



# COVID-19 Impact on SaaS Valuations & Transactions

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VISTA POINT  
ADVISORS







July 2020

# SaaS Continues to Outperform

*Despite global uncertainty, SaaS businesses continue to outperform the broader market and trade at historic multiples of forward revenue*

- Public market investors are flocking to quality assets in the SaaS space due to the de-risked nature of sticky recurring-revenue business models
  - As working and learning from home becomes the norm for the foreseeable future, many SaaS sectors have seen a tremendous uptick in demand, including education technology, communication and collaboration, tele-health, and IT/infrastructure
  - The rise of digital storefronts has increased the demand for e-Commerce and FinTech platforms such as Shopify, Square, and Amazon
  - SaaS businesses that are a part of the “new normal” framework for a remote, digital workforce will likely continue to perform well

## Well-Positioned SaaS Businesses Continue to Thrive on the Public Markets

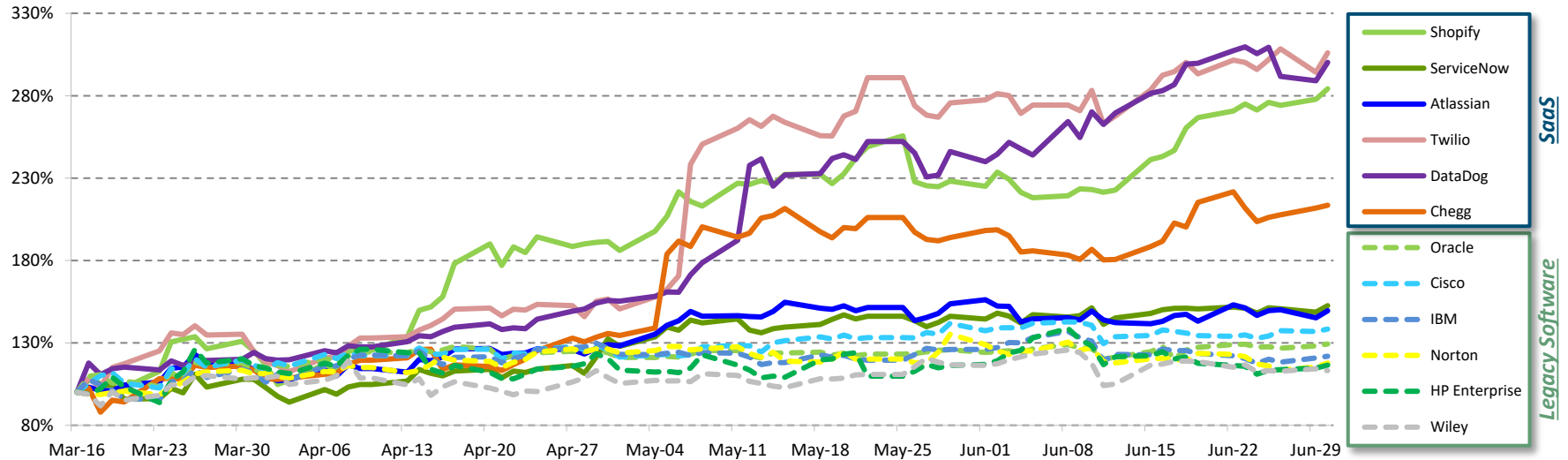
Company						
SaaS Sector	e-Commerce; Marketing Automation	Field Service; IT	BI & Collaboration	Communication	IT Infrastructure	Education Technology
Enterprise Value	\$110.5B	\$76.6B	\$43.3B	\$29.5B	\$25.3B	\$8.5B
Enterprise Value / NTM Revenue	49.2x	17.6x	21.9x	19.3x	45.0x	15.5x
Date of 52-Week High	6/30/20	6/23/20	6/1/20	6/26/20	6/23/20	6/22/20
Future Earnings Guidance	Withdrawn	Lowered	Lowered	Withdrawn	Raised	Unchanged
Performance vs. S&P 500 Since 3/16/2020	+154%	+23%	+20%	+176%	+170%	+84%

