SPARK CAPITAL

INVESTMENT BANKING NEWSLETTER

TECHNOLOGY

JANUARY 2018

FROM THE DIRECTOR’S DESK

Dear Reader,

Welcome to the eighth edition of the monthly Technology Newsletter from Spark Capital. With this newsletter, we have tried to give you a flavour of various updates across the Software, Tech Services, Internet, and FinTech sector across the global technology spectrum.

We have been privileged to work with a diverse set of clients across Software, Tech Services, and Digital Media and Internet on transactions including fund raising for Intellect Software, advising Quess on acquisition of Tata Business Support Services, advising Nextwave on sale to Nazara.

Below are some key trends in India that we expect as we move ahead in 2018:

- The Indian software sector holds significant promise with SaaS business expected to be $10Bn in revenues by 2025. Opportunities in CRM, Data Visualization, HR, Marketing, Healthcare & Education sub sectors are ripe for companies to build world class products and leverage India advantage of engineering, inside sales, onboarding and support. The big question really is “Can India be to SaaS, what Israel is to cybersecurity?”;
- We saw significant private equity led buyout activity that drove Tech Services M&A throughout 2017, this is likely to stay in play for the next 12-18 months, hinting at some robust deal-making activity ahead. Private equity’s ability to leverage strong operational execution capabilities in Tech Services is key to drive superior performance. Access to free cash flow with the ability to take leverage helps in improving returns;
- Consumer Internet sector likely to see increased fund raising. Consumer Internet, which saw slowdown in 2016-2017 is likely to see a comeback in 2018. Startups in personal finance, education likely to be beneficiaries of fund raising due to burgeoning mobile led ecosystem with increased accessibility of high internet speed at lower costs and higher smartphone penetration;
- Digital Media & Entertainment industry is seeing a paradigm shift towards digital with the medium of consuming content becoming more mobile. Revenue generation is happening across multiple verticals including music, on demand television, gaming etc. Improving infrastructure coupled with increasing propensity of Indians to spend time and money online will result in rapid growth of the sector;
- In the Fintech sector, 2018 is likely to be a year of consolidation as some of the larger players will seek to be acquisitive for market share. While fintech brought innovative solutions into the financial services

FROM THE DIRECTOR'S DESK

sector, the fintech sector has become relatively overcrowded with many players trying to target the same set of consumers;

- Deep tech sectors such as IoT and AI will continue to garner traction;
  - IoT technology is expected to continue its upward rise with connected devices envisaged to reach at 75 billion by 2020 from the current 20 billion. The retail, healthcare, and supply-chain industries are likely to see the greatest growth.
  - AI to penetrate deeper with greater adoption of Chatbots/Natural Language Processing (NLP) and Machine Learning (ML) tools. The best part of AI is that the more it is used, the more intelligent it becomes. Chatbots have significant favourable implications on customer engagement in online banking and retail services. However, particularly, in India, the diversity of languages being spoken can be seen both as a challenge to AI developers as well as the opportunity. We already have a few start-ups in India which are working on covering major Indian languages under the AI spectrum.

In this edition, we have interviewed Mr. Rajan Navani, Vice Chairman, MD & CEO of JetSynthesys, India's leading digital media and entertainment company. He explains how digital media and entertainment could be the next big thing and how JetSynthesys plans to leverage this opportunity.

We have also covered in this edition latest trading and transaction updates across the global technology sector. We would like to thank the founder of JetSynthesys and all the other constituents that we interacted with for their inputs in preparing this newsletter.

We hope that you will find this Newsletter insightful and look forward to your feedback on this monthly market overview. ”

Vikash Kabra

Director & Head – Technology Investment Banking

WHAT'S INSIDE?

INTO THE REAL WORLD

Spark fact file

Investment Banking

USD 5.5 Bn
Total transaction value till date

USD 3.7 Bn
Capital raised till date

USD 1.8 Bn
M&A transaction value till date

300+
Number of fund relationships globally

USD 700 Mn
Average annual deal closure value for the last 3 years

11
No. of transactions > USD 100 Mn

~USD 1.2 Bn
Current value of transactions being executed

Technology

~USD 1.8 Bn
Total transaction value till date

Quess Corp <> Tata Business Support Services "TBSS"

Case Study

Quess Corp Limited acquires 51% stake in Tata Business Support Services Limited for INR 153 Crore

Quess | TATA BUSINESS SUPPORT SERVICES LIMITED

About Quess Corp

Quess Corp, India's leading integrated business services provider, was established in 2007. Headquartered in Bengaluru, Quess Corp has a pan-India presence with 65 offices across 34 cities along with overseas footprint in North America, the Middle East and South East Asia. It serves over 1,700+ customers and employs 2,12,500 employees.

About Tata Business Support Services

Tata Business Support Services, was established in 2004. Headquartered in Hyderabad, TBSS is a Customer Experience management company offering its services to over 130 Clients from Telecom & Media, Retail, Manufacturing and BFSI industries across India, North America & Europe. The Company has over 27,000 employees across 400+ locations.

What does this acquisition mean to Quess Corp?

- **Complementary Business:** TBSS's complementary business support services business will diversify Quess Corp's customer serving capabilities. TBSS will add-on customer lifecycle management and BPO services to Quess suite of business.
- **Sector Expertise:** TBSS has more than a decade of expertise in serving clients across financial services, auto & manufacturing, telecom, media, and retail.
- **EPS Accretive:** The acquisition is an EPS accretive transaction for Quess Corp. TBSS will add 25% EBITDA to Quess's profits as noted by Ajit Issac, Chairman & Managing Director of Quess Corp.

TBSS after acquisition…

- **Shareholding:** Tata Sons will hold the remaining 49% stake in TBSS Ltd
- **Management:** Mr Srinivas Koppolu, CEO of TBSS and the current team will continue to lead the company.
- **Business Expansion:** With the support of Quess, TBSS is eyeing expansion to newer markets and acquisition of latest digital competencies.

Spark Capital acted as exclusive financial advisor to Quess Corp on majority acquisition of Tata Business Support Services

Source: Public sources

EXPERT SPEAK

Full Service, Mid-Market I-Bank

- Investment Banking (VC, PE, M&A, IPO, QIP, PIPE)
- Institutional Equities
- Fixed Income solutions
- Investment Advisory

Knowledge Banking

- Dedicated sector teams with deep domain expertise
- Ability to bring new ideas to the market
  - Manappuram (2007)
  - iD Fresh Food (2014)
  - AasaanJobs (2015)
  - Unbxd (2016)

Relationship Banking

- Over 24 clients for whom we have closed multiple transactions
- Consummated ~USD 1.5 Bn of transaction value in repeat business

Deep Distribution

- Extensive reach to over 300 funds across
  - Private Equity
  - Hedge Funds
  - Family Offices
  - Sovereign Funds
  - Corporates

THE DIGITAL CHANGE-MAKERS

INSIGHTS FROM AN INDUSTRY EXPERT

JetSynthesys

We interacted with Mr. Rajan Navani, Vice Chairman, Managing Director and CEO of JetSynthesys, on the company's journey, trends in digital media and entertainment industry, his long-term vision, and the global competition

Rajan Navani.

VC, MD & CEO, JetSynthesys

1. Why do you think the Digital Media and Entertainment sector is at the cusp of explosive growth? How do you think the industry landscape is set to change in the years to come?

With increasing accessibility to high internet speeds at lower costs and higher smartphone penetration, it has never been easier for companies to reach end customers digitally.

