



Sectorwatch: SaaS

November 2018

SaaS

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Overview

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.



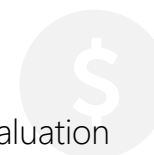
Public Basket Performance

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



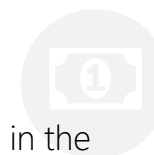
Valuation Comparison

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



Recent Deals

- The most recently announced deals in the sector



Dashboard



Revenue Growth

↓ -0.06

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

Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining

Pricing / Gross Margin Momentum

↑ 1.5%

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

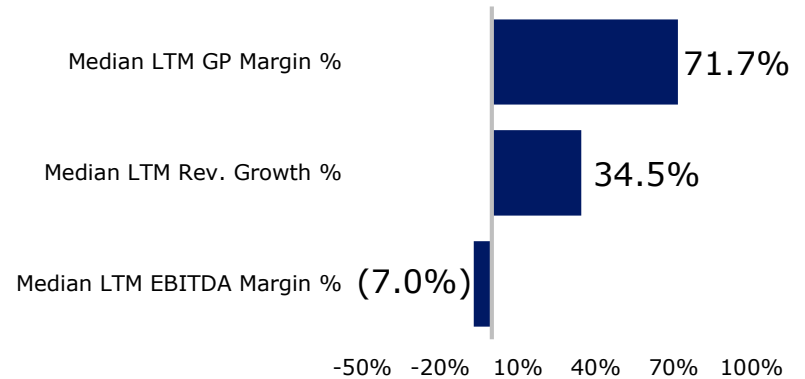
Profitability Momentum

↑ 2.2%

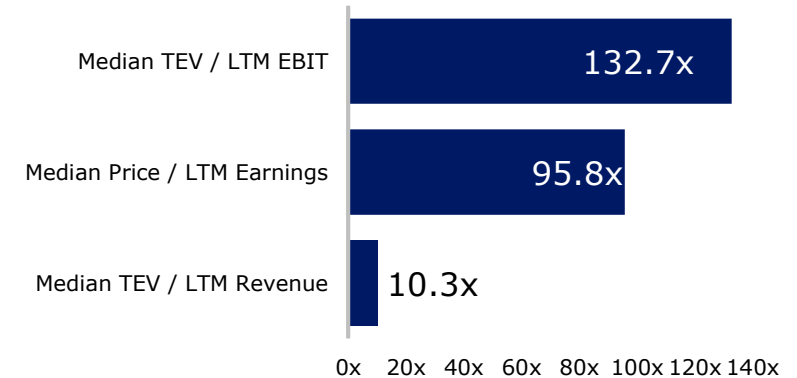
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin exceeds the average of the last 3 years EBITDA margin by this amount, a condition that may attract new entrants

Operating Metrics



Valuation



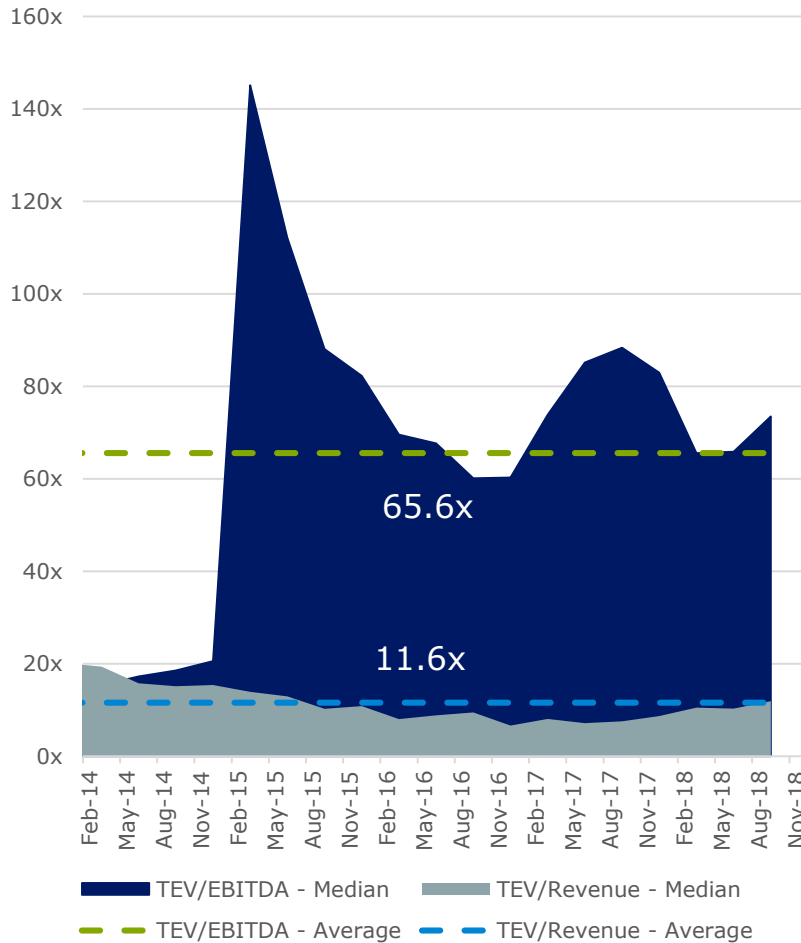
Public Basket



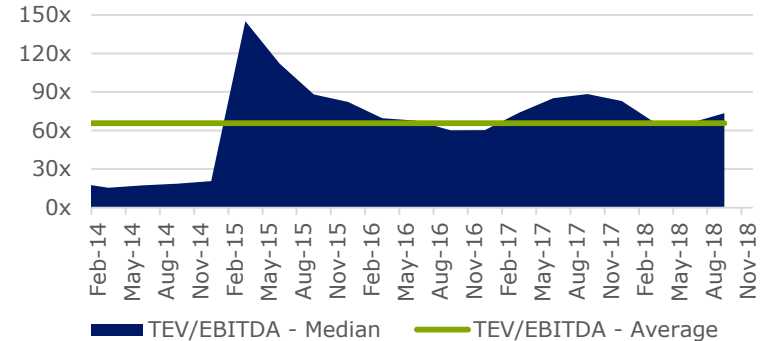
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Box, Inc.	2,392	555	22%	73%	-19%	4.3	0.0	1,784	311
Blackbaud, Inc.	3,759	845	10%	55%	16%	4.5	27.4	3,182	265
Zendesk, Inc.	5,685	549	38%	70%	-20%	10.4	0.0	2,060	266
Splunk Inc.	13,511	1,464	38%	79%	-17%	9.2	0.0	3,200	457
Shopify Inc.	13,707	952	64%	56%	-7%	14.4	0.0	3,000	317
Workday, Inc.	26,921	2,428	31%	71%	-7%	11.1	0.0	8,200	296
ServiceNow, Inc.	29,201	2,457	40%	76%	2%	11.9	0.0	6,222	395
salesforce.com, inc.	98,850	11,793	25%	74%	9%	8.4	89.6	29,000	407
Average	24,253	2,630	34%	69%	-5%	9.3	14.6	7,081	339
Median	13,609	1,208	34%	72%	-7%	9.8	0.0	3,191	314

