

Technology, Media & Telecom

eCommerce Sector Review | Q3 2020



HW eCommerce Introduction

HARRIS WILLIAMS (“HW”)

- 25+ years and more than 1,000 closed transactions
- 350+ professionals across eight offices 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

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SELECT HW
ECOMMERCE
EXPERIENCE



has been
acquired by



COUPON CABIN

a portfolio
company of

JMI
EQUITY

Strategic Advisory

liveauctioneers

has received an
investment from



has been
acquired by



DBI DIGITAL ROOM INC.

has been
acquired by



BAARSMA B2C

has been
acquired by



Hanna Anderson

has been
acquired by



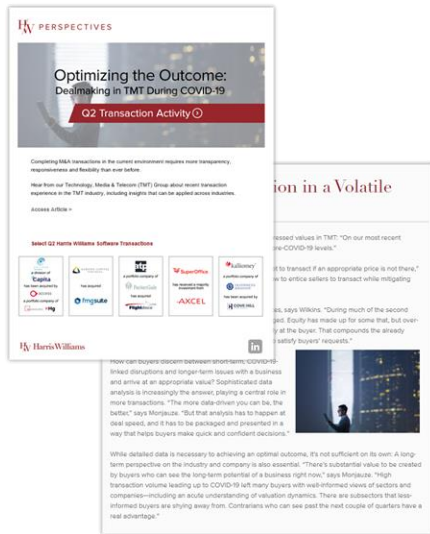
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has received an
investment from

TCV

HW Current Market Observations and Insights

HW TECHNOLOGY, MEDIA AND TELECOM MID-YEAR REVIEW



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

TMT ROUNDTABLE: M&A INSIGHTS AND OUTLOOK

A conversation with global leaders in private equity. For access please visit [here](#)



LATEST HW MARKET INSIGHTS



For access to HW's latest insights and perspective, email us at insights@harriswilliams.com or visit www.harriswilliams.com/news-insights



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
- Financial Technology and Payments
- Government Technology
- Healthcare IT
- Industrial and Supply Chain Technology
- ...and more

For access to HW's TMT content, email us at 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

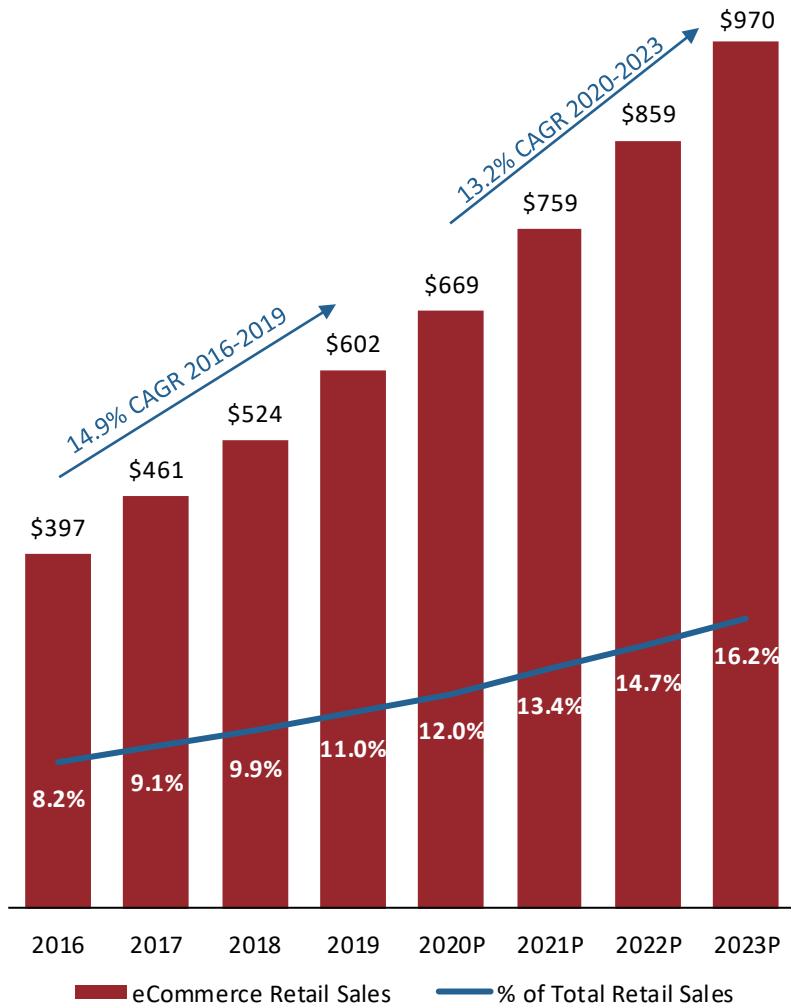
- Increasing competition requires software and tools that allow eCommerce businesses to differentiate every step of the customer journey
- Integration of data-driven solutions addressing customer acquisition through fulfillment allows SMBs to effectively compete with much larger competitors
- Software 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^{1,2}

