

Software & Services M&A Report - Q3'19

# Software & Services M&A Maintains Momentum in Q3'19

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#### **Elevated Activity in Q3 Despite Concerns of Economic Slowdown**

The global Software and Services industry witnessed exciting movement in Q3 as nearly 1,000 deals were closed this quarter. Despite concerns of an economic slowdown, deal multiples remained elevated and capital continued to be deployed at healthy rates. Strategic acquirers made headlines with a few large acquisitions, including Broadcom's announced \$10.7 billion acquisition of Symantec's enterprise software assets (4.5x EV/Sales) and VMware's \$2.7 billion acquisition of Pivotal (4.6x EV/Sales).

Interestingly, financial sponsors represented more than half of deal volume in Q3, and have continued to demonstrate a willingness to pay premium multiples in the market in order to compete with strategic buyers for attractive assets. As fundraising continues and private equity accumulates greater levels of dry powder, CEOs evaluating a sale of their business would be wise to consider including both financial and strategic buyers in their sale processes.

We've continued to cover the Compliance Software vertical in Q3 and view it as an attractive growth area for investors and acquirers. New, rapidly-evolving regulations are forcing organizations across all sectors to rethink their risk and compliance strategies and driving significant adoption of new technologies. Further, as many companies continue to grow in both scale and complexity, many have found it increasingly difficult to protect workers, reduce environmental impact and ensure high-quality operations. Investors have taken notice with companies in the sector, raising record amounts of growth capital and several high-profile transactions taking place. Most notably, VMware recently announced its acquisition of Carbon Black, an industry-leading enterprise security and compliance software company, and Nordic Capital closed its \$700 million acquisition of ArisGlobal, the leading compliance software provider for the drug development industry. As strategic and private equity interest in compliance technology continues to grow, we are excited to see how M&A activity will impact 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,

**Christopher Park** 

Managing Director

Head of Software & Services

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#### Software & Services Q3 2019 Market Highlights

#### **Broadcom to Acquire Symantec's Enterprise Security Business**

On August 8, 2019, Broadcom announced an agreement to acquire the enterprise security business of Symantec Corporation for \$10.7 billion in cash (4.5x EV/Sales). The enterprise security segment sells software to help companies and governments detect attacks across various devices and monitor the use of cloud services. M&A has played a central role in Broadcom's growth strategy and this transaction represents the next logical step in their strategy following the acquisitions of Brocade and CA Technologies, significantly expanding the company's infrastructure software footprint.





#### VMware Buys Carbon Black and Pivotal, Valued Together at \$4.8 Billion

On August 22, 2019, VMware announced that it has entered into a definitive agreement to acquire Pivotal Software at an enterprise value of \$2.7 billion (4.6x EV/Sales) and Carbon Black at an enterprise value of \$2.1 billion (8.9x EV/Sales). While the agreements were announced on the same day and both brokered by Dell, a controlling stakeholder in both companies, the two deals were negotiated separately as VMware approached the acquisitions with the goal of expanding the range of products and services it offers to its corporate clients. The deals are expected to close by the end of January 2020 and are the company's largest acquisitions yet.



+

Carbon Black.

Pivotal has been at the leading edge of modern software development, transforming the way major companies build and run software applications. The company offers a developer-centric platform, tools and services that accelerate modern app development. The two companies share a long history of collaboration, including the codevelopment and launch of VMware Pivotal Container Service in February 2018, so the acquisition appears as a natural fit.



Carbon Black is a cloud-native endpoint protection platform that uses big data and analytics to protect organizations from cyber attacks. With the addition of Carbon Black, VMware will expedite their strategy of building out a leading enterprise-grade security platform to cross-sell to their existing and newly acquired customers.

#### Navex Global Acquires Lockpath for \$100 Million

Leading ethics and compliance software and services company, NAVEX Global, announced on August 6, 2019, that it has acquired Lockpath, a provider of Integrated Risk Management (IRM) software solutions, for \$100 million (6.7x EV/Sales). Lockpath develops cloud-based enterprise software solutions that help organizations become more resilient through integrated risk management. The company's Keylight platform is an IRM solution that addresses strategic, operational, and IT risks for customers of varying complexity and sizes, ranging from small firms to Fortune 100 enterprise companies. The acquisition fits within Navex Global's growth strategy of building a more holistic, one-stop-shop GRC program that includes both compliance and integrated risk management.





