**June 2019 Global Tech M&A Monthly - Introduction**

Bruce Milne: Good morning, afternoon, or evening, wherever you are in the world. Welcome to Tech M&A Monthly. I'm Bruce Milne, the CEO of the Corum Group, your host for this event. This month we are focusing on market timing and how to get buyer's attention. Take a look at our agenda. We'll start with reports from the field, going first to our newest deal announcements from Rob Schram and Martin Lowrie. Then shifting to Rob Griggs on the FinFoundHer conference he recently attended. After that, we'll turn it over to our Corum research team to touch us some of the key deals, trends, and valuations in the tech M&A market. And finally, we'll finish up with a special report, "Is it time to go back to market?" And as a follow-up to last month, "The secret to getting buyer's attention." If we have time, we'll wrap up with Q&A from our audience. Be sure to write your questions at any time as we go along.

Now, let's turn to our brief reports starting with Rob Schram.

**Tech M&A Field Report: Tuxera-Datalight Acquisition**

Rob Schram: It's my pleasure to announce the sale of our client Datalight to Finland-based embedded storage company, Tuxera. Datalight was a pioneer in high performance flash memory technology and they continue to evolve with advances in IoT and mesh systems, connected cars, and consumer electronics. The combined companies are now the premier global supplier of embedded data storage systems offering unprecedented performance, reliability, and security. Congratulations to the Datalight team. We anticipate great things to come.

Bruce Milne: Thank you, Rob. Congratulations to Datalight. There's actually more. The rest of the story, as Paul Harvey would say, which we'll cover in our special report section. We'll also have Martin's just completed transaction in that section as well. Now, let's go with the Midwest and Rob Griggs to hear about our very special recent speaking engagement. Rob?

**Tech M&A Field Report: Corum at the FinFoundHer 2019 Conference**

Rob Griggs: On May 17th and 18th, the second annual FinFoundHer event took place in Chicago in conjunction with EvolveHer. EvolveHer is a creative workspace, evolving the way women connect, cultivate, and collaborate. Over 100 women attended the two-day event with live streaming to 25 more in Canada. On the 66% of the attendees were in technology-oriented business. My talk was titled, "Getting in the Merge Lane." I presented an updated merge briefing on current software, M&A trends, themes, and values along with an overview of the Corum Group, tech M&A process, "8 Stages to an Optimal Outcome." It was a very lively group. Lots of questions about preparation and what to do if someone approaches you to do a transaction. I was honored to have been invited to present and start the education process for so many.

Bruce Milne: Thank you, Rob. Now the Mountain states, Steve Jones.

**Tech M&A Field Report: Corum Group at the WFS Market Spotlight – HealthTech IT**

Steve Jones: We were honored to be a part of the World Financial Symposiums Market Spotlight on Health Tech IT. I had an exciting panel to join us, Dr. Maryann Choi from Collain Healthcare, Curtis Gattis, CEO of Leading Reach, and Eric Keen, who's a General Partner, Council Capital – all are in the heart of healthcare technology solutions.

 The focus was on driving successful patient outcomes or finding ways to put the patient at the center of their healthcare treatment. So stay tuned. We'll be joining the World Financial Symposium to host additional market spotlights where we can drill down on other exciting trends.

Bruce Milne: Great job, Steve. Now let's hear from Dan Bernstein on his market spotlight on edtech.

**June 2019 WFS Market Spotlight - EdTech**

Dan Bernstein: Last month, I served as the moderator for a WFS Market Spotlight and Ed Tech along with some fantastic guests speakers -- Reetu Gupta, Founder and CEO of Cirkled In, Dean Rosenhain, Former CEO of Planet Software and a recent seller, and Adam Hooks, CEO of LINQ a strategic buyer in the edtech space. Like any emerging technology sector, the edtech market is highly fragmented and this has been exacerbated by geographical and regulatory constraints as well as the large number of disparate legacy systems that these companies have come to disrupt.

 I've been with Corum for five years and I haven't seen the level of activity in the education technology sector before such as the one we are seeing these days. This is a space loaded with new opportunities across many verticals.

Bruce Milne: Thank you, Dan. You have mentioned the World Financial Symposiums a few times, Corum is a platinum sponsor. Now let's hear from Matt Rung, Director of the WFS about their upcoming conference in New York for CEOs and owners of software IT and related technology companies. Matt?