Source: Pitchbook as of 6/30/2020

# Legacy Software Players are Left Behind

*Businesses without robust SaaS offerings that suffer during a work- and learn-from-home environment will be further left behind as the effects of the COVID-19 pandemic permanently shift future productivity patterns*

## SaaS v. Legacy Software Stock Return Performance Since March 16<sup>th</sup>, 2020



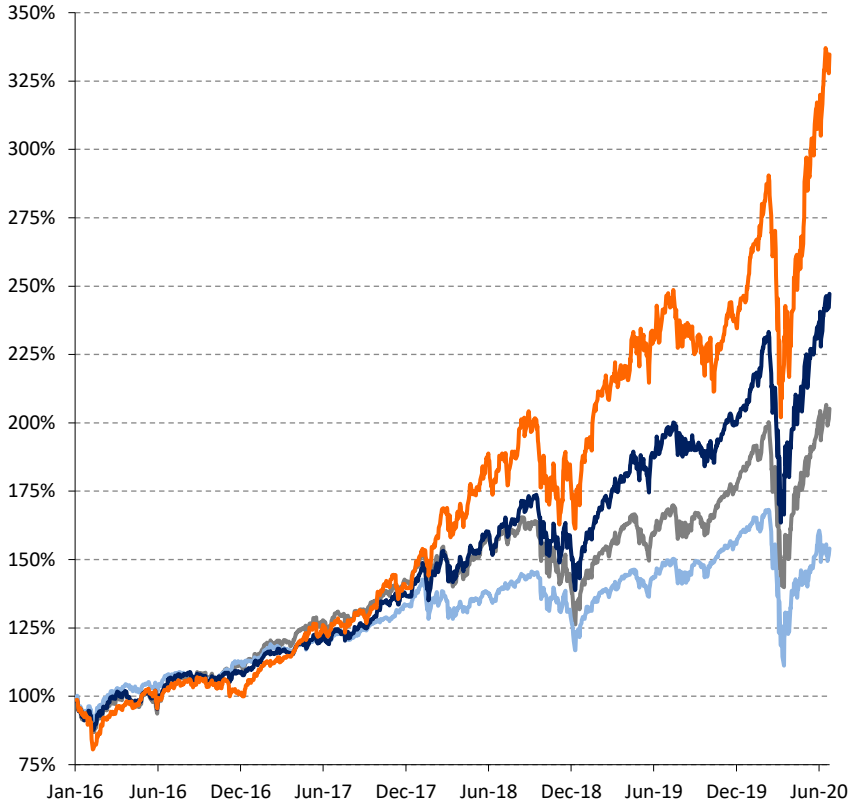
Company	ORACLE	CISCO	IBM	Hewlett Packard Enterprise	NortonLifeLock	WILEY
Sector	ERP; IT Infrastructure	Networking Solutions	BI and Analytics; IT Infrastructure	IT Infrastructure	Security	Education Services & Technology
Enterprise Value	\$198.8B	\$184.4B	\$165.0B	\$24.1B	\$13.7B	\$2.9B
Enterprise Value / NTM Revenue	5.1x	3.7x	2.2x	0.9x	5.6x	1.6x
Date of 52-Week High	7/10/19	7/16/19	2/6/20	11/11/19	1/23/20	12/13/19
Future Earnings Guidance	Unchanged	Unchanged	Withdraw	Withdraw	Unchanged	Withdraw
Performance vs. S&P 500 Since 3/16/2020	-1%	+8%	-8%	-13%	-12%	-17%

