

CE/CX SOFTWARE INSIGHTS

February 2024

D|A|DAVIDSON|*mcf*
INTERNATIONAL



INSIGHTS ON FINANCING AND VALUATION IN THE CE/CX SPACE

Our **CE/CX Software Insights Report** is a vital resource for **founders, CEOs, and investors active in the CE/CX space**. It offers comprehensive analysis and insights into market consolidation, financing and valuation.

The report is in two sections. The first provides a detailed examination of market dynamics, segmentation and consolidation trends. The second section offers private and public valuation insights across the CE/CX landscape.

Key takeaways from Q4 include:

- Publicly listed CX / CE software companies are trading at a median of **6.8x revenue multiple**.
- Achieving the Rule of 40, reflecting capital-efficient growth, is a **key valuation determinant**.
- Of all the companies achieving the Rule of 40 or more, **growth-focused** companies have a median revenue of **14.7x** compared to **profit-focused** companies which have a median revenue of **8.1x**. Growth is still the **dominant driver**, even in the current market.

This report is a tool for understanding the evolving CE/CX sector, providing the necessary insights for informed decision-making. For further details or to discuss the implications of these findings, please don't hesitate to contact our team.

01

CONSOLIDATION AND FINANCING IN THE CE/CX SPACE



KEY TOPICS SURROUNDING THE CE/CX SECTOR

M&A consolidation

Surge in M&A activity supported by increased sector interest from well-funded PE sponsors to create a market-leading 'super solution'



Macro-economic headwinds

Reduced marketing budgets to focus on core operations and preserve cash in the face of economic uncertainty



Share of voice

Large CE/CX software vendors able to collect data across wide and diverse range of touchpoints have an advantage over smaller peers



Personalisation critical

Personalisation solutions are a critical capability and a priority investment vs. other marketing tools. Low likelihood of businesses developing in-house CE/CX solutions



Integrated suite vs. best of breed

Trend towards integrated product suites; however, large and sophisticated customers prefer best-of-breed solutions that are easy to use for increasingly simplified use cases, e.g., reducing friction


























































CDP/Orchestration

Next wave of growth will be driven by the integration of AI while large, sophisticated businesses uptake CDP/orchestration to maintain their competitive edge



ACTIVE STRATEGICS CONSOLIDATING IN THE CE/CX SPACE

NON-EXHAUSTIVE

STRATEGIC CONSOLIDATORS	KPIS	RELEVANT INVESTMENTS							
	EV: >\$1bn (Nov-19) FTE: 1,400	 Nov-23 ⁽¹⁾	 Sep-21	 Dec-19	 May-19				
 NASDAQ: ADBE	Market Cap.: \$278.9bn Revenue: \$18.9bn (LTM Sep-23)	 Sep-20, \$4.7bn		 May-16					
	EV: \$2.2bn (Feb-22) FTE: 1,000	 Jan-21			 Oct-16				
	EV: \$5.7bn (Jul-22) FTE: 1,573	 Sep-23 ⁽²⁾	 Nov-22	 Sep-21	 Jul-19	 Jun-19			
	NA	 Oct-22	 Sep-22	 Mar-21	 Jul-17, \$50m	 Apr-16			
	EV: \$21bn (Dec-21) FTE: 7,505	 Oct-21, \$35m	 Oct-21, \$150m		 Mar-20	 May-21			
 (f.k.a CM Group)	Rev: >\$440m (Dec-21) FTE: 1,295	 Feb-22	 Nov-20, \$135m	 May-19	 Jan-19, \$100m	 Jun-18			
	EV: c.\$1.8bn (Episerver 2018 EV of c.\$1.2bn + Optimizely acquisition EV of c.\$600m)	 Dec-21	 Mar-21	 Dec-19	 Nov-19	 Apr-17	 Oct-16		
 NYSE: CRM	Market Cap.: \$251.7bn Revenue: \$34.0bn (LTM Sep-23)	 Nov-21	 Oct-21	 Sep-21	 Feb-20	 Feb-20	 Jun-18	 May-19	 Oct-16
	EV: \$1.2bn (May-16) FTE: 2,200	 Sep-21, \$90m	 May-21		 Mar-21			 Mar-21	