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 Q3 2020 eCommerce Transactions³

Closed: September 8, 2020

2checkout

FP
FRANCISCO
PARTNERS

Verifone[®]

FP
FRANCISCO
PARTNERS

Enterprise Value: \$185M

Verifone acquires 2Checkout

- 2Checkout is an online payment processing service, sold to point-of-sale solutions provider that primarily serves eCommerce customers
- Verifone is a global provider of payment and commerce solutions that primarily serve brick-and-mortar customers, by leveraging 2Checkout's online presence, Verifone will have a new growth vector
- 2Checkout will accelerate Verifone's push into online retail and provide a new solution set that can be cross-sold into its existing, more brick-and-mortar focused customer base

Announced: September 3, 2020

Optimizely

epi

INSIGHT
PARTNERS

Episerver acquires Optimizely

- Optimizely is known for A/B testing, and boasts a suite of tools for marketers to experiment with and personalize their apps
- Episerver offers tools that businesses use to create and manage customized digital experiences for customers
- Optimizely will complement Episerver's existing suite of tools and provide users with the necessary data to more confidently edit, enhance, and transform their websites using Episerver's tools

Announced: August 6, 2020

FORTNINE[™]

NOVACAP 

Novacap acquires FortNine

- FortNine is a leading eCommerce platform for motorcycle, dirt bike, ATV, snowmobile, and other powersports gear, accessories, and parts
- As the eCommerce sector continues to grow it is difficult to identify differentiated platforms, Novacap recognized FortNine's leadership position in the motorsports enthusiast vertical and appreciated the loyal/recurring nature of its customer base
- FortNine intends to use this new partnership with Novacap to drive its next stage of expansion, continuing to work directly with technology and business intelligence teams that allow Fortnine to deliver on its mission of great customer service

Announced: August 5, 2020

ancestry.com[™]

Blackstone

Enterprise Value: \$4.7B

Blackstone acquires Ancestry.com

- Ancestry.com is a global leader in digital family history services, operating in more than 30 countries with more than 3 million paying subscribers and more than \$1 billion in annual revenue
- By harnessing the information found in family trees, historical records, and DNA kits, Ancestry.com helps people gain a new understanding of their family histories and health
- Blackstone plans to invest behind further data, functionality, and product development across Ancestry's market leading platform

Closed: July 15, 2020

THRAS.IO

Advent International
GLOBAL PRIVATE EQUITY

Placement: \$260M
Post-Deal Valuation: \$1.3B

Thras.io raises \$260M at a \$1B+ valuation

- Thras.io is a large acquirer of Amazon private label businesses, seamlessly onboarding, optimizing, and operating those brands
- The company announced it raised \$260 million in a Series C financing led by Advent International at a \$1 billion pre-money valuation, making Thras.io the fastest US company ever to reach profitable unicorn status
- The funding will fuel continued expansion, enabling Thras.io to accelerate its growth, acquire larger businesses, launch new products, and form meaningful strategic partnerships

eCommerce Landscape

Select Participants in the eCommerce Continuum

To receive the latest eCommerce market map, please contact HW at 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.

