



Q3-2023

M&A Spotlight on

Technology



At Origin Merchant Partners (“Origin”), we pride ourselves on developing creative and strategic solutions tailored to the unique objectives of every client. As a founder-led team of entrepreneurs, we understand the distinctive needs of business leaders.



INTRODUCTION

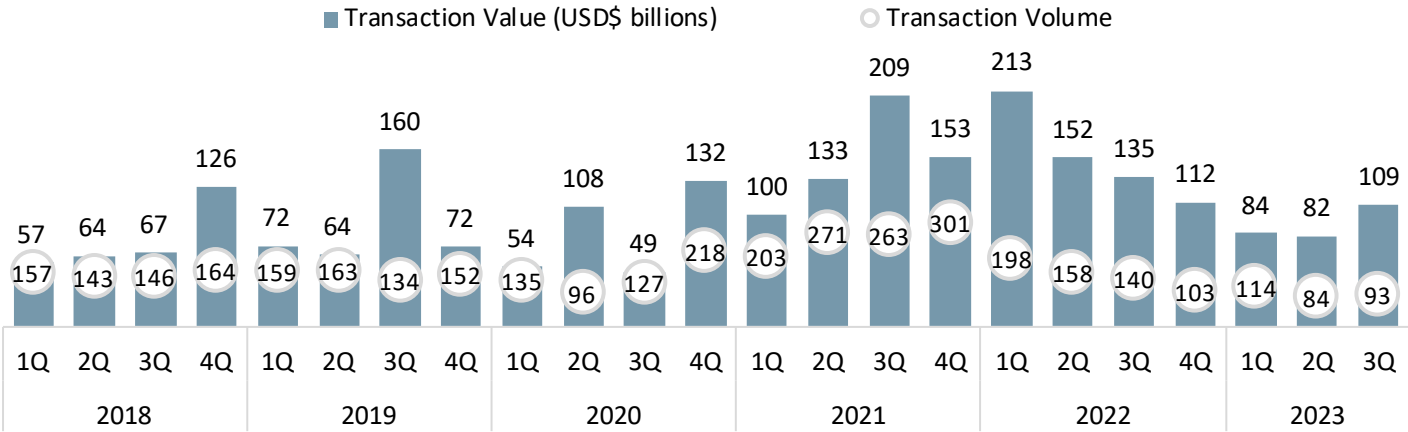
- Welcome to the launch of the Origin Tech Take, our quarterly take on M&A activity in the North American technology sector, providing unique insights into M&A trends and developments in the market. Key features include a quarterly review of M&A metrics along with a dive into different technology sub-sectors, recent transactions and interviews with founders, investors, financial sponsors and strategics. The technology sector continues to be vibrant, exciting and constantly evolving and we hope the Tech Take will provide you with valuable insights as you plan your exit strategy or look to expand through acquisitions.
- For over ten years, the technology sector has been a cornerstone of Origin Merchant Partners' advisory practice. We have completed over 45 transactions, including sell-side, buy-side and financing, for our technology clients, which include North American-based public and privately-owned companies. We have worked with clients across the technology sector, and we have developed deep domain experience across a few specific verticals, including Restaurant, Hospitality, Retail, Financial, Legal, Advertising and Regulatory. We plan to showcase several of these technology verticals in each Tech Take and provide an in-depth overview of one vertical each quarter. And of course, we conclude the report with our own take on sector trends and dynamics.
- We hope you enjoy the inaugural Origin Tech Take and we welcome your feedback and comments. Feel free to reach out to us if you have any questions or would like to schedule a follow up discussion.

MACRO ENVIRONMENT

- Several factors, including higher costs due to inflation, rising interest rates, and weaker equity markets have led to overall higher cost of capital, contributing to a more conservative M&A market and fewer strategic transactions.
- Financial sponsors and corporations alike continue to hold a near record amount of unspent capital, with many waiting for conditions to improve while others are being opportunistic, for example, pursuing companies that have seen their value fall since the highs of the pandemic.
- Despite several large transactions in Q3, many companies are looking at smaller transactions, such as tuck-in opportunities, filling product gaps or building their platform investments to better position themselves when markets recover.
- Excitement around AI continues to build, driving significant investment alongside its implementation in various industries including healthcare, financial services, real estate, education and hospitality.
- Despite a slow first half of the year there is optimism that deal activity will recover, with strong corporate balance sheets and the cash reserves of private equity firms creating potential for an increase in deal activity even in the face of volatile debt financing markets.

