



*Software & Services M&A Report - Q4'18*

# Software M&A Strategies Are Shifting to React to Trends in the Tech Landscape

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## Software M&A Strategies Are Shifting to React to Trends in the Tech Landscape

In our Software & Services industry report of Q4 last year, we referred to 2017 as the year of the non-traditional acquirer. A number of businesses leveraged their balance sheets to pursue technology strategies via acquisition, opening up the software M&A landscape to a diverse set of buyers.

In 2018, however, we saw the return of many of the traditional software strategic buyers, with large deals printed by SAP, IBM, Adobe and others, but we saw a few surprises as well. Few expected Broadcom's \$18.9 billion purchase of CA Technologies, for example, as the world's second largest fabless semiconductor manufacturer completes one of the largest software / infrastructure management acquisitions in history. What appeared to be a combination that lacked a natural product fit and synergies on the surface is driven by the opportunity to up-sell/cross-sell into CA's vast, deeply-embedded install base of customers.

We are also now seeing that M&A strategies are shifting to react to trends in the technology landscape – AI / machine learning deals exploded in 2018 in both valuations and deal volume, marketing technology is on the rise (AppNexus, Marketo and Acxiom, among others) and cybersecurity remains top of mind for both software companies and service providers alike.

Despite the weak performance of many of the publicly traded software companies in 2018, dealmaking was stronger than in the prior year, nevertheless, with a total disclosed value of SaaS M&A activity more than twice the level seen in 2017. This reverses the year-on-year decline that 2017 saw and bodes well for 2019.

As you evaluate opportunities in the software sector, reach out to us for our insight on what we see in terms of buyer appetite and seller behavior.

**Thank you,**

A handwritten signature in black ink, appearing to read "Chris Park", written in a cursive style.

**Christopher Park**

Managing Director

Head of Software & Services

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## Software & Services Q4'18 Market Highlights

### SAP Bolsters Customer Experience Offering With \$8 Billion Qualtrics Purchase

In November, SAP announced that it had entered a definitive agreement to acquire privately-held software company Qualtrics. The announcement, which came less than a month after Qualtrics filed for an IPO, indicated a valuation of \$8 billion for the experience management software vendor. The acquisition gives SAP, which already touches 77% of the world's transactions, access to data that will allow the combined entity to provide an end-to-end solution for data tracking across operations and customer experience. In addition, SAP's broader scale (including a salesforce of 15,000 people) will increase Qualtrics' customer base overnight. The transaction is expected to close in the first half of 2019.



### IBM Divests Select Software Assets to HCL Technologies for \$1.8 Billion

In a move away from focusing on standalone software assets, IBM agreed in December to sell select software products to HCL Technologies for \$1.8 billion. The business units, which include products for application development, device management, marketing automation, digital experience, workstream collaboration and more, will expand HCL's own software arm, especially in the areas of security, marketing and commerce. With a core focus primarily on outsourcing, HCL looks to diversify its business with this acquisition, giving it a stronger foothold in less labor-intensive business areas. For IBM, the divestiture allows a way to focus more on more rapidly growing segments of the technology industry, including artificial intelligence, hybrid cloud, and blockchain. The transaction is expected to close in mid-2019.



### athenahealth Taken Private by Veritas Capital for \$5.7 Billion

In November, Veritas Capital announced the acquisition of athenahealth, a provider of SaaS solutions for hospitals and ambulatory customers, for \$5.7 billion. Veritas announced its intention to merge athenahealth with Virence Health Technologies, another business acquired by Veritas earlier in 2018. The two companies have complementary portfolios, and the take-private will allow management more flexibility in its mission toward transforming the healthcare technology industry. The purchase comes after a turbulent several months for athenahealth, during which the founding CEO stepped down amid domestic abuse allegations, and the company was forced to lay off hundreds of employees and sell one of its corporate jets. Elliott Management, which currently owns a minority stake in the company, will remain a minority investor post-close.



