



MERIDIAN CAPITAL  
INVESTMENT BANKERS

Software-as-a-Service| SPRING 2017  
M&A UPDATE

# Meridian Capital Overview

## Exceptional Results Delivered

- Over \$5B in transaction experience
- Trusted advisor to leading middle market companies
- Focus on businesses with \$20M to \$400M+ in enterprise value
- 20+ years experience with complex corporate finance and M&A challenges
- 16 seasoned professionals with finance, operational and legal backgrounds

### Transaction Expertise

- M&A
- Equity/Debt Capital Raises
- Strategic Advisory

### Customized Processes

- High Touch Approach
- Multidisciplinary Deal Team
- End-to-end Service

### Deep Industry Insights

- Dedicated industry teams
- Holistic industry coverage
- Deep buyer relationships

### TECHNOLOGY EXPERTISE



Software



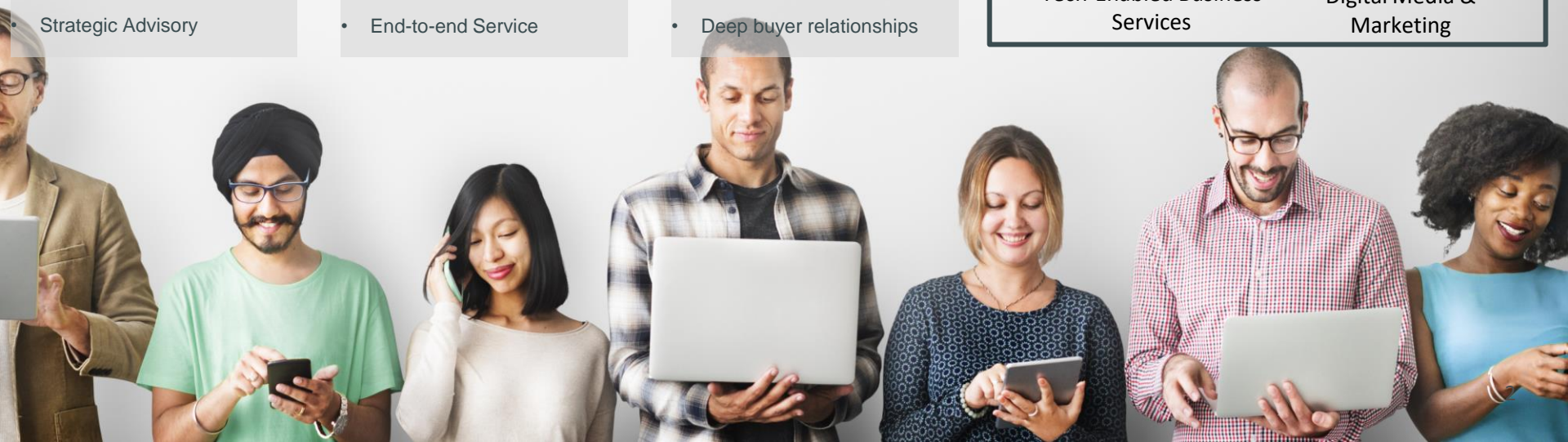
Data Center & Cloud Solutions



Tech-Enabled Business Services



Digital Media & Marketing



# M&A Trends

*Twice a year, Meridian Capital publishes its Technology M&A Update, which focuses on key trends in the technology M&A market. The Spring edition focuses on the software-as-a-service sector.*

*The M&A market for Software-as-a-Service companies remains robust, supported by the high growth profile and positive outlook for the industry as SaaS becomes the standard for software delivery. The industry continues to realize strong demand for SaaS products, with spending forecasted to grow to \$16 billion in 2017, up from \$8 billion in 2015, and reach an estimated \$55 billion by 2026. Further, it is estimated that by 2019, over 20% of every dollar spent on software will be spent on SaaS products.*

