VENTUREDEAL M&A ANALYSIS

Research and opinion on recent M&A transactions.

Anaplan Acquires Mintigo For Predictive Planning Tech

Descartes Systems Acquires BestTransport For Flatbed Logistics

Simply Good Foods Company To Acquire Quest Nutrition For $1 Billion

September 2019

VentureDeal

Anaplan Acquires Mintigo For Predictive Planning Tech

Quick Take

Anaplan (PLAN) announced that it has acquired Mintigo for an undisclosed amount.

Mintigo has developed an 'intelligent' machine learning-based customer engagement software system for enterprises.

PLAN acquired Mintigo to integrate its machine learning technologies across its broader portfolio of planning and enhance its system-wide predictive capabilities.

Target Company

Israel-based Mintigo was founded in 2009 to combine machine learning and predictive analytics with customer engagement software to increase the efficiency and effectiveness of enterprise marketing and sales functions.

Management is headed by co-founder and CEO Dr. Jacob Shama, who was previously VP Product at modu and head of a big data research center for the government of Israel.

Below is an overview video of Mintigo:

Source: Mintigo

Mintigo's primary offerings include:

- Account based marketing
- New pipeline generation
- Predictive lead scoring
- Sales enablement
- Customer marketing upsell & cross sell

Investors have invested at least $51 million and include JAL Ventures, Glilot Capital Partners, La Maison ITF, Sequoia Capital Israel, Maverick Ventures Israel, Giza Venture Capital, and Adams Street Partners.

Market & Competition

According to a 2018 market research report by Zion Market Research, the global customer engagement solutions market is expected to reach $29.5 billion by 2024.

This represents a forecasted CAGR (Compound Annual Growth Rate) of 12.6% from 2018 to 2024.

The main drivers for this expected growth include increasing adoption of smart and other consumer electronic devices and the integration of Internet of Things [IoT] technologies into customer engagement processes.

Major vendors that provide customer engagement software include:

- Avaya (AVYA)
- Aspect Software
- Pegasystems (PEGA)
- Genesys
- OpenText
- SAP (SAP)
- Zendesk (ZEN)
- Oracle (ORCL)
- Microsoft (MSFT)
- IBM (IBM)
- Salesforce (CRM)
- Numerous smaller players

Source: Sentieo

The Asia Pacific region is forecasted to grow at the highest rate during the period, due to increasing adoption of cloud solutions by enterprises of all sizes.

Acquisition Terms & Financials

Anaplan didn't disclose the acquisition price or terms and didn't file a form 8-K or provide a change in financial guidance, so the deal was likely for a financially non-material amount.

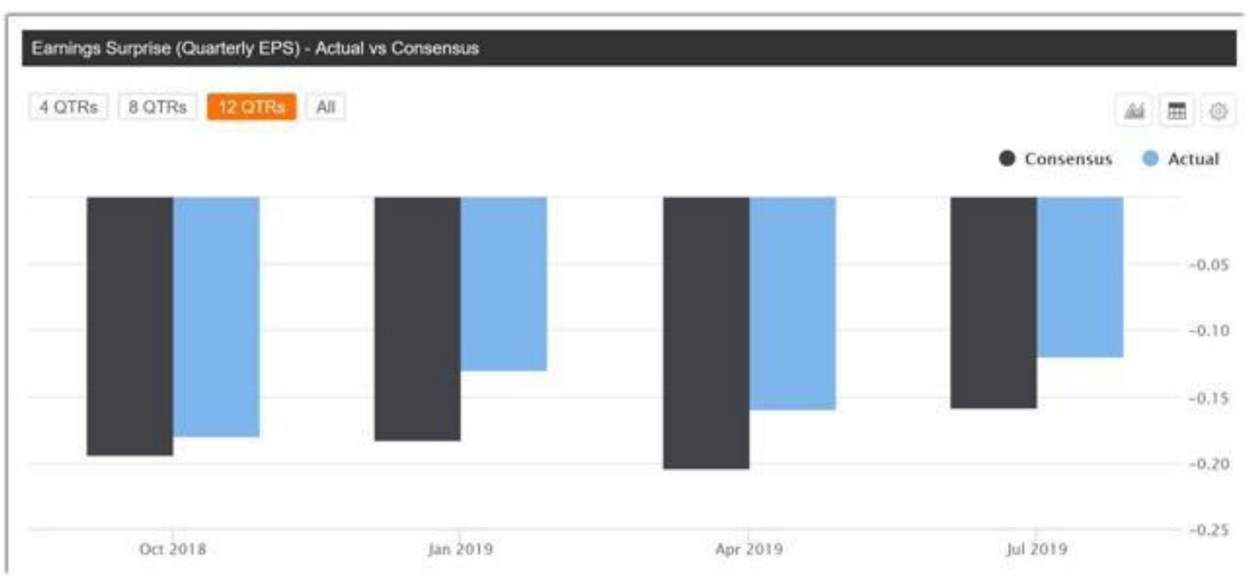
A review of the firm's most recent published financial results indicate that as of April 30, 2019, PLAN had $332.7 million in cash and equivalents and $278.1 million in total liabilities, with no long-term debt.

