



Experience Management Update

KPMG Corporate Finance LLC
June 2023 Sector Update

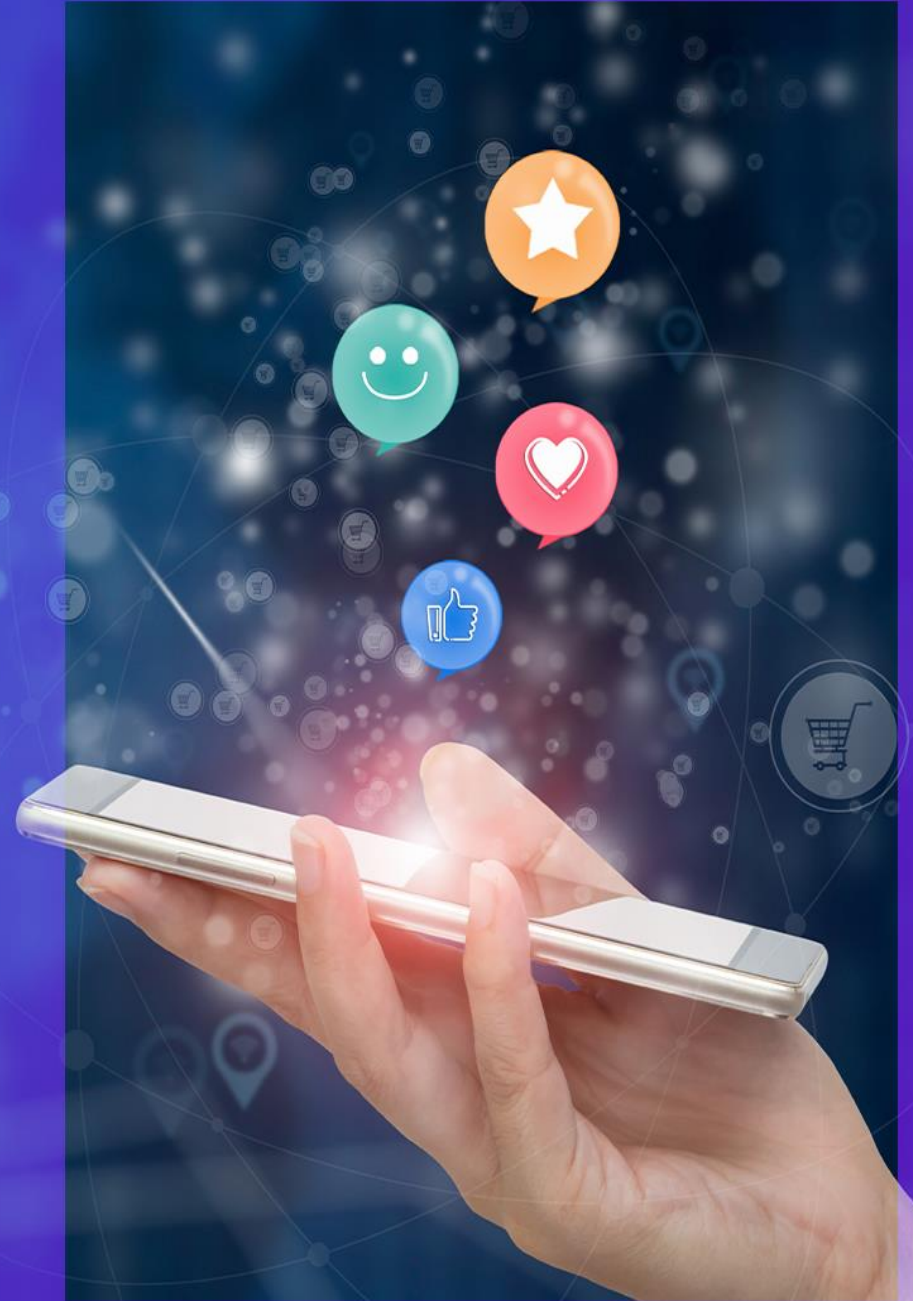




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Joe is a senior member of the Digital Media practice at KPMG CF in the US serving clients in the Digital Media, Gaming, AI, and Experience Management sectors with a focus on M&A advisory, capital formation, and corporate strategy for high growth technology companies. Joe's financial services experiences range from advising executives at Citi Global Markets to advising public technology companies on M&A and capital raising activities as an investment banker at Wells Fargo Securities. Joe also has an extensive operating background at Warner Bros. Entertainment and at two Kleiner Perkins backed technology companies, where he led corporate development.

