



HOULIHAN LOKEY

INSURANCE TECHNOLOGY

MARKET UPDATE | Q3 2019



Houlihan Lokey Insurance Technology Market Update

Dear Clients and Friends,

Houlihan Lokey is pleased to present its Insurance Technology Market Update for Q3 2019.

- Insurance technology (insurtech) continues to be a highly active category, with **approximately \$1.2 billion** in financing volume and **approximately \$7.4 billion** in M&A volume during Q3 2019
 - **62** financings in Q3 2019 is **13%** higher than the same period in 2018, and annualized financing volume is significantly outpacing 2018 levels
 - **22** M&A transactions in Q3 2019 are slightly outpacing **20** deals completed during the same period in 2018
 - Q3 M&A volume was bolstered by **Prudential's \$3.5 billion acquisition of Assurance**. Adjusting for that deal and adjusting Q3 2018 for Carlyle's \$6.7 billion acquisition of Sedgwick, Q3 2019 volume is still way ahead of year-ago levels—**\$3.9 billion** in Q3 2019 M&A volume versus **\$689 million** in Q3 2018
- **Increase in larger financings** as category leaders begin to differentiate themselves and investors look to back established players
 - **Lots of Q3 financing activity for companies utilizing data and analytics** to maximize the consumer experience obtaining home, renters, and auto insurance (including Root, Hippo, and Kin) as well as health/life insurance (including Ethos and Singlife)
- **Data and analytics and benefits administration/payroll companies** lead the public company pack, trading at **5.5x** and **4.0x** EV/2020E revenue, respectively

We hope you enjoy this report, and please reach out if you have any questions. We look forward to staying in touch.

Regards,

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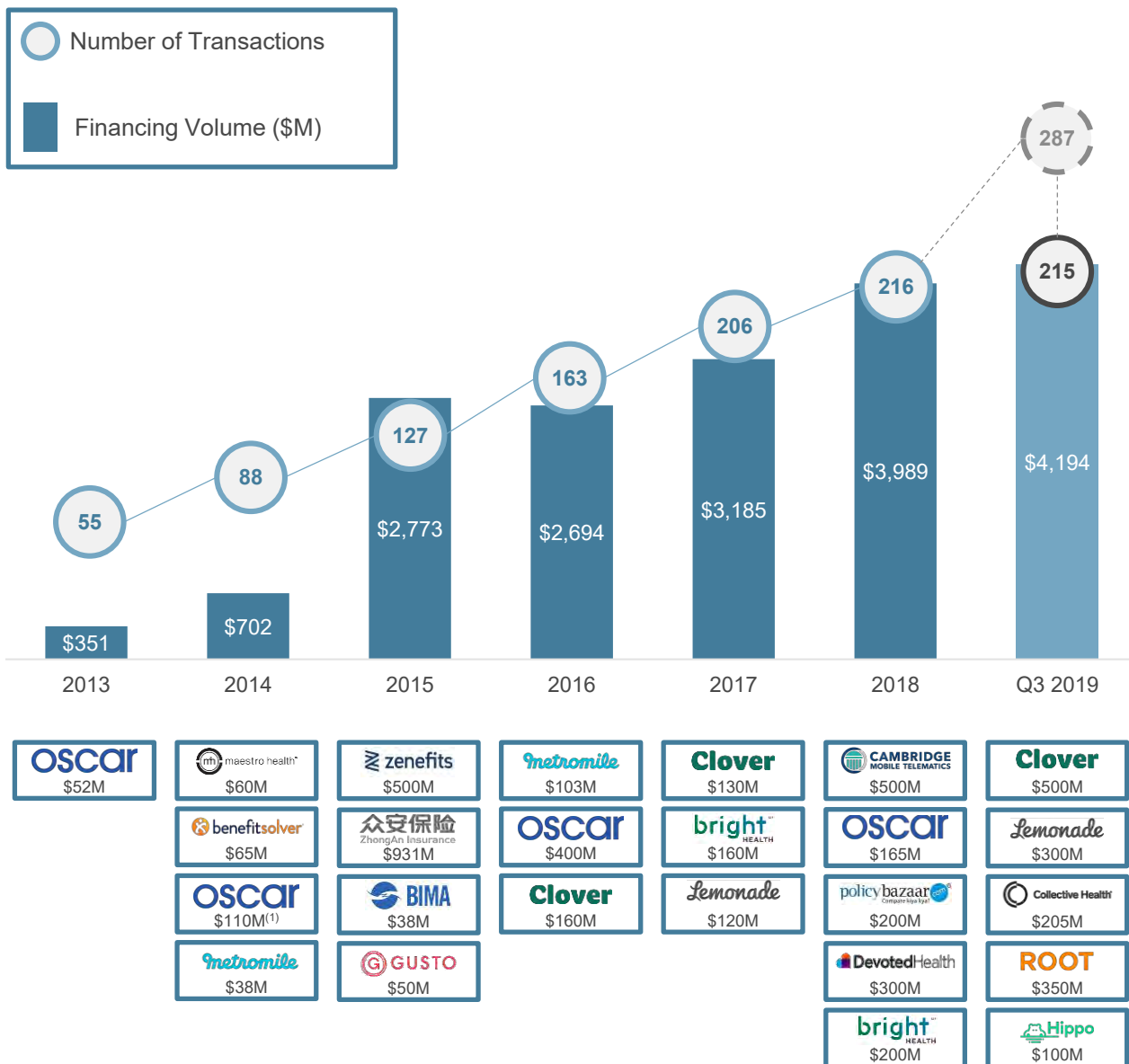
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Record Investment Into the Insurtech Sector

