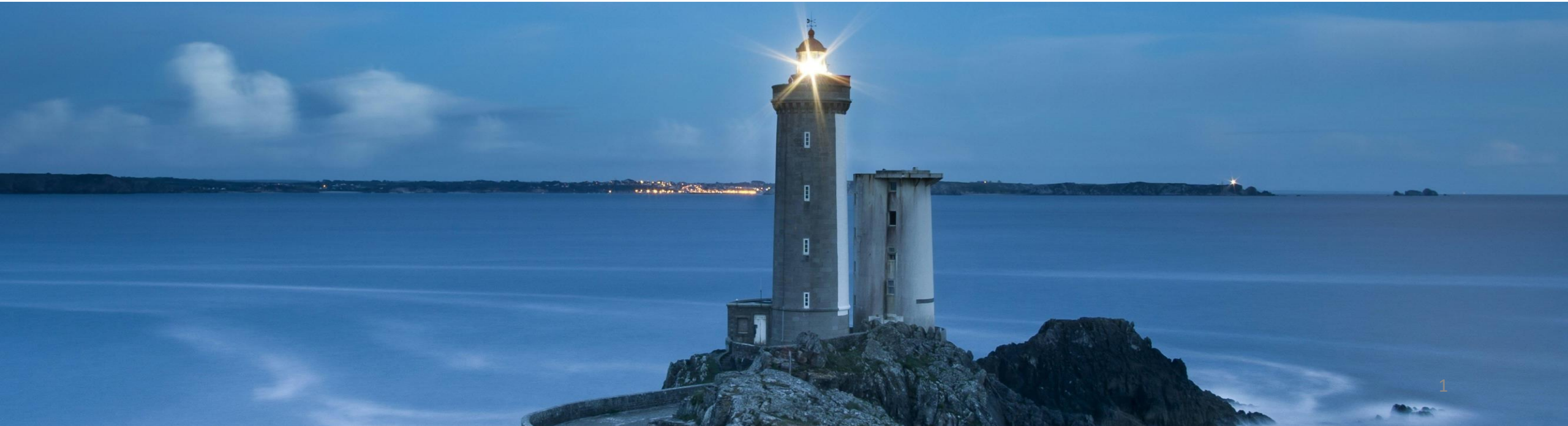
Navant Signals

NAVANT
GROWTH & EXIT

Intelligent Automation Briefing

Q1 2024



Introduction

Welcome to *Signals*, our briefing on technology company growth and M&A. Our purpose is to provide insights into the M&A landscape that are useful to entrepreneurs operating in the <$100M enterprise value segment, often called the lower middle-market. We want to inform and connect with business leaders through guidance that aids their growth, corporate development and shareholder value decisions.

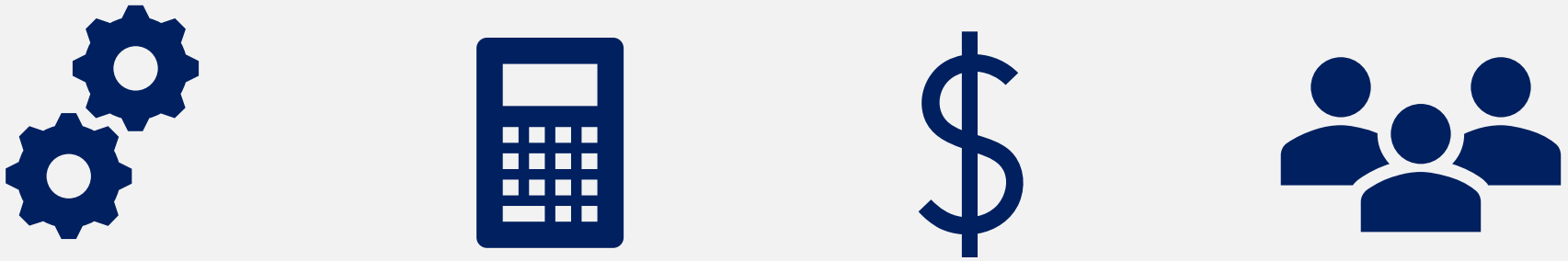
Signals covers various aspects of the tech M&A landscape. In this briefing, we report on valuation trends for private B2B software companies across multiple industries, insights into M&A activity in the intelligent automation and RPA sector, and news and insights drawn from experience, including perspectives from our deals and anecdotes of operating executives from their transaction experience.