Sector Spotlight: Marketplace Optimization

As adoption of online marketplaces continues to accelerate, a variety of models have emerged to address the increasing complexities of selling through these channels

Brand & Marketplace Channel Management

Third-party seller platforms - taking inventory - engaging directly with brands to optimize brand management and marketplace sales

SPOTLIGHT PLATFORMS



Sponsor: Trivest (2020)
Focus: VMS and health & beauty
[Website](#)



Sponsor: Insignia (2019)
Focus: Outdoor and apparel
[Website](#)



Sponsor: Carlson (2020)
Focus: Electronics, pet, and apparel
[Website](#)



Sponsor: Topspin (2020)
Focus: VMS and health & beauty
[Website](#)

EMERGING PLAYERS



White-Label Product Consolidators

First-party seller platforms - own the brand(s) and inventory - aggregating micro-brands / white-label products and typically leveraging fulfillment-by-Amazon (FBA) model

SPOTLIGHT PLATFORMS



Sponsor: Various VCs (2018)
[Website](#)



Sponsor: Various VCs (2020)
[Website](#)



Sponsor: Advent (2020)
[Website](#)

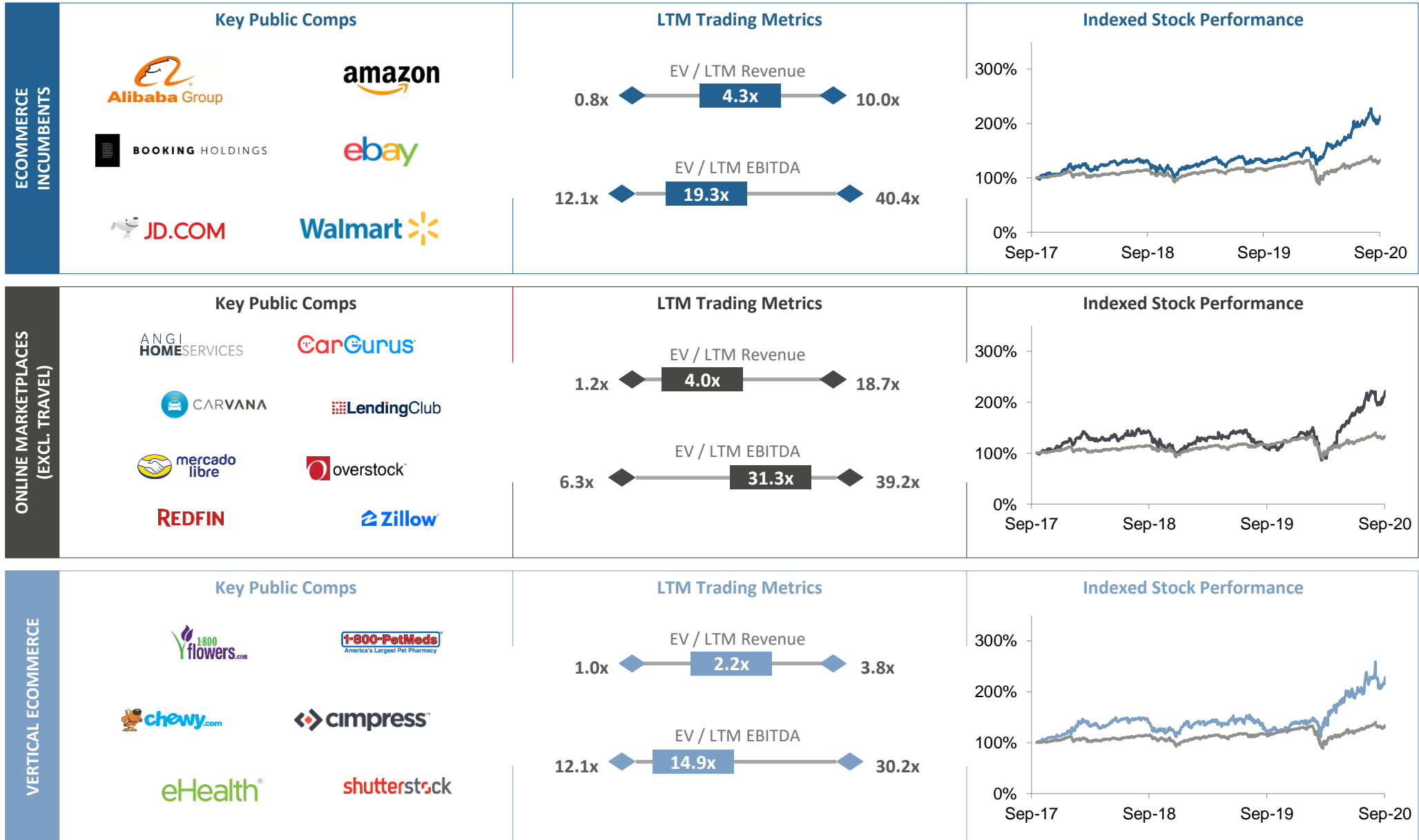
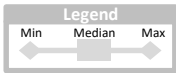


