

Starting soon...



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Thoughts? Questions? Let us know!

@CorumGroup

Tech M&A Valuation Metrics

Starts in 2 minutes



Thoughts? Questions? Let us know!
@CorumGroup

Valuing Your Company in the Age of COVID-19

CORUM
MERGERS & ACQUISITIONS

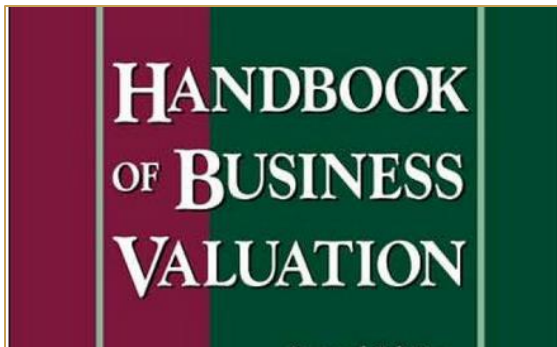




Research

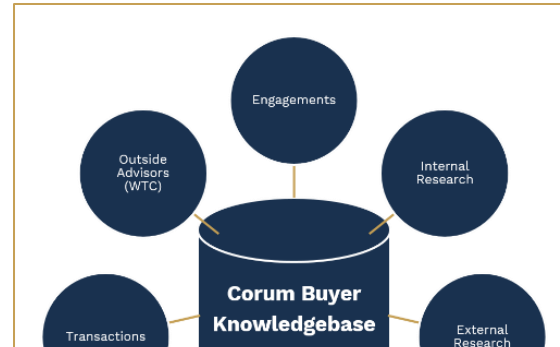


Education



Valuation

JEFFREY D. JONES



Database



**The definitive tech
M&A education**

- Since 1990, the most attended executive conference in technology history
- More events hosted than all other competitive conferences combined
- Over \$2 trillion in transaction value by attendees – buyers and sellers

CORUM
MERGERS & ACQUISITIONS

ABOUT VALUATIONS & PROCESS TRANSACTIONS RESOURCE CENTER CONTACT

TECH M&A FOR CEOS, BY CEOS.

With the most senior dealmakers leading the most successful tech M&A process in history, Corum has sold more software and related technology companies than anyone. Is it time for you to take the next step with Corum?

I want to sell and get in touch with an advisor immediately. [CONTACT US →](#)

I am thinking about selling and would like more information. [ABOUT CORUM →](#)

I'm not ready to sell yet, but want to research and learn about M&A. [RESOURCE CENTER →](#)

34
Years in business

20+
Advisors worldwide

\$10B
In wealth created

325+
Closed transactions

CORUM
MERGERS & ACQUISITIONS

MENU ↓

TECH M&A FOR CEOS, BY CEOS.

With the most senior dealmakers leading the most successful tech M&A process in history, Corum has sold more software and

CORUM

Tech M&A

Valuation Metrics

Q2 Update

We welcome your questions!

**Email questions to
info@corumgroup.com**

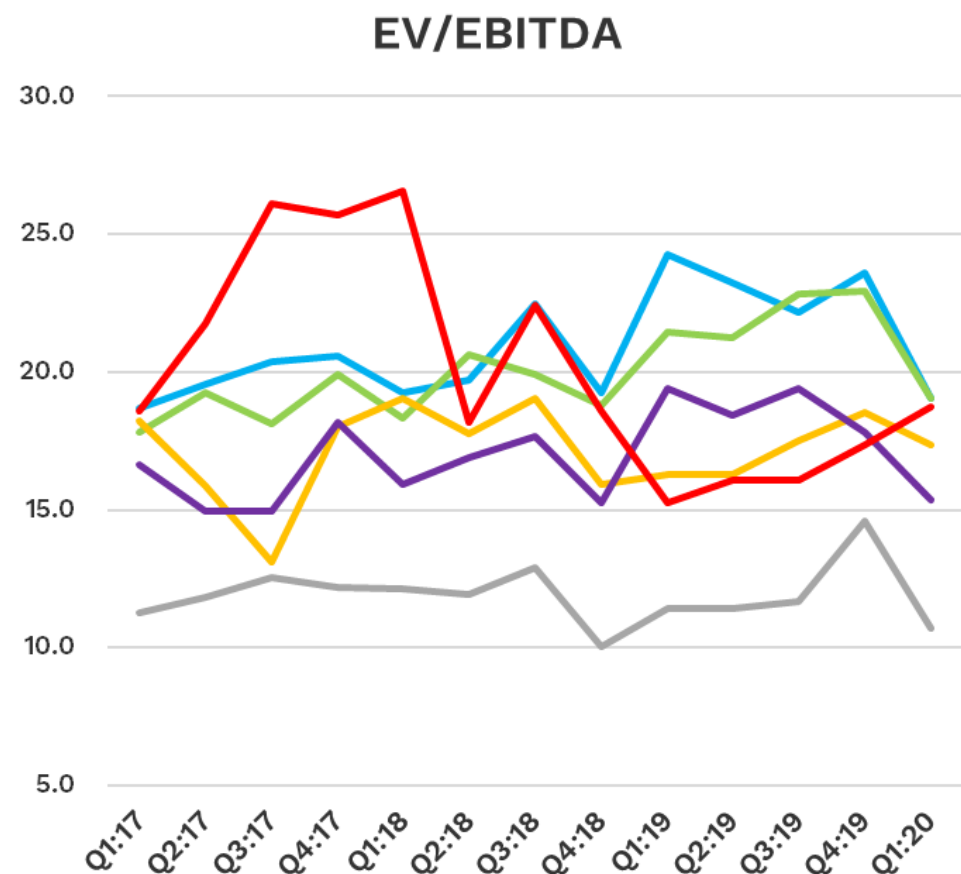
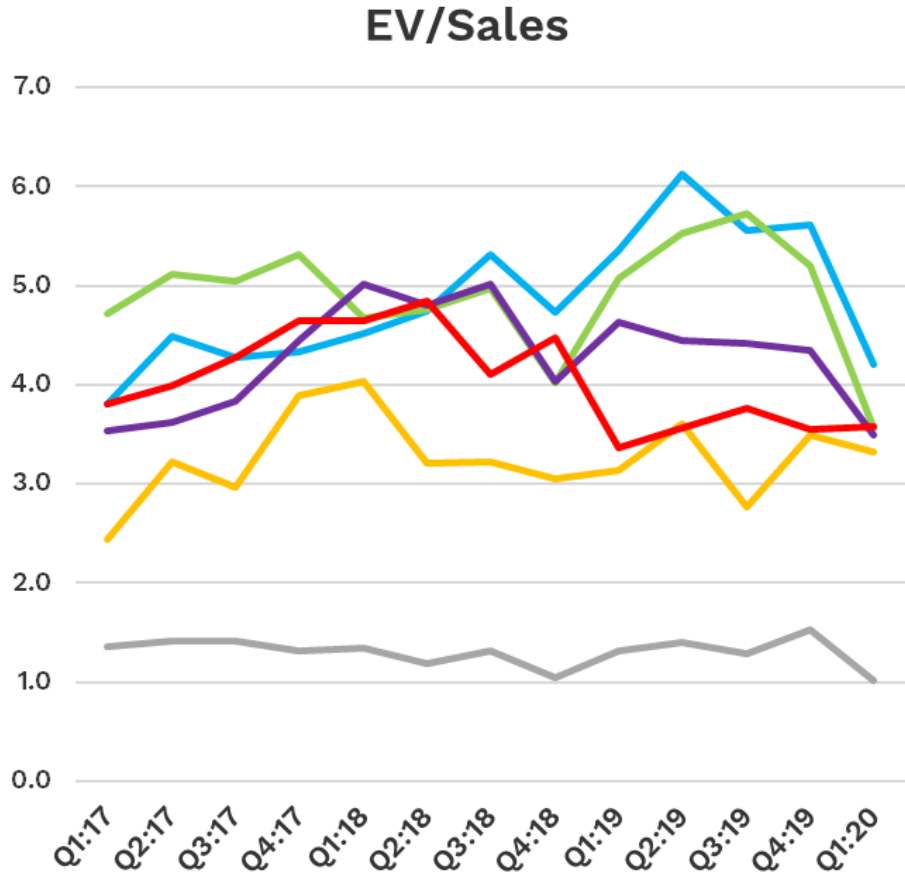
This event is being recorded
On demand webcast will be available at
www.corumgroup.com

- Private Equity Panel
- Buyers Panel
- Top Acquirer Profiles: Google, Constellation
- Valuation Strategy
- Planning for Post-Acquisition Success
- Special Reports: SaaS, Mobile, Gaming, France, Canada, Payments, Agtech, Security

Past Attendees Include



3-Year Market Valuation Trends



- Horizontal**
- Vertical**
- Infrastructure**
- Consumer**
- Internet**
- IT Services**

MERGE BRIEFING

- **90 Minutes**
- **Industry Update**
- **Overview of the M&A Process**





- **Half-Day**
- **Tech M&A Bootcamp**
- **The most attended tech executive conference in history**





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- **The most attended tech executive conference in history**

MERGE BRIEFING



- **90 Minutes**
- **Industry Update**
- **Overview of the M&A Process**

Tech M&A Valuation Metrics

Starts in 1 minutes



Thoughts? Questions? Let us know!
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Tech M&A

