Intrepid
SOFTWARE & SERVICES

An Over Abundant M&A Market Demands Differentiation and Positioning

# An Over Abundant M&A Market Demands Differentiation and Positioning

Investors'/buyers' desks were flooded with investment opportunities in 1H'2021, as deal activity reached record levels. Federal tax policy changes in tandem with the pandemic's effect on prompting business owners to consider a sale resulted in an immensely overcrowded M&A market.

With greater volume comes greater scrutiny as software investors/buyers roll up their sleeves to carefully identify the best opportunities to realize a return on their capital. As a result, premium valuation multiples are no longer being awarded based on growth and scale alone – MRR retention, customer diversification, profitability, and post-pandemic positioning have all become important criteria for business owners looking to maximize enterprise value.

Competitive differentiation and niche market positioning have proven to be just as (if not more) valuable than maintaining strong KPIs. Consolidation is accelerating throughout Enterprise Software as the market demands comprehensive solutions and the elimination of redundancies. Investors/buyers across the sector must evaluate whether an acquisition target is an industry leader or an industry laggard.

In a competitive environment, companies are receiving premium valuations with double-digit multiples becoming increasingly common in the tech M&A market. Record valuations handed out by all types of buyers are among the main reasons why M&A spending has extended its rebound from its low of Q2'2020.

