

# SOFTWARE & TECHNOLOGY M&A PULSE

FIRST QUARTER 2020



# Q1'20

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# PMCF Technology Coverage Team

## ABOUT PMCF

P&M Corporate Finance ("PMCF"), a U.S. registered broker/dealer, is an investment bank focused exclusively on middle market transactions with professionals in Chicago, Detroit, Denver, and across the globe through Corporate Finance International partners. Offering a depth of advisory services, PMCF helps clients worldwide meet their sale, acquisition, financing, and strategic growth objectives. Additional information on PMCF can be found by visiting our website, [pmcf.com](http://pmcf.com).

## INVESTMENT BANKING SERVICES:

- Mergers & Acquisitions
- Carve-outs & Divestitures
- Strategic Assessments
- Transaction Readiness Planning
- Capital Raising



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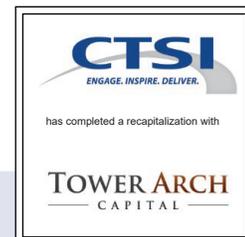
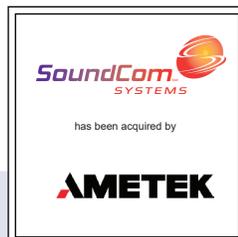


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## SELECT PMCF TECHNOLOGY TRANSACTIONS



# What We're Discussing with Clients



## CONTINUOUS PERFORMANCE DISCIPLINE

Investors seek sophistication in the companies they consider for acquisition. It is important to continuously track performance metrics such as CAC, LTV, churn rates, services GM versus subscription GM, etc. In this era of heightened vigilance, companies who demonstrate the continuous discipline of performance projection, measurement and adjustment are rewarded with increased buyer interest and often with higher multiples.

## SOFTWARE PROVIDER SPECTRUM

The spectrum of software providers ranges from bespoke solution providers to tech-enabled service providers to multi-tenant SaaS pure-plays. Where any given software company sits on that spectrum has profound impacts on perceived enterprise value. Companies need to understand their position on that spectrum, how that impacts their value in the market and the relative trade-off of investment to reward for moving 'up' or 'down' the spectrum.

## POWER IN THE ECOSYSTEM

Few software solutions stand alone as a total solution - they exist within an ecosystem of often several software and service providers to deliver holistic solutions to the market. How a company lives within the ecosystem and their relative power to direct the ecosystem can drive perception of enterprise value. Executives of software companies must be acutely aware of their position in their ecosystem and how that impacts their enterprise value.

## CUSTOMER "STICKINESS"

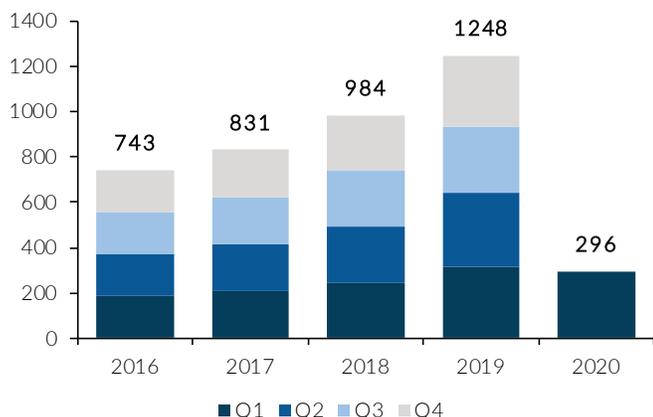
For those technology companies that are not overly exposed to end-markets severely impacted by the pandemic (such as hospitality, travel, autos, etc.), acquisition demand in the sector is still strong. For companies who continue to experience performance at or near pre-pandemic levels and can demonstrate that they provide solutions that are mission critical for their clients (i.e. 'sticky'), the market is still active. Demand still exists and sustains near-pre-pandemic multiples, however, transaction structures to allocate risk between buyer and seller are evolving to a more buyer-friendly stance.

