



Software & Services M&A Report - Q2'19

Software Bellwethers Signal Adoption of Horizontal Acquisition Strategies as Imperative to Staying Competitive

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Software Bellwethers Signal Adoption of Horizontal Acquisition Strategies as Imperative to Staying Competitive

The Software & Services industry witnessed multiple high-profile deals in the second quarter of 2019. Google made a \$2.6 billion (26x revenue) bet on Looker, embedding business intelligence and analytics directly into their cloud platform, as competition intensifies with Amazon Web Services. Shortly after, Salesforce announced its ~\$15.1 billion (12.2x revenue) acquisition of data visualization leader Tableau, uniting the world's leading CRM platform with the leading analytics platform and empowering everyday users to tap into the power of their data.

While consolidation of smaller players is bound to continue, these industry bellwethers have signaled that the adoption of a horizontal acquisition strategy is imperative to staying competitive. Software players need to continue strengthening their core offering through consolidation while simultaneously expanding their portfolio of products and services as customers seek more complete, integrated solutions.

We've continued to explore the Education Technology (EdTech) vertical and observed considerable activity last quarter. Private equity (PE) firm Warburg Pincus exited their five-year investment in Dude Solutions for ~\$525 million as Clearlake Capital Group steps in to facilitate the company's next stage of growth. Leading training/university software provider 2U made its largest acquisition to date, paying \$750 million for Trilogy Education Services to merge its native online graduate programs with Trilogy's technical skills-based boot camps. As strategic and PE interest in EdTech continue to grow, we are excited to see how M&A will continue to shape the vertical.

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 "Christopher Park".

Christopher Park

Managing Director

Head of Software & Services

cpark@intrepidib.com

Software & Services Q2'19 Market Highlights

Ultimate Software Pursues Non-Public Growth Strategy

On May 3, 2019, Ultimate Software ceased trading after a ~\$11 billion all-cash, take-private acquisition. The purchase price reflects a 32% premium over Ultimate's volume-weighted average price, and was accepted unanimously amongst the company's board of directors. The company's new ownership includes a consortium of private equity groups led by Hellman & Friedman, with participation from JMI Equity, the Canada Pension Plan Investment Board and Blackstone. CEO Scott Scherr will continue to lead operations and is excited about the opportunity to bring new features and services to market faster than ever.



Google Cloud Preps for War Against AWS

On June 6, 2019, Google announced that it has entered into a definitive agreement to acquire business analytics and intelligence platform Looker, for \$2.6 billion in cash. Looker will be integrated into Google Cloud to create a one-stop analytics solution. The two groups already shared a large number of common customers (over 350), including high profile accounts such as BuzzFeed, Yahoo, and WPP Essence. The combined entity will be equipped to support multiple databases and deployment strategies, from multi-cloud to hybrid and on-prem. The acquisition of Looker represents a significant step in Google Cloud's strategy to compete with Amazon Web Services in the cloud infrastructure market.



Salesforce Acquires Data Visualization Giant Tableau

Salesforce has entered into a definitive agreement to acquire data visualization and analytics powerhouse Tableau, to create a partnership that will re-shape the future of the software industry. By combining Salesforce's assortment of sales and marketing tools with Tableau's intuitive and robust data analytics capabilities, the duo has created a platform that will provide businesses with greater insight into their customer bases and sales pipelines than ever before. The marriage combines CRM, AI and self-service analytics to enable users of all skill levels to access the power of their data. The 100% stock transaction values Tableau at \$15.1 billion, and both companies' boards have submitted approval.



Dude Solutions Closes Second PE Deal

Clearlake Capital announced that it has entered into an agreement to acquire Dude Solutions from Warburg Pincus for an estimated \$525 million. Dude Solutions is a leading SaaS provider of cloud-based operation management solutions and automation software with over 12,000 clients across a diverse assortment of industries. Dude Solutions CEO, Ed Roshitsh and the supporting management team will continue to lead the company post-transaction. Clearlake will provide financial support to further strengthen the company's solution as well as finance future acquisition opportunities in the space.