The availability of devices for consuming digital content is rapidly increasing. The 300 Mn+ smartphone base in India is making it a bigger smartphone market than the U.S. and second only to China. Yet we still have ~1 Billion Indians who don't yet have access to smartphones.

High speed data connectivity finally has become a reality in India. Now, India has a steadily increasing internet user base that is currently pegged at 460 Mn, thanks to cheaper data plans.

India is the world's no. 1 mobile data consuming country. In the recent past, India has witnessed a surge in mobile data consumption, mainly with the introduction of Reliance Jio, which further led to competition in data plans among telecom companies.

Lastly, the payment mechanisms have matured over the years. Digital payments are becoming the preferred option among customers owing to its convenience and acceptance in the network. About 1 Bn digital transactions are carried out on a monthly basis right now. India is expected to see about 60% share of non-cash transactions by 2025.

2. What are some of the sub segments which will see most adoption and traction?

We see social networking, gaming, entertainment to be big beneficiaries of the burgeoning mobile-led ecosystem.

70% of Indian mobile internet users spend their time on apps such as Facebook, WhatsApp, Instagram and Snapchat (as compared to ~50% for American users). Currently, Indian users spend close to 90% of their internet time on Facebook and WhatsApp, this will change going forward with users becoming more selective and choosing platforms which satisfy their specific needs and interest.

India is continuously ranked among the Top 3 countries in terms of games downloaded on Google Play. With more companies creating games specifically for India, monetization is expected to improve. AR and VR can potentially transform the industry going forward.

On the entertainment front, on-demand digital content is the way forward. As the new millennial generation rapidly adopts music, OTT, digital content etc., the shift has happened in terms of consumers deciding what content they want to consume and how much.

Select Technology Transactions

Exclusive Advisor

To

Next wave Multimedia

December 2017

Majority Stake Acquisition

By

Nazara

Undisclosed

Exclusive Advisor

To

Quess

November 2017

Majority Stake Acquisition

Of

TATA BUSINESS SUPPORT SERVICES LIMITED

~USD 24 Mn

Exclusive Advisor

To

intellect Design for Digital

September 2017

Rights Issue

~USD 31 Mn

Exclusive Advisor

To

Qwikcilver

August 2016

Private Equity Fund Raise

From

SISTEMA

ACCEL PARTNERS, helion, amazon

USD 10 Mn

EXPERT SPEAK

3. How is JetSynthesys leveraging these trends? What are the sub segments that JetSynthesys intends to target in the near future?

JetSynthesys is creating next generation digital media and entertainment platform for users in India and across the world since its inception in 2012. We have a patented, multi-dimensional product and technology suite coupled with unique content development capabilities and deep distribution relationships looking to effectively acquire, engage and monetize users globally.

We are operating across 3 sub verticals

- **Captive Social** – We build social media properties revolving around multiple key genres to effectively acquire, engage and monetize users. We launched our first Captive Social platform in the sports genre for Cricket in March 2017 in partnership with Sachin Tendulkar, called 100MB which is a one stop destination for everything about Cricket and Sachin. We are in the process of launching platforms across other key genres such as Astrology, Bollywood, Comedy, etc.
- **Mobile Gaming** – JetSynthesys caters to a spectrum of casual and mid core mobile gamers across genres such as Sports, Casual, Action and Casino. We launched our latest game last month – Sachin Saga Cricket Championships. The game allows the user to relive moments from Sachin Tendulkar's journey as a cricketer.
- **Digital Entertainment** – We provide digital content across genres to users in partnership with telecom partners in India and overseas. Through our deep understanding of users across markets, we are able to provide user-appropriate content thereby resulting in better monetization. This also opens up opportunities for cross pollination across other divisions.

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4. It has been ~9 months since the launch of 100MB and you have launched Sachin Saga last month as well? How is traction building up for these platforms and what is your strategy behind it?

100MB is a Joint Venture between Sachin Tendulkar (Through SRT10 Sports) and JetSynthesys. 100MB is Jet[Synthesys]'s first attempt in bringing its ecosystem play to its fore. The mobile platform aggregates a variety of multi-format content, live chat and a number of features to provide cricket fans a single destination to keep them updated, informed and engaged about Sachin and Cricket.

The 100MB concept has allowed us to present all our product capabilities including captive social app development, celebrity digital rights management, mobile gaming and video/audio/music content creation. This way we can engage cricket fans at a single destination like no other platform can.

Within less than a week of release, our Sachin Saga Cricket Champions has become one of the top-most downloaded games on Google Play. The game was launched on 7th December by the Master Blaster himself, and gives fans an opportunity to relive the legend's career by stepping into his shoes. It garnered over 1 Mn downloads in less than a week of launch.

● ● ●

5. What is JetSynthesys's long term vision and how do you plan to achieve it?

We want to create one stop destination across key genres which will enable us to acquire and engage users by providing highly curated and holistic multi-format content, thereby driving monetization. We want to be the largest digital media and entertainment company in India within the next 5 years.

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6. How do you view global competition in this sector from players such as Tencent, Star, Amazon Prime, Netflix, etc?

India is a large market and the digital media and entertainment space is evolving rapidly. The market has enough headroom for multiple players to thrive and co-exist. The critical factor for success in this industry would be to provide Indianized content which is the core strength of JetSynthesys due to its deep relationship with the existing ecosystem in India.

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LATEST NEWS AND ANNOUNCEMENTS

Software

AVAYA TO INVEST MORE IN INDIA

Eyeing acquisitions

Avaya, which is looking to hold its initial public sale of shares next week, is strategizing to beef up investments in its operations globally.

Laurent Philonenko, the Global CTO, Avaya said, "After our bankruptcy, we are now changing wholly as a company and will now be more nimble, aggressive and act as a startup to grow our business".

Reportedly, Avaya's US and global operations had undergone financial restructuring following bankruptcy due to high debt last year.

Tech Services

AI & AUTOMATION TO RESULT IN REDUCTION OF IT SERVICES STAFF!

Will AI be a net job slasher?

According to HfS Research, AI and automation will result in reduction of overall number of IT services sector employees between 7-10% by 2022 in India and the US.

Phil Fersht, CEO, HfS Research, wrote in his blog, "Overall value of enterprise automation and AI is expected to reach nearly $10 billion globally in 2018, while spend on AI will be around $1.6 billion."

Software

GOOGLE DEVELOPS HUMAN-LIKE TEXT-TO-SPEECH AI

…a major step towards its "AI first" dream

Inc.com reported: The tech giant's text-to-speech system called "Tacotron 2" delivers an AI-generated computer speech that almost matches with the voice of humans.

At Google I/O 2017 developers conference, company's CEO Sundar Pichai announced that the internet giant was shifting its focus from mobile-first to "AI first" and launched several products and features, including Google Lens, Smart Reply for Gmail and Google Assistant for iPhone.

FinTech

AMAZON TARGETS STAKE IN CAPITAL FLOAT

strengthening fintech space!

Amazon is looking to expand its fintech footprint and is in talks to invest Capital Float.

ET Reported: The deal size couldn't be ascertained but one of the persons cited earlier said Amazon is likely to cut a small piece. A third person said that Amazon may invest $5-10 Mn as an extension of the recent round raised by Capital Float, but this couldn't be independently confirmed.

EdTech

RUSSIA, INDIA WORK ON EDTECH COOPERATION

from military to education…

According to Alexander Sobolev, director of the Department of State policy in higher education, Russia said, "Russia's Ministry of Education and Science is prioritising future cooperation with India on educational and digital programs."