# Q1 2020 Market Summary & Outlook

## M&A MARKET DYNAMICS – SOFTWARE & TECHNOLOGY

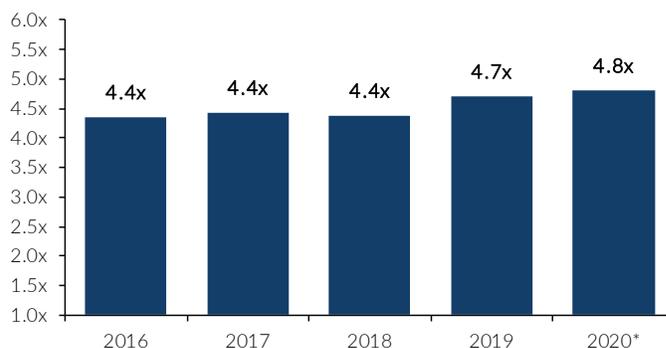
- Q1 2020 deal activity remained strong despite the emergence of COVID-19. 664 software transactions occurred over the period (296 of which were SaaS businesses). Acquiring entities were evenly split between private equity and strategics. Strategic M&A activity has fallen off after Q1 due to uncertainty in the market. Activity is expected to pick up in the second half of 2020.
- Median EV/Revenue multiple over the quarter was 4.8x - in line with the past 3 years. The PMCF Public Software & Technology Index has surpassed pre-COVID levels with a TEV/Forward Revenue multiple of 5.6x.
- With an accelerated need for digital transformation, the software & technology industry remains an attractive target to acquirers. Well capitalized strategic and financial buyers may have many potential acquisition opportunities.

U.S. SaaS DEALS



Source: Software Equity Group

U.S. AVERAGE EV/REVENUE M&A MULTIPLES



\*As of 3/31/20

Source: Software Equity Group

## SECTOR SPOTLIGHT – INFRASTRUCTURE, COMMUNICATIONS, & COLLABORATION

The software & technology industry is approaching pre-COVID valuation levels. Certain segments have even experienced tailwinds as a result of the pandemic and are expected to see expansion in M&A activity and valuation multiples. As the remote workforce continues to grow, many believe that it will become the “new norm.” 74% of organizations plan to shift a portion of employees to remote working permanently.

As a result, demand for IT infrastructure, communication, and collaboration tools has increased as businesses work to facilitate secure cloud-based environments and support collaboration and productivity. Beyond providing necessary technologies, these companies remain attractive targets due to their recurring revenue business models and strong profit margins.

## ACTIVE ACQUIRER SPOTLIGHT

Ownership: Public (NYSE:MDLA)  
 Headquarters: San Francisco, CA  
 Operations: Global



### Business Description:

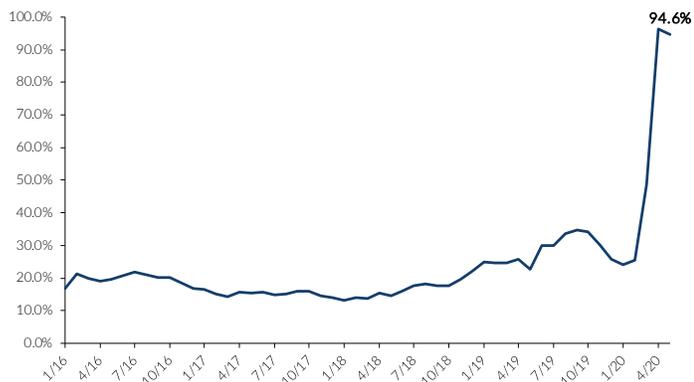
- Provides experience management enterprise software
- Strong portfolio expansion through acquisition to expand insights across different channels

### Select Recent Acquisitions (Announced Date):

- Voci Technologies (May 2020)
- Living Lens Insight (February 2020)
- Crowdicity (October 2019)
- Zingle (September 2019)
- Promoter.io (July 2019)
- Cooladata (June 2019)
- Strikedeck (May 2019)