Valuation Metrics

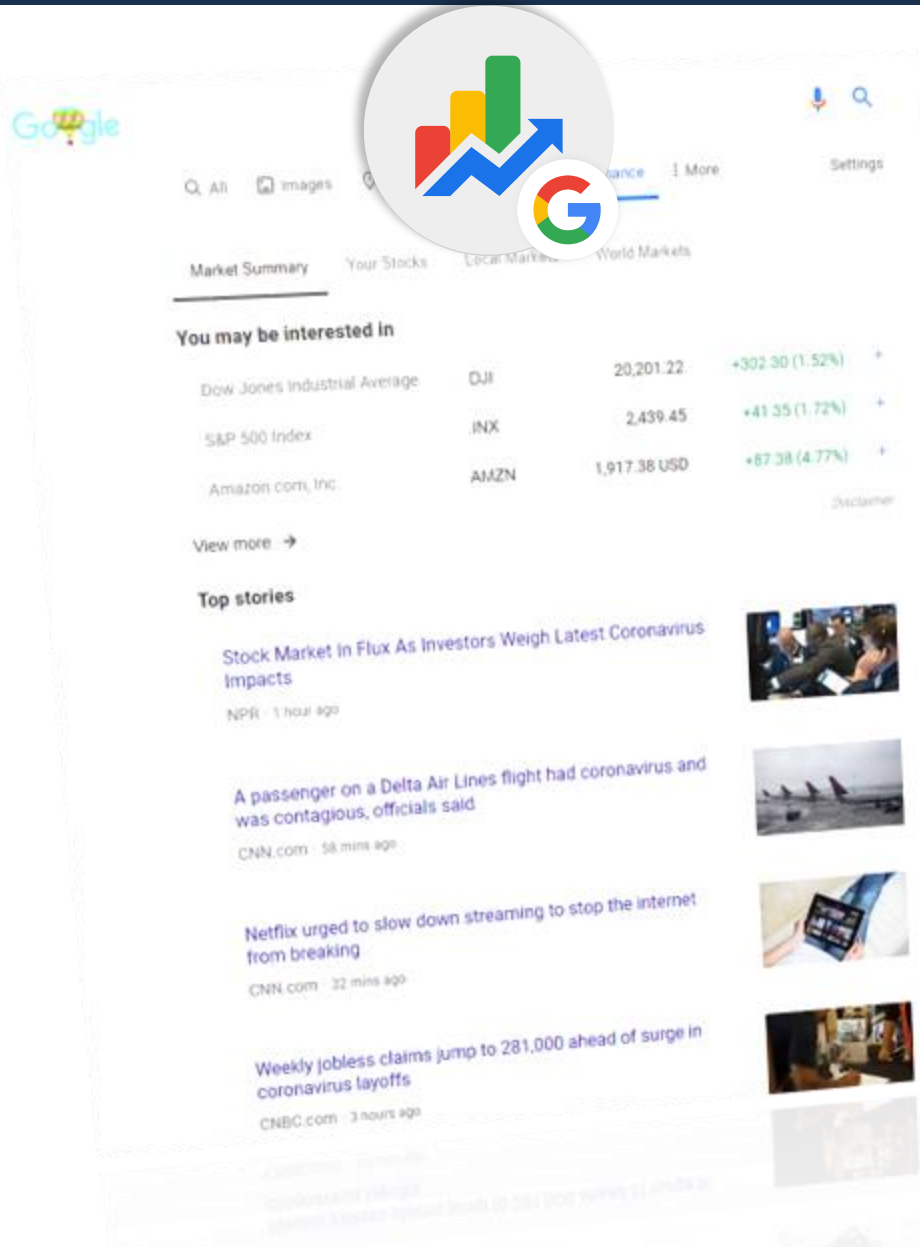
Q2 Update

JOEL ESPELIEN, EXEC. DIR. OF CLIENT SERVICES, CORUM GROUP

- Joel Espelien has worked in a number of roles over a twenty five year career in the technology industry and has participated in multiple successful transactions since joining Corum in 2017, including the recent sale of IoT smart logistics company Connected Holdings to Phillips Connect Technologies.
- Prior to Corum Joel was involved in many successful technology M&A transactions, including video pioneer DivX LLC (acquired from Rovi and sold to Neulion), pet IoT company Snaptracs, Inc. (acquired from Qualcomm, merged with Whistle Labs, sold to Mars pet food), AI startup IQ Engines (acquired by Yahoo), AgTech IoT leader 640 Labs (acquired by Monsanto/Climate Corporation) and mobile video pioneer PacketVideo (acquired by NTT DoCoMo).
- Joel started his career as IP and corporate attorney at Cooley LLP in Palo Alto and San Diego, California and is still a member of the Bar in both Washington and California.
- He holds a JD/LLM (International and Comparative Law) from Duke University and a BA from St. Olaf College.

What is my company worth?

It's complicated...



Google

Search: All Images Finance 1 More Settings

Market Summary Your Stocks Local Markets World Markets

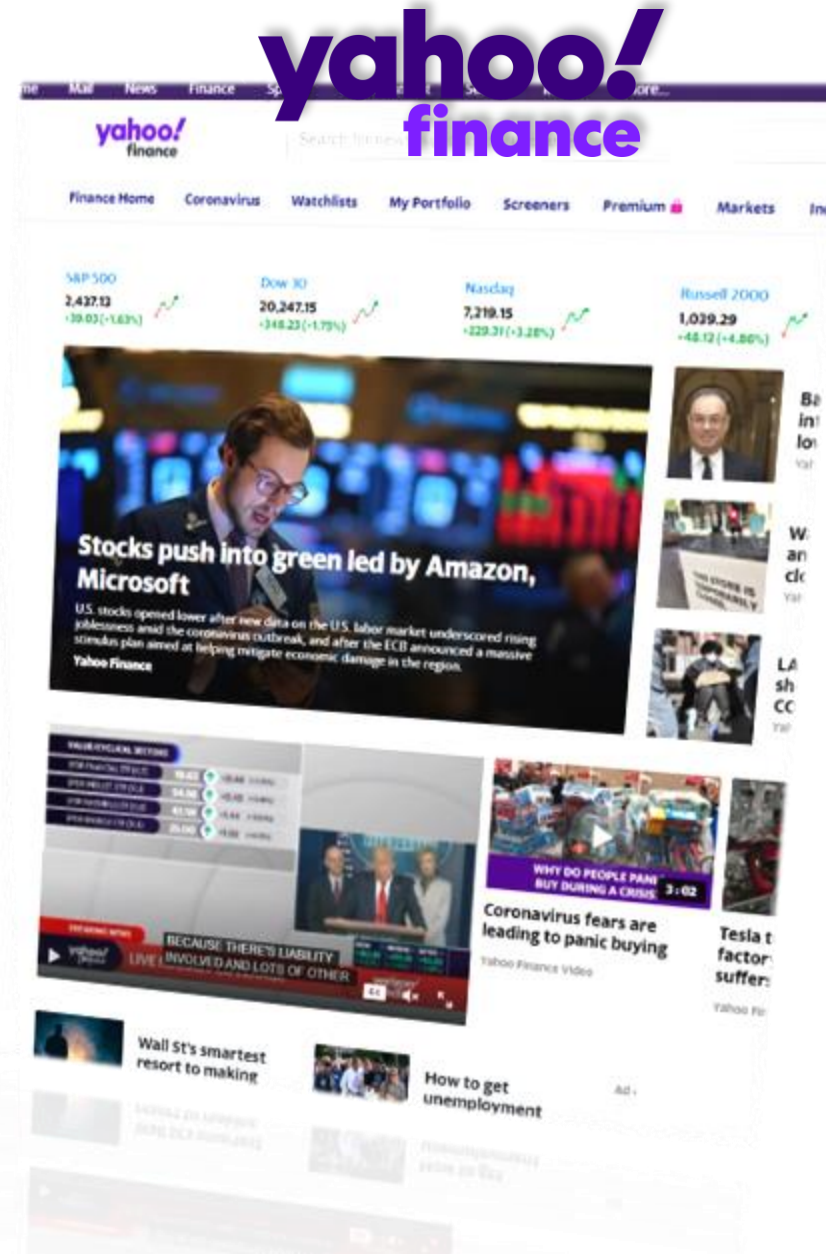
You may be interested in

| | | | |
|------------------------------|------|--------------|-----------------|
| Dow Jones Industrial Average | DJI | 20,201.22 | +302.30 (1.52%) |
| S&P 500 Index | .INX | 2,439.45 | +41.55 (1.72%) |
| Amazon.com, Inc. | AMZN | 1,917.38 USD | +87.38 (4.77%) |

View more →

Top stories

- Stock Market In Flux As Investors Weigh Latest Coronavirus Impacts
NPR · 1 hour ago
- A passenger on a Delta Air Lines flight had coronavirus and was contagious, officials said
CNN.com · 58 mins ago
- Netflix urged to slow down streaming to stop the internet from breaking
CNN.com · 32 mins ago
- Weekly jobless claims jump to 281,000 ahead of surge in coronavirus layoffs
CNBC.com · 3 hours ago



Yahoo! Finance

Search for news

Finance Home Coronavirus Watchlists My Portfolio Screeners Premium Markets

S&P 500: 2,437.12 (+39.02 (+1.63%))
Dow 30: 20,247.15 (+48.23 (+1.79%))
Nasdaq: 7,219.15 (+29.31 (+1.28%))
Russell 2000: 1,039.29 (+48.12 (+4.86%))

Stocks push into green led by Amazon, Microsoft
U.S. stocks opened lower after new data on the U.S. labor market underscored rising joblessness amid the coronavirus outbreak, and after the ECB announced a massive stimulus plan aimed at helping mitigate economic damage in the region.
Yahoo Finance

WHY DO PEOPLE PANIC BUY DURING A CRISIS? 3:02
Coronavirus fears are leading to panic buying
Yahoo Finance Video

Tesla factor: suffer?
Yahoo Fin

Wall St's smartest resort to making
How to get unemployment

**Private companies are
private.**

**Private companies are
unique.**



**Your company's
valuation is a function
of price discovery**



The process of determining the price of an asset in the marketplace through the interaction of buyers and sellers





MARKET

Growth Potential

Market Position

Competitiveness

Barriers to Entry

Stickiness



ORGANIZATION

Team

Product/Technology

Sales Channel

Customer Base

Strategic Partnerships



FINANCIAL

Recurring Revenue

Earnings/Profitability

Growth Rates

Balance Sheet

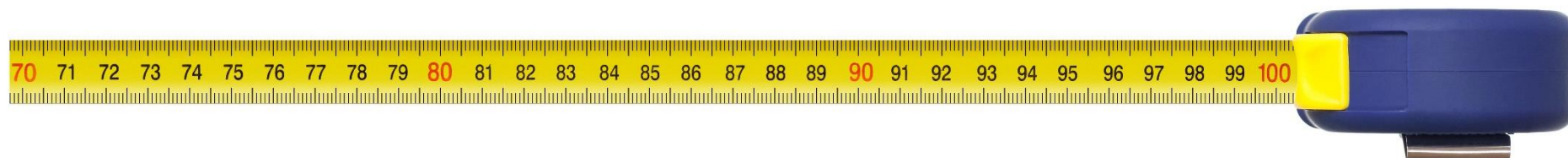
—●— INTANGIBLE ASSETS —●—

Valuation Methodologies – Necessary, But Not Sufficient

1. Models and methodologies do often define the boundaries – what ballpark are you playing in?
2. A bad process or no process often results in a failed deal or a valuation at the low end of the range.



