



HOULIHAN LOKEY

# INSURANCE TECHNOLOGY

MARKET UPDATE | Q4 2019





# Insurance Technology Market Update

Dear Clients and Friends,

Houlihan Lokey is pleased to present its Insurance Technology Market Update for Q4 2019.

- Insurtech continues to be a highly active category, with **~\$6 billion** in financing volume and **~\$12 billion** in M&A volume during 2019.
  - **54 financings** in Q4 2019 was **~11.5%** lower than the same period in 2018, but total 2019 volume outpaced 2018 levels by **~50%**.
  - **12 M&A transactions** in Q4 2019 was **~30%** lower than the same period in 2018, but total 2019 volume outpaced 2018 levels by **~36%**.
  - While **2019 M&A volume was bolstered by a number of large deals**, including Prudential/Assurance (\$3.5 billion), Roper/iPipeline (\$1.6 billion), and Willis/Tranzact (\$1.4 billion), the number of transactions in 2019 (74) was about the same as in 2018 (73).
- **Increase in larger financings** as category leaders begin to differentiate themselves and investors look to back established players.
  - **Lots of Q4 financing activity for digital distribution businesses** that maximize the customer experience obtaining insurance across a number of categories (including the Zebra, Vouch Insurance, and Next Insurance) as well as software and data and analytics (including Duck Creek and CyberCube).
- **Data and analytics and benefits administration/payroll companies** lead the public company pack, trading at **5.9x** and **4.5x** 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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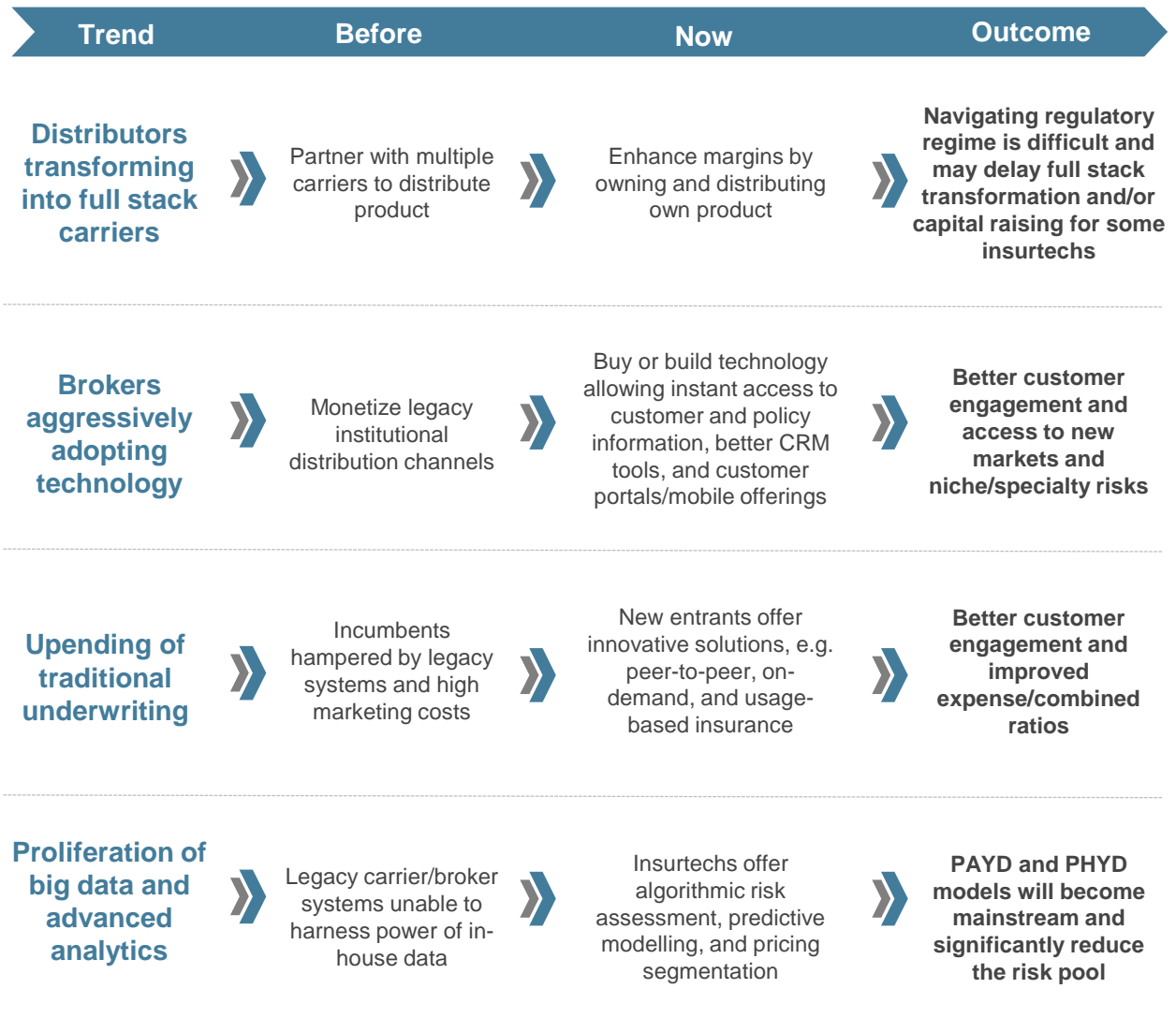
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# Key Trends in the Insurtech Industry

