



# Right Click PARTNERS



Right Click Capital Management Pty Limited ACN 161 549 944 AFSL 435725

## Technology M&A report October 2018

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All references to \$ or dollars are AUD\$ (Australian Dollars) unless stated otherwise.

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# Table of contents

Contents	Page
About us	4
Software report	6
IT services report	15
Marketing report	24
Ecommerce report	33
Online media report	42
Contact us	51



ABOUT  
RIGHT CLICK  
PARTNERS



# Right Click Partners

## Successful founder exits

Right Click Partners is an advisory firm helping technology founders in Australia, New Zealand and South East Asia maximise their exit by leveraging our experience, global relationships and deep domain expertise. We have experience in the entire process of planning and executing a successful exit, from initial strategy to completing the transaction. Through our partnership with China's leading technology investment bank, CEC Capital, we have completed over 300 transactions in the technology industry and built a deep network with leading strategic acquirers and investors around the world



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China



SOFTWARE  
M&A REPORT

# Global software sector overview

Period: 1 October – 30 September

Sector	2017	2018
Total value of acquisitions (\$m)	59,670.5	50,040.4
Acquisitions average deal value (\$m)	314.1	285.9
Acquisitions median deal value (\$m)	26.7	24.0

# Top global software acquisitions

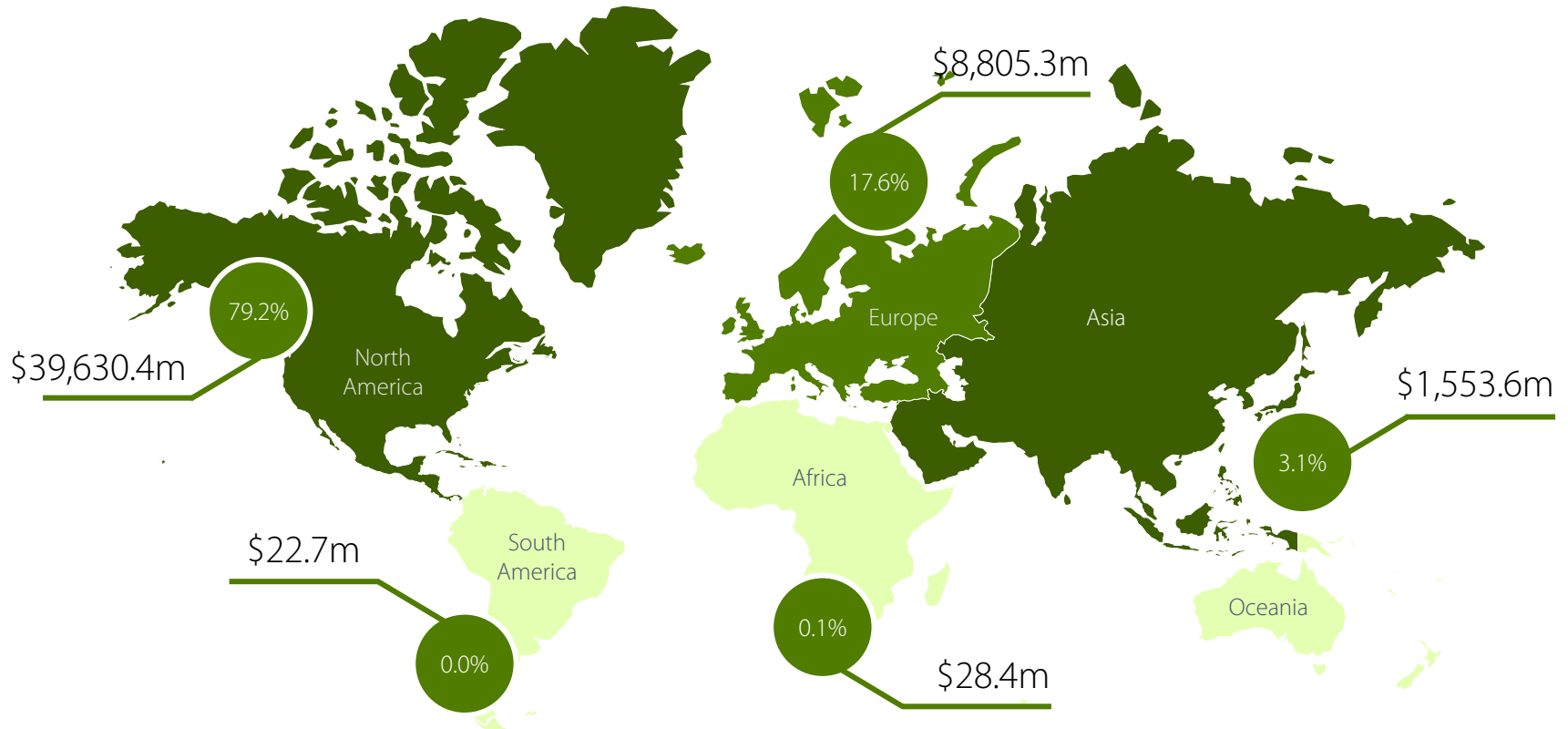
Period: 1 October 2017 – 30 September 2018

Company	Buyer	Deal value (\$m)
 <b>GitHub</b>	 <b>Microsoft</b>	9,811.5
 <b>CallidusCloud</b>	 <b>SAP</b>	3,190.0
 <b>Duo</b> SECURITY	 <b>CISCO</b>	3,185.9
 <b>Fidessa</b> Trade / Invest / Inform	 <b>ION</b>	2,819.6
 <b>Magento</b> <sup>®</sup>	 <b>Adobe</b>	2,222.3
 <b>Barracuda</b>	 <b>THOMA BRAVO</b>	2,116.9
 <b>EZE SOFTWARE GROUP</b> <sup>®</sup>	 <b>SS&amp;C</b>	1,950.4
 <b>Gigamon</b> <sup>®</sup>	 <b>ELLIOTT</b> <sup>®</sup>	1,931.8
 <b>ePI</b>	 <b>INSIGHT</b> VENTURE PARTNERS	1,612.1
 <b>VIEWPOINT</b>	 <b>Trimble</b>	1,575.7



# Software industry M&A activity overview

## M&A activity by region

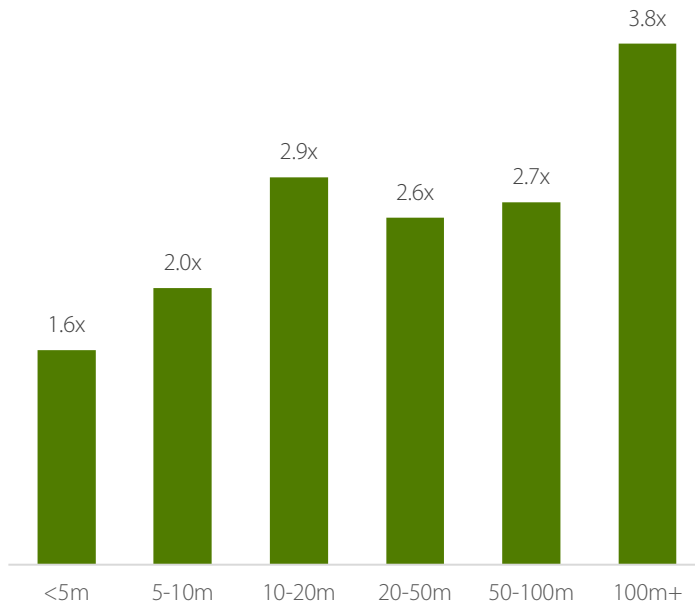


Note: all data is measured from 1 October 2017 to 30 September 2018

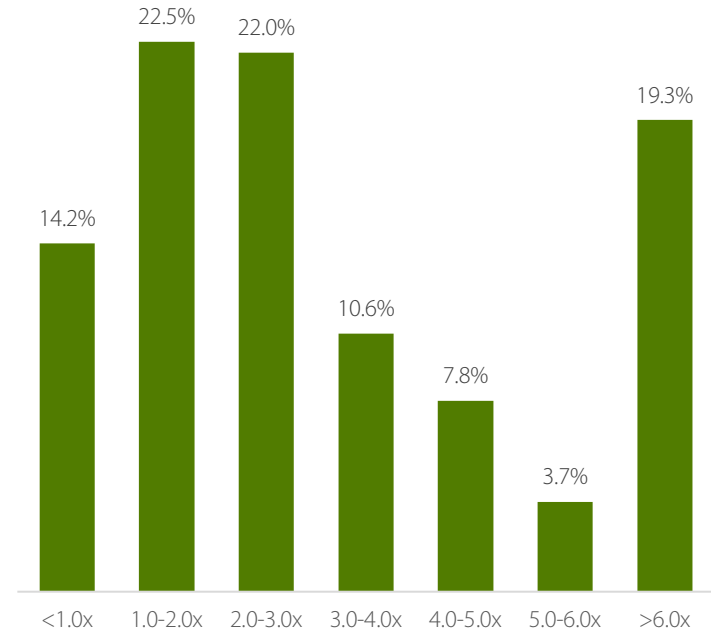
# Global software industry M&A activity overview

