



*Software & Services M&A Report - Q2'18*

# Healthy Valuations Continue to Create Seller-Friendly Software & Services M&A Market in Q2'18

**intrepidib.com** | Mergers & Acquisitions | Capital Markets | Strategic Advisory

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## Healthy Valuations Continue to Create Seller-Friendly Software & Services M&A Market in Q2'18

The year's first quarter was one of the most active periods in technology M&A in recent memory, but Q2 saw acquirers adjusting to a very seller-friendly environment. In this seller's market, hefty valuations seem to be driving down the deal volume for large and small acquisitions alike. PwC reported that the total number of deals decreased 19% from Q2'17 and 17% from Q1'18.

Despite the slower trends this quarter, there were still a handful of megadeals that bolstered total deal value. KKR paid \$8.5 billion for BMC Software, its largest purchase in any industry since the Great Recession, and Microsoft acquired GitHub for \$7.5 billion. In addition, strategic buyers like Adobe, Trimble, Workday, and AT&T lodged \$1-plus billion purchases, while a host of strategic buyers and private equity investors made acquisitions in the \$100 million to \$1 billion enterprise value range.

We hope that this report serves as a useful tool for you. As you evaluate opportunities, please feel free to call us at 310.478.9000 for additional insight.

**Thank you,**

A handwritten signature in black ink, appearing to read "Chris Park".

**Christopher Park**

Managing Director

Head of Software & Services

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## Software & Services Q2'18 Market Highlights

### Adobe Pays \$1.7 Billion for Magento

With its nearly \$1.7 billion acquisition of Magento Commerce, Adobe expanded its diverse portfolio of software products to include digital commerce offerings. The Adobe Experience Cloud, a single platform serving enterprise customers globally, will now offer features for digital commerce, order management, and predictive intelligence, enabling Adobe customers to provide eCommerce experiences within a wide range of industries. Digital transactions that commenced through the use of Adobe's digital marketing tools can now be executed through an Adobe commerce platform, allowing Adobe to cross-sell within its current customer base and gain access to additional businesses seeking an end-to-end platform. In addition, Adobe will be able to more effectively compete against Salesforce (which bought Demandware) and SAP (which bought Hybris), though Magento's focus on SMB customers (and Adobe's on enterprise customers) may make post-acquisition integration a bit tricky.



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### KKR Acquires BMC Software for \$8.5 Billion

In its largest acquisition since the Great Recession, private equity giant KKR (NYSE: KKR) purchased BMC Software, a provider of software that helps businesses manage multi-cloud infrastructures and organize IT support functions. The acquisition, which was announced in May, values the software vendor at \$8.5 billion, coming at a time when technology companies have increasingly focused on cloud computing, data analytics, and other cutting-edge products and services and moved away from legacy businesses. In addition, KKR's reach for BMC indicates the private equity community's willingness to make larger and larger bets, sitting on a total investment pool of more than \$1 trillion of unused investor money. KKR is no stranger to the software industry, having invested approximately \$26 billion in the technology sector over the past 10 years. The transaction is expected to close in Q3'18.



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### Square Expands Offering With Purchase of Weebly

Square, primarily known for its payment software and hardware products, has expanded its offering with the \$365 million acquisition of Weebly, a platform providing Website-building tools that serve individuals, small businesses, and eCommerce companies. This purchase brings Square one step closer toward encompassing an end-to-end suite of software offerings to help entrepreneurs run omni-channel, Web-enabled operations. Square's most prominent offering is a point-of-sale payment solution, and uniting with Weebly will augment its product suite to help businesses sell via online channels. In addition, Square gains access to Weebly's large international customer base (40% of paid subscribers). This acquisition follows Square's 2014 acquisition of food delivery service Caviar and its purchase of business catering company Zesty earlier this year.



