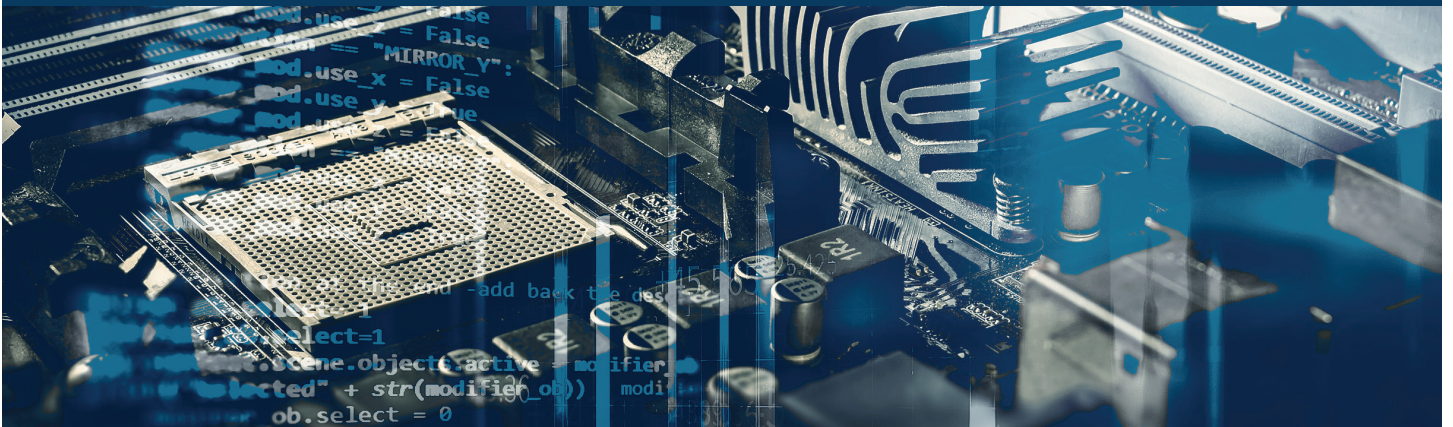


# SOFTWARE & TECHNOLOGY M&A PULSE

## FOURTH QUARTER 2020



## INSIDE THIS ISSUE

# 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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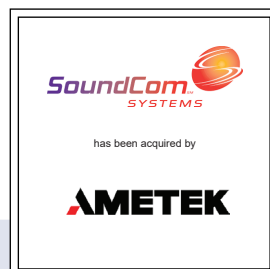
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## SELECT PMCF TECHNOLOGY TRANSACTIONS



# What We're Discussing with Clients

## A SECOND HALF REBOUND

While M&A activity decreased precipitously in the first half of 2020, activity and volumes increased just as quickly as it fell, with 2020 being a record year for M&A volume. The technology sector showed greater strength than other industries, driven by fundamental shifts in both society-at-large and the professional workplace. That momentum is expected to continue into 2021. There is tremendous M&A interest across Companies that drive virtual productivity and efficiency.

## WINDOW OF OPPORTUNITY

To some extent, the opportunities ahead are shaped by macroeconomic factors brought on by COVID-19. Currently, there are many more buyers for good companies than sellers of good companies who are willing to engage. Before other sellers decide to re-enter the market, for those in the technology space who weathered the turmoil endured in 2020 well, the new year presents an opportunity to take advantage of a market imbalance.

## CHANGING OF THE GUARD

Some representative sectors of software and technology benefited from fundamental shifts in 2020 caused by the Coronavirus pandemic. 90% of technology companies are searching for ways to create recurring revenue from a subscription business model as they were proven to be attractive to buyers in 2020. For subscription-based technology providers, those subscribers with an “evergreen renewal” (auto-renew with no end-date) are 9.0x more likely to remain customers versus those that renew monthly.<sup>(1)</sup>

## PLANNING & DEAL READINESS

While the appetite for well-performing and resilient companies is high, the scrutiny of potential companies is also very high. Companies must be prepared to move quickly when the time is right. Readiness through up-front preparation is critical. Understanding in advance what buyers are looking for in a company, how you map to those needs, and how to withstand the in-depth scrutiny of due diligence is crucial.

