



Perspectives on the Unified Communications and Collaboration Sector

Summer 2019

 HOULIHAN LOKEY



Houlihan Lokey's Team Focused on Communications and Collaboration

Fully integrated team ensuring deep industry and sector knowledge

CALABRIO

has been acquired by

KKR

Sellside Advisor

Contact At Once!

has been acquired by

LIVEPERSON

Sellside Advisor

INTELLI RESPONSE

has been acquired by

[24]7

Sellside Advisor

Genesys Conferencing

has been acquired by

west

West Corporation

Sellside Advisor

Broadview NETWORKS

has been acquired by

windstream

Sellside Advisor

NETBASE

\$33,000,000
Series E Preferred Stock and Term Loan

Led by:

SPRING LAKE EQUITY PARTNERS

With participation from:

THOMVEST
ORIX
ALTO Ventures

Placement Agent

>ifbyphone

Series E Convertible Preferred Stock

Led by:

NEWSPRING CAPITAL

With participation from existing investors:

Apex Venture Partners, SSM Partners, Origin Ventures, River Cities Capital Funds, and I2A Fund

\$30,000,000

Placement Agent

Market Metrix

has been acquired by

CLARABRIDGE

Sellside Advisor

CLARABRIDGE

has raised \$80 million equity financing from

General Catalyst Partners

and

SUMMIT PARTNERS

Financial Advisor*

Unified Communications and Collaboration Team



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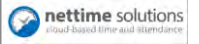















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Tombstones included herein represent transactions closed from 2013 forward.

** Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey, or by professionals from a Houlihan Lokey joint venture company.*

Select Relevant Houlihan Lokey Transactions in Collaboration and Workflow

 a portfolio company of  has been acquired by  Financial Advisor	 has been acquired by  an operating subsidiary of  Sellside Advisor	 has been acquired by  a portfolio company of  Sellside Advisor	 has received an equity investment from  Financial Advisor	 \$24,000,000 Series E Convertible Preferred Stock Led by:  With participation from existing investors:   Placement Agent	 has been acquired by  Sellside Advisor	 has been acquired by  Sellside Advisor*
Web Content Management	Manufacturing Content Workflow	Talent Management	Digital Workplace	Social Media Analytics	Workforce Management	Talent Analytics
 has been acquired by  Sellside Advisor	 has been acquired by  Sellside Advisor	 has been acquired by  Sellside Advisor*	 has been acquired by  Sellside Advisor	 has been acquired by  Sellside Advisor*	 has been acquired by  Sellside Advisor	 has been acquired by  Sellside Advisor
E-Signature Workflow	E-Content Management	Collaboration and Social Performance Management	Unified Communications	Contingent Workforce Management	Talent Management	Workforce Management
 a portfolio company of  has been acquired by  Sellside Advisor	 has been acquired by  Sellside Advisor	 Series D Convertible Preferred Stock  With participation from existing investors:    \$25,000,000 Placement Agent	 has been acquired by  Sellside Advisor*	 has been acquired by  Sellside Advisor*	 has been acquired by  Sellside Advisor*	
Workforce Performance	Workforce and Customer Engagement	Talent Recruiting	Contingent Workforce	Compliance Management	Workforce Management	

Tombstones included herein represent transactions closed from 2009 forward.

* Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey, or by professionals from a Houlihan Lokey joint venture company.

Key Themes Shaping the Unified Communications and Collaboration (UCC) Industry

Key Theme	Description	Implications
1. Large, Growing Market Continuing Its Transition to the Cloud	<ul style="list-style-type: none"> Global UCC TAM is estimated to range from \$99B to \$125B⁽¹⁾ Increasing momentum pulling UCC customers to the cloud, cannibalizing on-premise solutions and existing offerings from incumbents 	<ul style="list-style-type: none"> Long runway for continued growth Cloud-based solutions likely to benefit from: <ul style="list-style-type: none"> Greater economies of scale Ability to pair faster top-line growth and strong software gross margins
2. Convergence of UCC Products	<ul style="list-style-type: none"> Lines blurring between various UCC services (UCaaS, CPaaS, contact center, collaboration and conferencing, telephones, mobile) 	<ul style="list-style-type: none"> Each player differentiates by entering the market with a slightly different focus, but will have to expand product and service offerings to meet customer demand of integrated functionality
3. Growth of Programmable Communications and the API Economy	<ul style="list-style-type: none"> Open APIs delivering new, highly customizable communication and collaboration apps Enables better integration of UCC with other enterprise apps and business process workflow 	<ul style="list-style-type: none"> Most UCaaS and CCaaS providers looking to create an “API layer” on top of their existing UCC offerings
4. Voice as a User Interface (VUI) and Conversational AI	<ul style="list-style-type: none"> Consumerization of IT driving demand for sophisticated voice processing engines and intelligent self-learning virtual agents, powered by AI 	<ul style="list-style-type: none"> Advancements will open up new markets for VUI and conversational AI – auto, industrial, etc. Can quickly scale via the cloud and API integration
5. Consolidation Via M&A	<ul style="list-style-type: none"> Legacy UCC platforms will look to transition to the cloud and/or combine with other legacy providers to achieve cost synergies, driving M&A consolidation 	<ul style="list-style-type: none"> M&A activity will continue as competitors vie for customers and market share

1. Large, Growing Market Continuing Its Transition to the Cloud

Key Trends Driving Market Growth

Multiple secular growth drivers

- Distributed workforces
- Enterprise mobility
- Enterprises moving workloads to the cloud

Globalization around remote work

- Expanding the network perimeter, creating a premium on secure communication
- Increased use of mobile devices for business driving demand for intuitive UIs and applications across these devices