If you have any questions, please contact us at info@navantpartners.com

Intelligent Automation and RPA Introduction

Intelligent Automation (IA) refers to the use of intelligent technologies such as robotic process automation (RPA) using software or bots and artificial intelligence (AI) to automate and scale business tasks or processes such as data entry, invoice processing, customer service automation and others. Aside from initial set-up costs, IA often leads to long-term cost savings by streamlining processes and improving productivity.

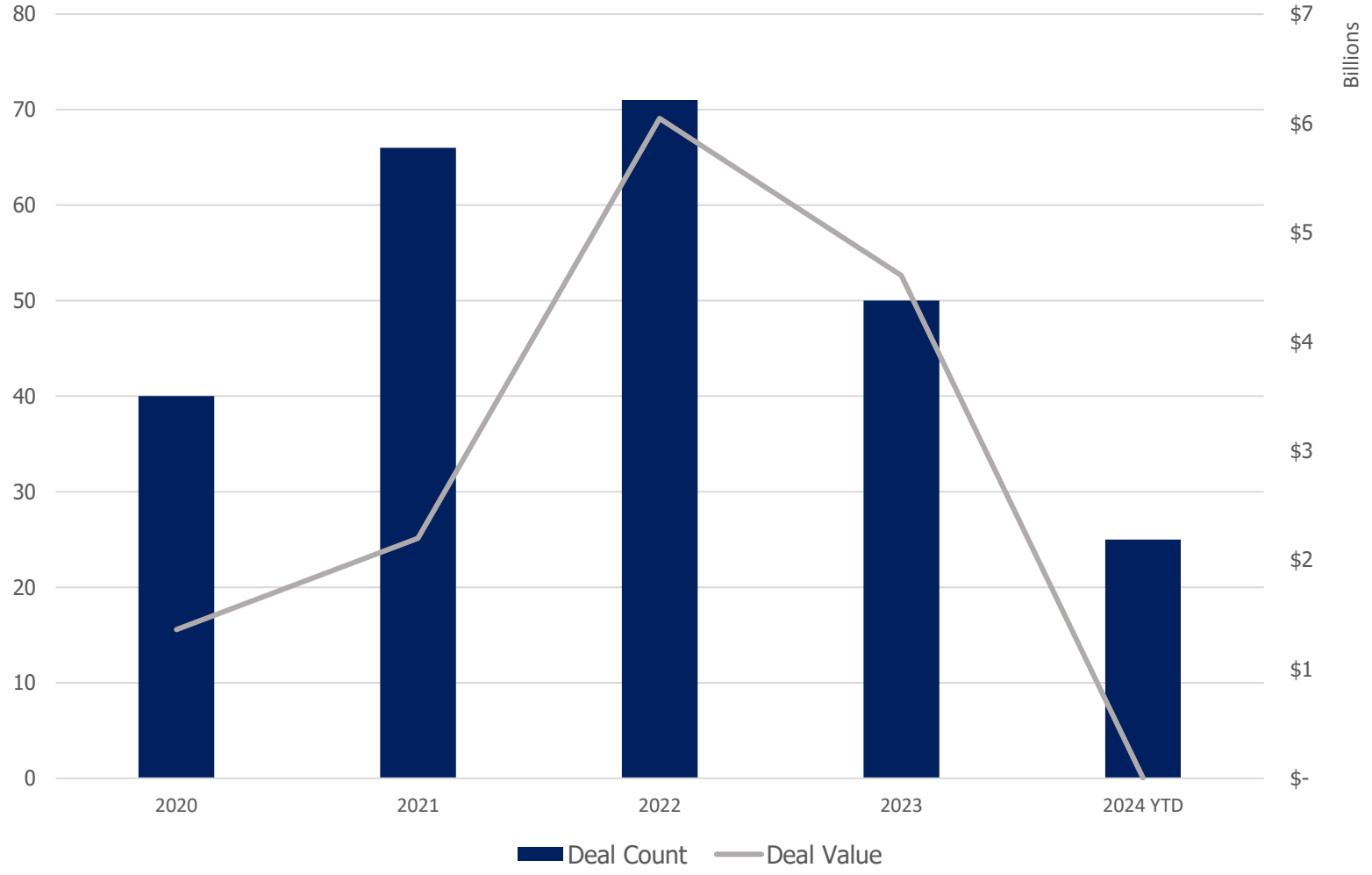
Benefits of Adopting Robotic Process Automation