## Global software industry M&A revenue multiples over the last three years

Median revenue multiple by transaction size

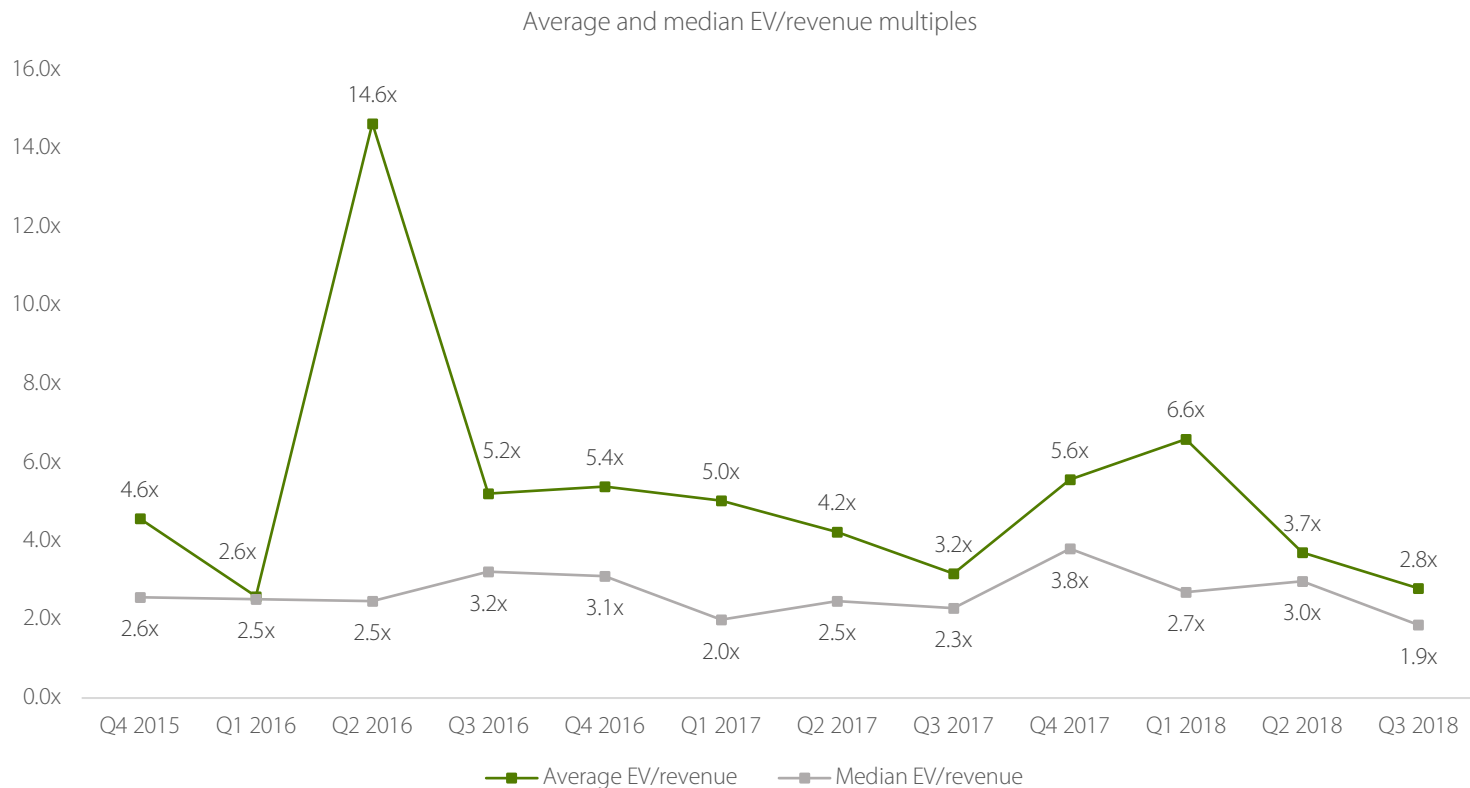


Revenue multiple distribution



# Global software industry M&A activity overview

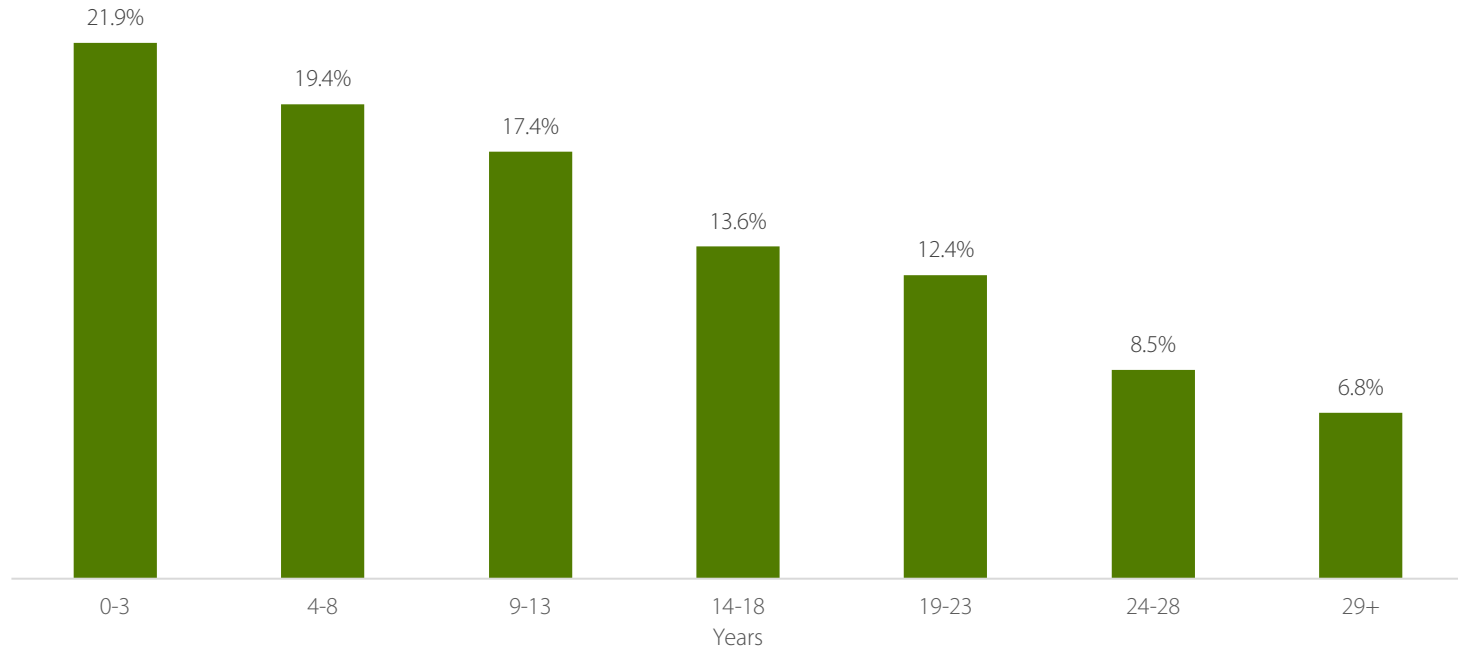
Average and median EV/revenue multiples over the past three years



# Global software industry M&A activity overview

## Lifespan of target company

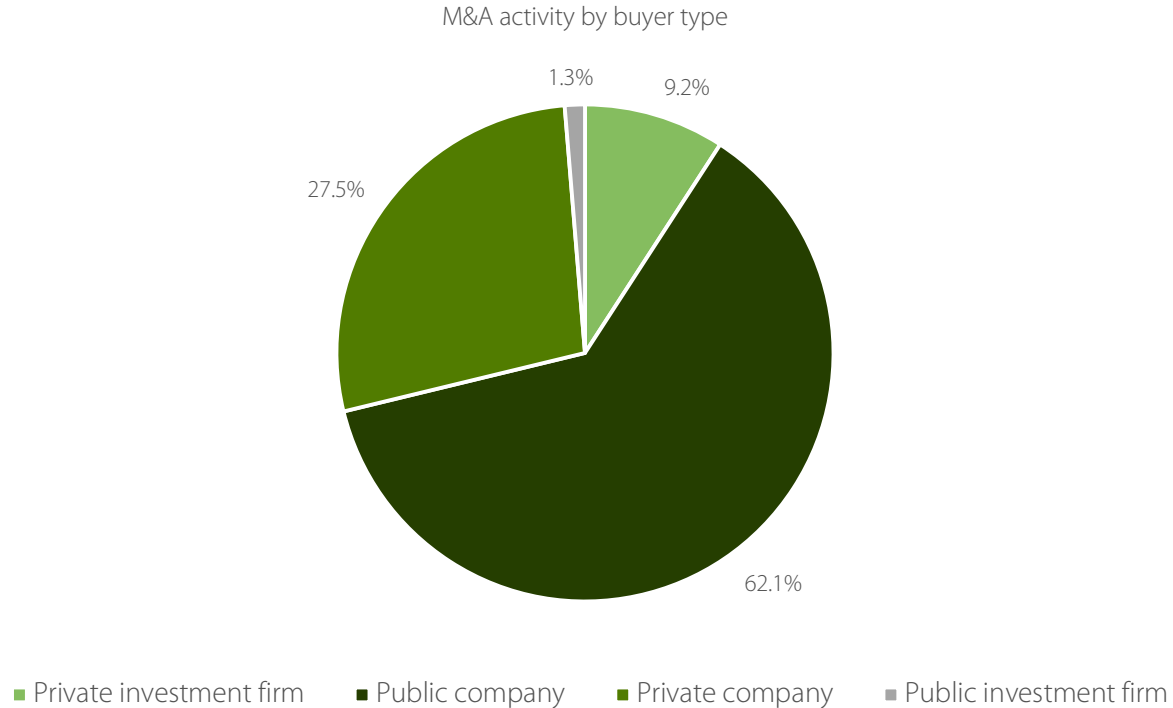
Lifespan of target companies before acquisition





# Global software industry M&A activity overview

## M&A activity by buyer type



# Software sector – implications for Australian companies

## Context for exit planning

### Growth

New benchmarks for growth being set due to the trade off between growth and profitability

### Australian scale range

Early-stage revenue: \$1m-\$5m  
Mid-stage revenue: \$5m-\$15m  
Later-stage revenue: \$15m+

### Funding and exits

US funds seeking \$15m+ investments into AU software companies at mid- and later-stage scale

Continued interest from North American and European companies in acquiring regional or vertical leading software providers

Domestic private equity firms continue to increase their investment appetite for software companies

### Key considerations

YOY revenue growth  
Recurring revenue mix  
Technical elements such as being web-based, multi-tenanted and single version remain important considerations in valuation

Greatest volume of software transactions in Australia will remain between \$10m-\$150m



IT SERVICES  
M&A REPORT

# Global IT services sector overview

Period: 1 October – 30 September

Sector	2017	2018
Total value of acquisitions (\$m)	55,004.7	46,809.8
Acquisitions average deal value (\$m)	165.2	155.0
Acquisitions median deal value (\$m)	14.9	13.8



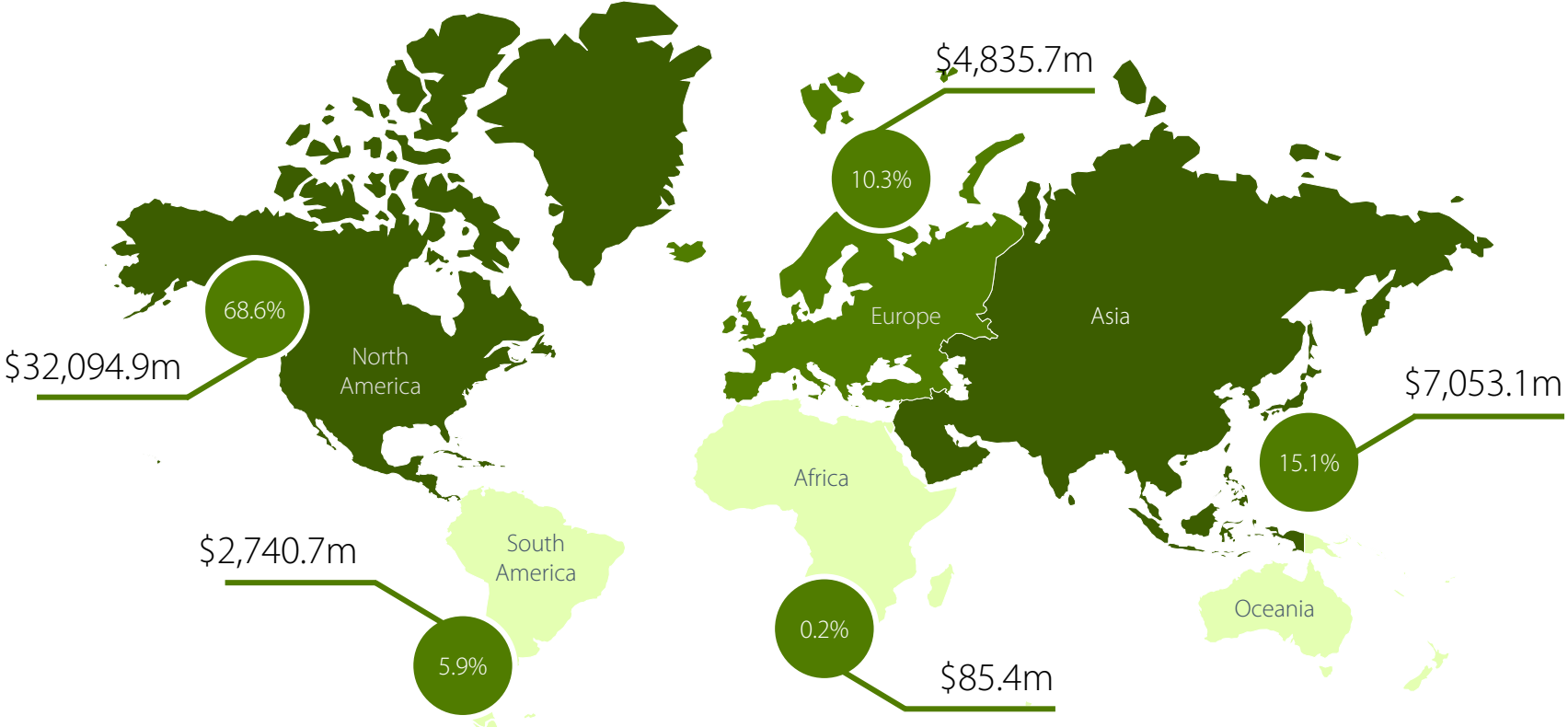
# Top global IT services acquisitions

Period: 1 October 2017 – 30 September 2018

Company	Buyer	Deal value (\$m)
	<b>GENERAL DYNAMICS</b>	12,942.4
		7,298.2
GlobalLogic		2,645.6
	<b>altran</b>	2,640.6
		2,515.3
		1,777.4
		1035.0
		797.4
		673.4
		570.5

