



# CHESAPEAKE TECHNOLOGY NEWSLETTER

31 Oct 2021



THE CHESAPEAKE GROUP

*INVESTMENT BANKING & STRATEGIC ADVISORY*

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# Section 1:

Fortnightly update

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# This fortnight in technology...

## Tech Mahindra to acquire Lodestone and WMW

### Overview:

- On 25 October 2021, Tech Mahindra announced the acquisitions of Lodestone, a US-based digital engineering services provider and WMW, a UK-based, Shopify-focused ecommerce agency for \$105m and \$13m, respectively.
- Lodestone strengthens Tech Mahindra's end-to-end product quality assurance capabilities especially in data strategy and machine learning.
- The acquisition of WMW aligns with Tech Mahindra's plan to build a market-leading Shopify consulting practice and deepens its capabilities in experience design.

### About Tech Mahindra:

- Founded in 1986, Tech Mahindra is a global digital transformation, consulting and business reengineering services provider based in Pune, India with \$5.11bn revenue in FY 21<sup>1</sup>. It is a part of the \$19bn Indian conglomerate, Mahindra Group.
- Tech Mahindra offers end-to-end digital transformation services by leveraging next-generation technologies including 5G, IoT, blockchain, cybersecurity and AI. It has over 141,100 employees across 90 countries, working with 1,123 customers.

### About Lodestone:

- Founded in 2005, Lodestone is a digital engineering services provider. It provides end-to-end product and data quality assurance across software, hardware and data layers to enterprises.
- Lodestone recorded \$43.3m revenue in 2020. Headquartered in Pleasanton, CA, it has over 300 employees.

### About WMW:

- Founded in 2009, We Make Websites (WMW) is a Shopify-focused ecommerce agency offering website building and migration services.
- WMW recorded \$6.3m revenue in 2020. Based in London, UK, it has an additional office in New York, NY.

### Rationale of the transaction:

- With the acquisitions of Lodestone and WMW, Tech Mahindra has completed nine transactions thus far in 2021. The acquisitions are in line with Tech Mahindra's strategy to strengthen its digital transformation capabilities and presence in key geographies.
- The acquisition of Lodestone will be completed at an enterprise value of c.\$105m, representing an EV / Revenue multiple of 2.4x based on CY 20 financials whereas that of WMW will be completed at an enterprise value of c.\$13m, representing an EV / Revenue multiple of 2.0x based on CY 20 financials.
- Lodestone brings significant synergies to complement Tech Mahindra's digital engineering expertise. WMW will bolster Tech Mahindra's Shopify consulting practice by enhancing its CX capabilities and deepening its partnerships with ecommerce technology partners like Shopify Plus and Oracle NetSuite.

Source: Press release, news reports, Capital IQ

Note:

1) YE: Mar

## Section 2:

Recent news and press releases

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# Recent news excerpts – Company specific

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## **bp and Infosys to develop 'Energy as a Service' solution for campuses and cities – Press Release**

**Oct 28, 2021** – bp, a global integrated energy company, and Infosys announced that they have agreed to develop and pilot an energy as a service (EaaS) solution, which will aim to help businesses improve the energy efficiency of infrastructure and help meet their decarbonization goals. Infosys and bp intend to co-develop a digital platform that can collect data from multiple energy assets and use artificial intelligence to optimize the energy supply and demand for power, heat, cooling and EV charging. The companies will pilot the digital platform at the Infosys Pune Development Center – in an environment that replicates a small city, where energy is generated, stored, and consumed at multiple points. In addition, the companies have agreed to collaborate on integrating solar energy production into the campus' energy system.

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## **Cognizant's attrition of 33% is highest in IT services industry – Mint**

**Oct 28, 2021** – New Jersey-based Cognizant, which has more than two-thirds of its overall employees in India, has reported a steep quarterly annualized voluntary attrition rate of 33% during the September quarter, the highest among peers in the industry. On a trailing 12-month basis, the attrition rate of TCS was lowest among its peers at 11.9% in the September quarter. During the same period, the attrition rate of Infosys stood at 20.1% while that of Wipro stood at 20.5%, and HCL Technologies at 15.7%. Cognizant, meanwhile, has taken several measures to address the high attrition levels. It has stepped up its recruitment engine by onboarding a record number of 17,000 new hires in the September quarter taking its total headcount to 318,400. It is on track to onboard 30,000 new employees this year and roll out an additional 45,000 offers for 2022.

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## **Wipro and Oracle launch tollway transportation and billing solution – Press Release**

**Oct 28, 2021** – Wipro in partnership with Oracle, launched Wipro Tollway Transportation and Billing solution to enhance commuters' experience while improving profitability for tollway authorities. Wipro Tollway Transportation and Billing solution supports several transactions per year, helping tollway authorities better navigate customer account management, transaction processing, grievance case management, transponder inventory management, and financial reconciliation and reporting. By streamlining these processes, authorities can increase operational efficiency and plug revenue leakages. This is achieved by integrating customer portals, commercial and operational back-office modules, financial systems, toll-tag accounts, and third-party payment gateways.

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## **Carlyle to raise \$1bn debt for Hexaware deal – Mint**

**Oct 23, 2021** – Private equity firm Carlyle plans to raise \$1 billion in debt through an offshore bond issuance to finance the nearly \$3bn acquisition of software services firm Hexaware Technologies, according to Moody's Investors Service. The proposed debt offering by CA Magnum Holdings (CAMH), a special-purpose investment holding firm set up for the deal, has been assigned a B1 rating, the international rating agency said in a note on Friday. B1 is considered below investment grade rating. The bonds are due in 2026. Hexaware serves customers in the digital solutions segment within the software services industry, including digital product engineering, digital core transformation, enterprise and next-generation services, cloud transformation and data analytics. In line with rising demand for such services, Moody's expects that Hexaware's operating performance will remain strong and that the company's revenues will grow 14-15% annually over the next 2-3 years, the rating agency said.

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## **Warburg Pincus in talks to sell stake in IT firm Encora – Economic Times**

**Oct 20, 2021** – Warburg Pincus is in early-stage negotiations to sell a controlling stake in Encora, a US-headquartered Indian-origin IT services firm it owns, taking advantage of a deal spree in the sector in recent months, people in the know said. The private equity firm, which owns 80% of the company, has reached out to funds including Blackstone, Baring Private Equity Asia, KKR, Carlyle, Bain Capital as well as Silverlake Partners to sell its entire stake in a deal valuing the firm at around \$1.5bn (Rs 11,260 crore), they said. JP Morgan has been mandated to find a buyer. Warburg had acquired Encora (formerly Indecomm Digital) in 2019 for \$200m from Capital Square Partners and its promoters. A digital engineering services provider, Arizona-based Encora employs more than 5,500 engineers in 20 offices across US, Mexico, Central & South America, India and Asia-Pacific.