# Confluence Acquires StatPro, Global Portfolio Analytics Solution and Data Provider, for \$240 Million

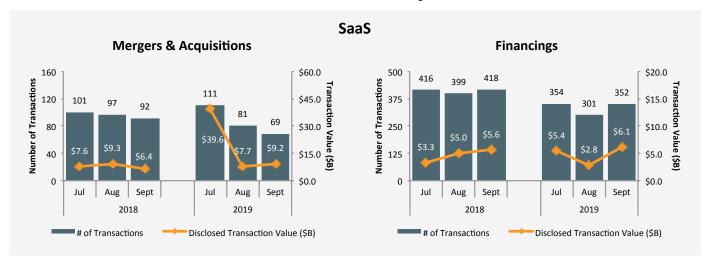
On September 20, 2019, Confluence Technologies, a recognized player in the investment data management automation for regulatory, financial and investor reporting, announced that it has acquired StatPro (3.4x EV/ Sales), a global provider of cloud-based portfolio analytics, asset data services and data management tools for the global asset management industry and asset management service providers, for \$240 million. The transaction brings together two highly complementary businesses to create a leading supplier of front, middle and back-office solutions to asset managers and administrators. The acquisition will accelerate the company's plans to migrate Confluence's performance solutions into the cloud and continue both organizations' history of creating innovative, transformative products.



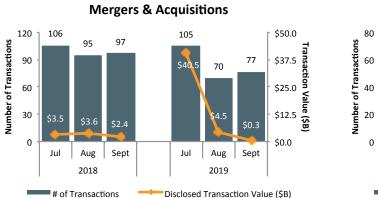


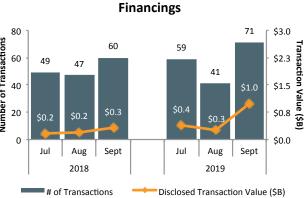


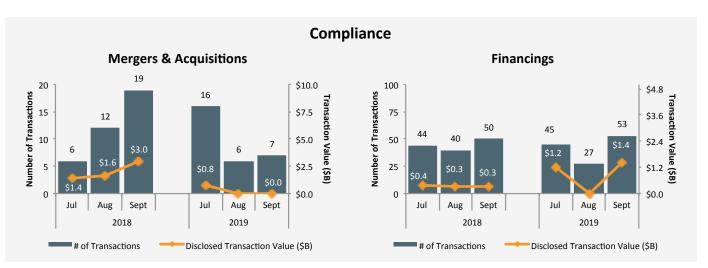
#### **Software & Services Q3 2019 Activity**