2019 YTD financing volume has already outpaced 2018 levels

Select Major Insurtech Financings



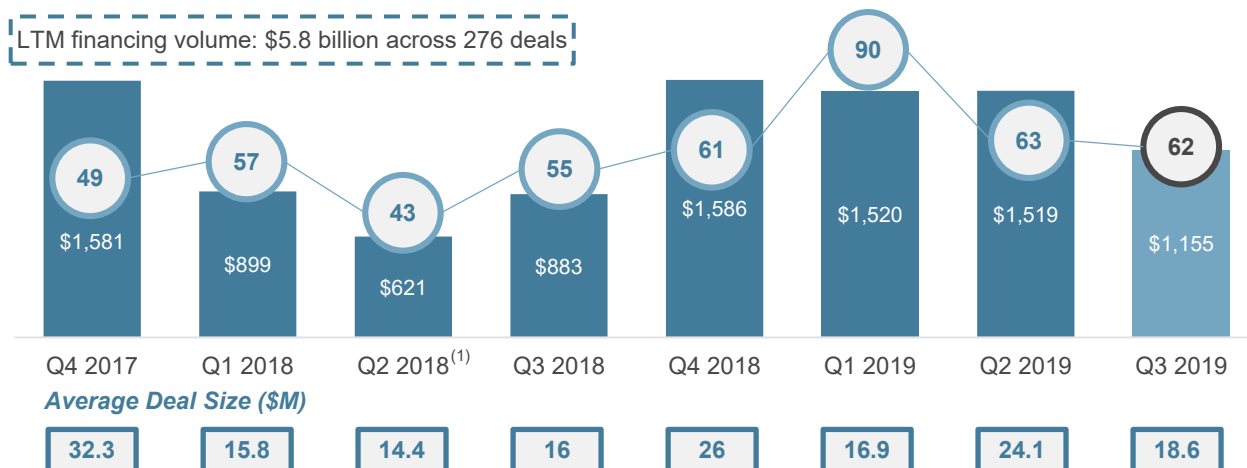
Source: CB Insights, PitchBook.com; S&P Capital IQ
Market data as of 09/30/19

1) Oscar raised two rounds in 2014—worth \$30 million and \$80 million, respectively

Insurtech Financing Market Remains Strong

Financing volume in Q3 2019 is behind the previous three quarters, but still well ahead of the year-ago period

Quarterly Financing Activity (\$M)⁽¹⁾



Selected Q3 2019 Financing Transactions (\$M)