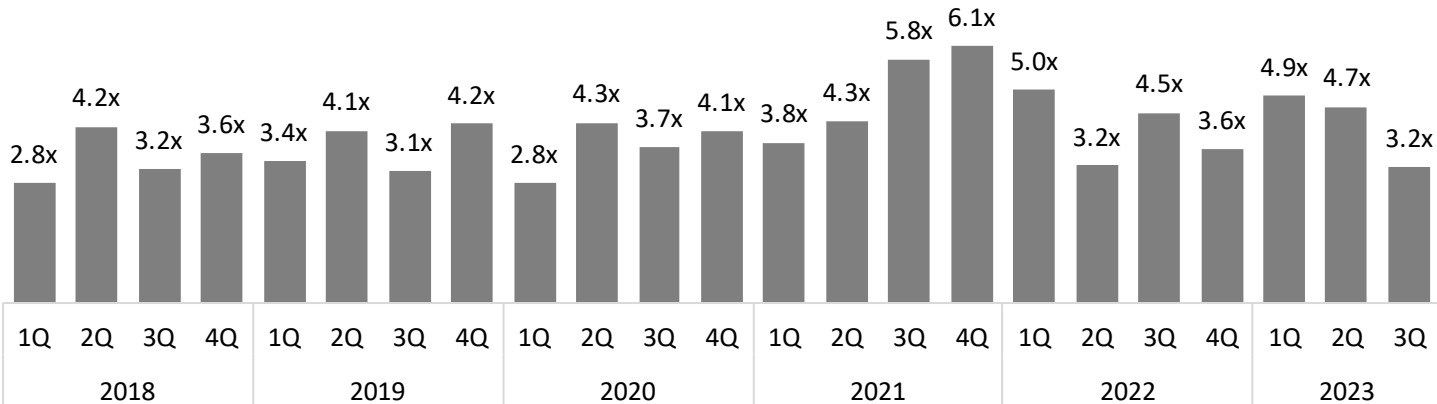


QUARTERLY DEAL ACTIVITY (2018 – 2023)



- Q3-2023 transaction volume in the North American technology sector showed signs of recovery with an increase of 11% after falling to its lowest point over the past 22 quarters in Q2-2023, as unfavourable market conditions impacted M&A activity across all sectors including the technology sector, which is particularly vulnerable to the higher interest rate environment.
- Transaction value saw a substantial increase of 34% in Q3-2023 from Q2-2023, largely attributable to several mega-deals, including seven acquisitions that exceeded US\$5 billion in aggregate, speaking to increasing consolidation to augment tapering growth and increasing pressure for cost containment.

QUARTERLY MEDIAN IMPLIED TEV / REVENUE MULTIPLE (2018 – 2023)



- The median revenue multiple for Q3-2023 declined 31% from the previous quarter reflecting current market sentiment and credit environment

Source: Pitchbook; reflects transactions with a Total Enterprise Value greater than C\$15 million in the United States & Canada Data



STRATEGIC ACQUISITIONS

- **Enterprise Security** – On September 21st, **Cisco Systems Inc. (Cisco)** announced its intention to acquire **Splunk** for \$157 per share in cash, representing approximately US\$28 billion in equity value. The acquisition builds on Splunk's heritage of helping organizations enhance their digital resilience and will accelerate Cisco's strategy to securely connect everything to make anything possible. The combination of these two established leaders in AI, security and observability will help make organizations more secure and resilient.
 - This follows Cisco's recent acquisition of **Oort**, a firm focused on the development of identity threat detection and response technology, announced on July 13th. Cisco has already proceeded with 3 other cloud and network security transactions this year, making it apparent they are aiming to become a leading provider of IT security services. Financial terms were not disclosed.
- **Artificial Intelligence** – On August 16th, the artificial intelligence firm **OpenAI**, known for developing the infamous ChatGPT, announced it has acquired digital products company **Global Illumination**. This news marks the first acquisition made by OpenAI, with the firm stating that this deal will assist in the development of core products, including ChatGPT. Financial details of the deal were not disclosed.
- **Artificial Intelligence** – On July 19th, **Databricks** closed its previously announced acquisition of **MosaicML**, a leading generative AI platform known for its state-of-the-art MPT large language models, for approximately US\$1.3 billion. The combined platform will enable Databricks and MosaicML to make generative AI accessible for every organization, enabling them to build, own and secure generative AI models with their own data.