share price as of 15Nov18

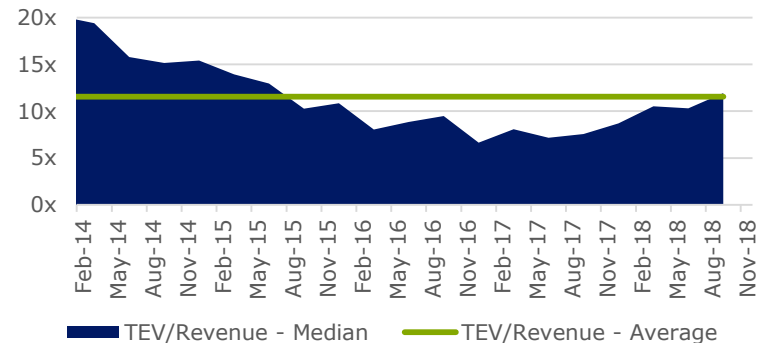
Public Basket Valuation Trends



Public EBITDA Multiples over Time



Public Revenue Multiples over Time



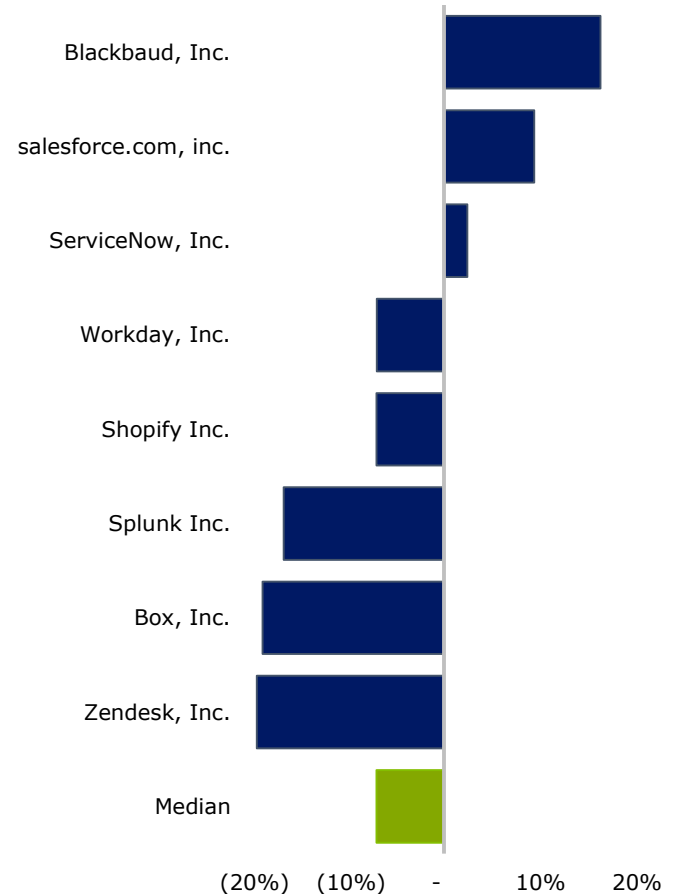
Operational Metrics



LTM Gross Profit Margin %



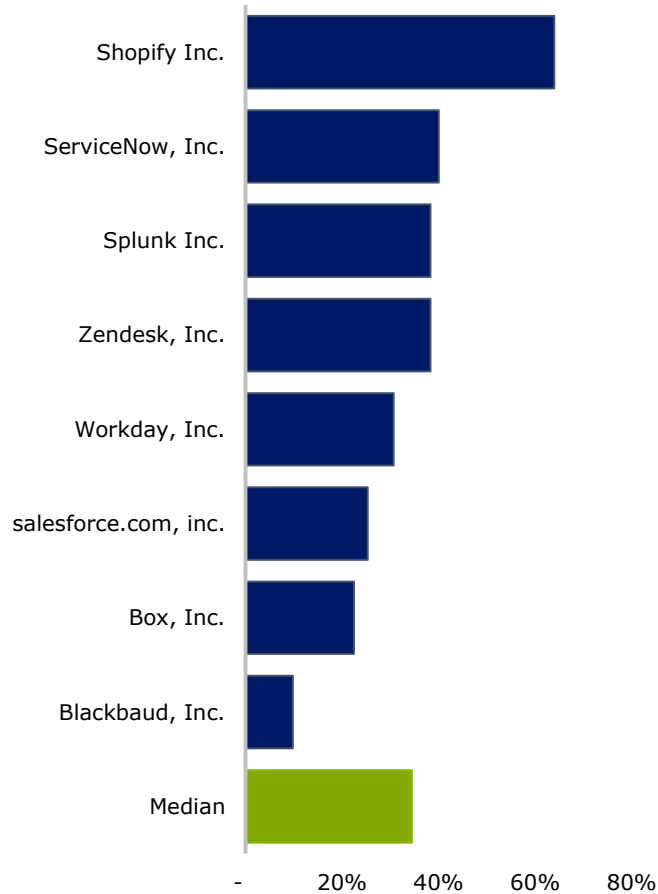
LTM EBITDA %



Operational Metrics



LTM Revenue Growth %



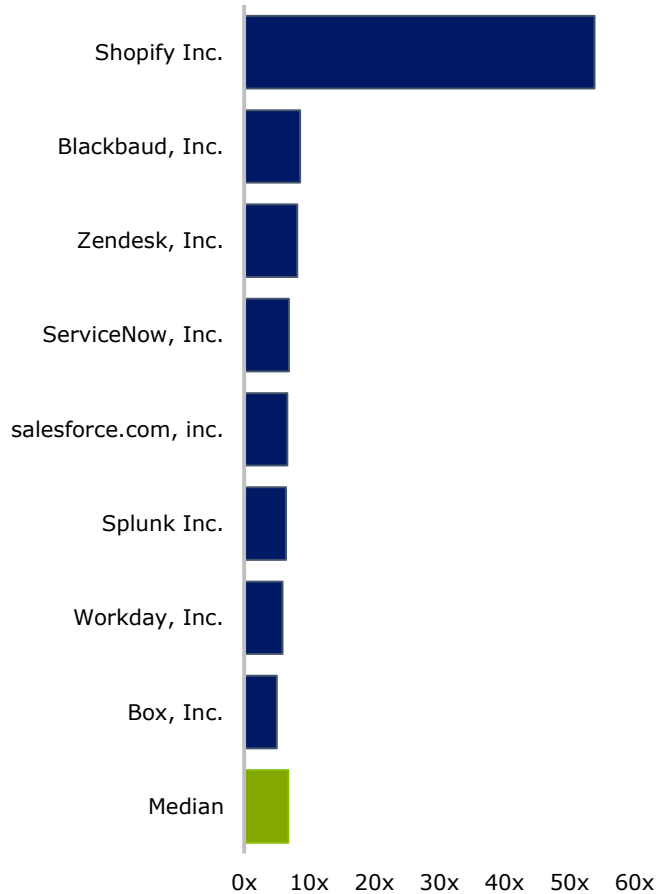
LTM Revenue per Full Time Employee x 000's