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### Workday Bolsters Financial Software Offering With Adaptive Insights

In June, Workday announced its acquisition of Adaptive Insights, a business planning and financial modeling SaaS platform, for more than \$1.5 billion. Adaptive Insights will complement Workday's existing suite of finance and human resources software solutions and further Workday's progress toward its goal of becoming a one-stop shop for all back-office software for businesses. In addition, the transaction stands as another example of a strategic buyer snatching up an asset before it has the opportunity to go public. Adaptive Insights filed for an IPO less than a month earlier.

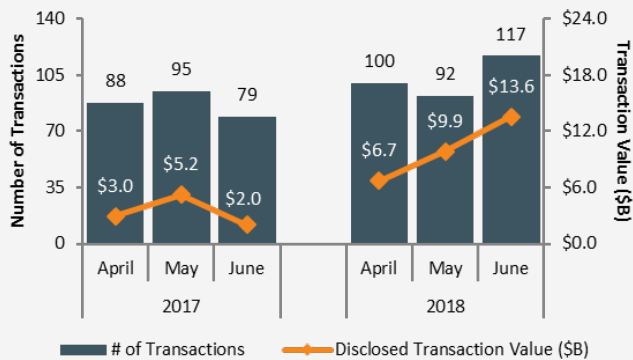




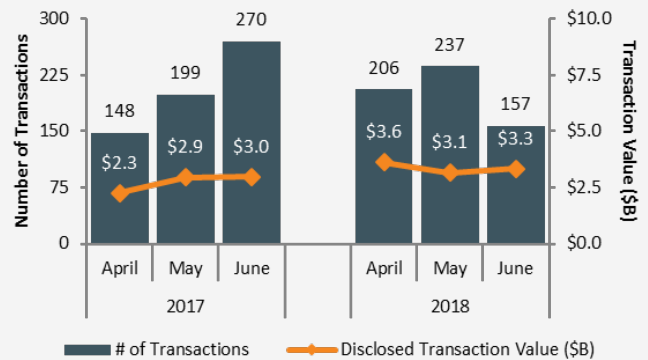