PRIVATE EQUITY & CORPORATE DIVESTITURES

- **Customer Engagement / Payments** – On October 23rd, **EngageSmart, Inc. (EngageSmart)** announced that it has entered into a definitive agreement to be acquired by an affiliate of **Vista Equity Partners** in an all-cash transaction valued at approximately US\$4.0 billion. EngageSmart is a leading provider of vertically tailored customer engagement software and integrated payments solutions and began trading on the NYSE in 2021 following its initial public offering. The offer represents a ~23% premium to EngageSmart's closing price on October 4th, prior to news reports regarding a potential sale.
- **Digital Entertainment** – On October 13th, technology giant **Microsoft** completed its acquisition of video game producer **Activision Blizzard** for US\$69 billion nearly two years after the transaction was announced. The transaction was completed following an extended review by Britain's anti-trust regulator, which led Activision Blizzard to sell its cloud streaming rights to **Ubisoft Entertainment** in an attempt to win the regulator's approval.
- **Technology Business Management** – On August 10th, **International Business Machines (IBM)** closed its previously announced acquisition of **Apptio Inc. (Apptio)**, a Washington-based software company that specializes in providing technology business management solutions, from **Vista Equity Partners** for US\$4.6 billion. The acquisition of Apptio will accelerate the advancement of IBM's IT automation capabilities and enable enterprise leaders to deliver enhanced business value across technology investments.
- **FinTech / RegTech** – On June 12th, **Nasdaq, Inc. (Nasdaq)** announced its acquisition of **Adenza**, a provider of mission-critical risk management and regulatory software to the financial services industry, from **Thoma Bravo**, a leading software investment firm, for US\$10.5 billion in cash and shares of common stock. The acquisition accelerates Nasdaq's strategic vision to become the trusted fabric of the world's financial system.



M&A ACTIVITY: **RECOVERY**



-41% M&A Volume
YTD Q3-2023 vs. YTD Q3-2022

-45% M&A Value
YTD Q3-2023 vs. YTD Q3-2022

- Transaction activity has tapered compared to a red-hot 2022 as buyers are taking a more cautious approach to M&A, focusing on companies with demonstrated profitability, resiliency and performance metrics

CAPITAL MARKETS: **NEUTRAL**



+178% Capital Raised⁽¹⁾
YTD Q3-2023 vs. YTD Q3-2022

+70% Index Performance⁽²⁾
YTD 2023 vs. YTD 2022

+0.9x TEV / Fwd. Revenue⁽³⁾
YTD 2023 vs. YTD 2022 (1Y Forward Multiple)

- Improving capital markets activity in 2023 demonstrated by greater capital raised, improved stock performance and enhanced trading multiples compared to 2022, which was a poor year for capital markets globally as the impact of record inflation began to set in, leading to peak uncertainty around the future interest rate environment

MACRO TRENDS: **NEUTRAL**



-8% Historical Rev. CAGR⁽³⁾
YTD 2023 vs. YTD 2022 (2Y Trailing CAGR)

+1% Forward Rev. CAGR⁽³⁾
YTD 2023 vs. YTD 2022 (2Y Forward CAGR)

+5% Rule of 40^(3,4)
YTD 2023 vs. YTD 2022

- Inflation and rapidly rising interest rates tapered year-over-year top-line growth, however, the impact has appeared to stabilize and improvement in margins outweighed the top-line decrease (as evidenced by growing rule of 40)

Source: Pitchbook; S&P Capital IQ

(1) Reflects capital raised through IPOs and secondary offerings
(2) Reflects performance of Nasdaq Composite Index as of December 12, 2023 (vs. December 12, 2022)
(3) Reflects aggregate values of the Nasdaq-100 Index constituents as of December 12, 2023 (vs. December 12, 2022)
(4) Reflects increase in percentage of Nasdaq-100 Index constituents that meet or exceed the rule of 40; revenue growth reflects current year and 1-year forward consensus estimates; EBITDA margin reflects 1-year forward consensus estimates