# IT services industry M&A activity overview

## M&A activity by region

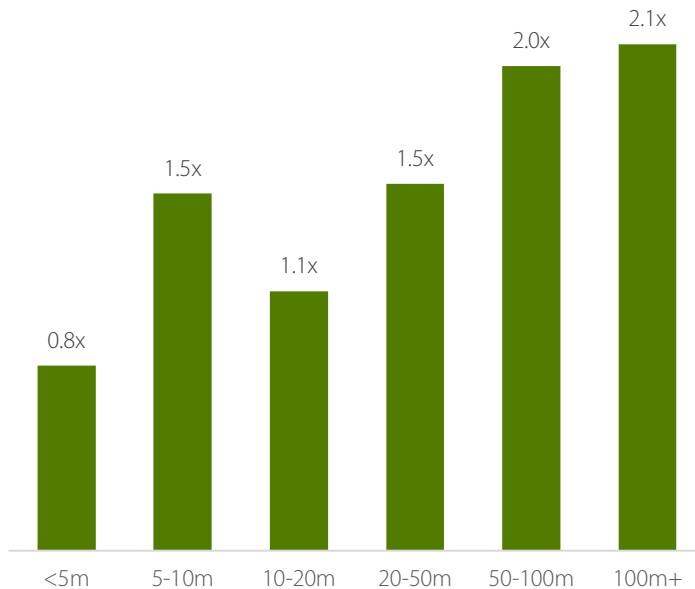


Note: all data is measured from 1 October 2017 to 30 September 2018

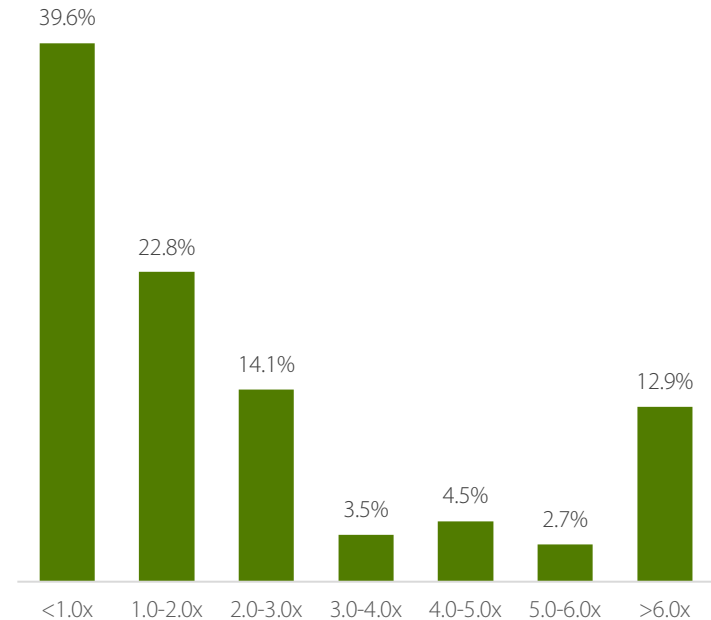
# Global IT services industry M&A activity overview

Global IT services industry M&A revenue multiples over the last three years

Median revenue multiple by transaction size

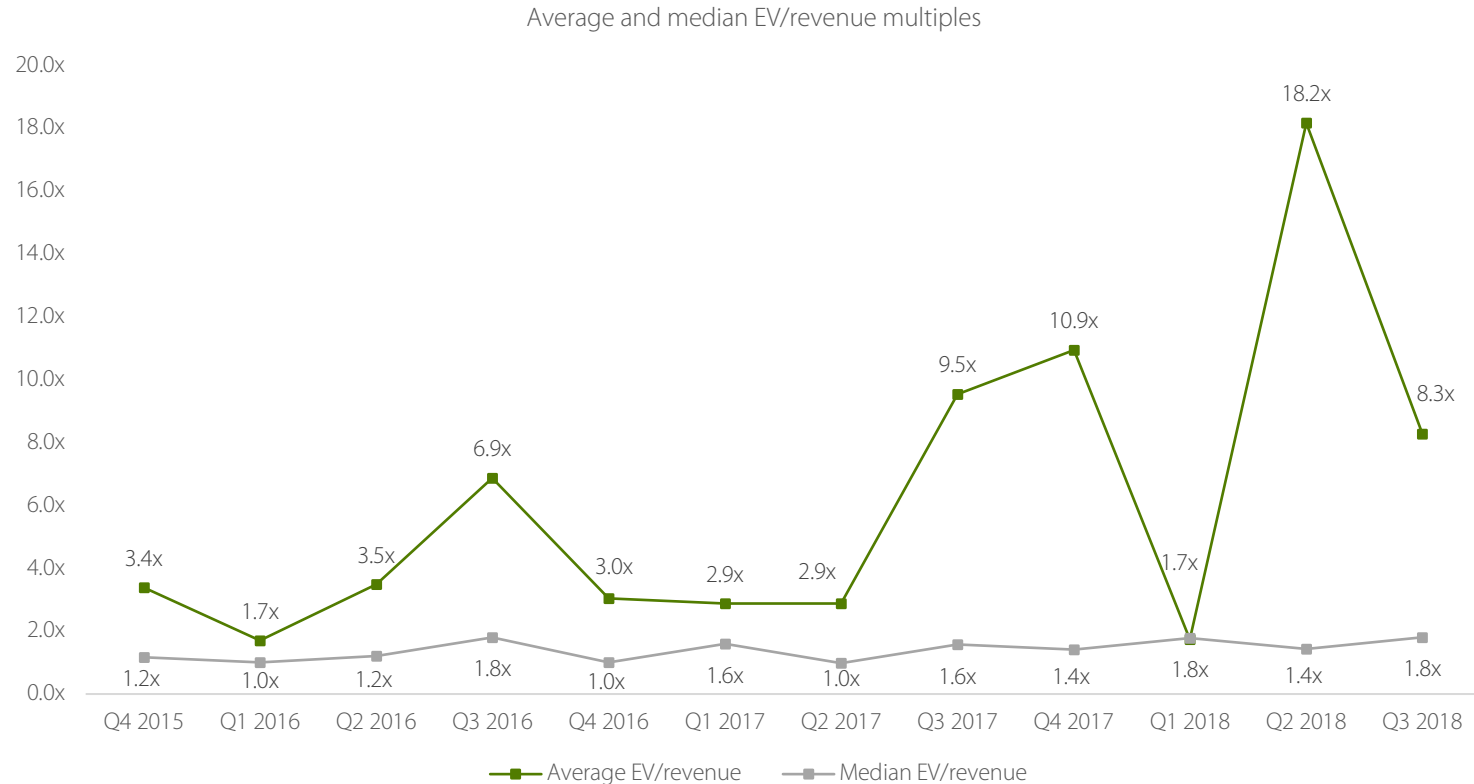


Revenue multiple distribution



# Global IT services industry M&A activity overview

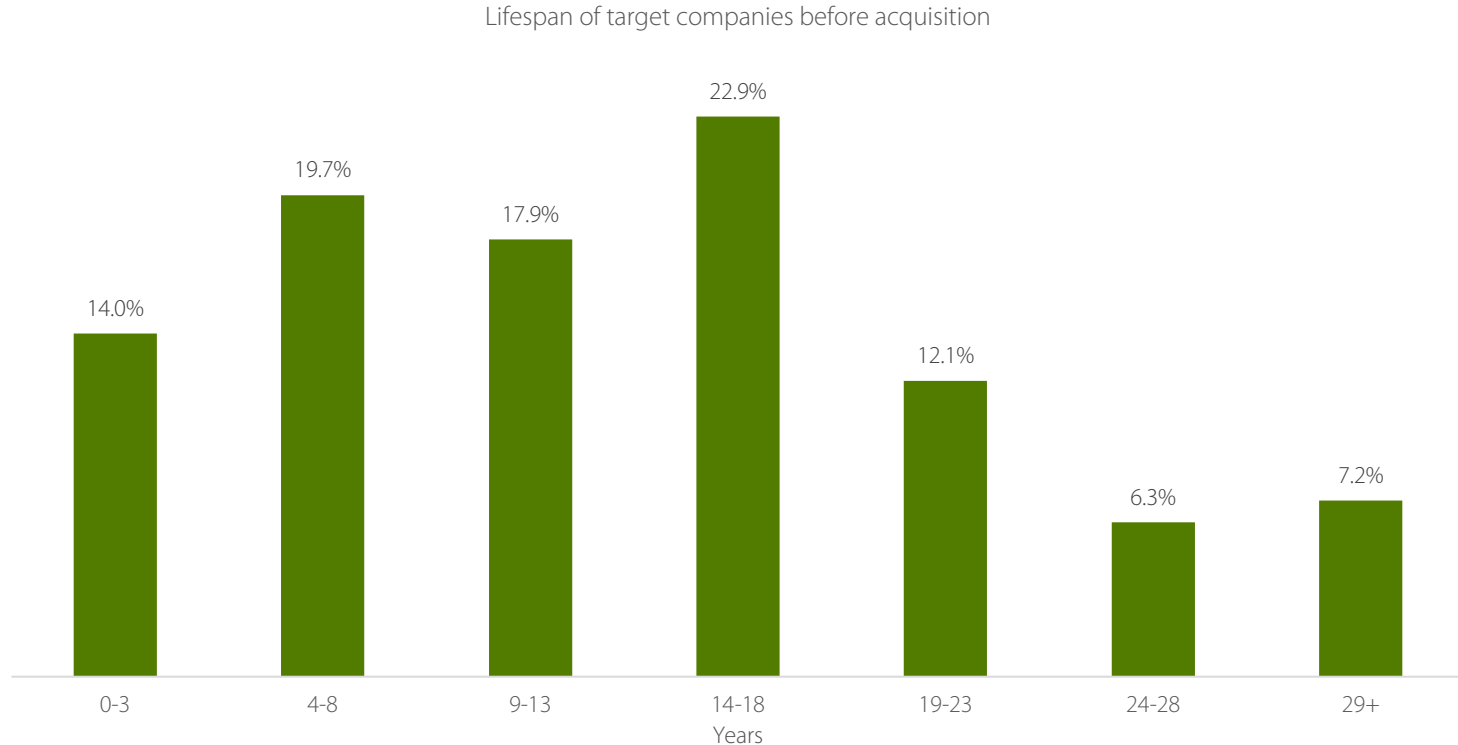
Average and median EV/revenue multiples over the past three years