Free cash flow for the three months ended April 30, 2019, was $978,000.

Since PLAN's IPO in October 2018, its stock price has risen 115% vs. the broader S&P 500 Index' rise of 1.37%, as the chart below indicates:

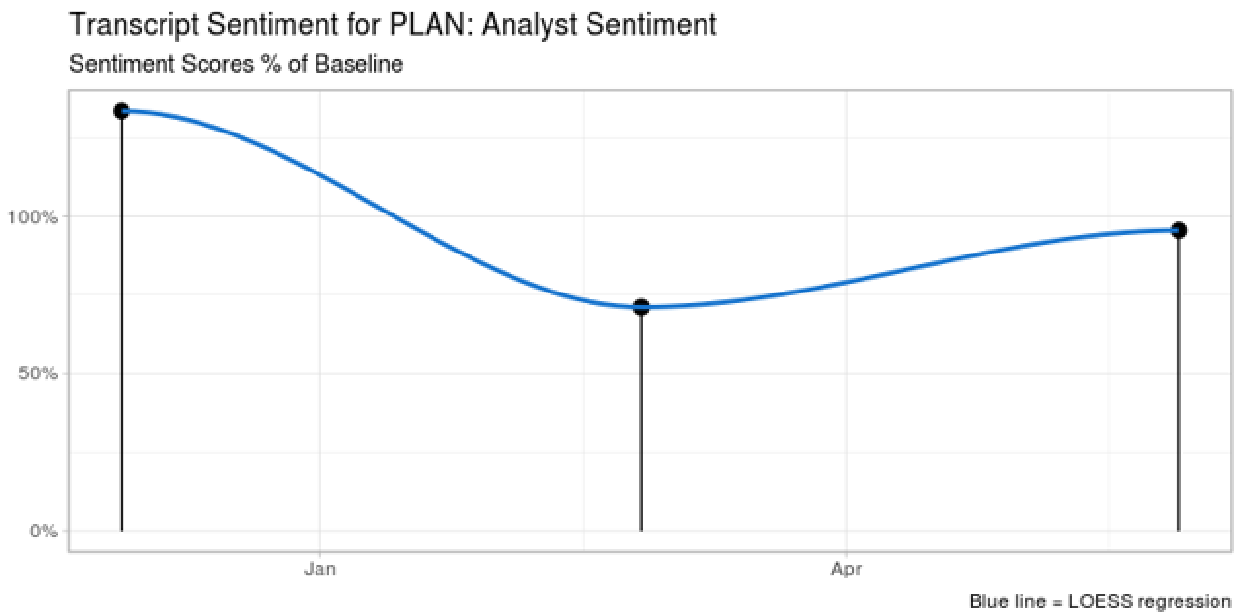
Source: Seeking Alpha

Earnings surprises have all been positive as compared to consensus estimates:



Source: Seeking Alpha

Analyst sentiment in recent earnings calls has returned to approximately equal weight, per a linguistic analysis chart shown here:



Source: Sentieo

Commentary

PLAN acquired Mintigo to integrate its machine learning and predictive analytics technology as part of a push to develop an 'AI-enabled platform.'

