



# Sectorwatch: Authentication and Identity Management

July 2018

# Authentication and Identity Management

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# Overview

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7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. We publish our sectorwatch, a review of M&A and operational trends in the industries we focus.

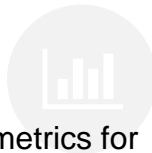
## Dashboard

- Summary metrics on the sector
- Commentary on market momentum by comparing the most recent 12-month performance against the last 3-year averages.



## Public Basket Performance

- Summary valuation and operating metrics for a basket of comparable public companies



## Valuation Comparison

- Graphical, detailed comparison of valuation multiples for the public basket



## Recent Deals

- The most recently announced deals in the sector



# Dashboard



## Revenue Growth Momentum

**↑0.04**

1 - year revenue growth compared to revenue growth average for last 3 years

Current revenue growth rate exceeds the average of the last 3 years by this amount, indicating that market momentum is increasing

## Pricing / Gross Margin Momentum

**↑2.8%**

1 - year gross profit % compared to gross profit % average for last 3 years

Current gross profit margin exceeds the average of the last 3 years gross profit margin by this amount, indicating supplier pricing power

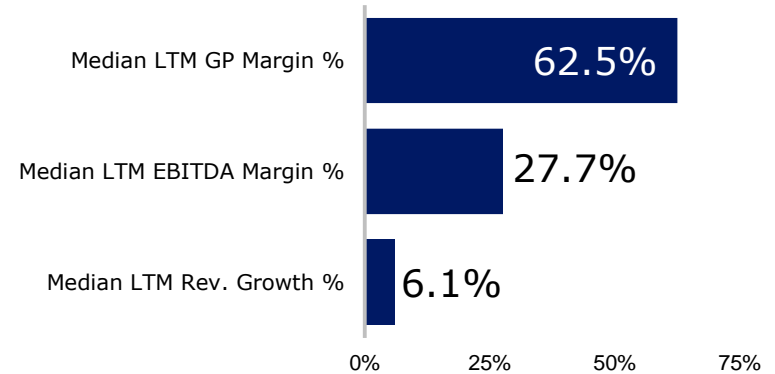
## Profitability Momentum

**↓-0.3%**

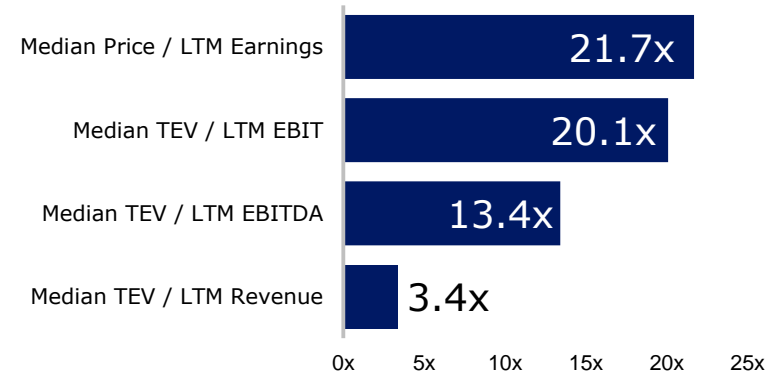
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin is less than the average of the last 3 years EBITDA margins, which may signal further consolidation

## Operating Metrics



## Valuation



# Public Basket

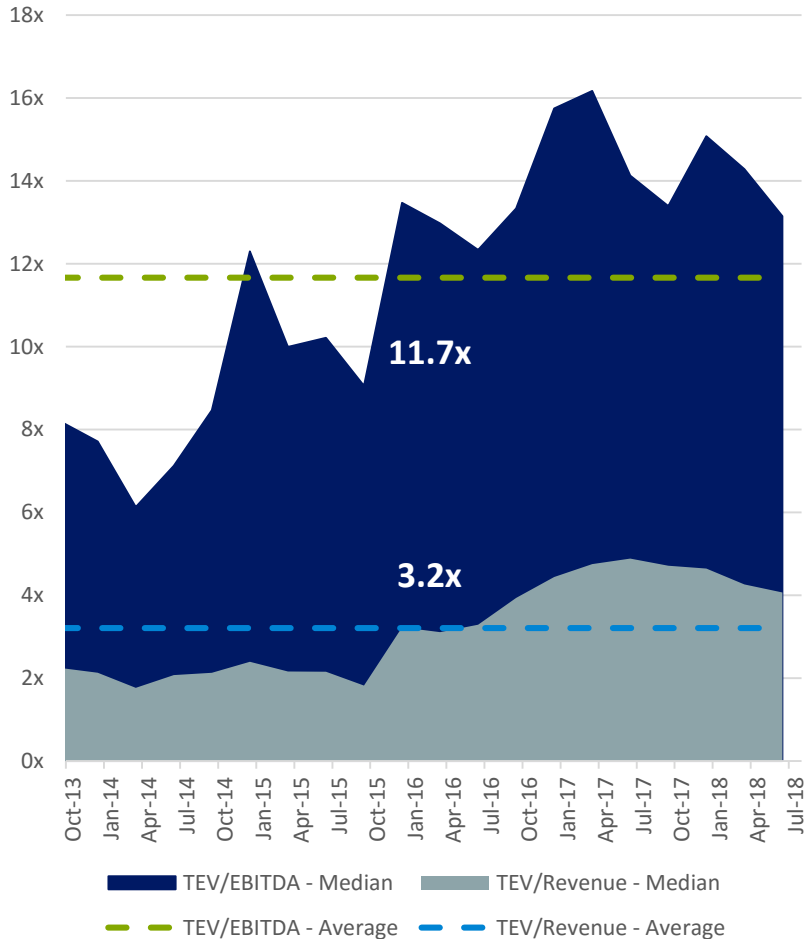


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Synchrony Financial	-	7,216	4%	0%	NA	0.0	0.0	16,000	451
Intersections Inc.	55	158	-7%	68%	-2%	0.3	0.0	362	437
Symantec Corporation	16,302	4,846	21%	79%	25%	3.4	13.7	-	NA
Experian plc	26,280	4,662	8%	43%	31%	6.0	19.4	16,500	283
First Data Corporation	42,207	8,331	6%	63%	35%	5.1	13.4	22,000	379