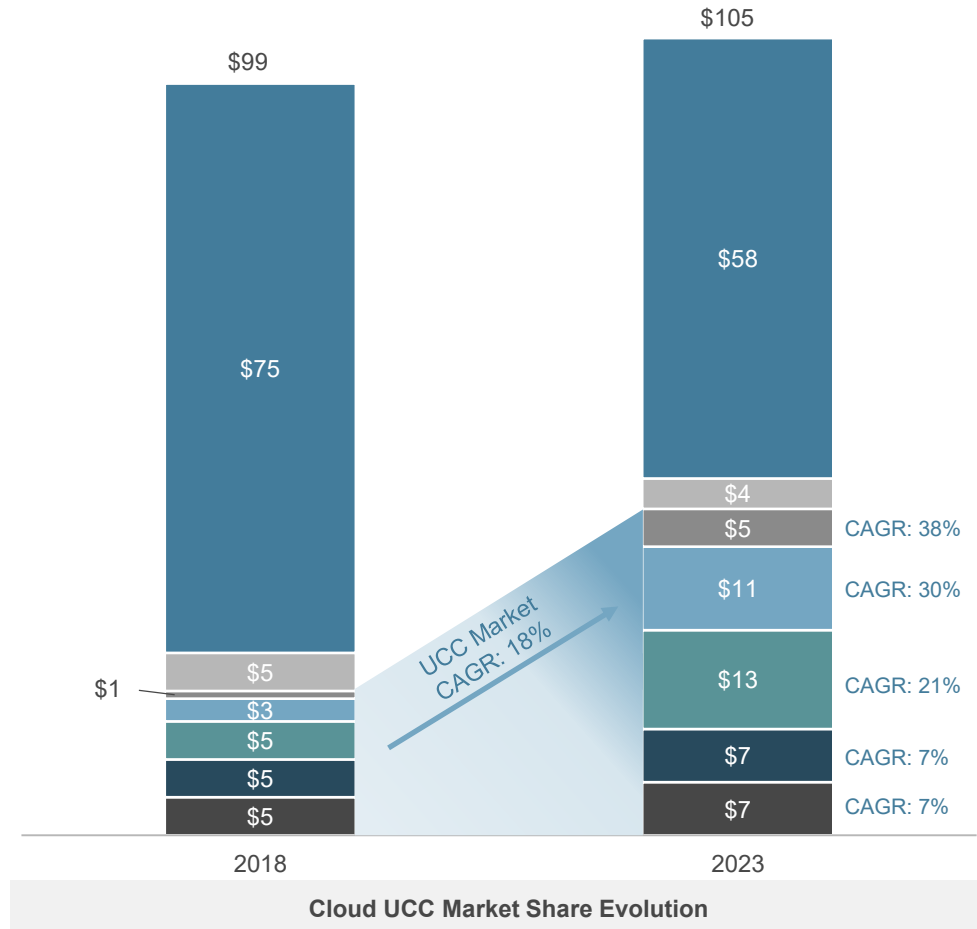
TAM continuing to expand

- Lower TCO, automation, and optimization of business processes/communications at scale
- Rapid, flexible deployment capacity
- Inability of legacy systems to adapt to the changing markets increases the scope and penetration of the UCC space
- UCC vendors will continue to cannibalize traditional business line company solutions

Global UCC Total Addressable Market

USD in Billions

- Contact Center
- CPaaS
- Conferencing
- IP PBX
- Collaboration
- Business lines
- UCaaS



1. Large, Growing Market Continuing Its Transition to the Cloud (cont.)

Large Market Shifting to the Cloud

Cloud-based solutions benefit from greater economies of scale, adaptability

- Spurs faster top-line growth with strong software based gross margins
- Future ability to rapidly scale with benefits of SaaS
- Enables more dynamic integration with CRM/ERP/productivity applications

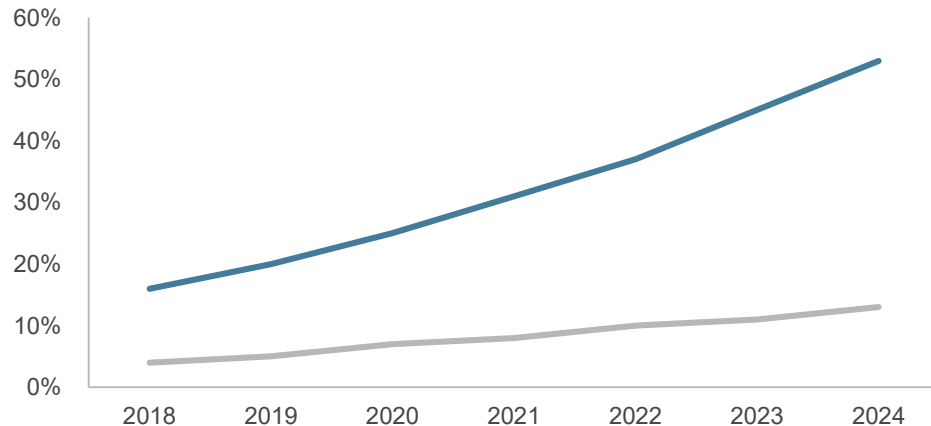
Increased adoption of BYOD policies by companies

- Cloud services allow users to connect from personal devices
- Users' expectation of UCC experience similar to that from personal applications

UCaaS User Penetration Forecast⁽¹⁾

Highly underpenetrated market, only 5% penetration globally

— North America — Worldwide



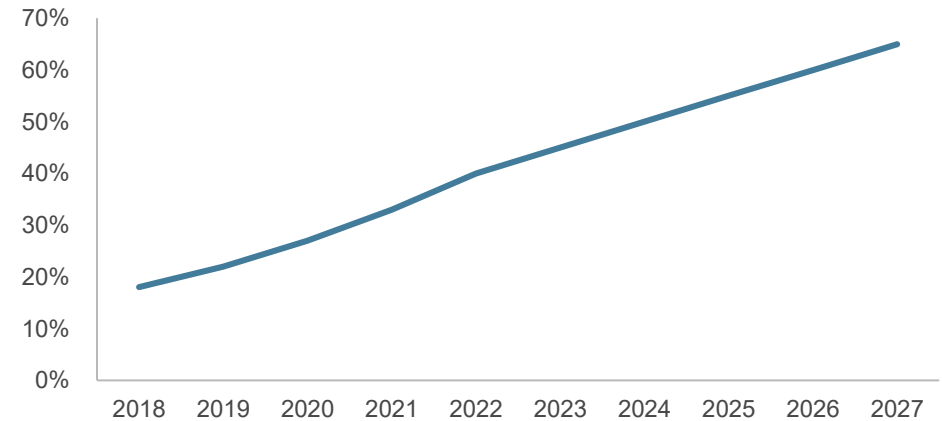
Source:

(1) Wall Street Research

(2) Flexera, RightScale 2019 State of the Cloud Survey

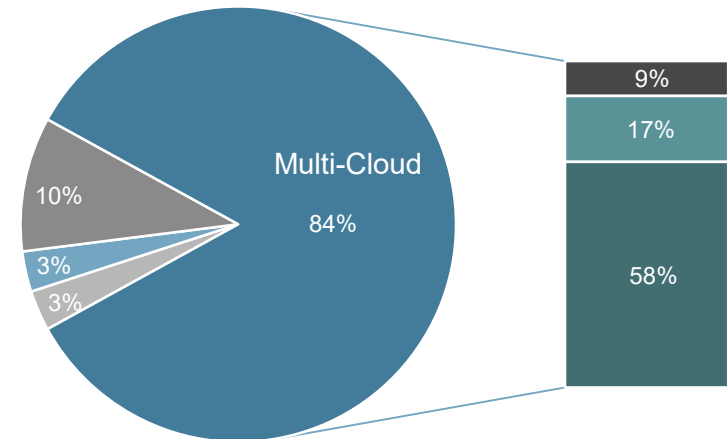
Accelerating Shift of Business Lines to the Cloud⁽¹⁾

Cloud adoption to reach 65% by 2027



Enterprises Adopting Multi-Cloud Strategy⁽²⁾

- No Plans
- Single Private
- Single Public
- Multiple Private
- Multiple Public
- Hybrid Cloud