As Anaplan CEO Frank Calderoni stated in the deal announcement,

> Mintigo's exceptional talent will strengthen our position as a leader in the category of connected planning by augmenting and elevating the predictive capabilities of our solutions, while accelerating toward our vision for an AI-enabled platform.

The deal for Mintigo is likely to be integrated to help PLAN's customer model and predict the future, to enhance their forecasting and planning capabilities.

Additionally, PLAN hopes to broaden Mintigo's technology application beyond sales & marketing to the other functional areas of business operations and planning.

PLAN management is still in 'investment mode,' so I expect to see additional deals as they seek to tuck in technologies that can speed their winning proof of concept initiatives to market and continue their rapid growth trajectory.

Descartes Systems Acquires BestTransport For Flatbed Logistics Tech

Quick Take

Descartes Systems Group (DSGX) announced it has acquired BestTransport.com for $11.2 million.

BestTransport operates as a cloud-based transportation management system (TMS) provider.

DSGX is continuing to acquire the pieces necessary to build out its transportation and logistics management offerings in a quickly growing and changing industry.

Target Company

Worthington, Ohio-based BestTransport was founded in 1999 to provide a cloud-based TMS solution focused on flatbed-intensive manufacturers and distributors.

Management is headed by Chief Operating Executive Reo Hatfield, who has been with the firm since 2015.

BestTransport's primary offerings include:

- BestShippers
- BestOptimize
- BestOceans
- CarrierDesk
- SupplierConnection

Company partners or major customers include:

- Alcoa (AA)
- Aleris (OTC:ALSD)
- Arconic (ARNC)
- Bellisio Foods [BKK:CPF]

Source: Company website

Market & Competition

According to a market research report, the global TMS market was valued at $1.83 billion in 2019 and is projected to reach $3.64 billion by 2024.

This represents a forecasted CAGR of 14.8% between 2019 and 2024.

TMS systems play an important role in handling transportation-related business activities, such as moving goods from the supplier to the place of production and finally to the end user.

The main driver for this expected growth is a continued desire to reduce the overall delivery time due to the increase in global trade activities.

The North American region dominates the industry in terms of adoption and implementation of TMS, followed by Europe.

Major vendors that provide TMS include:

- JDA Software
- Oracle (ORCL)
- Manhattan Associates (MANH)
- SAP (SAP)
- BluJay
- TMW Systems
- Omnitracs
- ORTEC

Source: Sentieo

Acquisition Terms and Financial

DSGX disclosed the acquisition price and terms as '$11.2 million, net of working capital, satisfied from Descartes' existing line of credit.'

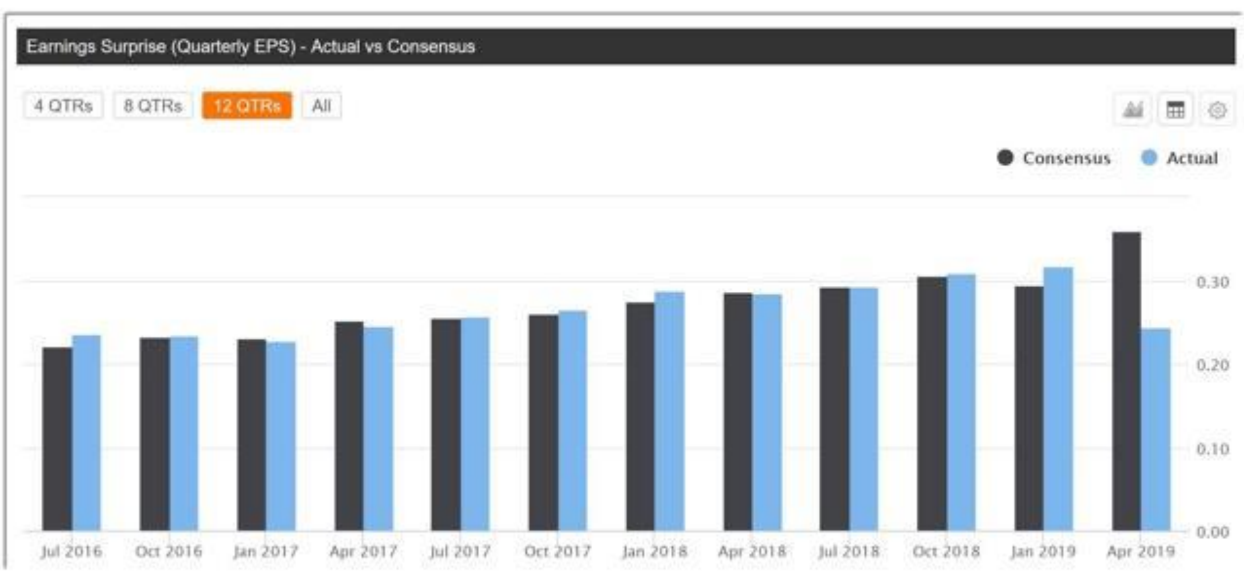
A review of the firm's most recent published financial figures indicates that as of April 30, 2019, DSGX had $29.6 million in cash and equivalents and $354.5 million in total liabilities, of which $242.7 million was long-term debt.

