VENTUREDEAL M&A ANALYSIS

Research and opinion on recent M&A transactions.

Equifax Acquires PayNet For Credit Underwriting Data

Quick Take

Equifax ([EFX](#)) has [acquired](#) PayNet for an undisclosed amount.

PayNet has developed a commercial lending database and related service for commercial leasing and lending firms to the SMB market.

EFX is gaining a proprietary, alternative data provider as it seeks to differentiate itself beyond commodified, legacy, credit data into a broader set of credit signals for its customers.

Target Company

Skokio, Illinois-based PayNet was founded in 2000 to assist commercial lenders and leasing firms with improved data upon which to make credit underwriting decisions.

Management is headed by President and Co-Founder William Phelan, who was previously Portfolio Manager at Trustmark Insurance Company and a Senior Consultant in the Ernst and Young Special Services Group.

PayNet's primary offerings include a range of data products for commercial lending, leasing, and commercial banking customers.

Market

According to a 2018 market research report by Energias Market Research, the global lending software market is expected to reach $5.6 billion by 2024.

This represents a CAGR (Compound Annual Growth Rate) of 11% from 2017 to 2024.

The main driver for this expected growth is an increased demand for automation among financial institutions seeking lower processing costs.

While PayNet is primarily a data provider, the data provision market is complementary to the lending software market and is likely to experience comparable growth characteristics.
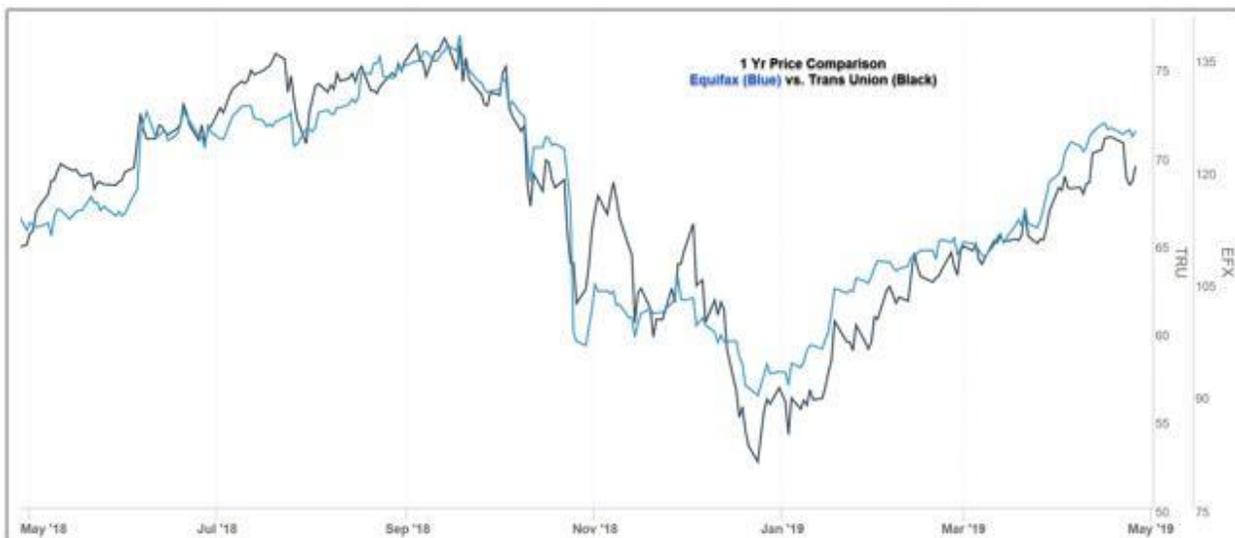
Acquisition Terms & Financials

EFX 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 value was likely a financially non-material amount.

