

# Technology, Media & Telecom

eCommerce Sector Review | Q2 2020



# HW eCommerce Introduction

## HARRIS WILLIAMS (“HW”)

- **25+** years and more than 1,000 closed transactions
- **350+** professionals across eight office globally
- **170+** closed transactions in the last 24 months
- **10** industry groups

## FOCUSED ADVISORY SERVICES

- Mergers and acquisitions (M&A)
- Capital raises
- Corporate divestitures

## CONSISTENT RECOGNITION FOR QUALITY



## HW TECHNOLOGY, MEDIA & TELECOM (“TMT”) GROUP

- 35+ dedicated TMT professionals
- TMT offices include Boston, San Francisco, and London

## KEY TMT THEMES

- ✓ SaaS / Cloud
- ✓ Data & Analytics
- ✓ Digital Transformation
- ✓ A.I. / Machine Learning

## HORIZONTAL FOCUS SECTORS

- Application Software
- Cloud Managed Services and Hosting Solutions
- Compliance Solutions
- CRM and Marketing Automation
- Human Capital Management
- Infrastructure and Security Software
- IT and Tech-Enabled Services
- Marketing, Research, and Insights Software

## VERTICAL FOCUS SECTORS

- Architecture, Engineering, and Construction Software
- Education Technology and Services
- Energy Technology
- Facilities and Real Estate Software
- Financial Technology and Payments
- Government Technology
- Healthcare IT
- Industrial and Supply Chain Technology
- **Internet and eCommerce**
- Retail Technology

## HW ECOMMERCE TEAM

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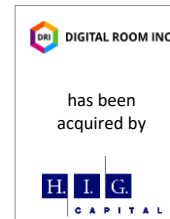
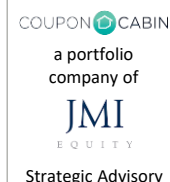
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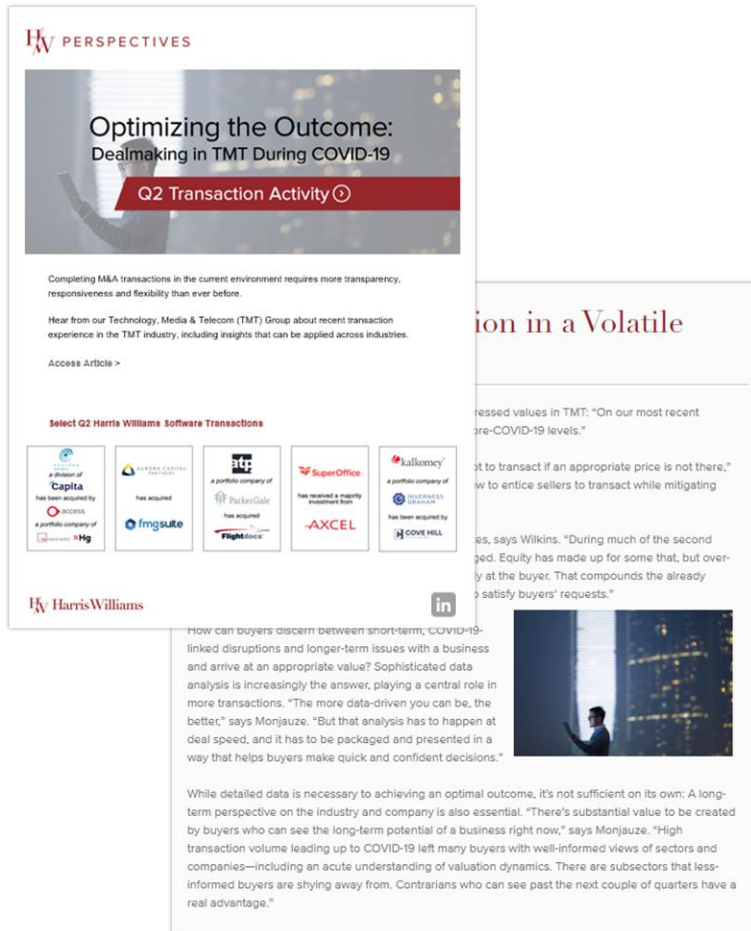
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**SELECT HW  
ECOMMERCE  
EXPERIENCE**



# HW Current Market Observations and Insights

## HW TECHNOLOGY, MEDIA AND TELECOM MID-YEAR REVIEW



**Optimizing the Outcome: Dealmaking in TMT During COVID-19**  
Q2 Transaction Activity

Completing M&A transactions in the current environment requires more transparency, responsiveness and flexibility than ever before.

Hear from our Technology, Media & Telecom (TMT) Group about recent transaction experience in the TMT industry, including insights that can be applied across industries.

Access Article >

**Select Q2 Harris Williams Software Transactions**

- Capita has been acquired by ACCESS
- SuperOffice has received a majority investment from AXCEL
- FlightDance has been acquired by COVE HILL

**Correlation in a Volatile**

expressed values in TMT: "On our most recent pre-COVID-19 levels."

to transact if an appropriate price is not there," to entice sellers to transact while mitigating

es, says Wilkins. "During much of the second aged. Equity has made up for some that, but over ly at the buyer. That compounds the already to satisfy buyers' requests."

