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## Edgile acquisition to strengthen Wipro's cybersecurity capabilities

CMP

Rs 666

as of (December 20, 2021)

Target Price

Rs 700 (■)

12 months

Rating

HOLD (■)

Upside

4.4 %

- Wipro has agreed to acquire a 100% stake in Austin, Texas-headquartered Edgile LLC (Edgile), a cybersecurity consulting provider focused on risk and compliance, information and cloud security and digital identity, for a cash consideration of USD230mn (~5.2x EV/Sales on CY20 sales).
- Deal rationale:** The acquisition will strengthen Wipro's leadership in strategic cybersecurity services. Edgile's experienced cybersecurity and risk management professionals will allow Wipro to further enhance its cybersecurity and risk consulting capabilities for its customers. In addition, the company's 'strategy-first' approach and 'Quick Start' solutions will allow the combined entity to deliver enhanced value in strategic cybersecurity services. Together, Wipro and Edgile will develop Wipro CyberTransform, an integrated suite that will help enterprises enhance boardroom governance of cybersecurity risk, invest in robust cyber strategies and reap the value of practical security in action. In collaboration with an extensive roster of alliance partners from Wipro and Edgile, Wipro CyberTransform will enable organizations to accelerate their digital transformation and operate in virtual, digital supply chains - all in a very secure manner.
- Deal structure and timelines:** Wipro has agreed to acquire a 100% stake in Edgile for a cash consideration of USD230mn. Abry Partners, a minority private equity investor in Edgile, will fully exit its investment in Edgile as a result of this transaction. The deal is expected to be completed before March 31, 2022, and is subject to regulatory approval from the Committee on Foreign Investment in the United States (CIFUS) and the Hart-Scott- Rodino Antitrust in the United States (HSR).
- Brief profile of Edgile:** Founded in 2001, Edgile is an information security consulting firm providing professional services, primarily focused on delivering cybersecurity and risk management consulting services to corporations. Edgile is privately held and has an onsite workforce of 182 employees. Its clientele includes 31% of the Fortune 100 firms and 20% of the Fortune 500 organizations. As per media reports, Abry Partners had acquired a minority stake in the company for USD35mn in 2016. Revenues for CY18/CY19/CY20 were USD33.7mn/USD43.2mn/USD44.1mn. Edgile's revenue performance was affected by Covid-19 in CY20; however, it is likely to bounce back in CY21.
- Our view:** Edgile's acquisition will further strengthen the cyber security practice for Wipro after having acquired Ampion, cybersecurity service provider in Australia, and the cybersecurity practice of Capco, a consultancy firm in the BFSI sector in Europe and the US. Additionally, through its Wipro Ventures arm, the company continues to invest in innovative cybersecurity start-ups to strengthen its cybersecurity practice capabilities. Given the size of the acquisition (~0.5% of Wipro's FY21 revenue), we do not expect any meaningful revision to our earnings estimates. We have a Hold rating on the stock with a TP of Rs700 at 25x Dec'23E EPS.

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**Dipesh Mehta**

dipeshkumar.mehta@emkayglobal.com

+91 22 6612 1253

**Monit Vyas**

monit.vyas@emkayglobal.com

+91 22 6624 2434

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Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com