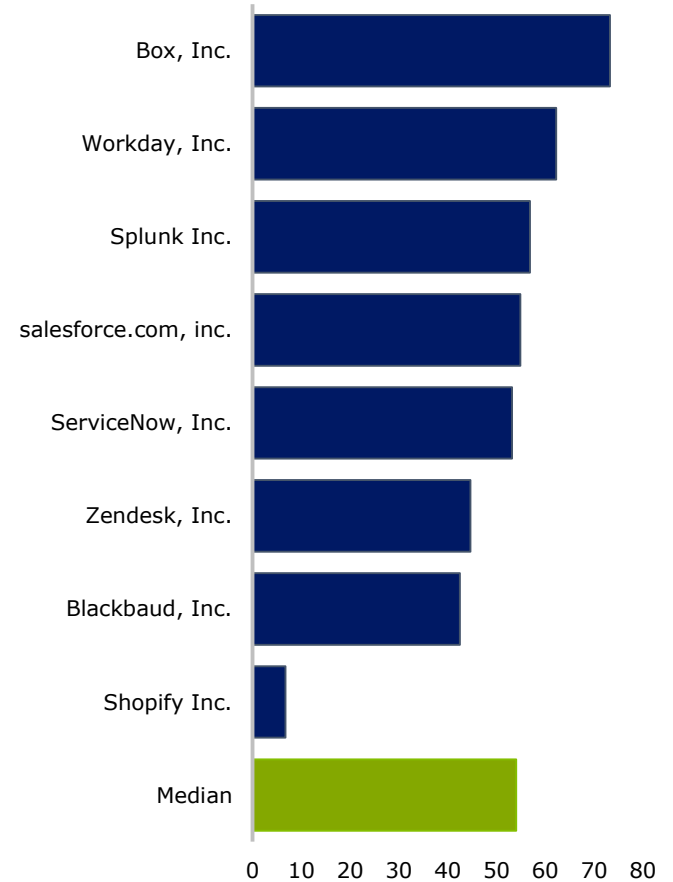
Operational Metrics



Accounts Receivable Turnover



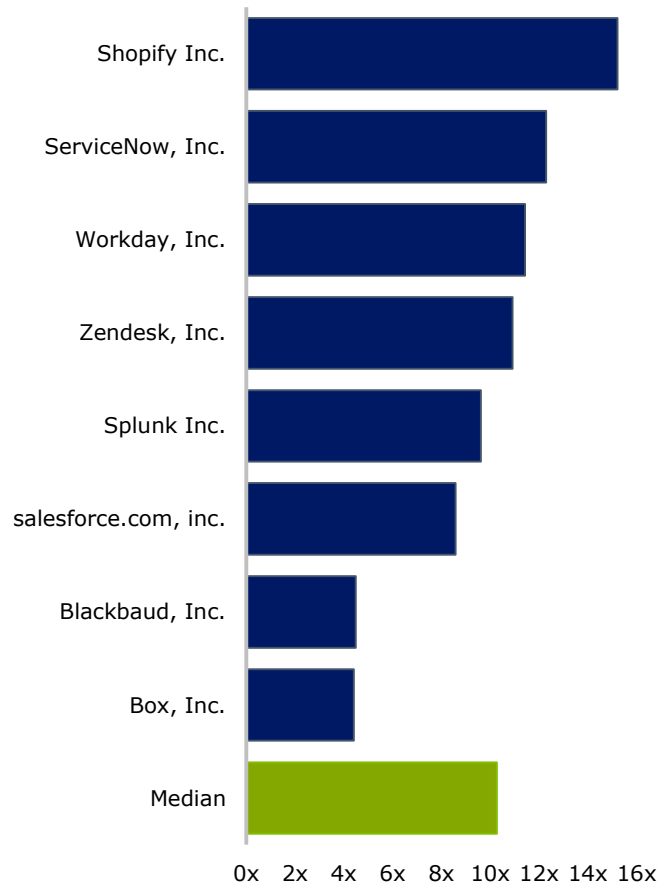
Average Days Sales Outstanding



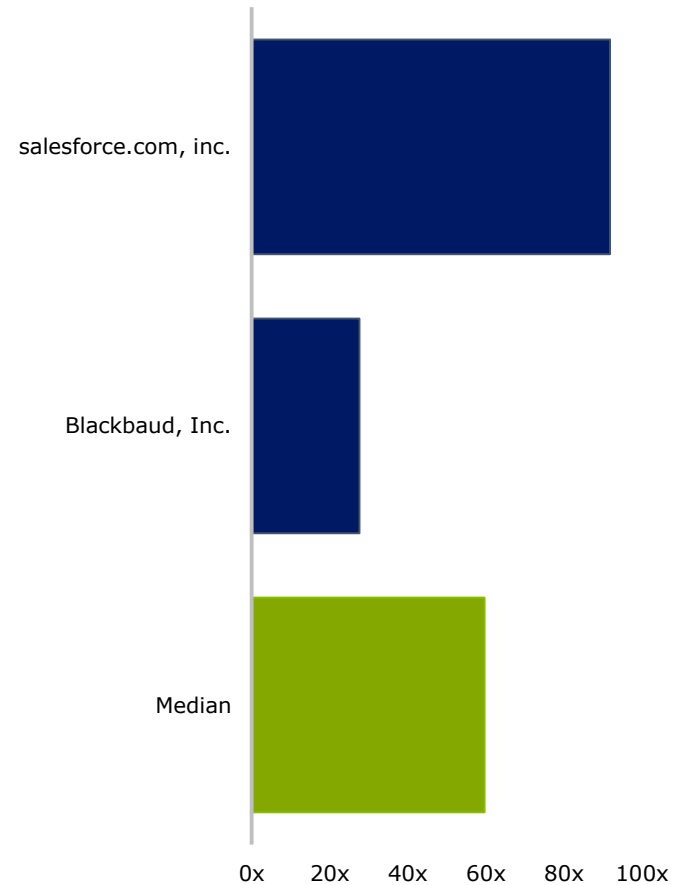
Valuation



TEV / LTM Revenue



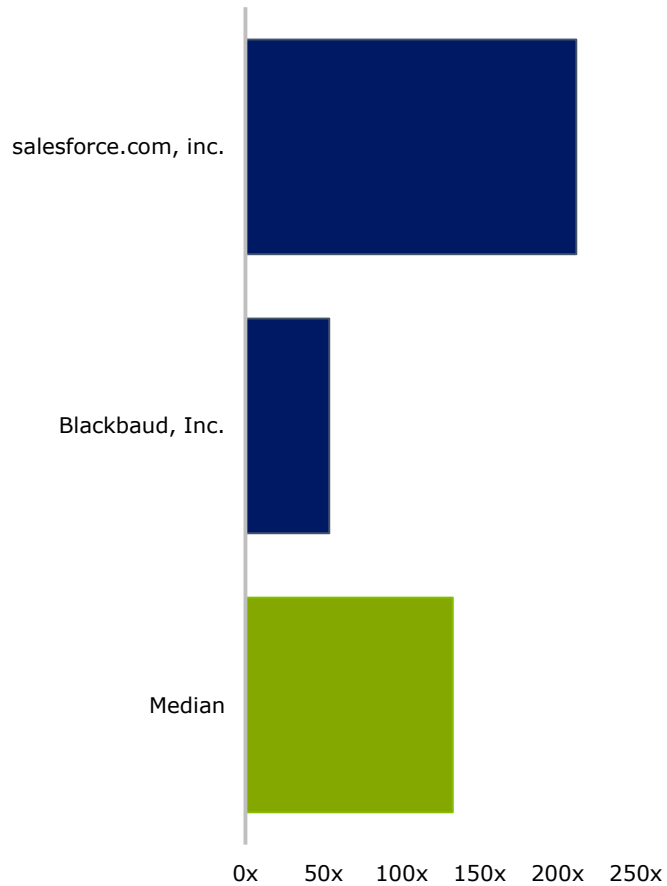
TEV / LTM EBITDA



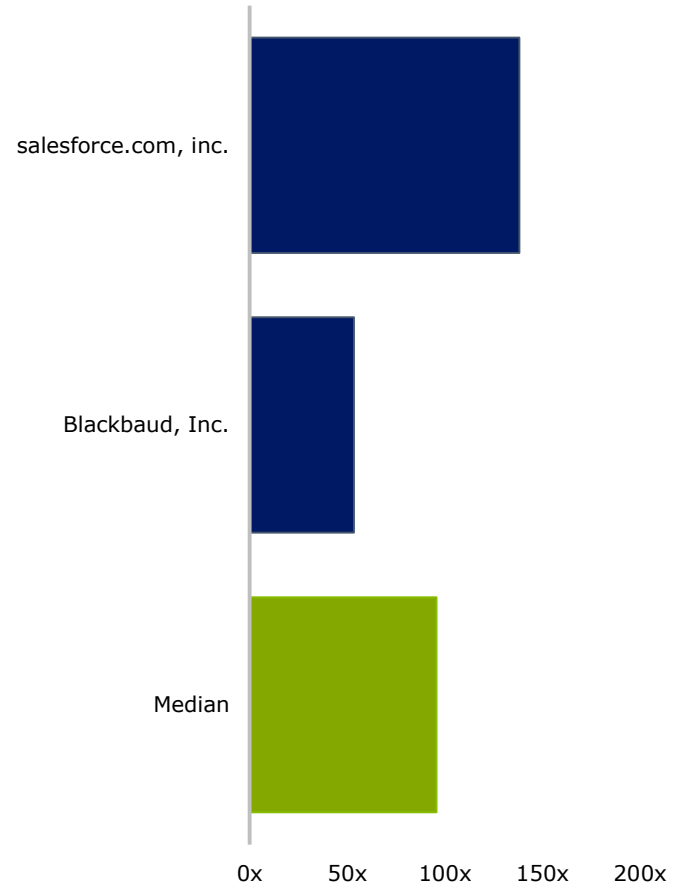
Valuation



TEV / LTM EBIT



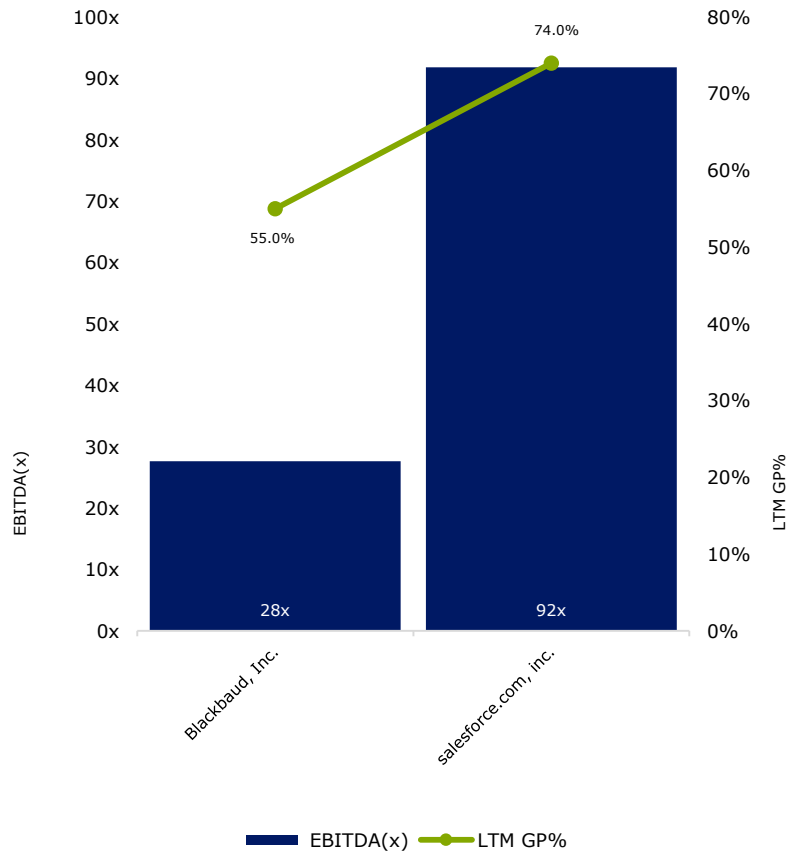
Price / LTM Earnings



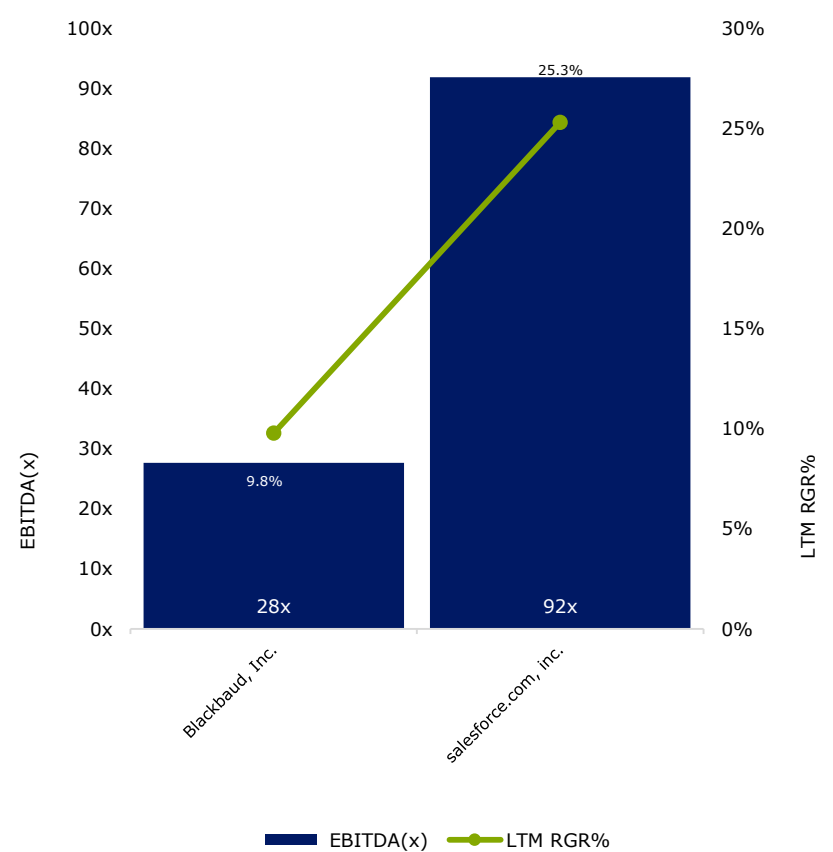
Valuation



Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions



<u>Date</u>	<u>Target</u>	<u>Buyer / Investor</u>	<u>Total Transaction Value</u>	<u>Target Revenue</u>	<u>TEV / Revenue</u>	<u>TEV / EBITDA</u>
11Nov18	Qualtrics International Inc.	SAP SE	8,000.00	372.39	-	-
5Nov18	MatrixCare, Inc.	ResMed Operations Inc.	750.00	-	-	-
5Nov18	Veracode, Inc.	Thoma Bravo, LLC	950.00	-	-	-
23Oct18	Vendor Credentialing Service LLC	Clearlake Capital Group, L.P.	-	-	-	-
