers on VMware, this will enable CloudBolt to better serve its customer base while helping new customers simplify their automation and governance challenges.
<p>Jun -20</p>  <ul style="list-style-type: none"> Target country – United Kingdom Deal size – NA EV / Sales – NA 	<ul style="list-style-type: none"> Founded in 2005, Skylab is a digital innovation agency. It provides digital strategy, websites and application development services to some of the biggest names in sports. Clientele includes Manchester United, Manchester City, FIFA, IOC, Aston Martin Red Bull Racing, Scuderia Toro Rosso and Swim England. It is headquartered in Manchester, UK. 	<ul style="list-style-type: none"> The acquisition of Skylab further strengthens Inc & Co’s agency network bringing expertise in digital strategy, websites and web applications. The deal boosts Inc & Co’s workforce to 100. Jack Mason, Group CEO of Inc & Co Group, said <i>“This is the next step in our ongoing and successful growth plan. Acquiring Skylab strengthens our digital innovation capabilities; offering all members of the agency collective, as well as new and existing clients, a chance to tap into Skylab’s specialist skillsets.”</i>

Source: Press release, news reports, Capital IQ

Appendix I:

Market multiples

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
Digital leaders													
EPAM Systems, Inc.	234.6	240.0	160.1	13,050	12,408	2,424	376	286	15.5%	25.7%	5.1x	33.0x	45.7x
Globant S.A.	143.6	150.8	72.7	5,637	5,698	705	118	55	16.8%	27.7%	8.1x	48.2x	NM
								Average	16.1%	26.1%	6.6x	40.6x	45.7x
India - Large Cap													
Cognizant Technology Solutions Corporation	54.7	71.4	41.6	29,554	28,671	16,898	3,390	1,768	20.1%	6.9%	1.7x	8.5x	16.7x
HCL Technologies Limited	7.6	8.7	5.3	20,678	20,218	9,936	2,345	1,554	23.6%	12.5%	2.0x	8.6x	13.3x
Infosys Limited	9.0	11.7	6.9	38,377	35,952	12,780	3,055	2,331	23.9%	7.8%	2.8x	11.8x	16.5x
Tata Consultancy Services Limited	26.7	32.8	21.7	100,253	96,709	20,843	5,424	4,295	26.0%	4.6%	4.6x	17.8x	23.3x
Tech Mahindra Limited	7.2	11.8	6.4	6,284	5,169	4,896	760	536	15.5%	2.9%	1.1x	6.8x	11.7x
Wipro Limited	2.8	4.3	2.2	16,013	12,916	8,104	1,545	1,291	19.1%	(1.6%)	1.6x	8.4x	12.4x
								Average	21.4%	5.6%	2.3x	10.3x	15.7x
India - Mid Cap													
Accelya Solutions India Limited	12.4	16.6	9.9	186	186	61	22	15	35.5%	2.6%	3.1x	8.6x	12.7x
Birlasoft Limited	1.1	1.4	0.7	289	216	437	52	30	11.9%	(5.2%)	0.5x	4.2x	9.7x
Cyient Limited	2.8	8.1	2.5	304	209	588	78	45	13.3%	2.0%	0.4x	2.7x	6.7x
Hexaware Technologies Limited	4.2	6.0	2.7	1,252	1,304	778	120	90	15.5%	11.1%	1.7x	10.8x	13.9x
L&T Technology Services Limited	17.2	25.7	13.3	1,802	1,724	746	147	109	19.8%	14.2%	2.3x	11.7x	16.6x
Larsen & Toubro Infotech Limited	24.5	28.4	16.9	4,265	4,077	1,445	272	202	18.8%	12.9%	2.8x	15.0x	21.1x
Mastek Limited	4.6	7.0	2.3	111	121	142	24	15	17.1%	18.1%	0.8x	5.0x	7.4x
Mindtree Limited	12.1	14.6	9.2	1,999	1,868	1,031	132	84	12.8%	8.5%	1.8x	14.2x	23.9x
Mphasis Limited	11.3	14.6	8.4	2,103	1,989	1,174	219	157	18.7%	7.8%	1.7x	9.1x	13.4x
NIIT Technologies Limited	17.6	28.2	11.3	1,096	944	556	96	59	17.3%	8.7%	1.7x	9.8x	18.6x
Perficient, Inc.	35.3	53.2	21.8	1,166	1,294	577	81	39	14.0%	7.8%	2.2x	16.0x	29.9x
Persistent Systems Limited	7.8	10.3	6.1	596	477	474	61	45	12.9%	2.2%	1.0x	7.8x	13.2x
Sasken Technologies Limited	5.8	10.8	4.6	98	82	65	12	10	17.9%	(3.2%)	1.3x	7.0x	9.4x
Sonata Software Limited	2.9	5.2	2.1	298	251	497	50	37	10.0%	10.8%	0.5x	5.1x	8.1x
TAKE Solutions Limited	0.8	1.9	0.5	110	161	294	22	(2)	7.6%	12.3%	0.5x	7.2x	NM
Virtusa Corporation	31.7	49.7	20.8	956	1,324	1,312	111	48	8.5%	15.2%	1.0x	11.9x	20.0x
Zensar Technologies Limited	1.5	3.8	0.9	339	292	555	67	35	12.1%	5.6%	0.5x	4.3x	9.7x
								Average	15.5%	8.8%	1.4x	8.8x	14.6x