2. Convergence of UCC Products

Convergence and Integration

Lines blurring
between various
UCC services

- Creates opportunity for new entrants
- Each player differentiates by providing solutions with a slightly different focus

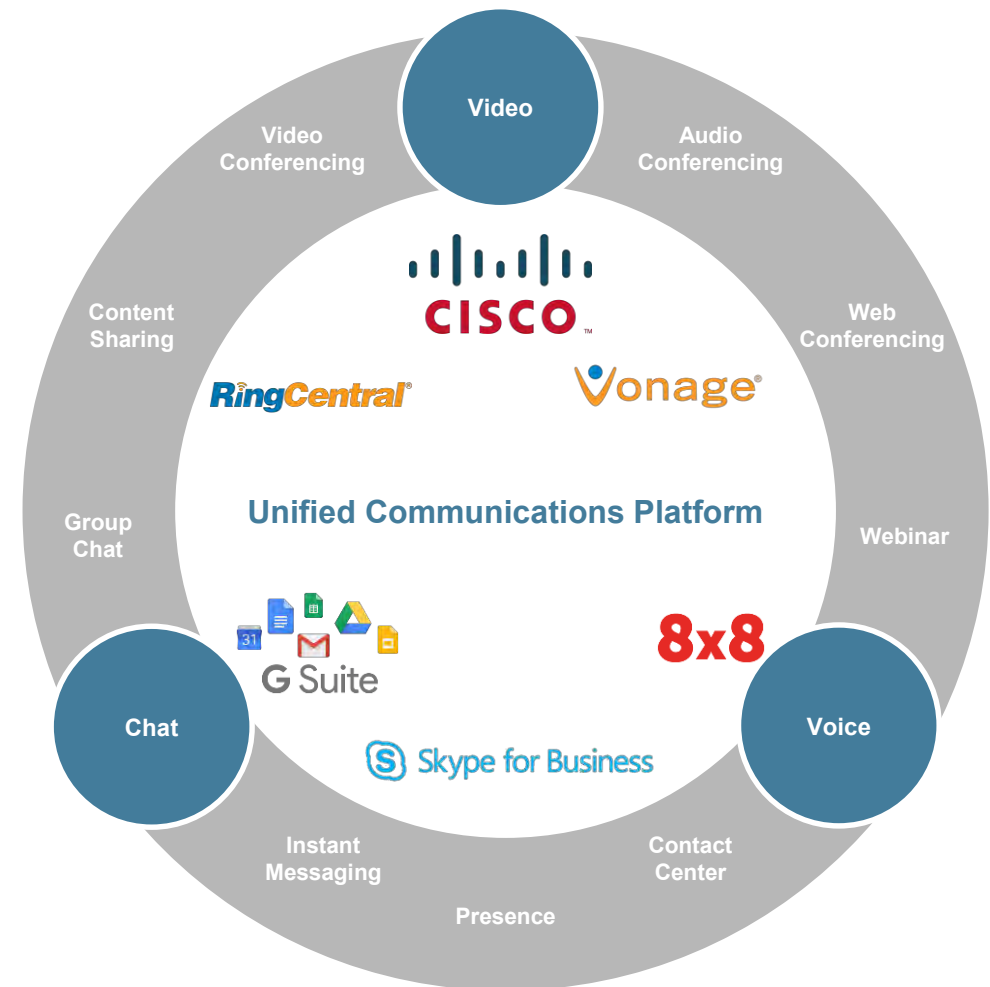
Software companies
entering the UCC
market

- Software companies adding communication and collaboration capabilities to their existing business productivity solutions

UCC companies
broadening their
portfolios

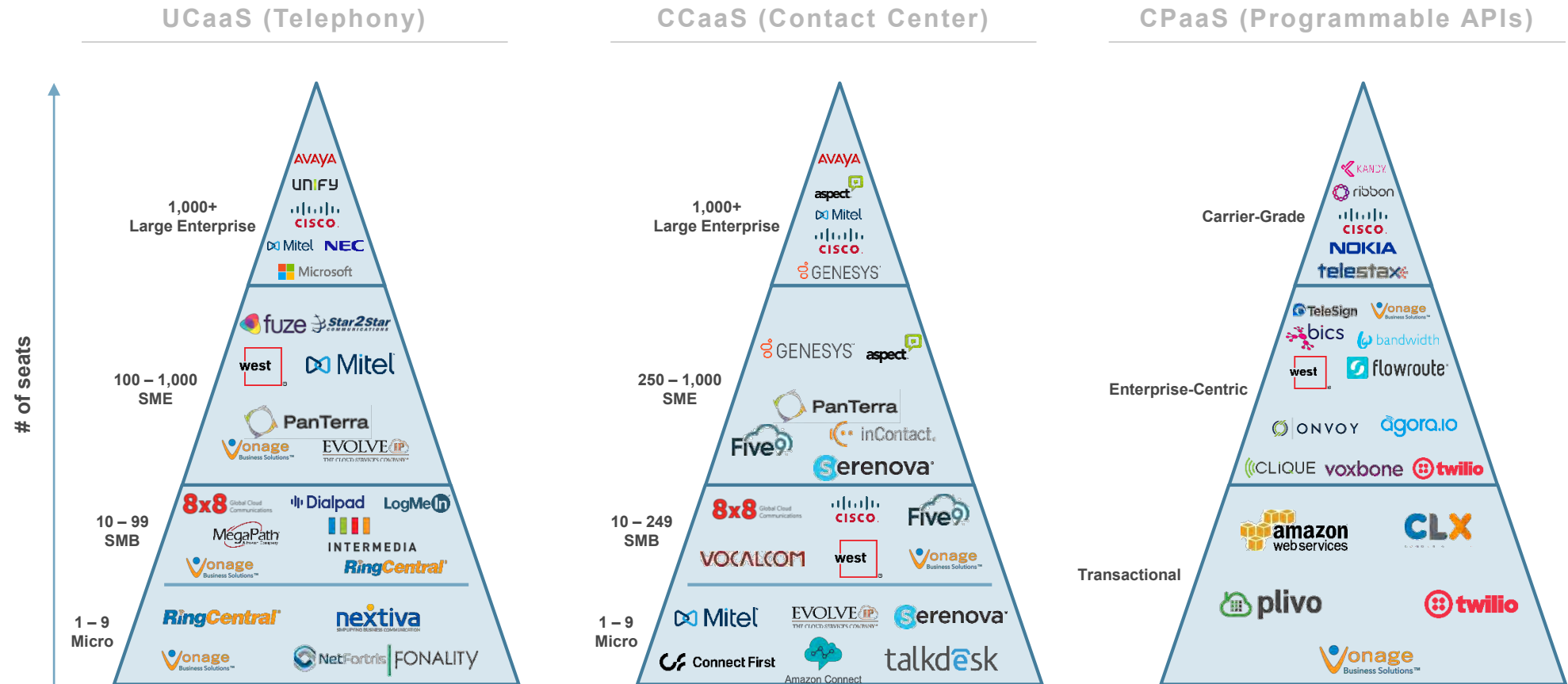
- Significant ongoing investment in developing cloud-based, comprehensive portfolio of solutions with added functionality (e.g., data analytics, AI, etc.)
- Pure play UCaaS companies acquiring/developing new capabilities:
 - CCaaS: Vonage/NewVoiceMedia, 8x8/Contactual
 - CPaaS: Vonage/Nexmo, Cisco/Tropo