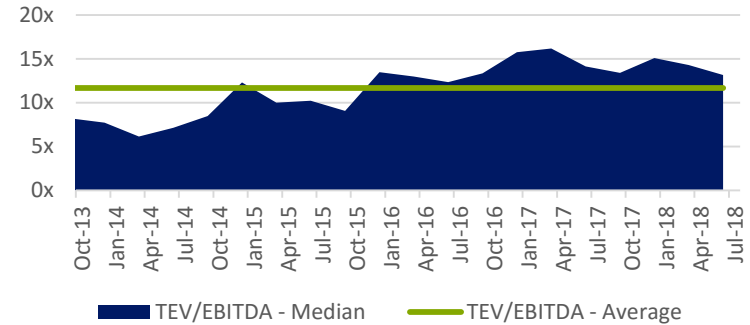
<b>Average</b>	16,969	5,043	6%	50%	22%	3.0	9.3	10,972	387
<b>Median</b>	16,302	4,846	6%	63%	28%	3.4	13.4	16,000	408

share price as of 13Jul18

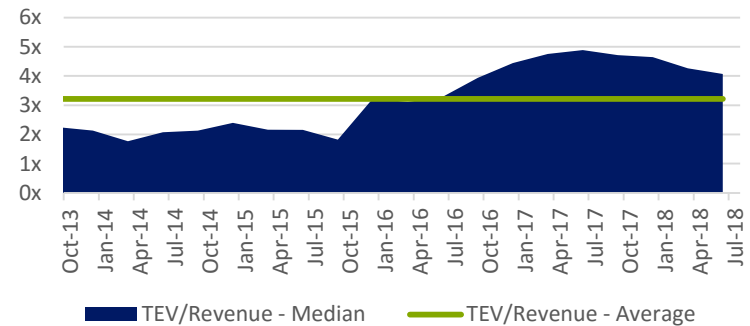
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