Sobolev added, "The growth in India, and its intentions to use technology as an economic tool, means Moscow sees technological cooperation with New Delhi as one of its priorities."

Select Technology Transactions

Exclusive Advisor

To

UNBXD

March 2016

Private Equity Fund Raise

From

NIRVANA, ICP INVENTUS CAPITAL PARTNERS, IDG Ventures

Undisclosed

Exclusive Advisor

To

aasaanjobs

December 2015

Private Equity Fund Raise

From

IDG Ventures, ICP INVENTUS CAPITAL PARTNERS

Undisclosed

Joint Advisor

To

POLARIS live your dream

November 2015

Majority Stake Acquisition

By

virtusa Accelerating Business Outcomes

USD 270 Mn

Exclusive Advisor

To

SUTHERLAND GLOBAL SERVICES

November 2014

Private Equity Fund Raise

From

TPG

USD 346 Mn

SPARK CAPITAL

Source: News articles

SOFTWARE MARKET SNAPSHOT

Select Technology Transactions

Exclusive Advisor

To

CSS Corp

June 2013

Leveraged Buyout

By

Partners Group

USD 270 Mn

Exclusive Advisor

To

Sutherland Global Services

March 2013

Majority Stake Acquisition

In

Apollo Health Street

USD 182 Mn

Exclusive Advisor

To

Select Institutional Buyers

July 2012

Secondary Block Deal

Infotech

USD 38 Mn

Exclusive Advisor

To

Polaris

April 2011

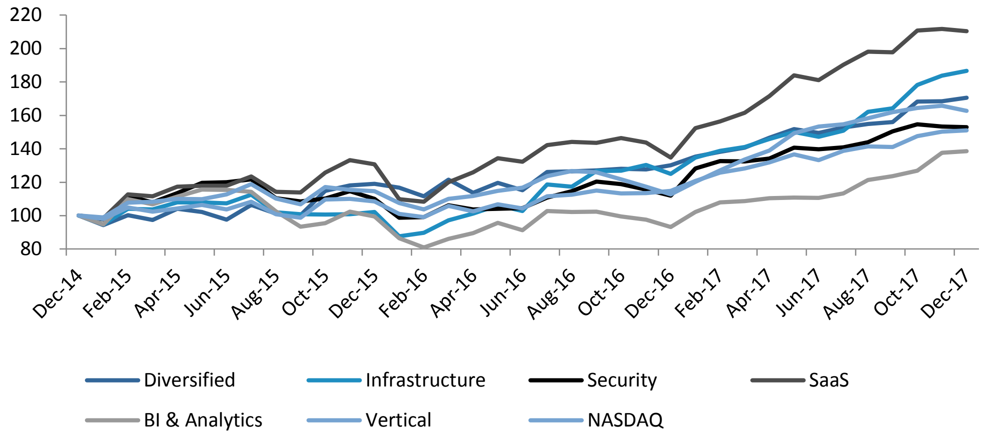
Acquisition

Of

IdenTrust

USD 19 Mn

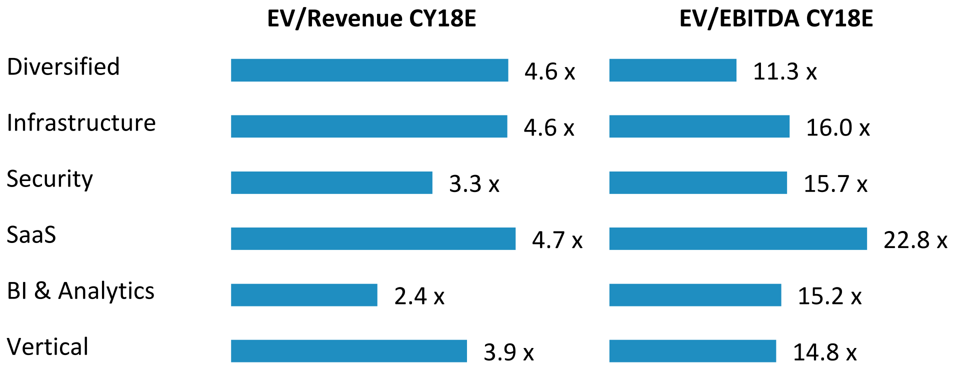
A Stock Price Performance

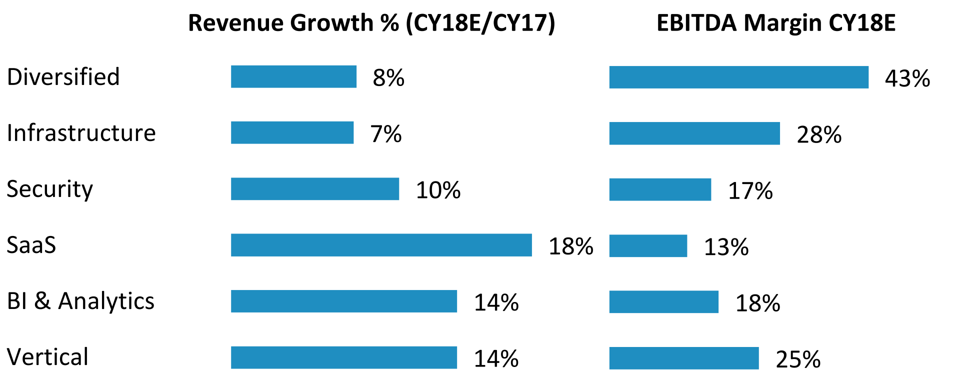


B % Returns

	1 year	3 years*
Diversified	31%	19%
Infrastructure	49%	23%
Security	37%	15%
SaaS	56%	28%
BI & Analytics	49%	11%
Vertical	44%	18%
NASDAQ	32%	15%

C Trading Comparables





Source: Bloomberg as on 29th Dec 2017, All companies calendarised to December year end. Multiples represent median of companies in sub-sector. List of companies included in sub-sector detailed in annexure.

Stock price performance within each sub sector has been weighted for market cap

** Annualized return*

SOFTWARE MARKET SNAPSHOT

Select Technology Transactions

Exclusive Advisor
To
SUTHERLAND GLOBAL SERVICES
May 2010
Majority Stake Acquisition
In
adventity
USD 44 Mn

Exclusive Advisor
To
MEGASOFT
October 2009
Sale of Blue Alley
To
TRIANZ
USD 14 Mn

Exclusive Advisor
To
POLARIS live your dream
October 2009
Majority Stake Acquisition
In
Laser Soft Infosystems Ltd.
USD 11 Mn

Exclusive Advisor
To
POLARIS live your dream
October 2008
Majority Stake Acquisition
In
SEEC
USD 10 Mn

A Select M&A Transactions

Global (excl. India): 15 deals, ~USD 4.9 Bn
India: 3 deals, NA

ACQUIRER	TARGET	DESCRIPTION	TV (USD Mn)	EV/ Rev
Global				
ELLIOTT, QIA	Gigamon	Provider of network visibility and data traffic management software	1,600	4.8x
ORACLE	aconex	Provider of online collaboration and document management software	1,220	9.8x
SYNOPSYS	BLACKDUCK	Provider of open source security and license management software	547	7.3x
intuit	TSHEETS	Developer of time tracking and scheduling platform	340	8.5x
REALPAGE	rainmaker (LRO & Related Assets)	A portfolio of advanced forecasting mobile app and optimization software	300	28.9x
SILICON LABS	SIGMA DESIGNS	Developer of system-on-chip (SoC) technologies	282	1.0x
India				
CISCO	cmpute.io	Provider of cloud-based workload analytics	-	-
almaMapper	iTEKNIKA	Provider of SaaS based analytics solutions	-	-