#### **Tech-Enabled Services**

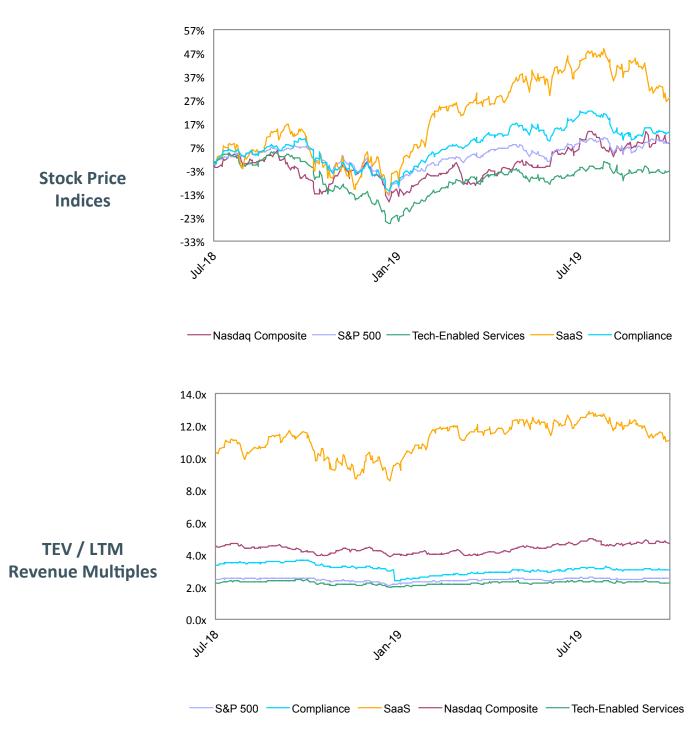








### **Publicly Traded Companies – Stock Valuation Trends**





### Publicly Traded Comparables – SaaS

Company	Share Price	% of 52-Wk High	Enterprise Value	Market Cap	L Revenue	TM EBITDA	LTM Growth	EV / LTM Revenue
	\$148.44							
salesforce	\$148.44	88.6%	\$130,327	\$129,937	\$14,729	\$2,064	5.1%	8.8x
servicenow	253.85	83.7%	47,041	47,587	3,224	238	7.1%	14.6x
workday.	169.96	74.9%	38,367	38,751	3,245	(278)	7.1%	11.8x
🛐 shopify	311.66	76.1%	34,044	35,943	1,417	(96)	9.3%	24.0x
<b>A</b> ATLASSIAN	125.44	83.7%	29,610	30,470	1,209	(29)	7.8%	24.5x
<b>V</b> eeva	152.69	86.3%	21,186	22,596	969	289	6.3%	21.9x
<b>::</b> twilio	109.96	72.8%	13,685	14,942	1,008	(226)	14.3%	13.6x
<b></b> paycom⁻	209.49	80.7%	12,043	12,077	695	236	6.4%	17.3x
okta	98.46	69.4%	11,377	11,495	487	(144)	10.4%	23.4x
RingCentral'	125.66	85.8%	10,273	10,426	760	9	7.5%	13.5x
zendesk	72.88	76.8%	8,253	8,088	759	(129)	7.9%	10.9x
proofpoint.	129.05	97.1%	7,110	7,236	843	(25)	5.4%	8.4x
Hub\$ <mark>p</mark> t	151.61	72.9%	6,068	6,443	633	(32)	7.1%	9.6x
<b>WiX</b> .com	116.74	75.0%	5,629	5,971	721	(51)	6.1%	7.8x
xero	42.01	90.4%	5,910	5,922	617	35	59.1%	9.6x
REALPAGE Cutperform	62.86	94.9%	6,273	5,811	960	163	3.3%	6.5x
New Relic.	61.45	56.4%	3,305	3,589	543	(26)	6.0%	6.1x
LogMet	70.96	73.3%	3,708	3,508	1,248	319	0.6%	3.0x
	54.82	87.5%	3,301	3,327	565	17	2.0%	5.8x
Qualys.	75.57	77.8%	2,706	2,965	311	95	3.7%	8.7x
cloudera	8.86	43.9%	2,285	2,478	648	(187)	14.8%	3.5x
box	16.56	66.4%	2,644	2,447	655	(84)	3.9%	4.0x
<b>2U</b> .	16.28	20.2%	1,120	1,031	527	(62)	9.8%	2.1x



#### Select M&A Transactions - SaaS

Announced <u>Date</u>	Acquirer		Enterprise Value (\$M)	EV / Revenue
09/20/19	<b></b> CONFLUENCE de la con	◆statpro*	\$190	3.1x
09/19/19	HEWLETT PACKARD	Br Bromium	45	2.3x
09/09/19	<b>A</b> aptean	SANDERSON IT Software & Services	110	2.4x
09/04/19	paloalto NETWORKS	Zingbox	75	15.0x
09/03/19	THE CARLYLE GROUP	Hire*Vue	400	5.7x
08/28/19	/\u00e4naplan	MINTIGO	40	6.7x
08/26/19	syncsort advansing data	pitney bowes	700	2.2x
08/22/19	<b>w</b> ware	Pivotal	3,300	4.6x
08/21/19	splunk>	SignalFx	1,050	21.0x
08/09/19	<b></b> ⊕ BROADCOM°	<b>⋘</b> Symantec	10,700	4.5x
08/06/19	NAVEX GLOBAL.	Lockpath.	100	6.7x
08/05/19	Microsoft	PromotelQ	60	10.0x
07/31/19	REAL ESTATE SOPTMARE	₽roLease	75	7.5x
07/29/19	VERINT PORISON ACCOUNTS STEEDINGS	transversal	50	5.0x
07/17/19	<b>♦ blue</b> prism	thoughtonomy*	100	7.9x
07/09/19	IBM	ed Hat	35	9.8x
07/02/19	E2OPEN'	Amber Road now part of E20PEN	425	6.3x
07/01/19	ión.	Acuris	1,750	7.1x
			T O	9 Av