Traditional UC Stack



The UCaaS/CCaaS/CPaaS Landscape Divided by Go-To-Market Strategy

Go-To-Market Segmentation and Vendor Landscape



A Broad Set of Large and Small Vendors

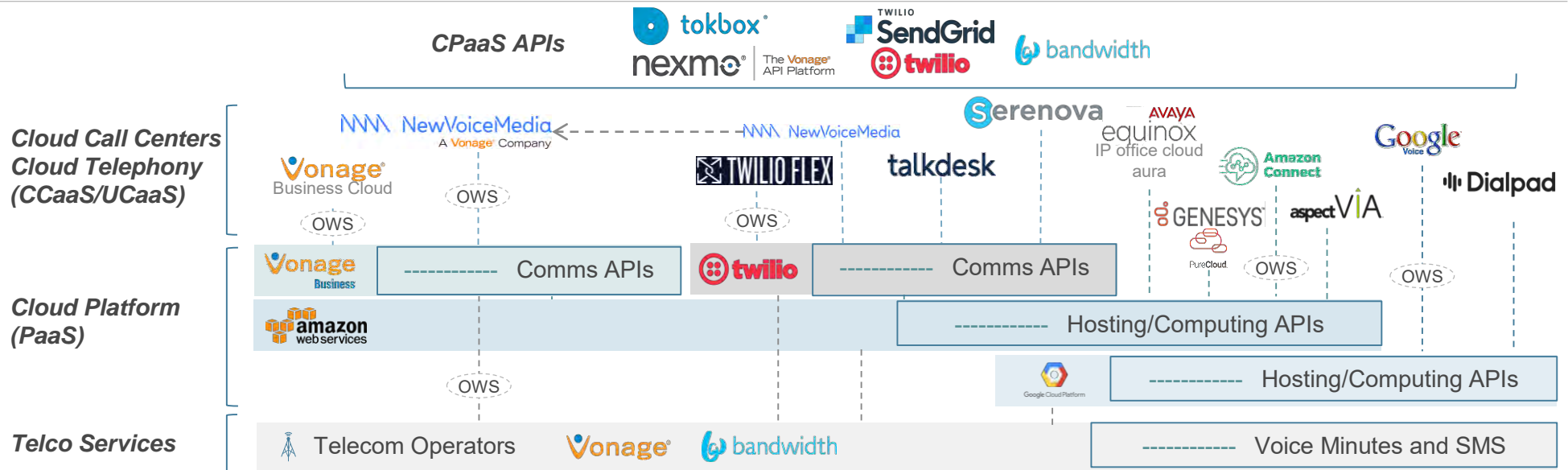
3. Growth of Programmable Communications and the API Economy

Abstracting the Network Layer

Providers seeking to deliver UCC as a service via APIs, abstracting the network

- APIs embedding voice/SMS/chat into applications
- Enable programmable communications that enhance the interaction between software apps and people
- Driven by developers (~20M in 2018), enabling land-and-expand strategy, strong retention rates
- SMS/voice usage and public switch telephone network (PSTN) termination fees curtailed by in-app IP-to-IP experience

The UCC Tech Stack



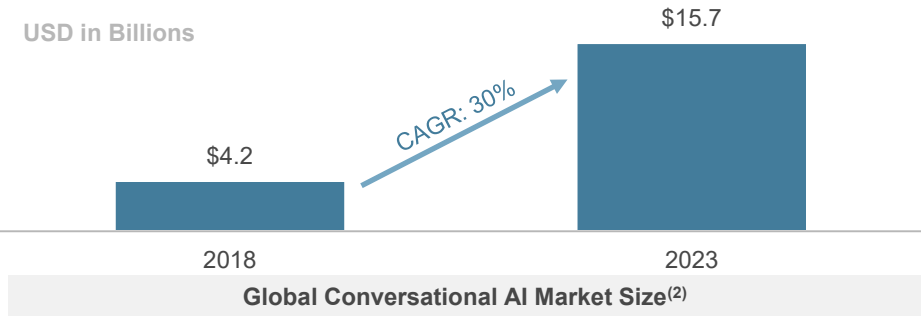
4. Voice as a User Interface (VUI) and Conversational AI

Optimizing Workplace Efficiency

- UCaaS providers will likely partner with larger internet companies (Google, Microsoft, Amazon, Apple) to leverage their personal assistants and apply that technology to business-focused personal assistants
- Chatbots' integration into messaging services
 - Effective in static information inquiries: pricing, hours, or product information
 - Used for high call volume incidents
 - Speeds up remediation and enables actionable insights

Digital Assistant Services on the Rise

- Cloud enables more dynamic integration with CRM/ERP/Business productivity applications and acts as a common layer where data can be aggregated and applied with AI
- AI drives new use cases and services, such as chatbots and NLP
- Key for AI/bots/CPaaS is having an engaged developer community that innovates on the platform to deliver new services








Source:
(1) Deloitte Digital, Chatbots Point of View
(2) Markets and Markets, Conversational AI Market

Drivers for Growing Demand for Chatbots⁽¹⁾

DEMAND	SUPPLY
Increasing Pressure on Contact Centers <ul style="list-style-type: none">■ High turnover rates■ Increased need for training■ Necessity for reducing operating cost	Technological Advances in AI and NLP <ul style="list-style-type: none">■ Chatbots are beyond keyword matching■ Advancements in NLP■ Increased processing speed■ Machine learning models and data
Rising Demand for Self-Service <ul style="list-style-type: none">■ Consumers expect 24/7, immediate support■ Customers are demanding self-service	Chatbot Platforms Maturing <ul style="list-style-type: none">■ Development platforms are maturing and becoming more user-friendly with the implementation of drag-and-drop interfaces



























Digital Assistant Solutions Offered by Key Players

	Spark Assistant: AI speech-enabled voice assistant for enterprise
	Partnering with AWS to integrate Alexa for business services
	Vee: virtual chatbot integrated with cloud-based UCaaS solution
	Autopilot: Conversational AI platform to build, train, and deploy AI chatbots, conversational IVRs, and Alexa skills using natural language understanding and machine learning
	Duplex technology offering NLV/NLP

5. Consolidation Via M&A

















UCC M&A Overview

- The UCC market has seen an uptick in M&A as legacy UCC vendors add cloud capabilities and cloud-based application vendors build out platforms
- Complete UCC bundles, integrated with CRM/ERP apps over the cloud, will become a requirement