# Macroeconomic Trends & Signals

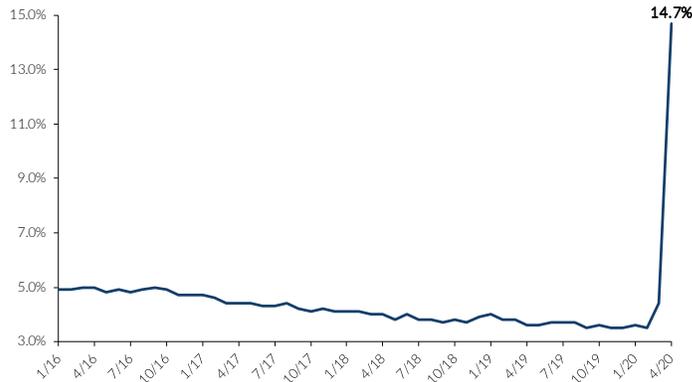
## WSJ RECESSION PROBABILITY (NTM)



Source: Wall Street Journal Survey of Economists

The National Bureau of Economic Research declared in June that the U.S. economy officially entered a recession in February.

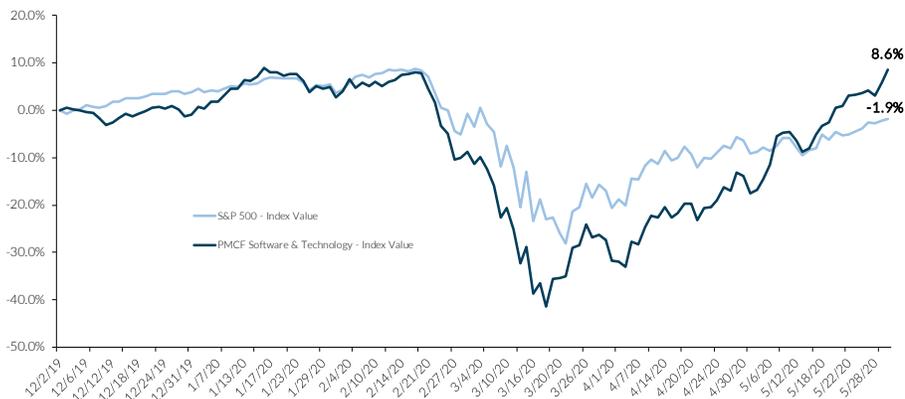
## U.S. UNEMPLOYMENT RATE



Source: Federal Reserve Bank of St. Louis

The U.S. unemployment rate jumped to 14.7% in April 2020 amid job loss driven by pandemic-related shutdowns.

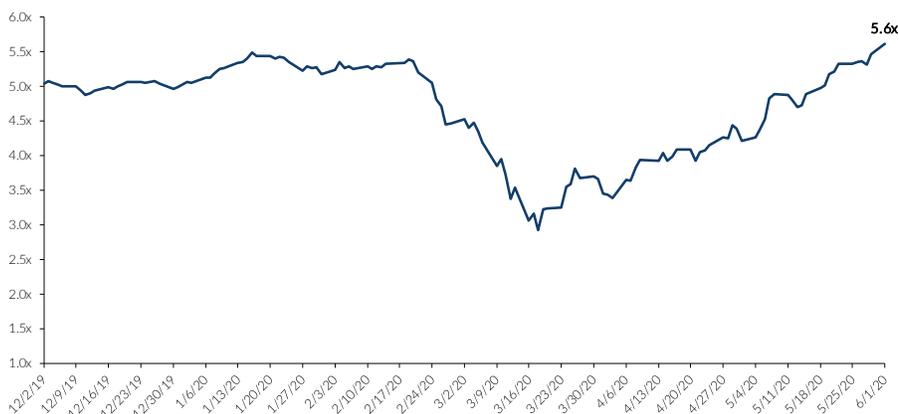
## PMCF SOFTWARE & TECHNOLOGY INDEX - MARKET VALUATION



Source: Capital IQ

- The PMCF Software & Technology Index has outperformed the S&P 500 in the last six-months as the industry showed resilience, and in some cases, tailwinds as a result of COVID-19.
- The PMCF Software & Technology Index Value was up 8.6% as of June 1, 2020, with the S&P 500 down 1.9%.