Announced Date	Company	Selected Investor(s)	Amount Invested	Post-Money Valuation	Segment/Value Chain
September 25	ARCEO.AI	Lightspeed	\$37	N/A	Home, Analytics
September 23	BOLD PENGUIN	PIVOT INVESTMENT PARTNERS	\$32	N/A	Home, Analytics
September 18	多保鱼选保险 (DUBUYU)	YF FINANCIAL	\$28.2	N/A	Umbrella, Heart, Analytics
September 17	VOUCH	Ribbit Capital	\$24.5	N/A	Home, Analytics, Analytics
August 28	ETHOS	G/	\$60	\$400	Umbrella, Analytics
August 27	kin.	AUGUST CAPITAL	\$47	N/A	Home, Analytics, Analytics
August 21	ROOT	DST	\$350	\$3,650	Home, Analytics, Analytics
July 24	Hippo	BOND	\$100	\$1,000	Home, Analytics
July 15	BriteCore	WARBURG PINCUS	\$47.5	N/A	Home, Analytics, Analytics
July 1	Singlife	SUMITOMO LIFE	\$90	\$360	Umbrella, Analytics

Insurance Segment



P&C



Life

Insurance Value Chain



Health



Distribution and
Customer
Engagement



Products,
Pricing, and
Underwriting



Software and
Services



Data and
Analytics

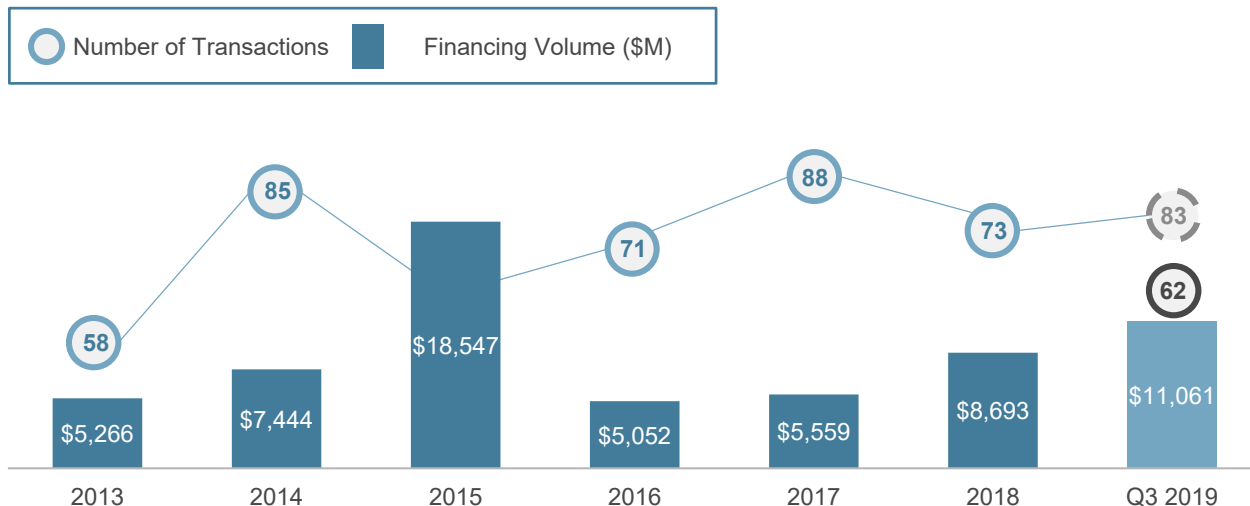
Source: CB Insights, PitchBook.com; S&P Capital IQ, FinTech Global
Market data as of 09/30/19

1) Includes private company equity financings and EverQuote IPO in Q2 2018

Healthy M&A Deal Activity...