SELECTION OF RELEVANT FINANCINGS

NON-EXHAUSTIVE

DATE	HQ	COMPANY	DESCRIPTION	KEY INVESTORS	EV (\$M) ⁽¹⁾	DEAL AMOUNT (\$M)
Sep-23			Marketing automation platform, across email and SMS channels, primarily SMB focused	Cross-over from IPO:	9,200	345
May-23			Cross-channel customer experience platform		1,900	105
Jan-23			Pure-play customer data platform		NA	NA
Oct-22			Marketing and customer experience provider for B2C brands		NA	NA
Aug-22			AI-powered marketing engagement and analytics software for mobile engagement		670	105
Aug-22			Digital experience intelligence platform		1,800	25
Jul-22			Digital experience insights optimisation platform		5,300	600
Jun-22			AI Content Discovery platform for enterprise business		Conf.	169
Jun-22			Conversation intelligence platform		1,020	83
May-22			Marketing customer engagement platform offering user analytics		623	77
Mar-22			Content management platform offering data and insight-driven customer experiences		NA	100
Feb-22			Platform offers AI-driven search and merchandising, a headless CMS, CDP and marketing automation solutions		2,030	175
Nov-21			Web data and analytics platform		825	200
Oct-21			AI customer data platform that powers the entire marketing stack with real-time customer data		500	150
Sep-21			Composable customer success and retention platform		NA	100

ILLUSTRATIVE CE AND CX SOFTWARE ECOSYSTEM

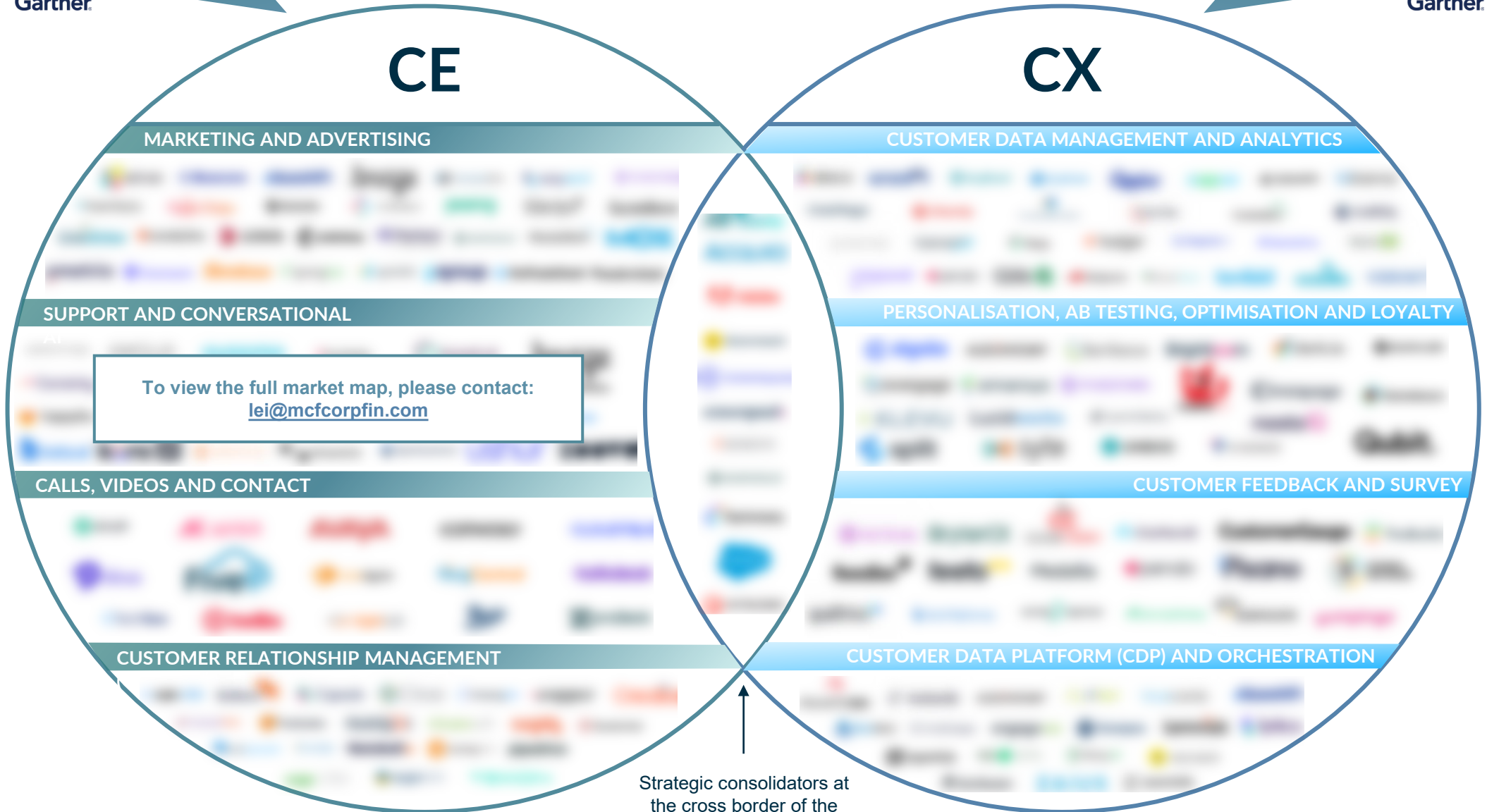
NON-EXHAUSTIVE

“Customer engagement refers to the process of interacting with customers through varied channels to develop and strengthen a relationship with them”

Gartner.

