

TMT Quarterly Update

Q4 2021



DCF's TMT Practice

Deloitte Corporate Finance LLC (DCF) is a leading global middle-market M&A adviser. Our professionals have extensive knowledge in the TMT space and use their experience to help clients enhance value.



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Firm Overview

#1 2020 Global M&A
 Advisor by deals
 completed ⁽¹⁾.

487 Completed deals
 in the last 12
 months.

- Deep relationships in place to gain **critical strategic intelligence** and effectively market businesses.
- Worldwide, DCF has **2,400 Corporate Finance professionals** throughout the Deloitte Touche Tohmatsu Limited network of member firms in 60 countries that complement the North American team.
- **Top global middle-market financial advisor** in 2020 according to Mergermarket ⁽¹⁾.

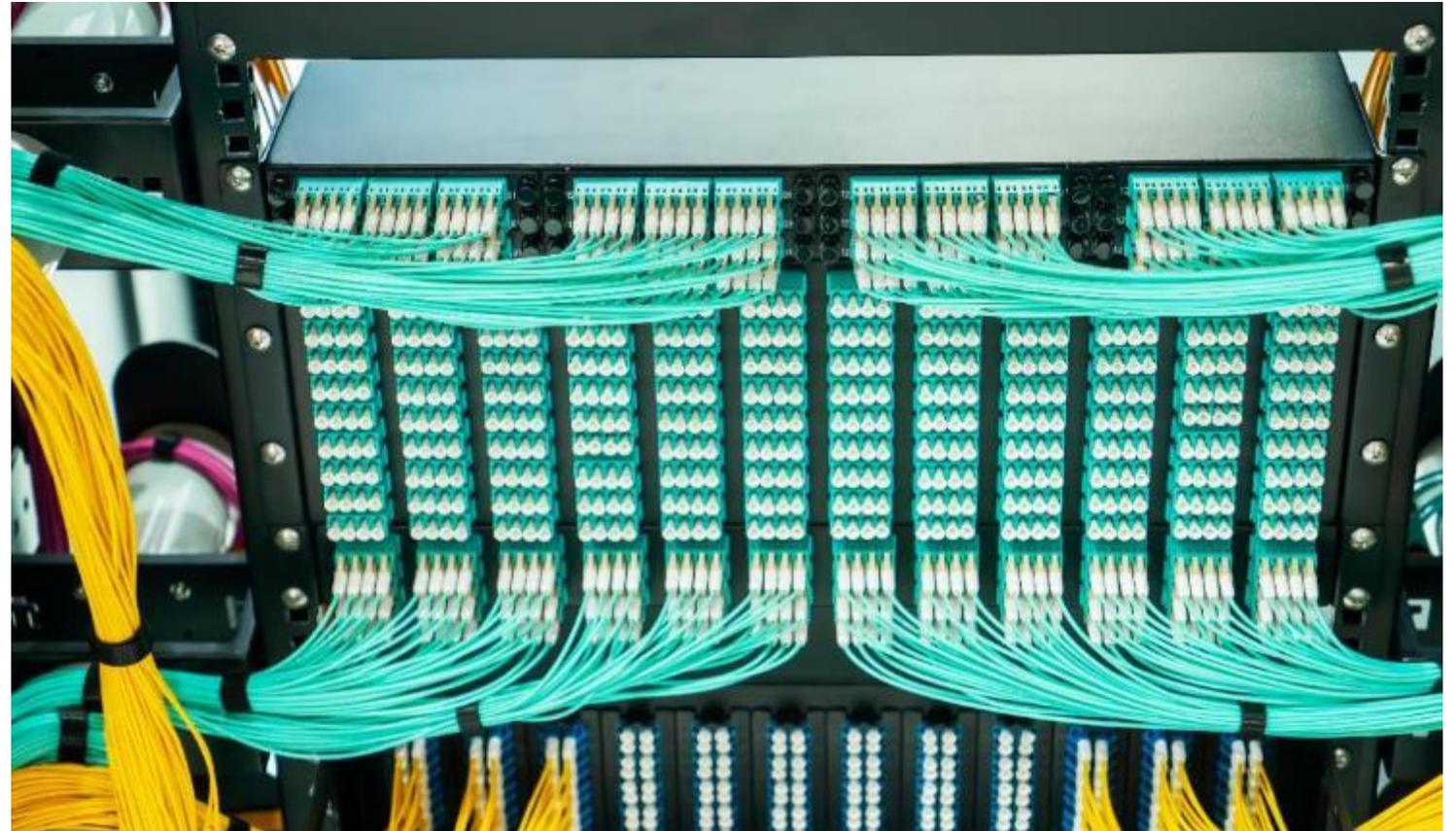


Sector Focus

- Application Software / Software as a Service (SaaS)
- Cloud & Infrastructure (Infra.) Software / Services
- Data Analytics and Business Intelligence (BI)
- Diversified Information Technology (IT) Services
- Hardware
- Horizontal & Enterprise Resource Planning (ERP) Software
- Information Technology (IT) Security
- Internet & Digital Media
- Technology (Tech) Enabled Services
- Telecommunications
- Traditional Media

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Case study

McDonald's Corporation

Deal Contacts

Phil Colaco, Byron Nelson, Michael Hakim, Matt Brooks

Client Overview



International Business Machines Corporation

The undersigned acted as exclusive financial advisor to McDonald's Corporation.

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Deloitte Corporate Finance LLC

- McDonald's Corporation (McDonald's or the Company) is one of the world's leading global quick-service restaurants (QSR), operating or franchising over 39,000 restaurants in over 100 countries.
- In September 2019, McDonald's acquired Apprente, Inc. (Apprente or McD Tech Labs), an artificial intelligence conversational technology company, to develop a proprietary voice agent platform to deploy Automated Order Taking (AOT) technology at scale in its drive-thrus throughout the US and then globally. Apprente, rebranded as McD Tech Labs, continued to develop the AOT technology and rolled out the platform to 10 test stores in Chicago in early 2021.