## New Industry Entrants through Acquisition

- ❑ The M&A market has experienced new entrants on the buy-side from legacy on-premise software providers and non-software acquirers purchasing SaaS capabilities.
- ❑ From 2013-2018, on-premise software is projected to experience a 2.8% CAGR decline while SaaS is projected to experience a 17.6% CAGR growth rate over the same period. Legacy software providers are recognizing the need to innovate and capitalize on the industry momentum. Recent examples include Oracle's acquisitions of OPOWER and Textura, and Microsoft's acquisition of LinkedIn.
- ❑ Additionally, non-traditional software companies have become acquisitive in the space in order to promote cross-selling opportunities and realize cost synergies with their existing business lines. This trend has been illustrated with the legacy payment processor, Heartland Payments' acquisition of Beanstalk Data in February 2016, as well as Pitney Bowe's acquisition of Enroute Systems for \$14 million. Other noteworthy transactions by non-software acquirers include the August 2016 Verizon acquisition of Fleetmatics, and the October 2015 Cox Automotive acquisition of Dealertrack.

# M&A Trends

## Increasing Demand for Vertically-focused SaaS

- ❑ Vertical-focused SaaS companies have become increasingly more attractive targets as companies are realizing the increased benefits of specialization. Due to a targeted customer base, vertical SaaS companies can realize 8x cheaper customer acquisition costs than typical horizontal SaaS platforms. Further, companies are more easily able to adapt to the demands of its user-base, developing tailored features for a specific industry. Ultimately, this flexibility translates into decreased churn and the ability for further upsell opportunities with its current customer base.
- ❑ As of March 2017, the median vertically-focused public SaaS comp was trading at 6.8x EV / REV compared to 3.8x for horizontal SaaS (based on an index of representative companies). The healthcare vertical followed by real estate and construction have been the most active verticals with 96 and 85 companies respectively, either going public or acquired during 2016.
- ❑ Recent transactions include West Corporation's acquisition of 911ETC in the public safety vertical, and Roper Technologies' acquisition of iSqFt in the construction vertical.

## Recurring Revenue Profile Drives Continued Strong Private Equity Interest

- ❑ The recurring revenue nature of SaaS companies is expected to continue to attract interest from private equity groups. Several tech-focused firms have raised new funds in 2016, building dry powder to be deployed over the coming years.
  - In early 2016, Thoma Bravo raised a \$1.0 billion fund focused on lower middle market software investments. Additionally, in September the firm raised a \$7.6 billion fund to pursue technology and software investments of all sizes.
  - HGGC closed a \$1.8 billion fund in December, The Firm seeks to invest in technology focused middle market companies.
  - ParkerGale Capital closed a buyout fund of \$240 million with a focus on founder-owned tech companies in the middle market.
  - Vista Equity is currently raising its sixth fund and has become a key player in the technology middle market space.
- ❑ Throughout 2016, private equity firms have been notably active with several blockbuster take-private deals, including Vista Equity's acquisition of Cvent and Thoma Bravo's acquisition of Qlik Technologies.





# M&A Activity and Public Market Metrics

# Select Case Studies

OPENTEXT™



RECOMMIND®

Acquired in June 2016

Deal Size

\$163M

EV/Rev

2.2x

EV/EBTIDA

-

**Target Description:** Provider of eDiscovery review and analysis, and information analytics for the legal industry.

**Investment Rationale:** Complementary with OpenText's enterprise information management solutions, expanding its eDiscovery and information analytics capabilities.

**Buyer Quote:** "Recommind information analytics can be used to solve problems at a scale not previously feasible without machine learning and is expected to be a critical component of the OpenText EIM strategy."

GUIDEWIRE



eagleeye  
ANALYTICS

Acquired in March 2016

Deal Size

\$42M

EV/Rev

-

EV/EBTIDA

-

**Target Description:** Provider of SaaS-based predictive analytics designed for Property/Casualty insurers.

**Investment Rationale:** Enables Guidewire's customers to apply predictive analytics to make better decisions across the insurance lifecycle.

**Buyer Quote:** "...their expertise in Property/Casualty processes and data science will advance our mission of enabling insurers to adapt and succeed in a time of significant change."