## Software & Services Q2'18 Activity

### SaaS

#### Mergers & Acquisitions

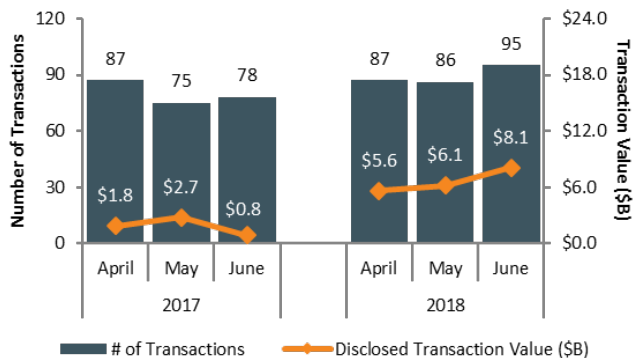


#### Financings

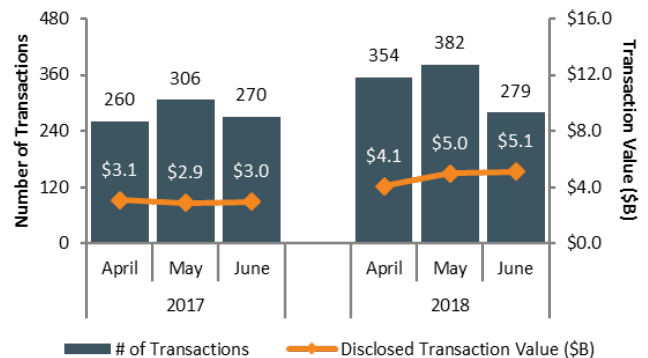


### Enterprise Software

#### Mergers & Acquisitions

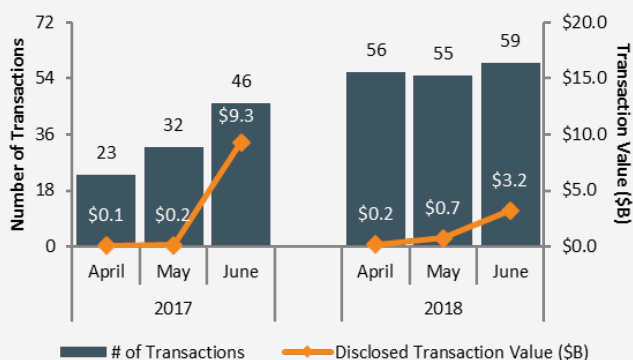


#### Financings

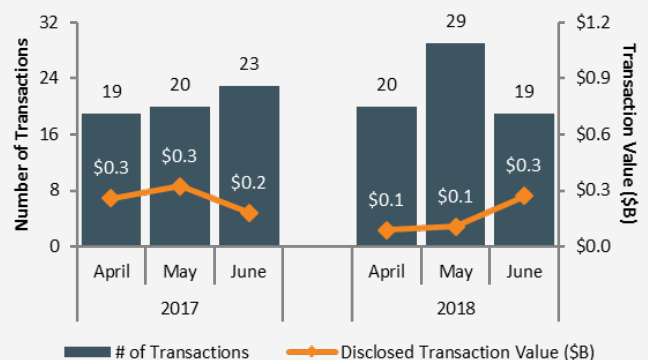


### Tech-Enabled Services

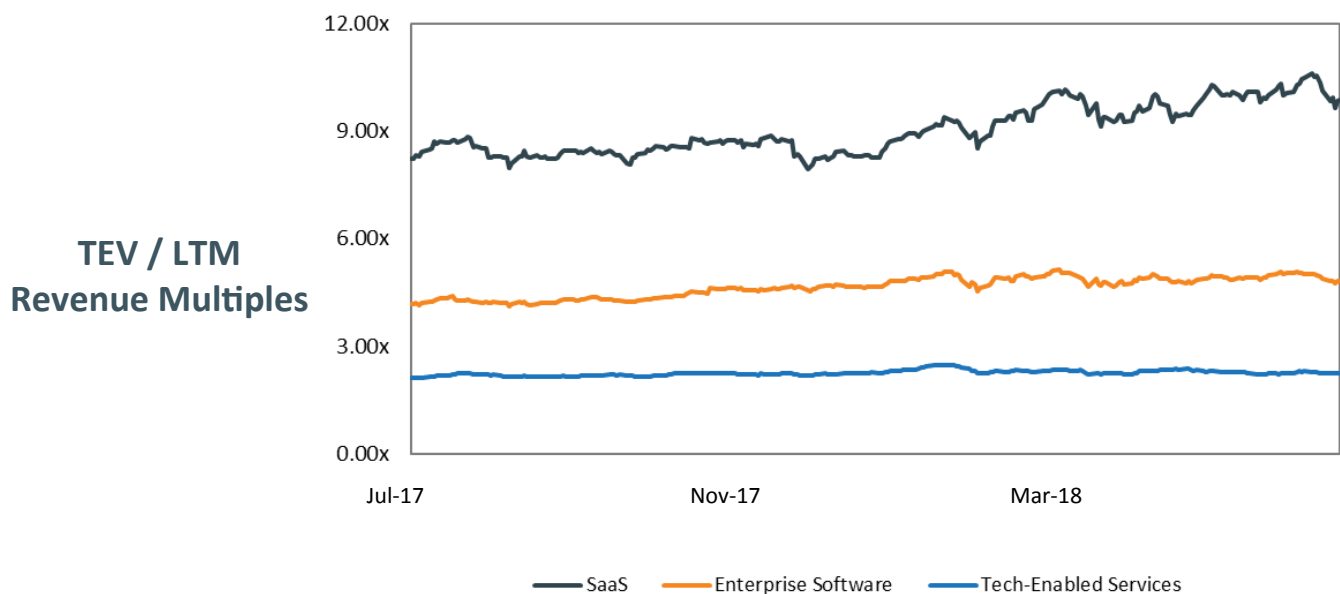
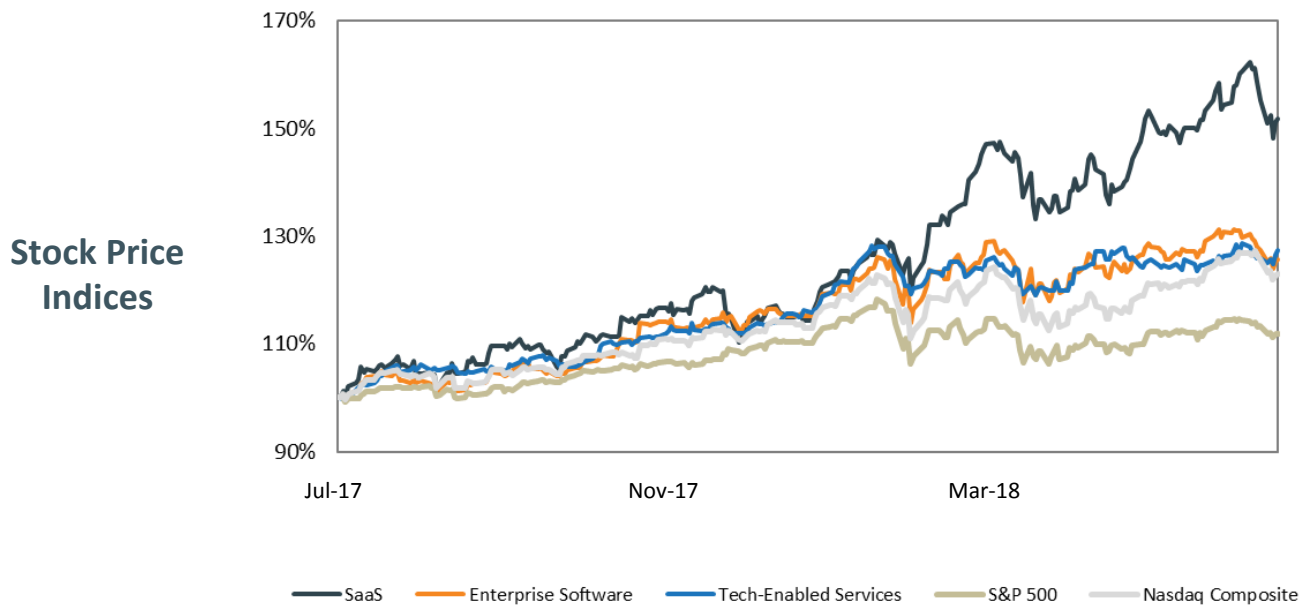
#### Mergers & Acquisitions