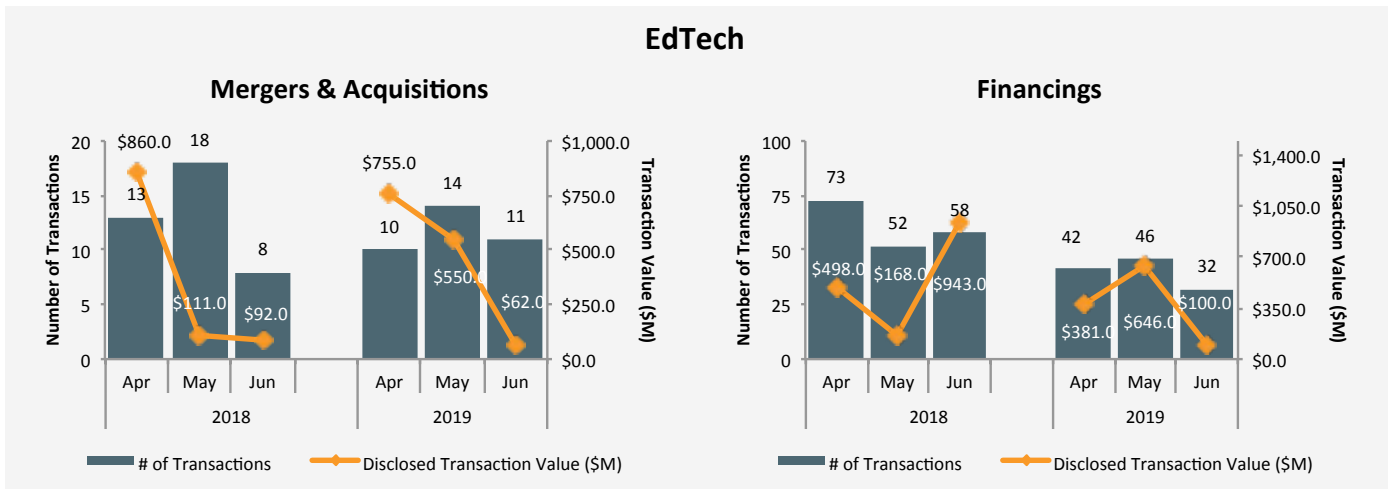
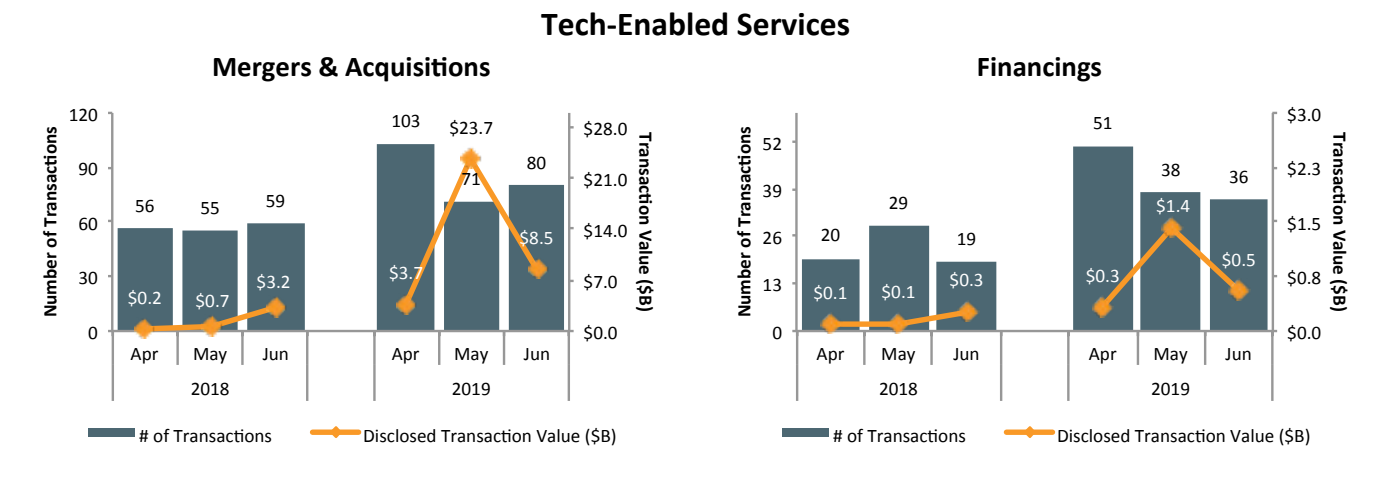
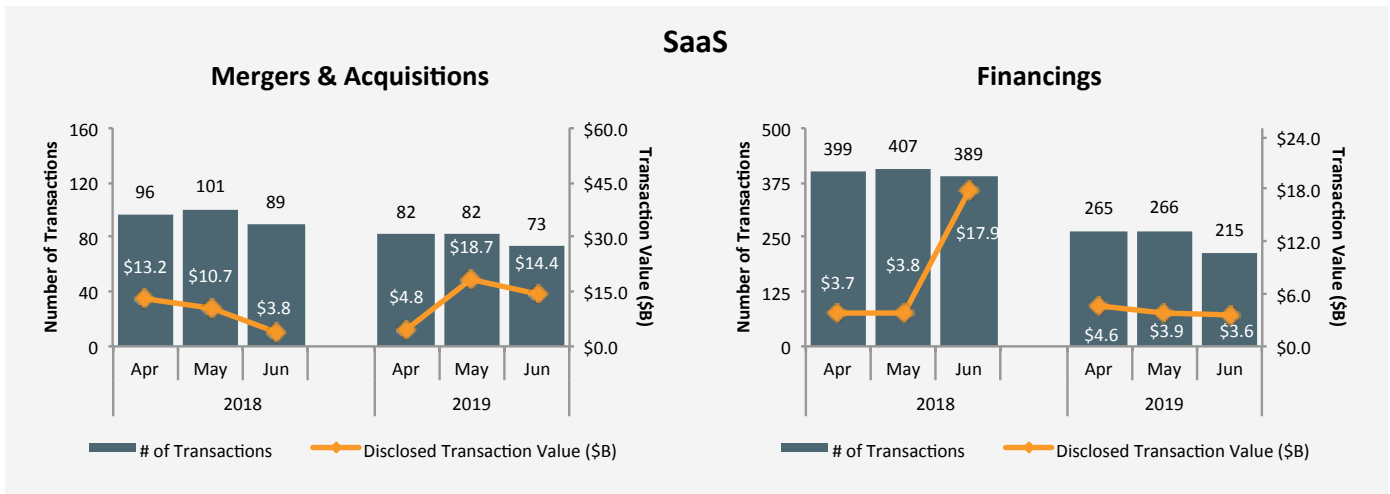