Cooperation between carriers, brokers, and insurtechs has increased as participants welcome disruption and allocate larger budgets to invest in technology that reduces cost and complexity and/or enhances underwriting results.

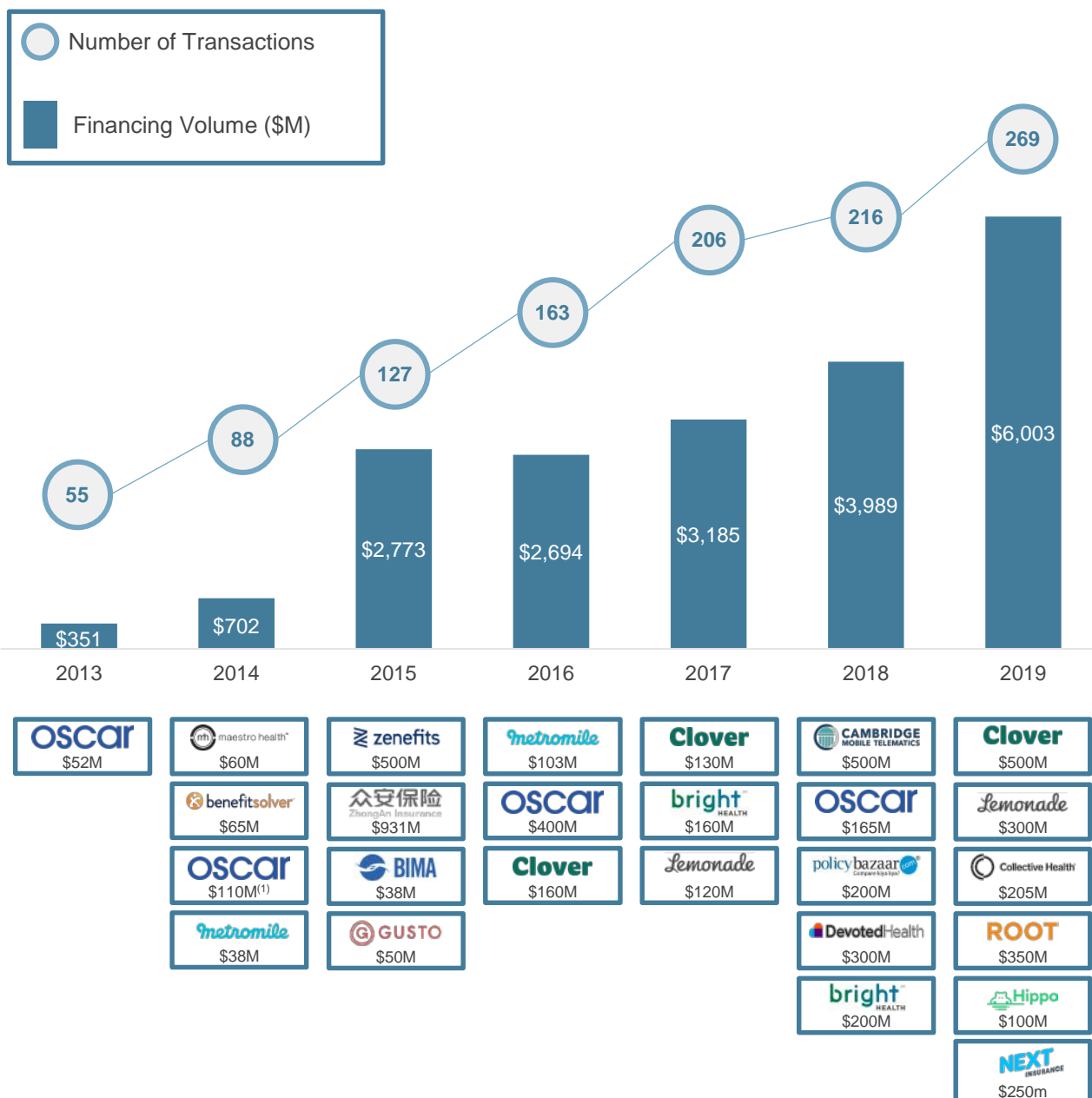
## Innovation Across the Insurtech Ecosystem