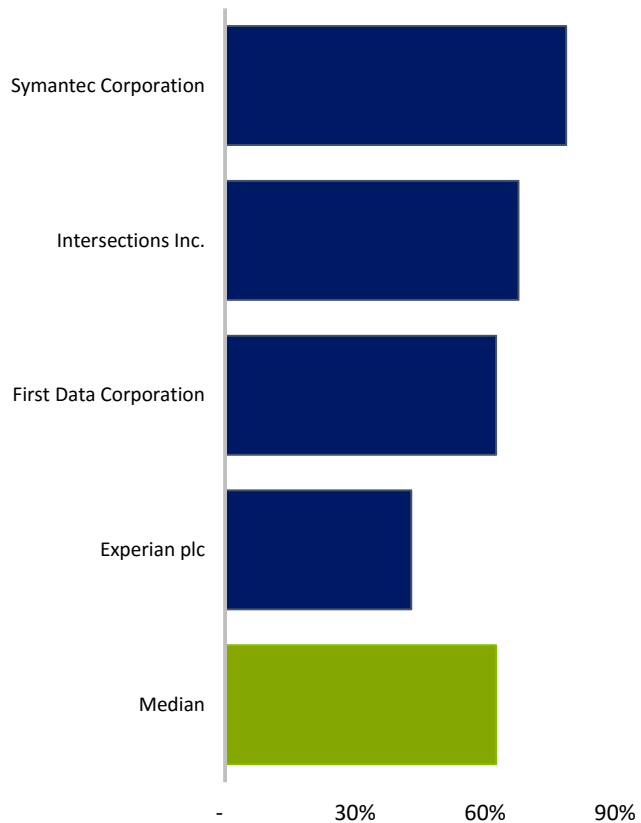
## Public Revenue Multiples over Time



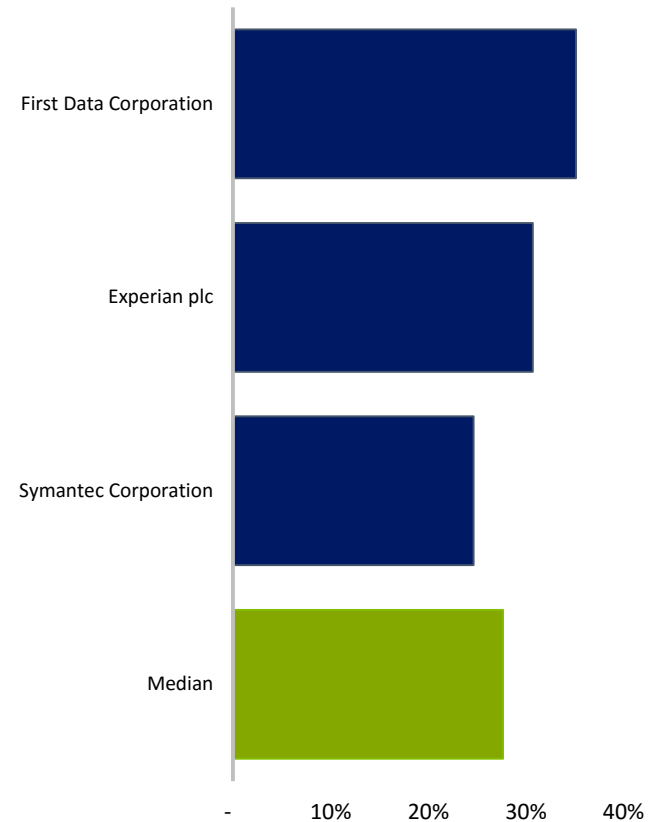
# Operational Metrics



## LTM Gross Profit Margin %



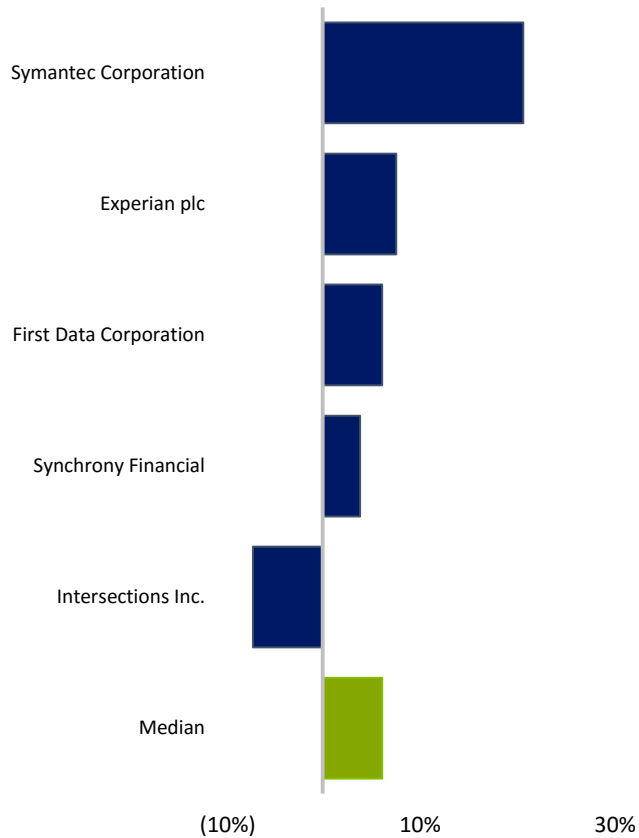
## LTM EBITDA %



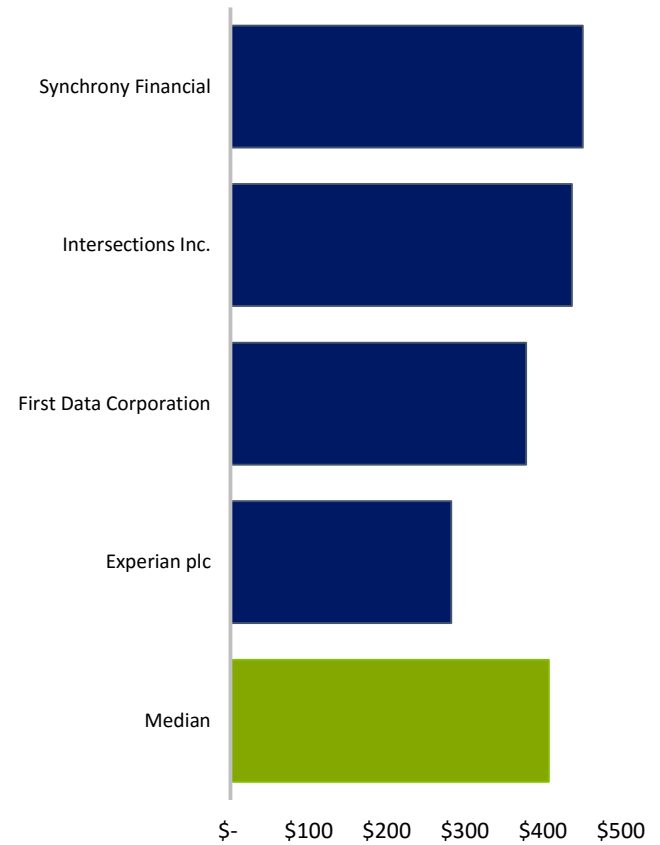
# Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's