Free cash flow for the twelve months ended April 30, 2019, was $76.9 million.

In the past 12 months, DSGX's stock price has risen 1.3% vs. the U.S. Software industry's rise of 13.9% and the broader overall U.S. market's drop of 3.2%, as the chart below indicates:

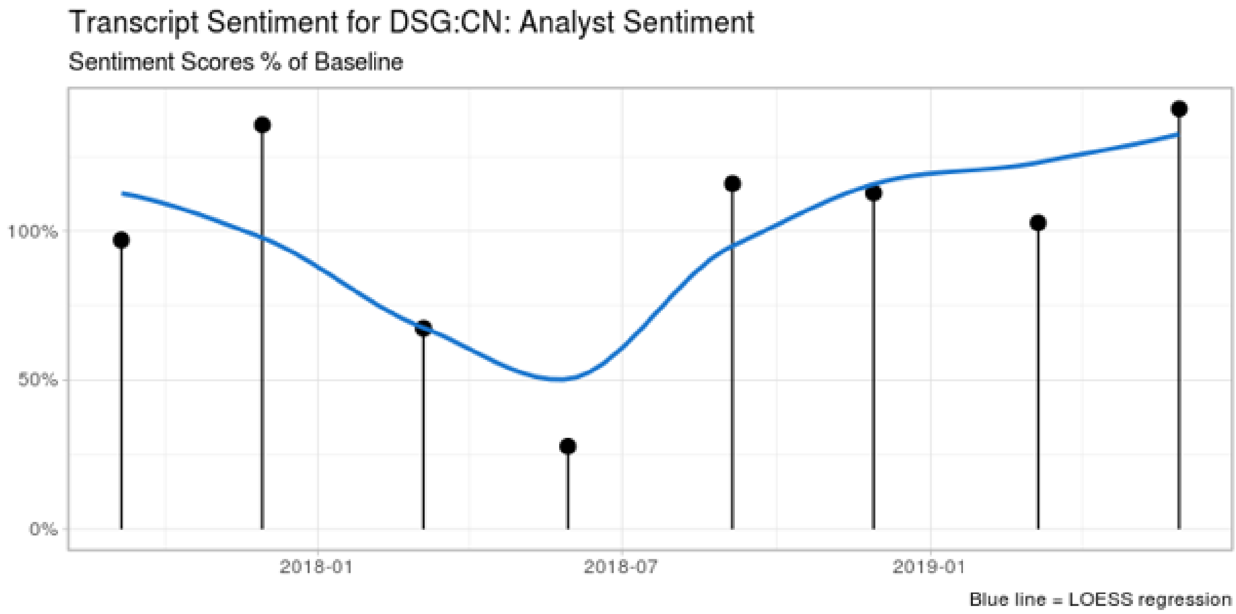
Source: Seeking Alpha

Earnings surprises have mostly been positive but in the most recently-reported quarter, DSGX had a major negative surprise:



Source: Seeking Alpha

Analyst sentiment in recent earnings calls has been rising from a low in the middle of 2017, as the linguistic analysis shows here:



Source: [Sentieo]

Commentary

DSGX acquired BestTransport for its flatbed truck management domain expertise and system.

As Descartes CEO Edward Ryan stated in the deal announcement,

> By combining BestTransport's platform with our Global Logistics Network, we can offer additional solutions to the community, such as Descartes MacroPoint Visibility and Capacity Matching. We welcome the BestTransport team of domain experts and community of customers to Descartes.