## POTENTIAL TAX REGIME CHANGE

With the Executive and Legislative party control shifting to the Democrats in Congress, there appears to be increasing probability that tax policy changes may negatively impact the M&A markets. While not enacted today, President Biden's proposed tax plan could raise the corporate tax rate from 21% to 28%, which would likely make M&A deals more expensive. Biden also voices support for an increase in capital gains taxes, which could impact M&A activity. The consensus suggests these changes will occur in 2022.

1.) Zuora. “The subscription Economy Index TM” (Sept. 2020)

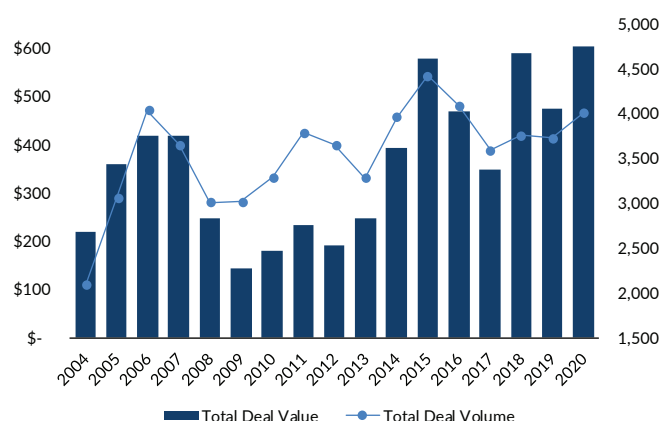
# Q4 2020 Market Summary & Outlook

## M&A MARKET DYNAMICS – SOFTWARE & TECHNOLOGY

- Software and Technology M&A spending last year soared to its highest level over the last fifteen years, despite the macroeconomic impact caused by COVID-19. Continuing its momentum gained in the third quarter of 2020, Global Tech M&A activity experienced a Quarter-over-Quarter increase of 34.3% in aggregate deal value (\$278B), with 1,137 transactions announced in the fourth quarter.
- Spending through the final six months of 2020 was six times that of the first half of the year as market sentiment recovered after the economic shut down experienced during the second quarter.
- Driven by strategic acquirers' demand and Wall Street's confidence in technology assets, the final quarter of 2020 concluded with a record 46 \$1B+ transactions, accounting for more than 88% of total deal value.

### GLOBAL SOFTWARE & TECHNOLOGY M&A VOLUME

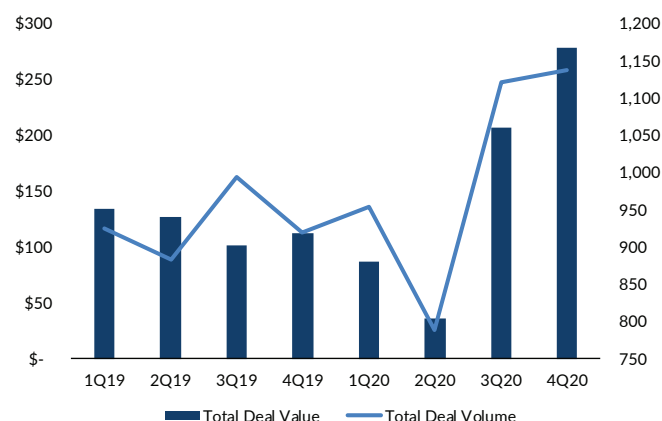
(\$ in Billions)



Source: 451 Research

### GLOBAL SOFTWARE & TECHNOLOGY M&A VOLUME

(\$ in Billions)



Source: 451 Research

## SECTOR SPOTLIGHT: WORKPLACE PRODUCTIVITY

2020 will forever alter the personal and professional lives of most living around the world. This year brought about significant changes in how the business world operates. Whether the result of a mandate or the choice of an employer to promote social distancing, remote work was put to the test as millions of employees transitioned away from the office.