B Select Financing Transactions

Global (excl. India): 12 deals, ~USD 863 Mn (across 11 deals)
India: 8 deals, ~USD 57 Mn (across 6 deals)

INVESTOR	TARGET	DESCRIPTION	TV (USD Mn)	EV/ Rev
Global				
CMIG, KINGSOFT *		Provider of cloud computing services for domestic game developers	300	-
GENERAL ATLANTIC	SQUARESPACE	Developer of a cloud-based content management system	200	-
HARBOURVEST	Ascender	Provider of advanced payroll service	100	-
Fidelity INTERNATIONAL	getswift	Developer of delivery management software	75	-
NORWEST VENTURE PARTNERS	acl	Developer of a SaaS-based GRC software	50	-
NEXUS VENTURE PARTNERS *	H_2O.ai	Provider of a Machine Learning platform	-	-
India				
NEA, canaan *	MindTickle	Developer of AI-based chatbots	27	-
Accel *	simility	Provider of fraud prevention solutions	18	-

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Source: VentureIntelligence, PitchBook
TV – Transaction Value; TV rounded-off; Multiples rounded-off to one decimal; Global deals (excl. India) under consideration have TV >USD 10 Mn
** Includes other investors*

TECH SERVICES MARKET SNAPSHOT

Select Technology Transactions

Exclusive Advisor

To

August 2008

QIP

USD 18 Mn

Exclusive Advisor

To

December 2007

Minority Stake Acquisition

By

USD 9 Mn

Exclusive Advisor

To

April 2007

Majority Stake Sale

To

USD 64 Mn

Advisor

To

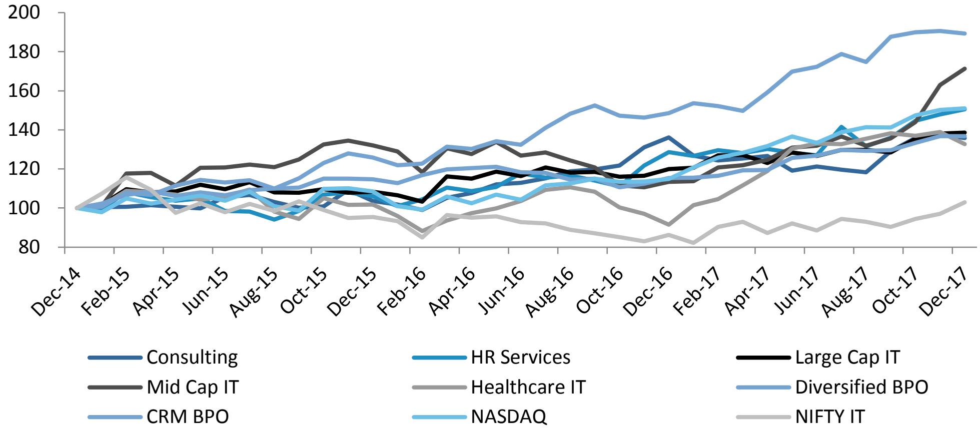
April 2005

IPO

Book Running Lead Manager

USD 9 Mn

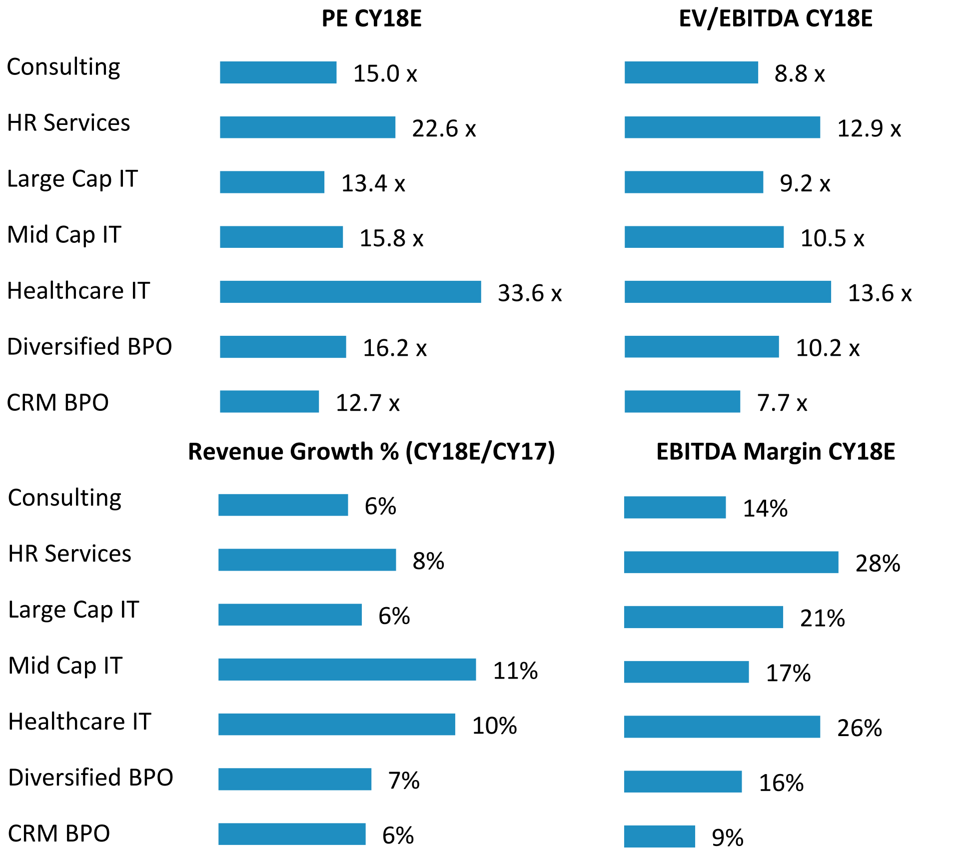
A Stock Price Performance



B % Returns

	1 year	3 years*
Consulting	0%	11%
HR Services	17%	15%
Large Cap IT	16%	11%
Mid Cap IT	51%	20%
Healthcare IT	45%	10%
Diversified BPO	19%	11%
CRM BPO	27%	24%
NASDAQ	32%	15%
NIFTY IT	19%	1%

C Trading Comparables



Source: Bloomberg as on 29th Dec 2017, All companies calendarised to December year end.
Multiples represent median of companies in sub-sector. List of companies included in sub-sector detailed in annexure.
Stock price performance within each sub sector has been weighted for market cap
** Annualized return*

TECH SERVICES MARKET SNAPSHOT

Select Non-Tech Transactions

Advisor
To
SK Finance
December 2017
Private Equity Fund Raise
From
Baring Private Equity Partners India
~USD 32 Mn

Advisor
To
KINARA Visage Holdings & Finance Private Limited
November 2017
Private Equity Fund Raise
From
Gaja Capital, unitus capital, GAWA Capital, Michael & Susan Dell Foundation
~USD 15 Mn

Advisor
To
Yellow Diamond
October 2017
IPO
~USD 74 Mn

Exclusive Advisor
To
FIVE STAR
July 2017
Private Equity Fund Raise
From
SEQUOIA, Morgan Stanley, NORWEST Venture Partners, matrix Partners India
~USD 52 Mn