Joe received his B.A. from The Johns Hopkins University, graduating with honors, and earned his JD and MBA from the University of Virginia's School of Law and Darden School of Business.



Experience Management: Sector Update



Experience Management (XM): Sector Update

Key Theme: AI Powered Chatbots

- The new generative AI world has caused a new question to emerge in XM: will powerful large language models (LLMs) like ChatGPT will replace traditional chatbots? Currently, often providing narrow, pre-set responses, chatbots are predicted to resolve 75%-90% of queries in the healthcare and banking industries by 2027. Could LLM powered accelerate chatbots' evolution to have interactions so human-like that most customer service requests can be handled without human intervention? Traditional chatbots are limited to a defined set of topics and not able to respond to prompts from outside those topics. Answers are also pre-written or pre-approved by humans, which means that they are non-generative.
- LLM-based chatbots, on the other hand, are open-domain and can discuss a wide range of topics. Chatbots infused with AI would be able to generate responses in real-time, rather than from a pre-ordained set of questions. Examples include Open AI's ChatGPT and Google's Meena. LLMs have the potential to propel the CX world into another technological tier. The key will be fusing LLMs like ChatGPT command of natural language and expressiveness with the guard rails that CXO seek to have when responding to customer inquiries. According to Gartner, AI powered chatbots are predicted to save \$80 billion in labor costs by 2026 and one in 10 agent interactions will be automated by 2026, which is an increase from the 1.6% of interactions today automated by AI.
- *"I also think that there's going to be a very interesting convergence between some of the AI agents in messaging and business messaging, where, right now, we see a lot of the places where business messaging is most successful are places where a lot of businesses can afford to basically have people answering a lot of questions for people and engaging with them in chat. And obviously, once you light up the ability for tens of millions of small businesses to have AI agents acting on their behalf, you'll have way more businesses that can afford to have someone engaging in chat with customers. So I think that, that could be a pretty big opportunity, too."* – Mark Zuckerberg (Chairman & CEO at Meta), Q1 202e Earnings Call, 4/26/2023

Key Theme: Proprietary Data Sets

- As a race to create the most effective, AI powered chatbot gets underway between XM players, access to proprietary data sets, upon which to train their LLMs will rapidly become the next battleground.
- *"From a strategic perspective, AI has 2 foundational pieces. One is the data models. And that's the stuff we're seeing with OpenAI and large language models. And the other, just as important, is actually the data set that the model uses to generate outcomes. There's been a lot of focus on the model because of what's gone on with ChatGPT. But we can see sometimes it has issues because the underlying data set is using public data. LivePerson has one of the largest and most precise conversational business data sets in the world. And I use the word precision because over 350,000 people on our platform each day, and they're messaging their live agents and they are generating 1 billion conversations a year, and these are high-quality conversations around many different topics, but the conversations are precise. There are answers to questions in the way the brand would want it answered. These agents, they create a long tail of answers."* – Robert LoCascio (Chairman & CEO at LivePerson), Q4 2022 Earnings Call, 3/15/2023