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

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## **HCL Technologies and Innovaccer partner to accelerate digital health transformation – Press Release**

**Oct 19, 2021** — HCL Technologies and Innovaccer, a health cloud company, announced a collaboration to help healthcare and life sciences organizations drive digital health transformation. The partnership will help improve population health, value-based care, connected health, patient-physician engagement and other industry imperatives by ingesting, aggregating, and normalizing healthcare data from disparate sources to improve data quality and health outcomes. Innovaccer's rich set of capabilities, including scalable fast healthcare interoperability resource (FHIR) APIs and an optimized data lake, allow organizations to use data analytics, AI, and machine learning to generate actionable insights at the point of care. HCL uses its next-generation digital and data transformation capabilities to help healthcare enterprises unlock the full potential of siloed -- and often complex -- data using Innovaccer's Data Activation Platform and analytics-driven applications.

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## **Accenture and Splunk form business group to help organizations capitalize on cloud and drive greater value from data and analytics insights – Press Release**

**Oct 19, 2021** — Accenture and Splunk have formed a business group that brings Accenture's functional knowledge, deep industry and technical experience together with Splunk's platform technology to help clients maximize insights from data, with a particular focus on AI-powered IT operations, security automation, and intelligent supply chain. The Accenture Splunk Business Group expands the partnership between the two companies as they help clients better take advantage of real-time data from across their business and quickly take action to improve IT operations, supply chain and security processes, as well as manage and explore new revenue opportunities. Supported by c.8,000 Accenture people skilled in Splunk, the new group brings together dedicated professionals from both companies to help equip organizations to be insights-driven.

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## **TCS helps Heritage Life Insurance Company reimagine customer experience – Press Release**

**Oct 19, 2021** — TCS has partnered with Heritage Life Insurance Company, a US-based provider of insurance and reinsurance services, to transform the customer experience for policy holders in the closed book of business it recently acquired. In December 2019, Heritage Life acquired a closed book of life insurance policies as part of its growth strategy. It selected TCS to build a new, resilient, and scalable customer service platform that would deliver a superior customer experience before the Transition Services Agreement (TSA) expiry and ensure continuity of service to the policy holders. The integrated platform encompasses a cloud-based contact center, workflow management system, document management system and customer communications, to enable a seamless and secure flow of data and work items, for speedy fulfillment of customer service requests. TCS used a low-code/no-code technology platform from Creatio, its Co-innovation Network (COIN™) partner to accelerate the build process.

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## **TCS says its platforms and products business is worth about \$3bn – Economic Times**

**Oct 19, 2021** — Tata Consultancy Services' platforms and products (P&P) business is worth about \$3bn, and comprises about 12-15% of its total revenue, a top executive told ET. The P&P business is not a separate unit and continues to function under various verticals but is fast emerging as a huge differentiator for India's largest IT services provider by revenue, chief operating officer N Ganapathy Subramaniam said. "In the last 12 months, over 95% of deal wins have been Cloud-based, SaaS-based platforms. From a one-time license fee, it is moving towards a SaaS-based consumption model," Subramaniam said. This shift, analysts pointed out, is helping TCS win more deals for its platforms like BaNCS, Cognix and Hobs.

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## **Russian IT firm Softline sets IPO price range, valued up to \$1.93 bn – Reuters**

**Oct 18, 2021** — Russian IT company Softline said the indicative price range for its initial public offering has been set at between \$7.50 and \$10.50 per global depositary receipt (GDR), valuing the firm at up to \$1.93bn. Softline said it plans to raise around \$400m by selling newly issued ordinary shares in the IPO on the London Stock Exchange and a secondary listing in Moscow. Russian IPO activity, hit by the COVID-19 pandemic last year, is picking up pace as the economy improves and concerns over fresh Western sanctions fade. Softline, headquartered in London and operating in more than 50 countries, said the offering is expected to value the company at between \$1.49bn and \$1.93bn. Book building is expected to be completed on or around Oct. 26.

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# Recent news excerpts – Industry

<b>Economic Times</b> <b>Oct 29, 2021</b>	<b>India's Top 5 IT firms nearly matched FY21 hiring numbers in H1 FY22</b> TCS, Infosys, Wipro, HCL Technologies and Tech Mahindra added 122,546 employees in April-September 2021. That compares with an estimated 138,000 hires in the fiscal ended March 31, 2021, according to NASSCOM data. These five companies added a net 68,894 employees in the recently-concluded September quarter, compared with 17,918 in the same period last year. TCS added a net 19,690 employees in Q2 FY22 compared to 9,864 in Q2 FY21. Tech Mahindra added 14,930 employees in Q2 FY22. Infosys, Wipro and HCL added more than 11,000 each in Q2 FY22. Since the national lockdown in April-June last year, these five companies have added a total of 202,223 employees, according to latest quarterly results filings.
<b>TechCrunch</b> <b>Oct 29, 2021</b>	<b>Cloud infrastructure market hits \$180B run rate in Q3, as even chip shortages can't slow it down</b> The big three cloud infrastructure vendors - Amazon, Microsoft and Google - did just fine with a growing market that passed \$45bn worldwide, good for a mind-boggling \$180bn run rate and trailing 12-month revenue of \$164bn. Revenue grew 37% overall in the quarter, according to Synergy Research. Amazon led the way once again, and while its market share % held steady, as it has for years at 33%, revenue grew at a remarkable 39%, an increase of 2% from the previous quarter and 10% over the year-ago report. According to Microsoft, the company's Azure and other cloud services grew 50%, down ever so slightly from 51% growth last quarter and up 2% from the year-ago quarter. Google held steady with 10% market share, good for \$4.5bn, up from \$4.2bn last quarter, and up from \$2.9bn in the year-ago period, as Google continues to make steady progress in the cloud infrastructure market.
<b>Business Standard</b> <b>Oct 27, 2021</b>	<b>Global cyber attacks surge 47% year-on year in H1 of CY2021: Trend Micro</b> Global cybersecurity solutions provider Trend Micro announced that it blocked 40.9bn email threats, malicious files and malicious URLs for its customers worldwide in the first half of 2021, a 47 per cent year-on-year increase. During this period, the company detected and blocked a total of 111,028 email spam, malicious URLs and malware in India. Globally, ransomware remained the standout threat in the first half of the year as cyber criminals continued to target big-name victims. In India, the ransomware threats for H1CY2021 stand at 12.98 per cent, the second highest in Asia, after China. The banking industry was disproportionately affected, experiencing a 1,318 per cent year-on-year increase in ransomware attacks in the first half of 2021, globally. The total number of online banking malware detected by Trend Micro in India is 4497, in 1H 2021.
<b>Economic Times</b> <b>Oct 20, 2021</b>	<b>IT firms may see 1-3% dip in margins as travel resumes, talent crunch deepens</b> The cost benefits that accrued to software services providers till now due to Covid-19 related travel restrictions may be coming to an end. Executives at top IT companies signaled a return to pre-Covid-19 margins and revenue while announcing results for the September quarter. According to estimates, resumption of travel is expected to add to costs, impacting margins by 1-3%. This comes amid a high demand for talent, and the supply crunch is likely to persist for another two or three quarters. Indian IT services companies have defended their margins aggressively over the past five to six quarters, driven chiefly by cost optimization due to the suspension of commercial air travel from March 2020. However, work-related commercial travel is expected to resume from the ongoing third quarter.
<b>Press Release</b> <b>Oct 20, 2021</b>	<b>Worldwide IT spending to exceed \$4 trillion in 2022: Gartner</b> Worldwide IT spending is projected to total \$4.5 trillion in 2022, an increase of 5.5% from 2021, according to the latest forecast by Gartner. "Enterprises will increasingly build new technologies and software, rather than buy and implement them, leading to overall slower spending levels in 2022 compared to 2021," said John-David Lovelock, distinguished research vice president at Gartner. Enterprise software is expected to have the highest growth in 2022 at 11.5%, driven by infrastructure software spending continuing to outpace application software spending. Global spending growth on devices reached a peak in 2021 (15.1%) as remote work, telehealth and remote learning took hold, but Gartner expects 2022 will still show an uptick in enterprises that upgrade devices and/or invest in multiple devices to thrive in a hybrid work setting.