9Apr18	SourceClear, Inc.	Veracode, Inc.	-	-	-	-
20Mar18	MuleSoft, Inc.	salesforce.com, inc.	6,811.58	296.46	22.3x	NM
13Mar18	Spensa Technologies Inc.	Telvent DTN, LLC	-	-	-	-
27Feb18	Phantom Cyber Corporation	Splunk Inc.	350.00	-	-	-
29Jan18	Callidus Software Inc.	SAP America, Inc.	2,576.42	253.09	9.6x	NM
26Jan18	Icertis, Inc	MeriTech Capital Partners; Ignition Partners; Greycroft; Cross Creek Advisors; Eight Roads Ventures India; B Capital Group; B Capital Fund, L.P.; PSP Growth	50.04	-	-	-
11Jan18	Kenandy, Inc.	The Danville Group, Inc.	-	-	-	-
8Jan18	Attic Labs, Inc.	Quip, Inc.	-	-	-	-
4Jan18	PrintFleet Inc.	ECi Software Solutions, Inc.	-	-	-	-
18Dec17	Aconex Limited	Vantive Australia Pty Ltd	1,258.87	127.39	9.7x	NM
14Dec17	Brighter, Inc.	Cigna Corporation	-	-	-	-
14Aug17	ECi Software Solutions, Inc.	Apax Partners LLP	-	-	-	-
5Jul17	Computational Engineering International, Inc.	ANSYS, Inc.	-	-	-	-
11Jul17	MedApproved, LLC	TractManager, Inc.	-	-	-	-