M&A activity in 2019 has been bolstered by a number of large deals, including Prudential's acquisition of Assurance. Annualized number of transactions is exceeding 2018 levels

Selected Major Insurtech M&A Transactions

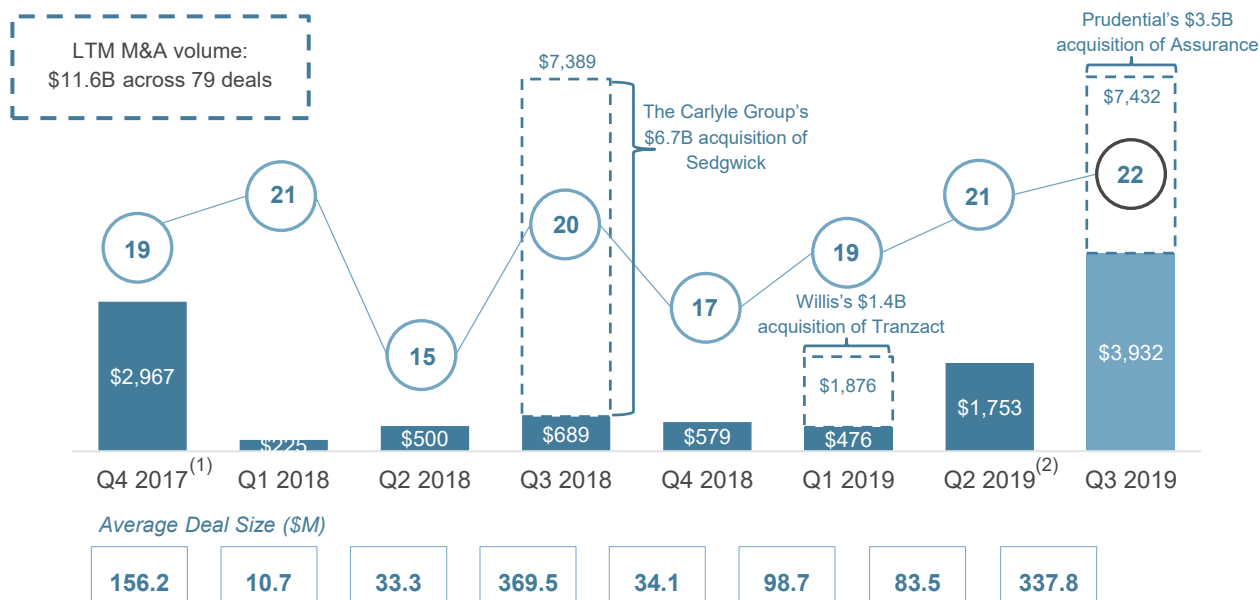


Acquirer logo on top

...Driven by a Few Large Transactions

Q3 2019 volume is in line with Q3 2018 levels, with several large deals driving the M&A market

Quarterly M&A Activity (\$M)



Selected Q3 2019 M&A Transactions (\$M)

Announced Date	Buyer	Target	Transaction Value	Segment/Value Chain
September 5	Prudential	ASSURANCE	\$3,500	Insurance Segment
August 19	Centerbridge	GoHealth	\$1,500	Insurance Segment
August 18	advania	itello	N/A	Insurance Segment
August 8	ROPER	PIPELINE	\$1,625	Insurance Segment
August 7	GENSTAR	Worldwide Facilities, LLC	N/A	Insurance Segment
August 2	AUB GROUP	COVERFORCE	\$50	Insurance Segment
July 18	GENERALI	TRANQUILIDADE ACOREANA	\$573	Insurance Segment
July 15	ISC	SIS INSURE	N/A	Insurance Segment
July 8	Five Arrows	SUCSEZ	N/A	Insurance Segment
July 4	acturis	Zycom's POWER BROKER	N/A	Insurance Segment

Insurance Segment



Insurance Value Chain



Source: CB Insights, PitchBook.com, S&P Capital IQ. Market data as of 09/30/19

1) Q4 2017 includes Assurant IQ's \$2.5 billion acquisition of The Warranty Group