### CVC Capital Partners Buys ConvergeOne From Clearlake Capital for \$1.8 Billion

Less than a year after going public via a merger with Forum Merger Corporation, a special-purpose acquisition company, ConvergeOne has entered a definitive agreement to be acquired by private equity group CVC Capital Partners for \$1.8 billion. Current majority shareholder of ConvergeOne, Clearlake Capital, originally acquired the business in 2014 and oversaw nearly 10 add-on acquisitions during its period of ownership, growing ConvergeOne's EBITDA by roughly 400%. ConvergeOne is a provider of IT and managed services focusing on collaboration and technology solutions for enterprise customers, allowing it to be well poised alongside global trends driving cloud adoption and digital transformation. CVC has indicated its intention to continue the company's consistent M&A strategy after the acquisition closes, which is expected to be in Q1'19.

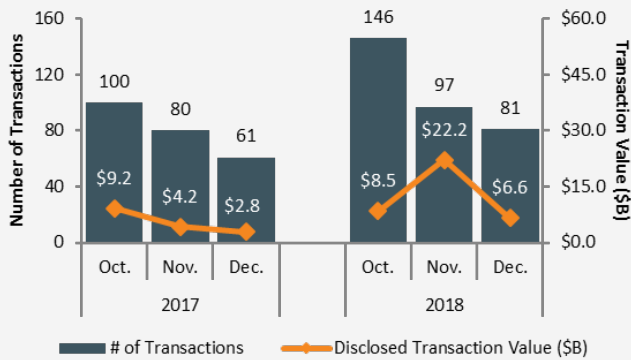




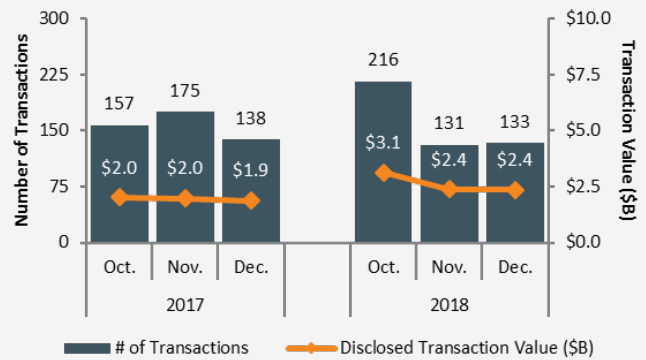