ASURE  
SOFTWARE



Acquired in March 2016

Deal Size

\$18M

EV/Rev

-

EV/EBTIDA

-

**Target Description:** Provider of HR, payroll, benefits and talent management software solutions.

**Investment Rationale:** Provides Asure with a comprehensive solution that brings workforce and workspace management together.

**Buyer Quote:** "...acquisition marks the culmination of a five-year technology strategy to bring a unified, people-centric platform to the HCM market."

pitney bowes



ENROUTE

Acquired in January 2016

Deal Size

\$14M

EV/Rev

-

EV/EBTIDA

-

**Target Description:** Seattle-based provider of retail and fulfillment solutions.

**Investment Rationale:** Expands ecommerce offering by connecting a variety of physical and digital processes in the fulfillment management chain.

**Buyer Quote:** "The expansion of our ecommerce offerings will enable us to help our clients deliver a better consumer shopping experience from sales order to package delivery..."

Vertical SaaS

Horizontal SaaS



# Notable Recent Vertical SaaS M&A

Date	Target	Buyer	Vertical	EV (\$M)	EV/REV
Dec-16	911 ETC, Inc.	West Corporation (NasdaqGS:WSTC)	Public Safety	10.0	-
Oct-16	iSqFt, Inc.	Roper Technologies, Inc. (NYSE:ROP)	Construction	631.0	-
Sep-16	BIMobject AB (OM:BIM)	HCN Group AB	Construction	68.7	25.6x
Jul-16	CleanSpark LLC	CleanSpark, Inc. (OTCPK:CLSK)	Energy	27.1	-
Jun-16	Recommind, Inc.	Open Text Corporation (NasdaqGS:OTEX)	Legal	163.0	2.2x
May-16	Vertafore	Bain Capital & Vista Equity	Insurance	-	-
May-16	OPOWER	Oracle (NYSE:ORCL)	Utility	487.3	3.3 x
Apr-16	Textura	Oracle (NYSE:ORCL)	Construction	619.4	6.7 x
Mar-16	EagleEye Analytics, Inc.	Guidewire Software, Inc. (NYSE:GWRE)	Insurance	42.0	-
Feb-16	Beanstalk Data	Heartland Payment Systems	Hospitality	-	-
Nov-15	Trayport Limited	Intercontinental Exchange, Inc. (NYSE:ICE)	Finance	860.1	11.0x
Nov-15	Razorsight Corporation	Synchronoss Technologies, Inc. (NasdaqGS:SNCR)	Communications	40.3	-
Oct-15	Benaissance LLC	WEX Health, Inc.	Healthcare	80.7	6.1x
Oct-15	Ex Libris	ProQuest	Education	-	-
Sep-15	Mitratech Holdings	TA Associates	Legal	-	-
Sep-15	Solera Holdings	Vista Equity	Insurance	-	-
Aug-15	Smart Tuition, LLC	Blackbaud, Inc. (NasdaqGS:BLKB)	Education	190.0	-
Aug-15	Internet Pipeline	ThomaBravo	Insurance	-	-
Jul-15	On Center Software	Roper Technologies	Construction	157.0	-
Jul-15	Fort Knox Financial Services Corporation	MetaBank	Finance	41.4	1.6x
Jul-15	SoftCare Solutions, Inc.	Medical Transcription Billing, Corp. (NasdaqCM:MTBC)	Healthcare	-	-
Jun-15	InsureLinx, Inc.	Patriot Technology Solutions, Inc.	Insurance	6.0	-
May-15	Dealer Rewards Of Canada 2014 Inc.	Ackroo Inc. (TSXV:AKR)	Automotive	1.5	-
May-15	Acclaris, Inc.	Extend Health, Inc.	Healthcare	140.0	-