2) Q2 2019 includes \$140 million sale of an investment portfolio by Axiata Digital to Singaporean Fund managed by Gordian Capital, which included their stake in BIMA

iPipeline Case Study

Roper Technologies (NYSE:ROP) has agreed to acquire iPipeline from Thoma Bravo

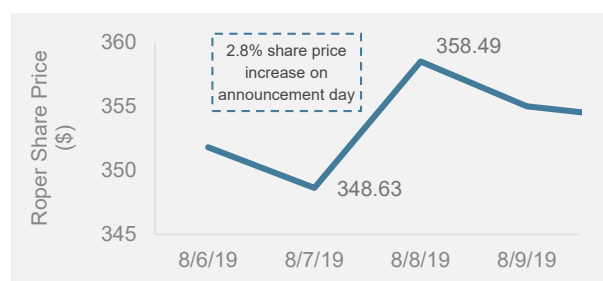
Overview

- On August 8, **Roper Technologies, Inc.** (Roper; NYSE:ROP) announced it had reached a definitive agreement to **acquire iPipeline** from Thoma Bravo
- iPipeline is a **leading provider of cloud-based software solutions** for the life insurance and financial services industries
 - Provides task integration and process automation across sales, operations, and compliance divisions

Transaction Summary

- Transaction valued at **\$1.6 billion** and to be funded through Roper's **revolving credit facility and cash on hand**
- iPipeline is expected to contribute approximately \$200 million of revenue, \$84 million of EBITDA, and \$70 million of after-tax free cash flow in 2020
- Estimates suggest the deal could **be \$0.20–\$0.25 EPS accretive in 2020 to Roper**
- iPipeline will continue to operate from its Exton HQ—using its existing name and brand—but as a part of Roper's **Network Software & Systems** segment

Shareholder Response



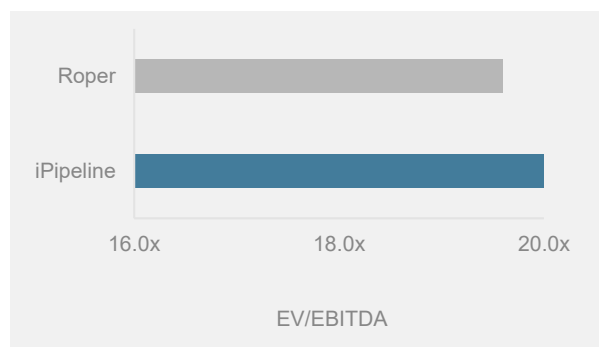
Key Transaction Multiples



The valuation represents a slight premium to Roper's own multiple...

Transaction Rationale

- Strengthens Roper's position as a leading player in an **enormous sector characterized by large-wallet customers who are quickly adopting technology**
- Provides Roper with **significant additional high-quality SaaS revenue** and reliable cash flows and profit streams



Because of [iPipeline's] good organic growth prospects, high margins, and attractive working-capital characteristics, we see the transaction as supportive of Roper's already strong operations