# Record Investment Into the Insurtech Sector

2019 financing volume outpaced 2018 levels by ~50%.

## Select Major Insurtech Financings



Source: CB Insights; Pitchbook.com; S&P Capital IQ  
Market data as of 01/03/20

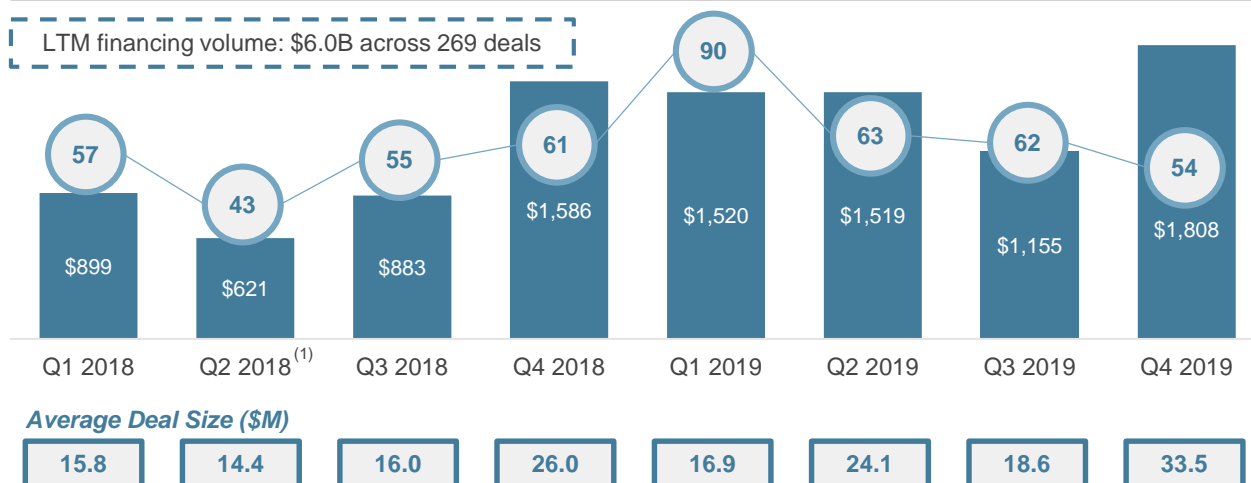
<sup>(1)</sup>Oscar raised two rounds in 2014—worth \$30 million and \$80 million, respectively.



# Financing Market Remains Strong

Insurtech financing volume in Q4 '19 was ahead of the previous three quarters with average deal size being significantly larger.

## Quarterly Financing Activity (\$M)<sup>(1)</sup>



## Selected Q3 2019 Financing Transactions (\$M)

Announced Date	Company	Selected Investor(s)	Amount Invested	Post-Money Valuation	Segment/Value Chain
12/20	the zebra	FLOODGATE	\$38.6	\$208.6	
12/17	bright <sup>™</sup> HEALTH	NEA	\$635.0	\$2,235.0	
12/11	wefox	OMERS Ventures	\$235.0	\$1,885.0	
12/09	Duck Creek Technologies	TEMASEK	\$120.0	NA	
12/03	lima	REDWOOD CAPITAL	\$28.5	NA	
11/29	QCKO	ASCENT CAPITAL	\$36.0	NA	
11/25	ottonova	HV	\$66.4	NA	
11/20	vouch	Y Combinator	\$45.0	\$210.0	
11/15	CyberCube	ForgePoint CAPITAL	\$35.0	\$140.0	
10/07	NEXT Insurance	Munich RE	\$250.0	\$1,000.0	