A review of the firm's most recent 10-K filing indicates that as of December 31, 2018, EFX had $223.6 million in cash and equivalents and $4.0 billion in total liabilities, of which $2.6 billion was long-term debt.
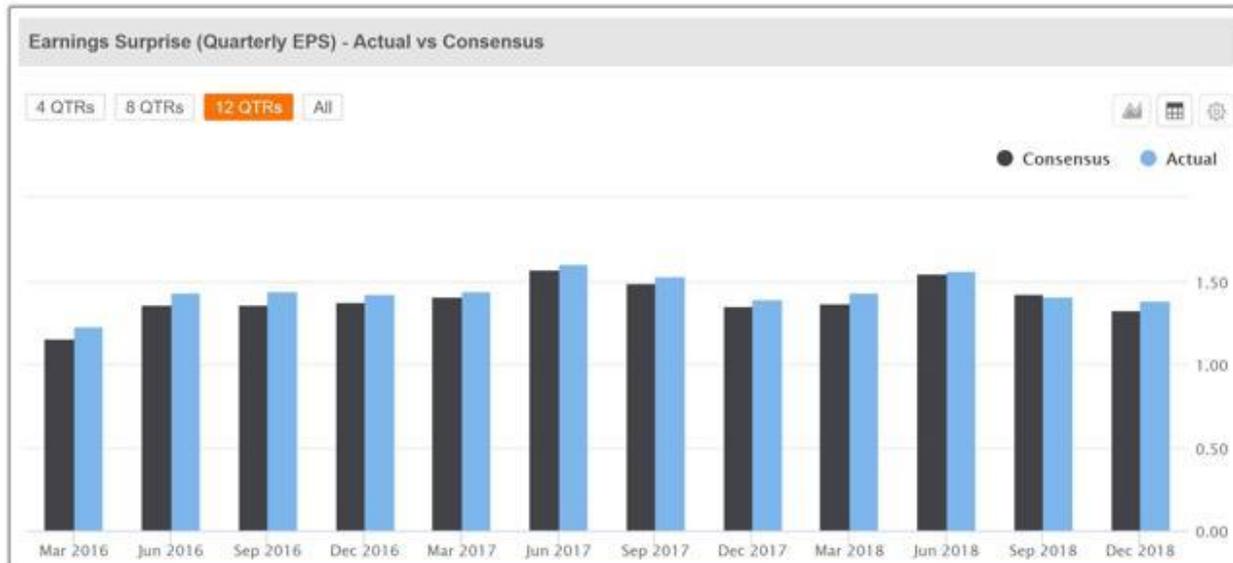
Free cash flow for the twelve months ended December 31, 2018, was $350 million.

In the past 12 months, EFX's stock price has risen 10.8%vs. TransUnion's (TRU) rise of 4.0%, as the chart below indicates:

1 Yr Price Comparison
Equifax (Blue) vs. Trans Union (Black)

Source: Sentieo

Earnings surprises have generally exceeded consensus estimates on the positive side over the past 12 quarters:

Earnings Surprise (Quarterly EPS) - Actual vs Consensus

4 QTRs | 8 QTRs | **12 QTRs** | All

● Consensus   ● Actual

Mar 2016 Jun 2016 Sep 2016 Dec 2016 Mar 2017 Jun 2017 Sep 2017 Dec 2017 Mar 2018 Jun 2018 Sep 2018 Dec 2018
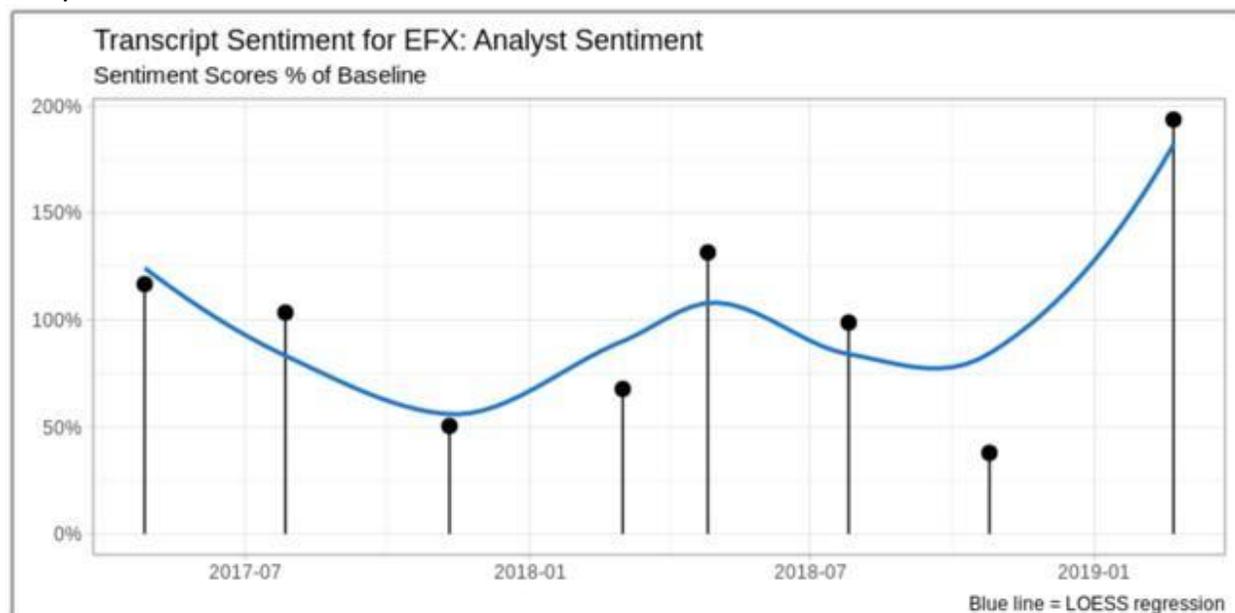
Source: Seeking Alpha