**World Financial Symposiums 2019 Update – WFS Upcoming Conferences**

Matt Rung: Thanks, Bruce. We have a fantastic roster of speakers and topics lined up. We'll have a special deal spotlight featuring seller AnalytiX DS by erwin and M&A deal adviser from your firm, the Corum Group, to discuss this transaction from all three perspectives. The strategic buyers panel is packed with executives from Microsoft, Live Tiles, Volaris, and Pryon joining us to talk about what it takes to be acquired.

 We hear from CEOs and founders from FileShadow, Perillon, and SECA who recently sold their companies as they share advice on how to get the highest valuations and how to avoid deal landmines. Private equity investors and venture capitalists from Bregal Sagemount, Susquehanna Growth Equity, Abry Partners, Brook Venture Partners, and ff Venture Capital will advise CEOs and founders on how they can position themselves for investment and benefit from the record cash in this market.

We also have two excellent keynote presentations: "Pre-Transaction Estate Planning" from JP Morgan Securities and our gold sponsor, Venable, will talk about "Liabilities in Deal Negotiations."

And finally, we'll have an exit keynote on valuations and process, what you're worth, and how you get it. Tickets are nearly sold out. So check out details and registration at wfs.com, if you want to join us on the 18th.

Bruce Milne: Thanks, Matt. Now, it's time to go to the Corum Research team headed by Elon Gasper for our monthly Tech M&A report. Elon?

**June 2019 Tech M&A Report: Public Markets, Corum Index, and Mega Deals**

Elon Gasper: We begin with the public markets which saw major indices worldwide declined substantially in May amid trade tensions and recession worries. They bounced back this month as tensions eased and the Fed pledged to lower interest rates, if needed.

Our Corum Index for May caught a nominal decline in disclosed deal volume along with the number of mega deals which shrank to three though the top deal was larger. The proverbial smart money VCs took advantage of what is still a seller's market to book many more M&A exits. Cross-border deals declined, with trade worries again a possible reason. Among the mega deals here in Seattle, supercomputer pioneer Cray was bought by HPE for $1.4 billion, heating up the race with China for high-performance computing and AI. Don't be surprised if a quantum computing startup gets tucked in later.

What's up in the rest of the infrastructure sector? Julian?

**June 2019 Tech M&A Report: Infrastructure – Access Management and Security**

Julian Valencia: Sales multiples fell back to February levels while EBITDA multiples dropped further, giving up all of these years' gains as markets signal that they see profitability challenges ahead.

In the access management space, Israeli zero-trust security firm, Meta Networks, was bought for $120 million by cybersecurity company Proofpoint. And in Sweden, Keypasco’s online security business was picked up by Taiwanese partner, Lydsec Digital Technology to build on the partnership's success in Asia.

In the securities subsector, Oslo-based security assessment company, CLTRe, was pocketed by security awareness trainer, KnowBe4, to enhance its analytics offerings and European presence. Cybersecurity company Verodin was purchased for $250 million by FireEye to complement its portfolio with Verodin’s security vulnerability tools.

Calgary-firm Passportal was acquired by IT management software provider SolarWinds to add Passportal’s management service to its security portfolio.

And DeliverySlip, the email encryption and e-signature service of Cirius Messaging, was acquired for $14 million by email security specialist Zix. This brings DeliverySlip together with its largest customer, AppRiver, acquired by Zix in February.

**June 2019 Tech M&A Report: Infrastructure – IoT Software**

Julian Valencia: The IoT software trend continues to drive deals. Rob already discussed Corum client and embedded flash storage leader, Datalight, acquired by Tuxera. But additionally, IoT security firm Icon Labs was scooped by certificate authority, Sectigo, which hopes to create the industry's first end-to-end IoT security solution.

And lastly, embedded software developer, Express Logic, was grabbed by Microsoft, expanding its IoT footprint to a wider range of devices and challenging AWS for market dominance. Microsoft will be our guest at WFS, so don't miss the chance to learn more and join us in New York City on June 18.

Now, to the Vertical sector. Yasmin?

