WARWICK M&A GROUP

TMT

Sector Report



Oct 2022
Issue #7

ThomaBravo acquires ForgeRock for $2.3bn

Sixth Street & BGC acquire Pushpay for $933m

TMT activity down 50%

TMT M&A activity slows in October amid chaos in financial markets...

October in numbers

$18.65bn	25	$746m
Total deal value (Oct 2022)	No of deals closed	Average deal value
-50.3% (YoY)	*-54.5 (YoY)*	*+9% (YoY)*

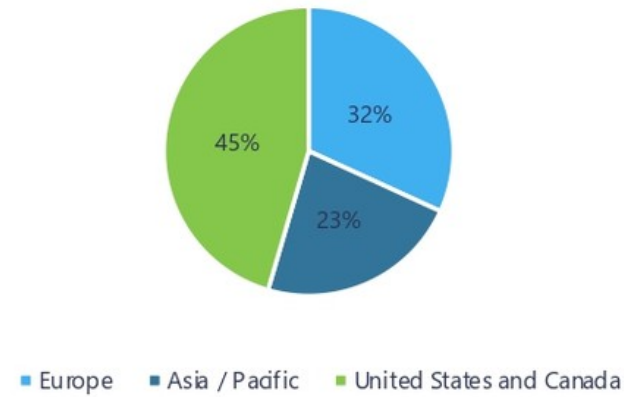
Average TEV/Revenue:	6.51x	**Average Day Prior Premium:**	54.38%
Average TEV/EBITDA:	21.85x	**Average Week Prior Premium:**	60.08%
Deals with value greater than $1 billion:	7	**Average Month Prior Premium:**	57.17%



Sectoral insight

- **TMT dealmaking has continued to suffer** this month as headwinds including record inflation and instability in financial markets persist. Whilst average deal size has grown by 9% YoY, **total deal value has fallen 50%.**
- We've seen an increase in dealmaking activity amongst private equity firms as valuations have become more realistic for businesses with good fundamentals. Moreover, **record levels of cash have were raised in 2021 (~$1.1 trillion)**, which PE firms are now looking to put to work.
- The key challenge for M&A is being faced in financing markets. With interest rates hitting 3.75% in US and ~2.5% in Europe, and recession fears causing a decreased risk appetite among banks, debt capital is less readily available.

Deal count by region



McKinsey Private Markets Review 2021, S&P Capital IQ

Thoma Bravo's acquisition of ForgeRock

Acquirer: Thoma Bravo, LP

Thoma Bravo (Privately-held limited partnership) is a leading private equity firm focused on growing software and technology companies.

It is building on a 40+ year history of providing capital and strategic support to experienced management teams.

Over the past 20 years, the firm has acquired or invested in more than 400 companies representing over $190 billion in enterprise value.

AUM:	$122bn
Transactions:	400+
Current Portfolio Companies:	70+
Current Employees	123

Target: ForgeRock, Inc.

ForgeRock (NYSE: FORG) is a multinational identity and access management software company.

It has developed an AI-driven platform which facilitates **identity governance and administration (IAM)** for companies' websites.

ForgeRock's main product, their identity platform, was released in November of 2012 and generated $177 million in revenue in 2021.

Market Cap:	$1.9bn
Net Debt:	$296.4mm
LTM Revenue:	$187.9mm
EV/ LTM Revenue	8.6x

Transaction Summary

- On October 11th, 2022, Thoma Bravo announced it will buyout ForgeRock for $2.3bn in an all-cash acquisition.
- The $23.25 price per share represents a 44% premium vs. ForgeRock's 30-day volume-weighted average price ending 10/10/22 and a 53% premium over the closing share price from the day preceding the announcement of the transaction.



Announcement date:	11th October 2022
Offer per share:	$23.25
Transaction value:	$2.3bn
Implied Premium:	44%
Acquirer adviser(s):	J.P. Morgan
Target adviser(s):	Kirkland & Ellis LLP

Thoma Bravo consolidates in identity software...

Rationale and Outlook

Cybersecurity as a service is a growth market with its **TAM** projected to increase from $155.8 bn in 2022 to $376.3 bn by 2029 at a CAGR of 13.4%. The deal's 44% price premium shows Thoma's continued commitment to the future of the industry

ForgeRock's leading product, an AI end-to-end IAM system, is a leader in preventing cybercrime, and with the last nine months showing the greatest demand for cybersecurity software in a decade, ForgeRock is well positioned to gain market share. The average cost of future platform breaches is estimated to be 3.62mm per firm and ForgeRock combines security and usability to transform how individuals access a platform and have their sensitive data protected.