Source: Pitchbook as of 6/30/2020

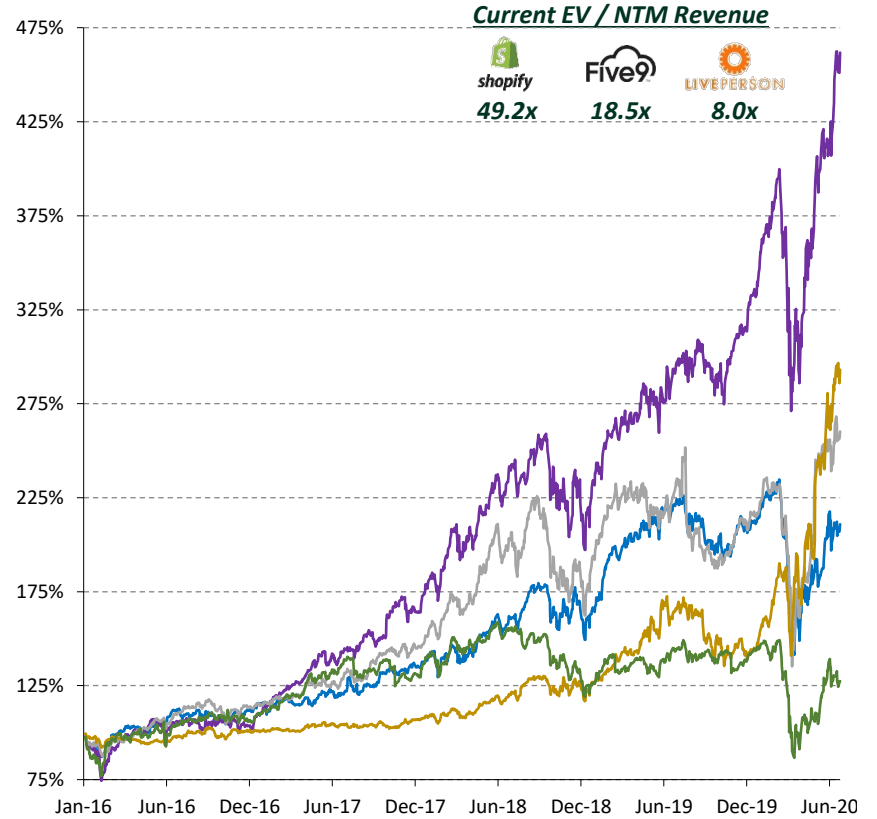
# Public Market Performance

Although the S&P 500 is off ~8%, many Software sectors (e.g. Marketing/Sales, Communications, Education) remain trading at or near all-time highs

## Stock Return Performance Since January 1<sup>st</sup>, 2016<sup>1</sup>



	<u>Performance</u>		
	<u>Cumulative</u>	<u>Annualized</u>	<u>% of 52-Week High</u>
SaaS	+233%	+31%	99%
All Software	+147%	+22%	100%
NASDAQ Composite Index	+105%	+17%	99%
S&P 500 Index	+54%	+10%	92%