Sponsor: Various VCs (2020)
[Website](#)

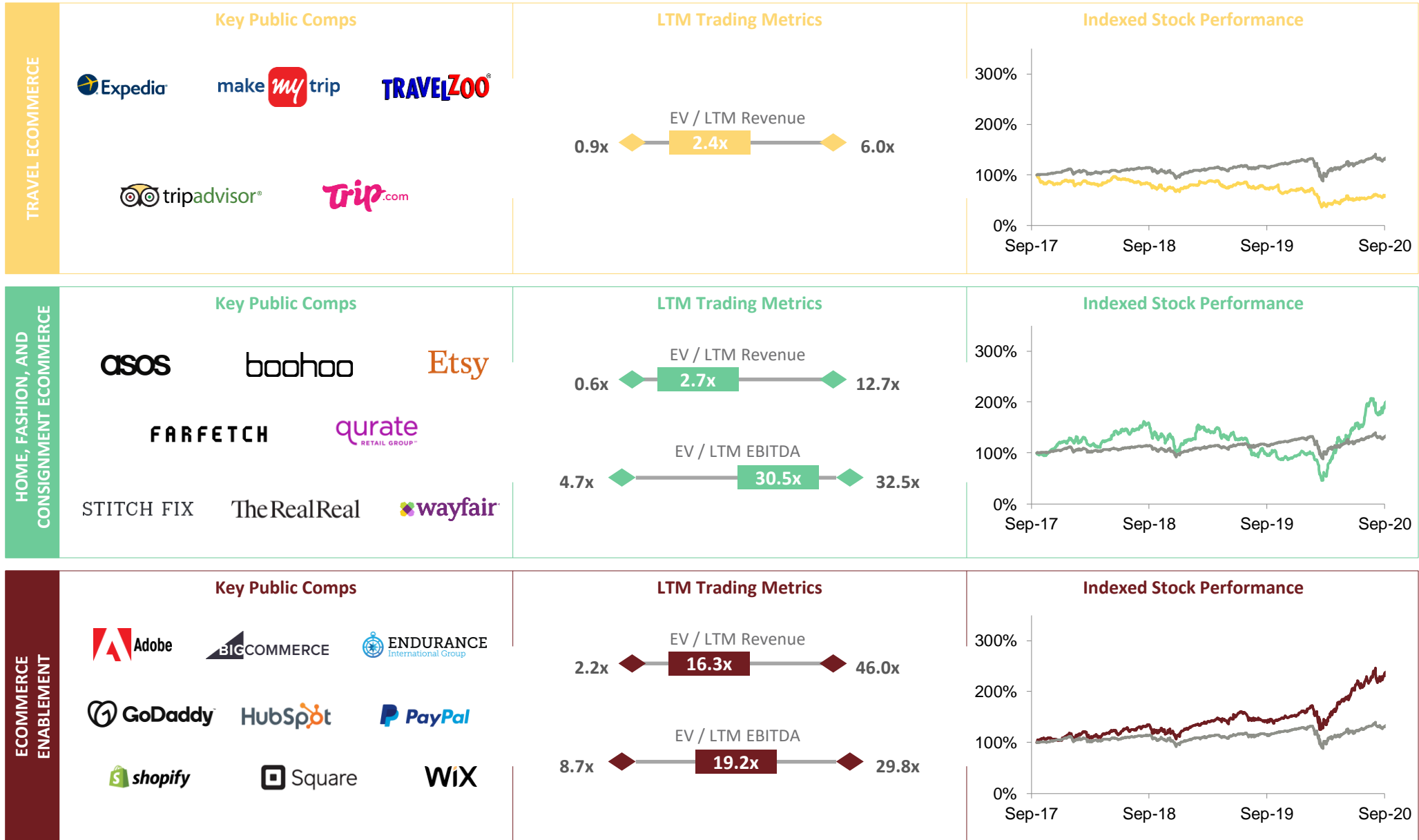
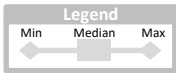
EMERGING PLAYERS