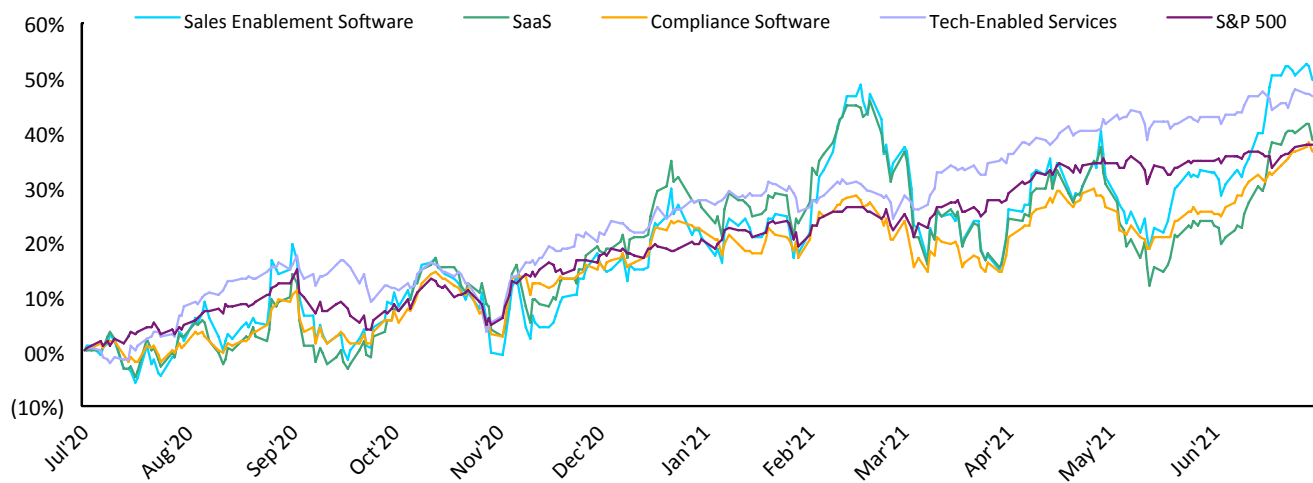## Software M&A Deal Values and Volume
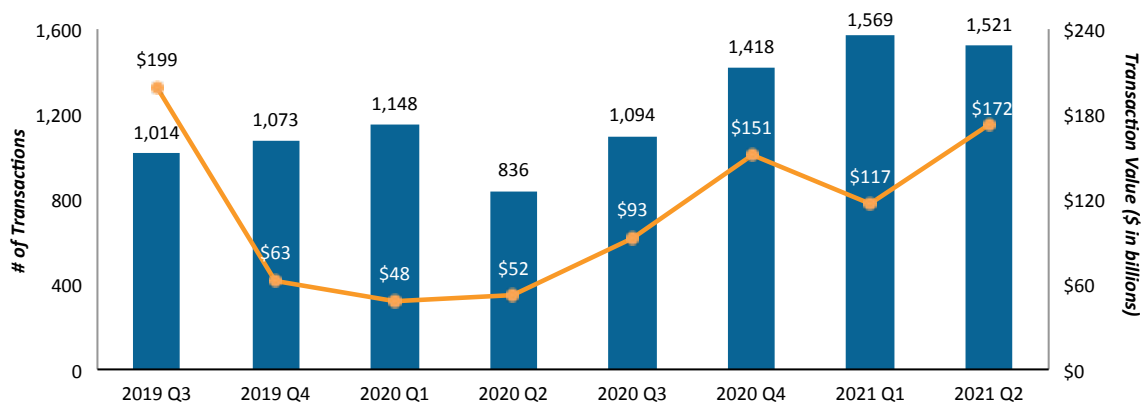
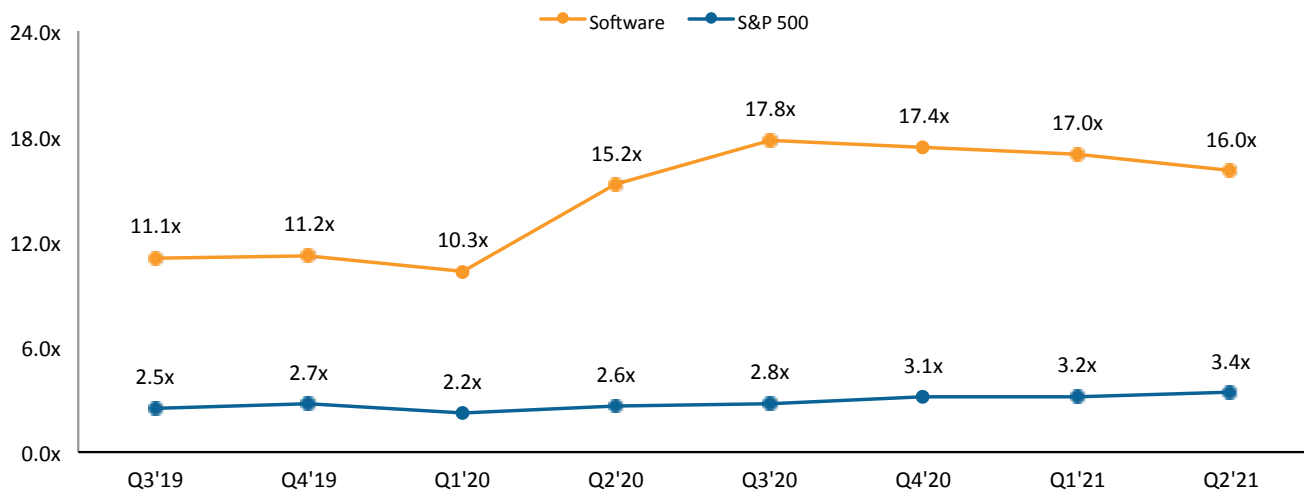
Christopher Park
Managing Director, *Head of Software & Services*
cpark@intrepidib.com

Publicly Traded Companies – Software Valuation Trends

Public Stock Price Index Growth

Public Software Enterprise Value / LTM Revenue Multiples

Deal Spotlight

MEDALLIA   **DECIBEL**

Medallia Acquires Decibel Insights to Unlock Digital Customer Journey

Target Overview

Decibel is a leading digital experience analytics company, helping organizations make every digital interaction effortless. The company offers the analytics software and solutions to identify, score, and prioritize user experiences that impact conversion, sales, and loyalty across both websites and apps. Decibel's technology is used by companies of all sizes spanning a large cross-section of verticals including retail, financial services, hospitality, travel, and media including Adidas, Sony, CVS and Fidelity International.

Buyer Overview

Medallia (NYSE: MDLA) is the pioneer and market leader in customer, employee, citizen, and patient experience. The company's award-winning SaaS platform, Medallia Experience Cloud, captures billions of experience signals across interactions including all voice, video, digital, IOT, social media, and corporate messaging tools.