Back-of-House

Middle House / Point-of-Sale

Front-of-House

Segment overview



Technologies used to manage and optimize business operations



Hardware and software systems that handle sales and integrates BOH and FOH solutions



Customer facing technologies used to manage and enhance guest interactions and experiences

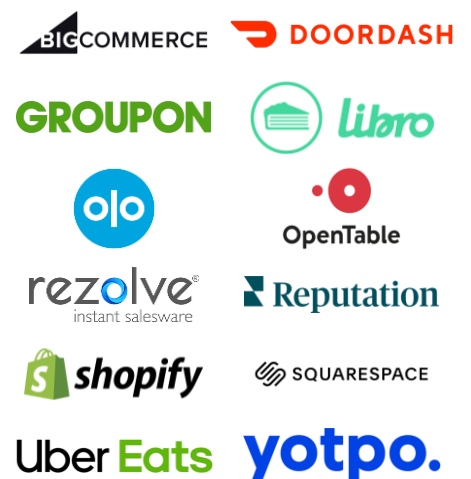
Origin Insight

- Post-pandemic, restaurants are beginning to shift dollars towards revamping Back-of-House (“BOH”) tech stack
- Increased attention due to inflationary pressures, are pushing merchants to automate and optimize operations to reduce any potential overhang
- This is driving growing interest in acquiring/owning established BOH solutions that can optimize business operations whilst offering invaluable insights for their operators.

- This is the backbone of a merchant’s operations as it communicates through integrations with Front-of-House (“FOH”) and BOH products, and serves as the connection point between the guest and the payment network
- POS providers have been complementing base subscription revenues by upselling integration modules
- There is keen interest and focus from incumbents to become payment facilitators with a view to expanding their credit card payment take-rate

- A superior guest experience stems from and is supported by well executed Front of House (FOH) operations
- The hypercompetitive restaurant universe makes FOH solutions critical for merchants to provide a unique, memorable guest experience and attract repeat and loyal customers
- As a result, there is increasing demand for well established FOH solutions that offer an integrated one-stop solution to merchants

Market Incumbents



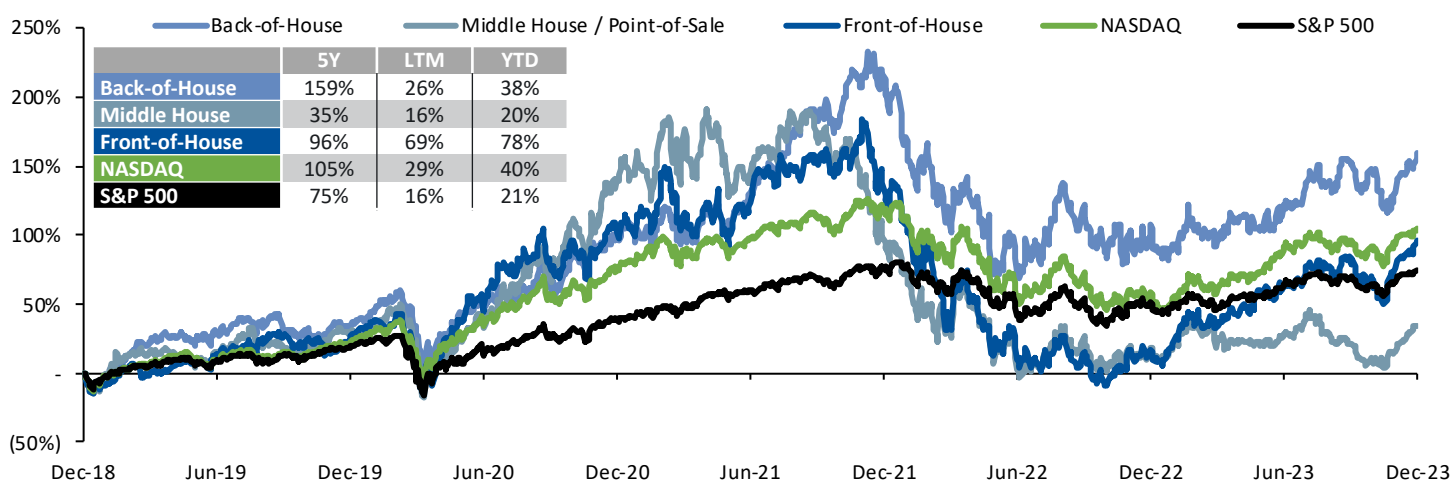


COMPARABLE COMPANIES

(In US\$ millions, unless noted otherwise)