Experience Management (XM): Sector Update

M&A Spotlight: Momentive



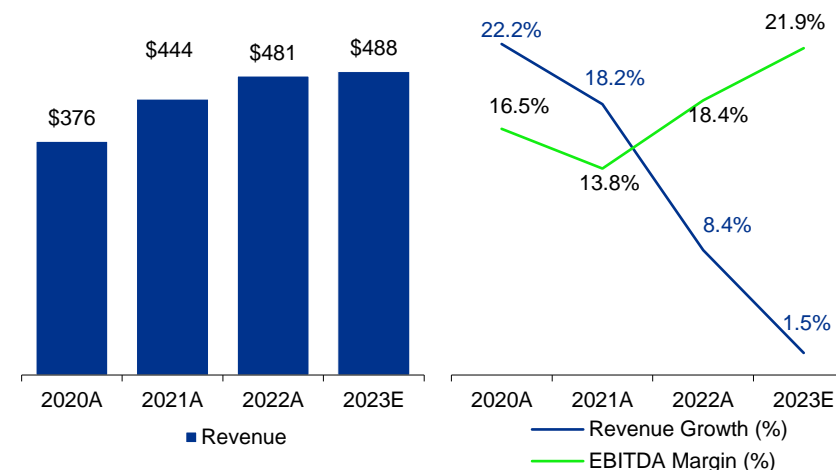
Acquired by



- On March 13, 2023, Momentive, the maker of SurveyMonkey, announced that they had entered into a definitive agreement to be acquired by a consortium led by Symphony Technology Group in an all-cash deal that values Momentive at approximately \$1.5 billion dollars, which represented a 3.1x TTM revenue multiple and a 27x TTM EBITDA multiple.
- While Momentive's enterprise value represents a 46% premium for the ten trading days of Momentive's stock prior to the announcement, the deal represents a significant discount to the \$4.1 billion offered by Zendesk in October 2021. The Zendesk merger agreement with Momentive was terminated in February 2022 upon not being able to secure Zendesk's shareholder approval in connection with the required share issuance.

Momentive's Key Financials

\$USD in millions



M&A Spotlight: Qualtrics



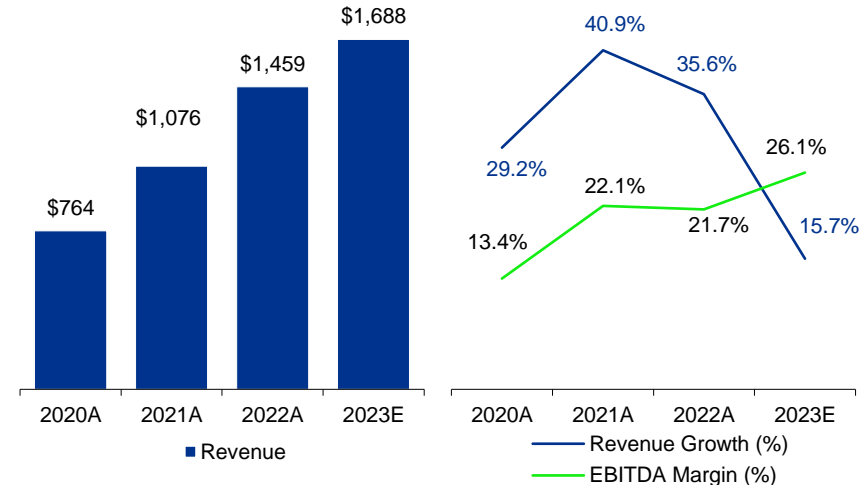
Acquired by



- A day earlier on March 12, 2023, Qualtrics announced that they had entered into a definitive agreement to be acquired by Silver Lake, in partnership with Canada Pension Plan Investment Board (CPP Investments), in an all-cash transaction valuing Qualtrics at approximately \$12.5 billion, which represented an 8.6x TTM revenue multiple.
- The Silver Lake and CPP Investments deal represented a 73% premium to the 30-day volume-weighted average price on January 25, 2023, which was the last trading day prior to SAP's announcement that they would explore a sale of its stake in Qualtrics.
- Previously, SAP acquired Qualtrics for \$8 billion at a 21.5x TTM revenue multiple in November 2018. SAP's current stake in Qualtrics is valued at approximately \$7.7 billion.

Qualtrics' Key Financials

\$USD in millions



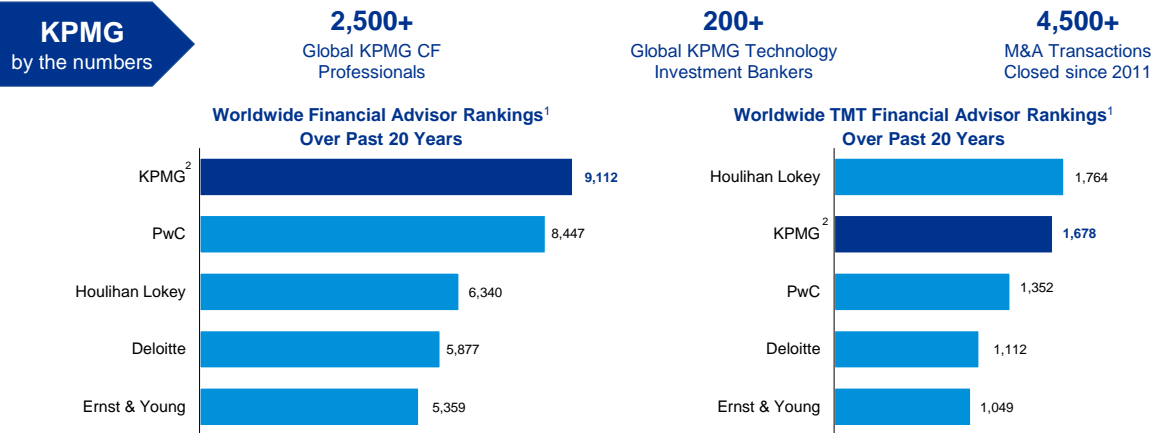


KPMG CF: Experience Management Team



KPMG's Global Platform

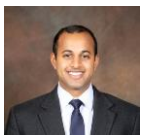
KPMG Corporate Finance Credentials - Most Active Middle-Market Advisor Globally²