3. A good process can result in a valuation at or above the high end of the range.



- Sales multiple – Public peer group
- Earnings multiple – Public peer group
- Comparable M&A transaction analysis
- Discounted cash flow (DCF)
- Replacement cost analysis
- Dollars per R&D Developer
- Internal rate of return (IRR)
- Liquidation value
- Book value
- Internal Transaction Price

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Most commonly
used for tech
companies

When Are Traditional Valuation Methods Appropriate?

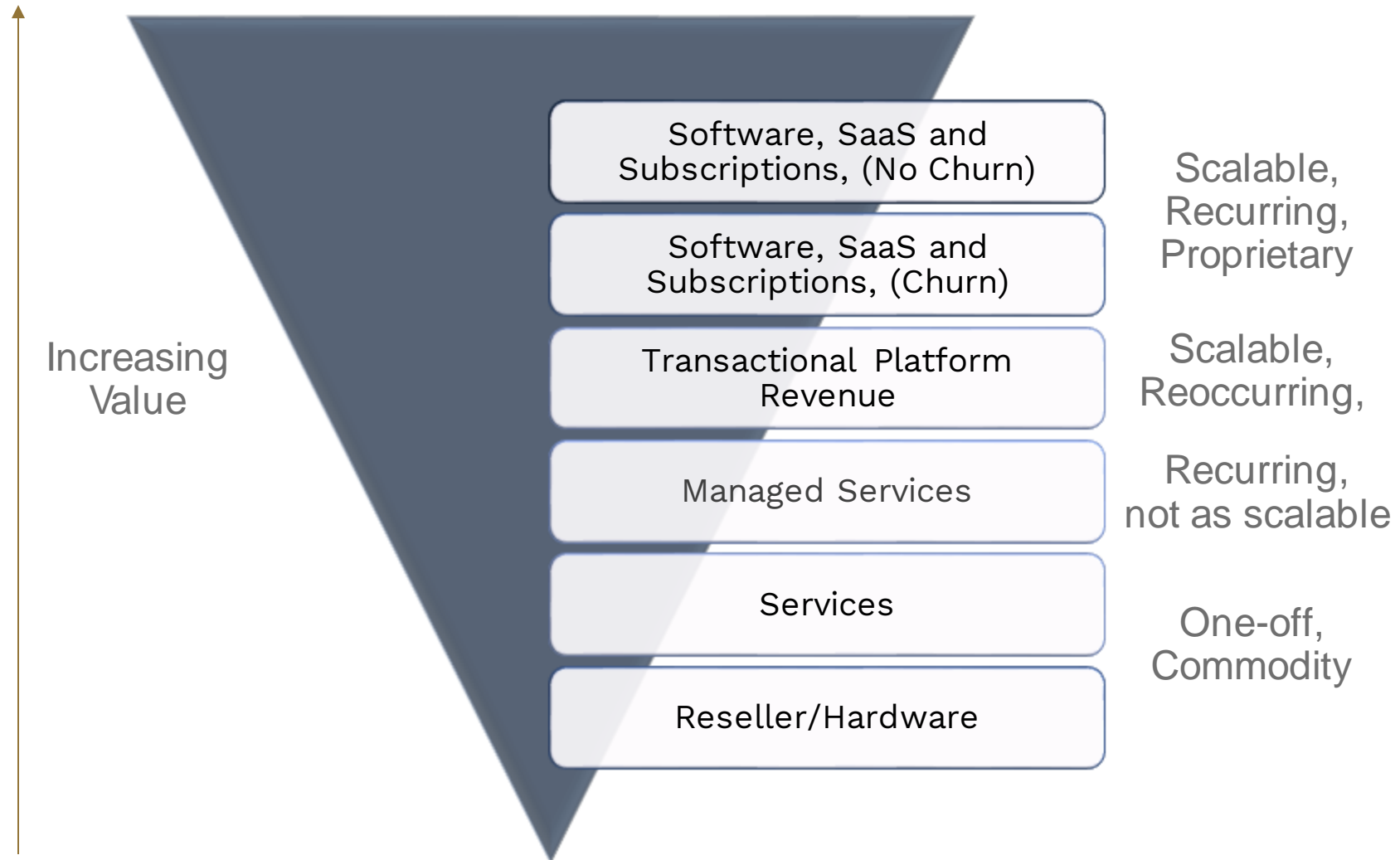
- ✓ Mature business model
- ✓ Profitability
- ✓ Undervalued Team/Tech
- ✓ Fast Growth
- ✓ EBITDA \$1M+
- ✓ GAAP Financials
- ✗ Immature business model
- ✗ Negative EBITDA
- ✗ Main assets are team/IP
- ✗ Slow Growth
- ✗ Revenue <\$5M
- ✗ No GAAP/Projections

- Sales multiple – Public peer group
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Relevant to team +
tech acquire
scenarios

- Sales multiple – Public peer group
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 - Liquidation value
 - Book value
 - Internal Transaction Price
- Not frequently used

Not All Revenue Is Equal



- **Every buyer will have an internal business case for your company.**
 - “How big can we grow this business with the resources at our disposal?”
- **Strategic buyers often have stronger business cases than financial buyers, leading to higher valuations and multiples.**
 - In 2005, Google bought Android, which had very little revenue, for \$50M. *Did they overpay?*
- **The business case wouldn't exist without the seller's technology or the buyer's resources – and buyers are the ones that capture the majority of the upside.**
 - Help the buyer make their business case. Make two sets of pro forma projections, a bootstrapped version assuming no additional capital, and one that shows what kind of growth can be achieved with a certain level of capital.



METHODOLOGIES

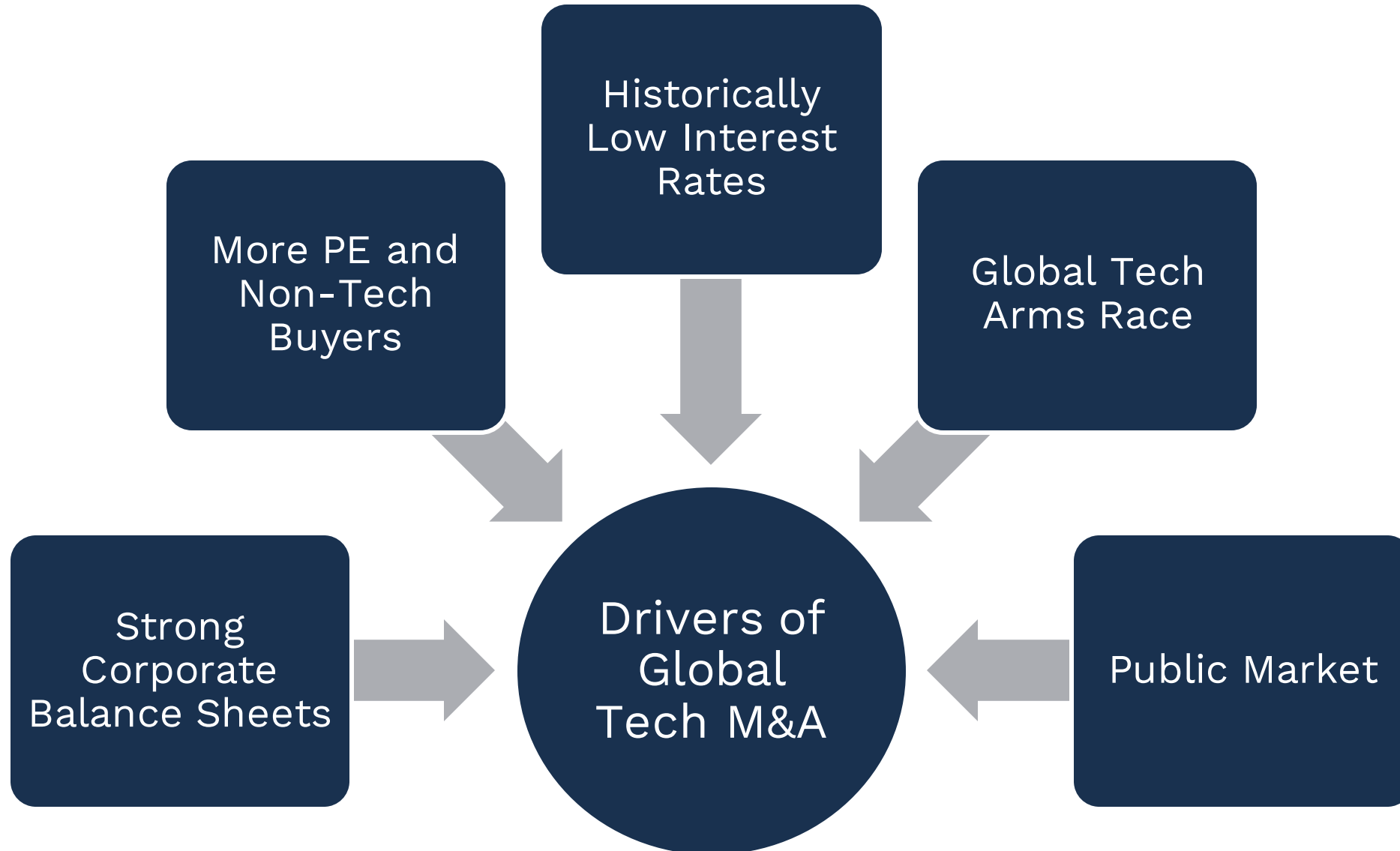
- Traditional valuation methods generally don't take the value of intangible assets into account.