Company Name	Market Cap	TEV	TEV / Revenue ⁽¹⁾		TEV / EBITDA ⁽²⁾		Revenue Growth YoY	
			CY2023E	CY2024E	CY2023E	CY2024E	CY22A - CY23E	CY23E - CY24E
Back-of-House								
Ceridian HCM Holding Inc.	10,352	11,088	7.3x	6.4x	27.1x	22.7x	21%	15%
Intuit Inc.	166,332	170,498	11.4x	10.1x	30.2x	25.5x	10%	13%
Paycom Software, Inc.	10,931	10,476	6.2x	5.6x	14.7x	13.5x	22%	11%
Paycor HCM, Inc.	3,804	3,765	6.4x	5.4x	22.7x	17.0x	21%	19%
Paylocity Holding Corporation	8,650	8,414	6.6x	5.5x	20.5x	16.7x	27%	19%
The Sage Group plc	15,279	15,983	6.0x	5.3x	23.3x	20.5x	10%	12%
Back of House - Avg			7.3x	6.4x	23.1x	19.3x	19%	15%
Back of House - Median			6.5x	5.6x	23.0x	18.8x	21%	14%
Middle House / Point-of-Sale								
Agilysys, Inc.	2,008	1,964	8.7x	7.4x	nmf	46.2x	17%	19%
Block, Inc.	42,723	41,851	1.9x	1.7x	25.0x	17.4x	24%	13%
Fiserv, Inc.	80,719	103,604	5.7x	5.3x	12.7x	11.8x	2%	7%
Givex Corp.	51	40	0.7x	0.7x	10.9x	6.8x	6%	6%
Lightspeed Commerce Inc.	2,467	1,733	2.1x	1.6x	nmf	45.7x	20%	30%
Nayax Ltd.	633	635	2.7x	2.0x	nmf	25.9x	37%	32%
PAR Technology Corporation	1,098	1,414	3.4x	3.1x	nmf	nmf	16%	9%
Shift4 Payments, Inc.	3,945	5,167	2.0x	1.4x	11.2x	8.1x	31%	42%
Toast, Inc.	8,325	7,327	1.9x	1.5x	nmf	nmf	41%	26%
Middle House - Avg			3.2x	2.7x	15.0x	23.1x	22%	21%
Middle House - Median			2.1x	1.7x	12.0x	17.4x	20%	19%
Front-of-House								
Booking Holdings Inc.	118,713	118,820	5.6x	5.0x	16.8x	14.7x	24%	11%
DoorDash, Inc.	40,219	36,426	4.2x	3.6x	30.8x	23.3x	30%	17%
Groupon, Inc.	363	564	1.1x	1.1x	12.1x	7.3x	(15%)	(1%)
HubSpot, Inc.	26,536	25,726	12.0x	10.2x	nmf	nmf	24%	18%
Instacart	6,593	4,745	1.6x	1.4x	7.7x	6.5x	19%	7%
Klaviyo, Inc.	7,812	7,144	10.3x	8.0x	nmf	nmf	46%	28%
Olo Inc.	924	565	2.5x	2.2x	29.1x	20.0x	21%	15%
Shopify Inc.	93,166	89,370	12.8x	10.7x	nmf	nmf	25%	19%
Squarespace, Inc.	3,753	4,230	4.2x	3.7x	17.8x	15.4x	16%	14%
Front of House - Avg			6.0x	5.1x	19.1x	14.5x	21%	14%
Front of House - Median			4.2x	3.7x	17.3x	15.0x	24%	15%
Total - Avg			5.3x	4.5x	19.5x	19.2x	21%	17%
Total - Median			4.9x	4.4x	19.1x	17.0x	21%	15%

INDEX PERFORMANCE



Source: S&P Capital IQ (as of December 12, 2023)