- After a change in leadership and subsequently corporate strategy, management assessed that the value of the McD Tech Labs extended far beyond its current drive-thru application. Shortly thereafter, they sought a buyer with the resources and experience needed to effectively deploy and monetize the platform worldwide across QSR and new use cases.

Situation Overview

- The Company engaged Deloitte Corporate Finance, LLC (DCF) to run a narrowly tailored sell-side process, which initially included four preeminent global technology conglomerates and relied upon DCF for advice and analysis to support the evaluation and negotiation of IOIs/LOIs.
- DCF assisted with the due diligence process, which included management presentations and detailed financial, legal, HR, and tax inquiries, along with the negotiation of a commercial agreement in conjunction with potential definitive agreements.
- DCF added significant value by:
 - Running a sell-side process designed to meet the specific goals of McDonald's while maintaining the highest levels of confidentiality.
 - Effectively highlighting the Company's differentiated technology and software offerings to top-tier buyers.
 - Driving an efficient diligence process and providing support in negotiating various financial and legal terms.
 - Assisting McDonald's with valuation considerations for the potential transaction.

Case study

PropLogix, LLC

Deal Contacts

Phil Colaco, Byron Nelson, Michael Hakim, Connor Lovelace



PropLogix, LLC

*has completed a minority
recapitalization with*



Accel-KKR

*The undersigned acted as exclusive
financial advisor to PropLogix, LLC.*

Deloitte.

Deloitte Corporate Finance LLC

"With ten years of steady growth by way of bootstrapping, we knew we were ready to seek an investor to help us boost our market expansion for our tech-enabled due diligence services, as well as our SaaS offerings for title and settlement professionals. As an owner and the CEO of PropLogix, I'm charged with doing what's best for our people, our customers, and the company. It was vitally important that we found a strategic growth partner that knew their way around the SaaS and real estate space, a partner that believed in our vision to drastically change the homebuying experience through transparency and simplicity as much as we do. We found that in Accel-KKR and we couldn't have gotten to this point without the Deloitte team."