A Select M&A Transactions

Global (excl. India): 9 deals, ~USD 7.8 Bn
India: 0 deals

ACQUIRER	TARGET	DESCRIPTION	TV (USD Mn)	EV/ EBITDA
Global				
THALES	gemalto	Operator of a software development business	5,632	-
Iron Mountain	io	Operator of a commercially available data center	1,375	-
ARDIAN, assystem	SQS	Provider of software quality assurance services	372	6.9x
ASCENTIAL	CLAVIS INSIGHT	Provider of digital analytics services	140	-
Blackstone	TITUS	Provider of data classification and categorization services	100	-
Telia Company	INMICS	Provider of ICT services	88	-
CentralNic	SK-NIC	Provider of internet domain management services	31	14.0x
Keywords Studios	SPERASOFT	Operator of a game development company	27	13.5x
iomart	sonassi	Provider of Magento eCommerce hosting services	22	-

B Select Financing Transactions

Global (excl. India): 3 deals, ~USD 44 Mn
India: 0 deals

INVESTOR	TARGET	DESCRIPTION	TV (USD Mn)	EV/ EBITDA
Global				
-	IDENTIV	Provider of software systems designed for the security, identification, and RFID industries	20	-
CROSS	catalyte	Provider of agile software development services	13	-
-	ATLAS	Provider of hybrid co-location and cloud infrastructure services	11	-

Source: VentureIntelligence, PitchBook
TV – Transaction Value; TV rounded-off; Multiples rounded-off to one decimal;
Global deals (excl. India) under consideration have TV >USD 10 Mn
** Includes other investors*

INTERNET MARKET SNAPSHOT

Select Non-Tech Transactions

Exclusive Advisor

To

March 2017

Private Equity Fund Raise

From

USD 100 Mn

Exclusive Advisor

To

March 2017

Private Equity Fund Raise

From

USD 32 Mn

Advisor

To

January 2017

IPO

~USD 183 Mn

Exclusive Advisor

To

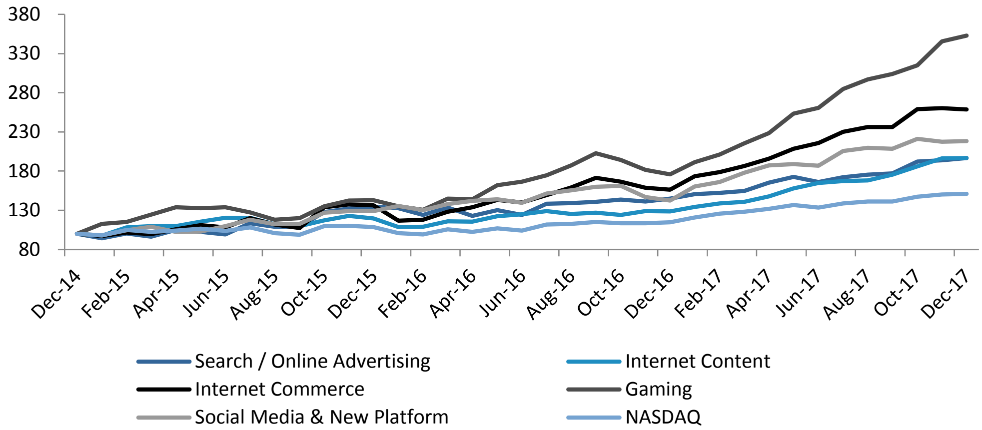
November 2016

Private Equity Fund Raise

From

USD 64 Mn

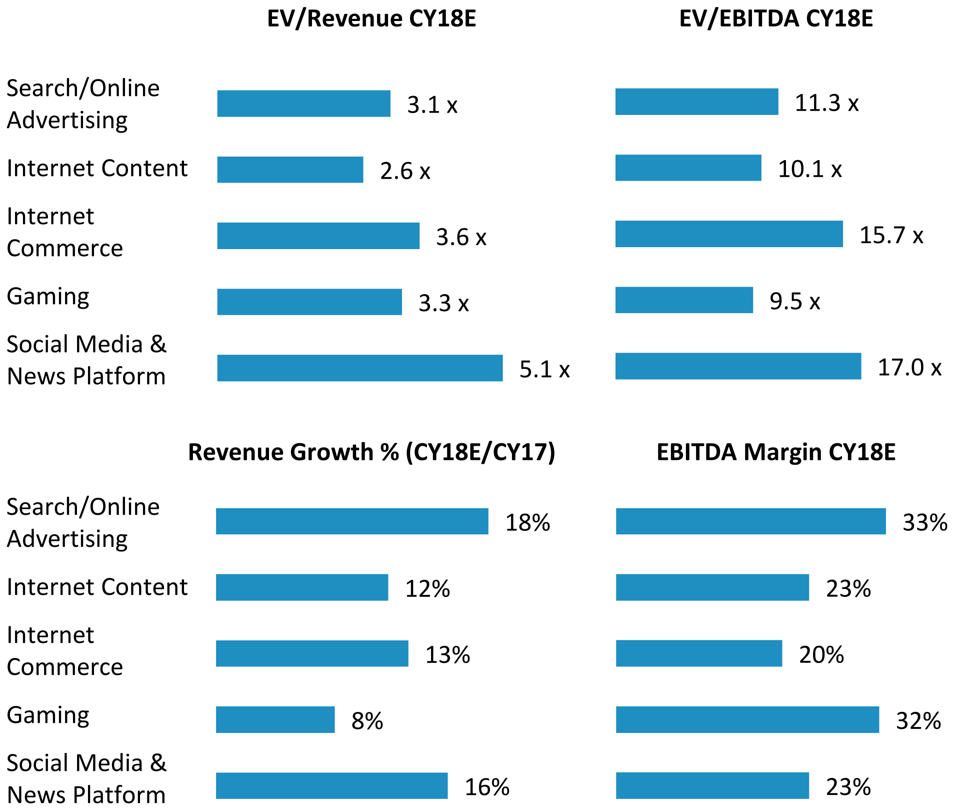
A Stock Price Performance



B % Returns

	1 year	3 years*
Online Advertising	36%	25%
Internet Content	53%	25%
Internet Commerce	66%	37%
Gaming	100%	52%
Social Media & News Platform	53%	30%
NASDAQ	32%	15%

C Trading Comparables



Source: Bloomberg as on 29th Dec 2017, All companies calendarised to December year end. Multiples represent median of companies in sub-sector. List of companies included in sub-sector detailed in annexure.
Stock price performance within each sub sector has been weighted for market cap
** Annualized return*

INTERNET MARKET SNAPSHOT

Select Non-Tech Transactions

Exclusive Advisor

To

Suryoday

Enabling Dreams. Empowering Lives.