“Customer experience refers to customers’ perceptions and related feelings caused by the one-off and cumulative effect of interactions with a company, its systems, channels or products”

Gartner.



02

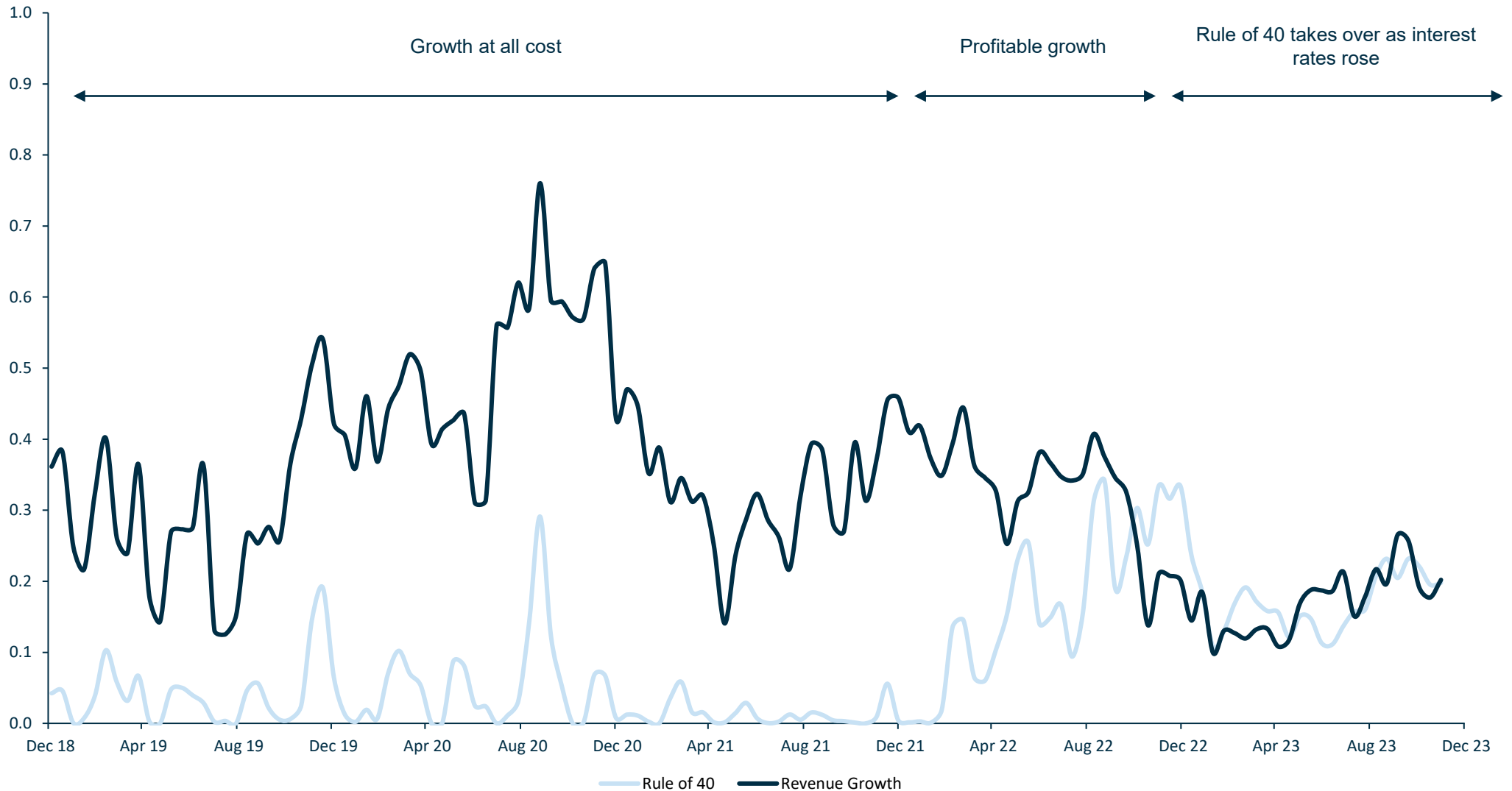
VALUATION ENVIRONMENT



INCREASING RELEVANCE OF RULE OF 40 AS GROWTH SLOWS DOWN...