## PMCF SOFTWARE & TECHNOLOGY INDEX - TEV/FORWARD TOTAL REVENUE



Source: Capital IQ

- Public Software & Technology companies continue to command strong TEV/Forward Total Revenue multiples after an initial dip in March 2020.
- As of June 1, 2020 companies included in the PMCF Software & Technology index are trading at 5.6x TEV/ Forward Total Revenue.

# Software & Technology M&A Activity

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## Portfolio Company Acquisition

Advent-backed TSG acquires Zingfit

**February 7, 2020** - Advent International completed the acquisition of Zingfit on February 7, 2020 for an undisclosed amount. The transaction will strengthen Advent's commitment to the boutique fitness sector through Advent's portfolio company, Transaction Services Group (TSG). Zingfit is a Boulder, Colorado-based SaaS platform serving boutique fitness brands through scheduling, commerce and marketing tools integration.

## Portfolio Expansion

DocuSign acquires Seal Software

**May 1, 2020** - DocuSign (NASDAQ:DOCU) completed the acquisition of Seal Software on May 1, 2020 in a transaction that valued the company at approximately \$188 million. Previously reselling Seal's flagship product as DocuSign Intelligent Insights, the acquisition will bring AI-driven contract analytics capabilities in-house. DocuSign helps organizations connect and automate how they prepare, sign, and manage agreements.

## Portfolio & Market Expansion

Global Healthcare Exchange acquires Lumere

**January 13, 2020** - Global Healthcare Exchange, headquartered in Louisville, completed the acquisition of Lumere on January 13, 2020 for an undisclosed amount. The acquisition will expand GHX's offerings and bolster its footprint in the pharmaceutical market. GHX is a healthcare business and data automation company that provides a cloud-based supply chain technology platform.

## Portfolio Expansion

MTBC acquires CareCloud Corporation

**January 8, 2020** - MTBC (NASDAQ:MTBC) completed the acquisition of CareCloud on January 8, 2020 for an estimated \$34 million. CareCloud will bolster MTBC's cloud-based software capabilities in addition to bringing in a team of Miami-based professionals with expertise in the primary care and specialty physician practice operations. MTBC is a SaaS provider of cloud-based healthcare IT and revenue cycle management solutions.

Sources: Company Press Releases

# Software & Technology M&A Activity (Cont.)

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## Portfolio Company Acquisition

Thoma Bravo-backed Apttus acquires Conga

**May 7, 2020** - Apttus announced on May 7, 2020 the acquisition of Broomfield based Conga for an estimated \$715 million. The go-forward company will operate under the Conga brand. The transaction will combine two SaaS leaders with roughly \$400 million in GAAP revenue. Apttus provides a Middle Office platform that allows enterprises to automate and optimize revenue and CRM processes.

## Portfolio Expansion

Medallia acquires Voci Technologies

**May 1, 2020** - Medallia (NYSE:MDLA) completed the acquisition of Voci Technologies on May 1, 2020 for an estimated \$59 million. Voci's real-time speech to text capabilities will broaden the set of signals used by Medallia to develop valuable customer insights. Medallia provides the Medallia Experience Cloud, a SaaS platform for Experience Management and customer insights.

## Portfolio Expansion

Kainos acquires IntuitiveTEK

**March 2, 2020** - Kainos completed the acquisition of Colorado-based Intuitive Technologies ("IntuitiveTEK") on March 2, 2020 for an undisclosed amount. The transaction will deepen Kainos expertise in the cloud-based adaptive insights business. IntuitiveTEK is a leading provider of business operations and financial analysis solutions for ERP systems.