These moves meant that employees set up at dining room tables, in bedrooms, or in home offices. Organizations faced a fundamental shift that they may never have otherwise confronted and were forced to address technology, accessibility, connectivity, security, productivity and many other considerations in order to continue building their business.

In a year where positive outcomes seem few and far between, in this regard the technology industry of 2020 may be viewed as a springboard for the "new normal".

### TECHNOLOGY COMPANY SPOTLIGHT: FOND

# FOND

Ownership: Founders and a group of angel/venture funds and growth investors

Headquarters: San Francisco, CA

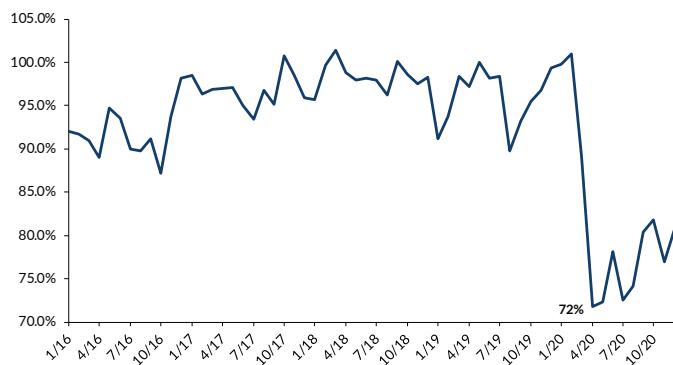
Operations: Global

#### Business Description:

- Developer of an online recognition platform designed to offer perks and rewards to employees working remotely. The company's platform offers social recognition, service awards, performance analytics and corporate discounts, enabling employees to get recognition for their achievements, get rewarded and motivate them to boost productivity.
- Rated #1 Employee Recognition Software for Enterprise Businesses by G2.

# Macroeconomic Trends & Signals

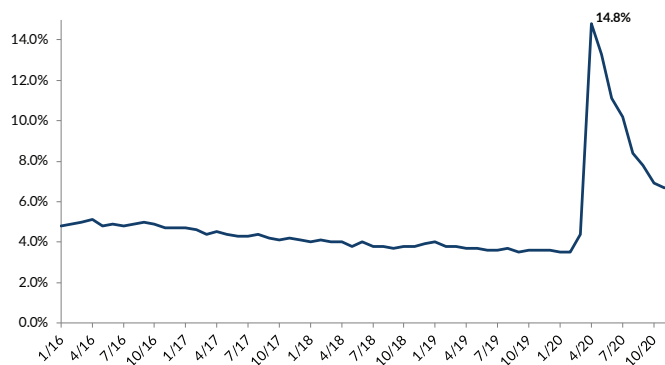
## CONSUMER CONFIDENCE INDEX (CCI)



Source: Federal Reserve of St. Louis

The CCI plunged 2020 as the Coronavirus shut down economic activity but has showed signs of rebounding throughout the second half of the year.