# Notable Recent Horizontal SaaS M&A

Date	Target	Buyer	Vertical	EV (\$M)	EV/REV
Dec-16	F24 AG (DB:F2Y)	A.li Holding Ag	Messaging and notifications	50.2	4.1x
Dec-16	Revitas Inc.	Model N, Inc. (NYSE:MODN)	Contract and compliance management	60.0	-
Dec-16	IntraLinks Holdings, Inc.	Synchronoss Technologies, Inc. (NasdaqGS:SNCR)	Content collaboration	854.5	2.9x
Nov-16	Pismo Soluções Tecnológicas Ltda.	-	Payment processing	3.6	-
Oct-16	Appterra, Inc.	The Descartes Systems Group Inc (TSX:DSG)	Supply chain management	7.4	-
Oct-16	Krux Digital Inc.	salesforce.com, inc. (NYSE:CRM)	Data management	768.0	-
Aug-16	Fleetmatics Group PLC	Verizon Communications Inc. (NYSE:VZ)	Mobile workforce solutions	2,183.5	7.0x
Jul-16	Bridgevine Inc.	-	Marketing automation	29.2	-
Jul-16	Appcito, Inc.	A10 Networks, Inc. (NYSE:ATEN)	Application delivery	6.5	-
Jul-16	Good + Geek Inc.	Blackbaud, Inc. (NasdaqGS:BLKB)	Marketing automation	3.9	-
Jun-16	iLab Solutions, LLC	Agilent Technologies, Inc. (NYSE:A)	Research management	26.0	-
Jun-16	Badgeville, Inc.	Callidus Software Inc. (NasdaqGM:CALD)	Behavior management	7.5	-
Jun-16	Telogis, Inc.	Verizon Telematics, Inc.	Asset location and management	900.0	-
May-16	SciQuest, Inc.	Accel-KKR LLC	Spend management	375.6	3.5x
May-16	Vestrics, Inc.	The Ultimate Software Group, Inc. (NasdaqGS:ULTI)	Human capital analytics	10.1	-
May-16	LeanLogistics, Inc.	Kewill plc	Transportation management	115.0	-
Apr-16	BuddyBroker AG	XING AG (XTRA:O1BC)	Recruiting	8.3	-
Apr-16	OpenSpan	Pegasystems	Human capital analytics	-	-
Apr-16	Amtel	NetPlus	Mobile security & expense management	-	-
Apr-16	ViewCentral, LLC	Callidus Software Inc. (NasdaqGM:CALD)	Learning management	4.0	-
Mar-16	Verilume, Inc.	IntraLinks Holdings, Inc.	Data analytics	6.3	-
Mar-16	Serena Software	Micro Focus	IT management	540.0	3.3x
Mar-16	Mangrove Software, Inc.	Asure Software, Inc. (NasdaqCM:ASUR)	Human capital management	18.4	-
Jan-16	Investor Analytics, LLC	StatPro Inc.	Portfolio and risk management	16.0	3.2x



# Notable Recent Horizontal SaaS M&A (cont.)

Date	Target	Buyer	Vertical	EV (\$M)	EV/REV
Jan-16	SmartVault	Reckon	Document management	-	-
Jan-16	Empower	Kronos	Human capital management	-	-
Jan-16	Enroute Systems Corporation	Pitney Bowes Inc. (NYSE:PBI)	Transportation management	14.0	-
Jan-16	AssetPoint	Aptean	Maintenance management	-	-
Jan-16	TalentWise	SterlingBackcheck	Human capital management	-	-
Nov-15	Shopatron	Vista Equity	Order management	-	-
Nov-15	Ultriva	Upland Software	Supply chain management	-	-
Nov-15	Socialware, Inc.	Proofpoint, Inc. (NasdaqGM:PFPT)	Social media management	9.0	-
Nov-15	Visirun SPA	Fleetmatics Group PLC	Fleet management	29.7	-
Nov-15	Constant Contact	Endurance	Online marketing	-	-
Oct-15	InfoNow Corporation (OTCPK:INOW)	Model N, Inc. (NYSE:MODN)	Channel management	12.6	-
Oct-15	Vormetric, Inc.	Thales e-Security, Inc.	Data security	421.0	-
Aug-15	Mashery	TIBCO	API Management	-	-
Aug-15	Maxymiser	Oracle	Marketing	-	-
Aug-15	Merchantry, Inc.	Tradecraft Inc.	eCommerce	30.0	-
Aug-15	TechValidate	SurveyMonkey	Marketing automation	-	-
Apr-15	MartJack	Capillary Technologies Pvt Ltd.	eCommerce	32.3	-