So, the deal for BestTransport is essentially a small bolt-on acquisition that addresses the unique elements for flatbed truck transport management.

DSGX has been an active acquirer of typically smaller solutions as it seeks to build out its transportation management offerings for logistics-intensive businesses.

While the individual deal sizes have been typically small, they indicate management is adept at identifying and acquiring the pieces to plug holes in its solutions.

Transportation and logistics management is a sharply growing business and DSGX is right to acquire solutions wherever possible rather than taking more time-to-market by trying to build them in-house.

Simply Good Foods Company To Acquire Quest Nutrition

Quick Take

The Simply Good Foods Company (SMPL) announced it has agreed to acquire Quest Nutrition for $1 billion.

Quest Nutrition is a healthy lifestyle snacks brand.

With the deal, SMPL is gaining a fast-growing group of brands focused on younger demographics and within the fast-growing nutritional snack industry.

Target Company

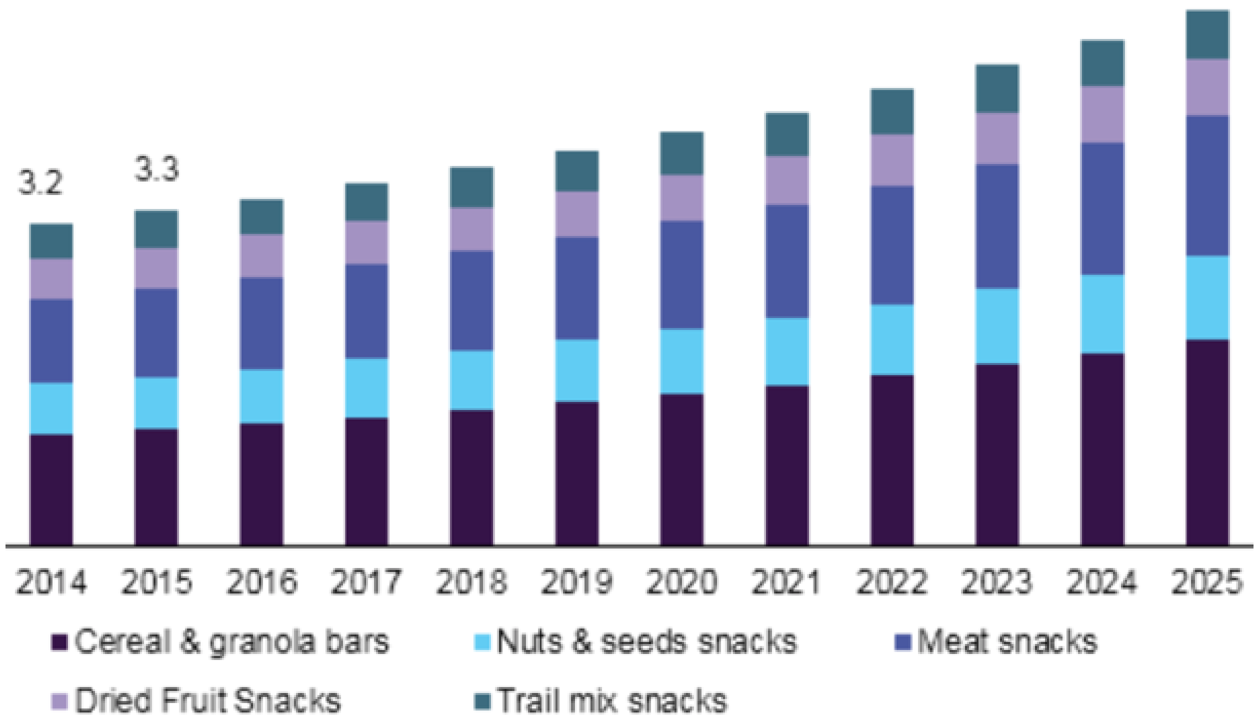
El Segundo, California-based Quest Nutrition was founded in 2010 as a healthy lifestyle food brand whose strategy is to manufacture its snacks with high protein levels, minimal sugars and carbohydrates.