Transaction Overview

- Announced: March 4, 2021
- Transaction Value: $160 million (7.1x TTM Revenue)
- Consideration: Cash

Rationale

Medallia's plans to integrate Decibel's technology into its customer experience and engagement platform in order to create a comprehensive and real-time view of customers and prospects across every relevant digital touch point. Decibel's solution will augment Medallia's traditional web analytics with modern AI and machine learning technology, allowing customers to pinpoint revenue-impacting problem areas on websites and apps.
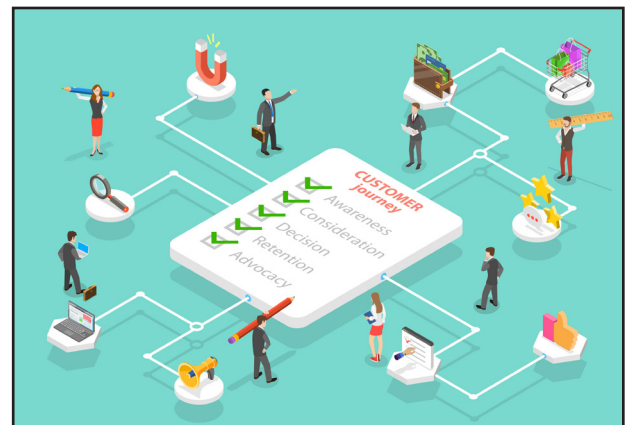
Deal Spotlight

precisely ||| INFOGIX

Precisely Acquires Infogix to Pursue Governance Software Rollup

Target Overview

Infogix provides enterprise and SMB companies with data integrity governance software. The company's solutions enable corporations to drive revenue growth, meet compliance and regulatory standards, and improve operational effectiveness by managing and tracking data across the enterprise.

Buyer Overview

Precisely is a leading provider of data integrity solutions. The company offers a variety of products to help organizations integrate, verify, locate, enrich, and engage their data. Precisely has over 12,000 customers around the globe, including 90% of the Fortune 100 companies.

Transaction Overview

- Announced: May 5, 2021
- Transaction Value: $325 million (4.6x TTM Revenue)
- Consideration: Cash

Rationale

Clearlake Capital and TA Associates acquired Precisely in March 2021 and have quickly grown the platform through add-on acquisitions just months after. Infogix is one of two acquisitions made by the company in June 2021, providing unique data governance capabilities to the Precisely platform.

Deal Spotlight

Diligent Acquires Steele Compliance to Cement Expansion into GRC

Target Overview

Steele Compliance provides comprehensive third-party due diligence solutions to clients globally. In addition, the company offers a broad range of services that enable enterprises to manage third-party data and relationships and comply with anti-bribery and anti-corruption compliance regulatory requirements and best practices.

Buyer Overview

Diligent is a modern and secure corporate governance and collaboration company. The company's integrated platform offer boards, government organizations, and senior executives a secure and intuitive solution to access time-sensitive and confidential information during board meetings.

Transaction Overview

- Announced: February 19, 2021
- Transaction Value: ~$325 million (~8.1x TTM Revenue)
- Consideration: Not Disclosed

Rationale

The acquisition of Steele extends Diligent's governance cloud offering and creates an attractive cross-sell opportunity across the Company's 19,000 board-level clients. This deal also marks Diligent's move to position as the dominant player in the GRC space, competing directly with players such as NAVEX, MetricStream, and SAI Global.

Deal Spotlight

wecommerce   **ST★MPED**

E-Commerce Giant WeCommerce Acquires Loyalty SaaS Platform Stamped

Target Overview

Stamped offers a subscription platform for online merchants to implement and manage customer reviews and loyalty programs through Shopify and other Ecommerce platforms. The Company leverages AI to drive actionable insights around consumer Ecommerce behavior and trends. The company generated approximately $11 million in annualized recurring revenue at the time of sale with estimated net retention of ~125%.

Buyer Overview

WeCommerce owns a portfolio of companies and brands in the Shopify partner ecosystem, including Out of the Sandbox, Pixel Union, and Rehash. WeCommerce empowers Shopify merchants to leverage unique sales and marketing software to drive revenue growth and retention.