June 2016

Private Equity Fund Raise

From

IDFC · ASK Pravi · HDFC Life · LNB Group · Americorp Group · Gaja Capital

USD 32 Mn

Exclusive Advisor

To

RAMESH HOSPITALS

May 2016

Majority Stake Acquisition

By

Aster

We'll Treat You Well

USD 28 Mn

Exclusive Advisor

To

CreditAccess Asia

January 2016

Structured Capital Raise

From

Olympus Capital Asia

USD 30 Mn

Exclusive Advisor

To

Select Institutional Buyers

September 2015 Onwards

Secondary Stake Acquisition

In

NSE

USD 403 Mn

A Select M&A Transactions

Global (excl. India): 14 deals, ~USD 3.4 Bn
India: 5 deals, NA

ACQUIRER	TARGET	DESCRIPTION	TV (USD Mn)	EV/ Rev
		Global		
头条		Provider of a lip-syncing video application	1,000	-
SG Scientific Games	NYX Gaming Group	Developer of gaming software	608	3.2x
Target	Shipt	Operator of an online grocery marketplace	550	-
	Shazam	Developer of a music recognition application	400	7.3x
Stillfront	Good Game (Entertainment Software)	Operator of an online studio intended to offer online games	317	0.4x
William Hill *	Headlong	Operator of online casino gaming sites and related IT services	176	-
		India		
OLA	foodpanda	Provider of online food delivery services	-	-
Paytm	nearbuy	Provider of online hyperlocal marketplace	-	-
Paytm	little	Provider of hyperlocal discovery services	-	-

B Select Financing Transactions

Global (excl. India): 0 deals
India: 16 deals, ~USD 140 Mn (across 15 deals)

INVESTOR	TARGET	DESCRIPTION	TV (USD Mn)	EV/ Rev
		India		
UC - RNT, Tiger Global, IDG Ventures India	nestaway	Provider of online marketplace rental services	50	-
Rare Enterprises	Nazara	Provider of online mobile games	28	-
Google	dunzo	Provider of hyperlocal services	10	-
Sequoia, Accel *	HomeLane.com	Provider of online interior design solutions	10	-
rocketship.vc *	Springboard	Provider of mentor-led online courses	10	-

SPARK CAPITAL

Source: VentureIntelligence, PitchBook
TV – Transaction Value; TV rounded-off; Multiples rounded-off to one decimal; Global deals (excl. India) under consideration have TV >USD 10 Mn
** Includes other investors*

FINTECH MARKET SNAPSHOT

Select Non-Tech Transactions

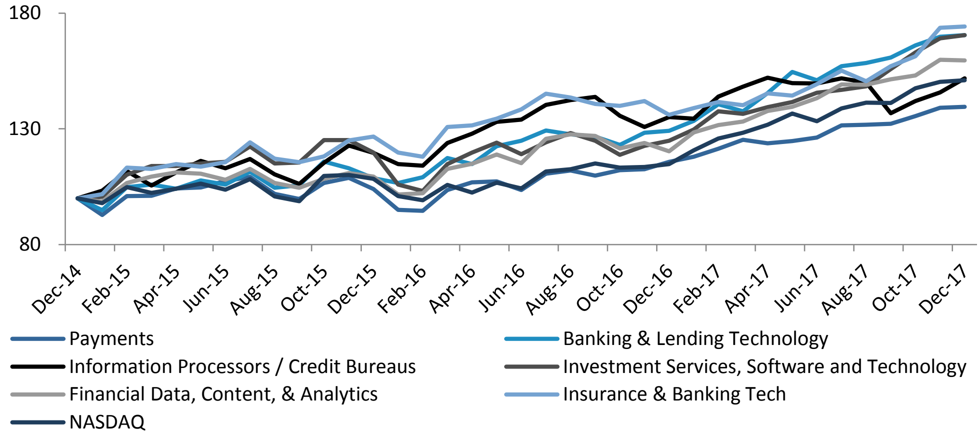
Exclusive Advisor
To
ISFC – India Shelter Finance Corporation
May 2015
Private Equity Fund Raise
From
SEQUOIA, NEXUS, WESTBRIDGE CAPITAL
USD 43 Mn

Exclusive Advisor
To
enzen
April 2015
Structured Capital Raise
From
KKR
USD 60 Mn

Exclusive Advisor
To
NEWQUEST CAPITAL PARTNERS
January 2015
Minority Stake Acquisition
In
Ujjivan – Build a Better Life
USD 20 Mn

Exclusive Advisor
To
vasan healthcare – from a tradition of care
May & November 2014
Private Equity Fund Raise
From
GIC, SEQUOIA, WESTBRIDGE CAPITAL
USD 68 Mn

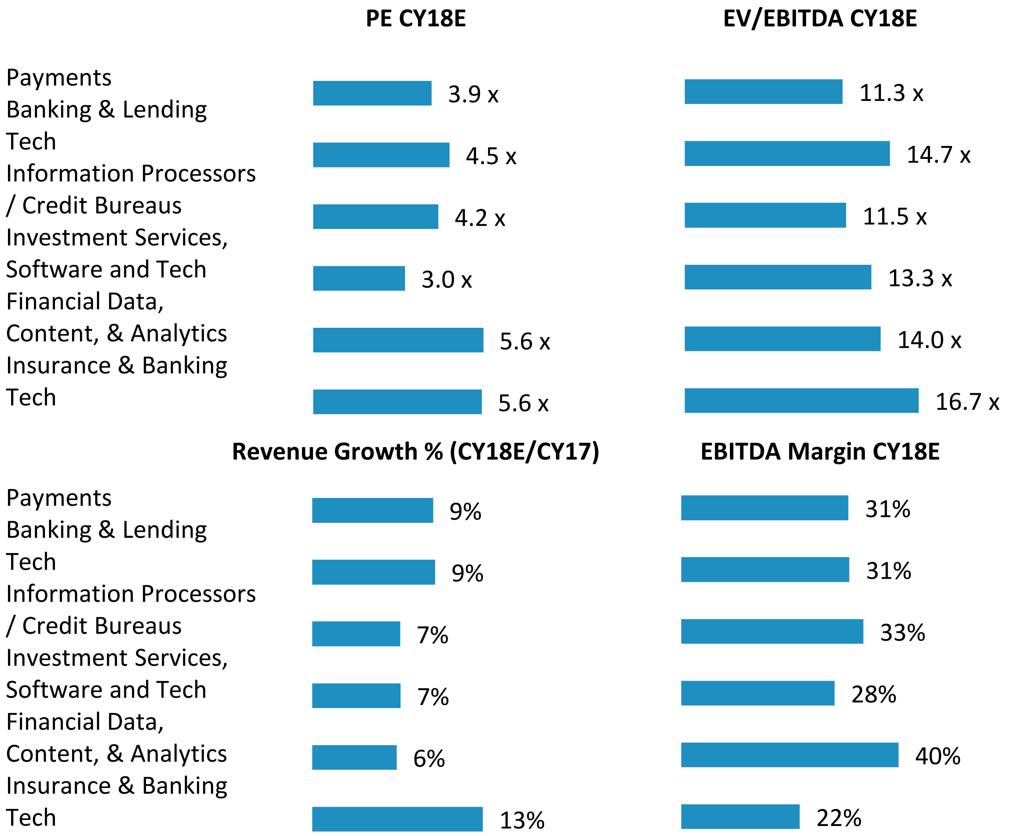
A Stock Price Performance



B % Returns

	1 year	3 years*
Payments	21%	12%
Banking & Lending Tech	32%	19%
Information Processors / Credit Bureaus	12%	15%
Investment Services, Software and Tech	37%	19%
Financial Data, Content, & Analytics	33%	17%
Insurance & Banking Tech	28%	20%
NASDAQ	32%	15%

C Trading Comparables



SPARK CAPITAL

Source: Bloomberg as on 29th Dec 2017, All companies calendarised to December year end. Multiples represent median of companies in sub-sector. List of companies included in sub-sector detailed in annexure.
Stock price performance within each sub sector has been weighted for market cap
** Annualized return*