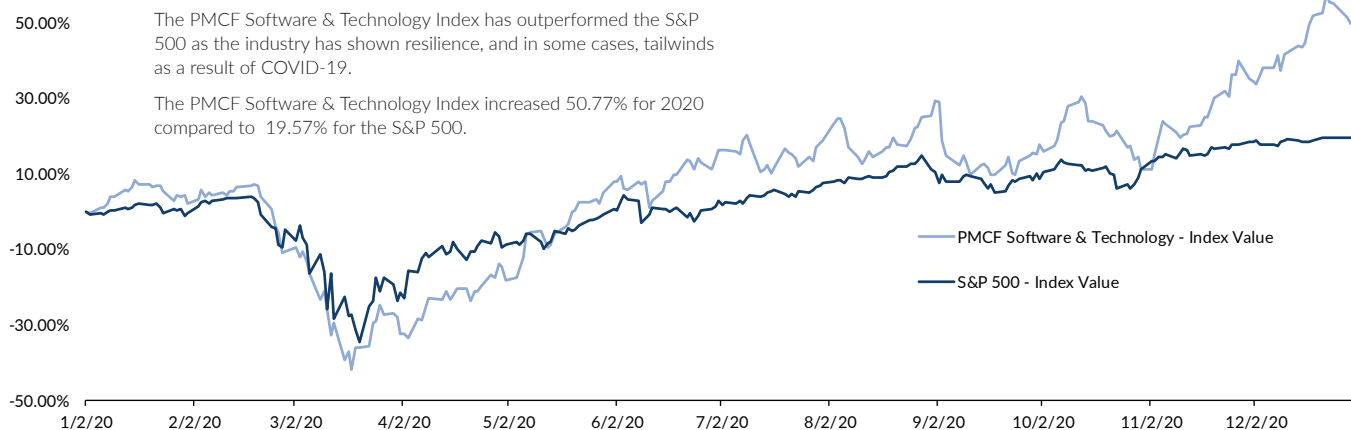
## U.S. UNEMPLOYMENT RATE



Source: Federal Reserve Bank of St. Louis

The U.S. unemployment rate peaked at 14.7% in April 2020 amid job loss driven by pandemic-related shutdowns, but has declined each month since.

## PMCF SOFTWARE & TECHNOLOGY INDEX - MARKET VALUATION

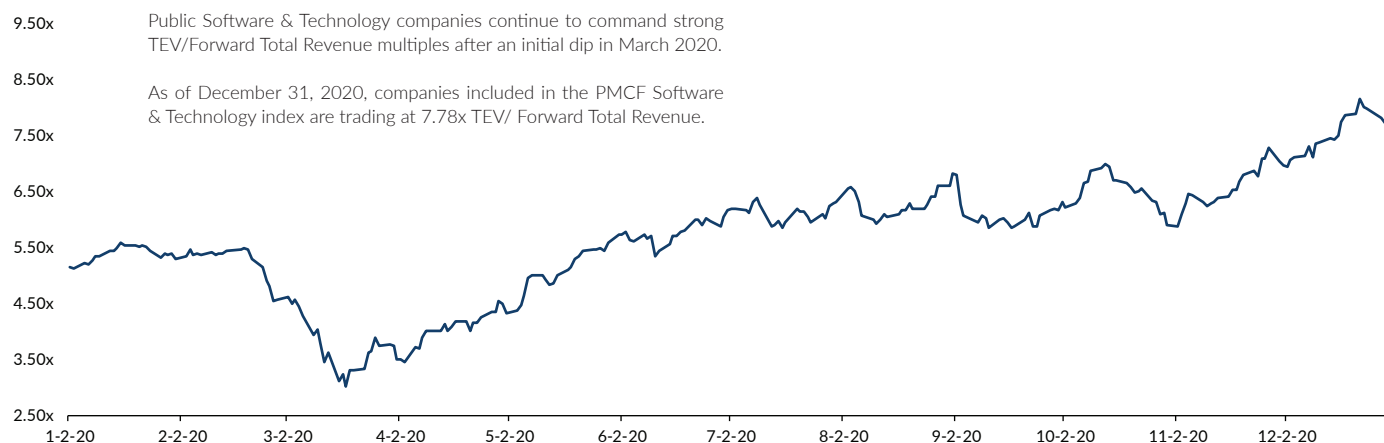


Source: Capital IQ

The PMCF Software & Technology Index has outperformed the S&P 500 as the industry has shown resilience, and in some cases, tailwinds as a result of COVID-19.

The PMCF Software & Technology Index increased 50.77% for 2020 compared to 19.57% for the S&P 500.

## 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 December 31, 2020, companies included in the PMCF Software & Technology index are trading at 7.78x TEV/ Forward Total Revenue.

# Software & Technology M&A Activity

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## Strategic Acquisition

Infosys acquires Simplus

Infosys, an India based digital services provider, announced its acquisition of Simplus, a SaaS provider specializing in services that streamline and simplify global enterprise work management processes. The consideration paid for Simplus was based on an Enterprise Value of \$200 million (3.0x TTM Revenues).