## Platform Acquisition

STG acquires Nomis Solutions

**May 12, 2020** - Symphony Technology Group (STG) completed the acquisition of Nomis Solutions on May 12, 2020 for an undisclosed amount. The investment will provide Nomis with growth capital to accelerate development of its SaaS-based pricing and profitability platform for the banking industry. STG is a California-based private equity firm with a focus on software, data, and analytics businesses.

# Software & Technology M&A Activity

## SELECT SOFTWARE & TECHNOLOGY TRANSACTIONS

\$ in Millions

Announced Date	Target	Buyer	Implied EV	EV/TTM Revenue
May-20	Seal Software Limited	DocuSign, Inc.	188.0	5.9x
Mar-20	Open LMS business of Blackboard Inc	Learning Technologies Group plc	31.7	2.0x
Mar-20	XMedius Solutions Inc.	Open Text Corporation	75.0	1.9x
Feb-20	Qumu Corporation	Synacor, Inc.	19.6	0.8x
Feb-20	Simplus	Infosys Limited	250.0	3.7x
Feb-20	CDT Technologies, Ltd.	Repay Holdings, LLC	50.0	4.2x
Jan-20	InsPro Technologies Corporation	Majesco	12.0	0.8x
Jan-20	Incentive Technology Group, LLC	ICF Incorporated, L.L.C.	255.0	2.8x
Jan-20	GASTROFIX GmbH	Lightspeed POS Inc.	113.1	9.0x
Jan-20	Nextlevel Health Partners, Inc.	Molina Healthcare, Inc.	0.0	0.2x
Jan-20	AutoEnginuity, L.L.C.	Drew Technologies, Inc.	20.0	5.0x
Dec-19	Telaria, Inc.	The Rubicon Project, Inc.	297.6	4.4x
Dec-19	VersaPay Corporation	Great Hill Partners	100.2	17.1x
Dec-19	Nowfloats Technologies Pvt Ltd.	Reliance Strategic Business Ventures Limited	23.6	5.1x
Nov-19	Private Internet Access, Inc.	Kape Technologies Plc	170.1	2.7x
Nov-19	Opengear, Inc.	Digi International Inc.	163.1	2.8x
Nov-19	Buildium, LLC	RealPage, Inc.	580.0	11.6x
Oct-19	Intrinsyc Technologies Corporation	Lantronix, Inc.	25.2	1.0x
Oct-19	dataxu, inc.	Roku, Inc.	142.7	1.0x
Oct-19	Radixx International, Inc.	Sabre Corporation	110.0	5.5x
Jun-19	ArisGlobal LLC	Nordic Capital; Nordic Capital Fund IX	700.0	8.0x
May-19	InstaMed Communications, LLC	JPMorgan Chase Bank, National Association	500.0	8.0x
May-19	Vidyo, Inc.	Enghouse Systems Limited	40.0	0.7x
May-19	Dude Solutions Inc.	Clearlake Capital Group, L.P.	500.0	5.0x
May-19	Sigma Systems Canada LP	Hansen Technologies Limited	114.4	2.1x
Apr-19	Breezy HR, Inc.	Learning Technologies Group plc	30.0	8.3x
Apr-19	Samanage Ltd.	SolarWinds Corporation	335.9	17.5x
Mar-19	Prescribe Wellness, LLC	Tabula Rasa HealthCare, Inc.	150.0	5.2x
Feb-19	Shareworks by Morgan Stanley	Morgan Stanley	759.9	7.0x
Feb-19	Substantially All Assets of Determine, Inc.	Corcentric Collective Business System Corp.	46.0	1.8x
Feb-20	Char Software, Inc.	Upland Software, Inc.	68.0	3.3x
Feb-19	Webroot Inc.	Carbonite, Inc.	618.5	2.9x
Jan-20	Regulatory DataCorp, Inc.	Moody's Corporation	700.0	10.0x
Jan-20	InTouch Technologies, Inc.	Teladoc Health, Inc.	599.7	7.5x
Jan-19	Geneva Healthcare, LLC	BioTelemetry, Inc.	77.9	13.0x
Jan-19	Fulcrum IT Services, LLC	Huntington Ingalls Industries, Inc.	194.0	1.2x
Jan-19	YourCause, LLC	Blackbaud, Inc.	157.7	13.1x
<b>Median</b>			<b>\$146.4</b>	<b>4.7x</b>
<b>Mean</b>			<b>\$228.3</b>	<b>5.6x</b>