Source: 451 Research,

Intelligent Automation & RPA Deal Activity

- M&A activity in the Intelligent Automation and RPA sector has grown 25% from 2020 through 2023. Deal activity in 2024 is much higher than the same time last year, and on track to surpass all previous years on an annualized basis if trends continue. Deal value peaked in 2022 with over $6B in total disclosed transaction value.
- In the months ahead, heightened enforcement of anti-trust laws may depress megadeal activity and overall transaction value, but opportunities remain for well-positioned software companies in the lower middle-market to achieve strong valuations in the near term.
- In the longer term, macroeconomic factors and the increasing adoption of disruptive AI technologies will continue to shape the Tech M&A landscape in the coming years.



Source: 451 Research,

Recent RPA & AI Automation Deals 2023-YTD

Acquirer	Target	Seller Description
TA ASSOCIATES	SER	Intelligent content automation software
zendesk	Ultimate.	AI-based customer support automation software
ACCELIRATE Accelerating Automation & AI	REVELATION.AI Accelerate Your Analytics	AI analytics and RPA consultancy
AQUILINE LEVEL EQUITY	DOCUPHASE	Business process and accounting automation SaaS
servicenow	ultimate.suite	AI-based task mining and RPA software
mather	Sophi	Ai-based media operations automation SaaS

Source: 451 Research

Top Industries for Intelligent Automation M&A

Healthcare

- RPA in healthcare streamlines processes such as scheduling, billing, revenue cycle management, and claims processing.
- RPA can also be used to collect and organize patient data and even automate certain diagnostic processes, allowing professionals to focus on care delivery.

Banking & Finance

- RPA in the investment and finance industry is being used to streamline back-office operations such as data entry, reconciliation and compliance reporting.
- On the customer-facing front, RPA technology can be used to handle customer inquiries, account management and loan processing.

Notable Healthcare RPA Deals

Acquirer	Target	Target Description
GE HealthCare	MIM SOFTWARE	Medical imaging & workflow automation software
experian health	wave HDC	Healthcare data curation & RPA SaaS
qBotica	HealthOmation Liberating human minds	Healthcare revenue cycle automation SaaS
WAYSTAR	Olive	Healthcare BI & RPA management SaaS
LGi healthcare solutions	BostonSoftware SYSTEMS	Workflow RPA SaaS for healthcare
commure	Athelas	Healthcare workflow automation and RCM SaaS