Transaction Overview

- Announced: March 5, 2021
- Transaction Value: $85 million (7.7x TTM Revenue)
- Consideration: Cash + Stock

Rationale

WeCommerce focuses on acquiring businesses in the fragmented Shopify ecosystem that offer strong growth potential and are leaders in their particular market. Stamped provides WeCommerce a fast-growing platform helping merchants build social trust and empowering customer retention.

Select M&A Transactions – Software and Services

Date	Acquiror	Target	Target Business Description	Implied EV	Enterprise Value / Revenue
Jun-21	Constant Contact	SharpSpring	Marketing automation SaaS	$240	7.9x
Jun-21	Lightspeed POS	Ecwid	eCommerce online store creation SaaS	$500	25.0x
Jun-21	Lightspeed POS	NuORDER	B2B eCommerce SaaS	$425	21.3x
May-21	Sensor Tower	Pathmatics	Digital advertising intelligence SaaS	$45	4.5x
May-21	Twilio	Zipwhip	Business texting and customer engagement software	$850	7.7x
May-21	Precisely	Infogix	Data integrity & governance SaaS	$325	4.6x
Apr-21	MessageBird	SparkPost	Email delivery SaaS	$600	6.0x
Apr-21	Antares Vision	rfXcel	Pharmaceutical & food safety compliance software	$120	7.0x
Mar-21	Thoma Bravo	Applitools	AI-powered visual testing & monitoring platform	$300	12.0x
Mar-21	Meltwater	Linkfluence	Social media intelligence software	$59	2.0x
Mar-21	Lightspeed POS	Vend	Retail management SaaS & applications	$277	10.4x
Mar-21	Sumo Logic	DFLabs	Security orchestration & automation SaaS	$45	9.0x
Mar-21	Ideagen	Qualtrax	Compliance management & automation software	$15	2.9x
Mar-21	Dropbox	DocSend	Document sharing SaaS	$165	13.8x
Mar-21	WeCommerce	Stamped.io	E-commerce marketing management SaaS	$85	7.7x
Mar-21	Medallia	Decibel Insight	Customer experience analytics software	$160	7.1x
Mar-21	Accolade	2nd.MD	Video consultation platform for medical care	$460	13.1x
Feb-21	Cision	Runtime Collective	Social media monitoring and analytics software	$450	4.5x
Feb-21	Diligent	Steele Compliance	Regulatory compliance training	$325	8.1x
Feb-21	Kaleyra	mGage	Mobile marketing & messaging SaaS	$215	1.5x
Feb-21	CURO Group	Flexiti Financial	Payment processing SaaS & mobile application	$85	2.1x
Feb-21	Rocket Software	Uniface	Application development & deployment SaaS	$225	5.0x
Jan-21	TPG Capital	Centrify	Identity & access management SaaS	$900	8.6x
Jan-21	Crescent Acquisiton	LiveVox	Cloud-based contact center platform	$840	6.5x
Jan-21	Elisa Corporation	CamLine	MES, quality & operational SaaS	$77	3.3x
Jan-21	Equifax	Kount	E-commerce fraud detection SaaS	$640	12.8x
Jan-21	HG Capital	Prophix Software	Corporate performance management software	$672	6.7x
				Mean	**8.2x**
				Median	**7.1x**

Note: All amounts in millions of USD; all data sourced from S&P Capital IQ and Pitchbook. Information as of 6/30/2021.

Software & Services Team

Vertical SaaS | Compliance Tech | Cyber Security | Data & Analytics | HCIT | Sales Enablement | Tech-Enabled Services

Christopher Park
Managing Director
Head of Software & Services
cpark@intrepidib.com

Ryan Makis
Vice President
rmakis@intrepidib.com

Mike McMahon
Associate
mmcmahon@intrepidib.com

George Nowotny
Associate
gnowotny@intrepidib.com

Josh Albert
Associate
jalbert@intrepidib.com

Shawnt Bazikian
Analyst

Dhavan Khatri
Analyst

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: vertical SaaS, compliance technology, cyber security, data and analytics, HCIT, sales & enablement, and tech-enabled services. Our bankers take the time to understand a company's business model and advise it in defining and articulating its vision to the market.