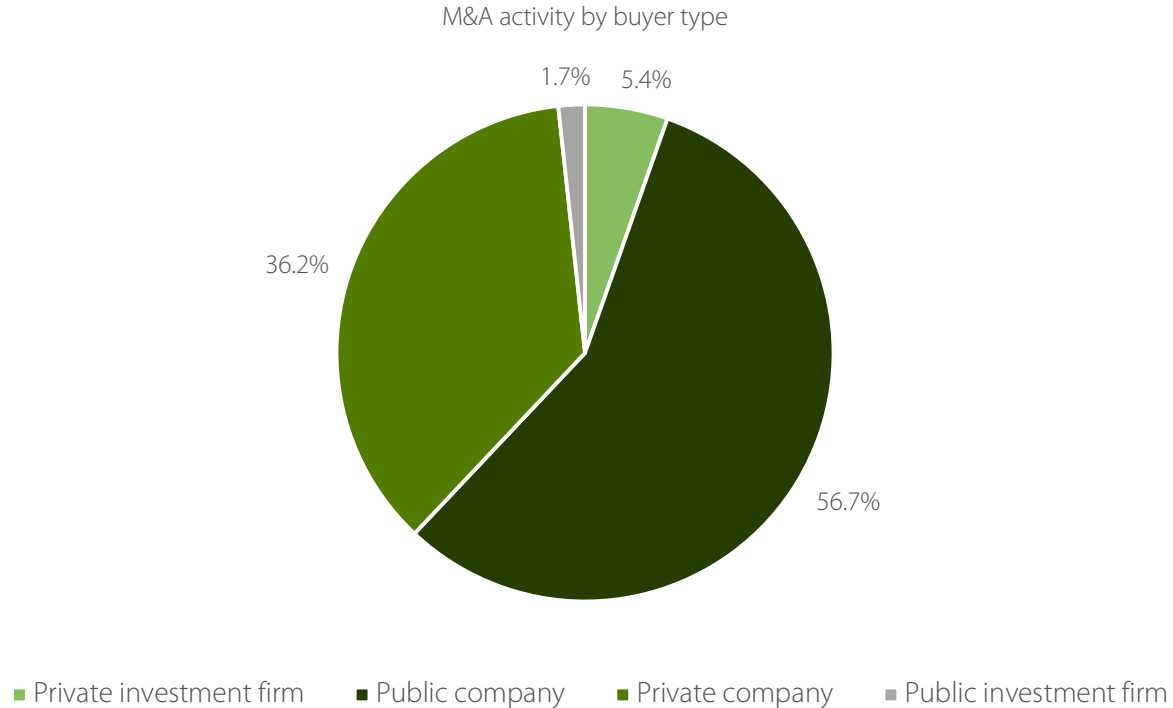
# Global IT services M&A activity overview

## Lifespan of target company



# Global IT services industry M&A activity overview

## M&A activity by buyer type



# IT services sector – implications for Australian companies

## Context for exit planning

### Growth

Significant growth being seen in domestic IT services companies

### Australian scale range

Early-stage revenue: \$1m-\$5m

Mid-stage revenue: \$5m-\$20m

Later-stage revenue: \$20m+

### Funding and exits

Strong interest in IT services companies from mid-market private equity funds

A number of domestic IT services companies are in a period of change, looking to extend capabilities and consolidate

Continued interest from Australian, North American and European IT services companies in acquiring regional or vertical leading software providers

### Key considerations

YOY revenue growth

Recurring revenue mix

Profitability (margins)

Services capabilities and niche expertise

Greatest volume of IT services transactions in Australia will remain between \$10m-\$50m



# Global marketing sector overview

Period: 1 October – 30 September

Sector	2017	2018
Total value of acquisitions (\$m)	1,926.0	8,538.4
Acquisitions average deal value (\$m)	74.1	569.2
Acquisitions median deal value (\$m)	23.8	12.6

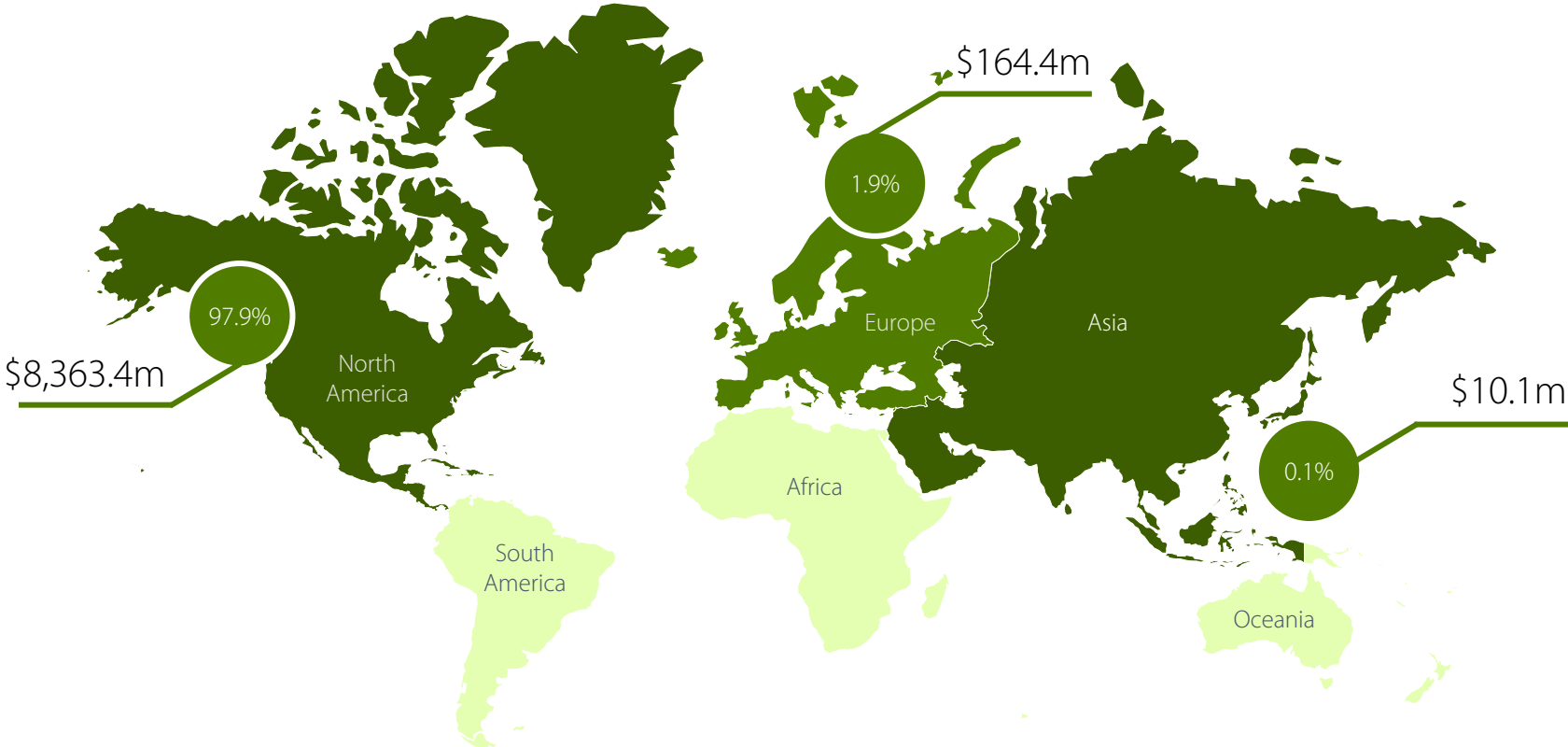
# Top global marketing acquisitions

Period: 1 October 2017 – 30 September 2018

Company	Buyer	Deal value (\$m)
 <b>BLACKHAWK</b> NETWORK	 <b>SILVERLAKE</b> P2	4,992.8
 <b>web.com</b> <b>weebly</b>	 <b>SIRIS</b> Capital Group, LLC	2,792.9
 <b>( ) DADA</b>	 <b>Square</b>	483.2
 <b>LogoMix</b>	 <b>HgCapital</b> }	150.2
 <b>TRAFFIC. A digital agency.</b>	 <b>DELUXE</b>	57.7
 <b>TimePad</b>	 <b>CMG</b>	12.9
 <b>ACQUISIO</b>	N/A	12.6
 <b>rise interactive</b>	 <b>web.com</b> <b>Quad</b> Graphics	12.6
 <b>昆汀科技</b>	 <b>桂發祥</b>	11.3
		10.2

# Marketing industry M&A activity overview

M&A activity by region



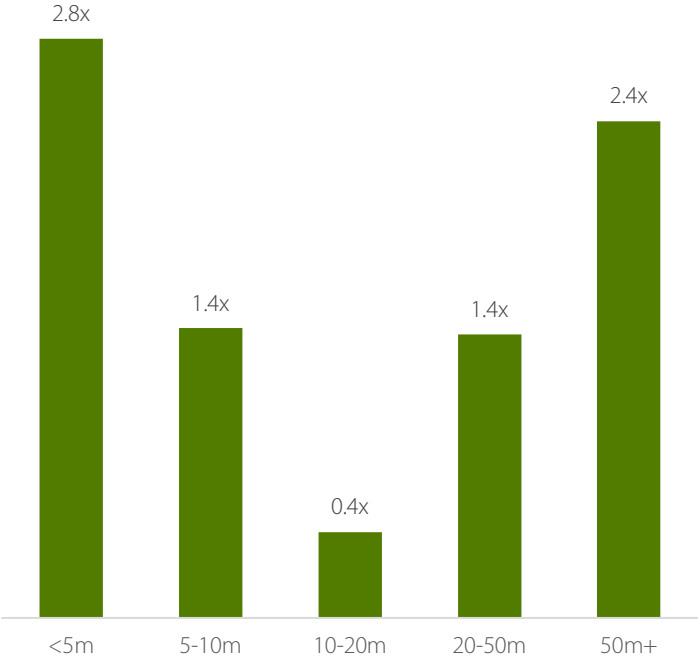
Note: all data is measured from 1 October 2017 to 30 September 2018



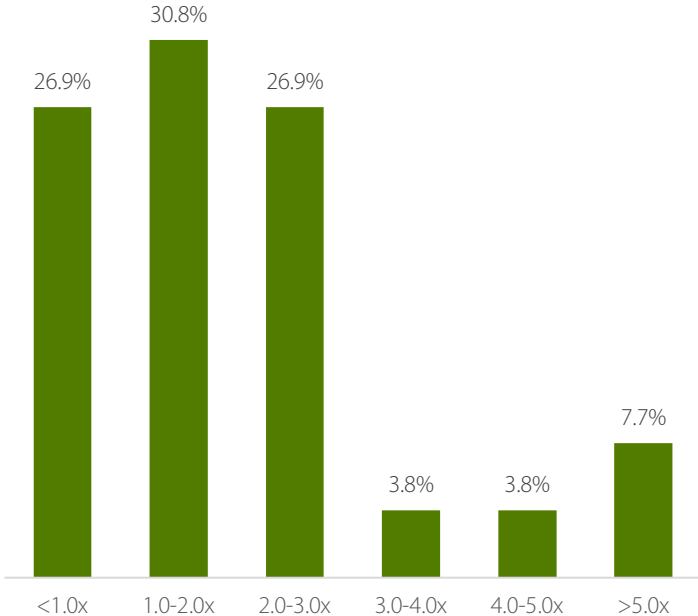
# Marketing industry M&A activity overview