Thoma Bravo is building its identity software portfolio having already acquired SailPoint and Ping Identity this year. ForgeRock now adds the crucial IAM component to its portfolio. A merger of these identity software portfolio companies could produce a competitor to industry leader, Okta (NASDAQ: OKTA), who also has been broadening its platform after acquiring Auth0 in 2021.

Thoma Bravo is capitalising on the current tech climate which is realigning to more realistic valuations. The $23.25/share price is approximately 50% lower than ForgeRock's peak price in September of 2021, potentially driven by ForgeRock's -$57.7mm EBITDA. As ForgeRock is not profitable, Thoma Bravo is taking on a higher risk through this acquisition. However, it could represent faith in ForgeRock's future growth and explains why ForgeRock is the cheapest of Thoma Bravo's last 3 identity software acquisitions.

Thoma's growing cybersecurity portfolio...

imprivata · PingIdentity · illumio

SailPoint · BOMGAR · ENTRUST

ForgeRock · SONICWALL · Barracuda

Cyberseek, Fortune Business Insights, IBM, Cowen

Acquisition of Pushpay Holdings by Sixth Street & BGC Capital

Acquirer: Sixth Street Partners & BGH Capital

Sixth Street Partners is a private equity firm with headquarters in San Francisco, California. The firm's main area of investment is growth-stage companies that have defensive business models

BGH Capital is an Australia and New Zealand focused private equity firm. It predominantly invests in mid-market companies, but maintains scale and flexibility to conduct larger buyout deals or smaller growth transactions.

Sixth Street Partners AUM	$60B+
BGH Capital AUM	$4.7502B

Target: Pushpay Holdings Limited

Pushpay Holdings (PPH:NZX) is a software company based in New Zealand that provides **software-as-a-service (SaaS)** technologies such as payment and donor management tools; it mostly provides its services to organisations in the United States.

The company provides donor tools, finance tools, and custom community applications, including **church management systems (ChMS)**, video streaming solutions for the faith sector, as well as solutions for non-profit and education institutions

Pushpay's solutions simplify payments, engagement, and administration, and helps customers increase participation in their respective markets and communities.

Market Cap:	$879M
Net Debt:	$59.7
FY22 Revenue:	$198.82M
EV/ LTM EBITDA	25.2x

[1]above closing price on 13th Nov 2022

Transaction Summary

- Pushpay Holdings announced on October 28th that it entered into an agreement under which it will be wholly acquired by Sixth Street and BGH Capital in a transaction with an EV of $933M.
- On par with current terms, Sixth Street and BGH Capital will acquire the entirety of Pushpay's ownership at a buyout price of $0.82 per share.
- Currently, Sixth Street and BGH Capital have a combined stake of 20.34% in Pushpay Holdings, which is currently listed on New Zealand's exchange (NZX).

Pushpay Holdings (PPH:NZX) – Share Price



Announcement date:	28th October 2022
Offer per share:	$0.82
Transaction value:	$933M
Implied Premium:	30.1% [1]
Acquirer adviser(s):	Willkie Farr & Gallagher LLP
Target adviser(s):	Goldman Sachs

Reuters Eikon

Acquisition provides undervalued, fast-growing company...

Rationale and Outlook

In the US alone, Pushpay's annual total addressable market revenue opportunity lies between US$600M and US$700M. This is due to a heavily fragmented market with numerous smaller competitors who have less consolidated and antiquated software packages.

Pushpay will be an addition to Sixth Street's technology/software portfolio, having already invested in similar companies in 2022 such as Piano Software Inc, and Kaseya Inc. Increased concentration in the Sixth Street SaaS sector will benefit Pushpay through expertise in SaaS strategy.

Post-pandemic, the growth rate of church management software has risen again, but the sector has seen additional benefits such as increased digital transformation of churches and their support tools.

Already, Pushpay has a large presence in the North American market. The NA market is anticipated to lead the global ChMS market in the next 10 years, with market CAGR (compound average growth rate) of 5.5% during the period.

Pushpay's portfolio is positioned well to engage with its growing target market. It's feature rich solutions that include payment, donor, as well as ChMS offers diversified value to customers.

Extensive product portfolio...

Pushpay's ChurchStaq™ suite offers a comprehensive management software that helps grow engagement and the community.

Pushpay's ParishStaq™ is a fully integrated software package that helps engage audiences and increase stewardships.

Pushpay provides tiered plans from Core, Advanced, to Complete. These plans mainly differ in feature density and customizability.