How can buyers discern between short-term, COVID-19-linked disruptions and longer-term issues with a business and arrive at an appropriate value? Sophisticated data analysis is increasingly the answer, playing a central role in more transactions. "The more data-driven you can be, the better," says Monjaue. "But that analysis has to happen at deal speed, and it has to be packaged and presented in a way that helps buyers make quick and confident decisions."

While detailed data is necessary to achieving an optimal outcome, it's not sufficient on its own: A long-term perspective on the industry and company is also essential. "There's substantial value to be created by buyers who can see the long-term potential of a business right now," says Monjaue. "High transaction volume leading up to COVID-19 left many buyers with well-informed views of sectors and companies—including an acute understanding of valuation dynamics. There are subsectors that less-informed buyers are shying away from. Contrarians who can see past the next couple of quarters have a real advantage."

For access to HW's **Optimizing the Outcome: Dealmaking in TMT During COVID-19**, visit [link](#)

## LATEST HW MARKET INSIGHTS



For access to HW's latest insights and perspective, email us at [insights@harriswilliams.com](mailto:insights@harriswilliams.com) or visit [www.harriswilliams.com/news-insights](http://www.harriswilliams.com/news-insights)



**M&A Learnings from Past Economic Disruptions**

Key Takeaways

- During most economic disruptions, M&A activity has started to decline in advance of the downturn, driven in part by the cycle-linked nature of M&A activity and the impact of economic conditions on M&A activity.
- The usual and not-so-usual end of the M&A market has generally shown lower volatility during economic disruptions than the market had expected.
- M&A transactions executed during the early phases of recovery have generated some of the market's best returns.

**Correlation between GDP and M&A**

As shown in Figure 1, over the past two decades M&A activity has mirrored the business cycle, showing an economy leading indicator pattern, and then rebounding sharply during the recovery. While this correlation between M&A activity and GDP has not been a consistent feature of the M&A market since 2000, the broad recovery of 2000 versus some emerging economies.

Figure 1: Basic GDP Growth vs. Net of US M&A Transactions

Source: Bureau of Economic Analysis, M&A Transactions, and US GDP data compiled by Harris Williams and the M&A Market Group, published in the M&A Market Group's M&A Market Report (2020) and (2021).

Wang notes that China's massive, military-style nationwide shutdown and self-isolation appear to be

### Recent Publications:

COVID - 19: Consumer Insights, New Normal Trends, & Investment Implications

M&A Learnings from Past Economic Disruptions

The Impact of 5G on Telecom

## Deep Sector Expertise Across Key TMT Focus Areas



- Architecture, Engineering, and Construction
- Education Technology and Services
- Financial Technology and Payments
- Healthcare IT
- Industrial Software
- ...and more

For access to HW's TMT content, email us at [TMT\\_Insights@harriswilliams.com](mailto:TMT_Insights@harriswilliams.com)

# Harris Williams eCommerce Focus Areas

## ECOMMERCE BRANDS AND RETAILERS



Internet-based brands and retailers that interact with their customers primarily through mobile or desktop devices

DIRECT-TO-CONSUMER ("D2C")

DIGITALLY NATIVE BRANDS

ONLINE MARKETPLACES

SUBSCRIPTION-BASED SERVICES

B2B ECOMMERCE

GIG ECONOMY MARKETPLACES

MOBILE / LOCAL ECOMMERCE

MARKETPLACE OPTIMIZATION

Select Market Participants



### Key Trends

- Ongoing shift from brick-and-mortar retail to eCommerce is expected to accelerate due to COVID-19, perhaps resulting in permanent consumer behavior changes
- Personalization and customer experience are key to differentiating digitally native vertical brands and D2C models and driving repeat conversion
- Leading niche marketplaces that facilitate and accelerate transition from offline to online are well positioned relative to large incumbents

## ECOMMERCE ENABLEMENT SOFTWARE



SaaS- or usage-based software solutions that support eCommerce businesses, driving conversion and sales for merchants and a best-in-class experience for shoppers