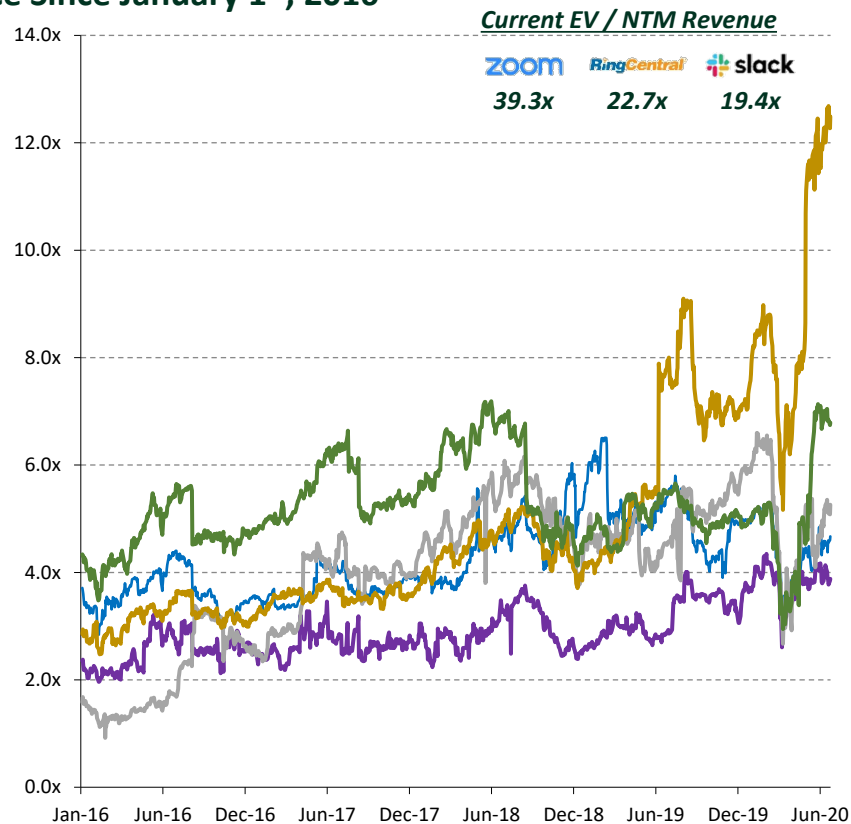
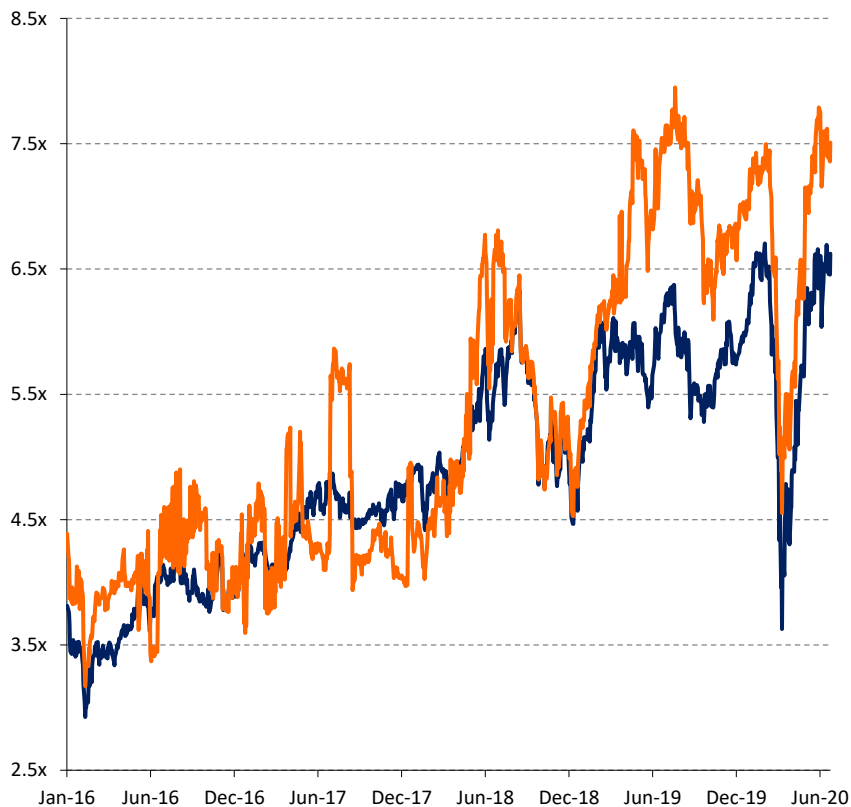
	<u>Performance</u>		
	<u>Cumulative</u>	<u>Annualized</u>	<u>% of 52-Week High</u>
Marketing & Sales Software	+362%	+41%	100%
Education Software	+160%	+24%	97%
Communication & Collaboration Software	+193%	+27%	99%
HR Software	+107%	+18%	90%
Real Estate & Travel Software	+27%	+5%	85%

See page 8 for tickers. Source: Pitchbook as of 6/30/2020. <sup>1</sup>Equal weighted index

# Public Market Performance (Cont'd)

*Best-of-breed assets operating in high-performing, COVID-insulated Software sectors should continue to earn substantial forward revenue multiples*

## Enterprise Revenue / NTM Revenue Multiple Performance Since January 1<sup>st</sup>, 2016



	<b>Median Enterprise Value / NTM Revenue Multiple</b>	<b>% of 52-Week High</b>
<b>SaaS</b>	<b>7.5x</b>	<b>94%</b>
<b>All Software</b>	<b>6.6x</b>	<b>99%</b>
<b>Communication &amp; Collaboration Software</b>	<b>12.5x</b>	<b>98%</b>
<b>Real Estate &amp; Travel Software</b>	<b>6.8x</b>	<b>95%</b>
<b>Education Software</b>	<b>5.3x</b>	<b>80%</b>
<b>HR Software</b>	<b>4.7x</b>	<b>81%</b>
<b>Marketing &amp; Sales Software</b>	<b>3.9x</b>	<b>95%</b>