FINTECH MARKET SNAPSHOT

Select Non-Tech Transactions

Exclusive Advisor
To
DCB BANK
August 2014
QIP
USD 42 Mn

Exclusive Advisor
To
KVB Karur Vysya Bank
August 2014
QIP
USD 65 Mn

Exclusive Advisor
To
Chola
July 2014
QIP
USD 83 Mn

Advisor
To
CUB City Union Bank Ltd
June 2014
QIP
USD 100 Mn

A Select M&A Transactions

Global (excl. India): 10 deals, ~USD 3.1 Bn
India: 0 deals

ACQUIRER	TARGET	DESCRIPTION	TV (USD Mn)	EV/ Rev
		Global		
TSYS	CAYAN	Provider of payment and merchant services	1,050	-
First Data	BluePay	Provider of technology-enabled electronic payment and processing services	760	-
TMX	Trayport	Developer of trading system software	727	9.9x
FINTRAX Group, eurazeo	Planet Payment	Provides payment & transaction processing services	257	4.7x
Jack Henry & Associates Inc.	ensenta	Provider of a cloud-based enterprise payments processing and risk mitigation software platform	130	4.8x
CollinStar	BiWang Group	Provider of mining chip production and R&D services	100	-
BGK, mci*	netrisk.hu	Provider of online insurance brokerage service	66	-

• • •

B Select Financing Transactions

Global (excl. India): 2 deals, ~USD 103 Mn
India: 8 deal, ~USD 83 Mn (across 7 deals)

INVESTOR	TARGET	DESCRIPTION	TV (USD Mn)	EV/ Rev
		Global		
Genesis Mining	HIVE	Provider of mined cryptocurrency units	90	-
BlackRock, Morgan Stanley Investment Management *	iCapital Network	Developer of a modular alternative investment information exchange platform	13	-
		India		
Warburg Pincus	CAMS	Provider of registrar and transfer agent services	32	-
TigerGlobal	Razorpay	Provider of online payments gateway	19	-
AME Cloud Ventures, Axiom Asia, Sequoia *	happay	Provider of expense management software	10	-
B Capital Group *	mswipe	Provider of POS payment services	10	-
IFC International Finance Corporation	Coverfox	Provider of online insurance services	7	-
JM Financial, aarin *	FAIRCENT	Operator of a peer-to-peer lending platform	4	-

Source: VentureIntelligence, PitchBook
TV – Transaction Value; TV rounded-off; Multiples rounded-off to one decimal; Global deals (excl. India) under consideration have TV >USD 10 Mn
** Includes other investors*

FROM OUR EQUITIES DESK

Institutional Equities Highlights

198
Stocks under coverage

USD 1.2 Tn
Total market cap of stocks under coverage

INR 260 Bn
Total cash market volume in H1FY18

350+
Number of fund relationships globally

"Go-to" broker for stocks in the mid-market space

THOMSON REUTERS 2017 INDIA ANALYST AWARDS

THOMSON REUTERS ANALYST AWARDS 2017 WINNER

Institutional Investor

5th position in 2017
All India research team

Technology

24
Stocks under coverage

~USD 190 Bn
Total market cap of Stocks under coverage

Key snippets from some interesting notes by Spark's Equities Team

1 *IT Industry Update: Tax tailwinds to growth?*

The U.S. Senate has approved the Bill H.R.1 – Tax Cuts and Jobs Act (2017-18; 115th Congress) by a majority of 51-49. The bill cuts the U.S. corporate tax rate from 35% to 20%. From an Indian IT perspective, we see four things playing out:

- The lower tax could lead to more spending in FY19 and FY20 and some of the projects which were held back due to cost pressure could restart;
- The effective tax rates could come down for the U.S. subsidiaries and Indian IT companies would now leave a higher markup in their U.S. subsidiaries thereby reducing the overall effective tax rate;
- The cut on the corporate tax rate could lead to USD appreciation thereby leading to a weak INR, a call which, our strategy team has been highlighting for some time now;
- The healthcare spending might get impacted as the bill proposes to repeal Individual mandate provision in the Affordable Care Act. Prefer, TECHM, Infosys and L&T Infotech amongst Large Cap IT.

2 *Flexi Staffing Industry: In a regulatory sweet spot*

Favorable regulatory changes to boost earnings growth for organized flexi staffing vendors.

After delving into the regulatory amendments related to Section 80JJAA of The Income Tax Act, 1961 and The Employee Pension Scheme, and post analyzing possible implications, we believe these changes are overall positive for the flexi staffing industry and would drive formalization in the industry, providing uptick to the earnings of organized players like TeamLease and Quess Corp, while significant insourcing by clients and pricing pressure on the flexi staffing vendors are unlikely to surface. We maintain our positive stance on flexi staffing industry driven by increased penetration of temporary staff across sectors and consolidation in the industry benefitting organized players. Our preference remains for TeamLease (Rating: BUY) over Quess Corp (Rating: ADD), as we believe TeamLease can be a steady earnings compounding company over the next three years. Also, TeamLease would be able to garner increased benefits from the regulatory changes, as the growth is predominantly organic in nature.

3 *Spark upgrades TP for Info Edge; reiterates BUY rating*

We have upgraded our target price for Info Edge from Rs. 1,300 to Rs. 1,580 led by increase in valuation of Zomato to $1.3bn based on 10x FY20 revenues. This is mainly led by strong revenue growth sustaining in B2B segment and better than expected foray into B2C segment, wherein, 50% of the subscribers have opted for 1 year subscription thus leaving room to increase prices further. Additionally, we believe, the street is underestimating the near monopoly business of PolicyBazaar and the value addition it can bring to the underpenetrated Insurance segment in India. We value PolicyBazaar at $1.2bn (up 2.4x from its last round valuation of $500m) based on 10x FY20 revenues of Rs. 7.5bn (up 4x from FY17 revenues and 2.4x from FY18E revenues). Additionally, Info Edge has done a commendable job in restricting Indeed by not sharing the leads with Indeed, investing in search algorithm and controlling A&P spends depending on macro scenario and hence deserves a higher multiple (22x EBITDA versus 20x earlier). **Reiterate BUY on Info Edge with an upside of 15%.**

Source: SPARK Research

ANNEXURE

LIST OF COMPANIES

Software

Diversified
Alphabet Inc
Microsoft Corp
Oracle Corp
IBM
SAP SE

Infrastructure
VMware Inc
Red Hat Inc
ServiceNow Inc
CA Inc
Citrix Systems Inc
F5 Networks Inc
Splunk Inc
Atlassian Corp PLC
Micro Focus
LogMeIn Inc
NetScout Systems Inc
Software AG
Nutanix Inc
CommVault Systems Inc
Pure Storage Inc
New Relic Inc
Progress Software Corp
A10 Networks Inc

Security
Symantec Corp
Check Point Software
Palo Alto Networks Inc
Splunk Inc
Fortinet Inc
Trend Micro Inc/Japan
Proofpoint Inc
FireEye Inc
CyberArk Software Ltd
Imperva Inc
Qualys Inc
Barracuda Networks Inc
Mimecast Ltd
SecureWorks Corp
Rapid7 Inc
F-Secure OYJ
VASCO Data Security
MobileIron Inc
Zix Corp
Absolute Software Corp
Guidance Software Inc
Quick Heal Technologies Ltd

SaaS
Salesforce.com Inc
Workday Inc
ServiceNow Inc
Veeva Systems Inc
Ultimate Software Group
Shopify Inc
LogMeIn Inc
Aspen Technology Inc
j2 Global Inc
Blackbaud Inc
Paycom Software Inc
RealPage Inc
Zendesk Inc
Cornerstone OnDemand Inc
HubSpot Inc
Box Inc
RingCentral Inc
New Relic Inc
Paylocity Holding Corp
2U Inc
Coupa Software Inc
Qualys Inc
Callidus Software Inc
Mimecast Ltd
SPS Commerce Inc
Five9 Inc
Benefitfocus Inc
Instructure Inc
Workiva Inc
Carbonite Inc
Apptio Inc
LivePerson Inc
Jive Software Inc
Castlight Health Inc
Bazaarvoice Inc
Brightcove Inc
ChannelAdvisor Corp
Park Place Technologies
Tangoe Inc
Amber Road Inc
Covisint Corp
Marin Software Inc