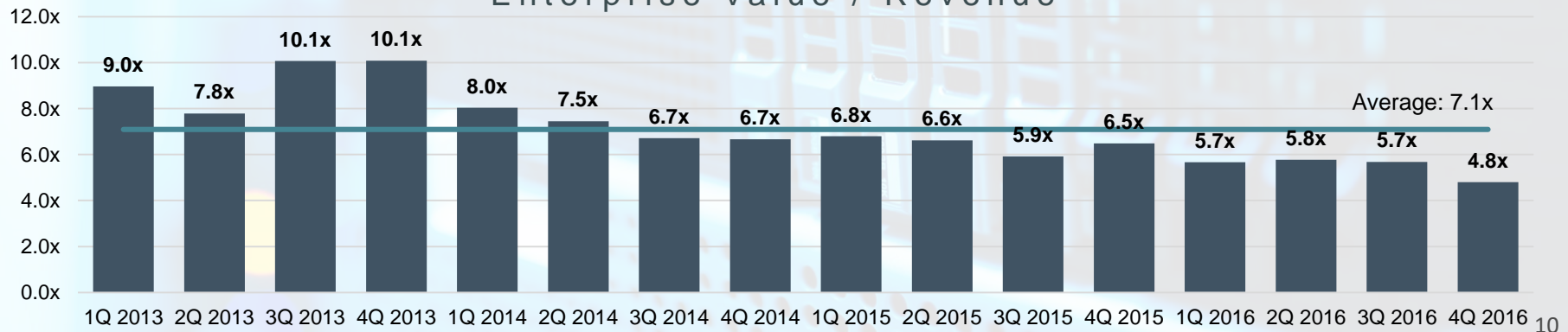
# Select Public Horizontal SaaS Companies