23Jun17	Giving.com Limited	Blackbaud Global Ltd.	120.93	-	-	-
17May17	Qlue Inc.	ServiceNow, Inc.	6.60	-	-	-
5May17	PAYONE GmbH	B+S Card Service GmbH	-	-	-	-
27Apr17	Outbound Solutions, Inc.	Zendesk, Inc.	16.56	-	-	-
12Apr17	Qualtrics, LLC	Accel Partners; Insight Venture Partners LLC; Sequoia Capital	180.00	-	-	-
27Mar17	StepOne, Inc.	FanThreeSixty LLC	-	-	-	-
6Mar17	Veracode, Inc.	CA, Inc.	614.00	-	-	-
30Dec16	Spend360 International Ltd	Coupa Software Incorporated	10.05	-	-	-
18Dec16	ISCS, Inc.	Guidewire Software, Inc.	160.00	-	-	-
7Nov16	Datahug Limited	Callidus Software Inc.	13.00	-	-	-
20Oct16	Appirio Inc.	Wipro Limited	500.00	196.00	2.6x	-
3Oct16	Krux Digital Inc.	salesforce.com, inc.	767.98	-	-	-
20Sep16	GovDelivery, Inc.	Vista Equity Partners Management, LLC	153.00	-	-	-
12Sep16	Corso Ltd.	erwin, Inc.	-	-	-	-

SaaS

November 2018

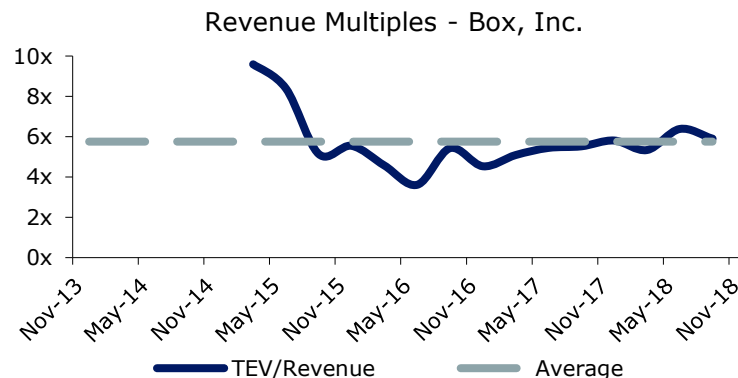
APPENDIX: Public Basket Constituents

Public Basket



Box, Inc.