Reuters Eikon, PPH Annual Filing, technavio.com, financesonline.com

Pushpay Holdings Valuation (discounted cash flow model)

Pushpay Holdings													
Period	**2020A**	**2021A**	**2022A**	**2023P**	**2024P**	**2025P**	**2026P**	**2027P**	**2028P**	**2029P**	**2030P**	**2031P**	**2032P**
Amounts in NZ$M except where specified													
Total sales	127.20	178.20	198.70	280.03	339.98	392.63	454.94	498.67	547.64	579.95	614.66	632.31	650.64
EBITDA	23.80	58.92	59.85	120.40	161.03	199.81	253.89	291.05	338.08	365.58	396.93	402.82	408.76
EBIT	18.70	51.80	44.90	94.51	116.20	132.09	151.60	158.11	165.30	166.48	167.51	162.48	156.98
Tax rate	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
D&A	5.09	7.12	14.95	25.89	44.83	67.71	102.28	132.94	172.78	199.09	229.42	240.33	251.77
Change in working capital	(15.24)	(13.15)	(75.45)	53.51	64.97	75.03	86.94	95.30	104.66	110.83	117.46	120.84	124.34
Capital expenditures	(8.32)	(5.45)	(14.95)	(15.98)	(19.40)	(24.37)	(28.24)	(33.44)	(36.73)	(41.80)	(44.30)	(48.73)	(50.14)
Unlevered free cash flows (UFCF)	**1.45**	**40.98**	**(42.33)**	**134.14**	**47.54**	**67.36**	**100.87**	**122.82**	**155.39**	**171.30**	**193.21**	**192.48**	**443.48**
WACC	**-**	**-**	**-**	**10.41%**	**10.41%**	**10.41%**	**10.41%**	**10.41%**	**10.41%**	**10.41%**	**10.41%**	**10.41%**	**10.41%**
PV of UFCFs	**1.45**	**40.98**	**(42.33)**	**134.14**	**47.54**	**67.36**	**100.87**	**122.82**	**155.39**	**171.30**	**193.21**	**192.48**	**443.48**

Sum of PV of UFCFs	**1,628.69**
Baseline EV/EBITDA	**19.52**
Terminal value	**2,963**
Enterprise value	**4,592**
Total debt	59.7
Cash and cash equivalents	(6.8)
Net debt	**52.9**
Equity value	**4,645**
Number of shares outstanding (M)	**1,141.15**
Value per share	**4.07**

Discounted cash flow model highlights

- As Pushpay is not yet mature as a company, and is still rapidly growing, we have made an important assumption that their absolute customer base figure will be key to driving their cash flows.
- We assume over the 10 year forecast period, growth rates of financial variables will gradually diminish to a stable, low value that the company can sustain.
- The constant and high weighted average cost of capital is due to a very heavy equity weight. We assume constant WACC for simplicity reasons, as well as the stability that the geographic region in which Pushpay is listed offers.
- We employ the terminal value method, with the peer average EV/EBITDA multiple. As seen above, EML Payments Limited is a clear outlier with respects to the EV/EBITDA multiple. We choose to ignore this figure in our peer average calculations.
- The model shows that the company is significantly undervalued, with a premium of just under 200%. Given the company's current growth prospects, as well as the external exogenous industry factors, it is likely that this value will be realised.

Reuters Eikon

Pushpay Holdings Valuation (trading comparables)

Company ticker	Currency	Market Cap in USD	EV ($M)	EBITDA ($M)	EV/EBITDA		Data Source
VISTA GROUP INTERNATIONAL LIMITED (XNZE:VGL)	NZD	$ 206,951,223.0	203.56	3.85	52.88x		*Reuters Eikon*
Gentrack Group Limited (XNZE:GTK)	NZD	$ 94,499,553.0	97.36	4.88	19.95x		*Reuters Eikon*
EML PAYMENTS LIMITED (XASX:EML)	AUD	$ 130,335,000.4	(1,003.83)	23.88	-42.04x		*Reuters Eikon*
TYRO PAYMENTS LIMITED (XASX:TYR)	AUD	$ 535,910,149.4	508.61	19.93	25.53x		*Reuters Eikon*
SEZZLE INC. (XASX:SZL)	AUD	$ 73,230,944.5	56.77	(35.91)	-1.58x		*Reuters Eikon*
Tradelink Electronic Commerce Limited (XHKG:536)	HKD	$ 76,046,448.3	22.14	12.69	1.74x		*Reuters Eikon*
SMARTPAY HOLDINGS LIMITED (XNZE:SPY)	NZD	$ 124,895,609.0	129.20	6.77	19.08x		*Reuters Eikon*
Pushpay Holdings Limited (XNZE:PPH)	NZD	$ 897,966,970.0	890.66	33.56	26.54x		*Reuters Eikon*

Trading comparables highlights

- The peer group criteria included geographic region, market capitalisation, total sales, as well as customer base. We rationalised that for a rapidly growing company such as Pushpay, these factors are best suited for comparison in order to find it's competitors in the industry.
- However, it must be noted that the SaaS industry in the Oceanic region is relatively small, and that there are no major incumbents or dominant players in the market. In comparison, there are many more NA-based SaaS players.
- As stated previously in the discounted cash flow model highlights, the outlier EV/EBITDA value of EML Payments Limited was omitted in the calculation of the peer trading multiple average.
- We conclude that Pushpay holdings is trading at a relatively high multiple compared to its peers. However, we prepose that the high trading price is largely from the anticipation of the transaction.