WEBSITE DESIGN & HOSTING

MARKETING AUTOMATION & ENGAGEMENT

CUSTOMER ENGAGEMENT

DIGITAL EXPERIENCE & PERSONALIZATION

PAYMENT & CHECKOUT

ORDER FULFILLMENT & DELIVERY

LOYALTY & REWARDS

BUSINESS DATA & ANALYTICS

Select Market Participants



### Key Trends

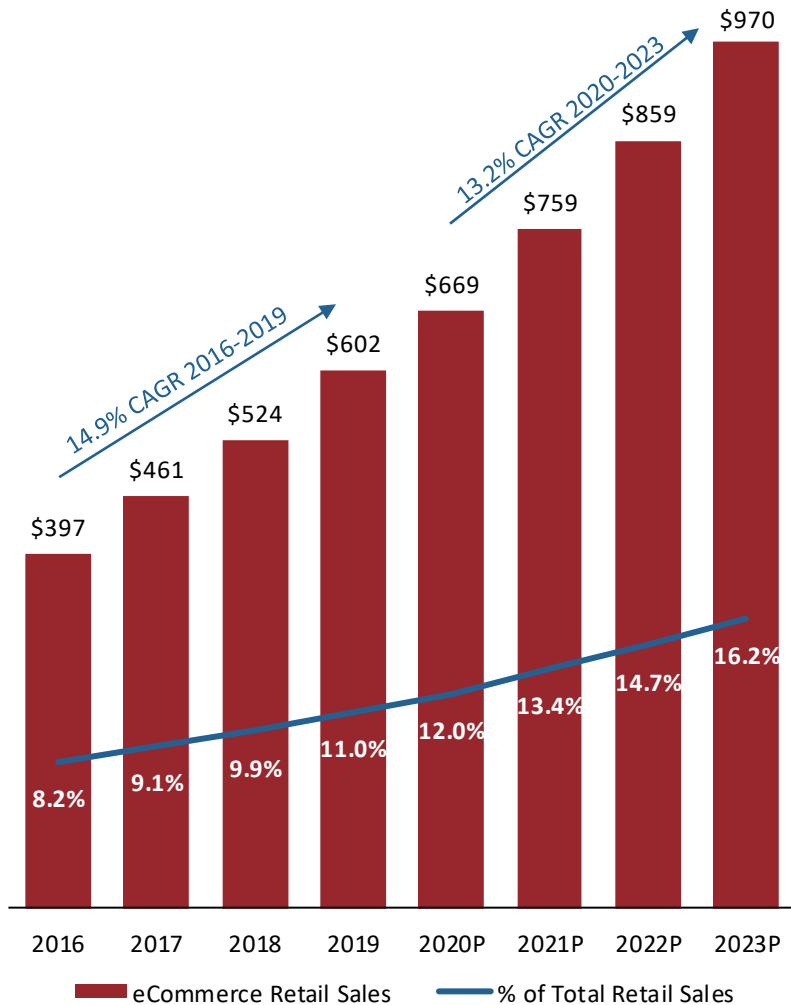
- Increasing competition requires software and tools that allow eCommerce businesses to differentiate every step of the customer journey
- Integration of data-driven solutions addressing customer acquisition through fulfillment allows SMBs to effectively compete with much larger competitors
- Software that personalizes and refines the shopping experience helps to create a foundation of repeat customers, maximizing customer lifetime value and delivering a meaningful ROI to the business

# Long-term, sustainable market tailwinds driving favorable shift for eCommerce<sup>1,2</sup>

## TREMENDOUS GROWTH IN ECOMMERCE...

(\$ in billions)

U.S. Annual Retail eCommerce Sales\*



- eCommerce sales growth is significantly outpacing brick-and-mortar growth, resulting in growing share of retail sales
- eCommerce sales growth is expected to continue as more consumers (B2C and B2B) shift their habits and mobile internet access becomes more ubiquitous

## ...SUPPORTED BY HIGHLY FAVORABLE LONG-TERM TRENDS.



Mobile

**60%+**

Percentage of Online Time Spent on Mobile Devices



Young

**~80%**

Percentage of Internet Users Under 44 who Shopped Online in the Past Year



Spending

**10%+**

Average Amount Spent Annually Online 2009 – 2019 CAGR

- Dramatic increase in data-enabled device usage enables brands to better engage with customers at the most likely time to transact
- Adoption of eCommerce is accelerating among the most attractive consumer demographics
- Average order values (AOVs) and gross merchandise values (GMVs) are increasing as trust in eCommerce platforms grows and loyalty/cashback discounts increase value to/buying power of the consumer

## KEYS TO CAPTURING SHARE

- Data-driven, efficient customer acquisition
- Best-in-class, seamless user experience across mobile and desktop platforms
- Personalization capabilities that drive engagement and conversion
- Frictionless experience at every step of customer journey (shopping, payments, fulfillment, reverse logistics, etc.)
- Content, community, and rewards, all of which drive loyalty and LTV
- Scalable, integrated software solutions that support and drive growth



# Notable 2Q 2020 eCommerce Transactions<sup>4,5</sup>

*Announced: June 25, 2020*



## Hearst Autos' Acquisition of Bring a Trailer

- Bring a Trailer provides a digital auction platform and auto enthusiast community
- Bring a Trailer curates classic, collector, and enthusiast vehicles submitted by its audience for auction, and has an active community of more than 415,000 users and 175,000 registered bidders
- Hearst Autos will expand and support Bring a Trailer's offerings, community, and transactions through investments in robust technology and new products and features