Whereas growth was the primary driver of valuation during covid, the combination of profitability and growth (i.e. “profitable growth”) has taken over (Rule of 40)

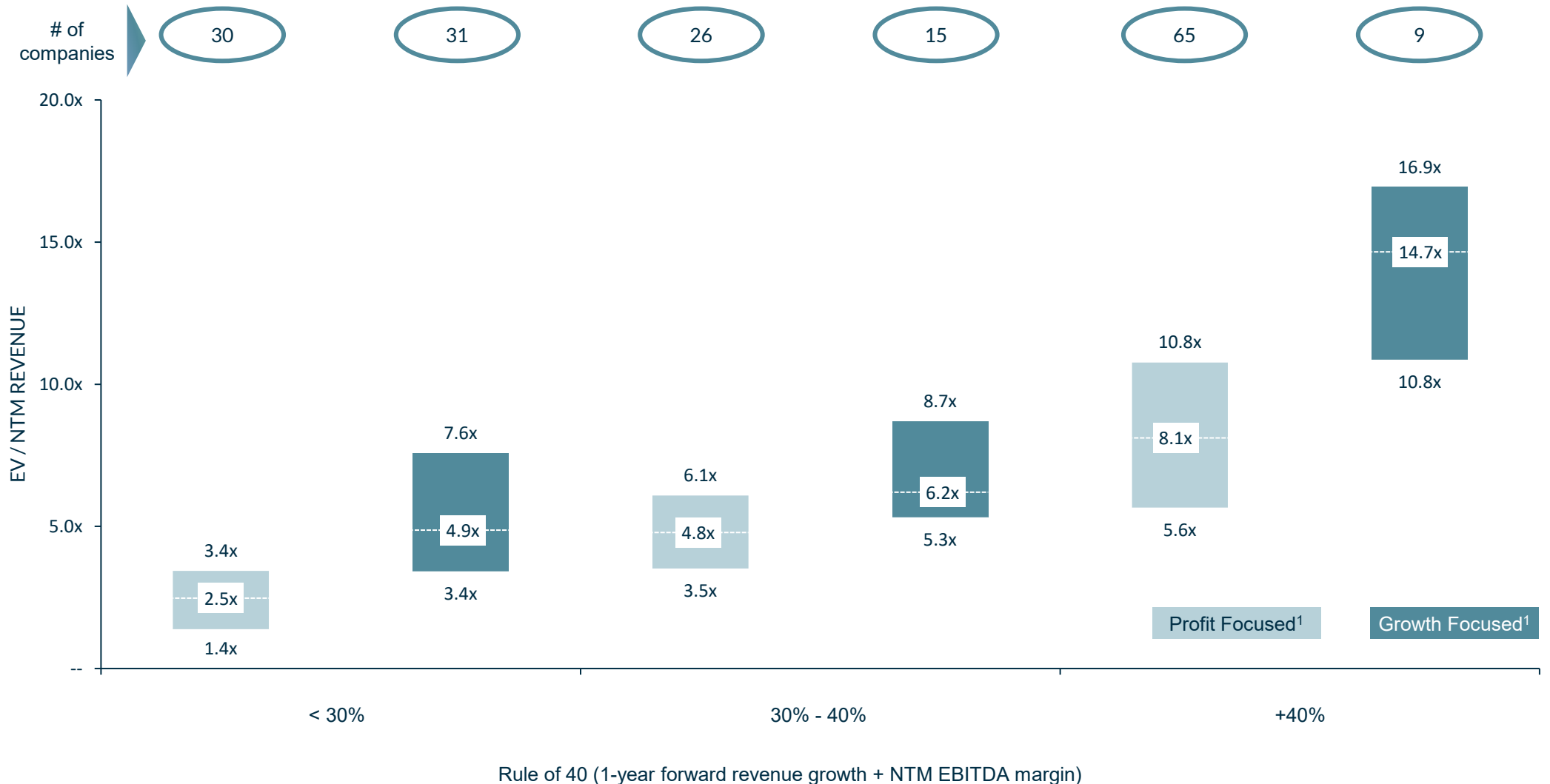
R-SQUARED VALUES OVER TIME



...ALTHOUGH GROWTH REMAINS THE DOMINANT VALUE DRIVER OVER PROFIT

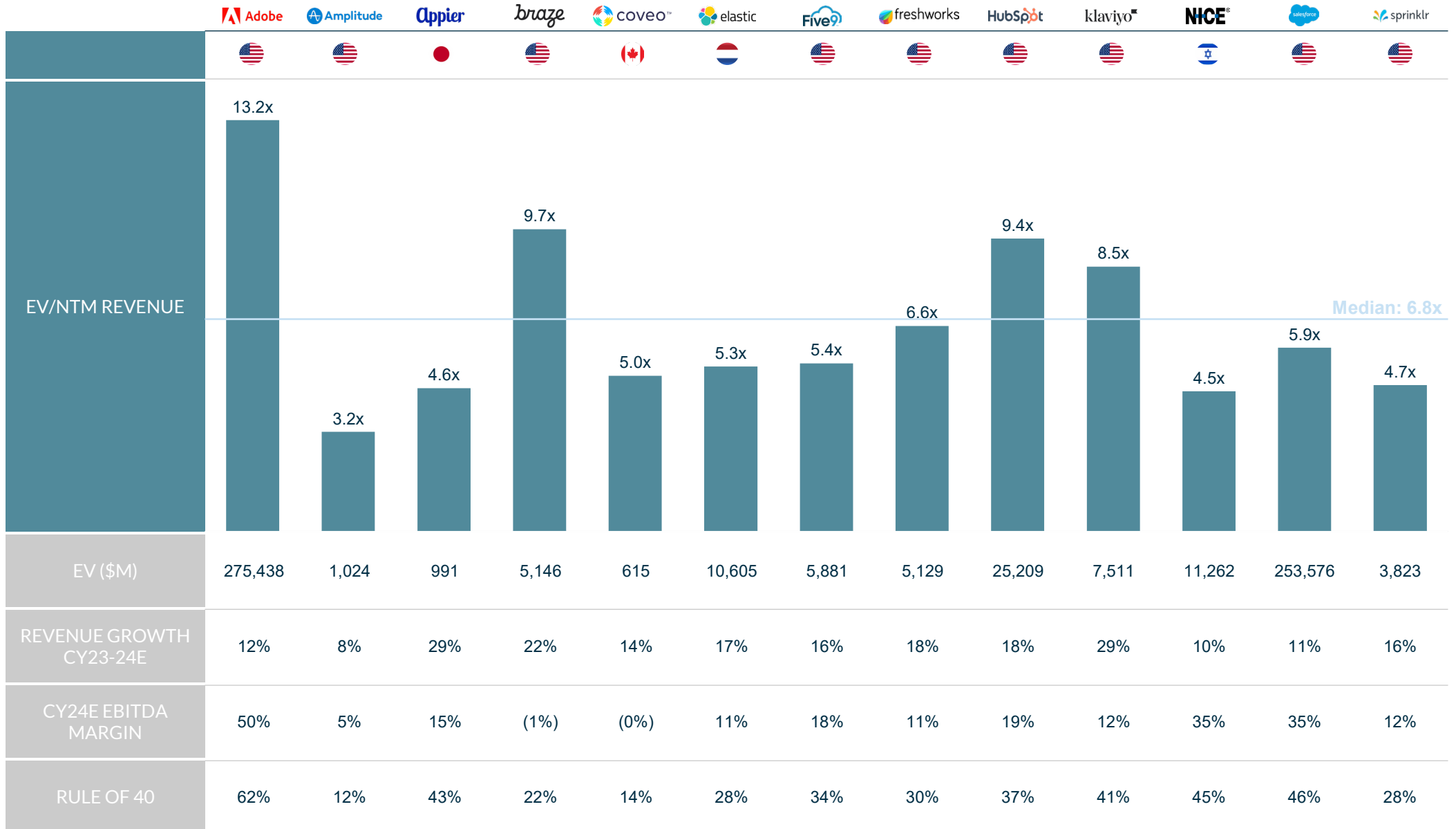
Investors now look at a combination of profit and growth to determine valuation, while growth remains the more important constituent in the Rule of 40 rather than profitability

VALUATION SPREAD OF GROWTH VS PROFIT



CE/CX SOFTWARE LISTED PEERS VALUATION METRICS

Publicly-listed CE/CX software companies currently trade at a median EV/NTM revenue multiple of 6.8x














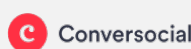






SELECTED TRANSACTIONS IN CE/CX SOFTWARE SPACE (1/4)

M&A transactions within the sector indicate a median EV/LTM revenue multiple of 6.7x