With EML payments as outlier	**Average**		**10.79**
	Median		**19.08**
Without EML payments as outlier	**Average**		**19.60**
	Median		**19.52**
	PPH EBITDA ($M)	**$**	**33.56**
	Average PPH EV ($M)	**$**	**657.68**
	Median PPH EV ($M)	**$**	**654.87**
	Average equity value ($M)	**$**	**604.78**
	Median equity value ($M)	**$**	**601.97**
	Average per-share price	**$**	**0.53**
	Median per-share price	**$**	**0.53**
	Market share price	**$**	**1.28**

Reuters Eikon

We selected 4 deals with the biggest potential impact on the industry…

Oct 14th, 2022 **€13.2bn**

KKR GLOBAL INFRASTRUCTURE PARTNERS

Reached an agreement on the purchase of 81.7% stake in:

VANTAGE TOWERS

Stage of the deal: ●●◉○○ **Chances of success:** High

Comment: KKR and Tower Bridge Infrastructure Partners (managed by Global Infrastructure partners) have offered to buy Vantage Towers AG from Vodafone Group.

Vantage Towers is a tower infrastructure company which acquires, leases, builds and maintains mobile communication networks in various European markets.

The deal will be completed subject to various customary offer conditions, including receipt of regulatory approval.

Oct 27th, 2022 **$48.1bn**

TESLA

Reached an agreement on the take-private of:

Stage of the deal: ●●●◉○ **Chances of success:** High

Comment: Tesla's Elon Musk has recently completed his $48 billion acquisition of Twitter's remaining shares, in a bid to take the company private.

Many have voiced concerns about Musk's hostile approach, with Twitter's board making attempts to sue after Musk's claims that the purchase was for non-financial reasons.

Once completed, Twitter's common shares will be delisted from the New York stock exchange. Musk may decide to take Twitter public again in future.

Oct 28th, 2022 **~€1bn**

COMCAST

Considering the sale of German TV business:

sky

Stage of the deal: ◉○○○○ **Chances of success:** Medium

Comment: Comcast is considering the sale of Sky Deutschland GmbH, after earnings revealed the business was weighing down the profitability of its European operations.

Comcast's Q3 2022 results showed that in Europe, weak performance in Italy and Germany offset the gains made in the UK market.

Since Sky Deutschland has no telecommunications operations, Comcast could be looking for a buyer with existing infrastructure to bolt-on and bring it to scale.

Oct 3rd, 2022 **~$6.1bn**

vodafone

Discussing a potential merger agreement with:

3

Stage of the deal: ●◉○○○ **Chances of success:** Low

Comment: Vodafone Group and Hong Kong-based conglomerate CK Hutchison (Three UK owner) have accelerated talks of a deal to combine their British operations.

They aim to create the largest player in the mobile phone industry, by establishing a joint venture. According to Sky News, an agreement could be met by the end of 2022.

However, this deal is unlikely to reach completion. Should a deal be announced, the CMA is expected to launch a merger inquiry which would likely block the transaction.

Glossary

Identity Governance and Administration (IAM): Identity Governance and Administration (IGA), also known as identity security, is at the center of IT operations, enabling and securing digital identities for all users, applications and data. It allows businesses to provide automated access to an ever-growing number of technology assets while managing potential security and compliance risks.

Total Addressable Market (TAM): Total Addressable Market (TAM), also referred to as total available market, is the overall revenue opportunity that is available to a product or service if 100% market share was achieved.

Software-as-a-Service (SaaS): SaaS is a cloud-based software solution in which software providers deliver applications to users over the internet. SaaS companies provide access to their software most commonly via a website or apps. Usage is generally subscription-based, with a monthly or annual fee.

Church Management Systems (ChMS): Church Management software handles functions such as accounting, donation tracking, service attendance, membership, schedules and activities. Churches use these applications to automate and organize administrative functions including document creation, outreach and event scheduling. Church management tools help churches better track resources and foster communication among administrators as well as staff, ministry leaders, members and visitors.

The Team



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