**June 2019 Tech M&A Report: Vertical Sector – Education and Healthtech Acquisitions**

Yasmin Khodamoradi: In the Vertical sector, both sales and EBITDA multiples held onto their gains this year as solutions in healthcare, education, and fintech rounded out the M&A market last month.

In education, the AI online learning assets of edtech firm, Knewton, were acquired by Wiley to strengthen its position in the courseware market and add to its adaptive learning capabilities. Educational publisher, Cengage Learning, merged with McGraw-Hill, becoming the second largest textbook publisher after Pearson. And online education platform, Freckle Education, was pocketed by Renaissance Learning, which is owned by Francisco Partners to beef up its math offerings.

**June 2019 Tech M&A Report: Healthcare SaaS M&A**

Yasmin Khodamoradi: In Healthcare, deep data firm Betterpath was bought by Hu-manity.co, a blockchain-based consent and authorization management platform, to extend its capabilities and unstructured data analysis.

Patient engagement solutions vendor Get Real Health was purchased for $11 million by CPSI, a community healthcare solutions provider, to broaden its patient engagement portfolio.

And here in Seattle, behavioral health software developer Valant Medical Solutions was snapped up by Gemspring Capital, marking its first purchase in the healthtech space.

**June 2019 Tech M&A Report: Healthcare Technology Acquisitions – Payments & Billing**

 Yasmin Khodamoradi: We also spotted some deals in the healthcare payments and billing subsector, where payments specialists Instamed, was acquired for over $500 million by JP Morgan Chase in its biggest acquisition since the financial crisis.

In Germany, management systems, a healthcare billing solutions developer, was picked up by IT services provider Adesso to expand its healthcare portfolio.

And Medac, an anesthesia revenue cycle management firm, was nabbed by RCM leader, MiraMed.

**June 2019 Tech M&A Report: Financial Services Market**

Yasmin Khodamoradi: In the financial services market, wealth management specialist, Broadridge Financial Solutions, wrapped up two companies last month, paying $300 million for Canadian wealth management software developer, RPM Technologies, and buying Dublin-based fintech outfit, Rockall, to bolster its securities-based lending capabilities.

And credit management software developer, Black Mountain Systems, was taken over by Vista Equity following its PlanSource acquisition in March.

**June 2019 Tech M&A Report: Automotive Sector**

Yasmin Khodamoradi: In the automotive sector, self-driving cars startup Blackmore was picked up by Aurora Innovation for its proprietary Doppler Lidar technology, which generates position and velocity data.

Automotive software developers, CETITEC, was acquired by Porsche to give the car company in-house expertise in firmware, connectivity, and embedded software development.

And Autodata Solutions, an automotive marketing and product development SaaS firm was bought by Thoma Bravo, marking its second acquisition in the automotive sector.

**June 2019 Tech M&A Report: Environmental Health & Safety (EHS)**

Yasmin Khodamoradi: The month of May also saw a wave of consolidation in the EHS market, including the acquisition of Corum client Perillon, which was pocketed by Lisam Systems to add transactional capabilities to its EHS portfolio.

Other transactions in this space included Spiramid being purchased by VelocityEHS and Sphera Solutions' acquisition of Sitehawk.

On the PE side, Thoma Bravo picked up EHSQ software provider Cority.

How does the Internet sector do, Yuliya?

**June 2019 Tech M&A Report: Internet Sector**

Yuliya Shnepa: Internet sales and EBITDA metrics remain stable, as they have since October after a two-year slide, as the apparently normalized Internet sector. So, Apax Partners go on a shopping spree, with two acquisitions in the auction & classifieds space last month, spending $1.7 billion on New Zealand's online auction service Trade Me and grabbing advertising platform, Baltic Classified Group out of Lithuania.

Cove Hill Partners followed suit, acquiring online live auction platform, LiveAuctioneers.

And in India, second-hand marketplace Zefo was acquired for $30 million by unicorn classifieds start-up Quikr to grow its used goods business Quikr Assured.

We also saw several deals in different areas such as food delivery, where Swedish service Hungrig.se was grabbed by Delivery Hero, adding a third brand to its Swedish portfolio.

 In the household services market, cloud-based platform Hinged was purchased by HomeSquare's owner Valley128 Holdings to modernize and improve HomeSquare's home maintenance services.

New York-based restaurant booking service, Resy, was scooped up by American Express in a move sparked by the growing rewards competition in the credit card market.