DATE	ACQUIRER	TARGET	TARGET DESCRIPTION	EV (\$M)	EV/LTM REV
Oct-23			Cloud contact-centre-as-a-service to enterprises, business process outsourcers and collections agencies	\$481	3.3x
Jul-23			Provider of software analytics solutions for organisations to collect, store, and analyse massive amounts of software data in real-time	\$6,516	6.8x
Mar-23			Web-based surveys	\$1,530	3.2x
Mar-23			Leading cloud-native experience management software provider	\$11,931	8.2x
Jan-23			Provider of a video-first, enterprise-grade SaaS platform that enables organisations to see and hear the experiences of real people as they engage with products, designs, apps, processes, concepts, or brands	\$1,285	6.1x
Sep-22			Provider of onsite search, online merchandising and e-commerce personalisation solutions	\$78	2.3x
May-22			Mobile application and game optimisation company that operates a platform for optimising mission-critical metrics of mobile applications		
Apr-22			All-in-one user experience (UX) research platform designed to be used for getting qual and quant user experience insights	\$800	8.0x
Mar-22			Data analytics, AI modelling and marketing platform helping banks and credit unions find clear, data-driven customer insights	\$136	8.5x



















SELECTED TRANSACTIONS IN CE/CX SOFTWARE SPACE (2/4)

M&A transactions within the sector indicate a median EV/LTM revenue multiple of 6.7x

DATE	ACQUIRER	TARGET	TARGET DESCRIPTION	EV (\$M)	EV/LTM REV
Nov-21	 BainCapital	 mixpanel	Developer of an API-based analytics platform designed to deeply understand every user's journey with instant insights for everyone on mobile and web	\$1,030	10.3x
Oct-21	 coveo	 Qubit.	Specialises in personalisation at scale for e-commerce companies	NA	3.6x
Oct-21	 THOMABRAVO	 Medallia	Developer of cloud-based customer experience management Software-as-a-Service application designed to capture feedback and improve the experience.	\$6,400	12.2x
Sep-21	 SITECORE	 Reflektion	AI-powered personalisation and recommendation platform	\$90	6.9x
Sep-21	 INTUIT	 mailchimp	Customer engagement and marketing software firm	\$12,000	12.0x
Aug-21	 VERINT	 Conversocial	Customer care messaging automation and analytics SaaS for brands and businesses across the e-commerce, retail, hospitality, and sports industries globally	\$50	6.3x
Jul-21	 GENERAL ATLANTIC	 pendo	Customer engagement analytics platform designed to optimise trial conversions and user onboarding in-product	\$2,450	26.0x
Jun-21	 mediaocean	 SM SimplicityMarketing	Online and mobile targeted digital advertising serving, tracking, analytics and reporting SaaS and services for businesses, web publishers, and online advertisers	\$500	6.3x
May-21	 VISTA	 triplelift	Advertising enablement SaaS that enable advertisers to run digital ad campaigns using advertisements that match a publisher's property	\$1,700	8.5x









SELECTED TRANSACTIONS IN CE/CX SOFTWARE SPACE (3/4)

M&A transactions within the sector indicate a median EV/LTM revenue multiple of 6.7x

DATE	ACQUIRER	TARGET	TARGET DESCRIPTION	EV (\$M)	EV/LTM REV
Apr-21	 TIGERGLOBAL	 Active Campaign >	Customer experience automation platform	\$3,000	18.2x
Mar-21	 crownpeak	 e-Spirit	Content management system platform	\$30	1.8x
Mar-21	 Medallia	 DECIBEL INSIGHT	Digital experience analytics for enterprise businesses	\$160	18.4x
Feb-21	 Basis Technologies	 Quantic Mind®	Search engine advertising and predictive advertising management SaaS platform	\$30	5.0x
Jan-21	 bloomreach	 EXPONEA	Customer Data and Experience Platform (CDXP) with marketing automation capabilities	\$80	4.0x
Sep-20	 Progress®	 CHEF	Delivers DevOps workflow, automated compliance, and end-to-end pipeline visibility, enabling businesses to build, deploy and manage applications and infrastructure faster and more efficiently	\$220	3.1x
Sep-20	 NORDIC CAPITAL	 Siteimprove	Cloud-based Digital Presence Optimisation (DPO) software created for publishers, marketers and web professionals	\$846	10.7x
Sep-20	 epi INSIGHT PARTNERS	 Optimizely	Digital experience platform providing data-driven insights for personalisation and optimisation	\$600	6.0x
Aug-20	 CISCO	 ThousandEyes	Developer of a network intelligence platform to provide data visualisations and insights on application delivery and cloud-based services	\$1,000	13.3x

SELECTED TRANSACTIONS IN CE/CX SOFTWARE SPACE (4/4)

M&A transactions within the sector indicate a median EV/LTM revenue multiple of 6.7x