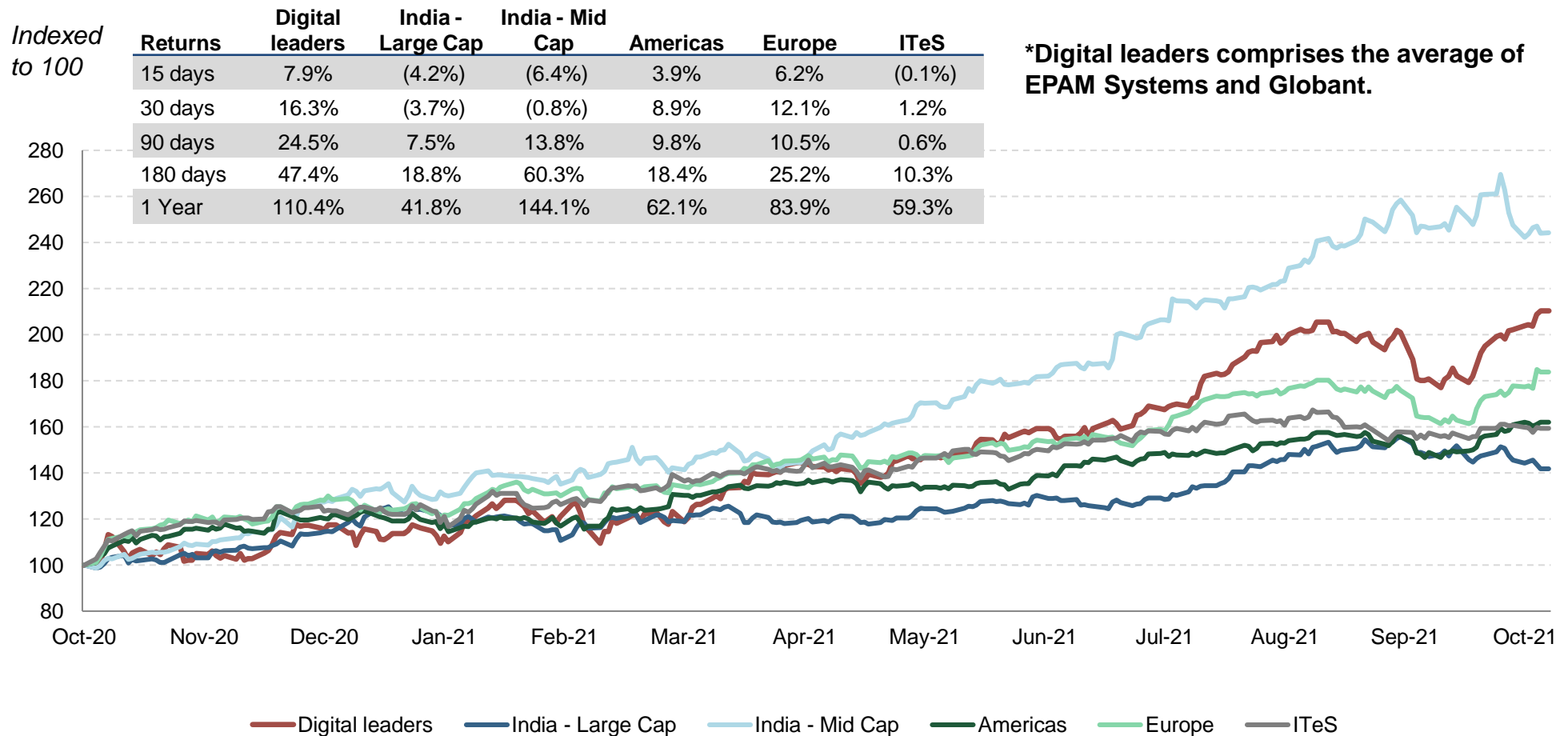
# Section 3:

## Valuation overview

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# Share price evolution – IT / ITeS companies

Over the past 15 days, the valuation for large cap and mid cap Indian IT services companies decreased by c.4.2% and c.6.4% respectively. Stock price of Larsen & Toubro Infotech rose by c.16% after the company announced that it has crossed the \$2bn annual revenue run rate and posted strong quarterly performance with c.25.6% growth in revenue on a y-o-y basis.