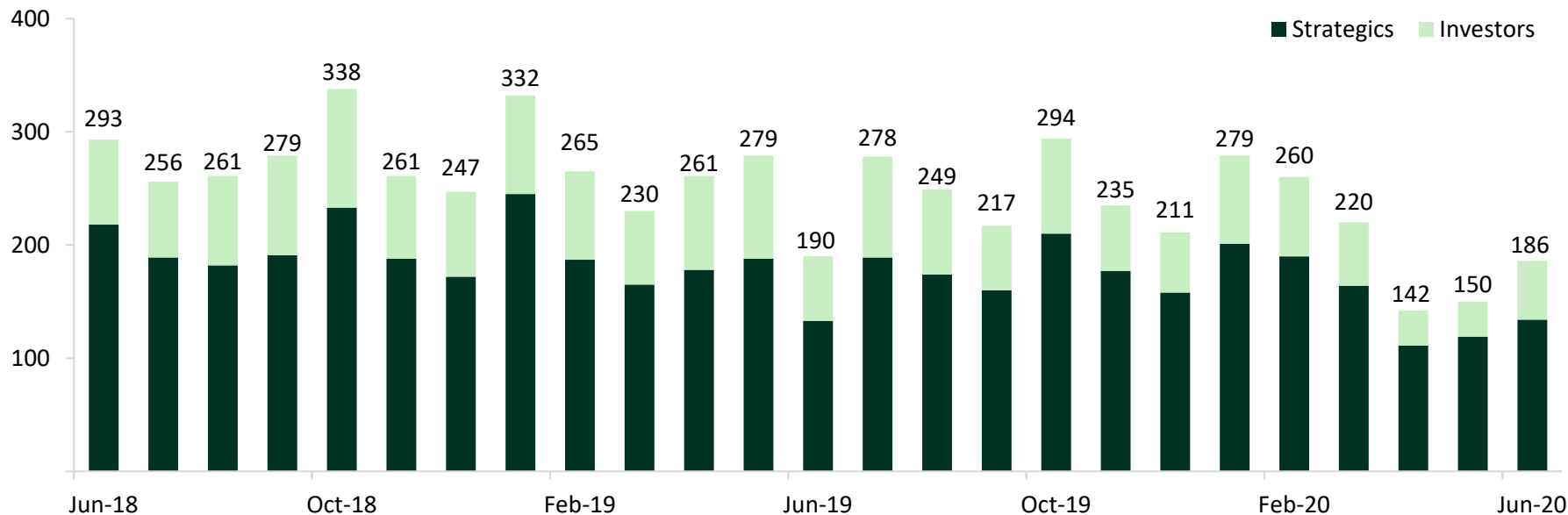
See page 8 for tickers. Source: Pitchbook as of 6/30/2020

# May 2020 Technology M&A was Down 46% YoY

*However, a V-shaped recovery in technology M&A during the back half of 2020 is expected*

- As COVID-19 stay-at-home orders began in the U.S. and millions of Americans lost jobs, technology M&A dropped off precipitously
- May 2020 M&A was down 46% versus May 2019 due to enormous uncertainty in the public markets, buyers re-negotiating or pulling offers, and sellers opting not to transact under a different market paradigm
  - However, June started to show a small uptick with 186 deals and only off 2% from June 2019
- Despite this initial reduction in M&A activity, acquirors have remained active, noting they plan to continue buying assets later in 2020
  - Microsoft confirmed on March 19<sup>th</sup> that it had acquired Softomotive, a software robotic automation platform
  - Kronos acquired Ultimate Software Group for \$22.0B on April 1<sup>st</sup>
  - Intel acquired mobility-as-a-service business Moovit for \$900M on May 4<sup>th</sup>
  - Uber Technologies is widely reported to be in talks to acquire Grubhub