DATE	ACQUIRER	TARGET	TARGET DESCRIPTION	EV (\$M)	EV/LTM REV
Sep-19	 VISTA	 ACQUIA	Cloud-based content management platform designed to build, deliver and optimise digital experiences	\$1,000	5.0x
Jan-17	 CISCO	 APPDYNAMICS	Developer of an application performance management (APM) software created to monitor the performance of business applications	\$3,891	18.9x
Aug-16	 THOMABRAVO	 QLIK	Developer of business intelligence (BI) software designed for the enterprise and small-and-midsised business (SMB) markets	\$2,610	4.5x
May-16	 IEQT	 SITECORE	Developer of content marketing and digital asset management software intended to create and deliver relevant and dynamic content	\$1,140	6.6x
MEAN				\$2,124	8.5X
MEDIAN				\$1,000	6.7X

03

INTRODUCTION TO D.A.
DAVIDSON MCF
INTERNATIONAL



THE D.A. DAVIDSON MCF ADVANTAGE

D.A. Davidson MCF continuously refines its expertise in offering differentiated solutions and advice for its clients

BULGE BRACKET CAPABILITIES

We offer expansive capabilities, delivered by experienced advisors, supported by advanced analysis

FULL-SERVICE CAPABILITIES

M&A and debt advisory, public and private capital raising, and corporate services

LEADING EQUITY RESEARCH

Award winning institutional equity research

COMPREHENSIVE ACCESS

Broad access to strategic and financial buyers

INTERNATIONAL REACH

Wide scale and strategic partnership across the Atlantic

INDUSTRY EXPERTISE

Significant experience within our core industry verticals

PUBLIC MARKET INSIGHTS

Provided through institutional sales, trading and syndicate

BOUTIQUE FOCUS ON CLIENTS

Each client transaction meaningfully impacts our firm results and receives the attention it deserves

SENIOR LEVEL ATTENTION

Senior bankers will maintain presence throughout the process

MIDDLE MARKET EXPERTISE

M&A, capital markets and debt advisory knowledge for mid-sized companies

UNIQUE PERSPECTIVES

Knowing challenges and opportunities for mid-sized companies

INDEPENDENT

Employee-owned firm focused exclusively on client objectives

RELATIONSHIP DRIVEN

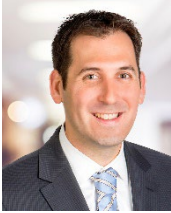













Highly customised solutions supporting long-term client success



D.A. DAVIDSON MCF'S TECHNOLOGY TEAM

50+ experienced M&A professionals across 17 offices devoted to the technology sector

SENIOR LEADERSHIP WITHIN THE TECHNOLOGY TEAM

APPLICATION SOFTWARE		<p>GREG THOMAS Managing Director D.A. Davidson</p> <p>Coverage: Application Software, Infrastructure & Security and Vertical Software</p>	APPLICATION SOFTWARE		<p>ERIK PETERSSON Partner MCF Corporate Finance</p> <p>Coverage: Application Software, Infrastructure Software, FinTech</p>	APPLICATION SOFTWARE		<p>GREG HARTLEIN Managing Director D.A. Davidson</p> <p>Coverage: Consumer-centric Healthcare, Patient Access & Engagement, Specialty EHR</p>
APPLICATION SOFTWARE		<p>RITA LEI Partner MCF Corporate Finance</p> <p>Coverage: Application Software, Consumer Internet & Digital Media</p>	FINTECH		<p>KEN MARLIN Vice Chairman Technology Group D.A. Davidson</p> <p>Coverage: FinTech</p>	FINTECH		<p>MICHAEL MAXWORTHY Managing Director D.A. Davidson</p> <p>Coverage: FinTech, Data & Analytics, Construction, Marketing, EdTech</p>
FINTECH		<p>TOM SELBY Managing Director D.A. Davidson</p> <p>Coverage: Governance, Risk & Compliance, Wealth/Capital Markets, InsurTech</p>	FINTECH		<p>ADAM WAITE Managing Director D.A. Davidson</p> <p>Coverage: Capital Markets, Cryptocurrency</p>	FINTECH		<p>AALAP MERCHANT Managing Director D.A. Davidson</p> <p>Coverage: Real Estate Tech, Payments, Digital Consumer Finance</p>
INFRASTRUCTURE SOFTWARE		<p>JONATHAN LEJUEZ Managing Director D.A. Davidson</p> <p>Coverage: Cyber Security, Infrastructure Software</p>	TECH-ENABLED SERVICES		<p>DEREK BELL Managing Director D.A. Davidson</p> <p>Coverage: Professional & IT Services, Marketing Services, Legal & IP Services/Solutions</p>	TECH-ENABLED SERVICES		<p>CHRISTOPH BREGULLA Partner MCF Corporate Finance</p> <p>Coverage: Tech-Enabled Services, Application Software</p>
COMMUNICATION & HARDWARE		<p>AMY JOHNSON Managing Director D.A. Davidson</p> <p>Coverage: Network & Communication, Digital Infrastructure</p>	COMMUNICATION & HARDWARE		<p>BRAD GEVURTZ Managing Director D.A. Davidson</p> <p>Coverage: Network & Communications, Digital Infrastructure</p>			