<i>\$ in M</i> Company	Gross Margin	1 Year Revenue Growth %	Market Cap	Net Debt	Enterprise Value	Revenue	EBITDA	EBITDA Margin	EV / Revenue
salesforce.com, inc. (NYSE:CRM)	-	26%	\$58,921	\$501	\$59,421	\$8,392	\$505	6%	7.1x
Workday, Inc. (NYSE:WDAY)	69%	35%	\$16,528	(\$1,462)	\$15,066	\$1,569	(\$261)	(17%)	9.6x
LogMeIn, Inc. (NasdaqGS:LOGM)	-	24%	\$5,173	(\$167)	\$5,007	\$336	\$41	12%	14.9x
Zendesk, Inc. (NYSE:ZEN)	70%	49%	\$2,610	(\$225)	\$2,385	\$312	(\$84)	(27%)	7.6x
Box, Inc. (NYSE:BOX)	72%	32%	\$2,097	(\$102)	\$1,995	\$399	(\$115)	(29%)	5.0x
HubSpot, Inc. (NYSE:HUBS)	77%	49%	\$2,094	(\$113)	\$1,980	\$271	(\$39)	(14%)	7.3x
RingCentral, Inc. (NYSE:RNG)	76%	28%	\$1,994	(\$145)	\$1,848	\$380	(\$11)	(3%)	4.9x
TriNet Group, Inc. (NYSE:TNET)	15%	15%	\$1,972	\$275	\$2,247	\$3,060	\$153	5%	0.7x
Paylocity Holding Corporation (NasdaqGS:PC)	57%	41%	\$1,881	(\$82)	\$1,799	\$264	\$7	3%	6.8x
Callidus Software Inc. (NasdaqGS:CALD)	62%	19%	\$1,252	(\$185)	\$1,068	\$207	(\$7)	(3%)	5.2x
Carbonite, Inc. (NasdaqGM:CARB)	71%	52%	\$556	(\$59)	\$497	\$207	\$19	9%	2.4x
LivePerson, Inc. (NasdaqGS:LPSN)	72%	(7%)	\$386	(\$51)	\$335	\$223	\$2	1%	1.5x
Xactly Corporation (NYSE:XTLY)	61%	26%	\$363	(\$28)	\$334	\$96	(\$12)	(13%)	3.5x
Bazaarvoice, Inc. (NasdaqGS:BV)	62%	2%	\$335	(\$47)	\$289	\$202	(\$8)	(4%)	1.4x
Brightcove Inc. (NasdaqGS:BCOV)	63%	12%	\$278	(\$36)	\$242	\$150	(\$1)	(1%)	1.6x
Zix Corporation (NasdaqGS:ZIXI)	83%	10%	\$274	(\$27)	\$247	\$60	\$12	20%	4.1x
ChannelAdvisor Corporation (NYSE:ECOM)	76%	13%	\$271	(\$62)	\$210	\$113	(\$6)	(5%)	1.9x
Tango, Inc. (NasdaqGS:TNGO)	54%	6%	\$229	(\$32)	\$198	\$219	\$10	4%	0.9x
Upland Software, Inc. (NasdaqGM:UPLD)	63%	6%	\$215	\$22	\$237	\$73	\$5	7%	3.2x
Amber Road, Inc. (NYSE:AMBR)	51%	9%	\$184	\$7	\$191	\$73	(\$11)	(15%)	2.6x
<b>Median</b>	<b>66%</b>	<b>22%</b>	<b>\$904</b>	<b>(\$55)</b>	<b>\$782</b>	<b>\$221</b>	<b>(\$4)</b>	<b>(2%)</b>	<b>3.8x</b>
<b>Mean</b>	<b>64%</b>	<b>22%</b>	<b>\$4,880</b>	<b>(\$101)</b>	<b>\$4,780</b>	<b>\$830</b>	<b>\$10</b>	<b>(3%)</b>	<b>4.6x</b>