Analyst ratings are largely split between Buy and Hold and the consensus price target of $118.53 implies a 5.4% downside potential for the stock from its current price at press time of $125.26:

Analyst Ratings Summary

PRICE TARGET

$118.53 $90   Target: $118.53 $150
                      Last: $125.26

SCORE

3.74   1 Sell   2 Underperform   3 Hold   4 Outperform   5 Buy

Analyst Ratings Breakdown

# of Buys	7
# of Outperform	2
# of Holds	8
# of Underperform	2
# of Sells	0

Source: Seeking Alpha

Analyst sentiment in the most recent earnings call has shown a distinct upturn, as the linguistic analysis shows below:

Source: Sentieo

Commentary

Equifax has acquired PayNet to build out its proprietary data business, in this case for leasing decision-making to small and medium businesses.

As Equifax CEO Mark Begor stated in the deal announcement:

Equifax is focused on being a global leader in differentiated data, advanced analytics, and technology that creates innovative solutions and insights for our customers. We are intensely focused on adding unique and valuable data assets to couple with our industry-leading data and analytics capabilities. The PayNet acquisition brings unique and valuable commercial leasing data assets to our leading commercial data assets and insights capabilities to enhance decisioning and access to credit for small and medium-sized businesses.

The new acquisition is being folded into Equifax's United States Information Solutions unit.

While the deal is probably a small one on its own merits, it indicates to investors where EFX management is focusing its acquisition resources.

The firm wants to expand its alternative and proprietary data sources and combine them with its analytics technologies to help creditors make better and more profitable decisions.

I expect to see more targeted and opportunistic acquisitions in the alternative data space by EFX as it seeks to differentiate itself beyond legacy, commodified credit information into a much larger universe of decision signals.

MongoDB To Acquire Realm For Mobile App Database Tech

Quick Take

MongoDB (MDB) agreed to acquire Realm for $39 million in an all-cash transaction.

Realm has developed a mobile database and synchronization platform for mobile application developers.

With the deal for Realm, MDB gains greater access to large developer communities in mobile and serverless application development as a complement to its Atlas and Stitch products.

Target Company

San Francisco-based Realm was founded in 2011 to make it easier for mobile application developers to create modern apps with collaborative elements, and superior user experiences.

Management is headed by CEO David Ratner, who was previously President, Enterprise of Syniverse.

Realm's primary offerings include its platform and database modules.

Investors have invested approximately $40.2 million and include Khosla Ventures, Scale Venture Partners, and numerous individual investors.

Market & Competition

According to a 2019 market research report by IBISWorld, as smartphone usage has grown at a tremendous rate, demand for better mobile app experiences has also grown.

The forecast through the end of 2019 is for a CAGR (Compound Annual Growth Rate) of 7.9% in the U.S.

The main drivers for this expected growth increasing premium smartphone penetration, faster mobile connectivity, wider spectrum of mobile applications that consumers want to use.