### Insurance Segment



P&C



Life



Health



Distribution and  
Customer  
Engagement



Products,  
Pricing, and  
Underwriting



Software and  
Services



Data and  
Analytics

Source: CB Insights; Pitchbook.com; S&P Capital IQ

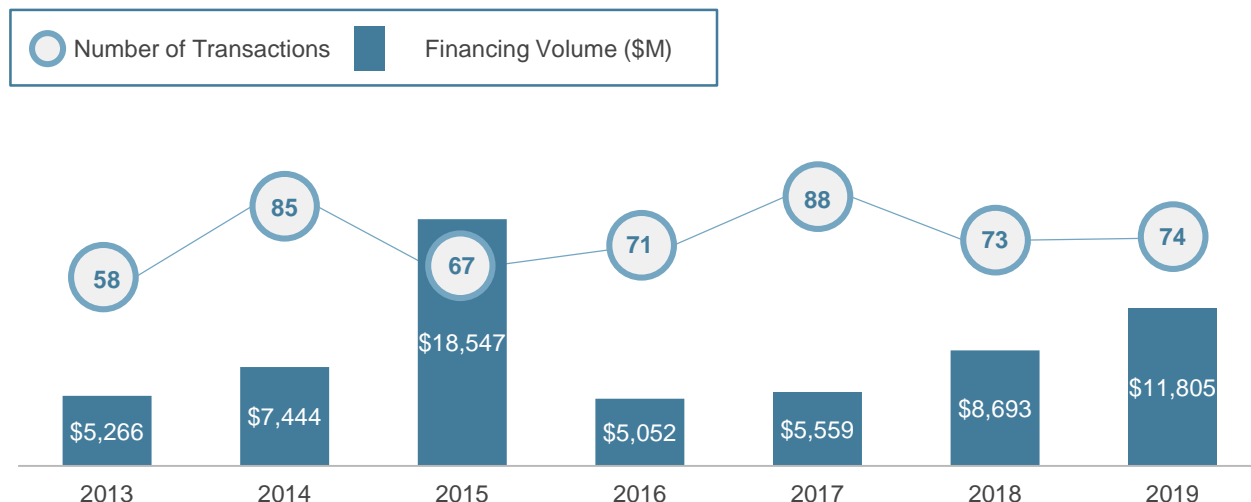
Market data as of 01/03/20

<sup>(1)</sup>Includes private company equity financings and Everquote IPO in Q2 2018.