Global marketing industry M&A revenue multiples over the last three years

Median revenue multiple by transaction size

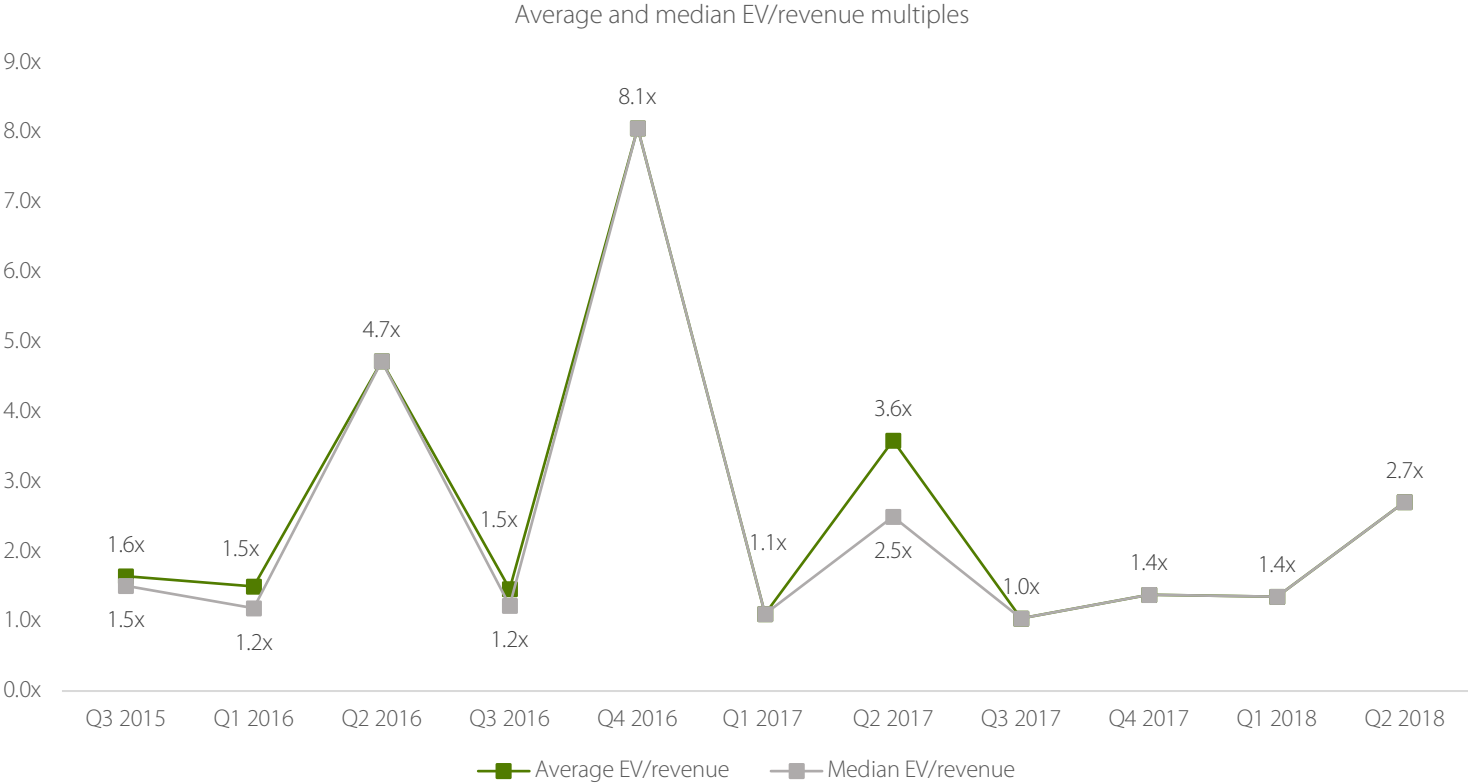


Revenue multiple distribution



# Marketing industry M&A activity overview

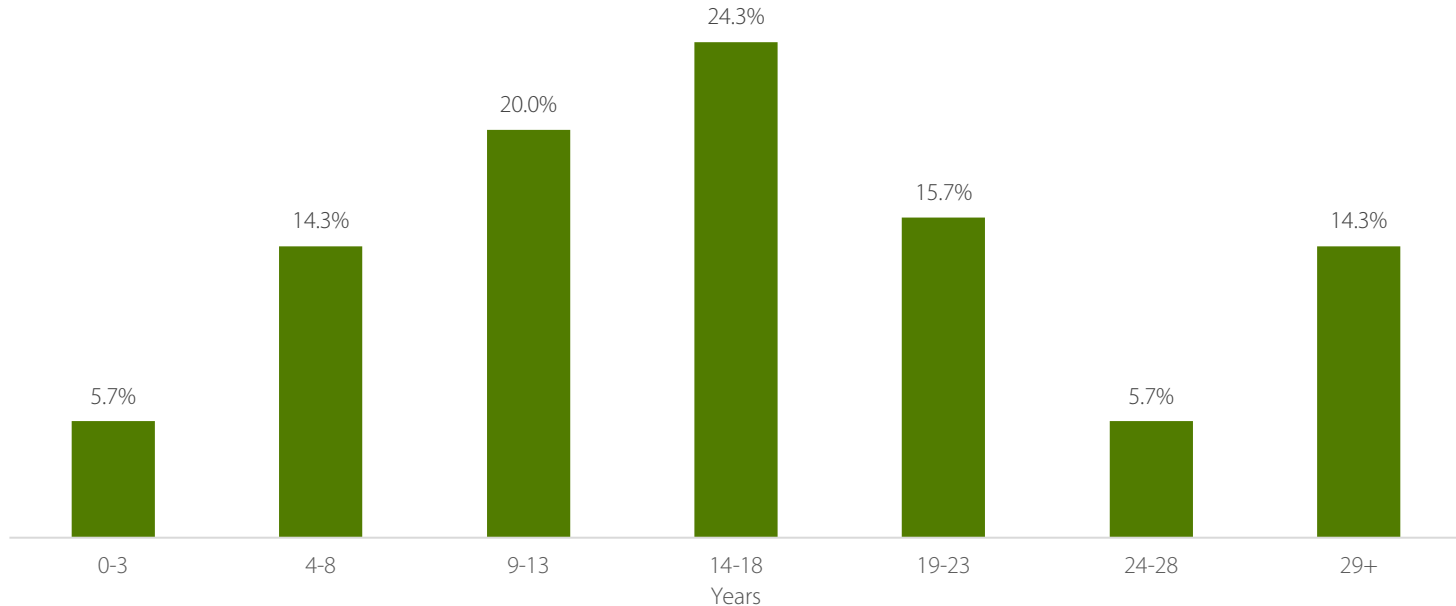
Average and median EV/revenue multiples over the past three years



# Marketing industry M&A activity overview

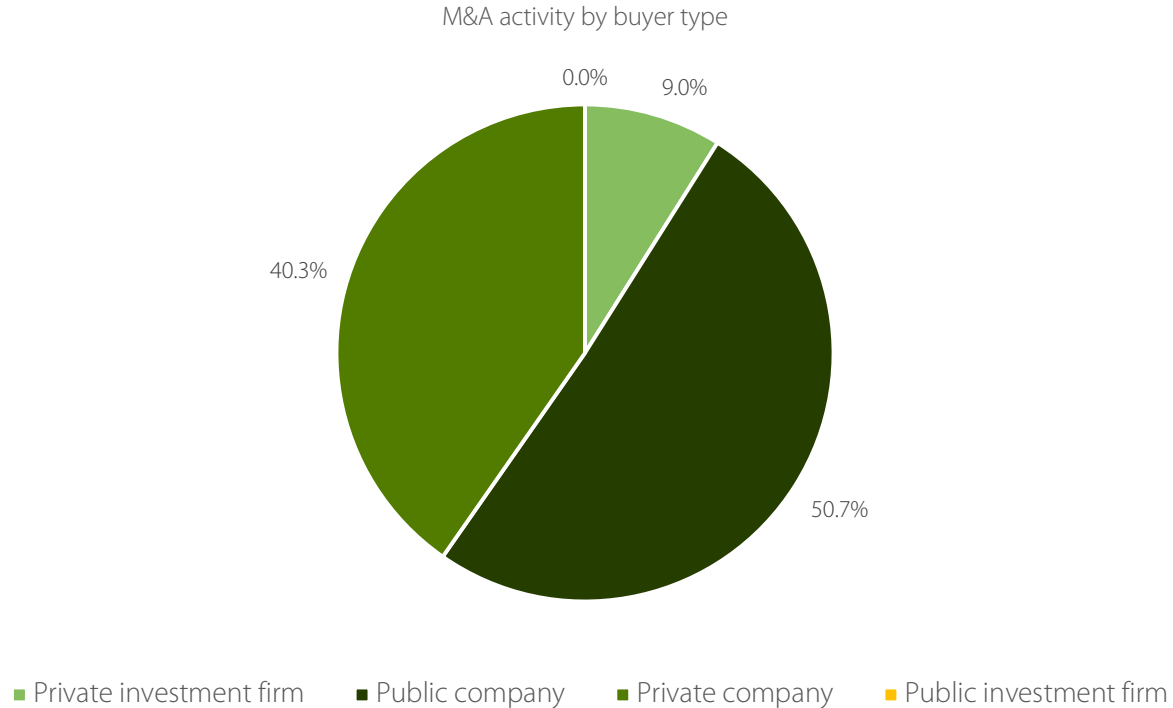
## Lifespan of target company

Lifespan of target companies before acquisition



# Marketing industry M&A activity overview

## M&A activity by buyer type



# Marketing sector – implications for Australian companies

## Context for fundraising and exit planning

### Growth

Public agency conglomerates continue to trade on strong multiples (1x – 2x revenue) despite slowing growth

### Australian scale range

Early-stage revenue: \$1m-\$3m  
Mid-stage revenue: \$3m-\$10m  
Later-stage revenue: \$10m+

### Funding and exits

Agencies typically bootstrapped until significant scale

Programmatic technologies and networks well funded in SEA

Professional services firms continue to pursue digital services acquisitions

### Key considerations

Scale and longevity/predictability of revenues is paramount

Defined LTV/CAC funnel

Market leading position in vertical, or expertise

An aerial photograph of a city skyline, likely New York City, during sunset. The sky is filled with warm, golden light and scattered clouds. The city is densely packed with skyscrapers and buildings. A prominent green semi-transparent overlay covers the left side of the image, containing the text "ECOMMERCE M&A REVIEW".