San Francisco-based Wedding Spot, a wedding venue comparison platform, was bought by Cvent to expand its sourcing options.

And French public speaker marketplace Leade.rs was purchased by Animoca Brands to gain access to Leade.rs extensive network of Silicon Valley personalities.

**June 2019 Tech M&A Report: Mega Deals – Cloud and AI**

Elon Gasper: And this month, we've seen two more mega deals in the analytics. Last week, Looker was acquired for $2.6 billion by Google as Google Cloud tries to keep up with AWS and Azure.

 And this week, here in Seattle, visualization specialist, Tableau, was bought for $15 billion by Salesforce with plans to match Tableau with its AI platform.

And that's our Tech M&A report for May 2019.

**Tech M&A Special Feature: Merge Briefing – Case Study**

Bruce Milne: I recently finished an 18-cities speaking tour that started in Singapore and Hong Kong, went through Europe's capitals and the United States ending in Miami. And in addition to meeting with clients and buyers, the goal was to gather and share impressions of the global tech M&A market. In Concord, New Hampshire with political rallies going on around the corner, Martin Lowrie, Corum's representative in Boston, introduced the Merge Briefing with the following statement.

Martin Lowrie: Last year we were working with a client, a software company in the manufacturing technology space. It's revenue's – about $5 million. In a few weeks, we had six offers for them in the $10 to $12 million range. We sent them back knowing that weren't acceptable to our client. When the next office came in, there were only two bidders, but one was at $16 and the other was at $18 million.

 Based on the feedback from our buyers during the process, we decided to work with our client to refine their business model and took them off the market while we tuned their business. After a short hiatus, we reentered the market and sure enough the same two bidders emerged, but now their offers are $27 and $29 million. We closed the $29 million. While these results are not an everyday occurrence, they do demonstrate the power of a disciplined global process and that's what we're here to talk about today.

Bruce Milne: Wow. An increase of three full from start to finish. That's way beyond the norm of 48% improvement that we normally see from first offer to last through our global search process.

Then later that week, we had another closing of a company that wasn't able to sell for over a decade. In fact, a record number of companies that could not sell even a year ago are getting multiple offers.

 Clearly, there's something happening. Is this a sign of a peaking market? After all, we're over 10 years into a seven-year bull market cycle. Since timing is everything. I asked our staff to give me some comparative numbers over the past five years, from 2013 to last quarter. This is from our annual reports.

A couple of things to notice. Volume transactions is up. Number of buyers is up. Cash available has more than doubled. Private equity is much more active. Speaking of the impact of PE firms, we talked last month about Vista Equity, the largest buyer the last two years. They are now the fourth largest software company in the world, if you combine their various operations. Robert Smith, their founder and CEO, was a man you just read about and gave the commencement address at Morehouse College then paid off everyone's student loans, about $40 million. Amazing success story, Vista, mostly through acquisitions.

 By the way, Vista will be joining us in September 17th in the Bay Area at the World Financial Symposiums where we are the platinum sponsor.

**Tech M&A Special Feature: Why Companies Make Acquisition?**

Bruce Milne: Our belief it was happening is that the repatriation from the new tax law will be nearly a trillion dollars by the end of 2019, much of it for tech companies. After investment, you can't get much interest in that from the banks, you don't necessarily want to buy back your stock. So, logical path is acquisitions, more cash going after deals.

So, going back to the comparison of then versus now, let's look at a few key markets to get an idea of how much things have changed. Just look at A/E/C, 15.7 to 33.9 EBITDA. Even bigger than -- bigger than that is Storage & Hosting, 9.7 to 42 EBITDA. The last five years have been incredible for valuations. The average movement, the market is up 40%. But that doesn't truly reflect the power of some of the recent market rises.

For example, here's edtech, which Dan just reported on, the last two-year sales multiples are up four-fold, only 24 months. So, what kinds of companies are finally going back to market now as a result in the outcome they wanted?

Let's hear from ideal makers in the field starting again with Martin Lowrie who just completed a transaction.

