

MWS Tracker Spotlight: Zensar Technologies Limited (BSE:504067) acquires PSI Holding Group (aka Akibia)

December 2, 2010

Financial Overview:

Transaction Value: \$66M	Enterprise Value: \$66M
Revenue (TTM): ~\$108M	EV / Revenue: 0.61x
EBITDA (TTM): ~\$10M	EV / EBITDA: 6.6x
Transaction Structure: Cash	

Deal Overview:

Zensar Technologies signed a definitive agreement to acquire US-based IT solution firm, Akibia, for \$66 million in cash on November 22, 2010. The parent company of Akibia, PSI Holding Group Inc., will sell all of its outstanding stock to Zensar Technologies Inc. USA, the U.S. subsidiary of Mumbai-based Zensar. The deal would be funded partially through internal accruals and debt that would be raised by the company in the US. Following the close of the deal, Akibia will become a new business unit within Zensar. The transaction is subject to customary Government approval.

The transaction will be accomplished through an all-cash tender offer. Akibia is headquartered in Westborough, Massachusetts and posted approximate revenue of \$108 million and \$10 million EBITDA for the LTM period ending September 30, 2010. Zensar's purchase price implies an Enterprise Value to Revenue multiple of 0.61x and an Enterprise to EBITDA multiple of 6.6x.

The deal is expected to close in the fourth quarter. Once the deal is completed, Akibia's founder and chairman, Thomas Wilson, and president and CEO Thomas Tucker, will join the management council of Zensar. Akibia is an IT services company that provides data center, network, security solutions, and IT solutions that enable leading companies worldwide to optimize, secure, manage and support their critical-mission infrastructure. The company has offices in the United States, United Kingdom, Germany, and The Netherlands.

0.61x EV/Revenue represents a 38% premium to the EV/Revenue median multiple for similar large publicly traded IT Professional Services.

Commercial IT Professional Services														
Ticker	Company	Current Price (\$)	Revenue (ltn, \$M)	Revenue Growth % (ltn)	GM% (ltn)	EBITDA % (ltn)	Debt/Assets %	Market Cap (\$M)	P/S	P/E	P/EBITDA	Enterprise Value (\$M) ¹	EV/LTM Revenue	EV/LTM EBITDA
ACN	Accenture plc	43.84	23,094.1	-0.3	31.4	14.7	0.0	27,791.2	1.20	16.5	8.2	23,390.5	1.01	6.9
UIS	Unisys Corporation	22.65	4,345.6	-3.6	25.9	11.0	29.5	965.5	0.22	5.0	2.0	1,115.1	0.26	2.3
CBR	CIBER, Inc.	3.39	1,056.2	0.1	24.7	3.8	13.3	236.6	0.22	NM	NM	280.3	0.27	7.6
SAFE	Sapient Corp.	12.16	822.3	26.9	30.3	9.5	0.5	1,659.6	2.02	17.1	21.3	1,472.8	1.79	18.9
NSTC	Ness Technologies Inc.	4.76	585.4	8.5	27.5	3.9	14.3	180.9	0.31	NM	7.8	231.4	0.40	10.0
LIOX	Lionbridge Technologies Inc.	3.35	409.9	5.4	32.7	6.4	16.8	200.7	0.49	54.5	7.7	197.8	0.48	7.6
DTLK	Datalink Corp.	4.55	254.4	45.8	24.3	2.2	0.0	60.7	0.24	NM	10.9	43.6	0.17	7.8
PRFT	Perficient Inc.	11.59	206.5	4.6	28.7	7.3	0.0	344.4	1.67	56.6	22.8	323.4	1.57	21.1
VRTU	Virtusa Corp.	13.64	193.6	20.1	40.1	11.6	0.0	330.4	1.71	25.0	14.7	252.8	1.31	11.2
RCMT	RCM Technologies Inc.	4.72	188.4	4.6	26.3	4.4	0.0	62.3	0.33	11.5	7.6	35.4	0.19	4.3
HCKT	The Hackett Group, Inc.	3.50	187.3	19.4	32.4	5.3	0.0	146.4	0.78	55.4	14.9	123.2	0.66	12.5
ANLY	Analysts International Corp.	2.31	108.0	-37.7	21.4	-2.6	0.0	11.5	0.11	NM	NM	6.8	0.06	NM
ELOY	eLoyalty Corp.	6.47	89.3	-13.1	35.6	-9.5	0.0	95.6	1.07	NM	NM	99.7	1.12	NM
EDGW	Edgewater Technology Inc.	2.95	76.4	38.9	36.2	1.6	0.5	36.4	0.48	NM	30.6	27.2	0.36	22.9
TMNG	Management Network Group Inc.	2.55	67.9	9.2	39.3	0.9	0.0	18.0	0.27	NM	28.9	9.8	0.14	15.6
ZANE	Zanett Inc.	1.42	44.7	4.9	27.2	-0.5	44.5	13.1	0.29	NM	NM	26.0	0.58	NM
Median				5.1	29.5	4.1	0.0	163.7	0.4	21.0	10.9		0.44	10.0
High				45.8	40.1	14.7	44.5	27791.2	2.0	56.6	30.6		1.79	22.9
Low				-37.7	21.4	-9.5	0.0	11.5	0.1	5.0	2.0		0.06	2.3

Note: Data courtesy of Capital IQ

MWS Intelligence:

The acquisition will help diversify Zensar's information security business by adding Akibia's system integration and consulting expertise in the fast growing network security, compliance and risk management markets. The acquisition will grow the company's infrastructure management, information security and IM analytics around the world, thereby allowing them to compete against the top infrastructure management companies. It is estimated this transaction will help Zensar grow its revenue generated by infrastructure management nearly 10% - 12% and add more than 300 global employees to the Zensar team.

The combination will further expand Zensar's offering of mission-critical solutions to the enterprise customer. Adding the capabilities of Akibia will help Zensar cater to big ticket end-to-end infrastructure management contracts with on-site focus. For Akibia, joining Zensar will provide global operational scale and the ability to penetrate new geographies and markets more effectively, thereby accelerating its go-to-market strategy and growth potential.

Remote infrastructure management services are a hot commodity for IT services companies as they look for additional acquisition. Companies are seeking to acquire these companies in order to diversify their service offerings and to generate revenues untapped in this market space.

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