Box, Inc. provides cloud content management platform that enables organizations of various sizes to manage and share their enterprise content from anywhere or any device. The company's Software-as-a-Service platform enables users to collaborate on content internally and with external parties, automate content-driven business processes, develop custom applications, and implement data protection, security, and compliance features. Box, Inc. offers its solution in 23 languages. It serves healthcare and life sciences, financial services, legal services, media and entertainment, retail, education, and energy industries, as well as government sector primarily in the United States. The company was formerly known as Box.net, Inc. and changed its name to Box, Inc. in November 2011. Box, Inc. was founded in 2005 and is headquartered in Redwood City, California.



Date	Key Development Headline
7/9/18	Box, Inc. (NYSE:BOX) acquired Butter AI Corporation.

Public Basket

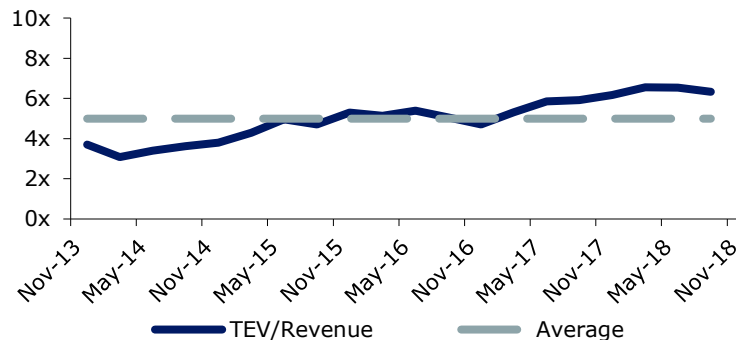


Blackbaud, Inc.

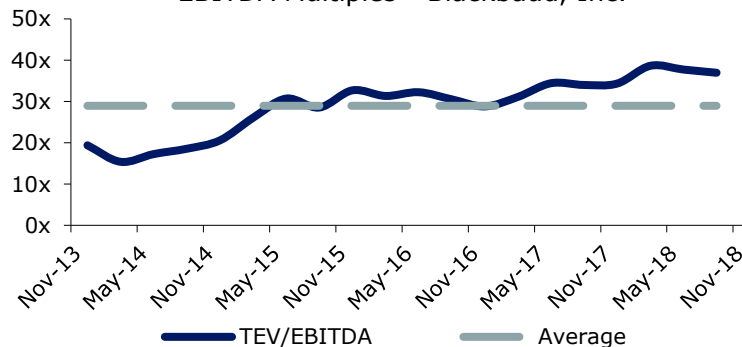
Blackbaud, Inc. provides cloud software solutions to nonprofits, foundations, corporations, education institutions, healthcare organizations, and other charitable giving entities primarily in the United States, Canada, the United Kingdom, and Australia. The company offers Raiser's Edge NXT and Blackbaud CRM (constituent relationship management), which are fundraising and relationship management solutions; Luminate CRM for campaign management, constituent relations, business intelligence, and analytics; eTapestry, a cloud fundraising and donor management solution; everydayhero, a cloud crowdfunding solution; and JustGiving, a social platform for giving. It also provides solutions for Luminate Online that builds online fundraising campaigns; Blackbaud Online Express, a cloud fundraising and marketing tool; and Blackbaud NetCommunity, an online marketing and communications tool. In addition, the company offers Financial Edge NXT, a cloud accounting solution; GIFTS Online, a cloud solution; FIMS, a foundation management system; and Blackbaud Outcomes that empowers funders and nonprofits. Blackbaud, Inc. was founded in 1981 and is headquartered in Charleston, South Carolina.

Date	Key Development Headline
5/1/18	Blackbaud Seeks Acquisitions
4/30/18	Blackbaud, Inc. (NasdaqGS:BLKB) acquired Reeher LLC.

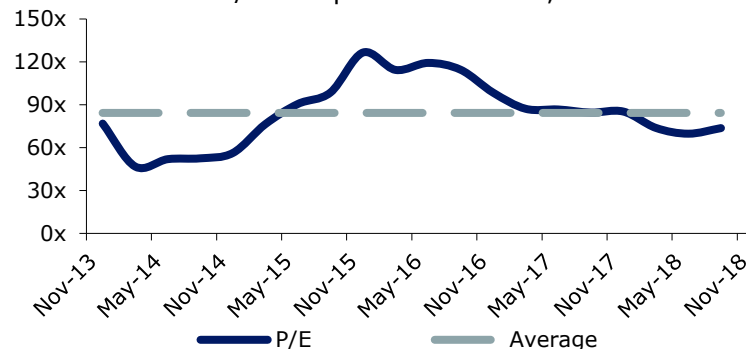
Revenue Multiples - Blackbaud, Inc.



EBITDA Multiples - Blackbaud, Inc.



P/E Multiples - Blackbaud, Inc.

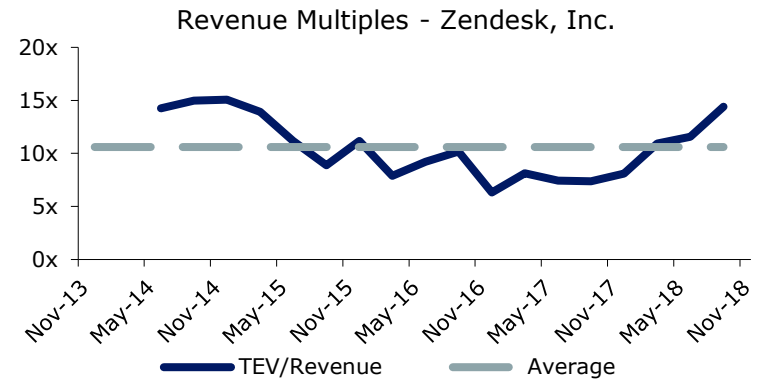


Public Basket



Zendesk, Inc.

Zendesk, Inc., a software development company, provides SaaS products for organizations. Its flagship product is Zendesk Support, a system for tracking, prioritizing, and solving customer support tickets across various channels. The company also offers Zendesk Chat, a live chat software to connect with customers on Websites, in applications, and on mobile devices; Zendesk Talk, a cloud-based call center software; Zendesk Guide, a knowledge base that for customer self-service and support agent productivity; Zendesk Message, a customer messaging software; and Zendesk Explore that makes customer data accessible across an organization. In addition, it operates a developer platform that allows organizations to extend the functionality of its family of products, integrate into internal and third-party systems, and customize the experience for their employees and customers. It has operations in the United States, Europe, the Middle East, Africa, and internationally. Zendesk, Inc. was founded in 2007 and is headquartered in San Francisco, California.