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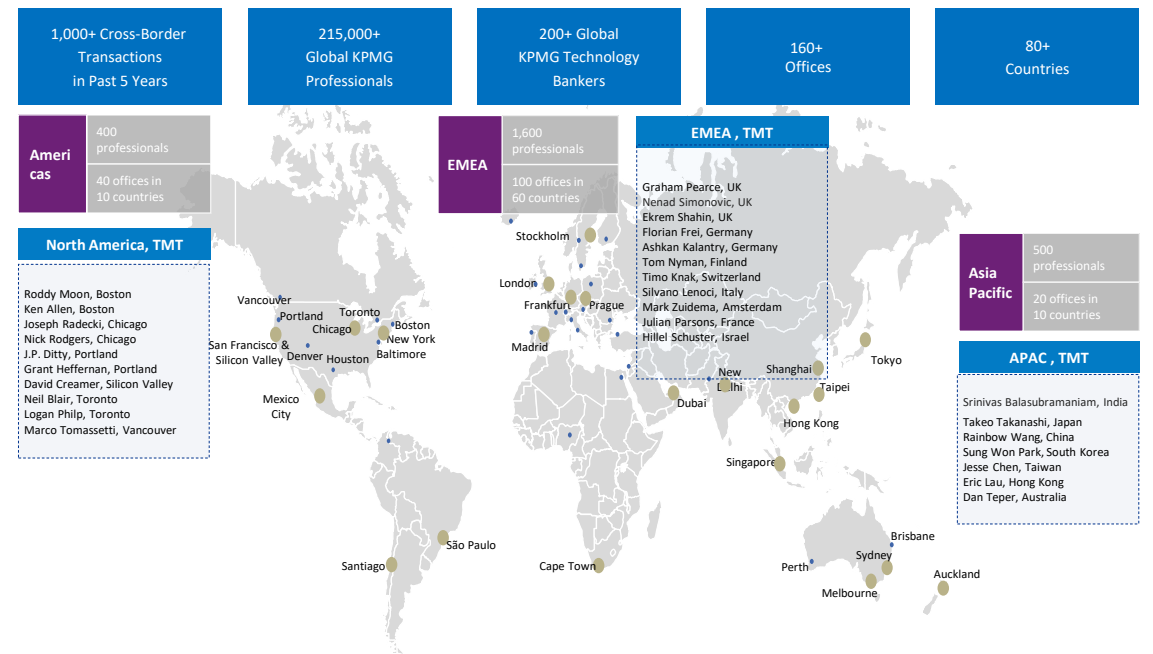


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Global Senior Technology M&A Team²



KPMG Corporate Finance LLC Representative Transactions

<p>ENGINE MEDIA</p> <p>has merged with</p>	<p>PLAYAWAY*</p> <p>PRE-LOADED PRODUCTS</p> <p>a subsidiary of</p> <p>has been acquired by</p>	<p>netag</p> <p>has received a majority investment from</p>	<p>smartbox</p> <p>has been acquired by</p> <p>a portfolio company of</p>	<p>Boostability</p> <p>a portfolio company of</p> <p>has received a growth investment from</p>
<p>Artlogic</p> <p>Capital raise</p>	<p>[HPS] FLAG</p> <p>have partnered with</p> <p>supported by a majority investment from</p>	<p>X-ID</p> <p>has been acquired by</p>	<p>REACHLOCAL</p> <p>has divested its Japanese operations to</p>	<p>INNOCEAN WORLDWIDE</p> <p>has acquired</p>

KPMG LLP Thought Leadership

The benefits of a better patient experience

Results from the 2022 KPMG US Customer Experience Excellence Report

Talent flight: Overlooked risks during MGA

How to retain talent during acquisition and integration to preserve deal value

The future of customer experience

Getting started

Notes: 1. Refinitiv - Transactions less than \$500M
2. Refers to the global Corporate Finance practices of KPMG International's network of independent member firms