A competitive vendor that provides a similar mobile database service is SQLite.
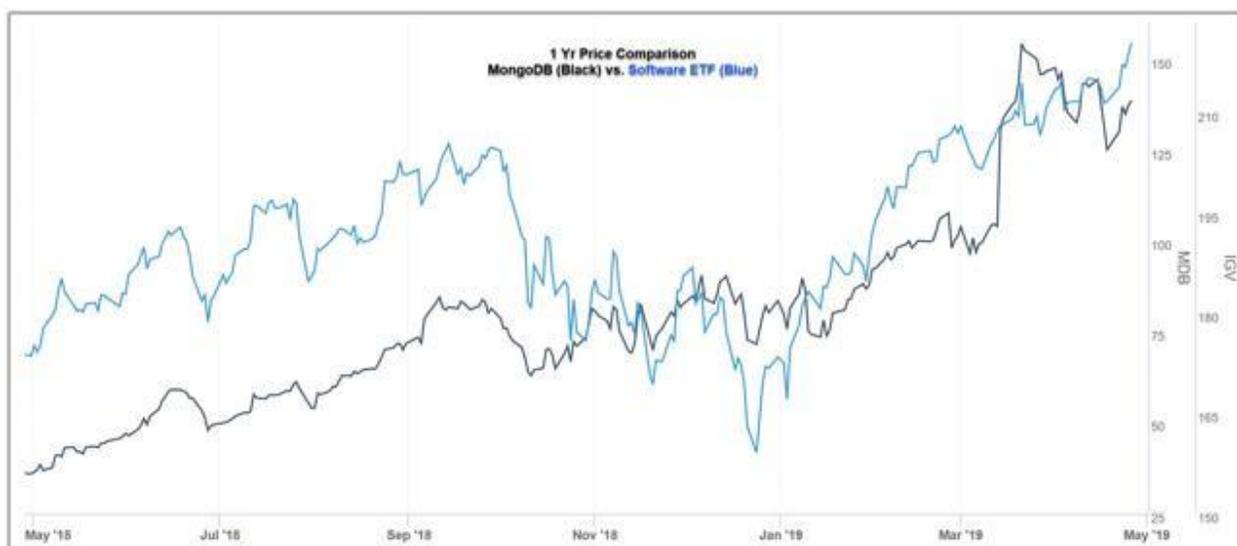
Source: Sentieo

Acquisition Terms & Financials

MDB disclosed the acquisition price and terms as $39 million in cash, but didn't provide a change in financial guidance as a result of the proposed transaction.

A review of the firm's most recent 10-K filing indicates that as of January 31, 2019, MDB had $466 million in cash, equivalents and short-term investments and $469 million in total liabilities, of which $138 million was deferred revenue.
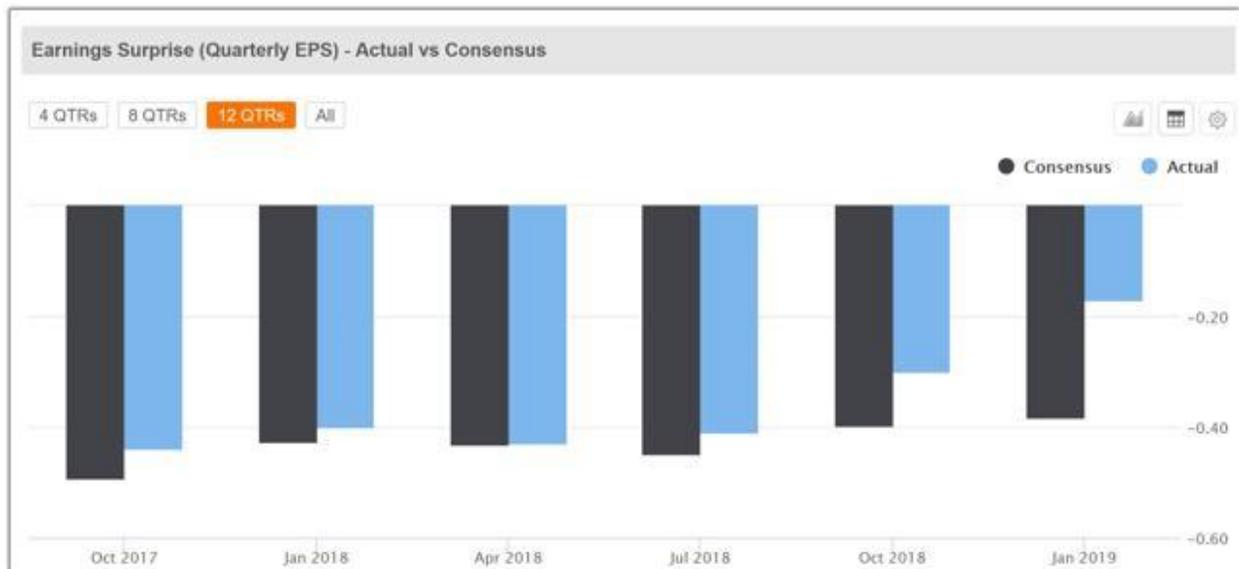
Free cash flow for the twelve months ended January 31, 2019, was a negative ($48.8 million).