ECOMMERCE  
M&A REVIEW

# Global ecommerce sector overview

Period: 1 October – 30 September

Sector	2017	2018
Total value of acquisitions (\$m)	22,152.3	30,991.7
Acquisitions average deal value (\$m)	157.1	418.8
Acquisitions median deal value (\$m)	19.8	27.5

# Top global ecommerce acquisitions

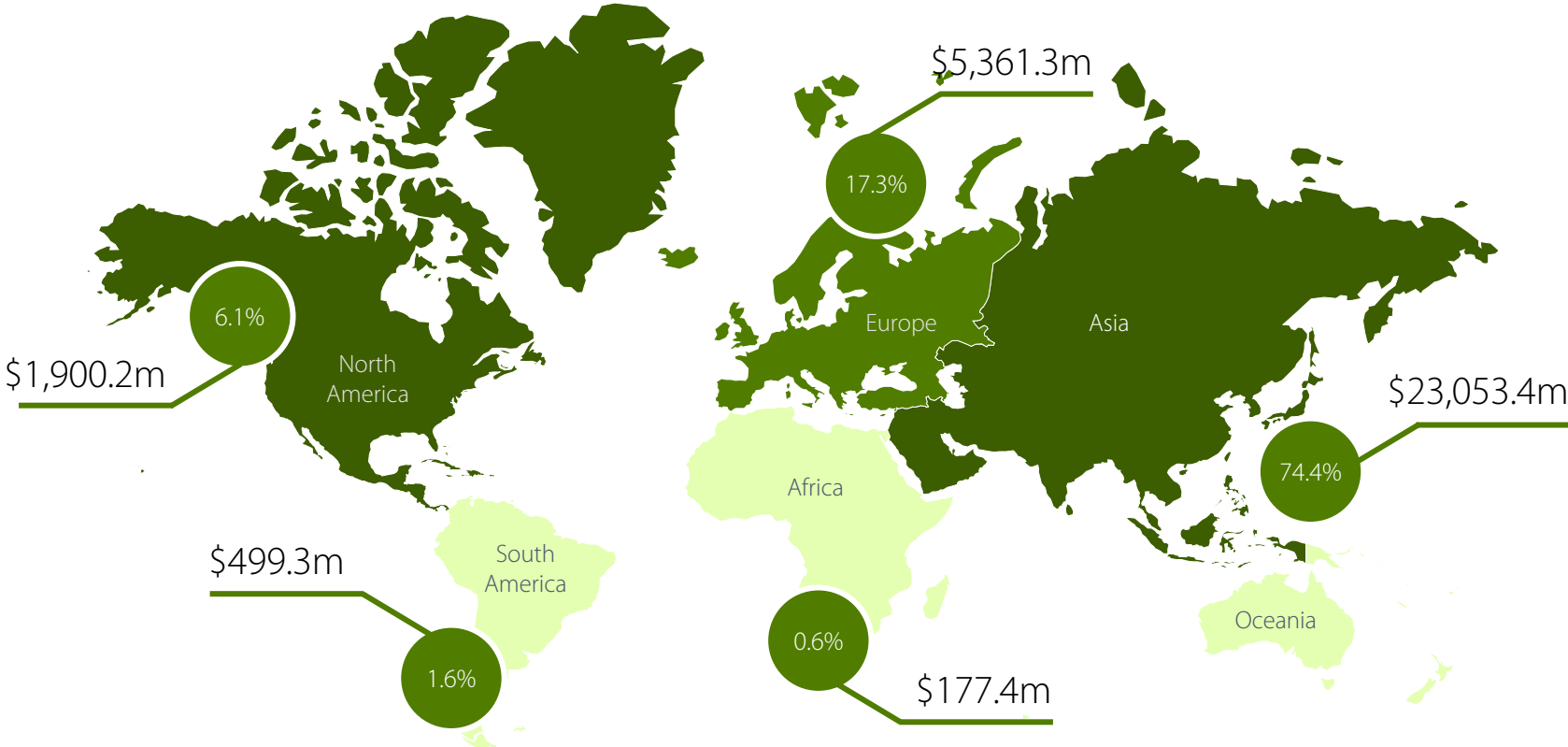
Period: 1 October 2017 – 30 September 2018

Company	Buyer	Deal value (\$m)
		21,452.8
YOOX NET-A-PORTER GROUP		4,602.9
		392.8
		378.0
<i>Delivery Technologies SpA</i>		312.9
	<i>City Legend International Limited</i>	246.7
<i>Japan Automobile Auction Inc.</i>		236.3
		229.9
		227.2
		190.9



# Ecommerce industry M&A activity overview

M&A activity by region

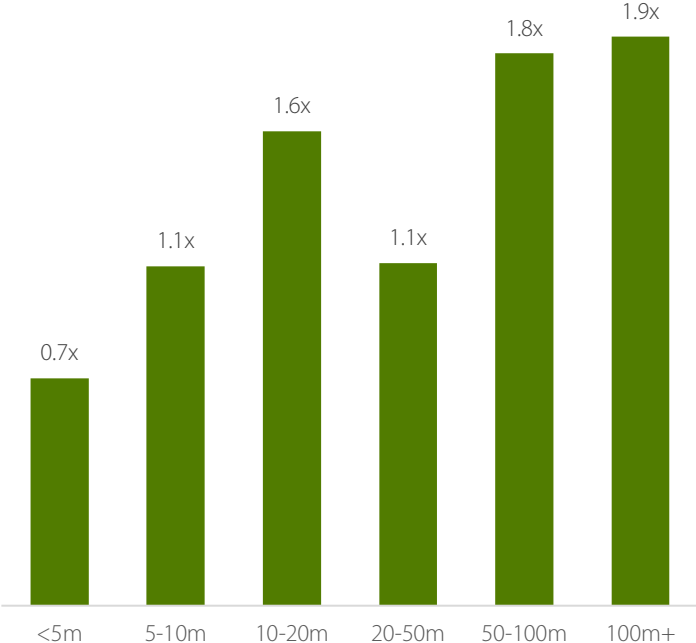


Note: all data is measured from 1 October 2017 to 30 September 2018

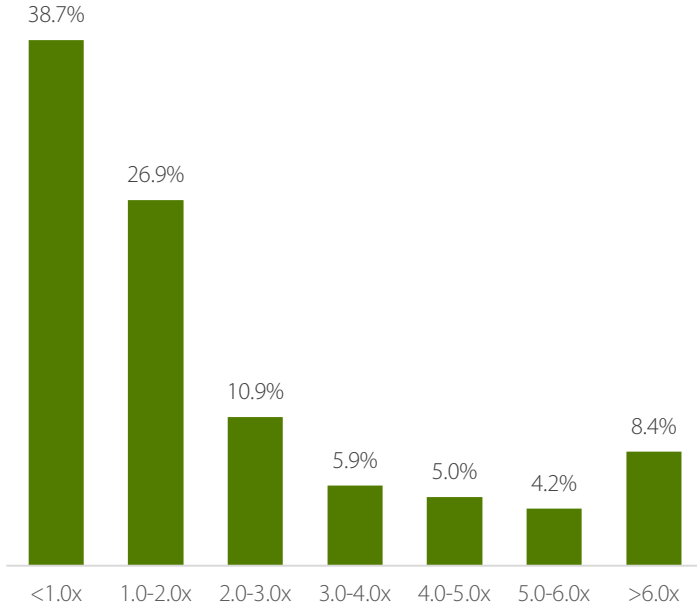
# Ecommerce industry M&A activity overview