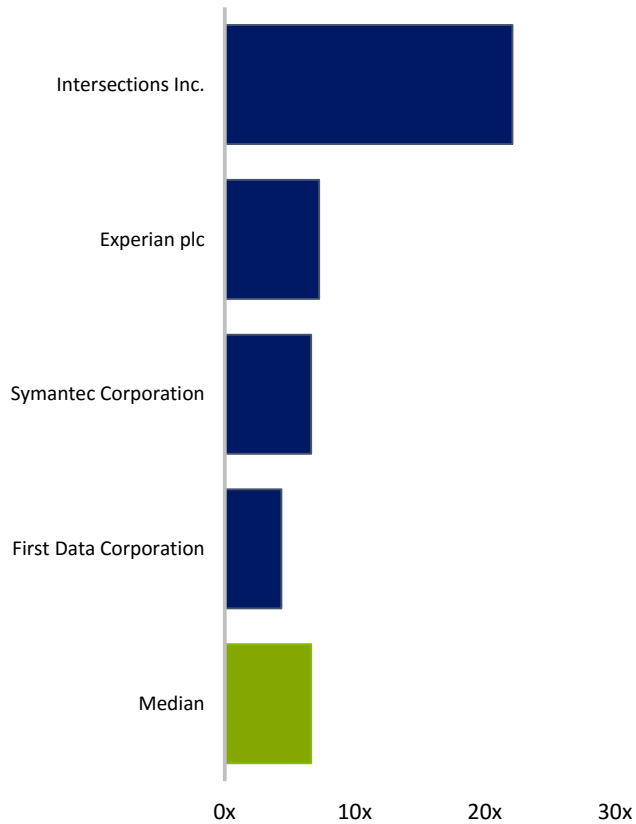




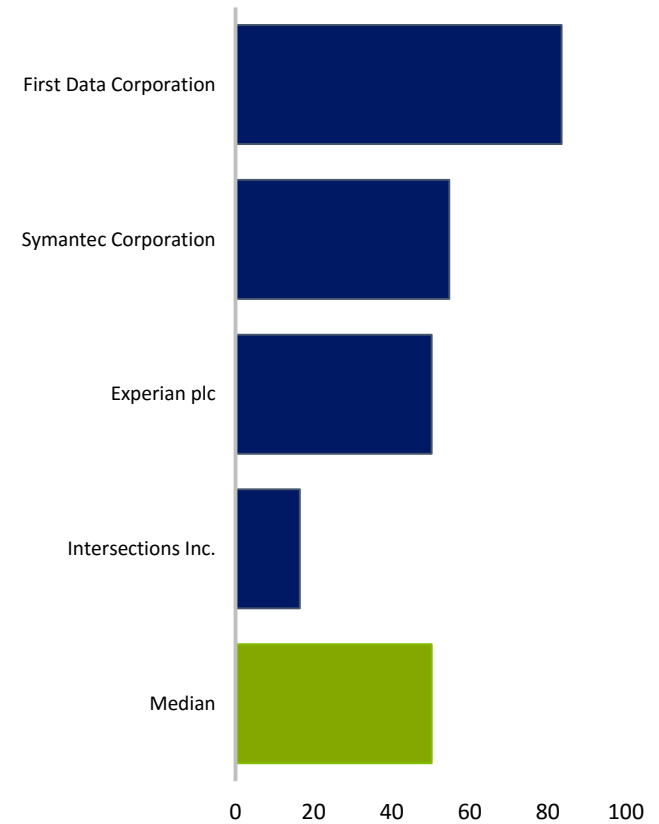
# Operational Metrics



## Accounts Receivable Turnover



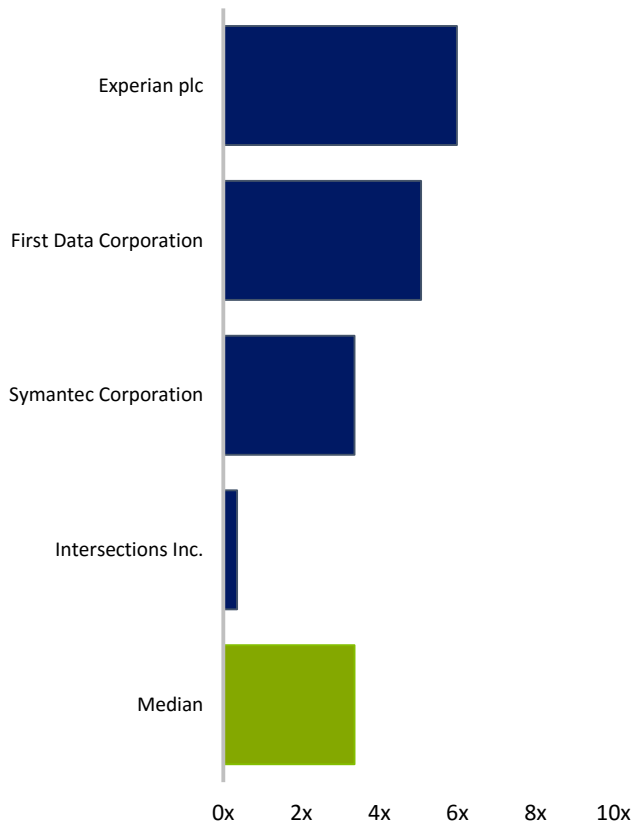
## Average Days Sales Outstanding



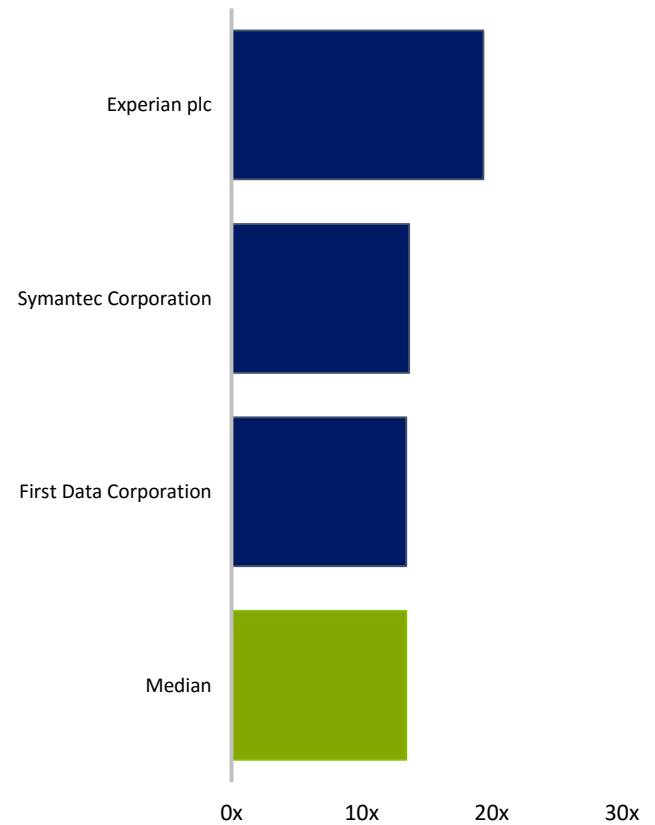
# Valuation



TEV / LTM Revenue



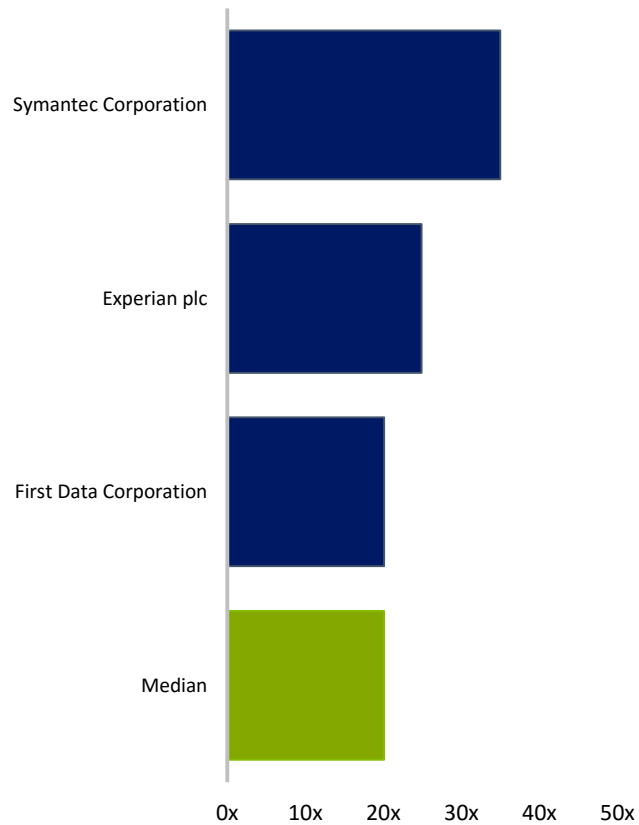
TEV / LTM EBITDA



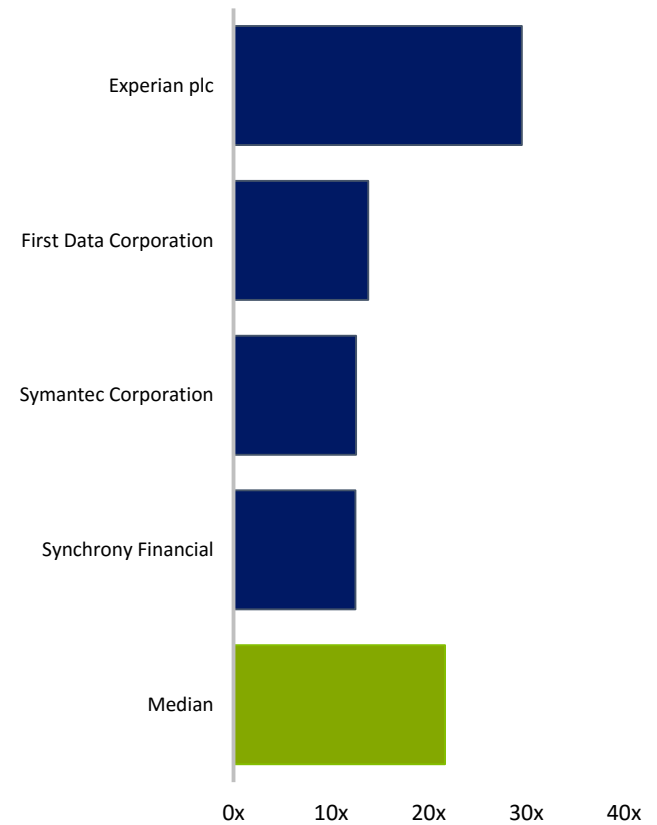
# Valuation



TEV / LTM EBIT



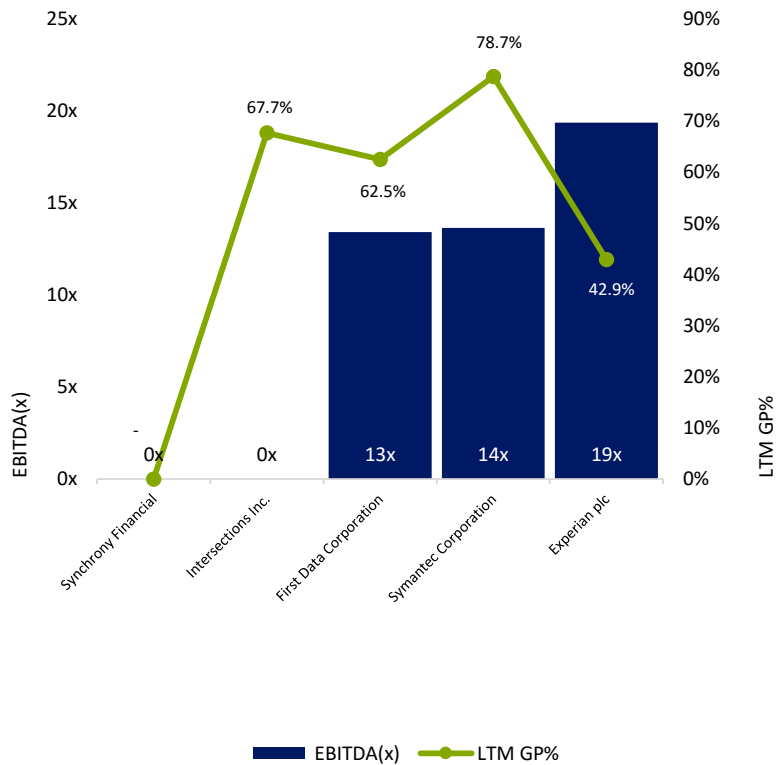
Price / LTM Earnings



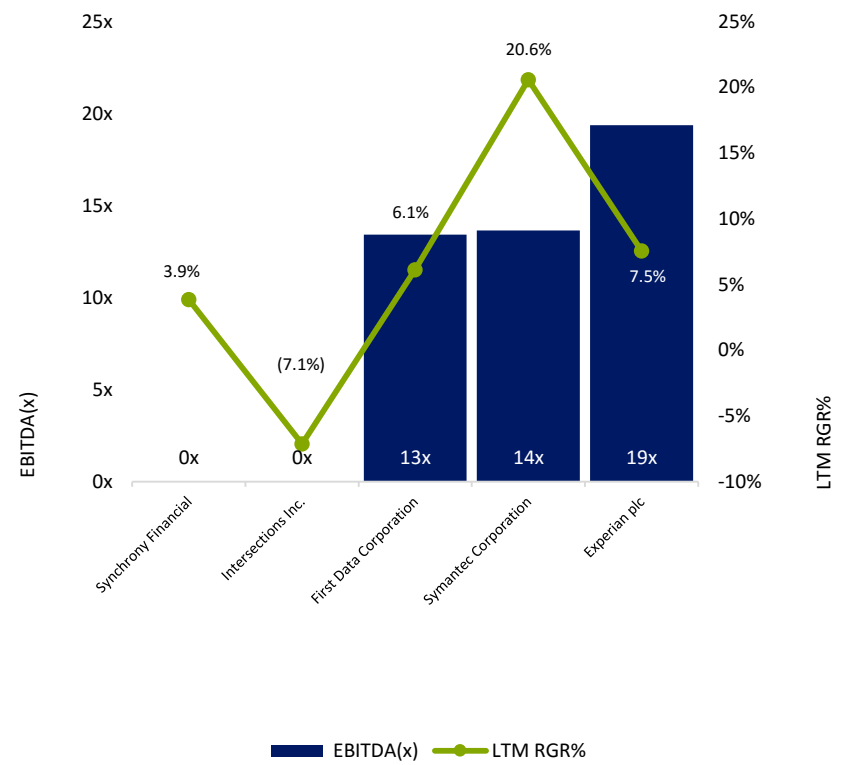
# Valuation



## Historical Valuation Multiples versus Gross Profit



## Historical Valuation Multiples versus Revenue Growth Rate



# Recent Transactions



Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
17May18	iovation Inc.	TransUnion	-	-	-	-
3Apr18	Bomgar Corporation	Francisco Partners Management LLC	-	-	-	-
29Jan18	ThreatMetrix Inc.	LexisNexis Risk Solutions Inc.	830.00	-	-	-
18Oct17	Duo Security, Inc.	MeriTech Capital Partners; Redpoint Ventures; Index Ventures; Workday, Inc.; True Ventures; Lead Edge Capital Management, LLC; Geodesic Capital	70.00	-	-	-
13Sep17	ProQual-I.T., Inc.	10Pearls, LLC	-	-	-	-
3May17	Kofax Limited	Thoma Bravo, LLC	1,350.00	572.36	2.4x	-
25Apr17	TeleSign Corporation	Belgacom International Carrier Services SA	230.00	100.00	2.3x	-
30Jan17	ThreatWave	Return Path, Inc.	-	-	-	-
12Dec16	Online Banking Solutions, Inc.	Fiserv, Inc.	-	-	-	-
29Nov16	Akana, Inc.	Rogue Wave Software, Inc.	-	-	-	-