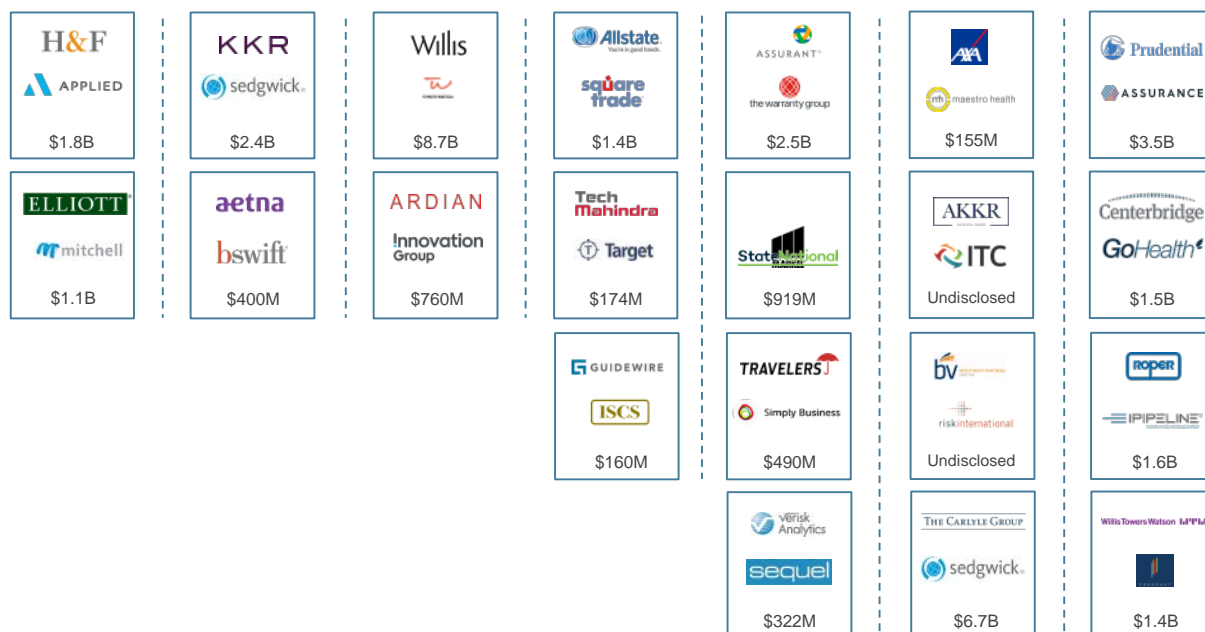
# Healthy M&A Deal Activity

While 2019 M&A volume was bolstered by a number of large deals, including Prudential's acquisition of Assurance IQ, the number of transactions was about the same as in 2018.

## Selected Major Insurtech M&A Transactions



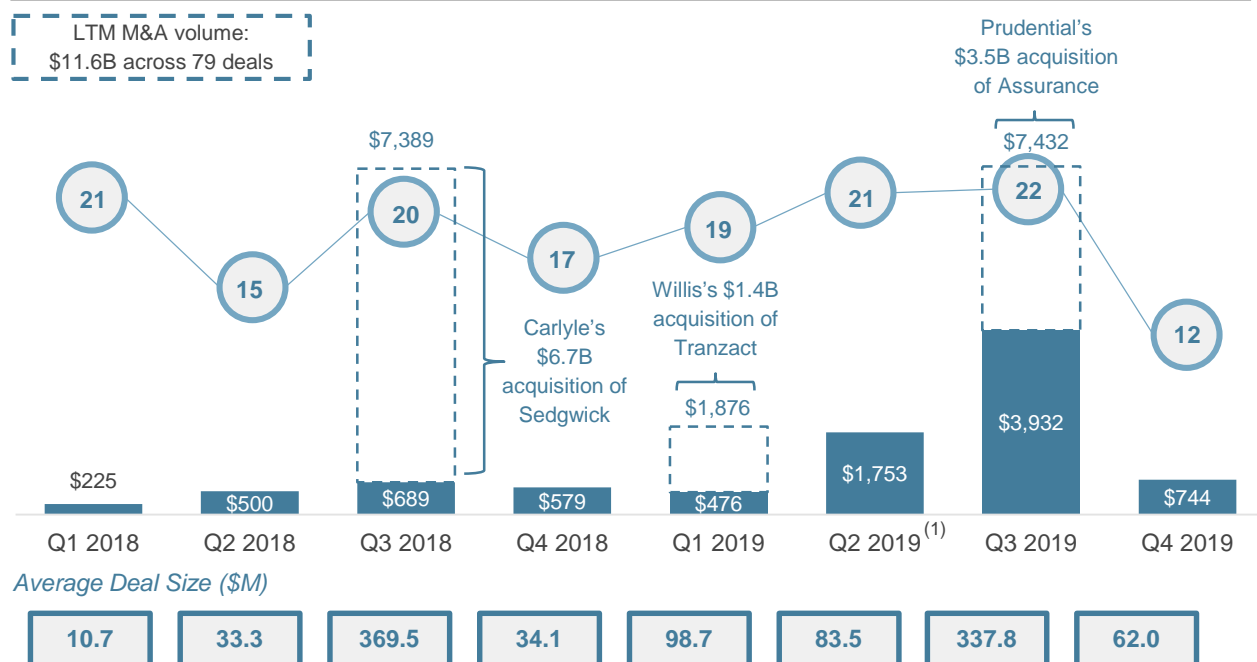
Acquirer logo on top



# ...Driven by a Few Large Transactions

While Q4 was the quieter quarter of 2019, it still outperformed the same period in 2018.