**Tech M&A Special Feature: Perillon and Lisam Systems Acquisition**

Martin Lowrie: In 2018, Perillon Software engaged Corum to find a buyer for their business. As a friends and family-funded company that accumulated a sizable amount of debt and bootstrapping the business had also restricted their growth rate relative to some of their well-heeled VC-backed competitors. After a global search with high levels of interest from a number of parties, eventual buyer emerged, Lisam Systems out of Belgium. Despite its business challenges and having to go through bankruptcy court for final resolution, Perillon achieved and exit that was in line with current market valuations.

 This goes to show the strength of the tech M&A market and the voracious appetite of buyers.

If you'd like to hear more about the transaction, the CEO, Bard Salmon, will be participating in the seller's panel at WFS in New York on June 18th.

Bruce Milne: Thanks, Martin. Normally, we wouldn't take on cases like this where the company has to go through bankruptcy court, but the current market is that strong.

Now let's go to Jon Scott in Europe.

**Tech M&A Special Feature: Case Study - Europe**

Jon Scott: Our client had a vertical CRM solution which was broadly used by their segment. The client really needed an acquirer that had a broad global distribution and customers. After multiple outreaches to likely candidates, we were able to identify a number of interested parties and we signed a letter of intent with one of them. As can happen, the party we signed an LoI with had issues with some aspects of the client's technology stack.

 It wasn't close enough to theirs, so the deal fell apart. By this time, after having been in the market for six months, the client having received very good feedback from potential buyers decided they were going to raise money and continue to grow the company. So, they went on hiatus to accomplish this. After about five months in the money-raising process, one of the potential acquirers, at an earlier turned us down, came back to the table and put a strong offer which was accepted and closed. The buyer had the global distribution and customer relationships to drive worldwide expansion for the client.

Finally, and best of all, the offer was 25% higher than the initial offer that had fallen apart.

**Tech M&A Special Feature: Datalight Acquisition**

Bruce Milne: Thanks, Jon. Now let's wrap it up by going back to HQ here in Seattle to Rob Schram to expand a bit more on the Datalight deal he announced earlier. There's more to the story. That was a company that first went to market in 2007, it didn't work. They went on market to hiatus, which Corum offers his clients. We worked with them.

Rob, tell us more.

Rob Schram: Datalight is an excellent example of a company that grew in step with the accelerating technology then recently took a look at the market and determine that now is an optimal time to combine forces with an acquisition partner and achieve even greater market impact and revenue growth.

Bruce Milne: They waited over a decade for that optimal time, which was now excellent. Thanks, Rob.

**Tech M&A Special Feature: Corum’s Group Hiatus Process – Is it Time to Go Back to the Market?**

Bruce Milne: The last two examples use Corum's unique hiatus process to go off market for a bit in order to get a better price.

 Corum is a different type of investment bank. We were established by software CEOs who have built and sold their own software companies, now serving fellow CEOs who want an optimal outcome with multiple bidders, owners who want to control the selling of their company, not just wait for a buyer to call, which all too often are bottom feeders trying to buy you cheap. We know that the selling process can be a journey. When we build relationships, get extraordinary feedback, input and ideas that can dramatically improve value. Thus, we developed the hiatus process.

Hiatus allows you to go off the market for as much time as needed, make improvements based on input from buyers and research, return to market with no financial penalty, if needed, a complete restart other process without having to pay retainers.

So, coming back to that question, is it time to go back to market? The answer's yes, in every sector and every part of the world.

During the last month's special report, we left you with a question, "How do you get the buyer's attention?" I like to pick up from Tom Marvin's piece in May.

**Tech M&A Special Feature: How Do You Get the Buyer’s Attention?**

Bruce Milne: During the last month's special report, we left you with a question, "How do you get the buyer's attention?" I like to pick up from Tom Marvin's piece in May.

Tom Marvin: *My name is Tom Marvin and I'm old.*

Bruce Milne: Remember him? Tom is a long time technology serial entrepreneur, having sold three companies with Corum. Remember Tom's message?

Tom Marvin: *You need a story. Dry financials, dry information about the market you're in is insufficient. Buyers buy vision, they buy future, they buy enthusiasm.*

Bruce Milne: Exactly. It's about the story – the vision, the future. That's what buyers want, the future you represent. I personally consider this messaging one of the most difficult things to do in tech mergers. Typical investment banks are heavy in spreadsheets and pro formas to produce this long winded offering documents or the book as it's called. The problem is they don't get read. Major tech buyers today are looking at 3 to 500 opportunities a month. As Henry, who from IBM recently said, "You have one breath to get my attention." It's all about making your story compelling, getting your strengths, differentiate it right up front so your company goes to the top of the acquisition opportunities.