Management is headed by President and CEO Dave Ritterbush, who has been with the firm since 2017 and was previously CEO at popchips.

Quest's primary offerings include protein bars, cookies and chips, thin-crust pizza, and protein powders.

Market & Competition

According to a market research report by Hexa Research, the US healthy snacks market was valued at $3.58 billion in 2017 and is projected to reach $5.3 billion by 2025, as illustrated by the graphic below:



Source: Hexa Research

This represents a forecasted CAGR of about 5% between 2018 and 2025.

The main driver for this expected growth is the growing demand due to an increasingly busier lifestyle, the benefits of adequate nutrition and the fact that they meet some important requirements for some people, such as lower carbohydrates and salt-free products.

Major vendors that produce healthy snacks include:

- General Mills (GIS)
- Mondelez (MDLZ)
- PepsiCo (PEP)
- Hormel Foods (HRL)
- KIND Snacks
- Tyson Foods (TSN)
- Select Harvests (ASX:SHV)
- Nestlé (OTCPK:NSRGY)
- B&G Foods (BGS)
- Hain Celestial Group (HAIN)

Source: Sentieo

Acquisition Terms and Financial

SMPL disclosed the acquisition price and terms as $1 billion in cash, or $870 million net of tax benefits.

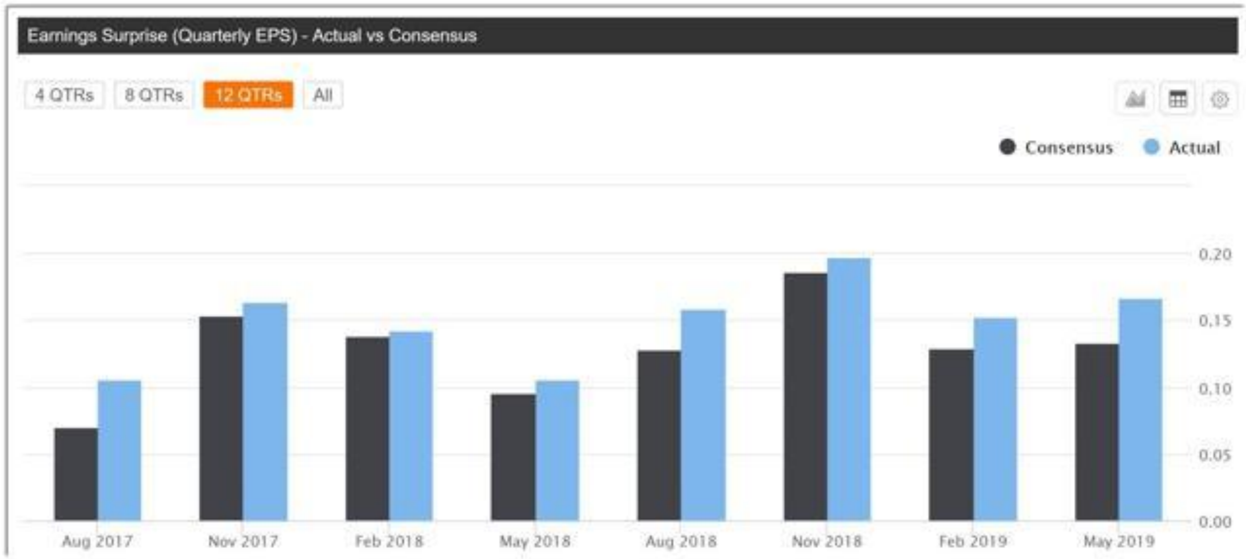
A review of the firm's most recent published [financial figures](#) indicate that as of May 25, 2019, SMPL had cash and equivalents of $247.6 million and total liabilities of $294.6 million, of which long-term debt was $191 million.

Free cash flow for the 39 weeks ended May 25, 2019, was $51.9 million.