BI & Analytics
Splunk Inc
Teradata Corp
Fair Isaac Corp
Tableau Software Inc
Verint Systems Inc
MicroStrategy Inc
Hortonworks Inc
Gridsum Holding Inc
Attunity Ltd
Datawatch Corp

Vertical
Cerner Corp
Constellation Software
SS&C Technologies
Veeva Systems Inc
athenahealth Inc
Guidewire Software Inc
Blackbaud Inc
CoreLogic Inc
Ellie Mae Inc
Medidata Solutions Inc
RealPage Inc
Allscripts Healthcare Solutions
WebMD Health Corp
Inovalon Holdings Inc
Appfolio Inc
HealthStream Inc
Instructure Inc
Silver Spring Networks
Castlight Health Inc
Exa Corp

Tech Services

Consulting
FTI Consulting Inc
Exponent Inc
Navigant Consulting Inc
Huron Consulting Group Inc
ICF International Inc
CBIZ Inc
Hackett Group Inc/The
Resources Connection Inc
GP Strategies Corp
CRA International Inc
Franklin Covey Co

HR Services
Automatic Data Processing Inc
Paychex Inc
TriNet Group Inc
Insperity Inc
Barrett Business Services Inc

Large Cap IT
IBM
Accenture PLC
Tata Consultancy Services Ltd
Cognizant Technology Solutions
Infosys Ltd
HCL Technologies Ltd
Wipro Ltd
Cap Gemini SA
CGI Group Inc
Nippon Telegraph & Telephone
Atos SE
DXC Technology Company
Nomura Holdings Inc
Tech Mahindra Ltd

Mid Cap IT
EPAM Systems Inc
Luxoft Holding Inc
Mphasis Ltd
Syntel Inc
Globant SA
Mindtree Ltd
Virtusa Corp
Hexaware Technologies Ltd
Persistent Systems Ltd
Perficient Inc
Cyient Ltd
Larsen & Toubro Infotech Ltd
L&T Technology Services Ltd
KPIT Technologies Ltd
Rolta India Ltd

HCIT
Quintiles IMS Holdings Inc
athenahealth Inc
Cerner Corp
Medidata Solutions Inc
Veeva Systems Inc
WebMD Health Corp
Inovalon Holdings Inc

Diversified BPO
Genpact Ltd
ExlService Holdings Inc
Capita PLC
Conduent Inc
WNS Holdings Ltd

CRM BPO
Teleperformance
SYNNEX Corp
Convergys Corp
TeleTech Holdings Inc
Sykes Enterprises Inc
Transcosmos Inc
Relia Inc
Atento SA
Bellsystem24 Inc
Hinduja Global Solutions Ltd
Firstsource Solutions Ltd

ANNEXURE

LIST OF COMPANIES

Internet

Search / Online Advertising
Alphabet Inc
Microsoft Corp
Yandex NV
Criteo SA
Trade Desk Inc/The
Rubicon Project Inc/The
Rhythmone PLC
Rocket Fuel Inc
QuinStreet Inc
YuMe Inc
Marchex Inc
Tremor Video Inc
Marin Software Inc
MaxPoint Interactive Inc
Internet Content
Zillow Group Inc
IAC/InterActiveCorp
TEGNA Inc
GoDaddy Inc
WebMD Health Corp
Shutterfly Inc
comScore Inc
Web.com Group Inc
Bankrate Inc
Renren Inc
XO Group Inc
Care.com Inc
TechTarget Inc
DR Horton Inc
eHealth Inc

Internet Commerce
Amazon.com Inc
Alibaba Group Holding Ltd
Priceline Group Inc/The
Netflix Inc
eBay Inc
Expedia Inc
Liberty Interactive Corp QVC Group
Copart Inc
GrubHub Inc
Trivago NV
Cimpress NV
Stamps.com Inc
Shutterstock Inc
Etsy Inc
Quotient Technology Inc
1-800-Flowers.com Inc
Overstock.com Inc
ANGI Homeservices Inc
Travelzoo
CafePress Inc
Gaming
Tencent Holdings Ltd
NetEase Inc
Activision Blizzard Inc
Electronic Arts Inc
NAVER Corp
Gamesa Corp Tecnologica SA
NCSoft Corp
Ubisoft Entertainment SA
DeNA Co Ltd
Zynga Inc
GungHo Online Entertainment Inc
Changyou.com Ltd
Gree Inc
Glu Mobile Inc
Social Media & New Platform
Facebook Inc
Snap Inc
Twitter Inc
LINE Corp
Pandora Media Inc
Yelp Inc

FinTech

Payments
Visa Inc
Mastercard Inc
American Express Co
PayPal Holdings Inc
Discover Financial Services
Cielo SA
First Data Corp
Vantiv Inc
Global Payments Inc
Total System Services Inc
Worldpay Group PLC
Wirecard AG
Square Inc
GMO Payment Gateway Inc
EVERTEC Inc
SafeCharge
CardConnect Corp
Western Union Co/The
Euronet Worldwide Inc
FleetCor Technologies Inc
Alliance Data Systems Corp
Edenred
WEX Inc
Blackhawk Network
Green Dot Corp
Net 1 UEPS Technologies Inc
Cardtronics PLC
Everi Holdings Inc
NCR Corp
Ingenico Group SA
VeriFone Systems Inc
PAR Technology Corp
Banking and Lending Technology
Intuit Inc
Fidelity National IS
Fiserv Inc
Jack Henry & Associates Inc
Temenos Group AG
Ellie Mae Inc
ACI Worldwide Inc
LendingClub Corp
Q2 Holdings Inc
Bottomline Technologies
On Deck Capital Inc

Information Processors / Credit Bureaus
Experian PLC
Equifax Inc
Fair Isaac Corp
Acxiom Corp
Investment Services, Software and Technology
SEI Investments Co
Broadridge Financial Solutions Inc
SS&C Technologies Holdings Inc
DST Systems Inc
Financial Engines Inc
Envestnet Inc
Financial Data, Content, & Analytics
S&P Global Inc
Thomson Reuters Corp
Moody's Corp
IHS Markit Ltd
Verisk Analytics Inc
MSCI Inc
FactSet Research Systems Inc
Dun & Bradstreet Corp/The
Morningstar Inc
Insurance/Banking Technology
Verisk Analytics Inc
Guidewire Software Inc
Ebix Inc
Crawford & Co
Intellect Design Arena Ltd
Symbility Solutions Inc

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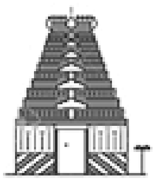

CHENNAI

No.2 'Reflections', Leith Castle Centre Street,
Santhome High Road,
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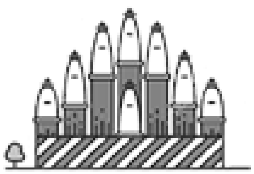

BENGALURU

Unit Nos. 503 & 504, 5th Floor, Prestige Towers
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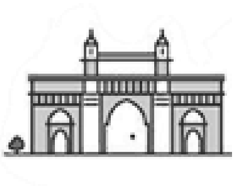
Bengaluru – 560 025



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