## Software & Services Q4'18 Activity

### SaaS

#### Mergers & Acquisitions

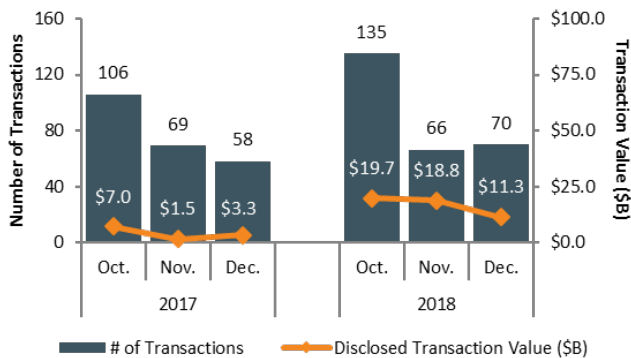


#### Financings

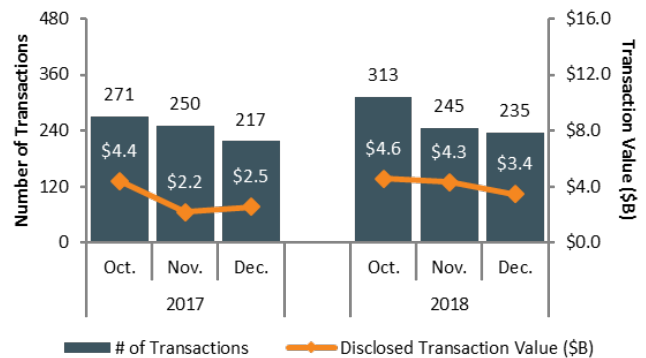


### Enterprise Software

#### Mergers & Acquisitions

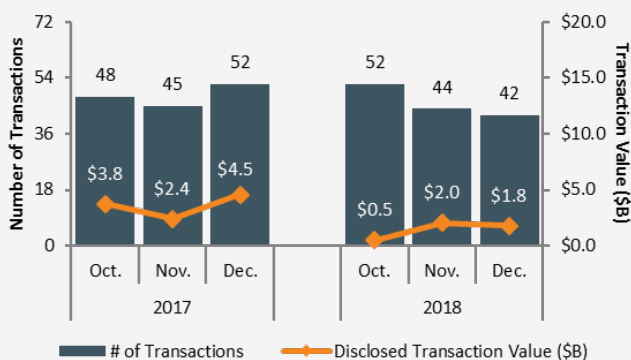


#### Financings

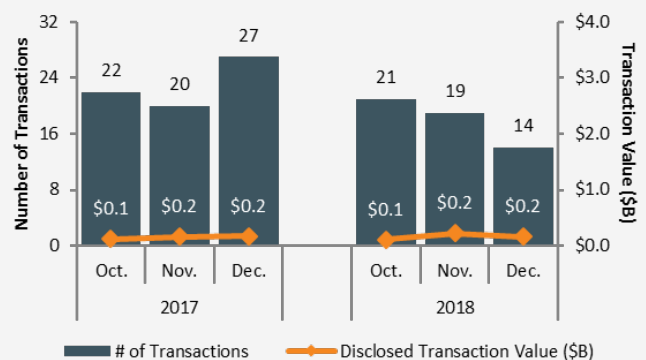


### Tech-Enabled Services

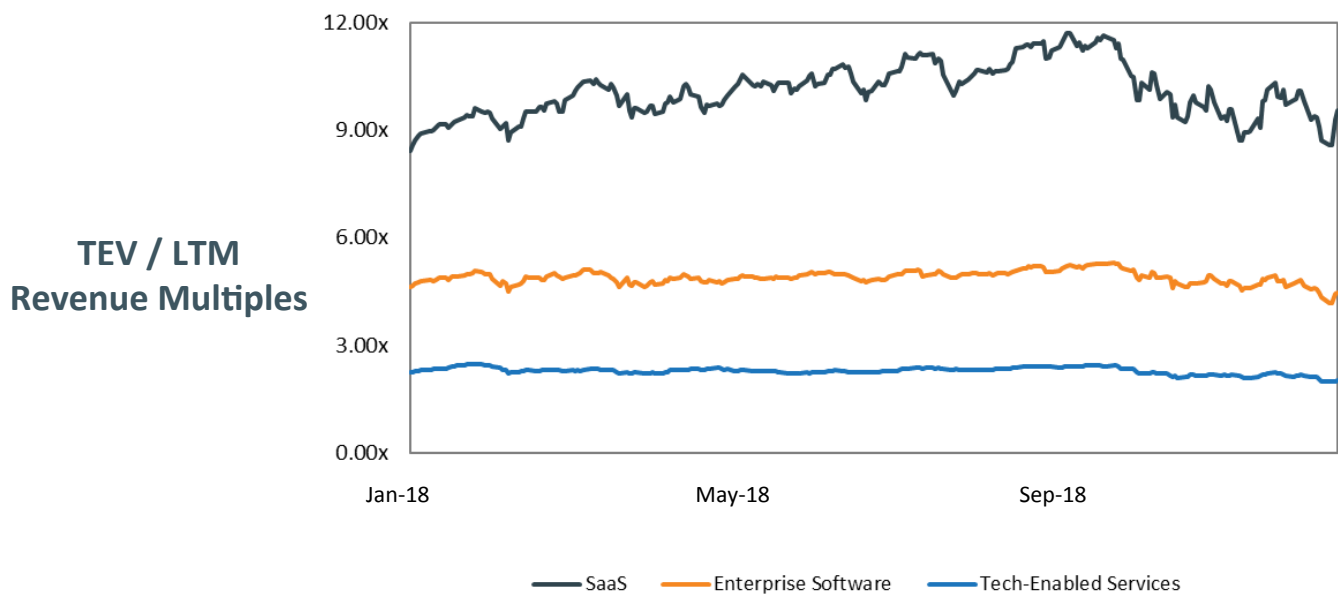
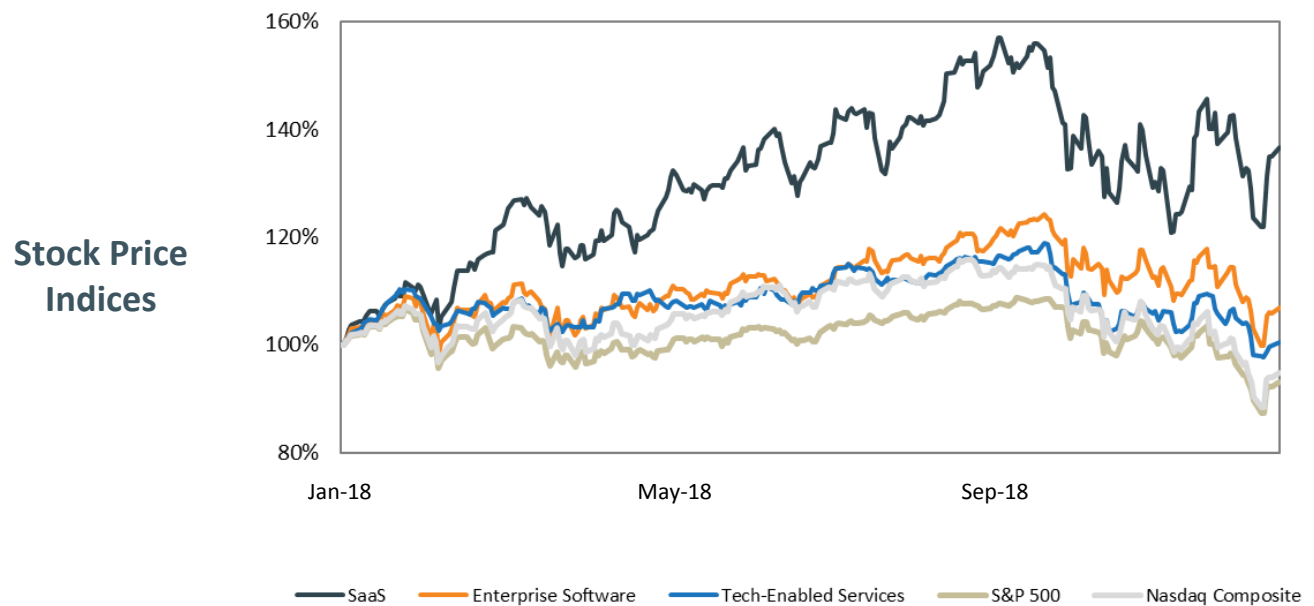
#### Mergers & Acquisitions





