(1) Not meaningful ("nmf") shown for TEV / Revenue multiples above 15x, and are excluded from average and median as outliers

(2) Not meaningful ("nmf") shown for TEV / EBITDA multiples above 50x, and are excluded from average and median as outliers



SILVERWARE'S SALE TO FULLSTEAM

Company

- Silverware is an industry leading POS & guest experience software provider with established relationships with industry leading hotel chains and restaurants. Silverware's solutions serve as the backbone to effective hospitality and retail business operations

Background

- After 30+ years of growing and building a self-sustaining platform, the ownership team was seeking a partnership or transaction to advance the Silverware platform to a much larger scale
- Origin was engaged by Silverware to explore strategic alternatives including a growth financing and the sale of the Company

Process

- Origin ran a successful dual track process, reaching out to a targeted group of major strategic players and financial investors
- Despite the softening of the tech sector, the scarcity of profitable, high-growth, and high-quality hospitality technology businesses drove a high level of strategic and financial investment interest in Silverware

Outcome

- The competitive process led to a successful transaction, closing in April 2023 amidst US tech banking turbulence
- Fullsteam, an Aquiline Capital Partners backed company, emerged as the successful buyer due to their recognition of the value the payment opportunity would bring to their complementary subsidiaries as well as the significant growth trajectory of hospitality technology adoption, aligning with the ownership team's objective of advancing the Silverware platform



SPECIAL TAKE: NICK THALASSINOS, FOUNDER OF SILVERWARE

Since 1992, Silverware POS has been designing and deploying technology to hospitality organizations who've been fanatical about thrilling their guests. We've been successful at growing our business organically for 30 years with no investors.













In recent years, we experienced significant growth and built strong relationships with multinational organizations around the globe. In order to further accelerate our growth and realize the opportunities offered by our multinational clients, we had to expand our geographic footprint, grow our teams and products.

We engaged in a search for the right investment banker who would help us understand the investment world and ultimately find the perfect partner to capitalize our business. We interviewed numerous advisors and chose Origin for their extensive industry knowledge, access to a wide range of investors throughout North America, and most importantly, the comfort felt dealing with Mario Di Pietro. From the beginning, the Origin team consisting of Charles Tang, Aaron Kadey, Tedi Gjoleka, and Mario Di Pietro, was truly exceptional. They educated us, always prioritized our interests, and created a successful process that brought 3 outstanding investor opportunities for our choosing. If we were to do this all over again, we'd do it exactly the same way with the same team.













Select Technology Transactions

SELECT TECHNOLOGY TRANSACTION EXPERIENCE

MERCHANT TECHNOLOGY

POS	Property Technology	FinTech	POS	Digital Experience Management	Mobile Messaging Platform
 <p>Has been acquired by</p>  <p>March 2023</p>	 <p>Has entered into a strategic partnership with</p>  <p>October 2022</p>	 <p>\$7 million Exclusive Financial Advisor on its Investment from</p>  <p>and other investors October 2021</p>	<p>CBC Computer Systems</p>  <p>Exclusive Financial Advisor on its Sale to</p>  <p>October 2021</p>	 <p>Exclusive Financial Advisor on Acquisition by</p>  <p>Software for Life October 2019</p>	 <p>\$27.5 million Exclusive Financial Advisor on its Sale of Impact Mobile to</p>  <p>July 2018</p>

B2B SAAS

Vendor Management	FinTech	Healthcare Technology	FinTech	Healthcare Technology	Legal Tech
 <p>Exclusive financial advisor on its sale to</p>  <p>February 2023</p>	 <p>Strategic Investment from</p>  <p>October 2022</p>	<p>Dapasoft Inc., including</p>  <p>\$83 million Exclusive Financial Advisor on its sale to</p>  <p>February 2021</p>	 <p>\$243 million Exclusive Financial Advisor on its Sale to</p>  <p>November 2020</p>	 <p>\$42 million Exclusive Financial Advisor on its equity private placement</p>  <p>September 2020</p>	 <p>Sells its 30% stake in</p>  <p>The undersigned acted as Exclusive Advisor to ISC October 2017</p>