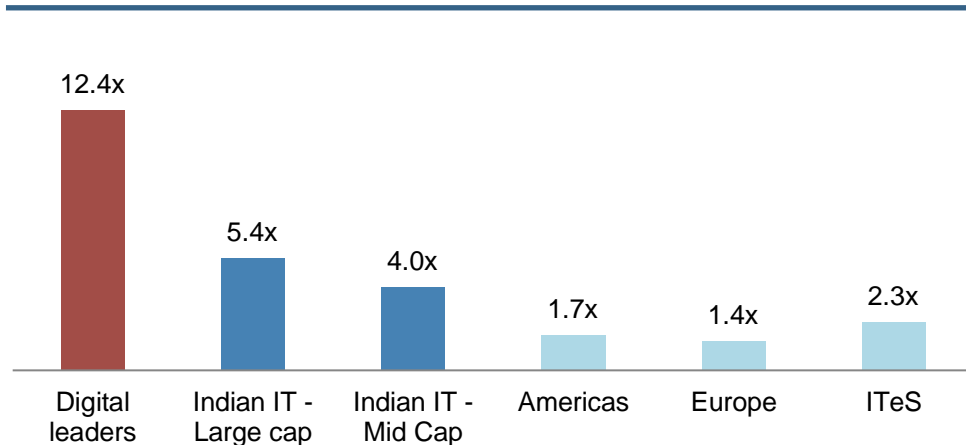


Source: Capital IQ

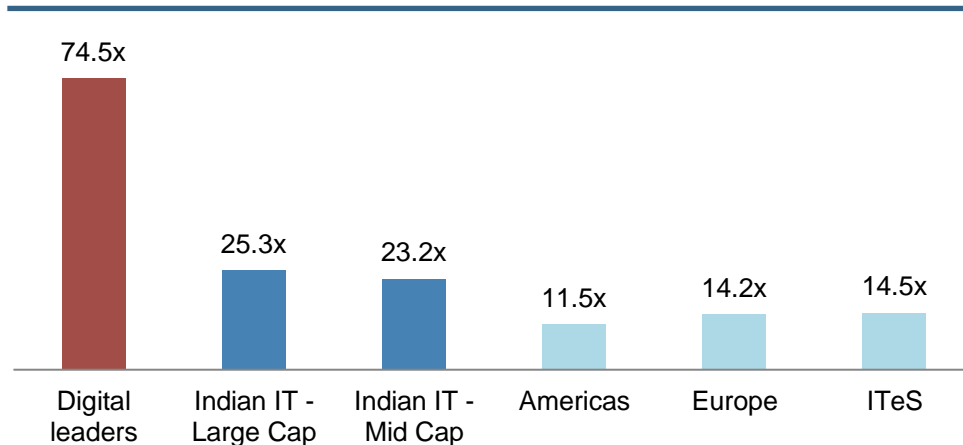
Note: For every parameter, we have used market capitalization of the companies in each segment (composition of each segment can be seen in the appendix)

# Valuation summary

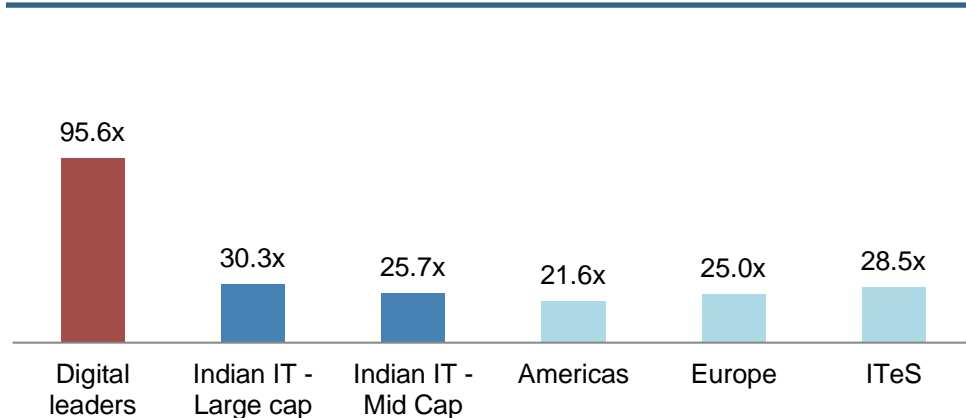
## EV / LTM Sales



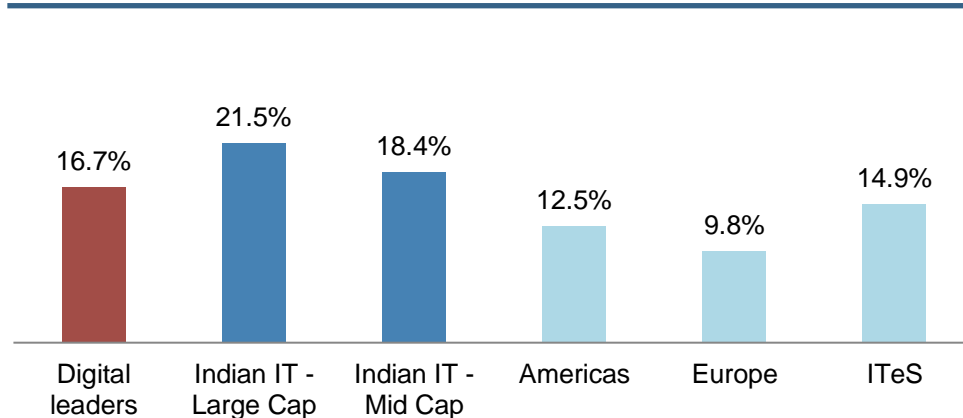
## EV / LTM EBITDA



## 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 October







Overview	Target business description	Transaction rationale
<p>Oct -21</p> <p> </p> <ul style="list-style-type: none"> <li>Target country – United Kingdom</li> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 2001, BCS Consulting is a management consulting firm for the financial services sector.</li> <li>It provides services for business intelligence, digital transformation, program delivery, regulatory and compliance along with operational control software for the financial services sector.</li> <li>BCS Consulting has 250 employees.</li> <li>It is headquartered in London, UK.</li> </ul>	<ul style="list-style-type: none"> <li>The acquisitions bolsters Accenture consulting and technology service offerings for the financial services sector.</li> <li>BCS Consulting expands Accenture's financial services expertise especially in the areas of payments, open banking, operational resilience, cost optimization and financial crime.</li> <li>BCS Consulting's team of 250 people will join Accenture's UK Financial Services Strategy and Consulting practice.</li> <li>It builds on the purchases of Mudano, Orbium and Parker Fitzgerald in the financial services consulting space.</li> </ul>
<p>Oct -21</p> <p> </p> <ul style="list-style-type: none"> <li>Target country – United States</li> <li>Deal size – \$4.8bn</li> <li>EV / Sales – 11.0x</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 1999, Zendesk is an agile experience management solutions provider.</li> <li>It provides Momentive for market research, GetFeedback for real-time feedback collection across digital channels and SurveyMonkey for enterprise feedback collection.</li> <li>Zendesk's platforms have over 20m active users.</li> <li>It has c.1,500 employees.</li> <li>It is based in San Mateo, CA.</li> </ul>	<ul style="list-style-type: none"> <li>Zendesk aims to create a comprehensive customer intelligence platform by combining its customer services and sales platform with Momentive's feedback, surveys and market research platform.</li> <li>Zendesk expects the acquisition to be growth accretive from the start and accelerates its plans to reach \$3.5bn revenue in 2024, one year ahead of its previous target of 2025.</li> <li>It expands Zendesk's 2025 TAM from \$85bn to \$165bn.</li> <li>The transaction is expected to close by H1 2022.</li> </ul>
<p>Oct -21</p> <p> </p> <ul style="list-style-type: none"> <li>Target country – India</li> <li>Deal size – \$20m</li> <li>EV / Sales – 2.6x</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 2010, Eternus Solutions is a digital transformation services firm based in Pune, India.</li> <li>It is a Salesforce Platinum Consulting Partner specializing in CRM implementation services.</li> <li>It also provides services for product development, data migration, enterprise portals and collaboration.</li> <li>Eternus has over 250 employees.</li> <li>It expects to record \$7.8m revenue in FY 2022<sup>1</sup>.</li> <li>It has an additional office in Dubai, UAE.</li> </ul>	<ul style="list-style-type: none"> <li>The acquisition is in line with InfoBeans' strategy to build out a dedicated Salesforce practice and enhance its presence in the Salesforce ecosystem.</li> <li>Eternus deepens InfoBeans' partnerships with Salesforce, Google and Microsoft.</li> <li>Post completion, InfoBeans will reach an annual revenue run rate of \$40m.</li> <li>Eternus founders will lead the InfoBeans' Salesforce Consulting CoE.</li> </ul>