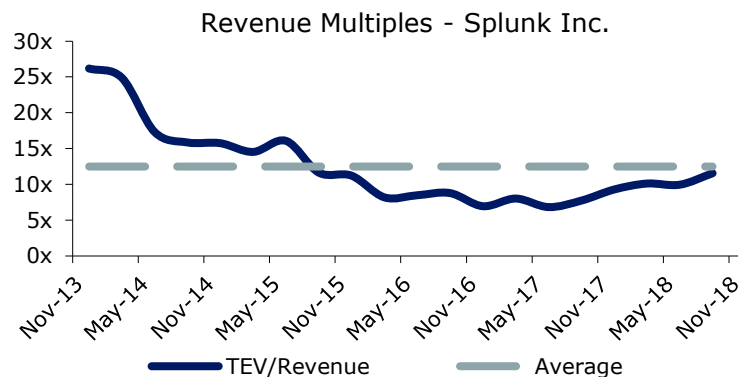
Date	Key Development Headline
11/13/18	Stella Connect Optimizes Zendesk Integration to Leverage New Customer Timeline Feature
9/9/18	Zendesk, Inc. (NYSE:ZEN) acquired FutureSimple Inc. from Social Capital and others.

Public Basket



Splunk Inc.

Splunk Inc. provides software solutions that enable organizations to gain real-time operational intelligence in the United States and internationally. Its products enable users to collect, index, search, explore, monitor, correlate, and analyze data regardless of format or source. The company offers Splunk Enterprise, a machine data platform with collection, indexing, search, reporting, analysis, alerting, monitoring, and data management capabilities; and Splunk Cloud. The company also provides Splunk Light, which offers log search and analysis for small IT environments; and Splunk Analytics for Hadoop, a software for exploring, analyzing, and visualizing data stored in Hadoop and Amazon S3. Splunk Inc. was incorporated in 2003 and is headquartered in San Francisco, California.



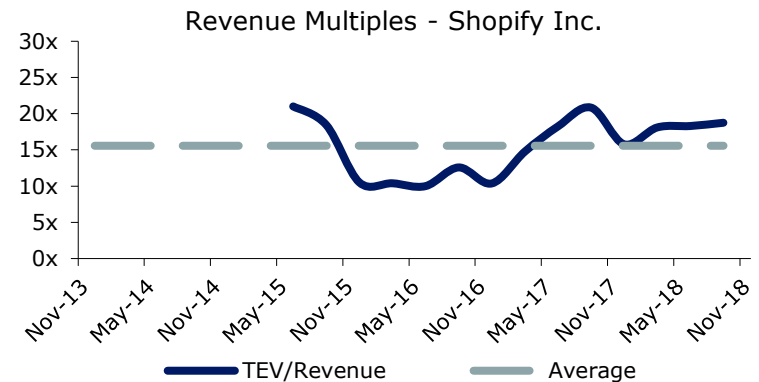
Date	Key Development Headline
9/19/18	Splunk Seeks Acquisitions
7/31/18	Splunk Inc. (NasdaqGS:SPLK) acquired Krypton from True Ventures, Costanoa Venture Capital, Fuel Capital, Stanford University Venture Fund, and others.
6/24/18	Splunk Inc. (NasdaqGS:SPLK) completed the acquisition of VictorOps Inc. from Foundry Group, Costanoa Venture, Calibrate Ventures and others.
6/10/18	Splunk Inc. (NasdaqGS:SPLK) signed a definitive agreement to acquire VictorOps Inc. from Foundry Group, Costanoa Venture, Calibrate Ventures and others for approximately \$120 million.
4/8/18	Splunk Inc. (NasdaqGS:SPLK) completed the acquisition of Phantom Cyber Corporation.

Public Basket



Shopify Inc.

Shopify Inc. provides a cloud-based multi-channel commerce platform for small and medium-sized businesses in Canada, the United States, the United Kingdom, Australia, and internationally. Its platform provides merchants with a single view of business and customers in various sales channels, including Web and mobile storefronts, physical retail locations, social media storefronts, and marketplaces; and enables to manage products and inventory, process orders and payments, ship orders, build customer relationships, leverage analytics and reporting, and access financing. The company was formerly known as Jaded Pixel Technologies Inc. and changed its name to Shopify Inc. in November 2011. Shopify Inc. was founded in 2004 and is headquartered in Ottawa, Canada.



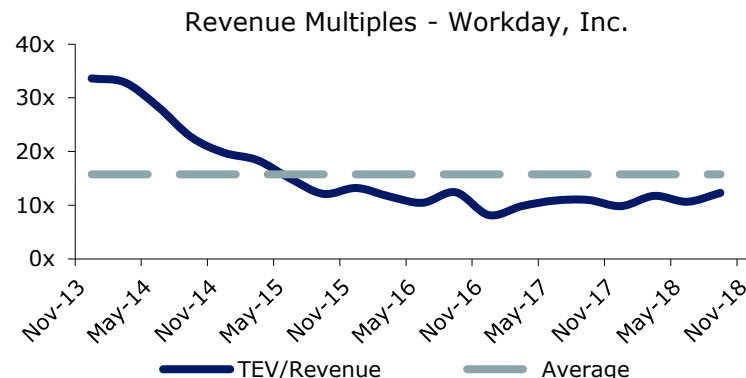
Date	Key Development Headline
6/25/18	Shopify Inc. (NYSE:SHOP) acquired Solutions Alveo Inc.
5/1/18	Shopify Seeks Acquisitions

Public Basket



Workday, Inc.

Workday, Inc. provides enterprise cloud applications for finance and human resources worldwide. It provides applications for customers to manage critical business functions to optimize their financial and human capital resources. The company offers Workday Financial Management application that provides functions of general ledger, accounting, accounts payable and receivable, cash and asset management, employee expense and revenue management, projects, procurement, inventory, and grants management. It also provides Workday Human Capital Management application, which includes human resources management, such as workforce lifecycle and organization management, compensation, absence, and employee benefits administration; and global talent management comprising goal and performance management, succession planning, and career and development planning. Workday, Inc. was founded in 2005 and is headquartered in Pleasanton, California.