eCommerce Public Market Observations⁴



eCommerce Public Market Observations (Cont.)⁴



Public Comparables Analysis⁴

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.	\$1,597,176	\$1,577,166	\$368,619	\$53,032	32.0%	14.4%	5.0x	4.0x	40.4x	27.1x
Alibaba Group Holding Limited	777,545	795,403	94,134	28,830	29.5%	30.6%	10.0x	7.3x	37.1x	23.5x
Walmart Inc.	455,693	396,470	547,612	33,991	5.0%	6.2%	0.8x	0.8x	12.4x	13.3x
JD.com, Inc.	112,174	121,111	NA	NA	NA	NA	1.2x	0.9x	NM	28.1x
Booking Holdings Inc.	71,958	70,050	7,649	1,482	(49.1%)	19.4%	6.4x	7.8x	19.3x	37.5x
eBay Inc.	40,252	36,464	10,739	3,977	(0.5%)	37.0%	3.6x	3.7x	12.1x	10.0x
Median	\$283,934	\$258,790	\$94,134	\$28,830	5.0%	19.4%	4.3x	3.9x	19.3x	25.3x
Online Marketplaces (excl. travel)										
MercadoLibre, Inc.	52,541	53,810	3,542	201	55.2%	5.7%	18.7x	13.2x	NM	NM
Zillow Group, Inc.	21,764	23,056	3,213	142	22.9%	4.4%	6.1x	6.3x	NM	NM
Carvana Co.	16,896	15,488	5,370	(249)	36.1%	NM	3.8x	2.5x	NM	NM
ANGI Homeservices Inc.	5,355	5,502	1,472	185	10.7%	12.6%	3.8x	3.3x	31.3x	25.5x
Redfin Corporation	4,788	4,967	835	6	9.3%	0.8%	5.5x	5.4x	NM	NM
Overstock.com, Inc.	2,921	3,106	2,276	50	57.5%	2.2%	1.6x	1.3x	NM	41.9x
CarGurus, Inc.	2,344	2,444	525	104	(10.3%)	19.9%	4.2x	4.0x	39.2x	21.9x
LendingClub Corporation	862	426	297	(26)	(61.3%)	NM	1.2x	2.7x	6.3x	38.1x
Median	\$5,071	\$5,234	\$1,874	\$77	16.8%	5.0%	4.0x	3.7x	31.3x	31.8x
Vertical eCommerce										
Chewy, Inc.	\$22,699	\$22,575	\$6,822	\$13	41.0%	0.2%	3.8x	3.0x	NM	NM
Cimpress plc	3,610	1,954	2,411	403	(14.2%)	16.7%	1.5x	1.4x	12.1x	8.0x
eHealth, Inc.	1,885	2,034	654	146	45.2%	22.4%	3.3x	2.7x	17.7x	12.2x
Shutterstock, Inc.	1,637	1,904	651	107	(0.7%)	16.4%	2.5x	2.4x	30.2x	14.5x
1-800-FLOWERS.COM, Inc.	1,529	1,606	1,694	160	29.7%	9.5%	1.0x	0.9x	13.5x	9.8x
PetMed Express, Inc.	548	635	312	37	13.1%	11.7%	1.8x	1.7x	14.9x	14.4x
Median	\$1,761	\$1,929	\$1,174	\$127	21.4%	14.1%	2.2x	2.1x	14.9x	12.2x