Jesse Biter
Chief Executive Officer
PropLogix, LLC

Client Overview

- PropLogix, LLC (PropLogix-or the Company), is a leading technology-enabled real estate (RE) intelligence company, with over a decade of experience in providing clients with a wide array of RE due diligence and settlement solutions, including Municipal Lien Searches, Association Estoppels, Tax Certificates, Land Surveys, Release Tracking, and Remote Online Notary Services.
- PropLogix serves major RE industry stakeholders, including title agents, real estate attorneys, underwriters, HOAs and management companies, home buyers and sellers, and notaries, across all 50 US states.
- With a robust suite of tech-enabled services and proprietary software solutions, PropLogix has established a reputation as a turnkey, multi-service RE transaction enablement platform, focused on disrupting the antiquated RE due diligence ecosystem.

Situation Overview

- PLX engaged Deloitte Corporate Finance LLC (DCF) to leverage its experience in executing structured equity capital raises for founder-owned businesses to identify an ideal advisor to help guide the Company through its next stage of growth, while also providing partial liquidity to the shareholders.
- DCF added significant value throughout the transaction process:
 - Strategically positioned the impact of COVID-19 on the Company and effectively managed timing of market entry to enhance high likelihood of close.
 - Coordinated webinars to provide potential investors with access to the management team early in the process, creating heightened momentum and alignment on the vision for the Company prior to soliciting initial bids.
 - Provided guidance on the benefits and considerations associated with each of the offers of the various interested parties, including in-depth analyses of the economic and commercial implications of each, to help PLX select the most attractive offer.
 - Coordinated due diligence processes and worked with counsel to assist in negotiating key minority shareholder rights and critical purchase agreement terms to help protect PLX shareholders' best interests.

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TMT Quarterly Update

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Notable recent M&A transactions ⁽¹⁾

<p>Cloud & Infra. Software/Services</p> 	<p>NetApp, Inc.'s acquisition of CloudCheckr Inc. ⁽²⁾</p> <ul style="list-style-type: none"> NetApp, Inc. provides software, systems, and cloud services to manage and share data on-premises and in private and public clouds, worldwide. CloudCheckr Inc. develops cloud management and security software solutions. The acquisition extends NetApp's offerings by combining critical cost visibility and reporting from the CloudCheckr platform, helping enable organizations to better understand and improve their cloud resources. 	<p>Close Date: November 2021 EV: \$348.0 MM Rev: N/A EV/Rev: N/A EV/EBITDA: N/A</p>
<p>Data Analytics and BI</p> 	<p>Qualtrics International Inc.'s acquisition of Clarabridge, Inc. ⁽³⁾</p> <ul style="list-style-type: none"> Qualtrics International Inc. operates an experience management platform to manage customer, employee, product, and brand experiences worldwide. Clarabridge, Inc. uses AI to analyze sentiment in social media, chat sessions, and other information sources. The combined company should be able to better capture and analyze specific customer feedback from indirect sources, improving Qualtrics's experience management platform. 	<p>Close Date: October 2021 EV: \$1,125 MM Rev: N/A EV/Rev: N/A EV/EBITDA: N/A</p>
<p>Horizontal & ERP Software</p> 	<p>Sage Group PLC's acquisition of Brightpearl Limited ⁽⁴⁾</p> <ul style="list-style-type: none"> The Sage Group PLC provides ERP technology solutions and services for SMBs worldwide. Brightpearl Limited provides cloud-based inventory management and ERP software for retailers worldwide. The combination creates a solution for retailers, integrating financial management, CRM, and inventory and logistics management into one unified platform, thereby broadening the value proposition for SMBs and expanding Sage's digital network. 	<p>Close Date: January 2022 EV: \$360.24 MM Rev: N/A EV/Rev: N/A EV/EBITDA: N/A</p>
<p>IT Security</p> 	<p>Okta Inc.'s acquisition of Auth0, Inc. ⁽⁵⁾</p> <ul style="list-style-type: none"> Okta, Inc. provides an identity management platform for SMBs and large enterprises. Auth0, Inc. operates a cloud-based identity platform for developers and security professionals. With combined experience across developer communities, the integration of Okta and Auth0 should provide enhanced depth and breadth of identity solutions, offering a broader solution to customers. 	<p>Close Date: May 2021 EV: \$6,500.0 MM Rev: N/A EV/Rev: N/A EV/EBITDA: N/A</p>
<p>Tech Enabled Services</p> 	<p>Oracle Corporation's acquisition of Cerner Corporation. ⁽⁶⁾</p> <ul style="list-style-type: none"> Oracle Corporation, a technology conglomerate, provides enterprise software applications and IT infrastructure products and services that enable efficient technology systems. Cerner Corporation provides health care information technology solutions and tech-enabled services. The acquisition expands Oracle's health care industry reach and should increase Cerner's capacity to deliver more precise and interoperable information and lower medical professionals' administrative workload. 	<p>Close Date: Pending EV: \$29,419.03 MM Rev: \$5,657.0 MM EV/Rev: 5.2x EV/EBITDA: 20.1x</p>