## Quarterly M&A Activity (\$M)



## Selected Q4 2019 M&A Transactions (\$M)

Announced Date	Buyer	Target	Transaction Value	Segment/Value Chain
12/4	APPLIED	indio	\$100.0	Home & Office
12/4	Verisk	FAST	\$193.5	Insurance
12/4	ZYWAVE	miEdge	NA	Health & Wellness
11/20	acturis	Add Value assurances	NA	Insurance
11/20	AON	coverwallet	\$300.0	Insurance
10/22	BOW RIVER CAPITAL	CHS CONNECTIONS	NA	Insurance
10/15	APPLIED	Policy Works	NA	Insurance
10/10	SAPIENS	caLCULO	NA	Insurance
10/07	CONNECTURE	HARRIS	NA	Insurance
10/2	Verisk	BUILD	NA	Insurance

### Insurance Segment



### Insurance Value Chain



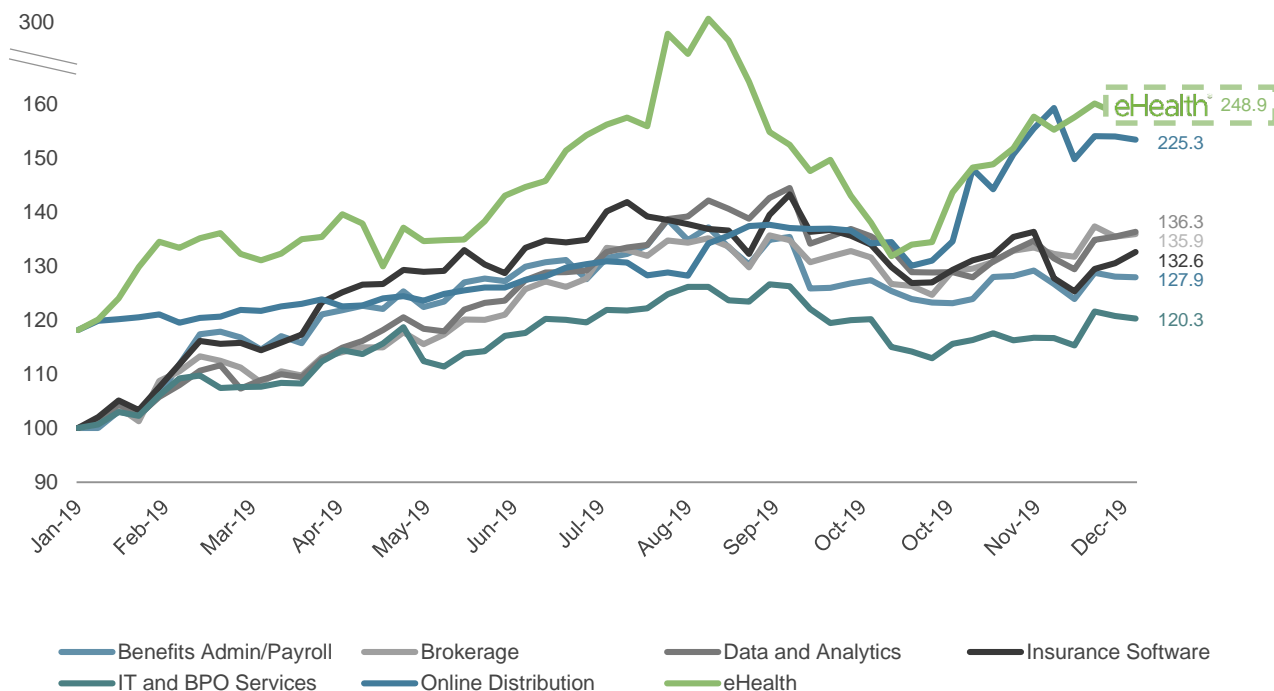
Source: CB Insights; Pitchbook.com; S&P Capital IQ. Market data as of 01/03/20

<sup>(1)</sup> Q2 '19 includes \$140 million sale of an investment portfolio by Axiata Digital to Singaporean Fund managed by Gordian Capital, which included their stake in BIMA.