2U Augments Its University Customer Base With Acquisition of Trilogy Education Services for \$750 Million

Online education provider 2U, Inc. acquired Trilogy Education Services, a company that runs technical-skills bootcamps, for \$750 million. Trilogy will expand 2U's service offering and grow its existing customer base of universities from 36 to 68. 2U plans to integrate Trilogy's offerings into its own suite of products and is projected to double the size of its higher education network. 2U Co-Founder and CEO Chip Paucek announced his excitement to leverage Trilogy's direct corporate training and sales channels to build a nationwide workforce training platform and has increased the company's 2021 revenue target to \$1 billion.

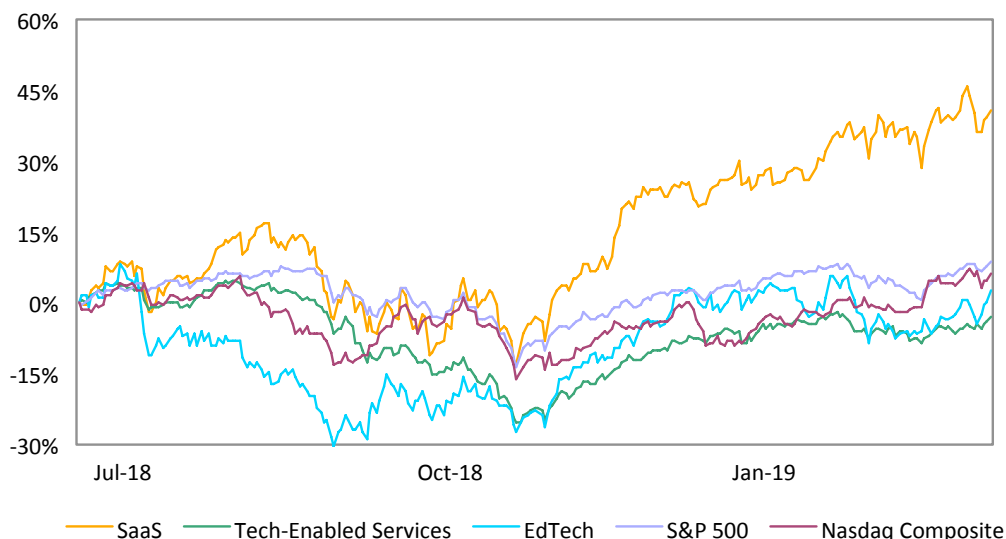


Software & Services Q2 2019 Activity

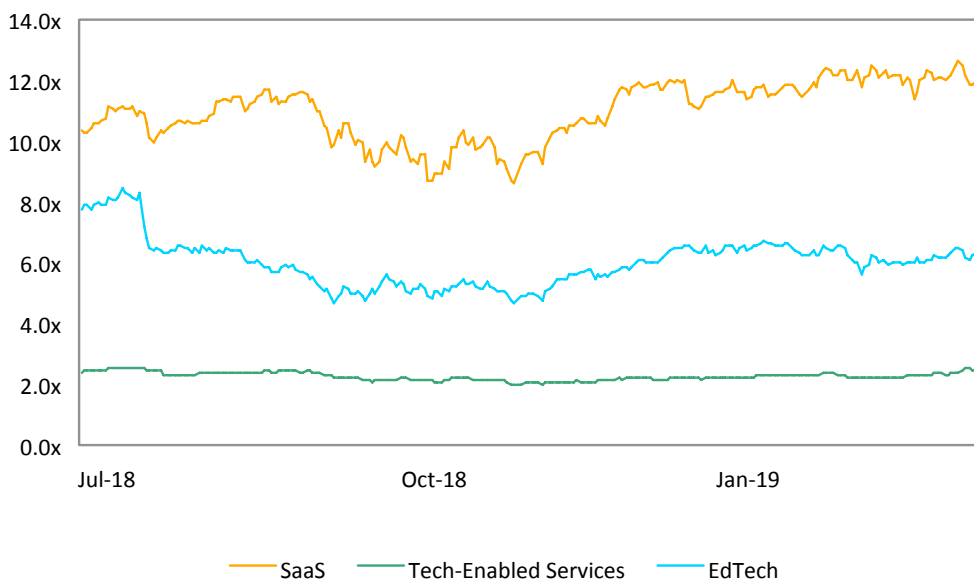


Publicly Traded Companies – Stock Valuation Trends

Stock Price Indices



TEV / LTM Revenue Multiples

























Publicly Traded Comparables – SaaS

Company	Share Price	% of 52-Wk High	Enterprise Value	Market Cap	LTM		LTM Growth	EV / LTM Revenue
					Revenue	EBITDA		
 salesforce	\$158.37	94.8%	\$121,128	\$122,103	\$13,282	\$1,524	5.9%	9.1x