As of 3/9/2017

## Valuation Multiples

Enterprise Value / Revenue

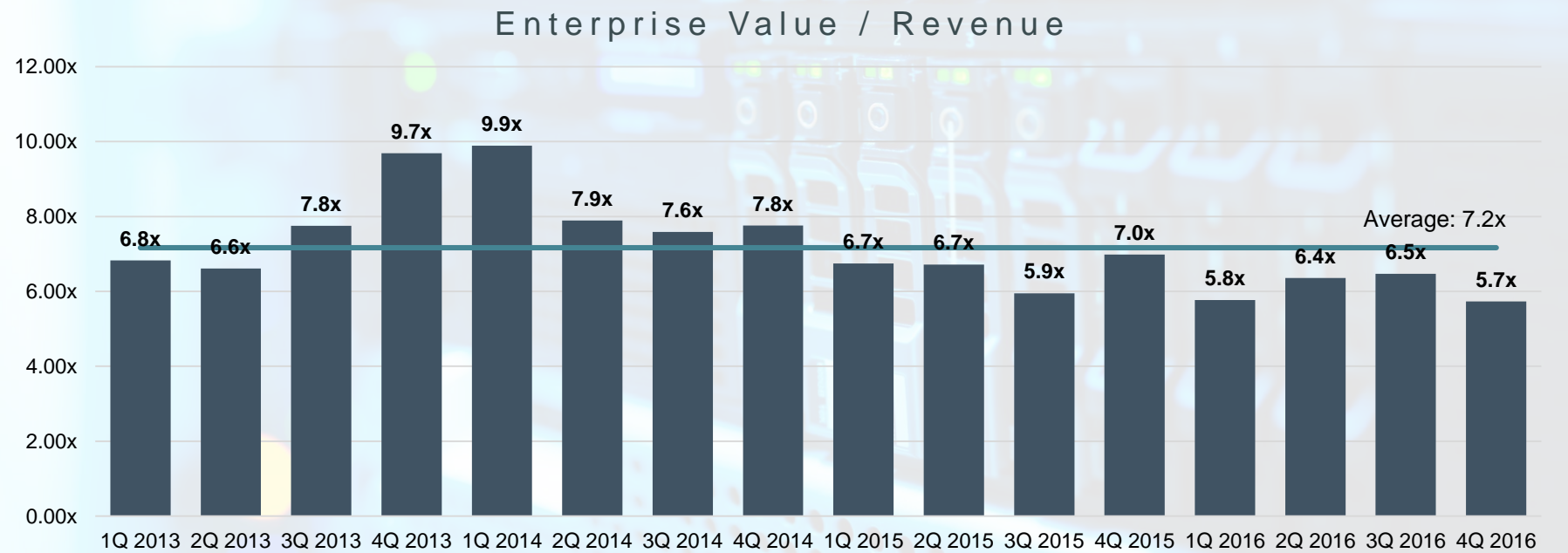


# Select Public Vertical SaaS Companies

<i>\$ in M</i> Company	Gross Margin	1 Year Revenue Growth %	Market Cap	Net Debt	Enterprise Value	Revenue	EBITDA	EBITDA Margin	EV / Revenue
athenahealth, Inc. (NasdaqGS:ATHN)	51%	17%	\$4,535	\$144	\$4,679	\$1,083	\$107	10%	4.3x
RealPage, Inc. (NasdaqGS:RP)	57%	21%	\$2,769	\$17	\$2,786	\$568	\$81	14%	4.9x
Medidata Solutions, Inc. (NasdaqGS:MDSO)	76%	18%	\$3,263	(\$111)	\$3,151	\$463	\$66	14%	6.8x
Guidewire Software, Inc. (NYSE:GWRE)	63%	14%	\$4,265	(\$583)	\$3,682	\$450	\$19	4%	8.2x
Veeva Systems Inc. (NYSE:VEEV)	68%	33%	\$6,138	(\$519)	\$5,619	\$544	\$122	22%	10.3x
Castlight Health, Inc. (NYSE:CSLT)	66%	35%	\$337	(\$115)	\$223	\$102	(\$54)	NA	2.2x
Ellie Mae, Inc. (NYSE:ELLI)	67%	42%	\$3,316	(\$422)	\$2,894	\$360	\$73	20%	8.0x
<b>Median</b>	<b>66%</b>	<b>21%</b>	<b>\$3,316</b>	<b>(\$115)</b>	<b>\$3,151</b>	<b>\$463</b>	<b>\$73</b>	<b>14%</b>	<b>6.8x</b>
<b>Mean</b>	<b>64%</b>	<b>26%</b>	<b>\$3,517</b>	<b>(\$227)</b>	<b>\$3,291</b>	<b>\$510</b>	<b>\$59</b>	<b>14%</b>	<b>6.4x</b>

As of 3/9/2017

## Valuation Multiples





# Meridian's Technology Team

## Transaction Leadership & Execution

**Patrick Ringland**

Managing Director



**Kristin Brandtner**

Vice President



**Emily Cheung**

Senior Associate



**Aaron Franzheim**

Analyst



## Industry Experience

**Tony Richardson**

Industry Advisor, Technology



### Years Experience

12 years – M&A and corporate finance

8 years – Investment and Corporate Banking

6 years – Investment Banking, Corporate Banking & Leveraged Finance

2 years – Investment Banking

15 years – Consulting  
20+ years – Technology  
10 years – Executive

### Background

- University of Washington (BA, BS)
- Chicago Booth (MBA)

- Notre Dame (BBA)

- University of British Columbia (Bcom)

- University of Washington (BBA)

- University of Washington (BS)

### Prior Experience

- The Brattle Group
- HSBC
- LECG

- J.P. Morgan

- National Australia Bank
- Scotiabank

- Financial Technology Partners

- Microsoft
- Xtreme Consulting Group, Inc.

# Exceptional Results Delivered



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