Experience Management Landscape Overview



KPMG CF: XM Innovators Spotlight

Leading Innovators In The Experience Management Ecosystem



Source: KPMG CF



KPMG CF: Spring 2023 XM Key Players

Top Experience Management Strategic & Private Equity Acquirers (TTM)

Strategic

Waterfield Technologies

3

QuestionPro

3

gupshup

3

Private Equity

Hg

5

TA ASSOCIATES

4

VISTA EQUITY PARTNERS

4



K1 INVESTMENT MANAGEMENT

3

Hellman & Friedman

3

KKR

3

NR NOBLE ROCK

3

Top Late Stage & Growth Investors (TTM)

PLUGANDPLAY

13

andreessen. horowitz

7

global brain

5



Alumni Ventures

4

FJ LABS

4

Goodwater

4

MAVEN CAPITAL PARTNERS

4

SMBC

4

SOSV

4

TIGERGLOBAL

4

Top Early-Stage Investors (TTM)

PLUGANDPLAY

20

Goodwater

14

10X CAPITAL

11

Y Combinator

9

ANTLER

9



Alumni Ventures

8

bossanova

8

FJ LABS

7

SOMA CAPITAL

7

500

6

■ Represents number of acquisitions made by the strategic as well as private equity acquirers in Trailing Twelve Months (TTM)

■ Represents number of investments made by the Private Equity / Venture Capital Firms in Trailing Twelve Months (TTM)

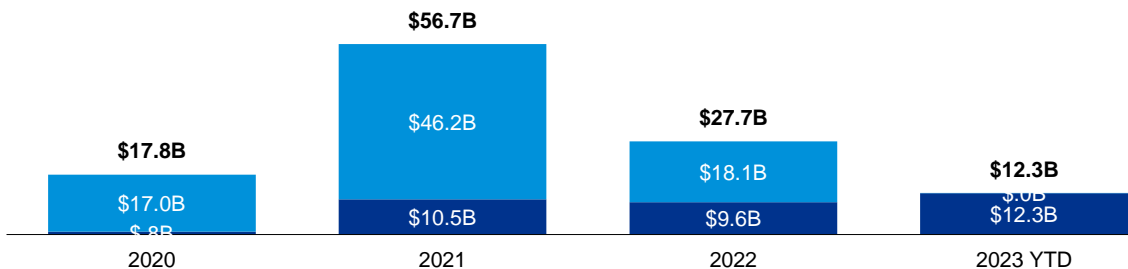
■ Represents number of investments made by the Private Equity / Venture Capital Firms in Trailing Twelve Months (TTM)