OTHER TECHNOLOGY

Crypto	Data	Healthcare Technology	FinTech	Hardware	Media
 <p>Has combined with</p>  <p>July 2023</p>	 <p>Exclusive Financial Advisor on its Acquisition of the Exploration Technologies Division of</p>  <p>December 2022</p>	 <p>\$25 million Exclusive Financial Advisor on Convertible Loan Facility from</p>  <p>May 2022</p>	 <p>\$130 million Strategic Investment by</p>  <p>February 2021</p>	 <p>Exclusive Financial Advisor on its Sale to</p>  <p>July 2020</p>	 <p>\$25 million Exchangeable Debenture Financing by</p>  <p>July 2020</p>

ACTIVE MANDATES

Food Delivery Platform	Restaurant / Merchant Technology	Telecom Services / Infrastructure	Property Technology	Healthcare Technology	Media
<p>Exclusive Financial Advisor (Buy-Side)</p> <p>Pending</p>	<p>Exclusive Financial Advisor (Sell-Side)</p> <p>Pending</p>	<p>Exclusive Financial Advisor (Sell-Side)</p> <p>Pending</p>	<p>Exclusive Financial Advisor (Sell-Side)</p> <p>Pending</p>	<p>Exclusive Financial Advisor (Sell-Side)</p> <p>Pending</p>	<p>Exclusive Financial Advisor (Financing)</p> <p>Pending</p>

About Origin Merchant Partners

ORIGIN MERCHANT PARTNERS is an independent North American investment bank that brings innovative thinking and extensive experience to every transaction. With offices in Toronto, Montreal, and Chicago, the firm provides mergers and acquisitions, capital raising, and finance advisory services delivered by a team of more than 50 professionals. Origin's 20 Managing Directors each bring more than 20 years of investment banking and/or financial sector experience, with expertise across a broad range of industries. Since inception in 2011, Origin's investment banking team has completed more than 250 transactions with an aggregate deal value exceeding \$11 billion. For more information, please visit www.originmerchant.com

ORIGIN'S TECHNOLOGY TEAM



MARIO DI PIETRO

Managing Director | mario.dipietro@originmerchant.com

Since 2013, Mario has been one of the Founding Partners and Principal at Origin Merchant Partners, leading the Technology practice at the firm. Mario has over 20 years of advisory and capital raising experience in the technology sector, working with both private and public companies. Prior to Origin, Mario was a Director of Global Technology Investment Banking at BMO. Mario holds a B.Sc. with Honours from the University of Toronto Engineering and MBA from the Rotman School of Management.



LAWRENCE RHEE

Managing Director | lawrence.rhee@originmerchant.com

Lawrence has over 25 years of experience as an investment banker and equity research analyst and has provided capital raising and advisory services to public and private technology and digital healthcare companies. Lawrence previously led the Technology and Healthcare practice at Haywood Securities and has worked at other leading investment banks. Lawrence holds an MBA from the Rotman School of Management, along with CPA and CFA designations.



HORACIO FACCA

Managing Director | horacio.facca@originmerchant.com

Horacio has over 20 years of deal-making experience as an investment banker and board advisor. Prior to Origin, Horacio was a Managing Director at Headwaters MB / Capstone Partners (now Huntington Bancshares - NASDAQ: HBAN) and previously served as the Founding Managing Partner at Venture Marketeers, a well-known Silicon Valley advisory practice. Horacio is a graduate from the Harvard Business School and holds degrees in Electrical Engineering and Economics (valedictorian of both).



ALAIN MIQUELON

Managing Director, Quebec Lead | alain.miquelon@originmerchant.com

Alain leads Origin's practice in Quebec and also covers the technology and financial services industries. Alain's career spans close to 25 years of senior management and leadership roles, bringing experience in strategy, financial planning, operations and corporate development. Alain also has extensive financing and transactional experience including more than 12 years as CFO of public companies, 6 years in the investment banking industry and 4 years in the private equity industry. Alain's previous positions include senior executive roles at TMX Group, Novacap, and Scotiabank.



TEDI GJOLEKA

Vice President | tedi.gjoleka@originmerchant.com

Tedi joined Origin Merchant Partners in September 2015. Since joining Origin, Tedi has completed over 25 M&A and financing transactions in Technology, Agrifood and Industrials. Tedi holds an Honours Bachelor of Business Administration from Wilfrid Laurier University.