#### Financings



## Publicly Traded Companies – Stock Valuation Trends



## Publicly Traded Comparables – SaaS

Company	Share Price	% of 52-Wk High	Enterprise Value	Market Cap	2018E		17-18E Rev. EV / 2018E Growth	Revenue
					Revenue	EBITDA		
 salesforce	\$136.97	85.0%	\$105,723	\$104,782	\$13,243	\$3,177	26.4%	8.0x
 workday	159.68	92.5%	34,738	35,130	2,810	470	31.1%	12.4x
 servicenow	178.05	86.3%	31,114	31,925	2,610	678	35.0%	11.9x
 ATlassian	88.98	90.6%	20,223	21,190	1,018	289	37.5%	19.9x
 shopify	138.45	78.4%	13,697	15,276	1,057	40	57.0%	13.0x
 Veeva	89.32	81.9%	11,926	12,978	857	311	25.0%	13.9x
 twilio	89.30	88.9%	8,511	8,828	630	26	57.8%	13.5x
 Ultimate SOFTWARE	244.87	73.7%	7,532	7,657	1,136	274	20.8%	6.6x
 paycom	122.45	74.6%	7,127	7,177	560	234	29.3%	12.7x
 okta	63.80	84.5%	6,768	7,046	392	(40)	50.7%	17.3x
 RingCentral	82.44	84.0%	6,411	6,623	666	79	32.8%	9.6x
 zendesk	58.37	80.2%	6,249	6,248	592	35	37.5%	10.6x
 HubSpot	125.73	77.5%	4,685	4,933	506	53	34.8%	9.3x
 New Relic	80.97	70.5%	4,280	4,612	442	68	33.9%	9.7x
 proofpoint	83.81	64.3%	4,390	4,580	711	107	38.0%	6.2x
 Wix.com	90.34	74.4%	3,986	4,368	602	113	41.3%	6.6x
 REALPAGE Onpremise	48.19	72.7%	4,679	4,362	873	232	29.5%	5.4x
 LogMeIn	81.57	60.5%	4,206	4,173	1,203	443	21.6%	3.5x
 medidata	67.42	75.9%	4,022	4,126	637	153	16.7%	6.3x
 xero	29.45	79.9%	4,352	4,116	346	46	36.7%	12.6x
 Cornerstone	50.43	85.2%	2,853	2,956	529	91	9.9%	5.4x
 Qualys	74.74	76.0%	2,617	2,943	279	112	20.8%	9.4x
 2U	49.72	50.4%	2,437	2,880	412	18	43.5%	5.9x
 box	16.88	56.7%	2,319	2,421	609	26	20.3%	3.8x
 cloudera	11.06	49.3%	1,308	1,698	453	(46)	23.2%	2.9x
 WageWorks	27.16	42.8%	429	1,077	491	147	2.1%	0.9x

Top Quartile:	37.6%	12.6x
Median:	32.0%	9.3x
Mean:	31.3%	9.1x
Bottom Quartile:	21.4%	5.8x

Note: All amounts in millions of USD, except share price information. All data sourced from S&P Capital IQ. Information as of 12/31/18, sorted by market cap.



## Select M&A Transactions – SaaS

Announced Date	Acquiror	Target	Enterprise Value (\$M)	EV / Revenue
12/24/18	 VISTA EQUITY PARTNERS	 MINDBODY®	\$1,849.5	8.1x
12/19/18	 3M	 mModal (technology business)	1,000.0	5.0x
12/10/18	GI PARTNERS	 Netsmart	525.0	1.5x
12/11/18	 DASSAULT SYSTEMES	 IQMS	425.0	7.1x
12/20/18	 AUTODESK®	 BUILDINGCONNECTED	275.0	-
12/10/18	 experian.	 Compuscan a CSH Group company	261.8	7.6x
11/29/18	 VISTA EQUITY PARTNERS	 Wrike	800.0	-
11/20/18	 AUTODESK®	 PlanGrid	875.0	8.8x
11/16/18	 BlackBerry	 CYLANCE	1,400.0	10.8x
11/14/18	 Sabre®	 FARELOGIX	360.0	9.0x
11/12/18	 VERITAS CAPITAL	 athenahealth	5,396.6	4.1x
11/11/18	 SAP®	qualtrics	8,000.0	21.5x
11/11/18	 VISTA EQUITY PARTNERS	 APPTIO®	1,851.2	8.2x
11/05/18	THOMA BRAVO	VERACODE	950.0	7.6x
11/05/18	 ResMed	 MatrixCare	750.0	6.1x
10/15/18	 twilio	 SendGrid	1,576.8	12.3x
10/10/18	THOMA BRAVO	IMPERVA®	1,890.8	5.5x
10/09/18	 CDPQ	 FNZ®	1,449.7	-
10/08/18	 LinkedIn	 GLINT	400.0	-