## Technology M&A Transactions by Month by Investor Type



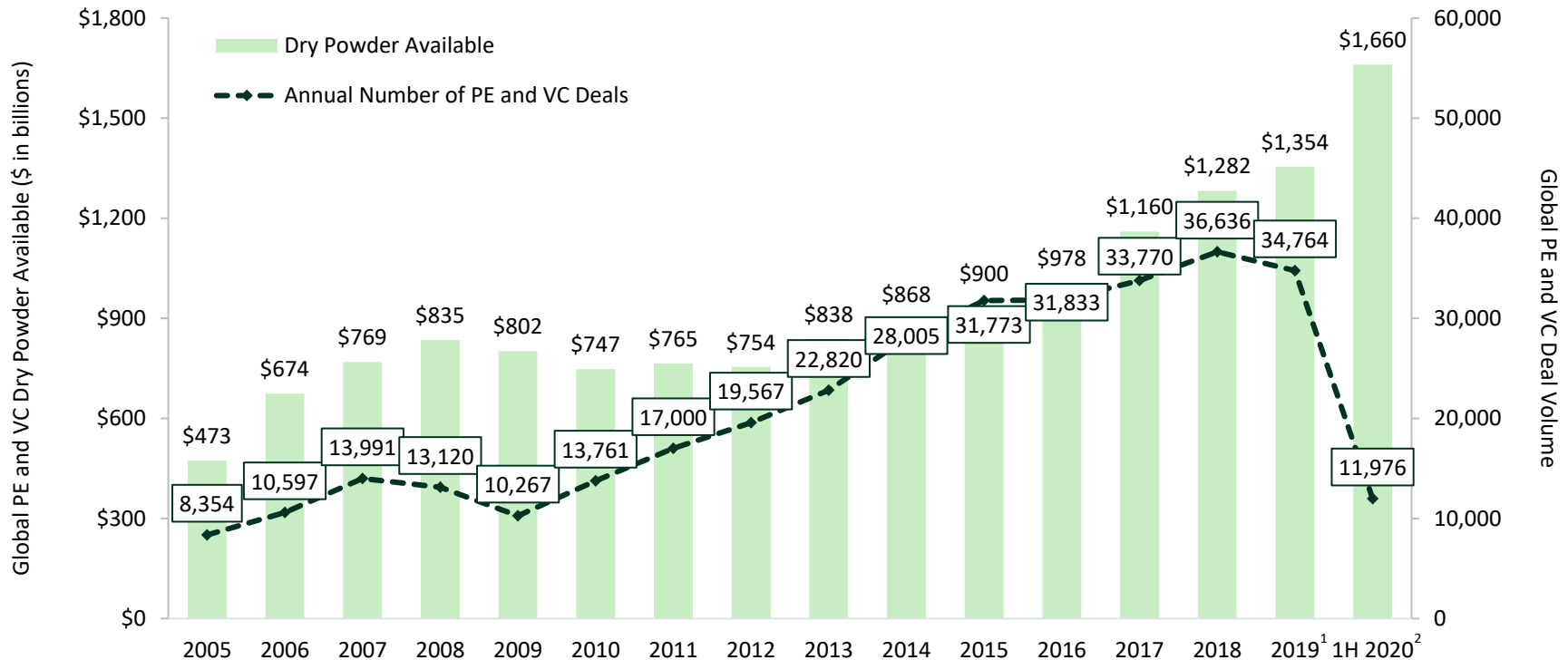
Source: Pitchbook as of 6/30/2020

# PE/VC Dry Powder Without a Home Remains at Staggering Levels

*Recent large fundraises speak to an even broader availability of capital in the second half of 2020 and beyond*

- PE and VC funds that closed in Q4 2019, Q1 2020, and Q2 2020 raised a cumulative \$306B, further contributing to the amount of dry powder that must be deployed in the coming years
- With over \$1.6T of estimated dry powder as of May 2020, there is a perfect storm brewing for renewed high valuations in private markets in late 2020
- Across all PE and VC investors, 18,453 transactions were completed in the first half of 2019, compared to only 11,976 in the first half of 2020, representing a decline of 35% YoY

## PE & VC Dry Powder Remain at All-Time Highs



<sup>1</sup> Actual PE and VC deal volume through 12/31/2019 and dry powder available to PE and VC funds through Q3 2019