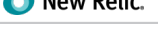





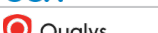


#### Financings



## Publicly Traded Companies – Stock Valuation Trends



## Publicly Traded Comparables – SaaS




































Company	Share Price	% of 52-Wk Enterprise		Market Cap	2018E		17-18E Rev.EV / 2018E	
		High	Value		Revenue	EBITDA	Growth	Revenue
 salesforce	\$136.40	96.0%	\$98,162	\$101,333	\$12,741	\$2,986	21.6%	7.7x
 servicenow	172.47	91.5%	29,740	30,471	2,554	669	32.1%	11.6x
 workday	121.12	86.5%	24,306	26,162	2,688	498	25.4%	9.0x
 shopify	145.89	83.3%	13,906	15,486	998	39	48.3%	13.9x
 ATlassian	62.52	90.9%	13,867	14,631	972	264	31.3%	14.3x
 Veeva	76.86	90.4%	10,106	11,025	819	277	19.4%	12.3x
 Ultimate SOFTWARE	257.31	91.1%	7,739	7,877	1,114	277	18.4%	6.9x
 athenahealth	159.14	97.1%	6,558	6,431	1,354	376	10.9%	4.8x
 proofpoint	115.31	88.5%	5,947	5,863	705	91	36.9%	8.4x
 paycom	98.83	83.4%	5,804	5,837	547	223	26.3%	10.6x
 zendesk	54.49	90.4%	5,399	5,697	571	39	32.7%	9.5x
 New Relic	100.59	90.1%	5,383	5,631	432	45	31.0%	12.5x
 RingCentral	70.35	86.6%	5,339	5,537	643	76	28.2%	8.3x
 LogMeIn	103.25	76.6%	5,026	5,391	1,216	446	22.8%	4.1x
 okta	50.37	82.6%	5,083	5,370	356	(54)	37.1%	14.3x
 twilio	56.02	89.9%	5,057	5,365	543	13	36.0%	9.3x
 REALPAGE Corporation	55.10	88.9%	5,513	4,965	865	226	28.3%	6.4x
 HubSpot	125.40	87.7%	4,590	4,817	491	45	30.8%	9.3x
 2U	83.56	84.8%	4,624	4,783	409	17	42.6%	11.3x
 medidata	80.56	93.8%	4,625	4,769	640	155	17.4%	7.2x
 Wix.com	100.30	91.8%	4,439	4,703	597	108	40.2%	7.4x
 xero	33.43	94.1%	4,566	4,622	375	44	34.0%	12.2x
 box	24.99	83.9%	3,382	3,509	606	19	19.8%	5.6x
 Qualys	84.30	86.2%	2,957	3,286	278	101	20.5%	10.6x
 Cornerstone	47.43	88.2%	2,656	2,736	510	91	5.9%	5.2x
 cloudera	13.64	60.8%	1,592	2,021	442	(82)	20.2%	3.6x
 WageWorks	50.00	72.2%	1,334	1,982	521	162	8.4%	2.6x

Top Quartile:	34.0%	11.6x
Median:	28.2%	9.0x
Mean:	26.9%	8.9x
Bottom Quartile:	19.8%	6.4x

Note: All amounts in millions of USD, except share price information. All data sourced from S&P Capital IQ; information as of 6/30/2018; sorted by market cap.














































## Selected M&A Transactions – SaaS

Announced Date	Acquiror	Target	Enterprise Value (\$M)	EV / Revenue
06/25/18	 AT&T	 AppNexus	\$1,600.0	-
06/21/18	 PayPal	 simility	120.0	-
06/19/18	 GENSTAR CAPITAL	 drillinginfo better, faster decisions	1,100.0	-
06/12/18	 CBRE	 facilitysource	290.0	-
06/11/18	 workday	 Adaptive Insights	1,556.2	13.6x
06/04/18	 Microsoft	 GitHub	7,500.0	25.0x
05/29/18	 KKR	 bmc	8,400.0	3.8x
05/21/18	 Adobe®	 Magento®	1,680.0	11.2x
05/18/18	 TransUnion <sup>tu</sup>	 iovation®	325.0	8.1x
05/01/18	 CISCO	 ACCOMPANY	270.0	-
05/01/18	 EXL	 SCIO health analytics	240.0	-
04/26/18	 Square	 weebly	365.0	9.9x
04/24/18	 Itg learning technologies group	 PeopleFluent	150.0	1.4x
04/23/18	 Trimble	 VIEWPOINT	1,200.0	6.0x
04/23/18	 VISTA EQUITY PARTNERS	 ALLOCATE	450.0	6.4x
04/20/18	 REALPAGE Outperform	 ClickPay	218.5	9.9x
04/17/18	 VISTA EQUITY PARTNERS	 LogicMonitor	300.0	6.7x
04/13/18	 Reliance Industries Limited	 EMBIBE	180.0	-



