*Closed: June 22, 2020*



## Canva raises \$60M at a \$6B valuation

Round Amount: \$60M

Total Raised: \$302M

- Canva provides a graphic designing platform enabling users to design blog graphics, presentations, flyers, posters, and invitations
- The company is growing 100% year over year in both revenue and users, with 30 million monthly active users across 190 countries
- Canva's tools are meant to simplify the design process for folks who don't work in the design department, whether it's the sales team putting together sales materials, marketers working on content, or other departments working on internal materials to send to the broader organization
- The company plans on using the funding to grow the company, make a push into collaboration, and continue making acquisitions

*Announced: June 10, 2020*



Enterprise Value: \$7.5B

EV / Revenue: 5.6x

## Just Eat Takeaway's Acquisition of Grubhub

- Grubhub operates as an online and mobile food-ordering company, connecting diners with local takeout restaurants in the U.S. and London
- Expected to close in the first quarter of 2021, the deal will combine two of the top food delivery services in the world
- The combined operation, which processed 593 million orders in 2019, will have over 70 million combined active customers globally
- Matt Maloney, CEO and founder of Grubhub, will join the Just Eat Takeaway.com management board and will lead the combined group's businesses across North America

*Closed: May 20, 2020*



Round Amount: \$72M

Total Raised: \$84M

## Insight Partner's Investment in Imperfect Foods

- Imperfect Foods provides grocery delivery services to homes and offices, with a mission to eliminate food waste and build a better food system for everyone
- The company serves over 300,000 customers in over 38 states
- The funding will fuel continued expansion of the grocery delivery service across the country, increase capacity in new and existing fulfillment centers, expand assortment, and enhance technology to better connect producers, farmers, and customers

*Announced: May 19, 2020*



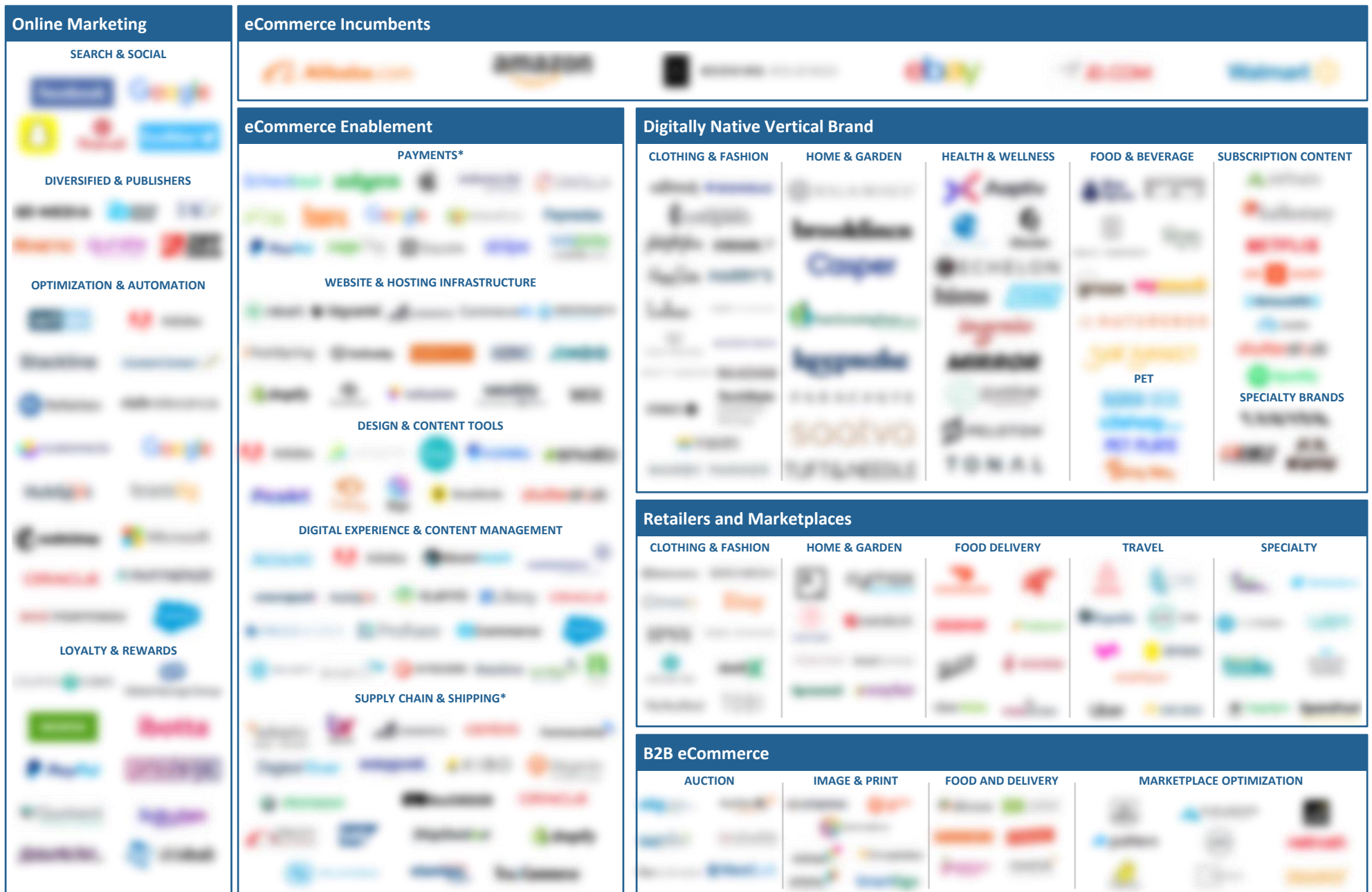
## Providence Strategic Growth's Investment in Assembly