<sup>2</sup> Actual PE and VC deal volume through 6/30/2020 and dry powder estimated through 6/30/2020

Source: Pitchbook as of 6/30/2020

# Positive Outlook for Private SaaS Transactions

*The artificial slowdown caused by COVID-19 uncertainty has created pent-up demand for SaaS businesses that should translate into increased volume for high-quality assets in H2 2020 and beyond*

- Public SaaS valuations remain shining through the pandemic. This implies that private SaaS transaction volume and multiples should bounce back in the second half of 2020
- Large strategic buyers (Facebook, Amazon, Google, Microsoft, Salesforce, etc.) have held up remarkably well both in terms of valuation multiples and volume of M&A they are still completing well into May
- Although PE investors very quickly slowed down M&A activity as the pandemic became apparent, with the large amount of dry powder still available to them, they are already rapidly returning to the market for quality deals
  - PE investors remain attentive and ready to quickly close on attractive opportunities
- If growth rates and customer retention continue to trend positively, a SaaS business should be able to attract the same or higher revenue multiple demanded pre-COVID-19 due to a scarcity of quality assets
- Now is the time for sellers to get prepared for Q3 & Q4 2020 where we see deal activity returning to 2019 levels
- As travel restrictions are lifted, we expect to see transaction volumes accelerate

All Software includes NYS:CRM, NYS:HUBS, NAS:PEGA, NYS:ZEN, NAS:NICE, NAS:FIVN, NAS:LPSN, NAS:ADBE, 55690-30, NAS:BL, NAS:COUP, NYS:AVLR, NYS:ZUO, NYS:PLAN, NAS:INTU, NAS:QADA, LON:SGE, NYS:ORCL, NYS:IBM, NYS:SAP, NAS:UPLD, NYS:WK, WTKWY, NAS:MSFT, ASX:TNE, NAS:AZPN, NAS:MANH, NAS:PTC, NAS:SPSC, NAS:AMSWA, PAR:DSY, TSE:DSG, NYS:DAVA, TSE:KXS, NYS:NOW, TSE:TCS, NAS:CSOD, NYS:PAYC, NAS:PAYX, NYS:TNET, NYS:NSP, NAS:BNFT, NYS:CDAY, NYS:SMAR, NAS:PCTY, NAS:ADP, NAS:WDAY, NAS:AKAM, NAS:BCOV, LON:SDL, NAS:MOBL, NAS:DBX, NYS:BOX, NAS:DOCU, NAS:VRSN, NAS:PS, NAS:SVMK, TSE:OTEX, NYS:TDC, NAS:MSTR, LON:DATA, NAS:SPLK, NYS:CLDR, NYS:NEWR, NAS:DOMO, NYS:MDLA, NYS:AYX, NAS:VRNT, NYS:ESTC, NAS:TLND, NAS:CTXS, NYSE:SWI, NAS:LOGM, NAS:NTCT, NAS:TEAM, NAS:MDB, NAS:NTNX, NYS:PD, FRA:SOW, NAS:PRGS, NYS:HPE, FSLY, NYS:INPR, NAS:DDOG, NYS:NET, NYS:DT, NYS:VMW, NAS:APPN, NAS:NLOK, NAS:FYEY, NYS:PANW, NAS:PFPT, NAS:FSCT, NAS:TENB, NAS:ZS, NAS:FTNT, CRWD, NAS:OKTA, NAS:MIME, NYS:PING, NAS:CHKP, NAS:CYBR, NYS:SAIL, NAS:QLYS, NAS:RDWR, NAS:RPD, NAS:SCWX, NAS:ZIXI, TSE:ABT, TSE:ABT