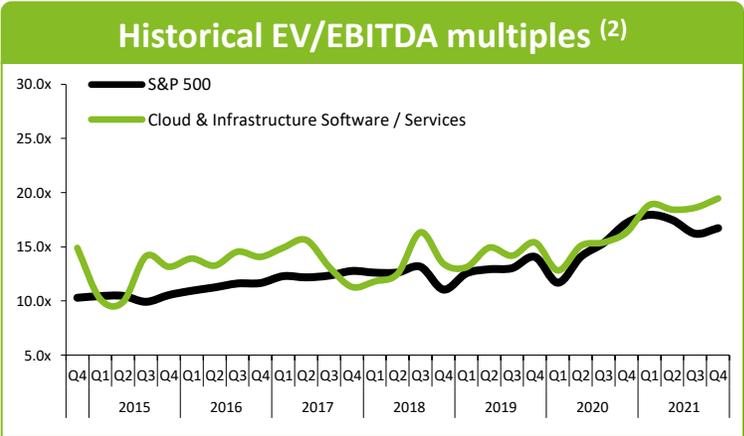
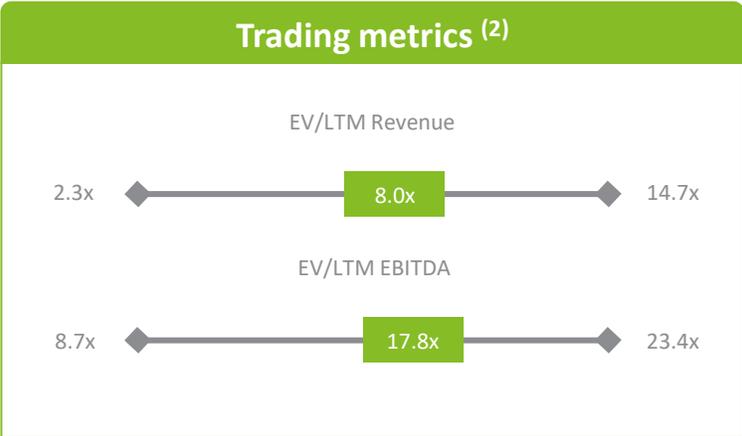
Cloud & Infrastructure Software / Services