Source: Capital IQ, company websites and PMCF proprietary research



# Public Equity Market Valuations

## PUBLIC COMPARABLES

\$ in Millions

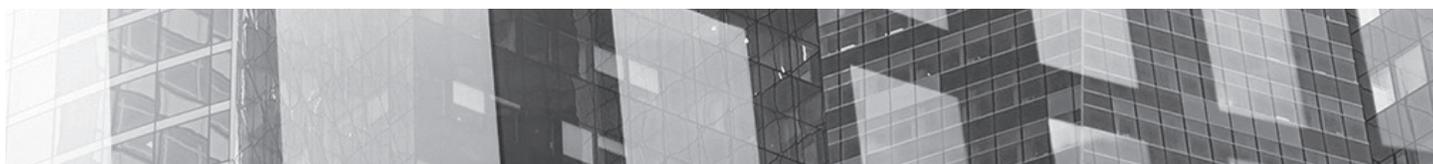
Company Name	Primary Industry	Market Cap.	Enterprise Value	TTM Revenue	TTM Gross Margin	TTM EBITDA Margin	Net Debt/ EBITDA	EV / TTM Revenue
Fastly, Inc.	Internet Services and Infrastructure	\$4,912	\$4,827	\$218	56.0%	(16.1%)	2.4x	22.2x
Nutanix, Inc.	Application Software	4,677	4,584	1,280	77.5%	(59.7%)	0.1x	3.6x
Qualys, Inc.	Systems Software	4,594	4,312	333	78.9%	32.6%	(2.6x)	13.0x
Q2 Holdings, Inc.	Application Software	4,479	4,839	337	47.0%	(13.2%)	(8.1x)	14.4x
BlackLine, Inc.	Application Software	4,367	4,164	307	80.0%	(3.5%)	19.4x	13.5x
Medallia, Inc.	Application Software	4,132	3,797	422	63.9%	(30.0%)	2.8x	9.4x
New Relic, Inc.	Application Software	4,068	3,757	600	82.8%	(7.9%)	6.6x	6.3x
Appian Corporation	Systems Software	4,041	3,944	279	66.3%	(13.7%)	2.5x	14.1x
Kinaxis Inc.	Application Software	3,379	3,145	199	71.0%	19.3%	(5.9x)	15.2x
Cloudera, Inc.	Application Software	3,237	3,088	817	72.4%	(24.5%)	1.0x	3.9x
ACI Worldwide, Inc.	Application Software	3,215	4,527	1,344	50.3%	16.2%	6.0x	3.4x
Box, Inc.	Application Software	2,972	3,175	717	69.2%	(9.1%)	(3.1x)	4.4x
SVMK Inc.	Application Software	2,851	3,008	327	75.9%	(14.4%)	(3.3x)	9.2x
Mimecast Limited	Application Software	2,732	2,788	427	74.4%	8.9%	1.5x	6.5x
Bandwidth Inc.	Alternative Carriers	2,681	2,481	248	46.6%	(2.4%)	33.1x	10.0x
Cornerstone OnDemand, Inc.	Application Software	2,531	2,442	587	73.2%	4.9%	(3.1x)	4.2x
LivePerson, Inc.	Application Software	2,451	2,480	303	72.6%	(23.5%)	(0.4x)	8.2x
SPS Commerce, Inc.	Application Software	2,413	2,221	286	67.0%	20.8%	(3.2x)	7.8x
Bottomline Technologies (de), Inc.	Application Software	2,344	2,373	440	57.2%	8.3%	0.8x	5.4x
2U, Inc.	Application Software	2,343	2,531	628	70.3%	(16.6%)	(1.8x)	4.0x
Pluralsight, Inc.	Application Software	2,253	2,395	340	78.3%	(41.8%)	(0.6x)	7.0x
Workiva Inc.	Application Software	2,122	1,951	314	72.0%	(13.8%)	4.0x	6.2x
Cardlytics, Inc.	Advertising	1,970	1,881	220	37.1%	(7.4%)	5.5x	8.6x
Yext, Inc.	Application Software	1,956	1,823	315	74.1%	(39.2%)	0.9x	6.1x
PROS Holdings, Inc.	Application Software	1,728	1,617	261	58.9%	(17.9%)	2.4x	6.2x
Zuora, Inc.	Systems Software	1,418	1,325	286	53.0%	(24.8%)	1.4x	4.8x
Upland Software, Inc.	Application Software	882	1,352	242	68.4%	20.2%	9.6x	5.6x
Domo, Inc.	Application Software	824	826	181	68.4%	(56.1%)	(0.3x)	4.8x
HealthStream, Inc.	Health Care Technology	717	605	250	61.1%	13.7%	(3.2x)	2.4x
Benefitfocus, Inc.	Application Software	417	595	294	50.6%	(4.0%)	(15.0x)	2.0x
ChannelAdvisor Corporation	Application Software	388	347	130	78.3%	11.3%	(2.8x)	2.7x
Zix Corporation	Application Software	384	675	197	53.3%	19.6%	4.7x	3.4x
Brightcove Inc.	Internet Services and Infrastructure	307	300	189	59.3%	(1.7%)	1.9x	1.6x
Synchronoss Technologies, Inc.	Application Software	117	385	298	50.7%	(12.3%)	(1.3x)	1.3x
MTBC, Inc.	Health Care Technology	83	92	71	37.0%	2.3%	5.3x	1.3x
<b>Median</b>					<b>24.3%</b>	<b>8.3%</b>	<b>2.1x</b>	<b>0.8x</b>
<b>Mean</b>					<b>26.4%</b>	<b>10.5%</b>	<b>2.1x</b>	<b>1.1x</b>