In the past 12 months, MDB's stock price has risen 281%vs. the tech software ETF's rise of 26%, as the chart below indicates:

Source: Sentieo

Earnings surprises have beaten consensus EPS estimates consistently over the past six quarters:
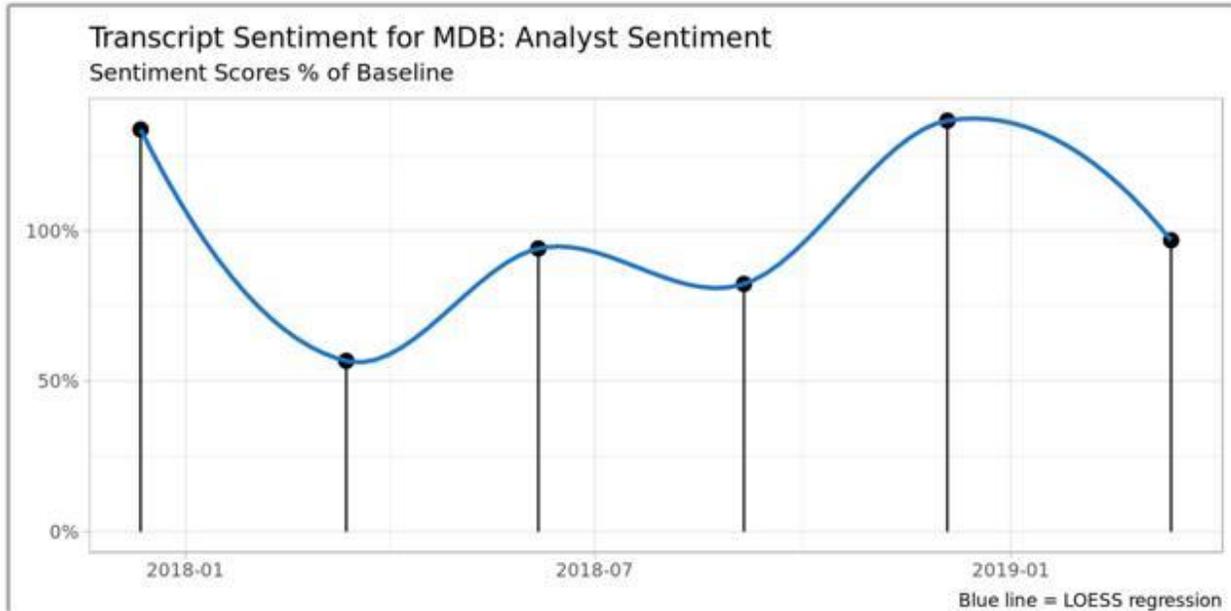

Source: Seeking Alpha

Analyst ratings are fairly split between Buy, Outperform, and Hold, and the consensus price target of $131.00 implies a 5.7% downside potential for the stock from its current price of $138.98 at press time:

Source: Seeking Alpha

Analyst sentiment in recent earnings calls has been uneven and has dipped recently. This appears to be generally uncorrelated to the stock's continued rise in value.

Transcript Sentiment for MDB: Analyst Sentiment
Sentiment Scores % of Baseline

Blue line = LOESS regression

Source: [Sentieo](#)

Commentary

MDB is acquiring Realm as a complement to its Atlas database and serverless platform.