Sector trends

- Growing political fragmentation and industry compliance are driving the formation of regional and vertical cloud ecosystems and data services. Companies, especially those in highly regulated industries, such as financials, are looking to reduce their reliance on critical lock-in and single points of failure when contracting with cloud providers. Therefore, regions able to provide secure ecosystems with limited political pressure may be better positioned to capture market interest and private investment in cloud infrastructure.⁽³⁾
- With greater scrutiny toward organizations' environmental impact, many cloud computing providers are instituting more aggressive carbon-neutral corporate goals, coined as "Carbon Intelligent Computing," to increase their sustainability efforts in the fight against climate change. For instance, VMware has promised that by 2030 all their public clouds will be powered with zero carbon from data centers using 100% renewable energy. Likewise, Google has vowed that by 2030 it plans to decarbonize their electricity use in their data centers. These initiatives serve as a competitive differentiator, as indicated by a recent survey that found 80% of consumers view sustainability as the most important consideration when evaluating a company.^{(4) (5)}



Select public comparables ⁽¹⁾	
Company Name	Enterprise Value (MM)
Snowflake, Inc.	\$72,754.4
Datadog, Inc.	\$42,073.9
Arista Networks, Inc.	\$33,607.6
DigitalOcean Holdings, Inc.	\$8,179.6
Rackspace Technology, Inc.	\$6,407.8



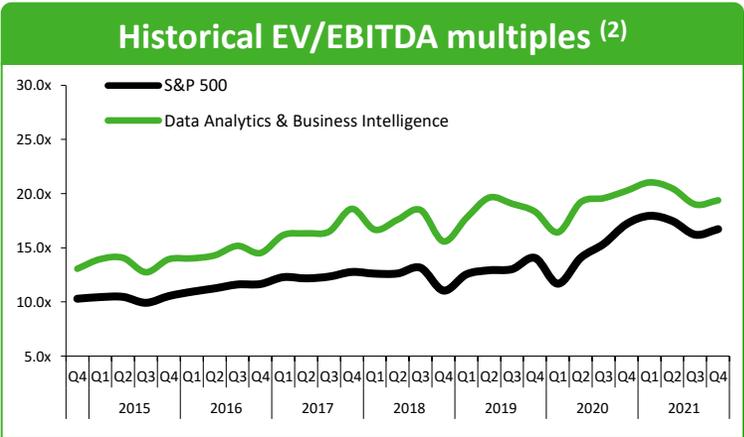
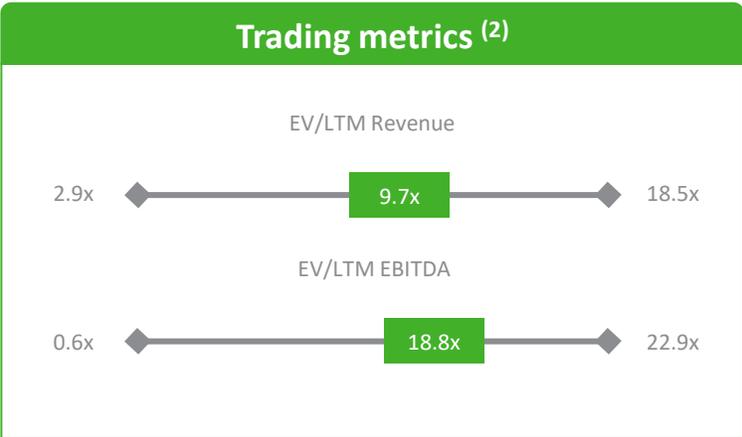
Data Analytics and Business Intelligence

Sector trends

- Previously, the use of data analytics and business intelligence was viewed as an ancillary support function to assist revenue generating teams. However, many business leaders are beginning to embrace the importance of utilizing data and analytics to accelerate digital business initiatives. Data analytics is now viewed as a more mission critical function and specific teams are being carved out to drive value within the structure of large organizations.⁽³⁾
- As the use of data analytics has become more prevalent, the ability to glean insight from advanced methods has become more democratized. Systems and applications, with the help of cloud computing and open-source tools, are being designed to facilitate a greater ease of use and automate important functions. However, even with the right tools, the ability to effectively utilize analytics resides within the individual companies themselves. Specifically, by allowing managers and employees, who are closest to the day-to-day operations, the freedom and training to identify and scope key business problems that can be solved with data.⁽⁴⁾
- With the advent of remote work and increasing mobile device adoption rate, a greater amount of data analytics technologies are beginning to live outside of the traditional data center/cloud environments and closer to physical assets. By shifting data and analytics to the edge, businesses can open opportunities for data teams to scale capabilities and enable real-time value to generate faster insights.⁽⁵⁾