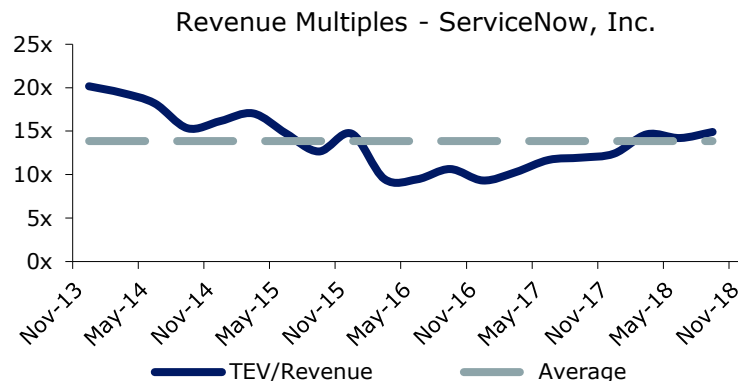
Date	Key Development Headline
7/31/18	Workday, Inc. (NasdaqGS:WDAY) completed the acquisition of Adaptive Insights, Inc. (NYSE:ADIN) from a group of sellers.
7/16/18	Workday, Inc. (NasdaqGS:WDAY) acquired Stories s.r.o.
6/11/18	Adaptive Insights, Inc., Workday, Inc. - M&A Call
6/10/18	Workday, Inc. (NasdaqGS:WDAY) entered into an agreement to acquire Adaptive Insights, Inc. (NYSE:ADIN) from a group of sellers for \$1.6 billion.
6/7/18	Workday, Inc. (NasdaqGS:WDAY) acquired Rallyteam.

Public Basket



ServiceNow, Inc.

ServiceNow, Inc. provides enterprise cloud computing solutions that define, structure, manage, and automate services for enterprises worldwide. The company offers service management solutions for customer service, human resources, security operations, and other enterprise departments. It operates ServiceNow platform that provides workflow automation, electronic service catalogs and portals, configuration management systems, data benchmarking, performance analytics, encryption, and collaboration and development tools. ServiceNow, Inc. was founded in 2004 and is headquartered in Santa Clara, California.



<u>Date</u>	<u>Key Development Headline</u>
10/22/18	ServiceNow, Inc. (NYSE:NOW) completed the acquisition of FriendlyData, Inc. from TMT Investments PLC (AIM:TMT), Bulba Ventures, GWC Innovator Fund, Digital Future and others.
10/18/18	Accenture and ServiceNow Announce Collaboration to Drive Innovation in Europe
10/17/18	ServiceNow Selects NTT Communications to Partner with for Launch of Two New Japanese Data Centers
10/9/18	ServiceNow, Inc. (NYSE:NOW) agreed to acquire FriendlyData, Inc. from TMT Investments PLC (AIM:TMT), Bulba Ventures, GWC Innovator Fund, Digital Future and others.
5/2/18	ServiceNow, Inc. (NYSE:NOW) entered into an agreement to acquire Parlo Inc.

Public Basket

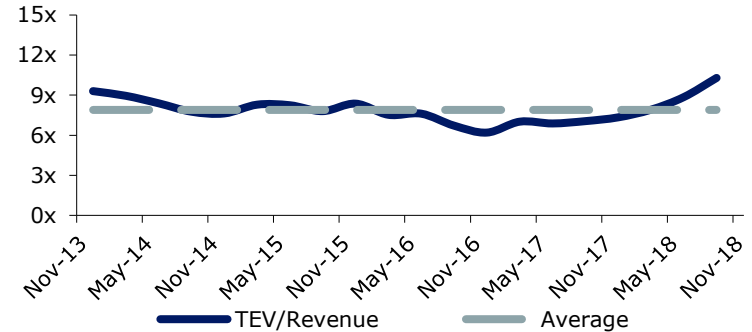


salesforce.com, inc.

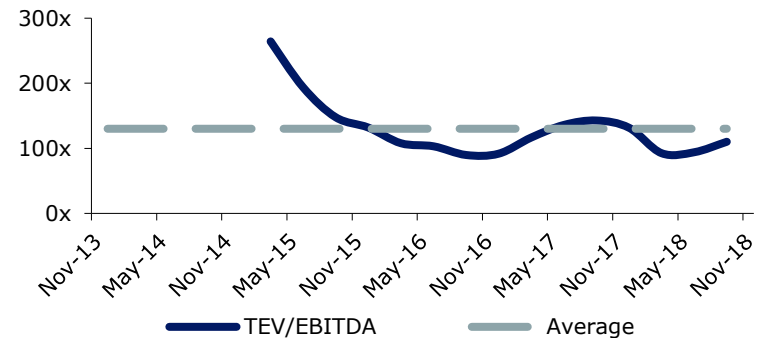
salesforce.com, inc. develops enterprise cloud computing solutions with a focus on customer relationship management. The company offers Sales Cloud to store data, monitor leads and progress, forecast opportunities, and gain insights through analytics and relationship intelligence, as well as deliver quotes, contracts, and invoices. It also provides Service Cloud, which enables companies to deliver personalized customer service and support, as well as a field service solution that enables companies to connect agents, dispatchers, and mobile employees through a centralized platform, which helps to schedule and dispatch work, and track and manage jobs in real-time. The company was founded in 1999 and is headquartered in San Francisco, California.

Date	Key Development Headline
10/30/18	Vonage Holdings Corp. (NYSE:VG) completed the acquisition of NewVoiceMedia Limited from a consortium of sellers.
10/4/18	salesforce.com, inc. (NYSE:CRM) entered into a definitive agreement to acquire Rebel.
9/25/18	Salesforce and Amazon Web Services, Inc. Expand Global Strategic Alliance to Accelerate Enterprises' Digital Transformations
9/24/18	Apple and Salesforce Announce Strategic Partnership
9/19/18	Vonage Holdings Corp. (NYSE:VG) entered into an agreement to acquire NewVoiceMedia Limited for \$340 million.

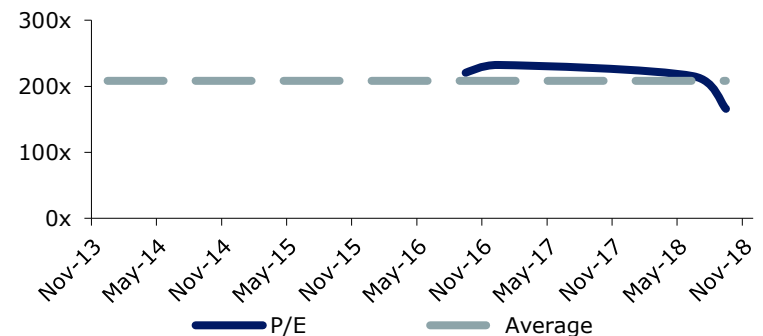
Revenue Multiples - salesforce.com, inc.



EBITDA Multiples - salesforce.com, inc.



P/E Multiples - salesforce.com, inc.



Contact Information

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. Securities offered through 7M Securities LLC.

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