18Apr16	CSIdentity Corporation	Experian Information Solutions, Inc.	360.00	-	-	-

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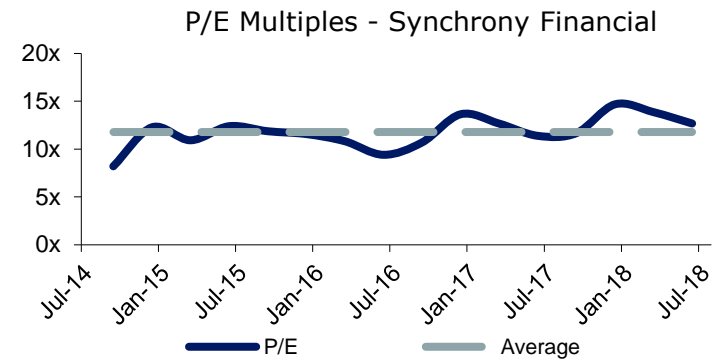
APPENDIX:  
Public Basket  
Constituents

# Public Basket



## Synchrony Financial

Synchrony Financial operates as a consumer financial services company in the United States. The company offers private label credit cards, dual cards, general purpose co-branded credit cards, and small and medium-sized business credit products; and promotional financing for consumer purchases, such as private label credit cards and installment loans. It also provides promotional financing to consumers for health and personal care procedures, products, or services, such as dental, veterinary, cosmetic, vision and audiology; debt cancellation products; and deposit products, including certificates of deposit, individual retirement accounts, money market accounts, and savings accounts to retail and commercial customers, as well as accepts deposits through third-party securities brokerage firms. The company offers its credit products through programs established with a group of national and regional retailers, local merchants, manufacturers, buying groups, industry associations, and healthcare service providers; and deposit products through multiple channels, including digital and print. Synchrony Financial was incorporated in 2003 and is headquartered in Stamford, Connecticut.



Date	Key Development Headline