DATA QUALITY

- Even with access to databases, there is limited data on private comparables. As a result many comparisons will be imperfect.

METRICS

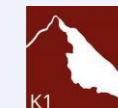
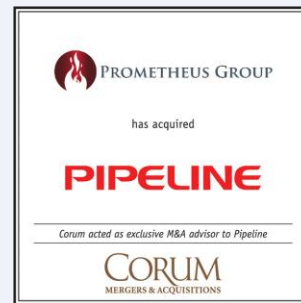
- Most early stage tech companies lack a dedicated CFO. Problems with GAAP accounting, revenue recognition and bottom-up forecasting are especially common.





- Complementary products/services/distribution
- Similar businesses – different geography
- Part of your “food chain”
- New advanced technology
- Competitors (approach with caution)

- Financial buyers behaving like strategics
- Deploying cash through portfolio companies
- Doing deals for strategic reasons (technology, footprint, channels, etc.)
- Often with strategic prices



MARLIN EQUITY
PARTNERS

TA ASSOCIATES

THOMA BRAVO

AKKR

ACCEL-KKR



Riverside



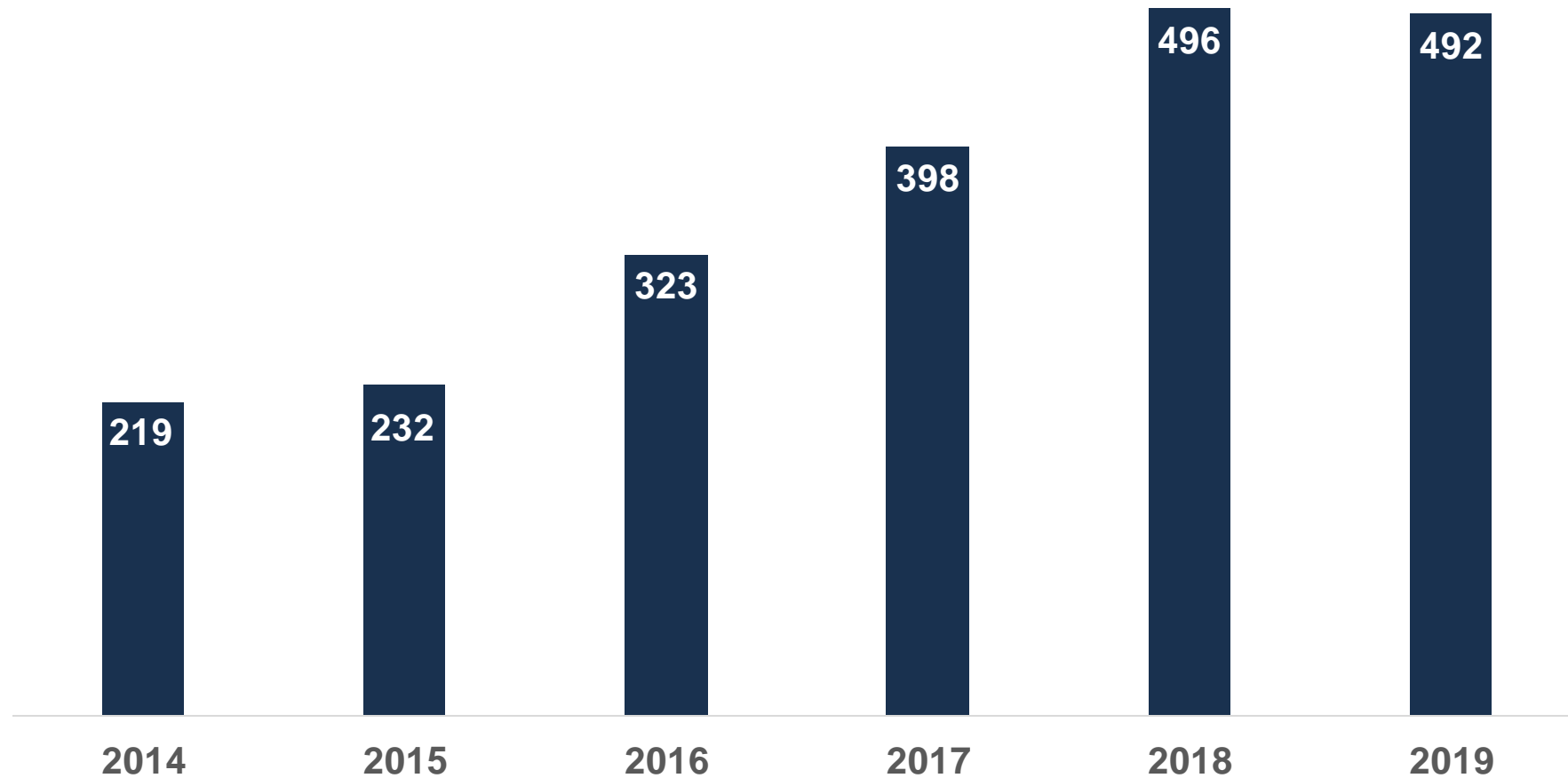
VISTA

PRIVATE EQUITY

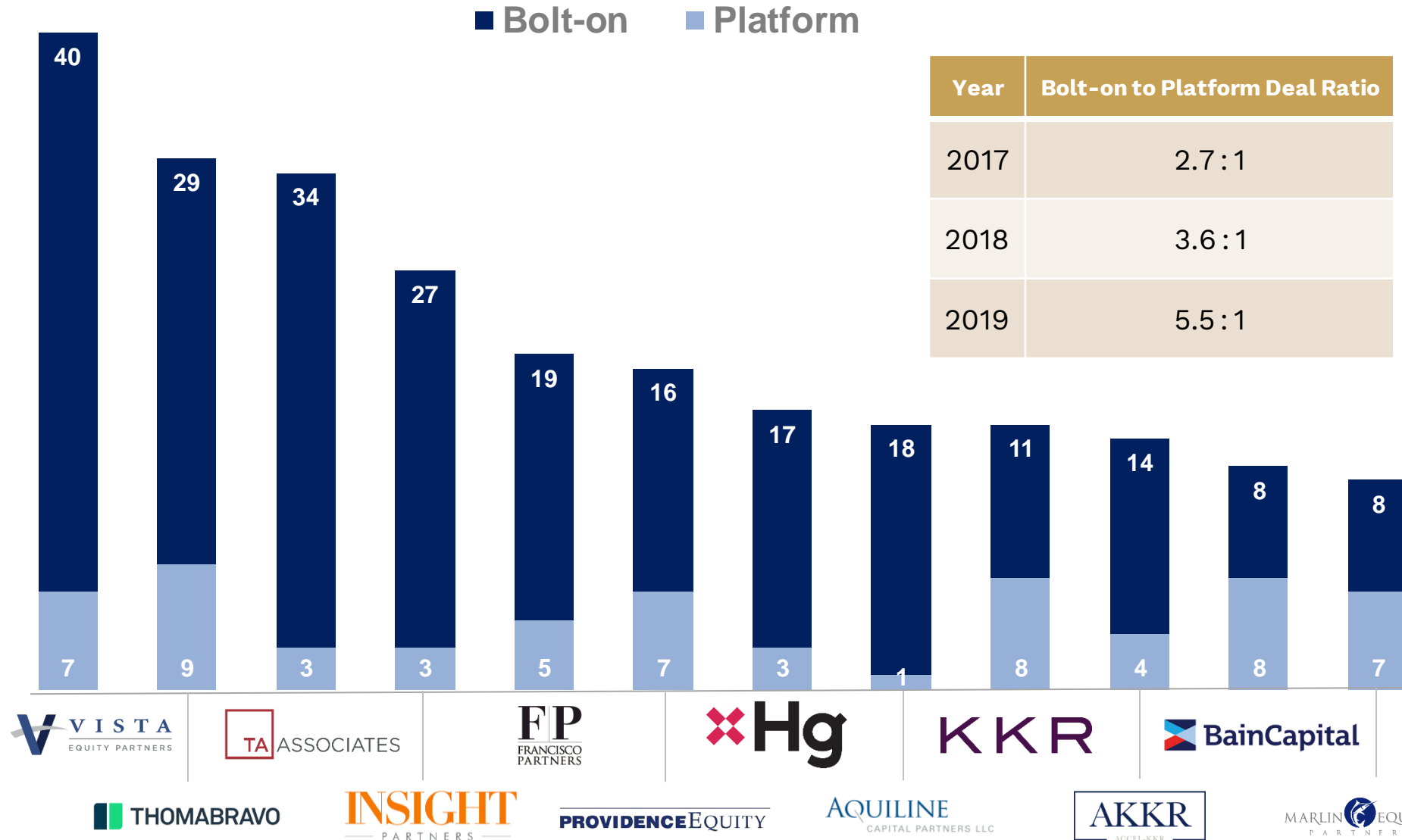
- Financial engineers (“smart money”)
- Some high-volume, tech-savvy firms
- Others lower volume and/or less tech-savvy
- Usually cash – be careful of complex structures
- Primarily concerned with ROI
- Usually plan to hold and sell again
- Due Diligence is tougher (NO leverage)
- Rarely more than 90% investment
- Platforms, bolt-ons, roll-ups