Source: 451 Research

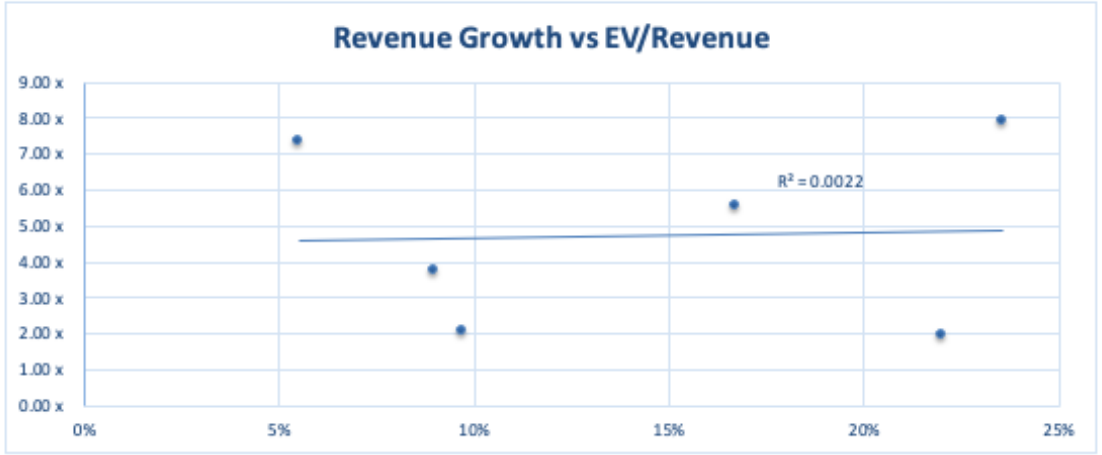
Notable Banking & Finance RPA Deals

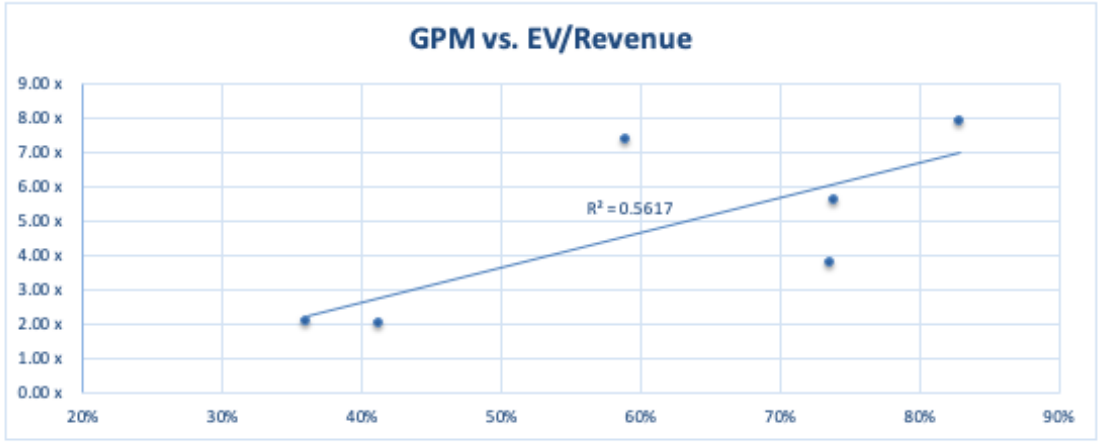
Acquirer	Target	Seller Description
Hg	CUBE	Regulatory compliance RPA SaaS for banking
ASCENT	WaymarkTech	Financial compliance automation software
EDGEWATER	ASCENT	Financial compliance automation software
VASS	pskinetic	Financial document and workflow automation SaaS
EY	Q4	RPA consulting services for financial institutions
BNY MELLON	Milestone Group	RPA-enabled investment management software

Source: 451 Research

Public Index: Intelligent Automation SaaS & Services

Ticker	Company	Revenue Growth	Gross Profit Margin	EV/Revenue
NYSE:PATH	UiPath Inc.	24%	83%	7.88 x
NSEI:DATA	Datamatics Global Services Limited	22%	41%	1.96 x
NasdaqGS:PEGA	Pegasystems Inc.	9%	74%	3.77 x
NasdaqGS:APPN	Appian Corporation	17%	74%	5.55 x
NYSE:AI	C3.ai	6%	59%	7.32 x
NasdaqGS:INOD	Innodata Inc.	10%	36%	2.04 x
	Industry Average	14%	61%	4.75 x
	Industry Median	13%	66%	4.66 x
	Industry Median with Liquidity Discount (25%)			3.50 x