Source: Press release, news reports, Capital IQ

Note:

1) YE: Mar




# Key transactions in October (cont'd)

Overview	Target business description	Transaction rationale
<p>Oct -21</p>   <ul style="list-style-type: none"> <li>Target country – United States</li> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 2017, McD Tech Labs, formerly known as Apparente, is a conversational AI company acquired by McDonald's in Sept-2019.</li> <li>It develops AI-enabled, multilingual voice systems to automate McDonald's drive thru ordering experience.</li> <li>McD Tech Labs has c.100 employees.</li> <li>It is based in Mountain View, CA.</li> </ul>	<ul style="list-style-type: none"> <li>McD Tech Labs complements IBM Watson's AI-driven customer care solutions.</li> <li>IBM will leverage its expertise in building AI and NLP-based customer care solutions to scale McD Tech Lab's Automated Order Taking technology (AOT) across markets and tackle integration issues for commercialization.</li> <li>AOT will continue to be integrated into McDonald's technology ecosystem.</li> <li>The transaction is expected to close in December 2021.</li> </ul>
<p>Oct -21</p>   <ul style="list-style-type: none"> <li>Target country – Canada</li> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 2007, CRM Dynamics is the largest independent Microsoft Dynamics 365 Partner in Canada.</li> <li>It provides services for CRM design, integration and implementation especially for sales, marketing, customer service and field service solutions.</li> <li>CRM Dynamics is a Gold Certified Microsoft partner.</li> <li>It is headquartered in Mississauga, Canada.</li> </ul>	<ul style="list-style-type: none"> <li>The acquisition is in line with HSO's aim to become a leading global provider of digital transformation services leveraging the Microsoft platform.</li> <li>Carlyle-backed HSO aims to leverage its global delivery capabilities across the full Microsoft platform to grow its CRM implementation business.</li> <li>CRM Dynamics expands HSO's footprint in North America.</li> <li>This is the third acquisition for HSO since receiving the investment from The Carlyle Group in 2019.</li> </ul>
<p>Oct -21</p>   <ul style="list-style-type: none"> <li>Target country – United States</li> <li>Deal size – \$105m</li> <li>EV / Sales – 2.4x</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 2005, Lodestone is a digital engineering services provider.</li> <li>It provides end-to-end product and data quality assurance across software, hardware and data layers to enterprises .</li> <li>Lodestone recorded \$43.3m revenue in 2020.</li> <li>It has over 300 employees.</li> <li>It is based in Pleasanton, CA.</li> </ul>	<ul style="list-style-type: none"> <li>Lodestone strengthens Tech Mahindra's digital engineering capabilities in effective utilization of data strategy and providing end-to-end quality assurance.</li> <li>It will add a comprehensive service offering for product and data quality assurance for large internet companies to Tech Mahindra's portfolio.</li> <li>With the acquisitions of Lodestone and WMW, Tech Mahindra has completed nine transactions thus far in 2021 as the company continues to strengthen its digital capabilities and presence across key markets.</li> </ul>

# Key transactions in October (cont'd)







Overview	Target business description	Transaction rationale
<p>Oct -21</p> <p><b>Tech Mahindra</b></p> <p><b>WE MAKE WEBSITES</b></p> <ul style="list-style-type: none"> <li>Target country – United Kingdom</li> <li>Deal size – \$13m</li> <li>EV / Sales – 2.0x</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 2009, We Make Websites (WMW) is a Shopify-focused ecommerce agency offering website building and migration services.</li> <li>WMW has 48 employees.</li> <li>It recorded \$6.3m revenue in 2020.</li> <li>It is based in London, UK and has an additional office in New York.</li> </ul>	<ul style="list-style-type: none"> <li>WMW enhances Tech Mahindra's capabilities in the Experience Design business.</li> <li>Through WMW, Tech Mahindra aims to build an industry-leading Shopify consulting practice.</li> <li>It deepens Tech Mahindra's partnerships with several key ecommerce technology partners especially Shopify Plus and Oracle NetSuite.</li> <li>WMW will be integrated with BORN Group, a US-based CX and ecommerce agency acquired by Tech Mahindra in Nov 2019.</li> </ul>
<p>Oct -21</p> <p><b>N E P</b></p> <p>Norwest Equity Partners</p> <p><b>coretelligent</b></p> <p>THE POWER OF IT</p> <ul style="list-style-type: none"> <li>Target country – United States</li> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 2006, Coretelligent is a managed IT services provider backed by VSS Capital Partners.</li> <li>It offers IT planning &amp; strategy, IT support, security &amp; compliance, unified cloud management, backup &amp; disaster recovery and co-managed services.</li> <li><b>Verticals:</b> Financial services, life sciences, technology, professional services.</li> <li>Coretelligent is based in Westwood, MA with 8 additional offices across US.</li> </ul>	<ul style="list-style-type: none"> <li>With Norwest Equity Partners' investment, Coretelligent aims to accelerate growth and expand its service offerings.</li> <li>It aims to pursue both organic opportunities and strategic acquisitions to scale its managed IT service offerings focusing on middle market companies.</li> <li>Previous investors, VSS Capital Partners, will continue to retain a minority stake in the company.</li> <li>Financial terms of the transaction were not disclosed.</li> </ul>
<p>Oct -21</p> <p><b>Microsoft</b></p> <p><b>Clear Software</b></p> <ul style="list-style-type: none"> <li>Target country – United States</li> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 2012, Clear Software provides enterprise software automation solutions.</li> <li>It provides complex workflows automation across systems through ClearWork, a no-code Business Process Management Software (BPMS) and ClearProcess, a low-code Integration Platform-as-a-Service (iPaaS).</li> <li>Clear Software primarily provides pre-delivered automations for SAP, Oracle EBS and Salesforce.</li> <li>It is based in Zionsville, IN.</li> </ul>	<ul style="list-style-type: none"> <li>Microsoft aims to strengthen the integration between its Power Platform and enterprise business suites by leveraging Clear Software's API access and back-end systems knowledge.</li> <li>Through Clear Software's integrations, Microsoft's customers will have a more seamless experience in using Power Apps and Power Automate to build business applications over complex systems like SAP and Oracle.</li> <li>Clear Software also brings over 100 pre-built, customizable abstractions for SAP and Oracle platforms.</li> </ul>