Select public comparables ⁽¹⁾	
Company Name	Enterprise Value (MM)
SAP SE	\$172,004.4
Splunk, Inc.	\$20,068.4
Confluent, Inc.	\$19,176.1
Coupa Software, Inc.	\$12,760.9
Dun and Bradstreet Holdings, Inc.	\$12,261.4



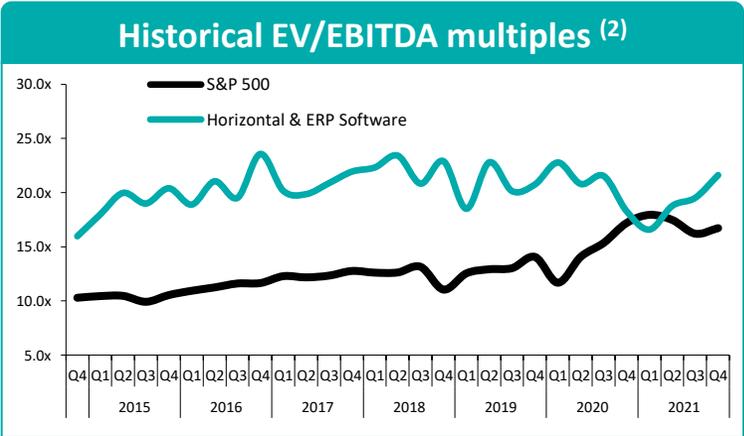
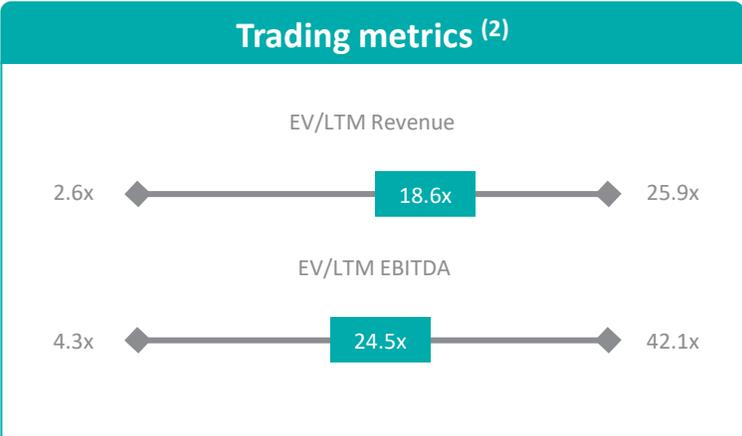
Horizontal & ERP Software

Sector trends

- As corporations mature through their corporate life cycle, they often turn to acquisitions to facilitate growth. However, there are many post-acquisition integration challenges that persist in the M&A landscape. To alleviate potential headaches, many companies have been turning to a two-tier ERP strategy, enabling organizations to leverage their investment in existing ERP systems, while subsidiaries use a different, more specialized and often cloud-based ERP system. For companies in high growth stages, a tier 2 solution is often less costly than retrofitting an organization’s entire ERP system and provides subsidiaries with flexibility to respond to changing business conditions.⁽³⁾
- While employing a modern ERP is a main component in a company’s digital transformation, companies are beginning to integrate their business applications with other new technologies, including IoT and AI, to improve core processes. Moreover, many companies are seeking insights from new data sources, such as social media, to gain a deeper understanding of how their products/services are perceived in the market. When these new data sources are cross layered with sales and marketing data, there exists the potential to unearth additional sales and marketing opportunities related to the customer journey.⁽³⁾



Select public comparables ⁽¹⁾	
Company Name	Enterprise Value (MM)
Adobe, Inc.	\$268,682.1
Salesforce.com, Inc.	\$255,265.1
Inuit, Inc.	\$181,395.6
ServiceNow, Inc.	\$128,079.6
Workday, Inc.	\$66,874.6