## Platform Acquisition

Form.com acquires GoSpotCheck

GoSpotCheck, a developer of a SaaS-based field execution management platform designed to empower teams to collect data and complete tasks in the field, was acquired by Form.com, a data collection provider and business process provider optimization software via its financial sponsor, Diversis Capital. Terms of the transaction were not disclosed.

## Strategic Acquisition

Mogo acquires Carta Worldwide

In November 2020, Mogo Inc., a financial technology company located in Canada, announced its acquisition of Carta Worldwide Inc., a cloud-based provider of transaction processing and payment technologies and services. Total consideration for Carta was \$43 million (2.8x Revenues). The acquisition added a platform addressing the \$2.5 trillion global payments market for B2B transactions.

## Platform Acquisition

Cycle Gear acquires Rever

Rever, a social navigation developer designed to connect a global community of motorcycle enthusiasts, was acquired by Cycle Gear, a retailer of apparel, parts and accessories for motorcyclists, via its financial sponsors ICP Group and Prospect Hill Growth Partners. Terms of the transaction were not disclosed.

Sources: Company Press Releases

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

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## Strategic Acquisition

Learning Technologies acquires Open LMS

Learning Technologies Group, a provider of services and technologies for digital learning and talent management, acquired the Open LMS business of Blackboard, a moodle-based SaaS learning management system. Total consideration for the transaction was \$32 million (2.0x Revenues).

## Portfolio Expansion

Providence Equity acquires Patient-NOW

PatientNOW, a developer of patient engagement and electronic medical record (EMR) system designed to run an efficient business and an automated follow-up process that will free up staff from manual tasking, was acquired by Providence Equity Partners and Blue Star Innovation Partners through an LBO for an undisclosed sum.

## Strategic Acquisition

DocuSign acquires Seal Software

In May 2020, DocuSign, a cloud-based software specializing in e-signature solutions, announced its acquisition of Seal Software, a leading contract analytics provider. DocuSign had previously been reselling Seal's analytic application, but with the acquisition will be able to fully integrate Seal's technology across the Agreement Cloud. Total consideration for the transaction was \$188 million (5.9x Revenues).

## Strategic Acquisition

Salesforce acquires SLACK

In one of the largest tech transactions of 2020, Salesforce, the global leader in CRM, entered into an agreement to acquire SLACK technologies for \$28.2 billion (33.3x Revenues). Slack is a business technology software platform providing communication services for enterprises and sells its offering under a software-as-a-service model.