# Key transactions in October (cont'd)







Overview	Target business description	Transaction rationale
<p>Oct -21</p> <p><b>Deloitte.</b></p>  <ul style="list-style-type: none"> <li>Target country – Australia</li> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 2014, Magia is an Oracle cloud consultancy firm.</li> <li>It provides cloud consulting, implementation, training and support services across ERP, HCM and CX modules.</li> <li>Magia is an Oracle Platinum Partner.</li> <li>It has 75 employees.</li> <li>It is based in Perth, Australia with 4 additional offices across Australia.</li> </ul>	<ul style="list-style-type: none"> <li>The acquisition of Magia will make Deloitte a leader in the Australian Oracle cloud services market with c.90 consultants.</li> <li>Deloitte aims to accelerate growth for cloud-based application services market with Magia's go-to-market strategy and the combined expertise across Oracle SaaS.</li> <li>This is the second Australia-based acquisition for Deloitte in October following the purchase of Sliced Tech, a Canberra-based cloud and security MSP.</li> <li>Terms of the transaction were not disclosed.</li> </ul>
<p>Oct -21</p> <p><b>ans</b></p>  <ul style="list-style-type: none"> <li>Target country – United Kingdom</li> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 1999, UKFast is a cloud hosting and data center provider.</li> <li>It was acquired by Inflexion PE in May 2020.</li> <li>UKFast provides dedicated server hosting, critical application hosting and cloud hosting solutions to UK's private and public sectors.</li> <li>It has over 260 employees.</li> <li>It is based in Manchester, UK with additional offices in London and Glasgow.</li> </ul>	<ul style="list-style-type: none"> <li>The merger follows the acquisition of ANS Group by Inflexion PE in Jun 2021.</li> <li>UKFast adds security and private cloud expertise to ANS Group, bolstering its cloud capabilities.</li> <li>Inflexion aims to create a UK-based digital transformation services leader through the merger and bring it under a new brand.</li> <li>The transaction is expected to close by Jan 2022.</li> </ul>
<p>Oct -21</p> <p><b>CGI</b></p>  <ul style="list-style-type: none"> <li>Target country – United States</li> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 1992, Cognicase Management Consulting (CMC) is a technology and management consulting services provider.</li> <li>CMC provides services for big data &amp; analytics, AI, UX &amp; mobility, cybersecurity, IoT, digital business solutions and ICT-based healthcare systems.</li> <li>It has c.1,500 employees.</li> <li>It is based in Madrid, Spain with 11 offices across Spain, Italy, Mexico, Columbia and Portugal.</li> </ul>	<ul style="list-style-type: none"> <li>CMC complements CGI's end-to-end consulting services portfolio, ranging from systems integration to managed IT.</li> <li>It strengthens CGI's service offerings and capabilities in the Spanish market.</li> <li>CMC will add c.1,500 people to CGI's global workforce of over 80,000 professionals globally.</li> <li>It builds on CGI's purchase of SCISYS, a European IT consulting and services firm.</li> <li>Financial terms of the transaction were not disclosed.</li> </ul>



# Key transactions in October (cont'd)

Overview	Target business description	Transaction rationale
<p>Oct -21</p>   <ul style="list-style-type: none"> <li>Target country – Czech Republic</li> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 2016, DataSentics develops AI and ML solutions for enterprises.</li> <li>It provides solutions for marketing, business development and IT &amp; technology.</li> <li><b>Select customers:</b> Allianz, AWS, Asahi, Databricks, Nestle, Microsoft, Red Bull, VIG, Heureka Group.</li> <li><b>Partnerships:</b> AWS, Microsoft.</li> <li>DataSentics has over 100 employees.</li> <li>It is based in Prague, Czech Republic.</li> </ul>	<ul style="list-style-type: none"> <li>The acquisition is in line with Atos' strategy to create a global AI/ML 'factory' to deliver solutions to enterprise customers across all sectors.</li> <li>DataSentics expands Atos' AI/ML and computer vision portfolio with AI-intensive products and data science capabilities.</li> <li>DataSentics enhances Atos' presence in Central and Western Europe.</li> <li>It builds on the purchases of zData, Miner &amp; Kasch and Ipsotek in the AI/ML space.</li> </ul>
<p>Oct -21</p>   <p>Adobe Workfront business</p> <ul style="list-style-type: none"> <li>Target country – United States</li> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 2007, Rego Consulting is a leading project and portfolio management, work management and agile consulting firm.</li> <li>Its Adobe Workfront business offers end-to-end Workfront services from strategy formulation &amp; implementation to management &amp; support.</li> <li>Rego's Workfront business has over 150 employees.</li> <li>It is headquartered in Centerville, UT.</li> </ul>	<ul style="list-style-type: none"> <li>Rego's Adobe Workfront business expands IBM's cloud capabilities especially in Adobe Experience Cloud, Creative Cloud and Document Cloud.</li> <li>Rego's Adobe Workfront business will be integrated into the Adobe practice within IBM iX, the customer and experience transformation group of IBM Consulting.</li> <li>It broadens IBM's partnership with Adobe with deep marketing domain expertise and consulting capabilities in the work management space.</li> </ul>
<p>Oct -21</p>   <ul style="list-style-type: none"> <li>Target country – United Kingdom</li> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 2000, Xoomworks is a procurement technology and IT consulting firm.</li> <li>It provides sourcing and procurement transformation consulting services through Xoomworks Procurement and software development services through Xoomworks technology.</li> <li>Xoomworks has over 250 employees.</li> <li>It is based in London, UK with offices in France, Romania, Bulgaria and Germany.</li> </ul>	<ul style="list-style-type: none"> <li>Xoomworks expands Accenture's procurement technology capabilities with its proprietary methodologies and solutions for full procurement lifecycle implementations, data-driven spend management and change management.</li> <li>It deepens Accenture's partnerships with key supply chain technology ecosystem partners including SAP, Ariba and Coupa.</li> <li>Xoomworks enhances Accenture Supply Chain &amp; Operations group's footprint in Europe with the addition of over 250 experts.</li> <li>Financial terms of the transaction were not disclosed.</li> </ul>