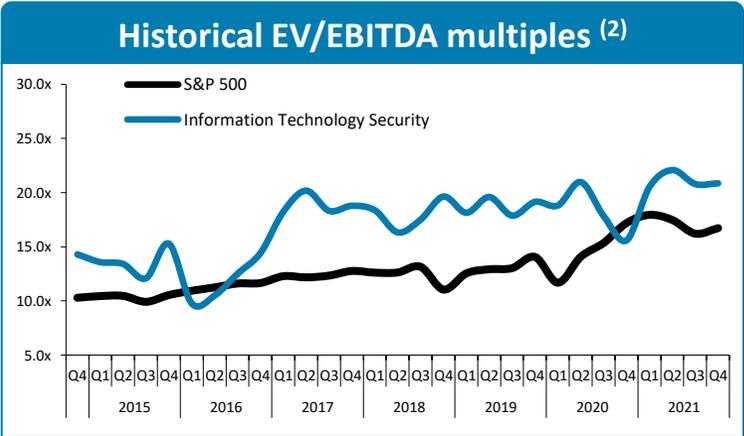
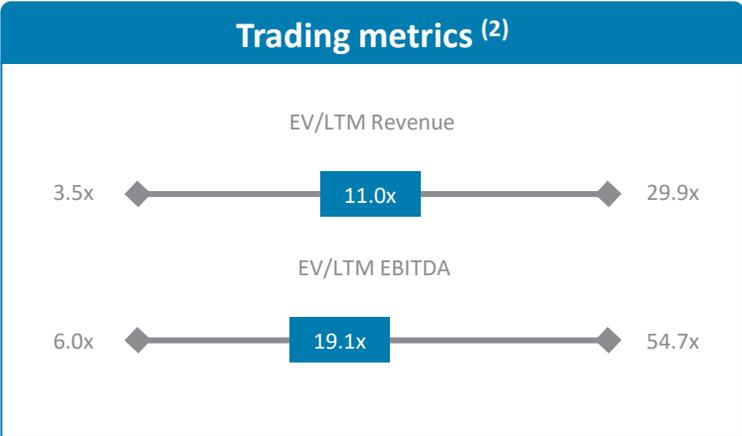
Information Technology Security

Sector trends

- As companies have increased the digitization of their systems, data, and infrastructure, ransomware attacks have become more prevalent, wrecking havoc on a company's operations. According to IBM Security's 2021 Cost of a Data Breach Report, the average cost for a data breach in the US in 2021 was \$9.05 million, up from \$8.64 million in 2020. The same study also showed that it takes a company an average of 287 days to identify and contain a data breach. All the while, ransomware actors are beginning to employ more targeted and sophisticated attacks, often targeting critical infrastructure to put greater pressure on companies to pay or risk even costlier downtime. Ransomware actors have also been utilizing double or triple extortion schemes to profit from stealing a business' data, encrypting its file system, and simultaneously applying a DDoS attack. The number of threat actors launching attacks has substantially increased due to the development of "ransomware-as-a-service," where ransomware variants are licensed to individuals and accomplices to execute attacks. The resulting emergence of new attackers has led to increased uncertainty and volatility for companies in responding to attacks due to the lack of information on the growing number of ransomware threat actors.^{(3) (4) (5)}
- Until recently, cybercriminals have acted with the knowledge that the understanding of their activities is weak due to the fast-changing nature of technology. However, regulators and law makers are starting to turn more attention toward ways to police malicious cyber-activity by enacting rules and laws that will force greater oversight of companies' security policies and processes. These rules and laws could take the shape of the expansion of penalties that extend to address the vulnerabilities of companies' security systems and exposure to potential damage. Further, there are an increasing number of jurisdictions passing laws to discourage payments in response to ransomware attacks. Naturally, CISOs can expect increased scrutiny and expectations, alongside an increase in support and resources to limit the impact of data thefts, losses, and breaches on customers.⁽³⁾