Category	Rationale	Representative Players
1. Traditional Telecom Operators and MSPs	<ul style="list-style-type: none"> ■ Defensive move; gives entry into a fast-growing market ■ Differentiation of services relative to existing white-label services (such as  /  broadsoft) 	     
2. CRM and Customer Engagement Vendors	<ul style="list-style-type: none"> ■ Rounds up cloud services portfolio ■ Adds communications features into broad CRM/CX offering 	     
3. Cloud Infrastructure and Office Productivity Vendors	<ul style="list-style-type: none"> ■ Adds communication features into office productivity suite ■ Subscriber growth via fast-growing UCC applications leads to higher utilization of IaaS platform 	   
4. Legacy PBX/CC/UC Vendors	<ul style="list-style-type: none"> ■ UCaaS/CCaaS is cannibalistic to on-premises PBX and contact center—accelerates time to market 	       

UCC Consolidation Continues

Expect to see continued consolidation in the space, as the compounding effect of a broader platform strategy is increasingly apparent

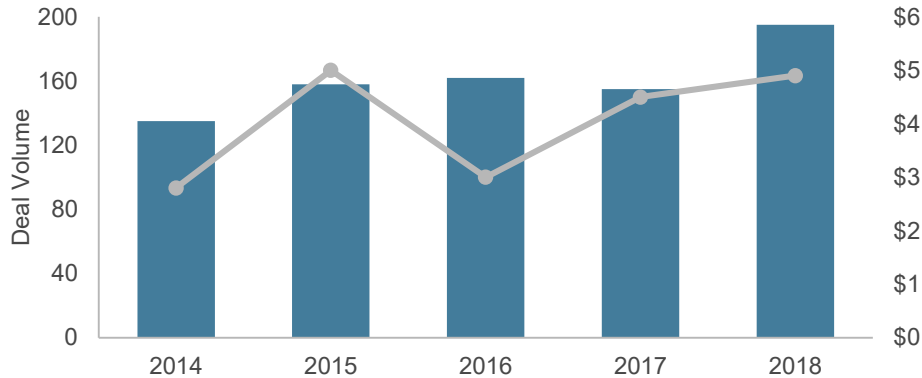
Acquirer	Target	Transaction Date	Enterprise Value (USD in Millions)	Revenue Multiple	Rationale
 CALABRIO	 TELEOPTI <small>www.teleopti.com</small>	06/03/2019	Undisclosed	NA	Contact center workforce management provider consolidation
 THOMABRAVO	 @mailgun	04/01/2019	Undisclosed	NA	PE Firm + Email API Developer
 twilio	 SendGrid	10/15/2018	\$1,832	12.5x	CPaaS + messaging/collaboration
 Vonage®	 NEWVOICEMEDIA	09/20/2018	\$340	5.5x	UCaaS + CPaaS and collaboration
 LogMeIn®	 JIVE	04/03/2018	\$342	4.3x	IT Management Software + UCaaS
 AVAYA	 Spoken	01/29/2018	\$158	NA	UCaaS provider + CCaaS
 CISCO™	 broadsoft	10/23/2017	\$1,917	5.3x	Integrated software provider + UCaaS
 Mitel	 ShoreTel	07/17/2017	\$530	1.2x	Contact center software consolidation

Significant Private Equity and Venture Capital Interest for UCC

Private Equity and Venture Capital Investment Summary⁽¹⁾

Investment in USD, Millions

■ PE & VC Deal Volume —●— Median Deal Size












Key Takeaways

Significant private equity and growth equity interest in the UCC space

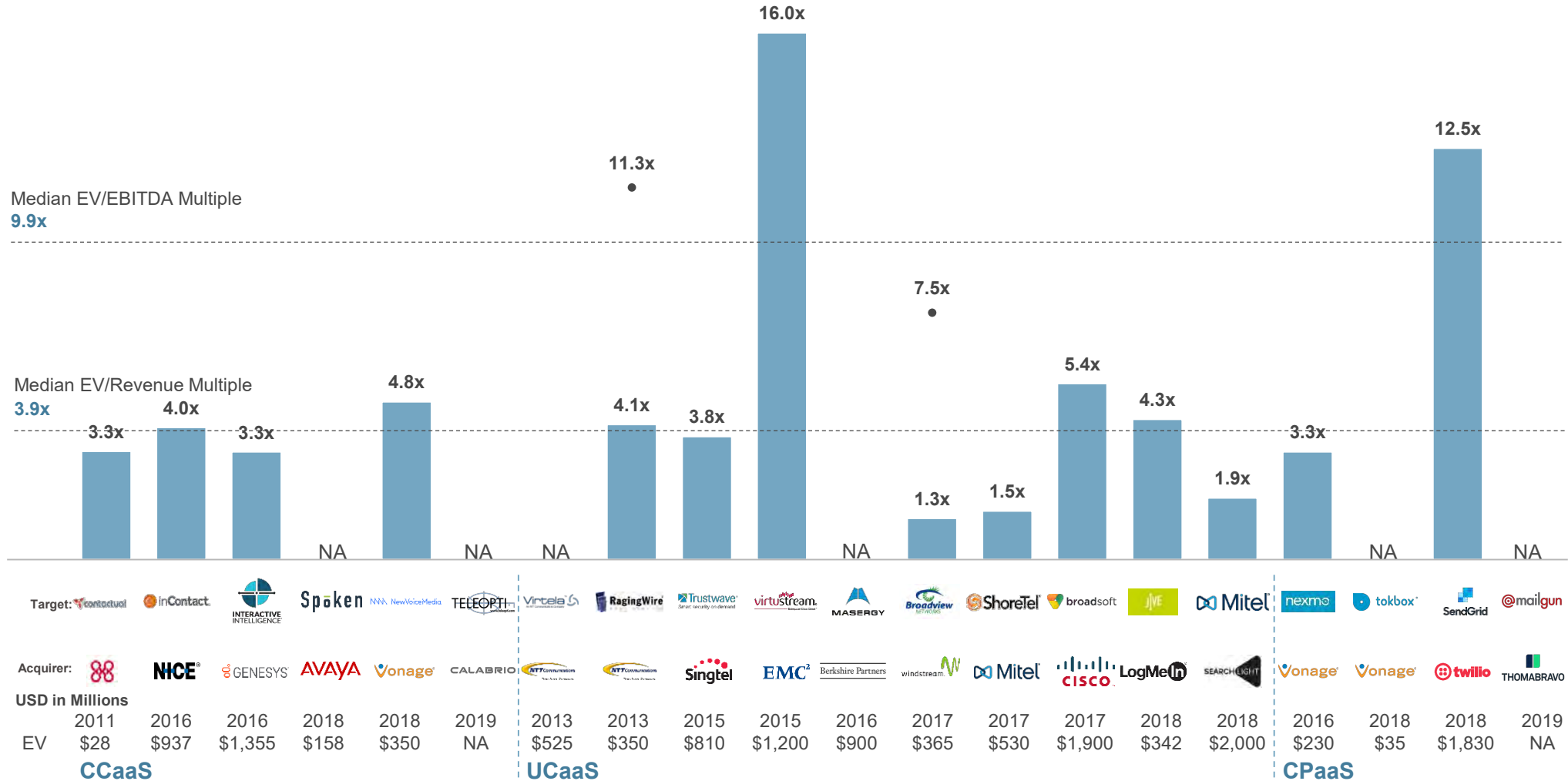
- Large, unpenetrated opportunity for UCC
- Opportunity to consolidate legacy UCC providers and transition their products to the cloud
- As UCC becomes increasingly integrated with CRM, ERP, and IT Service Management tools, opportunity to expand product sets and capture a greater part of the CRM, CX, and communications related profit pools