S&P Global
Ratings

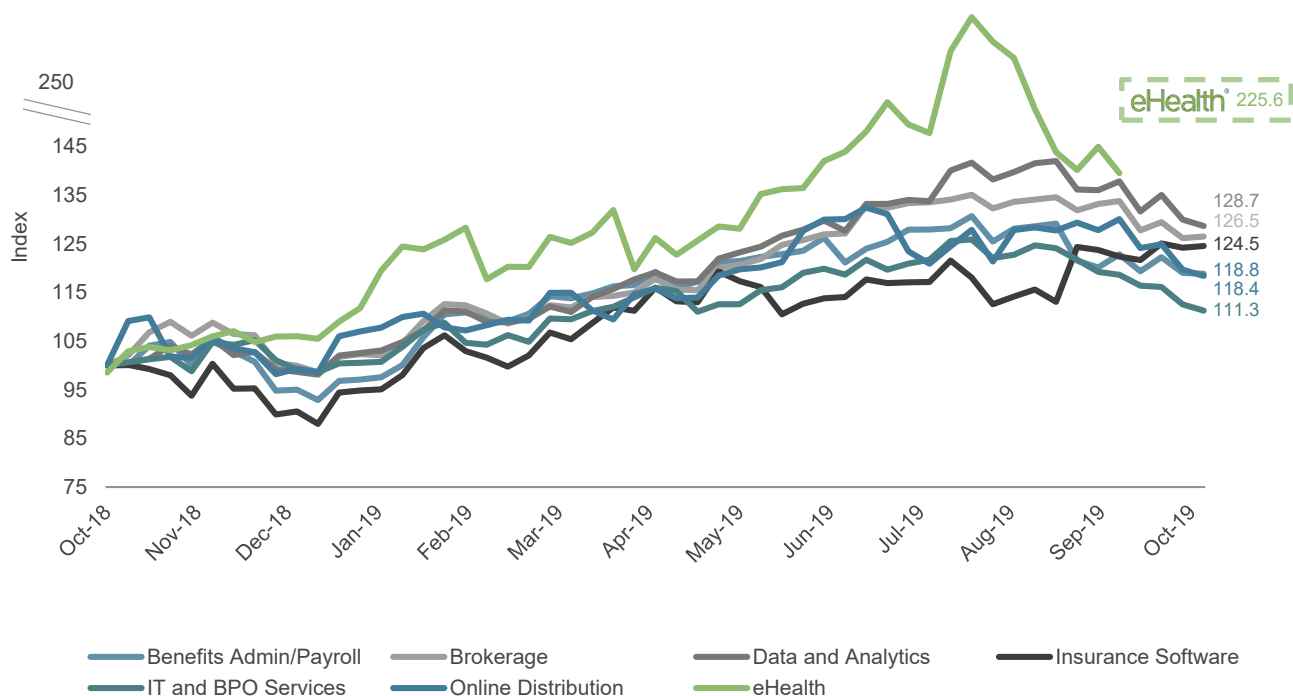
Source: Company press release, company accounts, broker notes, S&P Capital IQ

Note: Growth and multiples shown are median values for comparable group; market data as of 10/24/19 All financials calendarized to a December year end

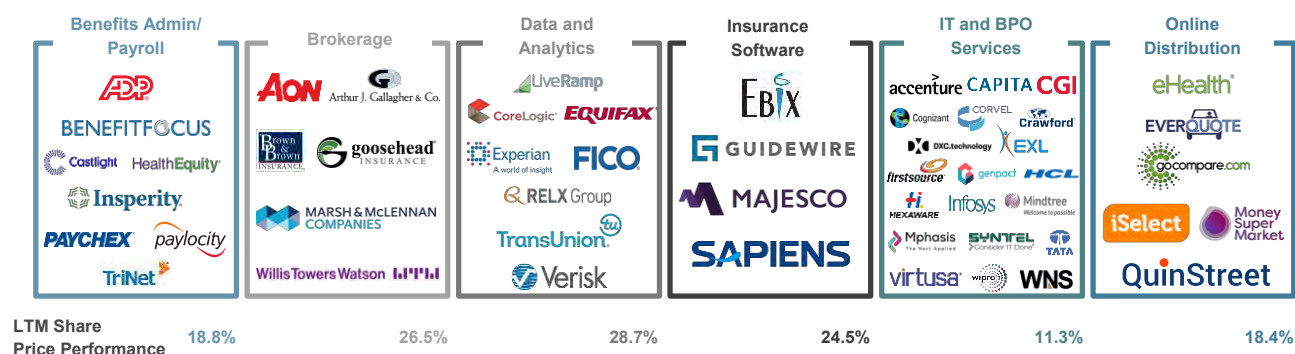
Strong Insurtech Public Company Performance...

Data and analytics companies lead the insurtech pack. Excluding eHealth, online distribution has increased 18.4% over the past 12 months