As MongoDB President & CEO Dev Ittycheria stated in the deal announcement,

Realm is incredibly popular with mobile developers because it makes it easy for them to work with data to accelerate innovation, which is very consistent with our own philosophy. This acquisition is a natural fit for our global cloud database, MongoDB Atlas, as well as a complement to Stitch, our serverless platform. We look forward to working closely with Realm's strong engineering talent and the vibrant developer community to capture additional share in the database market by giving developers a far more flexible, intuitive and comprehensive way to work with mobile data.

With the deal for Realm, MDB also obtains relationships with the mobile and serverless developer communities, as there are currently more than 100,000 developers using the Realm system, which has been downloaded more than 2 billion times.

Use cases for the capabilities that Realm enables include offline-first, improved user experience, Internet of Things, and digital transformation by pushing faster solutions to the network edge.

While the deal won't move the needle for MDB's stock in the short term, it gives investors a signal that MDB is making opportunistic (and cost-effective) acquisitions to stay at the forefront of emerging database use cases.

Coupa Software To Acquire Exari For Contract Lifecycle Tech

Quick Take

Coupa Software ([COUP](#)) [announced](#) it has agreed to acquire Exari for $215 million.

Exari operates as an enterprise contract lifecycle management [CLM] software company.

With the acquisition, COUP is adding important functionalities to its business spend management system as the firm seeks to expand the breadth of its offerings to enterprise customers.

Target Company

Boston, Massachusetts-based Exari was founded in 2000 to help enterprises gain better contract visibility, reduce costs and optimize contract lifecycle time through its cloud-based, AI-powered CLM solutions.

Management is headed by CEO [Bill Hewitt](#), who has been with the firm since 2015 and was previously CEO at Vorago Advisors.

Exari's primary offerings include:

- Exari Contracts
- Exari Vision
- Exari DocGen
- Exari Match
- Contiki ECM

Company partners or major customers include:

- DocuSign ([DOCU](#))
- SalesForce ([CRM](#))
- Jaspersoft
- Alfresco

Source: [Exari](#)

Investors have invested $34 million in the company and include Wellington Financial and Beacon Equity Partners. Source: [Crunchbase](#)

Market & Competition

According to a [market research report](#) by Research and Markets, the global CLM software market was valued at $1.1 billion in 2018 and is projected to reach $2.4 billion by 2024.

This represents a CAGR of 14% between 2019 and 2024.

The main drivers for this expected growth are the numerous benefits of CLM, such as improved lifecycle efficiency, ensured compliance with regulations, reduced risk, enhanced decision making, and transparency, among others.

Major competitive vendors that provide CLM solutions include:

- CLM Matrix
- IBM Emptoris ([IBM](#))
- Icertis
- SAP ([SAP](#))
- BravoSolution
- Contracked
- Contract Logix
- Determine ([OTC:DTRM](#))

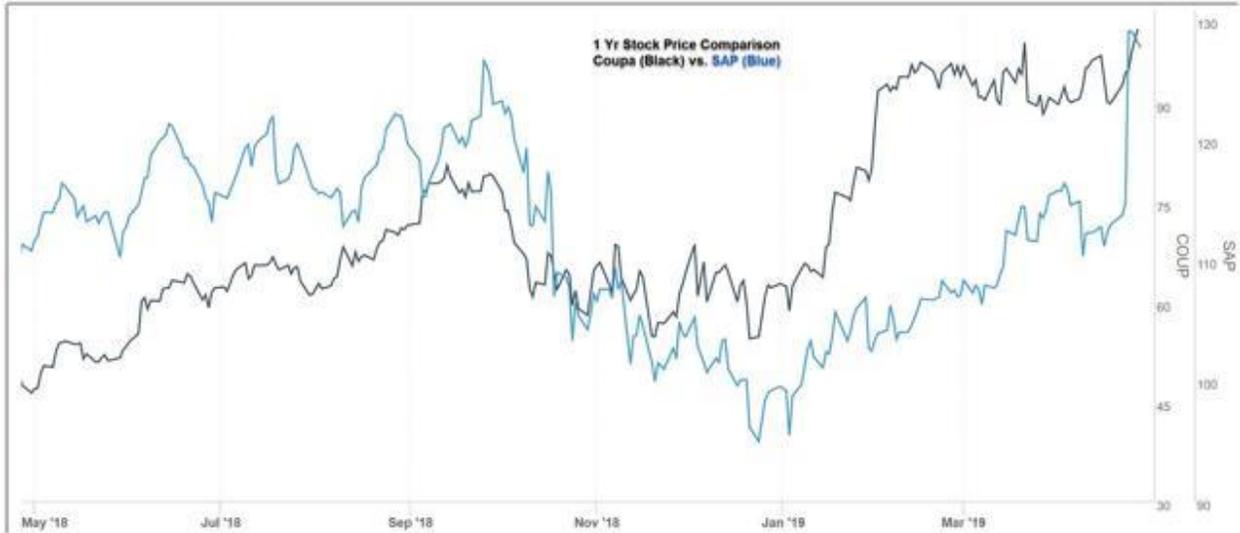Source: [Sentieo](#)