SaaS includes NYS:CRM, NYS:HUBS, NAS:PEGA, NYS:ZEN, NAS:NICE, NAS:FIVN, NAS:LPSN, NAS:ADBE, AZPN, 55690-30, SWI, NAS:BL, NAS:COUP, NYS:AVLR, GWRE, NYS:ZUO, NYS:PLAN, NAS:QADA, LON:SGE, NAS:UPLD, NYS:WK, ASX:TNE, NAS:SPSC, TSE:DSG, TSE:KXS, NYS:NOW, TSE:TCS, NAS:CSOD, NYS:SMAR, LON:SDL, NAS:DBX, NYS:BOX, NAS:DOCU, NAS:PS, NYS:TDC, NAS:MSTR, NAS:SPLK, NAS:DOMO, NYS:MDLA, NAS:LOGM, NAS:TEAM, NYS:PD, NAS:PRGS, WDAY, NYS:ENV, NAS:BLKB, NAS:RP, NAS:SSNC, NYS:MODN, NYS:VEEV, NYS:TYL, PFPT, PHR, NAS:HCAT, LON:LTG, NYS:TWLO, WORK, NAS:ZM, NAS:SNCR, NYS:EGHT, NAS:NUAN, NYS:RNG

HR Software includes NAS:ADP, NAS:ASUR, NAS:BNFT, CDAY, NYS:DHX, FLNCF, NYS:NSP, NAS:PAYX, PAYC, NAS:PCTY, SMAR, TNET, UPWK, NAS:WDAY

Education Software includes NYS:LRN, AFYA, NAS:PS, NAS:TWOU, NYS:CHGG, RST, LON:TRB, NAS:ARCE, NAS:CSOD, DCBOF, LON:LTG, NAS:GVP, OSL:KAHOOT-ME

Communication & Collaboration Software includes NYS:TWLO, NAS:EVBG, WORK, NAS:ZM, NAS:NICE, NAS:FIVN, NAS:SNCR, NYS:EGHT, NAS:NUAN, NYS:INPR, NYS:RNG, NAS:VG

Real Estate & Travel Software includes NAS:ZG, NAS:CSGP, RPRGF, RTMVY, CLGX, ASGTF, NAS:RP, NAS:APPF, NAS:BKNG, XMAD:AMS, NAS:EXPE, NAS:TRIP

Marketing & Sales Software includes TSE:SHOP, NYS:HUBS, NYS:CRM, NAS:MCHX, ASX:BTH, NAS:CRTO, NYS:RUBI, NAS:TTEC, NAS:MRIN, NAS:SCOR, NAS:ADBE, TAE:NICE, NYS:ZEN, NAS:PEGA, NAS:FIVN, NAS:LPSN, NAS:CDLX



# Vista Point Advisors Overview

Vista Point Advisors is a boutique investment bank focused on capital raises and M&A advisory for growing technology companies

## Software

- Software-as-a-Service
- On-premise
- Application Software
- Healthcare IT
- Financial Technology

## Internet

- Advertising and Marketing
- Digital Media
- Gaming
- Content
- Platforms

## Mobile

- Consumer Applications
- Enterprise Applications
- Gaming
- Payments
- Infrastructure

## Hardware

- Communications
- Entertainment
- Industrial
- Systems
- Consumer

**VISTA POINT**  
ADVISORS

555 Mission Street, Suite 2650  
San Francisco, CA 94105

### Mike Lyon

(415) 722-3506  
mike@vistapointadvisors.com

### Jeffrey Koons

(415) 993-1417  
jeff@vistapointadvisors.com

### Mike Greco

(415) 917-3056  
mike.greco@vistapointadvisors.com

### Russell Perkins

(415) 993-0872  
russell@vistapointadvisors.com

### Lucy Sinacola

(415) 322-8705  
lucy@vistapointadvisors.com

### Drew Pascarella

(917) 670-1097  
drew@vistapointadvisors.com

### David Cho

(415) 917-3042  
david@vistapointadvisors.com

### Thomas Lin

(415) 508-8113  
thomas@vistapointadvisors.com

### Charlie Penner

(415) 964-1617  
charlie@vistapointadvisors.com

### Molly Murphy

(315) 436-7805  
molly@vistapointadvisors.com

### Jeff Bean

(415) 746-9413  
jbean@vistapointadvisors.com

### Scott Austin

(415) 404-9854  
scott@vistapointadvisors.com

### Miles Lacey

(415) 917-3066  
miles@vistapointadvisors.com

### Chet Kristy

(415) 686-1241  
chet@vistapointadvisors.com

### Kyle Kilroy

(508) 246-1058  
kyle@vistapointadvisors.com