In the past 12 months, SMPL's stock price has risen 62.8% vs. the U.S Food industry's gain of 0.2% and the broader overall U.S. market's drop of 2.7%, as the chart below indicates:

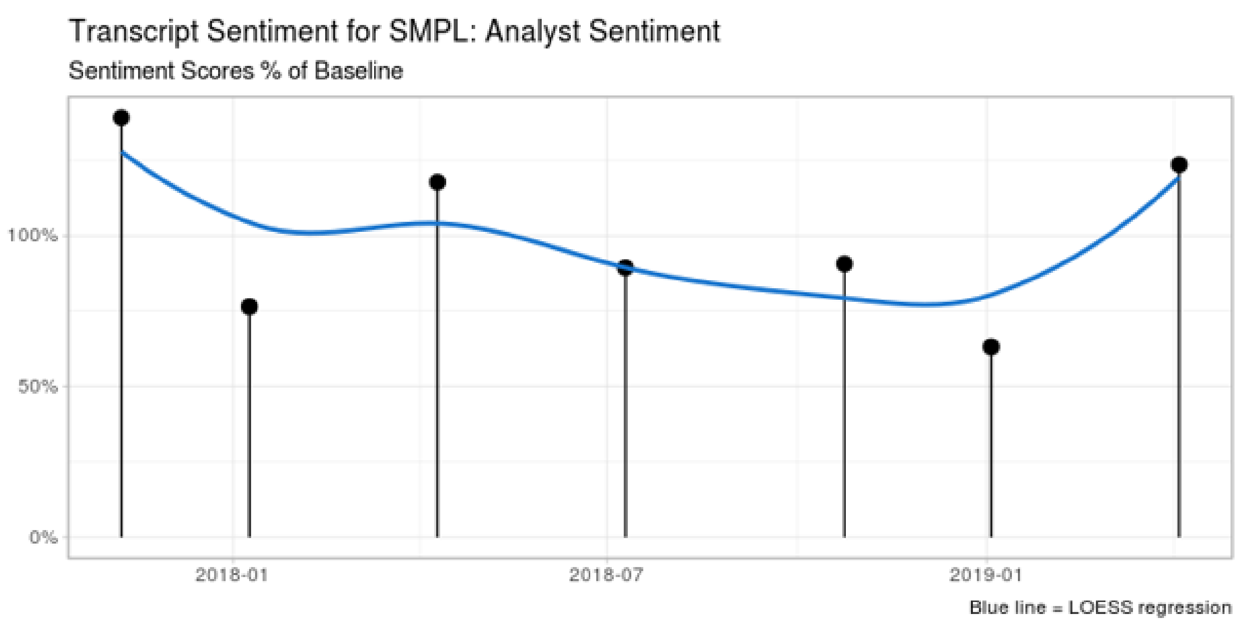
Source: Seeking Alpha

Earnings surprises have been positive compared to analyst consensus estimates in all eight of the last eight quarters, as the chart shows below:



Source: Seeking Alpha

Analyst sentiment in recent earnings calls has been improving since early 2019, as shown here:



Source: [Sentieo]

Commentary

SMPL is acquiring Quest Nutrition to broaden its nutritional offerings.

As SMPL CEO Joseph Scalzo stated in the M&A conference call,

> Quest is a strong consumer brand with a broad product offering. Its growing consumer base is young, affluent, urban and leads an active lifestyle. So while the nutrient profile is very similar to Atkins, its consumer target is highly complementary to Atkin's older, more suburban core user. Quest has built its brand with delicious snacking products and using an impressive social and digital ecosystem. The good news is that from our diligence, we believe the brand is at the right phase of its development to benefit from our company's expertise in growing brand awareness and trial using more broad-reaching media vehicles. And similar to Atkins, Quest household penetration is low, so the runway for growth is significant. Additionally, we believe our relationships in traditional food, mass and drug retailers can help grow product distribution. Likewise, we believe Quest's expertise in e-commerce, small format retail, social digital and different snacking forms can improve our Atkins products, marketing and overall business.

So, the deal presents SMPL with numerous potential benefits and it is clear that management sees a similar growth playbook to its Atkins line of products.

Investors appear to like the deal, as they have pushed SMPL up 6% since the deal was announced.

With the acquisition, SMPL will also stand to benefit from Quest's 'best-in-class digital and social marketing' capabilities, which management should be able to apply to its other brand activities.

I'm bullish on the transaction, which provides SMPL with access to a younger demographic as well as numerous synergies, including a shared supply chain and distribution model, and favorable market dynamics in the nutritional snacking industry.