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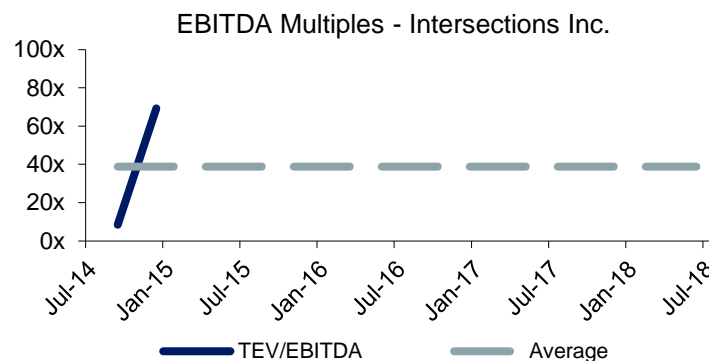
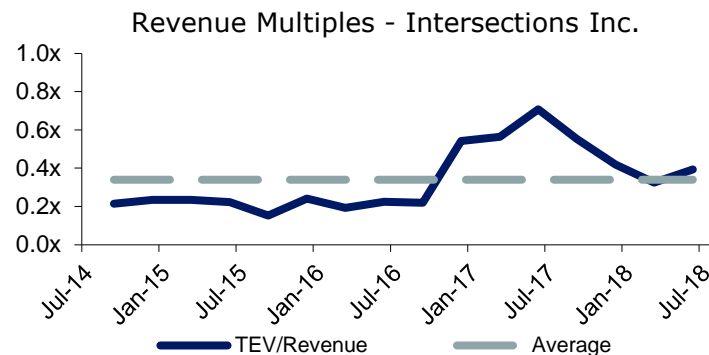
6/7/18	Synchrony Financial (NYSE:SYF) completed Loop Commerce, Inc.
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# Public Basket



## Intersections Inc.

Intersections Inc. provides identity risk management and privacy protection services in the United States and Canada. The company's Personal Information Services segment offers privacy, personal information security, and identity theft monitoring and remediation services for consumers to understand, monitor, manage, and protect against the risks associated with their personal information. Its services include credit reports, credit monitoring, educational credit scores, and credit education; reports, monitoring, and education about other personal information and risks, such as public records, identity validation, new accounts, and Internet data risks; identity theft recovery services; identity theft cost reimbursement insurance; and software and other technology tools and services under the IDENTITY GUARD brand. This segment also offers breach response services to organizations responding to compromises of sensitive personal information; and Privacy Now with Watson, an identity theft monitoring and privacy advisory solution. The company's Insurance and Other Consumer Services segment provides insurance and membership products for consumers. Intersections Inc. was founded in 1996 and is headquartered in Chantilly, Virginia.