**Tech M&A Special Feature: Corum’s Process - The 8 Steps to an Optimal Outcome**

Bruce Milne: How do you do that? You first start with a highly proven process. We call the "Eight Steps to an Optimal Outcome." It starts with preparation, research, which we'll talk about today, and contact, discovering, negotiation, due diligence, closing, and finally, integration.

It's critical you follow these steps not only to ensure proper messaging, but to identify the right buyers, help you take the high ground and valuations in negotiations. Through to tough due diligence governed by Sarbanes-Oxley laws. This, by the way, is where most deals go to die because of poor preparation. These first steps of preparation research essentially result in a strategic audit of your company, mapping you the best practices, determining value enhancers, performing self-checking due diligence.

We started developing these methodologies over 30 years ago beginning with the publication of power planning, how to structure your software company for success. This strategic audit is done by first taking it through preparation documents including a CEO worksheet. Get us educated.

 There's a team of five specialists directly assigned for research, writing, buyers list, valuations. The work is done by them to offload you. They're led by the leading deal negotiators in the world, former CEO's. This is not a place for juniors. You can't do this properly alone and don't want the business to suffer while you're going through an M&A process.

And remember, this is the most important transaction of your life. The information gathered by your team is archived into a highly secure virtual data room for later buyer due diligence. Of course, after NDAs are executed. After gathering the initial information, the CEO and founders are coached by the Corum team to produce a tight 30-minute presentation for buyers. You will then practice this in front of an audience and initial planning meeting, presentation meeting, in our headquarters. That'll include Corum staff there, as well as online from around the world.

 Up to 15 people may be in attendance. Each individual provides independent insight into how they see the company best positioned, including due diligence issues, strengths, and weaknesses. This collective input really helps to calibrate the message further.

And perhaps even more important, we review how your strategy may try – may tie to the disruptive trends that drive the strategic imperative for buyers to make acquisitions. Corum is the world thought leader in these trends which are published each January at our annual tech M&A global report. Our advisory panel for these reports each year reads like a who's who of both strategic and financial buyers. These trends have developed utilizing data we get from our research centers around the world, input from attendees at nearly 200 live events a year, insight from the World Technology Council, plus feedback from all the buyers were in constant communication with. Current disruptive trends include AI enablement, platform effects, composite commerce, IoT, data science monetization, focused IT, healthtech, regtech, smart logistics, and a new one, blue collar software.

 There are many others of course. How do you map these trends that are driving the M&A landscape can dramatically affect your value? They have to be properly woven into your story. From the strategic audit, preparation, presentation, additional research, we can start crafting your message – the story. This is done in the form of compelling introductory letter that is a page in length.

The first couple of paragraphs are really crucial, especially that first sentence. Then there's an executive summary, maximum six to eight pages. This is no place for a deep dive into product specs. It's all about company, positioning, vision, opportunity for the buyer. You must hit your audience right up from a powerful armor piercing soundbites to get their attention. Producing this document is a highly collaborative process with multiple writers, your team, and under – other industry experts to nuance every word in the introduction.

 It really works.

Here's a confidential quote from a recent client who went through this initial process. I like that sentence in the middle -- "I'm more excited about my own company I've ever been." That enthusiasm will be infectious to the buyers.

**June 2019 Global Tech M&A Monthly Report – Q&A**

Bruce Milne: Oh, I see we've come to the end of today's tech M&A. We have time for just one question.

*So, when will this peak market end?*

Boy, no one knows for sure. Here's a graph of the market cycles I didn't put up today. You can see the piece. When the tech M&A market turns, it's a very hard fall. Fast. 40% of value will be lost in the first 18 months. Half the buyers would disappear in that same time frame, typically up to seven years to recover. We're tied to a stock market, which keys off the economy. Goldman Sachs is calling for a 50% chance of pull back next year. Our advice is that you go to your investors to at least calibrate this market now. Next month, they'll go into developing your buyers list to help you create an auction process to get the optimal outcome you deserve.

That's all the time we have for this month's report. We'll see you in July. Now let's go to our close.