Acquisition Terms and Financial

Coupa disclosed the acquisition price and terms in a form [8-K filing](#) as $215 million in cash.

Management didn't provide a change in financial guidance as a result of the proposed transaction.

A review of the firm's most recent [10-K filing](#) indicates that as of January 31, 2019, COUP had $321.4 million in cash, equivalents, and marketable securities and $426.8 million in total liabilities, of which deferred revenue represented $182.6 million.
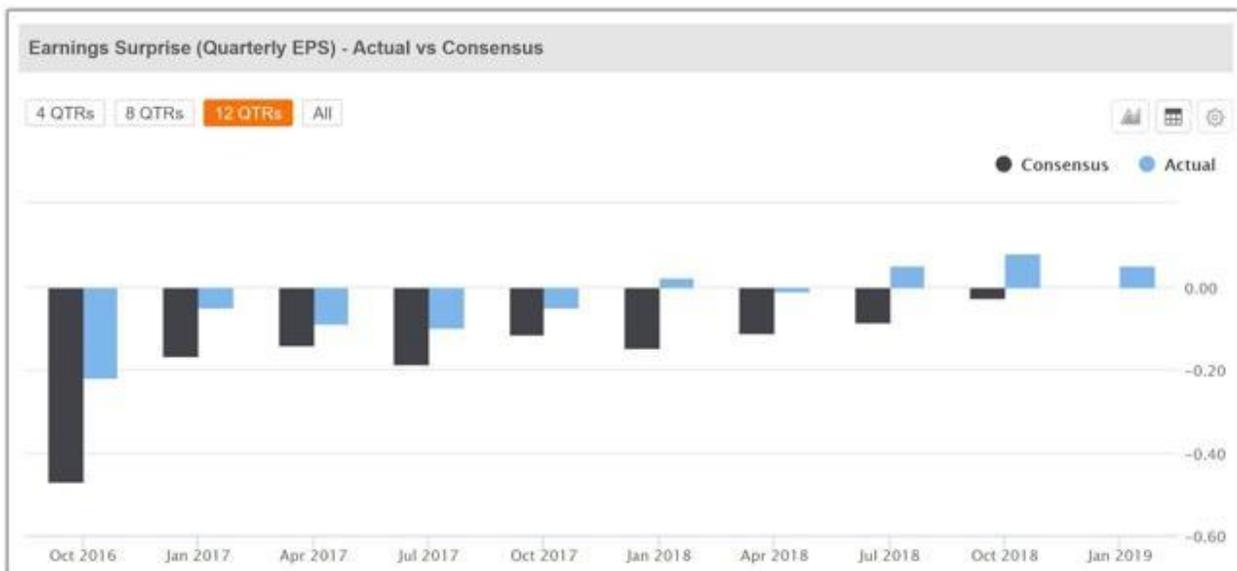
Free cash flow for the twelve months ended January 31, 2019, was $29.9 million.