- Assembly invests, builds, and partners with e-commerce software & services that help sellers more effectively run their businesses
- Assembly intends to use the capital to build and acquire e-commerce software and services, including its most recent acquisition of Helium 10, a world-class software solution that empowers Amazon merchants to expand and optimize their businesses
- As the e-commerce sector continues to grow and consumer spending increasingly shifts online, Assembly is well positioned to continue equipping merchants with the technology they need to succeed

# eCommerce Landscape

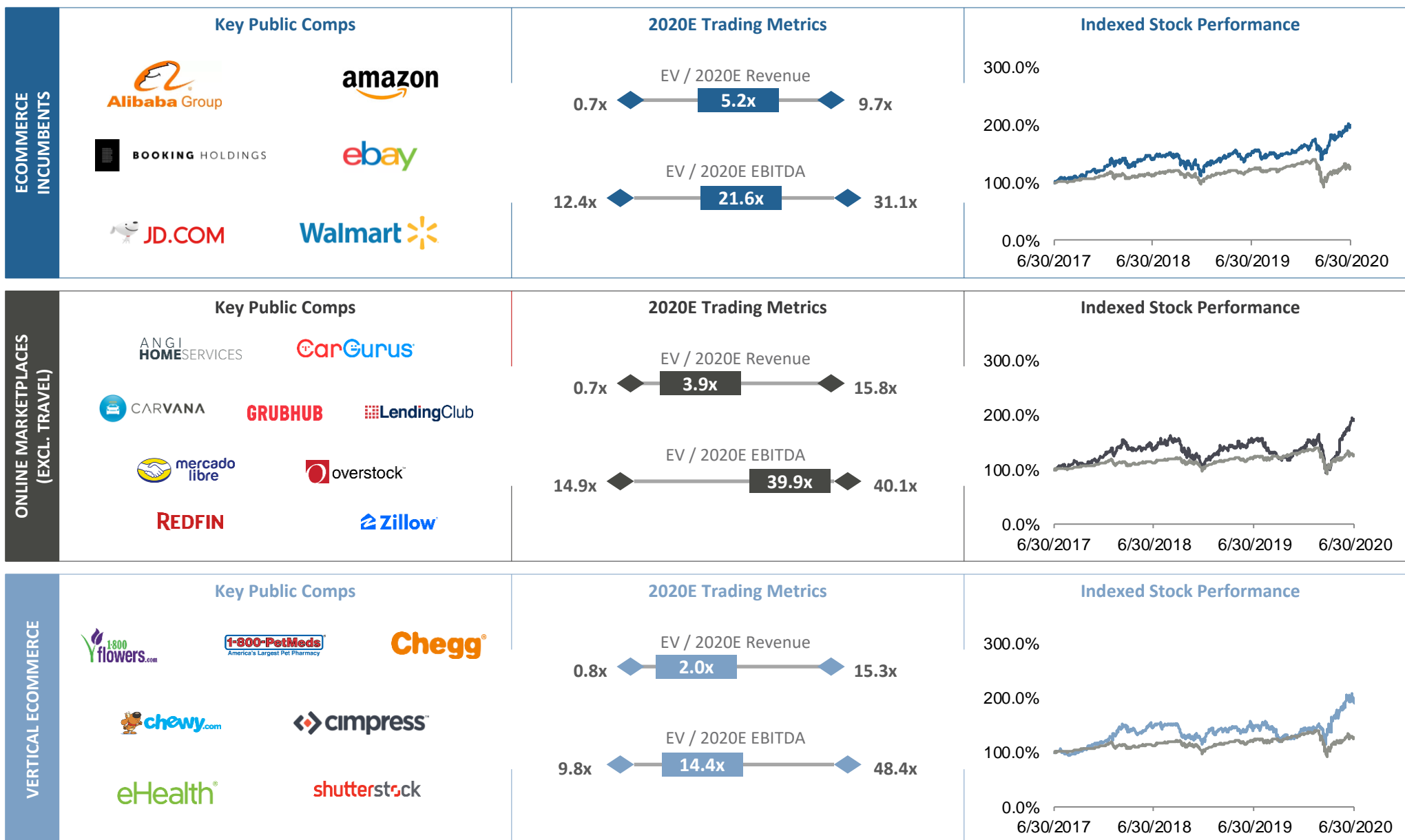
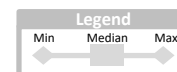
## Select Participants in the eCommerce Continuum

To receive the latest **eCommerce** market map, please contact HW at [tmt\\_reader@harriswilliams.com](mailto:tmt_reader@harriswilliams.com)