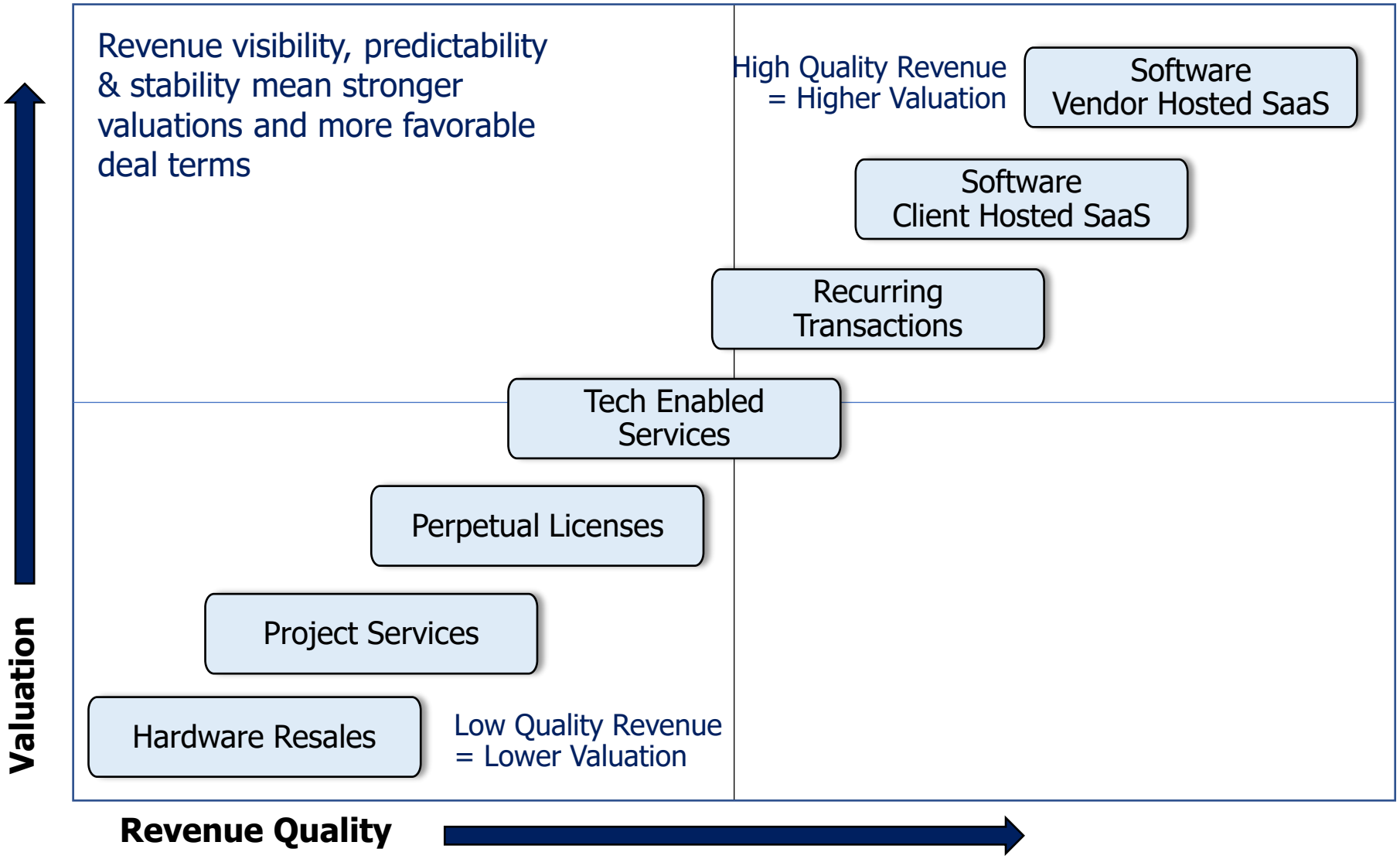


Summary

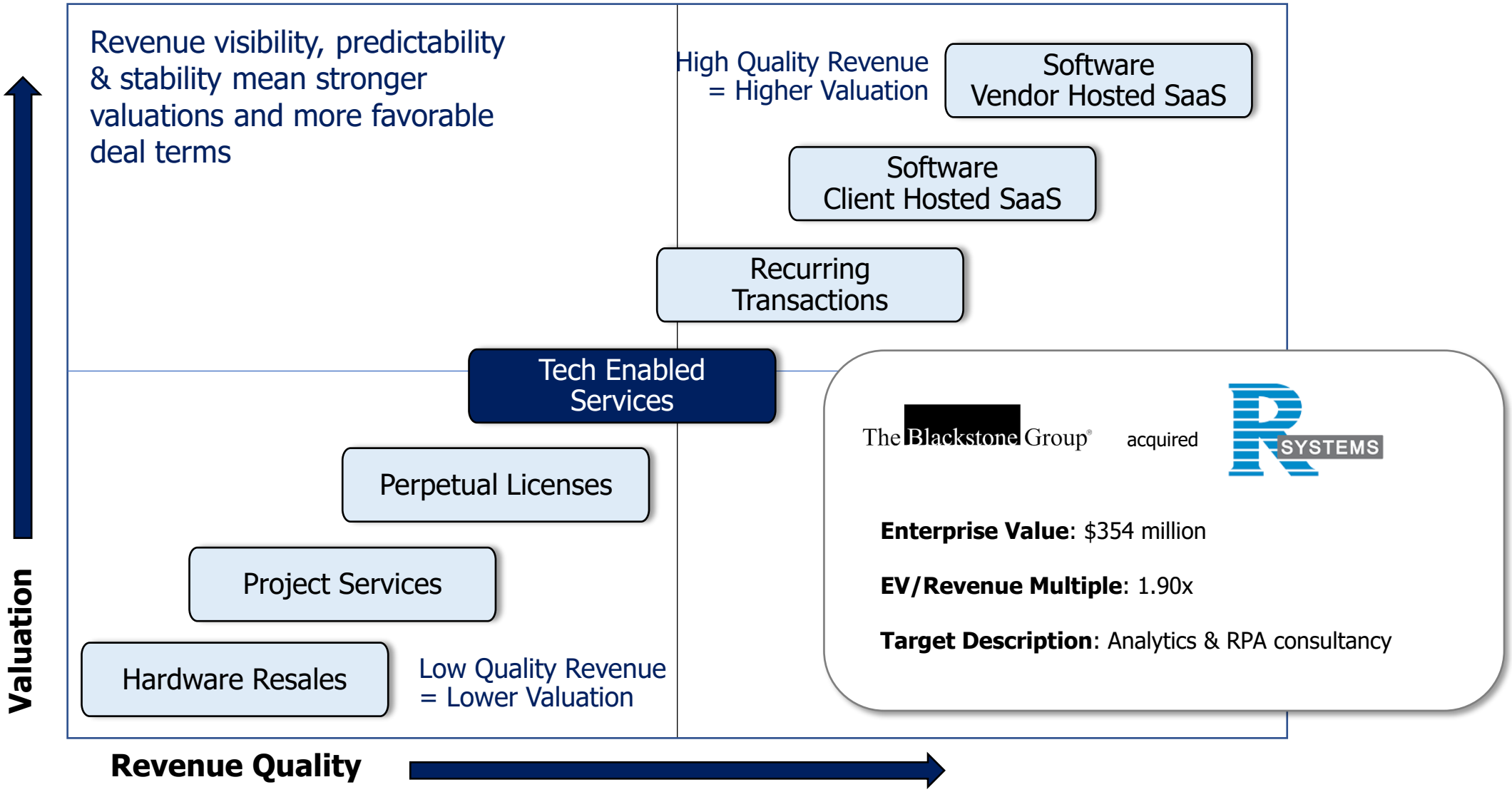
The public peer index for Intelligent Automation and RPA companies consists of companies providing robotic process automation software and tech-enabled services. The growth rates of publicly traded Intelligent Automation providers ranged from 6% to 24%, with a median of 13% and average of 14%. Gross Profit Margins for this group ranged from 36% on the low end to 83% on the high end. The median EV/Revenue multiple for the publicly traded peer group stands at 4.66x Revenue, or 3.5x Revenue when including a public to private liquidity discount. We observed a strong positive correlation between Gross Profit Margin and EV/Revenue multiples, but little correlation between growth rates and valuation, indicating a stronger emphasis on margins in this sector. Gross Profit Margin may also be viewed as a proxy for business model and quality of revenue, with low GPM being an indicator of heavier services burden and possibly lower scalability.