Tech M&A PE Platform Deals

2014-19

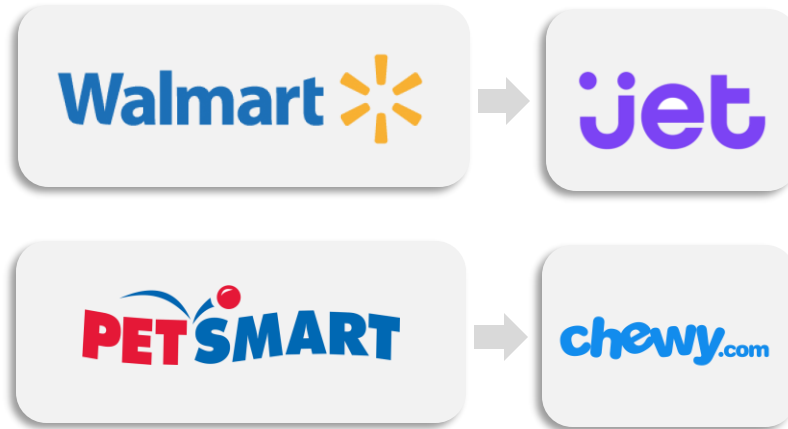


Platform vs. Bolt-on Acquisitions



Non-Traditional Tech Buyers

Gaining ground in ecommerce...



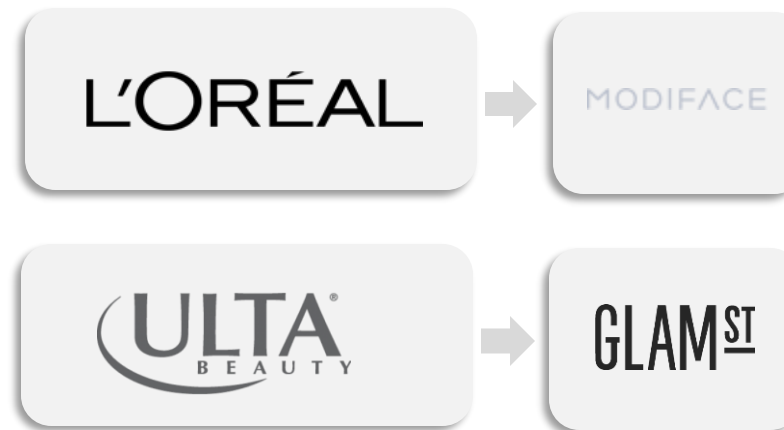
Using AI to better target customers...



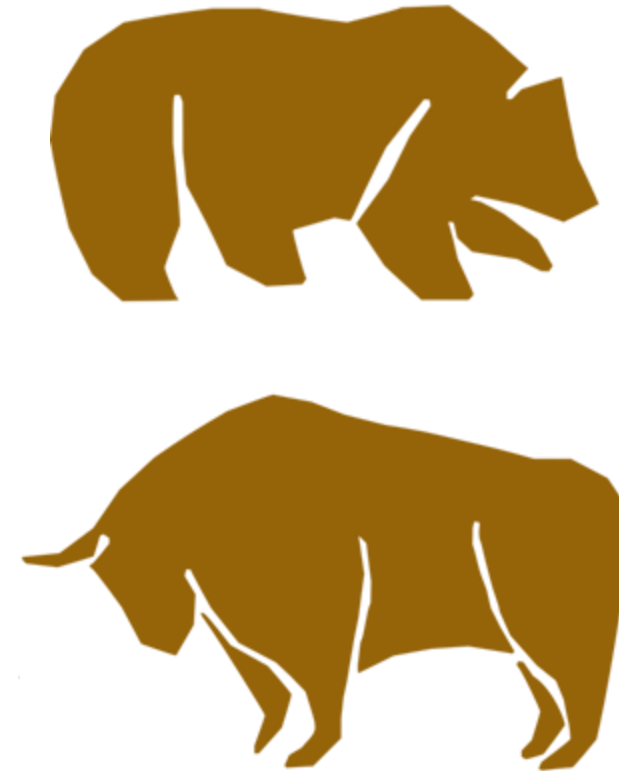
Differentiating through services...



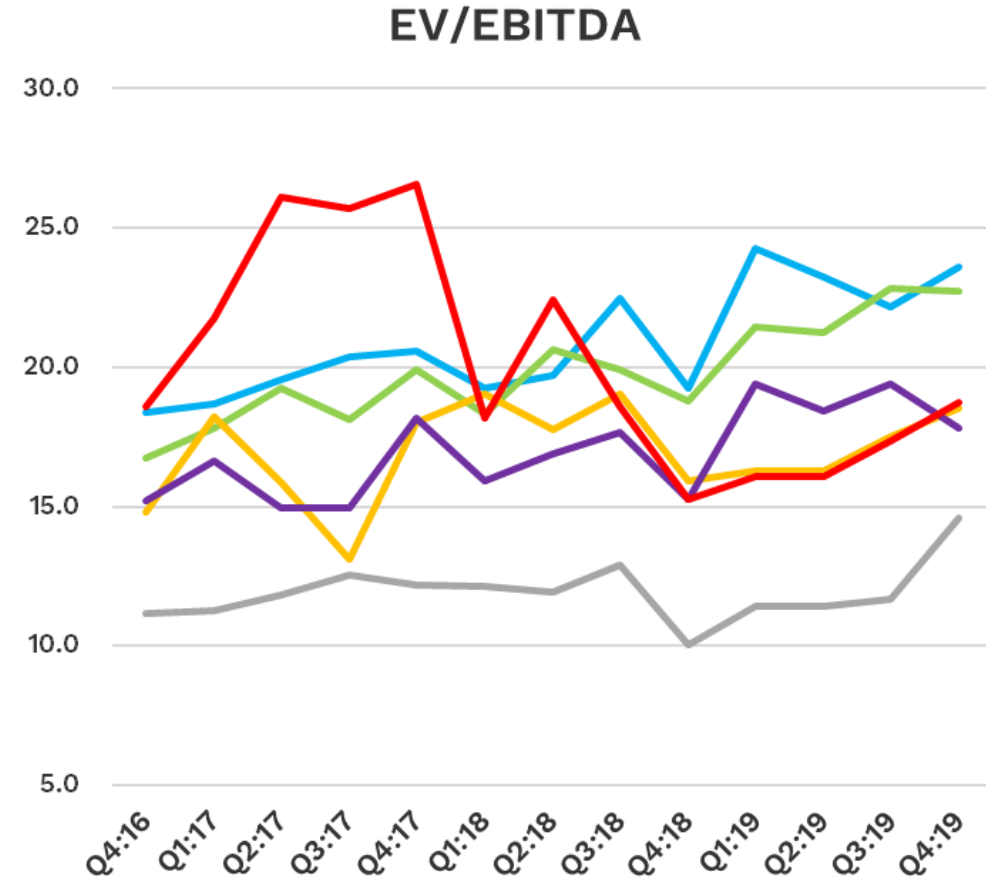
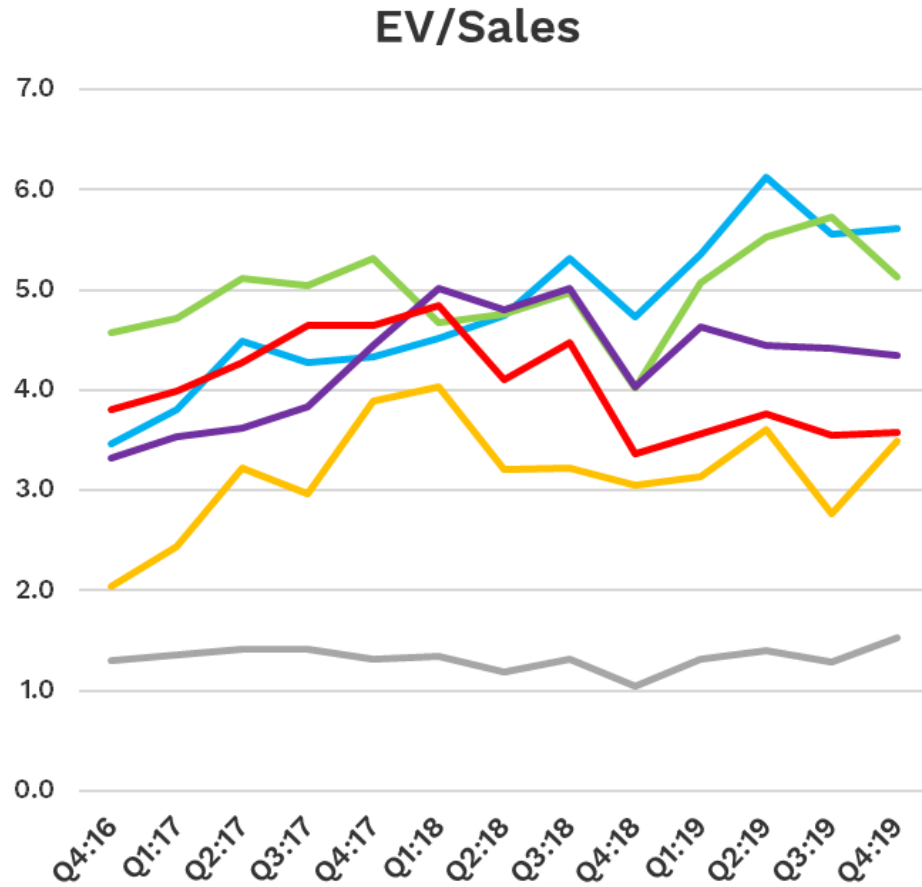
Using AR tech to drive sales...