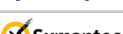






Top Quartile:	9.5x
Median:	7.6x
Mean:	8.2x

## Select Financing Transactions – SaaS

Announced Date	Lead Investor(s)	Target	Transaction Size (\$M)	Pre-Money Valuation (\$M)
12/27/18	MERITECH CAPITAL PARTNERS <b>TRIBE</b>	 carta	\$80.0	\$724.0
12/13/18	<b>TIGER</b> GLOBAL	<b>PROCORE</b>	75.0	2,925.0
12/11/18	<b>SPARK</b> CAPITAL	 inVISION	115.0	1,906.0
12/06/18	<b>PREMJI INVEST</b>	 looker	103.0	1,497.0
12/05/18	<b>SEQUOIA</b> 	 Amplitude	80.2	769.9
12/05/18	<b>FTV</b> CAPITAL	<b>vagaro</b>	63.0	-
11/28/18	 <b>CDPQ</b>	<b>PLUSGRADE</b>	153.4	-
11/15/18	 SoftBank	 AUTOMATION ANYWHERE	550.0	2,050.0
11/14/18	 Index Ventures	 ServiceTitan	165.0	1,500.0
11/13/18	 <b>Lightspeed</b>	 netskope	168.7	1,225.0
11/08/18	 MUBADALA	 <b>TURVO</b>	60.0	375.0
11/01/18	NEW ZEALAND SUPERANNUATION FUND 	 <b>RUBICON</b>	126.6	1,100.0
10/22/18	<b>WARBURG PINCUS</b>	 <b>Assent</b>	100.0	-
10/17/18	MERITECH CAPITAL PARTNERS <b>ICONIQ</b>	 Lucidchart	72.0	-
10/11/18	<b>SEQUOIA</b> 	 snowflake	450.0	3,500.0
10/03/18	 <b>Viking</b> <small>Viking Global Investors LP</small>	<b>talkdesk</b>	100.0	900.0
10/03/18	MERITECH CAPITAL PARTNERS	<b>braze</b>	80.0	770.0
10/02/18	<b>WELLINGTON</b> MANAGEMENT	 <b>TANIUM</b>	200.0	6,500.0
10/01/18	 <b>SAPPHIRE</b> VENTURES	<b>project44</b>	80.0	-











## 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	\$101.57	87.4%	\$731,962	\$779,805	\$118,467	\$49,866	42.1%	16.5%	6.2x	14.7x
 CISCO	43.33	87.6%	177,862	194,810	50,802	17,966	35.4%	5.6%	3.5x	9.9x
 ORACLE	45.15	84.4%	171,425	162,040	39,804	18,592	46.7%	1.9%	4.3x	9.2x
 SAP	99.01	80.4%	121,561	118,181	27,891	9,129	32.7%	4.7%	4.4x	13.3x
 Adobe	226.24	81.5%	111,331	110,435	9,030	3,972	44.0%	23.7%	12.3x	28.0x
 IBM	113.67	66.4%	136,019	103,303	79,755	18,731	23.5%	0.8%	1.7x	7.3x
 splunk>	104.85	80.7%	14,504	15,495	1,742	246	14.1%	37.1%	8.3x	59.0x
 CITRIX	102.46	87.7%	14,131	13,808	2,963	1,099	37.1%	4.9%	4.8x	12.9x
 SYNOPSYS	84.24	81.5%	12,347	12,595	3,147	764	24.3%	10.8%	3.9x	16.2x
 Symantec	18.90	63.6%	14,675	12,072	4,760	2,144	45.0%	(3.1%)	3.1x	6.8x
 SS&C	45.11	74.0%	17,191	11,237	3,461	1,252	36.2%	105.7%	5.0x	13.7x
 opentext™	32.60	80.9%	10,554	8,721	2,837	1,038	36.6%	7.8%	3.7x	10.2x
 sage	7.57	72.9%	8,769	7,952	2,324	664	28.6%	7.6%	3.8x	13.2x
 teradata.	38.36	86.7%	4,263	4,534	2,142	331	15.4%	(0.6%)	2.0x	12.9x
 PEGA	47.83	70.4%	3,558	3,764	888	69	7.8%	5.6%	4.0x	51.4x
 Progress®	35.49	66.2%	1,573	1,594	395	167	42.2%	(0.8%)	4.0x	9.4x
					Top Quartile:		42.2%	15.0%	4.9x	15.8x
					Median:		35.8%	5.6%	4.0x	13.1x
					Mean:		32.0%	14.3%	4.7x	18.0x
					Bottom Quartile:		24.1%	1.6%	3.7x	9.8x