LTM Share Price Performance



Public Insurtech Ecosystem



Source: S&P Capital IQ

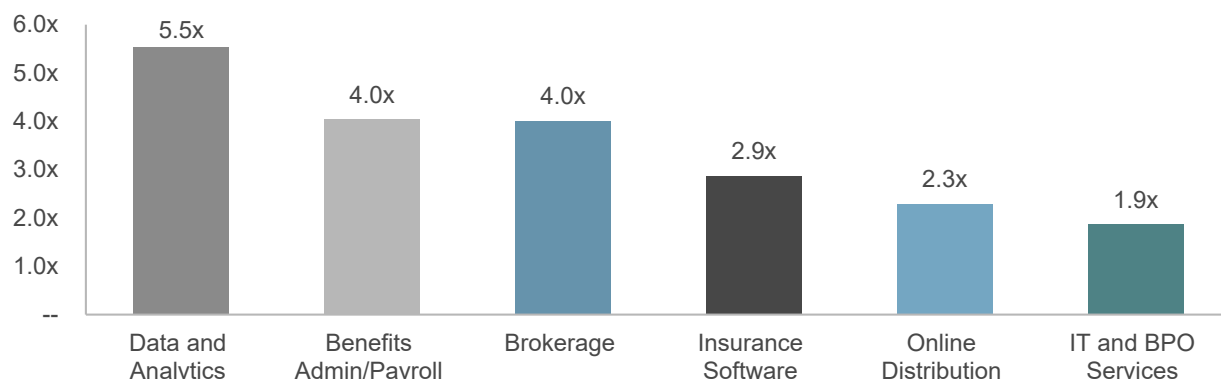
Note: Growth and multiples shown are median values for comparable group; market data as of 10/24/19

Online distribution share price performance excluding eHealth

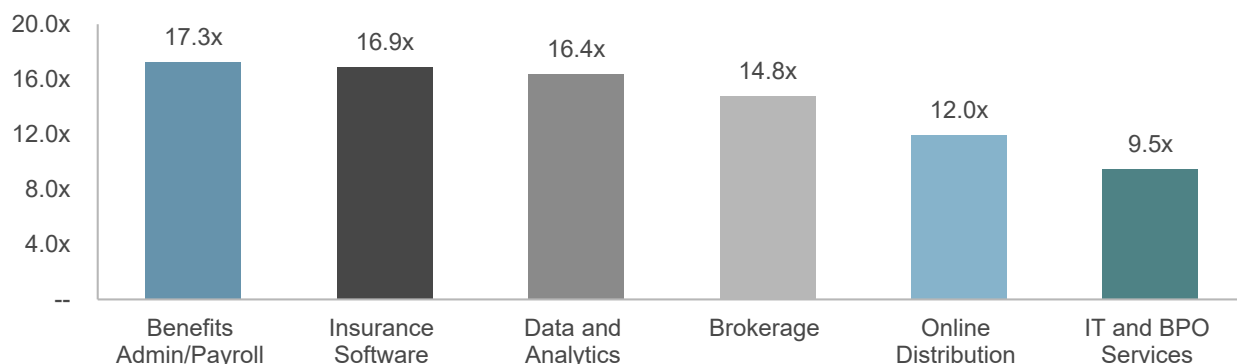
...Drives High Valuations Across the Board

Selected insurtech subsectors and multiples

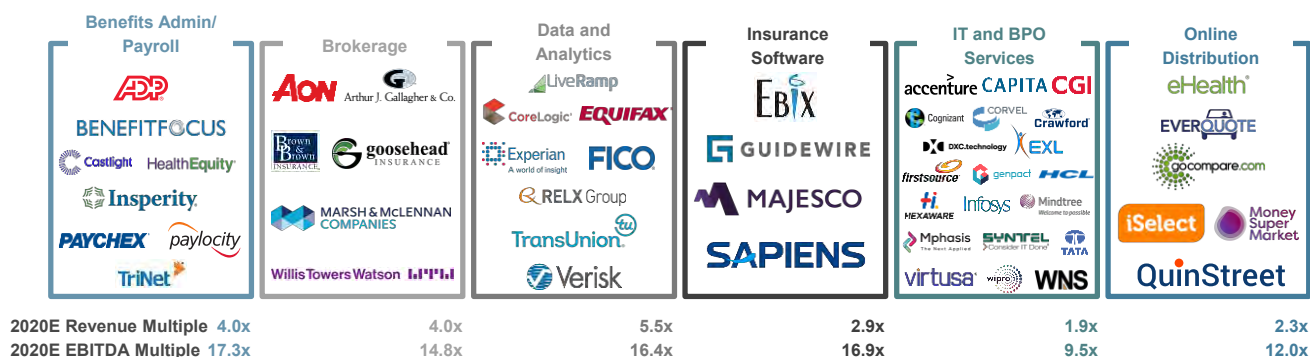
Enterprise Value/2020E Revenue



Enterprise Value/2020E EBITDA























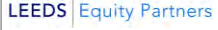












Public Insurtech Ecosystem



Source: S&P Capital IQ

Note: Growth and multiples shown are median values for comparable group; market data as of 10/24/19 All financials calendarized to a December year end