Global ecommerce industry M&A revenue multiples over the last three years

Median revenue multiple by transaction size

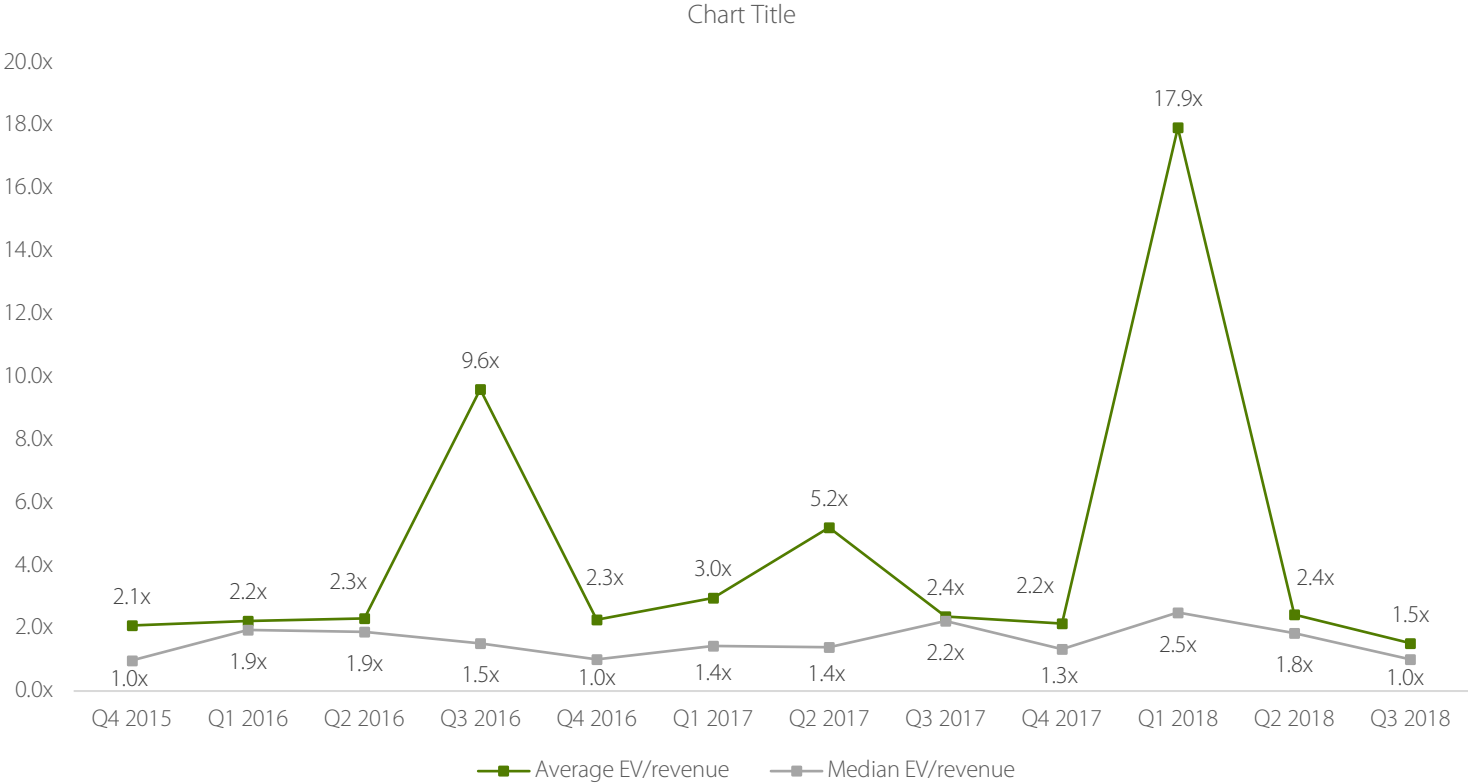


Median revenue multiple distribution



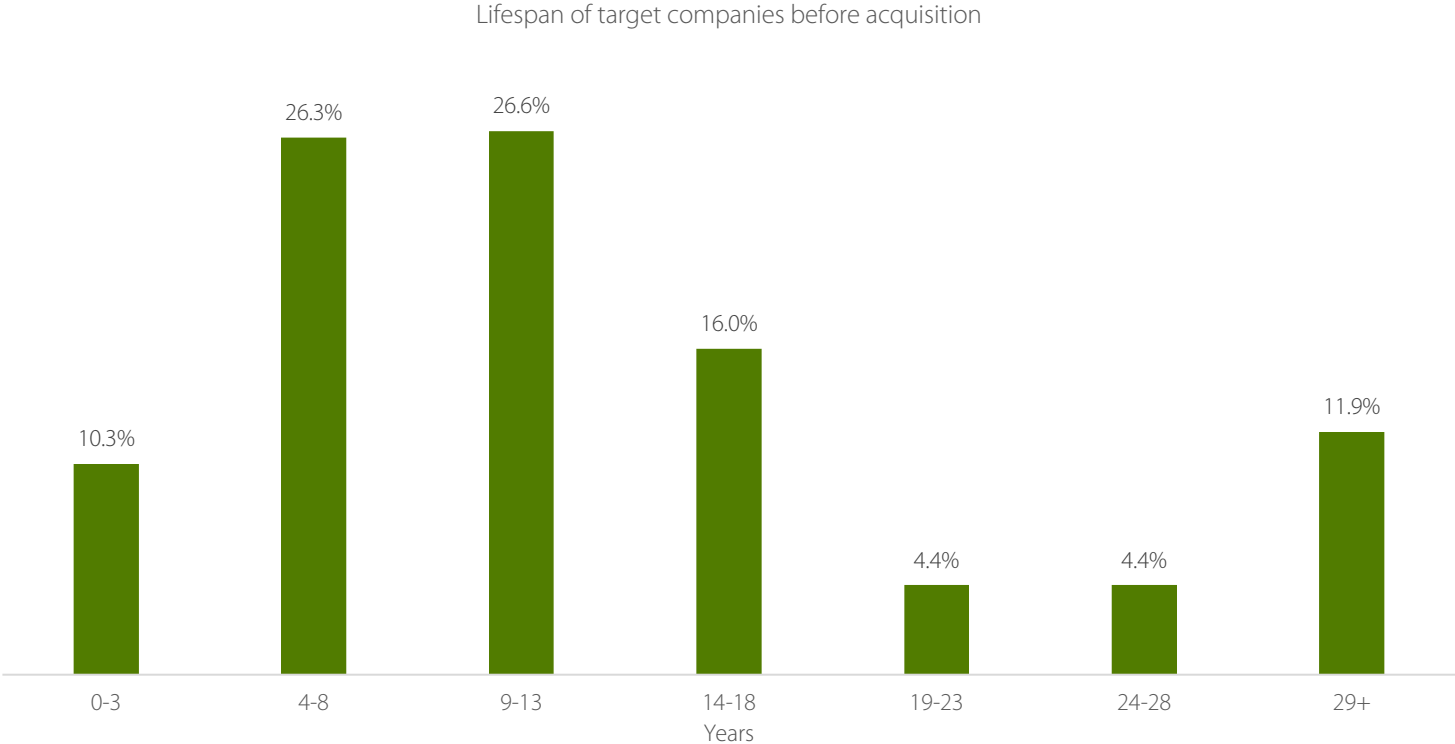
# Ecommerce industry M&A activity overview

Average and median EV/revenue multiples over the past three years



# Ecommerce industry M&A activity overview

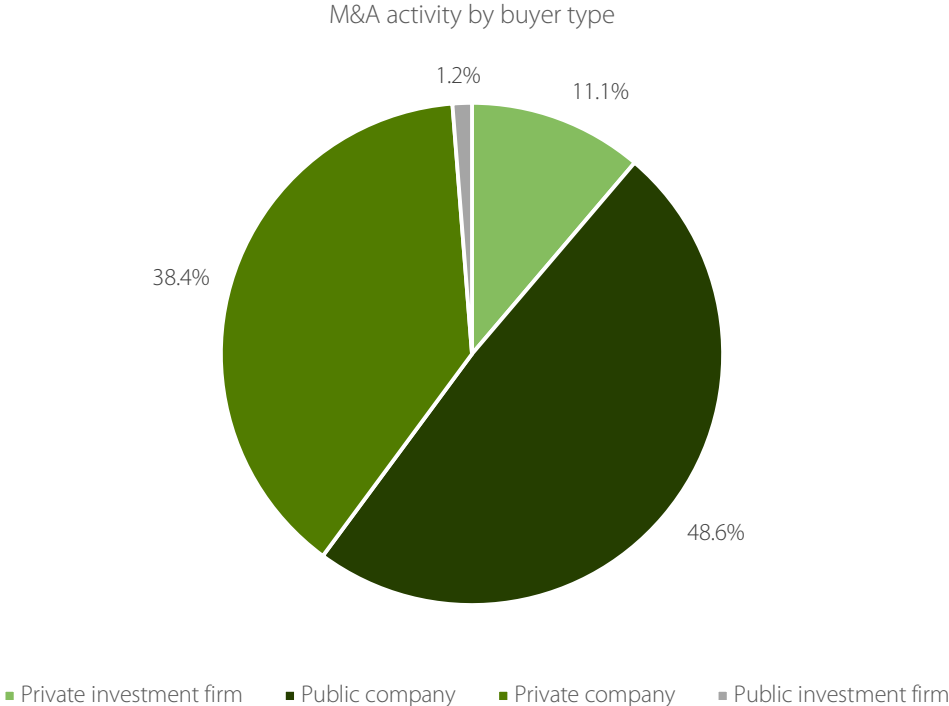
## Lifespan of target company



Note: all data is measured from 1 October 2015 to 30 September 2018

# Ecommerce industry M&A activity overview

## M&A activity by buyer type



Note: all data is measured from 1 October 2015 to 30 September 2018

# Ecommerce sector – implications for Australian companies

## Context for fundraising and exit planning

### Growth

New growth benchmarks set by large ecommerce players  
(ASOS 25% to \$4.4bn revenue)

### Australian scale range

Early-stage GP: \$1m-\$3m  
Mid-stage GP: \$3m-\$15m  
Later-stage GP: \$15m+

### Funding and exits

Most early-stage funding sourced from HNW and private investors

Exits are likely to be to vertical overseas ecommerce companies, private equity and regional retailers

Private equity firms are beginning to evaluate retail and ecommerce consolidations

### Key considerations

Category differentiation and specialty is important

Category leadership is paramount

Profitability, or the path towards profitability is key



ONLINE MEDIA  
M&A REPORT



# Global online media sector overview

Period: 1 October – 30 September

Sector	2017	2018
Total value of acquisitions (\$m)	15,287.9	9,967.7
Acquisitions average deal value (\$m)	127.4	88.2
Acquisitions median deal value (\$m)	17.0	10.5

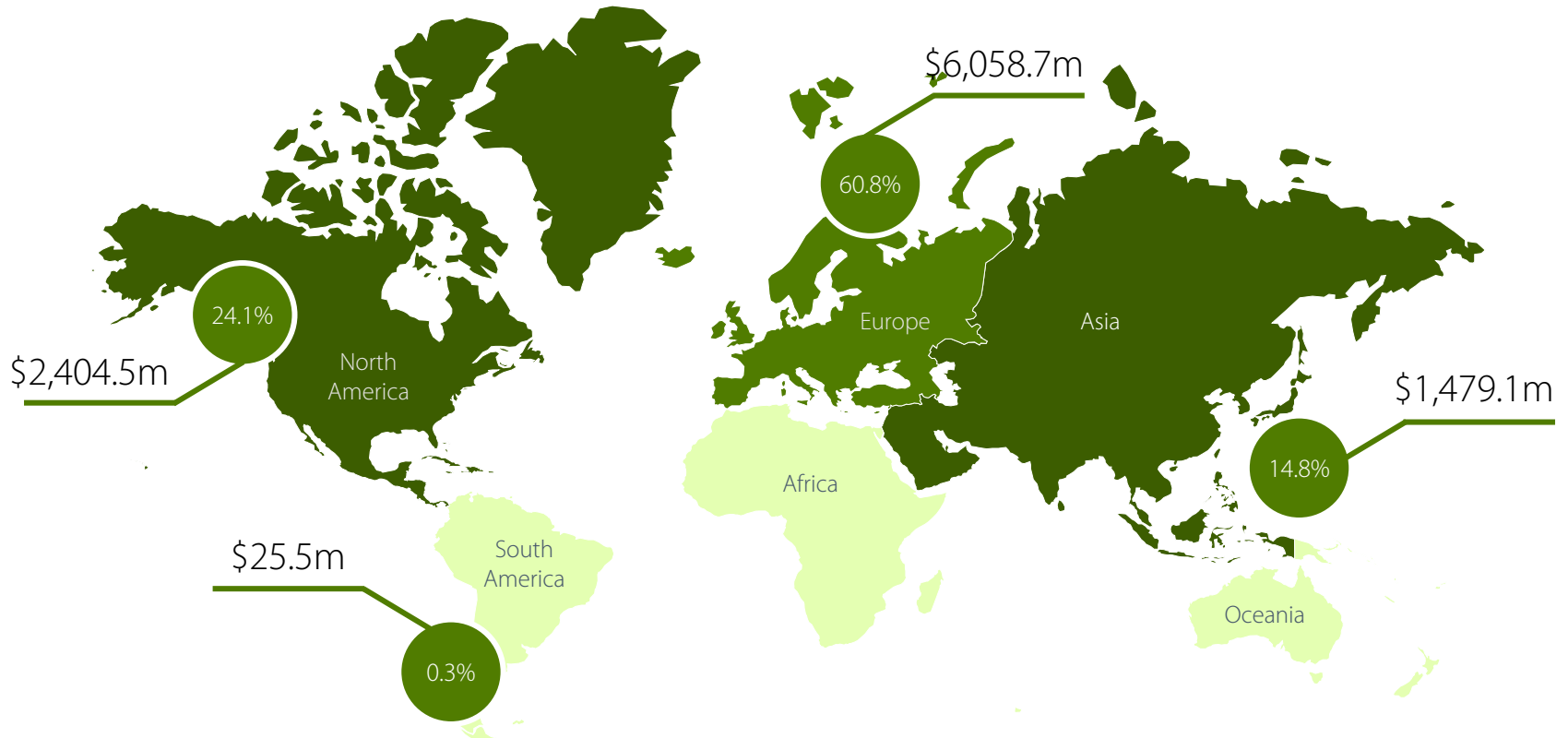
# Top global online media acquisitions

Period: 1 October 2017 – 30 September 2018

Company	Buyer	Deal value (\$m)
	Consortium	4,514.8
	Consortium	672.6
		450.5
		324.6
		295.9
	WARBURG PINCUS	285.9
		263.0
		247.5
		188.6
	Best Assistant Education Online Limited	178.9

# Online media industry M&A activity overview

## M&A activity by region

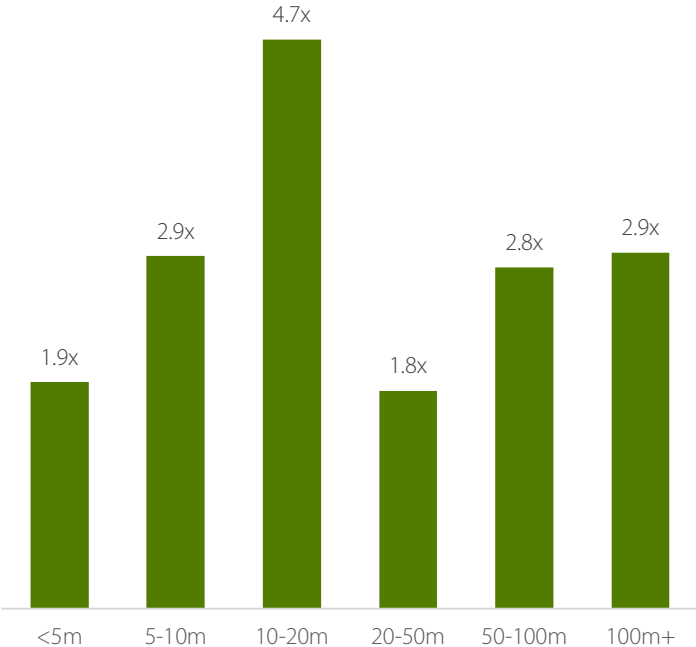


Note: all data is measured from 1 October 2017 to 30 September 2018

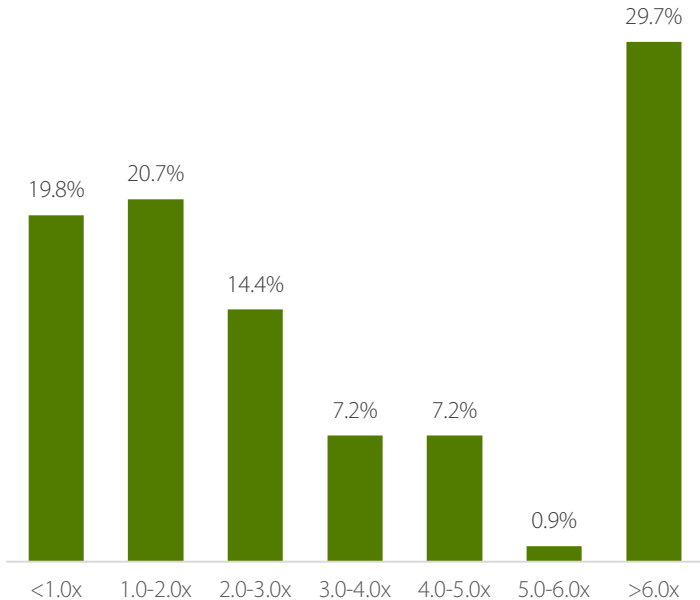
# Global online media industry M&A activity overview