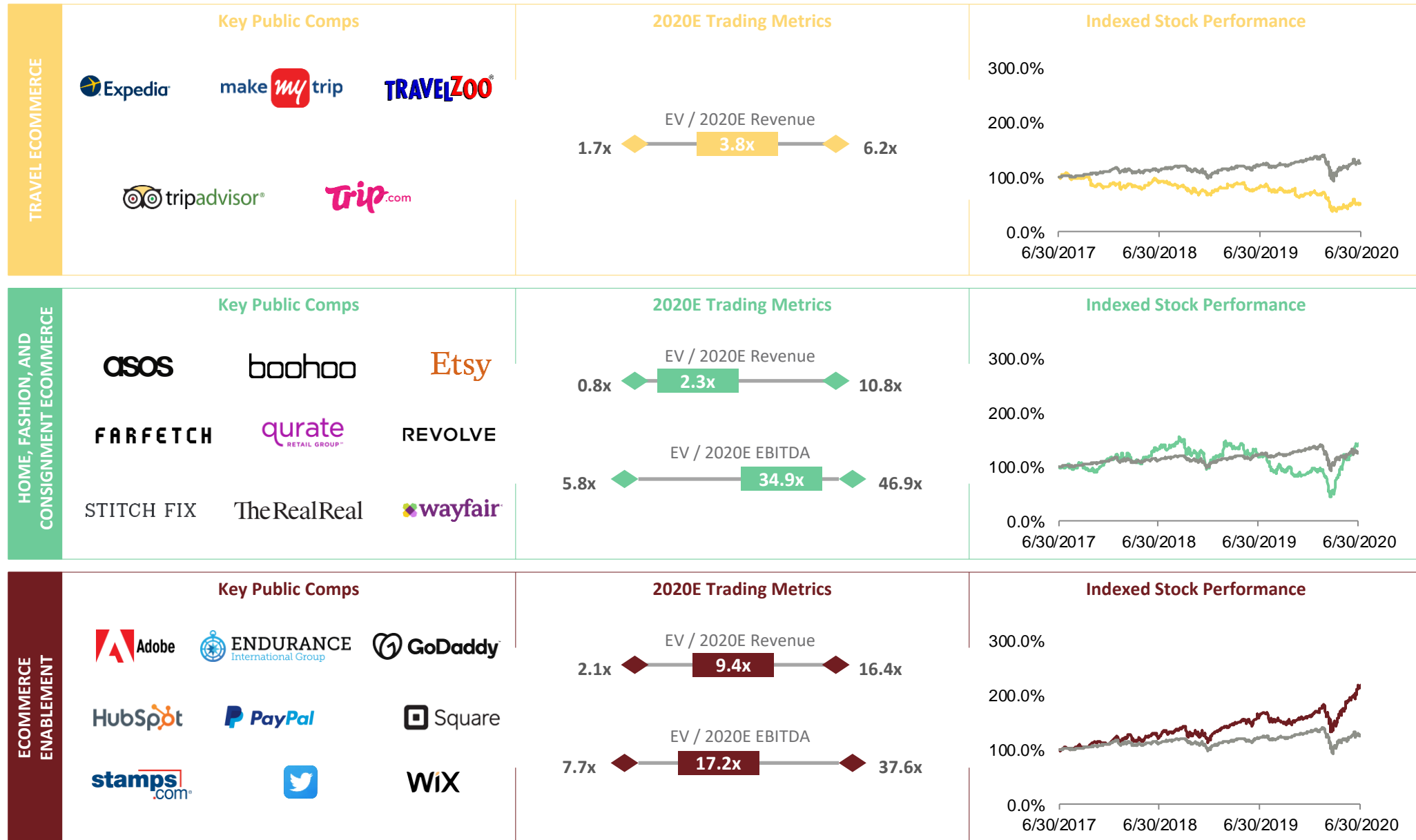
\* Select market participants. Visit our website or submit email to [TMT\\_Reader@harriswilliams.com](mailto:TMT_Reader@harriswilliams.com) for access to HW's Financial Technology Sector and Supply Chain Management Sector Readers.