Source: Yahoo Finance

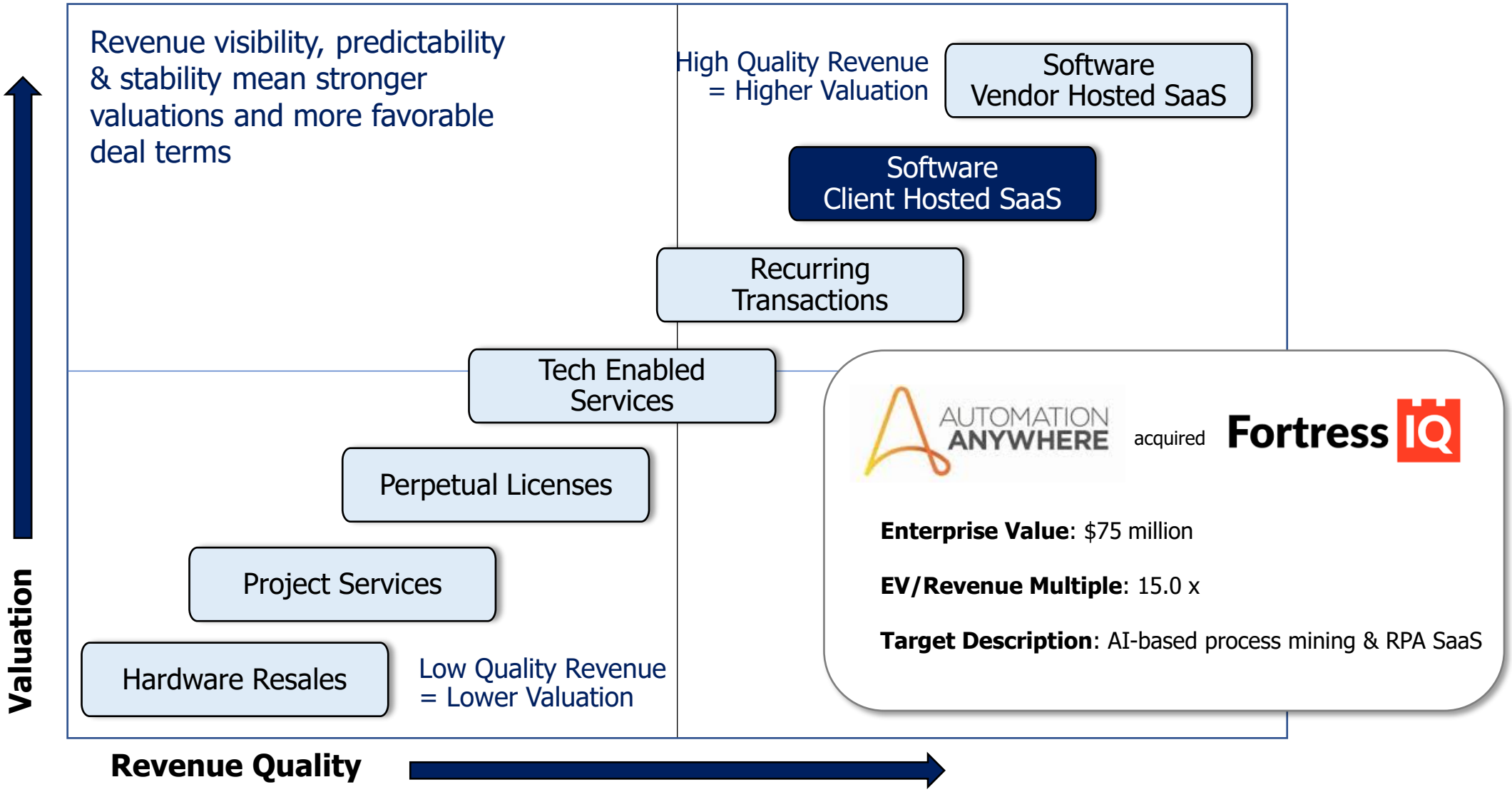
Revenue Quality Impacts Valuation



Revenue Quality Impacts Valuation



Revenue Quality Impacts Valuation



AUTOMATION ANYWHERE acquired Fortress IQ

Enterprise Value: $75 million

EV/Revenue Multiple: 15.0 x

Target Description: AI-based process mining & RPA SaaS

Sector Experience

tquila

HAS ACQUIRED

elementBlue

NAVANT PARTNERS SERVED AS THE M&A ADVISOR FOR ELEMENT BLUE

NAVANT
GROWTH & EXIT

Global intelligent automation consultancy, Tquila Automation has acquired Element Blue, a UiPath Platinum Partner and intelligent automation leader in the US healthcare market. With a two-decade track record and partnerships with industry leaders, Element Blue's solutions streamline patient access, referrals, and the revenue cycle from providers to payers. The combined business is enabled to better support enterprise-level customers across healthcare and other industries. Tom Abbott, Tquila CEO, says, "The acquisition of Element Blue realizes our strategy of building industry specialist capability across the US and Europe. Steven Gerhardt, Element Blue Managing Partner, adds, "Our future as a combined team is an exciting new chapter. We have a shared vision to be intelligent automation leaders. Our 20-years of healthcare leadership, including five years with UiPath, helps position us for long-term success and allows us to offer even greater levels of service and innovation to clients." To fund the acquisition, Tquila raised US $20M of financing led by Delta-v Capital. Navant Partners served as the exclusive M&A advisor to Element Blue.

"*We worked closely with Navant to survey the market to find the right acquirer – one that we were sure shared our strategy for Intelligent Automation. We had worked very hard over 20+ years to build Element Blue, so it was important to find the right platform where we could continue to build the business as the market evolved. Together with Navant we explored the combination with multiple acquirers to learn how well each matched our criteria. In the end, we found a great fit with Tquila and Delta-v*"

- Steven Gerhardt, Founder & CEO, Element Blue

NAVANT
GROWTH & EXIT

Jeff Brown
Managing Partner

281.382.6936
jeffb@navantpartners.com
Houston, Texas

Charles Bedard
Principal

281.756.7178
charlesb@navantpartners.com
Houston, Texas

Alain Viviers
Principal

404.245.2738
alainv@navantpartners.com
Atlanta, Georgia

Yasmin Khodamoradi
Financial Analyst

425.445.6402
yasmink@navantpartners.com
Seattle, Washington