Representative PE/VC Transactions

Company	Acquirer/Investor	
 	Acquired by	
	Raises \$100M in VC funding from	
	Acquired by	
	Raises \$150M from	

Precedent M&A Transactions

— LTM Revenue Multiple • EV/EBITDA



Source: Capital IQ and 451 Research
"NA" LTM Revenue Multiple not publically disclosed

Recent M&A and IPO News Shaping the UCC Industry

M&A Related News

RingCentral

Acquires

Connect First

- Strategic expansion of workforce optimization and digital customer engagement solutions
- Response to contact centers' need to “blend outbound calling activity with customer call backs and communications over digital channels”

Dialpad

Acquires

TalkIQ

- TalkIQ's VoiceAI seamlessly fits into Dialpad's portfolio of solutions
- VoiceAI integration with existing products increases Dialpad's appeal to client facing teams looking to increase productivity

RingCentral

Acquires

dimelo

- Dimelo enables management of digital customer care channels on a single platform
- Maximizes clients' user experience by communicating through channels they prefer



Acquires

bonobo.ai

- Enhance ability in translating customer conversations into meaningful insights, powering sales, customer satisfaction, and retention



THOMABRAVO

Acquires

@mailgun

- Partnership will provide Mailgun the capital and operational expertise to facilitate growth and expand product offering

CALABRIO

Acquires

TELEOPTI

- Combining Teleopti's WFM software with Calabrio's customer experience solutions to develop a “market-leading, true multi-tenant SaaS customer experience intelligence platform”

IPO Related News

zoom

- IPO valuation of \$9B, but now valued at \$24B⁽¹⁾
- Combined with integrations into other enterprise productivity applications, Zoom is expanding its UCaaS product portfolio

slack

- Slack closed at a \$19.5B valuation on its IPO date ⁽²⁾
- Targeting enterprises, Slack is expanding its product functionality with Enterprise Grid, integration with legacy productivity tools, and Workflow Builder

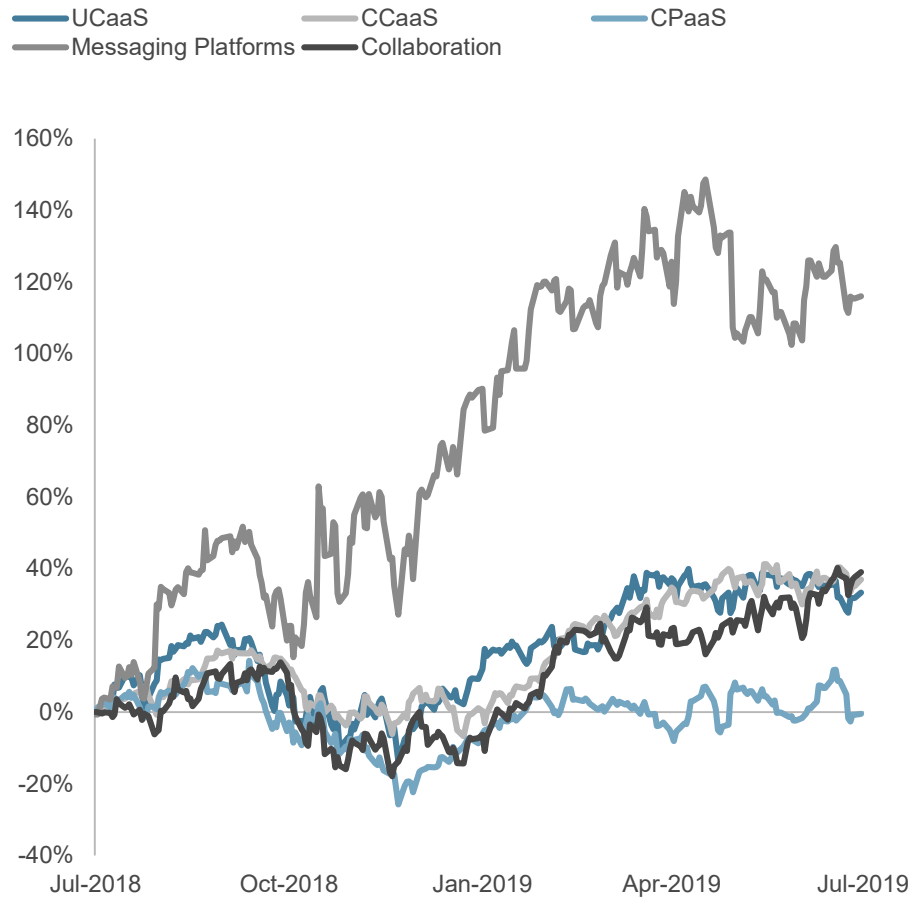
Source:

(1) CapitalIQ - Zoom valuation as of 6/28/2019

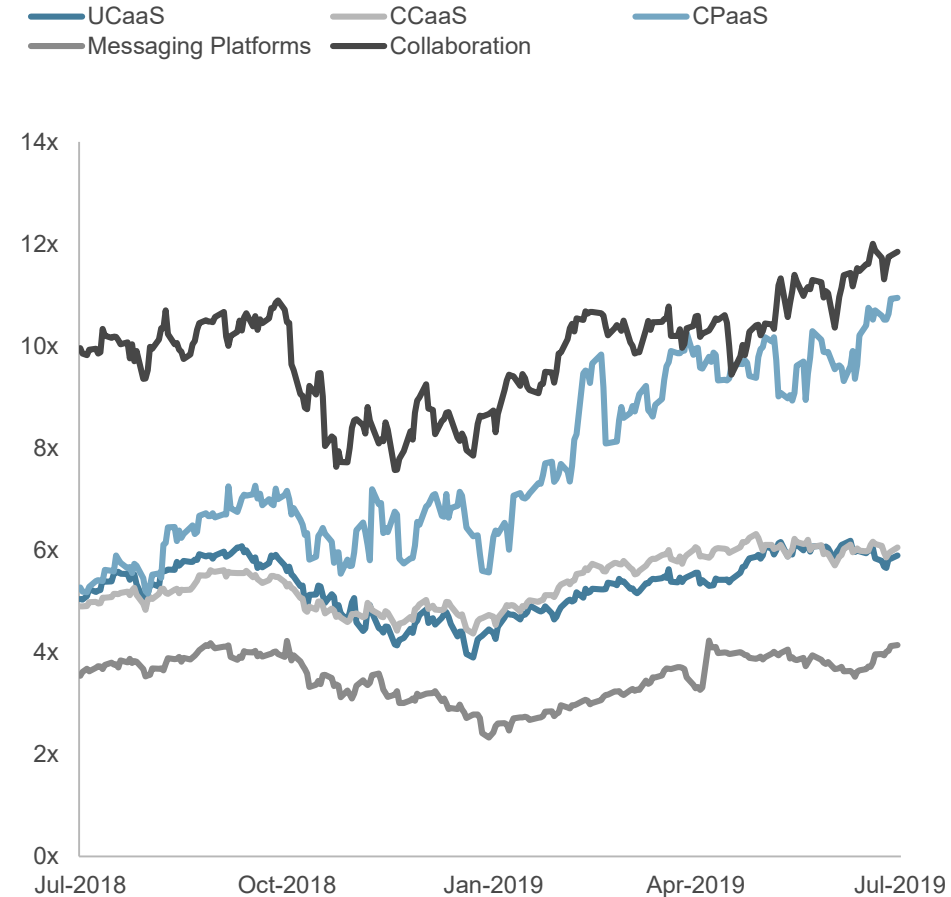
(2) CapitalIQ - Slack valuation on IPO (6/20/2019)