Date	Key Development Headline
8/10/17	Intersections Mulls Acquisitions
8/3/17	One Health Group, LLC acquired i4c Innovations LLC from Intersections Inc. (NasdaqGM:INTX) for \$20 million.

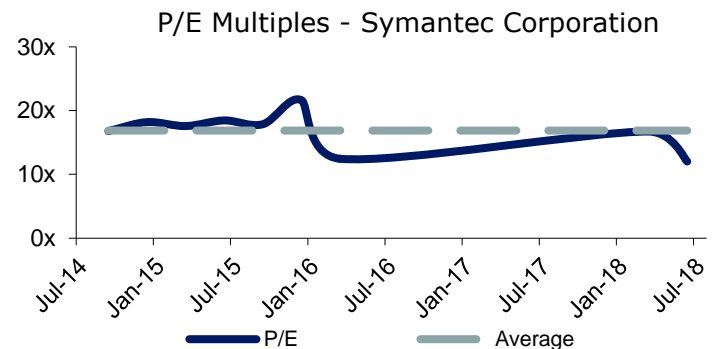
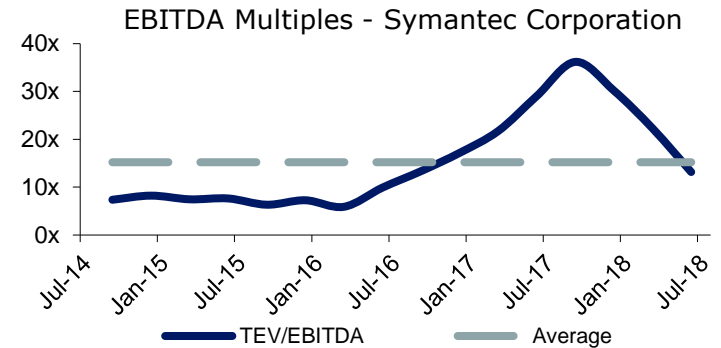
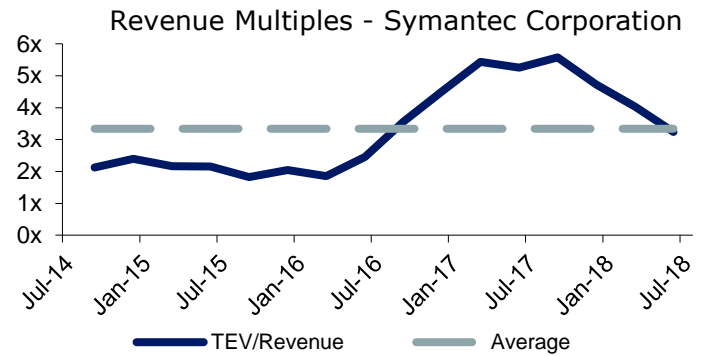


# Public Basket



## Symantec Corporation

Symantec Corporation, together with its subsidiaries, provides cybersecurity solutions worldwide. It operates through two segments, Consumer Digital Safety and Enterprise Security. The Consumer Digital Safety segment provides Norton-branded services that provide multi-layer security services across desktop and mobile operating systems, public Wi-Fi connections, and home networks to defend against online threats to individuals, families, and small businesses. This segment also offers LifeLock-branded identity protection services, such as identifying and notifying users of identity-related and other events, and assisting users in remediating their impact; and digital safety platform designed to protect information across devices, customer identities, and the connected homes and families. The Enterprise Security segment provides endpoint protection products, endpoint management, messaging protection products, information protection products, cyber security services, Website security, and advanced Web and cloud security offerings. Its enterprise endpoint, network security, and management offerings supports evolving endpoints and networks, as well as provides an integrated cyber defense platform. Symantec Corporation was founded in 1982 and is headquartered in Mountain View, California.



Date	Key Development Headline
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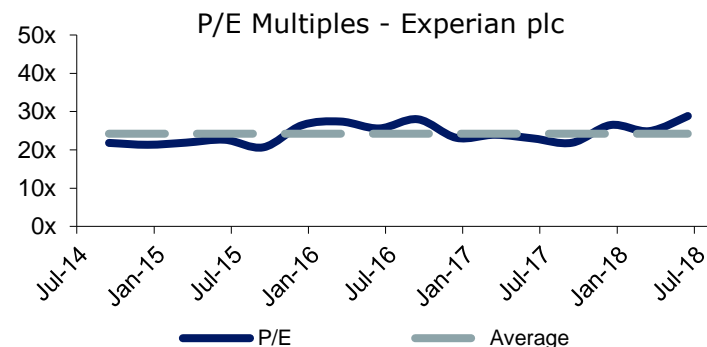
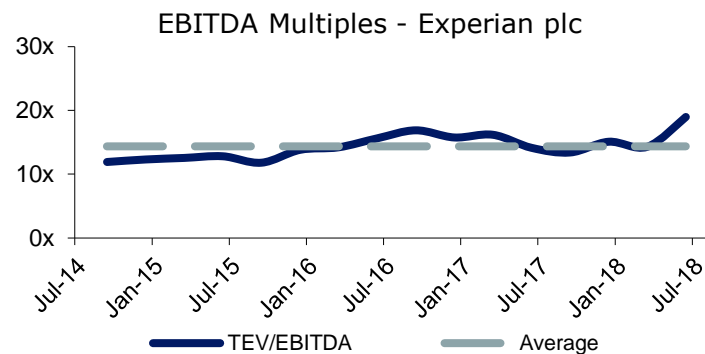
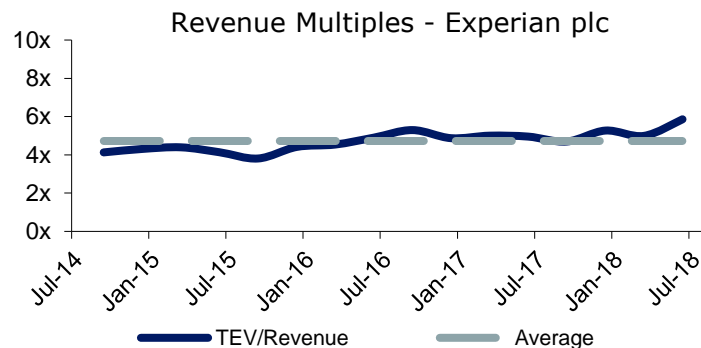
5/10/18	Symantec Eyes Acquisitions
2/14/18	Symantec May Seek Acquisitions