Top Quartile:	11.2x
Median:	8.1x
Mean:	9.3x
Bottom Quartile:	6.0x

## Selected Financing Transactions – SaaS

Announced Date	Lead Investor(s)	Target	Transaction Size (\$M)	Pre-Money Valuation (\$M)
06/27/18	 Delta-v Capital		\$62.0	\$-
06/25/18			65.0	-
06/21/18	  		200.0	3,150.0
06/19/18			120.0	-
06/11/18			250.0	850.0
06/05/18	 		360.0	-
05/30/18	 		250.0	850.0
05/29/18			100.0	400.0
05/23/18	 		100.0	-
05/21/18			65.0	450.0
05/15/18			175.0	4,825.0
05/09/18			150.0	250.0
05/07/18	 		125.0	650.0
04/25/18			64.0	450.0
04/17/18	 		60.0	-
04/10/18	  		67.0	-
04/09/18			110.0	-



## Publicly Traded Comparables – Enterprise Software








Company	Share Price	% of 52-Wk High	Enterprise Value	Market Cap	2018E			17-18E Rev. EV / 2018E EV / 2018E		
					Revenue	EBITDA	EBITDA %	Growth	Revenue	EBITDA
 Microsoft	\$98.61	96.0%	\$713,988	\$757,640	\$115,273	\$47,928	41.6%	13.3%	6.2x	14.9x
 CISCO	43.03	92.8%	176,072	202,365	50,174	17,561	35.0%	4.3%	3.5x	10.0x
 ORACLE	44.06	82.4%	169,424	175,410	40,238	18,820	46.8%	3.0%	4.2x	9.0x
 SAP	115.94	94.1%	137,953	138,366	28,503	9,462	33.2%	3.7%	4.8x	14.6x
 IBM	139.70	81.6%	161,987	128,240	80,799	18,829	23.3%	2.1%	2.0x	8.6x
 Adobe	243.81	94.2%	114,935	119,385	8,937	3,976	44.5%	22.4%	12.9x	28.9x
 redhat	134.37	75.6%	22,484	23,833	3,275	873	26.7%	17.9%	6.9x	25.7x
 ca technologies	35.65	95.4%	14,367	14,852	4,265	1,618	37.9%	2.4%	3.4x	8.9x
 splunk	99.11	81.5%	13,493	14,371	1,647	239	14.5%	29.6%	8.2x	56.4x
 CITRIX	104.84	95.8%	14,881	14,208	2,908	1,012	34.8%	3.0%	5.1x	14.7x
 Symantec	20.65	60.4%	15,699	12,835	4,795	2,107	43.9%	(2.4%)	3.3x	7.5x
 SYNOPSYS	85.57	90.3%	12,709	12,751	3,105	765	24.6%	9.3%	4.1x	16.6x
 SSC	51.90	93.9%	14,269	12,357	3,392	1,066	31.4%	101.6%	4.2x	13.4x
 opentext	35.19	87.3%	11,476	9,412	2,836	1,018	35.9%	7.8%	4.0x	11.3x
 sage	8.26	76.2%	9,816	8,954	2,418	712	29.4%	7.3%	4.1x	13.8x
 TERADATA	40.15	90.7%	4,455	4,870	2,174	371	17.1%	0.8%	2.0x	12.0x
 PEGA	54.80	80.6%	4,051	4,306	954	137	14.4%	13.5%	4.2x	29.6x
 Progress	38.82	72.4%	1,740	1,765	404	198	49.0%	1.3%	4.3x	8.8x

Top Quartile:	42.2%	14.6%	5.4x	18.9x
Median:	34.0%	5.8%	4.2x	13.6x
Mean:	32.4%	13.4%	4.9x	16.9x
Bottom Quartile:	25.1%	2.6%	3.6x	9.3x

## Selected M&A Transactions – Enterprise Software





















Announced Date	Acquiror	Target	Enterprise Value (\$M)	EV / Revenue	EV / EBITDA
05/23/18	 Mitek		\$50.0	3.2x	-
04/12/18	 HCL SEP <small>SUMMIT EQUITY PARTNERS</small>		330.0	3.1x	8.6x