In the past 12 months, COUP's stock price has risen 115.6% vs. SAP's ([SAP](#)) rise of 14.3%, as the chart below indicates:

1 Yr Stock Price Comparison
Coupa (Black) vs. SAP (Blue)

Source:

Earnings surprises have exceeded analyst consensus expectations over the past ten quarters:

Earnings Surprise (Quarterly EPS) - Actual vs Consensus

4 QTRs   8 QTRs   12 QTRs   All

● Consensus   ● Actual
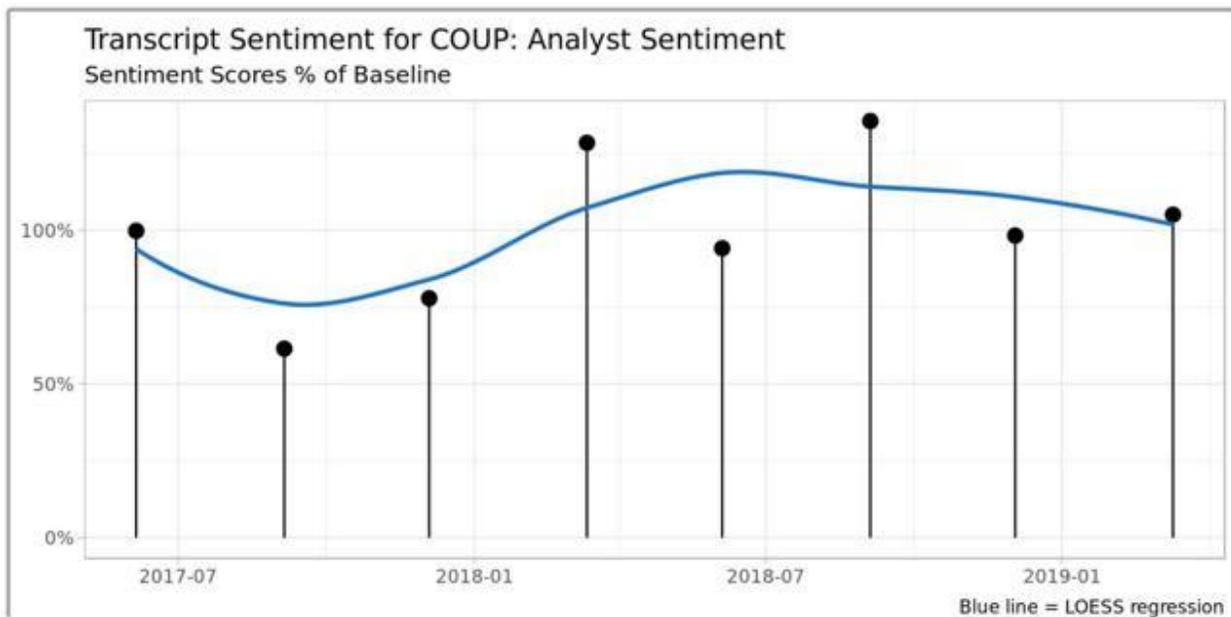
Source:

Analyst ratings are currently split between Buy, Outperform, and Hold. The consensus price target of $99.23 implies a potential downside of 2.1% from the stock's current price at press time of $101.35:

Analyst Ratings Summary

PRICE TARGET		SCORE	
$99.23	Target: $99.23 · $80 · Last: $101.35 · $120	3.87	1 Sell · 2 Underperform · 3 Hold · 4 Outperform · 5 Buy

Analyst Ratings Breakdown

■ # of Buys	4	■ # of Underperform	0
■ # of Outperform	5	■ # of Sells	0
■ # of Holds	6		

Source: Seeking Alpha

Analyst sentiment in recent earnings calls has been relatively stable, as the linguistic analysis shows below:

Transcript Sentiment for COUP: Analyst Sentiment
Sentiment Scores % of Baseline
Blue line = LOESS regression

Source: Sentieo

Commentary

Coupa is acquiring Exari to extend its existing contract management functionalities.

As Coupa CEO Rob Bernshteyn stated in the deal announcement,

By unifying Exari's advanced CLM capabilities with this transactional spend, we will enable companies to further decrease maverick spend, drive more savings, reduce risk, and spend

smarter. This acquisition will further cement our leadership position in business spend management and our commitment to deliver measurable business value.

The combination of the two firms promises to provide Coupa customers with both a robust business spend management system and a contact creation, discovery, and collaboration system from Exari.

Independent firms such as Coupa are under pressure to bundle greater functionality in their offerings as larger players such as SAP or others can exert pressure on pricing by bundling new capabilities into their existing systems.

By adding CLM functionality, Coupa can go to market with a broader set of offerings and gain greater share of wallet from enterprise customers.

Once the two companies combine, Exari will be integrated into Coupa's contract repository.

The deal is expected to close before April 30, 2019.