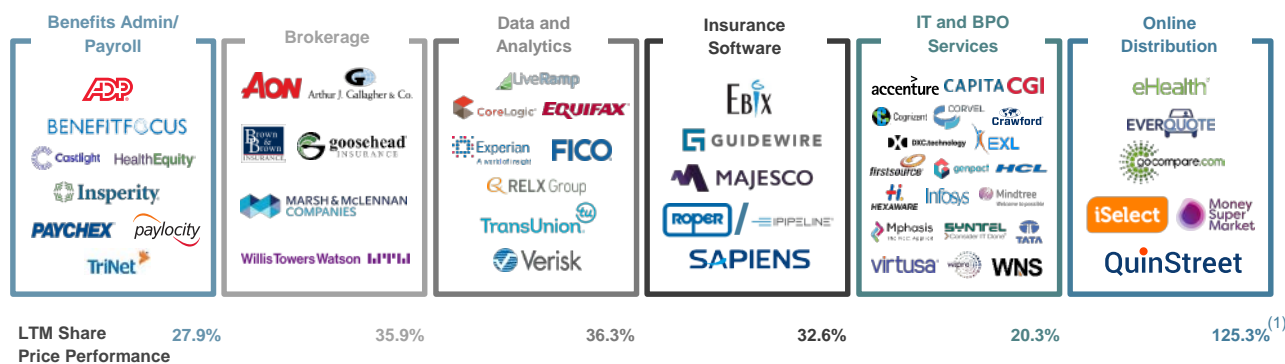
# Strong Insurtech Public Company Performance

Online distribution and data and analytics lead the insurtech pack. Excluding eHealth, online distribution has increased 125.3% over the past year.

## LTM Share Price Performance



## Public Insurtech Ecosystem



Source: Financials are calendarised as of 01/03/20. Trading multiples are based on share price and market data listed as at 01/03/20 and broker consensus future earnings estimates from S&P Capital IQ as at 01/03/20.

Growth and multiples shown are median values for comp group.

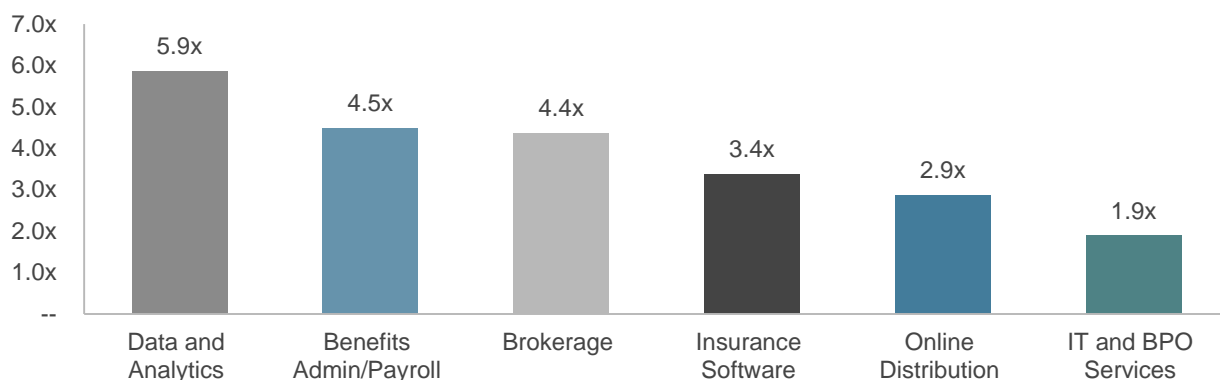
<sup>(1)</sup> Online Distribution share price performance excluding eHealth.



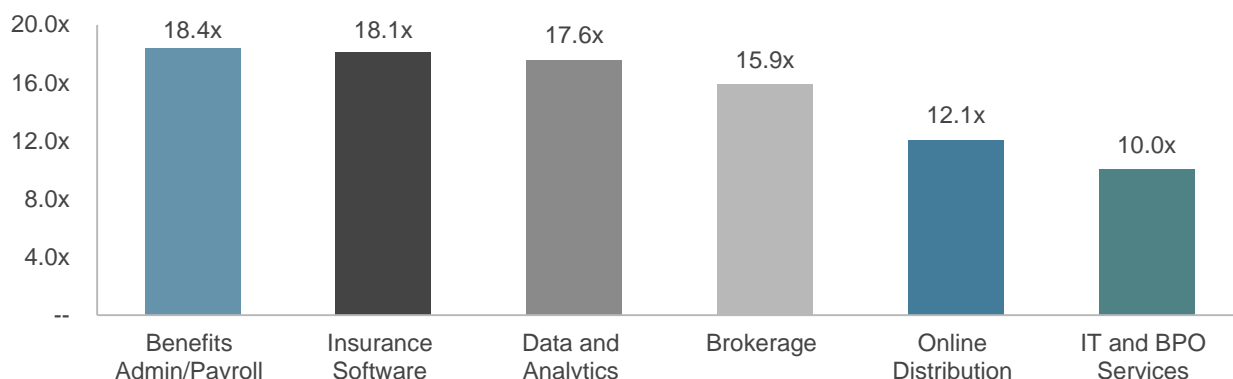
# ...Drives High Valuations Across the Board

Selected insurtech subsectors and multiples.