# Software & Technology M&A Activity

## SELECT SOFTWARE & TECHNOLOGY TRANSACTIONS

\$ in Millions

Announced Date	Target	Buyer	Implied EV	EV/TTM Revenue
Dec-20	CarpeDatum Consulting, Inc.	Converge Technology Solutions Corp.	\$5	1.0x
Dec-20	RigNet, Inc.	Viasat, Inc.	222	1.5x
Dec-20	Workgroup Connections, Inc.	Converge Technology Solutions Corp.	1	0.1x
Dec-20	NameSilo, LLC	Roland Vos Beheer BV	30	1.2x
Dec-20	e-MDs, Inc.	CompuGROUP Holding USA, Inc.	240	2.7x
Dec-20	Arena Solutions, Inc.	PTC Inc.	715	0.0x
Dec-20	Telenav, Inc.	Digital Mobile Venture Ltd.	134	0.6x
Dec-20	Porch.com	PropTech Acquisition Corporation	523	9.2x
Nov-20	Carta Worldwide Inc.	Mogo Inc.	43	2.8x
Nov-20	HGS Digital LLC, USA	Hinduja Global Solutions UK limited	22	1.2x
Nov-20	Source 44 Consulting Incorporated	WELL Health Technologies Corp.	12	0.8x
Nov-20	Information Strategies, Inc.	Sylogist Ltd.	2	0.6x
Nov-20	Open LMS business of Blackboard Inc	Learning Technologies Group plc	32	2.0x
Oct-20	Simplus	Infosys Limited	200	3.0x
Sep-20	Incentive Technology Group, LLC	ICF Incorporated, L.L.C.	255	2.8x
Sep-20	XMedius Solutions Inc.	Open Text Corporation	73	1.8x
Sep-20	Solutions P.C.D. Inc	Converge Technology Solutions Corp.	12	0.5x
Aug-20	CounterPath Corporation	Alianza, Inc.	26	1.9x
Aug-20	Benchmark Systems, Inc.	CloudMD Holdings Corporation (Delaware) Inc.	5	1.0x
Jul-20	Pivot Technology Solutions, Inc.	5038823 Ontario Ltd.	206	0.2x
Jul-20	Chef, Inc.	Progress Software Corporation	220	3.1x
Jun-20	HGS Digital LLC, USA	Hinduja Global Solutions UK limited	22	1.2x
Jun-20	Retention Science Inc.	Endurance International Group Holdings, Inc.	35	4.4x
May-20	Seal Software	Docusign	188	5.9x
Apr-20	Optiva Inc.	ESW Capital, LLC	326	4.0x
Mar-20	GlobalSCAPE, Inc.	HelpSystems, LLC	220	5.4x
Mar-20	Finjan Holdings, Inc.	Fortress Investment Group LLC	14	0.8x
Feb-20	PistolStar, Inc.	BIO-key International, Inc.	2	1.2x
Feb-20	PSI Holding Group Inc.	SEI, Inc.	15	0.3x
Feb-20	Rocket Innovations, Inc.	Société BIC SA	40	1.3x
Feb-20	Qumu Corporation	Synacor, Inc.	25	1.0x
Feb-20	CDT Technologies, Ltd.	Repay Holdings, LLC	50	4.2x
Jan-20	InsPro Technologies Corporation	Majesco	12	0.8x
Jan-20	GASTROFIX GmbH	Lightspeed POS Inc.	113	9.0x
Jan-20	AutoEnginuity, L.L.C.	Drew Technologies, Inc.	20	5.0x
Jan-20	Regulatory DataCorp, Inc.	Moody's Corporation	696	10.0x
Jan-20	Telaria, Inc.	The Rubicon Project, Inc. (nka:Magnite, Inc.)	298	4.4x
<b>Median</b>			<b>\$41.6</b>	<b>1.9x</b>
<b>Mean</b>			<b>\$133.9</b>	<b>3.3x</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	\$9,916	\$9,546	291	58.7%	(21.1%)	1.7x	35.7x
Nutanix, Inc.	Application Software	6,423	6,254	1,306	78.4%	(54.4%)	0.2x	4.8x
Qualys, Inc.	Systems Software	4,755	4,363	363	78.2%	35.7%	(3.1x)	12.4x
Q2 Holdings, Inc.	Application Software	6,818	6,906	403	43.6%	(13.8%)	(1.2x)	18.1x
BlackLine, Inc.	Application Software	7,637	7,533	352	80.4%	(0.2%)	195.4x	22.4x
Medallia, Inc.	Application Software	4,998	4,807	459	64.4%	(23.3%)	1.8x	10.5x
New Relic, Inc.	Application Software	4,094	3,760	655	76.7%	(15.6%)	2.7x	5.9x
Appian Corporation	Systems Software	11,354	11,164	305	70.9%	(10.5%)	5.1x	38.3x