## Selected Financing Transactions – Enterprise Software

Announced Date	Lead Investor(s)	Target	Transaction Size (\$M)	Pre-Money Valuation (\$M)
06/26/18	 		\$35.0	\$-
05/31/18			107.0	-
04/03/18			21.9	-



















## Publicly Traded Comparables – Tech-Enabled Services









Company	Share Price	% of 52-Wk High	Enterprise Value	Market Cap	2018E			17-18E Rev.EV / 2018E EV / 2018E		
					Revenue	EBITDA	EBITDA %	Growth	Revenue	EBITDA
 <b>accenture</b>	\$163.59	98.8%	\$101,272	\$104,820	\$40,129	\$6,876	17.1%	11.9%	2.5x	14.7x
 <b>TATA</b>	26.87	98.0%	96,841	102,876	19,653	5,219	26.6%	12.0%	4.9x	18.6x
 <b>Cognizant</b>	78.99	92.8%	42,223	46,280	16,240	3,420	21.1%	9.7%	2.6x	12.3x
 <b>Infosys</b>	19.01	99.4%	37,507	41,314	11,062	2,919	26.4%	9.4%	3.4x	12.8x
 <b>DXC.technology</b>	80.61	74.7%	28,970	22,889	22,484	4,891	21.8%	11.6%	1.3x	5.9x
 <b>Capgemini</b>	135.43	96.9%	24,235	22,595	15,274	2,156	14.1%	1.6%	1.6x	11.2x
 <b>HCL</b>	13.47	83.6%	17,399	18,755	8,084	1,896	23.5%	10.1%	2.2x	9.2x
 <b>wipro</b>	3.80	78.1%	14,886	17,109	8,154	1,572	19.3%	2.5%	1.8x	9.5x
 <b>NTT DATA</b>	11.56	89.6%	19,832	16,206	18,881	2,852	15.1%	(0.1%)	1.1x	7.0x
 <b>Tech Mahindra</b>	9.53	89.8%	8,298	9,344	4,911	865	17.6%	11.8%	1.7x	9.6x
Booz   Allen   Hamilton	43.73	95.4%	7,882	6,271	6,474	609	9.4%	5.8%	1.2x	12.9x
 <b>sopra steria</b>	205.27	92.9%	4,854	4,217	4,764	469	9.9%	5.4%	1.0x	10.3x
 <b>CACI</b> <small>EVER VIGILANT</small>	168.55	96.4%	5,190	4,163	4,566	415	9.1%	3.8%	1.1x	12.5x
 <b>tieto</b>	32.64	90.3%	2,531	2,409	1,894	257	13.6%	4.4%	1.3x	9.9x
 <b>Mindtree</b>	14.34	89.5%	2,245	2,354	901	137	15.2%	16.6%	2.5x	16.4x
 <b>virtusa</b>	48.68	89.8%	1,628	1,445	1,205	103	8.6%	24.9%	1.4x	15.7x
 <b>icf</b>	71.05	93.3%	1,548	1,336	1,269	121	9.5%	3.2%	1.2x	12.8x
 <b>PERSISTENT</b>	11.80	92.5%	808	944	474	73	15.5%	8.4%	1.7x	11.0x
 <b>PERFICIENT</b>	26.37	95.9%	975	924	500	69	13.8%	3.1%	1.9x	14.1x
 <b>The Hackett Group</b> <small>World Class Defined and Labeled</small>	16.07	83.5%	468	473	295	50	17.0%	3.1%	1.6x	9.3x
 <b>ISG</b>	4.10	88.6%	263	182	285	35	12.4%	5.9%	0.9x	7.4x
					<b>Top Quartile:</b>		20.2%	11.7%	2.3x	13.5x
					<b>Median:</b>		15.2%	5.9%	1.6x	11.2x
					<b>Mean:</b>		16.0%	7.9%	1.9x	11.6x
					<b>Bottom Quartile:</b>		12.4%	3.2%	1.2x	9.5x

Note: All amounts in millions of USD, except share price information. All data sourced from S&P Capital IQ; information as of 6/30/2018; sorted by market cap.