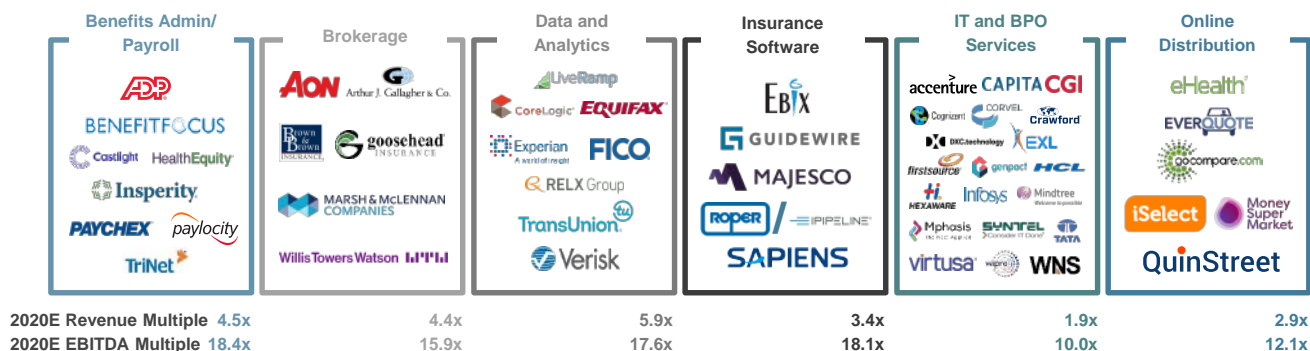
## Enterprise Value/2020E Revenue



## Enterprise Value/2020E EBITDA






























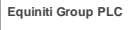








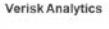









## Public Insurtech Ecosystem



Source: Financials are calendarised as of 01/03/20. Trading multiples are based on share price and market data listed as at 01/03/20 and broker consensus future earnings estimates from S&P Capital IQ as at 01/03/20. Growth and multiples shown are median values for comp group.

# 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>
 a portfolio company of  has been acquired by  Sellside Advisor* August 2017 <i>Insurtech</i>	 has received an investment from  Sellside Advisor* July 2017 <i>TCM Software</i>	 has been acquired by  Sellside Advisor* July 2017 <i>Core Banking</i>	 a portfolio company of  has been acquired by  Sellside Advisor* March 2017 <i>Financial Information</i>	 has been acquired by  Sellside Advisor* March 2017 <i>TCM Software</i>
 has acquired  Buyside Advisor* March 2017 <i>TCM Software</i>	 has been acquired by  Sellside Advisor* February 2017 <i>Insurtech</i>	 has sold its Benelux operations to  a portfolio company of  Sellside Advisor* February 2017 <i>Financial Information</i>	 has received an investment from  Sellside Advisor* October 2016 <i>Credit Information</i>	 has been acquired by  Sellside Advisor* June 2016 <i>TCM Software</i>

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



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## Corporate Finance

### 2019 M&A Advisory Rankings All U.S. Transactions

Advisor	Deals
1 Houlihan Lokey	184
2 Goldman Sachs & Co	167
3 JP Morgan	141
4 Morgan Stanley	122
5 Evercore Partners	112

Source: Refinitiv (formerly known as Thomson Reuters)

## Financial Restructuring

### 2019 Global Distressed Debt & Bankruptcy Restructuring Rankings

Advisor	Deals
1 Houlihan Lokey	76
2 PJT Partners Inc	43
3 Moelis & Co	36
4 Lazard	29
5 AlixPartners	19

Source: Refinitiv (formerly known as Thomson Reuters)

## Financial and Valuation Advisory

### 2000 to 2019 Global M&A Fairness Advisory Rankings

Advisor	Deals
1 Houlihan Lokey	1,057
2 JP Morgan	929
3 Duff & Phelps	734
4 Morgan Stanley	621
5 Bank of America Merrill Lynch	612

Refinitiv (formerly known as 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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