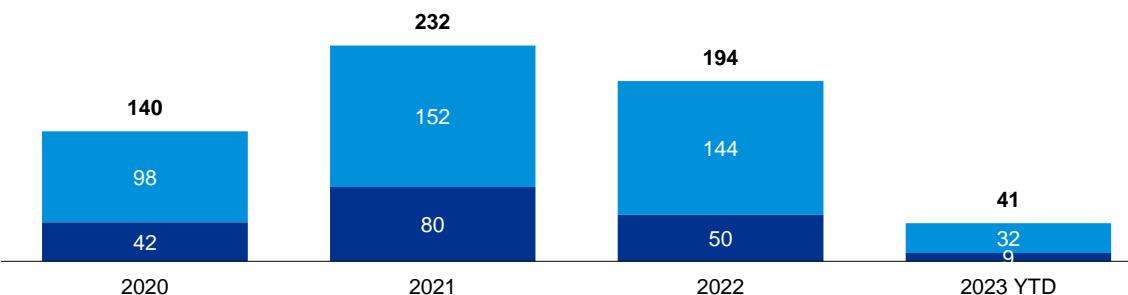
KPMG CF: Spring 2023 XM Deal Activity

Global Deal Activity: Experience Management M&A

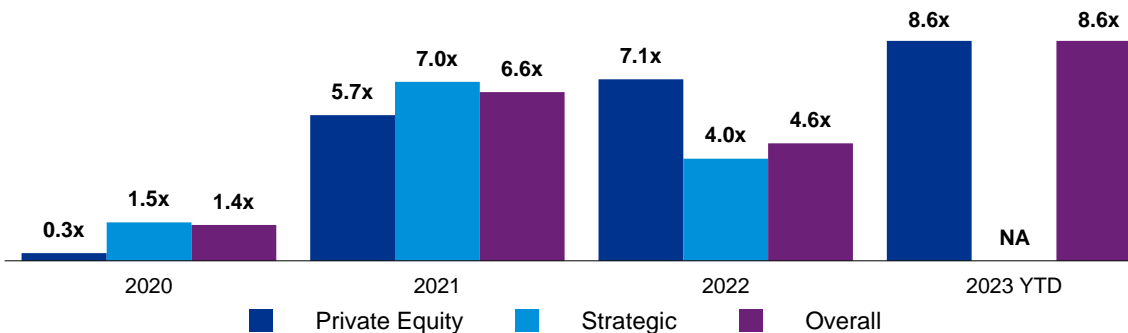
Total Deal Value



Deal Count¹

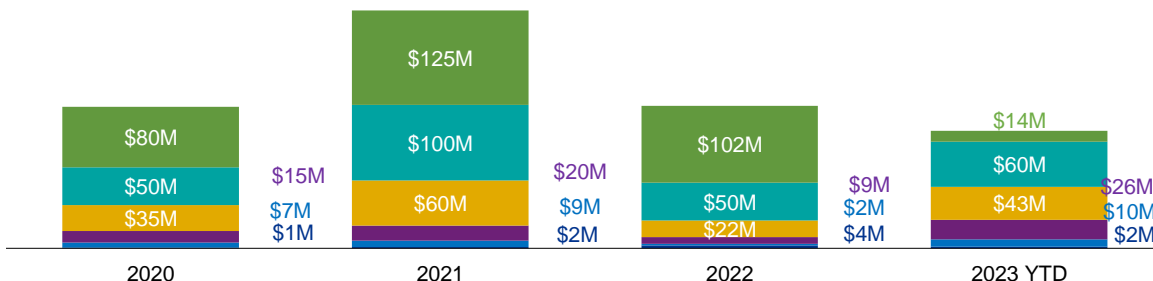


Median EV / Revenue Multiple

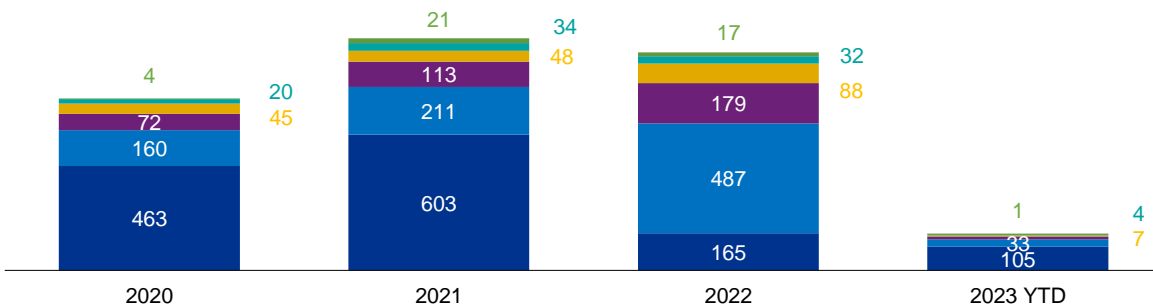


Global Deal Activity: Experience Management Private Placements

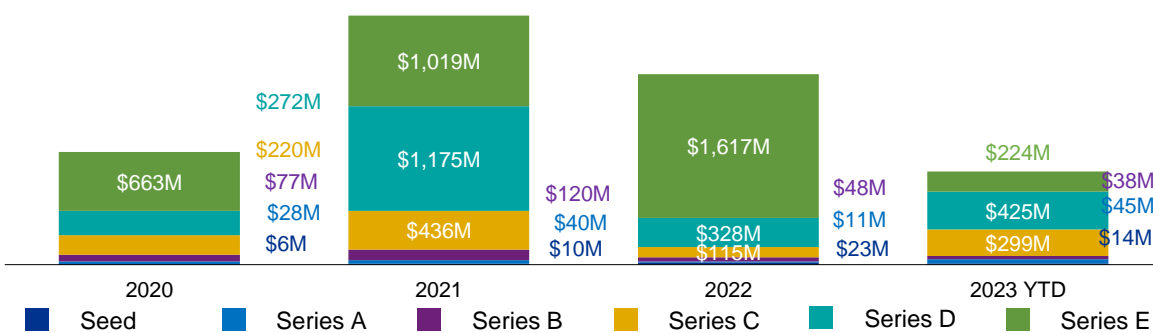
Median Round Size



Deal Count



Median Post-Valuation



Source:
Notes:

451 Research, Pitchbook

1. Includes undisclosed multiples in deal counts

2. Includes all category deals with multiples data within the time period with 2023 YTD referring to Jan'23-May'23

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KPMG CF: XM Valuation Overview

Valuation Overview - Publicly Traded Comparable Companies^{1,2}

\$USD in millions

Experience Management	Country	Market Cap	Enterprise Value	Revenue	Revenue Growth% 2022-23	Gross Margin %	EBITDA %	LTM EV/Revenue	CY 2023 EV/Revenue	CY 2023 EV/EBITDA	CY 2024 EV/Revenue	CY 2024 EV/EBITDA
Adobe Inc.	U.S.	\$169,912	\$168,385	\$17,999	9.6%	87.7%	37.3%	9.4x	25.1x	8.7x	17.7x	7.8x
Qualtrics International Inc.	U.S.	\$10,879	\$10,349	\$1,533	15.7%	70.4%	(60.7%)	6.8x	NM	6.1x	43.5x	5.4x
Sprinklr, Inc.	U.S.	\$3,496	\$2,934	\$618	15.2%	73.5%	(7.2%)	4.7x	NM	4.1x	48.9x	3.6x
Sprout Social, Inc.	U.S.	\$2,507	\$2,341	\$272	30.8%	76.9%	(18.4%)	8.6x	NM	7.1x	NM	5.4x
Momentive Global Inc.	U.S.	\$1,418	\$1,449	\$483	1.5%	82.7%	(8.3%)	3.0x	NM	3.0x	16.4x	2.7x
Yext, Inc.	U.S.	\$1,034	\$963	\$401	0.7%	74.1%	(13.0%)	2.4x	NM	2.4x	21.3x	2.2x
LivePerson, Inc.	U.S.	\$332	\$678	\$492	(21.1%)	63.8%	(24.5%)	1.4x	NM	1.7x	33.4x	1.6x
Mean		\$27,083	\$26,728	\$3,114	7.5%	75.6%	(13.5%)	5.2x	25.1x	4.7x	30.2x	4.1x
Median		\$2,507	\$2,341	\$492	9.6%	74.1%	(13.0%)	4.7x	25.1x	4.1x	427.3x	3.6x

Valuation Overview - Recent Precedent M&A Transactions

Date	Acquirer	Target	Target Country	EV	EV / Revenue	EV / EBITDA	Target Description
May-23	Latch	Honest Day's Work	USA	\$22	-	-	Residential workflow management software
Apr-23	Accesso Technology	Paradocs Mountain	Canada	\$7	-	-	Integrated mountain management SaaS
Mar-23	Silver Lake / CPP	Qualtrics International	USA	\$12,500	8.6x	-	Experience management SaaS
Feb-23	RADCOM	Continual (Assets)	Israel	\$3	-	-	Mobility experience analytics SaaS
Jan-23	Skyvera	Sterlite Technologies (Telecom Products Software business)	India	\$15	-	-	Telecom OSS & BSS SaaS
Mean				\$2,509	8.6x	NA	
Median				\$15	8.6x	NA	

Valuation Overview - Recent Capital Raise Transactions³

Date	Lead Investors	Target	Target Country	Round Size	Target Description
May-23	Esas Private Equity, Qatar Investment Authority	Insider	Turkey	\$105	Developer of an online marketing platform intended to optimize marketing spending and target online campaigns
Apr-23	Barr & Co, Craft Ventures	Hootsuite	Canada	\$45	Developer of a social media management platform designed to help organizations in connecting with customers
Mar-23	Rockefeller Capital, Uncorrelated Ventures	LeapXpert	U.S	\$22	Developer of a business communication platform designed to offer instant enterprise messaging
Mar-23	Triangle Tweener Fund	Levitate	U.S	\$16	Operator of a customer relationship management platform
Jan-23	BAM Elevate, HubSpot	OneSignal	U.S	\$50	Developer of customer engagement platform intended to send push notifications

Sources: CapitalIQ and 451 Research
 Notes: 1. Market data as of May 24, 2023
 2. The EV/Revenue >20x and EV/EBITDA >50x are considered "NM" ("not meaningful") for publicly traded comparables
 3. Excludes <\$15M round size capital raise transactions

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