## Selected M&A Transactions – Tech-Enabled Services

Announced Date	Acquiror	Target	Enterprise Value (\$M)	EV / Revenue	EV / EBITDA
06/25/18	 DWS	 PROJECTS ASSURED	\$22.3	~0.8x	~5.5x
06/18/18	 F-Secure	 MWR INFOSECURITY	114.4	3.1x	-
06/11/18	 altron	 KARABINA™	17.2	-	-
05/30/18	 IRON MOUNTAIN®	 evoswitch	235.0	7.8x	14.0x
05/10/18	 PRESIDIO®	 REDSKY	40.8	0.6x	6.8x
05/02/18	 AMETEK	 SoundCom SYSTEMS	40.0	1.0x	-
04/09/18	 cognosec	 ADVANTIO <small>Contagious trust</small>	14.7	4.4x	24.6x
04/02/18	 PERFICIENT™	 southport	14.8	0.9x	-
			Top Quartile:	4.4x	22.0x
			Median:	1.0x	10.4x
			Mean:	2.7x	12.7x
			Bottom Quartile:	0.8x	5.8x

## Selected Financing Transactions – Tech-Enabled Services

Announced Date	Lead Investor(s)	Target	Transaction Size (\$M)	Pre-Money Valuation (\$M)
06/06/18	Various investors		\$15.0	-
05/15/18	 		15.0	-
05/10/18	FIRSTMARK 		30.0	-
05/08/18	 DRAPER NEXUS Ventures		15.0	63.0
04/16/18			20.0	-



## Select Transactions

 a portfolio company of  has been acquired by  <b>Advisor to Bunchball</b>	 has completed a majority recapitalization with  <b>Advisor to GraphPad</b>	 has completed a growth financing with  <b>Advisor to Ad Exchange Group</b>	 has completed a growth recapitalization with  <b>Advisor to Avaap</b>	 has raised growth capital from  and  <b>Advisor to Solid Commerce</b>
 has been acquired by  a portfolio company of  and  <b>Advisor to Drawloop</b>	 Pitch, Inc. has been acquired by  <b>Advisor to Pitch, Inc.</b>	 has been acquired by  <b>Advisor to Threshold Interactive</b>	 has been acquired by  <b>Advisor to Make Technologies*</b>	 has been acquired by  <b>Advisor to Language Weaver*</b>
 has been acquired by  <b>Advisor to Pilot Software*</b>	 has acquired  Buyside Advisor <b>Advisor to Francisco Partners*</b>	 has been acquired by  <b>Advisor to Cengea*</b>	 received a minority investment from  <b>Advisor to BambooHR*</b>	 has been acquired by  <b>Advisor to Aegis*</b>
 has been acquired by  <b>Advisor to Premise*</b>	 has been acquired by  <b>Advisor to Payerpath*</b>	 has been acquired by  <b>Advisor to RelayHealth*</b>	 has been acquired by  <b>Advisor to DecisionView*</b>	 has raised \$25,500,000 Series E Private Placement <b>Advisor to Host Analytics*</b>

\* Includes transactions completed by Intrepid senior bankers while at prior firms.



## Software & Services Team

SaaS | Cloud Computing | Tech-Enabled Services | HR Tech | HCIT | Cyber Security | Big Data & Analytics



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**AJ Herrera**

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**Connor Denney**

Analyst

Accessing capital and achieving a premium valuation requires a unique and disruptive idea, a scalable business model, vision for sustained growth, and strong execution. Intrepid's Software & Services practice is an innovative and focused strategic advisory unit that has deep industry expertise assisting entrepreneurs, middle-market business owners and investors across key subsectors, including: SaaS, cloud computing, tech-enabled services, HR tech, HCIT, cyber security and big data & analytics. Our bankers take the time to understand a company's business model and advise it in clearly defining and articulating its vision to the market.

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