# Key transactions in October (cont'd)

Overview	Target business description	Transaction rationale
<p>Oct -21</p> <div>   </div> <ul style="list-style-type: none"> <li>Target country – United Kingdom</li> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 2014, QUANTIQ is a systems integrator for Microsoft Business Applications.</li> <li>It provides full implementation and support services across Dynamics 365, Azure and Power Platform stacks in cloud, hybrid cloud and on-premise environments.</li> <li>QUANTIQ is a Microsoft Gold Partner.</li> <li>It is based in London, UK with offices in India, Philippines and USA.</li> </ul>	<ul style="list-style-type: none"> <li>The acquisition is in line with Avanade's strategy to extends its Dynamics 365 capabilities and cloud-based Microsoft Business Application offerings.</li> <li>Avanade aims to deliver superior digital transformation solutions by combining QUANTIQ's ERP customer experience and Avanade's offshore engineering capabilities.</li> <li>QUANTIQ will add c.300 professionals to Avanade's Business Applications team.</li> <li>Financial terms of the transaction were not disclosed.</li> </ul>
<p>Oct -21</p> <div>   </div> <ul style="list-style-type: none"> <li>Target country – United States</li> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 1997, Global Communication Networks (GCN) is a full-scale Connectivity Integrator (CI).</li> <li>GCN specializes in design, procurement and implementation of integrated solutions for telecom, network, data center and cloud along with managed services.</li> <li>It has over 250 technology partners and 300 customers worldwide.</li> <li>It is headquartered in Deerfield Beach, FL.</li> </ul>	<ul style="list-style-type: none"> <li>Berkshire Partners-backed UPSTACK continues to expand its platform through technology expansion and partner acquisitions.</li> <li>GCN expands UPSTACK's services portfolio especially for IaaS, data center colocation, hybrid cloud, network, and unified communication services.</li> <li>GCN's founder and CEO, Chris Palermo, will join UPSTACK's senior management team as President as well as a true equity stakeholder.</li> <li>Financial terms of the transaction were not disclosed.</li> </ul>
<p>Oct -21</p> <div>   </div> <ul style="list-style-type: none"> <li>Target country – United States</li> <li>Deal size – NA</li> <li>EV / Sales – NA</li> </ul>	<ul style="list-style-type: none"> <li>Founded in 2000, ATCS provides full scale IT services to large and mid-sized clients.</li> <li>It offers services for enterprise IT, digital transformation, data analytics, Salesforce consulting, RPA and marketing insights.</li> <li><b>Partnerships:</b> Salesforce, Tableau, UiPath, Looker, MuleSoft, Blue Prism, Talkwalker.</li> <li>ATCS recorded \$30m revenue in 2020.</li> <li>It is based in Montvale, NJ with 10 global offices.</li> </ul>	<ul style="list-style-type: none"> <li>ATCS' digital engineering capabilities complements Nagarro's services portfolio.</li> <li>Nagarro expands its presence in US and German market with the addition of ATCS.</li> <li>Nagarro gains access to a large digital engineering talent pool based in China and India through ATCS.</li> <li>ATCS enhances Nagarro's digital engineering expertise across diverse sectors, especially automotive and life sciences sectors.</li> <li>Financial terms of the transaction were not disclosed.</li> </ul>

# Appendix I:

## Market multiples

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# Market valuation

Company	Market data					LTM Performance				Growth	Valuation multiples		
	Price \$	52 week High	Low	Market cap \$m	EV \$m	Revenue \$m	EBITDA \$m	Net income \$m	EBITDA margin	CAGR 3 years	EV / Sales	EV / EBITDA	P/E
<b>Digital leaders</b>													
EPAM Systems, Inc.	673.2	673.2	312.6	38,126	37,072	3,038	512	399	16.9%	22.6%	12.2x	72.4x	95.6x
Globant S.A.	319.2	331.1	176.4	13,206	12,836	1,015	168	73	16.5%	29.0%	12.6x	76.5x	NM
<b>Average</b>									<b>16.7%</b>	<b>24.1%</b>	<b>12.4x</b>	<b>74.5x</b>	<b>95.6x</b>
<b>India - Large Cap</b>													
Cognizant Technology Solutions Corporation	78.1	82.2	66.5	41,017	40,282	17,914	3,153	1,877	17.6%	4.2%	2.2x	12.8x	21.9x
HCL Technologies Limited	15.3	18.4	10.8	41,399	40,262	10,823	2,660	1,747	24.6%	9.8%	3.7x	15.1x	23.7x
Infosys Limited	22.2	24.3	14.3	94,462	92,082	14,908	3,978	2,838	26.7%	9.6%	6.2x	23.1x	33.3x
Larsen & Toubro Infotech Limited	89.1	92.7	38.3	15,615	15,204	1,841	357	285	19.4%	16.8%	8.3x	42.5x	NM
Mindtree Limited	60.0	63.8	17.7	9,875	9,604	1,215	242	187	19.9%	12.2%	7.9x	39.6x	NM
Mphasis Limited	43.2	47.2	17.5	8,084	7,862	1,424	246	178	17.3%	13.1%	5.5x	31.9x	45.3x
Tata Consultancy Services Limited	45.3	53.8	35.0	167,641	162,310	23,998	6,540	4,932	27.3%	9.1%	6.8x	24.8x	34.0x
Tech Mahindra Limited	19.7	20.9	10.8	17,262	16,150	5,454	979	685	18.0%	6.5%	3.0x	16.5x	25.2x
Wipro Limited	8.6	9.5	4.5	47,097	44,732	9,415	2,122	1,632	22.5%	6.9%	4.8x	21.1x	28.9x
<b>Average</b>									<b>21.5%</b>	<b>8.0%</b>	<b>5.4x</b>	<b>25.3x</b>	<b>30.3x</b>
<b>India - Mid Cap</b>													
Accelya Solutions India Limited	16.1	20.2	10.9	240	235	43	11	7	26.5%	(7.7%)	5.5x	20.8x	32.7x
Birlasoft Limited	5.4	6.0	2.3	1,502	1,378	509	80	56	15.6%	(2.9%)	2.7x	17.3x	27.0x
Coforge Limited	65.2	78.0	28.4	3,939	3,984	739	114	71	15.5%	17.8%	5.4x	34.8x	NM
Cyient Limited	14.2	16.4	5.4	1,569	1,455	581	87	59	15.1%	(0.8%)	2.5x	16.6x	26.8x
Hexaware Technologies Limited	6.3	--	--	1,886	1,890	858	134	85	15.6%	11.6%	2.2x	14.1x	22.2x
L&T Technology Services Limited	63.0	68.3	21.7	6,645	6,453	812	159	111	19.6%	9.3%	7.9x	40.6x	NM
Mastek Limited	36.8	45.5	11.7	1,092	1,019	266	59	35	22.2%	27.4%	3.8x	17.2x	31.2x
Perficient, Inc.	123.6	133.0	40.2	4,071	4,238	709	128	56	18.1%	12.3%	6.0x	33.1x	NM
Persistent Systems Limited	52.5	56.4	14.9	4,010	3,829	643	106	77	16.5%	13.2%	6.0x	36.2x	NM
Sasken Technologies Limited	16.4	20.2	8.7	246	235	60	18	18	30.6%	(5.2%)	3.9x	12.8x	13.6x
Sonata Software Limited	11.2	12.9	4.3	1,159	1,083	634	56	42	8.8%	19.8%	1.7x	19.3x	27.3x
TAKE Solutions Limited	0.6	1.0	0.5	93	144	110	(3)	(29)	NM	(23.8%)	1.3x	NM	NM
Zensar Technologies Limited	6.2	7.9	2.3	1,392	1,302	512	83	57	16.2%	2.2%	2.5x	15.7x	24.5x
<b>Average</b>									<b>18.4%</b>	<b>8.0%</b>	<b>4.0x</b>	<b>23.2x</b>	<b>25.7x</b>