Market capitalizations and total enterprise values as of June 01, 2020; income statement and balance sheet data as of last period reported

(1) Multiple of EBITDA based on EBITDA inclusive of equity income from affiliates

Currency conversions assume historical rate

Source: Capital IQ



# PMCF's Unique Approach to M&A Advisory

PMCF's M&A advisory and investment banking services are designed to provide company shareholders with a trusted advisor to oversee all transaction related aspects of a company sale or strategic acquisition. Our service levels, industry expertise in medical technology, and approach to managing transactions positions us favorably against a traditional investment banker. See below for some examples of our differentiation:

- Differentiated approach via senior banker leadership and direct involvement through every step of the transaction providing a consistent and highly experienced point of contact
- One of the largest, most active investment banking boutiques with a focus on specialty niche businesses
- Proven positioning and marketing processes to obtain premium valuations in company sales
- Tailored sale process provides for extensive upfront preparation, detailed company review and identification of any potential issues in advance, and buyer evaluation/diligence ensuring the right fit
- Unique sale planning approach that helps shareholders best prepare for a future sale whether its six months or several years
- Long-term and client first approach allows PMCF to provide unbiased advice



Two-time winner, Boutique Investment Banking Firm of the Year by M&A Advisor

Awarded, Cross Border Corporate and Strategic Acquisition of the Year by M&A Advisor

Awarded, Cross Border M&A Deal of the Year by M&A Advisor

Awarded, Deal of the Year by ACG Detroit

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