# eCommerce Public Market Observations<sup>4</sup>





# eCommerce Public Market Observations (Cont.)<sup>4</sup>



# Public Comparables Analysis

Company	Valuation		Financial Profile				Valuation Multiples			
	Enterprise Value	Market Capitalization	Revenue CY2020E	EBITDA CY2020E	Rev. Growth CY2020E	EBITDA Margin CY2020E	EV/Revenue LTM	EV/Revenue NTM	EV/EBITDA LTM	EV/EBITDA NTM
eCommerce Incumbents										
Amazon.com, Inc.	\$1,404,892	\$1,376,033	\$346,886	\$44,800	24.2%	12.9%	4.7x	3.9x	38.7x	29.1x
Alibaba Group Holding Limited	564,655	578,885	88,319	26,266	27.0%	29.7%	7.8x	6.0x	29.2x	20.2x
Walmart Inc.	406,738	339,211	543,741	32,829	4.3%	6.0%	0.8x	0.8x	11.9x	12.2x
JD.com, Inc.	89,975	92,725	NA	NA	NA	NA	1.1x	0.8x	NM	28.7x
Booking Holdings Inc.	67,201	65,176	6,859	1,046	(54.3%)	15.3%	4.6x	9.8x	12.4x	NM
<b>Median</b>	<b>\$406,738</b>	<b>\$339,211</b>	<b>\$217,602</b>	<b>\$29,548</b>	<b>14.3%</b>	<b>14.1%</b>	<b>4.6x</b>	<b>3.9x</b>	<b>20.8x</b>	<b>24.5x</b>
Online Marketplaces (excl. travel)										
MercadoLibre, Inc.	\$47,950	\$49,003	\$3,029	(\$35)	32.7%	NM	19.4x	14.9x	NM	NM
Zillow Group, Inc.	12,437	12,719	3,400	(94)	30.1%	NM	3.6x	3.7x	NM	NM
Carvana Co.	10,069	8,313	5,077	(357)	28.6%	NM	2.4x	1.8x	NM	NM
Grubhub Inc.	6,680	6,484	1,549	67	19.5%	4.3%	4.9x	4.2x	NM	88.0x
ANGI Homeservices Inc.	5,908	6,016	1,403	148	5.5%	10.6%	4.3x	4.1x	36.5x	36.5x
Redfin Corporation	4,106	4,155	812	(47)	6.3%	NM	4.8x	4.9x	NM	NM
CarGurus, Inc.	2,778	2,856	513	70	(12.3%)	13.6%	4.5x	5.4x	56.8x	43.4x
Overstock.com, Inc.	1,137	1,148	1,744	(37)	20.7%	NM	0.8x	0.6x	NM	NM
LendingClub Corporation	946	318	335	(21)	(56.5%)	NM	1.4x	2.8x	NM	47.1x
<b>Median</b>	<b>\$5,908</b>	<b>\$6,016</b>	<b>\$1,549</b>	<b>(\$35)</b>	<b>19.5%</b>	<b>10.6%</b>	<b>4.3x</b>	<b>4.1x</b>	<b>46.7x</b>	<b>45.2x</b>
Vertical eCommerce										
Chew y, Inc.	\$17,998	\$17,946	\$6,636	\$4	37.1%	0.1%	3.4x	2.6x	NM	NM
Chegg, Inc.	8,484	8,316	553	175	35.4%	31.7%	19.1x	14.6x	NM	45.3x
Cimpress plc	3,687	1,976	2,183	312	(22.3%)	14.3%	1.4x	1.7x	10.2x	11.3x
eHealth, Inc.	2,345	2,516	639	138	42.0%	21.6%	4.3x	3.6x	21.8x	16.6x
1-800-FLOWERS.COM, Inc.	1,222	1,287	1,543	125	18.2%	8.1%	0.9x	0.8x	14.0x	9.7x
Shutterstock, Inc.	996	1,246	627	89	(4.3%)	14.3%	1.5x	1.6x	25.2x	10.8x
PetMed Express, Inc.	625	712	307	36	11.2%	11.6%	2.1x	2.1x	17.1x	17.2x
<b>Median</b>	<b>\$2,345</b>	<b>\$1,976</b>	<b>\$639</b>	<b>\$125</b>	<b>18.2%</b>	<b>14.3%</b>	<b>2.1x</b>	<b>2.1x</b>	<b>17.1x</b>	<b>13.9x</b>

Source: CapIQ.

Note: "NM", or "not meaningful", represents negative multiples, EV/Revenue multiples greater than 20x, and EV/EBITDA multiples greater than 50x.