Public Market Performance of UCC Markets

LTM Stock Performance



NTM Revenue Multiples



Selected Companies:

UCaaS: RingCentral, Vonage, 8x8

Messaging: BlackBerry, Everbridge, Ribbon

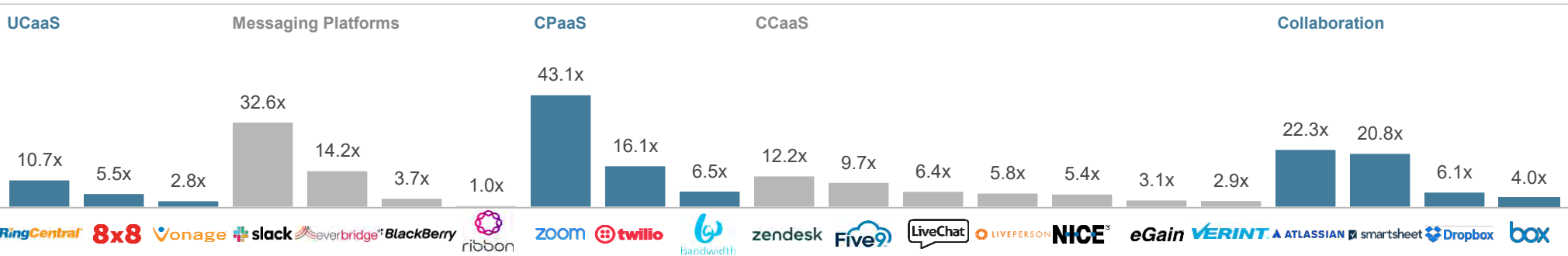
CPaaS: CLX, Twilio, Bandwidth

CCaaS: LiveChat, NICE, Five9, Verint, LivePerson, eGain, Zendesk

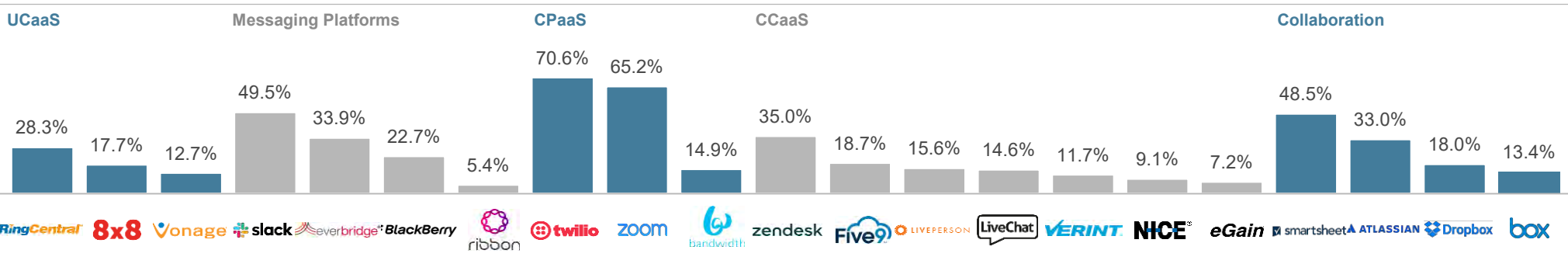
Collaboration: Atlassian, Box, Dropbox, Smartsheet