Proven Track Record in Fintech With Exceptionally Strong Momentum

 has been acquired by  Sellside Advisor September 2019 <i>Insurtech</i>	 has been acquired by  Sellside Advisor April 2019 <i>TCM Software</i>	 a portfolio company of  has been acquired by  Sellside Advisor April 2019 <i>TCM Software</i>	 a portfolio company of  has been acquired by  Sellside Advisor March 2019 <i>Financial Information</i>	 has been acquired by  Sellside Advisor March 2019 <i>TCM Software</i>
 has received an investment from  Financial Advisor February 2019 <i>Credit Information</i>	 has acquired a majority interest in  Buyside Advisor December 2018 <i>Payments</i>	 a portfolio company of  has been acquired by  Sellside Advisor September 2018 <i>TCM Software</i>	 a portfolio company of  has been acquired by  Sellside Advisor July 2018 <i>Financial Information</i>	 has been acquired by Vermeg Group N.G. Sellside Advisor* February 2018 <i>Insurtech/ TCM Software</i>
 has received an investment from Francisco Partners Sellside Advisor* July 2017 <i>TCM Software</i>	 has been acquired by Equinix Group PLC Sellside Advisor* July 2017 <i>Core Banking</i>	 a portfolio company of EQT has been acquired by Moody's Corporation Sellside Advisor* March 2017 <i>Financial Information</i>	 has been acquired by Broadridge Sellside Advisor* March 2017 <i>TCM Software</i>	 has acquired BISAM Buyside Advisor* March 2017 <i>TCM Software</i>
 has sold its Benelux operations to Altarea BV a portfolio company of Naxicap Sellside Advisor* February 2017 <i>Financial Information</i>	 has received an investment from IK Investment Partners Sellside Advisor* October 2016 <i>Credit Information</i>	 has been acquired by Broadridge Sellside Advisor* June 2016 <i>TCM Software</i>	 a portfolio company of Pollen Street Capital has been acquired by Tech Mahindra Sellside Advisor* May 2016 <i>Core Banking</i>	 has acquired an interest in Pirum Systems Limited Buyside Advisor* Feb 2015 <i>TCM Software</i>

*Selected transactions were executed by Houlihan Lokey professionals while at Quayle Munro, a firm acquired by Houlihan Lokey



Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

Corporate Finance

2018 M&A Advisory Rankings All U.S. Transactions

Advisor	Deals
1 Houlihan Lokey	207
2 Goldman Sachs & Co	197
3 JP Morgan	154
4 Morgan Stanley	135
5 Jefferies LLC	117

Source: Thomson Reuters

Financial Restructuring

2018 Global Distressed Debt & Bankruptcy Restructuring Rankings

Advisor	Deals
1 Houlihan Lokey	63
2 PJT Partners Inc.	45
3* Moelis & Co.	36
3* Lazard	36
3* Rothschild & Co.	36

Source: Thomson Reuters
* Denotes tie

Financial Advisory

1999 to 2018 Global M&A Fairness Advisory Rankings

Advisor	Deals
1 Houlihan Lokey	1,073
2 JP Morgan	971
3 Duff & Phelps	728
4 Bank of America Merrill Lynch	660
5 Morgan Stanley	659

Source: Thomson Reuters. Announced or completed transactions.

No. 1 U.S. M&A Advisor

Top 10 Global M&A Advisor

Leading Capital Markets Advisor

No. 1 Global Investment
Banking Restructuring Advisor

1,000+ Transactions Completed
Valued at More Than
\$2.5 Trillion Collectively

No. 1 Global M&A Fairness
Opinion Advisor Over the
Past 20 Years

1,000+ Annual Valuation
Engagements



HOULIHAN LOKEY

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