 servicenow	246.49	97.9%	43,655	44,491	2,809	135	7.7%	15.5x
 workday	192.85	96.4%	42,239	42,813	2,822	(240)	7.9%	15.0x
 ATlassian	112.39	97.0%	26,110	26,918	1,036	6	8.3%	25.2x
 shopify	206.62	98.6%	20,989	22,968	1,179	(85)	9.9%	17.8x
 Veeva	126.86	98.5%	17,485	18,576	862	237	6.3%	20.3x
 twilio	129.18	95.0%	15,653	15,964	754	(128)	16.0%	20.8x
 paycom	189.13	99.2%	10,798	10,809	612	206	8.1%	17.6x
 okta	82.73	94.3%	8,992	9,284	399	(116)	9.6%	22.5x
 zendesk	85.00	98.7%	9,242	9,211	650	(115)	8.6%	14.2x
 RingCentral	107.80	96.5%	8,558	8,758	659	7	7.5%	13.0x
 HubSpot	166.21	92.3%	6,570	6,843	550	(33)	7.3%	11.9x
 proofpoint	121.43	93.2%	6,489	6,721	757	(31)	5.6%	8.6x
 Wix.com	120.83	96.0%	5,477	5,842	640	(28)	6.0%	8.6x
 New Relic	98.70	86.0%	5,342	5,661	479	(9)	7.6%	11.1x
 REALPAGE <small>Chaperone</small>	60.69	91.6%	5,908	5,539	902	147	3.8%	6.5x
 xero	34.54	92.5%	5,072	4,833	538	21	60.1%	9.4x
 medidata	73.24	82.4%	4,272	4,419	660	81	3.8%	6.5x
 2U	70.85	71.9%	3,668	4,119	442	(18)	7.3%	8.3x
 LogMeIn	80.10	65.1%	4,124	4,072	1,232	345	2.4%	3.3x
 Qualys	82.74	84.2%	2,971	3,258	289	86	3.8%	10.3x
 cornerstone	54.78	91.0%	3,184	3,238	545	16	1.3%	5.8x
 cloudera	10.94	48.8%	2,462	2,942	480	(154)	9.0%	5.1x
 box	19.31	64.8%	2,682	2,787	608	(88)	4.7%	4.4x





