Public Communication and Collaboration Companies Have Performed Well

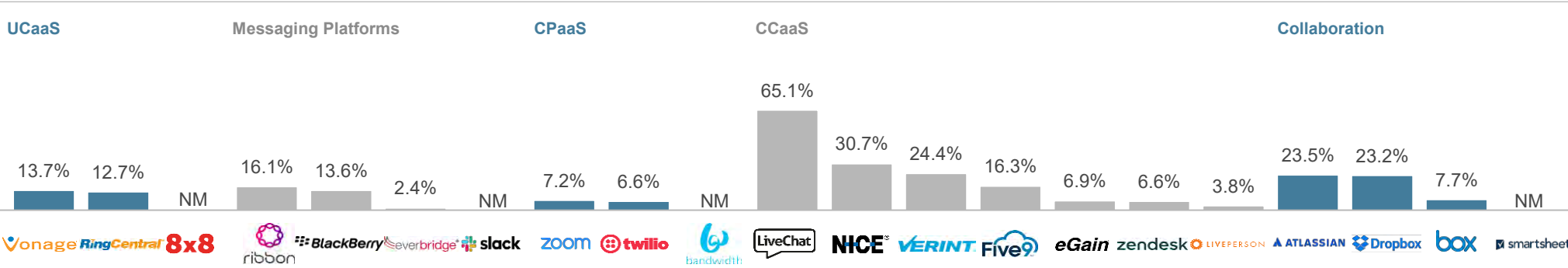
EV/2019E Revenue Multiple



2018-2019E Revenue Growth

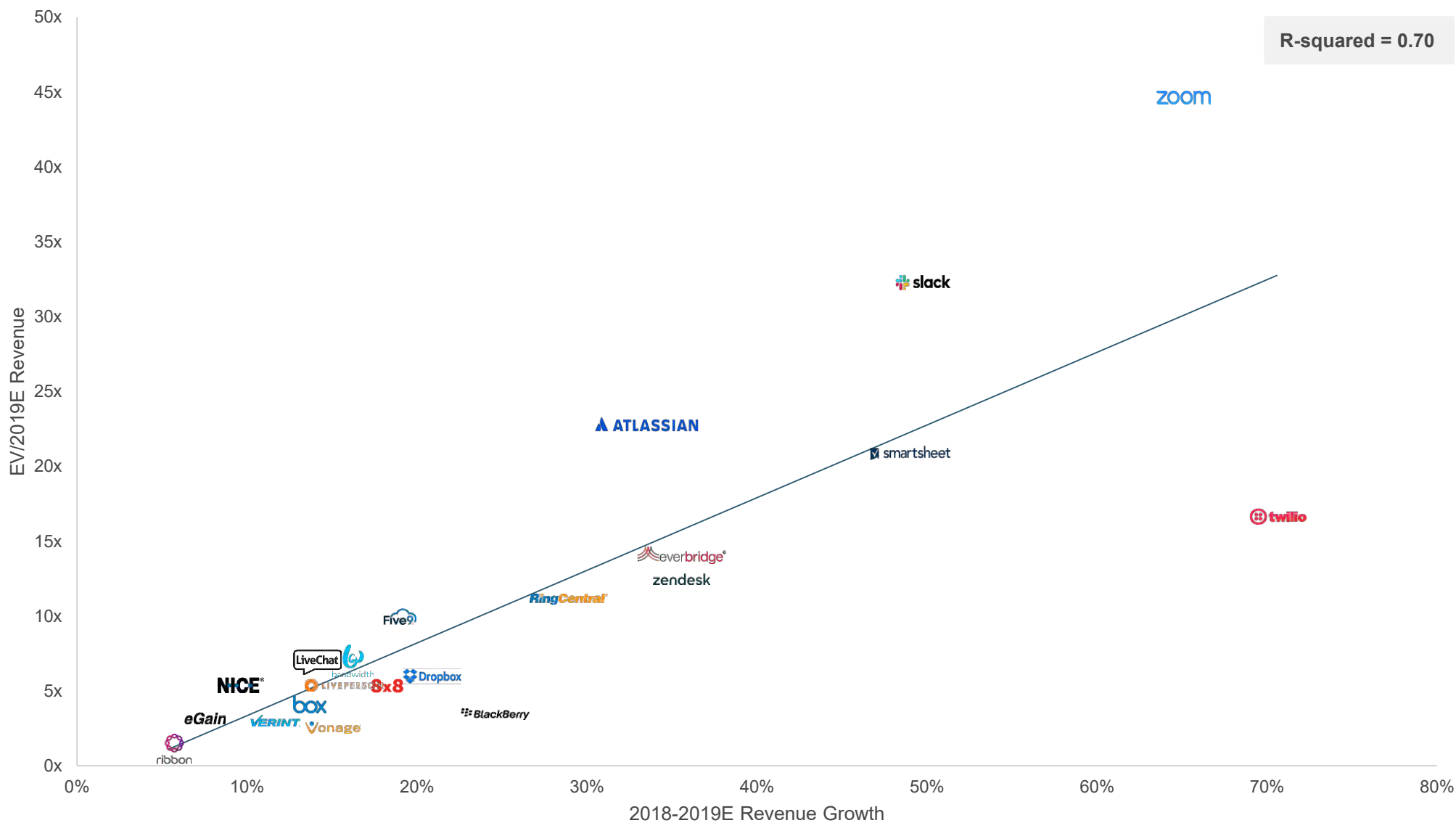


2019E EBITDA Margin



Sources: Capital IQ—Trading data as of 06/28/2019

UCC Valuations Are Highly Correlated to Revenue Growth



Appendix



Rob Louv

Co-Head and Managing Director

San Francisco

Qualifications

B.S.B.A.	University of Florida
MBA	Vanderbilt University
PAST	ArchPoint Partners
	Montgomery & Co.
	J.P. Morgan Securities
	SunTrust

Mr. Louv is a Managing Director and Co-Head of Houlihan Lokey's Technology, Media & Telecom (TMT) Group. He has an extensive background in TMT investment banking, with more than 200 announced transactions, representing nearly \$200 billion in aggregate consideration. Mr. Louv advises companies in a broad range of technology domains, including technology-enabled services, SaaS, data services, cloud computing, vertical application solutions, human capital management, enterprise software, supply chain, mobility, business intelligence/analytics, infrastructure software, and financial technology.

Before joining Houlihan Lokey, Mr. Louv was Co-Founder of ArchPoint Partners which he sold to Houlihan Lokey in 2014.

Prior to co-founding ArchPoint Partners, Mr. Louv was a Managing Director and Co-Head of Technology Banking at Montgomery & Co., where he also served on the Board of Directors.

Before joining Montgomery & Co., Mr. Louv was a Vice President with J.P. Morgan leading the firm's West Coast mergers and acquisitions efforts in the technology sector.

Prior to attending graduate school, Mr. Louv worked for SunTrust as an Assistant Vice President, executing leveraged loans and providing financial advisory services.



Vik Pandit

Director

New York

Qualifications

B.S.	College of Engineering, Pune
M.S.	Ohio State University
MBA	University of Virginia
PAST	J.P. Morgan Securities
	Nimaya
	MicroStrategy

Mr. Pandit is a member of Houlihan Lokey's Technology•Media•Telecom Group. He has an extensive background in TMT investment banking, with more than 50 announced transactions, representing over \$100 billion in aggregate consideration. Over his career in investment banking, Mr. Pandit has advised CEOs, CFOs, and boards of directors on strategic and capital markets alternatives. Mr. Pandit focuses on the cloud services, data analytics, and infrastructure software sectors.

Prior to joining Houlihan Lokey, Mr. Pandit was a Director in J.P. Morgan's TMT Investment Banking group, which he joined in 2009. Prior to J.P. Morgan, he worked in business development and product management at Nimaya Inc., an enterprise cloud analytics provider. Mr. Pandit was instrumental in several rounds of fundraising for Nimaya, and in designing and deploying Nimaya's real-time, cloud-based analytics software.

Before joining Nimaya, Mr. Pandit worked at MicroStrategy, a provider of business intelligence, mobile software, and cloud-based services.

Mr. Pandit holds a B.S. in Engineering from the College of Engineering, Pune, an M.S. in Engineering from Ohio State University, and an MBA from the University of Virginia's Darden School of Business.

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the trusted advisor
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decision-makers
than any other
independent global
investment bank.

1,300+ Employees
24 Offices Globally
~\$1 Billion of Revenue
\$3.0 Billion Market Cap

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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

No. 1 U.S. M&A Advisor

Top 10 Global M&A Advisor

Leading Capital Markets Advisor

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 Global M&A Fairness Opinion
Advisor Over the Past 20 Years

1,000+ Annual Valuation Engagements

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

No. 1 Global Restructuring Advisor

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

TMT

2014-2018 M&A Advisory Rankings U.S. Technology, Media, Entertainment & Telecommunications Transactions Under \$1 Billion		
	Advisor	Deals
1	Houlihan Lokey	171
2	Morgan Stanley	138
3	Goldman Sachs & Co	131
4*	Evercore Partners	115
4*	Moelis & Co	115

Source: Thomson Reuters
* Denotes tie

No. 1 U.S. TMET Practice under \$1
Billion

170+ Completed Transactions
Since 2014

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