Kinaxis Inc.	Application Software	3,816	3,615	226	71.2%	19.6%	(4.4x)	15.3x
Cloudera, Inc.	Application Software	3,988	3,629	854	76.3%	(9.3%)	4.5x	4.2x
ACI Worldwide, Inc.	Application Software	4,487	5,691	1,294	52.2%	19.4%	4.2x	4.4x
Box, Inc.	Application Software	2,864	3,013	755	70.5%	0.5%	36.8x	4.0x
SVMK Inc.	Application Software	3,634	3,726	376	77.7%	(15.9%)	(1.2x)	10.4x
Mimecast Limited	Application Software	3,632	3,662	482	75.3%	13.8%	(0.2x)	7.9x
Bandwidth Inc.	Alternative Carriers	3,722	3,490	343	46.1%	4.1%	13.6x	11.9x
Cornerstone OnDemand, Inc.	Application Software	2,845	3,995	741	69.4%	15.3%	9.8x	5.8x
LivePerson, Inc.	Application Software	4,162	4,166	367	71.0%	(10.1%)	2.8x	12.1x
SPS Commerce, Inc.	Application Software	3,834	3,594	313	68.1%	22.0%	(2.4x)	11.9x
Bottomline Technologies (de), Inc.	Application Software	2,379	2,395	451	57.8%	9.2%	0.5x	5.4x
2U, Inc.	Application Software	2,883	2,755	775	69.8%	(9.5%)	1.8x	3.8x
Pluralsight, Inc.	Application Software	2,532	2,739	392	78.9%	(29.6%)	(1.6x)	7.3x
Workiva Inc.	Application Software	4,416	4,218	352	74.4%	(7.4%)	7.7x	12.5x
Cardlytics, Inc.	Application Software	3,921	3,818	187	34.2%	(23.6%)	2.4x	20.2x
Yext, Inc.	Application Software	1,922	1,843	344	75.1%	(28.7%)	0.8x	5.4x
PROS Holdings, Inc.	Application Software	2,205	2,138	252	58.5%	(23.4%)	1.0x	8.3x
Zuora, Inc.	Systems Software	1,660	1,554	297	55.2%	(21.7%)	1.7x	5.2x
Upland Software, Inc.	Application Software	1,352	1,688	292	66.3%	17.3%	6.2x	6.0x
Domo, Inc.	Application Software	1,910	1,931	200	71.6%	(40.7%)	(0.3x)	9.7x
HealthStream, Inc.	Health Care Technology	692	571	245	63.5%	14.3%	(0.4x)	2.3x
Benefitfocus, Inc.	Application Software	466	639	279	50.8%	1.8%	18.3x	2.3x
ChannelAdvisor Corporation	Application Software	463	409	145	79.1%	16.6%	(2.5x)	2.9x
Zix Corporation	Application Software	474	760	218	48.8%	18.8%	5.0x	3.6x
Brightcove Inc.	Internet Services and Infrastructure	732	720	197	61.5%	3.9%	(3.6x)	3.8x
Synchronoss Technologies, Inc.	Application Software	198	460	313	56.6%	(2.3%)	(3.0x)	1.5x
MTBC, Inc.	Health Care Technology	120	109	105	38.3%	1.8%	(5.1x)	1.2x
<b>Median</b>					<b>70.7%</b>	<b>(9.8%)</b>	<b>1.7x</b>	<b>9.3x</b>
<b>Mean</b>					<b>66.6%</b>	<b>(6.9%)</b>	<b>10.8x</b>	<b>11.7x</b>

Market capitalizations and total enterprise values as of December 31, 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



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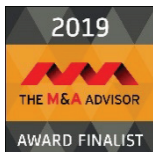
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2019 MiBiz DEAL OF THE YEAR WINNER  
MANUFACTURING DEAL OF THE YEAR



2019 M&A ADVISORS AWARD FINALIST  
BOUTIQUE INVESTMENT BANK OF THE YEAR

**PMCF** | INVESTMENT  
BANKING



2017 M&A ATLAS AWARD WINNER  
CORPORATE DEAL OF THE YEAR



2017 M&A ADVISORS AWARD WINNER  
INDUSTRIALS DEAL OF THE YEAR



THE M&A ADVISOR INTERNATIONAL M&A AWARDS  
CROSS-BORDER M&A DEAL OF THE YEAR  
(\$50MM - \$100MM)

AND

CROSS-BORDER CORPORATE AND STRATEGIC  
ACQUISITION DEAL OF THE YEAR  
(\$10MM - \$25MM)



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