DEEP INDUSTRY EXPERTISE IN SIX SECTORS OF COMBINED FOCUS

D.A. Davidson MCF's industry knowledge spans across the entire technology industry with transactional experience in six verticals of combined focus

<p>APPLICATION SOFTWARE</p>	<ul style="list-style-type: none"> Sales & Marketing ERP software Human Capital Content Management Expense & Procurement BI & Analytics Collaboration HealthTech Construction Education 	
<p>FINTECH</p>	<ul style="list-style-type: none"> Capital Markets Tech InsurTech BankTech Real Estate Tech Data & Analytics GRC Tech Payment tech WealthTech Blockchain Crypto 	
<p>INFRASTRUCTURE SOFTWARE</p>	<ul style="list-style-type: none"> Application Monitoring Data Warehouse Provisioning / Deployment Machine Learning IT Management Security Robotic Process Automation Internet of Things 	
<p>INTERNET & DIGITAL MEDIA</p>	<ul style="list-style-type: none"> E-Commerce Search Video Mobile Content Marketing Internet Services 	
<p>TECH-ENABLED SERVICES</p>	<ul style="list-style-type: none"> Business Services Marketing Services IT Services Professional Outsourced Services 	
<p>COMMUNICATION & HARDWARE</p>	<ul style="list-style-type: none"> Hardware Components Datacenter & Related Managed Services Fiber Networks Wireless Infrastructure Telecom Semiconductor Semiconductor Capital Equipment Laser 	

CASE STUDY | ZOOVU

Zoovu raised \$169m in its Series C round led by FTV Capital



COMPANY OVERVIEW	<ul style="list-style-type: none">▪ Founded in 2006, Zoovu is a digital conversation platform for enterprise that delivers rich, contextual, and personalised content enabling businesses to improve their sales and services▪ With 1bn+ of interactions per month in 135+ languages, Zoovu helps its 300+ customers around the world to increase engagement up to 98%, and to understand their customers better
TRANSACTION OVERVIEW	<ul style="list-style-type: none">▪ In June 2022, FTV Capital, a New-York based growth equity fund, invested \$169m in the Series C fundraising▪ Zoovu has the ambition to scale the business quicker and further, notably in the USA, through a combination of new capital and the fund's expertise in developing fast growing SaaS businesses▪ FTV Capital was chosen as the right partner because of its attractive valuation, speed of execution, compelling management terms, and offering Zoovu a unique opportunity to accelerate its deployment in US

KEY ROLE

- ✓ Input into Zoovu's M&A strategy – identifying and interacting with a number of highly relevant targets
- ✓ Extensive access to financial sponsors both in US and Europe
- ✓ Sector knowledge to deliver the key financial metrics in the most relevant and compelling fashion for investors



KEY TAKEAWAYS

- ✓ Assistance in identifying and interacting with highly relevant acquisition targets
- ✓ In-depth sector knowledge and bespoke advice on M&A process as well as financing round
- ✓ Wide US and European network to attract multiple bidders and achieve a premium valuation

D.A. DAVIDSON MCF INTERNATIONAL | OFFICE LOCATIONS | CONTACT INFORMATION

A partnership that bridges the Atlantic - 17 offices globally

OFFICE LOCATIONS

UNITED STATES

Atlanta, Georgia
Boca Raton, Florida
Boston, Massachusetts
Chicago, Illinois
Denver, Colorado
Great Falls, Montana
New York, New York
Orange County, California
Portland, Oregon
Salt Lake City, Utah
Seattle, Washington
Toronto, Canada

EUROPE

Frankfurt, Germany
Hamburg, Germany
Helsinki, Finland
London, United Kingdom
Stockholm, Sweden

CONTACT INFORMATION



Rita Lei
Partner, London
M: +44 777 915 0902
lei@mfccorpfin.com



Victor Sylwander
Associate Director, Stockholm
M: +46 730 776 677
sylwander@mfccorpfin.com





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