Select public comparables ⁽¹⁾	
Company Name	Enterprise Value (MM)
Fortinet, Inc.	\$56,711.9
Palo Alto Networks, Inc.	\$55,443.7
CrowdStrike Holdings, Inc.	\$45,826.5
Zscaler, Inc.	\$44,405.8
Okta, Inc.	\$34,403.5



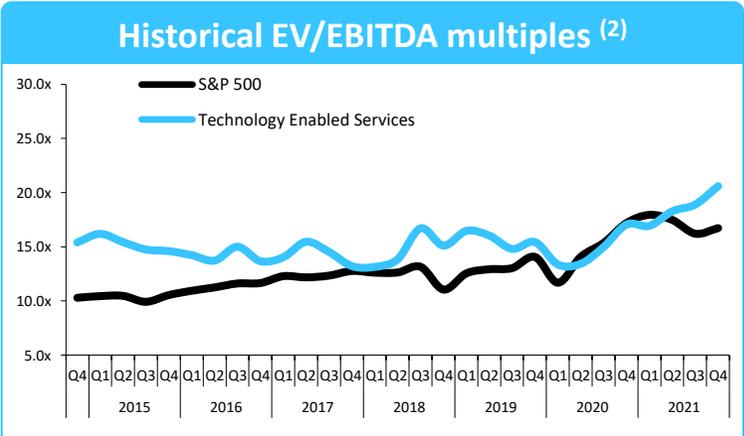
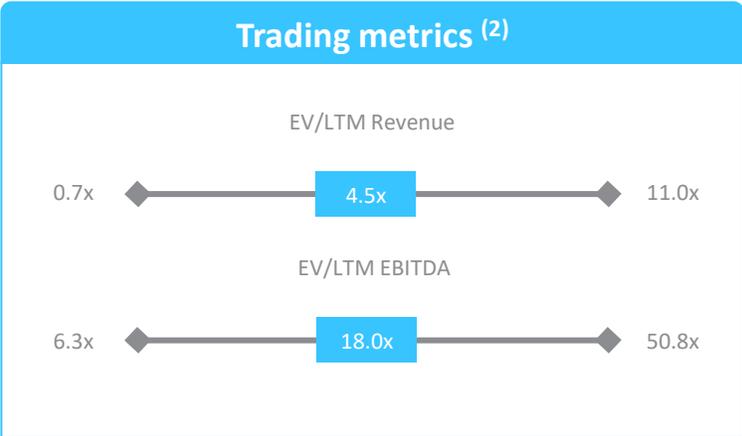
Technology Enabled Services

Sector trends

- The supply chain disruption that occurred as a result of the pandemic exposed critical chokepoints across complex distribution and supply chains. To effectively deal with future supply chain challenges, many companies are beginning to place outsized emphasis on visibility and automation, incorporating technologies such as automated robotic tools and machines, blockchain, and AI. Similarly, company sourcing operations are often being outsourced to nearshore third-party contractors and technology-enabled services providers that work to help their clients solve unpredictable and opaque supply chain issues.⁽³⁾
- Due to the years of training and multidisciplinary skills required to become an IT professional, there exists a limited talent pool available to fill the large demand of open positions across the global economy, with talent shortages expected to persist into the near future. According to a recent study by Korn Ferry, the United States could forego \$162 billion worth of revenues annually if unable to find more high-skilled technology workers. One of the largest beneficiaries of this talent trend stands to be technology enabled services companies who will be relied upon even more frequently to help solve some of the largest technological challenges facing the rest of the economy.⁽⁴⁾



Select public comparables ⁽¹⁾	
Company Name	Enterprise Value (MM)
Accenture, plc	\$259,829.1
Tata Consultancy Services Limited	\$178,831.0
Capgemini SE	\$49,309.7
Wipro Limited	\$49,965.4
Cerner Corp.	\$28,216.7



Appendix

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