Top Quartile:	8.5%	17.1x
Median:	7.4%	10.7x
Mean:	9.1%	12.1x
Bottom Quartile:	4.9%	7.0x

Select M&A Transactions – SaaS





















Announced Date	Acquirer	Target	Enterprise Value (\$M)	EV / Revenue
06/27/19	 HealthEquity	 WageWorks <small>everyone benefits</small>	\$2,047	2.4x
06/18/19	 Intertrust	 VITEOS	330	6.3x
06/10/19	 salesforce	 tableau	15,080	12.2x
06/10/19	 ideagen	 redland	20	3.8x
06/06/19	 Google	 looker	2,600	28.9x
06/04/19	 imperva	 distil networks	1,000	5.0x
06/04/19	 FLEXera	 RISC Networks.	45	4.5x
06/03/19	 i3 Verticals	 pace	53	1.8x
05/30/19	 silverfleet capital	 microgen [®] Financial Systems	65	2.8x
05/30/19	 INSIGHT PARTNERS	 Recorded Future	780	12.0x
05/29/19	 paloalto networks	 Twistlock	47	27.3x
05/20/19	 PIVOTAL	 KIDisccovery.	625	2.7x
05/16/19	 SUGARCRM	 salesfusion	30	5.0x
05/16/19	 APPTIO	 CLOUDABILITY	160	5.7x
05/13/19	 E2OPEN	 Amber Road POWERING GLOBAL TRADE [®]	425	4.8x
05/03/19	 CLEARLAKE CAPITAL	 Dude Solutions [®]	525	5.3x
05/03/19	 HELLMAN & FRIEDMAN	 Ultimate SOFTWARE	10,867	9.9x
04/17/19	 KKR	 myob	1,116	3.6x
04/04/19	 alteryx	 ClearStory DATA	20	4.0x

Top Quartile:	9.9x
Median:	5.0x
Mean:	7.8x
Bottom Quartile:	3.6x

Select Financing Transactions – SaaS


Announced Date	Lead Investor(s)	Target	Transaction Size (\$M)	Pre-Money Valuation (\$M)
06/27/19	 DFJ GROWTH	 Aera	\$80	\$250
06/26/19	ANDREESSEN HOROWITZ	 omada	73	520
06/26/19	 ENERGY IMPACT PARTNERS	 eSmart SYSTEMS	34	NA
06/25/19	 dawn.	 Showpad	70	NA
06/25/19	 PEAKSPAN CAPITAL	 reviewtrackers	10	60
06/24/19	8VC	 blend	130	850
06/20/19	 ATREIDES MANAGEMENT	 druva	130	870
06/05/19	TIGERGLOBAL	 LITIFY	50	170
05/30/19	 Bessemer Venture Partners	 dashlane	110	420
05/29/19	 INSIGHT PARTNERS	 SmartRecruiters	50	295
05/23/19	 FOUNDRY GROUP	 JumpCloud Directory-as-a-Service	50	200
05/20/19	 Bessemer Venture Partners	 Auth0	103	1,057
05/15/19	 DIGITALIS	 CareDox	24	96
05/09/19	 Aspect VENTURES	 evident.io	20	75
05/08/19	 Battery	 sumo logic	110	1,075
05/02/19	 CH	 FREIGHT HUB	30	82