As of September 30, 2020

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.)⁴

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	\$22,563	\$18,323	\$2,679	\$221	(47.4%)	8.2%	6.0x	6.9x	NM	38.5x
Expedia Group, Inc.	20,061	12,949	5,597	(120)	(53.7%)	NM	2.2x	3.1x	NM	31.4x
TripAdvisor, Inc.	2,661	2,634	665	(26)	(57.4%)	NM	2.4x	3.3x	NM	32.9x
MakeMyTrip Limited	1,435	1,586	236	(87)	(68.2%)	NM	3.8x	4.4x	NM	NM
Travelzoo	73	73	55	(1)	(51.7%)	NM	0.9x	1.1x	NM	18.9x
Median	\$2,661	\$2,634	\$665	(\$26)	(53.7%)	8.2%	2.4x	3.3x	NA	32.2x
Home, Fashion, and Consignment eCommerce										
Wayfair Inc.	\$28,335	\$27,760	\$13,865	\$622	52.0%	4.5%	2.5x	2.0x	NM	NM
Etsy, Inc.	14,331	14,514	1,503	443	84.9%	29.5%	12.7x	9.0x	NM	31.8x
Qurate Retail, Inc.	8,815	2,993	13,835	2,014	2.9%	14.6%	0.6x	0.6x	4.7x	4.3x
Farfetch Limited	8,508	8,544	1,549	(79)	58.6%	NM	6.4x	4.7x	NM	NM
ASOS Plc	7,226	6,626	4,185	301	18.5%	7.2%	1.9x	1.5x	30.5x	20.6x
boohoo group plc	5,683	6,125	1,979	195	50.3%	9.8%	2.9x	2.4x	32.2x	24.9x
Stitch Fix, Inc.	2,707	2,829	1,805	(57)	3.8%	NM	1.6x	1.4x	NM	NM
The RealReal, Inc.	1,135	1,268	313	(110)	0.4%	NM	3.7x	3.0x	NM	NM
Median	\$7,867	\$6,375	\$1,892	\$248	34.4%	9.8%	2.7x	2.2x	30.5x	22.8x
eCommerce Enablement										
Adobe Inc.	\$234,731	\$235,269	\$12,808	\$6,179	14.8%	48.2%	18.9x	16.5x	NM	33.5x
PayPal Holdings, Inc.	227,845	231,175	21,382	6,062	20.5%	28.4%	11.9x	9.7x	NM	34.4x
Shopify Inc.	120,830	124,677	2,618	279	68.3%	10.6%	NM	41.4x	NM	NM
Square, Inc.	72,064	72,096	7,451	324	231.9%	4.3%	NM	NM	NM	NM
GoDaddy Inc.	14,601	12,674	3,290	842	10.2%	25.6%	4.7x	4.2x	29.8x	15.9x
Wix.com Ltd.	13,882	14,180	966	96	26.8%	10.0%	16.3x	12.7x	NM	NM
HubSpot, Inc.	12,952	13,315	831	89	24.1%	10.8%	17.0x	14.3x	NM	NM
BigCommerce Holdings, Inc.	5,923	5,632	143	(31)	NA	NM	NM	NM	NM	NM
Endurance International Group Holding	2,411	808	1,101	302	(1.1%)	27.4%	2.2x	2.2x	8.7x	8.2x
Median	\$14,601	\$14,180	\$2,618	\$302	22.3%	18.2%	14.1x	12.7x	19.2x	24.7x

As of September 30, 2020

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



Harris Williams Capabilities and Locations

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Sources & Disclosures

SOURCES

1. Retail Dive.
2. eMarketer.
3. MergerMarket.
4. CapIQ.

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