Global online media industry M&A revenue multiples over the last three years

Median revenue multiple by transaction size

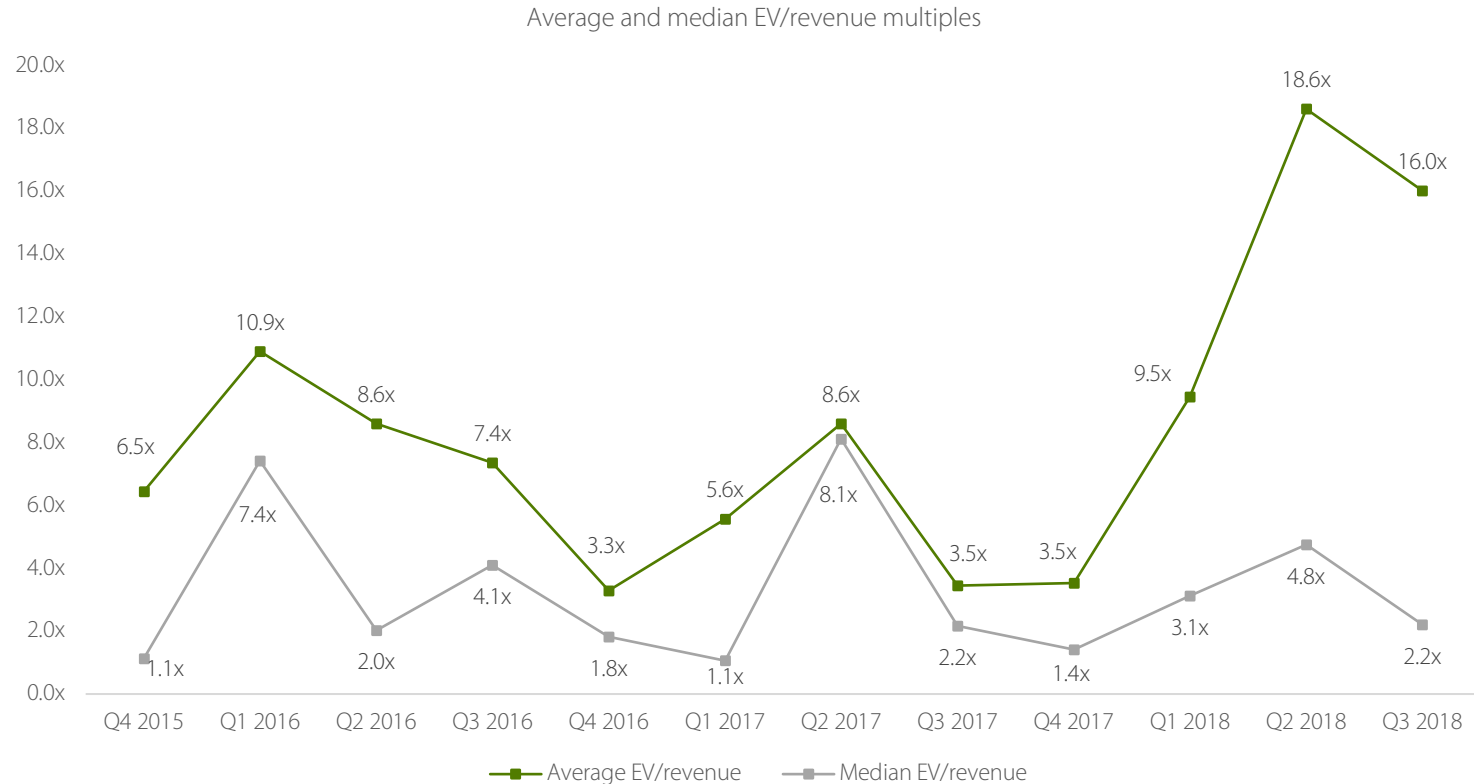


Revenue multiple distribution



# Global online media industry M&A activity overview

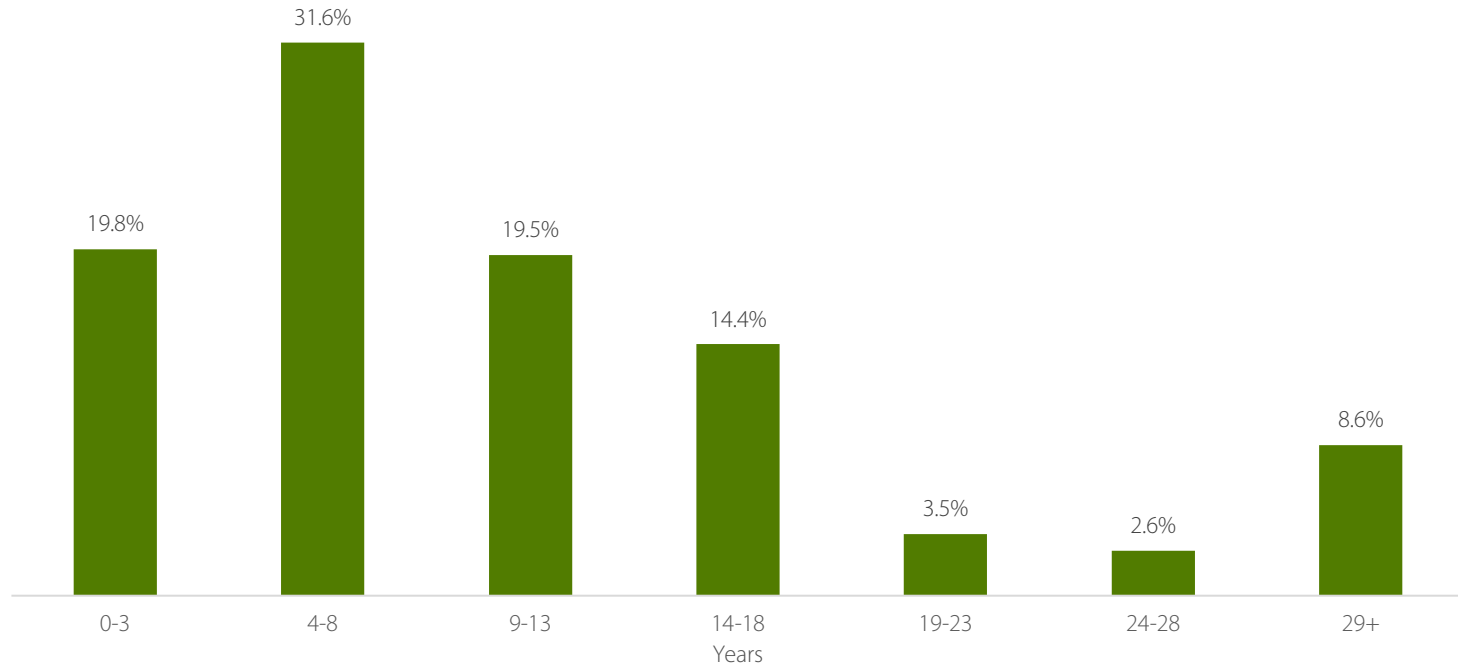
Average and median EV/revenue multiples over the past three years



# Global online media industry M&A activity overview

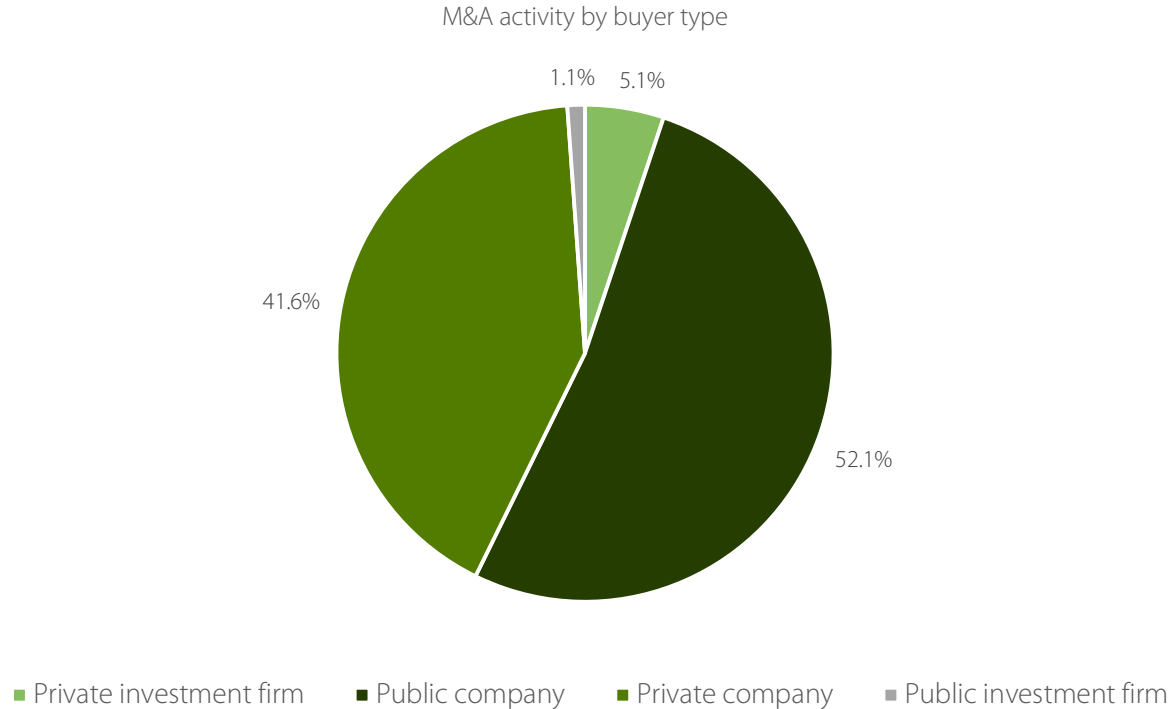
## Lifespan of target company

Lifespan of target companies before acquisition



# Global online media industry M&A activity overview

## M&A activity by buyer type





# Online media sector – implications for Australian companies

## Context for fundraising and exit planning

### Growth

New growth benchmarks being established as online media platforms continue the move towards subscription offerings (Netflix 37% on \$21bn revenue)

### Australian scale range

Early-stage GP: \$1m-\$3m  
Mid-stage GP: \$3m-\$15m  
Later-stage GP: \$15m+

### Funding and exits

Exits are likely to be to vertical overseas online media companies

Continued push into Australia from overseas media companies (ie. CBS)

Online media companies with subscription components are being evaluated in a similar fashion to software companies, with a similar diligence over CAC/LTV metrics

### Key considerations

Differentiated content is important

UGC continues to be a profitable differentiator for companies to scale

# Want to learn more?

Please get in touch with one of our team members if you have questions about company valuations and exit planning



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An aerial view of a city skyline at sunset, with a prominent skyscraper in the center and other buildings in the background. The sky is a warm orange color.

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