Publicly Traded Comparables – Tech-Enabled Services

Company	Share Price	% of 52-Wk High	Enterprise Value	Market Cap	LTM			LTM Growth	EV / LTM Revenue	EV / LTM EBITDA
					Revenue	EBITDA	EBITDA %			
 TATA	\$32.31	97.2%	\$115,311	\$121,252	\$21,817	\$5,829	26.7%	3.2%	5.3x	19.8x
 accenture	184.77	98.6%	113,382	117,725	41,244	6,786	16.5%	1.0%	2.7x	16.7x
 Infosys	10.62	94.7%	41,582	45,380	12,099	2,947	24.4%	2.5%	3.4x	14.1x
 Cognizant	63.39	76.1%	34,030	36,087	16,323	3,183	19.5%	1.2%	2.1x	10.7x
 wipro	4.07	93.0%	20,291	24,442	8,607	1,726	20.1%	1.8%	2.4x	11.8x
 HCL	15.45	89.6%	20,148	20,950	8,632	1,990	23.1%	2.9%	2.3x	10.1x
 Capgemini	124.43	91.3%	22,091	20,555	15,110	1,930	12.8%	0.4%	1.5x	11.4x
 NTT DATA	13.31	89.3%	22,257	18,672	19,526	2,759	14.1%	0.5%	1.1x	8.1x
 DXC.technology	55.15	57.0%	19,530	14,694	20,753	4,228	20.4%	(13.1%)	0.9x	4.6x
Booz Allen Hamilton	66.21	98.8%	10,832	9,273	6,704	664	9.9%	2.2%	1.6x	16.3x
 Tech Mahindra	10.25	83.5%	7,662	9,109	5,014	900	17.9%	2.9%	1.5x	8.5x
 CACI <small>EVER VIGILANT</small>	204.59	96.1%	6,752	5,088	4,783	461	9.6%	3.0%	1.4x	14.6x
 sopra steria	116.64	57.4%	3,089	2,345	4,689	372	7.9%	0.3%	0.7x	8.3x
 Mindtree	13.46	78.5%	2,077	2,213	1,047	146	14.0%	3.3%	2.0x	14.2x
 tieto	29.65	89.7%	2,499	2,193	1,798	222	12.4%	(1.8%)	1.4x	11.2x
 ICF	72.80	88.5%	1,740	1,371	1,376	125	9.1%	2.9%	1.3x	13.9x
 virtusa	44.43	75.8%	1,614	1,340	1,248	97	7.8%	3.9%	1.3x	16.6x
 PERFICIENT	34.32	95.4%	1,246	1,131	511	62	12.2%	2.6%	2.4x	20.0x
 PERSISTENT	8.89	67.0%	531	680	486	80	16.4%	2.9%	1.1x	6.6x
 The Hackett Group <small>World Class Defined and Enabled</small>	16.79	73.5%	504	499	261	40	15.4%	(1.4%)	1.9x	12.6x
 ISG	3.16	57.9%	238	148	272	19	7.1%	(1.5%)	0.9x	12.4x



Top Quartile:	19.8%	2.9%	2.3x	15.5x
Median:	14.1%	2.2%	1.5x	12.4x
Mean:	15.1%	0.9%	1.9x	12.5x
Bottom Quartile:	9.9%	0.4%	1.3x	10.1x

Select M&A Transactions – Tech-Enabled Services











Announced Date	Acquirer	Target	Enterprise Value (\$M)	EV / Revenue	EV / EBITDA
06/24/19	 Insight	 PCM <small>THE RIGHT TECHNOLOGY. DELIVERED</small>	\$505	0.2x	9.0x
06/24/19	 Capgemini	 ALTRAN	5,650	1.7x	17.8x
06/14/19	 CGI	 SCISYS	102	1.4x	15.8x
06/03/19	 i3 <small>Verticals</small>	 paxe	53	1.8x	NA
05/28/19	 globalpayments	 TSYS [®]	24,896	6.1x	19.7x
05/07/19	 orange	 Secure Link	577	2.1x	NA
04/18/19	 AIB	 JRN <small>PAYMENT SYSTEMS</small>	97	1.4x	10.1x

Top Quartile:	2.1x	18.8x
Median:	1.7x	15.8x
Mean:	2.1x	14.5x
Bottom Quartile:	1.4x	9.6x

Select Financing Transactions – Tech-Enabled Services



















Announced Date	Lead Investor(s)	Target	Transaction Size (\$M)	Pre-Money Valuation (\$M)
06/18/19	 DFJ GROWTH	 anyVISION.	\$74	NA
06/11/19	 绿地集团 GREENLAND GROUP	 CCI 城云科技	44	NA
06/06/19	 Scopus Ventures	 Jitterbit	21	140
05/30/19	 GI	 FIREFLY	20	130
05/30/19	 fiserv.	 BlueVoyant	83	348
05/03/19	 INSIGHT PARTNERS	 Kaseya	500	NA
04/08/19	 futurefund	 bitglass	70	410
04/03/19	 andera PARTNERS	 HRPath.	117	NA