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
Americas													
Accenture plc	199.8	215.9	143.7	127,272	125,688	44,656	7,198	4,972	16.1%	9.8%	2.8x	17.5x	25.6x
CGI Inc.	65.3	86.9	47.0	16,856	19,684	8,653	1,521	874	17.6%	2.7%	2.3x	12.9x	19.3x
DXC Technology Company	16.4	57.0	9.3	4,159	12,317	19,577	3,340	(5,369)	17.1%	37.0%	0.6x	3.7x	NM
Positivo Tecnologia S.A.	1.0	2.8	0.4	140	188	376	17	4.8	4.5%	(13.3%)	0.5x	11.1x	29.3x
Sonda S.A.	0.6	1.5	0.4	561	776	1,021	90	31	8.8%	(6.3%)	0.8x	8.6x	18.1x
The Hackett Group, Inc.	13.8	18.0	9.7	413	399	264	40	22	15.3%	0.1%	1.5x	9.9x	19.0x
Unisys Corporation	11.2	17.9	6.5	705	641	2,910	209	1,018	7.2%	1.1%	0.2x	3.1x	0.7x
Average									12.4%	12.6%	1.2x	9.5x	18.7x
Europe													
Alten S.A.	84.6	130.6	61.7	2,852	2,966	2,945	303	184	10.3%	16.9%	1.0x	9.8x	15.5x
Atos SE	81.8	89.0	48.4	8,906	12,310	13,004	1,714	3,814	13.2%	0.5%	0.9x	7.2x	2.3x
Aubay Société Anonyme	32.0	38.7	17.5	422	436	469	48	30	10.3%	10.8%	0.9x	9.0x	14.2x
Cancom SE	59.0	65.5	36.5	2,274	1,971	1,819	152	40	8.3%	17.5%	1.1x	13.0x	NM
Capgemini SE	108.0	131.3	62.2	18,280	20,114	15,851	2,026	961	12.8%	6.2%	1.3x	9.9x	19.0x
Capita plc	0.5	2.4	0.3	849	2,709	4,872	574	(85)	11.8%	(3.3%)	0.6x	4.7x	NM
Devoteam SA	87.8	125.2	55.8	728	741	855	91	47	10.6%	19.1%	0.9x	8.2x	15.6x
Indra Sistemas, S.A.	8.2	12.5	7.4	1,447	2,188	3,611	257	120	7.1%	7.1%	0.6x	8.5x	12.0x
Knowit AB (publ)	15.6	23.5	10.7	300	304	342	32	24	9.4%	6.4%	0.9x	9.4x	12.3x
Sopra Steria Group SA	122.9	175.5	88.4	2,494	3,515	4,976	437	180	8.8%	8.0%	0.7x	8.0x	13.9x
TietoEVRY Oyj	26.9	34.1	19.0	3,190	4,362	2,275	211	97	9.3%	11.9%	1.9x	20.7x	32.9x
Average									10.2%	5.0%	1.0x	9.9x	15.3x

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
ITeS													
Conduent Incorporated	2.6	9.9	1.5	552	2,266	4,360	463	(1,675)	10.6%	(11.4%)	0.5x	4.9x	NM
ExlService Holdings, Inc.	60.7	79.6	42.8	2,084	2,164	998	142	75	14.2%	12.4%	2.2x	15.2x	27.6x
Firstsource Solutions Limited	0.5	0.8	0.3	345	469	544	84	45	15.3%	(0.3%)	0.9x	5.6x	7.7x
Genpact Limited	35.6	44.9	22.7	6,785	8,319	3,635	549	330	15.1%	12.0%	2.3x	15.1x	20.6x
Hinduja Global Solutions Limited	8.0	13.4	5.7	167	257	741	77	30	10.4%	10.9%	0.3x	3.3x	5.6x
StarTek, Inc.	5.0	8.4	2.8	193	468	658	49	(38)	7.4%	NA	0.7x	9.6x	NM
Sykes Enterprises, Incorporated	27.1	38.2	22.7	1,093	1,262	1,623	165	66	10.1%	2.1%	0.8x	7.7x	16.5x
TTEC Holdings, Inc.	43.3	49.9	27.7	2,019	2,445	1,682	209	80	12.4%	8.9%	1.5x	11.7x	25.3x
WNS (Holdings) Limited	54.1	75.2	34.6	2,688	2,678	928	177	117	19.1%	15.5%	2.9x	15.1x	23.0x
Average									12.8%	11.5%	1.3x	9.8x	18.0x

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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