Tech M&A Follows the Market



3-Year Market Valuation Trends



- Horizontal**
- Vertical**
- Infrastructure**
- Consumer**
- Internet**
- IT Services**

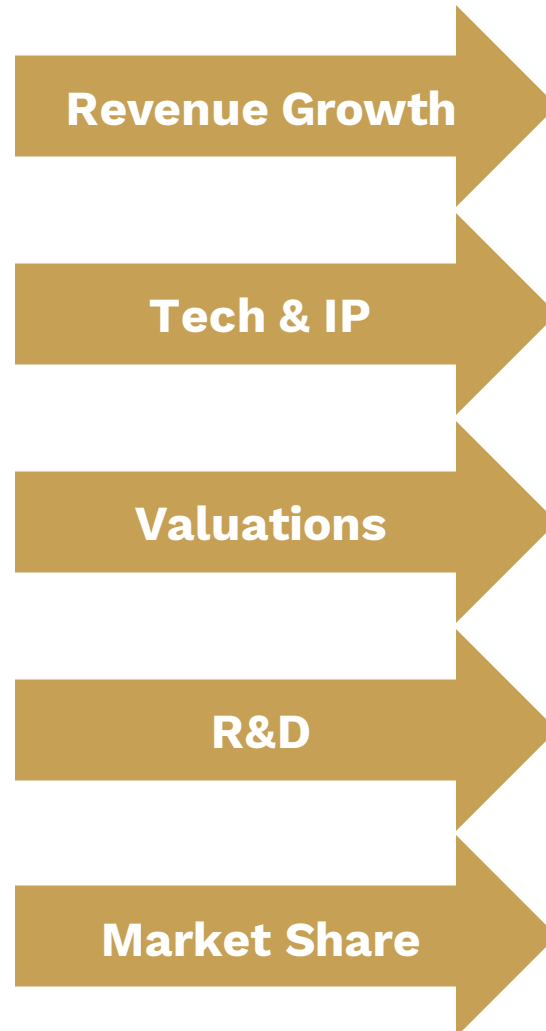
- ~~1. Family – Children take over~~
- ~~2. Management Buyout – MBO~~
- ~~3. Employee Ownership – ESOP~~
- ~~4. Public Initial Offering – IPO~~
5. Merger/Sale or Recapitalization

MBOs – not used in tech:

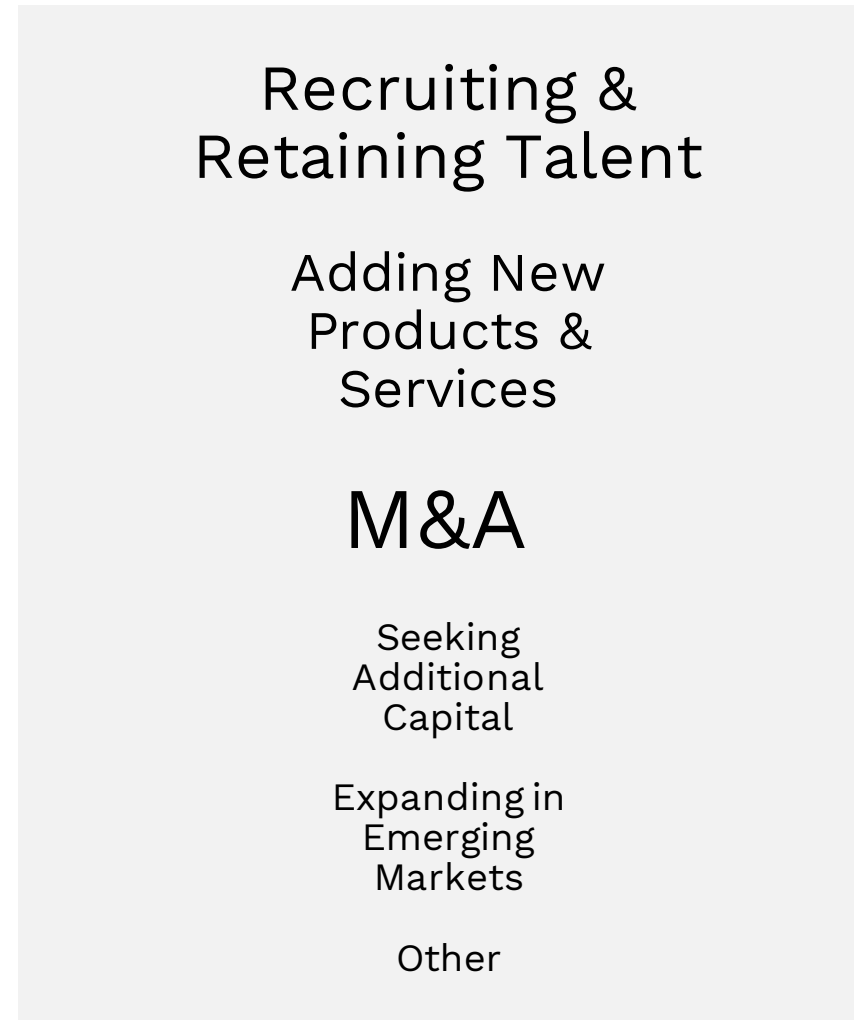
- **Lack of hard assets**
- **Bank financing unavailable**

...Only used in PE leveraged buyouts

TOP DRIVERS OF TECH M&A ACTIVITY



TOP GROWTH STRATEGIES FOR TECH COMPANIES



Seller's Market

\$70 million dollar deal

- All cash at closing

On the Way Down...

\$50 million dollar deal

- 1/2 cash at closing
- 1/2 earn out
- ...over 4 years

Market Bottom

\$30 million dollar deal

- All divided between earnout & stock
- No cash at closing...

M&A Process and Timeline

6-9 MONTHS ON AVERAGE

The Goal: Maximize shareholder value and successfully execute the proposed sale

The Method: Detailed research, timely communication and time-proven sales process

The Strategy: Pro-actively orchestrate a controlled auction that provides your company with multiple options at the highest supportable valuation



PARTNER TARGETING

- Identifies buyers you may have never heard of, where the fit may not be immediately obvious.

NEGOTIATING POSITION

- Brings more buyers to the table, helps strengthen seller's negotiating position.

FOCUS

- Saves time so you can focus on making your numbers.

INDEPENDENT ASSESSMENT

- Independent valuation assessment helps you gauge whether or not the buyer is offering a fair price.

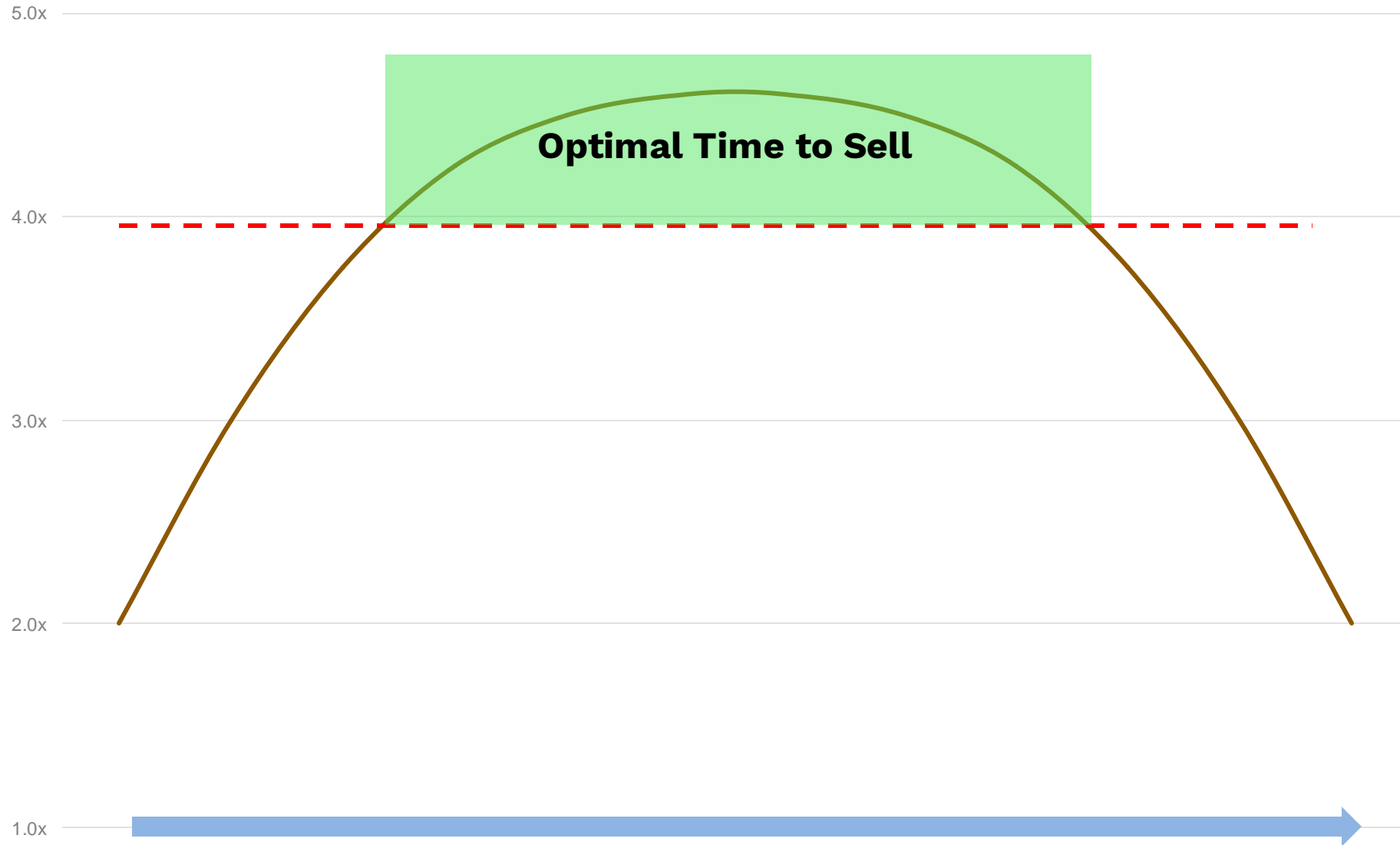
Effective process determines your company's valuation