# Market valuation (cont'd)

Company	Market data					LTM Performance				Growth	Valuation multiples		
	Price \$	52 week High	Low	Market cap \$m	EV \$m	Revenue \$m	EBITDA \$m	Net income \$m	EBITDA margin	CAGR 3 years	EV / Sales	EV / EBITDA	P/E
<b>Americas</b>													
Accenture plc	358.8	358.8	220.2	226,626	222,528	50,533	8,446	5,907	16.7%	7.2%	4.4x	26.3x	38.4x
CGI Inc.	89.2	93.0	60.9	21,767	24,139	9,722	1,713	1,029	17.6%	4.2%	2.5x	14.1x	21.2x
DXC Technology Company	32.6	43.4	18.1	8,205	12,371	17,368	1,859	334	10.7%	(7.3%)	0.7x	6.7x	24.6x
Positivo Tecnologia S.A.	1.5	3.1	0.7	210	275	570	85	60.3	14.8%	4.8%	0.5x	3.3x	3.5x
Sonda S.A.	0.3	0.7	0.3	295	452	1,031	113	25	11.0%	(5.3%)	0.4x	4.0x	11.6x
The Hackett Group, Inc.	21.1	21.5	13.1	630	583	253	40	21	15.8%	(0.5%)	2.3x	14.5x	30.3x
Unisys Corporation	25.6	28.2	13.1	1,716	1,755	2,092	18	(490)	0.9%	(9.4%)	0.8x	NM	NM
Average									12.5%	2.3%	1.7x	11.5x	21.6x
<b>Europe</b>													
Alten S.A.	161.0	167.0	81.1	5,456	5,487	2,949	245	150	8.3%	6.6%	1.9x	22.4x	36.3x
Atos SE	52.0	93.4	46.3	5,731	8,569	13,016	1,304	109	10.0%	(0.2%)	0.7x	6.6x	NM
Aubay Société Anonyme	62.0	64.6	33.8	819	788	527	50	36	9.4%	6.2%	1.5x	15.9x	22.7x
Cancom SE	69.1	70.3	41.8	2,661	2,515	2,060	132	80	6.4%	12.6%	1.2x	19.0x	33.2x
Capgemini SE	232.8	232.8	117.4	39,195	46,188	20,130	2,619	1,291	13.0%	10.7%	2.3x	17.6x	30.4x
Capita plc	0.6	0.7	0.3	1,079	2,336	4,505	407	369	9.0%	(6.1%)	0.5x	5.7x	2.9x
Devoteam SA	194.8	196.6	113.7	1,603	1,562	952	100	60	10.5%	12.4%	1.6x	15.6x	26.8x
Indra Sistemas, S.A.	12.1	12.1	6.0	2,128	2,732	3,818	263	93	6.9%	1.7%	0.7x	10.4x	22.8x
Knowit AB (publ)	40.2	45.1	26.4	1,101	1,121	476	47	28	9.9%	12.1%	2.4x	23.7x	39.8x
Sopra Steria Group SA	196.7	210.9	118.8	3,982	4,886	5,246	449	176	8.6%	4.4%	0.9x	10.9x	22.7x
TietoEVRY Oyj	30.6	35.9	25.1	3,629	4,456	3,242	504	298	15.6%	20.7%	1.4x	8.8x	12.2x
Average									9.8%	5.3%	1.4x	14.2x	25.0x

Company	Market data					LTM Performance				Growth	Valuation multiples		
	Price \$	52 week High	Low	Market cap \$m	EV \$m	Revenue \$m	EBITDA \$m	Net income \$m	EBITDA margin	CAGR 3 years	EV / Sales	EV / EBITDA	P/E
<b>ITeS</b>													
Conduent Incorporated	6.8	8.3	3.7	1,435	2,880	4,150	456	(17)	11.0%	(10.5%)	0.7x	6.3x	NM
ExlService Holdings, Inc.	122.6	127.1	76.7	4,068	4,023	1,076	203	119	18.9%	8.3%	3.7x	19.8x	34.3x
Firstsource Solutions Limited	2.6	3.1	0.9	1,794	1,926	740	98	55	13.2%	12.3%	2.6x	19.7x	32.7x
Genpact Limited	49.4	52.7	35.7	9,265	10,554	3,820	683	354	17.9%	10.1%	2.8x	15.5x	26.1x
Hinduja Global Solutions Limited	35.6	46.9	8.9	743	808	794	121	55	15.2%	10.6%	1.0x	6.7x	13.6x
StarTek, Inc.	5.5	9.2	5.0	224	467	689	74	(12)	10.7%	13.1%	0.7x	6.3x	NM
TTEC Holdings, Inc.	94.4	112.3	56.3	4,435	5,299	2,158	359	164	16.6%	12.6%	2.5x	14.8x	27.1x
WNS (Holdings) Limited	88.8	89.2	59.5	4,330	4,282	1,009	159	117	15.7%	8.5%	4.2x	27.0x	36.9x
Average									14.9%	10.6%	2.3x	14.5x	28.5x

Source: Capital IQ

## ABOUT US

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Founded in 1987, The Chesapeake Group is an independent financial advisory company with over 30 years of history in helping clients – from venture stage to large corporations – achieve their corporate development goals. We are focused on the Technology and Software services sector with significant experience in cross – border transactions. Since our inception, we have advised numerous companies on mergers and acquisitions, capital raising, recapitalization, and strategic alliances. Headquartered in New York, with an additional office in Bangalore. Team of 10 professionals with an average experience of more than 30 years.

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