Note: All amounts in millions of USD, except share price information. All data sourced from S&P Capital IQ. Information as of 12/31/18, sorted by market cap.





















## Select M&A Transactions – Enterprise Software

Announced Date	Acquiror	Target	Enterprise Value (\$M)	EV / Revenue	EV / EBITDA
12/26/18	 <b>Orbotech</b>	 <b>Frontline</b>	\$95.0	-	-
12/06/18	 <b>HCL</b>	 <b>IBM</b> (select software assets)	1,775.0	-	-
11/07/18	 <b>VIRTU FINANCIAL</b>	 <b>ITG</b>	765.9	1.5x	15.9x
10/30/18	 <b>Wolters Kluwer</b>	 <b>eVision</b>	145.0	5.8x	-

## Select Financing Transactions – Enterprise Software

Announced Date	Lead Investor(s)	Target	Transaction Size (\$M)	Pre-Money Valuation (\$M)
11/29/18	 <b>TCV</b>	 <b>VENAFI</b>	\$100.0	\$525.0
11/29/18	 <b>initialized()</b>	 <b>[Sc]</b> <small>STANDARD COGNITION</small>	51.1	320.0
11/01/18	 <b>ALTIMETER CAPITAL</b>	 <b>BLUEHEXAGON</b>	25.9	118.0
10/23/18	 <b>ECLIPSE</b>	 <b>Bright Machines</b>	179.0	500.0
10/16/18	Undisclosed investors	 <b>TG-17</b>	34.8	-

















## 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
 TATA	\$27.03	83.2%	\$96,719	\$101,413	\$20,148	\$5,536	27.5%	17.0%	4.8x	17.5x
 accenture	141.01	80.3%	85,921	89,887	40,656	6,890	16.9%	13.4%	2.1x	12.5x
 Infosys	9.41	87.3%	37,268	40,901	11,300	2,953	26.1%	13.8%	3.3x	12.6x
 Cognizant	63.48	74.6%	32,718	36,757	16,112	3,350	20.8%	8.8%	2.0x	9.8x
 wipro	4.71	96.0%	18,170	21,217	8,233	1,522	18.5%	5.4%	2.2x	11.9x
 HCL	13.77	85.7%	18,821	19,173	8,312	1,924	23.1%	15.3%	2.3x	9.8x
 Capgemini	98.57	72.5%	18,745	16,002	14,944	2,084	13.9%	2.9%	1.3x	9.0x
 NTT DATA	11.03	75.0%	19,274	15,464	19,373	2,595	13.4%	1.4%	1.0x	7.4x
 DXC technology	53.17	49.3%	19,478	14,894	21,746	4,888	22.5%	7.9%	0.9x	4.0x
 Tech Mahindra	10.32	92.6%	8,080	9,135	4,862	879	18.1%	12.7%	1.7x	9.2x
Booz   Allen   Hamilton	45.07	85.2%	7,857	6,415	6,500	645	9.9%	6.3%	1.2x	12.2x
 CACI	144.03	71.7%	4,599	3,579	4,637	448	9.7%	5.4%	1.0x	10.3x
 Mindtree	12.33	73.0%	1,913	2,026	954	147	15.4%	25.7%	2.0x	13.0x
 tieto	26.78	76.7%	2,206	1,977	1,826	240	13.2%	4.2%	1.2x	9.2x
sopra  steria	91.59	42.9%	2,641	1,850	4,618	387	8.4%	5.8%	0.6x	6.8x
 virtusa	42.59	72.7%	1,501	1,274	1,200	93	7.7%	24.3%	1.3x	16.1x
 icf	64.78	78.8%	1,448	1,221	1,314	122	9.3%	6.9%	1.1x	11.8x
 PERFICIENT	22.26	71.6%	813	739	495	75	15.1%	2.0%	1.6x	10.9x
 PERSISTENT	8.93	68.4%	571	715	479	80	16.6%	11.4%	1.2x	7.2x
 The Hackett Group	16.01	70.1%	471	473	290	50	17.1%	1.3%	1.6x	9.5x
 ISG	4.24	77.7%	277	192	281	35	12.5%	4.1%	1.0x	7.9x
					Top Quartile:		19.6%	13.6%	2.1x	12.3x
					Median:		15.4%	6.9%	1.3x	9.8x
					Mean:		16.0%	9.3%	1.7x	10.4x
					Bottom Quartile:		12.5%	4.2%	1.1x	9.0x