- Going to market
- Communicating with buyers
- Getting feedback
- Learning



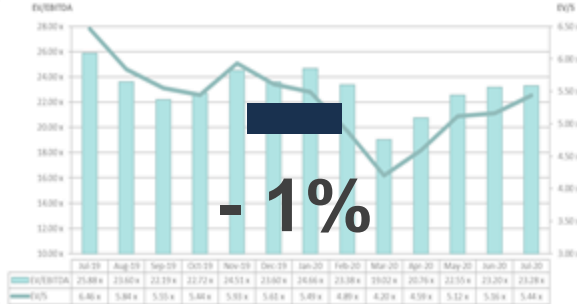
Tech Valuations In the Wake of the Pandemic

Valuation Lifecycle

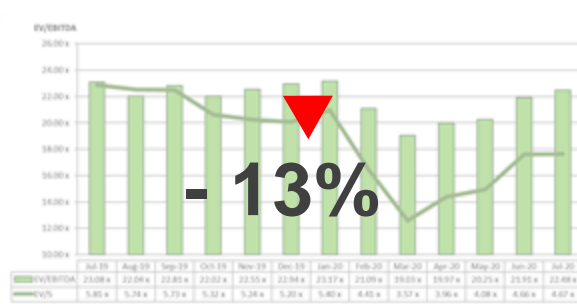


Public Valuations by Market

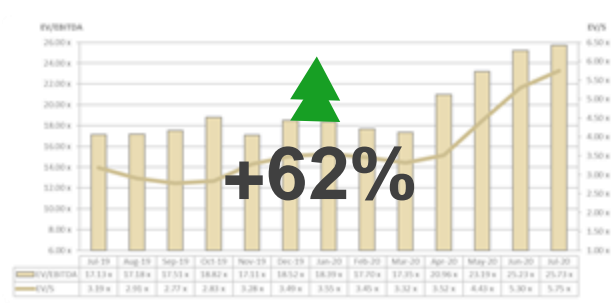
Horizontal



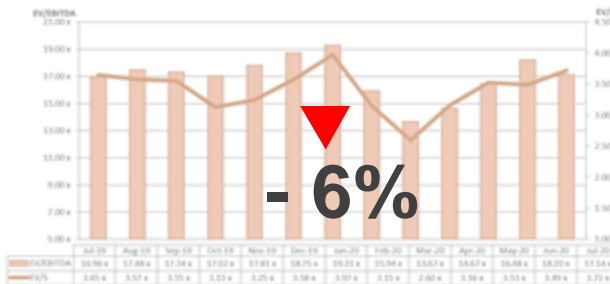
Vertical



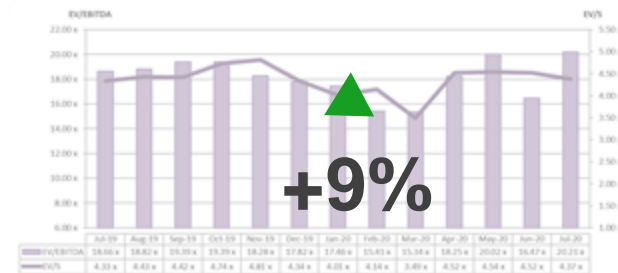
Consumer



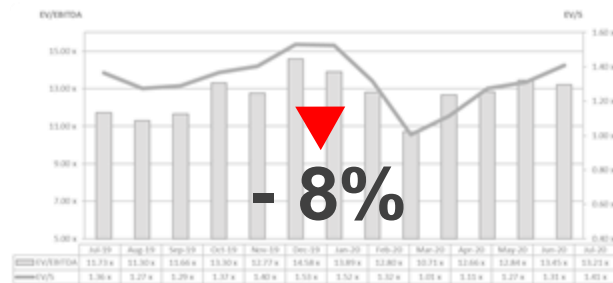
Internet



Infrastructure



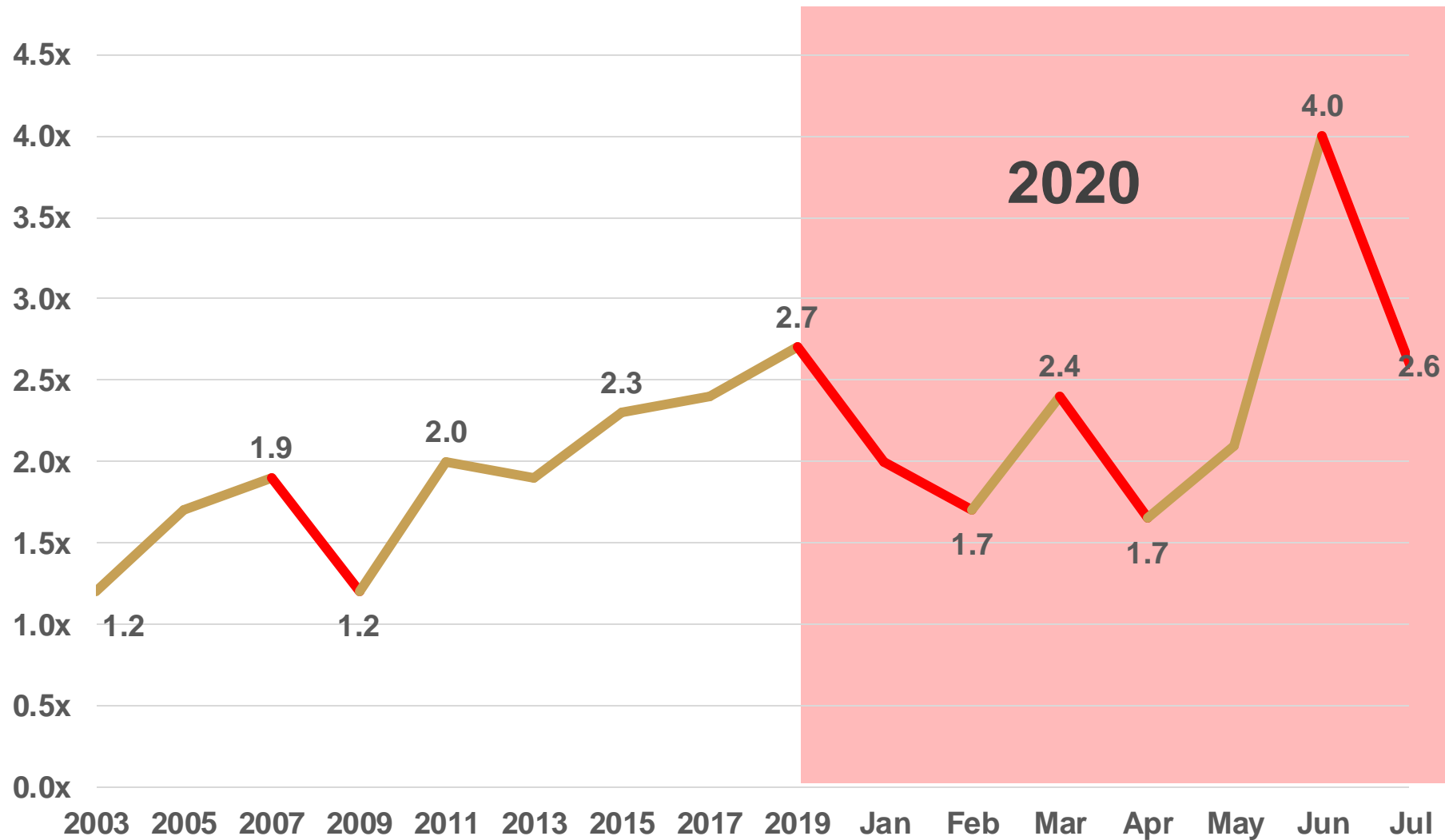
IT Services Developed markets



IT Services Emerging markets

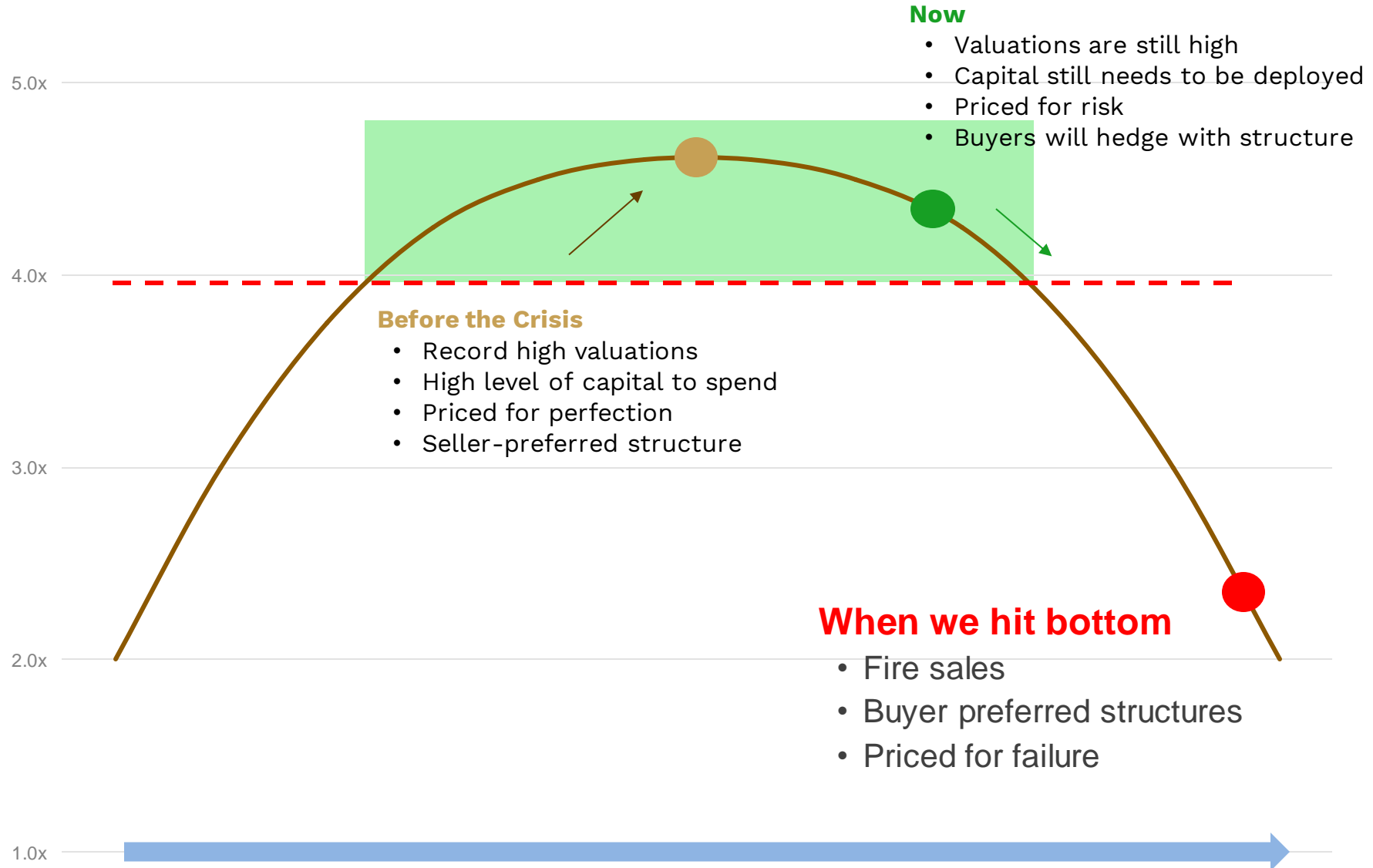


Current Median Exit Multiples: Tech*



Source: 451Research, Corum Research

*As of 7/31/2020, only 7% of announced deals disclosed deal terms.



Price Rationalization

| SECTOR | Jan 2020 | YTD | | Change |
|----------------------|----------|-------|---|--------|
| Soc Network | 5.76x | 4.18 | ↓ | - 27% |
| HR | 7.02x | 6.05 | ↓ | - 26% |
| Automotive | 4.69x | 3.67x | ↓ | - 14% |