# Public Basket



## Experian plc

Experian plc, together with its subsidiaries, operates as an information services company. The company offers credit services, such as holding, protecting, and managing data that help businesses and organizations to lend, as well as prevent frauds. Its credit services also holds information of people and businesses that have repaid credit in the past; and provides credit reports used by various businesses, such as banks, automotive dealers, healthcare providers, and retailers. The company also provides software and analytics solutions that help clients in lending, as well as detecting and minimizing frauds, and complying with legal requirements. In addition, it offers marketing services, which include data management and analytics that enable businesses to plan, build, and deliver their marketing campaigns. Experian plc was founded in 1803 and is headquartered in Dublin, Ireland.



Date	Key Development Headline
5/17/18	Experian Seeks Acquisitions
3/18/18	Experian plc (LSE:EXPN) acquired Clarity Services, Inc.
1/17/18	Equifax and Experian Interested In ClearScore Acquisition
12/30/17	Experian plc (LSE:EXPN) completed the acquisition of a 25% stake in London & Country Mortgages Limited.
12/7/17	Experian plc (LSE:EXPN) signed an agreement to acquire a 25% stake in London & Country Mortgages Limited.

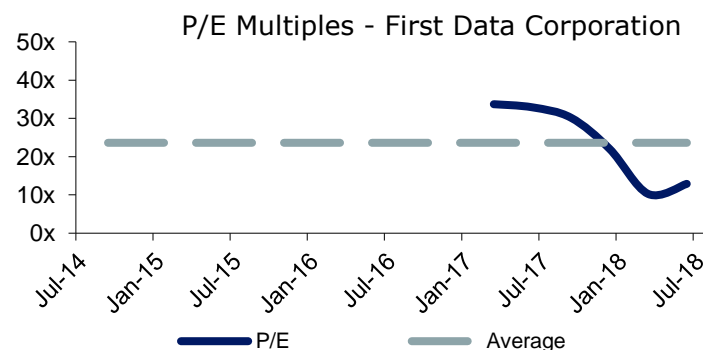
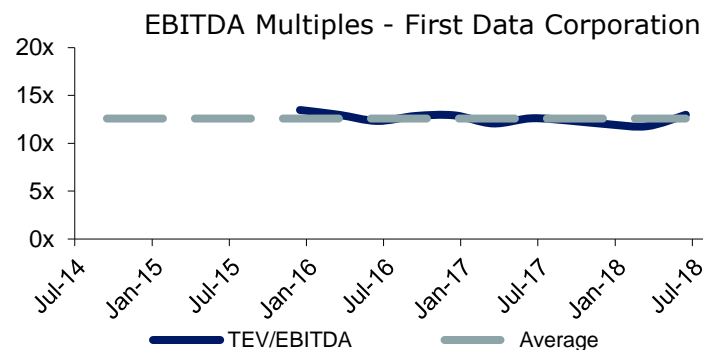
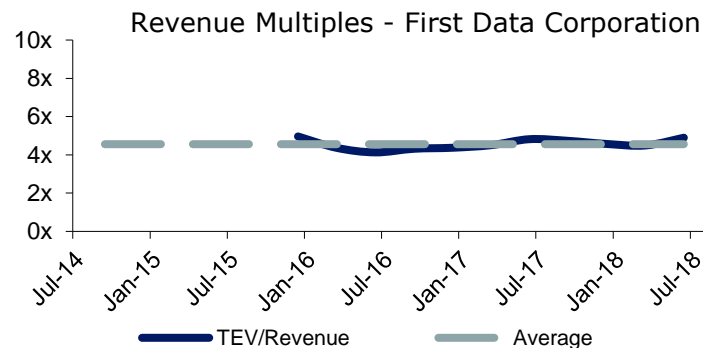
# Public Basket



## First Data Corporation

First Data Corporation provides electronic commerce solutions for merchants, financial institutions, and card issuers worldwide. It operates through three segments: Global Business Solutions (GBS), Global Financial Solutions (GFS), and Network & Security Solutions (NSS). The GBS segment offers retail point-of-sale merchant acquiring and e-commerce services; and mobile payment services, as well as its cloud-based Clover point-of-sale operating system, which includes a marketplace for proprietary and third-party business applications. The company was founded in 1989 and is headquartered in Atlanta, Georgia.

Date	Key Development Headline
5/23/18	SIA S.p.A. signed an agreement to acquire card processing businesses in seven countries of First Data Corporation (NYSE:FDC) for approximately €380 million.
11/30/17	First Data Corporation (NYSE:FDC) completed the acquisition of BluePay, Inc. from TA Associates Management, L.P., BluePay management and others.
10/20/17	BluePay Holdings, Inc., First Data Corporation - M&A Call
10/19/17	First Data Corporation (NYSE:FDC) entered into a definitive stock purchase agreement to acquire BluePay, Inc. from TA Associates Management, L.P., BluePay management and others for \$760 million.
9/26/17	Worldline S.A. (ENXTPA:WLN) completed the acquisition of First Data Lietuva Uab and First Data Latvia Sia and First Data EESTI OU from First Data Corporation (NYSE:FDC).



# Contact Information

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