Note: All amounts in millions of USD, except share price information. All data sourced from S&P Capital IQ. Information as of 12/31/18, sorted by market cap.



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

Announced Date	Acquiror	Target	Enterprise Value (\$M)	EV / Revenue	EV / EBITDA
12/27/18			\$1,220.8	1.4x	7.4x
12/18/18			193.4	-	-
12/04/18			15.0	0.2x	3.2x
11/06/18			1,788.8	1.3x	21.2x
11/01/18			16.0	1.0x	5.0x
10/09/18			400.0	0.6x	-
10/01/18			70.0	0.1x	17.9x
10/01/18			16.7	-	-
			Top Quartile:	1.3x	19.6x
			Median:	0.8x	7.4x
			Mean:	0.8x	10.9x
			Bottom Quartile:	0.2x	4.1x

## Select Financing Transactions – Tech-Enabled Services

Announced Date	Lead Investor(s)	Target	Transaction Size (\$M)	Pre-Money Valuation (\$M)
11/20/18	 		\$35.2	\$-

## Select Transactions

 <p>a portfolio company of</p>  <p>has been acquired by</p>  <p>Advisor to Bunchball</p>	 <p>has completed a majority recapitalization with</p>  <p>Advisor to GraphPad</p>	 <p>has completed a growth financing with</p>  <p>Advisor to Ad Exchange Group</p>	 <p>has completed a growth recapitalization with</p>  <p>Advisor to Avaap</p>	 <p>has raised growth capital from</p>  <p>and</p>  <p>Advisor to Solid Commerce</p>
 <p>has been acquired by</p>  <p>a portfolio company of</p>  <p>and</p>  <p>Advisor to Drawloop</p>	 <p>has been acquired by</p>  <p>Advisor to Pitch, Inc.</p>	 <p>has been acquired by</p>  <p>Advisor to Threshold Interactive</p>	 <p>has been acquired by</p>  <p>Advisor to Make Technologies*</p>	 <p>has been acquired by</p>  <p>Advisor to Language Weaver*</p>
 <p>has been acquired by</p>  <p>Advisor to Pilot Software*</p>	 <p>has been recapitalized by</p>  <p>Advisor to Beeline*</p>	 <p>has been acquired by</p>  <p>Advisor to Cengea*</p>	 <p>has been acquired by</p>  <p>Advisor to PhoneFactor*</p>	 <p>has been acquired by</p>  <p>Advisor to Aegis*</p>
 <p>has been acquired by</p>  <p>Advisor to Premise*</p>	 <p>has been acquired by</p>  <p>Advisor to Payerpath*</p>	 <p>has been acquired by</p>  <p>Advisor to RelayHealth*</p>	 <p>has been acquired by</p>  <p>Advisor to DecisionView*</p>	 <p>has been acquired by</p>  <p>Advisor to AtHand*</p>

\* 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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### About Intrepid's Software & Services Practice

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, big data and analytics, tech-enabled business services, eCommerce, and digital media technologies. Our bankers take the time to understand a company's business model and advise it in defining and articulating its vision to the market.

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