Select Publicly Traded Comparables – EdTech

Company	Share Price	% of 52-Wk High	Enterprise Value	Market Cap	LTM			LTM Growth	EV / LTM Revenue	EV / LTM EBITDA
					Revenue	EBITDA	EBITDA %			
 TAL 好未来	\$38.10	91.6%	\$21,292	\$22,545	\$2,563	\$430	16.8%	9.5%	8.3x	NM
 Chegg®	38.59	92.6%	4,400	4,575	342	21	6.2%	6.4%	12.9x	NM
 Cornerstone	57.93	96.2%	3,442	3,456	545	16	2.9%	1.3%	6.3x	NM
 PLURALSIGHT	30.32	79.0%	2,739	2,889	252	(118)	(46.8%)	8.6%	10.9x	NM
 2U	37.64	39.9%	2,013	2,374	442	(18)	(4.1%)	7.3%	4.6x	NM
 INSTRUCTURE	42.50	84.7%	1,513	1,555	220	(45)	(20.7%)	4.8%	6.9x	NM
 K12	30.41	81.2%	979	1,181	998	75	7.5%	2.1%	1.0x	13.0x
 HealthStream	25.86	81.2%	724	838	249	31	12.5%	2.8%	2.9x	23.2x
 Rosetta Stone	22.88	85.1%	524	545	175	(1)	(0.5%)	1.0%	3.0x	NM
 TRIBAL	0.91	76.6%	153	179	102	11	10.5%	NA	1.5x	14.3x





















Top Quartile:	11.0%	7.9%	8.9x	23.2x
Median:	4.6%	4.8%	5.4x	14.3x
Mean:	(1.6%)	4.9%	5.8x	16.9x
Bottom Quartile:	(3.2%)	2.1%	2.9x	13.7x

Select M&A Transactions – EdTech

Announced Date	Acquirer	Target	Enterprise Value (\$M)	EV / Revenue
06/03/19	 i3 Verticals	 pase	52.7	1.8x
05/22/19	 2U	 TRILOGY EDUCATION SERVICES	750.0	NA
05/13/19	 OAKLEY CAPITAL	 Videotel Performance Manager™	90.0	5.3x
05/09/19	 Kahoot!	 DRAGONBOT	18.0	NA
05/03/19	 CLEARLAKE CAPITAL	 Dude Solutions™	525.0	5.3x
05/01/18	 blackbaud®	 Reeher LLC	43.0	NA
04/29/19	 seek	 Future Learn	130.0	11.9x
04/29/19	 ADT ALEM GLOBAL EDUCATION	 OnCourse Learning	121.0	3.9x
04/09/19	 INSTRUCTURE	 MASTERY CONNECT	42.5	NA

Top Quartile:	8.6x
Median:	5.3x
Mean:	5.6x
Bottom Quartile:	2.9x

Select Financing Transactions – EdTech

Announced Date	Lead Investor(s)	Target	Transaction Size (\$M)	Pre-Money Valuation (\$M)
05/30/19	 Alibaba Group 阿里巴巴集团	 knowbox 小盒科技	\$150	NA
05/28/19	 FTV CAPITAL	 OpenSesame®	28	100
05/16/19	 NORTHERN POWERHOUSE Investment Fund <small>Delivered by British Business Bank</small>	 DIGITAL TRAINING SOLUTIONS	291	NA
05/08/19	 AB ALLIANCEBERNSTEIN	 degreed	75	325
04/29/19	 AirTree VENTURES	 A CLOUD GURU	33	NA
04/25/19	 KUNLUN <small>www.kunlun.com</small>	 洋葱数学	44	NA
04/25/19	 seek	 coursera	103	1,557
04/17/19	 BainCapital VENTURES	 Moveworks	30	29
04/17/19	 bpi france	 360Learning Learning Engagement Platform	41	NA
04/01/19	 Fidelity	 collegevine	24	43

Select Transactions

 <p>has completed a majority recapitalization with</p>  <p>Advisor to Experlogix</p>	 <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 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>Pitch, Inc.</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 completed a \$65,000,000 debt and equity financing with</p>  <p>and</p>  <p>Advisor to Ice Mobility</p>	 <p>has been acquired by</p>  <p>Advisor to Cengage*</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>

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





Software & Services Team

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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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