 Top Quartile:
 8.4x

 Median:
 6.5x

 Mean:
 7.1x

 Bottom Quartile:
 4.2x



## **Select Financing Transactions – SaaS**

Announced Date	Lead Investor(s)		Transaction Size (\$M)	Pre-Money Valuation (\$M)
09/30/19	Bessemer Venture Partners	ncino.	\$80	NA
09/26/19	Bessemer Venture Partners	ZYLO	20	75
09/24/19	OREGON VENTURE FUND	bigleaf	20	55
09/24/19	Andreessen Horowitz	<b>""</b> Fivetran	45	210
09/23/19	<b>Eastlink</b>	<b>Tiger</b> Graph	35	135
09/19/19	Akkadian	AUT@MATTIC	300	2,700
09/18/19	Goldman Sachs	Acronis	150	850
09/03/19	andreessen Horowitz	<b>OPENGOV</b>	50	210
08/28/19	Accel	Chargebee	14	131
08/22/19	AVATAAR VENTURES	ZENOTI	20	350
08/19/19	saudi aramco energy ventures	FOGHORN	30	150
08/01/19	svb > SiliconValleyBank	<b>komodo</b> health	50	950
07/25/19	Bessemer Venture Partners	SCALE <b>FACT</b> :R	60	300
07/24/19	BENCHMARK	🕏 Benchling	35	380
07/24/19	DRAGONEER	© GUSTO	200	3,600
07/15/19	GENERAL (© CATALYST	TURA"	150	NA



#### **Publicly Traded Comparables – Tech-Enabled Services**

Company			Enterprise	Market	Bouganus	LTM EBITDA	EBITDA %	LTM	EV / LTM	EV / LTM
Company	Share Price \$192.35	High 94.8%	\$116,866	\$122,554	\$43,215	\$6,923	16.0%	Growth 4.8%	Revenue 2.7x	16.9x
TATA										
accenture	29.71	91.4%	106,511	111,493	21,584	5,722	26.5%	(1.1%)	4.9x	18.6x
Infosys®	11.40	95.1%	45,956	48,330	12,386	2,981	24.1%	2.4%	3.7x	15.4x
Cognizant	60.27	77.4%	31,935	33,284	16,628	3,169	19.1%	1.0%	1.9x	10.1x
wipro	7.65	91.0%	20,910	20,745	9,328	2,091	22.4%	4.3%	2.2x	10.0x
HCL	117.87	91.6%	22,411	19,471	15,632	2,019	12.9%	3.4%	1.4x	11.1x
Capgemini	3.39	79.5%	15,025	19,302	8,479	1,786	21.1%	(1.5%)	1.8x	8.4x
NTTDATA	12.90	86.7%	22,426	18,087	20,526	3,054	14.9%	1.2%	1.1x	7.3x
DXC.technology	71.02	91.0%	11,787	9,958	7,088	718	10.1%	3.0%	1.7x	16.4x
Booz   Allen   Hamilton	10.11	84.4%	7,588	8,785	5,033	860	17.1%	(1.2%)	1.5x	8.8x
Tech Mahindra	29.50	31.2%	17,283	7,728	20,199	3,711	18.4%	(0.8%)	0.9x	4.7x
CACI	231.26	98.4%	7,360	5,754	5,184	488	9.4%	4.0%	1.4x	15.1x
sopra Ssteria	124.63	81.2%	3,568	2,522	4,880	431	8.8%	3.7%	0.7x	8.3x
Mindtree	25.62	80.9%	2,284	1,895	1,759	184	10.5%	(3.4%)	1.3x	12.4x
tieto	10.02	64.5%	1,582	1,649	1,044	134	12.8%	(0.3%)	1.5x	11.8x
>ICF	84.47	97.8%	2,016	1,587	1,460	134	9.2%	2.9%	1.4x	15.1x
virtusa <sup>*</sup>	38.58	97.1%	1,384	1,267	552	73	13.2%	3.9%	2.5x	19.0x
<b>PERFICIENT</b>	36.02	63.2%	1,434	1,089	1,290	103	8.0%	1.8%	1.1x	13.9x
PERSISTENT	8.06	72.4%	499	616	483	72	14.8%	(1.0%)	1.0x	7.0x
The Hackett Group	16.46	72.1%	487	491	259	41	15.7%	(0.5%)	1.9x	12.0x
ÎSG <sup>®</sup>	2.49	49.0%	212	118	268	20	7.4%	0.1%	0.8x	10.6x

Top Quartile: 18.7% 3.6% 2.1x 15.3x 11.8x 14.8% 1.2% 1.5x Median: 12.0x Mean: (0.8%) 10.1% 1.1x 8.8x Bottom Quartile:



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

Announced <u>Date</u>	Acquirer	<u>Target</u>	Enterprise Value (\$M)	EV / Revenue	EV / EBITDA
08/23/19	香港 宣頻 HONG KO KITYON G	<b>jos</b> 始和科技 Jardine OneSolution	\$50	NA	4.6x
08/14/19	BC PARTNERS	PRESIDIO.	1,325	0.7x	10.6x
08/08/19	FARFETCH	NGG_ newguardsgroup_	675	2.0x	7.1x
08/02/19	Guidehouse	NAVIGANT	1,105	1.4x	17.3x
07/31/19	RESOURCES	veracity.	30	1.4x	NA
07/23/19	web.com <sup>o</sup>	dreamscape	75	1.5x	8.7x
07/15/19	The Blackstone Group*	Vungle	750	2.0x	11.7x
			Top Quartile:	2.0x	13.1x
			Median:	1.5x 1.5x	9.7x 10.0x
			Mean: Bottom Quartile:	1.1x	6.5x



## **Select Financing Transactions – Tech-Enabled Services**

Announced <u>Date</u>	Lead Investor(s)		Transaction Size (\$M)	Pre-Money Valuation (\$M)
09/23/19	H E A R S T ventures	DUALITY TECHNOLOGIES	\$15	\$40
09/12/19	1843	BISHOPFOX	40	70
08/06/19	ALTIMETER CAPITAL	Cockroach LABS	55	495
07/23/19	CLEAR.	ARRCUS	30	135
07/10/19	(intel) Capital		20	40



#### **Select Publicly Traded Comparables – Compliance**

Company	Share Price		Enterprise Value	Market Cap	Revenue	LTM EBITDA	EBITDA %	LTM Growth	EV / LTM Revenue	EV / LTM EBITDA
<b>≪ RELX</b> Group	23.77	95.3%	54,342	45,998	9,819	2,989	30.4%	(0.9%)	5.5x	18.2x
∇erisk	158.14	95.9%	28,491	25,857	2,544	1,068	42.0%	2.2%	11.2x	NM
• Wolters Kluwer	73.03	98.9%	21,747	19,202	5,057	1,383	27.3%	NA	4.3x	15.7x
MSCI (1)	217.75	88.0%	20,437	18,443	1,513	792	52.3%	2.5%	13.5x	NM
NICE-	146.88	93.3%	9,213	9,126	1,555	400	25.7%	2.0%	5.9x	23.0x
paylocity	97.58	86.8%	5,018	5,180	473	76	16.0%	5.6%	10.6x	NM
Workiva	43.83	68.4%	1,923	2,020	282	(26)	(9.1%)	5.0%	6.8x	NM
<b>∮</b> software №	27.49	61.4%	1,877	2,034	981	291	29.7%	(2.5%)	1.9x	6.5x

 Top Quartile:
 39.1%
 5.0%
 11.1x
 21.8x

 Median:
 28.5%
 2.2%
 6.4x
 17.0x

 Mean:
 26.8%
 2.0%
 7.5x
 15.8x

 Bottom Quartile:
 18.4%
 (0.9%)
 4.6x
 8.8x



## **Select M&A Transactions – Compliance**

Announced Date	Acquirer		Enterprise Value (\$M)	EV / Revenue
09/20/19	<b>CONFLUENCE</b>	◆statpro*	\$240	3.4x
08/23/19	pravura solutions	* midwinter	34	NA
08/22/19	<b>M</b> ware	Carbon Black.	2,100	8.9x
08/13/19	Bloomberg	Regick	NA	NA
08/06/19	NAVEX GLOBAL*	<b>L</b> ockpath.	100	6.7x
08/02/19	**Alcumus	eCompliance <sup>-</sup>	30	NA

 Top Quartile:
 8.9x

 Median:
 6.7x

 Mean:
 6.3x

 Bottom Quartile:
 3.4x



## **Select Financing Transactions – Compliance**

Announced Date	Lead Investor(s)		Transaction Size (\$M)	Pre-Money Valuation (\$M)
09/23/19	HEARST ventures	DUALITY TECHNOLOGIES	\$15	\$40
09/19/19	Accel	Checkr	160	2,040
09/05/19	BESSEMER VENTURE PARTNERS	<b>₩</b> Big <mark>ID</mark>	50	300
08/20/19	arthur ventures	PROTENUS	20	60
07/25/19	COATUE	SCALE <b>FACTER</b>	60	300
07/18/19	Accel	In Country	15	60
07/15/19	Georgian Partners	DEFENSESTORM	15	40
07/10/19	Accel	TrustArc	70	240
07/03/19	INSIGHT - FARTNERS	OneTrust	200	1,100



#### **Select Transactions**



**C**ECLIPSYS'

Microsoft

Advisor to PhoneFactor\*

Saccelrys



**⊗** MISYS



**M**CKESSON

Advisor to RelayHealth\*



<sup>\*</sup> 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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