# Public Comparables Analysis (Cont.)

Company	Valuation		Financial Profile				Valuation Multiples			
	Enterprise Value	Market Capitalization	Revenue CY2020E	EBITDA CY2020E	Rev. Growth CY2020E	EBITDA Margin CY2020E	EV/Revenue LTM	EV/Revenue NTM	EV/EBITDA LTM	EV/EBITDA NTM
Travel eCommerce										
Trip.com Group Limited	\$17,889	\$15,252	\$2,888	(\$33)	(43.3%)	NM	3.9x	5.4x	33.6x	NM
Expedia Group, Inc.	16,338	11,589	5,963	7	(50.7%)	0.1%	1.4x	2.9x	15.3x	NM
TripAdvisor, Inc.	2,478	2,551	660	(68)	(57.7%)	NM	1.7x	4.2x	12.8x	NM
MakeMyTrip Limited	1,440	1,578	372	(48)	(49.9%)	NM	2.8x	4.3x	NM	NM
Travelzoo	84	64	49	(6)	(56.9%)	NM	0.8x	1.8x	45.2x	NM
<b>Median</b>	<b>\$2,478</b>	<b>\$2,551</b>	<b>\$660</b>	<b>(\$33)</b>	<b>(50.7%)</b>	<b>0.1%</b>	<b>1.7x</b>	<b>4.2x</b>	<b>24.5x</b>	<b>NA</b>
Home, Fashion, and Consignment eCommerce										
Wayfair Inc.	\$20,321	\$18,701	\$12,559	\$24	37.7%	0.2%	2.1x	1.5x	NM	NM
Etsy, Inc.	12,657	12,607	1,173	270	44.4%	23.0%	14.4x	10.2x	NM	43.9x
Qurate Retail, Inc.	10,578	3,959	13,186	1,830	(1.9%)	13.9%	0.8x	0.8x	5.9x	5.7x
Farfetch Limited	5,889	5,865	1,375	(106)	40.8%	NM	5.0x	4.0x	NM	NM
boohoo group plc	5,655	5,920	1,931	184	50.1%	9.6%	3.6x	2.8x	41.2x	29.4x
ASOS Plc	4,838	4,217	3,741	130	8.4%	3.5%	1.3x	1.2x	32.8x	22.7x
Stitch Fix, Inc.	2,483	2,559	1,789	(54)	2.9%	NM	1.5x	1.3x	NM	NM
Revolve Group, Inc.	957	1,031	558	26	(7.8%)	4.6%	1.6x	1.6x	19.0x	29.0x
<b>Median</b>	<b>\$5,772</b>	<b>\$5,041</b>	<b>\$1,860</b>	<b>\$78</b>	<b>23.0%</b>	<b>7.1%</b>	<b>1.9x</b>	<b>1.6x</b>	<b>25.9x</b>	<b>29.0x</b>
eCommerce Enablement										
Adobe Inc.	\$209,149	\$208,803	\$12,731	\$6,030	14.1%	47.4%	17.4x	15.4x	48.1x	31.5x
PayPal Holdings, Inc.	203,129	204,574	20,204	5,405	13.8%	26.8%	11.1x	9.7x	61.6x	34.4x
Oracle Corporation	200,904	169,606	39,007	19,075	(1.6%)	48.9%	5.1x	5.1x	NM	10.7x
Shopify Inc.	111,783	114,002	2,169	68	39.5%	3.1%	NM	NM	NM	NM
Square, Inc.	45,770	46,106	5,232	184	133.1%	3.5%	8.9x	8.5x	NM	NM
GoDaddy Inc.	13,952	12,119	3,241	813	8.6%	25.1%	4.5x	4.2x	29.6x	NM
Wix.com Ltd.	13,067	13,345	957	154	25.6%	16.1%	16.3x	12.9x	NM	78.0x
HubSpot, Inc.	9,430	9,788	807	76	20.5%	9.4%	13.1x	11.3x	NM	NM
Endurance International Group Hol	2,228	566	1,086	289	(2.4%)	26.6%	2.0x	2.0x	8.2x	7.7x
<b>Median</b>	<b>\$45,770</b>	<b>\$46,106</b>	<b>\$3,241</b>	<b>\$289</b>	<b>14.1%</b>	<b>25.1%</b>	<b>10.0x</b>	<b>9.1x</b>	<b>38.9x</b>	<b>31.5x</b>

Source: CapIQ.

Note: "NM", or "not meaningful", represents negative multiples, EV/Revenue multiples greater than 20x, and EV/EBITDA multiples greater than 50x.

# Case Study: Kalkomey

HW's TMT Group advised Kalkomey, a portfolio company of Inverness Graham, on its sale to Cove Hill Partners.

## TRANSACTION OVERVIEW



*a portfolio company of*



*has been acquired by*



Kalkomey is a leading provider of online recreational safety education reaching all 50 U.S. states, as well as Australia, Canada, Guam, Mexico, New Zealand, Puerto Rico, and the United Kingdom. The Company works hand in hand with governmental agencies to provide tailored online safety education courses and certifications for boating, scuba diving, hunting, snowmobiling, and off-roading.

Kalkomey's regulatory-approved safety education courses provide official safety certifications to nearly a million students annually. The Company's cloud-based government agency software offerings drive operational efficiencies of key workflows from licensing and registration, to certification and event management, to compliance and reporting.

Cove Hill is a long-term-oriented private equity firm focused on partnering with management teams to build market-leading technology and consumer companies. The firm manages a long-duration fund with over \$1 billion of commitments from its investors and founders. Based in Boston, Cove Hill has an innovative structure that provides the flexibility to enable a patient, concentrated, and value-add approach in a small portfolio of long-term investments.

## RELEVANT SUBSECTORS

D2C ONLINE TRAINING &  
CERTIFICATIONS

DIGITAL CONTENT & MEDIA

OMNI-CHANNEL LICENSING &  
REGISTRATION

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# Harris Williams Capabilities and Locations

Harris Williams has a broad range of industry expertise, which creates powerful opportunities. Our clients benefit from our deep-sector experience, integrated industry intelligence, and collaboration across the firm, and our commitment to learning what makes them unique. For more information, visit our website at [www.harriswilliams.com/industries](http://www.harriswilliams.com/industries).



## HARRIS WILLIAMS OFFICE LOCATIONS

### UNITED STATES

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# Sources & Disclosures

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## SOURCES

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