| Business Intel | 7.02x | 5.28x | ↓ | - 12% |
| Energy & Environment | 2.53x | 2.04x | ↓ | - 11% |
| IT Services | 1.52x | 1.10x | ↓ | - 8% |

SECTOR

EV/S Change since Jan 2020

HealthTech



+142%



+68%

eCom



+162%



+137%

Remote Solutions



+151%



+21%

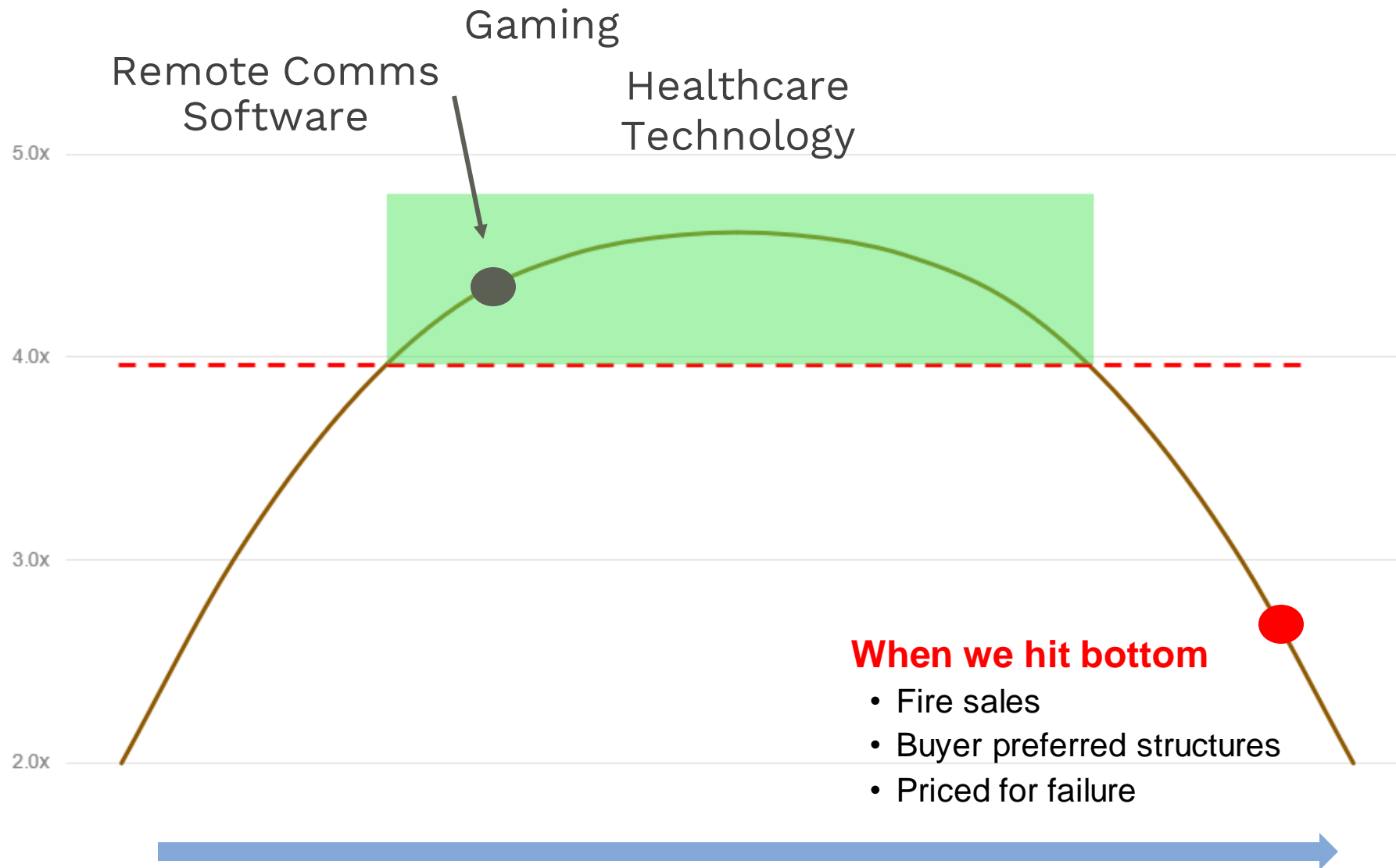
Gaming



+75%



+37%



Source: 451Research, Corum Research

- **Tech valuations still strong (for now)**
- **Assess your position**
 - **Technology lifecycle**
 - **Valuation lifecycle**
- **Calibrate the M&A market**
 - **Timing is critical**

We welcome your questions!

**Email questions to
info@corumgroup.com**

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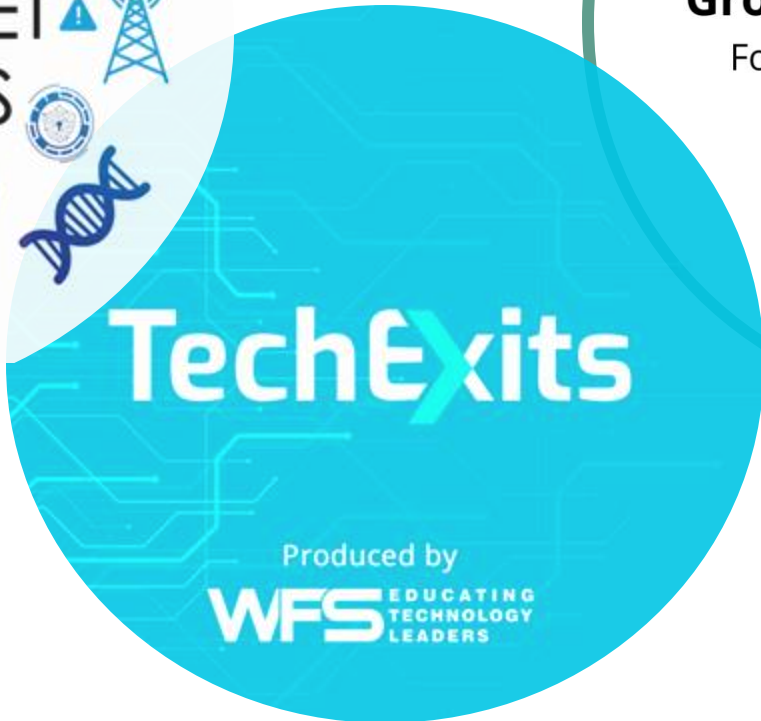
- **Half-Day**
- **Tech M&A Bootcamp**
- **The most attended tech executive conference in history**



- **90 Minutes**
- **Industry Update**
- **Overview of the M&A Process**



Webcasts



Podcasts



Conferences

After the Deal – Celebration



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Thank you!